

The Moonstone, FL (Seasons™)



2nd Quarter 2018 Webcast
M.D.C. Holdings, Inc.
August 1, 2018

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 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 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 June 30, 2018, 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.



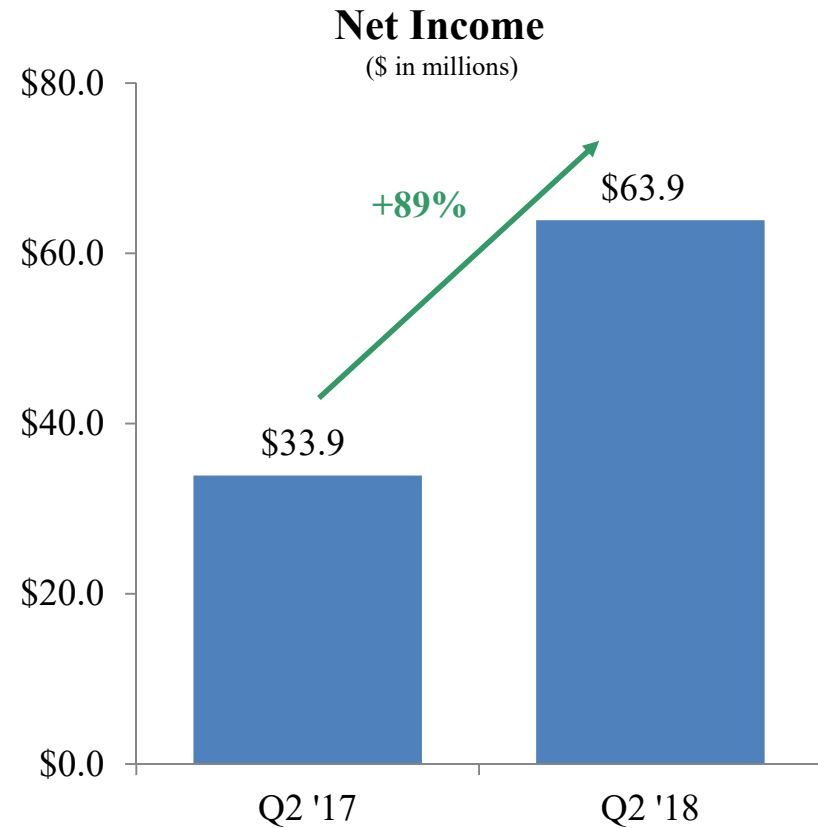
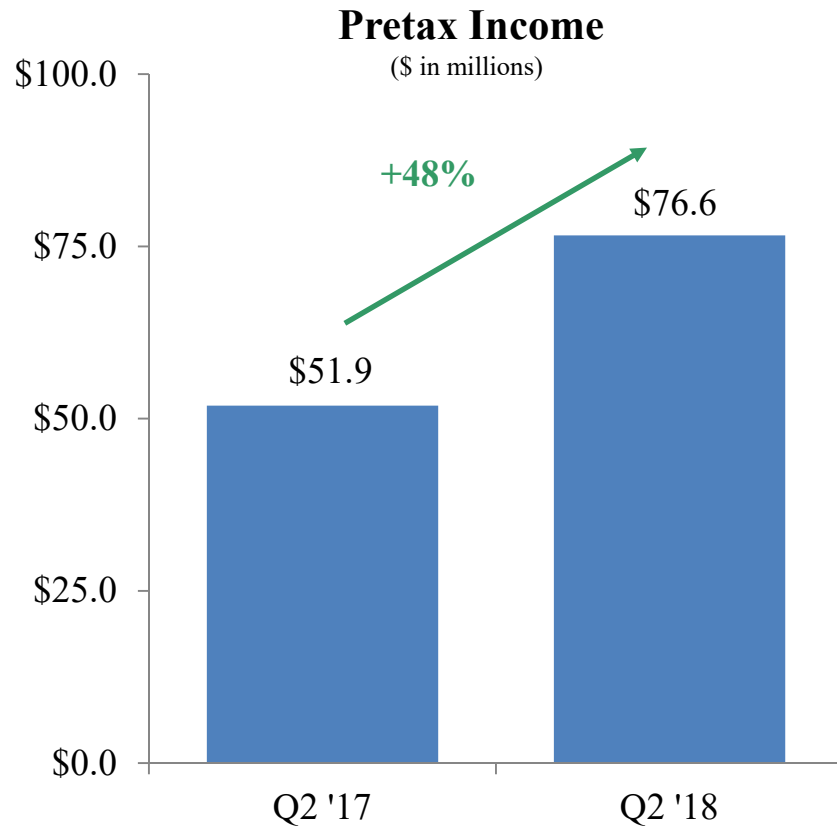
Overview – Q2 2018 vs. Q2 2017

- Net income of \$63.9 million, or \$1.12 per diluted share vs. \$33.9 million, or \$0.60 per diluted share*
- Pretax income of \$76.6 million increased 48% vs. \$51.9 million
- Home sale revenues increased 16% to \$749.6 million
- Gross margin from home sales up 230 basis points to 19.1%
- Dollar value of net new orders up 9% year-over-year to \$776.2 million
 - Monthly sales absorption pace up 8% to 3.68
- Ending backlog of \$1.95 billion, up 16%
- 3,678 lots approved for purchase, up 10%
- Liquidity increased 18% to \$1.14 billion
- Paid dividend of \$0.30 per share, up 30%

