



2022

M.D.C. Holdings, Inc.
July 28, 2022

Second 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 the 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 June 30, 2022, 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 – Q2 2022 vs Q2 2021

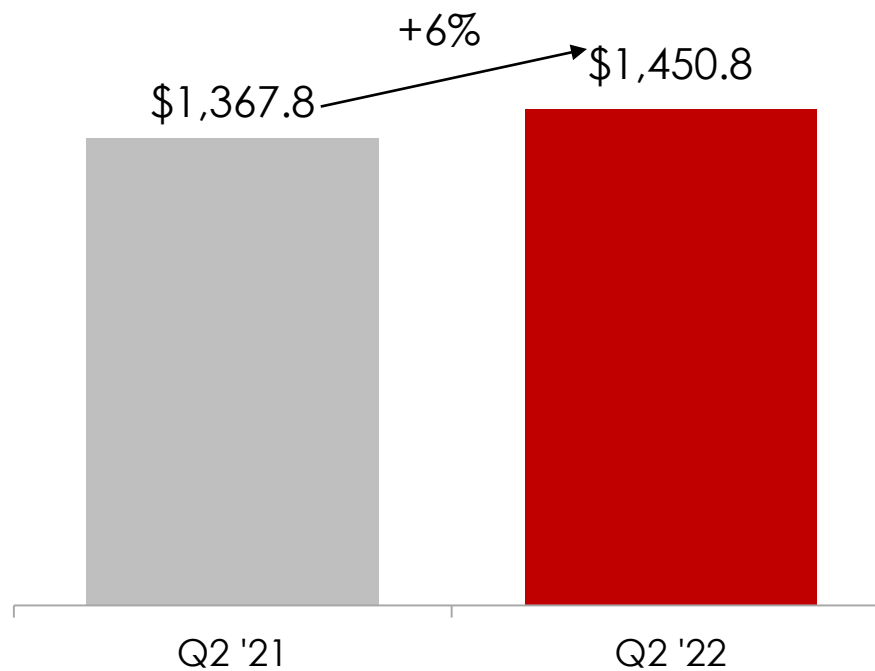


- Home sale revenues increased 6% to \$1.45 billion from \$1.37 billion
 - Average selling price of deliveries up 14% to \$572,000
 - Unit deliveries down 7% to 2,536
- Homebuilding pretax income increased 28% to \$240.3 million from \$187.5 million
 - Gross margin from home sales increased 370 basis points to 26.8% from 23.1%
 - Project abandonment expense of \$15.5 million in Q2 2022 vs. \$1.1 million in Q2 2021
- Selling, general and administrative expenses as a percentage of home sale revenues ("SG&A rate") improved by 20 basis points to 9.2%
- Net income of \$189.5 million, or \$2.59 per diluted share, up 23% from \$154.4 million or \$2.11 per diluted share
 - Effective tax rate of 26.8% vs. 24.9%
- Dollar value of net new orders decreased 40% to \$882.1 million from \$1.46 billion
 - Average selling price of net orders up 16%
 - Unit gross orders decreased 29% to 2,237
 - Cancellations as a percentage of beginning backlog increased 400 basis points to 9.7% from 5.7%
- Dollar value of ending backlog up 8% to \$4.44 billion from \$4.11 billion
 - Average selling price of homes in backlog up 12%
 - Unit backlog decreased 3% to 7,426

Home Sale Revenues and Net Income

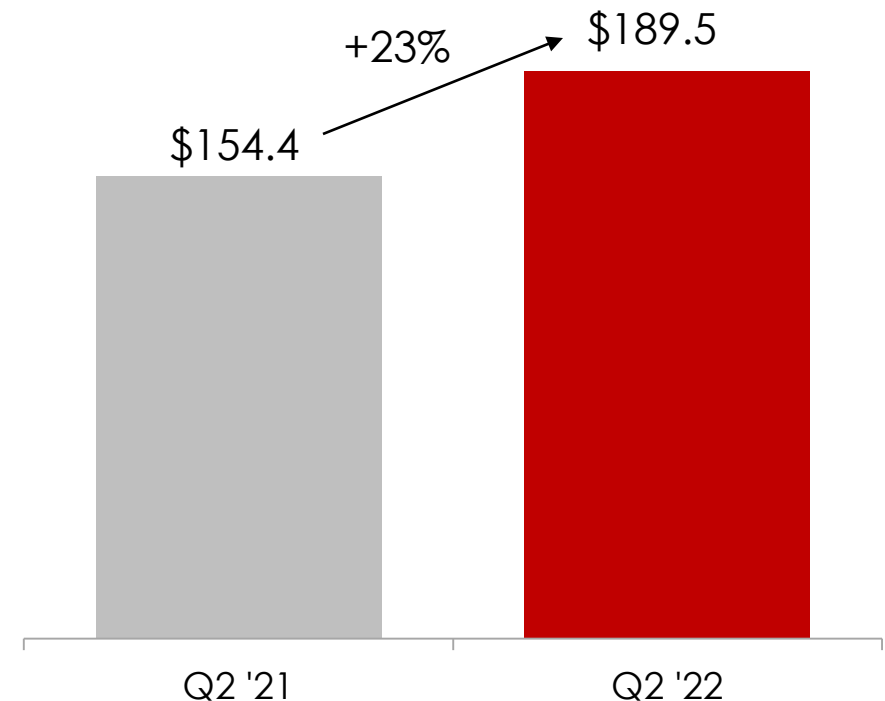
Home Sale Revenues

(\$ in millions)



