

M.D.C. Holdings Reports 2002 Second Quarter Earnings

- Quarterly earnings per share of \$1.22 vs. analyst consensus of \$1.11 - Second quarter home orders up 40%; active subdivisions increase 20% - Record quarter-end backlog of 4,935 homes with sales value of \$1.3 billion - Debt-to-capital ratio of .32 vs. .36 a year ago - Quarterly interest coverage of almost 14 times - Anticipate 2003 to be a record year, led by more than 10,000 home closings

PRNewswire-FirstCall
DENVER

M.D.C. Holdings, Inc. (<https://www.richmondamerican.com/>) today announced net income for the three months ended June 30, 2002 of \$34.3 million, or \$1.22 per share, on \$509 million in total revenues. MDC reported net income of \$38.8 million, or \$1.42 per share, on total revenues of \$508 million for the same period in 2001.

Larry A. Mizel, MDC's chairman and chief executive officer, stated, "We are pleased to report another quarter of significant growth and profitability, exceeding consensus analyst estimates by 10%. We particularly are proud of our home orders in the quarter, which were 40% higher than in the second quarter of 2001, enabling us to achieve an all-time high quarter-end backlog of almost 5,000 homes with a sales value of \$1.3 billion at June 30th. These increased orders reflect the 20% increase in our active subdivisions, as well as the Company's success in getting model homes open in our new communities in Colorado. We also have benefited from the strength in demand for new homes in growth markets, which has been driven by historically low mortgage rates and a general constraint on the supply of new homes."

Mizel continued, "Equally gratifying to us are the strides we made during this period to facilitate top line and bottom line growth of our Company in 2003 and beyond. We have continued organic expansion in our existing markets, and we have extended our operating model to include the opportunistic entry into new markets. Our recent acquisitions from W.L. Homes LLC (d/b/a John Laing Homes) in Las Vegas and Northern Virginia have accelerated our growth in these markets. In April, we entered the Salt Lake City market by acquiring assets and hiring employees from John Laing Homes as well. Further, our newly formed Dallas/Fort Worth division already has acquired control of over 300 lots in three subdivisions in that market. These accomplishments should contribute to an additional 20% increase in our active subdivision count by the end of 2002, positioning us to close more than 10,000 homes and generate record revenues and profitability in 2003. This anticipated growth will mark the first step toward the achievement of our goal of doubling the size of our Company in five years or less."

Net income for the six months ended June 30, 2002 was \$66.7 million, or \$2.39 per share, on \$966 million in total revenues. Net income for the first six months of 2001 was \$68.1 million, or \$2.51 per share, on total revenues of \$928 million.

Strong Homebuilding and Mortgage Lending Results

Operating profits from the Company's homebuilding operations for the quarter and six months ended June 30, 2002 were \$61.2 million and \$119.1 million, respectively, on home sales revenues of \$497 million and \$942 million, respectively. Homebuilding operating profits for the quarter and six months ended June 30, 2001 were \$70.0 million and \$123.9 million, respectively, on home sales revenues of \$497 million and \$907 million, respectively. For the second quarter and first six months of 2002, the Company's average selling prices were \$254,000 and \$259,500, respectively, and home gross margins were 22.5% and 22.9%, respectively. Average selling prices were \$258,500 and \$246,300, respectively, for the second quarter and first six months of 2001, and the Company posted home gross margins of 23.7% and 23.5%, respectively.

Paris G. Reece III, MDC's executive vice president and chief financial officer, said, "Our home gross margins for the three and six months ended June 30, 2002 were impacted adversely by the rising cost of land, combined with minimal home price increases and higher incentives on homes sold in most of our markets during the last half of 2001 and the beginning of 2002. Additionally, we realized lower margins on homes closed in subdivisions acquired from John Laing Homes. These factors will continue to adversely affect MDC's home gross margins for the balance of this year. Over the last several months, we have experienced a greater degree of pricing power and lower incentives offered with respect to homes sold in all of our markets. These improvements have enabled us to keep pace with continued increases in the cost of buildable lots."