**All per share amounts have been adjusted as necessary for the 8% stock dividend declared and paid in the 2017 fourth quarter.*



Pretax and Net Income



Diluted Earnings Per Share

\$0.60

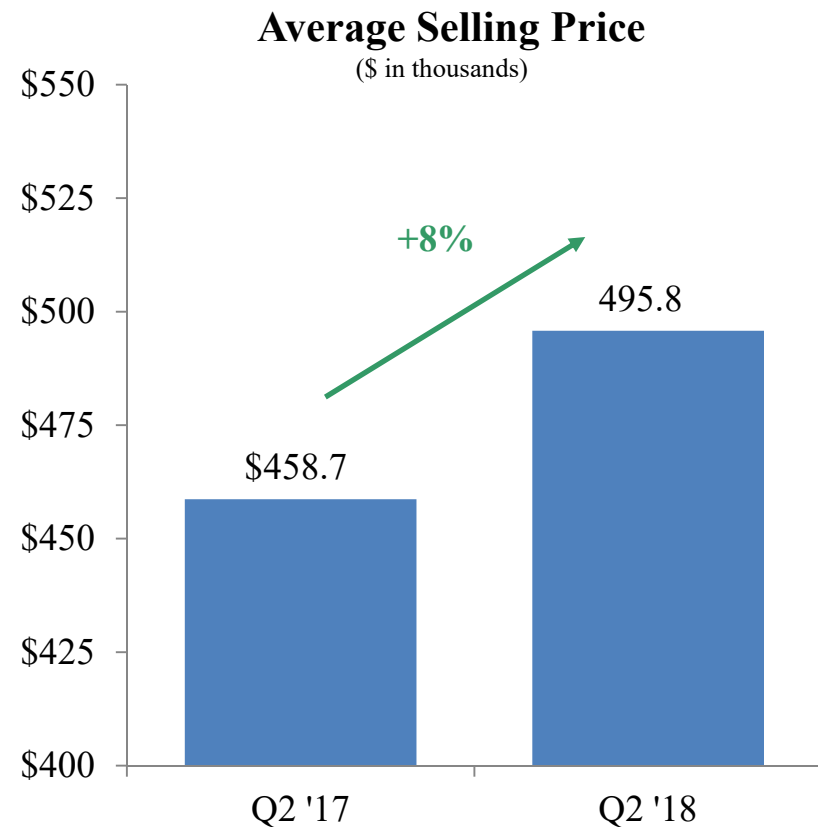
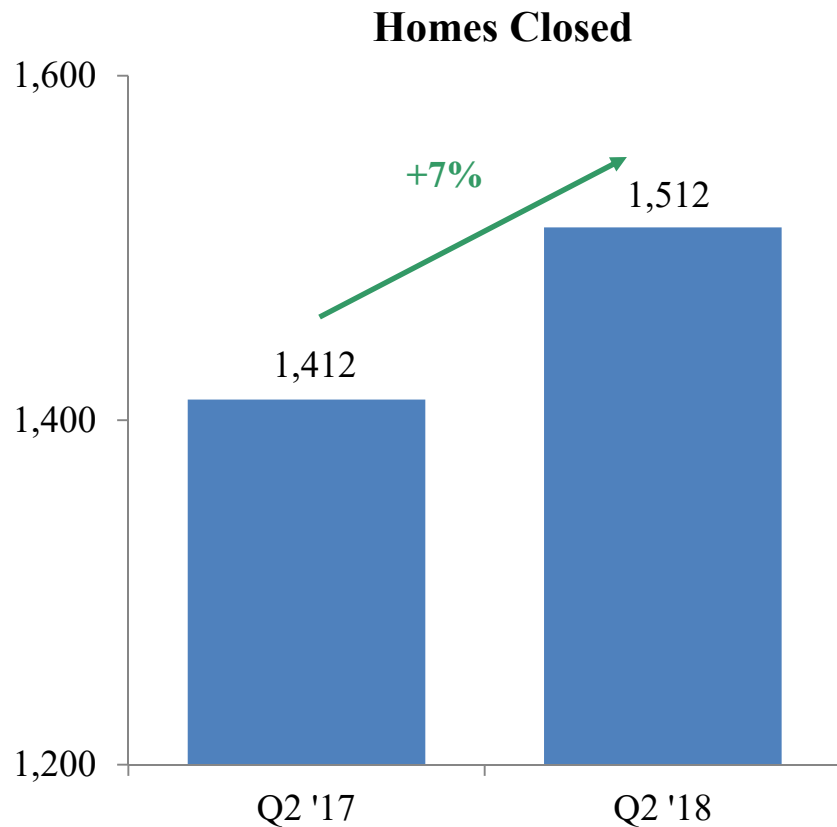
\$1.12

