



2022

M.D.C. Holdings, Inc.
October 27, 2022

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, 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 – Q3 2022 vs Q3 2021

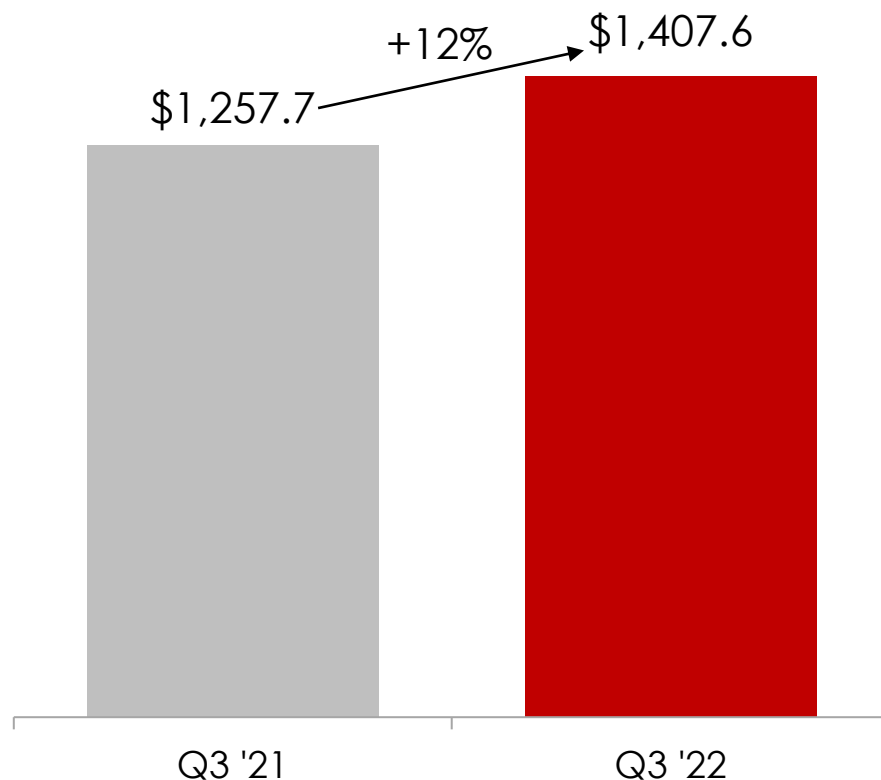


- Home sale revenues increased 12% to \$1.41 billion from \$1.26 billion
 - Average selling price of deliveries up 13% to \$590,000
 - Unit deliveries down 1% to 2,387
- Homebuilding pretax income increased 2% to \$168.2 million from \$165.2 million
 - Gross margin from home sales decreased 80 basis points to 22.7% from 23.5%
 - Project abandonment expense of \$11.8 million in Q3 2022 vs. \$1.4 million in Q3 2021
 - Inventory impairment expense of \$28.4 million in Q3 2022
- Selling, general and administrative expenses as a percentage of home sale revenues ("SG&A rate") increased by 40 basis points to 10%
- Net income of \$144.4 million, or \$1.98 per diluted share, down 1% from \$146.0 million or \$1.99 per diluted share
 - Effective tax rate of 22.3% vs. 24.3%
- Dollar value of net new orders decreased 88% to \$152.8 million from \$1.31 billion
 - Unit gross orders decreased 47% to 1,569
 - Cancellations as a percentage of beginning backlog increased 970 basis points to 17.1% from 7.4%
 - Gross order average selling price up approximately 4% to \$583,000
- Dollar value of ending backlog down 25% to \$3.20 billion from \$4.24 billion
 - Average selling price of homes in backlog up 8%
 - Unit backlog decreased 30% to 5,338

Home Sale Revenues and Net Income

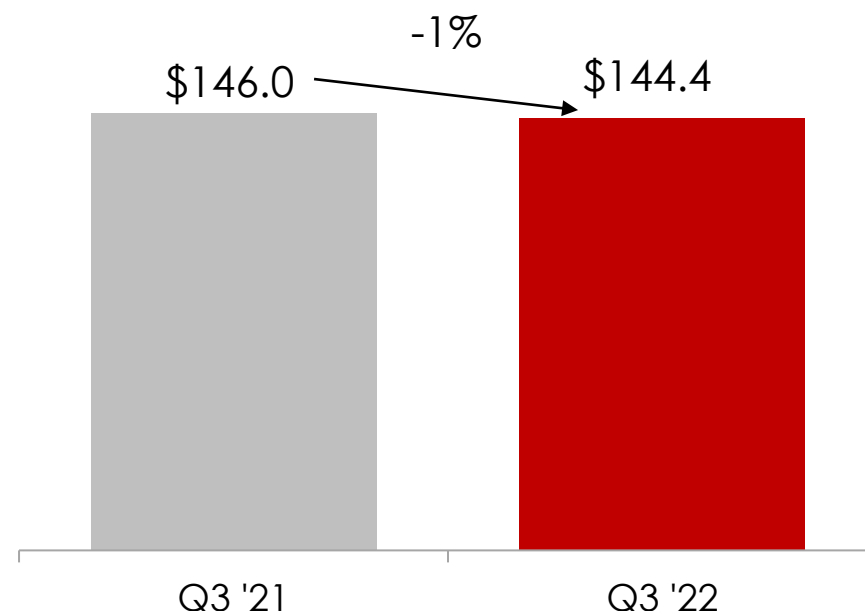
Home Sale Revenues

(\$ in millions)



