

Hovnanian
Enterprises, Inc.

Investor Presentation

January 2022

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. 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 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) the outbreak and spread of COVID-19 and the measures that governments, agencies, law enforcement and/or health authorities implement to address it; (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) 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, 2021 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.

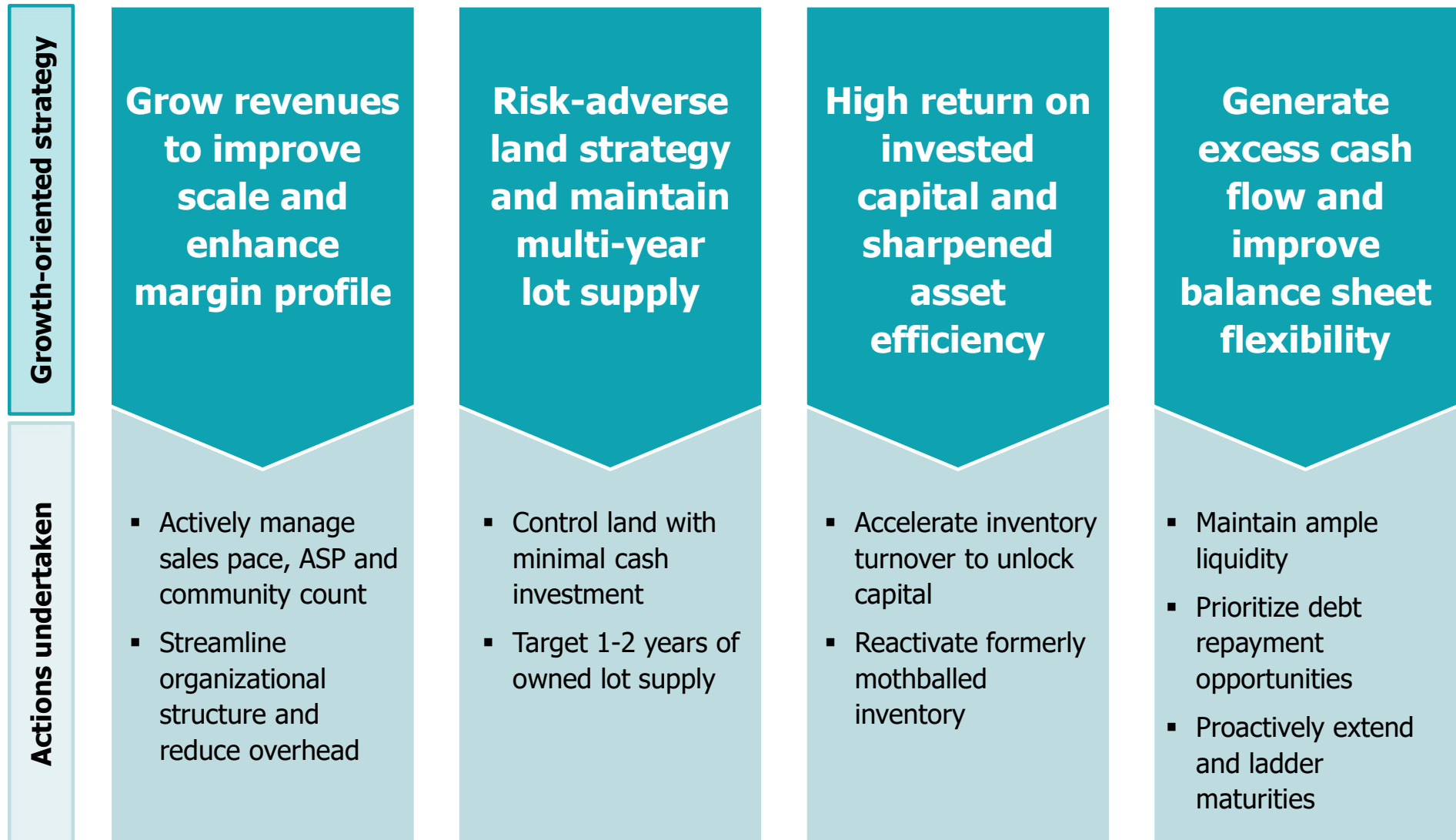
SG&A excluding the impact of incremental phantom stock expense is a non-GAAP financial measure. The most directly comparable GAAP financial measure is SG&A, to which SG&A excluding the impact of incremental phantom stock expense is reconciled herein.

Total liquidity is comprised of \$246.0 million of cash and cash equivalents, \$9.9 million of restricted cash required to collateralize letters of credit and \$125.0 million availability under the senior secured revolving credit facility as of October 31, 2021.

What's new about the Hovnanian story?

	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



Improving our performance in a more normalized housing market

- Delever and refinance with significant interest savings
- Increase land options and inventory turnover
- Increase community count
- Operate at higher volumes to leverage SG&A



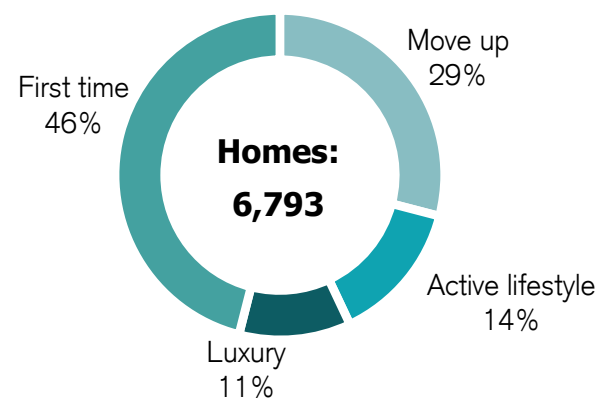
Recent operating and financial performance

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

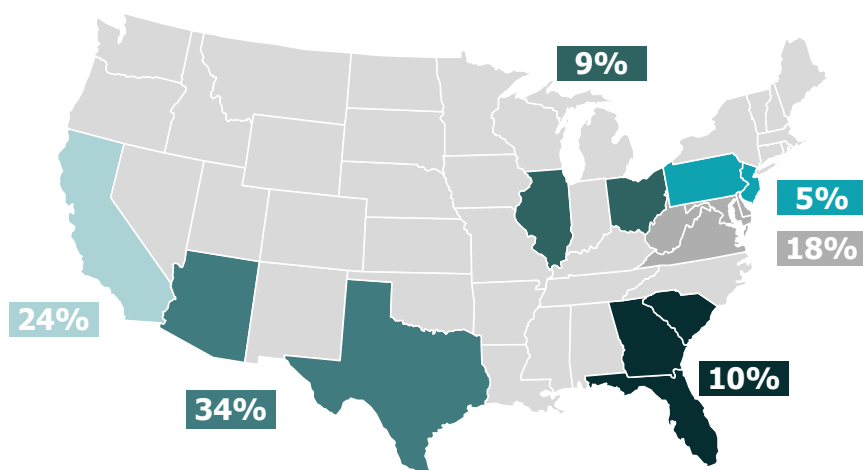
Home deliveries by product⁽¹⁾

(Year ended October 31, 2021)



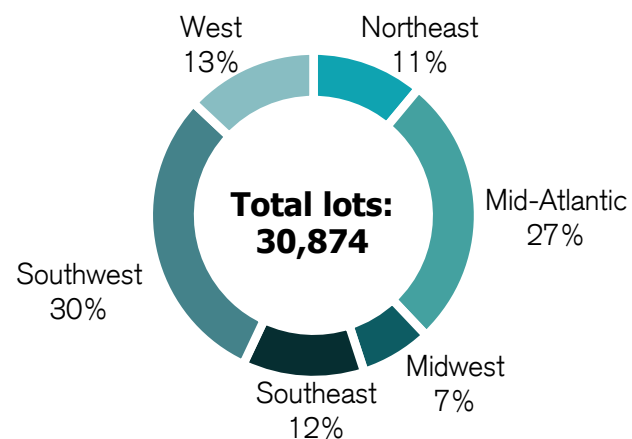
Homebuilding revenues by region

(Year ended October 31, 2021)



Lots controlled by region

(As of October 31, 2021)



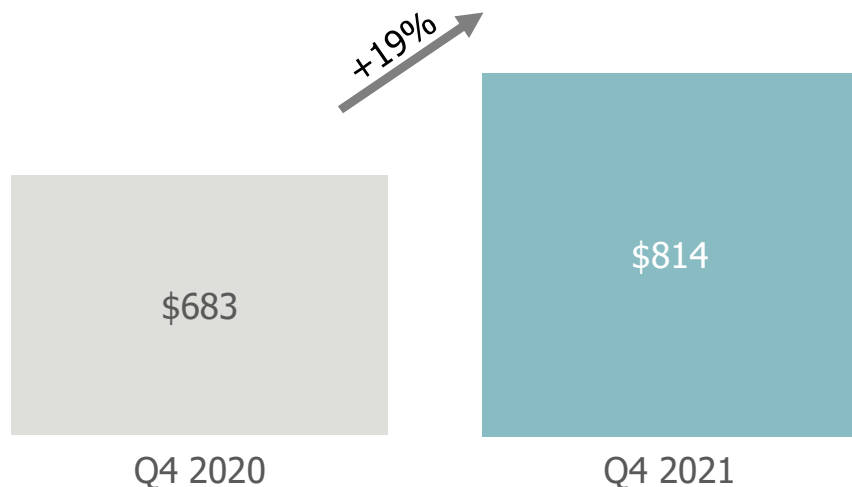
(1) Includes unconsolidated joint ventures deliveries.

(2) Company SEC filings and press release of 12/09/21.

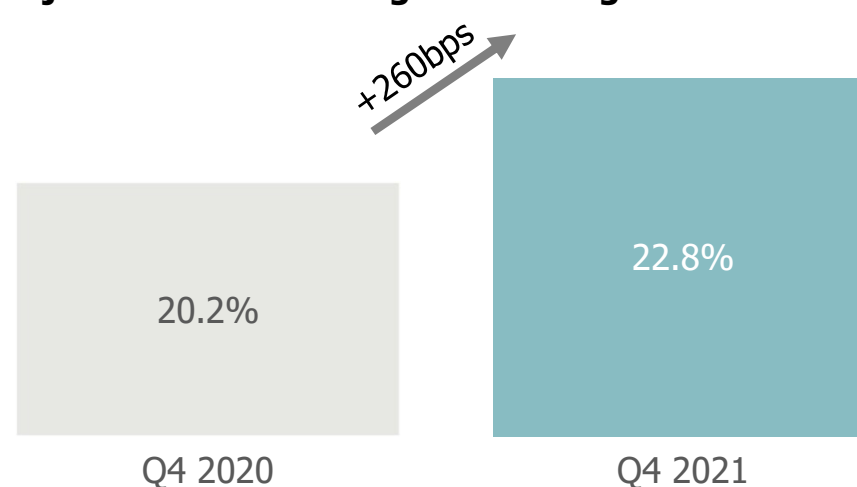
Fourth Quarter Operating Results

(\$ in millions, unless specified otherwise)

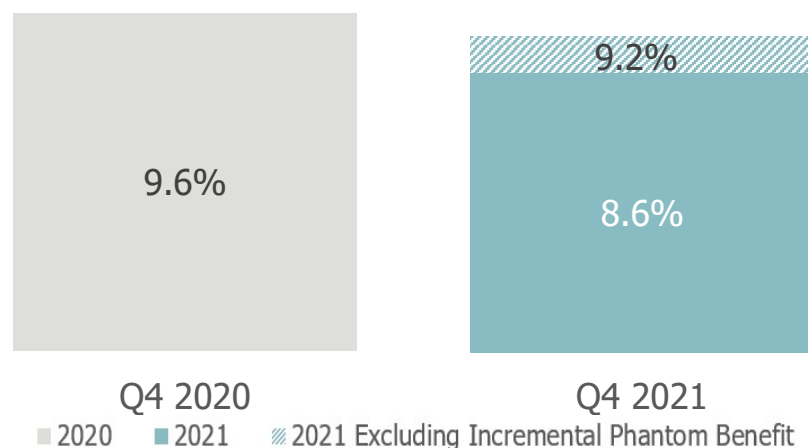
Total Revenues



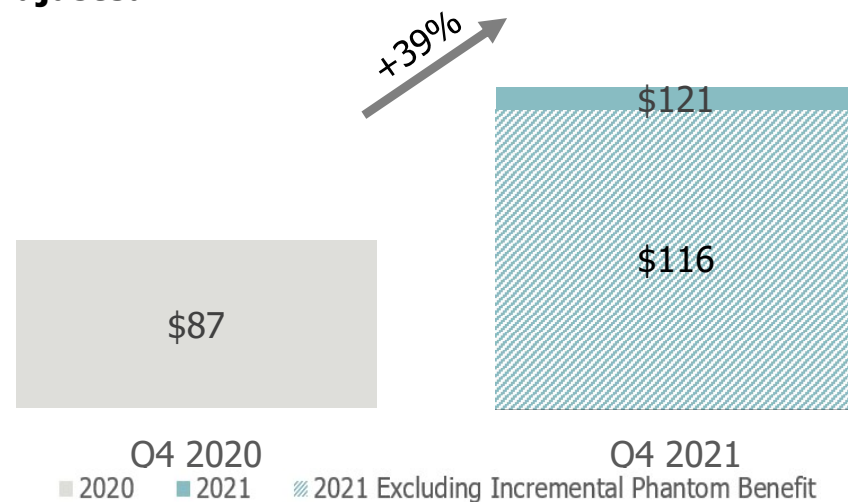
Adjusted Homebuilding Gross Margin⁽¹⁾



Total SG&A Ratio^{(2),(3)}



Adjusted EBITDA^{(3),(4)}



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

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

(3) Included \$5.3 million of incremental benefit due to the phantom stock awards, which is solely related to our common stock price decreasing from \$104.39 at the end of the third quarter to \$84.26 at the end of the fourth 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 Fourth Quarter 2021

(\$ in millions)

	<u>Guidance Q4 2021 Revised</u>	<u>Actuals Q4 2021</u>	<u>Q4 2021 Actuals Excluding Incremental Phantom Benefit⁽¹⁾</u>
Total Revenues	\$780 - \$830	\$814	\$814
Adjusted Homebuilding Gross Margin⁽²⁾	21.5% - 22.5%	22.8%	22.8%
Total SG&A as Percentage of Total Revenues⁽³⁾	8.5% - 9.5%	8.6%	9.2%
Adjusted EBITDA⁽⁴⁾	\$85 - \$100	\$121	\$116
Adjusted Income Before Income Taxes⁽⁵⁾	\$45 - \$60	\$81	\$76

(1) SG&A expenses in the fourth quarter of fiscal 2021 included \$5.3 million of incremental benefit due to the phantom stock awards, which is solely related to our common stock price decreasing from \$104.39 at the end of the third quarter to \$84.26 at the end of the fourth 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.

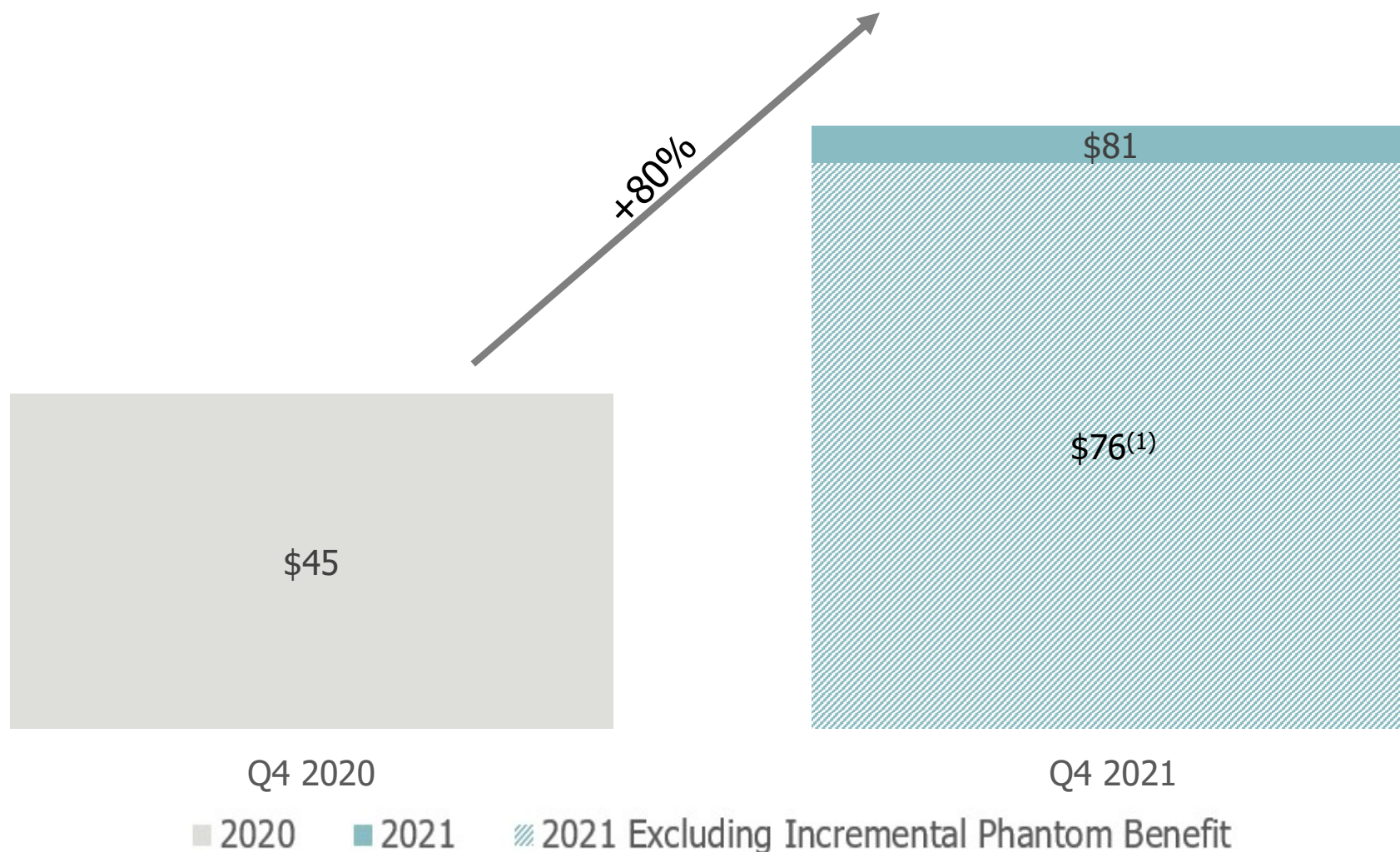
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(5) Adjusted Income Before Income Taxes excludes land-related charges and loss (gain) on extinguishment of debt. See appendix for a reconciliation to the most directly comparable GAAP measure.

Adjusted Pretax Income

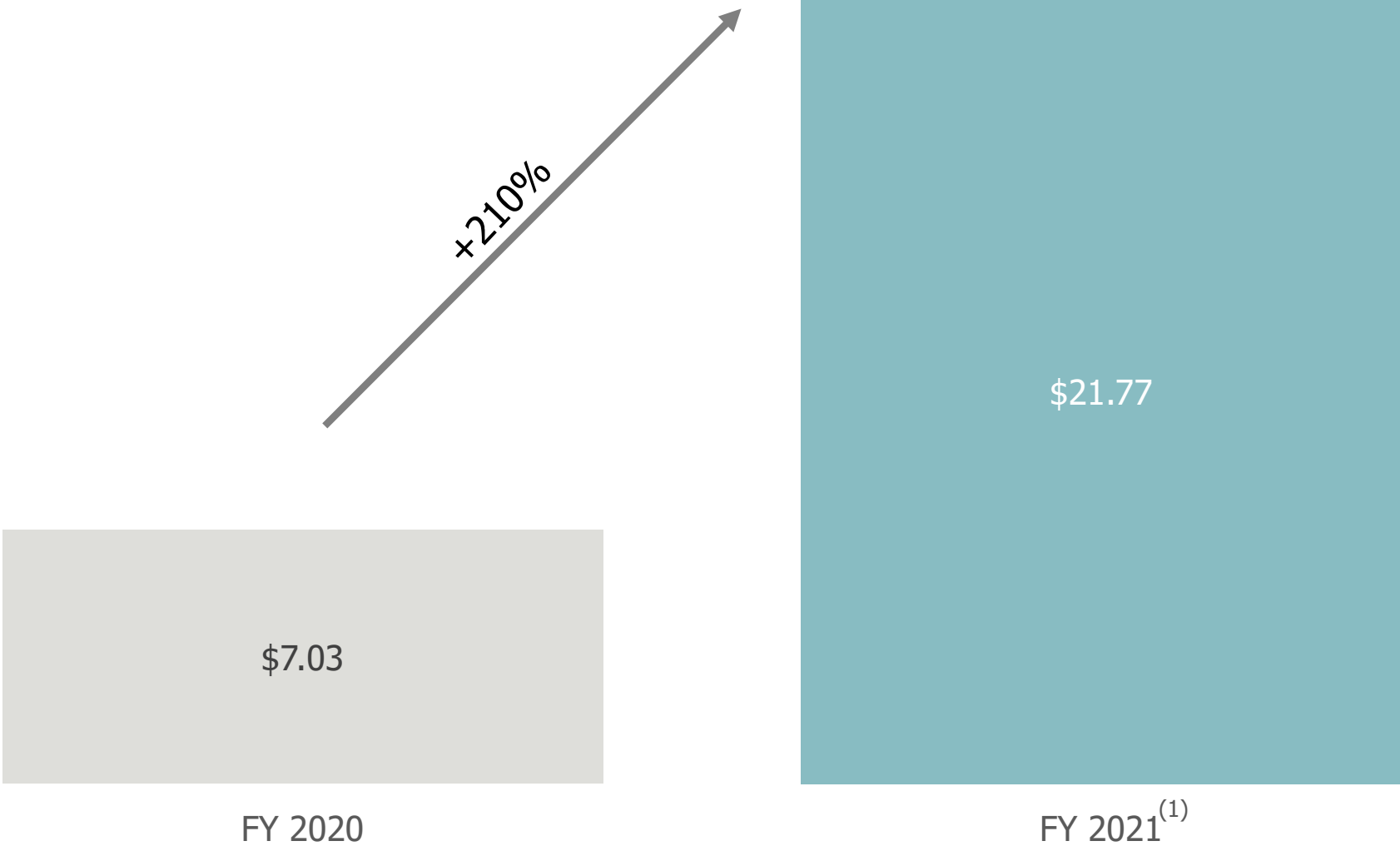
(\$ in millions)



(1) SG&A expenses in the fourth quarter of fiscal 2021 included \$5.3 million of incremental benefit due to the phantom stock awards, which is solely related to our common stock price decreasing from \$104.39 at the end of the third quarter to \$84.26 at the end of the fourth quarter.

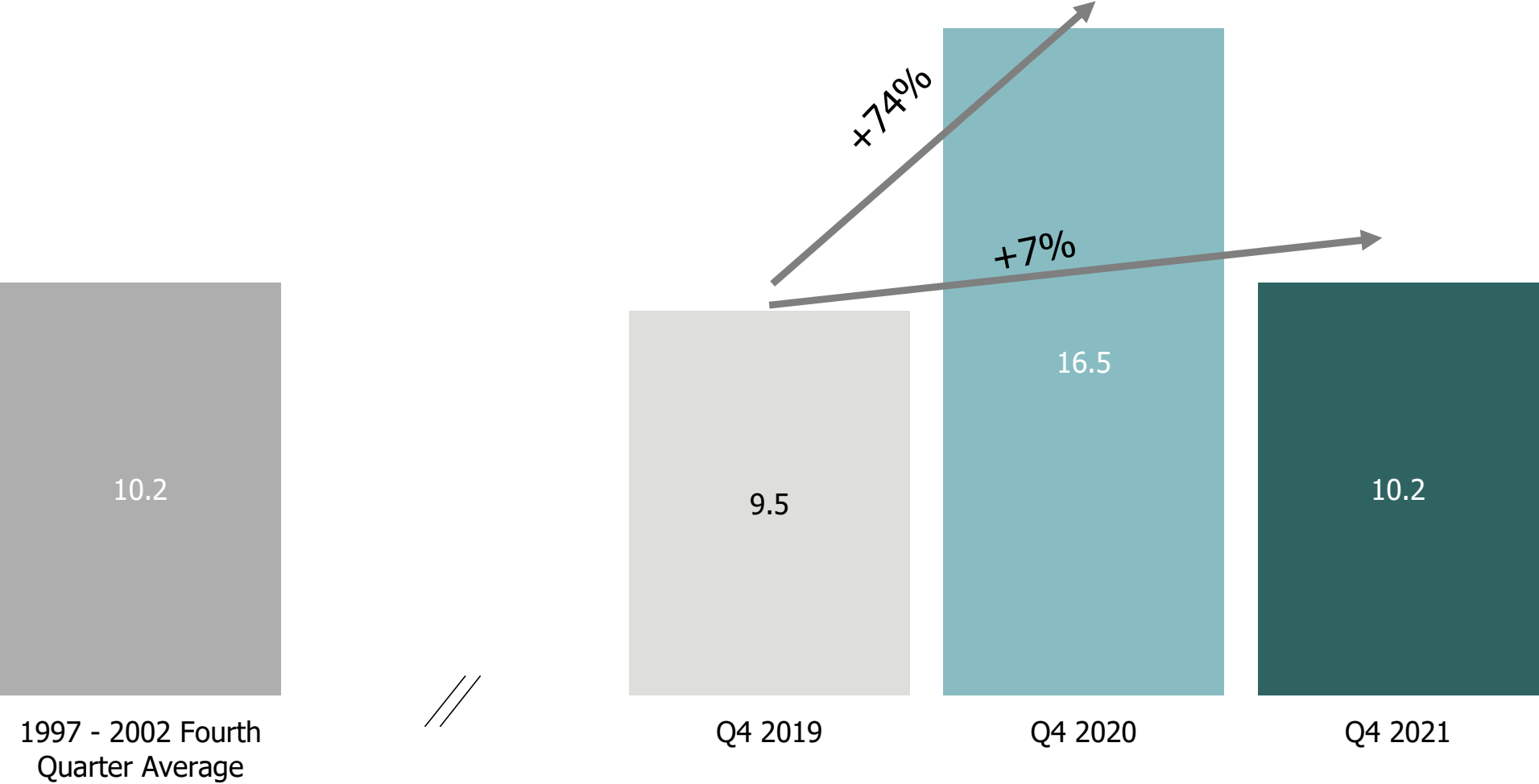
Note: Adjusted Income (Loss) Before Income Taxes excludes land-related charges and loss (gain) on extinguishment of debt. See appendix for a reconciliation to the most directly comparable GAAP measure.

