

**CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(Dollars in thousands, except per share amounts)			
<b>Revenues:</b>				
Home sales	\$ 117,426	\$ 118,781	\$ 290,842	\$ 358,431
Land sales	—	24,573	157	24,573
Fee building, including management fees	13,418	22,262	70,838	64,209
	<u>130,844</u>	<u>165,616</u>	<u>361,837</u>	<u>447,213</u>
<b>Cost of Sales:</b>				
Home sales	100,775	105,763	251,713	315,857
Home sales impairments	—	1,700	19,000	1,700
Land sales	—	26,078	157	26,078
Land sales impairment	—	1,900	—	1,900
Fee building	13,150	21,615	69,632	62,653
	<u>113,925</u>	<u>157,056</u>	<u>340,502</u>	<u>408,188</u>
<b>Gross Margin:</b>				
Home sales	16,651	11,318	20,129	40,874
Land sales	—	(3,405)	—	(3,405)
Fee building	268	647	1,206	1,556
	<u>16,919</u>	<u>8,560</u>	<u>21,335</u>	<u>39,025</u>
Selling and marketing expenses	(8,056)	(7,828)	(21,908)	(26,190)
General and administrative expenses	(6,386)	(5,361)	(19,301)	(18,593)
Equity in net income (loss) of unconsolidated joint ventures	(98)	(63)	(21,997)	306
Interest expense	(1,099)	—	(3,088)	—
Project abandonment (costs) recoveries, net	33	(10)	(14,097)	(29)
Gain on early extinguishment of debt	191	—	770	969
Other income (expense), net	24	(76)	179	(352)
Pretax income (loss)	<u>1,528</u>	<u>(4,778)</u>	<u>(58,107)</u>	<u>(4,864)</u>
(Provision) benefit for income taxes	(390)	172	26,476	(138)
Net income (loss)	<u>1,138</u>	<u>(4,606)</u>	<u>(31,631)</u>	<u>(5,002)</u>
Net (income) loss attributable to non-controlling interest	50	(18)	50	(37)
Net income (loss) attributable to The New Home Company Inc.	<u>\$ 1,188</u>	<u>\$ (4,624)</u>	<u>\$ (31,581)</u>	<u>\$ (5,039)</u>
<b>Earnings (loss) per share attributable to The New Home Company Inc.:</b>				
Basic	\$ 0.07	\$ (0.23)	\$ (1.68)	\$ (0.25)
Diluted	\$ 0.06	\$ (0.23)	\$ (1.68)	\$ (0.25)
<b>Weighted average shares outstanding:</b>				
Basic	18,231,954	20,096,969	18,839,551	20,051,751
Diluted	18,332,601	20,096,969	18,839,551	20,051,751

CONSOLIDATED BALANCE SHEETS

	September 30, 2020	December 31, 2019
	(Dollars in thousands, except per share amounts)	
	(Unaudited)	
<b>Assets</b>		
Cash and cash equivalents	\$ 126,375	\$ 79,314
Restricted cash	408	117
Contracts and accounts receivable	9,288	15,982
Due from affiliates	114	238
Real estate inventories	341,207	433,938
Investment in and advances to unconsolidated joint ventures	5,957	30,217
Deferred tax asset, net	16,222	17,503
Other assets	46,769	25,880
<b>Total assets</b>	<b>\$ 546,340</b>	<b>\$ 603,189</b>
<b>Liabilities and equity</b>		
Accounts payable	\$ 17,596	\$ 25,044
Accrued expenses and other liabilities	39,777	40,554
Senior notes, net	290,272	304,832
<b>Total liabilities</b>	<b>347,645</b>	<b>370,430</b>
<b>Equity:</b>		
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, 18,231,954 and 20,096,969, shares issued and outstanding as of September 30, 2020 and December 31, 2019, respectively	182	201
Additional paid-in capital	191,510	193,862
Retained earnings	7,003	38,584
<b>Total stockholders' equity</b>	<b>198,695</b>	<b>232,647</b>
Non-controlling interest in subsidiary	—	112
<b>Total equity</b>	<b>198,695</b>	<b>232,759</b>
<b>Total liabilities and equity</b>	<b>\$ 546,340</b>	<b>\$ 603,189</b>

