



M.D.C. Holdings, Inc.
October 29, 2020

Third 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 September 30, 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.

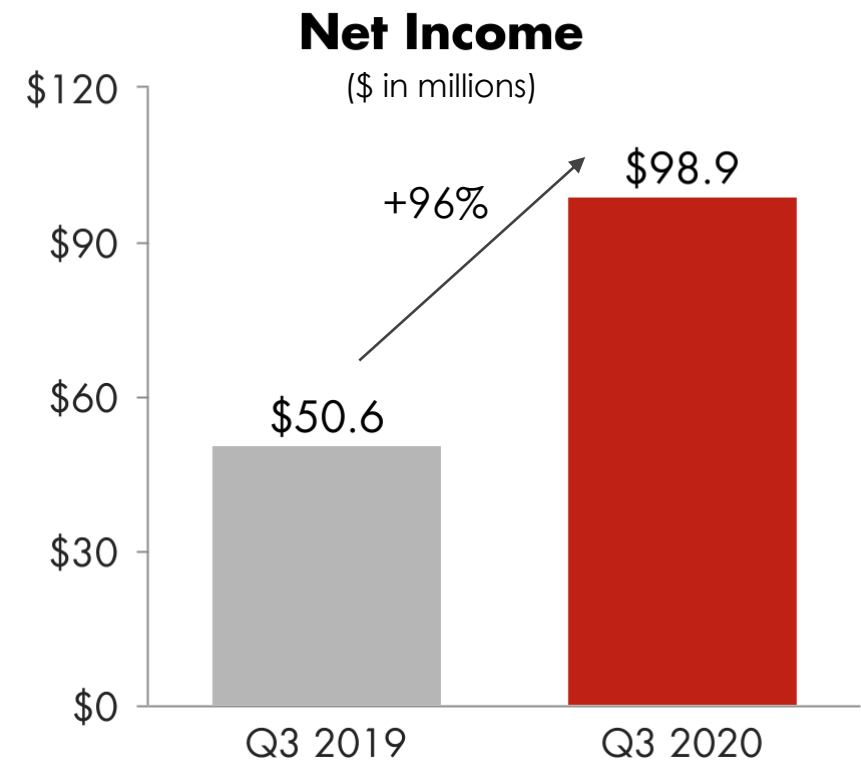
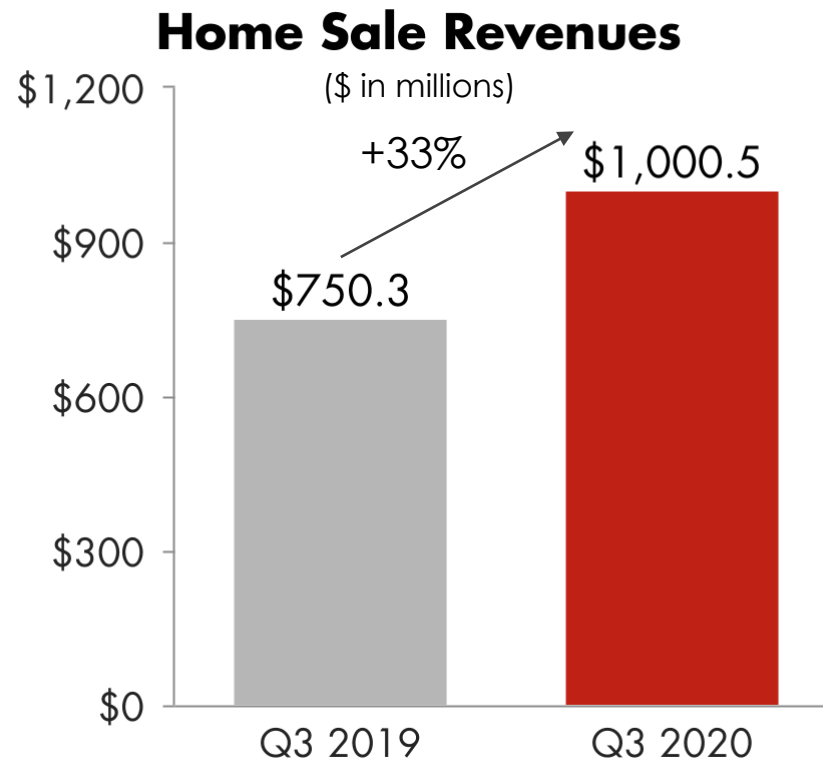
It should also be noted that SEC Regulation G requires that certain information accompany the use of non-GAAP financial measures. Any information required by Regulation G will be posted on our web site, www.mdcholdings.com.



