CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
	(Dollars in thousands, except per share amounts)			
Revenues:				
Home sales	$ 173,921	$ 187,258	$ 532,352	$ 504,029
Land sales	17,091	—	41,664	—
Fee building, including management fees	31,124	42,408	95,333	163,537
	222,136	229,666	669,349	667,566
Cost of Sales:				
Home sales	153,700	162,034	469,557	436,530
Home sales impairment	6,600	10,000	8,300	10,000
Land sales	17,091	—	43,169	—
Land sales impairment	—	—	1,900	—
Fee building	30,628	41,275	93,281	159,136
	208,019	213,309	616,207	605,666
Gross Margin:				
Home sales	13,621	15,224	54,495	57,499
Land sales	—	—	(3,405)	—
Fee building	496	1,133	2,052	4,401
	14,117	16,357	53,142	61,900
Selling and marketing expenses	(10,167)	(10,754)	(36,357)	(36,065)
General and administrative expenses	(7,130)	(7,784)	(25,723)	(25,966)
Equity in net loss of unconsolidated joint ventures	(3,809)	(19,902)	(3,503)	(19,653)
Gain on early extinguishment of debt	195	—	1,164	—
Other income (expense), net	(158)	(293)	(539)	(521)
Pretax loss	(6,952)	(22,376)	(11,816)	(20,305)
Benefit for income taxes	3,953	6,226	3,815	6,075
Net loss	(2,999)	(16,150)	(8,001)	(14,230)

Net (income) loss attributable to non-controlling interest	1	—	(36)	14
Net loss attributable to The New Home Company Inc.	$ (2,998)	$ (16,150)	$ (8,037)	$ (14,216)
Loss per share attributable to The New Home Company Inc.:				
Basic	$ (0.15)	$ (0.80)	$ (0.40)	$ (0.69)
Diluted	$ (0.15)	$ (0.80)	$ (0.40)	$ (0.69)
Weighted average shares outstanding:				
Basic	20,096,969	20,247,406	20,063,148	20,703,967
Diluted	20,096,969	20,247,406	20,063,148	20,703,967

CONSOLIDATED BALANCE SHEETS

	December 31, 2019	**December 31, 2018**
	(Dollars in thousands, except per share amounts)	
	(Unaudited)	
Assets		
Cash and cash equivalents	$ 79,314	$ 42,273
Restricted cash	117	269
Contracts and accounts receivable	15,982	18,265
Due from affiliates	238	1,218
Real estate inventories	433,938	566,290
Investment in and advances to unconsolidated joint ventures	30,217	34,330
Other assets	43,383	33,452
Total assets	$ 603,189	$ 696,097
Liabilities and equity		
Accounts payable	$ 25,044	$ 39,391
Accrued expenses and other liabilities	40,554	29,028
Unsecured revolving credit facility	—	67,500
Senior notes, net	304,832	320,148
Total liabilities	370,430	456,067
Equity:		
Stockholders' equity:		
Preferred stock, $0.01 par value, 50,000,000 shares authorized, no shares outstanding	—	—
Common stock, $0.01 par value, 500,000,000 shares authorized, 20,096,969 and 20,058,904, shares issued and outstanding as of December 31, 2019 and December 31, 2018, respectively	201	201
Additional paid-in capital	193,862	193,132
Retained earnings	38,584	46,621
Total stockholders' equity	232,647	239,954
Non-controlling interest in subsidiary	112	76
Total equity	232,759	240,030
Total liabilities and equity	$ 603,189	$ 696,097