Full Year Adjusted Diluted EPS



(1) Excludes \$468.6 million credit to tax expense from the valuation allowance reduction.

Quarterly Contracts Per Community

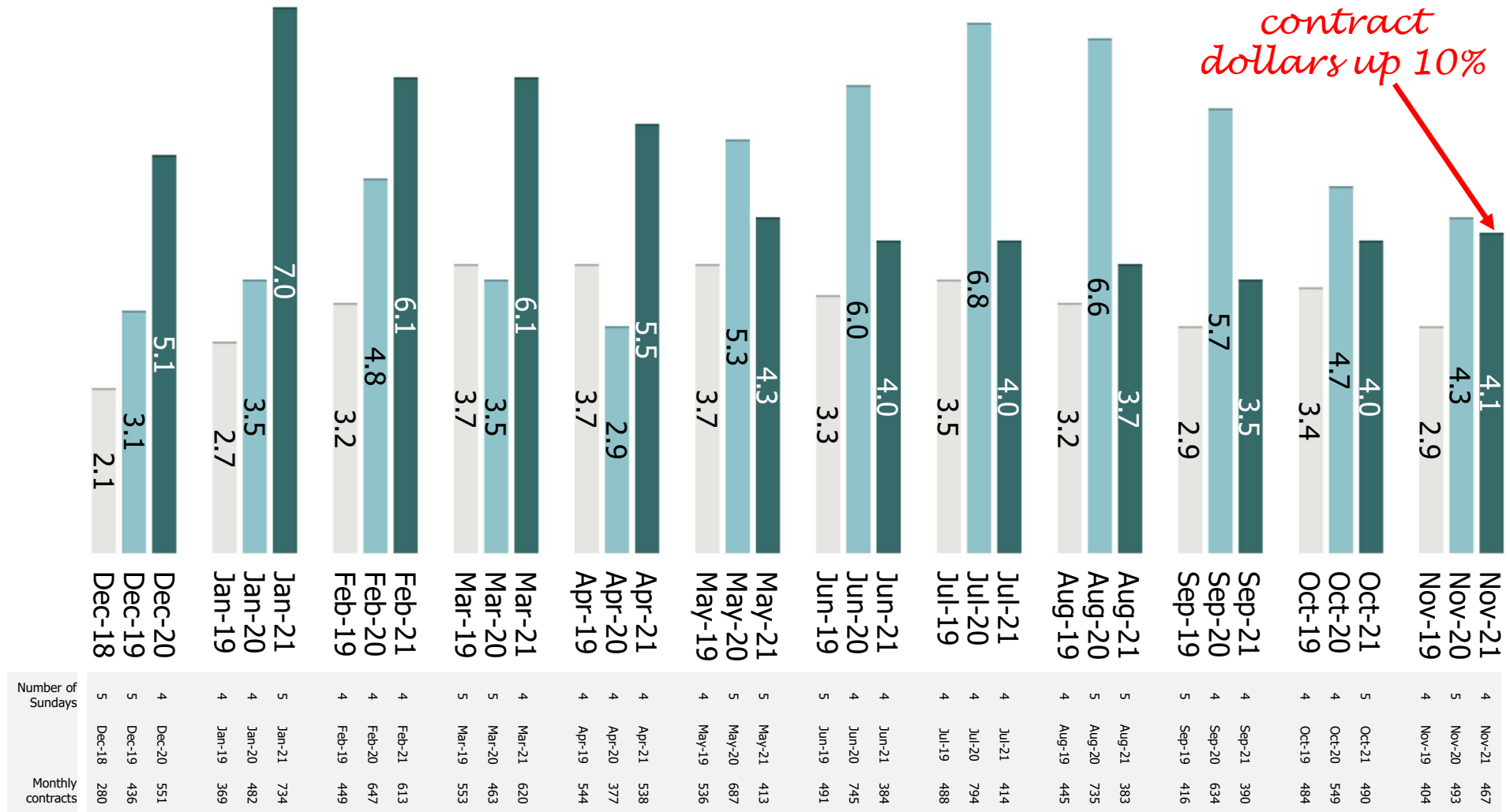


Note: Excludes unconsolidated joint ventures.

Number of Monthly Contracts Per Community, Excludes Unconsolidated Joint Ventures

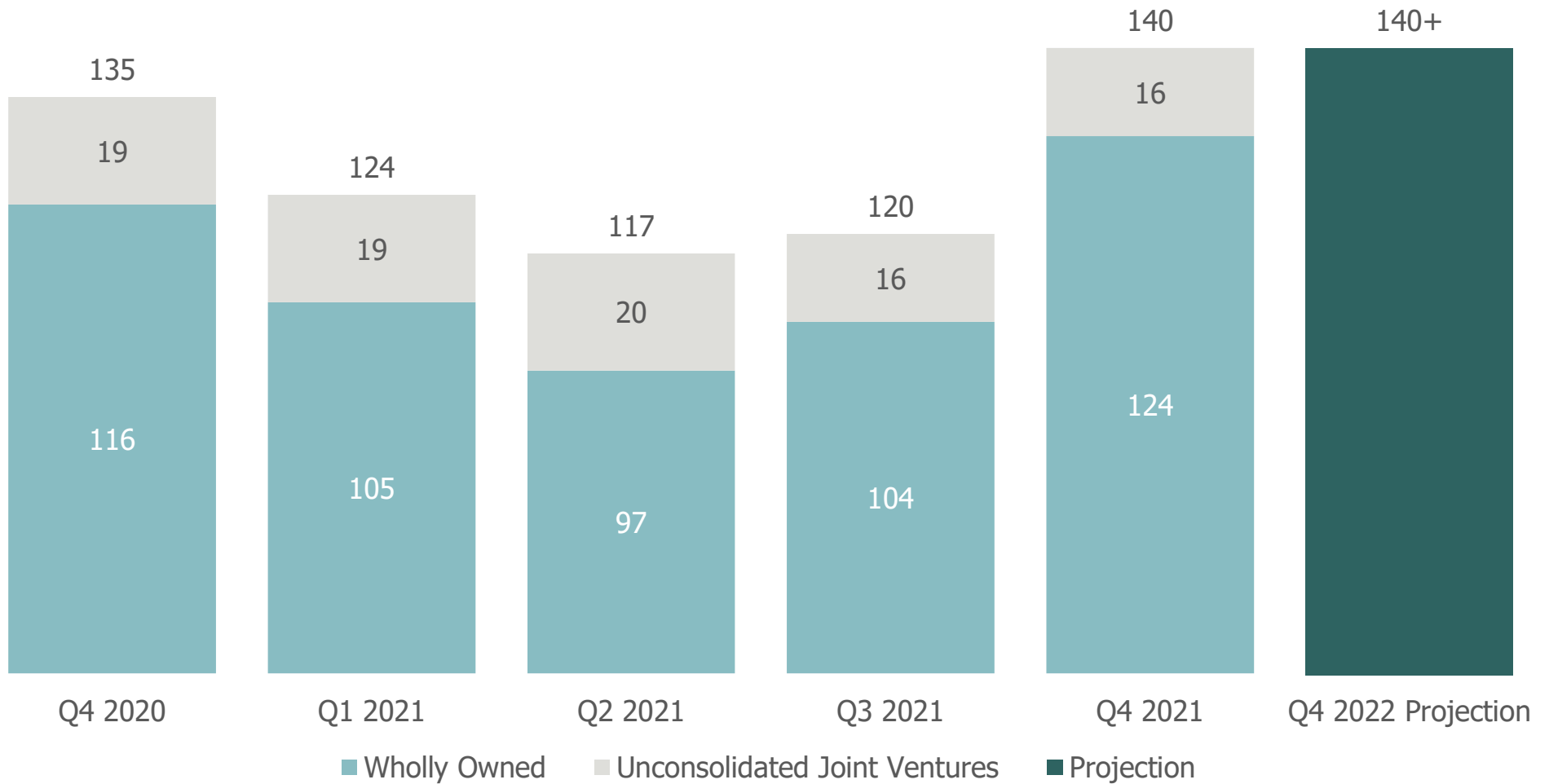
- *Every month better than the same month two years ago*

November 2021 contract dollars up 10%



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

■ 26 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	5.2%	17.4%	9.3%	10.3%	33.8%	24.0%
Homes delivered	3.2%	13.7%	12.5%	9.7%	40.8%	20.1%
Average selling price of deliveries	\$698K	\$548K	\$322K	\$459K	\$356K	\$514K
Net new contracts (\$)	6.8%	18.7%	9.5%	11.1%	34.7%	19.2%
Backlog homes	5.3%	15.7%	18.6%	13.0%	33.1%	14.3%

Exited 5 non-core markets over the last 5 years

Geographic diversification mitigates market-specific economic impacts

Honed our market footprint to our 26 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

Lot portfolio balanced across our segments⁽¹⁾

October 31, 2021
Owned

Segment	Active lots	Mothballed lots	Optioned lots	Total lots
Northeast	528	–	2,818	3,346
Mid-Atlantic	1,516	247	6,480	8,243
Midwest	815	6	1,197	2,018
Southeast	1,552	–	2,223	3,775
Southwest	2,861	–	6,547	9,408
West	1,767	1,159	1,158	4,084
Consolidated total	9,039	1,412	20,423	30,874
Unconsolidated joint ventures	1,569	–	229	1,798
Grand total	10,608	1,412	20,652	32,672

Growing lot supply despite torrid sales pace⁽²⁾

	Twelve Months Ended 10/31/21
Newly controlled lots	11,310 ⁽³⁾
Deliveries and lot sales	(6,485)
# of newly controlled lots in excess of deliveries	4,825

- Reactivated ~8,700 lots in 108 communities since January 31, 2009
- As of October 31, 2021, mothballed lots in 6 communities with a book value of \$4 million net of impairment balance of \$57 million

5.0 years of lot supply⁽⁴⁾

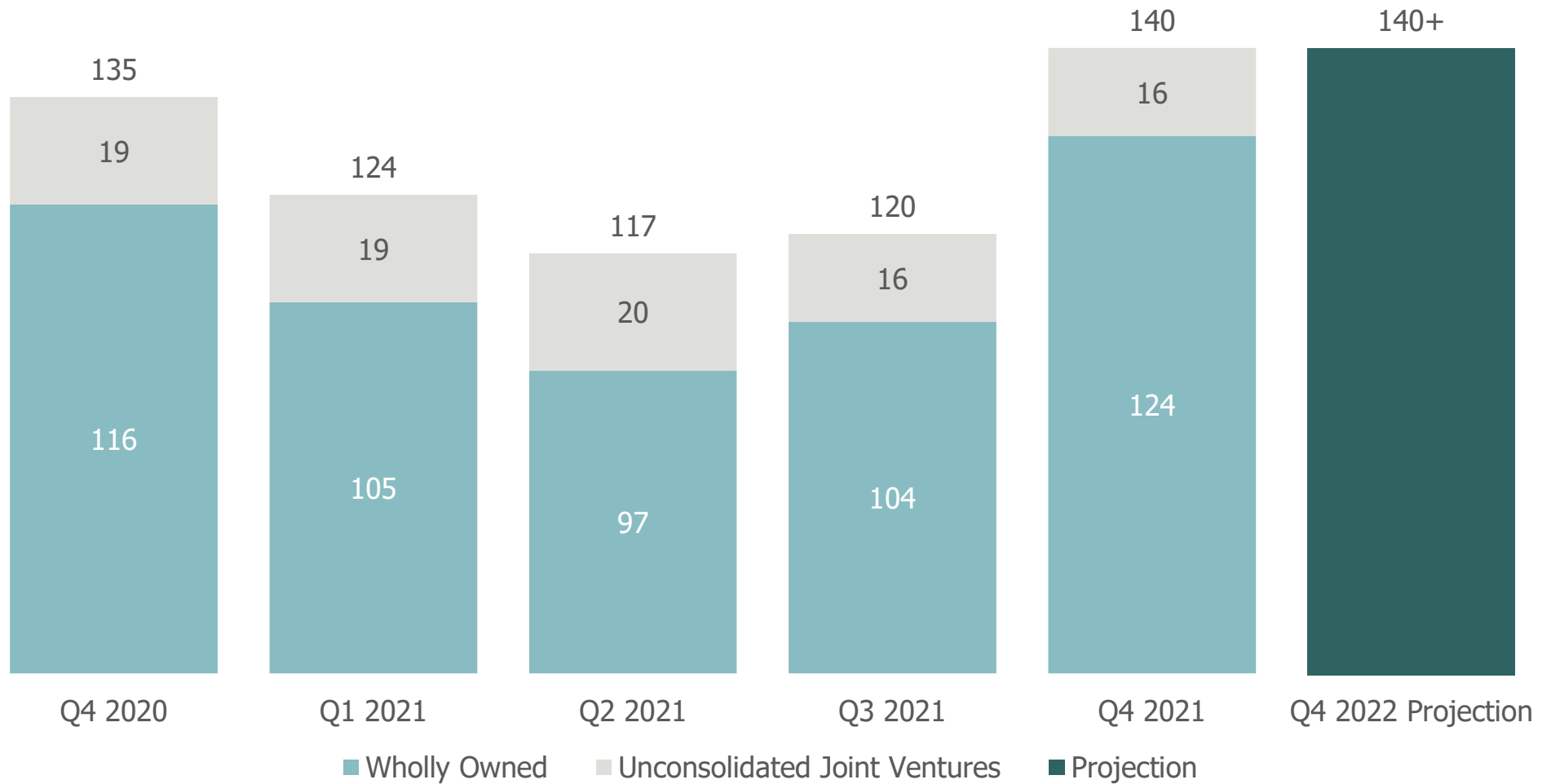
(1) Excludes our single community unconsolidated joint venture in the Kingdom of Saudi Arabia.

(2) Excludes unconsolidated joint ventures.

(3) Includes newly optioned lots net of 3,201 walk aways, as well as lots purchased that were not previously optioned.

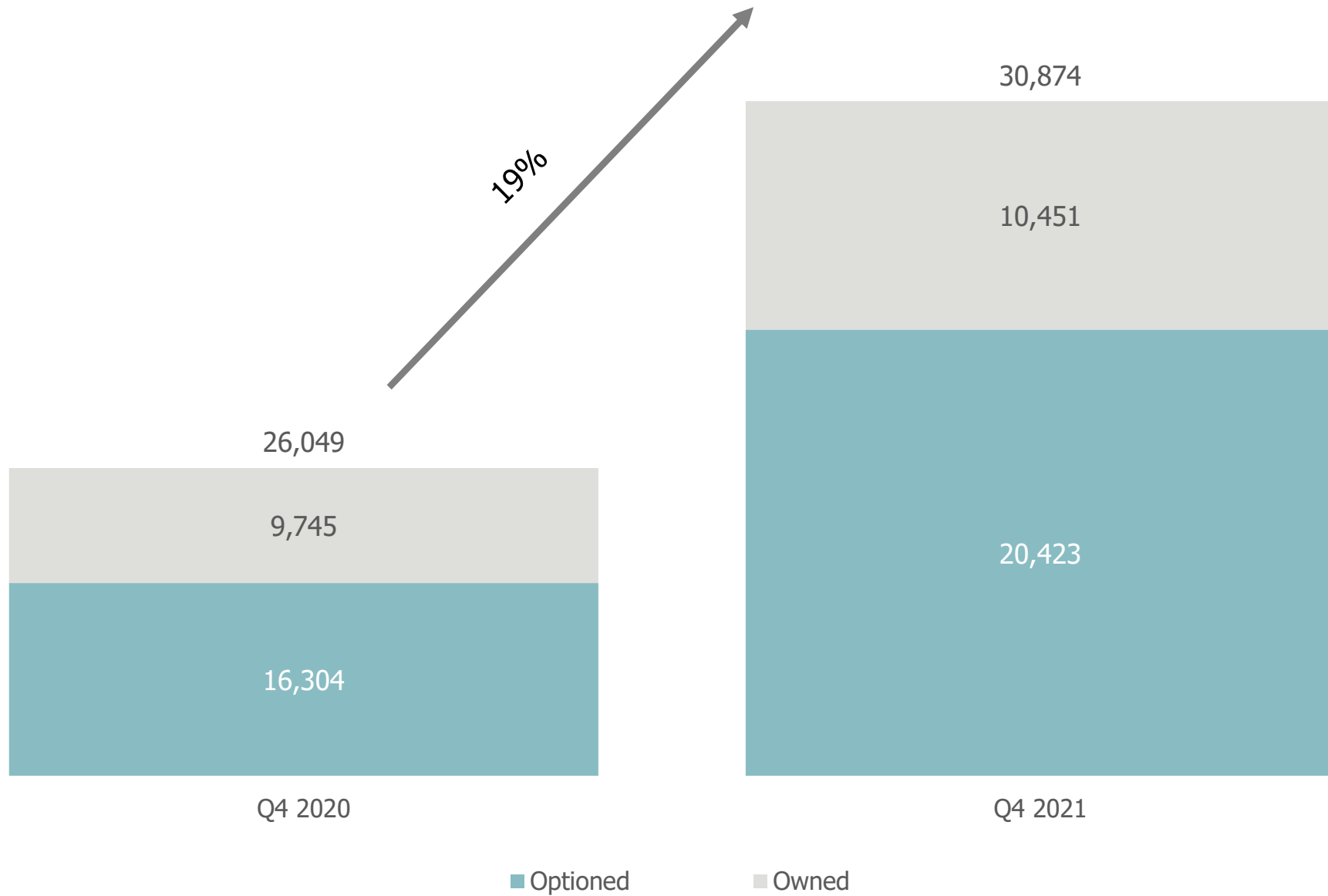
(4) Represents total lots controlled (owned + optioned) / LTM unit closings.

Community Count



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

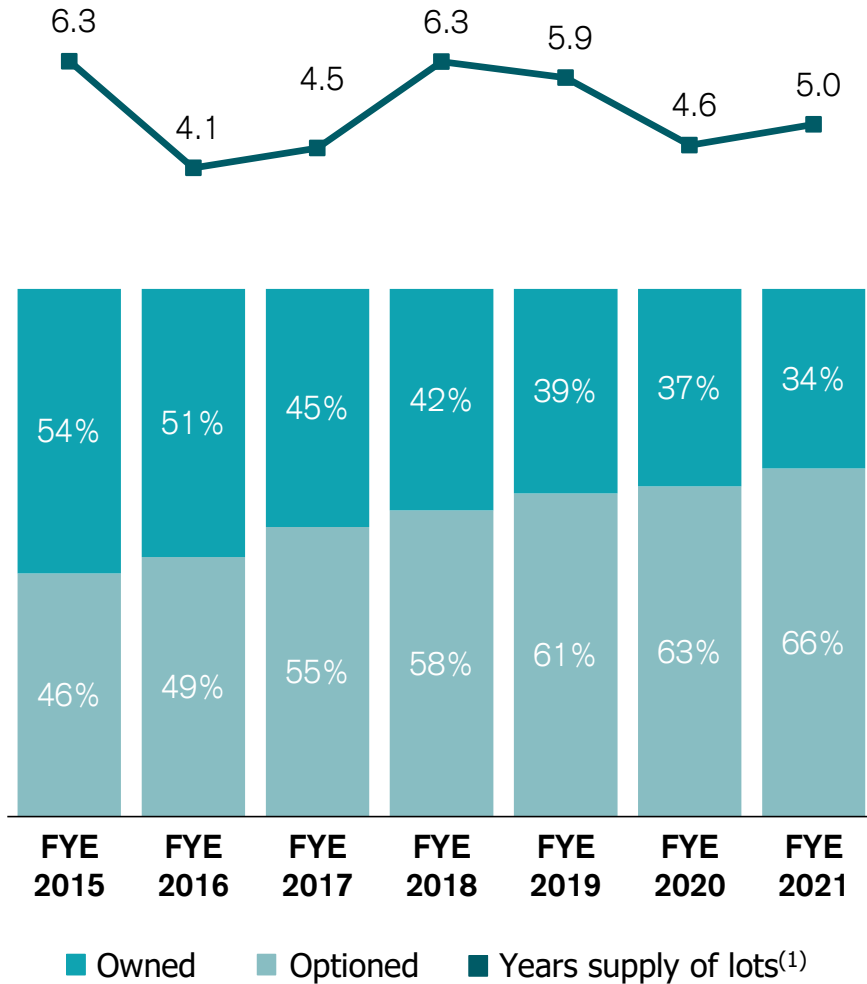
Lots Controlled⁽¹⁾



(1) Excludes unconsolidated joint ventures.

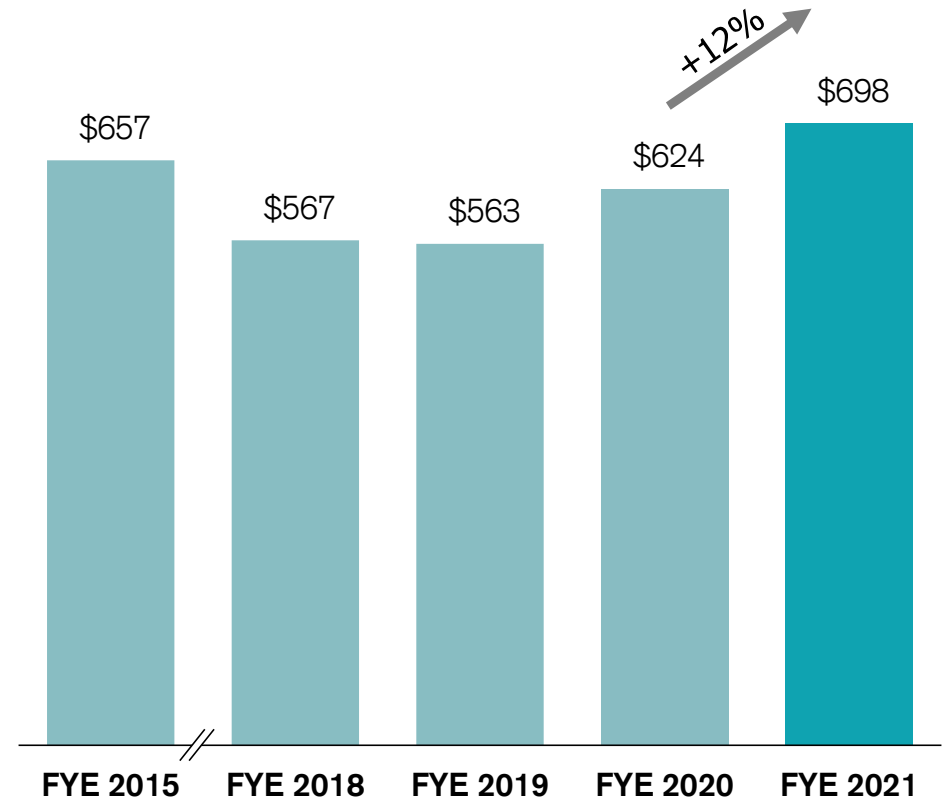
Efficient lot strategy

Multi-year lot supply



Ample inventory reinvestment

Land and land development spend (\$ in millions)



Source: Company SEC filings and press releases as of 12/09/21.

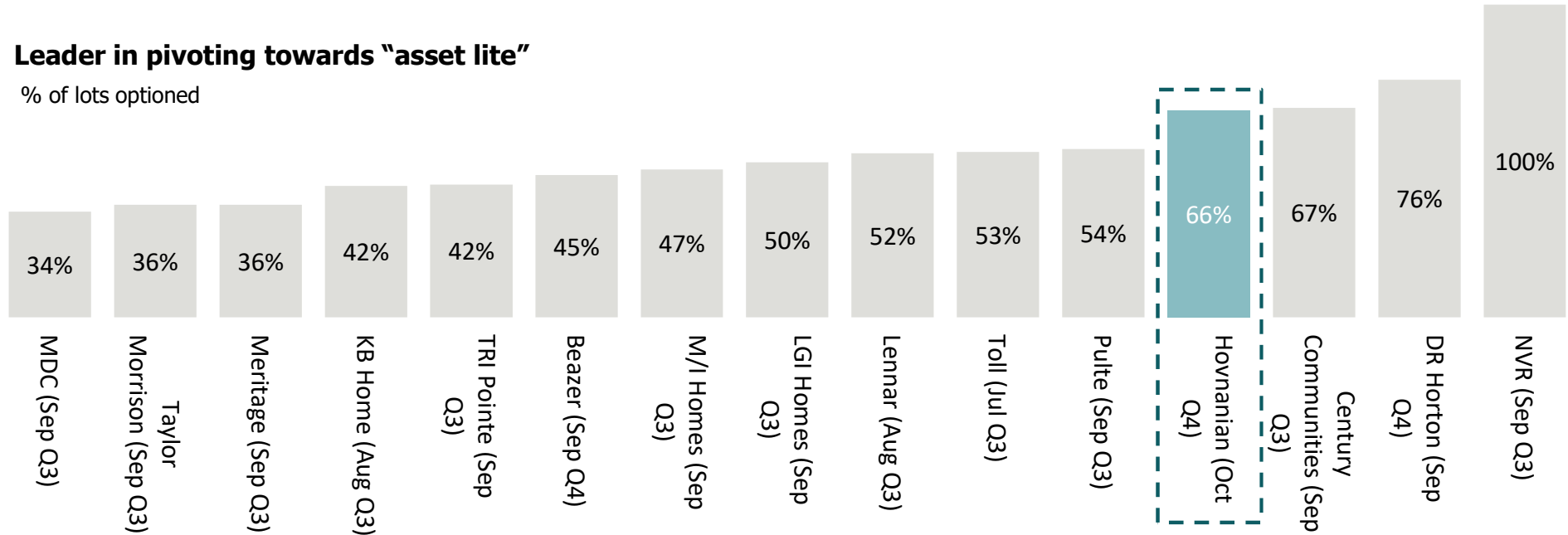
Notes: Excludes unconsolidated joint ventures.

