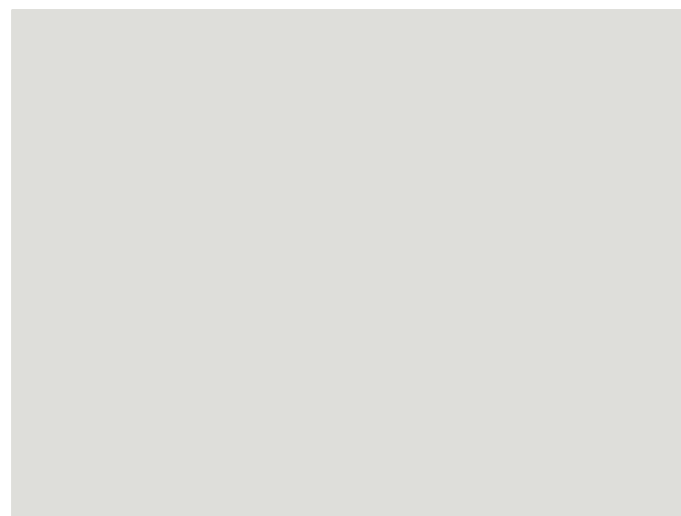


Hovnanian Enterprises, Inc.

Review of Financial Results | Third Quarter Fiscal 2020



Note: All statements in this presentation that are not historical facts should be considered as “Forward-Looking Statements” within the meaning of the “Safe Harbor” provisions of the Private Securities Litigation Reform Act of 1995. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such forward-looking statements include but are not limited to statements related to the Company’s goals and expectations with respect to its financial results for future financial periods. Although we believe that our plans, intentions and expectations reflected in, or suggested by, such forward-looking statements are reasonable, we can give no assurance that such plans, intentions or expectations will be achieved. By their nature, forward-looking statements: (i) speak only as of the date they are made, (ii) are not guarantees of future performance or results and (iii) are subject to risks, uncertainties and assumptions that are difficult to predict or quantify. Therefore, actual results could differ materially and adversely from those forward-looking statements as a result of a variety of factors. Such risks, uncertainties and other factors include, but are not limited to, (1) the material and adverse disruption, and the expected continued disruption, to our business caused by the present outbreak and worldwide spread of COVID-19 and the measures that international, federal, state and local 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) high leverage and restrictions on the Company’s operations and activities imposed by the agreements governing the Company’s outstanding indebtedness; (5) availability and terms of financing to the Company; (6) the Company’s sources of liquidity; (7) changes in credit ratings; (8) the seasonality of the Company’s business; (9) the availability and cost of suitable land and improved lots and sufficient liquidity to invest in such land and lots; (10) shortages in, and price fluctuations of, raw materials and labor including due to changes in trade policies, such as the imposition of tariffs and duties on homebuilding materials and products, and related trade disputes with and retaliatory measures taken by other countries; (11) reliance on, and the performance of, subcontractors; (12) 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; (13) increases in cancellations of agreements of sale; (14) fluctuations in interest rates and the availability of mortgage financing; (15) changes in tax laws affecting the after-tax costs of owning a home; (16) operations through unconsolidated joint ventures with third parties; (17) government regulation, including regulations concerning development of land, the homebuilding, sales and customer financing processes, tax laws and the environment; (18) legal claims brought against us and not resolved in our favor, such as product liability litigation, warranty claims and claims made by mortgage investors; (19) levels of competition; (20) successful identification and integration of acquisitions; (21) significant influence of the Company’s controlling stockholders; (22) availability of net operating loss carryforwards; (23) utility shortages and outages or rate fluctuations; (24) geopolitical risks, terrorist acts and other acts of war; (25) diseases, pandemics or other severe public health events; (26) loss of key management personnel or failure to attract qualified personnel; (27) information technology failures and data security breaches; (28) negative publicity; and (29) certain risks, uncertainties and other factors described in detail in the Company’s Annual Report on Form 10-K for the fiscal year ended October 31, 2019 and the Company’s Quarterly Reports on Form 10-Q for the quarterly periods during fiscal 2020 and subsequent filings with the Securities and Exchange Commission. Except as otherwise required by applicable securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason.

NON-GAAP FINANCIAL MEASURES:

Consolidated earnings before interest expense and income taxes (“EBIT”) and before depreciation and amortization (“EBITDA”) and before inventory impairment loss and land option write-offs and gain on extinguishment of debt (“Adjusted EBITDA”) are not U.S. generally accepted accounting principles (GAAP) financial measures. The most directly comparable GAAP financial measure is net 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 earnings release.

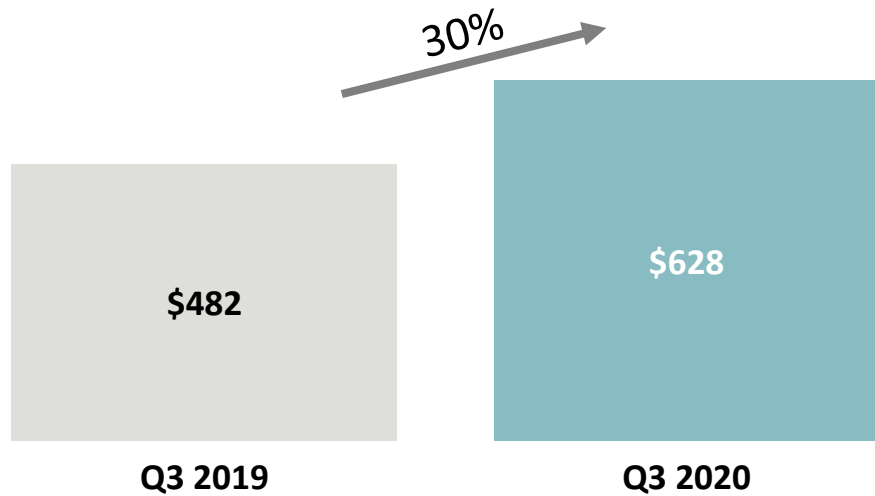
Homebuilding gross margin, before cost of sales interest expense and land charges, and homebuilding gross margin percentage, before cost of sales interest expense and land charges, are non-GAAP financial measures. The most directly comparable GAAP financial measures are homebuilding gross margin and homebuilding gross margin percentage, respectively. The reconciliation for historical periods of homebuilding gross margin, before cost of sales interest expense and land charges, and homebuilding gross margin percentage, before cost of sales interest expense and land charges, to homebuilding gross margin and homebuilding gross margin percentage, respectively, is presented in a table attached to this earnings release.

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

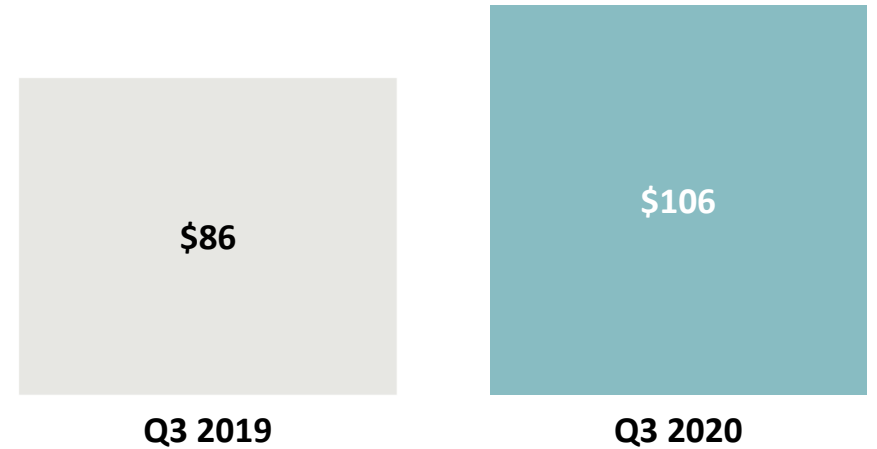
Total liquidity is comprised of \$198.1 million of cash and cash equivalents, \$11.2 million of restricted cash required to collateralize letters of credit and \$125.0 million availability under the senior secured revolving credit facility as of July 31, 2020.

(\$ in millions)

