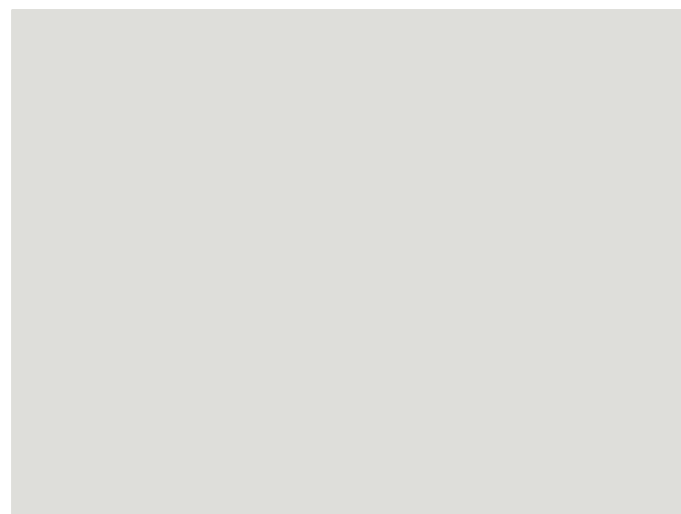


Hovnanian Enterprises, Inc.

Review of Financial Results | First Quarter Fiscal 2020



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. 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) adverse weather and other environmental conditions and natural disasters; (3) high leverage and restrictions on the Company’s operations and activities imposed by the agreements governing the Company’s outstanding indebtedness; (4) availability and terms of financing to the Company; (5) the Company’s sources of liquidity; (6) changes in credit ratings; (7) the seasonality of the Company’s business; (8) the availability and cost of suitable land and improved lots and sufficient liquidity to invest in such land and lots; (9) shortages in, and price fluctuations of, raw materials and labor including due to changes in trade policies, such as the imposition of tariffs and duties on homebuilding materials and products, and related trade disputes with and retaliatory measures taken by other countries; (10) reliance on, and the performance of, subcontractors; (11) 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; (12) increases in cancellations of agreements of sale; (13) fluctuations in interest rates and the availability of mortgage financing; (14) changes in tax laws affecting the after-tax costs of owning a home; (15) operations through unconsolidated joint ventures with third parties; (16) government regulation, including regulations concerning development of land, the homebuilding, sales and customer financing processes, tax laws and the environment; (17) legal claims brought against us and not resolved in our favor, such as product liability litigation, warranty claims and claims made by mortgage investors; (18) levels of competition; (19) successful identification and integration of acquisitions; (20) significant influence of the Company’s controlling stockholders; (21) availability of net operating loss carryforwards; (22) utility shortages and outages or rate fluctuations; (23) geopolitical risks, terrorist acts and other acts of war; (24) diseases, pandemics or other severe public health events; (25) loss of key management personnel or failure to attract qualified personnel; (26) information technology failures and data security breaches; (27) negative publicity; and (28) 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, 2019 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 gain 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 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 earnings release.

(Loss) before income taxes excluding land-related charges and gain on extinguishment of debt is a non-GAAP financial measure. The most directly comparable GAAP financial measure is (loss) before income taxes. The reconciliation for historical periods of (loss) before income taxes excluding land-related charges and gain on extinguishment of debt to (loss) before income taxes is presented in a table attached to this earnings release.

Total liquidity is comprised of \$81.4 million of cash and cash equivalents, \$18.5 million of restricted cash required to collateralize letters of credit and \$125.0 million of availability under the senior secured revolving credit facility as of January 31, 2020.

(\$ in millions)

Total Revenues

+30%

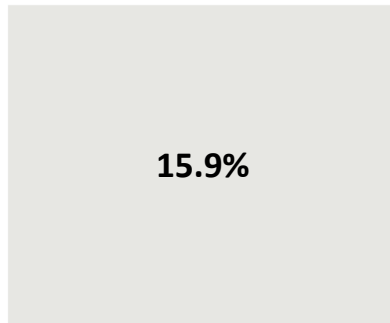


Q1 2019

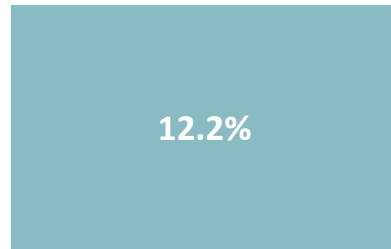


Q1 2020

Total SG&A Ratio⁽²⁾



Q1 2019

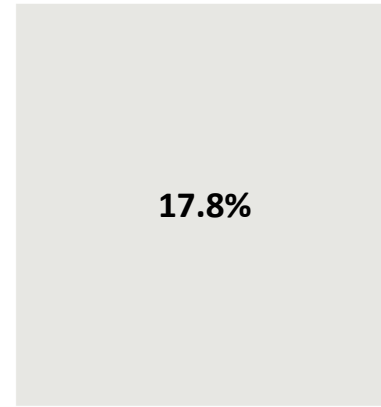


Q1 2020

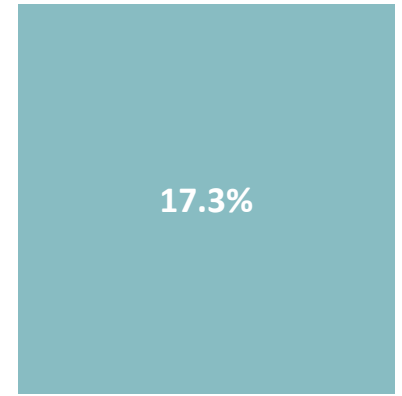
Total SG&A Dollars \$60

\$60

Adjusted Homebuilding Gross Margin⁽¹⁾

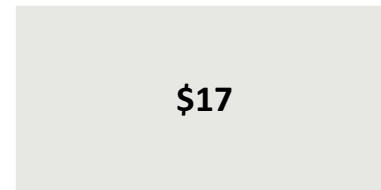


Q1 2019

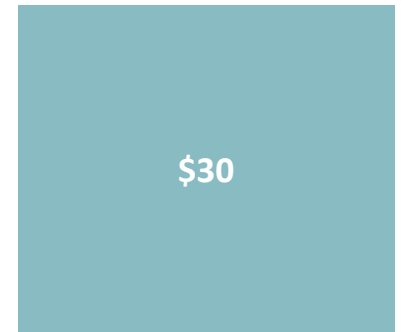


Q1 2020

Adjusted EBITDA



Q1 2019



Q1 2020

(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.

