

Hovnanian
Enterprises, Inc.



JP Morgan High Yield Conference

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 goals and expectations with respect to its financial results for future financial periods and statements regarding demand for homes, mortgage rates, inflation, supply chain issues, customer incentives and underlying factors. Although we believe that our plans, intentions and expectations reflected in, or suggested by, such forward-looking statements are reasonable, we can give no assurance that such plans, intentions or expectations will be achieved. By their nature, forward-looking statements: (i) speak only as of the date they are made, (ii) are not guarantees of future performance or results and (iii) are subject to risks, uncertainties and assumptions that are difficult to predict or quantify. Therefore, actual results could differ materially and adversely from those forward-looking statements as a result of a variety of factors. Such risks, uncertainties and other factors include, but are not limited to, (1) changes in general and local economic, industry and business conditions and impacts of a significant homebuilding downturn; (2) shortages in, and price fluctuations of, raw materials and labor, including due to geopolitical events, changes in trade policies, including the imposition of tariffs and duties on homebuilding materials and products and related trade disputes with and retaliatory measures taken by other countries; (3) fluctuations in interest rates and the availability of mortgage financing, including as a result of instability in the banking sector; (4) adverse weather and other environmental conditions and natural disasters; (5) the seasonality of the Company’s business; (6) the availability and cost of suitable land and improved lots and sufficient liquidity to invest in such land and lots; (7) reliance on, and the performance of, subcontractors; (8) regional and local economic factors, including dependency on certain sectors of the economy, and employment levels affecting home prices and sales activity in the markets where the Company builds homes; (9) increases in cancellations of agreements of sale; (10) increases in inflation; (11) changes in tax laws affecting the after-tax costs of owning a home; (12) legal claims brought against us and not resolved in our favor, such as product liability litigation, warranty claims and claims made by mortgage investors; (13) levels of competition; (14) utility shortages and outages or rate fluctuations; (15) information technology failures and data security breaches; (16) negative publicity; (17) high leverage and restrictions on the Company’s operations and activities imposed by the agreements governing the Company’s outstanding indebtedness; (18) availability and terms of financing to the Company; (19) the Company’s sources of liquidity; (20) changes in credit ratings; (21) government regulation, including regulations concerning development of land, the home building, sales and customer financing processes, tax laws and the environment; (22) operations through unconsolidated joint ventures with third parties; (23) significant influence of the Company’s controlling stockholders; (24) availability of net operating loss carryforwards; (25) loss of key management personnel or failure to attract qualified personnel; (26) public health issues such as major epidemic or pandemic; and (27) certain risks, uncertainties and other factors described in detail in the Company’s Annual Report on Form 10-K for the fiscal year ended October 31, 2023 and the Company’s Quarterly Reports on Form 10-Q for the quarterly periods during fiscal 2023 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 impairments and land option write-offs and gain on extinguishment of debt, net ("Adjusted EBITDA") are not U.S. generally accepted accounting principles ("GAAP") financial measures. The most directly comparable GAAP financial measure is net income. The reconciliation for historical periods of EBIT, EBITDA and Adjusted EBITDA to net income is presented in a table attached to this presentation.

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

Adjusted income before income taxes, which is defined as income before income taxes excluding land-related charges and gain on extinguishment of debt, net 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 income before income taxes to income before income taxes is presented in a table attached to this presentation.

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.

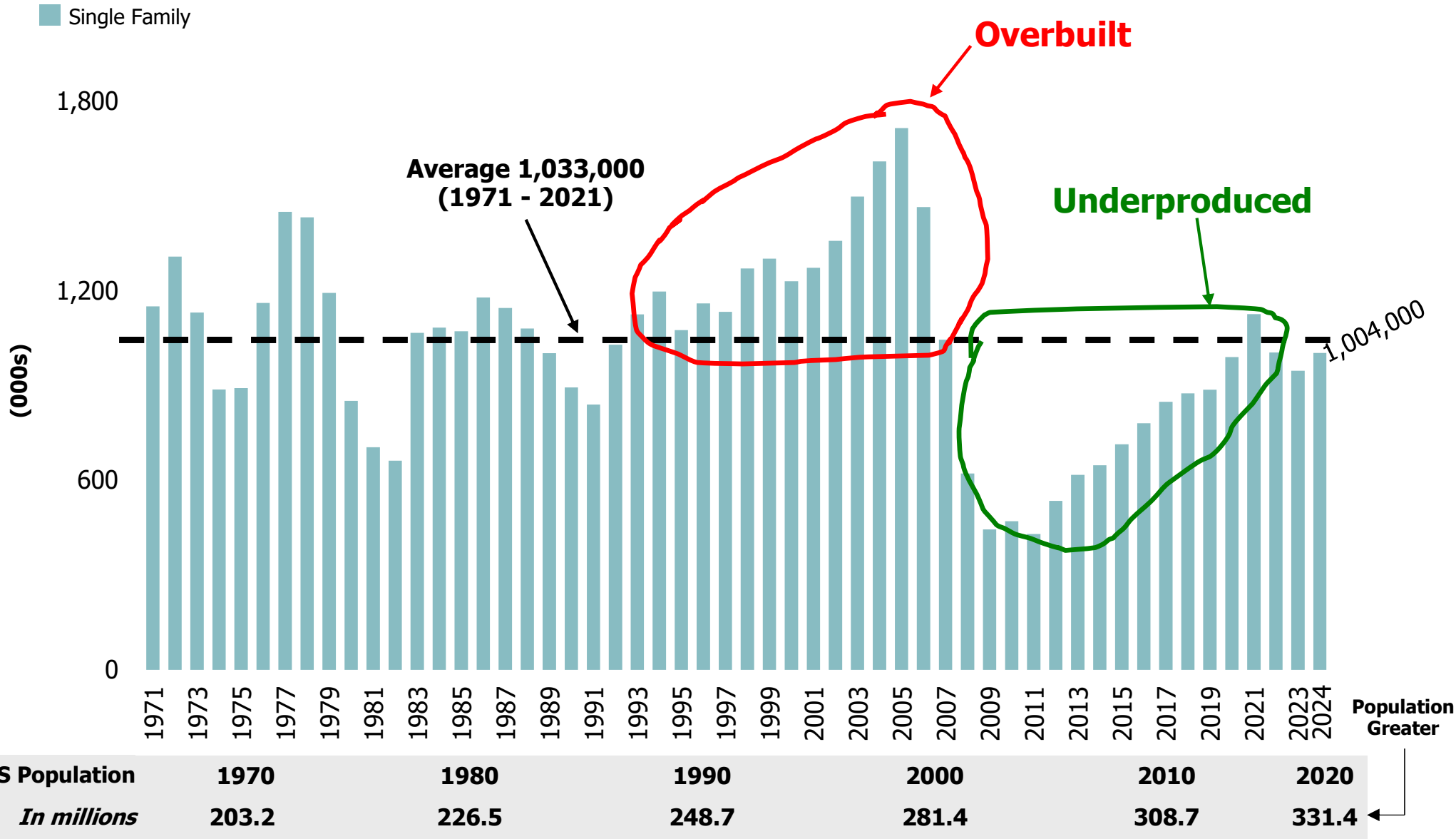
Income before income taxes excluding the impact of incremental phantom stock expense is a non-GAAP financial measure. The most directly comparable GAAP financial measure is income before income taxes, to which income before income taxes excluding the impact of incremental phantom stock expense is reconciled herein.

Total liquidity is comprised of \$183.1 million of cash and cash equivalents, \$5.0 million of restricted cash required to collateralize letters of credit and \$125.0 million availability under the senior secured revolving credit facility as of January 31, 2024.



US Housing Market

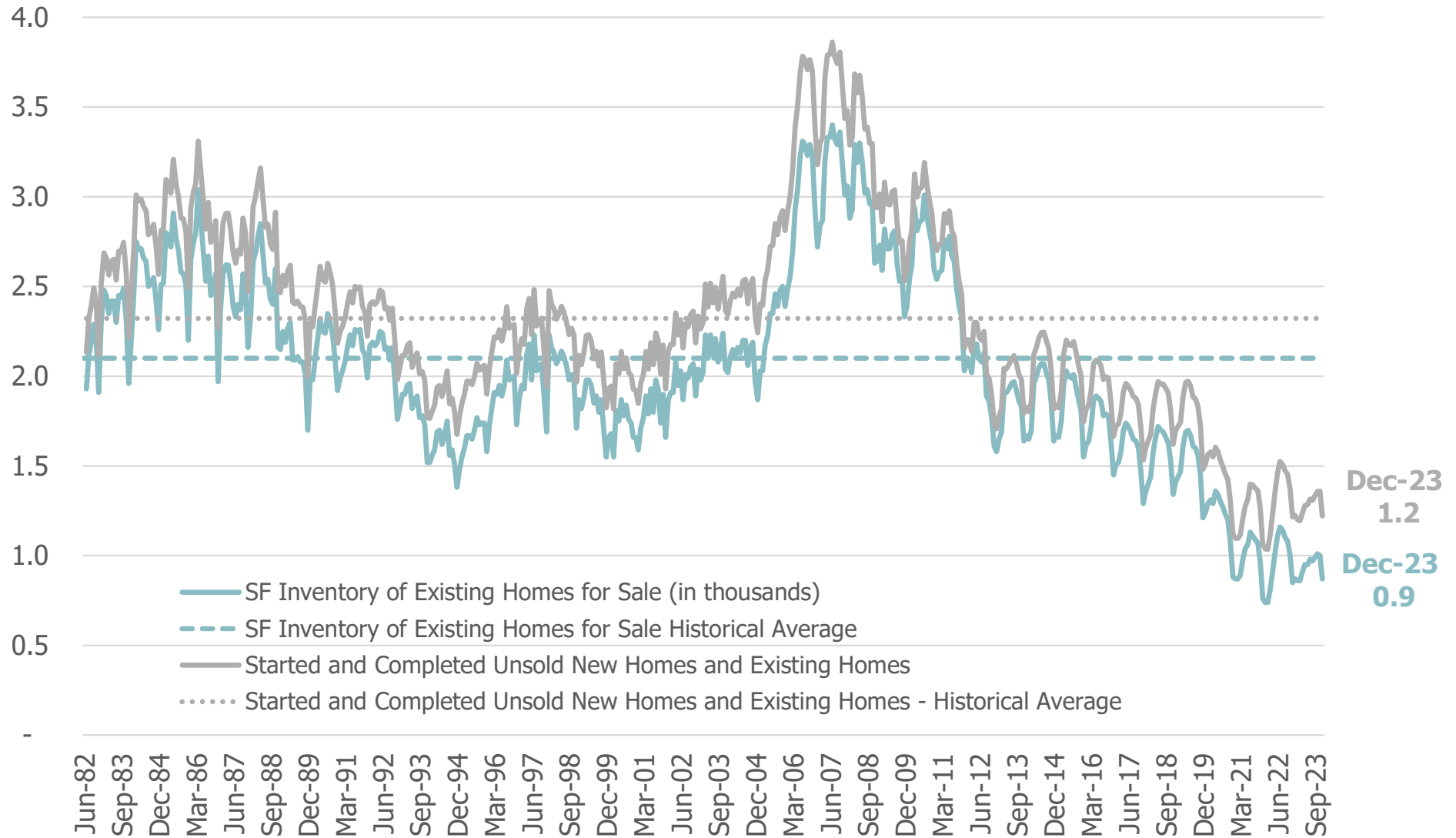
Single Family Housing Starts



Source: U.S. Census Bureau.

