



Investor Presentation

Q2 2021

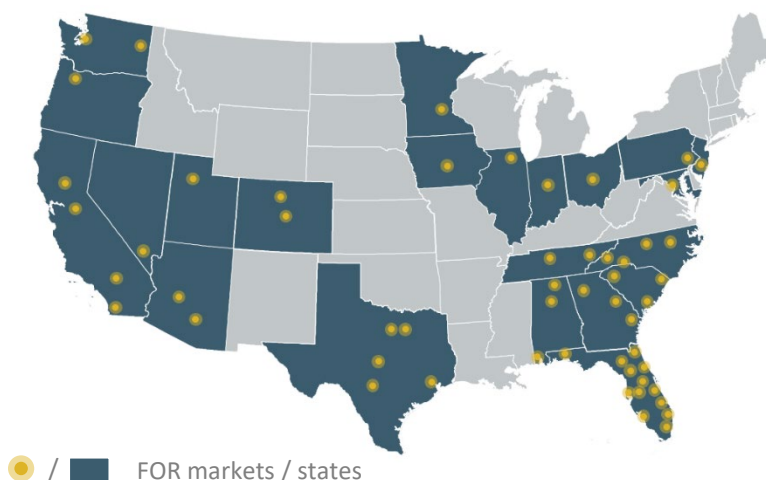
FORWARD-LOOKING STATEMENTS

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**
 - Develops and sells 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 by volume**
 - 75% of common shares acquired by DHI in 2017; 64% owned currently by DHI⁽¹⁾
 - 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 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 54 markets across 22 states⁽¹⁾



Current Snapshot ⁽¹⁾	
Owned and Controlled Lot Position	84,500
Owned Lots Under Contract or Subject to Right of First Offer to DHI	37,100
Revenues	~\$1.12bn
Liquidity ⁽²⁾	~\$500mm
Equity Market Cap ⁽³⁾	~\$1.25bn

(1) As of or for the TTM ended 3/31/21 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 4/19/2021

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 DHI

- Strategic alignment and access to DHI network of markets, experienced team and 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 and provides enhanced access to capital markets

FORESTAR INVESTMENT HIGHLIGHTS



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



- ✓ **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

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)

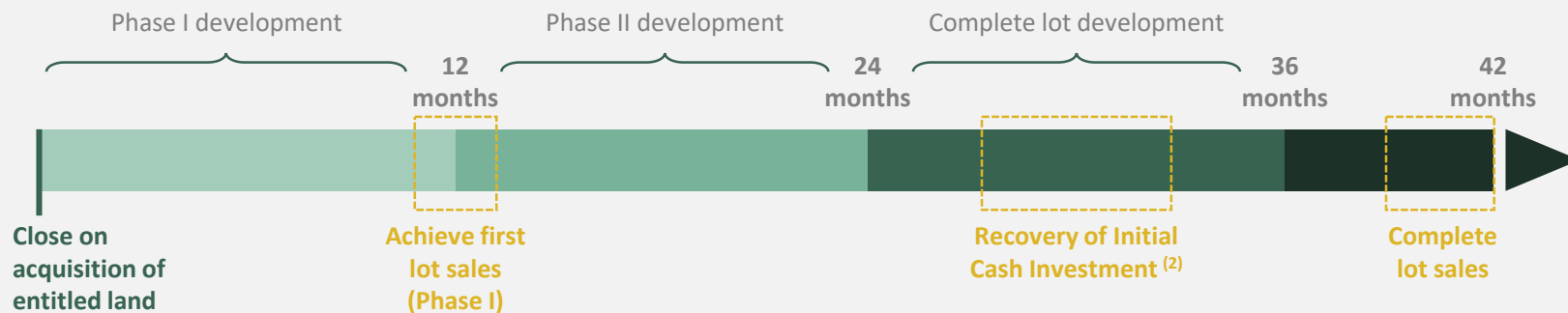
- Phased development
- ~50% of development cost is grading and utilities
- ~50% of development cost is roads, landscape, amenities, engineering, fees and all other



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

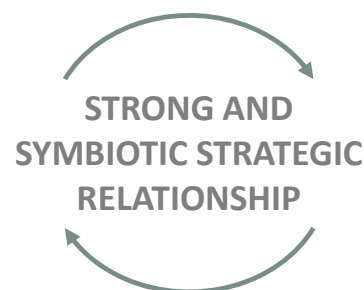
(1) Return on inventory is calculated as pre-tax income divided by average inventory over the life of a project

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

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 (91 markets in 29 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

