

Investor Presentation

Q4|21

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 reports on Form 10-Q, all of which are filed with the Securities and Exchange Commission.

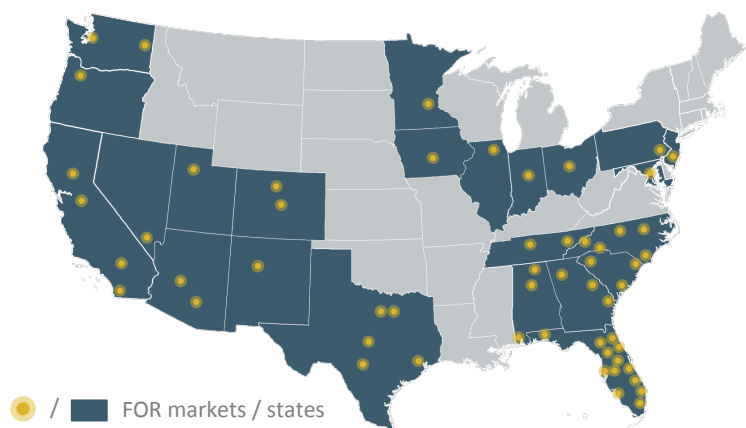
FORESTAR OVERVIEW



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 56 markets across 23 states⁽¹⁾



(1) As of 9/30/21



RETURNS FOCUSED

Track record of solid operational results with increasing margins



PRUDENT

Fully-entitled projects with short durations



DISCIPLINED

Invest 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

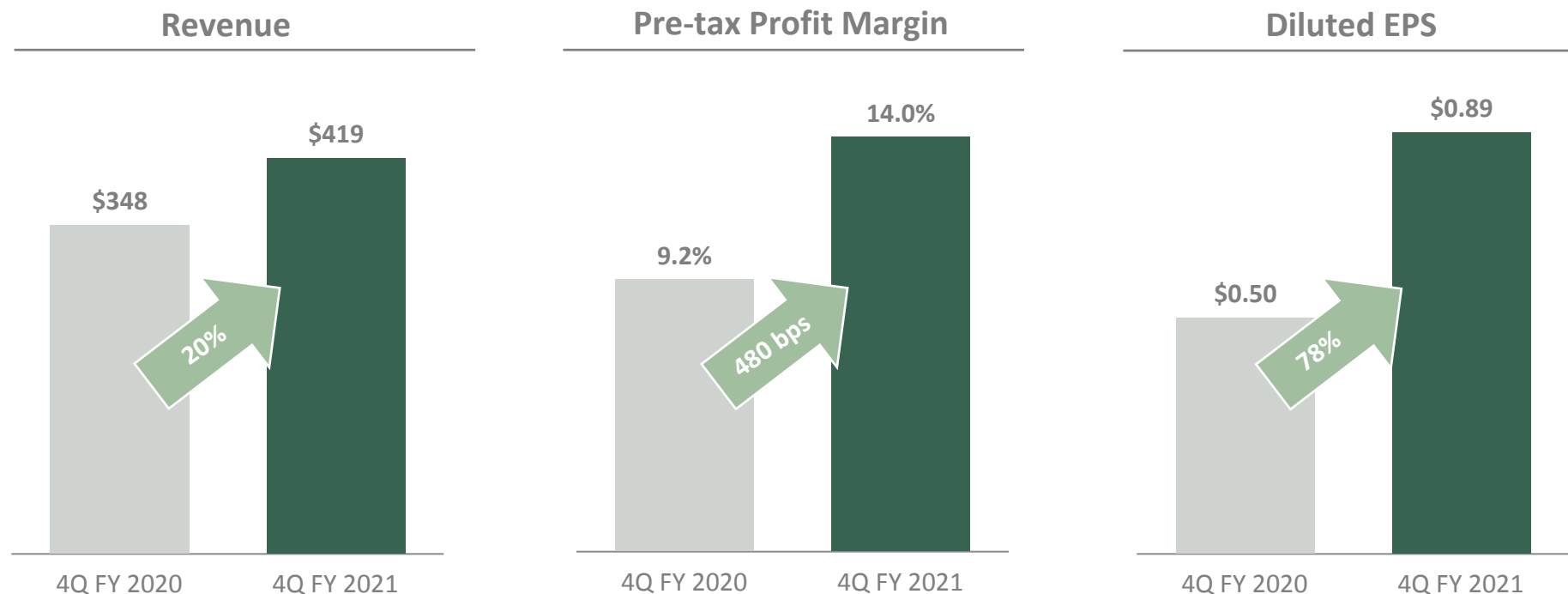


FORESTAR 3

4Q FY 2021 FINANCIAL HIGHLIGHTS

Compelling growth story with increasing profitability

- Delivered 4,902 residential lots, an increase of 23%
- Net income increased 82% to \$44 million
- Pre-tax income increased 84% to \$59 million
- 6th consecutive quarter of return on equity (ROE) improvement⁽¹⁾



\$ in millions

Note: All comparisons are to the prior year period

(1) ROE is calculated as net income attributable to Forestar for the year 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

FY 2021: STRONG OPERATIONS DRIVING FINANCIAL PERFORMANCE



Strong Operational Execution



Revenues increased 42% to \$1.3 billion

Delivered 15,915 residential lots, a 53% increase over fiscal 2020



Margin Expansion



Pre-tax income increased 111% to \$164.7 million and pre-tax profit margin increased 400 basis points to 12.4%, excluding an \$18.1 million charge related to the early redemption of the Company's 8.00% senior notes due 2024



Low-Cost Structure



SG&A was 5.2% of revenues

\$5.3 million of revenue per employee



Diversifying Customer Base



Continued to diversify and expand customer base — 93% of lots sold in fiscal 2021 were purchased by D.R. Horton, down from 98% in fiscal 2020



Increasing Financial Flexibility



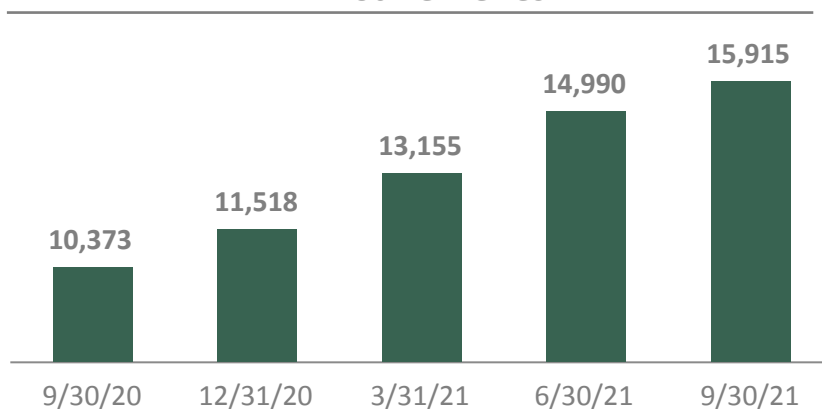
Issued \$400 million of 3.85% senior notes due 2026 replacing \$350 million of 8.00% senior notes due 2024, resulting in substantial interest savings