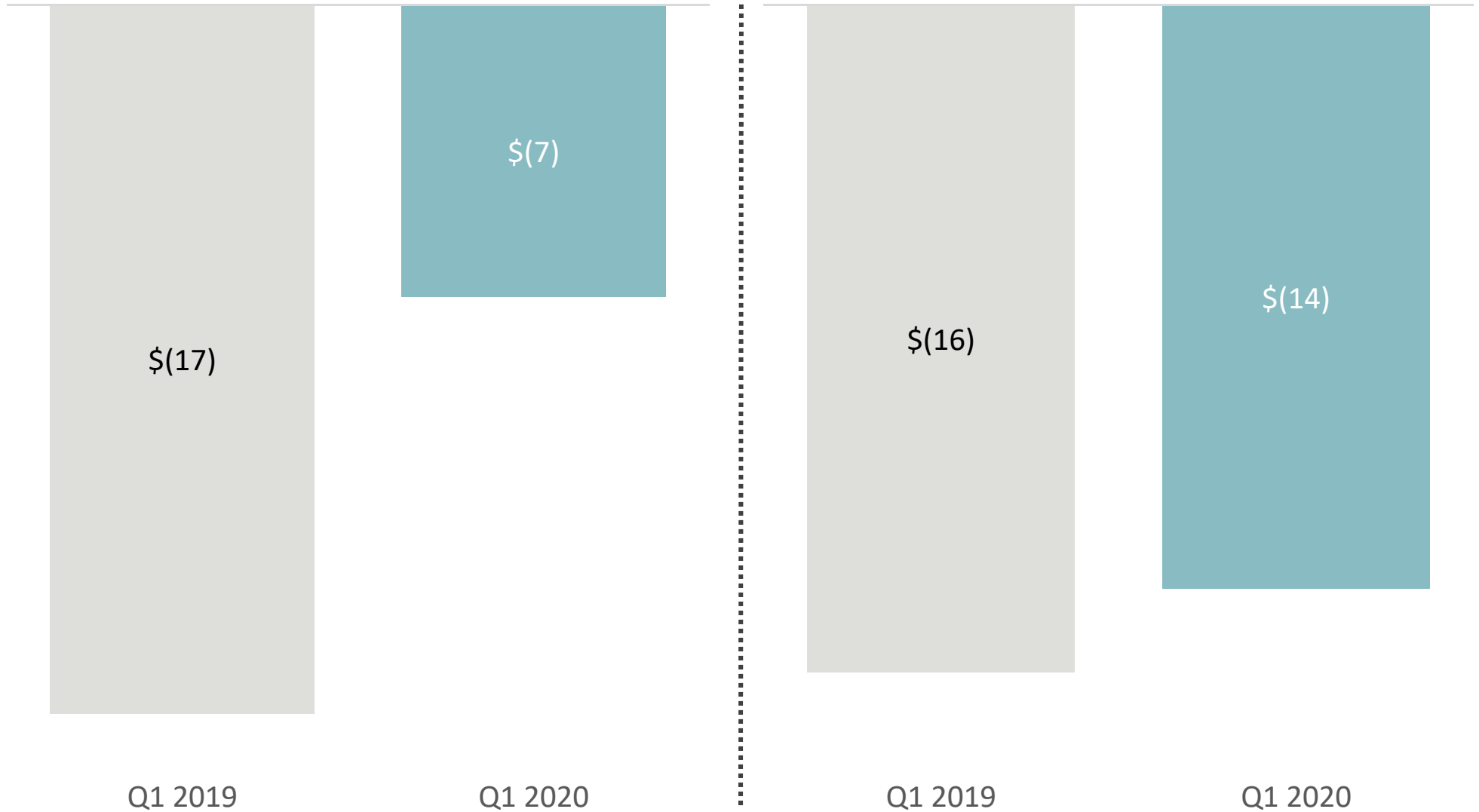
(2) Total SG&A includes homebuilding selling, general and administrative costs and corporate general and administrative costs.

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

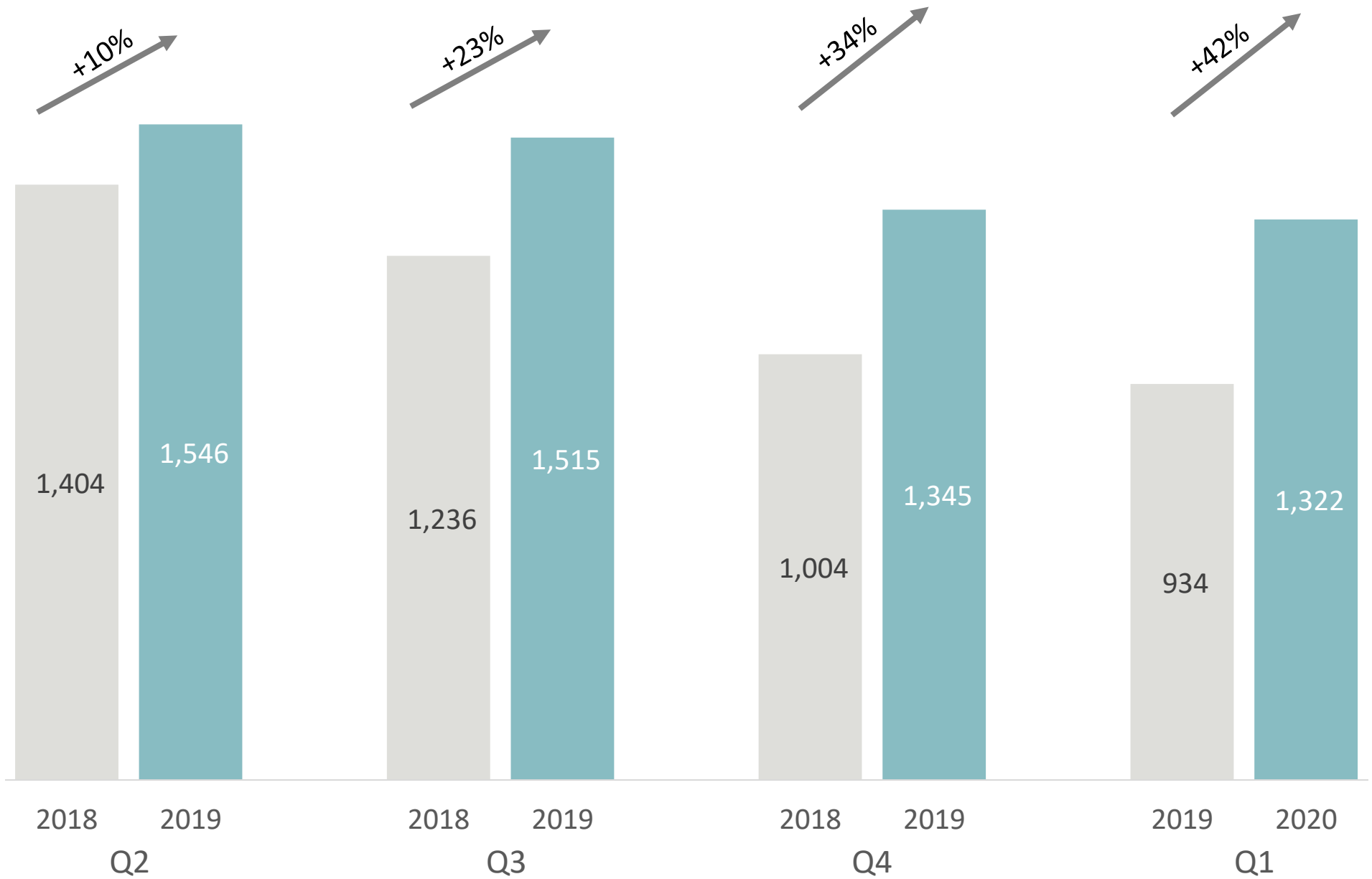
(\$ in millions)

