Hovnanian Enterprises, Inc.

Review of Financial Results | Fourth Quarter Fiscal 2020

Hovnanian Enterprises, Inc.

Note: All statements in this presentation that are not historical facts should be considered as "Forward-Looking Statements" within the meaning of the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such forward-looking statements include but are not limited to statements related to the Company's targets, goals and expectations with respect to its financial results for future financial periods such as its statements related to its key metric targets for total consolidated revenue, homebuilding gross margin percentage before cost of sales interest expense and land charges, total SG&A ratio, adjusted pre-tax earnings, adjusted EBITDA, average inventory and inventor turns. Although we believe that our targets, plans, intentions and expectations reflected in, or suggested by, such forward-looking statements are reasonable, we can give no assurance that such targets, plans, intentions or expectations will be achieved. By their nature, forward-looking statements: (i) speak only as of the date they are made, (ii) are not guarantees of future performance or results and (iii) are subject to risks, uncertainties and assumptions that are difficult to predict or quantify. Therefore, actual results could differ materially and adversely from those forward-looking statements as a result of a variety of factors. Such risks, uncertainties and other factors include, but are not limited to, (1) the outbreak and spread of COVID-19 and the measures that governments, agencies, law enforcement and/or health authorities implement to address it; (2) changes in general and local economic, industry and business conditions and impacts of a significant homebuilding downturn; (3) adverse weather and other environmental conditions and natural disasters; (4) the seasonality of the Company's business; (5) the availability and cost of suitable land and improved lots and sufficient liquidity to invest in such land and lots; (6) shortages in, and price fluctuations of, raw materials and labor, including due to changes in trade policies and the imposition of tariffs and duties on homebuilding materials and products and related trade disputes with, and retaliatory measures taken by, other countries; (7) reliance on, and the performance of, subcontractors; (8) regional and local economic factors, including dependency on certain sectors of the economy, and employment levels affecting home prices and sales activity in the markets where the Company builds homes; (9) increases in cancellations of agreements of sale; (10) fluctuations in interest rates and the availability of mortgage financing; (11) changes in tax laws affecting the after-tax costs of owning a home; (12) legal claims brought against us and not resolved in our favor, such as product liability litigation, warranty claims and claims made by mortgage investors; (13) levels of competition; (14) utility shortages and outages or rate fluctuations; (15) information technology failures and data security breaches; (16) negative publicity; (17) high leverage and restrictions on the Company's operations and activities imposed by the agreements governing the Company's outstanding indebtedness; (18) availability and terms of financing to the Company; (19) the Company's sources of liquidity; (20) changes in credit ratings; (21) government regulation, including regulations concerning development of land, the home building, sales and customer financing processes, tax laws and the environment; (22) operations through unconsolidated joint ventures with third parties; (23) significant influence of the Company's controlling stockholders; (24) availability of net operating loss carryforwards; (25) loss of key management personnel or failure to attract qualified personnel; and (26) certain risks, uncertainties and other factors described in detail in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2019 and the Company's Quarterly Reports on Form 10-Q for the quarterly periods during fiscal 2020 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 (loss). The reconciliation for historical periods of EBIT, EBITDA and Adjusted EBITDA to net income (loss) is presented in a table attached to this earnings release.

Homebuilding gross margin, before cost of sales interest expense and land charges, and homebuilding gross margin percentage, before cost of sales interest expense and land charges, are non-GAAP financial measures. The most directly comparable GAAP financial measures are homebuilding gross margin and homebuilding gross margin percentage, respectively. The reconciliation for historical periods of homebuilding gross margin, before cost of sales interest expense and land charges, and homebuilding gross margin percentage, before cost of sales interest expense and land charges, to homebuilding gross margin and homebuilding gross margin percentage, respectively, is presented in a table attached to this earnings release.

Adjusted pretax income, which is defined as income before income taxes excluding land-related charges, joint venture write-downs 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. The reconciliation for historical periods of adjusted pretax income to income before income taxes is presented in a table attached to this earnings release.

Total liquidity is comprised of $262.5 million of cash and cash equivalents, $11.6 million of restricted cash required to collateralize letters of credit and $125.0 million availability under the senior secured revolving credit facility as of October 31, 2020.

Hovnanian Enterprises, Inc.

Guidance Compared with Actuals for Fourth Quarter 2020

($ in millions)	Guidance Q4 2020	Actuals Q4 2020
Total Revenues	$650 - $680	$683
Adjusted Homebuilding Gross Margin(1)	19.0% - 20.0%	20.2%
Total SG&A as Percentage of Total Revenues(2)	8.5% - 9.5%	9.6%
Adjusted EBITDA(3)	$70 - $85	$87
Adjusted Income Before Income Taxes(4)	$20 - $35	$45

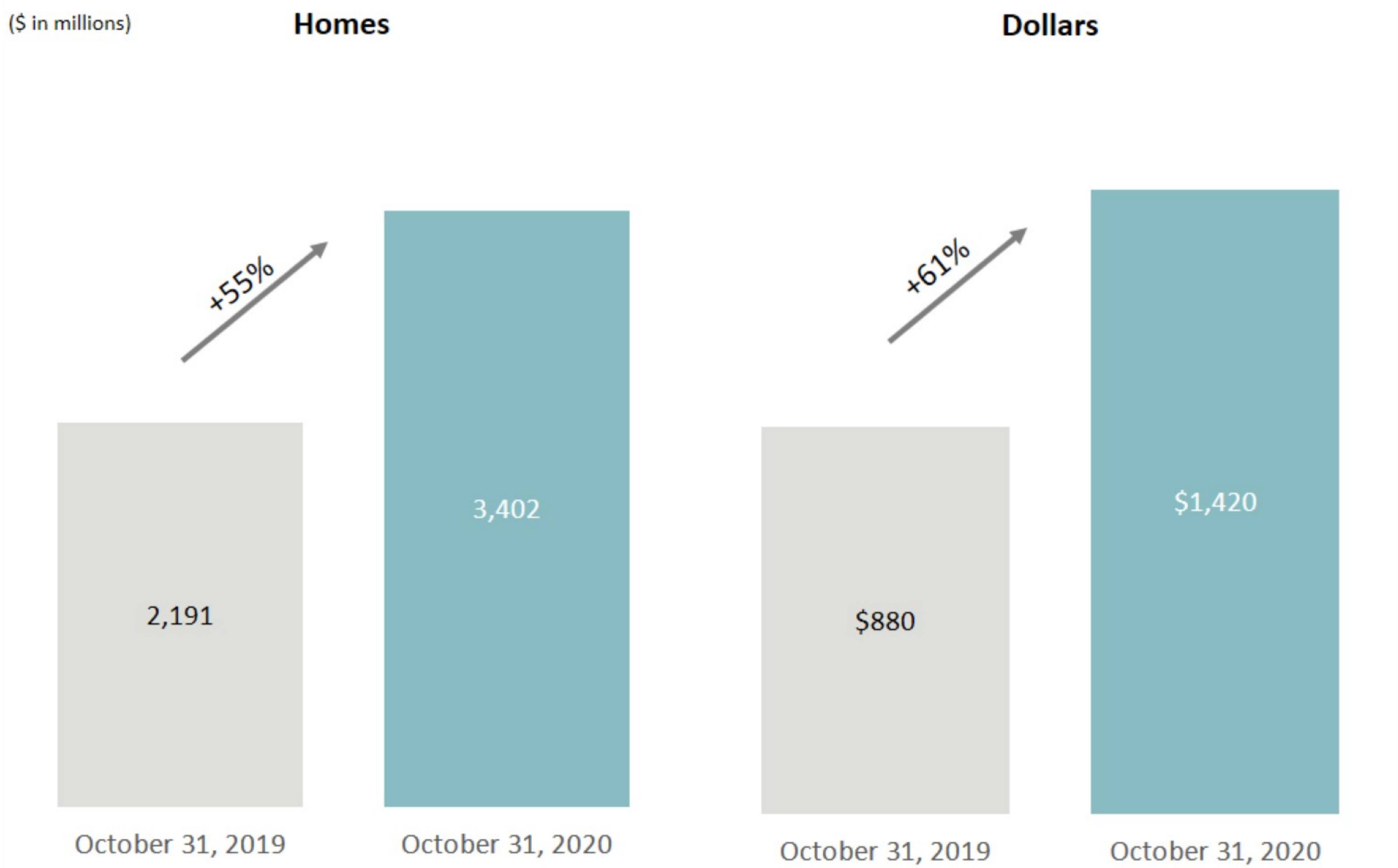
(1) Adjusted homebuilding gross margin percentage is before cost of sales interest expense and land charges. See appendix for a reconciliation to the most directly comparable GAAP measure.

(2) Total SG&A includes homebuilding selling, general and administrative costs and corporate general and administrative costs. Ratio calculated as a percentage of total revenues.

(3) Adjusted EBITDA is a non-GAAP financial measure. The most directly comparable GAAP financial measure is net income (loss). Adjusted EBITDA represents earnings before interest expense, income taxes, depreciation and amortization.

(4) 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.

Consolidated Backlog



Note: Excludes unconsolidated joint ventures.

Fiscal 2020 Compared with Fiscal 2019

($ in millions)

	Year Ended October 31, 2019	Year Ended October 31, 2020
Total Revenues	**$2,017**	**$2,344**
Adjusted Homebuilding Gross Margin[1]	**18.1%**	**18.4%**
Total SG&A as Percentage of Total Revenues[2]	**11.6%**	**10.3%**
Adjusted EBITDA[3]	**$174**	**$234**

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

(2) Total SG&A includes homebuilding selling, general and administrative costs and corporate general and administrative costs. Ratio calculated as a percentage of total revenues.

(3) Adjusted EBITDA is a non-GAAP financial measure. The most directly comparable GAAP financial measure is net income (loss). Adjusted EBITDA represents earnings before interest expense, income taxes, depreciation and amortization.

