Hovnanian Enterprises, Inc.

Review of Financial Results | Third Quarter Fiscal 2016

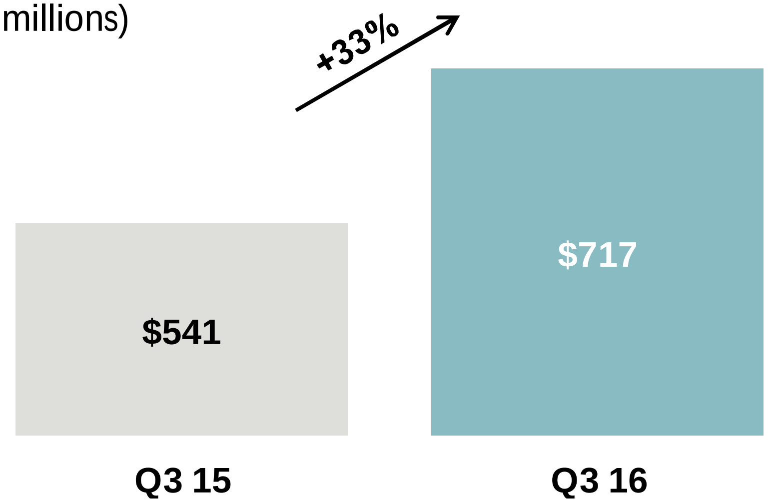
Hovnanian Enterprises, Inc.

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 the current or future financial periods, including total revenues and adjusted pretax profits. 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 the sustained homebuilding downturn; (2) adverse weather and other environmental conditions and natural disasters; (3) levels of indebtedness and restrictions on the Company's operations and activities imposed by the agreements governing the Company's outstanding indebtedness; (4) the Company's sources of liquidity; (5) changes in credit ratings; (6) changes in market conditions and seasonality of the Company's business; (7) the availability and cost of suitable land and improved lots; (8) shortages in, and price fluctuations of, raw materials and labor; (9) 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; (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) operations through joint ventures with third parties; (13) government regulation, including regulations concerning development of land, the home building, sales and customer financing processes, tax laws and the environment; (14) product liability litigation, warranty claims and claims made by mortgage investors; (15) levels of competition; (16) availability and terms of financing to the Company; (17) successful identification and integration of acquisitions; (18) significant influence of the Company's controlling stockholders; (19) availability of net operating loss carryforwards; (20) utility shortages and outages or rate fluctuations; (21) geopolitical risks, terrorist acts and other acts of war; (22) increases in cancellations of agreements of sale; (23) loss of key management personnel or failure to attract qualified personnel; (24) information technology failures and data security breaches; (25) legal claims brought against us and not resolved in our favor; 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, 2015 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.

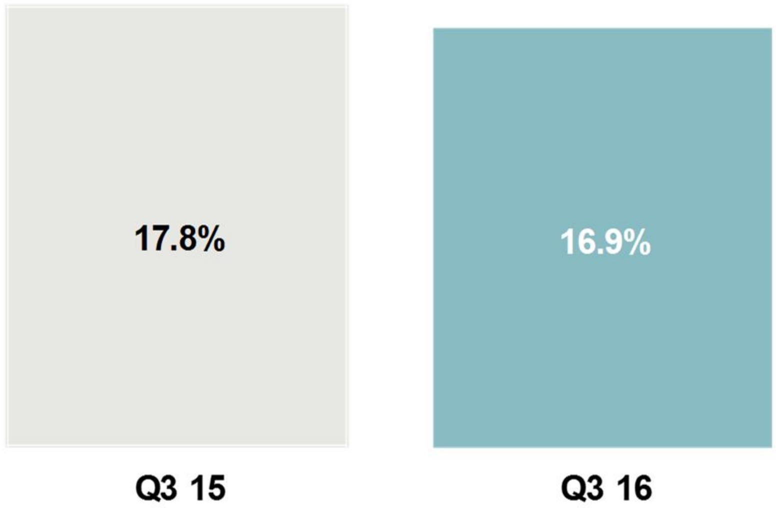
Operating Results

Total Revenues

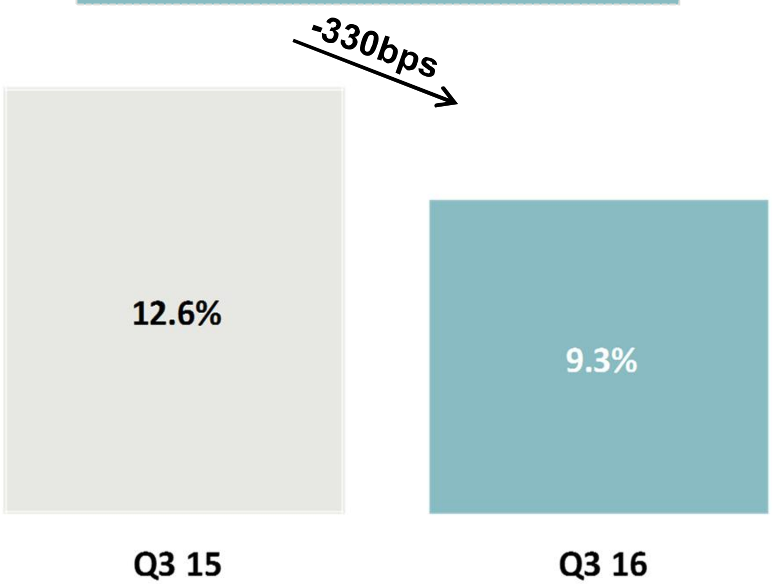
($ in millions)



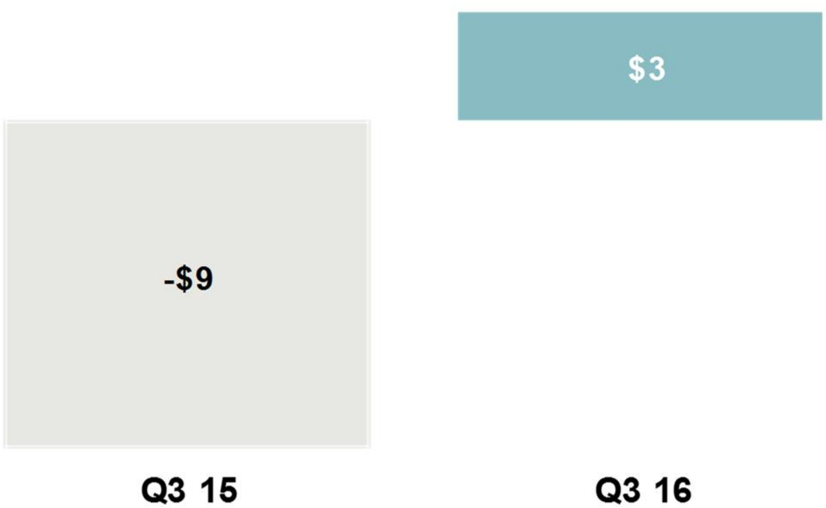
Homebuilding Gross Margin



Total SG&A as a % of Total Revenues



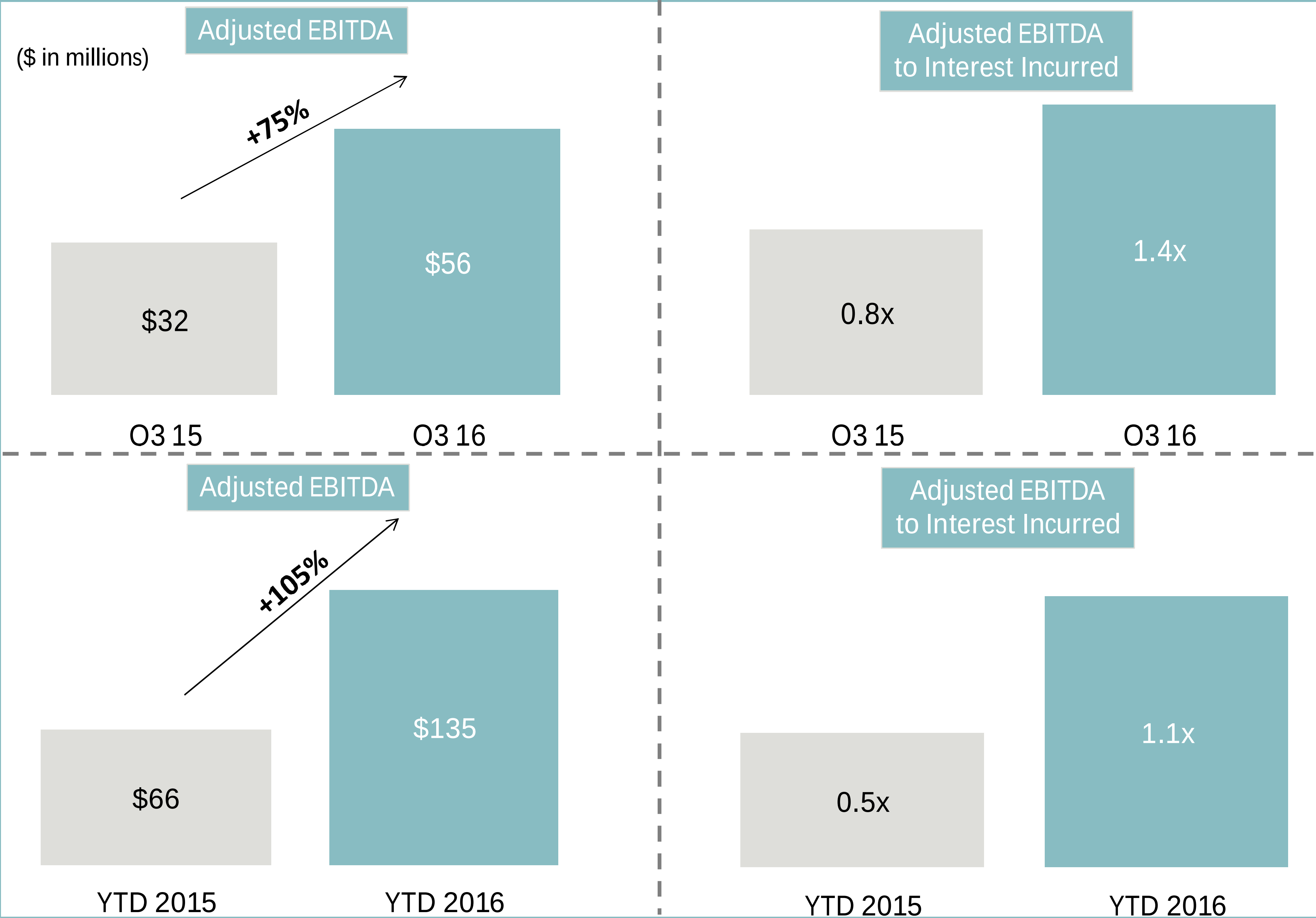
Income Before Income Taxes and Land Related Charges



Note: Excluding unconsolidated joint ventures.

Note: Total SG&A includes homebuilding selling, general and administrative costs and corporate general and administrative costs.

Third Quarter & Year-to-Date EBITDA Improvements



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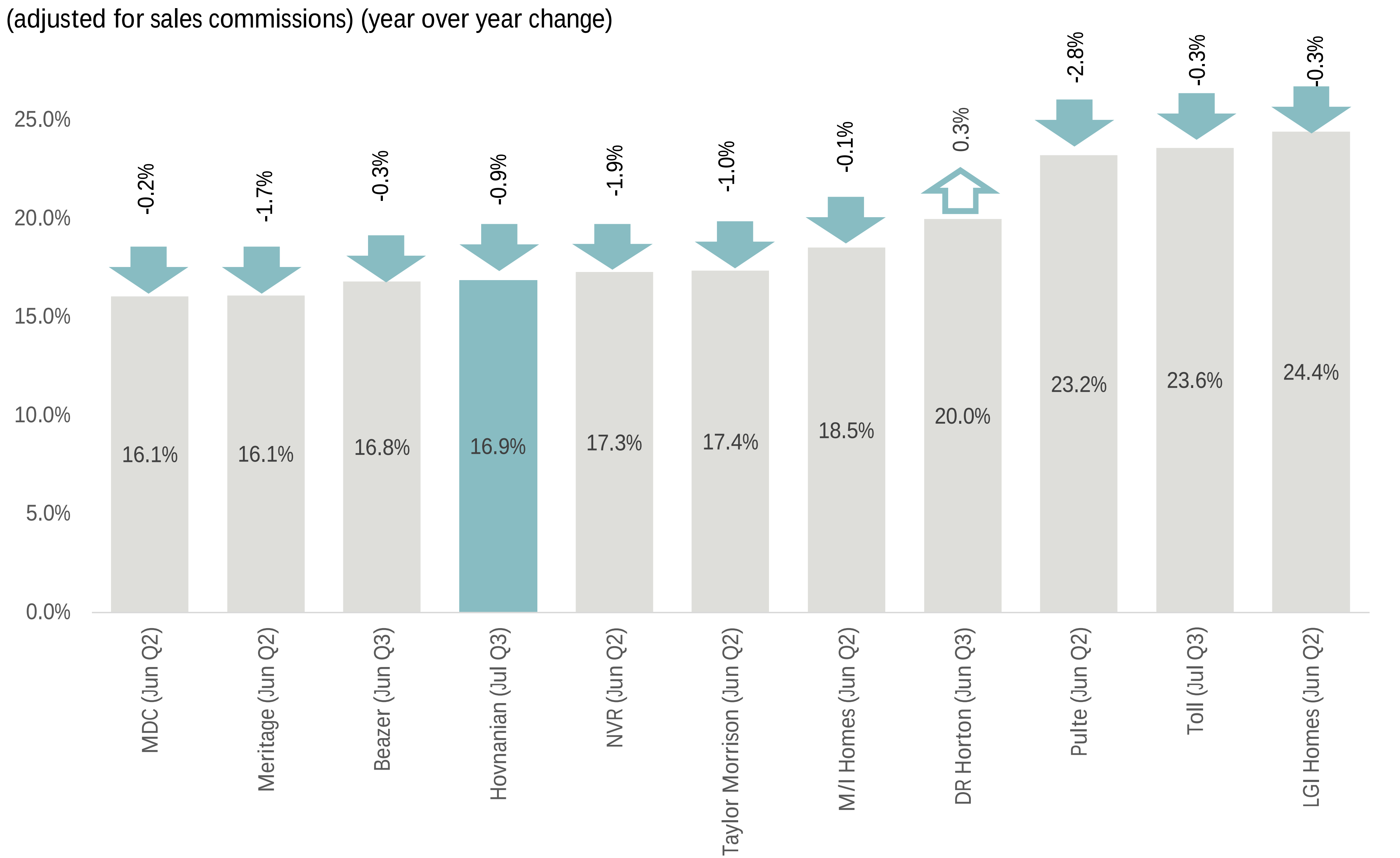
Adjusted Gross Margin Percentage, Most Recent Quarter

