Hovnanian Enterprises, Inc.

Investor Presentation

September 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.

What's new about the Hovnanian story?

Hovnanian Enterprises, Inc.

	Then	Now
Footprint	Multiple underperforming markets	Focused on stronger markets with improving share
Profitability and margin improvement	Unprofitable	Profitable
Cash flow generation	Insufficient to adequately address debt maturities and grow business	Material excess operating cash flow after land reinvestment
Inventory strategy	Over-reliance on costly on- and off-balance sheet financing to acquire lots, reducing returns	Increased inventory efficiency driving high turnover and ROI
Maturity profile	Short dated; difficulty extending near term maturities	Significant runway, strategic priority to repay debt

Successfully implementing strategies for long-term profitability and value creation

Hovnanian Enterprises, Inc.

Growth-oriented strategy	**Grow revenues to improve scale and enhance margin profile**	**Risk-adverse land strategy and maintain multi-year lot supply**	**High return on invested capital and sharpened asset efficiency**	**Generate excess cash flow and improve balance sheet flexibility**
Actions undertaken	▪ Actively manage sales pace, ASP and community count ▪ Streamline organizational structure and reduce overhead	▪ Control land with minimal cash investment ▪ Target 1-2 years of owned lot supply	▪ Accelerate inventory turnover to unlock capital ▪ Reactivate formerly mothballed inventory	▪ Maintain ample liquidity ▪ Prioritize debt repayment opportunities ▪ Proactively extend and ladder maturities

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 ✓✓

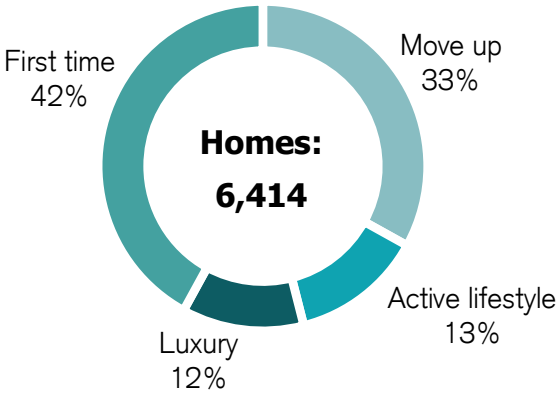
(1) The Company cannot provide a reconciliation between its non-GAAP projections and the most directly comparable GAAP measures without unreasonable efforts because it is unable to predict with reasonable certainty the ultimate outcome of certain significant items required for the reconciliation. These 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.

Recent operating and financial performance

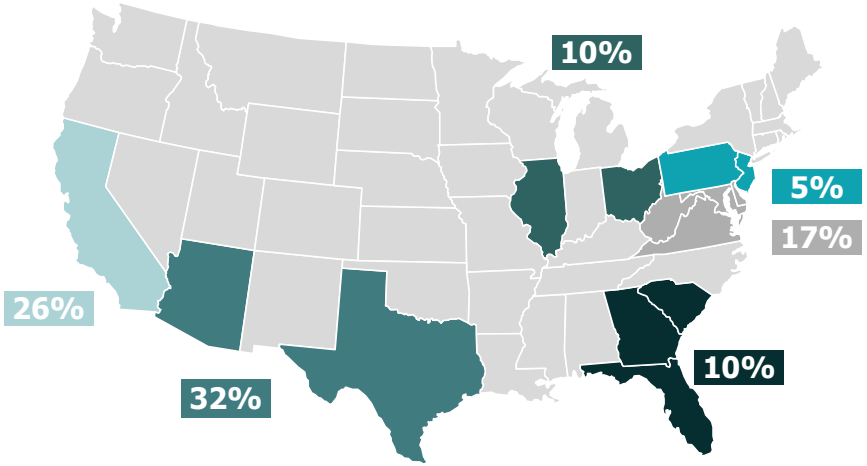
Hovnanian Enterprises at a Glance

- Among the top 15 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

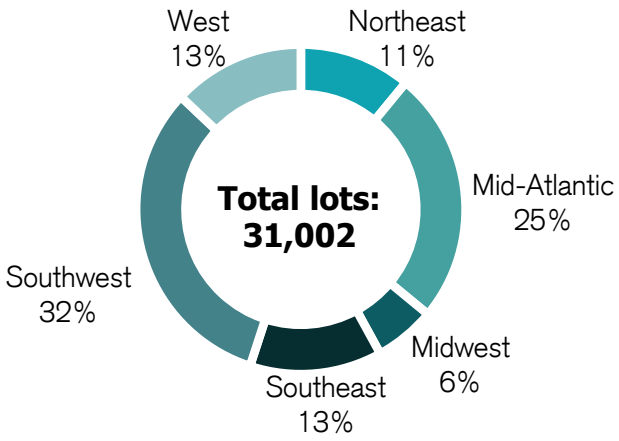
Home deliveries by product[1]
(Twelve months ended October 31, 2020)



Homebuilding revenues by region
(Last twelve months ended July 31, 2021)



Lots controlled by region
(As of July 31, 2021)

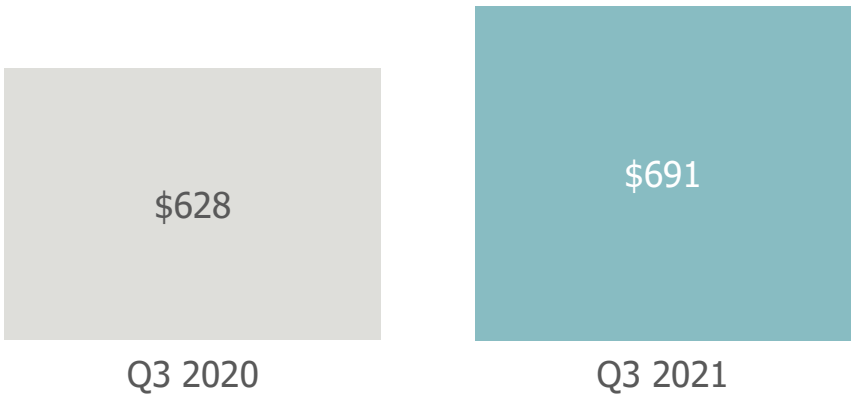


(1) Includes unconsolidated joint ventures deliveries.
(2) Company SEC filings and press release of 09/09/21.

Third Quarter Operating Results

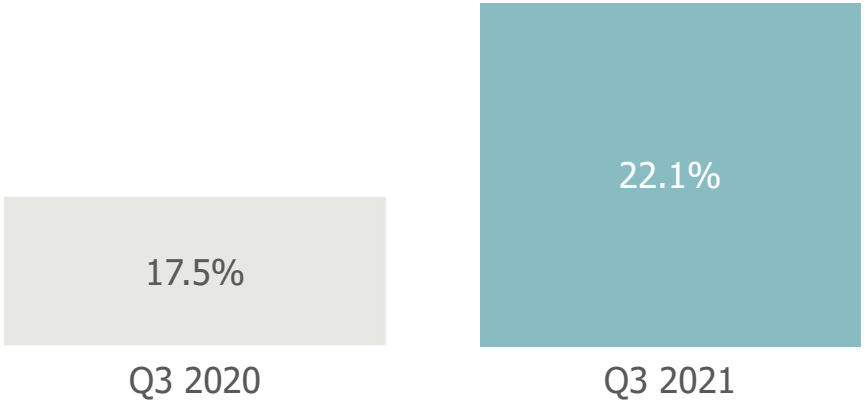
($ in millions, unless specified otherwise)

Total Revenues

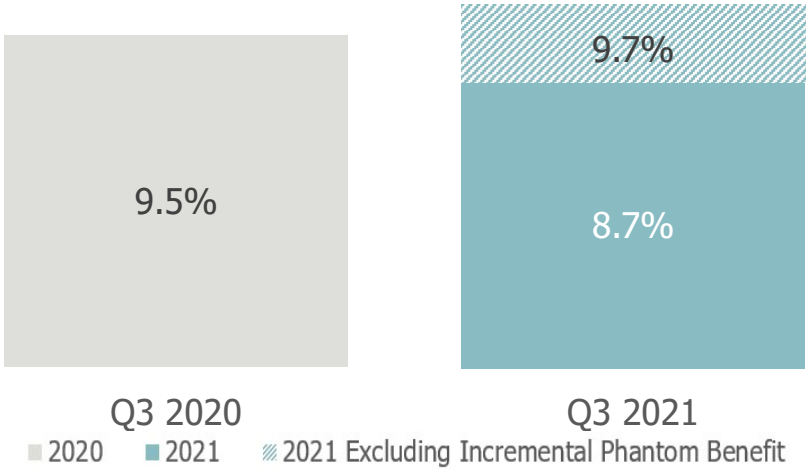


Adjusted Homebuilding Gross Margin[1]

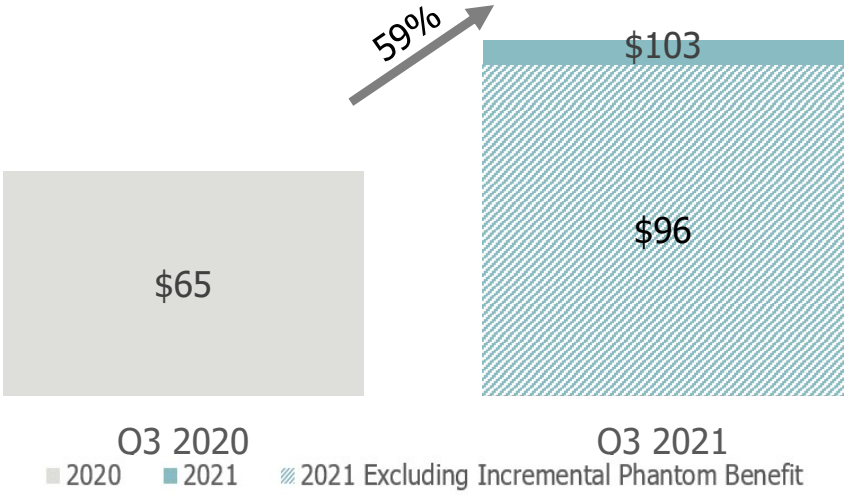
+460 bps



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.

Guidance Compared with Actuals for Third Quarter 2021

Hovnanian Enterprises, Inc.

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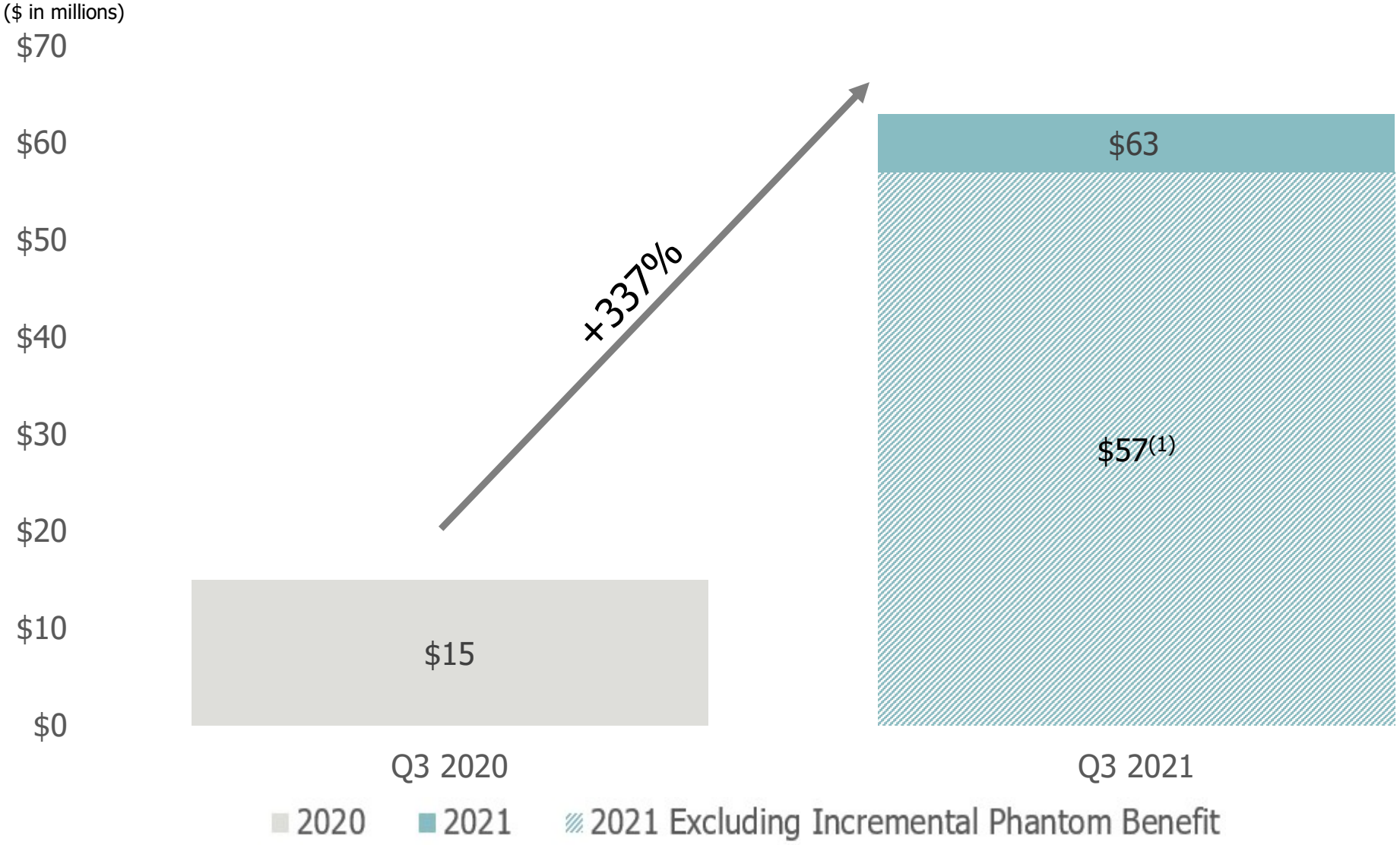
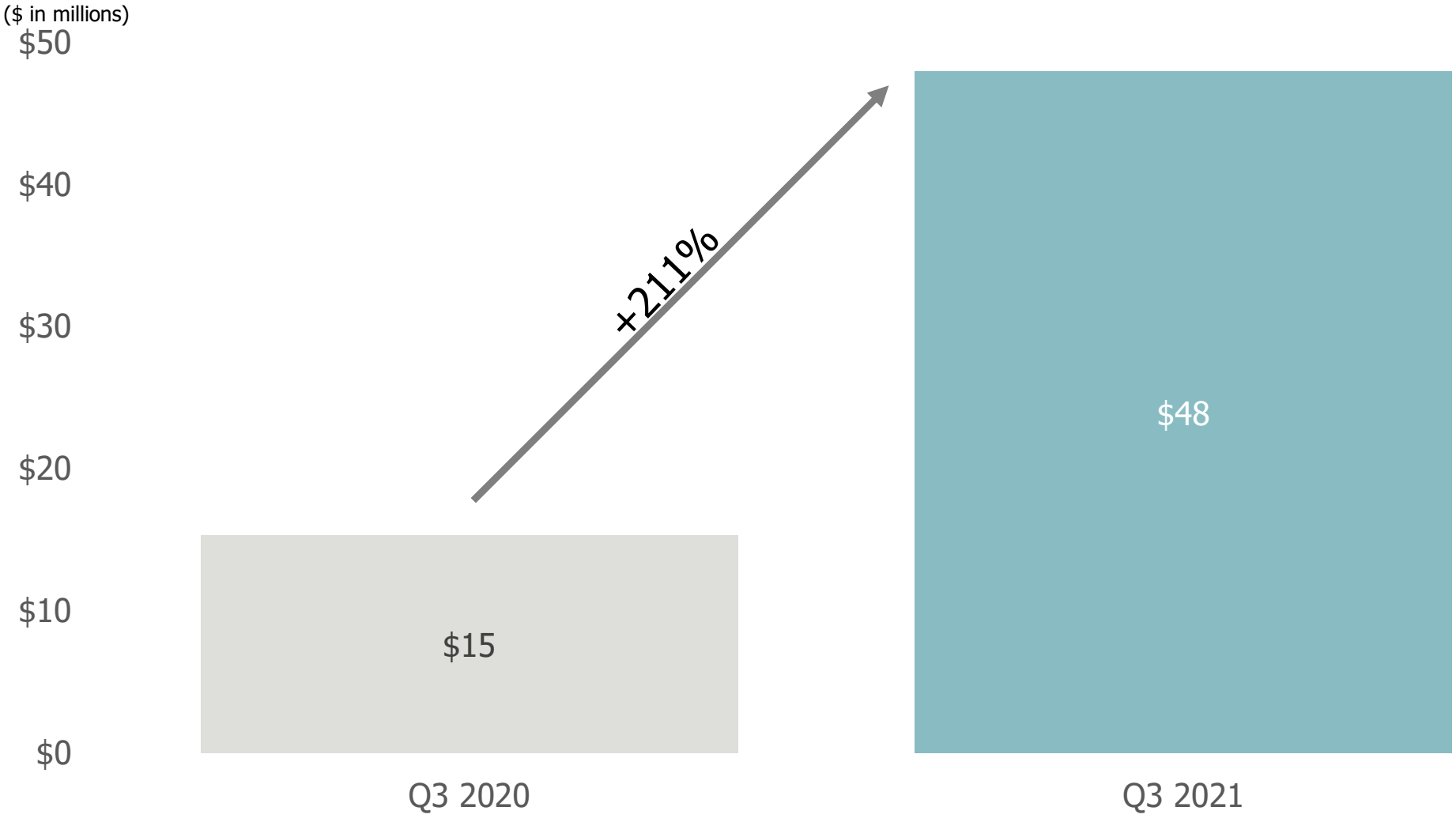
(5) Adjusted Income Before Income Taxes excludes land-related charges and loss (gain) on extinguishment of debt. See appendix for a reconciliation to the most directly comparable GAAP measure.

Adjusted Pretax Income

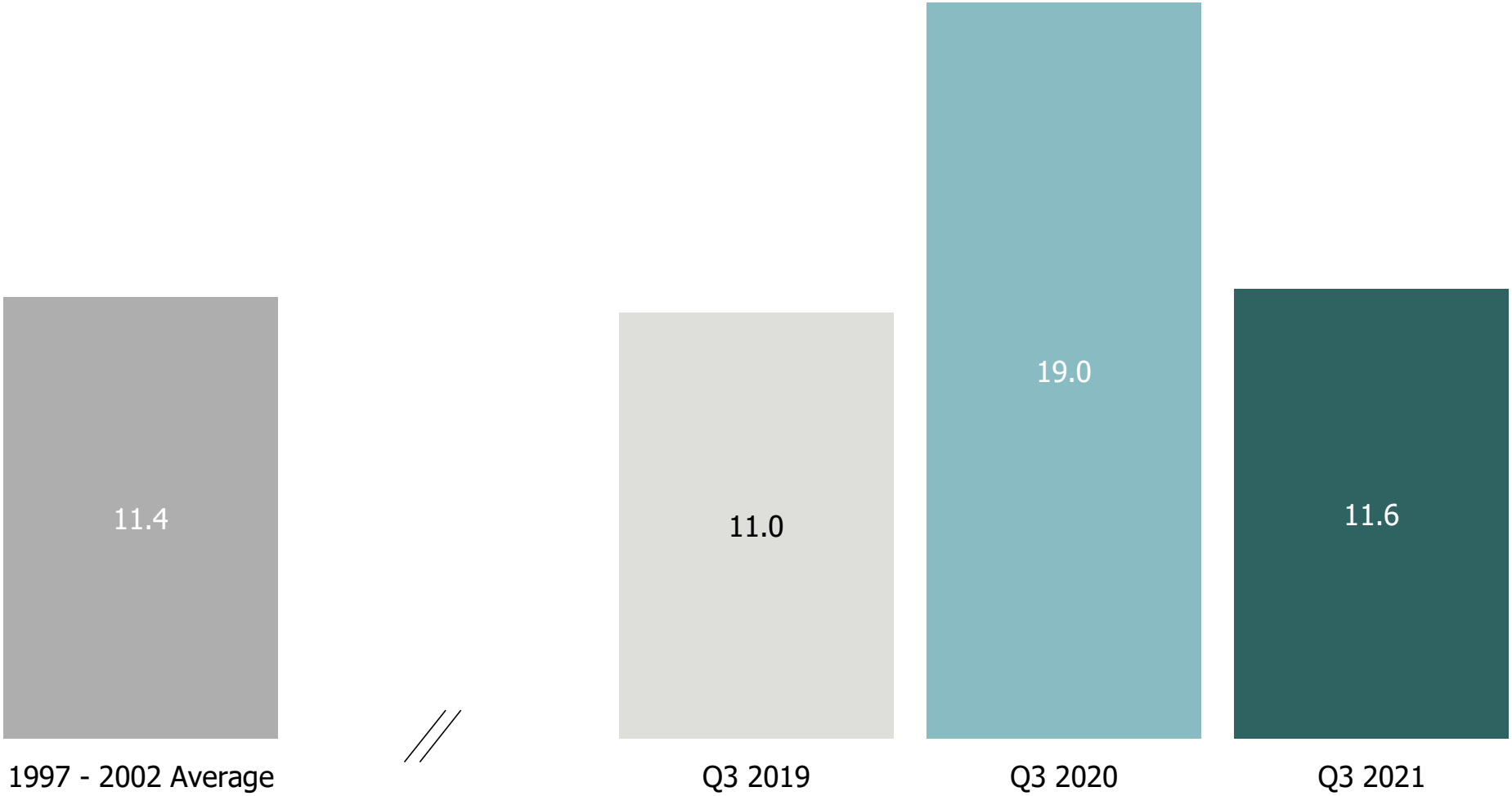


(1) SG&A expenses in the third quarter of fiscal 2021 included $6.7 million of incremental benefit due to the phantom stock awards, which is solely related to our common stock price decreasing from $132.59 at the end of the second quarter to $104.39 at the end of the third quarter.
Note: Adjusted Income (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

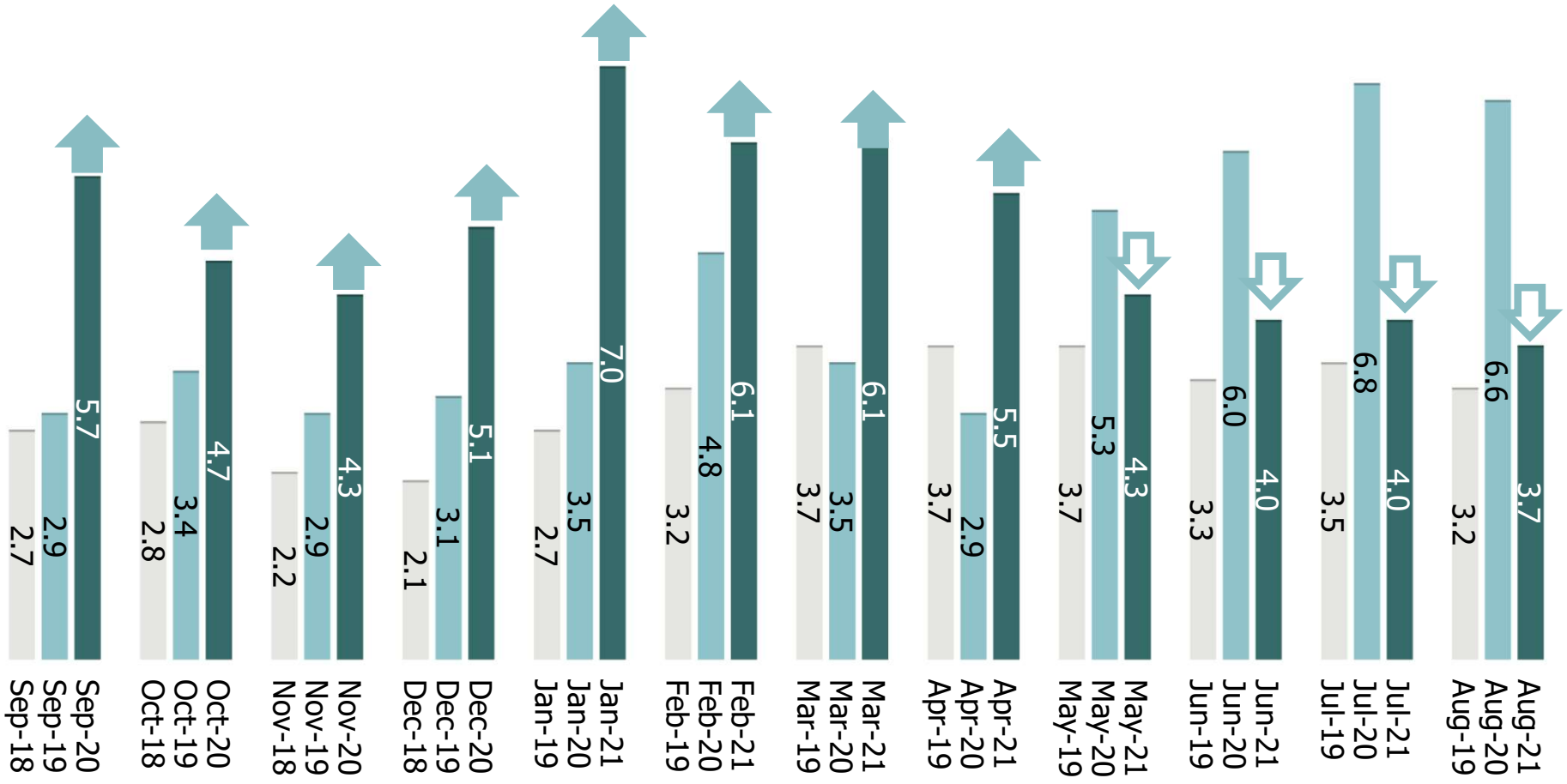


Quarterly Contracts Per Community



Note: Excludes unconsolidated joint ventures.

