MDC · RICHMOND · AMERICAN · HOMES

2020

M.D.C. Holdings, Inc.

February 2, 2021

Fourth 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-K for the year ended December 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.

Quarter and Annual Comparisons

Q4 2020 vs. Q4 2019

- Home sale revenues increased 10% to $1.18 billion from $1.07 billion
  - Gross margin from home sales up 350 basis points to 22.0% from 18.5%
- Homebuilding pretax income up 52% to $142.3 million from $93.4 million
- Financial services pretax income up 54% to $29.0 million from $18.8 million
- Net income of $147.5 million, or $2.19 per diluted share, up 59% from $92.6 million or $1.42 per diluted share
  - Effective tax rate of 13.9% vs 17.5%
- Dollar value of net new orders up 92% to $1.32 billion from $684.9 million

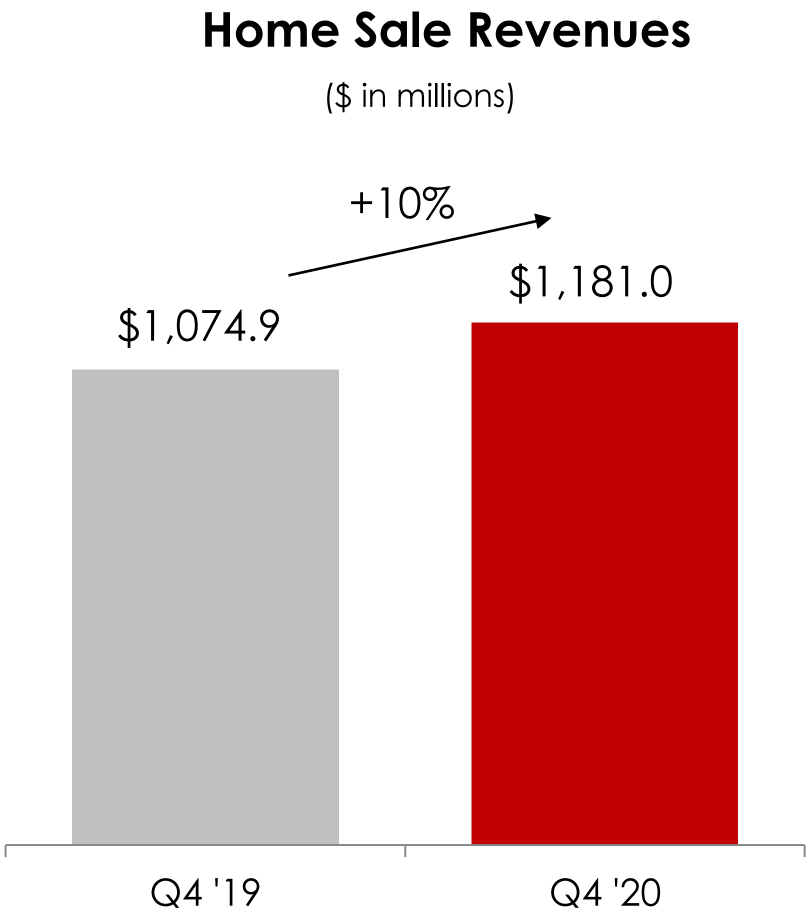
FY 2020 vs. FY 2019

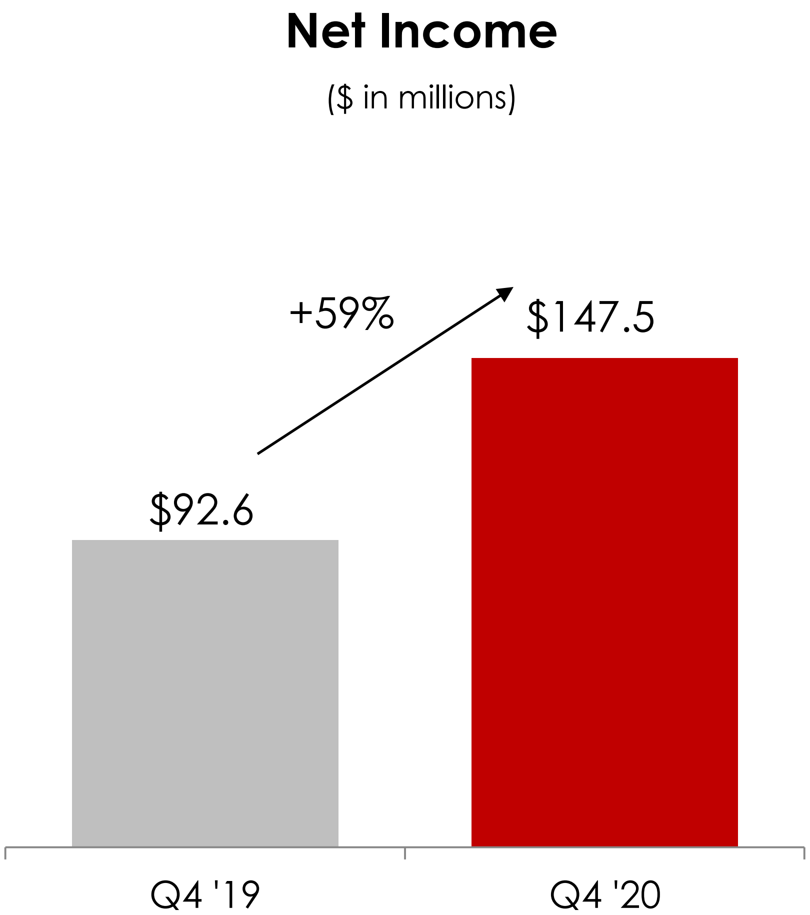
- Home sale revenues increased 17% to $3.77 billion from $3.21 billion
  - Gross margin from home sales up 200 basis points to 20.8% from 18.8%
- Net income of $367.6 million, or $5.58 per diluted share, up 54% from $238.3 million or $3.72 per diluted share
  - Effective tax rate of 19.7% vs 21.9%
- Dollar value of net new orders up 56% to $5.46 billion from $3.50 billion

Other Highlights

- Ending backlog dollar value up 87% year-over-year to $3.26 billion from $1.75 billion
- Controlled 29,469 lots at December 31, 2020, up 8% year-over-year
- Active community count at year-end up 5% to 194
- Expanded credit facility to $1.20 billion in December 2020
- Issuance of $350 million of 10-Year Senior Notes at 2.500% interest rate in January 2021
- $1.39 of total dividends paid per share in 2020, up 18% year-over-year
- Quarterly cash dividend of forty cents ($0.40) per share and 8% stock dividend declared on January 25, 2021

