Hovnanian Enterprises, Inc.

Review of Financial Results | Fourth 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 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) changes in general and local economic, industry and business conditions and impacts of a significant homebuilding downturn; (2) adverse weather and other environmental conditions and natural disasters; (3) high leverage and restrictions on the Company's operations and activities imposed by the agreements governing the Company's outstanding indebtedness; (4) availability and terms of financing to the Company; (5) the Company's sources of liquidity; (6) changes in credit ratings; (7) the seasonality of the Company's business; (8) the availability and cost of suitable land and improved lots and sufficient liquidity to invest in such land and lots; (9) shortages in, and price fluctuations of, raw materials and labor; (10) reliance on, and performance of, subcontractors; (11) 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; (12) fluctuations in interest rates and the availability of mortgage financing; (13) increases in cancellations of agreements of sale; (14) changes in tax laws affecting the after-tax costs of owning a home; (15) operations through unconsolidated joint ventures with third parties; (16) government regulation, including regulations concerning development of land, the home building, sales and customer financing processes, tax laws and the environment; (17) product liability litigation, warranty claims and claims made by mortgage investors; (18) levels of competition; (19) successful identification and integration of acquisitions; (20) significant influence of the Company's controlling stockholders; (21) availability of net operating loss carryforwards; (22) utility shortages and outages or rate fluctuations; (23) geopolitical risks, terrorist acts and other acts of war; (24) loss of key management personnel or failure to attract qualified personnel; (25) information technology failures and data security breaches; (26) legal claims brought against us and not resolved in our favor; (27) negative publicity; and (28) 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.

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 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 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.

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

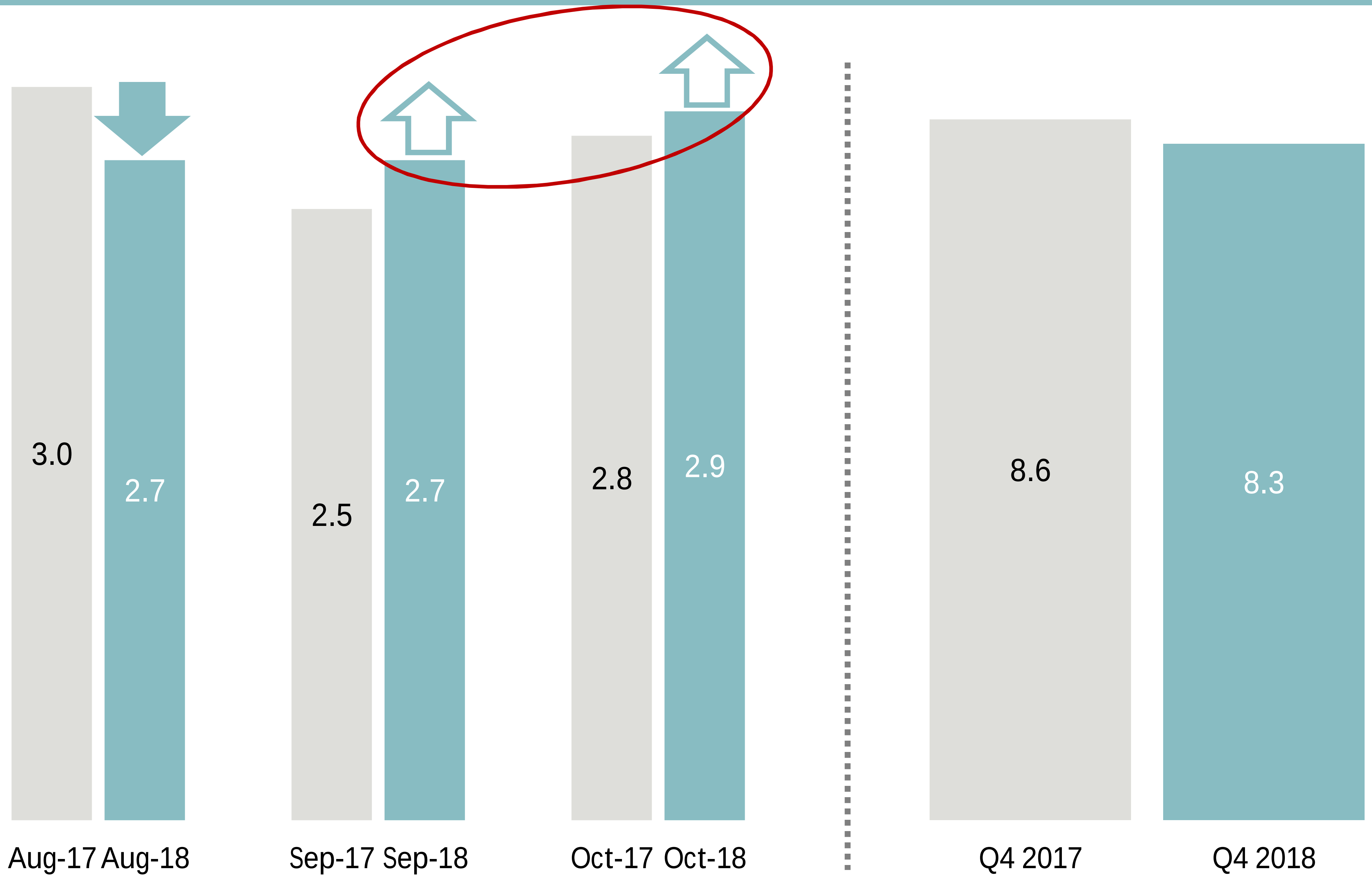
Total liquidity is comprised of $187.9 million of cash and cash equivalents, $12.7 million of restricted cash required to collateralize letters of credit and $125.0 million of availability under the senior secured revolving credit facility as of October 31, 2018.

($ in millions)

	Public Guidance	Actuals
Total Revenues	$600 - $640	$615
Adjusted Homebuilding Gross Margin[1]	17.8% - 18.4%	19.2%
Total SG&A as Percentage of Total Revenues	9.0% - 10.0%	8.3%
Adjusted Income Before Income Taxes[2]	$20 - $40	$51
Net Income	-	$46

(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) 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.

Our Contracts Per Community



Note: Includes joint ventures.

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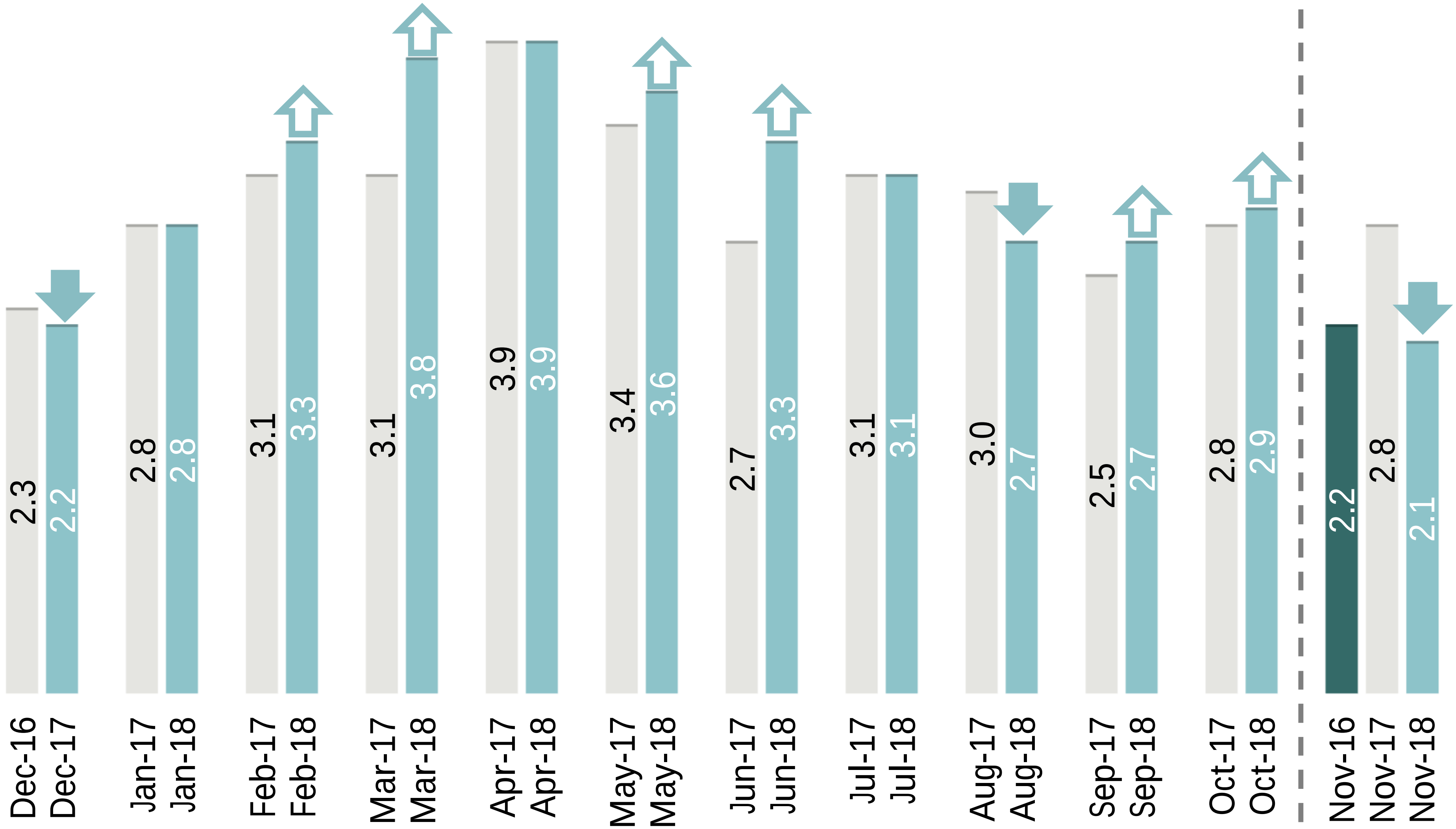
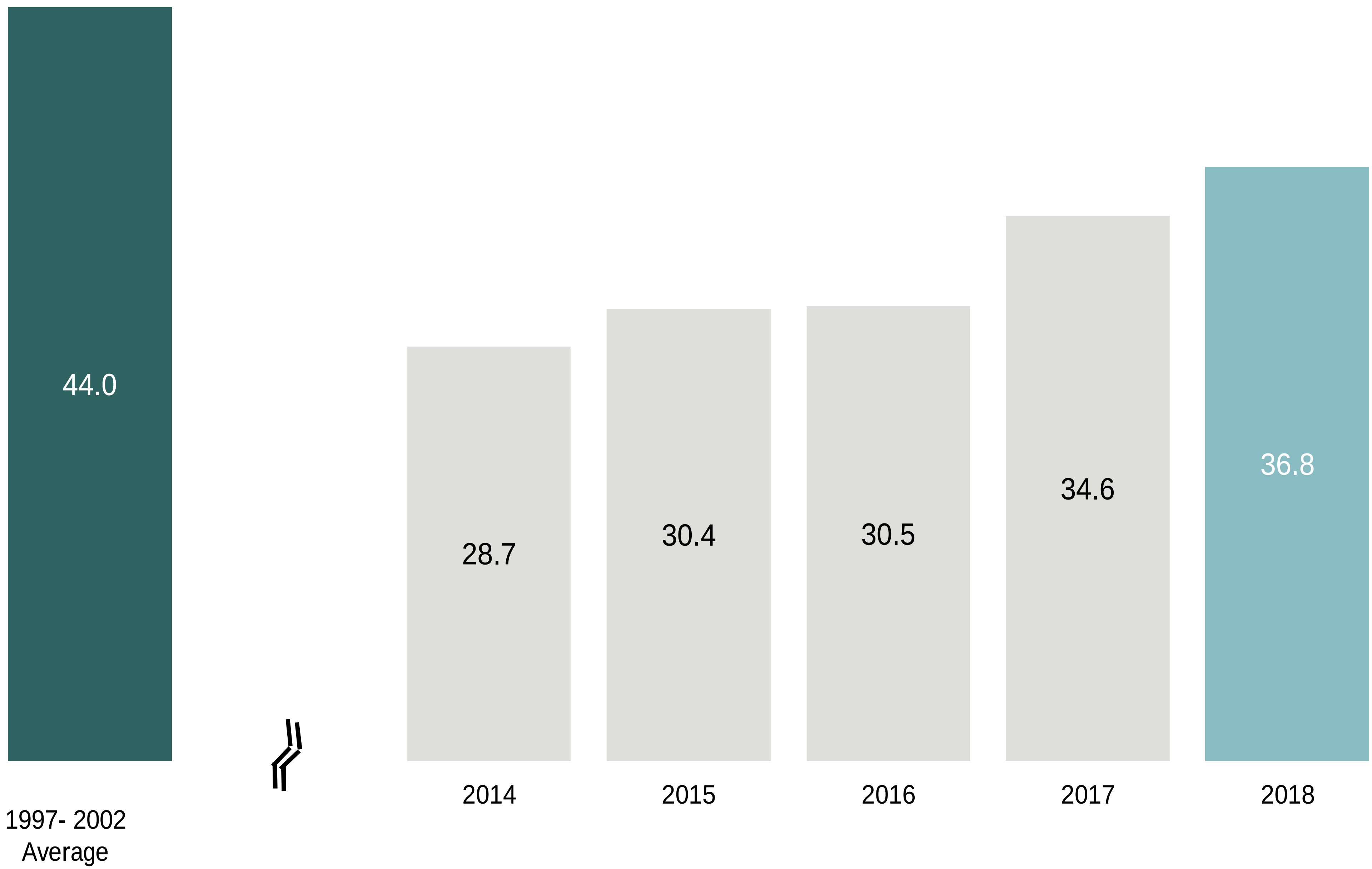
Number of Monthly Contracts Per Community, Includes Joint Ventures