Net Income

(\$ in millions)



Diluted Earnings Per Share

\$1.99

\$1.98

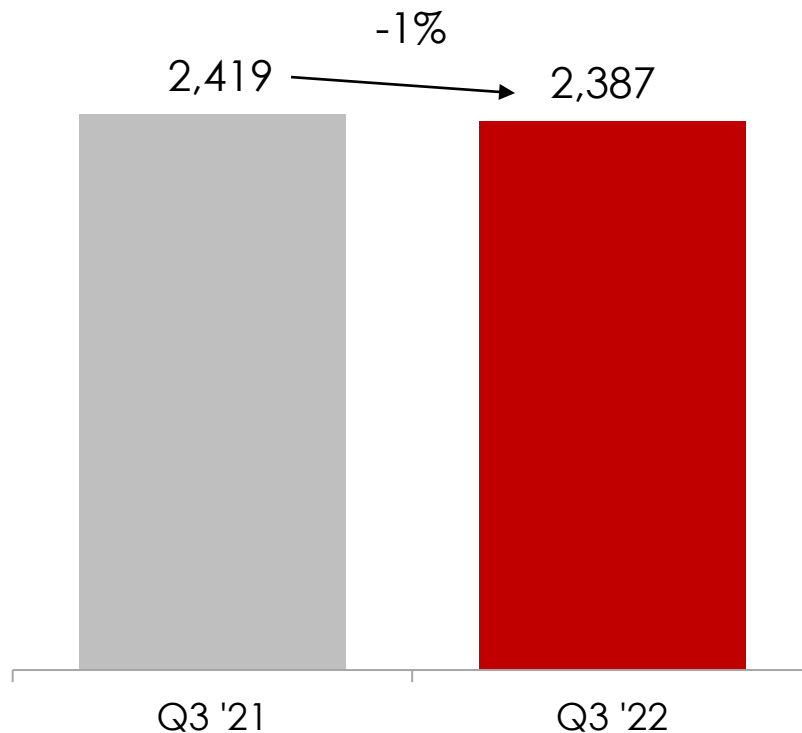
Effective Tax Rate

24.3%

22.3%

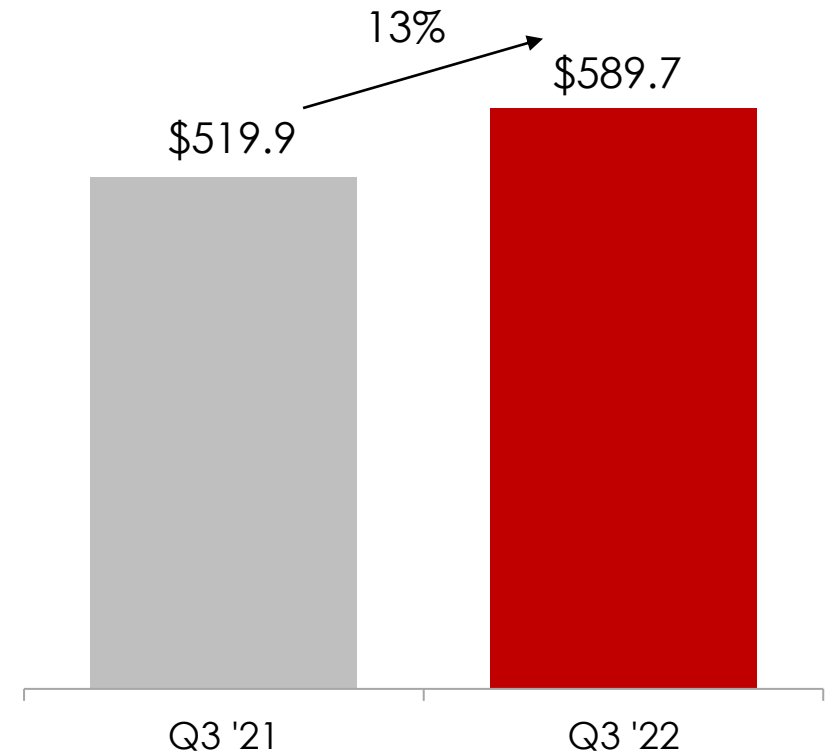
Homes Delivered and Average Selling Price

Homes Delivered



Average Selling Price

(\$ in thousands)



7,678	7,426
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← Beginning Backlog