Net Income

(\$ in millions)



Diluted Earnings Per Share

\$2.11

\$2.59

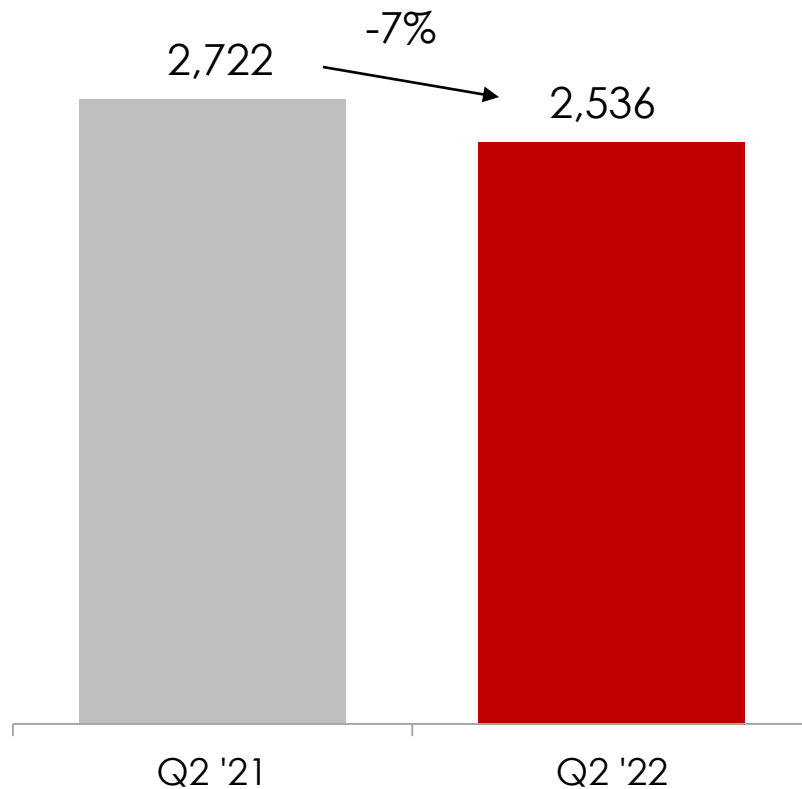
Effective Tax Rate

24.9%

26.8%

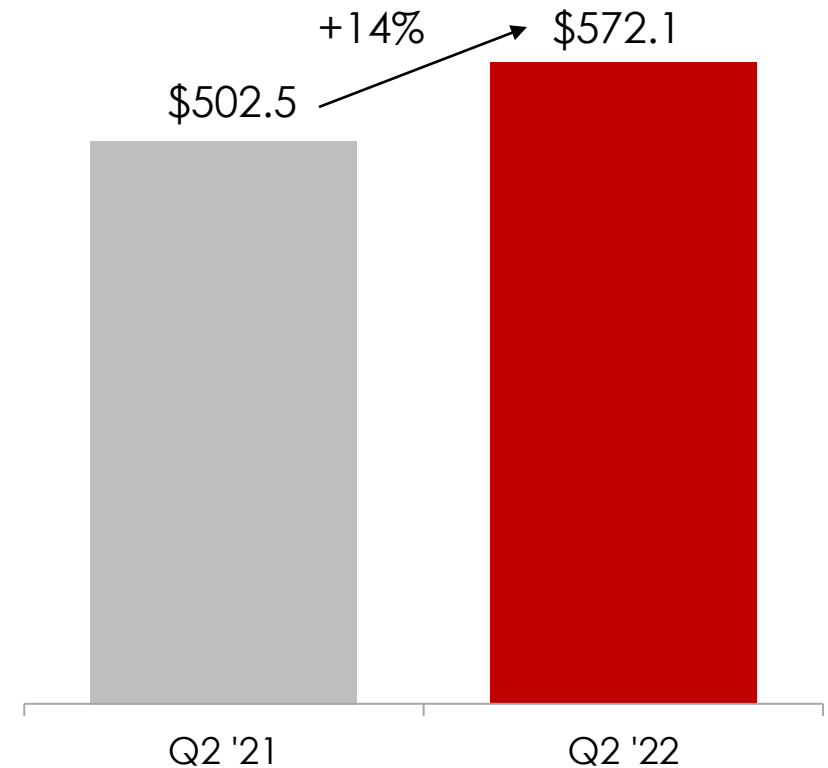
Homes Delivered and Average Selling Price

Homes Delivered



Average Selling Price

(\$ in thousands)



