



Investor Presentation

FORWARD-LOOKING STATEMENTS

This presentation may include “forward-looking statements” as defined by the Private Securities Litigation Reform Act of 1995. Although Forestar believes any such statements are based on reasonable assumptions, there is no assurance that actual outcomes will not be materially different. Factors that may cause the actual results to be materially different from the future results expressed by the forward-looking statements include, but are not limited to: the effect of D.R. Horton’s controlling level of ownership on us and the holders of our securities; our ability to realize the potential benefits of the strategic relationship with D.R. Horton; the effect of our strategic relationship with D.R. Horton on our ability to maintain relationships with our customers; the impact of COVID-19 on the economy and our business; the cyclical nature of the homebuilding and lot development industries and changes in economic, real estate and other conditions; the impacts of weather conditions and natural disasters; health and safety incidents relating to our operations; supply shortages and other risks of acquiring land, construction materials and skilled labor; competitive conditions in our industry; our ability to achieve our strategic initiatives; continuing liabilities related to assets that have been sold; the impact of governmental policies, laws or regulations and actions or restrictions of regulatory agencies; the cost and availability of property suitable for residential lot development; general economic, market or business conditions where our real estate activities are concentrated; our dependence on relationships with national, regional and local homebuilders; our ability to obtain or the availability of surety bonds to secure our performance related to construction and development activities and the pricing of bonds; obtaining reimbursements and other payments from governmental districts and other agencies and timing of such payments; our ability to succeed in new markets; the conditions of the capital markets and our ability to raise capital to fund expected growth; our ability to manage and service our debt and comply with our debt covenants, restrictions and limitations; the volatility of the market price and trading volume of our common stock; our ability to hire and retain key personnel; the impact of significant inflation, higher interest rates or deflation; and the strength of our information technology systems and the risk of cybersecurity breaches and our ability to satisfy privacy and data protection laws and regulations. Additional information about issues that could lead to material changes in performance is contained in Forestar’s annual report on Form 10-K and its most recent quarterly report on Form 10-Q, both of which are filed with the Securities and Exchange Commission.

In addition to providing results that are determined in accordance with GAAP, we present EBITDA and Adjusted EBITDA, which are non-GAAP financial measures. These measures are not considered measures of financial performance or liquidity under GAAP, and the items excluded therefrom are significant components in understanding and assessing our financial performance or liquidity. These measures should not be considered in isolation or as alternatives to GAAP measures such as net income attributable to Forestar Group Inc., cash provided by or used in operating, investing or financing activities or other financial statement data presented in the financial statements as an indicator of our financial performance or liquidity.

Non-GAAP financial measures as reported by us may not be comparable to similarly titled metrics reported by other companies and may not be calculated in the same manner. These measures have limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results as reported under GAAP. Reconciliations of such non-GAAP measures to the most directly comparable GAAP measure and calculations of the non-GAAP measures are set forth in the appendix of this presentation.

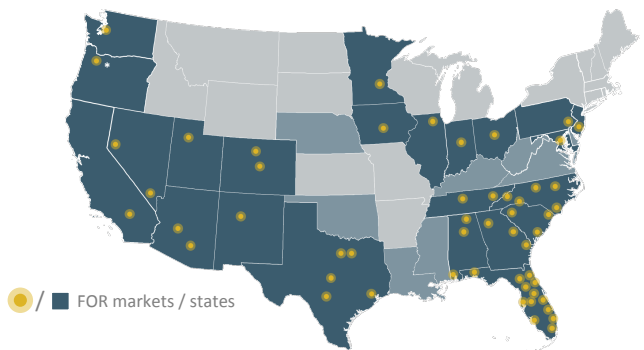
FORESTAR OVERVIEW



FORESTAR

Forestar Group Inc. (“Forestar” or “FOR”) is a highly differentiated, pure-play, residential lot developer for the affordably-priced single-family home market

Operations in 53 markets across 23 states⁽¹⁾



RETURNS FOCUSED

Track record of solid operational results with increasing margins



PRUDENT

Fully-entitled projects with short durations



DISCIPLINED

Investing capital across a diverse, national footprint which mitigates risk



STRATEGIC

Strong relationship with D.R. Horton, the nation's largest homebuilder



EFFICIENT

Scaling quickly while maintaining a low overhead model



STRONG LIQUIDITY

Balance sheet provides financial and operational flexibility



LEADERSHIP

Proven management team with significant land development experience

(1) As of 3/31/2022



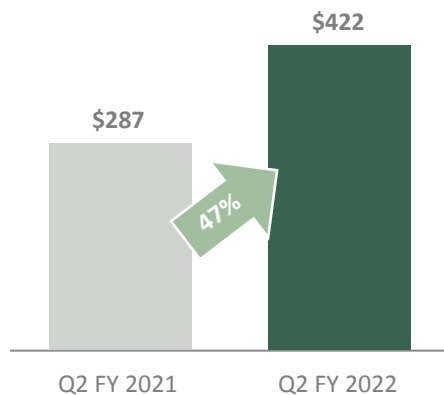
FORESTAR ³

Q2 FY 2022 FINANCIAL HIGHLIGHTS

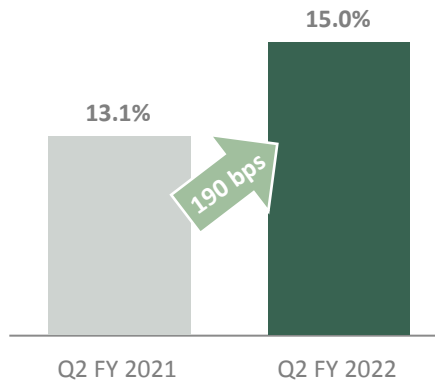
Compelling growth story with increasing profitability

- Residential lots sold increased 61% to 5,788
- Net income increased 68% to \$48 million
- Pre-tax income increased 68% to \$63 million
- 8th consecutive quarter of return on equity (ROE) improvement⁽¹⁾

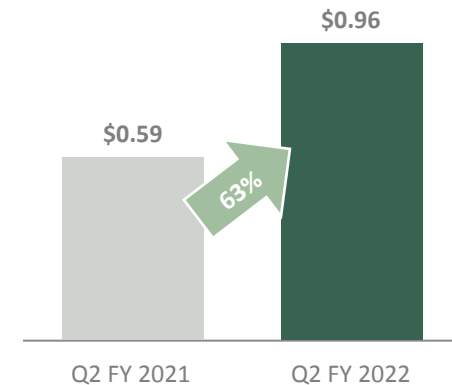
Revenue



Pre-tax Profit Margin



Diluted EPS



\$ in millions

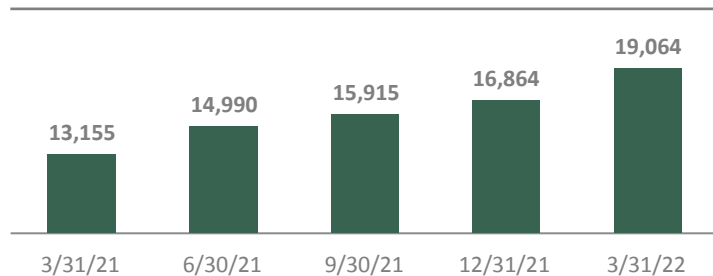
Note: All comparisons are to the prior year quarter

(1) ROE is calculated as net income attributable to Forestar for the trailing twelve months divided by average stockholders' equity, where average stockholders' equity is the sum of ending stockholders' equity balances of the trailing five quarters divided by five