Total Revenues

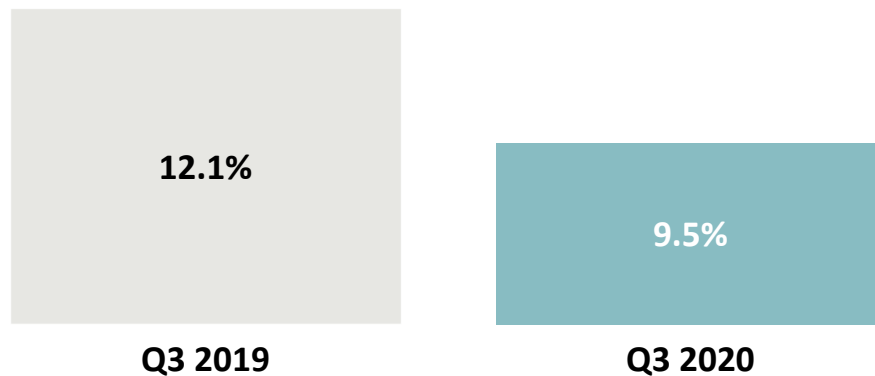


Adjusted Homebuilding Gross Margin Dollars ⁽¹⁾

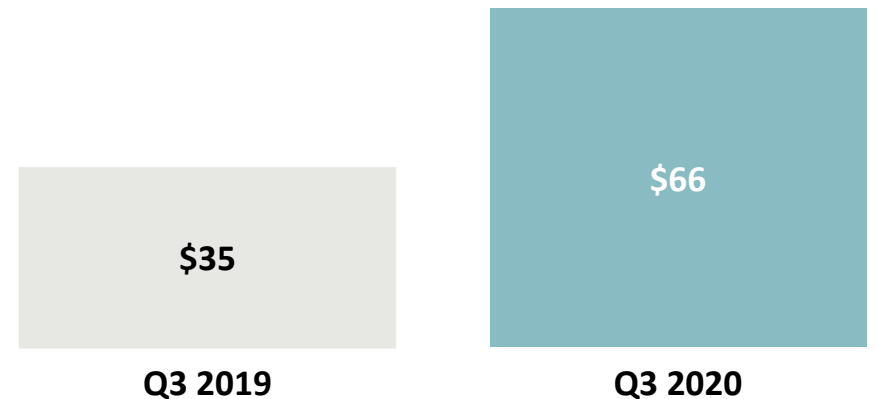


Gross Margin %	Q3 2019	Q3 2020
	18.4%	17.5%

Total SG&A Ratio ⁽²⁾



EBITDA ⁽³⁾



Total SG&A Dollars	Q3 2019	Q3 2020
	\$59	\$60

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

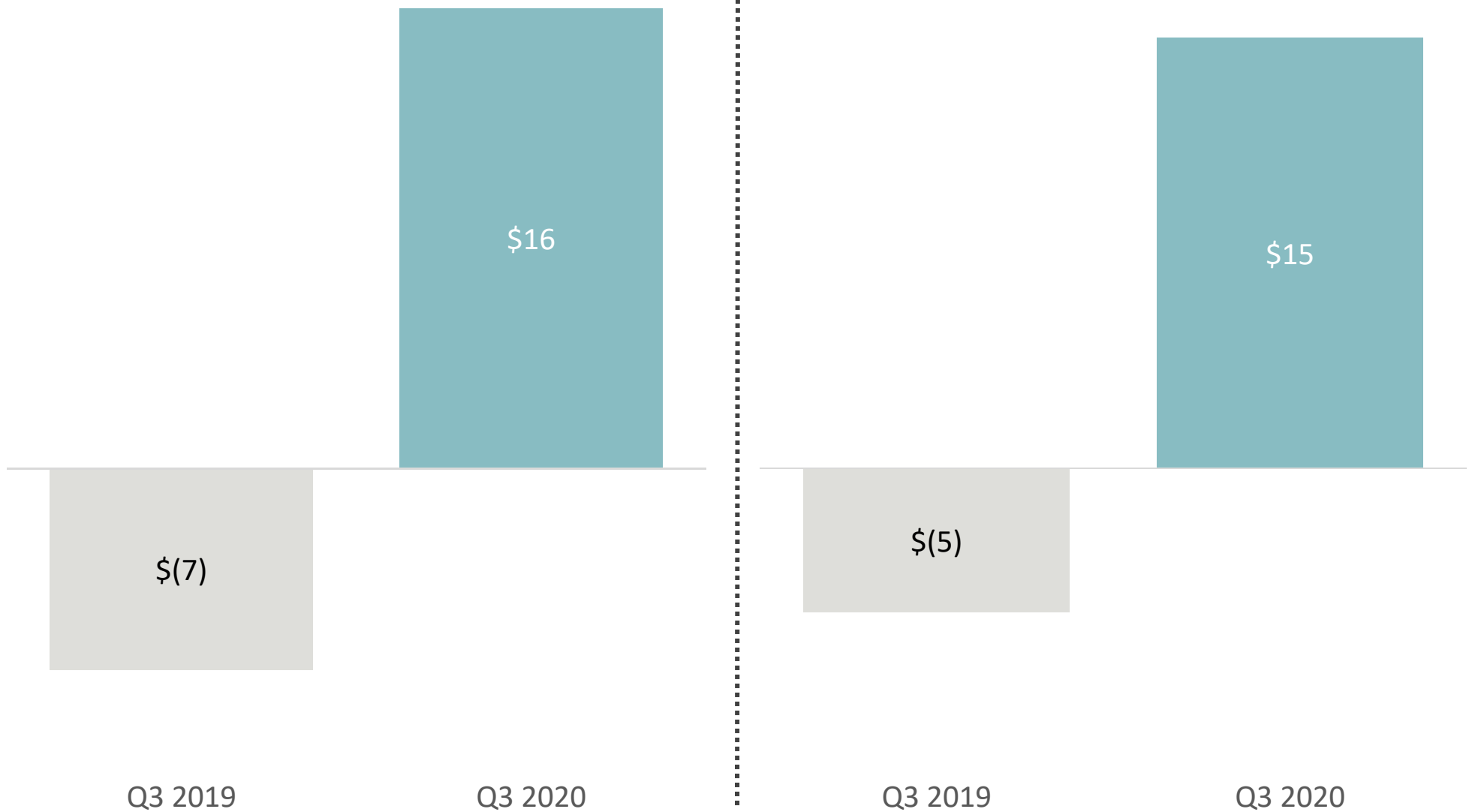
(2) Total SG&A includes homebuilding selling, general and administrative costs and corporate general and administrative costs.

(3) 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.

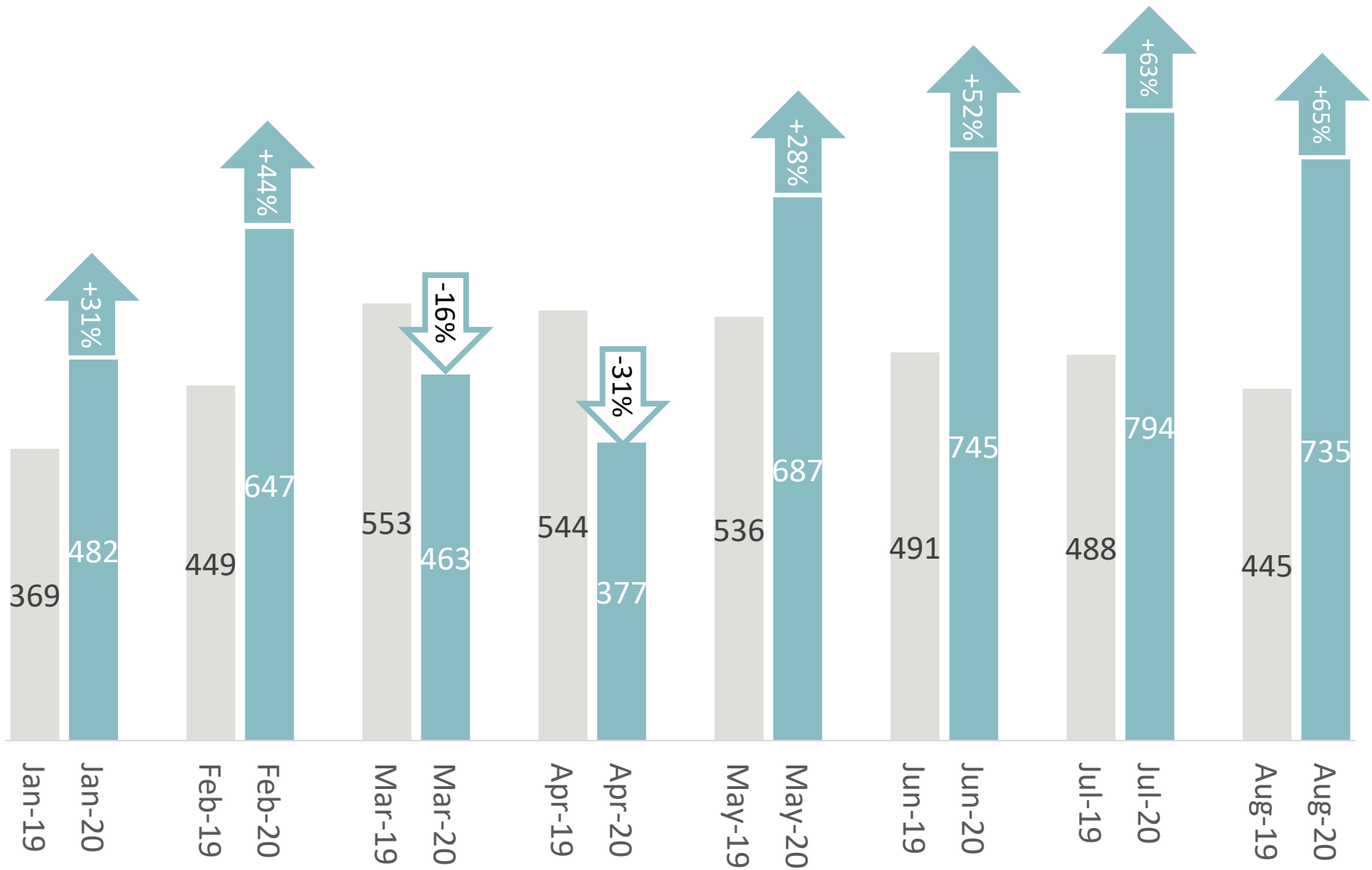
(\$ in millions)

Pretax Income (Loss)

Adjusted Pretax Income (Loss)

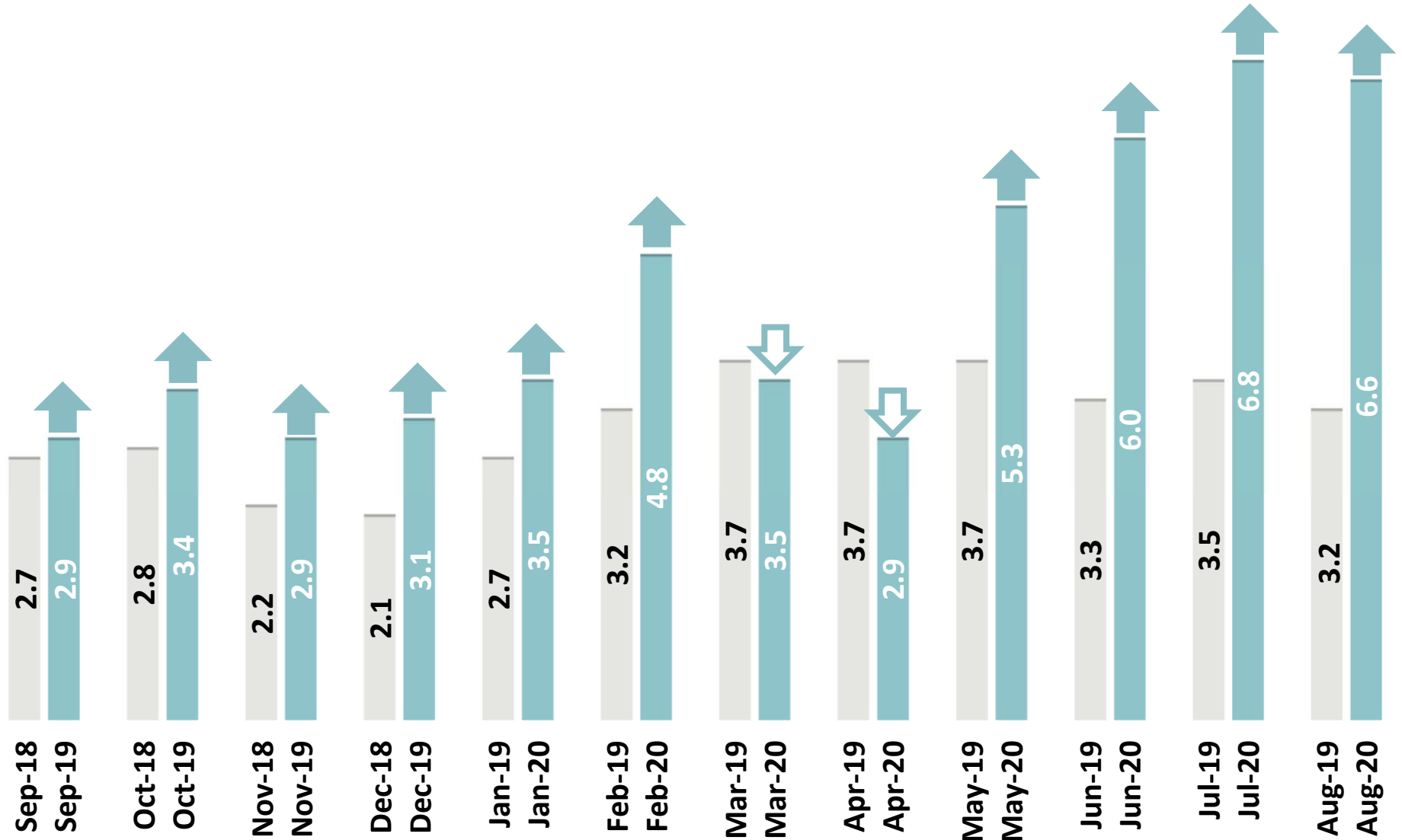


Note: Adjusted Income (Loss) Before Income Taxes excludes land-related charges, joint venture write-downs and gain on extinguishment of debt. See appendix for a reconciliation to the most directly comparable GAAP measure.



