Hovnanian Enterprises, Inc.

Review of Financial Results
Third Quarter Fiscal 2022

Forward-Looking Statements

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 guidance for fiscal 2022 and the Company's targets, goals and expectations with respect to its financial results for future financial periods such as its statements related to its guidance and key metric targets for total consolidated revenue, adjusted homebuilding gross margin, total SG&A as a percentage of total revenues, adjusted EBITDA, interest expense, adjusted income before taxes, total debt (including non recourse debt), adjusted EBITDA/interest incurred, equity, debt to capitalization, inventory (excluding inventory not owned) and inventory turnover (excluding inventory not owned and capitalized interest). Although we believe that our guidance for fiscal 2022 and the Company's targets, plans, intentions and expectations reflected in, or suggested by, such forward-looking statements are reasonable, we can give no assurance that such guidance for fiscal 2022 and the Company's targets, plans, intentions or expectations will be achieved. By their nature, forward-looking statements: (i) speak only as of the date they are made, (ii) are not guarantees of future performance or results and (iii) are subject to risks, uncertainties and assumptions that are difficult to predict or quantify. Therefore, actual results could differ materially and adversely from those forward-looking statements as a result of a variety of factors. Such risks, uncertainties and other factors include, but are not limited to, (1) changes in general and local economic, industry and business conditions and impacts of a significant homebuilding downturn; (2) shortages in, and price fluctuations of, raw materials and labor, including due to geopolitical events, changes in trade policies, including the imposition of tariffs and duties on homebuilding materials and products and related trade disputes with and retaliatory measures taken by other countries; (3) the outbreak and spread of COVID-19 and the measures that governments, agencies, law enforcement and/or health authorities implement to address it, as well as continuing macroeconomic effects from the pandemic; (4) adverse weather and other environmental conditions and natural disasters; (5) the seasonality of the Company's business; (6) the availability and cost of suitable land and improved lots and sufficient liquidity to invest in such land and lots; (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; (26) increases in inflation; and (27) 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, 2021 and the Company's Quarterly Reports on Form 10-Q for the quarterly periods during fiscal 2022 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 (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. The reconciliation for historical periods of EBIT, EBITDA and Adjusted EBITDA to net income is presented in a table attached to this presentation.

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 presentations.

Adjusted pretax income, which is defined as income before income taxes excluding land-related charges and loss on extinguishment of debt is a non-GAAP financial measure. This presentation also presents income before income taxes adjusted to exclude the impact of incremental phantom stock expense. The most directly comparable GAAP financial measure is income before income taxes. The reconciliation for historical periods of adjusted pretax income to income before income taxes is presented in a table attached to this presentation.

Total liquidity is comprised of $225.1 million of cash and cash equivalents, $7.3 million of restricted cash required to collateralize letters of credit and $125.0 million availability under the senior secured revolving credit facility as of July 31, 2022.

Recent company performance

Guidance Compared with Actuals for Third Quarter 2022

($ in millions)

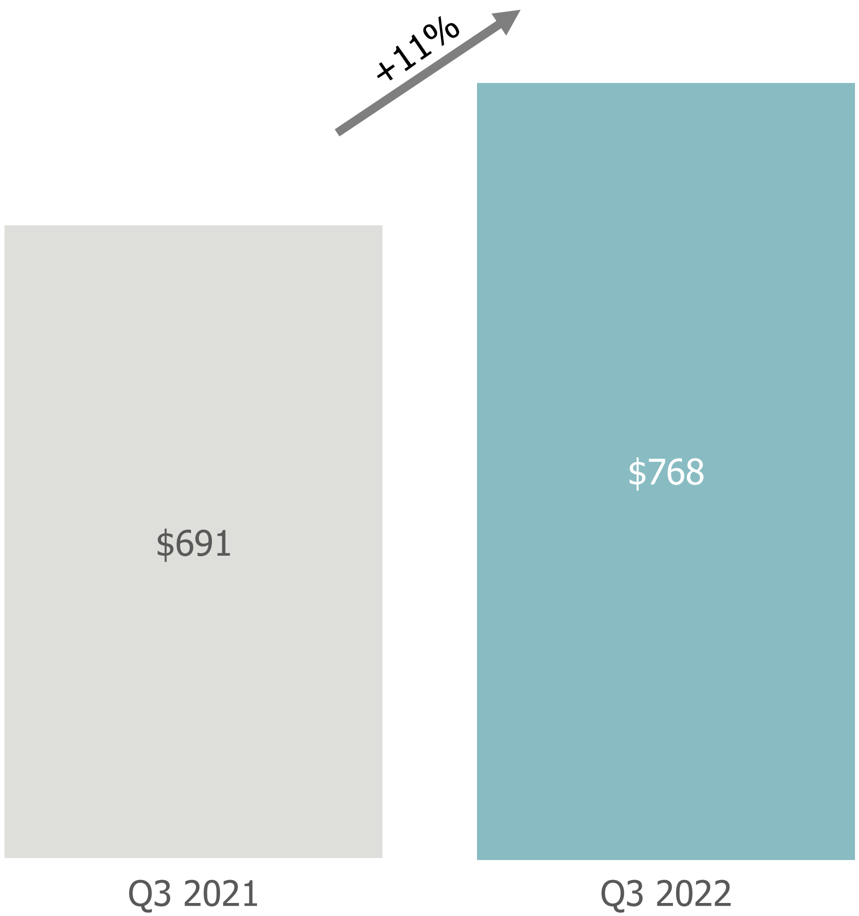
	Guidance Q3 2022	Actuals Q3 2022
Total Revenues	**$780 - $830**	**$768**
Adjusted Homebuilding Gross Margin[(1)]	**24.0% - 26.0%**	**26.3%**
Total SG&A as Percentage of Total Revenues[(2)]	**9.5% - 10.5%**	**9.8%**
Adjusted Income Before Income Taxes[(3)]	**$70 - $85**	**$113**

(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 Income Before Income Taxes excludes land-related charges and loss on extinguishment of debt. See appendix for a reconciliation to the most directly comparable GAAP measure.

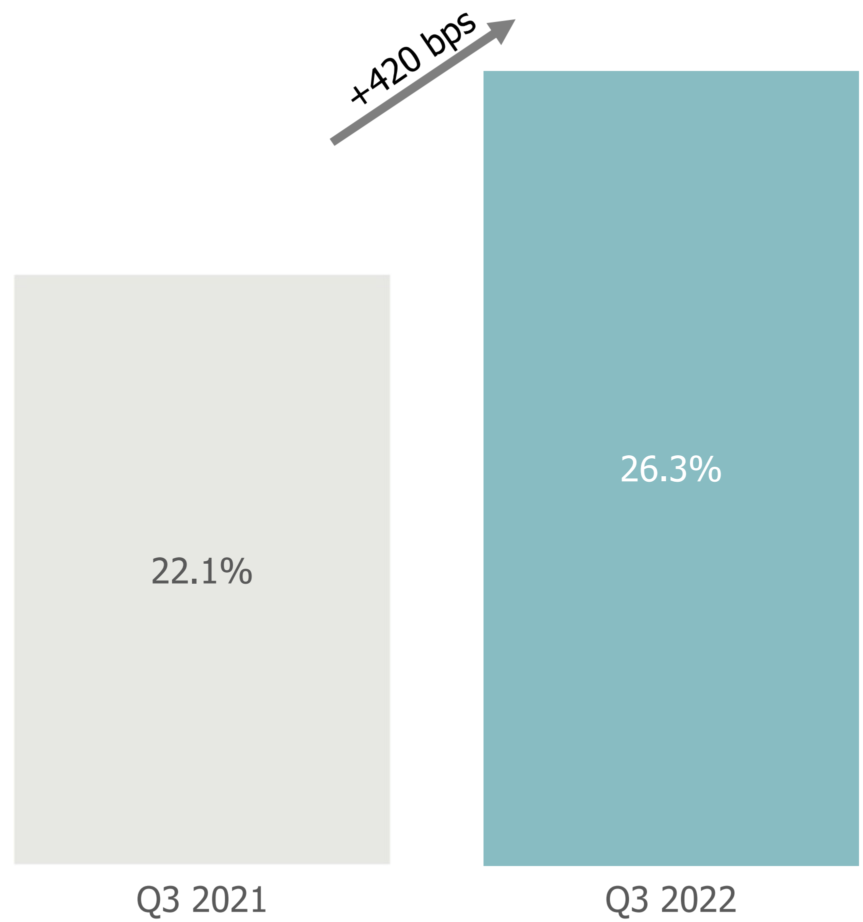
Third Quarter Operating Results

($ in millions, unless specified otherwise)

Total Revenues



Adjusted Homebuilding Gross Margin(1)

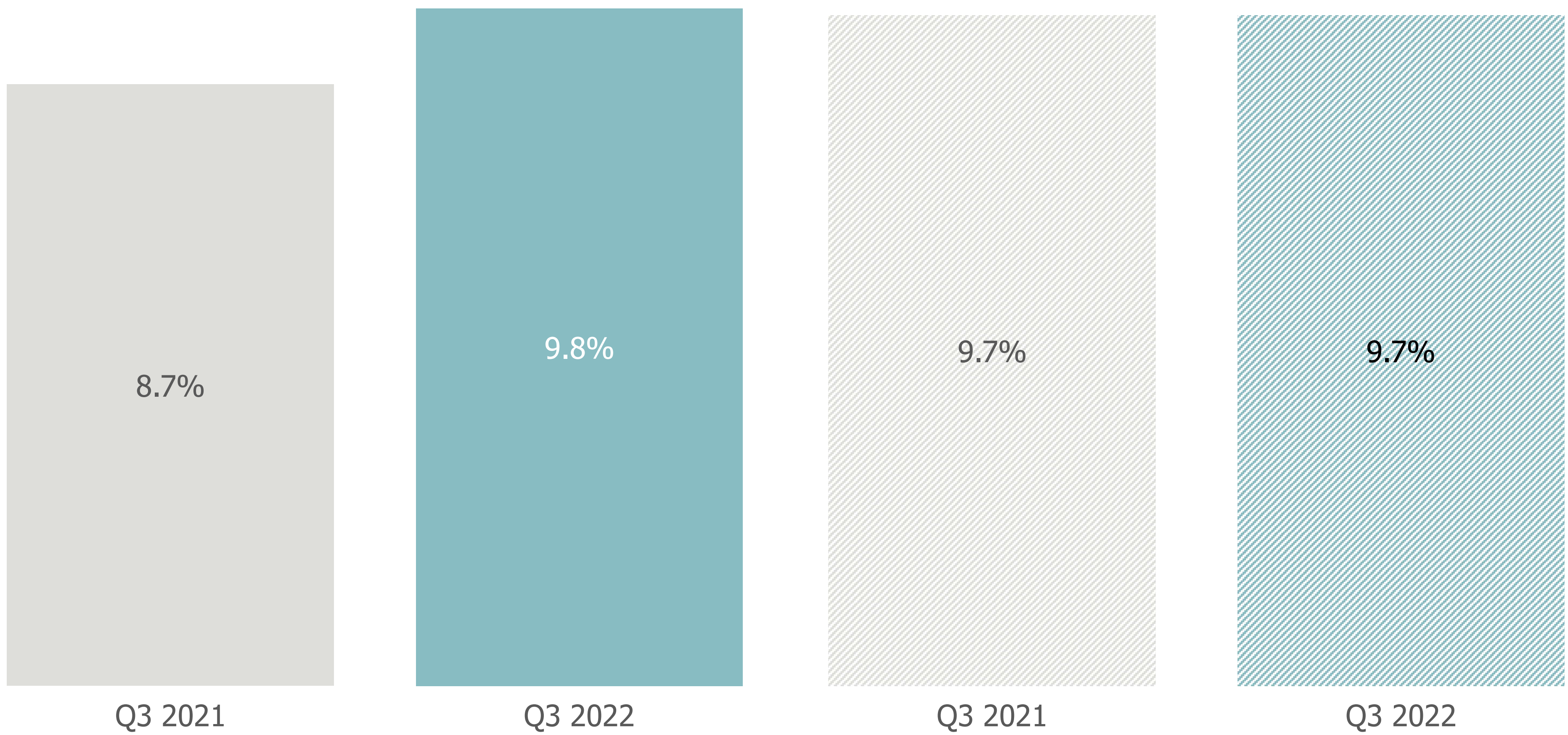


(1) Adjusted homebuilding gross margin percentage is before cost of sales interest expense and land charges. See appendix for a reconciliation to the most directly comparable GAAP measure.

Total SG&A Ratio

Hovnanian Enterprises, Inc.

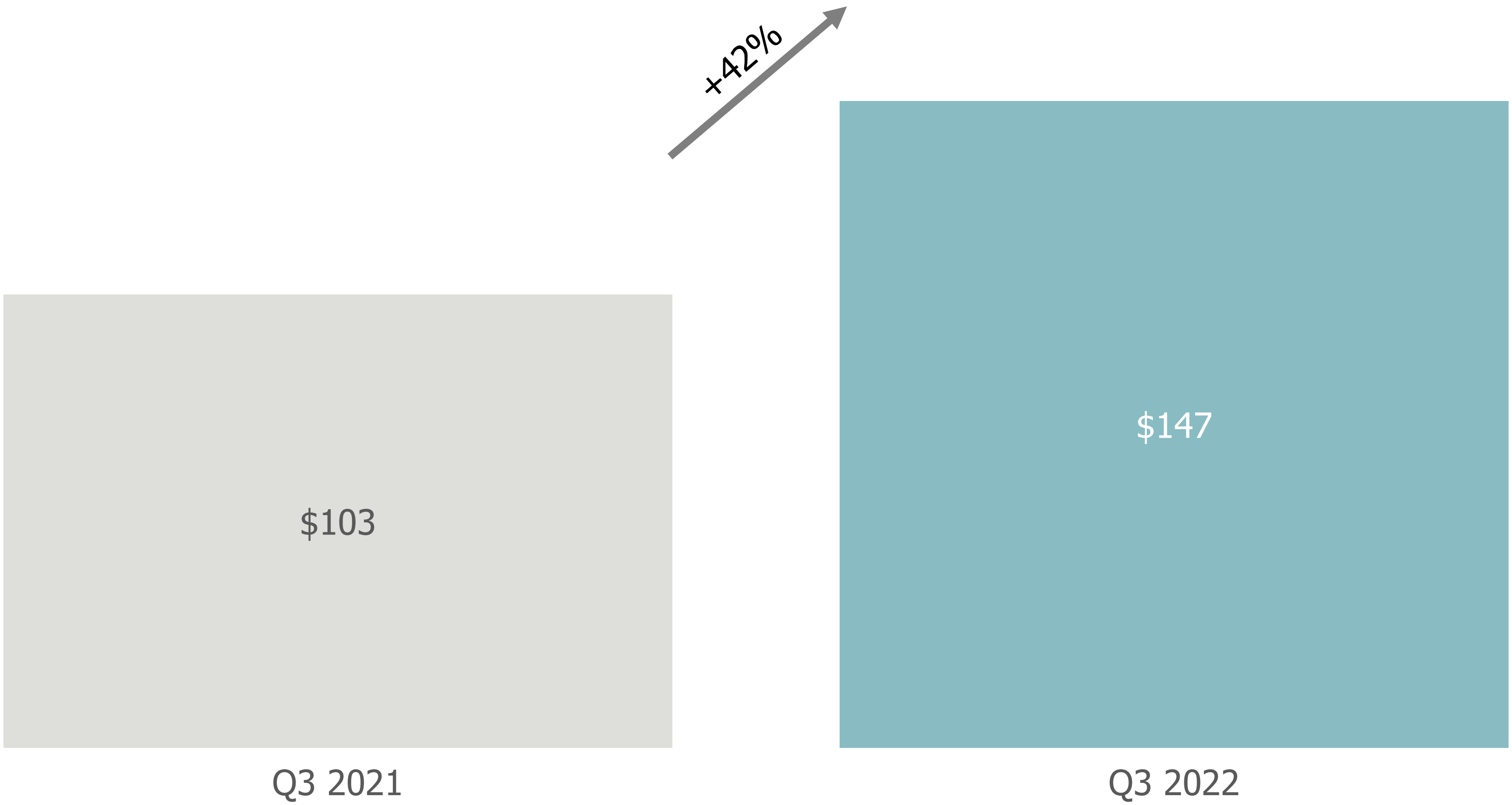
As reported **Excluding Incremental Phantom Stock Impact**



(1) Total SG&A includes homebuilding selling, general and administrative costs and corporate general and administrative costs. Ratio calculated as a percentage of total revenues.
(2) SG&A expenses in the third quarter of fiscal 2022 included $0.3 million of incremental expense due to the phantom stock awards, which is solely related to our common stock price increasing from $46.02 at the end of the second quarter to $48.51 at the end of the third quarter.
(3) SG&A expenses in the third quarter of fiscal 2021 included $6.7 million of incremental benefit due to the phantom stock awards, which is solely related to our common stock price decreasing from $132.59 at the end of the second quarter to $104.39 at the end of the third quarter.