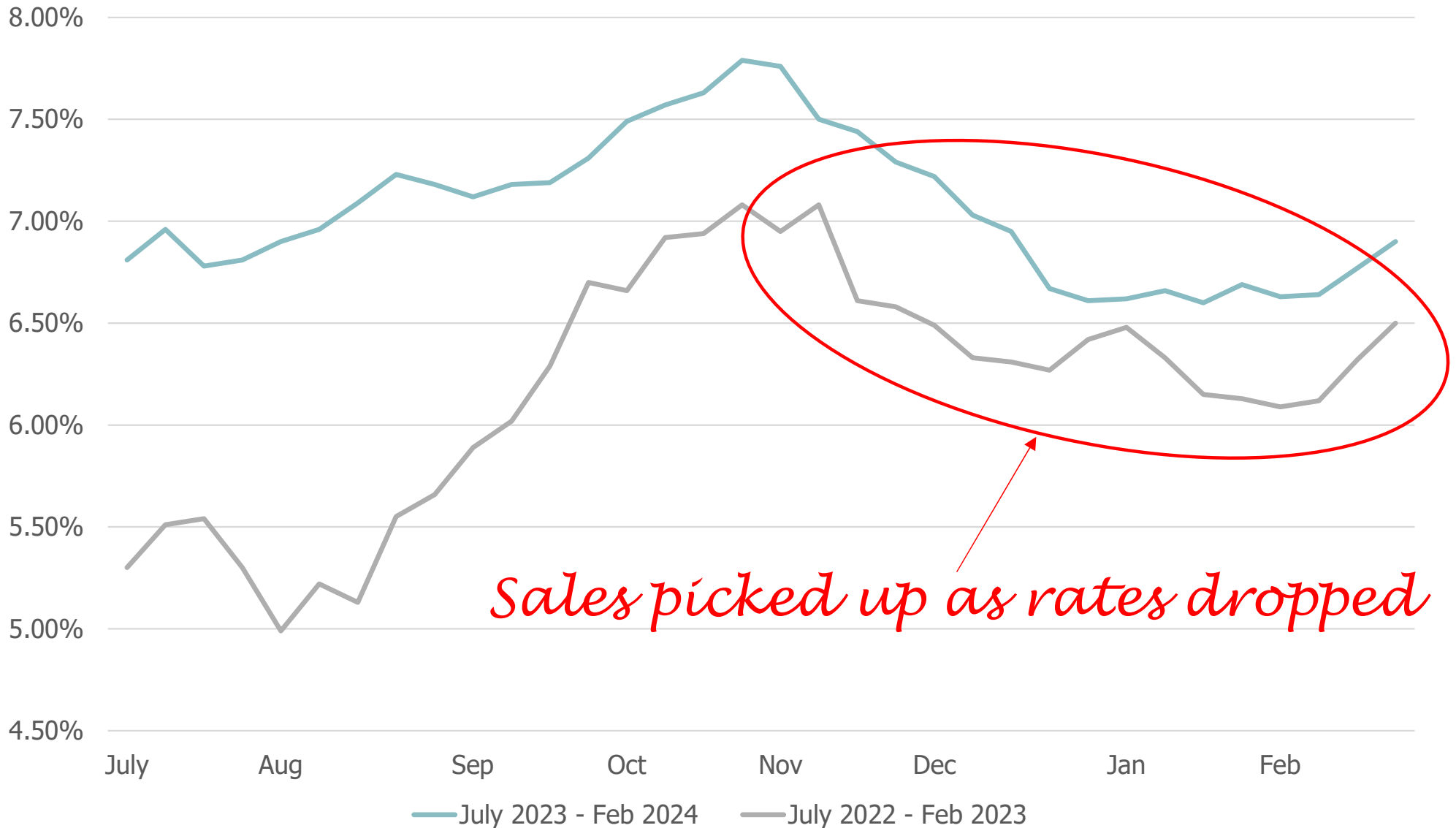
Historically Low Supply of Homes for Sale

Homes in
millions



Source: National Association of Realtors.

Recent Mortgage Rates



Sales picked up as rates dropped



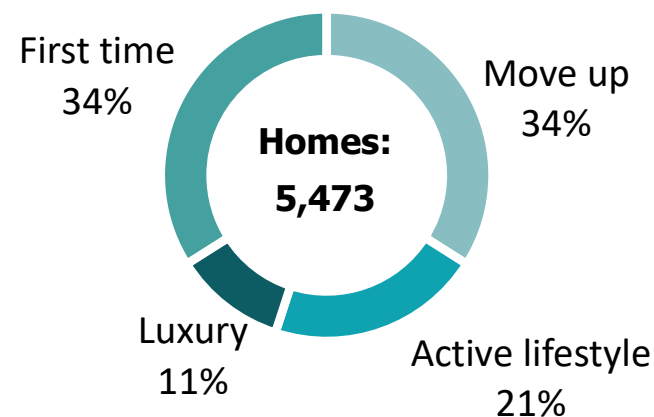
Recent operating and financial performance

Hovnanian Enterprises at a Glance

- Among the top 20 homebuilders in the United States in both homebuilding revenues and home deliveries⁽²⁾
- Markets and builds homes across the product and buyer spectrum, with a first-time and move-up focus

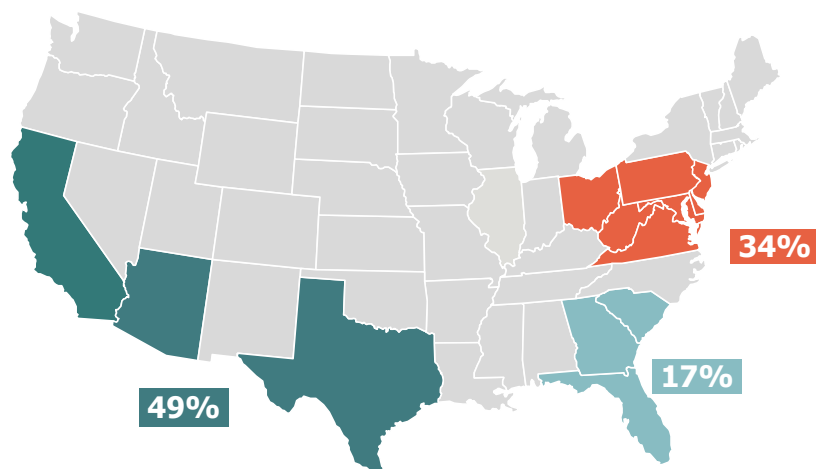
Home deliveries by product⁽¹⁾

(Year ended October 31, 2023)



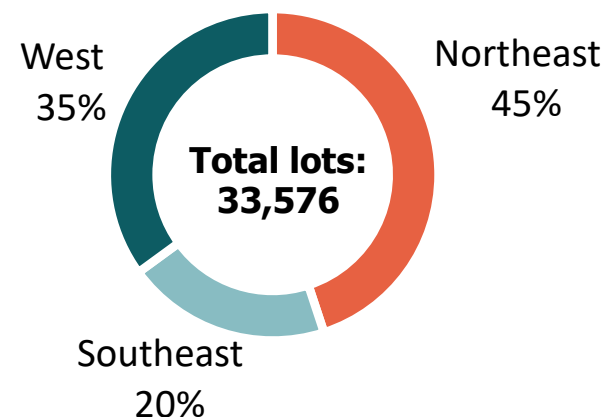
Homebuilding revenues by region

(TTM ended January 31, 2024)



Lots controlled by region⁽³⁾

(As of January 31, 2024)



⁽¹⁾ Includes unconsolidated joint ventures deliveries.

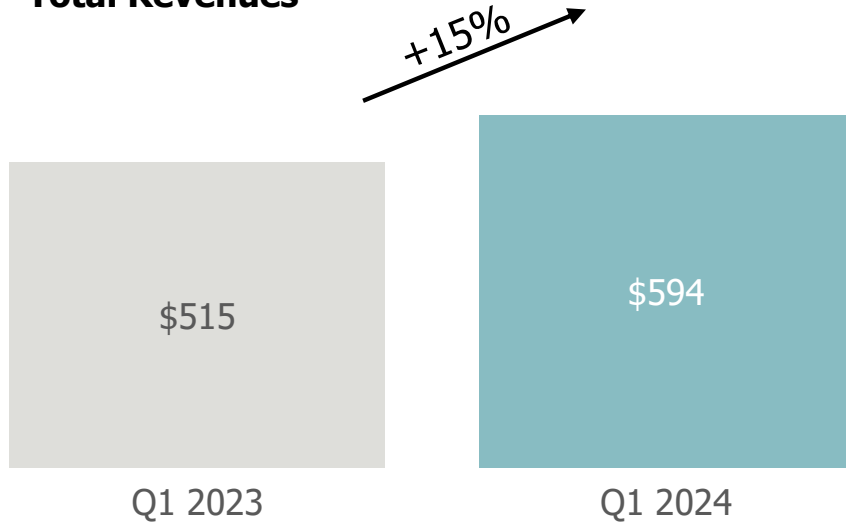
⁽²⁾ Company SEC filings and press release of 02/22/24.

⁽³⁾ Excludes unconsolidated joint ventures.