Home Sale Revenues and Net Income

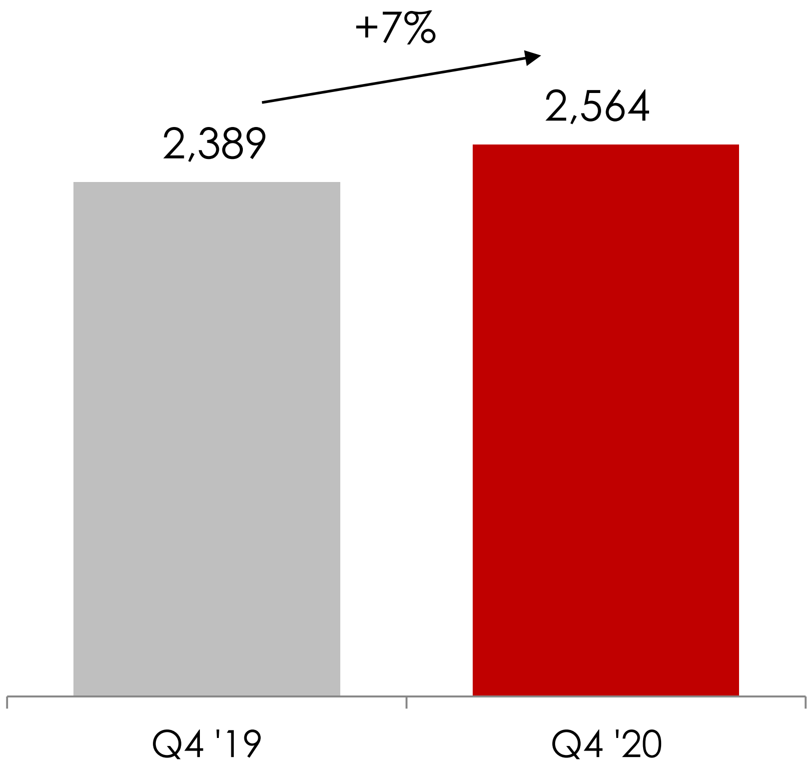




Diluted Earnings Per Share	$1.42	$2.19
Effective Tax Rate	17.5%	13.9%

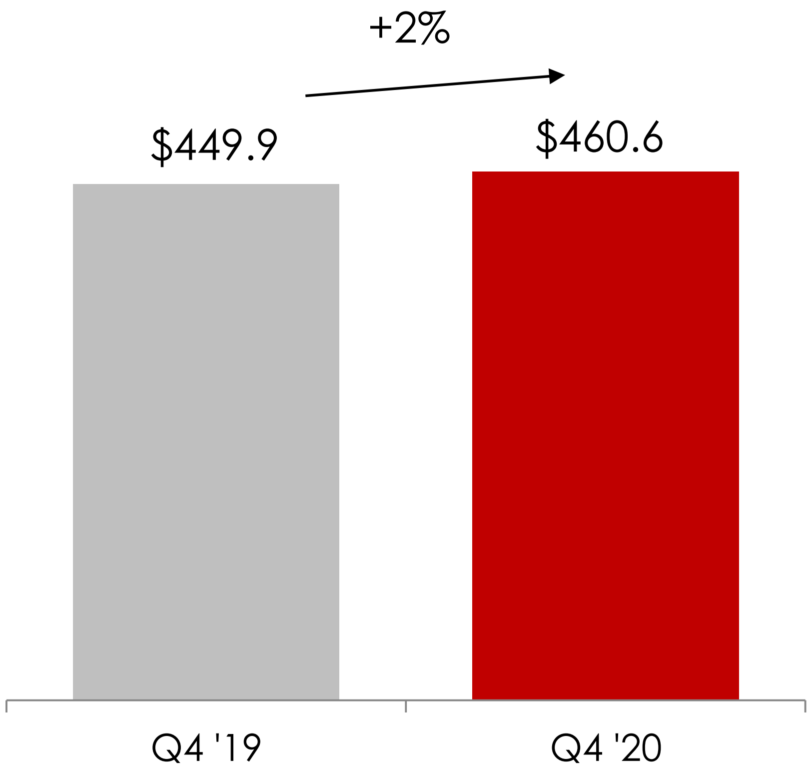
Homes Delivered and Average Selling Price

