

# Hovnanian Enterprises, Inc.

Review of Financial Results  
Second Quarter Fiscal 2012



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Note: All statements in this Presentation that are not historical facts should be considered as “forward-looking statements”. 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 risks, uncertainties and other factors include, but are not limited to, (1) changes in general and local economic and industry and business conditions and impacts of the sustained homebuilding downturn, (2) adverse weather and other environmental conditions and natural disasters, (3) changes in market conditions and seasonality of the Company’s business, (4) changes in home prices and sales activity in the markets where the Company builds homes, (5) government regulation, including regulations concerning development of land, the home building, sales and customer financing processes, tax laws, and the environment, (6) fluctuations in interest rates and the availability of mortgage financing, (7) shortages in, and price fluctuations of, raw materials and labor, (8) the availability and cost of suitable land and improved lots, (9) levels of competition, (10) availability of financing to the Company, (11) utility shortages and outages or rate fluctuations, (12) levels of indebtedness and restrictions on the Company’s operations and activities imposed by the agreements governing the Company’s outstanding indebtedness, (13) the Company’s sources of liquidity, (14) changes in credit ratings, (15) availability of net operating loss carryforwards, (16) operations through joint ventures with third parties, (17) product liability litigation, warranty claims and claims by mortgage investors, (18) successful identification and integration of acquisitions, (19) significant influence of the Company’s controlling stockholders, (20) changes in tax laws affecting the after-tax costs of owning a home, (21) geopolitical risks, terrorist acts and other acts of war, and (22) other factors described in detail in the Company’s Annual Report on Form 10-K for the year ended October 31, 2011 and the Company’s quarterly report on Form 10-Q for the quarter ending January 31, 2012. 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.

## Second Quarter Results

(\$ in millions)

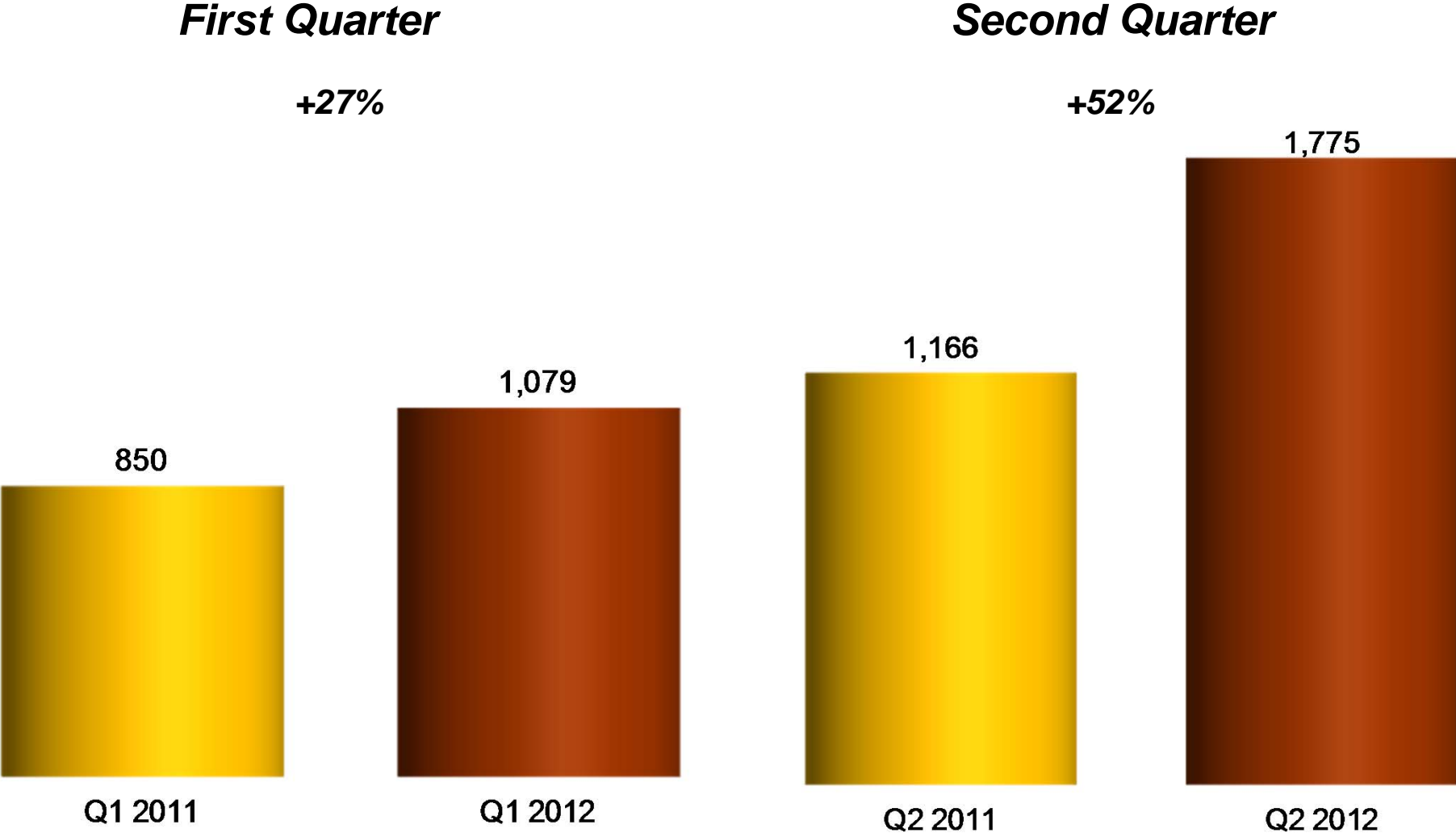
	<u>2012</u>	<u>2011</u>	<u>% Change</u>
1) Net Contracts <sup>1</sup>	1,775	1,166	52%
2) Communities <sup>1</sup>	199	206	-3%
3) Contracts per Community <sup>1</sup>	8.9	5.7	56%
4) Deliveries <sup>1</sup>	1,207	967	25%
5) Backlog <sup>1</sup>	2,298	1,551	48%
6) Total Revenues	\$342	\$255	34%
7) Land Related Charges <sup>2</sup>	\$3	\$17	-82%
8) Gain (loss) on Extinguishment of Debt	\$27	(\$2)	
9) Net Income (loss)	\$2	(\$73)	
10) Homebuilding Cash <sup>3</sup>	\$229	\$415	

(1) Includes unconsolidated joint ventures.

(2) Includes inventory impairment loss and lot option write-offs, as well as unconsolidated joint venture investment and land-related charges.

(3) Homebuilding cash includes \$33.8 million and \$67.1million, for 2012 and 2011 respectively, of restricted cash required to collateralize letters of credit.

