

*Hovnanian*  
Enterprises, Inc.



# JP Morgan High Yield Conference

# Forward-Looking Statements

Note: All statements in this presentation that are not historical facts should be considered as "Forward-Looking Statements" within the meaning of the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995. Such statements involve known and unknown risks, uncertainties and other factors that may cause 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 forward-looking statements include but are not limited to statements related to the Company's goals and expectations with respect to its financial results for future financial periods and statements regarding demand for homes, mortgage rates, inflation, supply chain issues, customer incentives and underlying factors. Although we believe that our plans, intentions and expectations reflected in, or suggested by, such forward-looking statements are reasonable, we can give no assurance that such plans, intentions or expectations will be achieved. By their nature, forward-looking statements: (i) speak only as of the date they are made, (ii) are not guarantees of future performance or results and (iii) are subject to risks, uncertainties and assumptions that are difficult to predict or quantify. Therefore, actual results could differ materially and adversely from those forward-looking statements as a result of a variety of factors. Such risks, uncertainties and other factors include, but are not limited to, (1) changes in general and local economic, industry and business conditions and impacts of a significant homebuilding downturn; (2) shortages in, and price fluctuations of, raw materials and labor, including due to geopolitical events, changes in trade policies, including the imposition of tariffs and duties on homebuilding materials and products and related trade disputes with and retaliatory measures taken by other countries; (3) fluctuations in interest rates and the availability of mortgage financing; (4) adverse weather and other environmental conditions and natural disasters; (5) the seasonality of the Company's business; (6) the availability and cost of suitable land and improved lots and sufficient liquidity to invest in such land and lots; (7) reliance on, and the performance of, subcontractors; (8) regional and local economic factors, including dependency on certain sectors of the economy, and employment levels affecting home prices and sales activity in the markets where the Company builds homes; (9) increases in cancellations of agreements of sale; (10) increases in inflation; (11) changes in tax laws affecting the after-tax costs of owning a home; (12) legal claims brought against us and not resolved in our favor, such as product liability litigation, warranty claims and claims made by mortgage investors; (13) levels of competition; (14) utility shortages and outages or rate fluctuations; (15) information technology failures and data security breaches; (16) negative publicity; (17) high leverage and restrictions on the Company's operations and activities imposed by the agreements governing the Company's outstanding indebtedness; (18) availability and terms of financing to the Company; (19) the Company's sources of liquidity; (20) changes in credit ratings; (21) government regulation, including regulations concerning development of land, the home building, sales and customer financing processes, tax laws and the environment; (22) operations through unconsolidated joint ventures with third parties; (23) significant influence of the Company's controlling stockholders; (24) availability of net operating loss carryforwards; (25) loss of key management personnel or failure to attract qualified personnel; (26) the outbreak and spread of COVID-19 and the measures that governments, agencies, law enforcement and/or health authorities implement to address it, as well as continuing macroeconomic effects of the pandemic; and (27) certain risks, uncertainties and other factors described in detail in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2022 and the Company's Quarterly Reports on Form 10-Q for the quarterly periods during fiscal 2023 and subsequent filings with the Securities and Exchange Commission. Except as otherwise required by applicable securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason.

# NON-GAAP FINANCIAL MEASURES:

Consolidated earnings before interest expense and income taxes ("EBIT") and before depreciation and amortization ("EBITDA") and before inventory impairments and land option write-offs ("Adjusted EBITDA") are not U.S. generally accepted accounting principles (GAAP) financial measures. The most directly comparable GAAP financial measure is net income. The reconciliation for historical periods of EBIT, EBITDA and Adjusted EBITDA to net income is presented in a table attached to this presentation.

Homebuilding gross margin, before cost of sales interest expense and land charges, and homebuilding gross margin percentage, before cost of sales interest expense and land charges, are non-GAAP financial measures. The most directly comparable GAAP financial measures are homebuilding gross margin and homebuilding gross margin percentage, respectively. The reconciliation for historical periods of homebuilding gross margin, before cost of sales interest expense and land charges, and homebuilding gross margin percentage, before cost of sales interest expense and land charges, to homebuilding gross margin and homebuilding gross margin percentage, respectively, is presented in a table attached to this presentations.

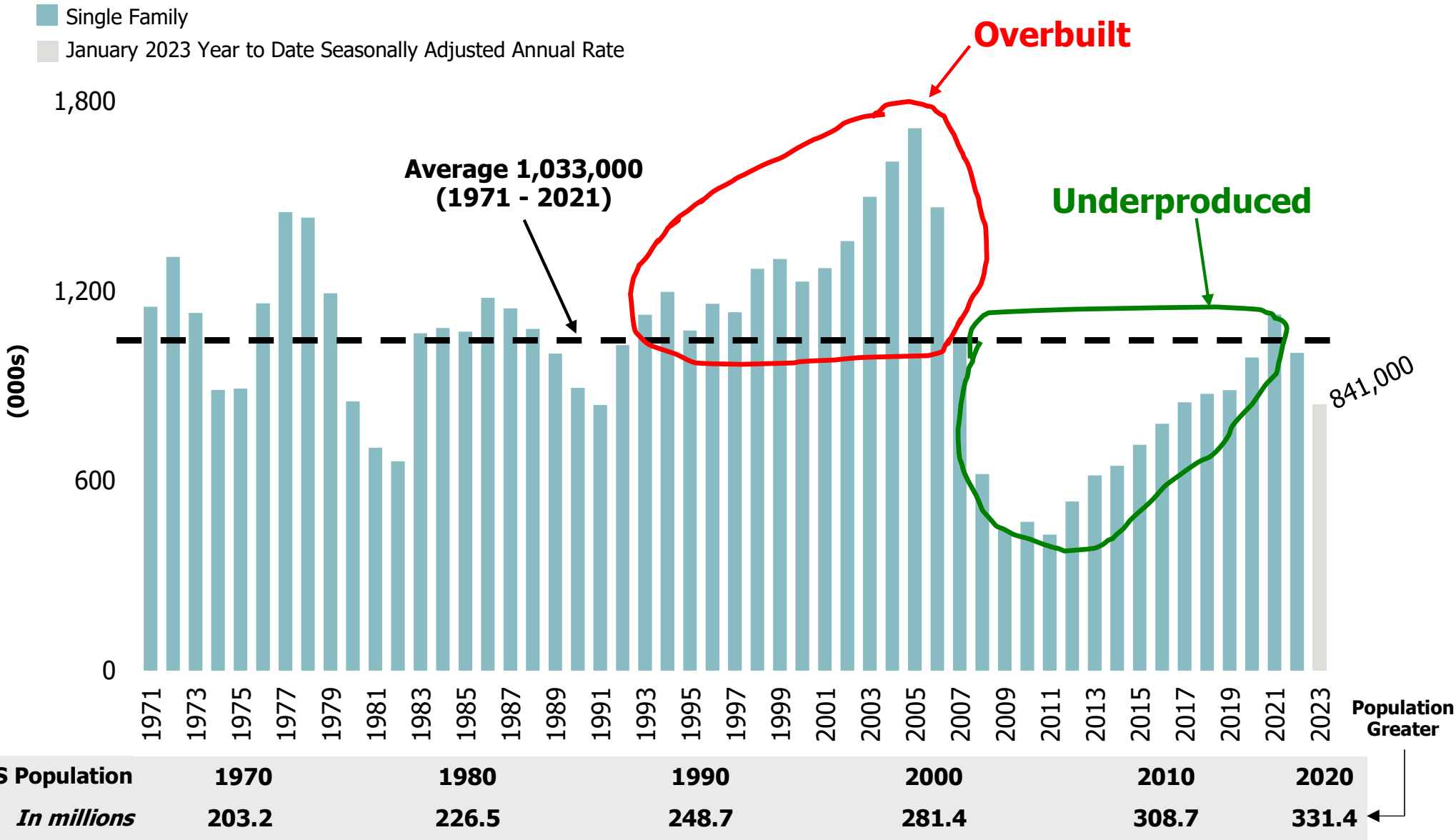
Adjusted pretax income, which is defined as income before income taxes excluding land-related charges is a non-GAAP financial measure. This presentation also presents income before income taxes adjusted to exclude the impact of incremental phantom stock expense. The most directly comparable GAAP financial measure is income before income taxes. The reconciliation for historical periods of adjusted pretax income to income before income taxes is presented in a table attached to this presentation.

Total liquidity is comprised of \$234.9 million of cash and cash equivalents, \$5.8 million of restricted cash required to collateralize letters of credit and \$125.0 million availability under the senior secured revolving credit facility as of January 31, 2023.



# US Housing Market

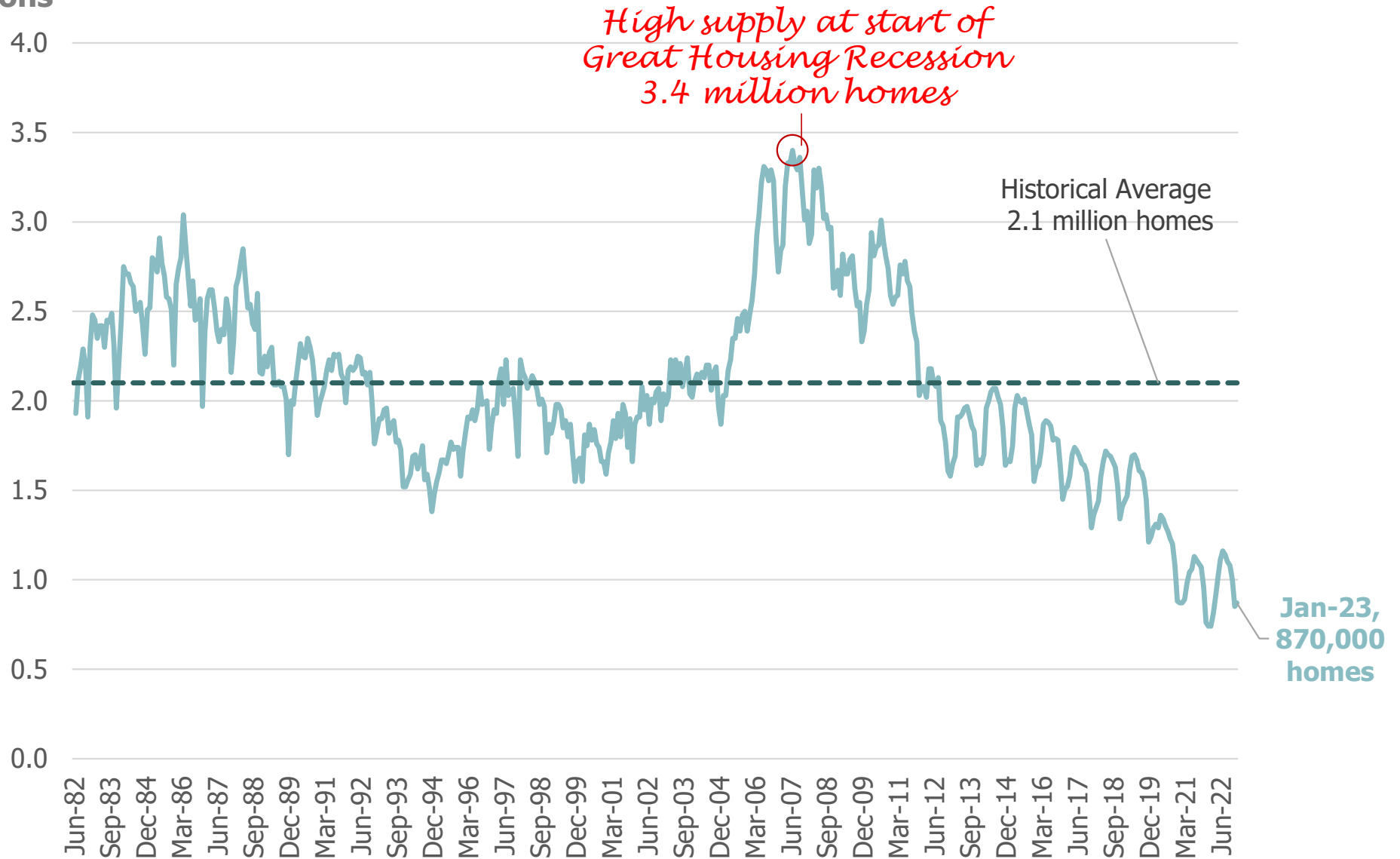
# Single Family Housing Starts



Source: U.S. Census Bureau.