Overview – Q3 2020 vs. Q3 2019

- Home sale revenues increased 33% to \$1,000.5 million from \$750.3 million
 - Unit deliveries up 25% to 2,147
 - Average selling price of deliveries up 6% to \$466,000
- Homebuilding pretax income up 109% to \$101.7 million from \$48.7 million
 - Gross margin from home sales increased 170 basis points to 20.5% from 18.8%
 - Selling, general and administrative expenses as a percentage of home sale revenues ("SG&A rate") improved by 200 basis points to 10.4%
- Financial services pretax income up 73% to \$24.4 million from \$14.1 million
- Net income of \$98.9 million, or \$1.49 per diluted share, up 96% from \$50.6 million or \$0.79 per diluted share
 - Effective tax rate of 21.5% vs. 19.5%
- Dollar value of net new orders increased 89% to \$1.65 billion from \$871.7 million
 - Unit net orders increased 73% to 3,515
 - Average selling price of net new orders up 10%
- Dollar value of ending backlog up 47% to \$3.08 billion from \$2.10 billion
 - Unit backlog increased 41% to 6,511
 - Average selling price of homes in backlog up 4%
- Quarterly cash dividend of forty cents (\$0.40) per share declared on October 26, 2020, up 21% from prior quarter and 33% from prior year

Home Sale Revenues and Net Income



Financial Services Pretax Income
(\$ in millions)

\$24.4

\$14.1

Diluted Earnings Per Share

\$0.79

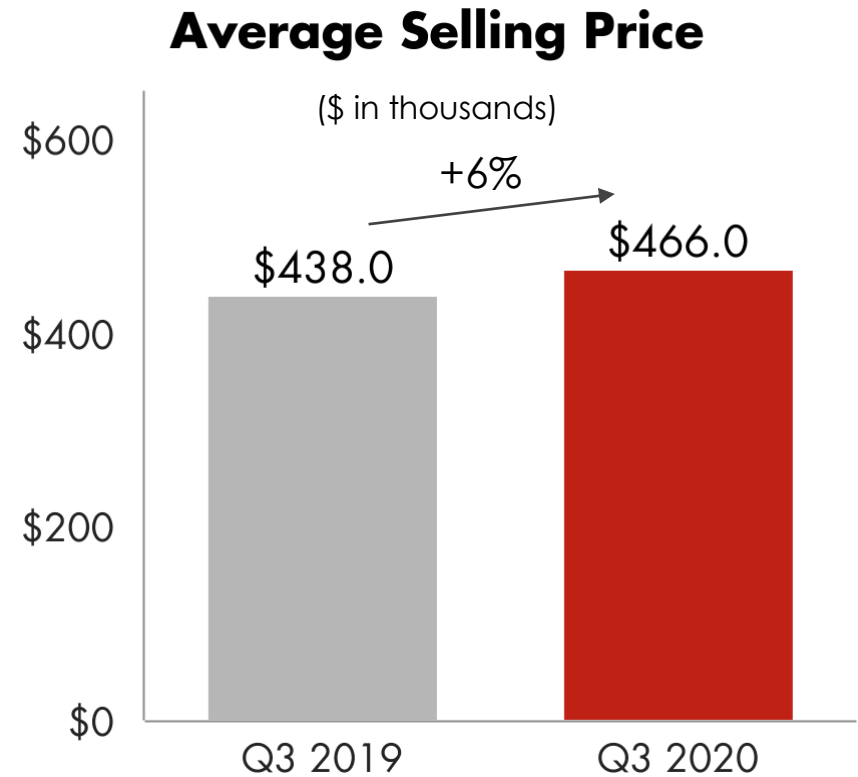
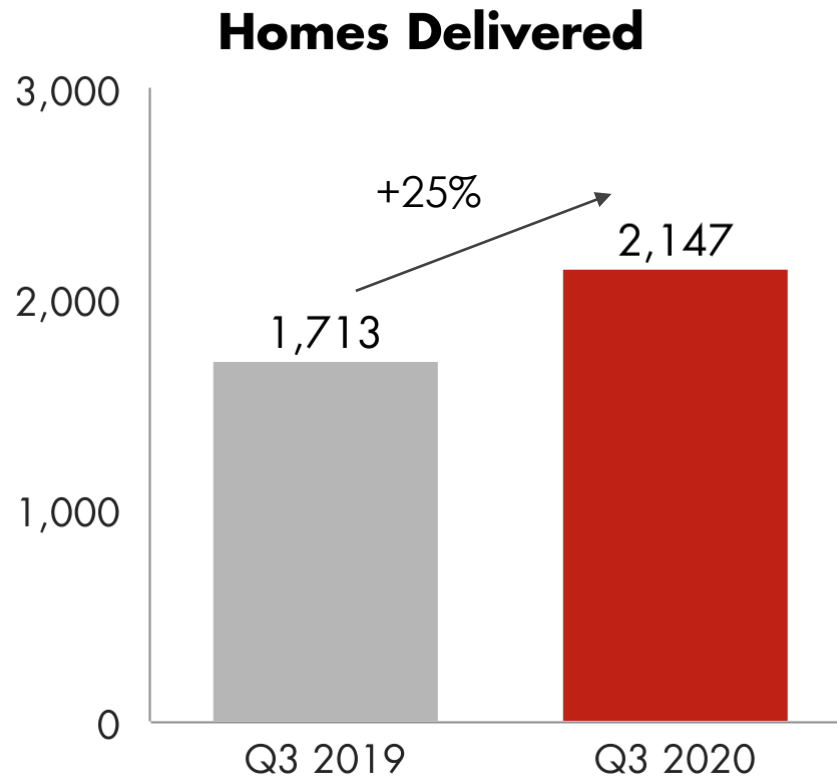
\$1.49