Homes Delivered



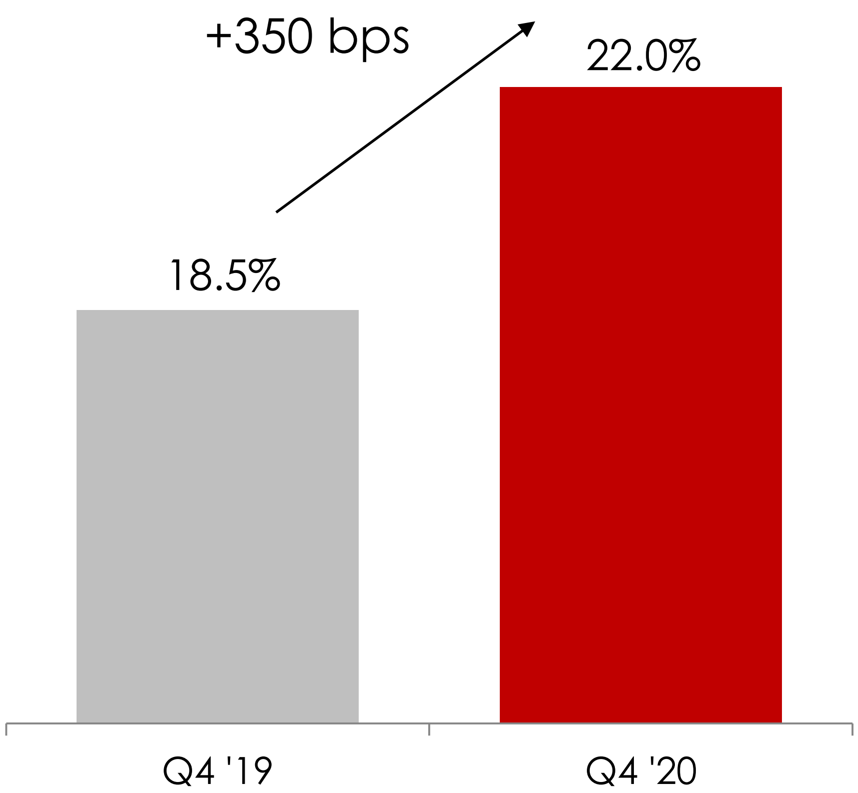
Average Selling Price

($ in thousands)

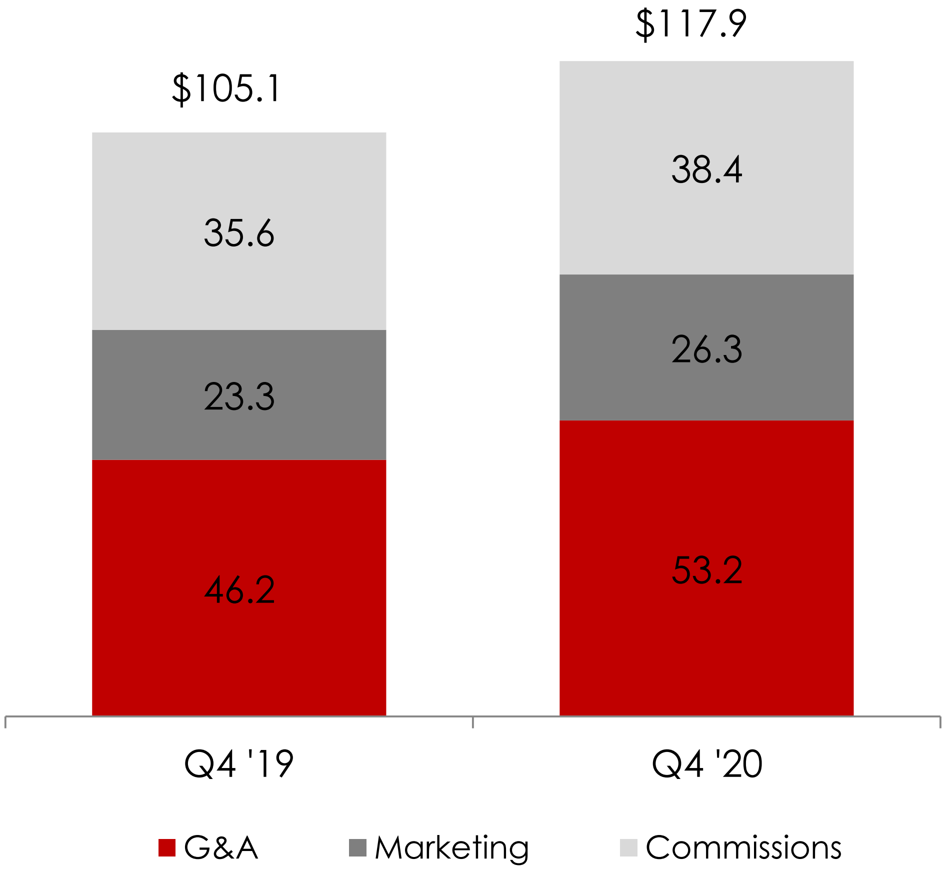


Q4 '19	Q4 '20	
4,616	6,511	Beginning Backlog
52%	39%	Backlog Conversion Rate (Homes Delivered as a % of Beginning Backlog)
54%	61%	% from More Affordable Collections (e.g. Seasons, CityScapes, Urban)