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Year Ended December 31,	
	2019	2018
	(Dollars in thousands)	
Operating activities:		
Net loss	$ (8,001)	$ (14,230)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Deferred taxes	(3,566)	(7,620)
Amortization of stock-based compensation	2,260	3,090
Distributions of earnings from unconsolidated joint ventures	374	715
Inventory impairments	10,200	10,000
Abandoned project costs	94	206
Equity in net loss of unconsolidated joint ventures	3,503	19,653
Deferred profit from unconsolidated joint ventures	—	136
Depreciation and amortization	8,957	6,631
Gain on early extinguishment of debt	(1,164)	—
Net changes in operating assets and liabilities:		
Contracts and accounts receivable	2,283	4,959
Due from affiliates	930	(242)
Real estate inventories	123,239	(157,705)
Other assets	(2,326)	(11,642)
Accounts payable	(14,347)	15,669
Accrued expenses and other liabilities	(1,178)	(9,305)
Net cash provided by (used in) operating activities	121,258	(139,685)
Investing activities:		
Purchases of property and equipment	(41)	(246)
Contributions and advances to unconsolidated joint ventures	(8,826)	(15,066)
Distributions of capital and repayment of advances from unconsolidated joint ventures	9,133	15,436
Interest collected on advances to unconsolidated joint ventures	—	178
Net cash provided by investing activities	266	302
Financing activities:		
Borrowings from credit facility	50,000	150,000
Repayments of credit facility	(117,500)	(82,500)
Repurchases of senior notes	(15,605)	—
Repurchases of common stock	(1,042)	(8,563)
Tax withholding paid on behalf of employees for stock awards	(488)	(982)
Net cash (used in) provided by financing activities	(84,635)	57,955
Net increase (decrease) in cash, cash equivalents and restricted cash	36,889	(81,428)
Cash, cash equivalents and restricted cash – beginning of period	42,542	123,970
Cash, cash equivalents and restricted cash – end of period	$ 79,431	$ 42,542

KEY FINANCIAL AND OPERATING DATA

(Dollars in thousands)

(Unaudited)

New Home Deliveries:

	Three Months Ended December 31,								
	2019			2018			% Change		
	Homes	Dollar Value	Average Price	Homes	Dollar Value	Average Price	Homes	Dollar Value	Average Price
Southern California	88	$ 88,750	$ 1,009	102	$ 113,283	$ 1,111	(14)%	(22)%	(9)%
Northern California	91	63,651	699	85	73,975	870	7%	(14)%	(20)%
Arizona	21	21,520	1,025	—	—	—	NA	NA	NA
Total	200	$ 173,921	$ 870	187	$ 187,258	$ 1,001	7%	(7)%	(13)%

	Year Ended December 31,								
	2019			2018			% Change		
	Homes	Dollar Value	Average Price	Homes	Dollar Value	Average Price	Homes	Dollar Value	Average Price
Southern California	306	$ 312,410	$ 1,021	282	$ 317,373	$ 1,125	9%	(2)%	(9)%
Northern California	217	159,832	737	216	186,656	864	0%	(14)%	(15)%
Arizona	51	60,110	1,179	—	—	—	NA	NA	NA
Total	574	$ 532,352	$ 927	498	$ 504,029	$ 1,012	15%	6%	(8)%

	Three Months Ended December 31,			Year Ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Net New Home Orders:						
Southern California	72	53	36%	288	301	(4)%
Northern California	65	13	400%	215	202	6%
Arizona	5	3	67%	29	33	(12)%
	142	69	106%	532	536	(1)%
Selling Communities at End of Period:						
Southern California				10	13	(23)%
Northern California				9	5	80%

Arizona				2	2	—%
				21	20	5%
Average Selling Communities:						
Southern California	10	13	(23)%	11	12	(8)%
Northern California	9	5	80%	8	6	33%
Arizona	2	2	—%	2	2	—%
	21	20	5%	21	20	5%
Monthly Sales Absorption Rate per Community (1)**:**						
Southern California	2.3	1.4	64%	2.1	2.2	(5)%
Northern California	2.4	0.9	167%	2.3	2.7	(15)%
Arizona	0.8	0.5	60%	1.2	1.7	(29)%
Total	2.2	1.2	83%	2.1	2.3	(9)%

(1)Monthly sales absorption represents the number of net new home orders divided by the number of average selling communities for the period.

Backlog:	**As of December 31,**								
	2019			**2018**			**% Change**		
	Homes	Dollar Value	Average Price	Homes	Dollar Value	Average Price	Homes	Dollar Value	Average Price
Southern California	72	$ 69,263	$ 962	90	$ 111,024	$ 1,234	(20)%	(38)%	(22)%
Northern California	66	41,973	636	68	59,847	880	(3)%	(30)%	(28)%
Arizona	11	14,567	1,324	33	36,200	1,097	(67)%	(60)%	21%
Total	149	$ 125,803	$ 844	191	$ 207,071	$ 1,084	(22)%	(39)%	(22)%

Lots Owned and Controlled:	**As of December 31,**		
	2019	**2018**	**% Change**
Lots Owned			
Southern California	501	626	(20)%
Northern California	682	742	(8)%
Arizona	395	299	32%
Total	1,578	1,667	(5)%

Lots Controlled [1]			
Southern California	430	205	110%
Northern California	378	451	(16)%
Arizona	315	489	(36)%
Total	1,123	1,145	(2)%
Lots Owned and Controlled	2,701	2,812	(4)%
Fee Building Lots[2]	1,135	806	41%

(1)Includes lots that we control under purchase and sale agreements or option agreements subject to customary conditions and have not yet closed. There can be no assurance that such acquisitions will occur.