Operating profits from the Company's mortgage lending operations were \$5.2 million and \$10.2 million, respectively, for the quarter and six months ended June 30, 2002, compared with profits of \$4.7 million and \$8.9 million, respectively, for the same periods in 2001. The profit improvements in 2002 primarily resulted from increased gains on sales of mortgage loans.

Strengthened Balance Sheet and Improved Operating Efficiency

The Company continued to strengthen its balance sheet and improve the efficiency of its operations in the second quarter of 2002. This success is represented by the achievement of ratios of homebuilding and corporate debt-to-capital and debt-to-EBITDA (as defined below) at June 30, 2002 of .32 and 1.09, respectively. Both of these ratios are among the lowest in the industry. In addition, the Company's strong operating results over the past year have increased MDC's stockholders' equity by 28% to \$730 million, or \$27.01 per outstanding share, at June 30, 2002. Further, the Company ended the second quarter of 2002 with liquidity of \$308 million.

Second quarter and first half 2002 earnings before interest, taxes, depreciation and amortization ("EBITDA") was \$67.2 million and \$130.9 million, respectively, compared with \$76.4 million and \$136.4 million, respectively, for the same periods in 2001. Reduced interest incurred, primarily resulting from lower interest rates, raised the Company's 2002 second quarter and first half ratios of EBITDA to interest incurred to 13.7 and 14.6, respectively, from 13.3 and 11.6, respectively, for the comparable 2001 periods.

MDC, whose subsidiaries build homes under the name "Richmond American Homes," is one of the largest homebuilders in the United States. The Company also provides mortgage financing, primarily for MDC's homebuyers, through its wholly owned subsidiary, HomeAmerican Mortgage Corporation. MDC is a major regional homebuilder with a significant presence in some of the country's best housing markets. The Company is the largest homebuilder in Colorado; among the top five homebuilders in Northern Virginia, Phoenix, Tucson and Las Vegas; among the top ten homebuilders in suburban Maryland, Northern California and Southern California; and has recently entered the Salt Lake City and Dallas/Fort Worth markets.

Certain statements in this release 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, among other things, (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) the availability and cost of insurance covering risks associated with our business; (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) terrorist acts and other acts of war; 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, 2002 | December 31, 2001 |
|--|--------------------|----------------------|
| ASSETS | | |
| Corporate | | |
| Cash and cash equivalents | \$16,150 | \$31,322 |
| Property and equipment, net | 9,770 | 2,723 |
| Deferred income taxes | 29,669 | 30,081 |
| Deferred debt issue costs, net | 1,822 | 1,947 |
| Other assets, net | 6,016 | 7,597 |
| | 63,427 | 73,670 |
| Homebuilding | | |
| Cash and cash equivalents | 5,776 | 4,760 |
| Home sales and other accounts receivable | 11,700 | 2,621 |
| Inventories, net | | |
| Housing completed or under construction | 587,568 | 456,752 |
| Land and land under development | 582,385 | 450,502 |
| Prepaid expenses and other assets, net | 57,186 | 49,544 |
| | 1,244,615 | 964,179 |
| Financial Services | | |
| Cash and cash equivalents | 695 | 518 |
| Mortgage loans held in inventory | 104,103 | 144,971 |
| Other assets, net | 4,073 | 7,618 |
| | 108,871 | 153,107 |
| Total Assets | \$1,416,913 | \$1,190,956 |

LIABILITIES

Corporate

| | | |
|---------------------------------------|----------|----------|
| Accounts payable and accrued expenses | \$50,972 | \$61,135 |
| Income taxes payable | 11,248 | 9,953 |
| Senior notes, net | 174,535 | 174,503 |
| | 236,755 | 245,591 |

Homebuilding

| | | |
|---------------------------------------|---------|---------|
| Accounts payable and accrued expenses | 206,941 | 174,955 |
| Line of credit | 165,000 | -- |
| Notes payable | 117 | -- |
| | 372,058 | 174,955 |