Amended revolving credit facility, increased the facility size to \$410 million and extended the maturity date to April 2025

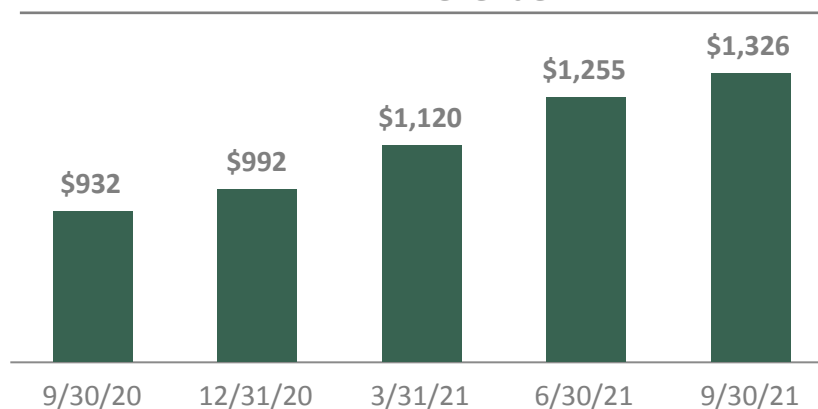
TRACK RECORD OF PROFITABILITY AND GROWTH

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

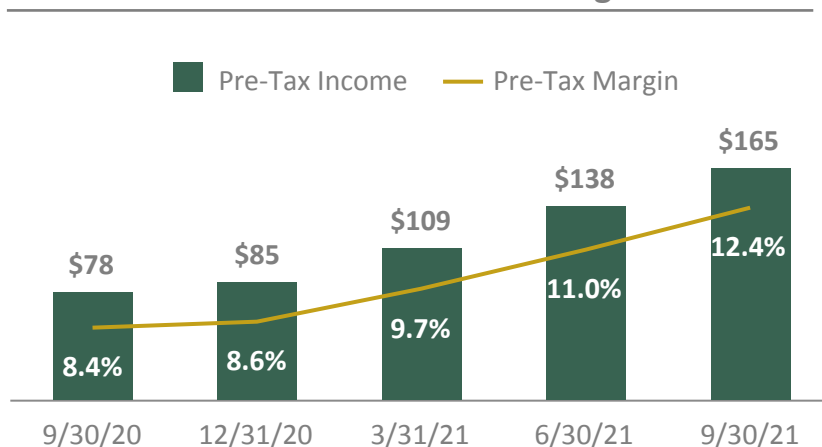
TTM Lot Deliveries



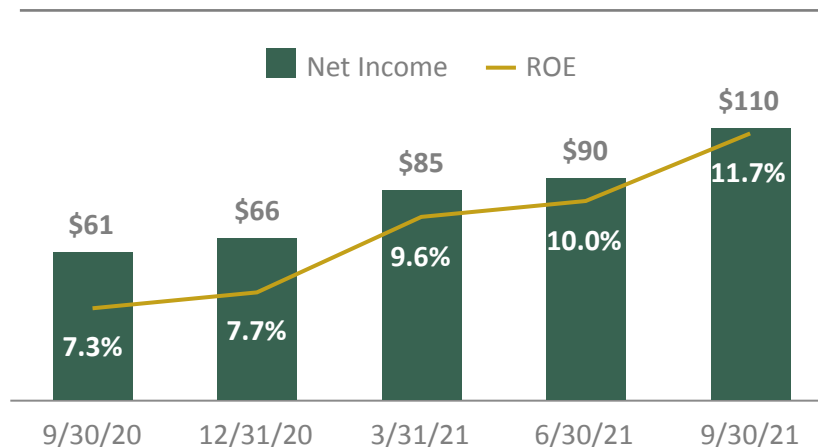
TTM Revenue



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 year 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

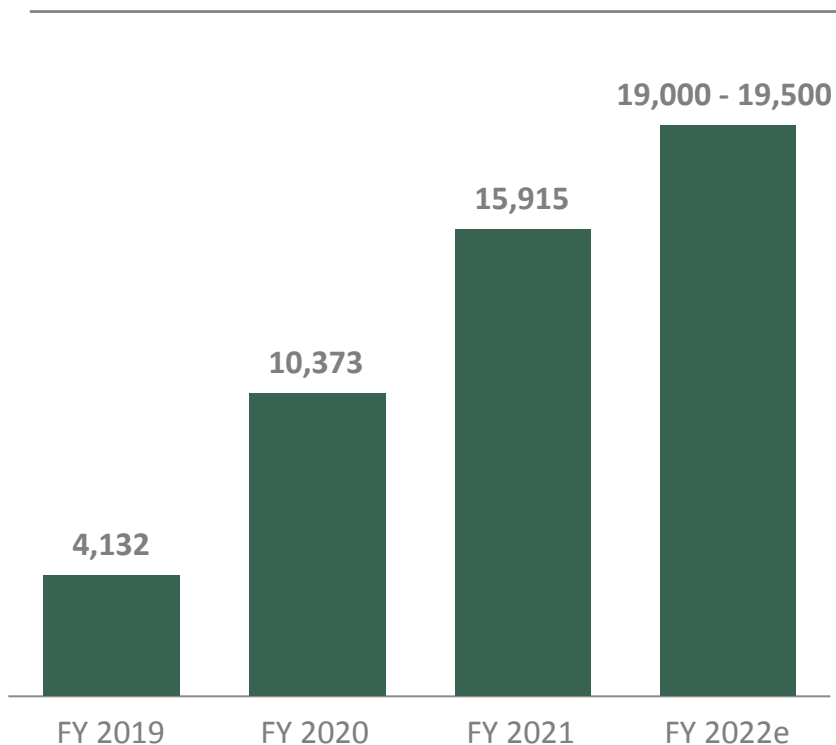


FORESTAR 6

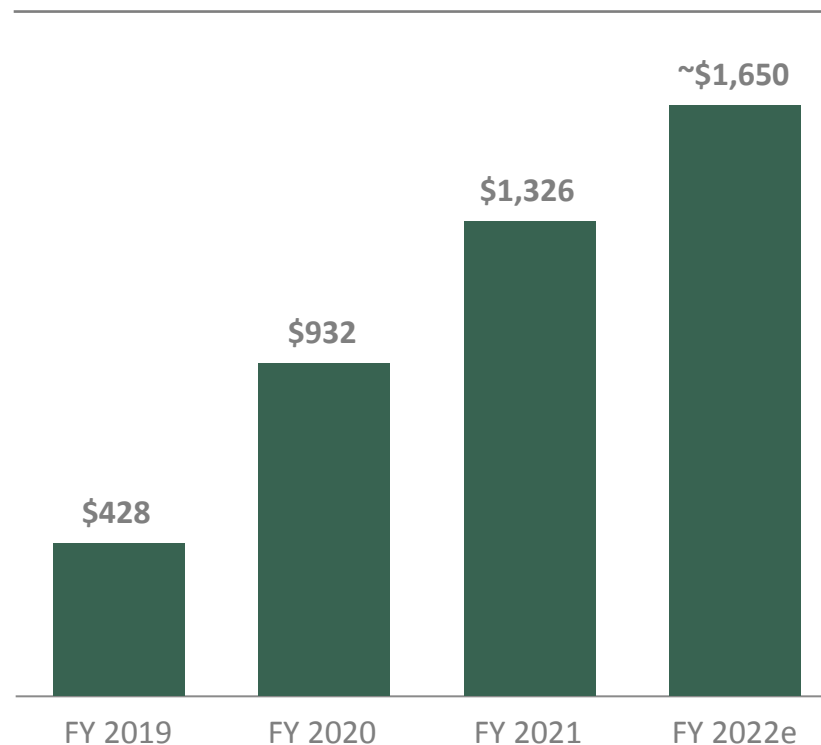
COMPELLING GROWTH STORY

Forestar expects to grow its lot deliveries 19% to 23% in fiscal 2022 and to generate ~\$1.65 billion of revenue, with a pre-tax profit margin of ~13%*

