



2022

M.D.C. Holdings, Inc.
January 31, 2023

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, 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.

Quarter and Annual Comparisons



Q4 2022 vs. Q4 2021

- Home sale revenues increased 4% to \$1.49 billion from \$1.44 billion
 - Average selling price of deliveries up 8% to \$582,000
 - Unit deliveries down 4% to 2,554
- Homebuilding pretax income decreased 51% to \$94.5 million from \$193.5 million
 - Gross margin from home sales decreased 850 basis points to 15.0% from 23.5%
 - Inventory impairments of \$92.8 million in Q4 2022 vs \$1.6 million in Q4 2021
 - Selling, general and administrative expenses as a percentage of home sale revenues ("SG&A rate") improved by 20 basis points to 8.9%
- Net income of \$79.8 million, or \$1.08 per diluted share, down 51% from \$162.7 million or \$2.21 per diluted share
 - Effective tax rate of 29.5% vs. 22.2%
- Unit gross orders decreased 55% to 1,502 from 3,308
 - Cancellations as a percentage of beginning backlog increased to 24.6% from 8.7%
 - Gross order average selling price down approximately 1% to \$551,000

FY 2022 vs. FY 2021

- Home sale revenues increased 9% to \$5.59 billion from \$5.10 billion
- Homebuilding pretax income increased 5% to \$691.5 million from \$659.7 million
 - Gross margin from home sales decreased 70 basis points to 22.4% from 23.1%
 - Inventory impairments of \$121.9 million in 2022 vs \$1.6 million in 2021
 - SG&A rate improved by 10 basis points to 9.6%
- Net income of \$562.1 million, or \$7.67 per diluted share, down 2% from \$573.7 million or \$7.83 per diluted share
 - Effective tax rate of 26.0% vs. 23.7%
- Dollar value of net new orders decreased 50% to \$3.01 billion from \$6.04 billion



Other Highlights

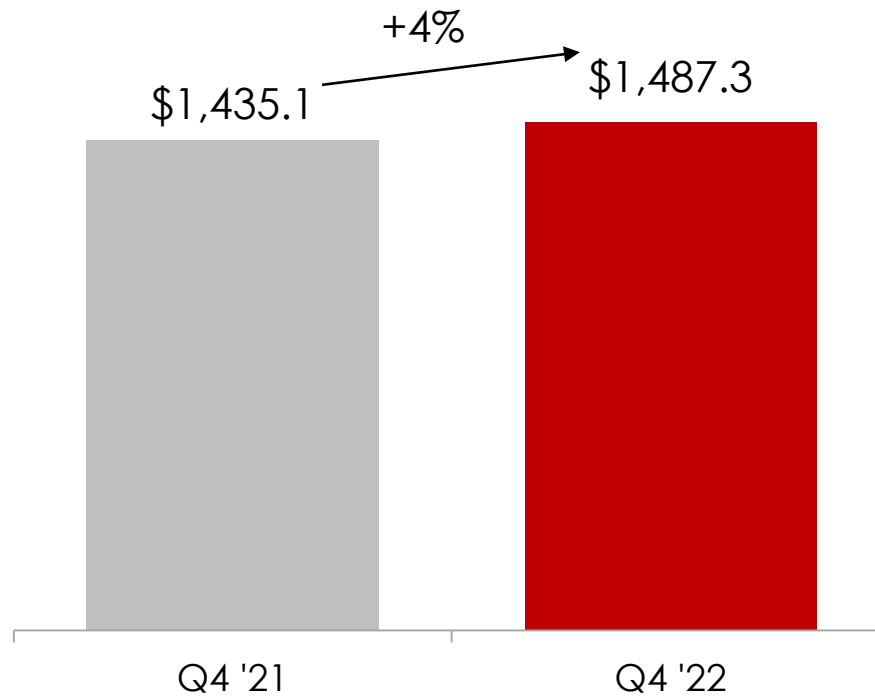


- Cash flow from operating activities of \$905.6 million for the full year 2022
 - \$208.0 million of cash used in the prior year
- Total cash & investments at December 31, 2022 of \$1.28 billion
- Quarterly cash dividend of fifty cents (\$0.50) per share declared on January 23, 2022
- \$2.00 of total dividends paid per share in 2022, up 20% year-over-year
 - Consistent record of stable or increasing dividends for more than 25 years
- Active subdivisions at December 31, 2022 up 20% year-over-year to 225
- Rafay Farooqui appointed to Board of Directors