7,686	8,558
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← Beginning Backlog

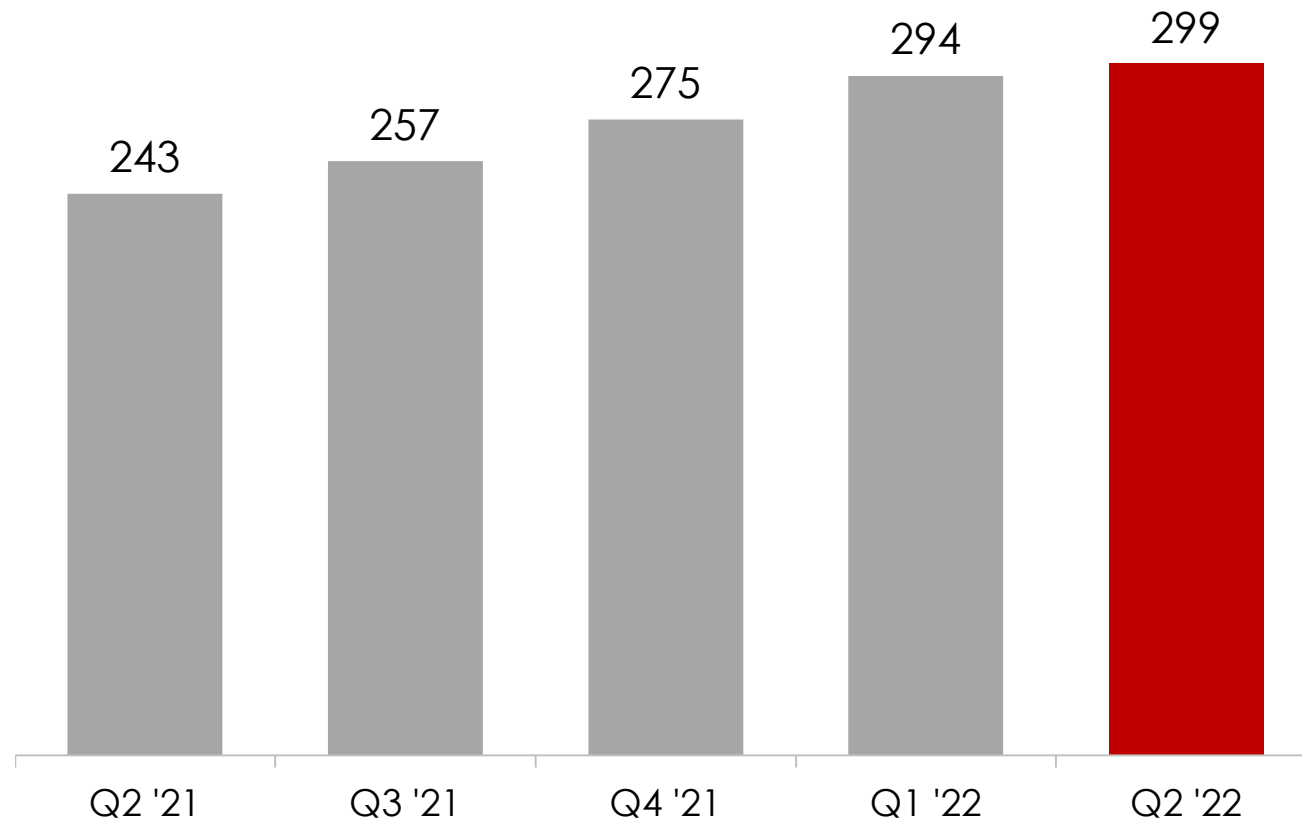
35%	30%
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← Backlog Conversion Rate
(Homes Delivered as a % of Beginning Backlog)

59%	64%
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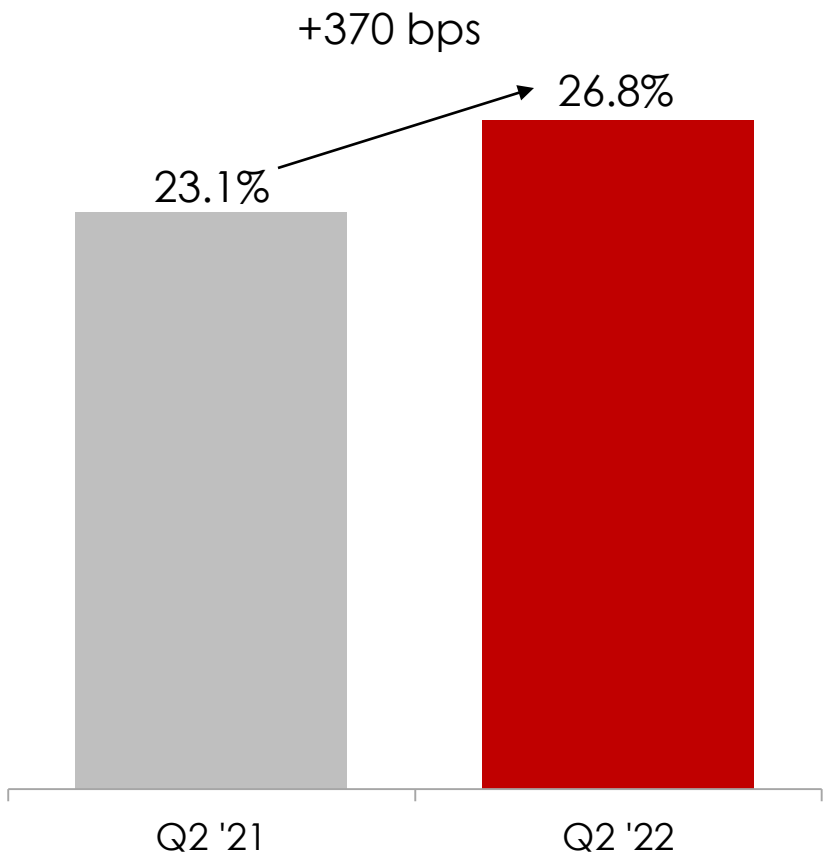
← % from More Affordable Collections (e.g. Seasons, CityScapes, Urban)