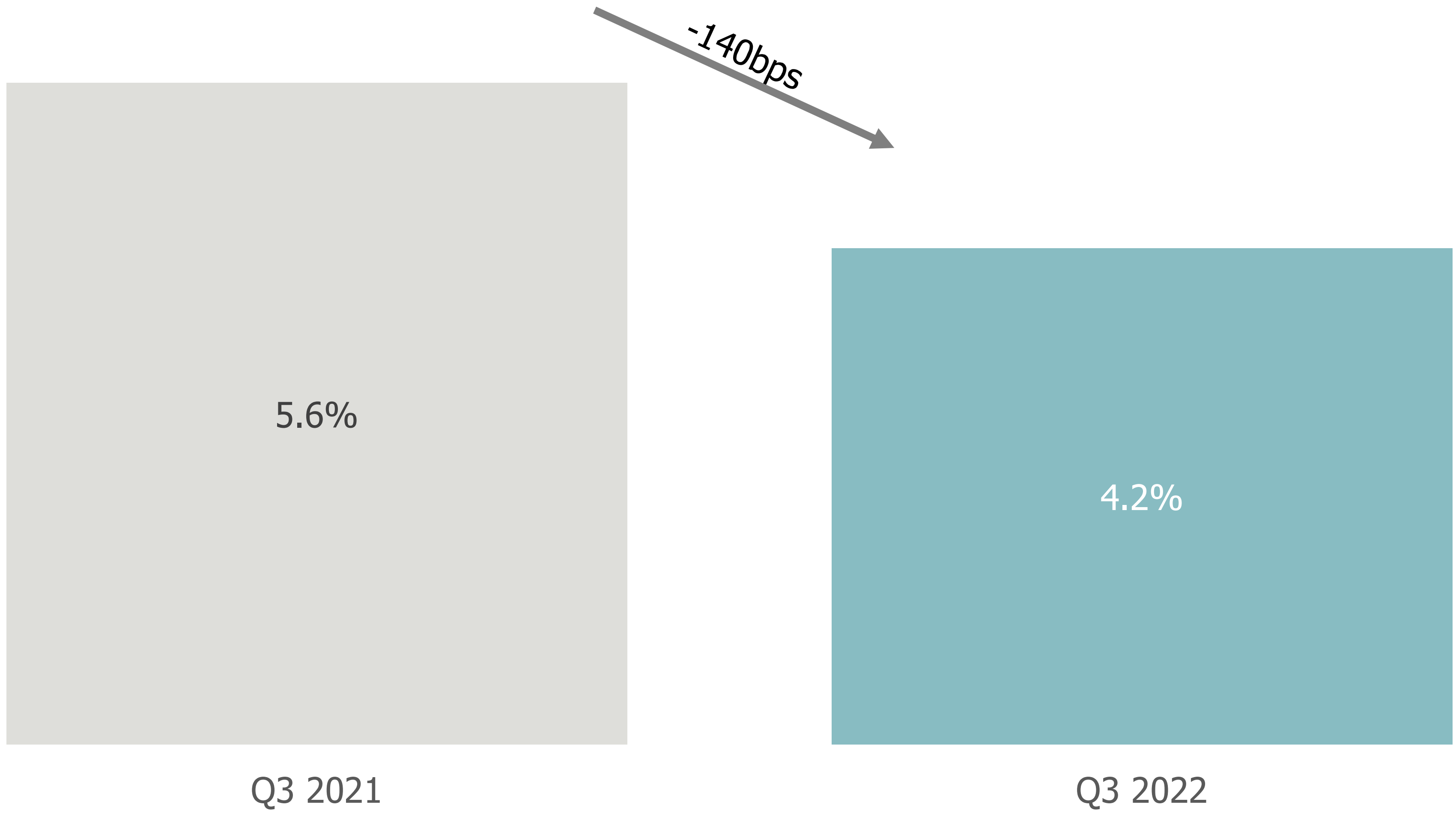
Adjusted EBITDA

($ in millions, unless specified otherwise)



(1) Adjusted EBITDA is a non-GAAP financial measure. The most directly comparable GAAP financial measure is net income. Adjusted EBITDA represents earnings before interest expense, income taxes, depreciation, amortization, land-related charges and loss on extinguishment of debt.

Total Interest Expense as a % of Total Revenues

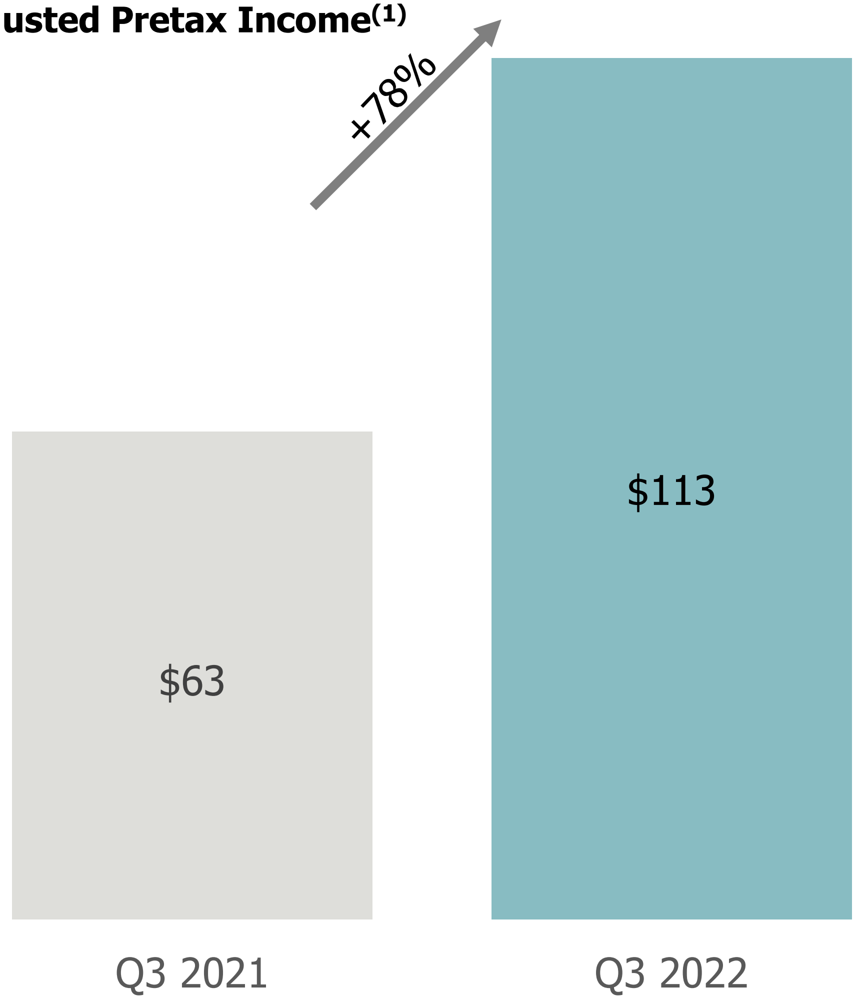


Total Interest Expense $ in millions	$38	$32

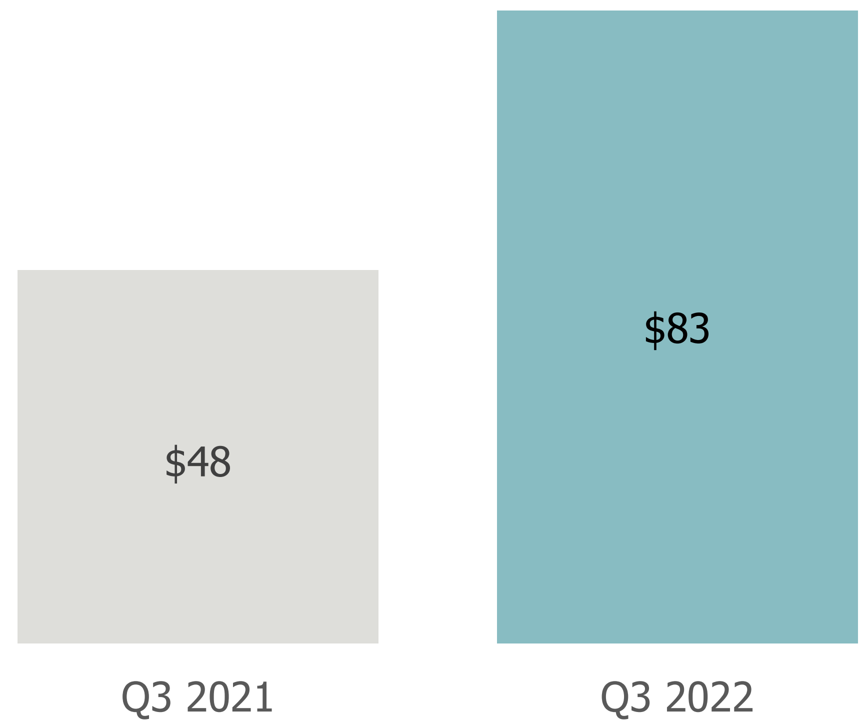
Improved Profitability

($ in millions)

Adjusted Pretax Income(1)

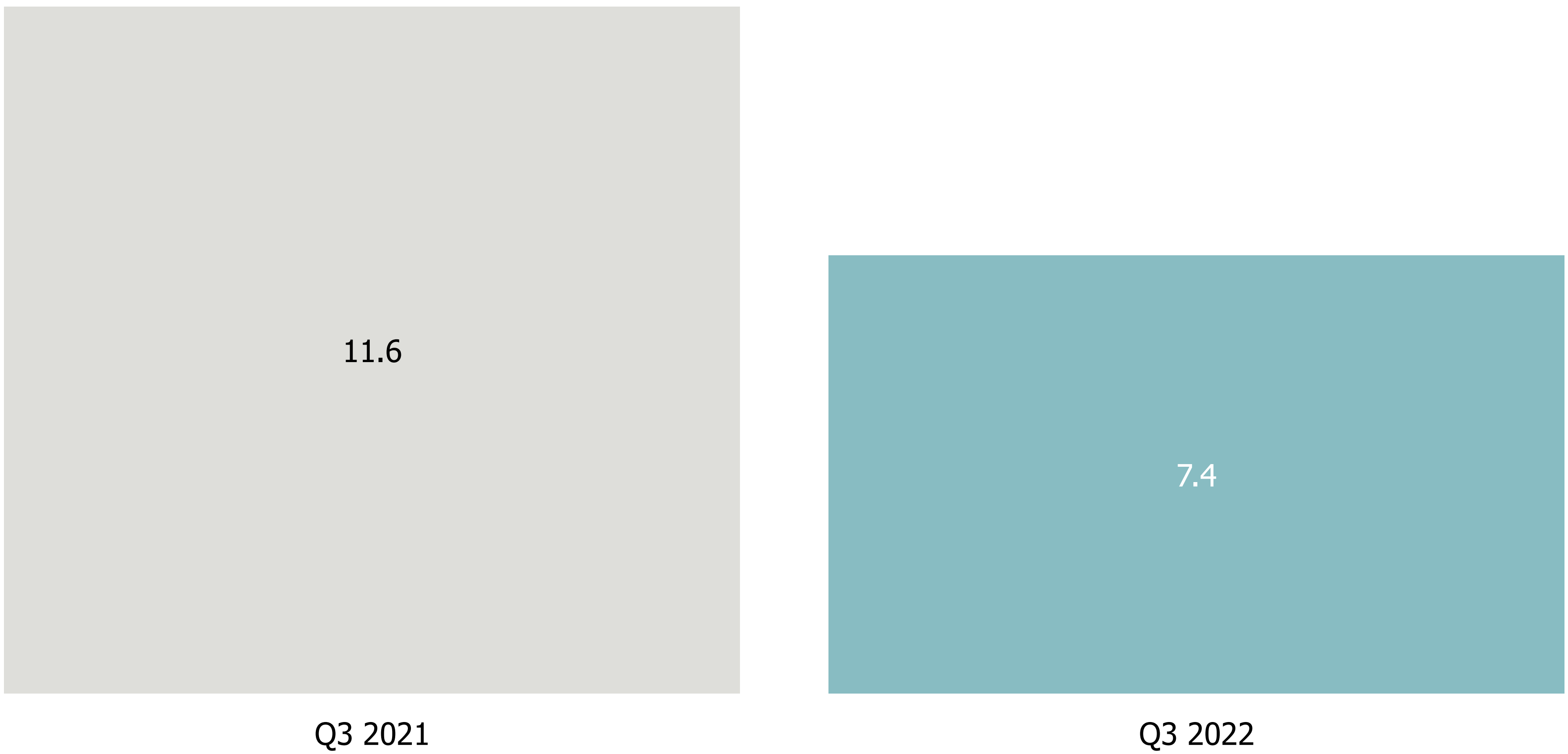


Net Income



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

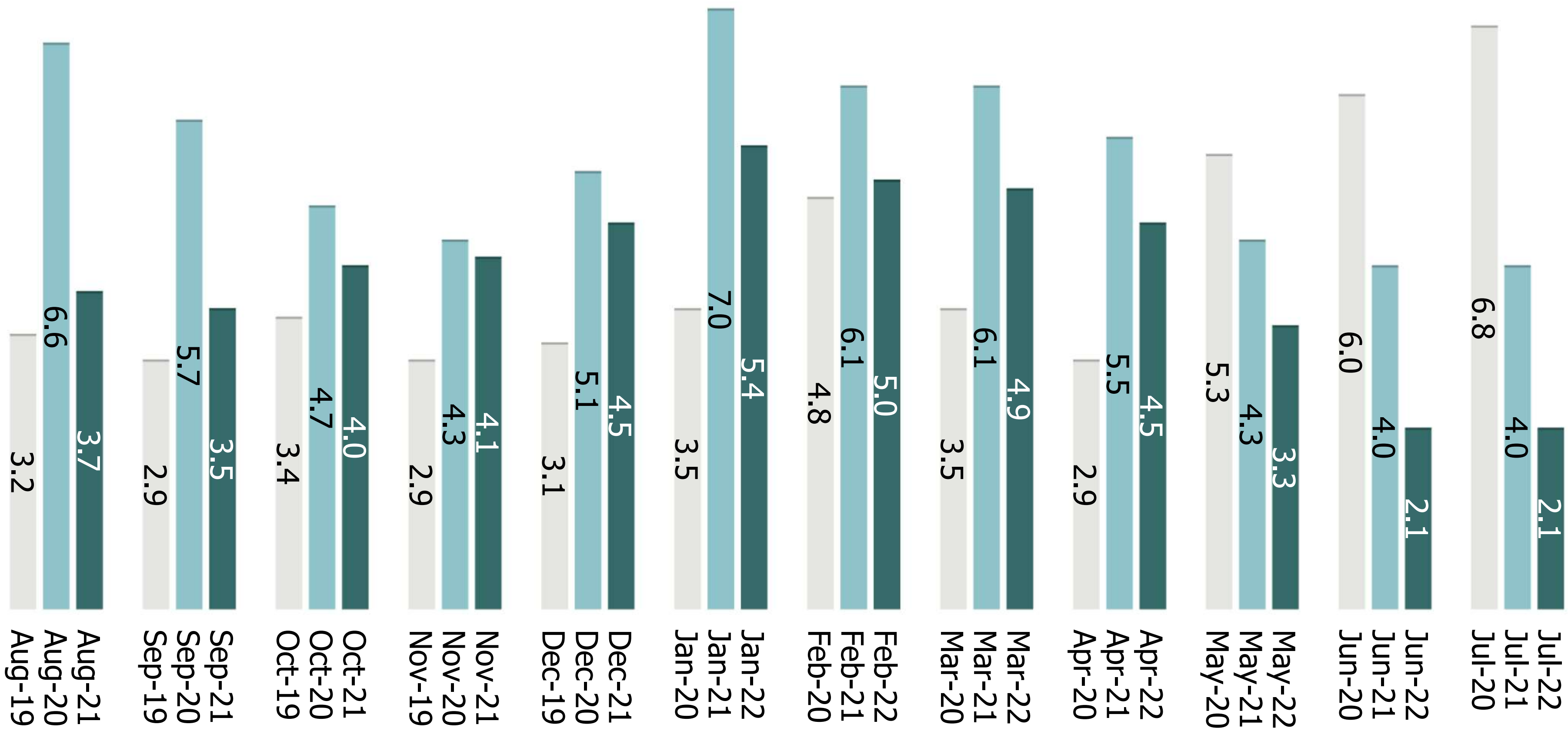
Quarterly Contracts Per Community



Note: Excludes unconsolidated joint ventures.

Number of Monthly Contracts Per Community, Excludes Unconsolidated Joint Ventures

Hovnanian Enterprises, Inc.



Number of Sundays	4	5	5	5	4	4	4	4	5
	Aug-19	Aug-20	Aug-21	Sep-19	Sep-20	Sep-21	Oct-19	Oct-20	Oct-21
Monthly contracts	445	735	383	416	634	390	484	549	490

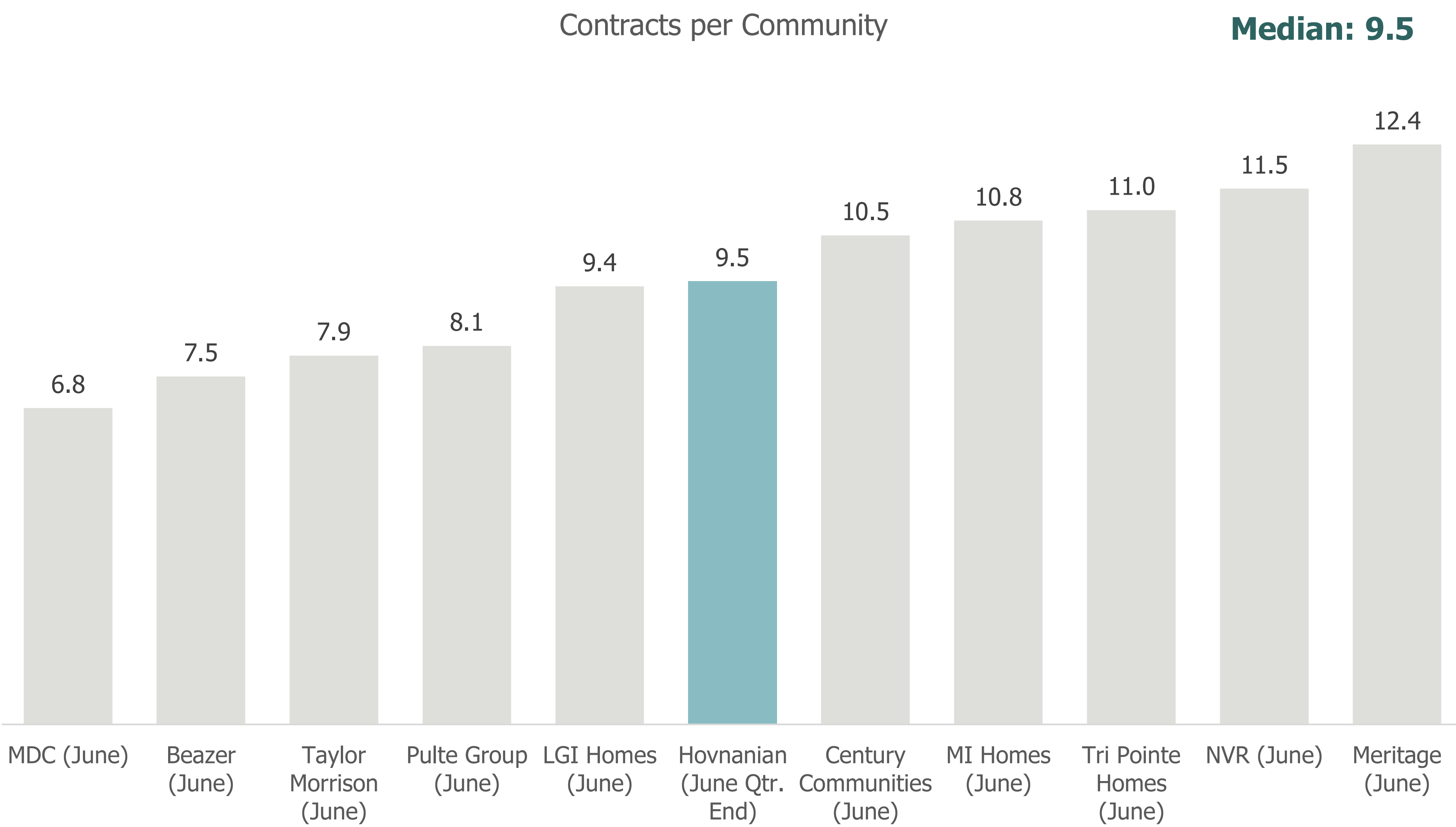
Number of Sundays	4	5	4	5	5	4	4	5	5
	Nov-19	Nov-20	Nov-21	Dec-19	Dec-20	Dec-21	Jan-20	Jan-21	Jan-22
Monthly contracts	404	493	467	436	551	486	482	734	598