Effective Tax Rate

34.7%

16.6%

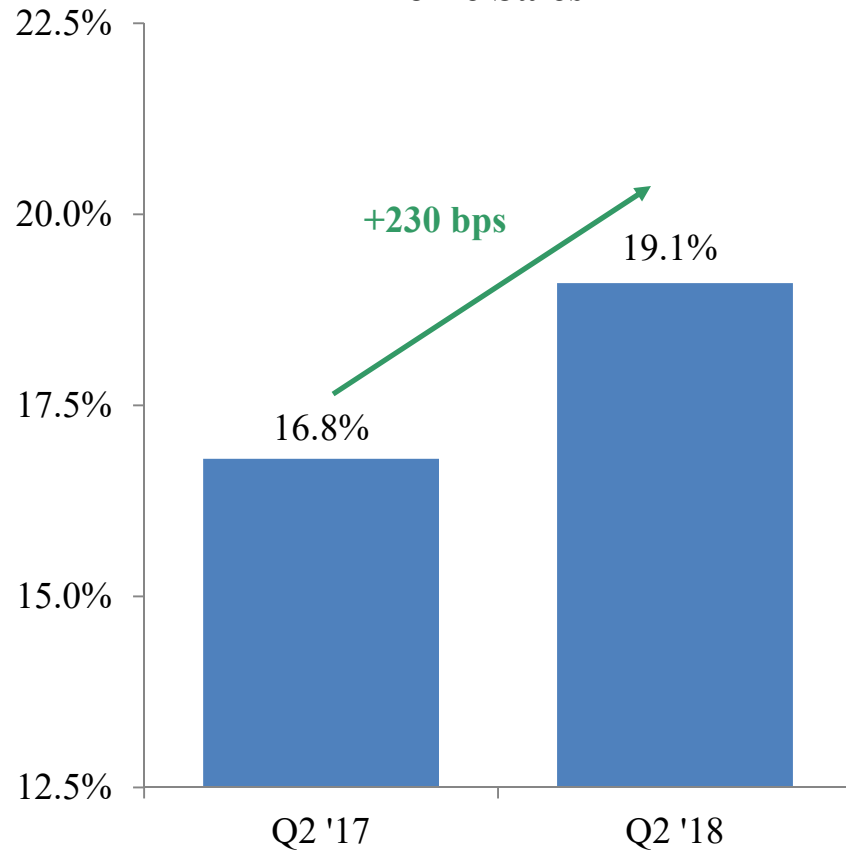
Homes Closed and Average Selling Price



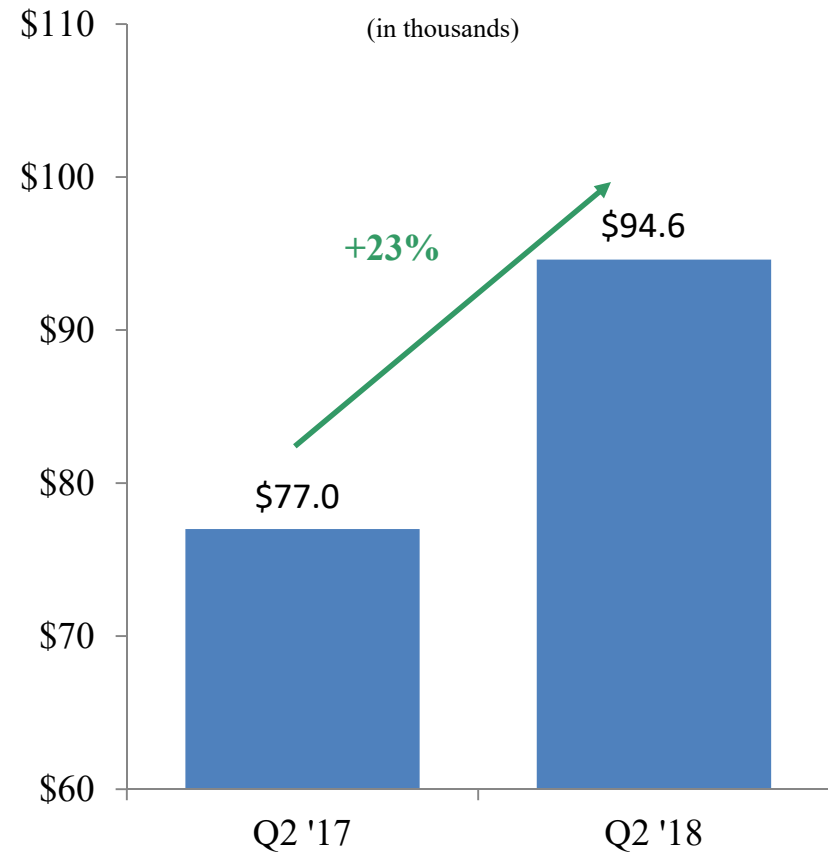
3,324	3,789	← Beginning Backlog
42%	40%	← Backlog Conversion Rate (Closings as a % of Beginning Backlog)
70%	67%	← % of Beginning Backlog Under Construction

