



**M.D.C. Holdings, Inc.**  
October 26, 2023

**Third Quarter Earnings Webcast**

2023



# Forward Looking Statements



Certain statements in this release, including any 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, changes in consumer confidence, inflation or deflation and employment levels; (2) changes in business conditions experienced by MDC, including cancellation rates, net home orders, home gross margins, 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, 2023, 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](http://www.mdcholdings.com).



# Overview – Q3 2023 vs Q3 2022

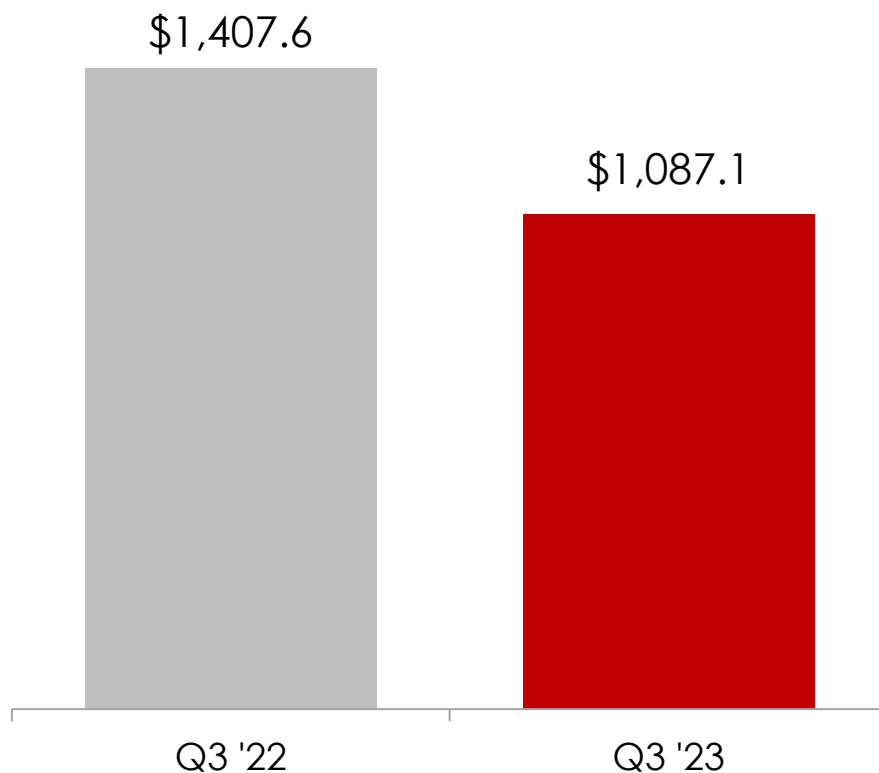


- Home sale revenues of \$1.09 billion compared to \$1.41 billion
  - Unit deliveries of 1,968 vs. 2,387
  - Average selling price of deliveries of \$552,000 vs. \$590,000
- Homebuilding pretax income of \$127.4 million compared to \$168.2 million
  - Gross margin from home sales of 19.2% vs. 22.7%
  - Inventory impairments of \$6.2 million vs \$28.4 million
  - Selling, general and administrative expenses as a percentage of home sale revenues ("SG&A rate") of 9.3% vs. 10.0%
  - Project abandonment expense of \$11.8 million in Q3 2022
- Financial services pretax income of \$12.4 million compared to \$17.6 million
- Net income of \$107.3 million, or \$1.40 per diluted share, compared to \$144.4 million or \$1.98 per diluted share
  - Effective tax rate of 23.2% vs. 22.3%
- Dollar value of net new orders increased 532% to \$965.5 million from \$152.8 million
  - Unit gross orders increased 42% to 2,227 from 1,569
  - Cancellations as a percentage gross orders of 23.9% vs. 80.9%
  - Average selling price of gross orders decreased 4% to \$560,000 from \$583,000