Number of Monthly Contracts Per Community, Excludes Unconsolidated Joint Ventures



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

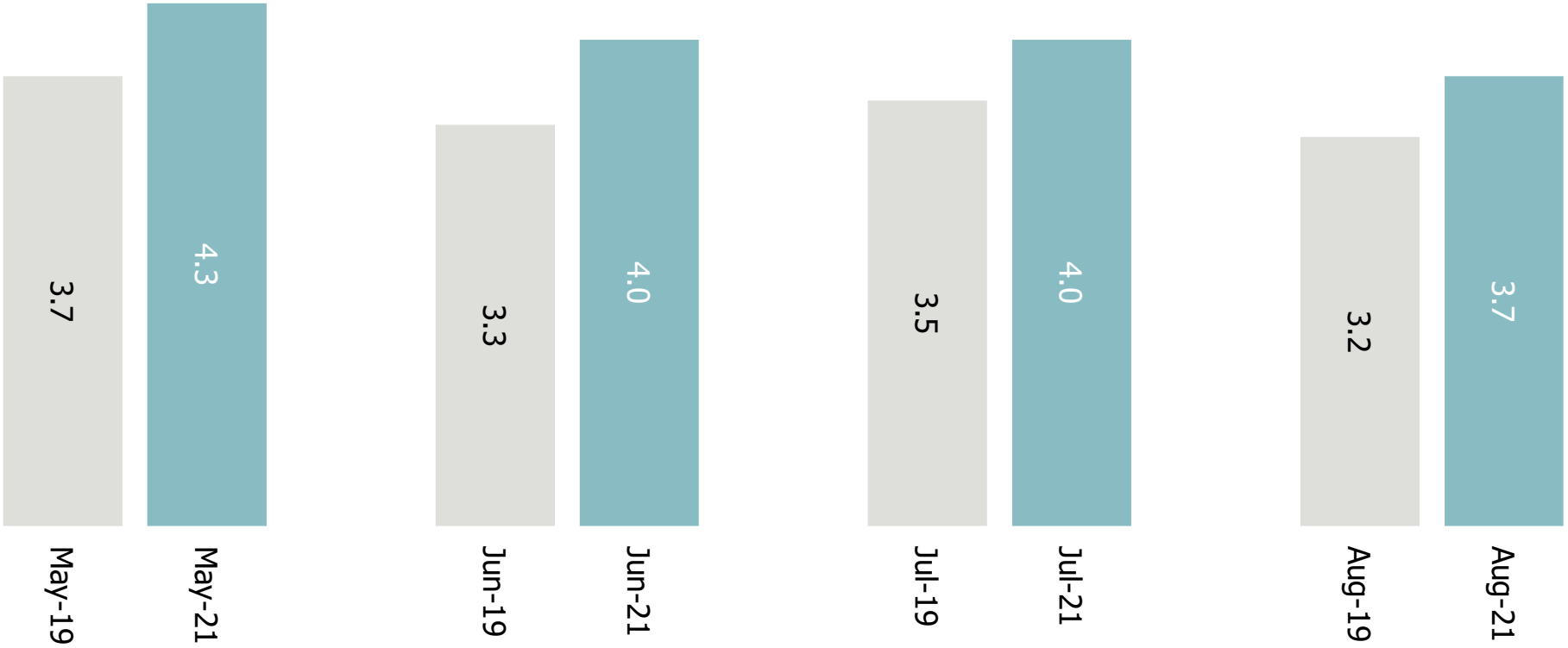
	Jan-19	Jan-20	Jan-21	Feb-19	Feb-20	Feb-21	Mar-19	Mar-20	Mar-21	Apr-19	Apr-20	Apr-21
Number of Sundays	4	4	5	4	4	4	5	5	4	4	4	4
Monthly contracts	369	482	734	449	647	613	553	463	620	544	377	538

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

Note: Excludes unconsolidated joint ventures.

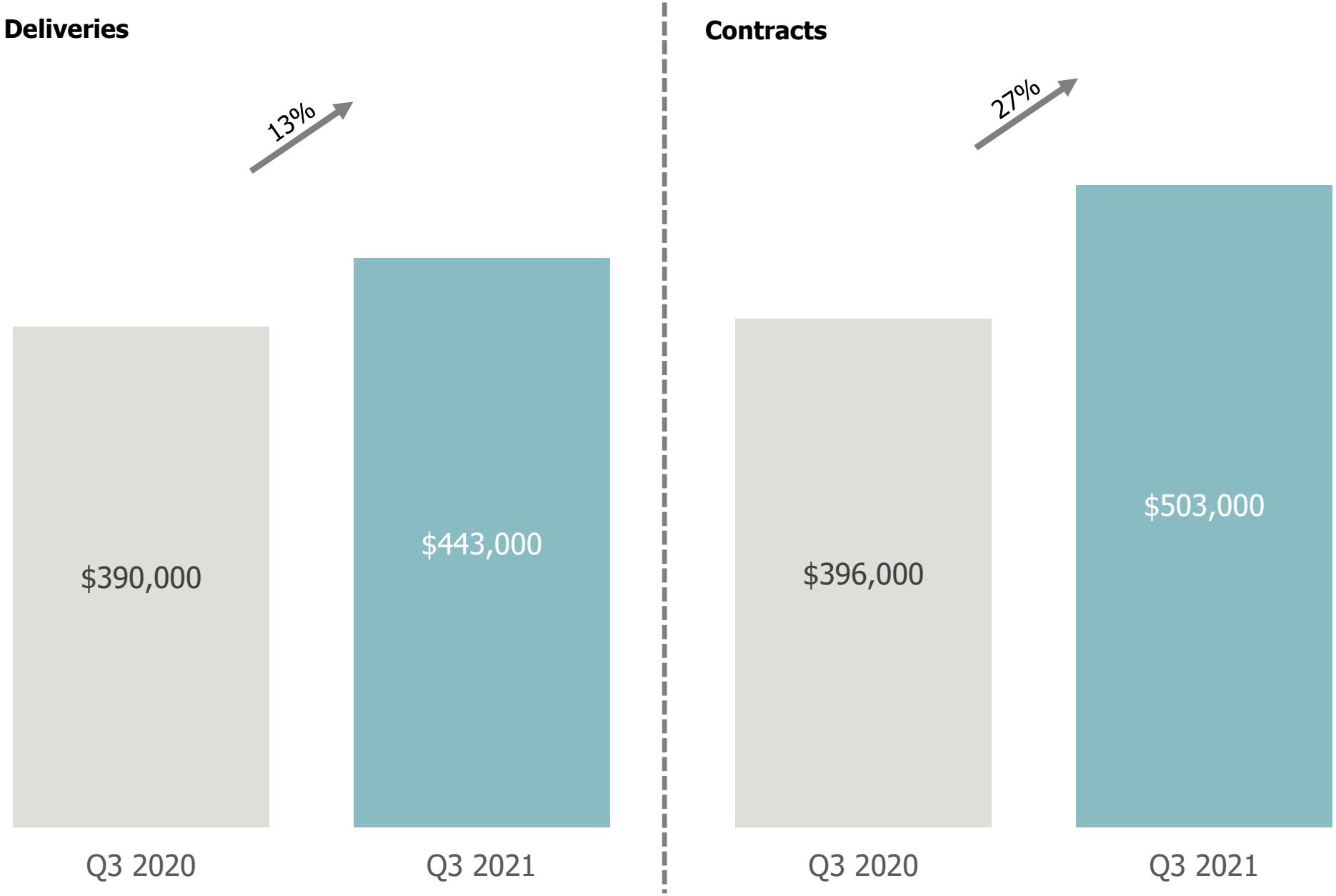
Return to more rational sales pace

Number of Monthly Contracts Per Community,
Excludes Unconsolidated Joint Ventures



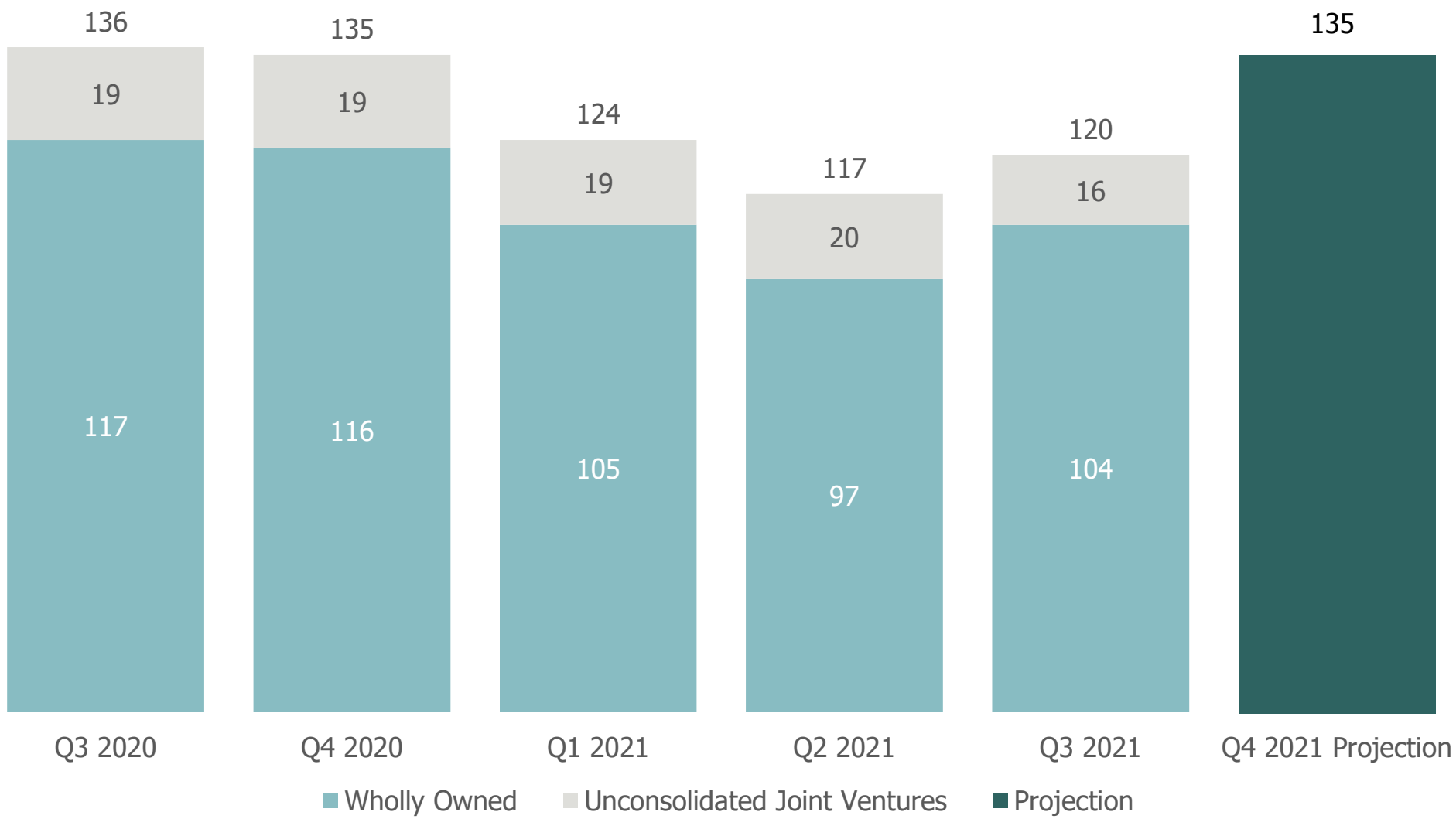
Note: Excludes unconsolidated joint ventures.

Average Sales Price



Note: Excludes unconsolidated joint ventures.

Community Count



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

Streamlined geographic footprint with room for organic growth

- **23 markets in 14 states**
  - **Northeast:** New Jersey and Pennsylvania
  - **Mid-Atlantic:** Delaware, Maryland, Virginia, Washington D.C. and West Virginia
  - **Midwest:** Illinois and Ohio
  - **Southeast:** Florida, Georgia and South Carolina
  - **Southwest:** Arizona and Texas
  - **West:** California

Q3 2021 LTM[1]

	Northeast	Mid-Atlantic	Midwest	Southeast	Southwest	West
Homebuilding revenues	5.4%	16.8%	9.5%	10.3%	32.1%	25.9%
Homes delivered	3.6%	13.2%	12.5%	9.5%	39.4%	21.8%
Average selling price of deliveries	$633K	$532K	$315K	$454K	$341K	$496K
Net new contracts ($)	4.0%	13.5%	13.1%	9.7%	41.1%	18.6%
Backlog homes	4.3%	15.6%	17.6%	12.0%	35.2%	15.3%

Exited 5 non-core markets over the last 5 years

Geographic diversification mitigates market-specific economic impacts

Honed our market footprint to our 23 most profitable locations

(1) Regional breakdown as percentage of total company.

Virtually all of the land and communities necessary to achieve growth through fiscal 2022 are already under contract

Hovnanian Enterprises, Inc.

Lot portfolio balanced across our segments

Segment	July 31, 2021 Owned: Active lots	Mothballed lots	Optioned lots	Total lots
Northeast	460	–	2,919	3,379
Mid-Atlantic	1,531	247	6,152	7,930
Midwest	733	108	950	1,791
Southeast	1,299	–	2,642	3,941
Southwest	2,970	–	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**

- Reactivated ~8,600 lots in 106 communities since January 31, 2009
- As of July 31, 2021, mothballed lots in 8 communities with a book value of $4 million net of impairment balance of $61 million

Growing lot supply despite torrid sales pace

	Q3 2021[1]	Twelve Months Ended 0731/21
Newly controlled lots	4,512[2]	11,594[3]
Deliveries and lot sales	(1,587)	(6,340)
# of newly controlled lots in excess of deliveries	2,925	5,254

4.6 years of lot supply[3]

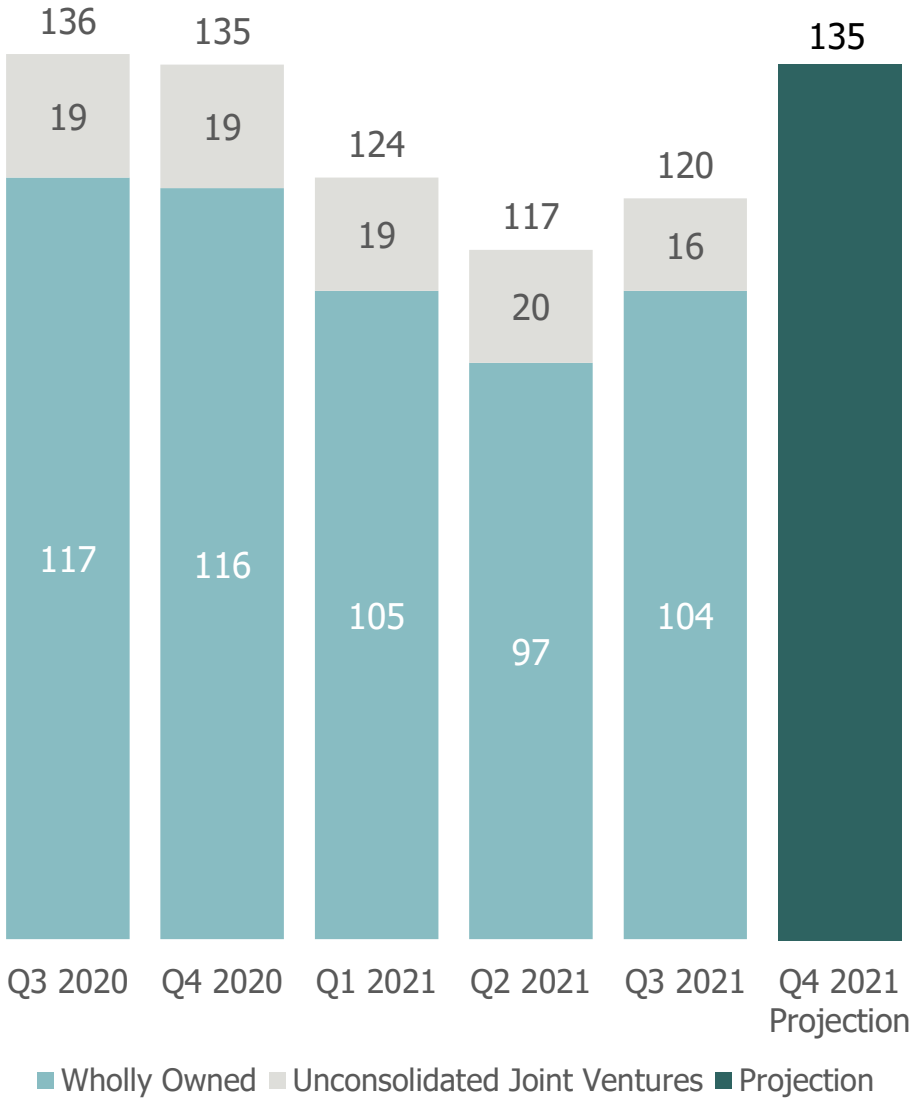
Expect to grow FYE 2021 community count to ~135 communities, including communities from domestic unconsolidated joint ventures

Notes: Excludes our single community unconsolidated joint venture in the Kingdom of Saudi Arabia.
(1) Includes newly optioned lots net of 851 walk aways, as well as lots purchased that were not previously optioned.
(2) Includes newly optioned lots net of 1,825 walk aways, as well as lots purchased that were not previously optioned.
(3) Represents total lots controlled (owned + optioned) / LTM unit closings.

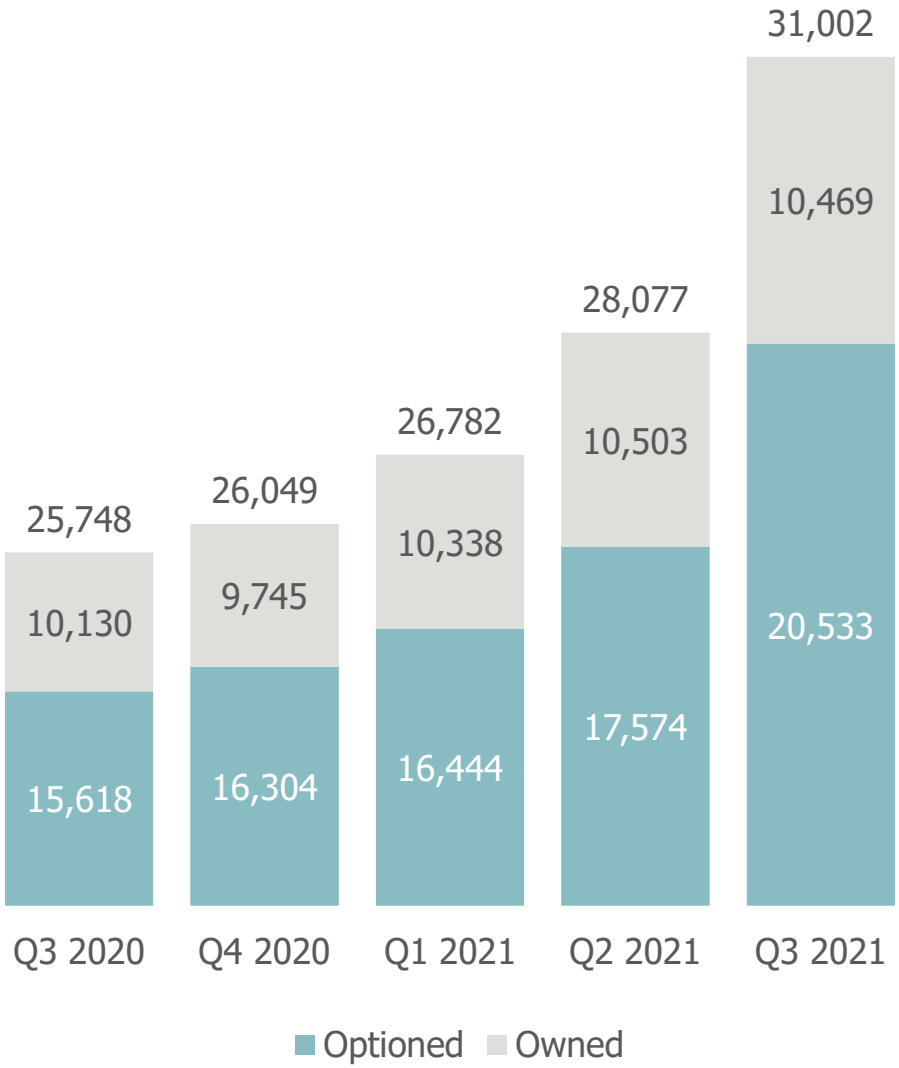
Community Count and Lots Controlled

Hovnanian Enterprises, Inc.

Community Count[1]



Lots[2]



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

Lot Option Position

Hovnanian Enterprises, Inc.

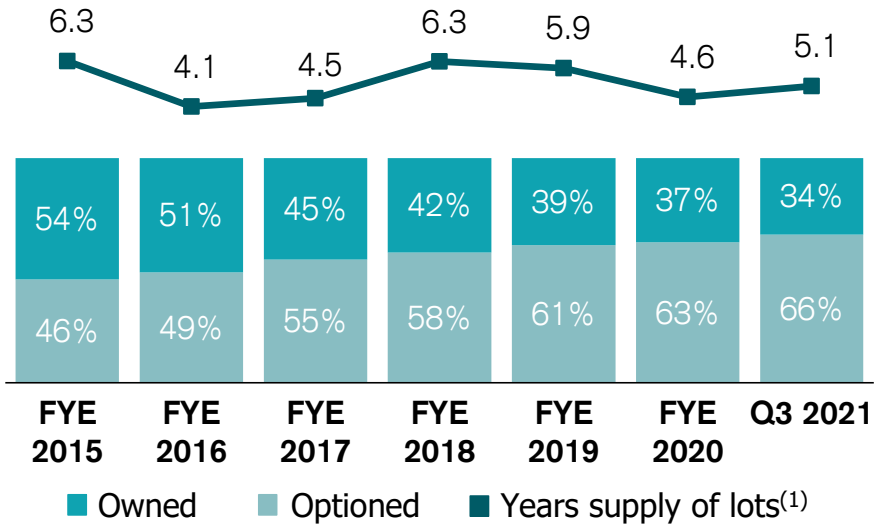
July 31, 2021	Lots Optioned	Total Deposit ($ millions)	Per Lot Deposit ($)	Purchase Value ($ billions)	Per Lot Purchase Value ($)	% Deposit
Total	20,533	$89.5	$4,400	$1.47	$72,000	6.1%

- $19 million invested in pre-development expenses as of July 31, 2021

Note: Peak Total Deposits was $466 million in second quarter of fiscal 2006.

