M.D.C. Holdings Reports 18% Increase in Third Quarter Earnings

- Net income of $40.5 million, highest for any quarter in Company history - Earnings per share of $1.63 vs. $1.44 a year ago - Company's highest third quarter revenues and home closings - Record homebuilding operating profits of $71.9 million, up 18% - Third quarter home gross margins of 24.2%, a 100 basis point increase - Debt-to-capital ratio reduced to .34 from .43 - Nine-month interest coverage increased to 12.4 from 10.1

PRNewswire
DENVER

M.D.C. Holdings, Inc. (www.RichmondAmerican.com) today announced net income for the three months ended September 30, 2001 of $40.5 million, or $1.63 per share, the highest quarterly net income in the Company's history and 18% higher than net income of $34.3 million, or $1.44 per share, for the same period in 2000. Operating results for the 2000 third quarter were impacted favorably by the reduction in the effective income tax rate for the quarter to 36%, an impact of approximately $.10 per share, as a result of the Company's resolution of an IRS income tax examination. Total revenues for the quarter ended September 30, 2001 were $521 million, 17% higher than revenues of $446 million for the same period in 2000.

Larry A. Mizel, MDC's chairman and chief executive officer, stated, "We are pleased with our record-setting performance in the third quarter and first nine months of 2001, which represents the 15th consecutive quarter for setting new Company highs in operating results. We also are well aware that the world has been changed by the tragic events of September 11th, although it is too soon to speculate on the long-term impact of this tragedy on our economy, our industry and our Company. We have been encouraged by the continued improvement in the levels of home buyer traffic and home orders since the week of the attack, while the number of order cancellations have remained fairly consistent with cancellations during the weeks immediately prior to the attack. Therefore, in 2001, we expect to close more than 8,000 homes and to realize the highest revenues and net income for any year in our Company's history."

Mizel continued, "While we are confident that the leadership of our country will successfully guide our nation through this crisis, our industry and our Company in particular have never been better prepared to respond to the economic challenges that may accompany this conflict. We own a conservatively managed supply of lots that are all active, while controlling almost a year's supply of lots under option at a nominal risk, and we have only a three-week supply of unsold homes. We rank among the industry leaders in operating returns, our leverage ratios are among the lowest in the history of our industry, and our liquidity has risen to $335 million at quarter-end. Each of these factors has contributed to the substantial flexibility we have either to streamline our operations and generate significant levels of cash in a downturn, or to take advantage of opportunities to effectively grow our business in an expanding economy."

Net income for the nine months ended September 30, 2001 was $108.7 million, or $4.39 per share, compared with $84.1 million, or $3.48 per share, for the same period in 2000. In addition to the third quarter impact of the IRS income tax examination settlement discussed above, net income for the 2000 nine-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 nine months ended September 30, 2001 were $1.449 billion, representing an increase of 19% over revenues of $1.213 billion for the first nine months of 2000.

Record Homebuilding Profits

Operating profits from the Company's homebuilding operations increased to $71.9 million and $195.8 million, respectively, for the three and nine months ended September 30, 2001, representing increases of 18% and 23%, respectively, compared with $61.2 million and $159.0 million, respectively, for the same periods in 2000. These profit improvements primarily resulted from higher home gross margins, record home closings and increased average selling prices (up over $19,200 and $26,300, respectively). As previously reported, MDC closed 2,076 homes and 5,759 homes, respectively, for the three and nine months ended September 30, 2001, compared with closings of 1,943 homes and 5,355 homes, respectively, for the same periods in 2000. Home gross margins improved to 24.2% and 23.7%, respectively, for the third quarter and first nine months of 2001, compared with 23.2% and 22.3%, respectively, for the same periods in 2000.

Operating profits for the quarter and nine months ended September 30, 2001 were impacted adversely by a non-cash, pre-tax asset impairment charge of $2.9 million, compared with an asset impairment charge of $800,000 for the nine months ended September 30, 2000. The third quarter 2001 charge resulted from the write-down to fair market value of two homebuilding projects in the San Francisco Bay area. Each of these projects has homes with prices averaging over $750,000, and each has experienced a much slower than anticipated home order pace and significantly increased sales incentive requirements. These subdivisions are the Company's only two subdivisions selling at this high a price point in this market.