Number of Sundays	4	5	5	4	4	4	4	4	5	5	4	4	4	4	5	5	4	4	4	5	5	4	4	4	4
	Dec-16	Dec-17	Jan-17	Jan-18	Feb-17	Feb-18	Mar-17	Mar-18	Apr-17	Apr-18	May-17	May-18	Jun-17	Jun-18	Jul-17	Jul-17	Aug-17	Aug-18	Sep-17	Sep-18	Oct-17	Oct-18	Nov-16	Nov-17	Nov-18
Monthly contracts	415	348	497	459	562	528	531	586	655	592	567	523	444	482	522	446	492	379	408	386	444	414	400	443	317

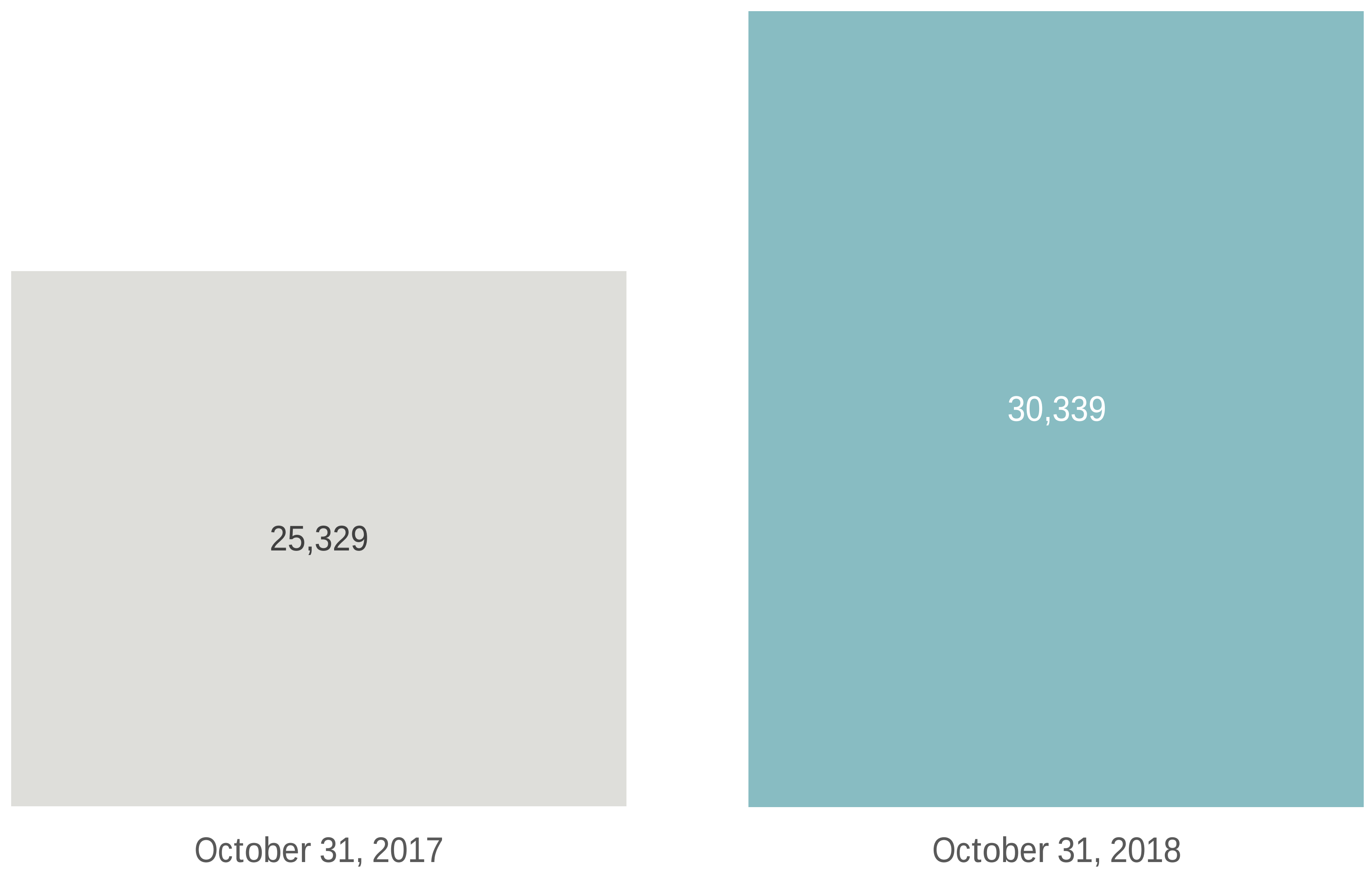
Note: Includes joint ventures.

Annual Contracts Per Community



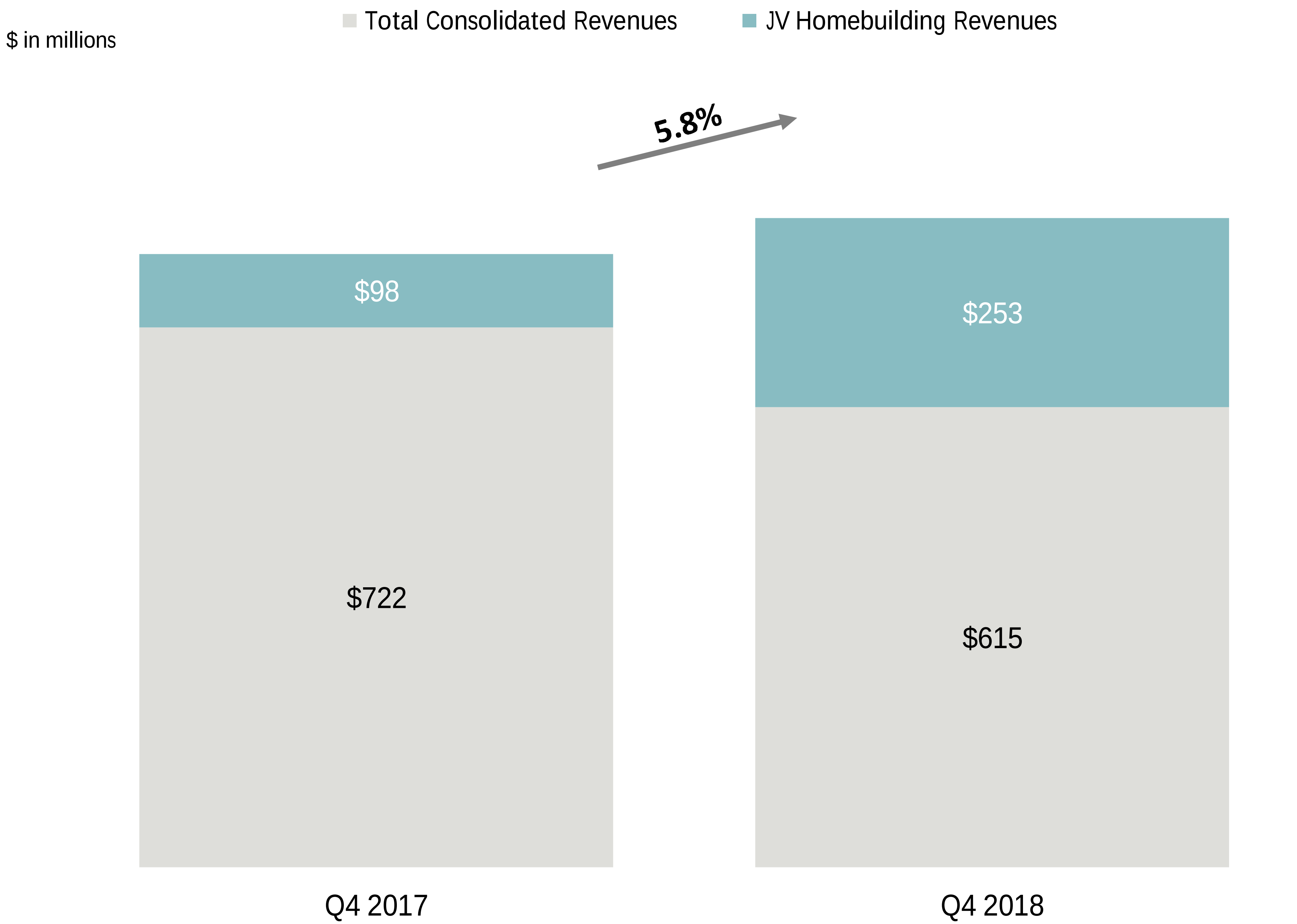
Note: Annual Contracts per Community calculated based on a five quarter average of communities, including joint ventures.

Lots Controlled



Note: Excludes unconsolidated joint ventures.

