Hovnanian Enterprises, Inc.

Review of Financial Results | Second Quarter Fiscal 2021

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 inventor 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) the outbreak and spread of COVID-19 and the measures that governments, agencies, law enforcement and/or health authorities implement to address it; (2) changes in general and local economic, industry and business conditions and impacts of a significant homebuilding downturn; (3) adverse weather and other environmental conditions and natural disasters; (4) the seasonality of the Company's business; (5) the availability and cost of suitable land and improved lots and sufficient liquidity to invest in such land and lots; (6) shortages in, and price fluctuations of, raw materials and labor, including due to changes in trade policies and the imposition of tariffs and duties on homebuilding materials and products and related trade disputes with, and retaliatory measures taken by, other countries; (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) 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) 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; 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, 2020 and the Company's Quarterly Reports on Form 10-Q for the quarterly periods during fiscal 2021 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 (gain) on extinguishment of debt ("Adjusted EBITDA") are not U.S. generally accepted accounting principles (GAAP) financial measures. This presentation also presents EBITDA and Adjusted EBITDA adjusted to exclude the impact of incremental phantom stock expense. The most directly comparable GAAP financial measure is net income (loss). The reconciliation for historical periods of EBIT, EBITDA and Adjusted EBITDA to net income (loss) is presented in a table attached to this presentation or elsewhere in 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 presentation.

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

SG&A excluding the impact of incremental phantom stock expense is a non-GAAP financial measure. The most directly comparable GAAP financial measure is SG&A, to which SG&A excluding the impact of incremental phantom stock expense is reconciled herein.

Total liquidity is comprised of $218.3 million of cash and cash equivalents, $9.5 million of restricted cash required to collateralize letters of credit and $125.0 million availability under the senior secured revolving credit facility as of April 30, 2021.

Hovnanian Enterprises, Inc.

Guidance Compared with Actuals for Second Quarter 2021

($ in millions)	Guidance Q2 2021	Actuals Q2 2021	Actuals Excluding Incremental Phantom Expense(1)
Total Revenues	$700 - $750	$703	$703
Adjusted Homebuilding Gross Margin(2)	20.5% - 21.5%	21.3%	21.3%
Total SG&A as Percentage of Total Revenues(3)	9.5% - 10.5%	11.7%	9.3%
Adjusted EBITDA(4)	$75 - $90	$76	$94
Adjusted Income Before Income Taxes(5)	$30 - $45	$31	$49

(1) SG&A expenses in the second quarter of fiscal 2021 included $17.5 million of incremental expenses due to the phantom stock awards, which is solely related to our common stock price increasing from $51.16 at the end of the first quarter to $132.59 at the end of the second quarter.

(2) 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.

(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.

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

(5) Adjusted Income Before Income Taxes excludes land-related charges and loss (gain) on extinguishment of debt. See appendix for a reconciliation to the most directly comparable GAAP measure.

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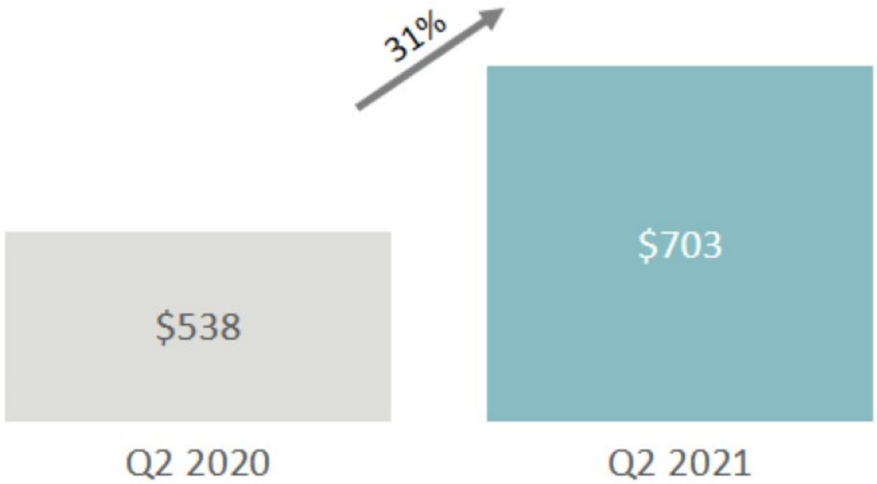
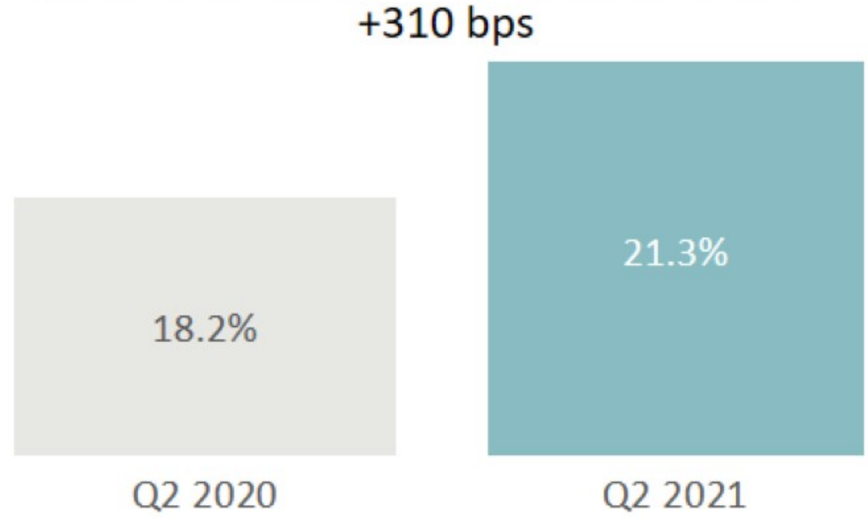
Second Quarter Operating Results

($ in millions)

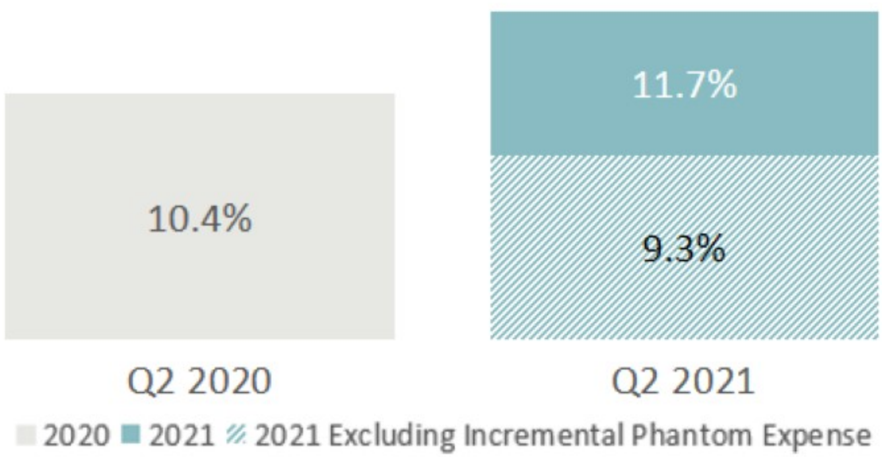
Total Revenues



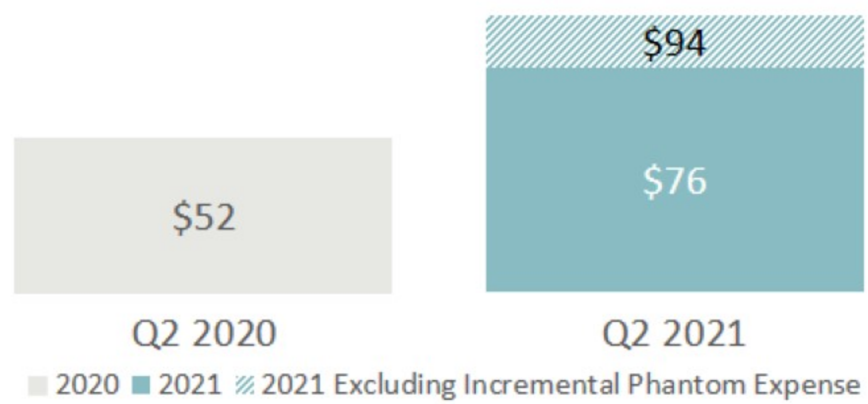
Adjusted Homebuilding Gross Margin(1)



Total SG&A Ratio(2),(3)



Adjusted EBITDA(3),(4)



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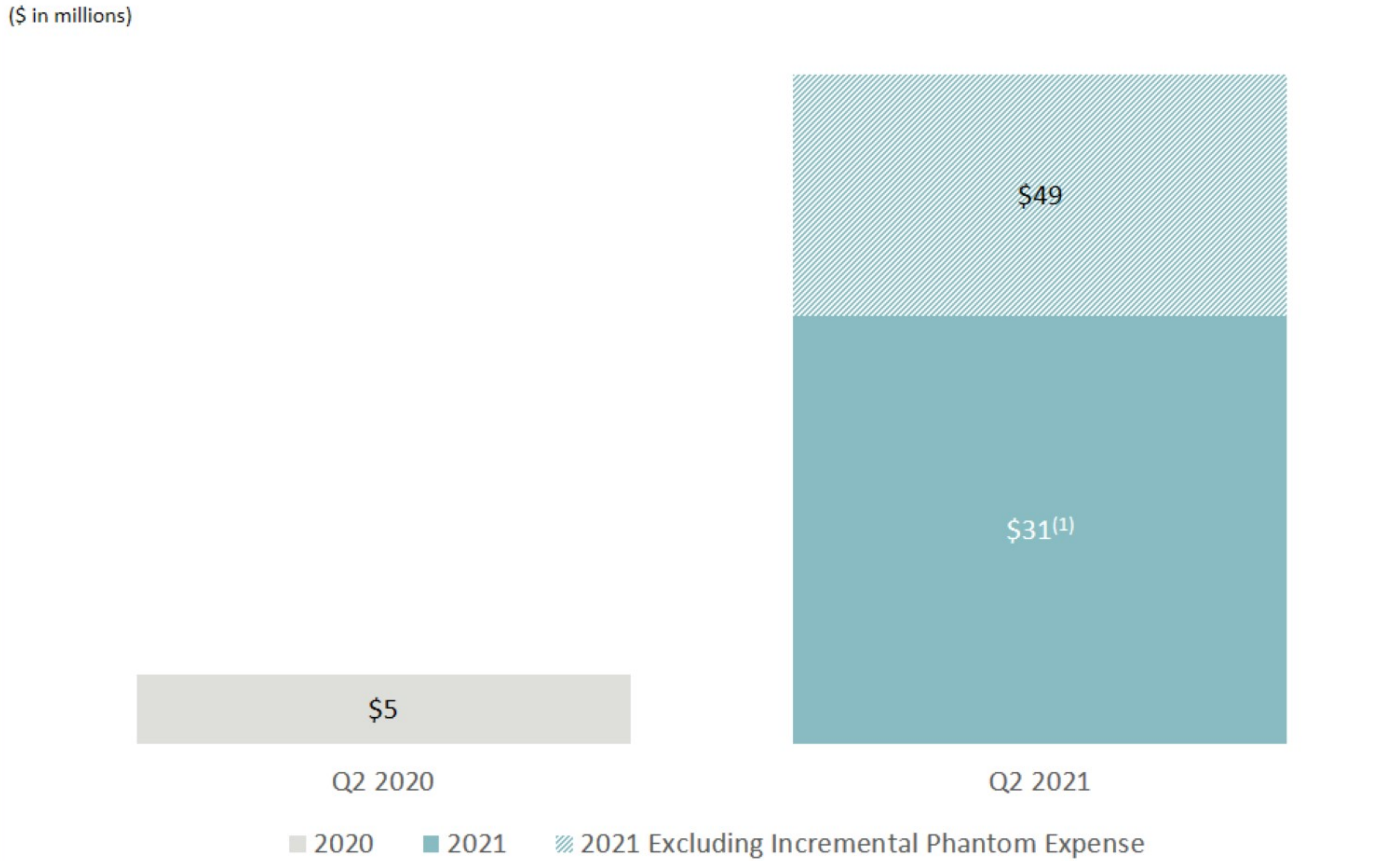
Adjusted Pretax Income