Paris G. Reece III, MDC's executive vice president and chief financial officer, said, "All of our homebuilding divisions were profitable in the 2001 third quarter, with most divisions achieving substantial improvements over their 2000 third quarter operating results. Contributing to these profit improvements were increases in average selling prices of more than $30,000 in Las Vegas, Northern California, Virginia and Maryland, and significantly higher home closings in Phoenix, which were up over 70%."

Reece continued, "Our home gross margins improved on a year-over-year basis for the 22nd consecutive quarter, lead by significant margin increases in Maryland, Virginia, Southern California and Las Vegas. These margin improvements primarily resulted from the earlier close-out of low margin subdivisions in Maryland, higher profit contributions from our design centers, increased savings from purchasing initiatives and raw material cost reductions, and the benefits of price increases in most of our markets earlier in the year which more than offset the increasing cost of land."

Highest Mortgage Lending Profits in Company History

Operating profits from the Company's mortgage lending operations were $5.8 million and $14.7 million, respectively, for the quarter and nine months ended September 30, 2001, representing the highest levels of third quarter and nine-month operating profits from mortgage lending in the Company's history. Mortgage lending operating profits for the quarter and nine months ending September 30, 2000 were $3.4 million and $9.8 million, respectively.

The 2001 operating profit increases primarily resulted from higher origination fees received from the record levels of mortgage loans originated and brokered for MDC home buyers. The Company originated or brokered $372.9 million and $1.038 billion, respectively, in mortgage loans for 85% of MDC's home buyers in the quarter and nine months ended September 30, 2001, compared with $300.3 million and $809.1 million, respectively, for 81% and 80%, respectively, of MDC's home buyers for the same periods in 2000. Operating profits for the 2001 periods also were impacted favorably by higher gains on sales of mortgage loans, compared with the third quarter and first nine months of 2000.

Balance Sheet Strength and Improved Operating Efficiency

MDC has one of the strongest balance sheets and financial positions in the homebuilding industry. This is represented by the achievement of ratios of homebuilding and corporate debt-to-capital and debt-to-EBITDA, as adjusted (as defined below) at September 30, 2001 of .34 and 1.07, respectively. These ratios are not only the lowest levels ever achieved by MDC at a time generally considered to be a seasonal peak for inventories and debt levels, they are among the lowest in the industry. In addition, the Company's strong operating results over the past year increased stockholders' equity to $607 million, or $25.16 per outstanding share, at September 30, 2001. Further, notwithstanding higher inventory levels needed to support the Company's expanded homebuilding operations, the Company ended the third quarter of 2001 with liquidity of $335 million, 31% higher than at September 30, 2000.

Earnings before interest, taxes, depreciation and amortization ("EBITDA, as adjusted") for the third quarter and first nine months of 2001 increased to $82.9 million and $219.3 million, respectively, compared with $66.6 million and $175.4 million, respectively, for the same periods in 2000. These increases contributed to the increase in the ratio of EBITDA, as adjusted, to interest incurred to 12.4 for the nine months ended September 30, 2001, compared with 10.1 for the same period in 2000.

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 Colorado; among the top five homebuilders in northern Virginia, Phoenix and Tucson; among the top ten homebuilders in suburban Maryland, Las Vegas and Northern California; and has a significant market share in six Southern California counties.

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

Certain statements in this press release, including those related to projected home closing levels, revenues 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) changes in consumer confidence and preferences; (13) required accounting changes; (14) actual or threatened terrorist acts and other acts of war and the results thereof; and (15) other factors over which the Company has little or no control.

