Hovnanian Enterprises, Inc.

Review of Financial Results | First Quarter Fiscal 2021

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 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 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.

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

Total liquidity is comprised of $172.1 million of cash and cash equivalents, $9.3 million of restricted cash required to collateralize letters of credit and $125.0 million availability under the senior secured revolving credit facility as of January 31, 2021.

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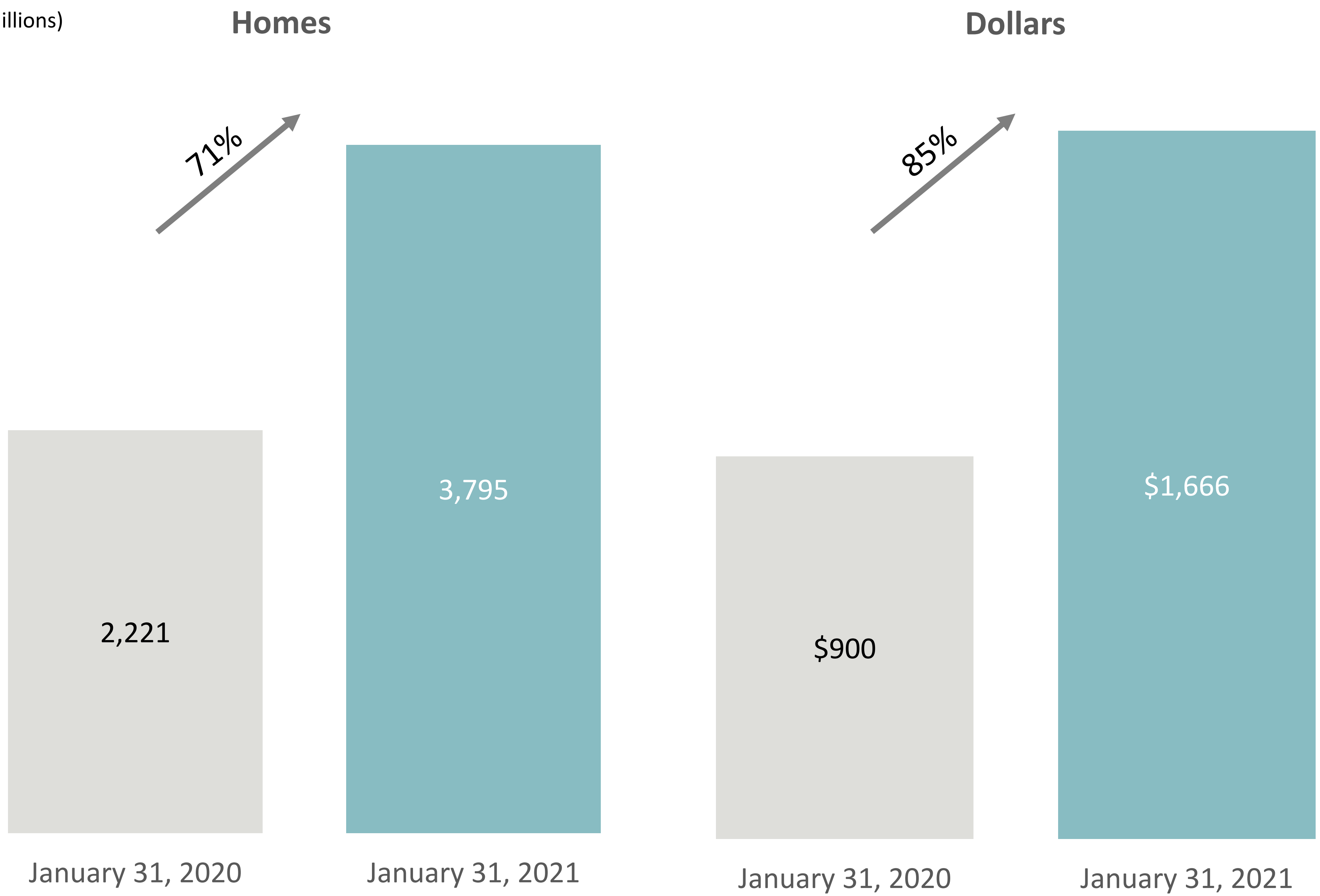
Guidance Compared with Actuals for First Quarter 2021

($ in millions)	Guidance Q1 2021	Actuals Q1 2021
Total Revenues	$570 - $600	$575
Adjusted Homebuilding Gross Margin(1)	19.0% - 20.0%	20.7%
Total SG&A as Percentage of Total Revenues(2)	11.5% - 12.5%	11.1%
Adjusted EBITDA(3)	$45 - $60	$64
Adjusted Income Before Income Taxes(4)	$5 - $15	$21

(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. Ratio calculated as a percentage of total revenues.
(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.
(4) Adjusted Income Before Income Taxes excludes land-related charges and gain on extinguishment of debt. See appendix for a reconciliation to the most directly comparable GAAP measure.

Consolidated Backlog

($ in millions)



Note: Excludes unconsolidated joint ventures.

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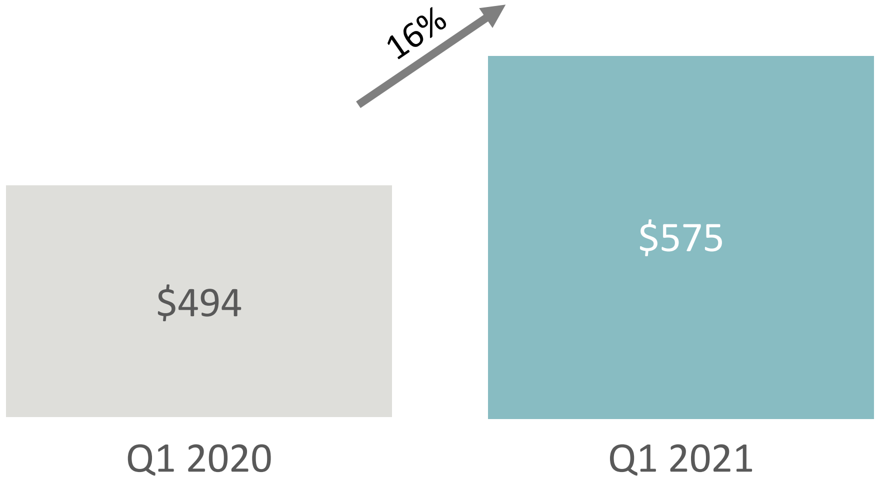
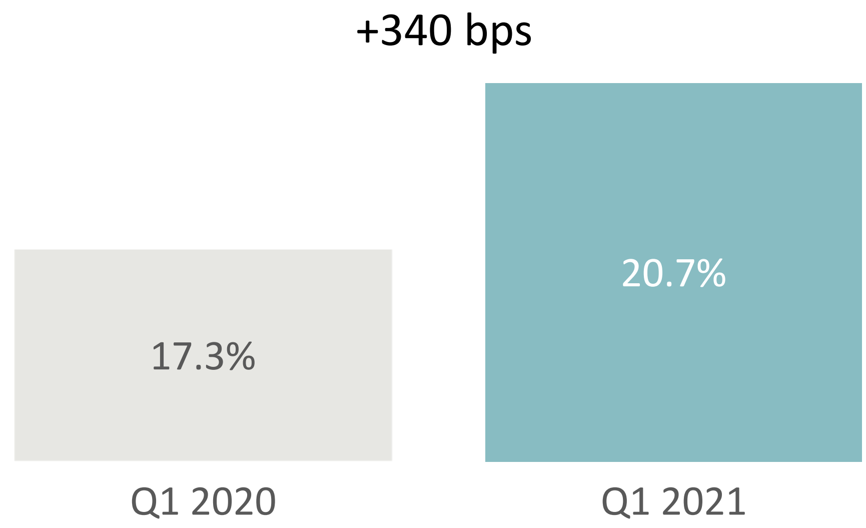
First Quarter Operating Results

($ in millions)

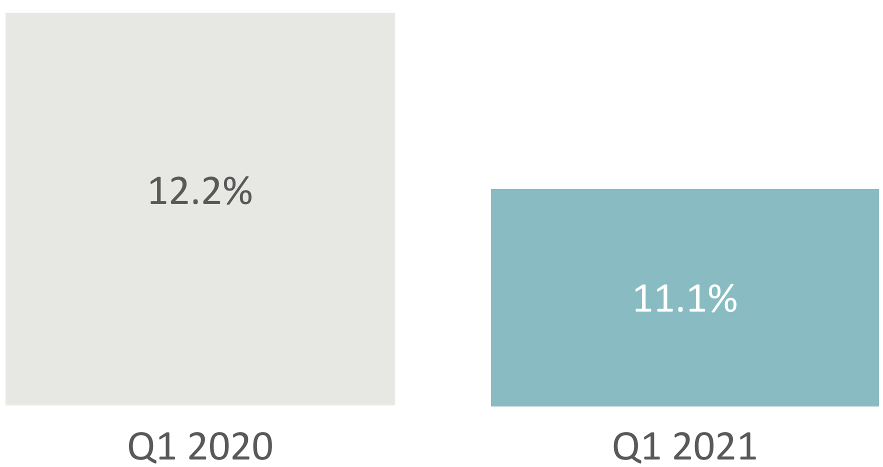
Total Revenues



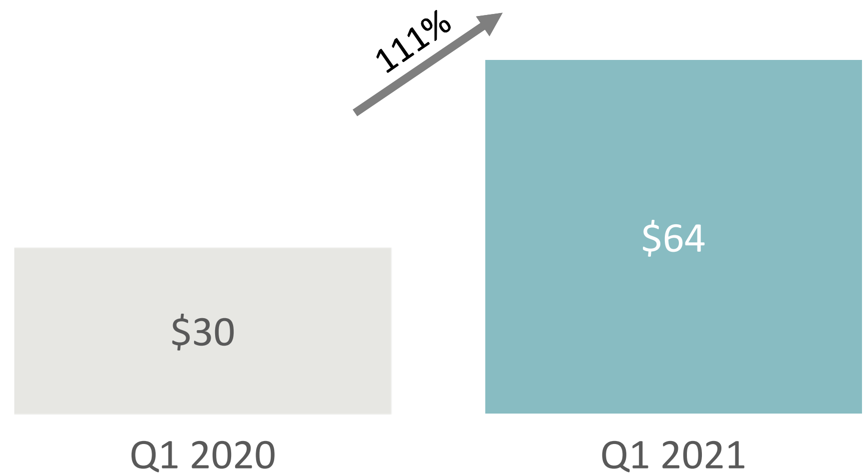
Adjusted Homebuilding Gross Margin(1)



Total SG&A Ratio(2)



Adjusted EBITDA(3)



