Review of Financial Results
Third Quarter Fiscal 2021

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 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 loss (gain) on extinguishment of debt (“Adjusted EBITDA”) are not U.S. generally accepted accounting principles (GAAP) financial measures. This earnings release also presents EBITDA and Adjusted EBITDA adjusted to exclude the impact of incremental phantom stock expense. 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 earnings release or elsewhere in 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 before income taxes excluding land-related charges and loss (gain) on extinguishment of debt is a non-GAAP financial measure. This earnings release also presents adjusted pretax income 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 earnings release or elsewhere in this earnings release.

SG&A excluding the impact of incremental phantom stock expense is a non-GAAP financial measure. The most directly comparable GAAP financial measure is SG&A, to which SG&A excluding the impact of incremental phantom stock expense is reconciled herein.

Total liquidity is comprised of $172.7 million of cash and cash equivalents, $10.0 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, 2021.

Recent company performance

Guidance Compared with Actuals for Third Quarter 2021

($ in millions)

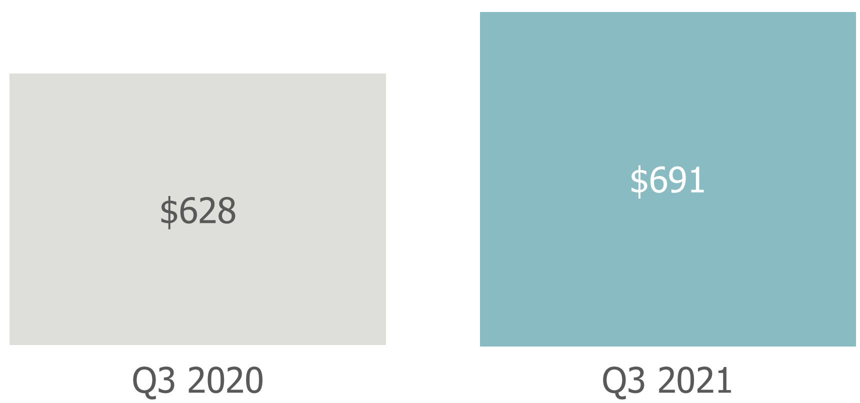
	Guidance Q3 2021	Actuals Q3 2021	Q3 2021 Actuals Excluding Incremental Phantom Benefit(1)
Total Revenues	$700 - $750	$691	$691
Adjusted Homebuilding Gross Margin(2)	20.5% - 21.5%	22.1%	22.1%
Total SG&A as Percentage of Total Revenues(3)	10.5% - 11.5%	8.7%	9.7%
Adjusted EBITDA(4)	$80 - $90	$103	$96
Adjusted Income Before Income Taxes(5)	$35 - $45	$63	$57

(1) 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.
(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. 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 and loss (gain) on extinguishment of debt. See appendix for a reconciliation to the most directly comparable GAAP measure.

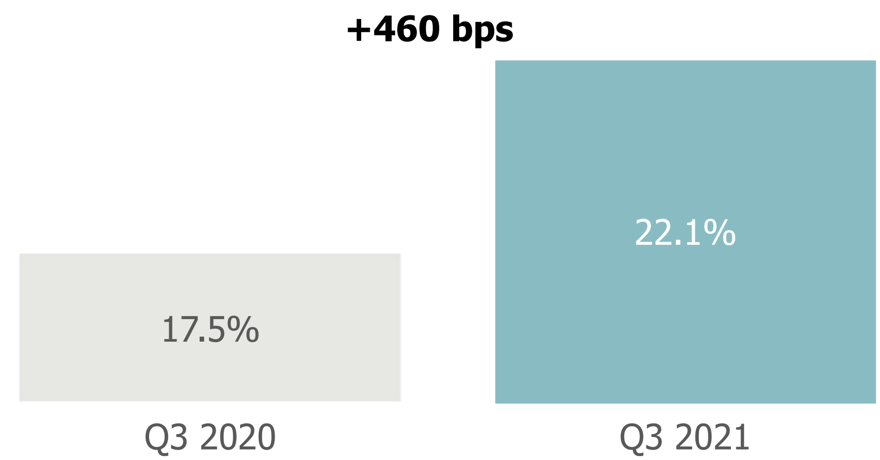
Third Quarter Operating Results

($ in millions, unless specified otherwise)

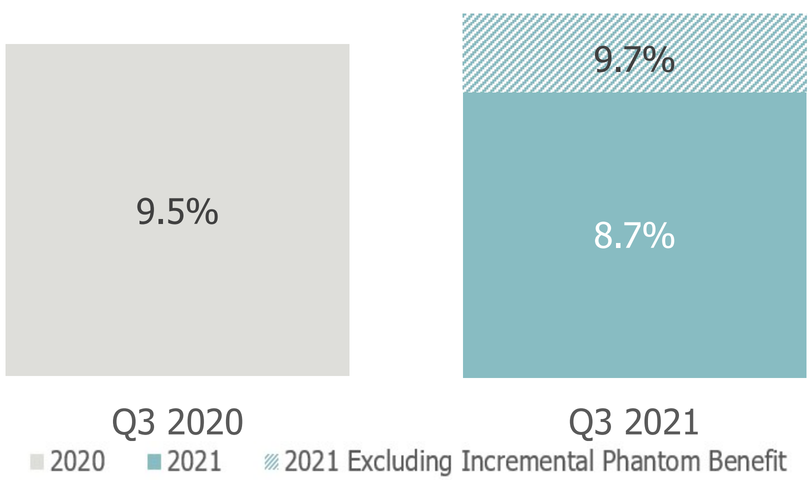
Total Revenues



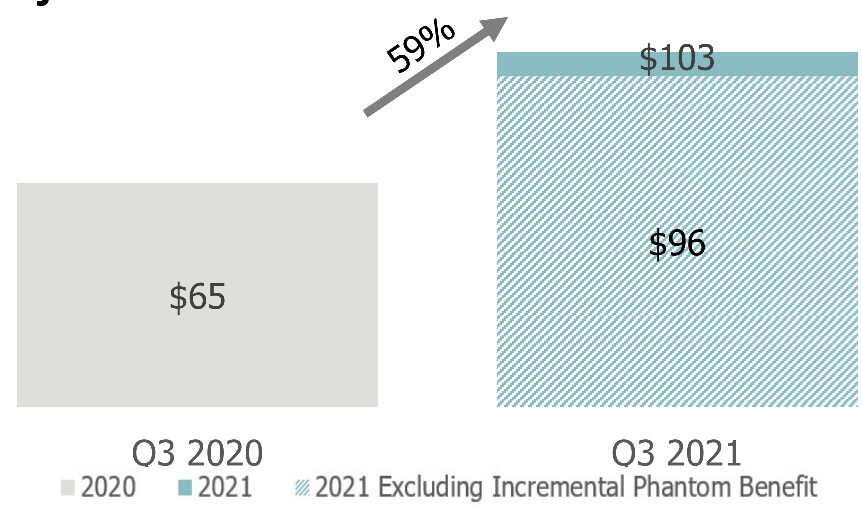
Adjusted Homebuilding Gross Margin(1)



Total SG&A Ratio(2),(3)

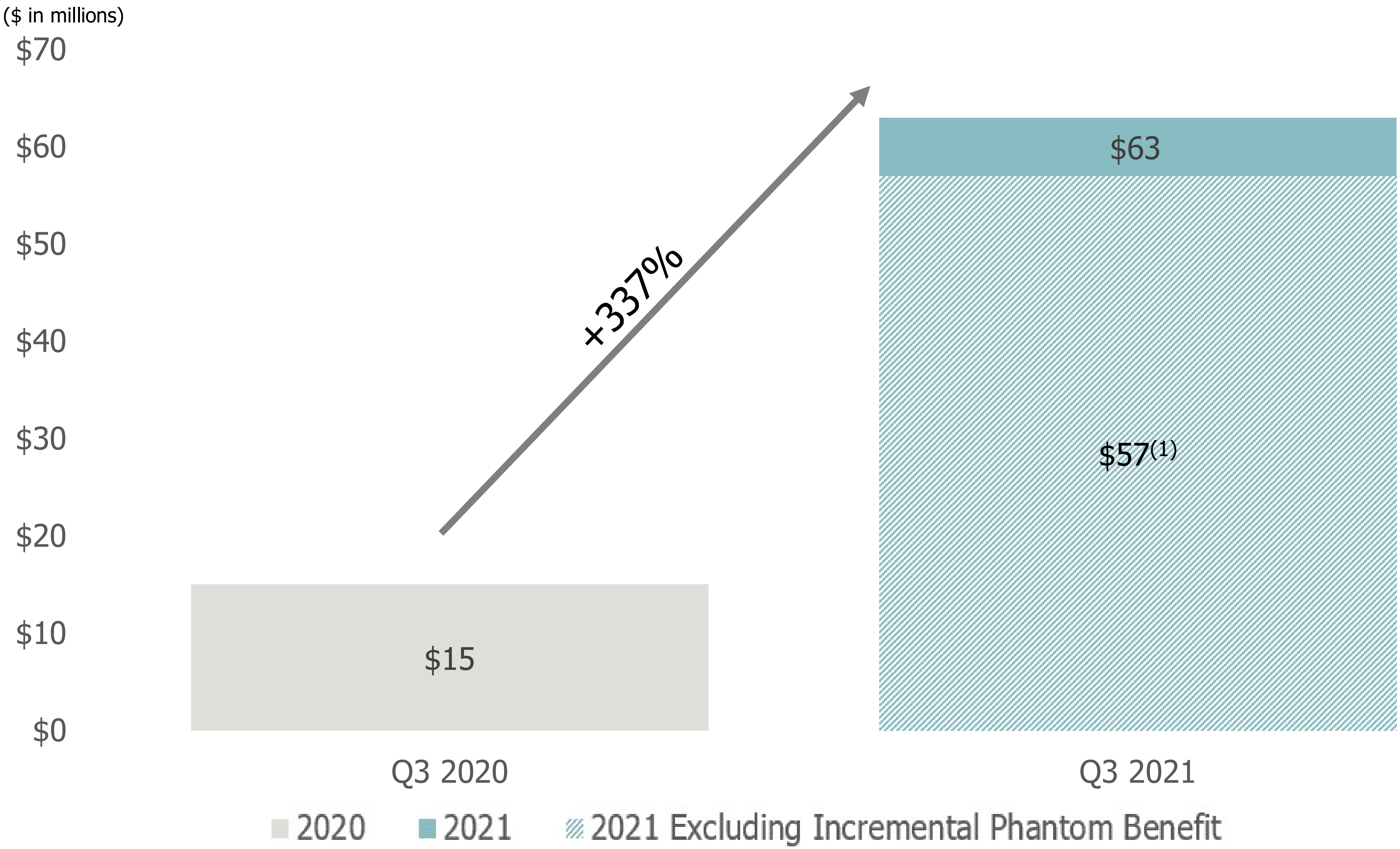


Adjusted EBITDA(3),(4)