Pretax Income

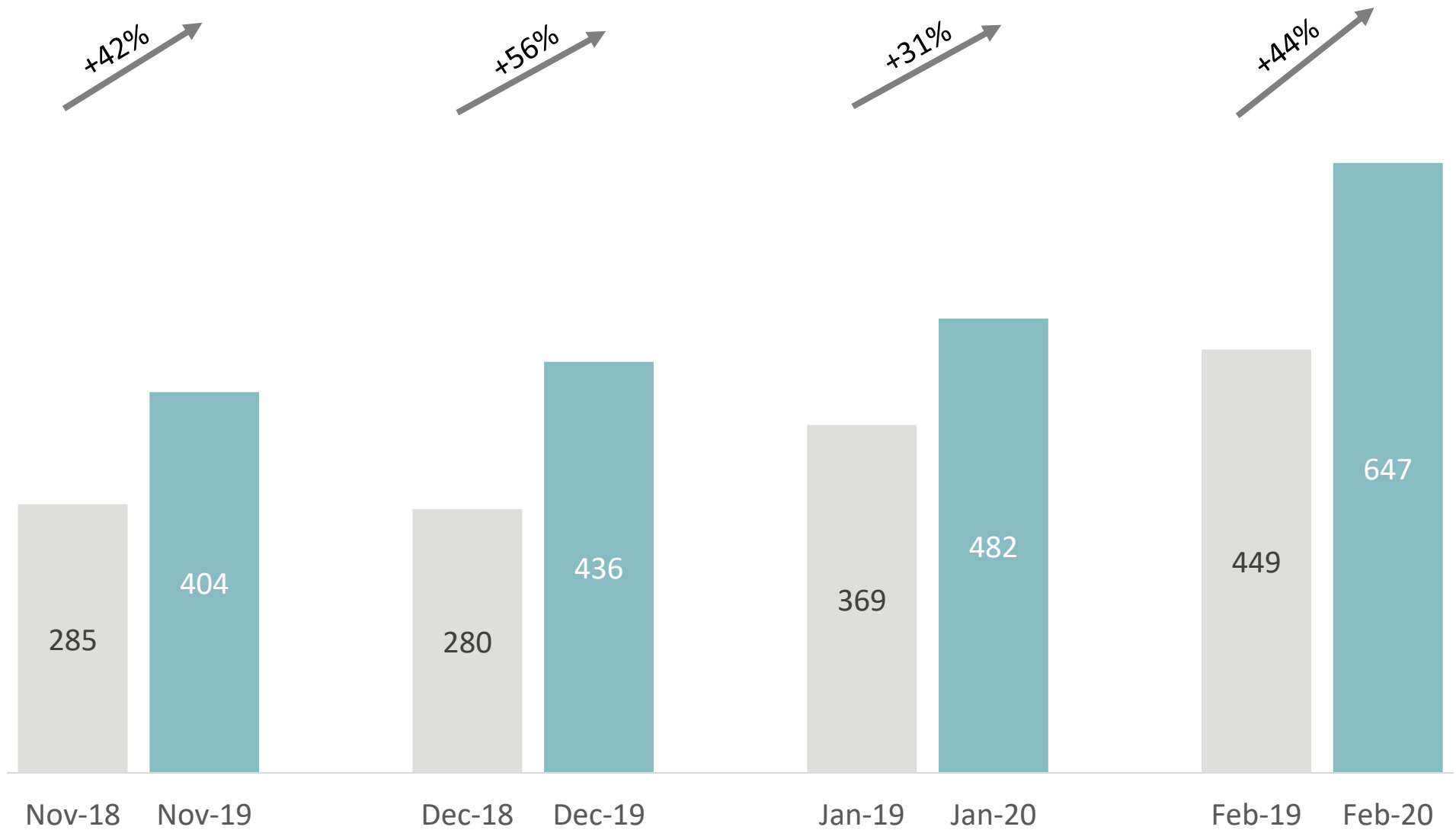
Adjusted Pretax Income



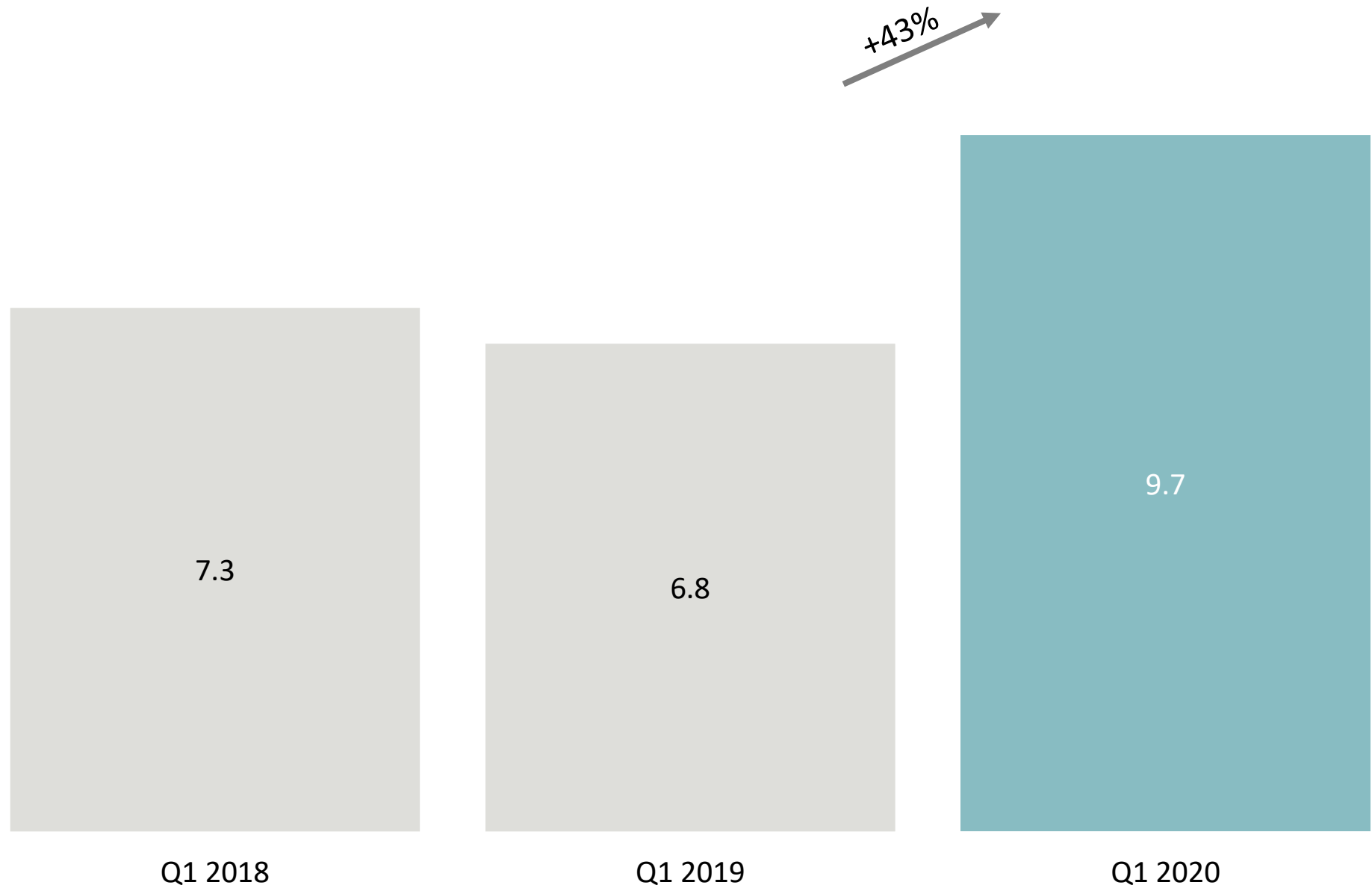
Note: Adjusted Income Before Income Taxes excludes land-related charges, joint venture write-downs and gain on extinguishment of debt. See appendix for a reconciliation to the most directly comparable GAAP measure.



Note: Excludes unconsolidated joint ventures.

