



2021

M.D.C. Holdings, Inc.
October 28, 2021

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, 2021, 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 2021 vs. Q3 2020

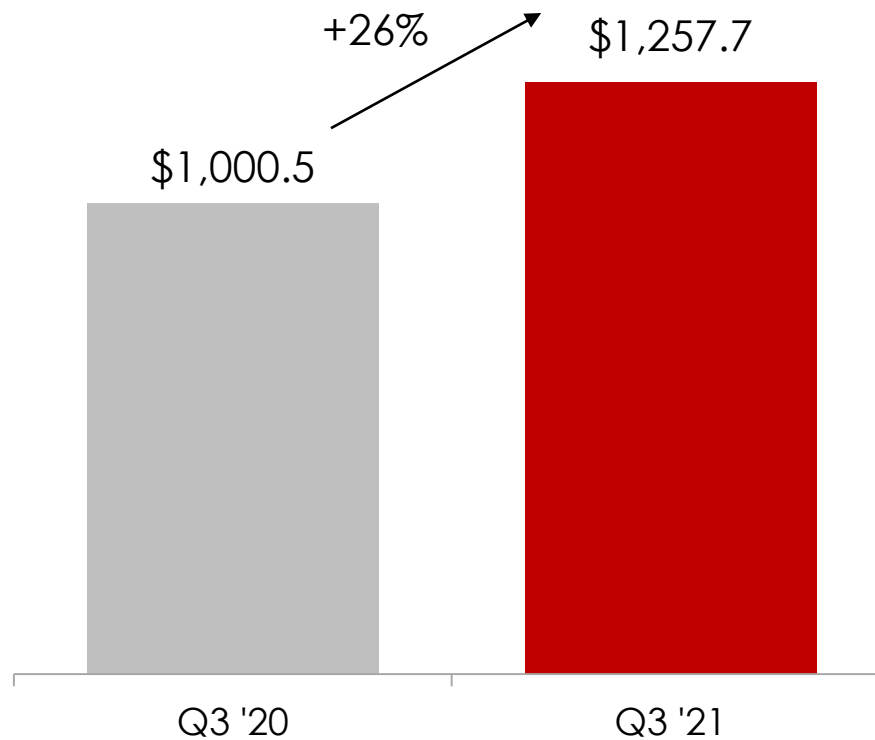


- Home sale revenues increased 26% to \$1.26 billion from \$1.00 billion
 - Unit deliveries up 13% to 2,419
 - Average selling price of deliveries up 12% to \$519,900
- Homebuilding pretax income increased 62% to \$165.2 million from \$101.7 million
 - Gross margin from home sales increased 300 basis points to 23.5% from 20.5%
 - Selling, general and administrative expenses as a percentage of home sale revenues ("SG&A rate") improved by 80 basis points to 9.6%
 - Loss on debt retirement of \$12.2 million in current quarter
- Net income of \$146.0 million, or \$1.99 per diluted share, up 48% from \$98.9 million or \$1.38 per diluted share*
 - Effective tax rate of 24.3% vs. 21.5%
- Dollar value of net new orders decreased 21% to \$1.30 billion from \$1.65 billion
 - Monthly sales absorption rate of 4.1 vs. 6.1 in prior period quarter
 - Second highest third quarter monthly sales absorption rate in the last 15 years
 - Average selling price of net orders up 16%
- Dollar value of ending backlog up 38% to \$4.24 billion from \$3.08 billion
 - Unit backlog increased 18% to 7,658
 - Average selling price of homes in backlog up 17%

Home Sale Revenues and Net Income

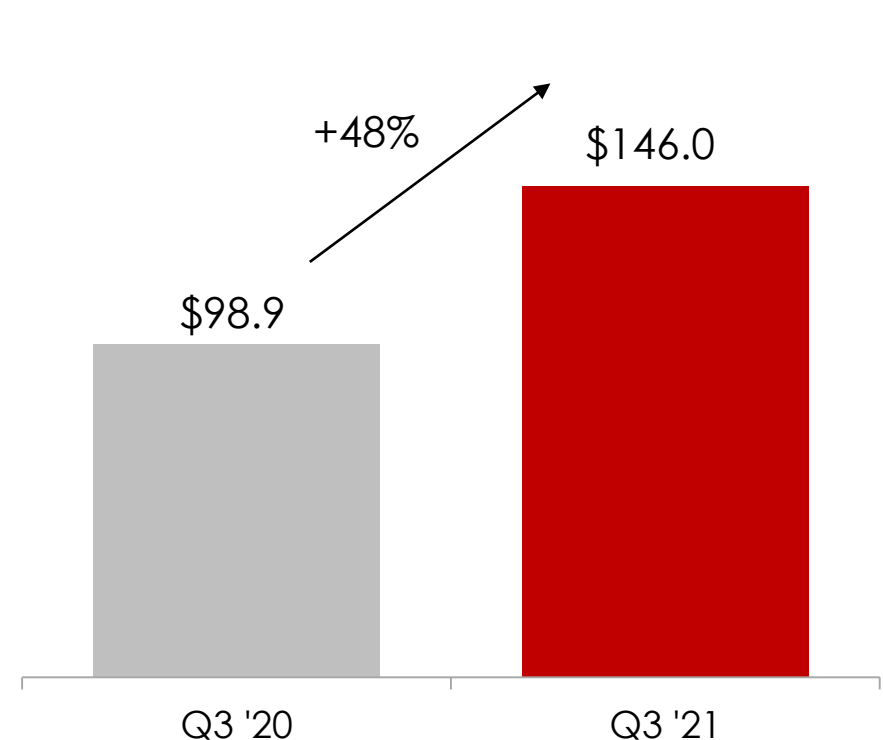
Home Sale Revenues

(\$ in millions)