Sale to Close Cycle Times *

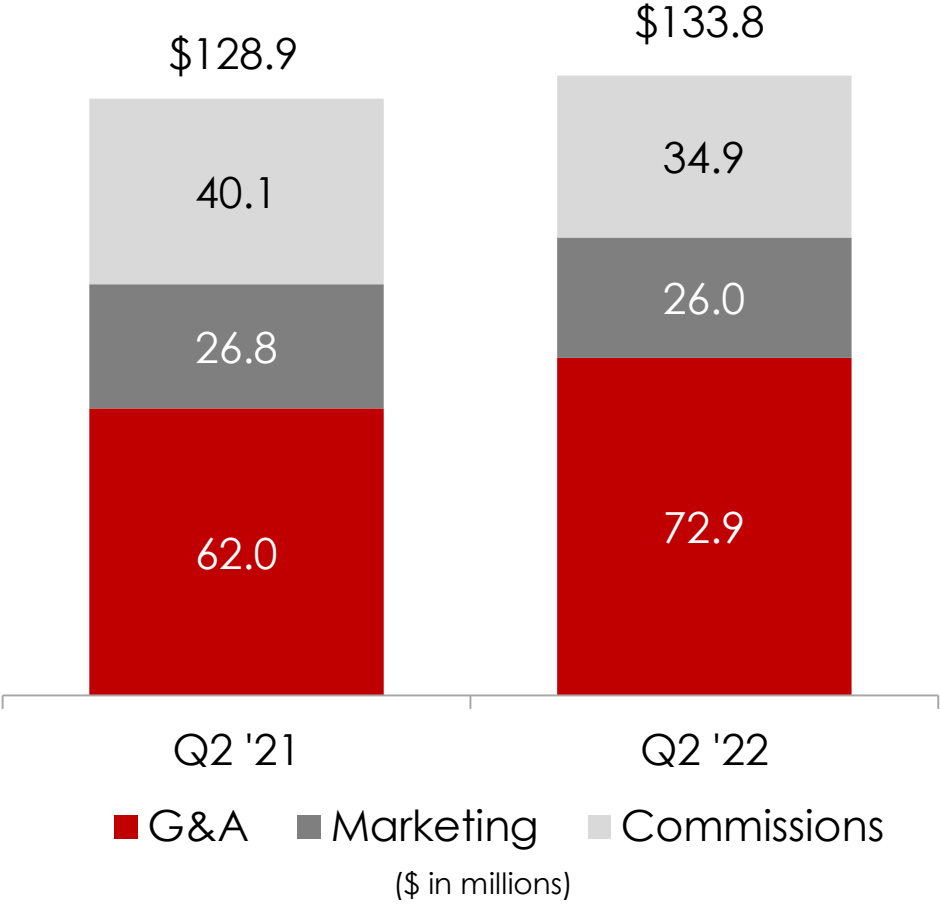


* Sale to close cycle time for build-to-order sales closed during the quarter (excludes spec homes).