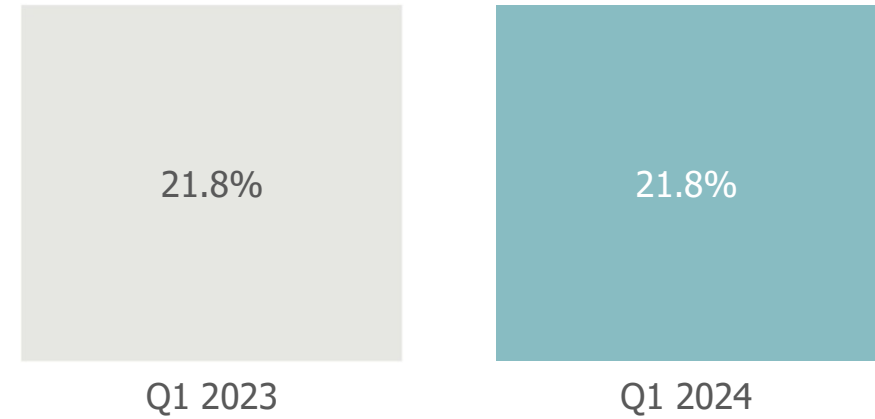
First Quarter Results Compared to Last Year

(\$ in millions)

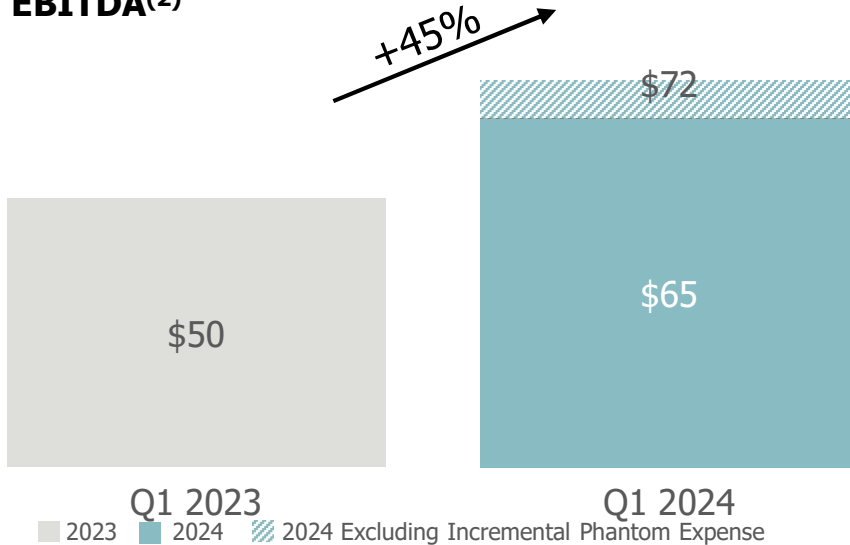
Total Revenues



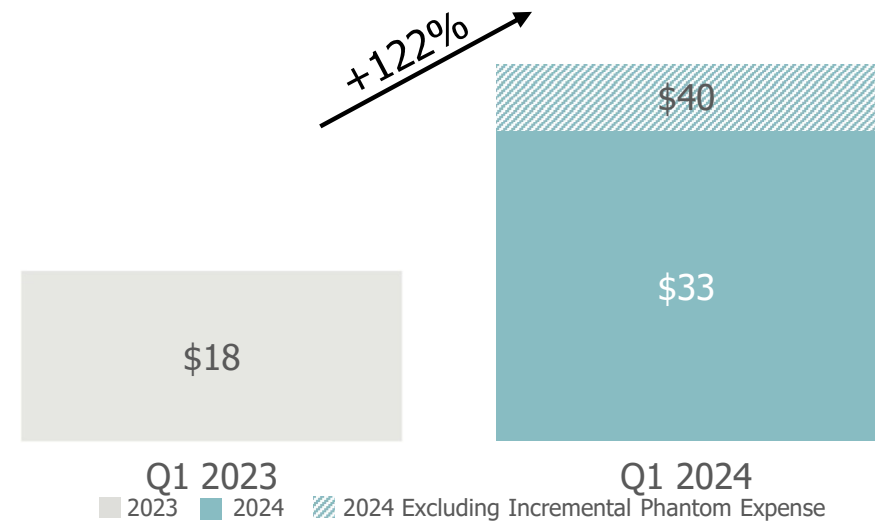
Adjusted Gross Margin⁽¹⁾



EBITDA⁽²⁾



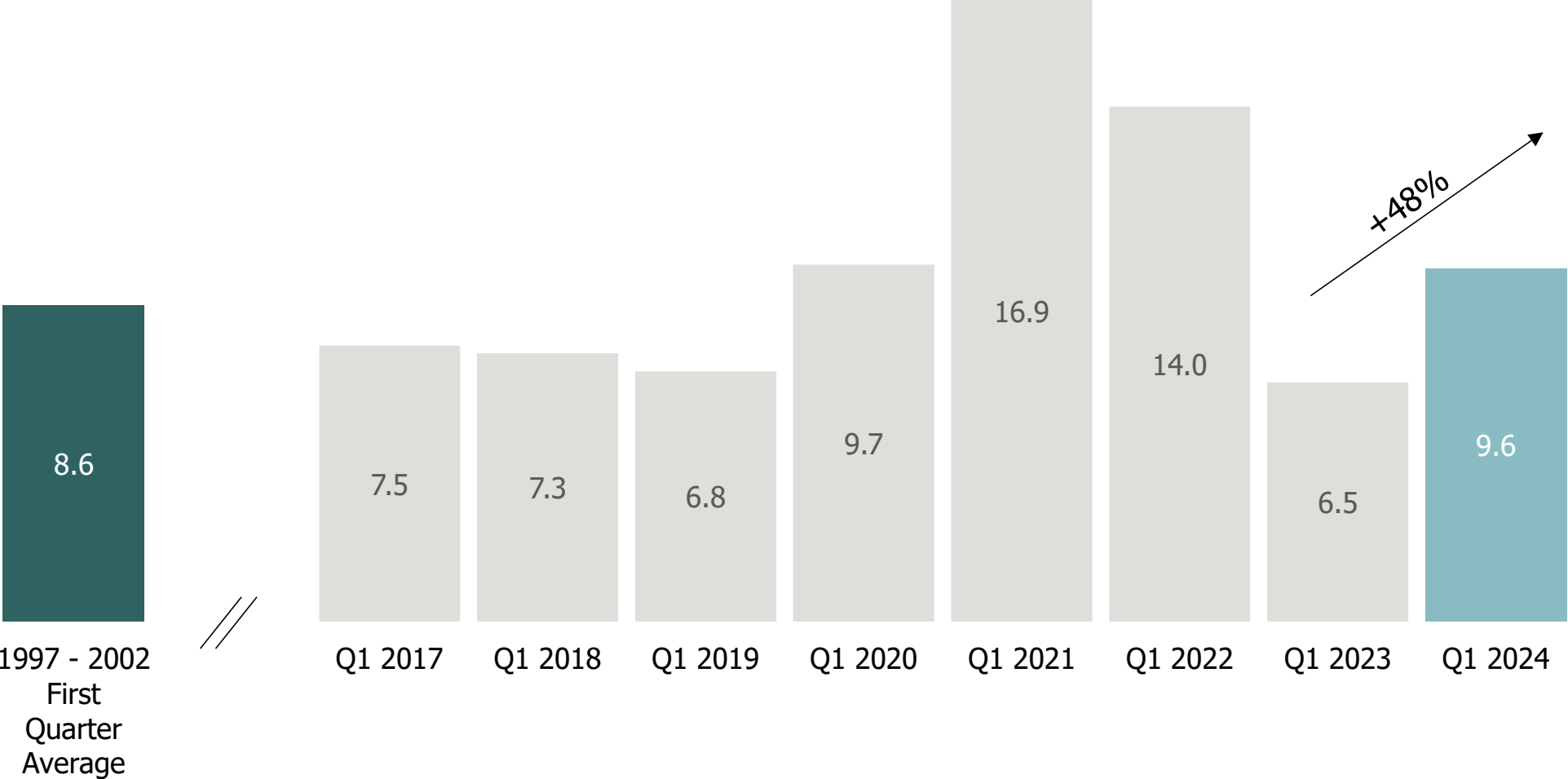
Income Before Income Taxes



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

(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. See appendix for a reconciliation of the historic measure to the most directly comparable GAAP measure.

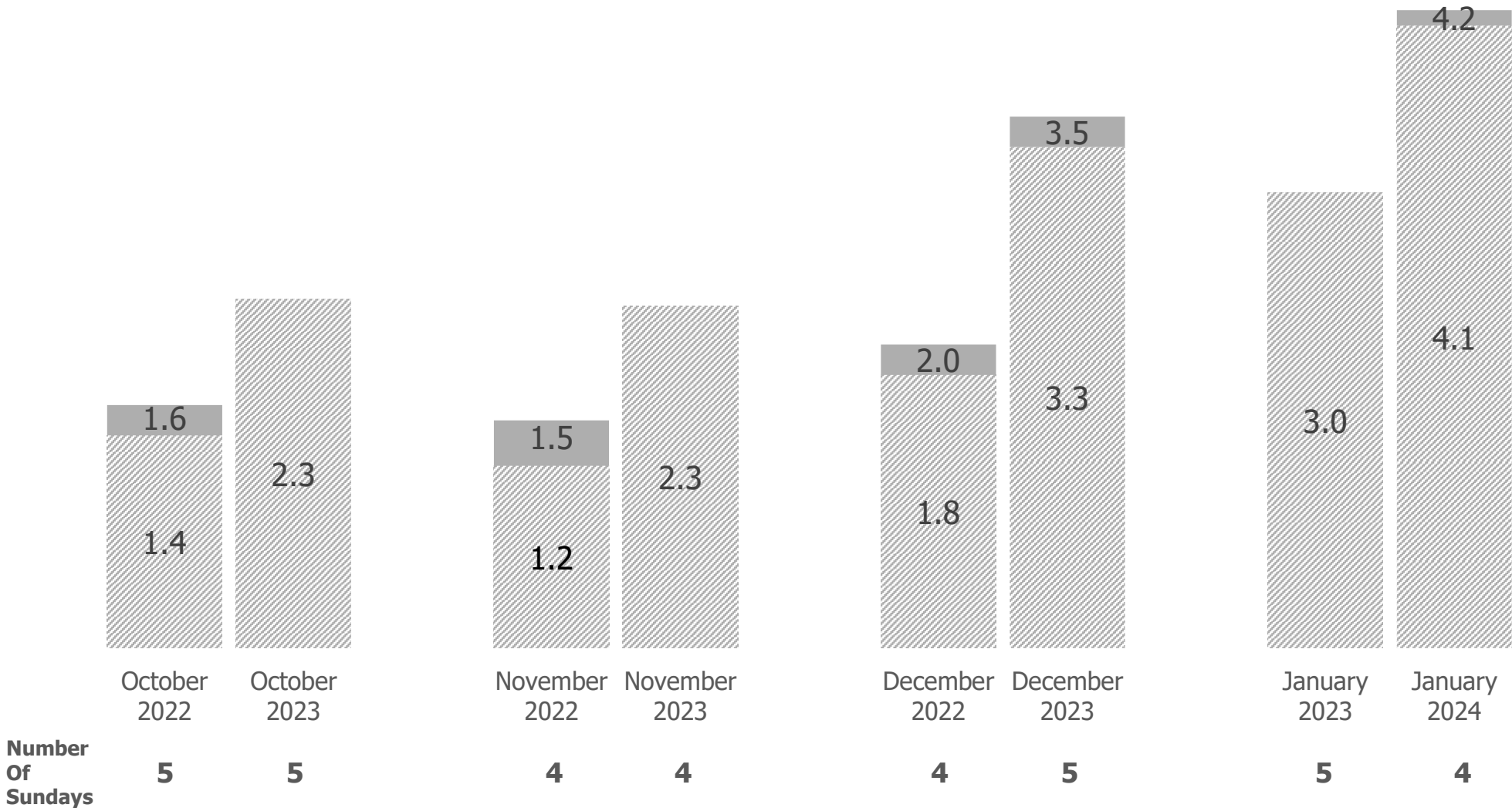
Quarterly Contracts Per Community



Note: Excludes unconsolidated joint ventures.