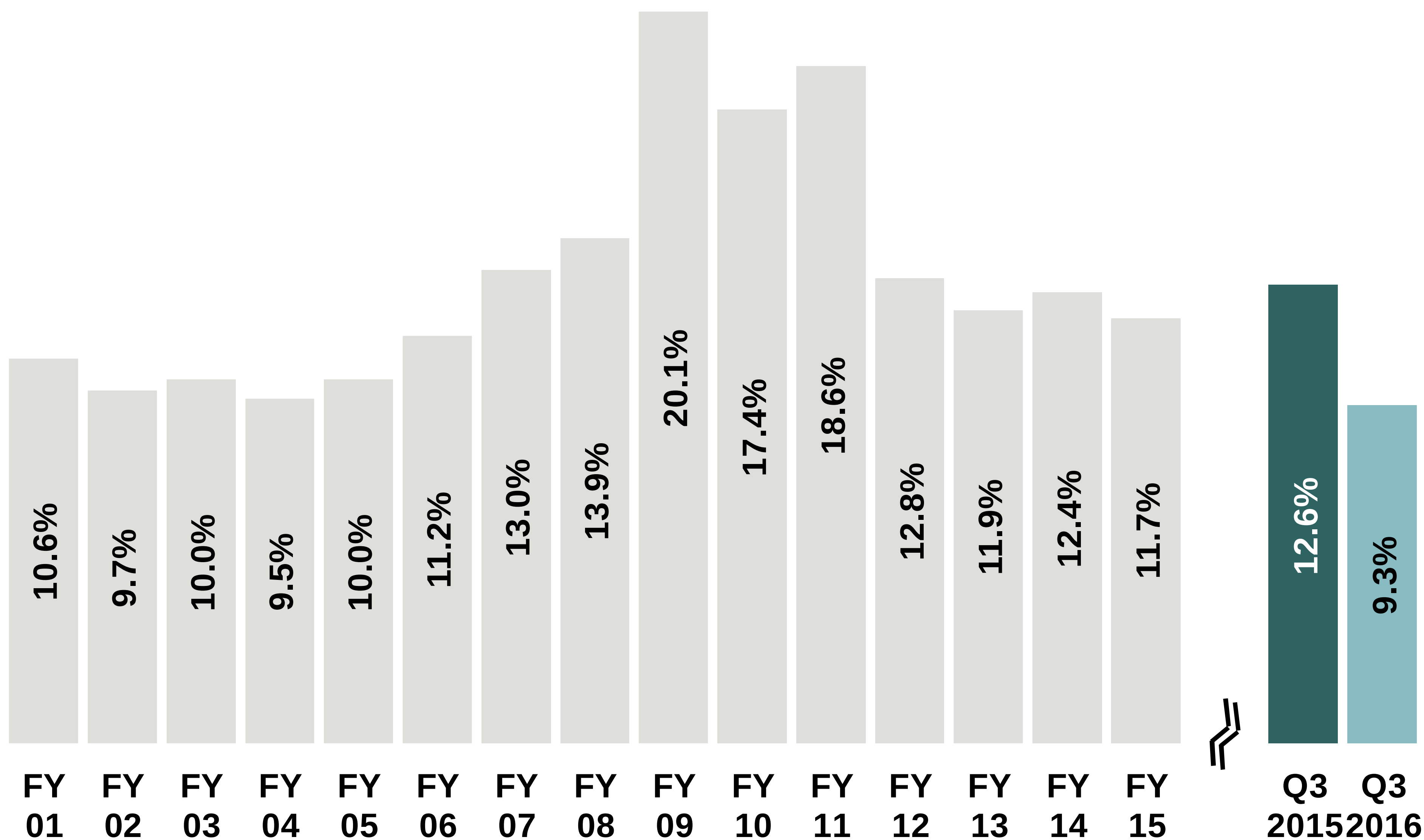


Note: Hovnanian sales commission was 3.4% in the most recent quarter. Reduced LGI Homes, MDC, Meritage, M/I Homes and Taylor Morrison publicly reported results by full 3.4% because all of their sales commissions are reported in SG&A. Reduced DR Horton and Toll publicly reported results by 1.7% because 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 09/09/16.

Note: Excluding interest and impairments.

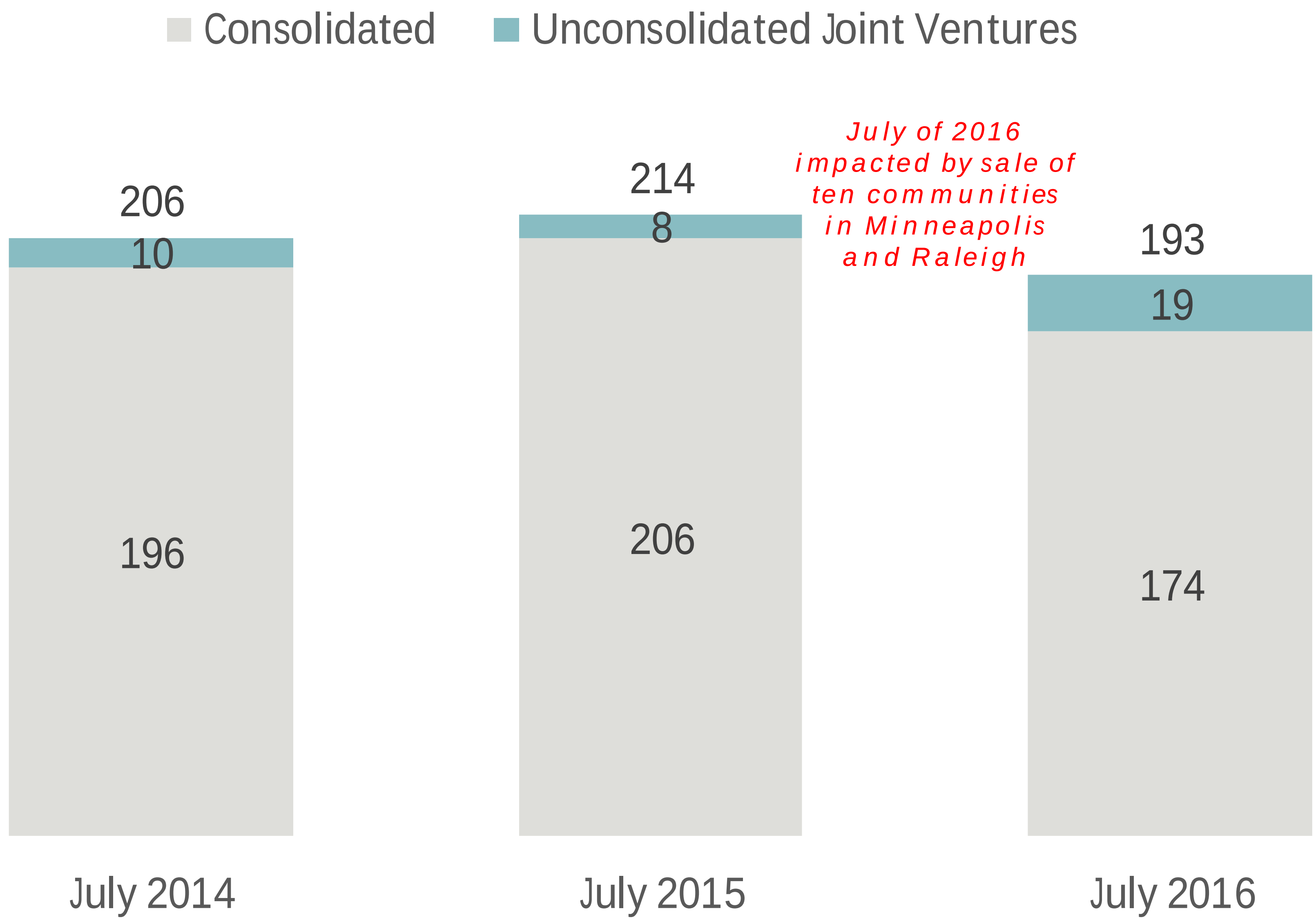
Total SG&A as a Percentage of Total Revenues



Note: Total SG&A includes homebuilding selling, general and administrative costs and corporate general and administrative costs.

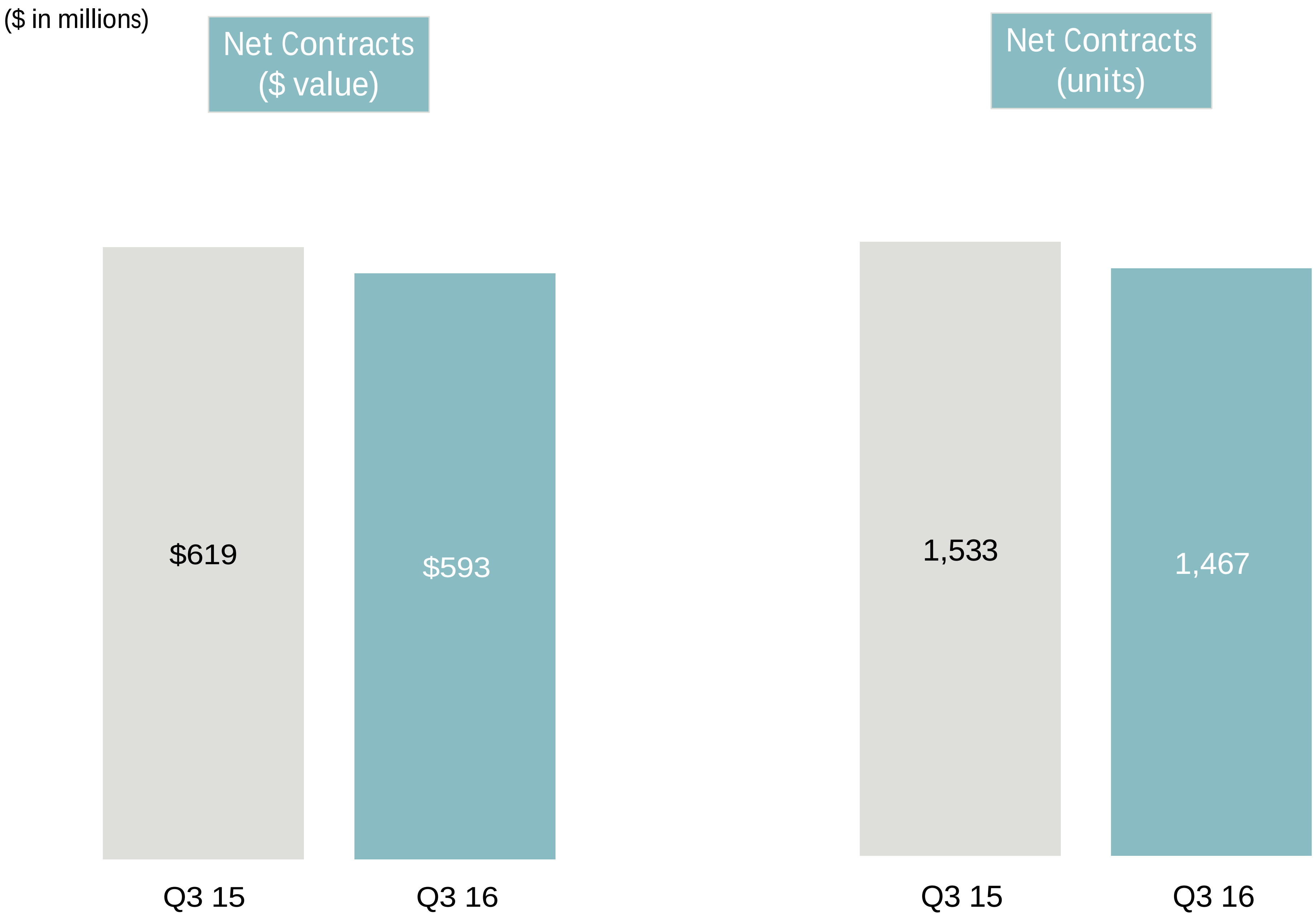
Active Selling Communities

In the trailing twelve months, we opened 83 communities and closed out 115 communities.