Financial Services

| | | |
|---------------------------------------|--------|---------|
| Accounts payable and accrued expenses | 26,823 | 16,937 |
| Line of credit | 50,949 | 99,642 |
| | 77,772 | 116,579 |

| | | |
|-------------------|---------|---------|
| Total Liabilities | 686,585 | 537,125 |
|-------------------|---------|---------|

STOCKHOLDERS' EQUITY

| | | |
|----------------------------|---------|---------|
| Total Stockholders' Equity | 730,328 | 653,831 |
|----------------------------|---------|---------|

| | | |
|--|-------------|-------------|
| Total Liabilities and Stockholders' Equity | \$1,416,913 | \$1,190,956 |
|--|-------------|-------------|

M.D.C. HOLDINGS, INC.

Condensed Consolidated Statements of Income (In thousands, except per share amounts)

| | Three Months Ended | | Six Months Ended | |
|--------------------|--------------------|-----------|------------------|-----------|
| | June 30, 2002 | 2001 | June 30, 2002 | 2001 |
| REVENUES | | | | |
| Homebuilding | \$499,171 | \$499,010 | \$945,932 | \$910,106 |
| Financial Services | 9,896 | 8,998 | 19,277 | 17,339 |
| Corporate | 363 | 227 | 595 | 512 |
| Total Revenues | \$509,430 | \$508,235 | \$965,804 | \$927,957 |

NET INCOME

| | | | | |
|--------------------|----------|----------|-----------|-----------|
| Homebuilding | \$61,215 | \$69,986 | \$119,059 | \$123,917 |
| Financial Services | 5,185 | 4,726 | 10,215 | 8,930 |

| | | | | |
|------------------|--------|--------|---------|---------|
| Operating Profit | 66,400 | 74,712 | 129,274 | 132,847 |
|------------------|--------|--------|---------|---------|

Corporate general and administrative

| | | | | |
|--------------|----------|----------|----------|----------|
| expense, net | (10,071) | (11,283) | (19,899) | (21,404) |
|--------------|----------|----------|----------|----------|

Income before income

| | | | | |
|-------|--------|--------|---------|---------|
| taxes | 56,329 | 63,429 | 109,375 | 111,443 |
|-------|--------|--------|---------|---------|

Provision for income

| | | | | |
|-------|----------|----------|----------|----------|
| taxes | (21,993) | (24,586) | (42,703) | (43,317) |
|-------|----------|----------|----------|----------|

| | | | | |
|------------|----------|----------|----------|----------|
| Net Income | \$34,336 | \$38,843 | \$66,672 | \$68,126 |
|------------|----------|----------|----------|----------|

EARNINGS PER SHARE

| | | | | |
|---------|--------|--------|--------|--------|
| Basic | \$1.27 | \$1.47 | \$2.48 | \$2.60 |
| Diluted | \$1.22 | \$1.42 | \$2.39 | \$2.51 |

WEIGHTED-AVERAGE SHARES OUTSTANDING

| | | | | |
|---------|--------|--------|--------|--------|
| Basic | 27,001 | 26,468 | 26,858 | 26,202 |
| Diluted | 28,102 | 27,316 | 27,949 | 27,132 |

| | | | | |
|--------------------------|--------|--------|--------|--------|
| DIVIDENDS PAID PER SHARE | \$.08 | \$.07 | \$.15 | \$.13 |
|--------------------------|--------|--------|--------|--------|

