MDC Holdings Reports 35% Increase in Second Quarter Earnings

- Record quarterly earnings per share of $1.56 vs. $1.20 a year ago - Highest second quarter and first half net income in Company history - Record revenues, home closings and quarter-end backlog - Second quarter homebuilding profits of $70 million, up 34% - Record home gross margins of 23.7%, a 150 basis point increase - Net debt-to-capital ratio reduced to .34 from .37 - Interest coverage increased to 13.3 from 10.5

PRNewswire
DENVER

M.D.C. Holdings, Inc. (www.RichmondAmerican.com) today announced net income for the three months ended June 30, 2001 of $38.8 million, or $1.56 per share, the highest second quarter net income in the Company's history and 35% higher than net income of $28.8 million, or $1.20 per share, for the same period in 2000. Total revenues for the quarter ended June 30, 2001 were a record $508 million, 21% higher than revenues of $420 million for the same period in 2000.

Larry A. Mizel, MDC's chairman and chief executive officer, stated, "We are pleased to report that our operating strategy has proven successful in enabling MDC to produce the highest level of second quarter and six-month operating results in our Company's history. Our capital allocation and operating disciplines have enabled MDC to increase its return on equity to more than 29%, raise our quarterly interest coverage to more than 13 times and build one of the strongest and most liquid balance sheets in the industry. Our financial flexibility recently has been enhanced through the expansion of our unsecured credit facility to $450 million, as we welcomed Wachovia Bank, N.A. and Compass Bank as new participants. These financial achievements, together with our record backlog of 4,372 homes with a sales value of over $1.1 billion, have positioned MDC in 2001 to close more than 8,200 homes and to generate the highest levels of revenues and earnings for any of the Company's 30 years in business."

Net income for the six months ended June 30, 2001 was $68.1 million, or $2.76 per share, 37% higher than the $49.8 million, or $2.05 per share, for the same period in 2000. Net income for the 2000 six-month period included realized, non-recurring after-tax gains of $3.4 million, or $.14 per share, from the sale of certain investments by MDC's captive insurance subsidiary. Total revenues for the six months ended June 30, 2001 reached a record $928 million, representing an increase of 21% from revenues of $767 million for the first six months of 2000.

Record Homebuilding and Mortgage Lending Results

Operating profits from the Company's homebuilding operations increased to $70.0 million and $123.9 million, respectively, for the three and six months ended June 30, 2001, representing increases of 34% and 27%, respectively, compared with $52.4 million and $97.8 million, respectively, for the same periods in 2000. These profit improvements primarily resulted from significant increases in home gross margins and average selling prices (up $39,600 and $30,300, respectively, in the 2001 second quarter and first half). Home gross margins improved to 23.7% and 23.5%, respectively, for the second quarter and first half of 2001, compared with 22.2% and 21.7%, respectively, for the same periods in 2000. Home sales revenues of $497 million and $907 million for the second quarter and first half of 2001 were the highest for comparable periods in the Company's history.

Paris G. Reece III, MDC's executive vice president and chief financial officer, said, "Most of our homebuilding divisions reported significantly improved operating profits in the second quarter and first six months of 2001, compared with 2000. Increased home closings in Phoenix and both Northern and Southern California, as well as substantially higher average selling prices in virtually every market, contributed to these strong profit improvements. In addition, home gross margin increases of more than 250 basis points in every market except Southern California and Arizona raised our average home gross margins before interest to almost 25%. Higher profit contributions from our design centers, increased savings from our national purchasing initiatives and the continued ability to increase selling prices in most of our markets enabled us to mitigate the impact of the rising cost of land."

Reece continued, "Looking forward to the balance of 2001, we anticipate home gross margins in the third and fourth quarters to exceed 22%, although they may not reach the record 23.7% level achieved in the 2001 second quarter."