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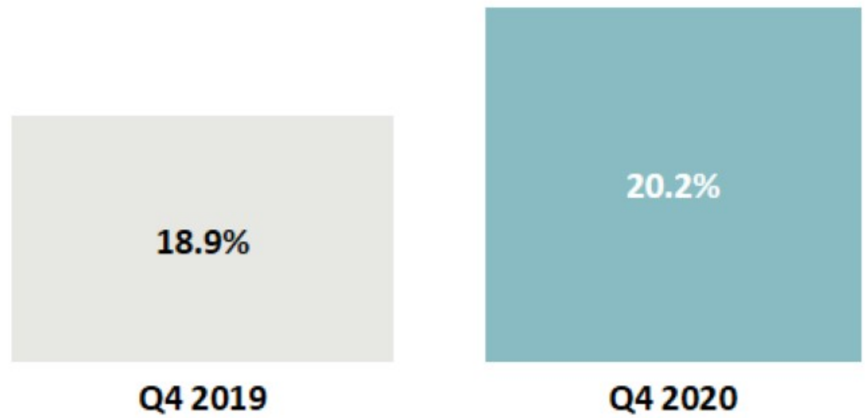
Fourth Quarter Operating Results

($ in millions)

Total Revenues

Adjusted Homebuilding Gross Margin[1]

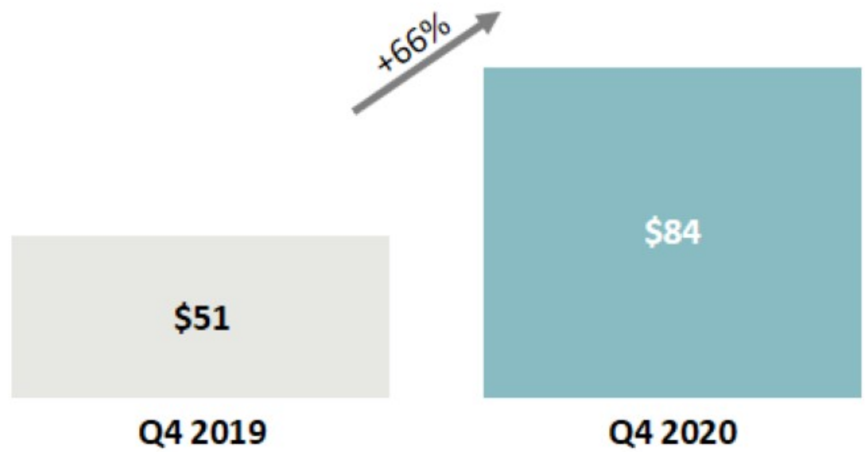
+130 bps



Total SG&A Dollars[2]

Total SG&A Ratio	7.6%	9.6%

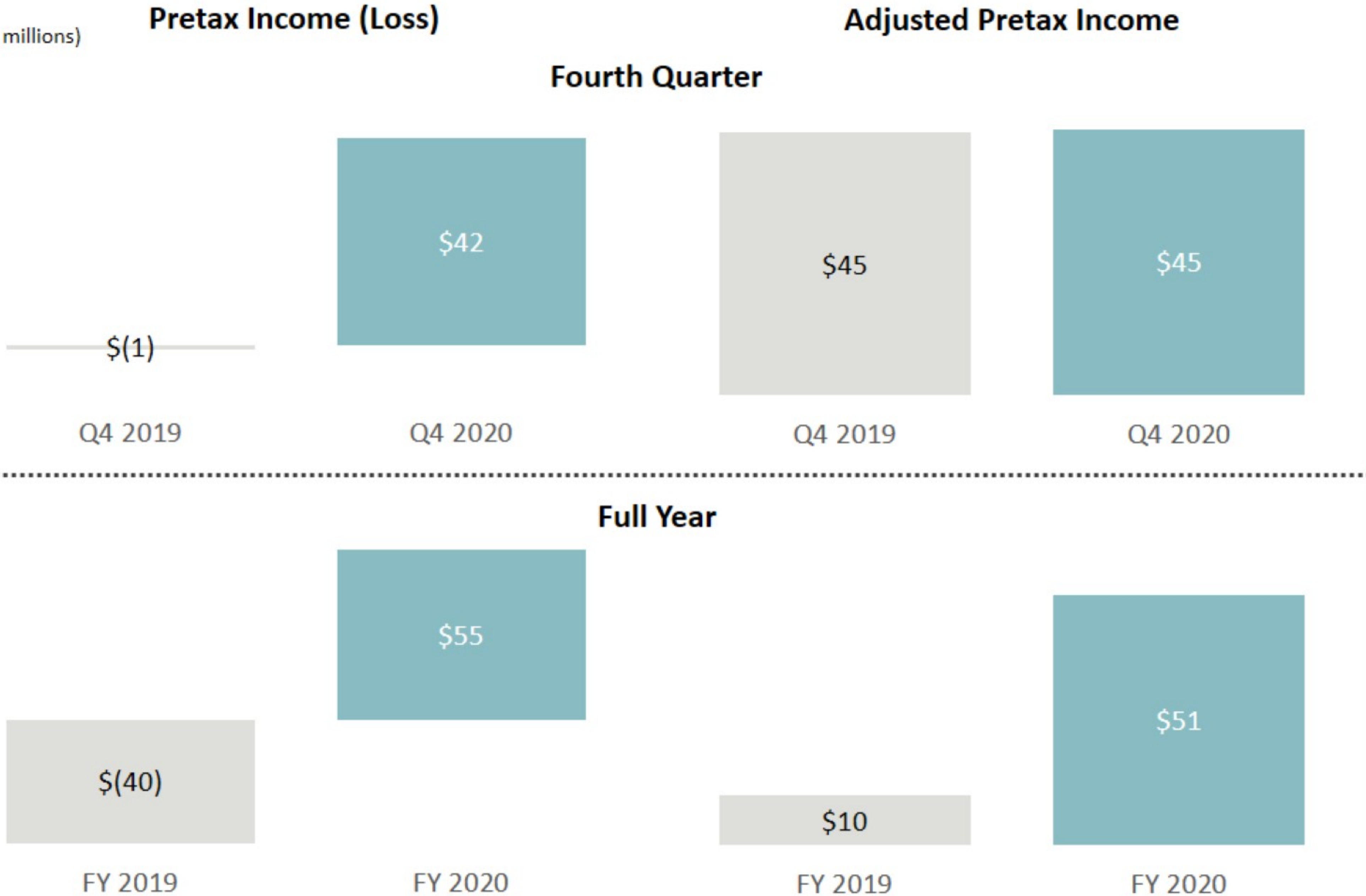
EBITDA[3]



(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) EBITDA is a non-GAAP financial measure. The most directly comparable GAAP financial measure is net income (loss). EBITDA represents earnings before interest expense, income taxes, depreciation and amortization.

Pretax Income

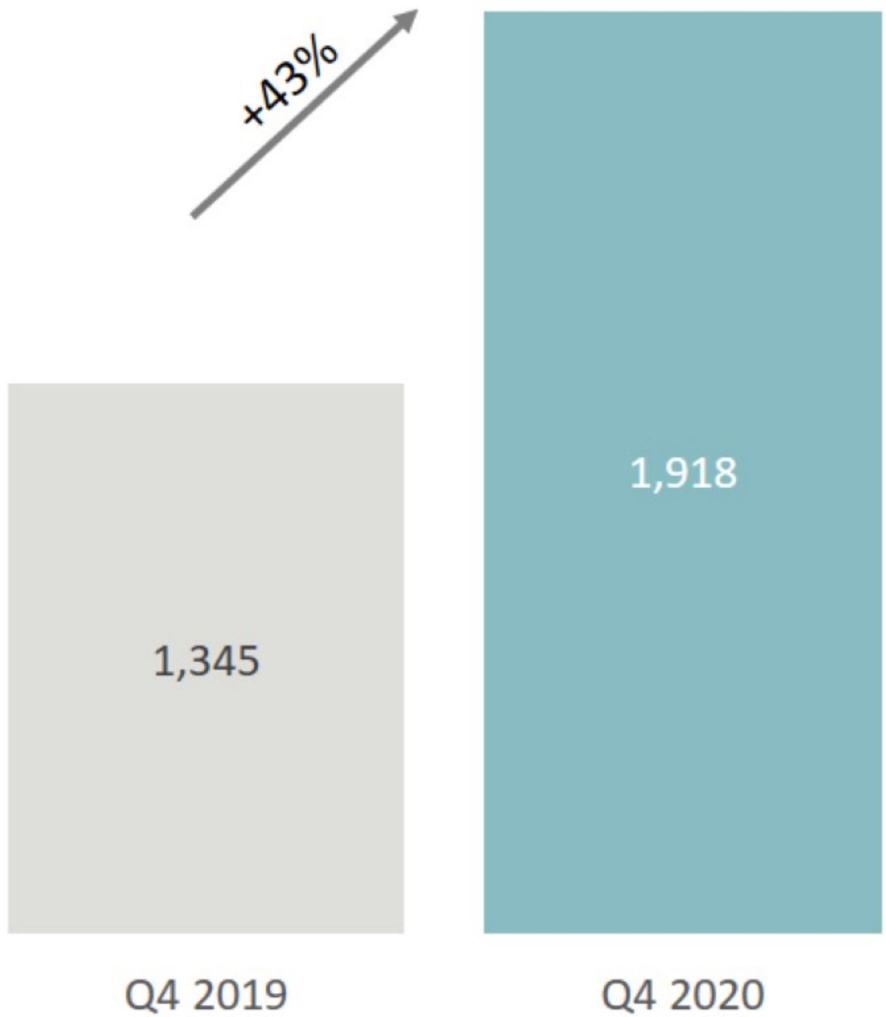
($ in millions)



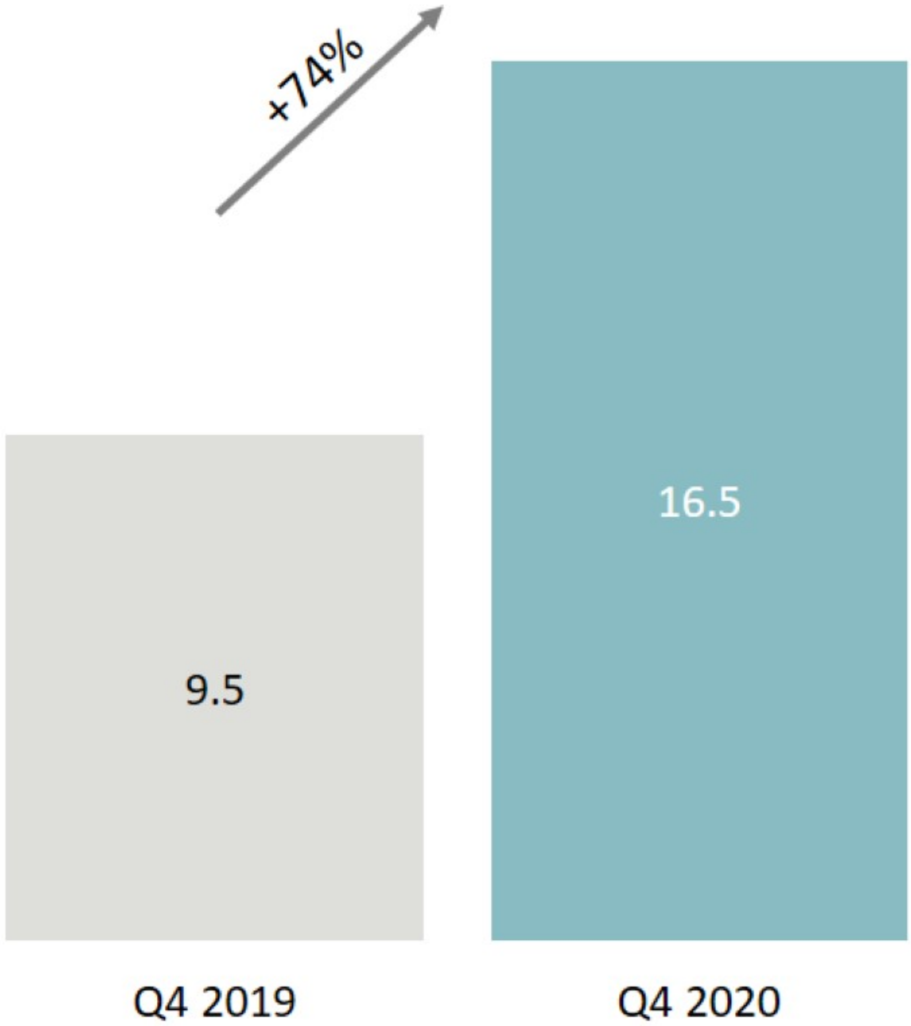
Note: Adjusted Income Before Income Taxes excludes land-related charges, joint venture write-downs and loss (gain) on extinguishment of debt. See appendix for a reconciliation to the most directly comparable GAAP measure.

