

M.D.C. Holdings Reports 21% Increase in Fourth Quarter Earnings; Record Home Orders, Home Closings and Year-End Backlog

- Fourth quarter earnings per share of \$2.08 vs. \$1.73 a year ago

PRNewswire

- Record 2002 net income of \$167.3 million
- Highest quarterly and annual home closings and revenues in Company history
- Fourth quarter home orders up 41%; active subdivisions 30% higher
- Year-end backlog of 4,035 homes with sales value of \$1.120 billion, a 40% increase
- Net debt-to-capital ratio of .27; net debt-to-EBITDA ratio of .90
- Annual interest coverage increased to 15.5 from 14.1; 17.9 in fourth quarter
- EBIT return on capital of 28.8%; net operating return on assets of 12.0%

DENVER, Jan. 9 /[PRNewswire-FirstCall](#)/ -- M.D.C. Holdings, Inc. (www.RichmondAmerican.com), whose subsidiaries build homes under the name "Richmond American Homes," today announced net income for the quarter ended December 31, 2002 of \$57.1 million, or \$2.08 per share -- the highest quarterly net income in the Company's history and 21% higher than net income of \$47.1 million, or \$1.73 per share, for the same period in 2001. Net income for the year ended December 31, 2002 was a record \$167.3 million, or \$6.03 per share, compared with \$155.7 million, or \$5.72 per share, for 2001. MDC achieved record revenues for the quarter and year ended December 31, 2002 of \$771 million and \$2.319 billion, respectively, compared with \$677 million and \$2.126 billion, respectively, for the same periods in 2001.

Larry A. Mizel, MDC's chairman and chief executive officer, stated, "We are pleased to announce the completion of our ninth consecutive year of record revenues and fifth consecutive year of record operating earnings. In 2002, we posted the strongest operating results in our almost 31 years in business, punctuated by a fourth quarter performance that ranks as the best for any quarter in our history. We recorded quarterly and annual highs for revenues, home closings, mortgage originations, and profits from both our homebuilding and mortgage lending businesses. We concluded 2002 with ten consecutive months of record home orders, as well as a year-end backlog that exceeds our previous high, at the end of 2000, by more than 22%. Our 2002 returns on revenues, assets and capital of 7%, 12% and 29%, respectively, rank among the leaders in our industry. And our continued focus on the balance sheet produced leverage and interest coverage ratios that stand among the strongest of our peers."

Mizel continued, "In 2002, we significantly enhanced our liquidity and financial flexibility with the extension and expansion of our unsecured homebuilding credit facility, which this week was increased to its full capacity of \$600 million. In addition, in the fourth quarter, we issued \$150 million of 7%, ten-year senior notes to an investment community that has recognized our operating successes and financial strength. The proceeds of this issuance and our strong December home closings enabled us to end the year with over \$600 million in liquidity for the first time, including no outstanding borrowings on our homebuilding credit facility. This liquidity, combined with our strong balance sheet, record year-end backlog, 30% year-over-year increase in active communities and expanding presence in our growth markets, has positioned us to meet our 2003 objectives of closing more than 10,500 homes and reaching new Company highs for revenues and earnings. These results would keep us on track to achieve our goal, stated at the beginning of 2002, of doubling the size of our Company in less than five years, assuming a stable housing market."

Highest Homebuilding Profits in Company History

Operating profits from the Company's homebuilding operations reached record levels in the quarter and year ended December 31, 2002, increasing to \$101.1 million and \$295.6 million, respectively, compared with \$83.4 million and \$279.3 million, respectively, for the same periods in 2001. The increases in 2002 primarily were attributable to record home closings. MDC closed 2,994 homes and 8,900 homes, respectively, in the fourth

quarter and year ended December 31, 2002, representing increases of 24% and 9% from the 2,415 homes and 8,174 homes, respectively, closed in the same periods in 2001. In addition, no asset impairment charges were taken in the 2002 fourth quarter and full year, while operating profits in the comparable 2001 periods were reduced by non-cash, pre-tax asset impairment charges of \$4.1 million and \$7.0 million, respectively. The profit increases in the 2002 fourth quarter partially were offset by the impact of the decrease in average selling price to \$250,500 in the 2002 fourth quarter from \$274,800 for the same period in 2001. Home gross margins were 22.6% and 23.0%, respectively, for the quarter and year ended December 31, 2002, compared with 22.2% and 23.2% for the same periods in 2001.

