Hovnanian Enterprises, Inc.

Review of Financial Results | Second 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.

Hovnanian Enterprises, Inc.

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. 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.

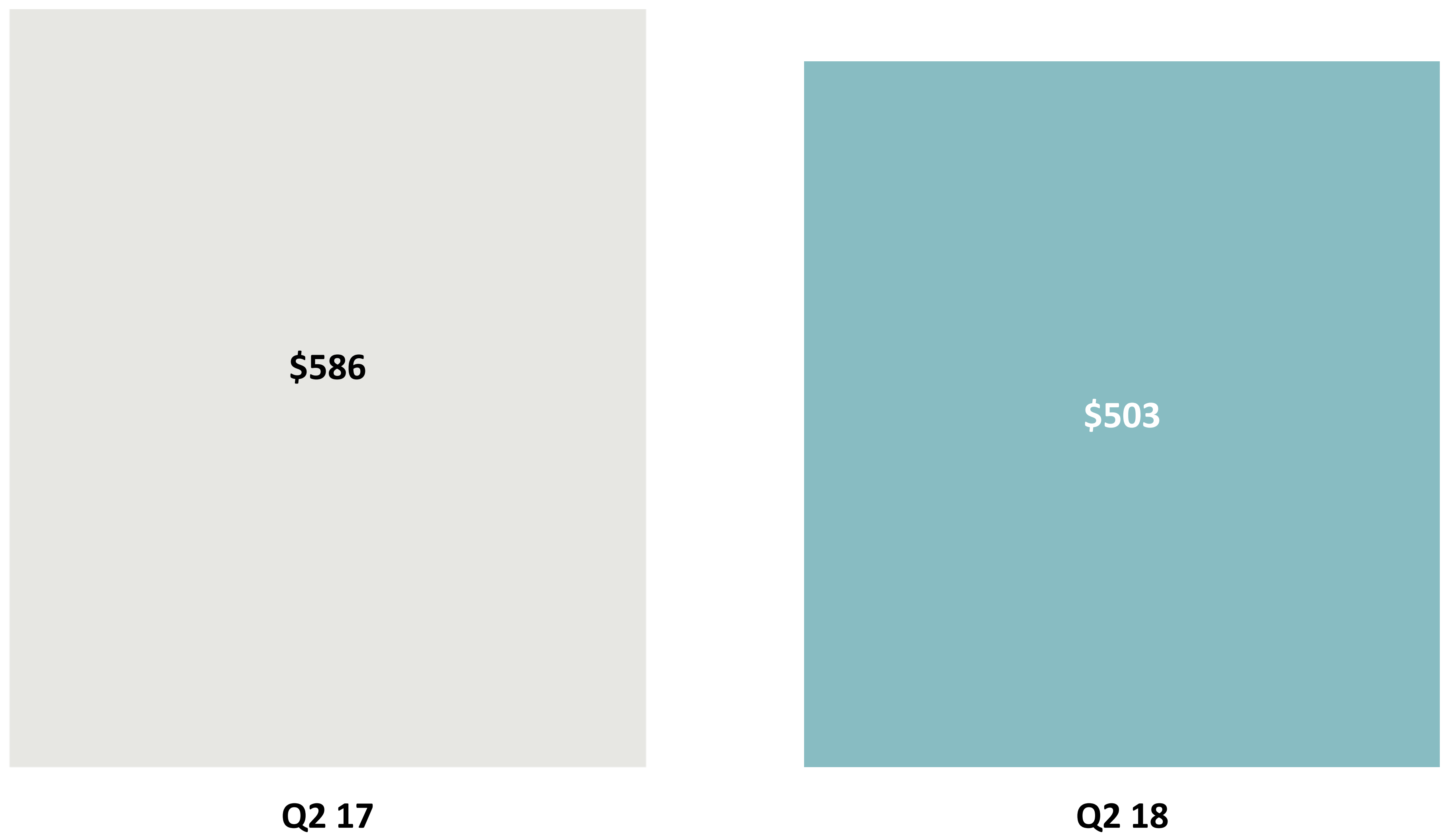
(Loss) Before Income Taxes Excluding Land-Related Charges, Joint Venture Write-Downs and Loss (Gain) on Extinguishment of Debt is a non-GAAP financial measure. The most directly comparable GAAP financial measure is (Loss) Income Before Income Taxes. The reconciliation for historical periods of (Loss) Before Income Taxes Excluding Land-Related Charges, Joint Venture Write-Downs and Loss (Gain) on Extinguishment of Debt to (Loss) Income 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 $248.8 million of cash and cash equivalents, $13.8 million of restricted cash required to collateralize a performance bond and letters of credit and $11.4 million of availability under the unsecured revolving credit facility as of April 30, 2018.

Total Revenues

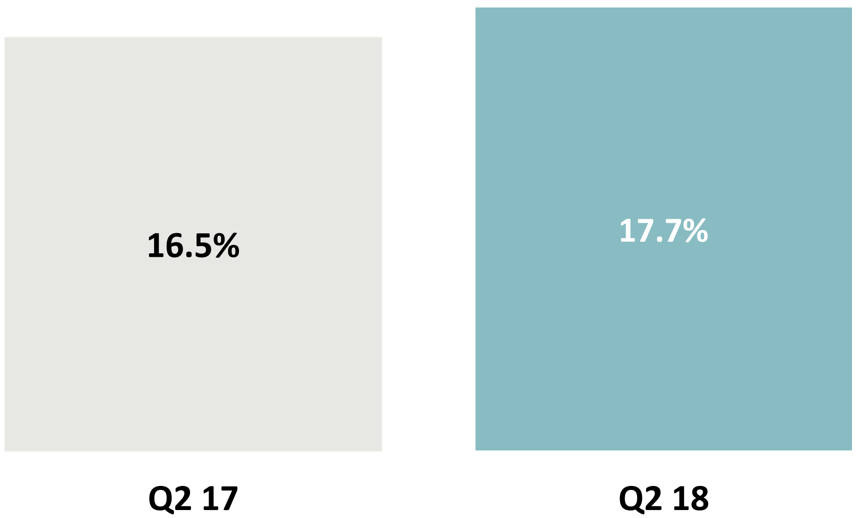
($ in millions)



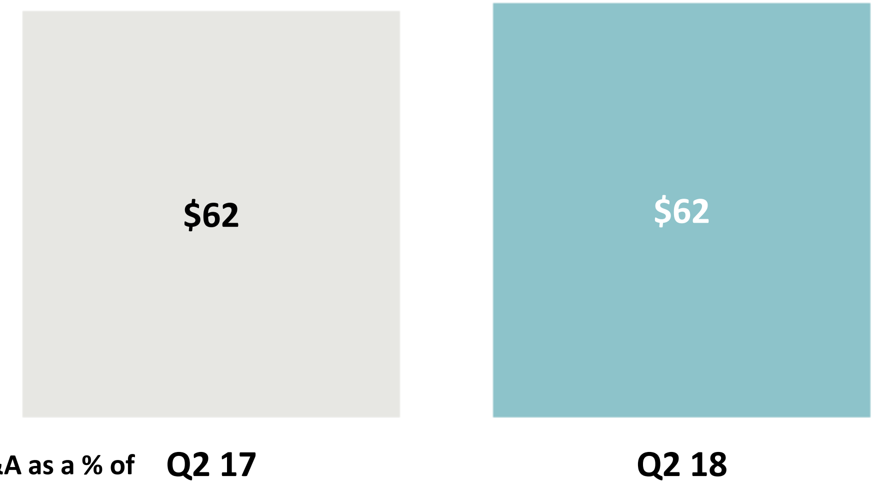
Second Quarter Operating Results

($ in millions)

Adjusted Homebuilding Gross Margin[1]

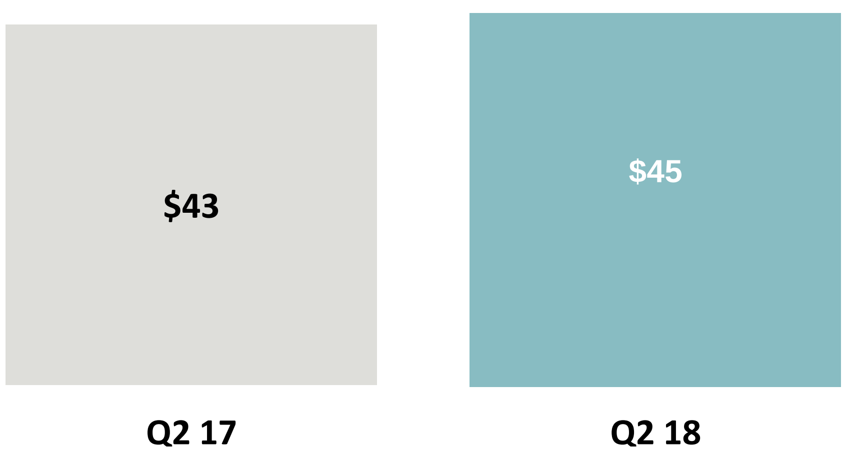


Total SG&A[2]

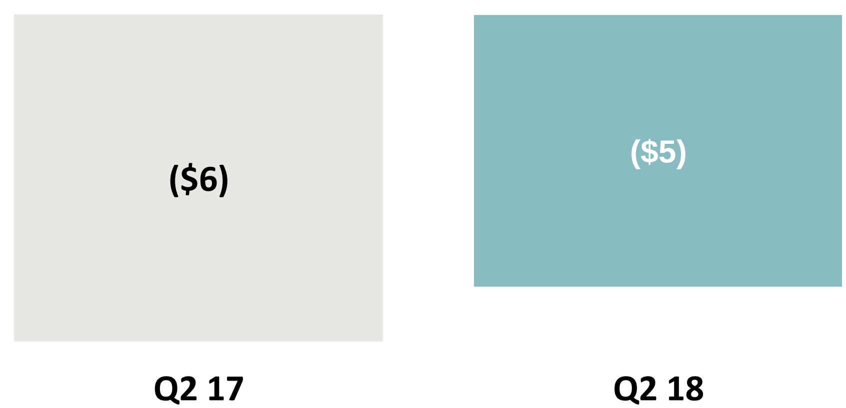


Total SG&A as a % of Total Revenue	Q2 17	Q2 18
	10.5%	12.3%

Total Interest Expense



Adjusted (Loss) Before Income Taxes[3]



(1) Adjusted homebuilding gross margin percentage is before cost of sales interest expense and land charges. See appendix 36 for a reconciliation to the most directly comparable GAAP measure.

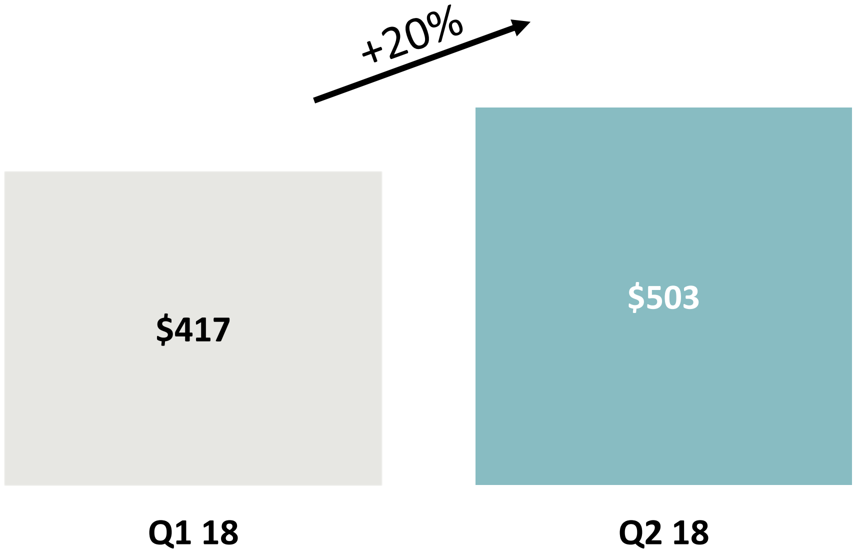
(2) Total SG&A includes homebuilding selling, general and administrative costs and corporate general and administrative costs.

(3) Adjusted (Loss) Before Income Taxes excludes land-related charges, joint venture write-downs and loss (gain) on extinguishment of debt. See appendix 35 for a reconciliation to the most directly comparable GAAP measure.

