Hovnanian Enterprises, Inc.

Review of Financial Results | Third Quarter Fiscal 2018

Hovnanian Enterprises, Inc.

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 targets, goals and expectations with respect to its financial results for future financial periods such as its statements related to its key metric targets for total consolidated revenue, homebuilding gross margin percentage before cost of sales interest expense and land charges, total SG&A ratio, adjusted pre-tax earnings, adjusted EBITDA, average inventory and inventory turns. Although we believe that our targets, plans, intentions and expectations reflected in, or suggested by, such forward-looking statements are reasonable, we can give no assurance that such targets, 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 sustained homebuilding downturn; (2) adverse weather and other environmental conditions and natural disasters; (3) levels of indebtedness and restrictions on the Company's operations and activities imposed by the agreements governing the Company's outstanding indebtedness; (4) the Company's sources of liquidity; (5) changes in credit ratings; (6) changes in market conditions and seasonality of the Company's business; (7) the availability and cost of suitable land and improved lots; (8) shortages in, and price fluctuations of, raw materials and labor; (9) 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; (10) fluctuations in interest rates and the availability of mortgage financing; (11) changes in tax laws affecting the after-tax costs of owning a home; (12) operations through joint ventures with third parties; (13) government regulation, including regulations concerning development of land, the home building, sales and customer financing processes, tax laws and the environment; (14) product liability litigation, warranty claims and claims made by mortgage investors; (15) levels of competition; (16) availability and terms of financing to the Company; (17) successful identification and integration of acquisitions; (18) significant influence of the Company's controlling stockholders; (19) availability of net operating loss carryforwards; (20) utility shortages and outages or rate fluctuations; (21) geopolitical risks, terrorist acts and other acts of war; (22) increases in cancellations of agreements of sale; (23) loss of key management personnel or failure to attract qualified personnel; (24) information technology failures and data security breaches; (25) legal claims brought against us and not resolved in our favor; and (26) 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, 2017 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 impairment loss and land option write-offs and loss on extinguishment of debt ("Adjusted EBITDA") are not U.S. generally accepted accounting principles (GAAP) financial measures. The most directly comparable GAAP financial measure is net (loss). The reconciliation for historical periods of EBIT, EBITDA and Adjusted EBITDA to net (loss) is presented in a table attached to this earnings release.

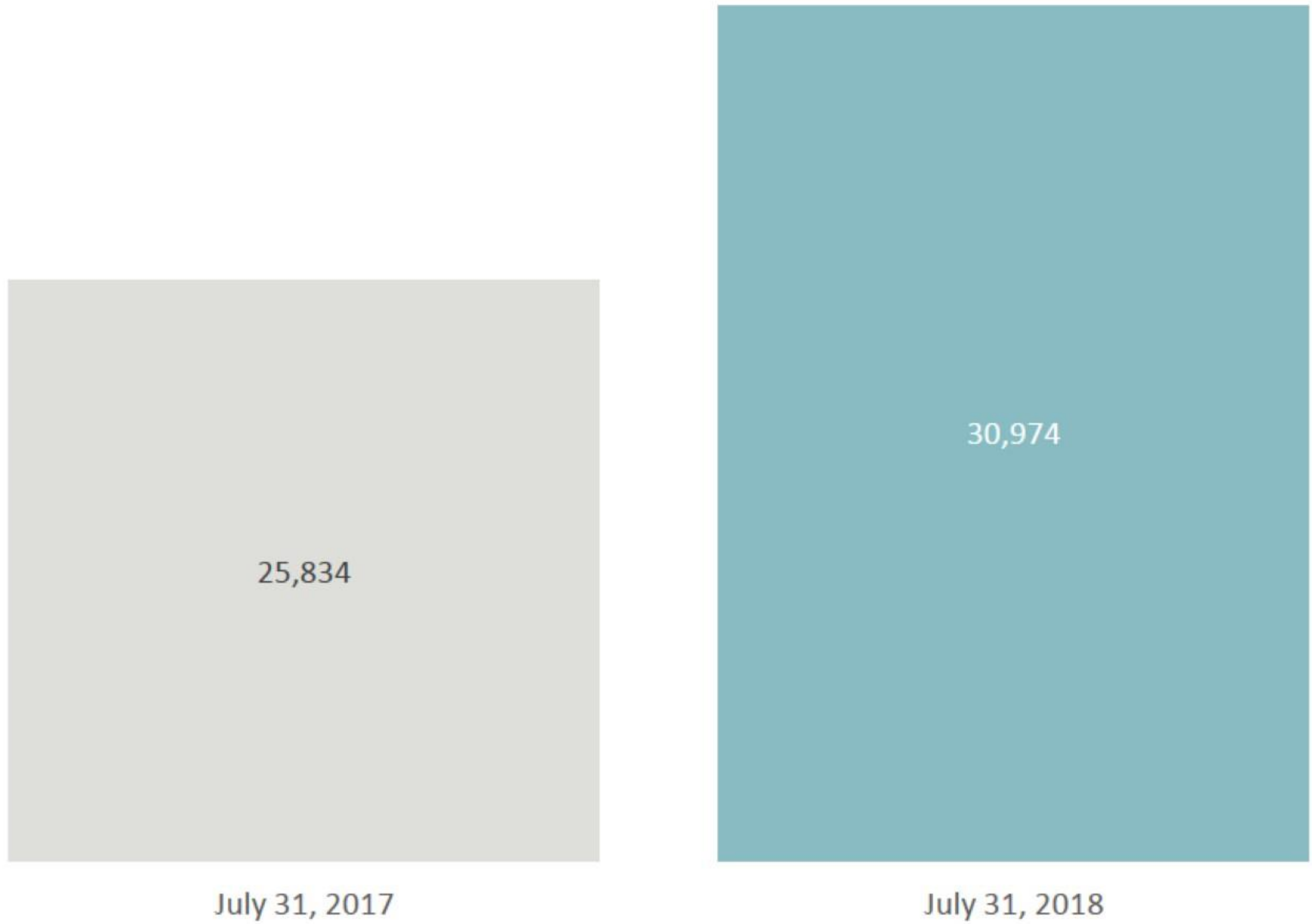
Homebuilding gross margin, before costs of sales interest expense and land charges, and homebuilding gross margin percentage, before costs of sales interest expense and land charges, are non-GAAP financial measures. The most directly comparable GAAP financial measures are homebuilding gross margin and homebuilding gross margin percentage, respectively. The reconciliation for historical periods of homebuilding gross margin, before costs of sales interest expense and land charges, and homebuilding gross margin percentage, before costs 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 earnings release.

Income (Loss) Before Income Taxes Excluding Land-Related Charges, Joint Venture Write-Downs and Loss on Extinguishment of Debt is a non-GAAP financial measure. The most directly comparable GAAP financial measure is Income (Loss) Before Income Taxes. The reconciliation for historical periods of Income (Loss) Before Income Taxes Excluding Land-Related Charges, Joint Venture Write-Downs and Loss on Extinguishment of Debt to Income (Loss) Before Income Taxes is presented in a table attached to this earnings release.

Adjusted Homebuilding EBIT to Inventory is defined as Adjusted Homebuilding EBIT for the last 12 months divided by the last five quarter average inventory, excluding inventory not owned and capitalized interest. Adjusted Homebuilding EBIT is a non-GAAP financial measure. The most directly comparable GAAP financial measure is net (loss). The calculation of Adjusted Homebuilding EBIT to Inventory and the reconciliation for historical periods of Adjusted Homebuilding EBIT to net (loss) is presented in a table attached to this presentation.

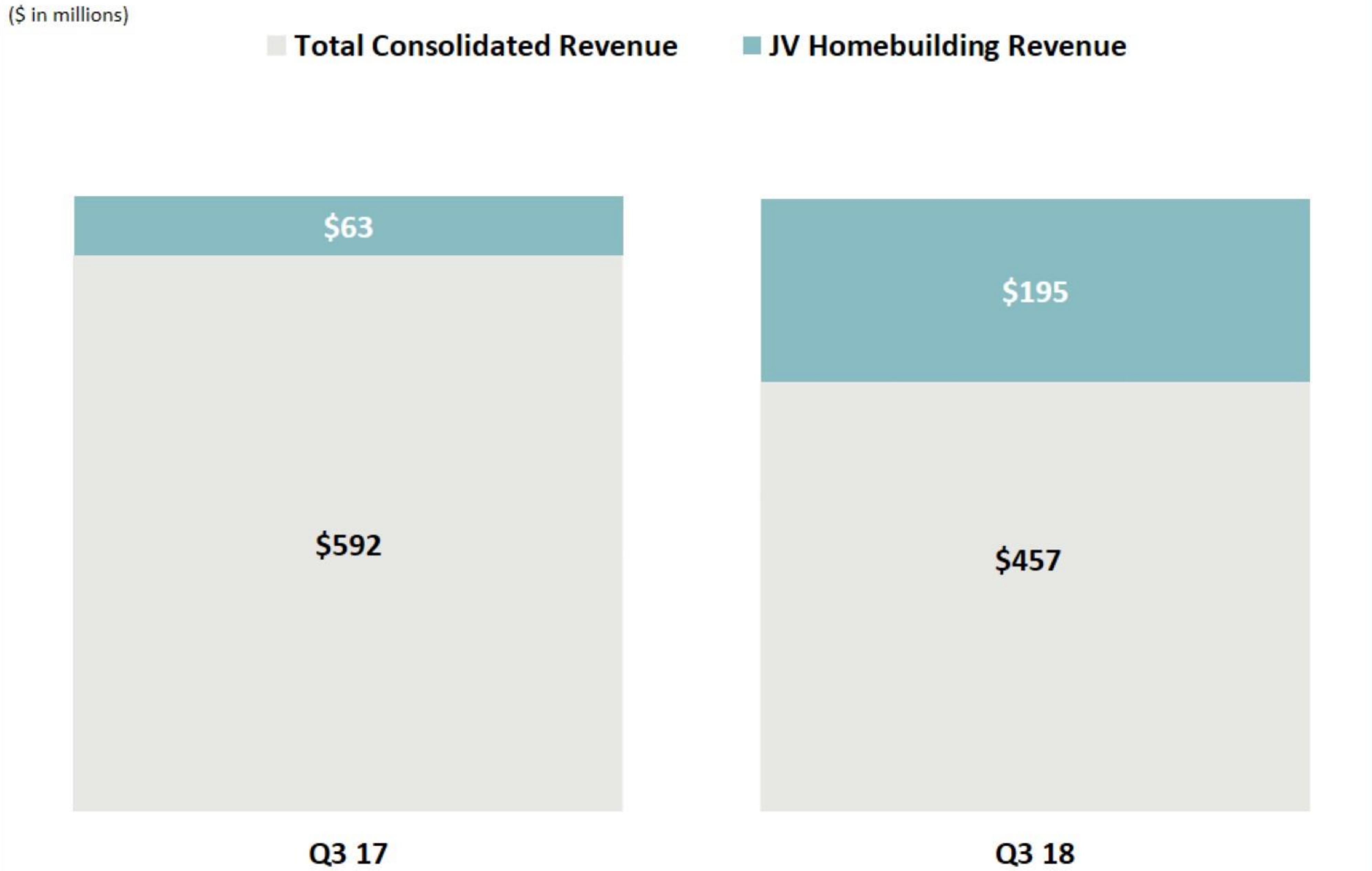
Total liquidity is comprised of $216.7 million of cash and cash equivalents, $25.2 million of restricted cash required to collateralize a performance bond and letters of credit and $0.2 million of availability under the unsecured revolving credit facility as of July 31, 2018.

