



Investor Presentation

Q1 2021



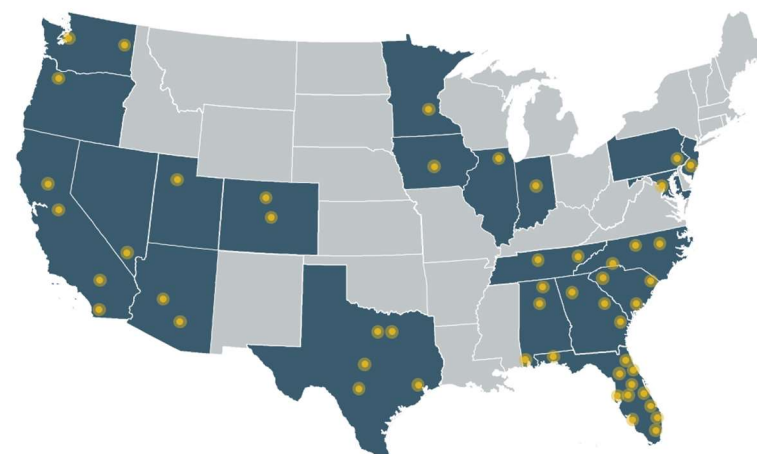
FORWARD-LOOKING STATEMENTS

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 (C-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; competitive conditions in our industry; changes in our business strategy and 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; 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 factors 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 (SEC).

FORESTAR OVERVIEW

- **Forestar Group Inc. (“Forestar” or “FOR”)** is a highly differentiated, national residential lot developer
 - Develop and sell lots for single-family homes to D.R. Horton and other local, regional and national homebuilders
 - Focused on phased development of short duration, fully-entitled lot development projects
 - High turnover, lower risk lot manufacturing strategy with intense focus on returns
- **Majority-owned subsidiary of D.R. Horton, Inc. (“D.R. Horton” or “DHI”), the nation’s largest builder**
 - 75% of common shares acquired by DHI in 2017; 65% owned today by DHI
 - One of only two public homebuilders in the U.S. with investment grade ratings from Moody’s, S&P and Fitch
 - Highly strategic relationship supports and de-risks Forestar’s significant growth ramp
- **Well-positioned to effectively operate through changing economic conditions and capitalize on long-term opportunity**
 - Diversified national footprint with a solid lot position
 - Conservative leverage and strong liquidity profile

Operations in 51 markets across 21 states⁽¹⁾



● / ■ Current FOR markets / states

Current Snapshot ⁽¹⁾	
Owned and Controlled Lot Position	77,500
Owned Lots Under Contract or Subject to Right of First Offer to DHI	34,900
Revenues	~\$990M
Liquidity ⁽²⁾	~\$580M
Equity Market Cap ⁽³⁾	~\$1B

(1) As of or for the TTM ended 12/31/20 unless otherwise noted

(2) Liquidity defined as unrestricted cash and cash equivalents plus revolving credit facility availability as governed by the borrowing base

(3) At market close on 1/20/2021

THE FORESTAR VALUE PROPOSITION

DIFFERENTIATED BUSINESS MODEL DESIGNED TO ADDRESS A MARKET NEED

- Return focused residential lot development business model
- Higher turnover, lower risk lot manufacturing strategy focused on returns
- Under-served lot development market with lack of well-capitalized and/or national participants

LONG-TERM GROWTH OPPORTUNITY

- Opportunity for increased scale within existing markets and entrance into new markets
- Portfolio and platform expansion designed to increase returns and margins
- Roadmap for market share gains through housing and economic cycles

INTENSE FOCUS ON RISK MITIGATION

- Short duration, fully-entitled projects
- Phased development and largely discretionary cash spend
- Geographic diversification
- Maintain strong liquidity and conservative leverage with balance between debt and equity

HIGHLY STRATEGIC RELATIONSHIP WITH D.R. HORTON ENHANCES BUSINESS MODEL, GROWTH AND RISK PROFILE

- Strategic alignment with and access to DHI network of markets, experienced team and business relationships
- Aligned cultures with manufacturing-like approach and conservative operating strategies
- Built-in demand for lots – D.R. Horton has a strong appetite for finished lots that continues even during potential downturns
- Supports existing operating platform
- Enhanced access to capital markets

FORESTAR INVESTMENT HIGHLIGHTS

Unique Return-
Focused Lot
Manufacturing
Business Model

Strategic Relationship
With D.R. Horton

Long-Term Market
Share Gains

Geographic
Diversification

Primary Focus on
Attractive Entry-
Level Segment

Homebuilders'
Increasing Preference
for Lots Developed by
3rd Parties

Proven / Seasoned
Management Team
With Decades of
Real Estate
Experience

Strong Balance
Sheet and Liquidity
Position

UNIQUE LOT MANUFACTURER BUSINESS MODEL

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

- Business model designed to operate consistently at scale, while minimizing risk
- At scale, FOR's high turnover, lower risk "lot manufacturing" strategy is expected to generate returns similar to an efficient, production-oriented homebuilder

FORESTAR

✓ **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

X Long-term, often complex or unentitled, real estate projects

X Lack of geographic diversification and depth in markets

X Lower return, unpredictable inventory model

X Lack of consistent profitability

X Limited visibility into future growth

X Limited access to and high cost of capital

X Speculative land with undefined buyer

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)

