M/I Homes, Inc. and Subsidiaries
Non-GAAP Reconciliation [1]
(Dollars and shares in thousands, except per share amounts)

	Three Months Ended March 31,	
	2019	2018
Total revenue	$ 481,109	$ 437,857
Gross margin	$ 92,642	$ 89,155
Add: Purchase accounting adjustments [2]	428	896
Adjusted gross margin	$ 93,070	$ 90,051
Gross margin percentage	19.3%	20.4%
Adjusted gross margin percentage	19.3%	20.6%
Income before income taxes	$ 23,479	$ 23,873
Add: Purchase accounting adjustments [2]	428	896
Add: Acquisition and integration costs [3]	—	1,700
Adjusted income before income taxes	$ 23,907	$ 26,469
Net income	$ 17,723	$ 18,063
Add: Purchase accounting adjustments - net of tax [2]	317	663
Add: Acquisition and integrations costs - net of tax [3]	—	1,258
Adjusted net income	$ 18,040	$ 19,984

(1) We believe these non-GAAP financial measures are relevant and useful to investors in understanding our operations, and may be helpful in comparing us with other companies in the homebuilding industry to the extent they provide similar information. These non-GAAP financial measures should be used to supplement our GAAP results in order to provide a greater understanding of the factors and trends affecting our operations.

(2) Represents purchase accounting adjustments related to our acquisition of Pinnacle Homes in Detroit, Michigan on March 1, 2018.

(3) Represents costs which include, but are not limited to, legal fees and expenses, travel and communication expenses, cost of appraisals, accounting fees and expenses, and miscellaneous expenses related to our acquisition of Pinnacle Homes. As these costs are not eligible for capitalization as initial direct costs, such amounts are expensed as incurred.