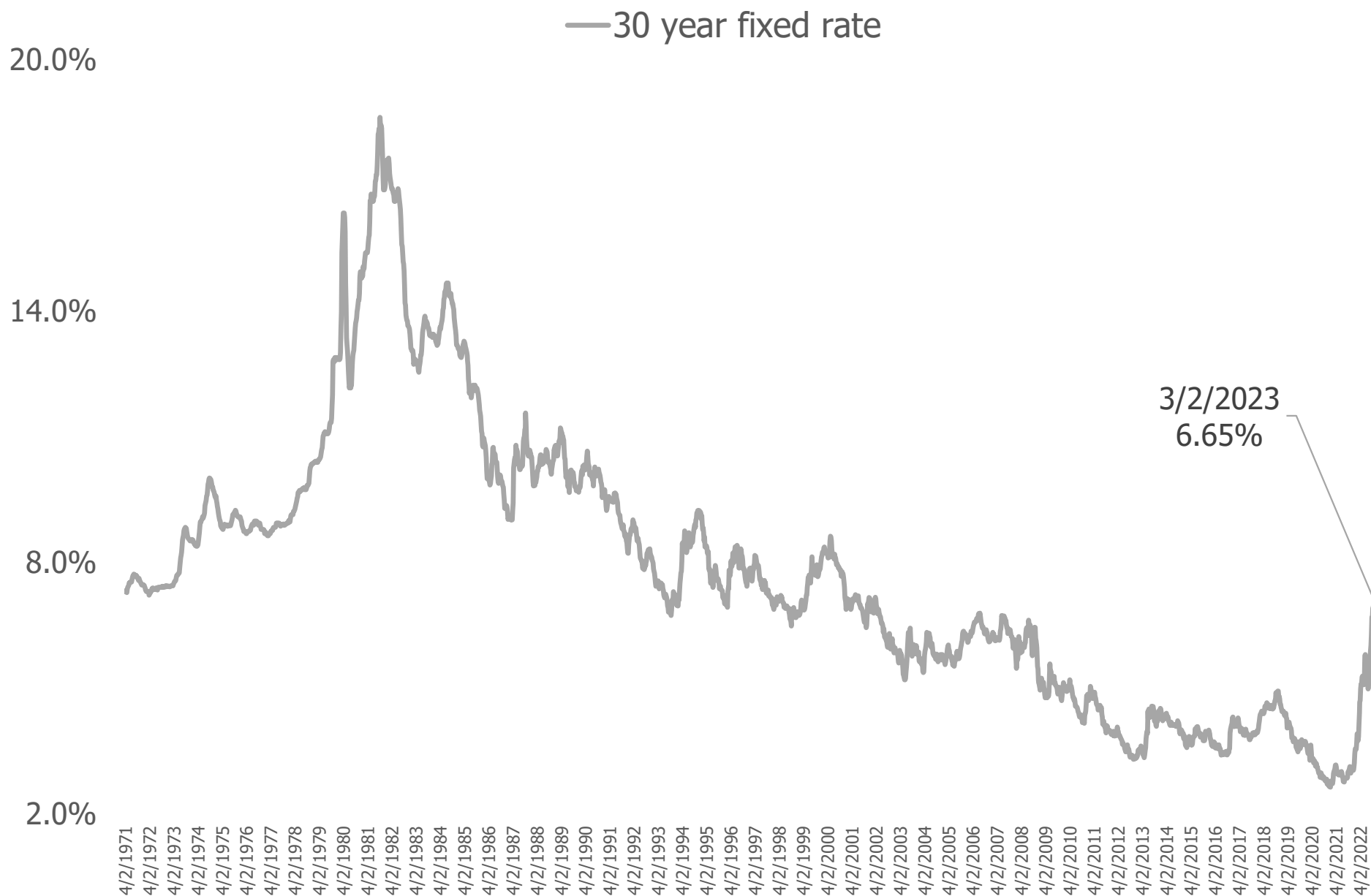
# Historically Low Supply of Existing Homes for Sale *Hovnanian Enterprises, Inc.*

Homes in millions



Source: National Association of Realtors.

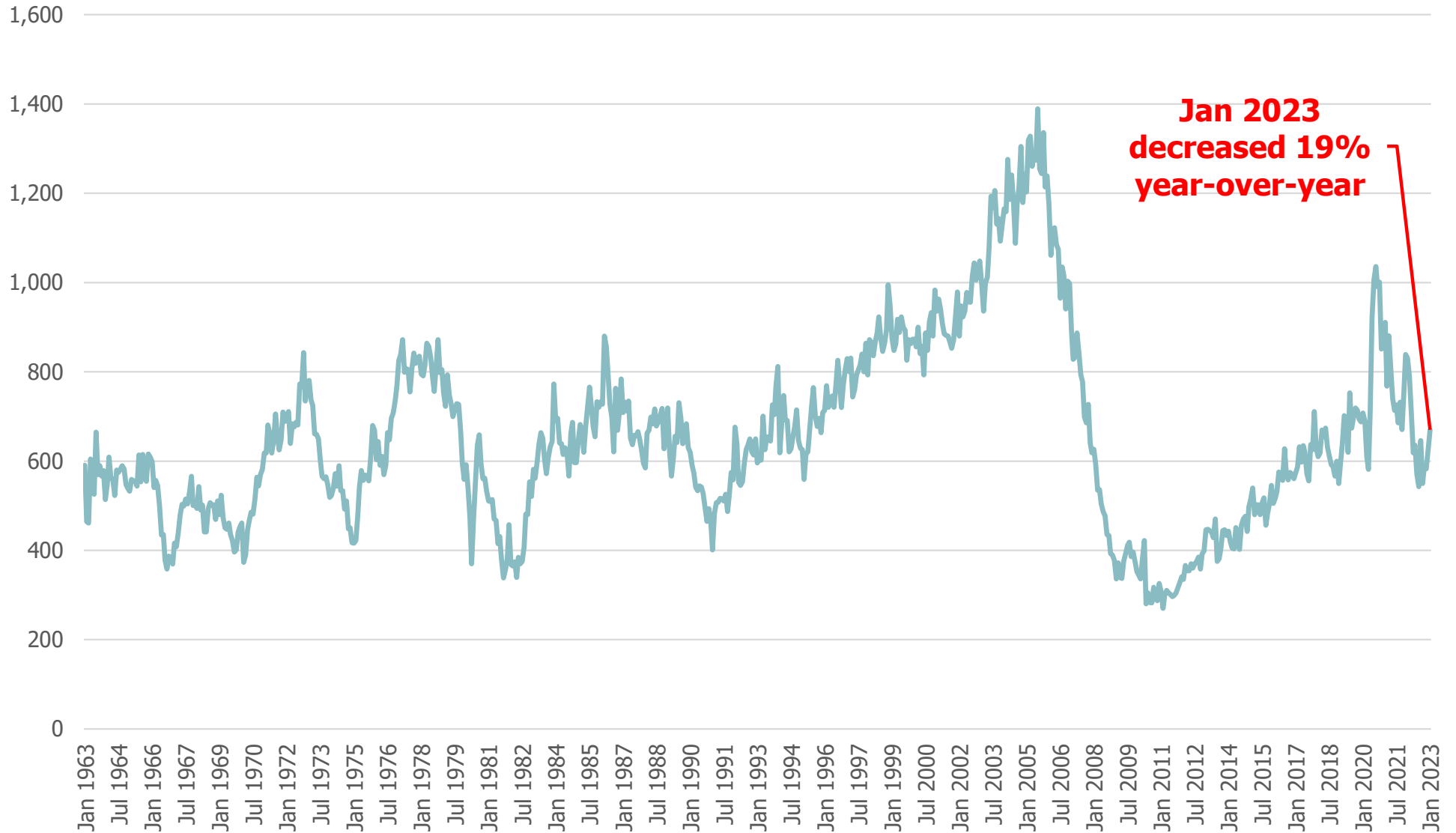
# Mortgage Rates – Long Term Perspective



Source: Freddie Mac.

# New Homes Sold

## Monthly Seasonally Adjusted Annual Rate



Source: US Census Bureau



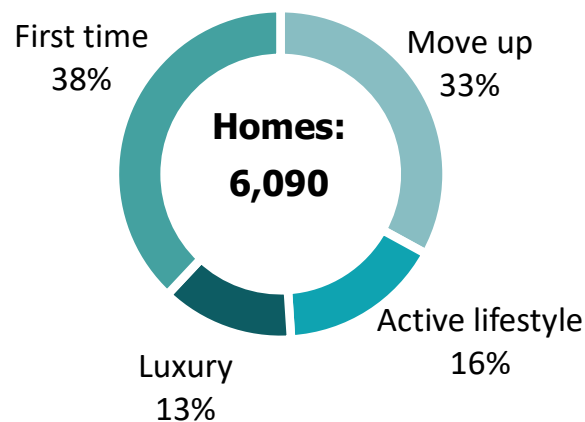


## Recent operating and financial performance

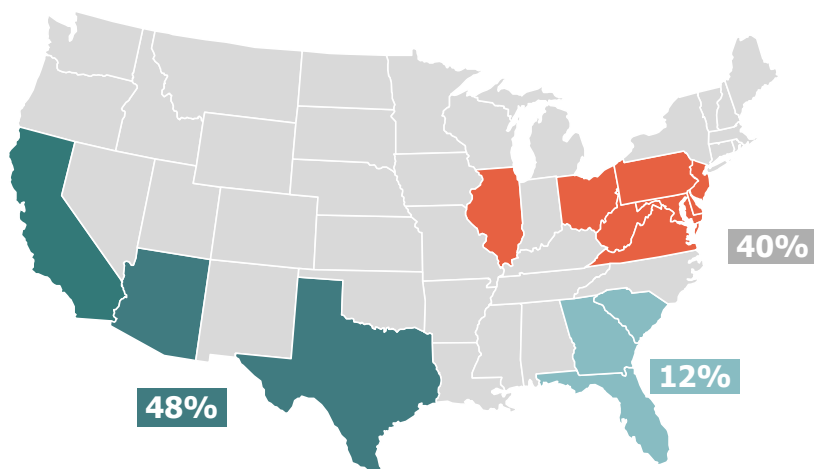
# Hovnanian Enterprises at a Glance

- Among the top 15 homebuilders in the United States in both homebuilding revenues and home deliveries<sup>(2)</sup>
- Markets and builds homes across the product and buyer spectrum, with a first-time and move-up focus