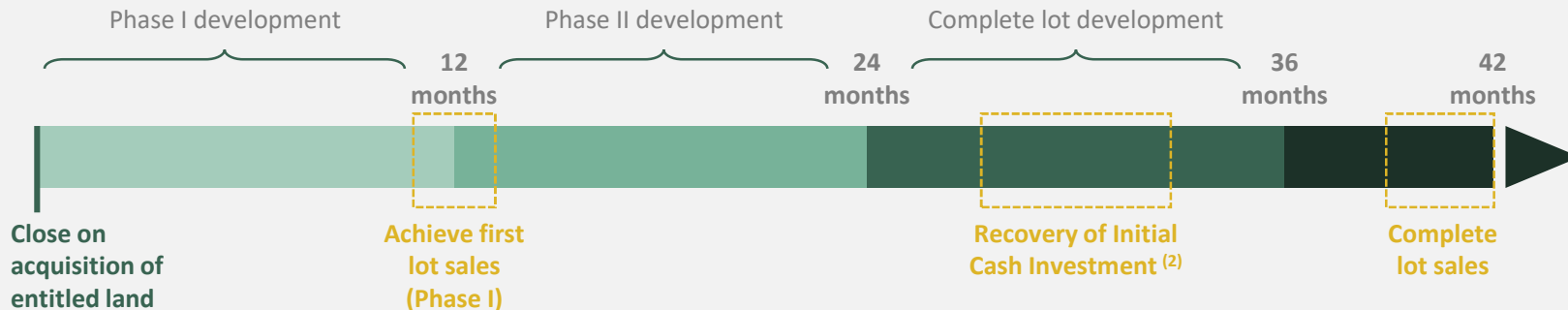
- Phased development
- ~50% of development cost is grading and utilities
- ~50% of development cost is roads, landscape, amenities, engineering, fees and all other



Deliver finished lots to builders

- D.R. Horton and other homebuilders

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



BENEFITS OF HIGHLY STRATEGIC ALIGNMENT WITH DHI



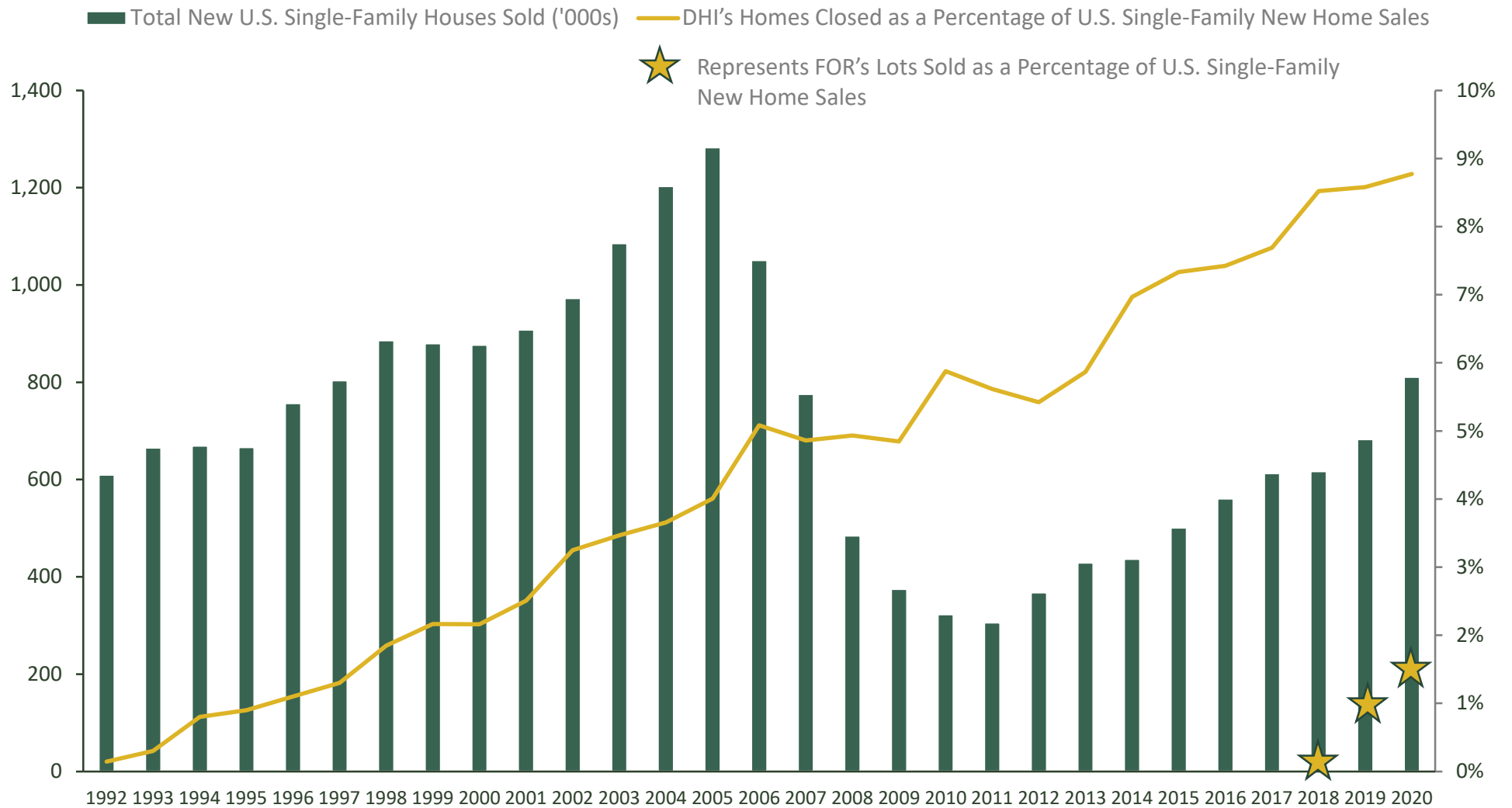
Alignment with the nation's largest builder provides support and stability in changing economic conditions

- 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 to 3-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

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) MSA, Stockholder's Agreement and Shared Services Agreement summaries included in Appendix

