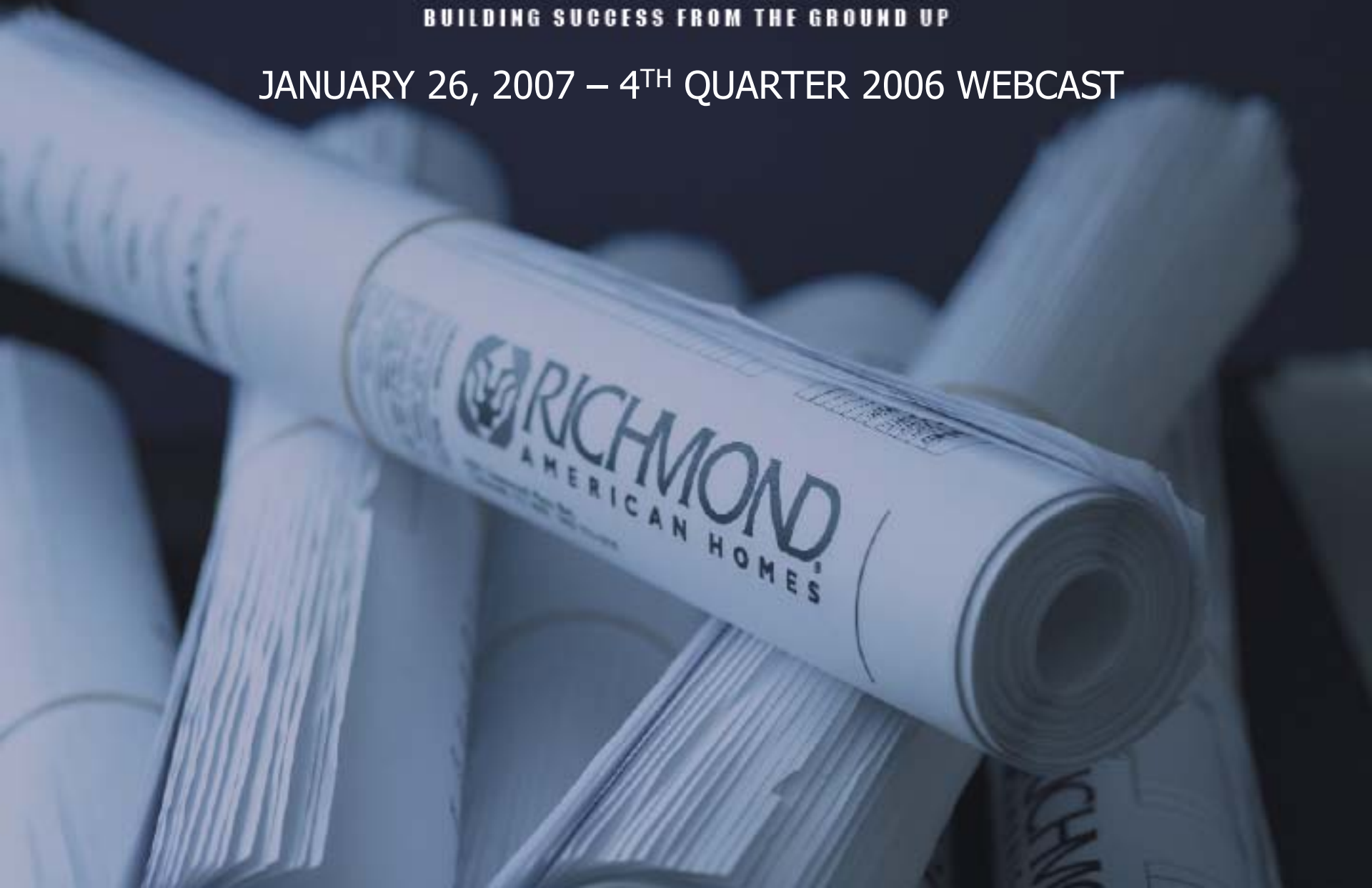


# M.D.C. HOLDINGS, INC.

BUILDING SUCCESS FROM THE GROUND UP

JANUARY 26, 2007 – 4<sup>TH</sup> QUARTER 2006 WEBCAST



# Forward Looking Statements



Building and Financing the American Dream

Certain statements in this Conference Call and Webcast, including statements regarding future home closings, average selling price, revenues, earnings, margins and active subdivision count, 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 the Company 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 and business conditions, including changes in cancellation rates, net home orders, home gross margins, and land and home values; (2) interest rate changes; (3) the relative stability of debt and equity markets; (4) competition; (5) the availability and cost of land and other raw materials used by the Company in its homebuilding operations; (6) the availability and cost of performance bonds and insurance covering risks associated with our business; (7) shortages and the cost of labor; (8) weather related slowdowns; (9) slow growth initiatives; (10) building moratoria; (11) governmental regulation, including the interpretation of tax, labor and environmental laws; (12) changes in consumer confidence and preferences; (13) required accounting changes; (14) terrorist acts and other acts of war; and (15) other factors over which the Company has little or no control. Additional information about the risks and uncertainties applicable to the Company's business is contained in the Company's Form 10-K/A for the year ended December 31, 2005, and Form 10-Q for the quarter ended September 30, 2006, which were filed with the Securities and Exchange Commission. All forward-looking statements made in this Conference Call and Webcast 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. The Company undertakes no duty to publicly update 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 presentations 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. This information can be accessed by entering the MDC web site, [www.richmondamerican.com](http://www.richmondamerican.com), clicking on "Investor Relations" and selecting our Investment Highlights and Profile under "Company Reports."

# Difficult Homebuilding Environment



- Fierce Competition Led to Increased Incentives
- After-Tax Impairments and Project Cost Write-Offs of \$61 Million as a Result of:
  - Continued Decline in Gross Margins
  - Anticipated Reductions in Project Absorption Rates
- Net Loss of \$0.14 Per Share
- Excluding Charges, Earnings Per Share Would Have Exceeded Analyst Expectations



# Enhanced Financial Position



- Generated More Than \$400 Million in Operating Cash Flow During the Fourth Quarter
- Over \$500 Million in Cash on Hand
- Zero Outstanding on \$1.25 Billion Homebuilding Line of Credit
- Stockholders' Equity and Book Value Per Share Grew Approximately 10% Year-Over-Year Despite Write-Offs and Impairments
- Debt-to-Capital Ratio, Net of Cash, Decreased 1,000 BP Year-Over-Year to 0.18



# Reduced Lot Supply



- Continued Renegotiation and Termination of Unfavorable Land Purchase Contracts
  - Cancellation of Option Contracts for Almost 7,000 Lots
- Less Than \$35 Million at Risk for 8,100 Lots Under Option
- Total Number of Owned and Controlled Lots Reduced by 35% Year-to-Date
- Lot Supply Among Industry's Lowest



# Focus on Operating Efficiency



- Working to Reduce Construction and Development Costs
- Improving Homebuilding Efficiency Remains a Top Priority
- Adjusting Infrastructure to Reflect Current Market Conditions
  - Reduced General and Administrative Expenses by \$24 Million Year-Over-Year



# Disciplined Strategy



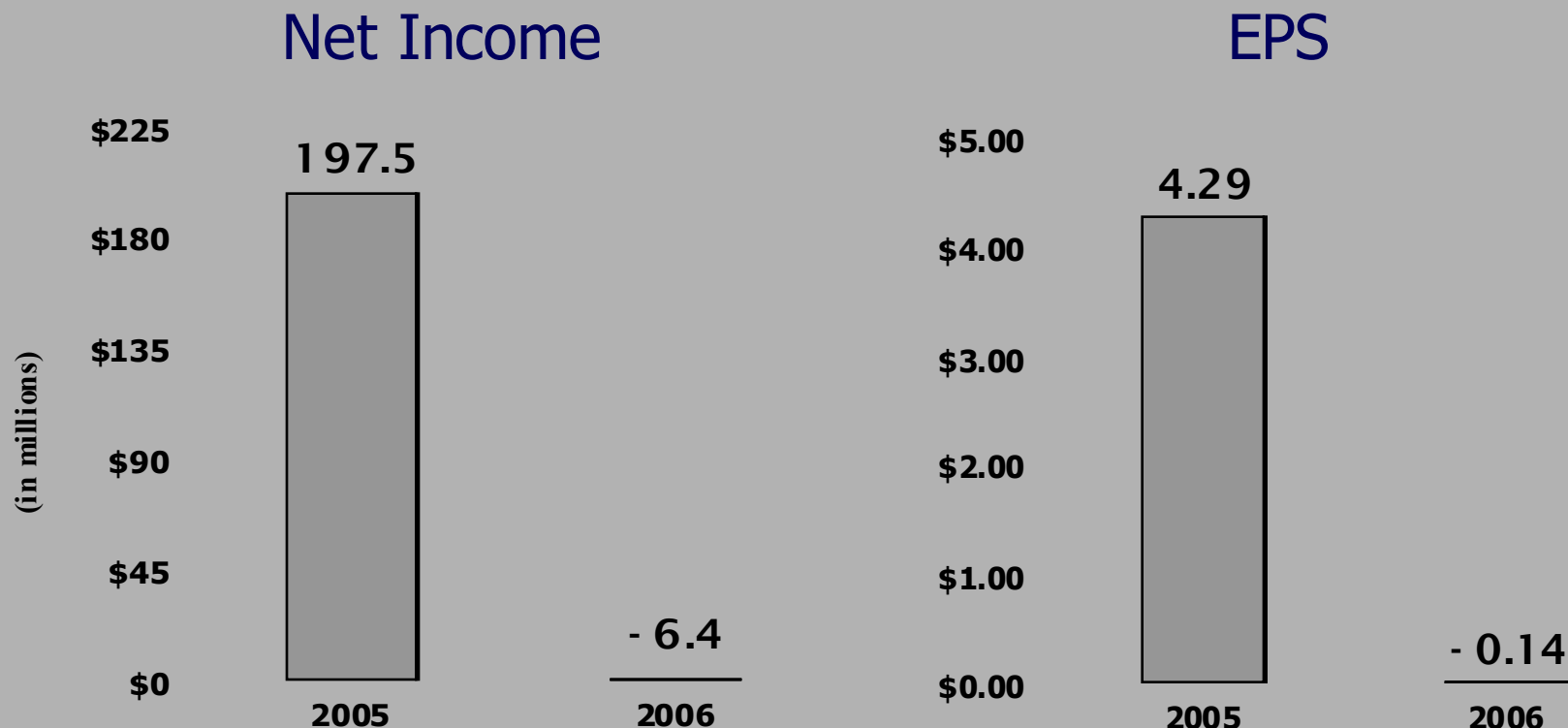
- Relatively Short Supply of Land Mitigates Market Risk
- Investment Grade Balance Sheet
- \$1.7 Billion in Available Cash and Borrowing Capacity
- Positioned to React to Potential Growth Opportunities