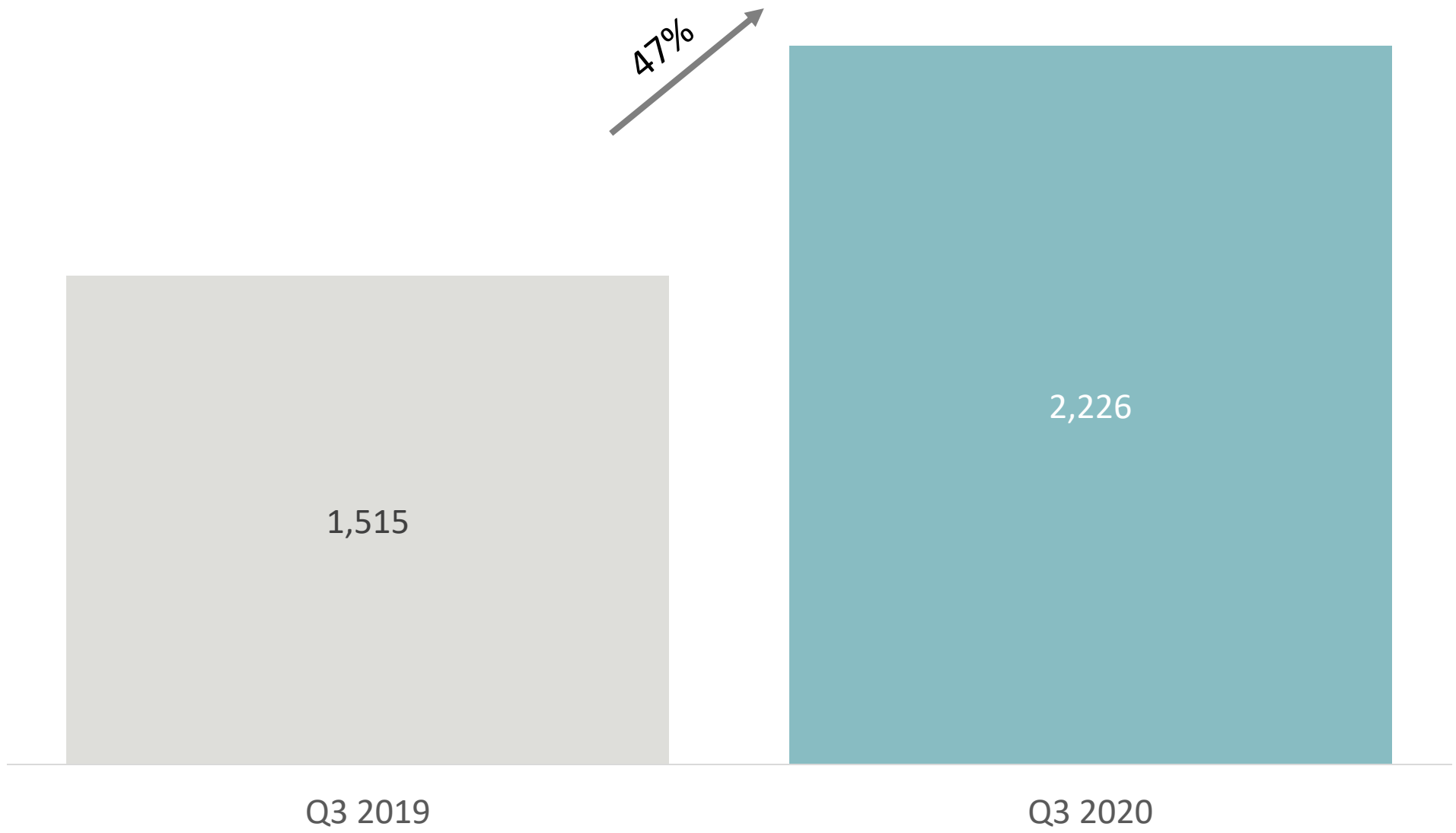
Note: Excludes unconsolidated joint ventures.

Number of Monthly Contracts Per Community, Excludes Unconsolidated Joint Ventures

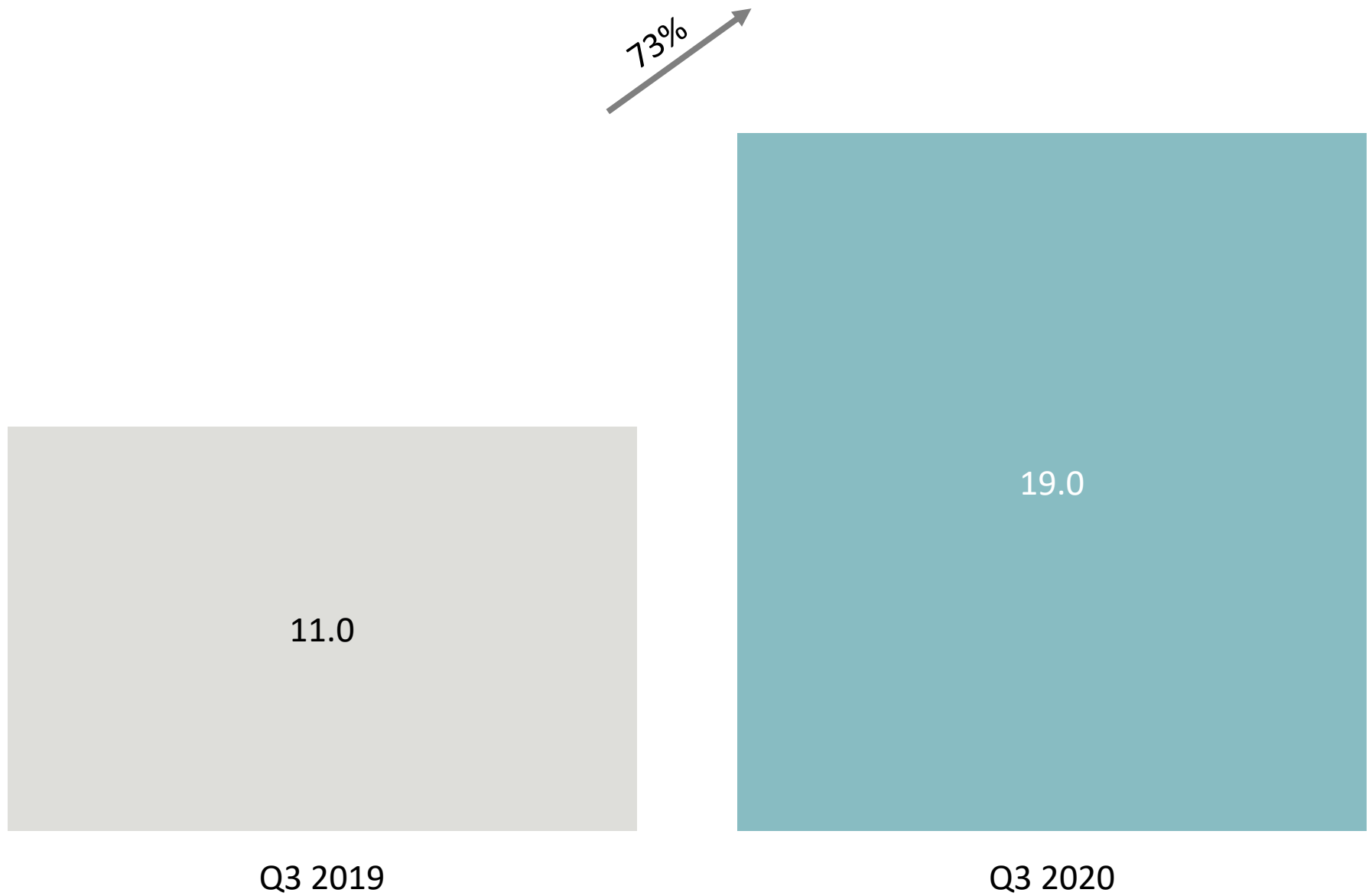


Number of Sundays	5	5	4	4	4	4	5	5	4	4	4	4	5	5	4	4	5	5	4	4	4	4	4	5
	Sep-18	Sep-19	Oct-18	Oct-19	Nov-18	Nov-19	Dec-18	Dec-19	Jan-19	Jan-20	Feb-19	Feb-20	Mar-19	Mar-20	Apr-19	Apr-20	May-19	May-20	Jun-19	Jun-20	Jul-19	Jul-20	Aug-19	Aug-20
Monthly contracts	333	416	348	484	285	404	280	436	369	482	449	647	553	463	544	377	536	687	491	745	488	794	445	735

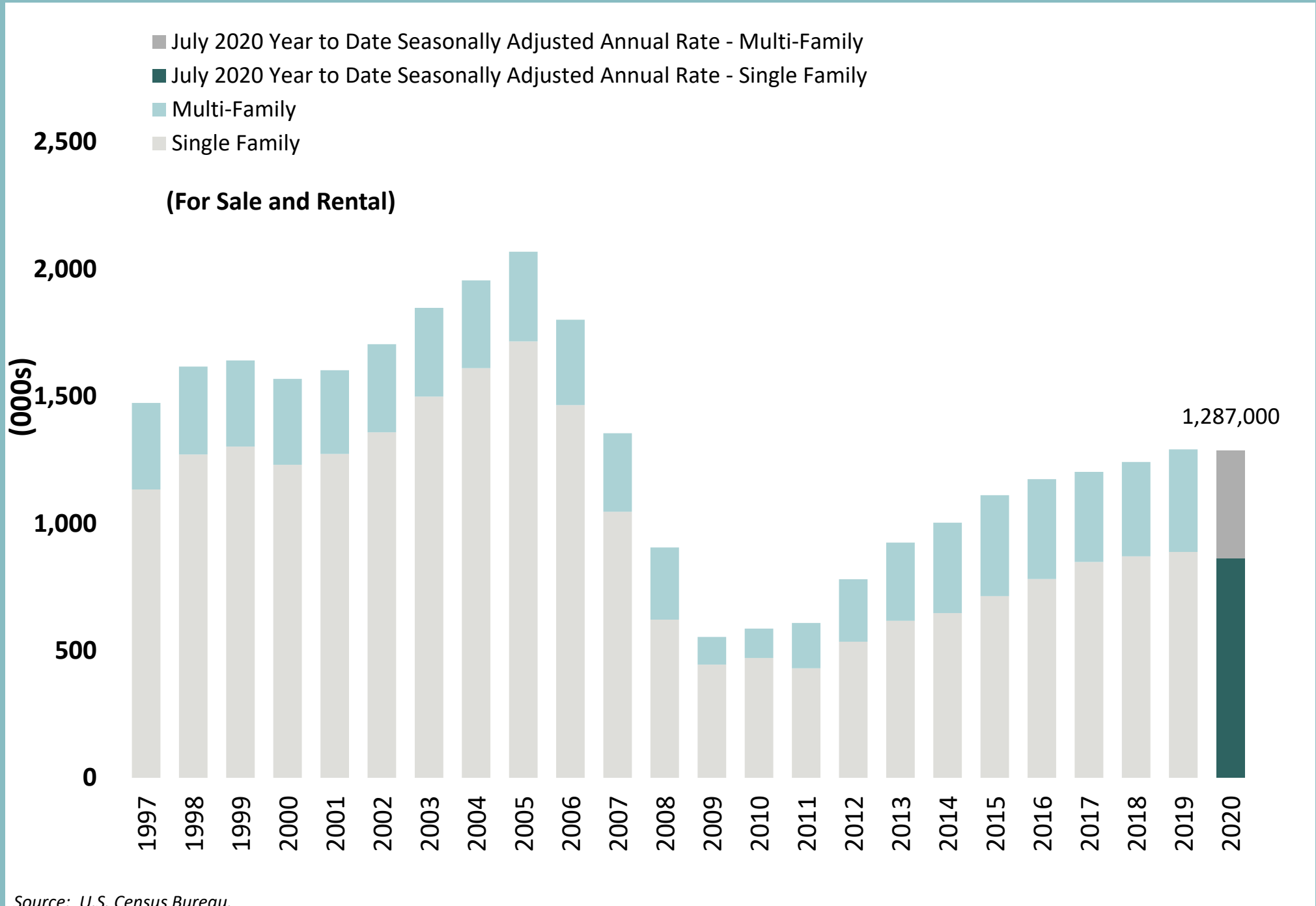
Note: Excludes unconsolidated joint ventures.