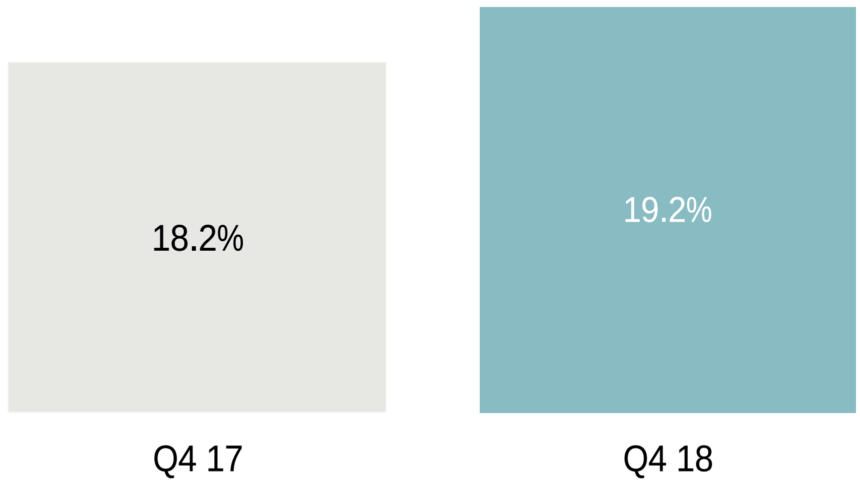
Revenues


Total Consolidated Revenues
JV Homebuilding Revenues
$ in millions
5.8%
$98
$722
$253
$615
Q4 2017
Q4 2018

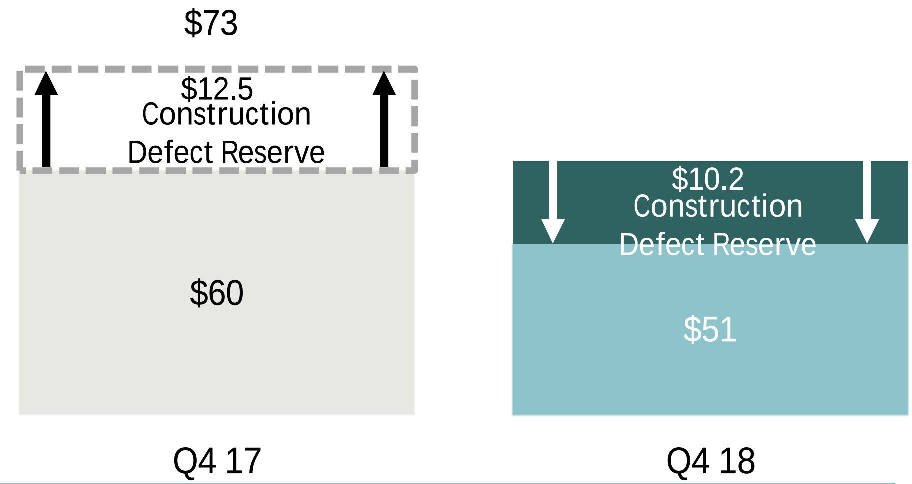
Fourth Quarter Operating Results

($ in millions)

Adjusted Homebuilding Gross Margin[1]

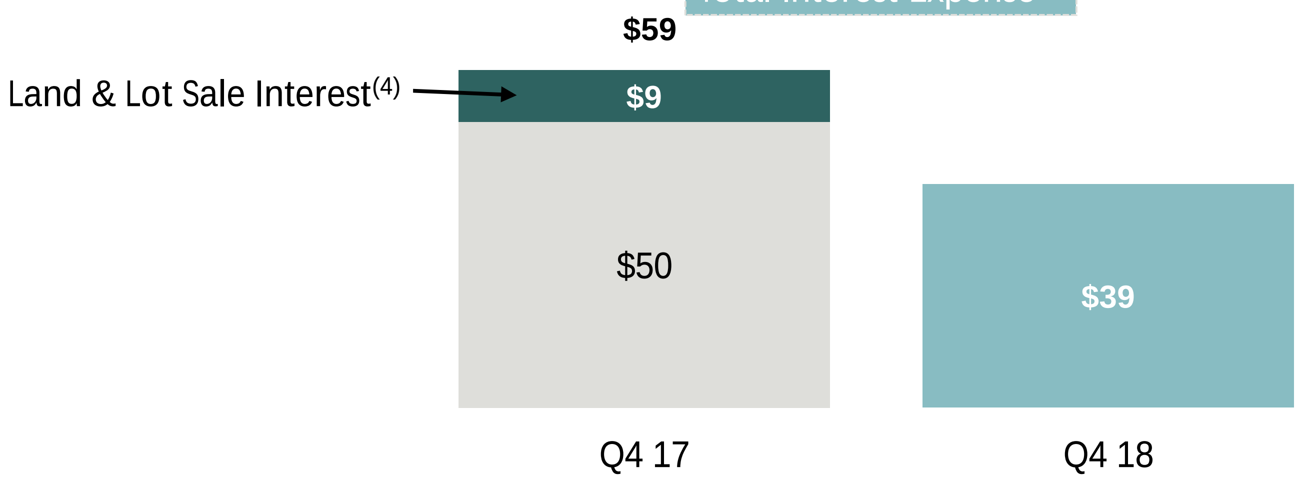


Total SG&A[2]



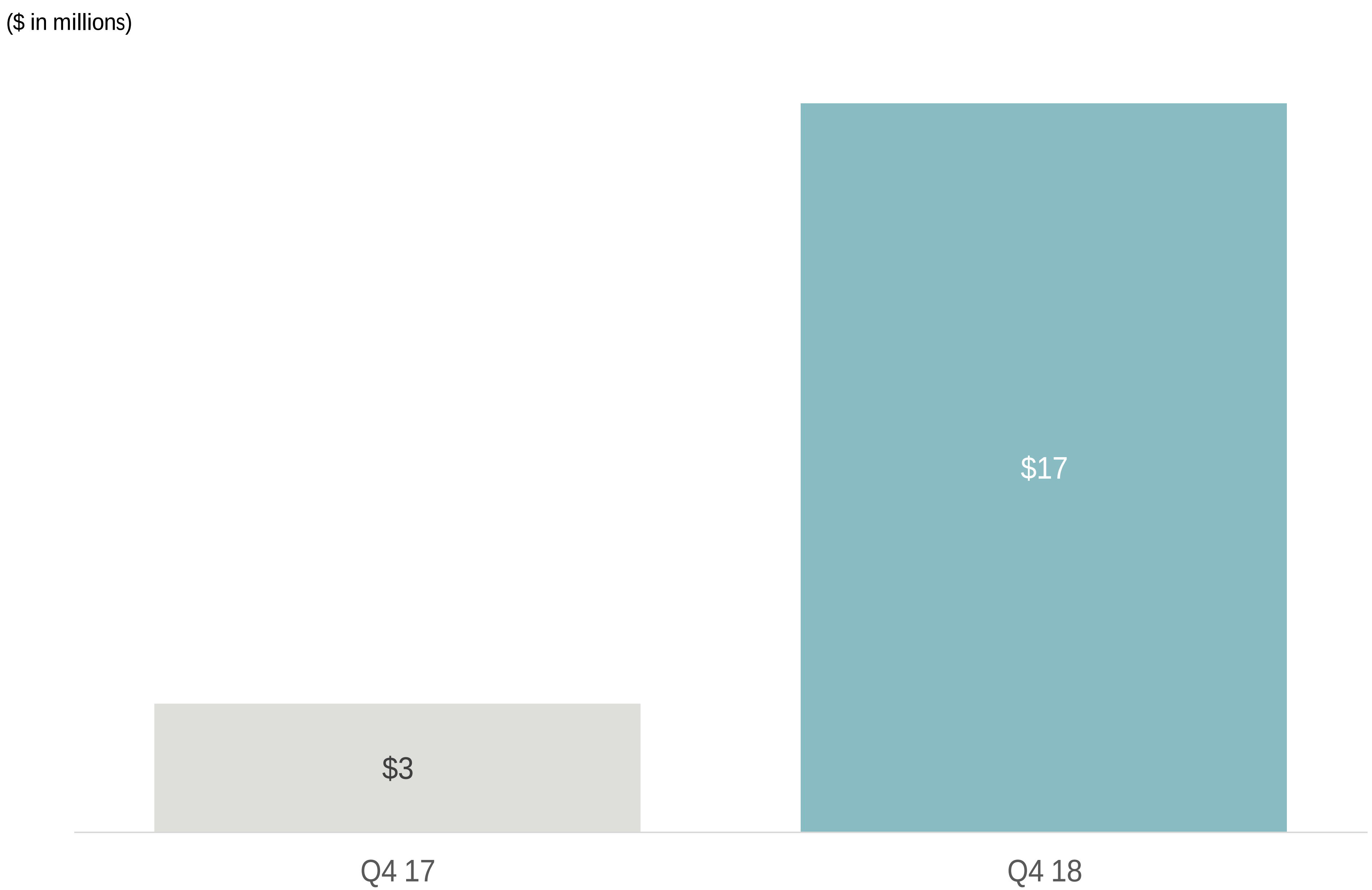
	Q4 17	Q4 18
Adjusted SG&A[3]	$60	$61

Total Interest Expense[4]

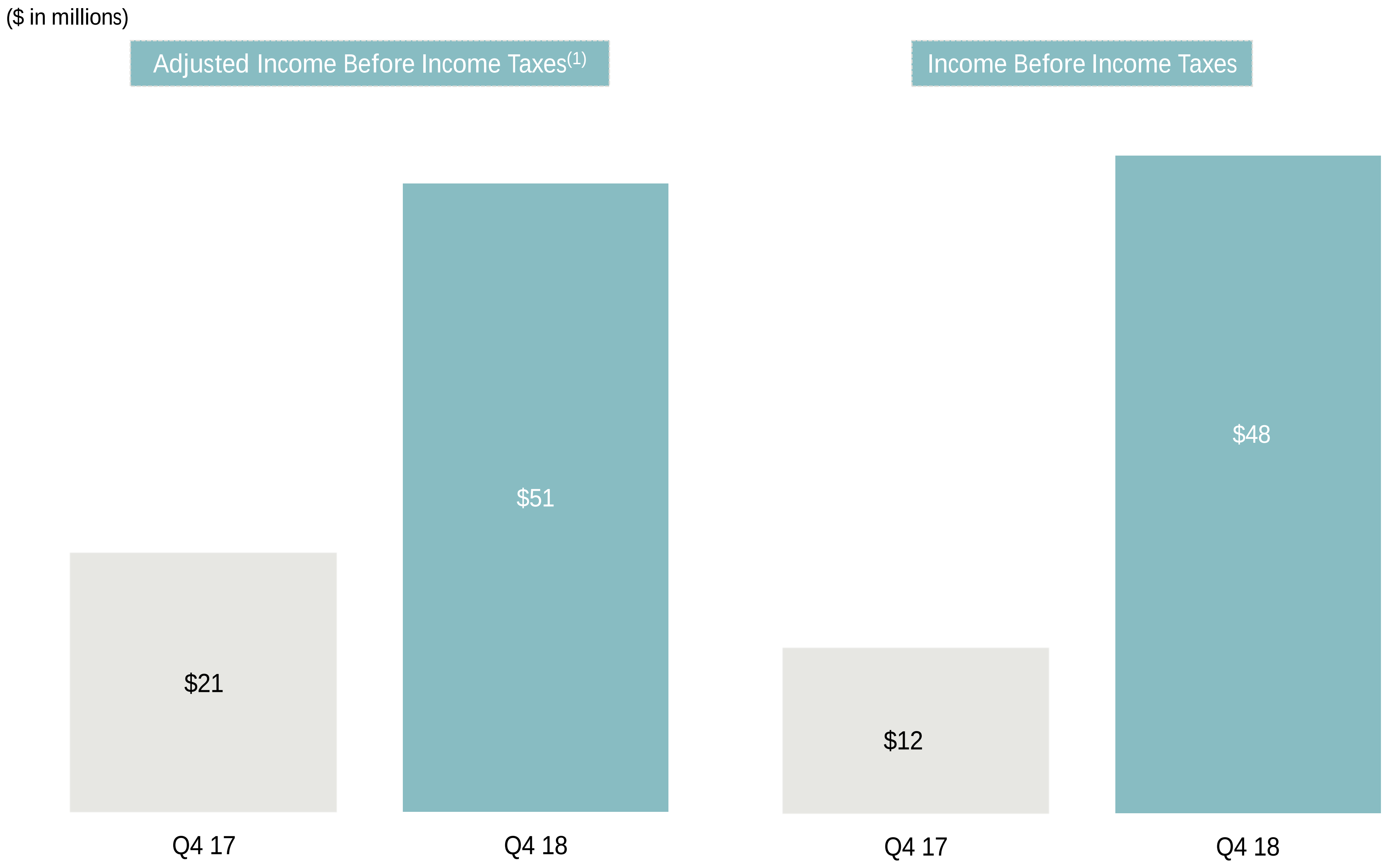


(1) Adjusted homebuilding gross margin percentage is before cost of sales interest expense and land charges. See appendix for a reconciliation to the most directly comparable GAAP measure.
(2) Total SG&A includes homebuilding selling, general and administrative costs and corporate general and administrative costs.
(3) 2017 Q4 reported SG&A of $73 million includes a $12.5 million adjustment to in our construction defect reserve. 2018 Q4 reported SG&A of $51 million includes $10.0 million decrease due to a substantial reduction in our construction defect reserve based on our annual actuarial study.
(4) 2017 Q4 includes $8.9 million of land and lot sales interest compared with $0.04 million in 2018 Q4.