Gross Margin from Home Sales



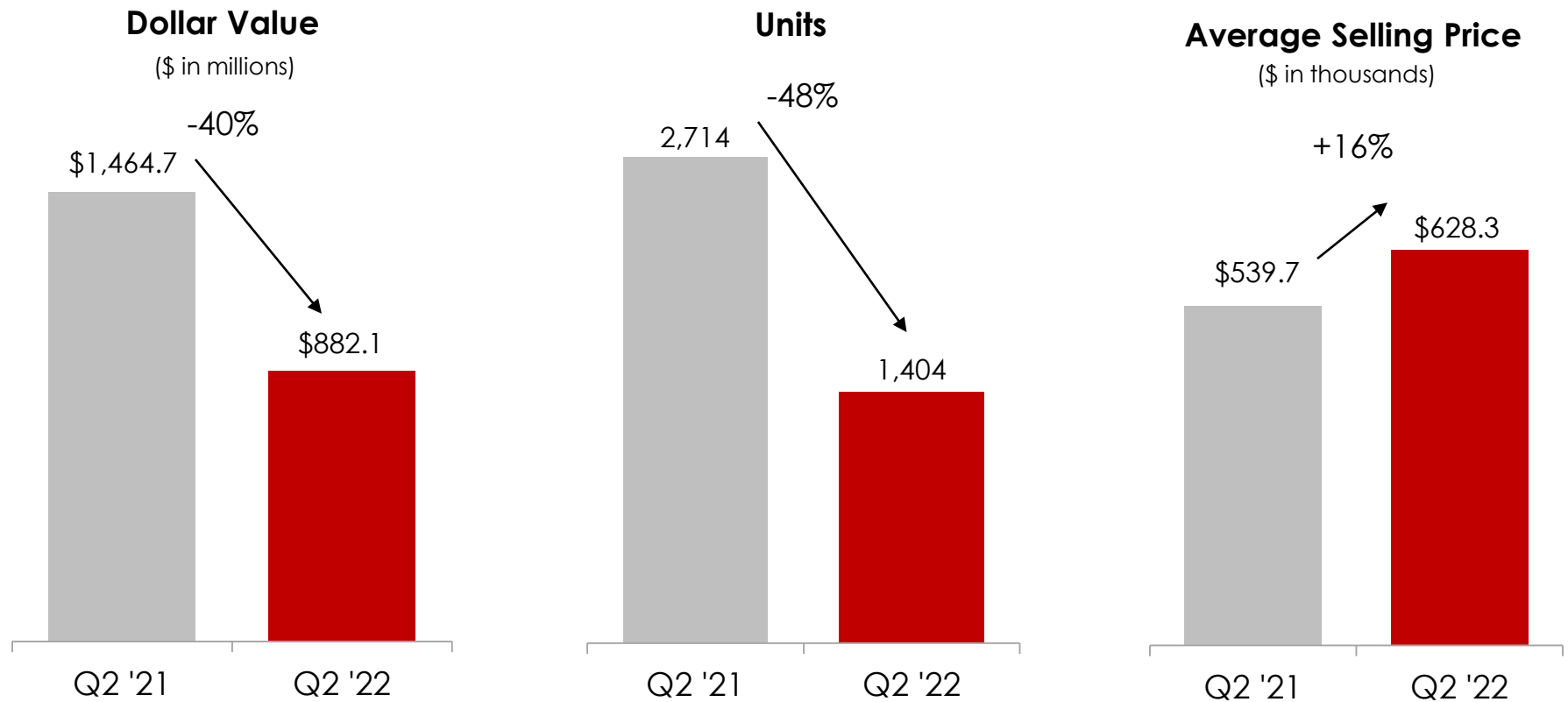
Homebuilding & Corporate SG&A Expense



SG&A % of Home Sale Revenues
Q2 '21: 9.4% Q2 '22: 9.2%



Net New Home Orders



Monthly Net Orders Per Active Subdivision

Q2 '21 – 4.8 Q2 '22 – 2.3

Cancellations -- % of Beginning Backlog

Q2 '21 – 6% Q2 '22 – 10%

Average Active Subdivisions

Q2 '21 – 188 Q2 '22 – 203

