



2023

M.D.C. Holdings, Inc.
July 27, 2023

Second Quarter Earnings Webcast





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 June 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.

Overview – Q2 2023 vs Q2 2022



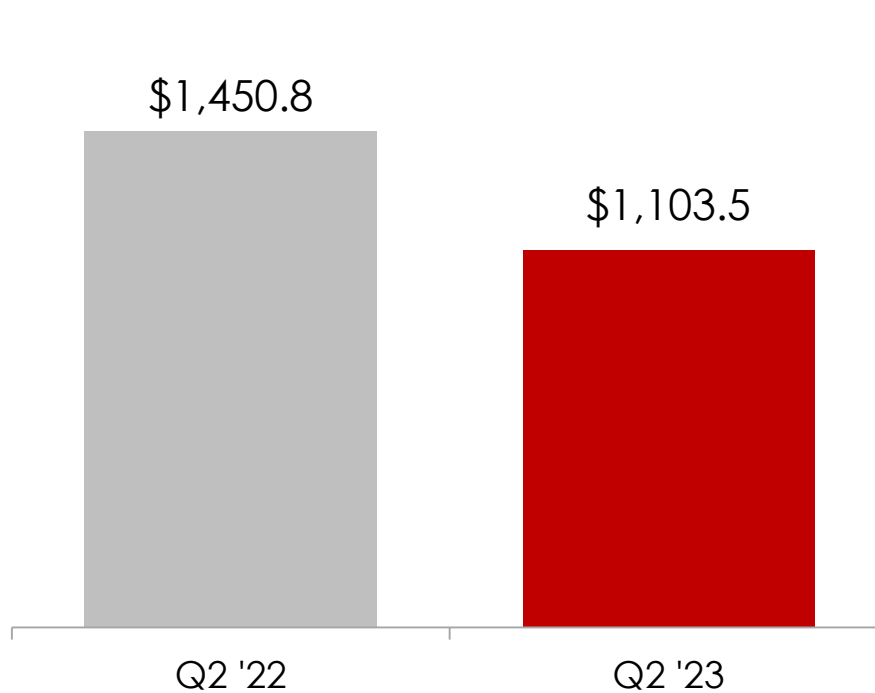
- Home sale revenues of \$1.10 billion compared to \$1.45 billion
 - Unit deliveries of 2,009 vs. 2,536
 - Average selling price of deliveries of \$549,000 vs. \$572,000
- Homebuilding pretax income of \$92.1 million compared to \$240.3 million
 - Gross margin from home sales of 16.4% vs. 26.8%
 - Inventory impairments of \$13.5 million in the second quarter of 2023
 - Selling, general and administrative expenses as a percentage of home sale revenues ("SG&A rate") of 9.7% vs. 9.2%
 - Project abandonment expense of \$0.1 million vs \$15.5 million
- Financial services pretax income of \$21.0 million compared to \$18.7 million
- Net income of \$93.5 million, or \$1.24 per diluted share, compared to \$189.5 million or \$2.59 per diluted share
 - Effective tax rate of 17.3% vs. 26.8%
- Dollar value of net new orders increased 37% to \$1.21 billion from \$882.1 million
 - Unit gross orders increased 21% to 2,717 from 2,237
 - Cancellations as a percentage gross orders of 20.2% vs. 37.2%
 - Average selling price of gross orders decreased 10% to \$552,000 from \$617,000
- Cash flow from operating activities of \$225.8 million compared to \$53.0 million



Home Sale Revenues and Net Income

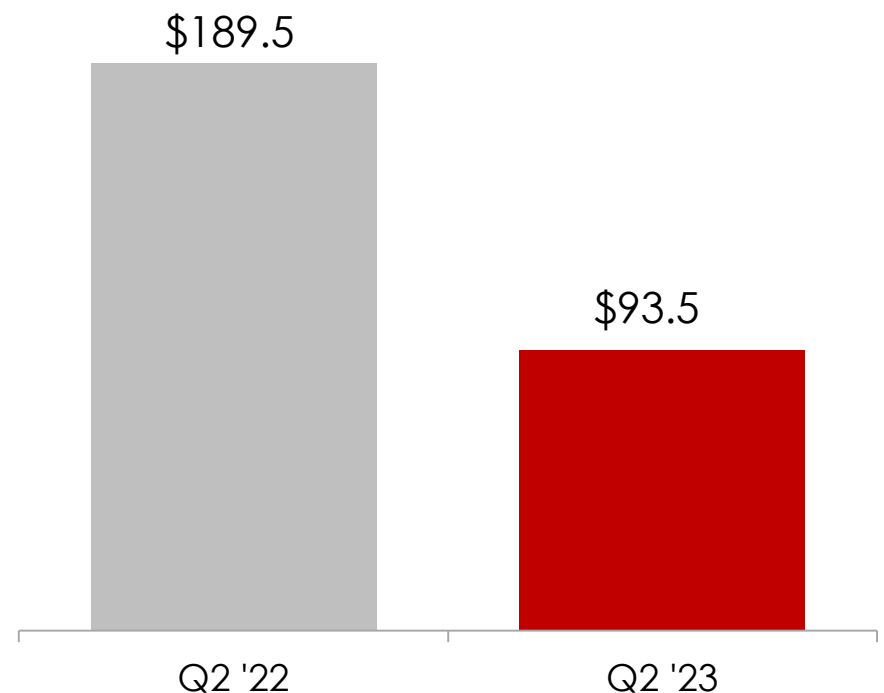
Home Sale Revenues

(\$ in millions)