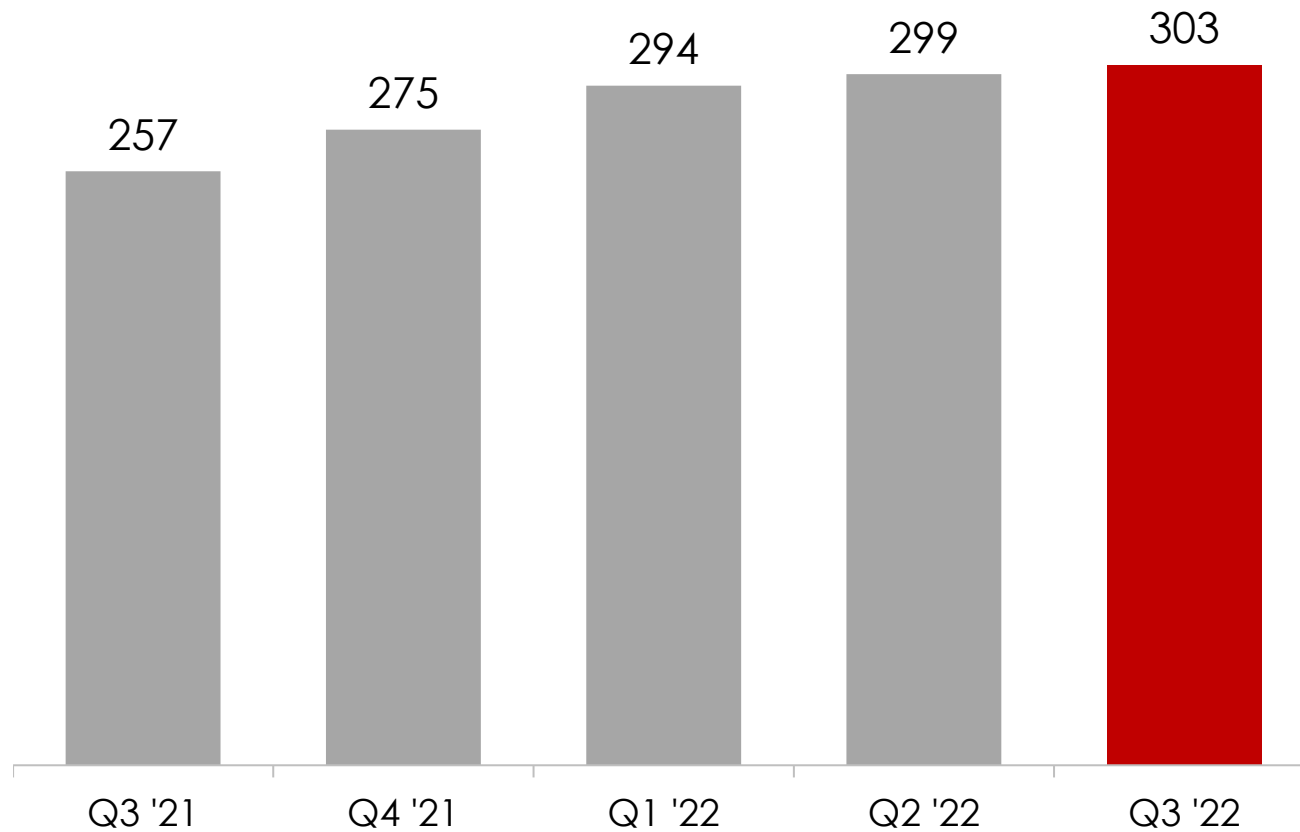
32%	32%
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← Backlog Conversion Rate
(Homes Delivered as a % of Beginning Backlog)

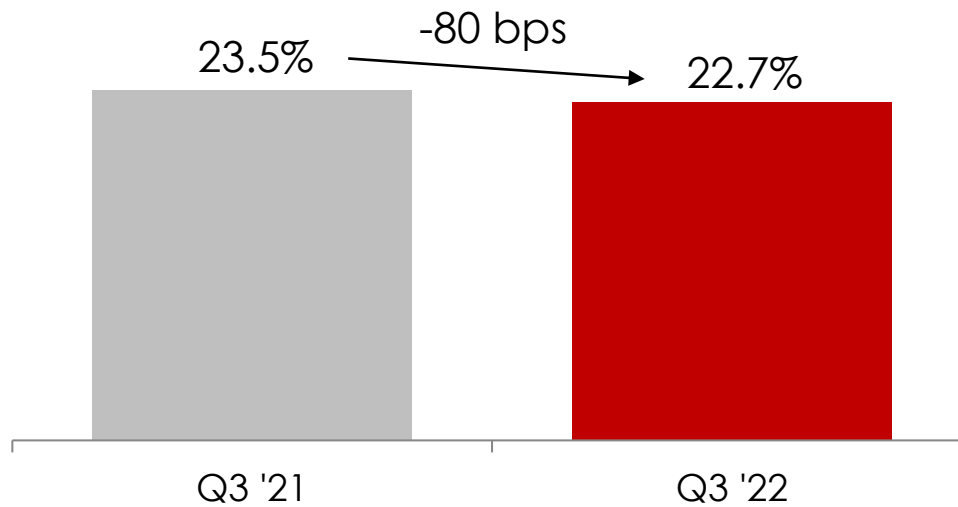
62%	63%
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← % from More Affordable Collections (e.g. Seasons, CityScapes, Urban)