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

	September 30, 2001	December 31, 2000
ASSETS		
Corporate		
Cash and cash equivalents	$11,676	$8,411
Property and equipment, net	2,895	3,069
Deferred income taxes	34,719	31,821
Deferred debt issue costs, net	2,007	2,180
Other assets, net	7,908	8,039
	59,205	53,520
Homebuilding		
Cash and cash equivalents	5,546	5,265
Home sales and other accounts receivable	8,359	4,713
Inventories, net		
Housing completed or under construction	596,300	443,512
Land and land under development	433,890	388,711
Prepaid expenses and other assets, net	49,587	51,631
	1,093,682	893,832
Financial Services		
Cash and cash equivalents	528	439
Mortgage loans held in inventory	106,042	107,151
Other assets, net	5,682	6,656
	112,252	114,246
Total Assets	$1,265,139	$1,061,598
LIABILITIES		
Corporate		
Accounts payable and accrued expenses	$49,351	$50,843
Income taxes payable	25,628	9,558
Senior notes, net	174,488	174,444
	249,467	234,845
Homebuilding		
Accounts payable and accrued expenses	192,088	164,660
Line of credit	145,000	90,000
	337,088	254,660
Financial Services		
Accounts payable and accrued expenses	22,872	15,404
Line of credit	48,334	74,459
	71,206	89,863
Total Liabilities	657,761	579,368
STOCKHOLDERS' EQUITY		
Total Stockholders' Equity	607,378	482,230
Total Liabilities and Stockholders' Equity	$1,265,139	$1,061,598

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000

REVENUES				
Homebuilding	$511,008	$438,818	$1,421,114	$1,191,769
Financial Services	10,081	7,203	27,420	20,507
Corporate	223	218	735	768
Total Revenues	$521,312	$446,239	$1,449,269	$1,213,044
NET INCOME				
Homebuilding	$71,914	$61,195	$195,831	$159,024
Financial Services	5,750	3,370	14,680	9,799
Operating Profit	77,664	64,565	210,511	168,823
Corporate general and administrative expense, net	(10,874)	(10,950)	(32,278)	(27,469)
Income before income taxes	66,790	53,615	178,233	141,354
Provision for income taxes	(26,265)	(19,355)	(69,582)	(57,264)
Net Income	$40,525	$34,260	$108,651	$84,090
EARNINGS PER SHARE				
Basic	$1.67	$1.47	$4.54	$3.54
Diluted	$1.63	$1.44	$4.39	$3.48
WEIGHTED-AVERAGE SHARES OUTSTANDING				
Basic	24,231	23,297	23,958	23,746
Diluted	24,882	23,870	24,739	24,153
DIVIDENDS PAID PER SHARE	$.07	$.06	$.20	$.18

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
Homebuilding				
Home sales	$505,995	$436,174	$1,413,121	$1,173,084
Land sales	2,142	939	2,901	5,482
Other revenues	2,871	1,705	5,092	13,203
Total Homebuilding Revenues	511,008	438,818	1,421,114	1,191,769
Home cost of sales	383,777	334,884	1,077,786	911,778
Land cost of sales	646	842	1,103	3,197
Asset impairment charges	2,900	--	2,900	800
Marketing	28,116	24,230	78,033	66,077
General and administrative	23,655	17,667	65,461	50,893
	439,094	377,623	1,225,283	1,032,745
Homebuilding Operating Profit	71,914	61,195	195,831	159,024
Financial Services				
Interest revenues	901	651	2,356	1,714
Origination fees	4,418	3,535	12,570	9,573
Gains on sales of mortgage servicing	461	706	2,863	2,535
Gains on sales of mortgage loans, net	4,128	2,151	9,638	6,243
Mortgage servicing and other	173	160	(7)	442
Total Financial Services Revenues	10,081	7,203	27,420	20,507
General and administrative	4,331	3,833	12,740	10,708

Financial Services Operating Profit	5,750	3,370	14,680	9,799
Total Operating Profit	77,664	64,565	210,511	168,823
Corporate				
Interest and other revenues	223	218	735	768
General and administrative	(11,097)	(11,168)	(33,013)	(28,237)
Net Corporate Expenses	(10,874)	(10,950)	(32,278)	(27,469)
Income Before Income Taxes	$66,790	$53,615	$178,233	$141,354