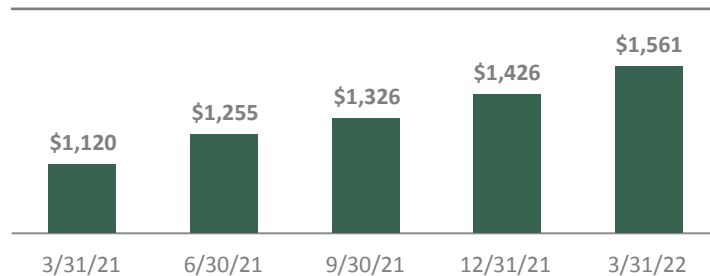
TRACK RECORD OF PROFITABILITY AND GROWTH

Forestar is delivering strong growth and consistent margin expansion through the execution of its strategic plan and a disciplined, returns-focused approach to capital allocation

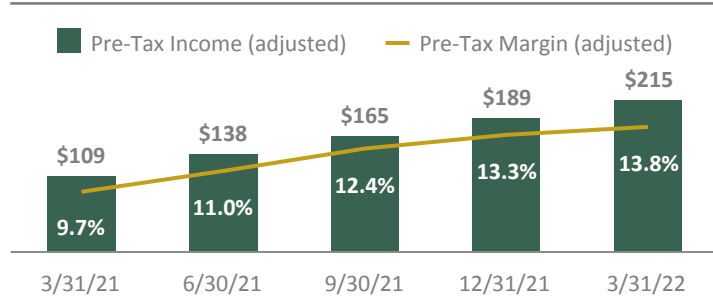
TTM Lot Deliveries



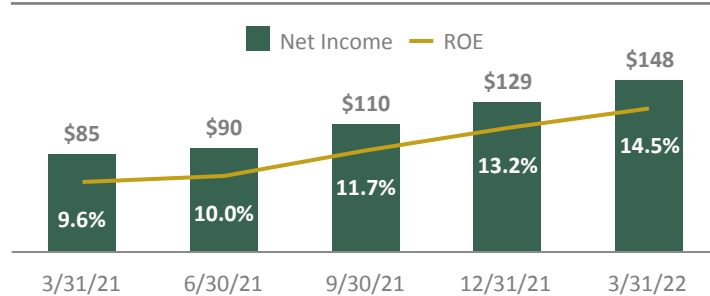
TTM Revenue



TTM Pre-Tax Income and Margin⁽¹⁾



TTM Net Income and ROE⁽²⁾



\$ in millions

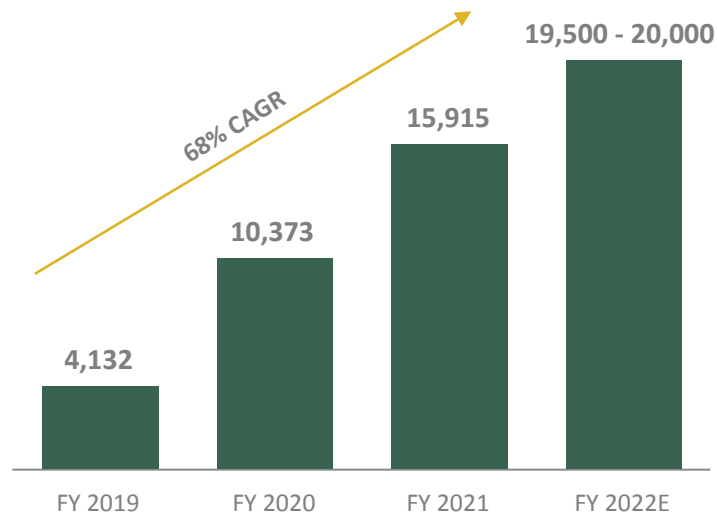
(1) Excludes the pre-tax loss on extinguishment of debt of \$18.1 million related to the 3Q FY 2021 refinancing of the Company's 8.00% senior notes due in 2024

(2) Includes the pre-tax loss on extinguishment of debt of \$18.1 million related to the 3Q FY 2021 refinancing of the Company's 8.00% senior notes due in 2024. ROE is calculated as net income attributable to Forestar for the trailing twelve months divided by average stockholders' equity, where average stockholders' equity is the sum of ending stockholders' equity balances of the trailing five quarters divided by five

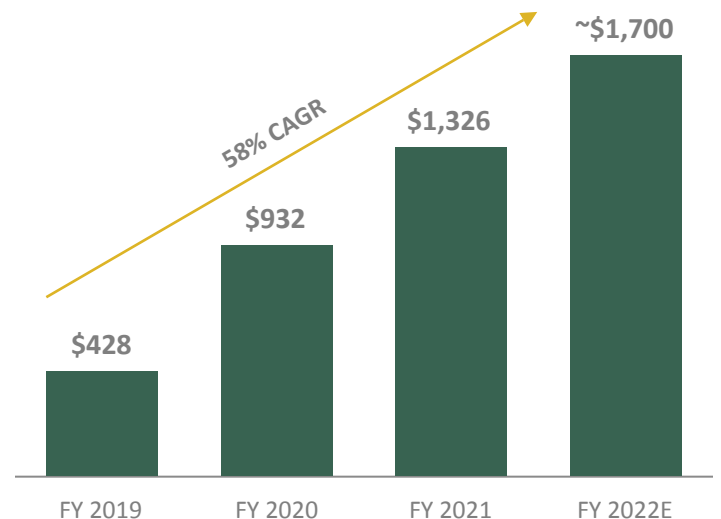
COMPELLING GROWTH STORY

Forestar expects to grow its lot deliveries 23% to 26% in fiscal 2022, generating ~\$1.7 billion of revenue with a pre-tax profit margin between 14.0% and 14.5%*