Home Sale Revenues and Net Income

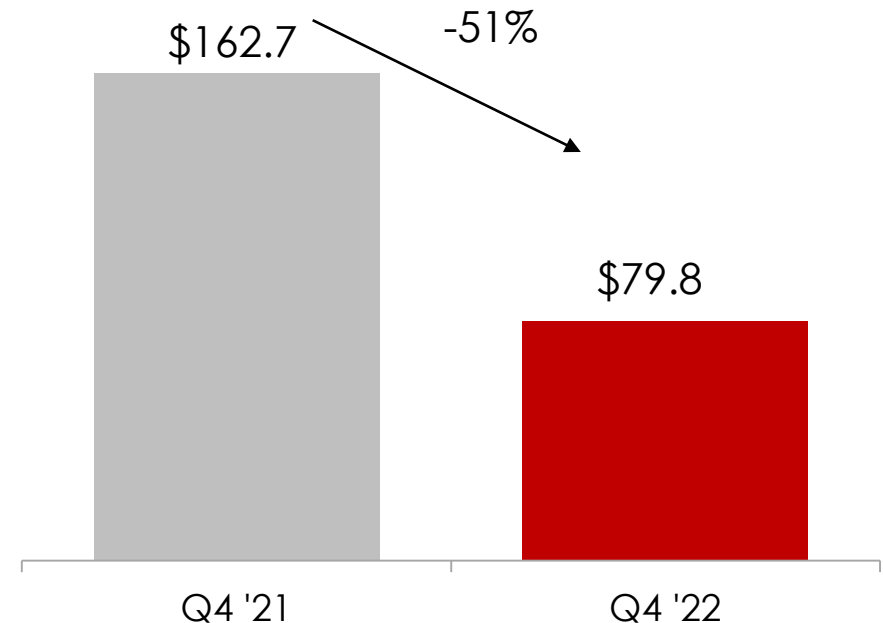
Home Sale Revenues

(\$ in millions)



Net Income

(\$ in millions)



Diluted Earnings Per Share

\$2.21

\$1.08

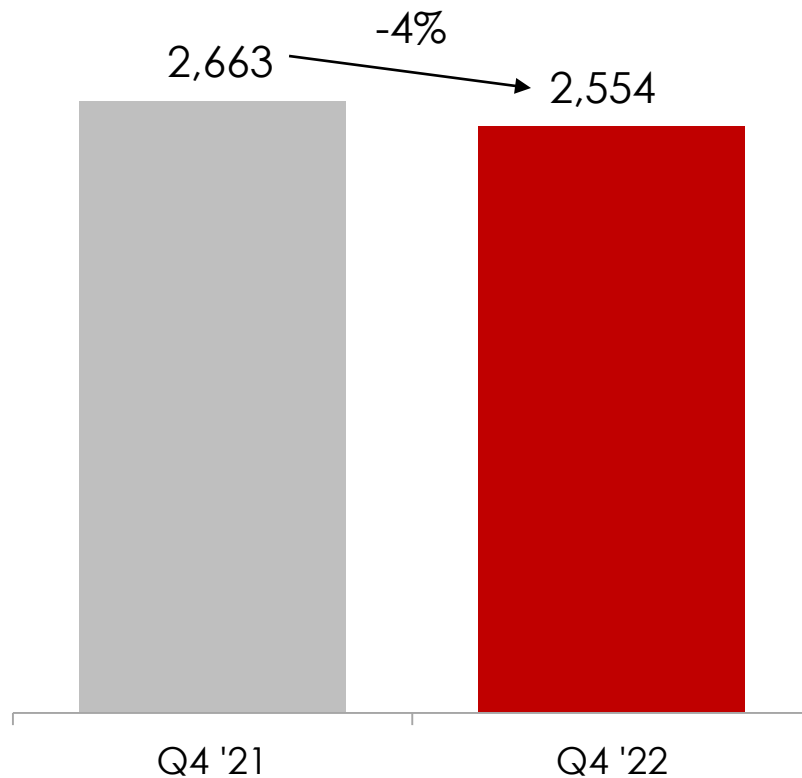
Effective Tax Rate

22.2%

29.5%

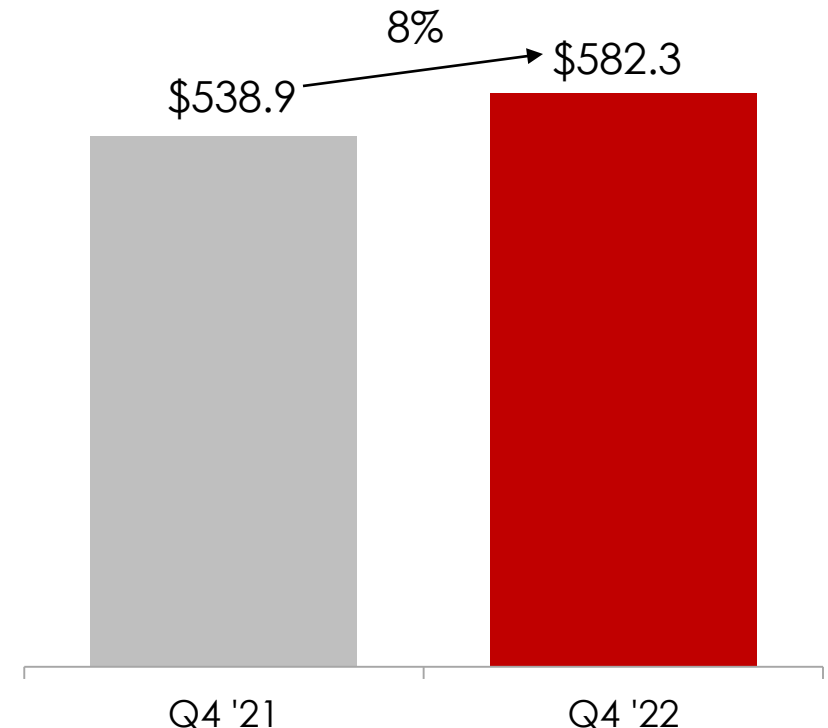
Homes Delivered and Average Selling Price

