



CreditRiskMonitor's assessment of Hovnanian Enterprises, Inc.'s ("HEI") "high risk" status has been determined by a combination of factors:

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MONTHLY AVERAGE FRISK® SCORE

CreditRiskMonitor's proprietary FRISK® score has Hovnanian Enterprises, Inc. (NYSE: HOV) at a **1**, the highest probability of bankruptcy in the next 12 months.

Business Name	2018	2018	2018	2018	2018	2018	2018	2018	2018	2019	2019	2019	2019	2019
	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	
Hovnanian Enterprises, Inc.	1	1	1	1	1	1	1	1	1	1	1	1	1	1

The FRISK® score is 96% accurate* in predicting the risk of corporate failure/bankruptcy over a 12-month horizon. All FRISK® scores are recalculated every night for each subsequent 12-month period.

Probability of bankruptcy within 12 months			
FRISK®	From	To	
Best	10	0.00%	0.12%
	9	0.12%	0.27%
	8	0.27%	0.34%
	7	0.34%	0.55%
	6	0.55%	0.87%
	5	0.87%	1.40%
	4	1.40%	2.10%
	3	2.10%	4.00%
	2	4.00%	9.99%
Worst	1	9.99%	50.00%

While the percentage risk of bankruptcy varies at each FRISK® score, 96% of public companies that eventually go bankrupt enter the FRISK® "red zone" prior to filing. A FRISK® score of 5 or less is an important warning sign.

* FRISK® score accuracy of 96% is based on backtesting of U.S. public companies; results may vary by country.

THE FRISK® SCORE COMPONENTS

At the core of the CreditRiskMonitor process is our 96% accurate FRISK® score, which indicates a company's level of financial stress on a scale of 1 to 10, based on the probability of bankruptcy over a 12-month horizon. When available, the FRISK® score incorporates a number of powerful risk indicators including:

A “Merton” type model using stock market capitalization and volatility

Financial ratios, including those used in the Altman Z”-Score Model

Bond agency ratings from Moody's, Fitch, DBRS, & Morningstar

Crowdsourced CreditRiskMonitor Usage Data

Crowdsourcing has enhanced the accuracy and timeliness of the FRISK® score. We collect and analyze data patterns from thousands of CreditRiskMonitor subscribers, including professionals from more than 35% of the Fortune 1000 and other large corporations worldwide.

The crowdsourcing advantage is even more powerful in our FRISK® score since many of the professionals who use our service are credit managers:

- Credit managers control one of the largest sources of working capital going into a company
- They are not held to the same “Fair Disclosure” restrictions that prevent non-disclosed information sharing on public companies
- Credit managers use a variety of non-public information sources such as their own company's management and sales representatives to be alerted to concerns in a public company's performance
- It is commonly known credit managers confidentially share information with other credit managers, thus collectively, their behavior helps to provide advanced insight to financial problems in public companies

[Read more in Credit Research Foundation's quarterly journal article, "Assessing Public Company Financial Risk by Crowdsourcing the Research of Credit Professionals"](#)

COMPANY REPORT DETAIL

Hovnanian Enterprises, Inc.

110 W Front St
PO Box 500

Phone: (732) 747-7800

RED BANK, NJ 07701-0500 United States

Ticker: **HOV**

Latest Financial Statements as of 1/31/2019

Business Summary

Hovnanian Enterprises, Inc. is a builder of residential homes. The Company designs, constructs, markets and sells single-family detached homes, attached townhomes and condominiums, urban infill and active lifestyle homes in planned residential developments. The Company has two distinct operations: homebuilding and financial services. Its homebuilding operations consist of six segments: Northeast: New Jersey and Pennsylvania; Mid-Atlantic: Delaware, Maryland, Virginia, Washington, District of Columbia, and West Virginia; Midwest: Illinois and Ohio; Southeast: Florida, Georgia and South Carolina; Southwest: Arizona and Texas, and West: California. Its financial services operations provide mortgage loans and title services to the customers of its homebuilding operations. The Company markets and builds homes for first-time buyers, first-time and second-time move-up buyers, luxury buyers, active lifestyle buyers and empty nesters.