Net Income

(\$ in millions)



Diluted Earnings Per Share

\$2.59

\$1.24

Effective Tax Rate

26.8%

17.3%

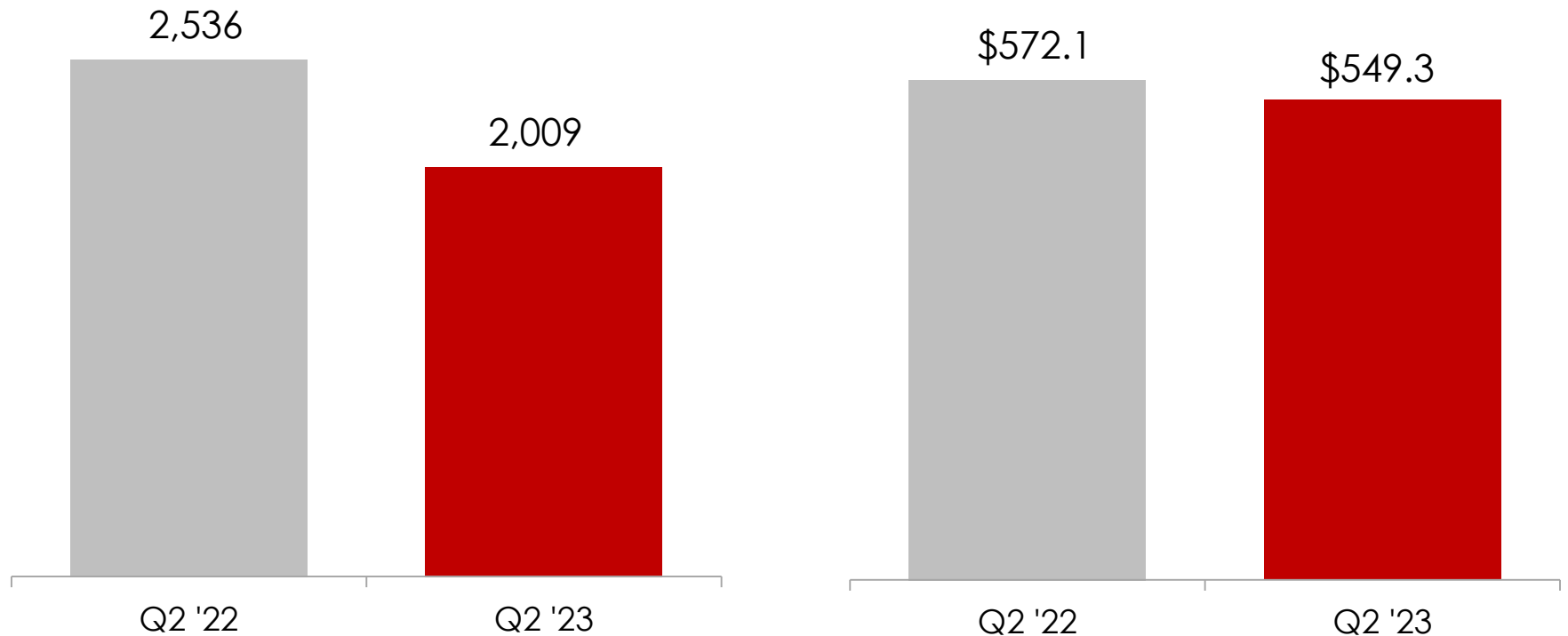
Homes Delivered and Average Selling Price



Homes Delivered

Average Selling Price

(\$ in thousands)



7,777	4,025
-------	-------

← Beginning Inventory (excluding models)