Lot Deliveries



Revenue



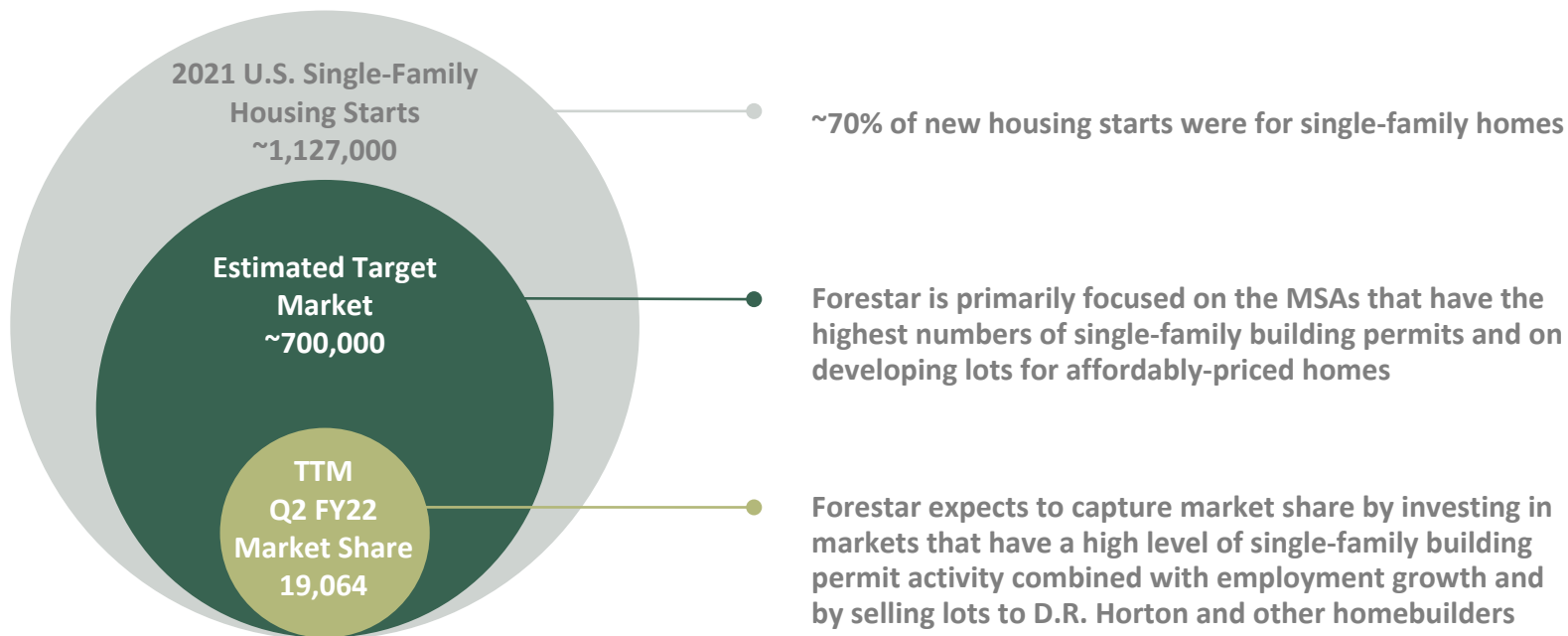
\$ in millions

Note: Expectations are based on current market conditions as noted on the Company's Q2 FY 2022 conference call on 4/21/22. Lot deliveries CAGR based on FY 2022E midpoint

*Currently expect higher pre-tax profit margins in Q4 FY 2022 compared to Q3 FY 2022 due to the quarterly mix of expected lot deliveries combined with seasonal volumes and operating leverage

THE MARKET OPPORTUNITY

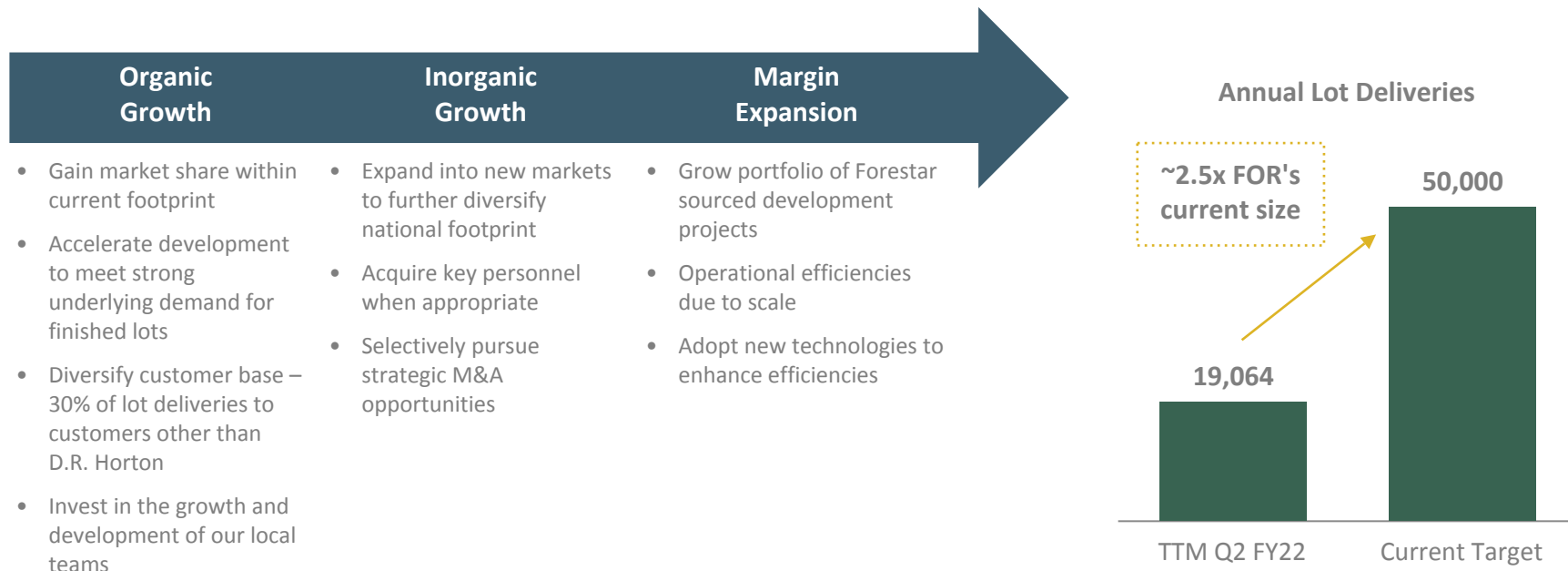
As the leading pure-play residential lot supplier in the nation, Forestar has become a reliable source for finished lots and will continue to capture market share



Source: Census and internal estimates

INTERMEDIATE TERM GROWTH GOALS

Forestar has a visible path to capturing 5% market share within the highly-fragmented U.S. single-family residential lot development industry*



*5% market share goal based on one million annual U.S. single-family houses sold

MANUFACTURING APPROACH TO LAND DEVELOPMENT

Forestar has built a fundamentally strong business model with repeatable results, rooted in a relentless focus on returns



Short duration, fully-entitled lot development projects — asset turnover is fundamental to the business strategy



Large scale with national footprint and in-market depth — Forestar has over 200 active projects across 53 markets and 23 states



Returns-focused, with strict underwriting criteria — all projects must have >15% return on inventory⁽¹⁾ and return the entire phase 1 investment (including all land costs) in 36 months or less



Consistent operating results with increasing profitability — pre-tax profit margin expanded 190 bps quarter-over-quarter



Strong liquidity and access to debt and equity capital — Forestar's capital structure is a key competitive advantage

FOR has disrupted the traditional land development strategy

⁽¹⁾ Return on inventory is calculated as pre-tax income divided by average inventory over the life of a project

FORESTAR SUPPLIES THE FIRST INPUT TO BUILDING A HOME

Key Components to Building a Home:

- **Finished Lot (~20-30% of ASP)**
- Concrete
- Lumber
- Roofing materials
- Siding / Brick
- Windows
- Insulation
- HVAC / Plumbing / Electrical
- Cabinets / Flooring / Paint
- Appliances

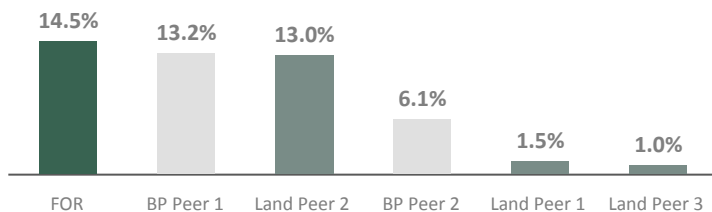


Note: ASP refers to the average sales price of a home

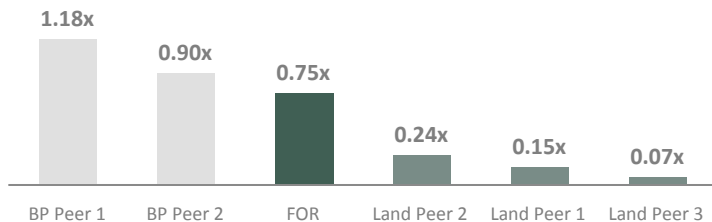
UNIQUE APPROACH TO LOT DEVELOPMENT – DUPONT ANALYSIS

Forestar's lot manufacturing strategy has positioned the Company closer to a building products manufacturer than a traditional land developer