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---------------------------------------|--------------------------------|-----------|------------------------------|-----------|
| | 2002 | 2001 | 2002 | 2001 |
| Homebuilding | | | | |
| Home sales | \$496,862 | \$497,406 | \$942,029 | \$907,126 |
| Land sales | 746 | 413 | 746 | 759 |
| Other revenues | 1,563 | 1,191 | 3,157 | 2,221 |
| Total Homebuilding Revenues | 499,171 | 499,010 | 945,932 | 910,106 |
| Home cost of sales | 385,053 | 379,572 | 726,114 | 694,009 |
| Land cost of sales | 504 | 194 | 504 | 457 |
| Marketing | 27,682 | 27,064 | 53,345 | 49,917 |
| General and administrative | 24,717 | 22,194 | 46,910 | 41,806 |
| | 437,956 | 429,024 | 826,873 | 786,189 |
| Homebuilding Operating Profit | 61,215 | 69,986 | 119,059 | 123,917 |
| Financial Services | | | | |
| Interest revenues | 941 | 914 | 1,949 | 1,455 |
| Origination fees | 3,992 | 4,467 | 8,221 | 8,152 |
| Gains on sales of mortgage servicing | 481 | 719 | 952 | 2,402 |
| Gains on sales of mortgage loans, net | 4,280 | 2,936 | 7,741 | 5,510 |
| Mortgage servicing and other | 202 | (38) | 414 | (180) |
| Total Financial Services Revenues | 9,896 | 8,998 | 19,277 | 17,339 |
| General and administrative | 4,711 | 4,272 | 9,062 | 8,409 |
| Financial Services Operating Profit | 5,185 | 4,726 | 10,215 | 8,930 |
| Total Operating Profit | 66,400 | 74,712 | 129,274 | 132,847 |
| Corporate | | | | |
| Interest and other revenues | 363 | 227 | 595 | 512 |
| General and administrative | (10,434) | (11,510) | (20,494) | (21,916) |
| Net Corporate Expenses | (10,071) | (11,283) | (19,899) | (21,404) |
| Income Before Income Taxes | \$56,329 | \$63,429 | \$109,375 | \$111,443 |

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

| | June 30, 2002 | December 31, 2001 | June 30, 2001 |
|--|------------------|----------------------|------------------|
| BALANCE SHEET DATA | | | |
| Stockholders' Equity | \$730,328 | \$653,831 | \$571,897 |
| Book Value Per Share Outstanding | \$27.01 | \$24.59 | \$21.46 |
| Homebuilding and Corporate Debt | \$339,652 | \$174,503 | \$321,473 |
| Ratio of Homebuilding and Corporate Debt to Equity | .47 | .27 | .56 |
| Total Capital (excluding mortgage lending debt) | \$1,069,980 | \$828,334 | \$893,370 |

| | | | |
|---|-------------|-----------|-----------|
| Ratio of Homebuilding and Corporate Debt to Total Capital | .32 | .21 | .36 |
| Ratio of Homebuilding and Corporate Debt to Total Capital (net of cash) | .30 | .17 | .34 |
| Ratio of Homebuilding and Corporate Debt to EBITDA* | 1.09 | .55 | 1.14 |
| Ratio of Homebuilding and Corporate Debt (net of cash) to EBITDA* | 1.01 | .43 | 1.03 |
| Total Liquidity | \$308,201 | \$491,770 | \$350,201 |
| Total Homebuilding Inventories | \$1,169,953 | \$907,254 | \$960,565 |
| Interest Capitalized in Inventories | \$17,604 | \$17,358 | \$19,503 |
| Interest Capitalized as a Percent of Inventories | 1.5% | 1.9% | 2.0% |
| Total Lots Owned | 16,773 | 13,524 | 12,439 |
| Total Lots Under Option | 6,403 | 6,059 | 7,746 |
| Homes Under Construction (including models) | 4,118 | 2,783 | 3,999 |
| Active Subdivisions | 165 | 137 | 137 |

| | | | | |
|--|--------------------|------|------------------|------|
| | Three Months Ended | | Six Months Ended | |
| | June 30, | | June 30, | |
| | 2002 | 2001 | 2002 | 2001 |