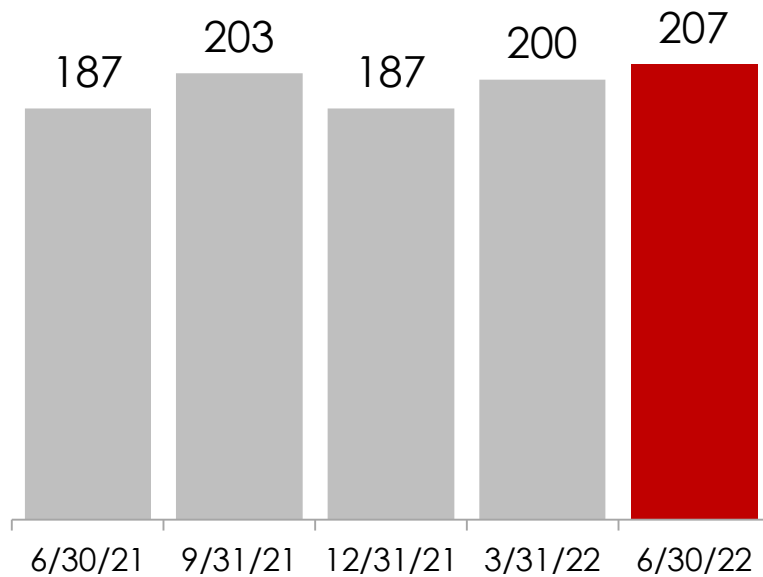
Ending Active Subdivisions

Q2 '21 – 187 Q2 '22 – 207

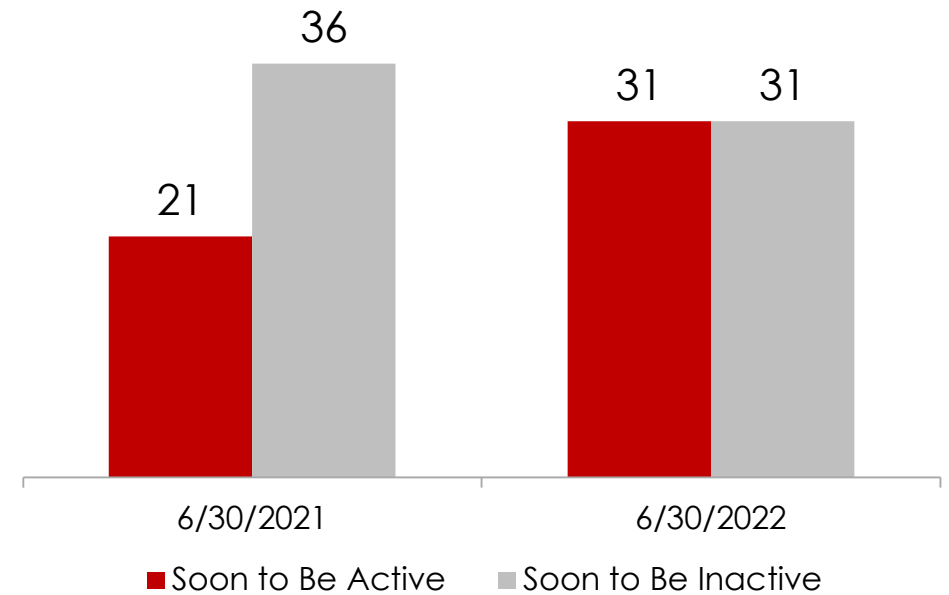
Active Subdivisions (Ending)



Active Subdivisions



Soon to Be Active / Inactive*

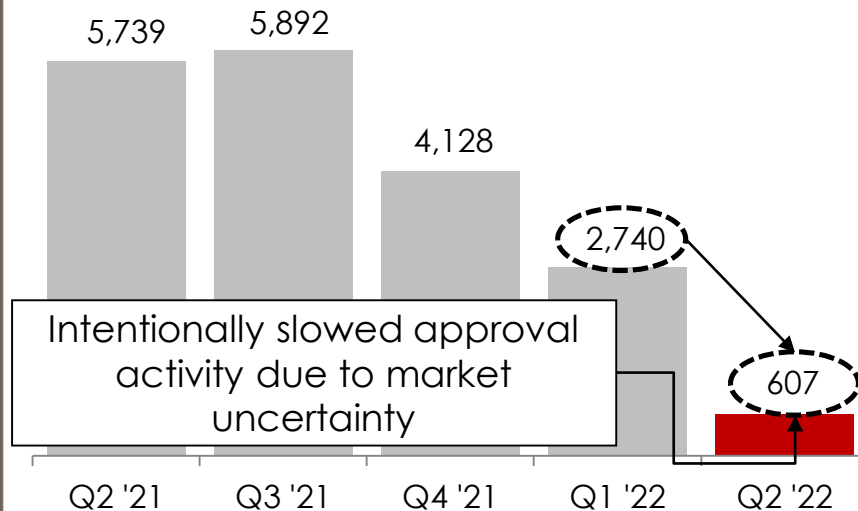


*Soon to be Active: Less than 5 homes sold in subdivision
Soon to be Inactive: Between 5 and 10 homes remaining to sell in subdivision

