



Investor Presentation

Q4 2020

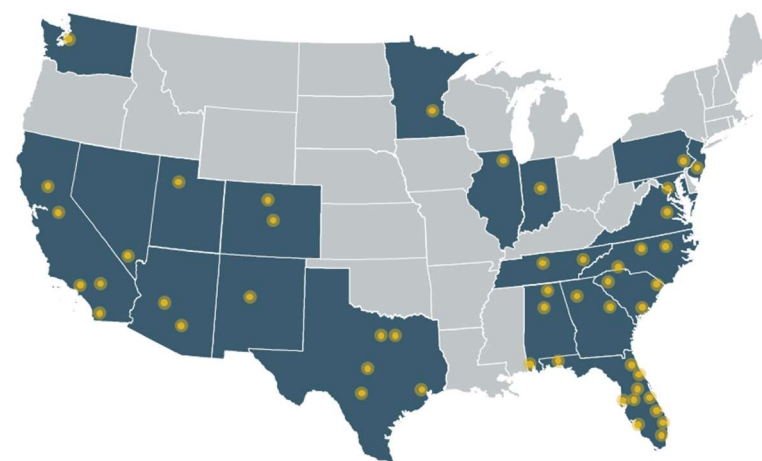
FORWARD-LOOKING STATEMENTS

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 vendors and 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 actions by other companies; accuracy of estimates and other assumptions related to investment in and development of real estate, the expected timing and pricing of land and lot sales and related cost of real estate sales; our ability to comply with our debt covenants, restrictions and limitations; our ability to hire and retain key personnel; changes in governmental policies, laws or regulations and actions or restrictions of regulatory agencies; general economic, market or business conditions where our real estate activities are concentrated; our ability to achieve our strategic initiatives; our ability to obtain future entitlement and development approvals; 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; the levels of resale housing inventory in our projects and the regions in which they are located; fluctuations in costs and expenses, including impacts from shortages in materials or labor; the opportunities (or lack thereof) that may be presented to us and that we may pursue; the strength of our information technology systems and the risk of cybersecurity breaches; and the conditions of the capital markets and our ability to raise capital to fund expected growth. Additional information about factors that could lead to material changes in performance is contained in Forestar’s annual report on Form 10-K and subsequent quarterly reports on Form 10-Q, all 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 investment grade rated public homebuilders in the U.S.
 - 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 49 markets across 21 states⁽¹⁾



● / ■ Current FOR markets / states

Current Snapshot ⁽¹⁾	
Owned and Controlled Lot Position	60,500
Owned Lots Under Contract or Subject to Right of First Offer to DHI	30,400
Revenues	~\$930M
Liquidity ⁽²⁾	~\$740M
Equity Market Cap ⁽³⁾	~\$860M

(1) As of or for the fiscal year ended 9/30/20 unless otherwise noted

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

(3) As of 11/4/2020

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 at scale with improved 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)

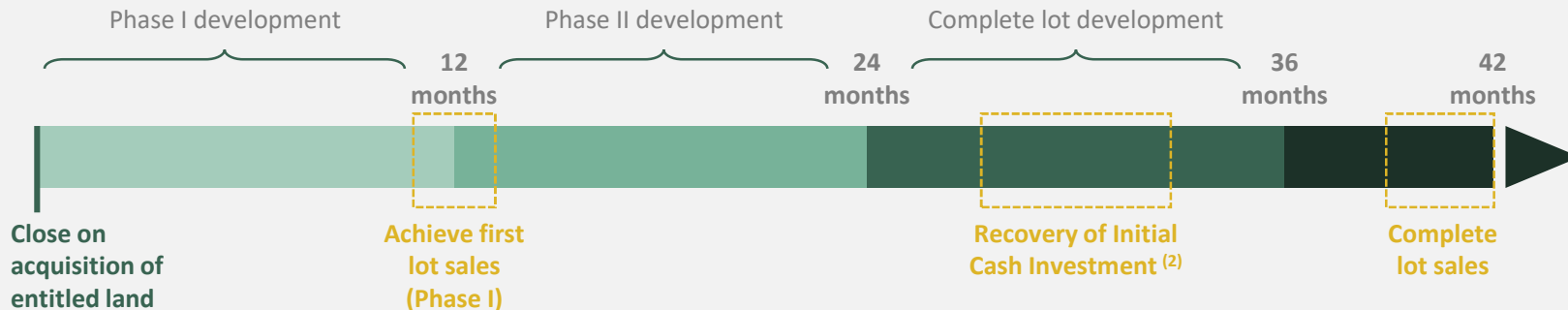
- Phased development
- Grading, roads, utilities and landscape / amenities