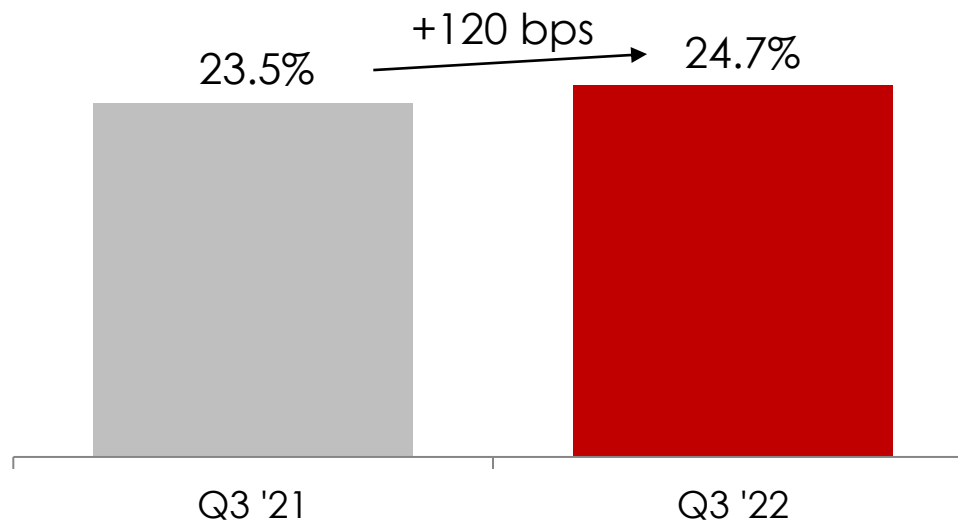
Sale to Close Cycle Times *



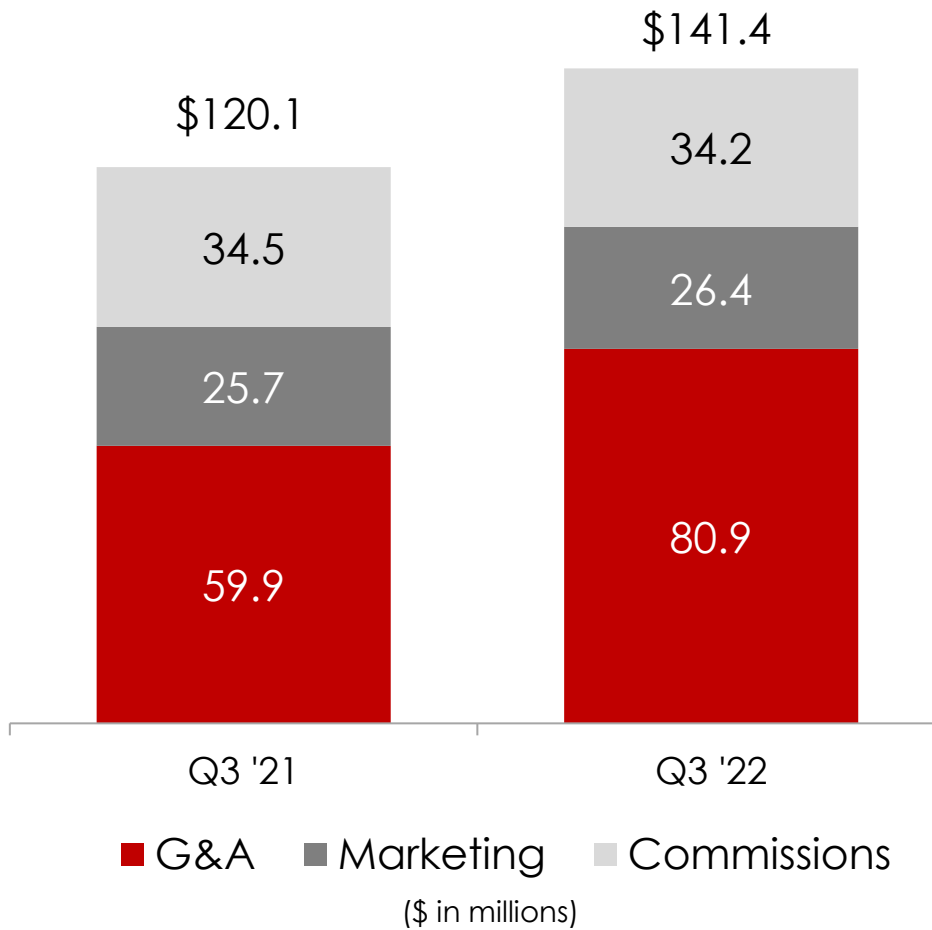
Gross Margin from Home Sales



Gross Margin from Home Sales Excluding Inventory Impairments*



Homebuilding & Corporate SG&A Expense



SG&A % of Home Sale Revenues

Q3 '21: 9.6%

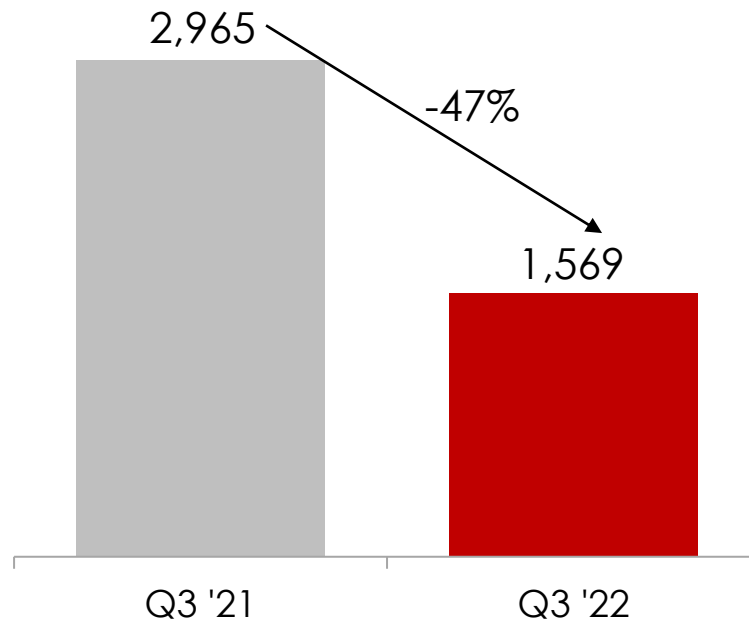