(Source: 10-K)

Employees: 1,851 (as of 10/31/2018)

Incorporated: 6/27/1983

Federal Tax Id: 221851059

Credit Score History

[Why are these scores different?](#)

Auditor Information

Score/ Index	2018						2019						
	M	J	J	A	S	O	N	D	J	F	M	A	M
FRISK® Score*	1	1	1	1	1	1	1	1	1	1	1	1	1
DBT Index	9	9	9	9	9	9	9	9	9	9	9	DBT	DBT

Last Audit: 10/31/2018

Auditors: Deloitte & Touche LLP

Opinion: **Unqualified**

*FRISK® Scores are month-end

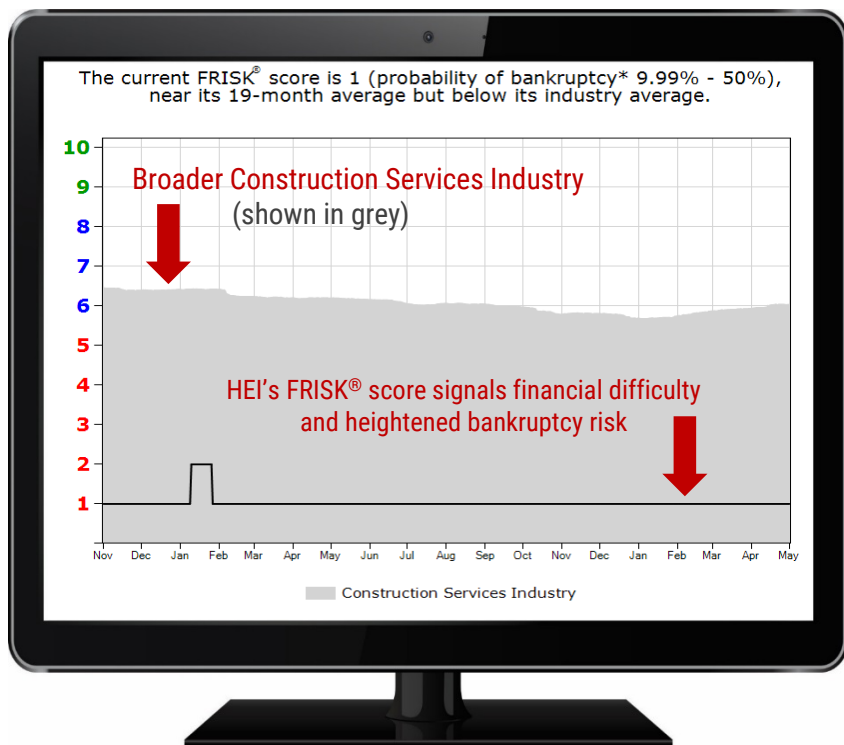
Agency Credit Ratings

Rating Agency	Long Term Rating	Outlook	Short Term Rating
Moody's	Caa1	Stable	SGL-3
Fitch	CCC		NR

The FRISK® score is a 96% accurate method by which to monitor public company bankruptcy risk.

Payment performance, captured by the Days Beyond Terms (DBT) index, which is very similar to D&B's PAYDEX® score, is not an effective indicator of financial stress for publicly traded companies since they often continue to pay on time right up until their bankruptcy filing. This is what's commonly called the "Cloaking Effect."

FRISK® DEEP DIVE



The FRISK[®] score relative to the broader Construction Services industry raises an additional red flag signaling heightened risk relative to peers, as well...

MAKING IMMEDIATE ATTENTION REQUIRED.