Lot Deliveries



Revenue



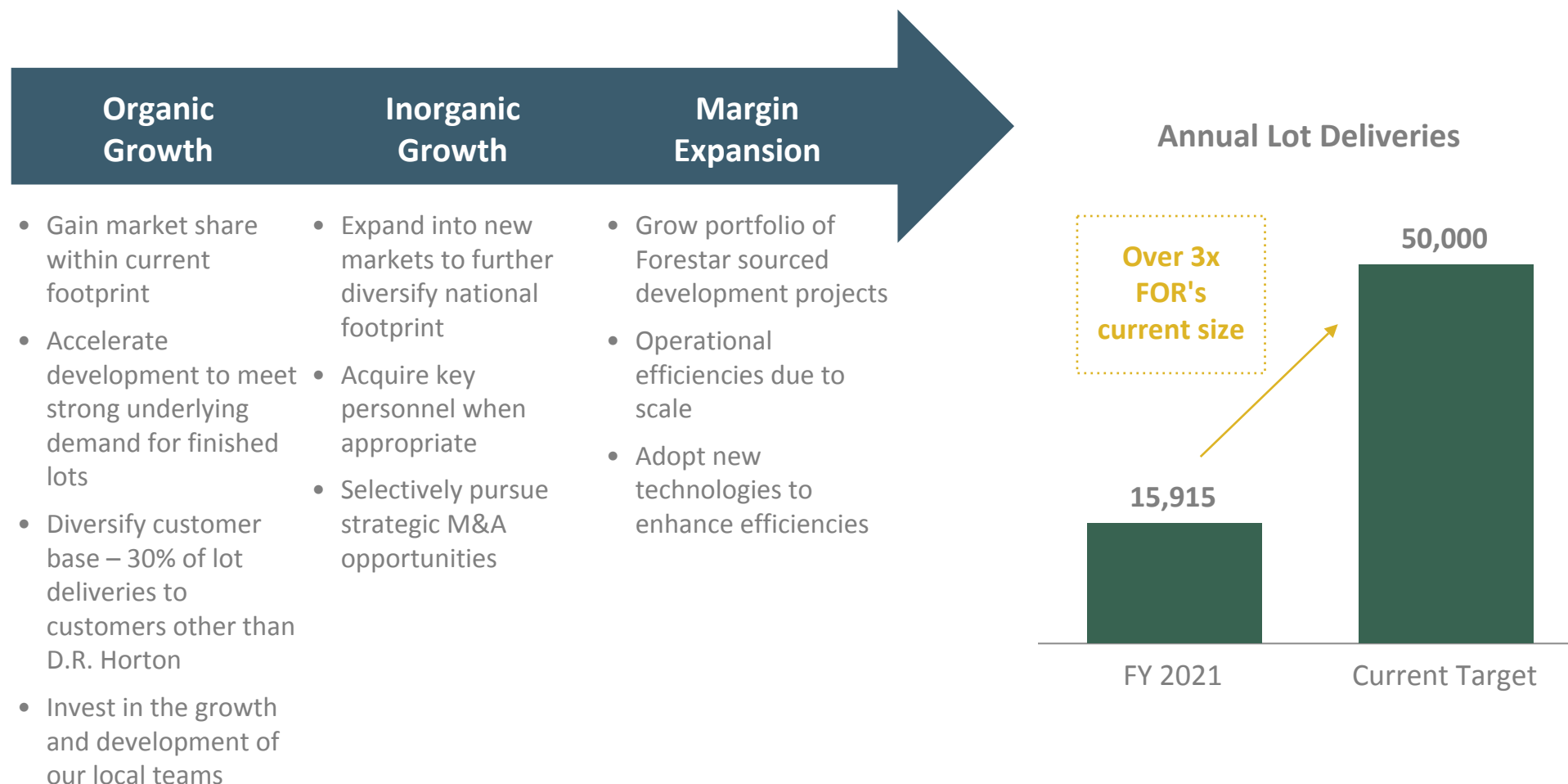
\$ in millions

Note: Expectations are based on current market conditions as noted on the Company's Q4 FY 2021 conference call on 11/4/21

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

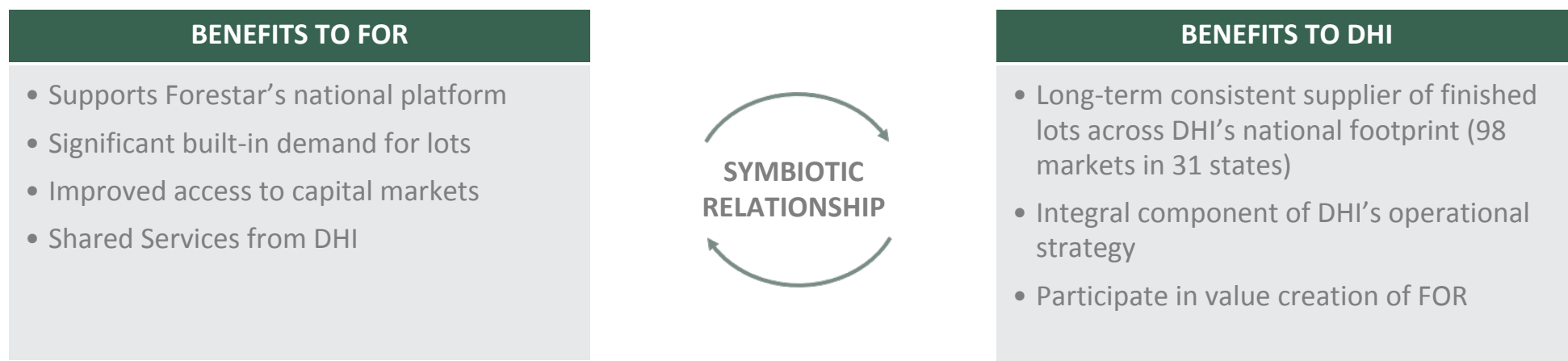
CURRENT LONG TERM GROWTH GOALS

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



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

HIGHLY STRATEGIC ALIGNMENT WITH DHI



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

- 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 still closed ~17,000 to 20,000 homes annually, the majority of which were built on finished lots purchased from 3rd parties
- DHI is committed to owning no more than a 2-year supply of lots, while increasing its mix of controlled lots in inventory
- Most land developers lack the scale and access to capital to be consistent suppliers of lots to DHI across its national footprint
- 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⁾