Effective Tax Rate

19.5%

21.5%

Homes Delivered and Average Selling Price



4,293	5,143
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Beginning Backlog

40%	42%
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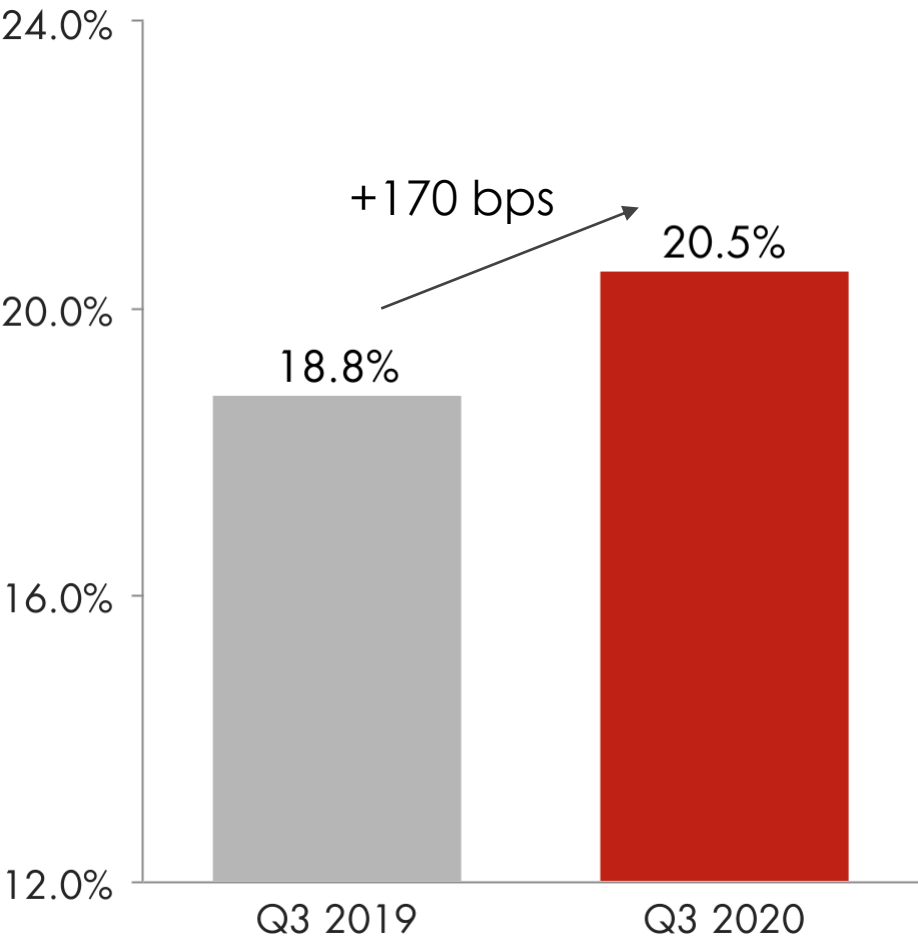
Backlog Conversion Rate
(Homes Delivered as a % of Beginning Backlog)