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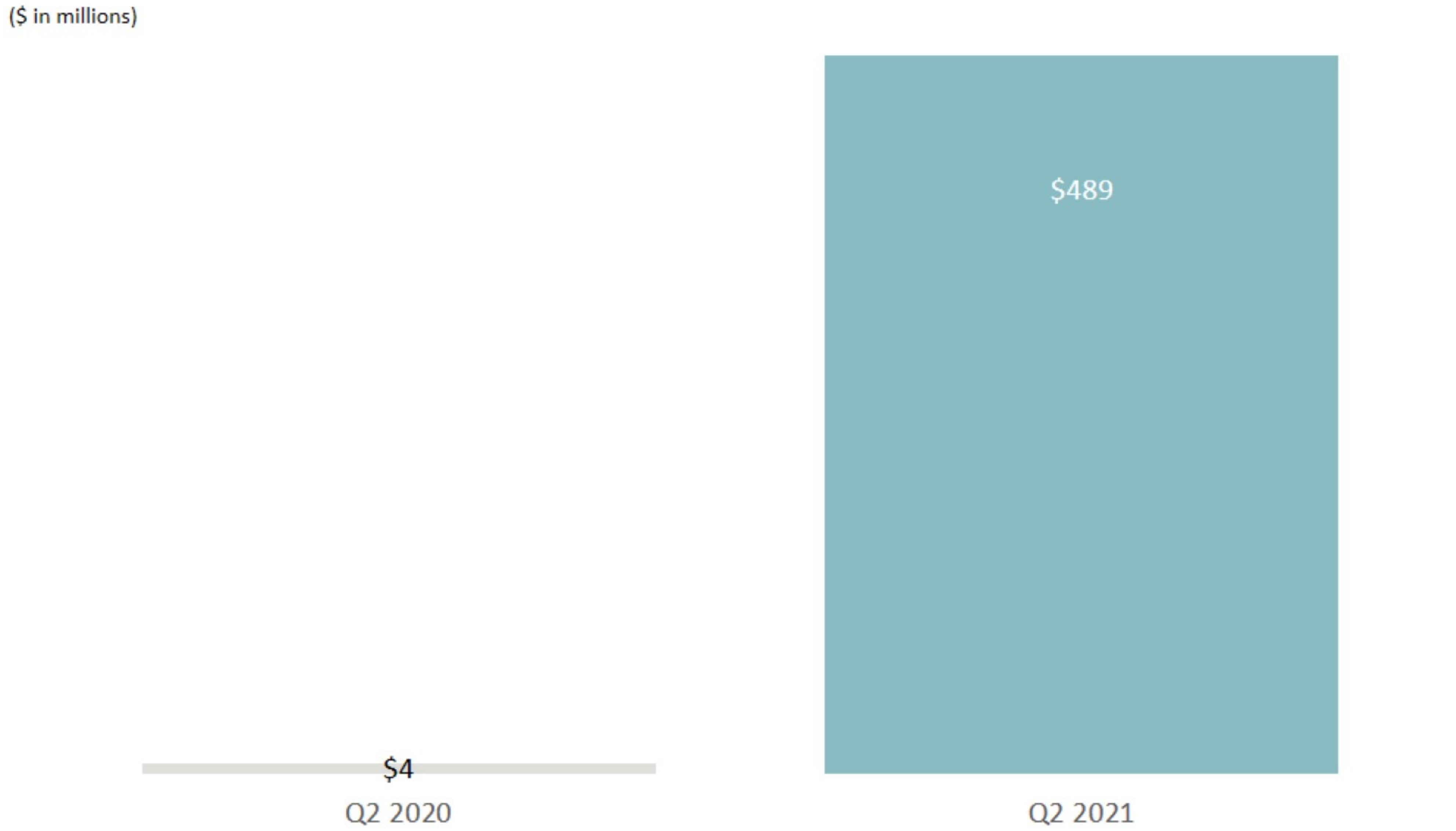
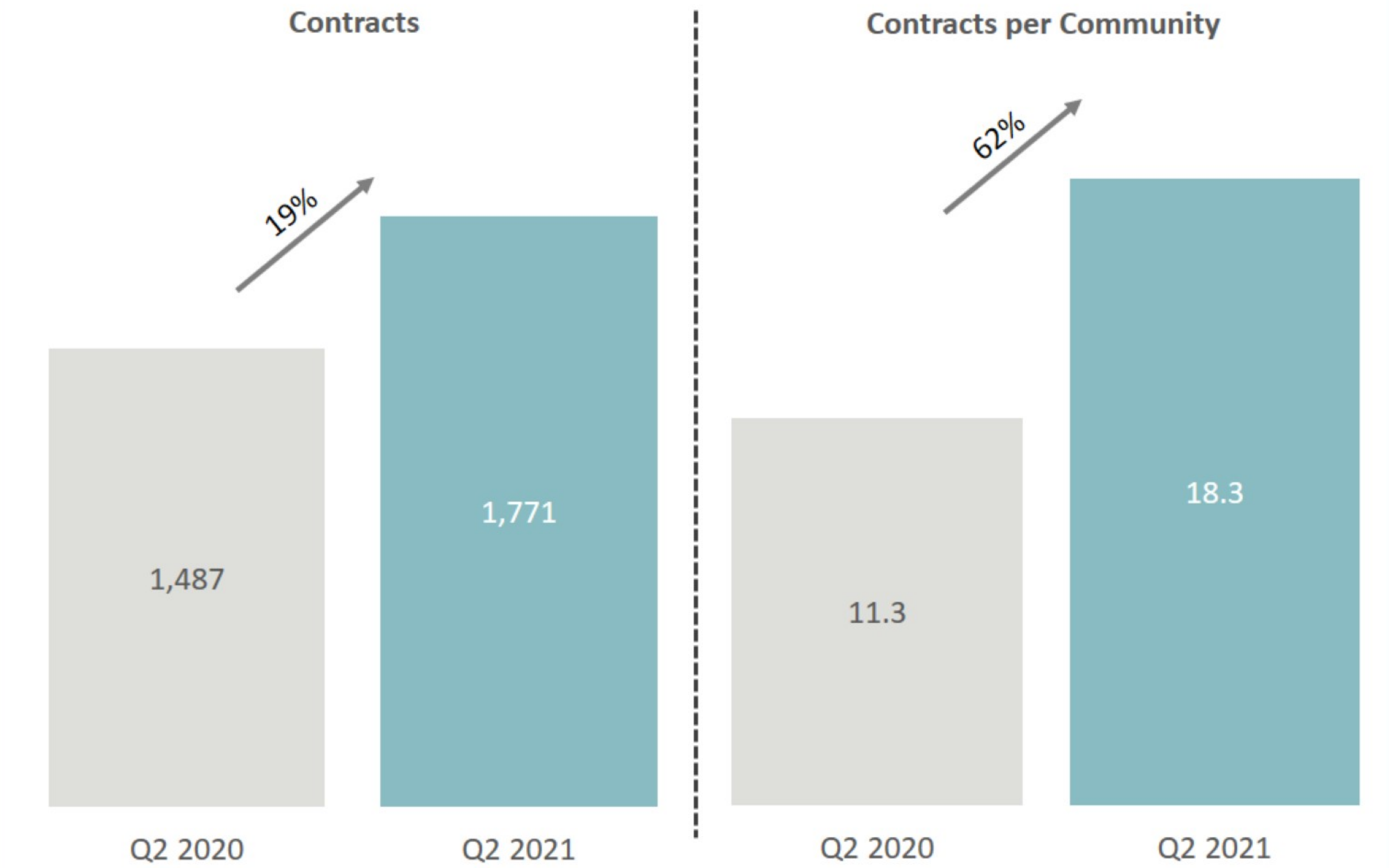
Note: Adjusted Income (Loss) Before Income Taxes excludes land-related charges and loss (gain) on extinguishment of debt. See appendix for a reconciliation to the most directly comparable GAAP measure.

Net Income



Quarterly Contracts



Note: Excludes unconsolidated joint ventures.

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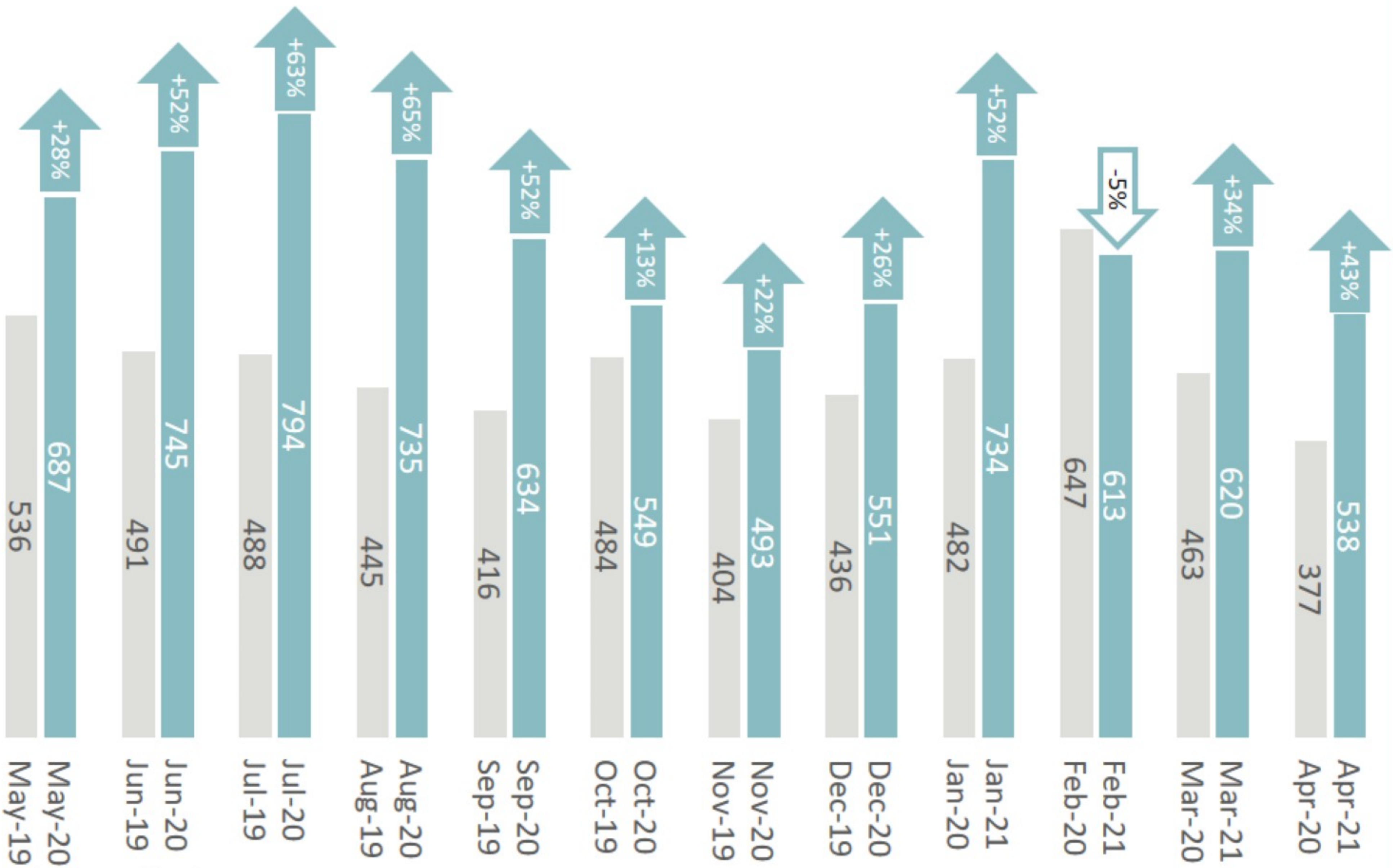
Monthly Contracts



Note: Excludes unconsolidated joint ventures.