Q3 '22: 10.0%



Gross Orders and Average Selling Price



Gross Unit Orders



Monthly Gross Orders Per Active Subdivision

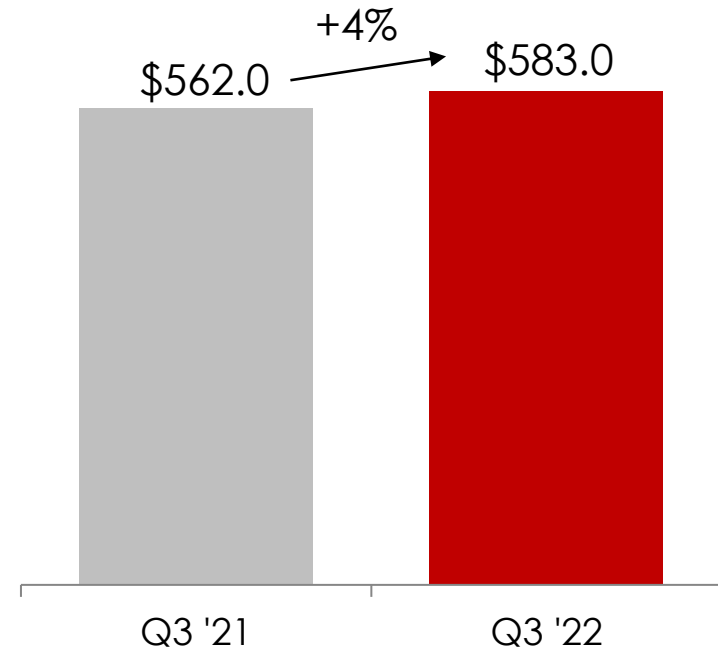
Q3 '21 – 5.1 Q3 '22 – 2.4

Cancellations -- % of Beginning Backlog

Q3 '21 – 7% Q3 '22 – 17%

Average Selling Price

(\$ in thousands)