# Net Income and Earnings Per Share 4<sup>th</sup> Quarter



Building and Financing the American Dream®



✓ *Lower Homebuilding Profits*

✓ *Lower Financial Services and Other Profits*

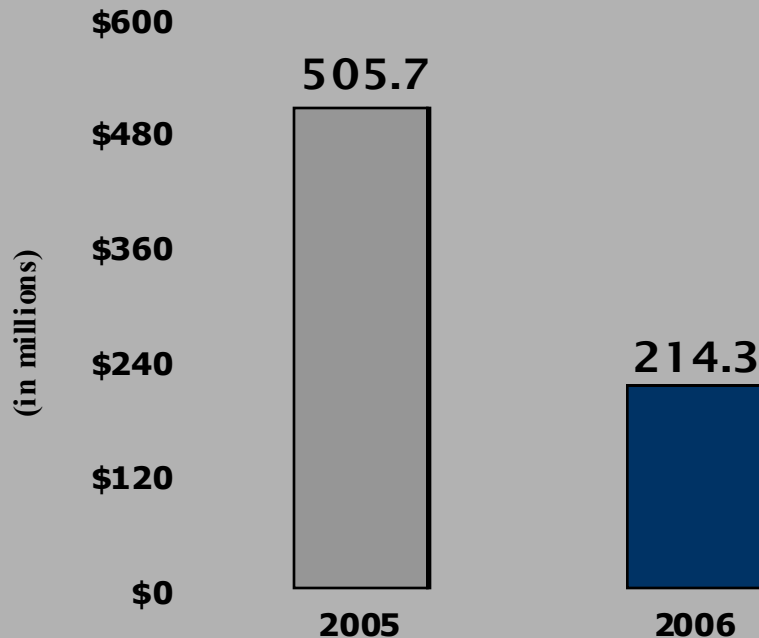
✓ *Partially Offset by Decrease in Corporate Expenses and One-Time Benefits to Tax Provision*

# Net Income and Earnings Per Share Full Year

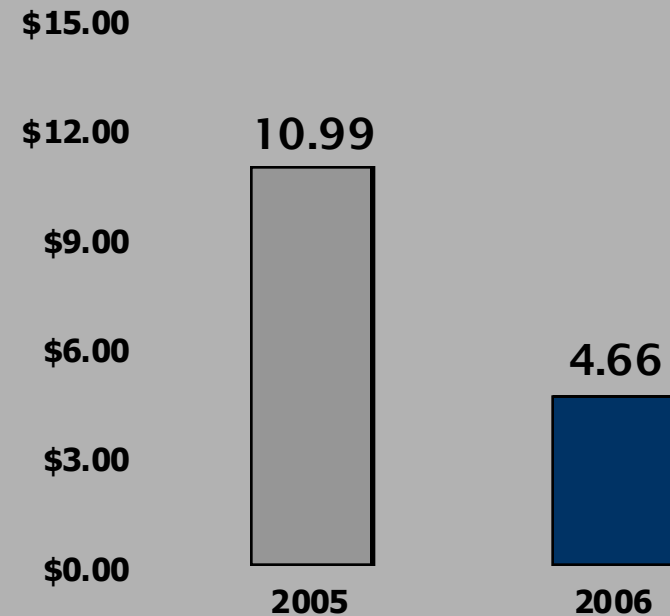


Building and Financing the American Dream®

## Net Income



## EPS



- ✓ *Lower Homebuilding Profits*
- ✓ *Partially Offset by Higher Financial Services and Other Profits and Lower Corporate Expenses*

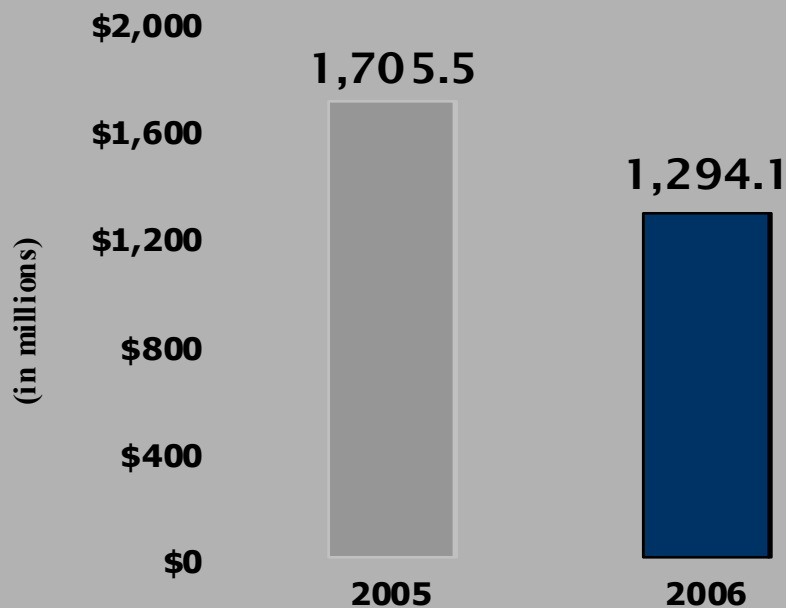
# Homebuilding Results

## 4<sup>th</sup> Quarter

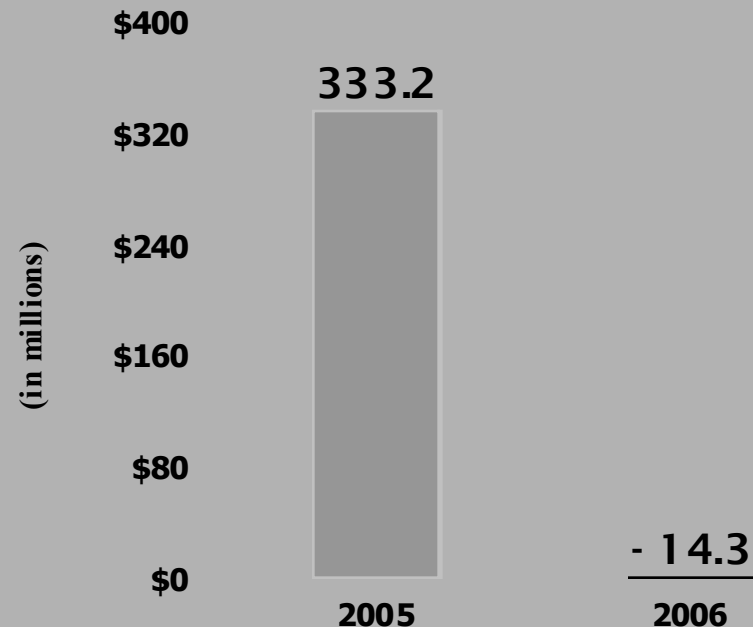


Building and Financing the American Dream<sup>SM</sup>

### Home Sales Revenue



### Income Before Tax



✓ *Decrease in Home Gross Margins and Lower Home Closings, Partially Offset by Higher Average Selling Prices*

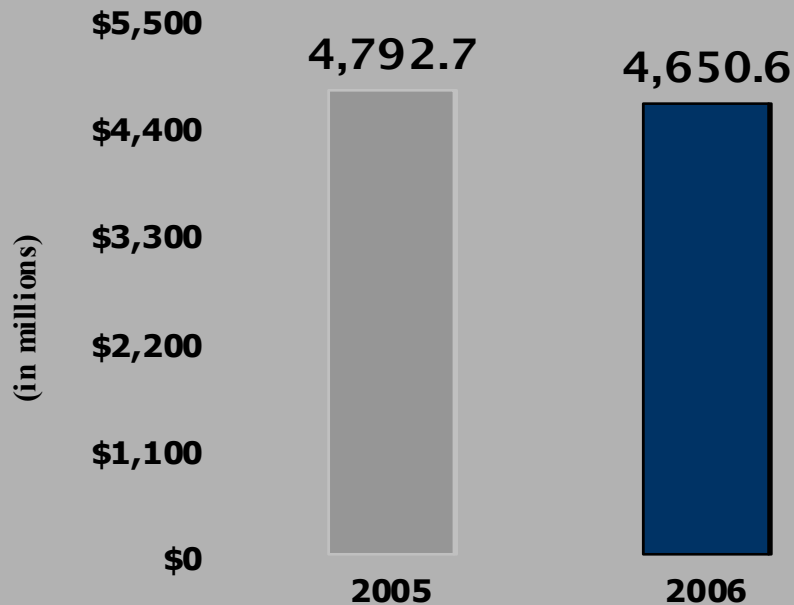
✓ *\$91.3 Million Inventory Impairments and \$6.7 Million in Project Write-Offs*