Gross Margin

Gross Margin % from Home Sales



Gross Margin \$ from Home Sales Per Home Closed



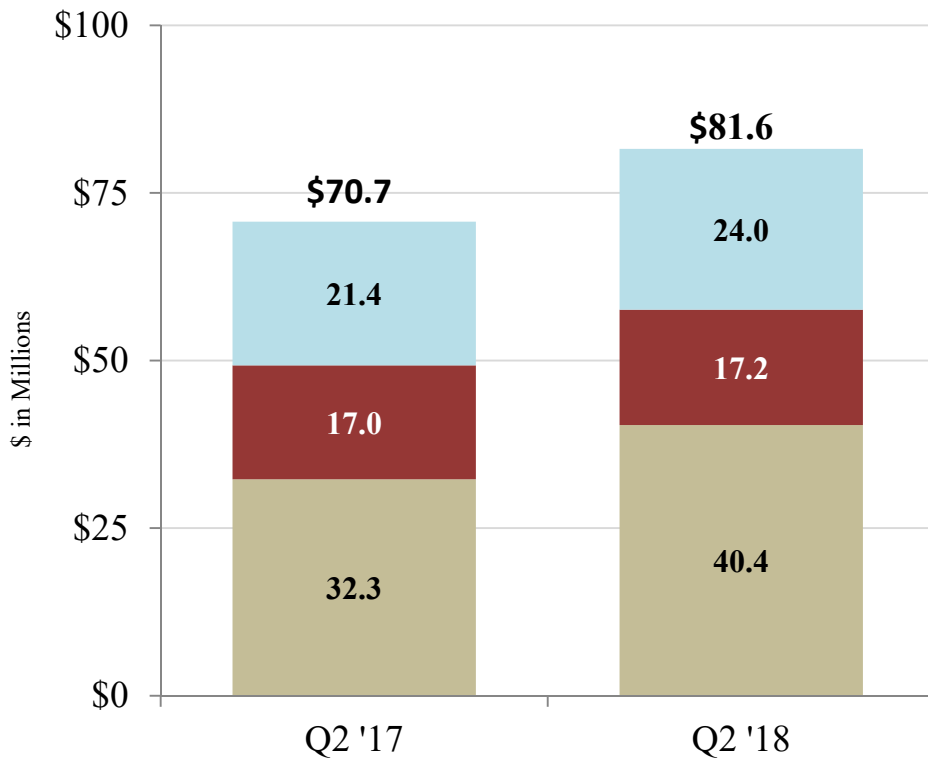
Homebuilding SG&A Expenses (incl. Corporate)

1,412	1,512
\$647.6	\$749.6
10.9%	10.9%

← Home Closings

← Home Sale Revenues (in millions)