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

	Nine Months Ended	
	September 30,	
	2020	2019
	(Dollars in thousands)	
<b>Operating activities:</b>		
Net loss	\$ (31,631)	\$ (5,002)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Deferred taxes	1,281	—
Amortization of stock-based compensation	1,651	1,661
Distributions of earnings from unconsolidated joint ventures	110	319
Inventory impairments	19,000	3,600
Project abandonment costs	14,097	29
Equity in net (income) loss of unconsolidated joint ventures	21,997	(306)
Depreciation and amortization	5,225	7,008
Gain on early extinguishment of debt	(770)	(969)
Net changes in operating assets and liabilities:		
Contracts and accounts receivable	6,694	5,714
Due from affiliates	124	790
Real estate inventories	65,816	62,953
Other assets	(31,087)	(2,390)
Accounts payable	(7,448)	(15,832)
Accrued expenses and other liabilities	(3,043)	1,016
Net cash provided by operating activities	<u>62,016</u>	<u>58,591</u>
<b>Investing activities:</b>		
Purchases of property and equipment	(259)	(26)
Contributions and advances to unconsolidated joint ventures	(4,362)	(5,083)
Distributions of capital and repayment of advances from unconsolidated joint ventures	9,135	6,873
Net cash provided by investing activities	<u>4,514</u>	<u>1,764</u>
<b>Financing activities:</b>		
Borrowings from credit facility	—	40,000
Repayments of credit facility	—	(89,500)
Repurchases of senior notes	(14,825)	(10,856)
Proceeds from note payable	7,036	—
Repayment of note payable	(7,036)	—
Payment of debt issuance costs	(269)	—
Non-controlling interest distribution	(62)	—
Repurchases of common stock	(3,718)	(1,042)
Tax withholding paid on behalf of employees for stock awards	(304)	(488)
Net cash used in financing activities	<u>(19,178)</u>	<u>(61,886)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	47,352	(1,531)
Cash, cash equivalents and restricted cash – beginning of period	79,431	42,542
Cash, cash equivalents and restricted cash – end of period	<u>\$ 126,783</u>	<u>\$ 41,011</u>

**KEY FINANCIAL AND OPERATING DATA**

(Dollars in thousands)

(Unaudited)

**New Home Deliveries:**

	Three Months Ended September 30,								
	2020			2019			% Change		
	Homes	Dollar Value	Average Price	Homes	Dollar Value	Average Price	Homes	Dollar Value	Average Price
Southern California	71	\$ 55,480	\$ 781	66	\$ 63,533	\$ 963	8%	(13)%	(19)%
Northern California	81	53,709	663	45	40,146	892	80%	34%	(26)%
Arizona	5	8,237	1,647	13	15,102	1,162	(62)%	(45)%	42%
<b>Total</b>	<b>157</b>	<b>\$ 117,426</b>	<b>\$ 748</b>	<b>124</b>	<b>\$ 118,781</b>	<b>\$ 958</b>	<b>27%</b>	<b>(1)%</b>	<b>(22)%</b>

	Nine Months Ended September 30,								
	2020			2019			% Change		
	Homes	Dollar Value	Average Price	Homes	Dollar Value	Average Price	Homes	Dollar Value	Average Price
Southern California	189	\$ 159,937	\$ 846	218	\$ 223,660	\$ 1,026	(13)%	(28)%	(18)%
Northern California	158	104,129	659	126	96,181	763	25%	8%	(14)%
Arizona	20	26,776	1,339	30	38,590	1,286	(33)%	(31)%	4%
<b>Total</b>	<b>367</b>	<b>\$ 290,842</b>	<b>\$ 792</b>	<b>374</b>	<b>\$ 358,431</b>	<b>\$ 958</b>	<b>(2)%</b>	<b>(19)%</b>	<b>(17)%</b>

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	% Change	2020	2019	% Change
	<b>Net New Home Orders:</b>					
Southern California	77	68	13%	214	216	(1)%
Northern California	105	52	102%	233	150	55%
Arizona	69	4	1625%	100	24	317%
<b>Total</b>	<b>251</b>	<b>124</b>	<b>102%</b>	<b>547</b>	<b>390</b>	<b>40%</b>

**Selling Communities at End of Period:**

Southern California	8	11	(27)%
Northern California	9	9	—%
Arizona	8	2	300%
<b>Total</b>	<b>25</b>	<b>22</b>	<b>14%</b>

**Average Selling Communities:**

Southern California	8	11	(27)%	10	12	(17)%
Northern California	10	8	25%	10	8	25%
Arizona	6	2	200%	3	2	50%
<b>Total</b>	<b>24</b>	<b>21</b>	<b>14%</b>	<b>23</b>	<b>22</b>	<b>5%</b>

**Monthly Sales Absorption Rate per Community (1):**

Southern California	3.1	2.1	48%	2.4	2.0	20%
Northern California	3.6	2.3	57%	2.6	2.2	18%
Arizona	4.1	0.7	486%	3.2	1.3	146%
<b>Total</b>	<b>3.5</b>	<b>2.0</b>	<b>75%</b>	<b>2.6</b>	<b>2.0</b>	<b>30%</b>