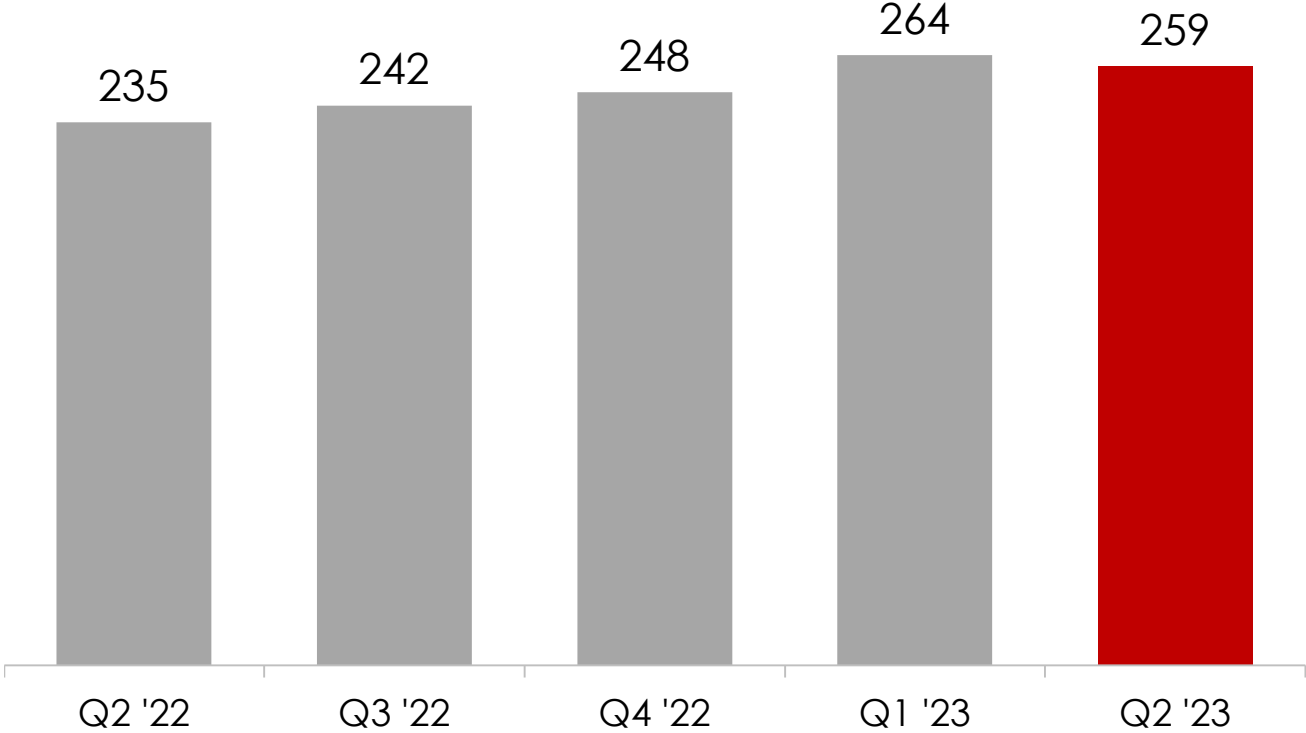
33%	50%
-----	-----

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

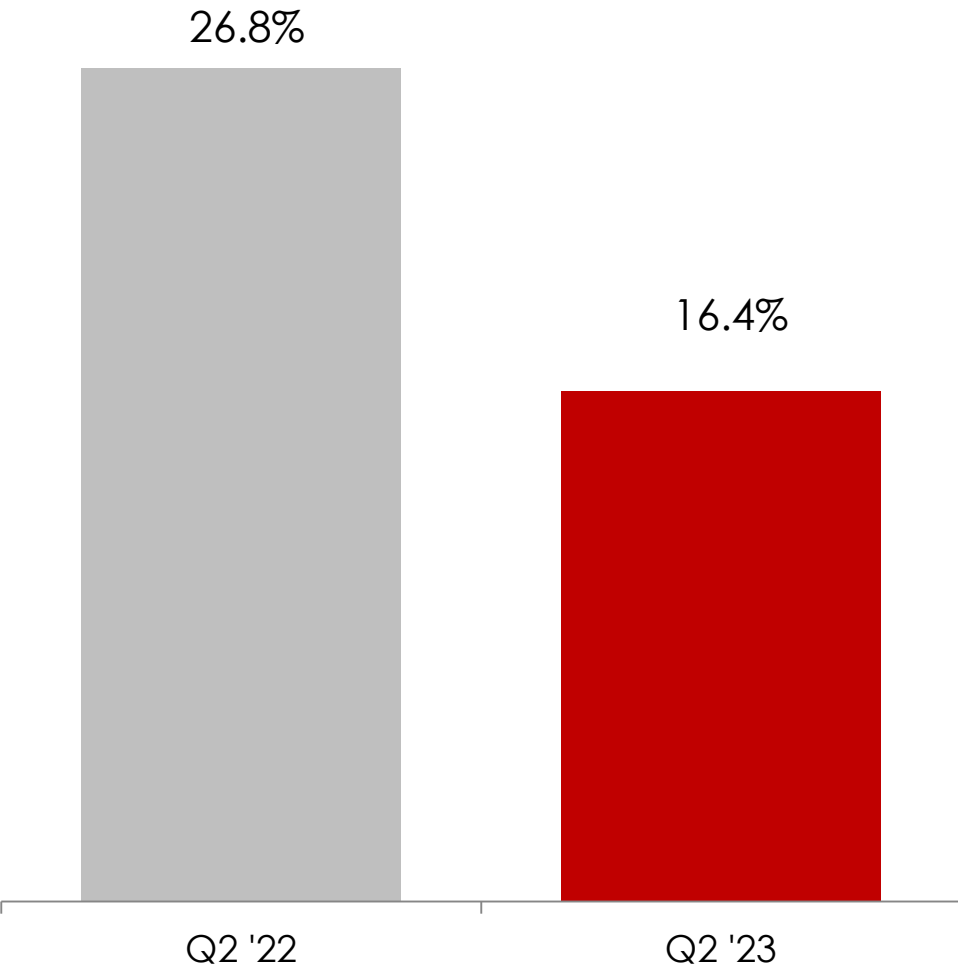
5%	28%
----	-----

← Percentage of deliveries both sold and closed during the quarter

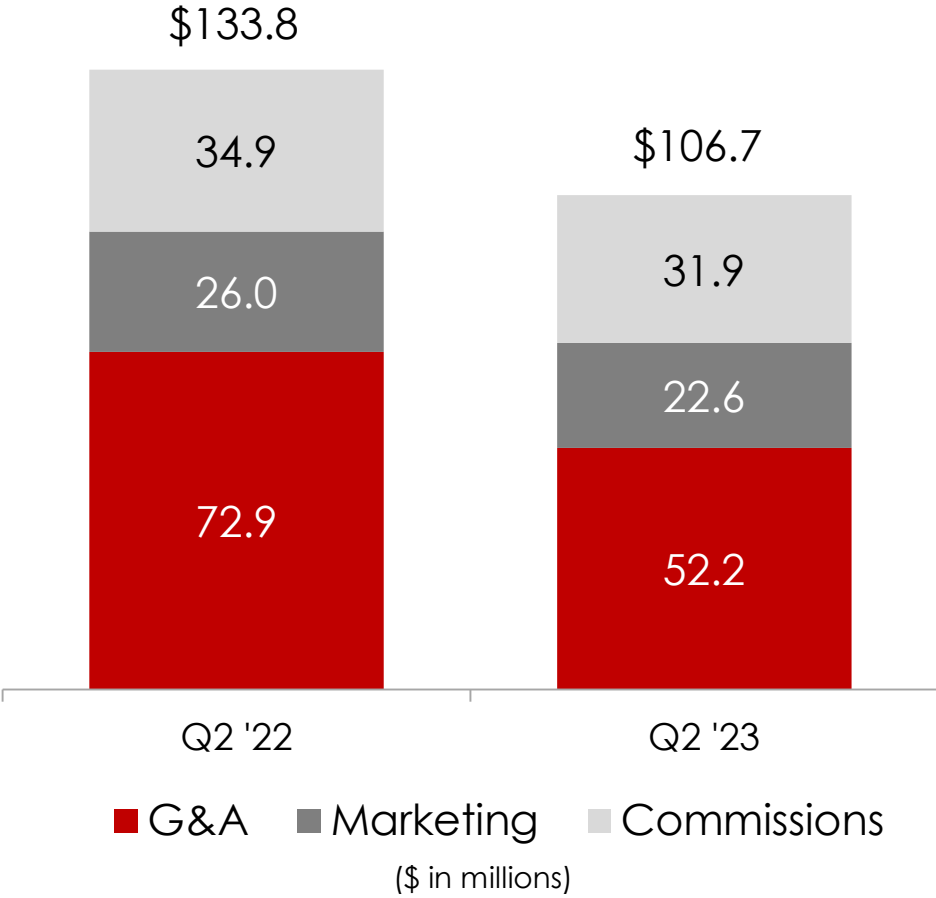
