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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Total revenue	$ 623,686	$ 558,098	$ 1,104,795	$ 995,955
Gross margin	$ 119,829	$ 108,762	$ 212,471	$ 197,917
Add: Acquisition-related charges (2)	129	2,961	557	3,857
Adjusted gross margin	$ 119,958	$ 111,723	$ 213,028	$ 201,774
Gross margin percentage	19.2%	19.5%	19.2%	19.9%
Adjusted gross margin percentage	19.2%	20.0%	19.3%	20.3%
Income before income taxes	$ 41,203	$ 33,531	$ 64,682	$ 57,404
Add: Acquisition-related charges (2)	129	2,961	557	3,857
Add: Acquisition and integration costs (3)	—	—	—	1,700
Adjusted income before income taxes	$ 41,332	$ 36,492	$ 65,239	$ 62,961
Net income	$ 30,246	$ 27,911	$ 47,969	$ 45,974
Add: Acquisition-related charges - net of tax (2)	95	2,191	412	2,854
Add: Acquisition and integrations costs - net of tax (3)	—	—	—	1,258
Adjusted net income	$ 30,341	$ 30,102	$ 48,381	$ 50,086

(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 acquisition-related charges 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.