Homes Delivered



Average Selling Price

(\$ in thousands)



7,658	5,338
-------	-------

← Beginning Backlog

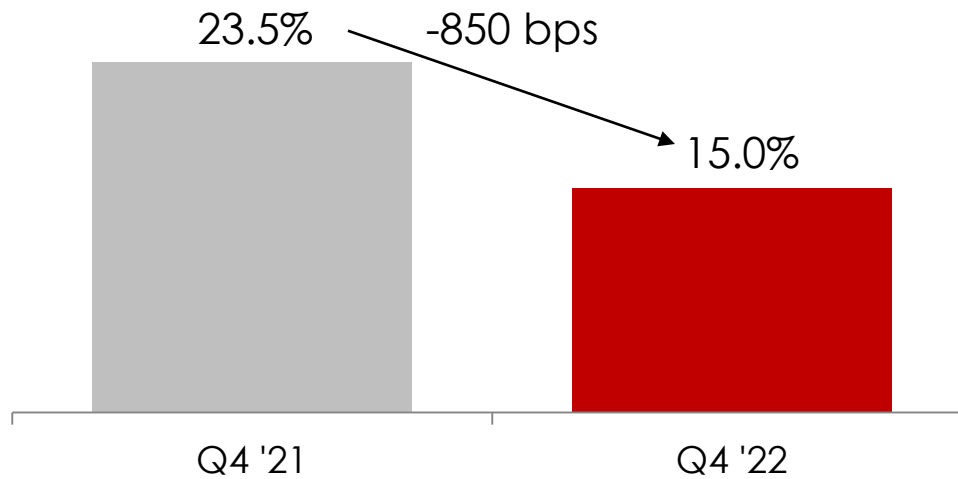
35%	48%
-----	-----

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

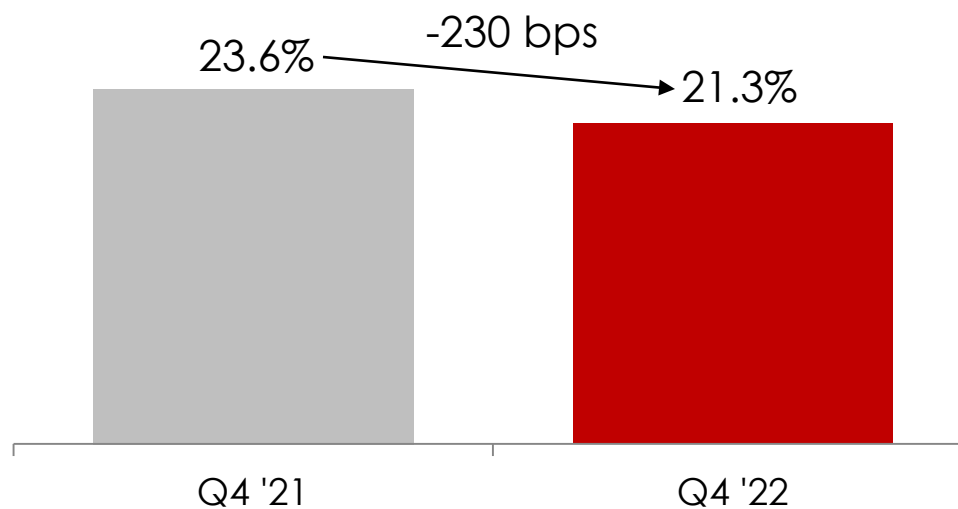
64%	63%
-----	-----

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

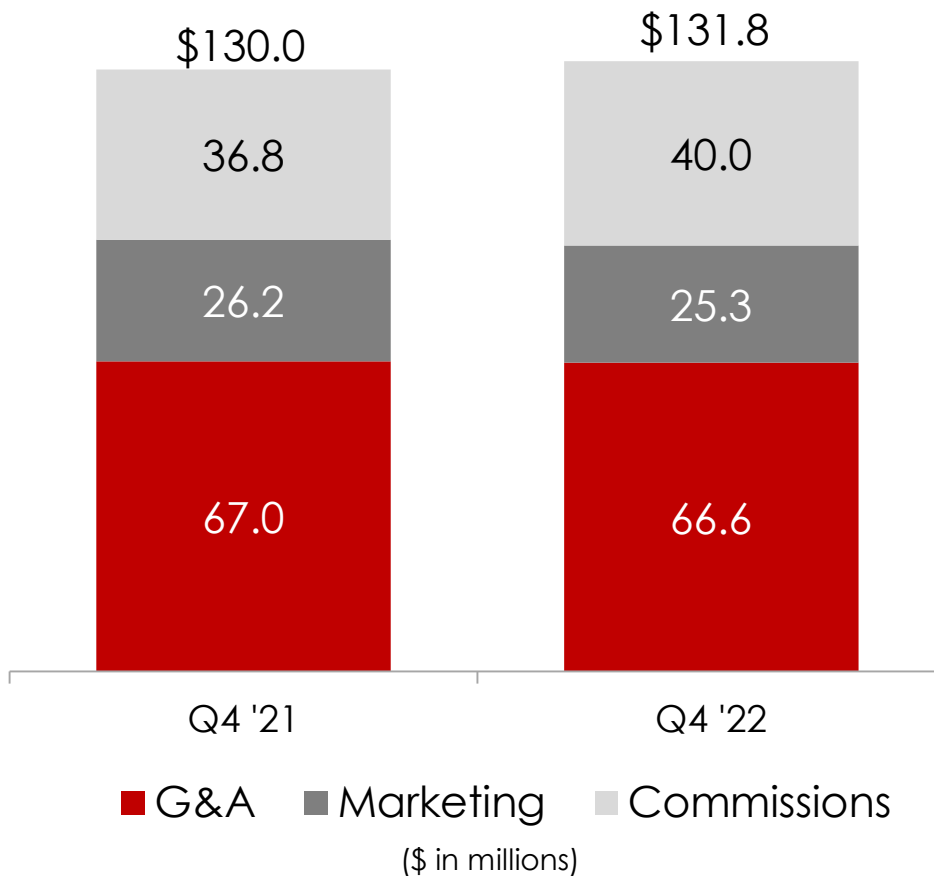