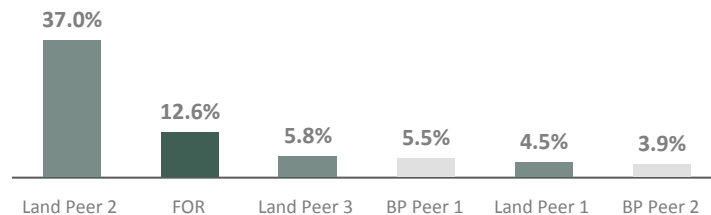
Return on Equity⁽¹⁾



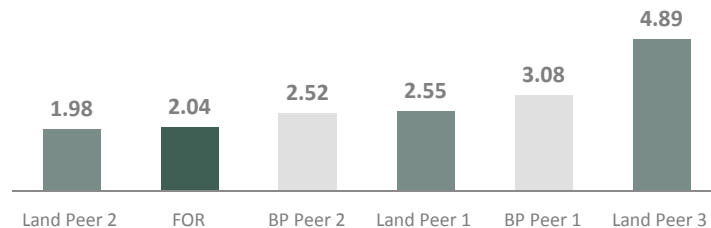
Asset Turnover⁽³⁾



Pre-Tax Profit Margin⁽²⁾



Financial Leverage⁽⁴⁾



Source: Factset as of 4/14/22, except for Forestar which is as of 2Q FY 2022

(1) Return on equity is calculated as net income for the trailing twelve months divided by average stockholders' equity, where average stockholders' equity is the sum of ending stockholders' equity balances of the trailing five quarters divided by five

(2) Pre-tax profit margin is calculated for the trailing twelve months. FOR includes the pre-tax loss on extinguishment of debt of \$18.1 million related to the 3Q FY 2021 refinancing of the Company's 8.00% senior notes due in 2024

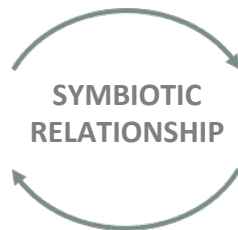
(3) Asset turnover is calculated as revenue for the trailing twelve months divided by average assets, where average assets is the sum of total assets balances of the trailing five quarters divided by five

(4) Financial leverage is calculated as average assets divided by average stockholders' equity, where average assets is the sum of total assets balances of the trailing five quarters divided by five and where average stockholders' equity is the sum of ending stockholders' equity balances of the trailing five quarters divided by five

HIGHLY STRATEGIC ALIGNMENT WITH DHI

BENEFITS TO FOR

- Supports Forestar's national platform
- Significant built-in demand for lots
- Improved access to capital markets
- Shared Services from DHI



BENEFITS TO DHI

- Long-term consistent supplier of finished lots across DHI's national footprint (104 markets in 32 states)
- Integral component of DHI's operational strategy
- Participate in value creation of FOR

Alignment with the nation's largest builder provides support and stability in changing economic conditions

- Most land developers lack the scale and access to capital to be consistent suppliers of lots to DHI across its national footprint
- DHI is committed to owning no more than a 2-year supply of lots, while increasing its mix of controlled lots in inventory
- D.R. Horton has a strong appetite for finished lots that continues even during potential market downturns
 - During the worst years of the last significant housing downturn, D.R. Horton closed ~17,000 to 20,000 homes annually, the majority of which were built on finished lots purchased from 3rd parties
- Master Supply, Stockholder and Shared Services Agreements formalize the business relationship and protect FOR's interests⁽¹⁾
- DHI plans to maintain a significant ownership position in FOR over the long-term⁽²⁾

Relationship with DHI further strengthens FOR's competitive advantage

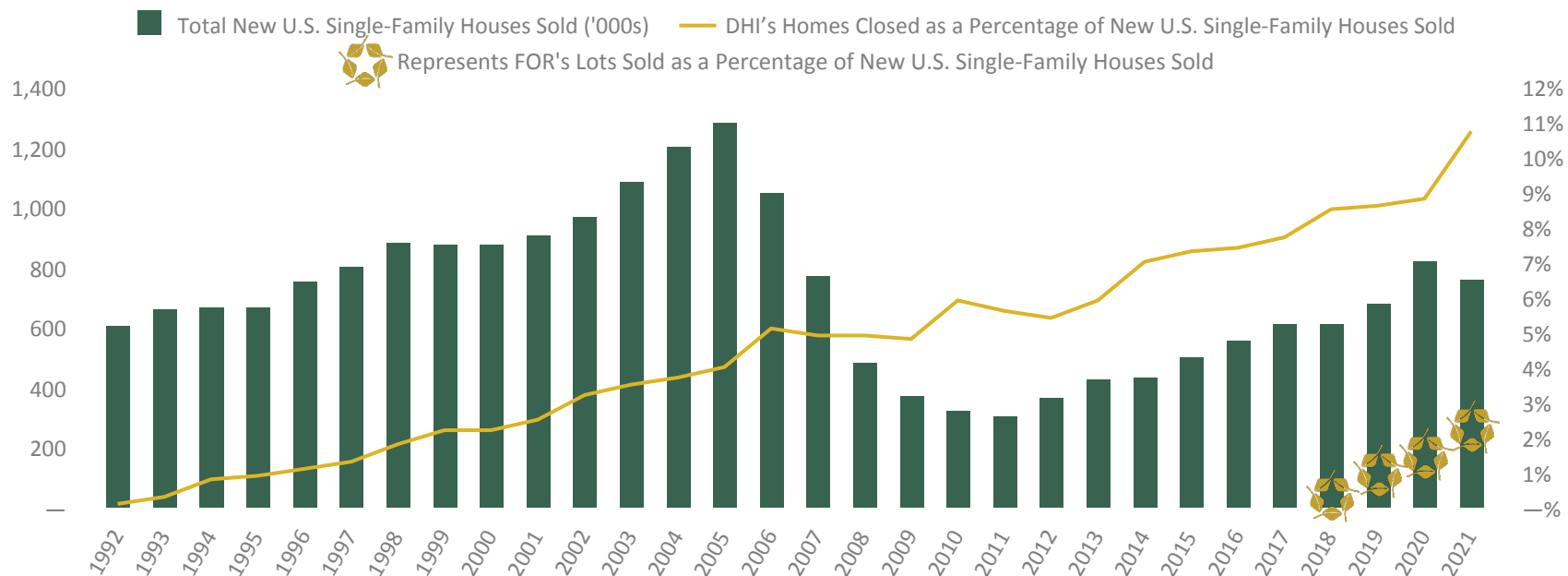
DHI's interests are aligned with FOR shareholders to ensure the profitable expansion of FOR's platform

(1) Master Supply Agreement, Stockholder's Agreement and Shared Services Agreement summaries included in Appendix