# Home Sale Revenues and Net Income

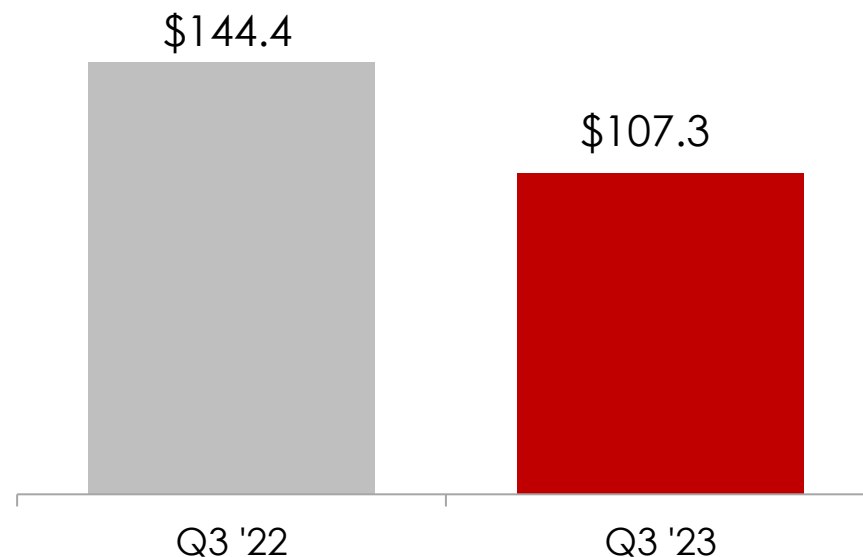
## Home Sale Revenues

(\$ in millions)



## Net Income

(\$ in millions)



Diluted Earnings Per Share

\$1.98

\$1.40

Effective Tax Rate

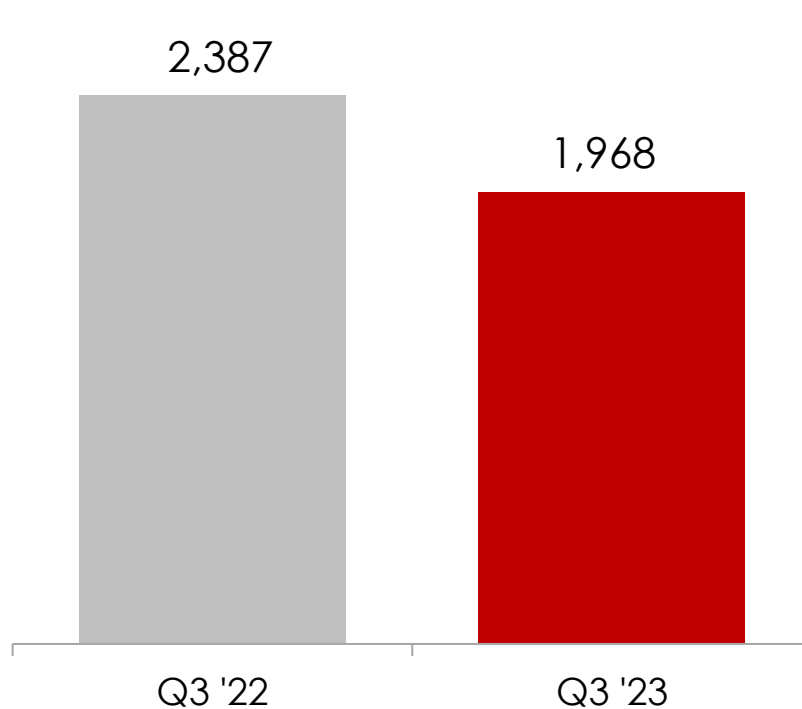
22.3%

23.2%

# Homes Delivered and Average Selling Price



## Homes Delivered



## Average Selling Price

(\$ in thousands)



7,660	4,846
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← Beginning Inventory (excluding models)

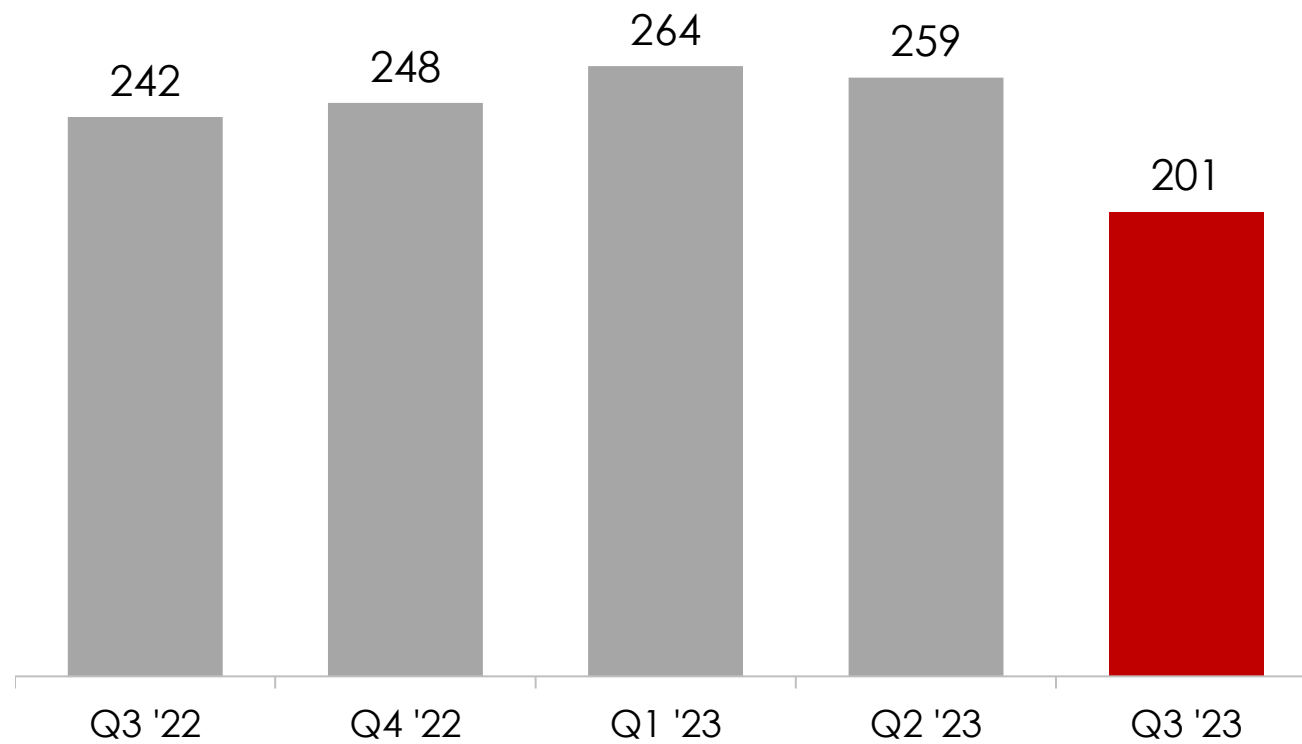
31%	41%
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← Inventory Conversion Rate  
(Homes Delivered as a % of Beginning Inventory)