ADJUSTED MARKET CAP VOLATILITY



One of the inputs of the FRISK[®] score is a company's market cap volatility, adjusted for dividends, over the course of a year. Incorporating this information allows us to capture the "wisdom of markets" on a daily basis. This ensures our subscribers are getting the most up to date view of the risks they face since stocks tend to be more liquid and faster moving than bond prices and ratings.

FRISK® STRESS INDEX

#	Business Name	Country	FRISK® score
1	Gafisa SA	Brazil	1
2	Gafisa SA (ADR)	Brazil	1
3	Hovnanian Enterprises, Inc.	United States	1
4	Jiayuan International Group Ltd	China	1
5	Kardan N.V. (Israel)	Netherlands	1

Primary industry codes only Primary and secondary industry codes

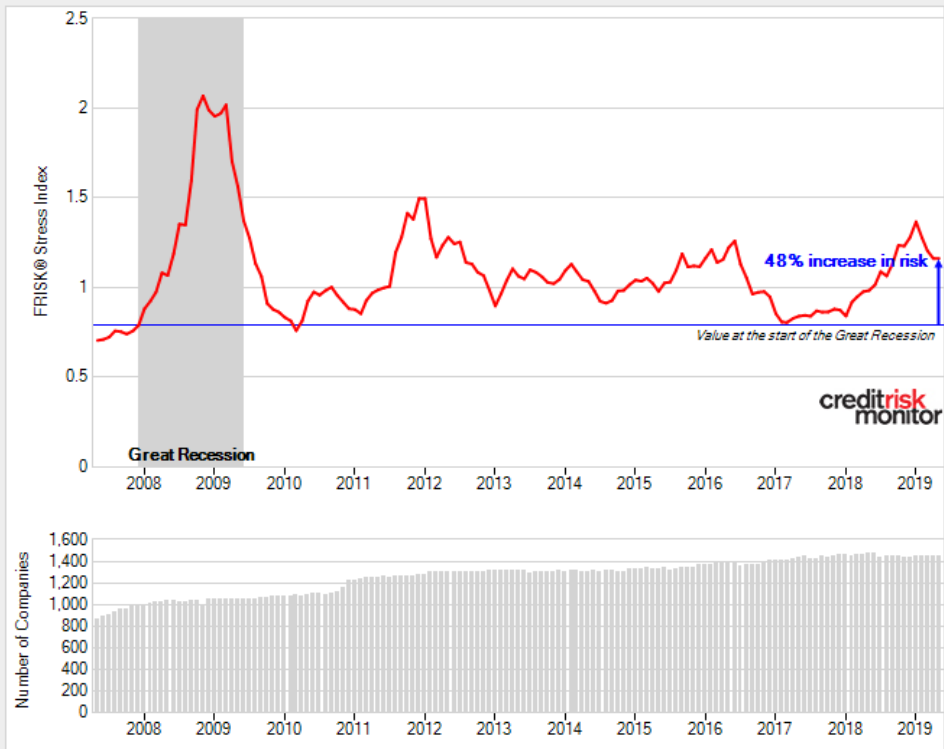
Businesses From: All Businesses CLEAR

In Industry: SIC 15 : Building construction-general contractors and operative builders

Country: All Countries

UPDATE RESULTS

Scale: Auto Total Companies in all months 1,903



The FRISK® Stress Index shows the collective probability of failure in a group of companies (such as an industry, country or portfolio) over the next 12 months. It is designed to show trends in risk level across groups of companies and is shown on a zero to 50 scale, with 50 being the most risky.

The average probability of failure for SIC code 15 has increased 48% since 2007. HEI is among the weakest names in the industry as evidenced by its FRISK® score of 1.

PEER ANALYSIS ON ALTERNATE SUPPLIERS AND CUSTOMERS

Hovnanian Enterprises, Inc. demonstrates bottom quartile ranking in key financial ratios (shown in red) vs. its industry peers.

The Peer Analysis expands to provide a ranking of a company's competitors, which can help provide options for alternate suppliers or new customers.