Start to Finish Cycle Times



Gross Margin from Home Sales



Homebuilding & Corporate SG&A Expense



SG&A % of Home Sale Revenues

Q2 '22: 9.2% Q2 '23: 9.7%

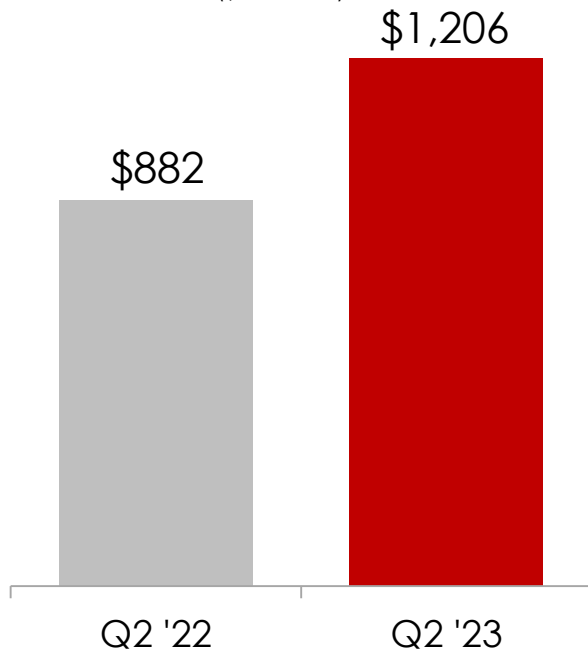


New Home Orders

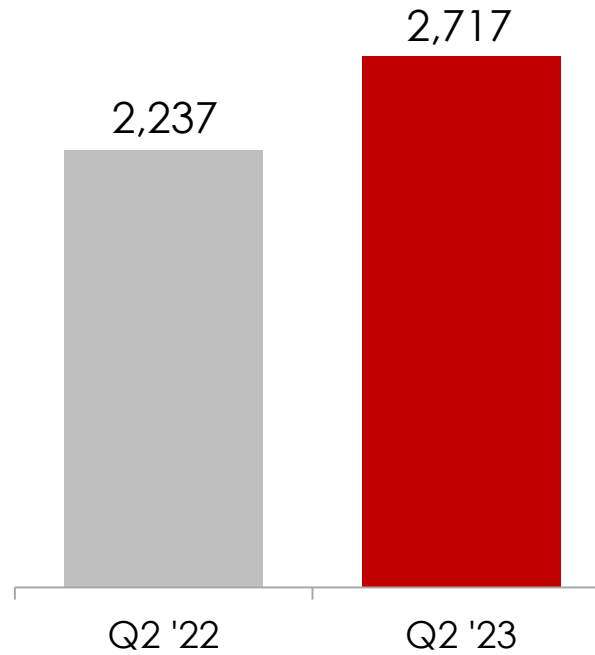


Net Order Dollar Value

(\$ in millions)