# Year-Over-Year Increases in Net Contracts

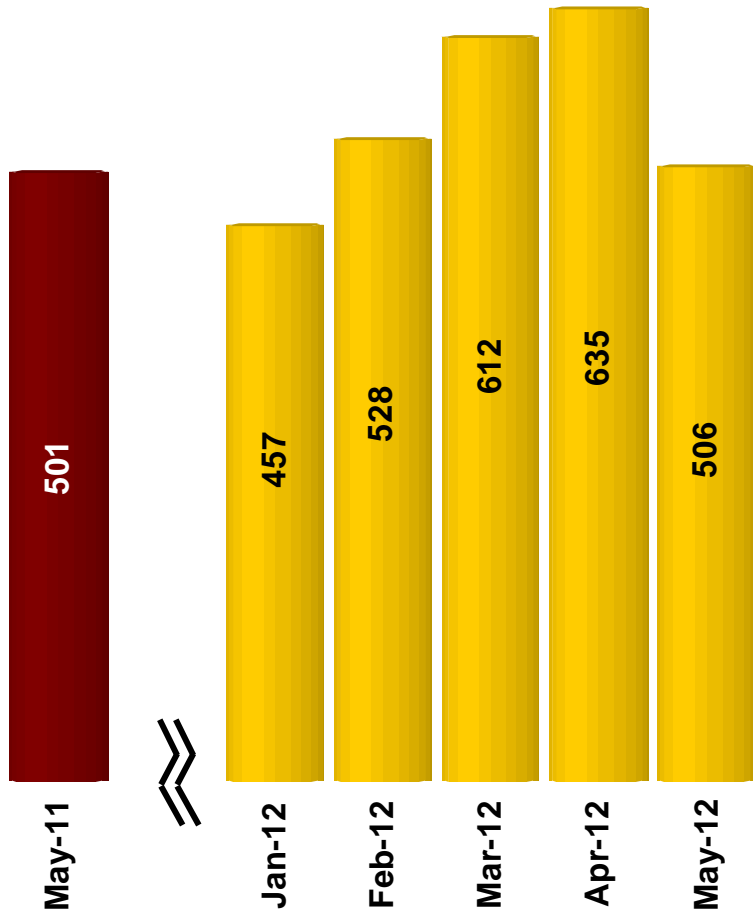


*Including unconsolidated joint ventures.*

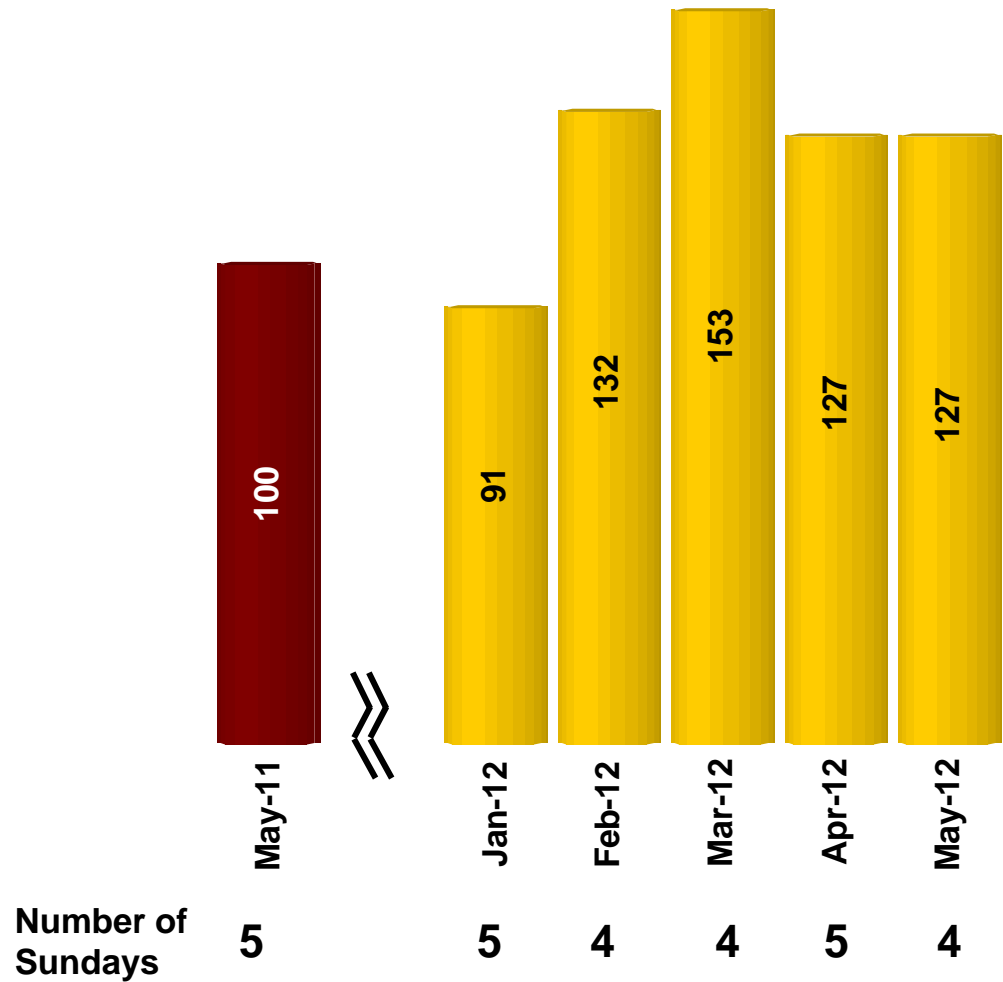


# Net Contracts and Weekly Sales Pace per Month

Net Contracts



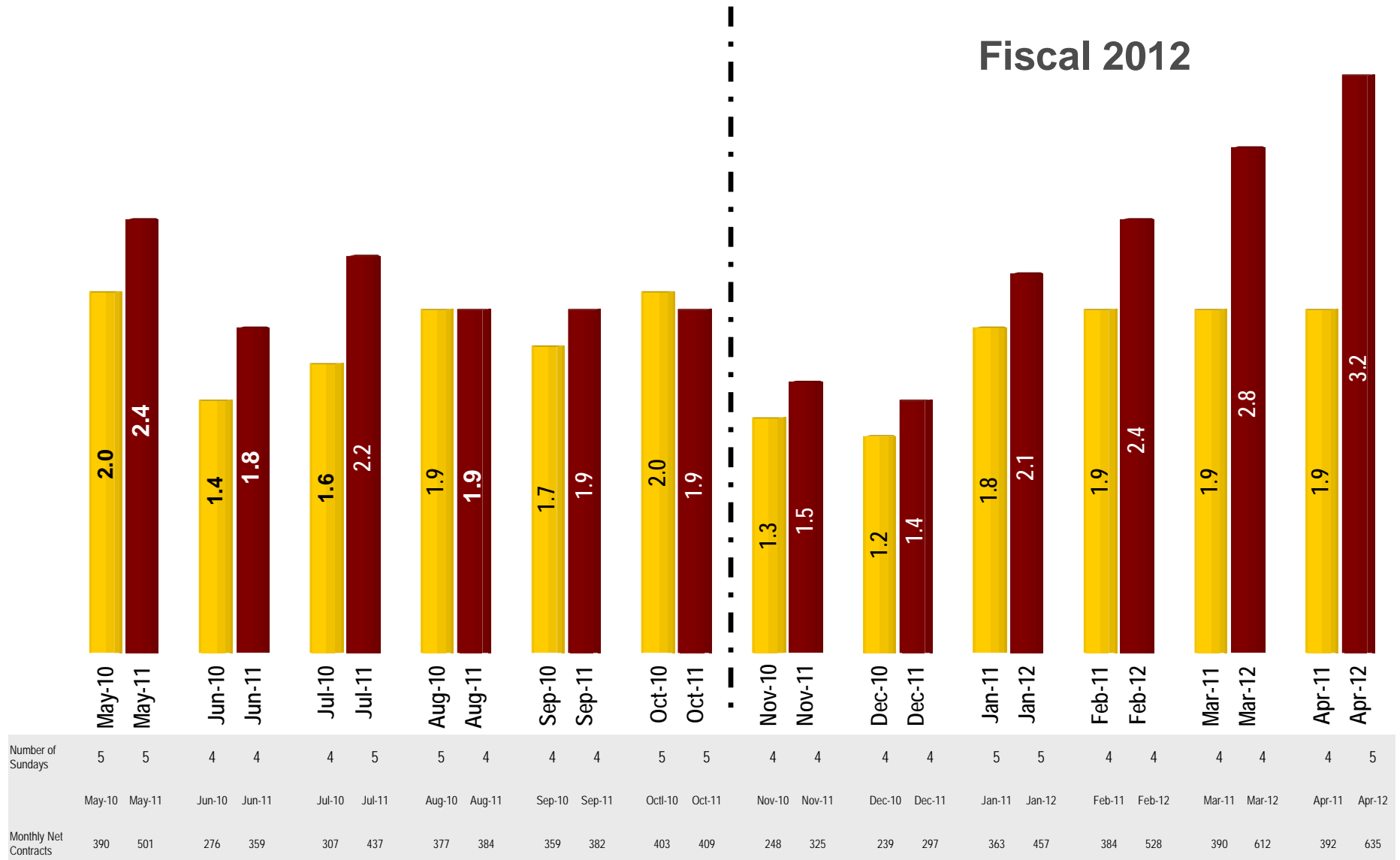
Average Weekly Sales Pace per Month <sup>(1)</sup>



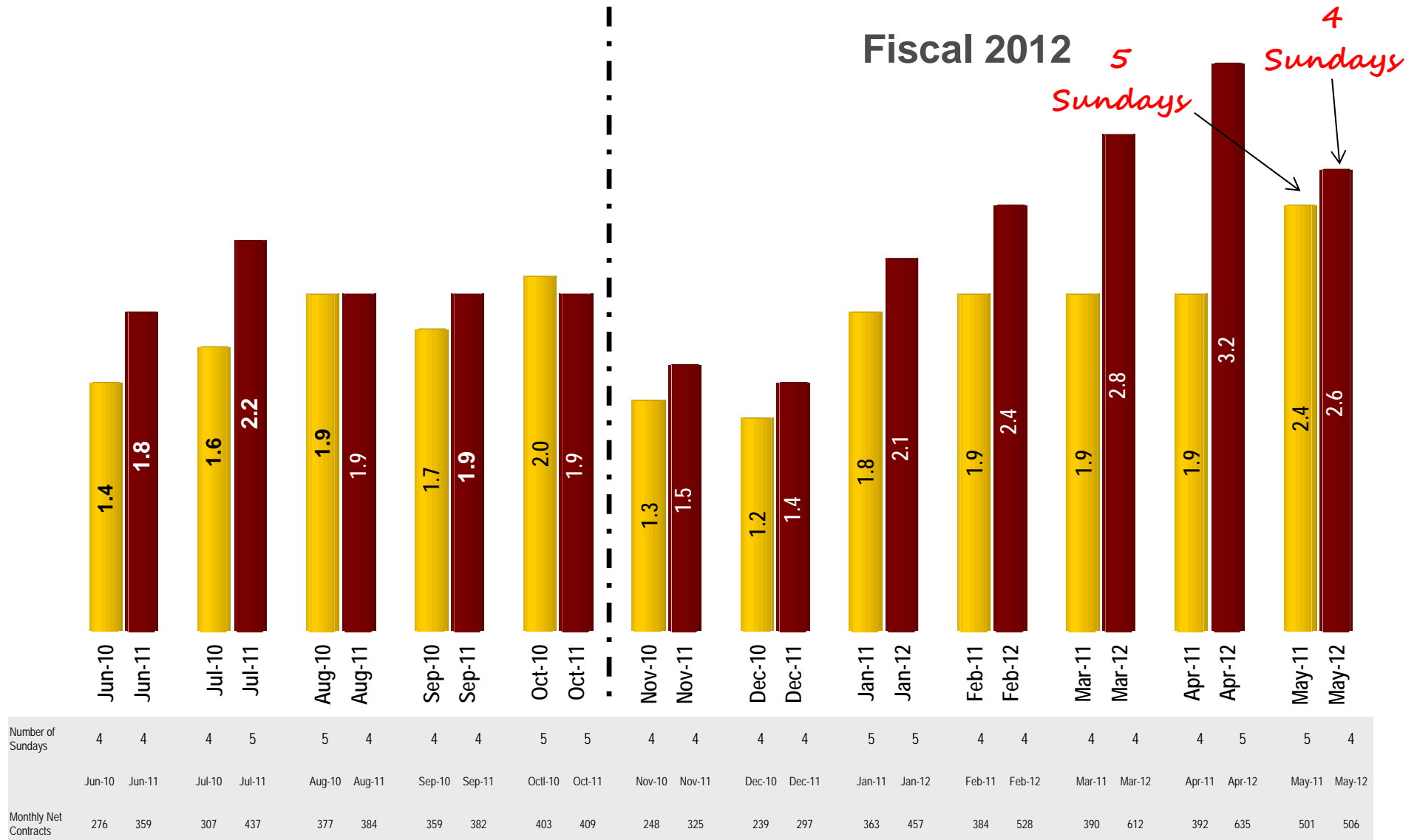
<sup>(1)</sup> Based on number of Sundays.  
Includes unconsolidated joint ventures.



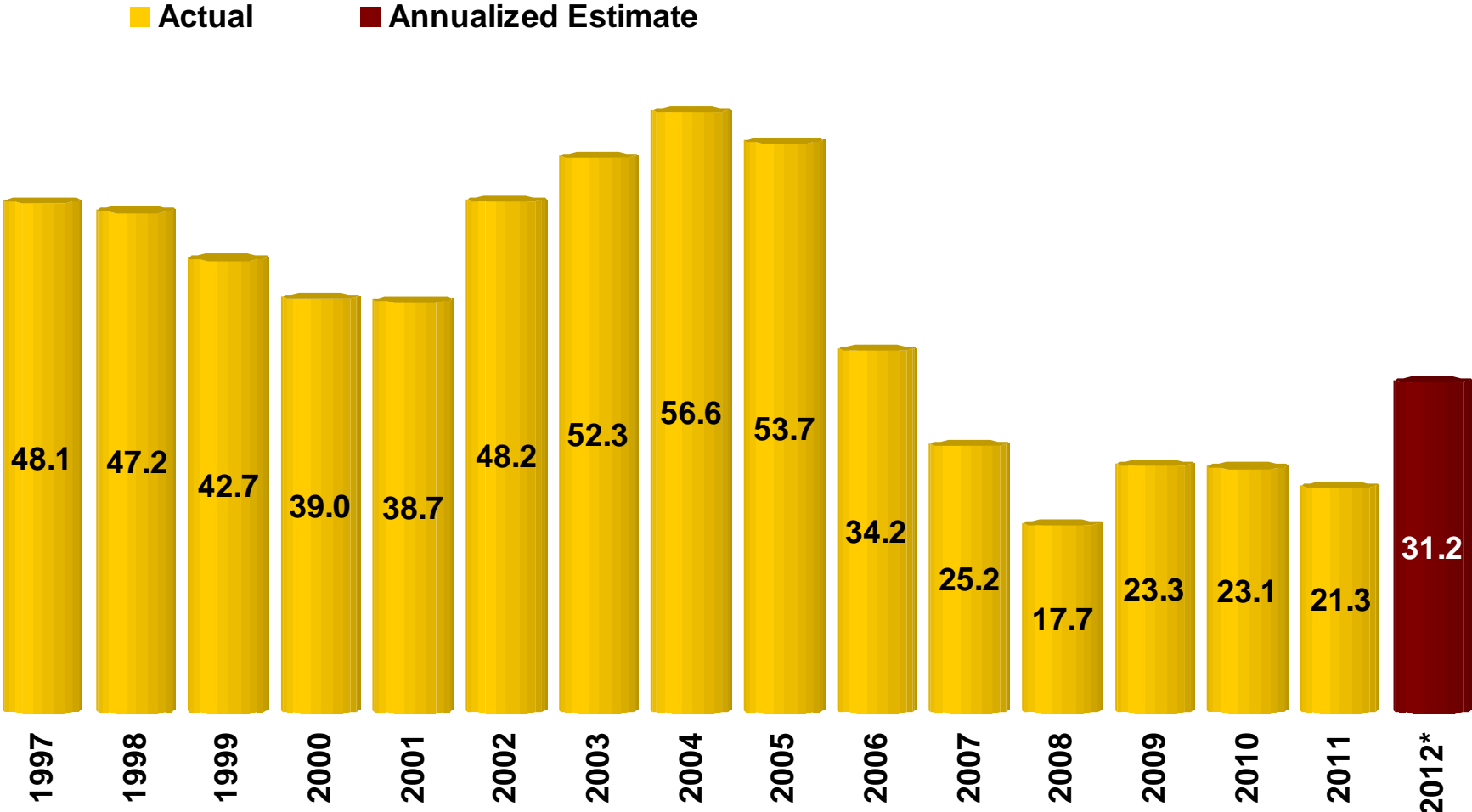
# Monthly Net Contracts Per Active Selling Community



# Monthly Net Contracts Per Active Selling Community



# Annual Net Contracts Per Active Selling Community



Calculated based on a five quarter average of active selling communities, excluding unconsolidated joint ventures. 2012\* is annualized net contract pace based on sales pace in first six months of fiscal 2012.