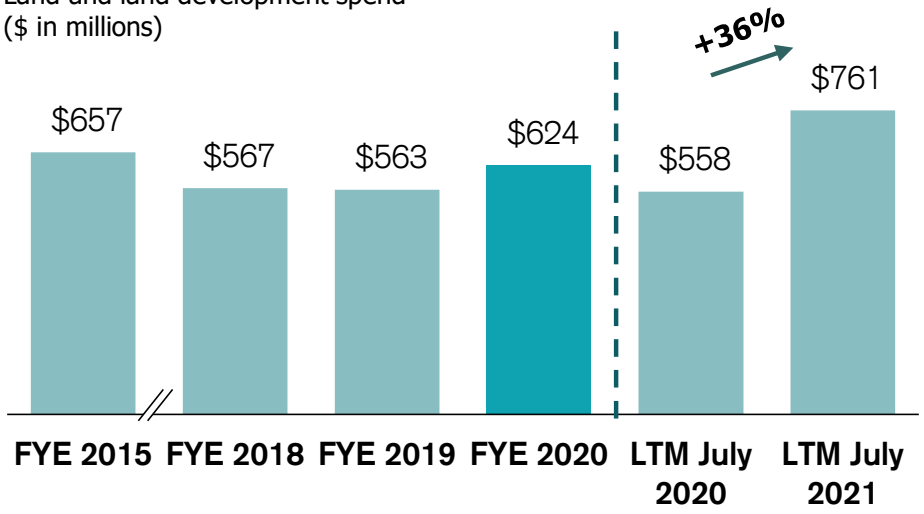
Efficient lot strategy

Multi-year lot supply



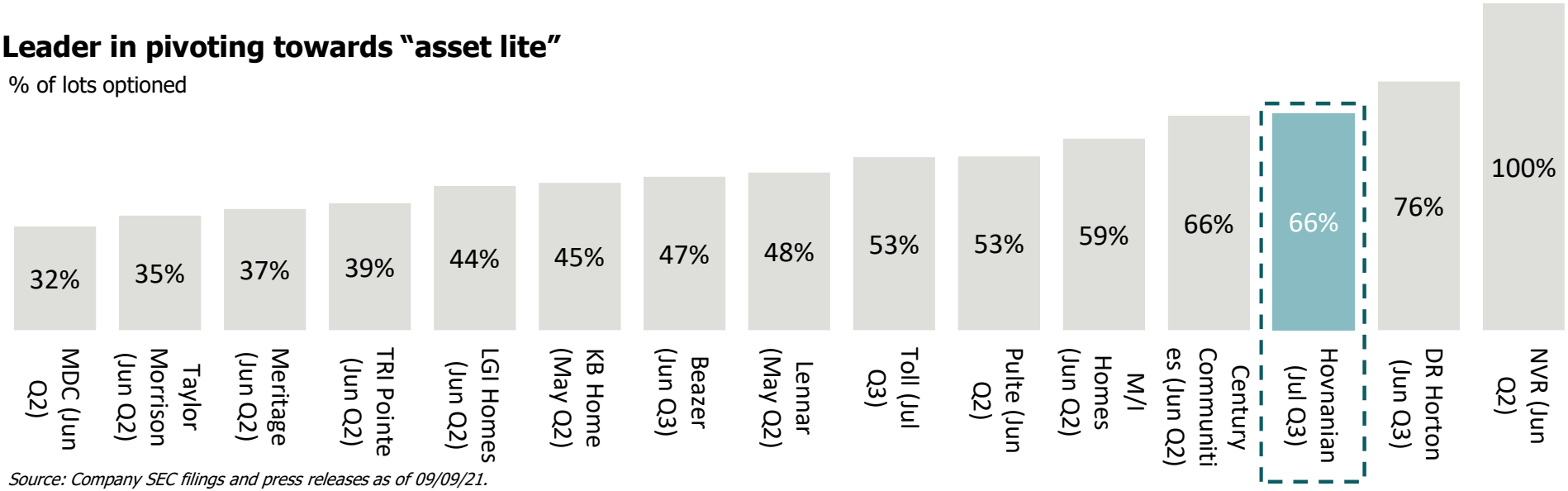
Ample inventory reinvestment

Land and land development spend
($ in millions)



Leader in pivoting towards "asset lite"

% of lots optioned

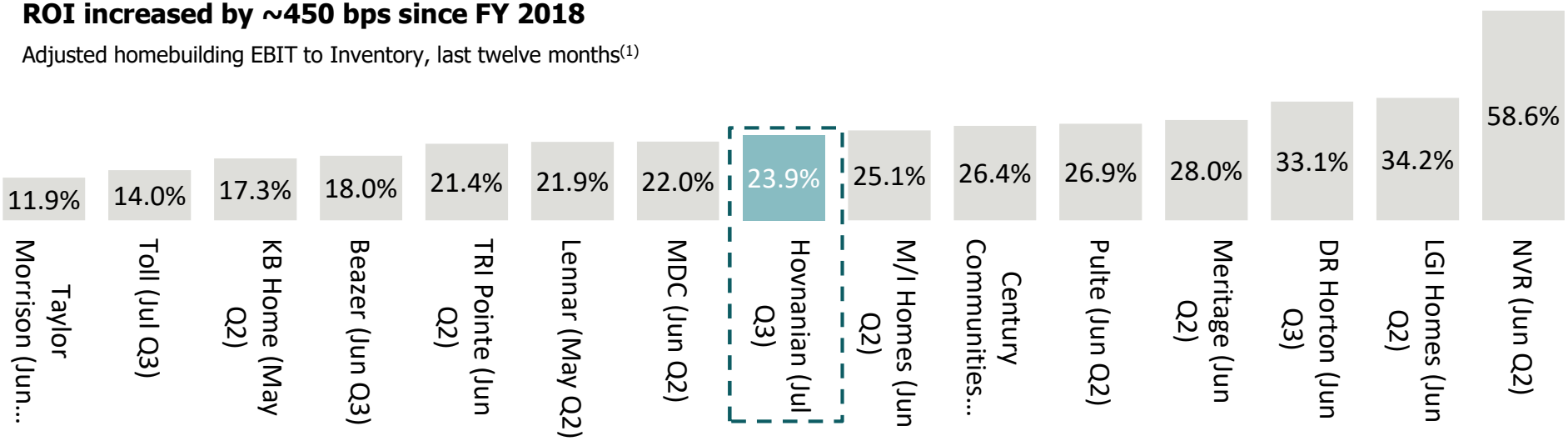


Source: Company SEC filings and press releases as of 09/09/21.
Notes: Excludes unconsolidated joint ventures.
Option deposits and pre-development expenses refers to consolidated optioned lots.
Excludes our single community unconsolidated joint venture in the Kingdom of Saudi Arabia.
(1) Represents total lots controlled (owned + optioned) / LTM unit closings.

Strong returns driven by rapid inventory turns and lot options

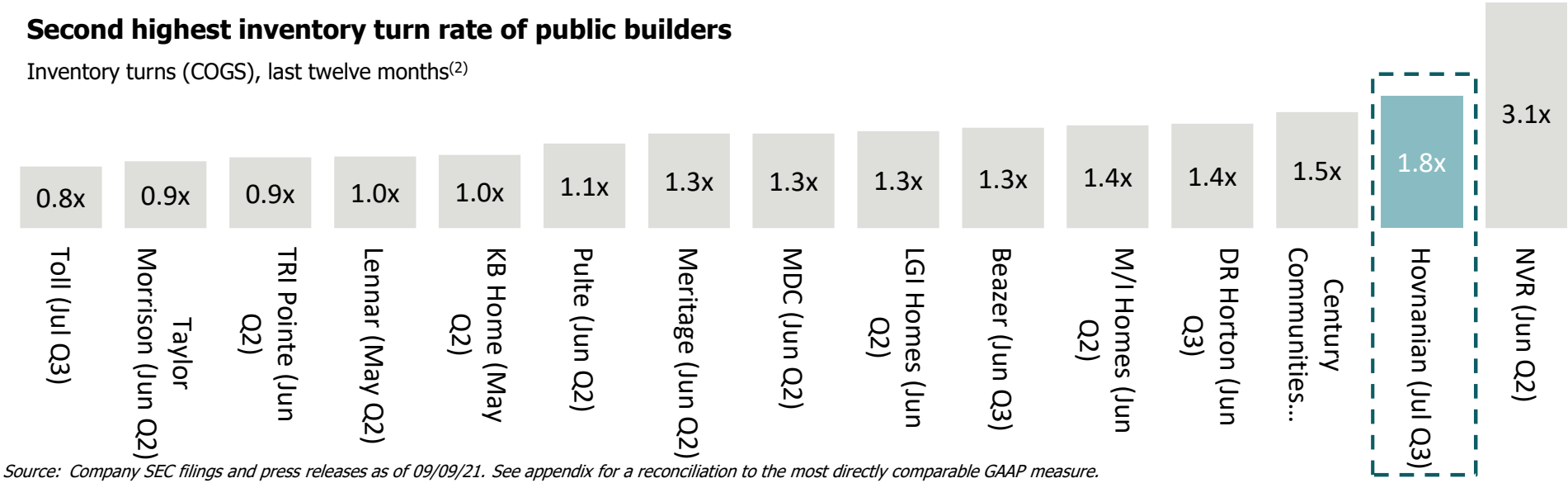
ROI increased by ~450 bps since FY 2018

Adjusted homebuilding EBIT to Inventory, last twelve months[1]



Second highest inventory turn rate of public builders

Inventory turns (COGS), last twelve months[2]



Source: Company SEC filings and press releases as of 09/09/21. See appendix for a reconciliation to the most directly comparable GAAP measure.

(1) 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.

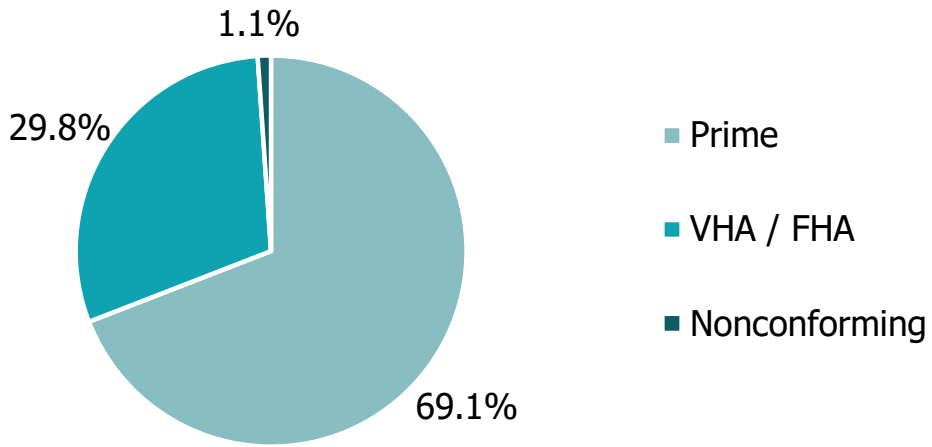
(2) Inventory turns derived by dividing cost of sales, excluding capitalized interest, by the five quarter average homebuilding inventory, excluding inventory not owned and capitalized interest.

Highly profitable financial services business

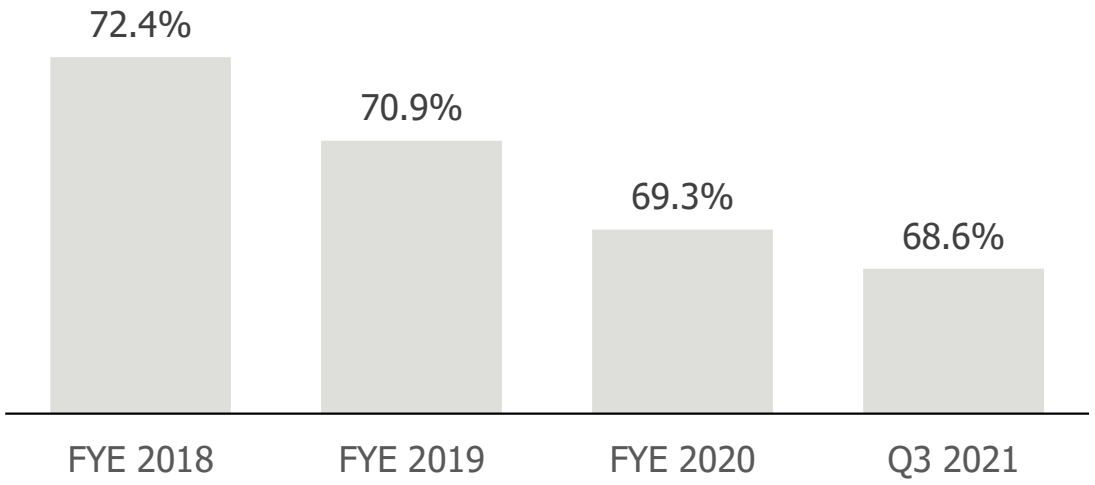
Financial services overview

- Complements HOV's homebuilding operations
- Provides mortgage originations in every state in which Hovnanian operates and title services in most states
- $84mm LTM revenues
- $40mm LTM operating income
- 48% LTM operating margin

Origination portfolio in FY 2020



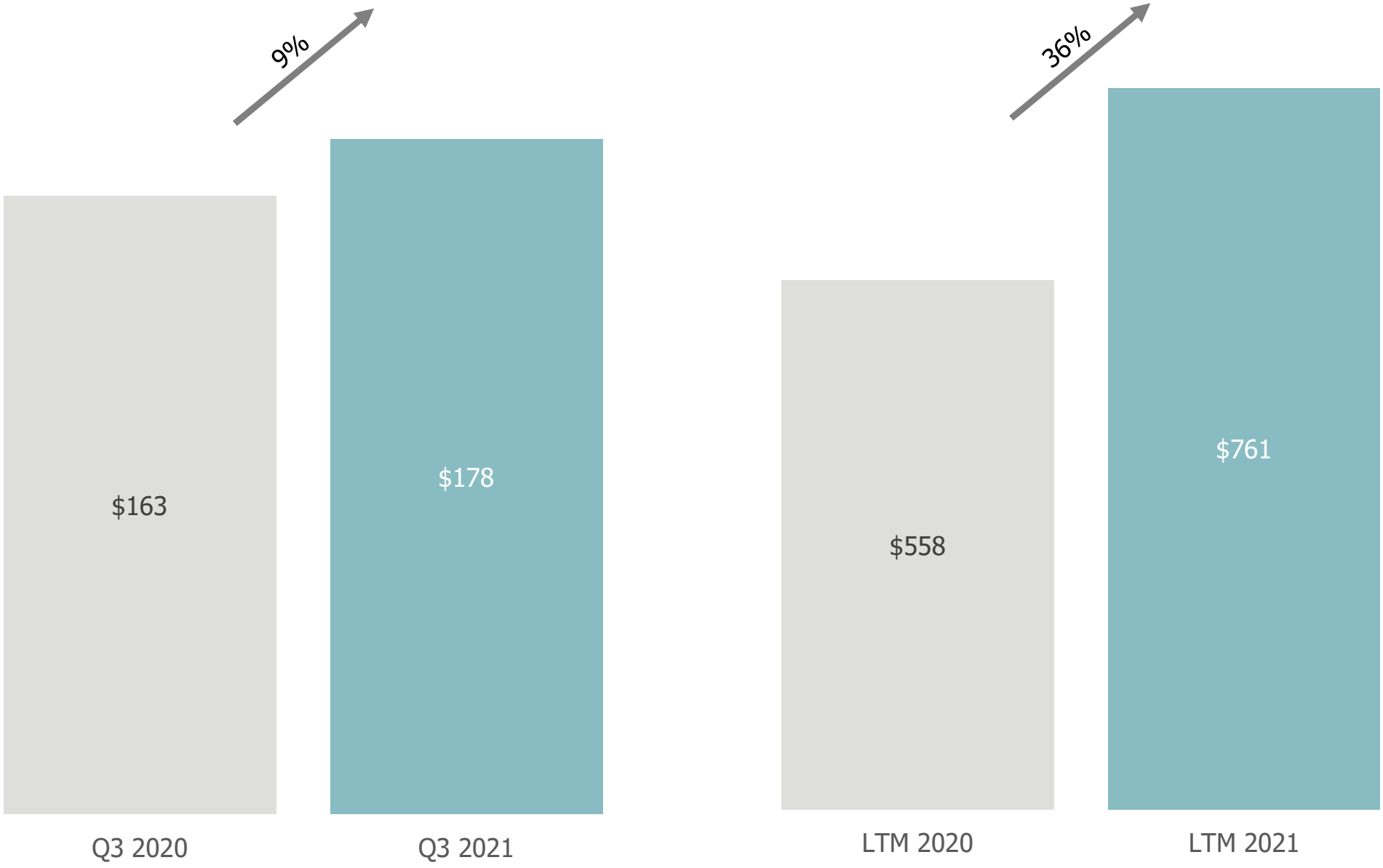
Financial services capture rate



Note: Last twelve months (LTM) through July 31, 2021.

Land and Land Development Spend

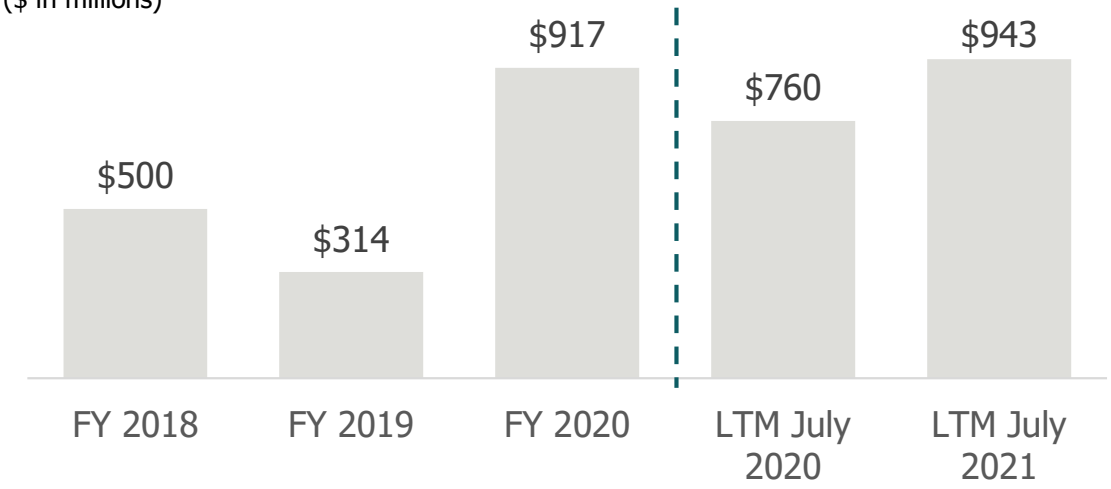
($ in millions, unless specified otherwise)



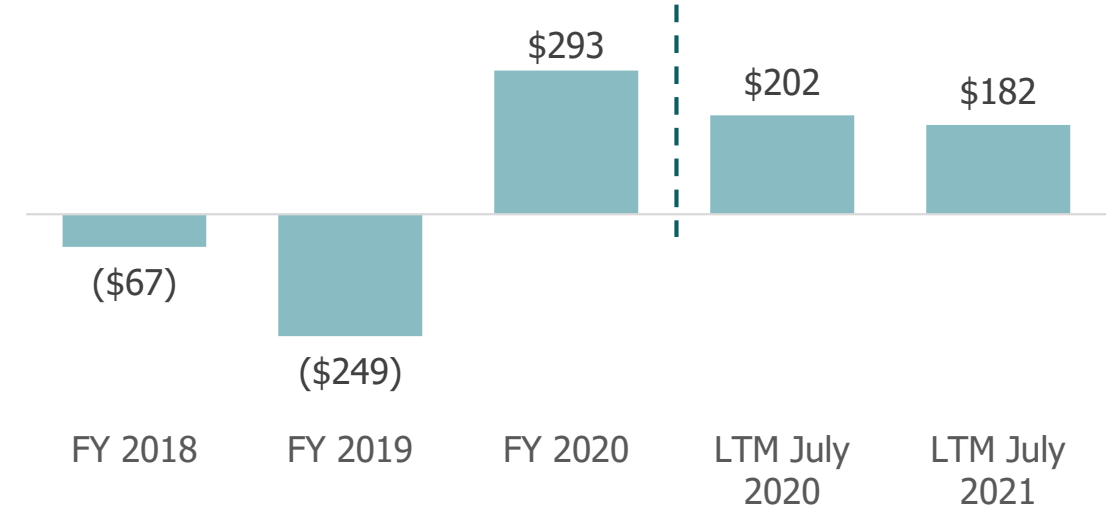
Significant cash flow generation

- Generated $1.7 billion of net operating cash flows before land and land development over the past three years
- ~$300 million of net operating cash flow in 2020 after two years of outflows
- Strong y-o-y uplift in underlying operating cash flow before land and land development, facilitating additional $36mm of land investment in first nine months of 2021 versus first nine months of 2020
- Significant operating cash generation before land and land development expected in H2 2021, consistent with historic seasonality
- Cash flow ramp provides optionality to retire debt

Net operating cash flow before land and land development spend
($ in millions)



Net operating cash flow — reported
($ in millions)

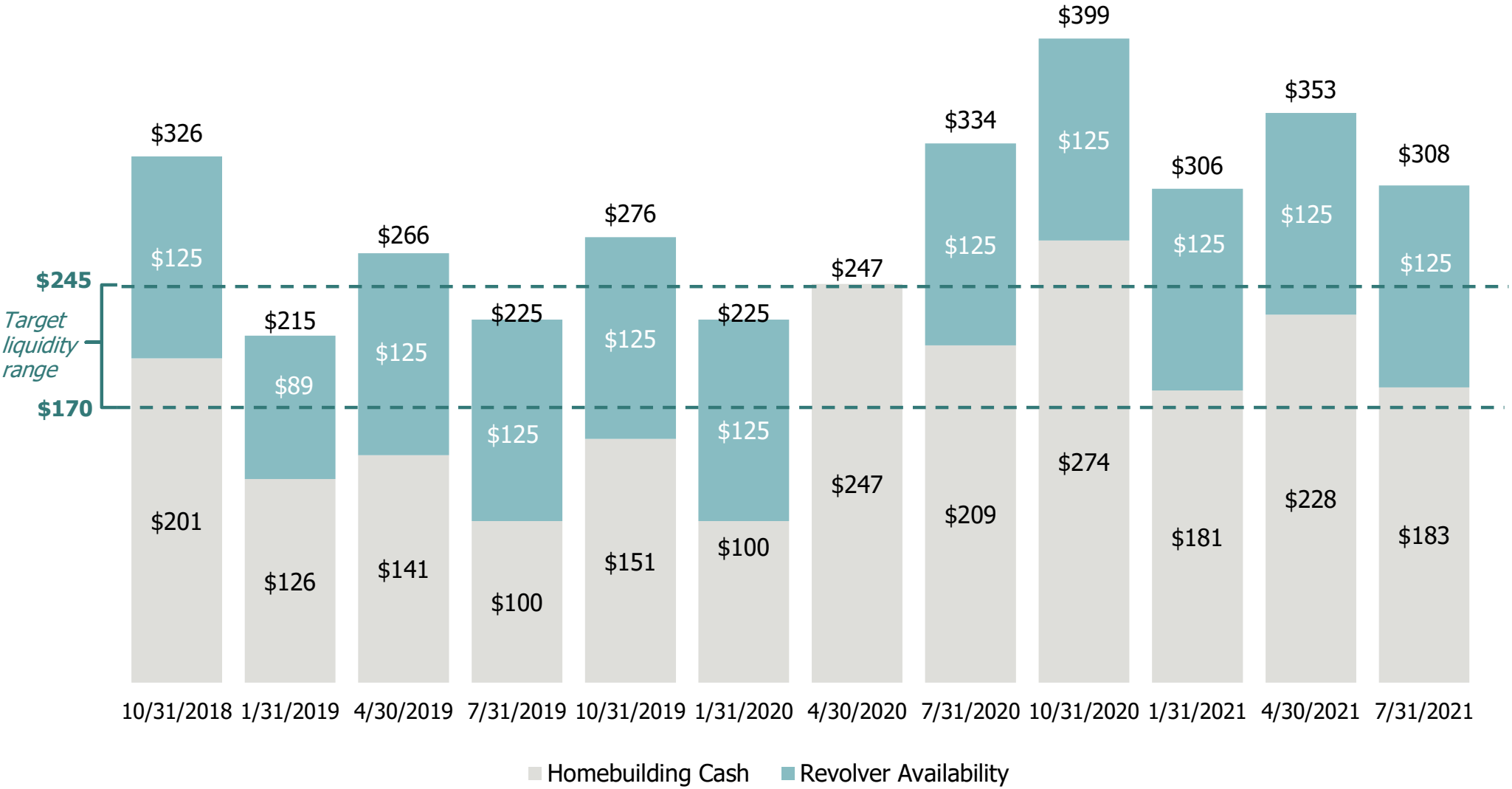


Liquidity and balance sheet management

Liquidity Position and Target

Hovnanian Enterprises, Inc.

($ 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.

Focused on deleveraging and enhancing our debt structure

Hovnanian Enterprises, Inc.

Strategy

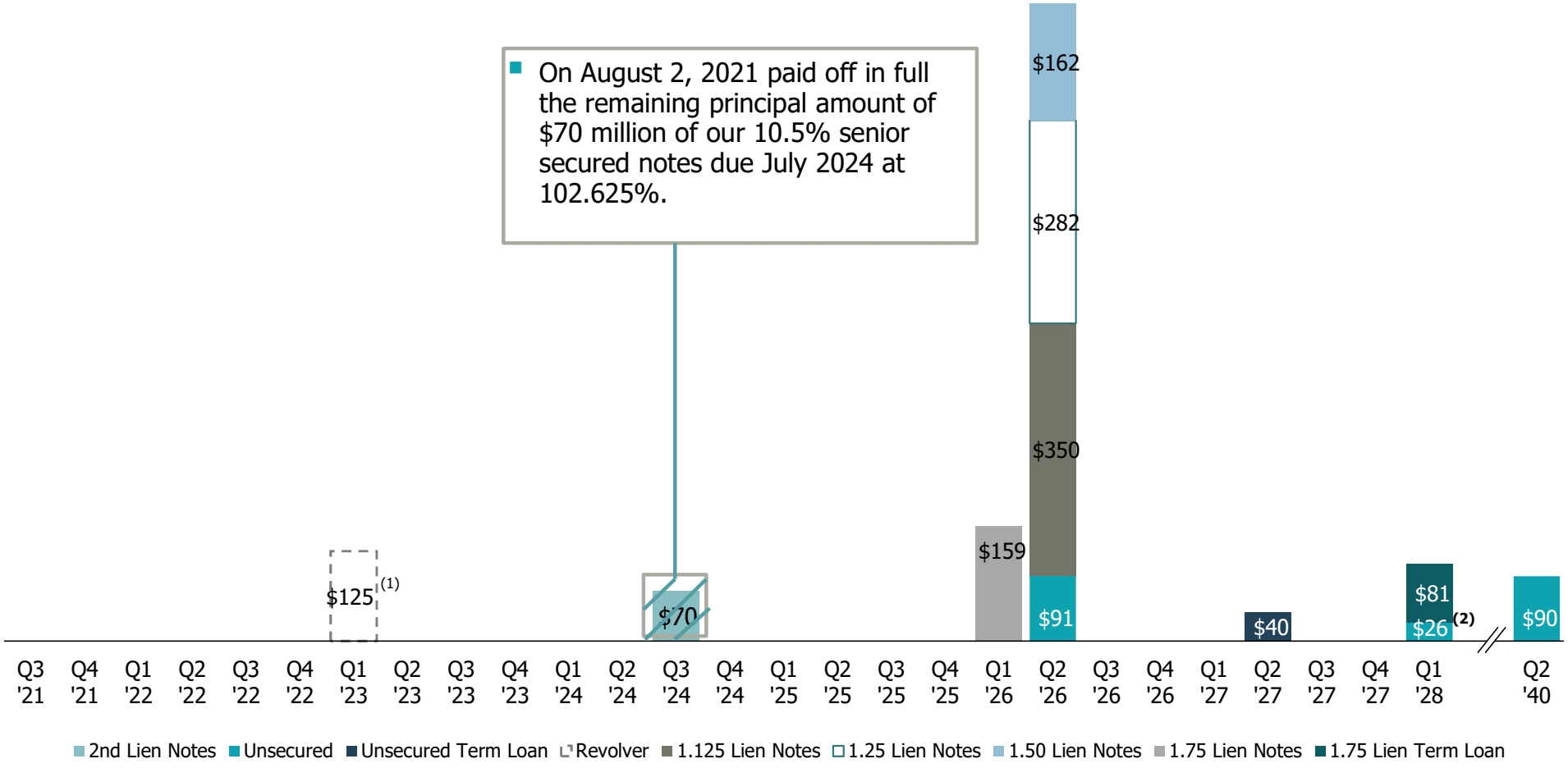
- ✓ Deleverage through debt repayment and growth in earnings
- ✓ Paid off 2022 and 2024 notes
- ✓ Multi-year, well-laddered debt maturity structure
- ✓ Proactively refinance high cost of debt at upcoming call dates
- ✓ Issue future note tranches in sizes to achieve HY index inclusion, secondary market liquidity and price transparency
- ✓ Reduce reliance on secured debt; unencumber balance sheet

Bond and loan composition as of 7/31/21

			Call schedule	
Tranche	**Coupon**	**Current principal balance**	**Call price**	**Next date**
Secured:				
Senior notes due 2026 (1.125 lien)	7.75%	$350	103.875	2/15/2022
Senior notes due 2026 (1.25 lien)	10.50%	282	105.250	2/15/2022
Senior notes due 2026 (1.5 lien)	11.25%	162	100.000	NA
Senior notes due 2025 (1.75 lien)	10.00%	159	105.000	11/15/2021
Term loan due 2028 (1.75 lien)	10.00%	81	105.000	11/15/2021
~~Senior secured notes due 2022~~	~~10.00%~~	~~111~~	~~100.000~~	~~7/15/2021~~
~~Senior secured notes due 2024~~	~~10.50%~~	~~70~~	~~102.625~~	~~7/15/2021~~
Unsecured:				
Unsecured notes due 2026	13.50%	$91	100.000	2/1/2025
Unsecured term loan due 2027	5.00%	40	100.000	NA
Unsecured notes due 2040	5.00%	90	100.000	2/1/2021

Extended maturity profile with near term debt repayments

As of July 31, 2021



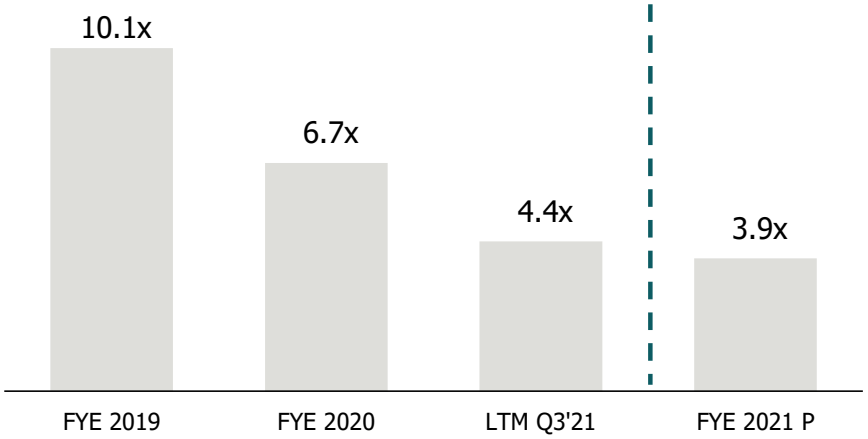
Multiple, privately negotiated transactions in FY 2019 and FY 2020 provided significant runway to fiscal 2026

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.