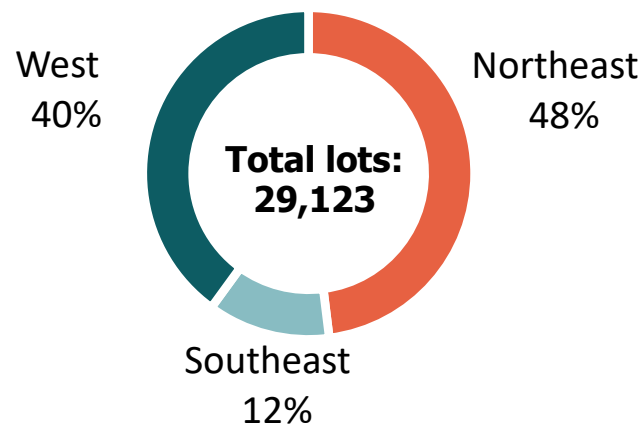
## Home deliveries by product<sup>(1)</sup> (Year ended October 31, 2022)



## Homebuilding revenues by region (TTM ended January 31, 2023)



## Lots controlled by region (As of January 31, 2023)



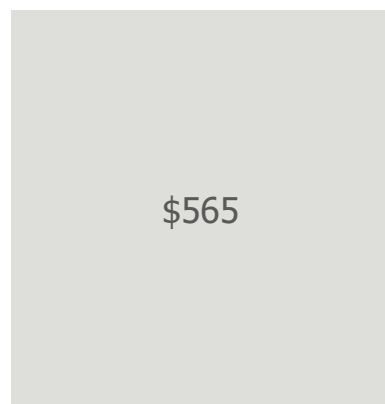
(1) Includes unconsolidated joint ventures deliveries.

(2) Company SEC filings and press release of 02/28/2023.

# First Quarter Operating Results

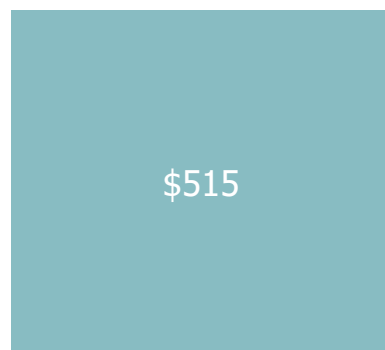
(\$ in millions, unless specified otherwise)

## Total Revenues



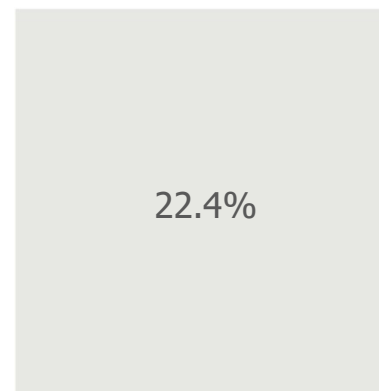
Q1 2022

*Guidance*  
*\$500-\$600*



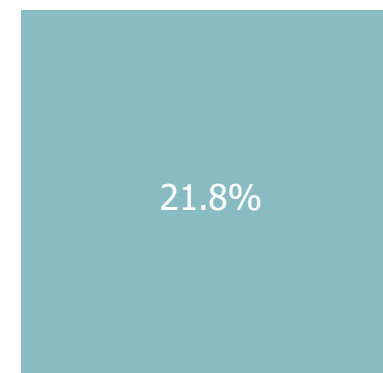
Q1 2023

## Adjusted Homebuilding Gross Margin<sup>(1)</sup>



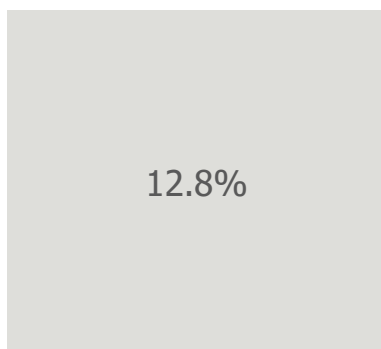
Q1 2022

*Guidance*  
*21.0%-22.5%*



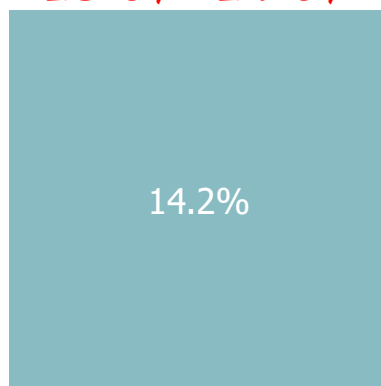
Q1 2023

## SG&A<sup>(2)</sup>



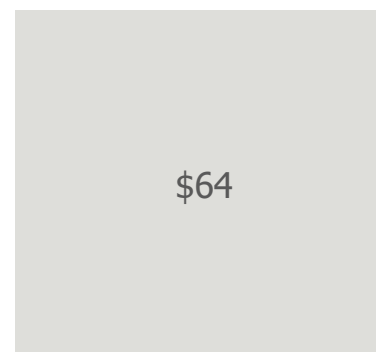
Q1 2022

*Guidance*  
*13.0%-14.0%*



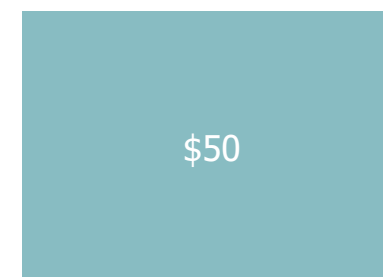
Q1 2023

## Adjusted EBITDA<sup>(3)</sup>



Q1 2022

*Guidance*  
*\$42-\$57*



Q1 2023

(1) Adjusted homebuilding gross margin percentage is before cost of sales interest expense and land charges and is a non-GAAP financial measure. See appendix for a reconciliation to the most directly comparable GAAP measure.

(2) Total SG&A includes homebuilding selling, general and administrative costs and corporate general and administrative costs. Ratio calculated as a percentage of total revenues.

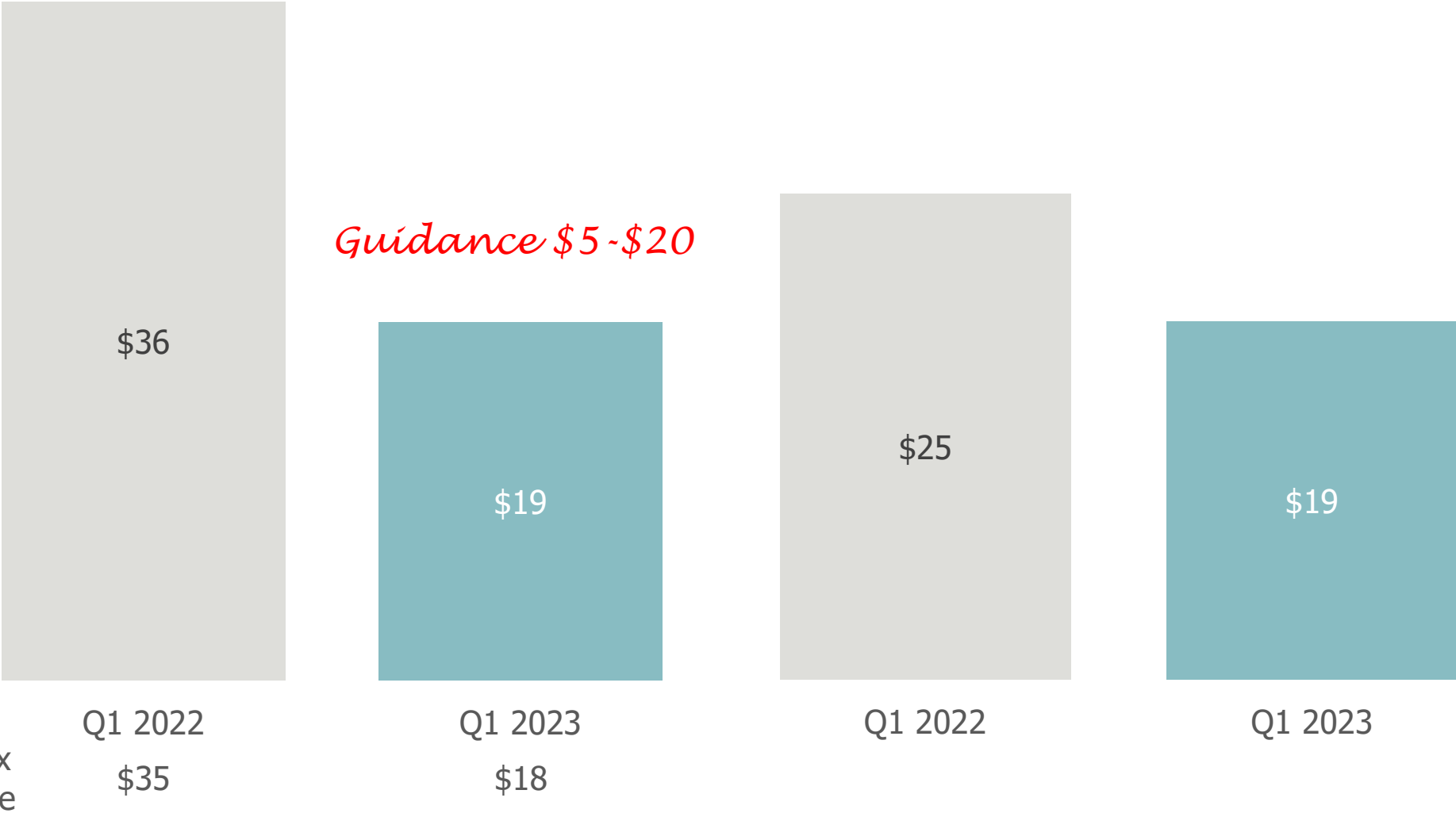
(3) Adjusted EBITDA is a non-GAAP financial measure. The most directly comparable GAAP financial measure is net income. Adjusted EBITDA represents earnings before interest expense, income taxes, depreciation, amortization, land-related charges and loss (gain) on extinguishment of debt, net. See appendix for a reconciliation of the historic measure to the most directly comparable GAAP measure.