Sequential Improvements

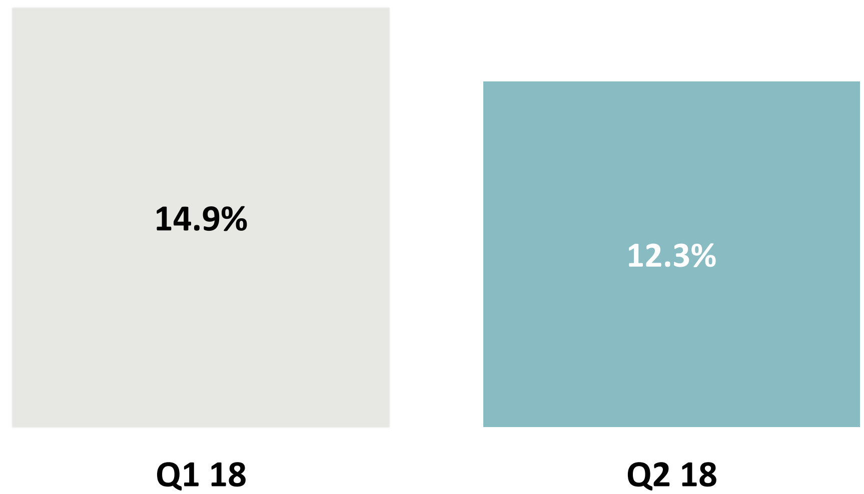
($ in millions)

Total Revenues



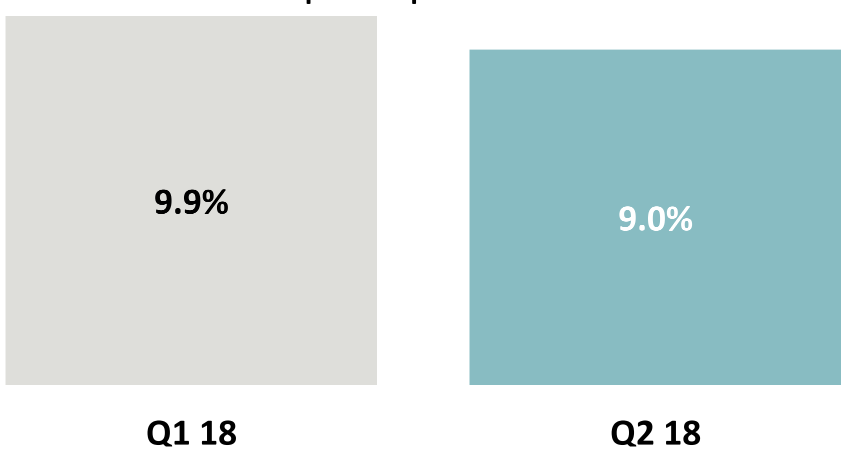
Total SG&A as a % of Total Revenues(1)

260 bps Improvement

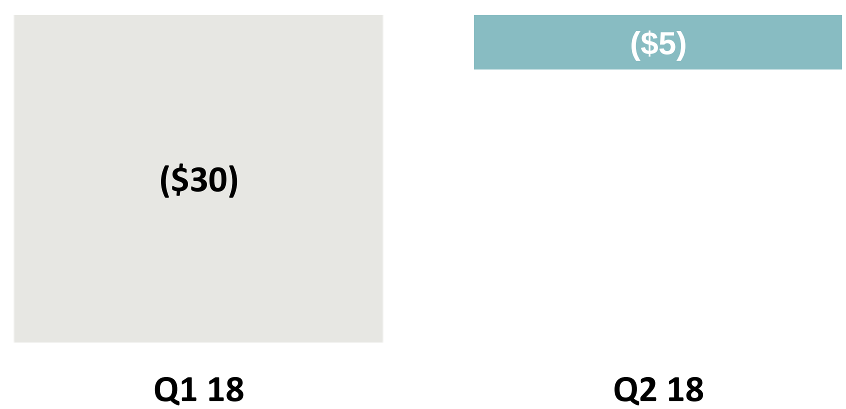


Total Interest Expense as a % of Total Revenues

90 bps Improvement



Adjusted (Loss) Before Income Taxes(2)



(1) Total SG&A includes homebuilding selling, general and administrative costs and corporate general and administrative costs.
(2) Adjusted (Loss) Before Income Taxes excludes land-related charges, joint venture write-downs and loss (gain) on extinguishment of debt. See appendix 35 for a reconciliation to the most directly comparable GAAP measure.

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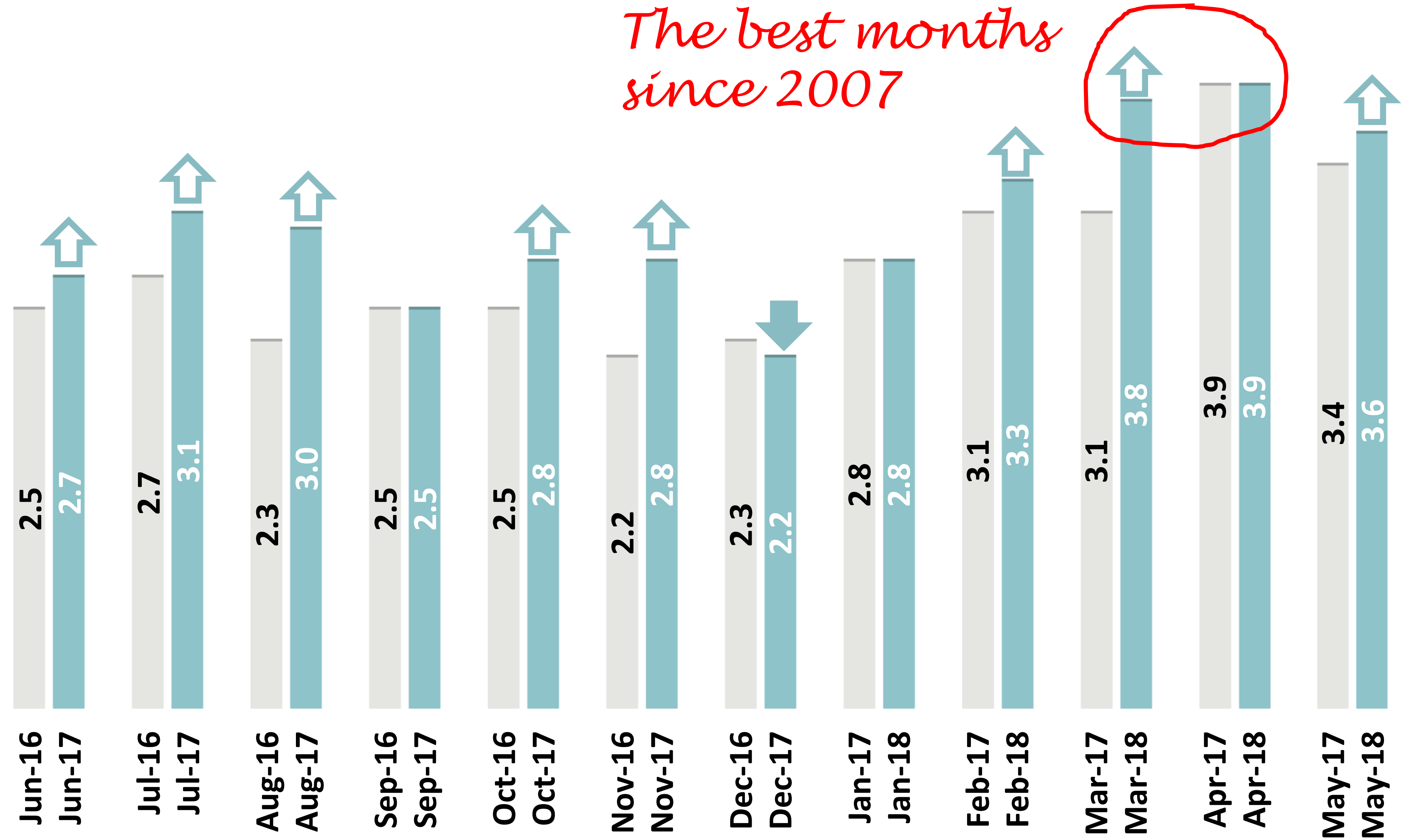
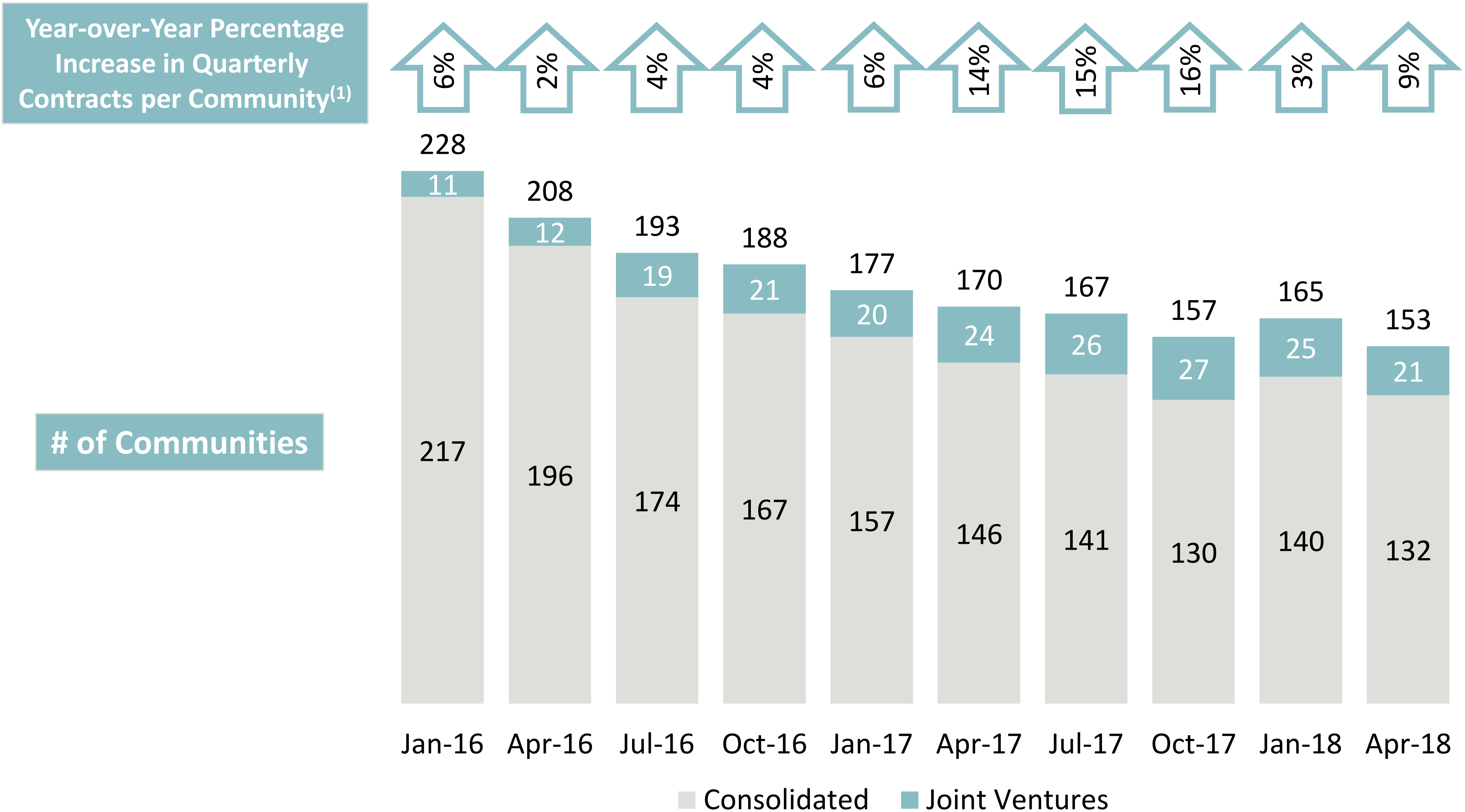
Number of Monthly Contracts Per Community, Includes Joint Ventures



Number of Sundays	4	4	5	5	4	4	4	4	5	5	4	4	4	5	5	4	4	4	4	4	5	5	4	4
	Jun-16	Jun-17	Jul-16	Jul-17	Aug-16	Aug-17	Sep-16	Sep-17	Oct-16	Oct-17	Nov-16	Nov-17	Dec-16	Dec-17	Jan-17	Jan-18	Feb-17	Feb-18	Mar-17	Mar-18	Apr-17	Apr-18	May-17	May-18
Monthly contracts	490	444	515	522	444	492	475	408	470	444	400	443	415	348	497	459	562	528	531	586	655	592	567	523