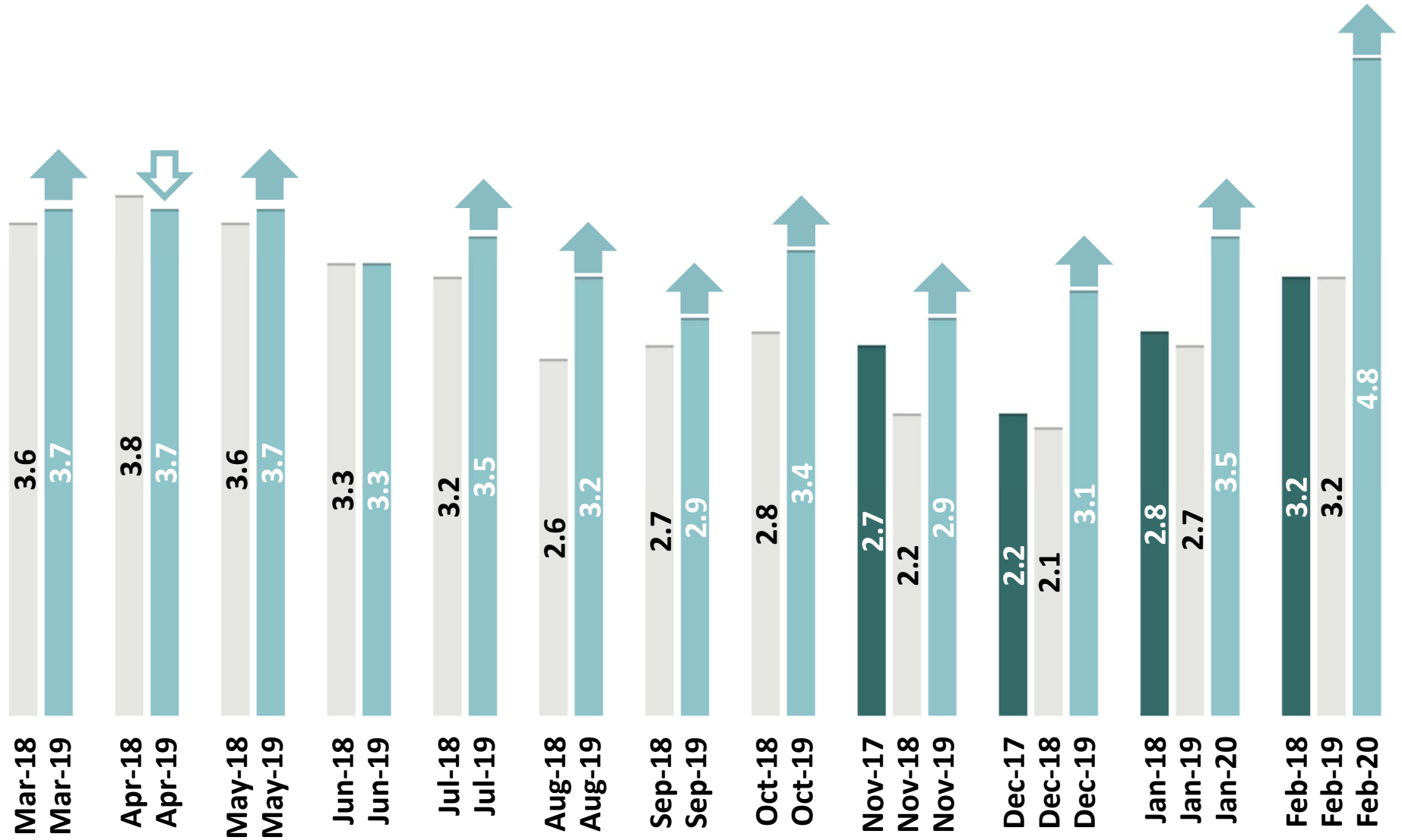


Note: Excludes unconsolidated joint ventures.

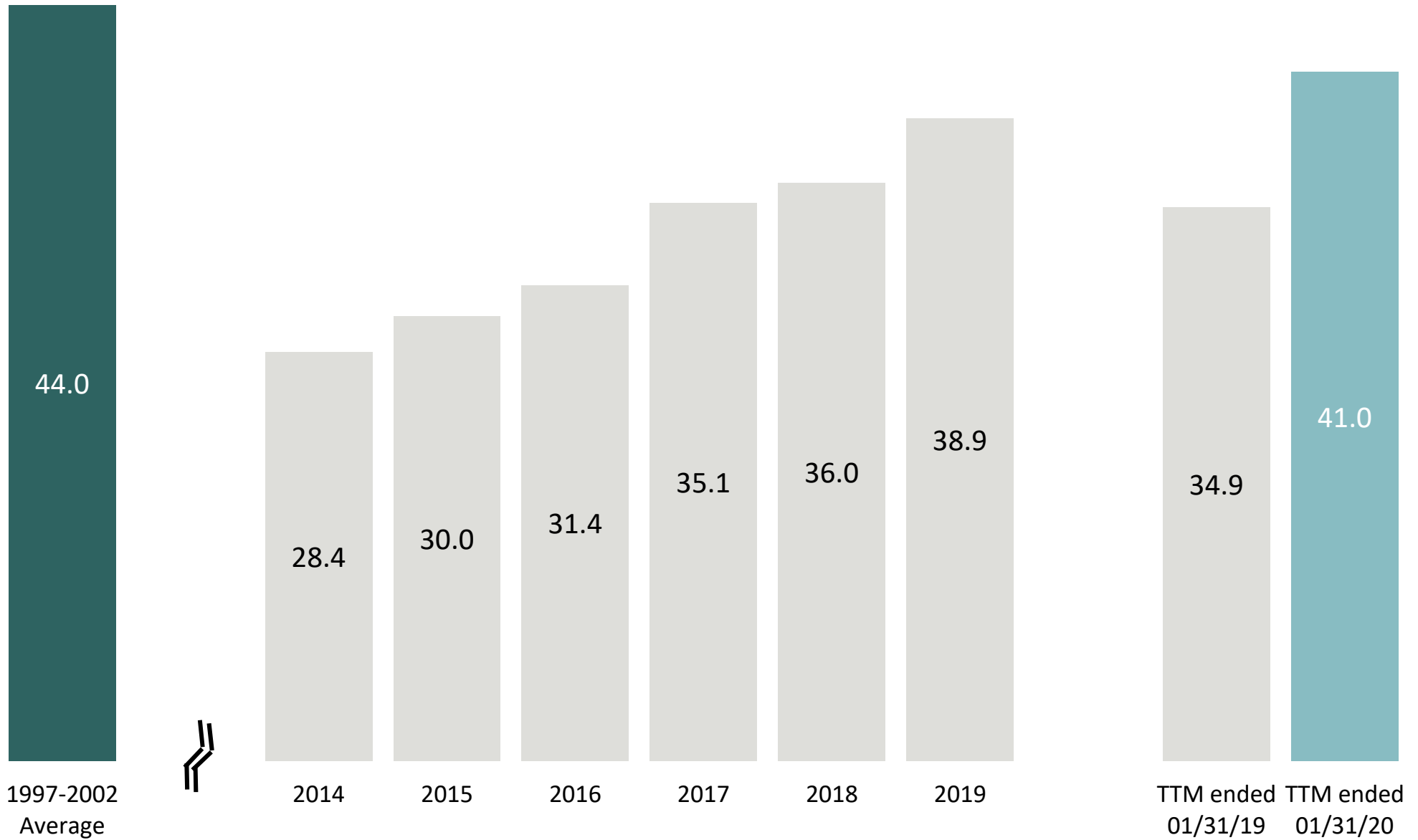


Note: Excludes unconsolidated joint ventures.

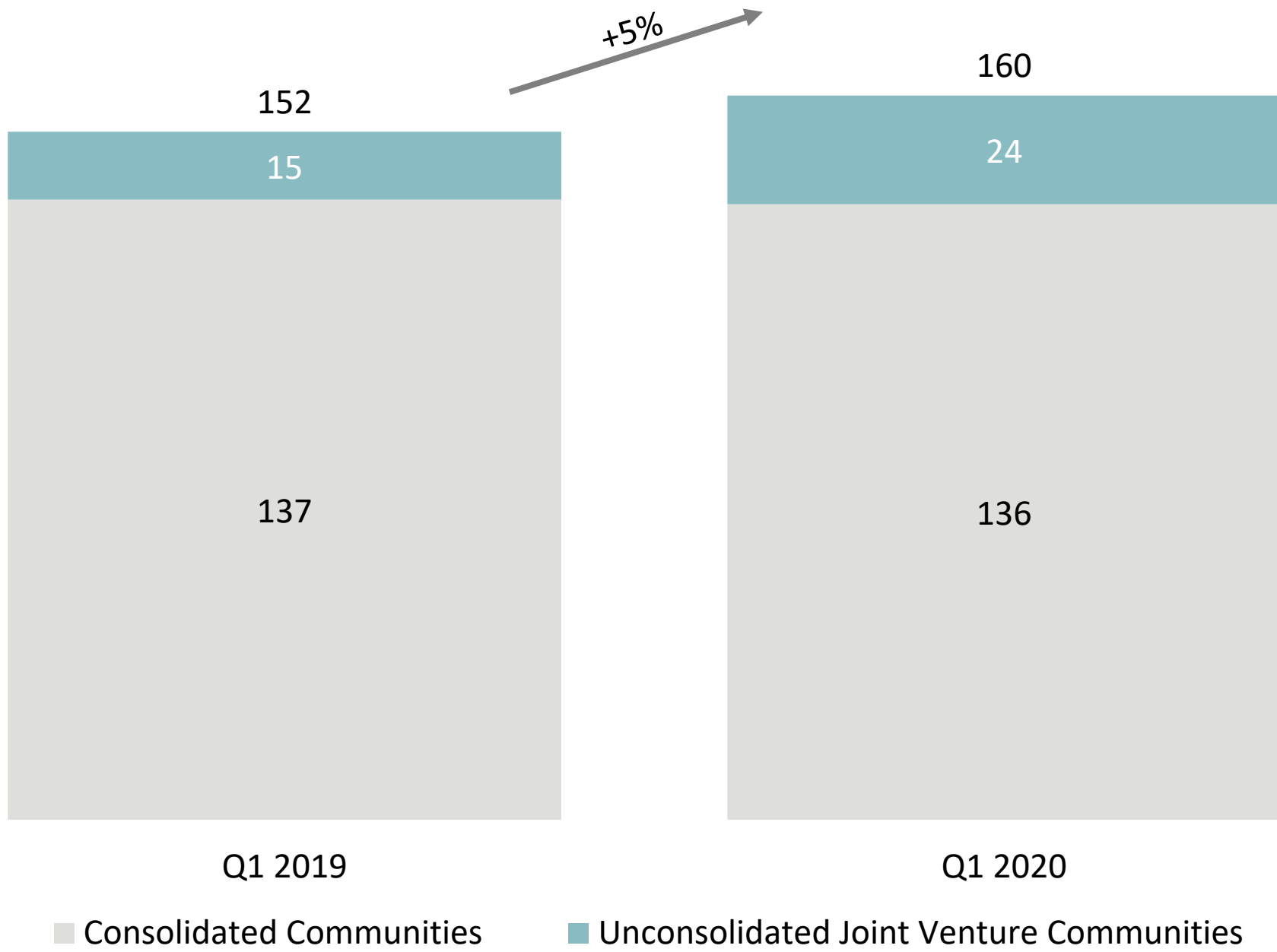
Number of Monthly Contracts Per Community, Excludes Unconsolidated Joint Ventures



Note: Excludes unconsolidated joint ventures.