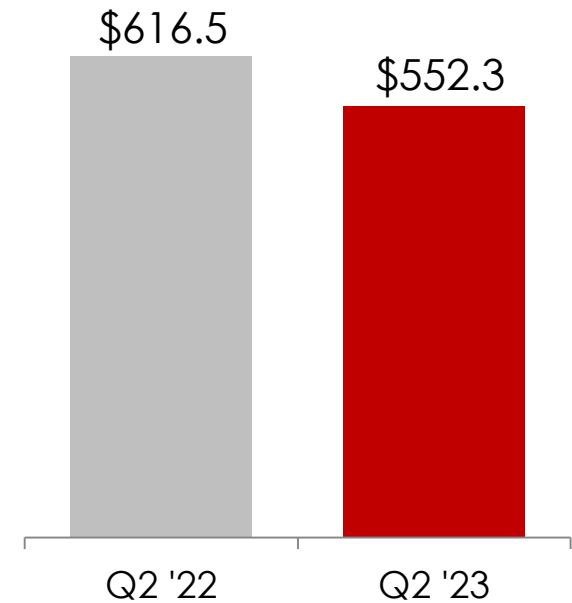


Gross order Units



Gross Average Selling Price

(\$ in thousands)



Monthly Gross Orders Per Active Subdivision

Q2 '22 – 3.7	Q2 '23 – 3.9
--------------	--------------

Average Active Subdivisions

Q2 '22 – 203	Q2 '23 – 233
--------------	--------------

Cancellations -- % of Gross Sales

Q2 '22 – 37%	Q2 '23 – 20%
--------------	--------------

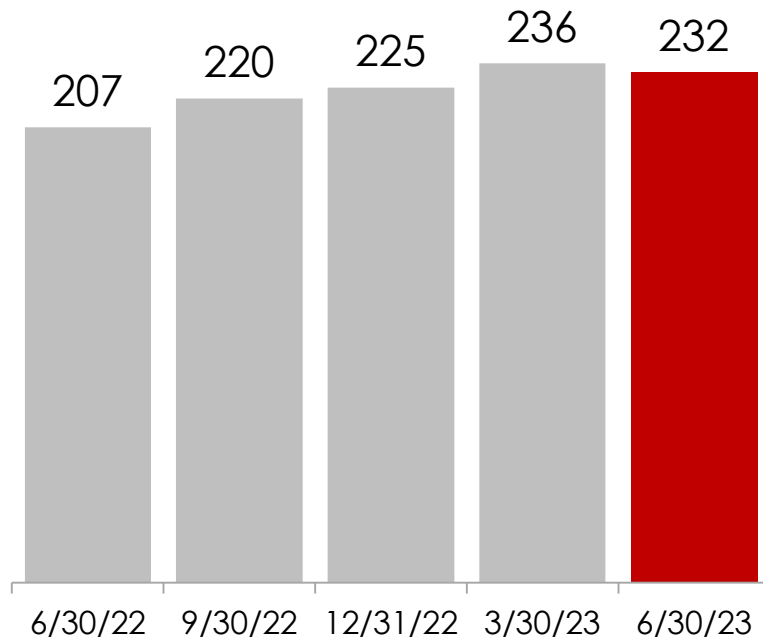
Ending Active Subdivisions

Q2 '22 – 207	Q2 '23 – 232
--------------	--------------

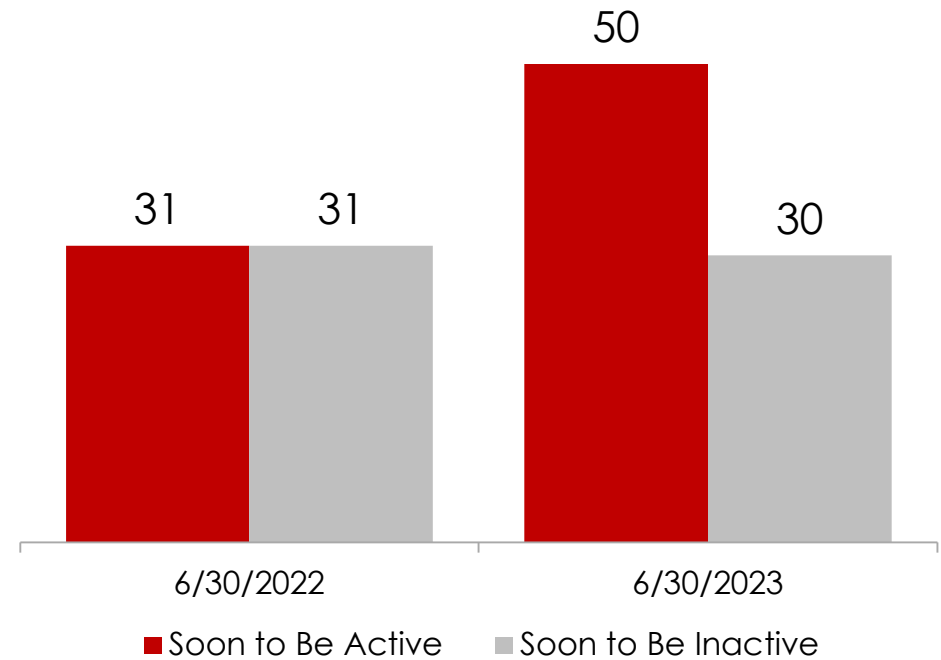
Active Subdivisions (Ending)