(2)Lots owned by third party property owners for which we perform general contracting or construction management services

Other Financial Data:	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Interest incurred	$ 6,474	$ 7,779	$ 28,819	$ 28,377
Adjusted EBITDA[1]	$ 14,935	$ 19,565	$ 42,471	$ 39,898
Adjusted EBITDA margin percentage [1]	6.7%	8.5%	6.3%	6.0%

	LTM[2] Ended December 31,	
	2019	2018
Interest incurred	$ 28,819	$ 28,377
Adjusted EBITDA[1]	$ 42,471	$ 39,898
Adjusted EBITDA margin percentage [1]	6.3%	6.0%
Ratio of Adjusted EBITDA to total interest incurred[1]	1.5x	1.4x

	December 31, 2019	December 31, 2018
Ratio of debt-to-capital	56.7%	61.8%
Ratio of net debt-to-capital[1]	49.2%	59.0%
Ratio of debt to LTM[2] Adjusted EBITDA[1]	7.2x	9.7x

Ratio of net debt to LTM[2] Adjusted EBITDA[1]	5.3x	8.6x
Ratio of cash and inventory to debt	1.7x	1.6x

(1)Adjusted EBITDA, Adjusted EBITDA margin percentage, ratio of Adjusted EBITDA to total interest incurred, ratio of net debt-to-capital, ratio of debt to LTM Adjusted EBITDA and ratio of net debt to LTM Adjusted EBITDA are non-GAAP measures. Please see "Reconciliation of Non-GAAP Financial Measures" for a reconciliation of each of these measures to the appropriate GAAP measure.

(2)"LTM" indicates amounts for the trailing 12 months.

KEY FINANCIAL AND OPERATING DATA - UNCONSOLIDATED JOINT VENTURES

(Dollars in thousands)

(Unaudited)

	Three Months Ended December 31,			Year Ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Financial Data - Unconsolidated Joint Ventures:						
Home sales revenue	$ 18,732	$ 52,811	(65)%	$129,581	$138,892	(7)%
Land sales revenue	8,132	7,453	9%	34,457	42,731	(19)%
Total revenues	$ 26,864	$ 60,264	(55)%	$164,038	$181,623	(10)%
Net loss	$ (68,956)	$ (28,253)	(144)%	$ (66,915)	$ (27,904)	(140)%
Operating Data - Unconsolidated Joint Ventures:						
New home orders	23	23	0%	110	142	(23)%
New homes delivered	21	54	(61)%	137	146	(6)%
Average selling price of homes delivered	$ 892	$ 978	(9)%	$ 946	$ 951	(1)%
Selling communities at end of period				4	7	(43)%
Backlog homes (dollar value)				$ 42,652	$ 66,892	(36)%
Backlog (homes)				49	76	(36)%
Average sales price of backlog				$ 870	$ 880	(1)%
Homebuilding lots owned and controlled				74	211	(65)%
Land development lots owned and controlled				1,798	1,879	(4)%
Total lots owned and controlled				1,872	2,090	(10)%

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(Unaudited)

In this earnings release, we utilize certain non-GAAP financial measures as defined by the Securities and Exchange Commission. We present these measures because we believe they, and similar measures, are useful to management and investors in evaluating the Company's operating performance and financing structure. We also believe these measures facilitate the comparison of our operating performance and financing structure with other companies in our industry. Because these measures are not calculated in accordance with Generally Accepted Accounting Principles ("GAAP"), they may not be comparable to other similarly titled measures of other companies and should not be considered in isolation or as a substitute for, or superior to, financial measures prepared in accordance with GAAP.

The following table reconciles net loss attributable to the Company to the non-GAAP measure of adjusted net income attributable to the Company (net income before inventory and joint venture impairments and loss on land sales) and loss per share and loss per diluted share attributable to the Company to the non-GAAP measures of adjusted earnings per share and adjusted diluted earnings per share attributable to the Company (earnings per share before inventory and joint venture impairments and loss on land sales). We believe removing the impact of impairments and loss on land sales is relevant to provide investors with an understanding of the impact these noncash items had on earnings.