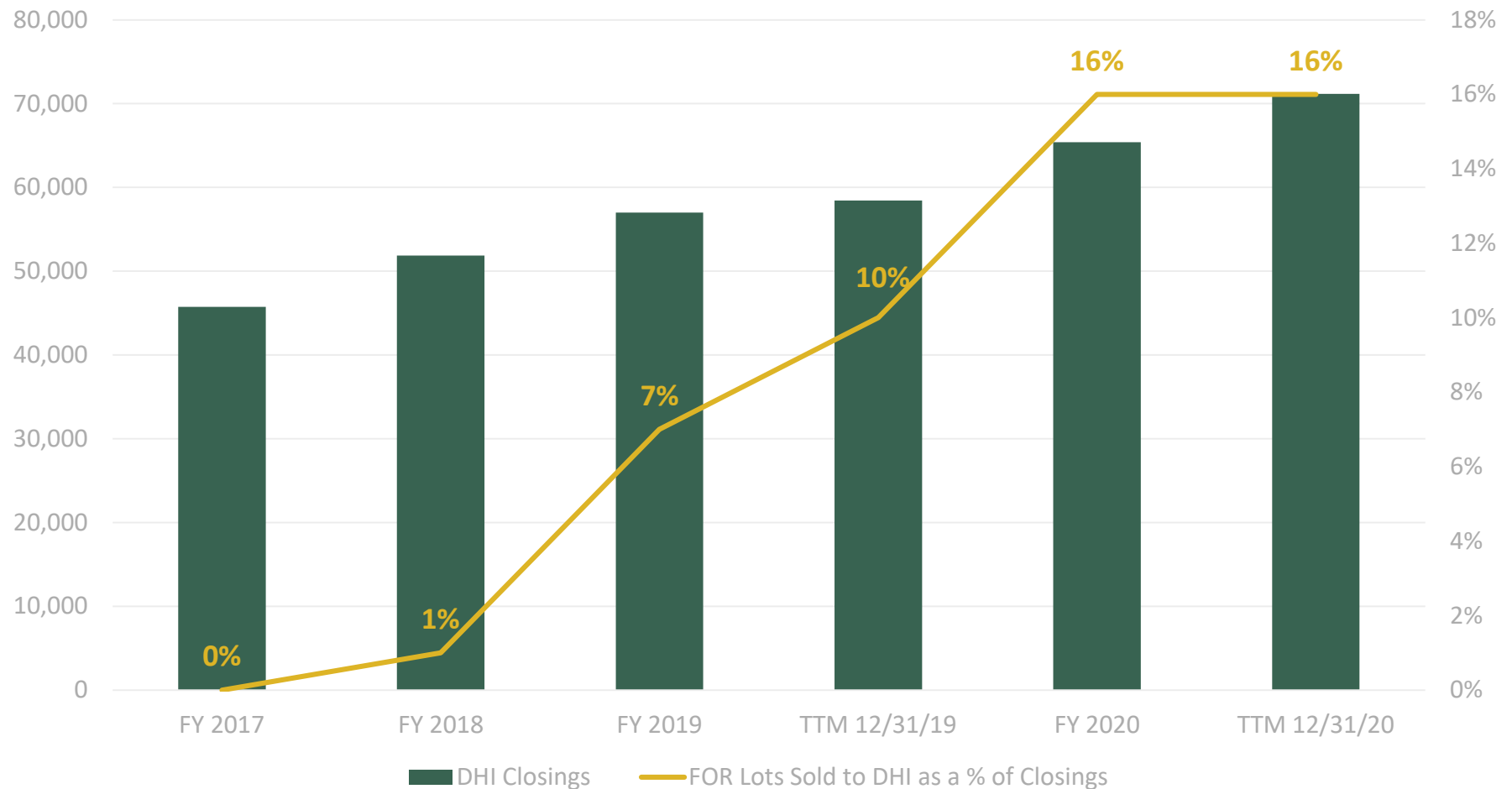
DHI GROWTH, CONSOLIDATION AND MARKET SHARE GAINS PROVIDE ROADMAP TO FOR



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

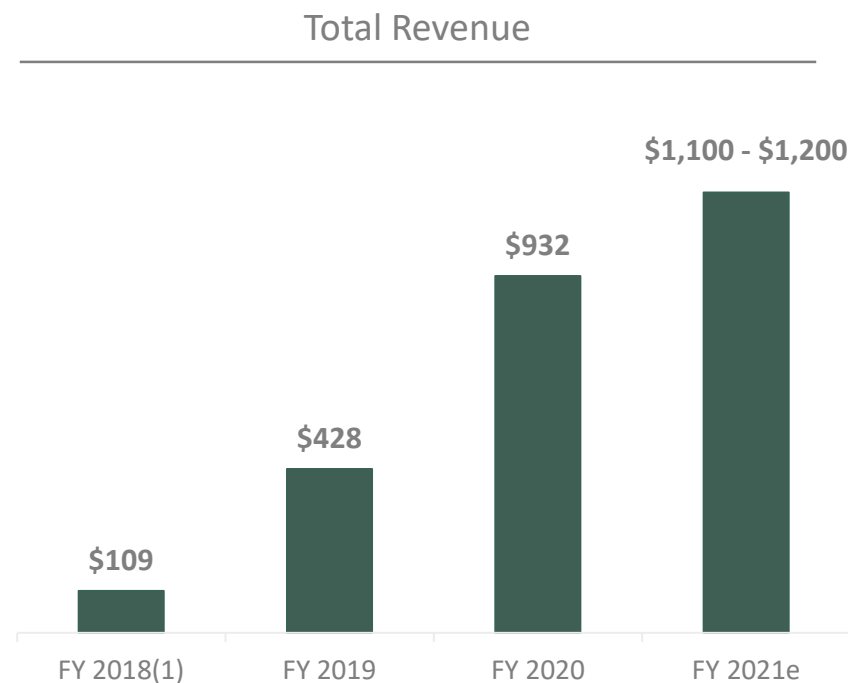
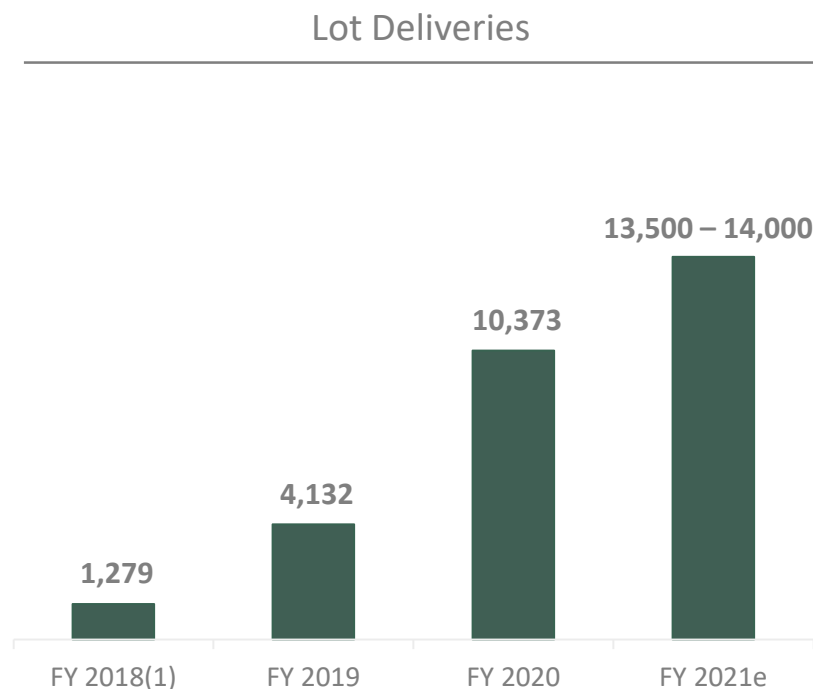
FOR'S GROWING SHARE OF DHI'S LOT NEEDS