## Broad Geographic Strength

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### Y-O-Y Increases in Net Contract for Three Months Ended April 31, 2012

#### Segments

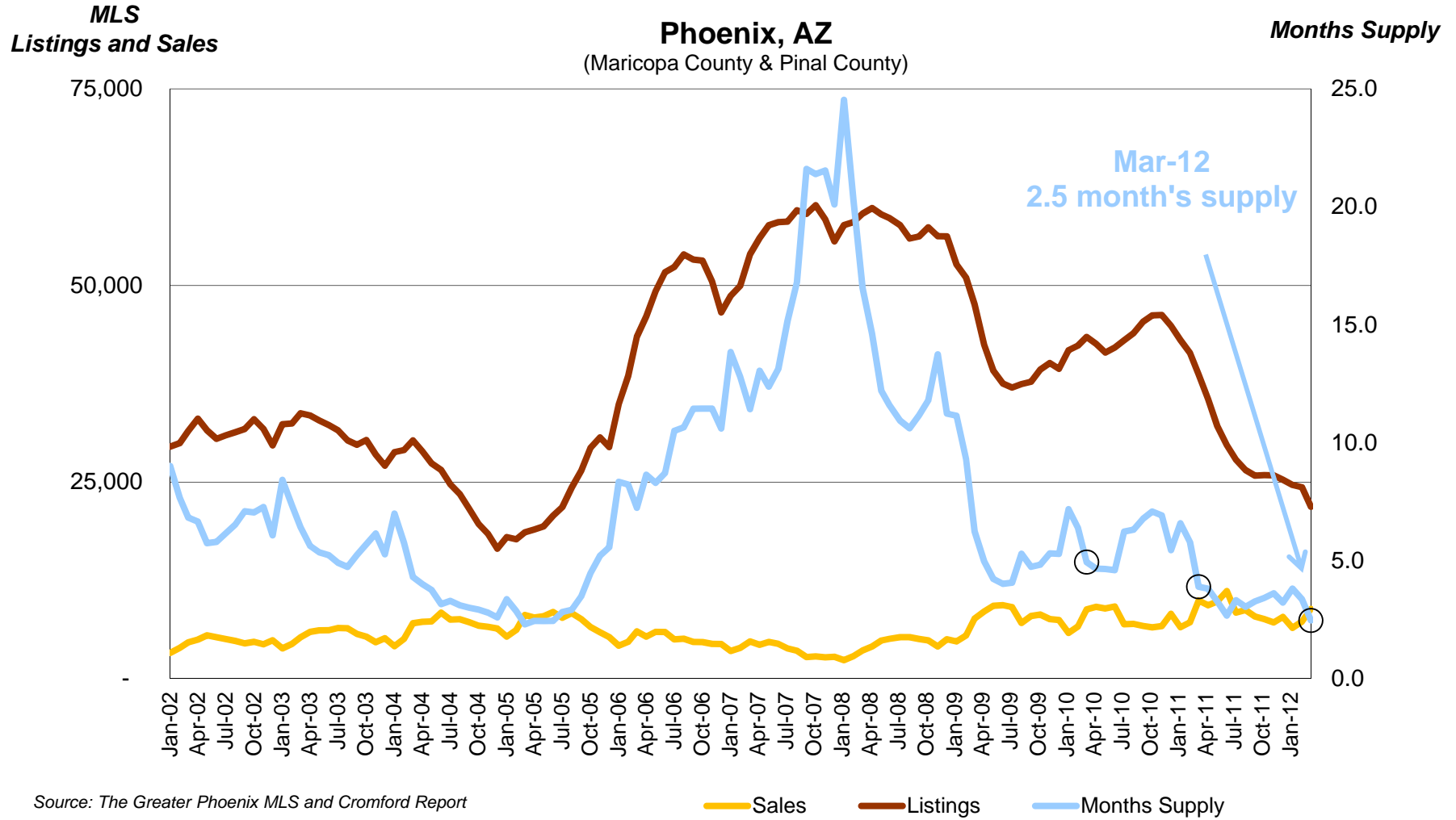
Northeast	23%
<b>Mid-Atlantic</b>	<b>65%</b>
Midwest	88%
<b>Southeast</b>	<b>61%</b>
Southwest	48%
<b>West</b>	<b>44%</b>
Total	52%

#### Sub-markets

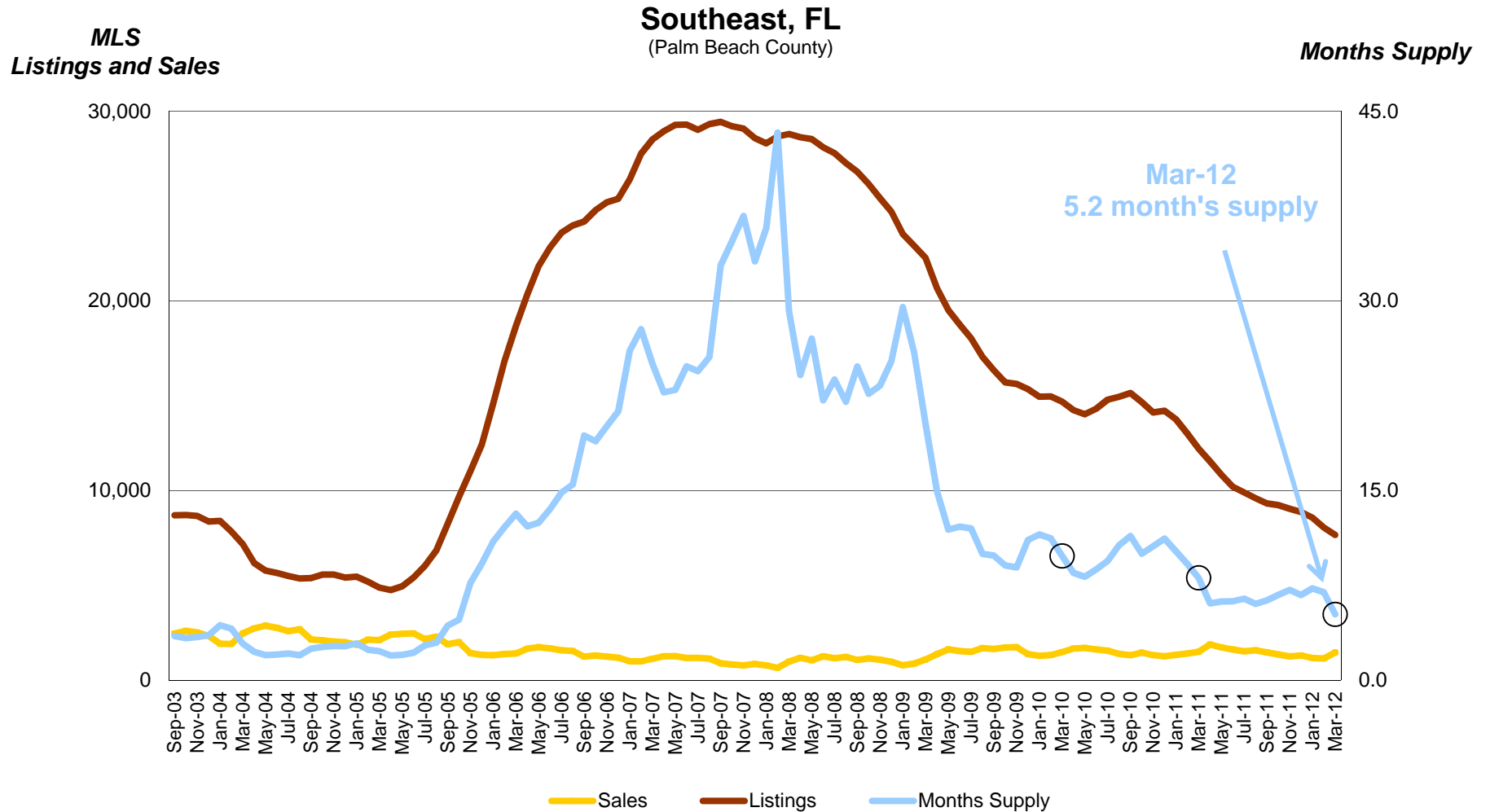
Ohio	132%
<b>Chicago</b>	<b>98%</b>
Phoenix	80%
<b>Florida</b>	<b>74%</b>
Houston	31%

*Note: Year-Over-Year percentage increases in net contracts for three months ended April 30, 2012 compared to three months ended April 30, 2011. Net contracts for unconsolidated joint ventures are included in the segments where those joint ventures are located.*