(2) D.R. Horton owns 63% of Forestar as of 3/31/22

DHI TRACK RECORD PROVIDES ROADMAP TO FOR

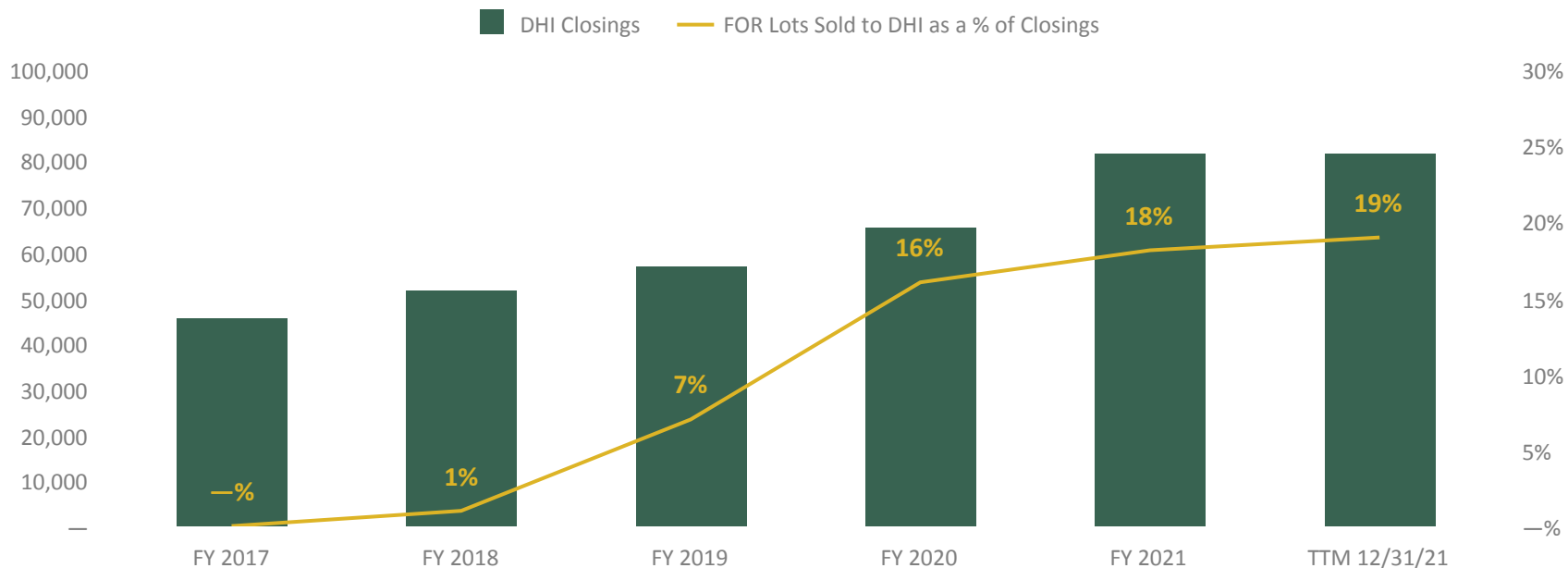
DHI's 29-year public track record provides a blueprint to FOR to achieve its own growth, consolidation and market share gains



Source: Company filings, Census
Note: Periods represent full calendar year

FOR IS AN ESSENTIAL LOT SUPPLIER TO DHI

FOR has consistently expanded its market share within DHI and has a goal to supply approximately one third of DHI's annual lot needs



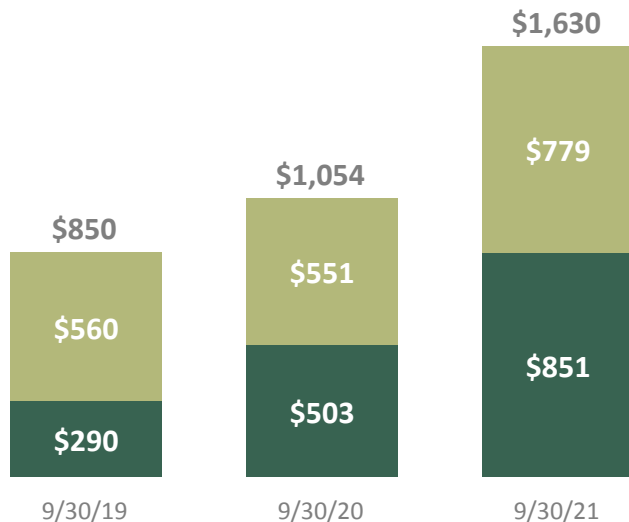
Note: Data on this slide will be updated to include the TTM ended 3/31/22 after DHI's earnings release on 4/26/22

LAND AND DEVELOPMENT INVESTMENTS

Forestar expects to invest approximately \$1.75 billion in land acquisition and development in fiscal 2022

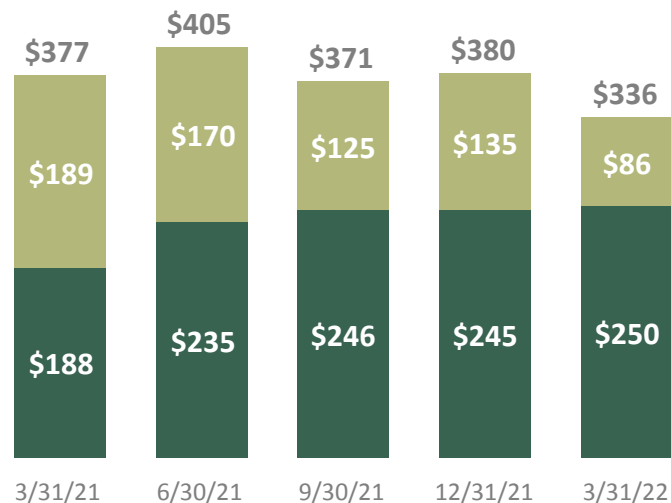
Fiscal Year Ended

Land Development Land Acquisition



Quarter Ended

Land Development Land Acquisition

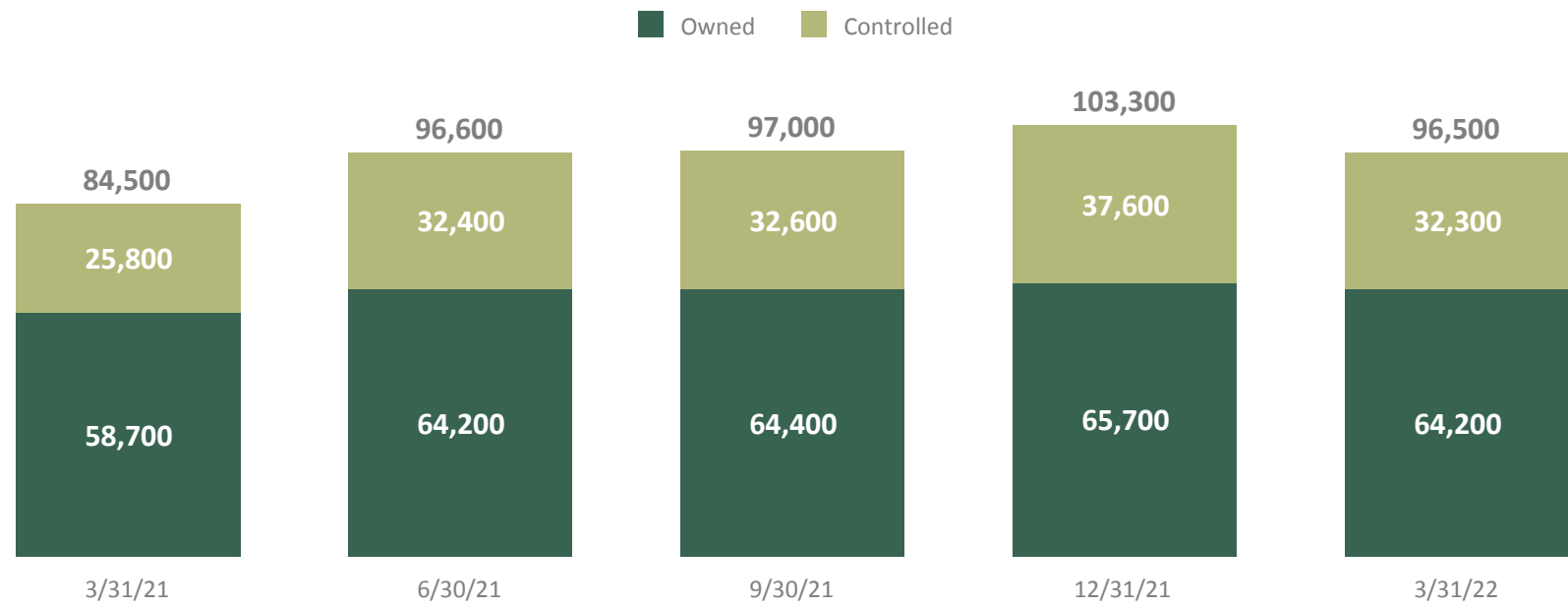


\$ in millions

Note: Expectations are based on current market conditions as noted on the Company's Q2 FY 2022 conference call on 4/21/22