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

Rapid inventory turns drive improved performance

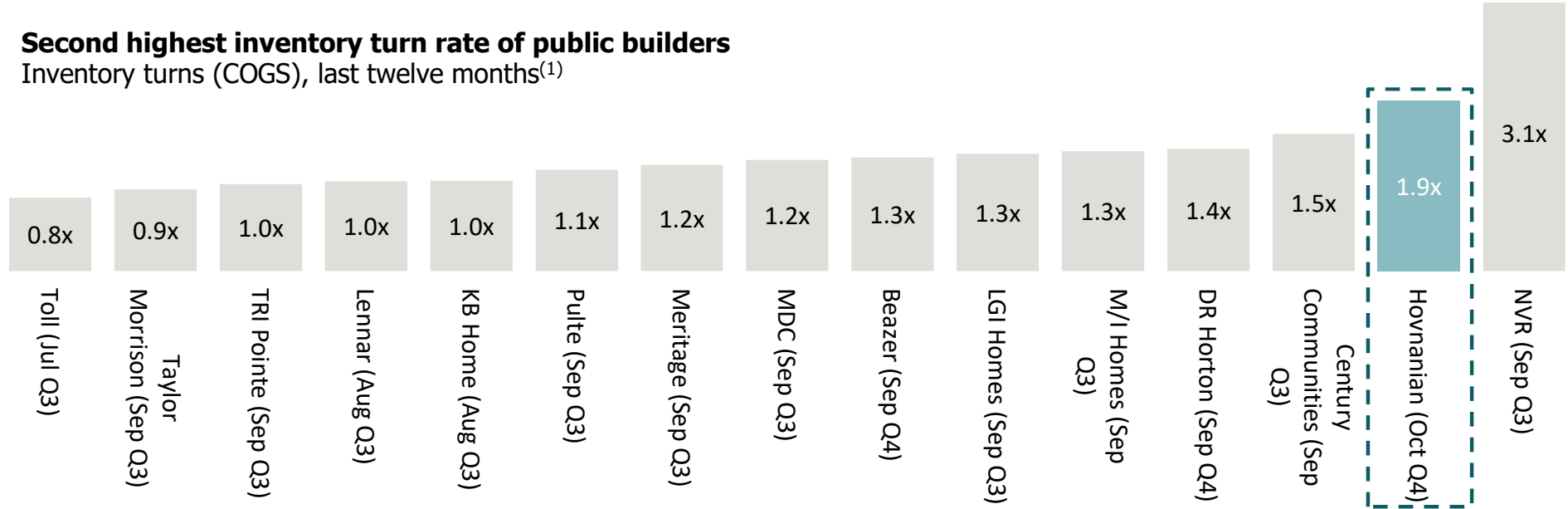
Leader in pivoting towards “asset lite”

% of lots optioned



Second highest inventory turn rate of public builders

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



Source: Company SEC filings and press releases as of 12/09/21.

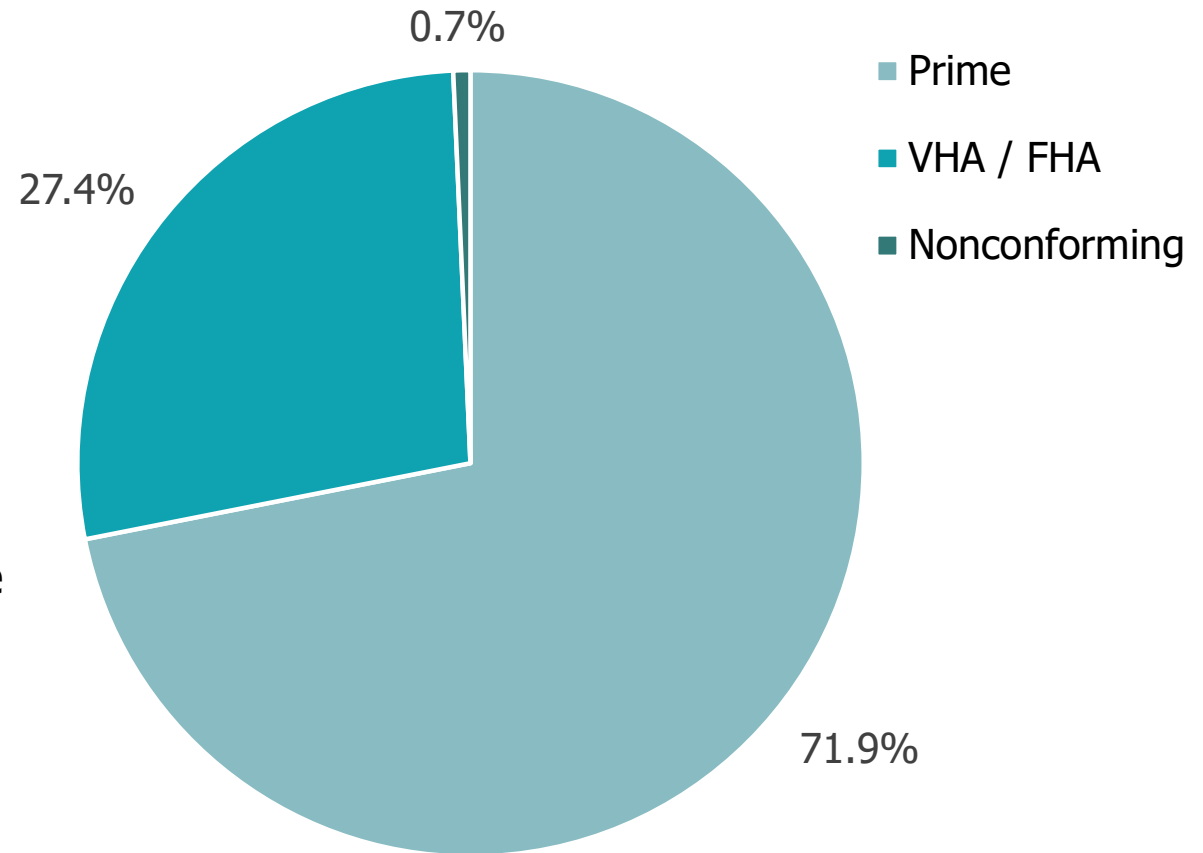
(1) Inventory turns derived by dividing cost of sales, excluding capitalized interest, by the five quarter average homebuilding inventory, excluding inventory not owned and capitalized interest.

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
- \$82mm FY 2021 revenues
- \$38mm FY 2021 operating income
- 46% FY 2021 operating margin

Origination portfolio in FY 2021

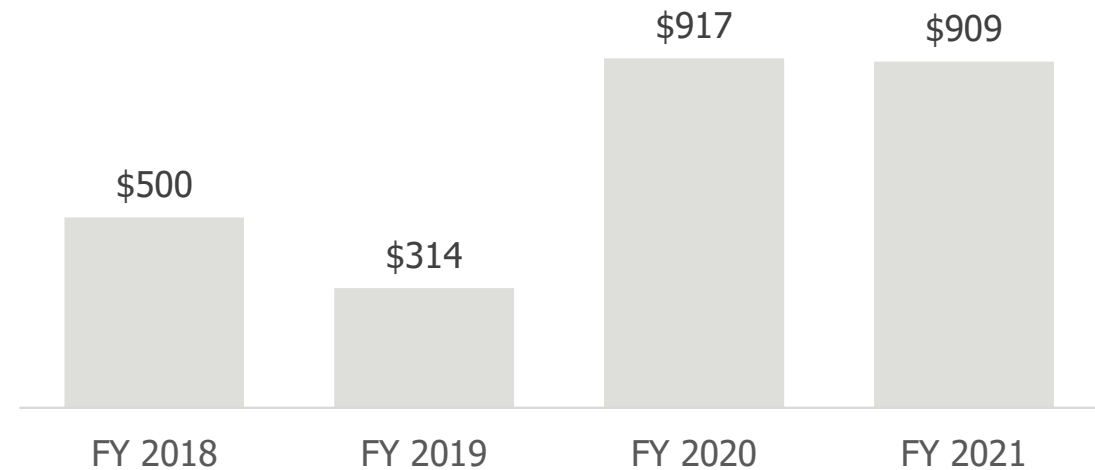


Note: Last twelve months (LTM) through October 31, 2021.

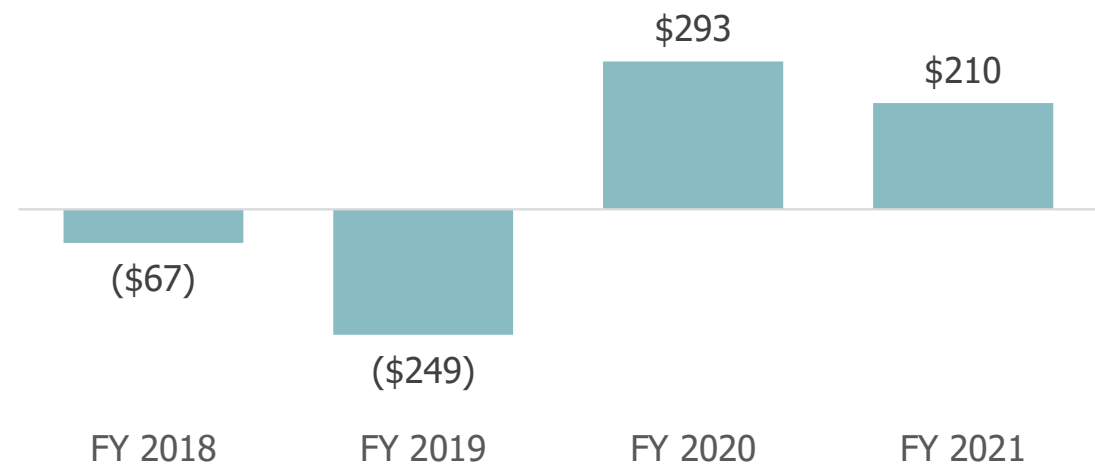
Significant cash flow generation

- Generated \$2.6 billion of net operating cash flows before land and land development over the past four years
- ~\$500 million of net operating cash flow in 2020 and 2021 after two years of outflows
- Strong underlying operating cash flow before land and land development
- Cash flow ramp provides optionality to retire debt

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

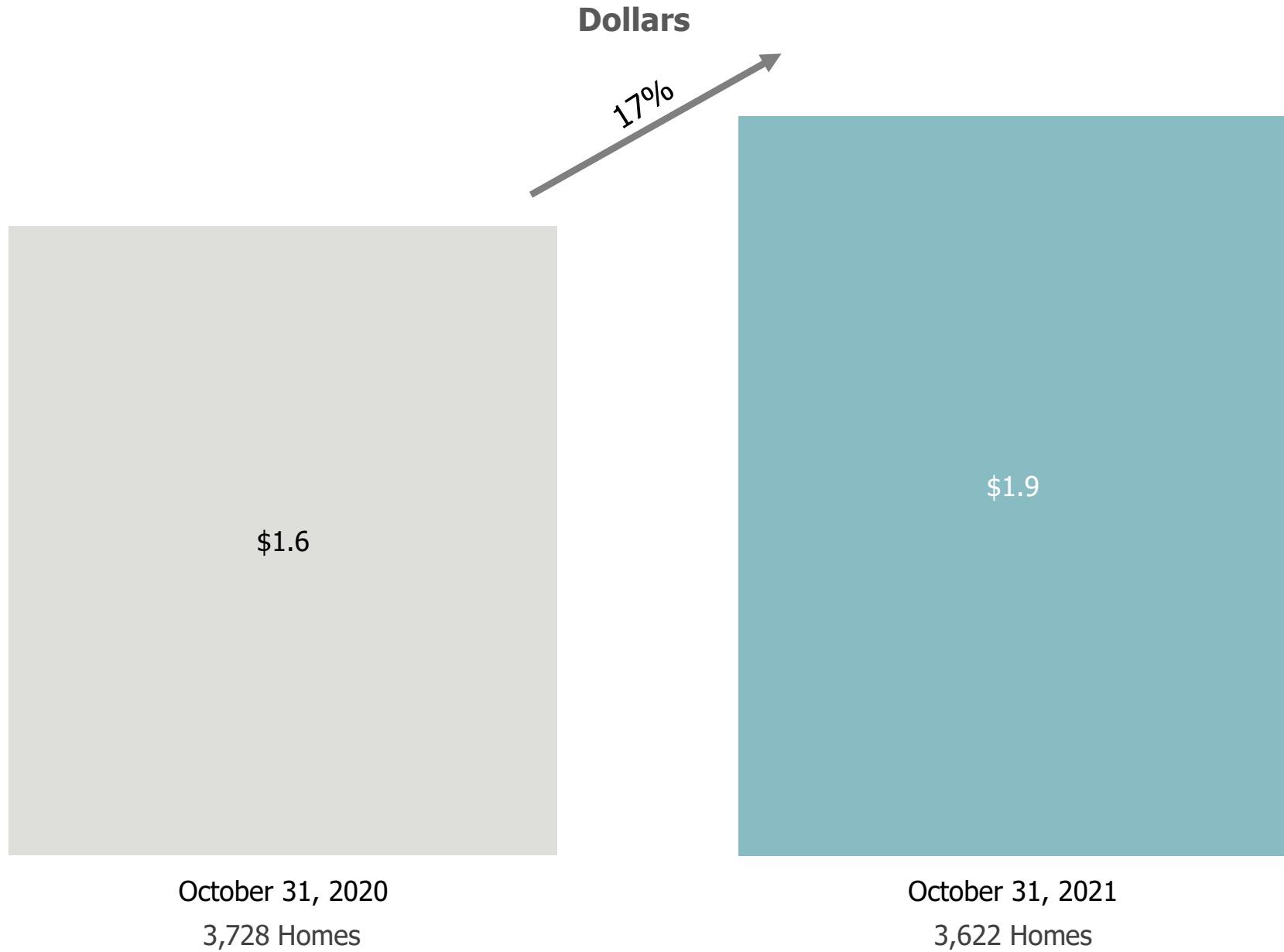


Net operating cash flow - reported
(\$ in millions)



Backlog

(\$ in billions)



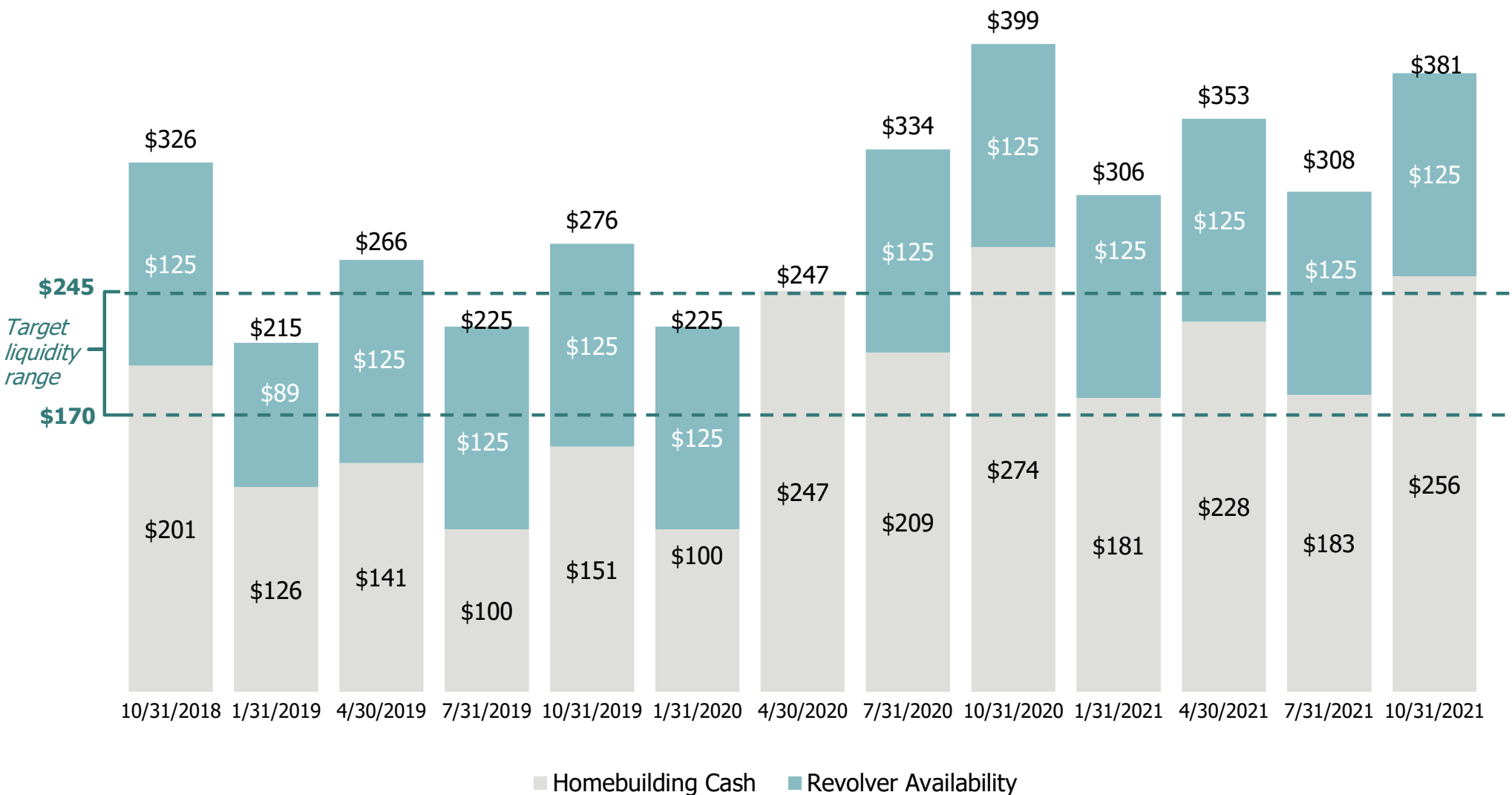
Note: Includes domestic unconsolidated joint ventures.



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.

Focused on deleveraging and enhancing our debt structure

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

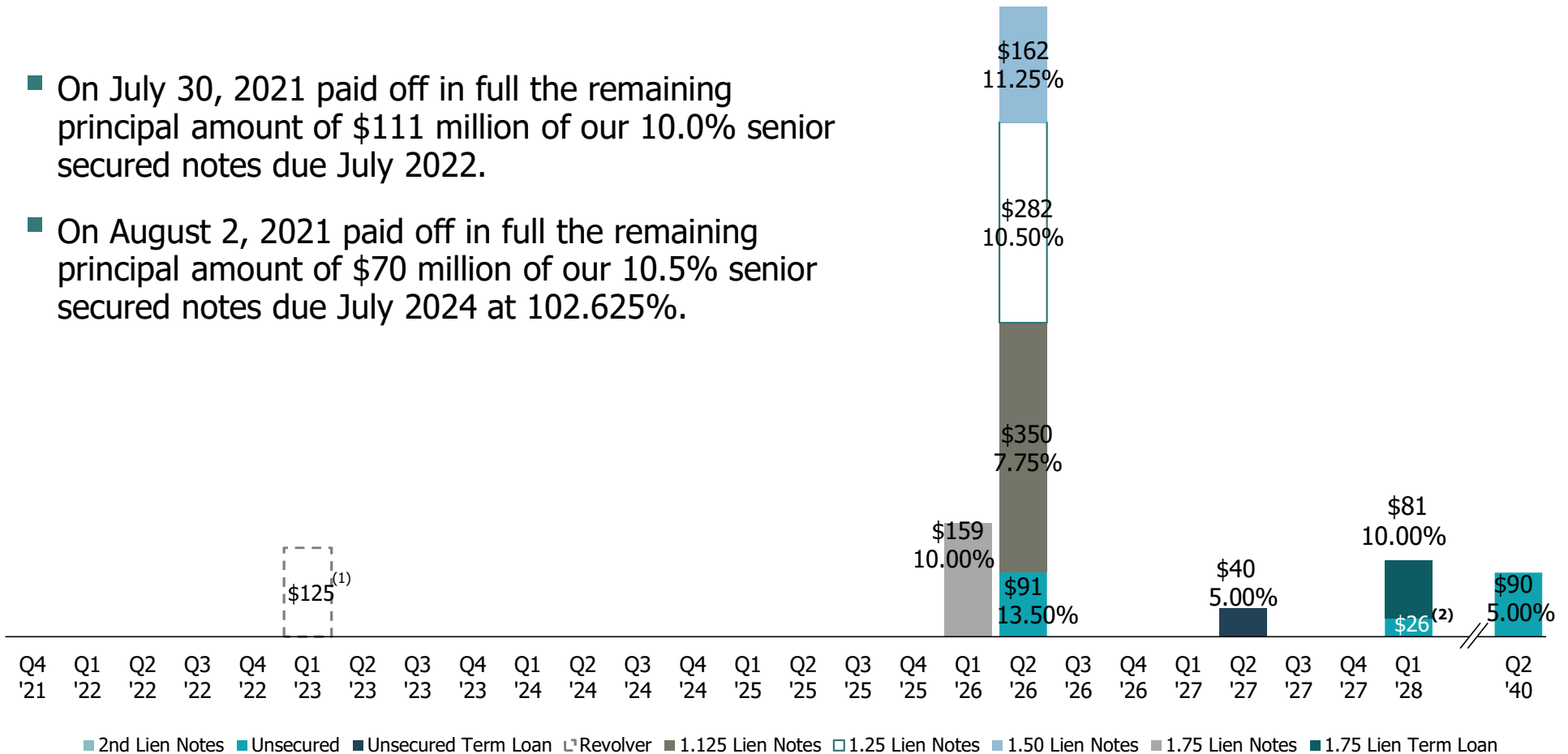
Bond and loan composition as of 10/31/21

Tranche	Coupon	Current principal balance	Call schedule	
			Call price	Next date
<u>Secured:</u>				
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	102.500	11/15/2022
Term loan due 2028 (1.75 lien)	10.00%	81	102.500	11/15/2022
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
<u>Unsecured:</u>				
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	NA

Extended maturity profile with near term debt repayments

As of October 31, 2021

- On July 30, 2021 paid off in full the remaining principal amount of \$111 million of our 10.0% senior secured notes due July 2022.
- On August 2, 2021 paid off in full the remaining principal amount of \$70 million of our 10.5% senior secured notes due July 2024 at 102.625%.



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.

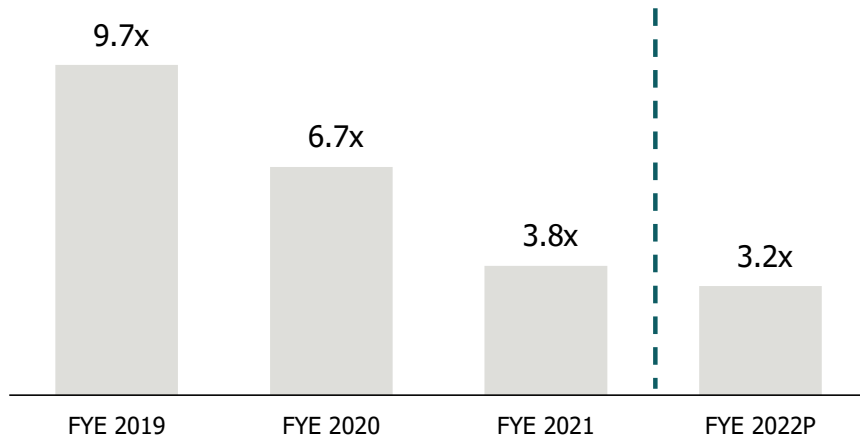
Excludes non-recourse mortgages.

(1) \$0 balance as of October 31, 2021.

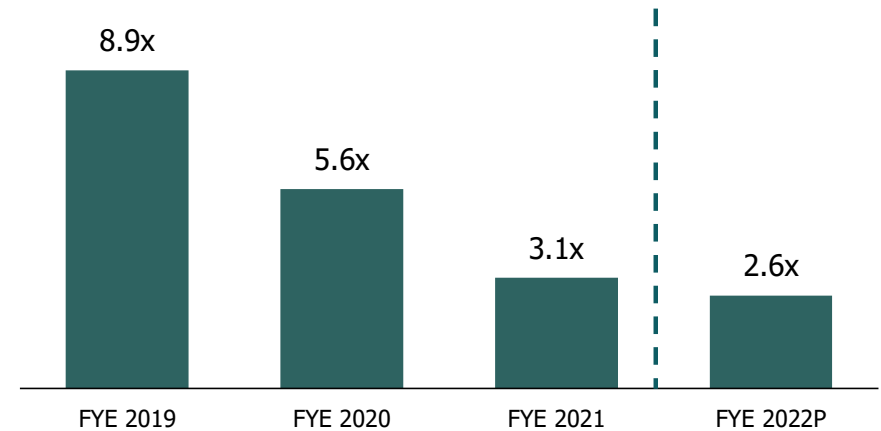
(2) \$26 million of 8.0% senior notes held by wholly owned subsidiary, no cash required to retire.