Active Subdivisions



Soon to Be Active / Inactive*

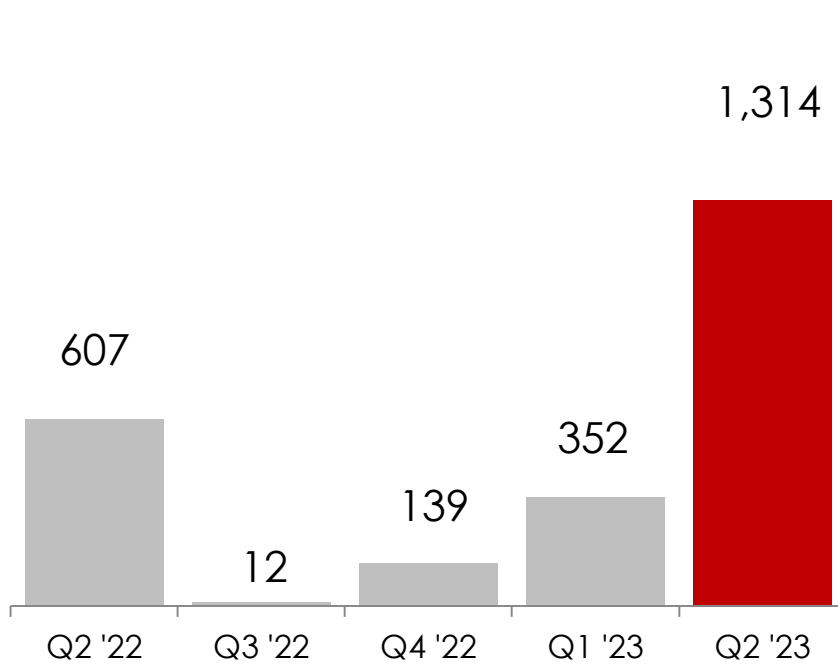


*Soon to be Active: Less than 5 homes sold in subdivision
 Soon to be Inactive: Between 5 and 10 homes remaining to sell in subdivision