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

	September 30, 2001	December 31, 2000	September 30, 2000
BALANCE SHEET DATA			
Stockholders' Equity	$607,378	$482,230	$440,608
Book Value Per Share Outstanding	$25.16	$20.69	$19.04
Homebuilding and Corporate Debt	$319,488	$264,444	$329,430
Ratio of Homebuilding and Corporate Debt to Equity	.53	.55	.75
Total Capital (excluding mortgage lending debt)	$926,866	$746,674	$770,038
Ratio of Homebuilding and Corporate Debt to Total Capital	.34	.35	.43
Ratio of Homebuilding and Corporate Debt (net of cash) to Total Capital	.33	.34	.41
Ratio of Homebuilding and Corporate Debt to EBITDA, as adjusted*	1.07	1.04	1.41
Ratio of Homebuilding and Corporate Debt (net of cash) to EBITDA, as adjusted*	1.01	.98	1.33
Total Liquidity	$334,823	$342,583	$256,350
Total Homebuilding Inventories	$1,030,190	$832,223	$823,262
Interest Capitalized in Inventories	$19,461	$19,417	$18,832
Interest Capitalized as a Percent of Inventories	1.9%	2.3%	2.3%
Total Lots Owned	13,331	11,633	10,098
Total Lots Under Option	7,205	8,131	8,567
Homes Under Construction (including models)	3,854	3,230	3,847
Active Subdivisions	141	133	120

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
OPERATING DATA				
EBITDA, as adjusted				
Net income	$40,525	$34,260	$108,651	$84,090
Add:				
Income taxes	26,265	19,355	69,582	57,264
Interest in home and land cost of sales	5,921	6,041	17,594	15,902
Other fixed charges	979	837	2,682	2,503
Depreciation and amortization	6,348	6,102	17,889	14,793
Asset impairment charges	2,900	--	2,900	800
Total EBITDA, as adjusted	$82,938	$66,595	$219,298	$175,352

Ratio of EBITDA, as adjusted to Interest Incurred	14.1	9.7	12.4	10.1
Homebuilding and Corporate SG&A as a Percent of Home Sales Revenues	12.4%	12.2%	12.5%	12.4%
Interest Incurred	$5,879	$6,836	$17,638	$17,328
Interest Capitalized	$5,879	$6,836	$17,638	$17,328
Interest in Home Cost of Sales as a Percent of Home Sales Revenues	1.1%	1.4%	1.3%	1.3%
Operating Return on Revenues	7.8%	7.7%	7.5%	6.9%
Operating Return on Average Assets*	12.9%	11.8%	N/A	N/A
Operating Return on Average Equity*	28.2%	27.7%	N/A	N/A

*Rolling 12 months ended

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
Home Sales Revenues	$505,995	$436,174	$1,413,121	$1,173,084
Average Selling Price Per Home Closed	$243.7	$224.5	$245.4	$219.1
Home Gross Margins	24.2%	23.2%	23.7%	22.3%
Excluding Interest in Home Cost of Sales	25.3%	24.6%	25.0%	23.6%
Orders For Homes, Net (Units)				
Colorado	494	668	2,101	2,134
California	362	415	1,217	1,272
Arizona	433	573	1,699	1,486
Nevada	161	199	591	631
Virginia	117	177	481	641
Maryland	61	60	239	217
Total	1,628	2,092	6,328	6,381
Homes Closed (Units)				
Colorado	688	702	1,988	2,152
California	433	369	1,048	887
Arizona	611	405	1,622	1,094
Nevada	165	212	493	500
Virginia	107	175	413	497
Maryland	72	80	195	225
Total	2,076	1,943	5,759	5,355

	September 30, 2001	December 31, 2000	September 30, 2000
Backlog (Units)			
Colorado	1,498	1,385	1,608
California	677	508	642

Arizona	887	747	844
Nevada	296	198	268
Virginia	396	328	434
Maryland	170	126	171
Total	3,924	3,292	3,967
Backlog Estimated Sales Value	$1,050,000	$775,000	$930,000

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

Contact: Paris G. Reece III, Chief Financial Officer of M.D.C. Holdings, Inc., +1-303-804-7706, greece@mdch.com; or Rodger Van Allen of Rubenstein Associates, Inc., +1-212-843-8000, rvanallen@rubenstein.com, for M.D.C. Holdings, Inc.

Website: https://www.richmondamerican.com/