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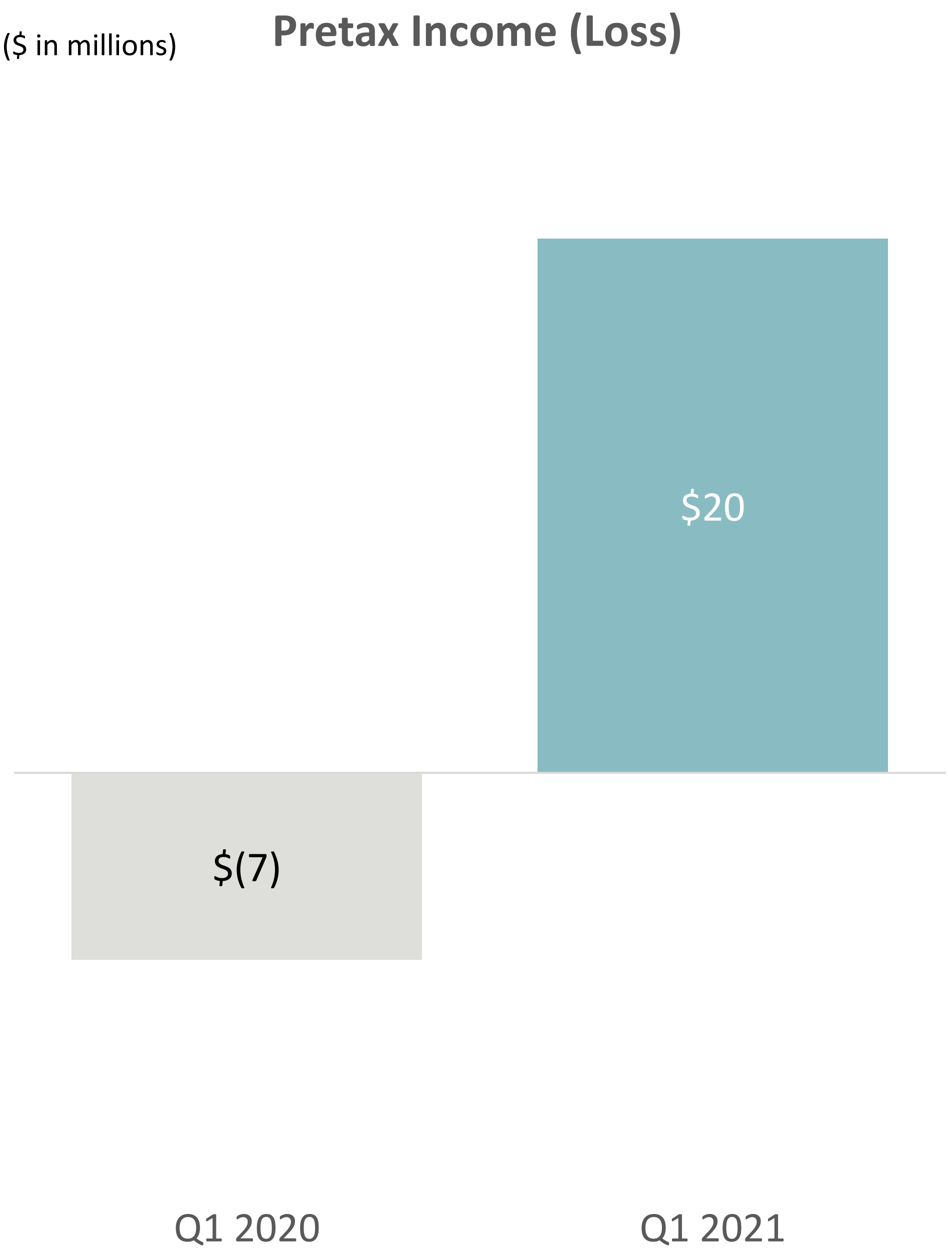
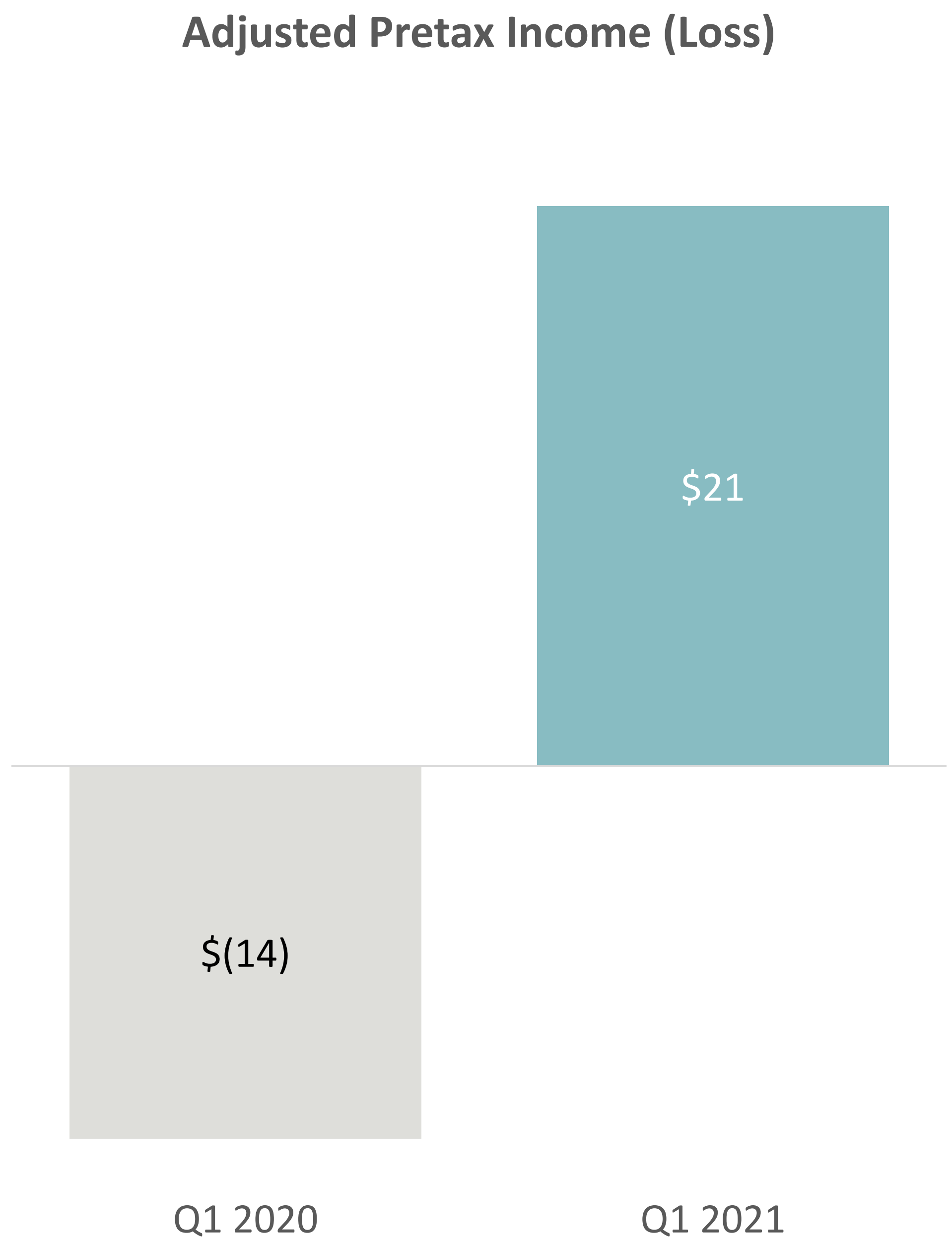
Pretax Income

($ in millions)

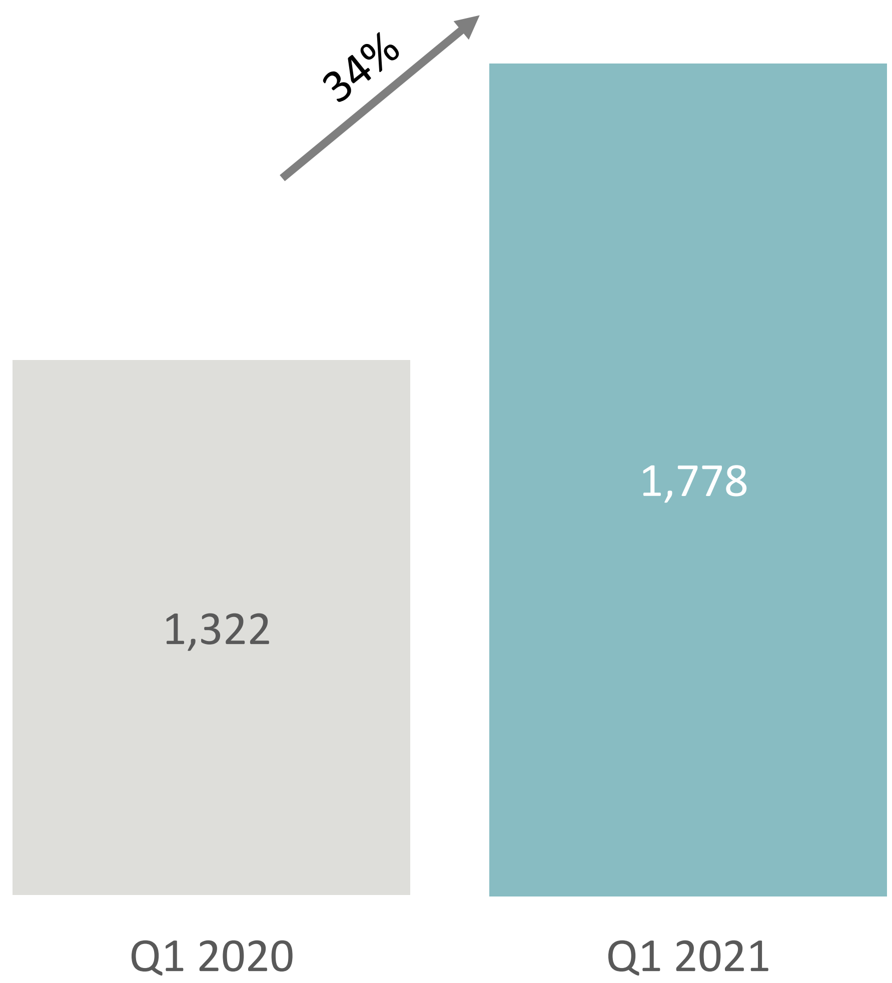




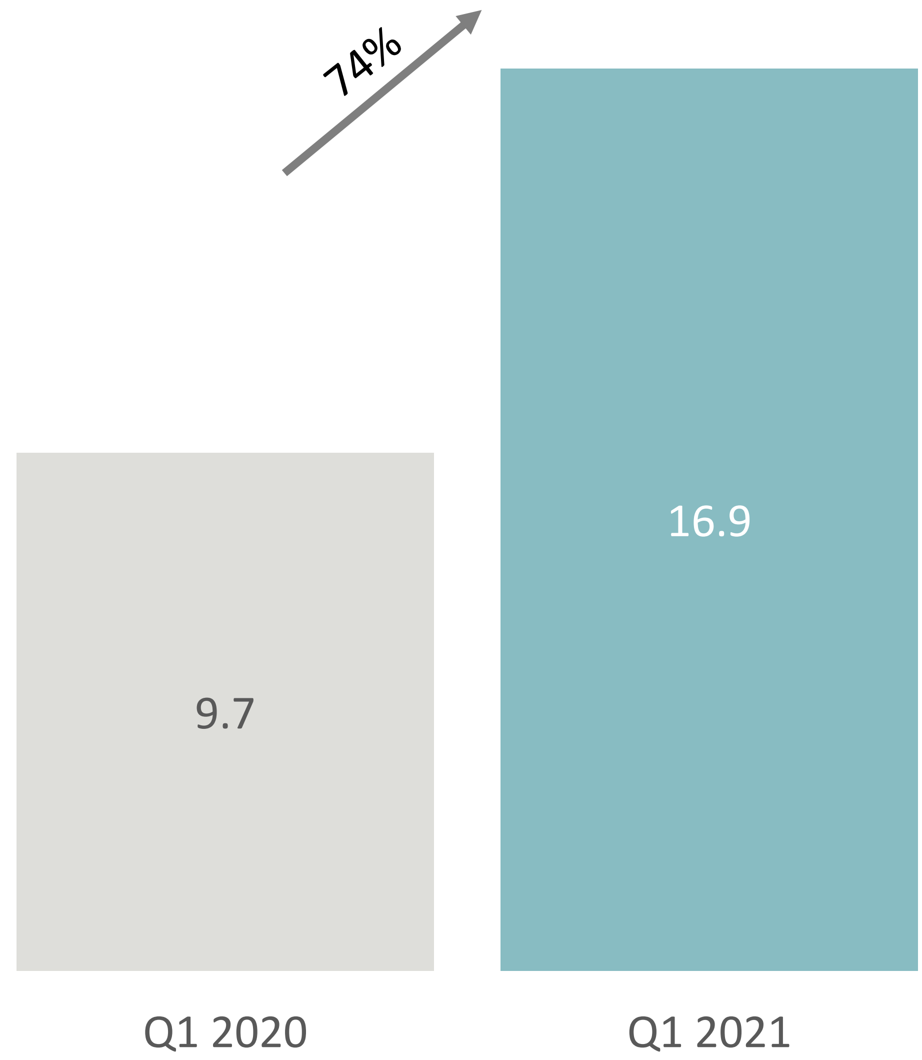
Note: Adjusted Income (Loss) Before Income Taxes excludes land-related charges and gain on extinguishment of debt. See appendix for a reconciliation to the most directly comparable GAAP measure.

Quarterly Contracts

Contracts

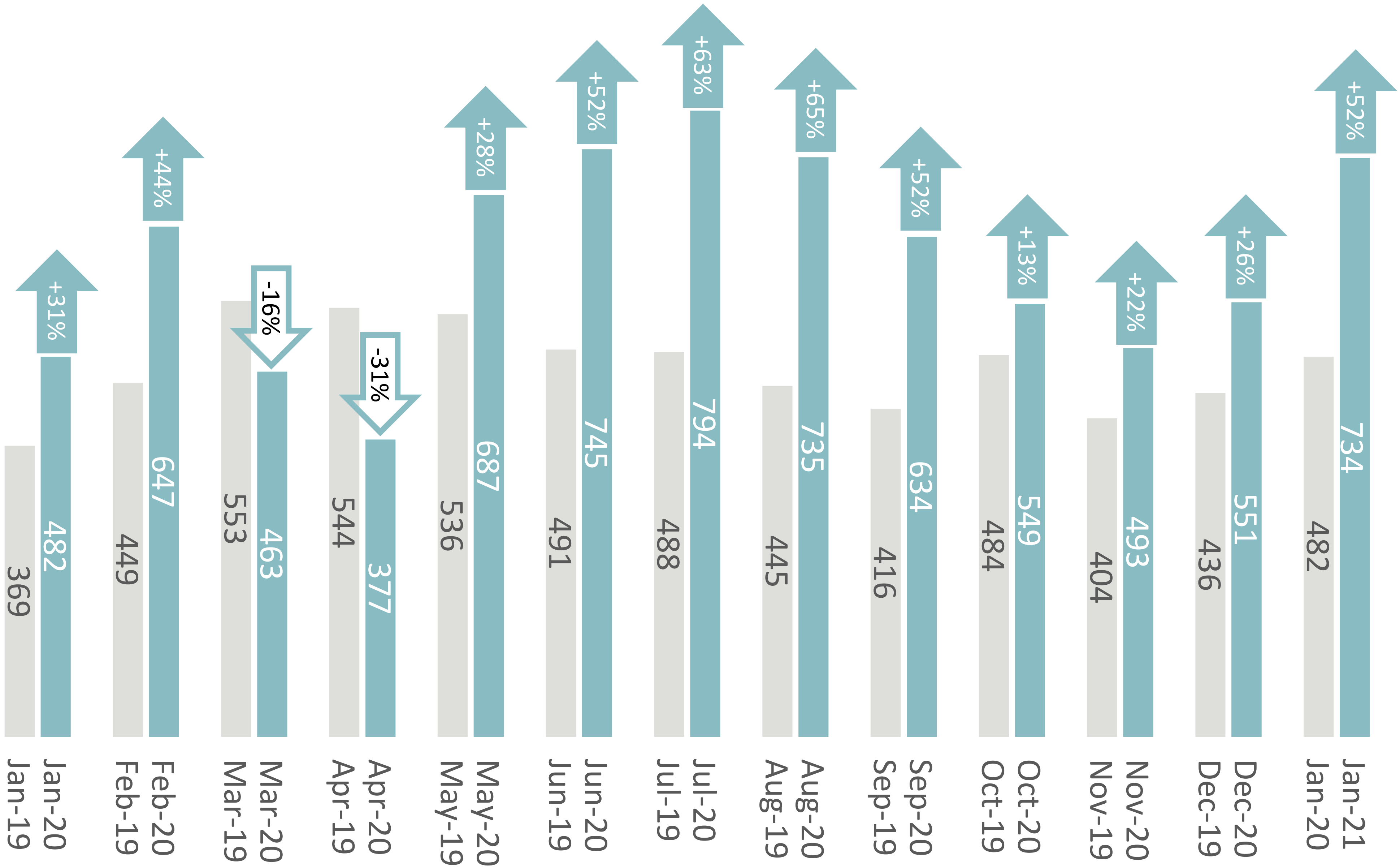


Contracts per Community



Note: Excludes unconsolidated joint ventures.