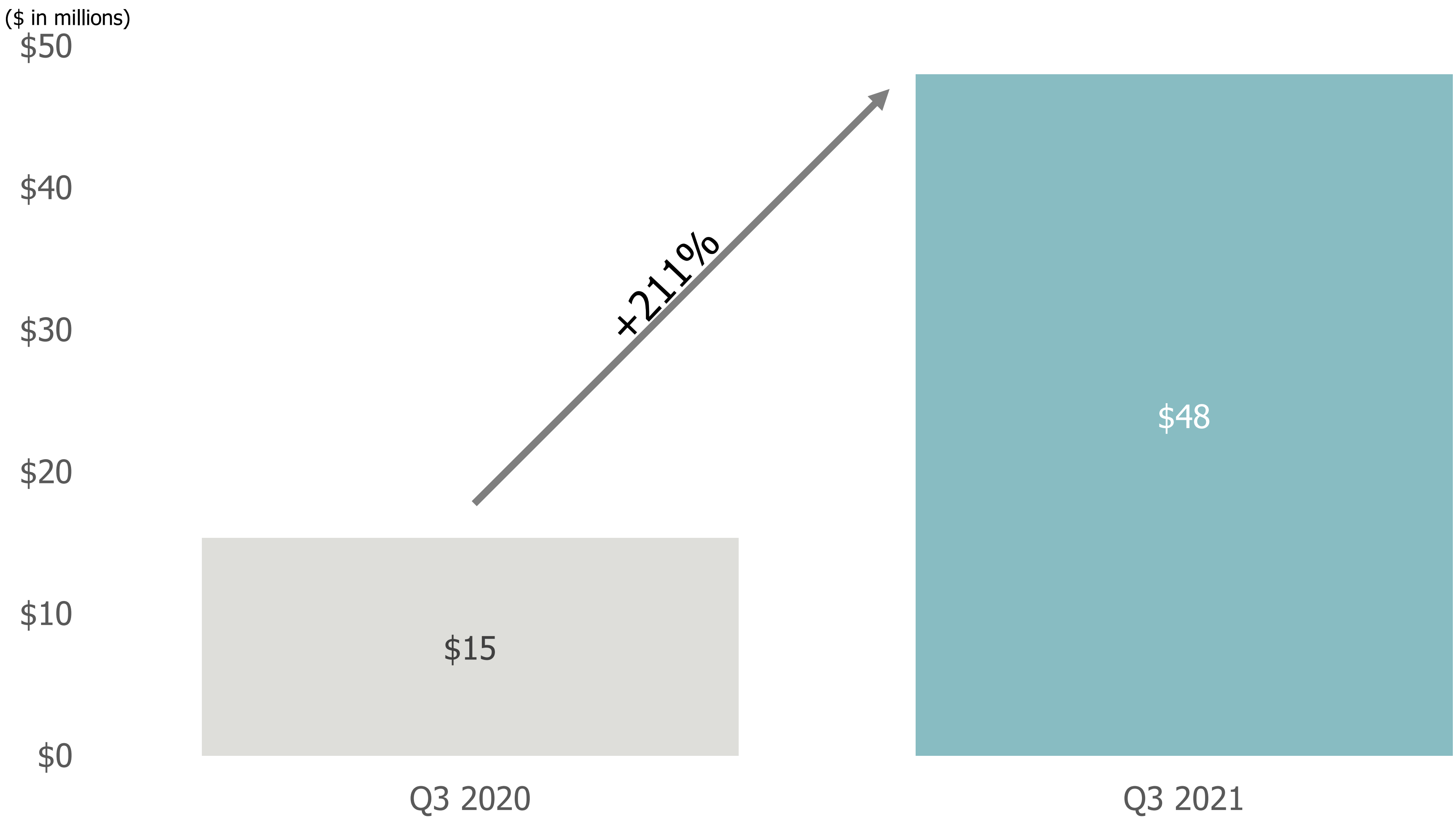
(1) Adjusted homebuilding gross margin percentage is before cost of sales interest expense and land charges. See appendix for a reconciliation to the most directly comparable GAAP measure.
(2) Total SG&A includes homebuilding selling, general and administrative costs and corporate general and administrative costs. Ratio calculated as a percentage of total revenues.
(3) 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.
(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.

Adjusted Pretax Income

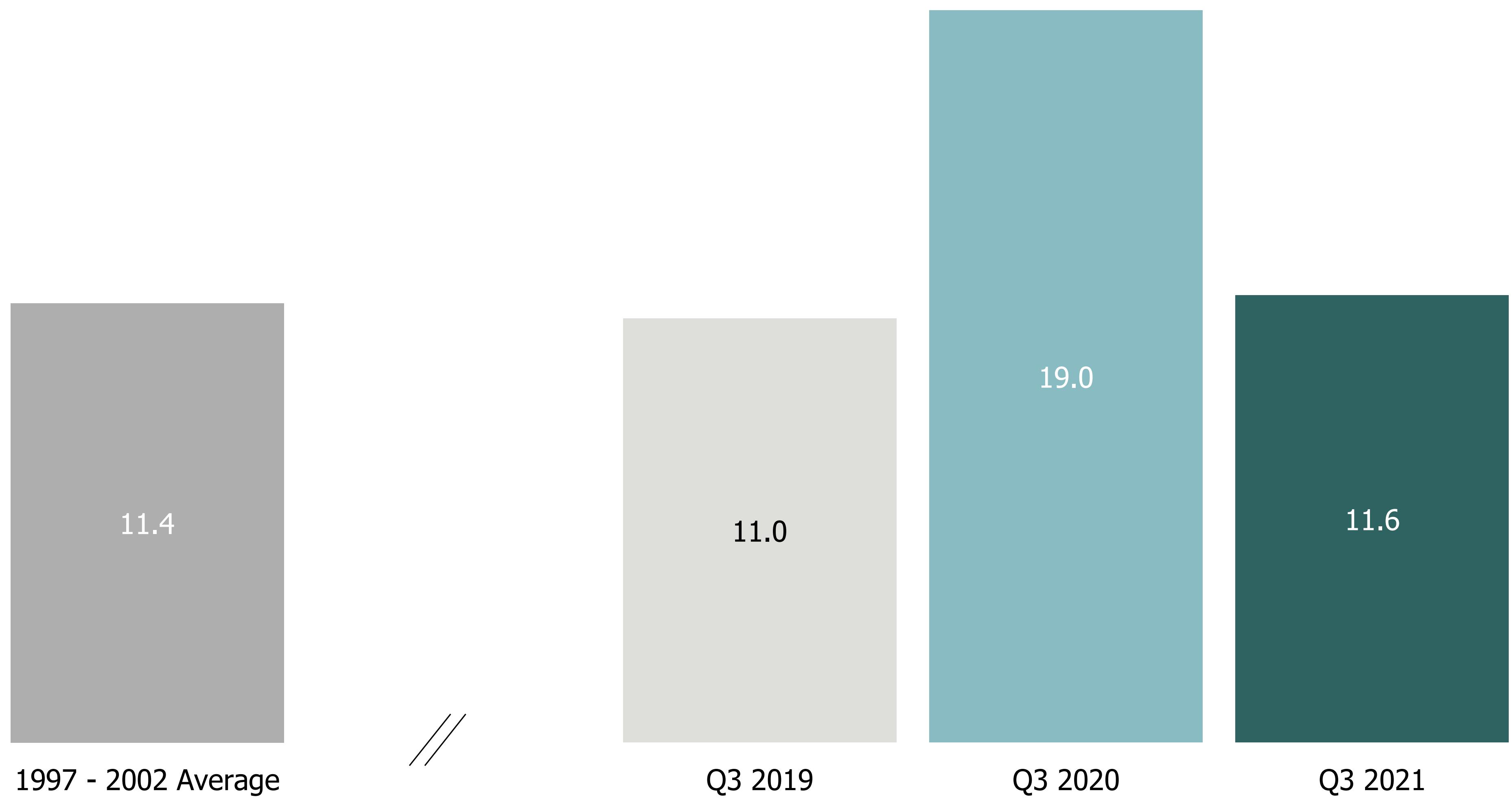


(1) SG&A expenses in the third quarter of fiscal 2021 included $6.7 million of incremental benefit due to the phantom stock awards, which is solely related to our common stock price decreasing from $132.59 at the end of the second quarter to $104.39 at the end of the third quarter.
Note: Adjusted Income (Loss) Before Income Taxes excludes land-related charges and loss (gain) on extinguishment of debt. See appendix for a reconciliation to the most directly comparable GAAP measure.

Net Income

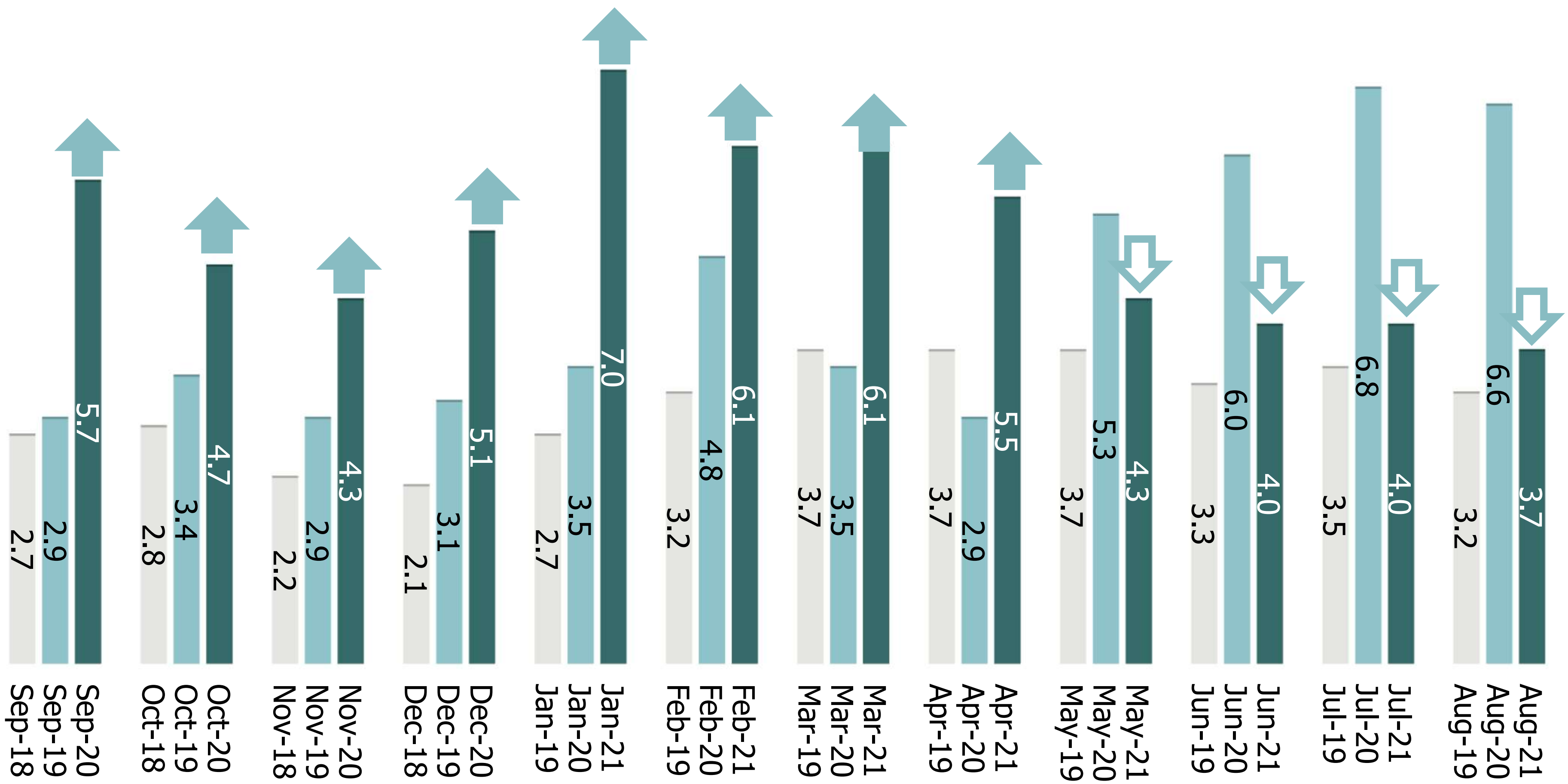


Quarterly Contracts Per Community



Note: Excludes unconsolidated joint ventures.

