



2023

M.D.C. Holdings, Inc.
May 2, 2023

First Quarter Earnings Webcast





Forward Looking Statements



Certain statements in this release, including any 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, changes in consumer confidence, inflation or deflation and employment levels; (2) changes in business conditions experienced by MDC, including cancellation rates, net home orders, home gross margins, 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 year ended March 31, 2023, 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.

Overview – Q1 2023 vs Q1 2022



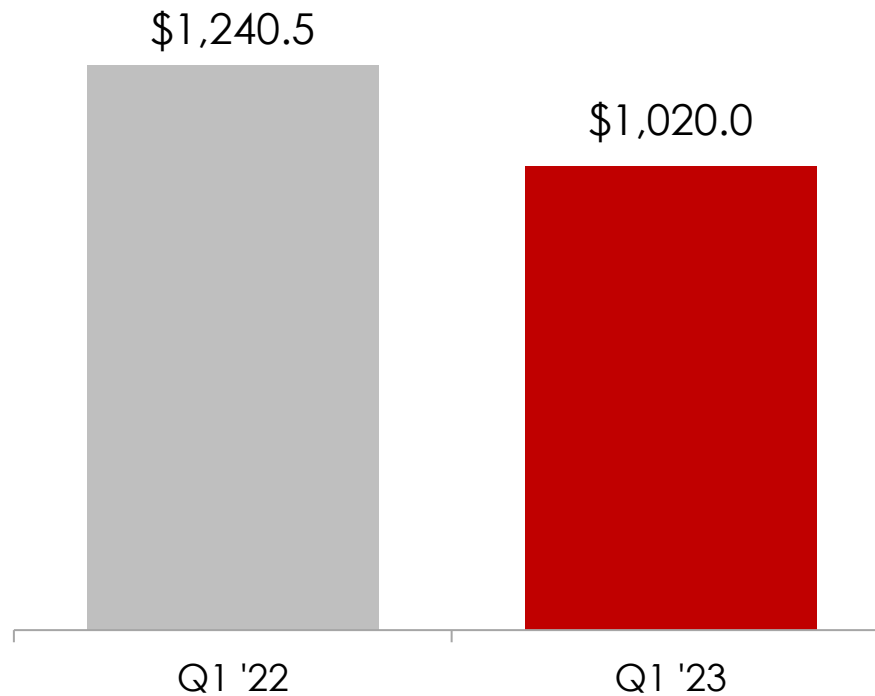
- Home sale revenues of \$1.02 billion compared to \$1.24 billion
 - Average selling price of deliveries of \$551,000 vs. \$556,000
 - Unit deliveries of 1,851 vs. 2,233
- Homebuilding pretax income of \$91.0 million compared to \$188.5 million
 - Gross margin from home sales of 16.8% vs. 25.7%
 - Inventory impairments of \$7.8 million vs. \$0.6 million
 - Selling, general and administrative expenses as a percentage of home sale revenues ("SG&A rate") of 9.3% vs. 10.4%
- Financial services pretax income of \$18.0 million compared to \$13.4 million
- Net income of \$80.7 million, or \$1.08 per diluted share, compared to \$148.4 million or \$2.02 per diluted share
 - Effective tax rate of 25.9% vs. 26.5%
- Dollar value of net new orders of \$957.3 million compared to \$1.84 billion
 - Unit gross orders of 2,520 vs. 3,781
 - Cancellations as a percentage gross sales of 29.9% vs. 16.7%
 - Unit net orders of 1,767 vs. 3,151
- Cash flow from operating activities of \$426.2 million compared to \$118.1 million