Key credit metrics

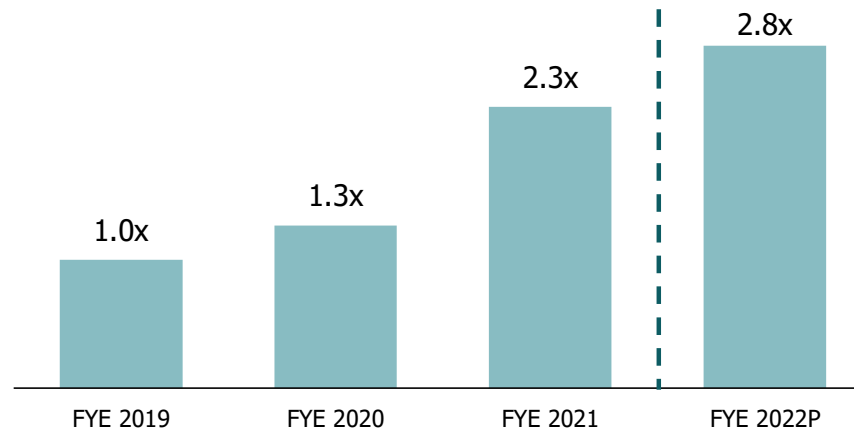
Total debt (incl. mortgages) / Adj. EBITDA



Net Debt (incl. mortgages) / Adjusted EBITDA



Adj. EBITDA / Interest Incurred



Note: For purposes of the FYE 2022 projection calculations on this slide:

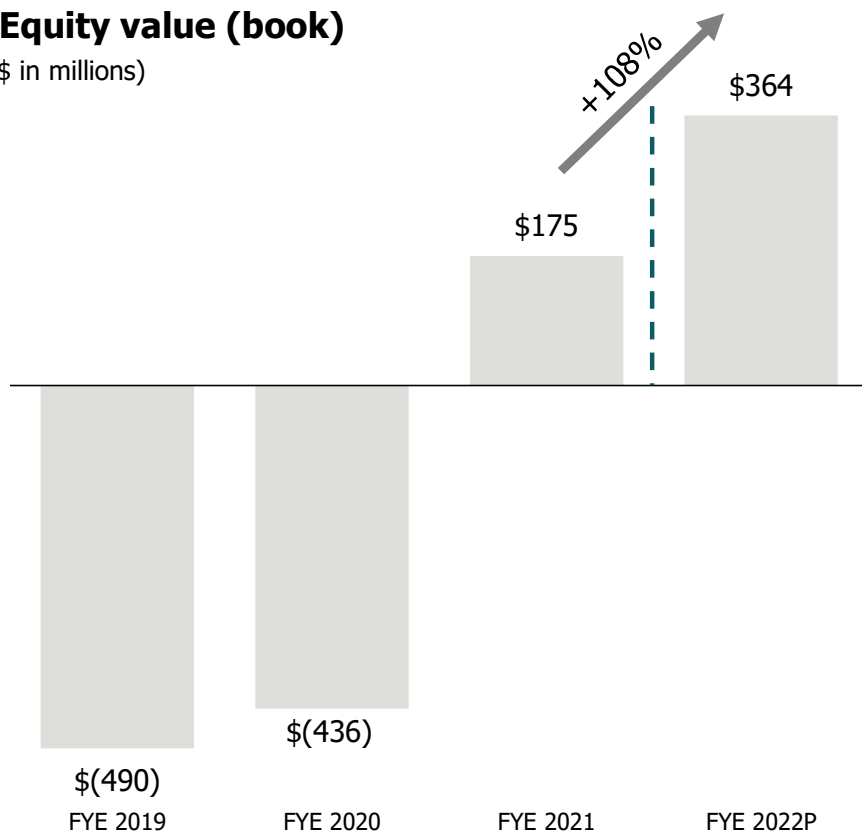
- used the midpoint of adjusted EBITDA guidance for full year fiscal 2022,
- used FYE 2021 actual interest incurred, and
- non-recourse mortgage balance and cash are assumed to be equal to October 31, 2021 actuals.

Balance sheet metrics

❖ *As of the closing stock price on December 8, 2021, our stock is trading at 1.9x fiscal 2022 ending book value.*

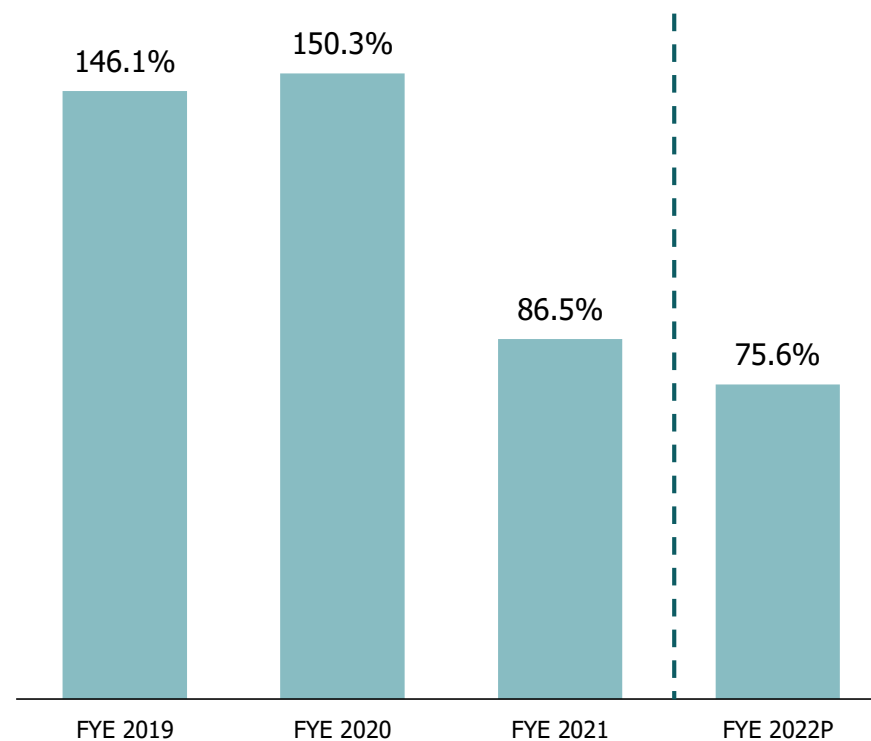
Equity value (book)

(\$ in millions)



Net debt to net capitalization

Goal: Mid 30% level



Note: For purposes of the FYE 2022 projection calculations on this slide:

- midpoint of adjusted income before income taxes guidance for full year 2022 and 30% effective tax rate, less preferred dividend, to get incremental increase to equity value for FYE 2022 and
- cash and debt balances are assumed to be equal to October 31, 2021 actuals.



Guidance

Guidance for First Quarter 2022

(\$ in millions)

	<u>Actuals</u> <u>Q1 2021</u>	<u>Guidance</u> <u>Q1 2022⁽¹⁾</u>
Total Revenues	\$575	\$640 - \$670
Adjusted Homebuilding Gross Margin⁽²⁾	20.7%	20.5% - 22.0%
Total SG&A as Percentage of Total Revenues⁽³⁾	11.1%	10.8% - 11.8%
Adjusted Income Before Income Taxes⁽⁴⁾	\$21	\$30 - \$35

(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 \$84.26

(4) 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 Second Quarter 2022

(\$ in millions)

	<u>Actuals</u> <u>Q2 2021</u>	<u>Guidance</u> <u>Q2 2022⁽¹⁾</u>
Total Revenues	\$703	\$700 - \$750
Adjusted Homebuilding Gross Margin⁽²⁾	21.3%	23.0% - 25.0%
Total SG&A as Percentage of Total Revenues⁽³⁾	11.7%	9.5% - 10.5%
Adjusted Income Before Income Taxes⁽⁴⁾	\$31	\$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 \$84.26

(4) 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 2022

(\$ in millions)

	<u>Actuals</u> <u>FY 2021</u>	<u>Guidance</u> <u>FY 2022⁽¹⁾</u>
Total Revenues	\$2,783	\$2,800 - \$3,000
Adjusted Homebuilding Gross Margin⁽²⁾	21.8%	23.5% - 25.5%
Total SG&A as Percentage of Total Revenues⁽³⁾	9.9%	9.3% - 10.3%
Adjusted EBITDA⁽⁴⁾	\$364	\$410 - \$460
Adjusted Income Before Income Taxes⁽⁵⁾	\$197	\$260 - \$310
Diluted EPS (excluding valuation allowance reduction)	\$21.77	\$26.50 - \$32.00

(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.

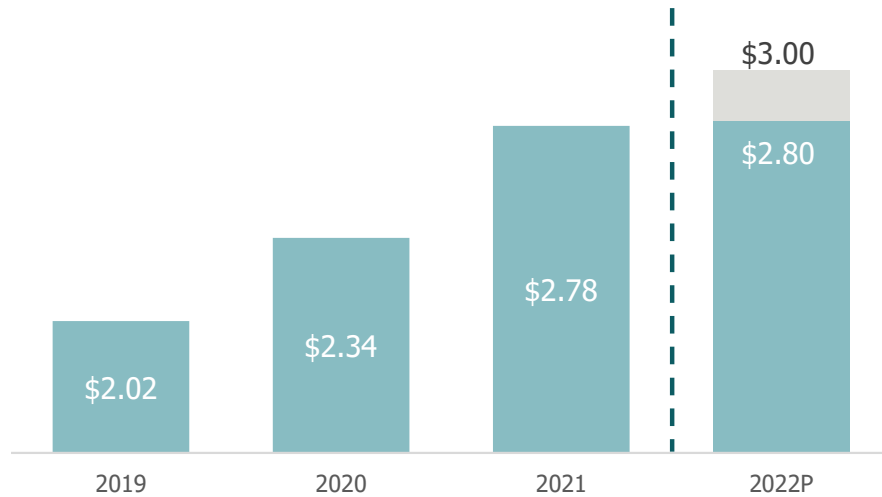
(3) Total SG&A includes homebuilding selling, general and administrative costs and corporate general and administrative costs. Ratio calculated as a percentage of total revenues. The SG&A guidance assumes that the stock remains at \$84.26.

(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.

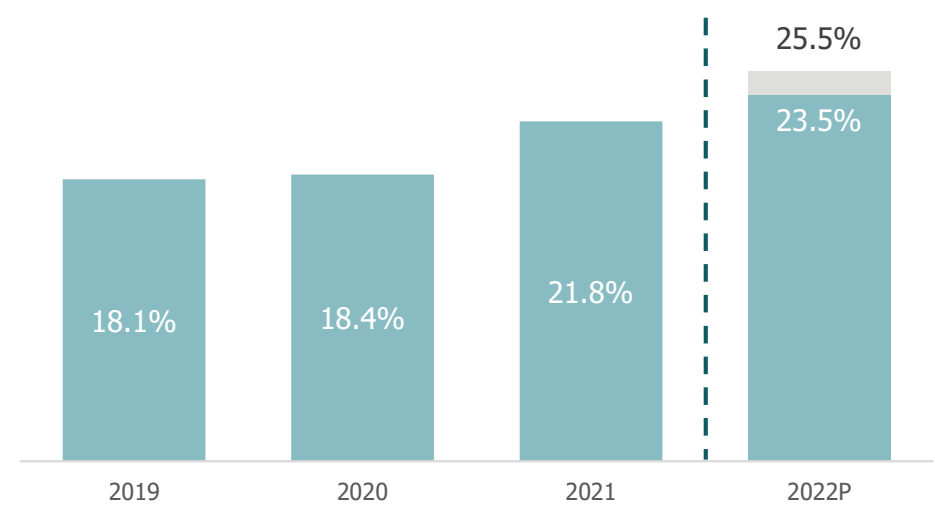
(5) Adjusted Income Before Income Taxes excludes land-related charges, joint venture write-downs and loss (gain) on extinguishment of debt. See appendix for a reconciliation to the most directly comparable GAAP measure.

Guidance Range for Fiscal 2022⁽¹⁾

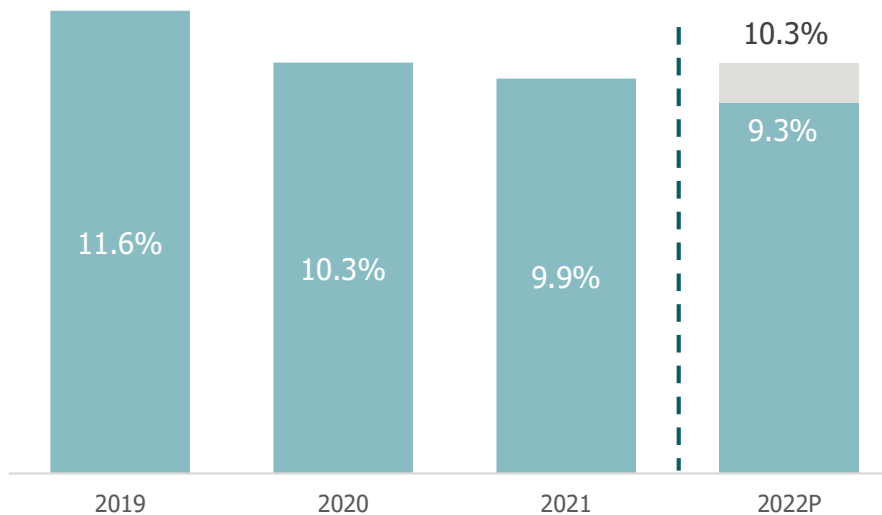
Total Revenues



Adjusted Homebuilding Gross Margin⁽²⁾

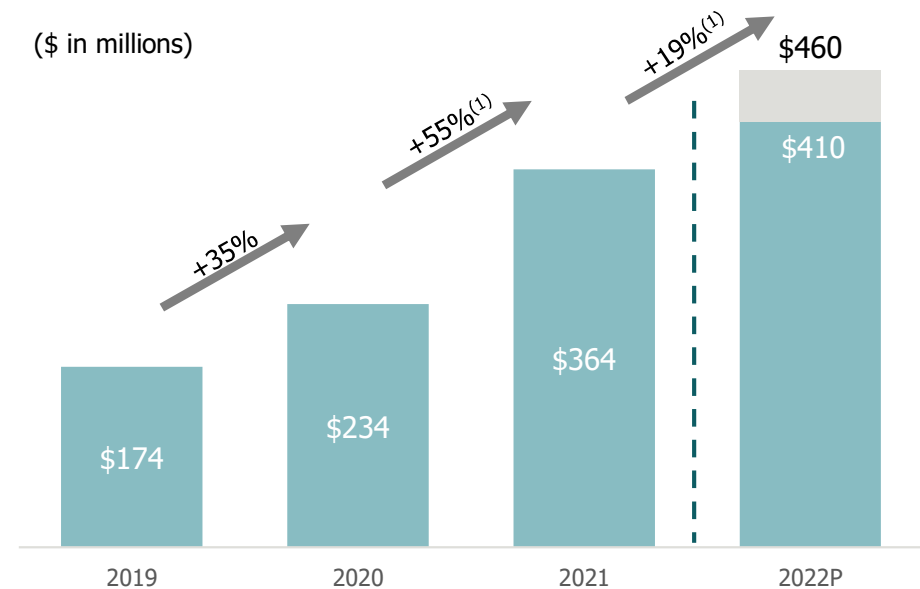


Total SG&A Ratio⁽³⁾



Annual Adjusted EBITDA^{(4),(5)}

(\$ in millions)



(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.

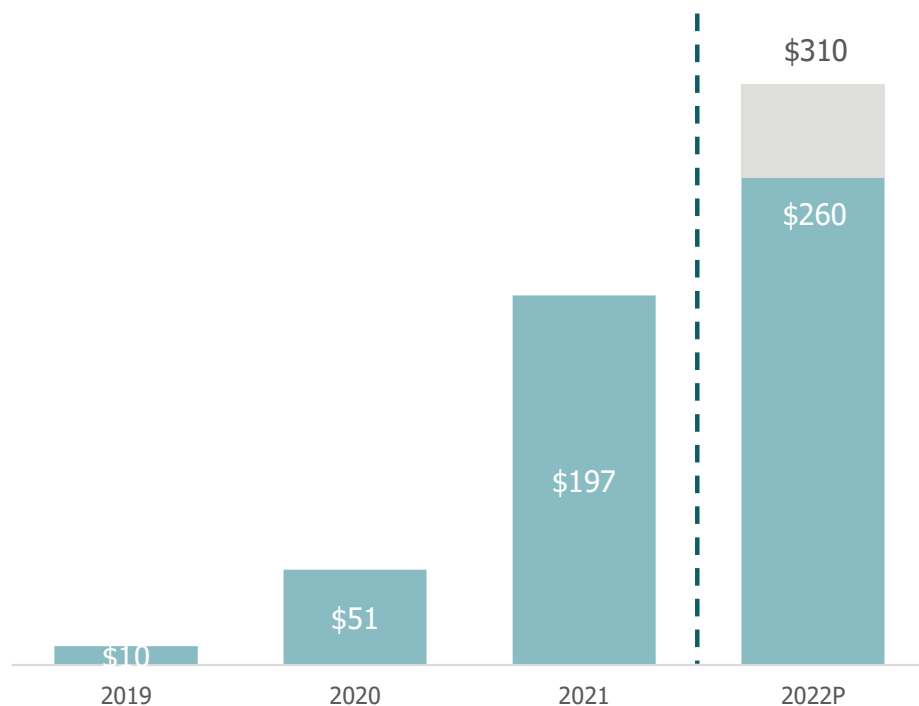
(4) Adjusted EBITDA is a non-GAAP financial measure. The most directly comparable GAAP financial measure is net income. Adjusted EBITDA represents earnings before interest expense, income taxes, depreciation, amortization, land-related charges and loss (gain) on extinguishment of debt.

(5) The percentage increases for 2022 are based on the midpoint of our guidance range.

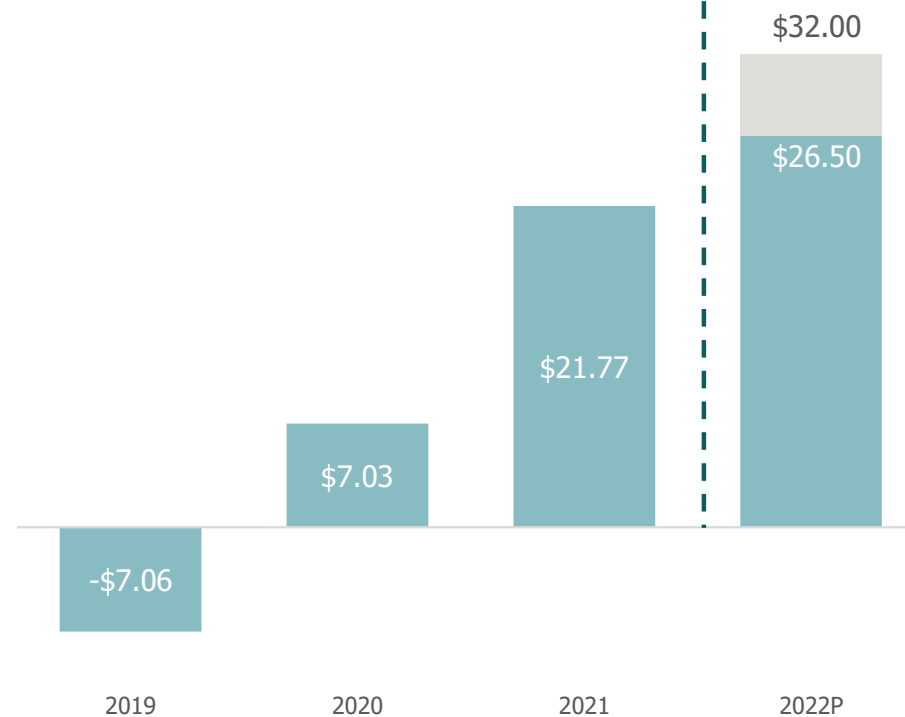
Guidance Range for Fiscal 2022⁽¹⁾

Adjusted Pretax Profit⁽²⁾

(\$ in millions)



EPS⁽³⁾



(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 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.

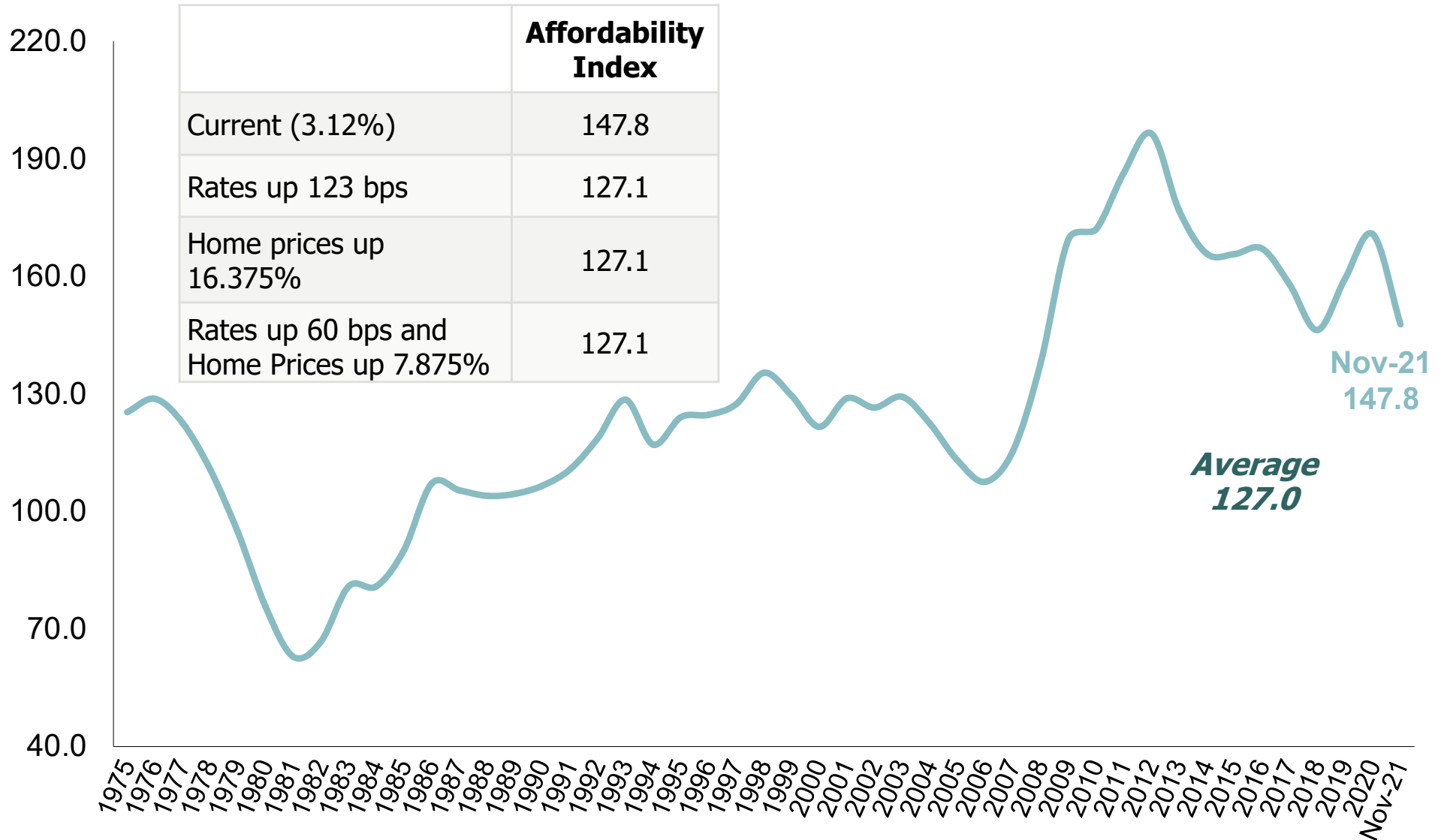
(3) Midpoint of adjusted income before income taxes guidance for full year 2022 and 30% effective tax rate less preferred dividend.