Number of Monthly Contracts Per Community, Excludes Unconsolidated Joint Ventures



Number of Sundays	5	5	4	4	4	4	4	4	5	5	5	4
	Sep-18	Sep-19	Sep-20	Oct-18	Oct-19	Oct-20	Nov-18	Nov-19	Nov-20	Dec-18	Dec-19	Dec-20
Monthly contracts	333	416	634	348	484	549	285	404	493	280	436	551

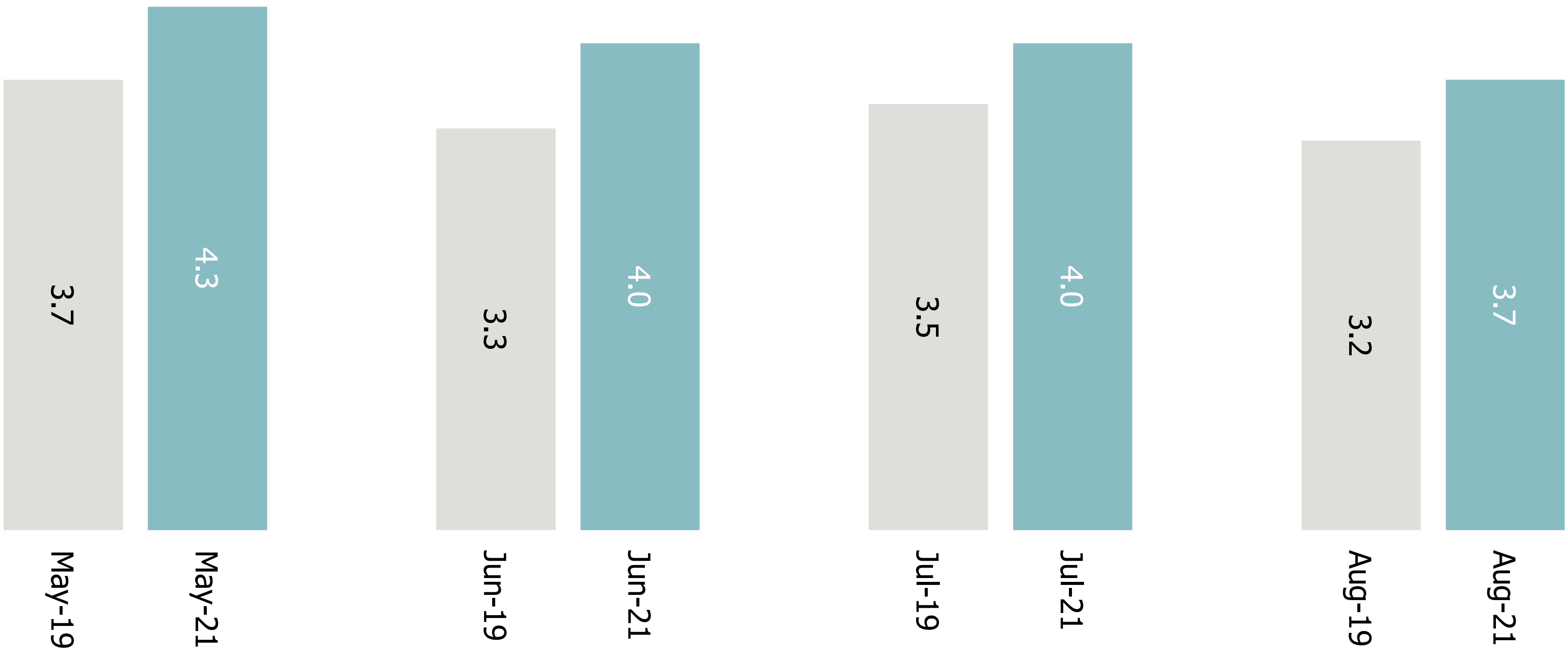
Number of Sundays	4	4	5	4	4	4	5	5	4	4	4	4
	Jan-19	Jan-20	Jan-21	Feb-19	Feb-20	Feb-21	Mar-19	Mar-20	Mar-21	Apr-19	Apr-20	Apr-21
Monthly contracts	369	482	734	449	647	613	553	463	620	544	377	538

Number of Sundays	4	5	5	5	4	4	4	4	4	4	5	5
	May-19	May-20	May-21	Jun-19	Jun-20	Jun-21	Jul-19	Jul-20	Jul-21	Aug-19	Aug-20	Aug-21
Monthly contracts	536	687	413	491	745	384	488	794	414	445	735	383

Note: Excludes unconsolidated joint ventures.

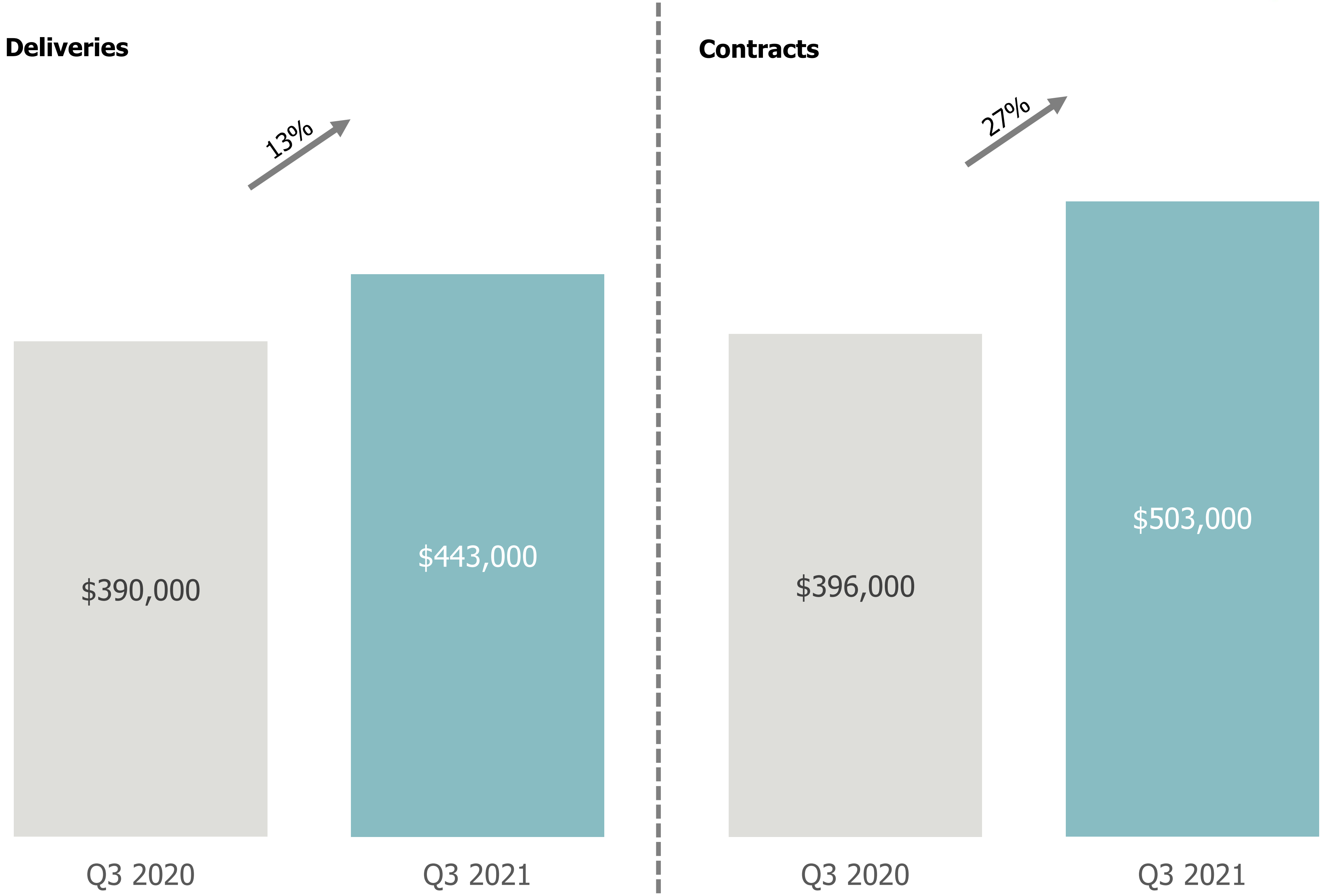
Return to more rational sales pace

Number of Monthly Contracts Per Community,
Excludes Unconsolidated Joint Ventures



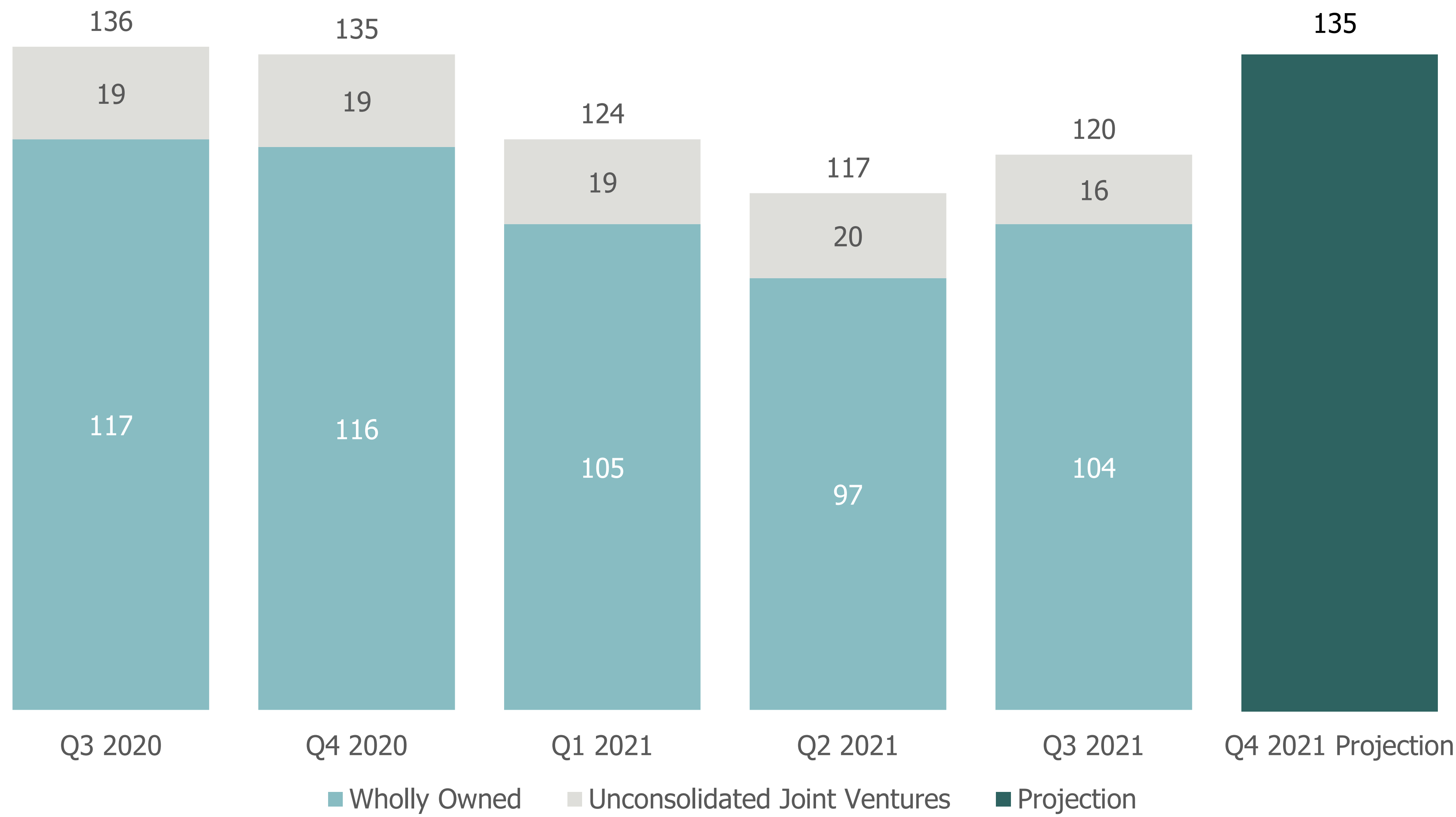
Note: Excludes unconsolidated joint ventures.