Net Income

(\$ in millions)



Diluted Earnings Per Share

\$1.38

\$1.99

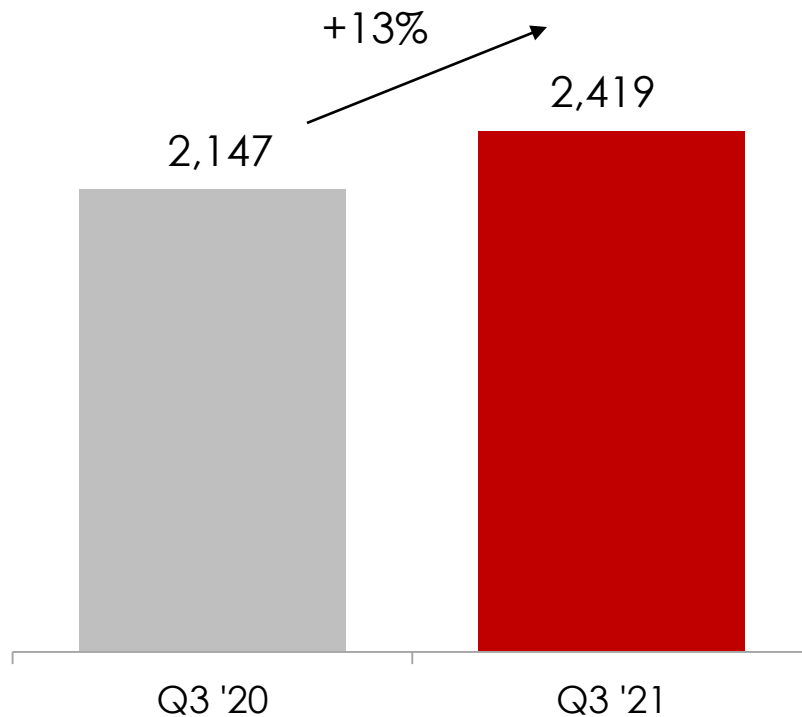
Effective Tax Rate

21.5%

24.3%

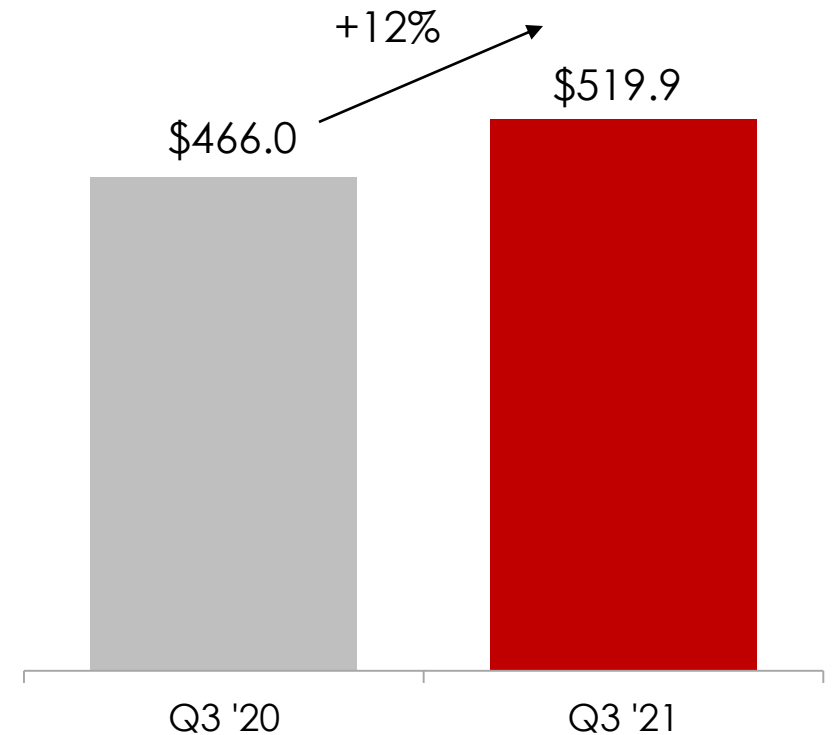
Homes Delivered and Average Selling Price

Homes Delivered



Average Selling Price

(\$ in thousands)



5,143	7,678
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← Beginning Backlog