Income from Joint Ventures

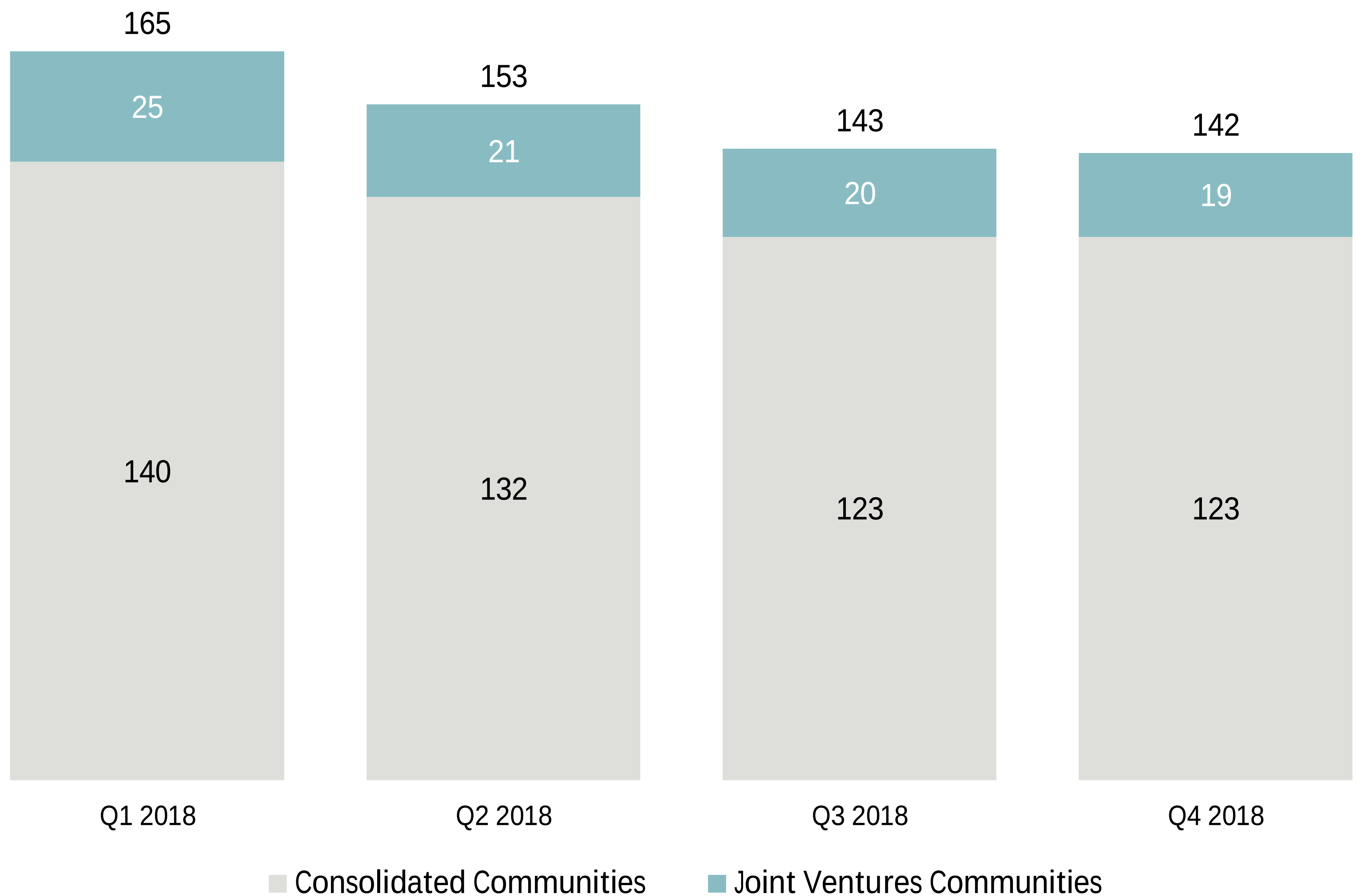


Pre-Tax Profitability



(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.

Community Count Trending Down



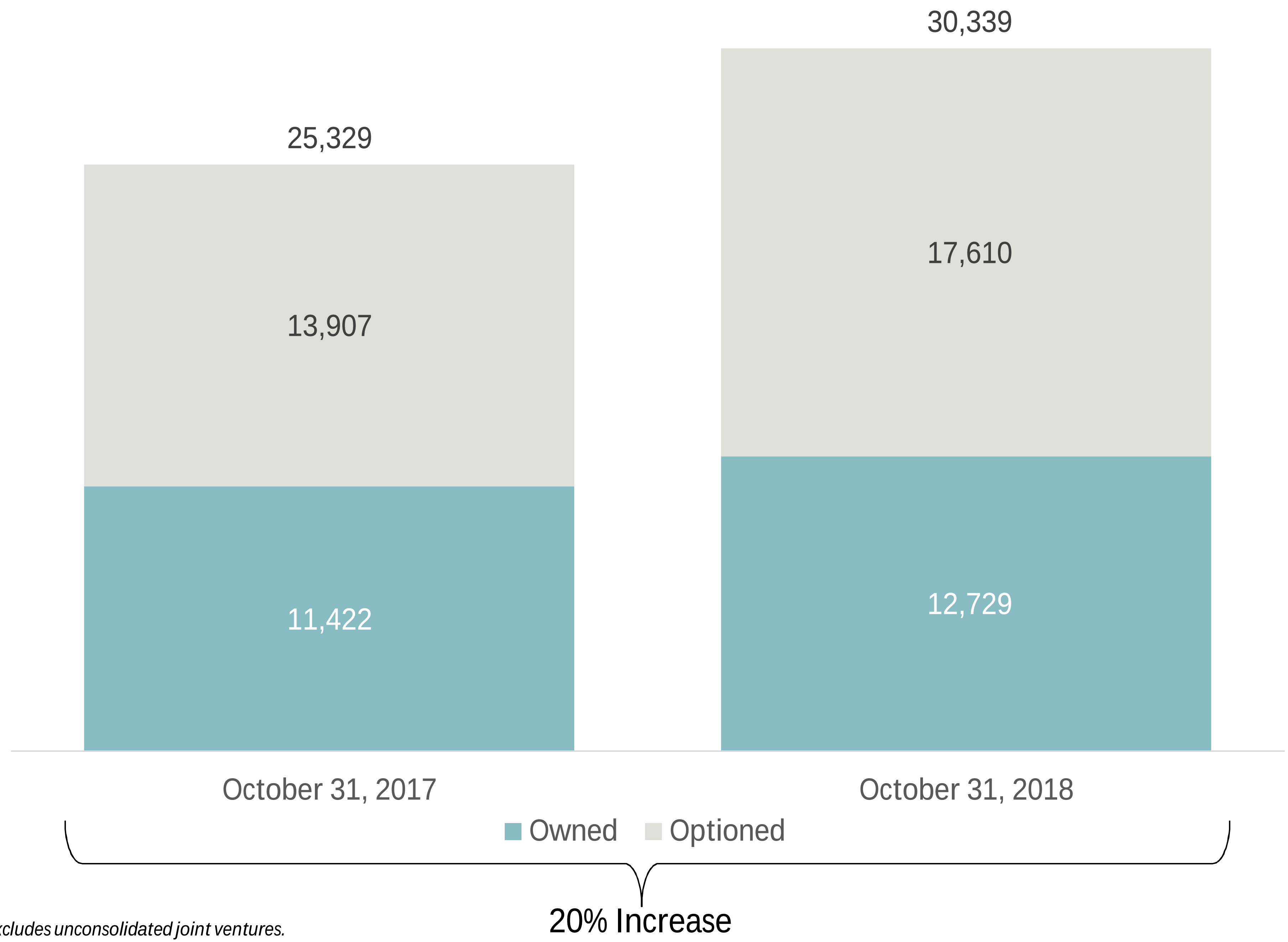
Note: Communities are open for sale communities with 10 or more home sites available.

Increase in Newly Controlled Lots

	FY 2018[1]
Newly Controlled Lots[2]	10,050
Deliveries & Lot Sales	5,040
# of Newly Controlled Lots in Excess of Deliveries	5,010
Newly Controlled Lots as a Percentage of Deliveries & Lot Sales	199%

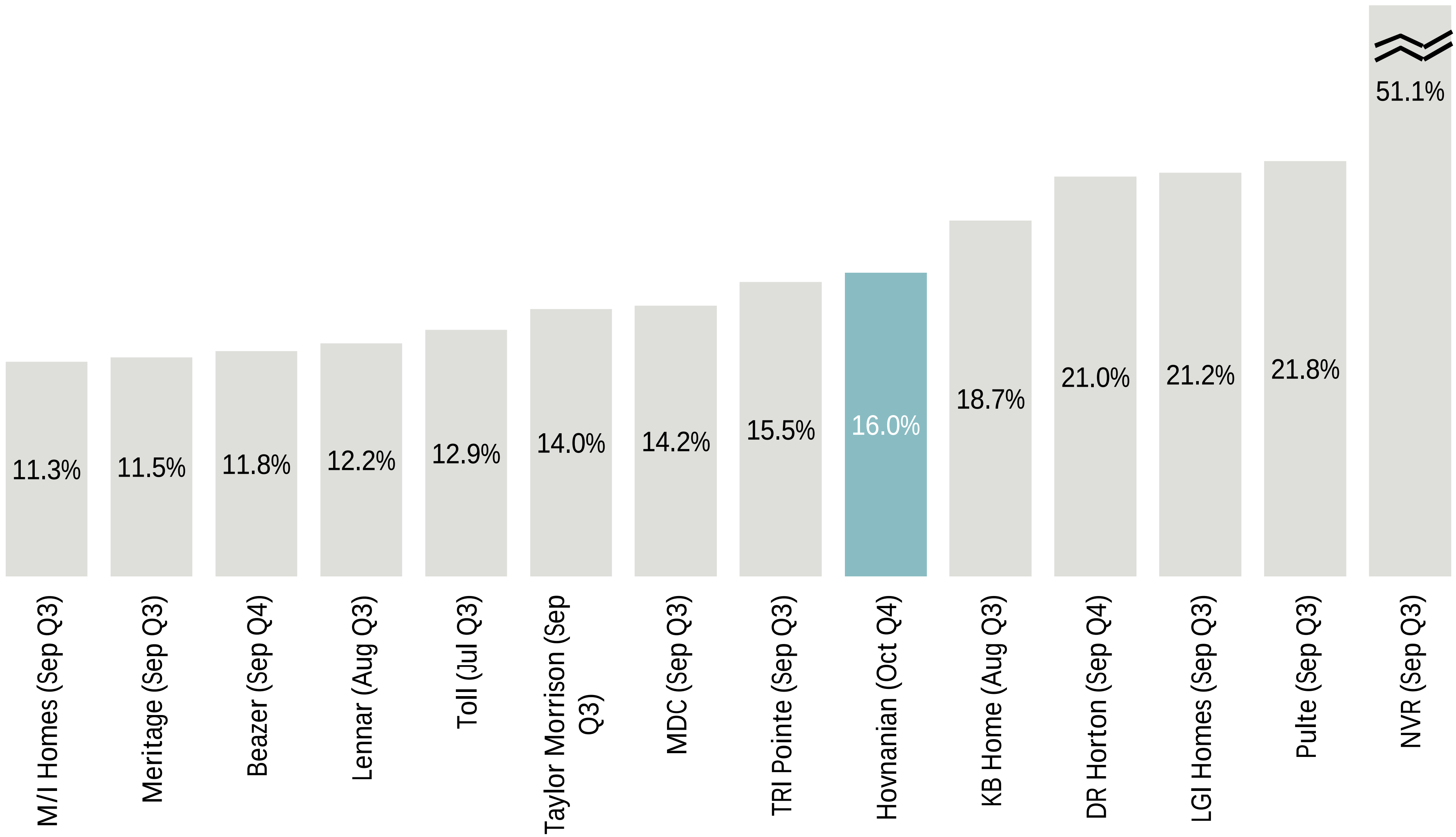
(1) Excludes unconsolidated joint ventures.
(2) Includes newly optioned lots net of walk aways, as well as lots purchased that were not previously optioned.