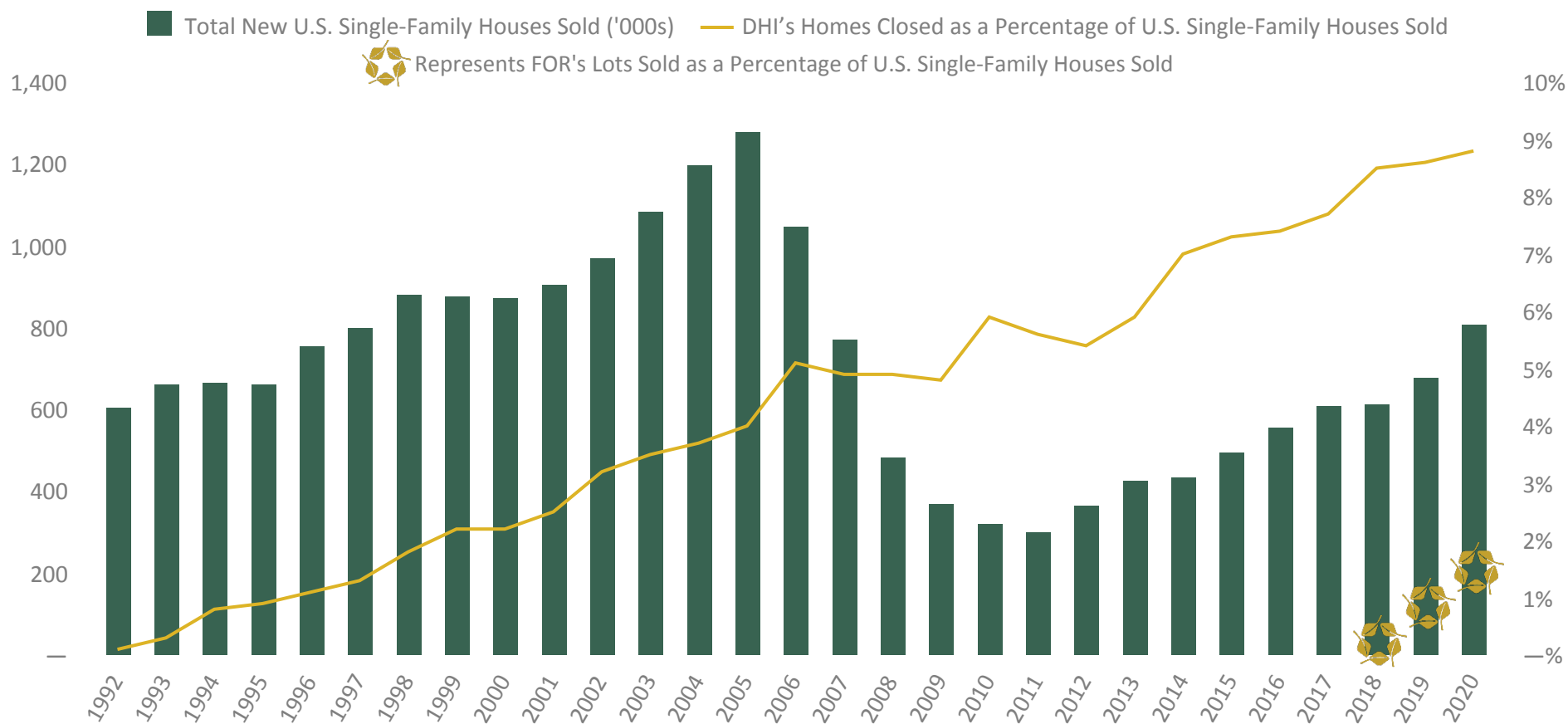
Relationship with DHI further strengthens FOR's competitive advantages
DHI's interests are aligned with FOR shareholders to ensure the profitable expansion of FOR's platform

(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 9/30/21

DHI TRACK RECORD PROVIDES ROADMAP TO FOR

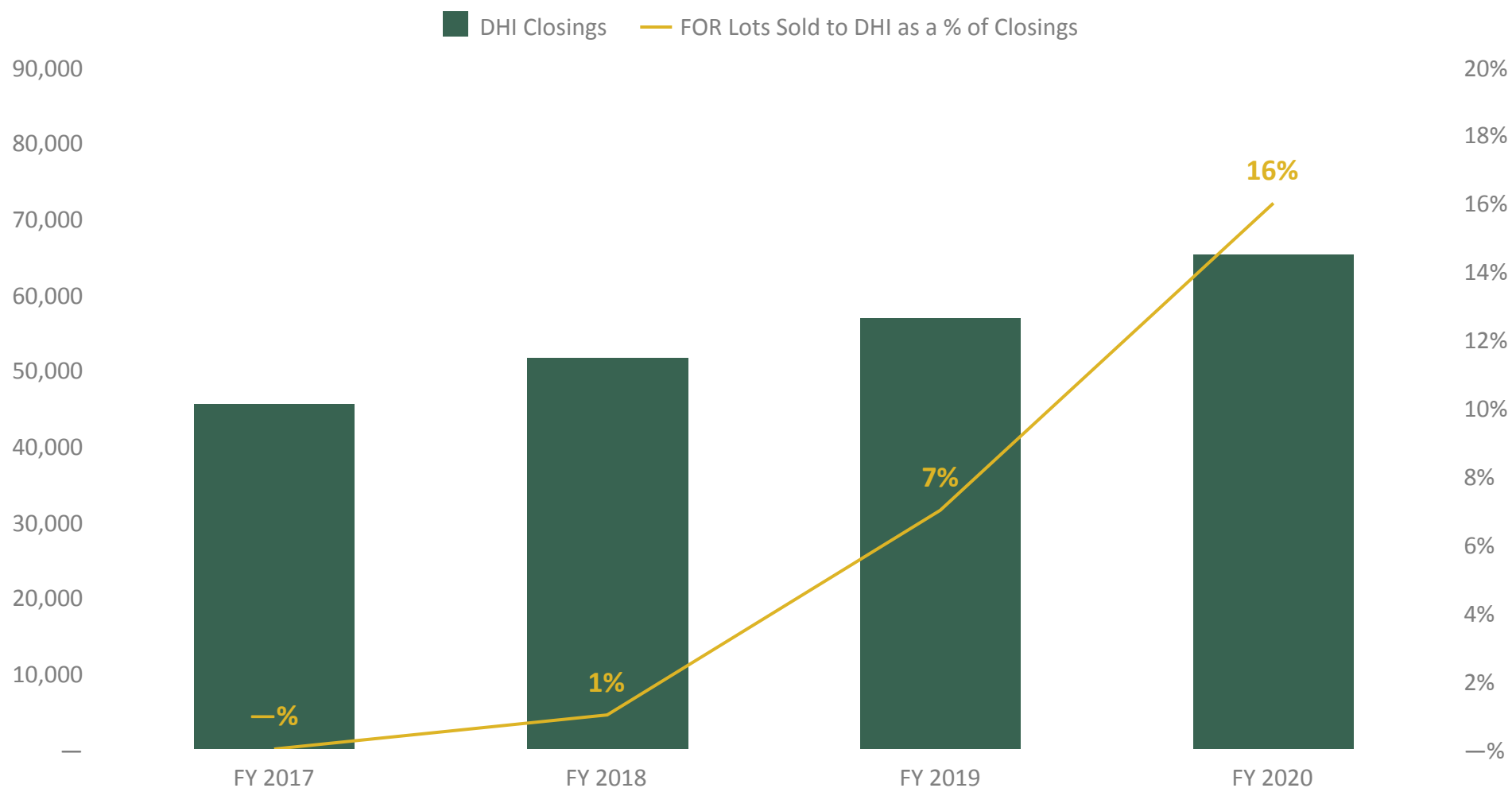
DHI's 28-year public track record provides a guide to FOR to achieve its own growth, consolidation and market share gains