# Income Before and After Taxes

(\$ in millions)

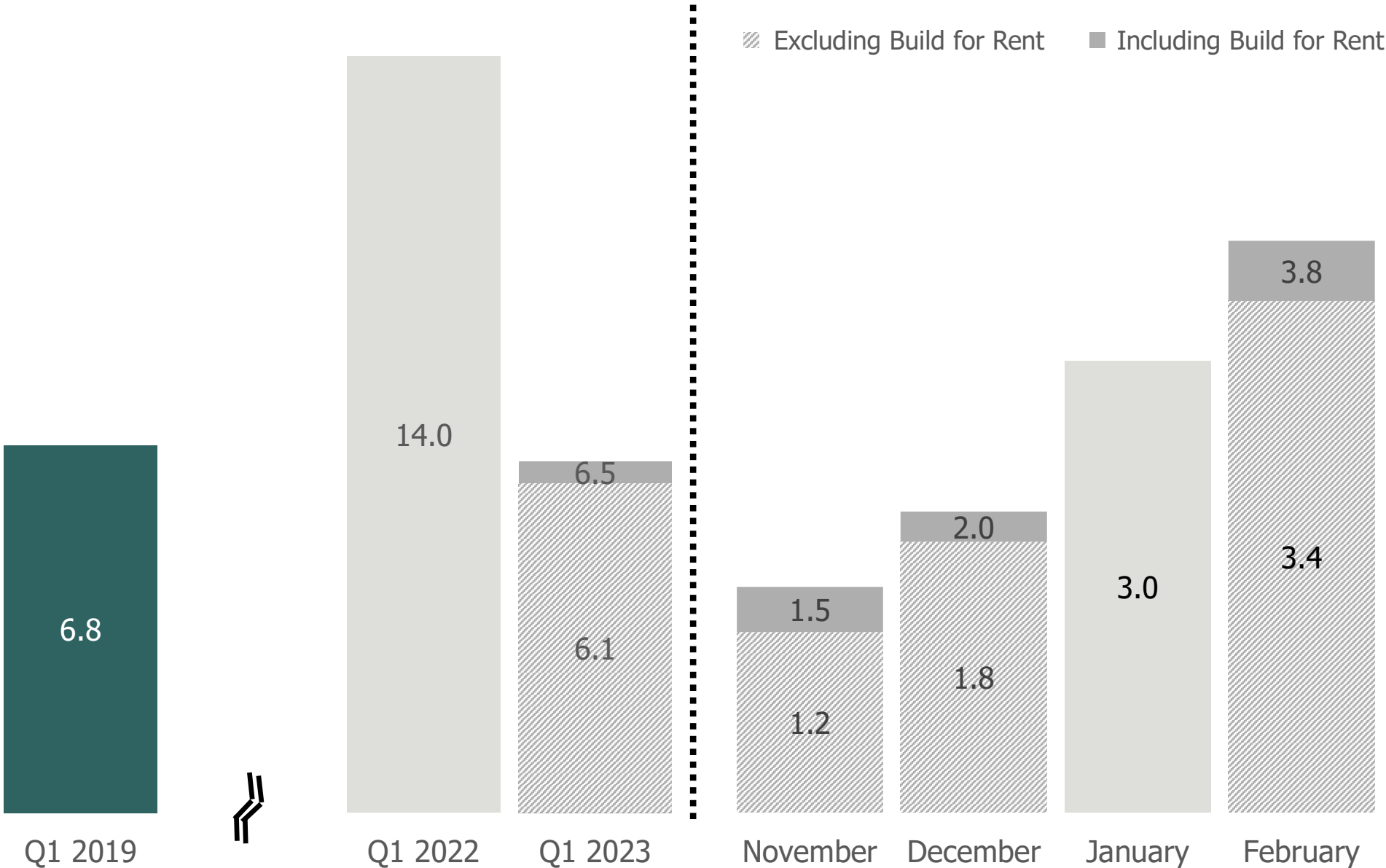
## Adjusted Income Before Income Taxes<sup>(1)</sup>

## Net Income



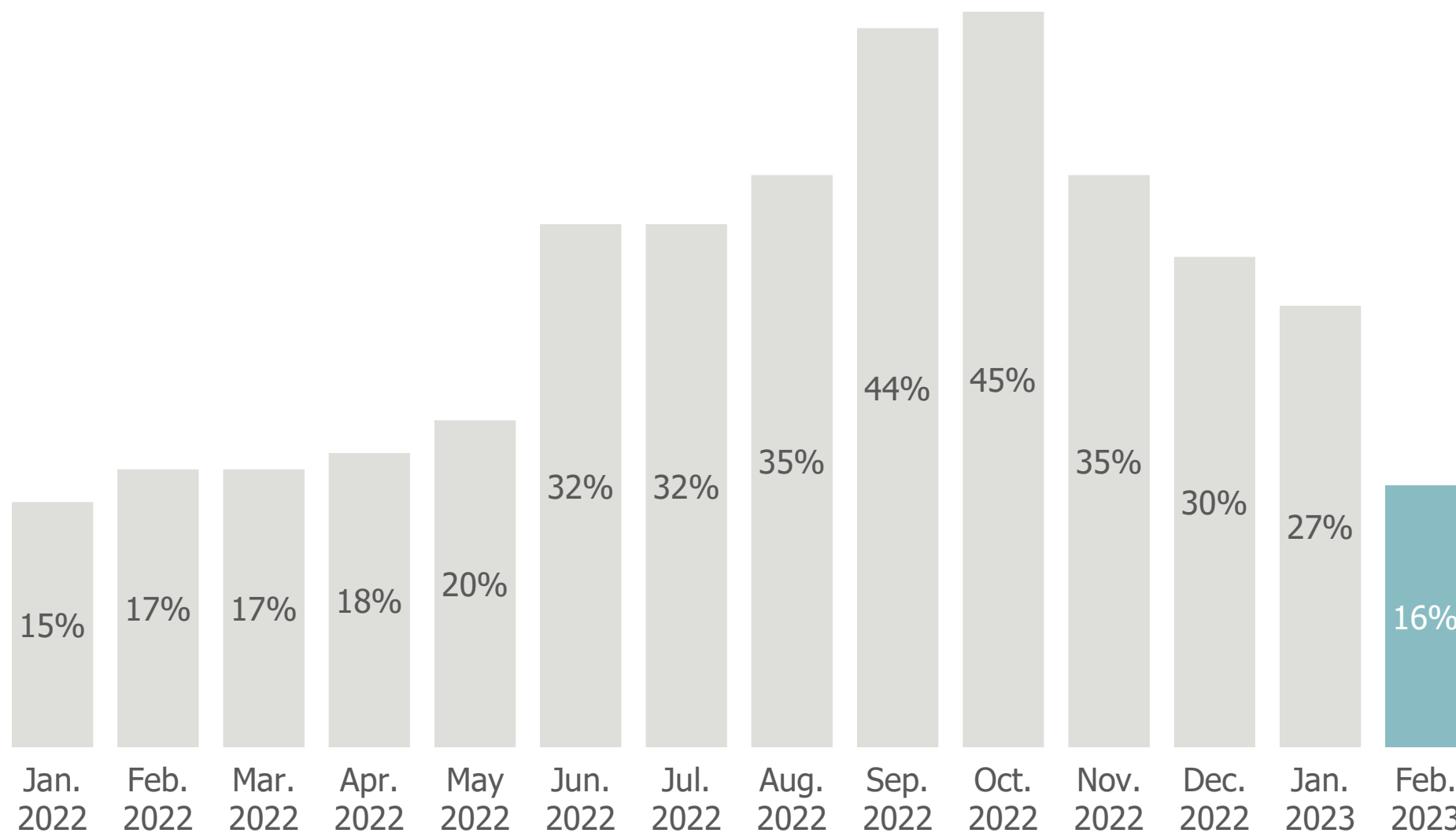
*(1) Adjusted Income Before Income Taxes excludes land-related charges. See appendix for a reconciliation to the most directly comparable GAAP measure.*

# Contracts Per Community



*Note: Excludes unconsolidated joint ventures.  
 Note: February 2023 preliminary results are only through February 26, 2023.*

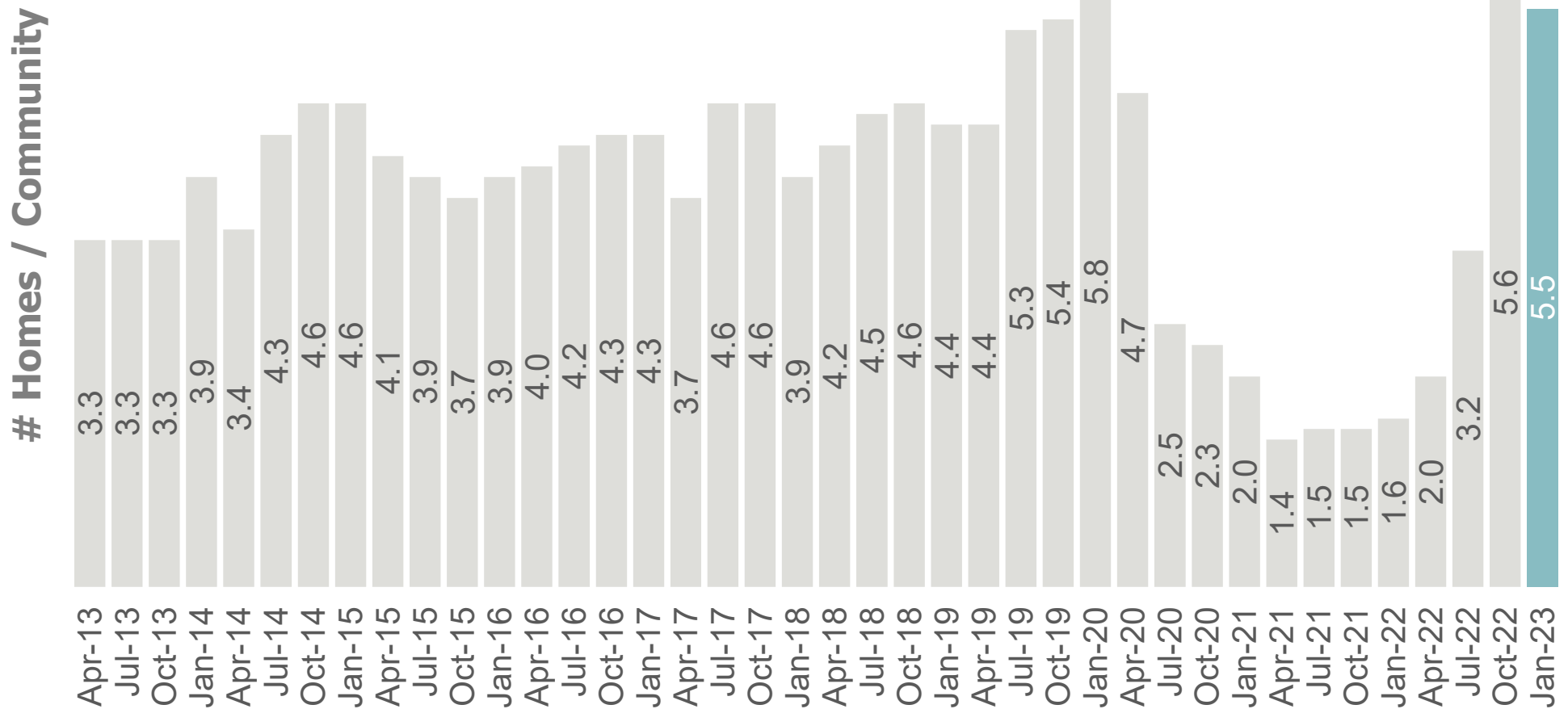
# Monthly Cancellation Rate Trends Improving