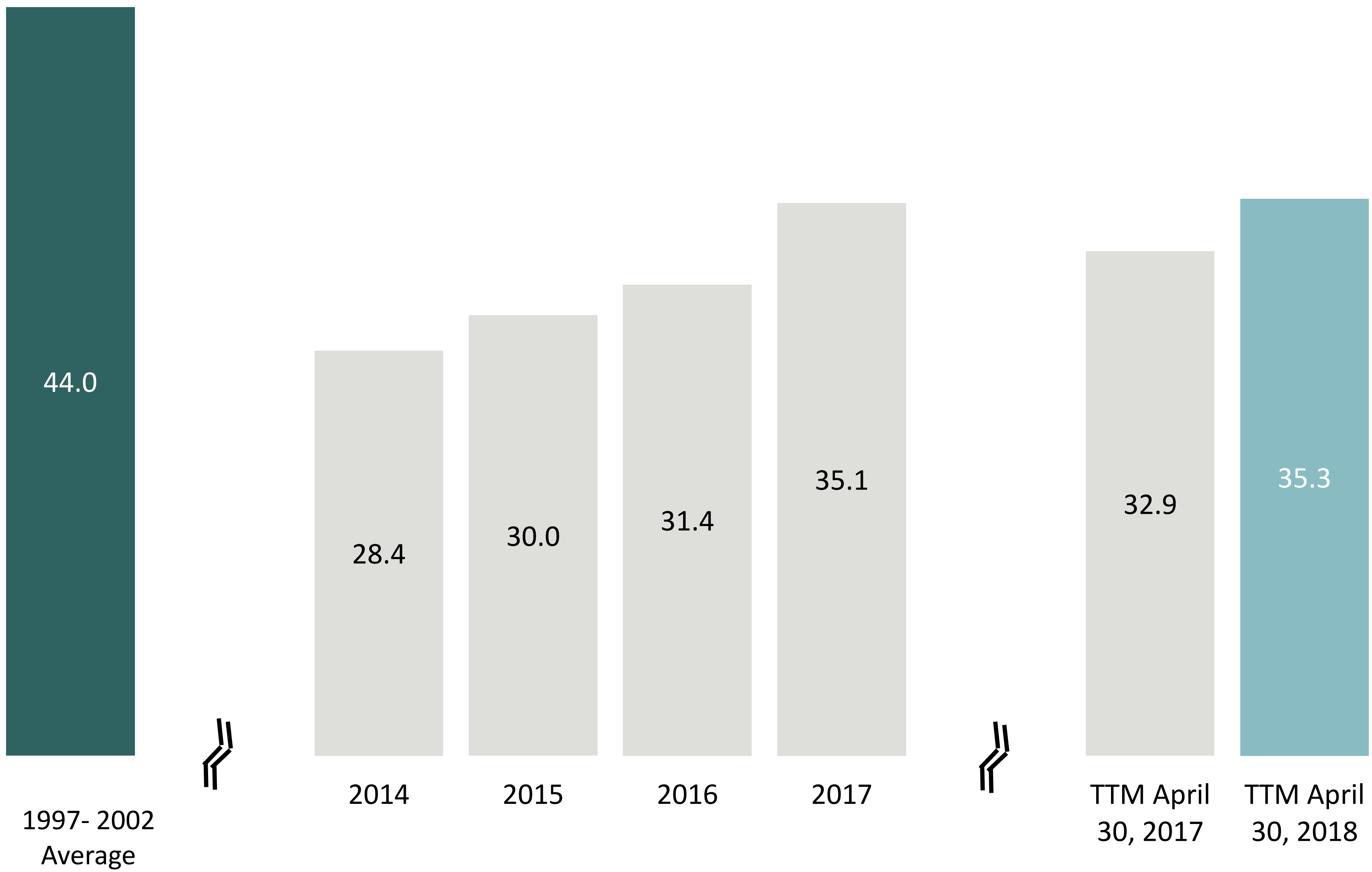
Note: Includes joint ventures.

Communities & Growth in Contracts per Community



(1) Includes unconsolidated joint ventures.
Note: Communities are open for sale communities with 10 or more home sites available.
Note: In the trailing twelve months, we opened 61 consolidated communities, purchased 2 communities from joint ventures and closed out 77 consolidated communities.

Annual Contracts Per Community



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

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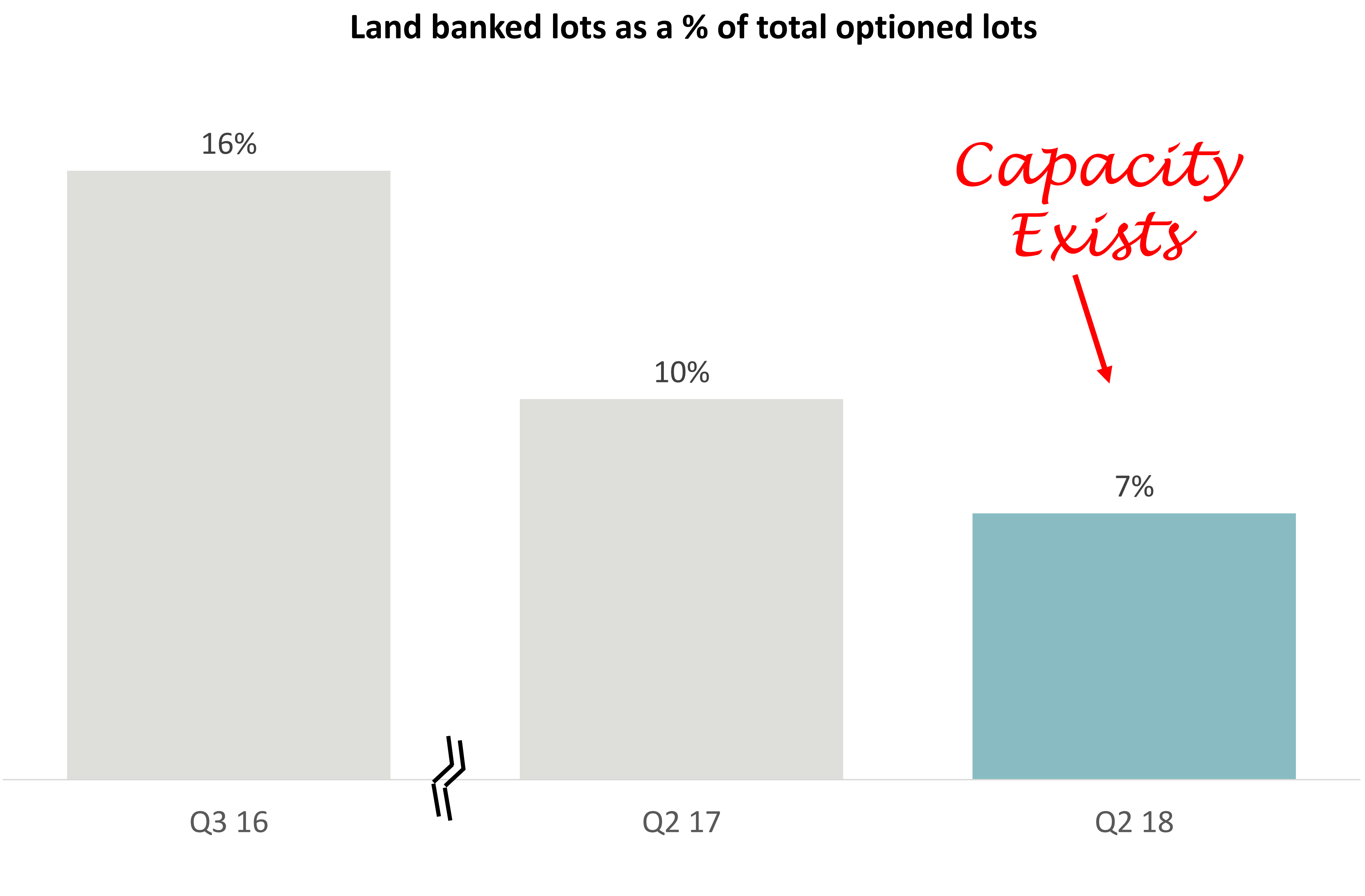
Increase in Newly Controlled Lots

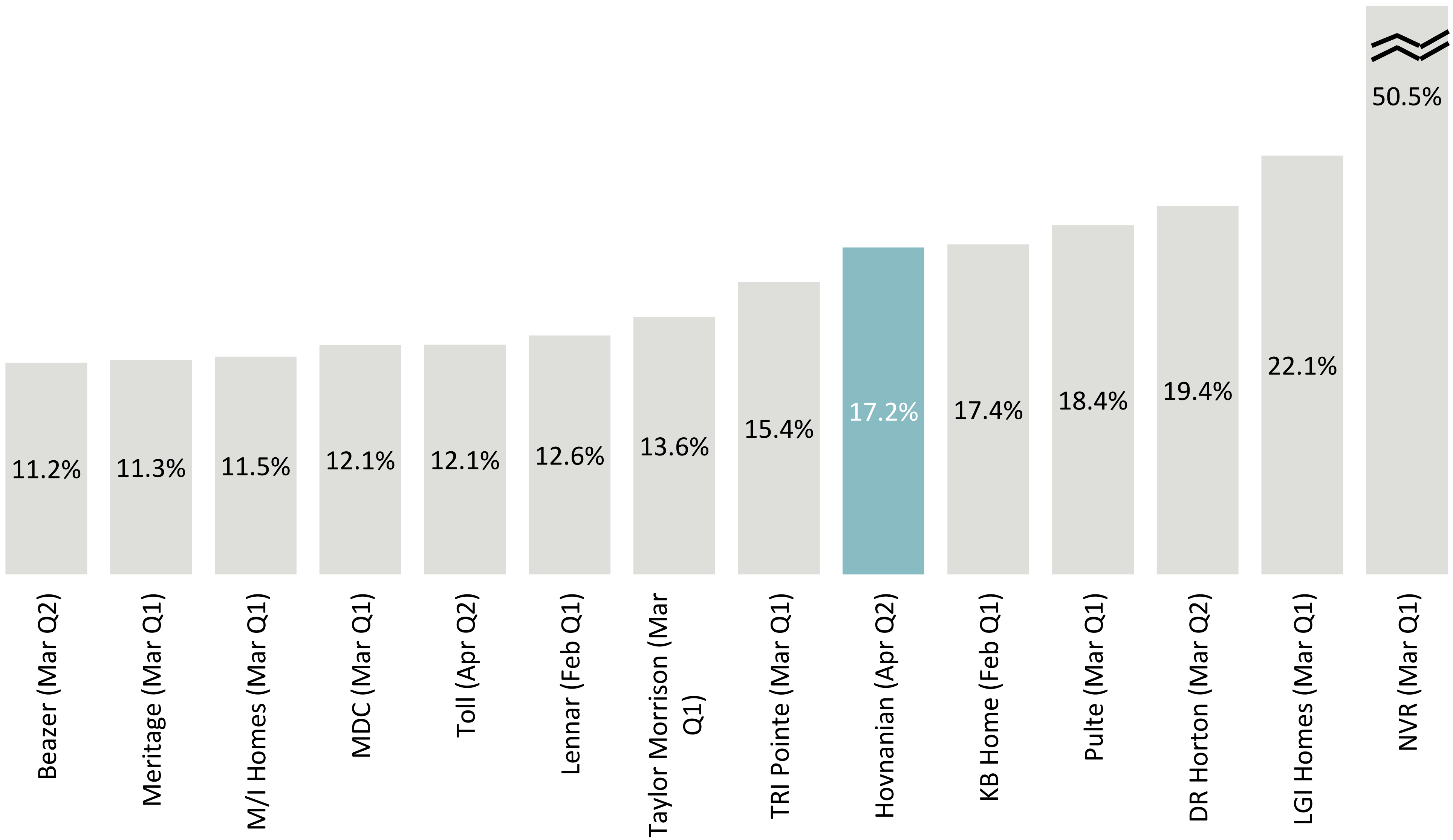
	YTD 2018(1)
Newly Controlled Lots(2)	3,637
Deliveries & Lot Sales	2,429
# of Newly Controlled Lots in Excess of Deliveries	1,208
Newly Controlled Lots as a Percentage of Deliveries & Lot Sales	150%