Gross Margin from Home Sales



Homebuilding & Corporate SG&A Expense



($ in millions)

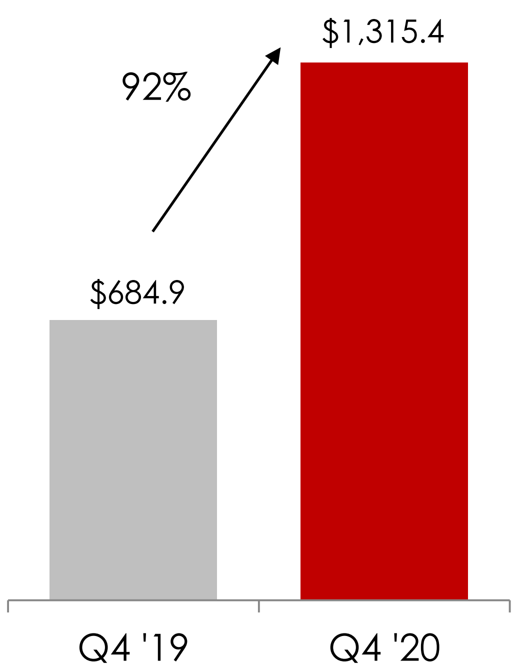
SG&A % of Home Sale Revenues

Q4 '19: 9.8%   *Q4 '20*: 10.0%

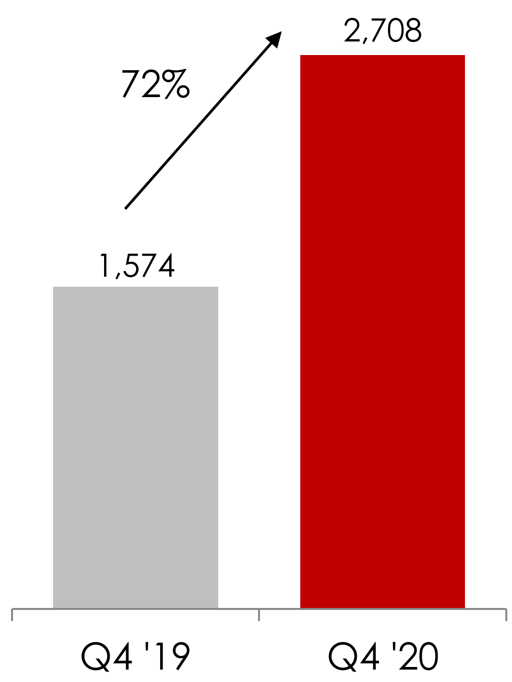
Net New Home Orders

Dollar Value

($ in millions)

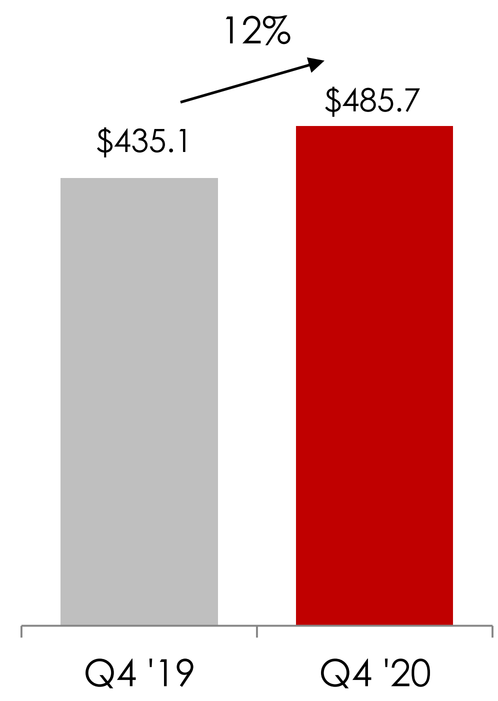


Units



Average Selling Price

($ in thousands)