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



Note: Communities are open for sale communities with 10 or more home sites available.

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

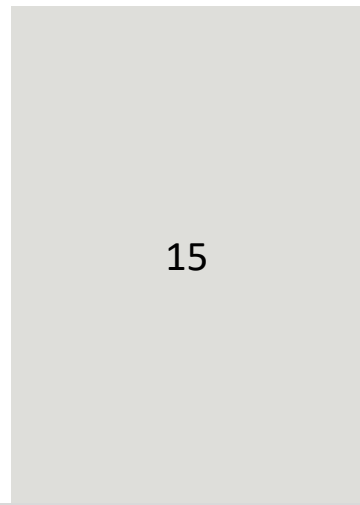
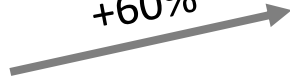
(\$ in millions)

	Q1 2019	Q1 2020
Cost of sales interest, excluding land sales interest expense	\$10	\$18
Other interest	\$22	\$25

Note: Excludes unconsolidated joint ventures.

Community Count

+60%



15

January 31, 2019

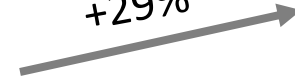


24

January 31, 2020

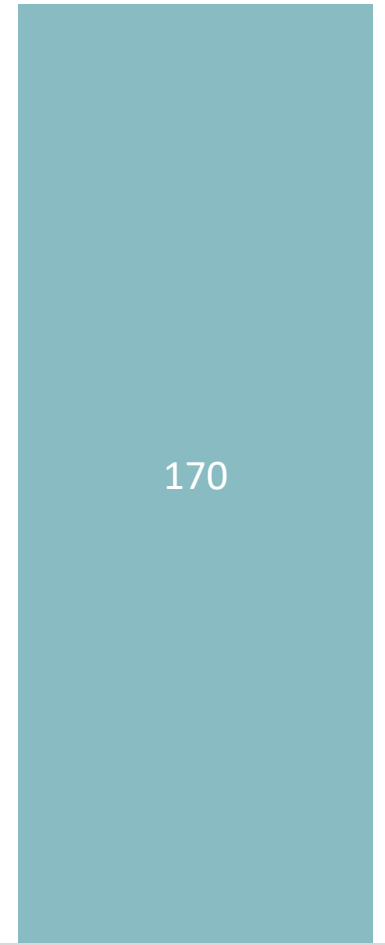
Contracts

+29%



132

Q1 2019

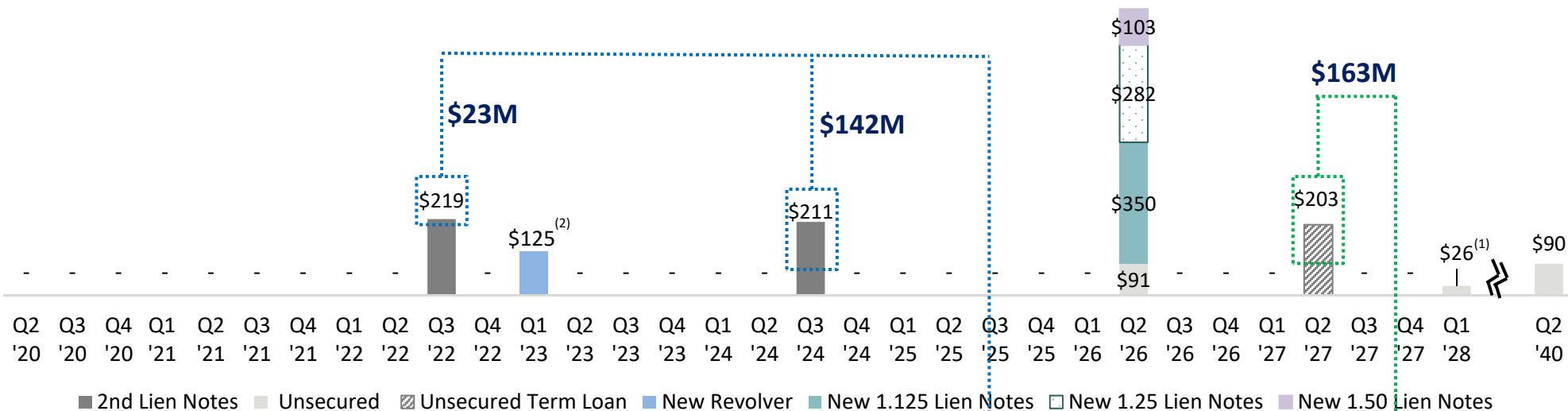


170

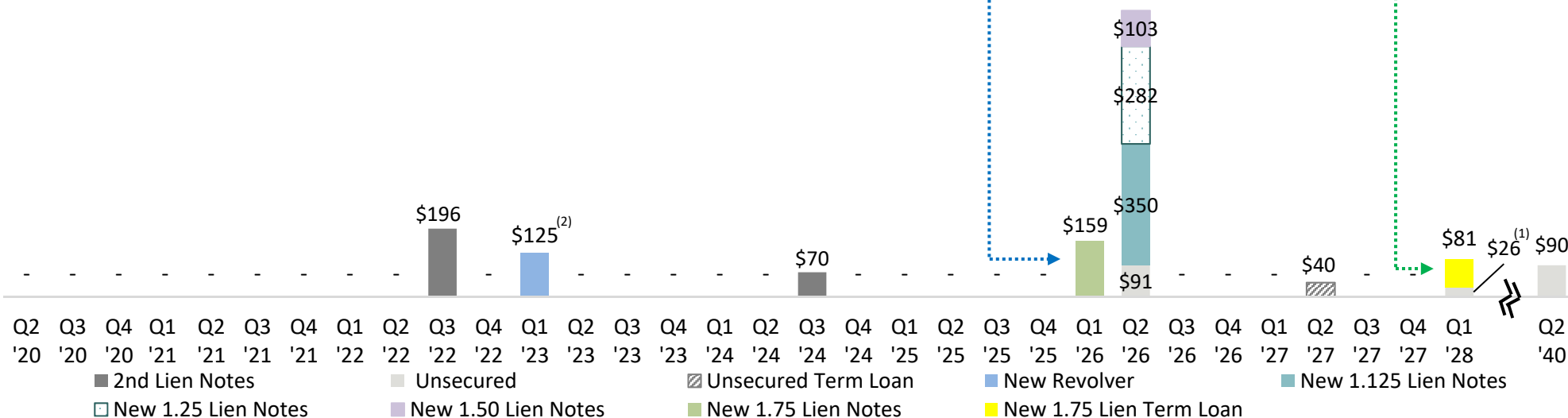
Q1 2020

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

As of October 31, 2019



As of January 31, 2020



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

Note: Excludes non-recourse mortgages.

