



2020

M.D.C. Holdings, Inc.
May 5, 2020

First Quarter Earnings Webcast

Forward Looking Statements

Certain statements in this release, including statements regarding our business, financial condition, results of operation, cash flows, strategies and prospects, 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 MDC 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 conditions, including the impact of COVID-19 pandemic, changes in consumer confidence, inflation or deflation and employment levels; (2) changes in business conditions experienced by MDC, including restrictions on business activities resulting from the COVID-19 pandemic, cancellation rates, net home orders, gross margins from home sales, land and home values and subdivision counts; (3) changes in interest rates, mortgage lending programs and the availability of credit; (4) changes in the market value of MDC's investments in marketable securities; (5) uncertainty in the mortgage lending industry, including repurchase requirements associated with HomeAmerican Mortgage Corporation's sale of mortgage loans (6) the relative stability of debt and equity markets; (7) competition; (8) the availability and cost of land and other raw materials used by MDC in its homebuilding operations; (9) the availability and cost of performance bonds and insurance covering risks associated with our business; (10) shortages and the cost of labor; (11) weather related slowdowns and natural disasters; (12) slow growth initiatives; (13) building moratoria; (14) governmental regulation, including orders addressing the COVID-19 pandemic, the interpretation of tax, labor and environmental laws; (15) terrorist acts and other acts of war; (16) changes in energy prices; and (17) other factors over which MDC has little or no control. Additional information about the risks and uncertainties applicable to MDC's business is contained in MDC's Form 10-Q for the quarter ended March 31, 2020, which is scheduled to be filed with the Securities and Exchange Commission today. All forward-looking statements made in this press release are made as of the date hereof, and the risk that actual results will differ materially from expectations expressed in this press release will increase with the passage of time. MDC undertakes no duty to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. However, any further disclosures made on related subjects in our subsequent filings, releases or webcasts should be consulted.

It should also be noted that SEC Regulation G requires that certain information accompany the use of non-GAAP financial measures. Any information required by Regulation G will be posted on our web site, www.mdcholdings.com.



Comments on COVID-19

- Significant slowdown in traffic and order activity beginning in mid-March
 - Some improvement in second half of April
- Operational changes
 - Focus on safety for employees, subcontractors and customers
 - Work-from-home arrangements for most employees; generally no travel
 - Virtual processes as needed for key operational activities such as model home tours, Home Gallery appointments and pre-closing walk-throughs (varies by market)
 - Deferring non-urgent warranty work
 - Extensive education on social distancing
- Cash Management
 - Extending closing date of many planned land purchases
 - Modifying timing and phasing of some development activities
 - Reducing operating costs

Financial Position Highlights

- Total liquidity of \$1.41 billion at March 31, 2020
 - Total cash and investments of \$452.8 million
 - \$959.3 million of availability under homebuilding line of credit (total facility size of \$1.0 billion; maturity of December 2023)
- No senior note maturities until 2024
- Approximately 90% of our work-in-process inventory balance (excluding models) at the end of March was sold
- Quarterly cash dividend of thirty-three cents (\$0.33) per share declared on April 1, 2020, up 10% from prior year