# Homebuilding Results Full Year

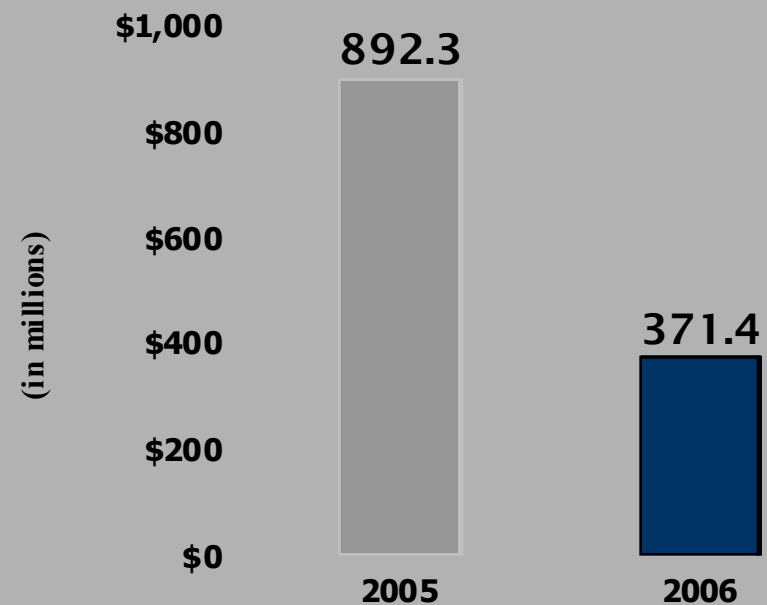


Building and Financing the American Dream®

## Home Sales Revenue



## Income Before Tax



✓ *Decrease in Home Gross Margins and Lower Home Closings, Partially Offset by Higher Average Selling Prices*

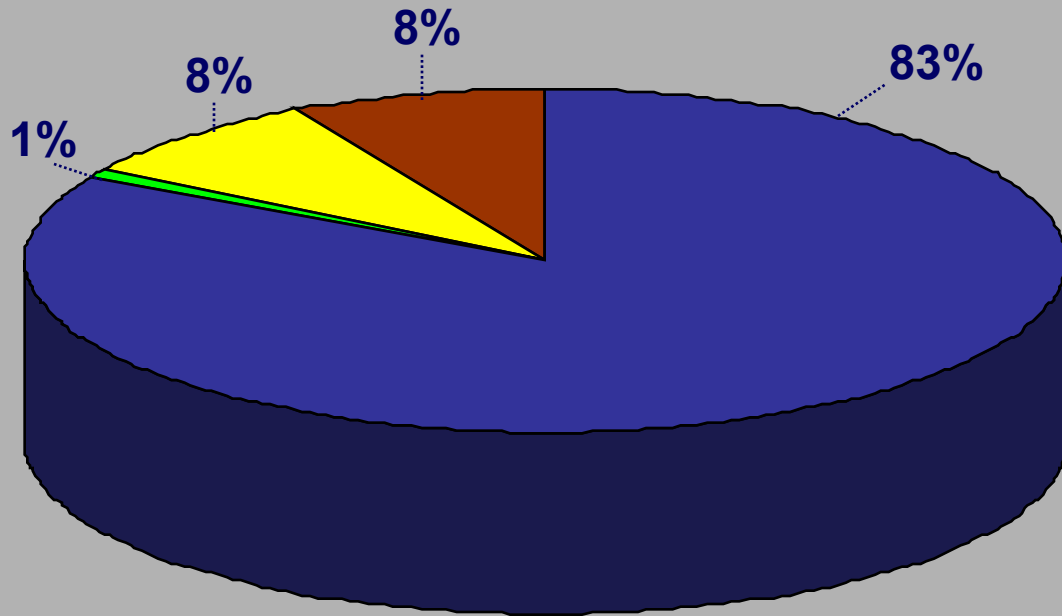
✓ *\$112 Million Inventory Impairments and \$29.7 Million in Project Write-Offs*

# Impairments by Segment 4<sup>th</sup> Quarter



Building and Promoting the American Chemist

### Percentage of Total



■ West ■ Mountain ■ East ■ Other

### Total Adjustments

(in millions)

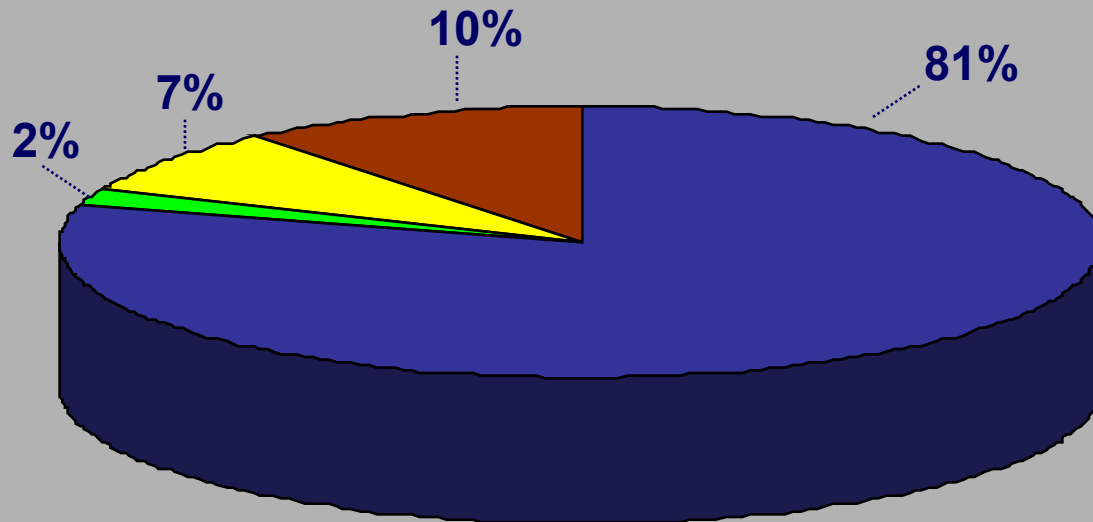
West	\$75.6
Mountain	\$ 1.3
East	\$ 6.9
Other	\$ 7.5
<b>Total</b>	<b>\$91.3</b>

# Impairments by Segment Full Year



Building and Financing the American Dream®

## Percentage of Total



■ West ■ Mountain ■ East ■ Other

## Total Adjustments

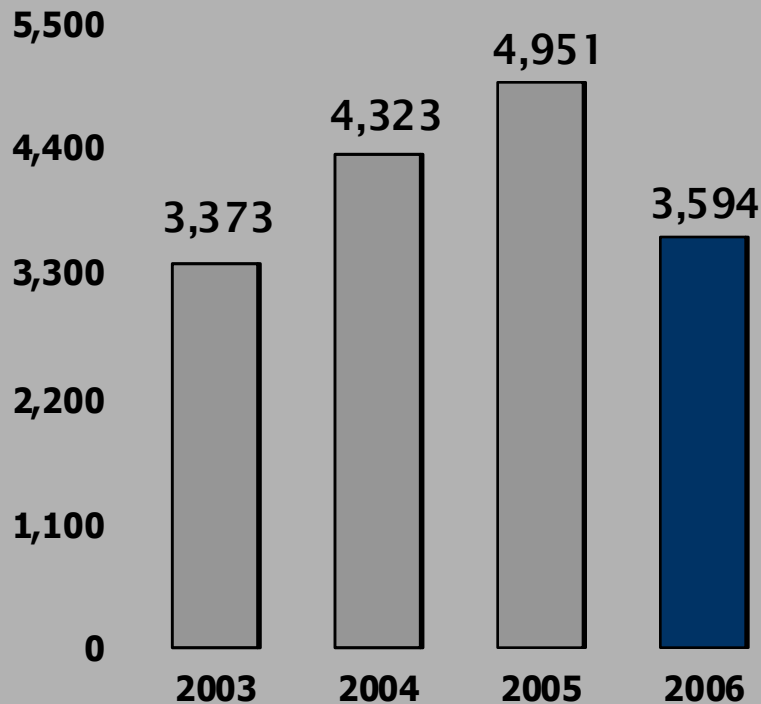
(in millions)

West	\$ 90.8
Mountain	\$ 1.9
East	\$ 8.2
Other	\$ 11.1
<b>Total</b>	<b>\$112.0</b>

# Home Closings 4<sup>th</sup> Quarter



Building and Financing the American Dream®



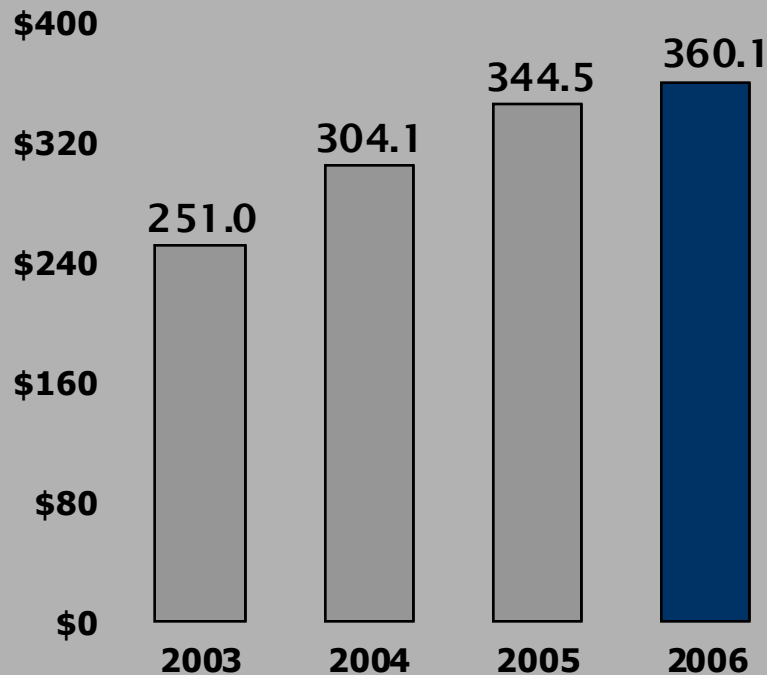
	<u>Q4 06</u>	<u>06 vs. 05</u>
Utah	342	+78
DE Valley	78	+63
Maryland	154	+17
Illinois	55	+9
Florida	219	-32
Arizona	1,016	-105
Virginia	209	-121
Texas	29	-154
Colorado	309	-266
California	536	-328
Nevada	647	-518