Peer Analysis

Year: 2018.4
 Group: Sector: Capital Goods, Industry: Construction Services
 [Sector: Capital Goods] [Industry: Construction Services] [Calendar Year/Quarter: 2018.4]

Businesses in Peer Group: 7463	Ranking Within Peer Group	Number Of Peers Ranked	Company Value	Peer Group Range		
				Low	Median	High
Credit Ratings						
ZScore	N/A	1485	N/A	-354.66	3.16	1,789.41
Performance ratios:						
Net Sales (Thousands of U.S. Dollars)	42	92	380,594	0	265,515	21,200,000
Gross Margin % Of Sales	928	1606		Company Name		
Gross Margin % Of Sales -- TTM	914	1632		1	Dong Won Development Co., Ltd.	
SG&A % Of Sales	1068	1582		2	Emaar Misr for Development SAE	
SG&A % Of Sales -- TTM	923	1616		3	Pre-Built PCL	
Operating Margin % Of Sales	1257	1671		4	Sondotecnica Engenharia de Solos SA	
Operating Margin % Of Sales TTM	930	1687		5	Bukit Sembawang Estates Limited	
EBITDA Margin % Of Sales	614	783		6	Eastern Star Real Estate Public Co Ltd	
EBITDA Margin % Of Sales -- TTM	692	1049		7	Nissou Co Ltd	
Net Profit Margin % Of Sales	1376	1671		8	AQ Estate PCL	
Net Profit Margin % Of Sales - TTM	1282	1688		9	PulteGroup, Inc.	
Pre-tax Income % Of Sales	1375	1671		10	Lam Dong Investment & Hydrlic Cnstrn JSC	
Effective Tax Rate	178	1689	-2.02	-933.86	20.27	7,100.00
Depreciation % Of Prop/Plant/Equipment	1027	1499	19.28	0.00	11.19	11,345.34
Capital Expense % Of Prop/Plant/Equipment	528	974	20.07	0.00	17.27	27,250.00
Interest Coverage	552	692	0.23	-19,393.00	4.12	61,204.79
Interest Coverage -- TTM	793	986	1.13	-2,853.65	4.81	35,543.75
Liquidity ratios:						
Cash Ratio	N/A	1503	N/A	0.00	0.30	595.53
Quick Ratio	N/A	1441	N/A	-0.06	0.82	595.53
Current Ratio	N/A	1503	N/A	0.00	1.55	1,590.12
Efficiency ratios:						
Accounts Receivable Turnover	147	1650	4	1	Anhui Transport Cnsltng&Degn Int Co Ltd	
Days Sales Outstanding	216	1671	6	2	Bien Hoa Bldng Mtrls Prod and Constrn JSC	
% of Inventory Financed by Vendors	927	1126	9	3	Binh Long Rubber Industrial Park Corp	
% of Inventory Financed by Vendors -- TTM	1036	1295	10	4	City PAO	
Inventory Turnover	972	1516		5	Dropcar Inc	
Inventory Turnover TTM	935	1527		6	Glenveagh Properties PLC	
Days Sales in Inventory	979	1442	32	7	Gordorstroy PAO (P)	
Inventory to Working Capital	N/A	1347		8	Hanjia Design Group Co Ltd	
Accounts Payable Turnover	307	1420	10	9	Henan Oriental Silver Star Inv Co Ltd	
Accounts Payable Turnover -- TTM	186	1451	13.39	-70.35	4.15	5,189.00
Leverage & debt coverage:						
Total Debt to Equity Ratio	N/A	1370	N/A	0.00	0.53	481.77
Debt to Tangible Equity Ratio	N/A	1314	N/A	0.00	0.56	617.34
Total Debt to Assets Ratio	1401	1413	1.01	0.00	0.22	165.13
Short-Term Debt % of Total Debt	N/A	1352	N/A	0.00	48.15	100.00
Short-Term Debt % of Working Capital	N/A	1354	N/A	-23,487.62	25.91	15,541.01
Liabilities to Net Worth Ratio	N/A	1434	N/A	0.00	1.29	1,174.00
Total Liabilities to Equity Ratio	N/A	1493	N/A	0.00	1.24	779.21
TTM EBITDA Over Total Debt	742	980	0.07	-183.08	0.18	802.25
Net Debt Over TTM EBITDA	782	868	12.94	-88.74	2.45	973.32