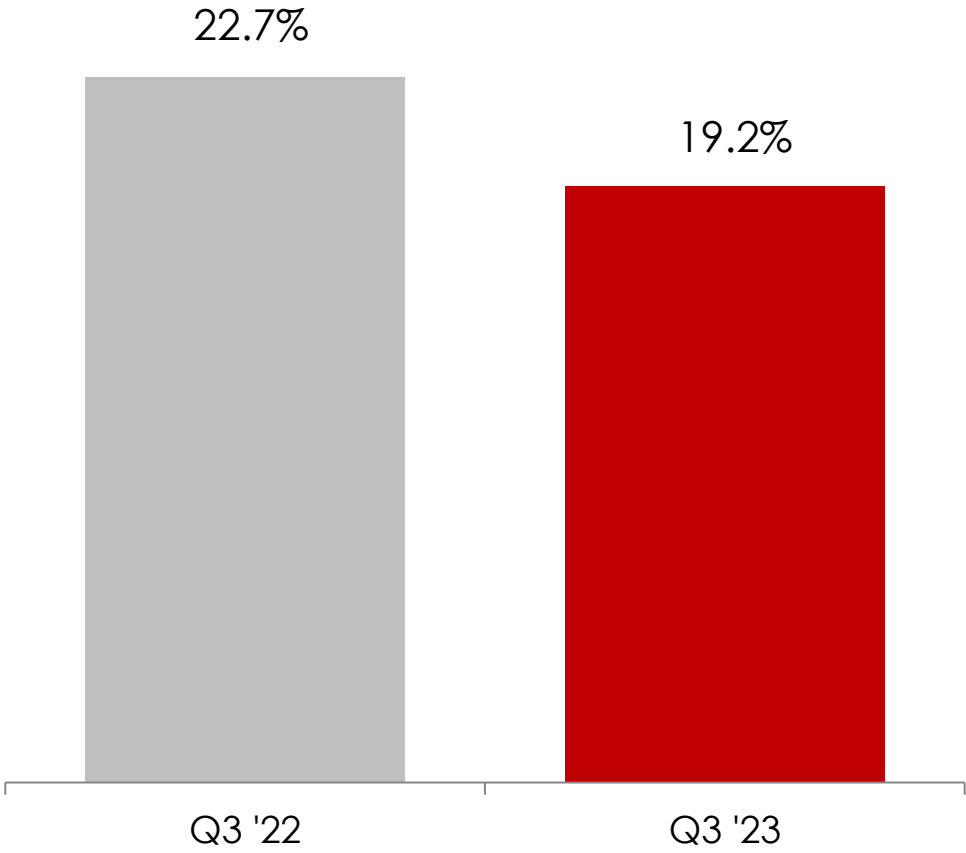
9%	26%
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← Percentage of deliveries both sold and closed during the quarter