Number of Sundays	4	4	4	5	4	4	4	4	4
	Feb-20	Feb-21	Feb-22	Mar-20	Mar-21	Mar-22	Apr-20	Apr-21	Apr-22
Monthly contracts	647	613	548	463	620	519	377	538	458

Number of Sundays	5	5	5	4	4	4	4	4	5
	May-20	May-21	May-22	Jun-20	Jun-21	Jun-22	Jul-20	Jul-21	Jul-22
Monthly contracts	687	413	336	745	384	232	794	414	231

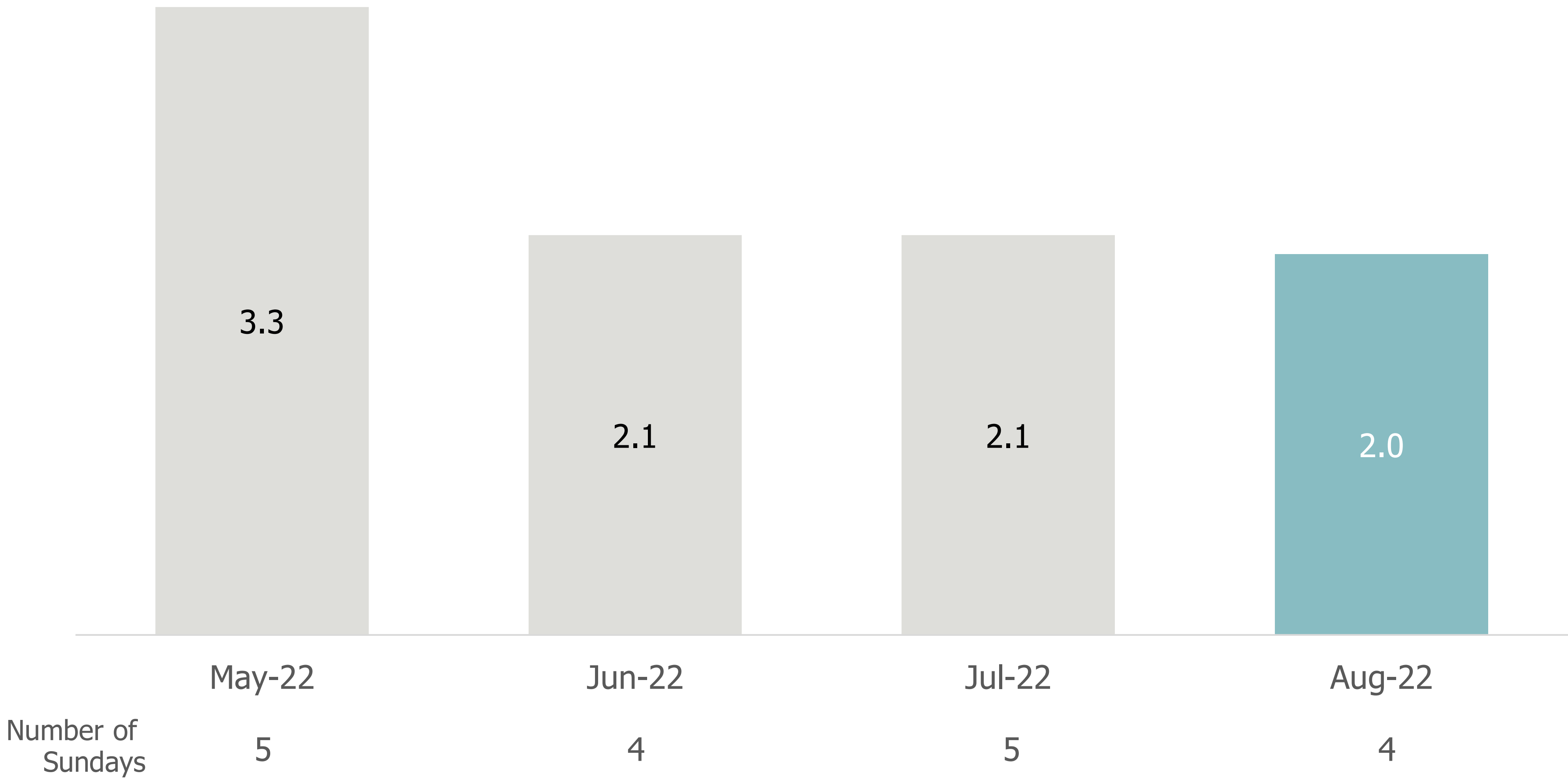
Note: Excludes unconsolidated joint ventures.

Contract per Community



Source: Company SEC filings and press releases as of 09/01/22.

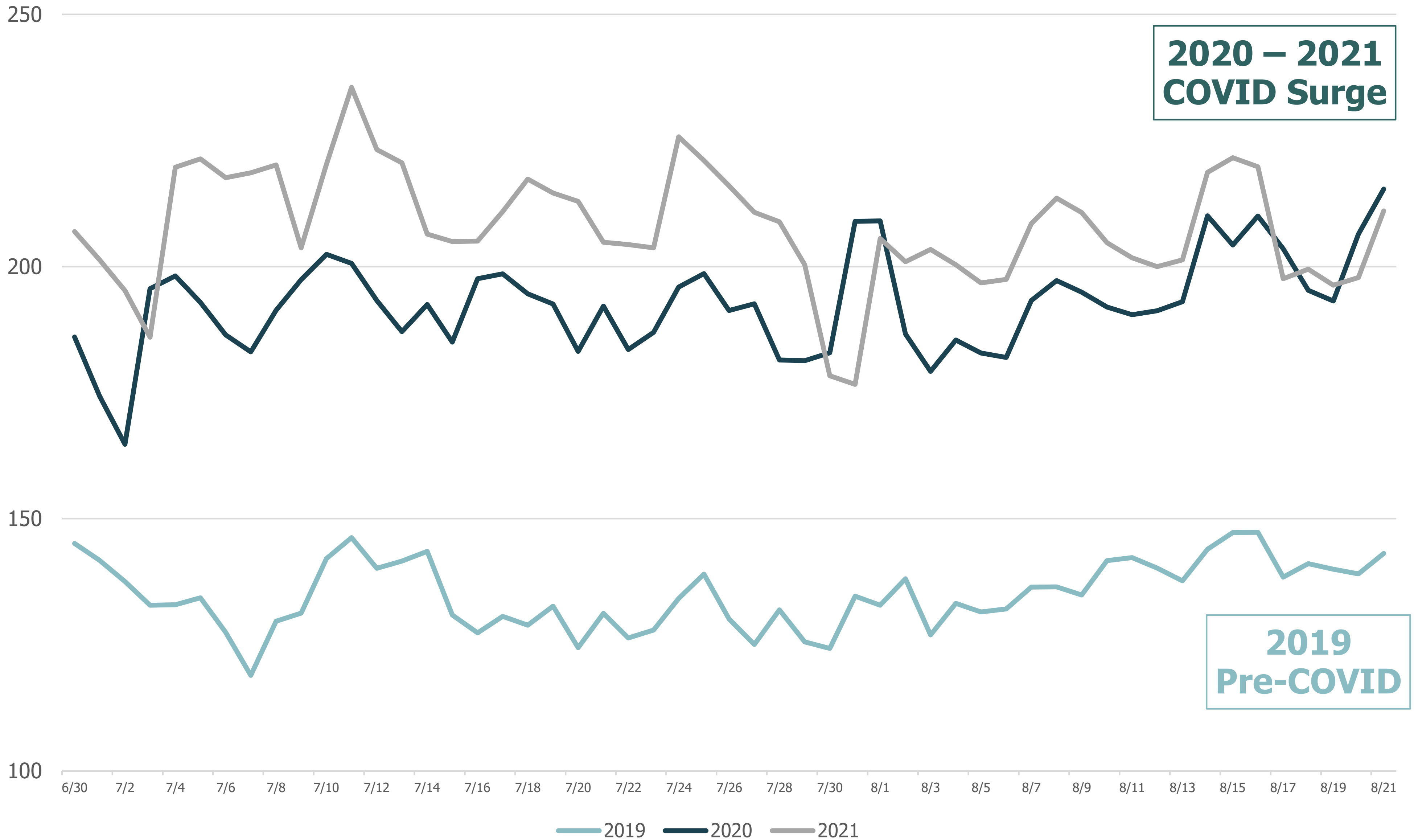
Monthly Contracts Per Community Since May 2022



Note: Excludes unconsolidated joint ventures.
Note: Contracts per community for August 2022 are based on preliminary results.

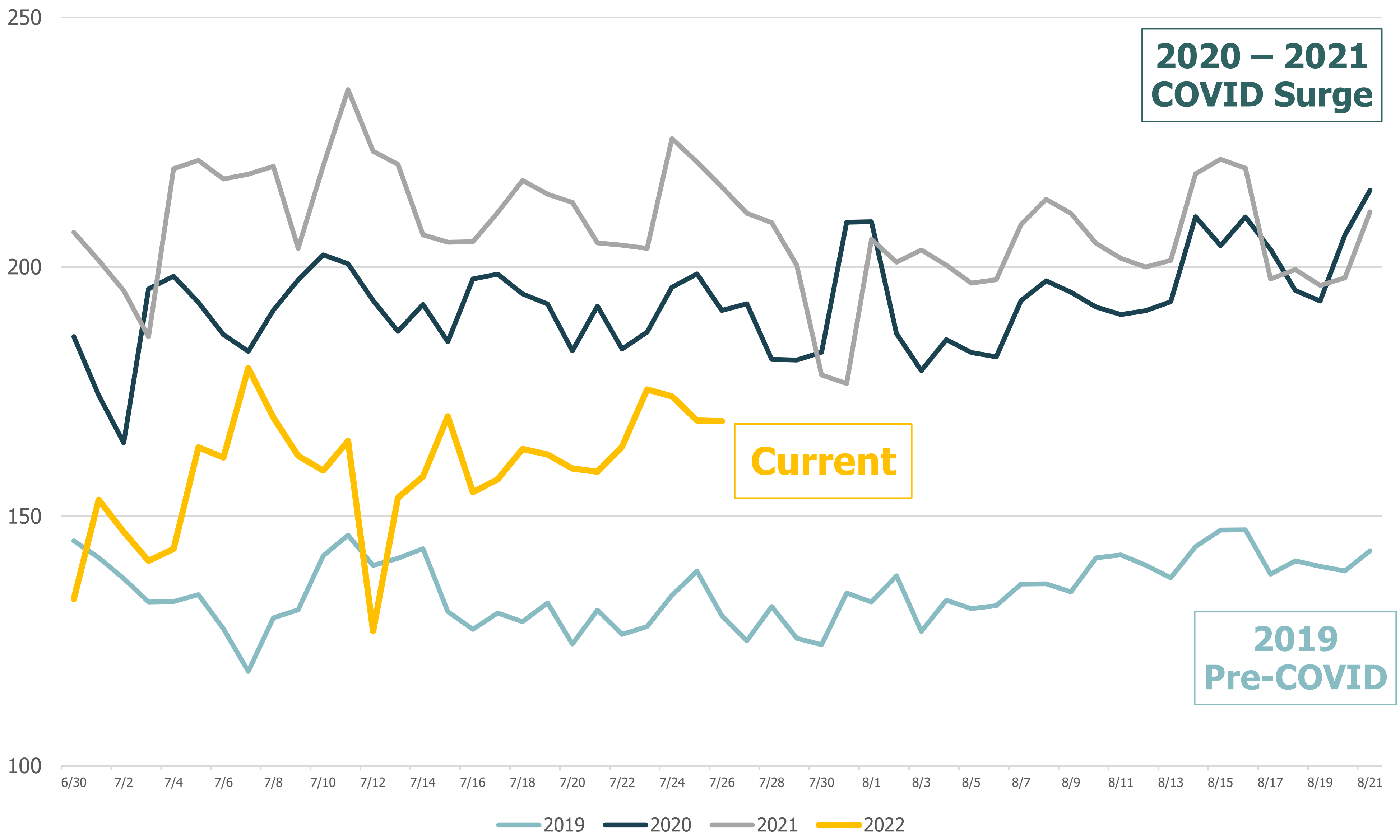
Daily Average Website Visits Per Community

Hovnanian Enterprises, Inc.

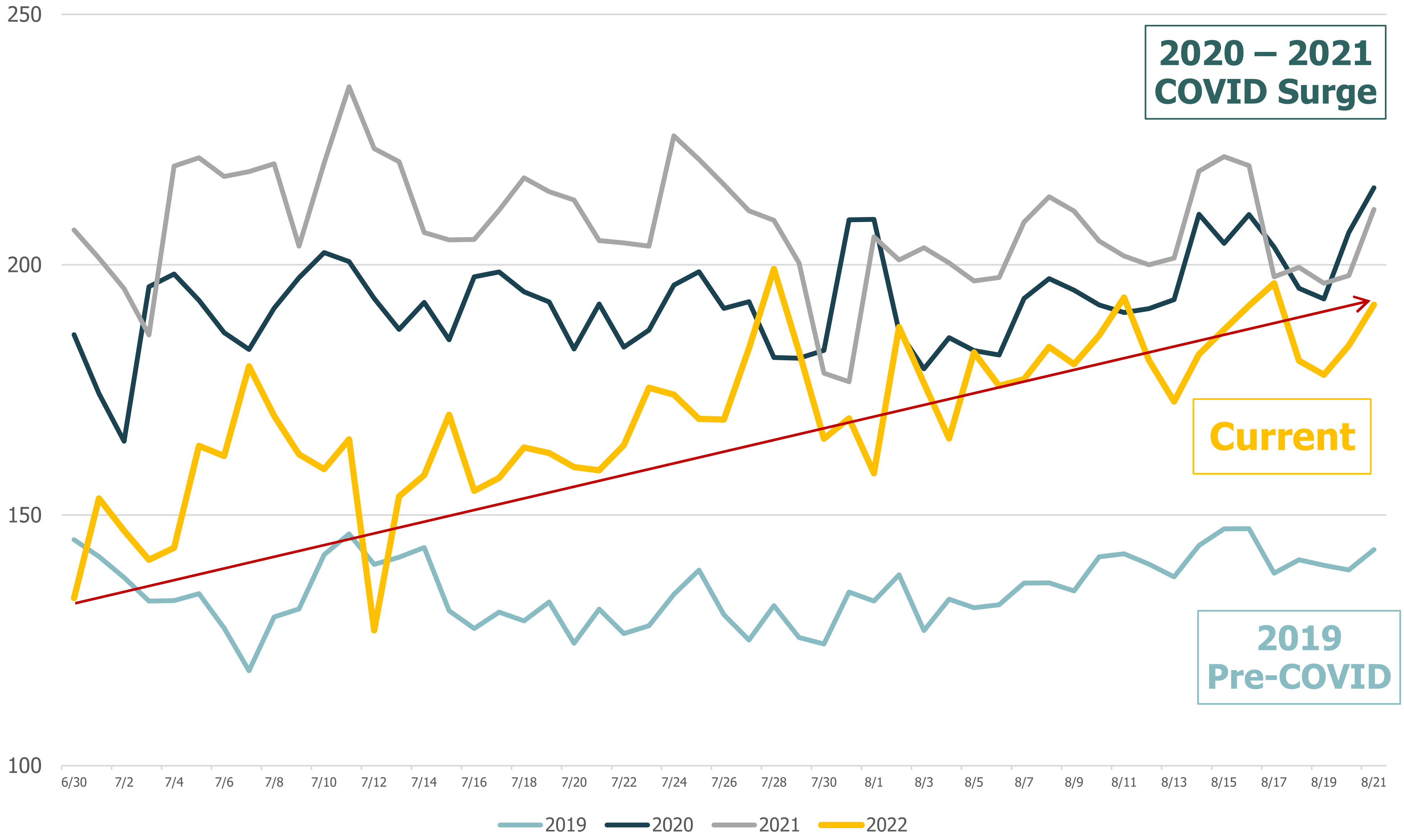


Daily Average Website Visits Per Community

Hovnanian Enterprises, Inc.