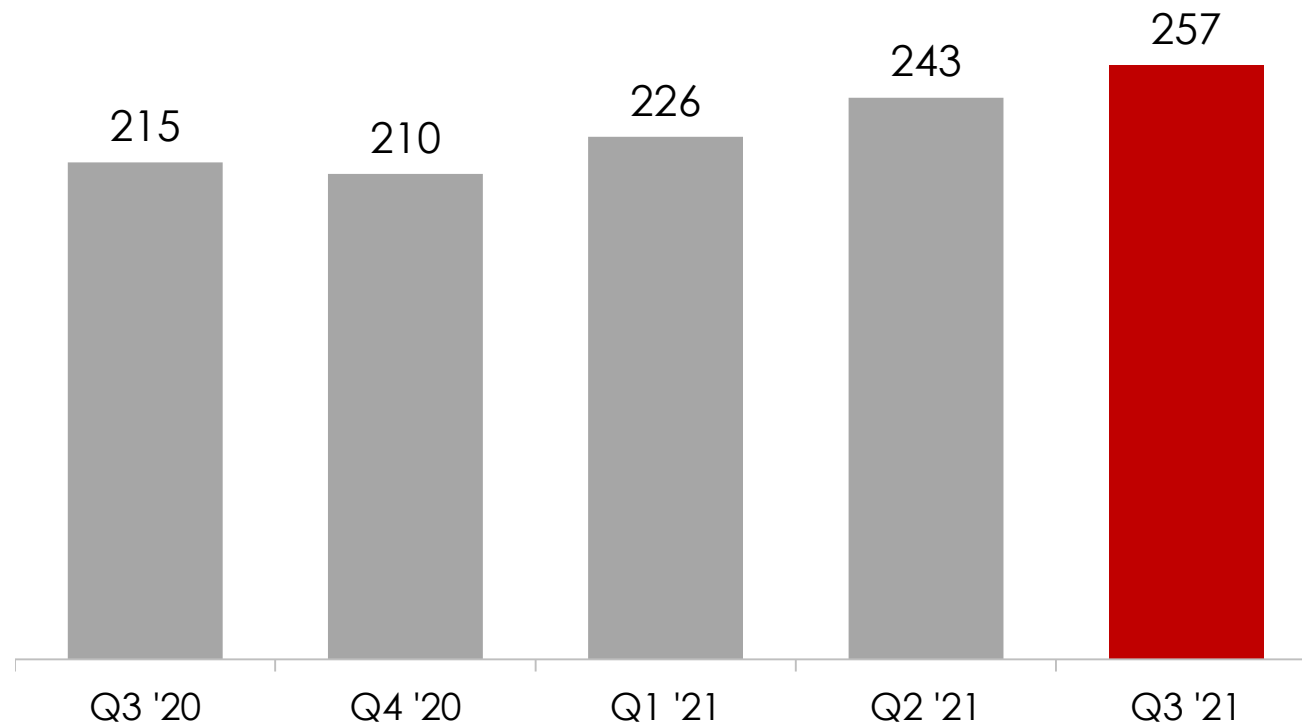
42%	32%
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← Backlog Conversion Rate
(Homes Delivered as a % of Beginning Backlog)

56%	62%
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← % from More Affordable Collections (e.g. Seasons, CityScapes, Urban)