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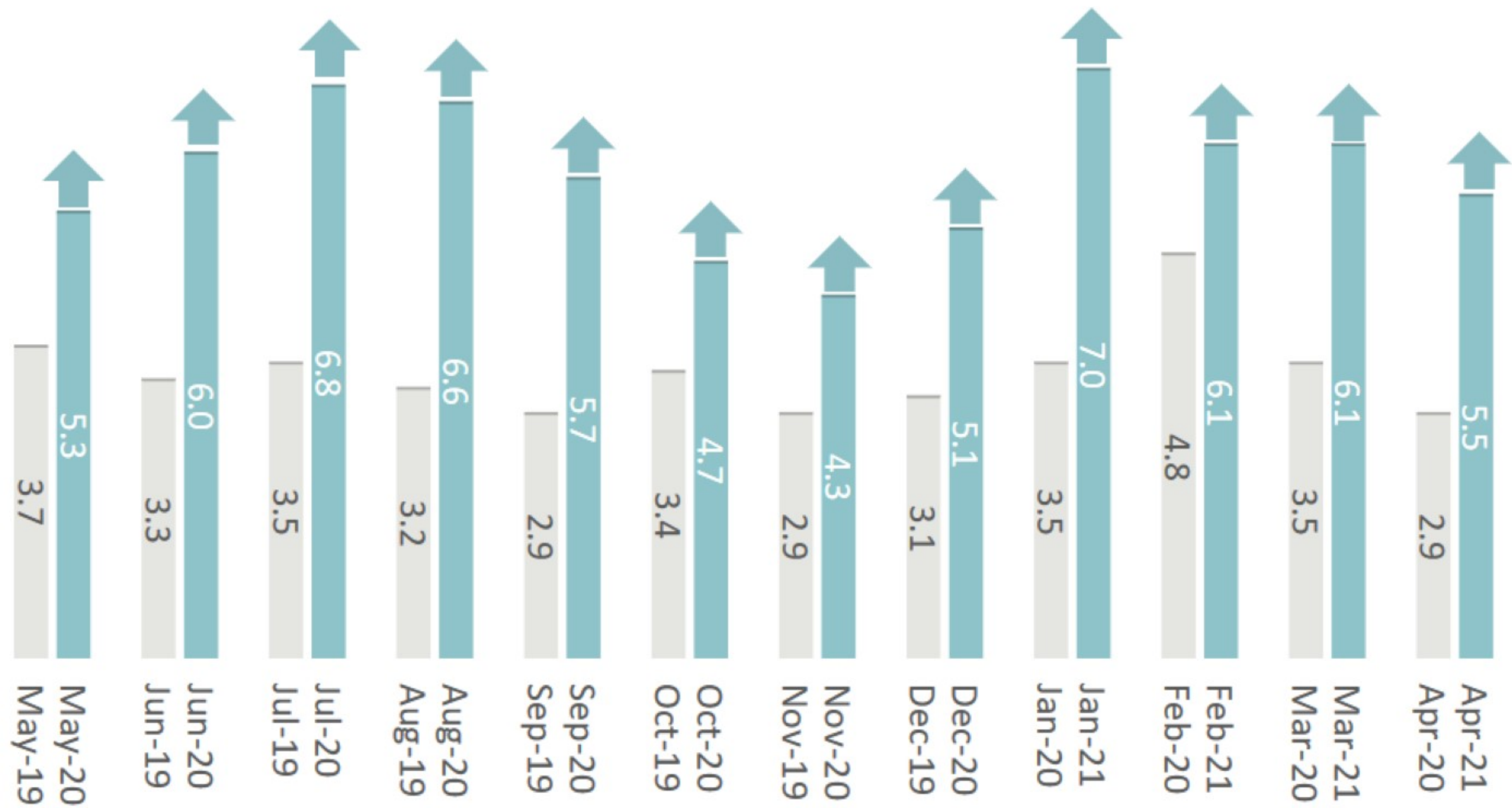
Number of Monthly Contracts Per Community, Excludes Unconsolidated Joint Ventures

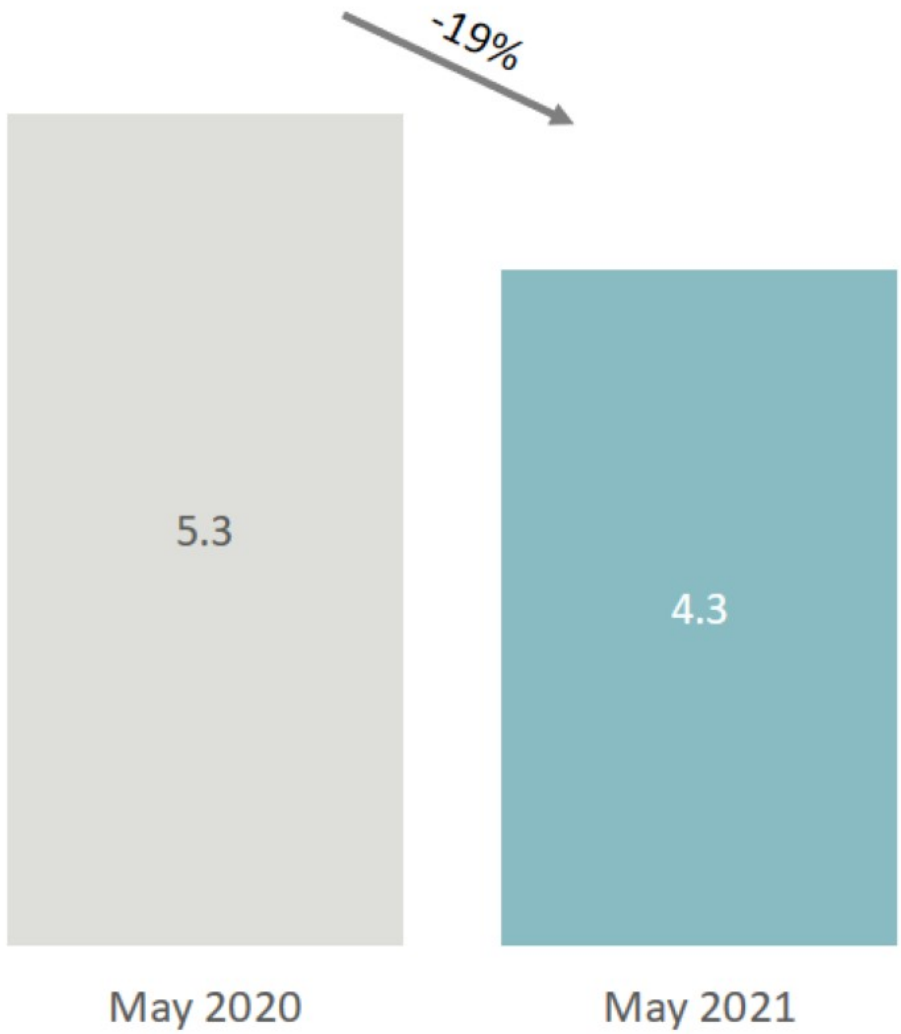


	May 19	May 20	Jun 19	Jun 20	Jul 19	Jul 20	Aug 19	Aug 20	Sep 19	Sep 20	Oct 19	Oct 20	Nov 19	Nov 20	Dec 19	Dec 20	Jan 20	Jan 21	Feb 20	Feb 21	Mar 20	Mar 21	Apr 20	Apr 21
Number of Sundays	4	5	5	4	4	4	4	5	5	4	4	4	4	5	5	4	4	5	4	4	5	4	4	4
Monthly contracts	536	687	491	745	488	794	445	735	416	634	484	549	404	493	436	551	482	734	647	613	463	620	377	538

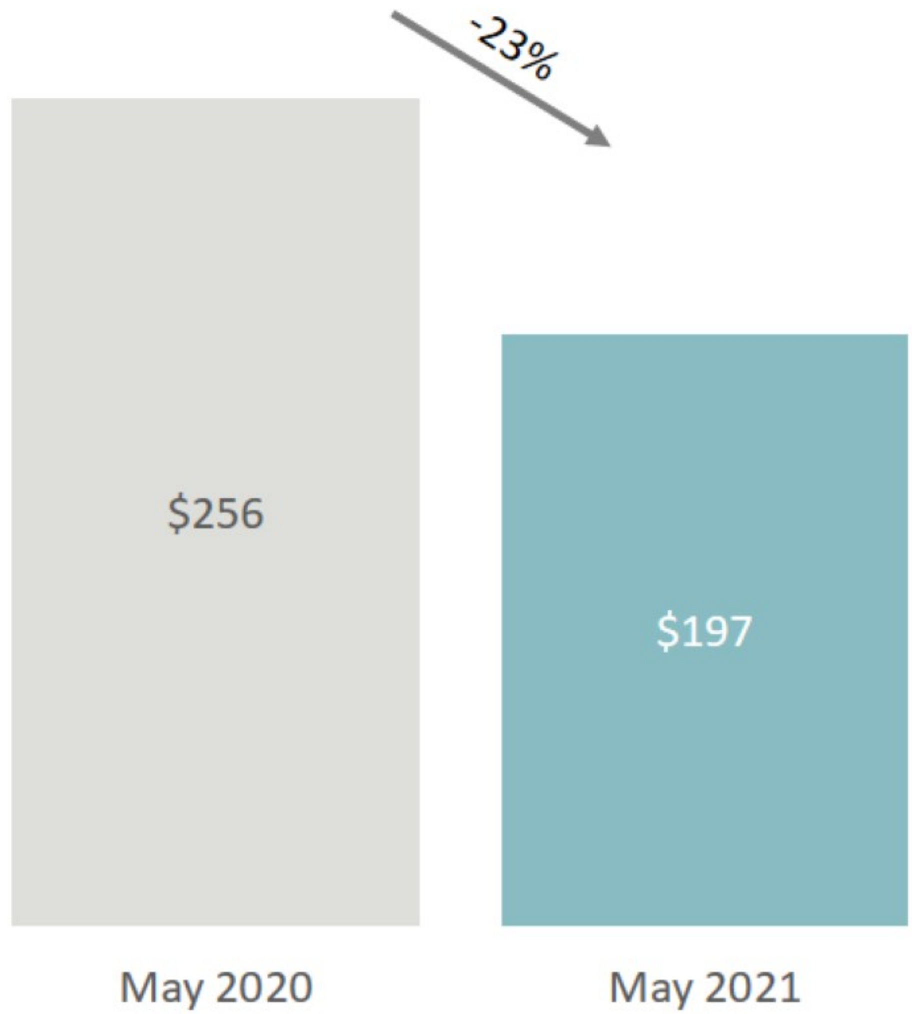
Note: Excludes unconsolidated joint ventures.

May 2021

Contracts per Community



Contract $



	May 2020	May 2021
Monthly Contracts	**687**	**413**

Note: Excludes unconsolidated joint ventures.