50%	58%
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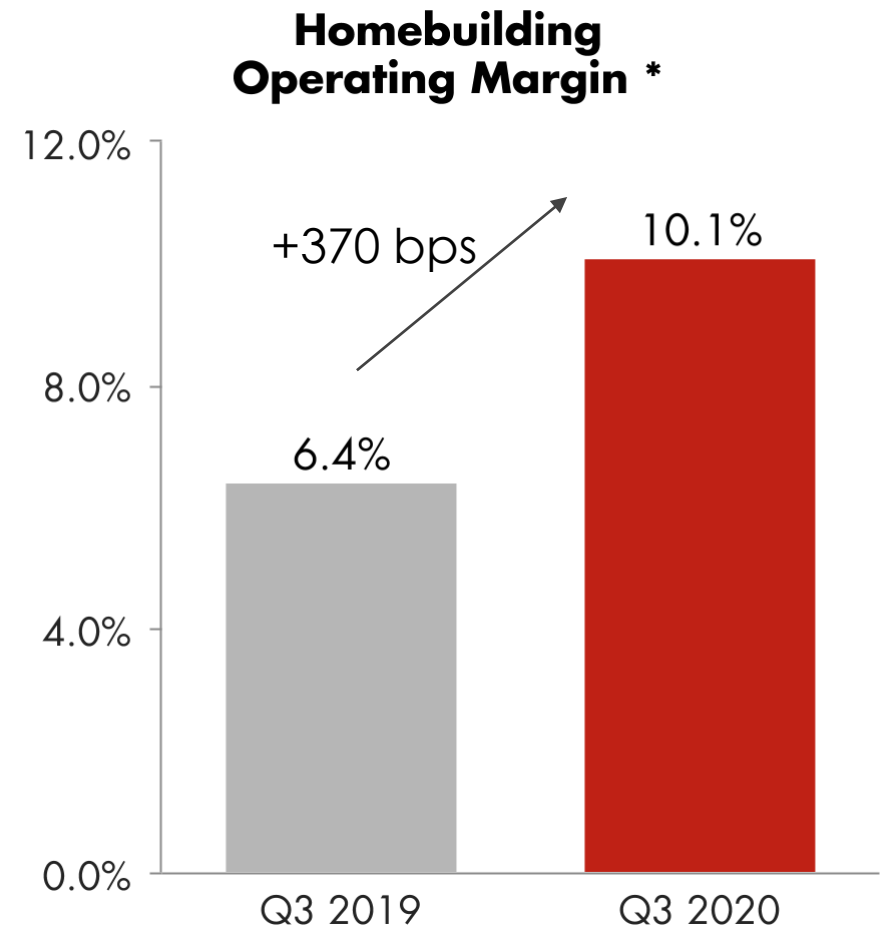
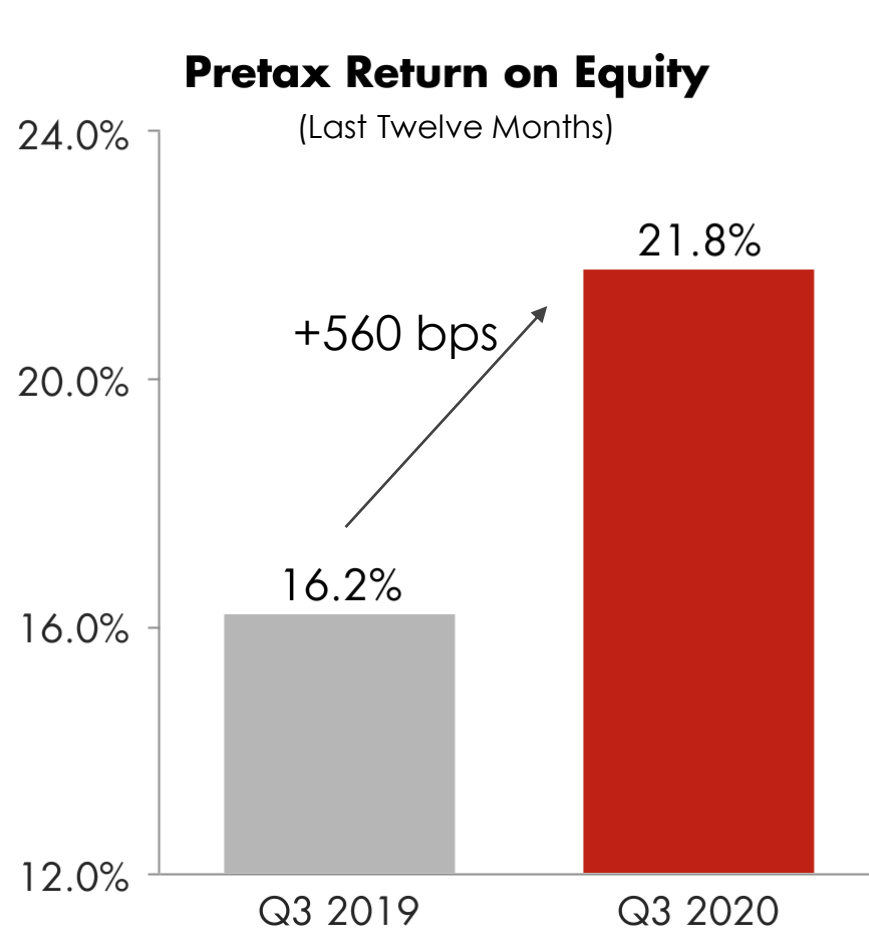


% from More Affordable Collections (e.g. Seasons, Landmark, CityScapes, Urban)