US Housing Market

Affordability Index

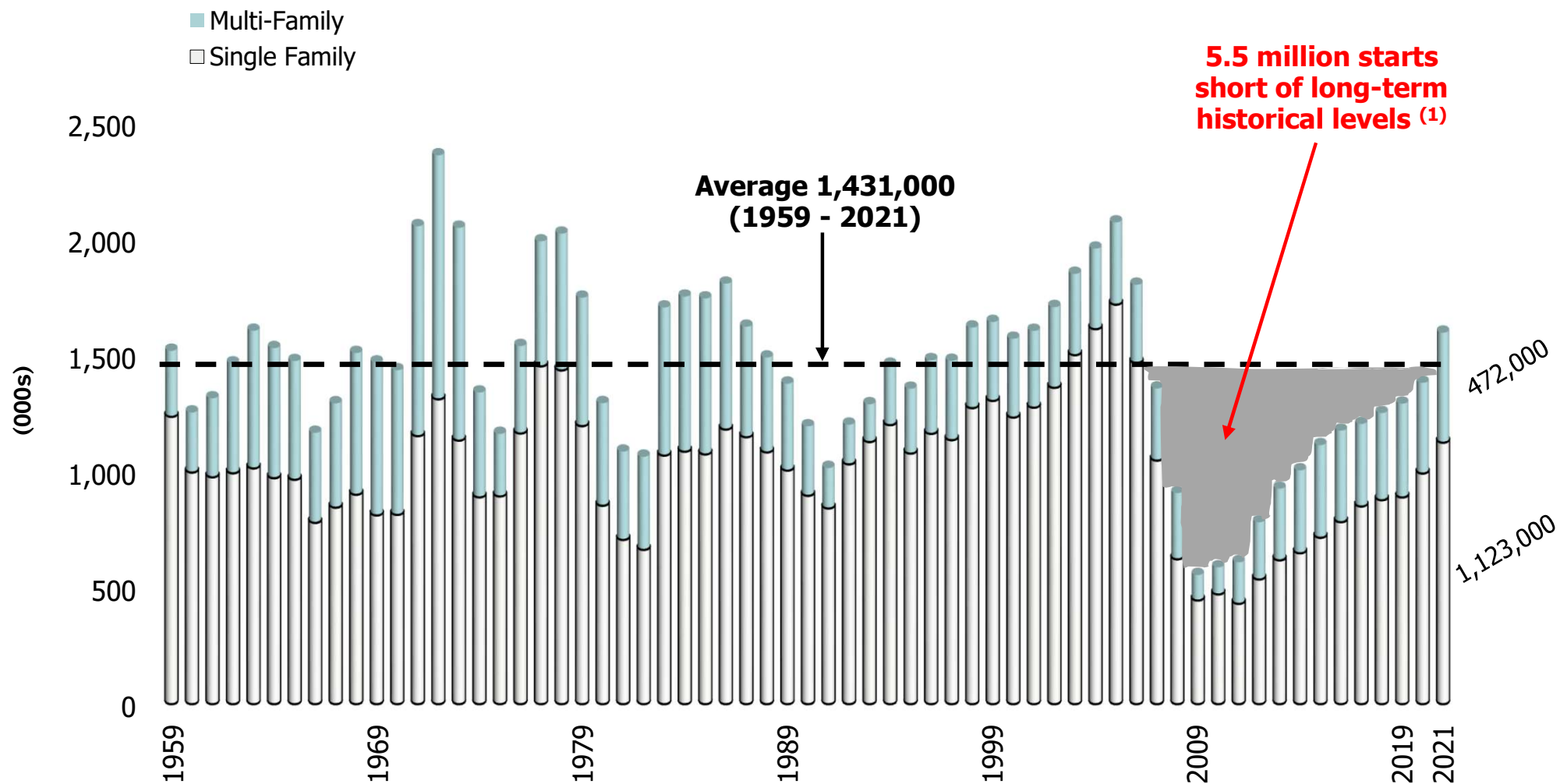
“The higher the affordability Index the better.”



*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

(For Sale and Rental)



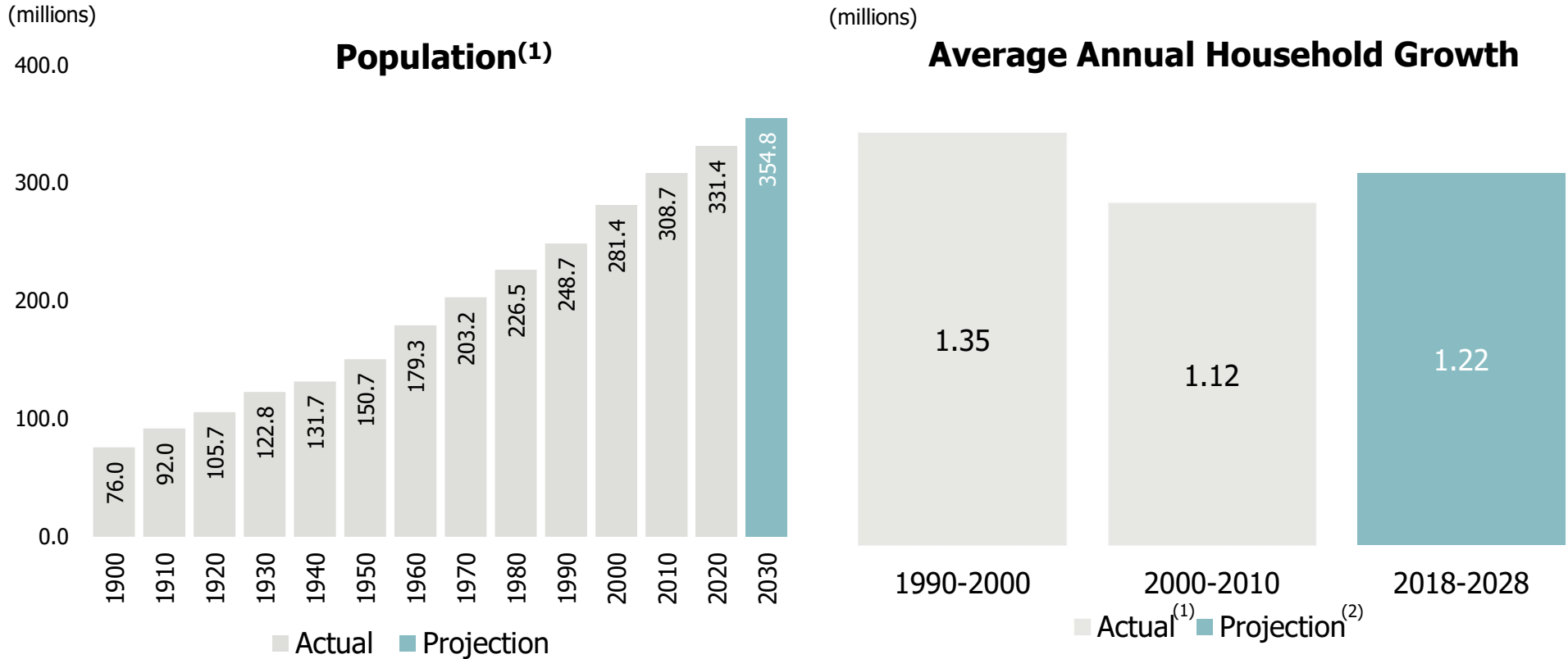
US Population

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

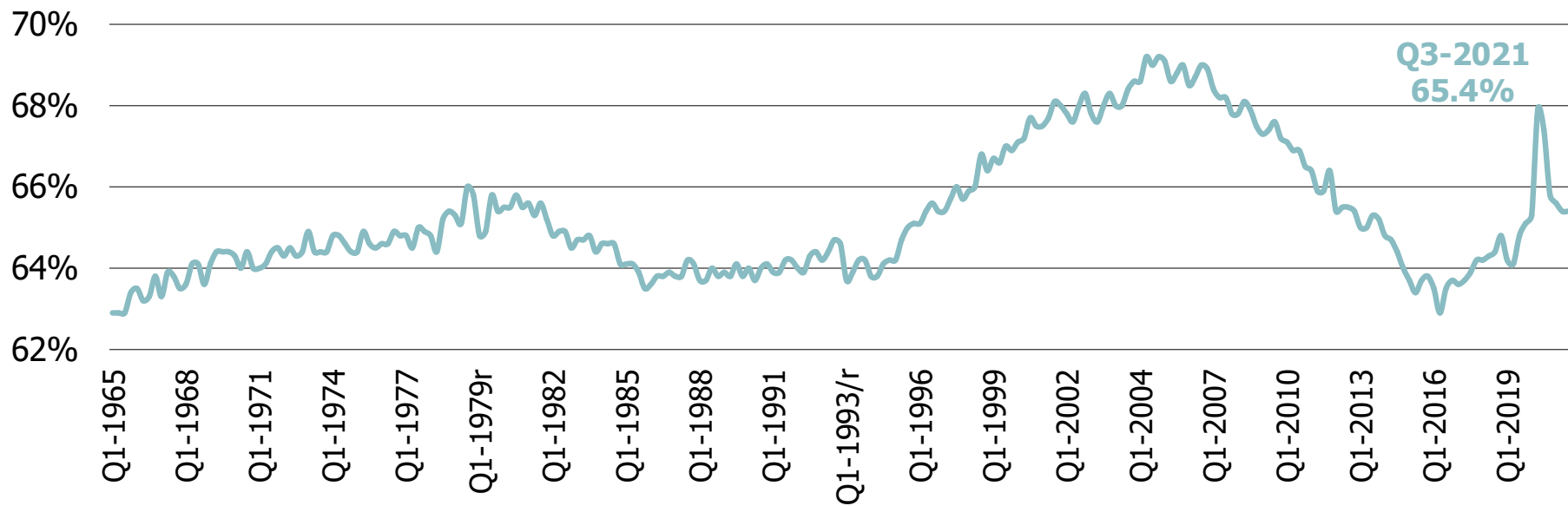
1.51 million new homes per year

⁽¹⁾ U.S. Census Bureau

⁽²⁾ Joint Center for Housing Studies of Harvard University.

Homeownership Rates

Homeownership Rates for All Households



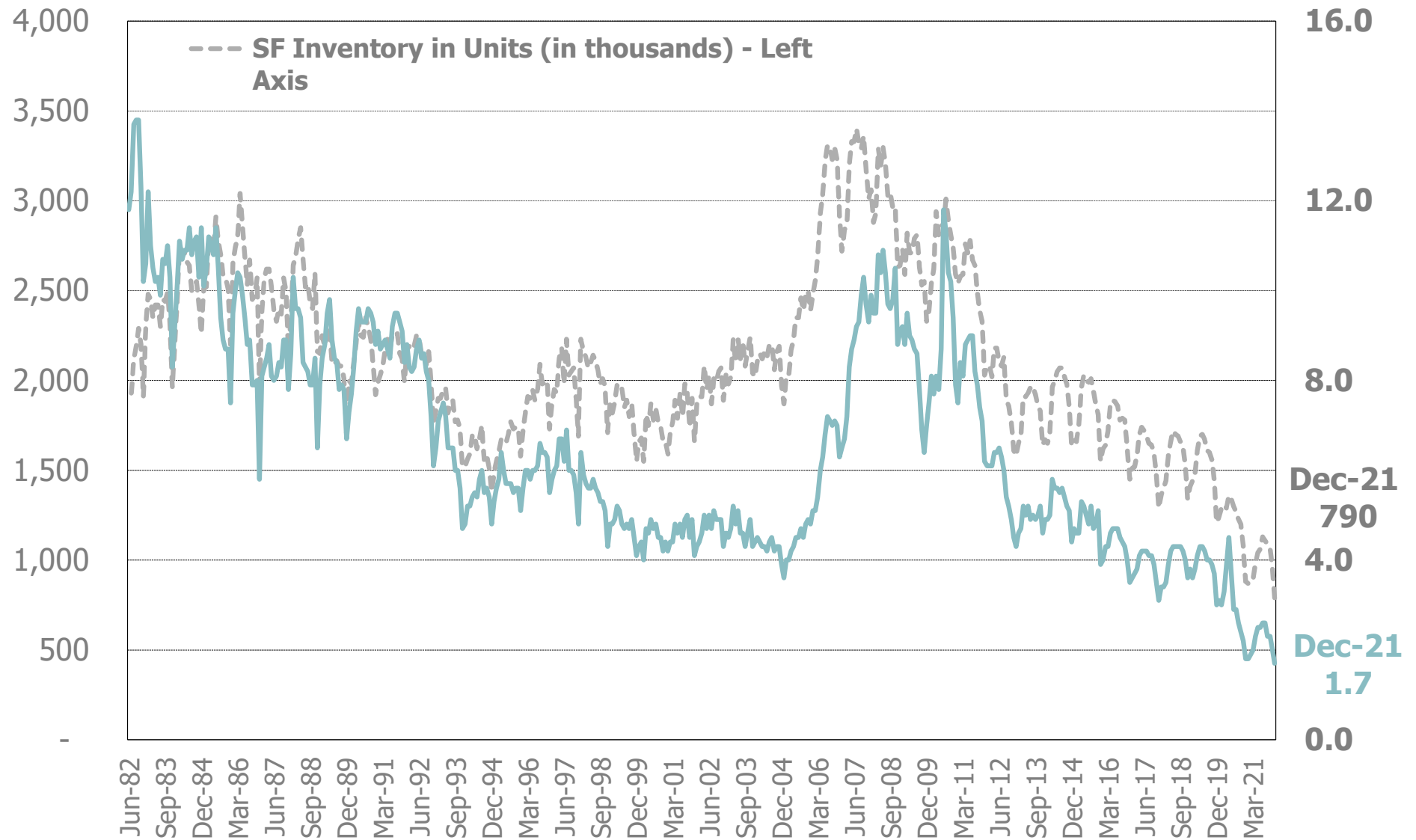
Homeownership Rates By Age of Householder 2020

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**

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

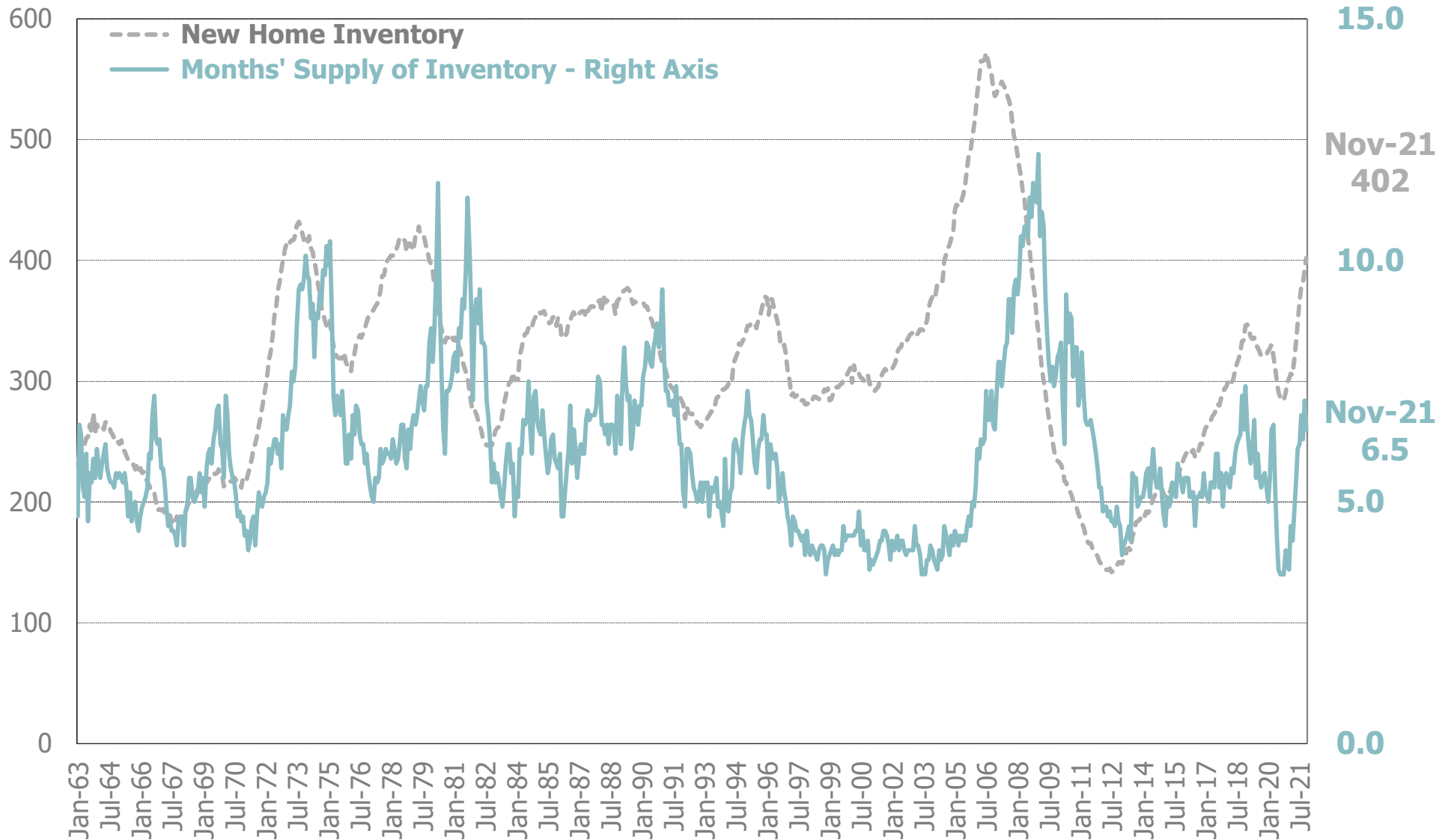
(Units in thousands)



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

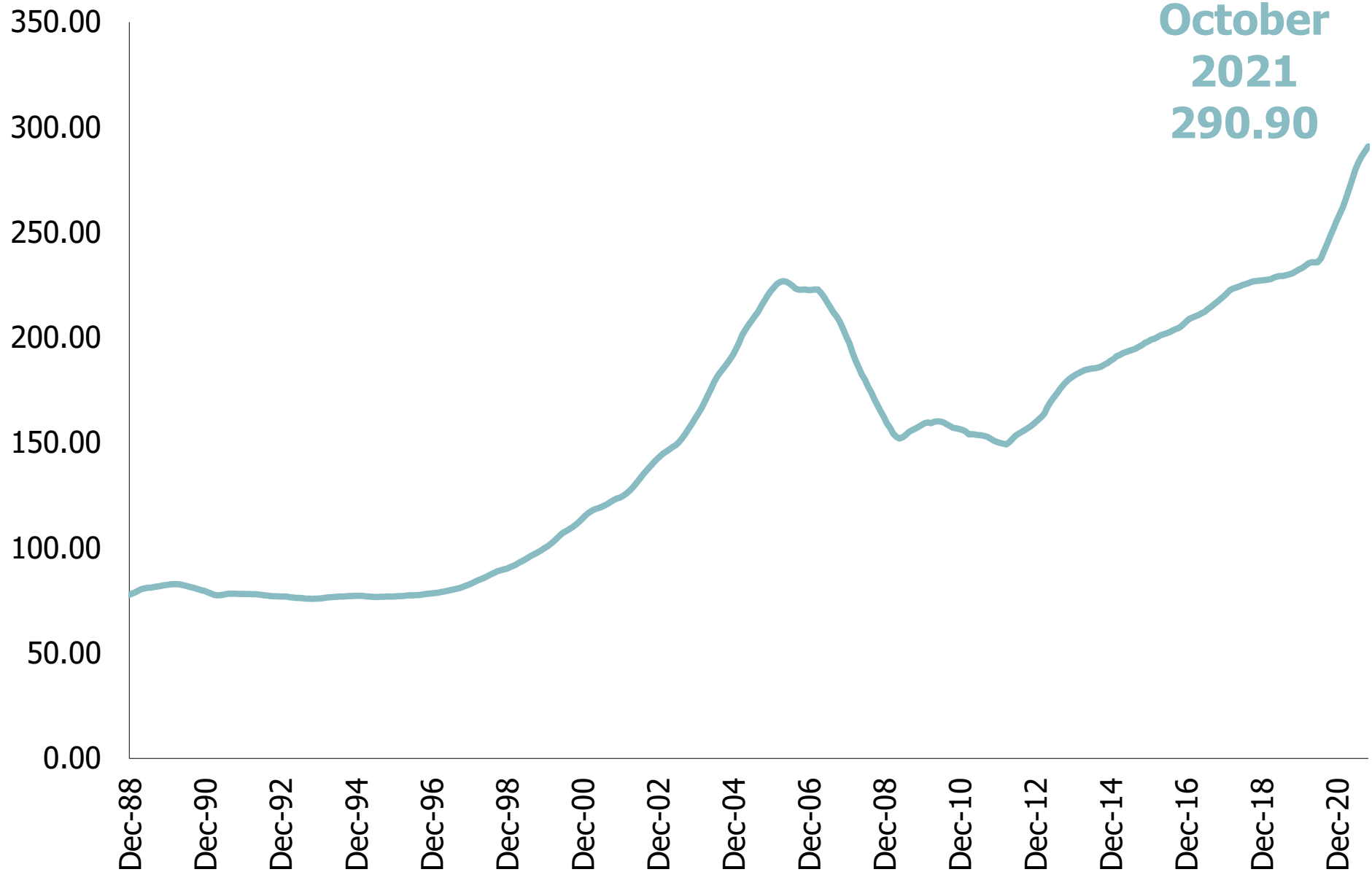
New Home Inventory Versus Months' Supply January 1963 through November 2021

(Units in thousands)



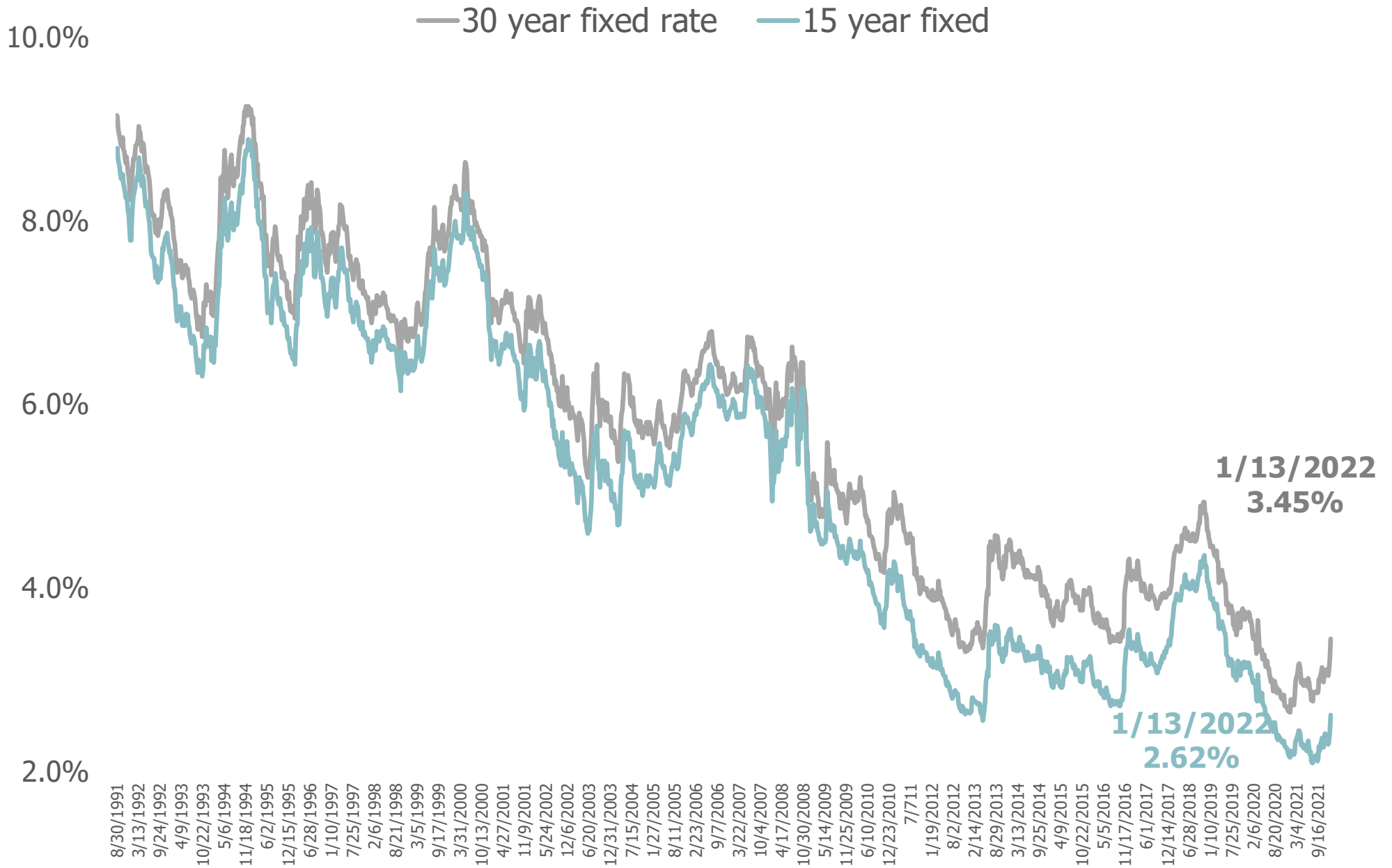
Source: Census Bureau, Zelman & Associates analysis.

Case-Shiller 10 City Composite Index



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

Mortgage Rates

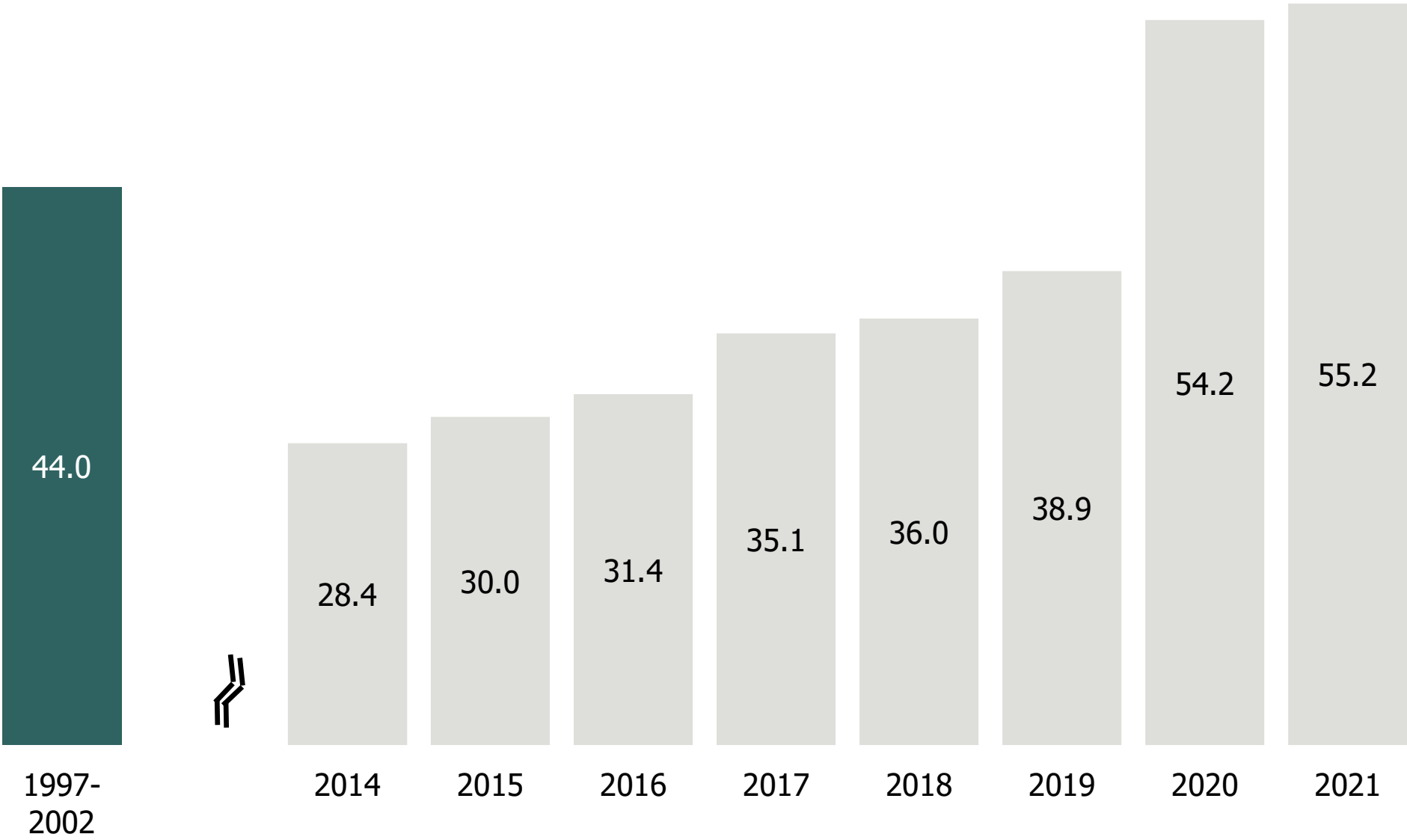


Source: Freddie Mac.