Mothballed Lots

As of April 30, 2021

	# of Lots
Northeast (NJ, PA)	-
Mid-Atlantic (DE, MD, VA, WV)	247
Midwest (IL, MN, OH)	108
Southeast (FL, GA, NC, SC)	-
Southwest (AZ, TX)	-
West (CA)	1,159
Total	1,514

- *In 8 communities with a book value of $4 million net of impairment balance of $61 million*
- *Unmothballed approximately 8,600 lots in 106 communities since January 31, 2009*

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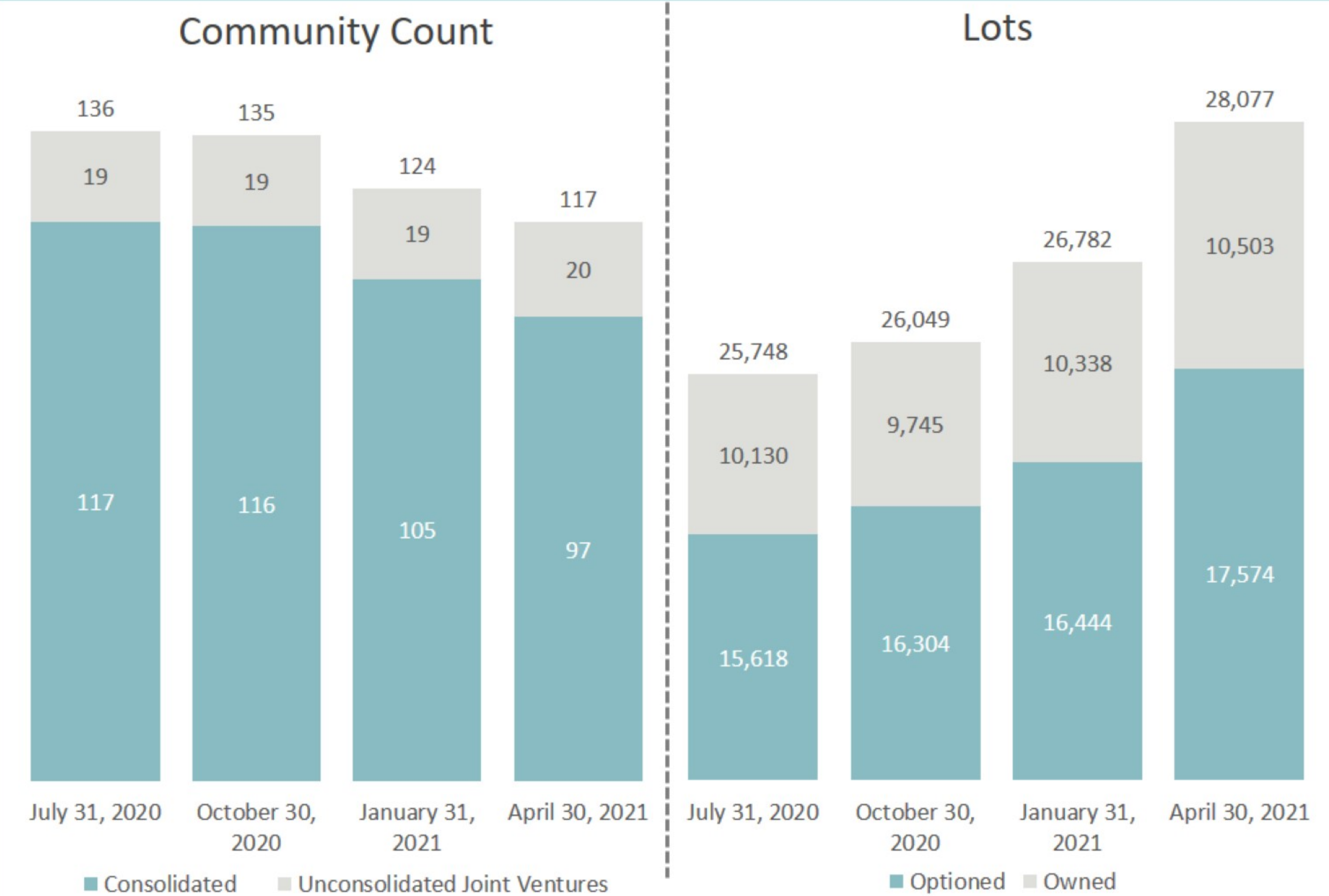
Increase in Newly Controlled Lots

	Q2 2021(1)	Nine Months Ended 04/30/21
Newly Controlled Lots(2)	2,920	7,082
Deliveries & Lot Sales	1,625	4,753
# of Newly Controlled Lots in Excess of Deliveries	1,295	2,329
Newly Controlled Lots as a Percentage of Deliveries & Lot Sales	180%	149%

(1) Excludes unconsolidated joint ventures.

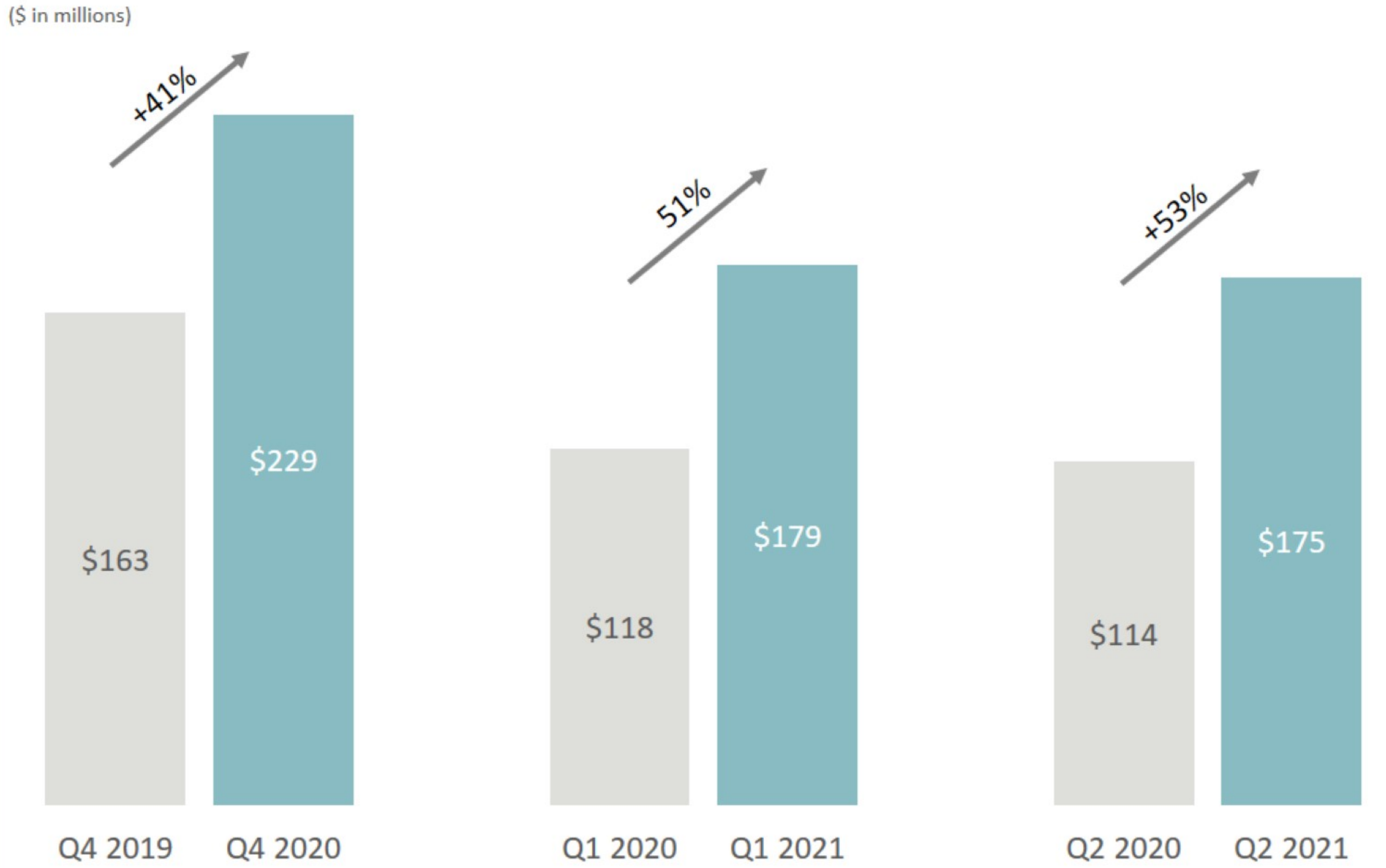
(2) Includes newly optioned lots net of 149 walk aways, as well as lots purchased that were not previously optioned.

Community Count and Lots Controlled



Note: Excludes unconsolidated joint ventures.

Land and Land Development Spend



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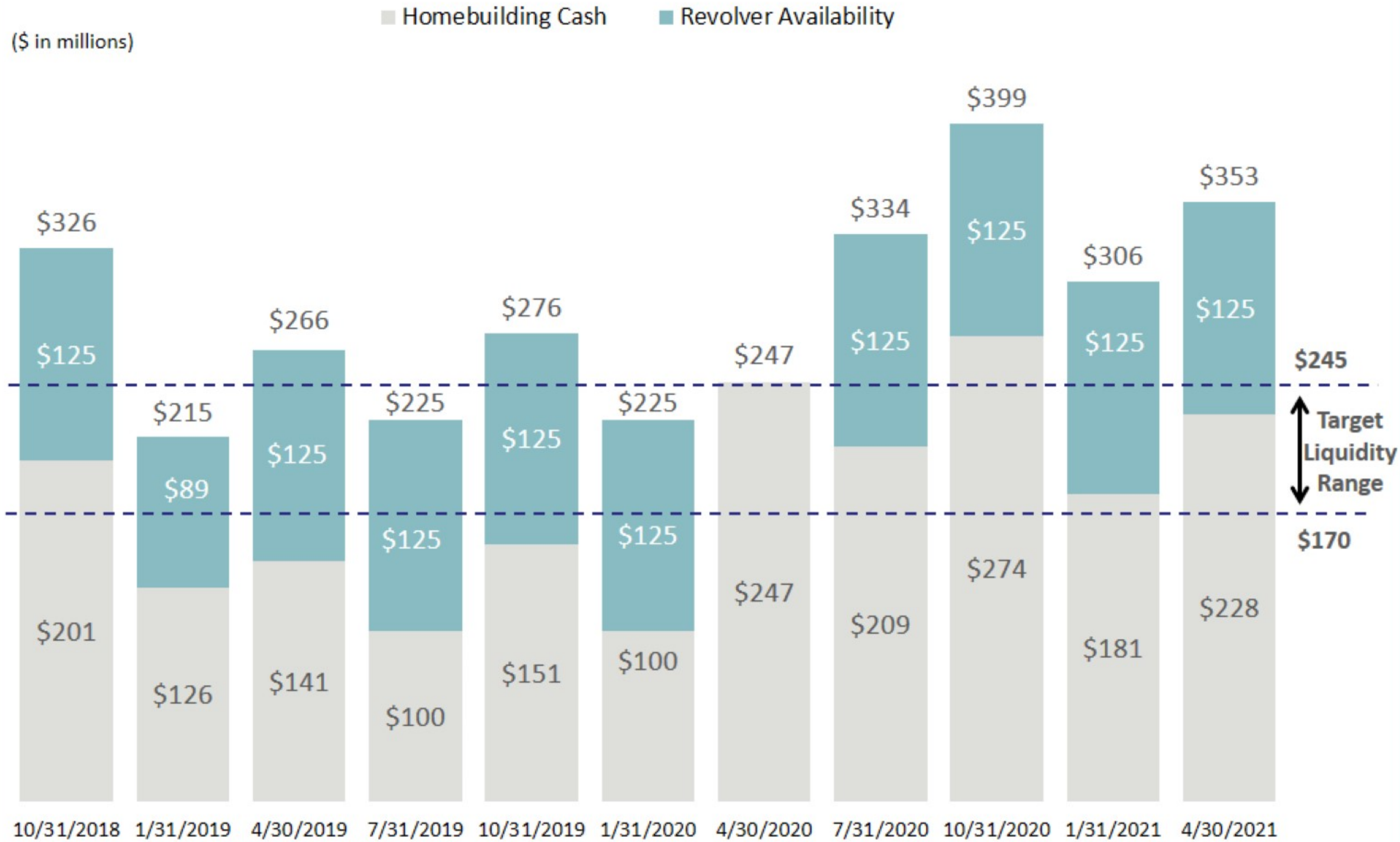
Liquidity Position and Target