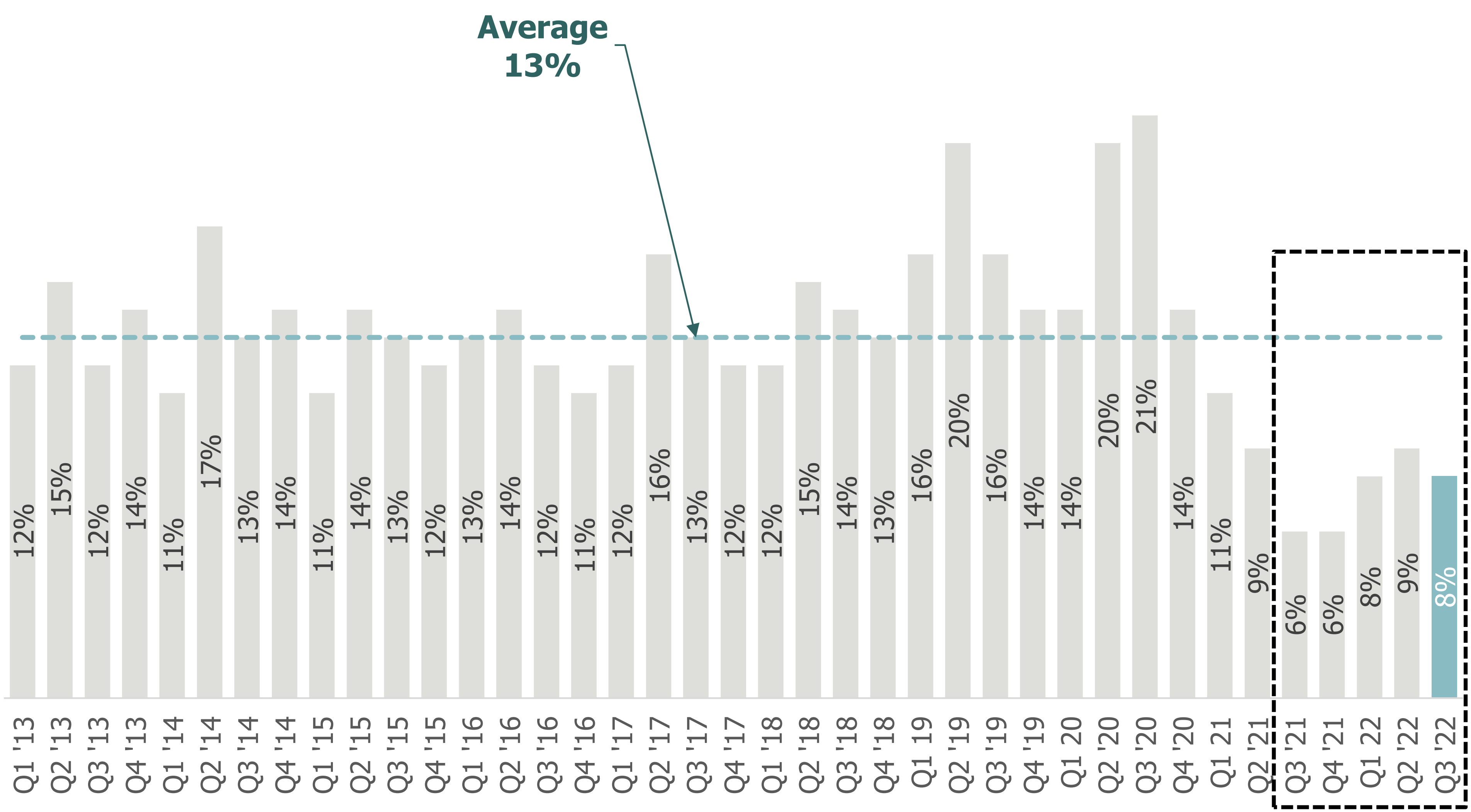


Daily Average Website Visits Per Community



Backlog Cancellation Rates

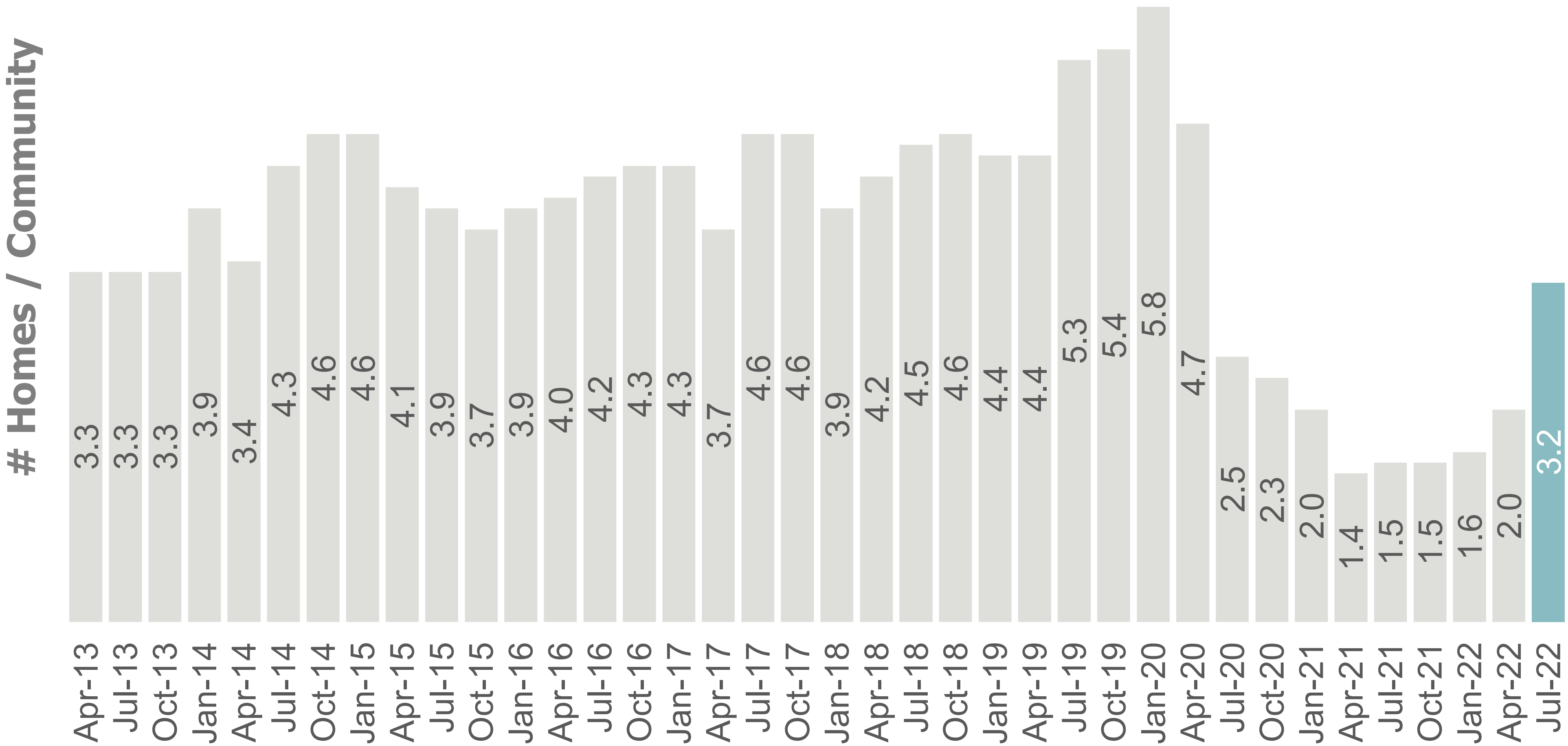
Hovnanian Enterprises, Inc.



Note: Calculated as a % of beginning backlog, excluding unconsolidated joint ventures.

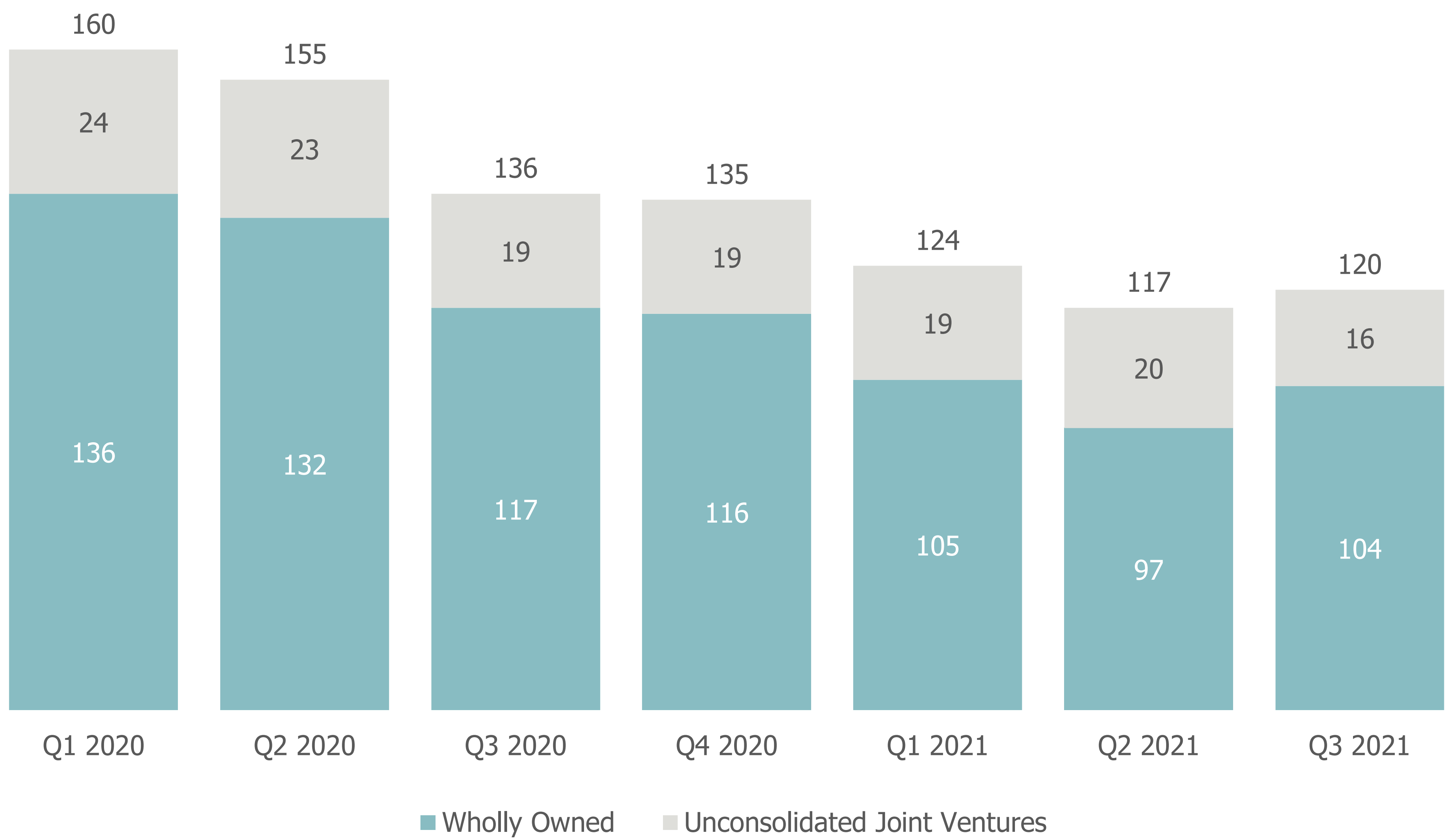
Spec Homes per Community

- *350 started unsold homes at 07/31/22, excluding models*
- *4.4 average spec homes per community since 1997*
- *Only 18 finished specs at 07/31/22*



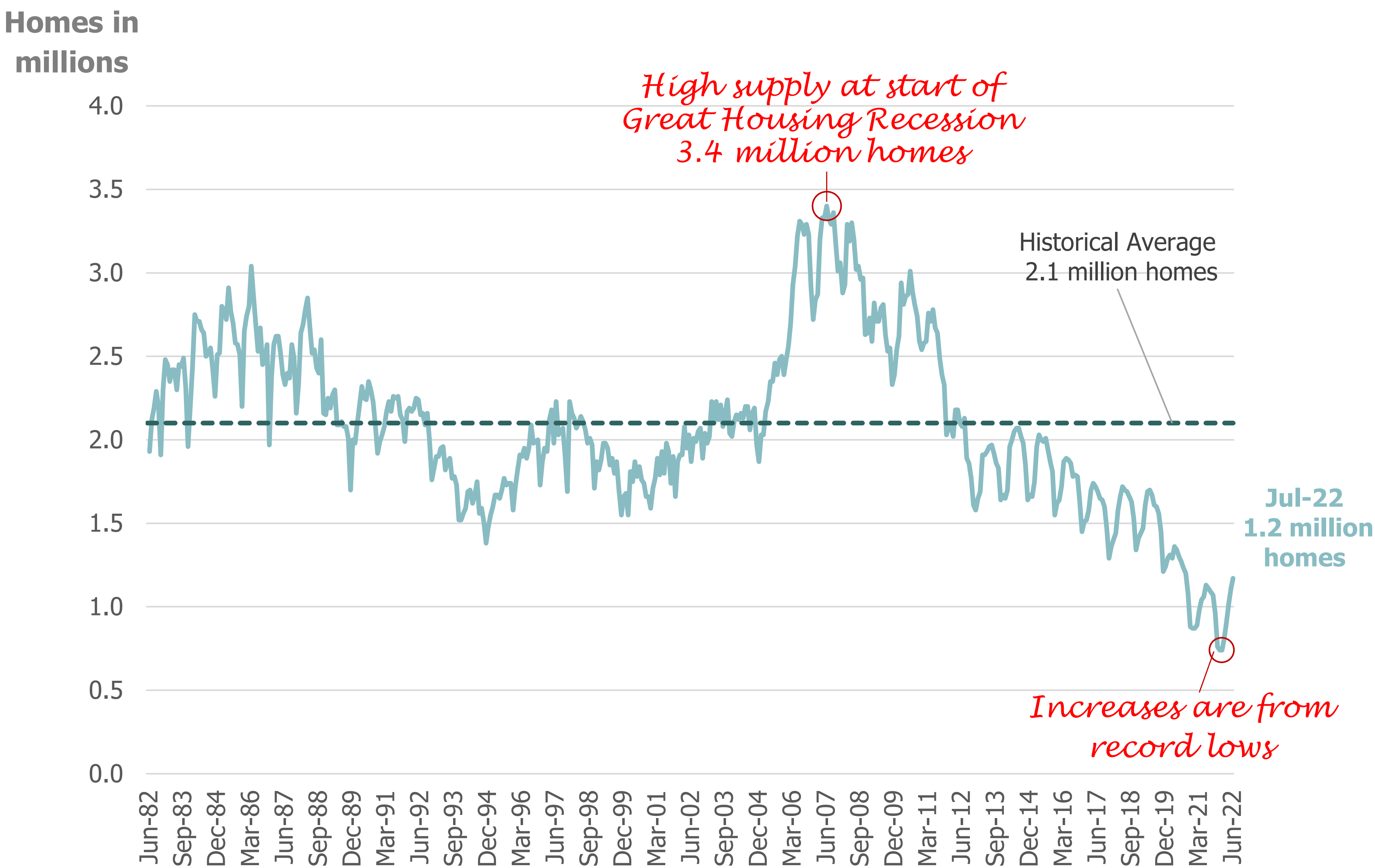
Note: Excluding unconsolidated joint ventures and models.

COVID Surge Community Count Trend



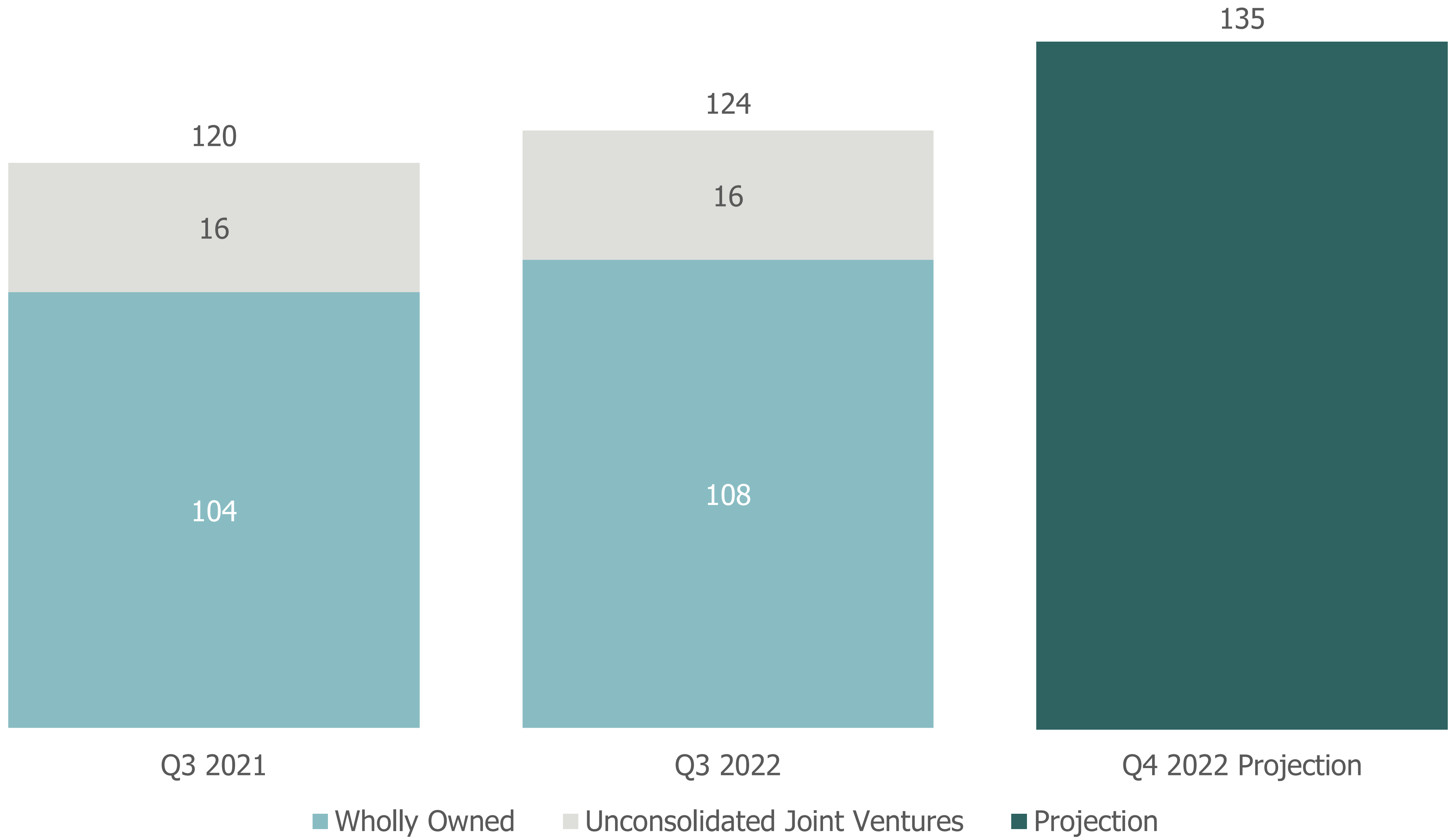
Note: Excludes our single community unconsolidated joint venture in the Kingdom of Saudi Arabia.