Monthly Net Orders Per Active Subdivision

Q4 '19 – ***2.79*** Q4 '20 – ***4.66***

Cancellations -- % of Beginning Backlog

Q4 '19 – ***13%*** Q4 '20 – ***8%***

Average Subdivisions

Q4 '19 – ***188*** Q4 '20 – ***194***

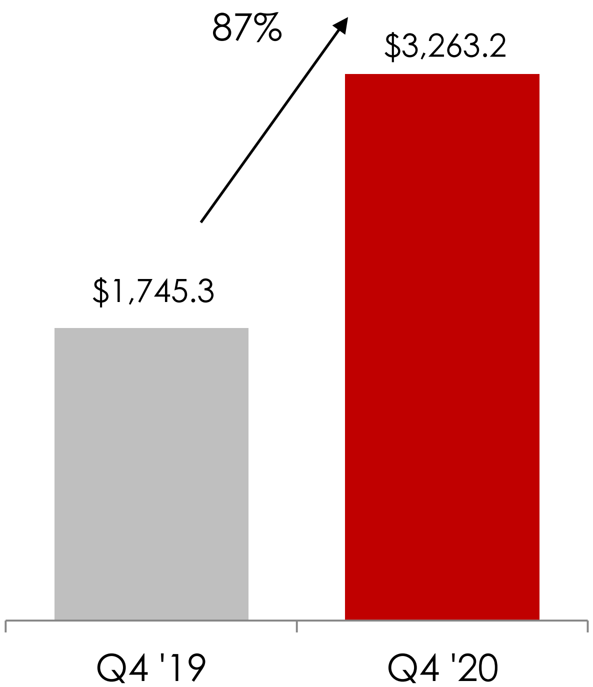
Ending Subdivisions

Q4 '19 – ***185*** Q4 '20 – ***194***

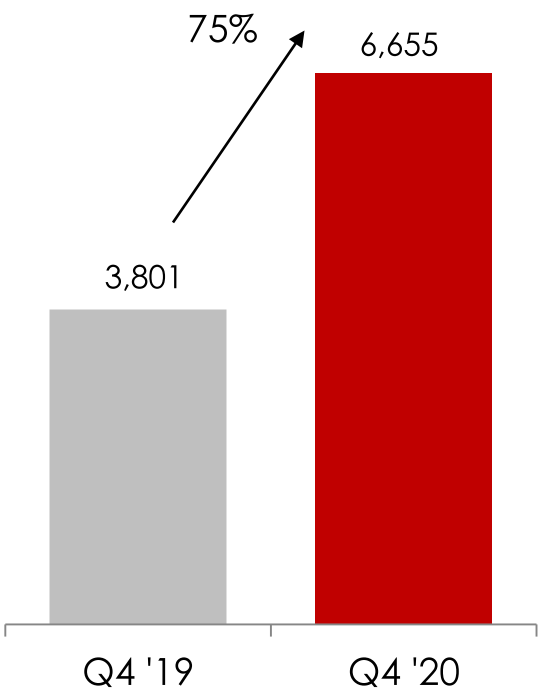
Backlog

Ending Dollar Value

($ in millions)