Note: Third quarter 2016 active selling communities impacted by sale of ten communities in Minneapolis, MN and Raleigh, NC.
Note: Active selling communities are open for sale communities with 10 or more home sites available.

Net Contracts



Note: Excluding unconsolidated joint ventures.

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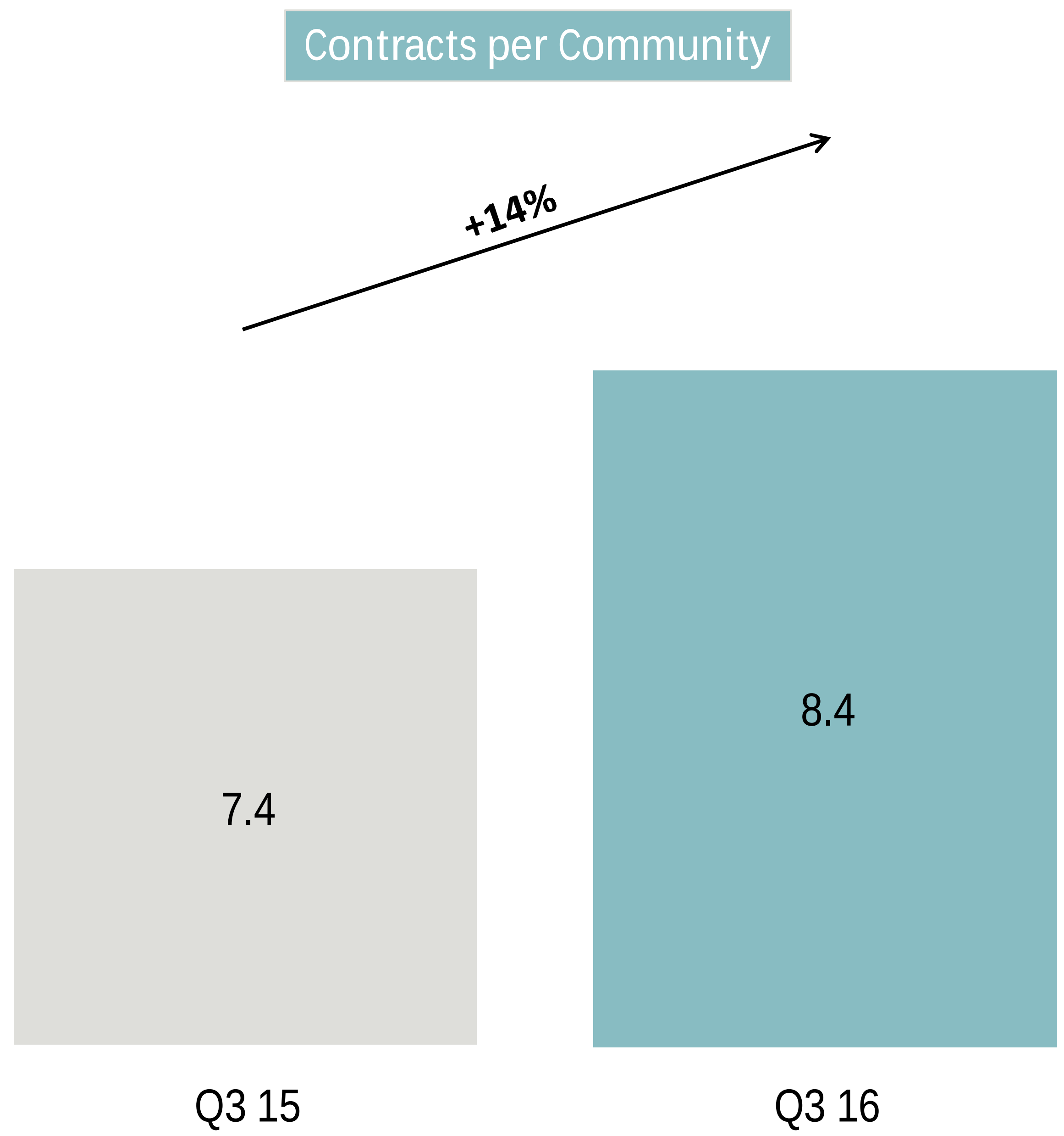
Solid Growth in Sales Pace Per Community

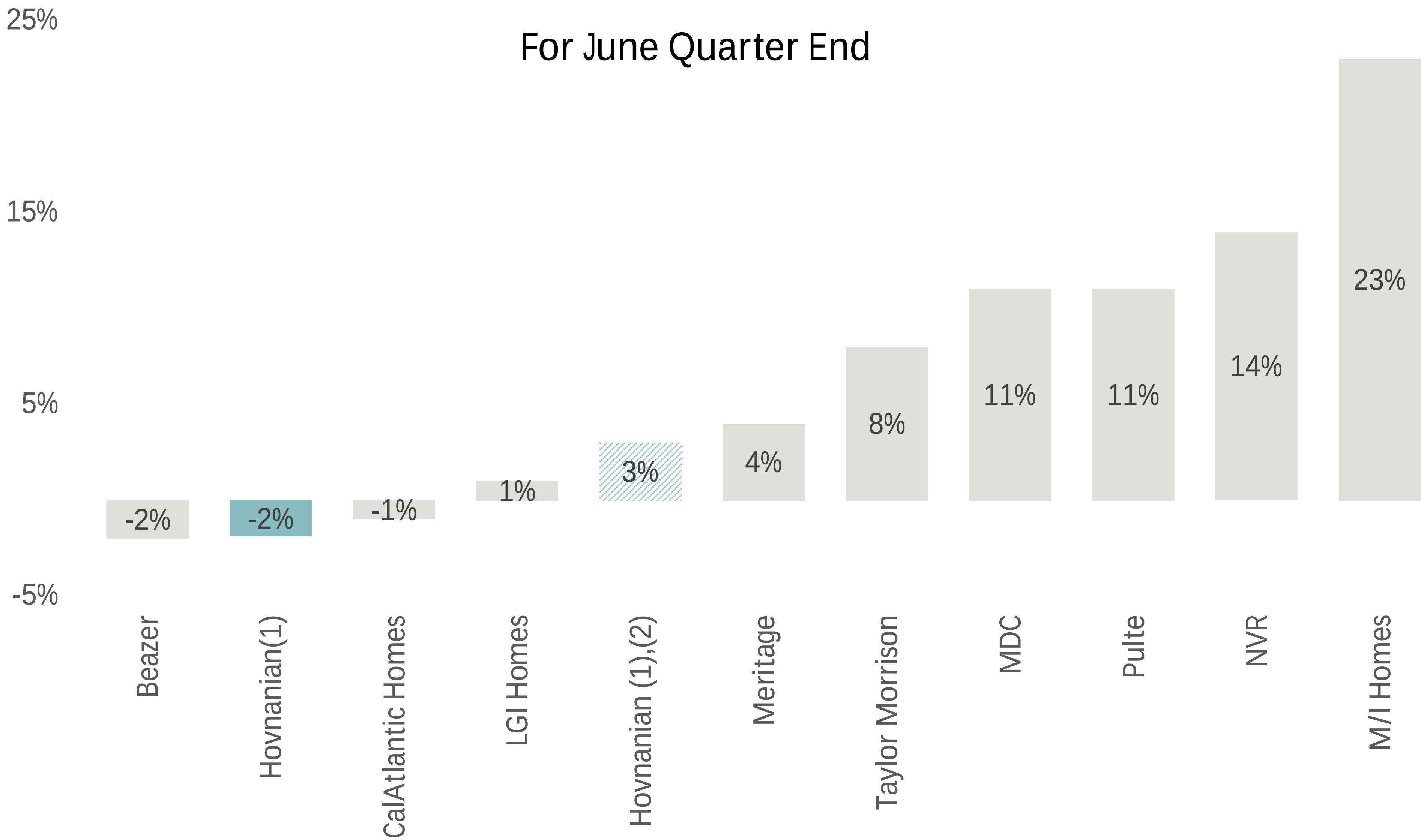
($ in millions)



Note: Excluding unconsolidated joint ventures.

Year – Over – Year Change in Net Contracts

Our decline is partially due to two fewer divisions and winding down two other divisions.



(1) Hovnanian is shown as if quarter ended June 30, 2016
(2) Excludes results from Minneapolis, MN & Raleigh, NC
Note: Excludes unconsolidated joint ventures.

Year – Over – Year Change in Net Contracts Per Community

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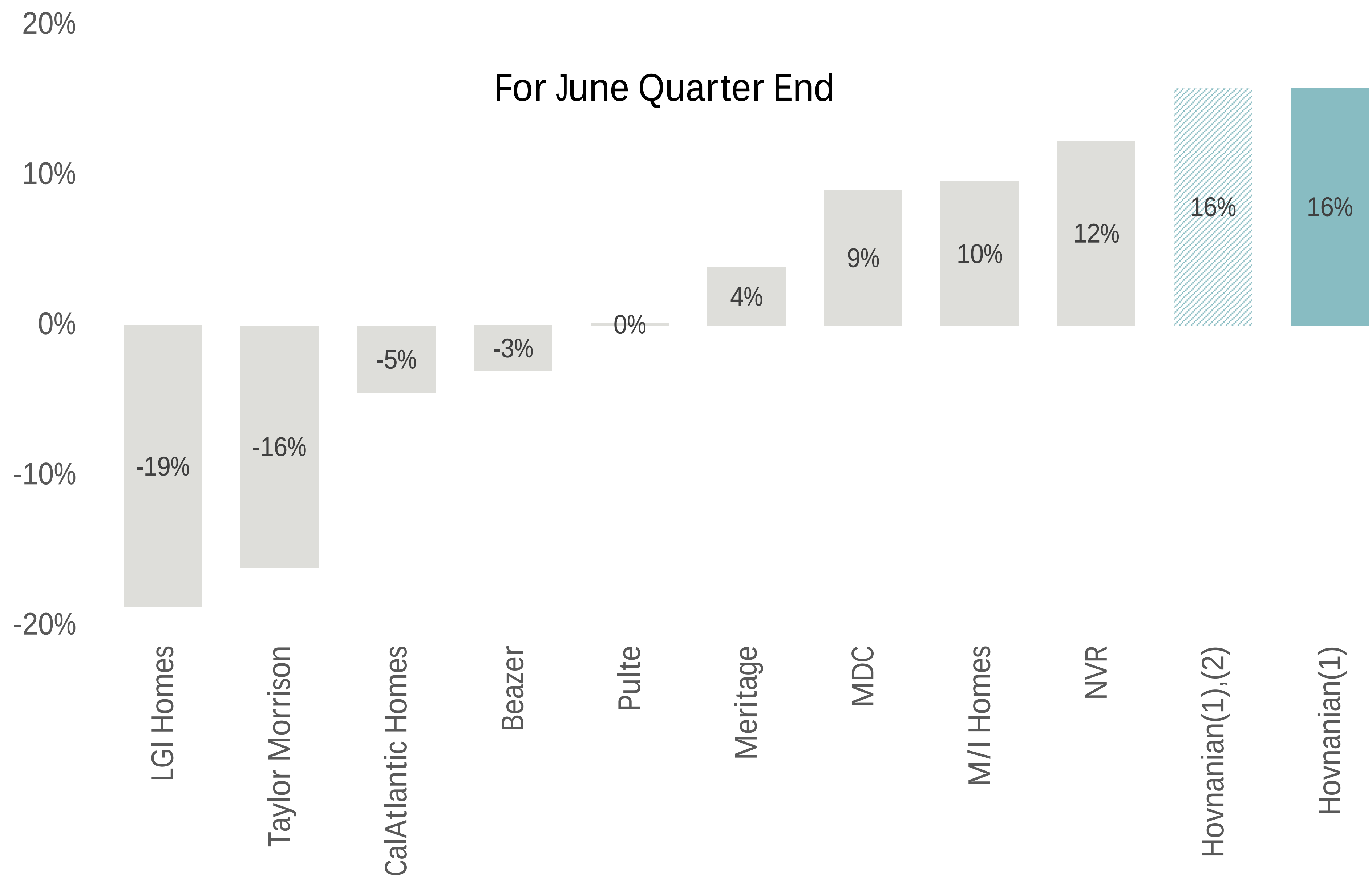
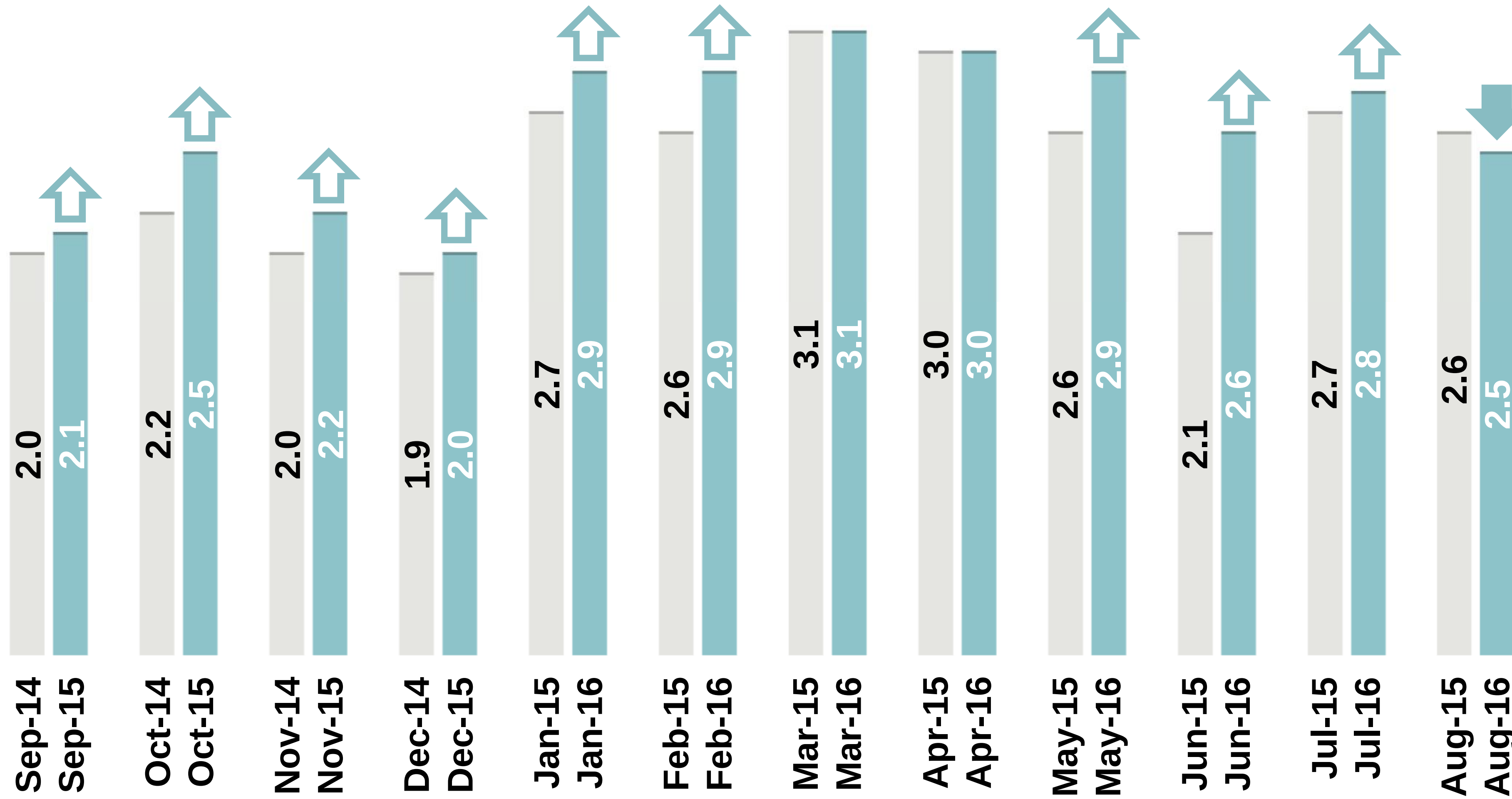