Home Sale Revenues and Net Income

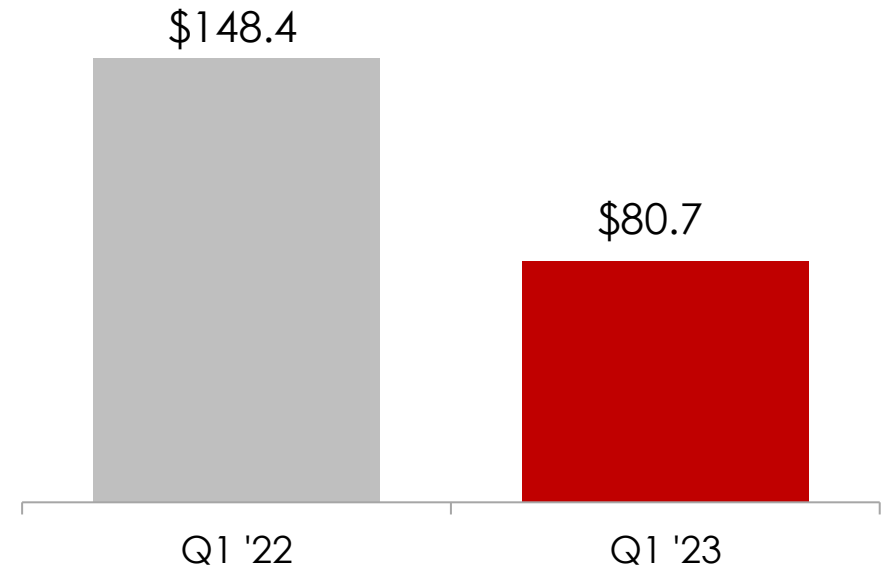
Home Sale Revenues

(\$ in millions)



Net Income

(\$ in millions)



Diluted Earnings Per Share

\$2.02

\$1.08

Effective Tax Rate

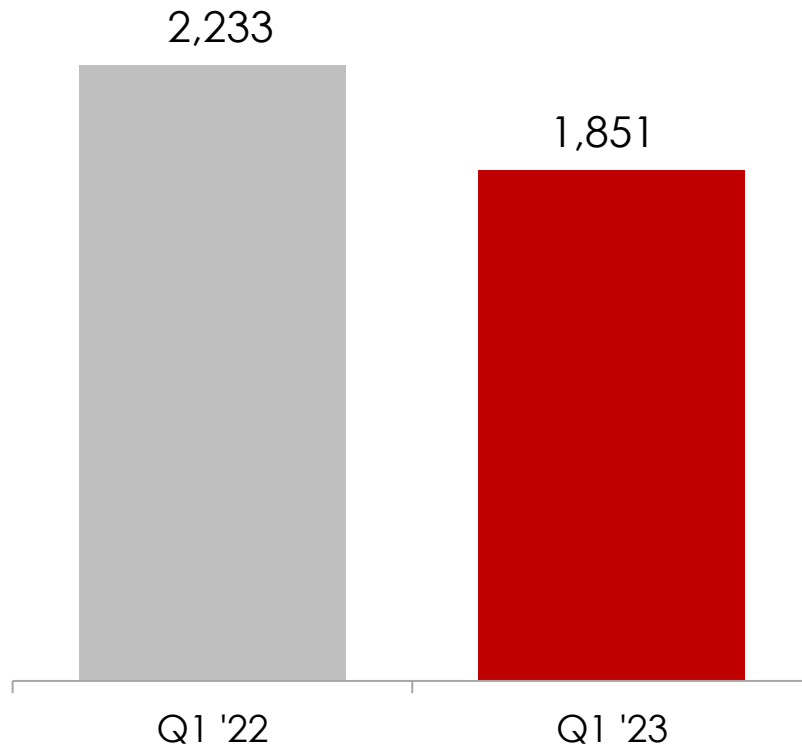
26.5%

25.9%

Homes Delivered and Average Selling Price

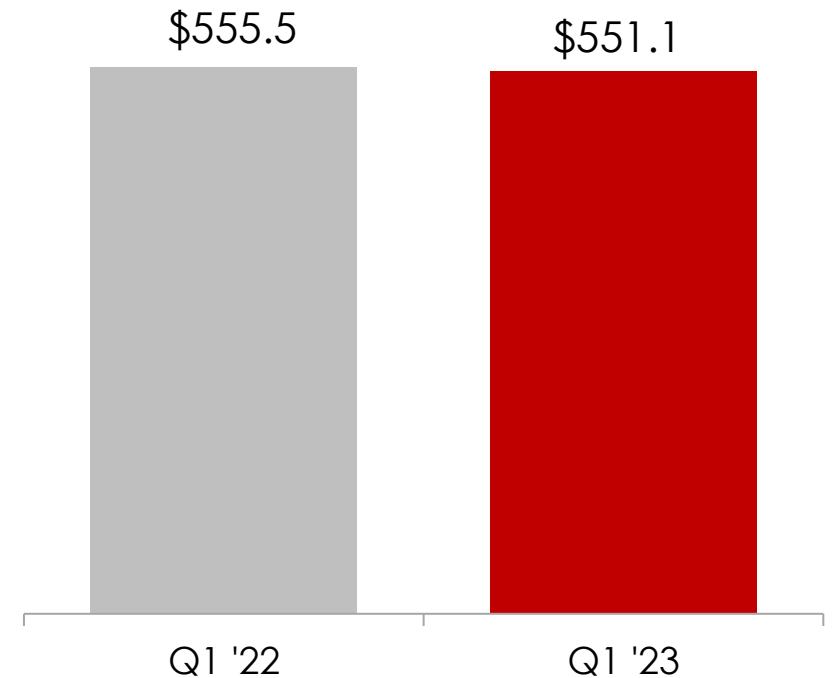


Homes Delivered



Average Selling Price

(\$ in thousands)