Gross Margin from Home Sales



Gross Margin from Home Sales Excluding Inventory Impairments*



Homebuilding & Corporate SG&A Expense



SG&A % of Home Sale Revenues

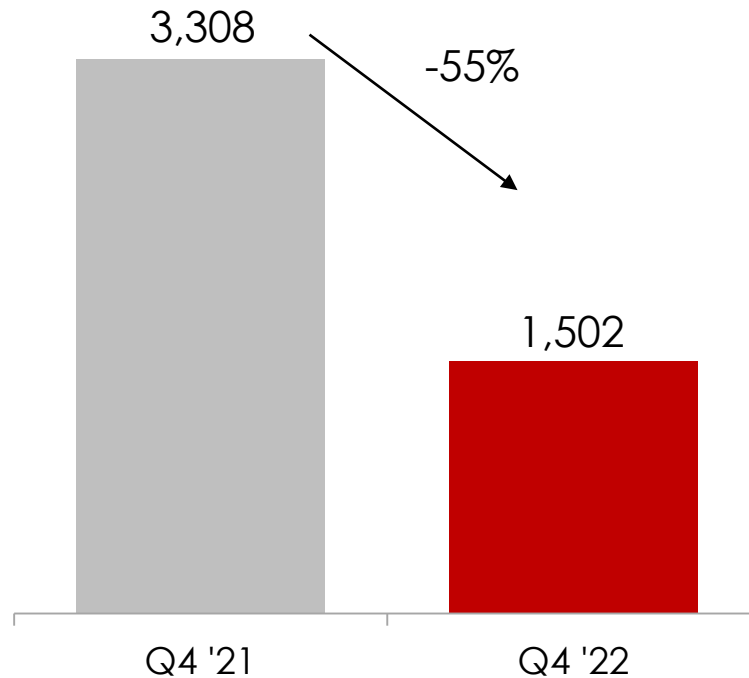
Q4 '21: 9.1%

Q4 '22: 8.9%



Gross Orders and Average Selling Price

Gross Unit Orders



Monthly Gross Orders Per Active Subdivision

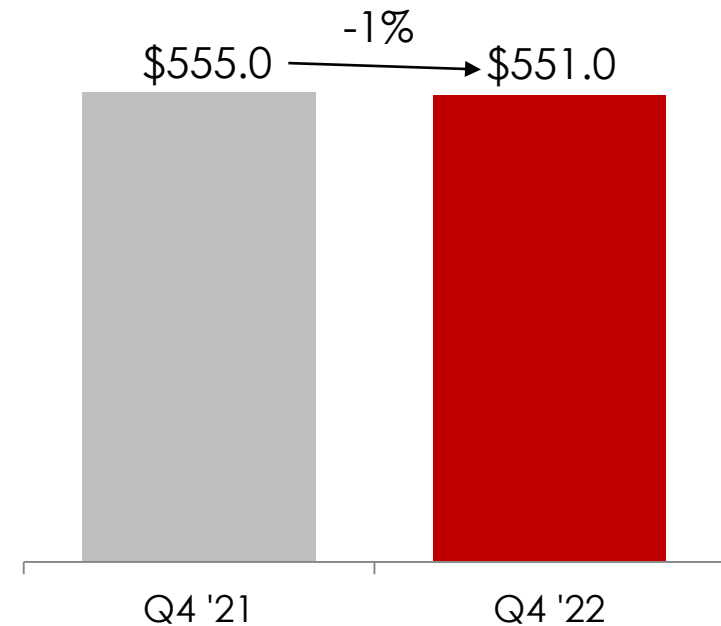