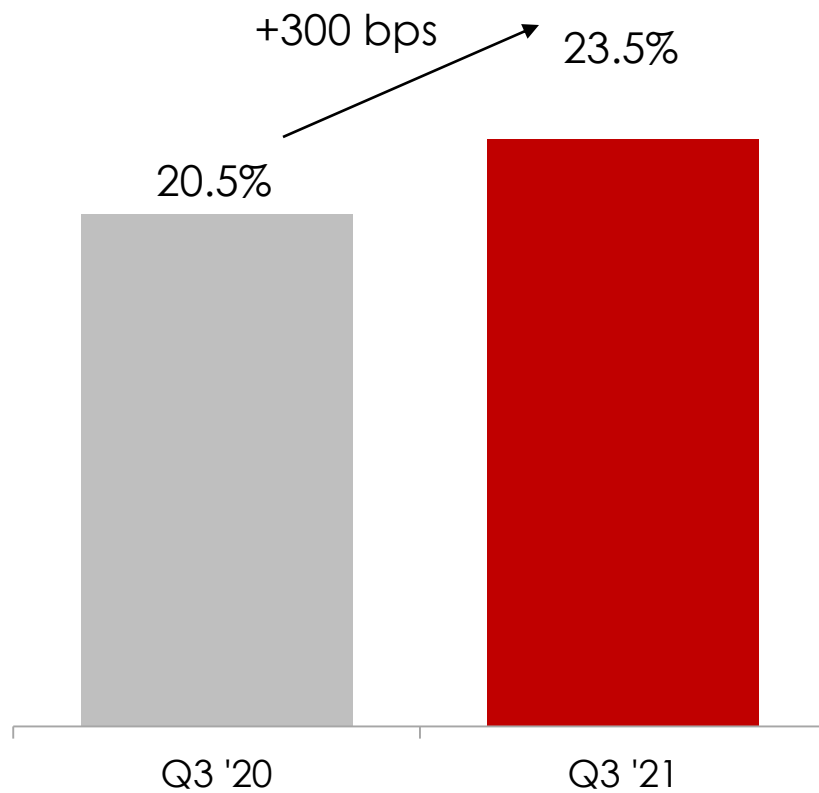
Sale to Close Cycle Times *



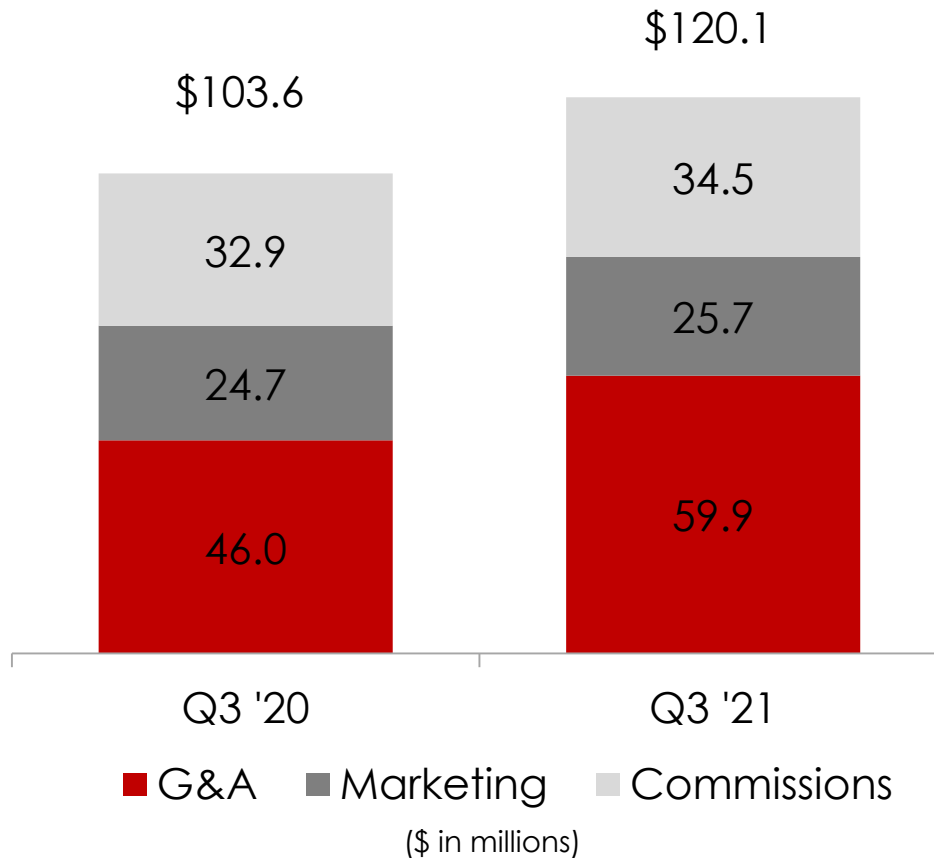
* Sale to close cycle time for build-to-order sales closed during the quarter (excludes spec homes).