Monthly Contracts



Note: Excludes unconsolidated joint ventures.

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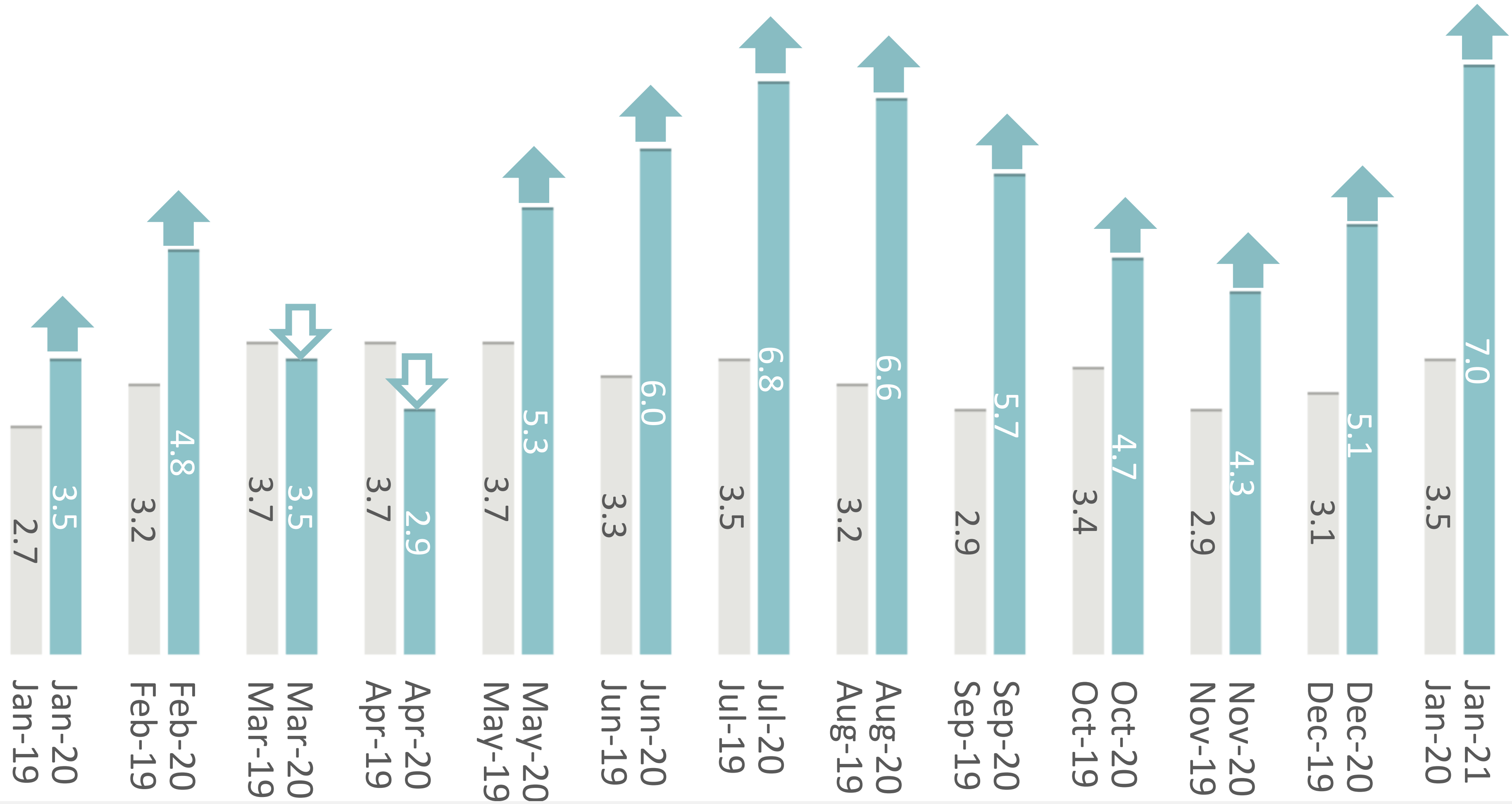
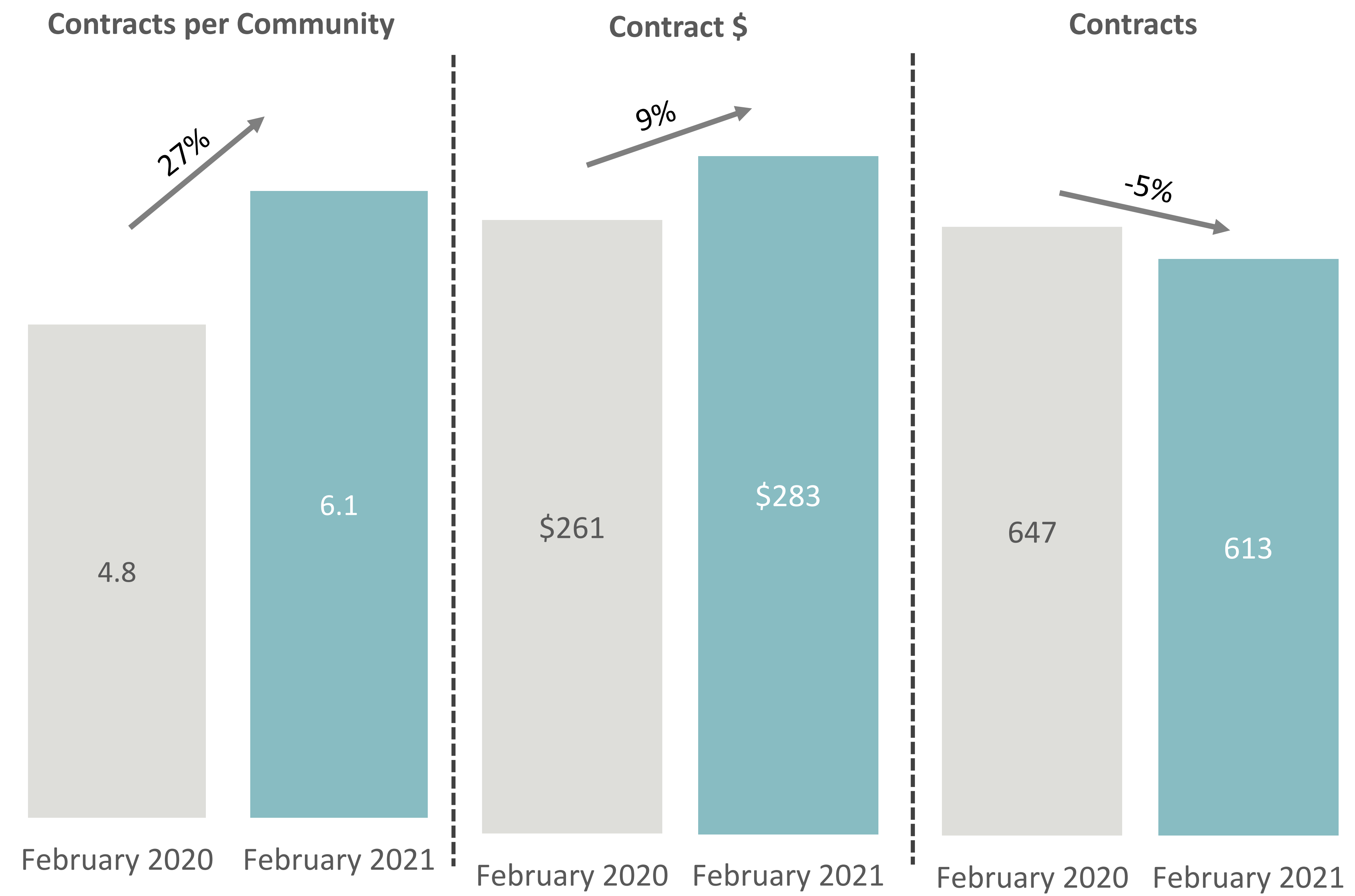
Number of Monthly Contracts Per Community, Excludes Unconsolidated Joint Ventures



	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	Sep 19	Sep 20	Oct 19	Oct 20	Nov 19	Nov 20	Dec 19	Dec 20	Jan 20	Jan 21
Number of Sundays	4	4	4	4	5	5	4	4	4	5	5	4	4	4	4	5	5	4	4	4	4	5	5	4	4	5
Monthly contracts	369	482	449	647	553	463	544	377	536	687	491	745	488	794	445	735	416	634	484	549	404	493	436	551	482	734

Note: Excludes unconsolidated joint ventures.

Aggressively Raised Prices in February 2021 to Slow Sales Pace



Note: Excludes unconsolidated joint ventures.

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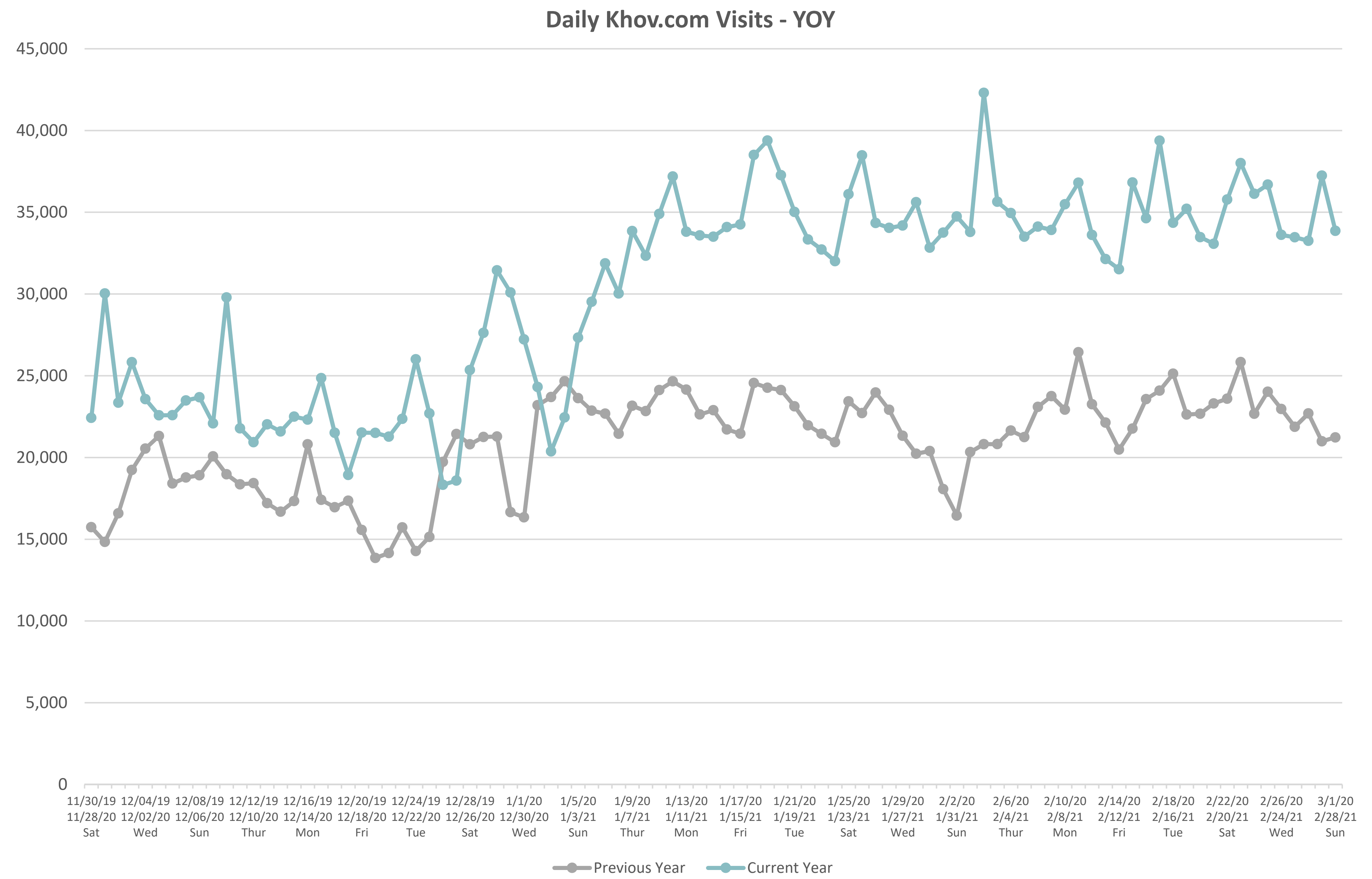
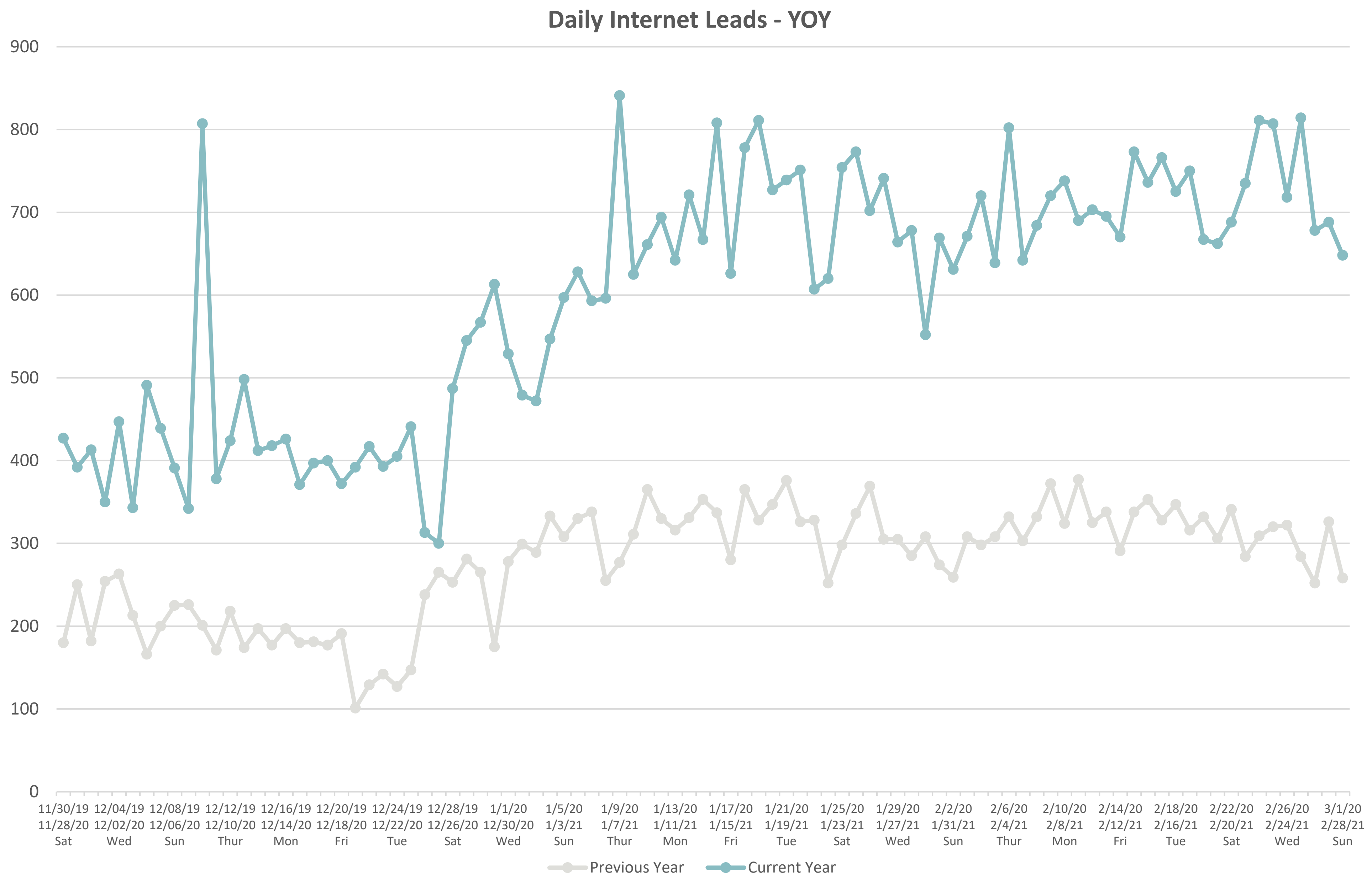
Daily Website Visits