(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 September 30,**

	2020			2019			% Change		
	Homes	Dollar	Average	Homes	Dollar	Average	Homes	Dollar	Average
		Value	Price		Value	Price		Value	Price
Southern California	97	\$ 77,214	\$ 796	88	\$ 91,538	\$ 1,040	10%	(16)%	(23)%
Northern California	141	93,336	662	92	64,889	705	53%	44%	(6)%
Arizona	91	36,588	402	27	29,351	1,087	237%	25%	(63)%
Total	329	\$ 207,138	\$ 630	207	\$ 185,778	\$ 897	59%	11%	(30)%

**Lots Owned and Controlled:**
**As of September 30,**

	2020	2019	% Change
	<b>Lots Owned</b>		
Southern California	347	537	(35)%
Northern California	506	661	(23)%
Arizona	424	281	51%
Total	1,277	1,479	(14)%
<b>Lots Controlled (1)</b>			
Southern California	394	482	(18)%
Northern California	253	490	(48)%
Arizona	230	477	(52)%
Total	877	1,449	(39)%
<b>Lots Owned and Controlled - Wholly Owned</b>	2,154	2,928	(26)%
<b>Fee Building Lots (2)</b>	107	1,173	(91)%

(1) Includes lots that we control under purchase and sale agreements or option agreements with nonrefundable deposits 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		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Interest incurred	\$ 5,831	\$ 6,978	\$ 18,361	\$ 22,345
Adjusted EBITDA(1)	\$ 11,629	\$ 8,570	\$ 25,004	\$ 26,516
Adjusted EBITDA margin percentage (1)	8.9%	5.2%	6.9%	5.9%
	<b>LTM(2) Ended September 30,</b>			
	2020		2019	
Interest incurred	\$ 24,835	\$ 30,124		
Adjusted EBITDA(1)	\$ 39,918	\$ 44,933		
Adjusted EBITDA margin percentage (1)	6.8%	6.6%		
Ratio of Adjusted EBITDA to total interest incurred(1)	1.6x	1.5x		
	September 30,		December 31,	
	2020		2019	
Ratio of debt-to-capital	59.4%	56.7%		
Ratio of net debt-to-capital(1)	45.1%	49.2%		
Ratio of debt to LTM(2) Adjusted EBITDA(1)(3)	7.3x	7.4x		
Ratio of net debt to LTM(2) Adjusted EBITDA(1)(3)	4.1x	5.4x		
Ratio of cash and inventory to debt	1.6x	1.7x		

(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.

(3) Due to an inadvertent oversight in prior year periods, interest amortized to certain inventory impairment charges and to equity in net income (loss) of unconsolidated joint ventures was duplicated in the Adjusted EBITDA calculation. Ratios for the prior period have been corrected.

**KEY FINANCIAL AND OPERATING DATA - UNCONSOLIDATED JOINT VENTURES**

(Dollars in thousands)

(Unaudited)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	% Change	2020	2019	% Change
<b>Financial Data - Unconsolidated Joint Ventures:</b>						
Home sales revenue	\$ 17,585	\$ 22,155	(21)%	\$ 63,331	\$ 110,849	(43)%
Land sales revenue	—	13,654	(100)%	16,191	26,325	(38)%
Total revenues	\$ 17,585	\$ 35,809	(51)%	\$ 79,522	\$ 137,174	(42)%
Net income (loss)	\$ 101	\$ (262)	139%	\$ 3,081	\$ 2,041	51%
<b>Operating Data - Unconsolidated Joint Ventures:</b>						
New home orders	4	23	(83)%	19	87	(78)%
New homes delivered	17	26	(35)%	67	116	(42)%
Average selling price of homes delivered	\$ 1,034	\$ 852	21%	\$ 945	\$ 956	(1)%
Selling communities at end of period				1	4	(75)%
Backlog homes (dollar value)				\$ 1,850	\$ 44,351	(96)%
Backlog (homes)				1	47	(98)%
Average sales price of backlog				\$ 1,850	\$ 944	96%
Homebuilding lots owned and controlled				7	95	(93)%
Land development lots owned and controlled				634	1,846	(66)%
Total lots owned and controlled				641	1,941	(67)%

(1) Land sales revenue for the nine months ended September 30, 2020 includes \$7.0 million of revenues related to the sales of a mixed use building sold by a homebuilding joint venture.