Total Lots Controlled



Note: Excludes unconsolidated joint ventures.

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 12/06/18. See appendix for a reconciliation to the most directly comparable GAAP measure.

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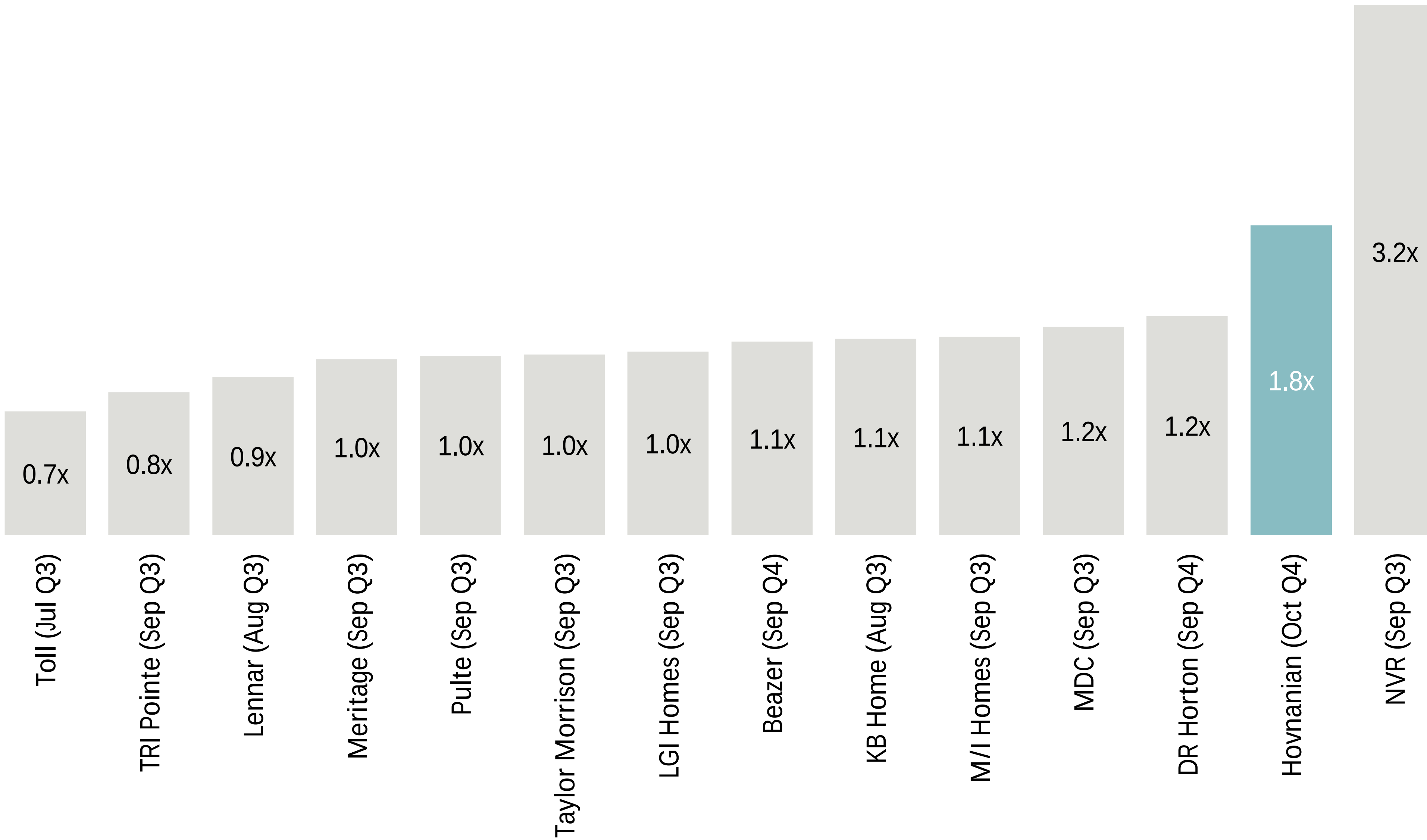
Inventory Turns (COGS), Last Twelve Months

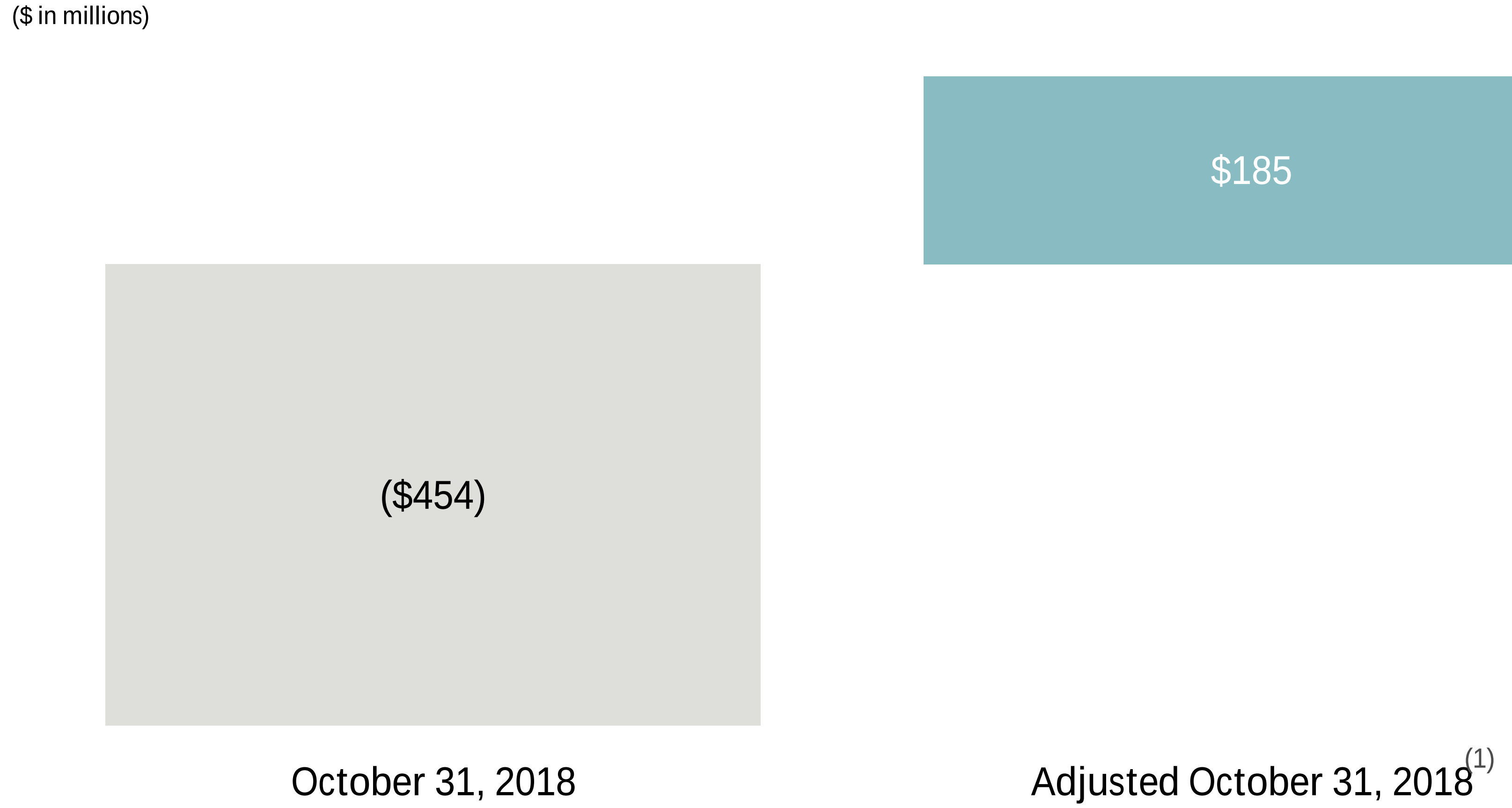


Note: Inventory turns derived by dividing cost of sales, excluding capitalized interest, by the five quarter average homebuilding inventory, excluding inventory not owned and capitalized interest. See appendix for a reconciliation to the most directly comparable GAAP measure.

Source: Company SEC filings and press releases as of 12/06/18.

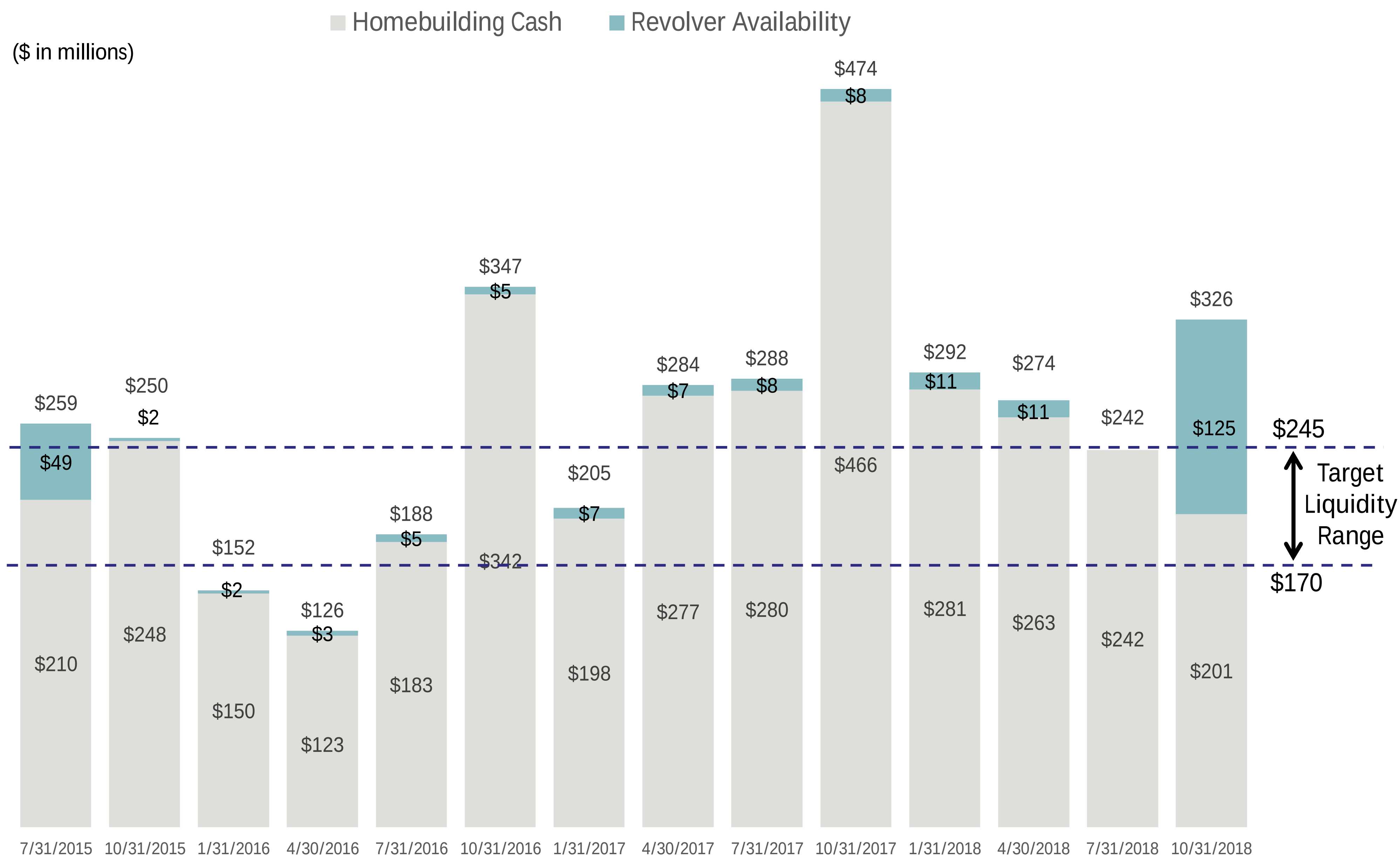
Adjusted Hovnanian Stockholders' Equity

- *Deferred tax asset will shield approximately $2.0 billion of future pretax earnings from federal income taxes which will help accelerate repairing our balance sheet*