*Note: February 2023 preliminary results are only through February 26, 2023.*

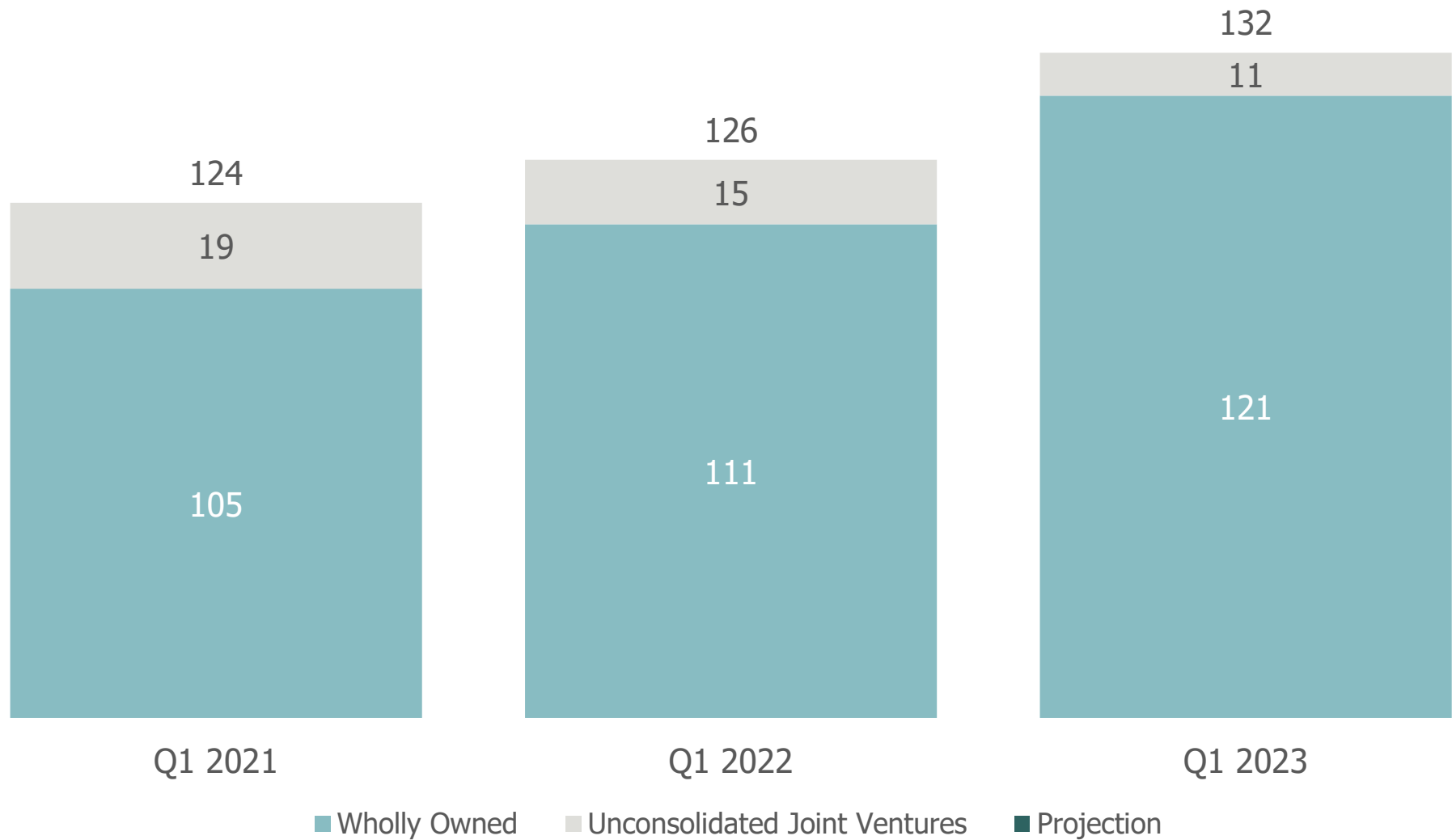
# Quick Move In Homes (QMIs) Per Community

- 668 QMIs at 01/31/23, excluding models
- 4.4 average QMIs per community since 1997
- 234 finished QMIs at 01/31/23



Note: Excluding unconsolidated joint ventures and models.

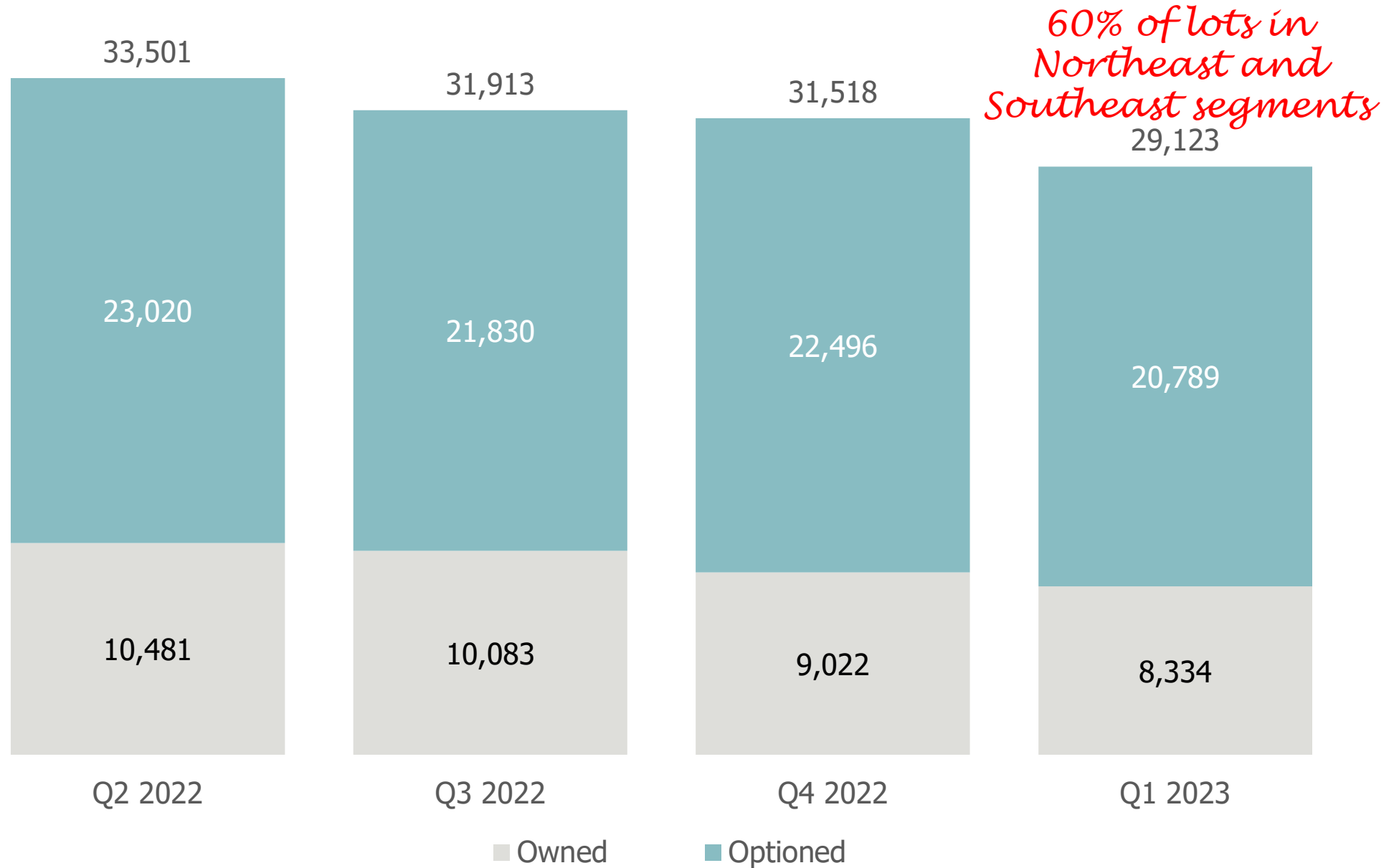
# Community Count



*Note: Excludes our single community unconsolidated joint venture in the Kingdom of Saudi Arabia.*



# Lots Controlled<sup>(1)</sup>

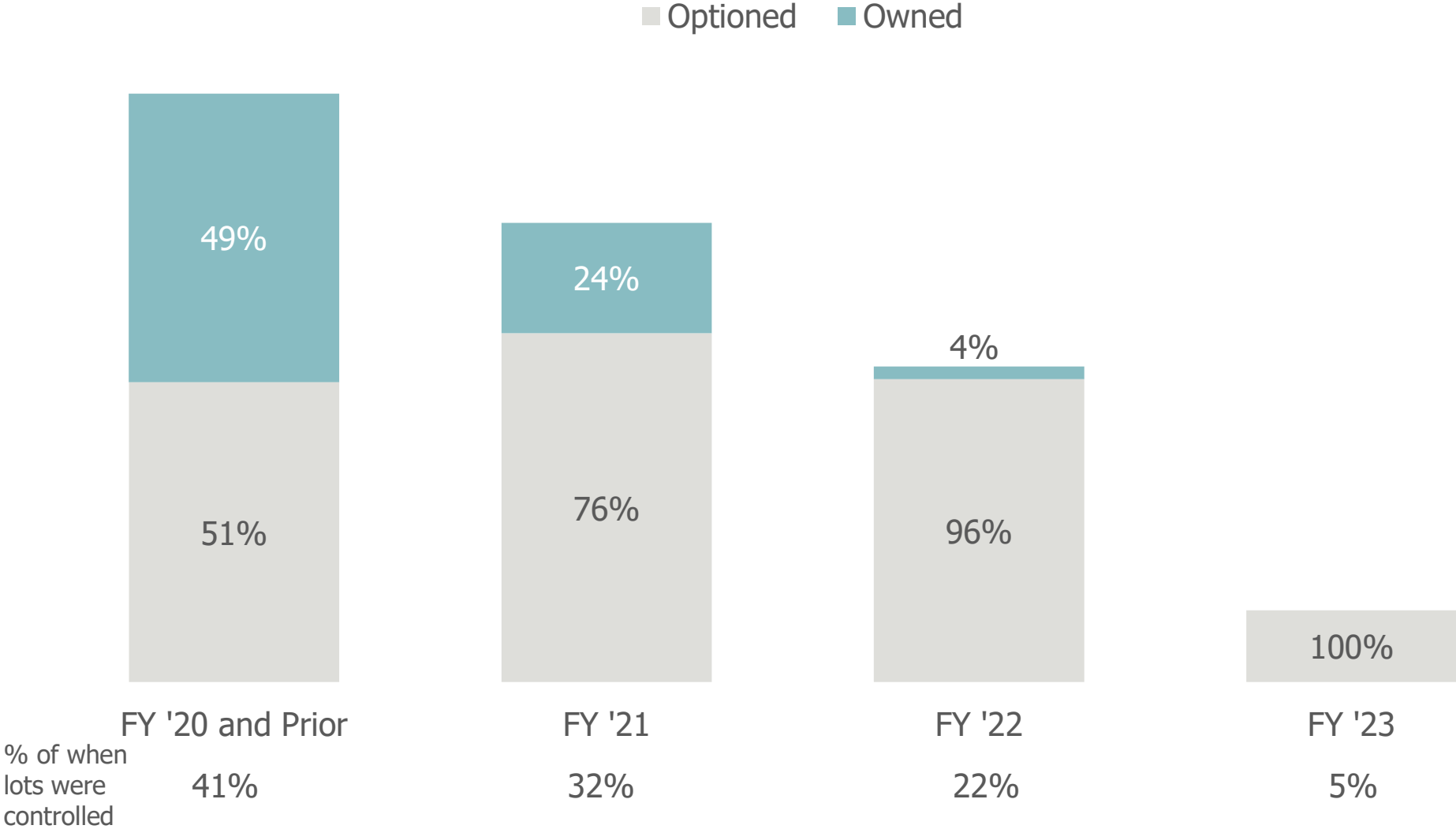


(1) Excludes unconsolidated joint ventures.