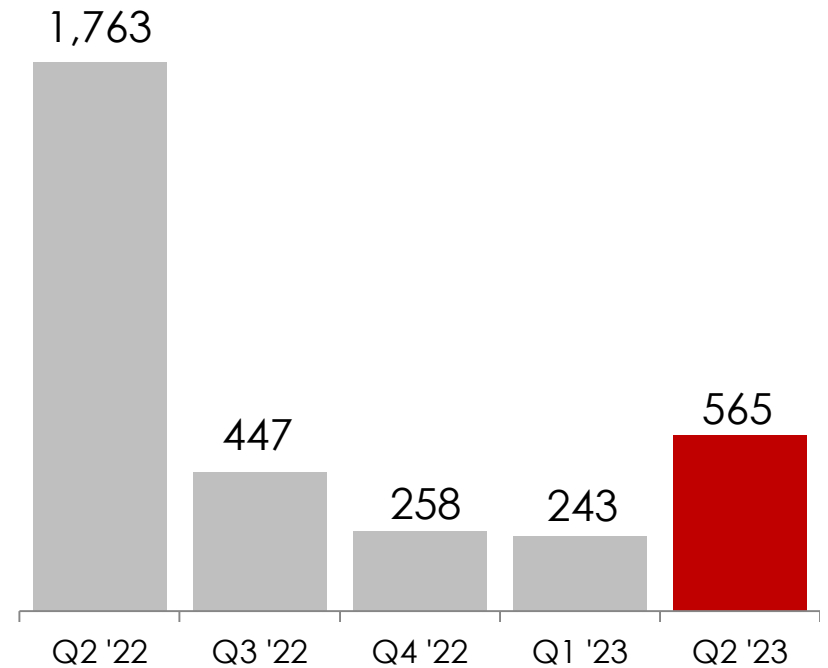
Land Activity



Lots Approved



Lots Acquired

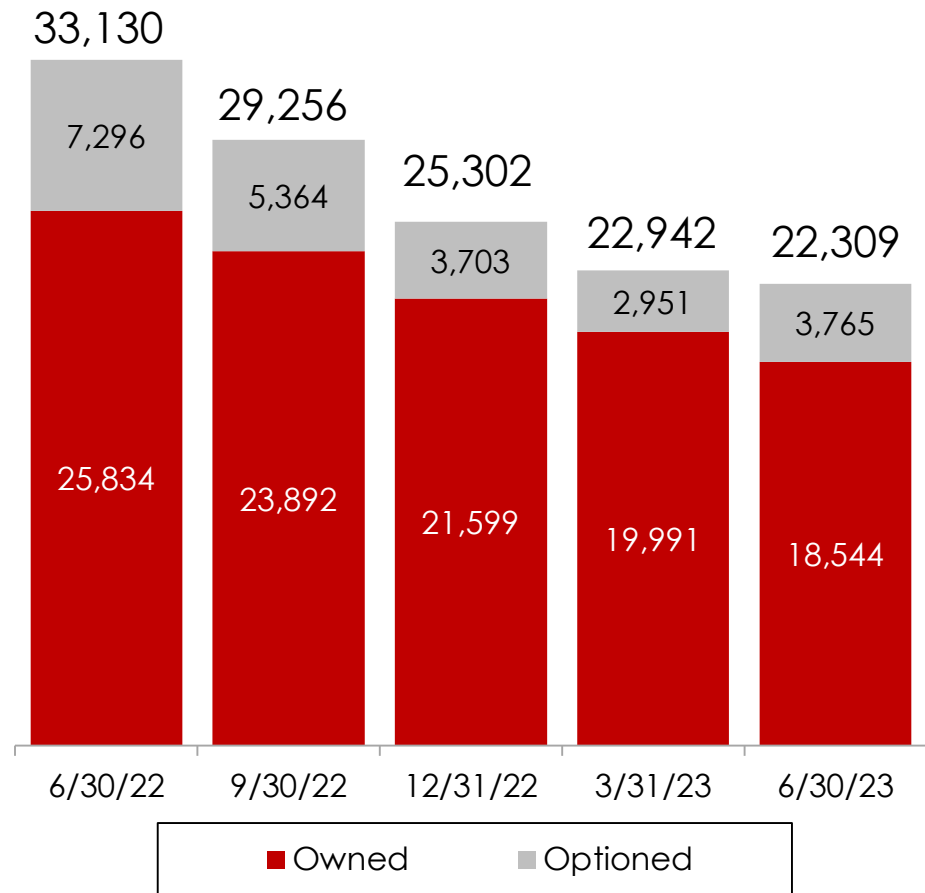


Intentionally slowed approval activity due to market uncertainty during 2022; however number of lot approvals has increased during 2023

	Q2 '22	Q2 '23
Land Acquisition Spend (in millions)	\$159	\$77
Land Development Spend (in millions)	\$151	\$80
Total Land Spend (in millions)	\$310	\$157



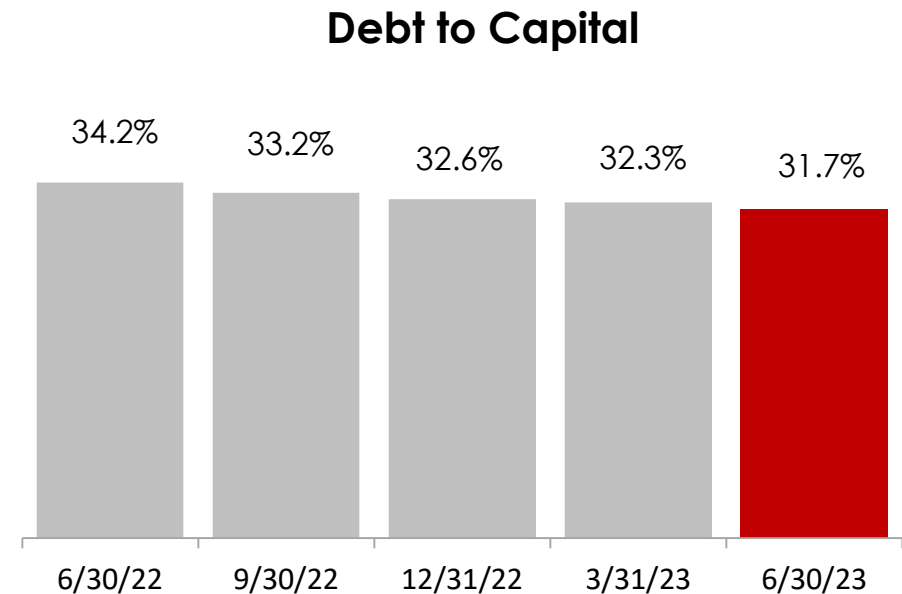
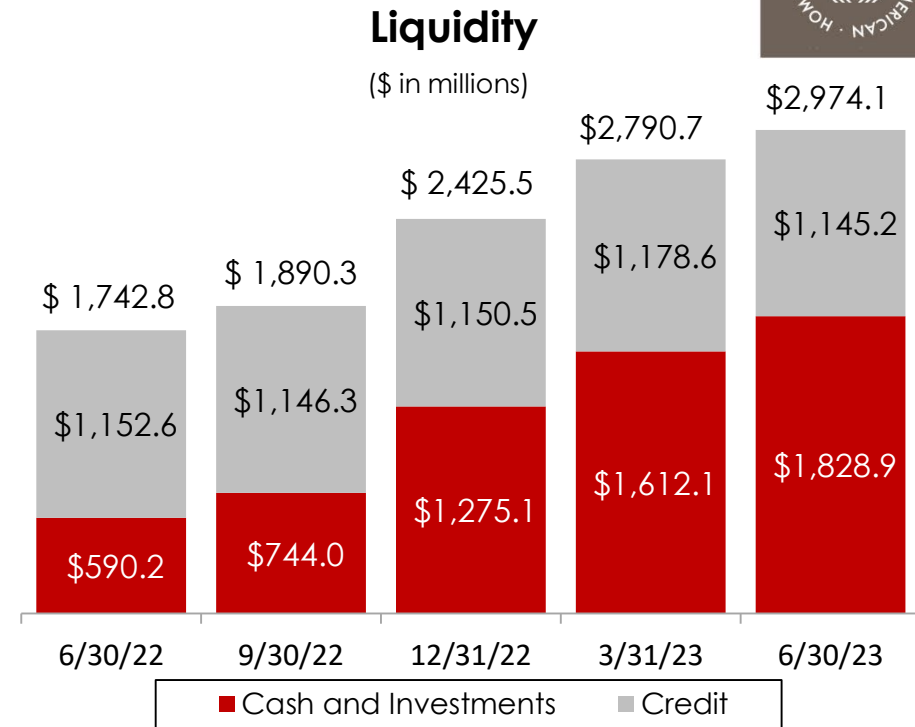
Lots Controlled