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

Decreases in Land Banked Lots

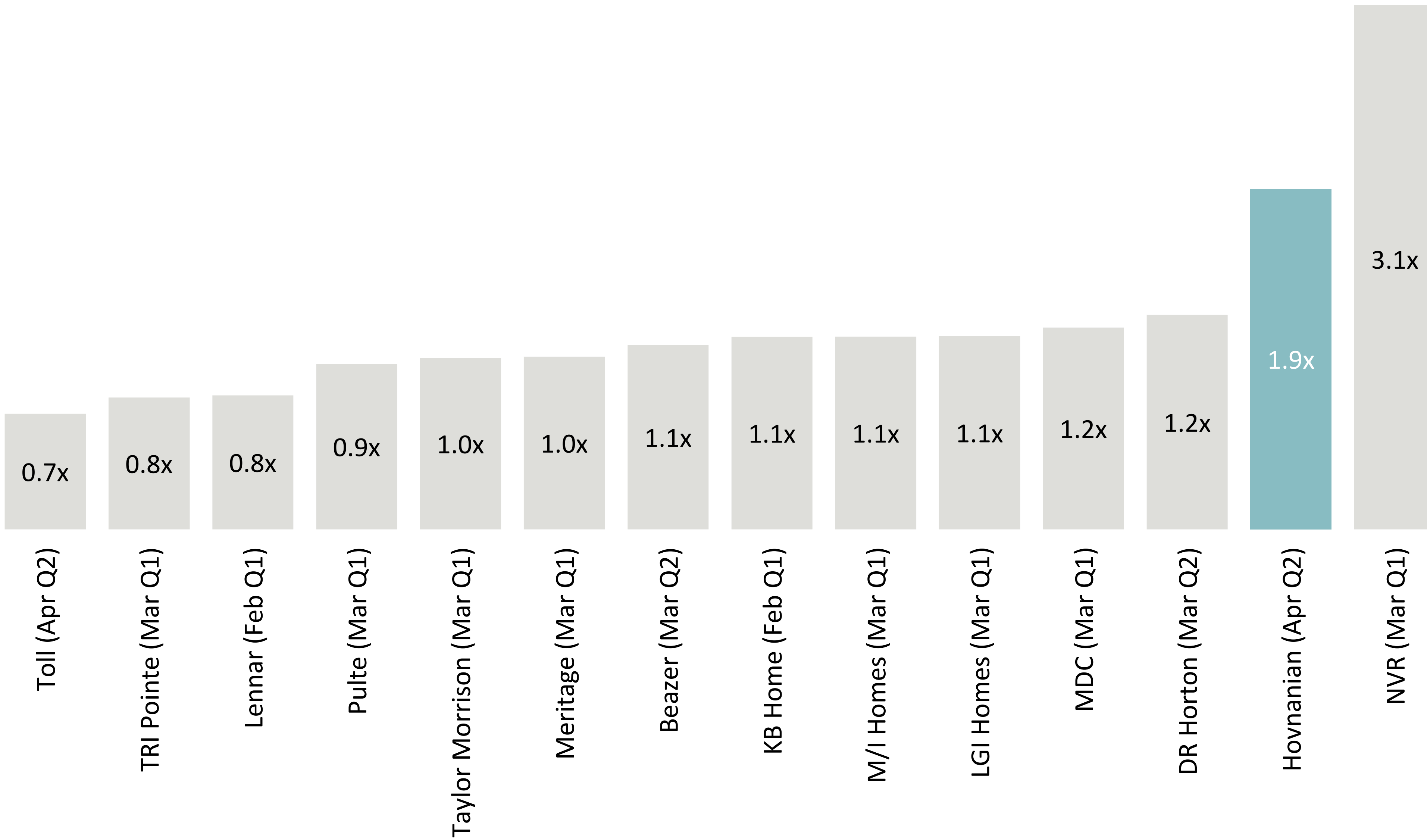


Adjusted Homebuilding EBIT to Inventory, Last Twelve Months



Note: Defined as LTM 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 06/07/18. See appendix 37 for a reconciliation to the most directly comparable GAAP measure.

Inventory Turns (COGS), Last Twelve Months

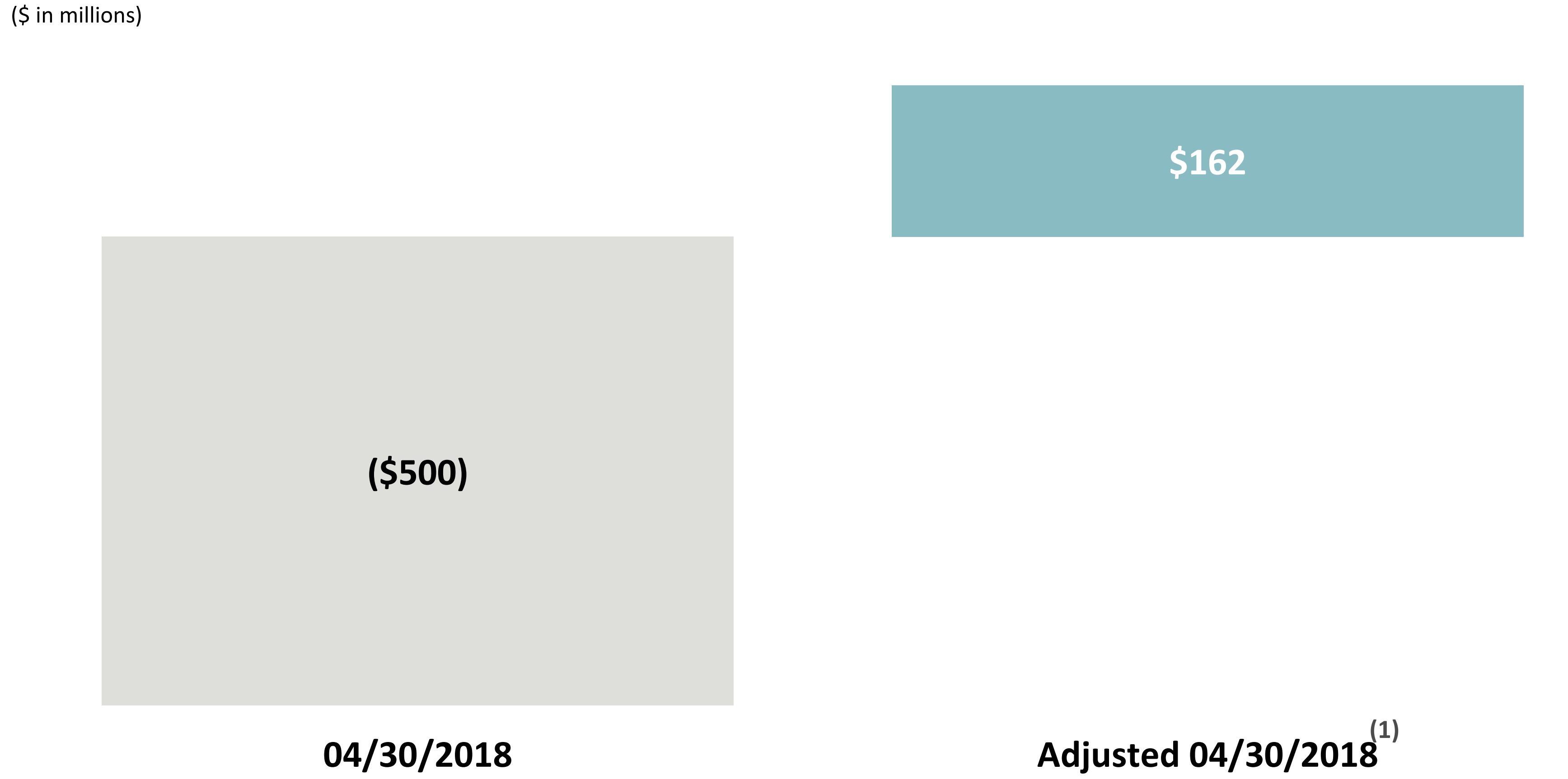


Note: Inventory turns derived by dividing cost of sales, excluding capitalized interest, by the five quarter average homebuilding inventory, excluding inventory not owned and capitalized interest. See appendix 38 for a reconciliation to the most directly comparable GAAP measure.

Source: Company SEC filings and press releases as of 06/07/18.

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 $(500) million with $662 million valuation allowance added back to Stockholders’ Equity. The $662 million valuation allowance consisted of a $441 million federal valuation allowance and a $221 million state valuation allowance.*

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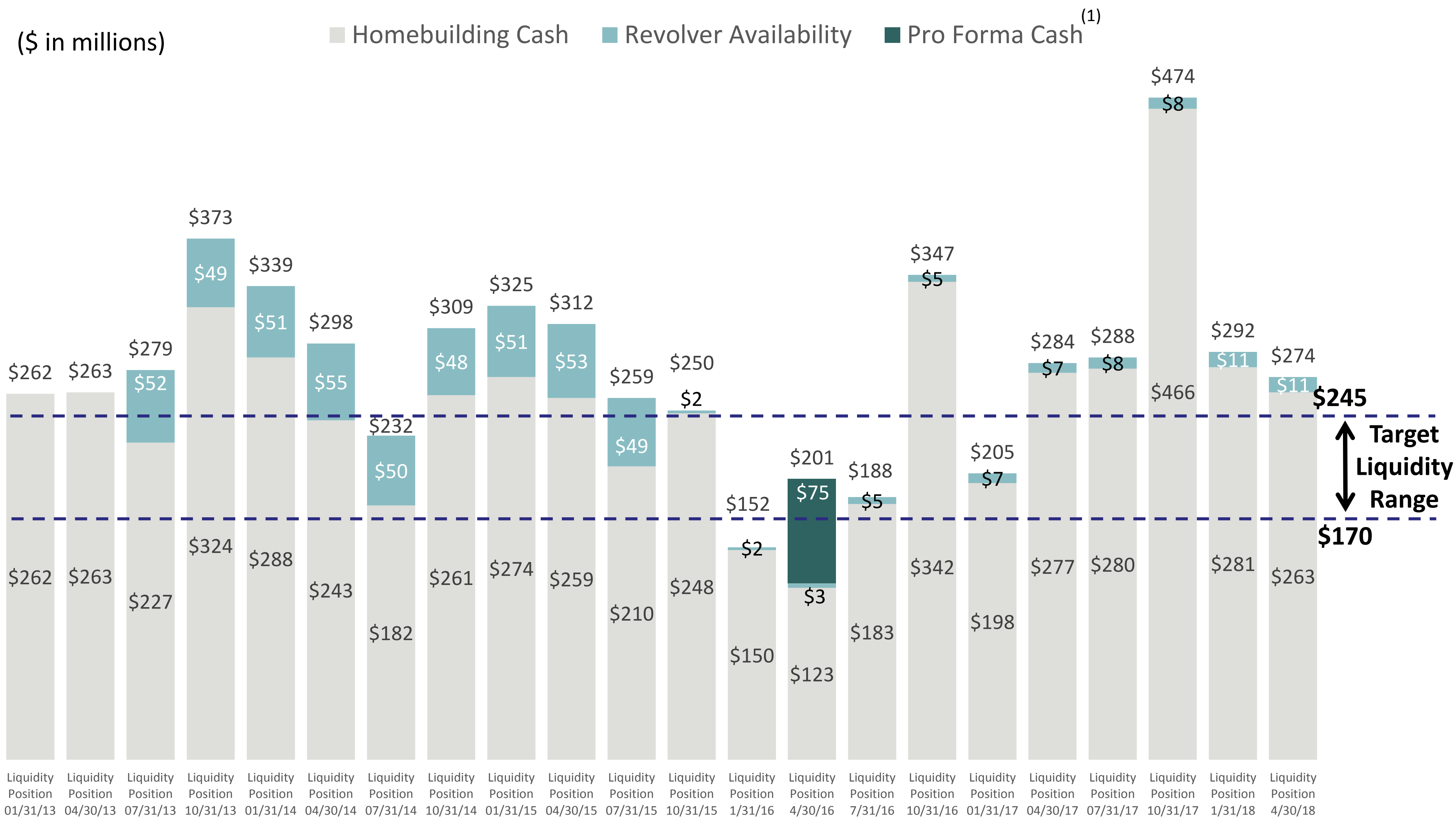
Liquidity Position and Target



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.

(1) Pro Forma Cash of $75 million from joint venture and land sale subsequent to end of second quarter 2016.