Green - Ranked in Upper Quartile of Peer Group
 White - Ranked in the Middle Two Quartiles of Peer Group
 Red - Ranked in Lower Quartile of Peer Group
 Orange - Confidential
 Grey - Data is Not Available

TTM = trailing 12 months
 N/A = Not Available

QUARTERLY PERFORMANCE RATIOS

Net losses in all but one of the last five fiscal quarters

Negative free cash flow in three of the last five fiscal quarters

Performance Ratios - Sequential Quarters

(Thousands of U.S. Dollars)

Period Ended	3 mos 1/31/2019	3 mos 10/31/2018	3 mos 7/31/2018	3 mos 4/30/2018	1/31/2018
Net Sales \$	\$380,594	\$614,811	\$456,712	\$502,544	\$417,166
% change	-38.10%	34.62%	-9.12%	20.47%	-42.20%
Gross Margin \$	\$64,721	\$116,175	\$81,889	\$87,495	\$74,933
% change	-44.29%	41.87%	-6.41%	16.76%	-37.69%
% of sales	17.01%	18.90%	17.93%	17.41%	17.96%
change as % of incremental sales	n/m	21.69%	n/m	14.71%	n/m
SG&A \$	\$60,400	\$50,843	\$53,937	\$61,688	\$62,366
% change	18.80%	-5.74%	-12.56%	-1.09%	-14.41%
% of sales	15.87%	8.27%	11.81%	12.28%	14.95%
change as % of incremental sales	n/m	-1.96%	n/m	-0.79%	n/m
Operating margin \$	\$4,079	\$63,205	\$23,191	\$23,965	\$12,177
% change	-93.55%	172.54%	-3.23%	96.81%	-74.27%
% of sales	1.07%	10.28%	5.08%	4.77%	2.92%
change as % of incremental sales	n/m	25.31%	n/m	13.81%	n/m
EBITDA \$	\$5,058	\$64,041	\$24,002	\$24,684	\$12,967
% change	-92.10%	166.82%	-2.76%	90.36%	-73.19%
% of sales	1.33%	10.42%	5.26%	4.91%	3.11%
change as % of incremental sales	n/m	25.33%	n/m	13.72%	n/m
EBIT \$	\$4,079	\$63,205	\$23,191	\$23,965	\$12,177
% change	-93.55%	172.54%	-3.23%	96.81%	-74.27%
% of sales	1.07%	10.28%	5.08%	4.77%	2.92%
change as % of incremental sales	n/m	25.31%	n/m	13.81%	n/m
Pre-tax income \$	(\$17,106)	\$48,117	\$78	(\$9,578)	(\$30,471)
% change	-135.55%	61,588.46%	100.81%	68.57%	-347.63%
% of sales	-4.49%	7.83%	0.02%	-1.91%	-7.30%
change as % of incremental sales	n/m	30.39%	n/m	24.47%	n/m
Net income (loss) \$	(\$17,452)	\$46,178	(\$1,026)	(\$9,823)	(\$30,809)
% change	-137.79%	4,600.78%	89.56%	68.12%	-360.19%
% of sales	-4.59%	7.51%	-0.22%	-1.90%	-7.30%
change as % of incremental sales	n/m	29.86%	n/m	24.47%	n/m
Tax expense \$	\$346	\$1,939	\$1,104		
Effective tax rate	-2.02%	4.03%	1,415.38%		
Depreciation expense \$	\$979	\$836	\$811		
% of sales	0.26%	0.14%	0.18%		
% of capital expenses	96.07%	85.13%	80.86%		
% of PP&E, net (annualized)	19.28%	16.55%	16.19%		
Capital expenditures \$	\$1,019	\$982	\$1,003		
% change	3.77%	-2.09%	-22.37%	-32.33%	-17.16%
% of PP&E, net (annualized)	20.07%	19.43%	20.02%	26.20%	27.16%
Interest coverage ratio	0.23	2.76	0.97	0.74	0.30
% change	-91.77%	185.67%	31.20%	142.07%	-77.99%
Free cash flow \$	(\$123,191)	\$29,767	(\$25,993)	\$13,771	(\$89,560)
% change	-513.85%	214.52%	-288.75%	115.38%	-157.90%
Source:	10-Q 3/7/2019	10-K 12/20/2018	10-Q 9/10/2018	10-Q 6/7/2018	10-Q 3/9/2018