# Average Selling Price of Homes Closed 4<sup>th</sup> Quarter

(in thousands)



Building and Construction Trades Department



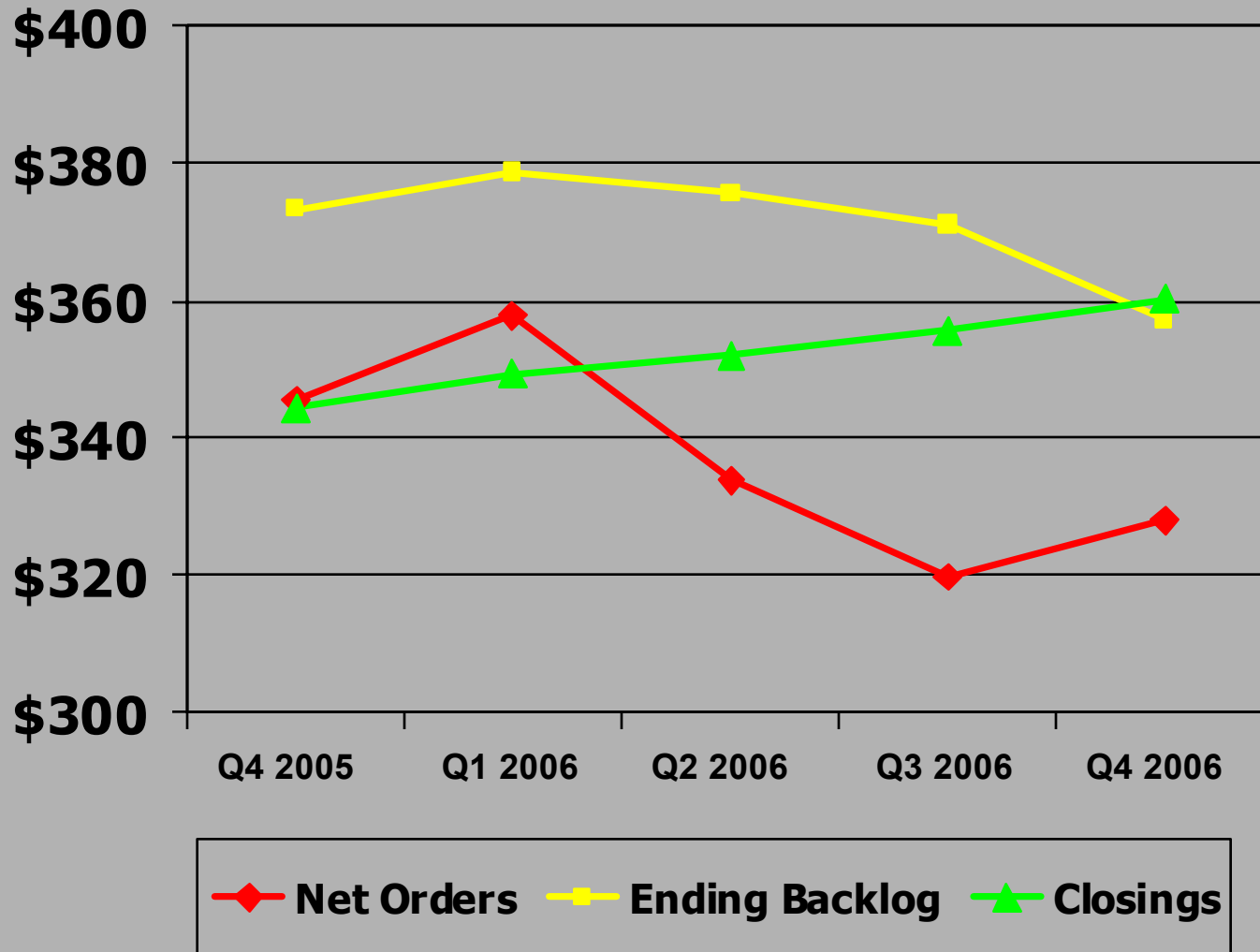
	<u>Q4 06</u>	<u>06 vs. 05</u>
California	\$596	+\$79
Utah	\$321	+\$76
Colorado	\$333	+\$45
DE Valley	\$420	+\$41
Arizona	\$274	+\$19
Illinois	\$367	+\$10
Florida	\$268	-
Maryland	\$528	-\$1
Nevada	\$308	-\$11
Texas	\$151	-\$15
Virginia	\$491	-\$86

# Average Sales Price Trends

(in thousands)



Building and Financing the American Dream®

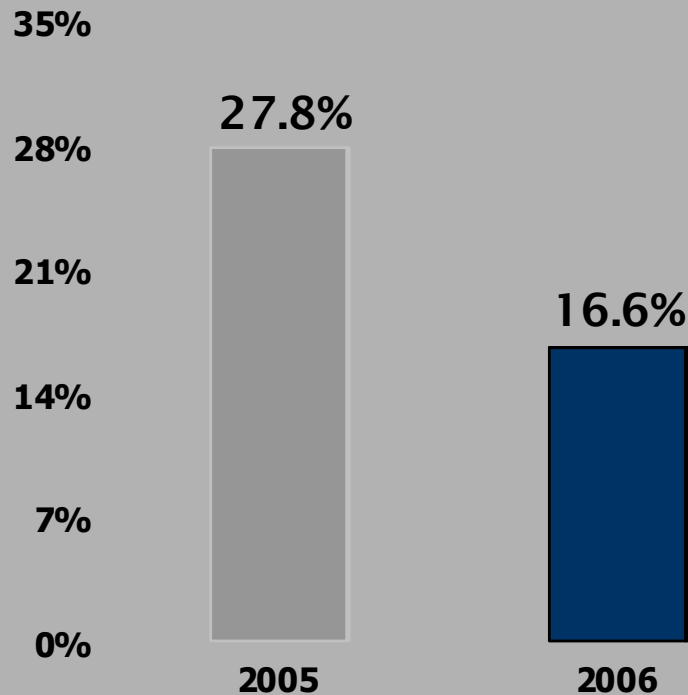


# Home Gross Margins

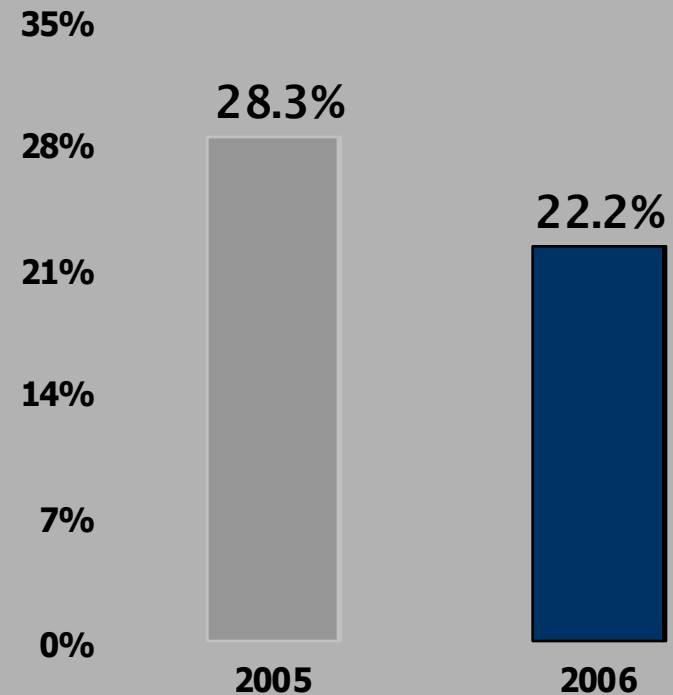


Building and Financing the American Dream®

## 4<sup>th</sup> Quarter



## Full Year

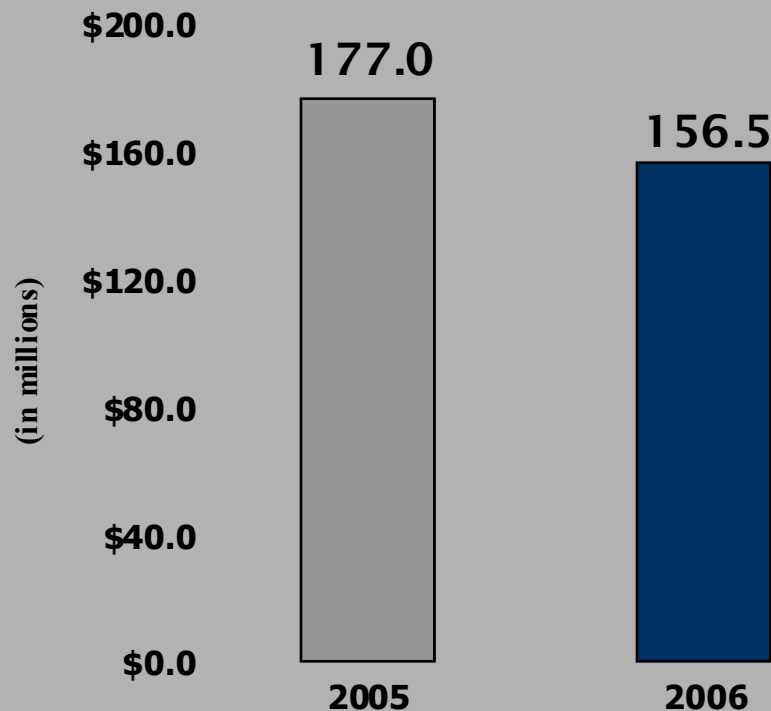


- ✓ *Gross Margin Decline of at Least 400 Basis Points in Every Market Except Utah, Delaware Valley and Colorado*