Overview – Q1 2020 vs. Q1 2019

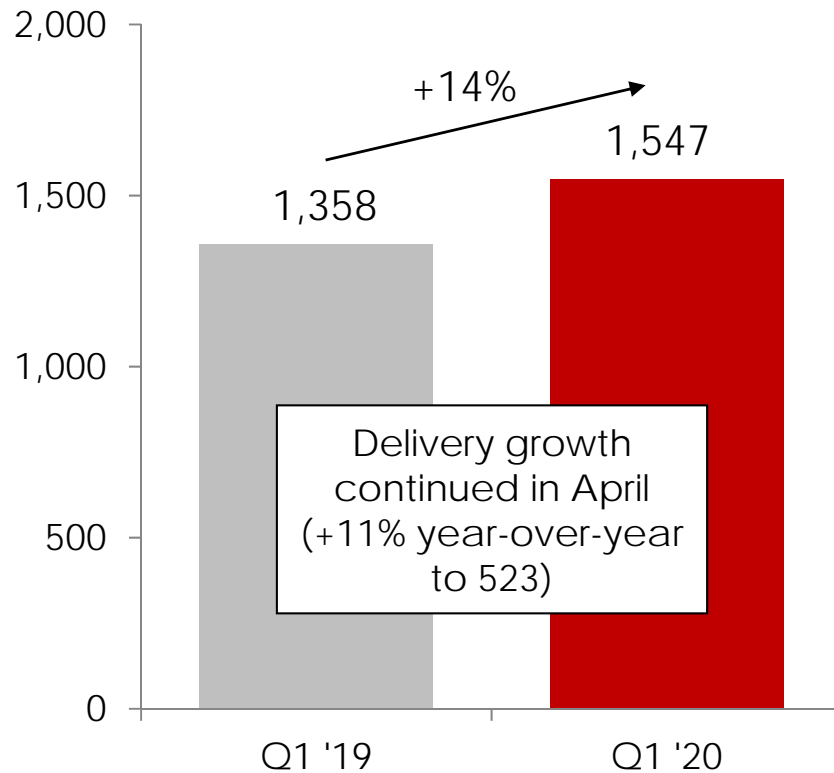
- Homebuilding pretax income increased 21% to \$49.7 million from \$41.1 million
 - Home sale revenues up 8% to \$697.1 million from \$647.3 million
 - Gross margin from home sales increased 100 basis points to 19.9% from 18.9%
- Mortgage operations pretax income increased 65% to \$8.2 million from \$5.0 million
- Other financial services pretax loss of \$9.4 million vs pretax income of \$9.6 million
 - Unrealized losses on equity securities of \$13.9 million vs. unrealized gains of \$4.6 million
- Net income of \$36.8 million, or \$0.56 per diluted share vs. \$40.6 million or \$0.64 per diluted share
 - Effective tax rate of 24.3% vs 27.1%



Homes Delivered and Average Selling Price

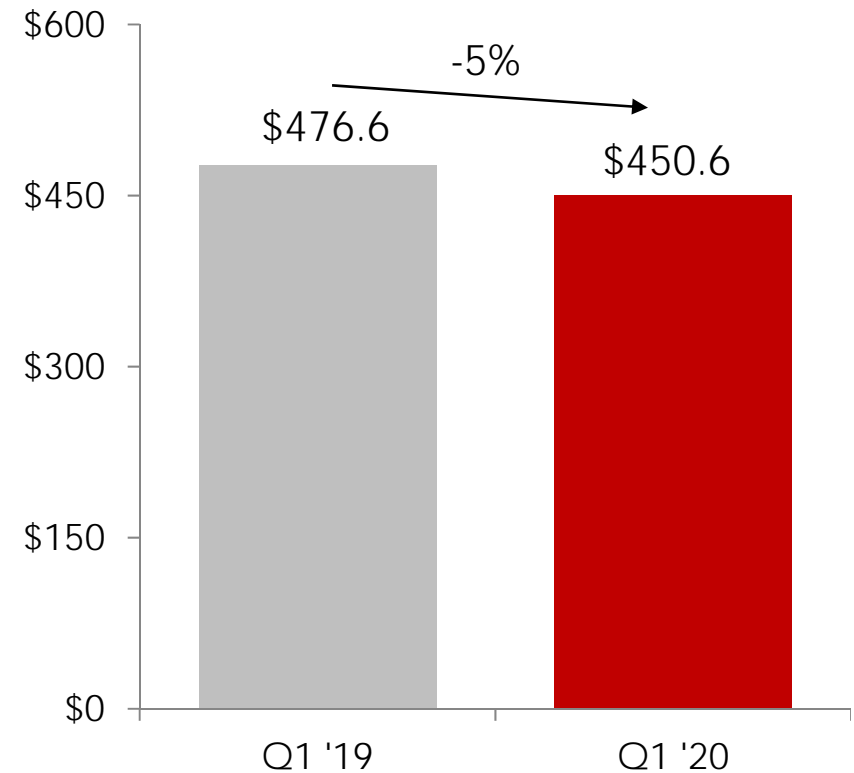


Homes Delivered



Average Selling Price

(\$ in thousands)