# Vintage of Land Controlled

As of January 31, 2023

## Owned and optioned lots by when controlled

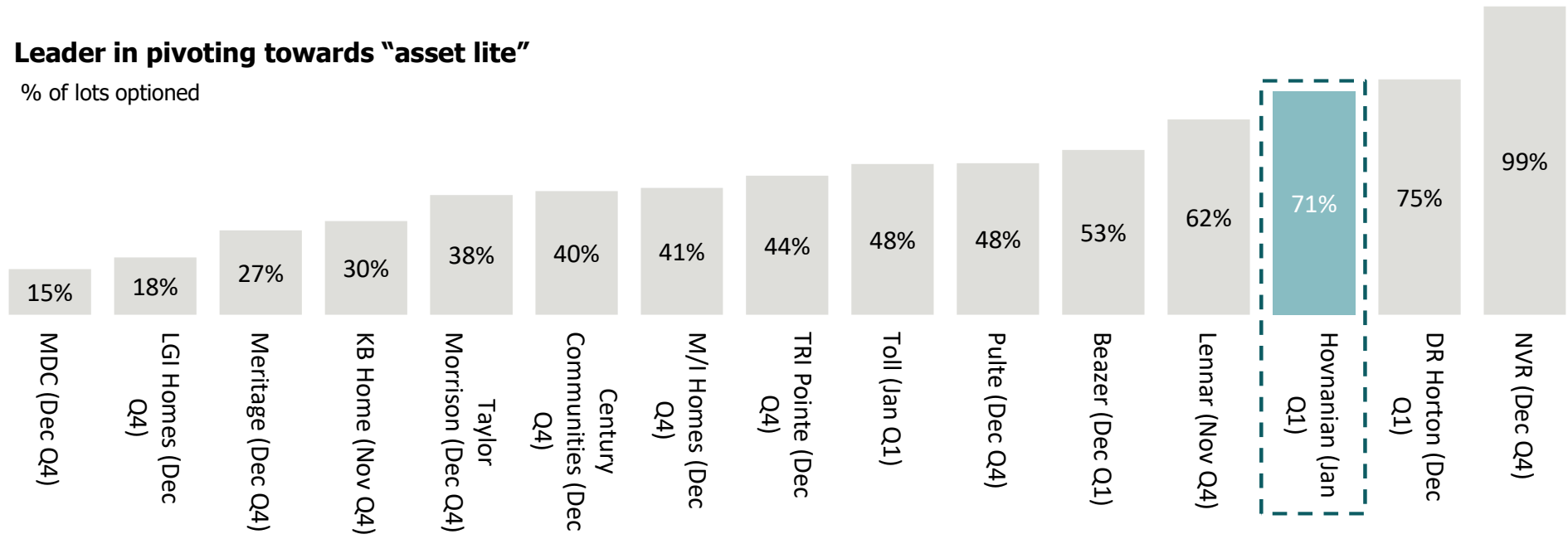


(1) Excludes unconsolidated joint ventures.

# Rapid inventory turns drive improved performance

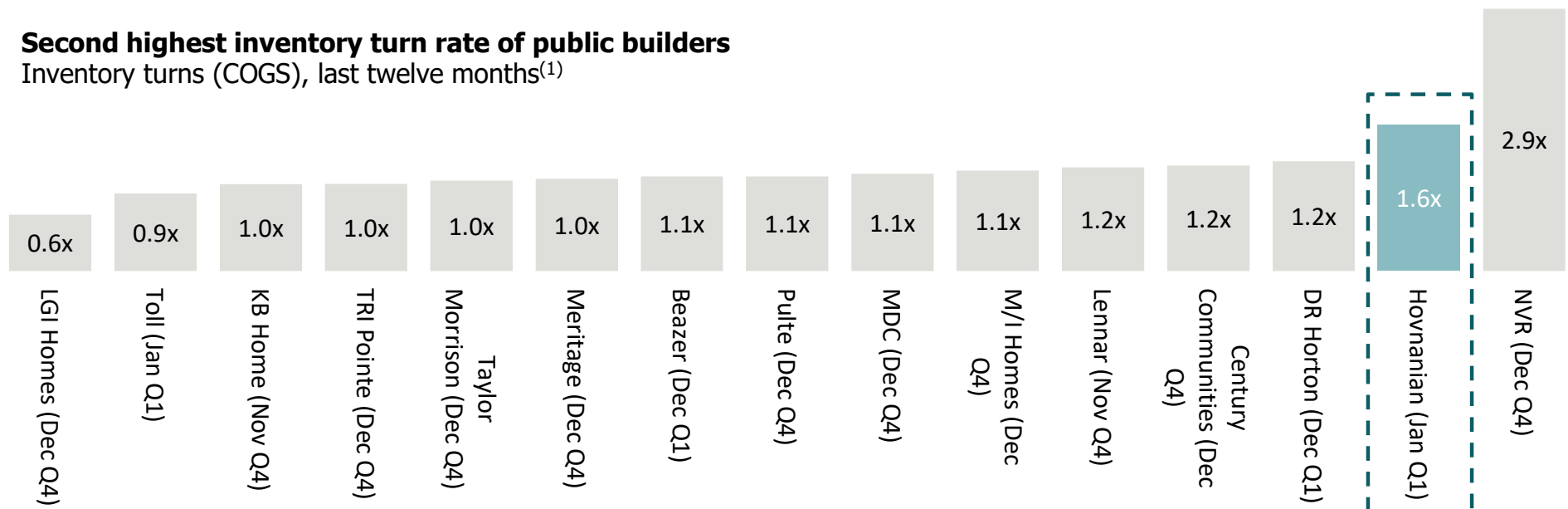
## Leader in pivoting towards “asset lite”

% of lots optioned



## Second highest inventory turn rate of public builders

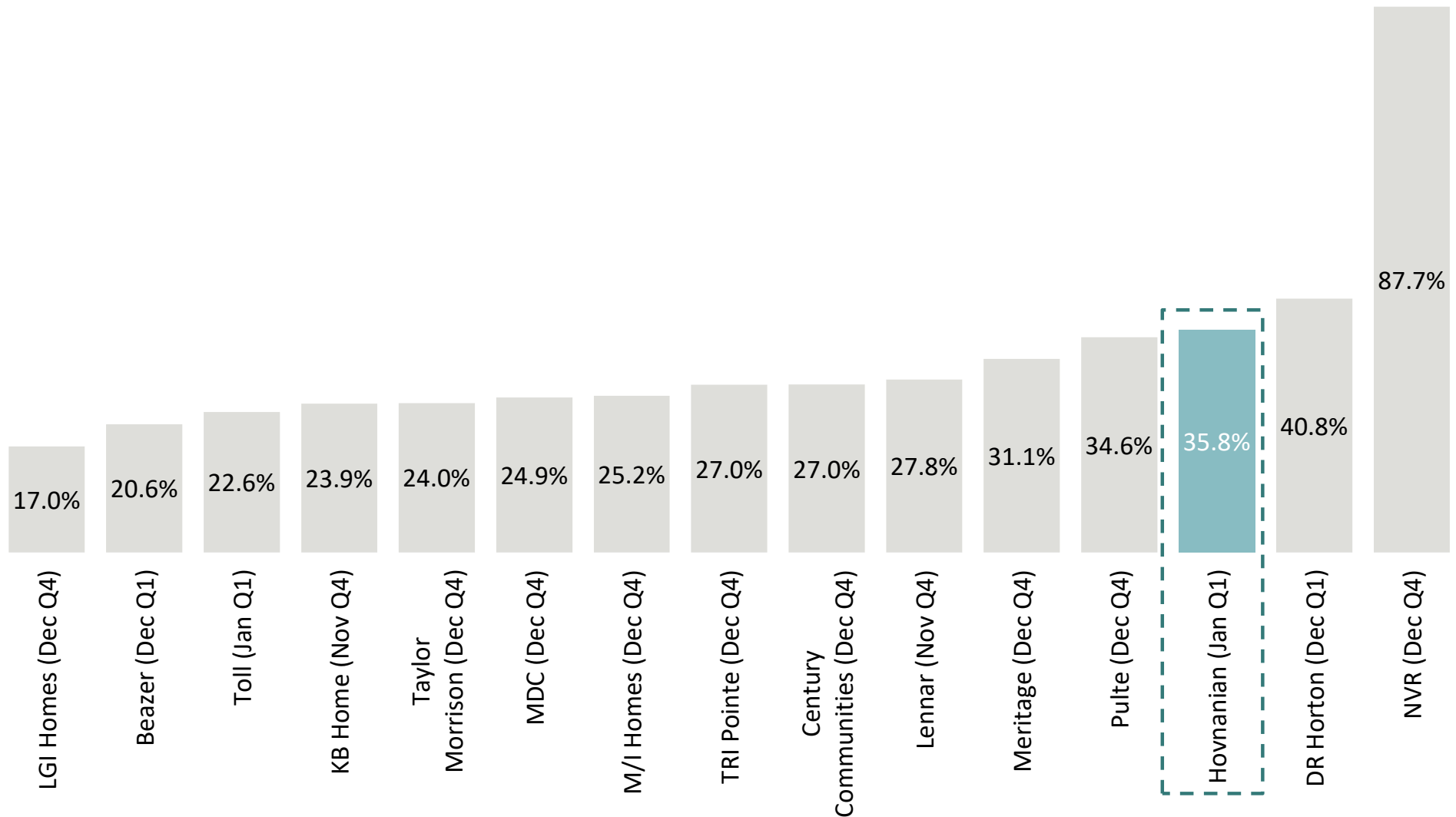
Inventory turns (COGS), last twelve months<sup>(1)</sup>



Source: Company SEC filings and press releases as of 02/28/2023.

(1) Inventory turns derived by dividing cost of sales, excluding capitalized interest, by the five-quarter average homebuilding inventory, excluding inventory not owned and capitalized interest.

# Consolidated EBIT ROI, Last Twelve Months



Source: Company SEC filings and press releases as of 02/28/2023.