Historical Performance

Annual Contracts Per Community

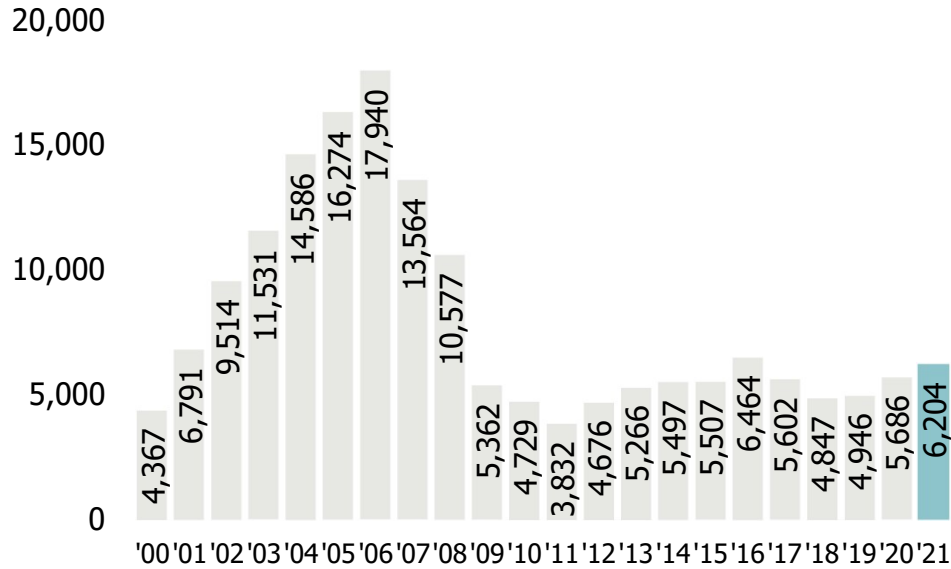


Note: Annual Contracts per Community calculated based on a five quarter average of communities, excluding joint ventures.

Historical Performance

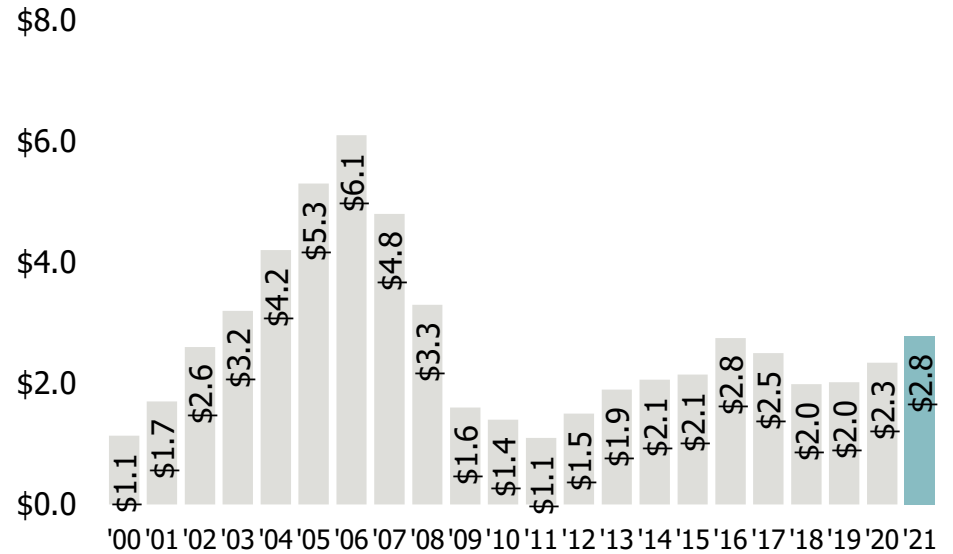
(# of Homes)

Deliveries - Homes



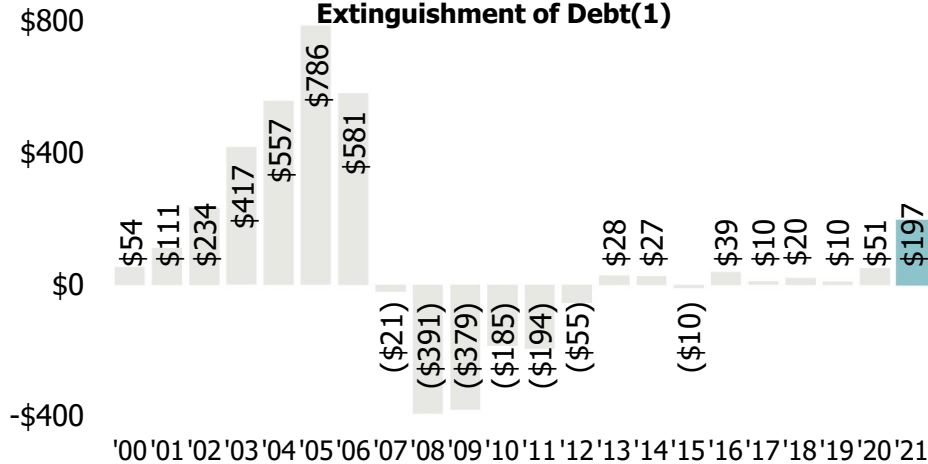
(\$ in Billions)

Total Revenues



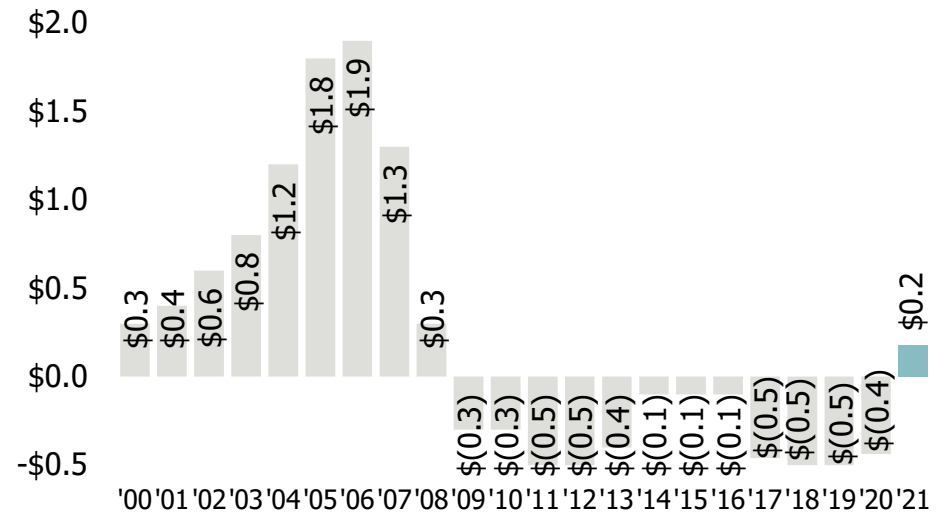
(\$ in Millions)

Income (Loss) Before Income Taxes Excluding Land Related Charges, Intangible Impairments, Expenses Associated with the Debt Exchange Offer and Gain on Extinguishment of Debt(1)



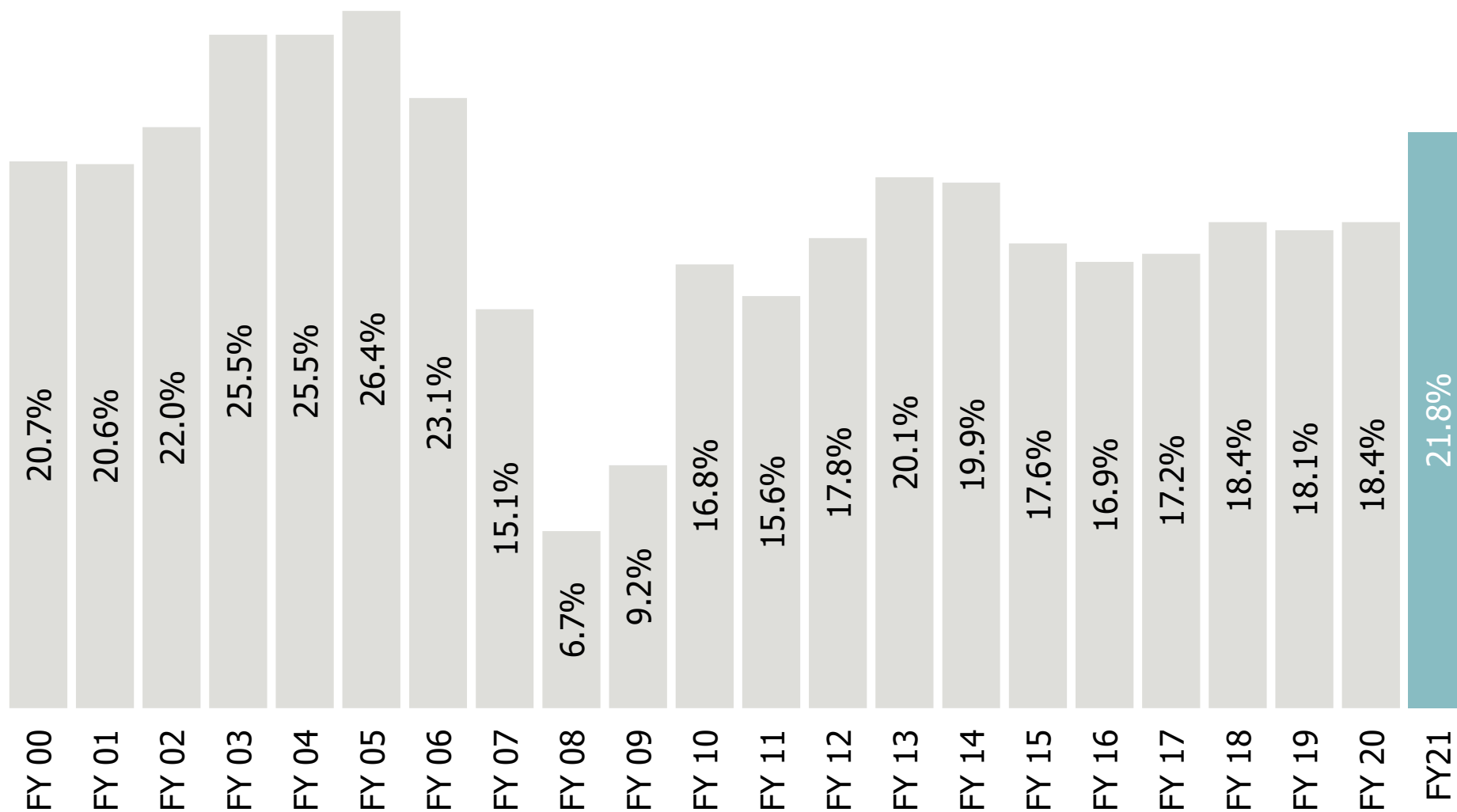
(\$ in Billions)

Total Stockholders' Equity



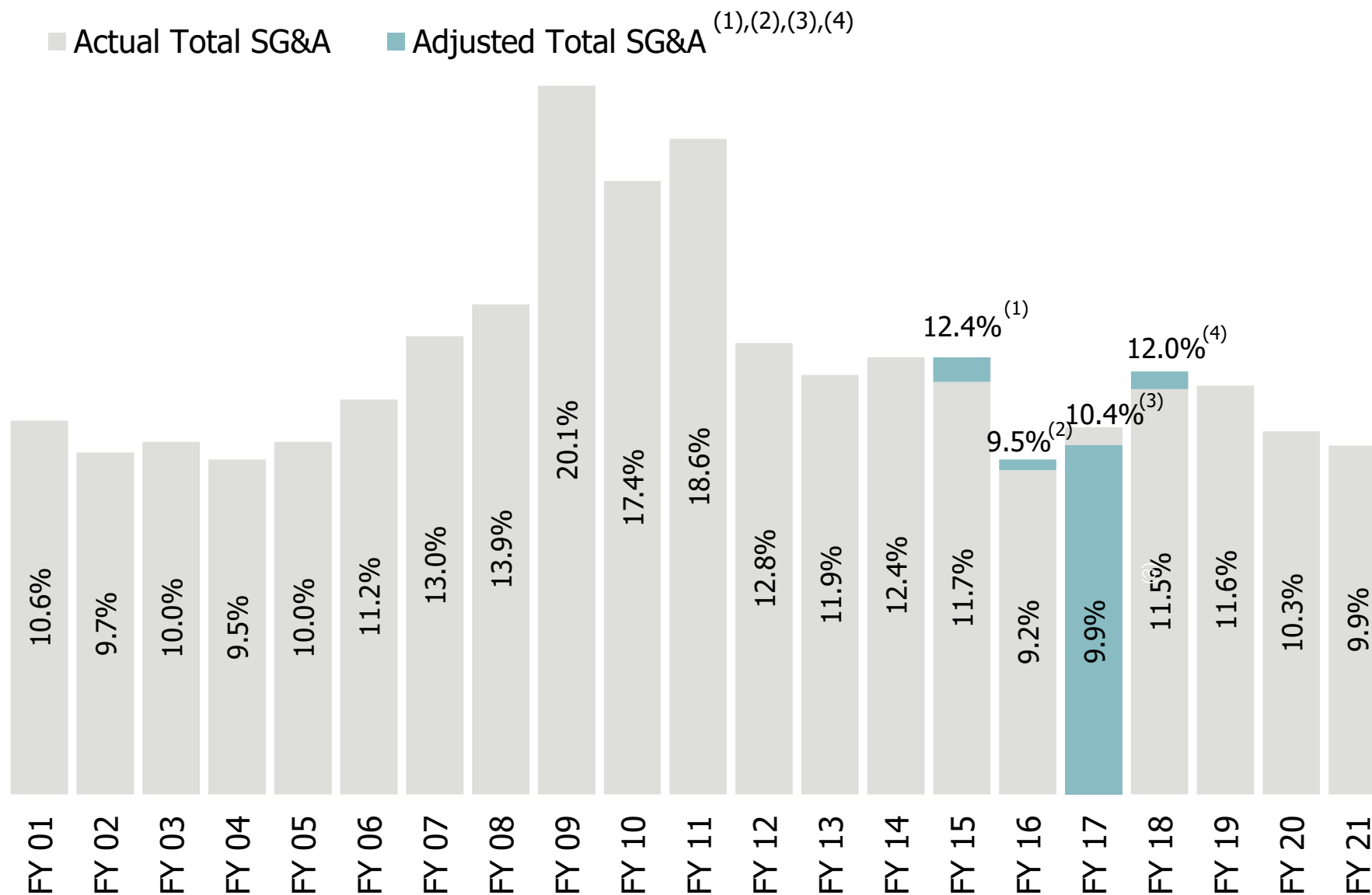
(1) Represents a non-GAAP metric. Please see appendix for reconciliation.

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.

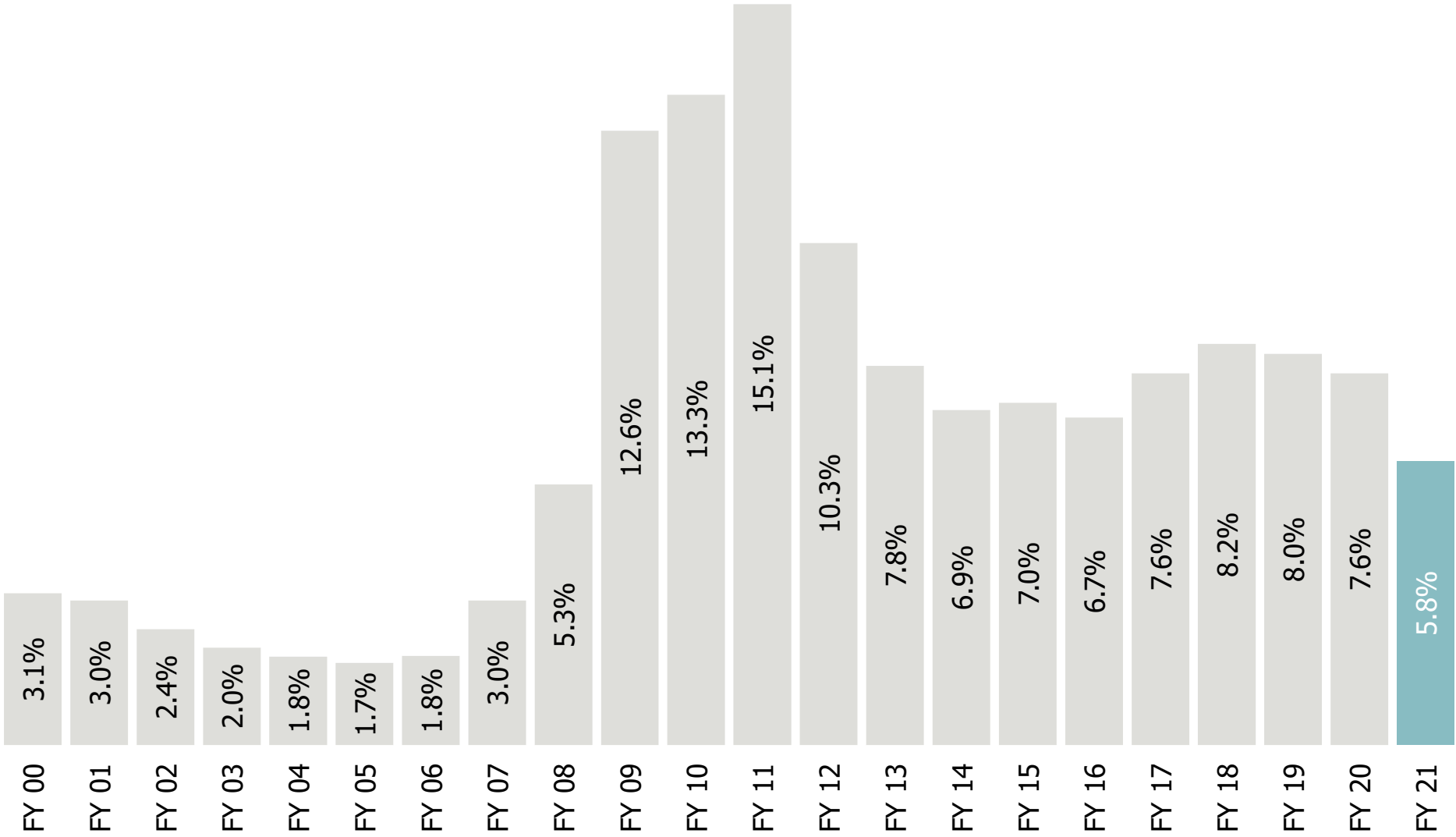
(1) 2015 excludes \$15.2 million of benefit due to a substantial reduction in our construction defect reserve based on our annual actuarial study.

(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

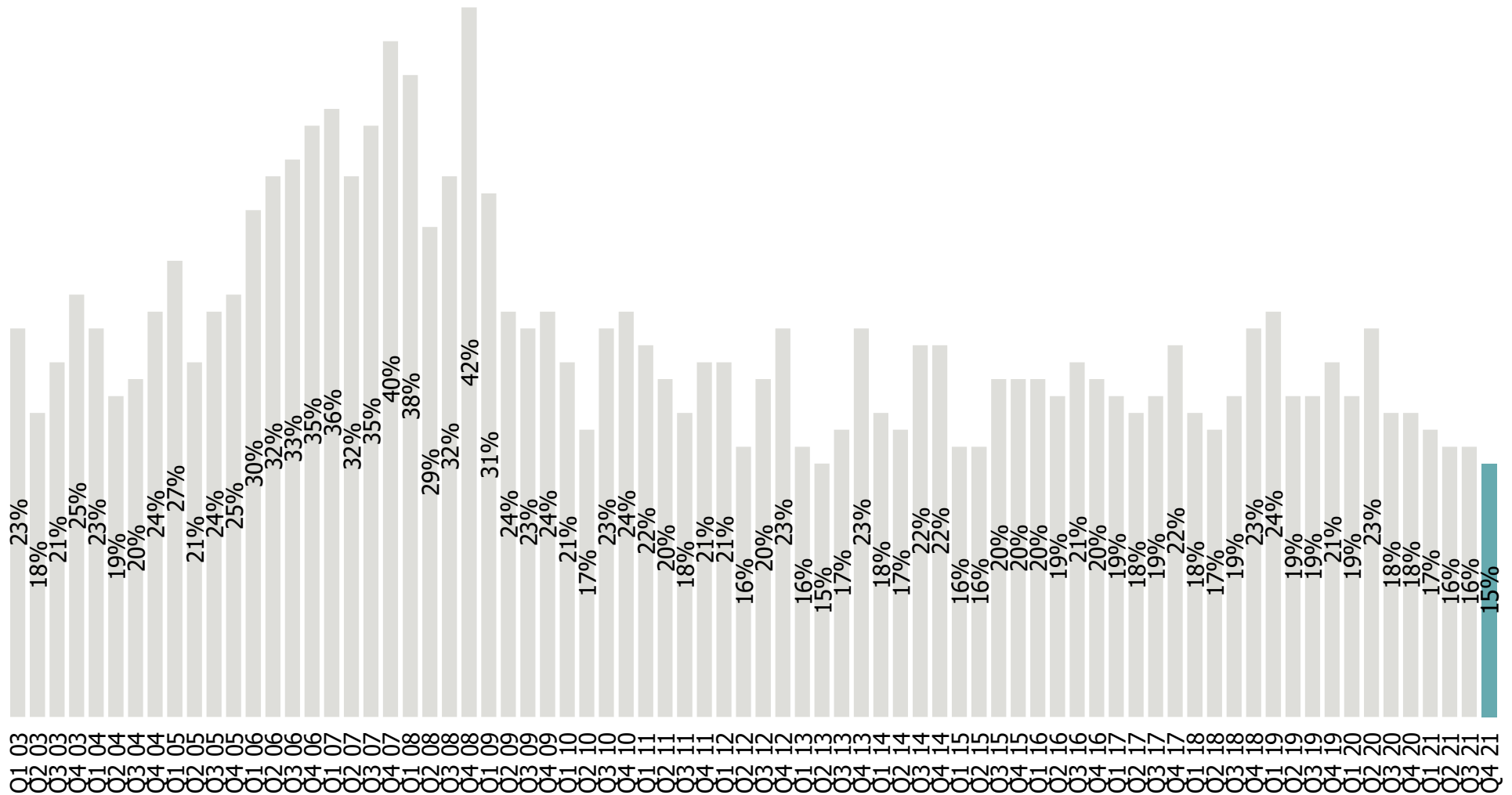
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Avg.
Land (Developed Lot)¹:	25.2%	25.8%	25.5%	25.2%	24.0%	21.9%	23.1%	26.8%	23.2%	21.4%	22.3%	25.9%	25.8%	26.2%	26.5%	29.2%	30.4%	28.7%	28.9%	30.3%	28.5%	25.9%
Direct Construction Costs:	46.3%	44.8%	41.6%	41.3%	41.6%	46.7%	51.2%	55.3%	52.7%	48.5%	49.6%	45.2%	44.2%	44.1%	45.5%	44.0%	42.7%	43.2%	43.2%	41.8%	41.2%	45.5%
Other:																						
Commissions	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%	3.7%	3.1%
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%	1.1%	1.4%
Overheads	4.6%	4.2%	4.4%	4.8%	4.7%	4.8%	6.4%	6.8%	9.2%	7.8%	7.0%	6.0%	5.2%	5.1%	5.4%	5.1%	5.1%	4.9%	4.7%	4.4%	3.7%	5.4%
Adjusted Homebuilding Gross Margin²:	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%	21.8%	
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	\$122.8	
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	\$431.0	

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

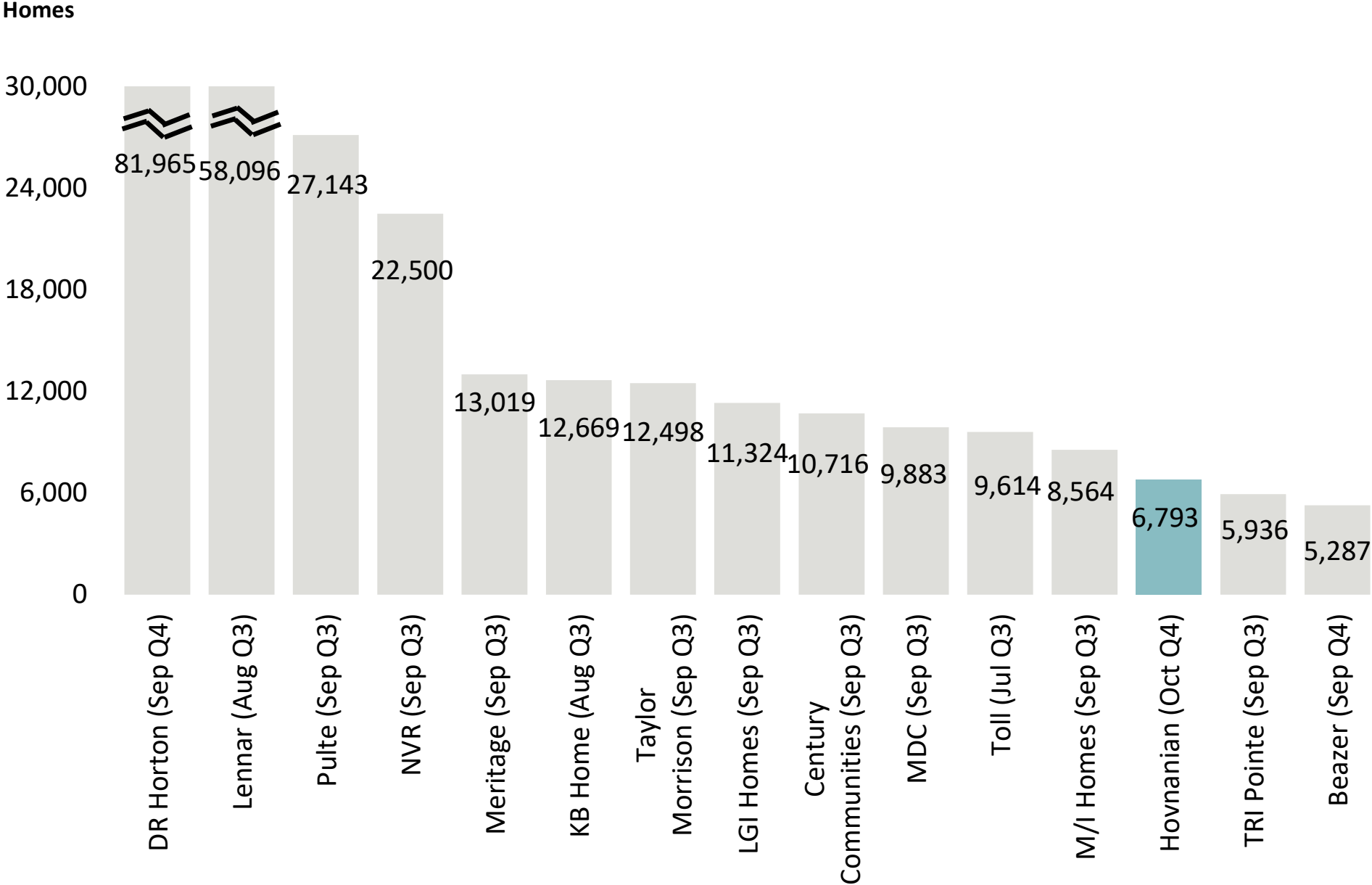


Note: Excluding unconsolidated joint ventures.