Lots sold to DHI as a percentage of DHI's closings more than doubled in fiscal 2020



SIGNIFICANT GROWTH RAMP

- Forestar delivered over 10,000 lots in fiscal 2020, more than double its fiscal 2019 deliveries
- Based on current market conditions, Forestar expects to grow its lot deliveries 30% to 35% in fiscal 2021 and to generate approximately \$1.1 to \$1.2 billion of revenue, with a pre-tax profit margin of ~10%

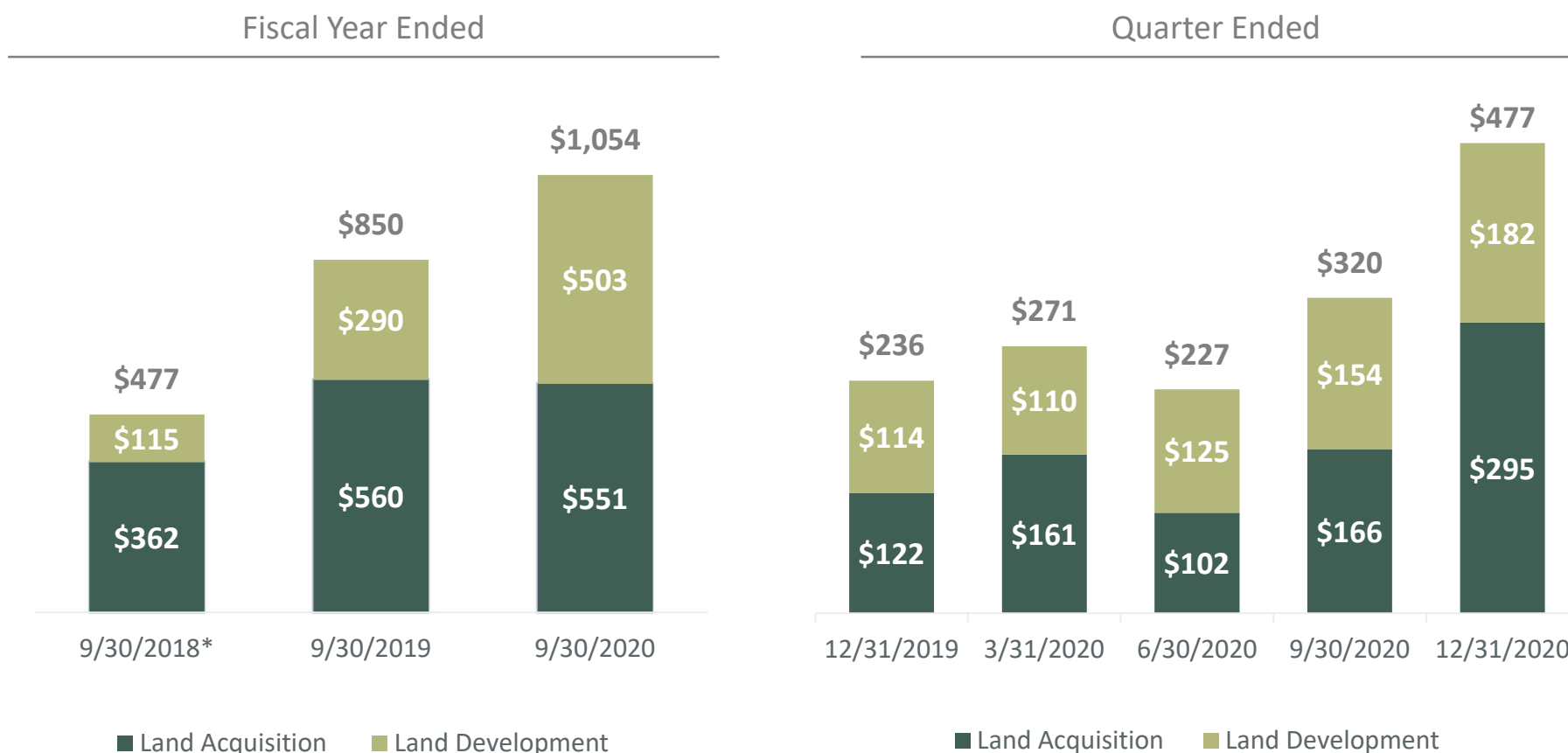


\$ in millions

(1) Effective 1/1/18, FOR changed its fiscal year-end from 12/31 to 9/30; as presented, FY 2018 reflects the trailing twelve months ended 9/30/18 and excludes lots sold to unconsolidated ventures

LAND AND DEVELOPMENT INVESTMENTS

Forestar expects to invest more than \$1.5 billion in land acquisition and development in fiscal 2021