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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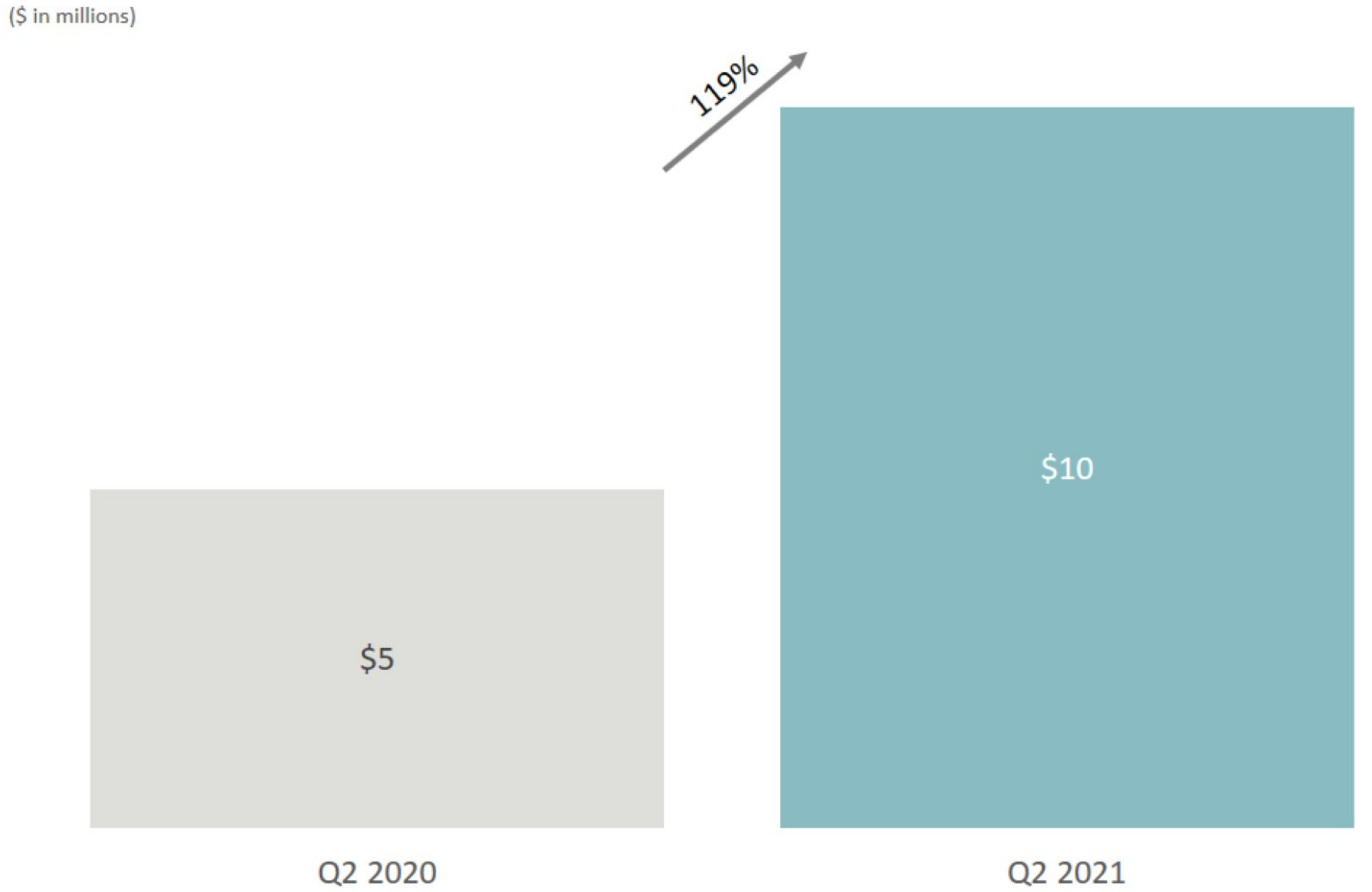
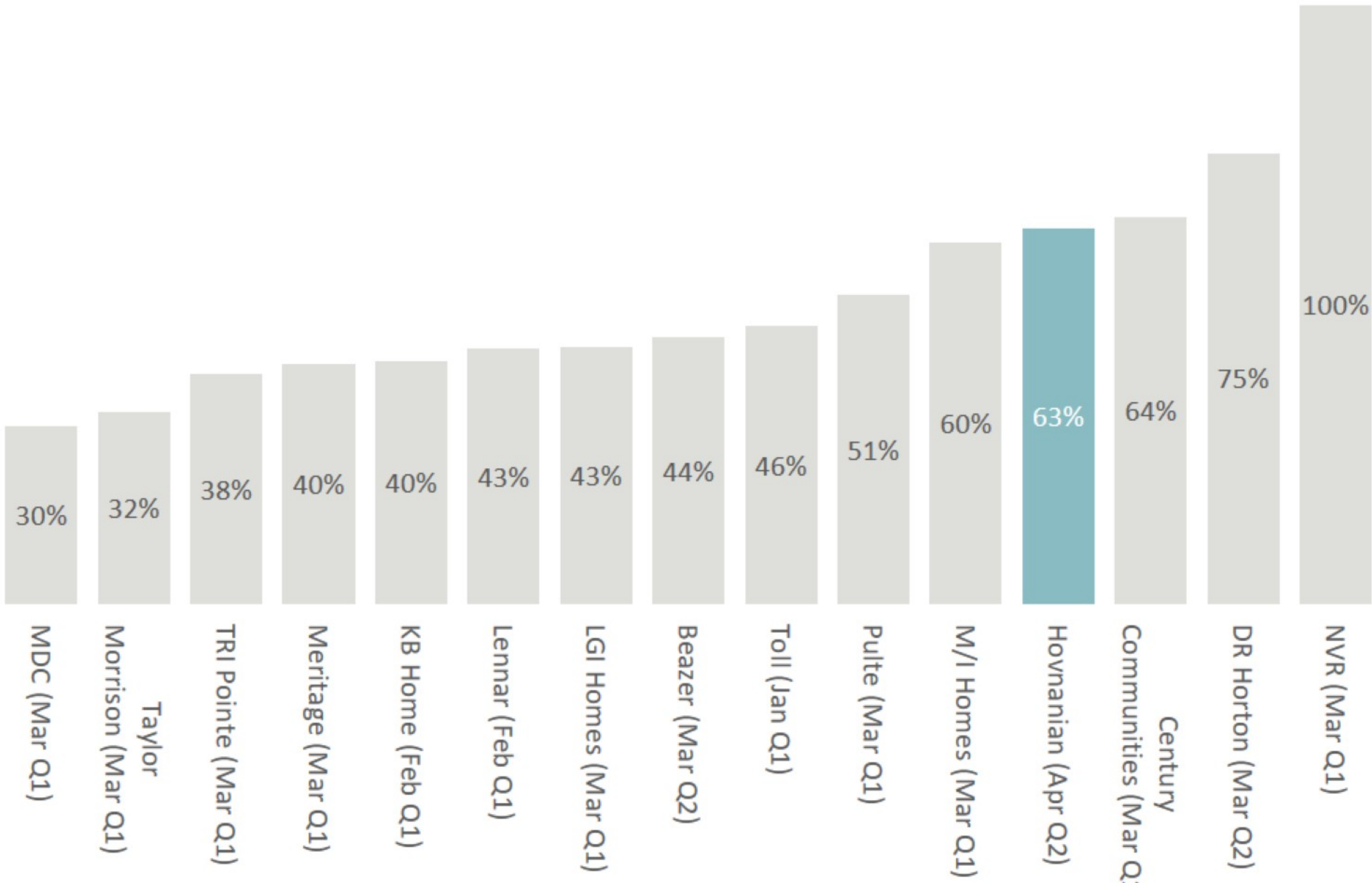
Financial Services Pretax Income

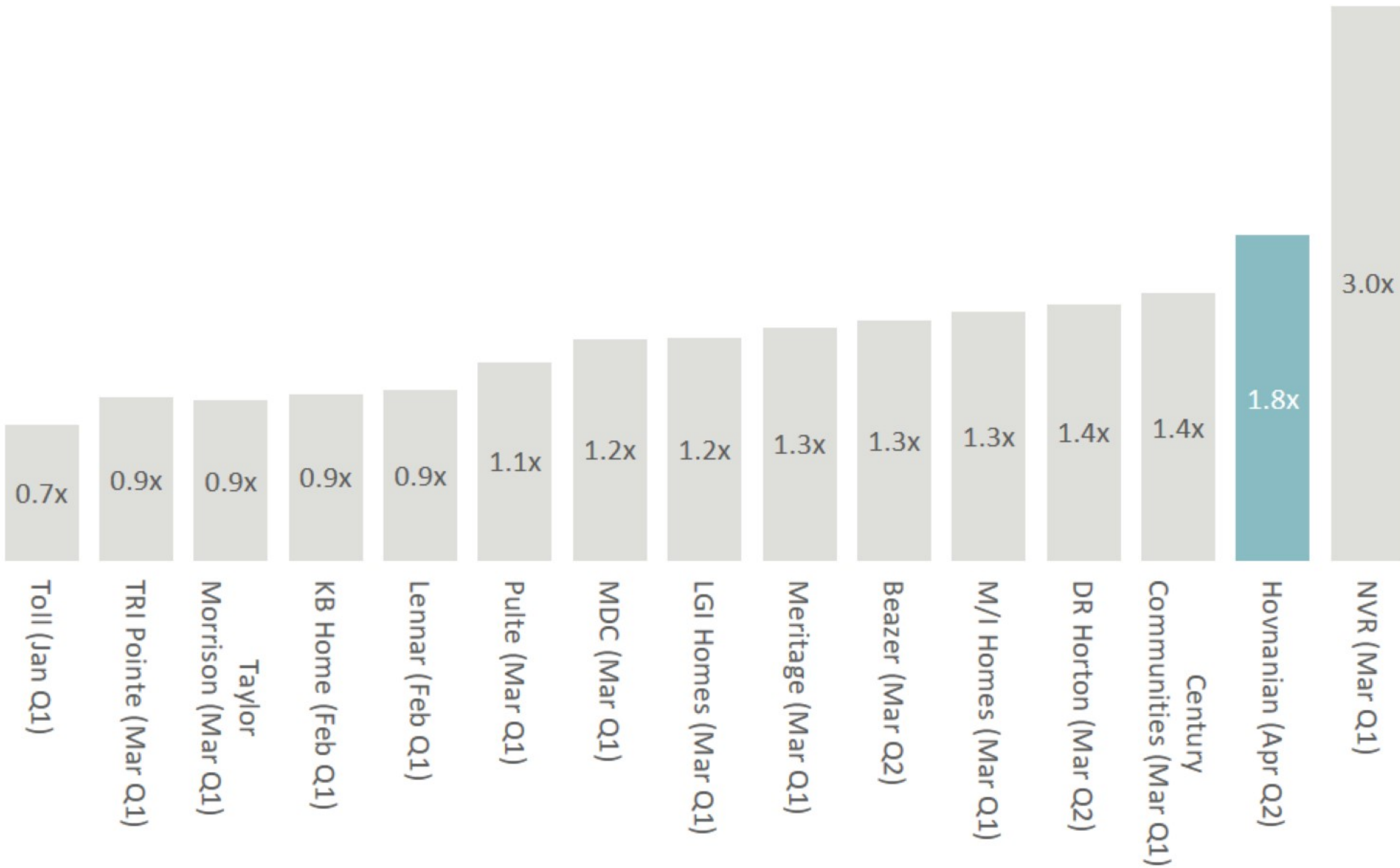


% of Lots Optioned



Source: Company SEC filings and press releases as of 03/02/21.
Note: Excludes unconsolidated joint ventures.