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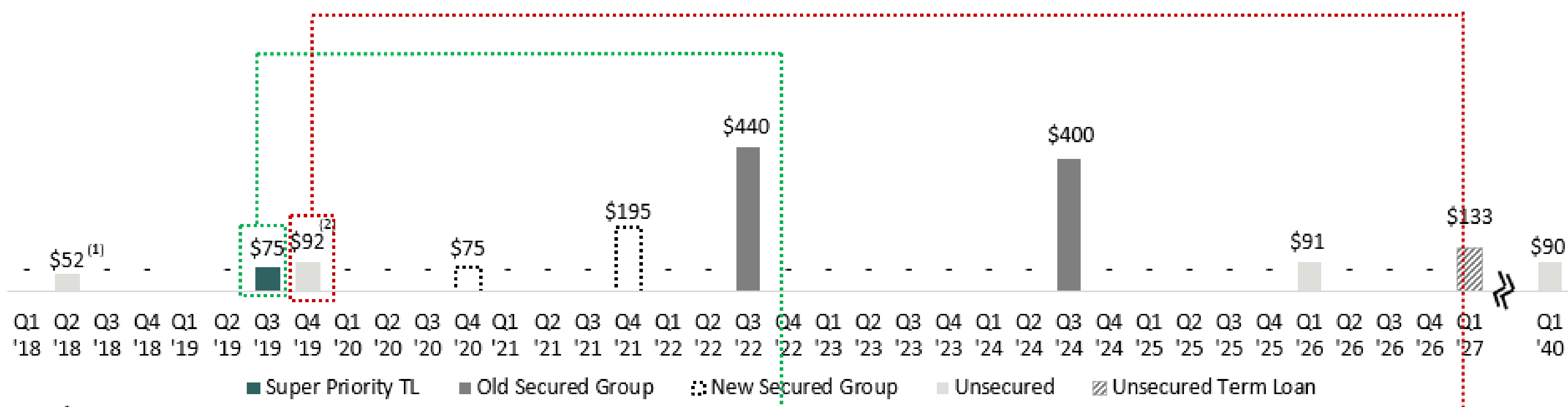
Pre and Pro Forma Maturity Profile

As of April 30, 2018

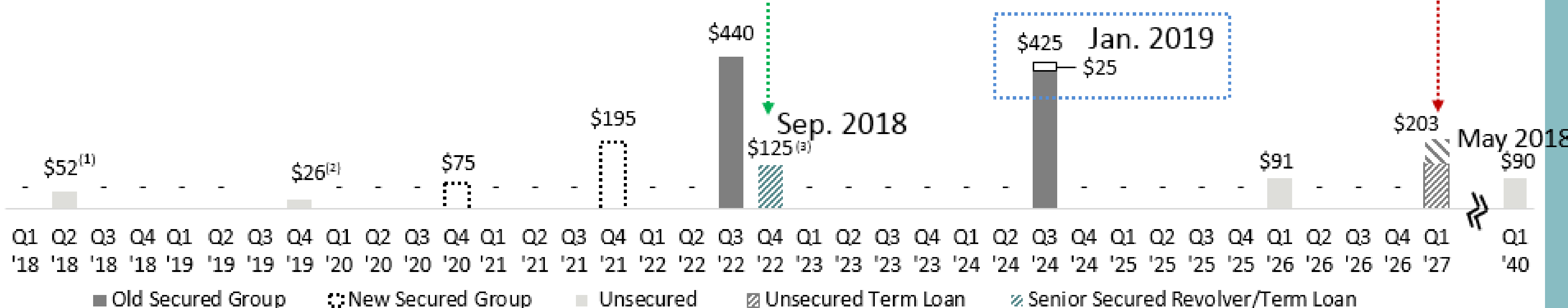
($ in millions)



April 30, 2018

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

($ in millions)



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

Note: Excludes non-recourse mortgages.

[1] Partially matures in June 2018 with balance maturing in September 2018.

[2] Includes $26 million of 8.0% senior notes held by wholly owned subsidiary.

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

GSO Financing Commitments

- Delayed draw portion of the 5% unsecured term loan maturing in 2027 from GSO Capital Partners LP and certain funds managed or advised by it (collectively, the "GSO Entities")
  - In May 2018, drew down approximately $70.0 million to redeem all outstanding 8% senior notes due 2019 other than the $26 million held by a Hovnanian subsidiary
  - Aggregate principal amount of the 8% senior notes redeemed was approximately $65.7 million
- 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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Historical Actual Key Metrics

($ in Millions)

	Actual 2013	Actual 2016
Total Consolidated Revenue	$1,851	$2,752
Adjusted Homebuilding Gross Margin (1)	20.1%	16.9%
Total SG&A Ratio	11.9%	9.2%
Adjusted EBITDA (2)	$180	$231
Adjusted Pretax Earnings (3)	$28	$39
Average Inventory (5 Quarter) (4)	$833	$1,180
Inventory Turnover (5)	1.7X	1.9X

(1) Adjusted homebuilding gross margin percentage is before cost of sales interest expense and land charges. See appendix 41 for a reconciliation to the most directly comparable GAAP measure.

(2) 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 loss (gain) on extinguishment of debt. See appendix 42 for a reconciliation to the most directly comparable GAAP measure.

(3) Adjusted Pretax Earnings excludes land-related charges, joint venture write-downs and loss (gain) on extinguishment of debt. See appendix 43 for a reconciliation to the most directly comparable GAAP measure.

(4) Five quarter average homebuilding inventory, excluding inventory not owned and capitalized interest. See appendix 39 & 40 for a reconciliation to the most directly comparable GAAP measure.

(5) 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 39 & 40 for a reconciliation to the most directly comparable GAAP measure.

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Recent Key Metrics

($ in Millions)

	Actual 2013	Actual 2016	Actual TTM (as of 04/30/18)
Total Consolidated Revenue	$1,851	$2,752	$2,233
Adjusted Homebuilding Gross Margin (1)	20.1%	16.9%	17.7%
Total SG&A Ratio	11.9%	9.2%	11.6%
Adjusted EBITDA (2)	$180	$231	$174
Adjusted Pretax Earnings (3)	$28	$39	$(15)
Average Inventory (5 Quarter) (4)	$833	$1,180	$905
Inventory Turnover (5)	1.7X	1.9X	1.9X

(1) Adjusted homebuilding gross margin percentage is before cost of sales interest expense and land charges. See appendix 41 for a reconciliation to the most directly comparable GAAP measure.

(2) 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 loss (gain) on extinguishment of debt. See appendix 42 for a reconciliation to the most directly comparable GAAP measure.

(3) Adjusted Pretax Earnings excludes land-related charges, joint venture write-downs and loss (gain) on extinguishment of debt. See appendix 43 for a reconciliation to the most directly comparable GAAP measure.

(4) Five quarter average homebuilding inventory, excluding inventory not owned and capitalized interest. See appendix 38, 39 & 40 for a reconciliation to the most directly comparable GAAP measure.

(5) 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 38, 39 & 40 for a reconciliation to the most directly comparable GAAP measure.

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Multi-Year Key Metric Targets

($ in Millions)

	Actual 2013	Actual 2016	Actual TTM (as of 04/30/18)	Annual Key Metric Targets(1)
Total Consolidated Revenue	$1,851	$2,752	$2,233	$2,650
Adjusted Homebuilding Gross Margin (2)	20.1%	16.9%	17.7%	19.5%
Total SG&A Ratio	11.9%	9.2%	11.6%	10.0%
Adjusted EBITDA (3)	$180	$231	$174	$275
Adjusted Pretax Earnings (4)	$28	$39	$(15)	$100
Average Inventory (5 Quarter) (5)	$833	$1,180	$905	$1,250
Inventory Turnover (6)	1.7X	1.9X	1.9X	1.7X

(1) Assumes no improvements or deteriorations from current market conditions. Approximate levels.

(2) Adjusted homebuilding gross margin percentage is before cost of sales interest expense and land charges. See appendix 41 for a reconciliation to the most directly comparable GAAP measure.

(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 loss (gain) on extinguishment of debt. See appendix 42 for a reconciliation to the most directly comparable GAAP measure.

(4) Adjusted Pretax Earnings excludes land-related charges, joint venture write-downs and loss (gain) on extinguishment of debt. See appendix 43 for a reconciliation to the most directly comparable GAAP measure.

(5) Five quarter average homebuilding inventory, excluding inventory not owned and capitalized interest. See appendix 38, 39 & 40 for a reconciliation to the most directly comparable GAAP measure.

(6) 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 38, 39 & 40 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)	January 31, 2018	April 30, 2018
Cash and cash equivalents	$198,100	$164,800
Mortgaged Inventory	$454,800	$483,400
Pledged equity value of subsidiaries without inventory liens(1)	$115,300	$70,600
Total Collateral	**$768,200**	**$718,800**
Plus equity value of subsidiaries with non-recourse loans(2)	$98,000	$94,900
Total Adjusted Collateral	**$866,200**	**$813,700**
Total principal amount of secured debt	$915,000	$915,000
Adjusted Collateral Ratio	**0.95x**	**0.89x**
Assets in excess of total principal amount of secured debt	$(48,800)	$(101,300)

(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.

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

($ in Thousands)

	January 31, 2018	April 30, 2018
Cash and cash equivalents	$82,800	$97,900
Mortgaged Inventory	$140,300	$139,300
Pledged equity value of subsidiaries without inventory liens(1)	$14,100	$24,300
Total Collateral	**$237,200**	**$261,500**
Plus equity value of subsidiaries with non-recourse loans(2)	$8,900	$11,800
Total Adjusted Collateral	**$246,100**	**$273,300**
Total principal amount of secured debt	$270,000	$270,000
Adjusted Collateral Ratio	**0.91x**	**1.01x**
Total Adjusted Collateral	**$246,100**	**$273,300**
Plus equity interests in joint ventures(3)	$65,400	$79,200
Total Assets Available for secured debt	**$311,500**	**$352,500**
Total principal amount of secured debt	$270,000	$270,000
Asset Coverage Ratio	**1.15x**	**1.31x**
Assets in Excess of total principal amount of secured debt	$41,500	$82,500

(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)	January 31, 2018	April 30, 2018
Total Assets	$1,645,900	$1,642,500
less Inventory Not Owned	$(93,900)	$(78,900)
less Financial Services Assets	$(101,900)	$(120,700)
Assets Available to All Notes	**$1,450,100**	**$1,442,900**
less non-recourse mortgages	$(64,500)	$(70,600)
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	**$200,600**	**$187,300**

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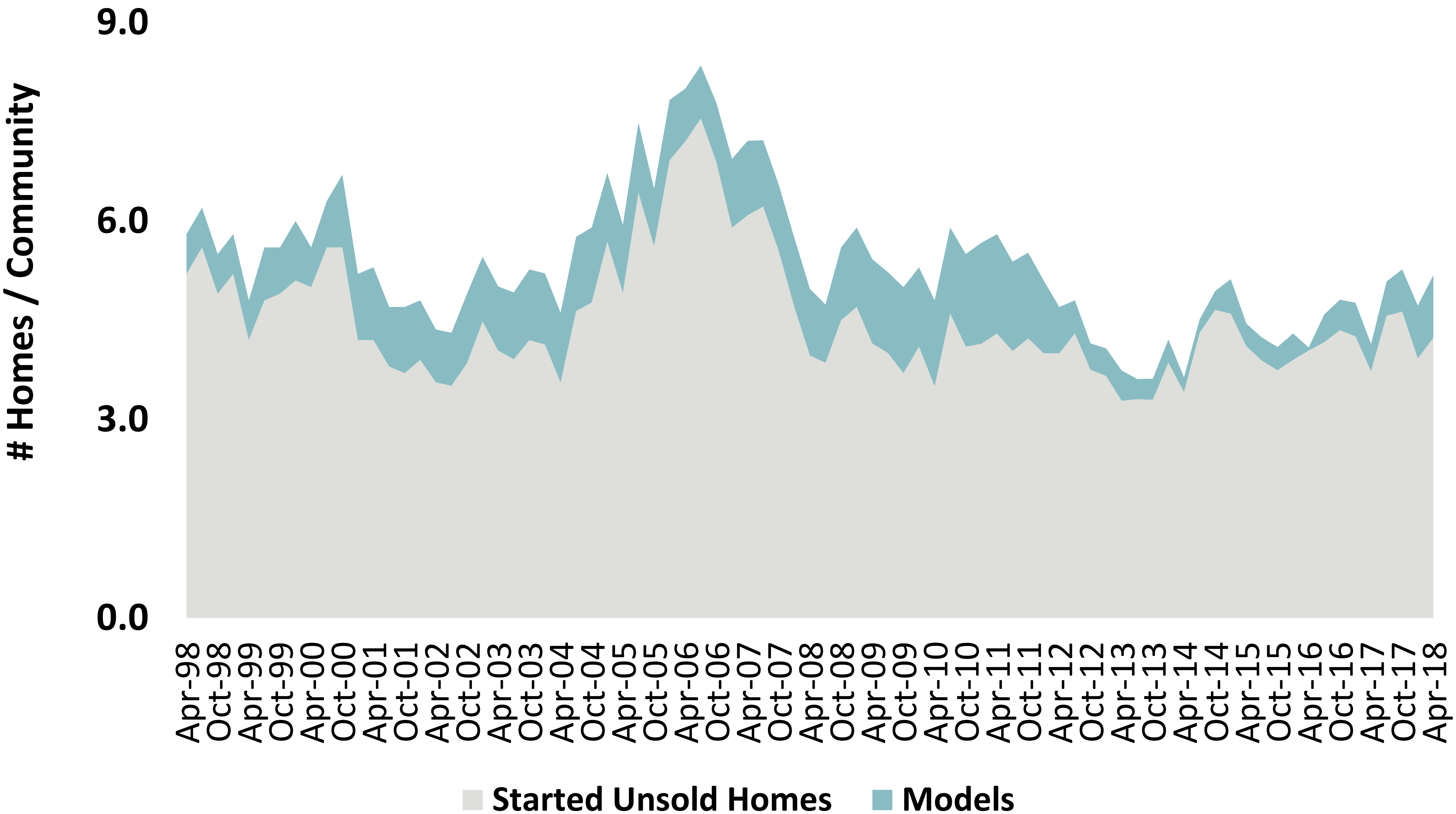
Unsold Homes per Community

- *559 started unsold homes at 04/30/18, excluding models*
- *4.6 average started unsold homes per community since 1997*
- *As of April 30, 2018, 4.2 started unsold homes per community*



Note: Excluding joint ventures.