**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 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 September 30,				Nine Months Ended September 30,			
	2020	%	2019	%	2020	%	2019	%
(Dollars in thousands)								
Home sales revenue	\$ 117,426	100.0%	\$ 118,781	100.0%	\$ 290,842	100.0%	\$ 358,431	100.0%
Cost of home sales	100,775	85.8%	107,463	90.5%	270,713	93.1%	317,557	88.6%
Homebuilding gross margin	16,651	14.2%	11,318	9.5%	20,129	6.9%	40,874	11.4%
Add: Home sales impairment	—	0.0%	1,700	1.5%	19,000	6.6%	1,700	0.5%
Homebuilding gross margin before impairments	16,651	14.2%	13,018	11.0%	39,129	13.5%	42,574	11.9%
Add: Interest in cost of home sales	6,875	5.8%	6,167	5.2%	17,622	6.0%	17,320	4.8%
Adjusted homebuilding gross margin	\$ 23,526	20.0%	\$ 19,185	16.2%	\$ 56,751	19.5%	\$ 59,894	16.7%

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.

	September 30, 2020	December 31, 2019
	(Dollars in thousands)	
Total debt, net of unamortized discount, premium and debt issuance costs	\$ 290,272	\$ 304,832
Equity, exclusive of non-controlling interest	198,695	232,647
Total capital	\$ 488,967	\$ 537,479
Ratio of debt-to-capital(1)	59.4%	56.7%
Total debt, net of unamortized discount, premium and debt issuance costs	\$ 290,272	\$ 304,832
Less: Cash, cash equivalents and restricted cash	126,783	79,431
Net debt	163,489	225,401
Equity, exclusive of non-controlling interest	198,695	232,647
Total capital	\$ 362,184	\$ 458,048
Ratio of net debt-to-capital(2)	45.1%	49.2%

(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 (excluding amounts included in impairment charges), (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 income (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		Nine Months Ended		LTM(1) Ended		December
	September 30,		September 30,		September 30,		31,
	2020	2019	2020	2019	2020	2019	2019
	(Dollars in thousands)						
Net income (loss)	\$ 1,138	\$ (4,606)	\$ (31,631)	\$ (5,002)	\$ (34,630)	\$ (21,152)	\$ (8,001)
Add:							
Interest amortized to cost of sales excluding impairment charges, and interest expensed (2)	7,974	7,097	20,710	18,250	29,694	26,118	27,234
Provision (benefit) for income taxes	390	(172)	(26,476)	138	(30,429)	(6,088)	(3,815)
Depreciation and amortization	1,602	1,966	5,225	7,008	7,174	9,142	8,957
Amortization of stock-based compensation	541	572	1,651	1,661	2,250	2,425	2,260
Cash distributions of income from unconsolidated joint ventures	110	40	110	319	165	319	374
Severance charges	—	—	1,091	1,788	1,091	1,788	1,788
Noncash inventory impairments and abandonments	(33)	3,610	33,097	3,629	39,762	13,754	10,294
Less:							
Gain on early extinguishment of debt	(191)	—	(770)	(969)	(965)	(969)	(1,164)
Equity in net (income) loss of unconsolidated joint ventures	98	63	21,997	(306)	25,806	19,596	3,503
Adjusted EBITDA	\$ 11,629	\$ 8,570	\$ 25,004	\$ 26,516	\$ 39,918	\$ 44,933	\$ 41,430
Total Revenue	\$ 130,844	\$ 165,616	\$ 361,837	\$ 447,213	\$ 583,973	\$ 676,879	\$ 669,349
Adjusted EBITDA margin percentage	8.9%	5.2%	6.9%	5.9%	6.8%	6.6%	6.2%
Interest incurred	\$ 5,831	\$ 6,978	\$ 18,361	\$ 22,345	\$ 24,835	\$ 30,124	\$ 28,819
Ratio of Adjusted EBITDA to total interest incurred	2.0x	1.2x	1.4x	1.2x	1.6x	1.5x	1.4x
Total debt at period end					\$ 290,272	\$ 327,421	\$ 304,832
Ratio of debt to Adjusted EBITDA					7.3x	7.3x	7.4x
Total net debt at period end					\$ 163,489	\$ 286,410	\$ 225,401
Ratio of net debt to Adjusted EBITDA					4.1x	6.4x	5.4x
Total cash and inventory					\$ 467,582	\$ 547,190	\$ 513,252
Ratio of cash and inventory to debt					1.6x	1.7x	1.7x

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

(2) Due to an inadvertent oversight in the prior year periods, interest amortized to certain inventory impairment charges and to equity in net income (loss) of unconsolidated joint ventures was duplicated in the adjusted EBITDA calculation. The prior year period has been restated to correct this duplication.