	Three Months Ended December 31,				Year Ended December 31,			
	2019		2018		2019		2018	
	(Dollars in thousands, except per share amounts)							
Net loss attributable to The New Home Company Inc.	$	(2,998)	$	(16,150)	$	(8,037)	$	(14,216)
Inventory and joint venture impairments and loss on land sales, net of tax		6,080		21,750		11,313		21,810
Adjusted net income attributable to The New Home Company Inc.	$	3,082	$	5,600	$	3,276	$	7,594
Loss per share attributable to The New Home Company Inc.:								
Basic	$	(0.15)	$	(0.80)	$	(0.40)	$	(0.69)
Diluted	$	(0.15)	$	(0.80)	$	(0.40)	$	(0.69)
Adjusted earnings per share attributable to The New Home Company Inc.:								
Basic	$	0.15	$	0.28	$	0.16	$	0.37
Diluted	$	0.15	$	0.28	$	0.16	$	0.37
Weighted average shares outstanding for adjusted earnings per share:								
Basic		20,096,969		20,247,406		20,063,148		20,703,967
Diluted		20,202,291		20,326,250		20,120,450		20,804,859
Inventory and joint venture impairments	$	10,100	$	30,000	$	13,700	$	30,000
Loss on land sales		—		—		1,505		—
Less: Related tax benefit		(4,020)		(8,250)		(3,892)		(8,190)
Inventory and joint venture impairments and loss on land sales, net of tax	$	6,080	$	21,750	$	11,313	$	21,810

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (continued)
(Unaudited)

The following table reconciles homebuilding gross margin percentage as reported and prepared in accordance with GAAP to the non-GAAP measures, homebuilding gross margin before impairments, and adjusted homebuilding gross margin (or homebuilding gross margin excluding home sales impairment charges and interest in cost of home sales). We believe this information is meaningful, as it isolates the impact home sales impairments and leverage have on homebuilding gross margin and provides investors better comparisons with our competitors, who adjust gross margins in a similar fashion.

	Three Months Ended December 31,				Year Ended December 31,			
	2019	%	2018	%	2019	%	2018	%
	(Dollars in thousands)							
Home sales revenue	$ 173,921	100.0%	$ 187,258	100.0%	$ 532,352	100.0%	$ 504,029	100.0%
Cost of home sales	160,300	92.2%	172,034	91.9%	477,857	89.8%	446,530	88.6%
Homebuilding gross margin	13,621	7.8%	15,224	8.1%	54,495	10.2%	57,499	11.4%
Add: Home sales impairment	6,600	3.8%	10,000	5.4%	8,300	1.6%	10,000	2.0%
Homebuilding gross margin before impairments	20,221	11.6%	25,224	13.5%	62,795	11.8%	67,499	13.4%
Add: Interest in cost of home sales	8,984	5.2%	7,868	4.2%	26,304	4.9%	18,678	3.7%
Adjusted homebuilding gross margin	$ 29,205	16.8%	$ 33,092	17.7%	$ 89,099	16.7%	$ 86,177	17.1%

The following table reconciles the Company's ratio of debt-to-capital to the non-GAAP ratio of net debt-to-capital. We believe that the ratio of net debt-to-capital is a relevant financial measure for management and investors to understand the leverage employed in our operations and as an indicator of the Company's ability to obtain financing.

	December 31, 2019		December 31, 2018	
	(Dollars in thousands)			
Total debt, net of unamortized discount, premium and debt issuance costs	$	304,832	$	387,648
Equity, exclusive of non-controlling interest		232,647		239,954
Total capital	$	537,479	$	627,602
Ratio of debt-to-capital(1)		56.7%		61.8%
Total debt, net of unamortized discount, premium and debt issuance costs	$	304,832	$	387,648
Less: Cash, cash equivalents and restricted cash		79,431		42,542
Net debt		225,401		345,106
Equity, exclusive of non-controlling interest		232,647		239,954
Total capital	$	458,048	$	585,060
Ratio of net debt-to-capital(2)		49.2%		59.0%

(1)The ratio of debt-to-capital is computed as the quotient obtained by dividing total debt, net of unamortized discount, premium and debt issuance costs by total capital (the sum of total debt, net of unamortized discount premium and debt issuance costs plus equity, exclusive of non-controlling interest).