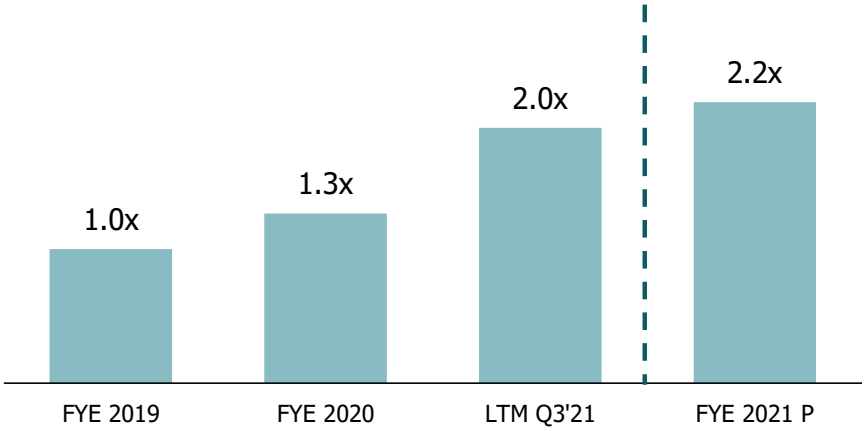
Key credit metrics

Hovnanian Enterprises, Inc.

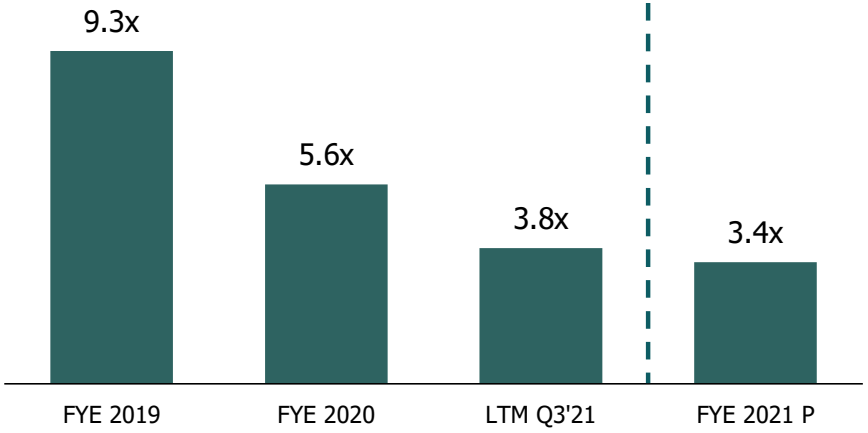
Total debt (incl. mortgages) / Adj. EBITDA



Adjusted EBITDA / interest incurred

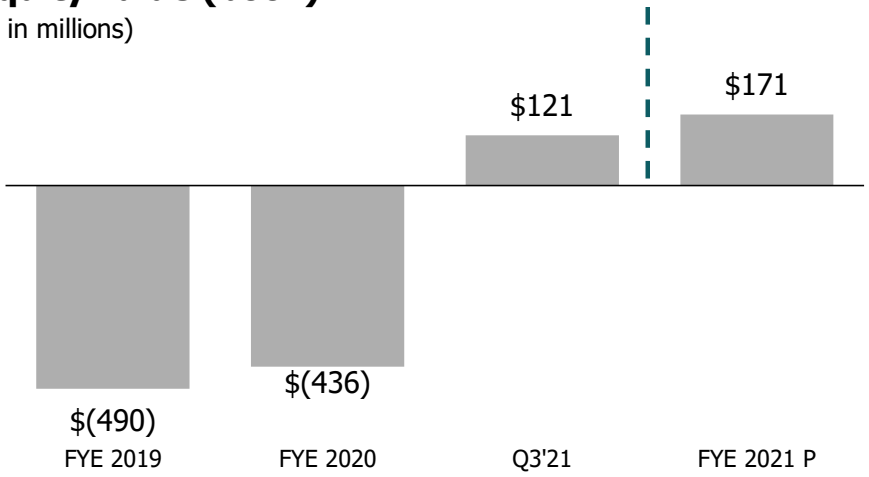


Net debt (incl. mortgages) / Adj. EBITDA



Equity value (book)

($ in millions)

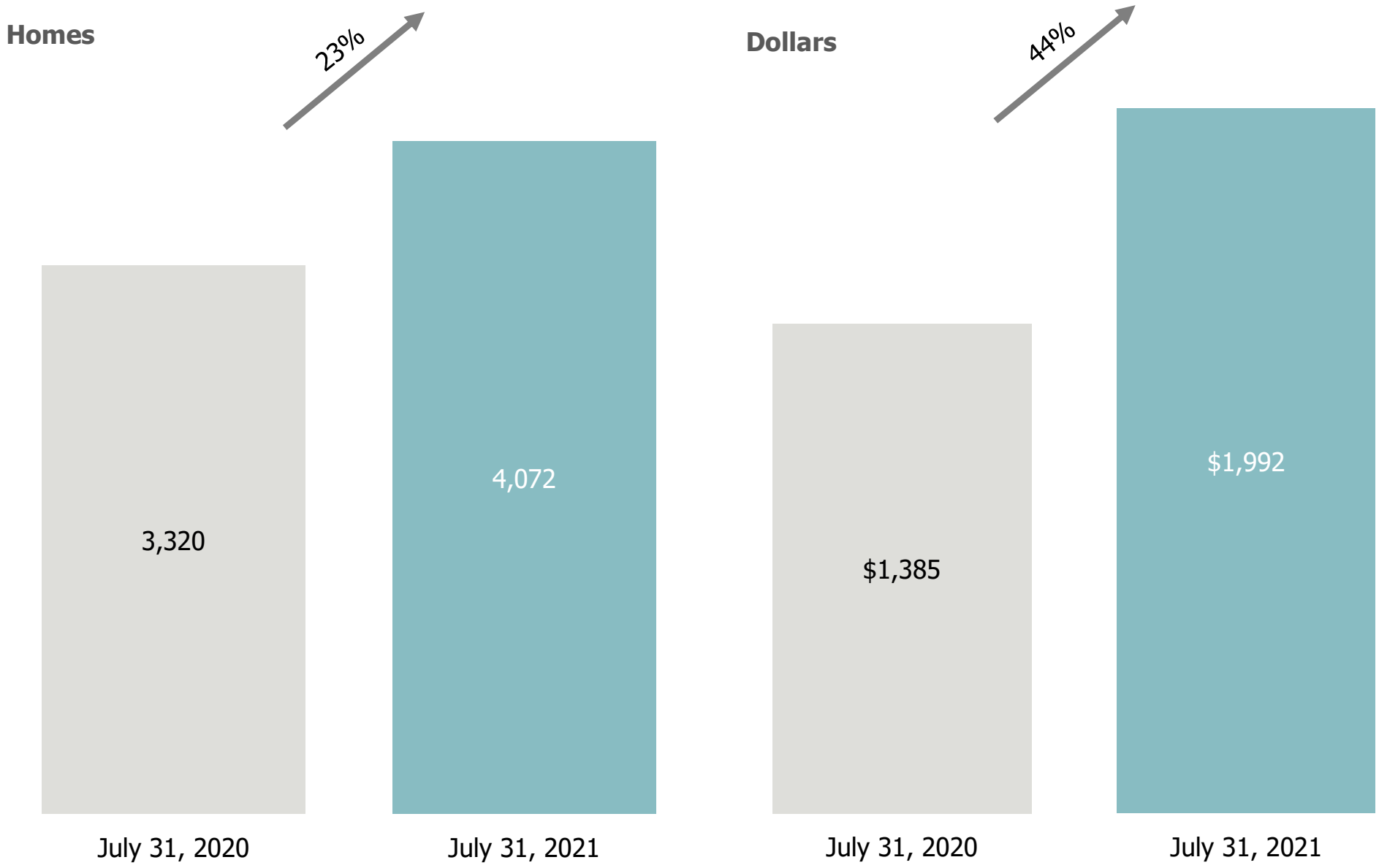


Note: For purposes of the FYE 2021 projection calculations on this slide:

- *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.*

Backlog

($ in millions)



Note: Includes domestic unconsolidated joint ventures.

Guidance

Guidance for Fourth Quarter 2021

Hovnanian Enterprises, Inc.

($ 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

Hovnanian Enterprises, Inc.

($ 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**

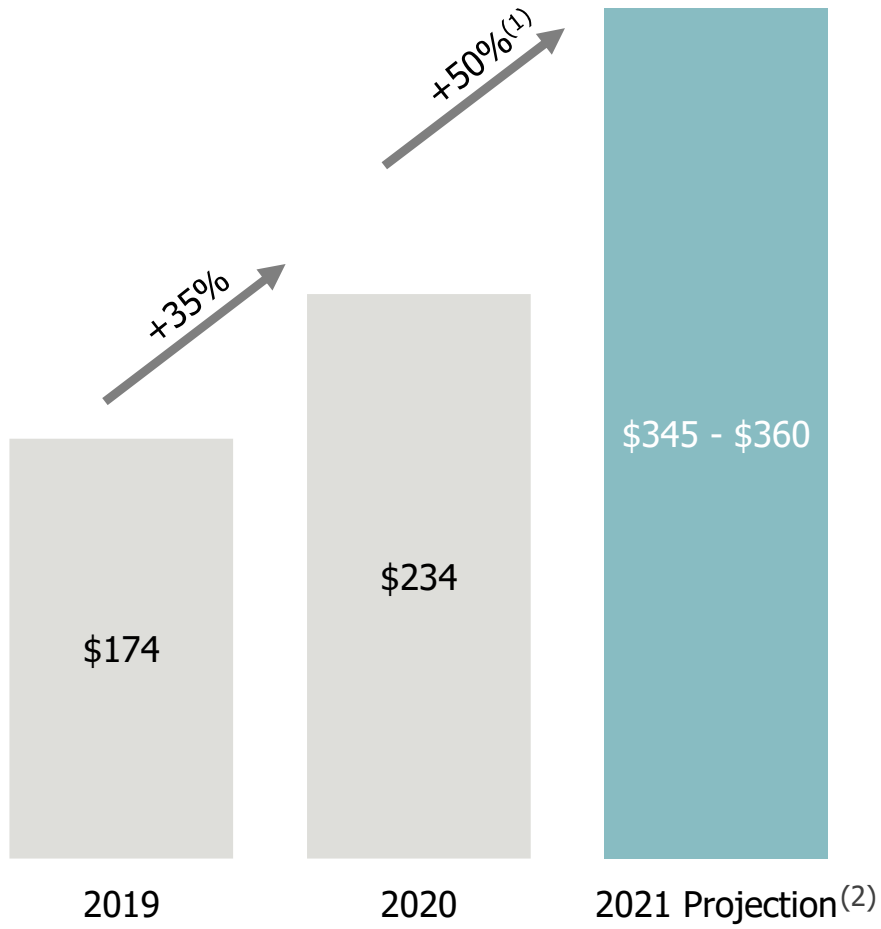
(1) The Company cannot provide a reconciliation between its non-GAAP projections and the most directly comparable GAAP measures without unreasonable efforts because it is unable to predict with reasonable certainty the ultimate outcome of certain significant items required for the reconciliation. These 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)

Fourth Quarter Adjusted EBITDA

Annual Adjusted EBITDA



(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.

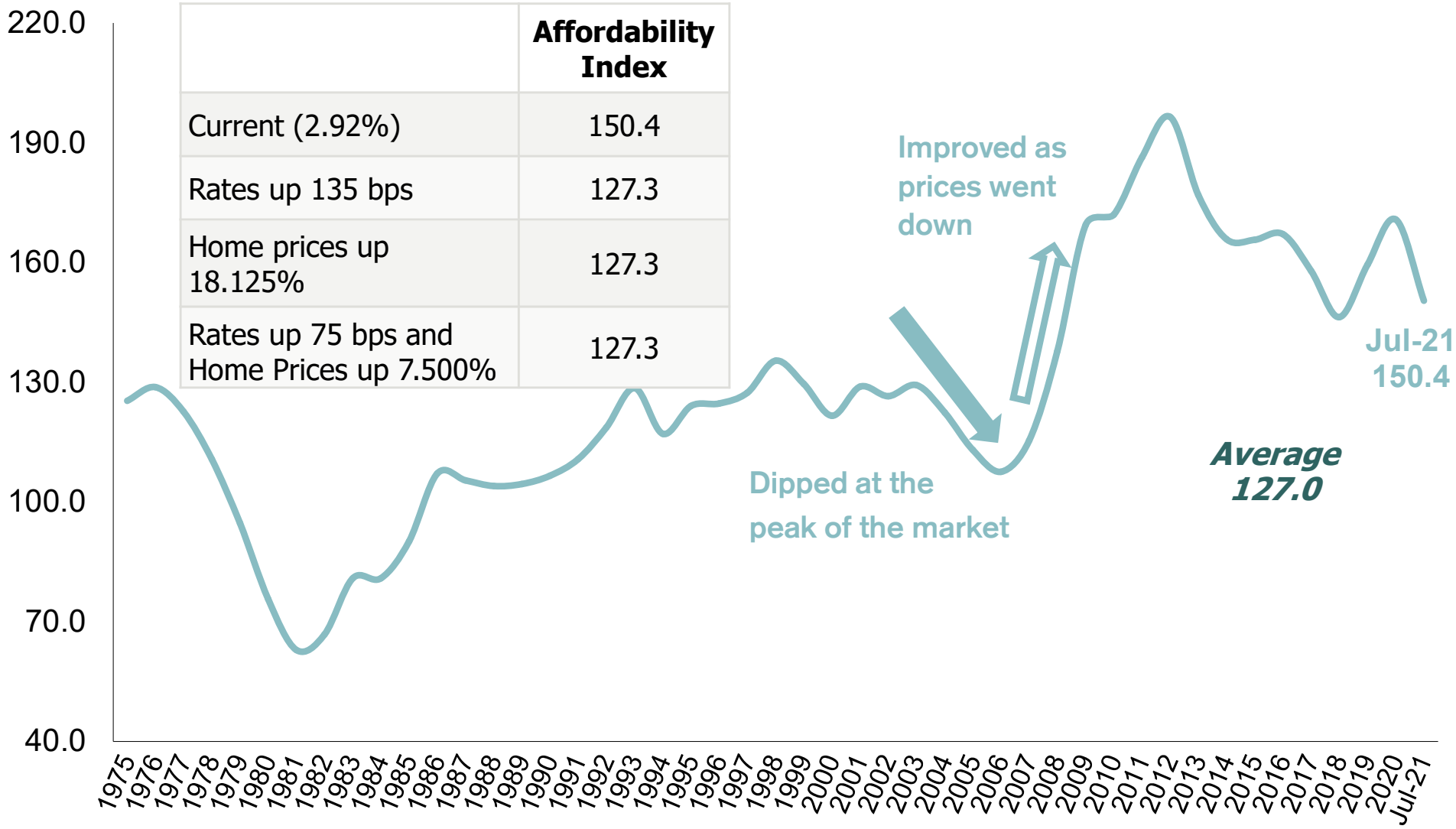
US Housing Market

Affordability Index

Hovnanian Enterprises, Inc.

"The higher the affordability Index the better."

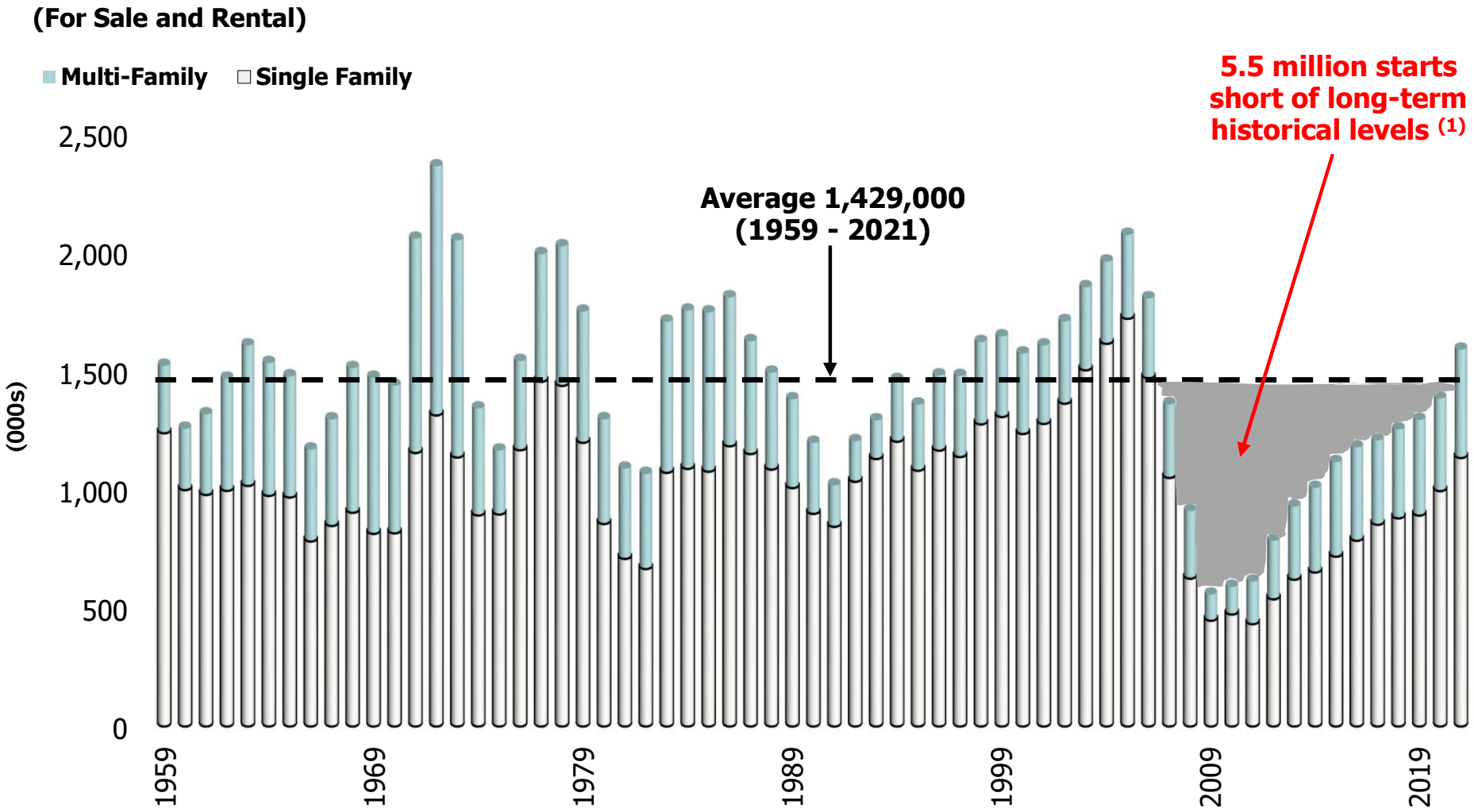
	Affordability Index
Current (2.92%)	150.4
Rates up 135 bps	127.3
Home prices up 18.125%	127.3
Rates up 75 bps and Home Prices up 7.500%	127.3



Note: Based on a 25% qualifying ratio for monthly housing expense to gross monthly income with a 20% down payment.

Source: NAR, Freddie Mac and US Census Bureau.

Recent shortfall in U.S. housing production

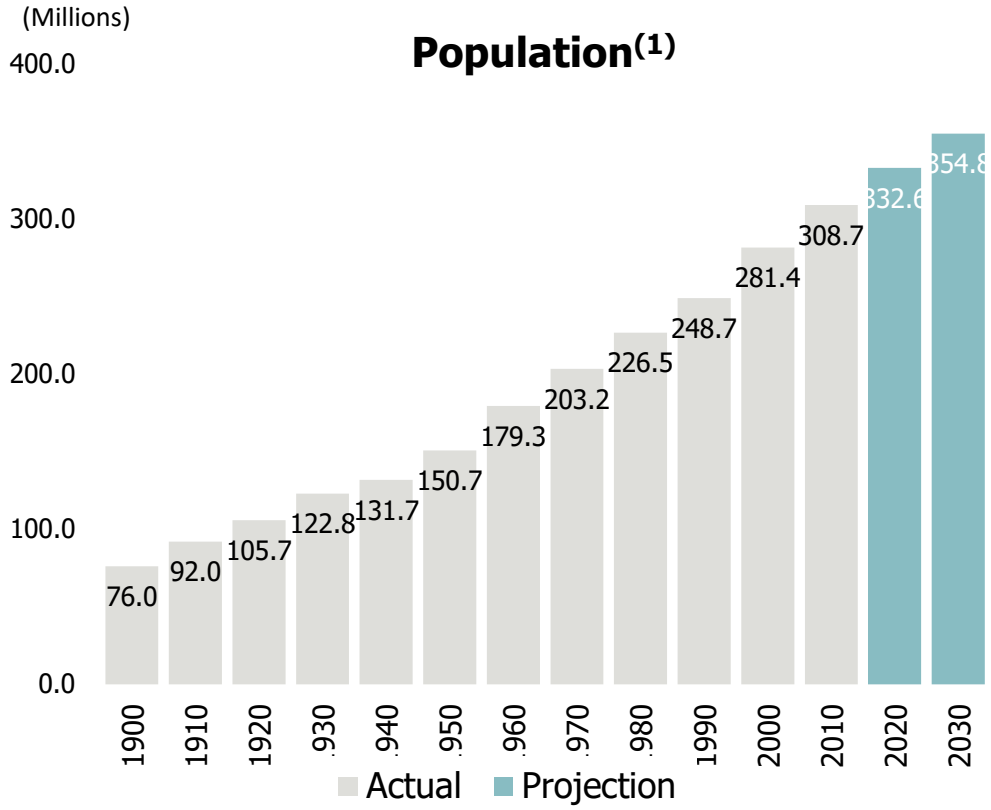


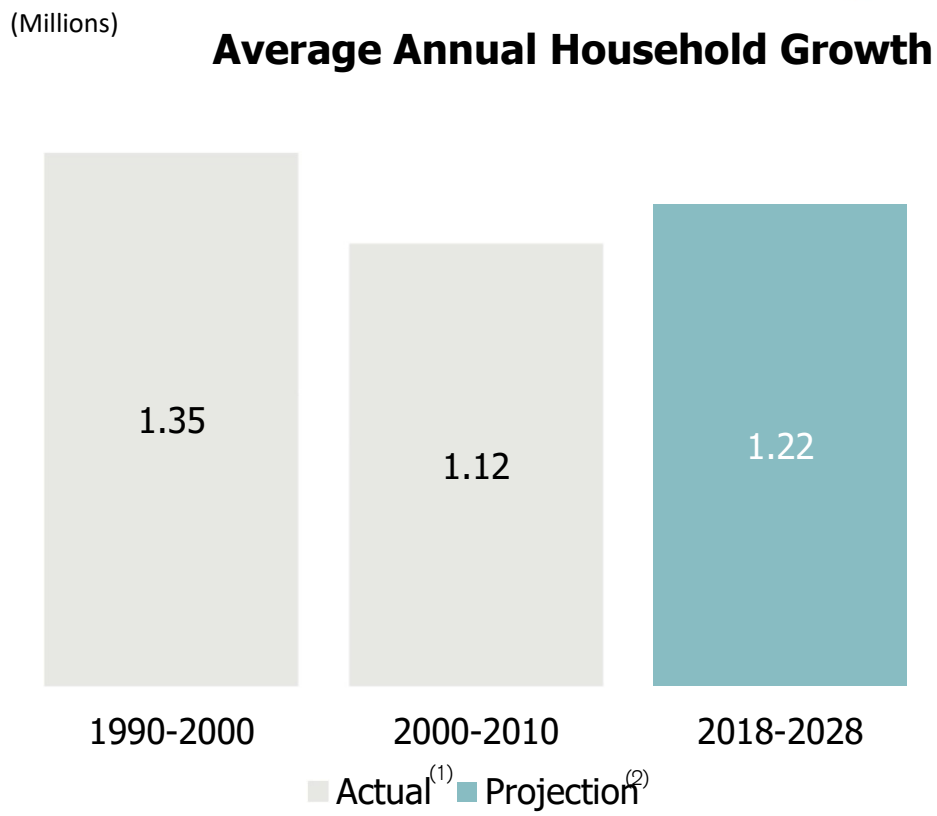
US Population								
In millions	132.2	151.3	179.3	203.2	226.5	248.7	281.4	308.7

Population Greater

Source: U.S. Census Bureau.
(1) Wall Street Journal article from June 16, 2021 referencing a new National Association of Realtors report.