Quarterly Contracts

Contracts

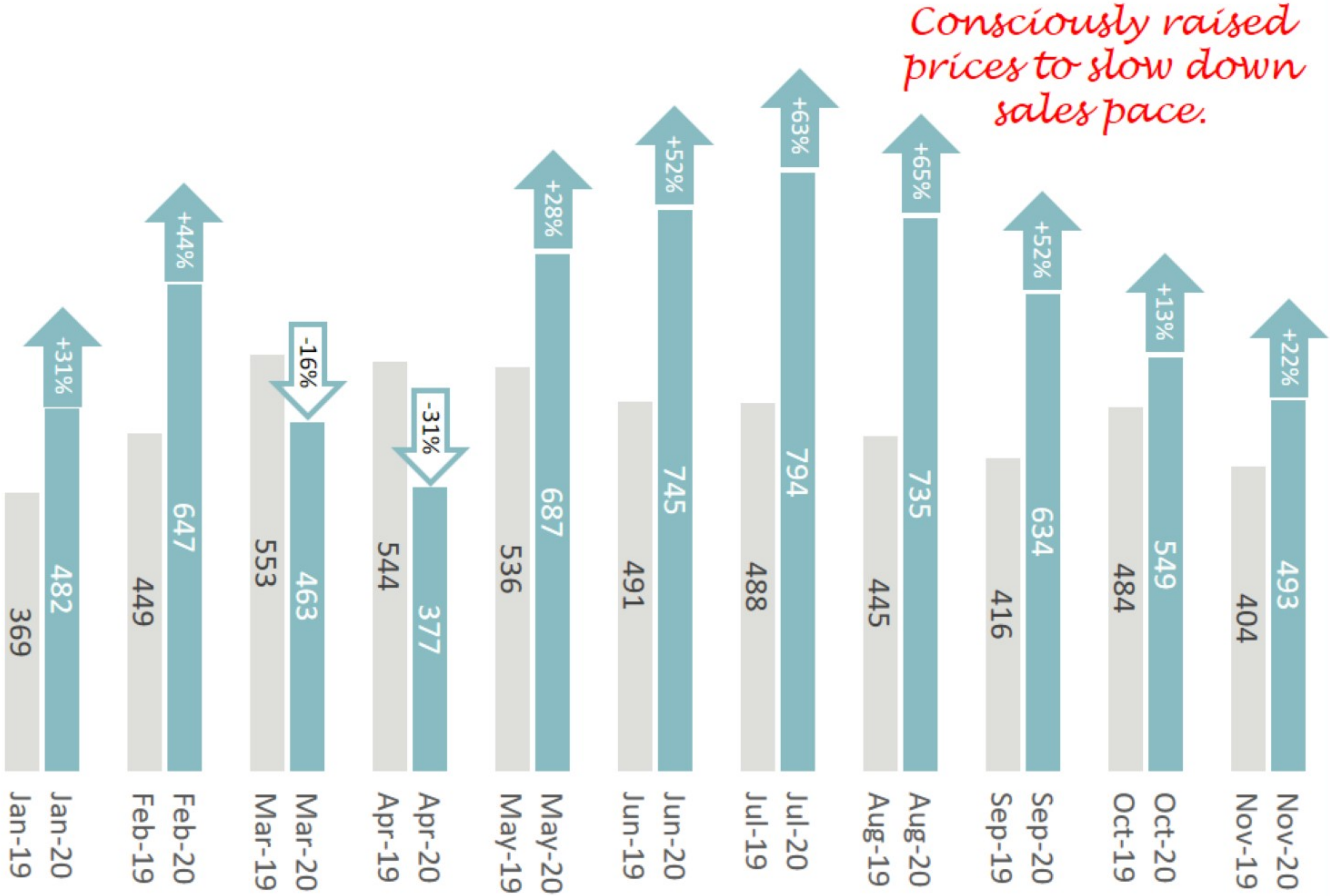


Contracts per Community



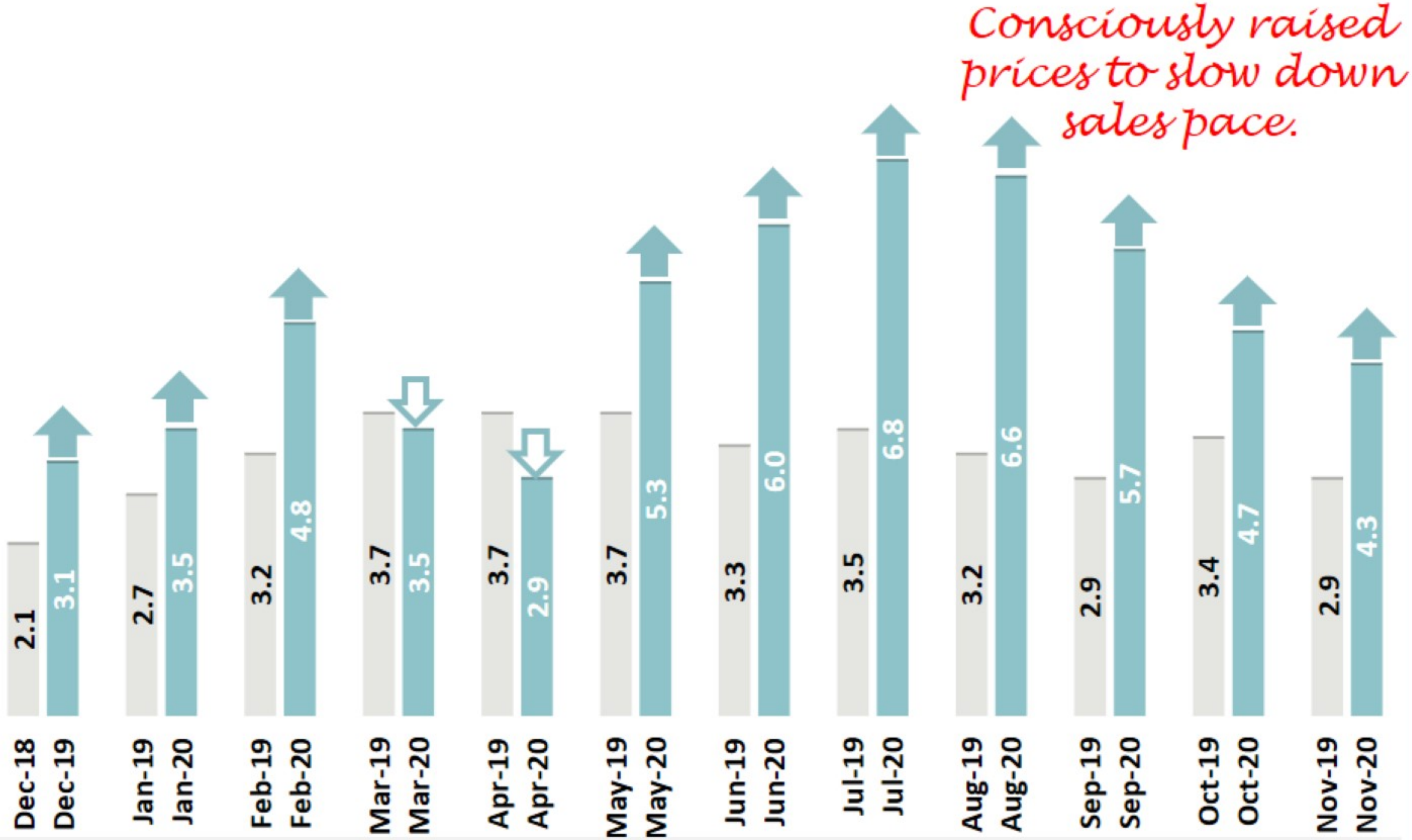
Note: Excludes unconsolidated joint ventures.

Monthly Contracts



Note: Excludes unconsolidated joint ventures.

Number of Monthly Contracts Per Community, Excludes Unconsolidated Joint Ventures

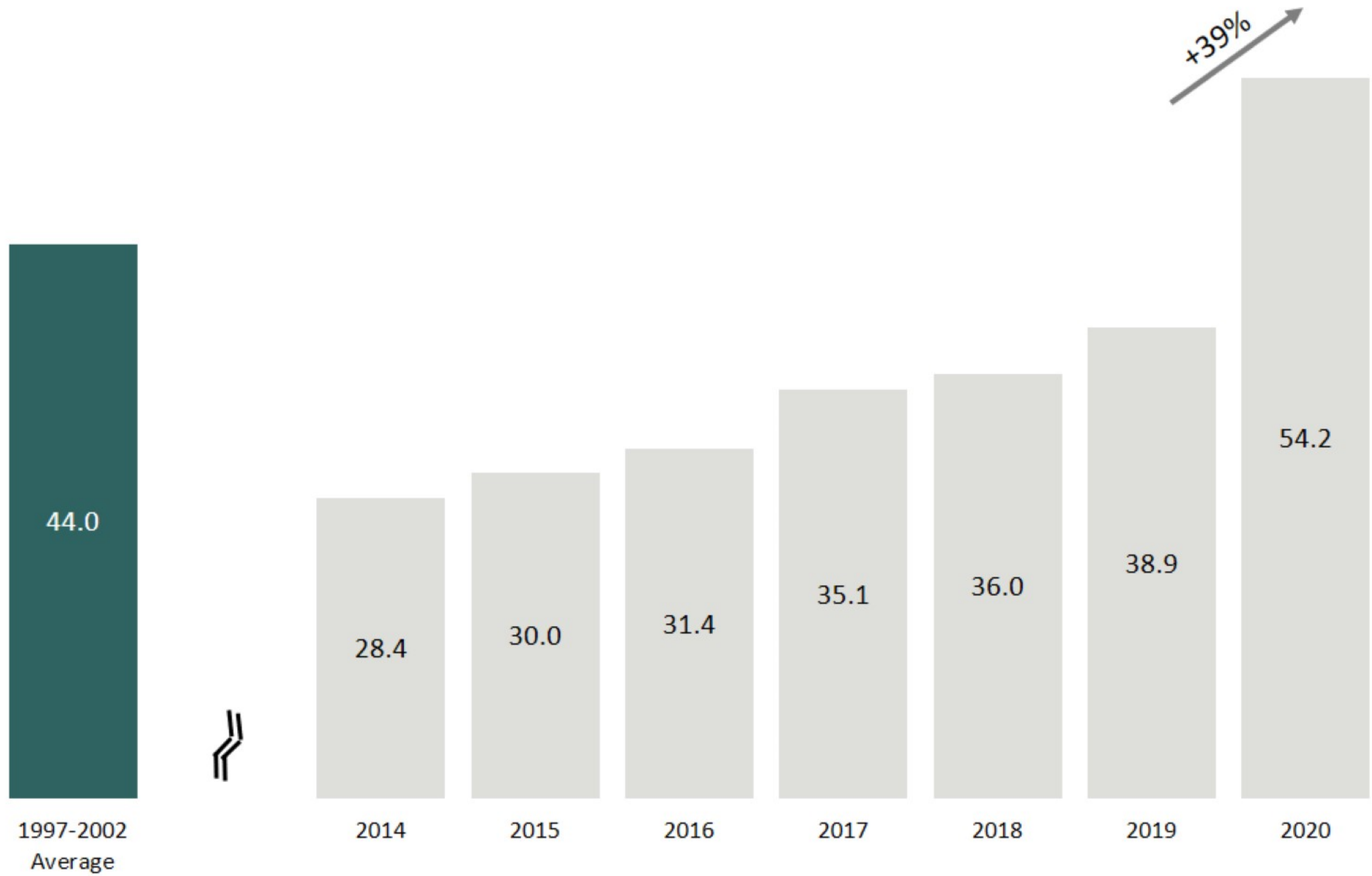


Number of Sundays	5	5	4	4	4	4	5	5	4	4	4	5
	Dec-18	Dec-19	Jan-19	Jan-20	Feb-19	Feb-20	Mar-19	Mar-20	Apr-19	Apr-20	May-19	May-20
Monthly contracts	280	436	369	482	449	647	553	463	544	377	536	687