(1) Total Hovnanian Stockholders' Deficit of $(454) million with $638 million valuation allowance added back to Stockholders' Equity. The $638 million valuation allowance consisted of a $428 million federal valuation allowance and a $210 million state valuation allowance.

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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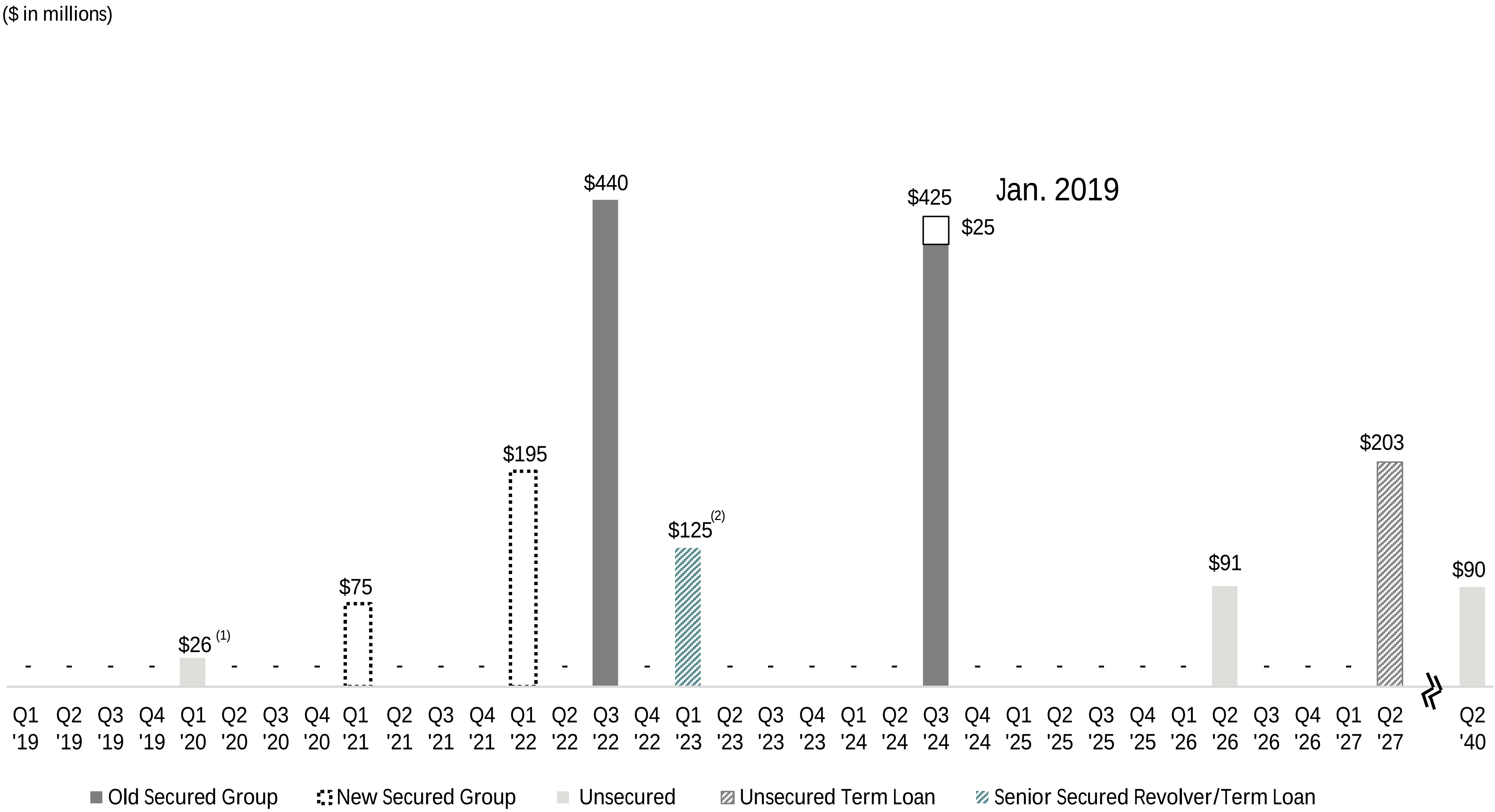
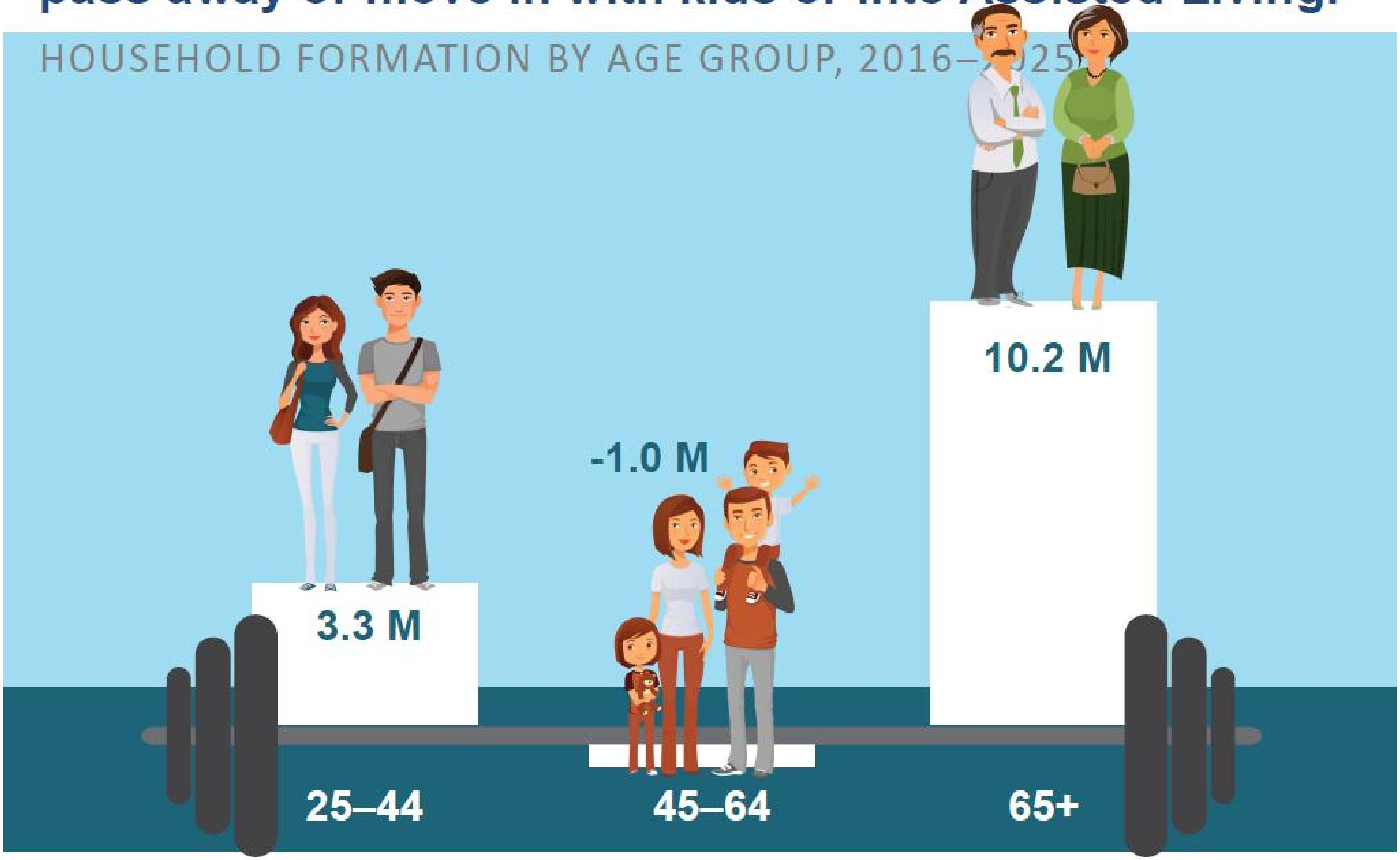
Pre and Pro Forma Maturity Profile

October 31, 2018 Pro Forma for $25M Tack On in January 2019



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 October 31, 2018. Becomes a term loan in December 2019 with final maturity in December 2022.

Our aging society reduces the need for housing production. Seniors create housing supply when they pass away or move in with kids or into Assisted Living.



Source: John Burns Real Estate Consulting, LLC

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Appendix

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Coverage for Super Priority Term Loan, Senior Secured Revolver, 10.0% Secured Notes Due 2022 and 10.5% Secured Notes Due 2024

($ in Thousands)

	July 31, 2018	October 31, 2018[3]
Cash and cash equivalents	$155,400	$125,600
Mortgaged Inventory	$456,700	$437,900
Pledged equity value of subsidiaries without inventory liens[1]	$79,400	$81,800
Total Collateral	$691,500	$645,300
Plus equity value of subsidiaries with non-recourse loans[2]	$102,700	$110,900
Total Adjusted Collateral	$794,200	$756,200
Total principal amount of secured debt	$915,000	$840,000
Adjusted Collateral Ratio	0.87x	0.90x

(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) *Super priority term loan paid in full in fourth quarter of 2018. Senior secured revolver, with $125 million capacity, has a $0 balance as of October 31, 2018, becoming a term loan in December 2019 with full maturity in December 2022.*

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

($ in Thousands)

	July 31, 2018	October 31, 2018
Cash and cash equivalents	$86,600	$75,000
Mortgaged Inventory	$164,200	$139,200
Pledged equity value of subsidiaries without inventory liens(1)	$15,900	$18,700
Total Collateral	$266,700	$232,900
Plus equity value of subsidiaries with non-recourse loans(2)	$18,000	$33,500
Total Adjusted Collateral	$284,700	$266,400
Total principal amount of secured debt	$270,000	$270,000
Adjusted Collateral Ratio	1.05x	0.99x
Total Adjusted Collateral	$284,700	$266,400
Plus equity interests in joint ventures(3)	$96,000	$114,800
Total Assets Available for secured debt	$380,700	$381,200
Total principal amount of secured debt	$270,000	$270,000
Asset Coverage Ratio	1.41x	1.41x

(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)