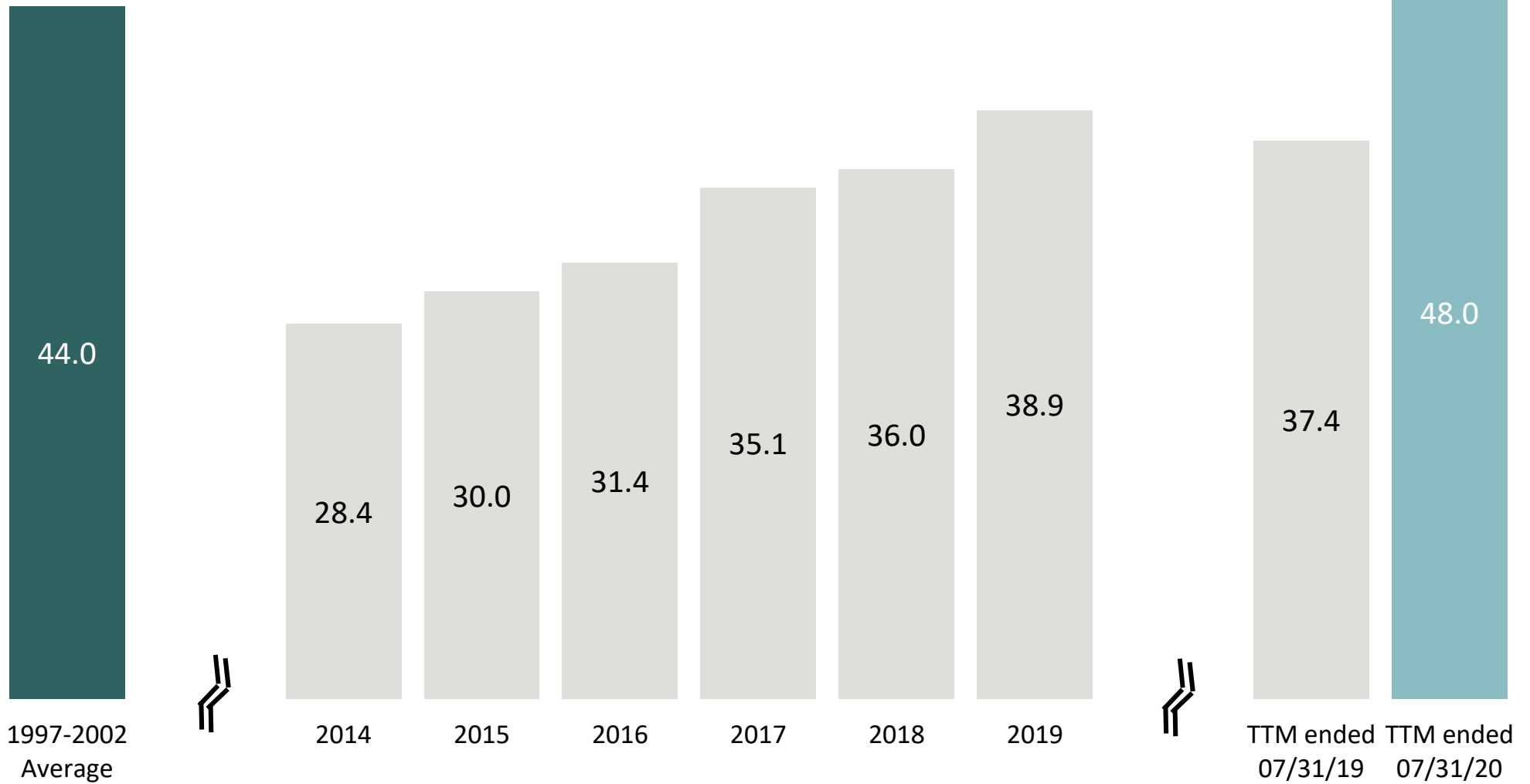
Note: Excludes unconsolidated joint ventures.



Note: Excludes unconsolidated joint ventures.

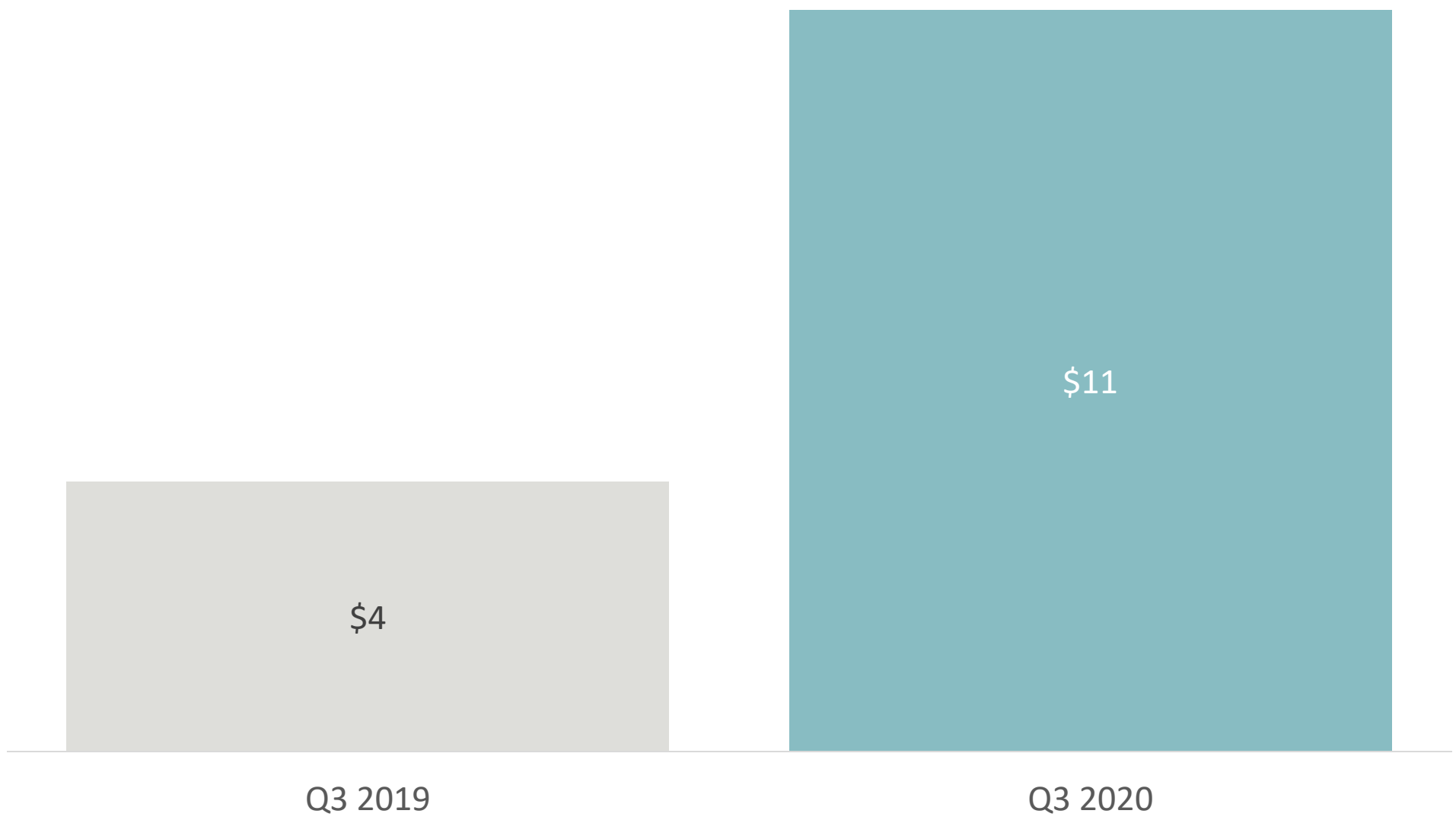


Source: U.S. Census Bureau.



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

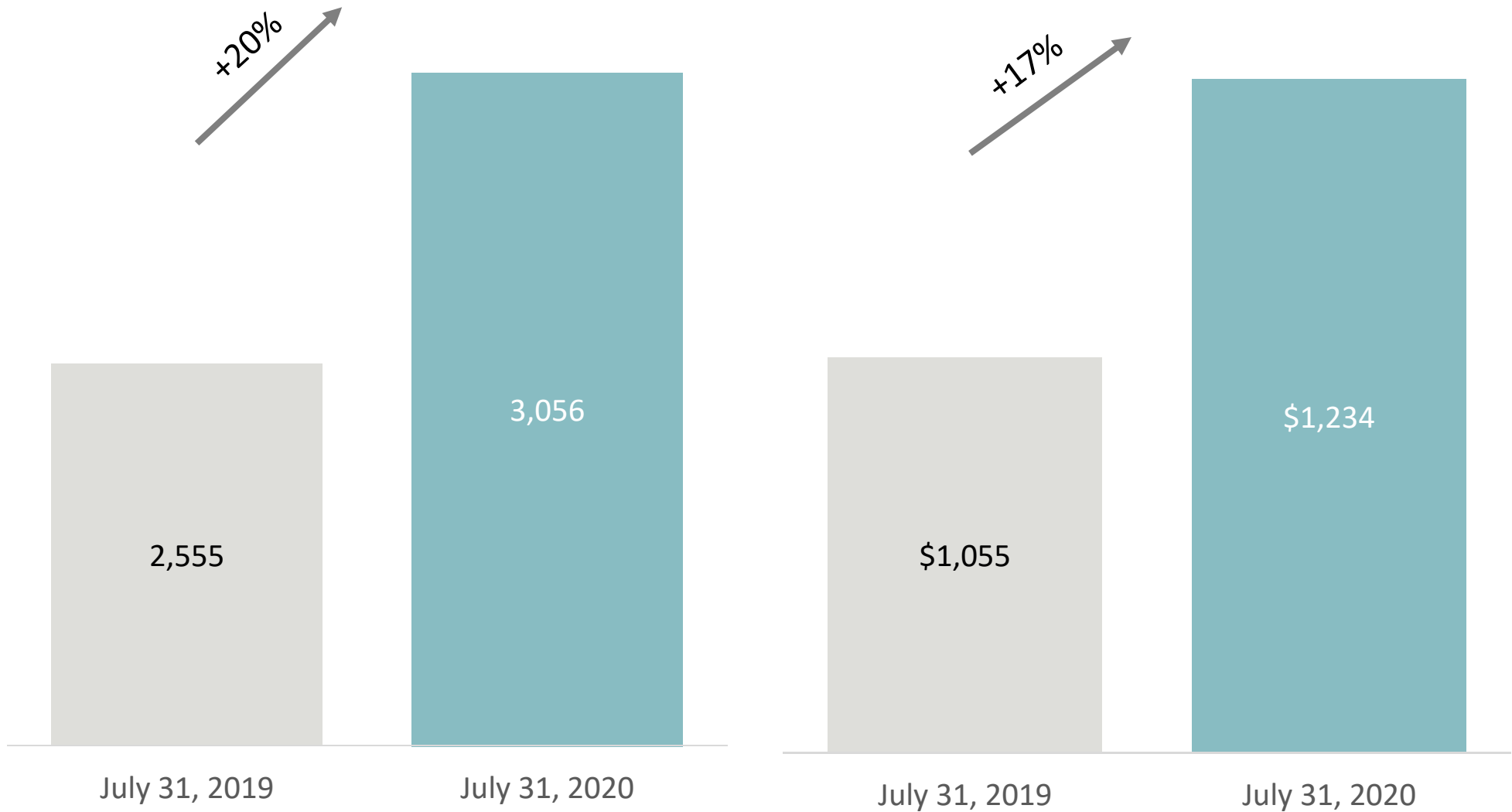
(\$ in millions)