Historical and Projected Annual Demand





Projected Annual Demand 2018 - 2028(2)

1.22 million household formations

0.17 million demolitions

0.12 million second homes and vacant units

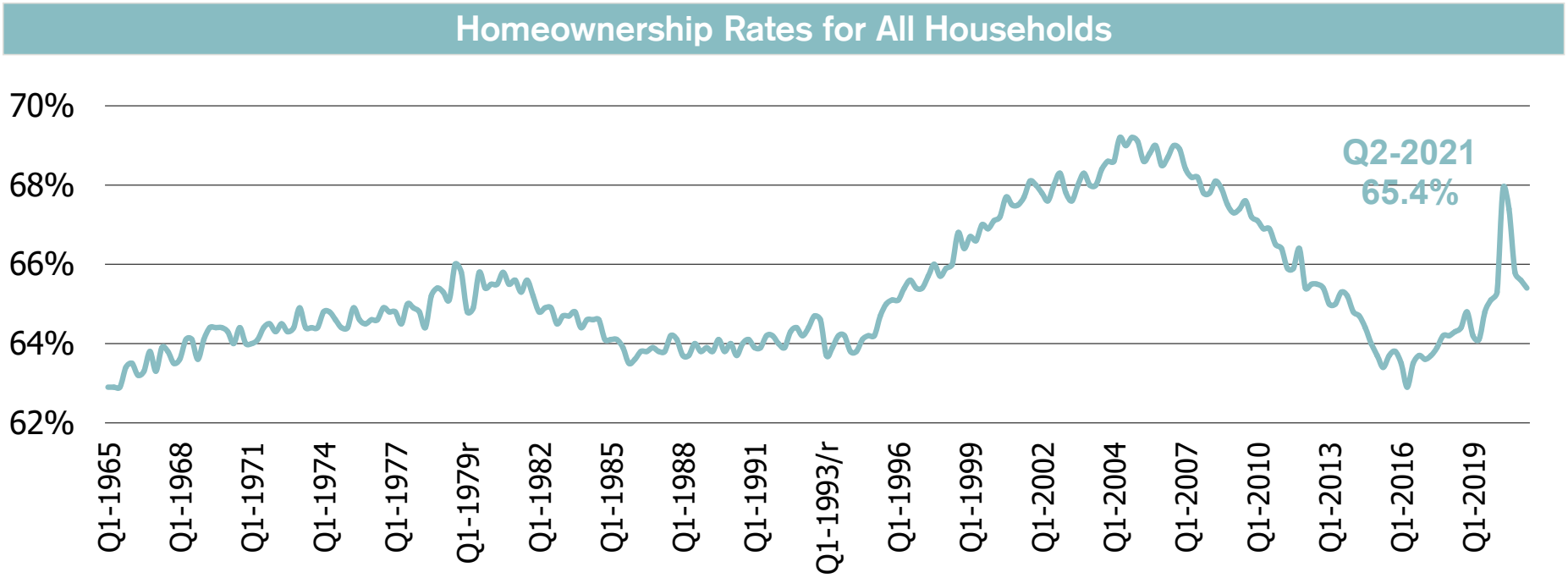
1.51 million new homes per year

U.S. Census Bureau

Joint Center for Housing Studies of Harvard University.

Homeownership Rates

Hovnanian Enterprises, Inc.



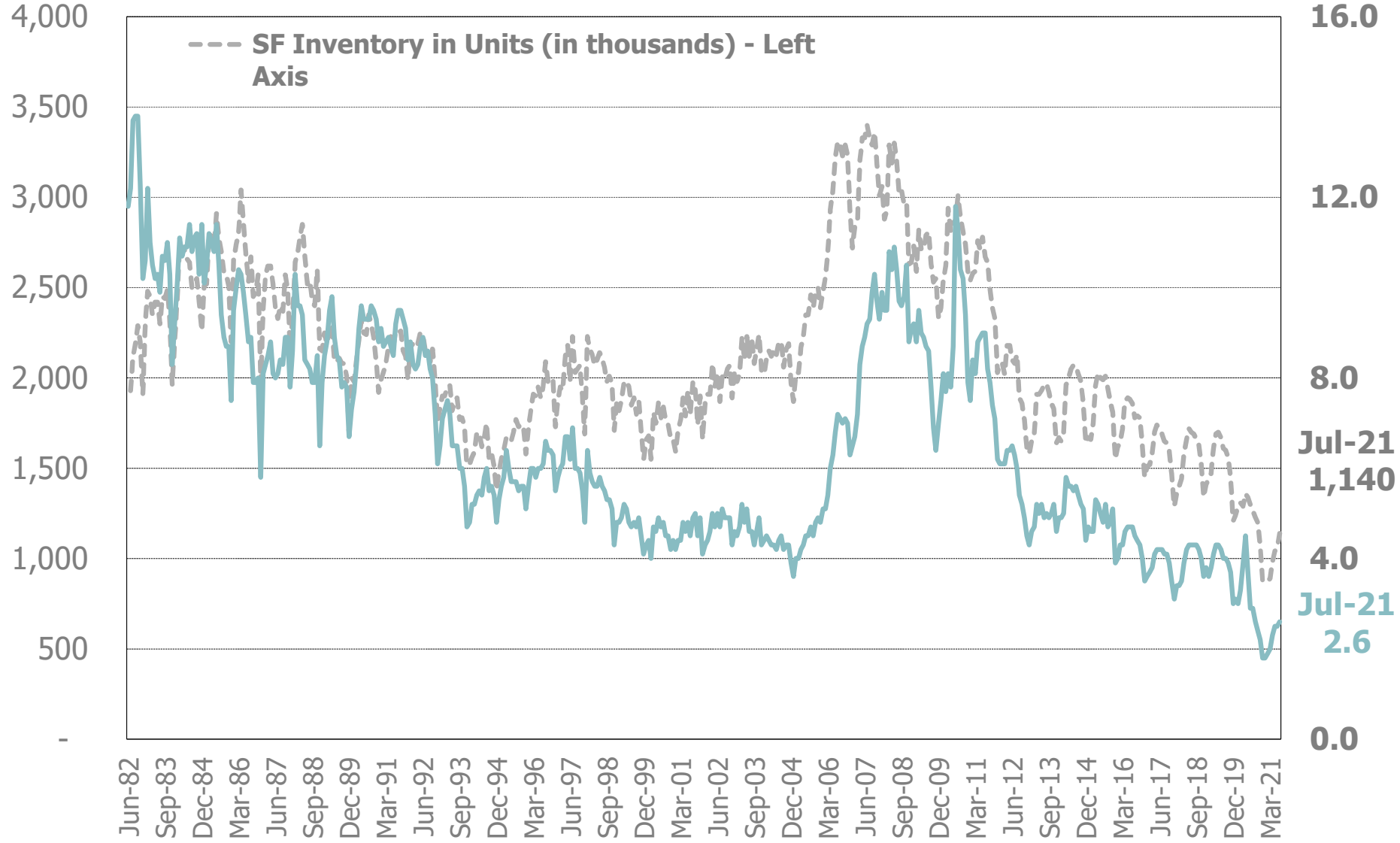
Homeownership Rates By Age of Householder 2020	
Under 35	38.5%
35 – 44	61.0%
45 – 54	69.8%
%55 – 64	76.0%
65 and over	80.2%

- **Homeownership rates increase with age**

Source: U.S. Census Bureau

Existing Single Family Inventory Versus Months' Supply - June 1982 through July 2021

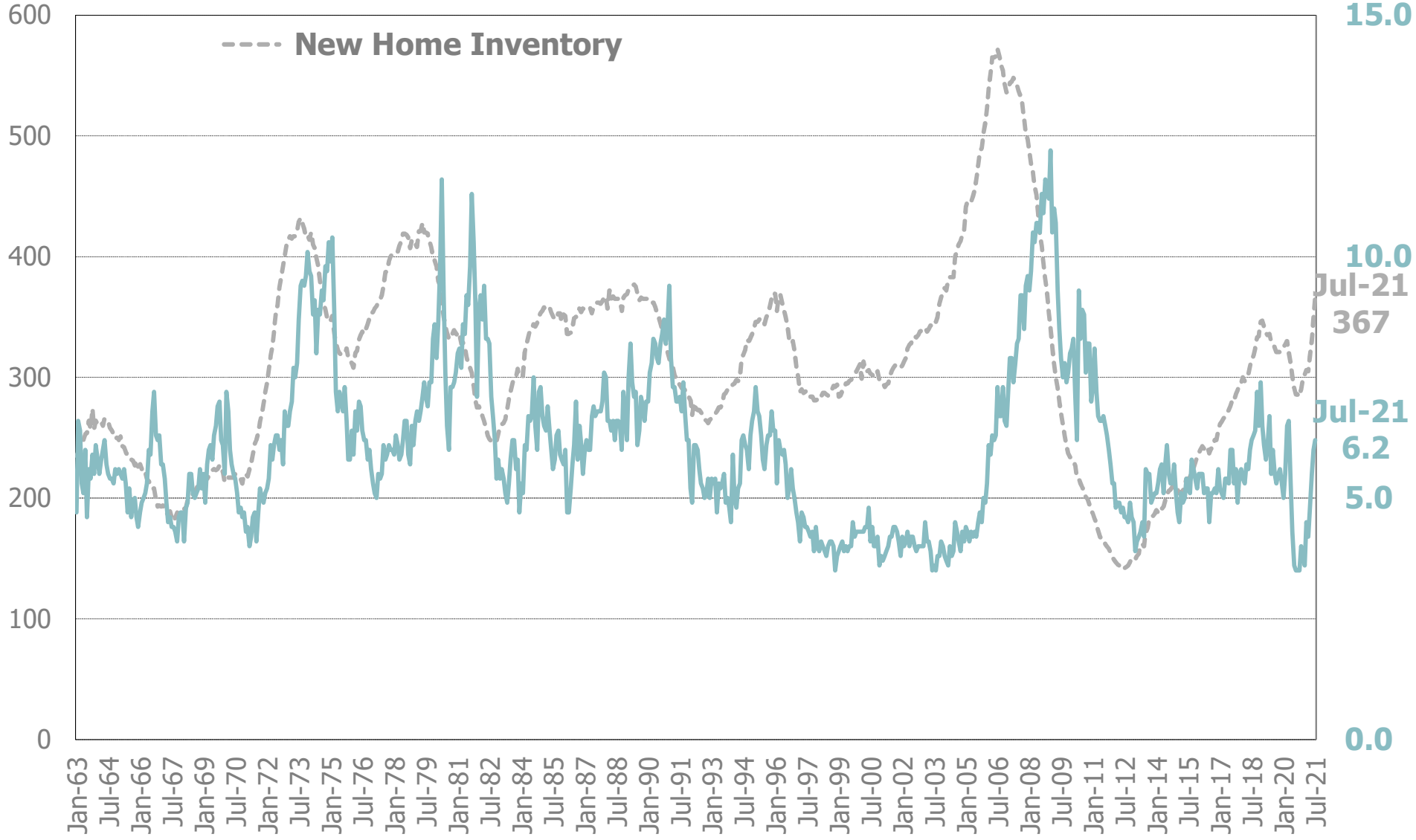
(Units in thousands)



Source: National Association of Realtors, Zelman & Associates analysis.

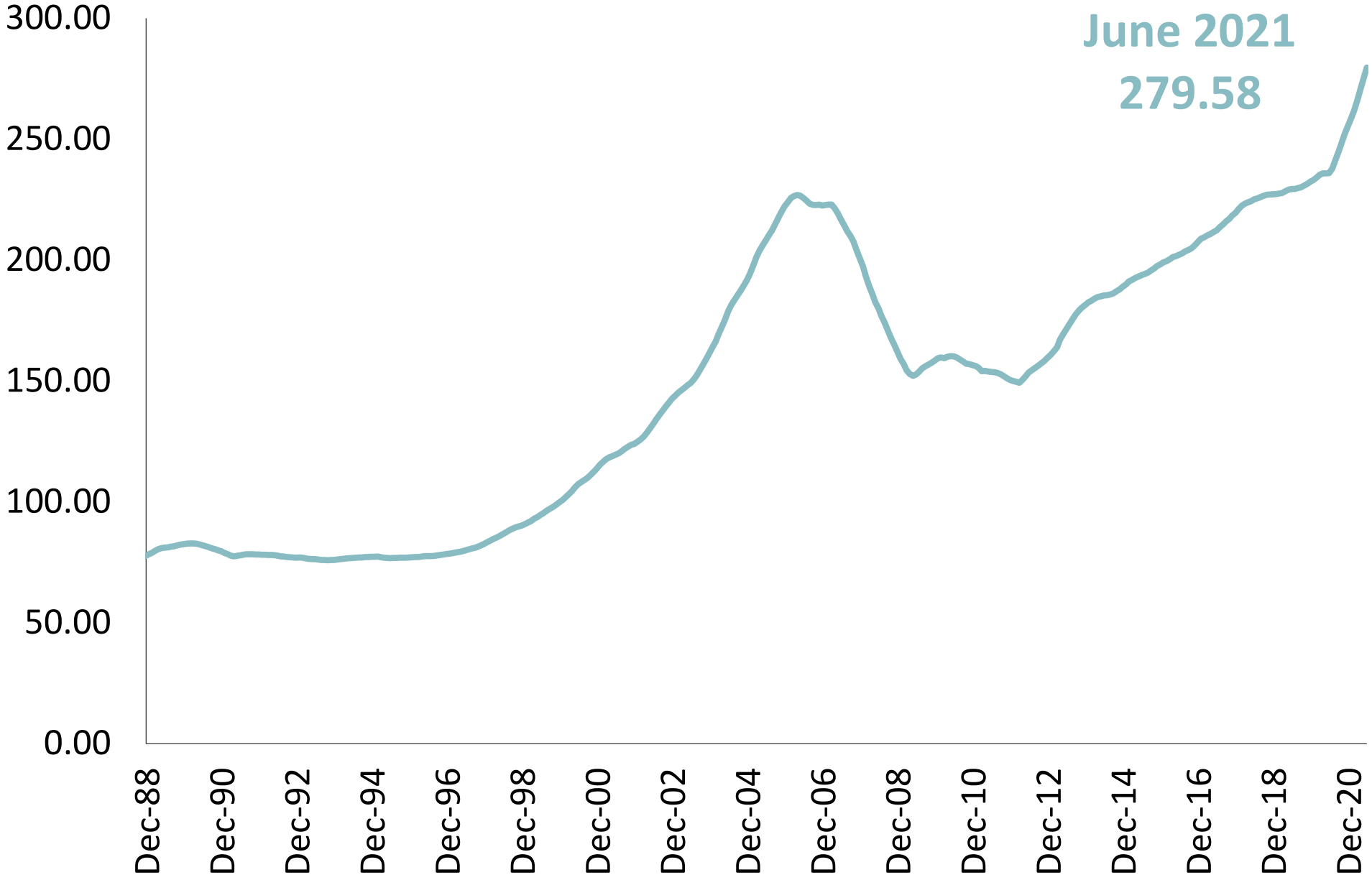
New Home Inventory Versus Months' Supply January 1963 through July 2021

(Units in thousands)



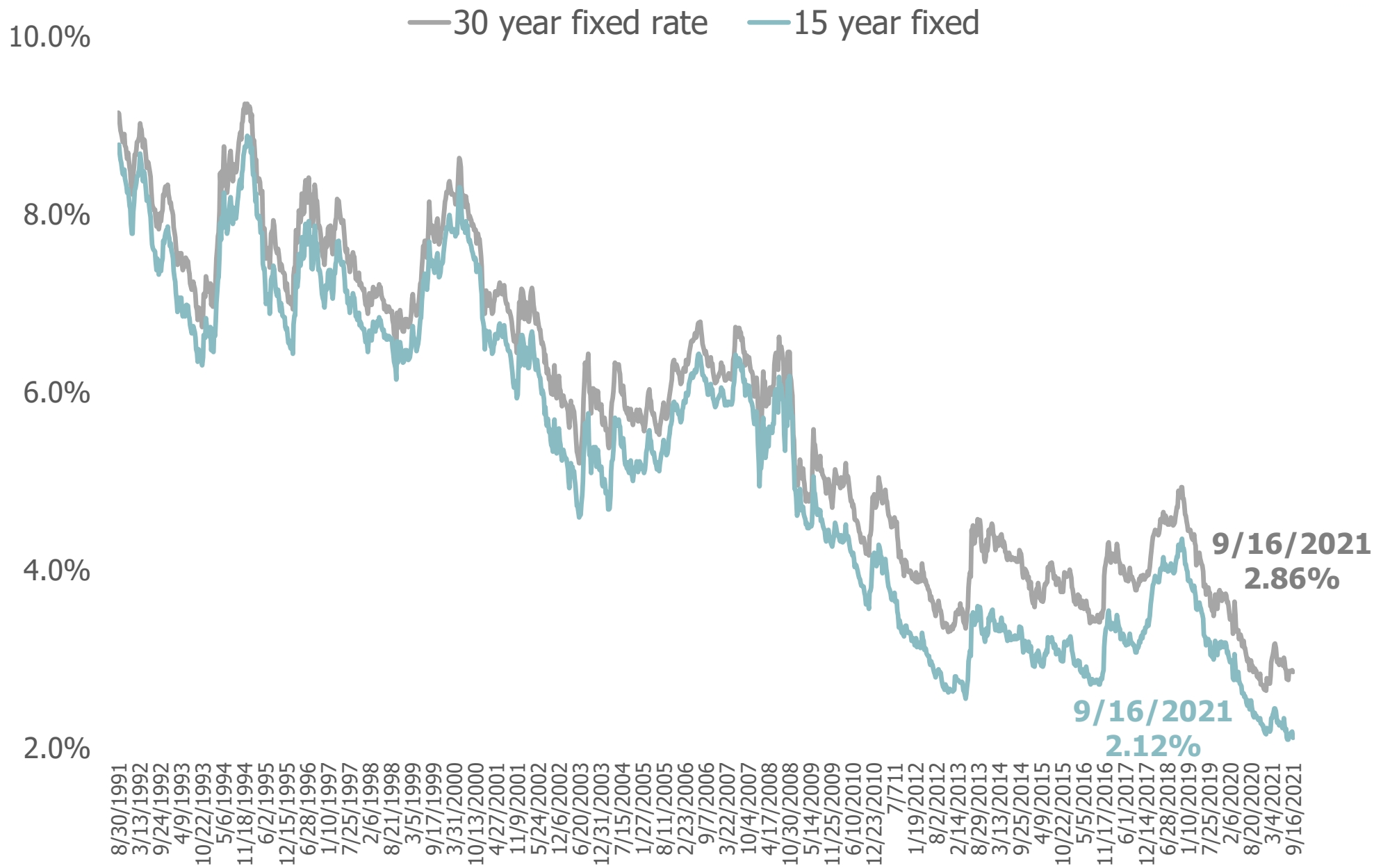
Source: Census Bureau, Zelman & Associates analysis.

Case-Shiller 10 City Composite Index



Source: S&P/Case-Shiller Home Price Indices – Seasonally Adjusted

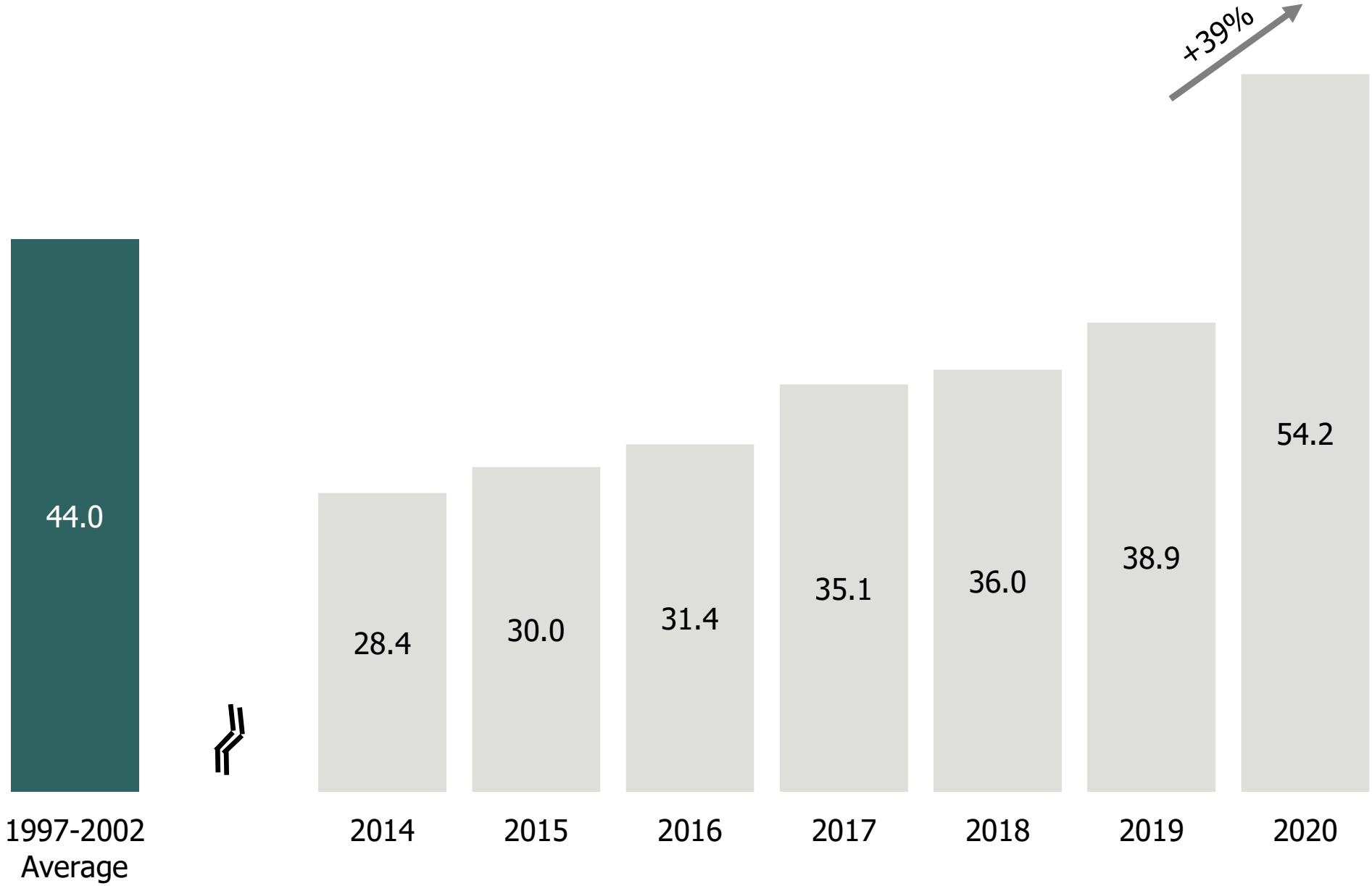
Mortgage Rates



Source: Freddie Mac.