Contracts Per Community

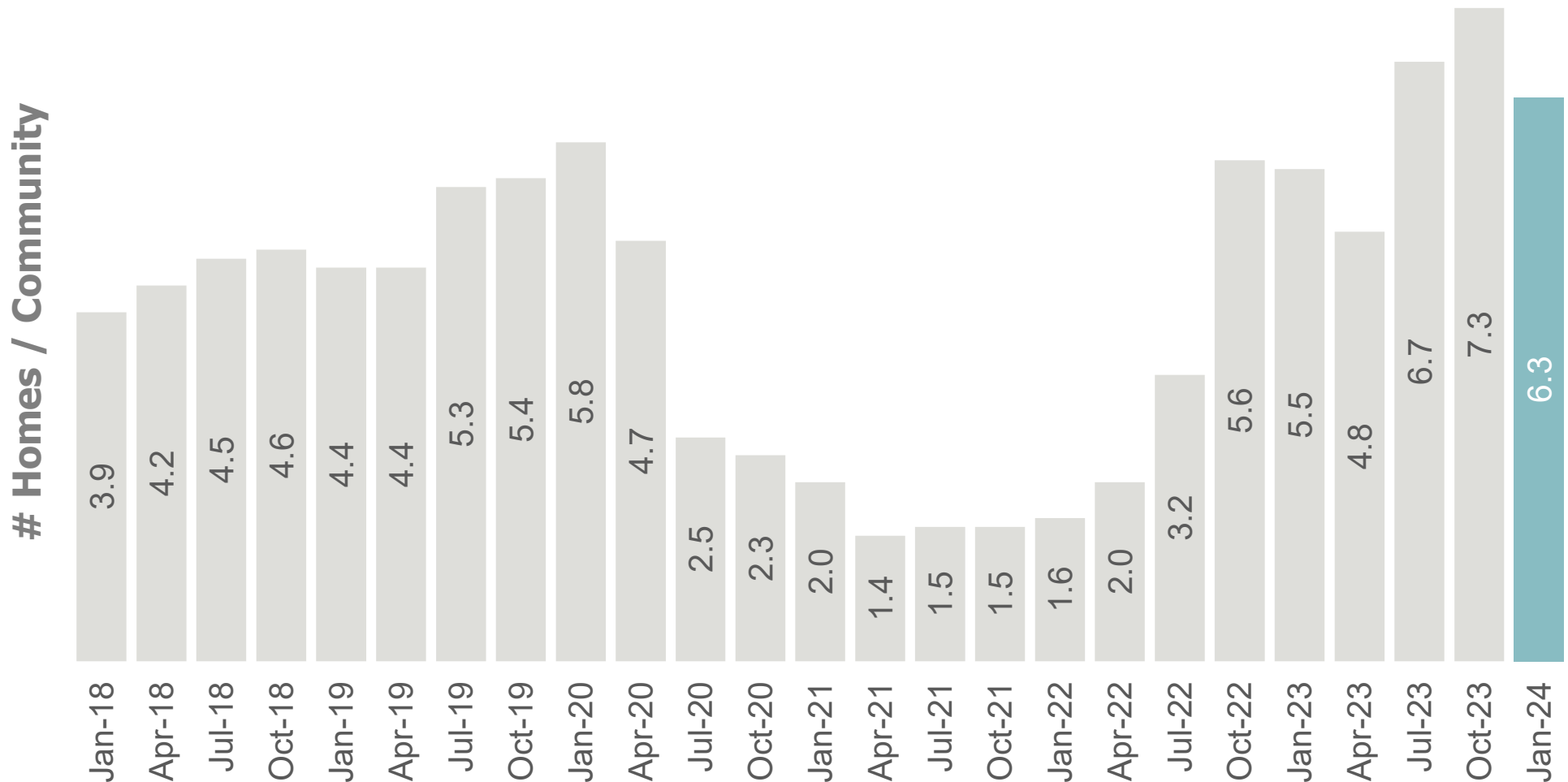
Excluding Build for Rent
 Including Build for Rent



Note: Excludes unconsolidated joint ventures.

Quick Move In Homes (QMIs) Per Community

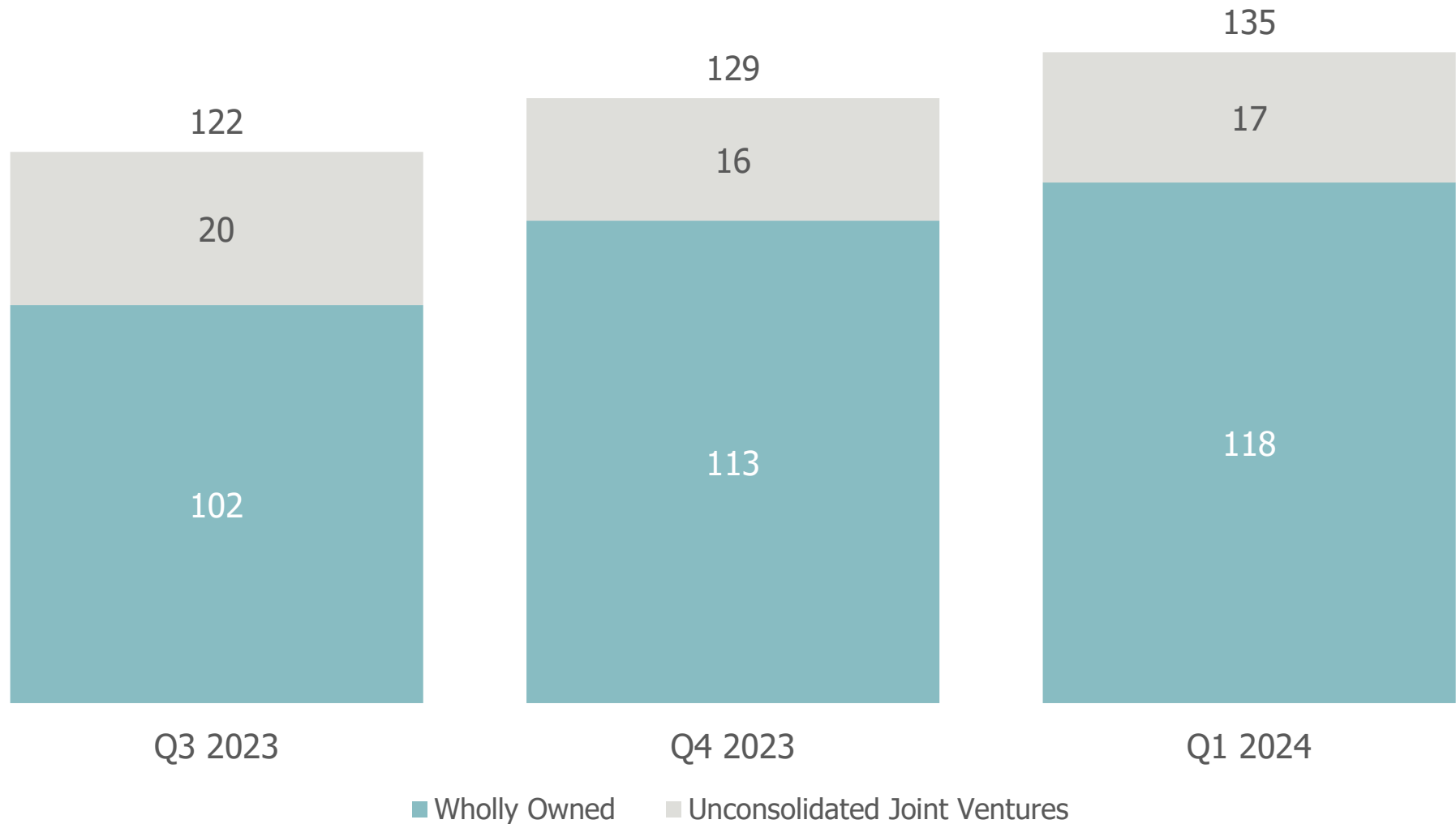
- 740 QMIs at 01/31/24, excluding models
- 4.5 average QMIs per community since 1997
- 219 finished QMIs at 01/31/24



Note: Excluding unconsolidated joint ventures and models.