GROWING LOT POSITION

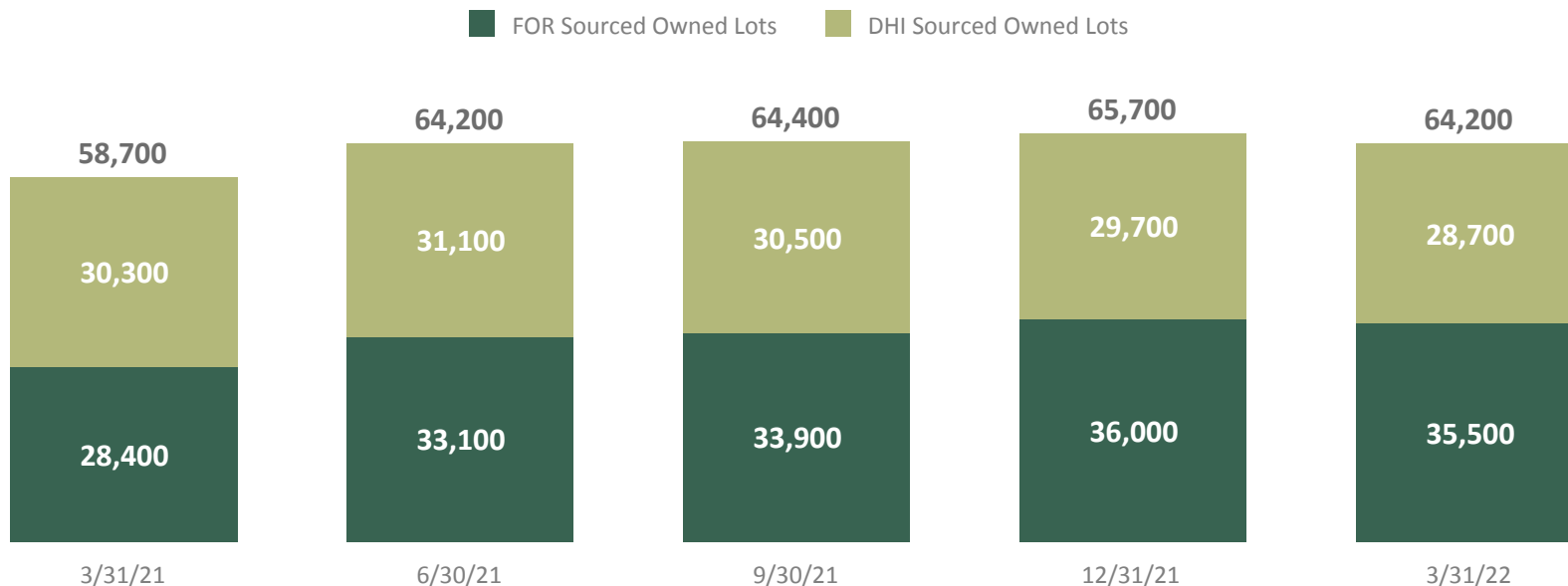
Consistent with Forestar’s focus on capital efficiency, the portion of its land and lot supply that is controlled via purchase contracts is increasing, supporting higher returns in the future



Includes lots that DHI has under contract or the right of first offer to purchase of 36,700, 38,300, 39,200, 39,400 and 37,100 at 3/31/22, 12/31/21, 9/30/21, 6/30/21 and 3/31/21, respectively

EXPANDING LOT SOURCING CAPABILITIES

- Forestar sourced lots have increased to 55% of total owned lots, up from 48% a year ago, which is expected to drive further increases in annual gross and pre-tax profit margins
- Forestar is targeting a 3- to 4-year owned lot inventory



Forestar sourced owned lot count on the chart includes 400 lots at 3/31/22, 12/31/21 and 9/30/21, and 200 lots at both 6/30/21 and 3/31/21 that were sourced by third-party builders

SOLID BALANCE SHEET AND LIQUIDITY POSITION

- Forestar is well-positioned with conservative net leverage⁽¹⁾ of 1.9x and net debt to capital⁽²⁾ of 29.9%, and a strong liquidity position of ~\$583 million at 3/31/22
- Corporate credit rating recently upgraded to Ba3 and B+ from Moody's and S&P, respectively
- Senior unsecured notes rating recently upgraded to Ba3 and BB- from Moody's and S&P, respectively
- Balanced financing plan includes both debt and equity — net debt to capital⁽²⁾ target of ≤ 40%
- Capital allocation priorities include: land development, land acquisition, investment in team, entering new markets and M&A opportunities

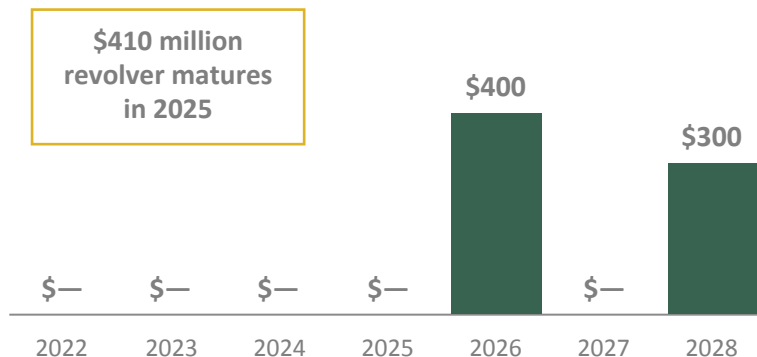
Capitalization Summary at 3/31/22

Cash and cash equivalents	\$	233.7
Debt	\$	705.3
Stockholders' equity	\$	1,106.4
Net debt to capital⁽²⁾		29.9 %

Available Liquidity at 3/31/22

Cash and cash equivalents	\$	233.7
Availability under revolving credit facility	\$	349.5
Total liquidity	\$	583.2

Debt Maturity Profile



\$ in millions

(1) Net leverage is calculated as debt net of unrestricted cash divided by adjusted EBITDA for the trailing twelve months. See appendix for adjusted EBITDA reconciliation

(2) Net debt to capital is calculated as debt net of unrestricted cash divided by debt net of unrestricted cash plus stockholders' equity

COMMITTED LEADERSHIP WITH DECADES OF EXPERIENCE

Management team includes land development veterans experienced in consolidating market share and navigating through industry and economic cycles

DON TOMNITZ

Executive Chairman

Formerly President & CEO of DHI for over a decade and joined FOR in October 2017

DAN BARTOK

CEO

Joined FOR in December 2017; formerly EVP of Owned Real Estate for Wells Fargo with 40 years experience in the homebuilding & land development industry

JIM ALLEN

CFO

Joined FOR in March 2020 with over 35 years of operating and financial experience in multiple industries including manufacturing