	July 31, 2018	October 31, 2018
Total Assets	$1,668,500	$1,662,000
less Inventory Not Owned	$(97,000)	$(87,900)
less Financial Services Assets	$(107,900)	$(164,900)
Assets Available to All Notes	$1,463,600	$1,409,200
less non-recourse mortgages	$(95,400)	$(95,600)
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)	$(840,000)
Assets available to All Unsecured Notes	$183,200	$203,600

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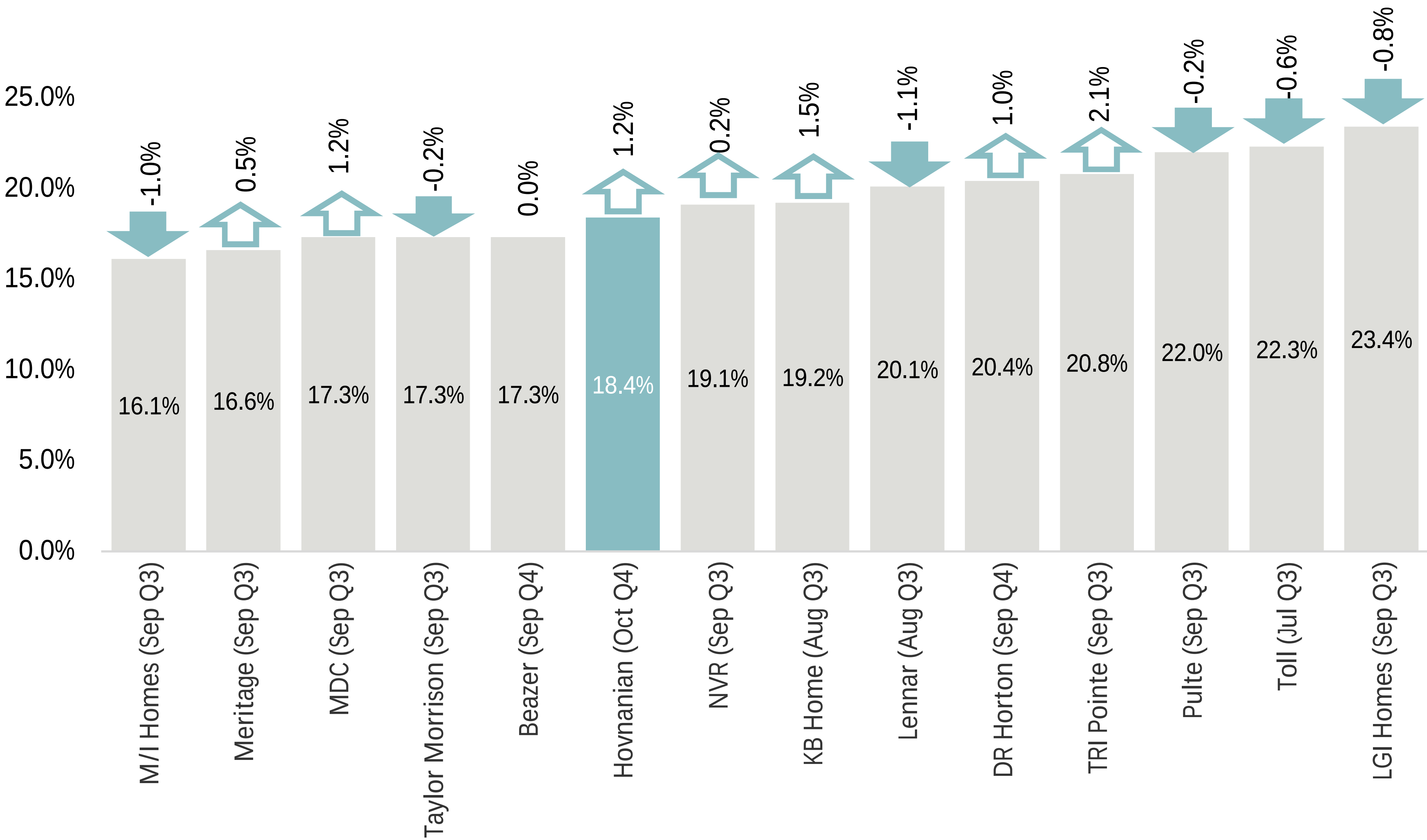
Adjusted Gross Margin Percentage, Last Twelve Months

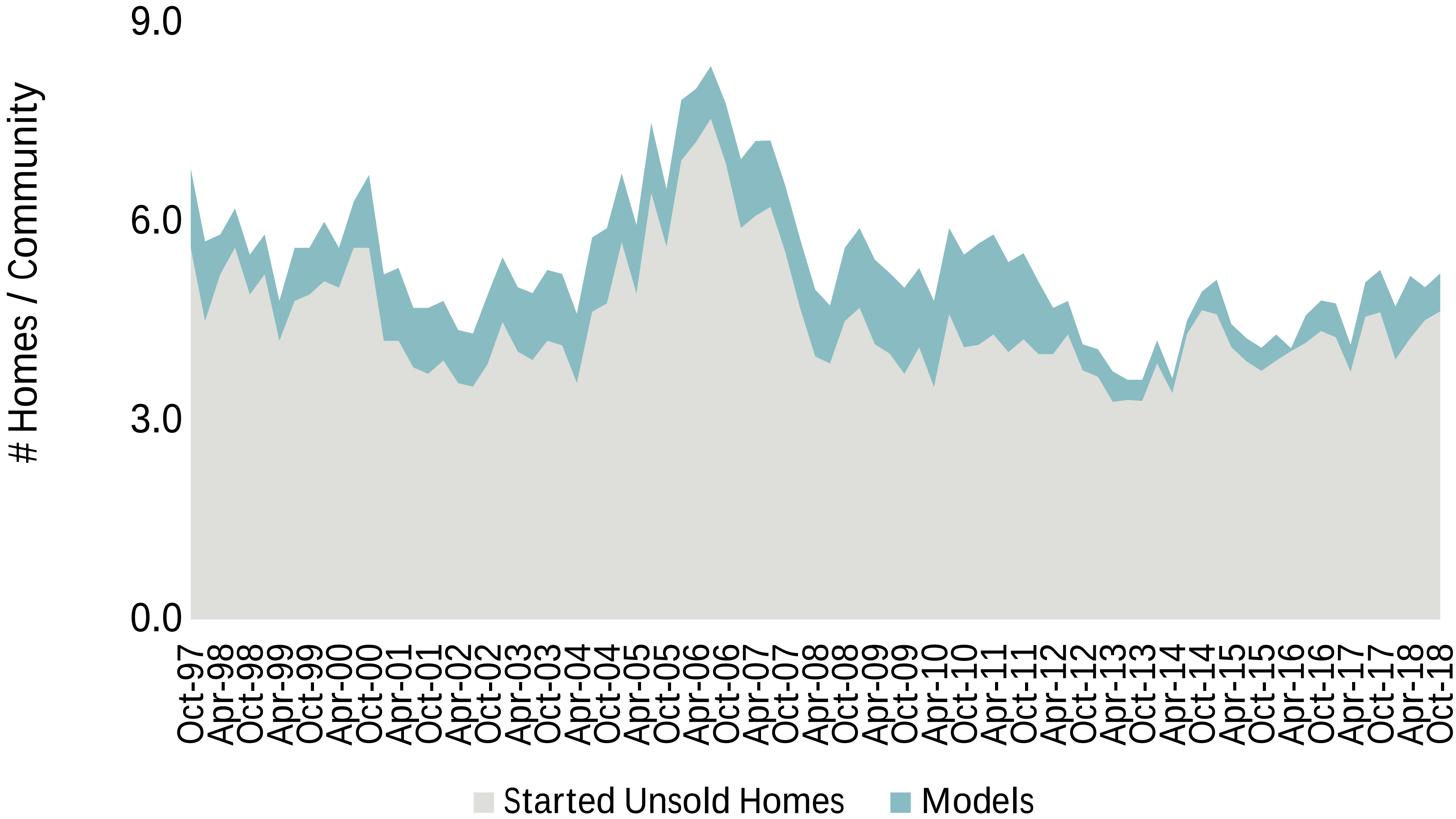
(adjusted for sales commissions) (year over year change)



Note: Hovnanian sales commission was 3.5% in the most recent quarter. Reduced Cal Atlantic, KB Home, Lennar, LGI Homes, MDC, Meritage, M/I Homes, Pulte, Taylor Morrison and Tri Pointe publicly reported results by full 3.5% because all of their sales commissions are reported in SG&A. Reduced DR Horton and Toll publicly reported results by 1.8% because only some of their sales commissions were reported in SG&A. Beazer reports commission separately and is reduced by 3.9%.
Source: Company SEC filings and press releases as of 12/06/18
Note: Excluding interest and impairments.

Unsold Homes per Community

- *571 started unsold homes at 10/31/18, excluding models*
- *4.6 average started unsold homes per community since 1997*
- *As of October 31, 2018, 4.6 started unsold homes per community*



Note: Excluding joint ventures.

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Land Positions by Geographic Segment

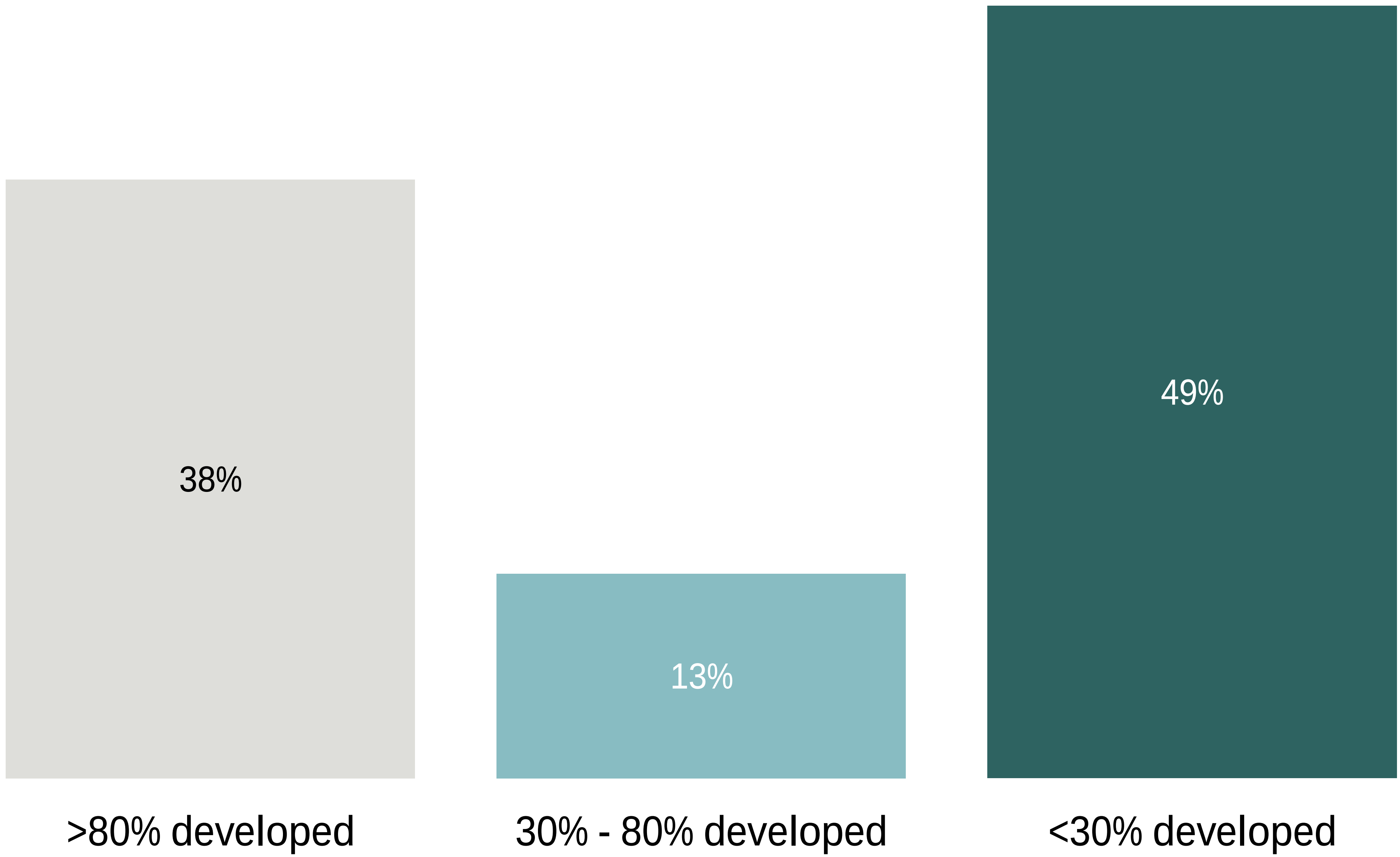
	October 31, 2018			
	Owned			
Segment	Excluding Mothballed Lots	Mothballed Lots	Optioned Lots	Total Lots
Northeast	576	190	3,154	3,920
Mid-Atlantic	1,937	280	2,578	4,795
Midwest	1,361	127	3,052	4,540
Southeast	1,743	-	2,928	4,671
Southwest	2,392	-	4,391	6,783
West	1,698	2,425	1,507	5,630
Consolidated Total	9,707	3,022	17,610	30,339
Joint Ventures	2,331	-	1,698	4,029
Grand Total	12,038	3,022	19,308	34,368