Q4 '21 – **5.6** Q4 '22 – **2.3**

Cancellations -- % of Beginning Backlog

Q4 '21 – **9%** Q4 '22 – **25%**

Average Selling Price

(\$ in thousands)



Average Active Subdivisions

Q4 '21 – **196** Q4 '22 – **222**

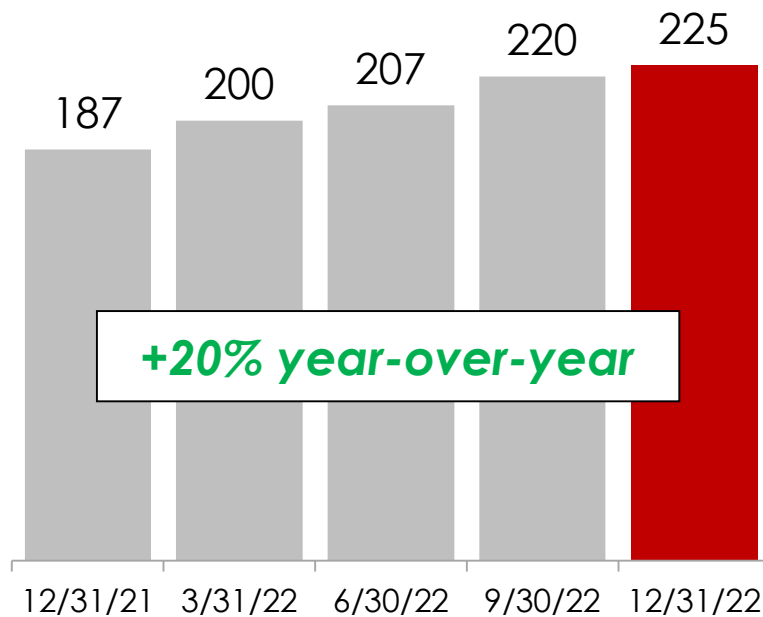
Ending Active Subdivisions

Q4 '21 – **187** Q4 '22 – **225**

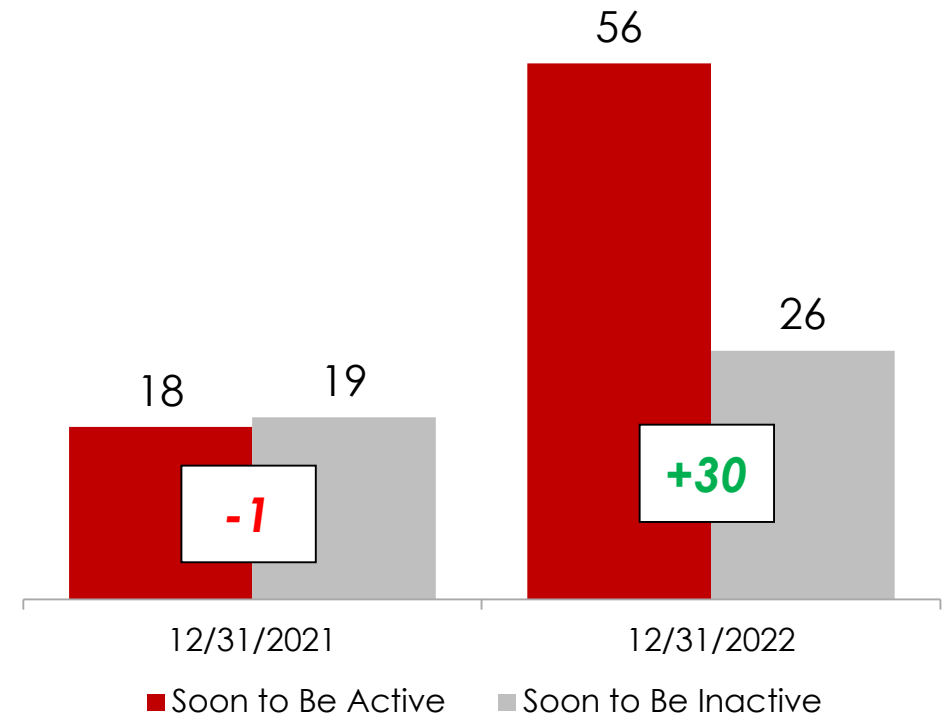
Active Subdivisions (Ending)