MARK WALKER

Regional President

*Joined FOR in February 2019
21 years of real estate experience*

BRIAN KONDERIK

Regional Vice President

*Joined FOR in March 2019
23 years of real estate experience*

JEFF PAPE

Regional Vice President

*Joined FOR in September 2019
30 years of real estate experience*

ERIC MASASCHI

Regional Vice President

*Joined FOR in June 2019
22 years of real estate experience*

PATRICK WILLIAMS

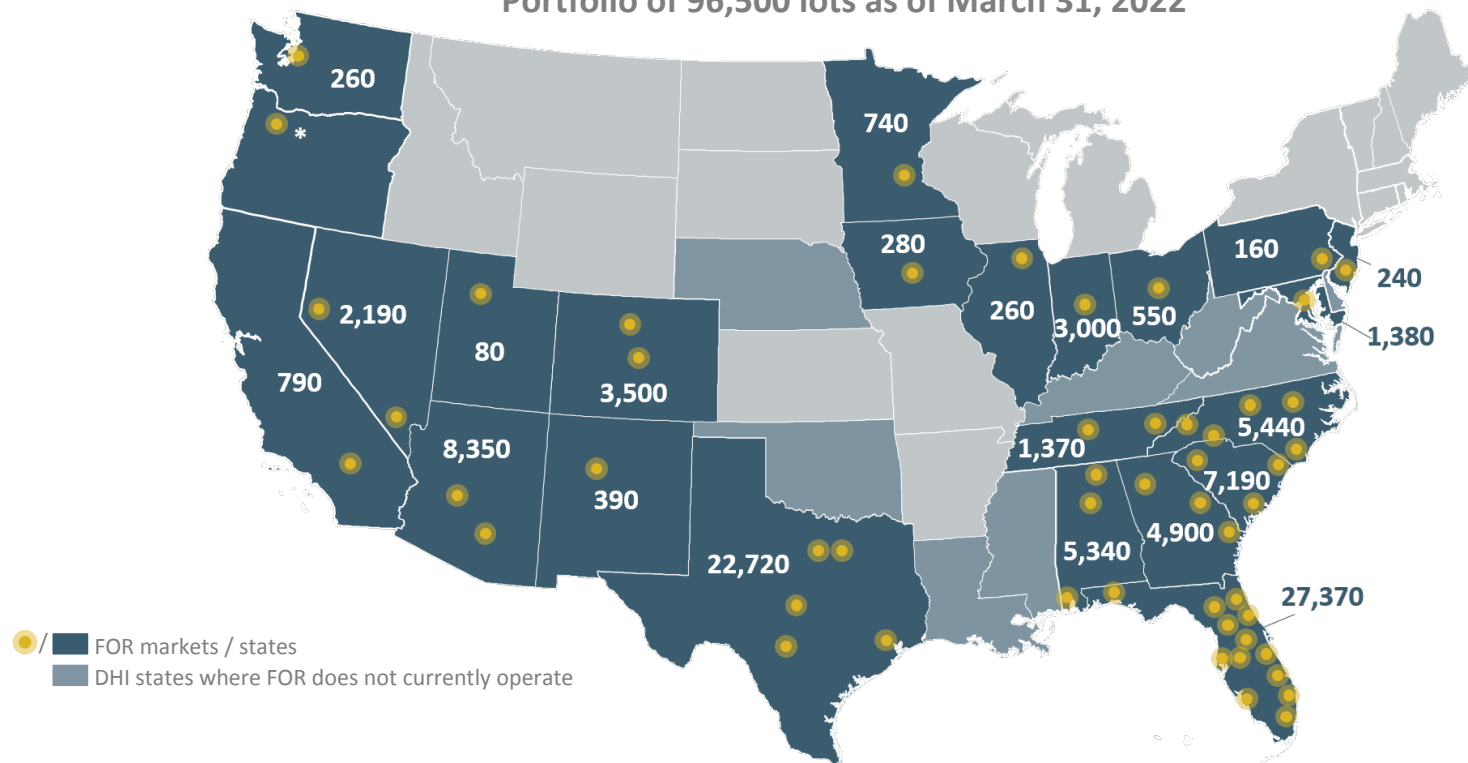
Regional Vice President

*Joined FOR in March 2020
22 years of real estate experience*

DIVERSIFIED NATIONAL FOOTPRINT

53 MARKETS | 23 STATES

Portfolio of 96,500 lots as of March 31, 2022



Lot Position by State and Markets as of 3/31/22

Of total lot position at 3/31/22, 64,200 are owned and 32,300 are controlled through purchase contracts

*Although Forestar does not currently own lots in Oregon, the Company is currently reviewing investment opportunities and expects to continue to have a presence in the state

APPENDIX

BUSINESS OVERVIEW

Forestar Capital Deployment and Cash Generation



Source land acquisition opportunities

- Forestar, D.R. Horton and other homebuilders



Place land under contract and complete due diligence

- Environmental, market, entitlement, planning, engineering and permitting review



Close acquisition of entitled land (~30% finished lot cost)

- Initial Forestar capital commitment



Lot development (~70% finished lot cost)

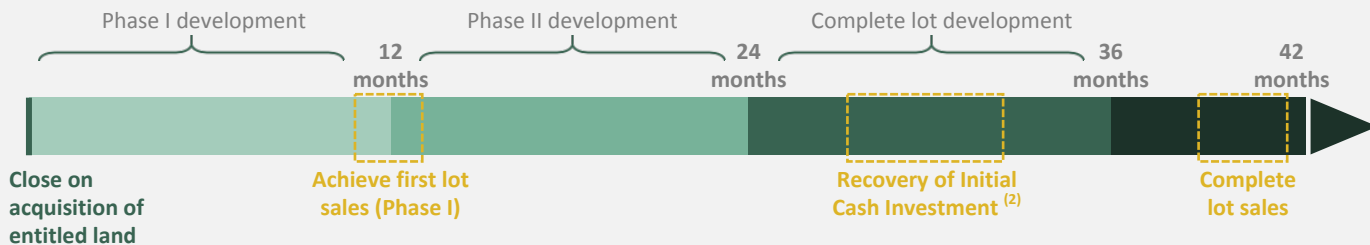
- Phased development
- ~50% of development cost is grading and utilities
- ~50% of development cost is roads, landscape, amenities, engineering, fees and all other



Deliver finished lots to builders

- D.R. Horton and other homebuilders

ILLUSTRATIVE FORESTAR PROJECT



Underwriting Criteria

- >15% Return on Inventory⁽¹⁾
- <36 month return of initial investment

(1) Return on inventory is calculated as pre-tax income divided by average inventory over the life of a project

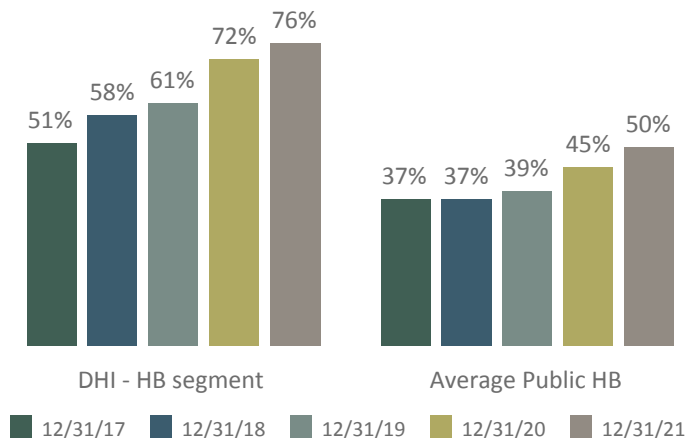
(2) Includes land purchase price and development costs for first phase of lots