Gross Margin from Home Sales

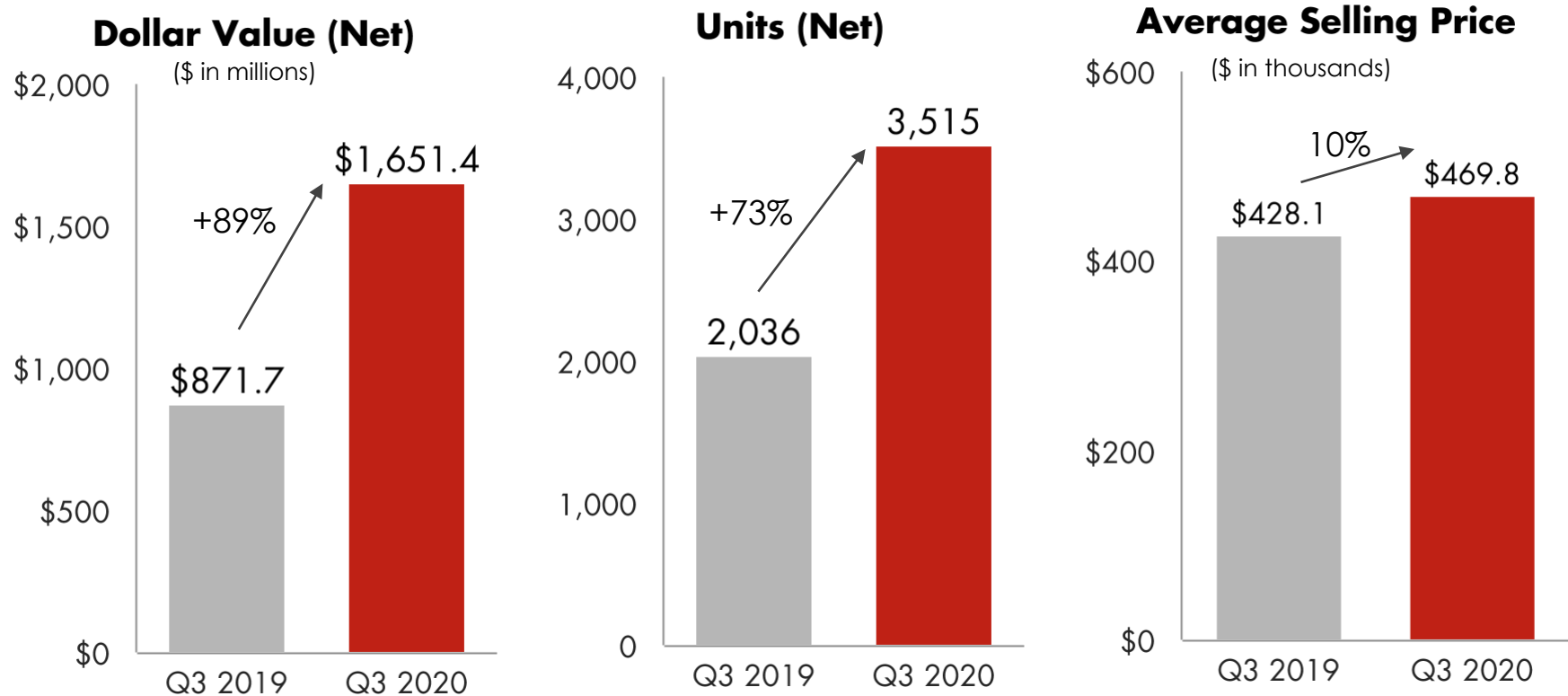


Return Ratios



*Gross margin from home sales less homebuilding & corporate SG&A as a percentage of home sale revenues.

Net New Home Orders (Quarter)