(1) Hovnanian is shown as if quarter ended June 30, 2016
(2) Excludes results from Minneapolis, MN & Raleigh, NC
Note: Excludes unconsolidated joint ventures.

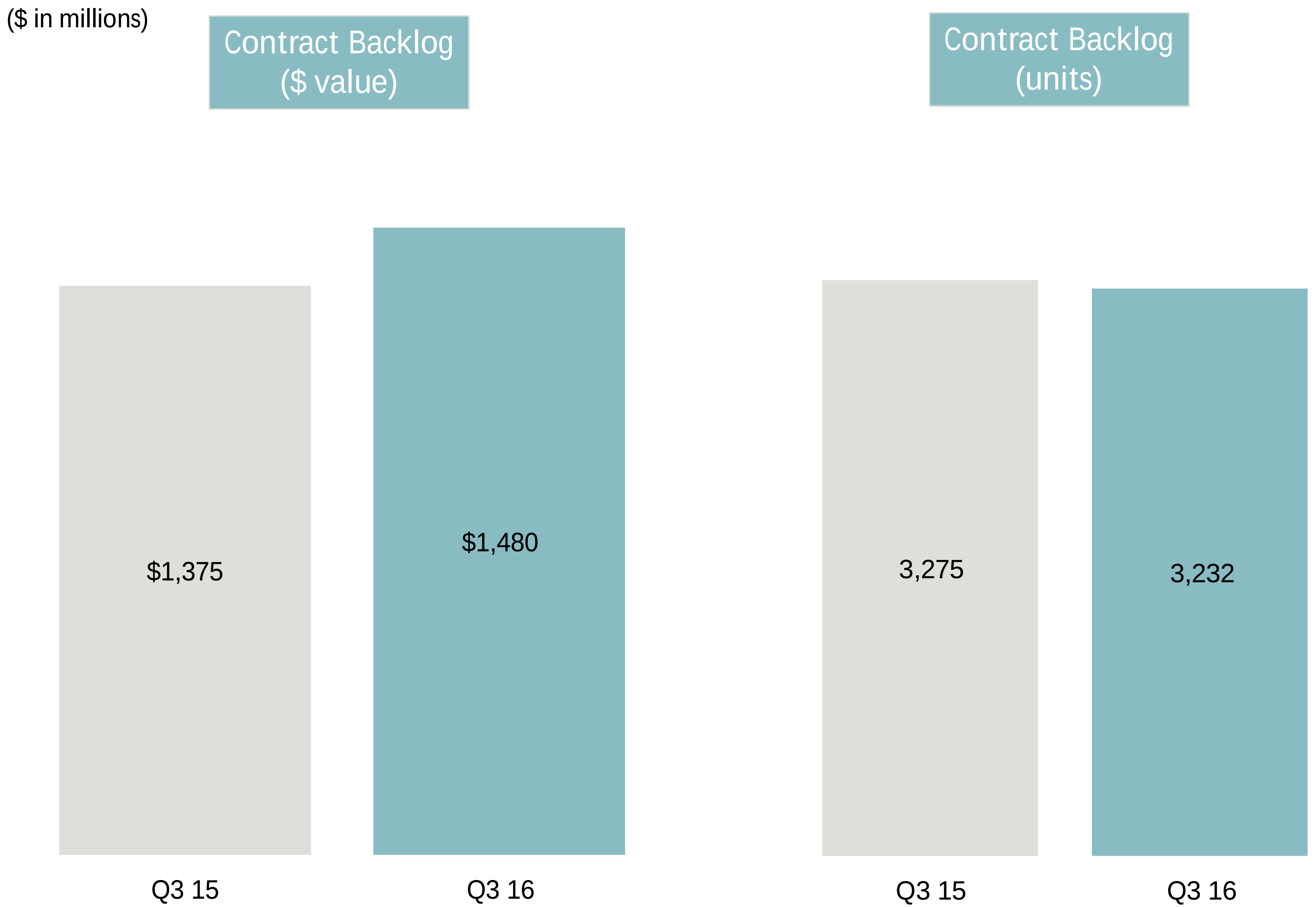
Number of Monthly Net Contracts Per Active Selling Community, Excludes Unconsolidated Joint Ventures



Number of Sundays	4	4	4	4	5	5	4	4	4	5	4	4	5	4	4	4	5	5	4	4	4	5	5	4
	Sep-14	Sep-15	Oct-14	Oct-15	Nov-14	Nov-15	Dec-14	Dec-15	Jan-15	Jan-16	Feb-15	Feb-16	Mar-15	Mar-16	Apr-15	Apr-16	May-15	May-16	Jun-15	Jun-16	Jul-15	Jul-16	Aug-15	Aug-16
Monthly Net Contracts	402	460	439	544	408	477	380	426	531	628	539	600	634	625	623	587	529	512	442	463	562	492	531	423

Note: Excludes unconsolidated joint ventures.

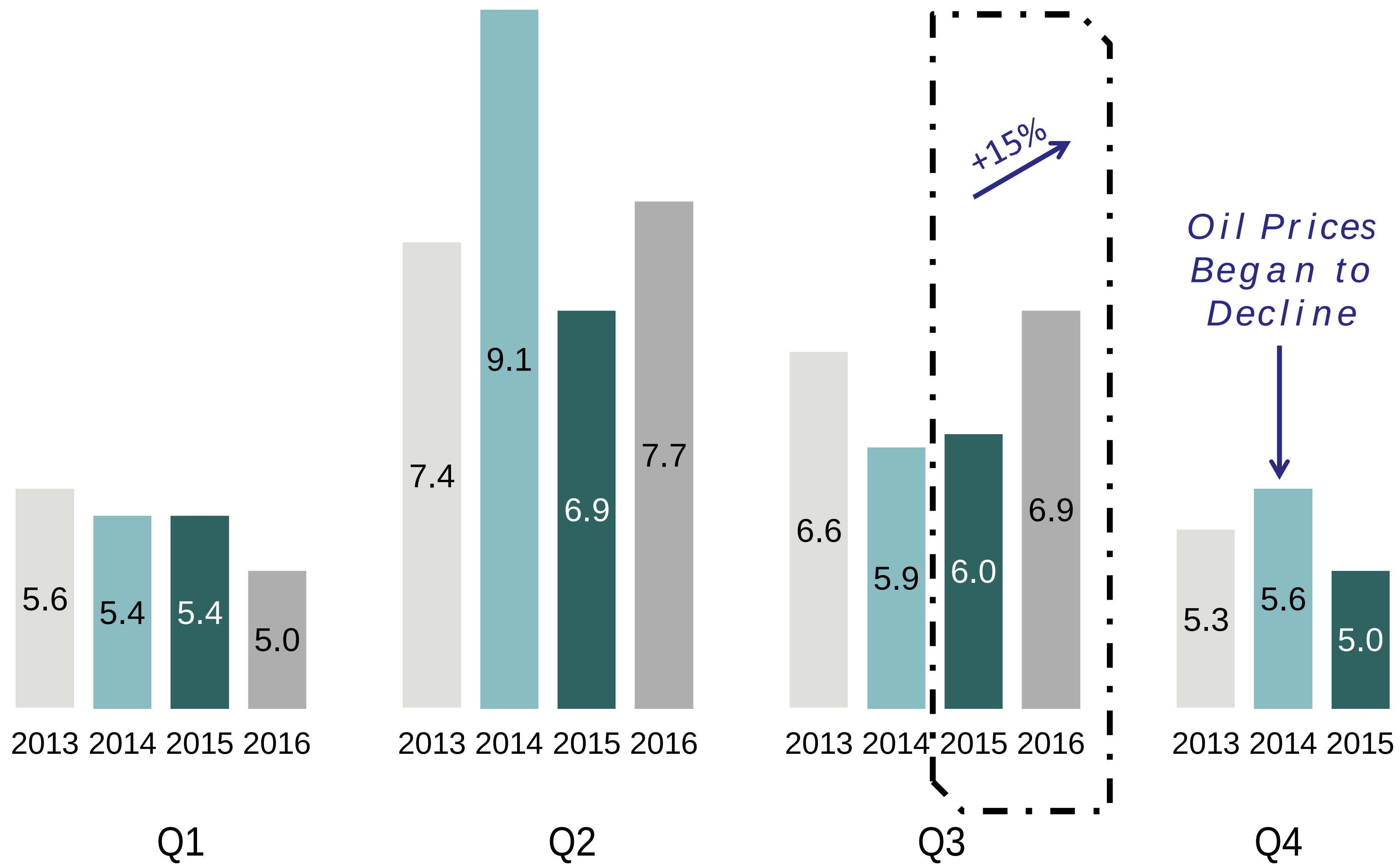
Backlog Remains at High Levels



Note: Including unconsolidated joint ventures.

Houston Quarterly Net Contracts per Community

Number of net contracts increased 6% in Q3 2016



Land Positions by Geographic Segment

July 31, 2016

Lots

Segment	Owned: Excluding Mothballed Lots	Owned: Mothballed Lots	Optioned	Total
Northeast	940	577	4,014	5,531
Mid-Atlantic	1,972	280	2,120	4,372
Midwest	1,867	108	1,635	3,610
Southeast	1,152	295	2,066	3,513
Southwest	1,821	0	3,050	4,871
West	1,592	3,635	273	5,500
Total	9,344	4,895	13,158	27,397

- *Option deposits as of July 31, 2016 were $63 million*
- *$13 million invested in pre-development expenses as of July 31, 2016*

Note: Excluding unconsolidated joint ventures.

Reductions in Lot Count

Total lots controlled as of April 30, 2016	35,000
Third Quarter Deliveries	-1,600
Third Quarter Walk Aways	-1,600
Sale of Minnesota & North Carolina	-600
New Option Contracts	+900
Total lots controlled as of July 31, 2016	32,100

Note: Lot counts are rounded to the nearest hundred.
Note: Includes unconsolidated joint ventures.