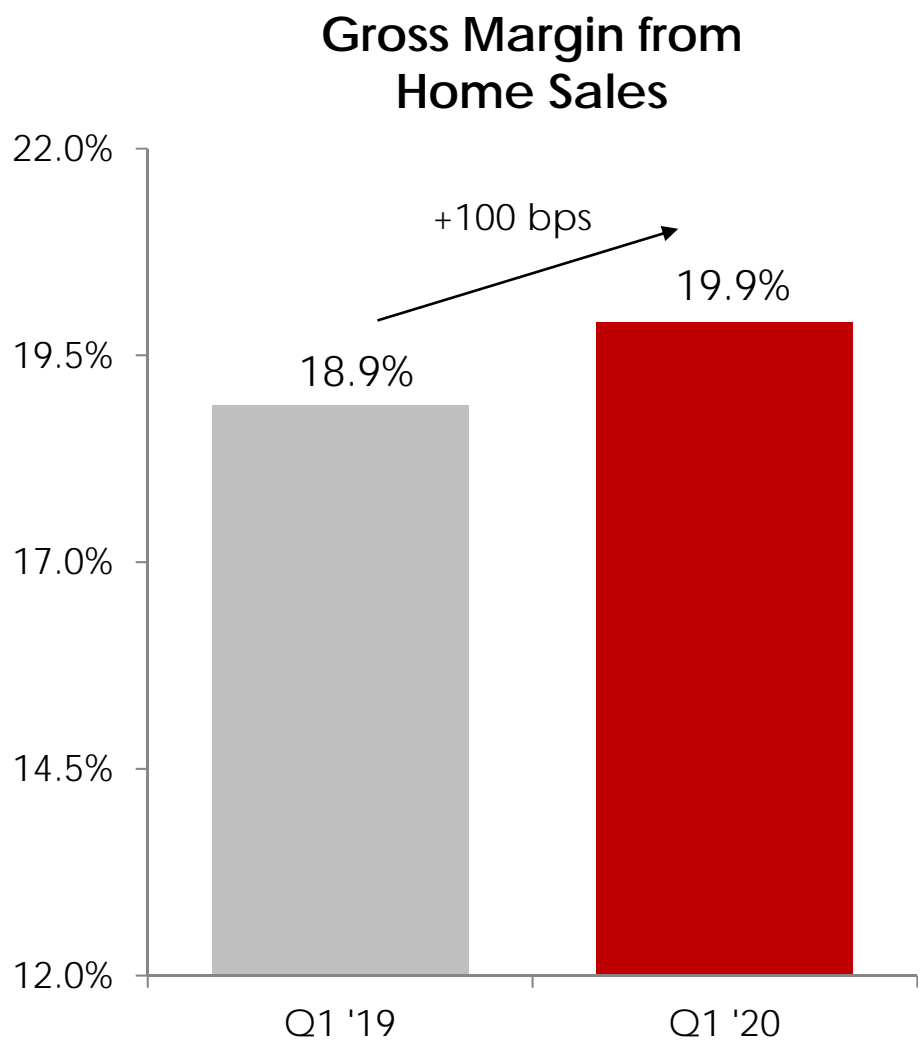
| | |
|-------|-------|
| 2,936 | 3,801 |
| 46% | 41% |
| 56% | 49% |

Beginning Backlog

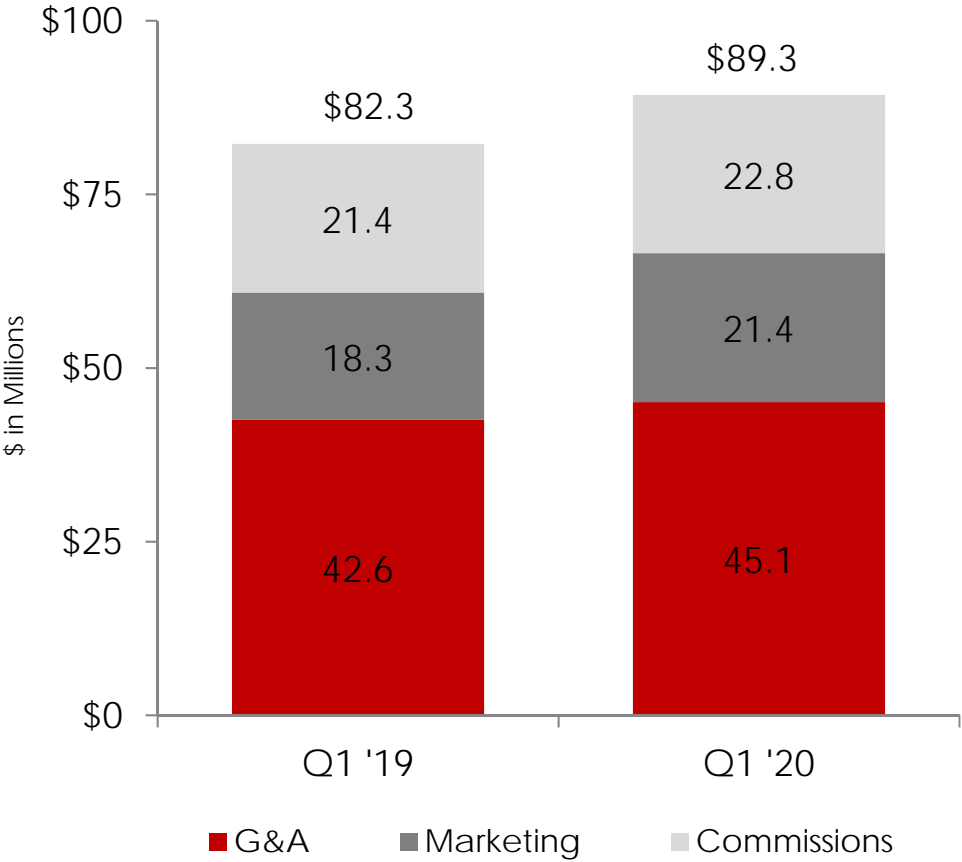
Backlog Conversion Rate
(Homes Delivered as a % of Beginning Backlog)

