

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Quarterly Period Ended December 31, 2025**

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Transition Period From \_\_\_\_\_ To \_\_\_\_\_**

**Commission File Number: 001-33662**



**FORESTAR GROUP INC.**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**

(State or Other Jurisdiction of Incorporation or Organization)

**26-1336998**

(I.R.S. Employer Identification No.)

**2221 E. Lamar Blvd., Suite 790**

**Arlington, Texas 76006**

(Address of Principal Executive Offices, including Zip Code)

**(817) 769-1860**

(Registrant's telephone number, including area code)

**Securities registered pursuant to Section 12(b) of the Act:**

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, par value \$1.00 per share	FOR	New York Stock Exchange NYSE Texas

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, \$1.00 par value -- 50,892,080 shares as of January 16, 2026

**FORESTAR GROUP INC.**  
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**PART I—FINANCIAL INFORMATION****Item 1. Financial Statements****FORESTAR GROUP INC.  
CONSOLIDATED BALANCE SHEETS  
(Unaudited)**

	<u>December 31, 2025</u>	<u>September 30, 2025</u>
	(In millions, except share data)	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 211.7	\$ 379.2
Real estate	2,850.5	2,645.1
Property and equipment, net	7.8	8.1
Other assets	106.6	104.6
Total assets	<u>\$ 3,176.6</u>	<u>\$ 3,137.0</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 80.1	\$ 71.0
Accrued development costs	131.6	131.8
Earnest money on sales contracts	210.0	193.3
Deferred tax liability, net	87.4	86.2
Accrued expenses and other liabilities	87.3	83.1
Debt	793.2	802.7
Total liabilities	<u>1,389.6</u>	<u>1,368.1</u>
Commitments and contingencies (Note 11)		
<b>EQUITY</b>		
Common stock, par value \$1.00 per share, 200,000,000 authorized shares, 50,885,325 and 50,833,171 shares issued and outstanding at December 31, 2025 and September 30, 2025, respectively	50.9	50.8
Additional paid-in capital	673.6	671.0
Retained earnings	1,061.5	1,046.1
Stockholders' equity	<u>1,786.0</u>	<u>1,767.9</u>
Noncontrolling interests	1.0	1.0
Total equity	<u>1,787.0</u>	<u>1,768.9</u>
Total liabilities and equity	<u>\$ 3,176.6</u>	<u>\$ 3,137.0</u>

See accompanying notes to consolidated financial statements.

**FORESTAR GROUP INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited)**

	<b>Three Months Ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
<b>(In millions, except per share amounts)</b>		
Revenues	\$ 273.0	\$ 250.4
Cost of sales	218.0	195.4
Selling, general and administrative expense	36.5	36.0
Equity in earnings of unconsolidated ventures	—	(0.6)
Interest and other income	(2.3)	(2.3)
Income before income taxes	20.8	21.9
Income tax expense	5.4	5.4
Net income	<u>\$ 15.4</u>	<u>\$ 16.5</u>
Basic net income per common share	<u>\$ 0.30</u>	<u>\$ 0.32</u>
Weighted average number of common shares	<u>51.0</u>	<u>50.8</u>
Diluted net income per common share	<u>\$ 0.30</u>	<u>\$ 0.32</u>
Adjusted weighted average number of common shares	<u>51.2</u>	<u>51.1</u>

See accompanying notes to consolidated financial statements.

**FORESTAR GROUP INC.**  
**CONSOLIDATED STATEMENTS OF TOTAL EQUITY**  
(Unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Non- controlling Interests	Total Equity
(In millions, except share amounts)					
Balances at September 30, 2025 (50,833,171 shares)	\$ 50.8	\$ 671.0	\$ 1,046.1	\$ 1.0	\$ 1,768.9
Net income	—	—	15.4	—	15.4
Stock issued under employee benefit plans (52,154 shares)	0.1	—	—	—	0.1
Cash paid for shares withheld for taxes	—	(0.5)	—	—	(0.5)
Stock-based compensation expense	—	3.1	—	—	3.1
Balances at December 31, 2025 (50,885,325 shares)	<u>\$ 50.9</u>	<u>\$ 673.6</u>	<u>\$ 1,061.5</u>	<u>\$ 1.0</u>	<u>\$ 1,787.0</u>

	Common Stock	Additional Paid-in Capital	Retained Earnings	Non- controlling Interests	Total Equity
(In millions, except share amounts)					
Balances at September 30, 2024 (50,653,637 shares)	\$ 50.7	\$ 665.2	\$ 878.2	\$ 1.0	\$ 1,595.1
Net income	—	—	16.5	—	16.5
Stock issued under employee benefit plans (16,309 shares)	—	—	—	—	—
Cash paid for shares withheld for taxes	—	(0.1)	—	—	(0.1)
Stock-based compensation expense	—	2.6	—	—	2.6
Balances at December 31, 2024 (50,669,946 shares)	<u>\$ 50.7</u>	<u>\$ 667.7</u>	<u>\$ 894.7</u>	<u>\$ 1.0</u>	<u>\$ 1,614.1</u>

See accompanying notes to consolidated financial statements.