Average Sales Price



Note: Excludes unconsolidated joint ventures.

Community Count



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

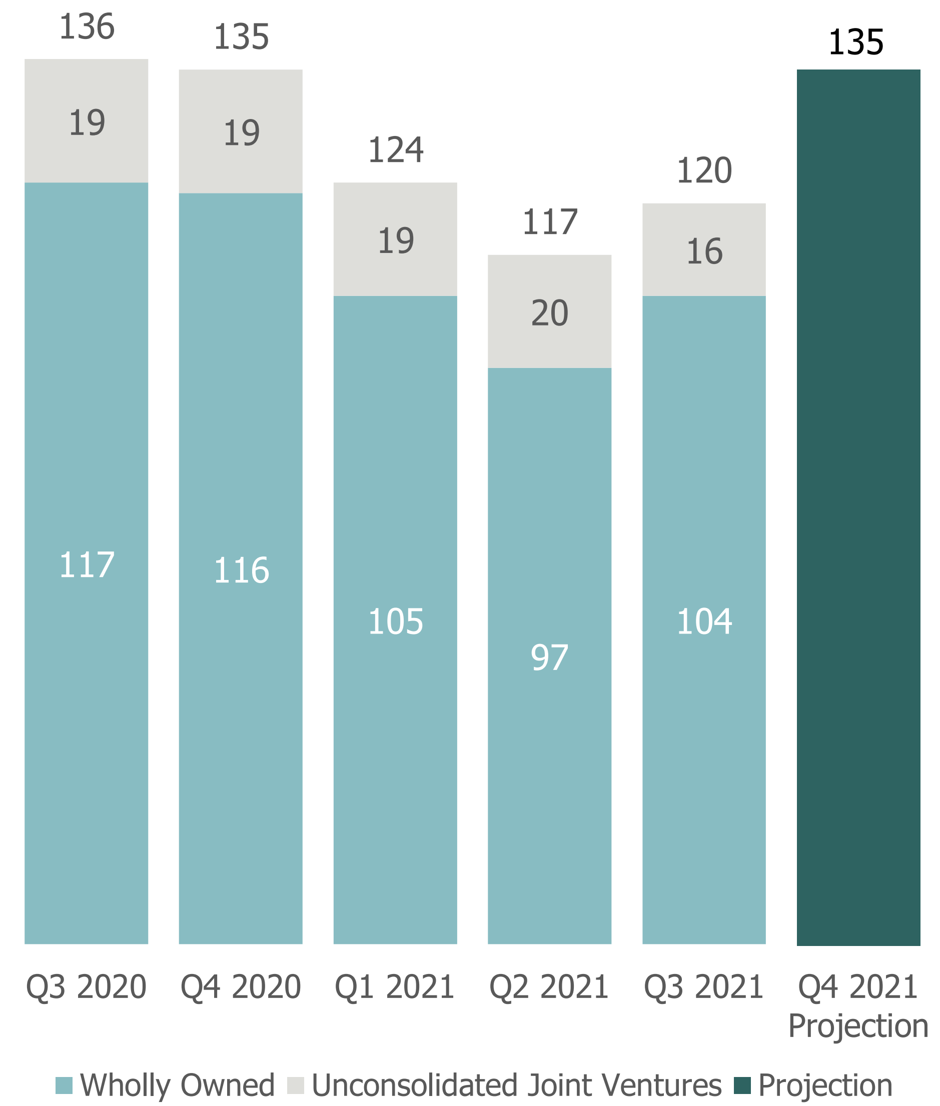
Increase in Newly Controlled Lots

	Q3 2021[1]	Twelve Months Ended 07/31/21
Newly Controlled Lots	4,512[2]	11,594[3]
Deliveries & Lot Sales	1,587	6,340
# of Newly Controlled Lots in Excess of Deliveries	2,925	5,254
Newly Controlled Lots as a Percentage of Deliveries & Lot Sales	284%	183%

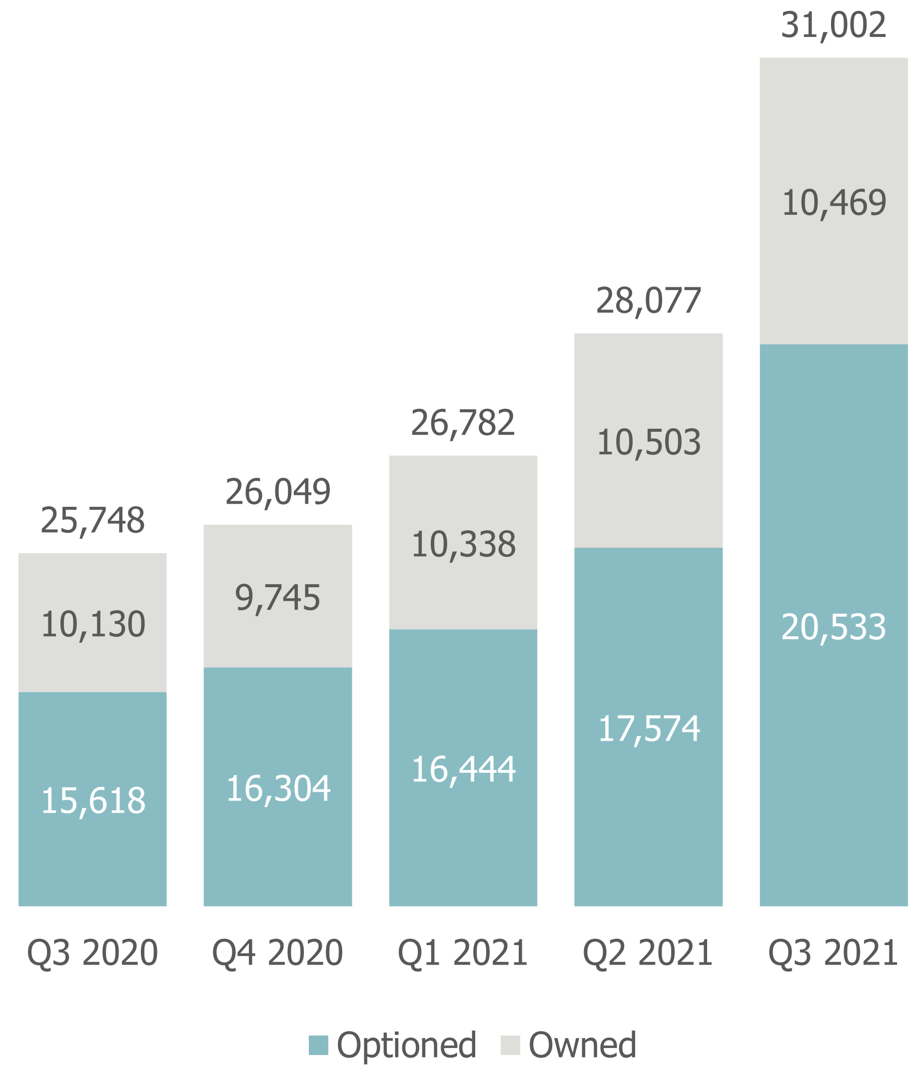
(1) Excludes unconsolidated joint ventures.
(2) Includes newly optioned lots net of 851 walk aways, as well as lots purchased that were not previously optioned.
(3) Includes newly optioned lots net of 1,825 walk aways, as well as lots purchased that were not previously optioned.

Community Count and Lots Controlled

Community Count(1)



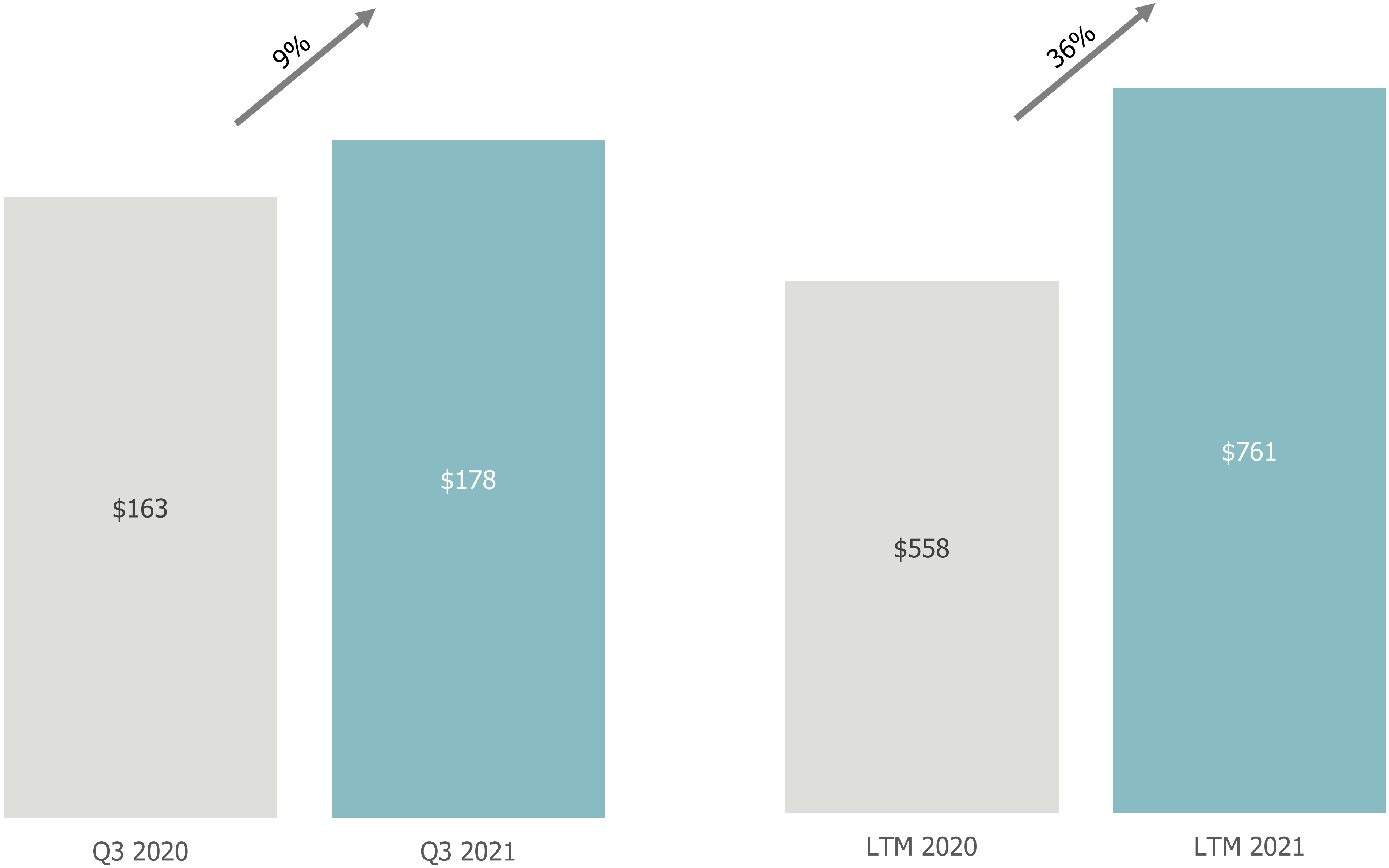
Lots(2)