# Corporate and Homebuilding S,G&A 4<sup>th</sup> Quarter



Building and Financing the American Dream<sup>SM</sup>



✓ *Reduced General and Administrative Costs Partially Offset by Higher Selling Costs*

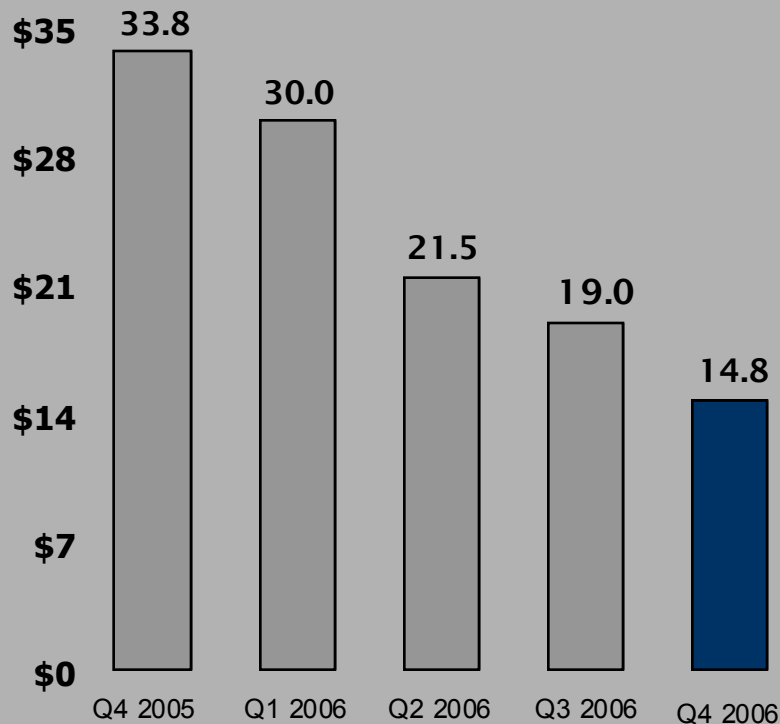
# Corporate and Homebuilding G&A

(in millions)

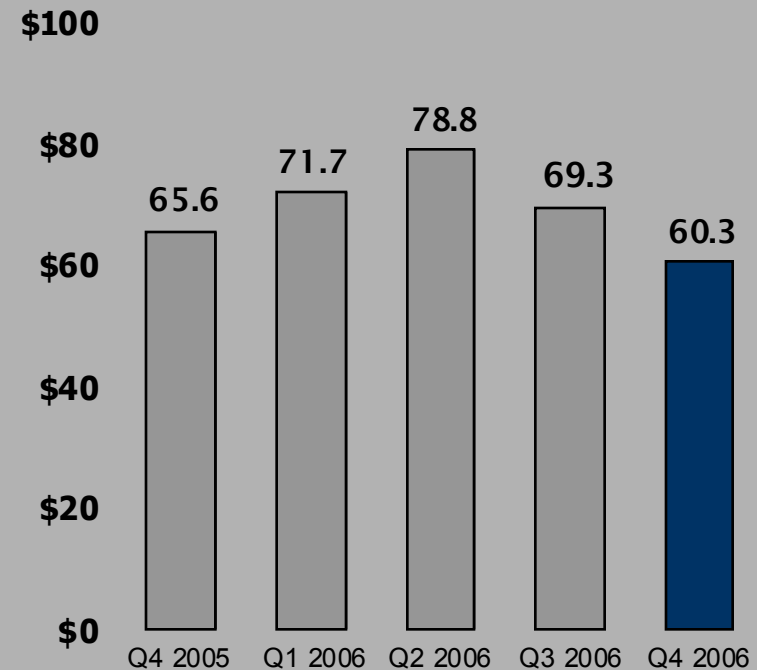


Building and Financing the American Dream®

## Corporate



## Homebuilding

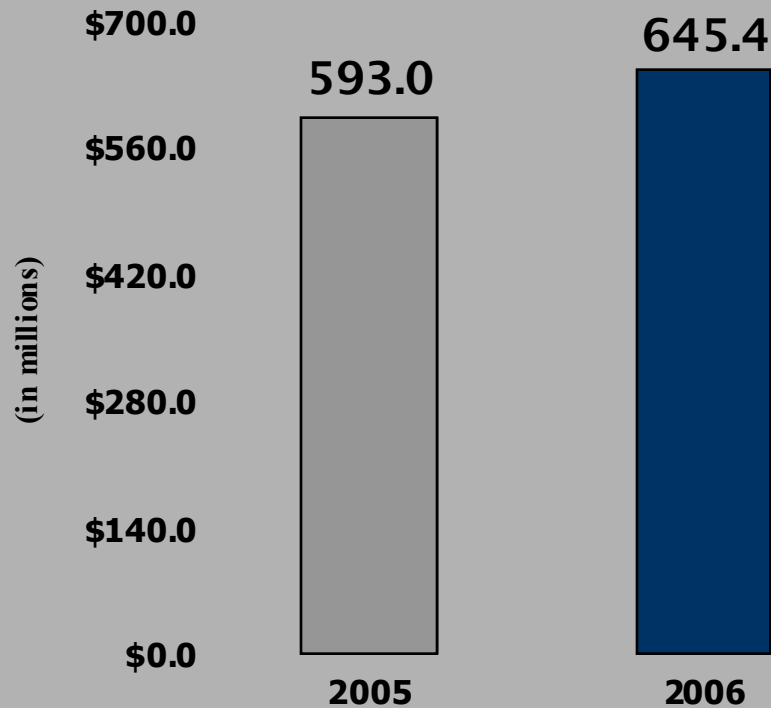


*✓ Decreases of General & Administrative Expenses as a Result of Cost Cutting Initiatives and Reduced Compensation Expense, Partially Offset by Increased Stock Option Expense*

# Corporate and Homebuilding S,G&A Full Year



Building and Encouraging the American Dream®



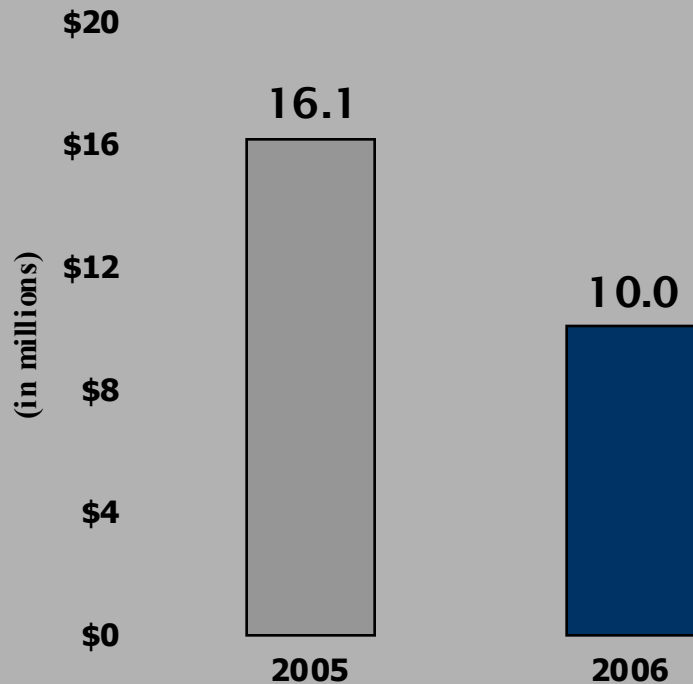
✓ *Increased Advertising Costs, Commissions and Project Write-Offs*