**FORESTAR GROUP INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	<b>Three Months Ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
	<b>(In millions)</b>	
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 15.4	\$ 16.5
Adjustments:		
Depreciation and amortization	0.9	0.8
Deferred income taxes	1.2	(0.9)
Equity in earnings of unconsolidated ventures	—	(0.6)
Stock-based compensation expense	3.1	2.6
Impairments and land option charges	0.8	1.1
Changes in operating assets and liabilities:		
Increase in real estate	(206.2)	(471.6)
(Increase) decrease in other assets	(1.2)	0.1
Increase (decrease) in accounts payable and other accrued liabilities	12.5	(19.2)
Decrease in accrued development costs	(0.2)	(13.2)
Increase in earnest money deposits on sales contracts	16.7	34.4
Net cash used in operating activities	(157.0)	(450.0)
<b>INVESTING ACTIVITIES</b>		
Expenditures for property, equipment, software and other	(0.1)	—
Return of investment in unconsolidated ventures	—	0.9
Net cash (used in) provided by investing activities	(0.1)	0.9
<b>FINANCING ACTIVITIES</b>		
Borrowings under revolving credit facility	—	100.0
Repayment of debt	(9.9)	—
Cash paid for shares withheld for taxes	(0.5)	(0.1)
Net cash (used in) provided by financing activities	(10.4)	99.9
Decrease in cash and cash equivalents	(167.5)	(349.2)
Cash and cash equivalents at beginning of period	379.2	481.2
Cash and cash equivalents at end of period	\$ 211.7	\$ 132.0

See accompanying notes to consolidated financial statements.

**FORESTAR GROUP INC.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**Note 1 — Basis of Presentation**

The accompanying unaudited consolidated financial statements include the accounts of Forestar Group Inc. ("Forestar") and all of its 100% owned, majority-owned and controlled subsidiaries, which are collectively referred to as the Company unless the context otherwise requires. The Company accounts for its investment in other entities in which it has significant influence over operations and financial policies using the equity method. All intercompany accounts, transactions and balances have been eliminated in consolidation. Noncontrolling interests in consolidated pass-through entities are recognized before income taxes. Net income attributable to noncontrolling interests is zero for all periods presented in the Company's statements of operations. The transactions included in net income in the consolidated statements of operations are the same as those that would be presented in comprehensive income. Thus, the Company's net income equates to comprehensive income.

The financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, these financial statements reflect all adjustments considered necessary to fairly state the results for the interim periods shown, including normal recurring accruals and other items. These financial statements, including the consolidated balance sheet as of September 30, 2025, which was derived from audited financial statements, do not include all of the information and notes required by GAAP for complete financial statements, and should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company's annual report on Form 10-K for the fiscal year ended September 30, 2025.

In October 2017, Forestar became a majority-owned subsidiary of D.R. Horton, Inc. ("D.R. Horton") by virtue of a merger with a wholly-owned subsidiary of D.R. Horton. Immediately following the merger, D.R. Horton owned 75% of the Company's outstanding common stock. In connection with the merger, the Company entered into certain agreements with D.R. Horton, including a Stockholder's Agreement, a Master Supply Agreement and a Shared Services Agreement. D.R. Horton is considered a related party of Forestar under GAAP. As of December 31, 2025, D.R. Horton owned approximately 62% of the Company's outstanding common stock.

***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

***Seasonality***

Although the growth of the Company's business and significant changes in market conditions have impacted its seasonal patterns in the past and could do so again in the future, the Company generally delivers more lots and generates greater revenues and pre-tax income in the fourth quarter of its fiscal year. As a result of seasonal activity, the Company's quarterly results of operations and financial position at the end of a particular fiscal quarter are not necessarily representative of the balance of its fiscal year.

### ***Recent Accounting Pronouncements***

In December 2023, the Financial Accounting Standards Board (FASB) issued ASU 2023-09, "Income Taxes Improvements to Income Tax Disclosures," which requires disclosure of disaggregated income taxes paid, prescribes standard categories for the components of the effective tax rate reconciliation and modifies other income tax related disclosures. The standard became effective for the Company's annual periods beginning in fiscal 2026. The Company is currently evaluating the impact this standard will have on its disclosures.

In November 2024, the FASB issued ASU 2024-03, "Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures," which requires disclosure of certain costs and expenses on an interim and annual basis in the notes to the financial statements. The standard is effective for the Company's annual periods beginning in fiscal 2028 and interim periods beginning in the first quarter of fiscal 2029, with early adoption permitted. The Company is currently evaluating the impact this standard will have on its disclosures.

### **Note 2 — Segment Information**

The Company manages its operations through its real estate segment, which is its only operating and reporting segment. The real estate segment is the Company's core business and generates substantially all of its revenues. The real estate segment primarily acquires land and installs infrastructure for single-family residential communities, and its revenues generally come from sales of residential single-family finished lots to local, regional and national homebuilders. The Company has other business activities for which the related assets and operating results are immaterial and therefore are included within the Company's real estate segment.