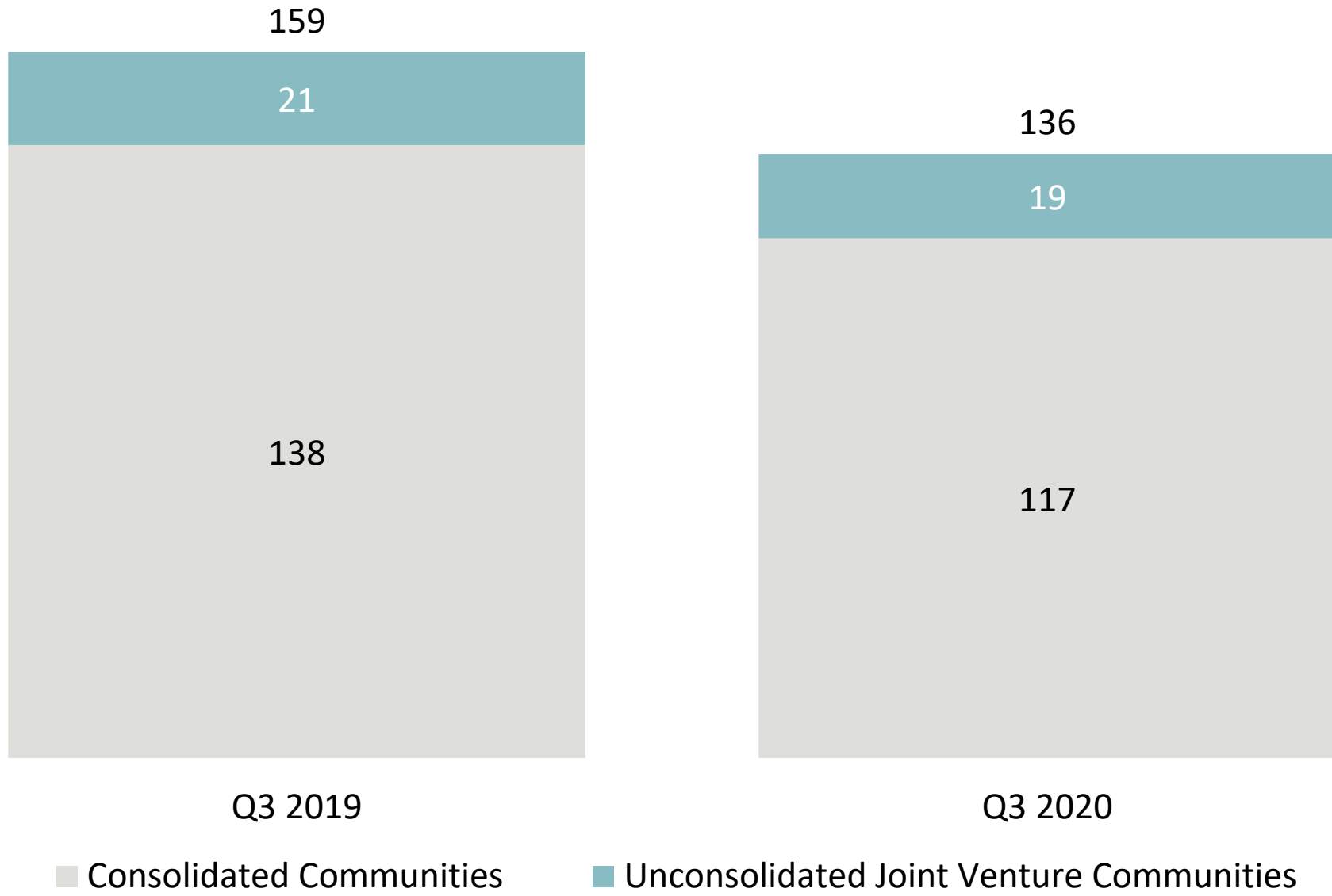
(\$ in millions)

Homes

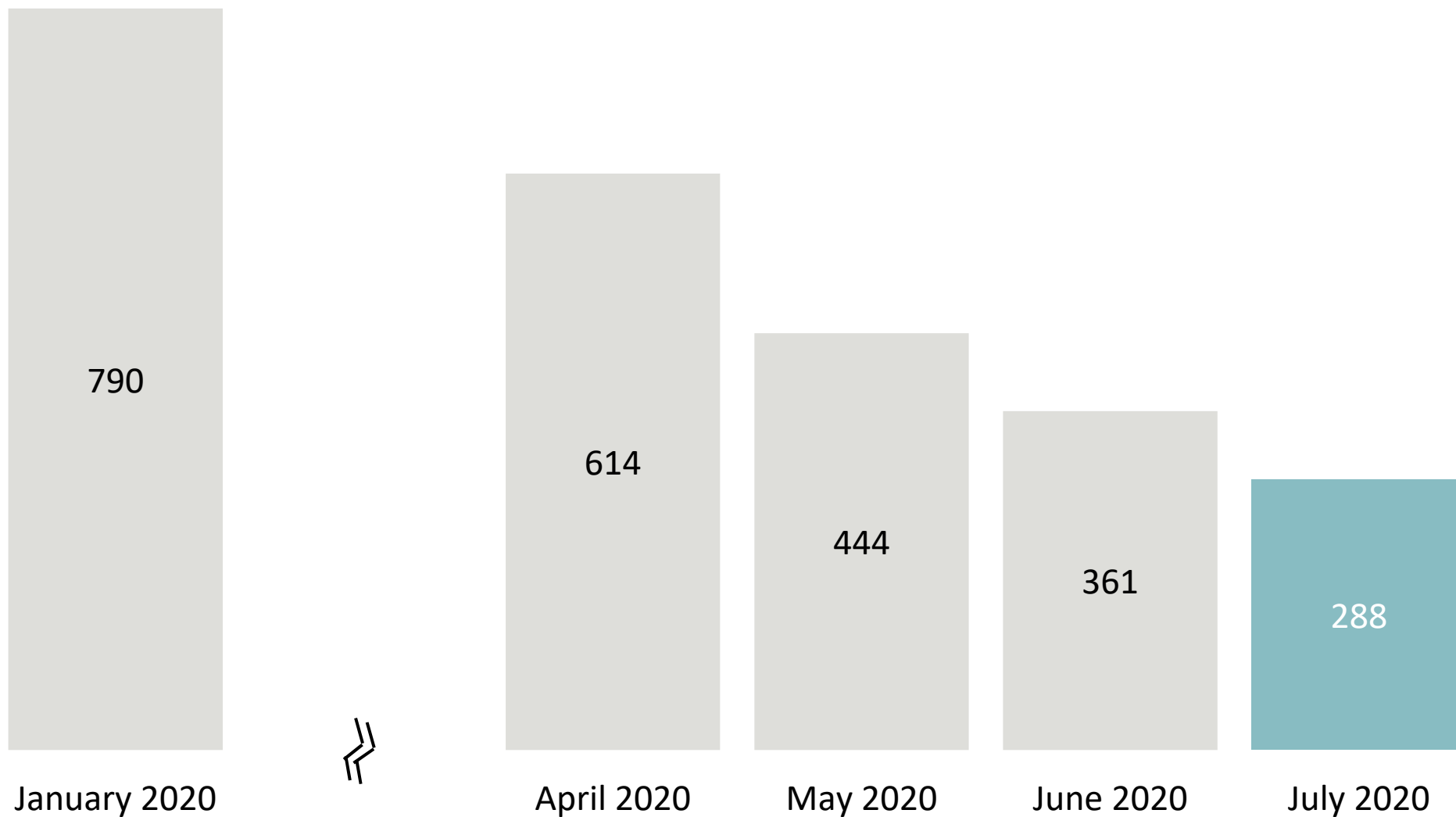
Dollars



Note: Excludes unconsolidated joint ventures.

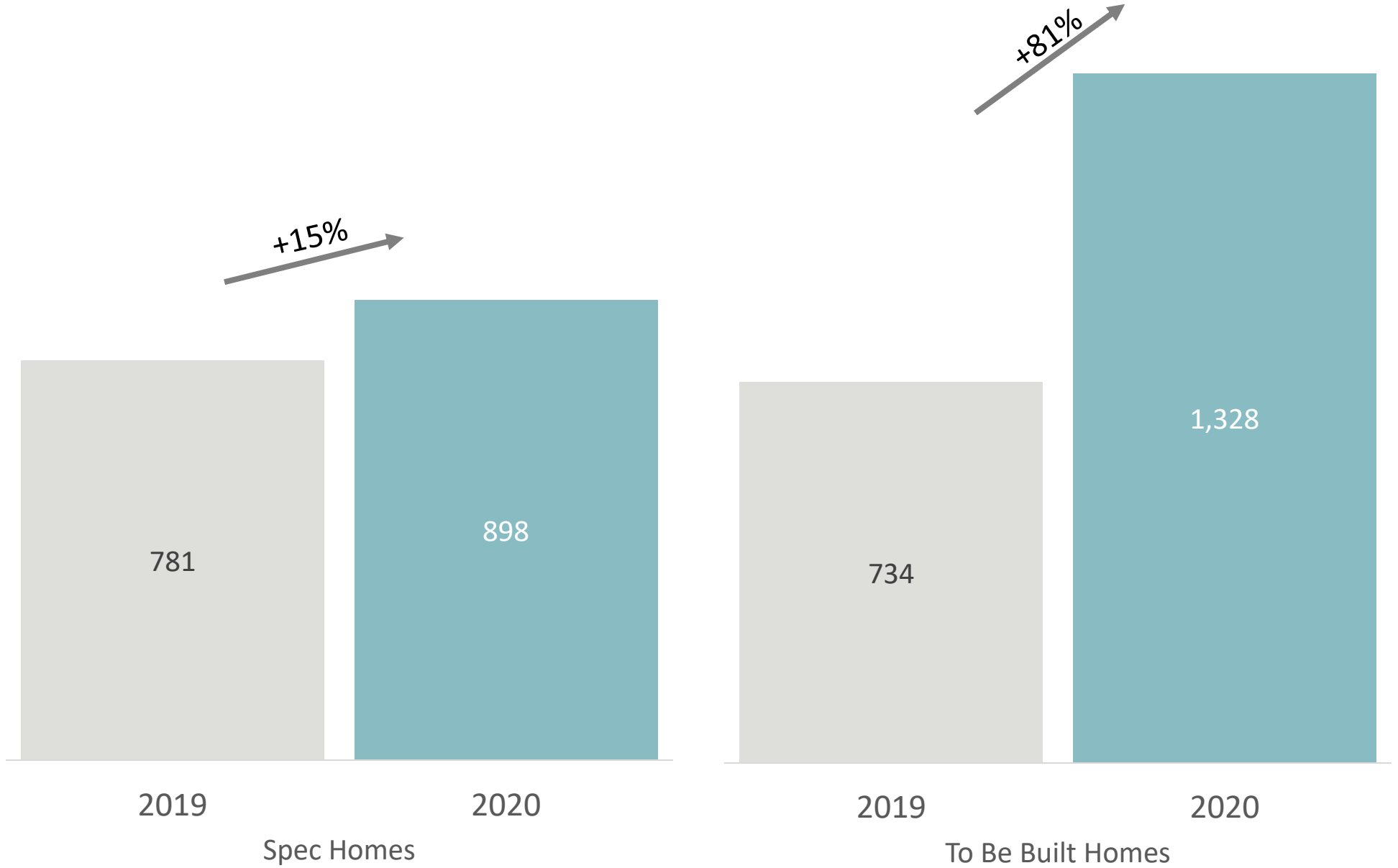


*Note: Communities are open for sale communities with 10 or more home sites available.
Note: Excludes our single community unconsolidated joint venture in the Kingdom of Saudi Arabia.*



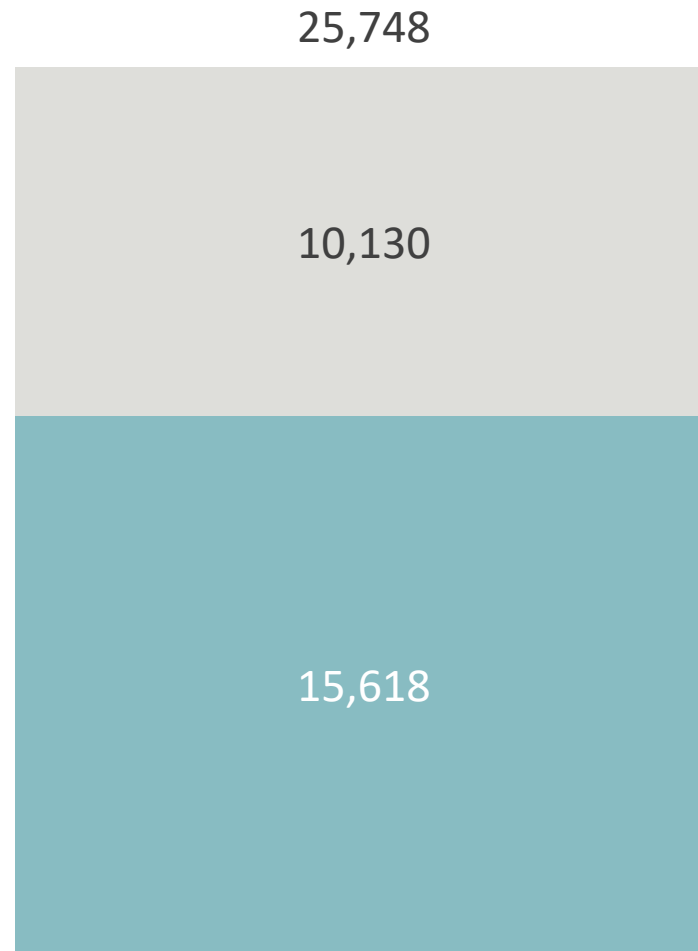
Note: Excludes unconsolidated joint ventures.