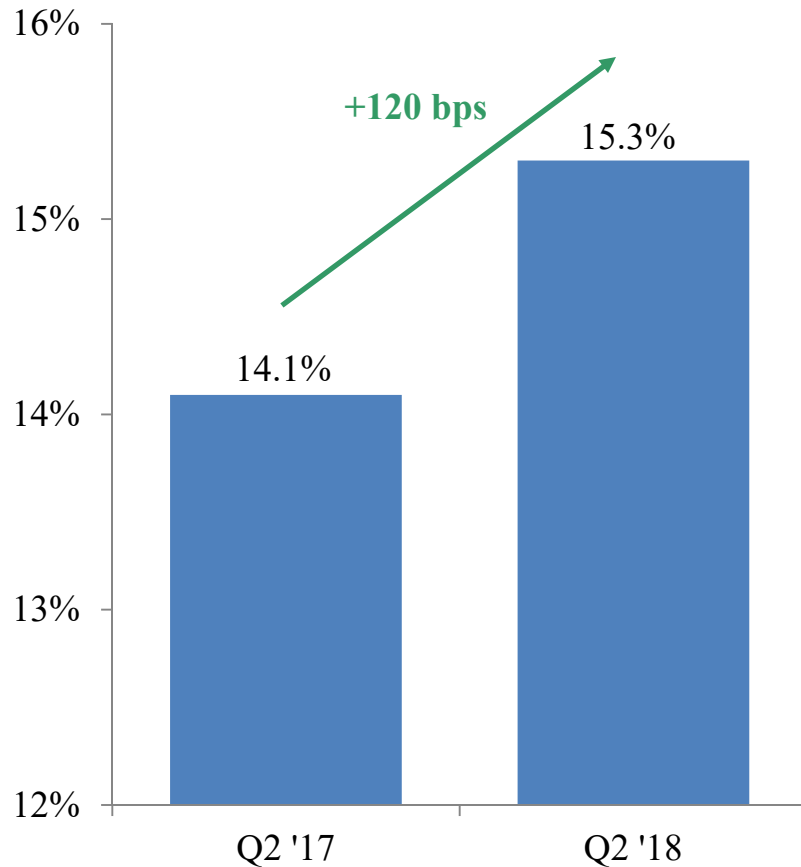
← SG&A % of Home Sale Revenues



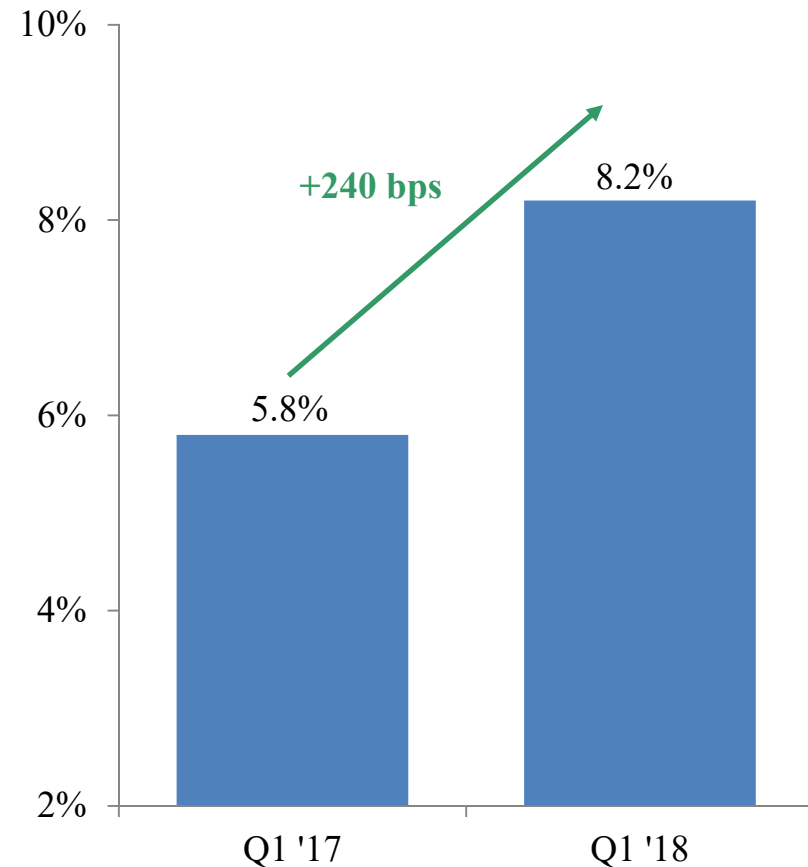
■ General and Administrative ■ Marketing ■ Commissions

Return Ratios

Core Pretax Return on Equity (Last Twelve Months)*



Homebuilding Operating Margin**

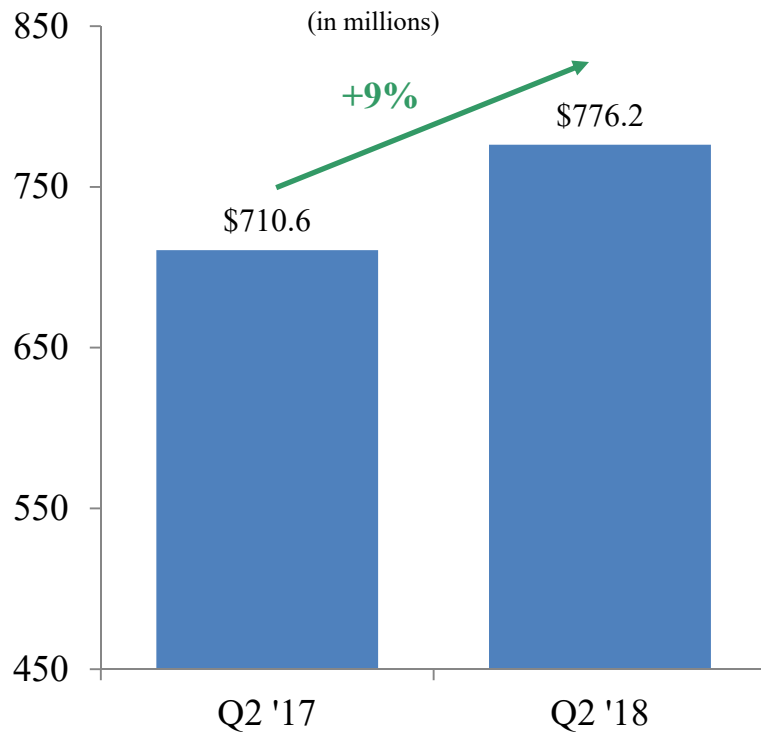


*Excludes \$52 million investment sale gain recorded in Q3 2017. See Reconciliation of Non-GAAP Financial Measures slide at end of presentation.

**Gross Margin from home sales less homebuilding SG&A as a percentage of home sale revenues

Net New Home Orders

Dollar Value of Net New Home Orders



Net New Orders -- Units

1,598	1,721
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Cancellations -- % of Beginning Backlog

10%	12%
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Monthly Absorption Rate