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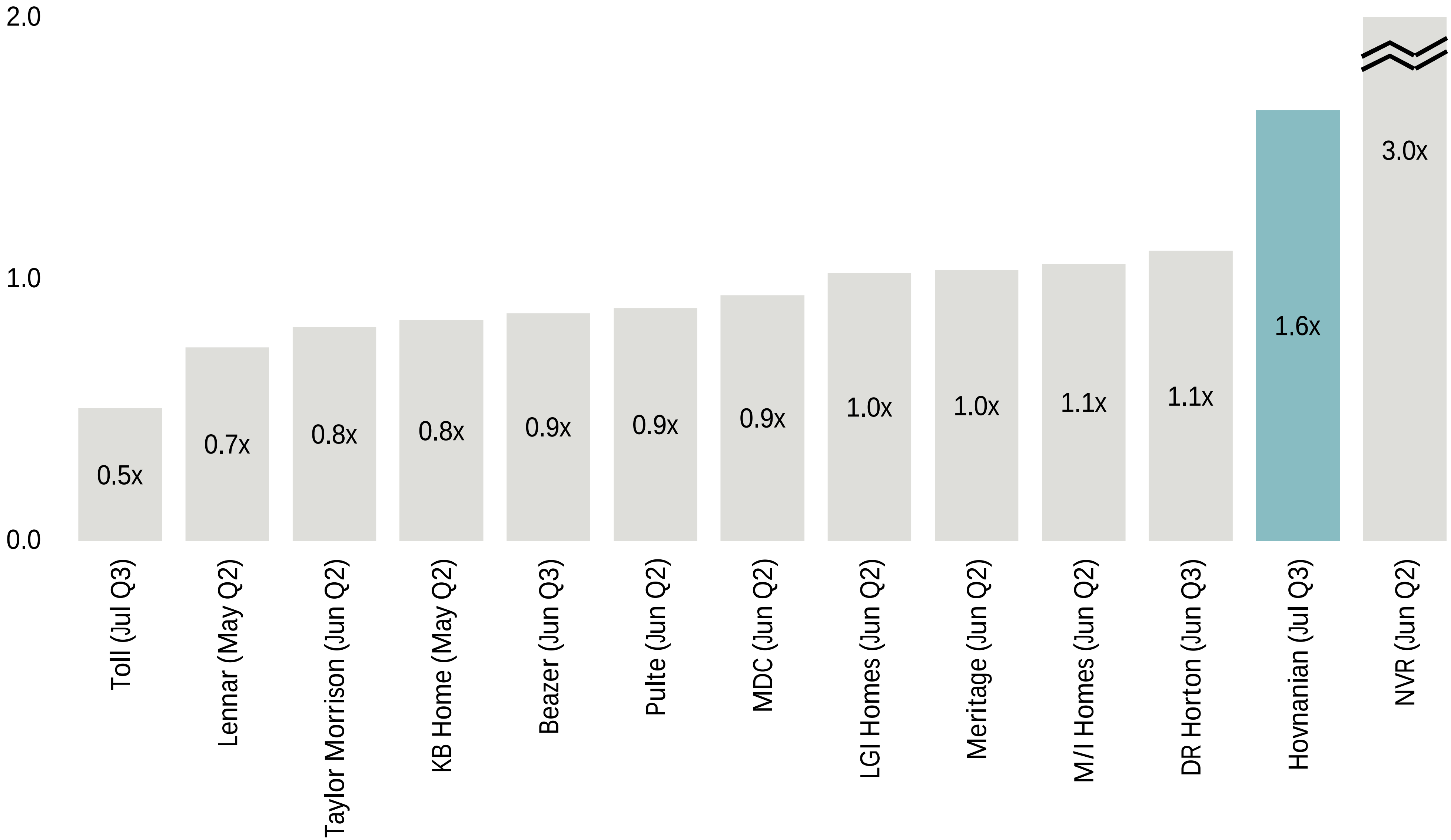
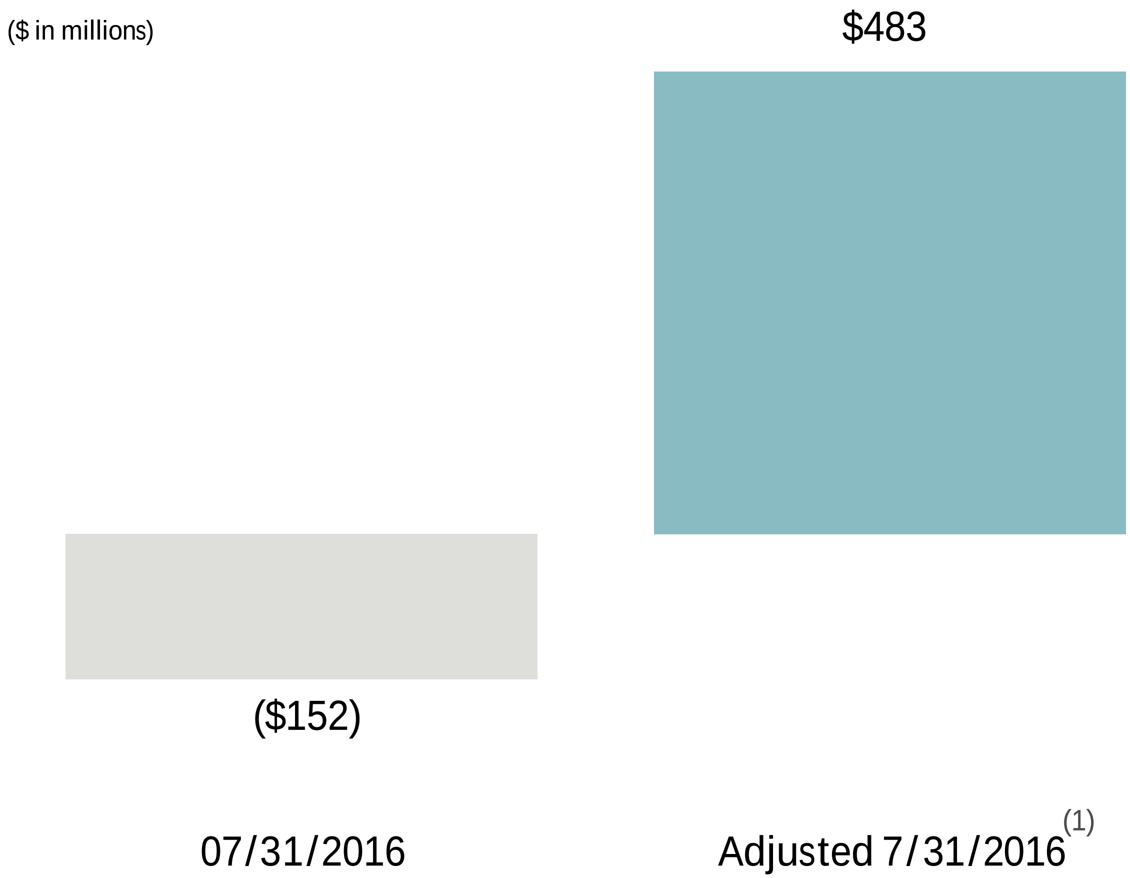
Inventory Turns (COGS), Trailing Twelve Months



Note: Inventory turns derived by dividing cost of sales, excluding capitalized interest and land sales cost of sales, by the first quarter average homebuilding inventory, excluding inventory not owned and capitalized interest.
Source: Company SEC filings and press releases as of 09/09/16.

Adjusted Hovnanian Stockholders' Equity

- *Deferred tax asset will shield approximately $2 billion of future pretax earnings from federal income taxes which will help accelerate repairing our balance sheet*



As of September 8, 2016, HOV was trading at 40% discount to adjusted book value (2)

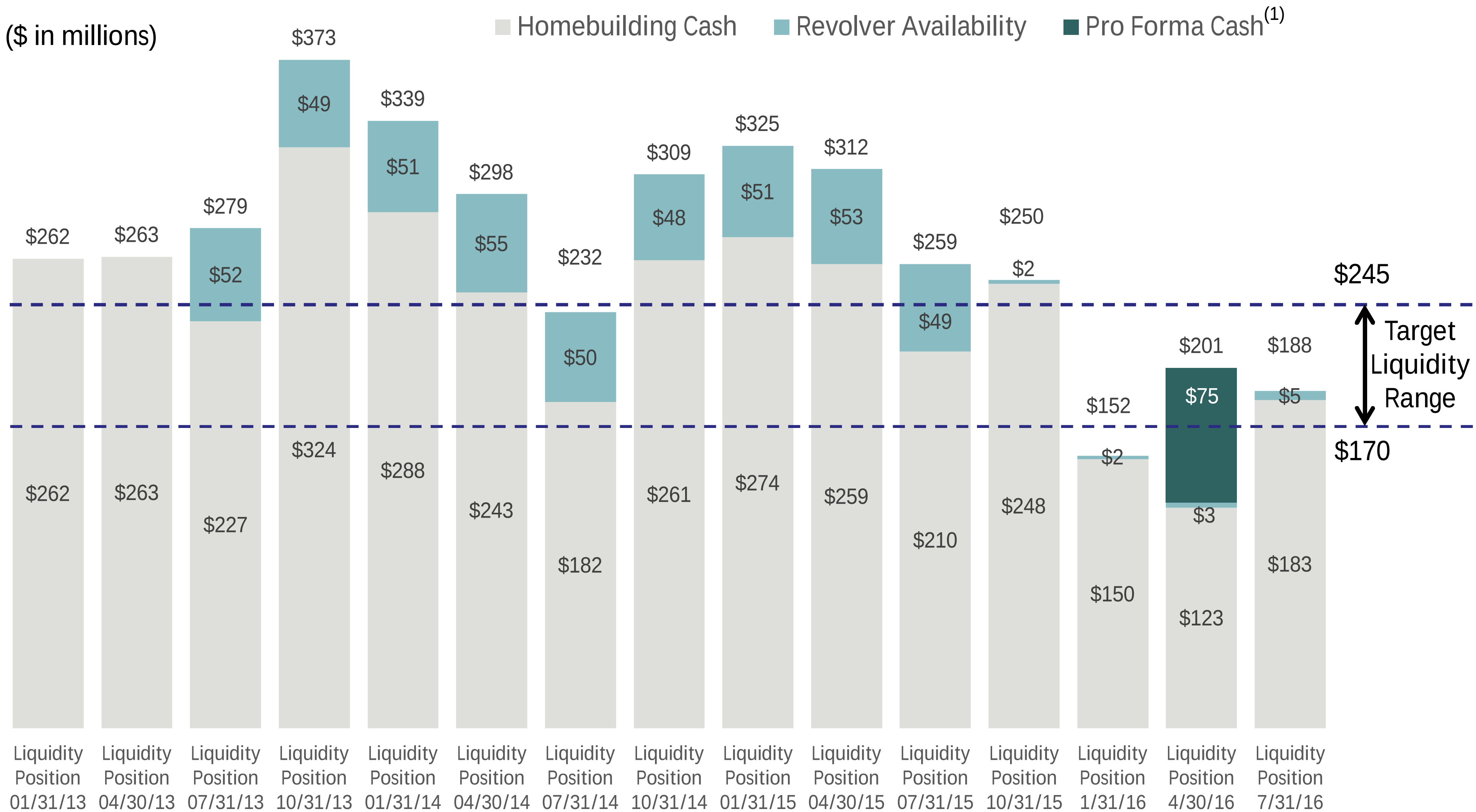
Note: Reversed $285 million of valuation allowance in the 2014 fourth quarter.

(1) Total Hovnanian Stockholders' Deficit of $(152) million with $635 million valuation allowance added back to Stockholders' Equity. The $635 million valuation allowance consisted of a $441 million federal valuation allowance and a $194 million state valuation allowance.

(2) Based on closing price of $1.98 on September 8, 2016.