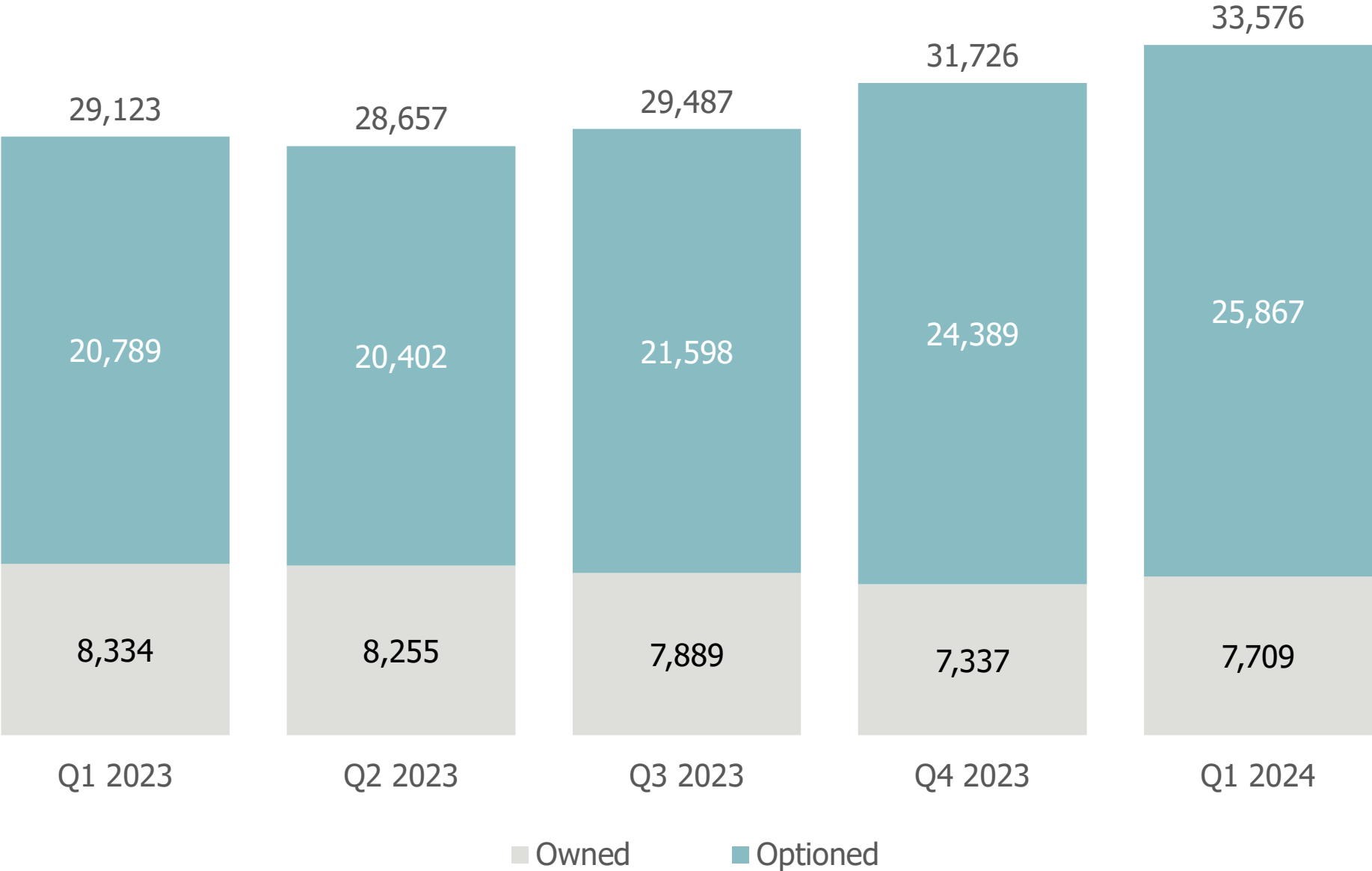
Community Count

Community count expected to grow further in fiscal 2024.



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

Lots Controlled

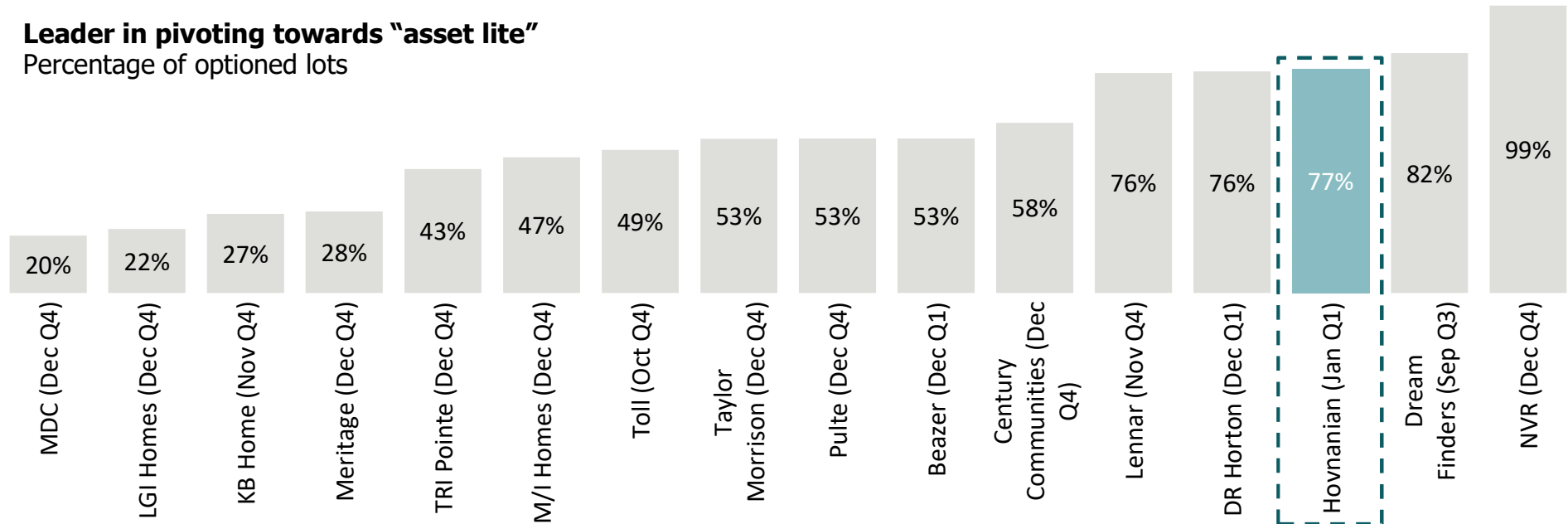


Note: Excludes unconsolidated joint ventures.

Rapid inventory turns drive improved performance

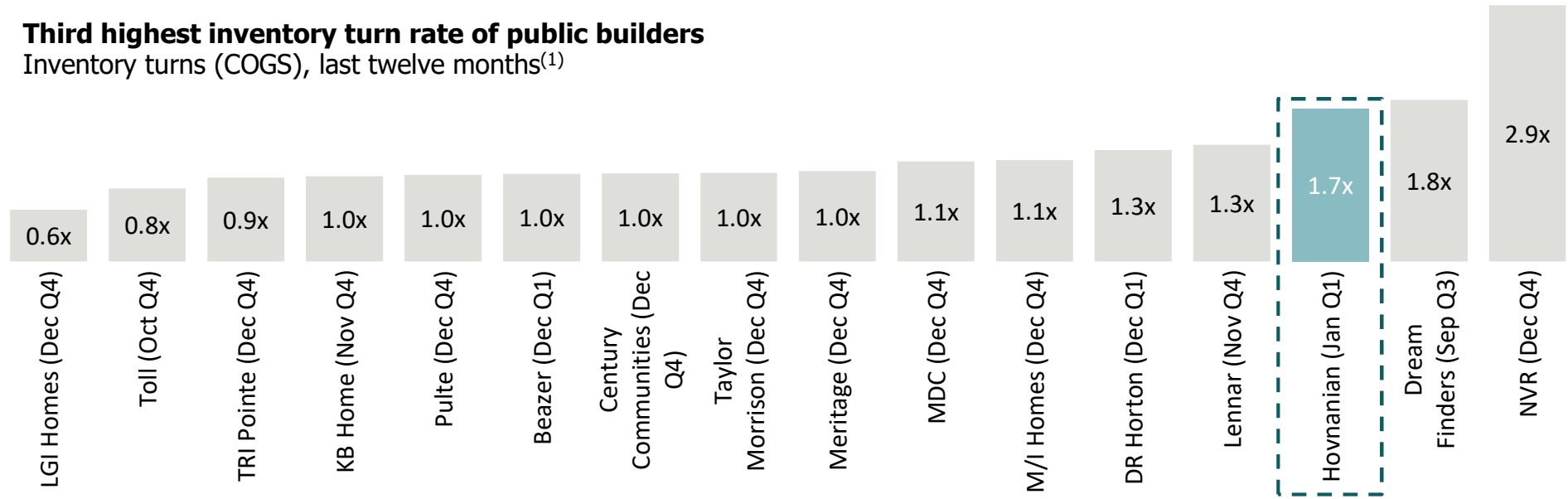
Leader in pivoting towards “asset lite”

Percentage of optioned lots



Third highest inventory turn rate of public builders

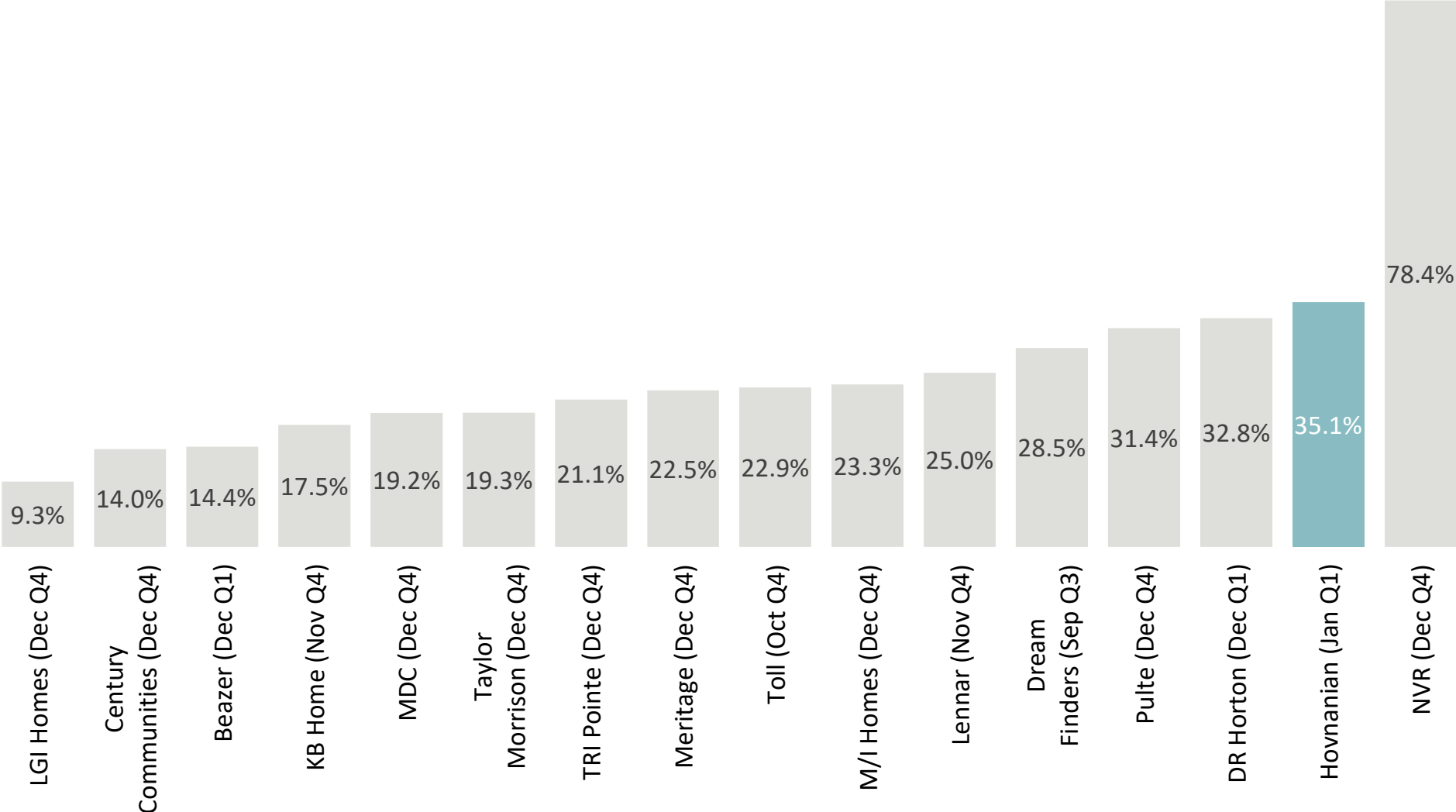
Inventory turns (COGS), last twelve months⁽¹⁾



Source: Company SEC filings and press releases as of 02/22/2024.