Daily Internet Leads



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Increase in Newly Controlled Lots

	Q1 2021[1]
Newly Controlled Lots[2]	2,140
Deliveries & Lot Sales	1,407
# of Newly Controlled Lots in Excess of Deliveries	733
Newly Controlled Lots as a Percentage of Deliveries & Lot Sales	152%

(1) Excludes unconsolidated joint ventures.
(2) Includes newly optioned lots net of 420 walk aways, as well as lots purchased that were not previously optioned.

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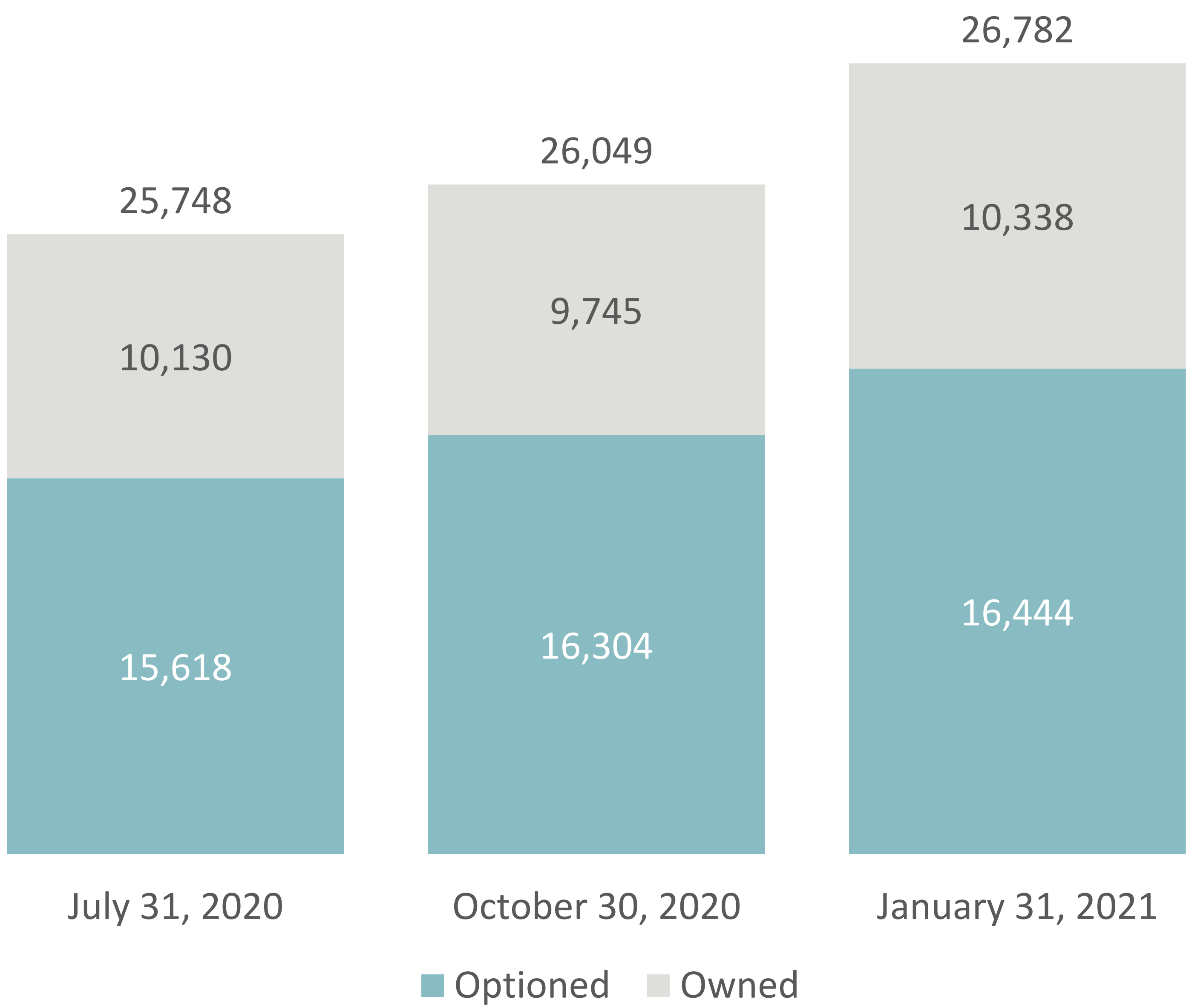
Total Lots Controlled



- *100% of lots controlled to meet fiscal 2021 growth expectations*
- *Virtually all of the land and communities necessary to achieve further growth in profits in fiscal 2022 are already under contract*

Note: Excludes unconsolidated joint ventures.

Quarterly Community Count

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.

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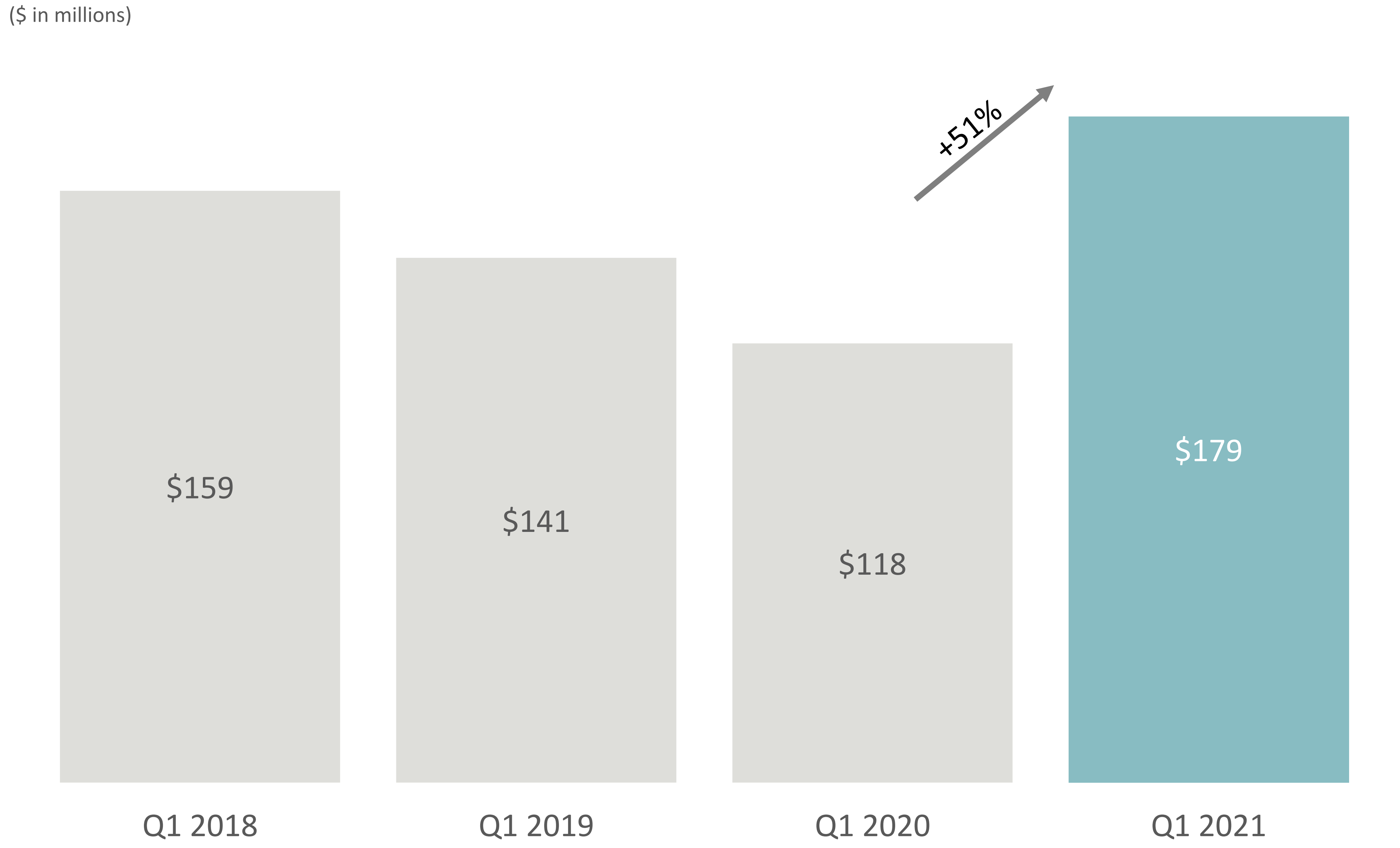
Land and Land Development Spend



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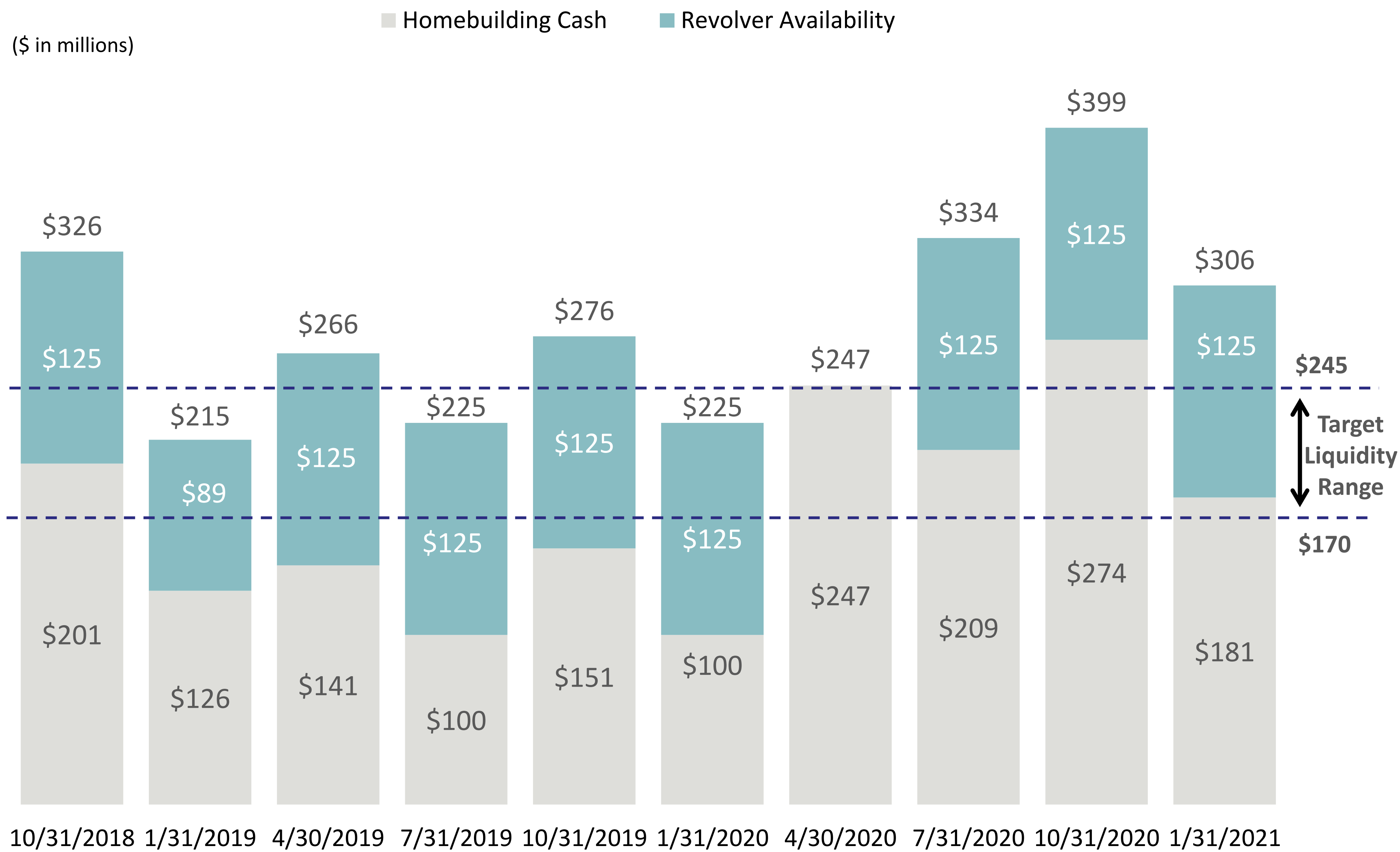
Liquidity Position and Target