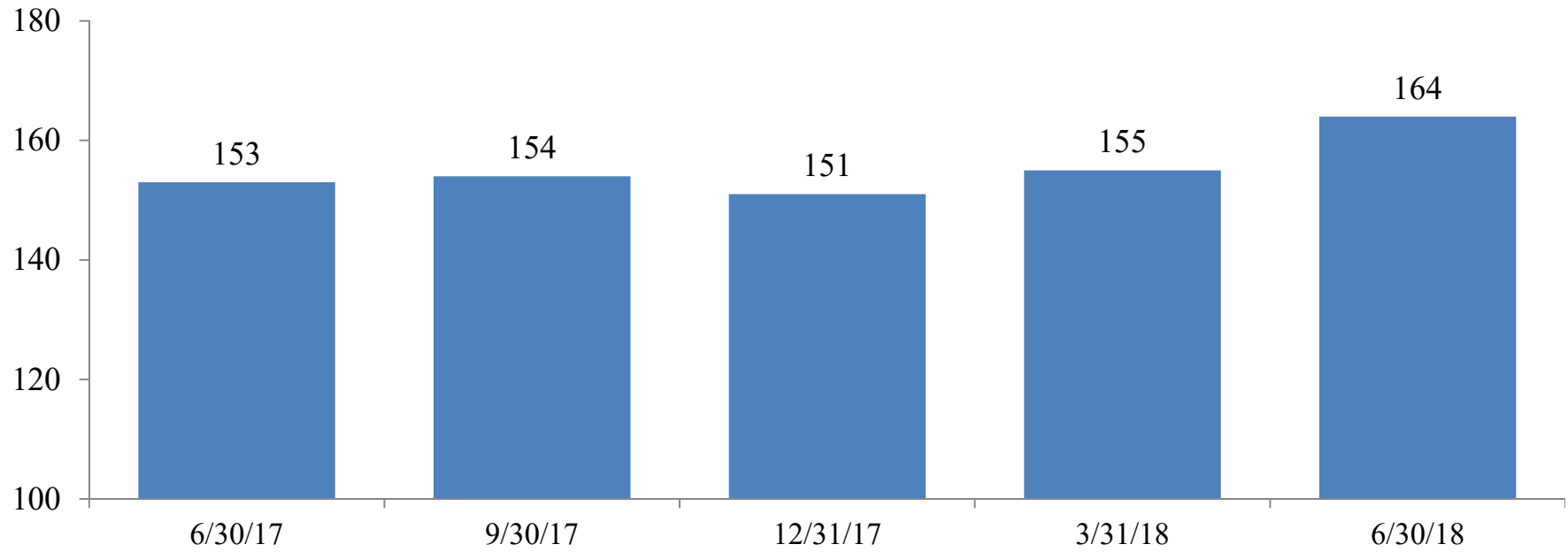
Average Subdivisions

158	157
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Ending Subdivisions

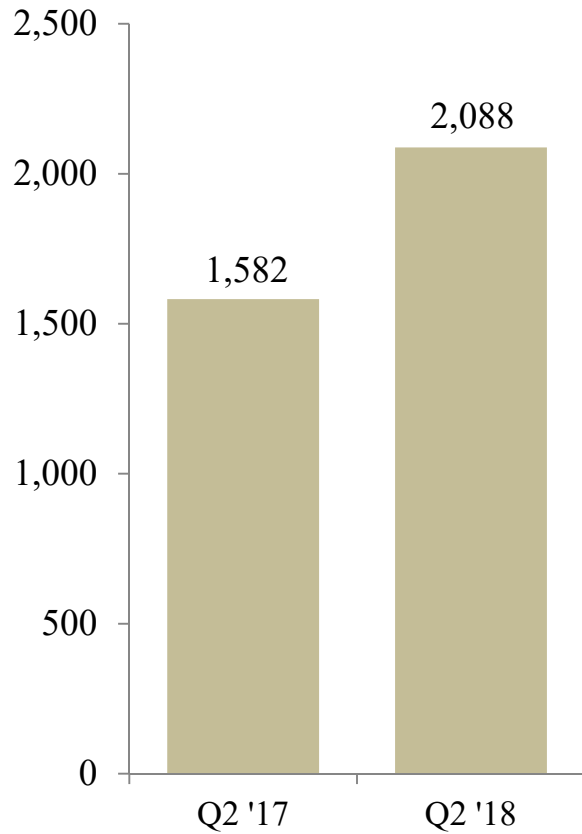
153	164
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Active Subdivisions (Ending)