Gross Margin from Home Sales

ULTRAGARAGE®



Homebuilding & Corporate SG&A Expense



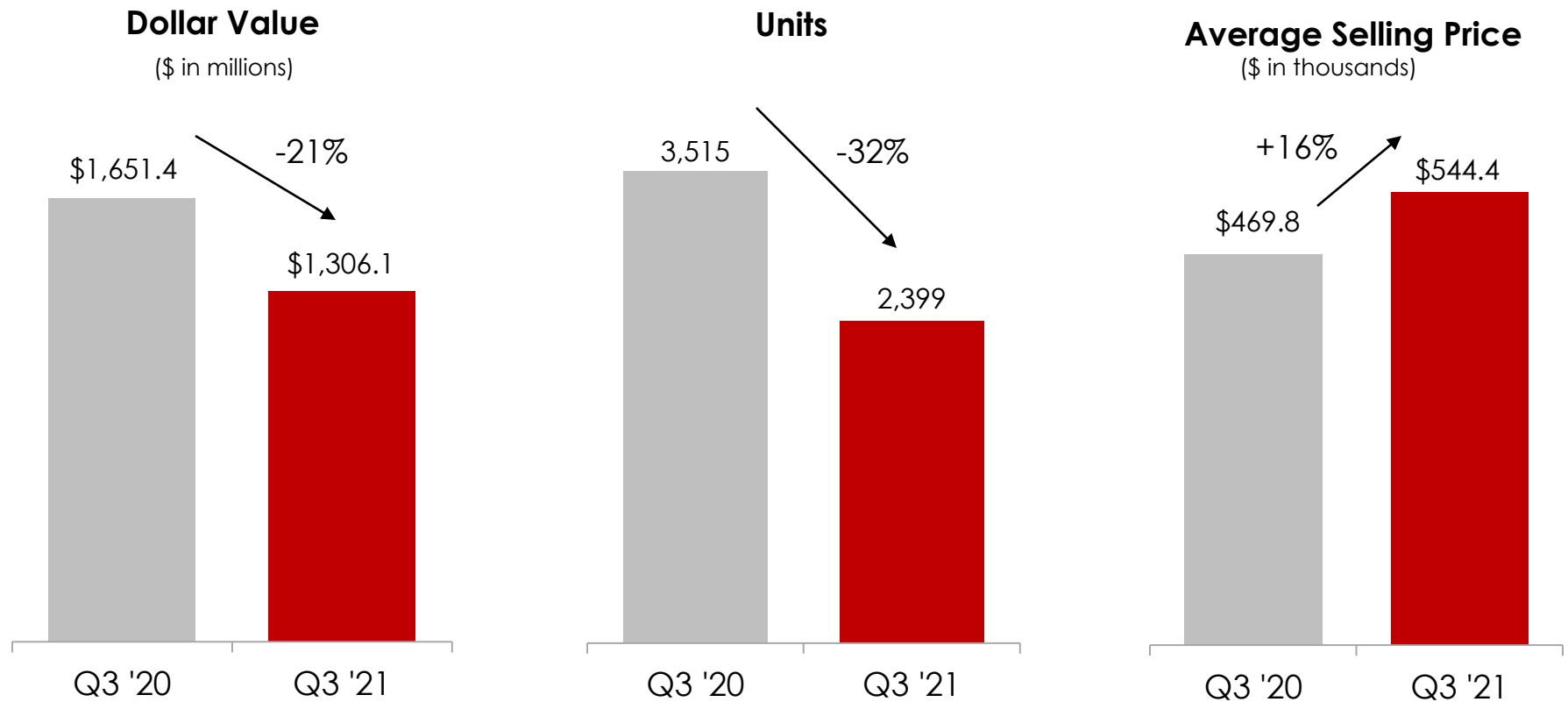
SG&A % of Home Sale Revenues

Q3 '20: 10.4%

Q3 '21: 9.6%



Net New Home Orders



Monthly Net Orders Per Active Subdivision

Q3 '20 – **6.10** Q3 '21 – **4.10**

Cancellations -- % of Beginning Backlog

Q3 '20 – **12%** Q3 '21 – **7%**