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Land Positions by Geographic Segment

April 30, 2018

Segment	Owned: Excluding Mothballed Lots	Owned: Mothballed Lots	Optioned Lots	Total Lots
Northeast	600	190	3,602	4,392
Mid-Atlantic	1,893	280	2,055	4,228
Midwest	1,421	127	1,811	3,359
Southeast	1,778	-	2,152	3,930
Southwest	2,428	-	3,312	5,740
West	1,444	2,427	1,017	4,888
Consolidated Total	9,564	3,024	13,949	26,537
Joint Ventures	2,846	-	1,384	4,230

- *Option deposits as of April 30, 2018 were $53 million*
- *$13 million invested in pre-development expenses as of April 30, 2018*

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

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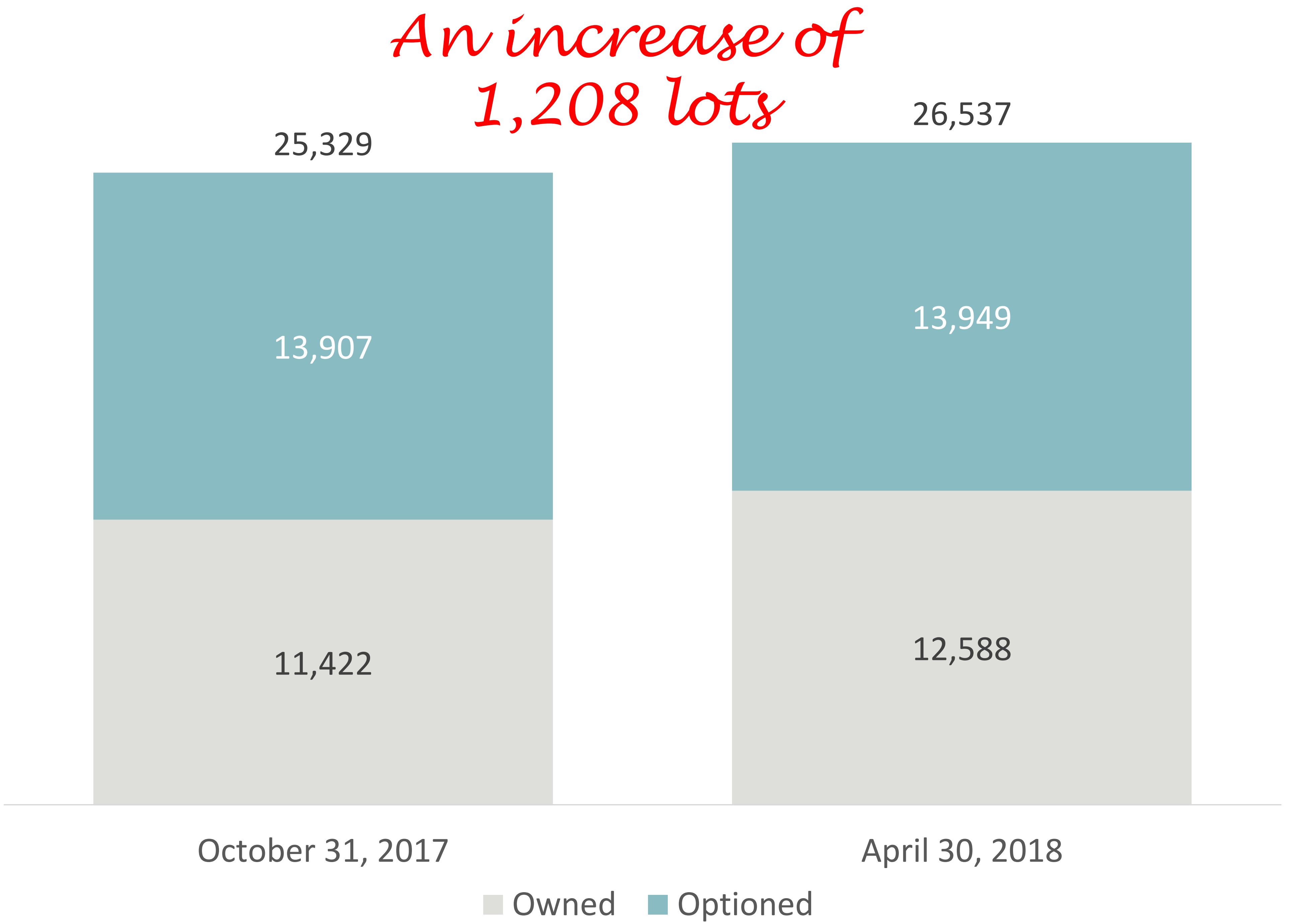
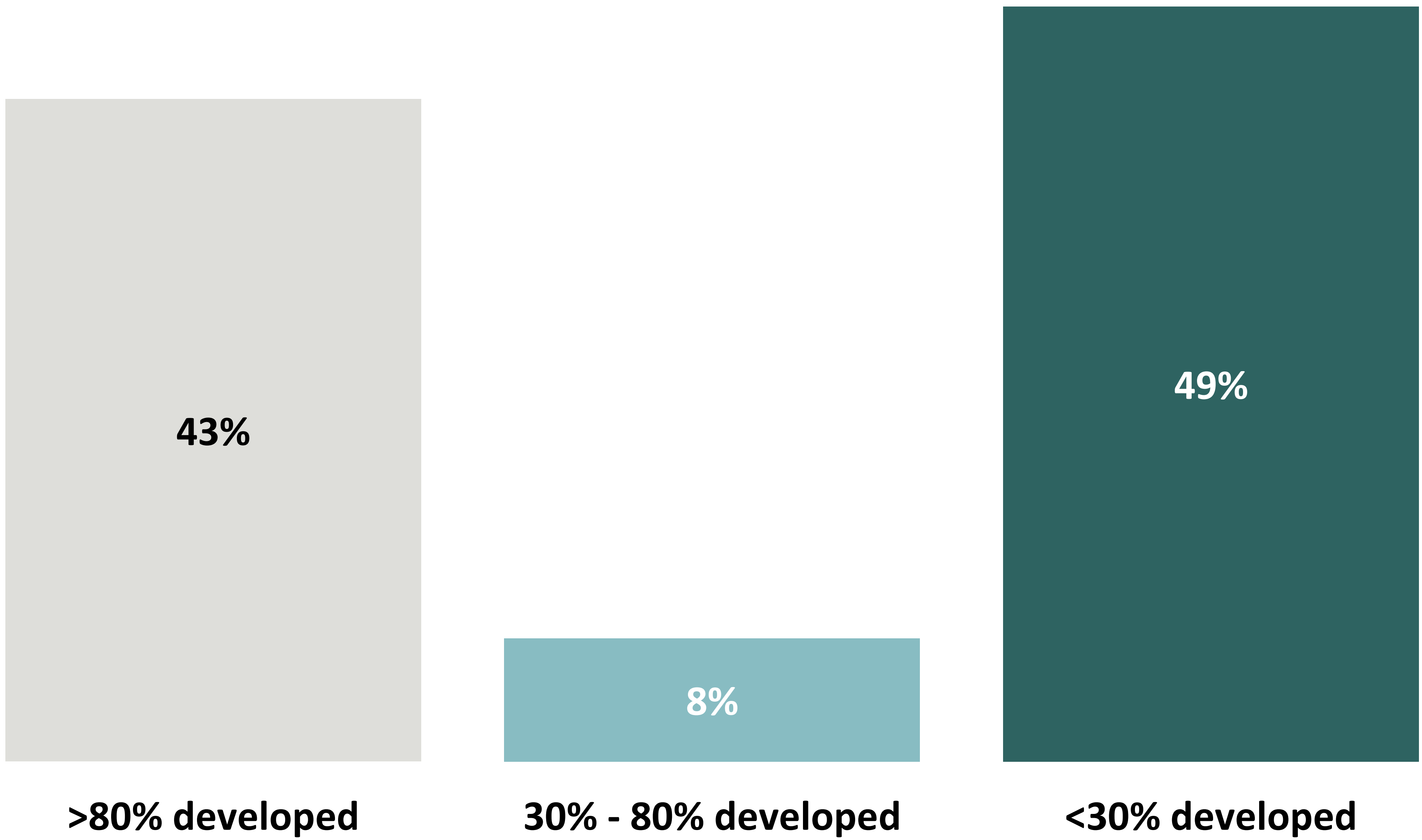
Consolidated Lots Controlled