- 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

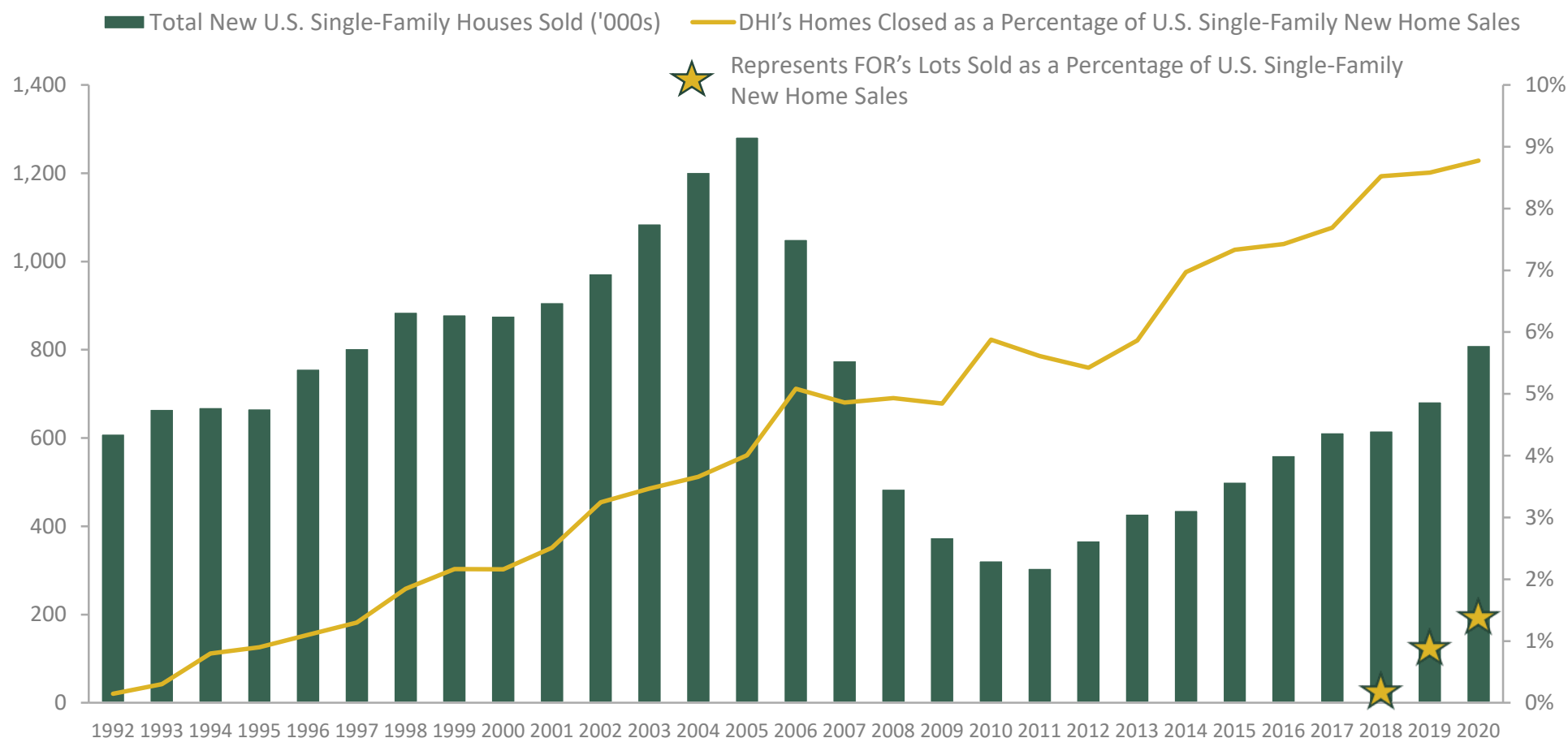
Relationship with DHI further strengthens FOR's competitive advantages

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 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