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

FOR'S GROWING SHARE OF DHI'S LOT NEEDS

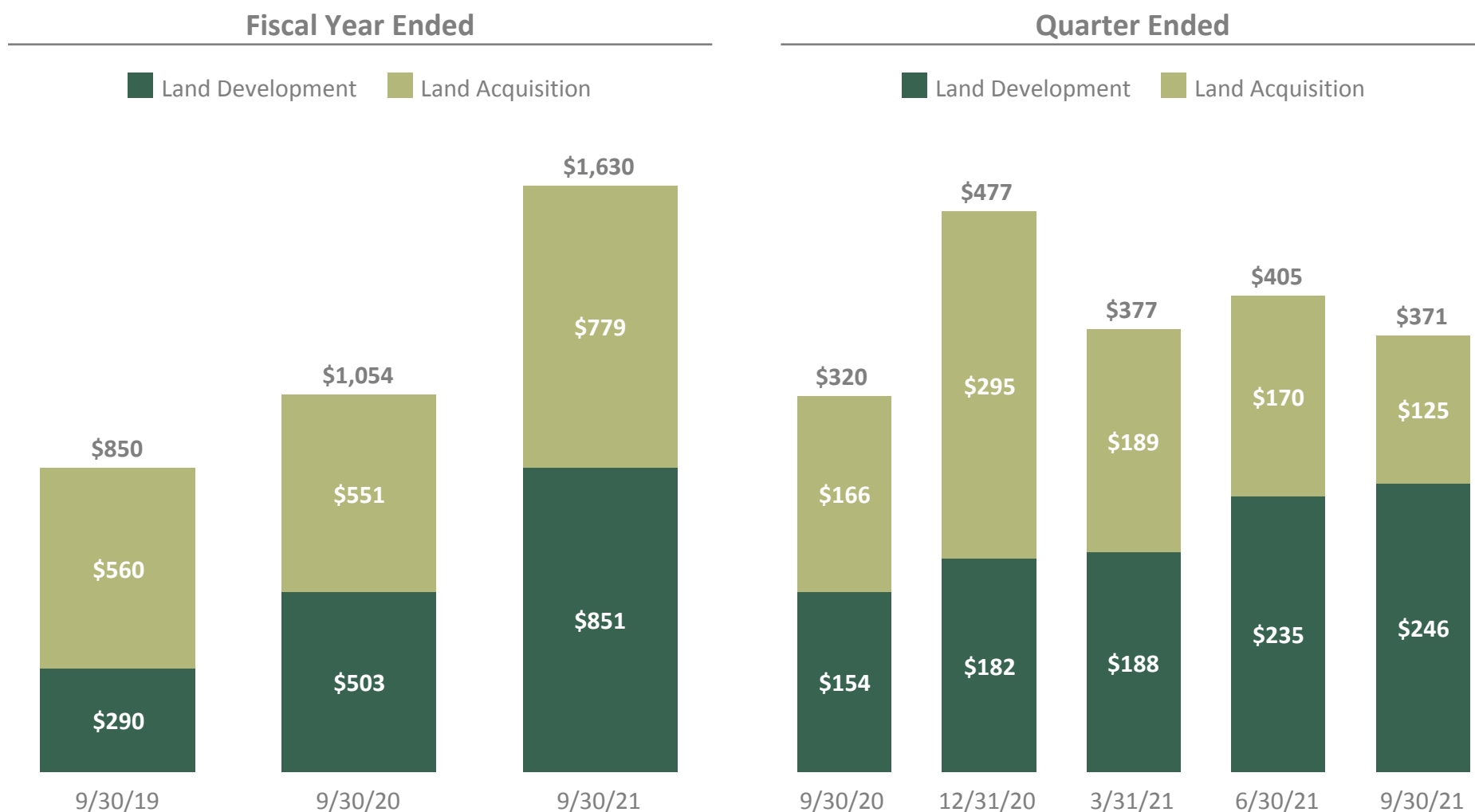
FOR has become an essential lot supplier to DHI



Data on this slide will be updated to include FY 2021 after DHI's earnings release on 11/9/21