Monthly Net Orders Per Active Subdivision

Q3 2019 – 3.59 Q3 2020 – 6.10

Average Subdivisions

Q3 2019 – 191 Q3 2020 – 193

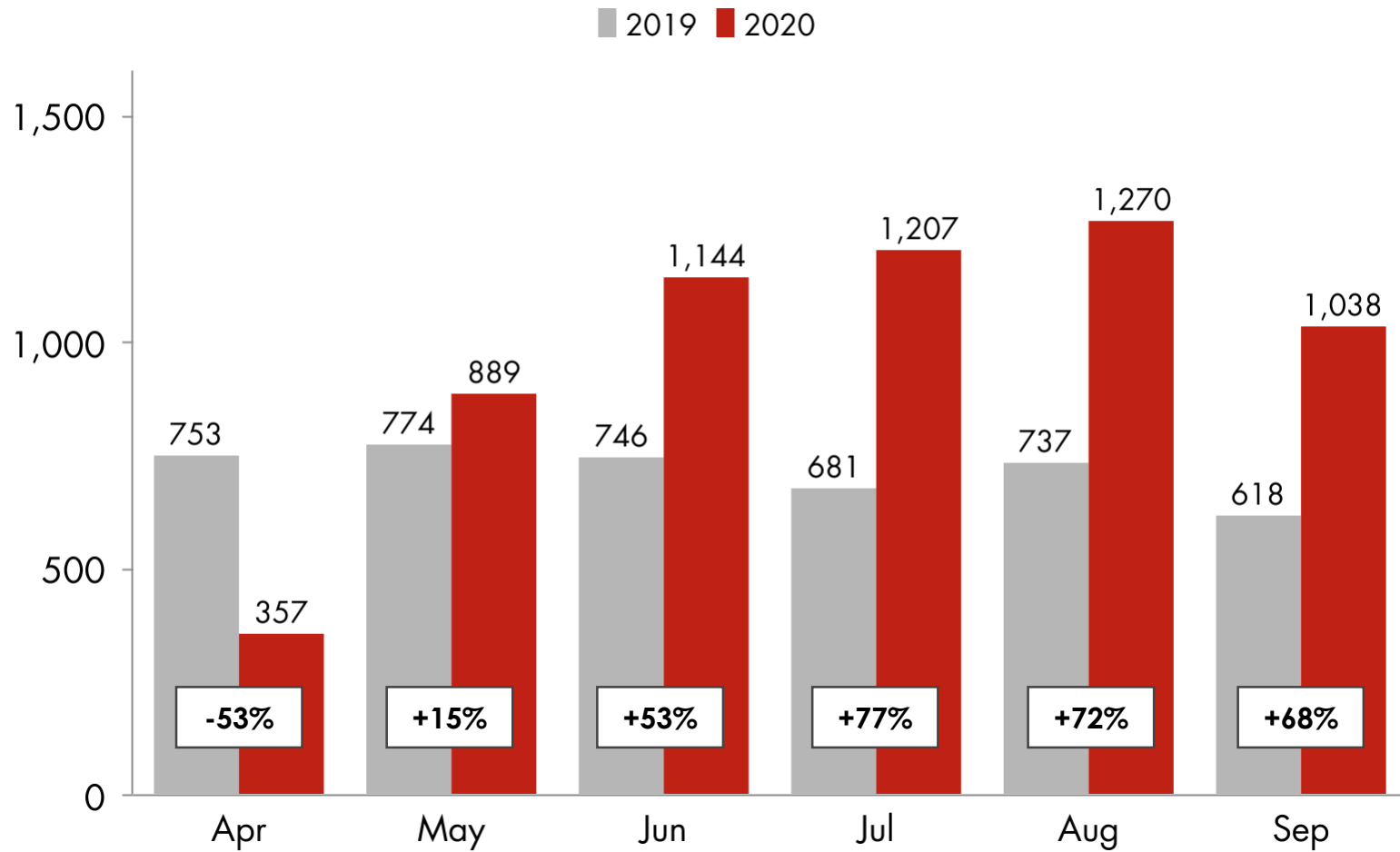
Cancellations -- % of Beginning Backlog