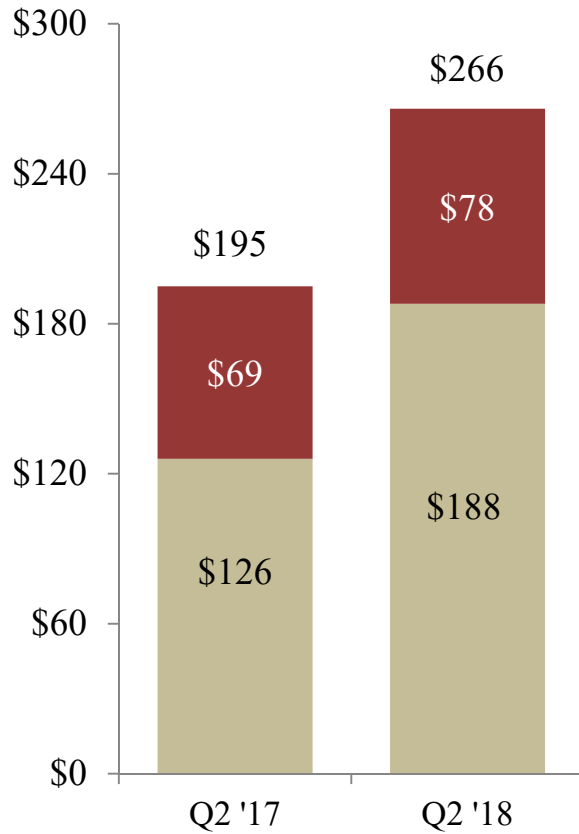
Lot Approval and Acquisition Activity

Lots Acquired

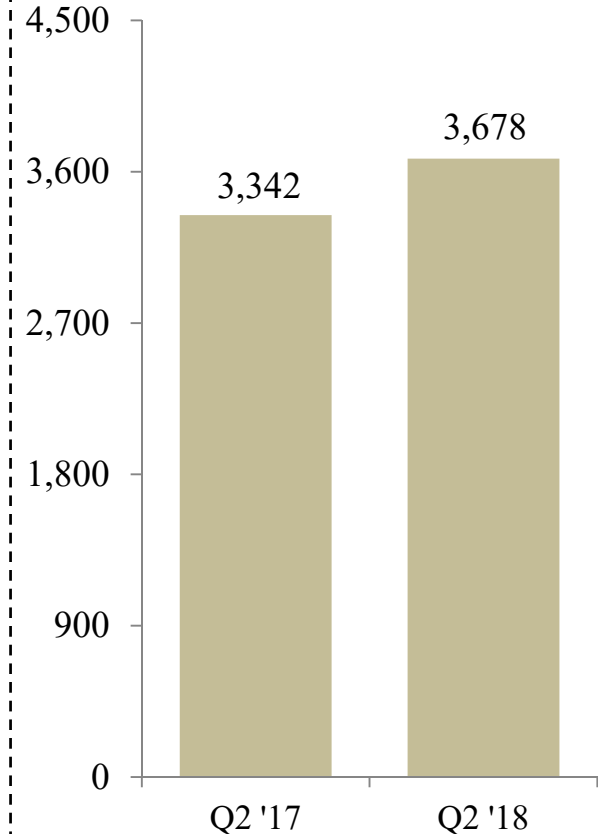


Land Spend

\$ in millions



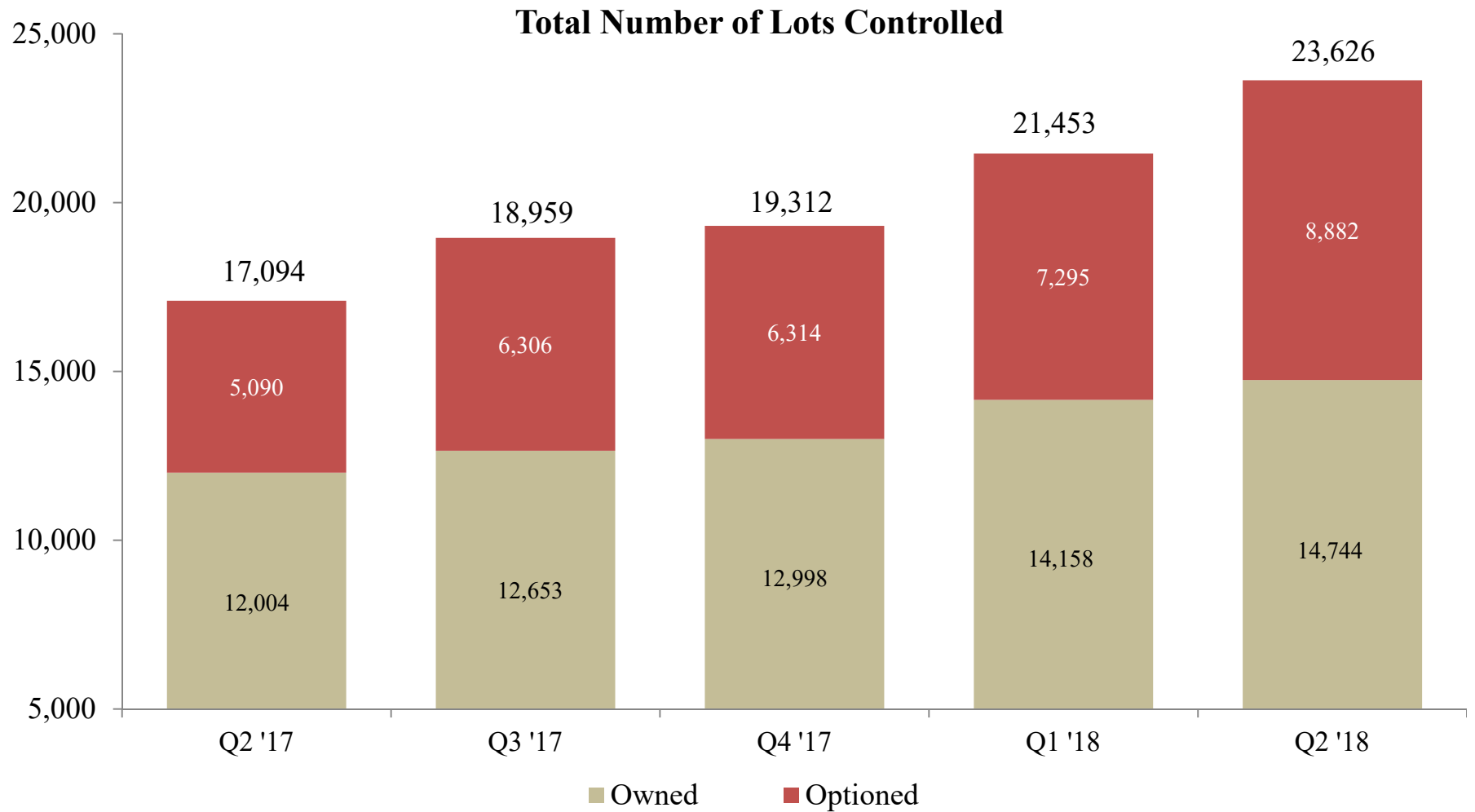
Lots Approved for Acquisition



■ Land Development

■ Land Acquisition

Lot Supply



% of Lots Controlled Under Option

30%	33%	33%	34%	38%
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MDC
HOLDINGS, INC.