Number of Sundays	5	4	4	4	4	5	5	4	4	4	4	5
	Jun-19	Jun-20	Jul-19	Jul-20	Aug-19	Aug-20	Sep-19	Sep-20	Oct-19	Oct-20	Nov-19	Nov-20
Monthly contracts	491	745	488	794	445	735	416	634	484	549	404	493

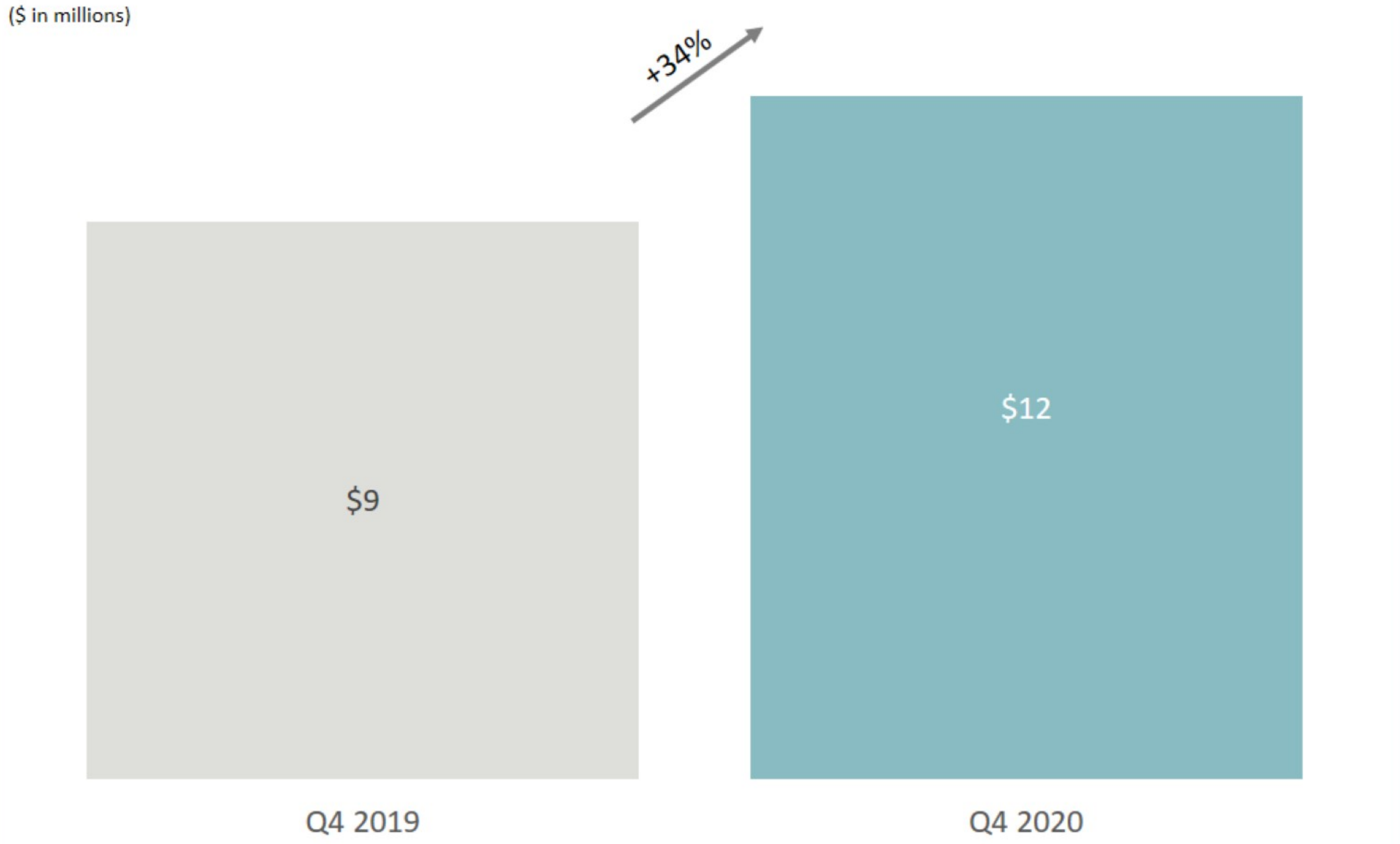
Note: Excludes unconsolidated joint ventures.

Annual Contracts Per Community



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

Financial Services Pretax Income



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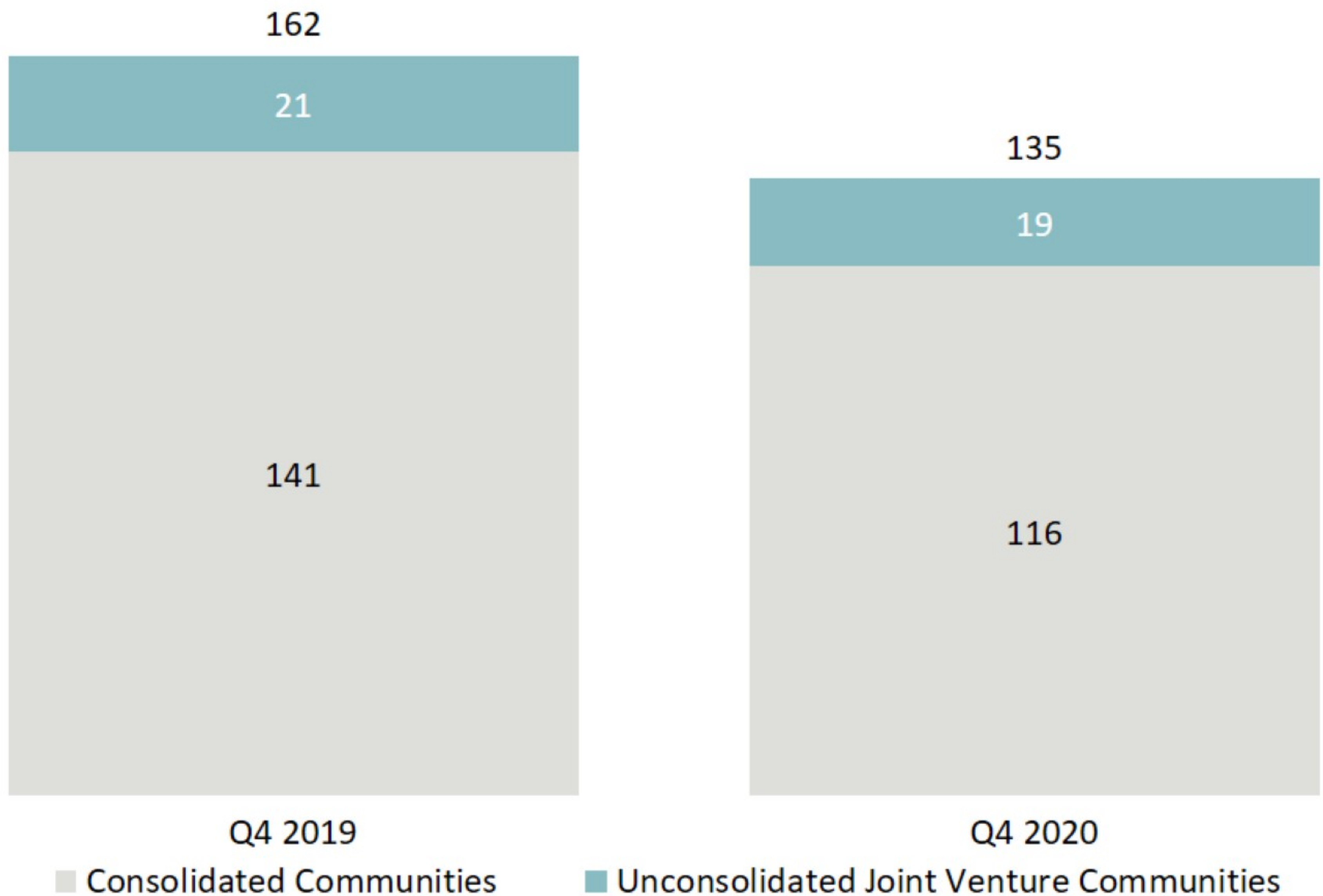
Quarterly Community Count



Note: Communities are open for sale communities with 10 or more home sites available.
Note: Excludes our single community unconsolidated joint venture in the Kingdom of Saudi Arabia.