# Arizona – Phoenix



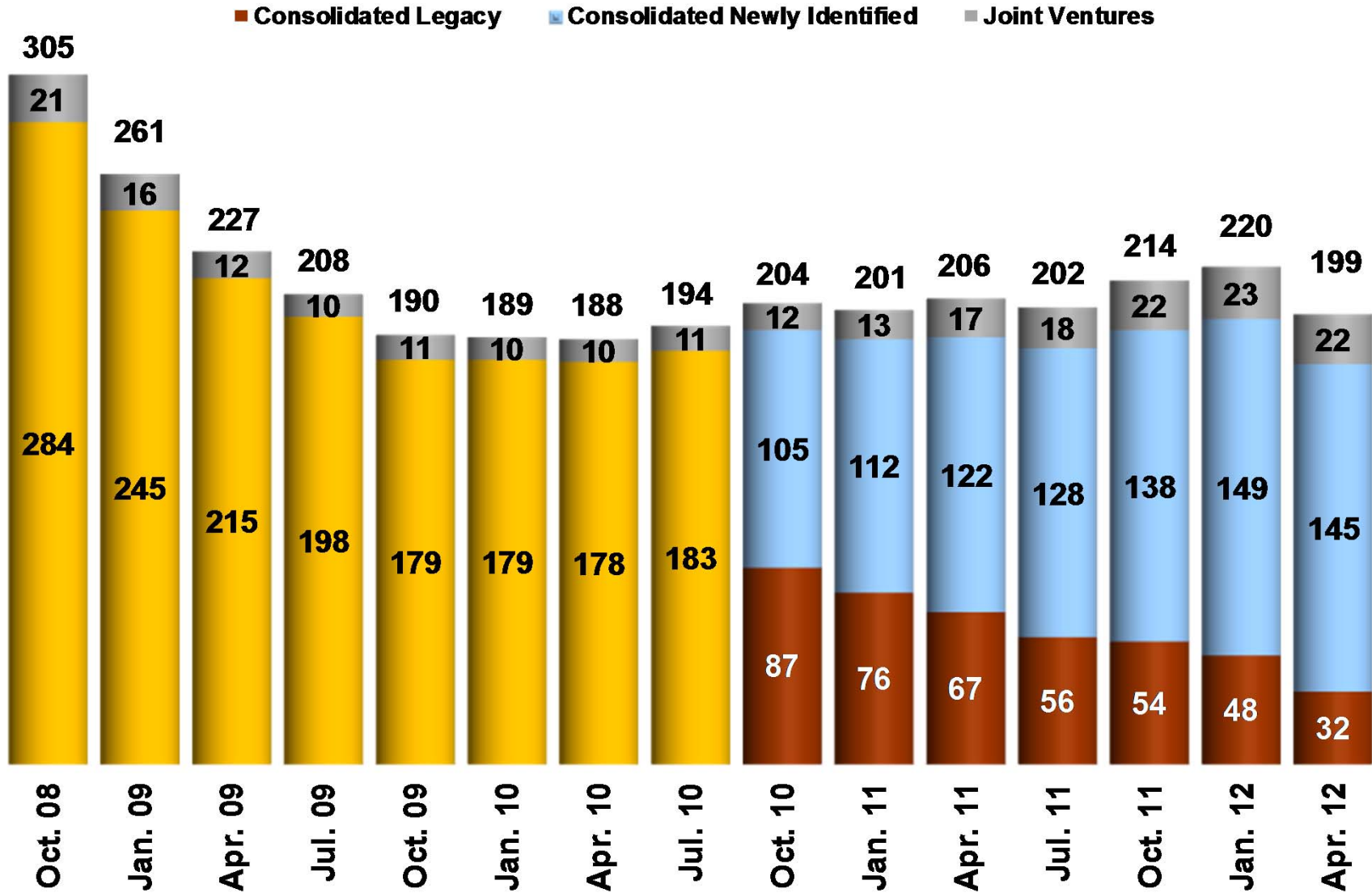
# Southeast Florida



Source: South Florida MLS



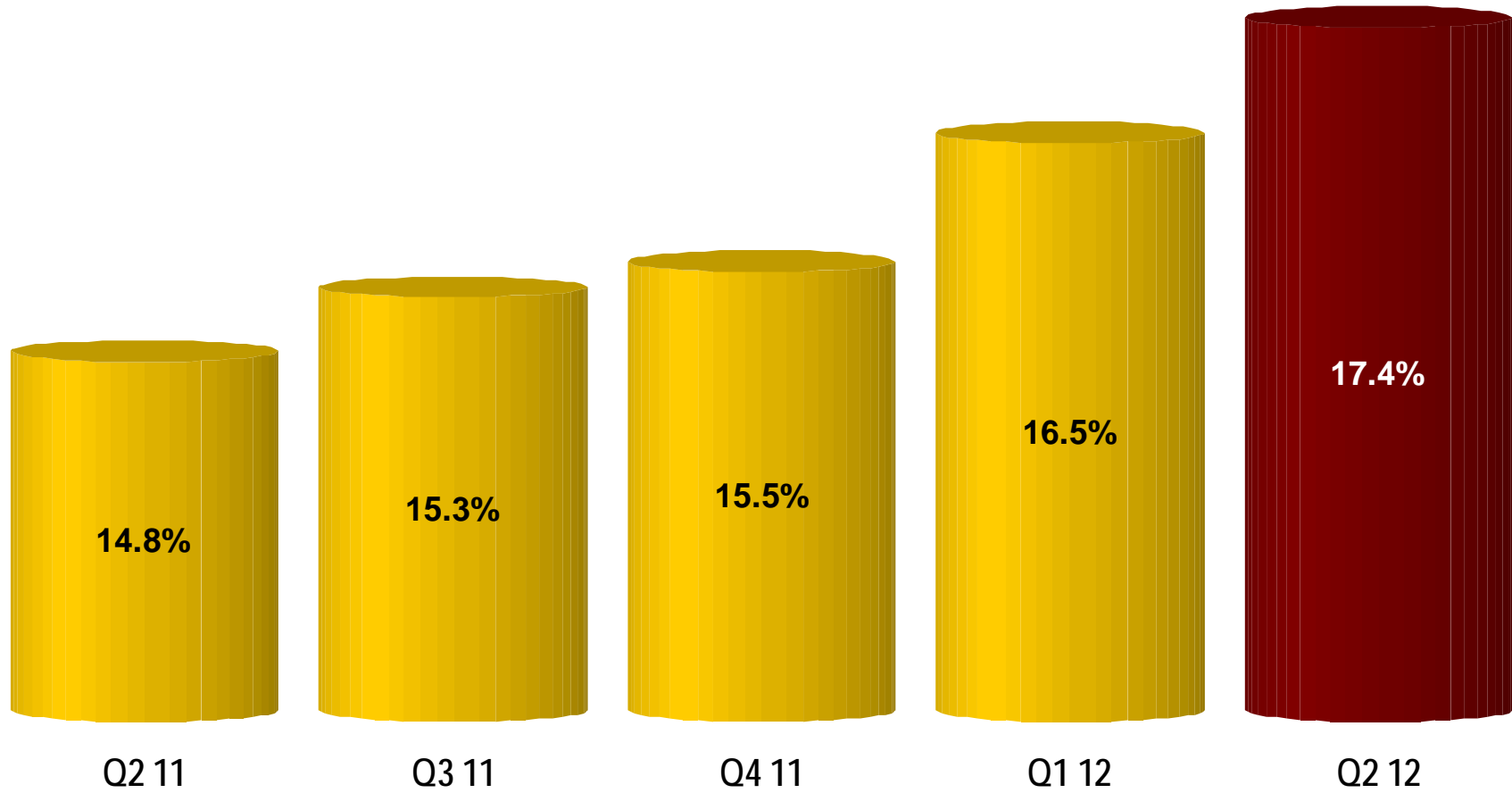
# Active Selling Communities



Active selling communities are open for sale communities with 10 or more home sites available.

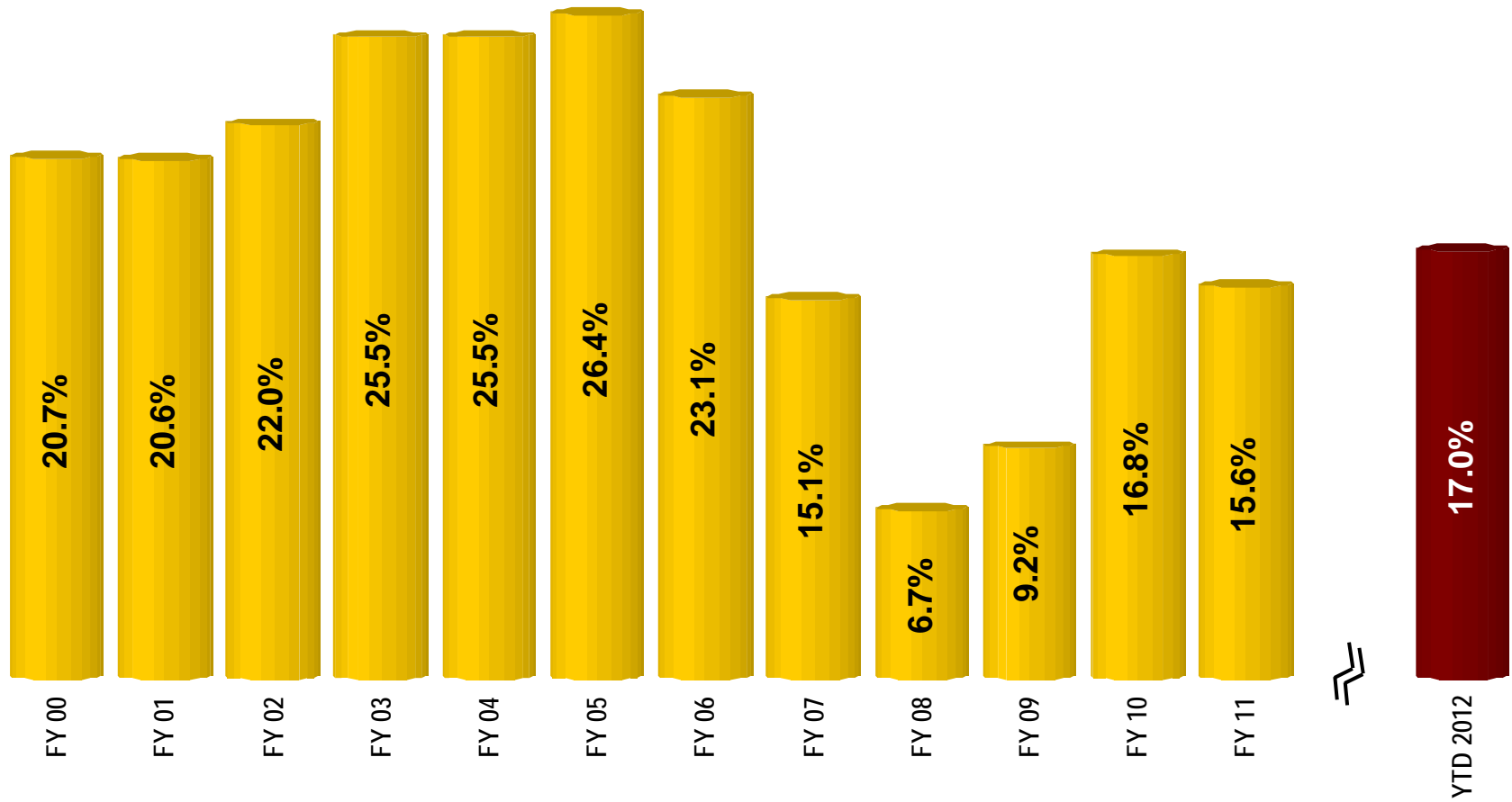
# Gross Margin

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*Excludes interest related to homes sold.*

# Gross Margin

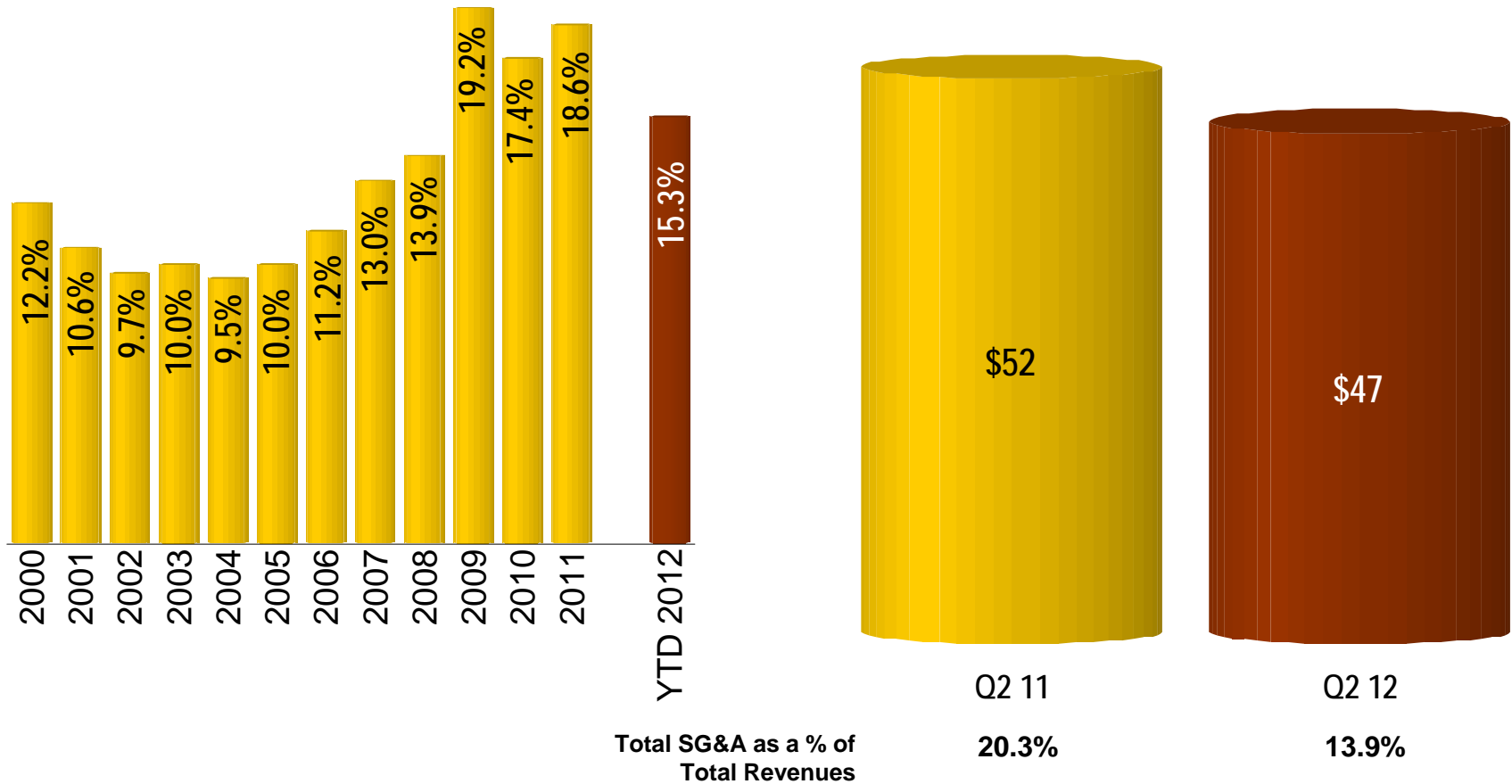


*Excludes interest related to homes sold.*

# Continued Reductions in Overhead

Total SG&A as a % of Total Revenues

Total SG&A <sup>(1)</sup>



◆ 1,500 full time associates at April 30, 2011, a 78% reduction from peak of 6,870 at June 2006.