Paris G. Reece III, MDC's executive vice president and chief financial officer, said, "Consistent with the sources of our year-over-year increases in home closings, our higher fourth quarter homebuilding profits primarily are attributable to improved results in Northern and Southern California, Phoenix and Las Vegas, reflecting our successful expansion in these markets. The results achieved by our California divisions and Phoenix also were enhanced by significantly improved home gross margins, which, in California, more than offset the impact of lower average selling prices realized in connection with our focus on lower-priced, more-affordable homes. This focus also resulted in lower quarterly year-over-year average selling prices in Las Vegas, Tucson and Colorado, and contributed to prices averaging less than \$180,000 for product offerings in our new Salt Lake City and Dallas/Fort Worth markets."

Record Home Orders and Backlog

The Company received orders, net of cancellations, for 1,931 homes and 9,899 homes, respectively, during the fourth quarter and total year 2002. These home orders were the highest for any fourth quarter and full year in the Company's history and represent increases of 41% and 29% from net orders for 1,373 homes and 7,701 homes, respectively, for the same periods in 2001.

The Company's active subdivisions increased 30% to 178 at December 31, 2002 from 137 at December 31, 2001, including an additional 20 in Phoenix, 11 in Nevada and nine in Virginia. These additional subdivisions, combined with the strong demand for new homes in these markets, contributed to year-over-year increases in fourth quarter home orders of 195% in Nevada, 177% in Virginia and 120% in Phoenix. An improved demand for new homes also contributed to a 41% year-over-year increase in fourth quarter home orders in Southern California from a consistent level of active subdivisions. In Colorado, home orders were lower in the fourth quarter of 2002, compared with the same period in 2001, primarily due to a more challenging economic environment in this market.

In December 2002, the Company received 522 net home orders, compared with net orders for 454 homes received in December 2001. December 2002 home orders particularly were strong in Nevada, Virginia and Phoenix (up 185%, 63% and 58%, respectively), as well as in Maryland and Southern California (with orders up 15% and 13%). In Colorado, the Company received net orders for 86 homes in December 2002, compared with 166 home orders received in December 2001, from the same number of active subdivisions.

Record home orders in each of the last four quarters enabled the Company to end 2002 with a record year-end backlog of 4,035 homes with an estimated sales value of \$1.120 billion, compared with a backlog of 2,882 homes with an estimated sales value of \$760 million at December 31, 2001.

Mortgage Lending Operations Achieve Record Results

Operating profits from the Company's mortgage lending operations were \$8.1 million and \$24.2 million, respectively, for the quarter and year ended December 31, 2002, representing the highest quarterly and total year operating profits from mortgage lending in the Company's history. Mortgage lending operating profits for the quarter and year ended December 31, 2001 were \$6.4 million and \$21.1 million, respectively. The operating profit improvements in the 2002 periods primarily resulted from higher gains on sales of mortgage loans and increased origination fees received from record levels of mortgage loans originated and brokered for MDC home buyers. The Company originated or brokered a total of \$514.6 million and \$1.543 billion, respectively, in mortgage loans in the three and twelve months ended December 31, 2002, compared with \$460.5 million and \$1.499 billion, respectively, in mortgage loans in the same periods in 2001.

Increased Balance Sheet Strength and Improved Operating Efficiency

MDC maintains one of the strongest balance sheets in the homebuilding industry, and the Company's financial position continued to strengthen throughout 2002. MDC concluded 2002 with ratios of homebuilding and corporate net debt-to-capital and net debt-to-EBITDA, as adjusted (as defined below), of .27 and .90, respectively. The Company's strong 2002 operating results increased stockholders' equity by 22% to \$801 million, or \$30.29 per outstanding share, at December 31, 2002. This stockholders' equity amount also reflects the repurchase during 2002 of 789,000 shares of MDC common stock for an aggregate price of \$29.4 million. Further, the Company ended 2002 with \$619 million in liquidity, 26% higher than at December 31, 2001.

During the quarter and year ended December 31, 2002, earnings before interest, taxes, depreciation, amortization and non-cash charges ("EBITDA, as adjusted") increased to \$111.8 million and \$326.2 million, respectively, compared with \$98.8 million and \$318.0 million, respectively, for the same periods in 2001. The increased EBITDA, as adjusted, contributed to the improvement in the Company's ratio of EBITDA, as adjusted, to interest incurred to 15.5 for the year ended December 31, 2002 from 14.1 for 2001.