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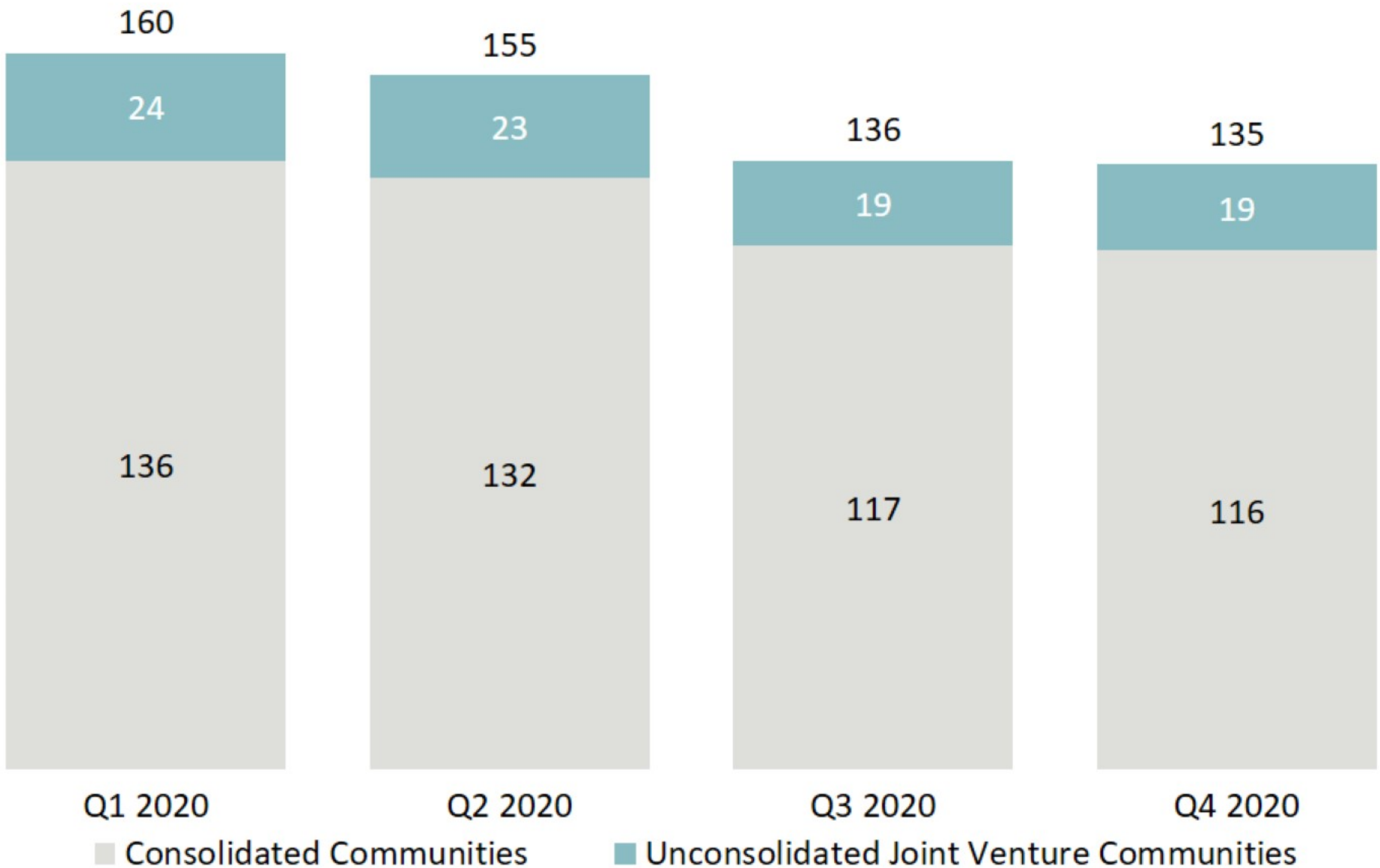
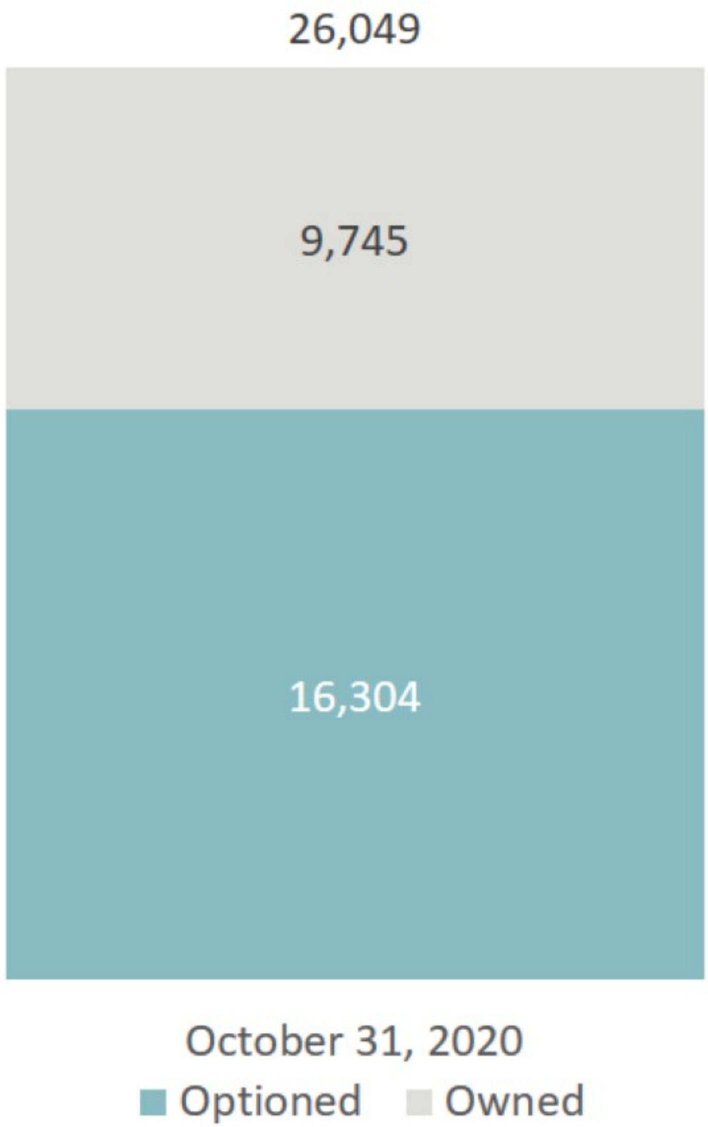
Sequential Community Count



Note: Communities are open for sale communities with 10 or more home sites available.
Note: Excludes our single community unconsolidated joint venture in the Kingdom of Saudi Arabia.

Total Lots Controlled

4.6 Years Supply



- 100% of lots controlled to meet fiscal 2021 growth expectations
- Almost 90% of lots controlled to meet growth objectives for fiscal 2022

Note: Excludes unconsolidated joint ventures.

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Increase in Newly Controlled Lots

	Q4 2020[1]
Newly Controlled Lots[2]	2,022
Deliveries & Lot Sales	1,721
# of Newly Controlled Lots in Excess of Deliveries	301
Newly Controlled Lots as a Percentage of Deliveries & Lot Sales	117%

(1) Excludes unconsolidated joint ventures.
(2) Includes newly optioned lots net of 405 walk aways, as well as lots purchased that were not previously optioned.

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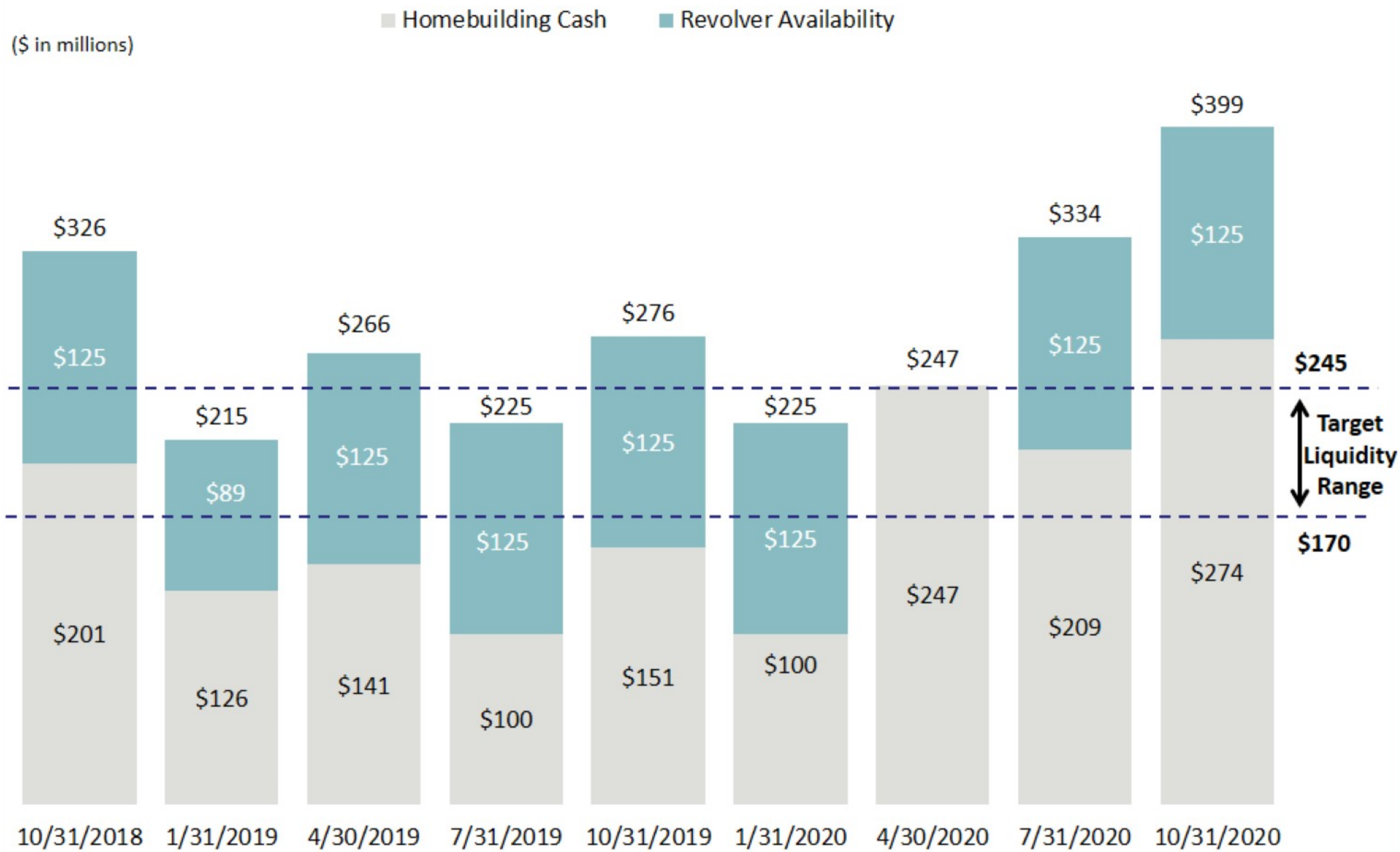
Liquidity Position and Target



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

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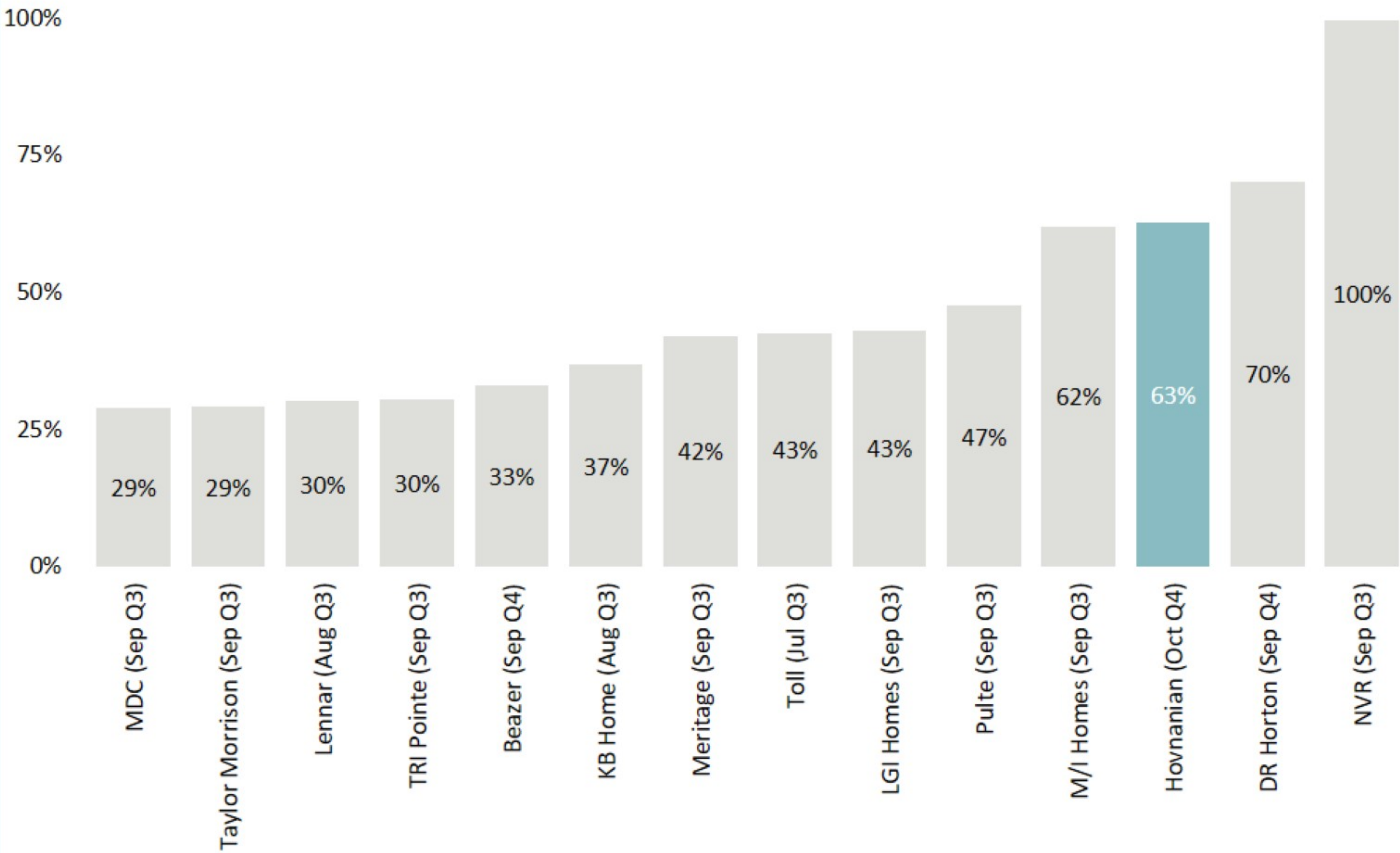
% of Lots Optioned



Source: Company SEC filings and press releases as of 12/09/20.
Note: Excludes unconsolidated joint ventures.