% from More Affordable Collections (e.g. Seasons, Landmark, CityScapes, Urban)

Gross Margin from Home Sales



Homebuilding & Corporate SG&A Expense

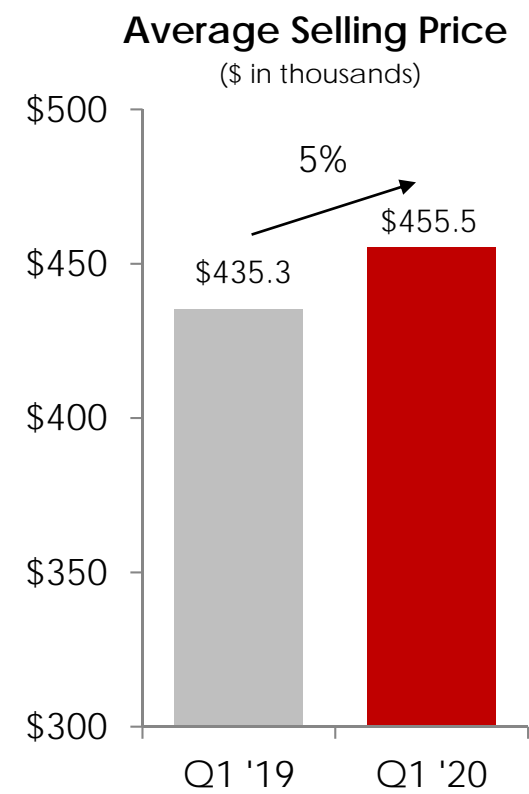
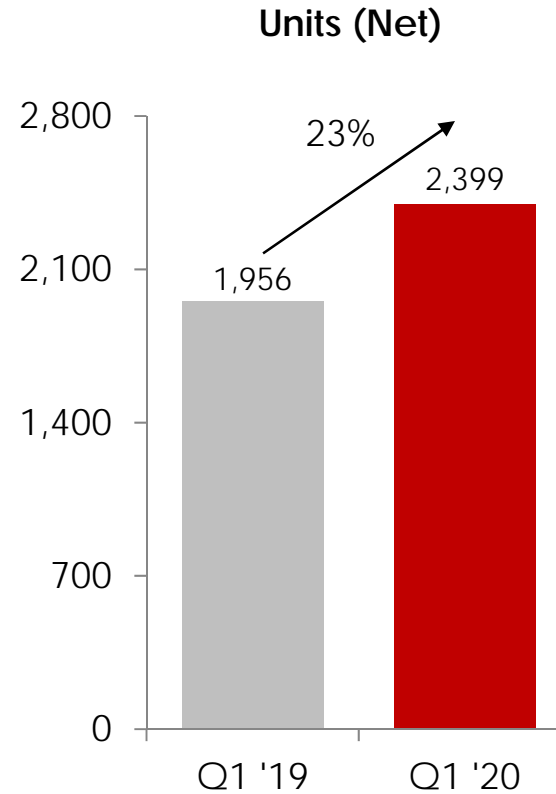
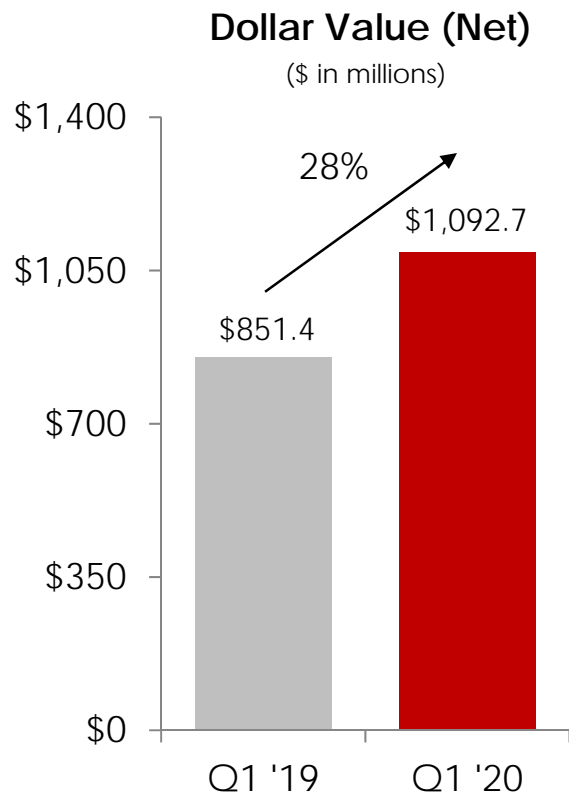