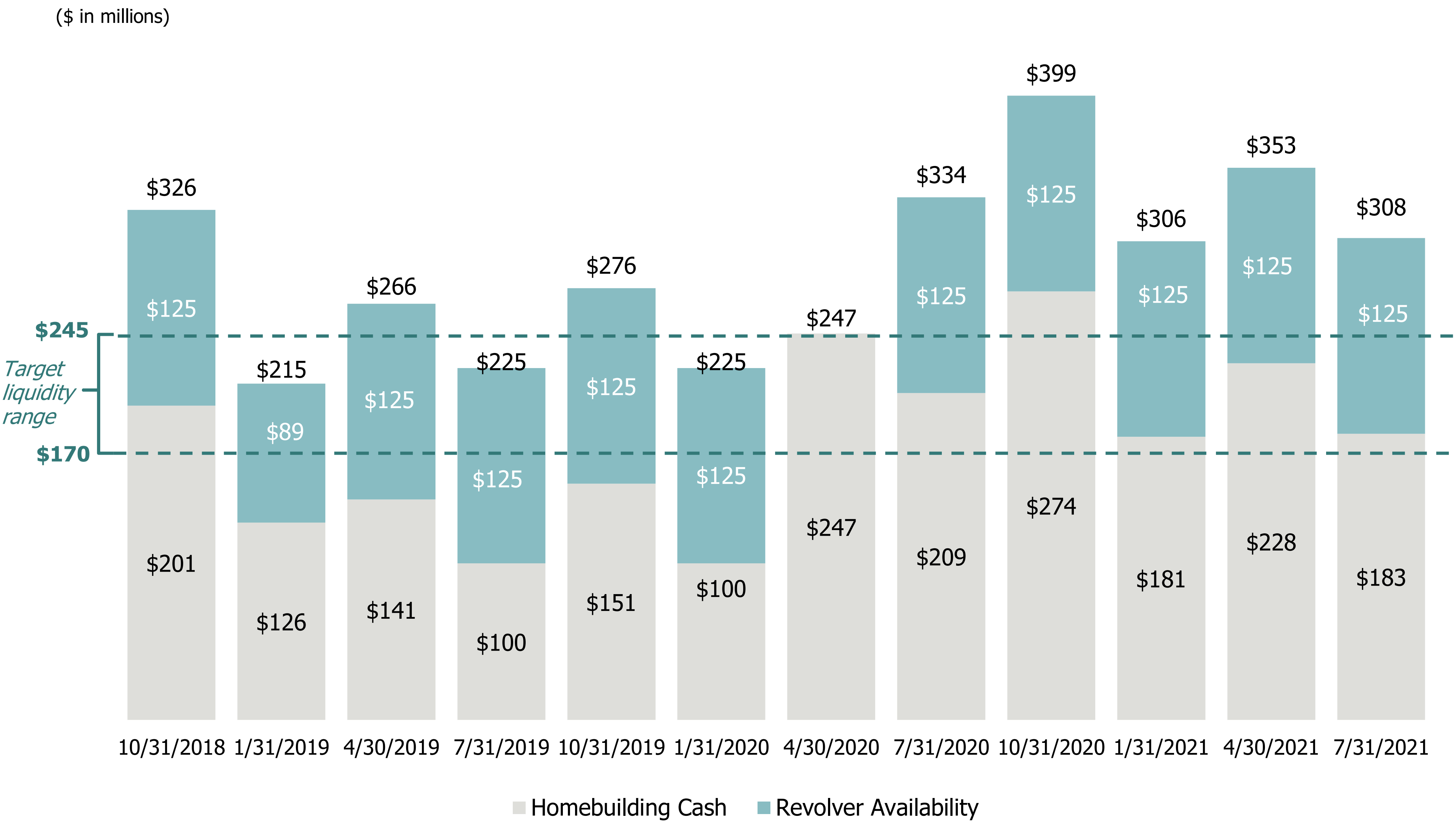
(1) Excludes our single community unconsolidated joint venture in the Kingdom of Saudi Arabia
(2) Excludes unconsolidated joint ventures.

Land and Land Development Spend

($ in millions, unless specified otherwise)



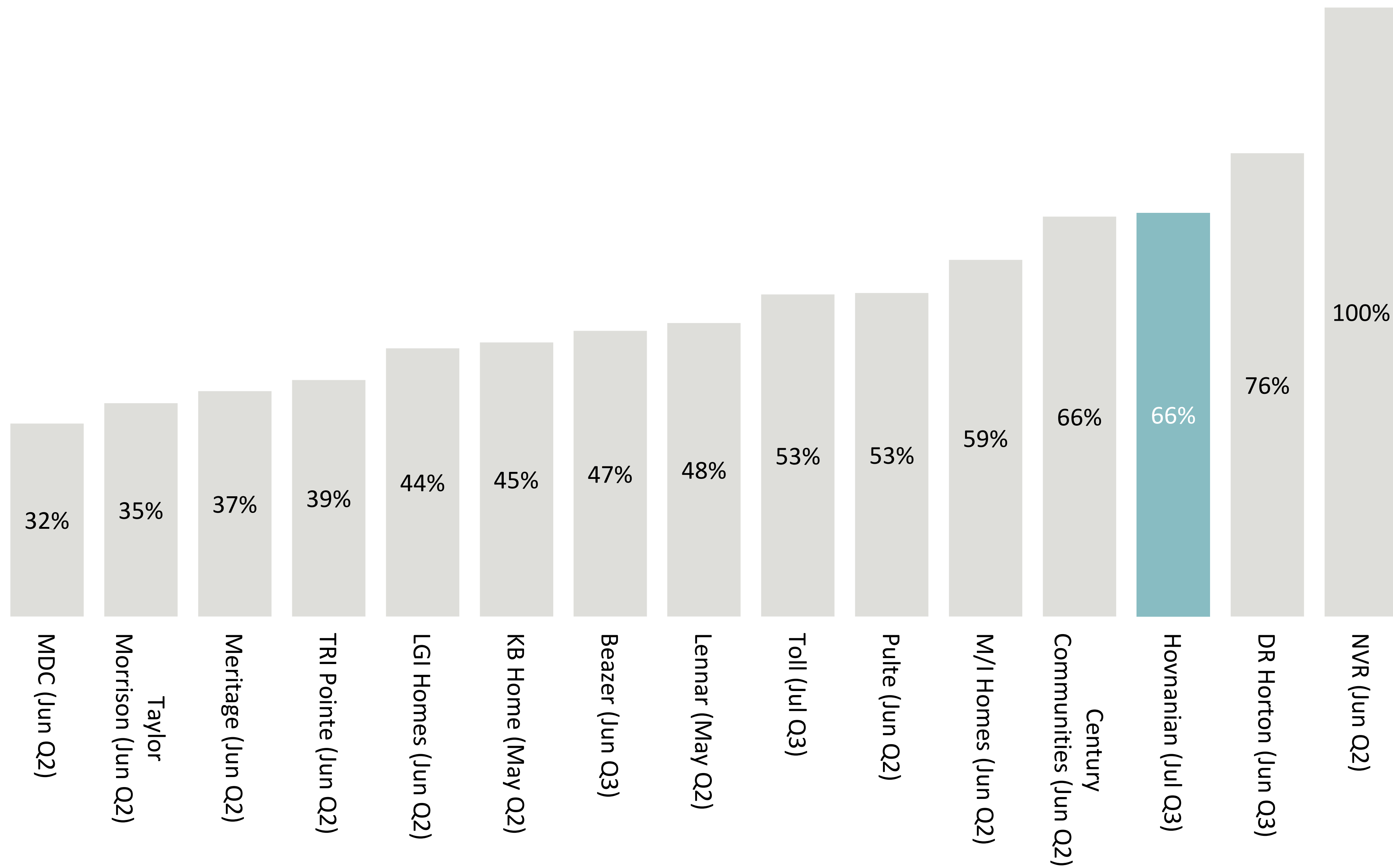
Liquidity Position and Target



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

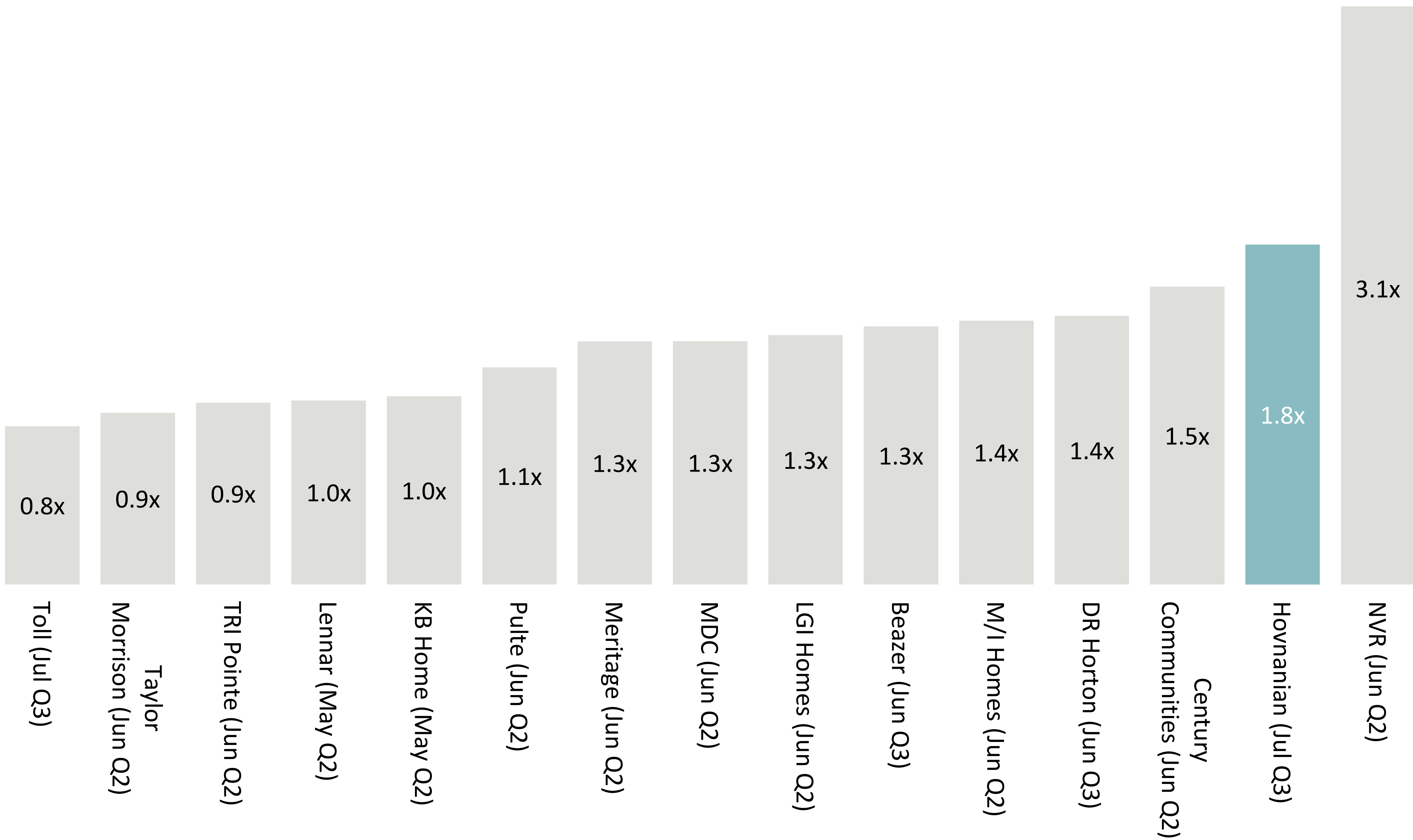
Hovnanian Enterprises, Inc.



Source: Company SEC filings and press releases as of 09/09/21.
Note: Excludes unconsolidated joint ventures.