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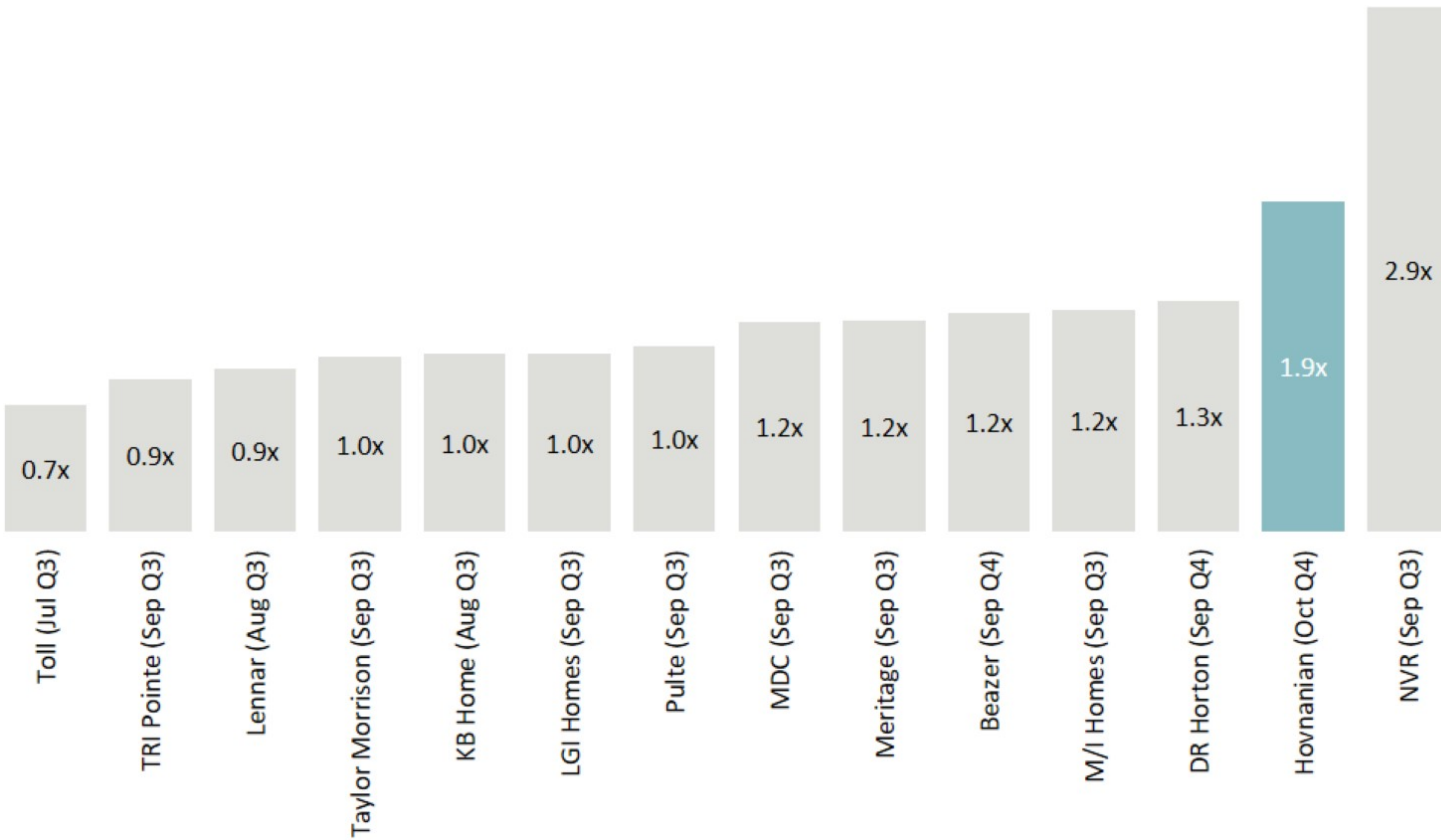
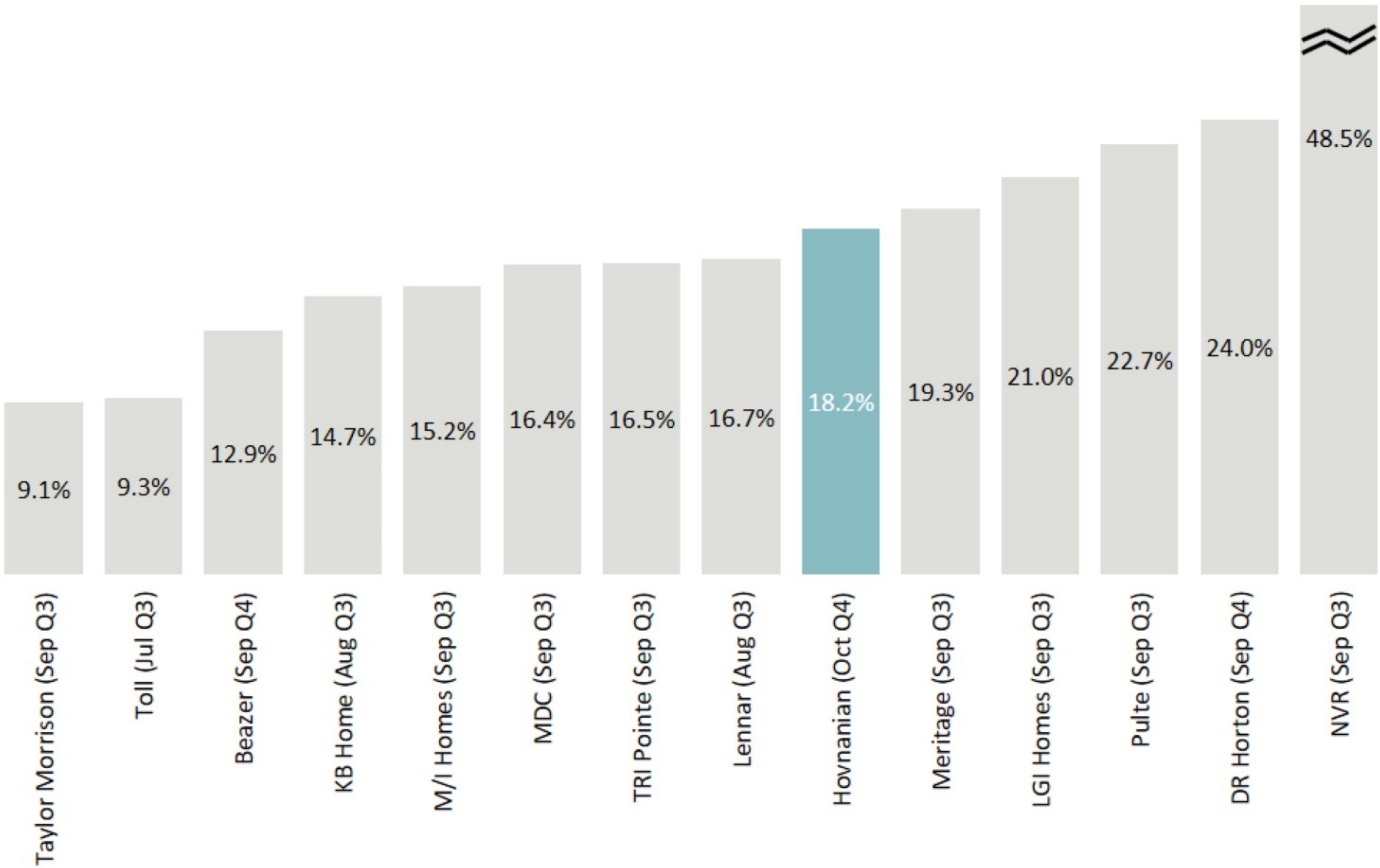
Inventory Turns (COGS), Last Twelve Months



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

Source: Company SEC filings and press releases as of 12/09/20.

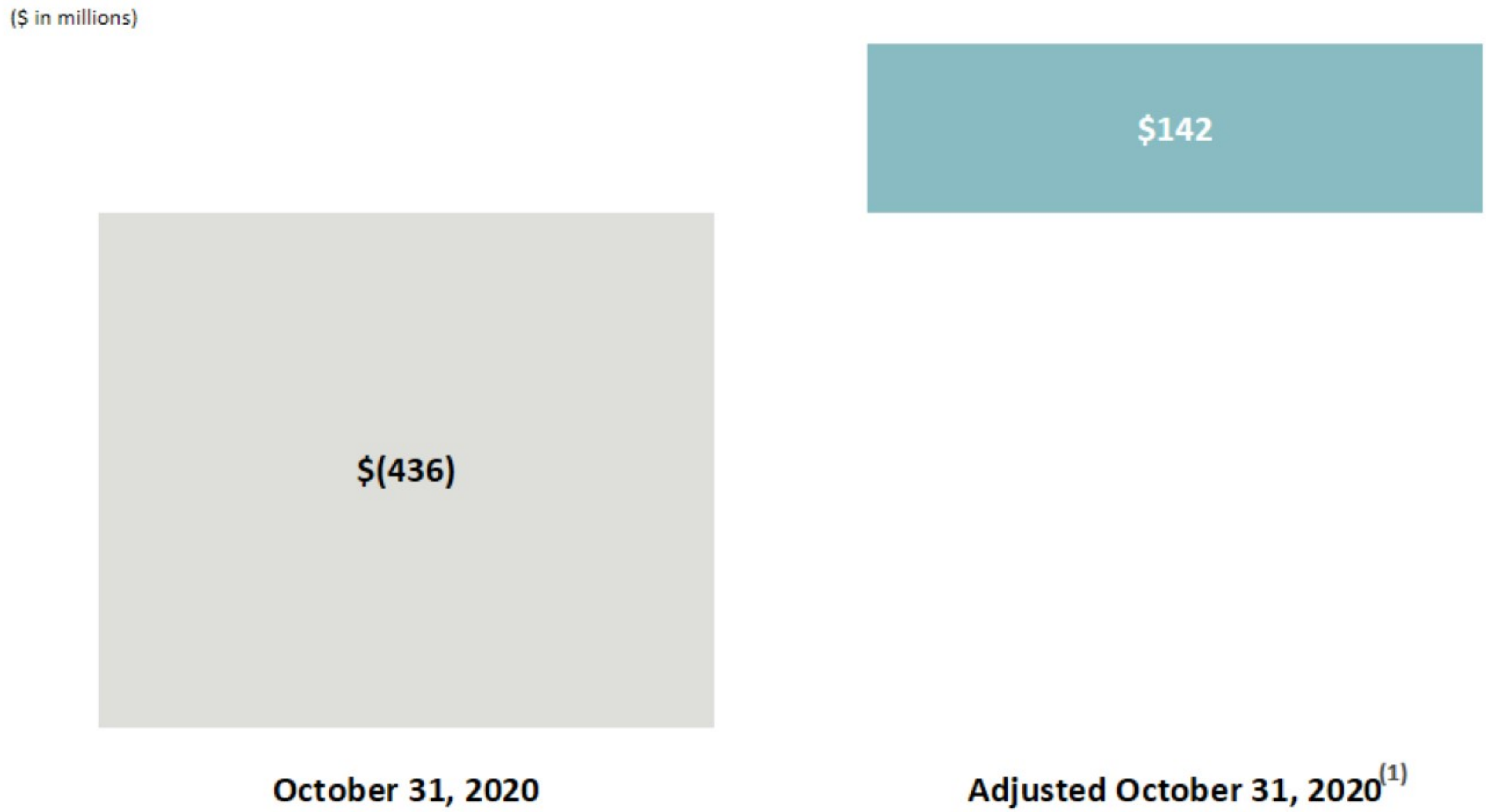
Adjusted Homebuilding EBIT to Inventory, Last Twelve Months



Note: Defined as LTM Homebuilding EBIT before land-related charges divided by five quarter average inventory, excluding capitalized interest and inventory not owned.
Source: Company SEC filings and press releases as of 12/09/20. See appendix for a reconciliation to the most directly comparable GAAP measure.