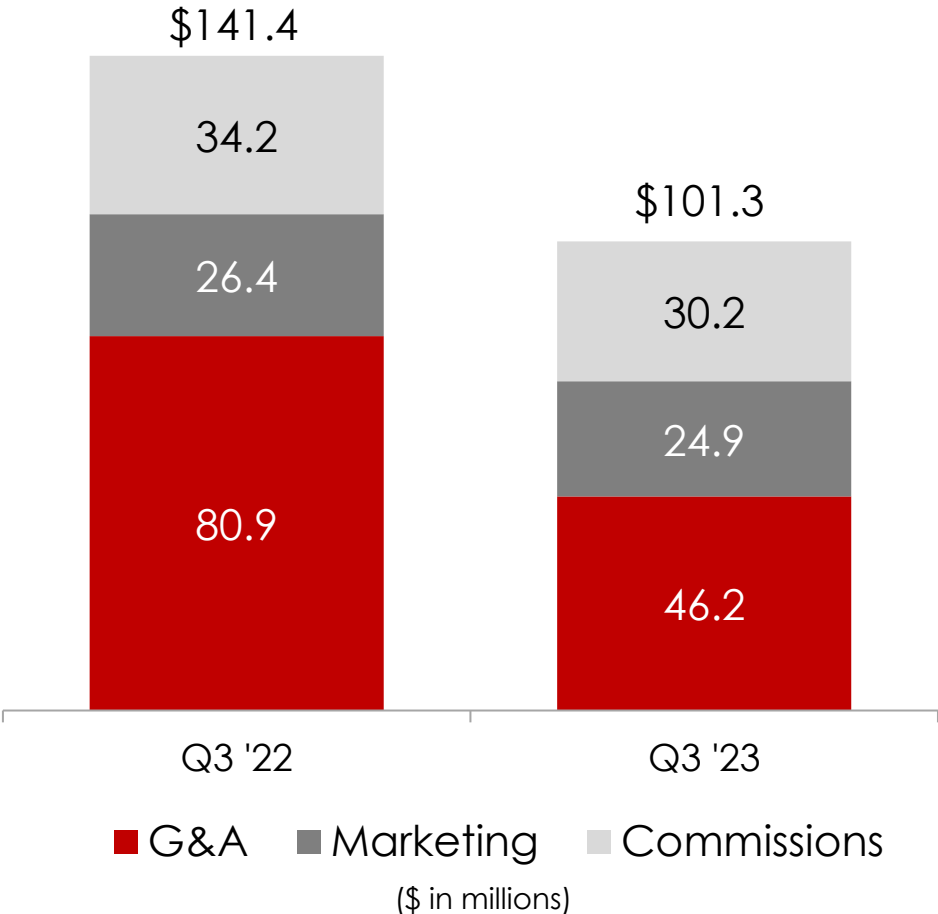
# Start to Finish Cycle Times



# Gross Margin from Home Sales



# Homebuilding & Corporate SG&A Expense



**SG&A % of Home Sale Revenues**

Q3 '22: 10.0%                      Q3 '23: 9.3%



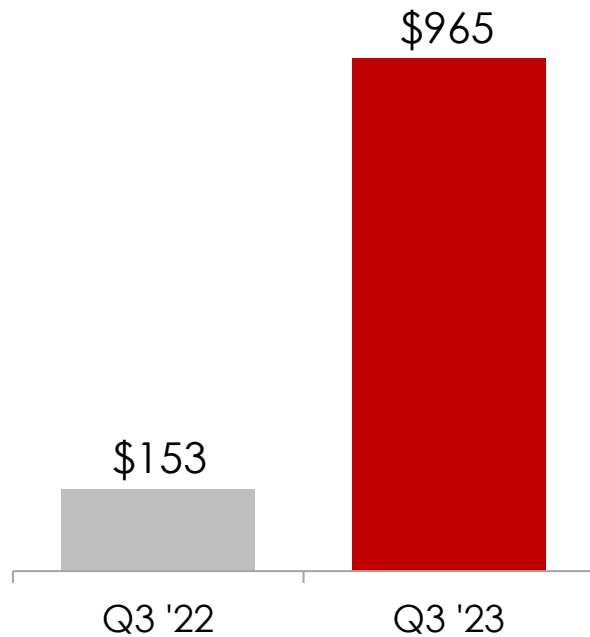


# New Home Orders

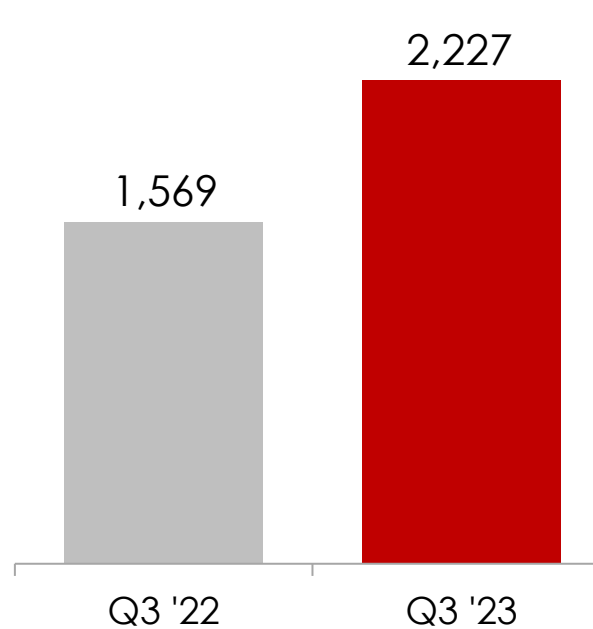


## Net Order Dollar Value

(\$ in millions)