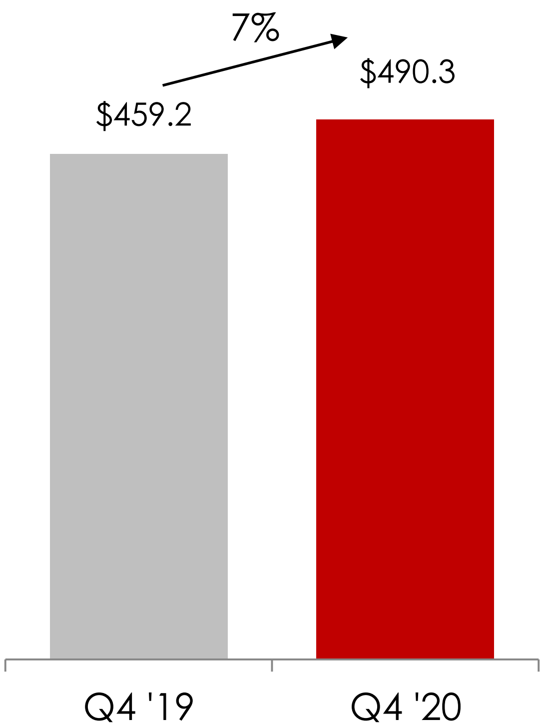


Ending Backlog Units



Average Selling Price

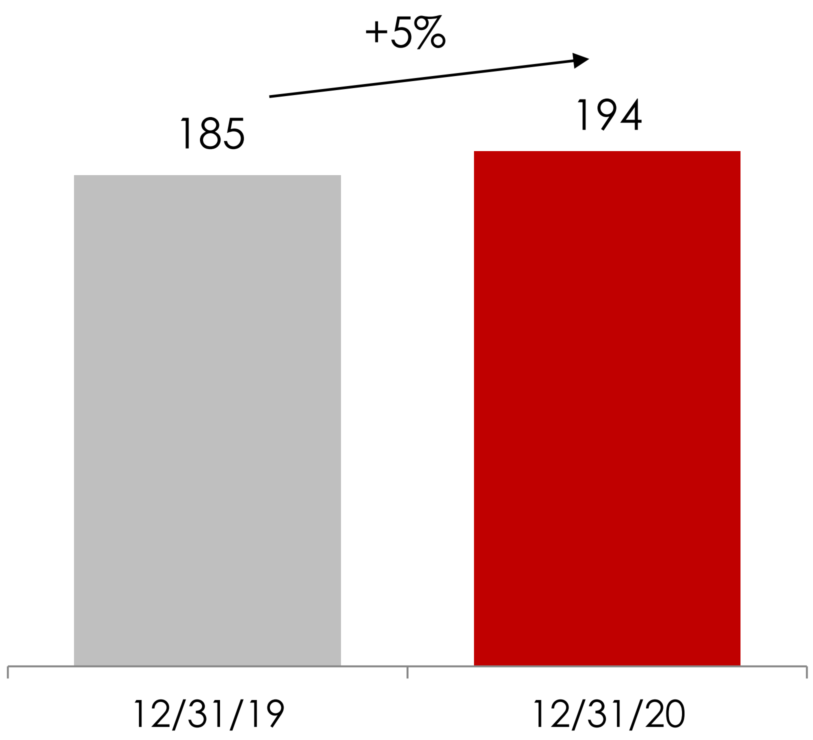
($ in thousands)



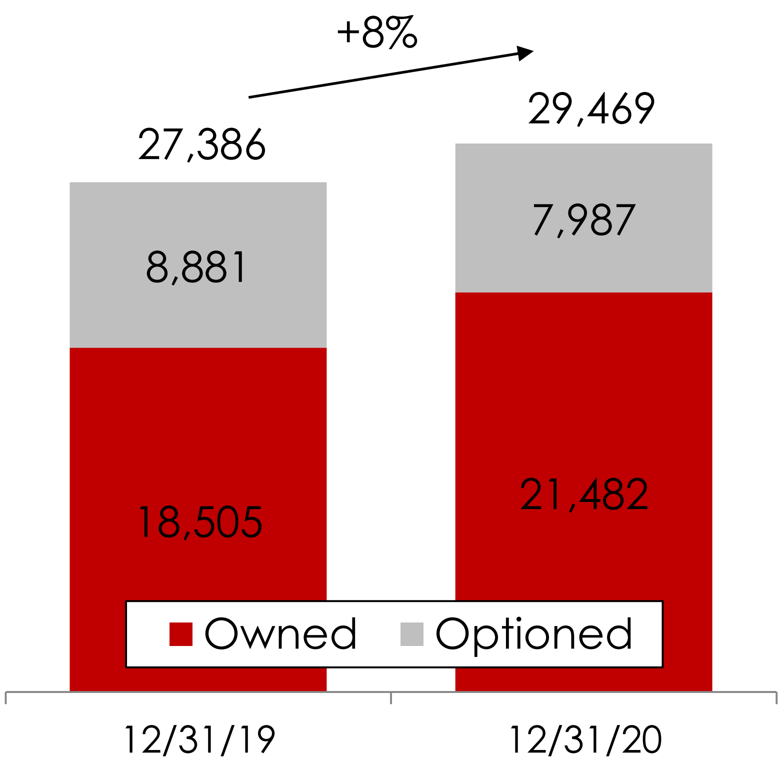
Backlog Units at Frame or Beyond	1,976	2,561
Percent of Backlog	52%	38%