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



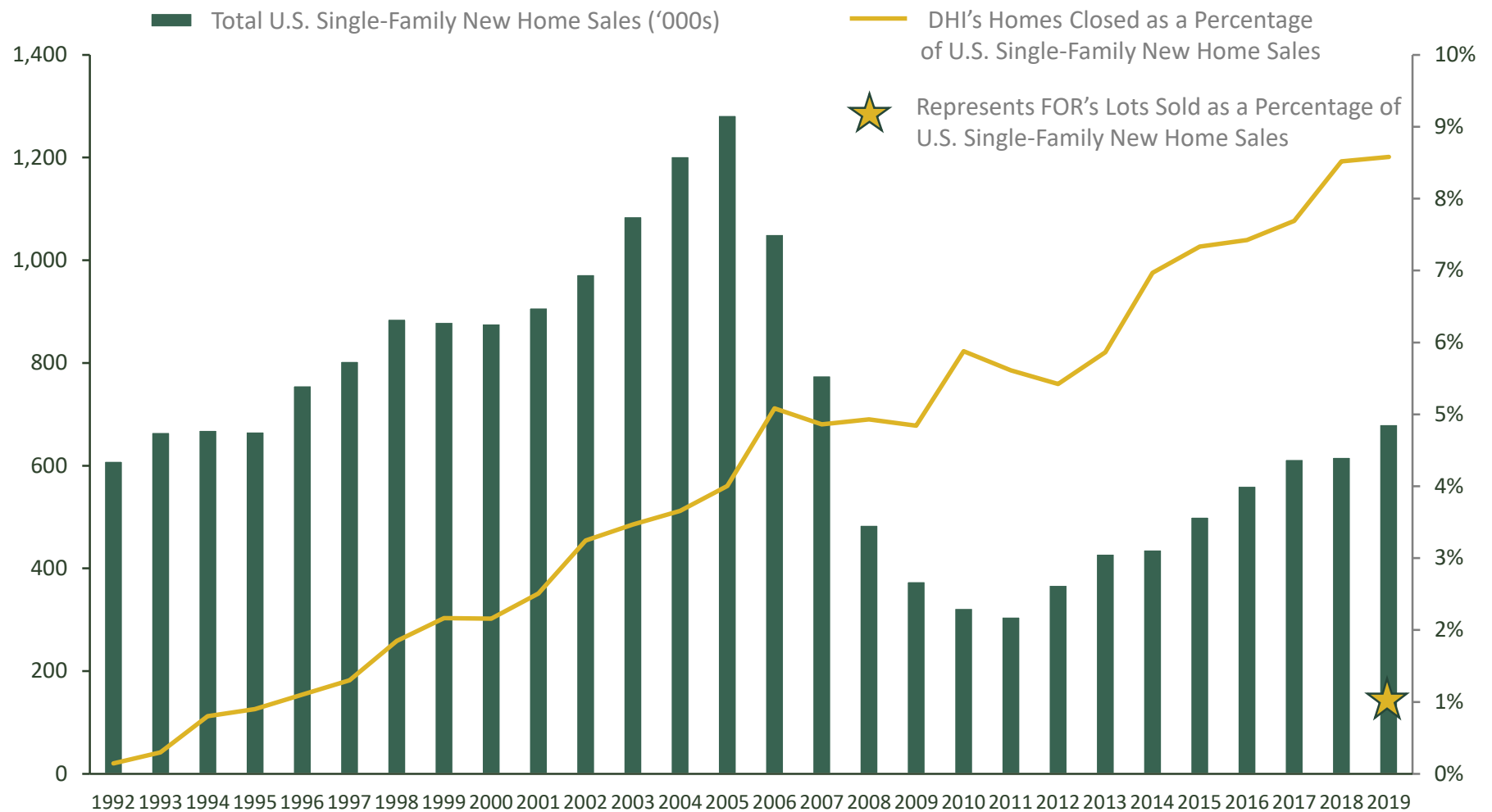
Alignment with the nation's largest builder provides support and stability in changing economic conditions