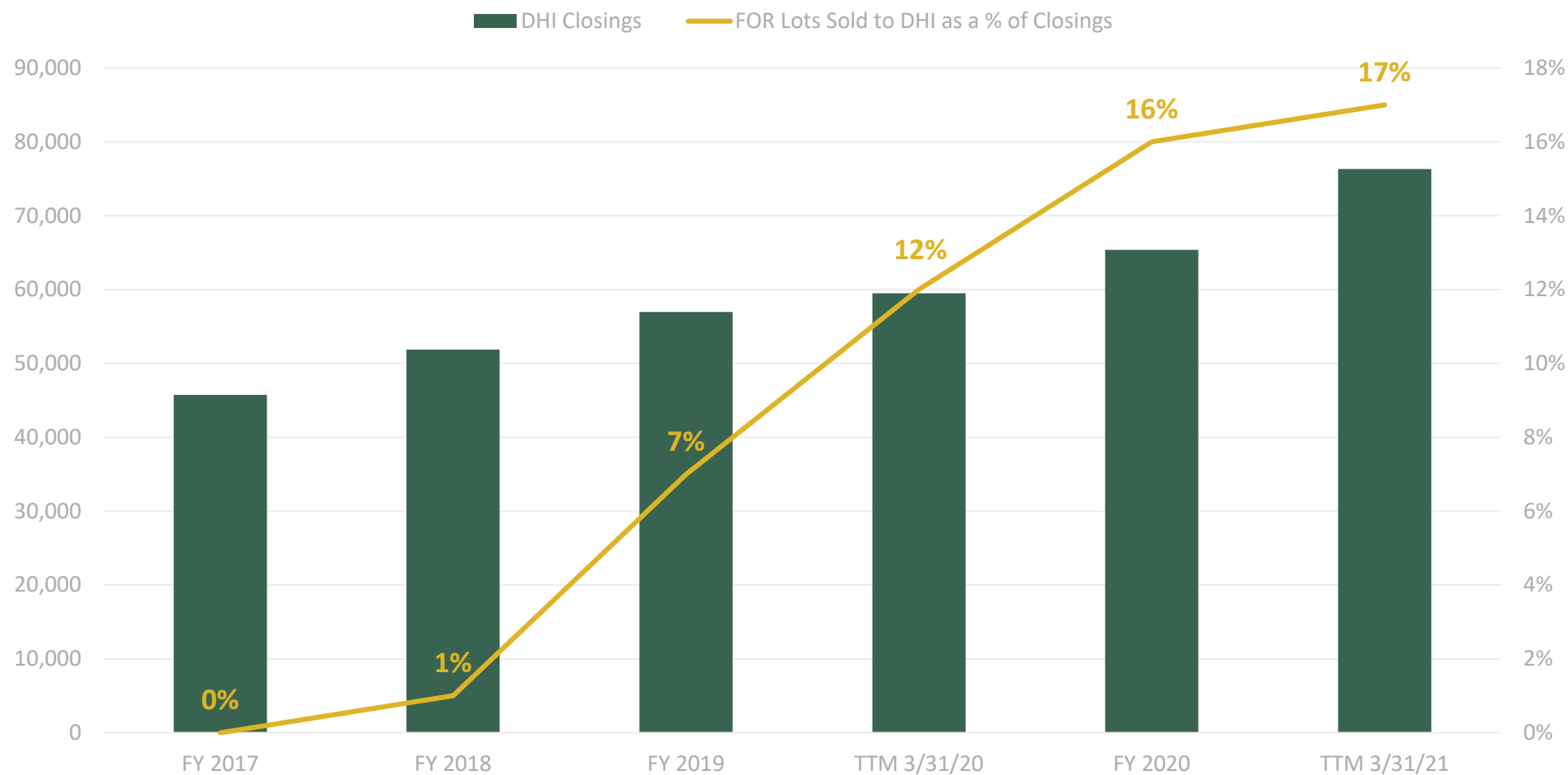


Source: Company filings, Census

Note: Periods represent full calendar year

FOR'S GROWING SHARE OF DHI'S LOT NEEDS

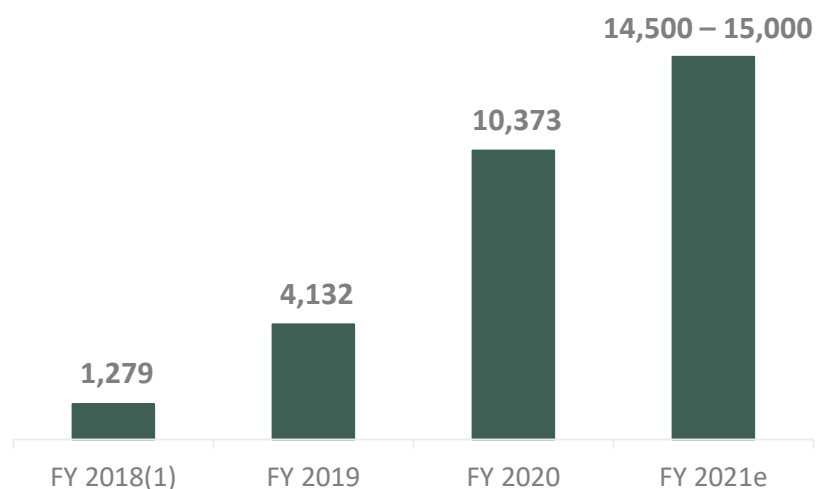
FOR is quickly becoming an essential lot supplier to DHI



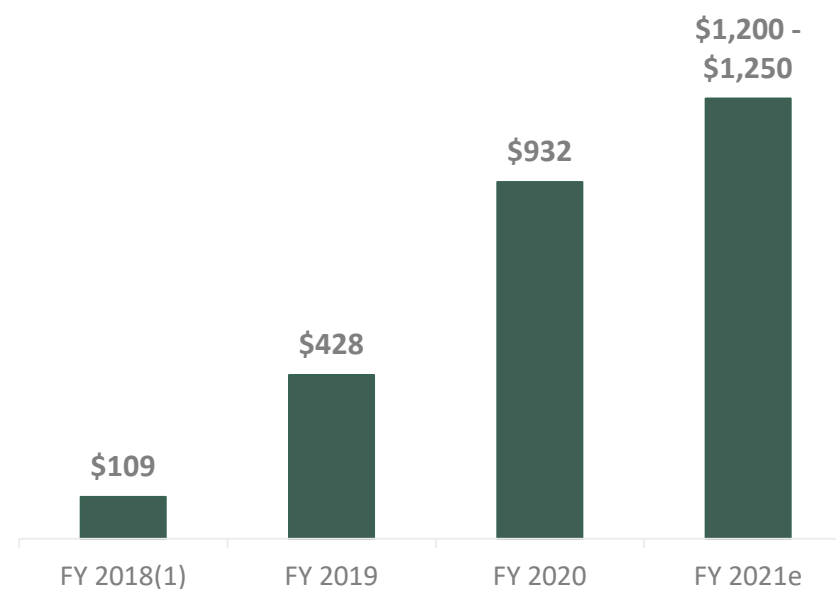
COMPELLING GROWTH STORY

Based on current market conditions, Forestar expects to grow its lot deliveries 40% to 45% in fiscal 2021 and to generate approximately \$1.20 to \$1.25 billion of revenue, with a pre-tax profit margin of 10.0% to 10.5%