7,640	2,974
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← Beginning Backlog

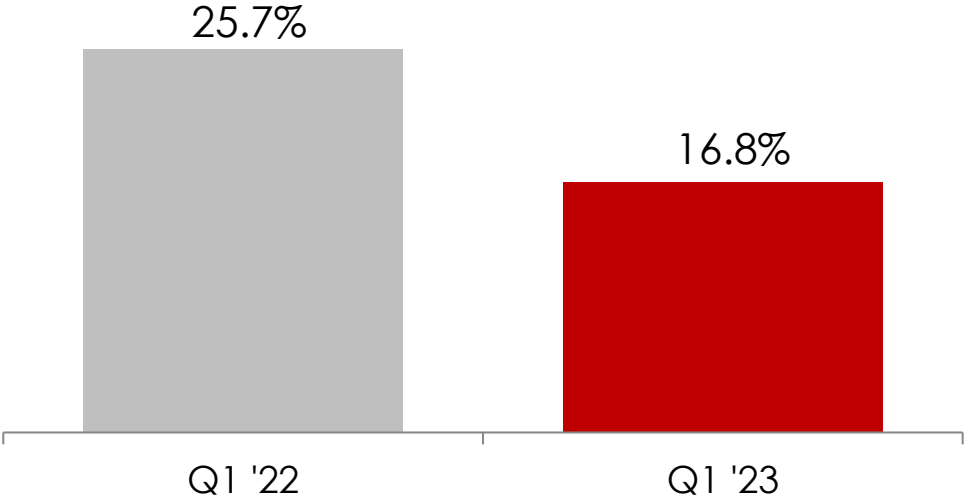
29%	62%
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← Backlog Conversion Rate
(Homes Delivered as a % of Beginning Backlog)

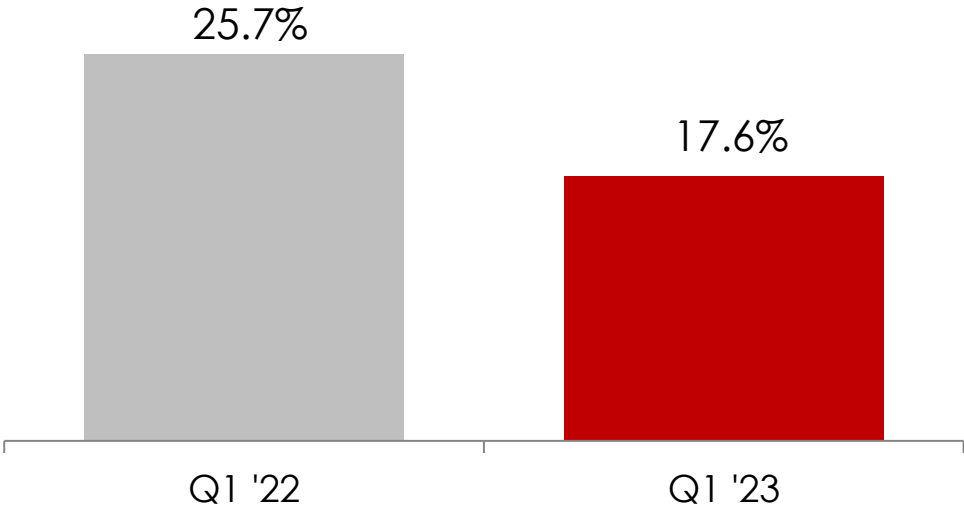
6%	34%
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← Percentage of deliveries both sold and closed
during the quarter