Average Active Subdivisions

Q3 '21 – 196 Q3 '22 – 215

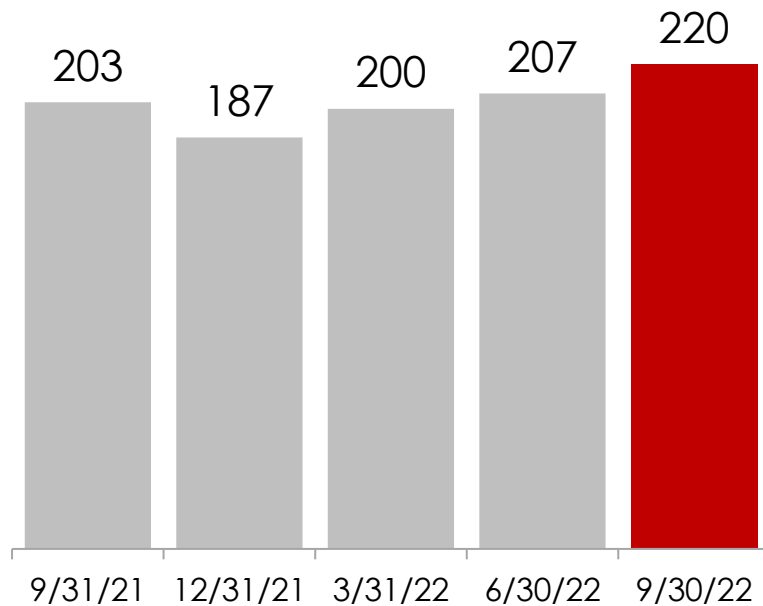
Ending Active Subdivisions

Q3 '21 – 203 Q3 '22 – 220

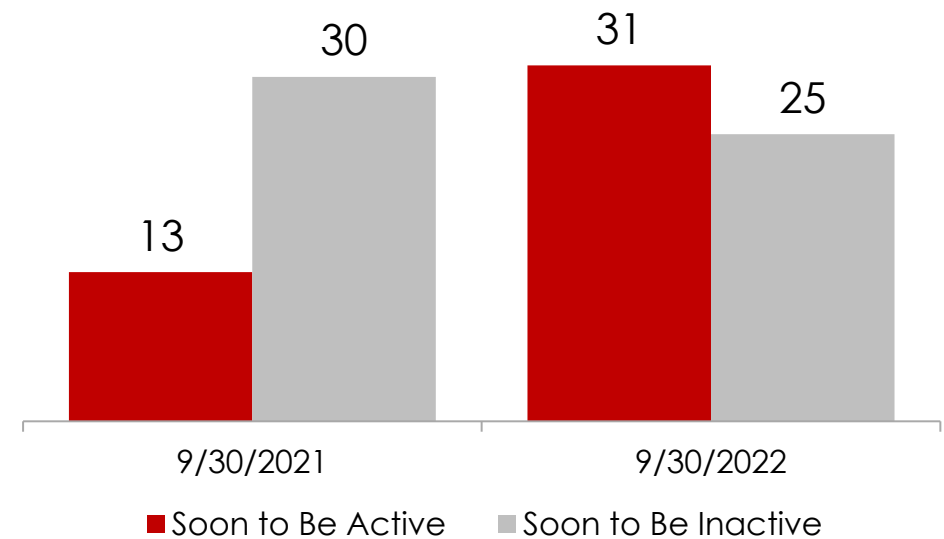
Active Subdivisions (Ending)



Active Subdivisions



Soon to Be Active / Inactive*



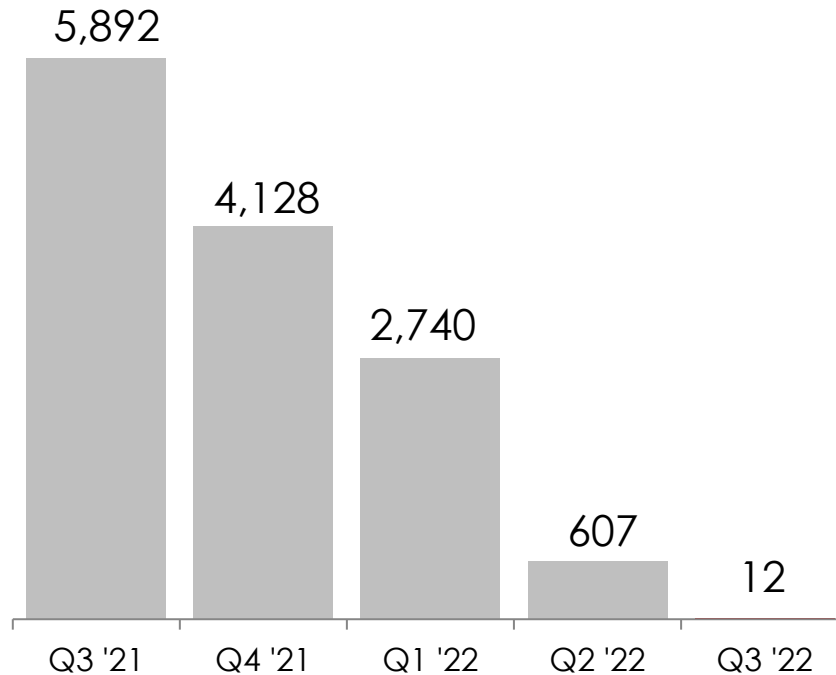
*Soon to be Active: Less than 5 homes sold in subdivision