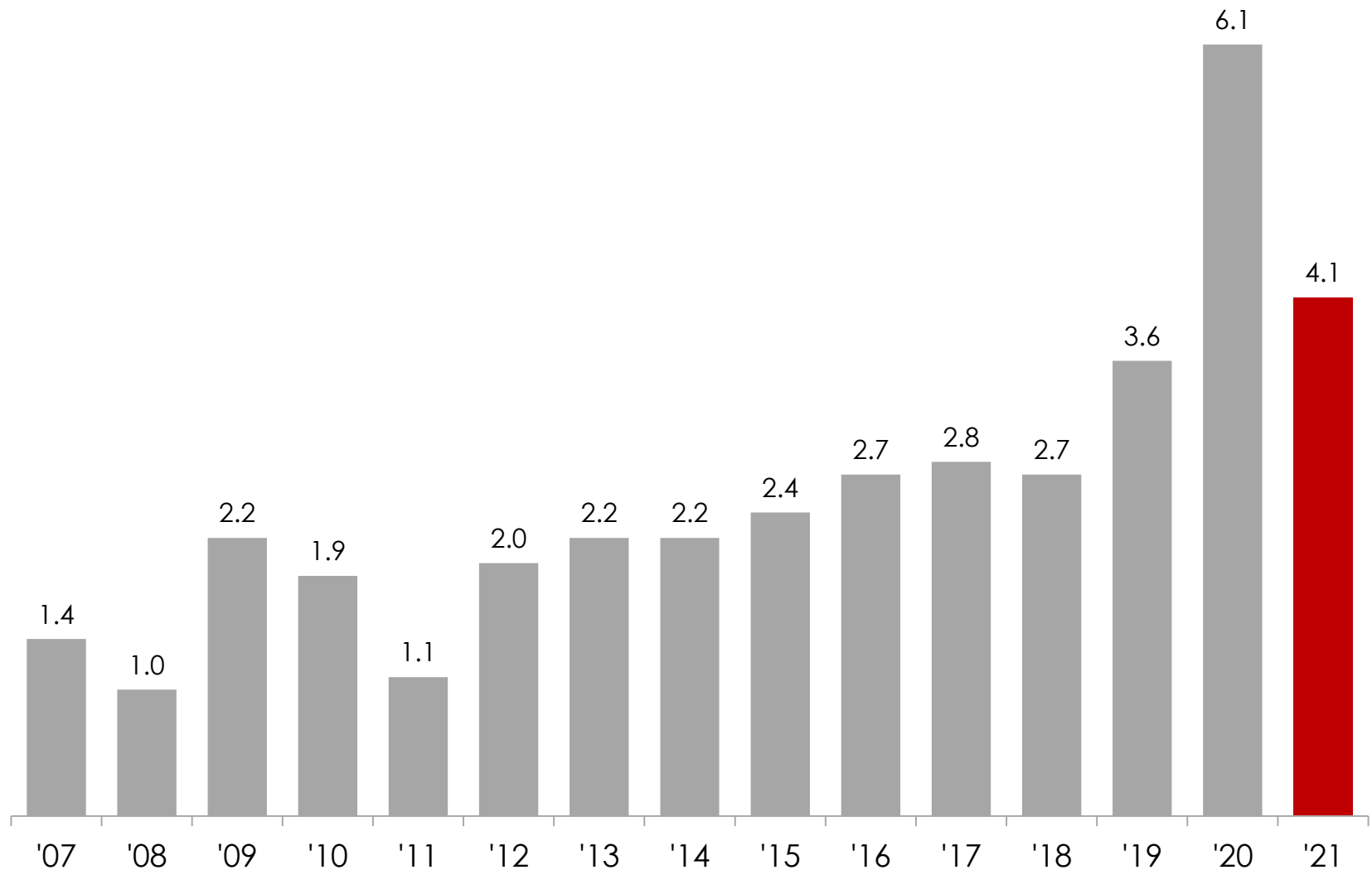
Average Active Subdivisions

Q3 '20 – **193** Q3 '21 – **196**

Ending Active Subdivisions

Q3 '20 – **194** Q3 '21 – **203**

Historical Third Quarter Monthly Sales Absorption Pace *

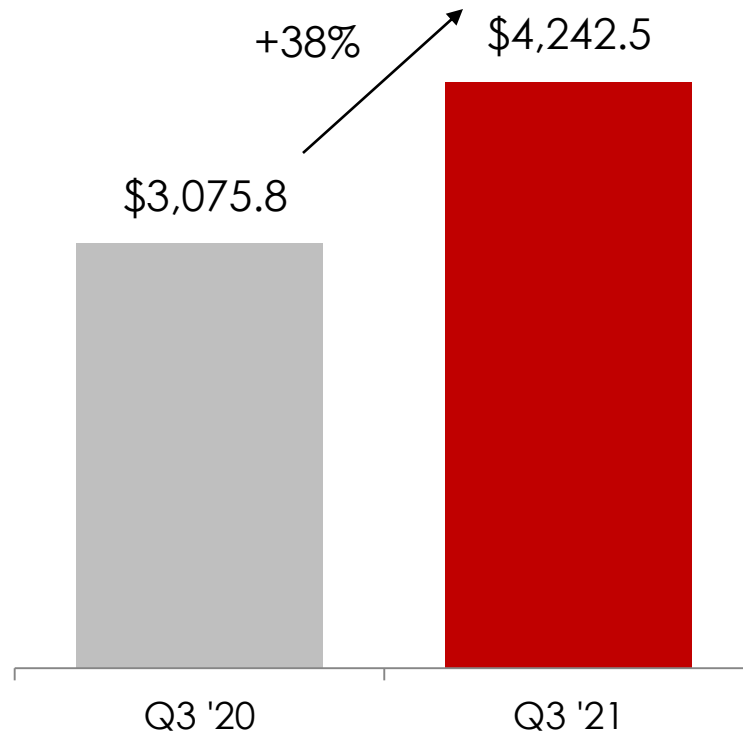


Backlog

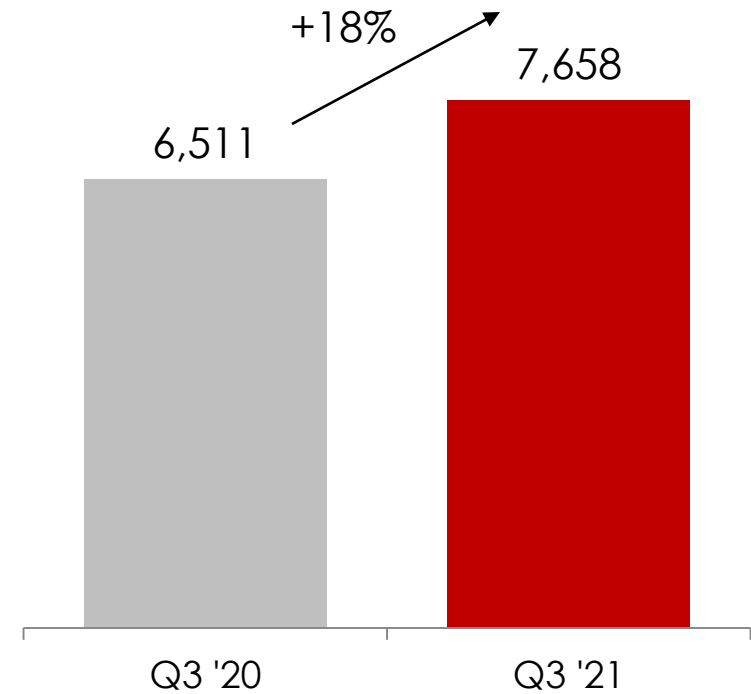


Ending Dollar Value

(\$ in millions)