Inventory Turns (COGS), 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, and including liabilities from inventory not owned.

Source: Company SEC filings and press releases as of 03/02/21.

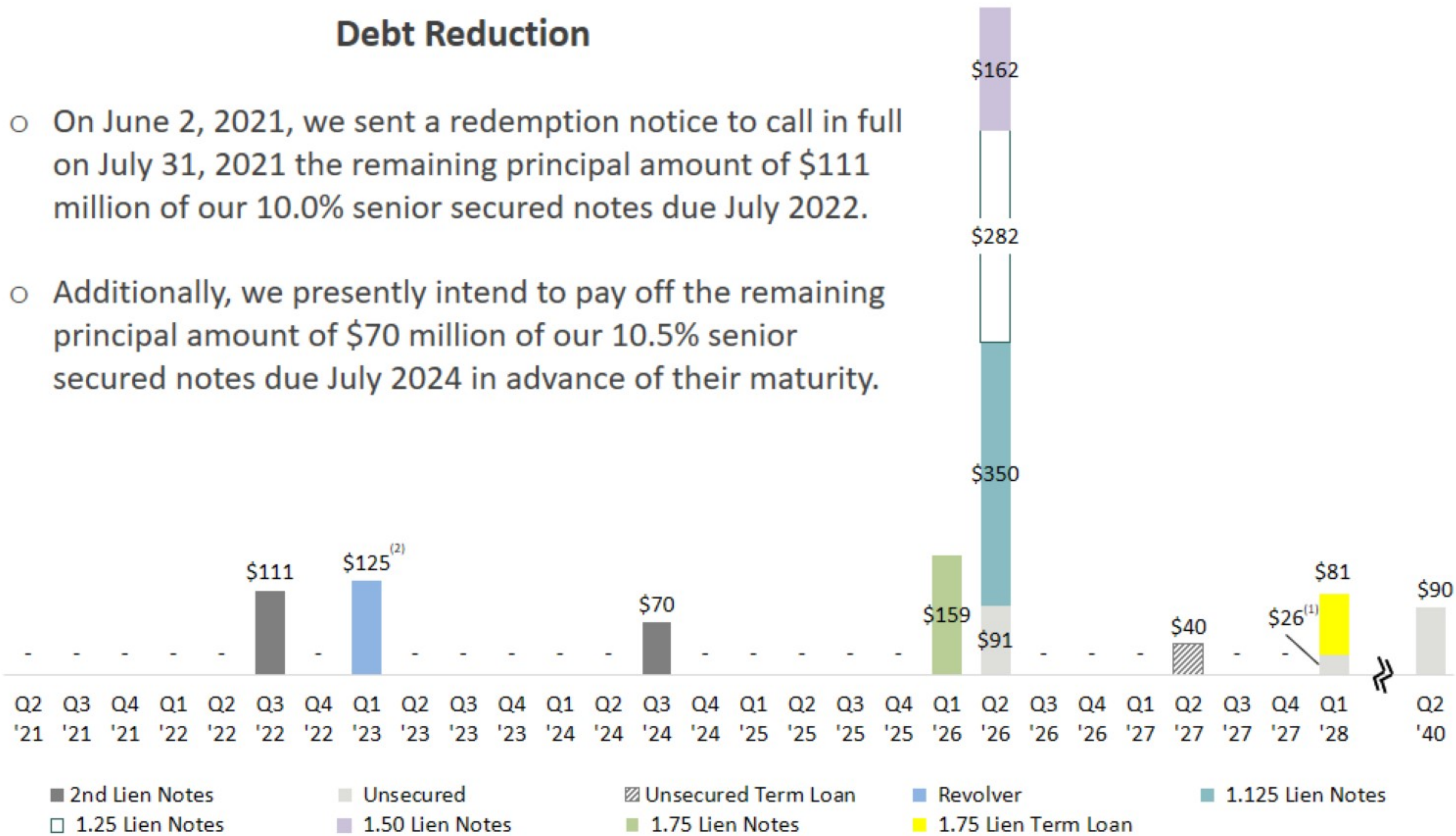
Maturity Ladder

As of April 30, 2021

Debt Reduction

- On June 2, 2021, we sent a redemption notice to call in full on July 31, 2021 the remaining principal amount of $111 million of our 10.0% senior secured notes due July 2022.

- Additionally, we presently intend to pay off the remaining principal amount of $70 million of our 10.5% senior secured notes due July 2024 in advance of their maturity.



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 April 30, 2021.

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We are on track to meet or exceed our key performance targets established in 2018

Key metrics — Actuals, Targets and Guidance

	Actual TTM (As of 04/30/2018)	FYE 2020 (As of 10/31/2020)	Actual TTM (As of 04/30/2021)	Annual key metric targets (Established in June 2018)	Updated FY 2021 Guidance (As of 06/03/2021)(1)
Total consolidated revenue	$2,233	$2,344	$2,589	$2,650	$2,650 – $2,800 ✓✓
Adjusted homebuilding gross margin(2)	17.7%	18.4%	20.0%	19.5%	20.5% – 21.5% ✓✓
Total SG&A as % of total revenues(3)	11.6%	10.3%	10.5%	10.0%	10.5% – 11.5% ✓✓
Adjusted EBITDA(4)	$174	$234	$292	$275	$310 – $350 ✓✓
Adjusted pre-tax earnings(5)	($15)	$51	$112	$100	$150 – $170 ✓✓

(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 and loss (gain) on extinguishment of debt. 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. See appendix for a reconciliation 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 $132.59 and includes incremental stock expenses of $17.5 million incurred in the second quarter of fiscal 2021.

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(5) Adjusted Income 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.

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Focused on deleveraging and enhancing our debt structure

Strategy

- ✓ Deleverage through growth in earnings and debt repayment
- ✓ Ensure multi-year, well-laddered debt maturity structure
- ✓ Proactively refinance high cost of debt at upcoming call dates
- ✓ Issue future note tranches in sizes to achieve HY index inclusion, secondary market liquidity and price transparency
- ✓ Reduce reliance on secured debt; unencumber balance sheet

Bond and loan composition

			Call schedule	
Tranche	Coupon	Current principal balance	Call price	Next date
Secured:				
Senior notes due 2026 (1.125 lien)	7.75%	$350	103.875	2/15/2022
Senior notes due 2026 (1.25 lien)	10.50%	$282	105.250	2/15/2022
Senior notes due 2026 (1.5 lien)	11.25%	$162	100.000	NA
Senior notes due 2025 (1.75 lien)	10.00%	$159	105.000	11/15/2021
Term loan due 2028 (1.75 lien)	10.00%	$81	105.000	11/15/2021
Senior secured notes due 2022	10.00%	$111	100.000	7/15/2021
Senior secured notes due 2024	10.50%	$70	102.625	7/15/2021
Unsecured:				
Unsecured notes due 2026	13.50%	$91	100.000	2/1/2025
Unsecured term loan due 2027	5.00%	$40	100.000	NA
Unsecured notes due 2040	5.00%	$90	100.000	2/1/2021

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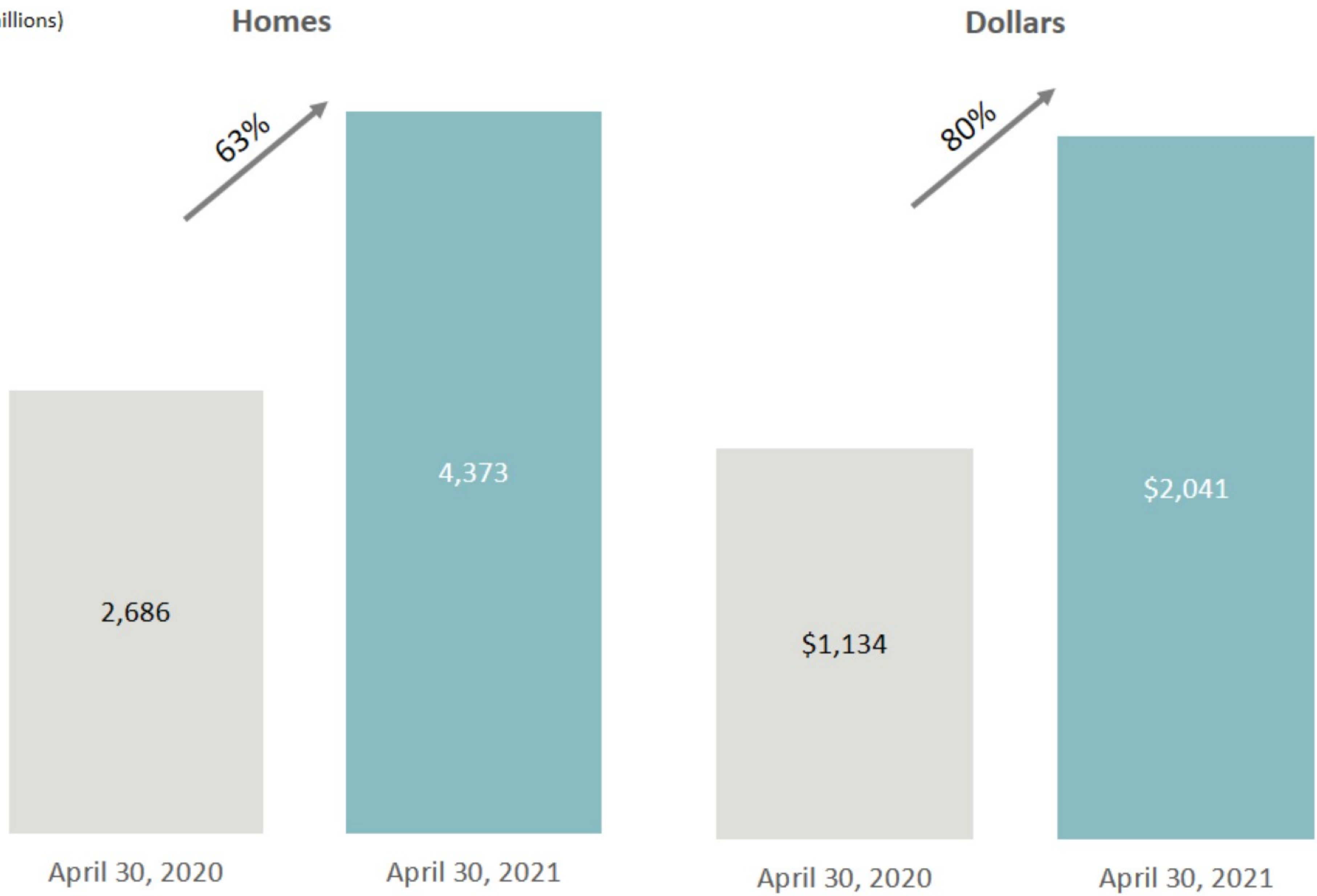
Backlog

($ in millions)



Note: Includes domestic unconsolidated joint ventures.

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Guidance for Third Quarter 2021

($ in millions)	Actuals Q3 2020	Guidance Q3 2021(1)
Total Revenues	$628	$700 - $750
Adjusted Homebuilding Gross Margin(2)	17.5%	20.5% - 21.5%
Total SG&A as Percentage of Total Revenues(3)	9.5%	10.5% - 11.5%
Adjusted EBITDA(4)	$65	$80 - $90
Adjusted Income Before Income Taxes(5)	$15	$35 - $45

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(2) 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.

(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 $132.59.