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

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

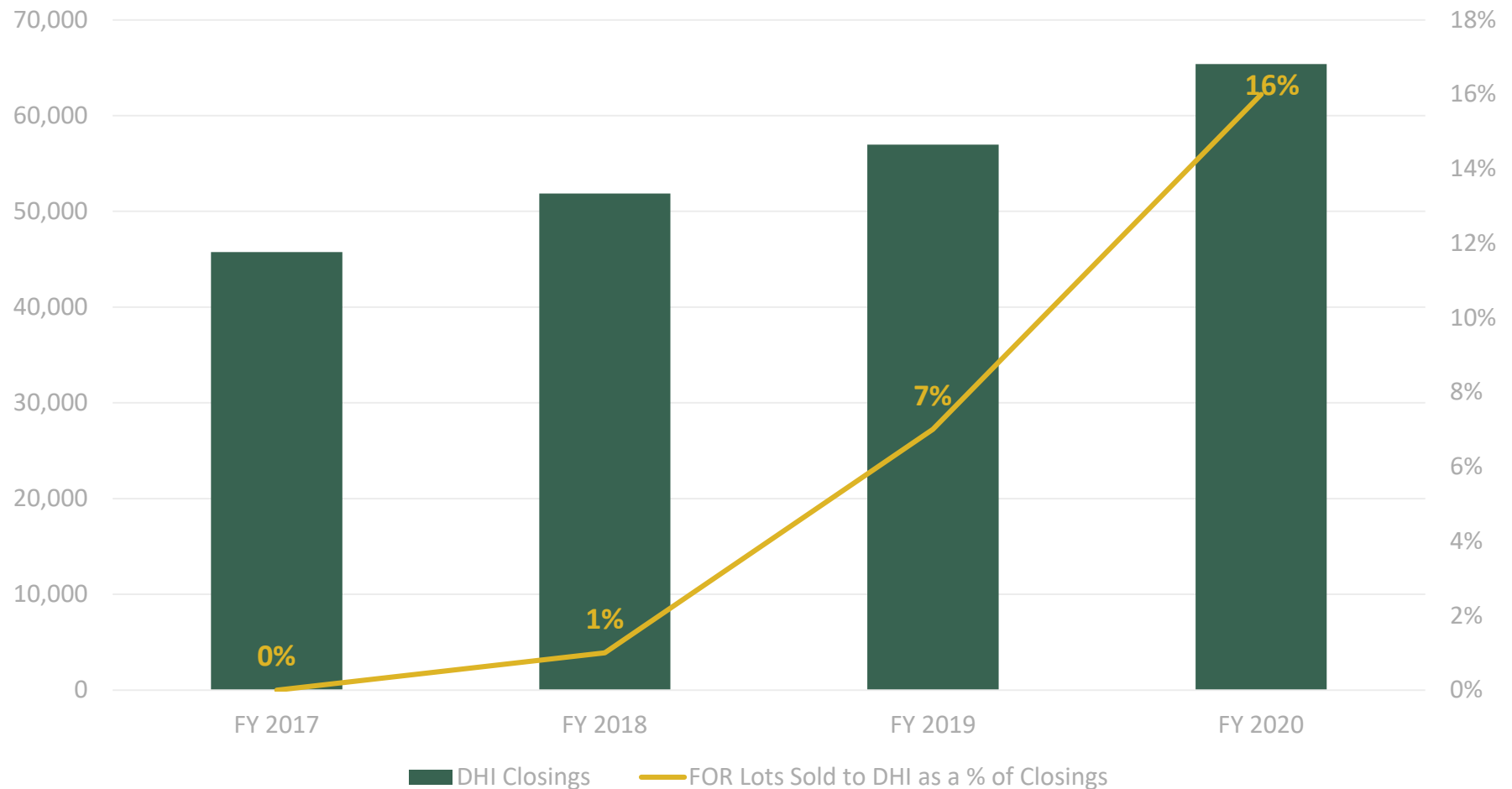
DHI GROWTH, CONSOLIDATION AND MARKET SHARE GAINS PROVIDE ROADMAP TO FOR