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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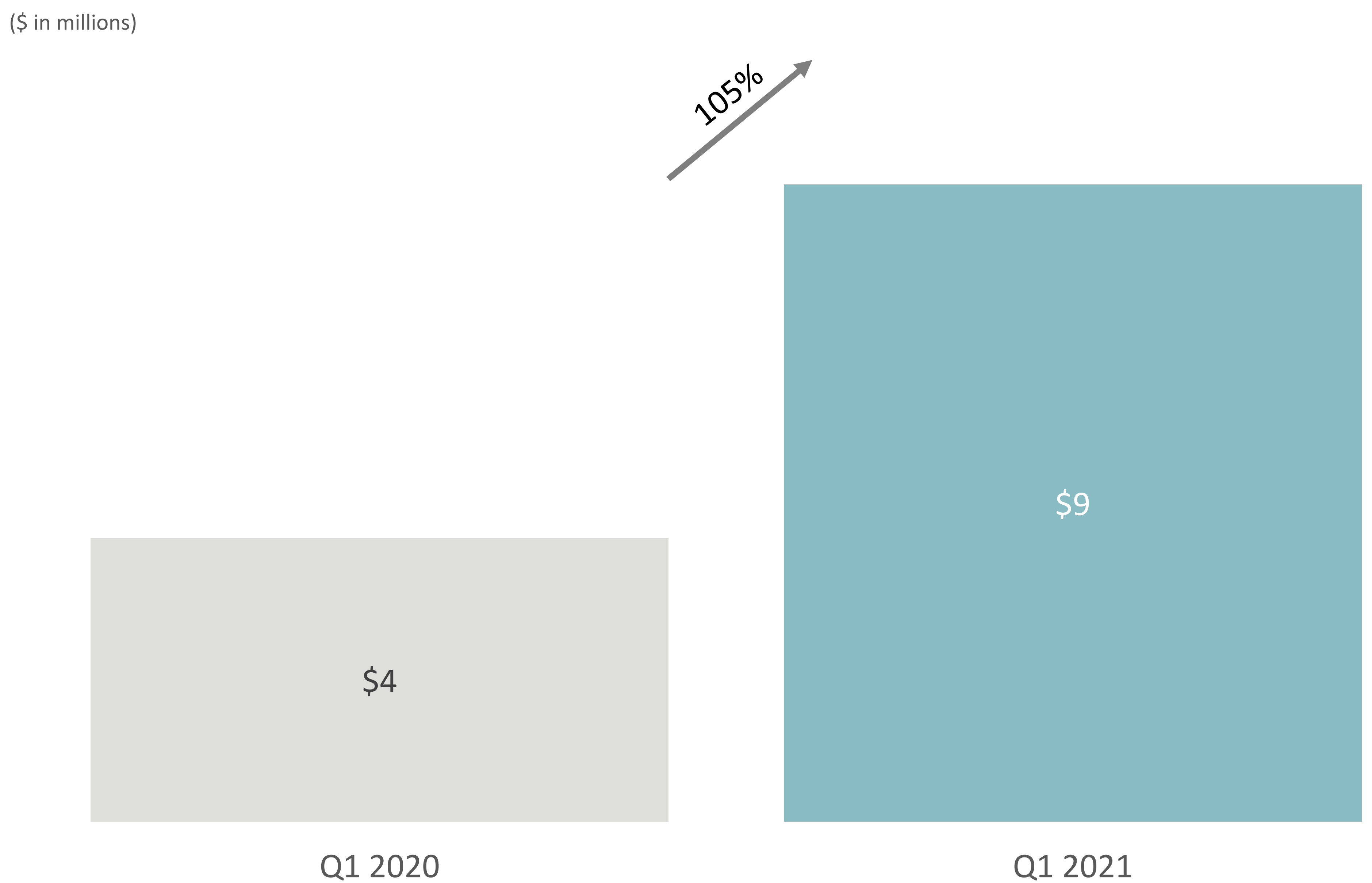
Financial Services Pretax Income



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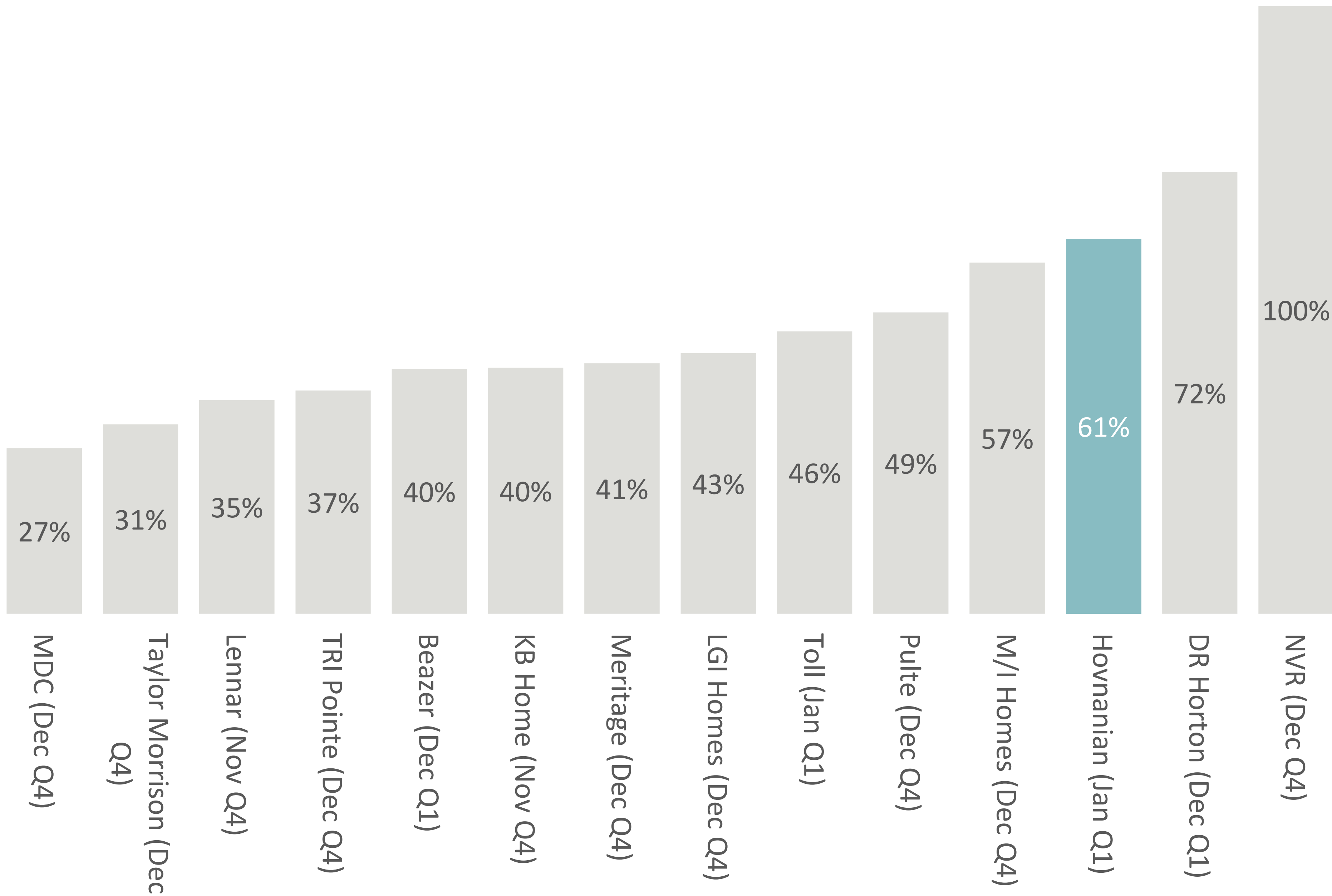
% of Lots Optioned



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

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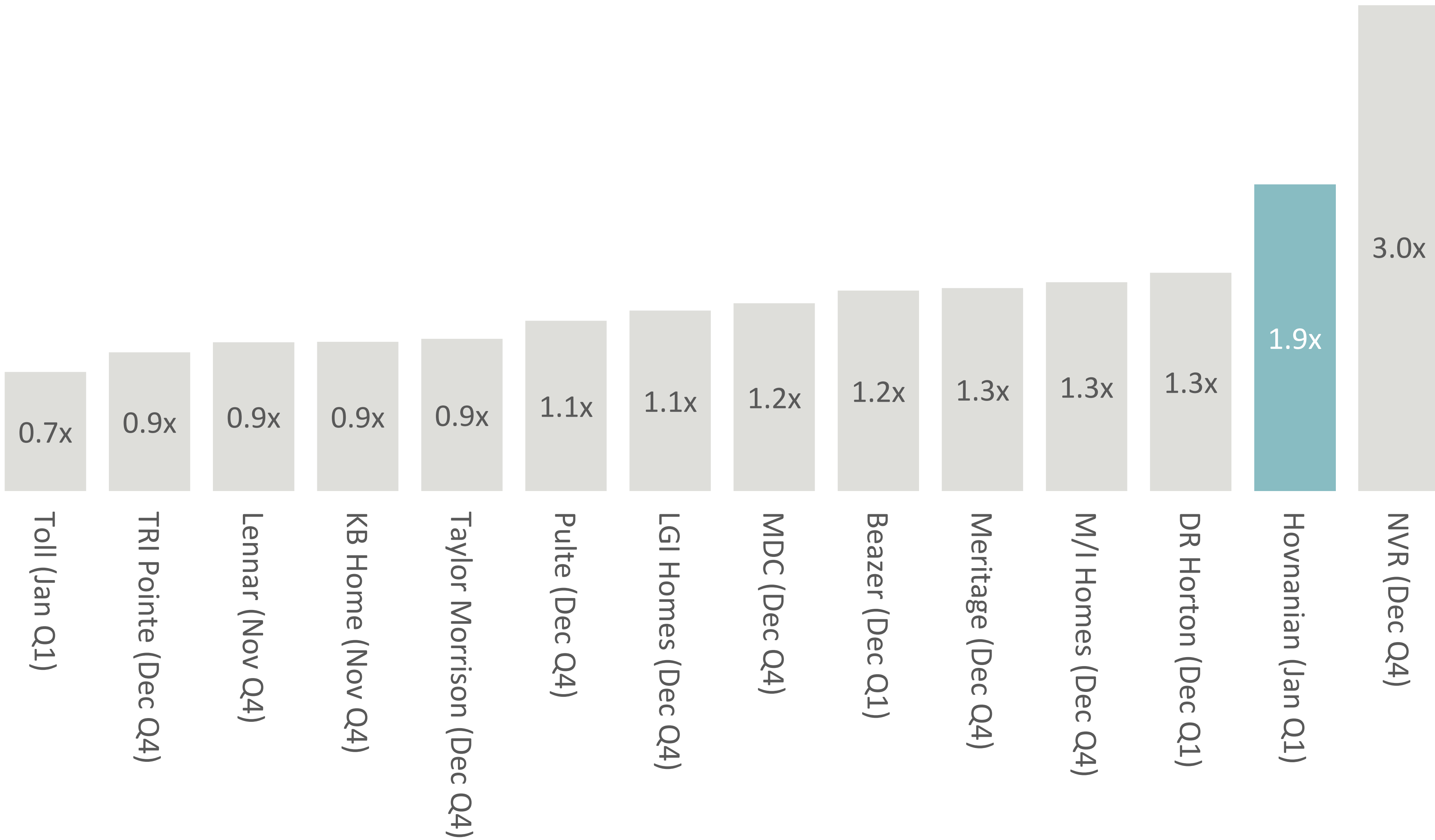
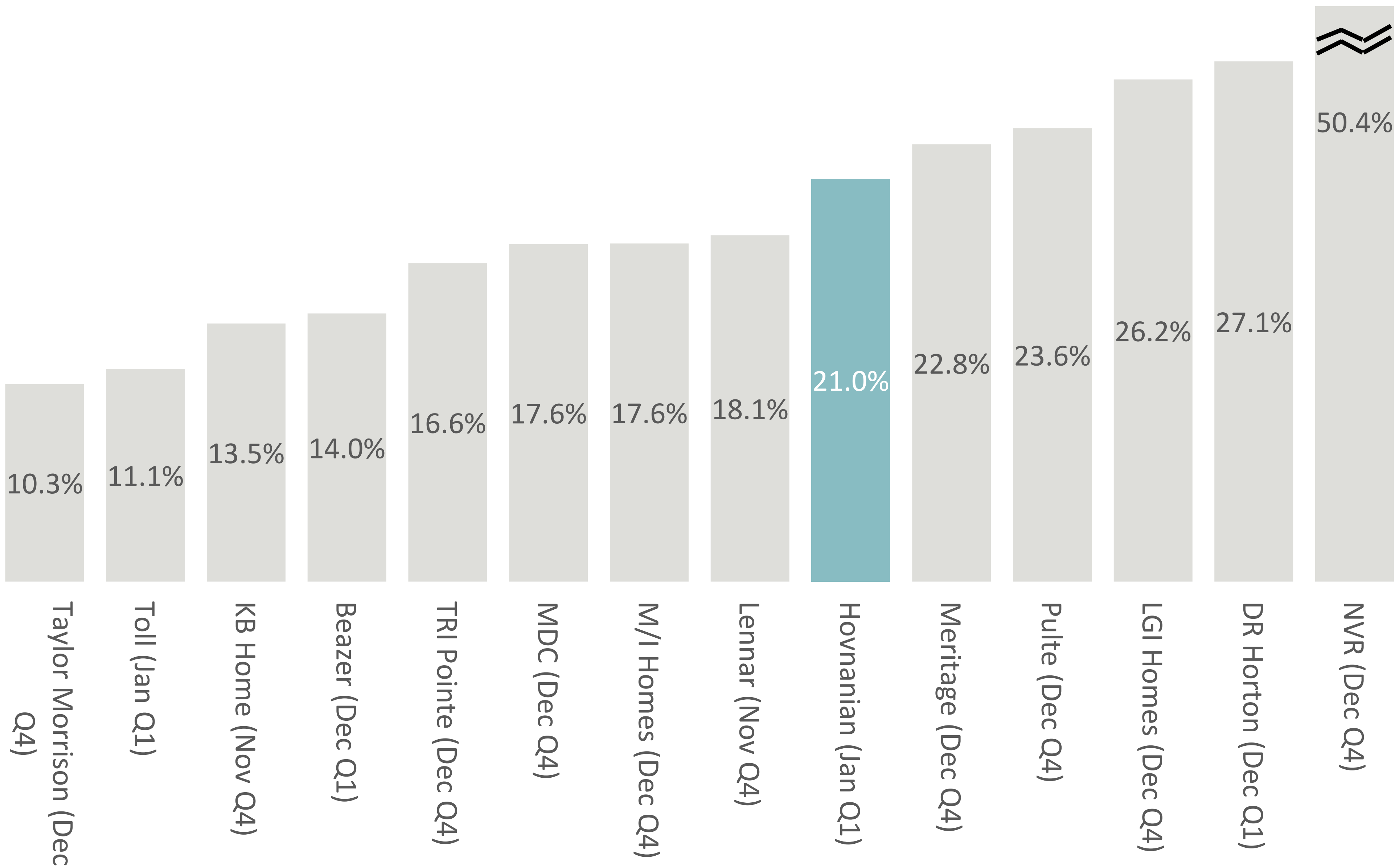
Inventory Turns (COGS), Last Twelve Months