Lot Deliveries



Total Revenue

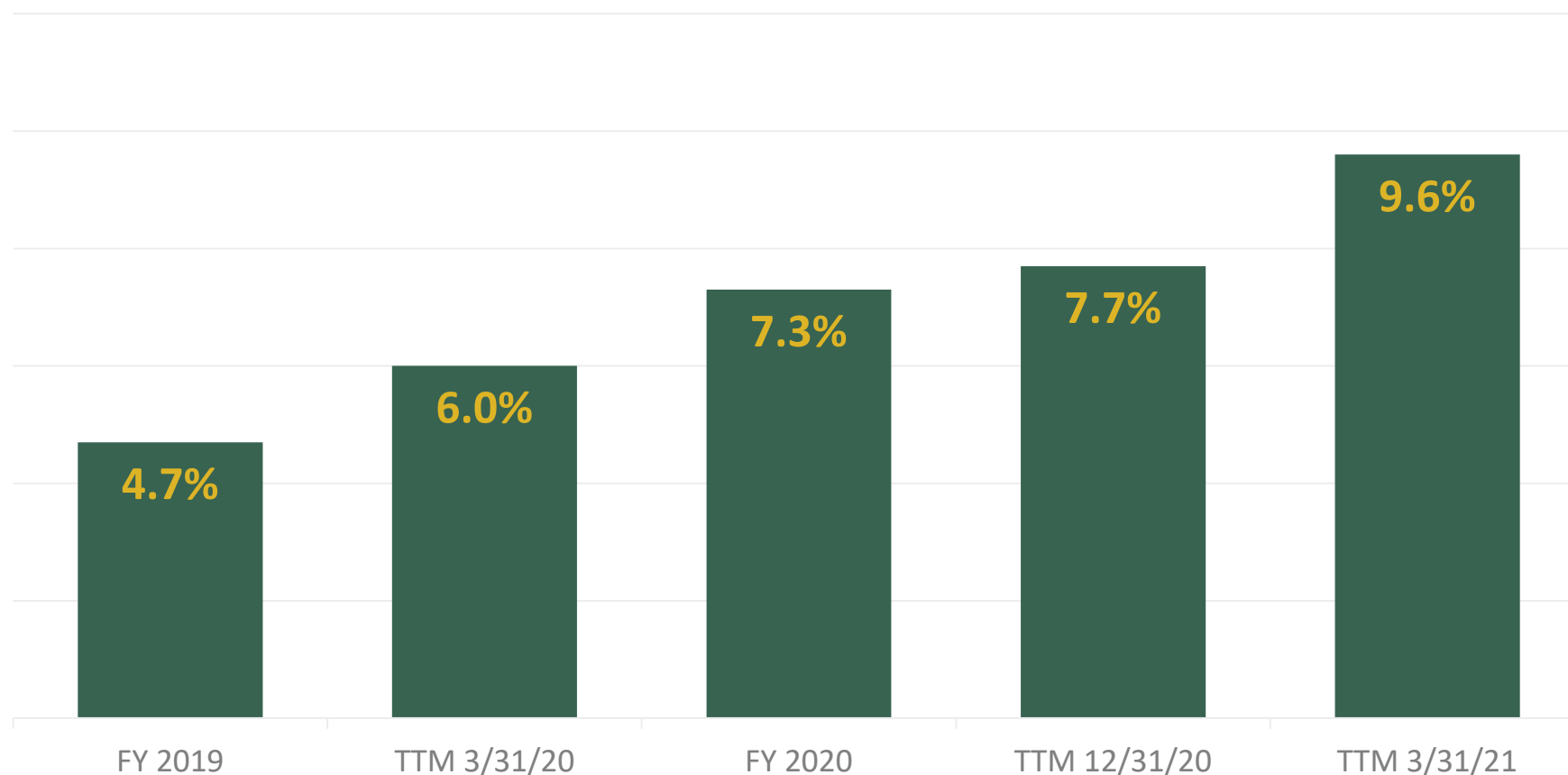


\$ in millions

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 and excludes lots sold to unconsolidated ventures

RETURN ON EQUITY (ROE)

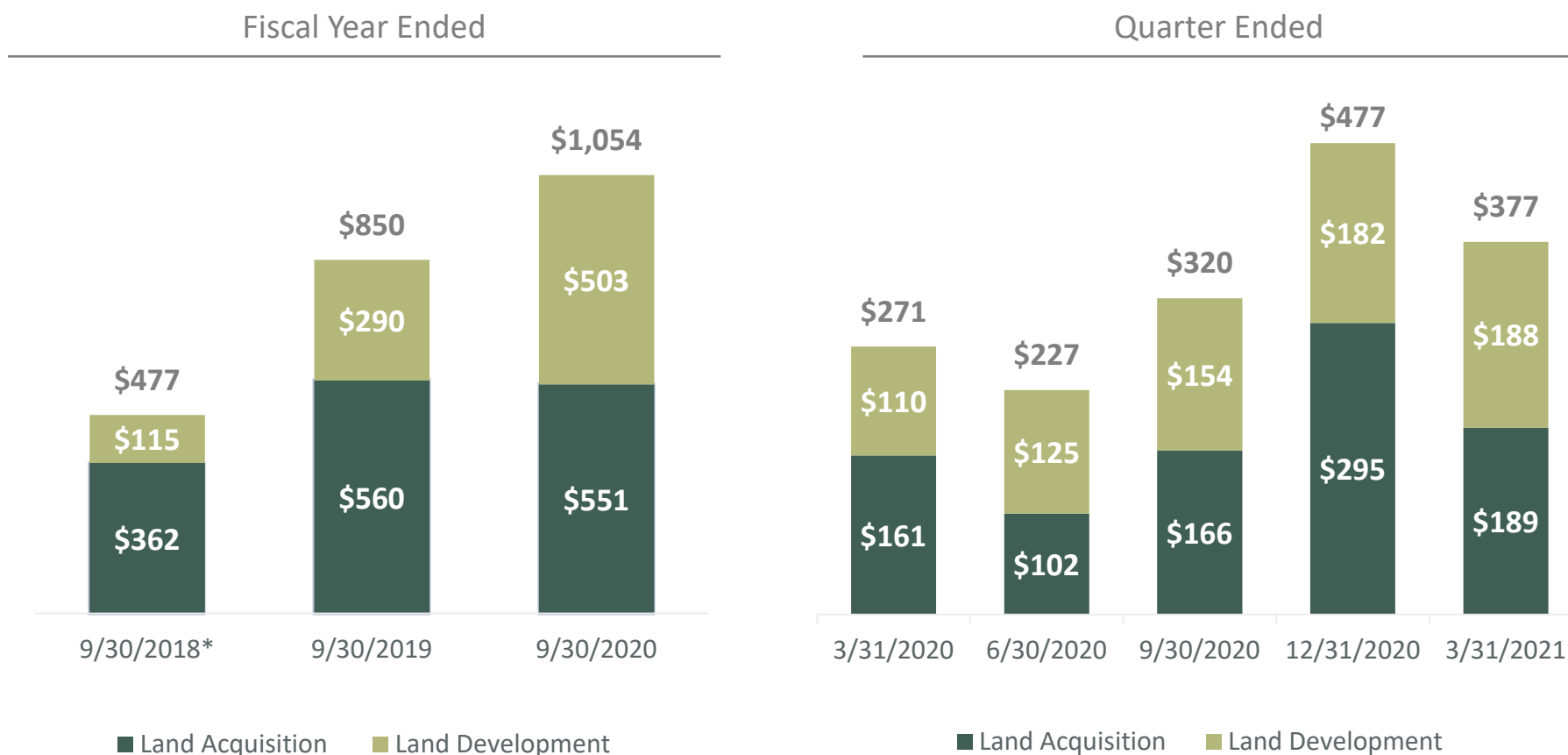
Our high-turnover, lower-risk manufacturing strategy led to a 360 basis point year-over-year improvement in Forestar's return on equity