Ending Backlog Units



Percent of Backlog Units at Frame or Beyond

37%

42%

Percent of Backlog Units Started

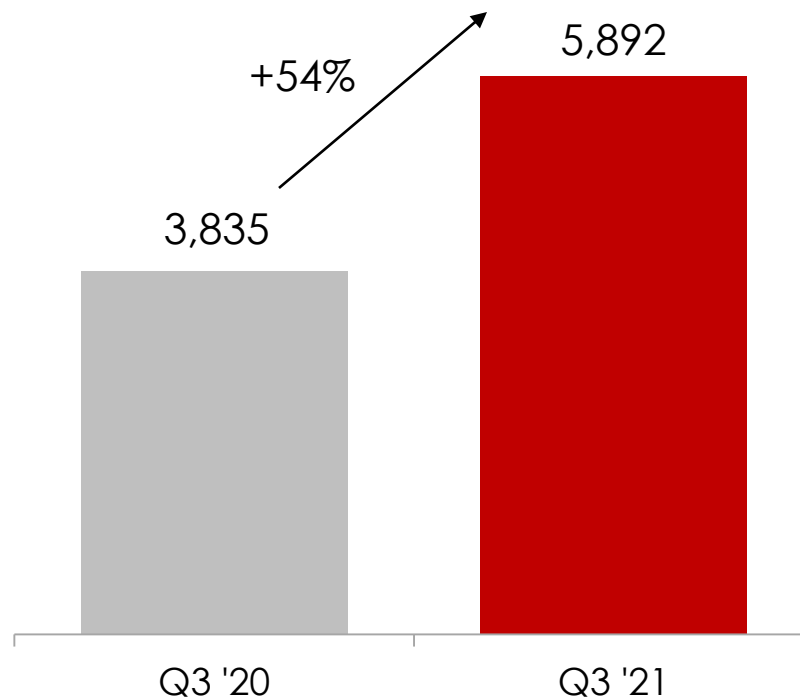
67%

84%

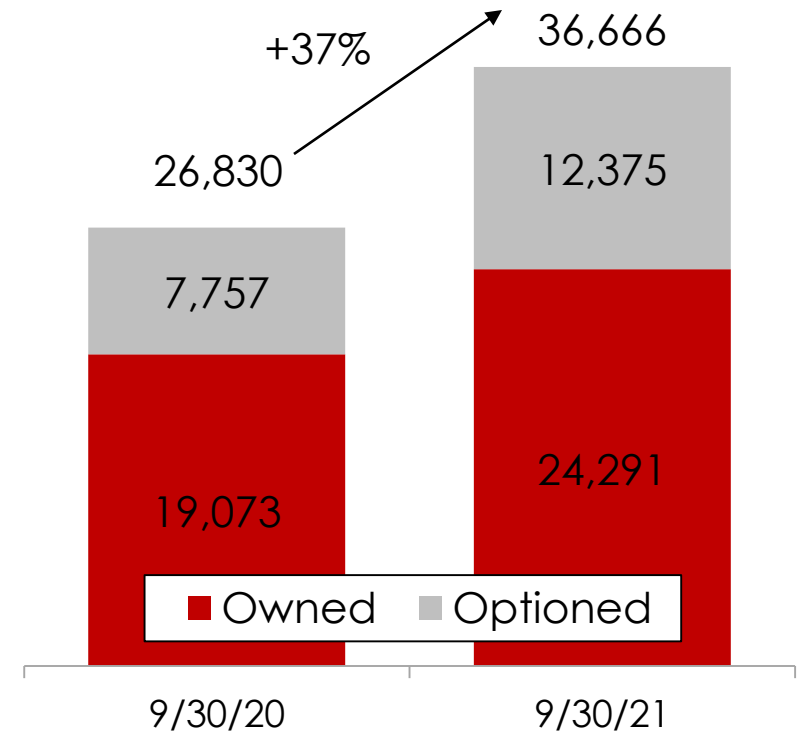
Land Activity



Lots Approved



Total Lots Controlled

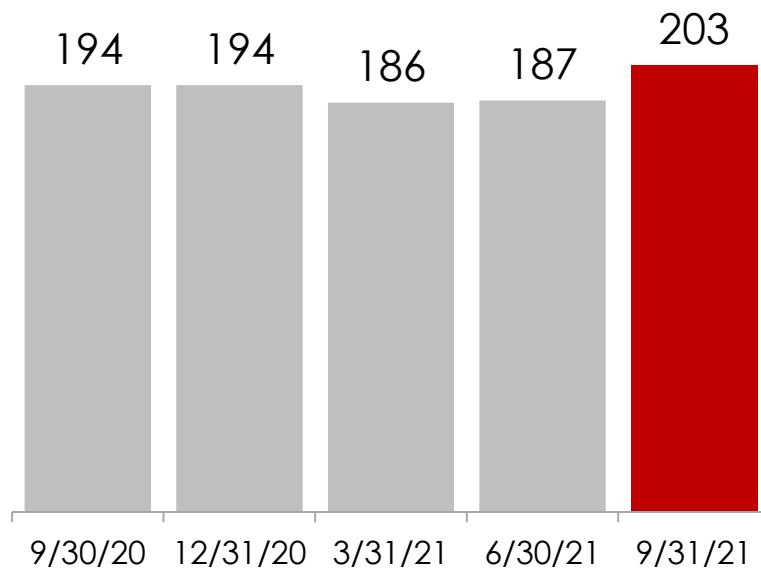


	(\$ in millions)	
	Q3 '20	Q3 '21
Lots Acquired	3,555	3,214
Land Acquisition Spend	\$239.0	\$272.6
Land Development Spend	\$122.7	\$147.1

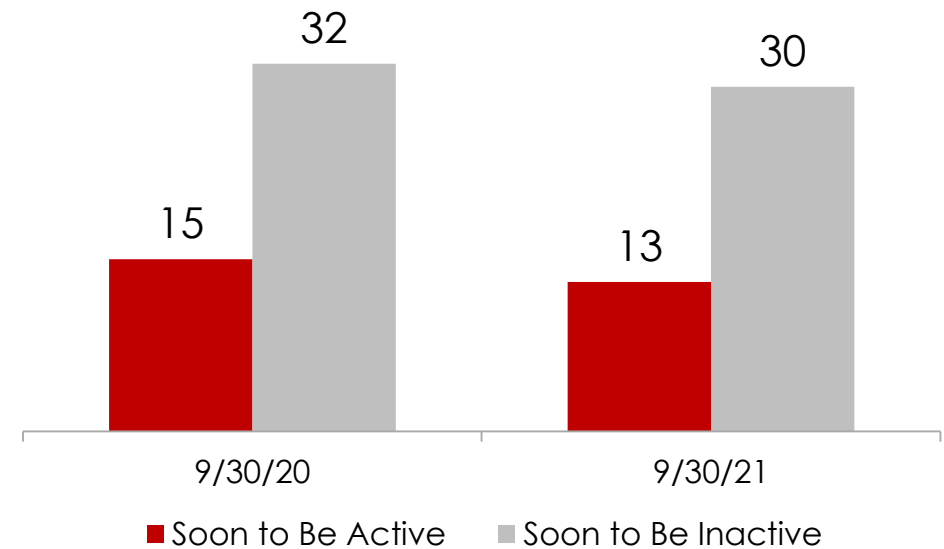
Active Subdivisions (Ending)