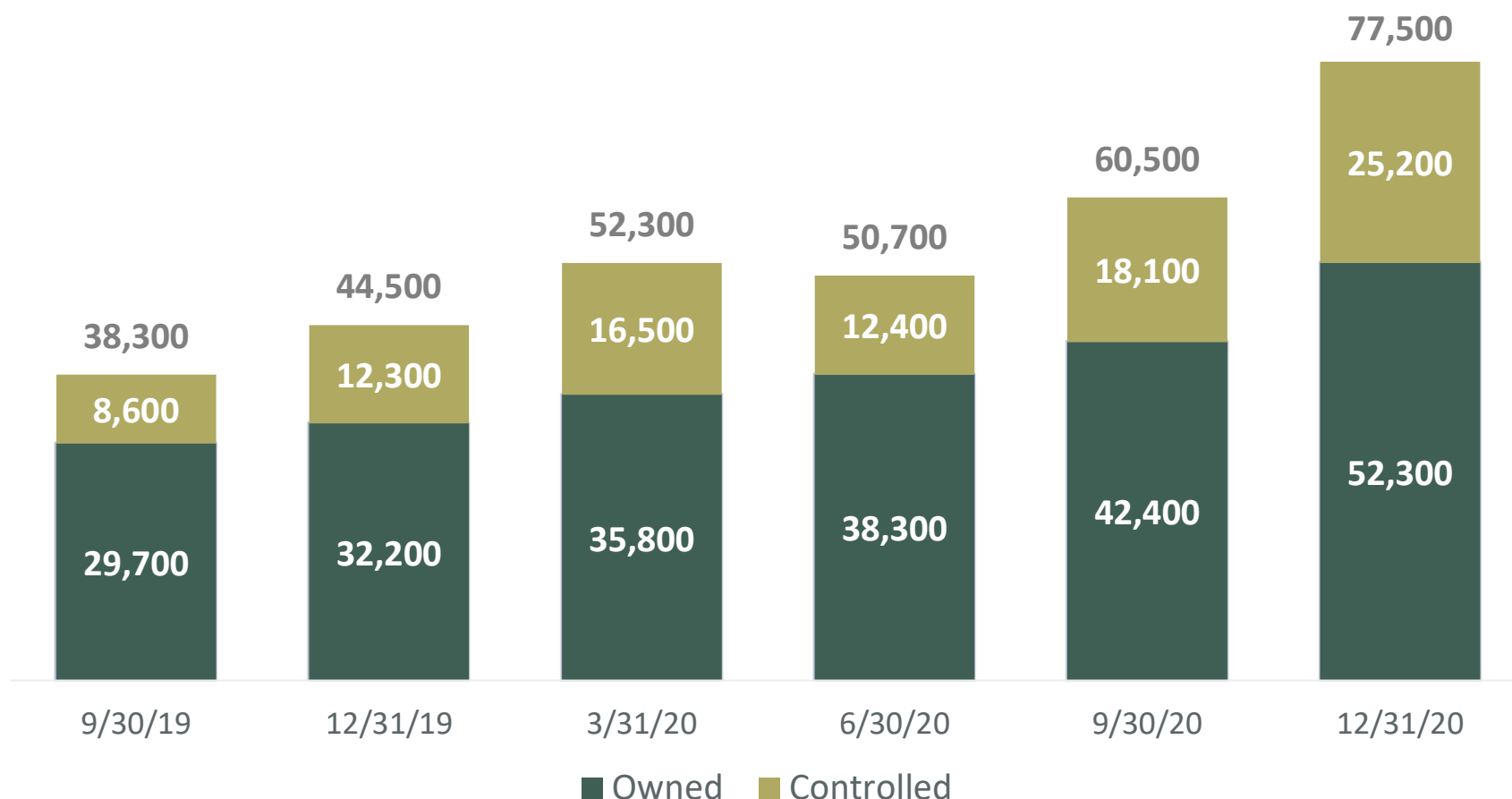


\$ in millions

*Effective 1/1/18, FOR changed its fiscal year-end from 12/31 to 9/30; as presented, FY 2018 reflects the trailing twelve months ended 9/30/18

LOT POSITION

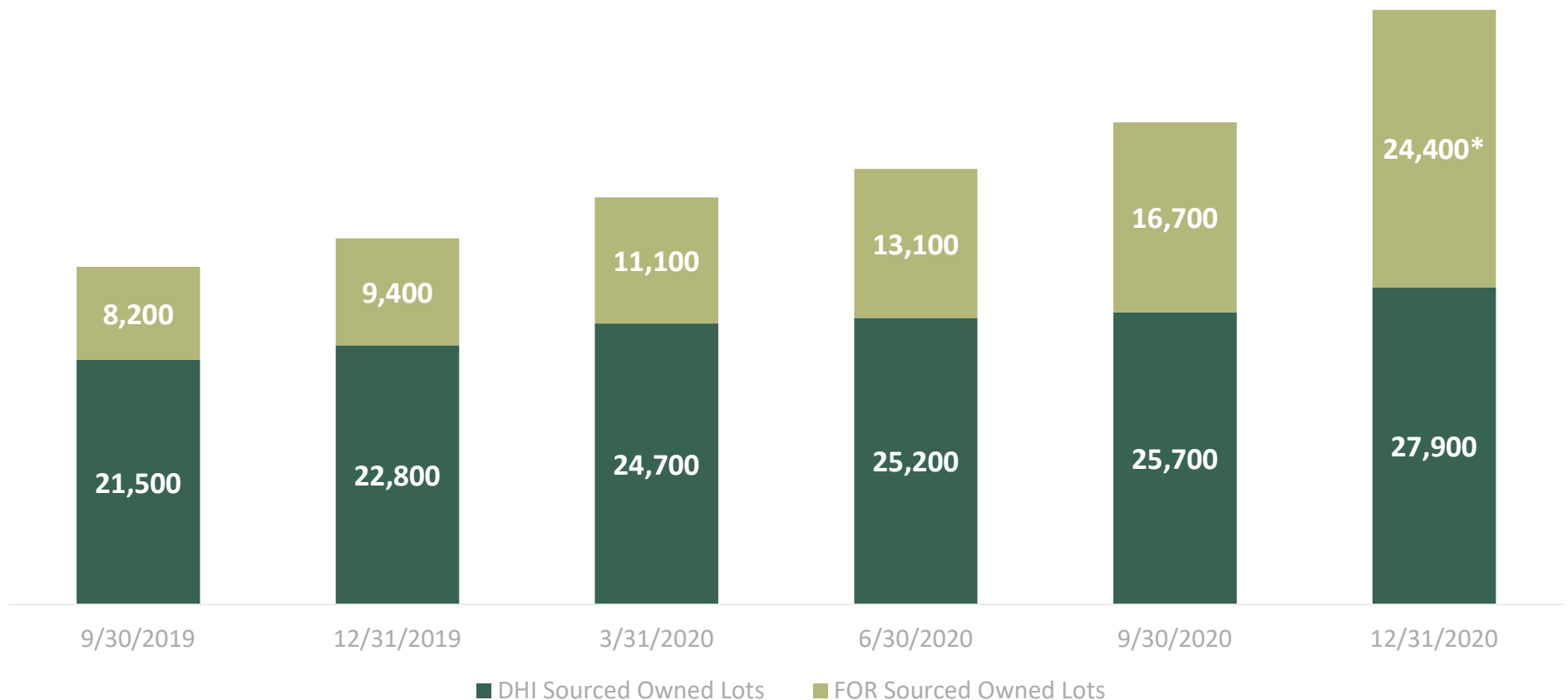
- Forestar's lot position increased 74% from a year ago to 77,500 lots at December 31, 2020
- Consistent with Forestar's focus on capital efficiency, the portion of its land and lot supply that is controlled via purchase contracts has increased, supporting higher returns in the future