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) 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)

	December 31, 2002	2001
ASSETS		
Corporate		
Cash and cash equivalents	\$23,164	\$31,322
Property and equipment, net	10,851	2,723
Deferred income taxes	25,980	30,081
Deferred debt issue costs, net	3,305	1,947
Other assets, net	6,708	7,597
	70,008	73,670
Homebuilding		
Cash and cash equivalents	4,686	4,760
Home sales and other accounts receivable	3,519	2,621
Inventories, net		
Housing completed or under construction	578,475	456,752
Land and land under development	656,843	450,502
Prepaid expenses and other assets, net	65,936	49,544
	1,309,459	964,179
Financial Services		
Cash and cash equivalents	1,092	518
Mortgage loans held in inventory	207,938	144,971
Other assets, net	6,683	7,618
	215,713	153,107
Total Assets	\$1,595,180	\$1,190,956
LIABILITIES		
Corporate		
Accounts payable and accrued expenses	\$63,871	\$61,135
Income taxes payable	21,571	9,953
Senior notes, net	322,990	174,503
	408,432	245,591
Homebuilding		
Accounts payable and accrued expenses	210,601	174,955
Line of credit	--	--

210,601	174,955
---------	---------

Financial Services

Accounts payable and accrued expenses	21,506	16,937
Line of credit	154,074	99,642
	175,580	116,579
Total Liabilities	794,613	537,125

STOCKHOLDERS' EQUITY

Total Stockholders' Equity	800,567	653,831
----------------------------	---------	---------

Total Liabilities and Stockholders' Equity	\$1,595,180	\$1,190,956
--	-------------	-------------

M.D.C. HOLDINGS, INC.

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

Three Months Ended		Year Ended	
December 31,		December 31,	
2002	2001	2002	2001

REVENUES

Homebuilding	\$755,877	\$665,230	\$2,272,195	\$2,086,344
Financial Services	14,919	11,146	45,356	38,566
Corporate	226	229	973	964
Total Revenues	\$771,022	\$676,605	\$2,318,524	\$2,125,874

NET INCOME

Homebuilding	\$101,073	\$83,436	\$295,604	\$279,267
Financial Services	8,074	6,436	24,194	21,116
Operating Profit	109,147	89,872	319,798	300,383
Corporate general and administrative expense, net	(15,509)	(12,718)	(45,754)	(44,996)
Income before income taxes	93,638	77,154	274,044	255,387
Provision for income taxes	(36,564)	(30,090)	(106,739)	(99,672)
Net Income	\$57,074	\$47,064	\$167,305	\$155,715

EARNINGS PER SHARE

Basic	\$2.14	\$1.77	\$6.25	\$5.89
Diluted	\$2.08	\$1.73	\$6.03	\$5.72

WEIGHTED-AVERAGE SHARES

OUTSTANDING

Basic	26,626	26,562	26,767	26,421
Diluted	27,379	27,226	27,754	27,232

DIVIDENDS PAID

PER SHARE	\$.08	\$.07	\$.31	\$.27
-----------	--------	--------	--------	--------

M.D.C. HOLDINGS, INC.

Information on Business Segments (In thousands)

Three Months Ended		Year Ended	
December 31,		December 31,	
2002	2001	2002	2001

Homebuilding

Home sales	\$750,067	\$663,686	\$2,260,291	\$2,076,807
Land sales	3,791	8	6,022	2,909
Other revenues	2,019	1,536	5,882	6,628
Total Homebuilding Revenues	755,877	665,230	2,272,195	2,086,344

Home cost of sales	580,294	516,626	1,741,449	1,594,412
Land cost of sales	2,859	2	4,600	1,105
Asset impairment charges	--	4,141	--	7,041

Marketing	39,921	36,096	125,060	114,129
General and administrative	31,730	24,929	105,482	90,390
	654,804	581,794	1,976,591	1,807,077
Homebuilding				
Operating Profit	101,073	83,436	295,604	279,267

Financial Services

Net interest income	1,354	1,188	4,348	3,544
Origination fees	5,987	5,002	18,771	17,572
Gains on sales of mortgage servicing	413	425	1,773	3,288
Gains on sales of mortgage loans, net	6,944	4,285	19,587	13,923
Mortgage servicing and other	221	246	877	239
Total Financial Services Revenues	14,919	11,146	45,356	38,566

General and administrative	6,845	4,710	21,162	17,450
Financial Services				
Operating Profit	8,074	6,436	24,194	21,116

Total Operating

Profit	109,147	89,872	319,798	300,383
--------	---------	--------	---------	---------

Corporate

Interest and other revenues	226	229	973	964
General and administrative	(15,735)	(12,947)	(46,727)	(45,960)
Net Corporate Expenses	(15,509)	(12,718)	(45,754)	(44,996)

Income Before

Income Taxes	\$93,638	\$77,154	\$274,044	\$255,387
--------------	----------	----------	-----------	-----------

M.D.C. HOLDINGS, INC.