Inventory Turns (COGS), Last Twelve Months

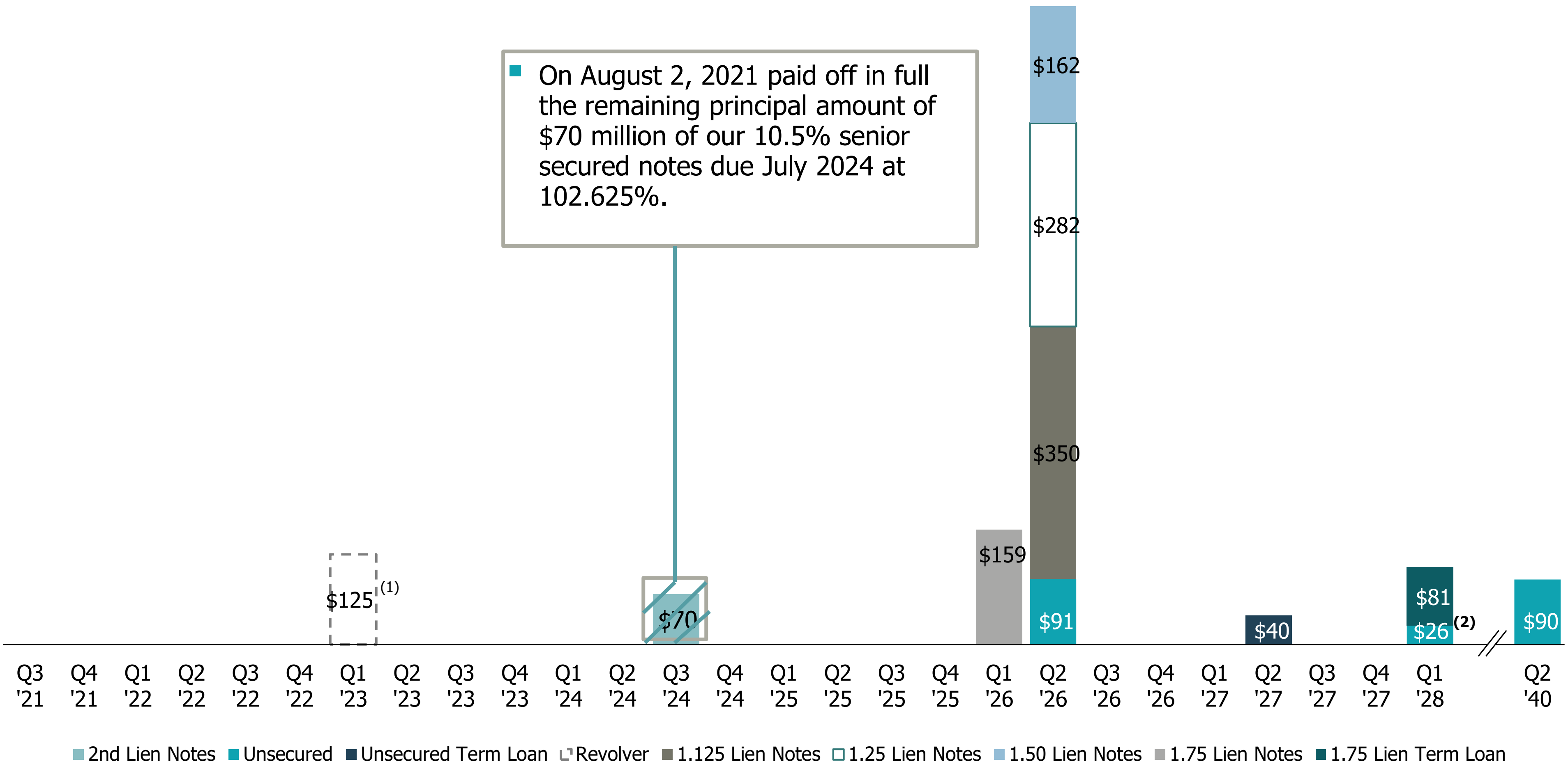
Hovnanian Enterprises, Inc.



Note: Defined as LTM Homebuilding EBIT before land-related charges divided by five quarter average inventory, excluding capitalized interest and inventory not owned, and including liabilities from inventory not owned.
Source: Company SEC filings and press releases as of 09/09/21.

Extended maturity profile with near term debt repayments

As of July 31, 2021

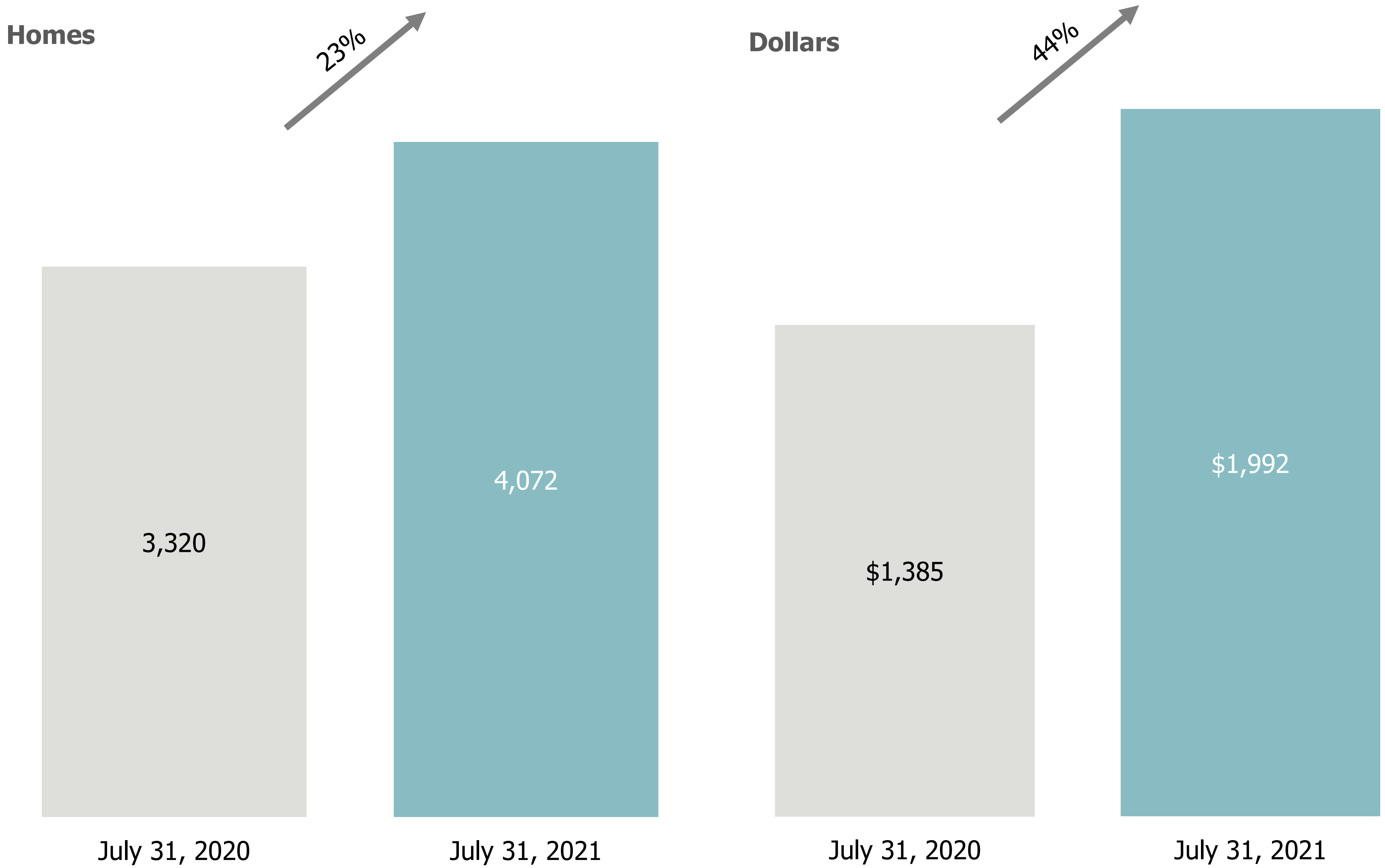


Multiple, privately negotiated transactions in FY 2019 and FY 2020 provided significant runway to fiscal 2026

Note: Shown on a fiscal year basis, at face value. $ in millions. 2024 notes repayment assumption assumes no changes in current market conditions.
Excludes non-recourse mortgages.
(1) $0 balance as of July 31, 2021.
(2) $26 million of 8.0% senior notes held by wholly owned subsidiary, no cash required to retire.

Backlog

($ in millions)



Note: Includes domestic unconsolidated joint ventures.

Guidance for Fourth Quarter 2021

($ in millions)

	Actuals Q4 2020	Guidance Q4 2021(1)
Total Revenues	$683	$830 - $880
Adjusted Homebuilding Gross Margin(2)	20.2%	21.5% - 22.5%
Total SG&A as Percentage of Total Revenues(3)	9.6%	8.5% - 9.5%
Adjusted EBITDA(4)	$87	$100 - $115
Adjusted Income Before Income Taxes(5)	$45	$60 - $75

(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, 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 $104.39.
(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.
(5) Adjusted Income Before Income Taxes excludes land-related charges and loss (gain) on extinguishment of debt. See appendix for a reconciliation to the most directly comparable GAAP measure.

Guidance for Fiscal 2021

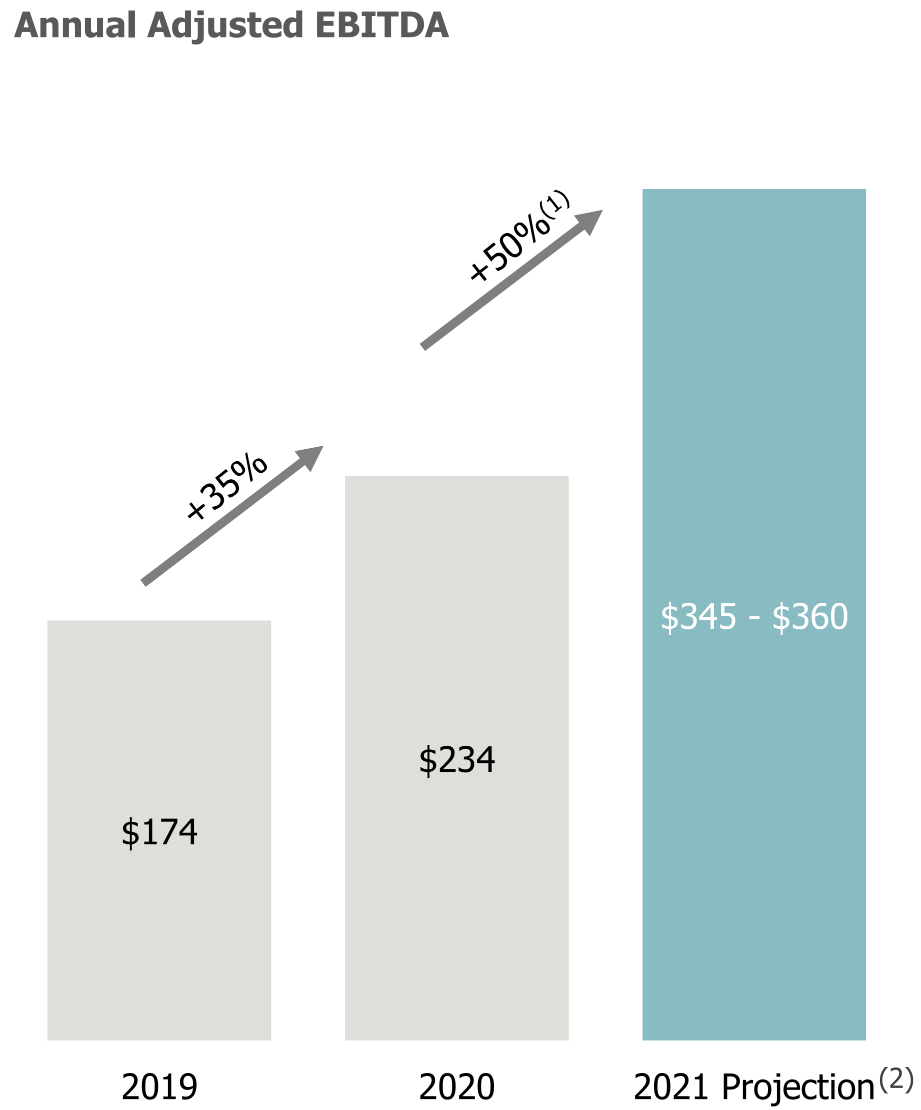
($ in millions)

	Actuals FY 2020	Guidance FY 2021(1)
Total Revenues	**$2,344**	**$2,800 - $2,850**
Adjusted Homebuilding Gross Margin(2)	**18.4%**	**21.0% - 22.0%**
Total SG&A as Percentage of Total Revenues(3)	**10.3%**	**9.5% - 10.5%**
Adjusted EBITDA(4)	**$234**	**$345 - $360**
Adjusted Income Before Income Taxes(5)	**$51**	**$175 - $190**

(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 $104.39 and includes incremental stock expenses of $17.5 million incurred in the second quarter of fiscal 2021 and the incremental stock benefit of $6.7 million in the third quarter of fiscal 2021.
(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.
(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.