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

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

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 03/02/21. See appendix for a reconciliation to the most directly comparable GAAP measure.

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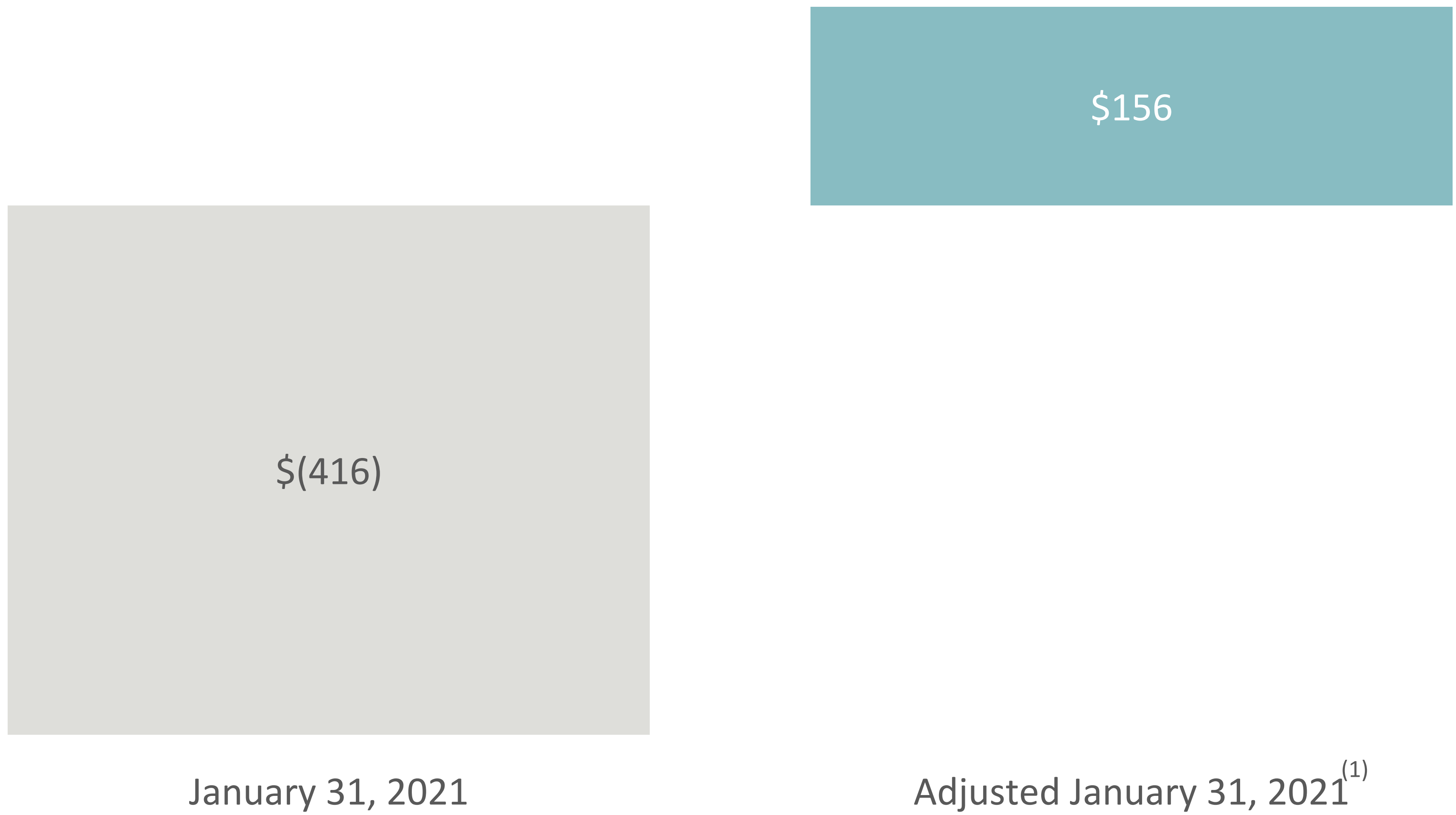
Adjusted Hovnanian Stockholders' Equity

- *Deferred tax asset of $572 million will shield approximately $1.8 billion of future pretax earnings from federal income taxes which will help accelerate repairing our balance sheet*

($ in millions)



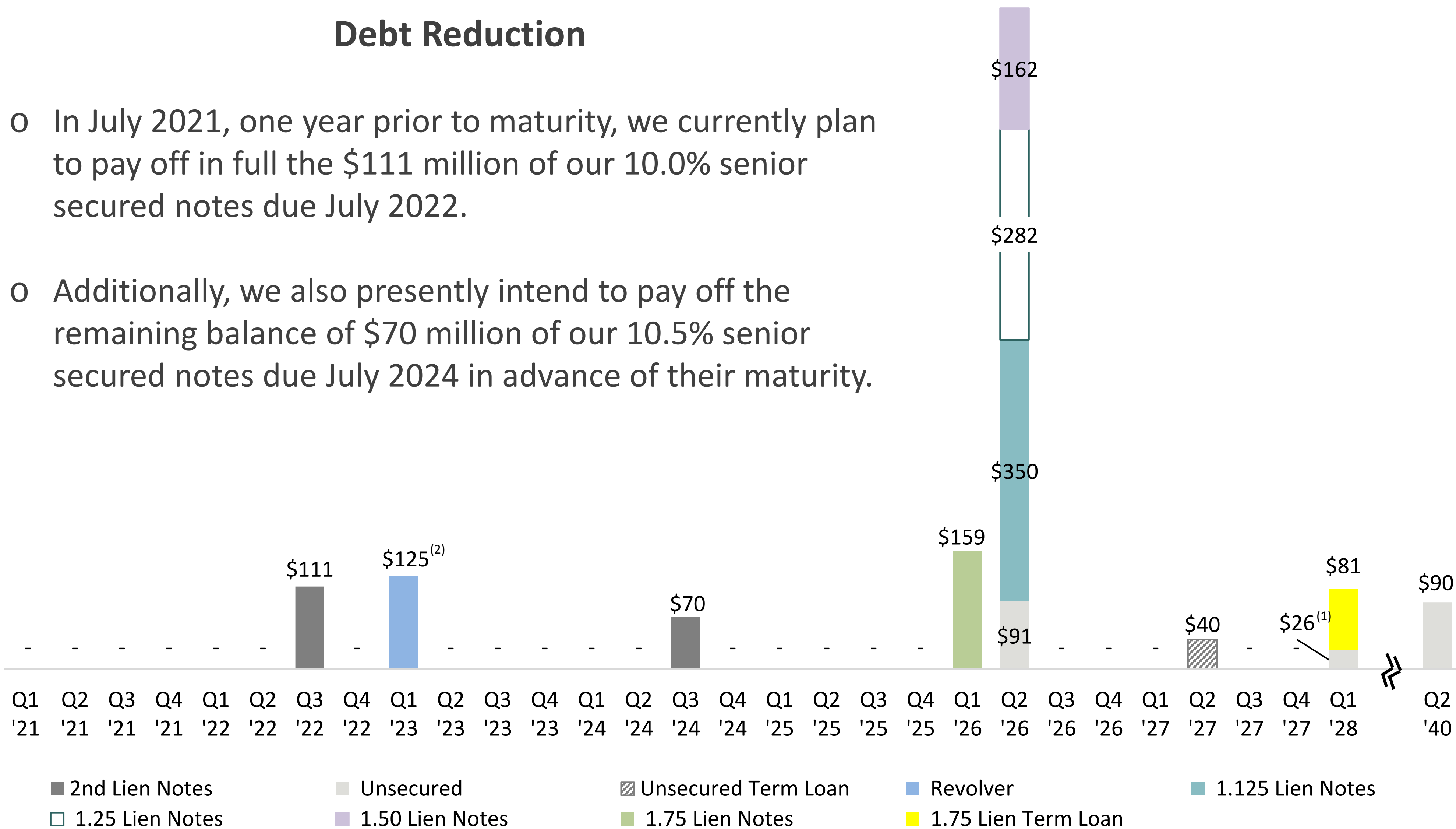
(1) Total Hovnanian Stockholders' Deficit of $(416) million with $572 million valuation allowance added back to Stockholders' Equity. The $572 million valuation allowance consisted of a $376 million federal valuation allowance and a $196 million state valuation allowance.

Maturity Ladder

As of January 31, 2021

Debt Reduction

- In July 2021, one year prior to maturity, we currently plan to pay off in full the $111 million of our 10.0% senior secured notes due July 2022.
- Additionally, we also presently intend to pay off the remaining balance 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 January 31, 2021.

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Guidance for Second Quarter 2021

($ in millions)	Actuals Q2 2020	Guidance Q2 2021[1]
Total Revenues	**$538**	**$700 - $750**
Adjusted Homebuilding Gross Margin[2]	**18.2%**	**20.5% - 21.5%**
Total SG&A as Percentage of Total Revenues[3]	**10.4%**	**9.5% - 10.5%**
Adjusted EBITDA[4]	**$52**	**$75 - $90**
Adjusted Income Before Income Taxes[5]	**$5**	**$30 - $45**

(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, inventory impairment loss and land option write-offs 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.
(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, inventory impairment loss and land option write offs and gain on extinguishment of debt.
(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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Multi-Year Key Metric Targets (Established June 2018)

($ in Millions)	Actual TTM (as of 04/30/18)	Projected TTM (as of 04/30/21) (1)	Annual Key Metric Targets (2)
Total Consolidated Revenue	$2,233	$2,611	$2,650
Adjusted Homebuilding Gross Margin (3)	17.7%	19.9%	19.5%
Total SG&A Ratio	11.6%	10.0%	10.0%
Adjusted EBITDA (4)	$174	$298	$275
Adjusted Pretax Earnings (5)	$(15)	$119	$100
Average Inventory (5 Quarter) (6)	$905	$1,025	$1,250
Inventory Turnover (7)	1.9X	2.0X	1.7X

(1) *Projections assume mid-point of guidance for Q2 2021 and no improvements or deteriorations from current market conditions. 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, inventory impairment loss and land option write-offs and loss (gain) on extinguishment of debt. These items are uncertain, depend on various factors and could have a material impact on reported results.*

(2) *Represents performance/financial targets but a wide range of outcomes is possible and actual results may differ materially and adversely due to a variety of factors. Assumes no improvements or deteriorations from current market conditions. Approximate levels.*

(3) *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.*

(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, inventory impairment loss and land option write-offs and loss (gain) on extinguishment of debt. See appendix for a reconciliation to the most directly comparable GAAP measure.*

(5) *Adjusted Pretax Earnings 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.*

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

(7) *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.*

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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%**	**9.5% - 10.5%**
Adjusted EBITDA(4)	**$234**	**$300 - $340**
Adjusted Income Before Income Taxes(5)	**$51**	**$140 - $160**