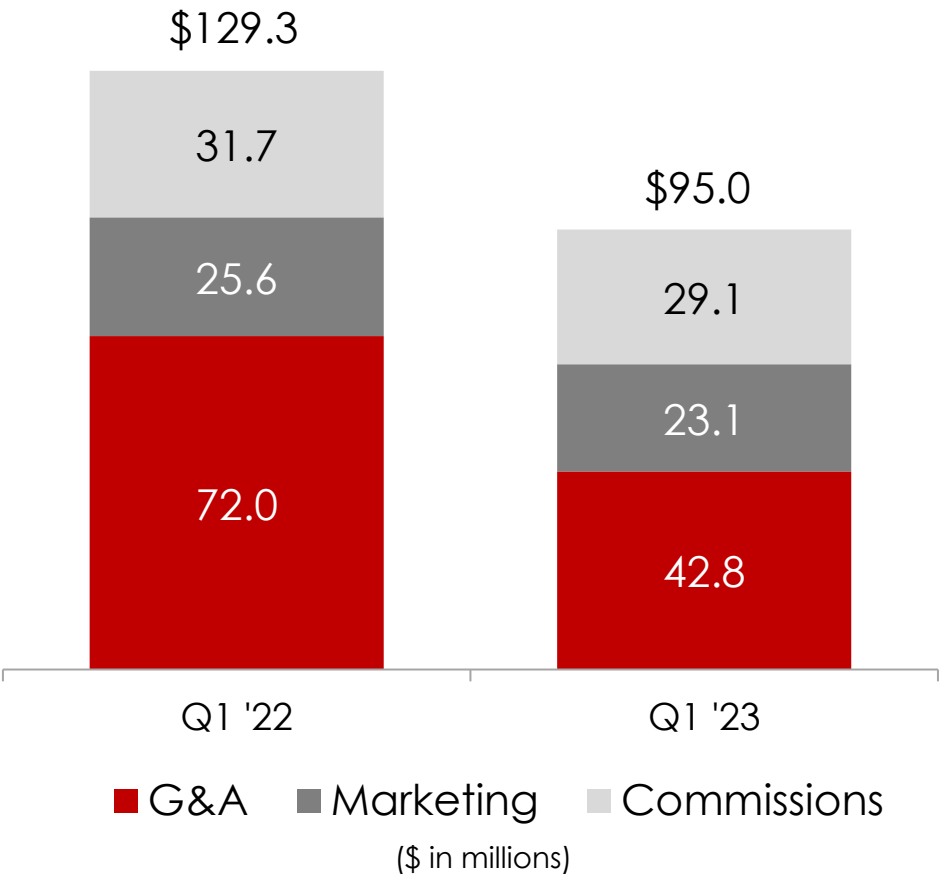
Gross Margin from Home Sales



Gross Margin from Home Sales Excluding Inventory Impairments*



Homebuilding & Corporate SG&A Expense

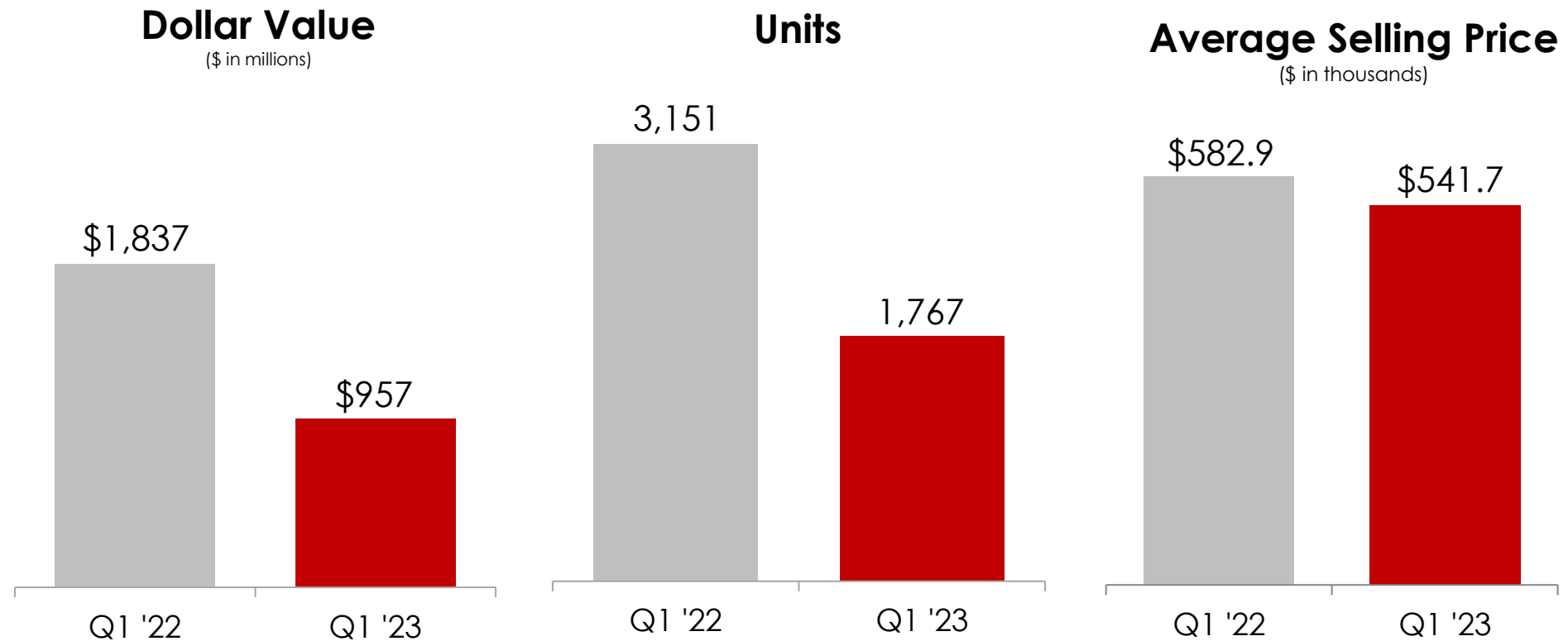


SG&A % of Home Sale Revenues

Q1 '22: 10.4% Q1 '23: 9.3%



Net New Home Orders



Monthly Gross Orders Per Active Subdivision