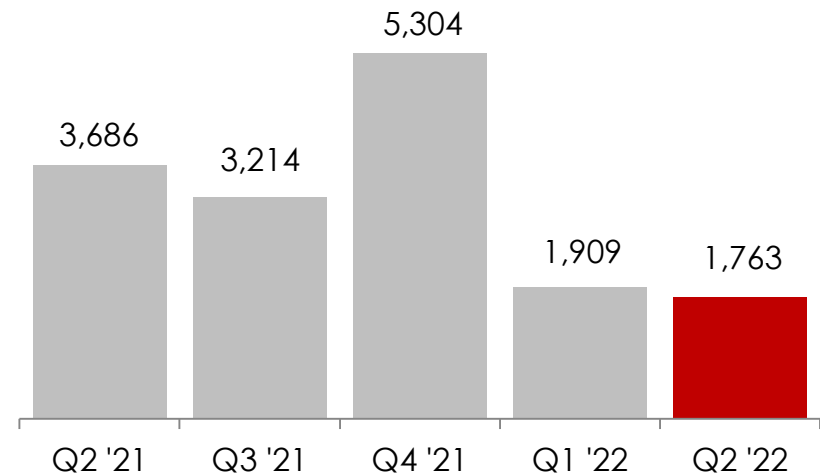
Land Activity



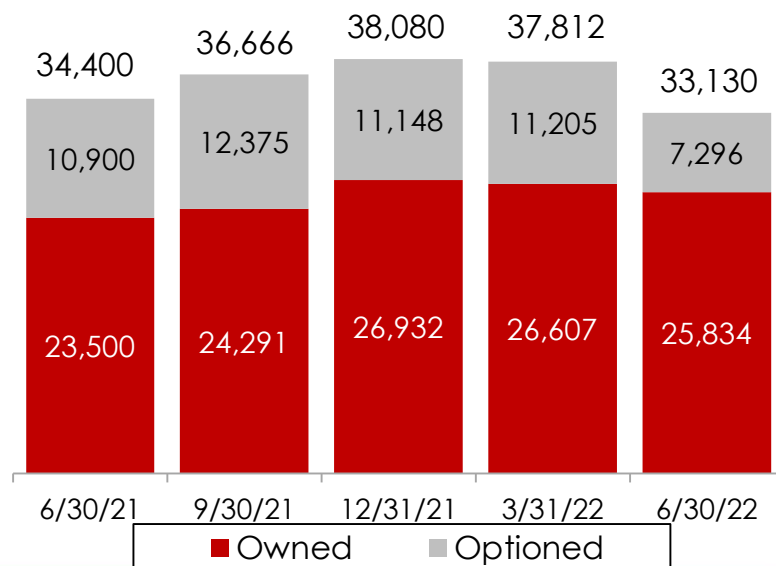
Lots Approved



Lots Acquired



Total Lots Controlled

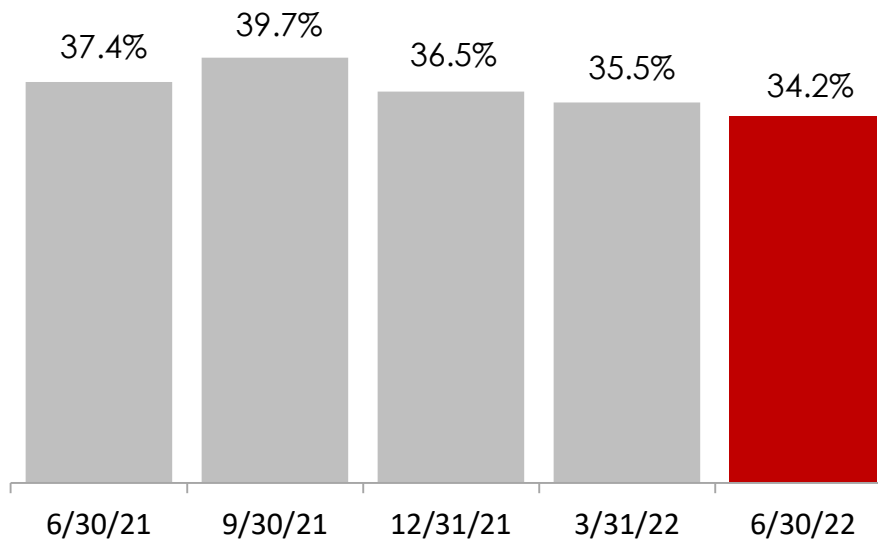


	Q2 '21	Q2 '22
Land Acquisition Spend (in millions)	\$308	\$159
Land Development Spend (in millions)	\$130	\$151
Total Land Spend (in millions)	\$438	\$310

Financial Position

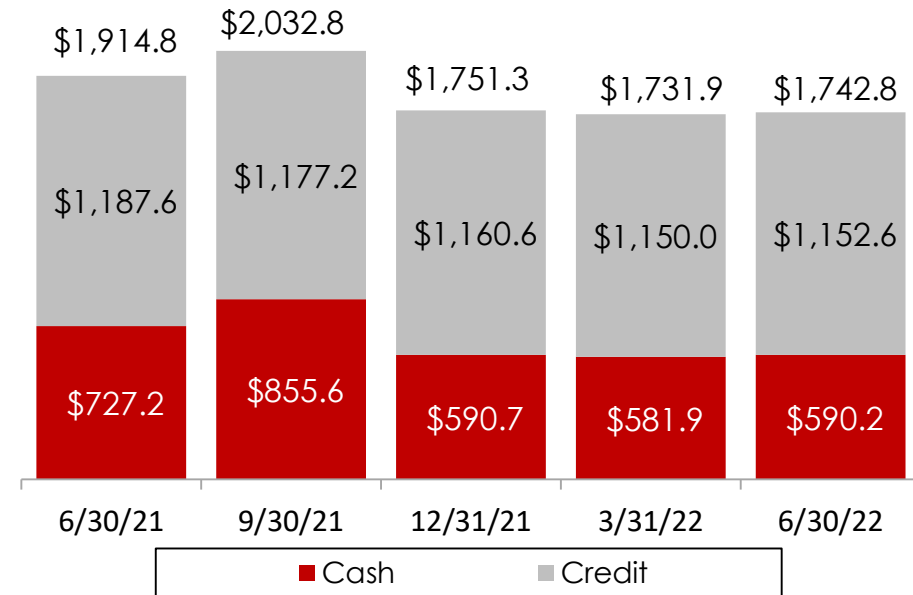


Debt to Capital



Liquidity

(\$ in millions)