Active Subdivisions



Soon to Be Active / Inactive*



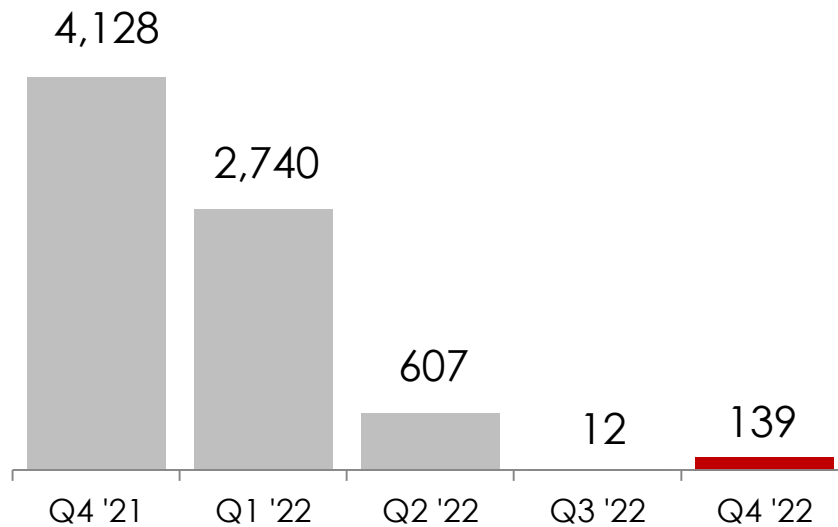
*Soon to be Active: Less than 5 homes sold in subdivision