Lots Controlled



Excludes unconsolidated joint ventures.

Total Revenues



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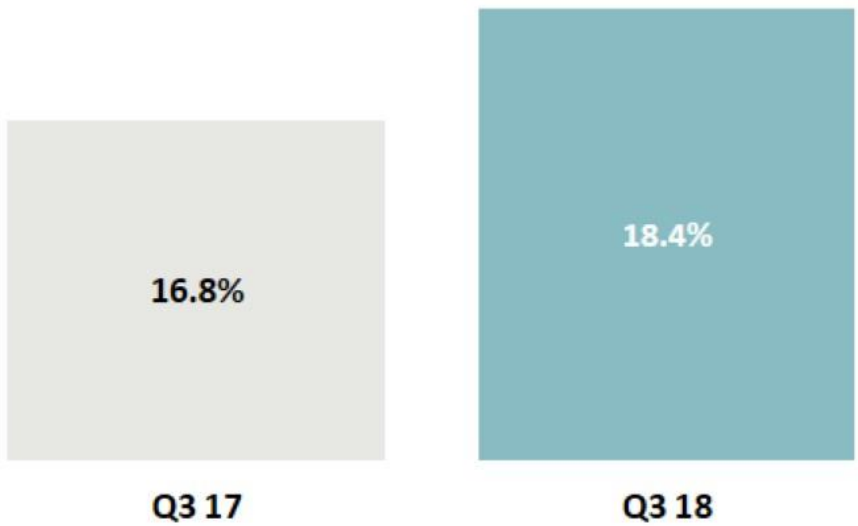
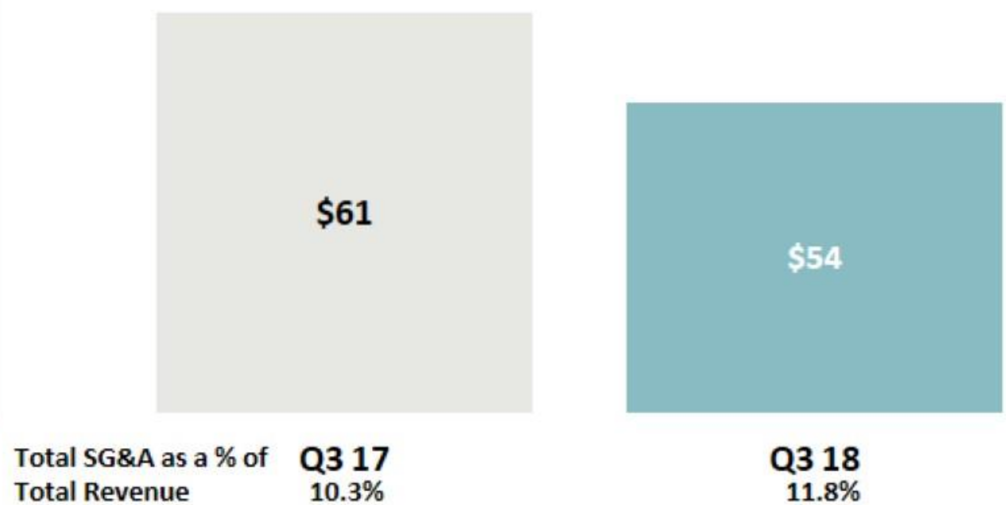
Third Quarter Operating Results

($ in millions)

Adjusted Homebuilding Gross Margin(1)



Total SG&A(2)



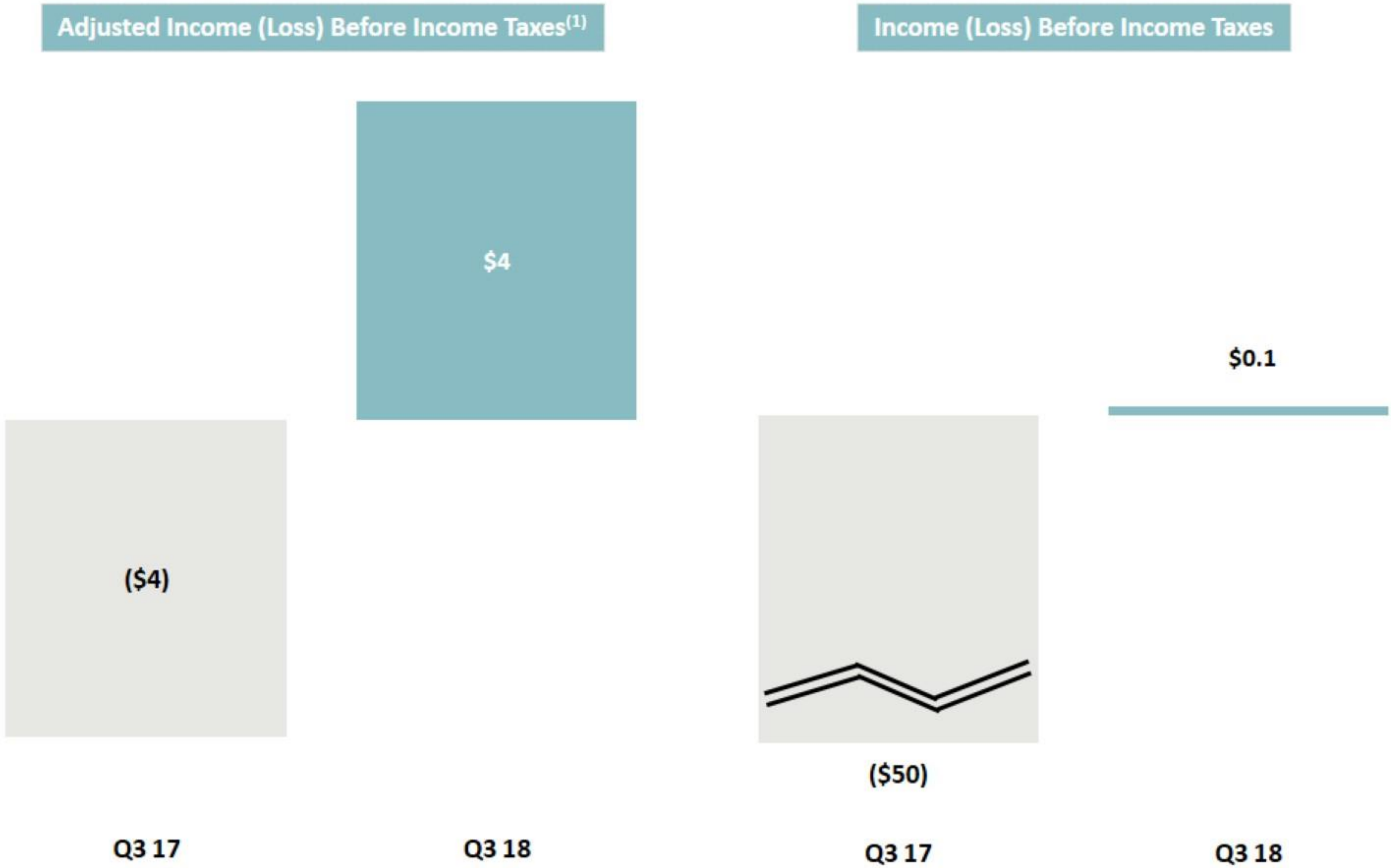
Total Interest Expense

(1) Adjusted homebuilding gross margin percentage is before cost of sales interest expense and land charges. 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.

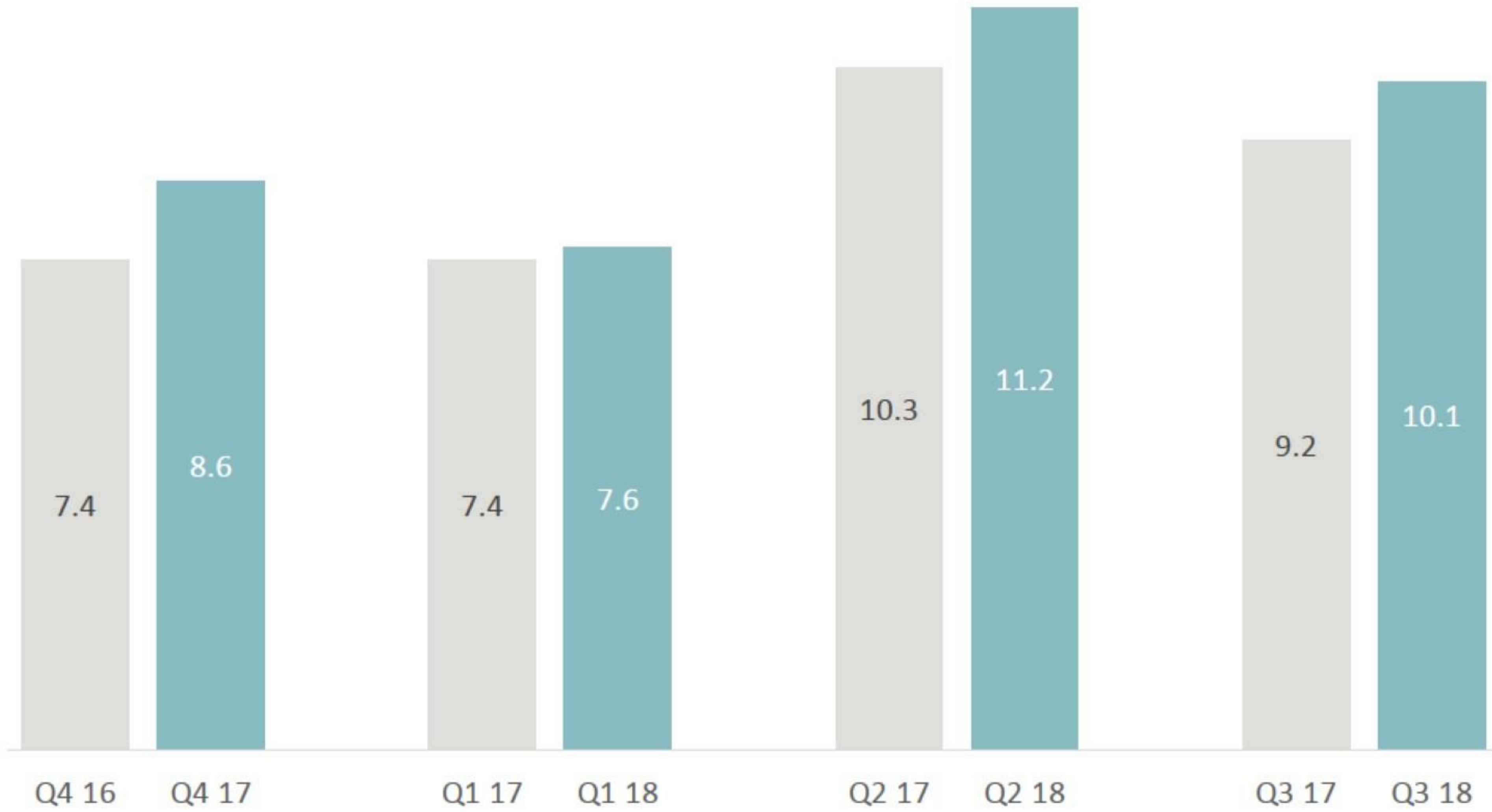
Pre-Tax Profitability

($ in millions)



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

Quarterly Net Contracts Per Community



Note: Includes joint ventures.