Strong Balance Sheet

Financial position remains strong as of June 30, 2023:

- Total cash & cash equivalents and investments of \$1.83 billion
- Debt-to-capital ratio of 31.7%
- Net debt-to-capital ratio* of -11.6%
- No senior notes due until January 2030 and a weighted average maturity of over 18 years
- Homes under construction (excluding models) of 4,846, down 37% year-over-year
- Book value per share of \$43.21



* See appendix for reconciliation of non-GAAP measures

Summary



- Strong top and bottom line results
 - Home sale revenues of \$1.10 billion
 - Net income of \$93.5 million
 - Operating cash flow of \$225.8 million
- Macro conditions providing tailwinds to the new home industry
 - Existing home inventory remains constrained
 - Mortgage interest rates have stabilized
 - Employment data resilient, with continued job growth and low unemployment
- Increasing community count to help drive volume in the second half of 2023
- Average construction cycle time improvement seen during quarter
- Industry leading dividend
 - Uninterrupted since 1994
 - 10% dividend increase to \$0.55 announced July 24th
 - \$0.50 paid per share in Q2 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.

	June 30, 2023	December 31, 2022	June 30, 2022
(Dollars in thousands)			
Senior notes, net	\$ 1,482,985	\$ 1,482,576	\$ 1,482,174
Revolving credit facility	10,000	10,000	10,000
GAAP debt	1,492,985	1,492,576	1,492,174
Stockholders' equity	3,221,103	3,091,784	2,874,317
Total GAAP capital	4,714,088	4,584,360	4,366,491
GAAP debt-to-capital ratio	31.7 %	32.6 %	34.2 %
GAAP debt less:			
Homebuilding cash and cash equivalents	(1,011,748)	(696,075)	(475,254)
Homebuilding marketable securities	(597,152)	(443,712)	—
Financial services cash and cash equivalents	(140,615)	(17,877)	(114,989)
Financial services marketable securities	(79,413)	(117,388)	—
Net debt	(335,943)	217,524	901,931
Stockholders' equity	3,221,103	3,091,784	2,874,317
Total net capital	\$ 2,885,160	\$ 3,309,308	\$ 3,776,248
Net debt-to-capital ratio	(11.6)%	6.6 %	23.9 %



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									
	Jun 30, 2023	Gross Margin %	Mar 31, 2023	Gross Margin %	Dec 31, 2022	Gross Margin %	Sep 30, 2022	Gross Margin %	Jun 30, 2022	Gross Margin %
	(Dollars in thousands)									
Gross Margin from Home Sales	\$180,979	16.4 %	\$171,469	16.8 %	\$223,490	15.0 %	\$319,231	22.7 %	\$388,807	26.8 %
Add: Inventory Impairments	13,500		7,800		92,800		28,415		—	
Gross Margin from Home Sales Excluding Inventory Impairments	194,479	17.6 %	179,269	17.6 %	316,290	21.3 %	347,646	24.7 %	388,807	26.8 %
Add: Warranty Adjustments	—		—		150		523		—	
Gross Margin from Home Sales Excluding Inventory Impairments and Warranty Adjustments	194,479	17.6 %	179,269	17.6 %	316,440	21.3 %	348,169	24.7 %	388,807	26.8 %
Add: Interest in Cost of Sales	16,807		16,065		21,081		15,977		15,681	
Gross Margin from Home Sales Excluding Inventory Impairments, Warranty Adjustments, and Interest in Cost of Sales	\$211,286	19.2 %	\$195,334	19.2 %	\$337,521	22.7 %	\$364,146	25.9 %	\$404,488	27.9 %