Year-Over-Year Change in Q3 Contracts



Note: Estimated based on the assumption that the cancellation rates are equivalent for spec homes and to be built homes.

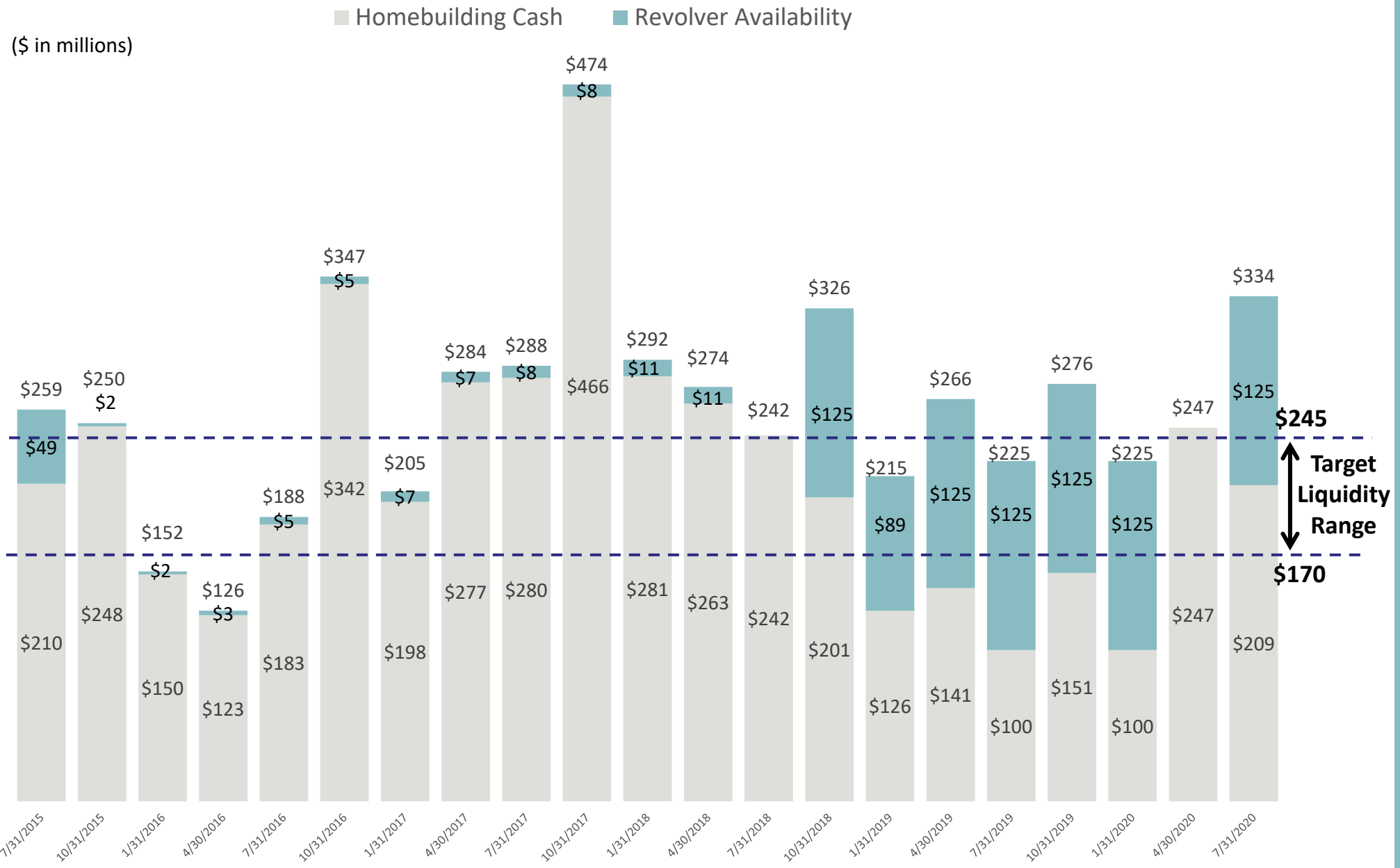
4.4 Years
Supply



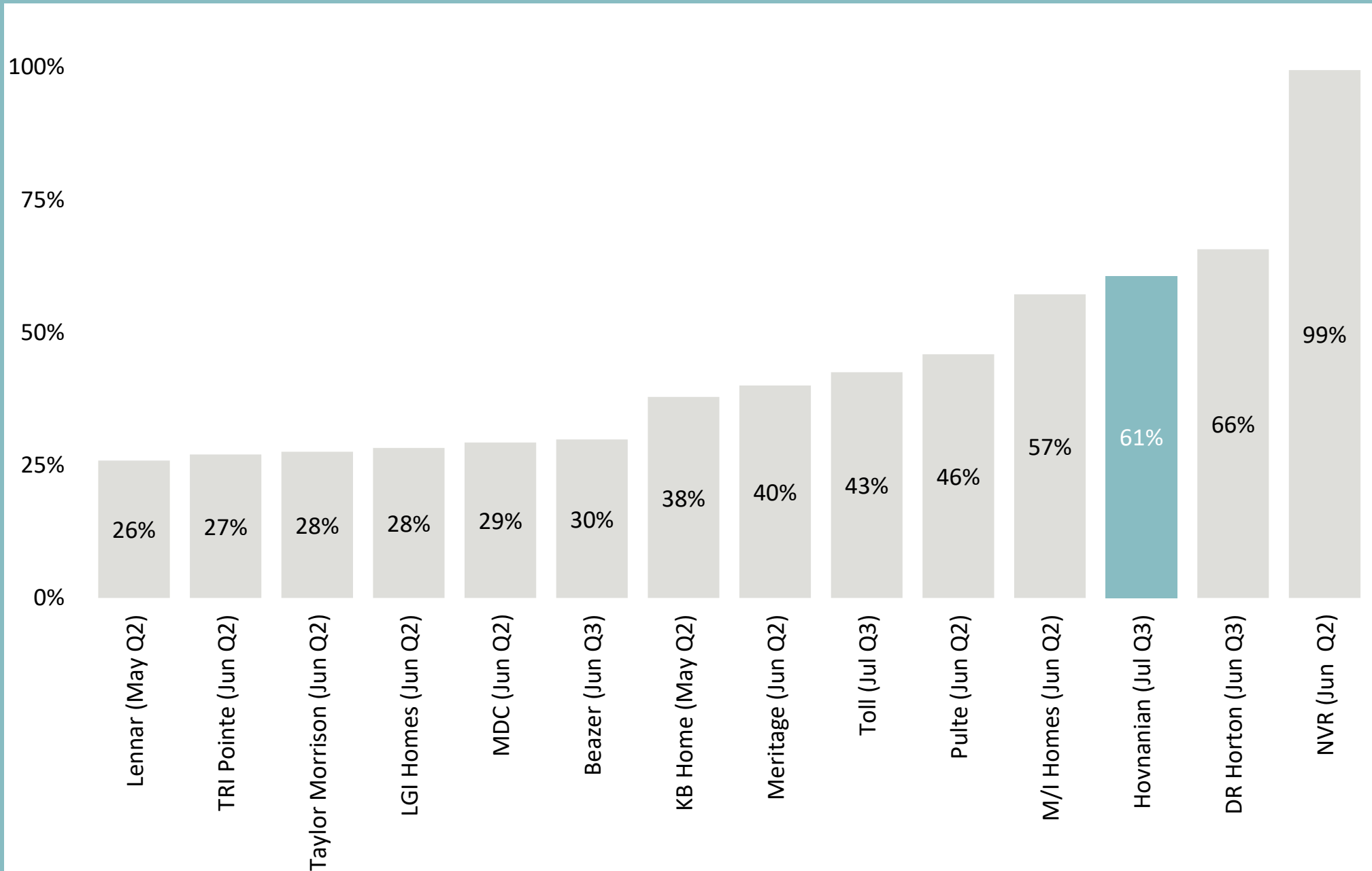
July 31, 2020

■ Optioned ■ Owned

Note: Excludes unconsolidated joint ventures.



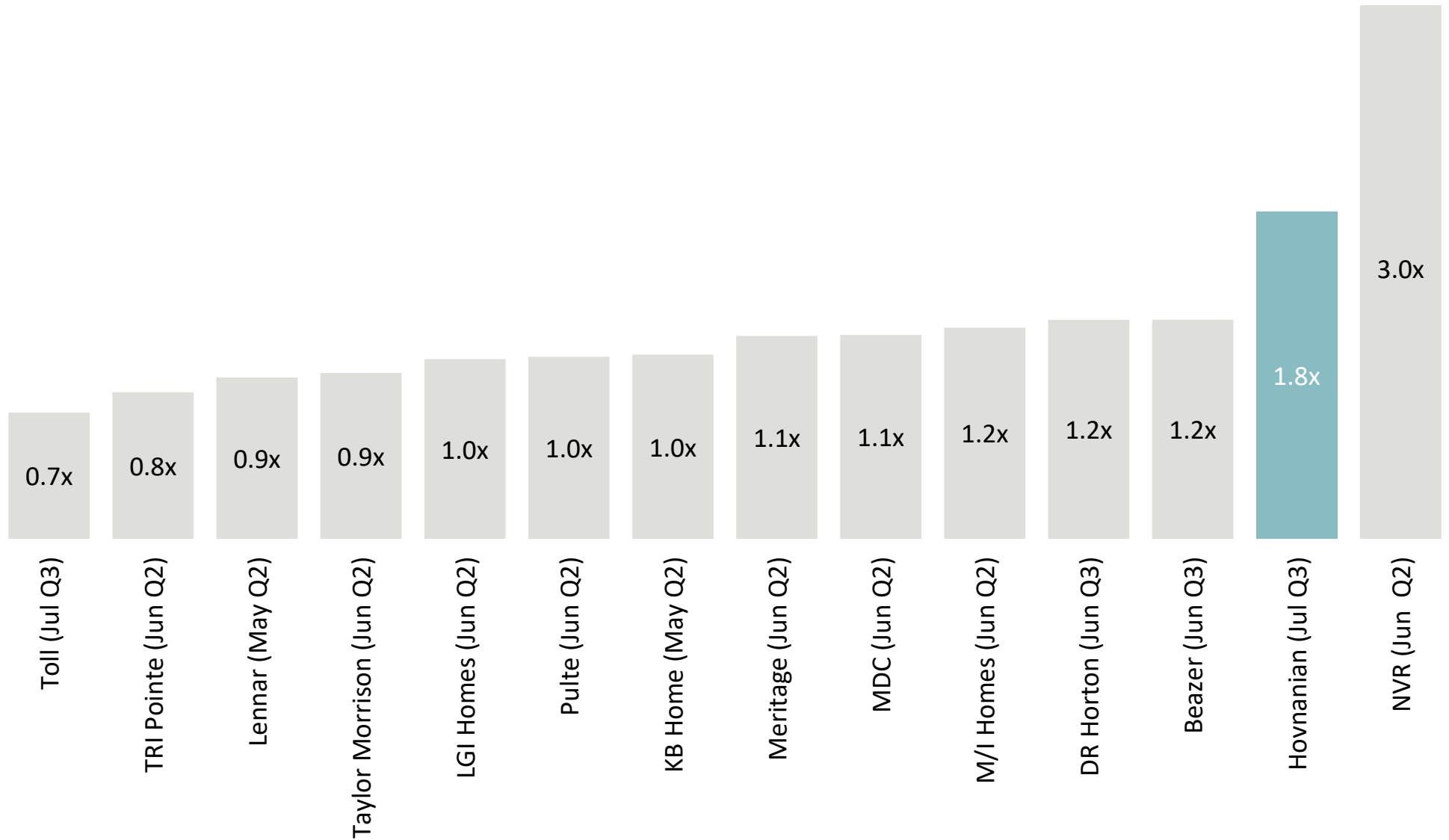
Note: Liquidity position includes homebuilding cash and cash equivalents (which includes unrestricted cash and restricted cash to collateralize a performance bond and letters of credit) and revolving credit facility availability.