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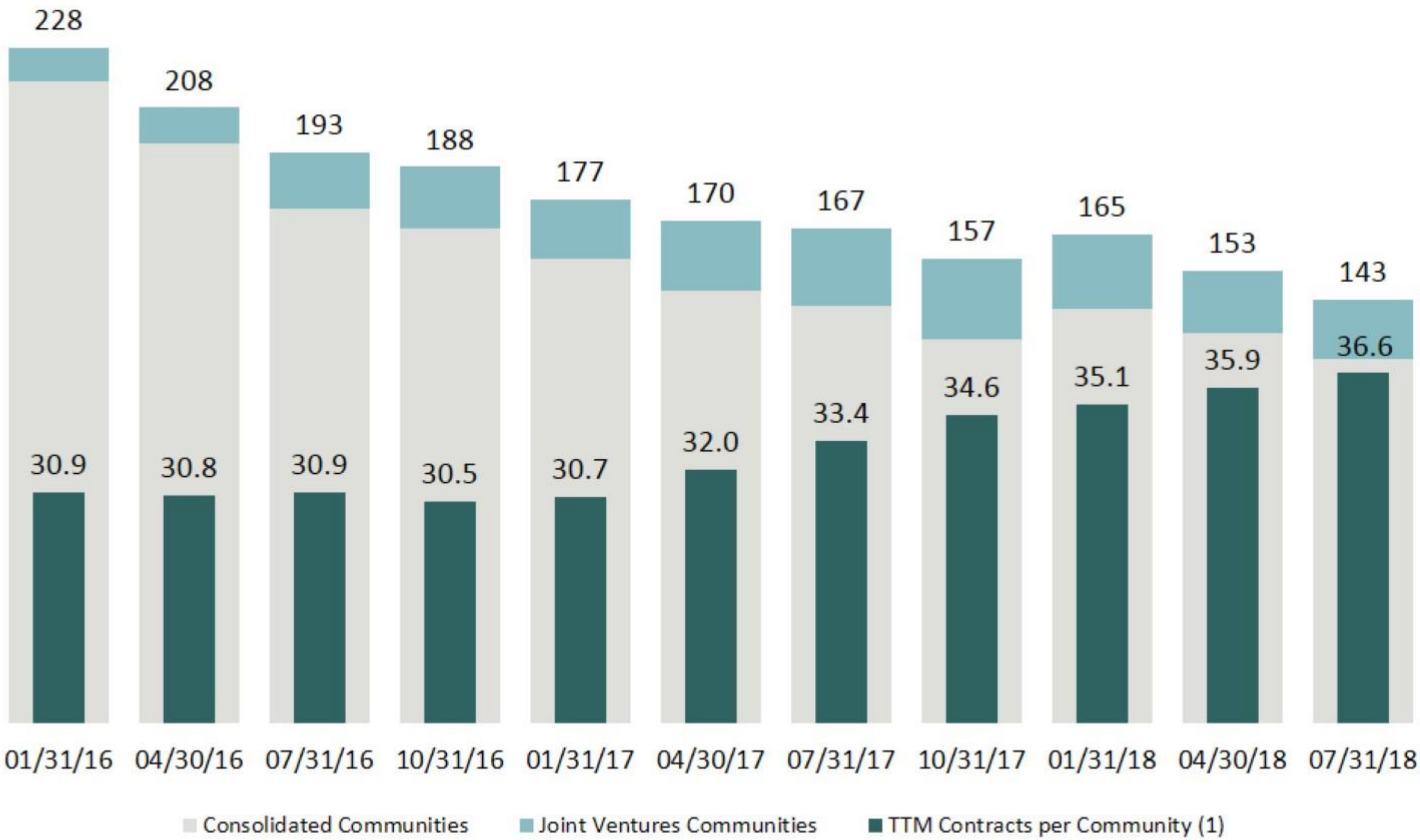
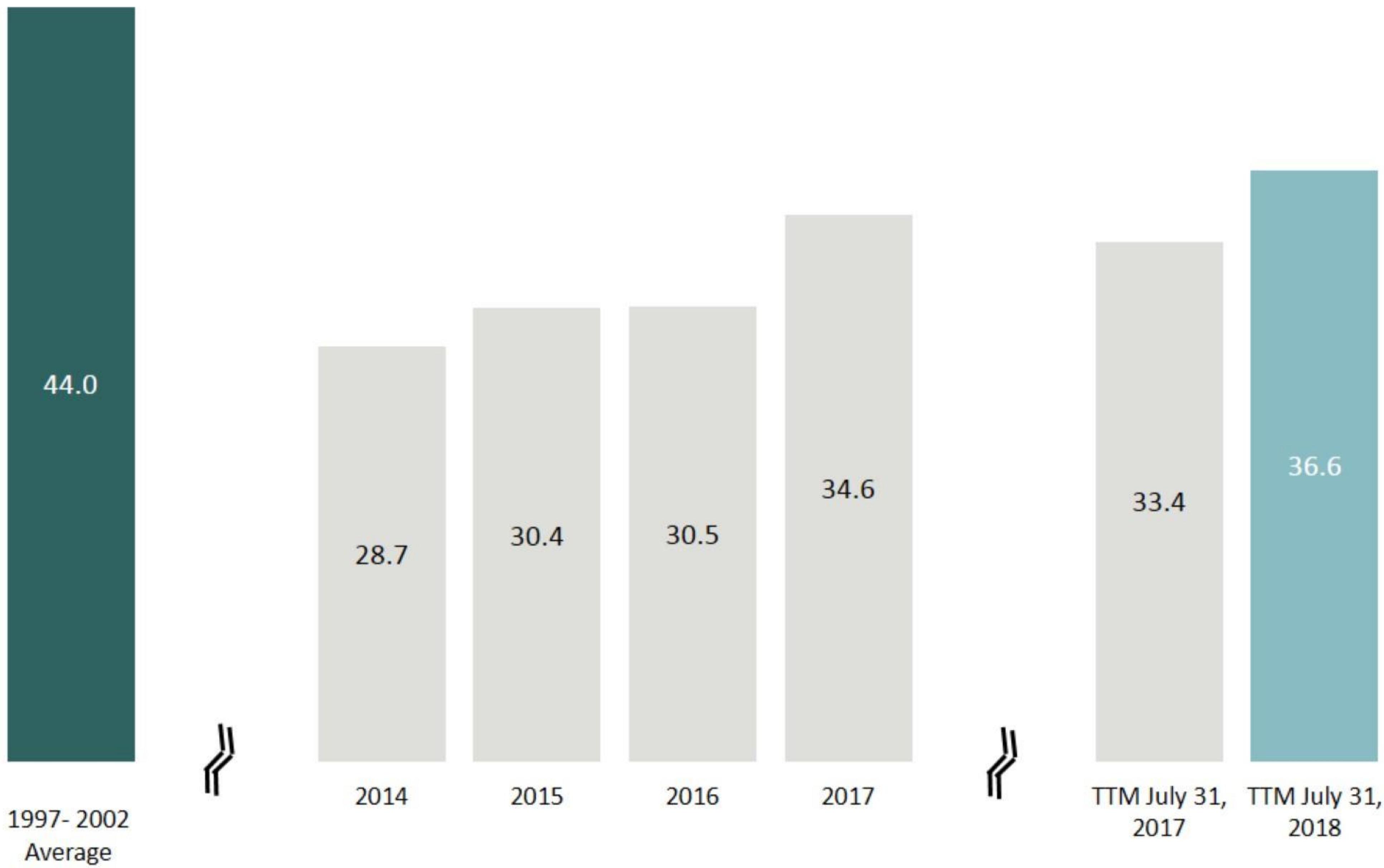
Communities & Growth in Contracts per Community



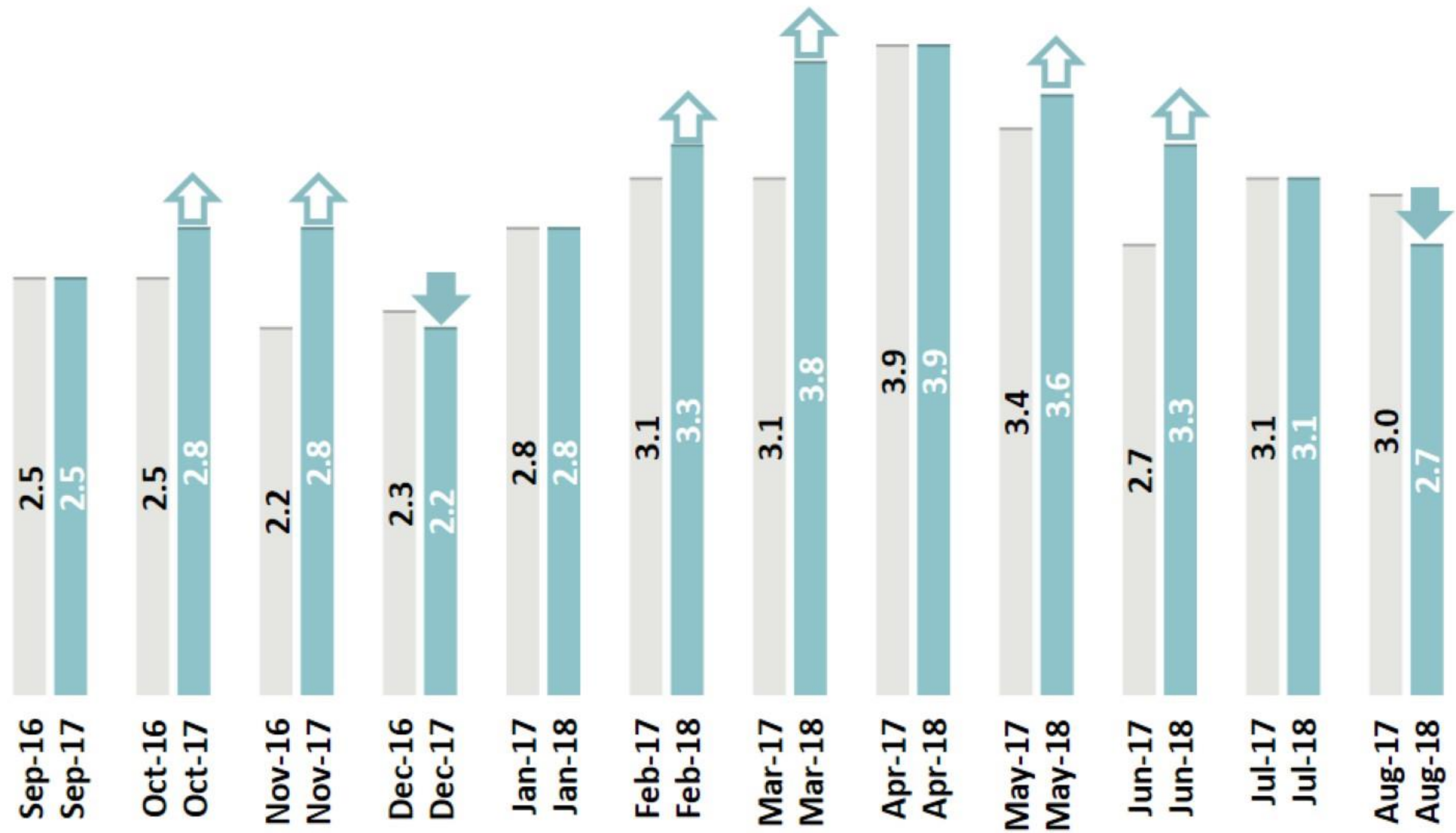
(1) TTM contracts per community calculated based on a five quarter average of communities, including joint ventures.
Note: Communities are open for sale communities with 10 or more home sites available.