Liquidity Position and Target

We are comfortable operating at the lower end of the range

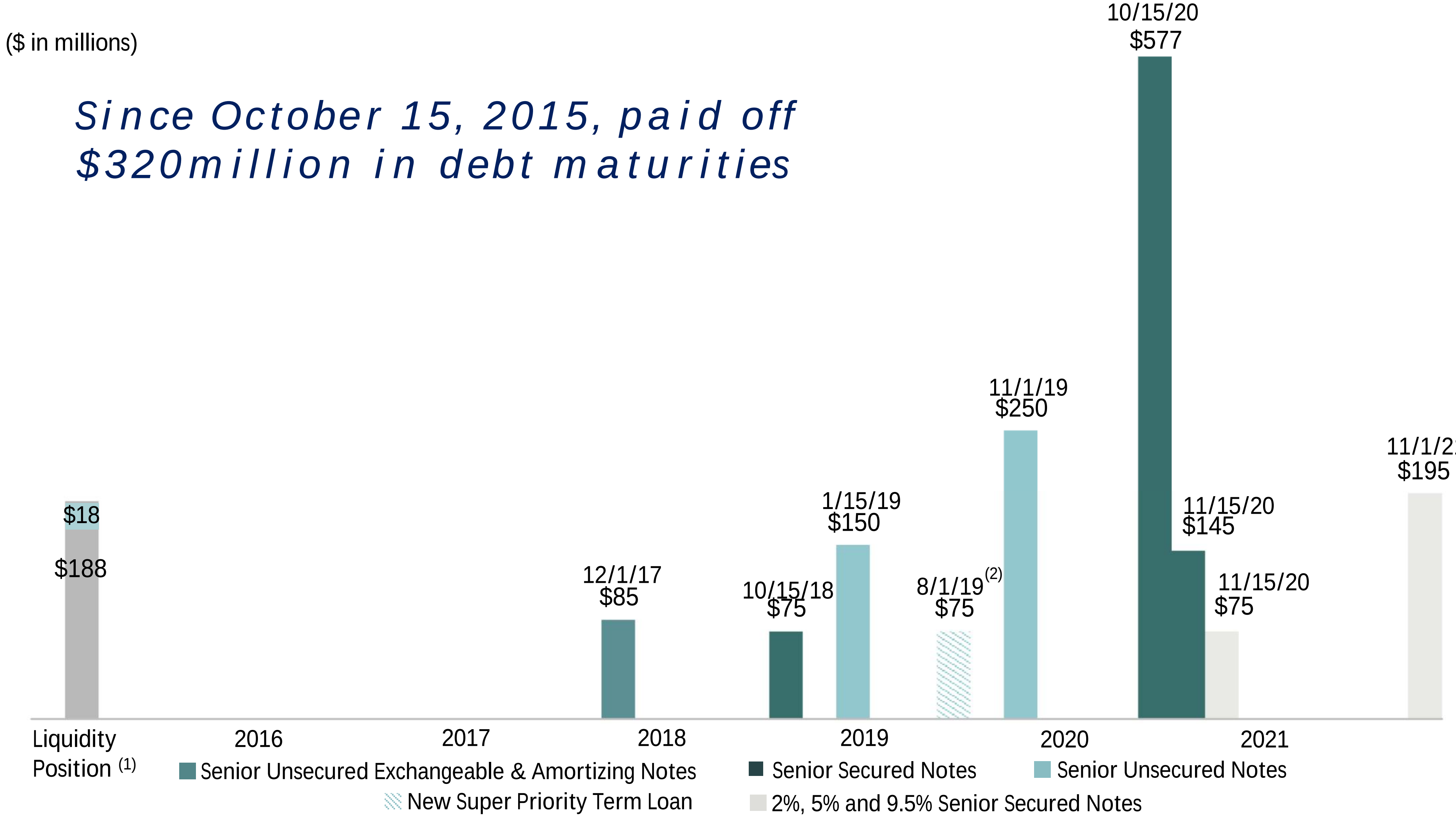


Note: Liquidity position includes homebuilding cash and cash equivalents (which includes unrestricted cash and restricted cash to collateralize letters of credit) and revolving credit facility availability.

(1) Pro Forma Cash of $75 million from joint venture and land sale subsequent to end of second quarter 2016.

Debt Maturity Profile

Pro Forma July 31, 2016 *($ in millions)*



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

[1] Liquidity position is $183 million of homebuilding cash (including unrestricted cash and restricted cash collateralizing letters of credit), and $5 million of availability under revolving credit facility as of July 31, 2016, as well as Pro Forma Cash of $18 million from new debt transactions, excluding legal, accounting and financial advisor fees, subsequent to end of third quarter 2016.

[2] Provided that if any of K. Hovnanian's 7.0% Notes due January 15, 2019 remain outstanding on October 15, 2018, the maturity date of the Term Loan Facility will be October 15, 2018, or if any refinancing indebtedness with respect to the 7.0% Notes has a maturity date prior to January 15, 2021, the maturity date of the Term Loan Facility will be October 15, 2018.

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Full Year Guidance for 2016

	FY 2016
Total Revenues ($ billions)	$2.7 to $2.9
Gross Margin	16.0% to 17.0%
Total SG&A as percentage of Total Revenues	9.0% to 10.0%
Adjusted EBITDA	$200 to $225
Adjusted Pre Tax Profit[1] ($ millions)	$25 to $35

(1) Excluding land related charges, gains or losses on extinguishment of debt and other non-recurring items such as legal settlements.

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Appendix

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Coverage for New Super Priority Term Loan and 10.0% Lien Notes Due 2018, 7.25% 1st Lien Notes and 9.125% 2nd Lien Note Due 2020

($ in Thousands)	April 30, 2016	July 31, 2016	July 31, 2016 Proforma[1]
Cash and cash equivalents	$106,400	$122,700	$140,700
Mortgaged Inventory	$685,100	$640,000	$640,000
Pledged equity value of subsidiaries without inventory liens[2]	$100,000	$82,600	$82,600
Total Collateral	$891,500	$845,300	$863,300
Plus equity value of subsidiaries with non-recourse loans[3]	$149,300	$122,200	$122,200
Total Adjusted Collateral	$1,040,800	$967,500	$985,500
Total principal amount of secured debt	$797,000	$797,000	$872,000
Adjusted Collateral Ratio	1.31x	1.21x	1.13x
Assets in excess of total principal amount of secured debt	$243,800	$170,500	$113,500

(1) Reflects the borrowing of a $75.0 million senior secured first lien priority term loan, the issuance of $75.0 million of senior secured second lien notes and the exchange of $75.0 million of senior secured second lien notes for $75.0 million newly issued senior secured first lien notes for aggregate gross proceeds of $146.3 million and the redemption of all $121.0 million senior notes due 2017 with a portion of such proceeds. The remaining proceeds have been deposited into a segregated account to be used to repurchase or retire 2017 debt maturities (collectively, the "Financing & Redemption Transactions").

(2) Represents book value of inventory owned by guarantor subsidiaries for which mortgages are either not yet filed or not required to be filed.

(3) Represents book value of inventory owned by guarantor subsidiaries less outstanding payable amount of non-recourse loans.

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

($ in Thousands)	April 30, 2016	July 31, 2016	July 31, 2016 Proforma[1]
Cash and cash equivalents	$16,500	$60,500	$60,500
Mortgaged Inventory	$153,900	$146,400	$146,400
Pledged equity value of subsidiaries without inventory liens[2]	$13,800	$1,000	$1,000
Total Collateral	$184,200	$207,900	$207,900
Plus equity value of subsidiaries with non-recourse loans[3]	$56,500	$29,400	$29,400
Total Adjusted Collateral	$240,700	$237,300	$237,300
Total principal amount of secured debt	$195,000	$195,000	$270,000
Adjusted Collateral Ratio	1.23x	1.22x	0.88x
Total Adjusted Collateral	$240,700	$237,300	$237,300
Plus equity interests in joint ventures[4]	$66,300	$80,700	$80,700
Total Assets Available for secured debt	$307,000	$318,000	$318,000
Total principal amount of secured debt	$195,000	$195,000	$270,000
Asset Coverage Ratio	1.57x	1.63x	1.18x
Assets in Excess of total principal amount of secured debt	$112,000	$123,000	$48,000

(1) Reflects the Financing & Redemption Transactions (see slide 24).
(2) Represents book value of inventory owned by guarantor subsidiaries for which mortgages are either not yet filed or not required to be filed.
(3) Represents book value of inventory owned by guarantor subsidiaries less outstanding payable amount of non-recourse loans.
(4) 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.

Assets Available to All Unsecured Debt

($ in Thousands)	April 30, 2016	July 31, 2016	July 31, 2016 Proforma(1)
Total Assets	$2,518,600	$2,388,800	$2,406,800
less Income Tax Receivables	($294,100)	($293,400)	($293,400)
less Inventory Not Owned	($312,800)	($280,700)	($280,700)
less Financial Services Assets	($160,700)	($165,900)	($165,900)
Assets Available to All Notes	$1,751,000	$1,648,800	$1,666,800
less non-recourse mortgages	($125,100)	($91,300)	($91,300)
less principal for new 9.5% 1st Lien Notes due 2020 and 2% and 5% 1st Lien Notes due 2021	($195,000)	($195,000)	($270,000)
less principal for new Super Priority Term Loan due 2018 and 10.0% 2nd Lien Notes due 2018, 7.25% 1st Lien and 9.125% 2nd Lien Notes due 2020	($797,000)	($797,000)	($872,000)
Assets available to All Unsecured Notes	$633,900	$565,500	$433,500

(1) Reflects the Financing & Redemption Transactions (see slide 24).

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Third Quarter Results

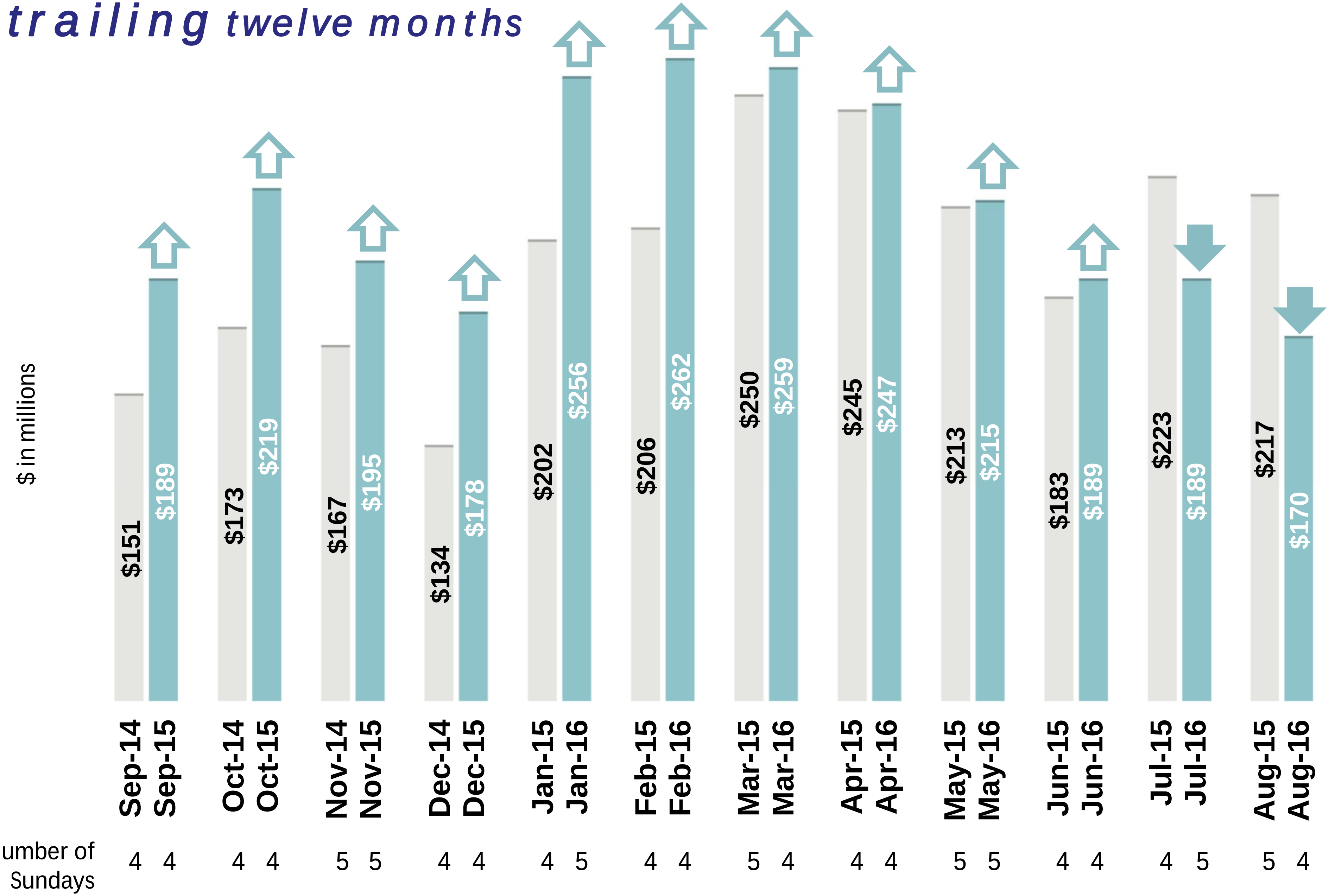
($ in millions)

		2016	2015	% Change	
	Forwarding-looking indicators				
1)	Net Contracts ($ value)[1]	$593	$619	-4%	
2)	Net Contracts (units)[1]	1,467	1,533	-4%	
3)	Communities[1]	174	206	-16%	
4)	Contracts per Community[1]	8.4	7.4	14%	✓
5)	Backlog ($ value)[1]	$1,312	$1,264	4%	✓
6)	Backlog (units)[1]	2,969	3,097	-4%	
	Backward-looking indicators				
7)	Deliveries[1]	1,574	1,408	12%	
8)	Total Revenues	$717	$541	33%	
9)	Homebuilding Gross Margin	16.9%	17.8%	-90 bps	
10)	Total SG&A as a Percentage of Total Revenues	9.3%	12.6%	-330 bps	
11)	Adjusted Pre-Tax Income (Loss)[2]	$3	($9)	-	

(1) Excludes unconsolidated joint ventures.
(2) Excluding land related charges.