Builder Peer Statistics

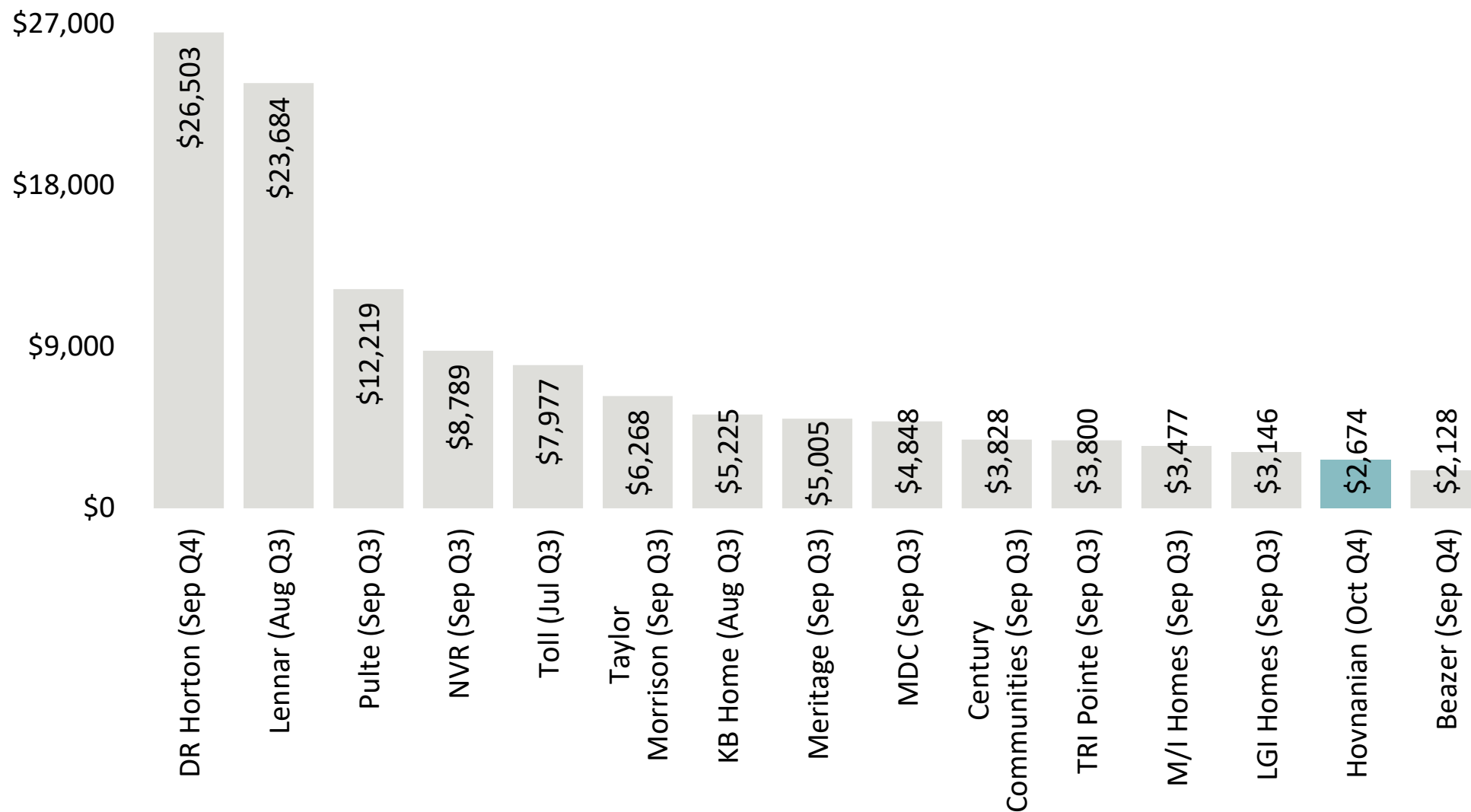
Total Deliveries, Last Twelve Months



Source: Company SEC filings and press releases as of 12/09/21.
 Note: Excludes unconsolidated joint ventures.

LTM Homebuilding Revenue

\$ in millions



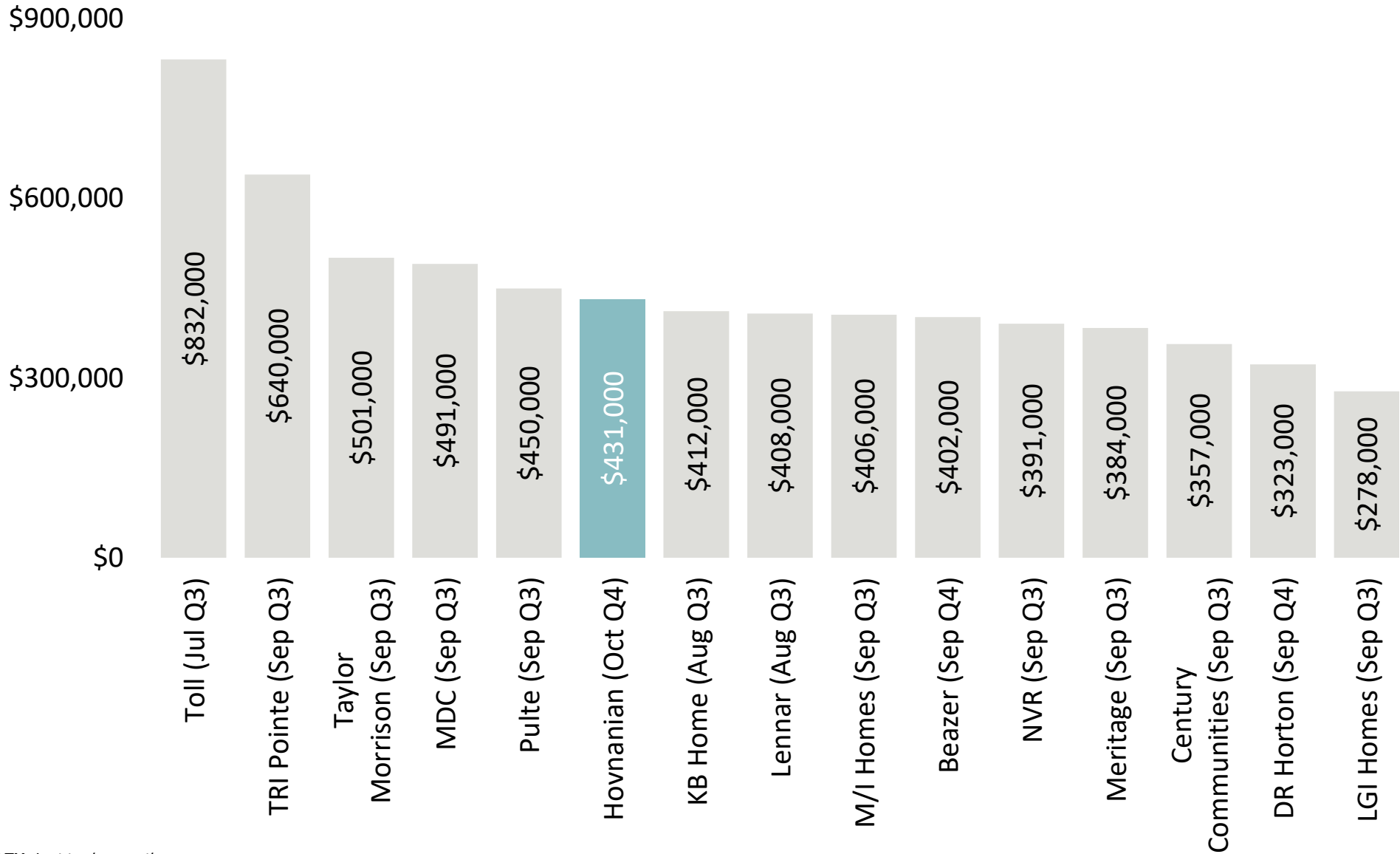
LTM: Last twelve months.

Source: Company SEC filings and press releases as of 12/09/21.

Note: Excludes unconsolidated joint ventures.

LTM Average Selling Price

Homes

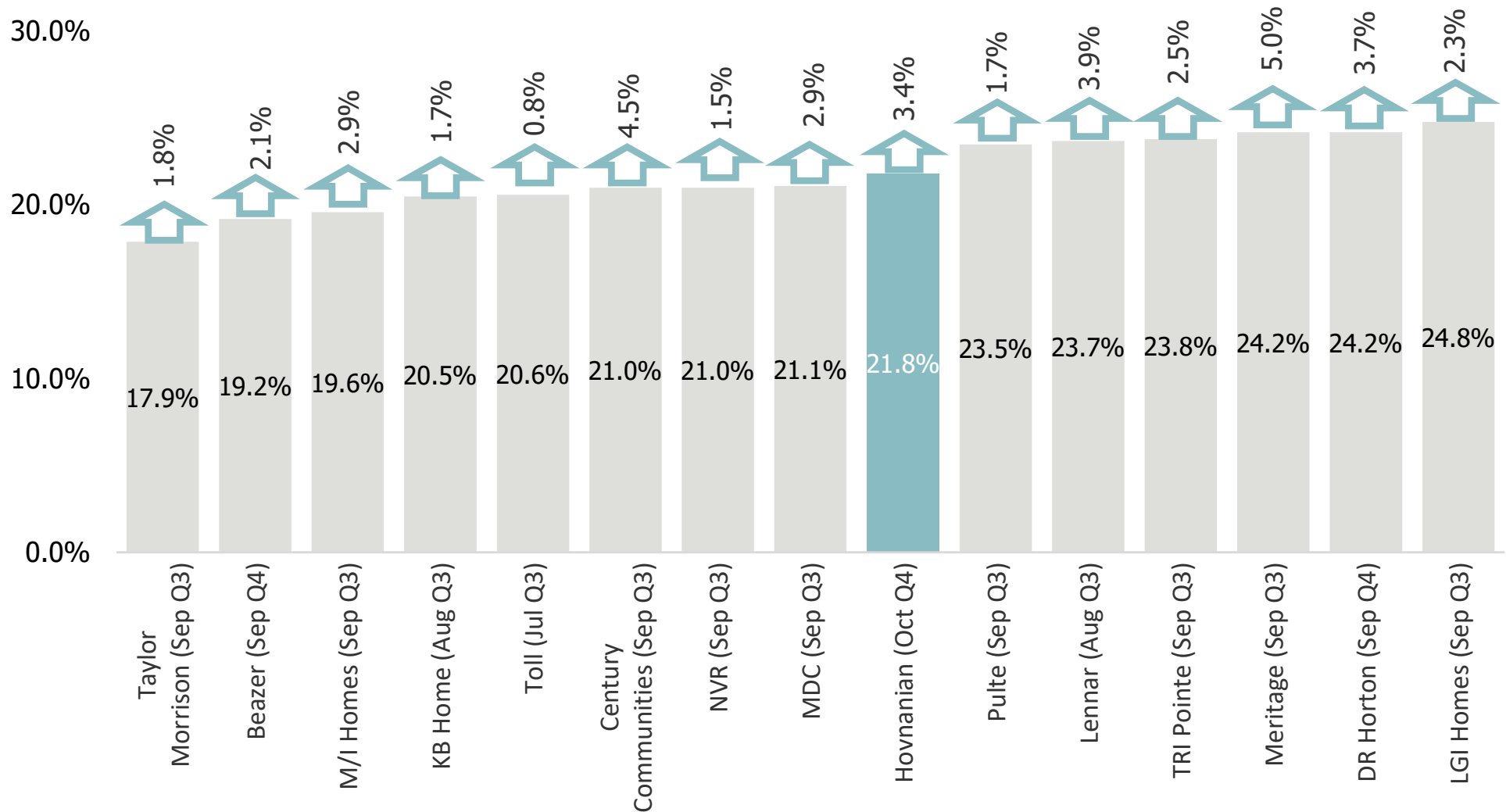


LTM: Last twelve months.

Source: Company SEC filings and press releases as of 12/09/21.

Note: Excludes unconsolidated joint ventures.

Adjusted Gross Margin Percentage, Last Twelve Months

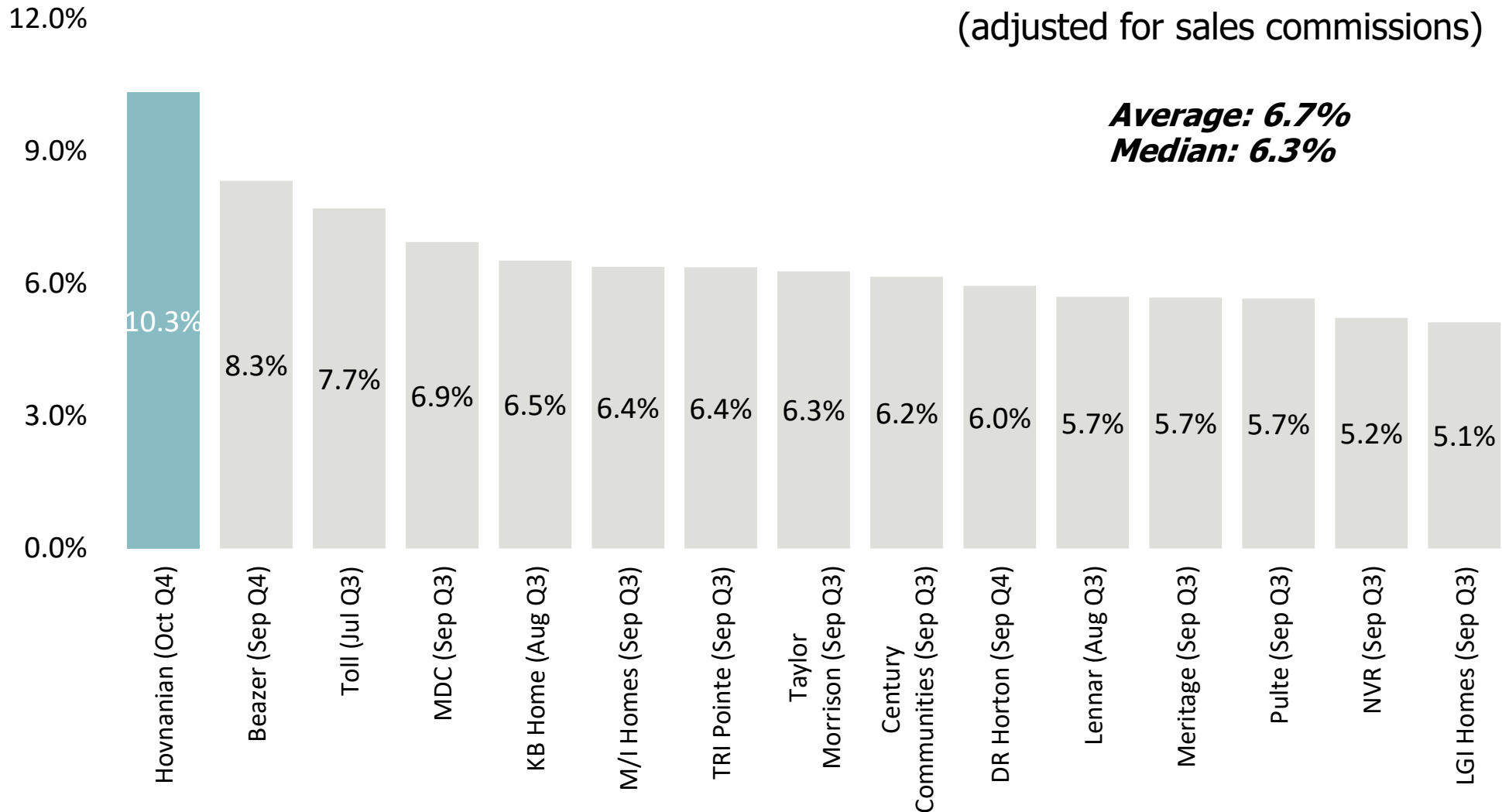


Note: Hovnanian sales commission was 3.6% in the last twelve months. Reduced Century Communities, KB Home, Lennar, LGI Homes, MDC, Meritage, M/I Homes, Pulte, Taylor Morrison, Toll and Tri Pointe publicly reported results by full 3.6% because all of their sales commissions are reported in SG&A. Reduced DR Horton's publicly reported results by 1.8% because only some of their sales commissions were reported in SG&A. Beazer and MDC report commissions separately and are reduced by 3.8% and 3.1%, respectively.

Source: Company SEC filings and press releases as of 12/09/21.

Note: Excluding interest and impairments.

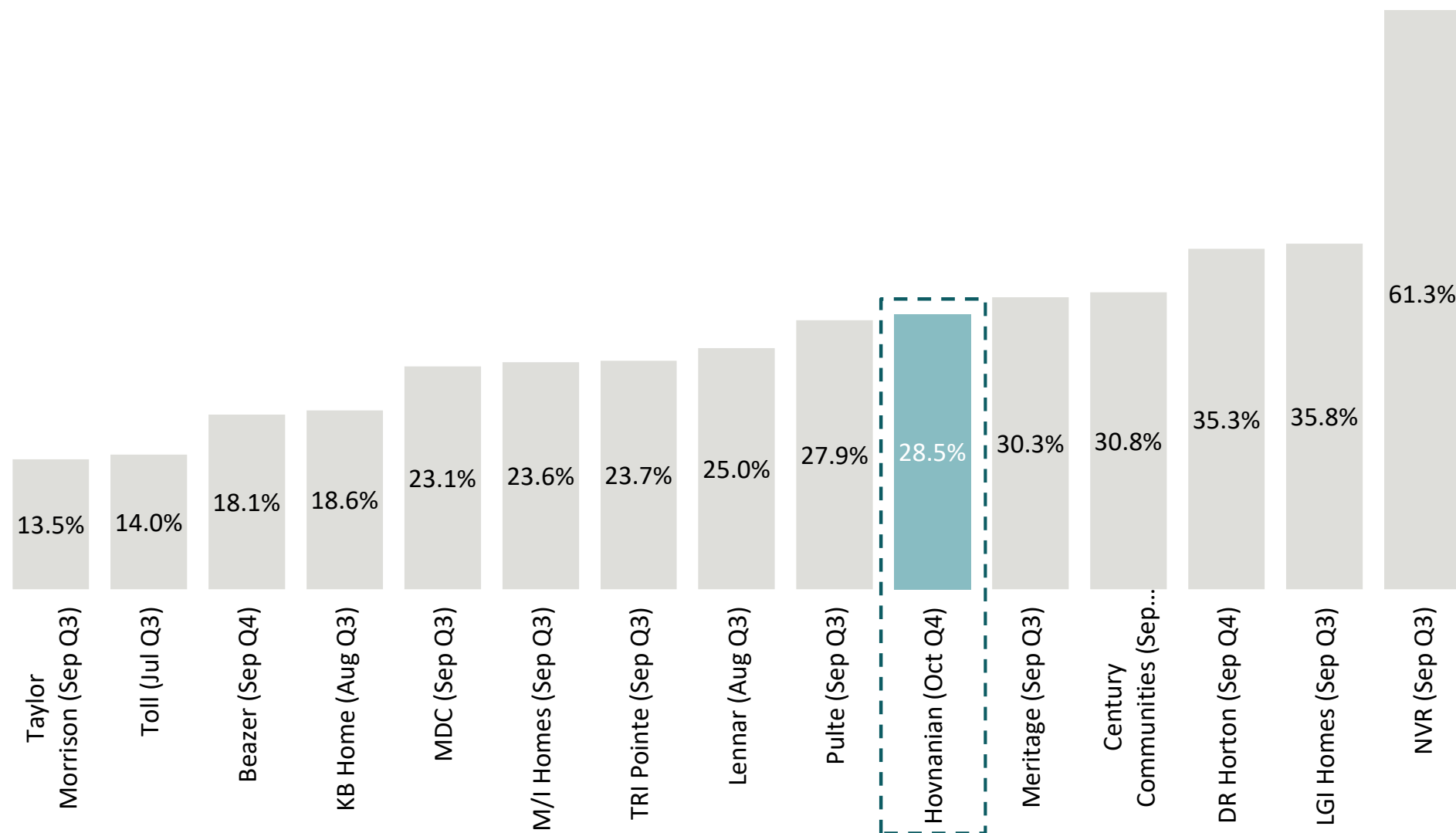
Adjusted Homebuilding SG&A as a % of Homebuilding Revenue, Last Twelve Months



Note: Hovnanian sales commission was 3.6% in the last twelve months. Reduced Century Communities, KB Home, Lennar, LGI Homes, MDC, Meritage, M/I Homes, Pulte, Taylor Morrison, Toll and Tri Pointe publicly reported results by full 3.6% because all of their sales commissions are reported in SG&A. Reduced DR Horton's publicly reported results by 1.8% because only some of their sales commissions were reported in SG&A. Beazer and MDC report commissions separately and are reduced by 3.8% and 3.1%, respectively.
Source: Company SEC filings and press releases as of 12/09/21.

Note: Excluding interest and impairments.