Annual Contracts Per Community



Note: Annual Contracts per Community calculated based on a five quarter average of communities, including joint ventures.

Number of Monthly Contracts Per Community, Includes Joint Ventures

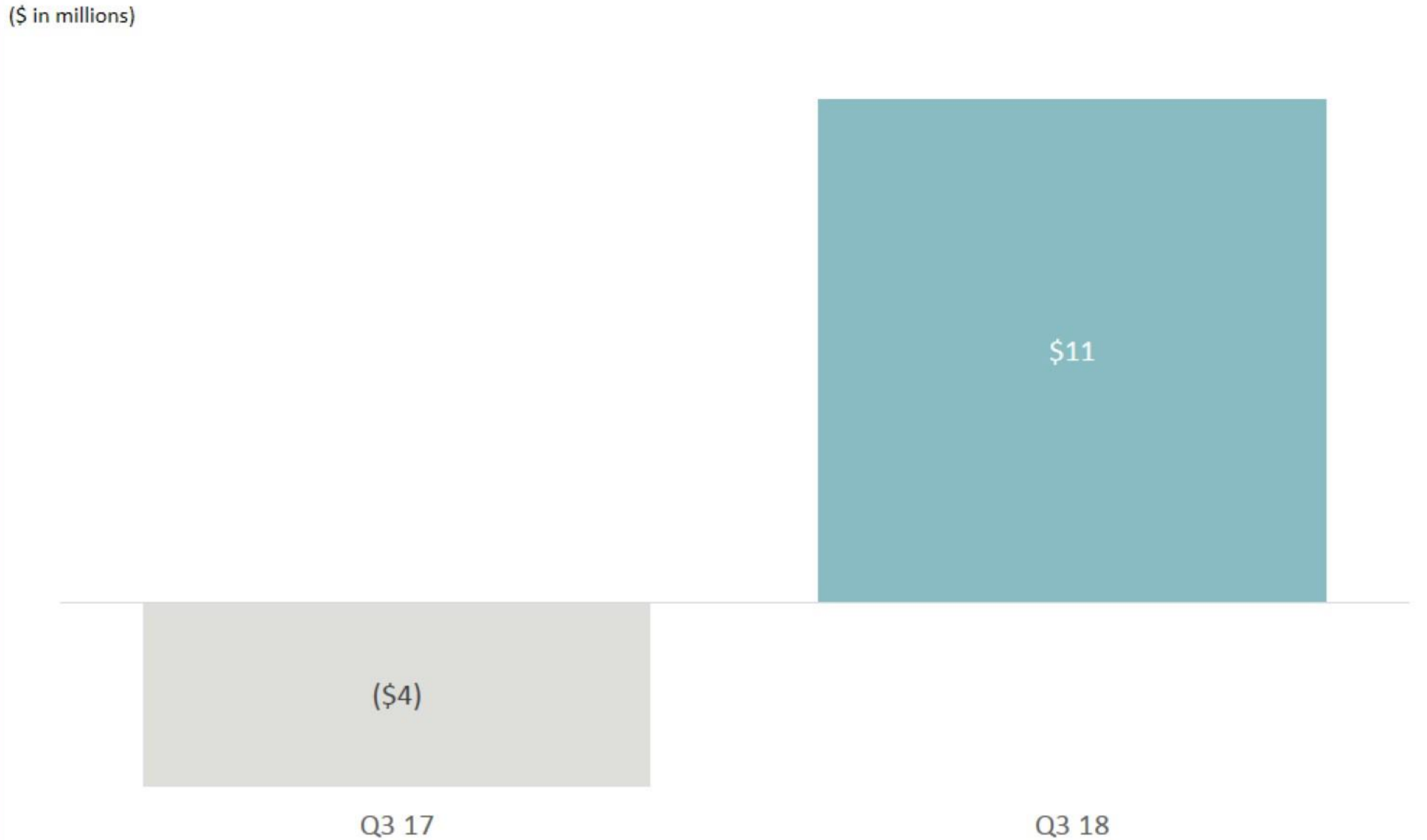


Number of Sundays	4	4	5	5	4	4	4	5	5	4	4	4
	Sep-16	Sep-17	Oct-16	Oct-17	Nov-16	Nov-17	Dec-16	Dec-17	Jan-17	Jan-18	Feb-17	Feb-18
Monthly contracts	475	408	470	444	400	443	415	348	497	459	562	528

Number of Sundays	4	4	5	5	4	4	4	4	5	5	4	4
	Mar-17	Mar-18	Apr-17	Apr-18	May-17	May-18	Jun-17	Jun-18	Jul-17	Jul-17	Aug-17	Aug-18
Monthly contracts	531	586	655	592	567	523	444	482	522	446	492	379

Note: Includes joint ventures.

Income from Joint Ventures



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Increase in Newly Controlled Lots

	YTD 2018[1]
Newly Controlled Lots[2]	9,216
Deliveries & Lot Sales	3,571
# of Newly Controlled Lots in Excess of Deliveries	5,645
Newly Controlled Lots as a Percentage of Deliveries & Lot Sales	258%

(1) Excludes unconsolidated joint ventures.
(2) Includes newly optioned lots net of walk aways, as well as lots purchased that were not previously optioned.

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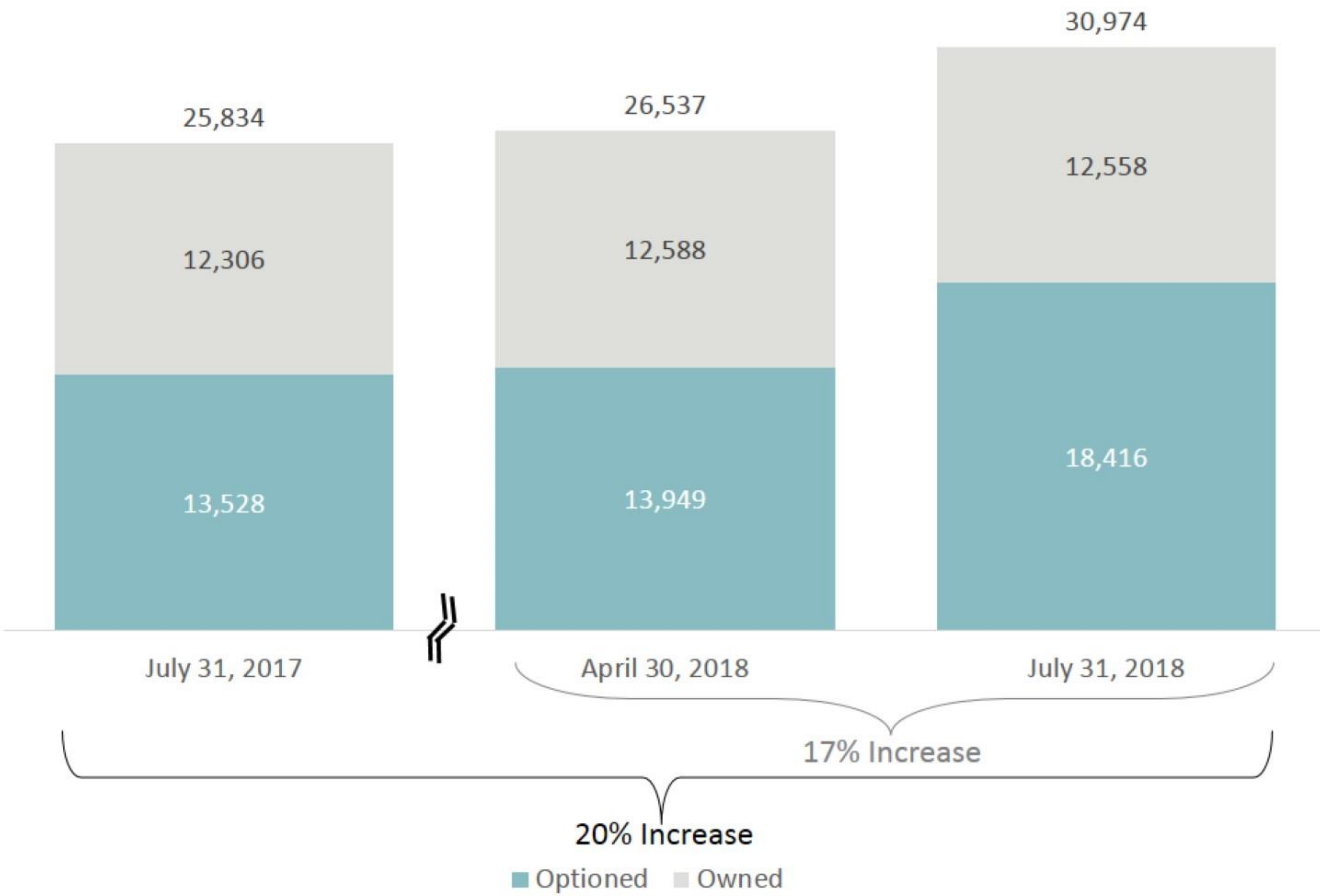
Total Lots Controlled



Excludes unconsolidated joint ventures.

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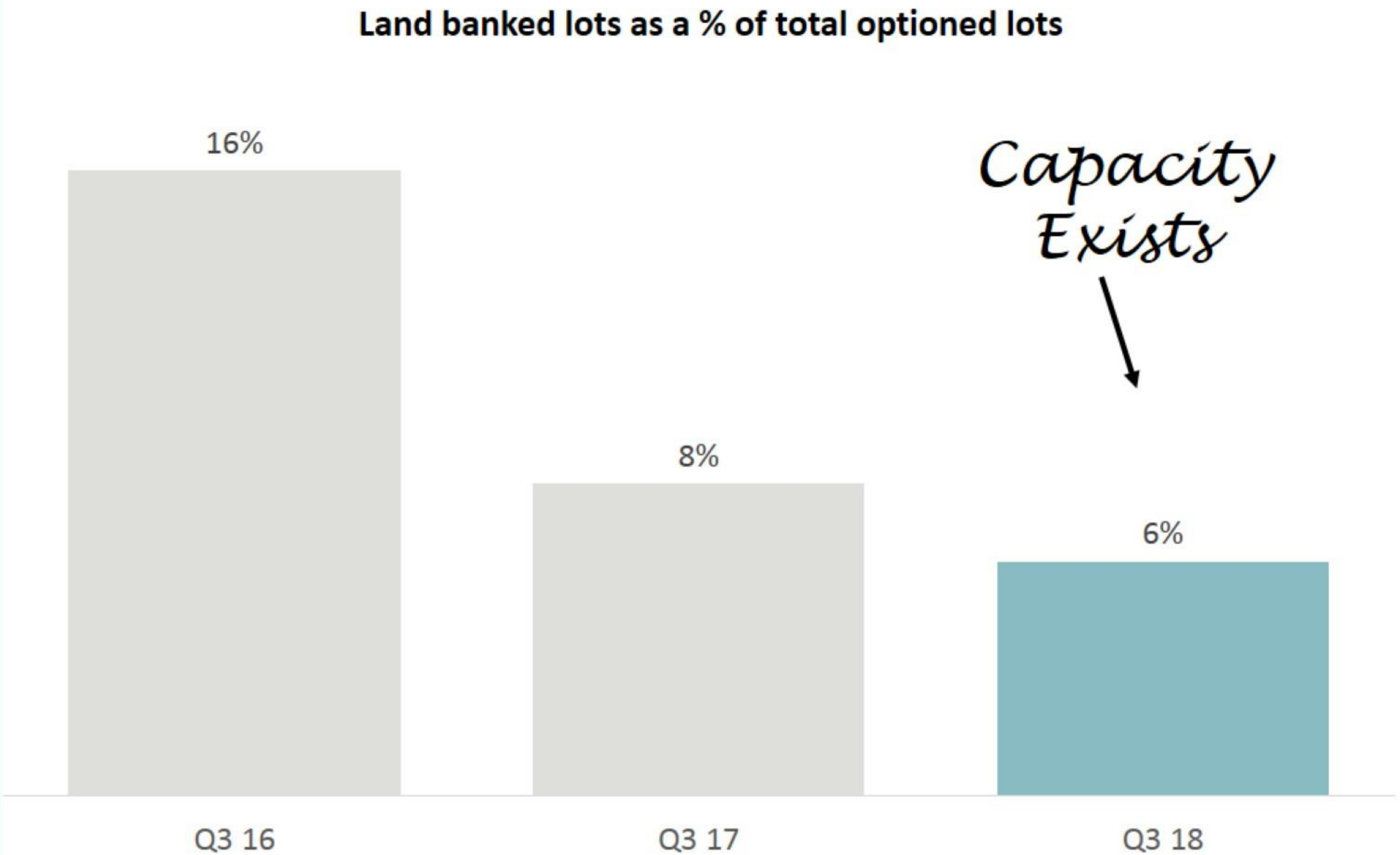
Decreases in Land Banked Lots