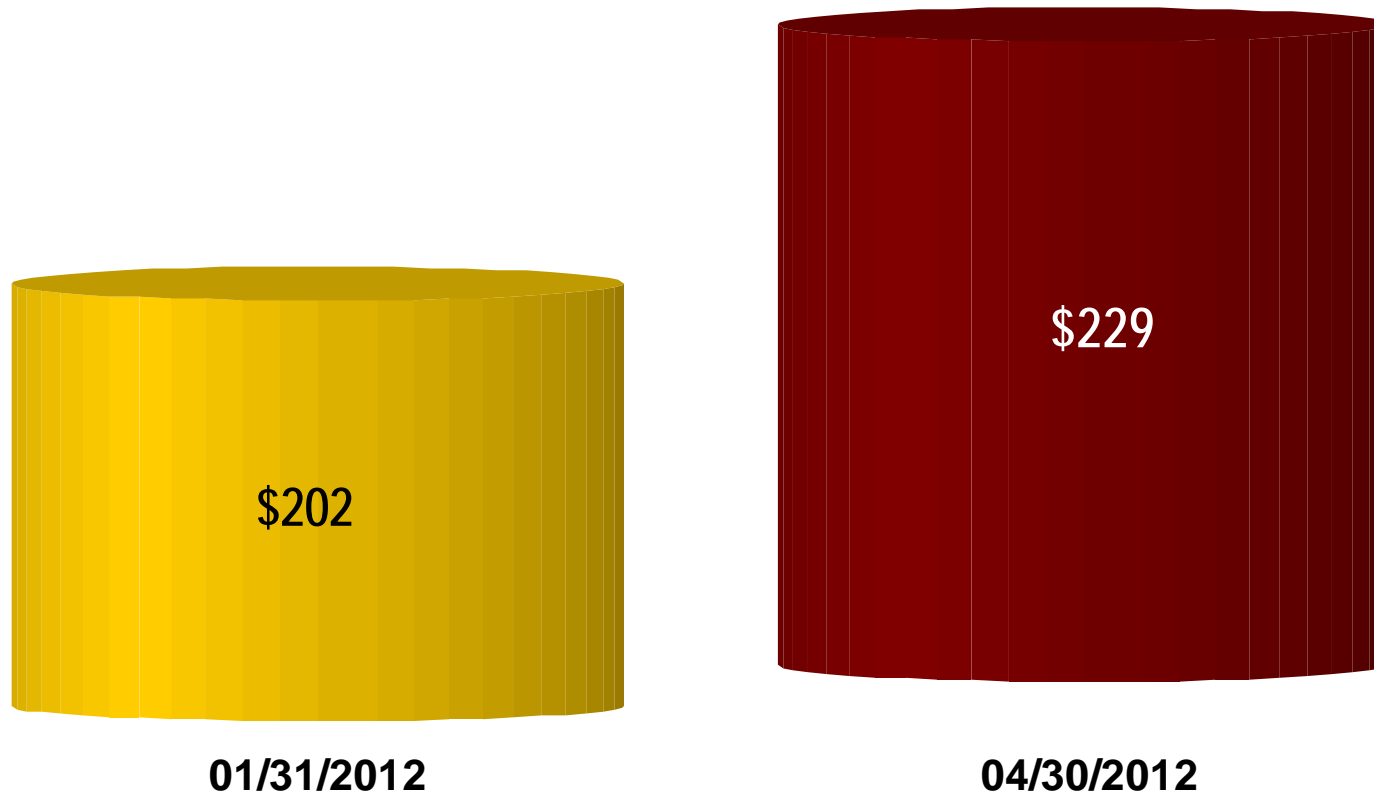
(1) Total SG&A includes homebuilding, selling, general and administrative and corporate general and administrative expenses.



# Sequential Increase in Homebuilding Cash<sup>(1)</sup>

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\$ in millions

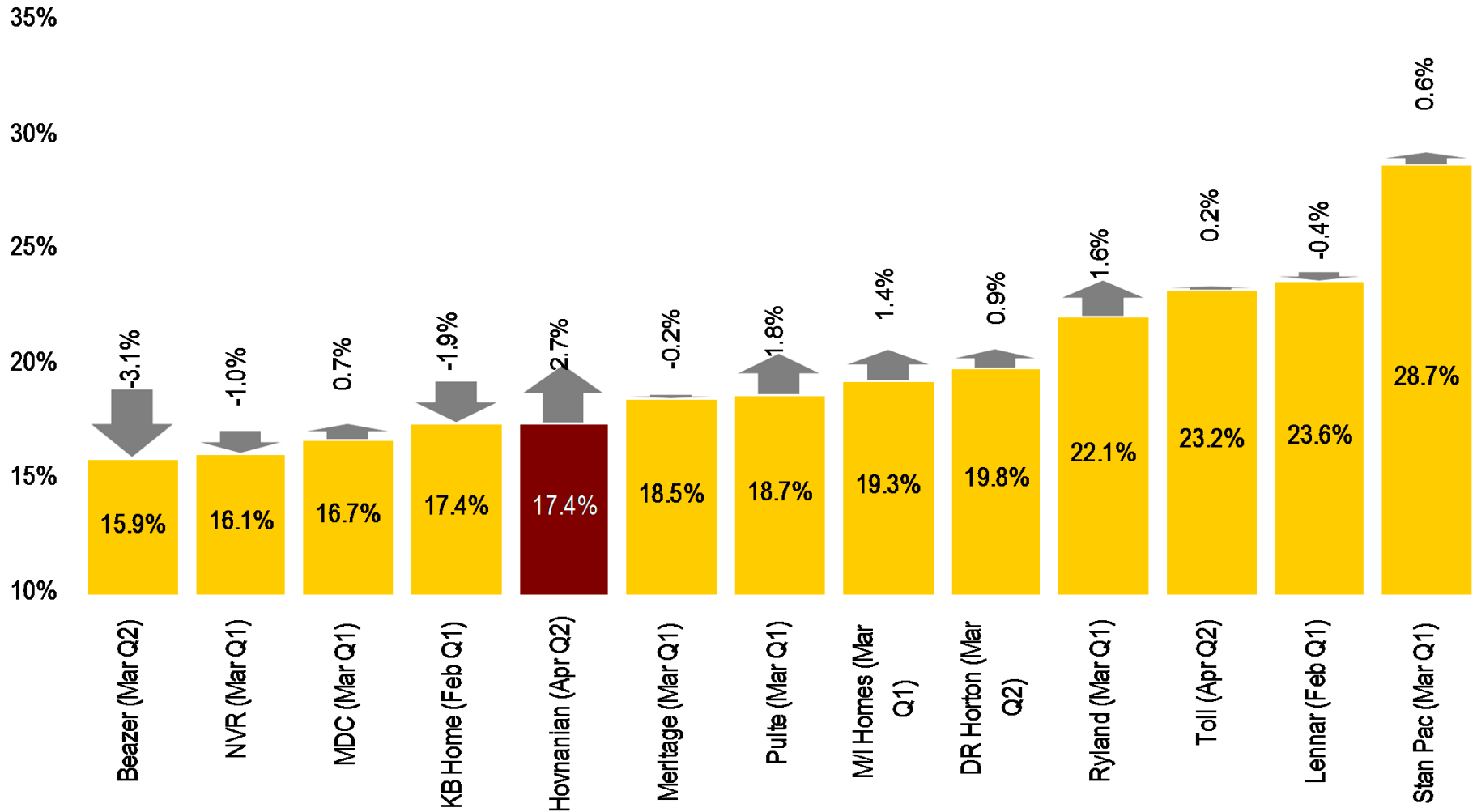


*(1) Homebuilding cash includes \$35.7 million and \$33.8 million, for January 31, 2012 and April 30, 2012 respectively, of restricted cash required to collateralize letters of credit.*



# Gross Margin Percentage, Year-Over-Year Change, Most Recent Quarter

(as reported, not adjusted for sales commissions)



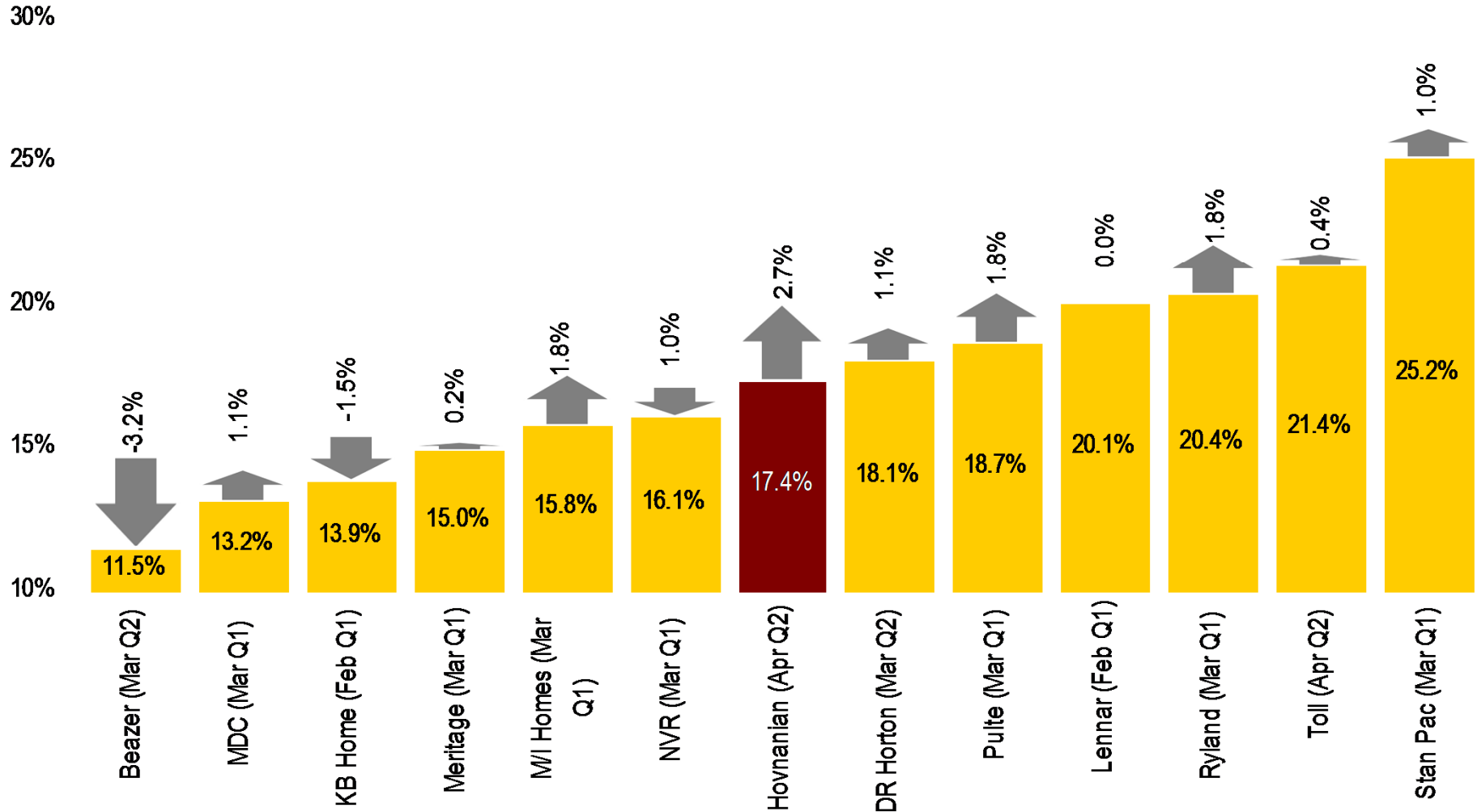
Note: Excluding interest and impairments.

Source: Company SEC filings and press releases as of 06/06/12.