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

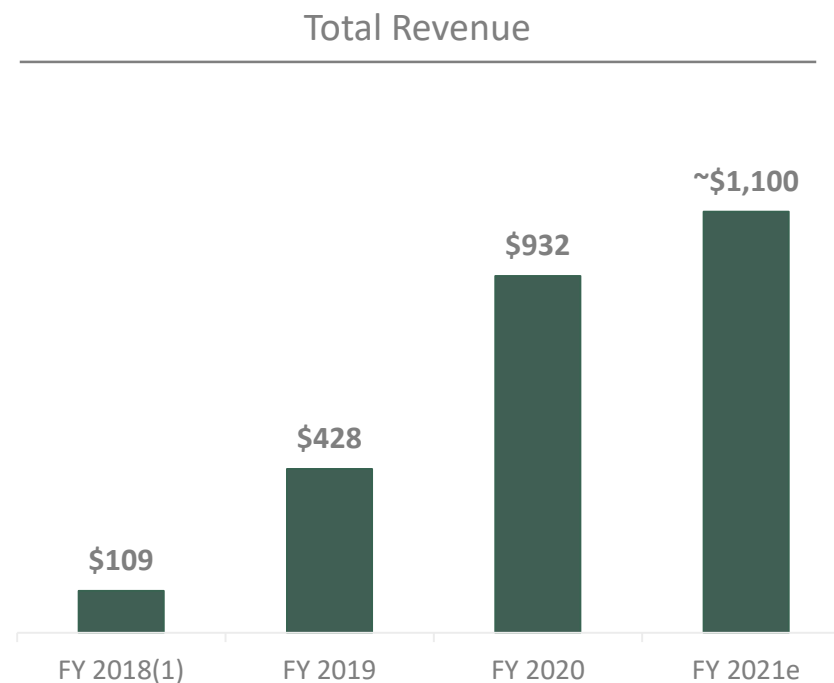
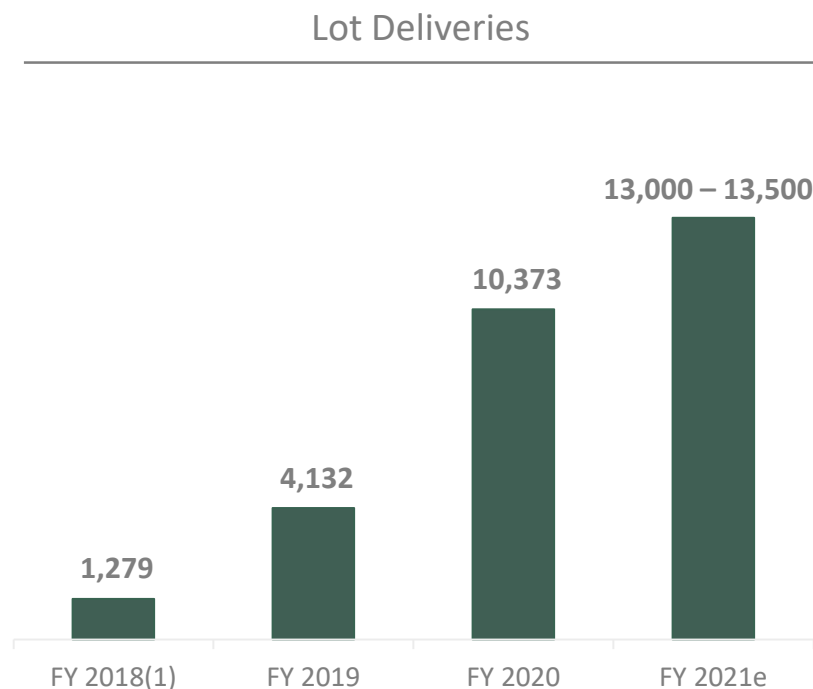
FOR'S GROWING SHARE OF DHI'S LOT NEEDS