ROE is calculated as net income divided by average stockholders' equity, where average stockholders' equity is the sum of ending stockholders' equity balances for the trailing five quarters divided by five

LAND AND DEVELOPMENT INVESTMENTS

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

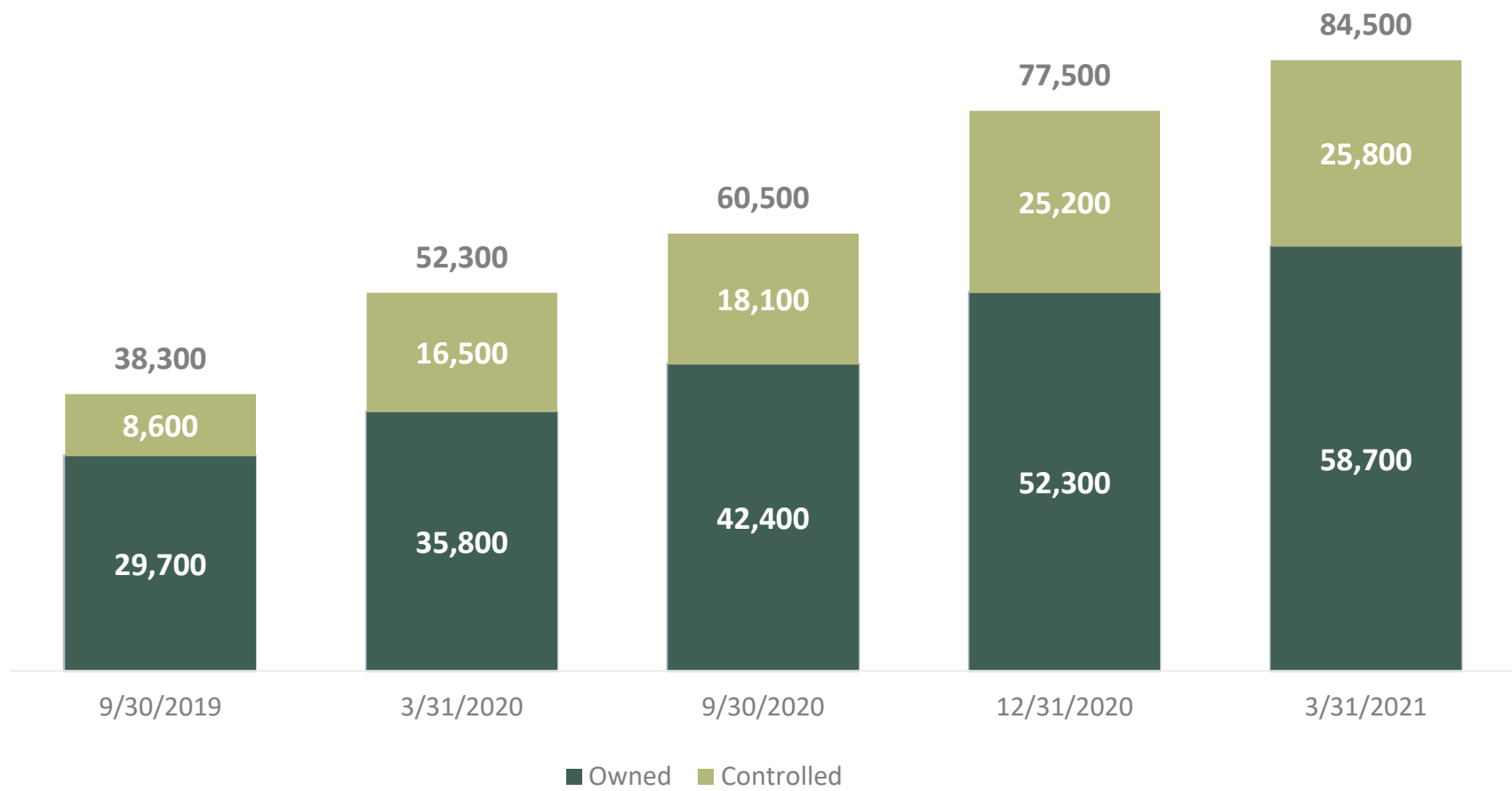


\$ in millions

*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

GROWING LOT POSITION

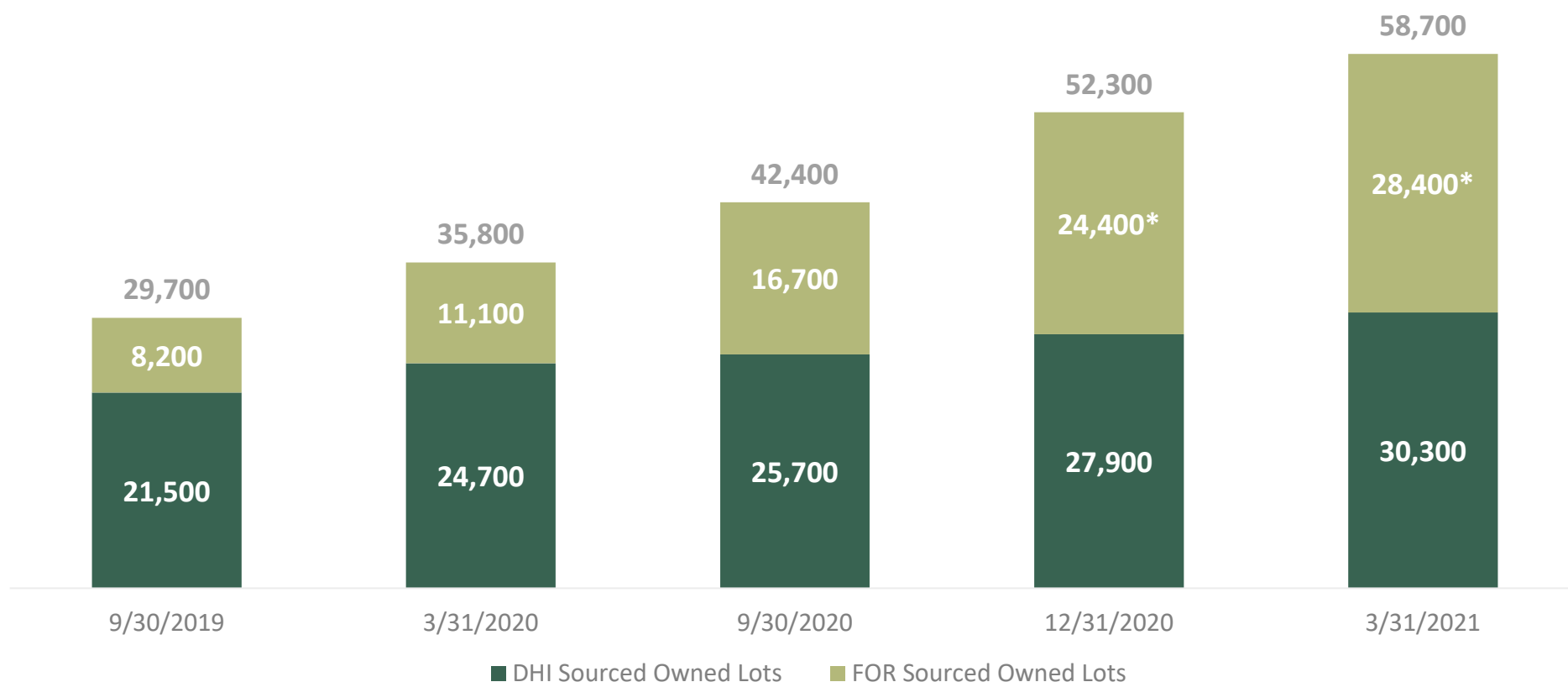
Consistent with Forestar's focus on capital efficiency, the portion of its land and lot supply that is controlled via purchase contracts is increasing, supporting higher returns in the future



Includes lots that DHI has under contract or the right of first offer to purchase of 37,100, 34,900, 30,400, 28,600 and 23,400 and at 3/31/21, 12/31/20, 9/30/20, 3/31/20 and 9/30/19, respectively

EXPANDING LOT SOURCING CAPABILITIES

- Forestar sourced lots have increased to 48% of total owned lots, up from 31% a year ago, which is expected to drive increases in gross and pre-tax profit margins
- Forestar is targeting a 3- to 4-year owned lot inventory