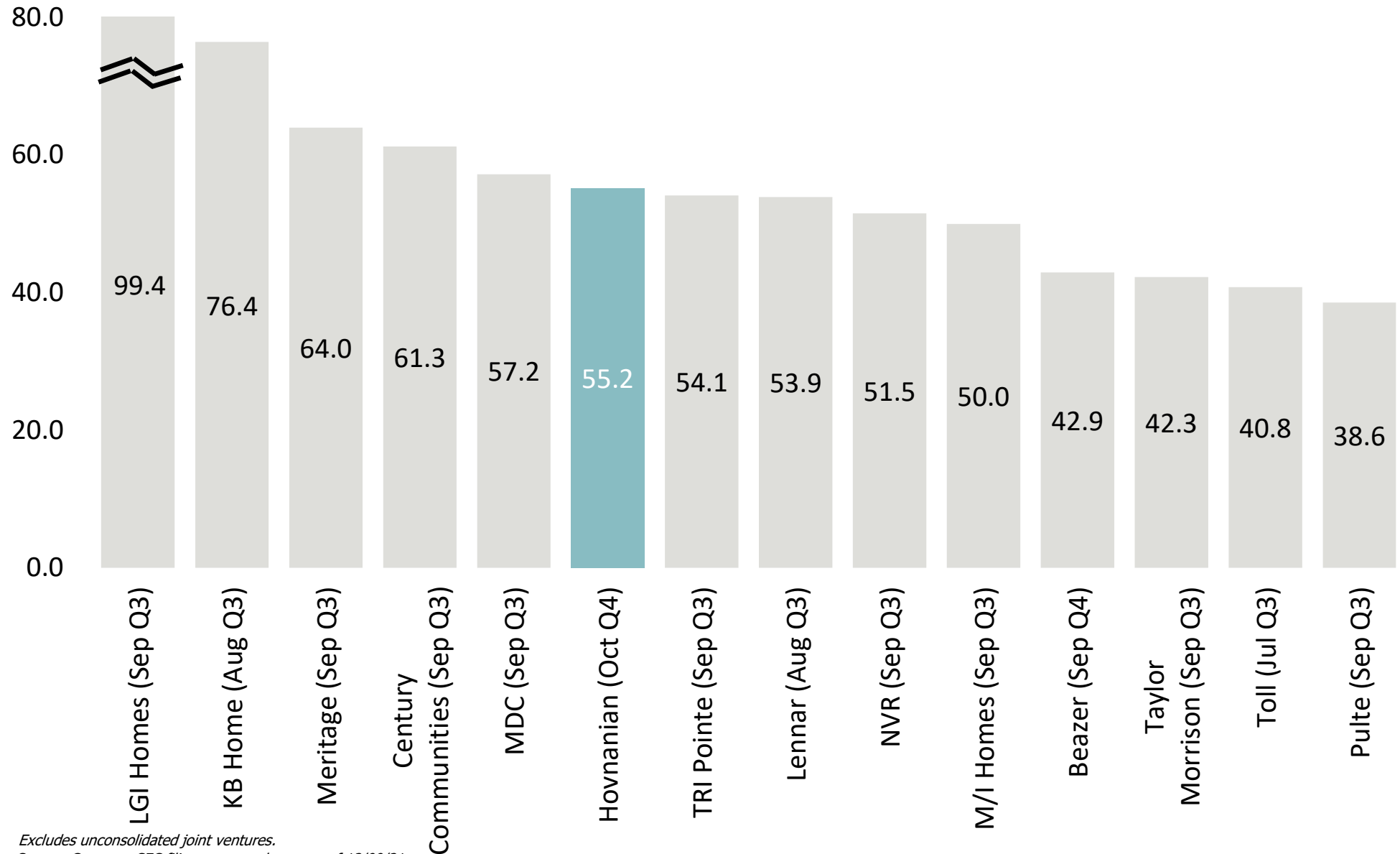
Adjusted Homebuilding EBIT to Inventory, Last Twelve Months⁽¹⁾



Source: Company SEC filings and press releases as of 12/09/21. 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.

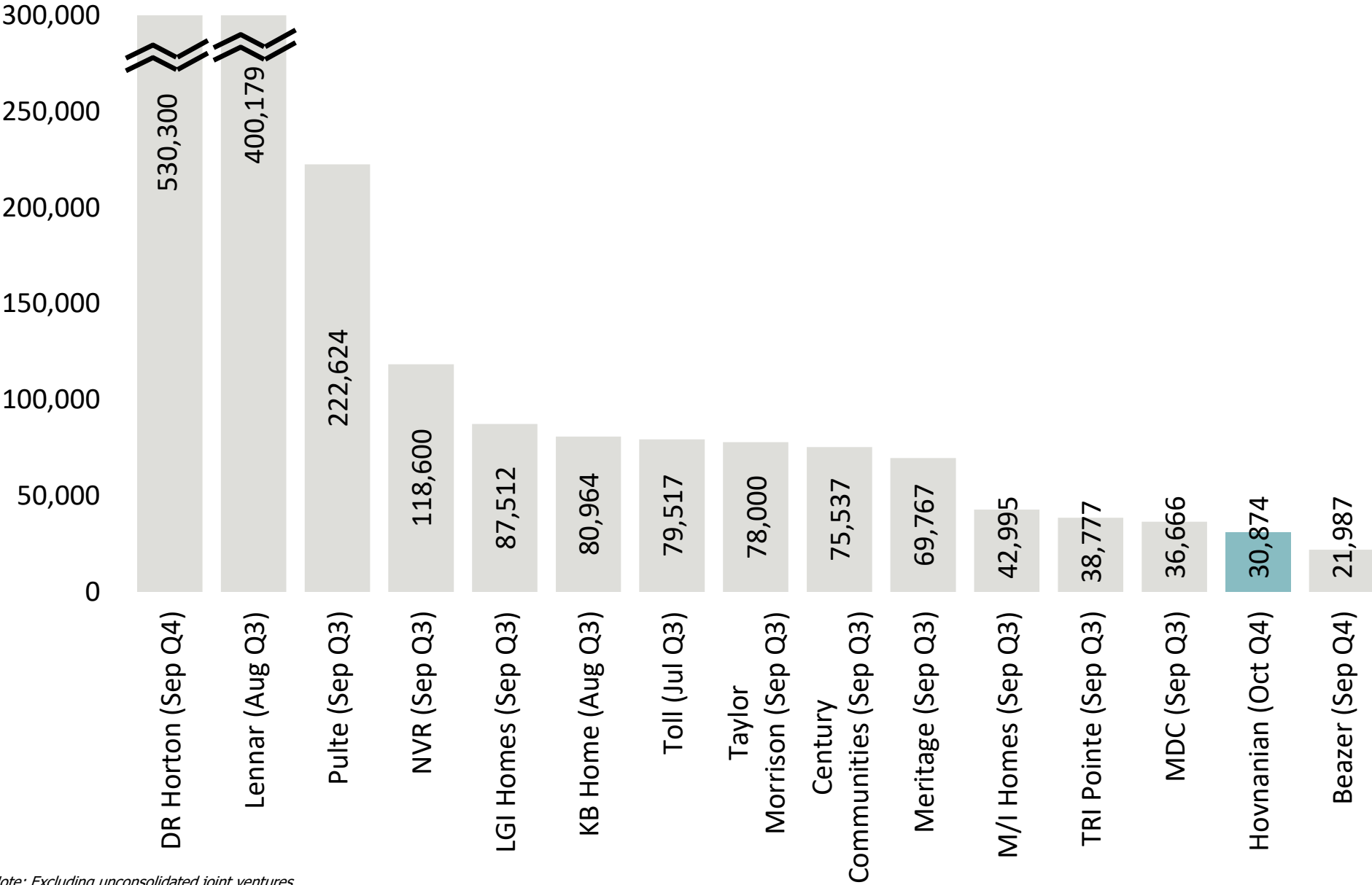
Net Contracts per Community, Last Twelve Months



Excludes unconsolidated joint ventures.

Source: Company SEC filings, press releases as of 12/09/21.

Total Lots Controlled



*Note: Excluding unconsolidated joint ventures.
Source: Company SEC filings and press releases as of 12/09/21.*

Total Charges*

Since Beginning of 2006

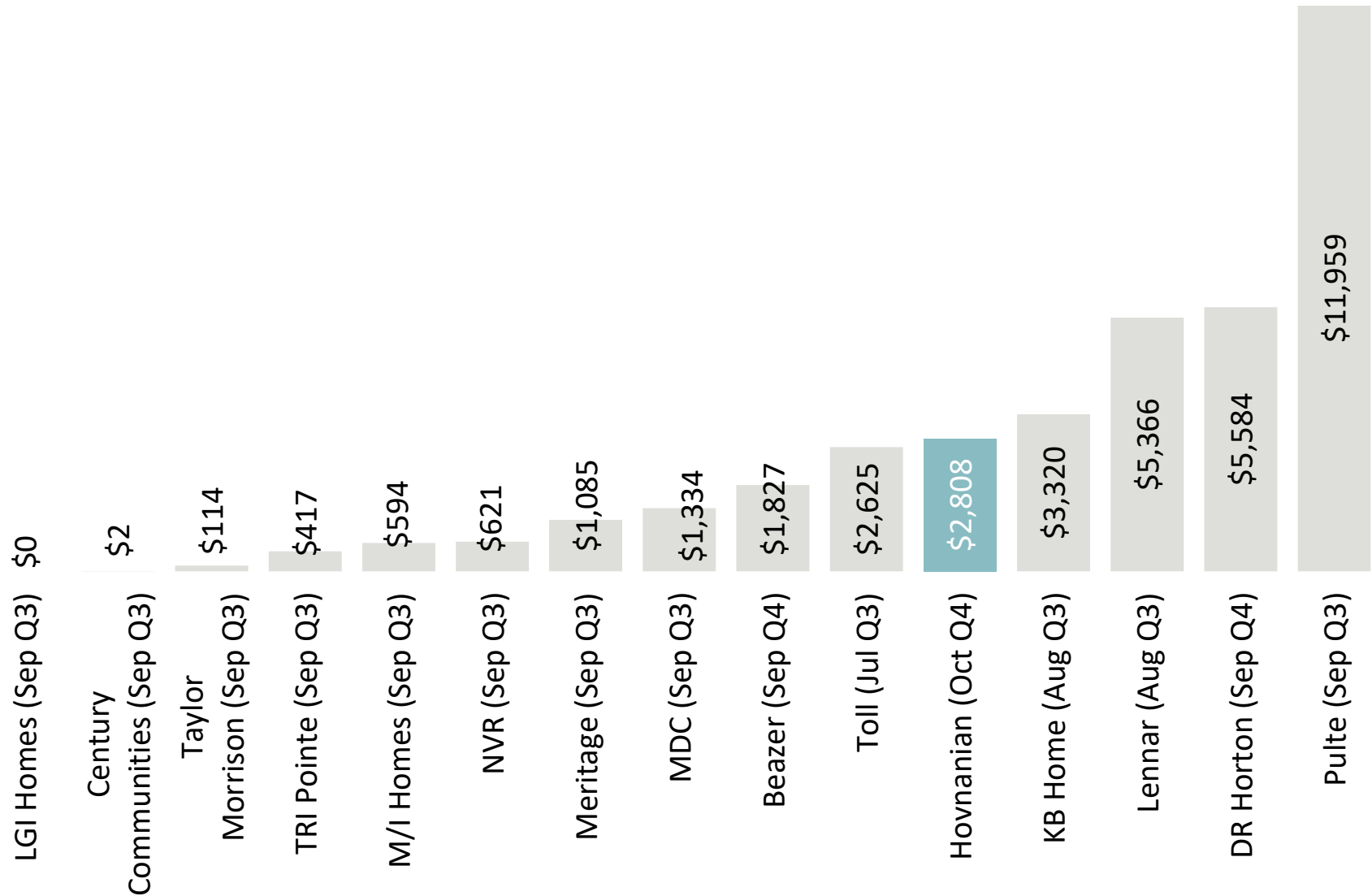
(\$ in millions)

\$12,000

\$8,000

\$4,000

\$0



*Includes all reported land related charges, goodwill/intangible impairments and joint venture related impairments.
Source: Company SEC filings and press releases as of 12/09/21.

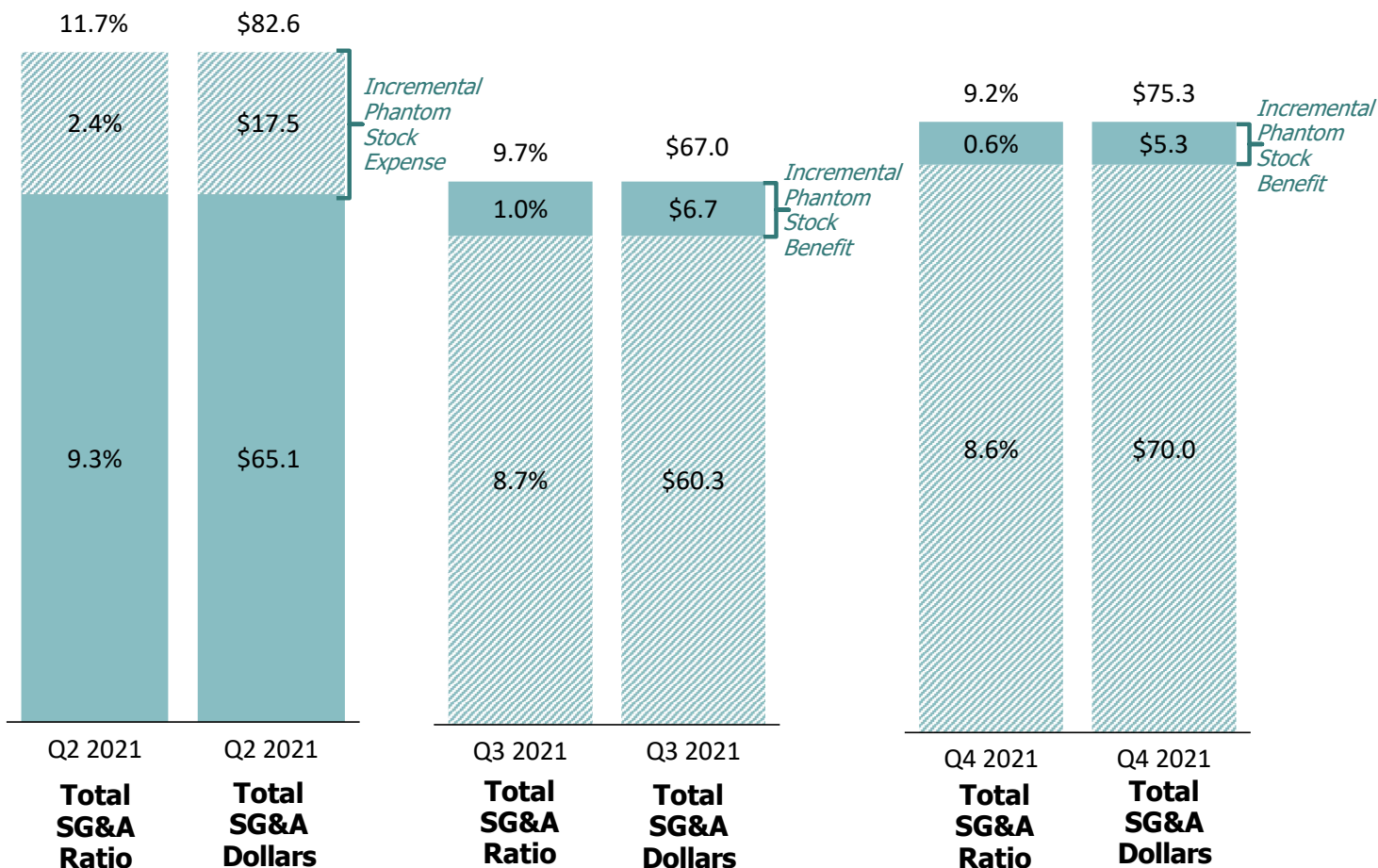


Appendix

Phantom stock expense

Total SG&A Expense

(\$ in millions)



- In 2019, we granted phantom stock awards in lieu of actual equity under our long-term incentive plan ("LTIP")
- This was done in the best interest of shareholders to avoid dilution concerns associated with our low stock price of \$14.50 at the time of grant
- Expense related to the phantom stock varies depending upon our common stock price at quarter end, is a non-cash expense through fiscal 2021, and is reflected in our total SG&A expenses
- SG&A expenses in the second quarter of fiscal 2021 included \$17.5 million of incremental expense due to the phantom stock awards, which is solely related to our common stock price increasing from \$51.16 at the end of the first quarter to \$132.59 at the end of the second quarter
- SG&A expenses in the third quarter of fiscal 2021 included \$6.7 million of incremental benefit due to the phantom stock awards, which is solely related to our common stock price decreasing from \$132.59 at the end of the second quarter to \$104.39 at the end of the third quarter.
- SG&A expenses in the fourth quarter of fiscal 2021 included \$5.3 million of incremental benefit due to the phantom stock awards, which is solely related to our common stock price decreasing from \$104.39 at the end of the third quarter to \$84.26 at the end of the fourth quarter.

FAS 144 Trigger Calculation

	<u>Lots</u> <u>Remaining</u>	<u>Current Selling</u> <u>Price</u>	<u>Total</u>
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

Lot Option Position

October 31, 2021	Lots Optioned	Total Deposit (\$ millions)	Per Lot Deposit (\$)	Purchase Value (\$ billions)	Per Lot Purchase Value (\$)	% Deposit
Total	20,423	\$100.1	\$4,900	\$1.5	\$73,000	6.7%

- \$17 million invested in pre-development expenses as of October 31, 2021

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

Fiscal Year 2021

- Average LTV: 85%
- Average CLTV: 86%
- ARMs: 0.0%
- FICO Score: 743
- Capture Rate: 68%

Fiscal Year 2020

- Average LTV: 86%
- Average CLTV: 86%
- ARMs: 0.4%
- FICO Score: 741
- Capture Rate: 69%

**Loans originated by our wholly-owned mortgage banking subsidiary.*

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

Hovnanian Enterprises, Inc.

October 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			Year Ended		
	2021	October 31, 2020 (Unaudited)	2019	2021	October 31, 2020 (Unaudited)	2019
Income before income taxes	\$77,445	\$42,444	\$(586)	\$189,861	\$55,403	\$(39,668)
Inventory impairment loss and land option write-offs	363	2,611	2,687	3,630	8,813	6,288
Loss (gain) on extinguishment of debt	3,442	-	-	3,748	(13,337)	42,436
Income before income taxes excluding land-related charges and loss (gain) on extinguishment of debt (1)	<u>\$81,250</u>	<u>\$45,055</u>	<u>\$44,537</u>	<u>\$197,239</u>	<u>\$50,879</u>	<u>\$9,910</u>

(1) Income before income taxes excluding land-related charges and loss (gain) on extinguishment of debt is a non-GAAP financial measure. The most directly comparable GAAP financial measure is income before income taxes.

Reconciliation of Gross Margin

Hovnanian Enterprises, Inc.

October 31, 2021

Gross margin
(In thousands)

	Homebuilding Gross Margin Three Months Ended			Homebuilding Gross Margin Year Ended		
	October 31,			October 31,		
	2021	2020 (Unaudited)	2019	2021	2020 (Unaudited)	2019
Sale of homes	\$779,551	\$643,516	\$692,146	\$2,673,710	\$2,252,029	\$1,949,682
Cost of sales, excluding interest expense and land charges (1)	602,097	513,416	561,284	2,091,016	1,837,332	1,596,237
Homebuilding gross margin, before cost of sales interest expense and land charges (2)	177,454	130,100	130,862	582,694	414,697	353,445
Cost of sales interest expense, excluding land sales interest expense	25,939	15,707	27,556	82,181	74,174	70,520
Homebuilding gross margin, after cost of sales interest expense, before land charges (2)	151,515	114,393	103,306	500,513	340,523	282,925
Land charges	363	2,611	2,687	3,630	8,813	6,288
Homebuilding gross margin	\$151,152	\$111,782	\$100,619	\$496,883	\$331,710	\$276,637
Homebuilding Gross margin percentage	19.4%	17.4%	14.5%	18.6%	14.7%	14.2%
Homebuilding Gross margin percentage, before cost of sales interest expense and land charges (2)	22.8%	20.2%	18.9%	21.8%	18.4%	18.1%
Homebuilding Gross margin percentage, after cost of sales interest expense, before land charges (2)	19.4%	17.8%	14.9%	18.7%	15.1%	14.5%
	Land Sales Gross Margin Three Months Ended			Land Sales Gross Margin Year Ended		
	October 31,			October 31,		
	2021	2020 (Unaudited)	2019	2021	2020 (Unaudited)	2019
Land and lot sales	\$13,634	\$16,805	\$1,161	\$25,364	\$16,905	\$9,211
Land and lot sales cost of sales, excluding interest and land charges (1)	10,059	10,993	1,150	19,180	11,154	8,540
Land and lot sales gross margin, excluding interest and land charges	3,575	5,812	11	6,184	5,751	671
Land and lot sales interest	31	84	-	1,919	156	205
Land and lot sales gross margin, including interest and excluding land charges	\$3,544	\$5,728	\$11	\$4,265	\$5,595	\$466

(1) Does not include cost associated with walking away from land options or inventory impairment losses which are recorded as Inventory impairment loss and land option write-offs in the Consolidated Statements of Operations.

(2) Homebuilding gross margin, before cost of sales interest expense and land charges, and homebuilding gross margin percentage, before cost of sales interest expense and land charges, are non-GAAP financial measures. The most directly comparable GAAP financial measures are homebuilding gross margin and homebuilding gross margin percentage, respectively.

Reconciliation of Adjusted EBITDA to Net Income

Hovnanian Enterprises, Inc.

October 31, 2021

Reconciliation of adjusted EBITDA to net income (loss)

(In thousands)

	Three Months Ended			Year Ended		
	October 31,			October 31,		
	2021	2020	2019	2021	2020	2019
	(Unaudited)			(Unaudited)		
Net income	\$52,480	\$40,634	\$(1,807)	\$607,817	\$50,928	\$(42,117)
Income tax provision (benefit)	24,965	1,810	1,221	(417,956)	4,475	2,449
Interest expense	38,520	40,648	50,299	161,816	178,131	160,781
EBIT (1)	115,965	83,092	49,713	351,677	233,534	121,113
Depreciation and amortization	1,189	1,407	1,230	5,280	5,304	4,172
EBITDA (2)	117,154	84,499	50,943	356,957	238,838	125,285
Inventory impairment loss and land option write-offs	363	2,611	2,687	3,630	8,813	6,288
Loss (gain) on extinguishment of debt	3,442	-	42,436	3,748	(13,337)	42,436
Adjusted EBITDA (3)	<u>\$120,959</u>	<u>\$87,110</u>	<u>\$96,066</u>	<u>\$364,335</u>	<u>\$234,314</u>	<u>\$174,009</u>
Interest incurred	\$33,006	\$41,660	\$43,566	\$155,514	\$176,457	\$165,906
Adjusted EBITDA to interest incurred	3.66	2.09	2.21	2.34	1.33	1.05

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

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

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

Key credit and balance sheet metrics reconciliations

	October 31,		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Nonrecourse mortgages secured by inventory, net of debt issuance costs	\$125,089	\$135,122	\$203,585
Senior notes and credit facilities (net of discounts, premiums and debt issuance costs)	<u>\$1,248,373</u>	<u>\$1,431,110</u>	<u>\$1,479,990</u>
Total debt	\$1,373,462	\$1,566,232	\$1,683,575
Cash and cash equivalents	<u>\$245,970</u>	<u>\$262,489</u>	<u>\$130,976</u>
Net Debt	<u>\$1,127,492</u>	<u>\$1,303,743</u>	<u>\$1,552,599</u>
Adjusted EBITDA	\$364,335	\$234,314	\$174,009
Total Debt to Adjusted EBITDA	3.8	6.7	9.7
Net Debt to Adjusted EBITDA	3.1	5.6	8.9
Interest Incurred	\$155,514	\$176,457	\$165,906
Adjusted EBITDA to Interest Incurred	2.3	1.3	1.0
Net Debt	\$1,127,492	\$1,303,743	\$1,552,599
Total equity (deficit)	<u>\$175,384</u>	<u>\$(436,094)</u>	<u>\$(489,776)</u>
Net capitalization	<u>\$1,302,876</u>	<u>\$867,649</u>	<u>\$1,062,823</u>
Net debt to net capitalization	86.54%	150.26%	146.08%

Reconciliation Of Adjusted Homebuilding EBIT To Inventory

Hovnanian Enterprises, Inc.

October 31, 2021

(\$ in thousands)

(Unaudited)

	LTM(a)	For the Three Months Ended				
		10/31/2021	7/31/2021	4/30/2021	1/31/2021	10/31/2020
Homebuilding:						
Net loss (income)	\$607,817	\$52,480	\$47,702	\$488,676	\$18,959	\$40,634
Income tax benefit (provision)	(417,956)	24,965	14,097	(457,644)	626	1,810
Interest expense	161,816	38,520	38,398	43,758	41,140	40,648
EBIT (b)	351,677	115,965	100,197	74,790	60,725	83,092
Financial services revenue	(81,692)	(20,622)	(19,845)	(21,728)	(19,497)	(22,492)
Financial services expense	44,129	11,176	11,238	11,361	10,354	10,383
Homebuilding EBIT (b)	314,114	106,519	91,590	64,423	51,582	70,983
Inventory impairment loss and land option write-offs	3,630	363	1,309	81	1,877	2,611
Other operations	1,740	507	504	451	278	422
Loss (gain) on extinguishment of debt	3,748	3,442	306	0	0	0
Loss (income) from unconsolidated joint ventures	(8,849)	719	(5,011)	(2,641)	(1,916)	(3,146)
Adjusted homebuilding EBIT (b)	\$314,383	\$111,550	\$88,698	\$62,314	\$51,821	\$70,870
		As of	As of	As of	As of	As of
		10/31/2021	7/31/2021	4/30/2021	1/31/2021	10/31/2020
Total inventories		\$1,254,260	\$1,313,345	\$1,256,873	\$1,281,149	\$1,195,775
Less capitalized interest		58,159	63,673	59,772	65,327	65,010
Less liabilities from inventory not owned, net of debt issuance costs		62,762	69,627	90,430	119,432	131,204
	Five Quarter Average					
Inventories less capitalized interest and liabilities from inventory not owned	\$1,103,201	\$1,133,339	\$1,180,045	\$1,106,671	\$1,096,390	\$999,561
Adjusted homebuilding EBIT to inventory	28.49734%					

(a) Represents the aggregation of each of the prior four fiscal quarters.

(b) 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

Hovnanian Enterprises, Inc.

October 31, 2021

Calculation of Inventory Turnover⁽¹⁾

	For the quarter ended					TTM ended
(Dollars in thousands)	1/31/2021	4/30/2021	7/31/2021	10/31/2021	10/31/2021	10/31/2021
Cost of sales, excluding interest	\$439,638	\$536,534	\$521,868	\$612,156		\$2,110,196
	As of					
	10/31/2020	1/31/2021	4/30/2021	7/31/2021	10/31/2021	
Total inventories	\$1,195,775	\$1,281,149	\$1,256,873	\$1,313,345	\$1,254,260	
Less liabilities from inventory not owned, net of debt issuance costs	131,204	119,432	90,430	69,627	62,762	Five Quarter
Less capitalized interest	65,010	65,327	59,772	63,673	58,159	Average
Inventories less capitalized interest and liabilities from inventory not owned	\$999,561	\$1,096,390	\$1,106,671	\$1,180,045	\$1,133,339	\$1,103,201
Inventory turnover						1.9x

⁽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.

(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.



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