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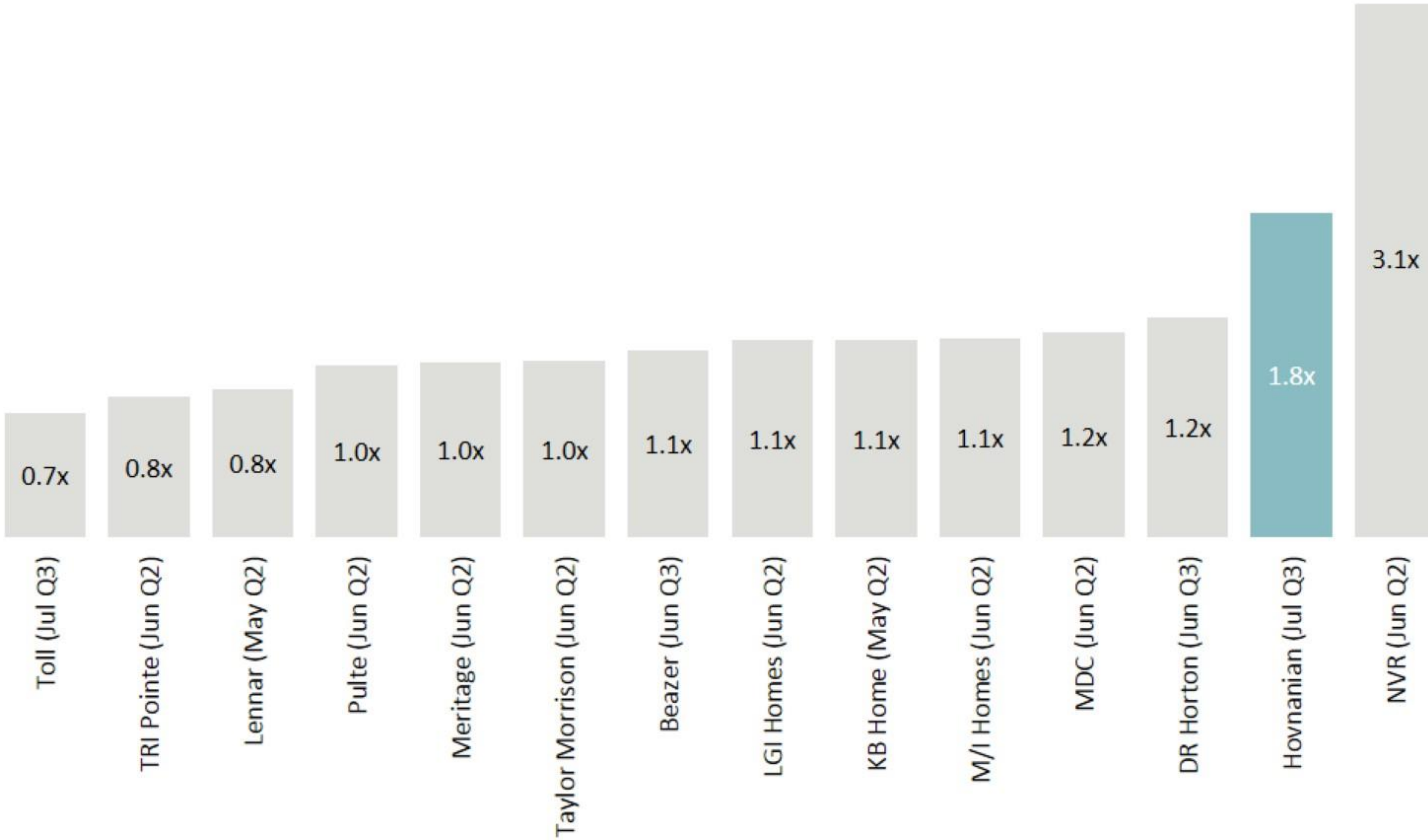
Adjusted Homebuilding EBIT to Inventory, Last Twelve Months

Note: Defined as LTM Homebuilding EBIT before land-related charges divided by five quarter average inventory, excluding capitalized interest and inventory not owned.
Source: Company SEC filings and press releases as of 09/10/18. See appendix for a reconciliation to the most directly comparable GAAP measure.

Inventory Turns (COGS), Last Twelve Months

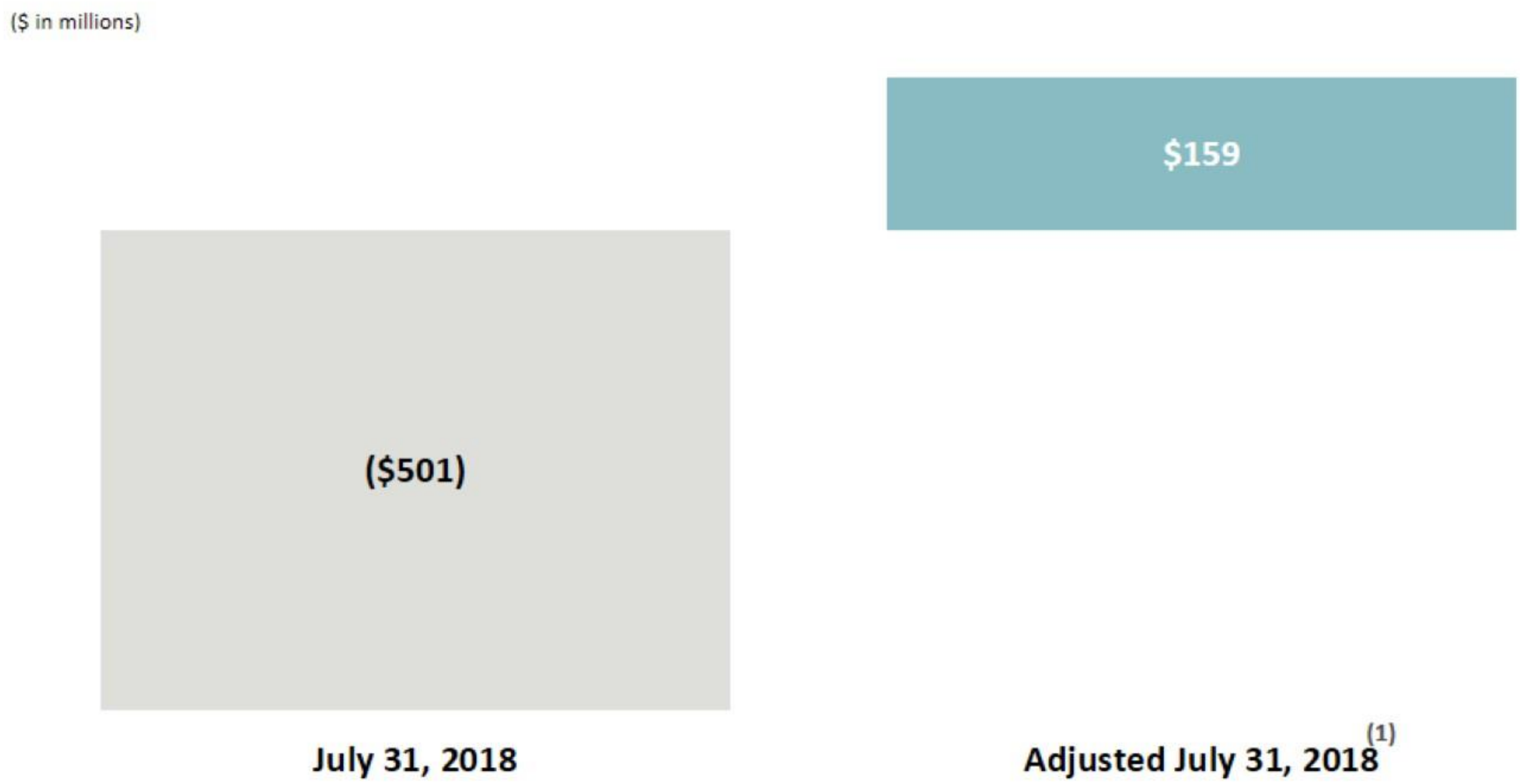


Note: Inventory turns derived by dividing cost of sales, excluding capitalized interest, by the five quarter average homebuilding inventory, excluding inventory not owned and capitalized interest. See appendix for a reconciliation to the most directly comparable GAAP measure.

Source: Company SEC filings and press releases as of 09/10/18.

Adjusted Hovnanian Stockholders' Equity

- *Deferred tax asset will shield approximately $2.1 billion of future pretax earnings from federal income taxes which will help accelerate repairing our balance sheet*



(1) Total Hovnanian Stockholders' Deficit of $(501) million with $660 million valuation allowance added back to Stockholders' Equity. The $660 million valuation allowance consisted of a $440 million federal valuation allowance and a $220 million state valuation allowance.