## Gross order Units



## Gross Average Selling Price

(\$ in thousands)



### Monthly Gross Orders Per Active Subdivision

Q3 '22 – 2.4    Q3 '23 – 3.1

### Average Active Subdivisions

Q3 '22 – 215    Q3 '23 – 236

### Cancellations -- % of Gross Sales

Q3 '22 – 81%    Q3 '23 – 24%

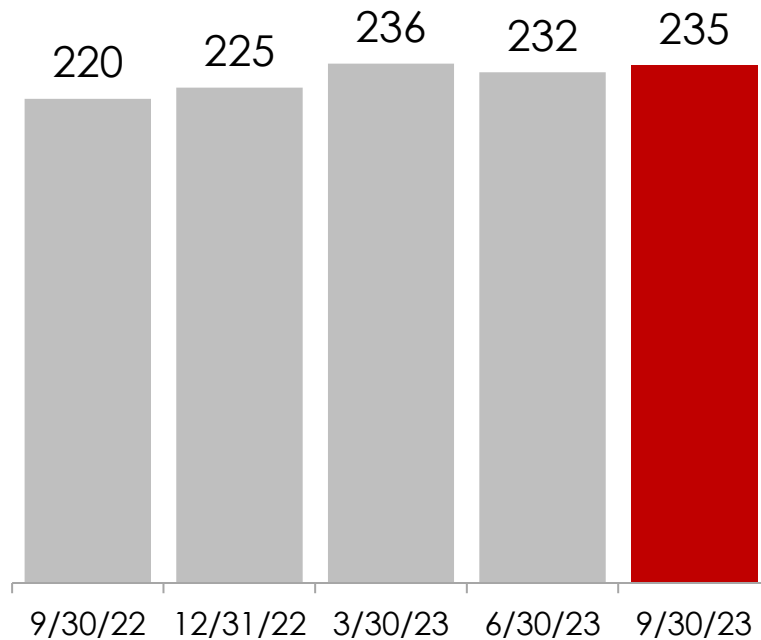
### Ending Active Subdivisions

Q3 '22 – 220    Q3 '23 – 235

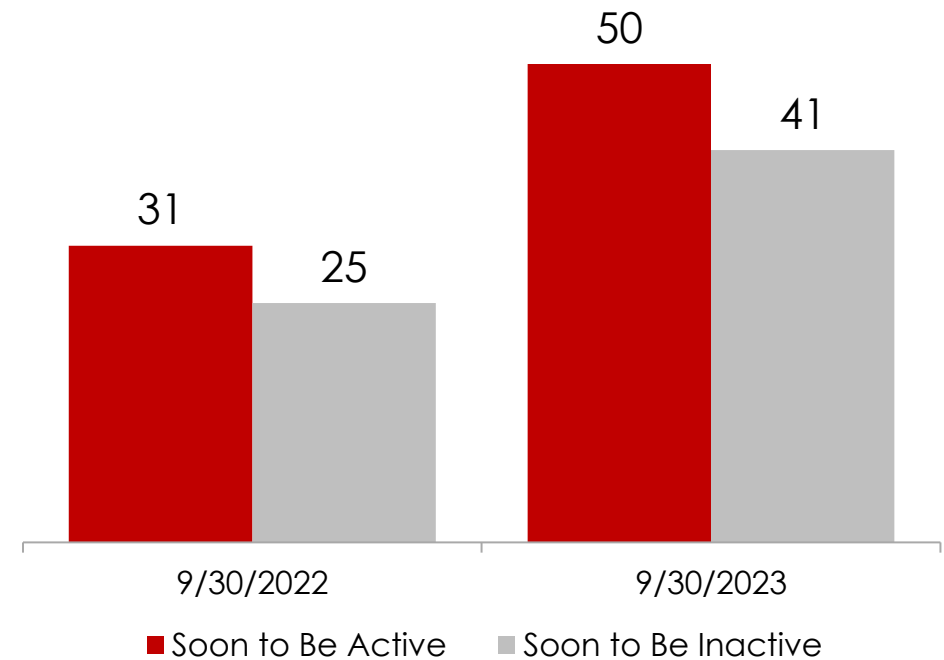
# Active Subdivisions (Ending)