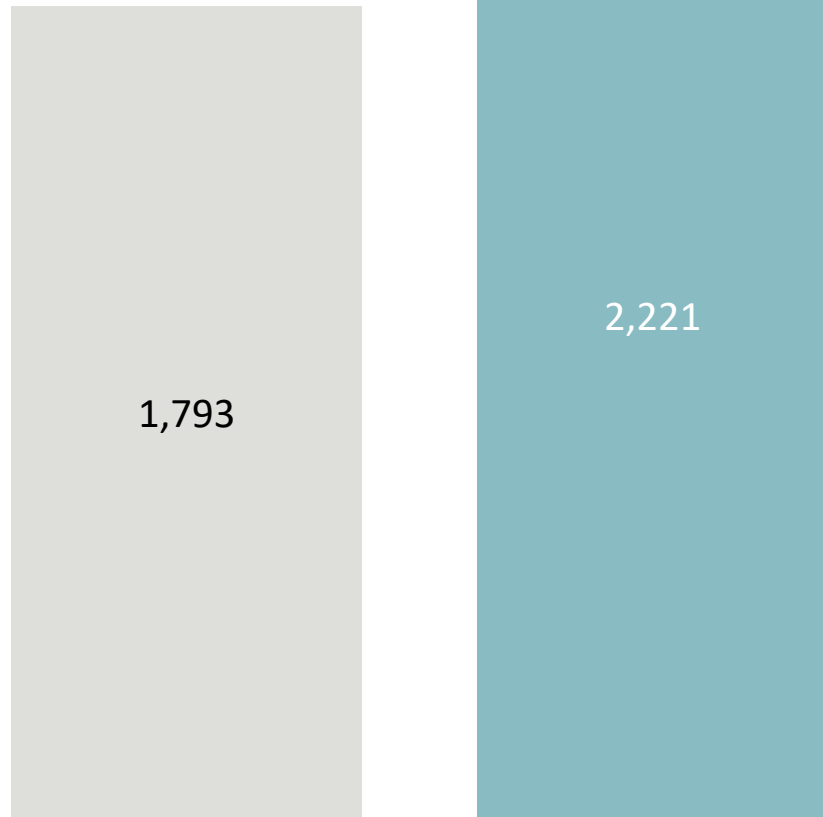
(1) \$26 million of 8.0% senior notes held by wholly owned subsidiary, no cash required to retire.

(2) \$0 balance as of July 31, 2019 and October 31, 2019.

(\$ in millions)

Homes

+24%



January 31, 2019

January 31, 2020

Dollars

+20%



January 31, 2019

January 31, 2020

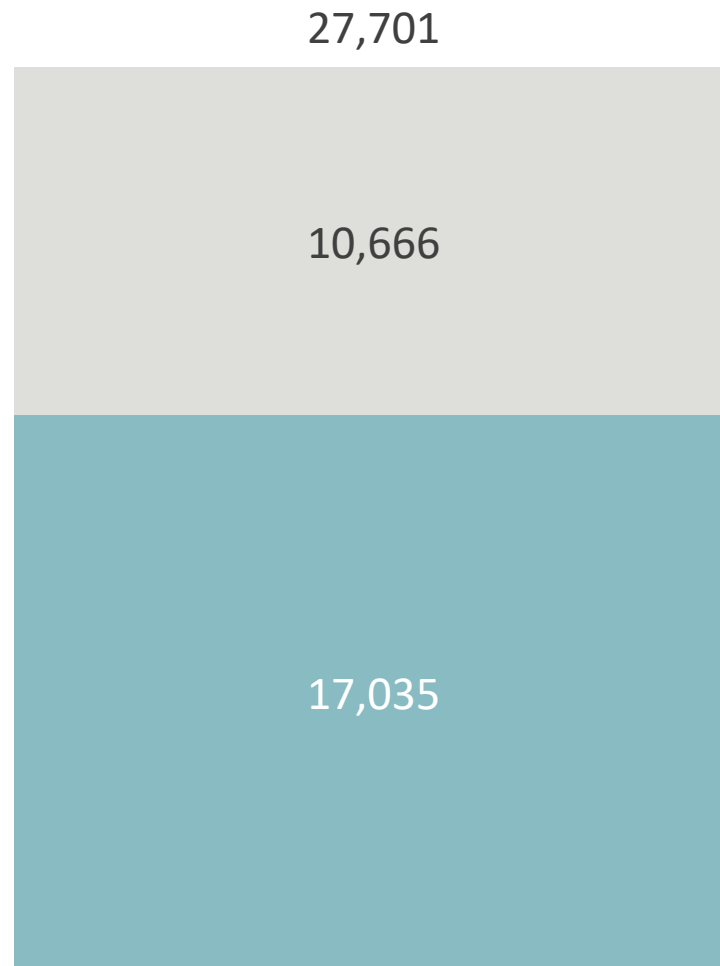
Note: Excludes unconsolidated joint ventures.

	Q1 2020
Newly controlled lots	2,026
Deliveries & lot sales	<u>1,237</u>
# of newly controlled lots in excess of deliveries & lot sales	789