LAND AND DEVELOPMENT INVESTMENTS

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

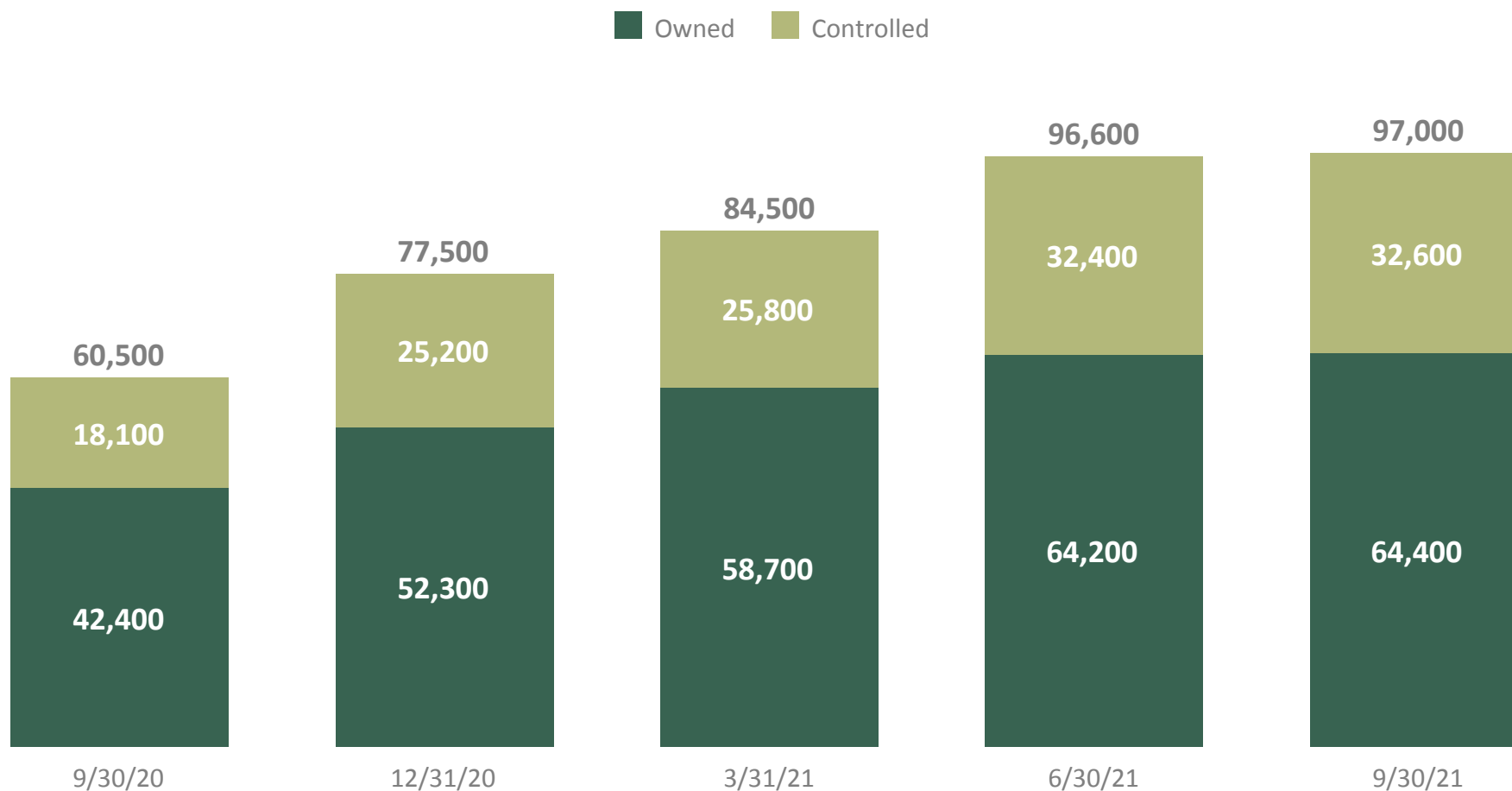


\$ in millions

Note: Expectations are based on current market conditions as noted on the Company's Q4 FY 2021 conference call on 11/4/21

GROWING LOT POSITION

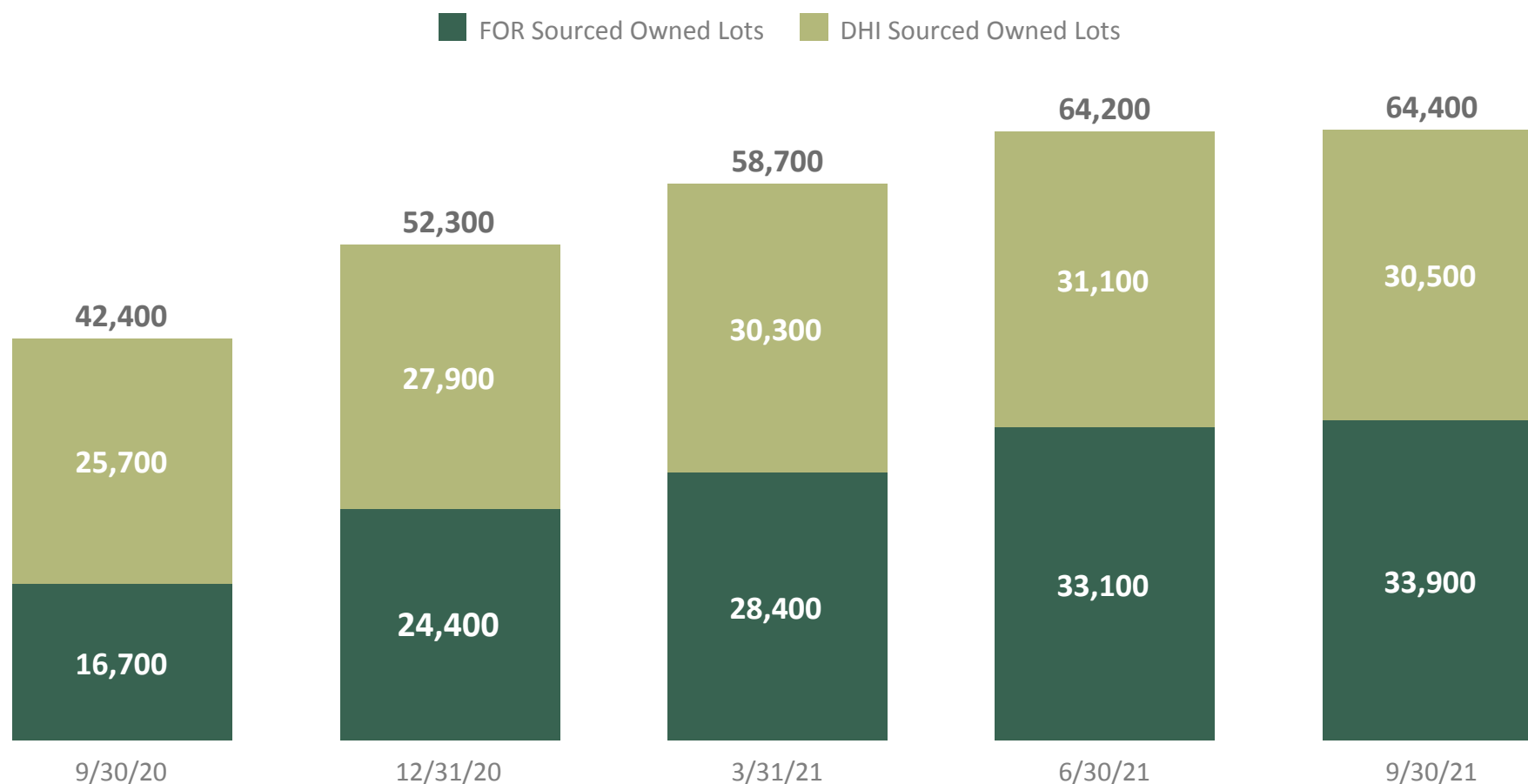
Consistent with Forestar's focus on capital efficiency, the portion of its land and lot supply that is controlled via purchase contracts is increasing, supporting higher returns in the future



Includes lots that DHI has under contract or the right of first offer to purchase of 39,200, 39,400, 37,100, 34,900, and 30,400 at 9/30/21, 6/30/21, 3/31/21, 12/31/20 and 9/30/20, respectively

EXPANDING LOT SOURCING CAPABILITIES

- Forestar sourced lots have increased to 52% of total owned lots, up from 39% 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