## Active Subdivisions



## Soon to Be Active / Inactive\*



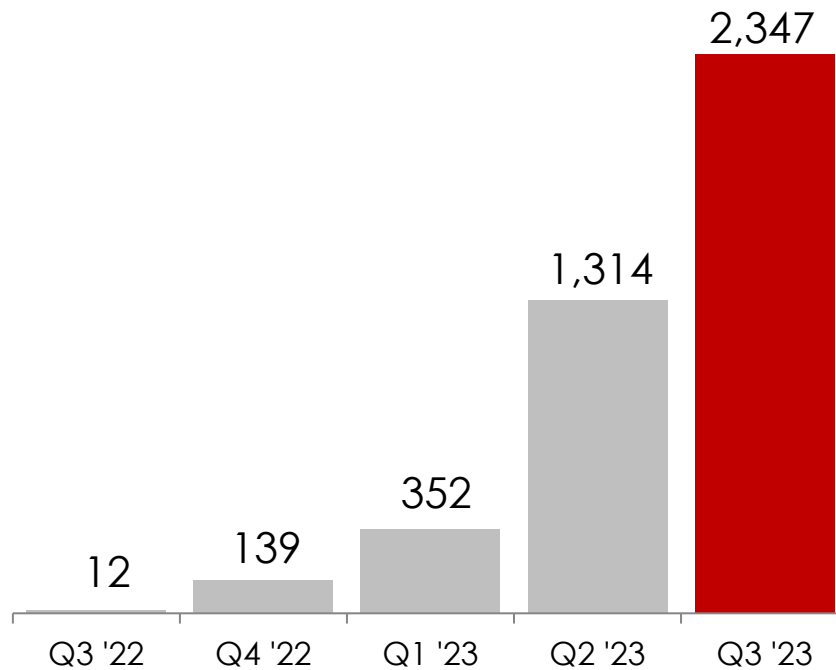
\*Soon to be Active: Less than 5 homes sold in subdivision