Lots sold to DHI as a percentage of DHI's closings have more than doubled year-over-year



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 25% to 30% in fiscal 2021 and to generate approximately \$1.1 billion of revenue, with a pre-tax profit margin of ~10%

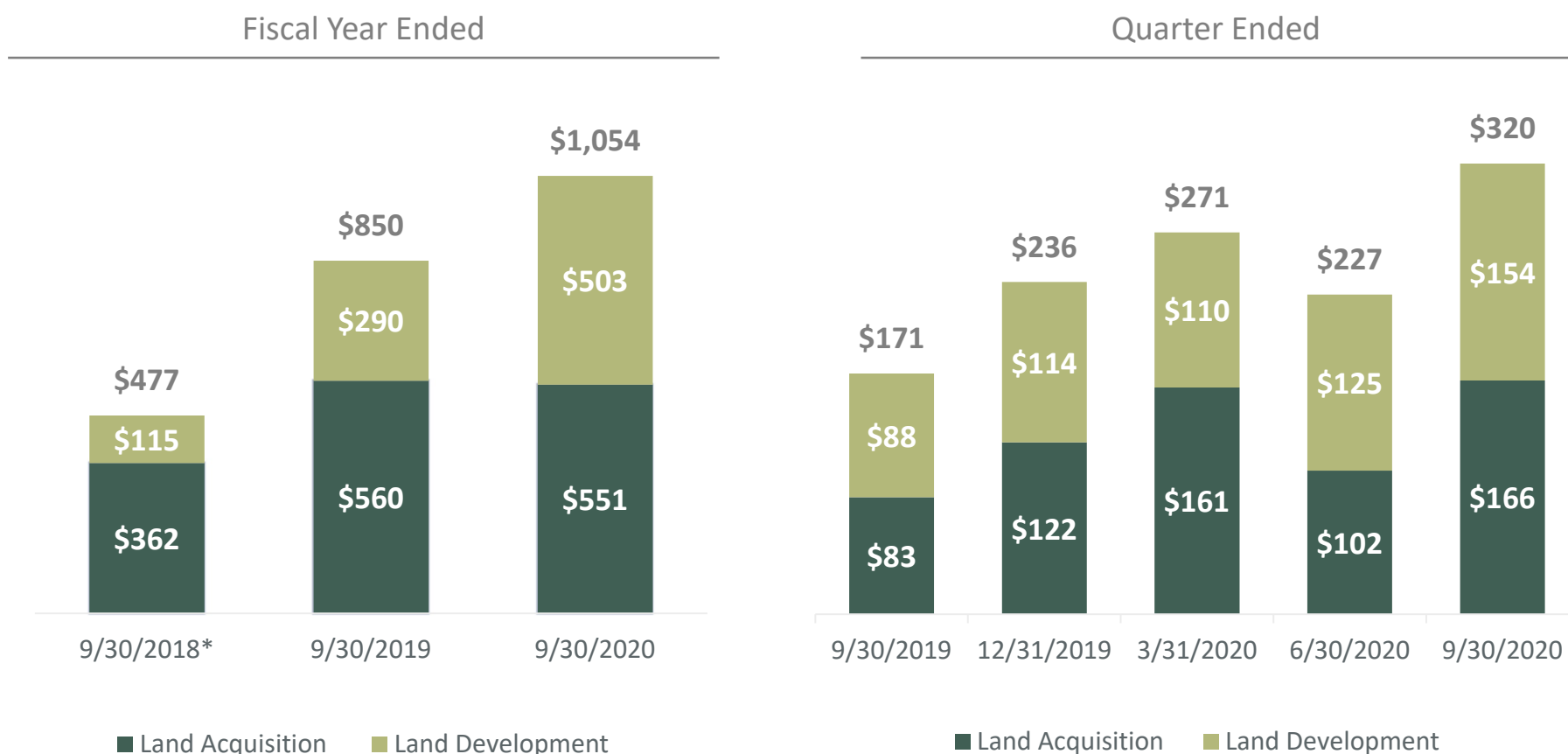


\$ in millions

(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

Despite briefly restricting its land purchase activity earlier in the year due to C-19, Forestar invested more than \$1.0 billion in land acquisition and development in fiscal 2020 and expects to invest at least \$1.25 billion in fiscal 2021