(1) 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.

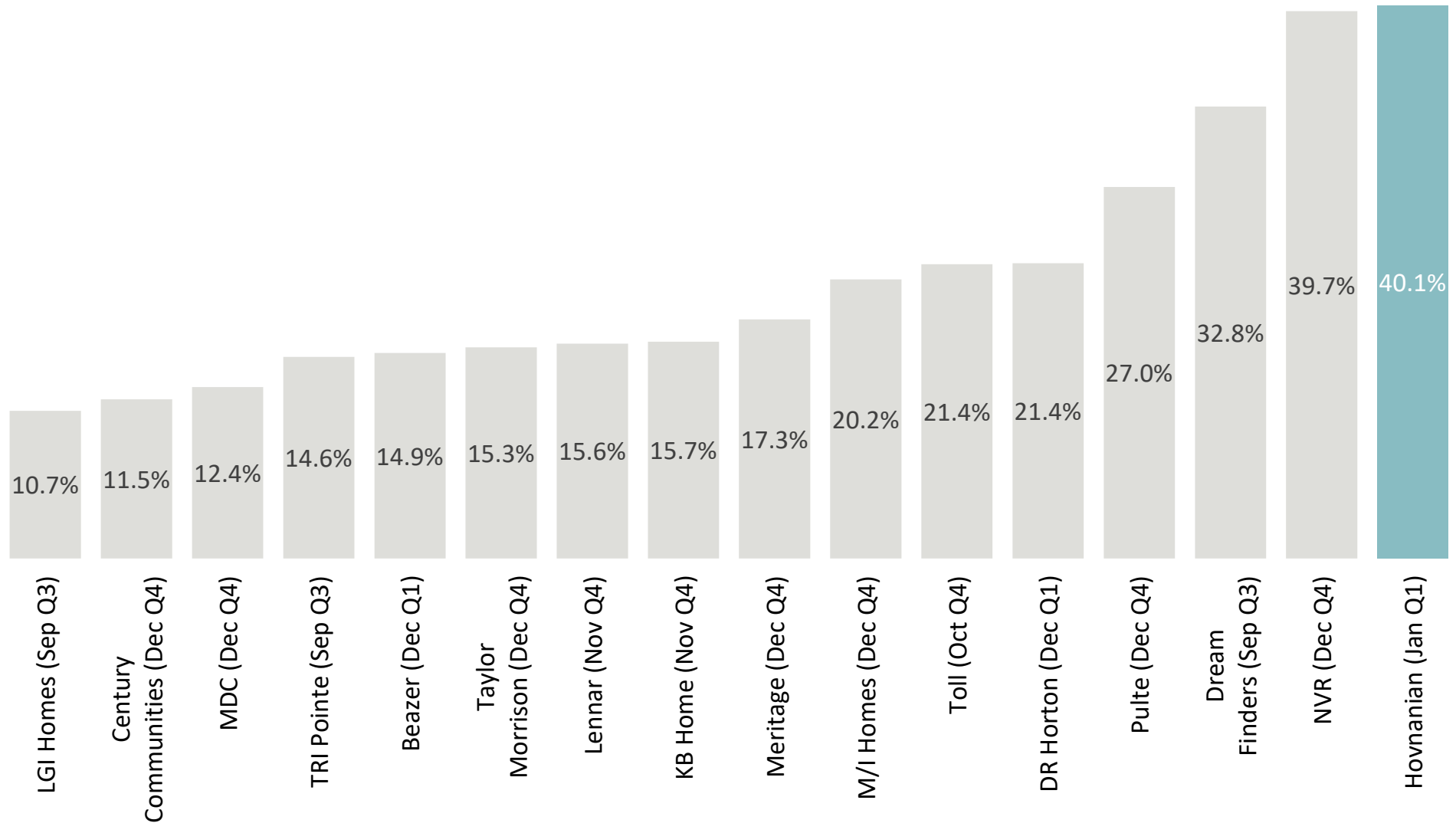
Consolidated EBIT ROI, Last Twelve Months



Source: Company SEC filings and press releases as of 12/05/23.

Note: Defined as LTM Total Company EBIT before land-related charges and gain (loss) on extinguishment of debt divided by five quarter average inventory, excluding capitalized interest and liabilities from inventory not owned and includes goodwill definite life intangibles assets.

ROE, Last Twelve Months



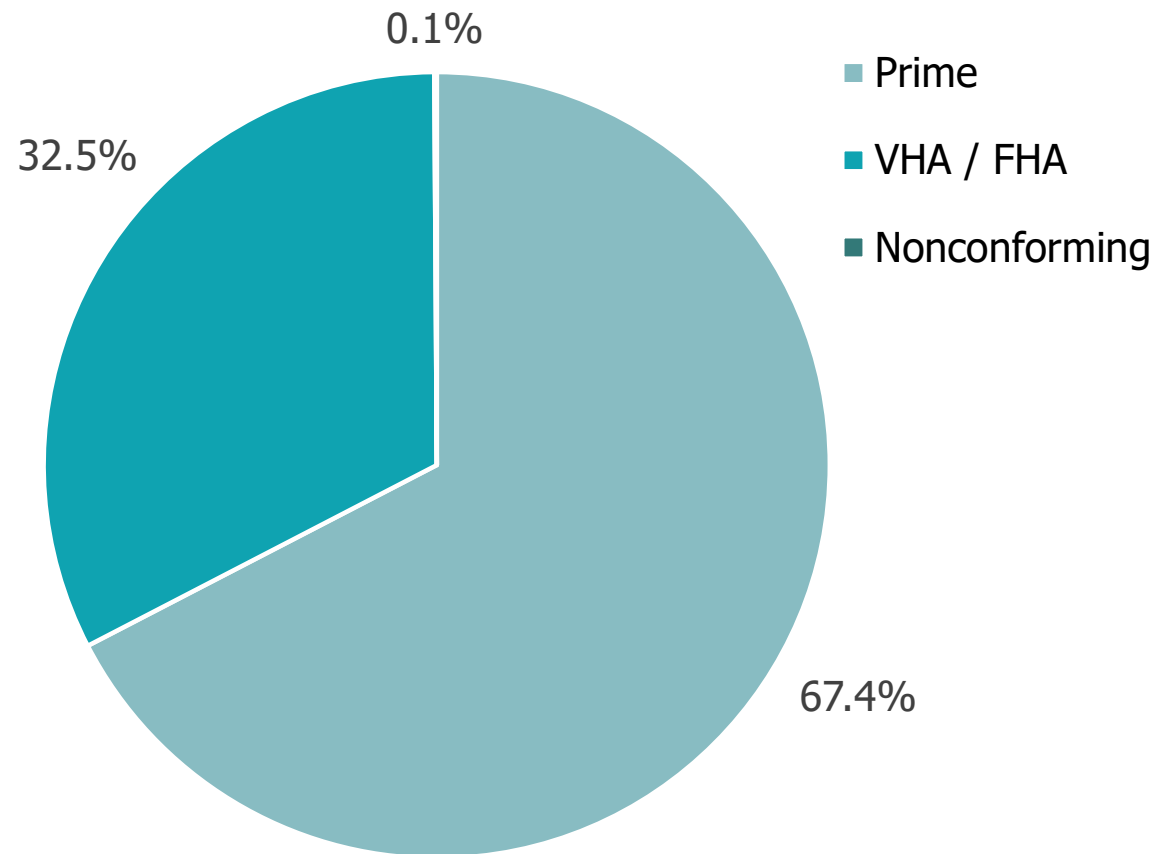
Source: Peer SEC filings and press releases as of 02/19/2024.

Profitable financial services business

Financial services overview

- Complements HOV's homebuilding operations
- Allows ability for interest rate buy-down programs for homebuilder customers
- Provides mortgage originations in every state in which Hovnanian operates and title services in most states
- \$63mm LTM revenues
- \$20mm LTM operating income
- 32% LTM operating margin