Strong Adjusted EBITDA Growth

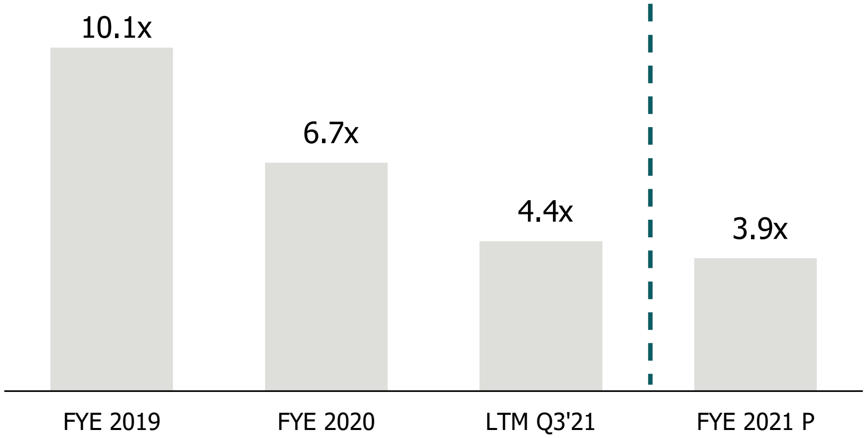
($ in millions)



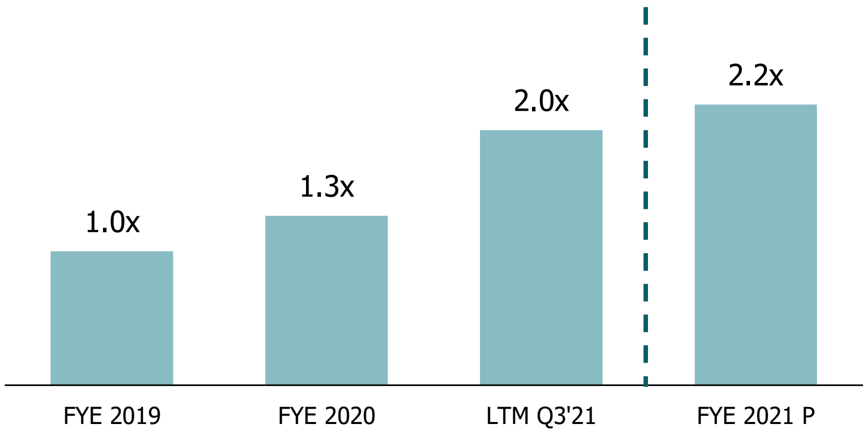
(1) The percentage increases for 2021 are based on the midpoint of our guidance range.
(2) The guidance assumes that the stock remains at $104.39 and includes incremental stock expenses of $17.5 million incurred in the second quarter of fiscal 2021 and incremental stock benefit of $6.7 million in the third quarter of fiscal 2021.
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, land-related charges and loss (gain) on extinguishment of debt.

Key credit metrics

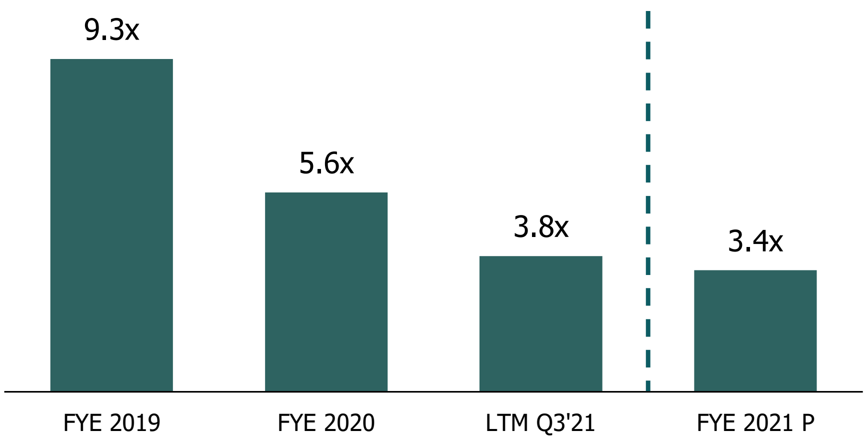
Total debt (incl. mortgages) / Adj. EBITDA



Adjusted EBITDA / interest incurred

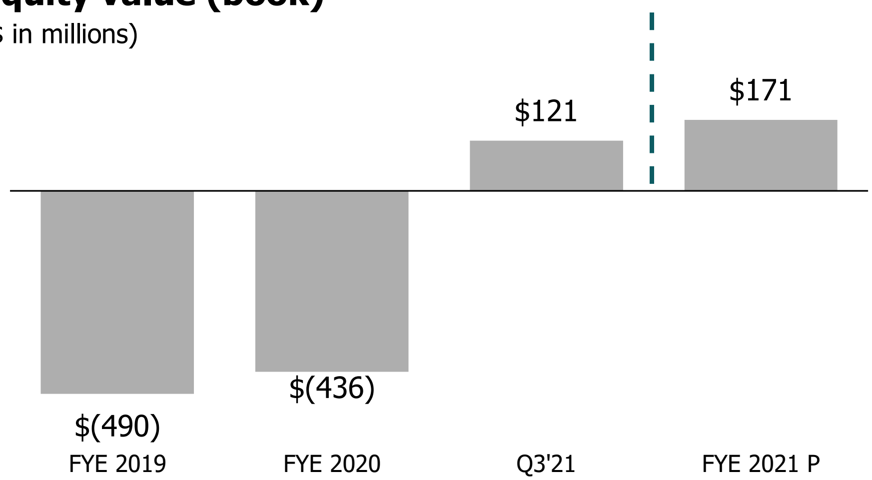


Net debt (incl. mortgages) / Adj. EBITDA



Equity value (book)

($ in millions)



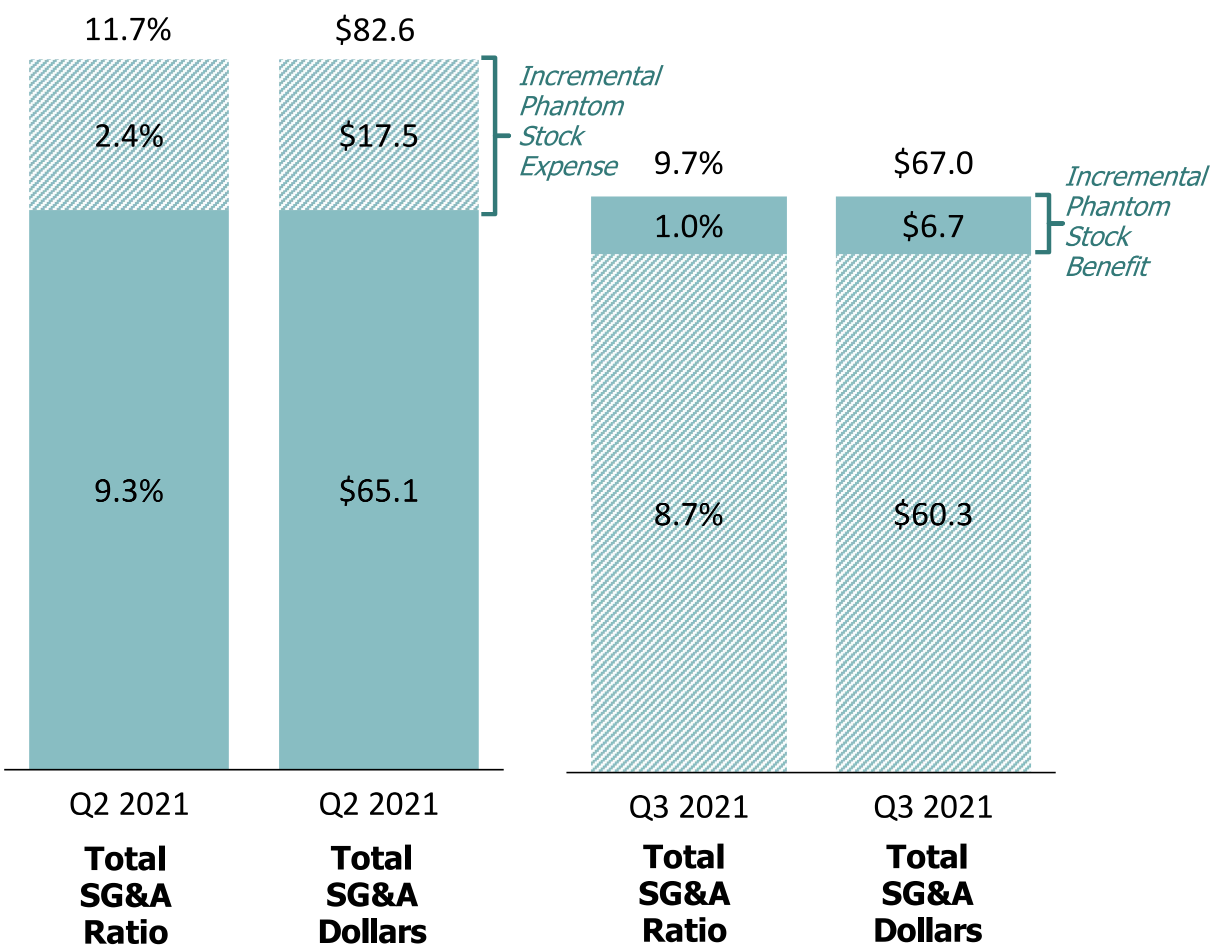
Note: For purposes of the FYE 2021 projection calculations on this slide:

- *used the midpoint of adjusted EBITDA guidance for full year fiscal 2021 ,*
- *used third quarter actual interest incurred less one quarter of interest from fully redeemed 2022 notes and 2024 notes,*
- *non-recourse mortgage balance and cash are assumed to be equal to July 31, 2021 actuals, and*
- *used midpoint of adjusted income before income taxes guidance for fourth quarter of 2021 and 25% effective tax rate to get incremental increase to equity value for fourth quarter of 2021.*

Appendix

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 second quarter of fiscal 2021 included $17.5 million of incremental expense due to the phantom stock awards, which is solely related to our common stock price increasing from $51.16 at the end of the first quarter to $132.59 at the end of the second quarter
- 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.
- Every $4 increase or decrease in common stock price from the end of the second quarter, results in an approximate $1 million increase or decrease, respectively, of phantom stock expense

Land Positions by Geographic Segment

Hovnanian Enterprises, Inc.