Q1 '22 – **6.5** Q1 '23 – **3.7**

Average Active Subdivisions

Q1 '22 – **195** Q1 '23 – **230**

Cancellations -- % of Gross Sales

Q1 '22 – **17%** Q1 '23 – **30%**

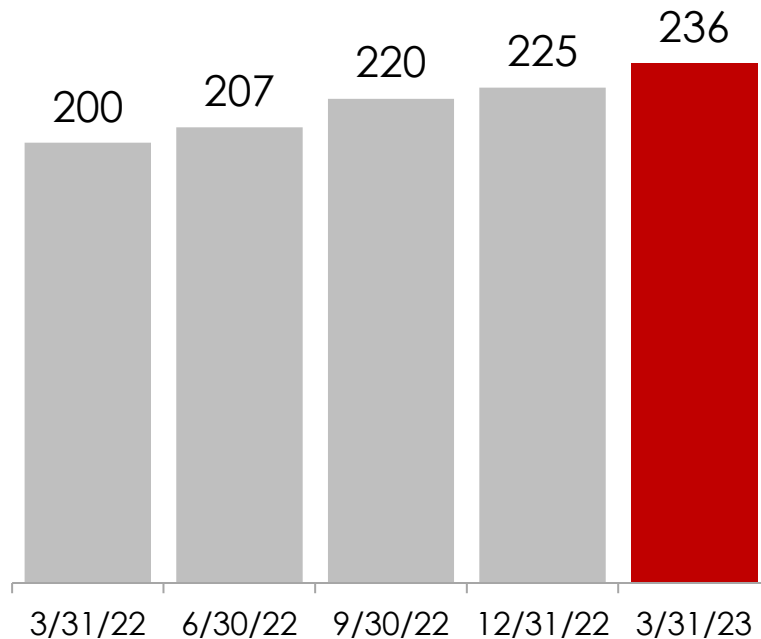
Ending Active Subdivisions

Q1 '22 – **200** Q1 '23 – **236**

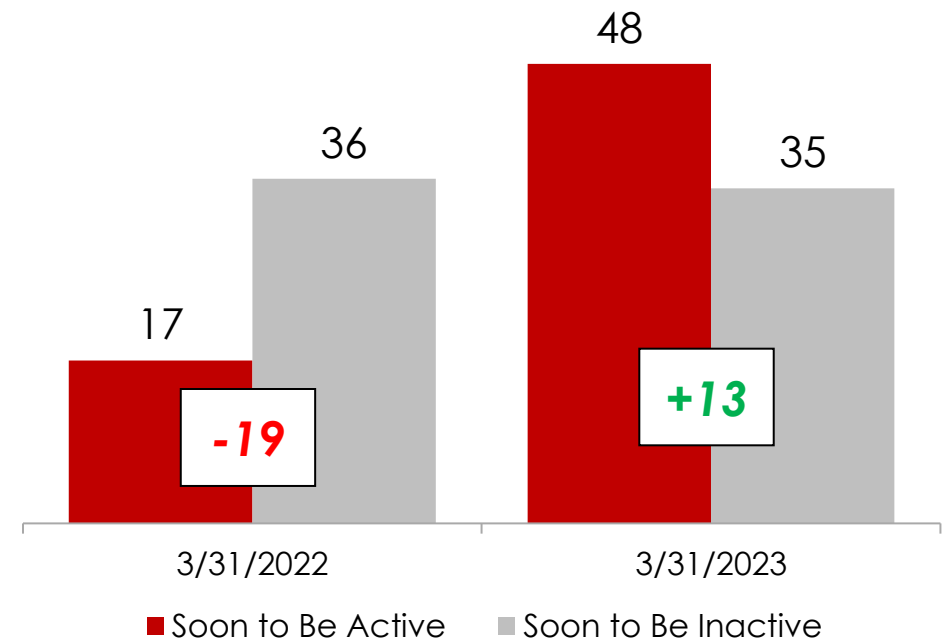
Active Subdivisions (Ending)