Operating profits from the Company's mortgage lending operations were $4.7 million and $8.9 million, respectively, for the quarter and six months ended June 30, 2001, compared with $4.0 million and $6.4 million, respectively, for the same periods in 2000. The second quarter improvement in operating profits primarily resulted from increased mortgage loan origination fees and increased gains on sales of mortgage loans, partially offset by lower gains from the sale of mortgage servicing. The Company originated or brokered a record $369 million in mortgage loans for 86% of MDC's home buyers in the 2001 second quarter, compared with $275 million of mortgage loans for 79% of MDC's home buyers in the same period in 2000.

Strengthened Balance Sheet and Improved Operating Efficiency

MDC has one of the strongest balance sheets in the homebuilding industry. The Company's continued success in strengthening its balance sheet and improving its financial position is represented by the achievement of ratios of homebuilding and corporate debt-to-capital and debt-to-EBITDA (as defined below) at June 30, 2001 of .36 and 1.14, respectively. Both of these ratios are among the lowest in the industry. In addition, the Company's strong operating results over the past year increased stockholders' equity by 38% to $572 million, or $23.61 per outstanding share, at June 30, 2001. Further, notwithstanding higher inventory levels needed to support the Company's expanded homebuilding operations, the Company ended the second quarter of 2001 with liquidity of $350 million, 25% higher than at June 30, 2000.

Second quarter and first half 2001 earnings before interest, taxes, depreciation and amortization ("EBITDA") increased to $76.4 million and $136.4 million, respectively, compared with $60.0 million and $108.8 million, respectively, for the same periods in 2000. These EBITDA increases raised the Company's 2001 second quarter and first half ratios of EBITDA to interest incurred to 13.3 and 11.6, respectively, compared with 10.5 and 10.4, respectively, for the comparable 2000 periods.

MDC, whose subsidiaries build homes under the name "Richmond American Homes," is one of the largest homebuilders in the United States. The Company's wholly owned subsidiary HomeAmerican Mortgage Corporation provides mortgage financing primarily for MDC's home buyers. MDC is a major regional homebuilder with a significant presence in some of the country's best housing markets. Richmond American Homes is the largest homebuilder in metropolitan Denver; among the top five homebuilders in northern Virginia, Phoenix, Tucson and Colorado Springs; and among the top ten homebuilders in suburban Maryland, Las Vegas, Southern California and Northern California.

All earnings per share amounts discussed above are on a diluted basis.

Certain statements in this press release, including those related to projected home order and closing levels, revenues, home gross margins and earnings, may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include (1) general economic and business conditions; (2) interest rate changes; (3) the relative stability of debt and equity markets; (4) competition; (5) the availability and cost of land and other raw materials used by the Company in its homebuilding operations; (6) demographic changes; (7) shortages and the cost of labor; (8) weather related slowdowns; (9) slow growth initiatives; (10) building moratoria; (11) governmental regulation, including the interpretation of tax, labor and environmental laws; (12) public utility availability; (13) changes in consumer confidence and preferences; (14) required accounting changes; and (15) other factors over which the Company has little or no control.

M.D.C. HOLDINGS, INC.
Condensed Consolidated Balance Sheets
(In thousands)

	June 30, 2001	December 31, 2000
ASSETS		
Corporate		
Cash and cash equivalents	$25,313	$8,411
Property and equipment, net	3,113	3,069
Deferred income taxes	35,639	31,821
Deferred debt issue costs, net	2,066	2,180
Other assets, net	7,584	8,039
	73,715	53,520
Homebuilding		
Cash and cash equivalents	5,826	5,265
Home sales and other accounts receivable	7,670	4,713
Inventories, net		
Housing completed or under construction	562,861	443,512
Land and land under development	397,704	388,711
Prepaid expenses and other assets, net	51,727	51,631