Includes lots that DHI has under contract or the right of first offer to purchase of 34,900, 30,400, 29,600, 28,600, 25,600 and 23,400 and at 12/31/20, 9/30/20, 6/30/20, 3/31/20, 12/31/19 and 9/30/19, respectively

SOURCING OF OWNED LOTS

As Forestar has expanded its operating platform, Forestar-sourced lots have increased to 46% of total owned lots, up from 29% a year ago, which is expected to drive increases in gross and pre-tax profit margins



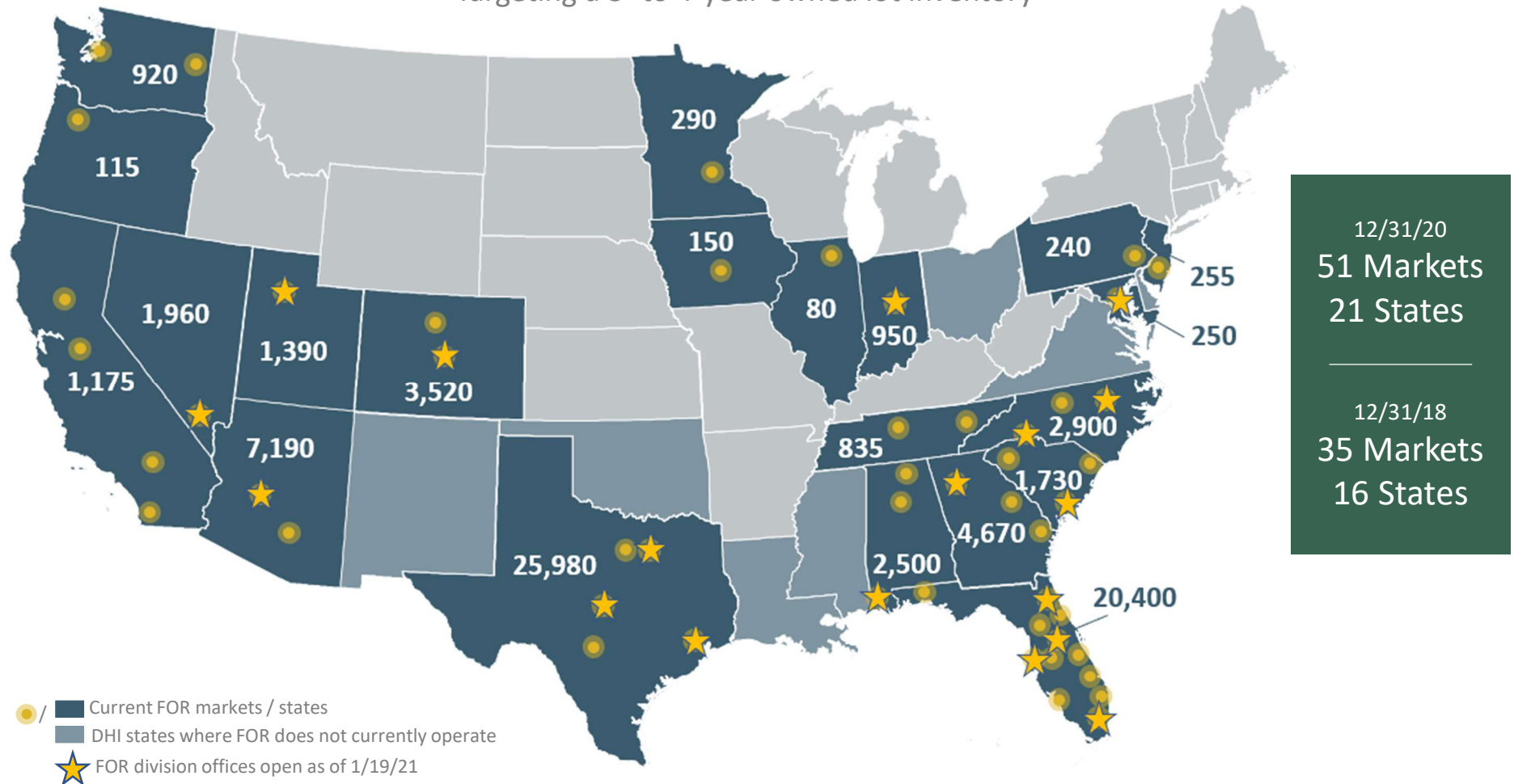
*Forestar sourced owned lot count at 12/31/20 includes 100 lots that were sourced by a third-party builder