Source: Company SEC filings and press releases as of 09/03/20.

Note: Excludes unconsolidated joint ventures.

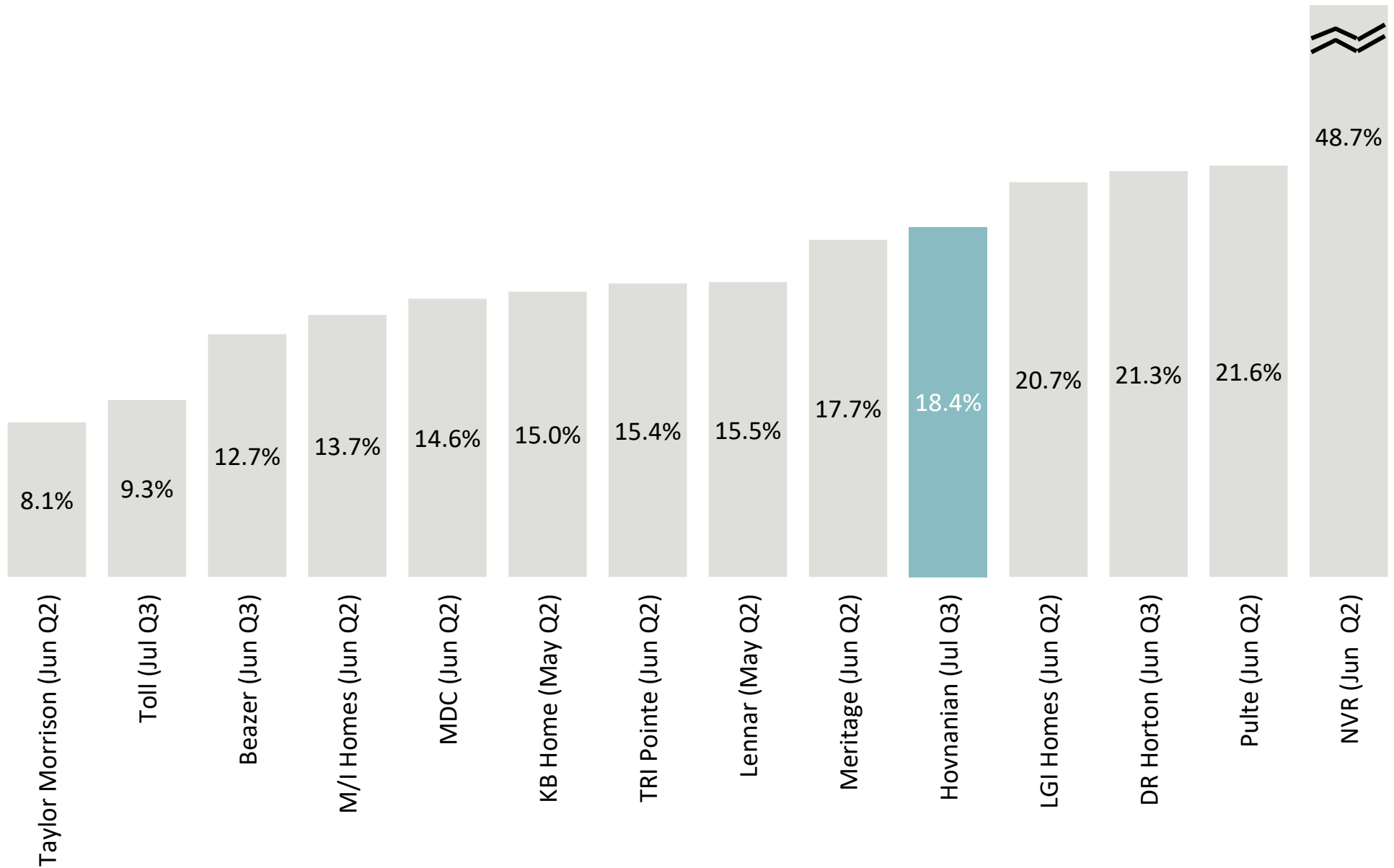
Inventory Turns (COGS), Last Twelve Months



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

Source: Company SEC filings and press releases as of 09/03/20.

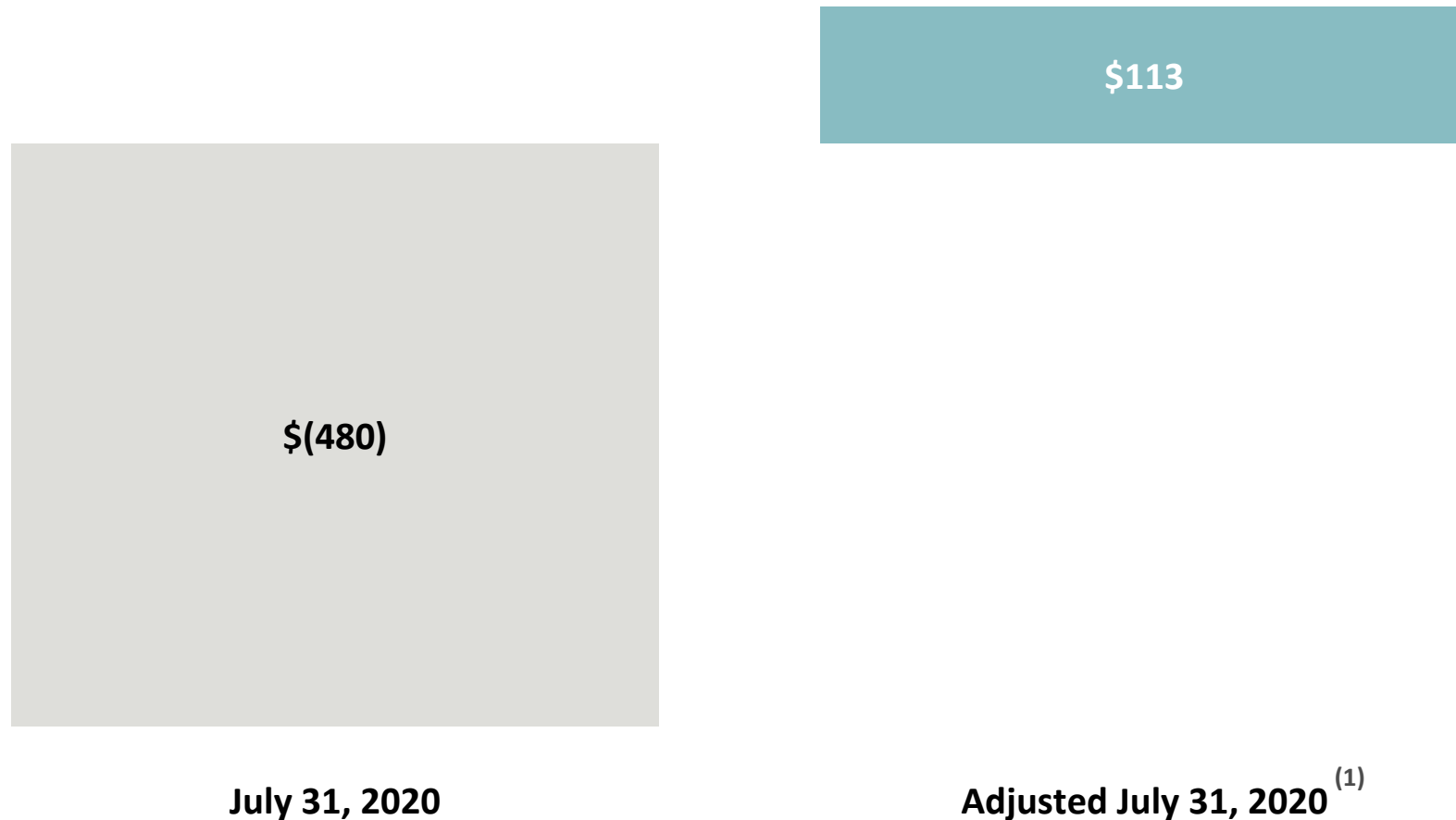
Adjusted Homebuilding EBIT to Inventory, Last Twelve Months



Note: Defined as LTM Homebuilding EBIT before land-related charges divided by five quarter average inventory, excluding capitalized interest and inventory not owned.
Source: Company SEC filings and press releases as of 09/03/20. See appendix for a reconciliation to the most directly comparable GAAP measure.

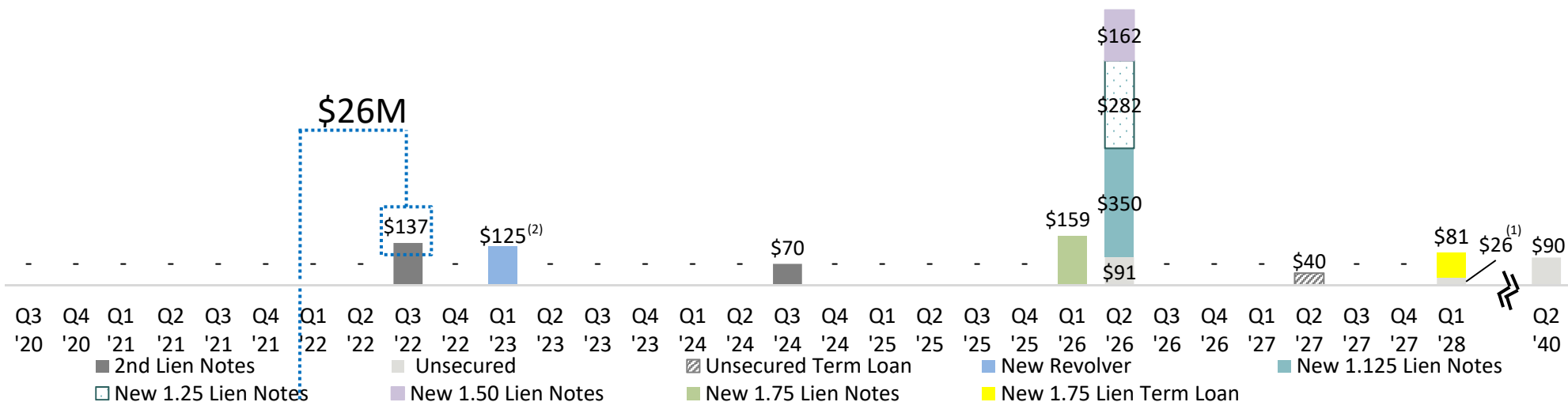
- *Deferred tax asset will shield approximately \$1.9 billion of future pretax earnings from federal income taxes which will help accelerate repairing our balance sheet*

(\$ in millions)

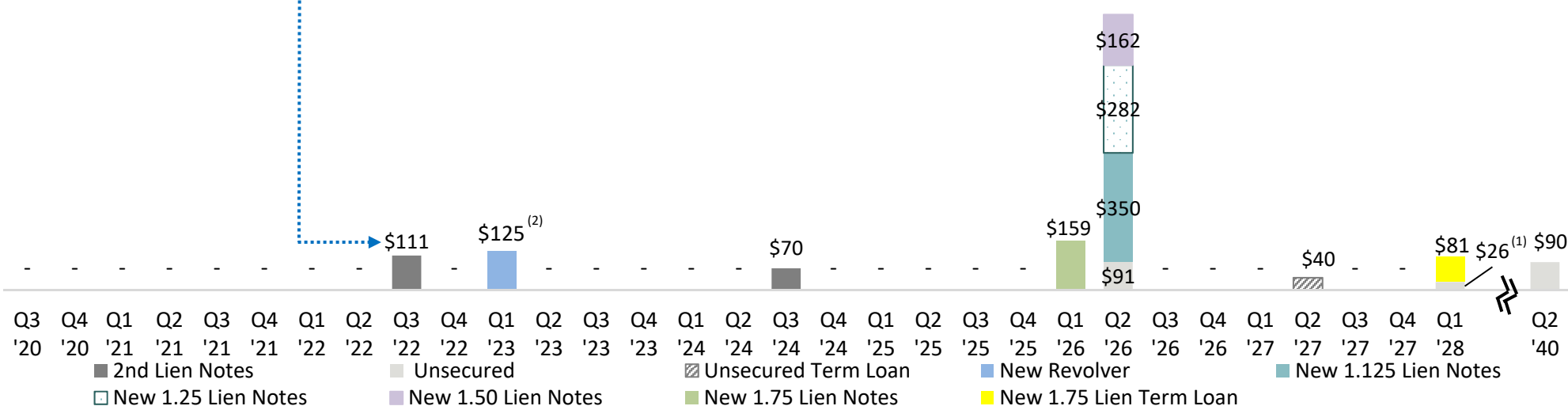


(1) Total Hovnanian Stockholders' Deficit of \$(480) million with \$593 million valuation allowance added back to Stockholders' Equity. The \$593 million valuation allowance consisted of a \$391 million federal valuation allowance and a \$202 million state valuation allowance.