Adjusted Hovnanian Stockholders' Equity

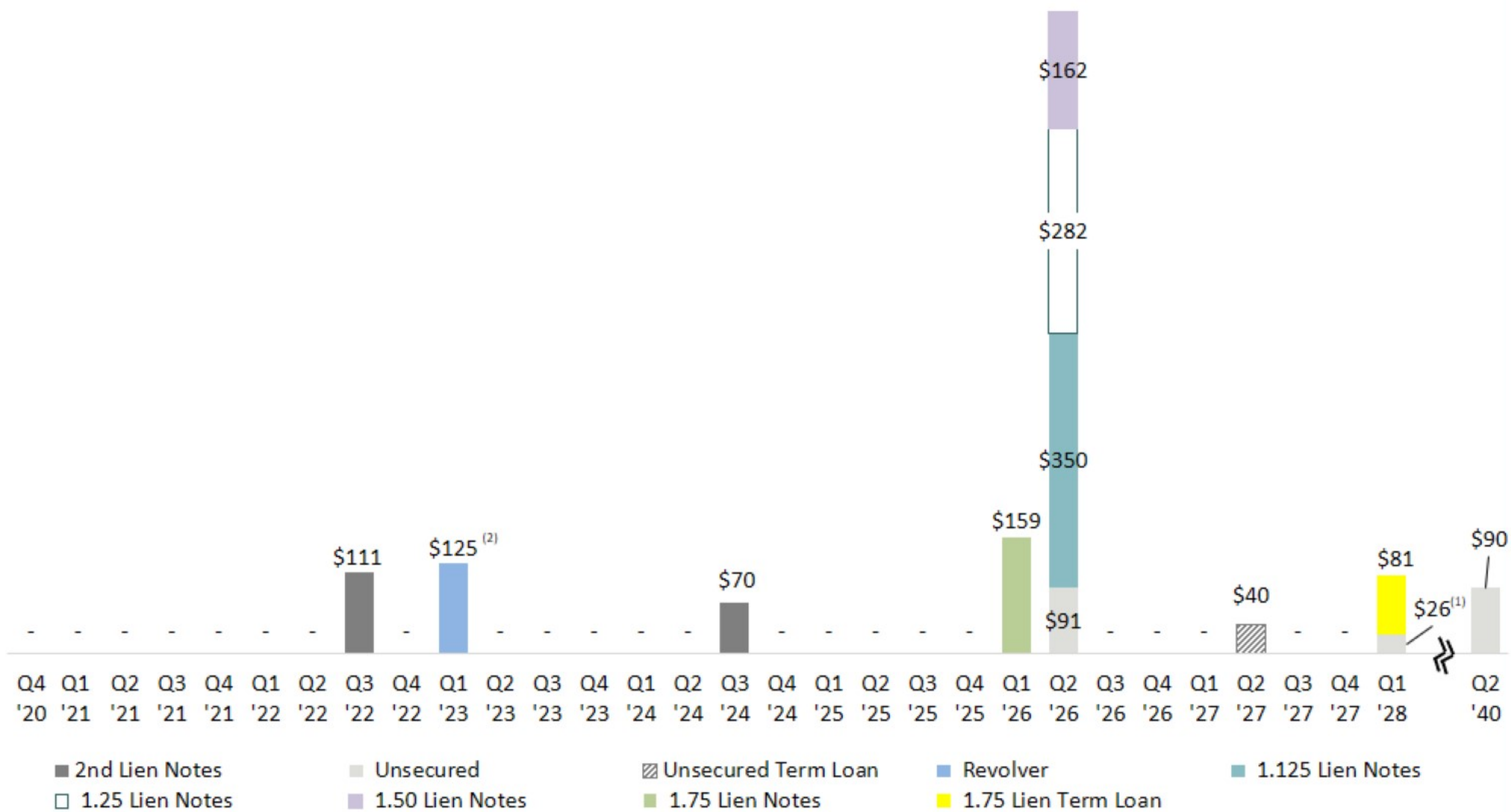
- *Deferred tax asset of $578 million will shield approximately $1.8 billion of future pretax earnings from federal income taxes which will help accelerate repairing our balance sheet*



(1) Total Hovnanian Stockholders' Deficit of $(436) million with $578 million valuation allowance added back to Stockholders' Equity. The $578 million valuation allowance consisted of a $381 million federal valuation allowance and a $197 million state valuation allowance.

Maturity Ladder

As of October 31, 2020



Note: Shown on a fiscal year basis, at face value.
Note: Excludes non-recourse mortgages.
(1) $26 million of 8.0% senior notes held by wholly owned subsidiary, no cash required to retire.
(2) $0 balance as of October 31, 2020.

Hovnanian Enterprises, Inc.

Multi-Year Key Metric Targets (Established June 2018)

($ in Millions)

	Actual TTM (as of 04/30/18)	Actual 2020	Annual Key Metric Targets[1]
Total Consolidated Revenue	$2,233	$2,344	$2,650
Adjusted Homebuilding Gross Margin [2]	17.7%	18.4%	19.5%
Total SG&A Ratio	11.6%	10.3%	10.0%
Adjusted EBITDA [3]	$174	$234	$275
Adjusted Pretax Earnings [4]	$(15)	$51	$100
Average Inventory (5 Quarter) [5]	$905	$996	$1,250
Inventory Turnover [6]	1.9X	1.9X	1.7X

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

(2) Adjusted homebuilding gross margin percentage is before cost of sales interest expense and land charges. See appendix 31 and 36 for a reconciliation to the most directly comparable GAAP measure.

(3) Adjusted EBITDA is a non-GAAP financial measure. The most directly comparable GAAP financial measure is net income (loss). Adjusted EBITDA represents earnings before interest expense, income taxes, depreciation, amortization, inventory impairment loss and land option write-offs and loss (gain) on extinguishment of debt. See appendix 32 and 37 for a reconciliation to the most directly comparable GAAP measure.

(4) Adjusted Pretax Earnings excludes land-related charges, joint venture write-downs and loss (gain) on extinguishment of debt. See appendix 30 and 38 for a reconciliation to the most directly comparable GAAP measure.

(5) Five quarter average homebuilding inventory, excluding inventory not owned and capitalized interest. See appendix 33 and 35 for a reconciliation to the most directly comparable GAAP measure.

(6) Inventory turns derived by dividing cost of sales, excluding capitalized interest, by the five quarter average homebuilding inventory, excluding inventory not owned and capitalized interest. See appendix 33 and 35 for a reconciliation to the most directly comparable GAAP measure.

Hovnanian Enterprises, Inc.

Guidance for First Quarter 2021

($ in millions)

	Actuals Q1 2020	Q1 2021
Total Revenues	$494	$570 - $600
Adjusted Homebuilding Gross Margin(1)	17.3%	19.0% - 20.0%
Total SG&A as Percentage of Total Revenues(2)	12.2%	11.5% - 12.5%
Adjusted EBITDA(3)	$30	$45 - $60
Adjusted (Loss) Income Before Income Taxes(4)	$(14)	$5 - $15

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

(2) Total SG&A includes homebuilding selling, general and administrative costs and corporate general and administrative costs. Ratio calculated as a percentage of total revenues.

(3) Adjusted EBITDA is a non-GAAP financial measure. The most directly comparable GAAP financial measure is net income (loss). Adjusted EBITDA represents earnings before interest expense, income taxes, depreciation and amortization.

(4) 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.

Appendix

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Coverage for Secured Debt[1]

($ in Thousands)

	July 31, 2020	October 31, 2020
Cash and cash equivalents	$197,300	$258,900
Mortgaged inventory	$435,900	$435,500
Non-mortgaged inventory[2]	$53,700	$63,800
Equity interests in joint ventures[3]	$196,700	$185,500
Total collateral	**$883,600**	**$943,700**
Plus inventory with non-recourse loans[4]	$152,700	$157,000
Total adjusted collateral	**$1,036,300**	**$1,100,700**
Total principal amount of secured debt[5]	$1,215,500	$1,215,500
Adjusted collateral ratio	**0.85x**	**0.91x**

GENERAL: VALUES PRESENTED ON THIS SLIDE ARE APPROXIMATE. PRESENTATION DOES NOT REFLECT OTHER UNSECURED OBLIGATIONS, SUCH AS TRADE PAYABLES AND INTERCOMPANY LOANS AT SUBSIDIARY GUARANTORS. WE MAKE NO ASSURANCE AS TO ANY RECOVERY VALUE, INCLUDING AS A RESULT OF CREDITOR PRIORITIES, INTERCREDITOR PROVISIONS OR OTHERWISE.

(1) *In accordance with a Supplemental Indenture effective December 10, 2019, the collateral requirements for the 10.5% Senior Secured Notes due 2024 (the "10.5% Notes") were modified such that entities formed after such date are not required to become guarantors of such debt or pledge their assets as collateral for such debt. As a result, the collateral amounts for the 10.5% Notes are different from the other secured obligations and the collateral information presented does not reflect this distinction.*

(2) *Represents the book value of inventory owned by subsidiary guarantors which will be subject to mortgages in accordance with the terms of the applicable debt and security documents but such mortgages have not yet been filed. Upon the filing and recording of mortgages, such inventory will be collateral. Until such time as the inventory is collateral, all secured and unsecured creditors would have claims against this inventory value.*

(3) *The pledge of equity interests represents the book value of equity in joint venture holding companies that hold interests in consolidated and unconsolidated joint ventures.*

(4) *Represents the book value of inventory owned by subsidiary guarantors securing non-recourse loans less the outstanding payable amount of the non-recourse loans. Inventory securing non-recourse loans is excluded from collateral until the applicable non-recourse loan is paid in full. Net cash proceeds from deliveries of inventory securing non-recourse loans is collateral under the terms of the applicable security agreements and subject to perfection through control agreements.*

(5) *Includes $125 million senior secured first lien revolver of which $0 balance was drawn as of July 31, 2020 and October 31, 2020.*

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Land Positions by Geographic Segment

Segment	October 31, 2020 Owned: Excluding Mothballed Lots	Mothballed Lots	Optioned Lots	Total Lots
Northeast	364	6	2,673	3,043
Mid-Atlantic	1,756	280	3,892	5,928
Midwest	917	127	827	1,871
Southeast	990	-	2,081	3,071
Southwest	2,115	-	5,526	7,641
West	1,147	2,043	1,305	4,495
Consolidated Total	**7,289**	**2,456**	**16,304**	**26,049**
Unconsolidated Joint Ventures	1,785	-	708	2,493
Grand Total	9,074	2,456	17,012	28,542

- *Option deposits as of October 31, 2020 were $89 million*
- *$18 million invested in pre-development expenses as of October 31, 2020*

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.