SG&A % of Home Sale Revenues

Q1 '19: 12.7% Q1 '20: 12.8%



New Home Orders (Quarter)



Monthly Net Orders Per Active Subdivision

Q1 '19 – 3.75 Q1 '20 – 4.33

Average Subdivisions

Q1 '19 – 175 Q1 '20 – 185

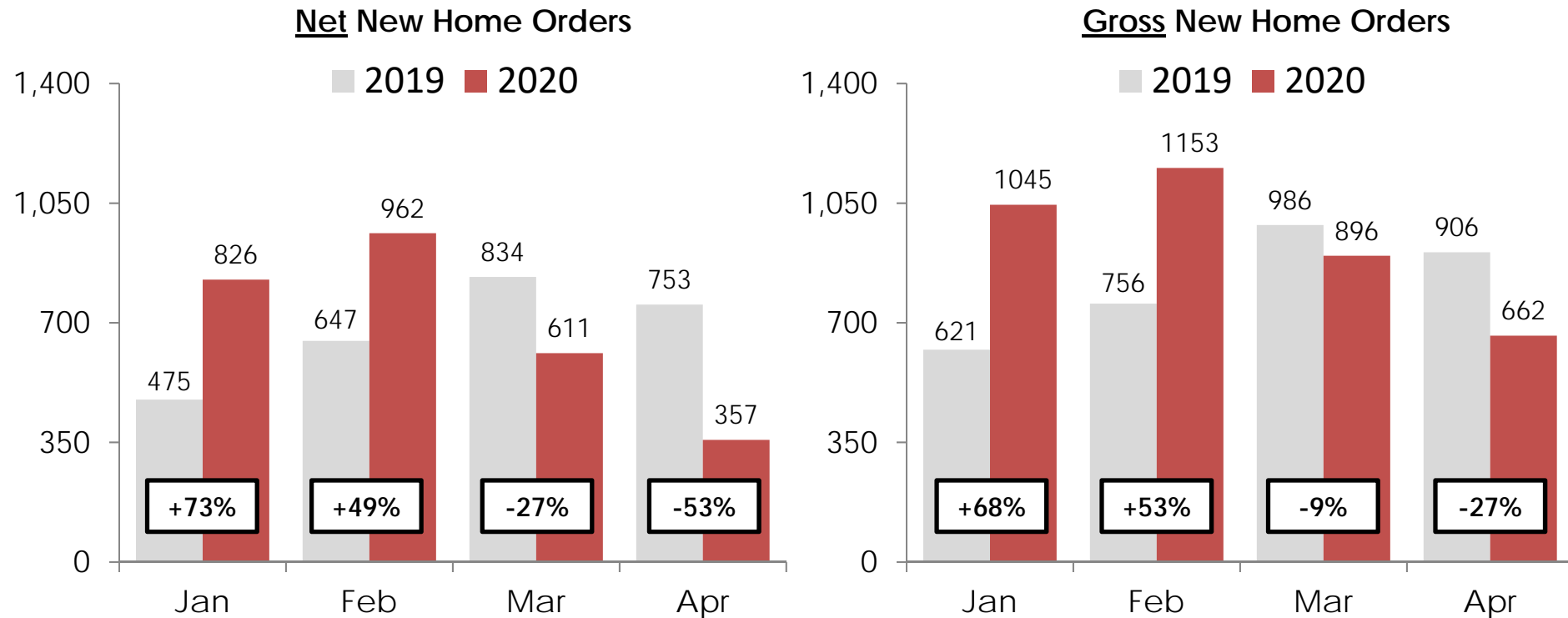
Cancellations -- % of Beginning Backlog

Q1 '19 – 14% Q1 '20 – 18%

Ending Subdivisions

Q1 '19 – 178 Q1 '20 – 185

New Home Orders (Monthly)



Cancellations (Number / % of Beginning Backlog)

| | <u>Jan</u> | <u>Feb</u> | <u>Mar</u> | <u>Apr</u> |
|------|------------|------------|------------|------------|
| 2020 | 219 / 5.8% | 191 / 4.5% | 285 / 6.0% | 305 / 6.6% |
| 2019 | 146 / 5.0% | 109 / 3.5% | 152 / 4.5% | 153 / 4.3% |

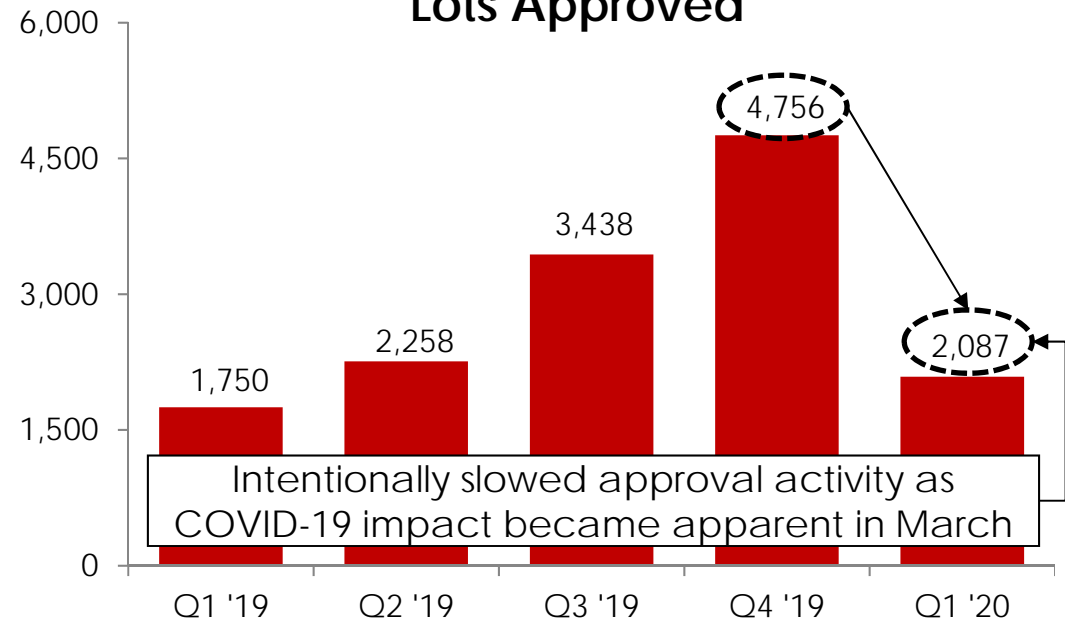
April ending unit backlog was up 18% year-over-year to 4,487



Land Activity



Lots Approved



| | Q1 '19 | Q1 '20 |
|-----------------------------------------|--------|--------|
| Land Acquisition Spend (in millions) | \$90 | \$134 |
| Land Development Spend (in millions) | \$77 | \$91 |
| Total Land Spend (in millions) | \$167 | \$225 |
| Ending Lot Supply (including WIP) | 22,887 | 27,124 |

Summary

- Continued focus on safety
- Housing backdrop outside of COVID-19 challenges
 - Low housing supply
 - Low interest rates
- Strong balance sheet to weather current market conditions
 - \$1.4 billion of liquidity
 - No near-term senior note maturities
 - Low debt-to-capital ratio of 36.7% (24.9% net of cash and investments)
- Strategic advantages
 - Strong positioning with more affordable home collections
 - Low speculative inventory based on build to order model
 - Solid backlog to end April
- Ongoing dividend program
 - Uninterrupted since 1994



Questions?