Origination portfolio quarter ended January 31, 2024



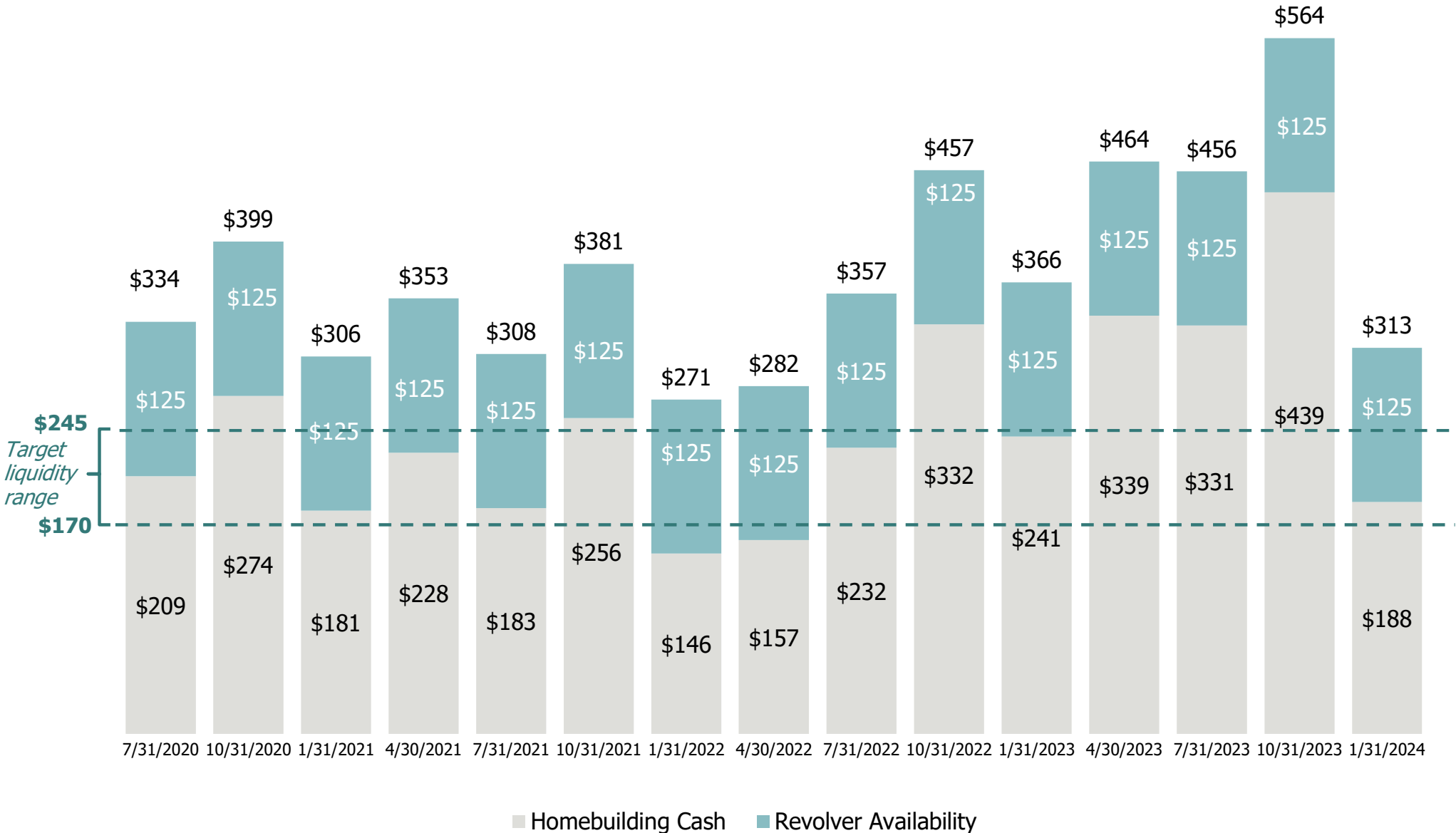
Note: Last twelve months (LTM) through October 31, 2023.



Liquidity and balance sheet management

Liquidity Position and Target

(\$ in millions)



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.

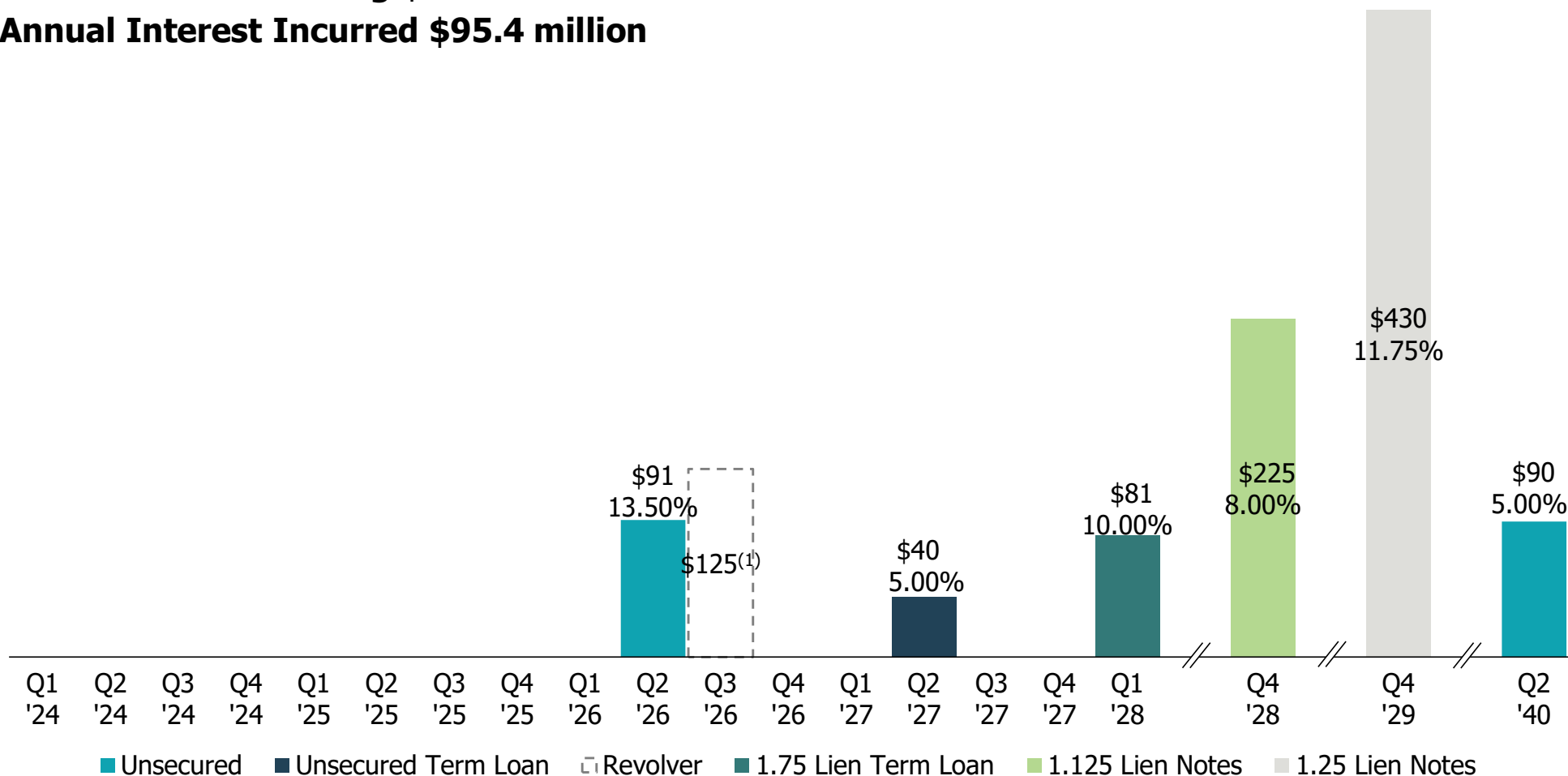
Debt Maturity Profile

January 31, 2024

(\$ in millions)

Total Debt Outstanding \$957

Annual Interest Incurred \$95.4 million

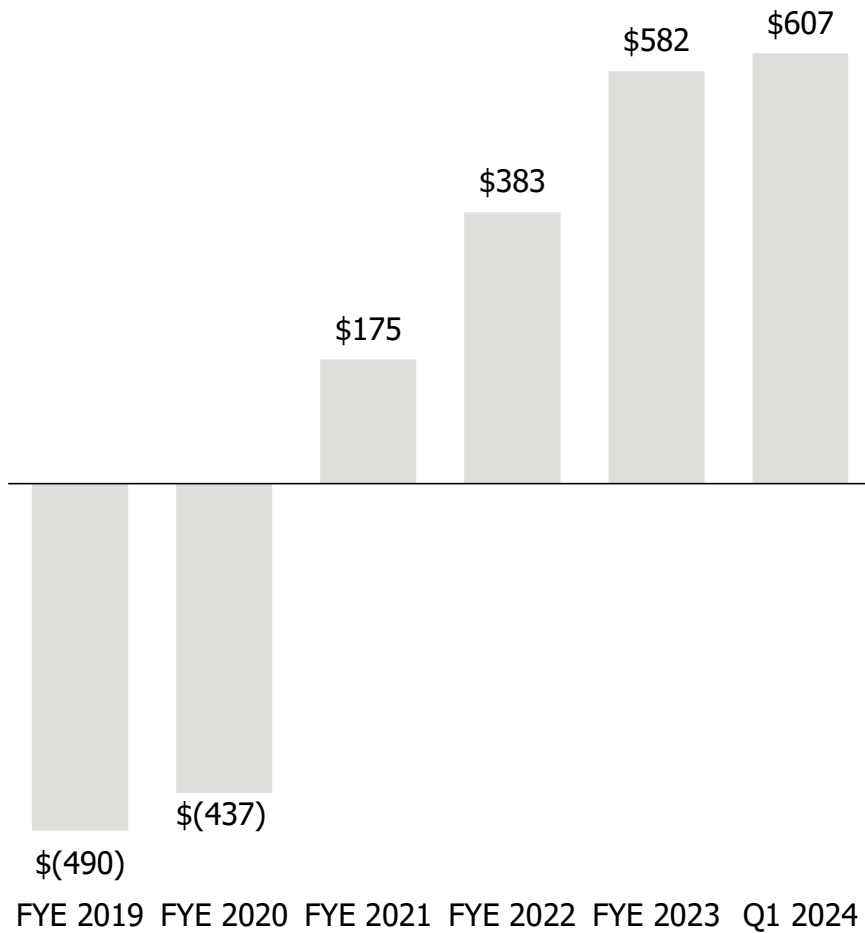


Note: Shown on a fiscal year basis, at face value.
Excludes non-recourse mortgages.
(1) \$0 balance as of January 31, 2024.