(2)The ratio of net debt-to-capital is computed as the quotient obtained by dividing net debt (which is total debt, net of unamortized discount, premium and debt issuance costs less cash, cash equivalents and restricted cash to the extent necessary to reduce the debt balance to zero) by total capital, exclusive of non-controlling interest. The most directly comparable GAAP financial measure is the ratio of debt-to-capital. We believe the ratio of net debt-to-capital is a relevant financial measure for investors to understand the leverage employed in our operations and as an indicator of our ability to obtain financing. We believe that by deducting our cash from our debt, we provide a measure of our indebtedness that takes into account our cash liquidity. We believe this provides useful information as the ratio of debt-to-capital does not take into account our liquidity and we believe that the ratio net of cash provides supplemental information by which our financial position may be considered. Investors may also find this to be helpful when comparing our leverage to the leverage of our competitors that present similar information.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (continued)
(Unaudited)

Adjusted EBITDA, Adjusted EBITDA margin percentage, the ratio of Adjusted EBITDA to total interest incurred, the ratio of debt to Adjusted EBITDA, and the ratio of net debt to Adjusted EBITDA are non-GAAP measures. Adjusted EBITDA means net income (loss) (plus cash distributions of income from unconsolidated joint ventures) before (a) income taxes, (b) interest expense, (c) amortization of previously capitalized interest included in cost of sales and equity in net income (loss) of unconsolidated joint ventures, (d) severance charges (e) noncash impairment charges and abandoned project costs, (f) gain on early extinguishment of debt (g) depreciation and amortization, (h) amortization of stock-based compensation and (i) income (loss) from unconsolidated joint ventures. Adjusted EBITDA margin percentage is calculated by dividing Adjusted EBITDA by total revenue for a given period. The ratio of Adjusted EBITDA to total interest incurred is calculated by dividing Adjusted EBITDA by total interest incurred for a given period. The ratio of debt to Adjusted EBITDA is calculated by dividing debt at the period end by Adjusted EBITDA for a given period. The ratio of net debt to Adjusted EBITDA is calculated by dividing debt at the period end less cash, cash equivalents and restricted cash by Adjusted EBITDA for a given period. Other companies may calculate Adjusted EBITDA differently. Management believes that Adjusted EBITDA assists investors in understanding and comparing the operating characteristics of homebuilding activities by eliminating many of the differences in companies' respective capitalization, interest costs, tax position, level of impairments and other non-recurring items. Due to the significance of the GAAP components excluded, Adjusted EBITDA should not be considered in isolation or as an alternative to net income (loss), cash flows from operations or any other performance measure prescribed by GAAP. A reconciliation of net loss to Adjusted EBITDA, and the calculations of Adjusted EBITDA margin percentage, the ratio of Adjusted EBITDA to total interest incurred, the ratio of debt to Adjusted EBITDA, and the ratio of net debt to Adjusted EBITDA are provided in the following table.

	Three Months Ended December 31,		LTM[(1)] Ended December 31,	
	2019	2018	2019	2018
	(Dollars in thousands)			
Net loss	$ (2,999)	$ (16,150)	$ (8,001)	$ (14,230)
Add:				
Interest amortized to cost of sales and equity in net loss of unconsolidated joint ventures	9,005	9,016	28,275	19,908
Benefit for income taxes	(3,953)	(6,226)	(3,815)	(6,075)
Depreciation and amortization	1,949	2,134	8,957	6,631
Amortization of stock-based compensation	599	764	2,260	3,090
Cash distributions of income from unconsolidated joint ventures	55	—	374	715
Severance charges	—	—	1,788	—
Noncash inventory impairments and abandonments	6,665	10,125	10,294	10,206
Less:				
Gain on early extinguishment of debt	(195)	—	(1,164)	—
Equity in net loss of unconsolidated joint ventures	3,809	19,902	3,503	19,653
Adjusted EBITDA	$ 14,935	$ 19,565	$ 42,471	$ 39,898
Total Revenue	$ 222,136	$ 229,666	$ 669,349	$ 667,566
Adjusted EBITDA margin percentage	6.7%	8.5%	6.3%	6.0%
Interest incurred	$ 6,474	$ 7,779	$ 28,819	$ 28,377
Ratio of Adjusted EBITDA to total interest incurred	2.3x	2.5x	1.5x	1.4x
Total debt at period end			$ 304,832	$ 387,648
Ratio of debt to Adjusted EBITDA			7.2x	9.7x
Total net debt at period end			$ 225,401	$ 345,106
Ratio of net debt to Adjusted EBITDA			5.3x	8.6x
Total cash and inventory			$ 513,252	$ 608,563
Ratio of cash and inventory to debt			1.7x	1.6x

(1)"LTM" indicates amounts for the trailing 12 months.