DIVERSIFIED FOOTPRINT

Own and control 77,500 lots at 12/31/2020

67% of owned lots are under contract to sell or subject to a right of first offer to DHI

Targeting a 3- to 4-year owned lot inventory



Lot Position by State and Markets as of 12/31/20

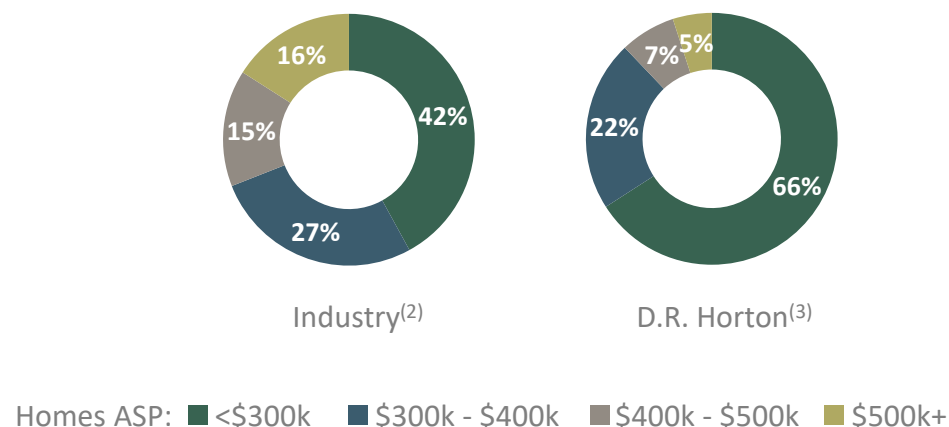
Lot counts are approximate

Of total lot position at 12/31/2020, 52,300 are owned and 25,200 are controlled through purchase contracts

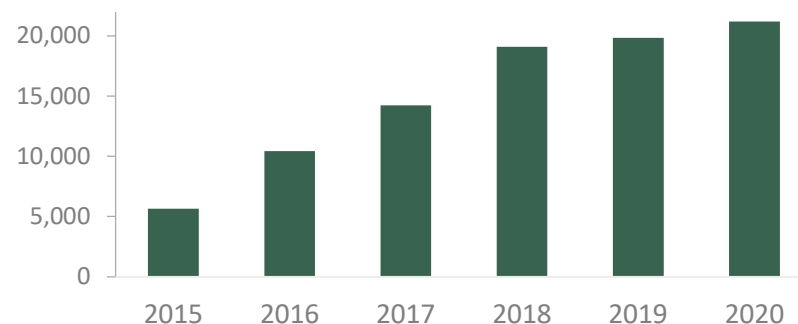
PRIMARY FOCUS ON ATTRACTIVE ENTRY-LEVEL SEGMENT

- Majority of recent Forestar investments have been focused on lots for homes at affordable / entry-level price points
- Average Forestar residential lot sale price for the TTM ended 12/31/2020 was ~\$83,900⁽¹⁾
- Compelling demand from entry-level buyers, but lack of inventory is a constraint
- D.R. Horton offers homes at all price points, with entry-level / first-time buyers representing a majority of closings
 - Entry-level Express Homes brand has increased from 5% of DHI closings in fiscal 2014 to 32% of closings in fiscal 2020
 - Public homebuilders have shifted towards entry-level, with the establishment of numerous entry-level brands over past five years

\$200k - \$300k homes average sales price (ASP) represents the largest cohort of homes sold by D.R. Horton and the broader housing market