Historical Performance

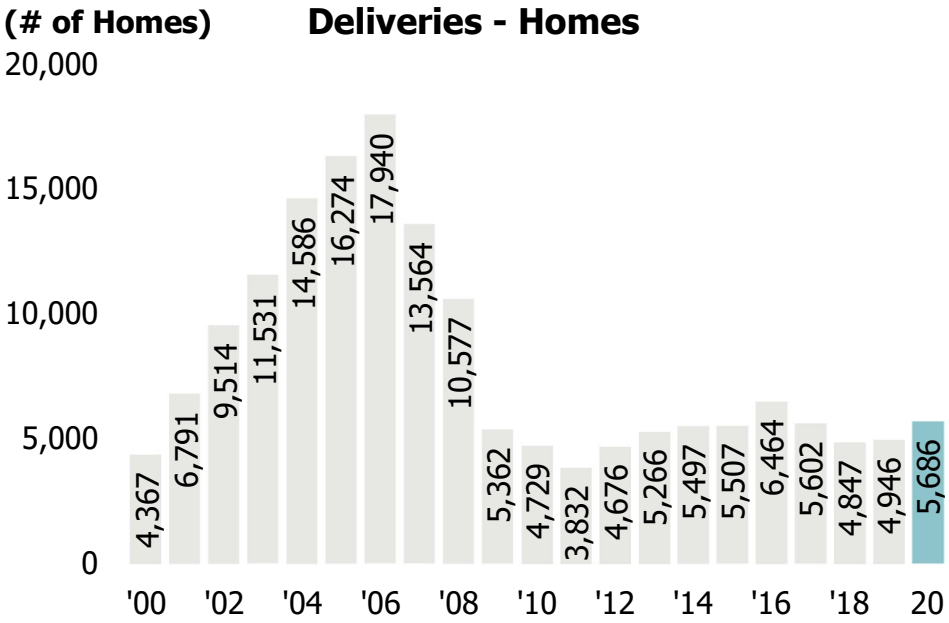
Annual Contracts Per Community

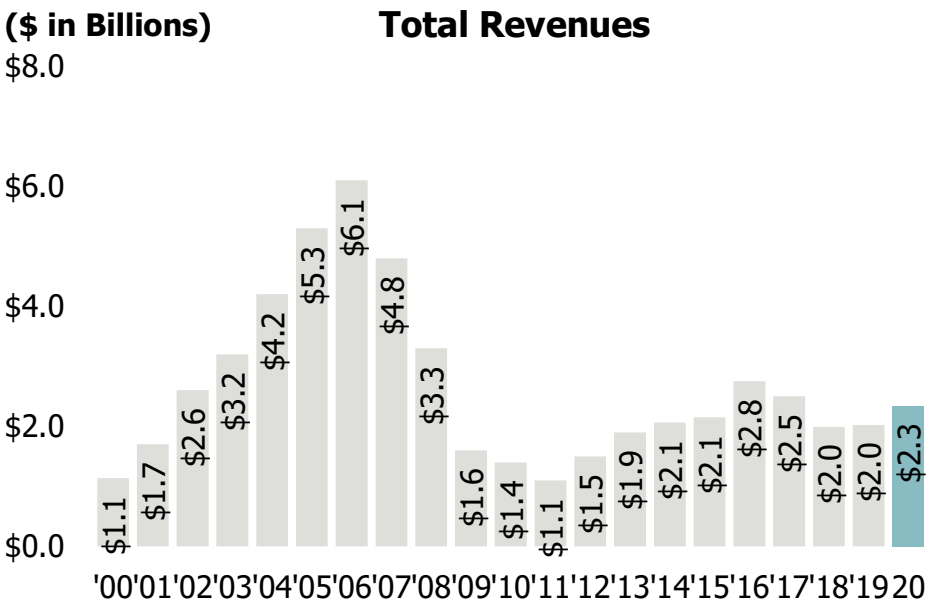


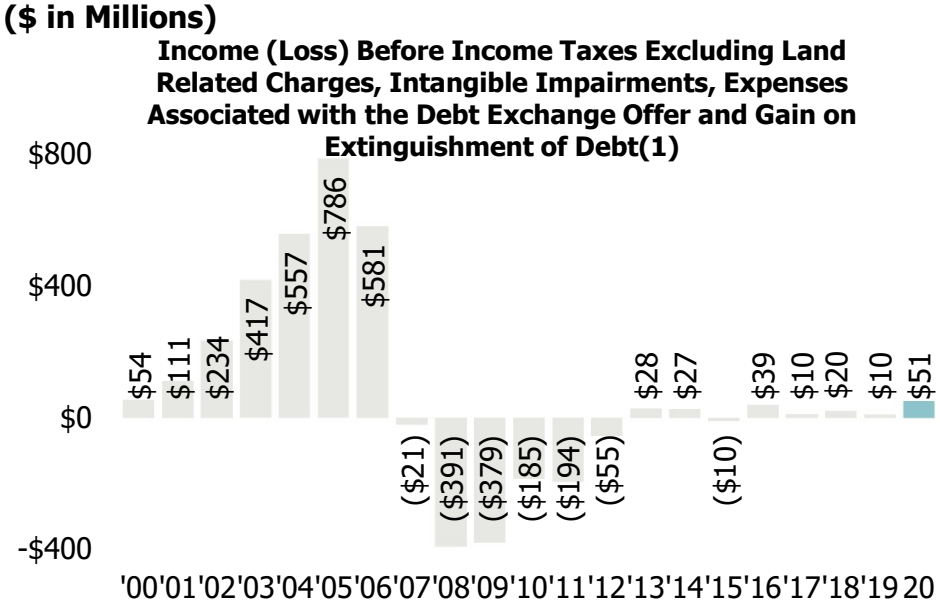
Note: Annual Contracts per Community calculated based on a five quarter average of communities, excluding joint ventures.

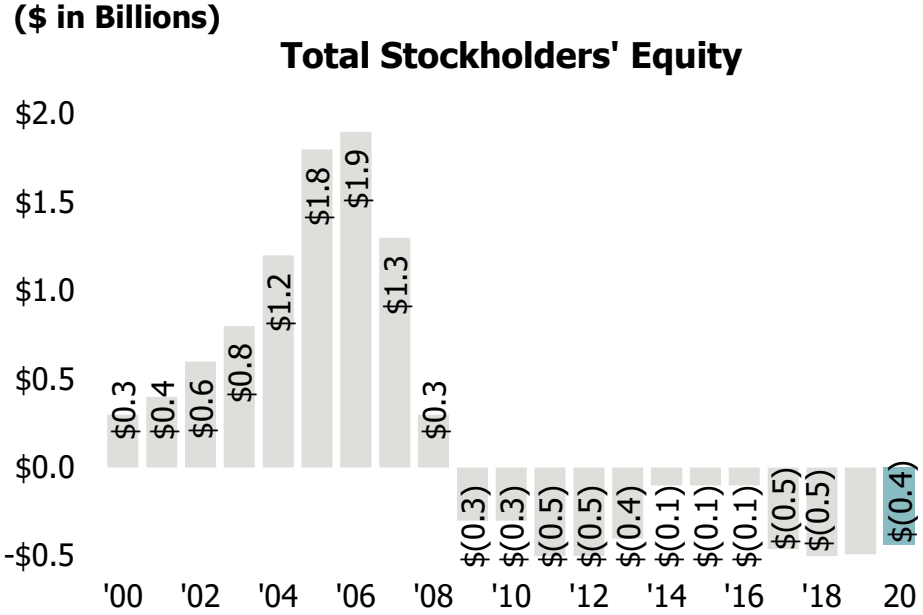
Historical Performance

Hovnanian Enterprises, Inc.



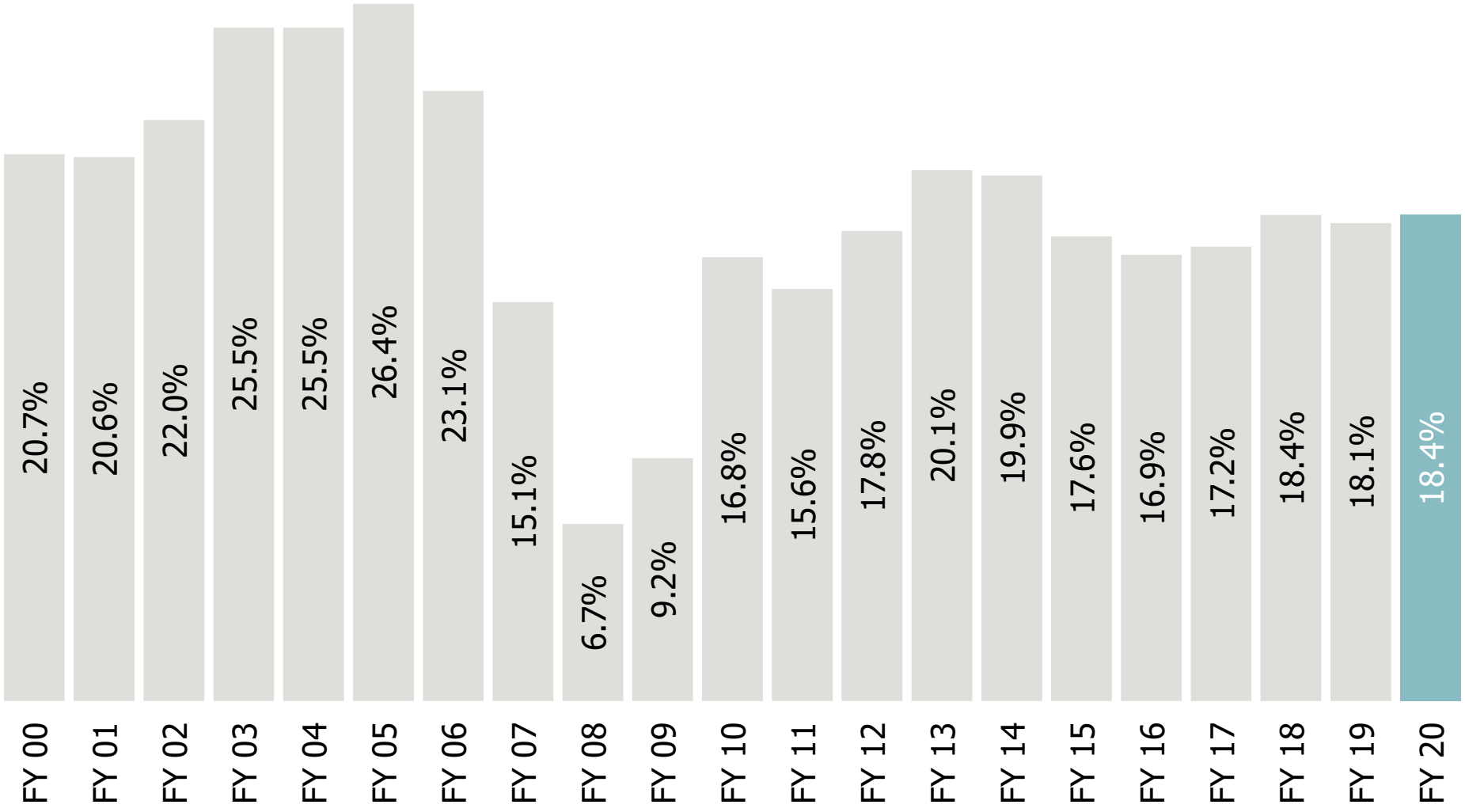






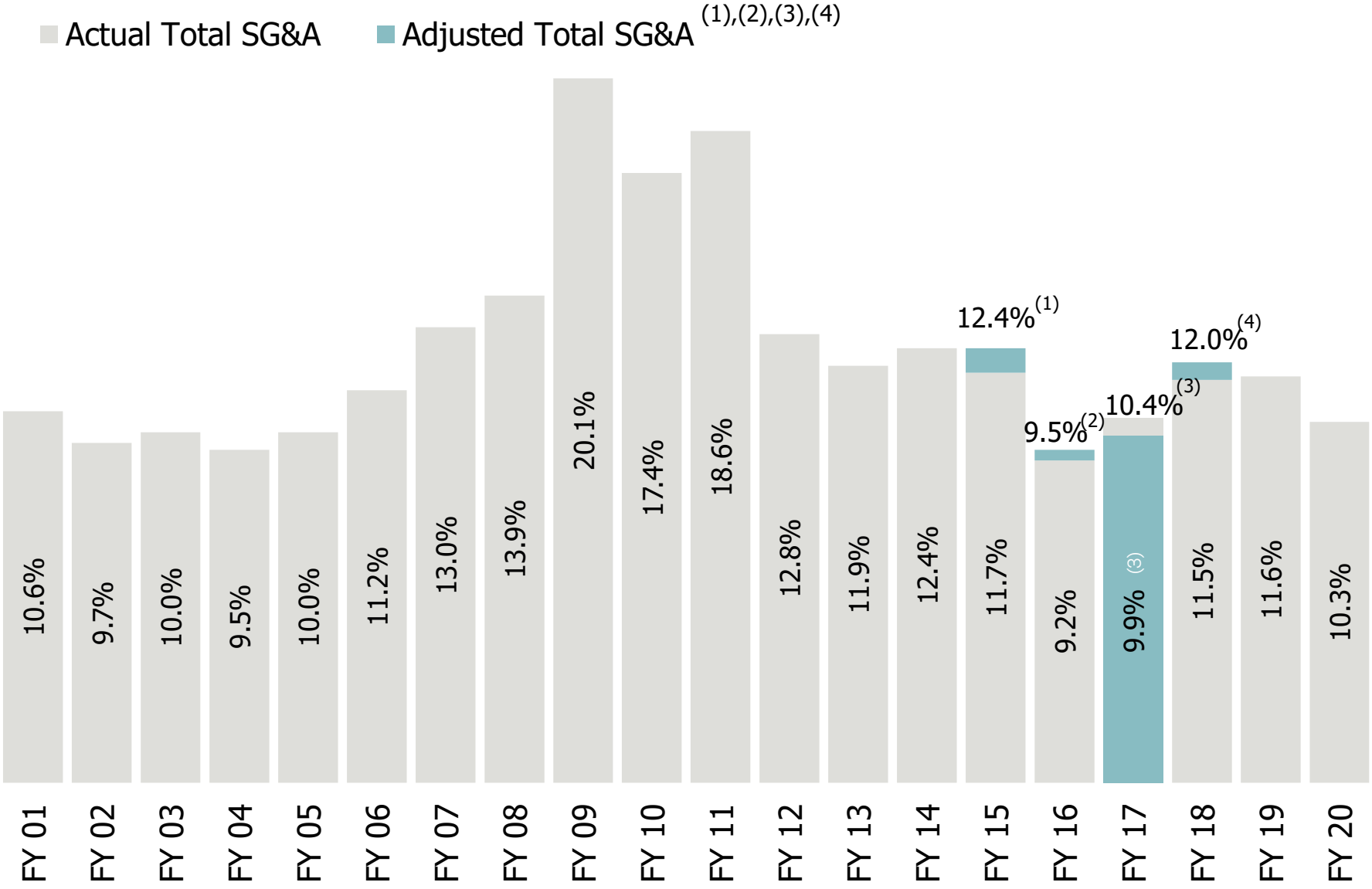
(1) Represents a non-GAAP metric. Please see appendix for reconciliation.

Adjusted Homebuilding Gross Margin[1]



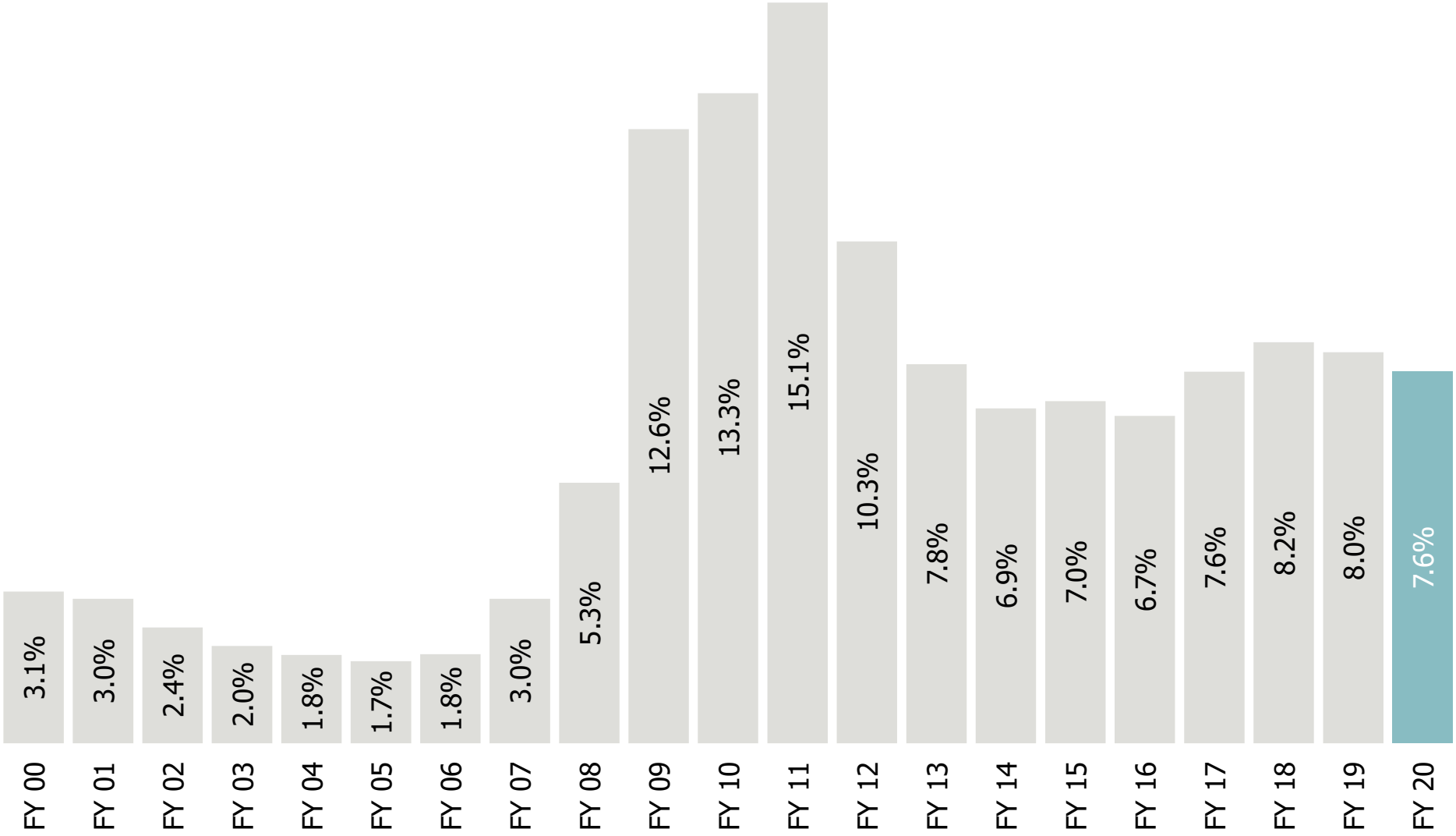
(1) Adjusted homebuilding gross margin percentage is before interest expense and land charges included in cost of sales. Please see appendix for reconciliation.

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.
(1) 2015 excludes $15.2 million of benefit due to a substantial reduction in our construction defect reserve based on our annual actuarial study.
(2) 2016 excludes $9.2 million of benefit due to a substantial reduction in our construction defect reserve based on our annual actuarial study.
(3) 2017 includes a $12.5 million adjustment to construction defect reserves related to litigation for two closed communities.
(4) 2018 excludes $10.0 million of benefit due to a substantial reduction in our construction defect reserve based on our annual actuarial study.

Total Interest as a Percentage of Total Revenues



Homebuilding Costs as a % of Revenue

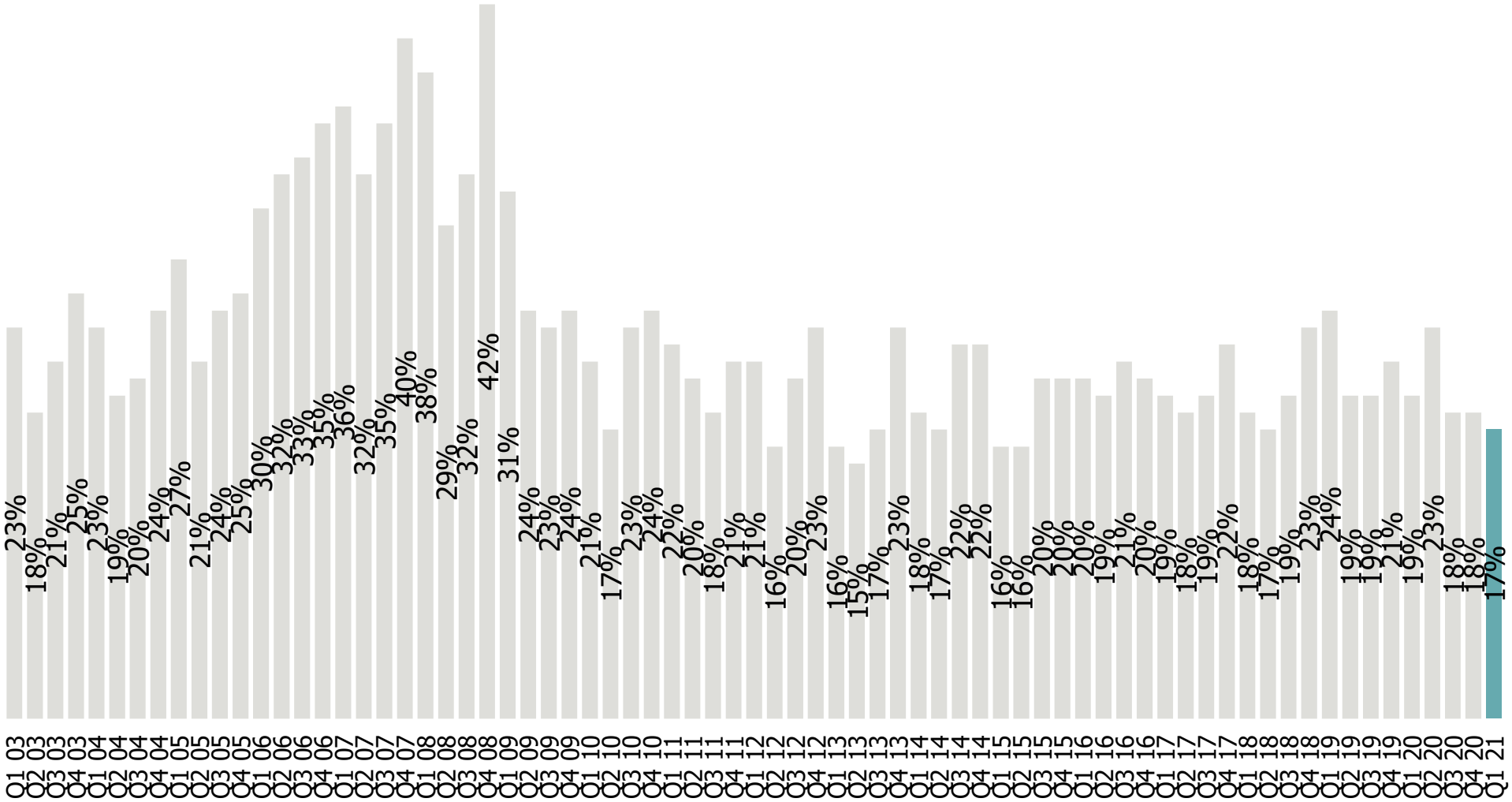
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Avg.
Land (Developed Lot)[1]:	25.2%	25.8%	25.5%	25.2%	24.0%	21.9%	23.1%	26.8%	23.2%	21.4%	22.3%	25.9%	25.8%	26.2%	26.5%	29.2%	30.4%	28.7%	28.9%	30.3%	25.8%
Direct Construction Costs:	46.3%	44.8%	41.6%	41.3%	41.6%	46.7%	51.2%	55.3%	52.7%	48.5%	49.5%	45.2%	44.2%	44.1%	45.5%	44.0%	42.7%	43.2%	43.2%	41.8%	45.7%
Other:																					
Comissions	2.3%	2.2%	2.1%	2.2%	2.3%	2.5%	2.8%	2.7%	3.3%	3.3%	3.5%	3.4%	3.3%	3.4%	3.6%	3.5%	3.4%	3.6%	3.7%	3.7%	3.0%
Financing concessions	1.0%	1.0%	0.9%	1.0%	1.0%	1.0%	1.4%	1.7%	2.4%	2.2%	2.0%	1.7%	1.4%	1.3%	1.4%	1.3%	1.2%	1.2%	1.4%	1.4%	1.4%
Overheads	4.6%	4.2%	4.4%	4.8%	4.7%	4.8%	6.4%	6.8%	9.2%	7.8%	7.1%	6.0%	5.2%	5.1%	5.4%	5.1%	5.1%	4.9%	4.7%	4.4%	5.5%
Adjusted Homebuilding Gross Margin[2]:	20.6%	22.0%	25.5%	25.5%	26.4%	23.1%	15.1%	6.7%	9.2%	16.8%	15.6%	17.8%	20.1%	19.9%	17.6%	16.9%	17.2%	18.4%	18.1%	18.4%	
Per Lot Cost (In 000s):	$62.8	$66.8	$69.2	$70.5	$76.4	$72.1	$78.0	$80.5	$65.9	$60.1	$62.4	$77.9	$87.4	$95.9	$100.5	$117.5	$127.0	$112.9	$113.9	$120.2	
Average Sales Price (In 000s):	$249.4	$258.8	$271.4	$279.9	$318.2	$329.1	$337.8	$300.4	$283.9	$280.7	$279.9	$300.6	$338.8	$366.2	$379.2	$402.4	$417.7	$393.3	$394.2	$396.1	

[1] *Includes the reversal of land impairments taken in prior periods.*

[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.*

Cancellation Rates

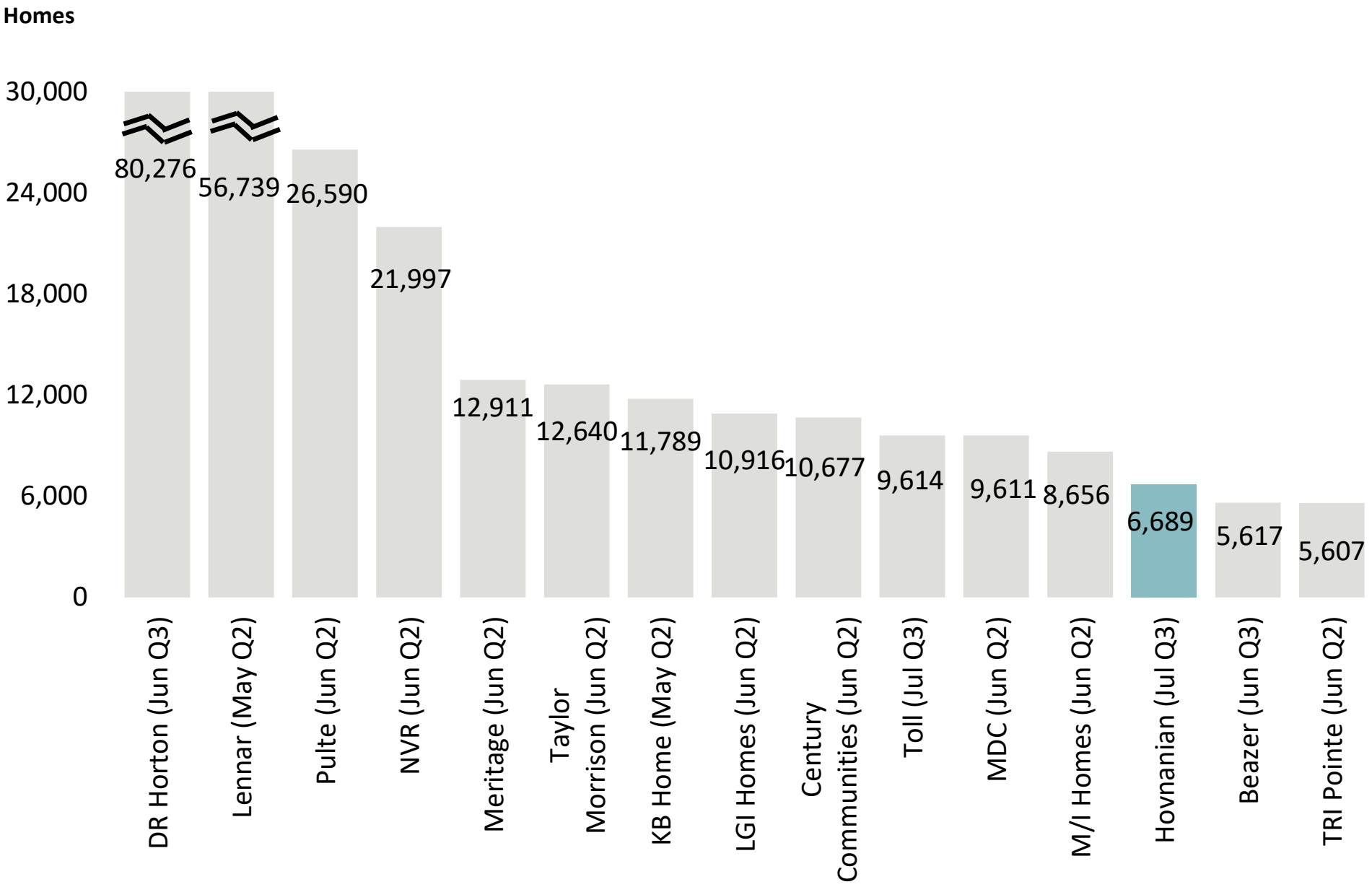
Calculated as a % of Gross Contracts



Note: Excluding unconsolidated joint ventures.