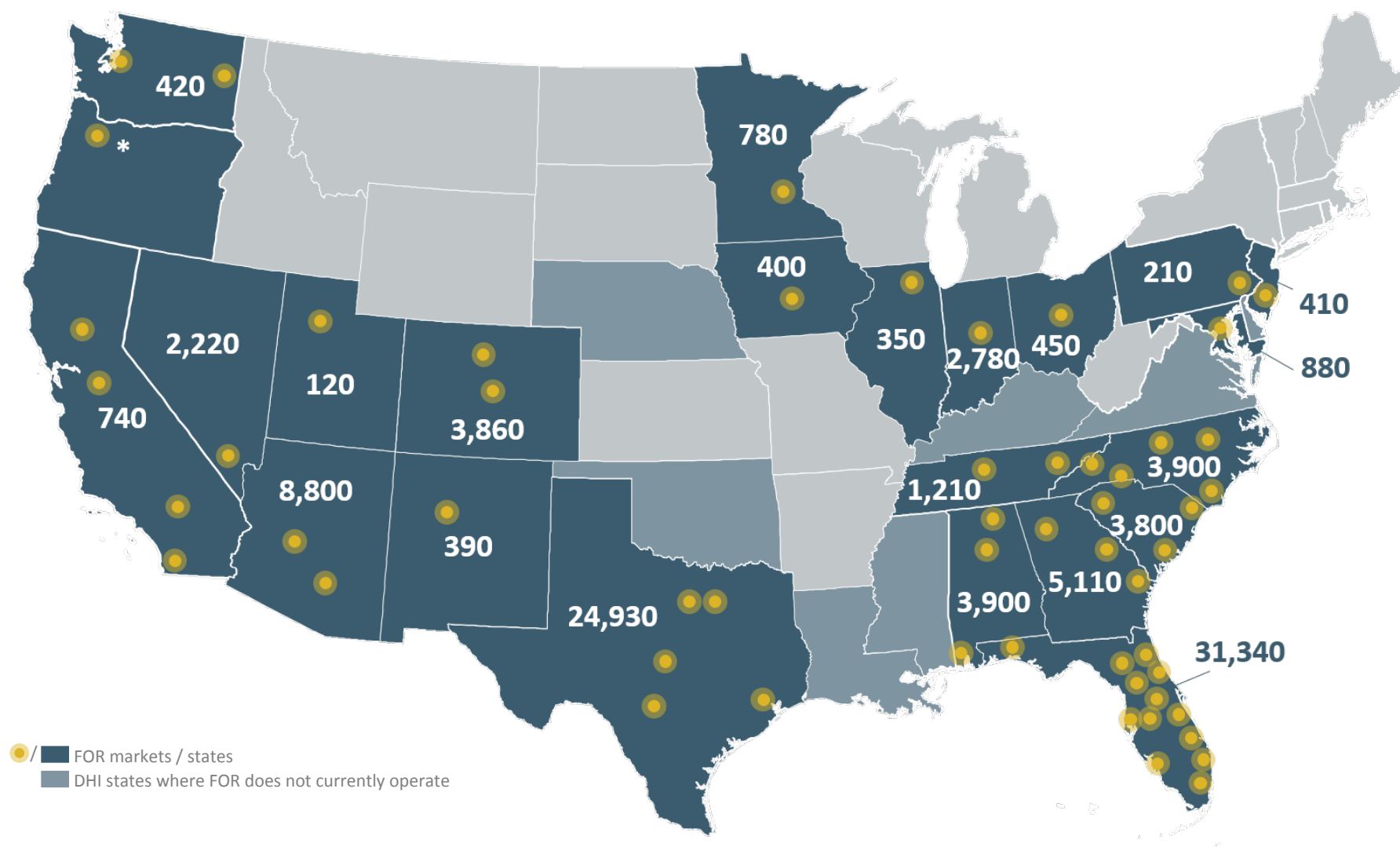


Forestar sourced owned lot count includes 400 lots at 9/30/21, 200 lots at both 6/30/21 and 3/31/21 and 100 lots at 12/31/20 that were sourced by third-party builders

DIVERSIFIED FOOTPRINT

56 MARKETS | 23 STATES

Portfolio of 97,000 lots as of September 30, 2021



Lot Position by State and Markets as of 9/30/21

Of total lot position at 9/30/21, 64,400 are owned and 32,600 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



SEASONED LEADERS 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

With DHI since 2012 and joined FOR in February 2019 with 18 years of real estate experience

NICOLAS APARICIO

Regional President

With DHI since 2011 and joined FOR in December 2018 with 20 years of real estate experience

FINANCIAL POSITION AND POLICY

- Forestar is well-positioned with low net leverage of 35.2% and a strong liquidity position of ~\$500 million
- No senior note maturities until 2026
- Capital allocation priorities include: land development, land acquisition, investment in team, entering new markets and M&A opportunities

Financial Position as of 9/30/21

- \$150m unrestricted cash and cash equivalents
- \$410m unsecured revolving credit facility
- ~\$500m total liquidity⁽¹⁾
- \$400m 3.85% senior notes due 2026
- \$300m 5.00% senior notes due 2028
- \$1.0b stockholders' equity
- 35.2% net debt to total capital⁽²⁾

Disciplined Financial Policy

- Strict lot development investment underwriting:
 - **≥ 15%** return on inventory (ROI)⁽³⁾
 - **≤ 36-month** cash recovery of phase 1 investment
- Net debt to capital⁽²⁾ target of **≤ 40%**
- Maintain strong liquidity
- Balanced financing plan including both debt and equity

(1) Liquidity defined as unrestricted cash balance plus revolving credit facility availability as governed by the borrowing base

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

(3) ROI is calculated as pre-tax income divided by average inventory over the life of a project

APPENDIX

BUSINESS OVERVIEW



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

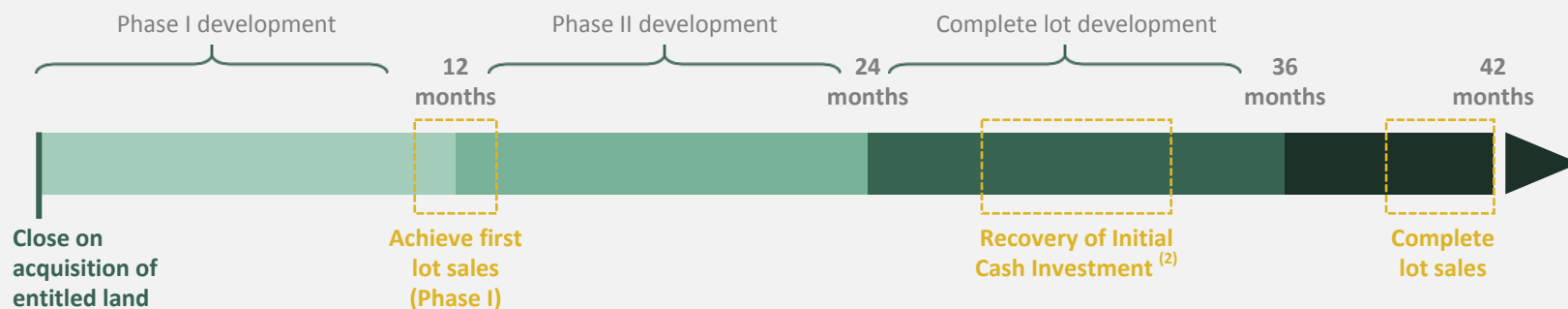


Deliver finished lots to builders

- D.R. Horton and other homebuilders

Forestar Capital Deployment and Cash Generation

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



UNIQUE LOT MANUFACTURER BUSINESS MODEL

FOR's unique lot manufacturing model is highly differentiated from that of a typical land developer