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(5) Adjusted Income Before Income Taxes excludes land-related charges and loss (gain) on extinguishment of debt. See appendix for a reconciliation to the most directly comparable GAAP measure.

Guidance for Fiscal 2021

($ in millions)	Actuals FY 2020	Guidance FY 2021[1]
Total Revenues	$2,344	$2,650 - $2,800
Adjusted Homebuilding Gross Margin[2]	18.4%	20.5% - 21.5%
Total SG&A as Percentage of Total Revenues[3]	10.3%	10.5% - 11.5%
Adjusted EBITDA[4]	$234	$310 - $350
Adjusted Income Before Income Taxes[5]	$51	$150 - $170

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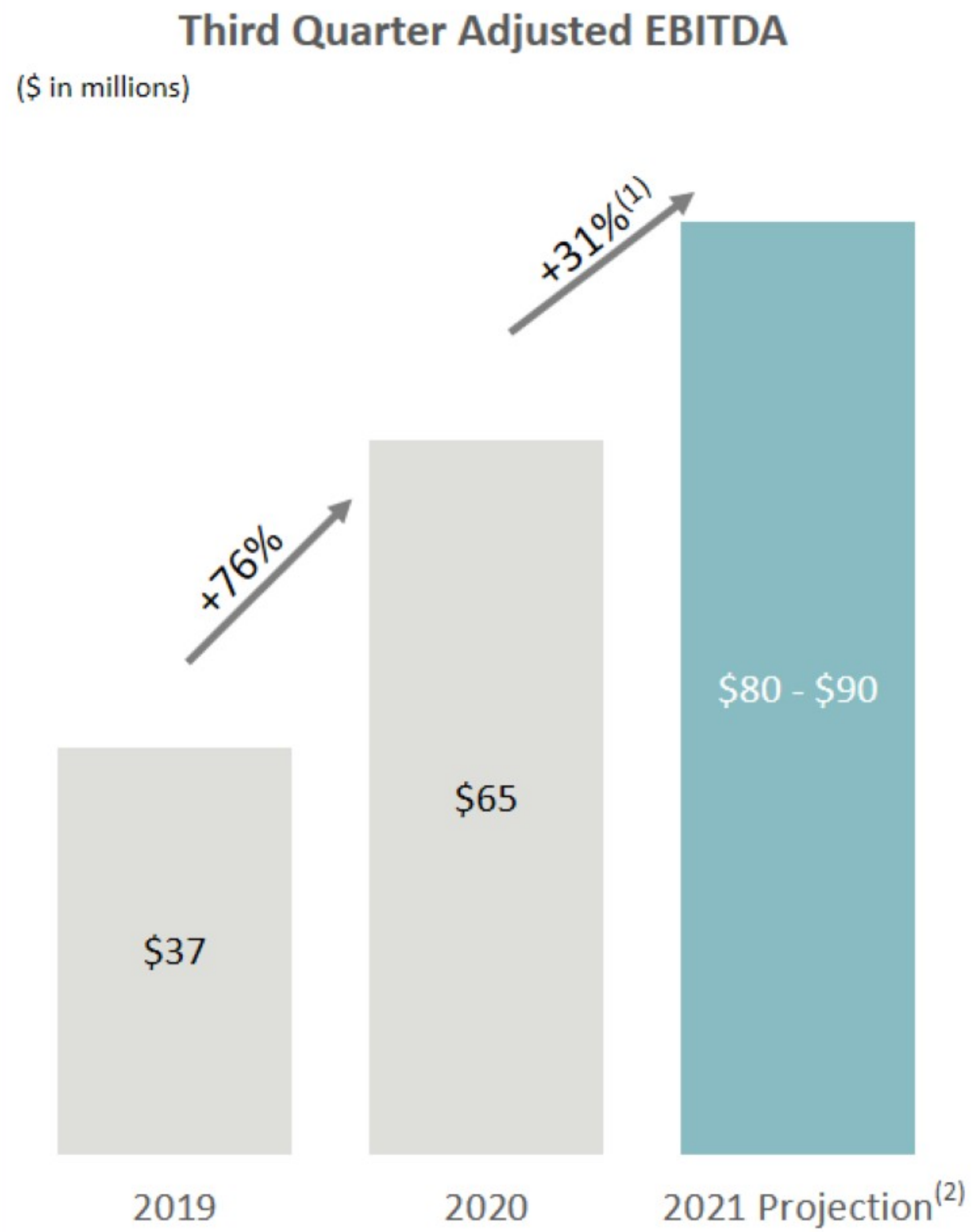
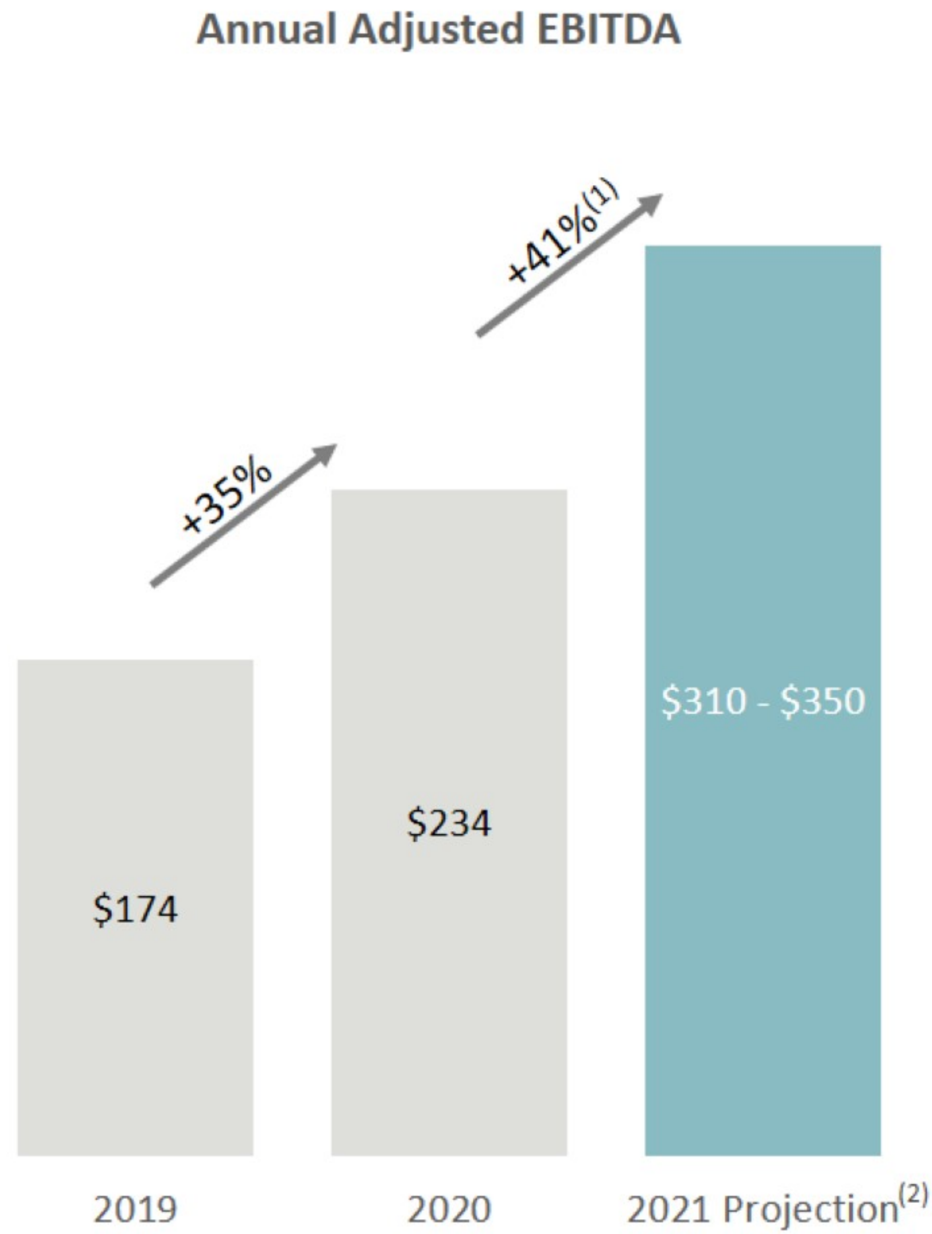
Strong Adjusted EBITDA Growth





(1) *The percentage increases for 2021 are based on the midpoint of our guidance range.*

(2) *The guidance assumes that the stock remains at $132.59 and includes incremental stock expenses of $17.5 million incurred in the second quarter of fiscal 2021.*

Note: Adjusted EBITDA is a non-GAAP financial measure. The most directly comparable GAAP financial measure is net income (loss). Adjusted EBITDA represents earnings before interest expense, income taxes, depreciation, amortization, land-related charges and loss (gain) on extinguishment of debt.

Successfully implemented strategies for long-term profitability and value creation

	Growth-oriented strategy	Actions undertaken
1	Grow revenues to improve scale and enhance margin profile	▪ Actively manage sales pace, ASP and community count ▪ Streamline organizational structure and reduce overhead
2	Risk-adverse land strategy and maintain multi-year lot supply	▪ Control land with minimal cash investment ▪ Target 1-2 years of owned lot supply
3	High return on invested capital and sharpened asset efficiency	▪ Accelerate inventory turnover to unlock capital ▪ Reactivate formerly mothballed inventory
4	Generate excess cash flow and improve balance sheet flexibility	▪ Maintain ample liquidity ▪ Prioritize debt repayment opportunities ▪ Proactively extend and ladder maturities

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Appendix

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Land Positions by Geographic Segment

	April 30, 2021			
	Owned			
Segment	Excluding Mothballed Lots	Mothballed Lots	Optioned Lots	Total Lots
Northeast	504	-	2,430	2,934
Mid-Atlantic	1,477	247	5,750	7,474
Midwest	748	108	1,035	1,891
Southeast	1,106	-	2,299	3,405
Southwest	2,978	-	4,950	7,928
West	2,176	1,159	1,110	4,445
Consolidated Total	**8,989**	**1,514**	**17,574**	**28,077**
Unconsolidated Joint Ventures	2,052	-	513	2,565
Grand Total	11,041	1,514	18,087	30,642

- *Option deposits as of April 30, 2021 were $80 million*
- *$17 million invested in pre-development expenses as of April 30, 2021*

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.

Reconciliation of Income (Loss) Before Income Taxes Excluding Land-Related Charges and Loss (Gain) on Extinguishment of Debt to Income (Loss) Before Income Taxes

Hovnanian Enterprises, Inc.
April 30, 2021
Reconciliation of income (loss) before income taxes excluding land-related charges and loss (gain) on extinguishment of debt to income (loss) before income taxes
(In thousands)

	Three Months Ended April 30,		Six Months Ended April 30,	
	2021	2020	2021	2020
	(Unaudited)		(Unaudited)	
Income (loss) before income taxes	$31,032	$4,179	$50,617	$(3,257)
Inventory impairment loss and land option write-offs	81	1,010	1,958	3,838
Loss (gain) on extinguishment of debt	-	174	-	(9,282)
Income (loss) before income taxes excluding land-related charges and loss (gain) on extinguishment of debt (1)	$31,113	$5,363	$52,575	$(8,701)

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

Reconciliation of Gross Margin

Hovnanian Enterprises, Inc.
April 30, 2021
Gross margin
(In thousands)

	Homebuilding Gross Margin Three Months Ended April 30,		Homebuilding Gross Margin Six Months Ended April 30,	
	2021	2020	2021	2020
	(Unaudited)		(Unaudited)	
Sale of homes	$679,515	$523,347	$1,230,880	$1,002,580
Cost of sales, excluding interest expense and land charges (1)	535,017	427,944	972,389	824,262
Homebuilding gross margin, before cost of sales interest expense and land charges (2)	144,498	95,403	258,491	178,318
Cost of sales interest expense, excluding land sales interest expense	21,704	18,537	38,421	36,673
Homebuilding gross margin, after cost of sales interest expense, before land charges (2)	122,794	76,866	220,070	141,645
Land charges	81	1,010	1,958	3,838
Homebuilding gross margin	$122,713	$75,856	$218,112	$137,807
Homebuilding Gross margin percentage	18.1%	14.5%	17.7%	13.7%
Homebuilding Gross margin percentage, before cost of sales interest expense and land charges (2)	21.3%	18.2%	21.0%	17.8%
Homebuilding Gross margin percentage, after cost of sales interest expense, before land charges (2)	18.1%	14.7%	17.9%	14.1%

	Land Sales Gross Margin Three Months Ended April 30,		Land Sales Gross Margin Six Months Ended April 30,	
	2021	2020	2021	2020
	(Unaudited)		(Unaudited)	
Land and lot sales	$1,549	$50	$4,911	$75
Land and lot sales cost of sales, excluding interest and land charges (1)	1,517	83	3,783	120
Land and lot sales gross margin, excluding interest and land charges	32	(33)	1,128	(45)
Land and lot sales interest	21	52	469	52
Land and lot sales gross margin, including interest and excluding land charges	$11	$(85)	$659	$(97)

(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.