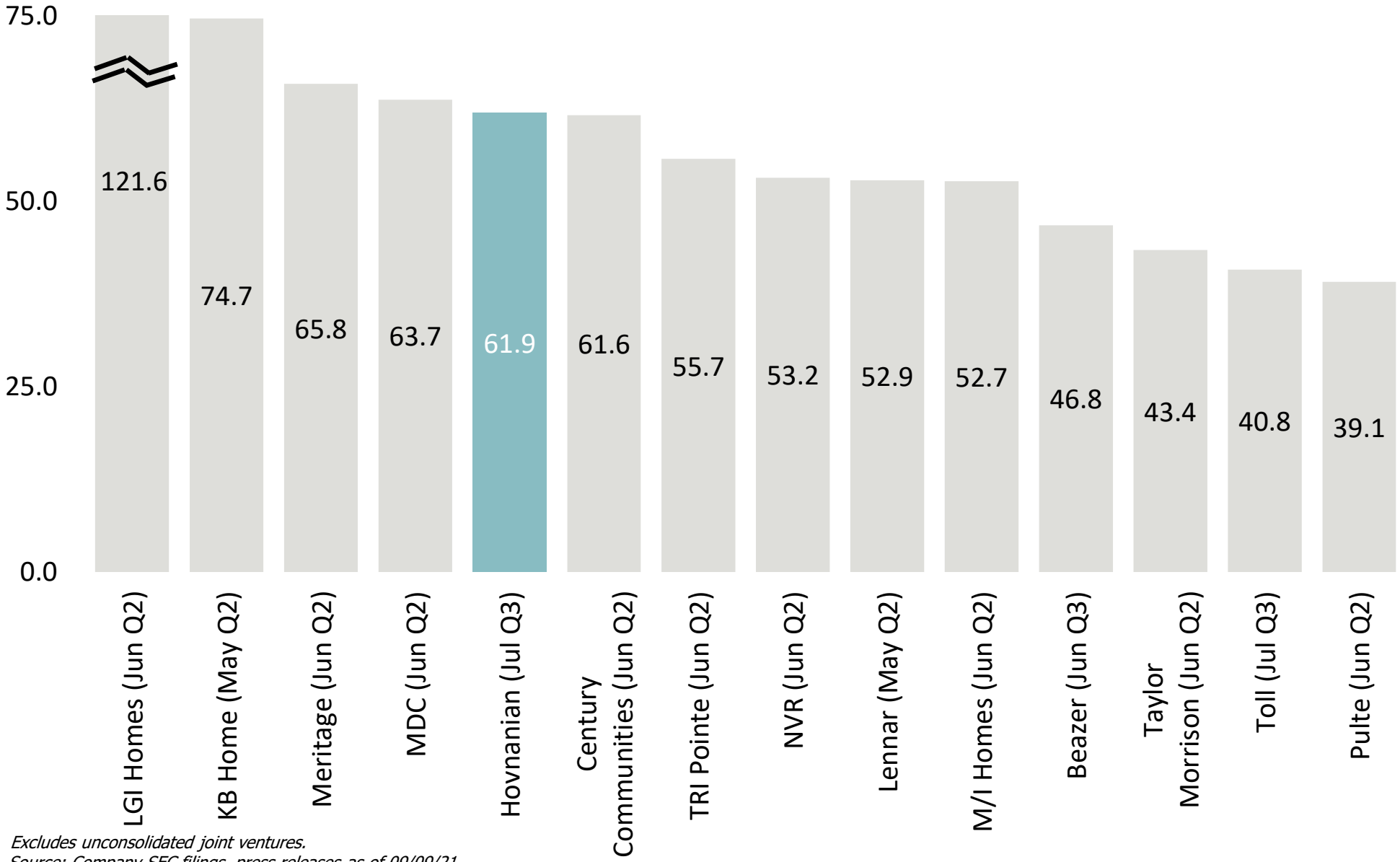
Builder Peer Statistics

Total Deliveries, Last Twelve Months



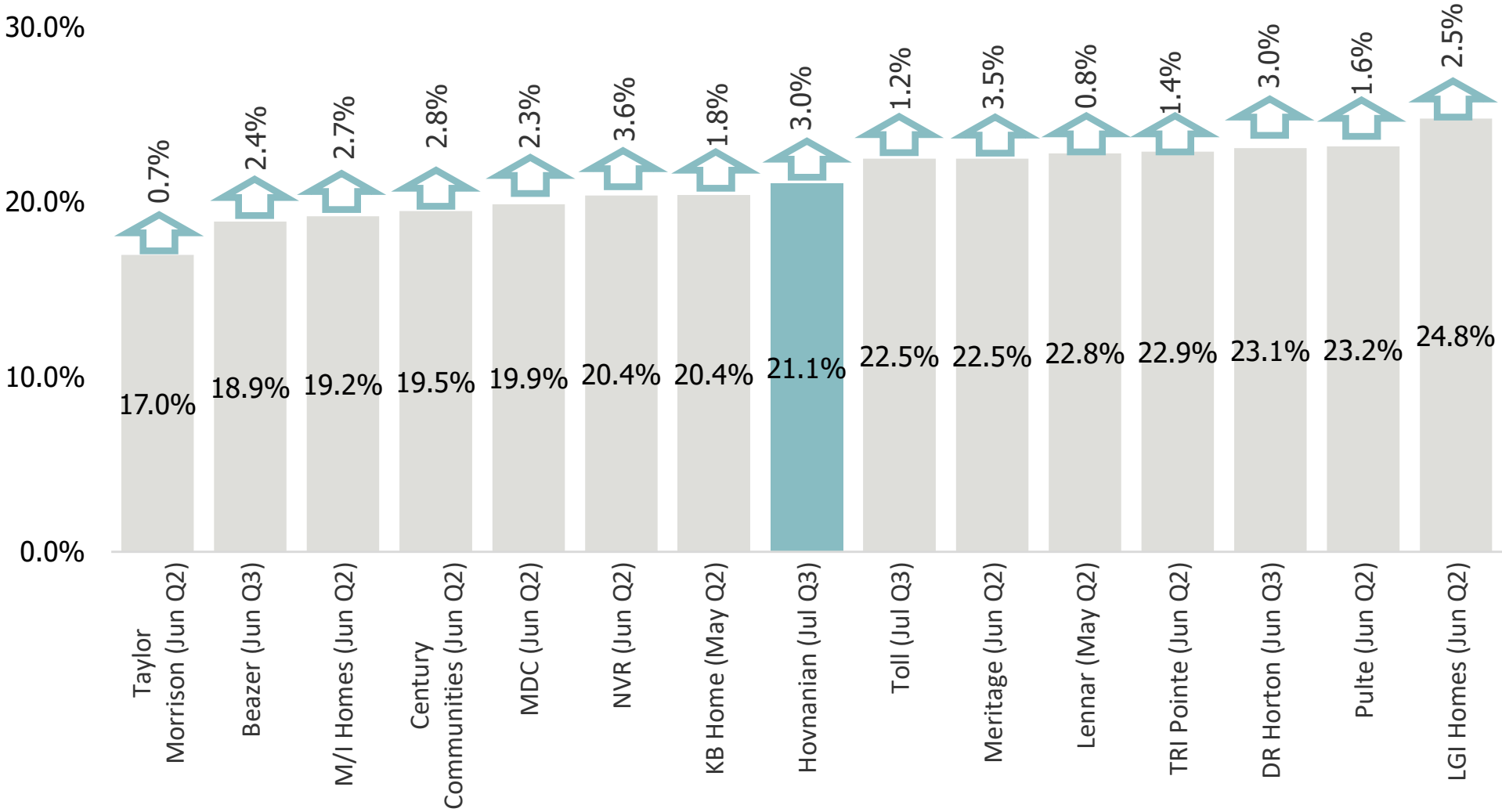
Source: Company SEC filings and press releases as of 09/09/21.
Note: Including unconsolidated joint ventures.

Net Contracts per Community, Last Twelve Months



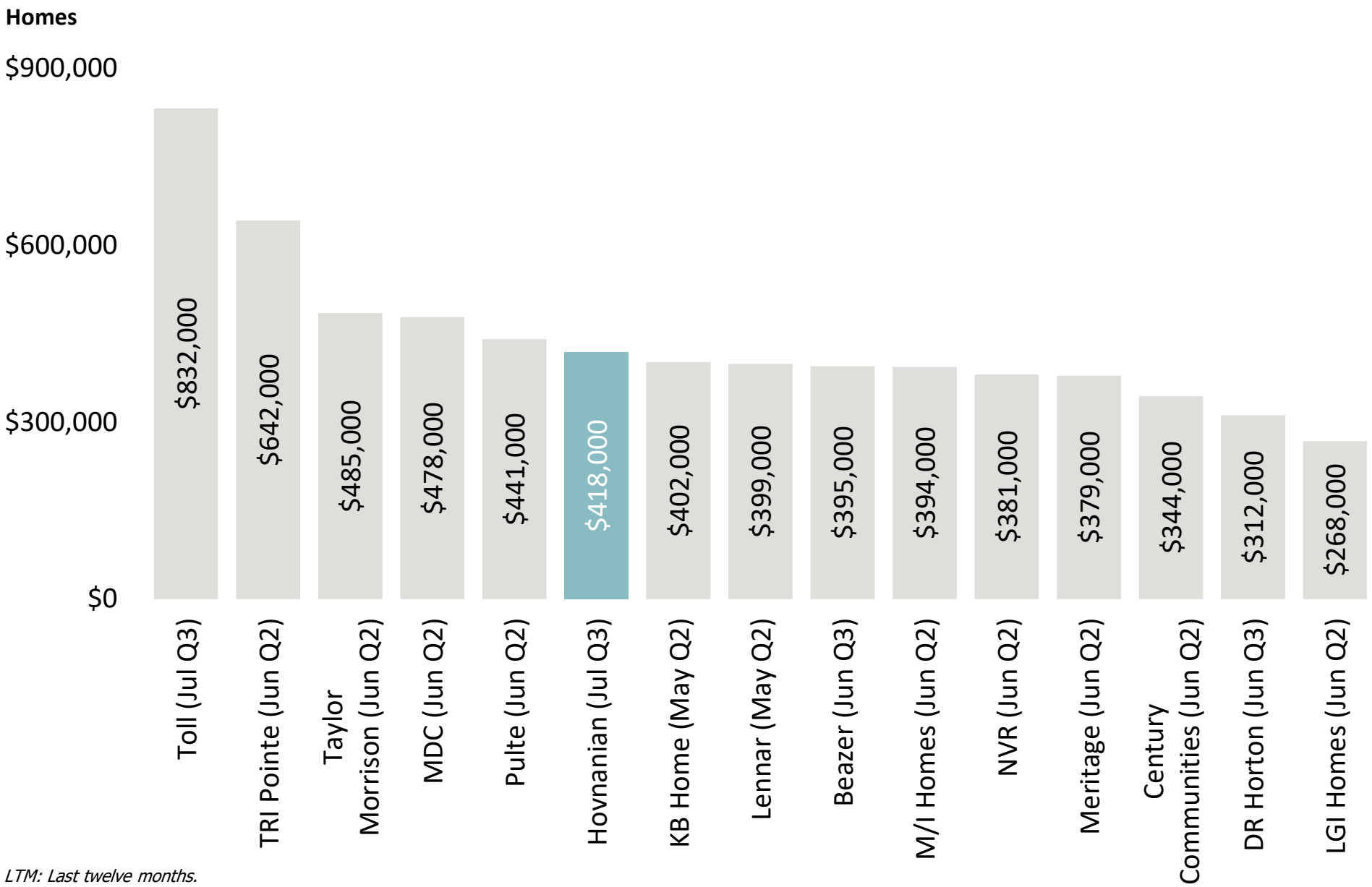
Excludes unconsolidated joint ventures.
Source: Company SEC filings, press releases as of 09/09/21.

Adjusted Gross Margin Percentage, Last Twelve Months



Note: Hovnanian sales commission was 3.5% in the most recent quarter. Reduced Cal Atlantic, KB Home, Lennar, LGI Homes, MDC, Meritage, M/I Homes, Pulte, Taylor Morrison and Tri Pointe publicly reported results by full 3.5% because all of their sales commissions are reported in SG&A. Reduced DR Horton and Toll publicly reported results by 1.8% 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 09/09/21.
Note: Excluding interest and impairments.

LTM Average Selling Price

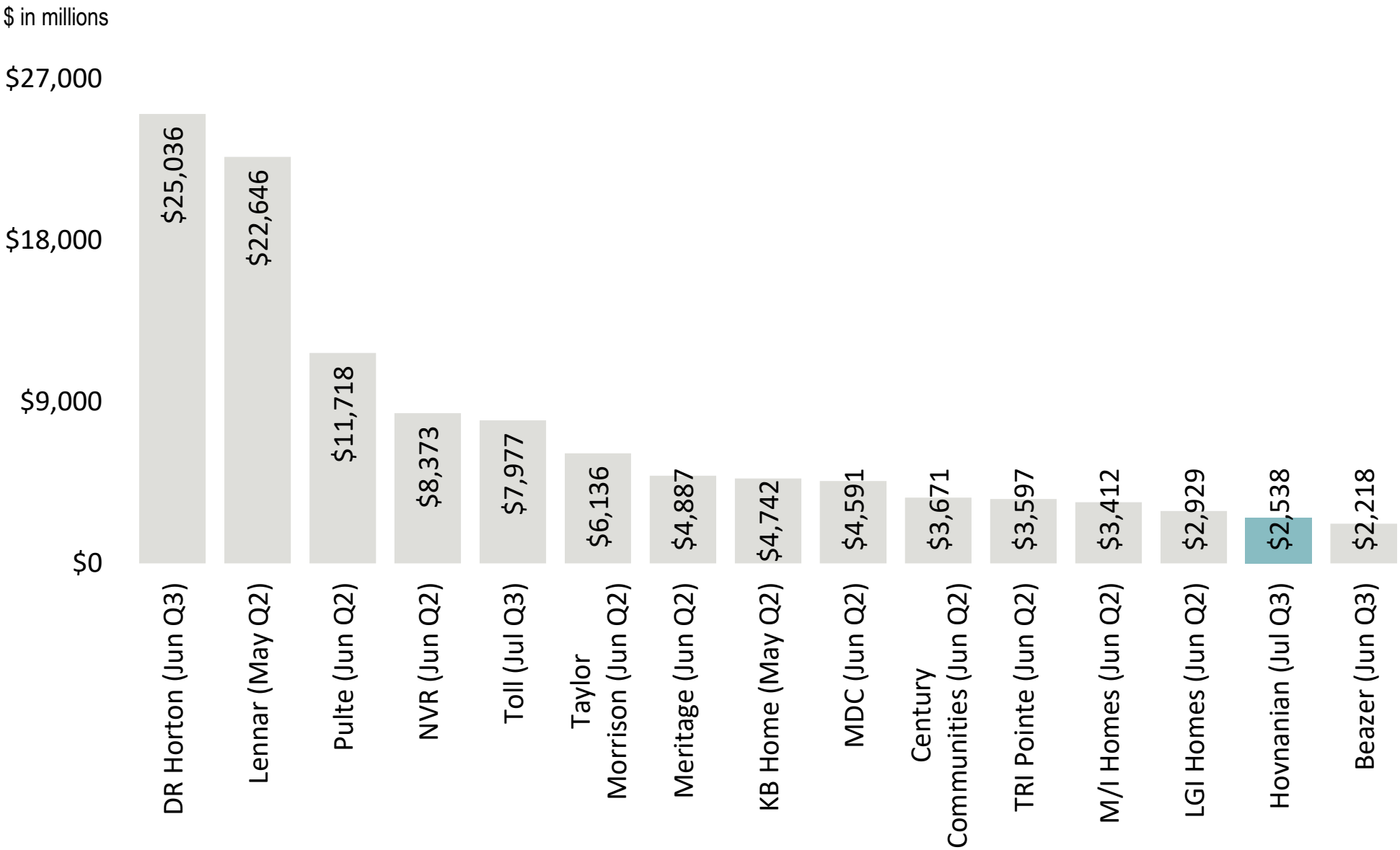


LTM: Last twelve months.

Source: Company SEC filings and press releases as of 09/09/21.

Note: Excludes unconsolidated joint ventures.

LTM Homebuilding Revenue

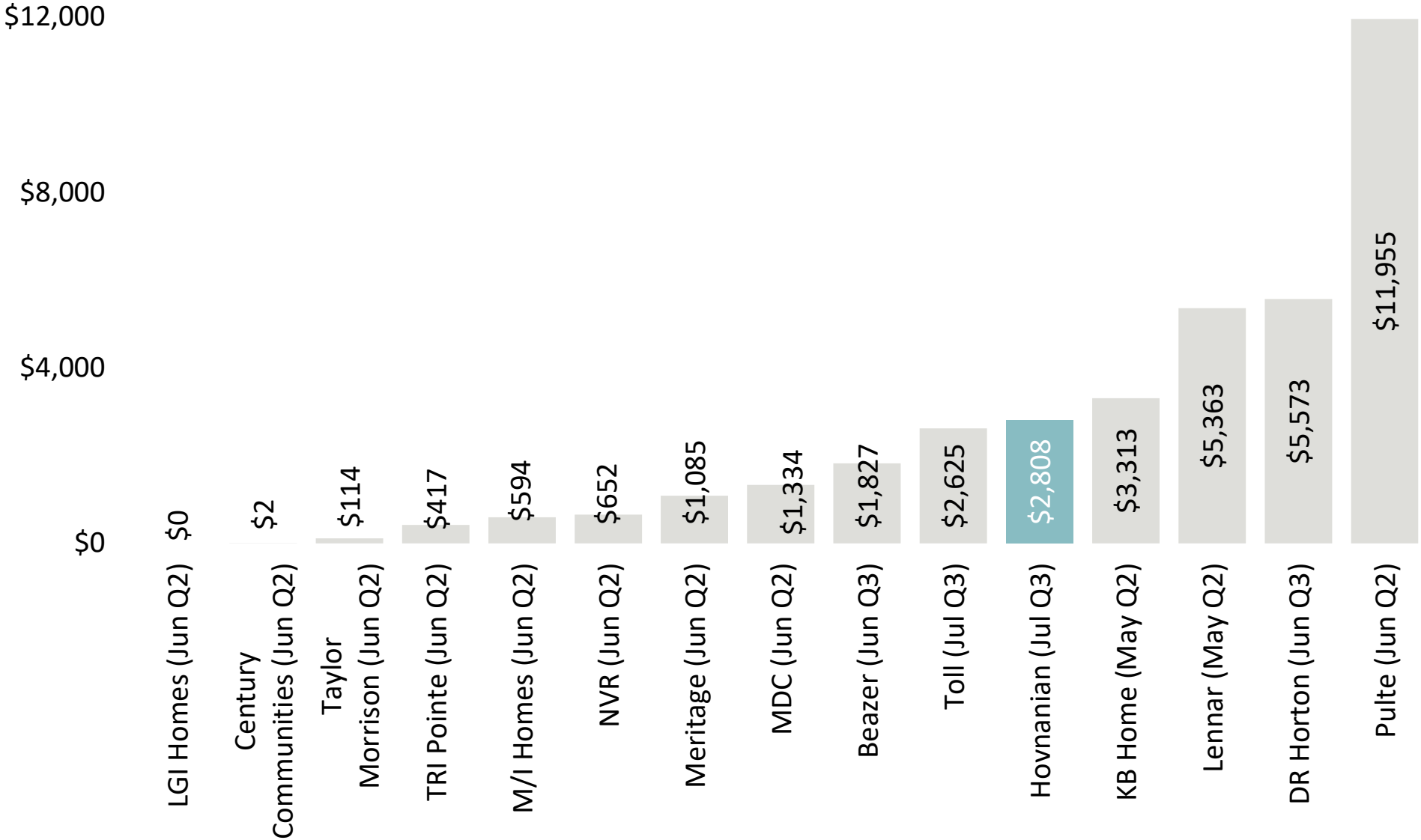


LTM: Last twelve months.
Source: Company SEC filings and press releases as of 09/09/21.
Note: Excludes unconsolidated joint ventures.

Total Charges*

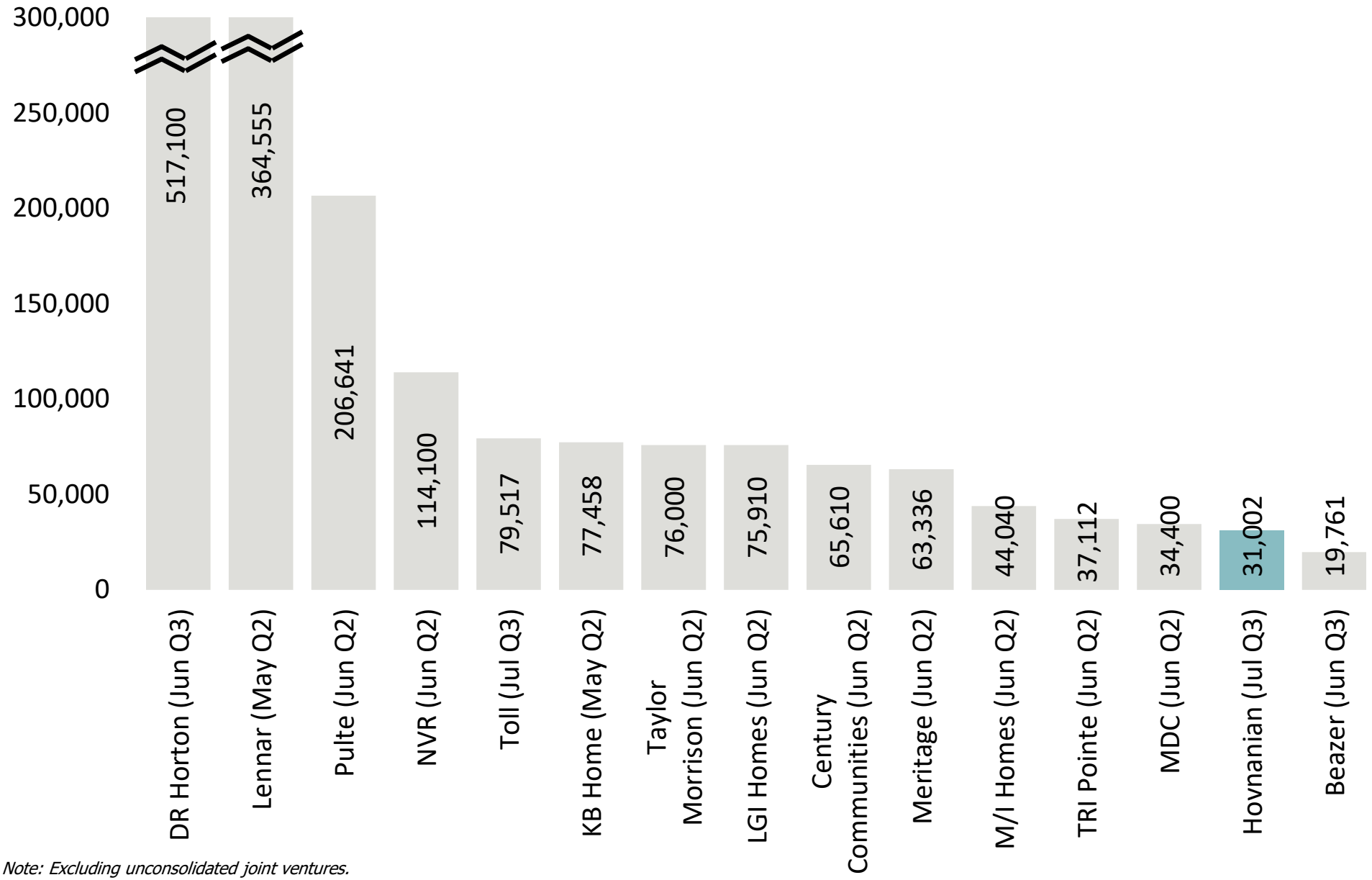
Since Beginning of 2006

($ in millions)



**Includes all reported land related charges, goodwill/intangible impairments and joint venture related impairments.*
Source: Company SEC filings and press releases as of 09/09/21.