Poor interest coverage ratio

QUARTERLY LEVERAGE RATIOS

Negative tangible net worth suggests that the company has exhausted all of its loanable collateral

Total debt to EBITDA ratio (annualized) signals that the ability to meet financial obligations is in jeopardy

Leverage Ratios - Sequential Quarters

(Thousands of U.S. Dollars)

Period Ended	1/31/2019	10/31/2018	7/31/2018	4/30/2018	1/31/2018
Total debt \$	\$1,636,971	\$1,570,392	\$1,651,986	\$1,668,019	\$1,661,774
% change	4.24%	-4.94%	-0.96%	0.38%	-5.43%
Stockholders' equity \$	(\$470,364)	(\$453,504)	(\$500,631)	(\$499,976)	(\$491,189)
% change	-3.72%	9.41%	-0.13%	-1.79%	-6.69%
Tangible net worth \$	(\$470,364)	(\$453,504)	(\$500,631)	(\$499,976)	(\$491,189)
% change	-3.72%	9.41%	-0.13%	-1.79%	-6.69%
Total assets \$	\$1,623,723	\$1,662,042	\$1,668,488	\$1,642,491	\$1,645,937
% change	-2.31%	-0.39%	1.58%	-0.21%	-13.41%
Total debt to assets ratio	1.01	0.94	0.99	1.02	1.01
% change	6.70%	-4.57%	-2.50%	0.58%	9.22%
Tangible assets \$	\$1,623,723	\$1,662,042	\$1,668,488	\$1,642,491	\$1,645,937
% change	-2.31%	-0.39%	1.58%	-0.21%	-13.41%
Total liabilities \$	\$2,094,087	\$2,115,546	\$2,169,119	\$2,142,467	\$2,137,126
% change	-1.01%	-2.47%	1.24%	0.25%	-9.49%
Total debt to EBITDA ratio (annualized)	80.91	6.13	17.21	16.89	32.04
% change	1,219.82%	-64.37%	1.85%	-47.27%	252.73%
Source:	10-Q	10-K	10-Q	10-Q	10-Q
	3/7/2019	12/20/2018	9/10/2018	6/7/2018	3/9/2018

QUARTERLY LIQUIDITY RATIOS AND RATES OF RETURN

Cash and quick assets are eroding

Liquidity Ratios - Sequential Quarters

(Thousands of U.S. Dollars)

Period Ended	1/31/2019	10/31/2018	7/31/2018	4/30/2018	1/31/2018
Cash \$	\$113,314	\$187,871	\$221,939	\$253,775	\$282,288
% change	-39.69%	-15.35%	-12.55%	-10.10%	-39.12%
Quick assets \$	\$146,050	\$223,060	\$259,850	\$323,943	\$336,104
% change	-34.52%	-14.16%	-19.79%	-3.62%	-35.59%
Source:	10-Q 3/7/2019	10-K 12/20/2018	10-Q 9/10/2018	10-Q 6/7/2018	10-Q 3/9/2018