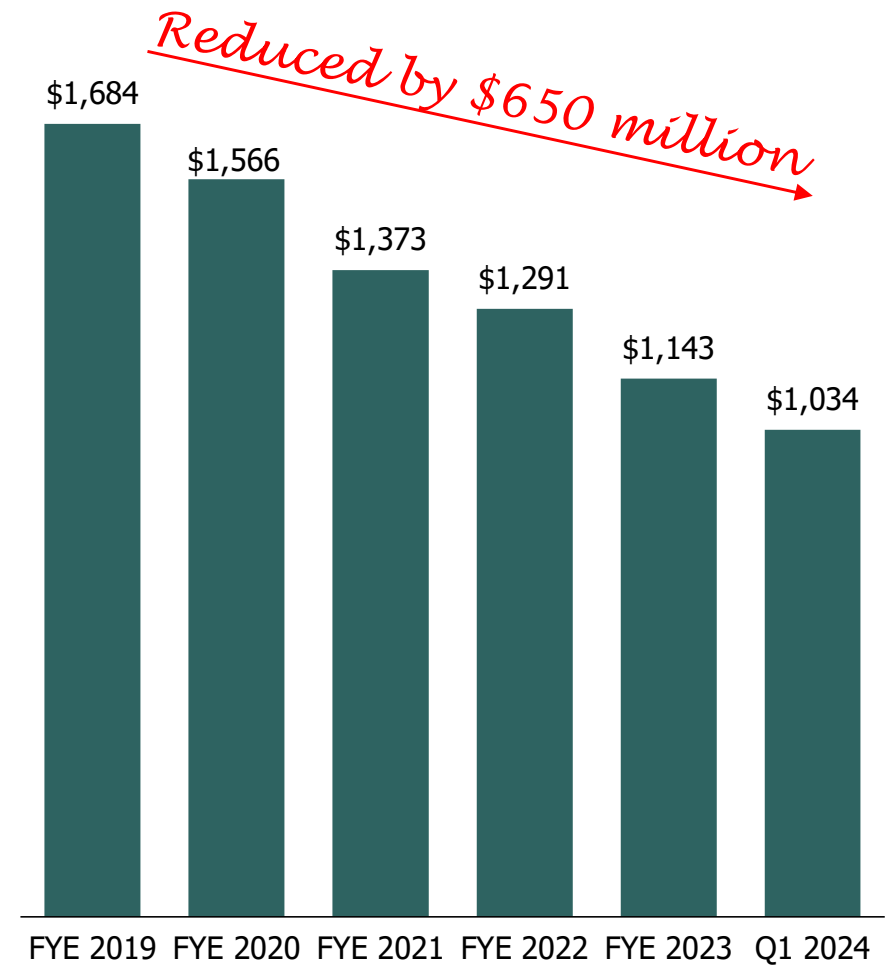
Balance Sheet Metrics

(\$ in millions)

Equity value (book)



Total debt





Guidance

Guidance for Fiscal 2024 Second Quarter

(\$ in millions)

	<u>Actuals</u> <u>Q2 2023</u>	<u>Guidance</u> <u>Q2 2024</u>
Total Revenues	\$704	\$675 - \$775
Adjusted Homebuilding Gross Margin⁽²⁾	20.9%	21.5% - 23.0%
Total SG&A as Percentage of Total Revenues⁽³⁾	10.7%	11.0% - 12.0%
Adjusted EBITDA⁽⁴⁾	\$87	\$80 - \$90
Adjusted Income Before Income Taxes⁽⁵⁾	\$46	\$45 - \$55

(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 impairments and land option write-offs and loss (gain) on extinguishment of debt, net. 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 and is a non-GAAP financial measure. See appendix for a reconciliation of the historic measure 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 \$168.97, which was the price at the end of the first quarter of fiscal year 2024.

(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, net. See appendix for a reconciliation of the historic measure to the most directly comparable GAAP measure.

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



Appendix

Phantom Stock Impact

(\$ in millions, except stock prices)

	Stock Price at end of quarter	Reported Total SG&A	Reported Total SG&A Ratio	Incremental Phantom Stock Benefit (Expense)	Total SG&A Adjusted for Phantom Stock	Total SG&A Ratio Adjusted for Phantom Stock
Q1 2021	\$51.16	-	-	-	-	-
Q2 2021	\$132.59	\$82.6	11.7%	\$(17.5)	\$65.1	9.3%
Q3 2021	\$104.39	\$60.3	8.7%	\$6.7	\$67.0	9.7%
Q4 2021	\$84.26	\$70.0	8.6%	\$5.3	\$75.3	9.2%
Q1 2022	\$96.88	\$72.2	12.8%	\$(5.7)	\$66.5	11.8%
Q2 2022	\$46.02	\$68.2	9.7%	\$6.0	\$74.2	10.6%
Q3 2022	\$48.51	\$74.9	9.8%	\$(0.3)	\$74.6	9.7%
Q4 2022	\$40.33	\$80.9	9.1%	\$1.0	\$81.9	9.2%
Q1 2023	\$57.88	\$73.4	14.2%	\$(1.4)	\$72.0	14.0%
Q2 2023	\$73.77	\$75.5	10.7%	\$(1.1)	\$74.4	10.6%
Q3 2023	\$106.62	\$75.1	11.6%	\$(2.4)	\$72.7	11.2%
Q4 2023	\$69.48	\$80.8	9.1%	\$2.9	\$83.7	9.4%
Q1 2024	\$168.97	\$86.1	14.5%	\$(7.5)	\$78.6	13.2%

- In 2019, 2023 and 2024, we granted phantom stock awards in lieu of actual equity under our long-term incentive plans ("LTIP").
- This was done in the best interest of shareholders to avoid dilution concerns associated with our low stock prices at the time of grants.
- Expense related to the phantom stock varies depending upon our common stock price at quarter end, is a non-cash expense until paid and is reflected in our total SG&A expenses.

Land Position

January 31, 2024
Owned

Segment	Active lots	Mothballed lots	Optioned lots	Total lots
Northeast	1,743	6	13,223	14,972
Southeast	1,343	–	5,314	6,657
West	4,227	390	7,330	11,947
Consolidated total	7,313	396	25,867	33,576
Unconsolidated joint ventures ⁽¹⁾	1,511	–	331	2,617
Grand total	8,824	396	26,198	36,193

- Reactivated ~9,300 lots in 110 communities since January 31, 2009
- As of January 31, 2024, mothballed lots in 2 communities with a book value of \$1 million net of impairment balance of \$20 million

6.7 years of lot supply⁽²⁾

(1) Excludes our multi-community unconsolidated joint venture in the Kingdom of Saudi Arabia.

(2) Represents total lots controlled (owned + optioned) / LTM unit closings.

Reconciliation of income before income taxes excluding land-related charges and loss on extinguishment of debt, net to income before income taxes

Hovnanian Enterprises, Inc.

January 31, 2024

Reconciliation of income before income taxes excluding land-related charges and gain on extinguishment of debt, net to income before income taxes
(In thousands)

	Three Months Ended	
	January 31,	
	2024	2023
	(Unaudited)	
Income before income taxes	\$ 32,563	\$ 18,047
Inventory impairments and land option write-offs	302	477
Gain on extinguishment of debt, net	(1,371)	-
Income before income taxes excluding land-related charges and gain on extinguishment of debt, net (1)	<u>\$ 31,494</u>	<u>\$ 18,524</u>

(1) Income before income taxes excluding land-related charges and gain on extinguishment of debt, net 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.

January 31, 2024

Gross margin

(In thousands)

	Homebuilding Gross Margin Three Months Ended January 31,	
	2024	2023
	(Unaudited)	
Sale of homes	\$ 573,636	\$ 499,645
Cost of sales, excluding interest expense and land charges (1)	448,448	390,963
Homebuilding gross margin, before cost of sales interest expense and land charges (2)	125,188	108,682
Cost of sales interest expense, excluding land sales interest expense	19,898	15,001
Homebuilding gross margin, after cost of sales interest expense, before land charges (2)	105,290	93,681
Land charges	302	477
Homebuilding gross margin	<u>\$ 104,988</u>	<u>\$ 93,204</u>
Homebuilding gross margin percentage	18.3%	18.7%
Homebuilding gross margin percentage, before cost of sales interest expense and land charges (2)	21.8%	21.8%
Homebuilding gross margin percentage, after cost of sales interest expense, before land charges (2)	18.4%	18.8%

	Land Sales Gross Margin Three Months Ended January 31,	
	2024	2023
	(Unaudited)	
Land and lot sales	\$ 1,340	\$ 329
Cost of sales, excluding interest (1)	765	77
Land and lot sales gross margin, excluding interest and land charges	575	252
Land and lot sales interest expense	-	21
Land and lot sales gross margin, including interest	<u>\$ 575</u>	<u>\$ 231</u>

(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.

January 31, 2024

Reconciliation of adjusted EBITDA to net income

(In thousands)

	Three Months Ended	
	January 31,	
	2024	2023
	(Unaudited)	
Net income	\$ 23,904	\$ 18,716
Income tax provision (benefit)	8,659	(669)
Interest expense	30,349	30,115
EBIT (1)	62,912	48,162
Depreciation and amortization	1,598	1,410
EBITDA (2)	64,510	49,572
Inventory impairments and land option write-offs	302	477
Gain on extinguishment of debt, net	(1,371)	-
Adjusted EBITDA (3)	\$ 63,441	\$ 50,049
Interest incurred	\$ 31,961	\$ 34,326
Adjusted EBITDA to interest incurred	1.98	1.46

(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 and inventory impairments and land option write-offs and gain on extinguishment of debt, net.

Reconciliation of Inventory Turnover

Hovnanian Enterprises, Inc.

January 31, 2024

Calculation of Inventory Turnover⁽¹⁾

	For the quarter ended					TTM ended
(Dollars in thousands)	4/30/2023	7/31/2023	10/31/2023	1/31/2024	1/31/2024	
Cost of sales, excluding interest	\$540,622	\$483,990	\$637,148	\$449,213		\$2,110,973
	As of					
	1/31/2023	4/30/2023	7/31/2023	10/31/2023	1/31/2024	
Total inventories	\$1,507,038	\$1,484,992	\$1,411,260	\$1,349,186	\$1,463,558	Five
Less liabilities from inventory not owned, net of debt issuance costs	209,579	200,299	145,979	124,254	114,658	Quarter
Less capitalized interest	60,795	60,274	55,274	52,060	53,672	Average
Inventories less consolidated inventory not owned and capitalized interest plus liabilities from inventory not owned	\$1,236,664	\$1,224,419	\$1,210,007	\$1,172,872	\$1,295,228	\$1,227,838
Inventory turnover						1.7x

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

Reconciliation of Consolidated EBIT ROI

Hovnanian Enterprises, Inc.

January 31, 2024

Calculation of Consolidated Adjusted EBIT ROI

(Dollars in thousands)	For the quarter ended				TTM ended
	4/30/2023	7/31/2023	10/31/2023	1/31/2024	1/31/2024
Consolidated EBIT	\$82,049	\$103,164	\$157,478	\$62,912	\$405,603
Impairments and walk away	\$137	\$308	\$614	\$302	\$1,361
(Loss) gain on extinguishment of debt	\$0	\$4,082	\$21,556	\$(1,371)	\$24,267
Adjusted EBIT	\$82,186	\$107,554	\$179,648	\$61,843	\$431,231
	As of				
	1/31/2023	4/30/2023	7/31/2023	10/31/2023	1/31/2024
Total inventories	\$1,507,038	\$1,484,992	\$1,411,260	\$1,349,186	\$1,463,558
Less liabilities from inventory not owned, net of debt issuance costs	209,579	200,299	145,979	124,254	114,658
Less capitalized interest	60,795	60,274	55,274	52,060	53,672
Inventories less consolidated inventory not owned and capitalized interest plus liabilities from inventory not owned	\$1,236,664	\$1,224,419	\$1,210,007	\$1,172,872	\$1,295,228
Inventory turnover					35.1%



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