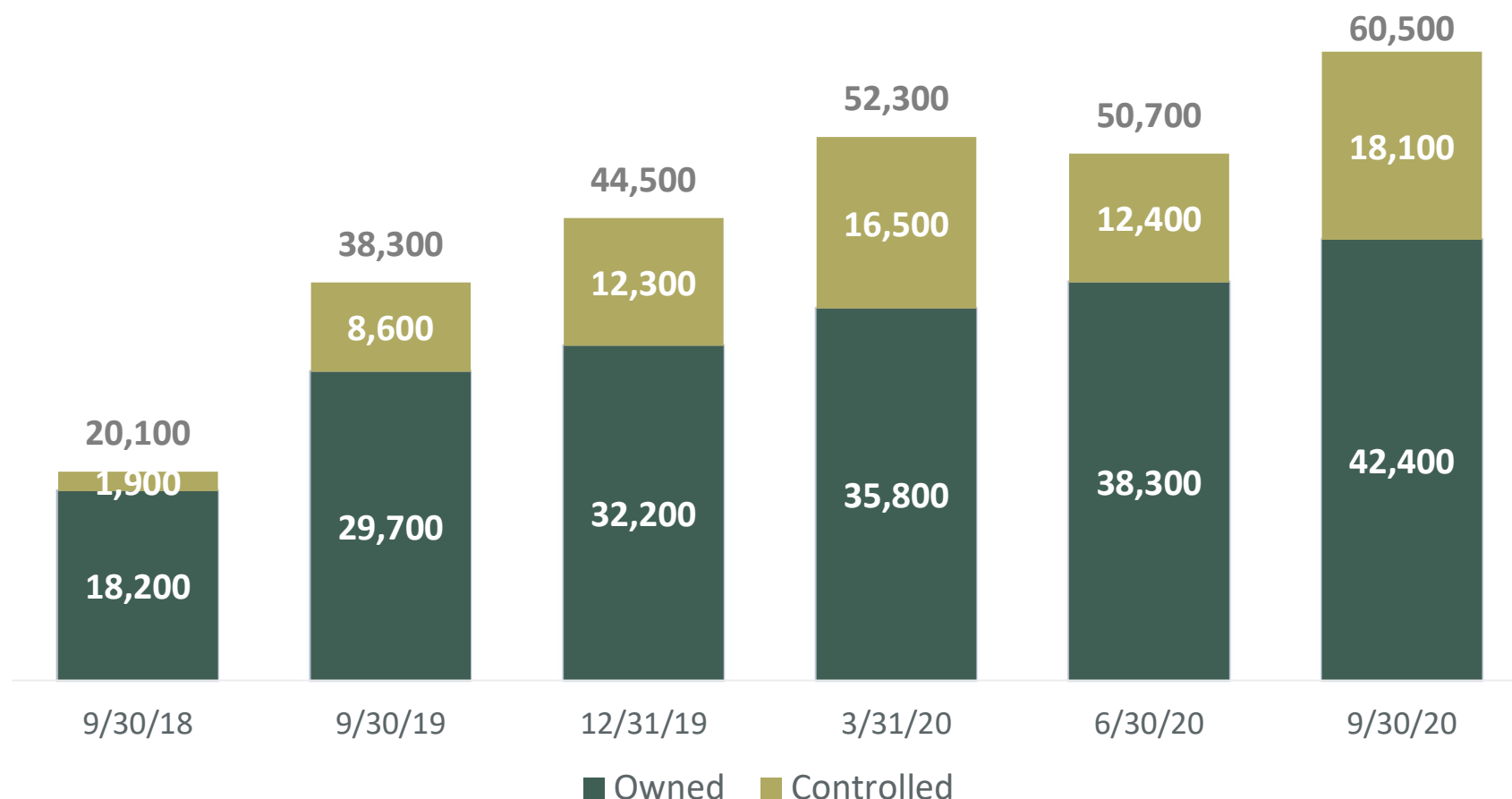


\$ in millions

*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

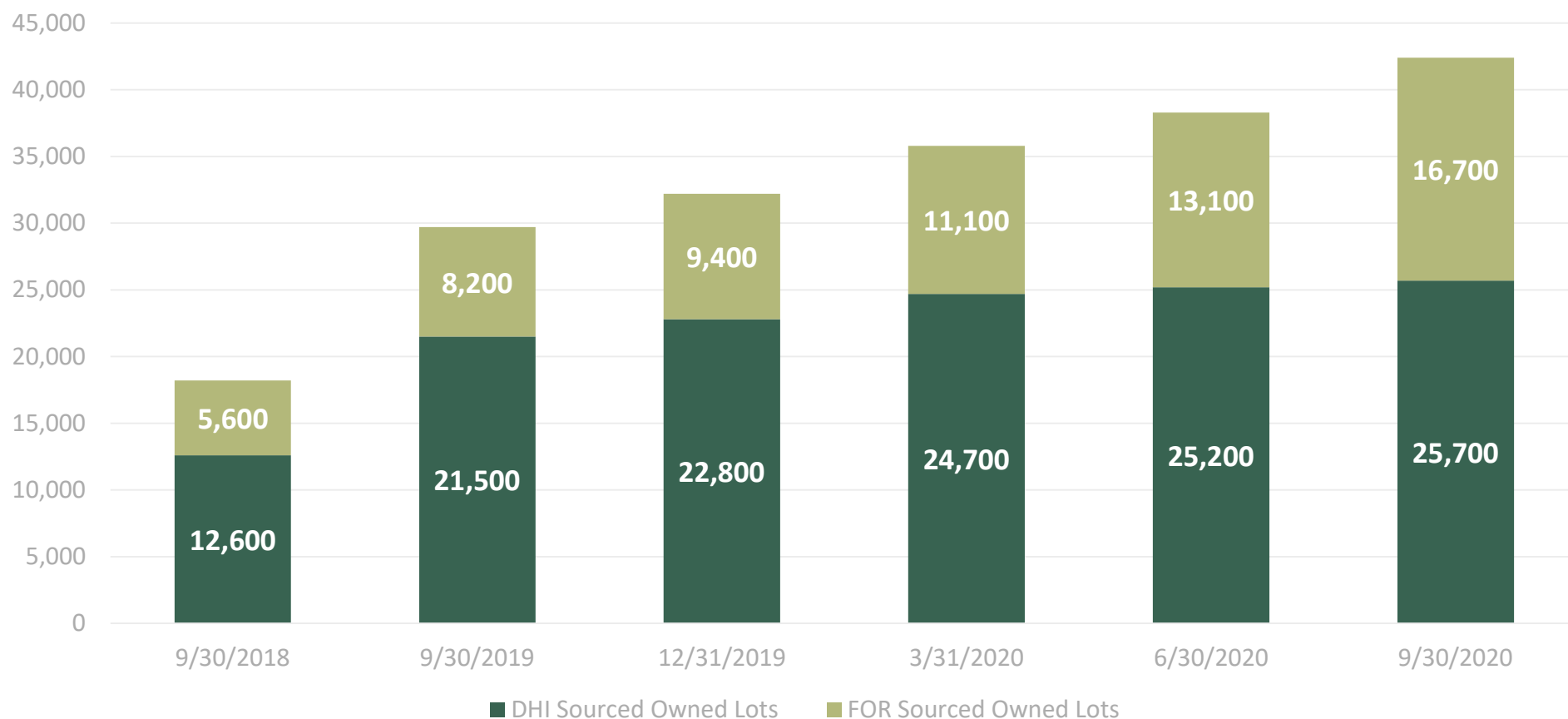
- Forestar is well-positioned to continue to significantly grow its lot deliveries
- Consistent with Forestar's focus on capital efficiency, the portion of its land and lot supply that is controlled via purchase contracts has increased