Reconciliation of Adjusted EBITDA to Net Income (Loss)

Hovnanian Enterprises, Inc.
April 30, 2021
Reconciliation of adjusted EBITDA to net income (loss)
(In thousands)

	Three Months Ended April 30,		Six Months Ended April 30,	
	2021	2020	2021	2020
	(Unaudited)		(Unaudited)	
Net income (loss)	$488,676	$4,079	$507,635	$(5,069)
Income tax (benefit) provision	(457,644)	100	(457,018)	1,812
Interest expense	43,758	45,458	84,898	88,597
EBIT (1)	74,790	49,637	135,515	85,340
Depreciation and amortization	1,484	1,263	2,822	2,542
EBITDA (2)	76,274	50,900	138,337	87,882
Inventory impairment loss and land option write-offs	81	1,010	1,958	3,838
Loss (gain) on extinguishment of debt	-	174	-	(9,282)
Adjusted EBITDA (3)	$76,355	$52,084	$140,295	$82,438
Interest incurred	$41,870	$45,323	$83,327	$89,657
Adjusted EBITDA to interest incurred	1.82	1.15	1.68	0.92

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

Reconciliation of Adjusted EBITDA to Net Income (Loss)

Hovnanian Enterprises, Inc.
July 31, 2020 and October 31, 2020
Reconciliation of adjusted EBITDA to net income (loss)
(Dollars in thousands)

	Three Months Ended July 31,		Year Ended October 31,	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
Net income (loss)	$15,363	$(7,601)	$50,928	$(42,117)
Income tax provision	853	537	4,475	2,449
Interest expense	48,886	41,406	178,131	160,781
EBIT (1)	65,102	34,342	233,534	121,113
Depreciation and amortization	1,355	1,004	5,304	4,172
EBITDA (2)	66,457	35,346	238,838	125,285
Inventory impairment loss and land option write-offs	2,364	1,435	8,813	6,288
(Gain) Loss on extinguishment of debt	(4,055)	-	(13,337)	42,436
Adjusted EBITDA (3)	$64,766	$36,781	$234,314	$174,009
Interest incurred	$45,140	$42,104	$176,457	$165,906
Adjusted EBITDA to interest incurred	1.43	0.87	1.33	1.05

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

Hovnanian Enterprises, Inc.

Reconciliation of Inventory Turnover

Hovnanian Enterprises, Inc.

April 30, 2021

Calculation of Inventory Turnover[1]

		For the quarter ended				TTM ended
(Dollars in thousands)		7/31/2020	10/31/2020	1/31/2021	4/30/2021	4/30/2021
Cost of sales, excluding interest		$499,695	$524,409	$439,638	$536,534	$2,000,276

	As of					
	4/30/2020	7/31/2020	10/31/2020	1/31/2021	4/30/2021	
Total inventories	$1,288,497	$1,213,503	$1,195,775	$1,281,149	$1,256,873	
Less consolidated inventory not owned	198,229	194,760	182,224	165,980	125,414	Five
Plus liabilities from inventory not owned, net of debt issuance costs	144,536	144,922	131,204	119,432	90,430	Quarter
Less capitalized interest	67,744	63,998	65,010	65,327	59,772	Average
Inventories less consolidated inventory not owned and capitalized interest plus liabilities from inventory not owned	$1,167,060	$1,099,667	$1,079,745	$1,169,274	$1,162,117	$1,135,573
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.

Reconciliation Of Adjusted Homebuilding EBIT To Inventory

Hovnanian Enterprises, Inc.
April 30, 2021
Reconciliation of adjusted homebuilding EBIT to inventory
(Dollars in thousands)
(Unaudited)

		For the Three Months Ended				
	LTM(1)	4/30/2021	1/31/2021	10/31/2020	7/31/2020	4/30/2020
Homebuilding:						
Net income	$563,632	$488,676	$18,959	$40,634	$15,363	$4,079
Income tax (provision) benefit	(454,355)	(457,644)	626	1,810	853	100
Interest expense	174,432	43,758	41,140	40,648	48,886	45,458
EBIT (2)	283,709	74,790	60,725	83,092	65,102	49,637
Financial services revenue	(85,012)	(21,728)	(19,497)	(22,492)	(21,295)	(14,361)
Financial services expense	42,591	11,361	10,354	10,383	10,493	9,630
Homebuilding EBIT (2)	241,288	64,423	51,582	70,983	54,300	44,906
Inventory impairment loss and land option write-offs	6,933	81	1,877	2,611	2,364	1,010
Other operations	1,417	451	278	422	266	214
(Gain) loss on extinguishment of debt	(4,055)	-	-	-	(4,055)	174
Income from unconsolidated joint ventures	(13,361)	(2,641)	(1,916)	(3,146)	(5,658)	(6,221)
Adjusted homebuilding EBIT (2)	$232,222	$62,314	$51,821	$70,870	$47,217	$40,083
		As of 4/30/2021	As of 1/31/2021	As of 10/31/2020	As of 7/31/2020	As of 4/30/2020
Total inventories		$1,256,873	$1,281,149	$1,195,775	$1,213,503	$1,288,497
Less consolidated inventory not owned		125,414	165,980	182,224	194,760	198,229
Less capitalized interest		59,772	65,327	65,010	63,998	67,744
Plus liabilities from inventory not owned, net of debt issuance costs		90,430	119,432	131,204	144,922	144,536
	Five Quarter Average					
Inventories less consolidated inventory not owned and capitalized interest plus liabilities from inventory not owned	$1,135,573	$1,162,117	$1,169,274	$1,079,745	$1,099,667	$1,167,060
Adjusted homebuilding EBIT to inventory	20.4%					

(1) Represents the aggregation of each of the prior four fiscal quarters.
(2) EBIT, homebuilding EBIT and adjusted homebuilding EBIT are non-GAAP financial measures. The most directly comparable GAAP financial measure is net (income) loss.

Hovnanian Enterprises, Inc.

Reconciliation of Inventory Turnover

Calculation of Inventory Turnover(1)

(Dollars In Thousands)		For the Quarter Ended 2	3	4	5	Annual Key Metric Target
Cost of Sales, Excluding Interest		$500,000	$500,000	$560,000	$510,000	$2,070,000
As of	1	2	3	4	5	
Total Inventories	$1,445,000	$1,515,000	$1,575,000	$1,505,000	$1,525,000	Five
Consolidated Inventory Not Owned	$215,000	$210,000	$200,000	$185,000	$180,000	Quarter
Capitalized Interest	$65,000	$65,000	$65,000	$65,000	$65,000	Average
Inventories less Consolidated Inventory Not Owned and Capitalized Interest	$1,165,000	$1,240,000	$1,310,000	$1,255,000	$1,280,000	$1,250,000
Inventory Turnover						1.7x

Calculation of Inventory Turnover(1)

(Dollars In Thousands)		For the Quarter Ended 7/31/2017	10/31/2017	1/31/2018	4/30/2018	TTM Ended 4/30/2018
Cost of Sales, Excluding Interest		$478,886	$562,451	$329,527	$393,012	$1,763,876
As of	4/30/2017	7/31/2017	10/31/2017	1/31/2018	4/30/2018	
Total Inventories	$1,209,212	$1,188,849	$1,009,827	$1,053,514	$1,040,045	Five
Consolidated Inventory Not Owned	154,620	138,529	124,784	93,875	78,907	Quarter
Capitalized Interest	90,960	87,119	71,051	70,793	65,355	Average
Inventories less Consolidated Inventory Not Owned and Capitalized Interest	$963,632	$963,201	$813,992	$888,846	$895,783	$905,091
Inventory Turnover						1.9x

(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.

Reconciliation of Gross Margin

Gross Margin			
		(Unaudited)	
($ in thousands)	TTM April 30, 2021	TTM April 30, 2018	Annual Key Metric Target
Sale of homes	$2,480,329	$2,110,759	$2,570,000
Cost of Sales, excluding interest expense	1,985,459	1,738,048	2,070,000
Homebuilding gross margin, before cost of sales interest expense and land charges	494,870	372,711	500,000
Cost of sales interest expense, excluding land sales interest expense	75,922	67,616	100,000
Homebuilding gross margin, after cost of sales interest expense, before land charges	418,948	305,095	400,000
Land charges	6,933	15,763	10,000
Homebuilding gross margin, after cost of sales interest expense and land charges	$412,015	$289,332	$390,000
Homebuilding gross margin percentage, before cost of sales interest expense and land charges	20.0%	17.7%	19.5%
Homebuilding gross margin percentage, after cost of sales interest expense, before land charges	16.9%	14.5%	15.6%
Homebuilding gross margin, after cost of sales interest expense and land charges	16.6%	13.7%	15.2%

Reconciliation of Adjusted EBITDA

Reconciliation of Adjusted EBIT and Adjusted EBITDA to Net (Loss) Income:

(Dollars In Thousands)	TTM April 30, 2021	(Unaudited) TTM April 30, 2018	Annual Key Metric Target
Net (Loss) Income	$563,632	$(366,000)	$67,500
Income Tax Provision (Benefit)	(454,355)	288,083	22,500
Interest Expense	174,432	189,132	171,000
EBIT	283,709	111,215	261,000
Inventory Impairment Loss and Land Option Write-offs	6,933	15,763	10,000
Loss on Extinguishment of Debt	(4,055)	43,698	–
Adjusted EBIT	$286,587	$170,676	$271,000
EBIT	$283,709	$111,215	$261,000
Depreciation	5,584	3,675	2,000
Amortization of Debt Costs	–	–	2,000
EBITDA	289,293	114,890	265,000
Inventory Impairment Loss and Land Option Write-offs	6,933	15,763	10,000
Loss on Extinguishment of Debt	(4,055)	43,698	–
Adjusted EBITDA	$292,171	$174,351	$275,000

Hovnanian Enterprises, Inc.

Reconciliation of Adjusted Pre-Tax Earnings

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:

		(Unaudited)	
(Dollars In Thousands)	TTM April 30, 2021	TTM April 30, 2018	Annual Key Metric Target
Income (Loss) Before Income Taxes	$109,277	$(77,917)	$90,000
Inventory Impairment Loss and Land Option Write-Offs	6,933	15,763	10,000
Unconsolidated Joint Venture Investment Write-Downs	–	3,423	–
Loss on Extinguishment of Debt	(4,055)	43,698	–
Income (Loss) Before Income Taxes Excluding Land-Related Charges, Joint Venture Write-Downs and Loss on Extinguishment of Debt	$112,155	$(15,033)	$100,000

Hovnanian Enterprises®, Inc.