Historically Low Supply of Existing Homes for Sale



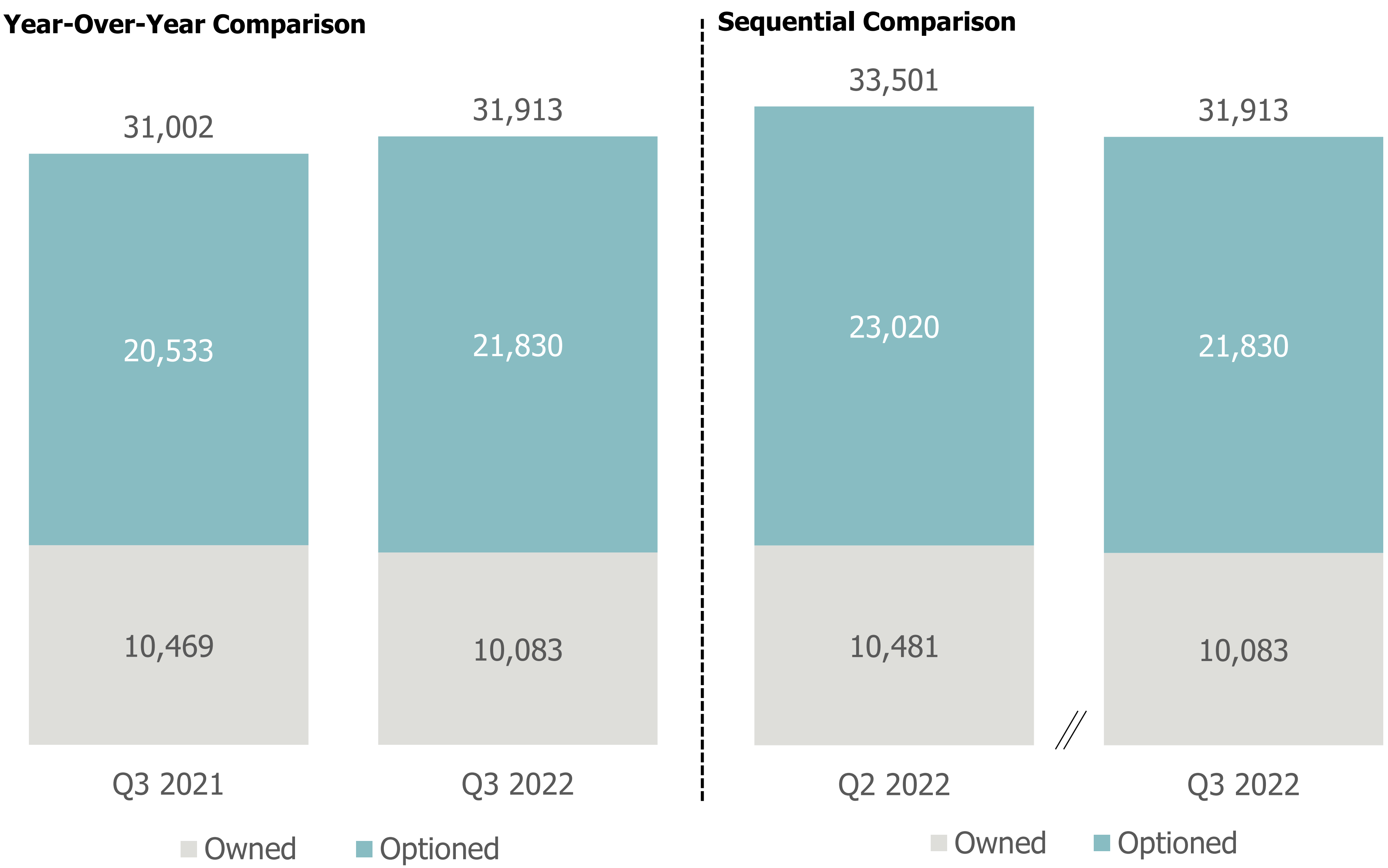
Source: National Association of Realtors.

Community Count



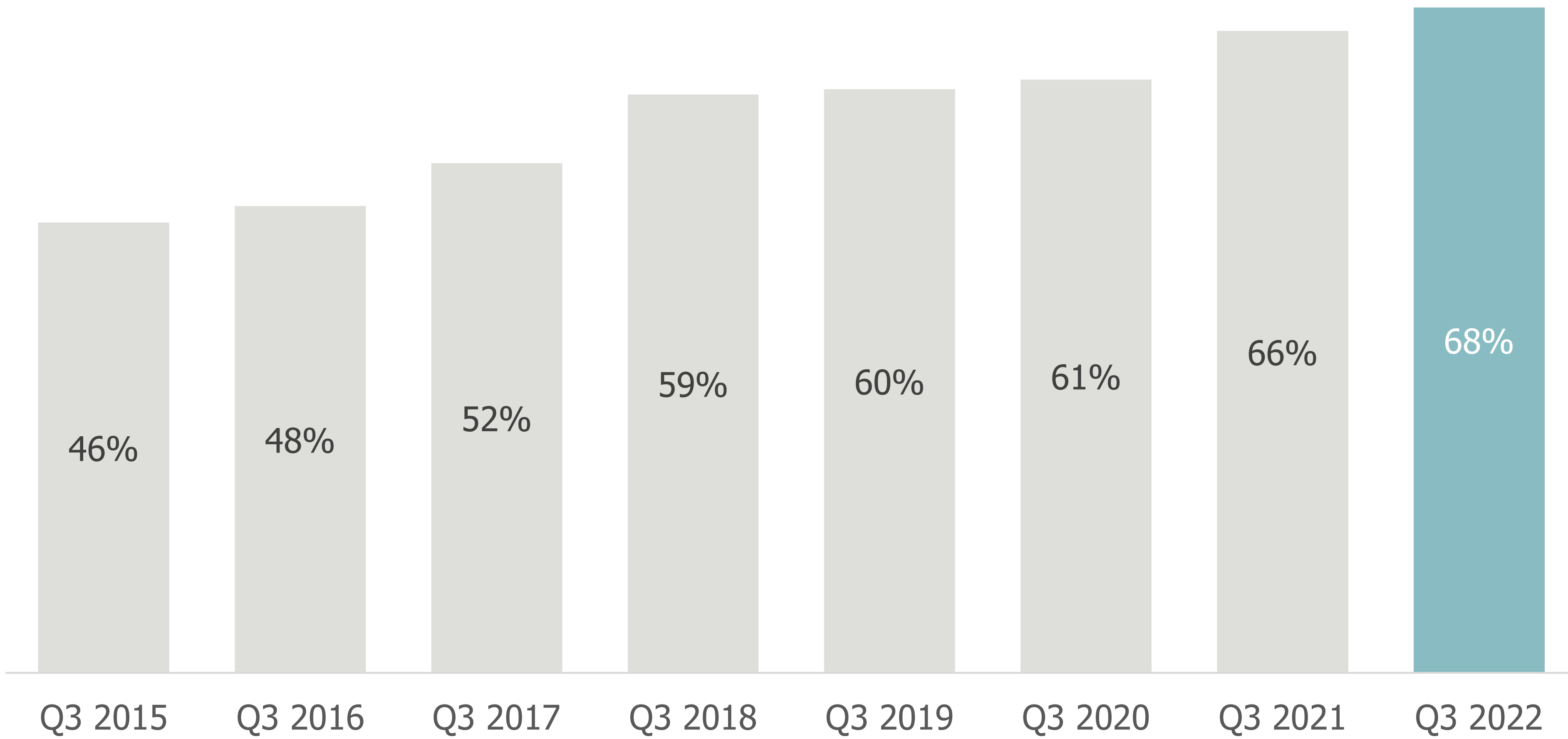
Note: Excludes our single community unconsolidated joint venture in the Kingdom of Saudi Arabia.

Lots Controlled[1]



(1) Excludes unconsolidated joint ventures.

Percentage of Optioned Lots

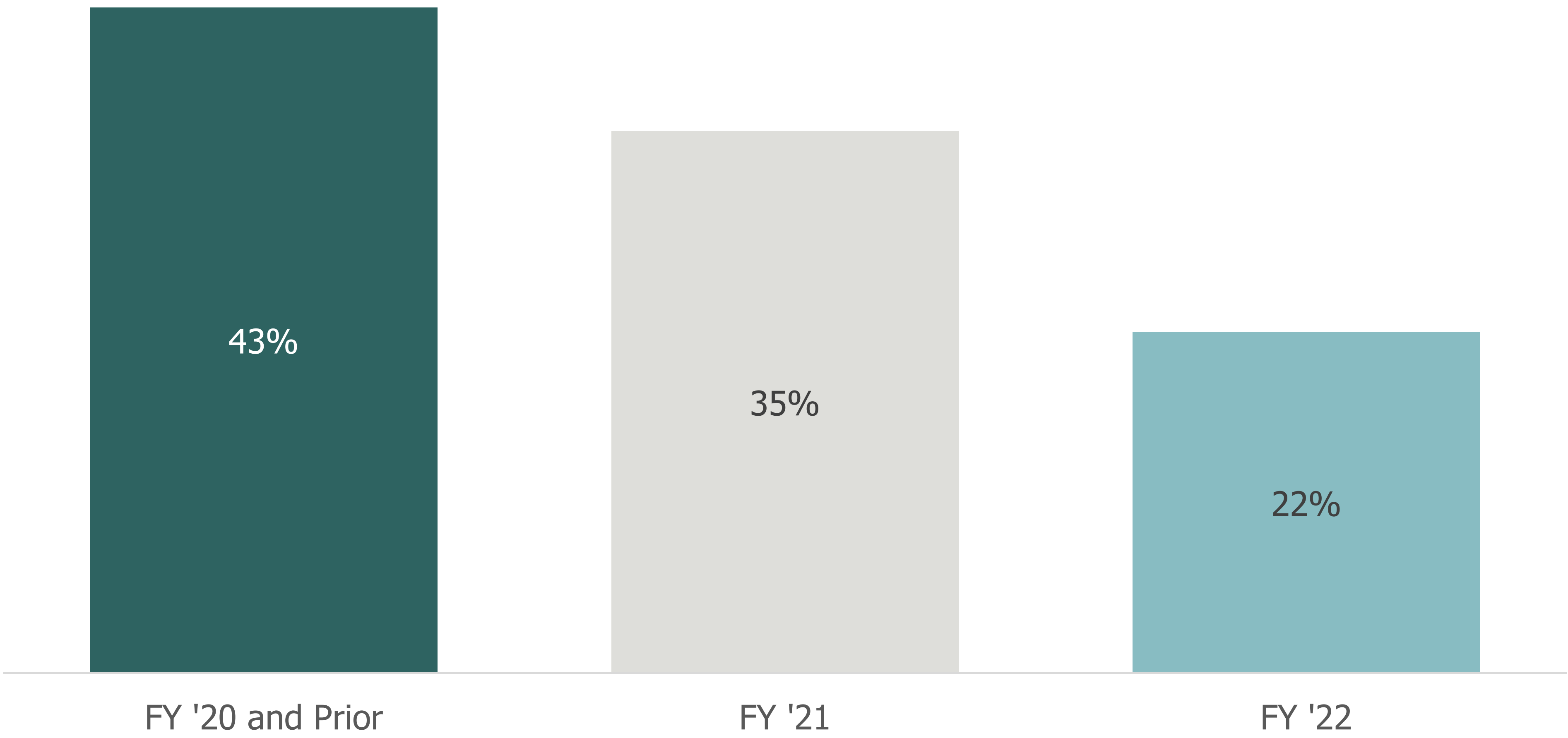


(1) Excludes unconsolidated joint ventures.

Vintage of 31,913 Lot Position

As of July 31, 2022

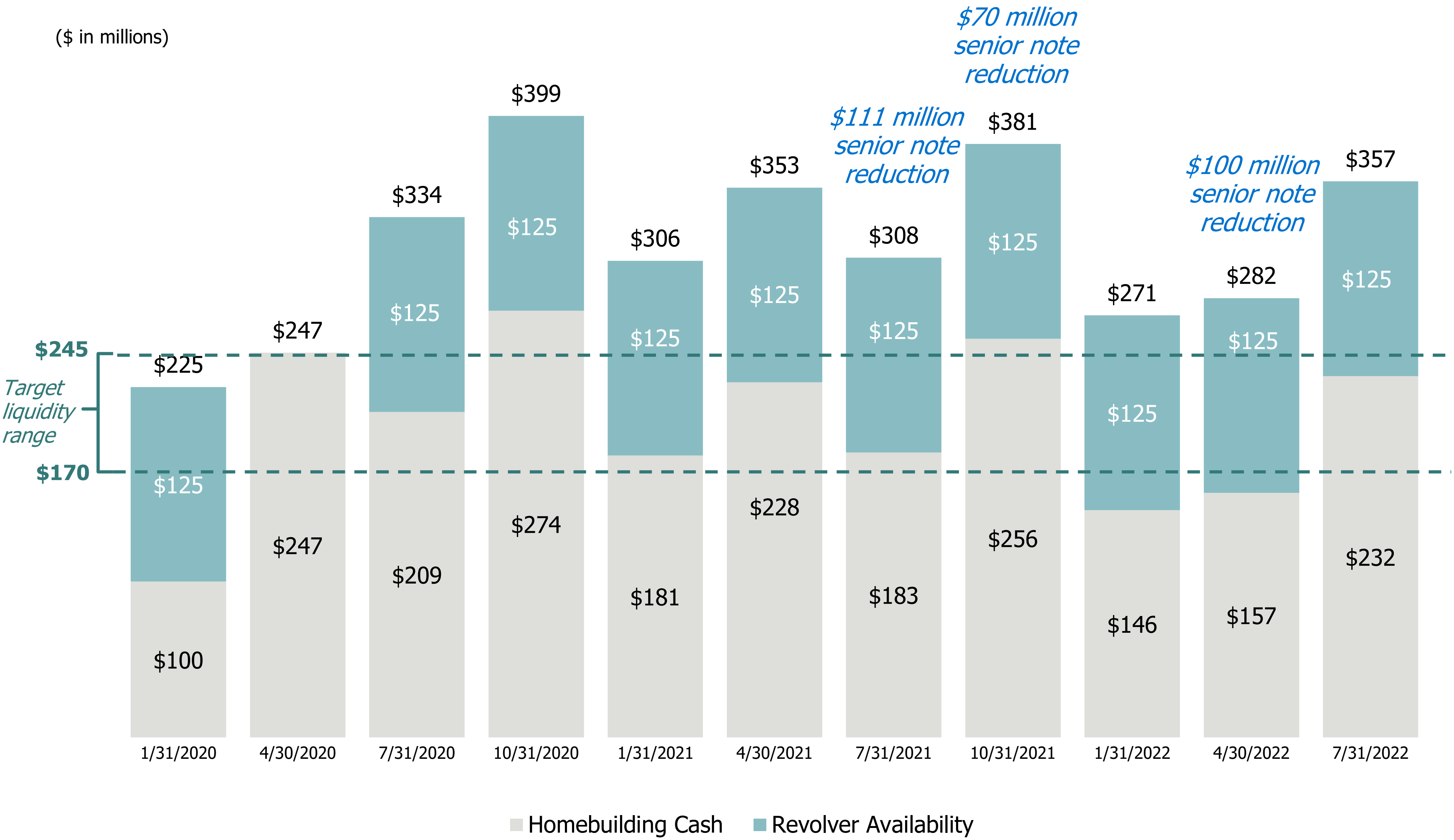
percentage of when the lots were controlled



(1) Excludes unconsolidated joint ventures.

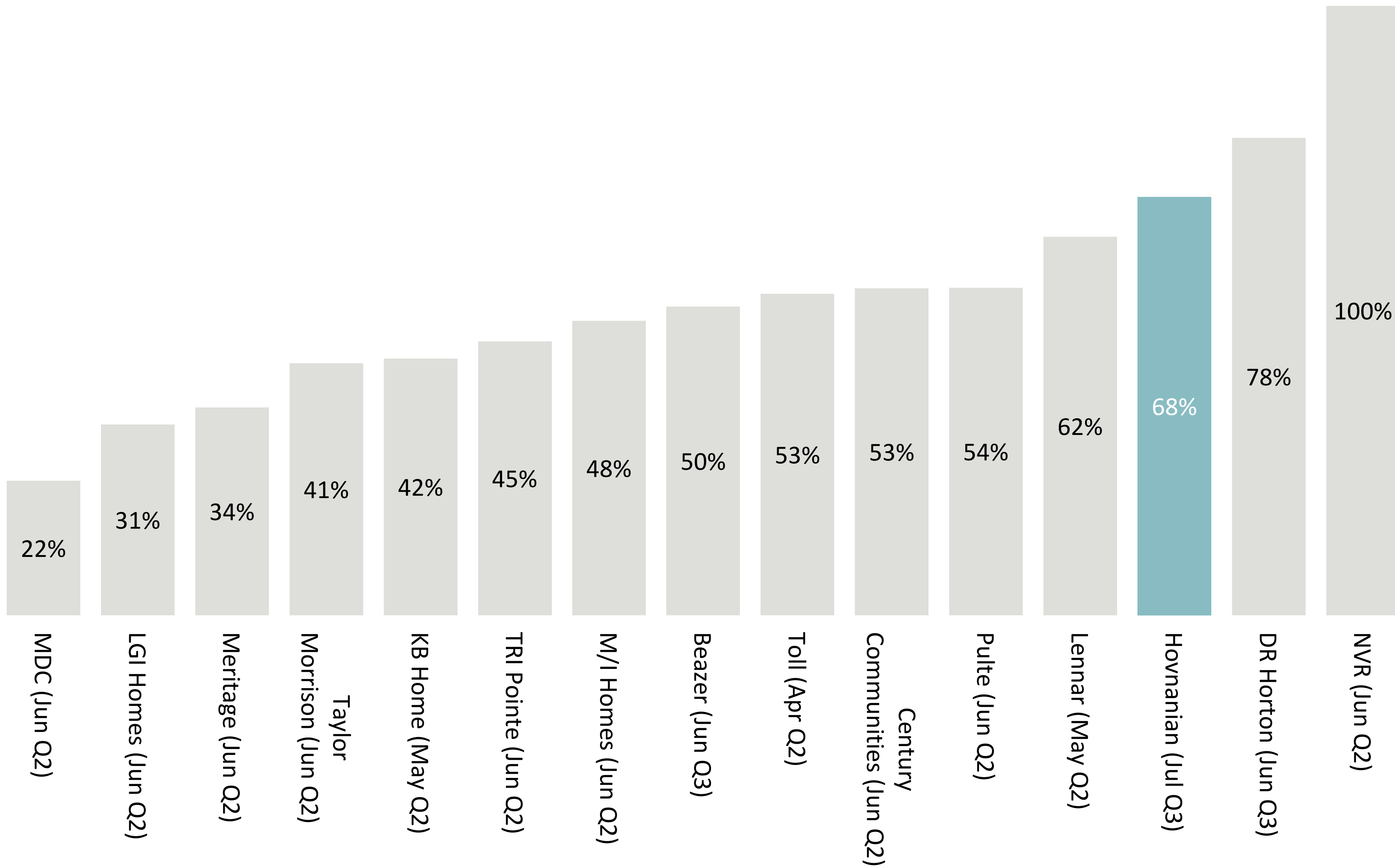
Liquidity Position and Target

Hovnanian Enterprises, Inc.