Active Subdivisions



Soon to Be Active / Inactive

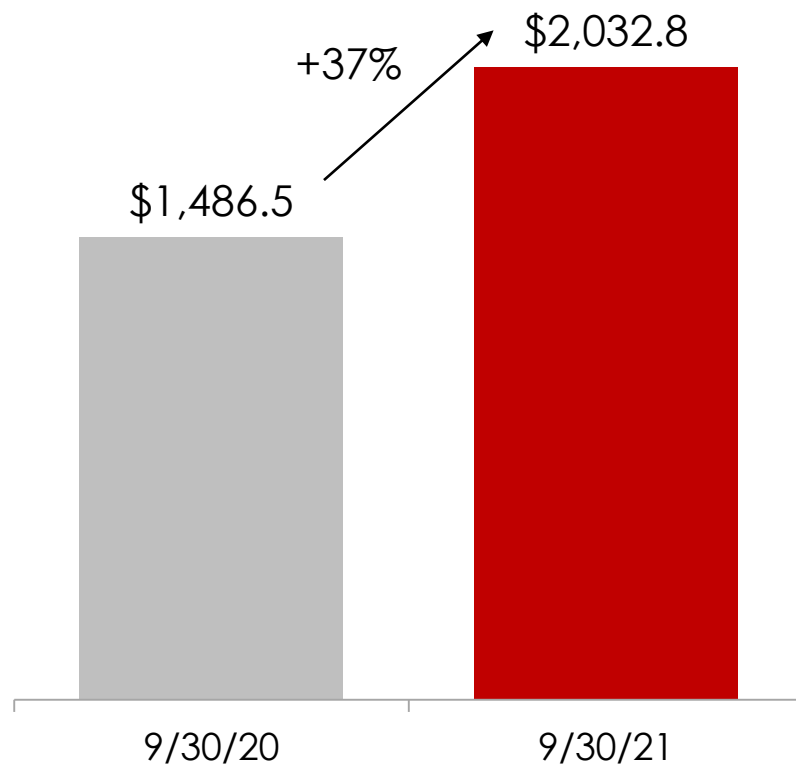


Financial Position

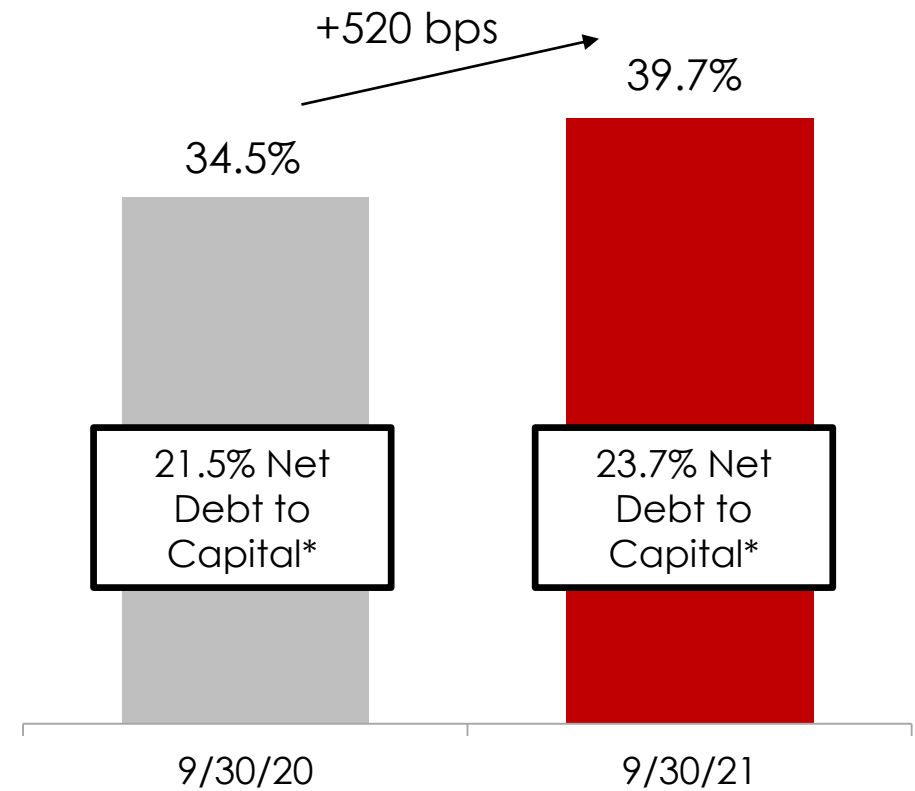


Total Liquidity

(\$ in millions)



Debt to Capital



* 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, 2021	December 31, 2020	September 30, 2020
	(Dollars in thousands)		
Senior notes, net	\$ 1,607,658	\$ 1,037,391	\$ 1,037,225
Revolving credit facility	10,000	10,000	10,000
GAAP debt	1,617,658	1,047,391	1,047,225
Stockholders' equity	2,457,984	2,119,912	1,987,999
Total GAAP capital	4,075,642	3,167,303	3,035,224
GAAP debt to capital ratio	39.7 %	33.1 %	34.5 %
GAAP debt less:			
Homebuilding cash and cash equivalents	(761,715)	(411,362)	(432,277)
Financial services cash and cash equivalents	(93,884)	(77,267)	(70,435)
Net debt	762,059	558,762	544,513
Stockholders' equity	2,457,984	2,119,912	1,987,999
Total net capital	\$ 3,220,043	\$ 2,678,674	\$ 2,532,512
Net debt to capital ratio	23.7 %	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									
	Sep 30, 2021	Gross Margin %	Jun 30, 2021	Gross Margin %	Mar 31, 2021	Gross Margin %	Dec 31, 2020	Gross Margin %	Sep 30, 2020	Gross Margin %
(Dollars in thousands)										
Gross Margin from Home Sales	\$295,623	23.5 %	\$316,592	23.1 %	\$227,970	21.9 %	\$259,927	22.0 %	\$205,377	20.5 %
Add: Inventory Impairments	-		-		-		-		-	
Gross Margin from Home Sales Excluding Inventory Impairments	295,623	23.5 %	316,592	23.1 %	227,970	21.9 %	259,927	22.0 %	205,377	20.5 %
Add: Warranty Adjustments	319		-		-		92		(171)	
Gross Margin from Home Sales Excluding Inventory Impairments and Warranty Adjustments	295,942	23.5 %	316,592	23.1 %	227,970	21.9 %	260,019	22.0 %	205,206	20.5 %
Add: Interest in Cost of Sales	16,024		18,326		14,841		17,289		16,511	
Gross Margin from Home Sales Excluding Inventory Impairments, Warranty Adjustments, and Interest in Cost of Sales	<u>\$311,966</u>	24.8 %	<u>\$334,918</u>	24.5 %	<u>\$242,811</u>	23.3 %	<u>\$277,308</u>	23.5 %	<u>\$221,717</u>	22.2 %