Active Subdivisions



Soon to Be Active / Inactive*



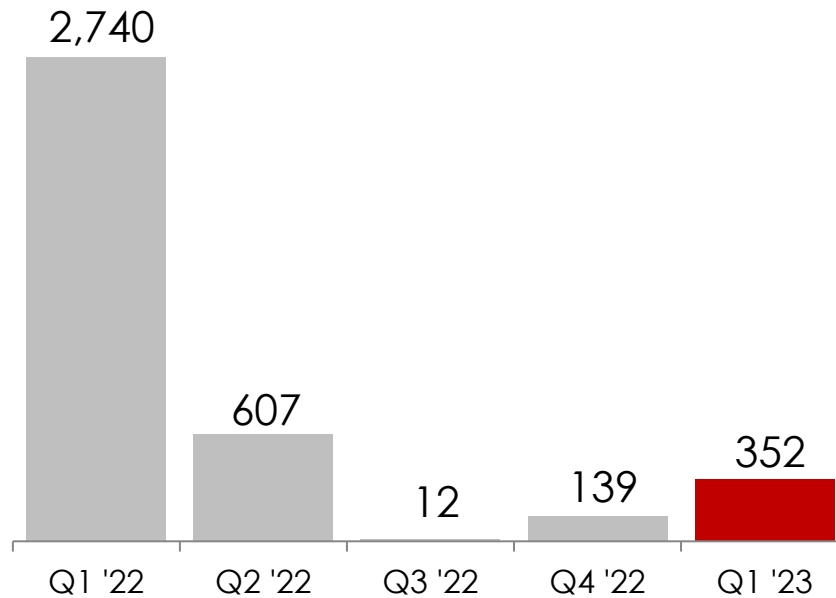
*Soon to be Active: Less than 5 homes sold in subdivision

Soon to be Inactive: Between 5 and 10 homes remaining to sell in subdivision

Land Activity

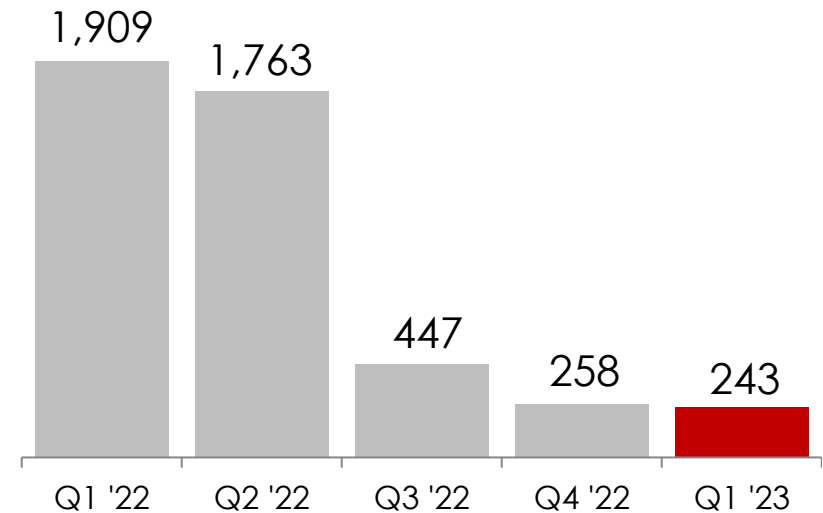


Lots Approved



Intentionally slowed approval activity due to market uncertainty; however pipeline of deals identified not approved has increased