(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, inventory impairment loss and land option write-offs 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.
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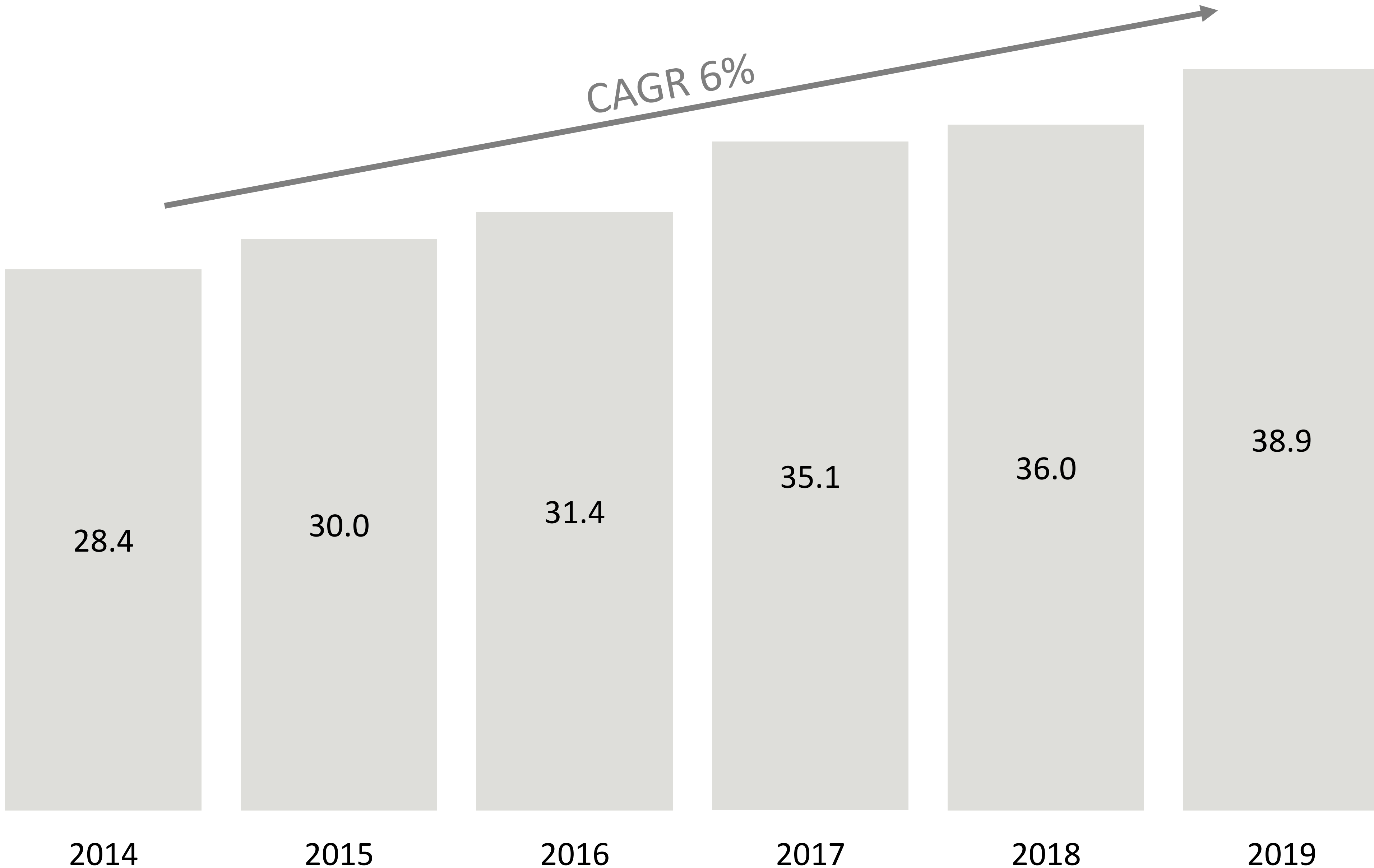
Annual Contracts Per Community



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

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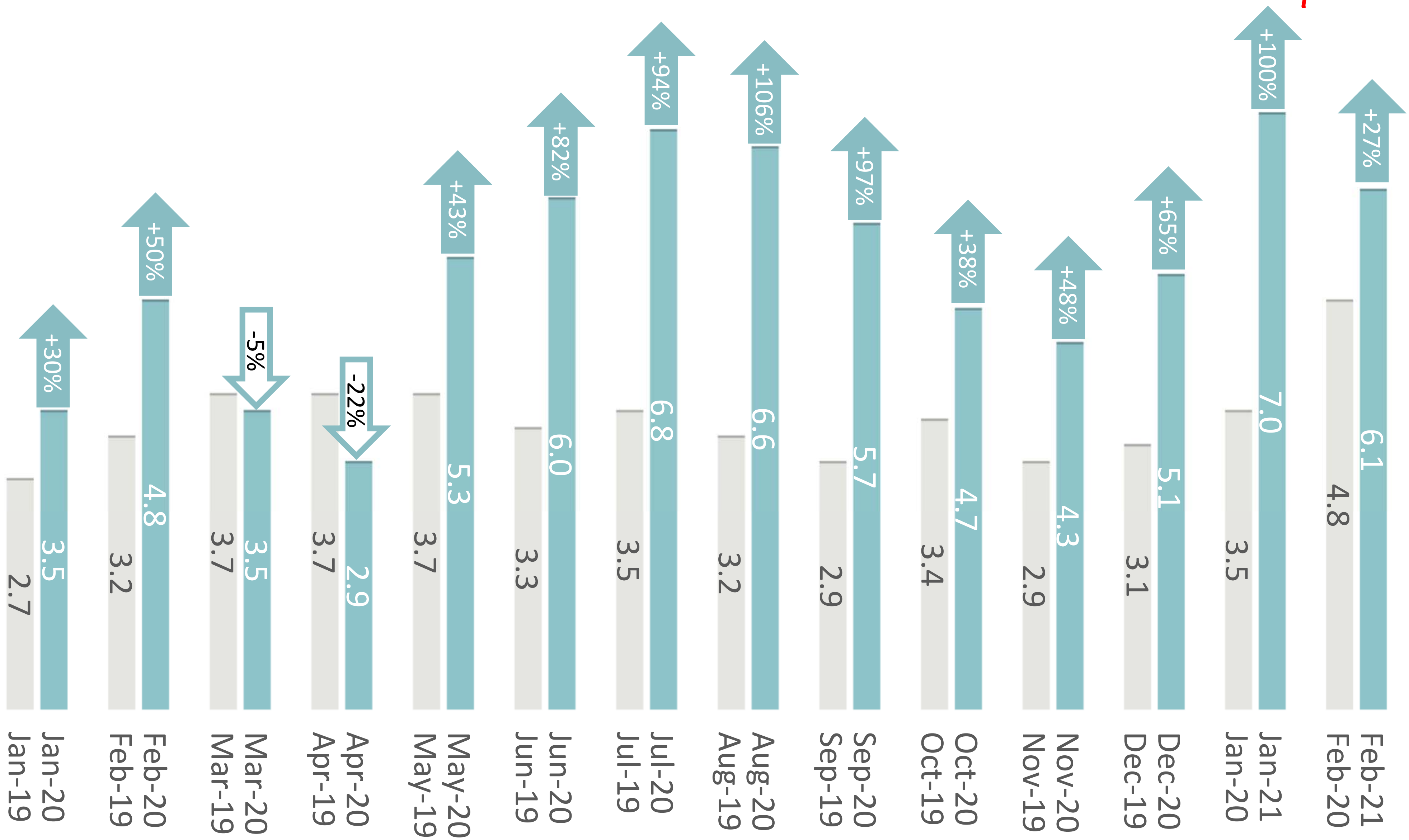
Number of Monthly Contracts Per Community, Excludes Unconsolidated Joint Ventures

Aggressively raised prices in February 2021 to slow sales pace



Note: Excludes unconsolidated joint ventures.

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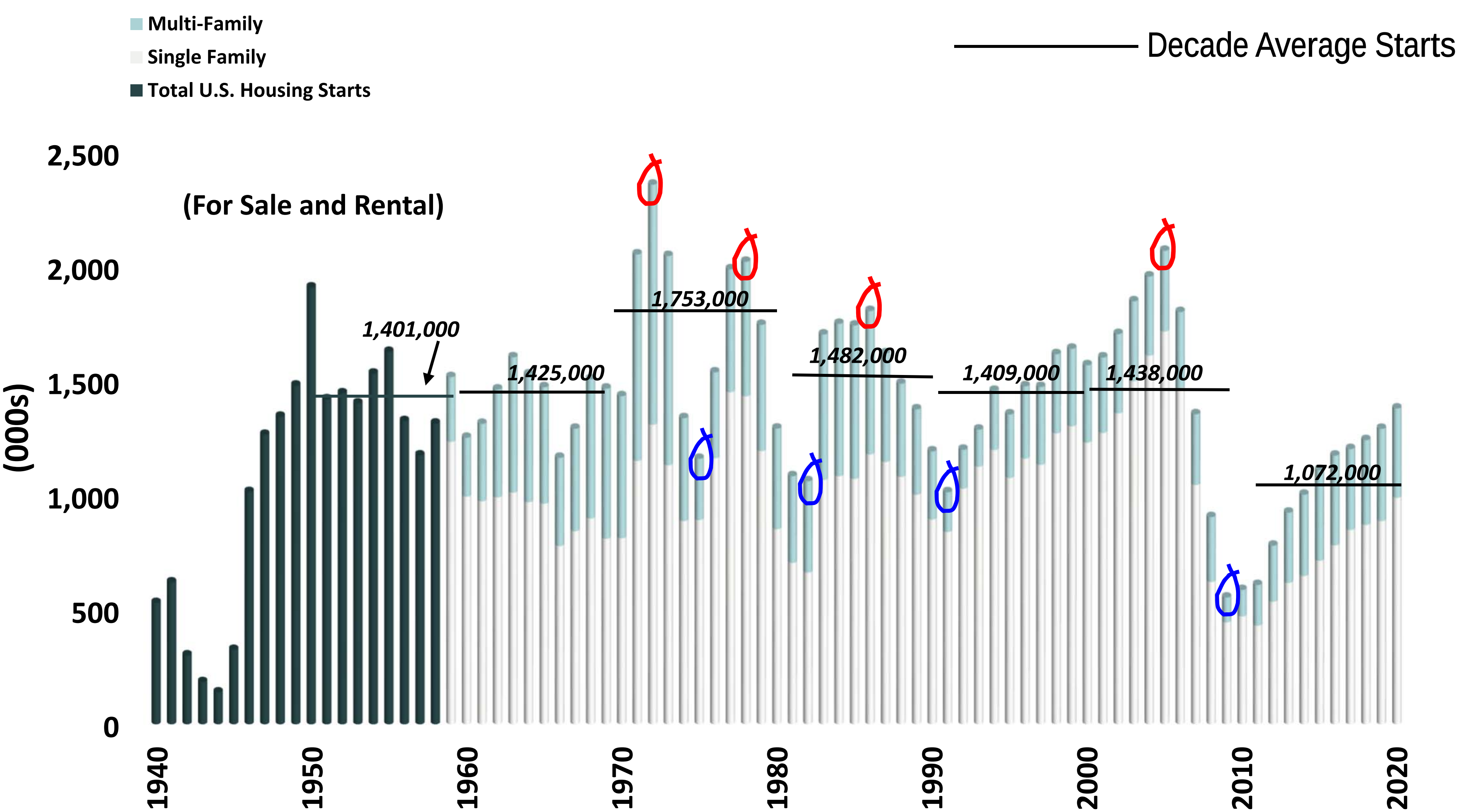
US Housing Production in Retrospective

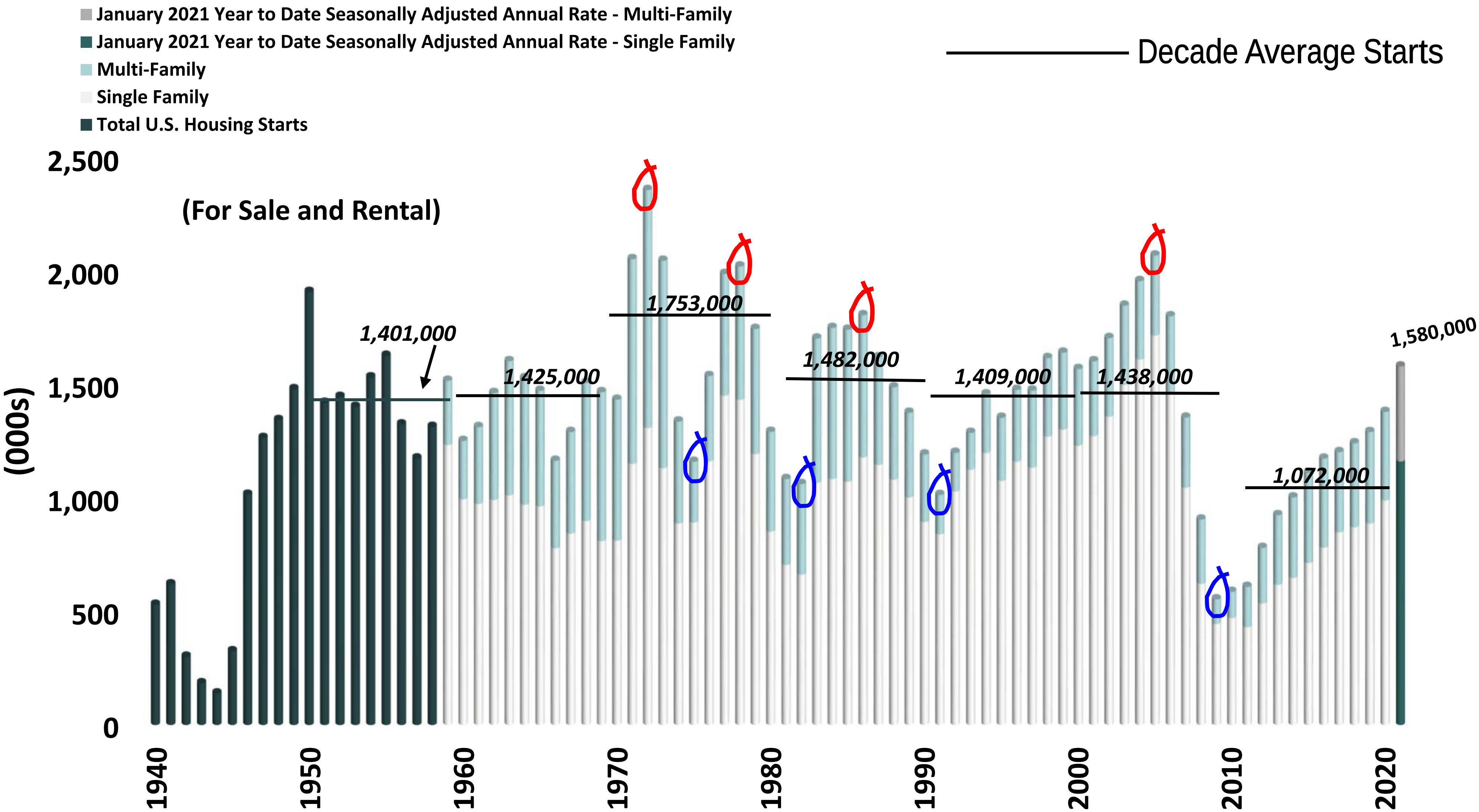


Population Greater

US Population								
In millions	132.2	151.3	179.3	203.2	226.5	248.7	281.4	308.7

Source: U.S. Census Bureau. 2018 – 2028 demand projections are from Joint Center for Housing Studies of Harvard University.