The Raven, AZ

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.

	June 30, 2018	December 31, 2017	June 30, 2017
	(Dollars in thousands)		
Senior notes, net	\$ 987,272	\$ 986,597	\$ 842,232
Revolving credit facility	15,000	15,000	15,000
GAAP debt	<u>1,002,272</u>	<u>1,001,597</u>	<u>857,232</u>
Stockholders' equity	<u>1,489,841</u>	<u>1,407,287</u>	<u>1,363,653</u>
Total GAAP capital	<u>2,492,113</u>	<u>2,408,884</u>	<u>2,220,885</u>
Ratio of GAAP debt to capital	<u>40.2%</u>	<u>41.6%</u>	<u>38.6%</u>
GAAP debt less:			
Homebuilding cash and cash equivalents	(378,219)	(472,957)	(314,814)
Homebuilding marketable securities	-	(49,634)	(65,268)
Financial services cash and cash equivalents	(47,661)	(32,471)	(23,162)
Financial services marketable securities	<u>(44,328)</u>	<u>(42,004)</u>	<u>(38,666)</u>
Net debt	<u>532,064</u>	<u>404,531</u>	<u>415,322</u>
Stockholders' equity	<u>1,489,841</u>	<u>1,407,287</u>	<u>1,363,653</u>
Total capital	<u>\$ 2,021,905</u>	<u>\$ 1,811,818</u>	<u>\$ 1,778,975</u>
Ratio of net debt to capital	<u>26.3%</u>	<u>22.3%</u>	<u>23.3%</u>

Reconciliation of Non-GAAP Financial Measures

“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									
	June 30, 2018	<i>Gross</i> <i>Margin %</i>	March 31, 2018	<i>Gross</i> <i>Margin %</i>	December 31, 2017	<i>Gross</i> <i>Margin %</i>	September 30, 2017	<i>Gross</i> <i>Margin %</i>	June 30, 2017	<i>Gross</i> <i>Margin %</i>
	(Dollars in thousands)									
Gross Margin	\$ 143,005	19.1%	\$ 110,506	18.2%	\$ 121,203	17.2%	\$ 95,341	16.3%	\$ 108,692	16.7%
Less: Land Sales Revenue	-		-		(1,609)		(1,340)		(1,351)	
Add: Land Cost of Sales	-		-		1,768		1,259		1,202	
Gross Margin from Home Sales	143,005	19.1%	110,506	18.2%	121,362	17.3%	95,260	16.3%	108,543	16.8%
Add: Inventory Impairments	200		550		620		4,540		-	
Add: Warranty Adjustments	-		3,106		1,716		(425)		-	
Gross Margin from Home Sales Excluding Inventory Impairments and Warranty Adjustments	143,205	19.1%	114,162	18.8%	123,698	17.6%	99,375	17.0%	108,543	16.8%
Add: Interest in Cost of Sales	16,150		14,428		17,938		15,001		17,123	
Gross Margin from Home Sales Excluding Inventory Impairments, Warranty Adjustments, and Interest in Cost of Sales	\$ 159,355	21.3%	\$ 128,590	21.2%	\$ 141,636	20.2%	\$ 114,462	19.6%	\$ 125,722	19.4%

Reconciliation of Non-GAAP Financial Measures

“Adjusted pretax return on equity” is a non-GAAP financial measure, and should not be considered in isolation or as an alternative to performance measures prescribed by GAAP. The table below reconciles “adjusted pretax return on equity” to pretax return on equity as calculated based on GAAP. We believe this information is relevant and meaningful as it provides our investors and analysts with pretax returns that exclude the impact of significant one-time or infrequent item and permits investors to make better comparisons across periods as well as with our competitors.

	June 30, 2018	June 30, 2017
	(Dollars in thousands)	
Last 12 months income before income taxes	\$ 268,626	\$ 185,303
Last 12 months average stockholders equity	<u>1,416,839</u>	<u>1,317,395</u>
Last 12 months pretax return on equity	<u>19.0%</u>	<u>14.1%</u>
Last 12 months income before income taxes less:		
Realized gain from the sale of metropolitan district bond securities - Q3 2017	(35,847)	-
Net realized gain from sales of marketable securities - Q3 2017	<u>(16,364)</u>	<u>-</u>
Last 12 months core pretax income	216,415	185,303
Last 12 months average stockholders' equity	<u>1,416,839</u>	<u>1,317,395</u>
Last 12 months core pretax return on equity	<u>15.3%</u>	<u>14.1%</u>