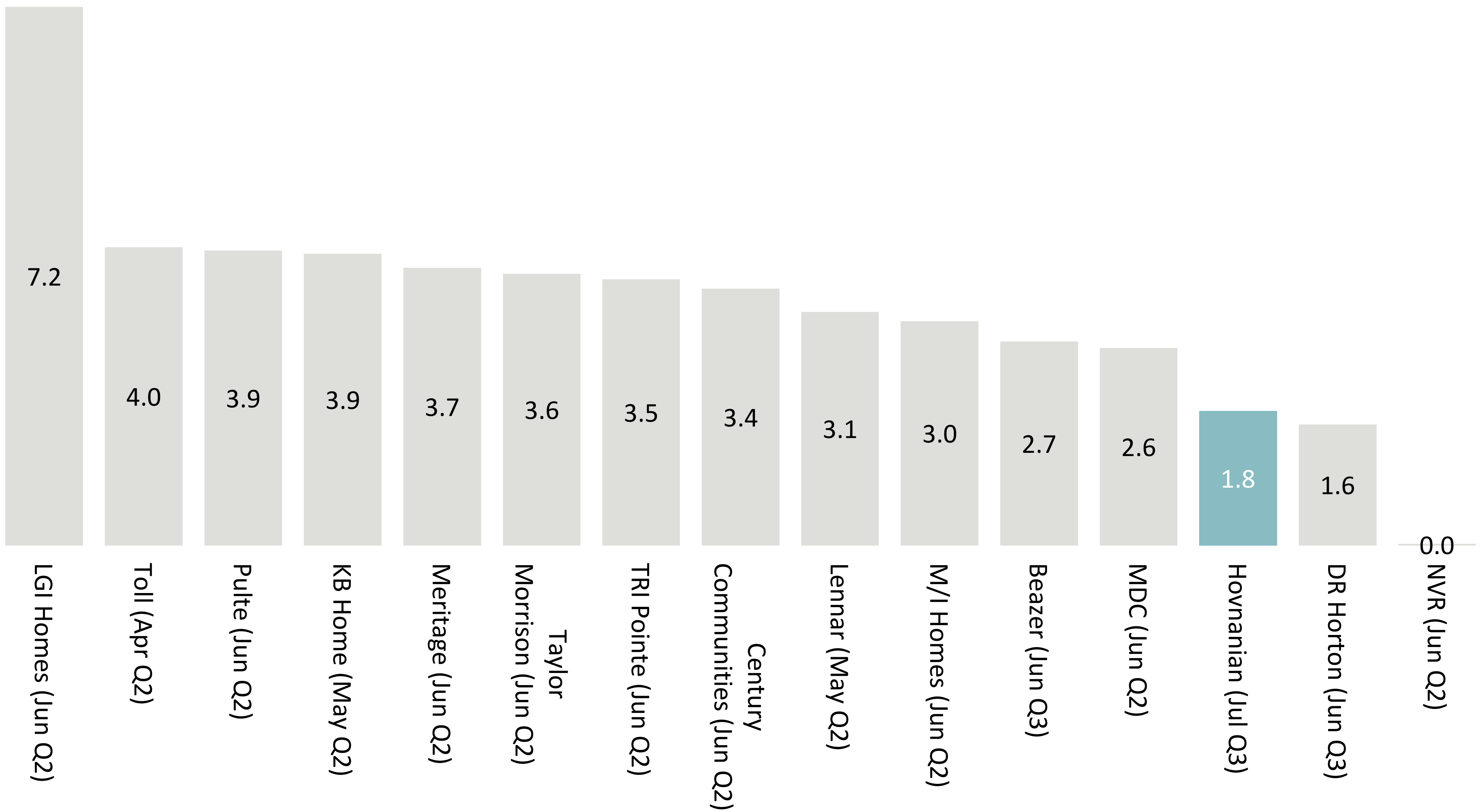
Note: Liquidity position includes homebuilding cash and cash equivalents (which includes unrestricted cash and restricted cash required to collateralize letters of credit) and revolving credit facility availability.

% of Lots Optioned



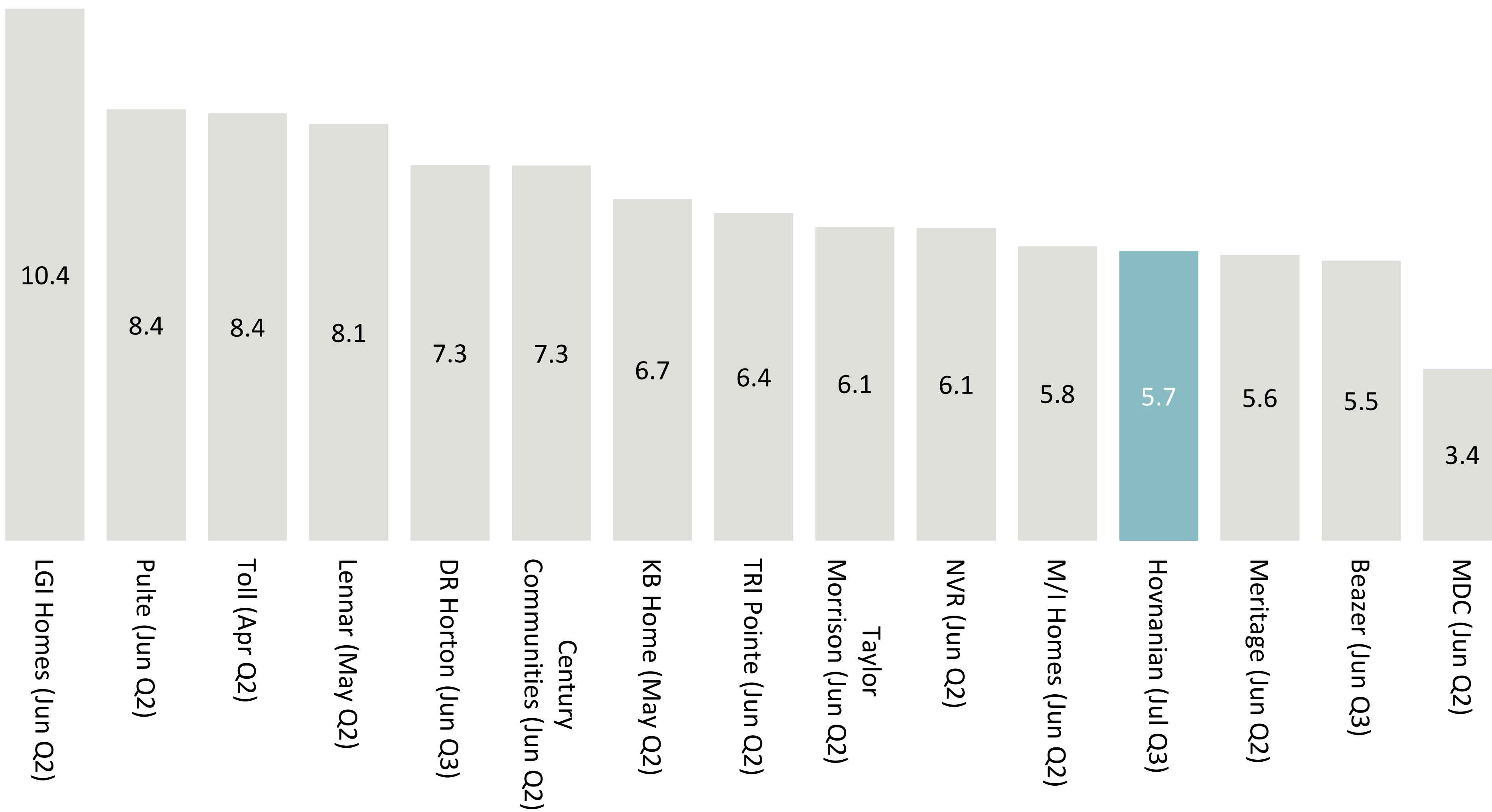
Source: Company SEC filings and press releases as of 09/01/22.
Note: Excludes unconsolidated joint ventures.

Owned Lots – Years Supply



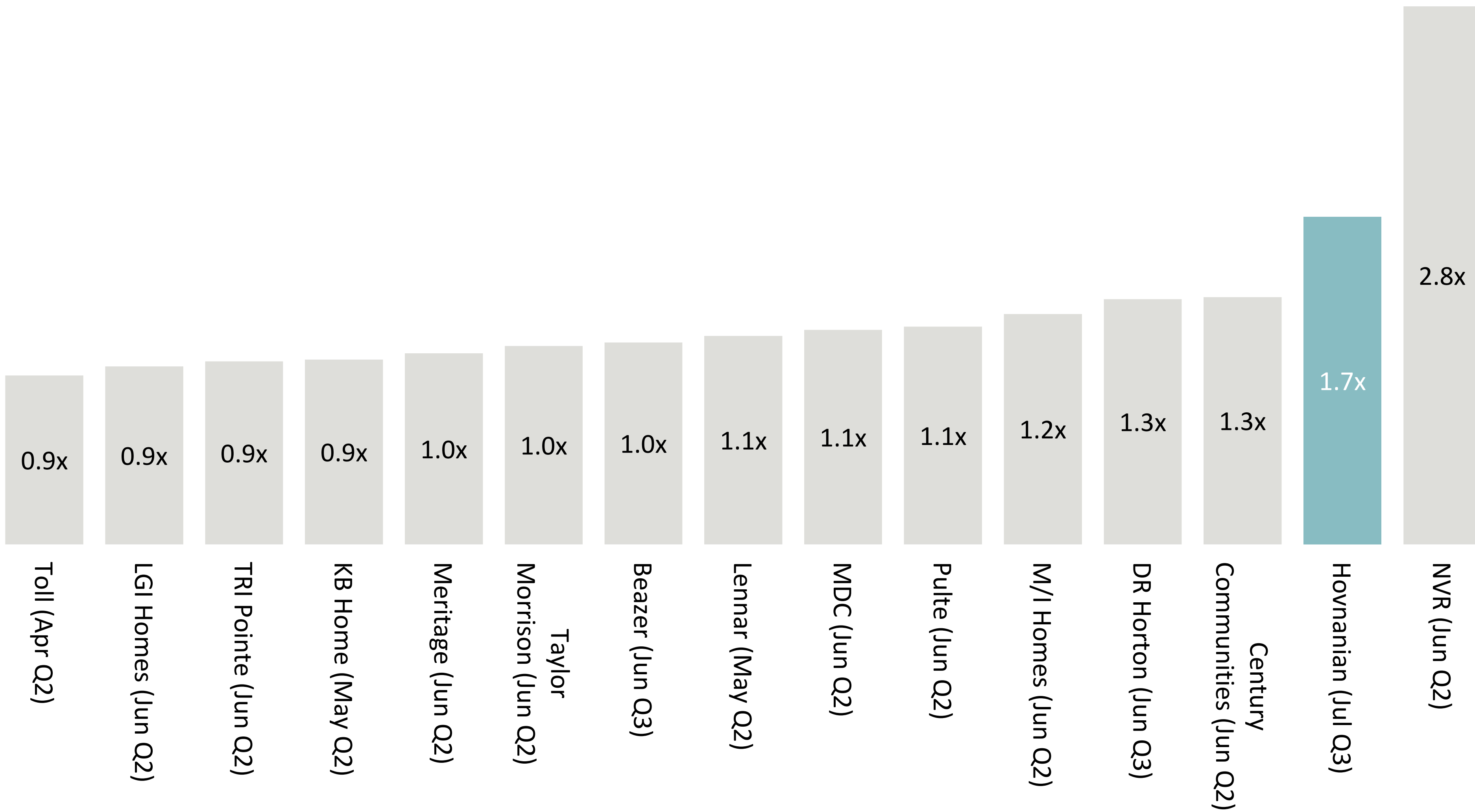
Source: Company SEC filings and press releases as of 09/01/22.

Total Lots – Years Supply



Source: Company SEC filings and press releases as of 09/01/22.

Inventory Turns (COGS), Last Twelve Months

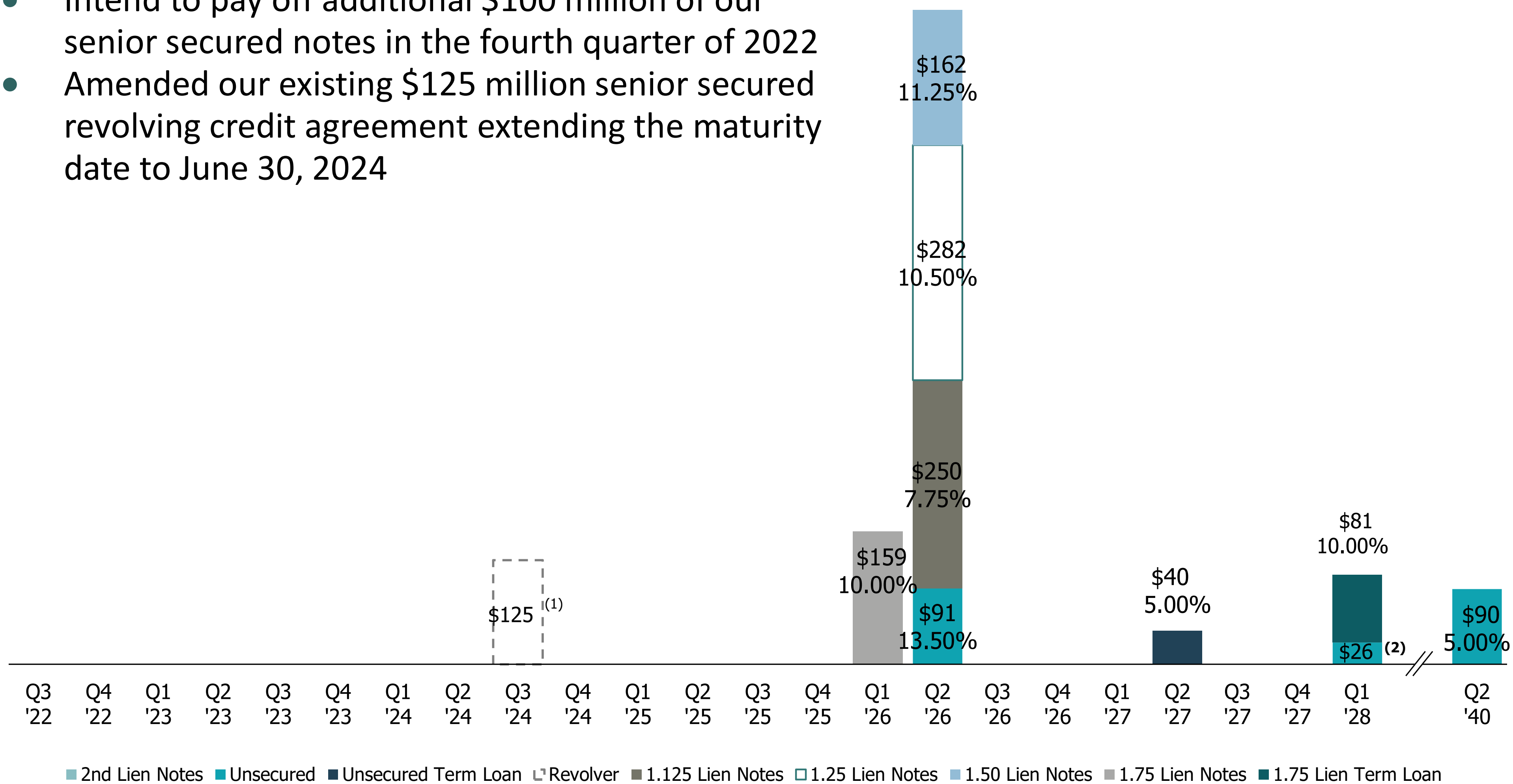


Note: Inventory turns are derived by dividing cost of sales, excluding capitalized interest, by the five quarter average homebuilding inventory less capitalized interest and less liabilities from inventory not owned.
Source: Company SEC filings and press releases as of 09/01/22.

Debt Maturity Profile

As of July 31, 2022

- Intend to pay off additional $100 million of our senior secured notes in the fourth quarter of 2022
- Amended our existing $125 million senior secured revolving credit agreement extending the maturity date to June 30, 2024



Note: Shown on a fiscal year basis, at face value. $ in millions.
Excludes non-recourse mortgages.
(1) $0 balance as of July 31, 2022.
(2) $26 million of 8.0% senior notes held by wholly owned subsidiary, no cash required to retire.

Backlog

($ in billions)

Note: Excludes domestic unconsolidated joint ventures.

Guidance for Fiscal 2022

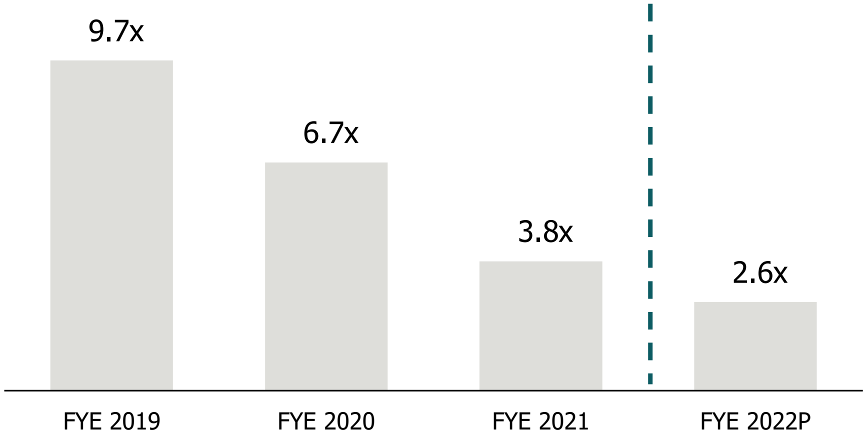
($ in millions)

	Actuals FY 2021	Prior Guidance FY 2022	Current Guidance FY 2022(1)
Total Revenues	**$2,783**	**$2,800 - $3,000**	**$2,800 - $3,000**
Adjusted Homebuilding Gross Margin(2)	**21.8%**	**23.5% - 25.5%**	**24.0% - 26.0%**
Total SG&A as Percentage of Total Revenues(3)	**9.9%**	**9.3% - 10.3%**	**9.3% - 10.3%**
Adjusted EBITDA(4)	**$364**	**$410 - $460**	**$460 - $475**
Adjusted Income Before Income Taxes(5)	**$197**	**$260 - $310**	**$310 - $325**
Diluted EPS (excluding valuation allowance reduction)	**$21.77**	**$26.50 - $32.00**	**$32.00 - $33.50**

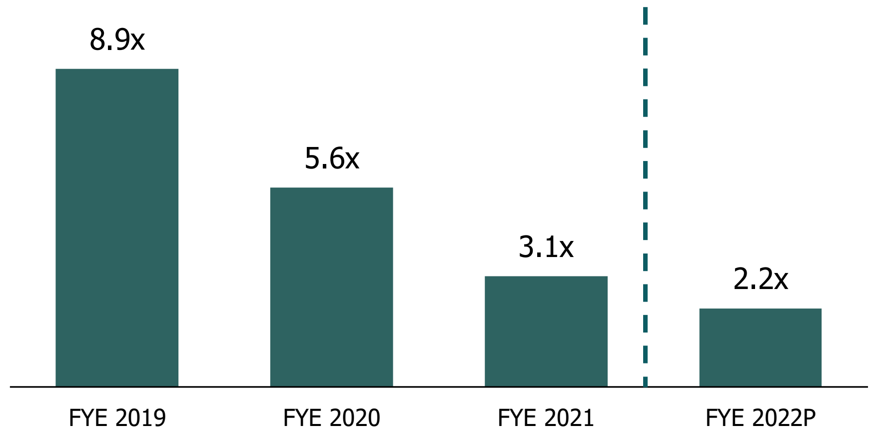
(1) The Company cannot provide a reconciliation between its non-GAAP projections and the most directly comparable GAAP measures without unreasonable efforts because it is unable to predict with reasonable certainty the ultimate outcome of certain significant items required for the reconciliation. These 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. The SG&A guidance assumes that the stock remains at $48.51
(4) Adjusted EBITDA is a non-GAAP financial measure. The most directly comparable GAAP financial measure is net income. Adjusted EBITDA represents earnings before interest expense, income taxes, depreciation, amortization, land-related charges and loss (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.