US Housing Production in Retrospective



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Source: U.S. Census Bureau. 2018 – 2028 demand projections are from Joint Center for Housing Studies of Harvard University.

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Mortgage Rates Near Historical Lows

Source: Freddie Mac.

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Appendix

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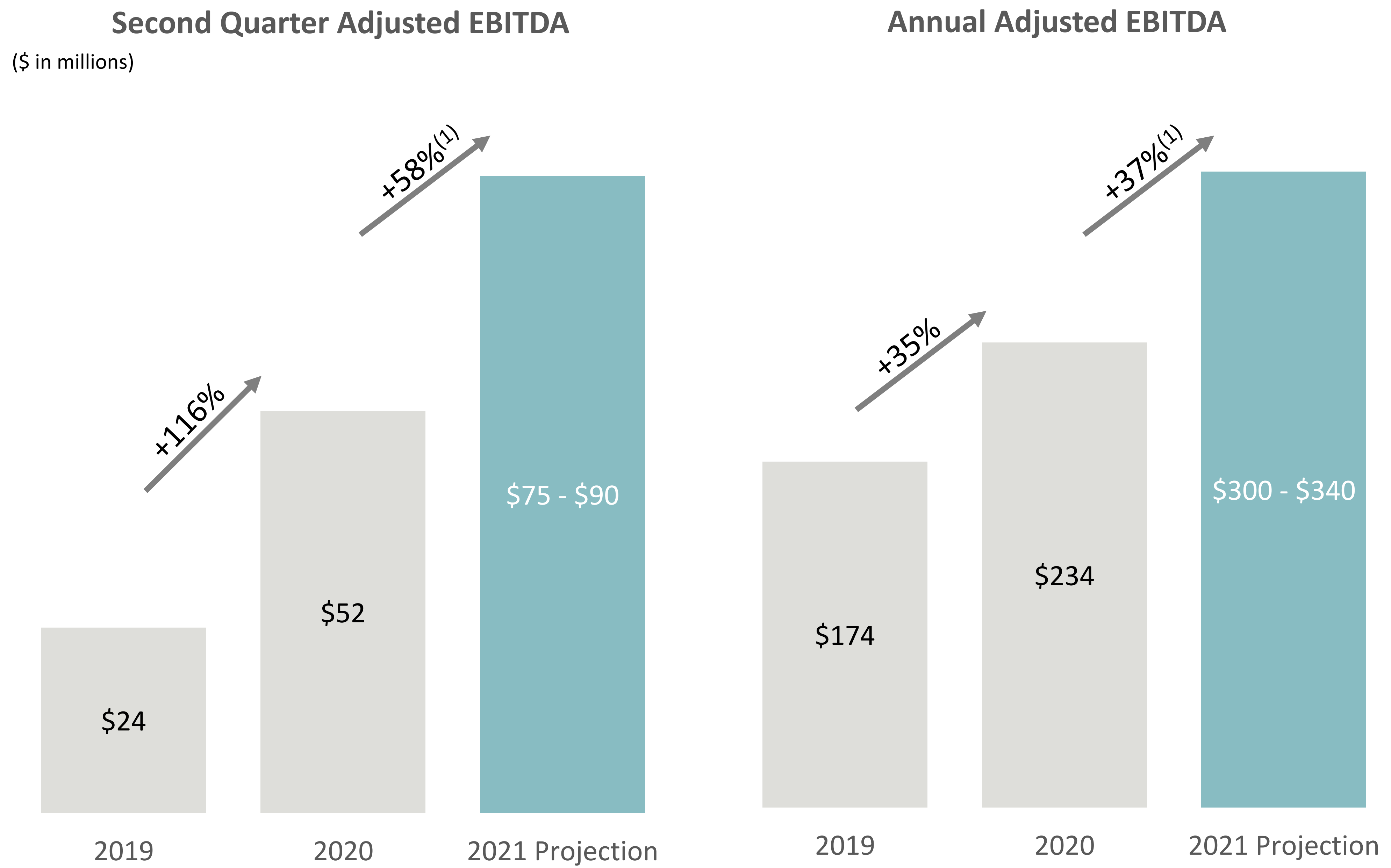
Land Positions by Geographic Segment

	January 31, 2021			
	Owned			
Segment	**Excluding Mothballed Lots**	**Mothballed Lots**	**Optioned Lots**	**Total Lots**
Northeast	597	6	2,478	3,081
Mid-Atlantic	1,729	280	4,489	6,498
Midwest	870	108	847	1,825
Southeast	955	-	2,064	3,019
Southwest	2,734	-	5,270	8,004
West	1,069	1,990	1,296	4,355
Consolidated Total	**7,954**	**2,384**	**16,444**	**26,782**
Unconsolidated Joint Ventures	1,858	-	516	2,374
Grand Total	9,812	2,384	16,960	29,156

- *Option deposits as of January 31, 2021 were $91 million*
- *$16 million invested in pre-development expenses as of January 31, 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.

Strong Adjusted EBITDA Growth



(1) The percentage increases for 2021 are based on the midpoint of our guidance range.
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, inventory impairment loss and land option write offs and gain on extinguishment of debt.

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

Hovnanian Enterprises, Inc.
January 31, 2021
Reconciliation of income (loss) before income taxes excluding land-related charges and gain on extinguishment of debt to income (loss) before income taxes
(In thousands)

	Three Months Ended January 31,	
	2021	2020
	(Unaudited)	
Income (loss) before income taxes	$19,585	$(7,436)
Inventory impairment loss and land option write-offs	1,877	2,828
Gain on extinguishment of debt	-	(9,456)
Income (loss) before income taxes excluding land-related charges and gain on extinguishment of debt (1)	$21,462	$(14,064)

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

Hovnanian Enterprises, Inc.

Reconciliation of Gross Margin

Hovnanian Enterprises, Inc.
January 31, 2021
Gross margin
(In thousands)

	Homebuilding Gross Margin Three Months Ended January 31,	
	2021	2020
	(Unaudited)	
Sale of homes	$551,365	$479,233
Cost of sales, excluding interest expense and land charges (1)	437,372	396,318
Homebuilding gross margin, before cost of sales interest expense and land charges (2)	113,993	82,915
Cost of sales interest expense, excluding land sales interest expense	16,717	18,136
Homebuilding gross margin, after cost of sales interest expense, before land charges (2)	97,276	64,779
Land charges	1,877	2,828
Homebuilding gross margin	$95,399	$61,951
Homebuilding gross margin percentage	17.3%	12.9%
Homebuilding gross margin percentage, before cost of sales interest expense and land charges (2)	20.7%	17.3%
Homebuilding gross margin percentage, after cost of sales interest expense, before land charges (2)	17.6%	13.5%

	Land Sales Gross Margin Three Months Ended January 31,	
	2021	2020
	(Unaudited)	
Land and lot sales	$3,362	$25
Land and lot sales cost of sales, excluding interest and land charges (1)	2,266	37
Land and lot sales gross margin, excluding interest and land charges	1,096	(12)
Land and lot sales interest	448	-
Land and lot sales gross margin, including interest and excluding land charges	$648	$(12)

(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.
January 31, 2021
Reconciliation of adjusted EBITDA to net income (loss)
(In thousands)

	Three Months Ended January 31,	
	2021	2020
	(Unaudited)	
Net income (loss)	$18,959	$(9,148)
Income tax provision	626	1,712
Interest expense	41,140	43,139
EBIT (1)	60,725	35,703
Depreciation and amortization	1,338	1,279
EBITDA (2)	62,063	36,982
Inventory impairment loss and land option write-offs	1,877	2,828
Gain on extinguishment of debt	-	(9,456)
Adjusted EBITDA (3)	$63,940	$30,354
Interest incurred	$41,457	$44,334
Adjusted EBITDA to interest incurred	1.54	0.68

(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.

Reconciliation of Inventory Turnover

Hovnanian Enterprises, Inc.

January 31, 2021

Calculation of Inventory Turnover[1]

		For the quarter ended				**TTM ended**
(Dollars in thousands)		4/30/2020	7/31/2020	10/31/2020	1/31/2021	**1/31/2021**
Cost of sales, excluding interest		$428,027	$499,695	$524,409	$439,638	$1,891,769

	As of					
	1/31/2020	4/30/2020	7/31/2020	10/31/2020	1/31/2021	
Total inventories	$1,295,715	$1,288,497	$1,213,503	$1,195,775	$1,281,149	**Five**
Consolidated inventory not owned	205,215	198,229	194,760	182,224	165,980	**Quarter**
Capitalized interest	67,879	67,744	63,998	65,010	65,327	**Average**
Inventories less consolidated inventory not owned and capitalized interest	$1,022,621	$1,022,524	$954,745	$948,541	$1,049,842	$999,655
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 Adjusted Homebuilding EBIT To Inventory

Hovnanian Enterprises, Inc.
January 31, 2021
Reconciliation of adjusted homebuilding EBIT to inventory
(Dollars in thousands)
(Unaudited)

		For the Three Months Ended				
	LTM(a)	**1/31/2021**	**10/31/2020**	**7/31/2020**	**4/30/2020**	**1/31/2020**
Homebuilding:						
Net loss (income)	$79,035	$18,959	$40,634	$15,363	$4,079	$(9,148)
Income tax benefit (provision)	3,389	626	1,810	853	100	1,712
Interest expense	176,132	41,140	40,648	48,886	45,458	43,139
EBIT (b)	258,556	60,725	83,092	65,102	49,637	35,703
Financial services revenue	(77,645)	(19,497)	(22,492)	(21,295)	(14,361)	(14,014)
Financial services expense	40,860	10,354	10,383	10,493	9,630	9,554
Homebuilding EBIT (b)	221,771	51,582	70,983	54,300	44,906	31,243
Inventory impairment loss and land option write-offs	7,862	1,877	2,611	2,364	1,010	2,828
Other operations	1,180	278	422	266	214	194
Loss (gain) on extinguishment of debt	(3,881)	0	0	(4,055)	174	(9,456)
Loss (income) from unconsolidated joint ventures	(16,941)	(1,916)	(3,146)	(5,658)	(6,221)	(1,540)
Adjusted homebuilding EBIT (b)	$209,991	$51,821	$70,870	$47,217	$40,083	$23,269
		As of				
		1/31/2021	**10/31/2020**	**7/31/2020**	**4/30/2020**	**1/31/2020**
Total inventories		$1,281,149	$1,195,775	$1,213,503	$1,288,497	$1,295,715
Consolidated inventory not owned		165,980	182,224	194,760	198,229	205,215
Capitalized interest		65,327	65,010	63,998	67,744	67,879
	Five Quarter Average					
Inventories less consolidated inventory not owned and capitalized interest	$999,655	$1,049,842	$948,541	$954,745	$1,022,524	$1,022,621
Adjusted homebuilding EBIT to inventory	21.0064%					

(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.

Reconciliation of Inventory Turnover

Calculation of Inventory Turnover[1]						
		For the Quarter Ended				Annual Key
(Dollars In Thousands)		2	3	4	5	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]						
						TTM
		For the Quarter Ended				Ended
(Dollars In Thousands)		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 Gross Margin

Gross Margin		
	(Unaudited)	
($ in thousands)	TTM April 30, 2018	Annual Key Metric Target
Sale of homes	$2,110,759	$2,570,000
Cost of Sales, excluding interest expense	1,738,048	2,070,000
Homebuilding gross margin, before cost of sales interest expense and land charges	372,711	500,000
Cost of sales interest expense, excluding land sales interest expense	67,616	100,000
Homebuilding gross margin, after cost of sales interest expense, before land charges	305,095	400,000
Land charges	15,763	10,000
Homebuilding gross margin, after cost of sales interest expense and land charges	$289,332	$390,000
Homebuilding gross margin percentage, before cost of sales interest expense and land charges	17.7%	19.5%
Homebuilding gross margin percentage, after cost of sales interest expense, before land charges	14.5%	15.6%
Homebuilding gross margin, after cost of sales interest expense and land charges	13.7%	15.2%

Hovnanian Enterprises, Inc.

Reconciliation of Adjusted EBITDA

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

	(Unaudited)	
(Dollars In Thousands)	**TTM April 30, 2018**	**Annual Key Metric Target**
Net (Loss) Income	$(366,000)	$67,500
Income Tax Provision (Benefit)	288,083	22,500
Interest Expense	189,132	171,000
EBIT	111,215	261,000
Inventory Impairment Loss and Land Option Write-offs	15,763	10,000
Loss on Extinguishment of Debt	43,698	–
Adjusted EBIT	$170,676	$271,000
EBIT	$111,215	$261,000
Depreciation	3,675	2,000
Amortization of Debt Costs	–	2,000
EBITDA	114,890	265,000
Inventory Impairment Loss and Land Option Write-offs	15,763	10,000
Loss on Extinguishment of Debt	43,698	–
Adjusted EBITDA	$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, 2018**	**Annual Key Metric Target**
Income (Loss) Before Income Taxes	$(77,917)	$90,000
Inventory Impairment Loss and Land Option Write-Offs	15,763	10,000
Unconsolidated Joint Venture Investment Write-Downs	3,423	–
Loss on Extinguishment of Debt	43,698	–
Income (Loss) Before Income Taxes Excluding Land-Related Charges, Joint Venture Write-Downs and Loss on Extinguishment of Debt	$(15,033)	$100,000

Hovnanian Enterprises, Inc.