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

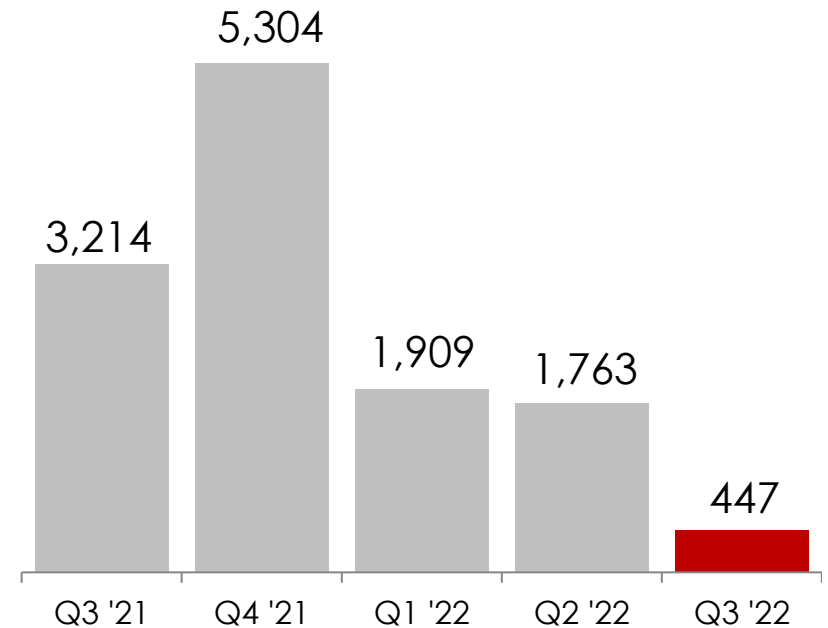
Land Activity



Lots Approved



Lots Acquired

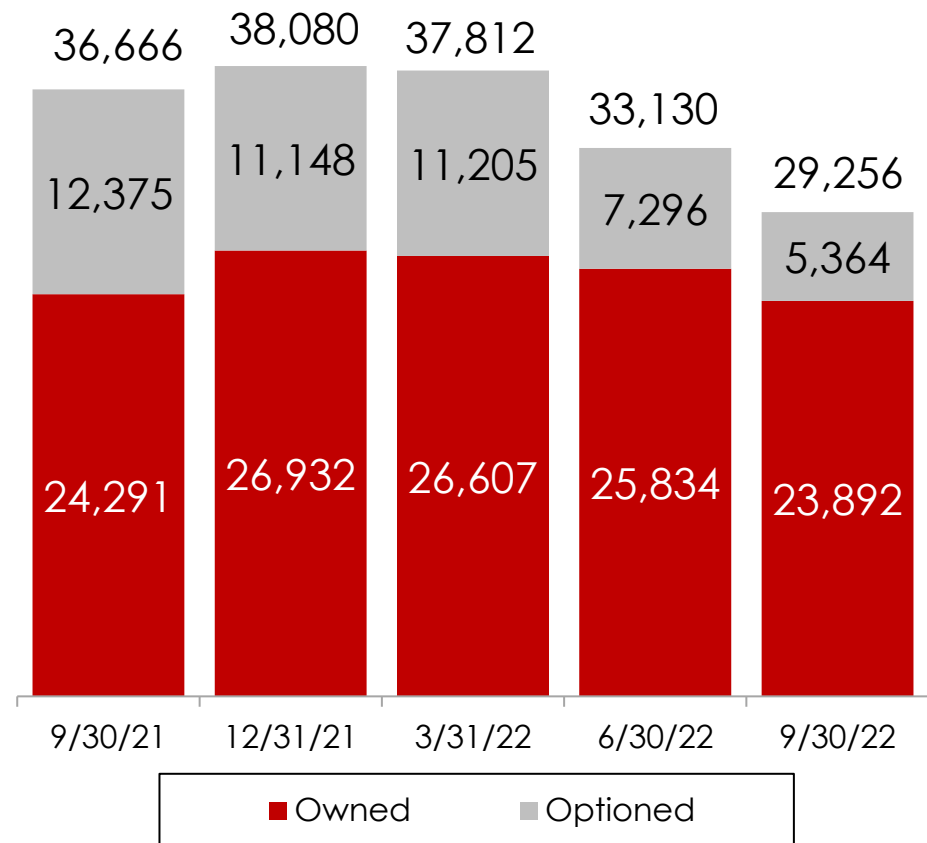


Intentionally slowed approval activity due to market uncertainty

	Q3 '21	Q3 '22
Land Acquisition Spend (in millions)	\$273	\$74
Land Development Spend (in millions)	\$147	\$169
Total Land Spend (in millions)	\$420	\$243



Lots Controlled



Strong Balance Sheet

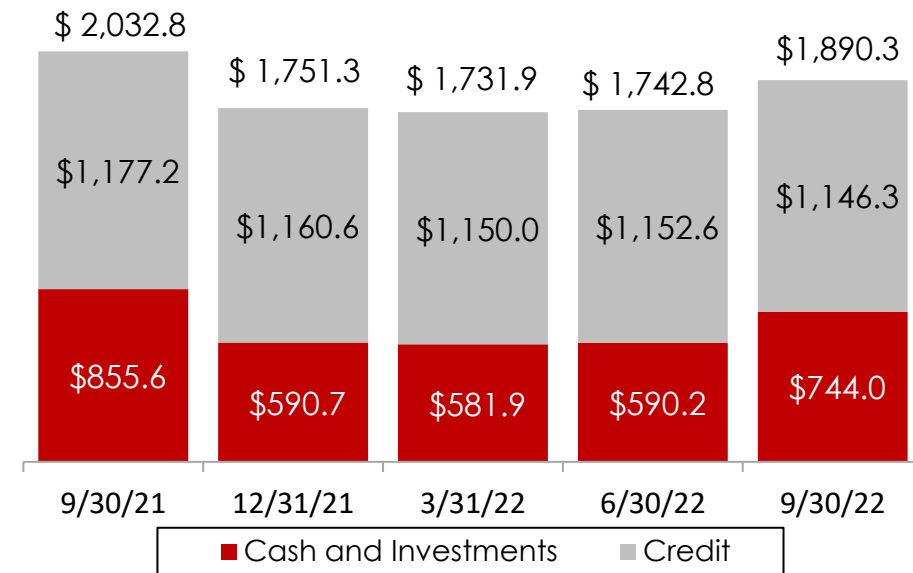
Financial position remains strong as of September 30, 2022:

- Total cash & cash equivalents and marketable securities of \$744.0 million
- Net debt-to-capital ratio* of 19.9%
- No senior notes due until January 2030 and a weighted average maturity of over 19 years
- Only \$24.1 million in cash deposits and \$5.9 million in letters of credit at risk associated with the 5,364 lots currently under option
- Book value per share of \$42.23

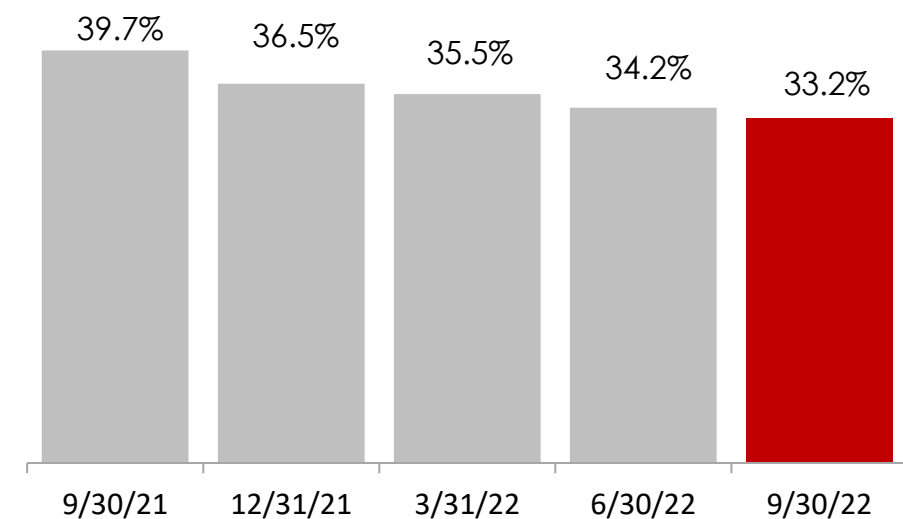


Liquidity

(\$ in millions)



Debt to Capital



* See appendix for reconciliation of non-GAAP measures

Summary



- Strong top line growth
 - 12% increase in home sale revenues
 - Home deliveries of 2,387; exceeded mid-point of previously provided guidance
- Sold backlog of \$3.20 billion
- Year-to-date operating cash flow of \$344 million
- Financial position to navigate housing uncertainty
 - \$1.89 billion of liquidity
 - No senior note maturities this decade
 - Low debt-to-capital ratio of 33.2% (19.9% net of cash and investments)*
- Strategic advantages
 - Increasingly unique build-to-order business model allows for personalization
 - Diverse product mix with a continued focus on the affordable segment
- Industry leading dividend
 - Uninterrupted since 1994
 - Quarterly dividend has doubled over the past five years



* See appendix for reconciliation of non-GAAP measures



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, 2022	December 31, 2021	September 30, 2021
	(Dollars in thousands)		
Senior notes, net	\$ 1,482,374	\$ 1,481,781	\$ 1,607,658
Revolving credit facility	10,000	10,000	10,000
GAAP debt	1,492,374	1,491,781	1,617,658
Stockholders' equity	3,009,204	2,597,146	2,457,984
Total GAAP capital	4,501,578	4,088,927	4,075,642
GAAP debt-to-capital ratio	33.2 %	36.5 %	39.7 %
GAAP debt less:			
Homebuilding cash and cash equivalents	(417,298)	(485,839)	(761,715)
Homebuilding marketable securities	(198,016)	—	—
Financial services cash and cash equivalents	(34,486)	(104,821)	(93,884)
Financial services marketable securities	(94,192)	—	—
Net debt	748,382	901,121	762,059
Stockholders' equity	3,009,204	2,597,146	2,457,984
Total net capital	\$ 3,757,586	\$ 3,498,267	\$ 3,220,043
Net debt-to-capital ratio	19.9 %	25.8 %	23.7 %

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, 2022	Gross Margin %	Jun 30, 2022	Gross Margin %	Mar 31, 2022	Gross Margin %	Dec 31, 2021	Gross Margin %	Sep 30, 2021	Gross Margin %
(Dollars in thousands)										
Gross Margin from Home Sales	\$319,231	22.7 %	\$388,807	26.8 %	\$318,482	25.7 %	\$336,578	23.5 %	\$295,623	23.5 %
Add: Inventory Impairments	28,415		—		660		1,600		—	
Gross Margin from Home Sales Excluding Inventory Impairments	347,646	24.7 %	388,807	26.8 %	319,142	25.7 %	338,178	23.6 %	295,623	23.5 %
Add: Warranty Adjustments	523		—		2,440		(338)		319	
Gross Margin from Home Sales Excluding Inventory Impairments and Warranty Adjustments	348,169	24.7 %	388,807	26.8 %	321,582	25.9 %	337,840	23.5 %	295,942	23.5 %
Add: Interest in Cost of Sales	15,977		15,681		14,844		18,032		16,024	
Gross Margin from Home Sales Excluding Inventory Impairments, Warranty Adjustments, and Interest in Cost of Sales	\$364,146	25.9 %	\$404,488	27.9 %	\$336,426	27.1 %	\$355,872	24.8 %	\$311,966	24.8 %