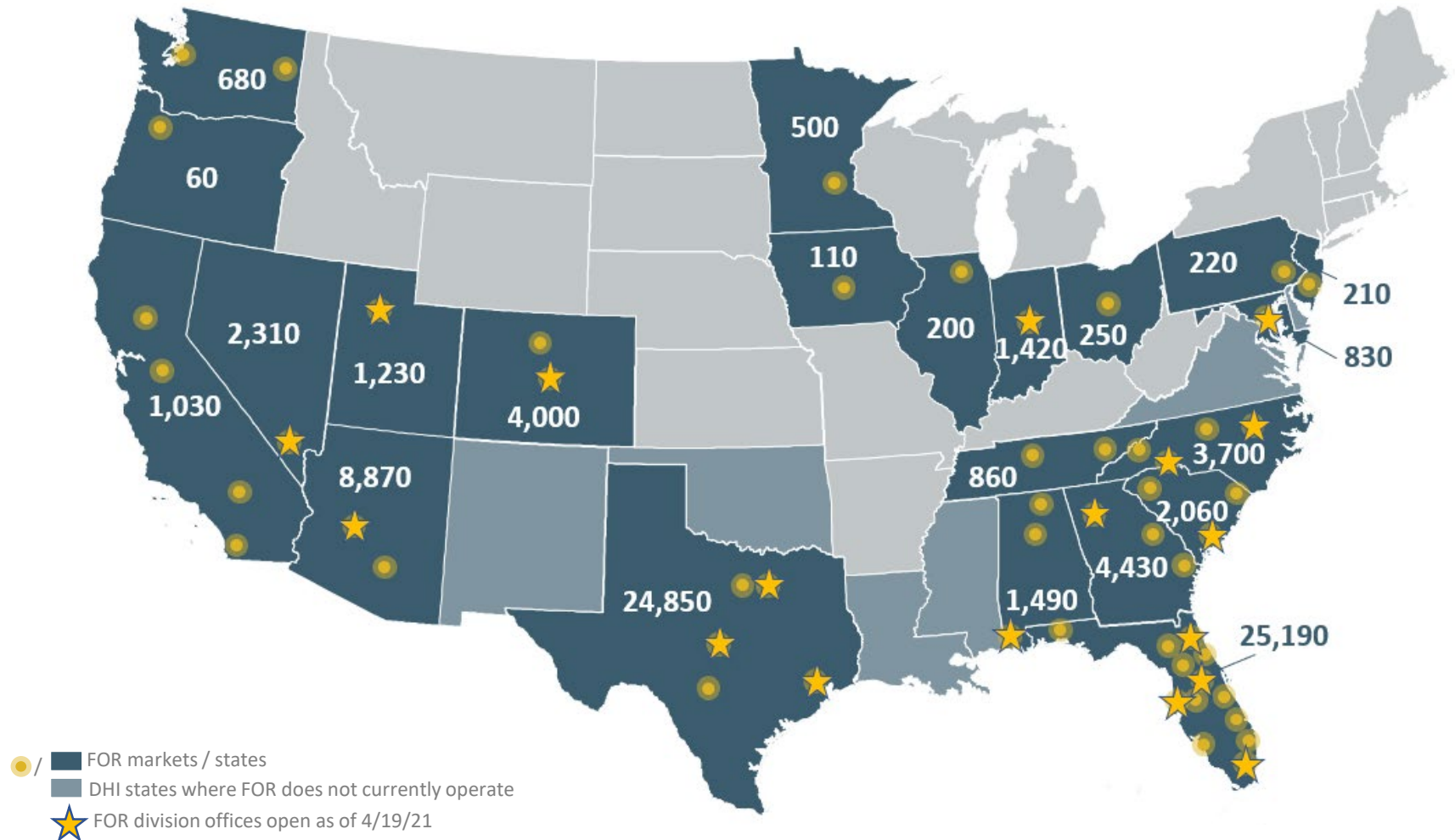


*Forestar sourced owned lot count at 3/31/21 and 12/31/20 includes 200 lots and 100 lots that were sourced by a third-party builder, respectively

DIVERSIFIED FOOTPRINT

54 MARKETS | 22 STATES

Portfolio of 84,500 lots as of March 31, 2021



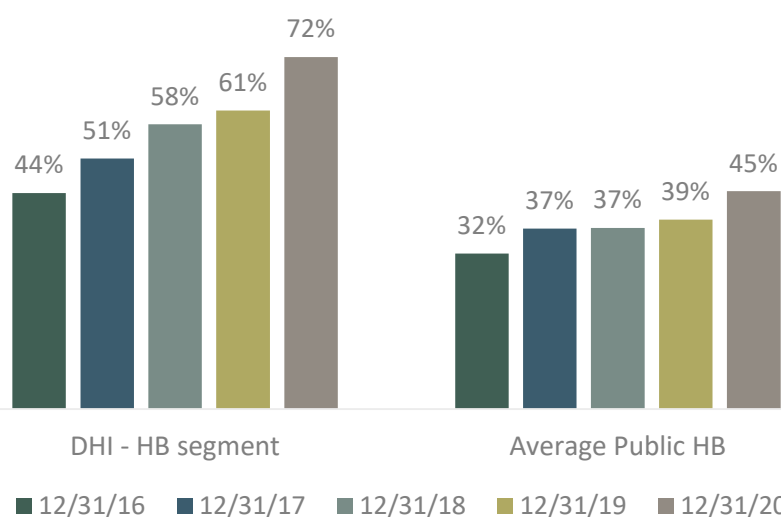
Lot Position by State and Markets as of 3/31/21

Of total lot position at 3/31/21, 58,700 are owned and 25,800 are controlled through purchase contracts

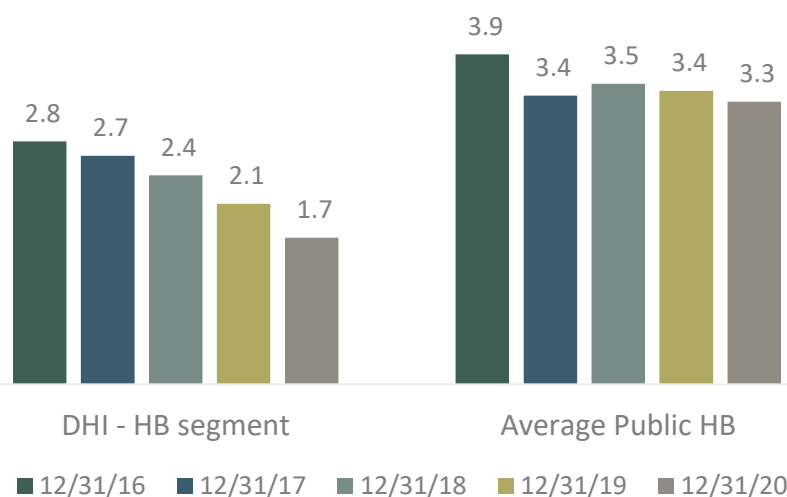
UNIQUELY POSITIONED TO PROVIDE FINISHED LOTS

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 Nov 30

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

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

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 34.1% and strong liquidity position of ~\$500 million
- In April 2021, Forestar issued \$400 million of 3.85% senior notes due 2026 replacing \$350 million of 8.00% senior notes due 2024, which will result in substantial interest savings
- In April 2021, Forestar amended its revolving credit facility, increasing the facility size to \$410 million and extending the maturity date from October 2022 to April 2025