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

Hovnanian Enterprises, Inc.
October 31, 2020
Reconciliation of income before income taxes excluding land-related charges, joint venture write-downs and loss (gain) on extinguishment of debt to income (loss) before income taxes
(In thousands)

	Three Months Ended October 31,		Year Ended October 31,	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
Income (loss) before income taxes	$42,444	$(586)	$55,403	$(39,668)
Inventory impairment loss and land option write-offs	2,611	2,687	8,813	6,288
Unconsolidated joint venture investment write-downs	-	-	-	854
Loss (gain) on extinguishment of debt	-	42,436	(13,337)	42,436
Income before income taxes excluding land-related charges, joint venture write-downs and loss (gain) on extinguishment of debt (1)	$45,055	$44,537	$50,879	$9,910

(1) Income before income taxes excluding land-related charges, joint venture write-downs 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.

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Reconciliation of Gross Margin

Hovnanian Enterprises, Inc.
October 31, 2020
Gross margin
(In thousands)

	Homebuilding Gross Margin Three Months Ended October 31, 2020	2019	Homebuilding Gross Margin Year Ended October 31, 2020	2019
	(Unaudited)		(Unaudited)	
Sale of homes	$643,516	$692,146	$2,252,029	$1,949,682
Cost of sales, excluding interest expense and land charges (1)	513,416	561,284	1,837,332	1,596,237
Homebuilding gross margin, before cost of sales interest expense and land charges (2)	130,100	130,862	414,697	353,445
Cost of sales interest expense, excluding land sales interest expense	15,707	27,556	74,174	70,520
Homebuilding gross margin, after cost of sales interest expense, before land charges (2)	114,393	103,306	340,523	282,925
Land charges	2,611	2,687	8,813	6,288
Homebuilding gross margin	$111,782	$100,619	$331,710	$276,637
Gross margin percentage	17.4%	14.5%	14.7%	14.2%
Gross margin percentage, before cost of sales interest expense and land charges (2)	20.2%	18.9%	18.4%	18.1%
Gross margin percentage, after cost of sales interest expense, before land charges (2)	17.8%	14.9%	15.1%	14.5%

	Land Sales Gross Margin Three Months Ended October 31, 2020	2019	Land Sales Gross Margin Year Ended October 31, 2020	2019
	(Unaudited)		(Unaudited)	
Land and lot sales	$16,805	$1,161	$16,905	$9,211
Land and lot sales cost of sales, excluding interest and land charges (1)	10,993	1,150	11,154	8,540
Land and lot sales gross margin, excluding interest and land charges	5,812	11	5,751	671
Land and lot sales interest	84	-	156	205
Land and lot sales gross margin, including interest and excluding land charges	$5,728	$11	$5,595	$466

(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 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 (Loss)

Hovnanian Enterprises, Inc.
October 31, 2020
Reconciliation of adjusted EBITDA to net income (loss)
(Dollars in thousands)

	Three Months Ended October 31,		Year Ended October 31,	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
Net income (loss)	$40,634	$(1,807)	$50,928	$(42,117)
Income tax provision	1,810	1,221	4,475	2,449
Interest expense	40,648	50,299	178,131	160,781
EBIT (1)	83,092	49,713	233,534	121,113
Depreciation and amortization	1,407	1,230	5,304	4,172
EBITDA (2)	84,499	50,943	238,838	125,285
Inventory impairment loss and land option write-offs	2,611	2,687	8,813	6,288
Loss (gain) on extinguishment of debt	-	42,436	(13,337)	42,436
Adjusted EBITDA (3)	$87,110	$96,066	$234,314	$174,009
Interest incurred	$41,660	$43,566	$176,457	$165,906
Adjusted EBITDA to interest incurred	2.09	2.21	1.33	1.05

(1) EBIT is a non-GAAP financial measure. The most directly comparable GAAP financial measure is net income (loss). EBIT represents earnings before interest expense and income taxes.

(2) EBITDA is a non-GAAP financial measure. The most directly comparable GAAP financial measure is net income (loss). EBITDA represents earnings before interest expense, income taxes, depreciation and amortization.

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

Hovnanian Enterprises, Inc.

Reconciliation of Inventory Turnover

Hovnanian Enterprises, Inc.
October 31, 2020
Calculation of Inventory Turnover[1]
(Unaudited)

		For the quarter ended				**TTM 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	**Five Quarter Average**
Total inventories	$1,292,485	$1,295,715	$1,288,497	$1,213,503	$1,195,775	
Consolidated inventory not owned	190,273	205,215	198,229	194,760	182,224	
Capitalized interest	71,264	67,879	67,744	63,998	65,010	
Inventories less consolidated inventory not owned and capitalized interest	$1,030,948	$1,022,621	$1,022,524	$954,745	$948,541	$995,876
Inventory turnover						1.9x

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

Hovnanian Enterprises, Inc.

Reconciliation Of Adjusted Homebuilding EBIT To Inventory

Hovnanian Enterprises, Inc.
October 31, 2020
Reconciliation of adjusted homebuilding EBIT to inventory
(Dollars in thousands)
(Unaudited)

		For the Three Months Ended				
	LTM(1)	10/31/2020	7/31/2020	4/30/2020	1/31/2020	10/31/2019
Homebuilding:						
Net income (loss)	$50,928	$40,634	$15,363	$4,079	$(9,148)	$(1,807)
Income tax provision	4,475	1,810	853	100	1,712	1,221
Interest expense	178,131	40,648	48,886	45,458	43,139	50,299
EBIT (2)	233,534	83,092	65,102	49,637	35,703	49,713
Financial services revenue	(72,162)	(22,492)	(21,295)	(14,361)	(14,014)	(19,473)
Financial services expense	40,060	10,383	10,493	9,630	9,554	10,446
Homebuilding EBIT (2)	201,432	70,983	54,300	44,906	31,243	40,686
Inventory impairment loss and land option write-offs	8,813	2,611	2,364	1,010	2,828	2,687
Other operations	1,096	422	266	214	194	368
(Gain) loss on extinguishment of debt	(13,337)	-	(4,055)	174	(9,456)	42,436
Income from unconsolidated joint ventures	(16,565)	(3,146)	(5,658)	(6,221)	(1,540)	(8,376)
Adjusted homebuilding EBIT (2)	$181,439	$70,870	$47,217	$40,083	$23,269	$77,801
		As of				
		10/31/2020	7/31/2020	4/30/2020	1/31/2020	10/31/2019
Total inventories		$1,195,775	$1,213,503	$1,288,497	$1,295,715	$1,292,485
Consolidated inventory not owned		182,224	194,760	198,229	205,215	190,273
Capitalized interest		65,010	63,998	67,744	67,879	71,264
	Five Quarter Average					
Inventories less consolidated inventory not owned and capitalized interest	$995,876	$948,541	$954,745	$1,022,524	$1,022,621	$1,030,948
Adjusted homebuilding EBIT to inventory	18.2%					

(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) loss.

Hovnanian Enterprises, Inc.

Reconciliation of Inventory Turnover

Calculation of Inventory Turnover[1]

		For the Quarter Ended				
(Dollars In Thousands)		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]

		For the Quarter Ended				TTM Ended
(Dollars In Thousands)		7/31/2017	10/31/2017	1/31/2018	4/30/2018	4/30/2018
Cost of Sales, Excluding Interest		$478,886	$562,451	$329,527	$393,012	$1,763,876
			As of			
	4/30/2017	7/31/2017	10/31/2017	1/31/2018	4/30/2018	
Total Inventories	$1,209,212	$1,188,849	$1,009,827	$1,053,514	$1,040,045	Five
Consolidated Inventory Not Owned	154,620	138,529	124,784	93,875	78,907	Quarter
Capitalized Interest	90,960	87,119	71,051	70,793	65,355	Average
Inventories less Consolidated Inventory Not Owned and Capitalized Interest	$963,632	$963,201	$813,992	$888,846	$895,783	$905,091
Inventory Turnover						1.9x

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

Hovnanian Enterprises, Inc.

Reconciliation of Gross Margin

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

Reconciliation of Adjusted EBITDA

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

			Years Ended October 31,				
(Dollars In Thousands)	Annual Key Metric Target	TTM	2017	2016	2015	2014	2013
Net (Loss) Income	$67,500	$(366,000)	$(332,193)	$(2,819)	$(16,100)	$307,144	$31,295
Income Tax Provision (Benefit)	22,500	288,083	286,949	5,255	(5,665)	(286,964)	(9,360)
Interest Expense	171,000	189,132	185,840	183,358	151,448	141,344	143,574
EBIT	261,000	111,215	140,596	185,794	129,683	161,524	165,509
Inventory Impairment Loss and Land Option Write-offs	10,000	15,763	17,813	33,353	12,044	5,224	4,965
Loss on Extinguishment of Debt	–	43,698	34,854	3,200	–	1,155	760
Adjusted EBIT	$271,000	$170,676	$193,263	$222,347	$141,727	$167,903	$171,234
EBIT	$261,000	$111,215	$140,596	$185,794	$129,683	$161,524	$165,509
Depreciation	2,000	3,675	4,249	3,565	3,388	3,417	4,712
Amortization of Debt Costs	2,000	–	1,632	5,261	5,459	4,392	3,659
EBITDA	265,000	114,890	146,477	194,620	138,530	169,333	173,880
Inventory Impairment Loss and Land Option Write-offs	10,000	15,763	17,813	33,353	12,044	5,224	4,965
Loss on Extinguishment of Debt	–	43,698	34,854	3,200	–	1,155	760
Adjusted EBITDA	$275,000	$174,351	$199,144	$231,173	$150,574	$175,712	$179,605

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:

			Years Ended October 31,				
(Dollars In Thousands)	Annual Key Metric Target	TTM	2017	2016	2015	2014	2013
Income (Loss) Before Income Taxes	$90,000	$(77,917)	$(45,244)	$2,436	$(21,765)	$20,180	$21,935
Inventory Impairment Loss and Land Option Write-Offs	10,000	15,763	17,813	33,353	12,044	5,224	4,965
Unconsolidated Joint Venture Investment Write-Downs	–	3,423	2,763	–	–	–	–
Loss on Extinguishment of Debt	–	43,698	34,854	3,200	–	1,155	760
Income (Loss) Before Income Taxes Excluding Land-Related Charges, Joint Venture Write-Downs and Loss on Extinguishment of Debt	$100,000	$(15,033)	$10,186	$38,989	$(9,721)	$26,559	$27,660

Hovnanian Enterprises®, Inc.