Q3 2019 – 15% Q3 2020 – 12%

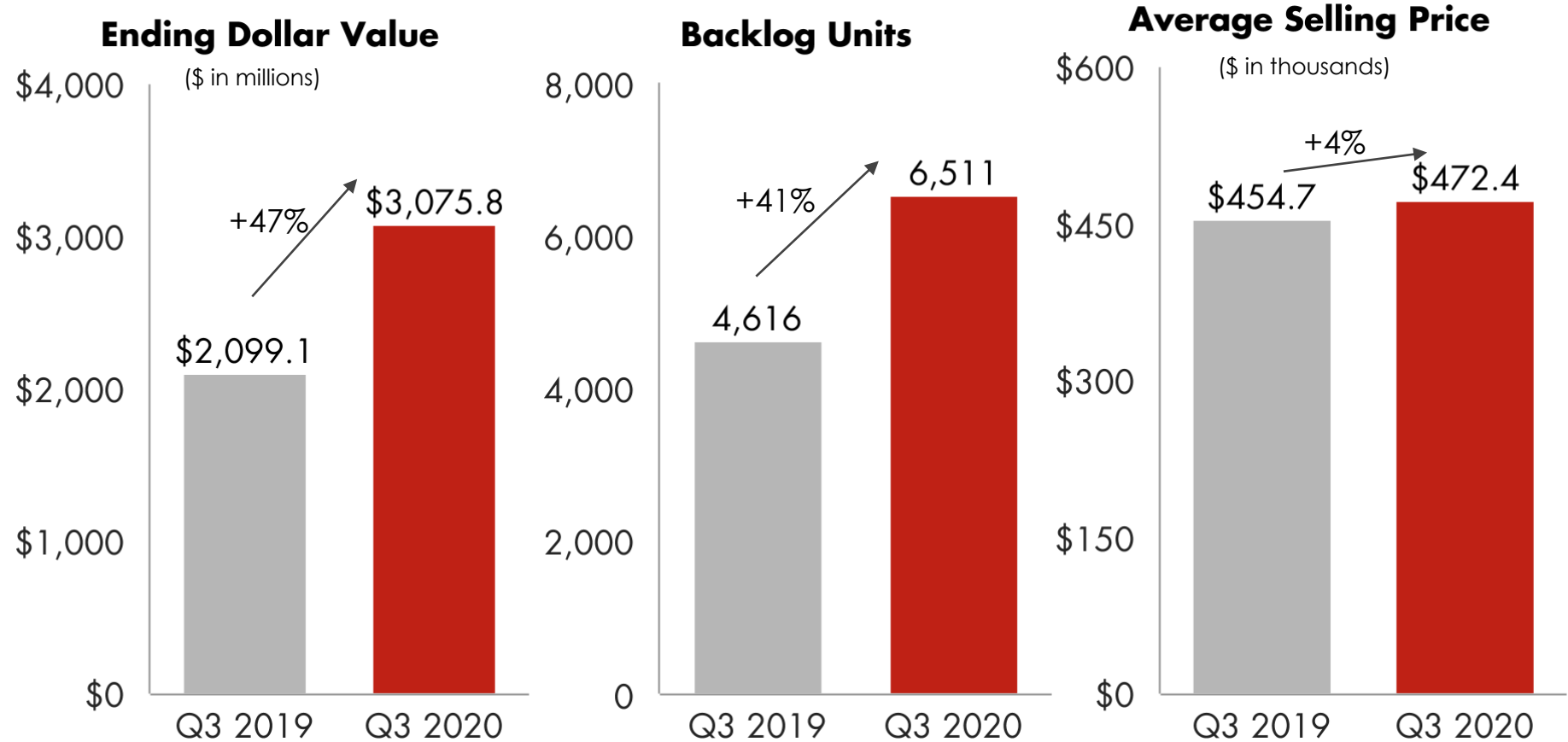
Ending Subdivisions

Q3 2019 – 190 Q3 2020 – 194

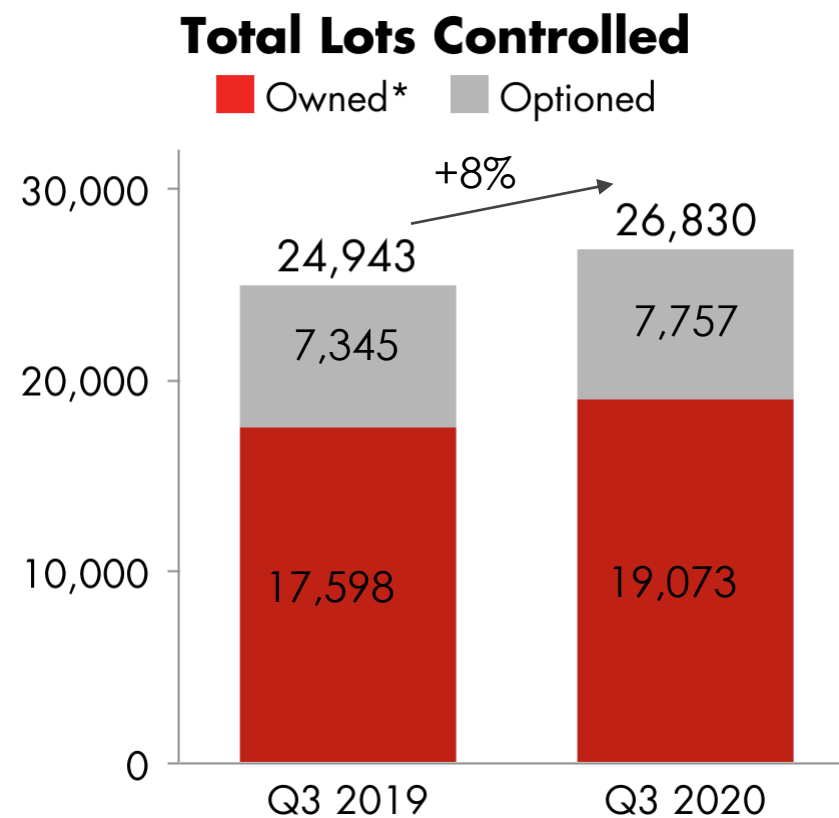
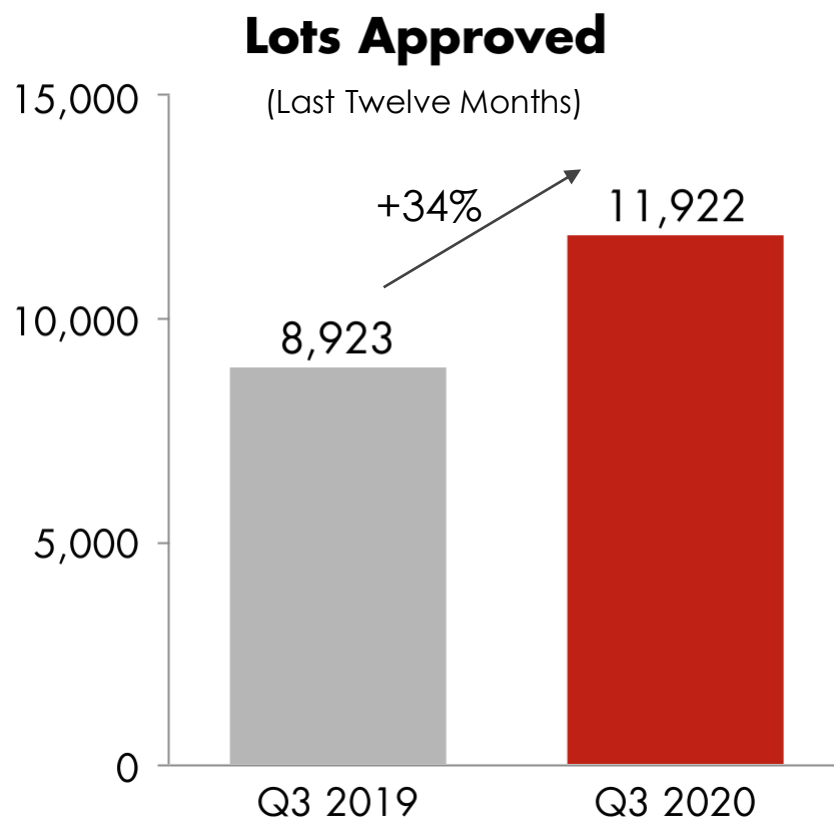
Monthly Net New Home Orders