- **Short duration**, fully-entitled lot development projects
- **Large scale** with national footprint and in-market depth
- **Returns-focused, lower risk** inventory model
- **Consistent operating** results with increasing profitability
- **Understandable, growth-oriented** business model
- **Strong liquidity and access** to debt and equity capital
- **Phased, discretionary land development** with known buyer

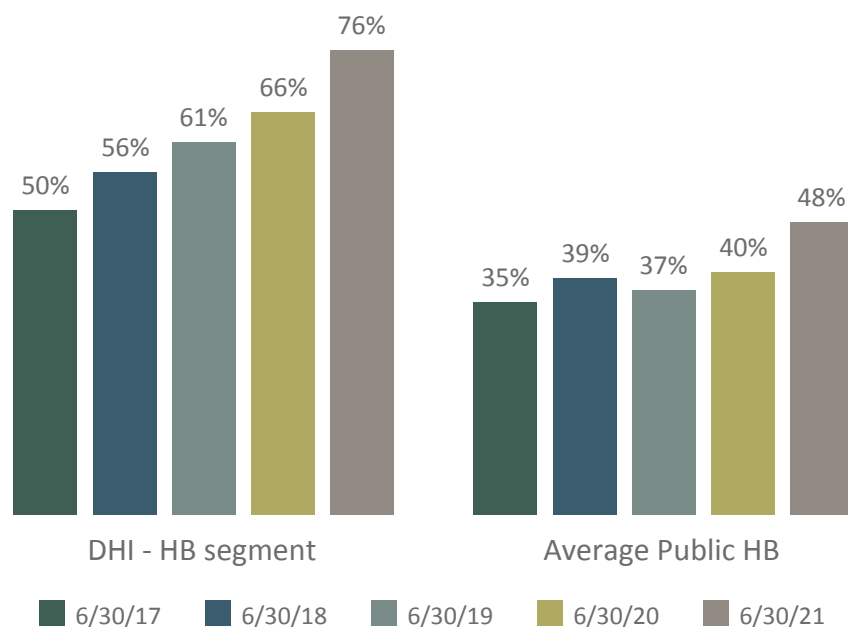
Typical Land Developer

- Long-term, often complex or unentitled, real estate projects
- Lack of geographic diversification and depth in markets
- Lower return, unpredictable inventory model
- Lack of consistent profitability
- Limited visibility into future growth
- Limited access to and high cost of capital
- Speculative land with undefined buyer

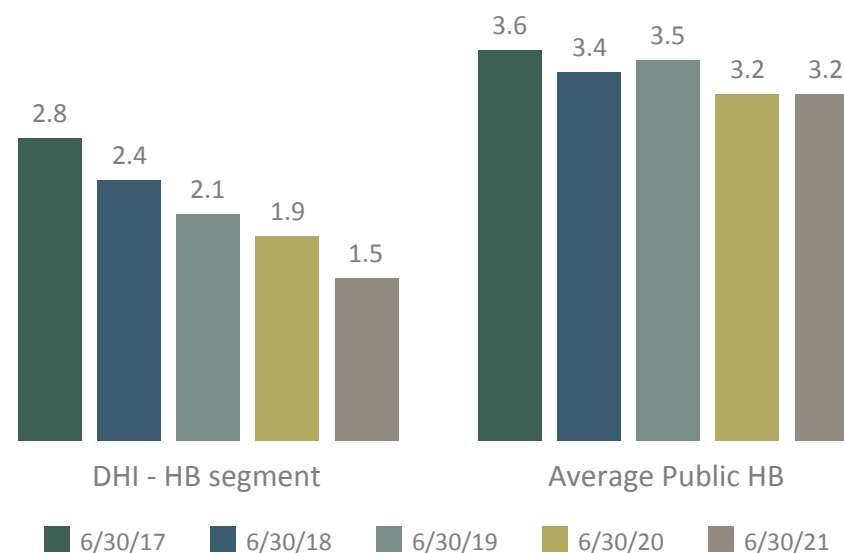
UNIQUELY POSITIONED TO PROVIDE FINISHED LOTS

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 5/31

For TOL, data is as of the periods ended 7/31

INCOME STATEMENT

	3 MONTHS ENDED		12 MONTHS ENDED	
	9/30/21	9/30/20	9/30/21	9/30/20
Residential lots sold:	4,902	3,977	15,915	10,373
Development projects	4,615	3,082	14,221	7,316
Lot banking projects	287	895	1,694	3,057
 Average sales price per lot ⁽¹⁾	\$ 81,600	\$ 86,000	\$ 81,600	\$ 84,600
Revenues⁽²⁾	\$ 418.7	\$ 347.6	\$ 1,325.8	\$ 931.8
Gross profit	75.9	44.2	229.2	118.1
Selling, general and administrative expense	19.7	12.9	68.4	45.7
Gain on sale of assets	(2.5)	—	(2.5)	(0.1)
Equity in earnings of unconsolidated ventures	—	—	(0.2)	(0.7)
Interest and other income	(0.1)	(0.7)	(1.2)	(4.9)
Loss on extinguishment of debt	—	—	18.1	—
Income before income taxes	58.8	32.0	146.6	78.1
Income tax expense	14.7	7.5	36.1	16.4
Net income	44.1	24.5	110.5	61.7
Net income attributable to noncontrolling interests	0.1	0.3	0.3	0.9
Net income attributable to Forestar Group Inc.	\$ 44.0	\$ 24.2	\$ 110.2	\$ 60.8
 Net income per diluted share	\$ 0.89	\$ 0.50	\$ 2.25	\$ 1.26

\$ in millions except per share data

Unaudited

(1) Excludes any impact from change in contract liabilities

(2) Revenues include \$20.1 million and \$5.2 million in tract sales and other revenue for three months ended September 30, 2021 and 2020, respectively, and \$32.7 million and \$51.5 million in tract sales and other revenue for the twelve months ended September 30, 2021 and 2020, respectively

BALANCE SHEET

	9/30/21	9/30/20
Cash and cash equivalents	\$ 153.6	\$ 394.3
Real estate	1,905.2	1,309.7
Investment in unconsolidated ventures	0.9	3.6
Other assets	42.0	32.3
Total assets	\$ 2,101.7	\$ 1,739.9
Debt	\$ 704.5	\$ 641.1
Earnest money on sales contracts	148.3	98.3
Other liabilities	208.6	123.0
Deferred tax liability, net	24.4	5.7
Stockholders' equity	1,014.9	870.9
Noncontrolling interests	1.0	0.9
Total equity	1,015.9	871.8
Total liabilities and equity	\$ 2,101.7	\$ 1,739.9
Net debt to total capital⁽¹⁾	35.2 %	22.1 %
Debt to total capital⁽¹⁾	41.0 %	42.4 %

\$ 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