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

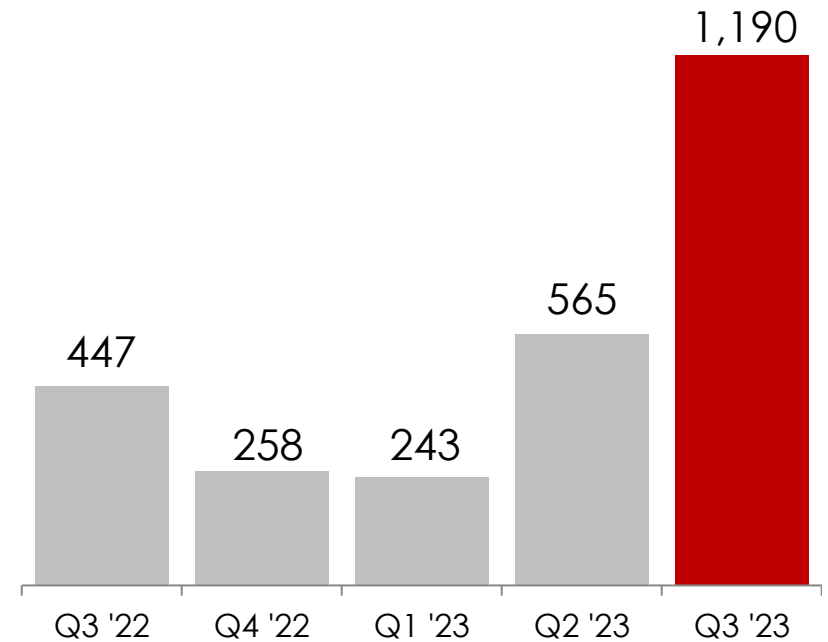
# Land Activity



## Lots Approved



## Lots Acquired

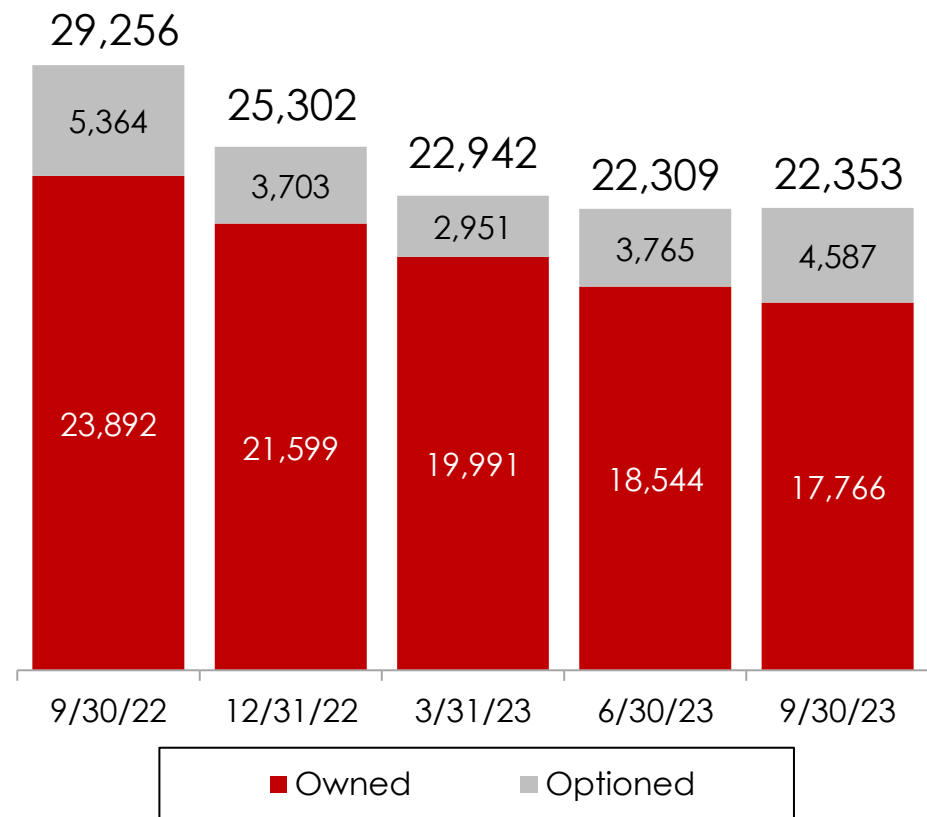


*Intentionally slowed approval activity due to market uncertainty during 2022; however number of lot approvals has increased during 2023*

	Q3 '22	Q3 '23
Land Acquisition Spend (in millions)	\$74	\$159
Land Development Spend (in millions)	\$169	\$83
Total Land Spend (in millions)	\$243	\$242



# Lots Controlled

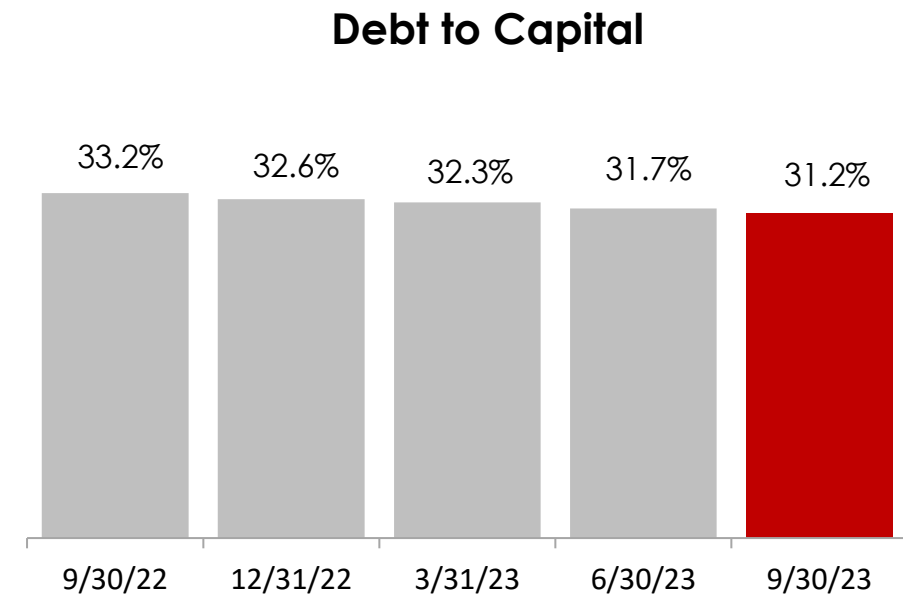
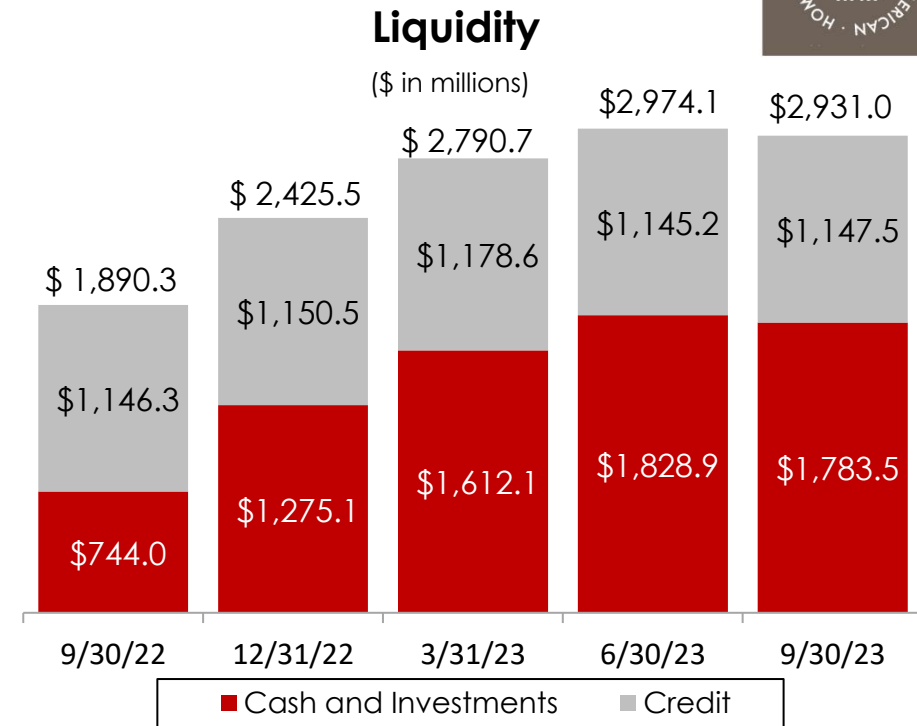