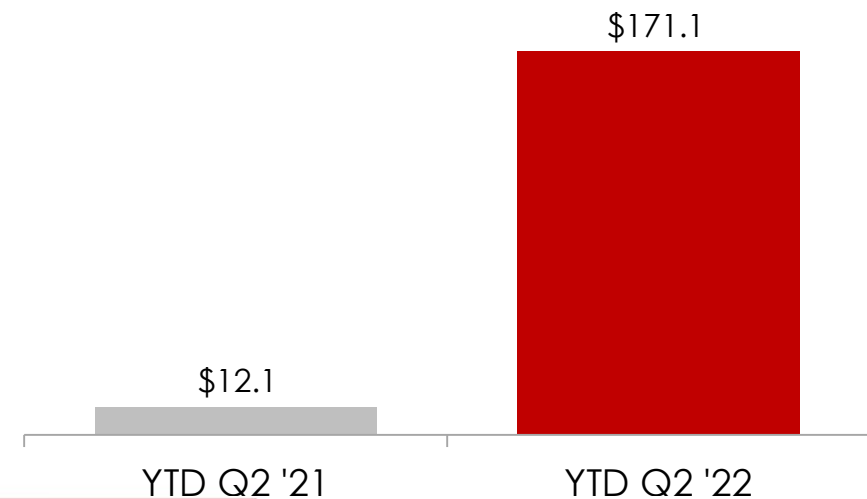


Financial position remains strong as of June 30, 2022:

- No senior notes due until January 2030
- Net debt to capital ratio* of 23.9%
- Only \$40.9 million in cash deposits and \$11.0 million in letters of credit at risk associated with the 7,296 lots currently under option

Operating Cash Flows

(\$ in millions)



* See appendix for reconciliation of non-GAAP measures

Summary



- Strong profitability in the second quarter
 - 23% increase in net income
 - Home deliveries of 2,536; exceeded mid-point of previously provided guidance
 - 26.8% gross margin from home sales
- Strategic advantages
 - Build-to-order business model allows for personalization
 - Continued focus on more affordable home collections
 - Focus on more affordable home markets benefiting from ongoing in-migration of people and jobs
 - Limited amount of speculative inventory
- Housing backdrop outside of rising interest rates
 - Low housing supply
 - Migration trends from high-to-low-cost areas
- Balance sheet among best in industry
 - Debt-to-capital ratio of 34.2%
 - Total available liquidity of \$1.74 billion
 - Sold backlog over \$4.44 billion
- Industry leading dividend
 - Recent yield above 5%





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.

	June 30, 2022	December 31, 2021	June 30, 2021
	(Dollars in thousands)		
Senior notes, net	\$ 1,482,174	\$ 1,481,781	\$ 1,384,714
Revolving credit facility	10,000	10,000	10,000
Homebuilding GAAP debt	1,492,174	1,491,781	1,394,714
Stockholders' equity	2,874,317	2,597,146	2,332,559
Total GAAP capital	4,366,491	4,088,927	3,727,273
GAAP debt to capital ratio	34.2 %	36.5 %	37.4 %
Homebuilding GAAP debt less:			
Homebuilding cash and cash equivalents	(475,254)	(485,839)	(638,547)
Financial services cash and cash equivalents	(114,989)	(104,821)	(88,654)
Net debt	901,931	901,121	667,513
Stockholders' equity	2,874,317	2,597,146	2,332,559
Total net capital	\$ 3,776,248	\$ 3,498,267	\$ 3,000,072
Net debt to capital ratio	23.9 %	25.8 %	22.2 %

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									
	Jun 30, 2022	Gross Margin %	Mar 31, 2022	Gross Margin %	Dec 31, 2021	Gross Margin %	Sep 30, 2021	Gross Margin %	Jun 30, 2021	Gross Margin %
	(Dollars in thousands)									
Gross Margin from Home Sales	\$388,807	26.8 %	\$318,482	25.7 %	\$336,578	23.5 %	\$295,623	23.5 %	\$316,592	23.1 %
Add: Inventory Impairments	-		660		1,600		-		-	
Gross Margin from Home Sales Excluding Inventory Impairments	388,807	26.8 %	319,142	25.7 %	338,178	23.6 %	295,623	23.5 %	316,592	23.1 %
Add: Warranty Adjustments	-		2,440		(338)		319		-	
Gross Margin from Home Sales Excluding Inventory Impairments and Warranty Adjustments	388,807	26.8 %	321,582	25.9 %	337,840	23.5 %	295,942	23.5 %	316,592	23.1 %
Add: Interest in Cost of Sales	15,681		14,844		18,032		16,024		18,326	
Gross Margin from Home Sales Excluding Inventory Impairments, Warranty Adjustments, and Interest in Cost of Sales	<u>\$404,488</u>	27.9 %	<u>\$336,426</u>	27.1 %	<u>\$355,872</u>	24.8 %	<u>\$311,966</u>	24.8 %	<u>\$334,918</u>	24.5 %