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

Land Activity

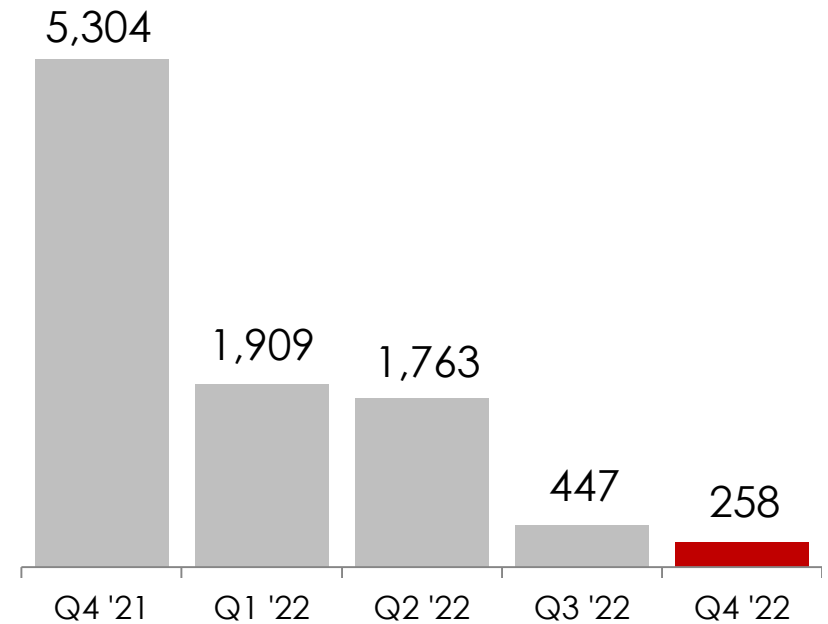


Lots Approved



Intentionally slowed approval activity due to market uncertainty

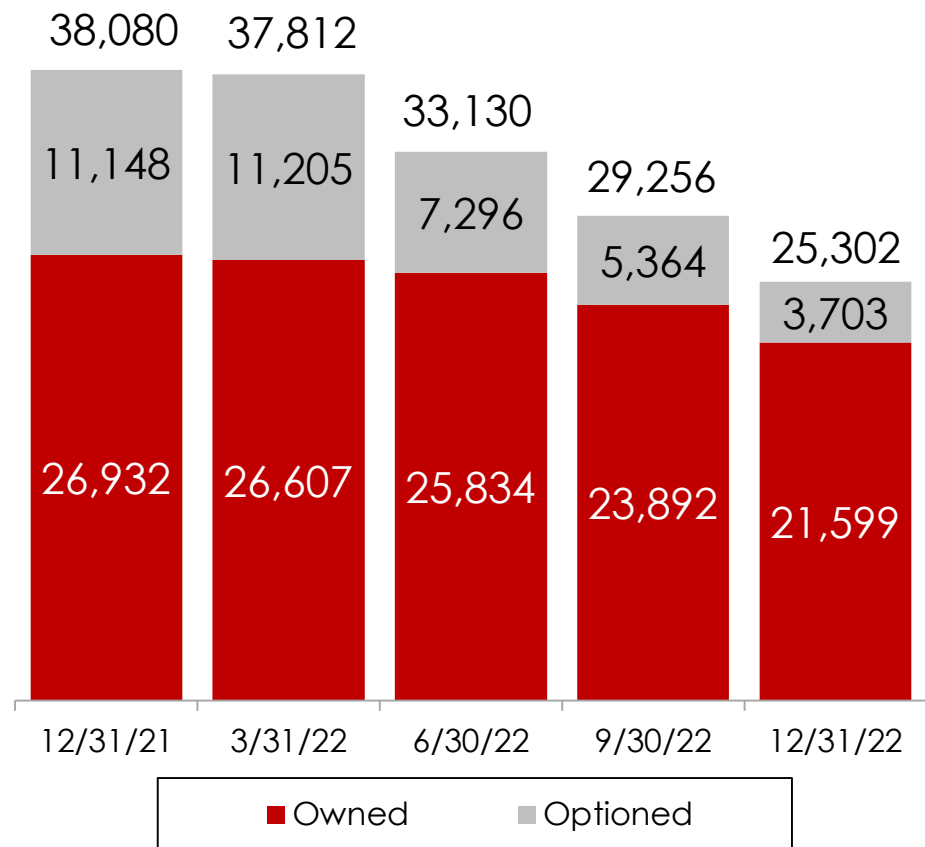
Lots Acquired



	Q4 '21	Q4 '22
Land Acquisition Spend (in millions)	\$490	\$38
Land Development Spend (in millions)	\$189	\$119
Total Land Spend (in millions)	\$679	\$157



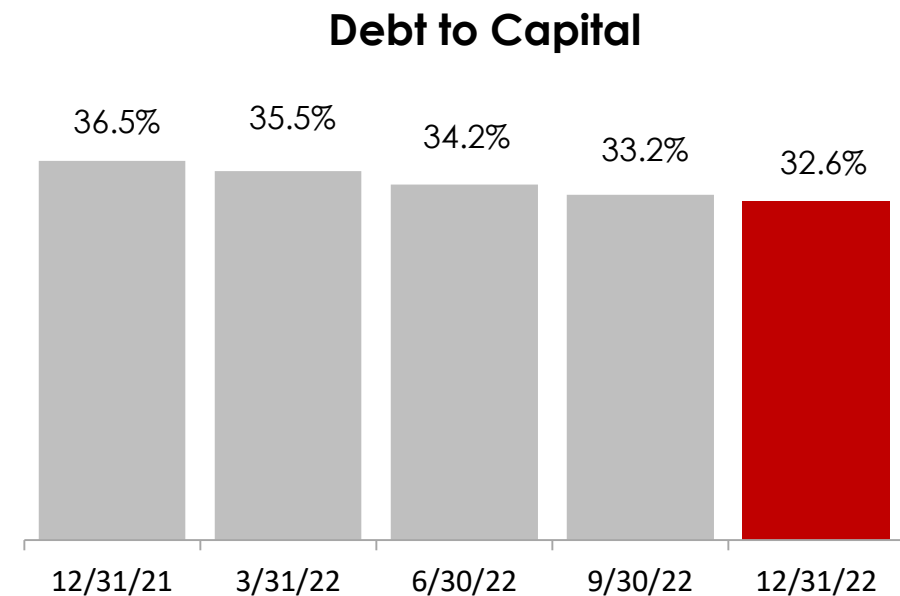
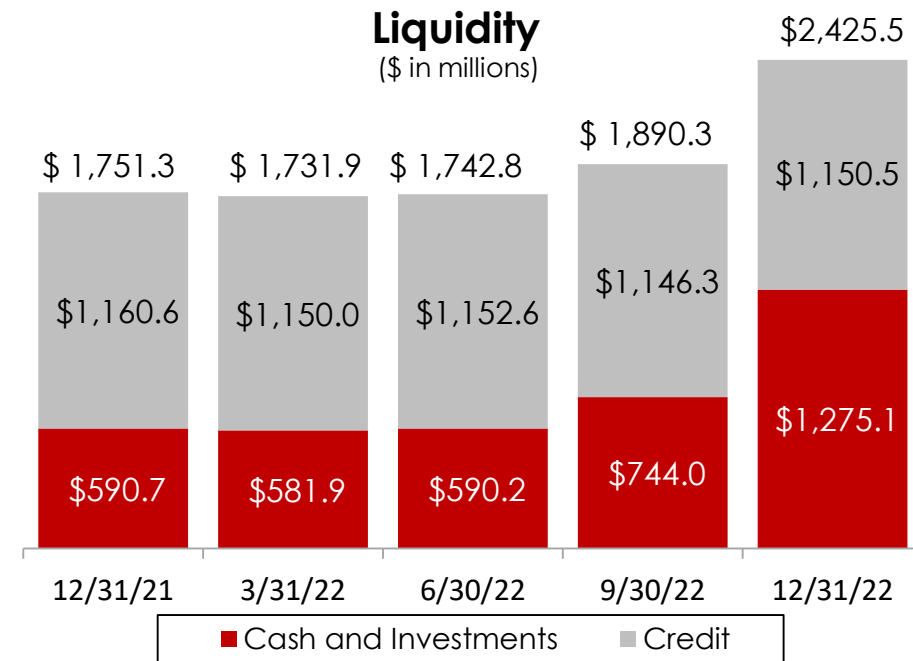
Lots Controlled