Includes lots that DHI has under contract or the right of first offer to purchase of 30,400, 29,600, 28,600, 25,600, 23,400, 24,100 and 13,600 at 9/30/20, 6/30/20, 3/31/20, 12/31/19, 9/30/19, 6/30/19 and 9/30/18, respectively.

SOURCING OF OWNED LOTS

As Forestar has expanded its operating platform, Forestar-sourced lots have increased to 39% of total owned lots, up from 28% a year ago, which is expected to drive improved pre-tax profit margins

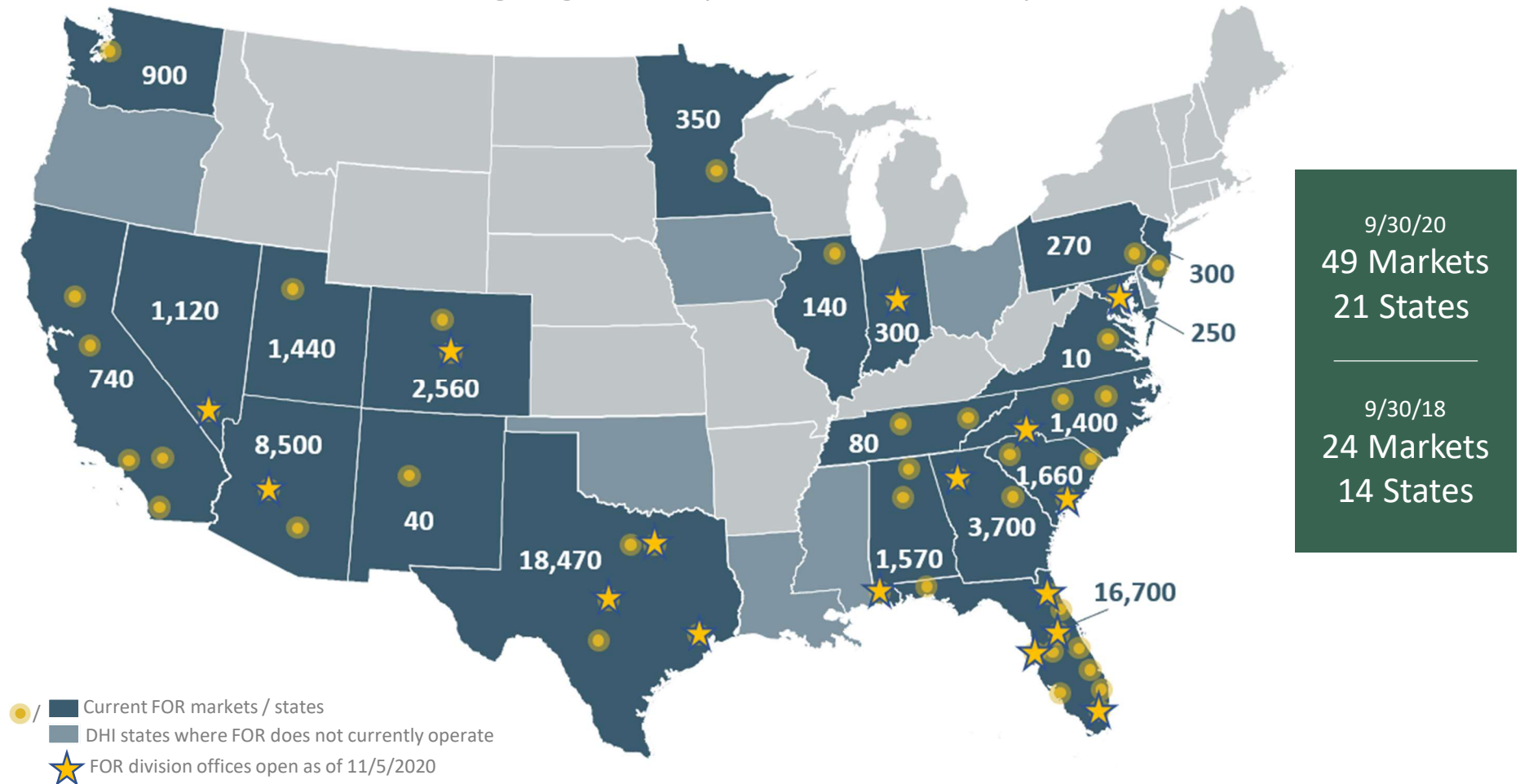


DIVERSIFIED FOOTPRINT

Own and control 60,500 lots at 9/30/2020

72% 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 9/30/20

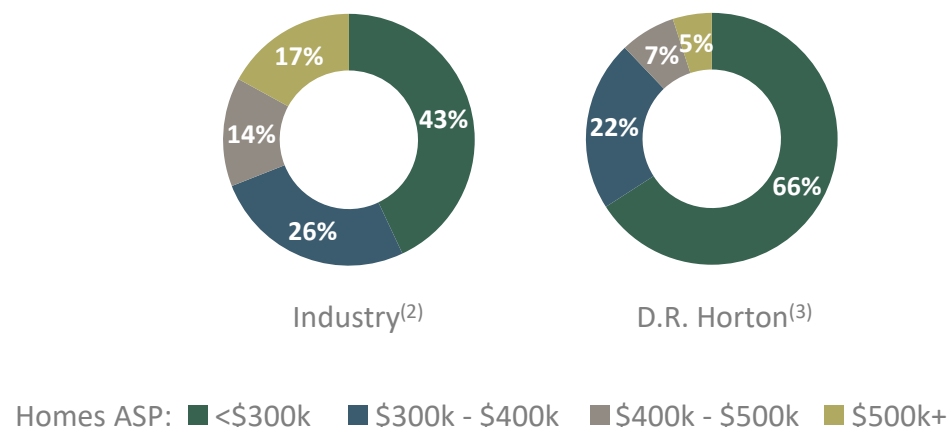
Lot counts are approximate

Of total lot position at 9/30/2020, 42,400 are owned and 18,100 are controlled through purchase contracts

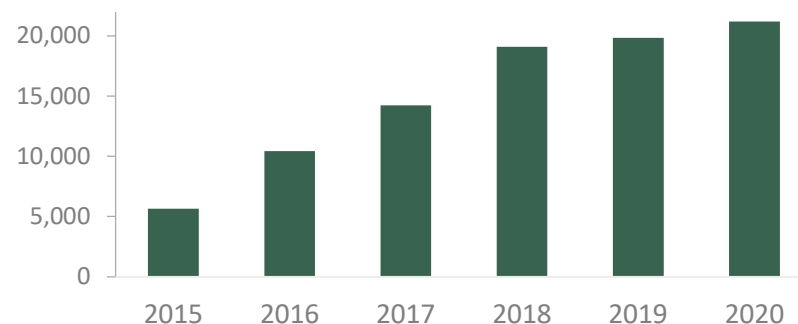
PRIMARY FOCUS ON ATTRACTIVE ENTRY-LEVEL SEGMENT

- 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 fiscal year ended 9/30/2020 was ~\$84,600⁽¹⁾
- Compelling demand from entry-level buyers, but lack of inventory has been 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 September 2020