July 31, 2021

Segment	**Owned: Excluding Mothballed Lots**	**Owned: Mothballed Lots**	**Optioned Lots**	**Total Lots**
Northeast	460	0	2,919	3,379
Mid-Atlantic	1,531	247	6,152	7,930
Midwest	733	108	950	1,791
Southeast	1,299	0	2,642	3,941
Southwest	2,970	0	6,889	9,859
West	1,962	1,159	981	4,102
Consolidated Total	**8,955**	**1,514**	**20,533**	**31,002**
Unconsolidated Joint Ventures	1,720	-	233	1,953
Grand Total	10,675	1,514	20,766	32,955

- **Option deposits as of July 31, 2021 were $90 million**
- **$19 million invested in pre-development expenses as of July 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.

We are on track to meet or exceed our key metric targets established in 2018

Hovnanian Enterprises, Inc.

Key metrics — Actuals, Targets and Guidance

	Actual TTM (As of 04/30/2018)	FYE 2020 (As of 10/31/2020)	Actual TTM (As of 07/31/2021)	Annual key metric targets (Established in June 2018)	Updated FY 2021 Guidance (As of 09/09/2021)(1)
Total consolidated revenue	$2,233	$2,344	$2,652	$2,650	$2,800 – $2,850 ✓✓
Adjusted homebuilding gross margin(2)	17.7%	18.4%	21.1%	19.5%	21.0% – 22.0% ✓✓
Total SG&A as % of total revenues(3)	11.6%	10.3%	10.3%	10.0%	9.5% – 10.5% ✓✓
Adjusted EBITDA(4)	$174	$234	$330	$275	$345 – $360 ✓✓
Adjusted pre-tax earnings(5)	$(15)	$51	$161	$100	$175 – $190 ✓✓

(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 $104.39 and includes incremental stock expenses of $17.5 million incurred in the second quarter of fiscal 2021 and the incremental stock benefit of $6.7 million in the third quarter of fiscal 2021.
(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.
(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.

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

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

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2021	2020	2021	2020
	(Unaudited)		(Unaudited)	
Income before income taxes	$61,799	$16,216	$112,416	$12,959
Inventory impairment loss and land option write-offs	1,309	2,364	3,267	6,202
Loss (gain) on extinguishment of debt	306	(4,055)	306	(13,337)
Income before income taxes excluding land-related charges and loss (gain) on extinguishment of debt (1)	$63,414	$14,525	$115,989	$5,824

(1) Income before income taxes excluding land-related charges and loss (gain) 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, 2021
Gross margin
(In thousands)

	Homebuilding Gross Margin Three Months Ended July 31,		Homebuilding Gross Margin Nine Months Ended July 31,	
	2021	2020	2021	2020
	(Unaudited)		(Unaudited)	
Sale of homes	$663,279	$605,933	$1,894,159	$1,608,513
Cost of sales, excluding interest expense and land charges (1)	516,530	499,654	1,488,919	1,323,916
Homebuilding gross margin, before cost of sales interest expense and land charges (2)	146,749	106,279	405,240	284,597
Cost of sales interest expense, excluding land sales interest expense	17,821	21,794	56,242	58,467
Homebuilding gross margin, after cost of sales interest expense, before land charges (2)	128,928	84,485	348,998	226,130
Land charges	1,309	2,364	3,267	6,202
Homebuilding gross margin	$127,619	$82,121	$345,731	$219,928
Homebuilding Gross margin percentage	19.2%	13.6%	18.3%	13.7%
Homebuilding Gross margin percentage, before cost of sales interest expense and land charges (2)	22.1%	17.5%	21.4%	17.7%
Homebuilding Gross margin percentage, after cost of sales interest expense, before land charges (2)	19.4%	13.9%	18.4%	14.1%

	Land Sales Gross Margin Three Months Ended July 31,		Land Sales Gross Margin Nine Months Ended July 31,	
	2021	2020	2021	2020
	(Unaudited)		(Unaudited)	
Land and lot sales	$6,819	$25	$11,730	$100
Land and lot sales cost of sales, excluding interest and land charges (1)	5,338	41	9,121	161
Land and lot sales gross margin, excluding interest and land charges	1,481	(16)	2,609	(61)
Land and lot sales interest	1,419	20	1,888	72
Land and lot sales gross margin, including interest and excluding land charges	$62	$(36)	$721	$(133)

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

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2021	2020	2021	2020
	(Unaudited)		(Unaudited)	
Net income	$47,702	$15,363	$555,337	$10,294
Income tax provision (benefit)	14,097	853	(442,921)	2,665
Interest expense	38,398	48,886	123,296	137,483
EBIT (1)	100,197	65,102	235,712	150,442
Depreciation and amortization	1,269	1,355	4,091	3,897
EBITDA (2)	101,466	66,457	239,803	154,339
Inventory impairment loss and land option write-offs	1,309	2,364	3,267	6,202
Loss (gain) on extinguishment of debt	306	(4,055)	306	(13,337)
Adjusted EBITDA (3)	$103,081	$64,766	$243,376	$147,204
Interest incurred	$39,181	$45,140	$122,508	$134,797
Adjusted EBITDA to interest incurred	2.63	1.43	1.99	1.09

(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) gain on extinguishment of debt.

Reconciliation of Inventory Turnover

Hovnanian Enterprises, Inc.

Hovnanian Enterprises, Inc.						
July 31, 2021						
Calculation of Inventory Turnover[1]						
						TTM
		For the quarter ended				**ended**
(Dollars in thousands)		10/31/2020	1/31/2021	4/30/2021	7/31/2021	**7/31/2021**
Cost of sales, excluding interest		$524,409	$439,638	$536,534	$521,868	$2,022,449
	As of					
	7/31/2020	10/31/2020	1/31/2021	4/30/2021	7/31/2021	
Total inventories	$1,213,503	$1,195,775	$1,281,149	$1,256,873	$1,313,345	**Five**
Less consolidated inventory not owned	194,760	182,224	165,980	125,414	98,053	**Quarter**
Plus liabilities from inventory not owned, net of debt issuance costs	144,922	131,204	119,432	90,430	69,627	**Average**
Less capitalized interest	63,998	65,010	65,327	59,772	63,673	
Inventories less consolidated inventory not owned and capitalized interest plus liabilities from inventory not owned	$1,099,667	$1,079,745	$1,169,274	$1,162,117	$1,221,246	$1,146,410
Inventory turnover						1.8x

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

Reconciliation of Adjusted EBIT to Inventory

Hovnanian Enterprises, Inc.

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

		For the Three Months Ended				
	LTM(1)	**7/31/2021**	**4/30/2021**	**1/31/2021**	**10/31/2020**	**7/31/2020**
Homebuilding:						
Net income	$595,971	$47,702	$488,676	$18,959	$40,634	$15,363
Income tax benefit (provision)	(441,111)	14,097	(457,644)	626	1,810	853
Interest expense	163,944	38,398	43,758	41,140	40,648	48,886
EBIT (2)	318,804	100,197	74,790	60,725	83,092	65,102
Financial services revenue	(83,562)	(19,845)	(21,728)	(19,497)	(22,492)	(21,295)
Financial services expense	43,336	11,238	11,361	10,354	10,383	10,493
Homebuilding EBIT (2)	278,578	91,590	64,423	51,582	70,983	54,300
Inventory impairment loss and land option write-offs	5,878	1,309	81	1,877	2,611	2,364
Other operations	1,655	504	451	278	422	266
Loss (gain) on extinguishment of debt	306	306	0	0	0	(4,055)
Income from unconsolidated joint ventures	(12,714)	(5,011)	(2,641)	(1,916)	(3,146)	(5,658)
Adjusted homebuilding EBIT (2)	$273,703	$88,698	$62,314	$51,821	$70,870	$47,217

		As of	As of	As of	As of	As of
		7/31/2021	**4/30/2021**	**1/31/2021**	**10/31/2020**	**7/31/2020**
Total inventories		$1,313,345	$1,256,873	$1,281,149	$1,195,775	$1,213,503
Less consolidated inventory not owned		98,053	125,414	165,980	182,224	194,760
Less capitalized interest		63,673	59,772	65,327	65,010	63,998
Plus liabilities from inventory not owned, net of debt issuance costs		69,627	90,430	119,432	131,204	144,922
	Five Quarter Average					
Inventories less consolidated inventory not owned and capitalized interest plus liabilities from inventory not owned	$1,146,410	$1,221,246	$1,162,117	$1,169,274	$1,079,745	$1,099,667
Adjusted homebuilding EBIT to inventory	23.9%					

(1) Represents the aggregation of each of the prior four fiscal quarters.
(2) EBIT, homebuilding EBIT and adjusted homebuilding EBIT are non-GAAP financial measures. The most directly comparable GAAP financial measure is net income.

Reconciliation of Inventory Turnover

Hovnanian Enterprises, Inc.

Calculation of Inventory Turnover(1)

(Dollars In Thousands)		For the Quarter Ended 2	3	4	5	Annual Key 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)

(Dollars In Thousands)		For the Quarter Ended 7/31/2017	10/31/2017	1/31/2018	4/30/2018	TTM Ended 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.

Reconciliation of Gross Margin

Gross Margin			
		(Unaudited)	
($ in thousands)	**TTM April 30, 2021**	**TTM April 30, 2018**	**Annual Key Metric Target**
Sale of homes	$2,480,329	$2,110,759	$2,570,000
Cost of Sales, excluding interest expense	1,985,459	1,738,048	2,070,000
Homebuilding gross margin, before cost of sales interest expense and land charges	494,870	372,711	500,000
Cost of sales interest expense, excluding land sales interest expense	75,922	67,616	100,000
Homebuilding gross margin, after cost of sales interest expense, before land charges	418,948	305,095	400,000
Land charges	6,933	15,763	10,000
Homebuilding gross margin, after cost of sales interest expense and land charges	$412,015	$289,332	$390,000
Homebuilding gross margin percentage, before cost of sales interest expense and land charges	20.0%	17.7%	19.5%
Homebuilding gross margin percentage, after cost of sales interest expense, before land charges	16.9%	14.5%	15.6%
Homebuilding gross margin, after cost of sales interest expense and land charges	16.6%	13.7%	15.2%

Reconciliation of Adjusted EBITDA

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

(Dollars In Thousands)	TTM April 30, 2021	(Unaudited) TTM April 30, 2018	Annual Key Metric Target
Net (Loss) Income	$563,632	$(366,000)	$67,500
Income Tax Provision (Benefit)	(454,355)	288,083	22,500
Interest Expense	174,432	189,132	171,000
EBIT	283,709	111,215	261,000
Inventory Impairment Loss and Land Option Write-offs	6,933	15,763	10,000
Loss on Extinguishment of Debt	(4,055)	43,698	–
Adjusted EBIT	$286,587	$170,676	$271,000
EBIT	$283,709	$111,215	$261,000
Depreciation	5,584	3,675	2,000
Amortization of Debt Costs	–	–	2,000
EBITDA	289,293	114,890	265,000
Inventory Impairment Loss and Land Option Write-offs	6,933	15,763	10,000
Loss on Extinguishment of Debt	(4,055)	43,698	–
Adjusted EBITDA	$292,171	$174,351	$275,000

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, 2021**	**TTM April 30, 2018**	**Annual Key Metric Target**
Income (Loss) Before Income Taxes	$109,277	$(77,917)	$90,000
Inventory Impairment Loss and Land Option Write-Offs	6,933	15,763	10,000
Unconsolidated Joint Venture Investment Write-Downs	–	3,423	–
Loss on Extinguishment of Debt	(4,055)	43,698	–
Income (Loss) Before Income Taxes Excluding Land-Related Charges, Joint Venture Write-Downs and Loss on Extinguishment of Debt	$112,155	$(15,033)	$100,000

Hovnanian Enterprises®, Inc.