# Adjusted Gross Margin Percentage, Most Recent Quarter

(adjusted for sales commissions)



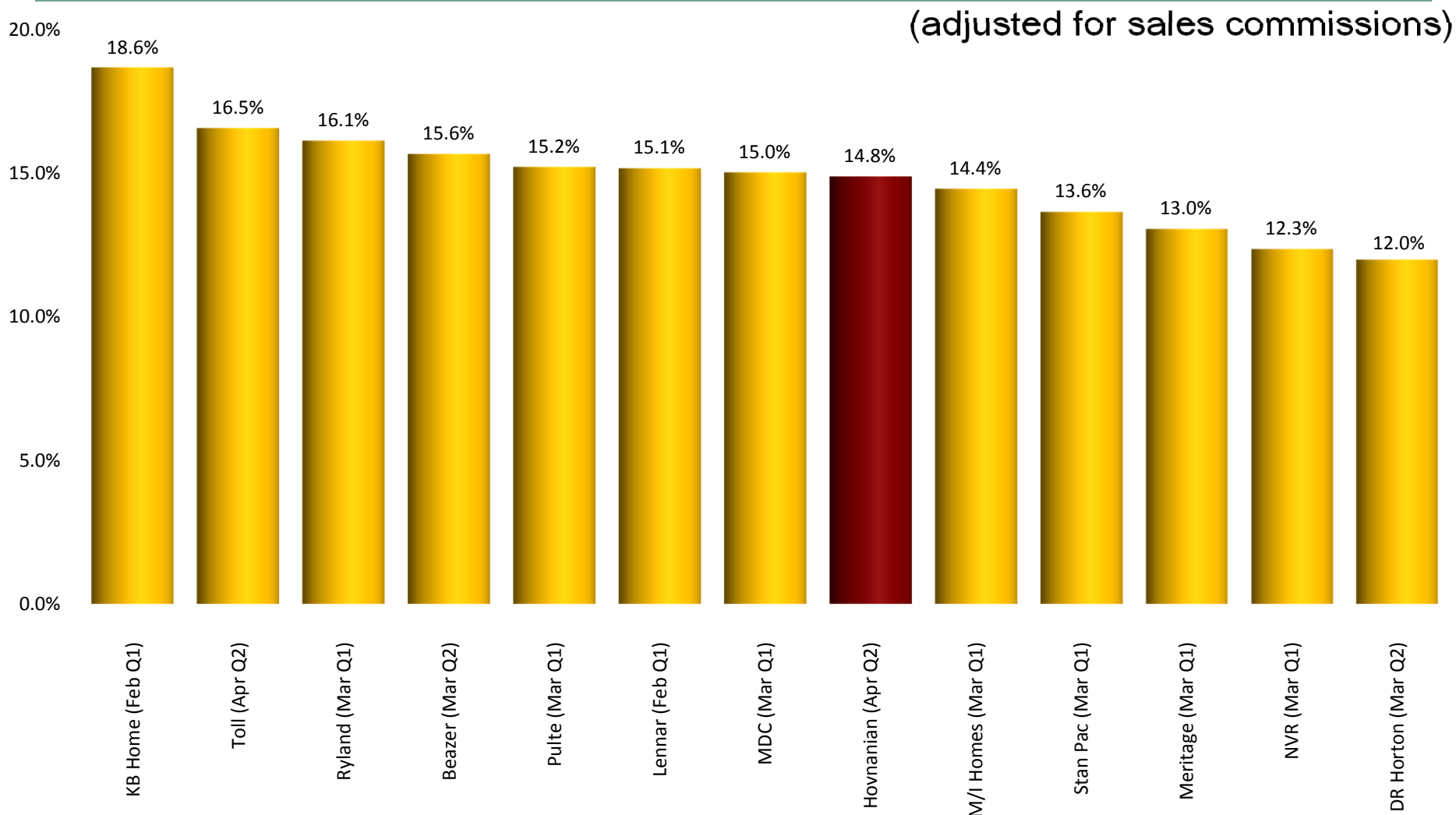
*Note: Hovnanian sales commission 3.5% in most recent fiscal year. Reduced KB Home, Lennar, MDC, Meritage, M/I Homes and Standard Pacific publicly reported results by full 3.5% because all of their sales commissions are reported in SG&A. Reduced DR Horton, Toll and Ryland publicly reported results by 1.8% because only some of their sales commissions were reported in SG&A. Beazer reports commission separately and is reduced by 4.4%.*

<sup>18</sup> *Note: Excluding interest and impairments.*

*Source: Company SEC filings and press releases as of 06/06/12.*



# Adjusted Homebuilding SG&A as a % of Homebuilding Revenue, Most Recent Quarter



**Note: Hovnanian sales commission 3.5% in most recent fiscal year. Reduced KB Home, Lennar, MDC, Meritage, M/I Homes and Standard Pacific publicly reported results by full 3.5% because all of their sales commissions are reported in SG&A. Reduced DR Horton, Toll and Ryland 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 4.4%.**

19 Source: Company SEC filings and press releases as of 06/06/12.



# Reloading Our Land Position

## Lots Purchased or Optioned Since January 31, 2009

	Lots	Communities
<b>Purchased</b>	7,900	} 288 <sup>(1)</sup>
<b>Optioned</b>	6,700	
<b>Joint Venture</b>	3,100	28
<b>Total</b>	<b>17,700</b>	<b>316</b>

## Roll Forward First Quarter<sup>(2)</sup>

Total Additions	450
Walk Aways	-350
Net Change	<u>100</u>

## Roll Forward Second Quarter<sup>(3)</sup>

Total Additions	1,850
Walk Aways	-800
Land Sale	-350
Net Change	<u>700</u>

Notes: (1) Excludes 77 communities where we walked away from all of the lots in those communities.

(2) First quarter 2012 total additions included 450 new options and no lots purchased but not controlled prior to 11/01/11.

(3) Second quarter 2012 total additions included 1,800 new options and 50 lots purchased but not controlled prior to 02/01/12.

## Land Positions by Geographic Segment

**April 30, 2012**

**# Lots**

**Owned**

<b>Segment</b>	<b>Excluding Mothballed Lots</b>	<b>Mothballed Lots</b>	<b>Optioned</b>	<b>Total</b>
Northeast	1,709	1,150	1,785	4,644
Mid-Atlantic	3,028	305	2,458	5,791
Midwest	1,216	102	850	2,168
Southeast	920	510	319	1,749
Southwest	1,971	0	3,187	5,158
West	1,294	4,846	773	6,913
<b>Total</b>	<b>10,138</b>	<b>6,913</b>	<b>9,372</b>	<b>26,423</b>

## Mothballed Lots

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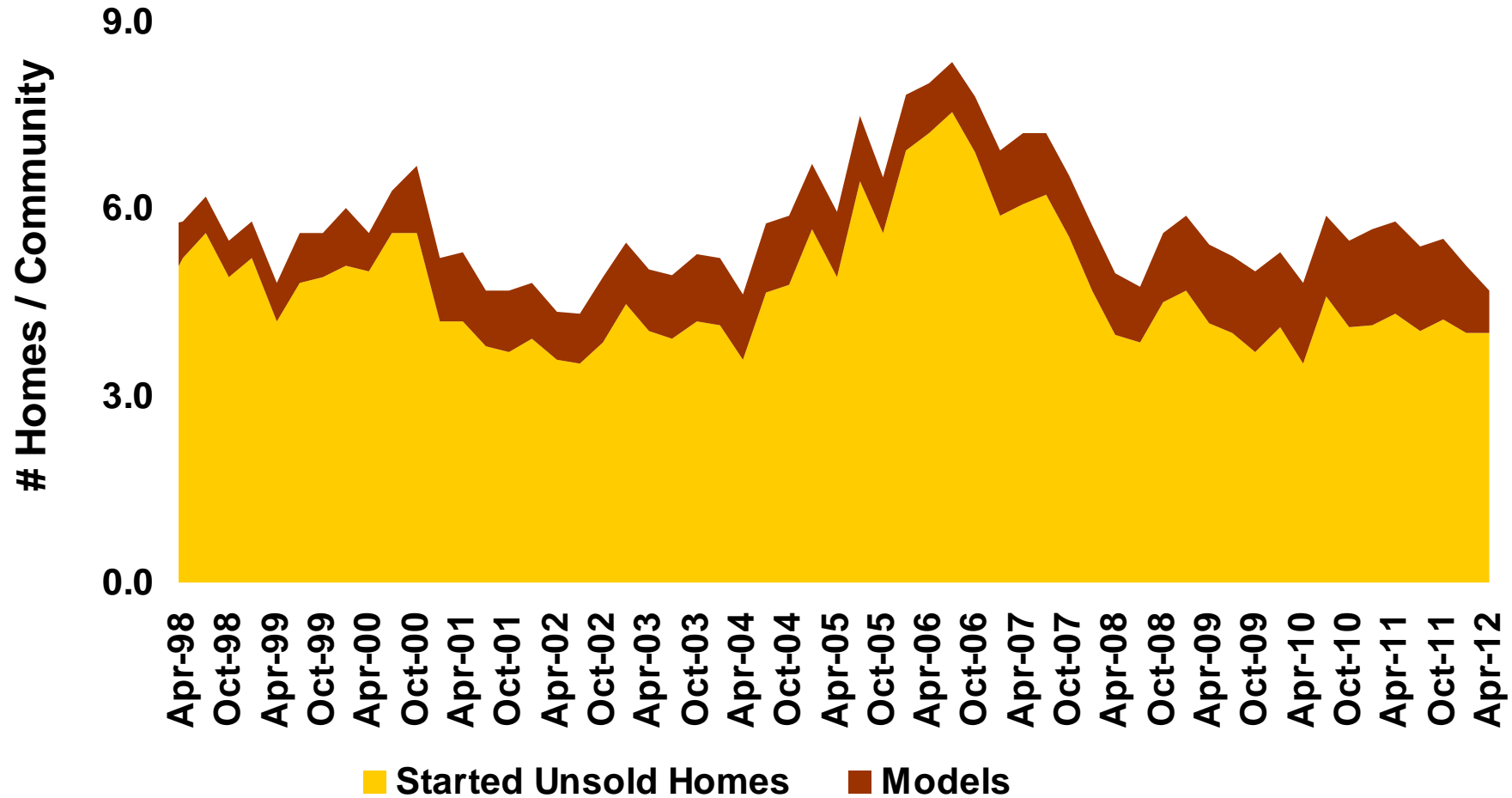
As of April 30, 2012

	<u># of Lots</u>
<b>Northeast (NJ, PA)</b>	<b>1,150</b>
<b>Mid-Atlantic (DE, MD, VA, WV)</b>	<b>305</b>
<b>Midwest (IL, MN, OH)</b>	<b>102</b>
<b>Southeast (FL, GA, NC, SC)</b>	<b>510</b>
<b>Southwest (AZ, TX)</b>	<b>0</b>
<b>West (CA)</b>	<b>4,846</b>
<b>Total</b>	<b>6,913</b>

- ◆ *In 54 communities with a book value of \$141 million net of impairment balance of \$449 million*
- ◆ *Unmothballed approximately 3,200 lots in 57 communities since January 31, 2009*

## Unsold Homes per Community

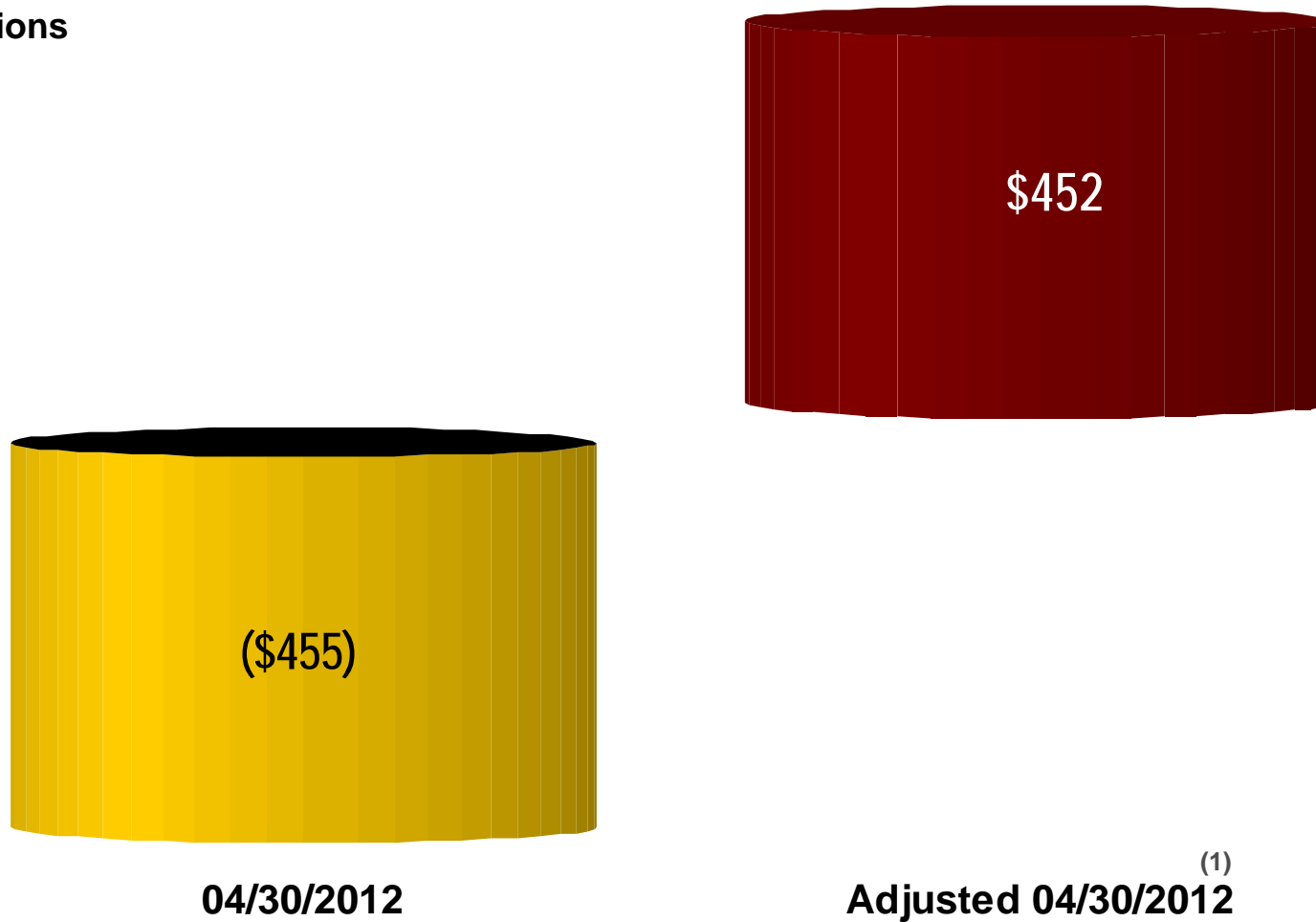
- ◆ 706 started unsold homes at 04/30/12, excluding models
- ◆ 4.8 average started unsold homes per community since 1997
- ◆ As of April 30, 2012, 4.0 started unsold homes per community