# Strong Balance Sheet

Financial position remains strong as of September 30, 2023:

- Total cash & cash equivalents and investments of \$1.78 billion
- Debt-to-capital ratio of 31.2%
- Net debt-to-capital ratio\* of -9.7%
- No senior notes due until January 2030 and a weighted average maturity of over 18 years
- Book value per share of \$44.10



\* See appendix for reconciliation of non-GAAP measures

# Summary



- Strong top and bottom line results
  - Home sale revenues of \$1.09 billion
  - Net income of \$107.3 million
  - Operating cash flow of \$623.1 million year to date
- Several positive macro data points bode well for the new home industry
  - Existing home inventory remains constrained
  - Home prices have stabilized after recent low earlier this year
  - Employment data resilient, with continued job growth and low unemployment
- Improving construction cycle times remain a tailwind
- Our controlled lot count increased on a sequential basis as we continue to prioritize our land acquisition efforts
- Industry leading dividend
  - Uninterrupted since 1994
  - \$0.55 paid per share in Q3 2023



# 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, 2023	December 31, 2022	September 30, 2022
	(Dollars in thousands)		
Senior notes, net	\$ 1,483,193	\$ 1,482,576	\$ 1,482,374
Revolving credit facility	10,000	10,000	10,000
GAAP debt	1,493,193	1,492,576	1,492,374
Stockholders' equity	3,292,543	3,091,784	3,009,204
Total GAAP capital	4,785,736	4,584,360	4,501,578
<b>GAAP debt-to-capital ratio</b>	<b>31.2 %</b>	<b>32.6 %</b>	<b>33.2 %</b>
GAAP debt less:			
Homebuilding cash and cash equivalents	(1,207,532)	(696,075)	(417,298)
Homebuilding marketable securities	(346,351)	(443,712)	(198,016)
Financial services cash and cash equivalents	(150,457)	(17,877)	(34,486)
Financial services marketable securities	(79,166)	(117,388)	(94,192)
Net debt	(290,313)	217,524	748,382
Stockholders' equity	3,292,543	3,091,784	3,009,204
Total net capital	\$ 3,002,230	\$ 3,309,308	\$ 3,757,586
<b>Net debt-to-capital ratio</b>	<b>(9.7)%</b>	<b>6.6 %</b>	<b>19.9 %</b>



# 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, 2023	Gross Margin %	Jun 30, 2023	Gross Margin %	Mar 31, 2023	Gross Margin %	Dec 31, 2022	Gross Margin %	Sep 30, 2022	Gross Margin %
(Dollars in thousands)										
Gross Margin from Home Sales	\$208,226	19.2 %	\$180,979	16.4 %	\$171,469	16.8 %	\$223,490	15.0 %	\$319,231	22.7 %
Add: Inventory Impairments	6,200		13,500		7,800		92,800		28,415	
Gross Margin from Home Sales Excluding Inventory Impairments	214,426	19.7 %	194,479	17.6 %	179,269	17.6 %	316,290	21.3 %	347,646	24.7 %
Add: Warranty Adjustments	—		—		—		150		523	
Gross Margin from Home Sales Excluding Inventory Impairments and Warranty Adjustments	214,426	19.7 %	194,479	17.6 %	179,269	17.6 %	316,440	21.3 %	348,169	24.7 %
Add: Interest in Cost of Sales	14,007		16,807		16,065		21,081		15,977	
Gross Margin from Home Sales Excluding Inventory Impairments, Warranty Adjustments, and Interest in Cost of Sales	\$228,433	21.0 %	\$211,286	19.2 %	\$195,334	19.2 %	\$337,521	22.7 %	\$364,146	25.9 %