Strong Balance Sheet

Financial position remains strong as of December 31, 2022:

- Total cash & cash equivalents and marketable securities of \$1.28 billion
- Debt-to-capital ratio of 32.6%
- Net debt-to-capital ratio* of 6.6%
- No senior notes due until January 2030 and a weighted average maturity of almost 19 years
- Only \$19.0 million in cash deposits and \$3.7 million in letters of credit at risk associated with the 3,703 lots currently under option
- Book value per share of \$42.60
 - Increase of 23% year over year when adjusting for cash dividends paid during 2022



* See appendix for reconciliation of non-GAAP measures

Summary



- Record full year home sale revenues
 - Home sale revenues of \$5.59 billion
 - Net income of \$562.1 million
 - Operating cash flow of \$905.6 million
- Financial position to navigate housing uncertainty
 - \$1.28 billion of cash & investments
 - \$2.43 billion of liquidity
 - No senior note maturities remaining this decade
 - Low debt-to-capital ratio of 32.6% (6.6% net of cash and investments)*
- Pivot to more speculative construction starts
 - 74% of fourth quarter gross orders were for spec inventory
 - Prioritization of quick move-in homes to supplement build-to-order homes given the current market
 - Remain committed to build-to order strategy longer term
- Increasing community count to help drive volume in 2023
- Industry leading dividend
 - Uninterrupted since 1994
 - \$2.00 paid per share in 2022, up 20% year-over-year



* 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.

	December 31, 2022	December 31, 2021
	(Dollars in thousands)	
Senior notes, net	\$ 1,482,576	\$ 1,481,781
Revolving credit facility	10,000	10,000
GAAP debt	1,492,576	1,491,781
Stockholders' equity	3,091,784	2,597,146
Total GAAP capital	4,584,360	4,088,927
GAAP debt to capital ratio	32.6 %	36.5 %
GAAP debt less:		
Homebuilding cash and cash equivalents	(696,075)	(485,839)
Homebuilding marketable securities	(443,712)	—
Financial services cash and cash equivalents	(17,877)	(104,821)
Financial services marketable securities	(117,388)	—
Net debt	217,524	901,121
Stockholders' equity	3,091,784	2,597,146
Total net capital	\$ 3,309,308	\$ 3,498,267
Net debt to capital ratio	6.6 %	25.8 %

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, 2022	Gross Margin %	Sep 30, 2022	Gross Margin %	Jun 30, 2022	Gross Margin %	Mar 31, 2022	Gross Margin %	Dec 31, 2021	Gross Margin %
(Dollars in thousands)										
Gross Margin from Home Sales	\$223,490	15.0 %	\$319,231	22.7 %	\$388,807	26.8 %	\$318,482	25.7 %	\$336,578	23.5 %
Add: Inventory Impairments	92,800		28,415		—		660		1,600	
Gross Margin from Home Sales Excluding Inventory Impairments	316,290	21.3 %	347,646	24.7 %	388,807	26.8 %	319,142	25.7 %	338,178	23.6 %
Add: Warranty Adjustments	150		523		—		2,440		(338)	
Gross Margin from Home Sales Excluding Inventory Impairments and Warranty Adjustments	316,440	21.3 %	348,169	24.7 %	388,807	26.8 %	321,582	25.9 %	337,840	23.5 %
Add: Interest in Cost of Sales	21,081		15,977		15,681		14,844		18,032	
Gross Margin from Home Sales Excluding Inventory Impairments, Warranty Adjustments, and Interest in Cost of Sales	\$337,521	22.7 %	\$364,146	25.9 %	\$404,488	27.9 %	\$336,426	27.1 %	\$355,872	24.8 %