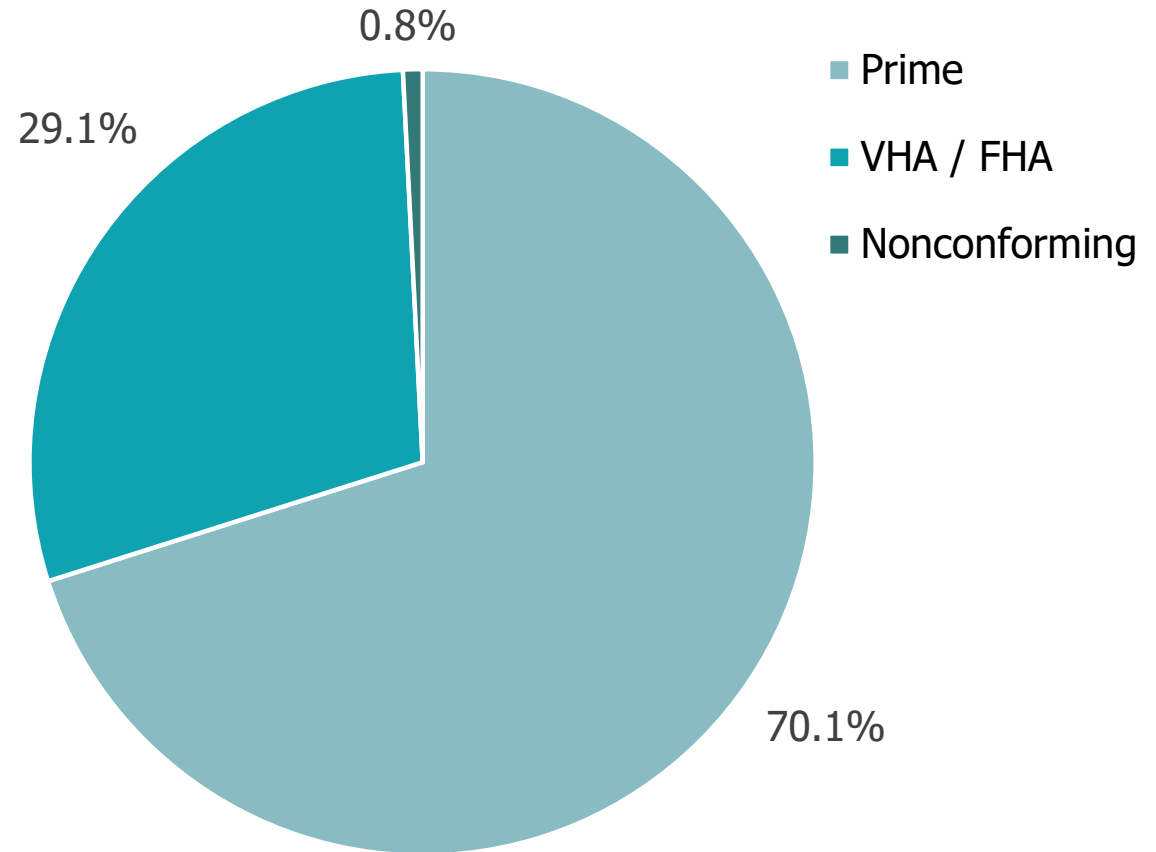
(1) Defined as LTM Total Company EBIT before land-related charges and gain (loss) on extinguishment of debt divided by five quarter average inventory, excluding capitalized interest and liabilities from inventory not owned and includes goodwill definite life intangibles assets.

# Profitable financial services business

## Financial services overview

- Complements HOV's homebuilding operations
- Allows ability for interest rate buy-down programs for homebuilder customers
- Provides mortgage originations in every state in which Hovnanian operates and title services in most states
- \$60mm LTM revenues
- \$19mm LTM operating income
- 32% LTM operating margin

## Origination portfolio for Q1 2023



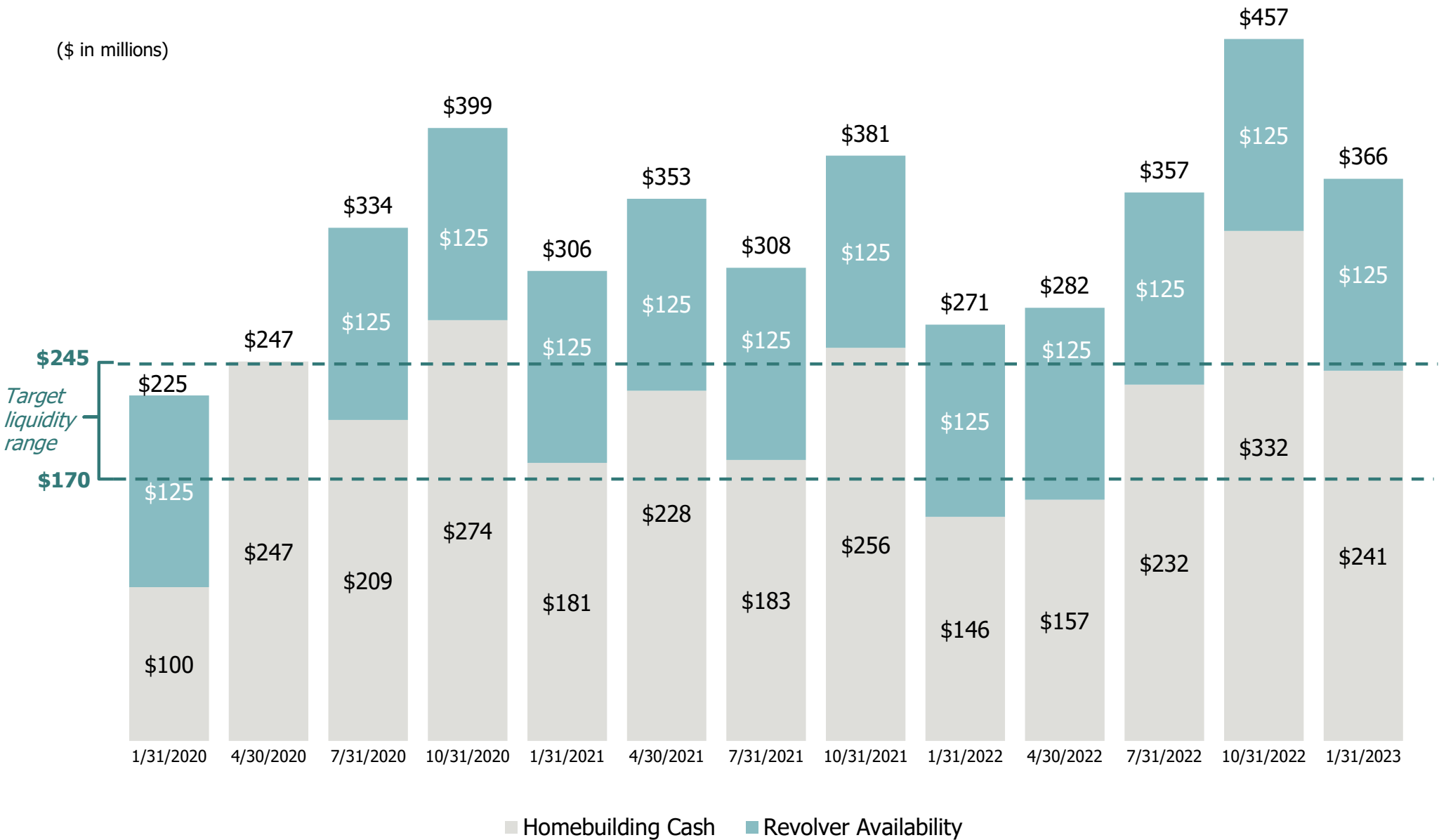
*Note: Last twelve months (LTM) through January 31, 2023.*



## Liquidity and balance sheet management

# Liquidity Position and Target

(\$ in millions)



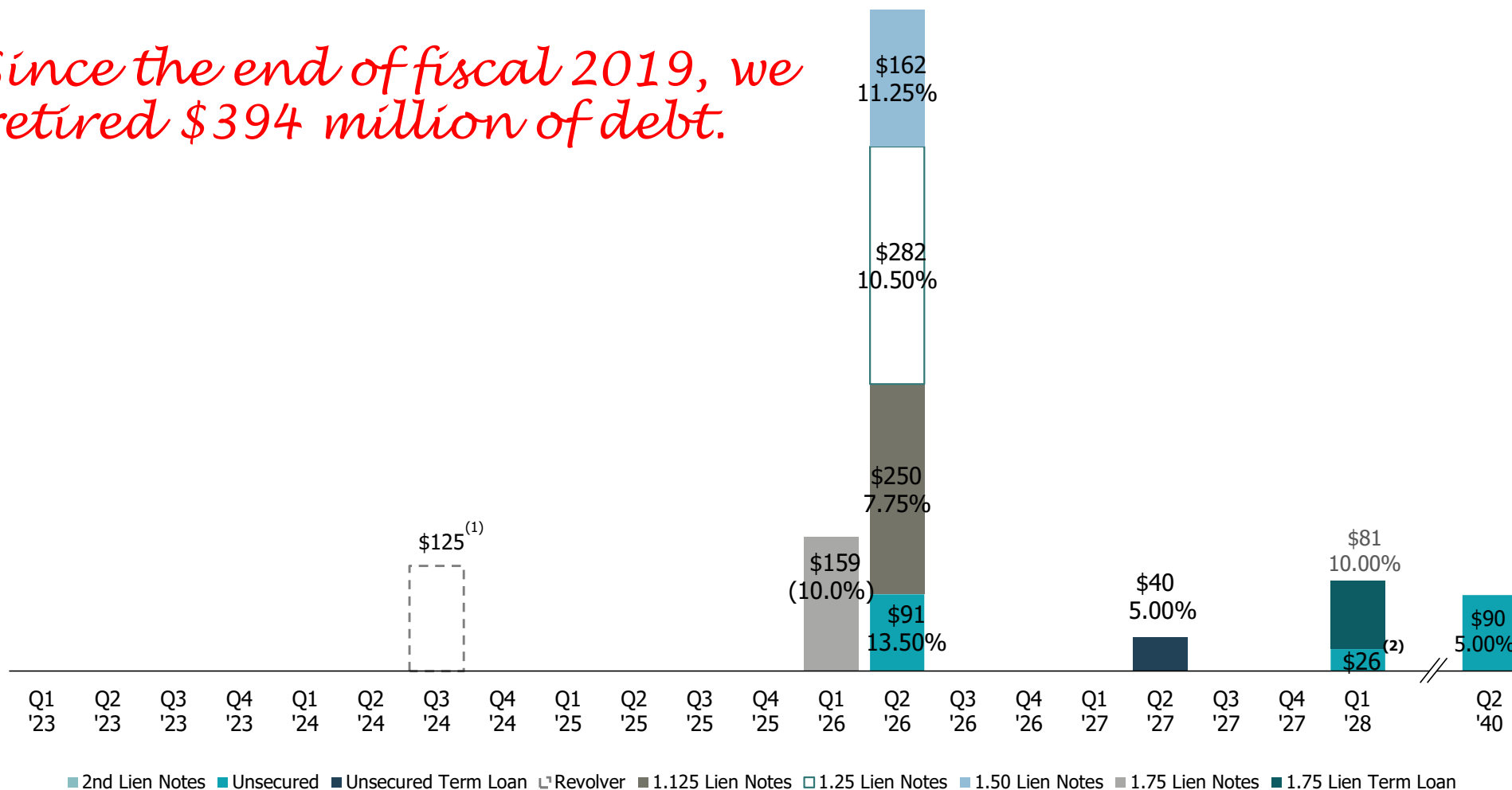
Note: Liquidity position includes homebuilding cash and cash equivalents (which includes unrestricted cash and restricted cash required to collateralize letters of credit) and revolving credit facility availability.

# Debt Maturity Profile

As of January 31, 2023

(\$ in millions)

*Since the end of fiscal 2019, we retired \$394 million of debt.*



Note: Shown on a fiscal year basis, at face value.

Excludes non-recourse mortgages.

(1) \$0 balance as of January 31, 2023.

(2) \$26 million of 8.0% senior notes held by wholly owned subsidiary, no cash required to retire.