Backlog



Land Activity



	Q3 2019	Q3 2020
(\$ in millions)		
Lots Approved	3,438	3,835
Lots Acquired	2,178	3,555
Land Acquisition Spend	\$164	\$239
Land Development Spend	\$109	\$123
Total Land Spend	\$273	\$362



Summary & Outlook

- Housing backdrop outside of COVID-19 challenge
 - Low interest rates
 - Limited resale inventory
 - Rise in remote work and school options
 - Migration away from high cost, densely populated urban areas
- Continued focus on safety at both office and field locations*
- Strong balance sheet to fund continued growth
 - \$1.5 billion of liquidity
 - No near-term senior note maturities
 - Low debt-to-capital ratio of 34.5% (21.5% net of cash and investments)
- Outlook
 - Home deliveries for the fourth quarter between 2,400 and 2,600
 - Gross margins from home sales for the fourth quarter approaching 21% excluding impairments and warranty adjustments; average selling price exceeding \$460,000
 - Preliminary target of at least 10,000 home deliveries for 2021
 - Quarterly cash dividend of \$0.40 declared in October 2020, up 21% from the prior quarter and 33% from the prior year

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.

	September 30, 2020	December 31, 2019	September 30 2019
	(Dollars in thousands)		
Senior notes, net	\$ 1,037,225	\$ 989,422	\$ 989,050
Revolving credit facility	10,000	15,000	15,000
GAAP debt	1,047,225	1,004,422	1,004,050
Stockholders' equity	1,987,999	1,782,485	1,701,801
Total GAAP capital	3,035,224	2,786,907	2,705,851
GAAP debt to capital ratio	34.5 %	36.0 %	37.1 %
GAAP debt less:			
Homebuilding cash and cash equivalents	(432,277)	(424,186)	(285,338)
Financial services cash and cash equivalents	(70,435)	(35,747)	(46,790)
Financial services marketable securities	—	(56,747)	(52,876)
Net debt	544,513	487,742	619,046
Stockholders' equity	1,987,999	1,782,485	1,701,801
Total net capital	\$ 2,532,512	\$ 2,270,227	\$ 2,320,847
Net debt to capital ratio	21.5 %	21.5 %	26.7 %

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									
	Sep 30 2020	Gross Margin %	Jun 30, 2020	Gross Margin %	Mar 31, 2020	Gross Margin %	Dec 31, 2019	Gross Margin %	Sep 30, 2019	Gross Margin %
	(Dollars in thousands)									
Gross Margin from Home Sales	\$205,377	20.5%	\$178,969	20.2%	\$138,438	19.9%	\$198,371	18.5%	\$140,958	18.8%
Add: Inventory Impairments	—		—		—		325		—	
Gross Margin from Home Sales Excluding Inventory Impairments	205,377	20.5%	178,969	20.2%	138,438	19.9%	198,696	18.5%	140,958	18.8%
Add: Warranty Adjustments	(171)		(2,000)		—		205		389	
Gross Margin from Home Sales Excluding Inventory Impairments and Warranty Adjustments	205,206	20.5%	176,969	20.0%	138,438	19.9%	198,901	18.5%	141,347	18.8%
Add: Interest in Cost of Sales	16,511		17,242		12,767		20,056		14,451	
Gross Margin from Home Sales Excluding Inventory Impairments, Warranty Adjustments, and Interest in Cost of Sales	\$221,717	22.2%	\$194,211	21.9%	\$151,205	21.7%	\$218,957	20.4%	\$155,798	20.8%