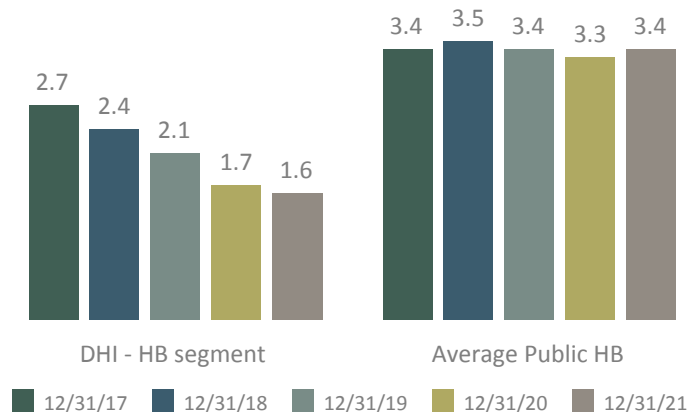
UNIQUELY POSITIONED TO PROVIDE FINISHED LOTS

Builders' preference for 'land lighter' models enhances opportunity, and in times of economic uncertainty, homebuilders shift their land strategies to slow raw land purchases and focus on purchasing finished lots

Optioned Land/Lot Position as a % of Total Owned & Controlled



Number of Years of Owned Land Based on TTM Closings



Source: FactSet and respective Company SEC filings

Notes: Average Public Homebuilder (HB) data represents the land and lot positions of LEN, PHM, TOL, NVR, MTH, MDC, TMHC, TPH, LGIH and KBH

For LEN and KBH, data is as of the periods ended 11/30

For TOL, data is as of the periods ended 1/31

INCOME STATEMENT

	3 MONTHS ENDED		6 MONTHS ENDED	
	3/31/22	3/31/21	3/31/22	3/31/21
Residential lots sold:	5,788	3,588	10,304	7,155
Development projects	4,806	3,174	9,187	6,276
Lot banking projects	195	414	330	879
Deferred development projects	787	—	787	—
Average sales price per lot ⁽¹⁾	\$ 81,900	\$ 78,100	\$ 85,300	\$ 82,100
Revenues⁽²⁾	\$ 421.6	\$ 287.1	\$ 829.2	\$ 594.2
Gross profit	87.5	53.3	160.9	97.5
Selling, general and administrative expense	24.3	16.3	45.8	31.8
Other income	—	(0.6)	(1.6)	(1.1)
Income before income taxes	63.2	37.6	116.7	66.8
Income tax expense	15.4	9.2	28.4	16.3
Net income	47.8	28.4	88.3	50.5
Net income attributable to noncontrolling interests	—	—	—	0.1
Net income attributable to Forestar Group Inc.	\$ 47.8	\$ 28.4	\$ 88.3	\$ 50.4
Net income per diluted share	\$ 0.96	\$ 0.59	\$ 1.77	\$ 1.04

\$ in millions except per share data

Unaudited

(1) Excludes lots sold from deferred development projects and any impact from change in contract liabilities

(2) Revenues include \$0.1 million and \$6.9 million in tract sales and other revenue for three months ended March 31, 2022 and 2021, respectively, and \$3.6 million and \$7.1 million in tract sales and other revenue for the six months ended March 31, 2022 and 2021, respectively

ADJUSTED EBITDA RECONCILIATION

Reconciliation of Adjusted Non-GAAP Financial Measures to their GAAP equivalents

	6 MONTHS ENDED		12 MONTHS ENDED	
	3/31/22	3/31/21	3/31/22	9/30/21
Net income attributable to Forestar Group Inc.	\$ 88.3	\$ 50.4	\$ 148.1	\$ 110.2
Net income attributable to noncontrolling interests	—	0.1	0.2	0.3
Net income	\$ 88.3	\$ 50.5	\$ 148.3	\$ 110.5
Income tax expense	28.4	16.3	48.2	36.1
Interest charged to cost of sales	19.4	17.4	38.5	36.5
Depreciation and amortization	1.3	1.5	2.5	2.7
Equity in earnings of unconsolidated ventures	(1.1)	(0.3)	(1.0)	(0.2)
Interest and other income	—	(0.8)	(0.4)	(1.2)
EBITDA	\$ 136.3	\$ 84.6	\$ 236.1	\$ 184.4
Loss on extinguishment of debt	—	—	18.1	18.1
Gain on sale of assets	(0.5)	—	(3.0)	(2.5)
Adjusted EBITDA	\$ 135.8	\$ 84.6	\$ 251.2	\$ 200.0

\$ in millions
Unaudited

BALANCE SHEET

	3/31/22	9/30/21
Cash and cash equivalents	\$ 233.7	\$ 153.6
Real estate	1,960.5	1,905.2
Investment in unconsolidated ventures	0.5	0.9
Other assets	36.9	42.0
Total assets	\$ 2,231.6	\$ 2,101.7
Debt	\$ 705.3	\$ 704.5
Earnest money on sales contracts	141.9	148.3
Other liabilities	254.0	208.6
Deferred tax liability, net	23.0	24.4
Stockholders' equity	1,106.4	1,014.9
Noncontrolling interests	1.0	1.0
Total equity	1,107.4	1,015.9
Total liabilities and equity	\$ 2,231.6	\$ 2,101.7
Net debt to total capital⁽¹⁾	29.9 %	35.2 %
Debt to total capital⁽¹⁾	38.9 %	41.0 %

\$ in millions except per share data

Unaudited

(1) Debt to capital is calculated as debt divided by stockholders' equity plus debt; net debt to capital is calculated as debt net of unrestricted cash divided by debt net of unrestricted cash plus stockholders' equity



MASTER SUPPLY AGREEMENT (MSA)

- Defines business relationship between DHI and FOR as both companies identify residential real estate opportunities
- Provides DHI the right of first offer (ROFO) to purchase up to 100% of the lots from DHI sourced projects at market prices
- Provides DHI the ROFO to purchase up to 50% of the lots in the first phase of a Forestar sourced project and 50% of the lots in any subsequent phase in which DHI purchases at least 25% of the lots in the previous phase
- DHI has no ROFO rights on third-party builder sourced development opportunities provided to FOR
- Continues until the earlier of (i) the date which DHI owns less than 15% of voting shares of FOR or (ii) June 29, 2037; however, FOR may terminate the MSA at any time when DHI owns less than 25% of the voting stock of Forestar

STOCKHOLDER'S AGREEMENT

- FOR Board of Directors must include at least three independent directors (currently has four)
- As long as DHI owns at least 20% of FOR's outstanding equity:
 - DHI has the right to designate individuals to FOR's Board based on DHI's ownership percentage
 - DHI has the right to designate the Executive Chairman of FOR
- Requires an investment committee of FOR officers to approve new lot development and banking projects
- As long as DHI owns at least 35% of FOR's outstanding voting shares, FOR must obtain DHI consent in order to:
 - Issue equity
 - Incur, assume, refinance or guarantee debt that would increase FOR's gross leverage to greater than 40%
 - Select, terminate, remove or change compensation arrangements for the Executive Chairman, CEO, CFO and other key senior management
 - Make an acquisition or investment greater than \$20 million

SHARED SERVICES AGREEMENT

- Shared Services Agreement between FOR and DHI defines the terms under which DHI may provide administrative, compliance, operational and procurement services to FOR
- Scope and cost of services provided to FOR are mutually agreed upon by FOR and DHI management teams and are adjusted periodically as necessary
- Services provided currently include:
 - Finance and Treasury
 - Risk and Litigation Management
 - Information Technology
 - Internal Audit
 - Investor and Media Relations
 - Human Resources, Payroll and Employee Benefits
- FOR also contracts with DHI for lot development services in projects owned by FOR in geographic markets where FOR has not yet established development teams and capabilities
 - FOR pays DHI a fixed fee for each lot developed, which is mutually agreed upon for each project