# Financial Services and Other 4<sup>th</sup> Quarter

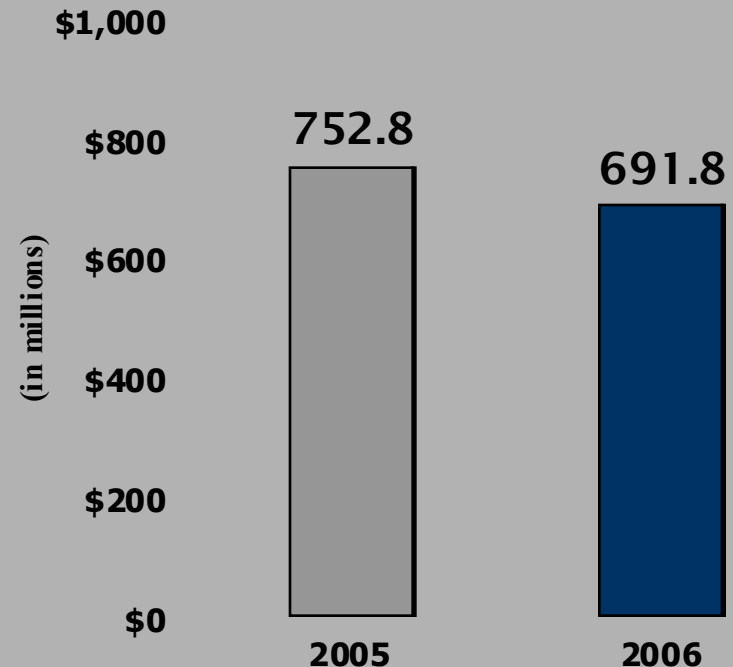


Building and Financing the American Dream<sup>SM</sup>

## Income Before Tax



## Mortgage Loans Originated



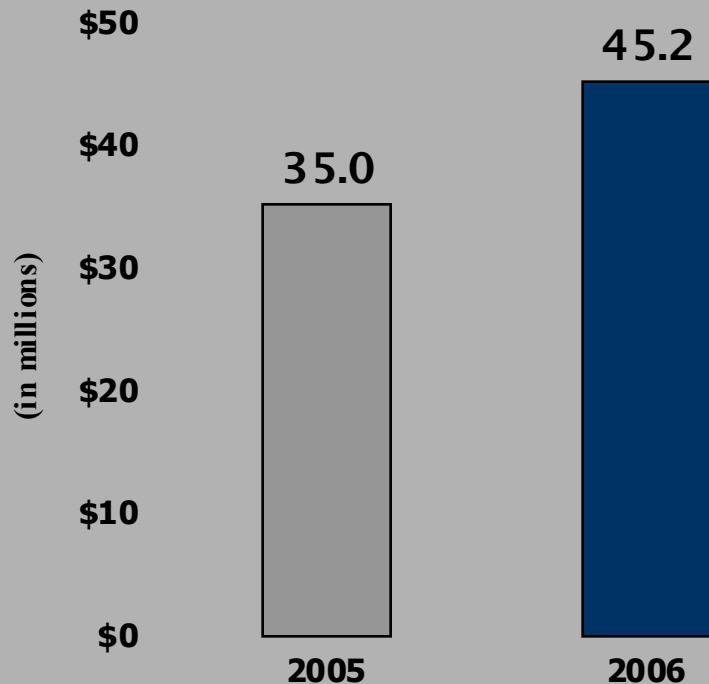
✓ *Actuarial Adjustment of Insurance Reserves, Partially Offset by  
Increased Profits in Mortgage Operations*

# Financial Services and Other Full Year

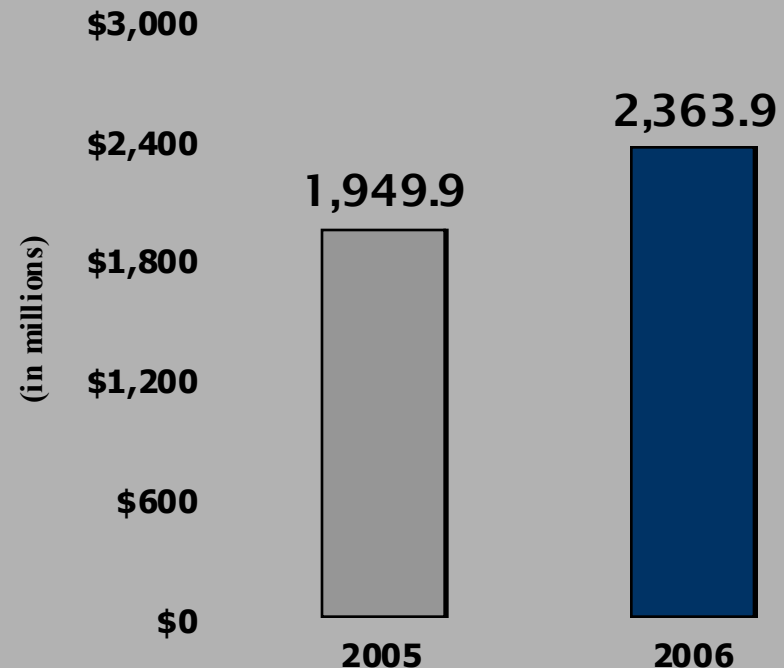


Building and Growing the American Dream®

## Income Before Tax



## Mortgage Loans Originated



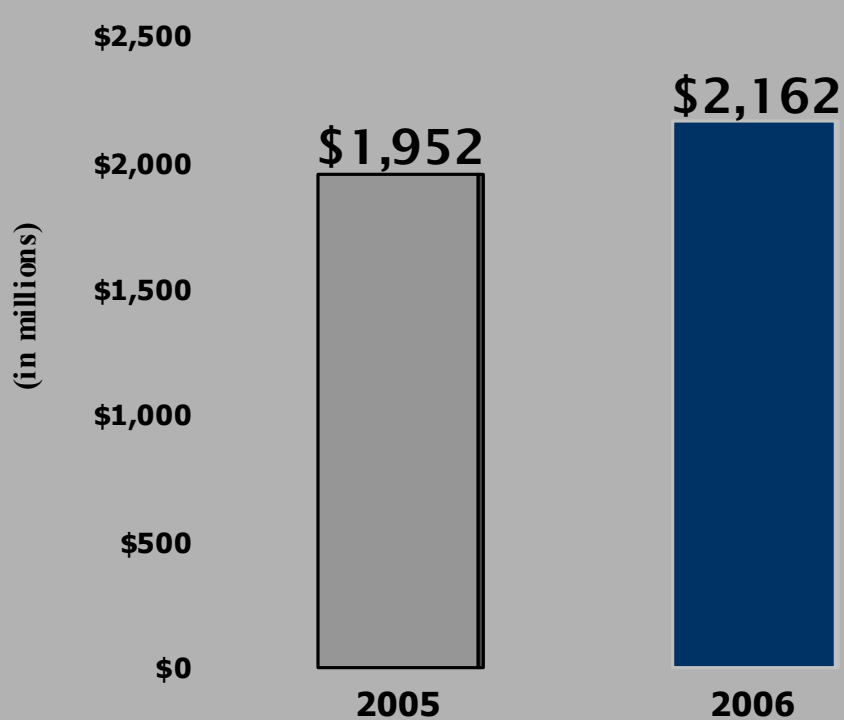
- ✓ Higher Gains on the Sale of Mortgage Loans
- ✓ Increased Mortgage Loan Originations and Mortgage Loans Sold

# Stockholders' Equity December 31<sup>st</sup>

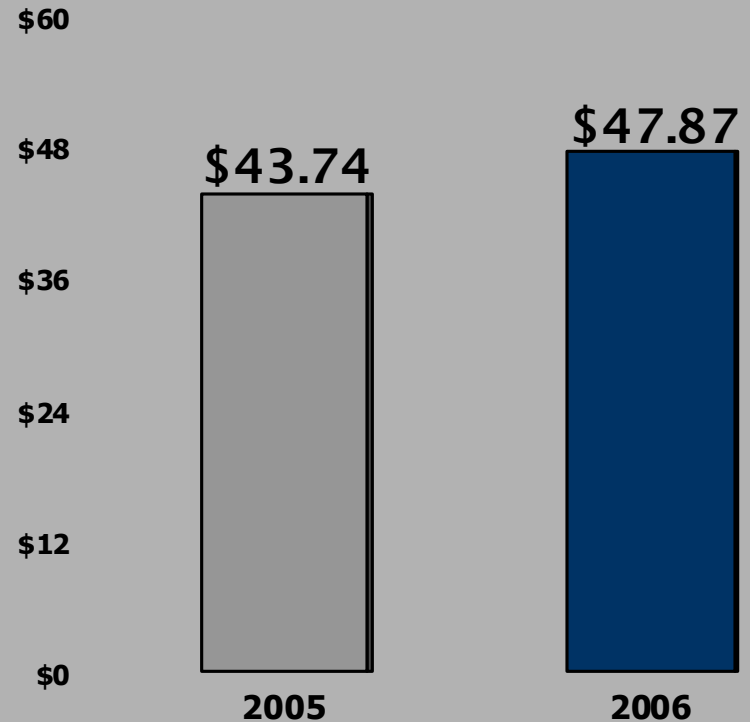


Building and Promoting the American Chemist

## Stockholders' Equity



## Book Value per Share



✓ *Increased Approximately 10% Year-Over-Year Despite the Impact of Impairments and Project Write-offs*