Control 100% of lots required to meet 2020 delivery forecast

Control approximately 95% of lots required to meet 2021 delivery forecast

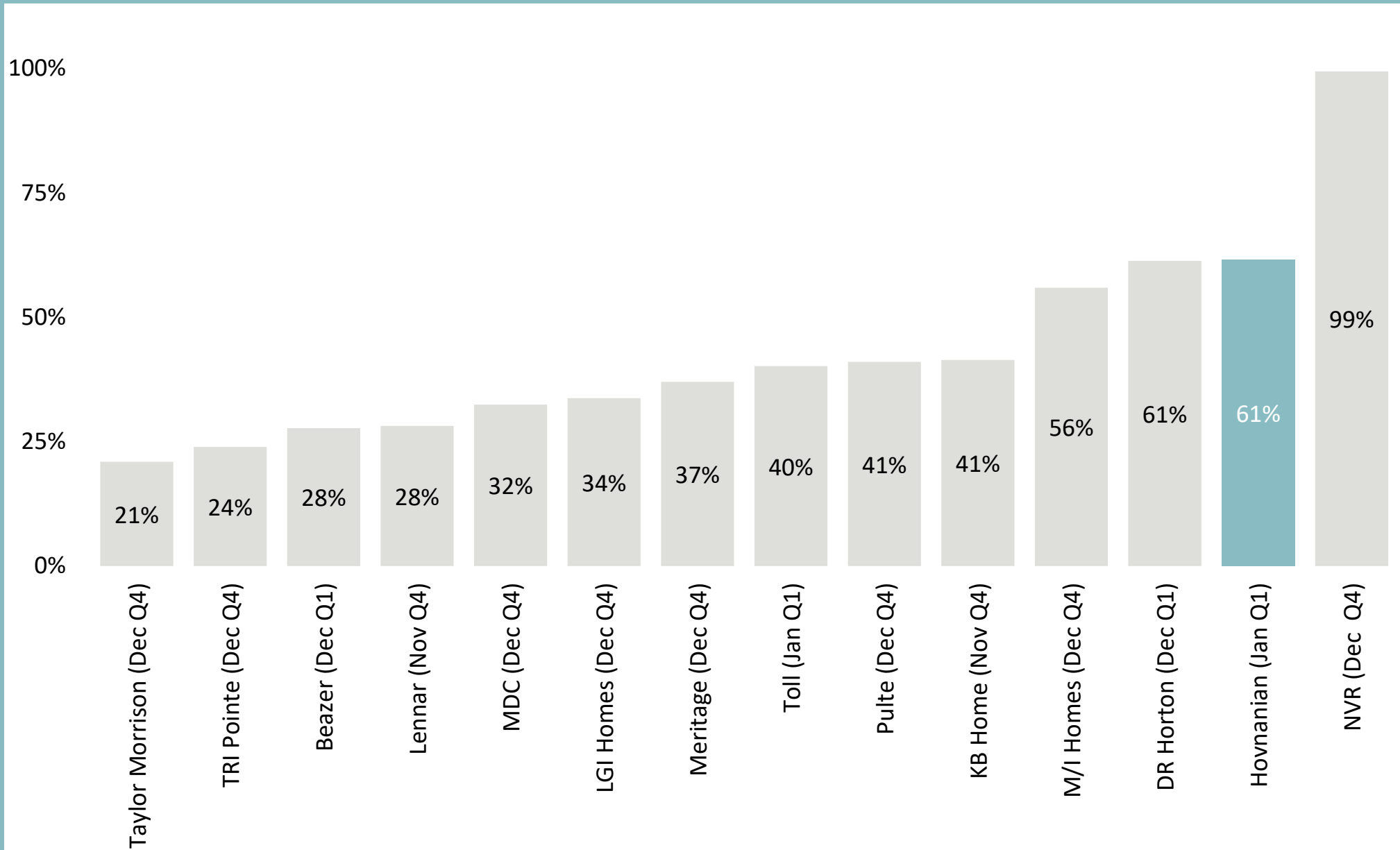
5.3 Years
Supply



January 31, 2020

■ Optioned ■ Owned

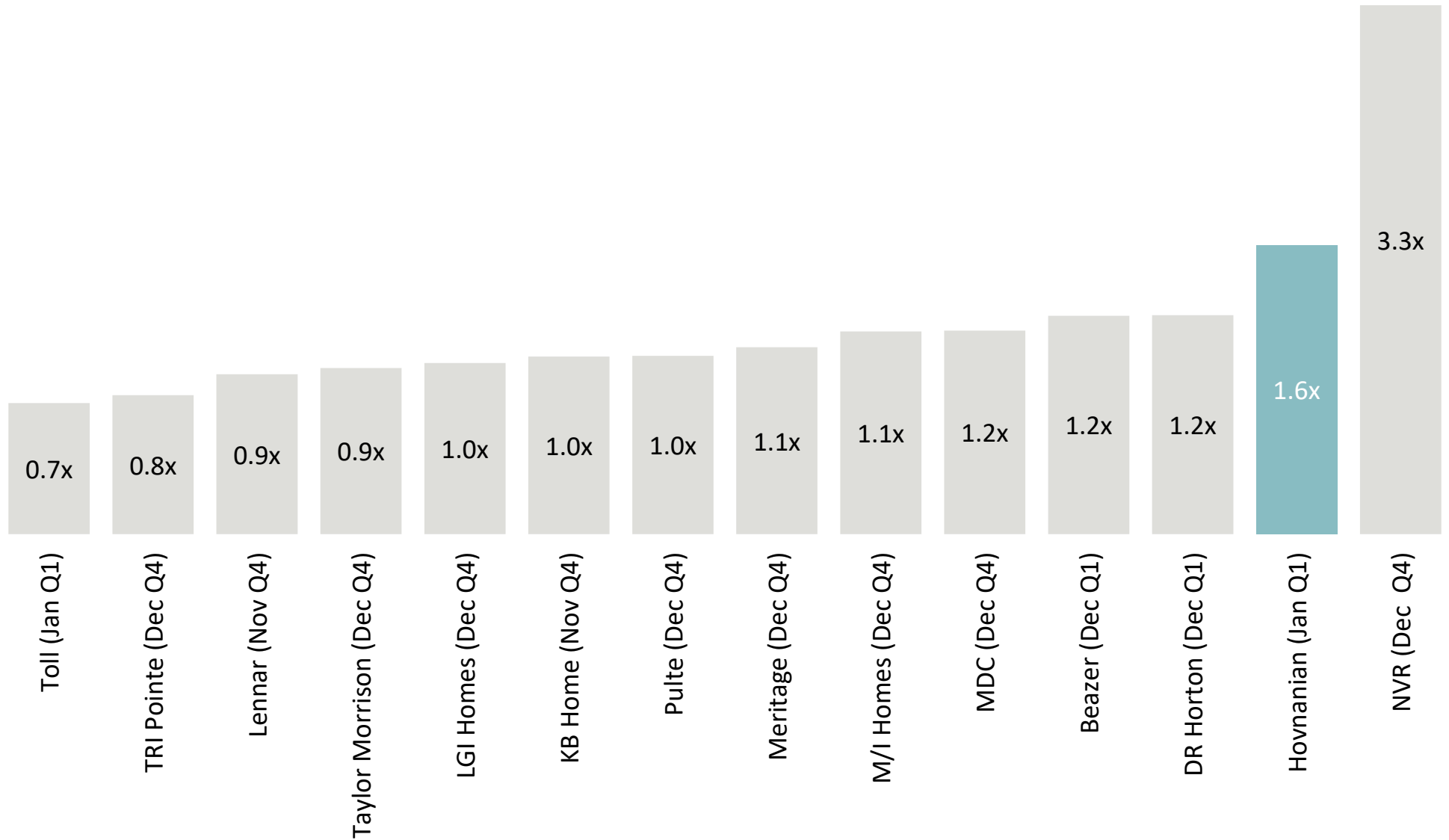
Note: Excludes unconsolidated joint ventures.



Source: Company SEC filings and press releases as of 03/05/20.

Note: Excludes unconsolidated joint ventures.

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.

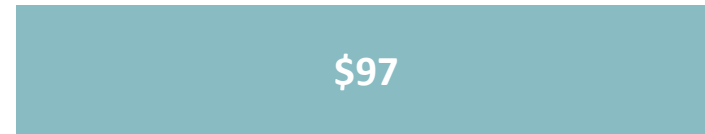
Source: Company SEC filings and press releases as of 03/05/20.

- *Deferred tax asset will shield approximately \$1.9 billion of future pretax earnings from federal income taxes which will help accelerate repairing our balance sheet*

(\$ in millions)

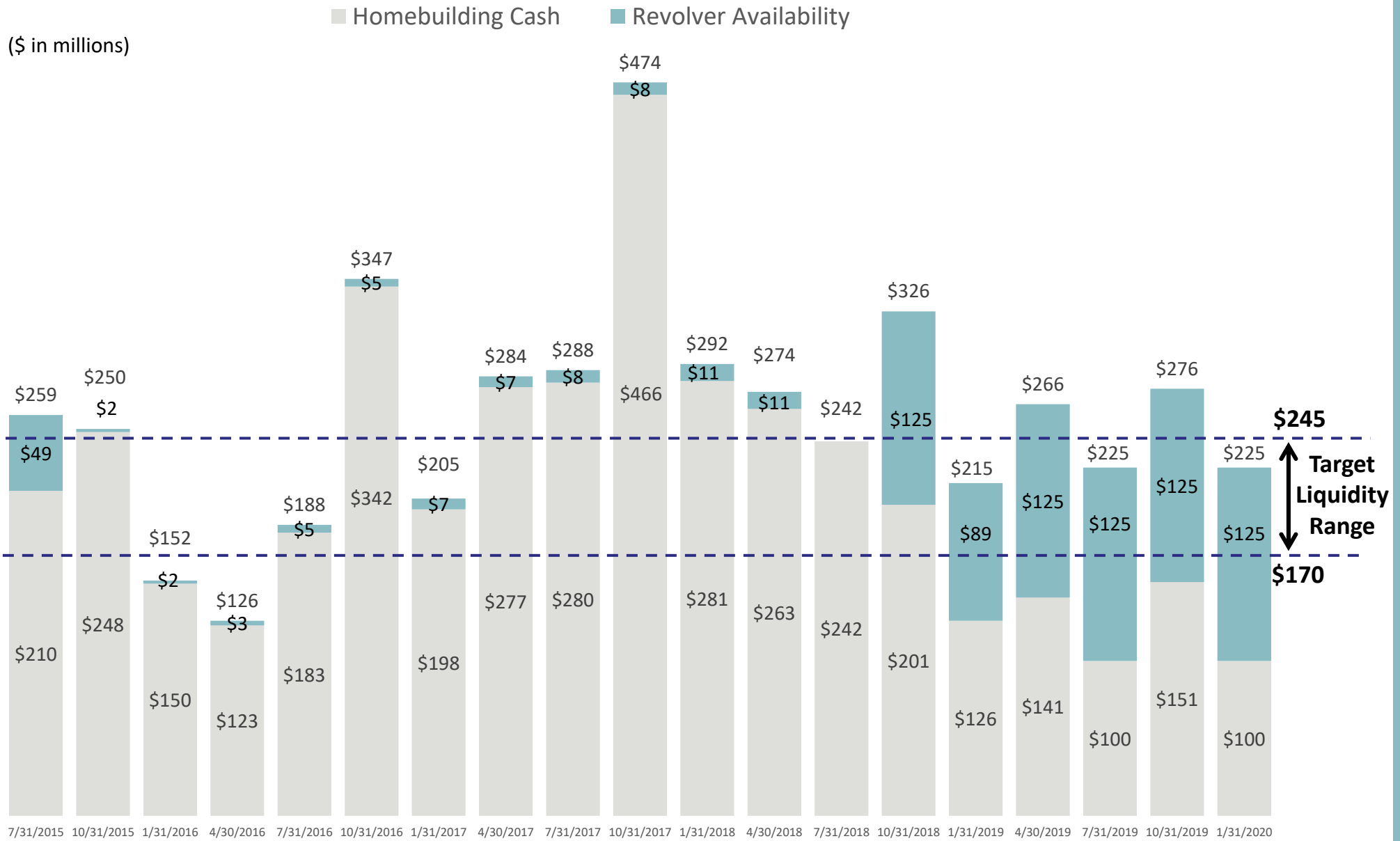


January 31, 2020



Adjusted January 31, 2020⁽¹⁾

(1) Total Hovnanian Stockholders' Deficit of \$(499) million with \$596 million valuation allowance added back to Stockholders' Equity. The \$596 million valuation allowance consisted of a \$395 million federal valuation allowance and a \$201 million state valuation allowance.