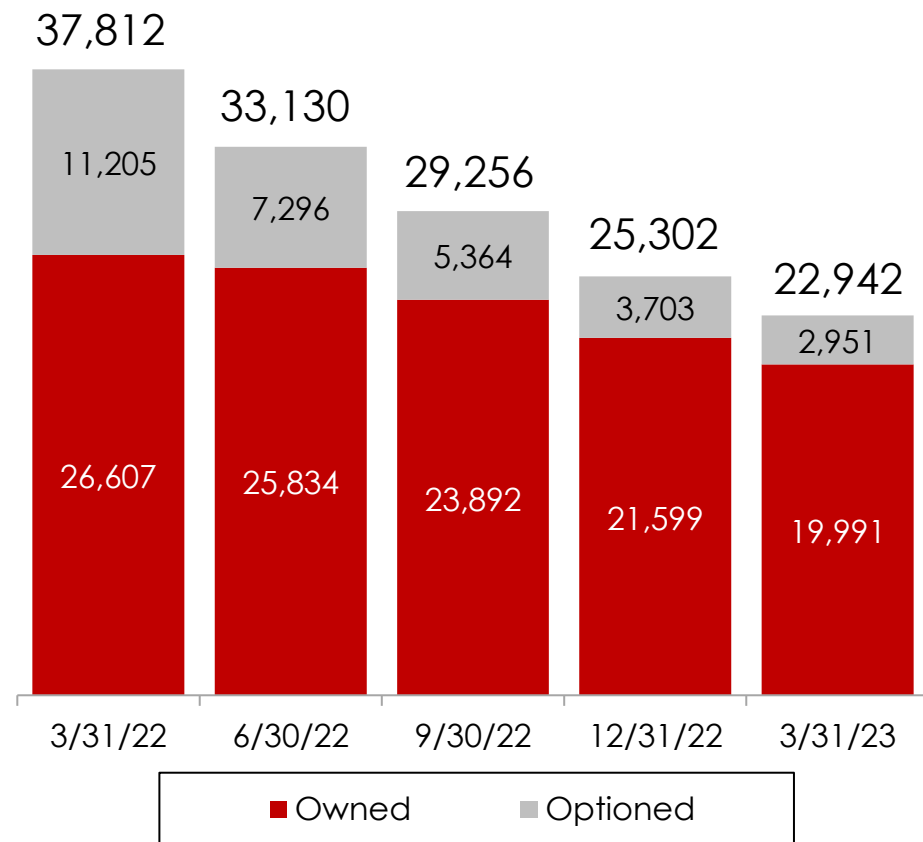
Lots Acquired



	Q1 '22	Q1 '23
Land Acquisition Spend (in millions)	\$164	\$44
Land Development Spend (in millions)	\$145	\$77
Total Land Spend (in millions)	\$309	\$122



Lots Controlled



Strong Balance Sheet

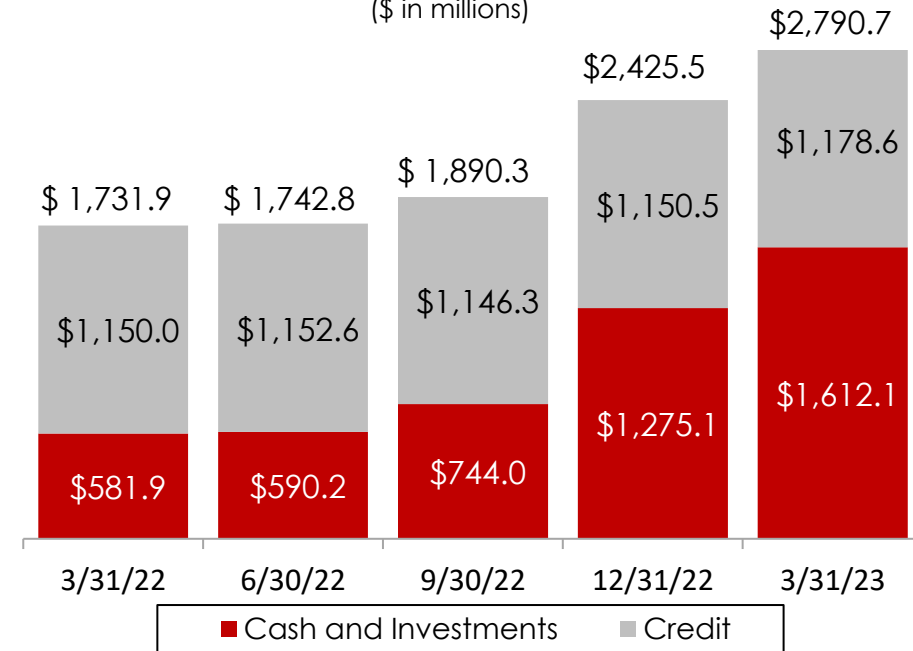
Financial position remains strong as of March 31, 2023:

- Total cash & cash equivalents and investments of \$1.61 billion
- Debt-to-capital ratio of 32.3%
- Net debt-to-capital ratio* of -4.0%
- No senior notes due until January 2030 and a weighted average maturity of almost 19 years
- Only \$20.1 million in cash deposits and \$2.7 million in letters of credit at risk associated with the 2,951 lots currently under option
- Book value per share of \$42.83