Reconciliation of Non-GAAP Financial Measures

“Net debt” and “net capital” are non-GAAP financial measures, and should not be considered in isolation or as an alternative to performance measures prescribed by GAAP. The table below reconciles “net debt” and “net capital” to debt and capital as calculated based on GAAP. We believe the ratio of net debt to net capital, also known as “net debt-to-capital” is meaningful to investors as management uses the ratio in understanding the leverage employed in our operations and as an indicator of our ability to obtain external financing. Furthermore, we utilize this information for comparative purposes within our industry.

| | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|----------------------------------------------|------------------------|----------------------|-------------------|
| | (Dollars in thousands) | | |
| Senior notes, net | \$ 1,036,900 | \$ 989,422 | \$ 988,322 |
| Revolving credit facility | 15,000 | 15,000 | 15,000 |
| GAAP debt | 1,051,900 | 1,004,422 | 1,003,322 |
| Stockholders' equity | 1,811,077 | 1,782,485 | 1,610,706 |
| Total GAAP capital | 2,862,977 | 2,786,907 | 2,614,028 |
| GAAP debt to capital ratio | 36.7% | 36.0% | 38.4% |
| GAAP debt less: | | | |
| Homebuilding cash and cash equivalents | (386,704) | (424,186) | (416,374) |
| Financial services cash and cash equivalents | (22,159) | (35,747) | (51,556) |
| Financial services marketable securities | (43,985) | (56,747) | (45,767) |
| Net debt | 599,052 | 487,742 | 489,625 |
| Stockholders' equity | 1,811,077 | 1,782,485 | 1,610,706 |
| Total net capital | \$ 2,410,129 | \$ 2,270,227 | \$ 2,100,331 |
| Net debt to capital ratio | 24.9% | 21.5% | 23.3% |

Reconciliation of Non-GAAP Financial Measures

“Gross Margin from Home Sales Excluding Inventory Impairments,” “Gross Margin from Home Sales Excluding Inventory Impairments and Warranty Adjustments” and “Gross Margin from Home Sales Excluding Inventory Impairments, Warranty Adjustments, and Interest in Cost of Sales” are non-GAAP financial measures, and should not be considered in isolation or as an alternative to performance measures prescribed by GAAP. The table below reconciles each of these non-GAAP financial measures to gross margin as calculated based on GAAP. We believe this information is relevant and meaningful as it provides our investors and analysts with the impact that interest, warranty and impairments have on our Gross Margin from Home Sales and permits investors to make better comparisons with our competitors, who also break out and adjust gross margins in a similar fashion.

| | Three Months Ended | | | | | | | | | |
|----------------------------------------------------------------------------------------------------------------------------|------------------------|-------------------|----------------------|-------------------|-----------------------|-------------------|------------------|-------------------|-------------------|-------------------|
| | March 31, 2020 | Gross Margin % | December 31, 2019 | Gross Margin % | September 30, 2019 | Gross Margin % | June 30, 2019 | Gross Margin % | March 31, 2019 | Gross Margin % |
| | (Dollars in thousands) | | | | | | | | | |
| Gross Margin from Home Sales | \$ 138,438 | 19.9% | \$ 198,372 | 18.5% | \$ 140,958 | 18.8% | \$ 142,672 | 19.5% | \$ 122,116 | 18.9% |
| Add: Inventory Impairments | - | | 325 | | - | | - | | 610 | |
| Gross Margin from Home Sales Excluding Inventory Impairments | 138,438 | 19.9% | 198,697 | 18.5% | 140,958 | 18.8% | 142,672 | 19.5% | 122,726 | 19.0% |
| Add: Warranty Adjustments | - | | 205 | | 389 | | (1,404) | | 875 | |
| Gross Margin from Home Sales Excluding Inventory Impairments and Warranty Adjustments | 138,438 | 19.9% | 198,902 | 18.5% | 141,347 | 18.8% | 141,268 | 19.3% | 123,601 | 19.1% |
| Add: Interest in Cost of Sales | 12,767 | | 20,056 | | 14,451 | | 14,733 | | 13,929 | |
| Gross Margin from Home Sales Excluding Inventory Impairments, Warranty Adjustments, and Interest in Cost of Sales | \$ 151,205 | 21.7% | \$ 218,958 | 20.4% | \$ 155,798 | 20.8% | \$ 156,001 | 21.3% | \$ 137,530 | 21.2% |