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.

Hovnanian
Enterprises, Inc.

Appendix

(\$ in Thousands)

	<u>October 31, 2019</u>	<u>January 31, 2020</u>
Cash and cash equivalents	\$136,900	\$87,800
Mortgaged inventory	\$504,700	\$446,500
Non-mortgaged inventory ⁽²⁾	\$52,500	\$79,200
Equity interests in joint ventures ⁽³⁾	\$188,900	\$200,300
Total collateral	\$883,000	\$813,800
Plus inventory with non-recourse loans ⁽⁴⁾	\$156,100	\$164,000
Total adjusted collateral	\$1,039,100	\$977,800
Total principal amount of secured debt ⁽⁵⁾	\$1,165,800	\$1,241,000
Adjusted collateral ratio	0.89x	0.79x

GENERAL: VALUES PRESENTED ON THIS SLIDE ARE APPROXIMATE. PRESENTATION DOES NOT REFLECT OTHER UNSECURED OBLIGATIONS, SUCH AS TRADE PAYABLES AND INTERCOMPANY LOANS AT SUBSIDIARY GUARANTORS. WE MAKE NO ASSURANCE AS TO ANY RECOVERY VALUE, INCLUDING AS A RESULT OF CREDITOR PRIORITIES, INTERCREDITOR PROVISIONS OR OTHERWISE.

- (1) On October 31, 2019, we entered into the senior secured revolving credit facility and issued the 1.125 Lien Notes due 2026, 1.25 Lien Notes due 2026 and 1.50 Lien Notes due 2026. Control agreements with respect to cash and cash equivalents collateral and mortgages over inventory in respect of such debt will be entered into and filed in accordance with the perfection timing requirements of the governing debt and security documents for such instruments.
- (2) Represents the book value of inventory owned by subsidiary guarantors which will be subject to mortgages in accordance with the terms of the applicable debt and security documents but such mortgages have not yet been filed. Upon the filing and recording of mortgages, such inventory will be collateral. Until such time as the inventory is collateral, all secured and unsecured creditors would have claims against this inventory value.
- (3) The pledge of equity interest represents the book value of equity in joint venture holding companies that hold interests in consolidated and unconsolidated joint ventures.
- (4) Represents the book value of inventory owned by subsidiary guarantors securing non-recourse loans less the outstanding payable amount of the non-recourse loans. Inventory securing non-recourse loans is excluded from collateral until the applicable non-recourse loan is paid in full. Net cash proceeds from deliveries of inventory securing non-recourse loans is collateral under the terms of the applicable security agreements and subject to perfection through control agreements.
- (5) Does not include \$125 million senior secured first lien revolver of which \$0 was outstanding as of October 31, 2019 and January 31, 2020.

January 31, 2020

Owned

Segment	Excluding Mothballed Lots	Mothballed Lots	Optioned Lots	Total Lots
Northeast	419	6	2,791	3,216
Mid-Atlantic	1,865	280	3,157	5,302
Midwest	978	127	1,899	3,004
Southeast	1,477	-	2,406	3,883
Southwest	2,219	-	5,022	7,241
West	1,237	2,058	1,760	5,055
Consolidated Total	8,195	2,471	17,035	27,701
Unconsolidated Joint Ventures	2,248	-	826	3,074
Grand Total	10,443	2,471	17,861	30,775

- *Option deposits as of January 31, 2020 were \$74 million*
- *\$27 million invested in pre-development expenses as of January 31, 2020*

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

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

Hovnanian Enterprises, Inc.

January 31, 2020

Reconciliation of (loss) before income taxes excluding land-related charges and gain on extinguishment of debt to (loss) before income taxes

(In thousands)

	Three Months Ended	
	January 31,	
	2020	2019
	(Unaudited)	
(Loss) before income taxes	\$(7,436)	\$(17,106)
Inventory impairment loss and land option write-offs	2,828	704
Gain on extinguishment of debt	(9,456)	-
(Loss) before income taxes excluding land-related charges and gain on extinguishment of debt (1)	<u>\$(14,064)</u>	<u>\$(16,402)</u>

(1) (Loss) before income taxes excluding land-related charges and gain on extinguishment of debt is a non-GAAP financial measure. The most directly comparable GAAP financial measure is (loss) before income taxes.

Hovnanian Enterprises, Inc.

January 31, 2020

Gross margin

(In thousands)

	Homebuilding Gross Margin Three Months Ended January 31,	
	2020	2019
	(Unaudited)	
Sale of homes	\$479,233	\$362,135
Cost of sales, excluding interest expense and land charges (1)	396,318	297,570
Homebuilding gross margin, before cost of sales interest expense and land charges (2)	82,915	64,565
Cost of sales interest expense, excluding land sales interest expense	18,136	10,242
Homebuilding gross margin, after cost of sales interest expense, before land charges (2)	64,779	54,323
Land charges	2,828	704
Homebuilding gross margin	<u>\$61,951</u>	<u>\$53,619</u>
Gross margin percentage	12.9%	14.8%
Gross margin percentage, before cost of sales interest expense and land charges (2)	17.3%	17.8%
Gross margin percentage, after cost of sales interest expense, before land charges (2)	13.5%	15.0%

	Land Sales Gross Margin Three Months Ended January 31,	
	2020	2019
	(Unaudited)	
Land and lot sales	\$25	\$7,508
Land and lot sales cost of sales, excluding interest and land charges (1)	37	7,357
Land and lot sales gross margin, excluding interest and land charges	(12)	151
Land and lot sales interest	-	-
Land and lot sales gross margin, including interest and excluding land charges	<u>\$(12)</u>	<u>\$151</u>

(1) 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.

(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.

Hovnanian Enterprises, Inc.

January 31, 2020

Reconciliation of adjusted EBITDA to net (loss)

(In thousands)

	Three Months Ended	
	January 31,	
	2020	2019
	(Unaudited)	
Net (loss)	\$(9,148)	\$(17,452)
Income tax provision	1,712	346
Interest expense	43,139	32,515
EBIT (1)	35,703	15,409
Depreciation and amortization	1,279	979
EBITDA (2)	36,982	16,388
Inventory impairment loss and land option write-offs	2,828	704
Gain on extinguishment of debt	(9,456)	-
Adjusted EBITDA (3)	<u>\$30,354</u>	<u>\$17,092</u>
Interest incurred	\$44,334	\$38,853
Adjusted EBITDA to interest incurred	0.68	0.44

(1) EBIT is a non-GAAP financial measure. The most directly comparable GAAP financial measure is net (loss). 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 (loss). 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 (loss). Adjusted EBITDA represents earnings before interest expense, income taxes, depreciation, amortization, inventory impairment loss and land option write-offs and gain on extinguishment of debt.

Hovnanian Enterprises, Inc.

January 31, 2020

Calculation of Inventory Turnover⁽¹⁾

	For the quarter ended					TTM ended
(Dollars in thousands)	4/30/2019	7/31/2019	10/31/2019	1/31/2020		1/31/2020
Cost of sales, excluding interest	\$355,477	\$381,939	\$562,434	\$396,355		\$1,696,205
	As of					
	1/31/2019	4/30/2019	7/31/2019	10/31/2019	1/31/2020	
Total inventories	\$1,178,373	\$1,268,058	\$1,354,918	\$1,292,485	\$1,295,715	Five
Consolidated inventory not owned	112,618	154,435	179,642	190,273	205,215	Quarter
Capitalized interest	74,455	79,277	77,997	71,264	67,879	Average
Inventories less consolidated inventory not owned and capitalized interest	\$991,300	\$1,034,346	\$1,097,279	\$1,030,948	\$1,022,621	\$1,035,299
Inventory turnover						1.6x

(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.

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