## Guidance

# Guidance for Second Quarter 2023

(\$ in millions)

	<u>Actuals</u> <u>Q2 2022</u>	<u>Guidance</u> <u>Q2 2023<sup>(1)</sup></u>
<b>Total Revenues</b>	<b>\$703</b>	<b>\$525 - \$625</b>
<b>Adjusted Homebuilding Gross Margin<sup>(2)</sup></b>	<b>26.6%</b>	<b>21.0% - 22.5%</b>
<b>Total SG&amp;A as Percentage of Total Revenues<sup>(3)</sup></b>	<b>9.7%</b>	<b>13.0% - 14.0%</b>
<b>Adjusted EBITDA<sup>(4)</sup></b>	<b>\$124</b>	<b>\$52 - \$67</b>
<b>Adjusted Income Before Income Taxes<sup>(5)</sup></b>	<b>\$88</b>	<b>\$20 - \$35</b>

(1) The Company cannot provide a reconciliation between its non-GAAP projections and the most directly comparable GAAP measures without unreasonable efforts because it is unable to predict with reasonable certainty the ultimate outcome of certain significant items required for the reconciliation. These items include, but are not limited to, land-related charges, inventory impairments and land option write-offs and loss (gain) on extinguishment of debt, net. These items are uncertain, depend on various factors and could have a material impact on GAAP reported results.

(2) Adjusted homebuilding gross margin percentage is before cost of sales interest expense and land charges and is a non-GAAP financial measure. See appendix for a reconciliation of the historic measure to the most directly comparable GAAP measure.

(3) Total SG&A includes homebuilding selling, general and administrative costs and corporate general and administrative costs. Ratio calculated as a percentage of total revenues. The SG&A guidance assumes that the stock remains at \$57.88, which was the price at the end of the first quarter of fiscal year 2023.

(4) Adjusted EBITDA is a non-GAAP financial measure. The most directly comparable GAAP financial measure is net income. Adjusted EBITDA represents earnings before interest expense, income taxes, depreciation, amortization, land-related charges and loss (gain) on extinguishment of debt, net. See appendix for a reconciliation of the historic measure to the most directly comparable GAAP measure.

(5) Adjusted Income Before Income Taxes excludes land-related charges, joint venture write-downs and loss (gain) on extinguishment of debt, net and is a non-GAAP financial measure. See appendix for a reconciliation of the historic measure to the most directly comparable GAAP measure.



## Appendix

# Phantom Stock Impact

(in millions)

	Stock Price at end of quarter	Reported Total SG&A	Reported Total SG&A Ratio	Incremental Phantom Stock Benefit (Expense)	Total SG&A Adjusted for Phantom Stock	Total SG&A Ratio Adjusted for Phantom Stock
Q1 2021	\$51.16	-	-	-	-	-
Q2 2021	\$132.59	\$82.6	11.7%	\$(17.5)	\$65.1	9.3%
Q3 2021	\$104.39	\$60.3	8.7%	\$6.7	\$67.0	9.7%
Q4 2021	\$84.26	\$70.0	8.6%	\$5.3	\$75.3	9.2%
Q1 2022	\$96.88	\$72.2	12.8%	\$(5.7)	\$66.5	11.8%
Q2 2022	\$46.02	\$68.2	9.7%	\$6.0	\$74.2	10.6%
Q3 2022	\$48.51	\$74.9	9.8%	\$(0.3)	\$74.6	9.7%
Q4 2022	\$40.33	\$80.9	9.1%	\$1.0	\$81.9	9.2%
Q1 2023	\$57.88	\$73.4	14.2%	\$(1.4)	\$72.1	14.0%

- In 2019 and 2023, we granted phantom stock awards in lieu of actual equity under our long-term incentive plans ("LTIP").
- This was done in the best interest of shareholders to avoid dilution concerns associated with our low stock prices at the time of grants.
- Expense related to the phantom stock varies depending upon our common stock price at quarter end, is a non-cash expense until paid and is reflected in our total SG&A expenses.

# Land Position

## January 31, 2023 Owned

Segment	Active lots	Mothballed lots	Optioned lots	Total lots
Northeast	1,726	6	12,224	13,956
Southeast	1,386	–	2,255	3,641
West	4,826	390	6,310	11,526
Consolidated total	7,938	396	20,789	29,123
Unconsolidated joint ventures <sup>(1)</sup>	1,466	–	219	1,685
<b>Grand total</b>	<b>9,396</b>	<b>396</b>	<b>21,008</b>	<b>30,808</b>

- Reactivated ~9,300 lots in 110 communities since January 31, 2009
- As of January 31, 2023, mothballed lots in 2 communities with a book value of \$1 million net of impairment balance of \$20 million

5.5 years of lot supply<sup>(2)</sup>

(1) Excludes our single community unconsolidated joint venture in the Kingdom of Saudi Arabia.  
(2) Represents total lots controlled (owned + optioned) / LTM unit closings.

# Reconciliation of income before income taxes excluding land-related charges to income before income taxes

## Hovnanian Enterprises, Inc.

January 31, 2023

Reconciliation of income before income taxes excluding land-related charges to income before income taxes

(In thousands)

	Three Months Ended	
	January 31,	
	2023	2022
	(Unaudited)	
Income before income taxes	\$ 18,047	\$ 35,401
Inventory impairments and land option write-offs	477	99
Income before income taxes excluding land-related charges (1)	<u>\$ 18,524</u>	<u>\$ 35,500</u>

(1) Income before income taxes excluding land-related charges is a non-GAAP financial measure. The most directly comparable GAAP financial measure is income before income taxes.

# Reconciliation of Gross Margin

## Hovnanian Enterprises, Inc.

January 31, 2023

Gross margin

(In thousands)

	Homebuilding Gross Margin	
	Three Months Ended	
	January 31,	
	2023	2022
	(Unaudited)	
Sale of homes	\$ 499,645	\$ 551,366
Cost of sales, excluding interest expense and land charges (1)	390,963	427,873
Homebuilding gross margin, before cost of sales interest expense and land charges (2)	108,682	123,493
Cost of sales interest expense, excluding land sales interest expense	15,001	13,724
Homebuilding gross margin, after cost of sales interest expense, before land charges (2)	93,681	109,769
Land charges	477	99
Homebuilding gross margin	<u>\$ 93,204</u>	<u>\$ 109,670</u>
Homebuilding gross margin percentage	18.7%	19.9%
Homebuilding gross margin percentage, before cost of sales interest expense and land charges (2)	21.8%	22.4%
Homebuilding gross margin percentage, after cost of sales interest expense, before land charges (2)	18.8%	19.9%

	Land Sales Gross Margin	
	Three Months Ended	
	January 31,	
	2023	2022
	(Unaudited)	
Land and lot sales	\$ 329	\$ 34
Cost of sales, excluding interest (1)	77	44
Land and lot sales gross margin, excluding interest and land charges	252	(10)
Land and lot sales interest expense	21	21
Land and lot sales gross margin, including interest	<u>\$ 231</u>	<u>\$ (31)</u>

(1) Does not include cost associated with walking away from land options or inventory impairments which are recorded as inventory impairments and land option write-offs in the Condensed Consolidated Statements of Operations.

(2) Homebuilding gross margin, before cost of sales interest expense and land charges, and homebuilding gross margin percentage, before cost of sales interest expense and land charges, are non-GAAP financial measures. The most directly comparable GAAP financial measures are homebuilding gross margin and homebuilding gross margin percentage, respectively.

# Reconciliation of Adjusted EBITDA to Net Income

## Hovnanian Enterprises, Inc.

January 31, 2023

Reconciliation of adjusted EBITDA to net income

(In thousands)

	Three Months Ended	
	January 31,	
	2023	2022
	(Unaudited)	
Net income	\$ 18,716	\$ 24,808
Income tax (benefit) provision	(669)	10,593
Interest expense	30,115	27,138
EBIT (1)	48,162	62,539
Depreciation and amortization	1,410	1,175
EBITDA (2)	49,572	63,714
Inventory impairments and land option write-offs	477	99
Adjusted EBITDA (3)	\$ 50,049	\$ 63,813
Interest incurred	\$ 34,326	\$ 32,783
Adjusted EBITDA to interest incurred	1.46	1.95

(1) EBIT is a non-GAAP financial measure. The most directly comparable GAAP financial measure is net income. EBIT represents earnings before interest expense and income taxes.

(2) EBITDA is a non-GAAP financial measure. The most directly comparable GAAP financial measure is net income. EBITDA represents earnings before interest expense, income taxes, depreciation and amortization.

(3) Adjusted EBITDA is a non-GAAP financial measure. The most directly comparable GAAP financial measure is net income. Adjusted EBITDA represents earnings before interest expense, income taxes, depreciation, amortization and inventory impairments and land option write-offs.



# Reconciliation of Inventory Turnover

## Hovnanian Enterprises, Inc.

January 31, 2023

Calculation of Inventory Turnover<sup>(1)</sup>

	For the quarter ended					TTM ended
(Dollars in thousands)	4/30/2022	7/31/2022	10/31/2022	1/31/2023	1/31/2023	
Cost of sales, excluding interest	\$503,682	\$548,576	\$656,888	\$391,040		\$2,100,186
	As of					
	1/31/2022	4/30/2022	7/31/2022	10/31/2022	1/31/2023	
Total inventories	\$1,413,388	\$1,492,167	\$1,585,281	\$1,519,184	\$1,507,038	<b>Five</b>
Less liabilities from inventory not owned, net of debt issuance costs	75,344	123,793	178,454	202,492	209,579	<b>Quarter</b>
Less capitalized interest	63,804	63,573	64,140	59,600	60,795	<b>Average</b>
Inventories less consolidated inventory not owned and capitalized interest plus liabilities from inventory not owned	\$1,274,240	\$1,304,801	\$1,342,687	\$1,257,092	\$1,236,664	\$1,283,097
Inventory turnover						1.6x

*(1) Derived by dividing cost of sales, excluding cost of sales interest, by the five-quarter average inventory, excluding liabilities from inventory not owned and capitalized interest. The Company's calculation of Inventory Turnover may be different than the calculation used by other companies and, therefore, comparability may be affected.*

# Reconciliation of Consolidated EBIT ROI

## Hovnanian Enterprises, Inc.

January 31, 2023

Calculation of Consolidated Adjusted EBIT ROI

(Dollars in thousands)	For the quarter ended					TTM ended
	4/30/2022	7/31/2022	10/31/2022	1/31/2023	1/31/2023	
Consolidated EBIT	\$115,048	\$144,004	\$130,745	\$48,162	\$437,959	
Inventory impairments and land option write-offs	\$565	\$1,173	\$12,239	\$477	\$14,454	
Loss on extinguishment of debt	\$6,795	\$0	\$0	\$0	\$6,795	
Adjusted EBIT	\$122,408	\$145,177	\$142,984	\$48,639	\$459,208	
	As of					
	1/31/2022	4/30/2022	7/31/2022	10/31/2022	1/31/2023	
Total inventories	\$1,413,388	\$1,492,167	\$1,585,281	\$1,519,184	\$1,507,038	<b>Five</b>
Less liabilities from inventory not owned, net of debt issuance costs	75,344	123,793	178,454	202,492	209,579	<b>Quarter</b>
Less capitalized interest	63,804	63,573	64,140	59,600	60,795	<b>Average</b>
Inventories less consolidated inventory not owned and capitalized interest plus liabilities from inventory not owned	\$1,274,240	\$1,304,801	\$1,342,687	\$1,257,092	\$1,236,664	\$1,283,097
Inventory turnover						35.8%



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