Dollar Amount of Net Contracts Per Month, Excludes Unconsolidated Joint Ventures

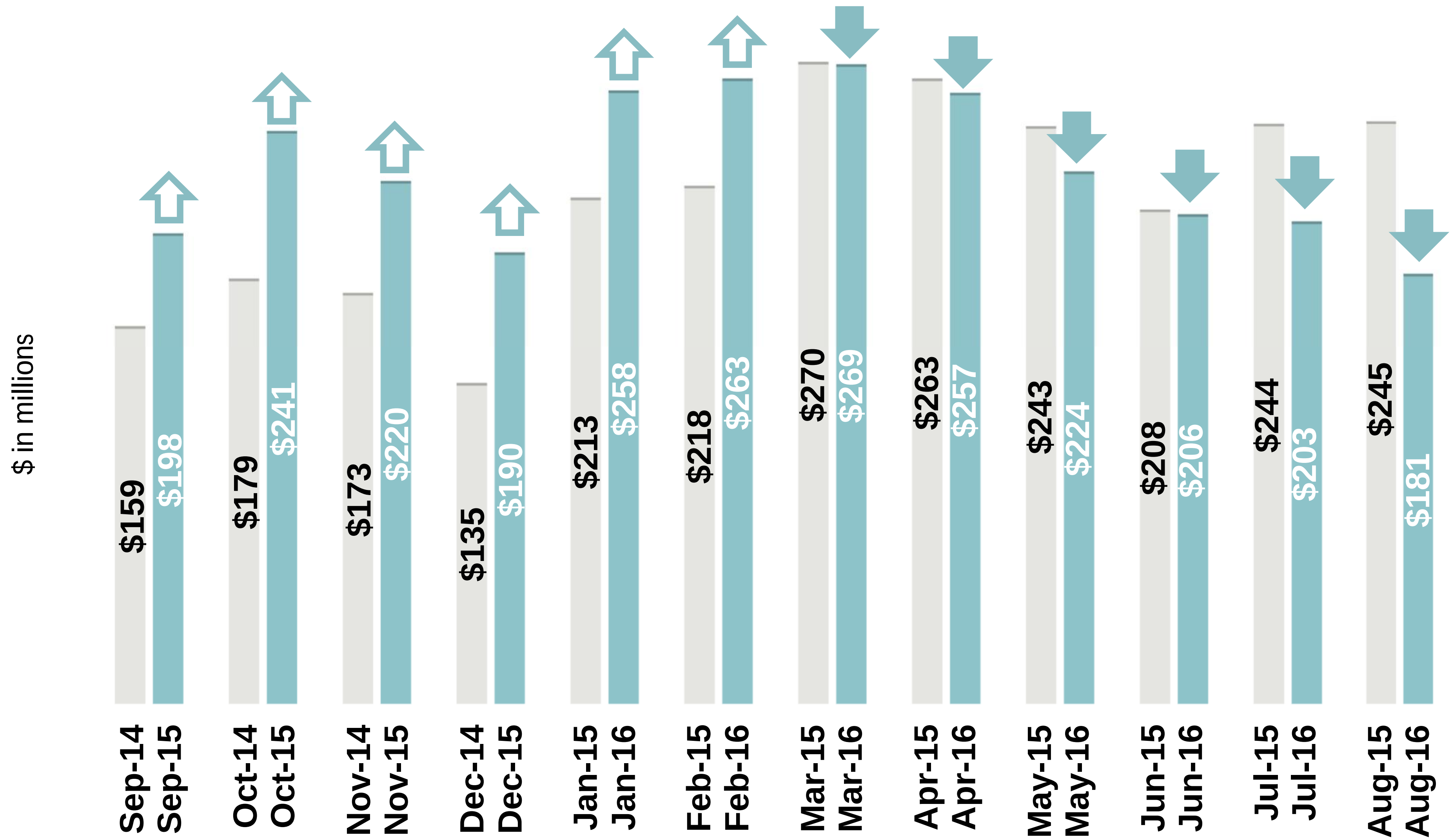
*Increased 9% year-over-year for **trailing** twelve months*



Note: Excludes unconsolidated joint ventures.

Dollar Amount of Net Contracts Per Month, Includes Unconsolidated Joint Ventures

Increased 6% year-over-year for trailing twelve months



Number of Sundays	4	4	4	4	5	5	4	4	4	5	4	4	5	4	4	4	5	5	4	4	4	5	5	4

Note: Includes unconsolidated joint ventures.

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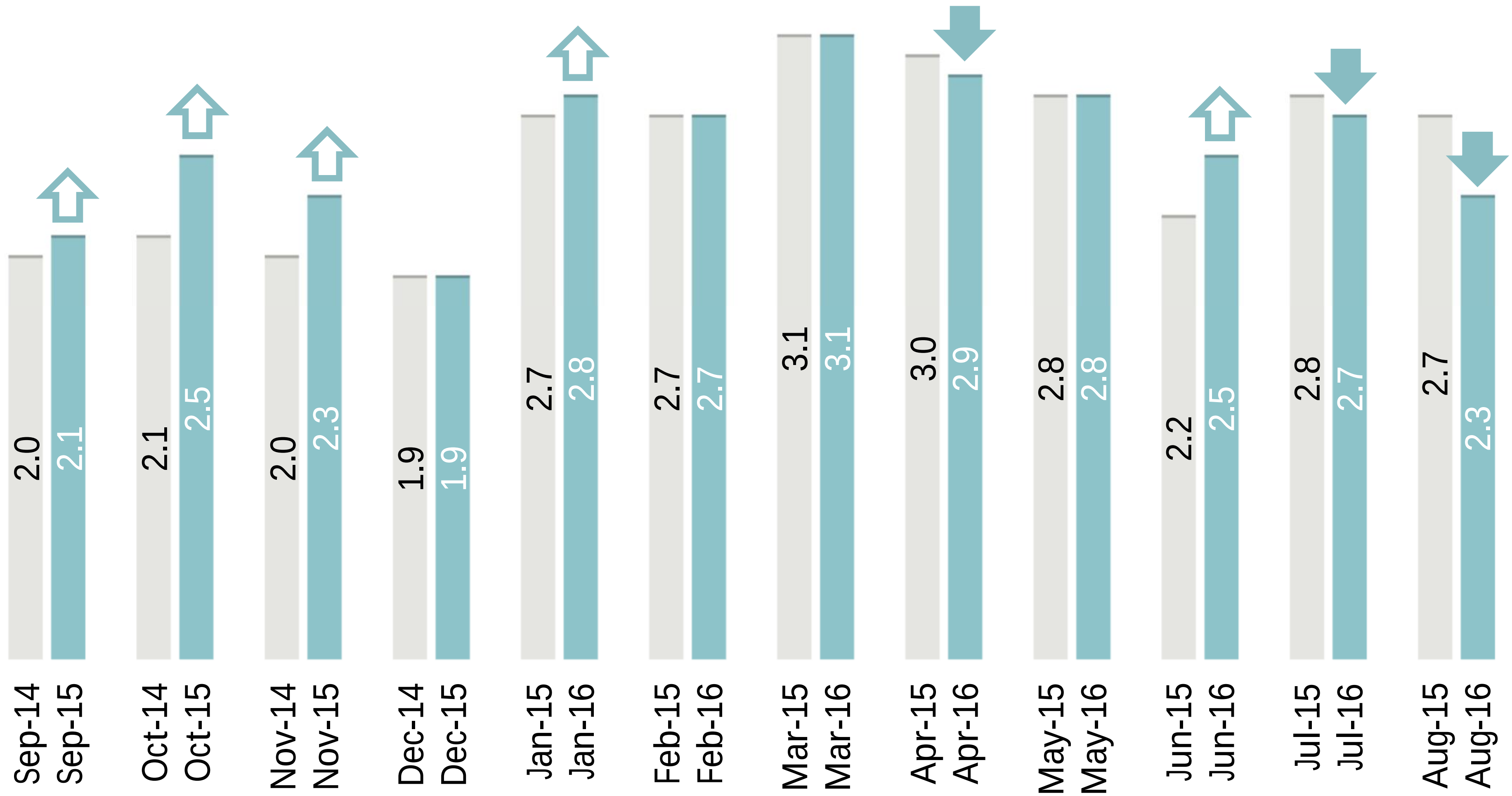
Number of Monthly Net Contracts Per Active Selling Community, Includes Unconsolidated Joint Ventures



	Sep-14	Sep-15	Oct-14	Oct-15	Nov-14	Nov-15	Dec-14	Dec-15	Jan-15	Jan-16	Feb-15	Feb-16	Mar-15	Mar-16	Apr-15	Apr-16	May-15	May-16	Jun-15	Jun-16	Jul-15	Jul-16	Aug-15	Aug-16
Number of Sundays	4	4	4	4	5	5	4	4	4	5	4	4	5	4	4	4	5	5	4	4	4	5	5	4
Monthly Net Contracts	419	475	448	581	422	517	390	446	554	629	570	603	672	648	652	611	583	532	480	490	595	515	573	444

Note: Includes unconsolidated joint ventures.

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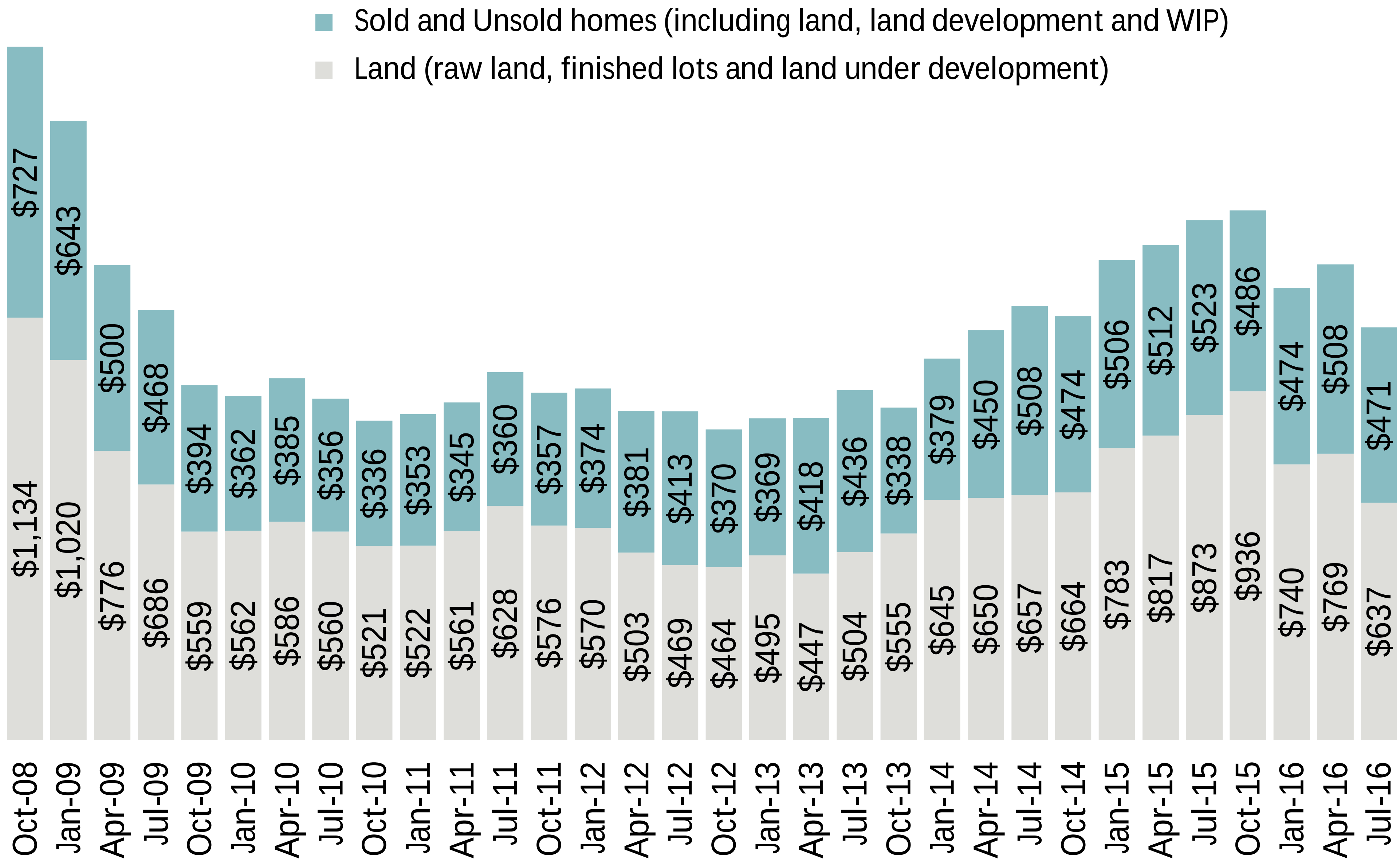
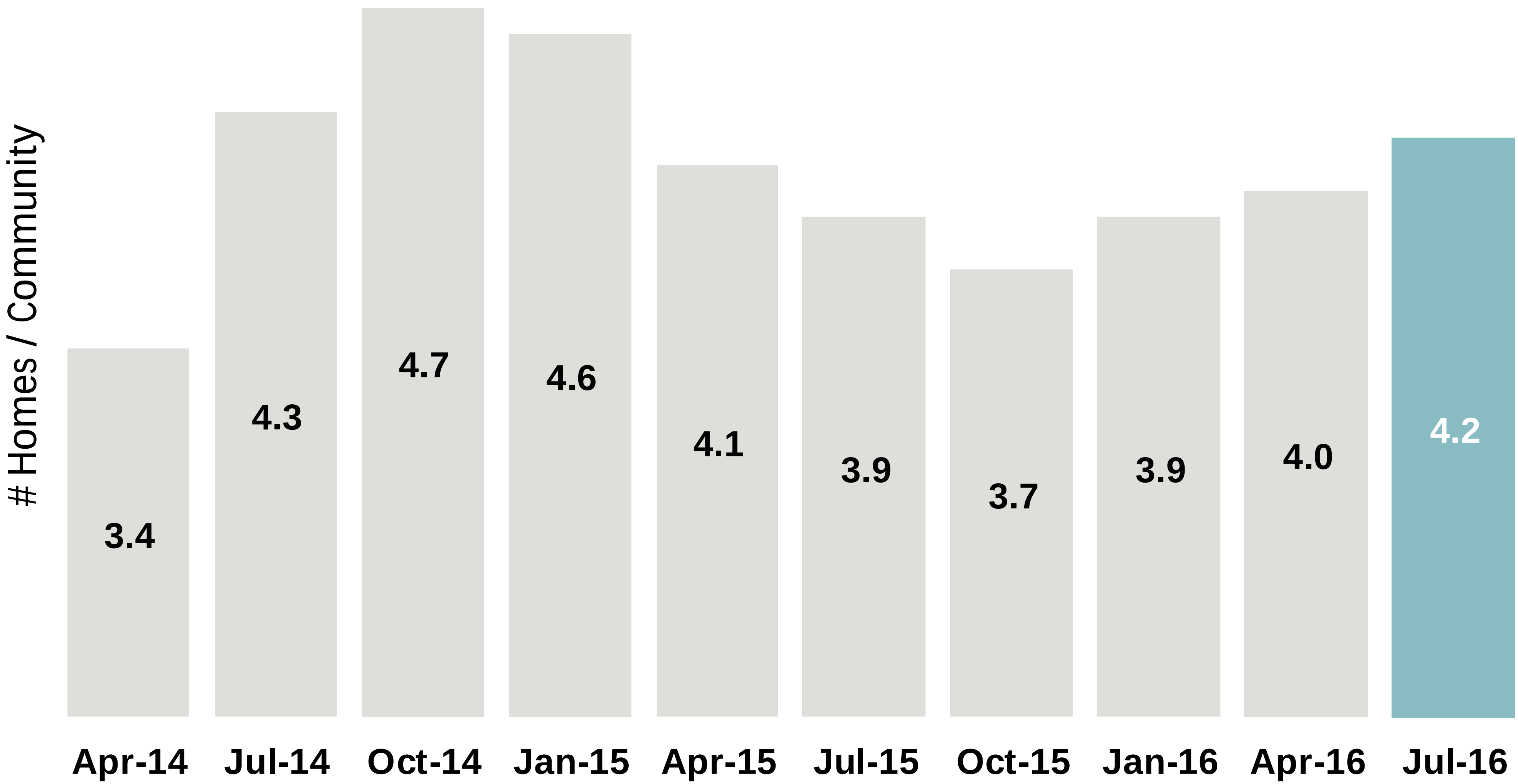
Inventory Breakdown