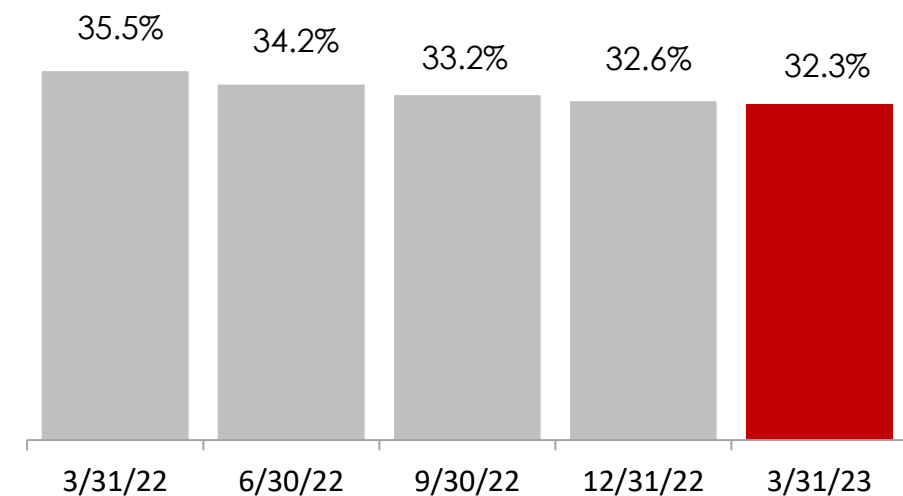


Liquidity

(\$ in millions)



Debt to Capital



* See appendix for reconciliation of non-GAAP measures

Summary



- Strong top and bottom line results despite volatile market conditions
 - Home sale revenues of \$1.02 billion
 - Net income of \$80.7 million
 - Operating cash flow of \$426.2 million
- Macro conditions providing tailwinds to the new home industry
 - Existing home inventory remains constrained
 - Mortgage interest rates showed signs of stabilization during the quarter
 - Employment data resilient, with continued job growth and low unemployment
- Increasing community count to help drive volume in 2023
- Industry leading dividend
 - Uninterrupted since 1994
 - \$0.50 paid per share in Q1 2023





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, 2023	December 31, 2022	March 31 2022
	(Dollars in thousands)		
Senior notes, net	\$ 1,482,779	\$ 1,482,576	\$ 1,481,976
Revolving credit facility	10,000	10,000	10,000
GAAP debt	1,492,779	1,492,576	1,491,976
Stockholders' equity	3,130,121	3,091,784	2,711,082
Total GAAP capital	4,622,900	4,584,360	4,203,058
GAAP debt-to-capital ratio	32.3 %	32.6 %	35.5 %
GAAP debt less:			
Homebuilding cash and cash equivalents	(781,738)	(696,075)	(474,447)
Homebuilding marketable securities	(691,767)	(443,712)	—
Financial services cash and cash equivalents	(20,985)	(17,877)	(107,503)
Financial services marketable securities	(117,610)	(117,388)	—
Net debt	(119,321)	217,524	910,026
Stockholders' equity	3,130,121	3,091,784	2,711,082
Total net capital	\$ 3,010,800	\$ 3,309,308	\$ 3,621,108
Net debt-to-capital ratio	(4.0)%	6.6 %	25.1 %

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									
	Mar 31, 2023	Gross Margin %	Dec 31, 2022	Gross Margin %	Sep 30, 2022	Gross Margin %	Jun 30, 2022	Gross Margin %	Mar 31, 2022	Gross Margin %
(Dollars in thousands)										
Gross Margin from Home Sales	\$171,469	16.8 %	\$223,490	15.0 %	\$319,231	22.7 %	\$388,807	26.8 %	\$318,482	25.7 %
Add: Inventory Impairments	7,800		92,800		28,415		—		660	
Gross Margin from Home Sales Excluding Inventory Impairments	179,269	17.6 %	316,290	21.3 %	347,646	24.7 %	388,807	26.8 %	319,142	25.7 %
Add: Warranty Adjustments	—		150		523		—		2,440	
Gross Margin from Home Sales Excluding Inventory Impairments and Warranty Adjustments	179,269	17.6 %	316,440	21.3 %	348,169	24.7 %	388,807	26.8 %	321,582	25.9 %
Add: Interest in Cost of Sales	16,065		21,081		15,977		15,681		14,844	
Gross Margin from Home Sales Excluding Inventory Impairments, Warranty Adjustments, and Interest in Cost of Sales	<u>\$195,334</u>	19.2 %	<u>\$337,521</u>	22.7 %	<u>\$364,146</u>	25.9 %	<u>\$404,488</u>	27.9 %	<u>\$336,426</u>	27.1 %