Selected Financial Data

(Dollars in thousands, except per share amounts)

December 31,
2002 2001 2000

BALANCE SHEET DATA

Stockholders' Equity	\$800,567	\$653,831	\$482,230
Book Value Per Share Outstanding	\$30.29	\$24.59	\$18.81
Homebuilding and Corporate Debt	\$322,990	\$174,503	\$264,444
Ratio of Homebuilding and Corporate Debt to Equity	.40	.27	.55
Total Capital (excluding mortgage lending debt)	\$1,123,557	\$828,334	\$746,674
Ratio of Homebuilding and Corporate Debt to Total Capital	.29	.21	.35
Ratio of Homebuilding and Corporate Debt to Total Capital (net of cash)	.27	.17	.34
Ratio of Homebuilding and Corporate Debt to EBITDA, as adjusted	.99	.55	1.04
Ratio of Homebuilding and Corporate Debt (net of cash) to EBITDA, as adjusted	.90	.43	.98
Total Liquidity	\$618,774	\$491,770	\$342,583
Total Homebuilding Inventories	\$1,235,318	\$907,254	\$832,223
Interest Capitalized in Inventories	\$17,783	\$17,358	\$19,417
Interest Capitalized as a Percent of Inventories	1.4%	1.9%	2.3%
Total Lots Owned	16,962	13,524	11,633
Total Lots Under Option	6,995	6,059	8,131
Homes Under Construction			

(including models)	3,751	2,783	3,230
Active Subdivisions	178	137	133

	Three Months Ended December 31,		Year Ended December 31,	
	2002	2001	2002	2001
OPERATING DATA				
EBITDA, as adjusted				
Net income	\$57,074	\$47,064	\$167,305	\$155,715
Add:				
Income taxes	36,564	30,090	106,739	99,672
Interest in home and land cost of sales	7,413	6,963	20,691	24,557
Other fixed charges	1,218	936	4,516	3,618
Depreciation and amortization	9,541	9,556	26,907	27,445
Asset impairment charges	--	4,141	--	7,041
Total EBITDA, as adjusted	\$111,810	\$98,750	\$326,158	\$318,048
Ratio of EBITDA, as adjusted to Interest Incurred	17.9	20.3	15.5	14.1
Homebuilding and Corporate SG&A as a Percent of Home Sales Revenues	11.7%	11.2%	12.3%	12.1%
Homebuilding and corporate interest incurred	\$6,253	\$4,860	\$21,116	\$22,498
Interest Capitalized	\$6,253	\$4,860	\$21,116	\$22,498
Interest in Home Cost of Sales as a Percent of Home Sales Revenues	.9%	1.0%	.9%	1.2%
Operating Return on Revenues	7.4%	7.0%	7.2%	7.3%
Operating Return on Average Assets	N/A	N/A	12.0%	13.3%
Operating Return on Average Equity	N/A	N/A	23.0%	27.4%
EBIT Return on Capital	N/A	N/A	28.8%	33.3%

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

	Three Months Ended December 31,		Year Ended December 31,	
	2002	2001	2002	2001
Home Sales Revenues	\$750,067	\$663,686	\$2,260,291	\$2,076,807
Average Selling Price Per Home Closed	\$250.5	\$274.8	\$254.0	\$254.1
Home Gross Margins Excluding Interest in Home Cost of Sales	22.6%	22.2%	23.0%	23.2%
	23.5%	23.2%	23.9%	24.4%
Orders For Homes, net (Units)				
Colorado	382	515	2,681	2,616
Utah	34	--	111	--
California	387	302	2,086	1,519
Arizona	573	339	2,669	2,038
Nevada	283	96	1,260	687
Virginia	194	70	798	551
Maryland	63	51	277	290

Texas	15	--	17	--
Total	1,931	1,373	9,899	7,701

Homes Closed (Units)

Colorado	814	818	2,919	2,806
Utah	38	--	102	--
California	606	489	1,654	1,537
Arizona	784	601	2,218	2,223
Nevada	510	211	1,204	704
Virginia	188	232	556	645
Maryland	53	64	246	259
Texas	1	--	1	--
Total	2,994	2,415	8,900	8,174

December 31, 2002 December 31, 2001

Backlog (Units)

Colorado	957	1,195
Utah	50	--
California	922	490
Arizona	1,076	625
Nevada	350	181
Virginia	476	234
Maryland	188	157
Texas	16	--
Total	4,035	2,882

Backlog Estimated

Sales Value	\$1,120,000	\$760,000
-------------	-------------	-----------

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 Scott Tagliarino of Rubenstein Associates, Inc., +1-212-843-8000, stagliarino@rubenstein.com, for M.D.C. Holdings, Inc.

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

<https://ir.richmondamerican.com/2003-01-09-M-D-C-Holdings-Reports-21-Increase-in-Fourth-Quarter-Earnings-Record-Home-Orders-Home-Closings-and-Year-End-Backlog>