- *Option deposits as of October 31, 2018 were $59 million*
- *$13 million invested in pre-development expenses as of October 31, 2018*

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

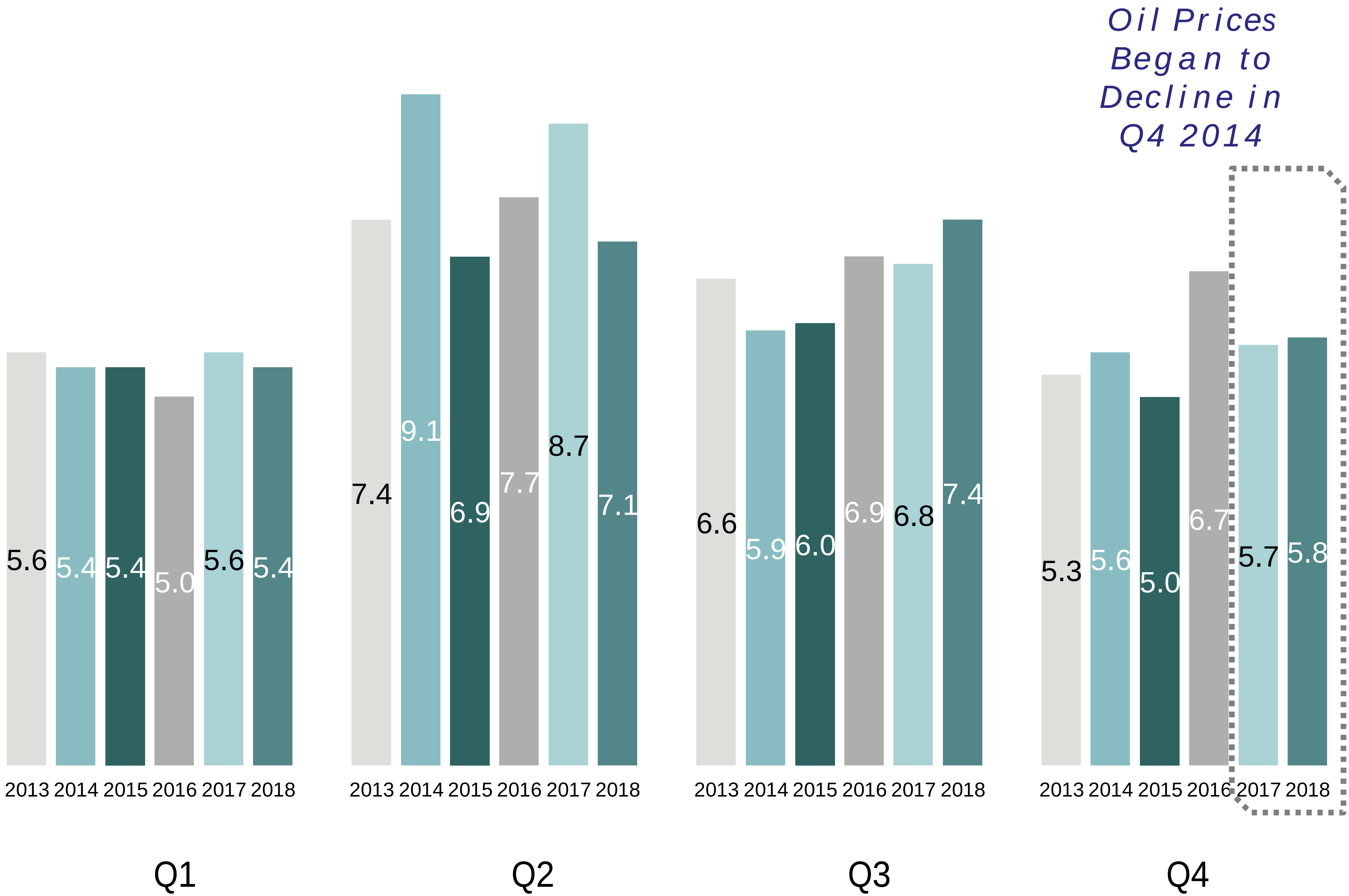
Owned Lots % Development Costs Spent

As of October 31, 2018



Note: Excluding joint ventures.

Houston Quarterly Contracts per Community



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

Hovnanian Enterprises, Inc.
October 31, 2018

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

(Dollars in Thousands)

	Three Months Ended October 31,		Twelve Months Ended October 31,	
	2018	2017	2018	2017
	(Unaudited)		(Unaudited)	
Income (Loss) Before Income Taxes	$48,117	$12,305	$8,146	$(45,244)
Inventory Impairment Loss and Land Option Write-Offs	318	8,479	3,501	17,813
Unconsolidated Joint Venture Investment Write-Downs	601	-	1,261	2,763
Loss on Extinguishment of Debt	1,830	-	7,536	34,854
Income Before Income Taxes Excluding Land-Related Charges, Joint Venture Write-Downs and Loss on Extinguishment of Debt (a)	$50,866	$20,784	$20,444	$10,186

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

Reconciliation of Gross Margin

Hovnanian Enterprises, Inc.
October 31, 2018
Gross Margin
(Dollars in Thousands)

	Homebuilding Gross Margin Three Months Ended October 31,		Homebuilding Gross Margin Twelve Months Ended October 31,	
	2018	2017	2018	2017
	(Unaudited)		(Unaudited)	
Sale of Homes	$593,675	$666,783	$1,906,228	$2,340,033
Cost of Sales, Excluding Interest Expense (a)	479,762	545,150	1,555,894	1,937,116
Homebuilding Gross Margin, Before Cost of Sales Interest Expense and Land Charges (b)	113,913	121,633	350,334	402,917
Cost of Sales Interest Expense, Excluding Land Sales Interest Expense	15,563	21,618	56,588	76,902
Homebuilding Gross Margin, After Cost of Sales Interest Expense, Before Land Charges (b)	98,350	100,015	293,746	326,015
Land Charges	318	8,479	3,501	17,813
Homebuilding Gross Margin	$98,032	$91,536	$290,245	$308,202
Gross Margin Percentage	16.5%	13.7%	15.2%	13.2%
Gross Margin Percentage, Before Cost of Sales Interest Expense and Land Charges (b)	19.2%	18.2%	18.4%	17.2%
Gross Margin Percentage, After Cost of Sales Interest Expense, Before Land Charges (b)	16.6%	15.0%	15.4%	13.9%

	Land Sales Gross Margin Three Months Ended October 31,			Land Sales Gross Margin Twelve Months Ended October 31,	
	2018		2017	2018	2017
	(Unaudited)			(Unaudited)	
Land and Lot Sales	$3,772		$37,099	$24,277	$48,596
Cost of Sales, Excluding Interest and Land Charges (a)	2,951		17,301	10,661	24,688
Land and Lot Sales Gross Margin, Excluding Interest and Land Charges	821	-	19,798	13,616	23,908
Land and Lot Sales Interest	42		8,888	4,097	11,634
Land and Lot Sales Gross Margin, Including Interest and Excluding Land Charges	$779		$10,910	$9,519	$12,274

(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 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.

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Hovnanian Enterprises, Inc.
October 31, 2018

Reconciliation of Adjusted Homebuilding EBIT to Inventory
(Dollars in Thousands)
(Unaudited)

		For the Three Months Ended			
	LTM(a)	10/31/2018	7/31/2018	4/30/2018	1/31/2018
Homebuilding:					
Net Income (Loss)	$ 4,520	$ 46,178	$ (1,026)	$ (9,823)	$ (30,809)
Income Tax Benefit (Provision)	3,626	1,939	1,104	245	338
Interest Expense	163,982	38,824	38,283	45,452	41,423
EBIT (b)	172,128	86,941	38,361	35,874	10,952
Financial Services Revenue	(53,355)	(16,404)	(13,009)	(13,054)	(10,888)
Financial Services Expense	35,128	9,003	8,986	8,798	8,341
Homebuilding EBIT (b)	153,901	79,540	34,338	31,618	8,405
Inventory Impairment Loss and Land Option Write-offs	3,501	318	96	2,673	414
Other Operations	1,584	297	495	402	390
Loss on Extinguishment of Debt	7,536	1,830	4,266	1,440	-
(Income) Loss from Unconsolidated Joint Ventures	(24,033)	(17,134)	(10,732)	(1,343)	5,176
Adjusted Homebuilding EBIT (b)	$ 142,489	$ 64,851	$ 28,463	$ 34,790	$ 14,385

		As of				
		10/31/2018	7/31/2018	4/30/2018	1/31/2018	10/31/2017
Total Inventories		$1,078,165	$1,109,043	$1,040,045	$1,053,514	$1,009,827
Consolidated Inventory Not Owned		87,921	96,989	78,907	93,875	124,784
Capitalized Interest		68,117	67,510	65,355	70,793	71,051
	Five Quarter Average					
Inventories less Consolidated Inventory Not Owned and Capitalized Interest	$893,058	$922,127	$944,544	$895,783	$888,846	$813,992
Adjusted Homebuilding EBIT to Inventory	15.9552%					

(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

Hovnanian Enterprises, Inc.
October 31, 2018
Calculation of Inventory Turnover[1]

						TTM
		For the Quarter Ended				Ended
(Dollars In Thousands)		1/31/2018	4/30/2018	7/31/2018	10/31/2018	10/31/2018
Cost of Sales, Excluding Interest		$329,527	$393,012	$361,303	$482,713	$1,566,555
			As of			
	10/31/2017	1/31/2018	4/30/2018	7/31/2018	10/31/2018	
Total Inventories	$1,009,827	$1,053,514	$1,040,045	$1,109,043	$1,078,165	Five
Consolidated Inventory Not Owned	124,784	93,875	78,907	96,989	87,921	Quarter
Capitalized Interest	71,051	70,793	65,355	67,510	68,117	Average
Inventories less Consolidated Inventory Not Owned and Capitalized Interest	$813,992	$888,846	$895,783	$944,544	$922,127	$893,058
Inventory Turnover						1.8x

(1) Derived by dividing cost of sales, excluding cost of sales interest, by the five quarter average inventory, excluding inventory not owned and capitalized interest. The Company's calculation of Inventory Turnover may be different than the calculation used by other companies and, therefore, comparability may be affected.

Hovnanian Enterprises®, Inc.