FINANCIAL POSITION AS OF 3/31/21

- \$167M unrestricted cash and cash equivalents
- \$380M unsecured revolving credit facility⁽¹⁾
- ~\$500M total liquidity⁽²⁾
- \$350M 8.0% senior notes due 2024⁽³⁾
- \$300M 5.0% senior notes due 2028
- \$944M stockholders' equity
- 34.1% net debt to total capital⁽⁴⁾

DISCIPLINED FINANCIAL POLICY

- Strict lot development investment underwriting:
 - $\geq 15\%$ return on inventory (ROI)⁽⁵⁾
 - ≤ 36 -month cash recovery of phase 1 investment
- Net debt to capital⁽²⁾ of $\leq 40\%$
- Maintain strong liquidity
- Balanced financing plan including both debt and equity

(1) In April 2021, the senior unsecured revolving credit facility was amended to extend its maturity date from October 2022 to April 2025. The facility size was increased to \$410 million with an uncommitted accordion feature that could increase the size of the facility to \$600 million

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

(3) In April 2021, the Company issued \$400 million principal amount of 3.85% senior notes; a portion of these proceeds will be used to redeem the \$350 million principal amount of 8.0% senior notes due April 15, 2024 in full

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

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

Q2 2021 AND FYTD 2021 HIGHLIGHTS

- Operating highlights

- Residential lots sold increased 84% to **3,588 lots** in Q2 FY 2021 compared to 1,951 lots in Q2 FY 2020
- **84,500 lots at 3/31/21**, of which 58,700 were owned and 25,800 were controlled through purchase contracts
 - 37,100, or 63%, 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 3/31/21

\$287M

Revenues

80%

YoY Revenue Growth

\$16M

SG&A Expense

6%

SG&A Margin

\$38M

Pre-Tax Income

13%

Pre-Tax Margin

\$28M

Net Income

\$0.59

Net Income per Share

Six months ended 3/31/21

\$594M

Revenues

46%

YoY Revenue Growth

\$32M

SG&A Expense

5%

SG&A Margin

\$67M

Pre-Tax Income

11%

Pre-Tax Margin

\$50M

Net Income

\$1.04

Net Income per Share

APPENDIX

INCOME STATEMENT

	3 MONTHS ENDED		6 MONTHS ENDED	
	3/31/2021	3/31/2020	3/31/2021	3/31/2020
Residential lots sold:	3,588	1,951	7,155	4,373
Development projects	3,174	1,272	6,276	2,678
Lot banking projects	414	679	879	1,695
 Average sales price per lot ⁽¹⁾	 \$ 78,100	 \$ 79,700	 \$ 82,100	 \$ 85,600
Revenues⁽²⁾	\$ 287.1	\$ 159.1	\$ 594.2	\$ 406.4
Gross profit	53.3	22.5	97.5	53.2
Selling, general and administrative expense	16.3	11.2	31.8	21.7
Gain on sale of assets	-	(0.3)	-	(0.1)
Equity in (loss) earnings of unconsolidated ventures	(0.1)	(0.3)	(0.3)	(0.8)
Interest and other income	(0.5)	(1.8)	(0.8)	(3.4)
Income before income taxes	37.6	13.7	66.8	35.8
Income tax expense	9.2	3.3	16.3	8.7
Net income	28.4	10.4	50.5	27.1
Net income attributable to noncontrolling interests	-	0.8	0.1	0.7
Net income attributable to Forestar Group Inc.	\$ 28.4	\$ 9.6	\$ 50.4	\$ 26.4
Net income per diluted share	\$ 0.59	\$ 0.20	\$ 1.04	\$ 0.55

\$ in millions except per share data

Unaudited

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

(2) Revenues include \$6.9 million and \$2.7 million in tract sales and other revenue for three months ended March 31, 2021 and 2020, respectively, and \$7.1 million and \$32.9 million in tract sales and other revenue for the six months ended March 31, 2021 and 2020, respectively

BALANCE SHEET

	3/31/2021	9/30/2020	3/31/2020
Cash and cash equivalents	\$ 167.2	\$ 394.3	\$ 438.2
Real estate	1,698.6	1,309.7	1,199.2
Investment in unconsolidated ventures	0.9	3.6	5.7
Other assets	32.2	32.3	24.5
Deferred tax asset, net	-	-	8.0
Total assets	\$ 1,898.9	\$ 1,739.9	\$ 1,675.6
Debt	\$ 654.6	\$ 641.1	\$ 640.1
Earnest money on sales contracts	140.2	98.3	100.6
Other liabilities	152.2	123.0	98.1
Deferred tax liability, net	7.4	5.7	-
Stockholders' equity	943.7	870.9	835.9
Noncontrolling interests	0.8	0.9	0.9
Total equity	944.5	871.8	836.8
Total liabilities and equity	\$ 1,898.9	\$ 1,739.9	\$ 1,675.6
Net debt to total capital⁽¹⁾	34.1%	22.1%	19.5%
Debt to total capital⁽¹⁾	41.0%	42.4%	43.4%

\$ 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