# Adjusted Hovnanian Stockholders' Equity

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\$ in millions



(1) Total Hovnanian Stockholders' Deficit of \$(455) million with \$907 million valuation allowance added back to Stockholders' Equity .



## Credit Quality of Homebuyers

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### Second Quarter 2012:

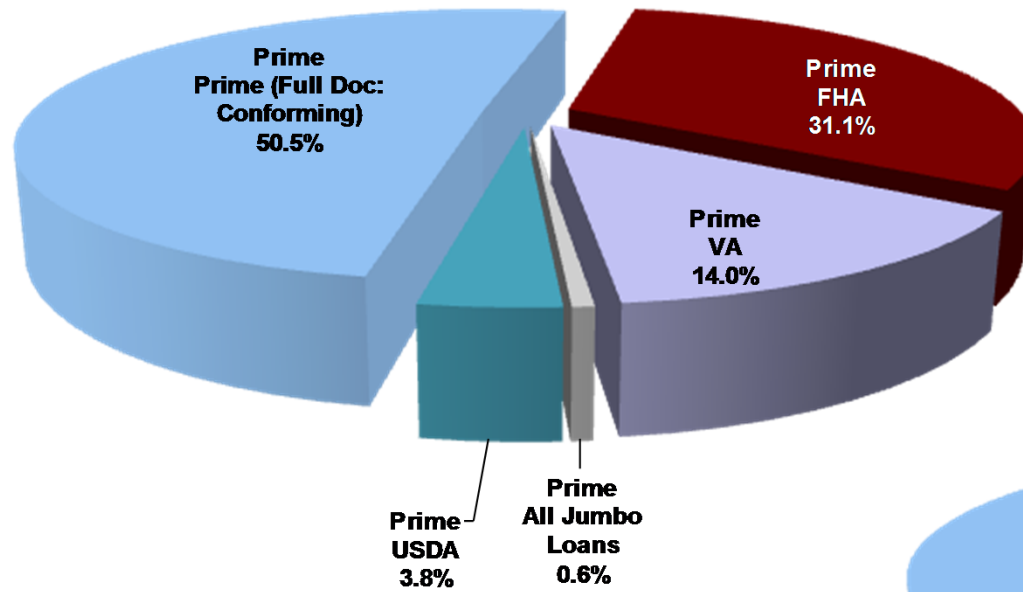
- Average LTV: 88%
- Average CLTV: 88%
- ARMs: 2.0%
- FICO Score: 736
- Capture Rate: 75%

### Fiscal Year 2011:

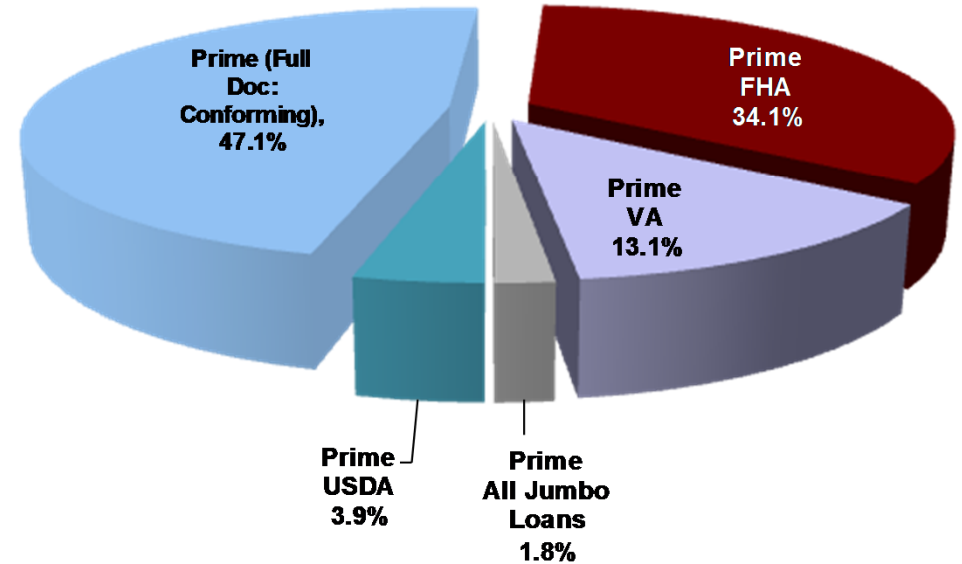
- Average LTV: 86%
- Average CLTV: 87%
- ARMs: 4.9%
- FICO Score: 736
- Capture Rate: 77%

# Hovnanian Mortgage Breakdown\*

Second Quarter 2012



Fiscal 2011



\*Loans originated by our wholly-owned mortgage banking subsidiary.

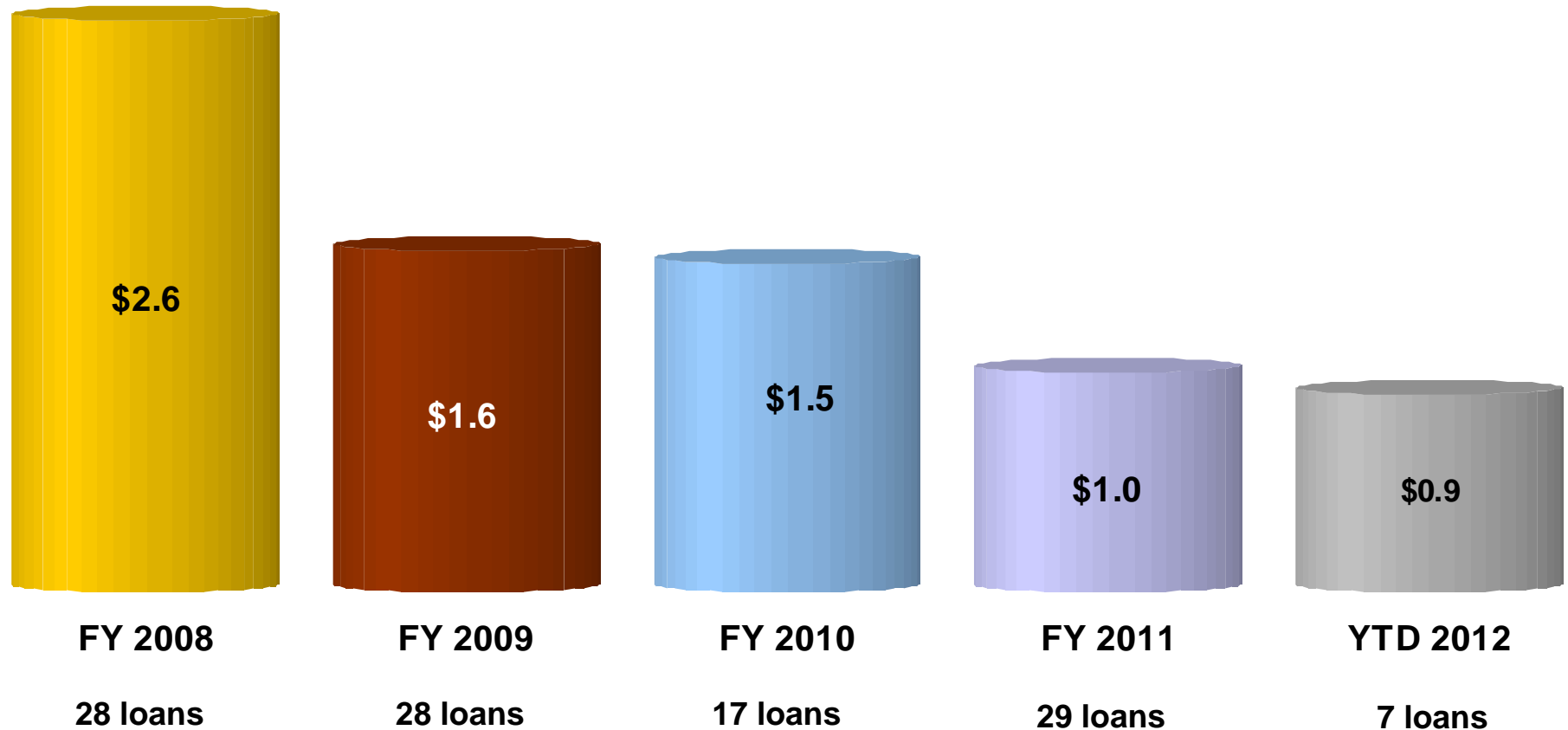
26 Note: During Second Quarter 2012 and all of Fiscal 2011, there were no Alt-A, Sub-prime, Broker or construction to permanent loans.