Active Subdivisions and Lots Controlled

Ending Active Subdivisions



Total Lots Controlled



($ in millions)	Q4 ‘19	Q4 ‘20
Lots Acquired	3,292	4,976
Land Acquisition Spend	$236.4	$359.0
Land Develop Spend	$118.4	$123.9
Lots Approved for Acquisition	4,756	5,911

Summary

- Housing backdrop beyond COVID-19 pandemic
  - Low interest rates
  - Limited existing home inventory
  - Emphasis on single-family home ownership
- Continued focus on safety at both office and field locations*
- Strong balance sheet to support growth
  - $1.70 billion of liquidity as of December 31, 2020
  - Additional $350 million of senior notes issued January 2021
  - Low debt-to-capital ratio of 33.1% (20.9% net of cash and investments)
- Strategic advantages
  - Focus on more affordable home collections
  - Build-to-order business model allows personalization
  - Largest year-end backlog dollar value ever
- Ongoing dividend program
  - $0.40 cash dividend declared in January 2021 up 21% year-over-year
  - Uninterrupted since 1994
  - Special 8% stock dividend declared in January 2021

* For more information about our response to COVID-19, please visit https://richmondamerican.com/covid-19.

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 knows 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.

	December 31, 2020	December 31, 2019
	(Dollars in thousands)	
Senior notes, net	$ 1,037,391	$ 989,422
Revolving credit facility	10,000	15,000
GAAP debt	1,047,391	1,004,422
Stockholders' equity	2,119,912	1,782,485
Total GAAP capital	3,167,303	2,786,907
GAAP debt to capital ratio	**33.1 %**	**36.0 %**
GAAP debt less:		
Homebuilding cash and cash equivalents	(411,362)	(424,186)
Financial services cash and cash equivalents	(77,267)	(35,747)
Financial services marketable securities	-	(56,747)
Net debt	558,762	487,742
Stockholders' equity	2,119,912	1,782,485
Total net capital	$ 2,678,674	$ 2,270,227
Net debt to capital ratio	**20.9 %**	**21.5 %**

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									
	Dec 31, 2020	Gross Margin %	Sep 30, 2020	Gross Margin %	Jun 30, 2020	Gross Margin %	Mar 31, 2020	Gross Margin %	Dec 31, 2019	Gross Margin %
	(Dollars in thousands)									
Gross Margin from Home Sales	$259,927	22.0 %	$205,377	20.5 %	$178,969	20.2 %	$138,438	19.9 %	$198,371	18.5 %
Add: Inventory Impairments	-		-		-		-		325	
Gross Margin from Home Sales Excluding Inventory Impairments	259,927	22.0 %	205,377	20.5 %	178,969	20.2 %	138,438	19.9 %	198,696	18.5 %
Add: Warranty Adjustments	92		(171)		(2,000)		-		205	
Gross Margin from Home Sales Excluding Inventory Impairments and Warranty Adjustments	260,019	22.0 %	205,206	20.5 %	176,969	20.0 %	138,438	19.9 %	198,901	18.5 %
Add: Interest in Cost of Sales	17,289		16,511		17,242		12,767		20,056	
Gross Margin from Home Sales Excluding Inventory Impairments, Warranty Adjustments, and Interest in Cost of Sales	$277,308	23.5 %	$221,717	22.2 %	$194,211	21.9 %	$151,205	21.7 %	$218,957	20.4 %