As of April 30, 2020



As of July 31, 2020



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

Note: Excludes non-recourse mortgages.

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

(2) \$0 balance as of July 31, 2020 and \$125 million balance as of April 30, 2020.

(\$ in millions)

Q4 2020

Total Revenues

\$650 - \$680

Gross Margin

19.0% - 20.0%

Total SG&A as Percentage of Total Revenues

8.5% - 9.5%

Adjusted EBITDA

\$70 - \$85

Adjusted Income Before Income Taxes⁽¹⁾

\$20 - \$35

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

Hovnanian
Enterprises, Inc.

Appendix

(\$ in Thousands)

	<u>April 30, 2020</u>	<u>July 31, 2020</u>
Cash and cash equivalents	\$229,600	\$197,300
Mortgaged inventory	\$480,500	\$435,900
Non-mortgaged inventory ⁽²⁾	\$43,300	\$53,700
Equity interests in joint ventures ⁽³⁾	\$204,200	\$196,700
Total collateral	\$957,600	\$883,600
Plus inventory with non-recourse loans ⁽⁴⁾	\$173,800	\$152,700
Total adjusted collateral	\$1,131,400	\$1,036,300
Total principal amount of secured debt ⁽⁵⁾	\$1,366,000	\$1,215,500
Adjusted collateral ratio	0.83x	0.85x

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

- (1) In accordance with a Supplemental Indenture effective December 10, 2019, the collateral requirements for the 10.5% Senior Secured Notes due 2024 (the "10.5% Notes") were modified such that entities formed after such date are not required to become guarantors of such debt or pledge their assets as collateral for such debt. As a result, the collateral amounts for the 10.5% Notes are different from the other secured obligations and the collateral information presented does not reflect this distinction.
- (2) Represents the book value of inventory owned by subsidiary guarantors which will be subject to mortgages in accordance with the terms of the applicable debt and security documents but such mortgages have not yet been filed. Upon the filing and recording of mortgages, such inventory will be collateral. Until such time as the inventory is collateral, all secured and unsecured creditors would have claims against this inventory value.
- (3) The pledge of equity interests represents the book value of equity in joint venture holding companies that hold interests in consolidated and unconsolidated joint ventures.
- (4) Represents the book value of inventory owned by subsidiary guarantors securing non-recourse loans less the outstanding payable amount of the non-recourse loans. Inventory securing non-recourse loans is excluded from collateral until the applicable non-recourse loan is paid in full. Net cash proceeds from deliveries of inventory securing non-recourse loans is collateral under the terms of the applicable security agreements and subject to perfection through control agreements.
- (5) Includes \$125 million senior secured first lien revolver of which \$0 balance was drawn as of July 31, 2020 and \$125 million balance was drawn as of April 30, 2020.

July 31, 2020

Owned

Segment	Excluding Mothballed Lots	Mothballed Lots	Optioned Lots	Total Lots
Northeast	339	6	2,959	3,304
Mid-Atlantic	1,759	280	3,346	5,385
Midwest	975	127	773	1,875
Southeast	1,311	-	1,659	2,970
Southwest	2,055	-	5,574	7,629
West	1,235	2,043	1,307	4,585
Consolidated Total	7,674	2,456	15,618	25,748
Unconsolidated Joint Ventures	1,947	-	710	2,657
Grand Total	9,621	2,456	16,328	28,405

- *Option deposits as of July 31, 2020 were \$80 million*
- *\$16 million invested in pre-development expenses as of July 31, 2020*

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

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

Hovnanian Enterprises, Inc.

July 31, 2020

Reconciliation of income (loss) before income taxes excluding land-related charges, joint venture write-downs and gain on extinguishment of debt to income (loss) before income taxes

(In thousands)

	Three Months Ended		Nine Months Ended	
	July 31,		July 31,	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
Income (loss) before income taxes	\$16,216	\$(7,064)	\$12,959	\$(39,082)
Inventory impairment loss and land option write-offs	2,364	1,435	6,202	3,601
Unconsolidated joint venture investment write-downs	-	854	-	854
Gain on extinguishment of debt	(4,055)	-	(13,337)	-
Income (loss) before income taxes excluding land-related charges, joint venture write-downs and gain on extinguishment of debt (1)	<u>\$14,525</u>	<u>\$(4,775)</u>	<u>\$5,824</u>	<u>\$(34,627)</u>

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

Hovnanian Enterprises, Inc.

July 31, 2020
Gross margin
(In thousands)

	Homebuilding Gross Margin Three Months Ended		Homebuilding Gross Margin Nine Months Ended	
	July 31,		July 31,	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
Sale of homes	\$605,933	\$467,849	\$1,608,513	\$1,257,536
Cost of sales, excluding interest expense and land charges (1)	499,654	381,906	1,323,916	1,034,953
Homebuilding gross margin, before cost of sales interest expense and land charges (2)	106,279	85,943	284,597	222,583
Cost of sales interest expense, excluding land sales interest expense	21,794	18,824	58,467	42,964
Homebuilding gross margin, after cost of sales interest expense, before land charges (2)	84,485	67,119	226,130	179,619
Land charges	2,364	1,435	6,202	3,601
Homebuilding gross margin	<u>\$82,121</u>	<u>\$65,684</u>	<u>\$219,928</u>	<u>\$176,018</u>
Gross margin percentage	13.6%	14.0%	13.7%	14.0%
Gross margin percentage, before cost of sales interest expense and land charges (2)	17.5%	18.4%	17.7%	17.7%
Gross margin percentage, after cost of sales interest expense, before land charges (2)	13.9%	14.3%	14.1%	14.3%

	Land Sales Gross Margin Three Months Ended		Land Sales Gross Margin Nine Months Ended	
	July 31,		July 31,	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
Land and lot sales	\$25	\$542	\$100	\$8,050
Land and lot sales cost of sales, excluding interest and land charges (1)	41	33	161	7,390
Land and lot sales gross margin, excluding interest and land charges	(16)	509	(61)	660
Land and lot sales interest	20	205	72	205
Land and lot sales gross margin, including interest and excluding land charges	<u>\$(36)</u>	<u>\$304</u>	<u>\$(133)</u>	<u>\$455</u>

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

(2) Homebuilding gross margin, before cost of sales interest expense and land charges, and homebuilding gross margin percentage, before cost of sales interest expense and land charges, are non-GAAP financial measures. The most directly comparable GAAP financial measures are homebuilding gross margin and homebuilding gross margin percentage, respectively.

Reconciliation of Adjusted EBITDA to Net Income (Loss)

Hovnanian Enterprises, Inc.

July 31, 2020

Reconciliation of adjusted EBITDA to net income (loss)

(In thousands)

	Three Months Ended		Nine Months Ended	
	July 31,		July 31,	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
Net income (loss)	\$15,363	\$(7,601)	\$10,294	\$(40,310)
Income tax provision	853	537	2,665	1,228
Interest expense	48,886	41,406	137,483	110,482
EBIT (1)	65,102	34,342	150,442	71,400
Depreciation and amortization	1,355	1,004	3,897	2,942
EBITDA (2)	66,457	35,346	154,339	74,342
Inventory impairment loss and land option write-offs	2,364	1,435	6,202	3,601
Gain on extinguishment of debt	(4,055)	-	(13,337)	-
Adjusted EBITDA (3)	<u>\$64,766</u>	<u>\$36,781</u>	<u>\$147,204</u>	<u>\$77,943</u>
Interest incurred	\$45,140	\$42,104	\$134,797	\$122,340
Adjusted EBITDA to interest incurred	1.43	0.87	1.09	0.64

(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 gain on extinguishment of debt.

Hovnanian Enterprises, Inc.

July 31, 2020

Calculation of Inventory Turnover⁽¹⁾

(Dollars in thousands)	For the quarter ended				TTM	
	10/31/2019	1/31/2020	4/30/2020	7/31/2020	ended	
Cost of sales, excluding interest	\$562,434	\$396,355	\$428,027	\$499,695	7/31/2020 \$1,886,511	
	As of					
	7/31/2019	10/31/2019	1/31/2020	4/30/2020	7/31/2020	
Total inventories	\$1,354,918	\$1,292,485	\$1,295,715	\$1,288,497	\$1,213,503	Five
Consolidated inventory not owned	179,642	190,273	205,215	198,229	194,760	Quarter
Capitalized interest	77,997	71,264	67,879	67,744	63,998	Average
Inventories less consolidated inventory not owned and capitalized interest	\$1,097,279	\$1,030,948	\$1,022,621	\$1,022,524	\$954,745	\$1,025,623
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.

Reconciliation Of Adjusted Homebuilding EBIT To Inventory

Hovnanian Enterprises, Inc.

July 31, 2020

Reconciliation of adjusted homebuilding EBIT to inventory

(Dollars in thousands)

(Unaudited)

	LTM(a)	For the Three Months Ended				
		7/31/2020	4/30/2020	1/31/2020	10/31/2019	7/31/2019
Homebuilding:						
Net income (loss)	\$8,487	\$15,363	\$4,079	\$(9,148)	\$(1,807)	\$(7,601)
Income tax provision	3,886	853	100	1,712	1,221	537
Interest expense	187,782	48,886	45,458	43,139	50,299	41,406
EBIT (b)	200,155	65,102	49,637	35,703	49,713	34,342
Financial services revenue	(69,143)	(21,295)	(14,361)	(14,014)	(19,473)	(12,764)
Financial services expense	40,123	10,493	9,630	9,554	10,446	8,927
Homebuilding EBIT (b)	171,135	54,300	44,906	31,243	40,686	30,505
Inventory impairment loss and land option write-offs	8,889	2,364	1,010	2,828	2,687	1,435
Other operations	1,042	266	214	194	368	622
(Gain) loss on extinguishment of debt	29,099	(4,055)	174	(9,456)	42,436	-
Income from unconsolidated joint ventures	(21,795)	(5,658)	(6,221)	(1,540)	(8,376)	(3,742)
Adjusted homebuilding EBIT (b)	\$188,370	\$47,217	\$40,083	\$23,269	\$77,801	\$28,820

	Five Quarter Average	As of				
		7/31/2020	4/30/2020	1/31/2020	10/31/2019	7/31/2019
Total inventories		\$1,213,503	\$1,288,497	\$1,295,715	\$1,292,485	\$1,354,918
Consolidated inventory not owned		194,760	198,229	205,215	190,273	179,642
Capitalized interest		63,998	67,744	67,879	71,264	77,997
Inventories less consolidated inventory not owned and capitalized interest	\$1,025,623	\$954,745	\$1,022,524	\$1,022,621	\$1,030,948	\$1,097,279
Adjusted homebuilding EBIT to inventory	18.4%					

(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 (income) loss.

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