Credit Metrics

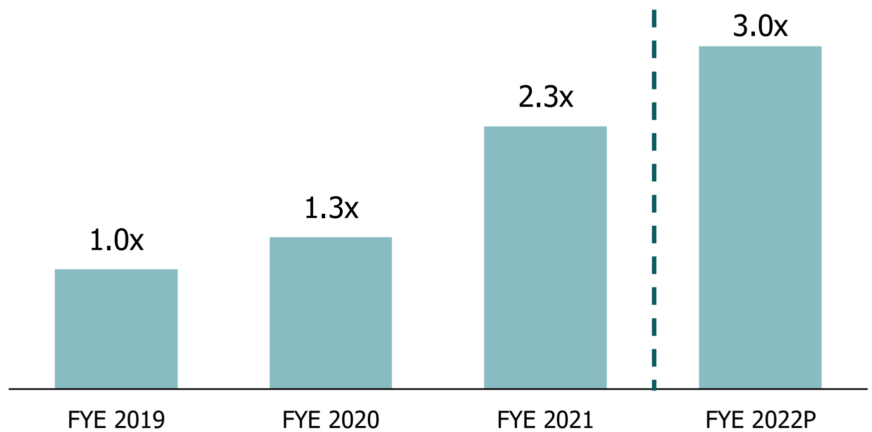
Total debt (incl. mortgages) / Adj. EBITDA



Net Debt (incl. mortgages)/ Adjusted EBITDA

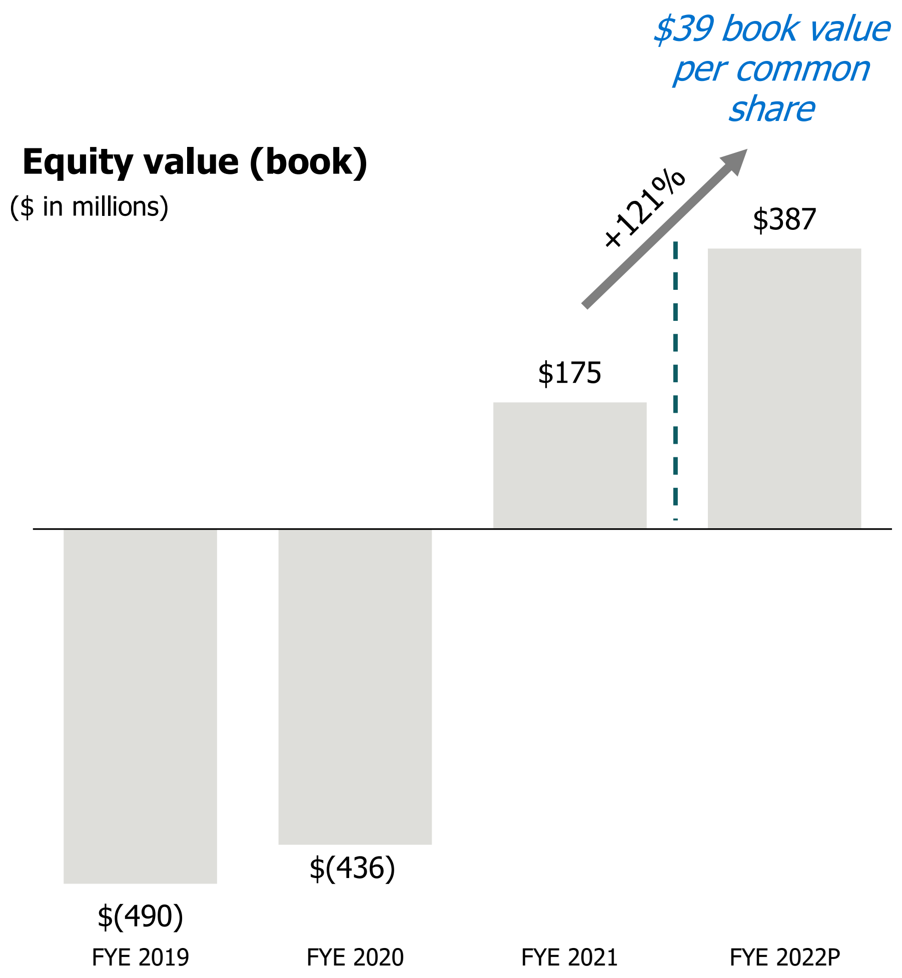


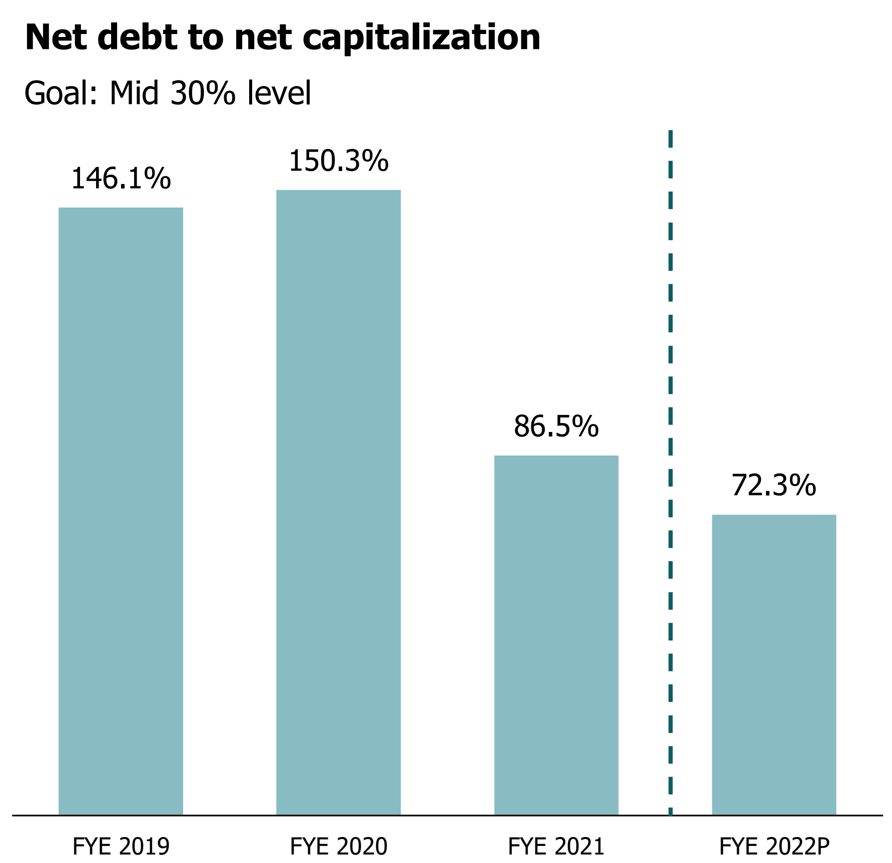
Adj. EBITDA / Interest Incurred



Note: For purposes of the FYE 2022 projection calculations on this slide:
- *used the midpoint of adjusted EBITDA guidance for full year fiscal 2022 ,*
- *used FYE 2021 actual interest incurred, and*
- *non-recourse mortgage balance and cash are assumed to be equal to July 31, 2022 actuals.*

Balance Sheet Metrics

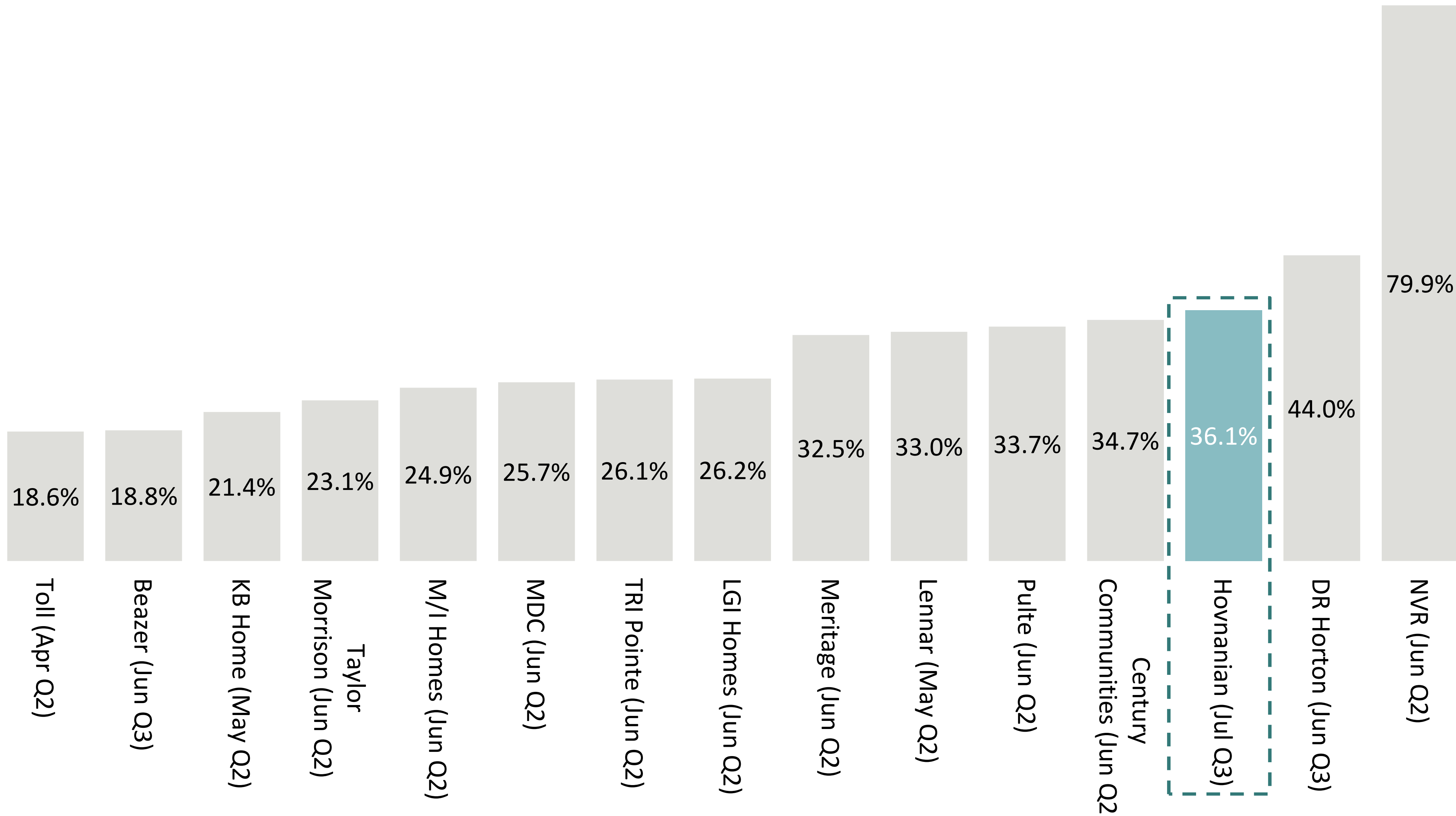




Note: For purposes of the FYE 2022 projection calculations on this slide:

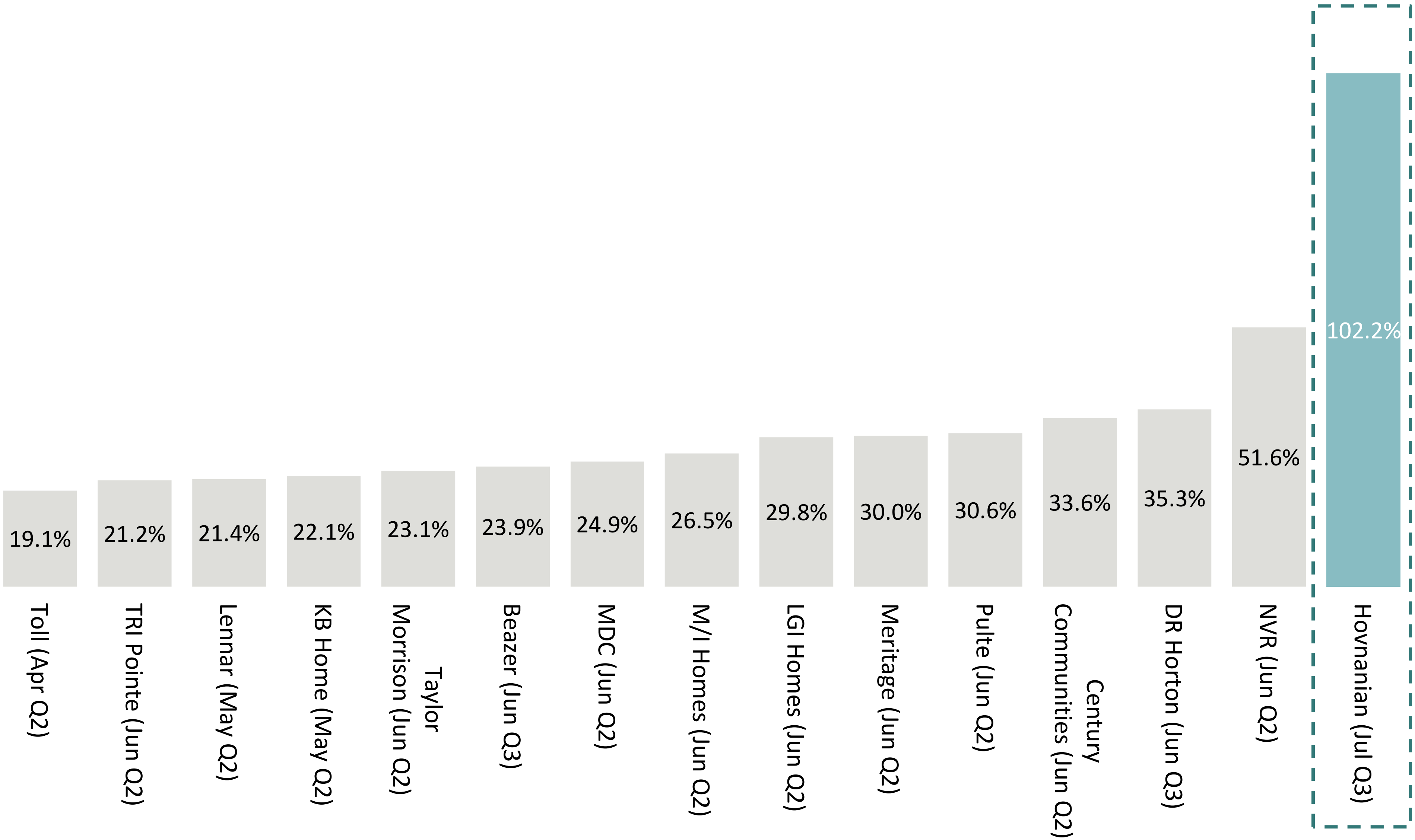
- *midpoint of adjusted income before income taxes guidance for full year 2022 and 30% effective tax rate, less preferred dividend, to get incremental increase to equity value for FYE 2022 and*
- *cash and debt balances are assumed to be equal to July 31, 2022 actuals.*

Consolidated EBIT ROI, Last Twelve Months



Source: Company SEC filings and press releases as of 09/01/22. Preliminary Hovnanian data for April quarter.
(1) Defined as LTM Total Company EBIT before land-related charges and gain(loss) on extinguishment of debt divided by five quarter average inventory, excluding capitalized interest and liabilities from inventory not owned.