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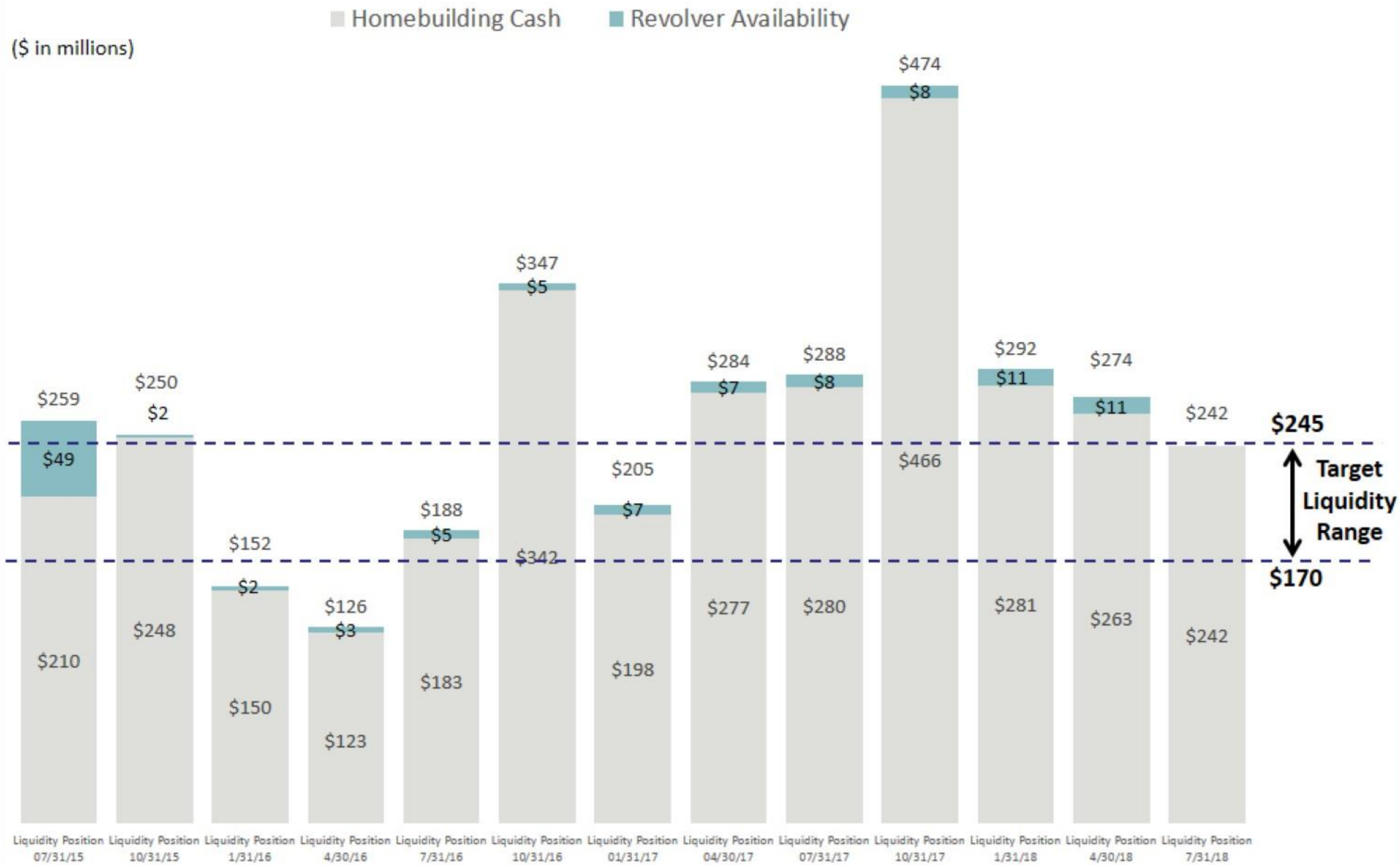
Liquidity Position and Target



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

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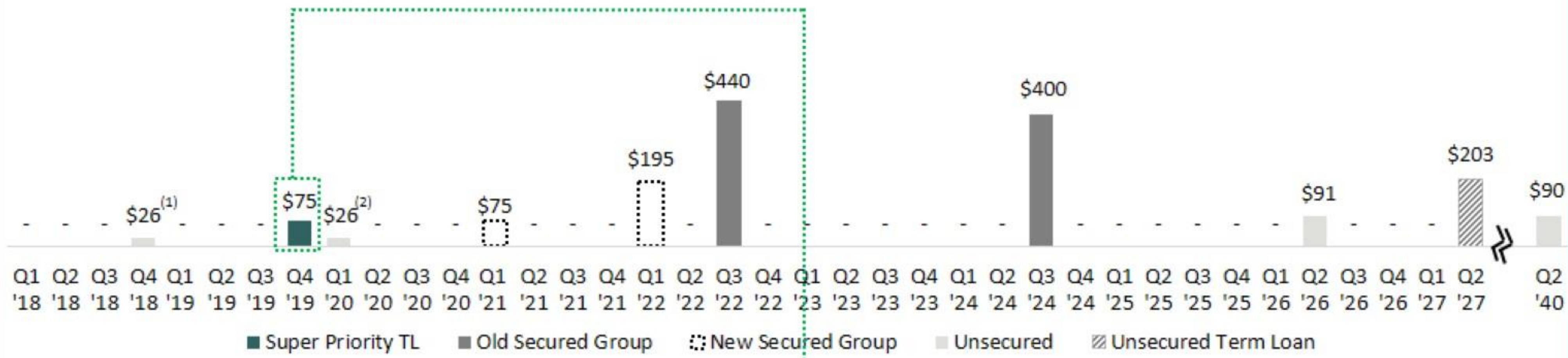
Pre and Pro Forma Maturity Profile

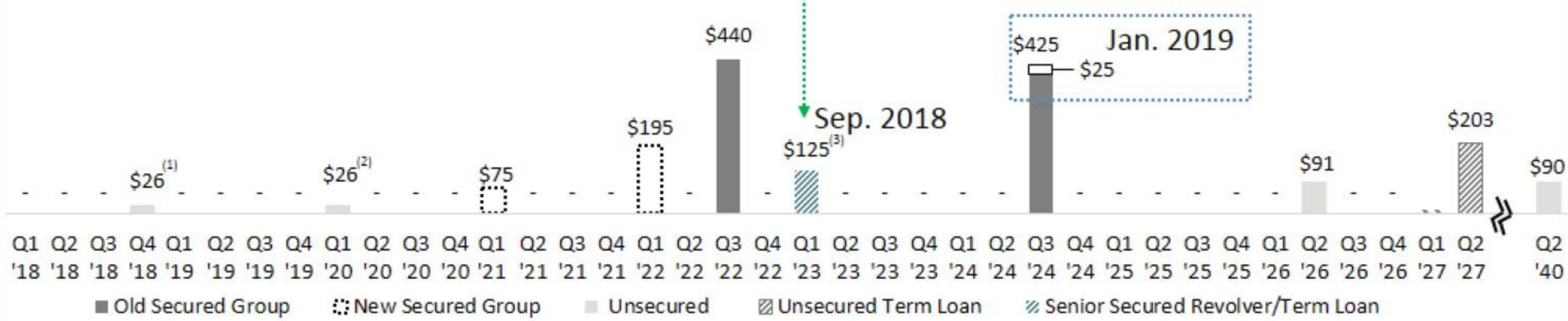
As of July 31, 2018

($ in millions)



Pro Forma for Senior Secured Revolver/Term Loan in September 2018 and $25M Tack On in January 2019

($ in millions)



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

Note: Excludes non-recourse mortgages.

[1] Intend to pay off with cash.

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

[3] Becomes a term loan in December 2019 with final maturity in December 2022.

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GSO Financing Commitments

- Commitment for 4.5 year $125 million senior secured revolver/term loan from GSO Entities
  - Anticipate first draw in September 2018 to repay $75 million super priority secured term loan
  - Provides $50 million of incremental liquidity

- Commitment from GSO Entities to purchase at approximately then current yield $25 million additional 10.5% senior secured notes due 2024
  - Closes in January 2019
  - Provides $25 million additional liquidity

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Guidance for Fourth Quarter 2018

($ in millions)

	Q4 2018
Total Revenues	$600 - $640
Gross Margin	17.8% - 18.4%
Total SG&A as Percentage of Total Revenues	9.0% - 10.0%
Adjusted Income Before Income Taxes[(1)]	$20 - $40

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

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Appendix

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Coverage for Super Priority Term Loan, 10.0% Secured Notes Due 2022 and 10.5% Secured Notes Due 2024

($ in Thousands)

	April 30, 2018	July 31, 2018
Cash and cash equivalents	$164,800	$155,400
Mortgaged Inventory	$483,400	$456,700
Pledged equity value of subsidiaries without inventory liens(1)	$70,600	$79,400
Total Collateral	**$718,800**	**$691,500**
Plus equity value of subsidiaries with non-recourse loans(2)	$94,900	$102,700
Total Adjusted Collateral	**$813,700**	**$794,200**
Total principal amount of secured debt	$915,000	$915,000
Adjusted Collateral Ratio	**0.89x**	**0.87x**

(1) Represents book value of inventory owned by guarantor subsidiaries for which mortgages are either not yet filed or not required to be filed.
(2) Represents book value of inventory owned by guarantor subsidiaries less outstanding payable amount of non-recourse loans.

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Coverage for 9.5% 1st Lien Notes Due 2020 and 2% and 5% 1st Lien Notes Due 2021

($ in Thousands)	April 30, 2018	July 31, 2018
Cash and cash equivalents	$97,900	$86,600
Mortgaged Inventory	$139,300	$164,200
Pledged equity value of subsidiaries without inventory liens(1)	$24,300	$15,900
Total Collateral	**$261,500**	**$266,700**
Plus equity value of subsidiaries with non-recourse loans(2)	$11,800	$18,000
Total Adjusted Collateral	**$273,300**	**$284,700**
Total principal amount of secured debt	$270,000	$270,000
Adjusted Collateral Ratio	**1.01x**	**1.05x**
Total Adjusted Collateral	**$273,300**	**$284,700**
Plus equity interests in joint ventures(3)	$79,200	$96,000
Total Assets Available for secured debt	**$352,500**	**$380,700**
Total principal amount of secured debt	$270,000	$270,000
Asset Coverage Ratio	**1.31x**	**1.41x**

(1) Represents book value of inventory owned by guarantor subsidiaries for which mortgages are either not yet filed or not required to be filed.
(2) Represents book value of inventory owned by guarantor subsidiaries less outstanding payable amount of non-recourse loans.
(3) Represents equity in joint ventures owned by guarantor subsidiaries, either directly or indirectly through ownership of joint venture holding companies; this equity is not pledged to secure, and is not collateral for, the Notes.

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Assets Available to All Unsecured Debt

($ in Thousands)

	April 30, 2018	July 31, 2018
Total Assets	$1,642,500	$1,668,500
less Inventory Not Owned	$(78,900)	$(97,000)
less Financial Services Assets	$(120,700)	$(107,900)
Assets Available to All Notes	**$1,442,900**	**$1,463,600**
less non-recourse mortgages	$(70,600)	$(95,400)
less principal for 9.5% 1st Lien Notes due 2020 and 2% and 5% 1st Lien Notes due 2021	$(270,000)	$(270,000)
less principal for Super Priority Term Loan due 2018, 10.0% Secured Notes due 2022 and 10.5% Secured Notes due 2024	$(915,000)	$(915,000)
Assets available to All Unsecured Notes	**$187,300**	**$183,200**