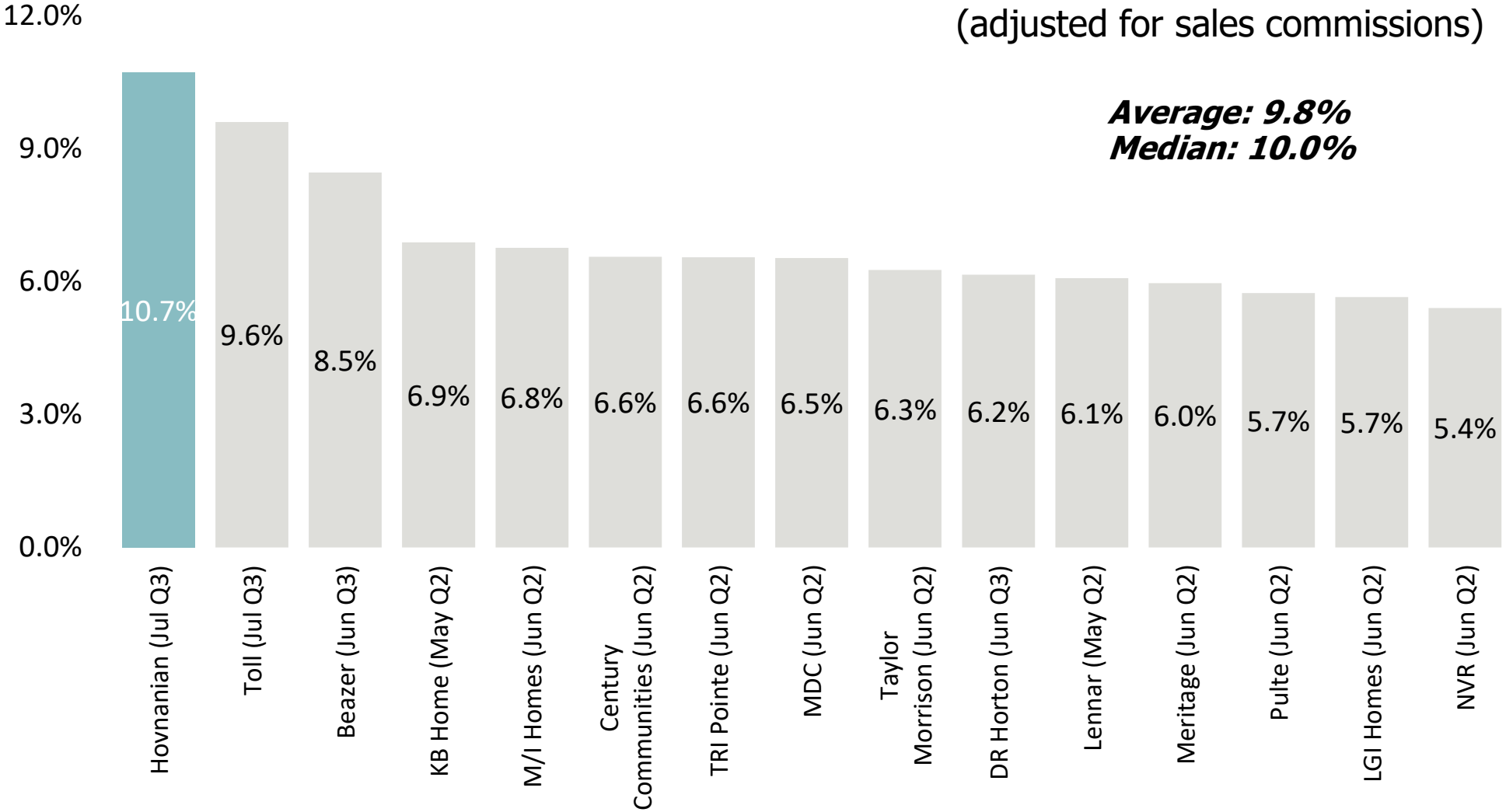
Total Lots Controlled



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

Adjusted Homebuilding SG&A as a % of Homebuilding Revenue, Last Twelve Months

(adjusted for sales commissions)



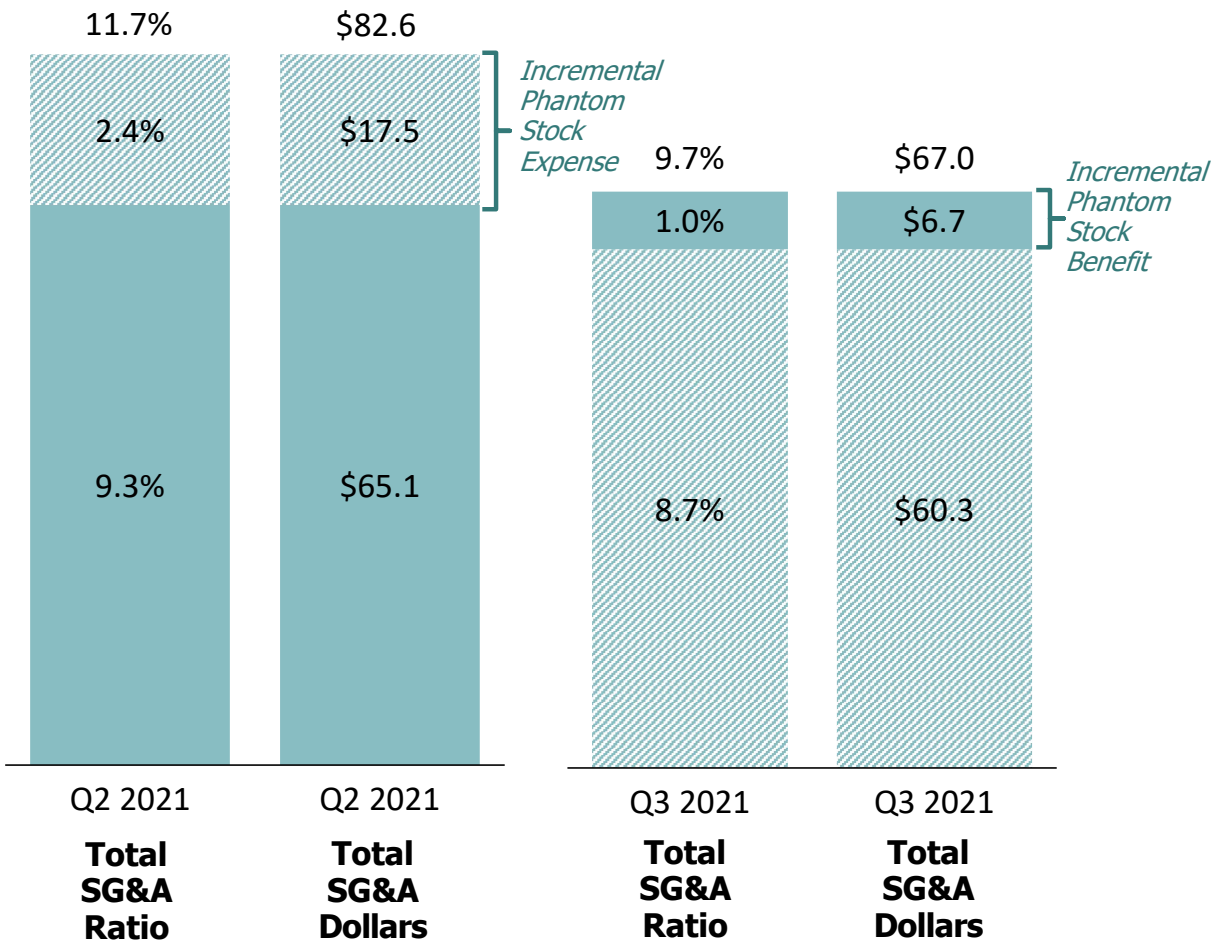
Note: Hovnanian sales commission was 3.5% in the most recent quarter. Reduced Cal Atlantic, KB Home, Lennar, LGI Homes, MDC, Meritage, M/I Homes, Pulte, Taylor Morrison and Tri Pointe publicly reported results by full 3.5% because all of their sales commissions are reported in SG&A. Reduced DR Horton and Toll publicly reported results by 1.8% because only some of their sales commissions were reported in SG&A. Beazer reports commission separately and is reduced by 4.0%.
Source: Company SEC filings and press releases as of 09/09/21.
Note: Excluding interest and impairments.

Appendix

Phantom stock expense

Hovnanian Enterprises, Inc.

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

FAS 144 Trigger Calculation

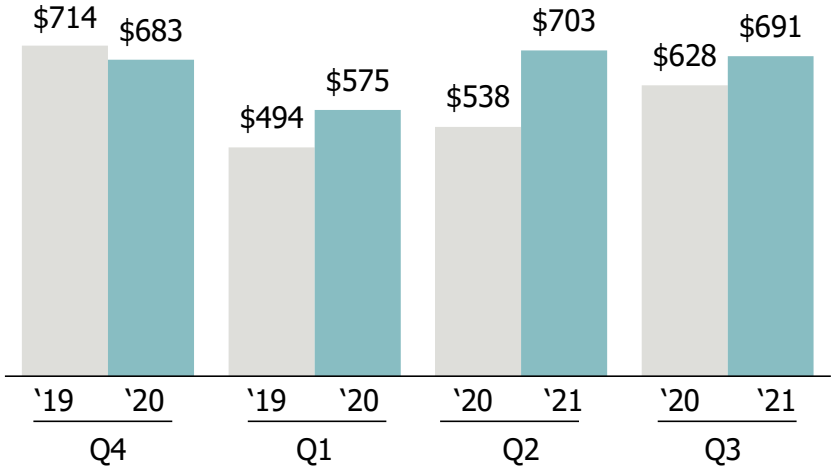
Hovnanian Enterprises, Inc.

	Lots Remaining	Current Selling Price	Total
Total Remaining Housing Revenue	102	$ 534,000	$ 54,468,000
Book Value (inventory as of analysis date)			$18,500,000
Remaining Cost to Build (Including future capped interest)			$36,300,000
Cost to Sell			$1,500,000
Trigger (If "negative" then "yes")			-$1,832,000

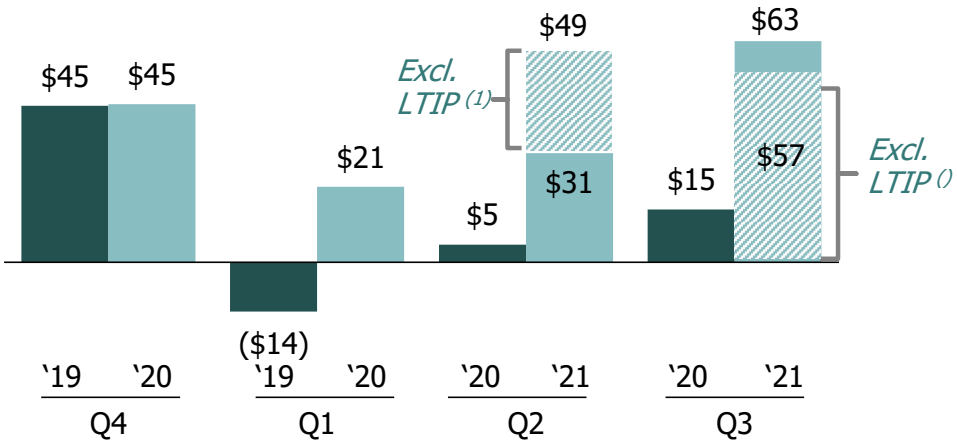
Strong results

($ in millions, unless specified otherwise)

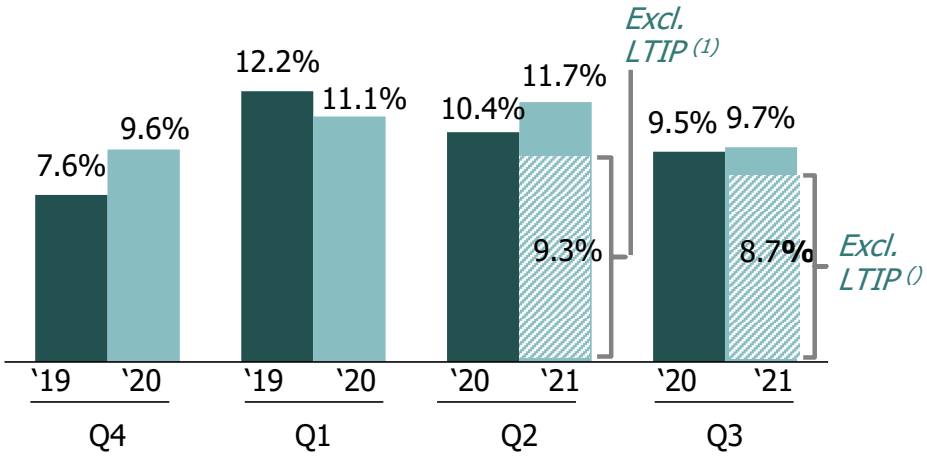
Total revenues



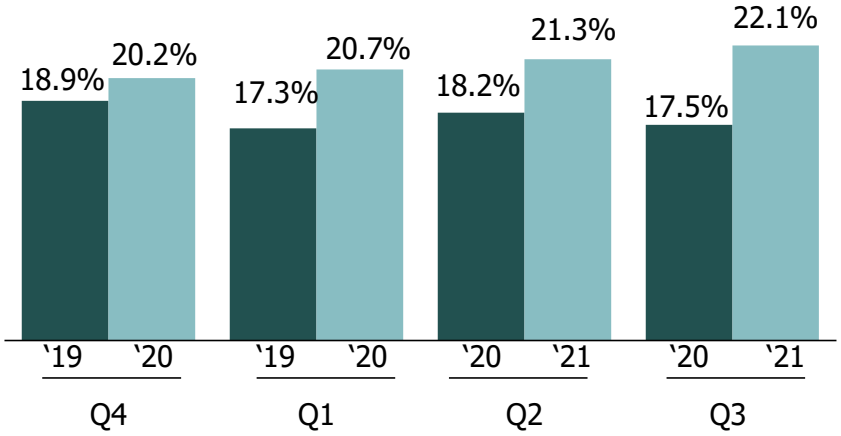
Adjusted income (loss) before income taxes



Total SG&A as a % of total revenues



Adjusted homebuilding gross margin



(1) Excluding the $17.5 million of incremental phantom stock expense in the second quarter of fiscal 2021, SG&A would have been $65.1 million, or 9.3% of total revenues for the second quarter of fiscal 2021, and adjusted income (loss) before income taxes would have been $49 million for the second quarter of fiscal 2021.

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

Hovnanian Enterprises, Inc.

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 Adjusted Pre-Tax Earnings

Hovnanian Enterprises, Inc.

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

($ in thousands)

(Unaudited)	**LTM April 30, 2021**	**LTM 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	–
(Gain) loss on Extinguishment of Debt	(4,055)	43,698	–
Income (Loss) Before Income Taxes Excluding Land-Related Charges, Joint Venture Write-Downs and Gain (Loss) on Extinguishment of Debt	**$112,155**	**$(15,033)**	**$100,000**

Reconciliation of Adjusted Homebuilding Gross Margin

Hovnanian Enterprises, Inc.

Hovnanian Enterprises, Inc.

($ in thousands)

	Homebuilding Gross Margin										
	Three Months Ended April 30,		Three Months Ended January 31,		Three Months Ended October 31,		Three Months Ended July 31,		Years Ended October 31,		
(Unaudited)	**2021**	**2020**	**2021**	**2020**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2018**
Sale of homes	$679,515	$523,347	$551,365	$479,233	$643,516	$692,146	$605,933	$467,849	$2,252,029	$1,949,682	$1,906,228
Cost of sales, excluding interest expense and land charges [1]	535,017	427,944	437,372	396,318	513,416	561,284	499,654	381,906	1,837,332	1,596,237	1,555,894
Homebuilding gross margin, before cost of sales interest expense and land charges [2]	144,498	95,403	113,993	82,915	130,100	130,862	106,279	85,943	414,697	353,445	350,334
Cost of sales interest expense, excluding land sales interest expense	21,704	18,537	16,717	18,136	15,707	27,556	21,794	18,824	74,174	70,520	56,588
Homebuilding gross margin, after cost of sales interest expense, before land charges [2]	122,794	76,866	97,276	64,779	114,393	103,306	84,485	67,119	340,523	282,925	293,746
Land charges	81	1,010	1,877	2,828	2,611	2,687	2,364	1,435	8,813	6,288	3,501
Homebuilding gross margin	**$122,713**	**$75,856**	**$95,399**	**$61,951**	**$111,782**	**$100,619**	**$82,121**	**$65,684**	**$331,710**	**$276,637**	**$290,245**
Homebuilding gross margin percentage	18.1%	14.5%	17.3%	12.9%	17.4%	14.5%	13.6%	14.0%	14.7%	14.2%	15.2%
Homebuilding gross margin percentage, before cost of sales interest expense and land charges [2]	21.3%	18.2%	20.7%	17.3%	20.2%	18.9%	17.5%	18.4%	18.4%	18.1%	18.4%
Homebuilding gross margin percentage, after cost of sales interest expense, before land charges [2]	18.1%	14.7%	17.6%	13.5%	17.8%	14.9%	13.9%	14.3%	15.1%	14.5%	15.4%

(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 Homebuilding Gross Margin

Hovnanian Enterprises, Inc.

($ in thousands)

(Unaudited)	LTM April 30, 2021	LTM 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]	1,985,459	1,738,048	2,070,000
Homebuilding gross margin, before cost of sales interest expense and land charges[2]	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[2]	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%

(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 Land Sales Gross Margin

Hovnanian Enterprises, Inc.

Hovnanian Enterprises, Inc.

($ in thousands)

	Land Sales Gross Margin										
	Three Months Ended April 30,		Three Months Ended January 31,		Three Months Ended October 31,		Three Months Ended July 31,		Years Ended October 31,		
(Unaudited)	**2021**	**2020**	**2021**	**2020**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2018**
Land and lot sales	$1,549	$50	$3,362	$25	$16,805	$1,161	$25	$542	$16,905	$9,211	$24,277
Land and lot sales, excluding interest and land charges[1]	1,517	83	2,266	37	10,993	1,150	41	33	11,154	8,540	10,661
Land and lot sales gross margin, excluding interest and charges	32	(33)	1,096	(12)	5,812	11	(16)	509	5,751	671	13,616
Land and lot sales interest	21	52	448	–	84	–	20	205	156	205	4,097
Land and lot sales gross margin, including interest and excluding land charges	**$11**	**($85)**	**$648**	**($12)**	**$5,728**	**$11**	**($36)**	**$304**	**$5,595**	**$466**	**$9,519**

(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.

Reconciliation of Adjusted EBITDA to Net Income (Loss)

Hovnanian Enterprises, Inc.

Hovnanian Enterprises, Inc.
April 30, 2021
($ in thousands)

	Three Months Ended April 30,		Years Ended October 31,		
(Unaudited)	**2021**	**2020**	**2020**	**2019**	**2018**
Net income (loss)	$488,676	$4,079	$50,928	($42,117)	$4,520
Income tax (benefit) provision	(457,644)	100	4,475	2,449	3,626
Interest expense	43,758	45,458	178,131	160,781	163,982
EBIT [(1)]	74,790	49,637	233,534	121,113	172,128
Depreciation and amortization	1,484	1,263	5,304	4,172	3,156
EBITDA [(2)]	76,274	50,900	238,838	125,285	175,284
Inventory impairment loss and land option write-offs	81	1,010	8,813	6,288	3,501
Loss (gain) on extinguishment of debt	–	174	(13,337)	42,436	7,536
Adjusted EBITDA [(3)]	**$76,355**	**$52,084**	**$234,314**	**$174,009**	**$186,321**
Interest incurred	$41,870	$45,323	$176,457	$165,906	$161,048
Adjusted EBITDA to interest incurred	1.82	1.15	1.33	1.05	1.16

(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.

Reconciliation of Adjusted EBITDA to Net Income (Loss)

Hovnanian Enterprises, Inc.

($ in thousands)

(Unaudited)	LTM April 30, 2021	LTM April 30, 2018	Annual Key Metric Target
Net Income (Loss)	$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[1]	283,709	111,215	261,000
Depreciation and amortization	5,584	3,675	4,000
EBITDA[2]	289,293	114,890	265,000
Inventory Impairment Loss and Land Option Write-offs	6,933	15,763	10,000
Loss (gain) on Extinguishment of Debt	(4,055)	43,698	–
Adjusted EBITDA[3]	**$292,171**	**$174,351**	**$275,000**

(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.

Reconciliation of Inventory Turnover[1]

Hovnanian Enterprises, Inc.

Hovnanian Enterprises, Inc.
April 30, 2021
($ in thousands)

	For the quarter ended					LTM ended 4/30/2021
		7/31/2020	10/31/2020	1/31/2021	4/30/2021	
Cost of sales, excluding interest		$499,695	$524,409	$439,638	$536,534	$2,000,276
	As of					Five quarter average
	4/30/2020	7/31/2020	10/31/2020	1/31/2021	4/30/2021	
Total inventories	$1,288,497	$1,213,503	$1,195,775	$1,281,149	$1,256,873	
Less consolidated inventory not owned	198,229	194,760	182,224	165,980	125,414	
Plus liabilities from inventory not owned, net of debt issuance costs	144,536	144,922	131,204	119,432	90,430	
Less capitalized interest	67,744	63,998	65,010	65,327	59,772	
Inventories less consolidated inventory not owned and capitalized interest plus liabilities from inventory not owned	**$1,167,060**	**$1,099,667**	**$1,079,745**	**$1,169,274**	**$1,162,117**	**$1,135,573**
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 Homebuilding EBIT To Inventory

Hovnanian Enterprises, Inc.

Hovnanian Enterprises, Inc.
April 30, 2021
($ in thousands)

		For the Three Months Ended				
(Unaudited)	**LTM[1]**	**4/30/2021**	**1/31/2021**	**10/31/2020**	**7/31/2020**	**4/30/2020**
Homebuilding						
Net loss (income)	$563,632	$488,676	$18,959	$40,634	$15,363	$4,079
Income tax benefit (provision)	(454,355)	(457,644)	626	1,810	853	100
Interest expense	174,432	43,758	41,140	40,648	48,886	45,458
EBIT [2]	283,709	74,790	60,725	83,092	65,102	49,637
Financial services revenue	(85,012)	(21,728)	(19,497)	(22,492)	(21,295)	(14,361)
Financial services expense	42,591	11,361	10,354	10,383	10,493	9,630
Homebuilding EBIT [2]	241,288	64,423	51,582	70,983	54,300	44,906
Inventory impairment loss and land option write-offs	6,933	81	1,877	2,611	2,364	1,010
Other operations	1,417	451	278	422	266	214
Loss (gain) on extinguishment of debt	(4,055)	–	–	–	(4,055)	174
Loss (income) from unconsolidated joint ventures	(13,361)	(2,641)	(1,916)	(3,146)	(5,658)	(6,221)
Adjusted homebuilding EBIT[2]	**$232,222**	**$62,314**	**$51,821**	**$70,870**	**$47,217**	**$40,083**

		As of	As of			
		4/30/2021	**1/31/2021**	**10/31/2020**	**7/31/2020**	**4/30/2020**
Total inventories		$1,256,873	$1,281,149	$1,195,775	$1,213,503	$1,288,497
Less consolidated inventory not owned		125,414	165,980	182,224	194,760	198,229
Less capitalized interest		59,772	65,327	65,010	63,998	67,744
Plus liabilities from inventory not owned, net of debt issuance costs		90,430	119,432	131,204	144,922	144,536
	Five Quarter Average					
Inventories less consolidated inventory not owned and capitalized interest	$1,135,573	$1,162,117	$1,169,274	$1,079,745	$1,099,667	$1,167,060
Adjusted homebuilding EBIT to inventory	20.4%					

(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.

Reconciliation of Inventory Turnover[1]

Hovnanian Enterprises, Inc.

($ in thousands)

	For the Quarter Ended					Annual Key Metric Target
		2	3	4	5	
Cost of Sales, Excluding Interest		$500,000	$500,000	$560,000	$510,000	$2,070,000

	As of					Five Quarter Average
	1	2	3	4	5	
Total Inventories	$1,445,000	$1,515,000	$1,575,000	$1,505,000	$1,525,000	
Consolidated Inventory Not Owned	$215,000	$210,000	$200,000	$185,000	$180,000	
Capitalized Interest	$65,000	$65,000	$65,000	$65,000	$65,000	
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

	For the Quarter Ended					LTM Ended 4/30/2018
		7/31/2017	10/31/2017	1/31/2018	4/30/2018	
Cost of Sales, Excluding Interest		$478,886	$562,451	$329,527	$393,012	$1,763,876

	As of					Five Quarter Average
	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	
Consolidated Inventory Not Owned	154,620	138,529	124,784	93,875	78,907	
Capitalized Interest	90,960	87,119	71,051	70,793	65,355	
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.