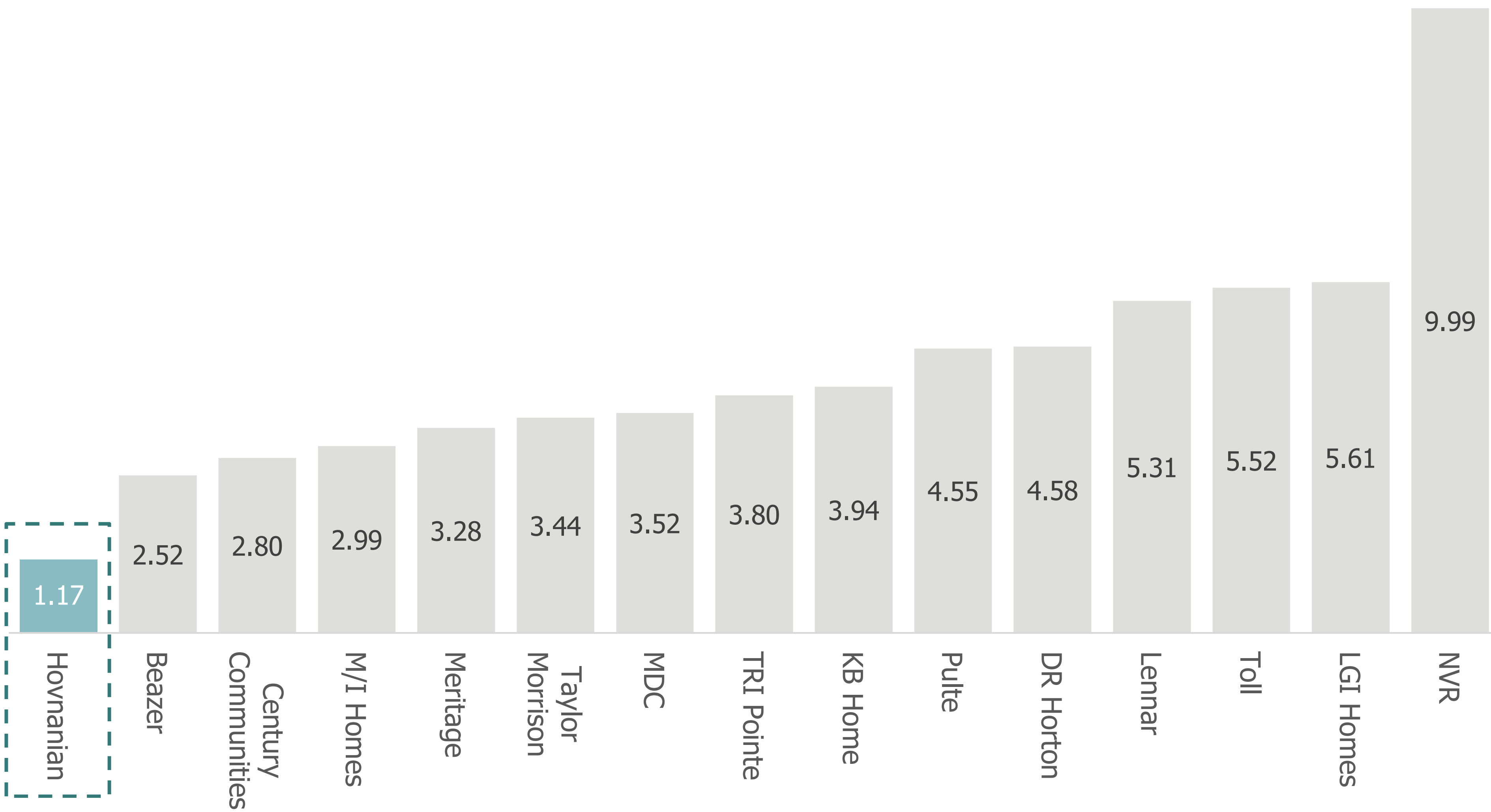
ROE(1), Last Twelve Months



Source: Company SEC filings and press releases as of 09/01/22.
(1) Defined as LTM net income divided by five quarter average equity.

Price to Earnings Ratio

Hovnanian Enterprises, Inc.



Source: Trailing twelve-month price to earnings ratio based on Yahoo! finance as of 08/31/2022.
Note: Hovnanian price to earnings ratio calculated on trailing twelve months as of 07/31/22.

Appendix

Land Positions by Geographic Segment

Hovnanian Enterprises, Inc.

July 31, 2022

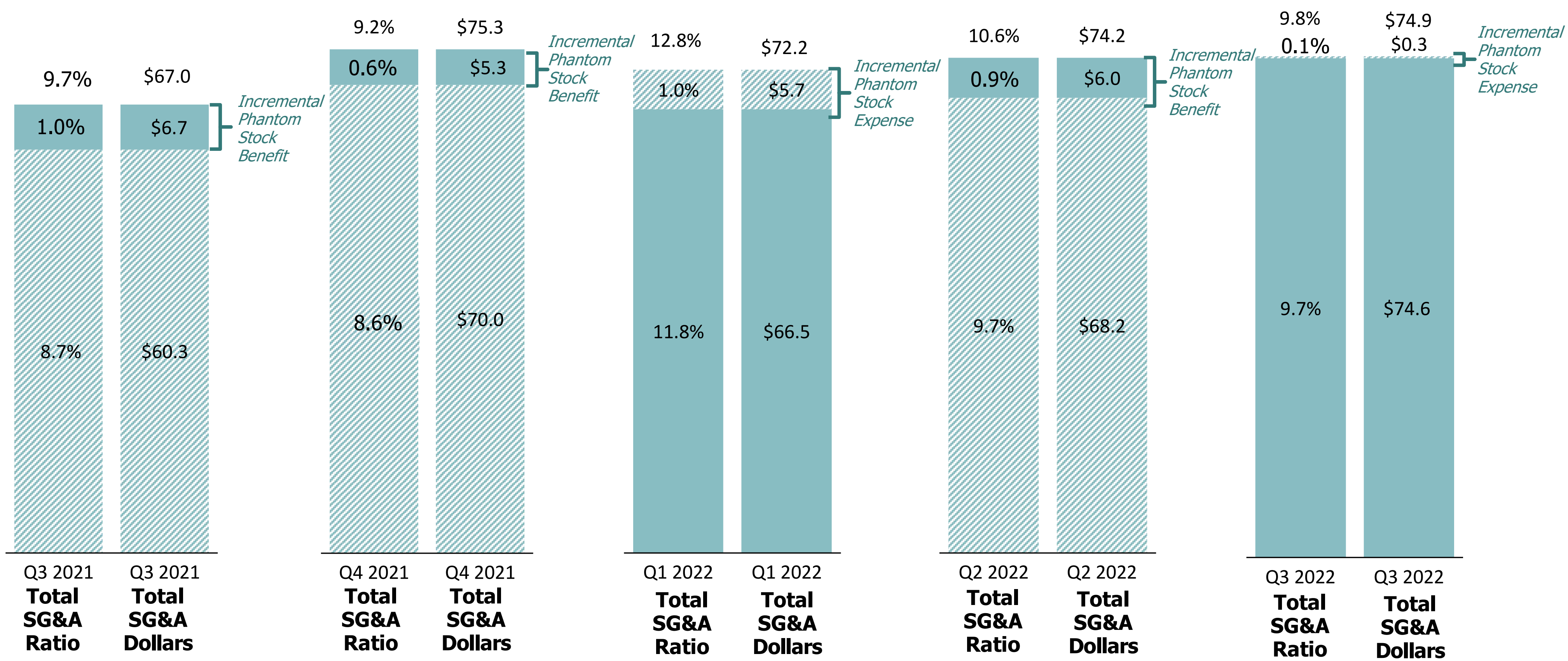
Segment	Owned: Excluding Mothballed Lots	Owned: Mothballed Lots	Optioned Lots	Total Lots
Northeast	540	-	3,351	3,891
Mid-Atlantic	1,710	-	6,894	8,604
Midwest	529	6	1,678	2,213
Southeast	1,724	-	1,730	3,454
Southwest	3,154	-	6,768	9,922
West	2,030	390	1,409	3,829
Consolidated Total	**9,687**	**396**	**21,830**	**31,913**
Unconsolidated Joint Ventures	1,082	-	222	1,304
Grand Total	10,769	396	22,052	33,217

- **Option deposits as of July 31, 2022 were $173 million**
- **$22 million invested in pre-development expenses as of July 31, 2022**

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.

Phantom Stock Expense

Total SG&A Expense
($ in millions)



- In 2019, we granted phantom stock awards in lieu of actual equity under our long-term incentive plan ("LTIP")
- This was done in the best interest of shareholders to avoid dilution concerns associated with our low stock price of $14.50 at the time of grant
- Expense related to the phantom stock varies depending upon our common stock price at quarter end, is a non-cash expense through fiscal 2021, and is reflected in our total SG&A expenses
- SG&A expenses in the third quarter of fiscal 2021 included $6.7 million of incremental benefit due to the phantom stock awards, which is solely related to our common stock price decreasing from $132.59 at the end of the second quarter to $104.39 at the end of the third quarter.
- SG&A expenses in the fourth quarter of fiscal 2021 included $5.3 million of incremental benefit due to the phantom stock awards, which is solely related to our common stock price decreasing from $104.39 at the end of the third quarter to $84.26 at the end of the fourth quarter.
- SG&A expenses in the first quarter of fiscal 2022 included $5.7 million of incremental expense due to the phantom stock awards, which is solely related to our common stock price increasing from $84.26 at the end of the fourth quarter to $96.88 at the end of the first quarter.
- SG&A expenses in the second quarter of fiscal 2022 included $6.0 million of incremental benefit due to the phantom stock awards, which is solely related to our common stock price decreasing from $96.88 at the end of the first quarter to $46.02 at the end of the second quarter.
- SG&A expenses in the third quarter of fiscal 2022 included $0.3 million of incremental expense due to the phantom stock awards, which is solely related to our common stock price increasing from $46.02 at the end of the second quarter to $48.51 at the end of the third quarter.

Reconciliation of Income Before Income Taxes Excluding Land-Related Charges and Loss on Extinguishment of Debt to Income Before Income Taxes

Hovnanian Enterprises, Inc.
July 31, 2022
Reconciliation of income before income taxes excluding land-related charges and loss on extinguishment of debt to income before income taxes
(In thousands)

	Three Months Ended July 31		Nine Months Ended July 31	
	2022	2021	2022	2021
Income before income taxes	$ 111,927	$ 61,799	$ 228,273	$ 112,416
Inventory impairment loss and land option write-offs	1,173	1,309	1,837	3,267
Loss on extinguishment of debt	-	306	6,795	306
Income before income taxes excluding land-related charges and loss on extinguishment of debt (1)	$ 113,100	$ 63,414	$ 236,905	$ 115,989

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

Reconciliation of Gross Margin

Hovnanian Enterprises, Inc.
July 31, 2022
Gross margin
(In thousands)

	Homebuilding Gross Margin Three Months Ended July 31, 2022	Homebuilding Gross Margin Three Months Ended July 31, 2021	Homebuilding Gross Margin Nine Months Ended July 31, 2022	Homebuilding Gross Margin Nine Months Ended July 31, 2021
Sale of homes	$ 736,654	$ 663,279	$ 1,973,843	$ 1,894,159
Cost of sales, excluding interest expense and land charges (1)	543,064	516,530	1,474,403	1,488,919
Homebuilding gross margin, before cost of sales interest expense and land charges (2)	193,590	146,749	499,440	405,240
Cost of sales interest expense, excluding land sales interest expense	22,453	17,821	57,855	56,242
Homebuilding gross margin, after cost of sales interest expense, before land charges (2)	171,137	128,928	441,585	348,998
Land charges	1,173	1,309	1,837	3,267
Homebuilding gross margin	$ 169,964	$ 127,619	$ 439,748	$ 345,731
Homebuilding Gross margin percentage	23.1%	19.2%	22.3%	18.3%
Homebuilding Gross margin percentage, before cost of sales interest expense and land charges (2)	26.3%	22.1%	25.3%	21.4%
Homebuilding Gross margin percentage, after cost of sales interest expense, before land charges (2)	23.2%	19.4%	22.4%	18.4%

	Land Sales Gross Margin Three Months Ended July 31, 2022	Land Sales Gross Margin Three Months Ended July 31, 2021	Land Sales Gross Margin Nine Months Ended July 31, 2022	Land Sales Gross Margin Nine Months Ended July 31, 2021
	(Unaudited)		(Unaudited)	
Land and lot sales	$ 15,788	$ 6,819	$ 16,187	$ 11,730
Land and lot sales cost of sales, excluding interest and land charges (1)	5,512	5,338	5,772	9,121
Land and lot sales gross margin, excluding interest and land charges	10,276	1,481	10,415	2,609
Land and lot sales interest	-	1,419	21	1,888
Land and lot sales gross margin, including interest and excluding land charges	$ 10,276	$ 62	$ 10,394	$ 721

(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

Hovnanian Enterprises, Inc.

Hovnanian Enterprises, Inc.
July 31, 2022
Reconciliation of adjusted EBITDA to net income
(In thousands)

	Three Months Ended July 31, 2022	Three Months Ended July 31, 2021	Nine Months Ended July 31, 2022	Nine Months Ended July 31, 2021
	(Unaudited)		(Unaudited)	
Net income	$ 82,614	$ 47,702	$ 169,857	$ 555,337
Income tax provision (benefit)	29,313	14,097	58,416	(442,921)
Interest expense	32,077	38,398	93,318	123,296
EBIT (1)	144,004	100,197	321,591	235,712
Depreciation and amortization	1,520	1,269	4,009	4,091
EBITDA (2)	145,524	101,466	325,600	239,803
Inventory impairment loss and land option write-offs	1,173	1,309	1,837	3,267
Loss on extinguishment of debt	-	306	6,795	306
Adjusted EBITDA (3)	$ 146,697	$ 103,081	$ 334,232	$ 243,376
Interest incurred	$ 32,644	$ 39,181	$ 99,299	$ 122,508
Adjusted EBITDA to interest incurred	4.49	2.63	3.37	1.99

(1) EBIT is a non-GAAP financial measure. The most directly comparable GAAP financial measure is net income. 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. 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. Adjusted EBITDA represents earnings before interest expense, income taxes, depreciation, amortization, inventory impairment loss and land option write-offs and loss on extinguishment of debt.

Reconciliation of Inventory Turnover

Hovnanian Enterprises, Inc.
July 31, 2022
Calculation of Inventory Turnover[1]

(Dollars in thousands)		For the quarter ended 10/31/2021	1/31/2022	4/30/2022	7/31/2022	**TTM ended 7/31/2022**
Cost of sales, excluding interest		$612,156	$427,917	$503,682	$548,576	$2,092,331

	As of 7/31/2021	10/31/2021	1/31/2022	4/30/2022	7/31/2022	**Five Quarter Average**
Total inventories	$1,313,345	$1,254,260	$1,413,388	$1,492,167	$1,585,281	
Less liabilities from inventory not owned, net of debt issuance costs	69,627	62,762	75,344	123,793	178,454	
Less capitalized interest	63,673	58,159	63,804	63,573	64,140	
Inventories less consolidated inventory not owned and capitalized interest plus liabilities from inventory not owned	$1,180,045	$1,133,339	$1,274,240	$1,304,801	$1,342,687	$1,247,022
Inventory turnover						1.7x

(1) Derived by dividing cost of sales, excluding cost of sales interest, by the five-quarter average inventory, excluding liabilities from 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 Inventory Turnover

October 31, 2021

Calculation of Inventory Turnover(1)

						TTM ended
		For the quarter ended				
(Dollars in thousands)		1/31/2021	4/30/2021	7/31/2021	10/31/2021	**10/31/2021**
Cost of sales, excluding interest		$439,638	$536,534	$521,868	$612,156	$2,110,196
			As of			
	10/31/2020	1/31/2021	4/30/2021	7/31/2021	10/31/2021	
Total inventories	$1,195,775	$1,281,149	$1,256,873	$1,313,345	$1,254,260	
Less liabilities from inventory not owned, net of debt issuance costs	131,204	119,432	90,430	69,627	62,762	Five Quarter
Less capitalized interest	65,010	65,327	59,772	63,673	58,159	Average
Inventories less capitalized interest and liabilities from inventory not owned	$999,561	$1,096,390	$1,106,671	$1,180,045	$1,133,339	$1,103,201
Inventory turnover						1.9x

October 31, 2020

Calculation of Inventory Turnover(1)

						TTM ended
		For the quarter ended				
(Dollars in thousands)		1/31/2020	4/30/2020	7/31/2020	10/31/2020	**10/31/2020**
Cost of sales, excluding interest		$396,355	$428,027	$499,695	$524,409	$1,848,486
			As of			
	10/31/2019	1/31/2020	4/30/2020	7/31/2020	10/31/2020	
Total inventories	$1,292,485	$1,295,715	$1,288,497	$1,213,503	$1,195,775	**Five**
Less liabilities from inventory not owned, net of debt issuance costs	141,033	152,235	144,536	144,922	131,204	**Quarter**
Less capitalized interest	71,264	67,879	67,744	63,998	65,010	**Average**
Inventories less capitalized interest and liabilities from inventory not owned	$1,080,188	$1,075,601	$1,076,217	$1,004,583	$999,561	$1,047,230
Inventory turnover						1.8x

(1) Derived by dividing cost of sales, excluding cost of sales interest, by the five-quarter average inventory, excluding liabilities from 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.

Key credit and balance sheet metrics reconciliations

	October 31,		
	2021	2020	2019
Nonrecourse mortgages secured by inventory, net of debt issuance costs	$125,089	$135,122	$203,585
Senior notes and credit facilities (net of discounts, premiums and debt issuance costs)	$1,248,373	$1,431,110	$1,479,990
Total debt	$1,373,462	$1,566,232	$1,683,575
Cash and cash equivalents	$245,970	$262,489	$130,976
Net debt	$1,127,492	$1,303,743	$1,552,599
Adjusted EBITDA	$364,335	$234,314	$174,009
Total debt to adjusted EBITDA	3.8	6.7	9.7
Net debt to adjusted EBITDA	3.1	5.6	8.9
Interest incurred	$155,514	$176,457	$165,906
Adjusted EBITDA to interest incurred	2.3	1.3	1.0
Total debt	$1,373,462	$1,566,232	$1,683,575
Total equity (deficit)	$175,384	$(436,094)	$(489,776)
Total capitalization	$1,548,846	$1,130,138	$1,193,799
Debt to capitalization	88.68%	138.59%	141.0%
Total inventory	$1,254,260	$1,195,775	$1,292,485
Consolidated inventory not owned	$98,727	$182,224	$190,273
Total inventory less inventory not owned	$1,155,533	$1,013,551	$1,102,212

Multi-Year Key Metric Targets

Key metrics — Actuals and Targets

($ in millions)

	Actuals FY 2020	Actuals FY 2021	Midpoint of Guidance FY 2022 (1)	Multi-Year Key Metric Targets
Total consolidated revenue	$2,344	$2,783	$2,900	$3,950
Adjusted homebuilding gross margin (2)	18.4%	21.8%	25.0%	20.5%
Total SG&A as a % of total revenues (3)	10.3%	9.9%	9.8%	9.0%
Adjusted EBITDA (4)	$234	$364	$468	$454
Interest expense	$178	$162	$150	$82
Adjusted income before taxes (5)	$51	$197	$318	$372
Total debt (inc. nonrecourse debt)	$1,566	$1,373	$1,236	$650
Adjusted EBITDA/interest incurred	1.3x	2.3x	na	5.5x
Equity (deficit)	($437)	$175	$387	$838
Debt to capitalization (6)	138.7%	88.7%	76.1%	43.7%
Inventory (ex. inventory not owned)	$1,014	$1,156	na	$1,500
Inventory turnover (ex. Inventory not owned and capitalized interest) (7)	1.8x	1.9x	na	2.1x

(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. The SG&A guidance assumes that the Company's stock price remains at $96.88.
(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, land-related charges and loss (gain) on extinguishment of debt. See appendix for a reconciliation to the most directly comparable GAAP measure.
(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.
(6) Debt to capitalization is a non-GAAP financial measure. The calculation of Debt to Capitalization is included in the appendix of this presentation.
(7) The calculation of inventory turnover is included in the appendix to this presentation.