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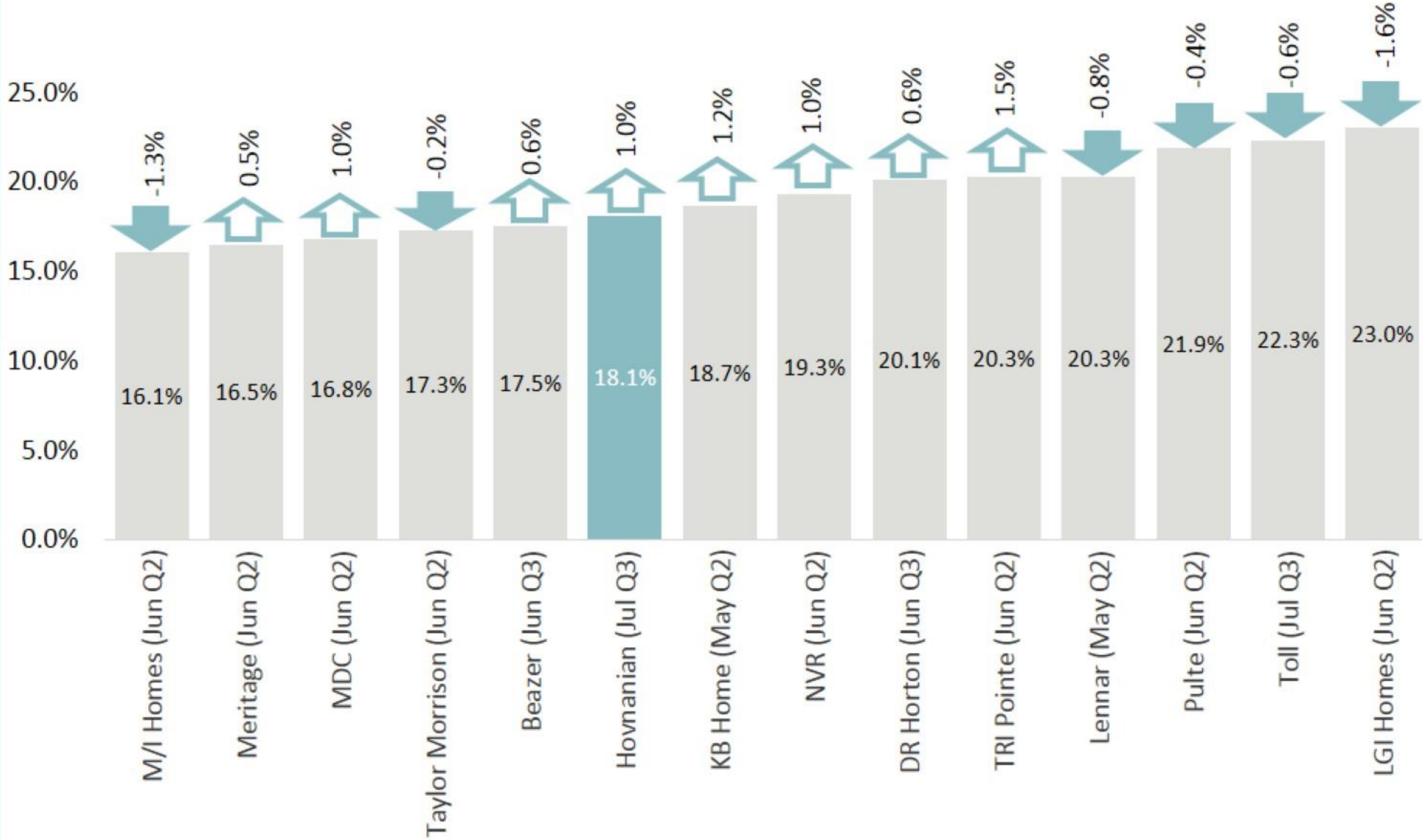
Adjusted Gross Margin Percentage, Last Twelve Months

(adjusted for sales commissions) (year over year change)



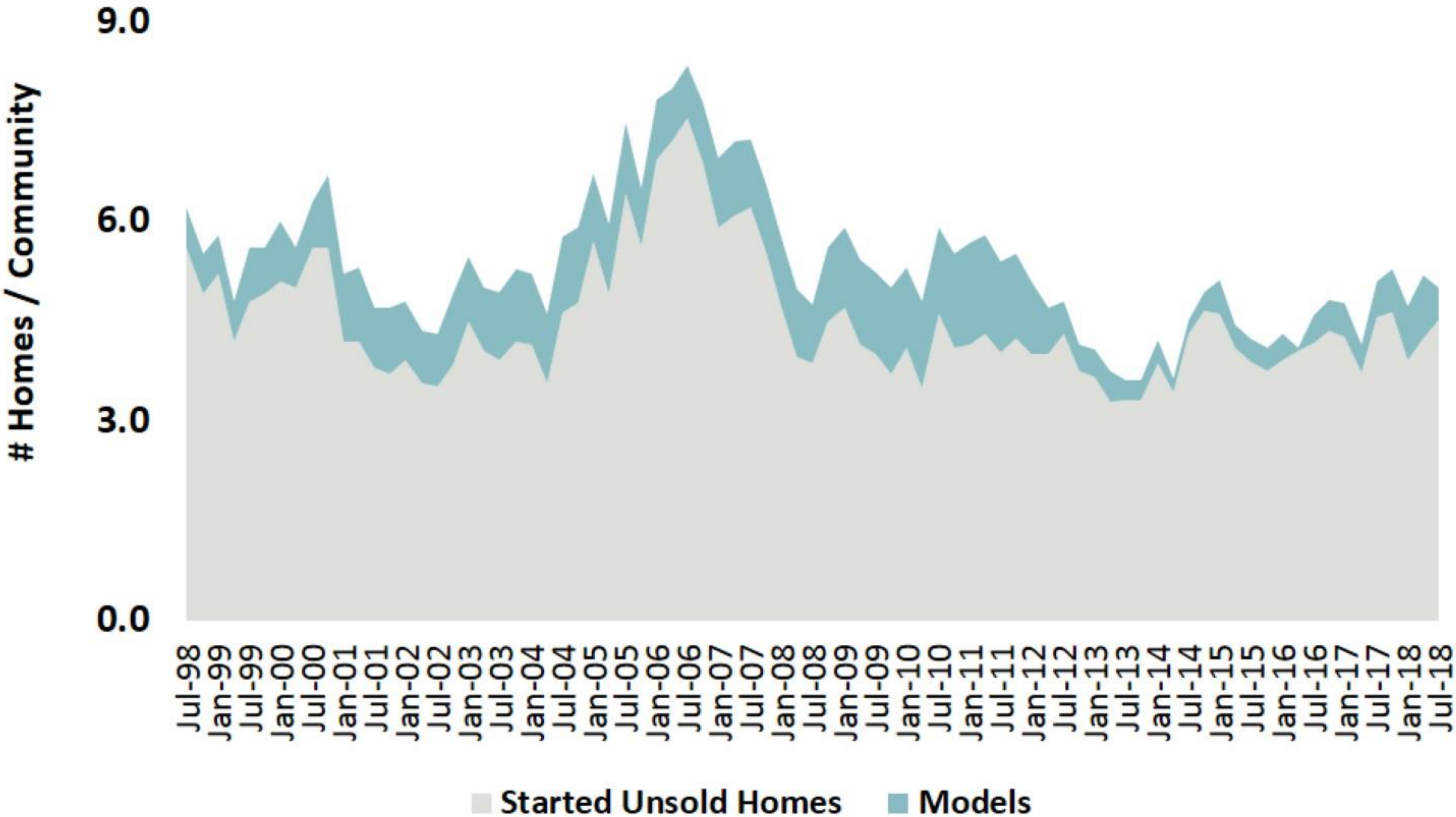
Note: Hovnanian sales commission was 3.6% in the most recent quarter. Reduced Cal Atlantic, KB Home, Lennar, LGI Homes, MDC, Meritage, M/I Homes, Pulte, Taylor Morrison and Tri Pointe publicly reported results by full 3.6% because all of their sales commissions are reported in SG&A. Reduced DR Horton and Toll publicly reported results by 1.8% because only some of their sales commissions were reported in SG&A. Beazer reports commission separately and is reduced by 3.9%.

Source: Company SEC filings and press releases as of 09/10/18

Note: Excluding interest and impairments.

Unsold Homes per Community

- *555 started unsold homes at 07/31/18, excluding models*
- *4.6 average started unsold homes per community since 1997*
- *As of July 31, 2018, 4.5 started unsold homes per community*



Note: Excluding joint ventures.

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Land Positions by Geographic Segment

July 31, 2018

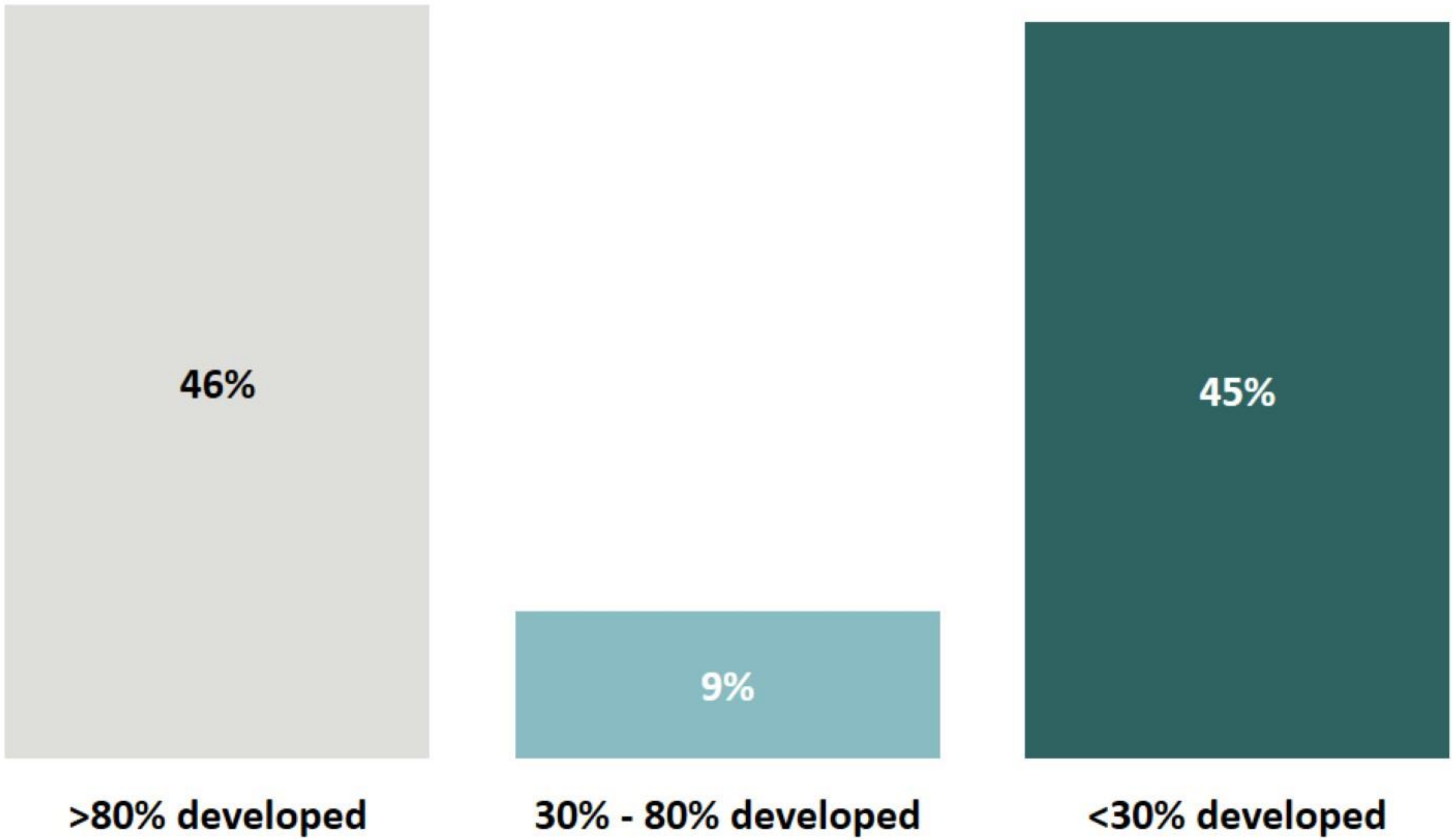
Segment	Owned: Excluding Mothballed Lots	Owned: Mothballed Lots	Optioned Lots	Total Lots
Northeast	565	190	3,768	4,523
Mid-Atlantic	1,919	280	3,009	5,208
Midwest	1,421	127	2,609	4,157
Southeast	1,760	-	3,033	4,793
Southwest	2,333	-	4,657	6,990
West	1,536	2,427	1,340	5,303
Consolidated Total	**9,534**	**3,024**	**18,416**	**30,974**
Joint Ventures	2,737	-	1,379	4,116
Grand Total	12,271	3,024	19,795	35,090

- *Option deposits as of July 31, 2018 were $57 million*
- *$21 million invested in pre-development expenses as of July 31, 2018*

Note: Option deposits and pre-development expenses refers to consolidated optioned lots.