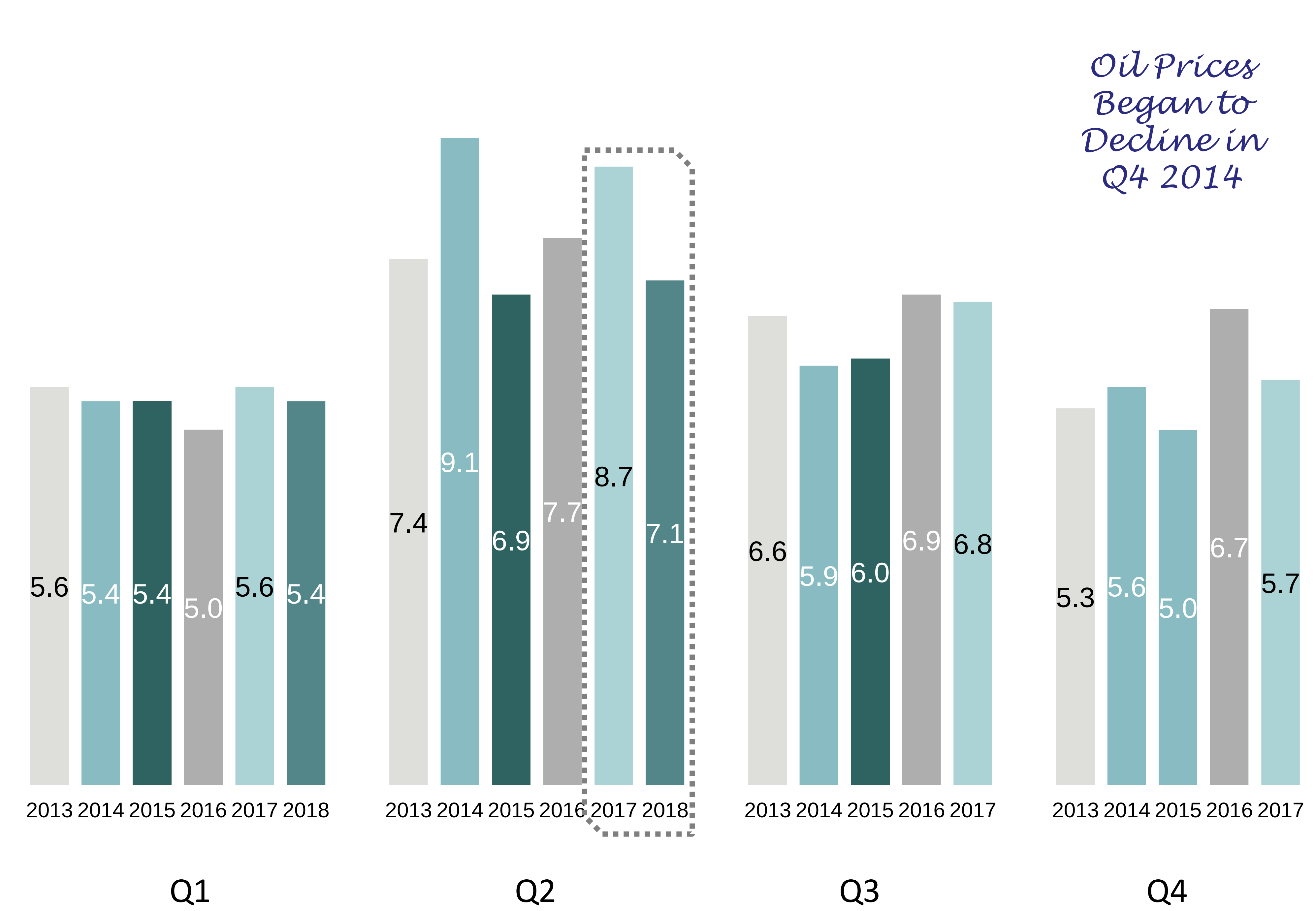
Owned Lots % Development Costs Spent

As of April 30, 2018



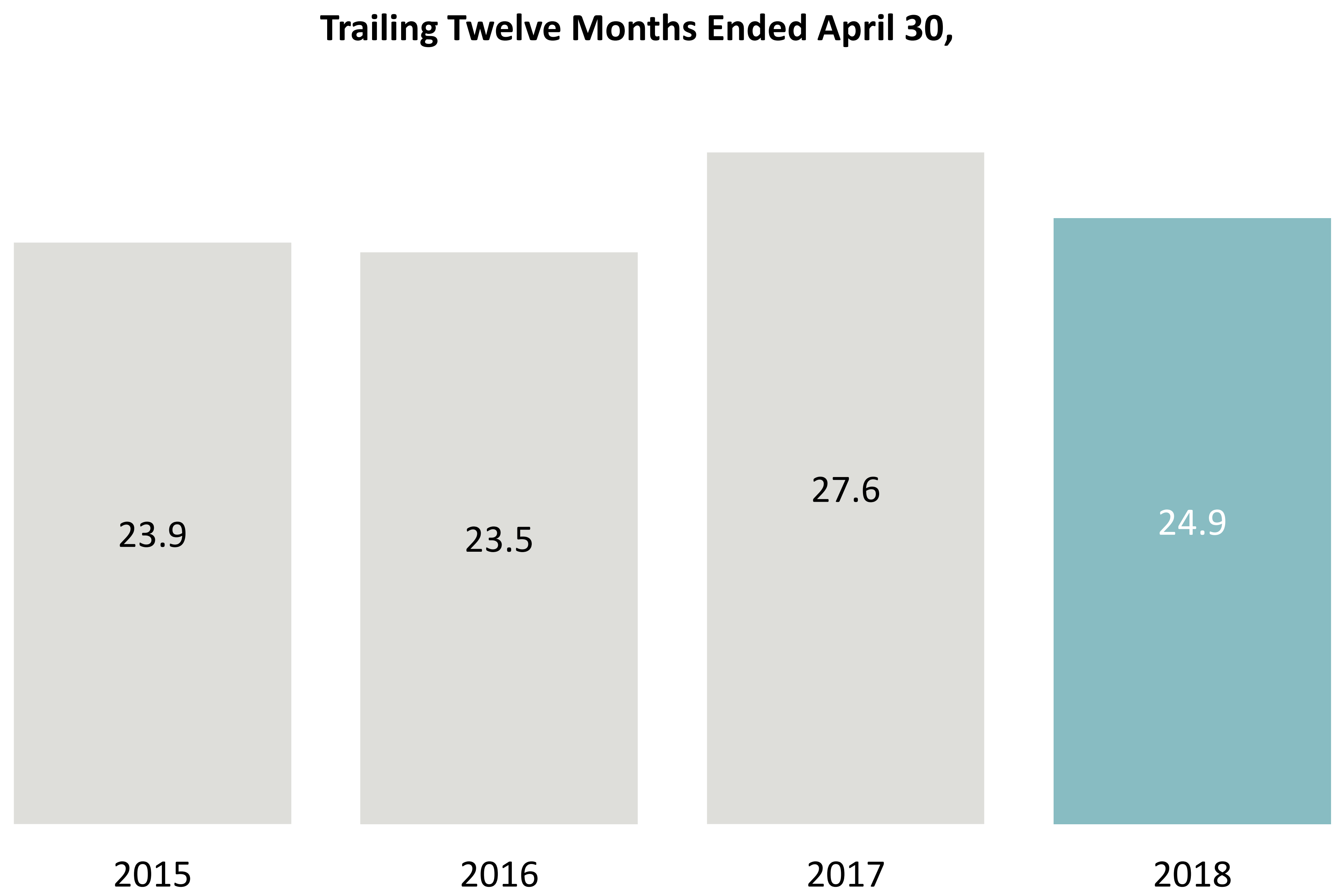
Note: Excluding joint ventures.

Houston Quarterly Contracts per Community



Hovnanian Enterprises, Inc.

Houston Contracts Per Community



Note: TTM contracts per community calculated based on a five quarter average of communities.

Hovnanian Enterprises, Inc.

Hovnanian Houston Operations

- Houston Exposure as of April 30, 2018

	Houston as a % of Company Total
TTM Home Sale Revenues	15%
Homebuilding Inventory	14%

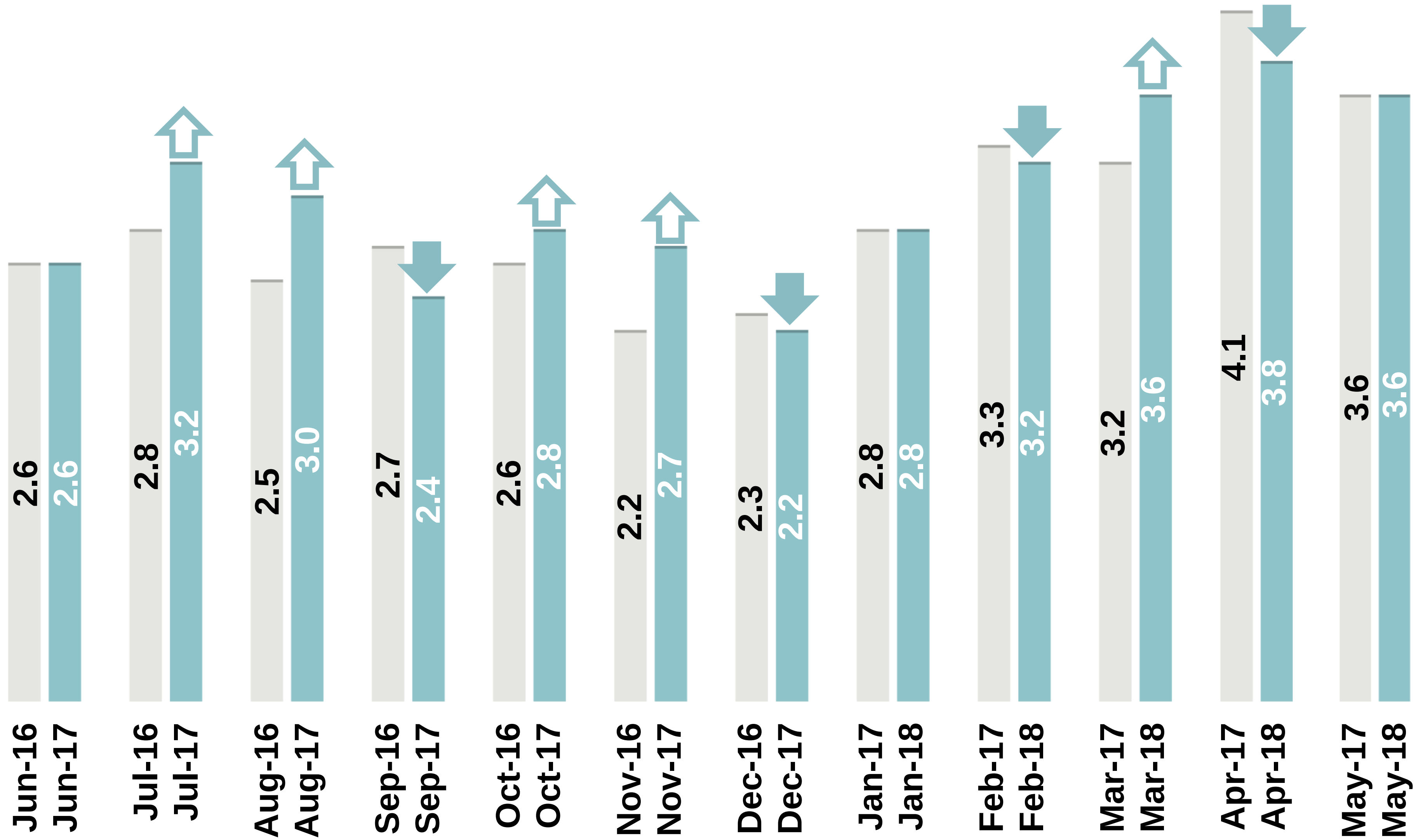
- Houston Lot Position as of April 30, 2018

		Months Supply	
	Houston # Lots	Houston	Company Average[1]
Owned Lots	1,348	15	24
Optioned Lots	1,606	18	36
Total Lots	2,954	33	60

- Option Deposit
  - Houston $3,000 per lot vs. Company Average $4,000 per lot

[1] *Excluding Houston and Mothballed lots*

Number of Monthly Contracts Per Community, Excludes Joint Ventures



Number of Sundays	4	4	5	5	4	4	4	4	5	5	4	4	4	5	5	4	4	4	4	4	5	5	4	4
	Jun-16	Jun-17	Jul-16	Jul-17	Aug-16	Aug-17	Sep-16	Sep-17	Oct-16	Oct-17	Nov-16	Nov-17	Dec-16	Dec-17	Jan-17	Jan-18	Feb-17	Feb-18	Mar-17	Mar-18	Apr-17	Apr-18	May-17	May-18
Monthly contracts	463	364	492	448	423	423	449	326	427	363	351	352	377	288	445	387	523	430	472	470	595	504	509	446

Note: Excludes joint ventures.

Hovnanian Enterprises, Inc.

Expanded Multi-Year Key Metric Targets

($ in Thousands)

	2013	2014	2015	2016	2017	TTM (as of 04/30/18)	Annual Key Metric Targets(1)
Total Consolidated Revenue	$1,851	$2,063	$2,149	$2,752	$2,452	$2,233	$2,650
Adjusted Homebuilding Gross Margin (2)	20.1%	19.9%	17.6%	16.9%	17.2%	17.7%	19.5%
Total SG&A Ratio	11.9%	12.4%	11.7%	9.2%	10.4%	11.6%	10.0%
Adjusted EBITDA (3)	$180	$176	$151	$231	$199	$174	$275
Adjusted Pretax Earnings (4)	$28	$27	$(10)	$39	$10	$(15)	$100
Average Inventory (5 Quarter) (5)	$833	$1,045	$1,300	$1,180	$949	$905	$1,250
Inventory Turnover (6)	1.7X	1.5X	1.3X	1.9X	2.1X	1.9X	1.7X

(1) Assumes no improvements or deteriorations from current market conditions. Approximate levels.
(2) Adjusted homebuilding gross margin percentage is before cost of sales interest expense and land charges. See appendix 41 for a reconciliation to the most directly comparable GAAP measure.
(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 loss (gain) on extinguishment of debt. See appendix 42 for a reconciliation to the most directly comparable GAAP measure.
(4) Adjusted Pretax Earnings excludes land-related charges, joint venture write-downs and loss (gain) on extinguishment of debt. See appendix 43 for a reconciliation to the most directly comparable GAAP measure.
(5) Five quarter average homebuilding inventory, excluding inventory not owned and capitalized interest. See appendix 38, 39 & 40 for a reconciliation to the most directly comparable GAAP measure.
(6) 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 38, 39 & 40 for a reconciliation to the most directly comparable GAAP measure.