Unable to generate any meaningful returns

Rate of Return - Sequential Quarters

(Thousands of U.S. Dollars)

Period Ended	3 mos 1/31/2019	3 mos 10/31/2018	3 mos 7/31/2018	3 mos 4/30/2018	3 mos 1/31/2018
Return on total assets	-1.06%	2.77%	-0.06%	-0.60%	-1.74%
% change	-138.31%	4,572.58%	89.62%	65.61%	-373.12%
Return on tangible assets	-1.06%	2.77%	-0.06%	-0.60%	-1.74%
% change	-138.31%	4,572.58%	89.62%	65.61%	-373.12%
Source:	10-Q 3/7/2019	10-K 12/20/2018	10-Q 9/10/2018	10-Q 6/7/2018	10-Q 3/9/2018

YEAR-OVER-YEAR STATEMENT OF CASH FLOWS

Negative cash from operating activities

Statement of Cash Flows - Year-over-Year - Standardized - Year to Date

(Thousands of U.S. Dollars)

Period Ended	3 mos 1/31/2019	3 mos 1/31/2018	3 mos 1/31/2017	3 mos 1/31/2016	3 mos 1/31/2015
	Restated				
	1/31/2019				
Cash Flows from Operating Activities:					
Net income	(\$17,452)	(\$30,809)	(\$143)	(\$16,173)	(\$14,376)
Depreciation/depletion	979	790	1,013	865	849
Deferred taxes	n/a	n/a	20	2,616	(5,945)
Non-cash Items	(6,438)	5,338	1,914	17,596	10,013
Changes in working capital	(99,261)	(62,963)	23,112	(69,985)	(186,158)
Total cash from operating activities	(122,172)	(87,644)	25,916	(65,081)	(195,617)
Cash Flows from Investing Activities:					
Capital expenditures	(1,019)	(1,916)	(560)	(1,253)	(879)
Other investing cash flow items, total	4,413	42,784	(14,965)	(9,301)	(10,553)
Total cash from investing activities	3,394	40,868	(15,525)	(10,554)	(11,432)
Cash Flows from Financing Activities:					
Financing cash flow items	(1,489)	(1,843)	(938)	(3,883)	(5,011)
Issuance/retirement of debt, net	40,448	(143,716)	(154,438)	(21,649)	223,461
Total cash from financing activities	38,959	(145,559)	(155,376)	(25,532)	218,450
Net change in cash	(79,819)	(192,335)	(144,985)	(101,167)	11,401
Net cash-beginning balance	232,992	493,742	346,765	253,745	261,898
Net cash-ending balance	\$153,173	\$301,407	\$201,780	\$152,578	\$273,299
Supplemental Disclosures:					
Cash interest paid	\$40,439	\$56,482	\$24,019	\$33,000	\$26,489
Cash taxes paid, supplemental	\$6	\$379	\$154	\$88	\$366
Source:	10-Q 3/7/2019	10-Q 3/7/2019	10-Q 3/8/2017	10-Q 3/9/2016	10-Q 3/12/2015

ABOUT THIS REPORT/CONTACT CREDITRISKMONITOR



CreditRiskMonitor is a financial risk analysis and news service that helps credit, supply chain and financial professionals stay ahead of and manage risk quickly, accurately and cost effectively. More than 35% of the Fortune 1000, plus over a thousand other large corporations worldwide, rely on our financial risk coverage of over 56,000 global public companies.

CreditRiskMonitor's High Risk Reports feature companies that are exhibiting a significantly high level of financial distress, as indicated by our proprietary FRISK® score. The ultimate goal of the High Risk Report series is two-part: provide an early warning for those doing business with an increasingly distressed company and inform of the many signals that should be examined when assessing financial risks.

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creditriskmonitor.com/contact-us