# Payments for Loan Repurchases and Make Whole Requests

As of April 30, 2012

\$ in millions



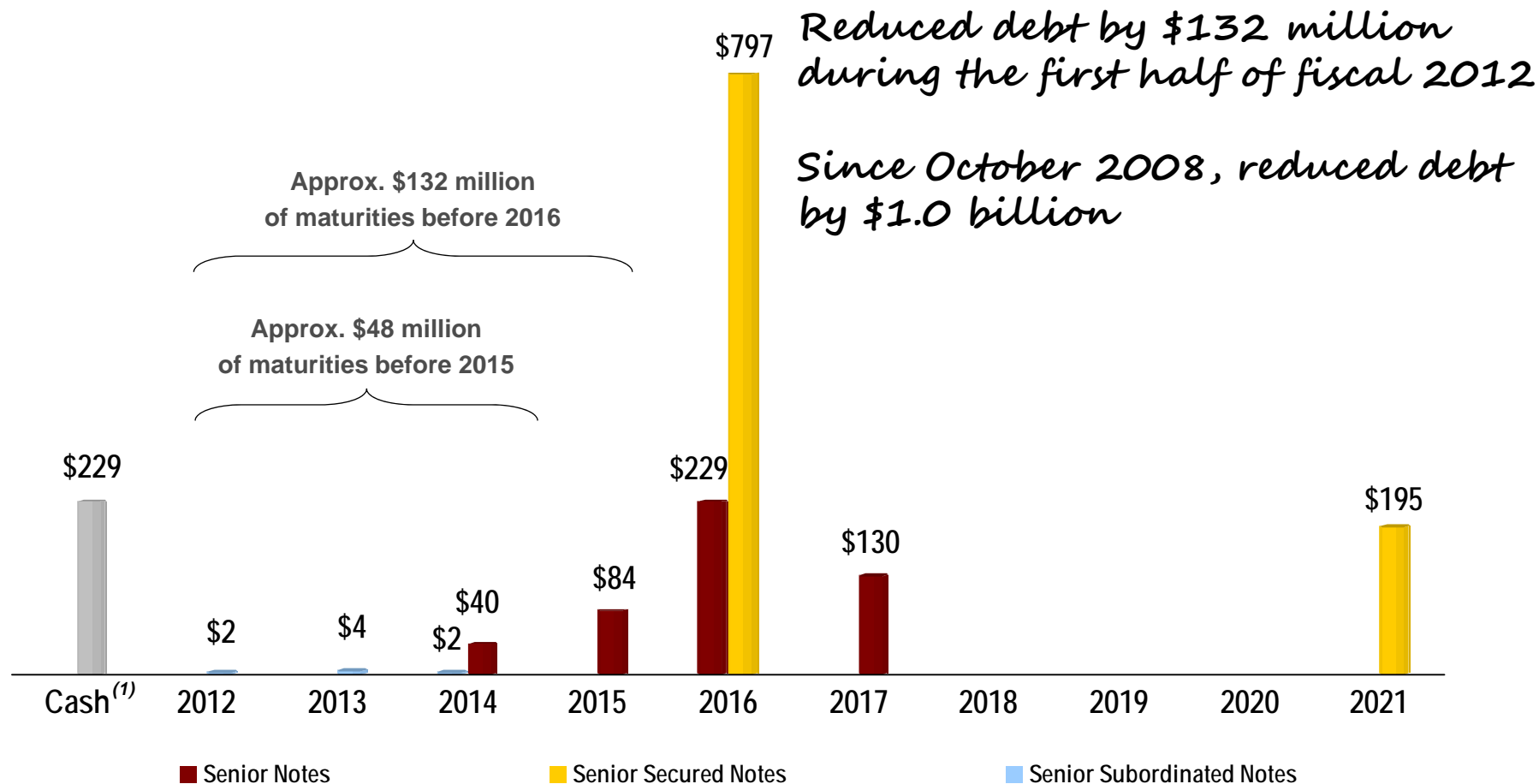
◆ As of April 30, 2012, reserve for loan repurchases and make whole requests was \$6.6 million.

27 *Note: It is our policy to estimate and reserve for potential losses when we sell the loans to investors. All of these losses had been adequately reserved for in prior periods.*



# Actively Managing Our Debt Maturity Profile

As of April 30, 2012 (\$ in millions)



Note: shown on a calendar year basis.

<sup>(1)</sup>Includes \$33.8 million of restricted cash used to collateralize letters of credit.

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# Appendix

# Land Positions by Geographic Segment

April 30, 2012

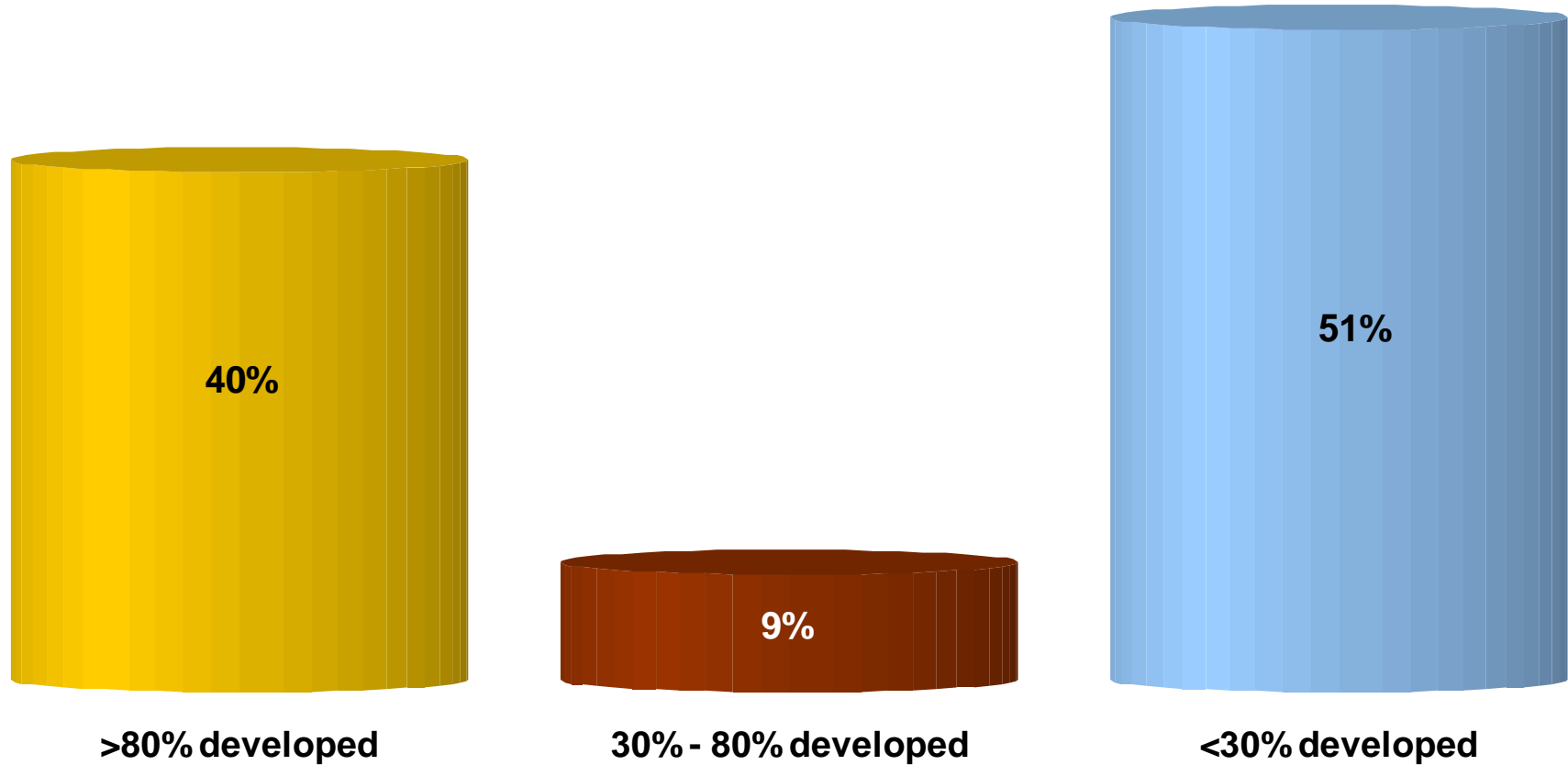
Years Supply

Owned

Segment	TTM Deliveries	Excluding Mothballed Lots	Mothballed Lots	Optioned	Total	Investment in Land (finished lots and lots under development) (\$ in millions)
Northeast	407	4.2	2.8	4.4	11.4	\$222
Mid-Atlantic	559	5.4	0.5	4.4	10.4	\$79
Midwest	379	3.2	0.3	2.2	5.7	\$20
Southeast	378	2.4	1.3	0.8	4.6	\$32
Southwest	1,797	1.1	0.0	1.8	2.9	\$68
West	500	2.6	9.7	1.5	13.8	\$82
Total	4,020	2.5	1.7	2.3	6.6	\$503

# Owned Lots % Development Costs Spent

As of April 30, 2012



## Land Related Charges by Segment

### Second Quarter 2012

(\$ in millions)

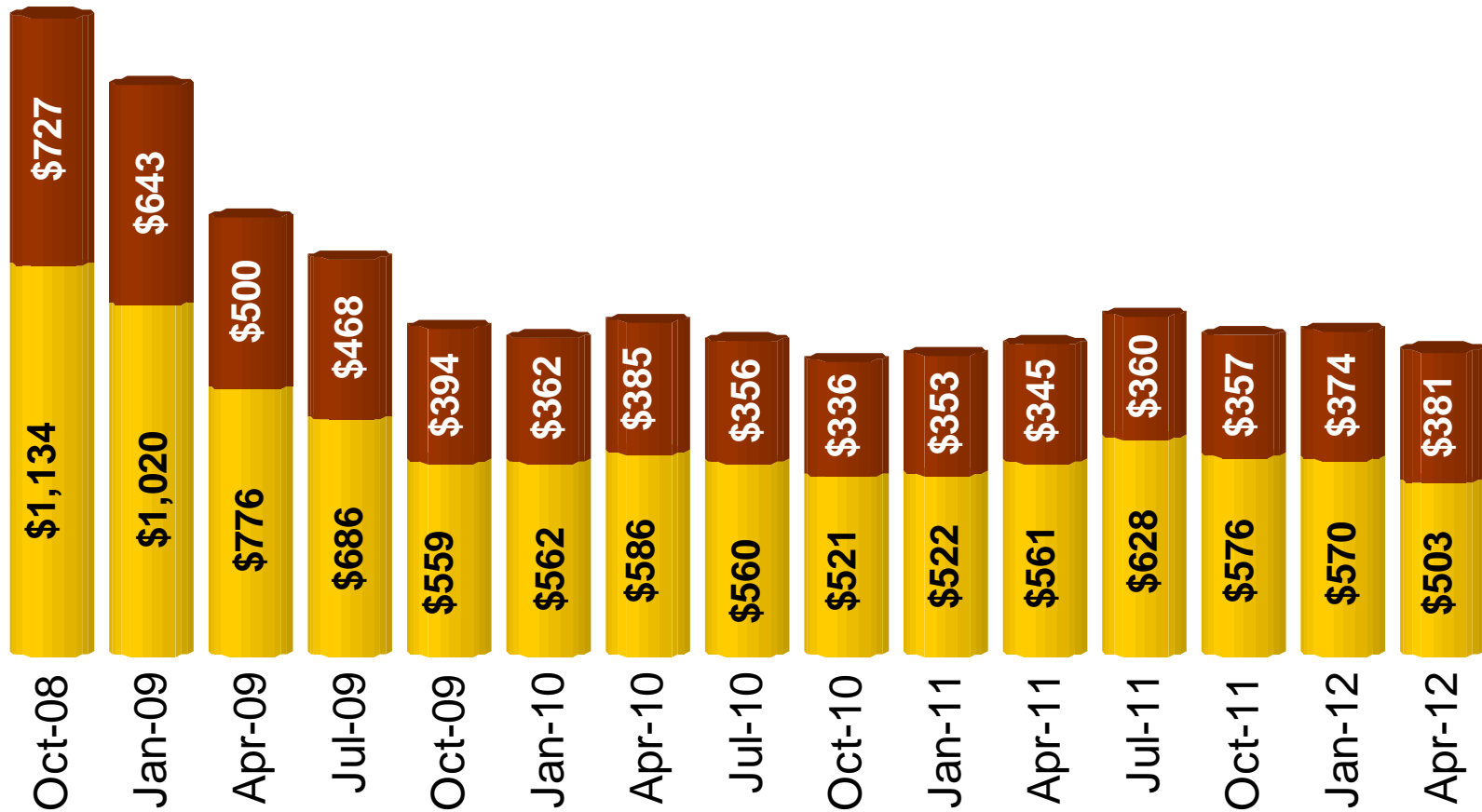
	<u>Impairments</u>	<u>Walk-Aways</u>	<u>Total</u>
<b>Northeast (NJ, PA)</b>	<b>\$0.0</b>	<b>\$0.3</b>	<b>\$0.3</b>
<b>Mid-Atlantic (DE, MD, VA, WV)</b>	<b>\$0.1</b>	<b>\$0.1</b>	<b>\$0.2</b>
<b>Midwest (IL, MN, OH)</b>	<b>\$0.0</b>	<b>\$0.1</b>	<b>\$0.1</b>
<b>Southeast (FL, GA, NC, SC)</b>	<b>\$2.0</b>	<b>\$0.6</b>	<b>\$2.6</b>
<b>Southwest (AZ, TX)</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>West (CA)</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>Total</b>	<b>\$2.1</b>	<b>\$1.1</b>	<b>\$3.2</b>



# Inventory Breakdown

\$ in Millions

- Sold and Unsold homes
- Land (finished lots and lots under development)



Excluding Inventory Not Owned, on-your-lot construction, assets outside the US and option deposits and pre-development costs.