Reconciliation of (Loss) Before Income Taxes Excluding Land-Related Charges, Joint Venture Write-Downs and Loss (Gain) on Extinguishment of Debt to (Loss) Before Income Taxes

Hovnanian Enterprises, Inc.
April 30, 2018
Reconciliation of (Loss) Before Income Taxes Excluding Land-Related Charges, Joint Venture Write-Downs and Loss (Gain) on Extinguishment of Debt to (Loss) Before Income Taxes

(Dollars in Thousands)

	Three Months Ended April 30,		Six Months Ended April 30,	
	2018	2017	2018	2017
	(Unaudited)		(Unaudited)	
(Loss) Before Income Taxes	$(9,578)	$(7,699)	$(40,049)	$(7,376)
Inventory Impairment Loss and Land Option Write-Offs	2,673	1,953	3,087	5,137
Unconsolidated Joint Venture Investment Write Downs	-	-	660	-
Loss (Gain) on Extinguishment of Debt	1,440	242	1,440	(7,404)
(Loss) Before Income Taxes Excluding Land-Related Charges, Joint Venture Write-Downs and Loss (Gain) on Extinguishment of Debt (a)	$(5,465)	$(5,504)	$(34,862)	$(9,643)

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

Reconciliation of Gross Margin

Hovnanian Enterprises, Inc.
April 30, 2018
Gross Margin
(Dollars in Thousands)

	Homebuilding Gross Margin Three Months Ended April 30,		Homebuilding Gross Margin Six Months Ended April 30,	
	2018	2017	2018	2017
	(Unaudited)		(Unaudited)	
Sale of Homes	$468,117	$567,553	$869,694	$1,098,968
Cost of Sales, Excluding Interest Expense (a)	385,302	473,980	714,829	913,897
Homebuilding Gross Margin, Before Cost of Sales Interest Expense and Land Charges (b)	82,815	93,573	154,865	185,071
Cost of Sales Interest Expense, Excluding Land Sales Interest Expense	15,309	20,313	27,601	36,887
Homebuilding Gross Margin, After Cost of Sales Interest Expense, Before Land Charges (b)	67,506	73,260	127,264	148,184
Land Charges	2,673	1,953	3,087	5,137
Homebuilding Gross Margin	$64,833	$71,307	$124,177	$143,047
Gross Margin Percentage	13.8%	12.6%	14.3%	13.0%
Gross Margin Percentage, Before Cost of Sales Interest Expense and Land Charges (b)	17.7%	16.5%	17.8%	16.8%
Gross Margin Percentage, After Cost of Sales Interest Expense, Before Land Charges (b)	14.4%	12.9%	14.6%	13.5%

	Land Sales Gross Margin Three Months Ended April 30,		Land Sales Gross Margin Six Months Ended April 30,	
	2018	2017	2018	2017
	(Unaudited)		(Unaudited)	
Land and Lot Sales	$20,505	$2,711	$20,505	$9,712
Cost of Sales, Excluding Interest and Land Charges (a)	7,710	1,460	7,710	6,570
Land and Lot Sales Gross Margin, Excluding Interest and Land Charges	12,795	1,251	12,795	3,142
Land and Lot Sales Interest	4,055	24	4,055	1,772
Land and Lot Sales Gross Margin, Including Interest and Excluding Land Charges	$8,740	$1,227	$8,740	$1,370

(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.						
April 30, 2018						
Reconciliation of Adjusted Homebuilding EBIT to Inventory						
(dollars in thousands)						
(Unaudited)						
		For the Three Months Ended				
	LTM(a)	4/30/2018	1/31/2018	10/31/2017	7/31/2017	
Homebuilding:						
Net (Loss) Income	$(366,000)	$(9,823)	$(30,809)	$11,841	$(337,209)	
Income Tax Benefit	288,083	245	338	464	287,036	
Interest Expense	189,132	45,452	41,423	59,327	42,930	
EBIT (b)	111,215	35,874	10,952	71,632	(7,243)	
Financial Services Revenue	(55,342)	(13,054)	(10,888)	(16,407)	(14,993)	
Financial Services Expense	35,270	8,798	8,341	9,264	8,867	
Homebuilding EBIT (b)	91,143	31,618	8,405	64,489	(13,369)	
Inventory Impairment Loss and Land Option Write-offs	15,763	2,673	414	8,479	4,197	
Other Operations	818	402	390	52	(26)	
Loss on Extinguishment of Debt	43,698	1,440	-	-	42,258	
Loss (Income) from Unconsolidated Joint Ventures	4,652	(1,343)	5,176	(3,062)	3,881	
Adjusted Homebuilding EBIT (b)	$156,074	$34,790	$14,385	$69,958	$36,941	
		As of				
		4/30/2018	1/31/2018	10/31/2017	7/31/2017	4/30/2017
Total Inventories		$1,040,045	$1,053,514	$1,009,827	$1,188,849	$1,209,212
Consolidated Inventory Not Owned		78,907	93,875	124,784	138,529	154,620
Capitalized Interest		65,355	70,793	71,051	87,119	90,960
	Five Quarter Average					
Inventories less Consolidated Inventory Not Owned and Capitalized Interest	$905,091	$895,783	$888,846	$813,992	$963,201	$963,632
Adjusted Homebuilding EBIT to Inventory	17.244%					

(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.

Hovnanian Enterprises, Inc.

Reconciliation of Inventory Turnover

Calculation of Inventory Turnover[1]

(Dollars In Thousands)		For the Quarter Ended				Annual Key Metric Target
		2	3	4	5	
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				TTM Ended
		7/31/2017	10/31/2017	1/31/2018	4/30/2018	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 Inventory Turnover

Calculation of Inventory Turnover[1]

						Year
		For the Quarter Ended				Ended
(Dollars In Thousands)		1/31/2017	4/30/2017	7/31/2017	10/31/2017	10/31/2017
Cost of Sales, Excluding Interest		$445,027	$475,440	$478,886	$562,451	$1,961,804
		As of				
	10/31/2016	1/31/2017	4/30/2017	7/31/2017	10/31/2017	
Total Inventories	$1,283,084	$1,293,426	$1,209,212	$1,188,849	$1,009,827	Five
Consolidated Inventory Not Owned	208,701	171,572	154,620	138,529	124,784	Quarter
Capitalized Interest	96,688	94,438	90,960	87,119	71,051	Average
Inventories less Consolidated Inventory Not Owned and Capitalized Interest	$977,695	$1,027,416	$963,632	$963,201	$813,992	$949,187
Inventory Turnover						2.1x

Calculation of Inventory Turnover[1]

						Year
		For the Quarter Ended				Ended
(Dollars In Thousands)		1/31/2016	4/30/2016	7/31/2016	10/31/2016	10/31/2016
Cost of Sales, Excluding Interest		$464,146	$536,050	$583,783	$646,478	$2,230,457
		As of				
	10/31/2015	1/31/2016	4/30/2016	7/31/2016	10/31/2016	
Total Inventories	$1,644,578	$1,651,986	$1,676,136	$1,466,754	$1,283,084	Five
Consolidated Inventory Not Owned	122,225	338,067	312,841	280,728	208,701	Quarter
Capitalized Interest	123,898	117,113	115,809	104,544	96,688	Average
Inventories less Consolidated Inventory Not Owned and Capitalized Interest	$1,398,455	$1,196,806	$1,247,486	$1,081,482	$977,695	$1,180,385
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 Inventory Turnover

Calculation of Inventory Turnover[(1)]

(Dollars In Thousands)		For the Quarter Ended 1/31/2015	4/30/2015	7/31/2015	10/31/2015	Year Ended 10/31/2015
Cost of Sales, Excluding Interest		$354,812	$382,139	$432,625	$552,462	$1,722,038
	As of 10/31/2014	1/31/2015	4/30/2015	7/31/2015	10/31/2015	
Total Inventories	$1,344,310	$1,481,976	$1,538,757	$1,612,489	$1,644,578	Five
Consolidated Inventory Not Owned	108,853	90,098	100,806	109,355	122,225	Quarter
Capitalized Interest	109,158	114,241	119,901	122,941	123,898	Average
Inventories less Consolidated Inventory Not Owned and Capitalized Interest	$1,126,299	$1,277,637	$1,318,050	$1,380,193	$1,398,455	$1,300,127
Inventory Turnover						1.3x

Calculation of Inventory Turnover[(1)]

(Dollars In Thousands)		For the Quarter Ended 1/31/2014	4/30/2014	7/31/2014	10/31/2014	Year Ended 10/31/2014
Cost of Sales, Excluding Interest		$288,887	$350,433	$424,145	$551,734	$1,615,199
	As of 10/31/2013	1/31/2014	4/30/2014	7/31/2014	10/31/2014	
Total Inventories	$1,078,764	$1,209,934	$1,295,656	$1,376,157	$1,344,310	Five
Consolidated Inventory Not Owned	100,863	98,596	107,964	126,232	108,853	Quarter
Capitalized Interest	105,093	107,089	107,992	108,757	109,158	Average
Inventories less Consolidated Inventory Not Owned and Capitalized Interest	$872,808	$1,004,249	$1,079,700	$1,141,168	$1,126,299	$1,044,845
Inventory Turnover						1.5x

Calculation of Inventory Turnover[(1)]

(Dollars In Thousands)		For the Quarter Ended 1/31/2013	4/30/2013	7/31/2013	10/31/2013	Year Ended 10/31/2013
Cost of Sales, Excluding Interest		$288,755	$333,143	$370,464	$449,682	$1,442,044
	As of 10/31/2012	1/31/2013	4/30/2013	7/31/2013	10/31/2013	
Total Inventories	$981,466	$1,005,888	$1,035,307	$1,118,008	$1,078,764	Five
Consolidated Inventory Not Owned	90,619	90,894	106,121	109,665	100,863	Quarter
Capitalized Interest	116,056	114,429	112,488	109,977	105,093	Average
Inventories less Consolidated Inventory Not Owned and Capitalized Interest	$774,791	$800,565	$816,698	$898,366	$872,808	$832,646
Inventory Turnover						1.7x

(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

($ in thousands)	Annual Key Metric Target	TTM	Year Ended 10/31/2017	10/31/2016	10/31/2015	10/31/2014	10/31/2013
Sale of homes	$2,570,000	$2,110,759	$2,340,033	$2,600,790	$2,088,129	$2,013,013	$1,784,327
Cost of Sales, excluding interest expense	2,070,000	1,738,048	1,937,116	2,162,284	1,721,336	1,612,122	1,426,032
Homebuilding gross margin, before cost of sales interest expense and land charges	500,000	372,711	402,917	438,506	366,793	400,891	358,295
Cost of sales interest expense, excluding land sales interest expense	100,000	67,616	76,902	86,593	59,574	53,101	51,939
Homebuilding gross margin, after cost of sales interest expense, before land charges	400,000	305,095	326,015	351,913	307,219	347,790	306,356
Land charges	10,000	15,763	17,813	33,353	12,044	5,224	4,965
Homebuilding gross margin, after cost of sales interest expense and land charges	$390,000	$289,332	$308,202	$318,560	$295,175	$342,566	$301,391
Homebuilding gross margin percentage, before cost of sales interest expense and land charges	19.5%	17.7%	17.2%	16.9%	17.6%	19.9%	20.1%
Homebuilding gross margin percentage, after cost of sales interest expense, before land charges	15.6%	14.5%	13.9%	13.5%	14.7%	17.3%	17.2%
Homebuilding gross margin, after cost of sales interest expense and land charges	15.2%	13.7%	13.2%	12.2%	14.1%	17.0%	16.9%

Reconciliation of Adjusted EBITDA

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

			Years Ended October 31,				
(Dollars In Thousands)	Annual Key Metric Target	TTM	2017	2016	2015	2014	2013
Net (Loss) Income	$67,500	$(366,000)	$(332,193)	$(2,819)	$(16,100)	$307,144	$31,295
Income Tax Provision (Benefit)	22,500	288,083	286,949	5,255	(5,665)	(286,964)	(9,360)
Interest Expense	171,000	189,132	185,840	183,358	151,448	141,344	143,574
EBIT	261,000	111,215	140,596	185,794	129,683	161,524	165,509
Inventory Impairment Loss and Land Option Write-offs	10,000	15,763	17,813	33,353	12,044	5,224	4,965
Loss on Extinguishment of Debt	–	43,698	34,854	3,200	–	1,155	760
Adjusted EBIT	$271,000	$170,676	$193,263	$222,347	$141,727	$167,903	$171,234
EBIT	$261,000	$111,215	$140,596	$185,794	$129,683	$161,524	$165,509
Depreciation	2,000	3,675	4,249	3,565	3,388	3,417	4,712
Amortization of Debt Costs	2,000	–	1,632	5,261	5,459	4,392	3,659
EBITDA	265,000	114,890	146,477	194,620	138,530	169,333	173,880
Inventory Impairment Loss and Land Option Write-offs	10,000	15,763	17,813	33,353	12,044	5,224	4,965
Loss on Extinguishment of Debt	–	43,698	34,854	3,200	–	1,155	760
Adjusted EBITDA	$275,000	$174,351	$199,144	$231,173	$150,574	$175,712	$179,605

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:

			Years Ended October 31,				
(Dollars In Thousands)	Annual Key Metric Target	TTM	2017	2016	2015	2014	2013
Income (Loss) Before Income Taxes	$90,000	$(77,917)	$(45,244)	$2,436	$(21,765)	$20,180	$21,935
Inventory Impairment Loss and Land Option Write-Offs	10,000	15,763	17,813	33,353	12,044	5,224	4,965
Unconsolidated Joint Venture Investment Write-Downs	–	3,423	2,763	–	–	–	–
Loss on Extinguishment of Debt	–	43,698	34,854	3,200	–	1,155	760
Income (Loss) Before Income Taxes Excluding Land-Related Charges, Joint Venture Write-Downs and Loss on Extinguishment of Debt	$100,000	$(15,033)	$10,186	$38,989	$(9,721)	$26,559	$27,660

Hovnanian Enterprises®, Inc.