D.R. Horton's Express Homes brand is a top 5 homebuilder by volume today⁽⁴⁾



Source: Company filings, Census, John Burns Real Estate Consulting

(1) Excludes any impact from change in contract liabilities

(2) Based on rolling twelve-month average of homes sold as of October 2020

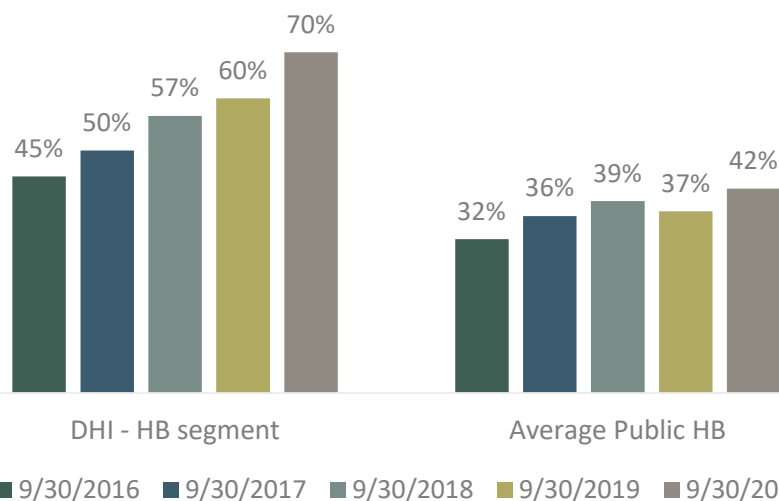
(3) Based on homes closed in FY 2020

(4) Based on fiscal year-end closings

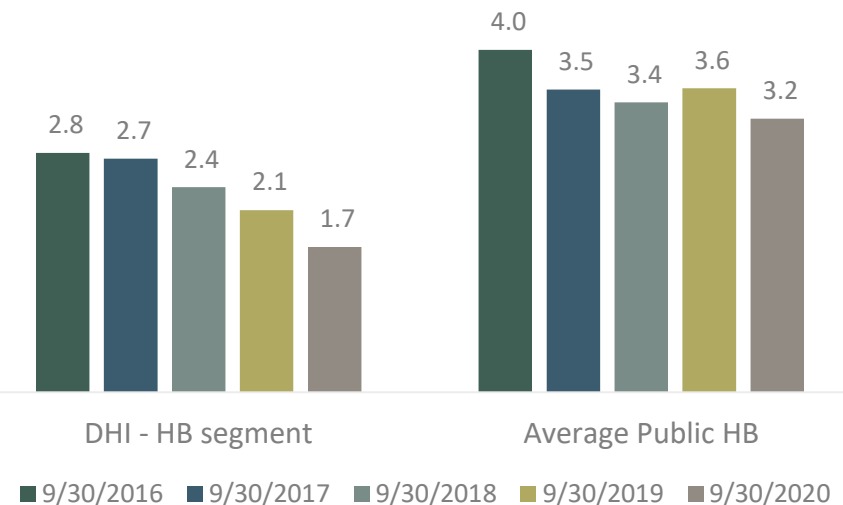
UNIQUELY POSITIONED TO PROVIDE RESIDENTIAL FINISHED LOTS

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 Aug 31

For TOL, data is as of the periods ended Oct 31

SEASONED LEADERS WITH DECADES OF LAND DEVELOPMENT EXPERIENCE

Experienced management team that knows how to consolidate market share and navigate 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 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

East Region President

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

NICOLAS APARICIO

Florida Region 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 31.8% and strong liquidity position of ~\$580 million

FINANCIAL POSITION AS OF 12/31/20

- \$237M unrestricted cash and cash equivalents
- \$380M unsecured revolving credit facility
- ~\$580M total liquidity⁽¹⁾
- \$350M 8.0% senior notes due 2024
- \$300M 5.0% senior notes due 2028
- \$893M stockholders' equity
- 31.8% 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⁾ 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

Q1 2021 AND FY 2020 HIGHLIGHTS

■ Operating highlights

- Residential lots sold increased **47% to 3,567 lots** in Q1 FY 2021 compared to 2,422 lots in Q1 FY 2020
- **77,500 lots at 12/31/20**, of which 52,300 were owned and 25,200 were controlled through purchase contracts
 - 34,900, or 67%, of owned lots were under contract to sell or subject to a right of first offer to D.R. Horton

■ Financial highlights

Three months ended 12/31/20

\$307M

Revenues

24%

YoY Revenue Growth

\$16M

SG&A Expense

5%

SG&A Margin

\$29M

Pre-Tax Income

10%

Pre-Tax Margin

\$22M

Net Income

\$0.46

Net Income per Share

Fiscal year ended 9/30/20

\$932M

Revenues

118%

YoY Revenue Growth

\$46M

SG&A Expense

5%

SG&A Margin

\$78M

Pre-Tax Income

8%

Pre-Tax Margin

\$61M

Net Income

\$1.26

Net Income per Share

APPENDIX

INCOME STATEMENT

	3 MONTHS ENDED		FISCAL YEAR ENDED	
	12/31/2020	12/31/2019	9/30/2020	9/30/2019
Residential lots sold:	3,567	2,422	10,373	4,132
Development projects	3,102	1,406	7,316	2,610
Lot banking projects	465	1,016	3,057	1,522
 Average sales price per lot ⁽¹⁾	\$ 86,000	\$ 90,300	\$ 84,600	\$ 84,200
 Revenues⁽²⁾	\$ 307.1	\$ 247.2	\$ 931.8	\$ 428.3
Gross profit	44.2	30.6	118.1	65.6
Selling, general and administrative expense	15.5	10.5	45.7	28.9
(Gain) loss on sale of assets	-	0.1	(0.1)	(3.0)
Equity in (loss) earnings of unconsolidated ventures	(0.2)	(0.5)	(0.7)	(0.5)
Interest and other income	(0.3)	(1.7)	(4.9)	(5.5)
Income before income taxes	29.2	22.2	78.1	45.7
Income tax expense	7.1	5.4	16.4	9.4
Net income	22.1	16.8	61.7	36.3
Net income (loss) attributable to noncontrolling interests	0.1	(0.1)	0.9	3.3
Net income attributable to Forestar Group Inc.	\$ 22.0	\$ 16.9	\$ 60.8	\$ 33.0
 Net income per diluted share	\$ 0.46	\$ 0.35	\$ 1.26	\$ 0.79

\$ in millions except per share data

Unaudited

(1) Excludes any impact from change in contract liabilities or deferred revenue

(2) Revenues include \$0.1 million and \$30.1 million in tract sales and other revenue for three months ended December 31, 2020 and 2019, respectively, and \$51.5 million and \$76.6 million in tract sales and other revenue for the fiscal years ended September 30, 2020 and 2019, respectively



FORESTAR 22

BALANCE SHEET

	12/31/2020	9/30/2020	12/31/2019
Cash and cash equivalents	\$ 237.4	\$ 394.3	\$ 373.3
Real estate	1,540.5	1,309.7	1,066.8
Investment in unconsolidated ventures	1.0	3.6	5.9
Other assets	30.3	32.3	22.1
Deferred tax asset, net	-	-	11.8
Total assets	\$ 1,809.2	\$ 1,739.9	\$ 1,479.9
Debt	\$ 654.1	\$ 641.1	\$ 462.1
Earnest money on sales contracts	118.5	98.3	89.7
Other liabilities	134.6	123.0	102.5
Deferred tax liability, net	7.9	5.7	0.0
Stockholders' equity	893.1	870.9	825.5
Noncontrolling interests	1.0	0.9	0.1
Total equity	894.1	871.8	825.6
Total liabilities and equity	\$ 1,809.2	\$ 1,739.9	\$ 1,479.9
Net debt to total capital⁽¹⁾	31.8%	22.1%	9.7%
Debt to total capital⁽¹⁾	42.3%	42.4%	35.9%

\$ 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:
 - Accounting, Finance and Treasury assistance
 - Tax Law Compliance and Filings
 - Human Resources, Payroll and Benefits
 - Legal: Securities, Corporate Governance, Litigation and Risk Management
 - Internal Audit
 - Information Technology
 - Investor and Public Relations
- 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