OPERATING DATA

| | | | | |
|---|----------|----------|-----------|-----------|
| EBITDA | | | | |
| Net income | \$34,336 | \$38,843 | \$66,672 | \$68,126 |
| Add: | | | | |
| Income taxes | 21,993 | 24,586 | 42,703 | 43,317 |
| Interest in home and land cost of sales | 4,248 | 5,994 | 8,710 | 11,673 |
| Other fixed charges | 1,029 | 827 | 1,992 | 1,703 |
| Depreciation and amortization | 5,569 | 6,165 | 10,818 | 11,541 |
| Total EBITDA | \$67,175 | \$76,415 | \$130,895 | \$136,360 |

| | | | | |
|--------------------------------------|------|------|------|------|
| Ratio of EBITDA to Interest Incurred | 13.7 | 13.3 | 14.6 | 11.6 |
|--------------------------------------|------|------|------|------|

| | | | | |
|---|-------|-------|-------|-------|
| Homebuilding and Corporate SG&A as a Percent of Home Sales Revenues | 12.7% | 12.2% | 12.8% | 12.5% |
|---|-------|-------|-------|-------|

| | | | | |
|--|---------|---------|---------|----------|
| Interest Incurred | \$4,915 | \$5,727 | \$8,956 | \$11,759 |
| Interest Capitalized | \$4,915 | \$5,727 | \$8,956 | \$11,759 |
| Interest in Home Cost of Sales as a Percent of Home Sales Revenues | .9% | 1.2% | .9% | 1.3% |

| | | | | |
|-------------------------------------|-------|-------|------|------|
| Operating Return on Revenues | 6.7% | 7.6% | 6.9% | 7.3% |
| Operating Return on Average Assets* | 12.2% | 13.0% | | |
| Operating Return on Average Equity* | 23.7% | 29.1% | | |
| EBIT Return on Capital* | 25.7% | 28.1% | | |

*Rolling 12 months ended June 30

Homebuilding Operational Data
(Dollars in thousands)

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|-----------|------------------|-----------|
| | June 30, 2002 | 2001 | June 30, 2002 | 2001 |
| Home Sales Revenues | \$496,862 | \$497,406 | \$942,029 | \$907,126 |
| Average Selling Price Per Home Closed | \$254.0 | \$258.5 | \$259.5 | \$246.3 |
| Home Gross Margins Excluding Interest in Home Cost of Sales | 22.5% | 23.7% | 22.9% | 23.5% |
| | 23.4% | 24.9% | 23.8% | 24.8% |

Orders For Homes, Net (Units)

| | | | | |
|------------|-------|-------|-------|-------|
| Colorado | 757 | 639 | 1,758 | 1,607 |
| Utah | 31 | -- | 31 | -- |
| California | 633 | 414 | 1,224 | 855 |
| Arizona | 671 | 534 | 1,341 | 1,266 |
| Nevada | 411 | 162 | 618 | 430 |
| Virginia | 176 | 144 | 418 | 364 |
| Maryland | 74 | 80 | 139 | 178 |
| Total | 2,753 | 1,973 | 5,529 | 4,700 |

Homes Closed (Units)

| | | | | |
|------------|-------|-------|-------|-------|
| Colorado | 706 | 671 | 1,315 | 1,300 |
| Utah | 25 | -- | 25 | -- |
| California | 362 | 375 | 654 | 615 |
| Arizona | 446 | 513 | 884 | 1,011 |
| Nevada | 247 | 169 | 388 | 328 |
| Virginia | 104 | 136 | 234 | 306 |
| Maryland | 66 | 60 | 130 | 123 |
| Total | 1,956 | 1,924 | 3,630 | 3,683 |

June 30, December 31, June 30,
2002 2001 2001

Backlog (Units)

| | | | |
|------------|-------|-------|-------|
| Colorado | 1,638 | 1,195 | 1,692 |
| Utah | 47 | -- | -- |
| California | 1,060 | 490 | 748 |
| Arizona | 1,082 | 625 | 1,065 |
| Nevada | 524 | 181 | 300 |
| Virginia | 418 | 234 | 386 |
| Maryland | 166 | 157 | 181 |
| Total | 4,935 | 2,882 | 4,372 |

Backlog Estimated

| | | | |
|-------------|-------------|-----------|-------------|
| Sales Value | \$1,300,000 | \$760,000 | \$1,110,000 |
|-------------|-------------|-----------|-------------|

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

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Web site: <https://www.richmondamerican.com/>

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