Owned Lots % Development Costs Spent

As of July 31, 2018



Note: Excluding joint ventures.

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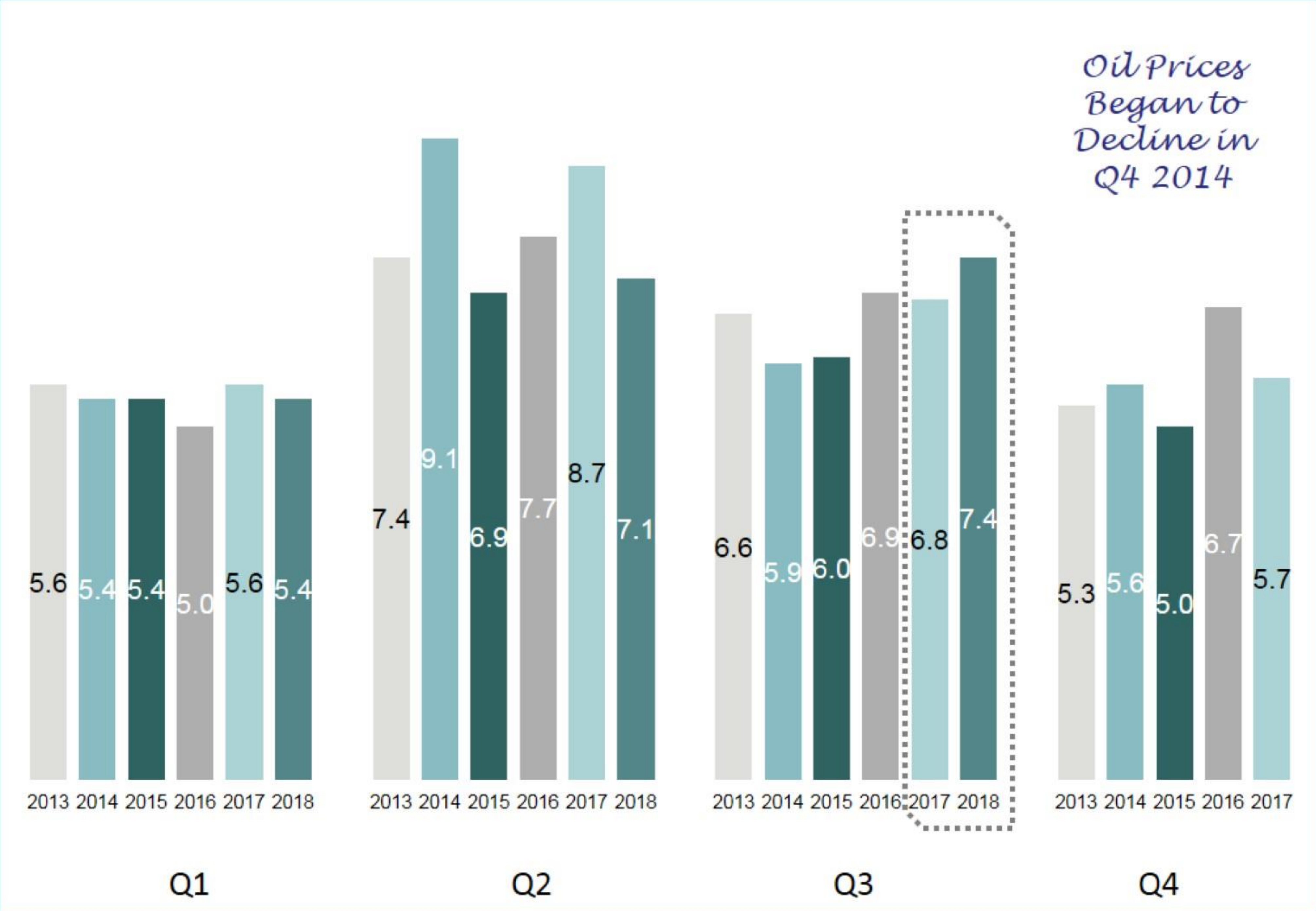
Houston Quarterly Contracts per Community



Hovnanian Enterprises, Inc.
July 31, 2018
Reconciliation of Income (Loss) Before Income Taxes Excluding Land-Related Charges, Joint Venture Write-Downs and Loss on Extinguishment of Debt to Income (Loss) Before Income Taxes

(Dollars in Thousands)

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2018	2017	2018	2017
	(Unaudited)		(Unaudited)	
Income (Loss) Before Income Taxes	$78	$(50,173)	$(39,971)	$(57,549)
Inventory Impairment Loss and Land Option Write-Offs	96	4,197	3,183	9,334
Unconsolidated Joint Venture Investment Write-Downs	-	-	660	-
Loss on Extinguishment of Debt	4,266	42,258	5,706	34,854
Income (Loss) Before Income Taxes Excluding Land-Related Charges, Joint Venture Write-Downs and Loss on Extinguishment of Debt (a)	$4,440	$(3,718)	$(30,422)	$(13,361)

(a) Income (Loss) Before Income Taxes Excluding Land-Related Charges, Joint Venture Write-Downs and Loss on Extinguishment of Debt is a non-GAAP financial measure. The most directly comparable GAAP financial measure is Income (Loss) Before Income Taxes.

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Reconciliation of Gross Margin

Hovnanian Enterprises, Inc.
July 31, 2018
Gross Margin
(Dollars in Thousands)

	Homebuilding Gross Margin Three Months Ended July 31,		Homebuilding Gross Margin Nine Months Ended July 31,	
	2018	2017	2018	2017
	(Unaudited)		(Unaudited)	
Sale of Homes	$442,859	$574,282	$1,312,553	$1,673,250
Cost of Sales, Excluding Interest Expense (a)	361,303	478,069	1,076,132	1,391,966
Homebuilding Gross Margin, Before Cost of Sales Interest Expense and Land Charges (b)	81,556	96,213	236,421	281,284
Cost of Sales Interest Expense, Excluding Land Sales Interest Expense	13,424	18,397	41,025	55,284
Homebuilding Gross Margin, After Cost of Sales Interest Expense, Before Land Charges (b)	68,132	77,816	195,396	226,000
Land Charges	96	4,197	3,183	9,334
Homebuilding Gross Margin	$68,036	$73,619	$192,213	$216,666
Gross Margin Percentage	15.4%	12.8%	14.6%	12.9%
Gross Margin Percentage, Before Cost of Sales Interest Expense and Land Charges (b)	18.4%	16.8%	18.0%	16.8%
Gross Margin Percentage, After Cost of Sales Interest Expense, Before Land Charges (b)	15.4%	13.6%	14.9%	13.5%

	Land Sales Gross Margin Three Months Ended July 31,		Land Sales Gross Margin Nine Months Ended July 31,	
	2018	2017	2018	2017
	(Unaudited)		(Unaudited)	
Land and Lot Sales	$-	$1,785	$20,505	$11,497
Cost of Sales, Excluding Interest and Land Charges (a)	-	817	7,710	7,387
Land and Lot Sales Gross Margin, Excluding Interest and Land Charges	-	968	12,795	4,110
Land and Lot Sales Interest	-	974	4,055	2,746
Land and Lot Sales Gross Margin, Including Interest and Excluding Land Charges	$-	$(6)	$8,740	$1,364

(a) Does not include cost associated with walking away from land options or inventory impairment losses which are recorded as Inventory impairment loss and land option write-offs in the Condensed Consolidated Statements of Operations.
(b) 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 Homebuilding EBIT to Inventory

Hovnanian Enterprises, Inc.
July 31, 2018
Reconciliation of Adjusted Homebuilding EBIT to Inventory
(Dollars in Thousands)
(Unaudited)

		For the Three Months Ended			
	LTM(a)	7/31/2018	4/30/2018	1/31/2018	10/31/2017
Homebuilding:					
Net (Loss) Income	$(29,817)	$(1,026)	$(9,823)	$(30,809)	$11,841
Income Tax Provision	2,151	1,104	245	338	464
Interest Expense	184,485	38,283	45,452	41,423	59,327
EBIT (b)	156,819	38,361	35,874	10,952	71,632
Financial Services Revenue	(53,358)	(13,009)	(13,054)	(10,888)	(16,407)
Financial Services Expense	35,389	8,986	8,798	8,341	9,264
Homebuilding EBIT (b)	138,850	34,338	31,618	8,405	64,489
Inventory Impairment Loss and Land Option Write-offs	11,662	96	2,673	414	8,479
Other Operations	1,339	495	402	390	52
Loss on Extinguishment of Debt	5,706	4,266	1,440	-	-
Loss (Income) from Unconsolidated Joint Ventures	(9,961)	(10,732)	(1,343)	5,176	(3,062)
Adjusted Homebuilding EBIT (b)	$147,596	$28,463	$34,790	$14,385	$69,958

		As of				
		7/31/2018	4/30/2018	1/31/2018	10/31/2017	7/31/2017
Total Inventories		$1,109,043	$1,040,045	$1,053,514	$1,009,827	$1,188,849
Consolidated Inventory Not Owned		96,989	78,907	93,875	124,784	138,529
Capitalized Interest		67,510	65,355	70,793	71,051	87,119
	Five Quarter Average					
Inventories less Consolidated Inventory Not Owned and Capitalized Interest	$901,273	$944,544	$895,783	$888,846	$813,992	$963,201
Adjusted Homebuilding EBIT to Inventory	16.377%					

(a) Represents the aggregation of each of the prior four fiscal quarters.
(b) EBIT, Homebuilding EBIT and Adjusted Homebuilding EBIT are non-GAAP financial measures. The most directly comparable GAAP financial measure is net (loss) income.

Reconciliation of Inventory Turnover

Hovnanian Enterprises, Inc.
July 31, 2018
Calculation of Inventory Turnover[1]
(Dollars In Thousands)

			For the Quarter Ended			**TTM Ended**
		10/31/2017	1/31/2018	4/30/2018	7/31/2018	**7/31/2018**
Cost of Sales, Excluding Interest		$562,451	$329,527	$393,012	$361,303	$1,646,293
			As of			
	7/31/2017	10/31/2017	1/31/2018	4/30/2018	7/31/2018	
Total Inventories	$1,188,849	$1,009,827	$1,053,514	$1,040,045	$1,109,043	**Five**
Consolidated Inventory Not Owned	138,529	124,784	93,875	78,907	96,989	**Quarter**
Capitalized Interest	87,119	71,051	70,793	65,355	67,510	**Average**
Inventories less Consolidated Inventory Not Owned and Capitalized Interest	$963,201	$813,992	$888,846	$895,783	$944,544	$901,273
Inventory Turnover						1.8x

(1) Derived by dividing cost of sales, excluding cost of sales interest, by the five quarter average inventory, excluding 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.

Hovnanian Enterprises®, Inc.