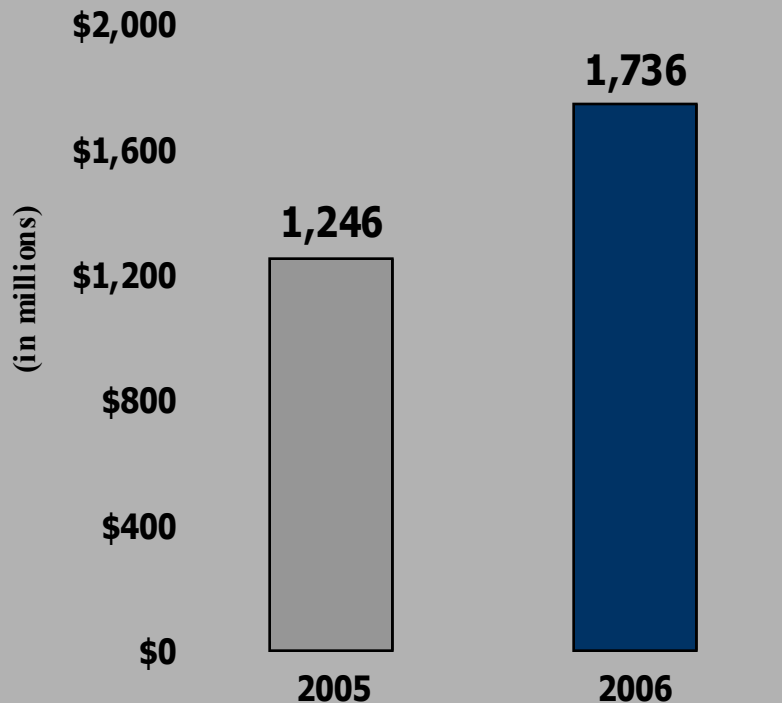
# Strong Financial Position

## December 31<sup>st</sup>

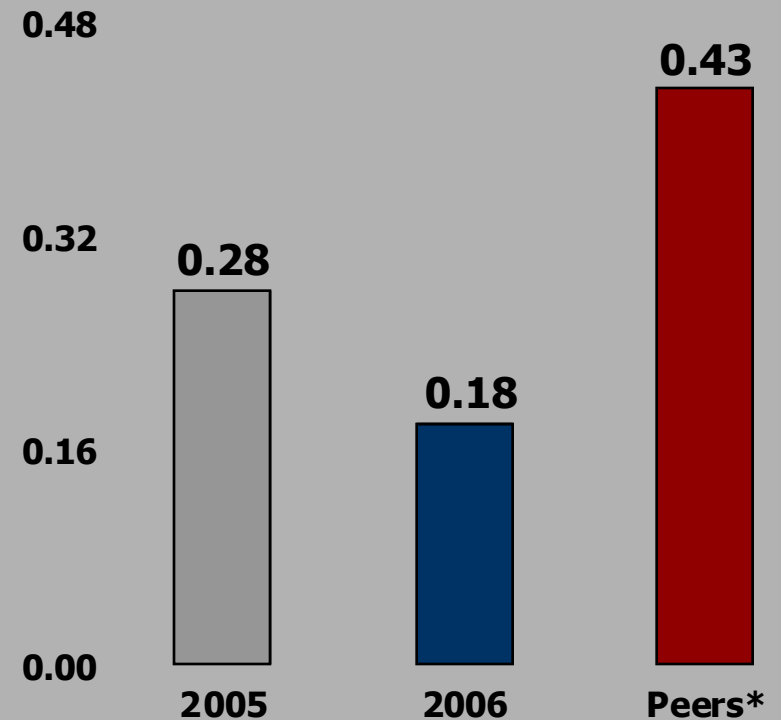


Building and Financing the American Dream<sup>®</sup>

### Cash and Available Borrowing Capacity



### Debt-to-Capital\*\*



*\*Estimate Based on Latest Public Information Available*

*\*\*Excluding Mortgage Line of Credit and Net of Cash*

# Free Cash Flow

## 4<sup>th</sup> Quarter

(in millions)



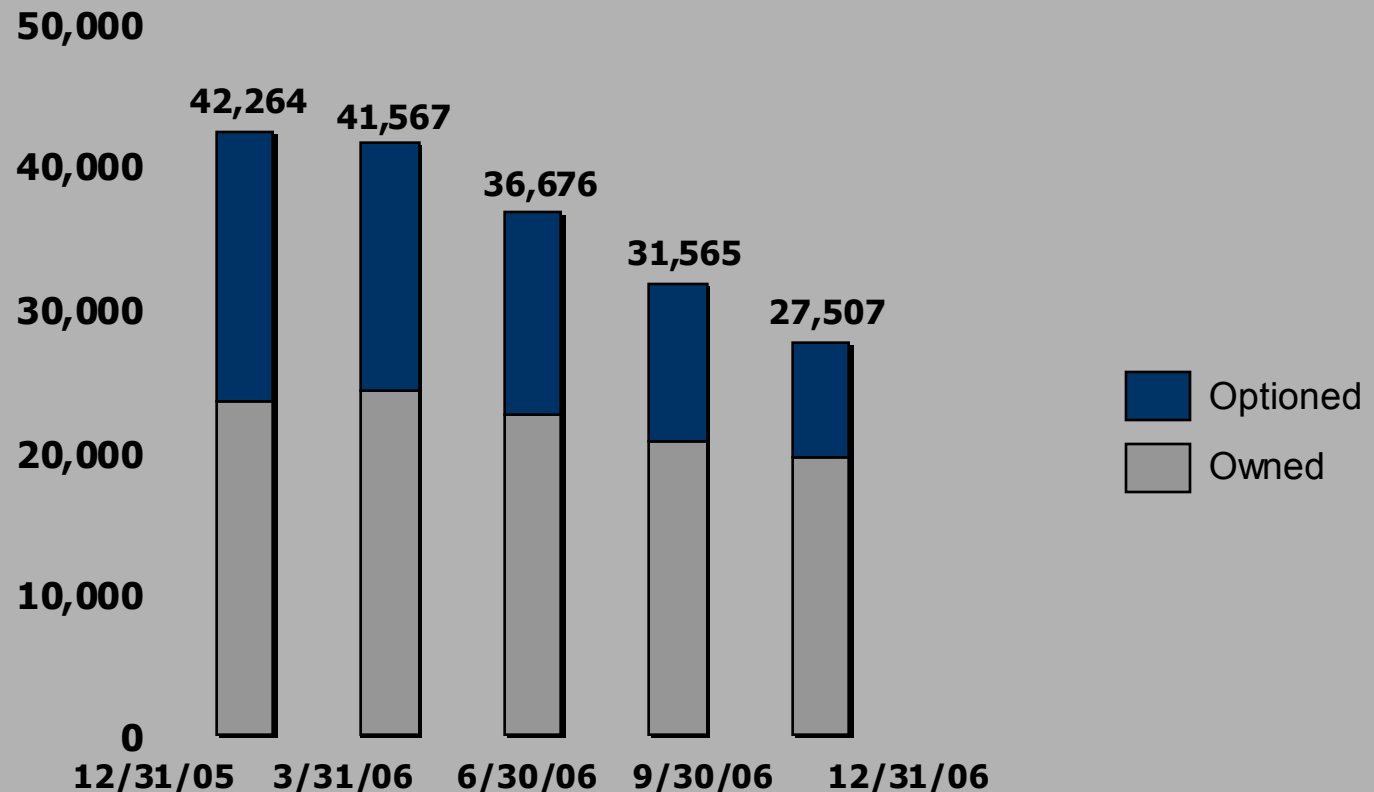
Building and Financing the American Dream<sup>SM</sup>

	<u>4th Quarter</u>		<u>Full Year</u>	
	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>
<b>Net Income</b>	\$ 197.5	\$ (6.4)	\$ 505.7	\$ 214.3
<b>Operating Activities</b>				
Homebuilding Inventory	(39.5)	398.3	(981.8)	134.8
Mortgage Loans in Inventory	(31.0)	(9.5)	(58.5)	24.5
Payables and Other	5.1	30.6	109.7	(1.9)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>\$ 132.1</u>	<u>\$ 413.0</u>	<u>\$ (424.9)</u>	<u>\$ 371.7</u>
<b>Net Purchase of Property and Equipment</b>	(4.8)	(3.0)	(22.9)	(10.2)
<b>Dividend Payments</b>	<u>(11.1)</u>	<u>(11.2)</u>	<u>(33.5)</u>	<u>(45.0)</u>
<b>Free Cash Flow (After Dividends)</b>	<u><u>116.2</u></u>	<u><u>398.8</u></u>	<u><u>(481.3)</u></u>	<u><u>316.5</u></u>

# Lots Controlled



Building and Financing the American Dream®



- ✓ *Tighter Underwriting Standards*
- ✓ *Terminated Almost 7,000 Option Contracts in 2006*
- ✓ *35% Decrease in Controlled Lots Year-To-Date*