Note: Excluding Inventory Not Owned, on-your-lot construction, assets outside the US and option deposits and pre-development costs.

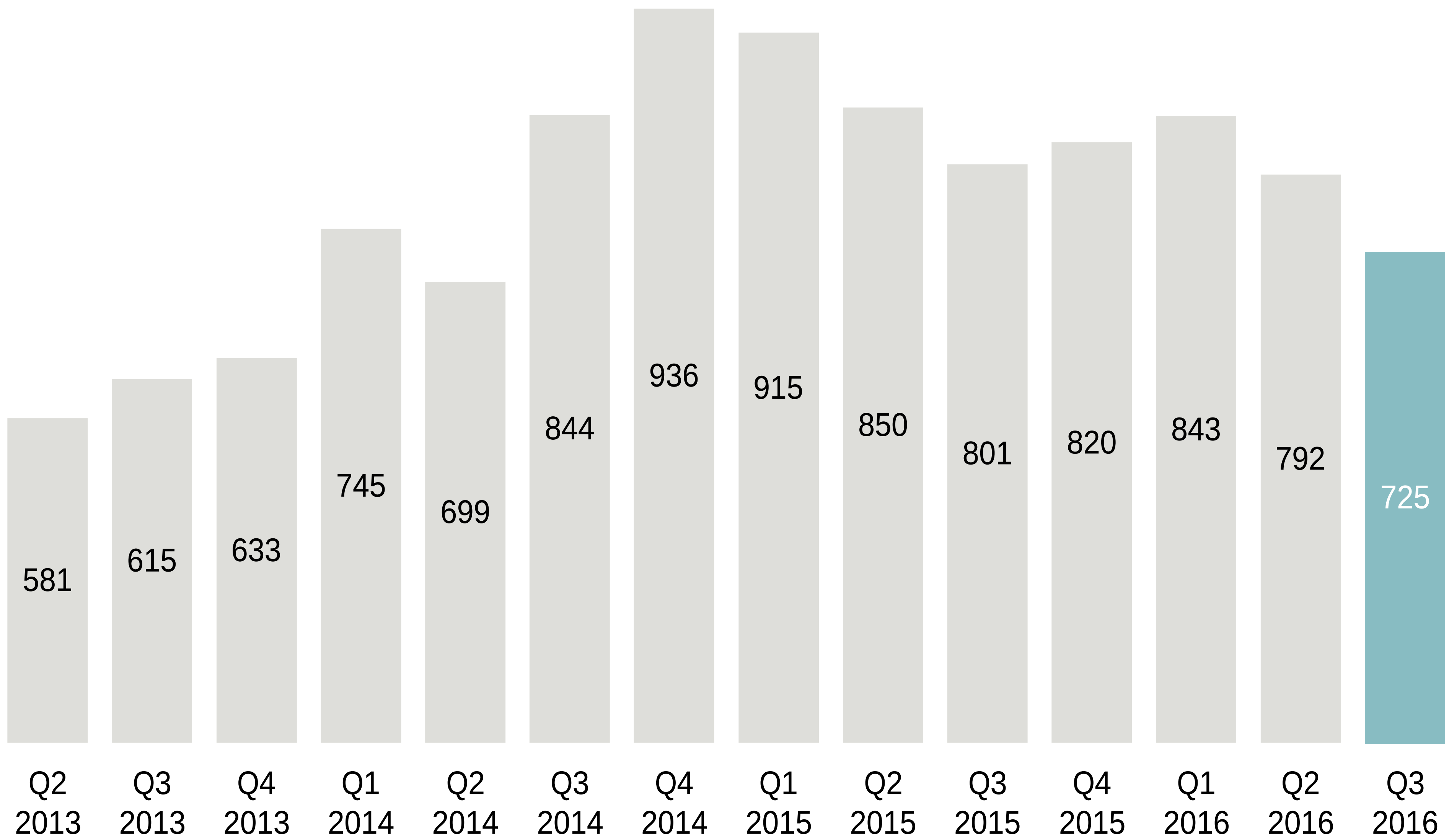
Spec Homes per Community

- *725 spec homes at 07/31/16, excluding models*
- *4.6 average spec homes per community since 1997*



Note: Excluding unconsolidated joint ventures and models.

Started Unsold Homes



Note: Excluding unconsolidated joint ventures and models, in active and substantially complete communities.

Land Positions by Geographic Segment

July 31, 2016

Segment	TTM Deliveries	Years Supply: Owned: Excluding Mothballed Lots	Years Supply: Owned: Mothballed Lots	Years Supply: Optioned	Years Supply: Total	Investment in Land (raw land, finished lots and lots under development) ($ in millions)
Northeast	531	1.8	1.1	7.6	10.4	$163
Mid-Atlantic	884	2.2	0.3	2.4	4.9	$91
Midwest	990	1.9	0.1	1.7	3.6	$42
Southeast	637	1.8	0.5	3.2	5.5	$81
Southwest	2,640	0.7	0.0	1.2	1.8	$105
West	639	2.5	5.7	0.4	8.6	$155
Total	6,321	1.5	0.8	2.1	4.3	$637

Note: Excluding unconsolidated joint ventures.

Mothballed Lots

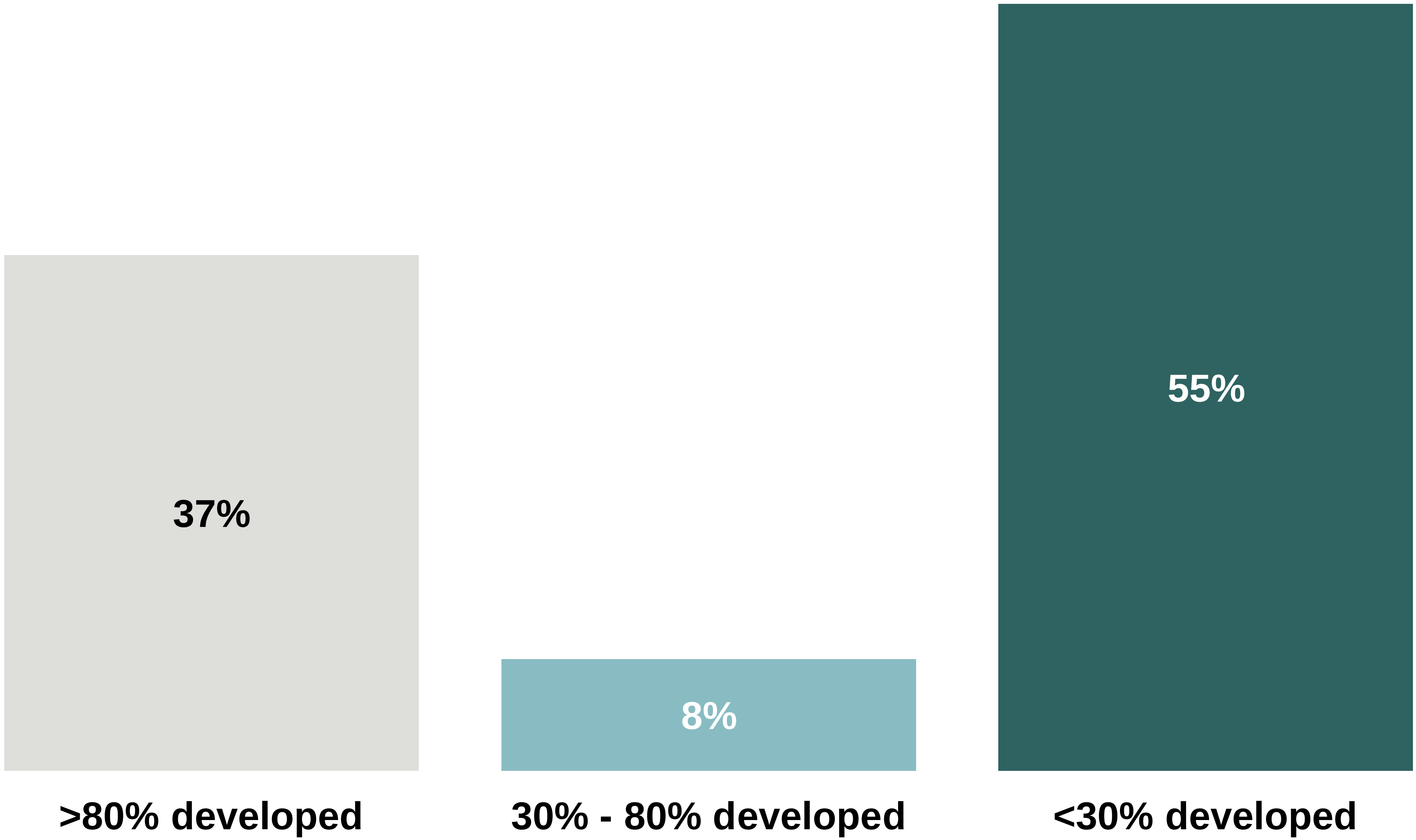
As of July 31, 2016

	# of Lots
Northeast (NJ, PA)	577
Mid-Atlantic (DE, MD, VA, WV)	280
Midwest (IL, MN, OH)	108
Southeast (FL, GA, NC, SC)	295
Southwest (AZ, TX)	0
West (CA)	3,635
Total	4,895

- *In 28 communities with a book value of $75 million net of impairment balance of $293 million*
- *Unmothballed approximately 5,200 lots in 85 communities since January 31, 2009*

Owned Lots % Development Costs Spent

As of July 31, 2016



Note: Excluding unconsolidated joint ventures.

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Hovnanian Houston Operations

- **Houston Exposure as of July 31, 2016**

	Houston as a % of Company Total
TTM Home Sale Revenues	16%
Homebuilding Inventory	11%

- **Houston Lot Position as of July 31, 2016**

	Houston # Lots	Months Supply Houston	Months Supply Company Average[(1)]
Owned Lots	1,102	10	20
Optioned Lots	1,128	10	29
Total Lots	2,230	20	49

- **Option Deposit**
  - Houston $3,000 per lot vs. Company Average $5,000 per lot

[(1)] *Excluding Houston and Mothballed lots*

Hovnanian Enterprises®, Inc.