	1,025,788	893,832
Financial Services		
Cash and cash equivalents	449	439
Mortgage loans held in inventory	116,216	107,151
Other assets, net	3,601	6,656
	120,266	114,246
Total Assets	$1,219,769	$1,061,598
LIABILITIES		
Corporate		
Accounts payable and accrued expenses	$46,676	$50,843
Income taxes payable	2,021	9,558
Senior notes, net	174,473	174,444
	223,170	234,845
Homebuilding		
Accounts payable and accrued expenses	186,582	164,660
Line of credit	147,000	90,000
	333,582	254,660
Financial Services		
Accounts payable and accrued expenses	21,313	15,404
Line of credit	69,807	74,459
	91,120	89,863
Total Liabilities	647,872	579,368
STOCKHOLDERS' EQUITY		
Total Stockholders' Equity	571,897	482,230
Total Liabilities and Stockholders' Equity	$1,219,769	$1,061,598

M.D.C. HOLDINGS, INC.
Condensed Consolidated Statements of Income
(In thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
REVENUES				
Homebuilding	$499,010	$411,942	$910,106	$752,951
Financial Services	8,998	7,430	17,339	13,304
Corporate	227	275	512	550
Total Revenues	$508,235	$419,647	$927,957	$766,805
NET INCOME				
Homebuilding	$69,986	$52,358	$123,917	$97,829
Financial Services	4,726	3,980	8,930	6,429
Operating Profit	74,712	56,338	132,847	104,258
Corporate general and administrative expense, net	(11,283)	(8,240)	(21,404)	(16,519)
Income before income taxes	63,429	48,098	111,443	87,739
Provision for income taxes	(24,586)	(19,289)	(43,317)	(37,909)
Net Income	$38,843	$28,809	$68,126	$49,830
EARNINGS PER SHARE				
Basic	$1.61	$1.22	$2.86	$2.08
Diluted	$1.56	$1.20	$2.76	$2.05

WEIGHTED-AVERAGE SHARES OUTSTANDING				
Basic	24,062	23,625	23,820	23,969
Diluted	24,832	24,004	24,665	24,292
DIVIDENDS PAID PER SHARE	$.07	$.06	$.13	$.12

M.D.C. HOLDINGS, INC.
Information on Business Segments
(In thousands)

	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
Homebuilding				
Home sales	$497,406	$407,459	$907,126	$736,910
Land sales	413	3,050	759	4,543
Other revenues	1,191	1,433	2,221	11,498
Total Homebuilding Revenues	499,010	411,942	910,106	752,951
Home cost of sales	379,572	317,067	694,009	576,894
Land cost of sales	194	1,356	457	2,355
Asset impairment charges	--	800	--	800
Marketing	27,064	23,163	49,917	41,847
General and administrative	22,194	17,198	41,806	33,226
	429,024	359,584	786,189	655,122
Homebuilding Operating Profit	69,986	52,358	123,917	97,829
Financial Services				
Interest revenues	914	571	1,455	1,063
Origination fees	4,467	3,242	8,152	6,038
Gains on sales of mortgage servicing	719	1,372	2,402	1,829
Gains on sales of mortgage loans, net	2,936	2,092	5,510	4,092
Mortgage servicing and other	(38)	153	(180)	282
Total Financial Services Revenues	8,998	7,430	17,339	13,304
General and administrative	4,272	3,450	8,409	6,875
Financial Services Operating Profit	4,726	3,980	8,930	6,429
Total Operating Profit	74,712	56,338	132,847	104,258
Corporate				
Interest and other revenues	227	275	512	550
General and administrative	(11,510)	(8,515)	(21,916)	(17,069)
Net Corporate Expenses	(11,283)	(8,240)	(21,404)	(16,519)
Income Before Income Taxes	$63,429	$48,098	$111,443	$87,739

M.D.C. HOLDINGS, INC.
Selected Financial Data
(Dollars in thousands, except per share amounts)