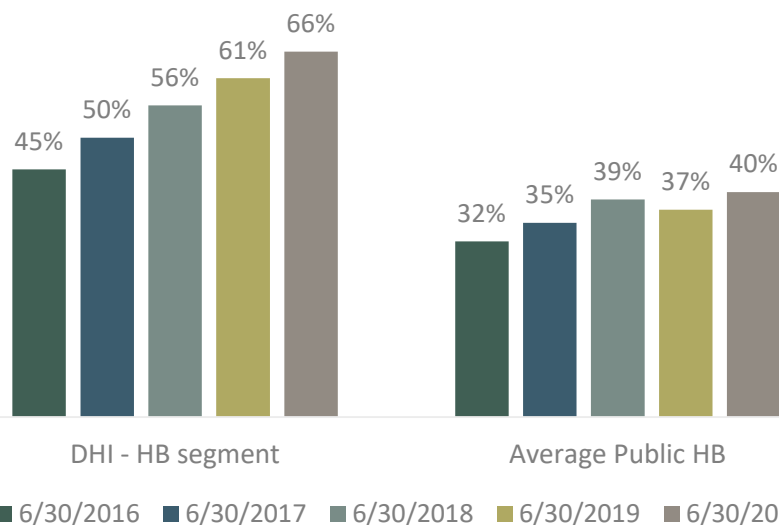
(3) Based on homes closed in FY 2020

(4) Based on fiscal year-end closings

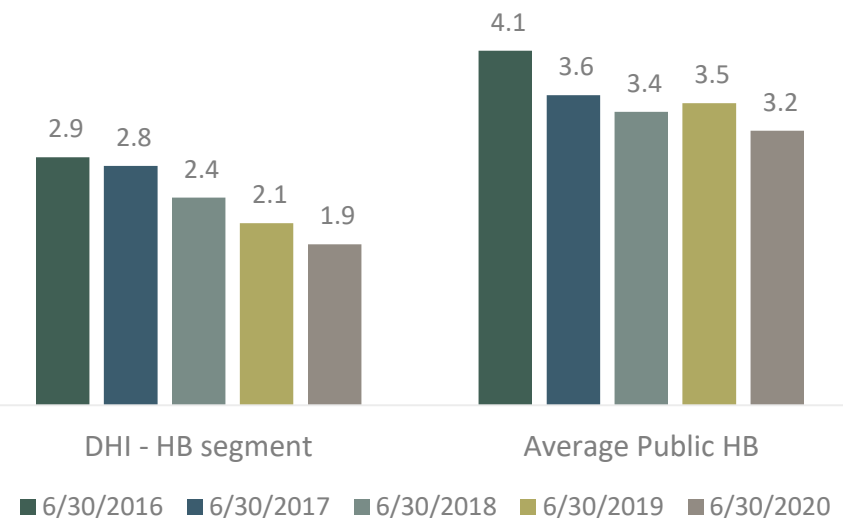
UNIQUELY POSITIONED TO PROVIDE RESIDENTIAL FINISHED LOTS

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 May 31

For TOL, data is as of the periods ended July 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

IAN CUDE

South Central Region President

With DHI since 2012 and joined FOR in November 2019 with 22 years of real estate experience

FINANCIAL POSITION AND POLICY

Forestar is well-positioned with low net leverage of 22.1% and strong liquidity position of ~\$740 million

FINANCIAL POSITION AS OF 9/30/20

- \$394M unrestricted cash and cash equivalents
- \$380M unsecured revolving credit facility
- ~\$740M total liquidity⁽¹⁾
- \$350M 8.0% senior notes due 2024
- \$300M 5.0% senior notes due 2028
- \$871M stockholders' equity
- 22.1% 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

Q4 2020 AND FY 2020 HIGHLIGHTS

■ Operating highlights

- Residential lots sold increased **108% to 3,977 lots** in Q4 FY 2020 compared to 1,908 lots in Q4 FY 2019
- **60,500 lots at 9/30/20**, of which 42,400 were owned and 18,100 were controlled through purchase contracts
 - 30,400, or 72%, 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 9/30/20

\$348M

Revenues

47%

YoY Revenue Growth

\$13M

SG&A Expense

4%

SG&A Margin

\$32M

Pre-Tax Income

9%

Pre-Tax Margin

\$25M

Net Income

\$0.50

Net Income per Share

Twelve months 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

\$62M

Net Income

\$1.26

Net Income per Share

APPENDIX

INCOME STATEMENT

	3 MONTHS ENDED		12 MONTHS ENDED	
	9/30/2020	9/30/2019	9/30/2020	9/30/2019
Residential lots sold:	3,977	1,908	10,373	4,132
Development projects	3,082	1,013	7,316	2,610
Lot banking projects	895	895	3,057	1,522
 Average sales price per lot ⁽¹⁾	\$ 86,000	\$ 90,400	\$ 84,600	\$ 84,200
 Revenues⁽²⁾	\$ 347.6	\$ 236.3	\$ 931.8	\$ 428.3
Gross profit	44.2	23.2	118.1	65.6
Selling, general and administrative expense	12.9	9.1	45.7	28.9
Loss (gain) on sale of assets	-	(0.6)	(0.1)	(3.0)
Equity in (loss) earnings of unconsolidated ventures	-	-	(0.7)	(0.5)
Interest and other income	(0.7)	(1.3)	(4.9)	(5.5)
Income before income taxes	32.0	16.0	78.1	45.7
Income tax expense	7.5	3.4	16.4	9.4
Net income	24.5	12.6	61.7	36.3
Net income (loss) attributable to noncontrolling interests	0.3	(0.1)	0.9	3.3
Net income attributable to Forestar Group Inc.	\$ 24.2	\$ 12.7	\$ 60.8	\$ 33.0
 Net income per diluted share	\$ 0.50	\$ 0.30	\$ 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 \$5.2 million and \$56.2 million in tract sales and other revenue for three months ended September 30, 2020 and 2019, respectively, and \$51.5 million and \$76.6 million in tract sales and other revenue for the twelve months ended September 30, 2020 and 2019, respectively.



FORESTAR 22

BALANCE SHEET

	9/30/2020	9/30/2019
Cash and cash equivalents	\$ 394.3	\$ 382.8
Real estate	1,309.7	1,028.9
Investment in unconsolidated ventures	3.6	7.3
Other assets	32.3	19.3
Deferred tax asset, net	-	17.4
Total assets	\$ 1,739.9	\$ 1,455.7
Debt	\$ 641.1	\$ 460.5
Earnest money on sales contracts	98.3	89.9
Other liabilities	123.0	96.4
Deferred tax liability, net	5.7	-
Shareholders' equity	870.9	808.3
Noncontrolling interests	0.9	0.6
Total equity	871.8	808.9
Total liabilities and equity	\$ 1,739.9	\$ 1,455.7
Net debt to total capital⁽¹⁾	22.1%	8.8%
Debt to total capital⁽¹⁾	42.4%	36.3%

\$ 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



FORESTAR

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