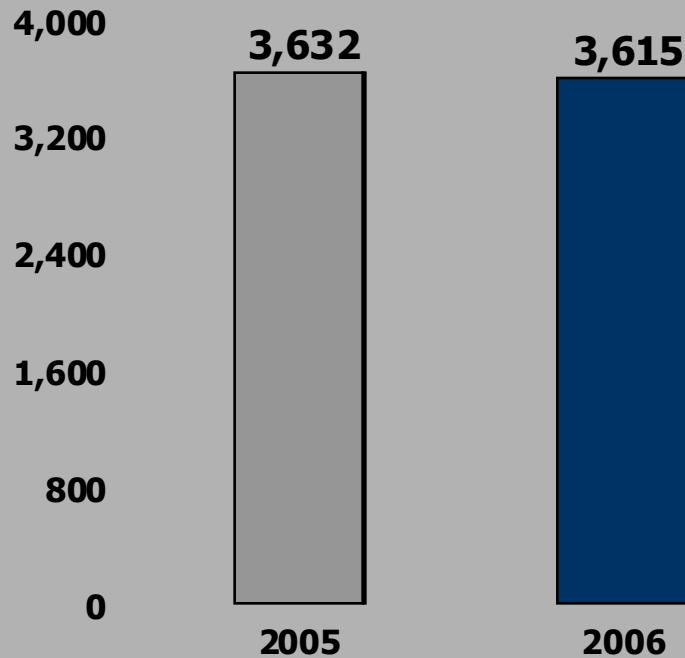
# Gross Orders and Cancellations

## 4<sup>th</sup> Quarter

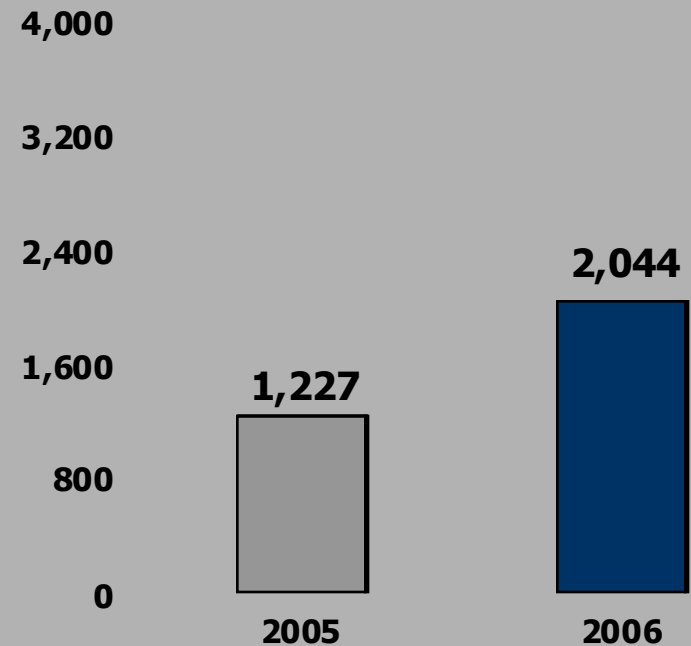


Building and Financing the American Dream®

### Gross Orders



### Cancellations

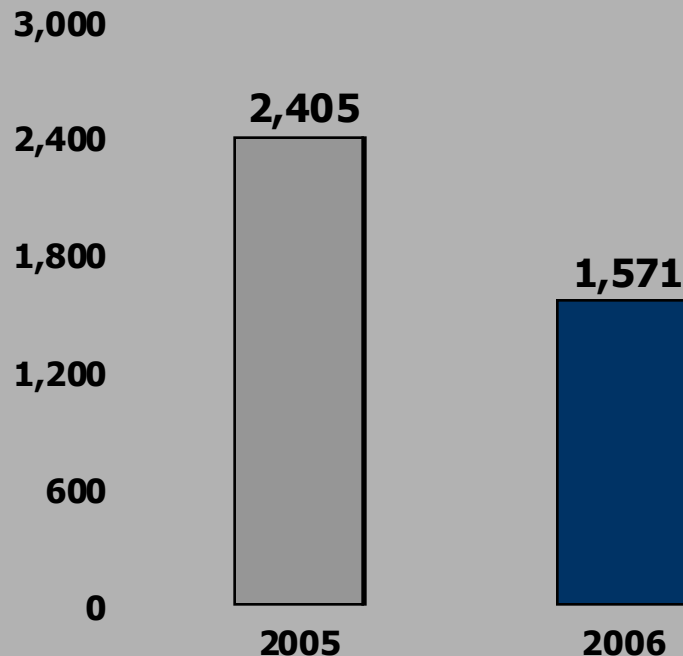


# Net Home Orders 4<sup>th</sup> Quarter

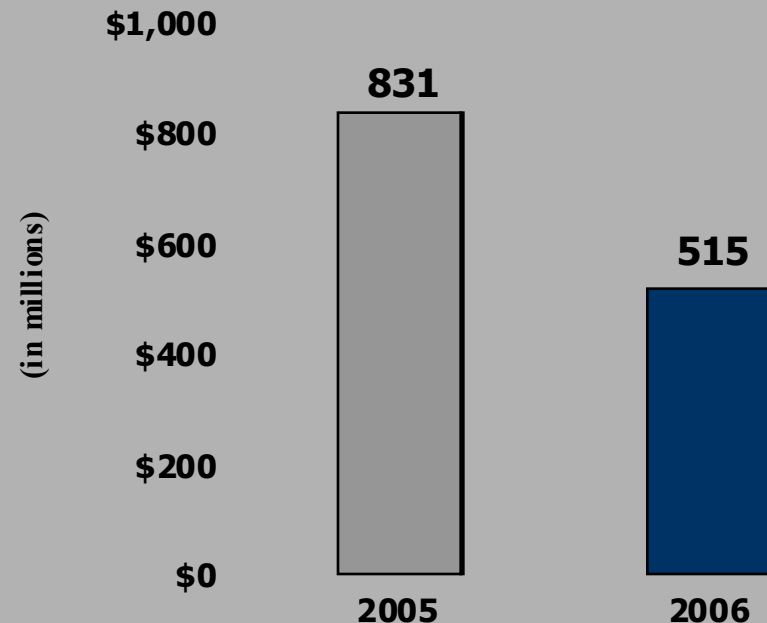


Building and Fortifying the American Dream®

## Units



## Estimated Value



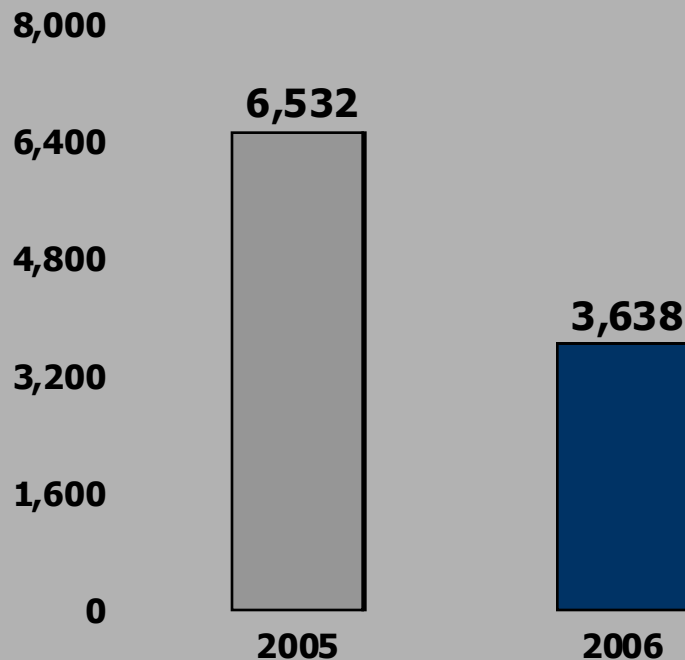
✓ *Average Selling Price of Net Orders Declined 5% Year-Over-Year and Increased 2% Sequentially to \$327.8K*

# Backlog December 31<sup>st</sup>

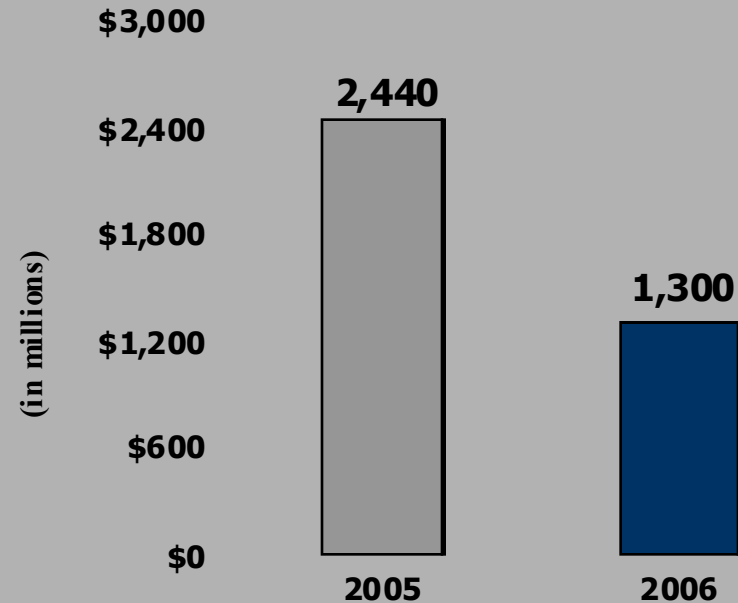


Building and Financing the American Dream<sup>®</sup>

## Units



## Estimated Value

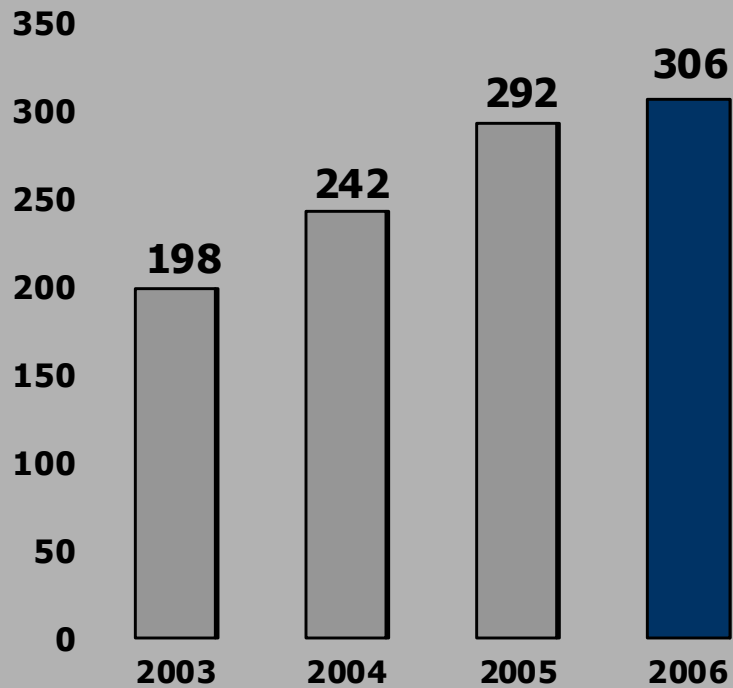


✓ *Backlog Average Selling Price Decreased 4% Both Year-Over-Year and Sequentially to \$357.3K*

# Active Subdivisions December 31<sup>st</sup>



Building and Planning for a Better World



	<u>12/31/06</u>	<u>06 vs. 05</u>
Arizona	67	+13
California	45	+11
Florida	30	+11
Maryland	19	+8
Utah	22	+4
DE Valley	8	+1
Virginia	19	-1
Illinois	6	-2
Nevada	41	-2
Colorado	47	-10
Texas	2	-19



*Building and Financing the American Dream*

---

M.D.C. HOLDINGS, INC. - *Building and Financing the American Dream*

---

[RICHMONDAMERICAN.com](http://RICHMONDAMERICAN.com)

---