	June 30, 2001	December 31, 2000	June 30, 2000
BALANCE SHEET DATA			

Stockholders' Equity	$571,897	$482,230	$414,832
Book Value Per Share Outstanding	$23.61	$20.69	$17.66
Homebuilding and Corporate Debt	$321,473	$264,444	$264,416
Ratio of Homebuilding and Corporate Debt to Equity	.56	.55	.64
Total Capital (excluding mortgage lending debt)	$893,370	$746,674	$679,248
Ratio of Homebuilding and Corporate Debt to Total Capital	.36	.35	.39
Ratio of Homebuilding and Corporate Debt (net of cash) to Total Capital	.34	.34	.37
Ratio of Homebuilding and Corporate Debt to EBITDA*	1.14	1.04	1.20
Ratio of Homebuilding and Corporate Debt (net of cash) to EBITDA*	1.03	.98	1.11
Total Liquidity	$350,201	$342,583	$280,939
Total Homebuilding Inventories	$960,565	$832,223	$762,800
Interest Capitalized in Inventories	$19,503	$19,417	$18,037
Interest Capitalized as a Percent of Inventories	2.0%	2.3%	2.4%
Total Lots Owned	12,439	11,633	10,400
Total Lots Under Option	7,746	8,131	8,314
Homes Under Construction (including models)	3,999	3,230	3,724
Active Subdivisions	137	133	129

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
OPERATING DATA				
EBITDA				
Net income	$38,843	$28,809	$68,126	$49,830
Add:				
Income taxes	24,586	19,289	43,317	37,909
Interest in home and land cost of sales	5,994	5,289	11,673	9,861
Other fixed charges	827	895	1,703	1,666
Depreciation and amortization	6,165	4,915	11,541	8,691
Asset impairment charges	--	800	--	800
Total EBITDA	$76,415	$59,997	$136,360	$108,757
Ratio of EBITDA to Interest Incurred	13.3	10.5	11.6	10.4
Homebuilding and Corporate SG&A as a Percent of Home Sales Revenues	12.2%	12.0%	12.5%	12.5%
Interest Incurred	$5,727	$5,711	$11,759	$10,492
Interest Capitalized	$5,727	$5,711	$11,759	$10,492
Interest in Home Cost of Sales as a Percent of Home Sales Revenues	1.2%	1.2%	1.3%	1.3%
Operating Return on Revenues	7.6%	6.9%	7.3%	6.5%
Operating Return on Average Assets*	--	--	13.0%	11.3%
Operating Return on Average Equity*	--	--	29.1%	26.5%

*Rolling 12 months ended

M.D.C. HOLDINGS, INC.
Homebuilding Operational Data
(Dollars in thousands)

	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
Home Sales Revenues	$497,406	$407,459	$907,125	$736,910
Average Selling Price Per Home Closed	$258.5	$218.9	$246.3	$216.0
Home Gross Margins	23.7%	22.2%	23.5%	21.7%
Excluding Interest in Home Cost of Sales	24.9%	23.4%	24.8%	23.0%
Orders For Homes, Net (Units)				
Colorado	639	615	1,607	1,466
California	414	445	855	857
Arizona	534	456	1,266	913
Nevada	162	199	430	432
Virginia	144	186	364	464
Maryland	80	71	178	157
Total	1,973	1,972	4,700	4,289
Homes Closed (Units)				
Colorado	671	798	1,300	1,450
California	375	299	615	518
Arizona	513	364	1,011	689
Nevada	169	166	328	288
Virginia	136	158	306	322
Maryland	60	76	123	145
Total	1,924	1,861	3,683	3,412

	June 30, 2001	December 31, 2000	June 30, 2000
Backlog (Units)			
Colorado	1,692	1,385	1,642
California	748	508	596
Arizona	1,065	747	676
Nevada	300	198	281
Virginia	386	328	432
Maryland	181	126	191
Total	4,372	3,292	3,818
Backlog Estimated Sales Value	$1,110,000	$775,000	$840,000

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SOURCE: M.D.C. Holdings, Inc.

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