The Company's Executive Chairman of the Board, the Chief Executive Officer, the Chief Operating Officer, and the Chief Financial Officer are its chief operating decision makers (CODM). The CODM use income before income taxes as reported on the Consolidated Statements of Operations as the primary measure to allocate capital resources and assess the operating performance of the real estate segment. The CODM analyze income before income taxes at least quarterly to review comparative period variances and to monitor performance, identify trends, and guide strategic and operational decisions. There are no significant segment operating expenses that are reviewed by the CODM other than those included in the expense categories reported on the Company's consolidated statements of operations.

All revenues and real estate assets are attributable to operations in the United States. Segment assets that are reported as total assets and capital expenditures are reviewed by the CODM and are presented on the consolidated balance sheets and consolidated statements of cash flows, respectively. For the three months ended December 31, 2025 and 2024, transactions with D.R. Horton accounted for more than 10% of the Company's total revenues. D.R. Horton is a related party and additional information regarding transactions with D.R. Horton is disclosed in Note 12 - Related Party Transactions.

**Note 3 — Real Estate**

Real estate consists of:

	<u>December 31, 2025</u>	<u>September 30, 2025</u>
	(In millions)	
Developed and under development projects	\$ 2,676.9	\$ 2,465.1
Land held for future development	173.6	180.0
	<u>\$ 2,850.5</u>	<u>\$ 2,645.1</u>

In the three months ended December 31, 2025, the Company invested \$110.1 million for the acquisition of residential real estate and \$304.6 million for the development of residential real estate. At December 31, 2025 and September 30, 2025, land held for future development primarily consisted of undeveloped land which the Company has under contract to sell to D.R. Horton at a sales price equal to the carrying value of the land at the time of sale plus additional consideration of 12% to 16% per annum.

Each quarter, the Company reviews the performance and outlook for all of its real estate for indicators of potential impairment and performs detailed impairment evaluations and analyses when necessary. As a result of this process, no impairment charges were recorded for either period presented in the consolidated statements of operations.

In the three months ended December 31, 2025 and 2024, land purchase contract deposit and pre-acquisition cost write-offs related to land purchase contracts that the Company has terminated or expects to terminate were \$0.8 million and \$1.1 million, respectively. These land option charges are included in cost of sales in the consolidated statements of operations.

**Note 4 — Revenues**

Revenues consist of:

	<u>Three Months Ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
	(In millions)	
Residential lot sales	\$ 235.2	\$ 247.4
Tract sales and other	37.8	3.0
	<u>\$ 273.0</u>	<u>\$ 250.4</u>

**Note 5 — Capitalized Interest**

The Company capitalizes interest costs to real estate throughout the development period (active real estate). Capitalized interest is charged to cost of sales as the related real estate is sold. During periods in which the Company's active real estate is lower than its debt level, a portion of the interest incurred is reflected as interest expense in the period incurred. In the first three months of fiscal 2026 and fiscal 2025, the Company's active real estate exceeded its debt level, and all interest incurred was capitalized to real estate.

The following table summarizes the Company's interest costs incurred, capitalized and expensed in the three months ended December 31, 2025 and 2024.

	<b>Three Months Ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
	<b>(In millions)</b>	
Capitalized interest, beginning of period	\$ 77.8	\$ 63.0
Interest incurred	12.5	8.3
Interest charged to cost of sales	(4.3)	(3.5)
Capitalized interest, end of period	<u>\$ 86.0</u>	<u>\$ 67.8</u>

**Note 6 — Other Assets, Accrued Expenses and Other Liabilities**

The Company's other assets at December 31, 2025 and September 30, 2025 were as follows:

	<b>December 31, 2025</b>	<b>September 30, 2025</b>
	<b>(In millions)</b>	
Receivables, net	\$ 19.5	\$ 20.2
Lease right of use assets	15.9	13.7
Prepaid expenses	18.7	17.5
Land purchase contract deposits	34.1	34.5
Income taxes receivable	0.5	1.4
Pledged reimbursements asset <sup>(1)</sup>	14.9	14.0
Other assets	3.0	3.3
	<u>\$ 106.6</u>	<u>\$ 104.6</u>

The Company's accrued expenses and other liabilities at December 31, 2025 and September 30, 2025 were as follows:

	<u>December 31, 2025</u>	<u>September 30, 2025</u>
	<u>(In millions)</u>	
Accrued employee compensation and benefits	\$ 5.9	\$ 16.9
Accrued property taxes	1.0	6.2
Lease liabilities	16.6	14.4
Accrued interest	14.4	2.5
Contract liabilities	0.5	0.7
Deferred income	4.1	4.1
Income taxes payable	14.9	11.9
Other accrued expenses	8.7	4.3
Pledged reimbursements liability <sup>(1)</sup>	14.9	14.0
Other liabilities	6.3	8.1
	<u>\$ 87.3</u>	<u>\$ 83.1</u>

- (1) In certain projects, the Company has entered into agreements to be reimbursed for eligible infrastructure costs from municipal districts as funds are available to the district. The Company has pledged certain of these future reimbursements as collateral to a third party, and the third party issued bonds against this collateral. The Company received the cash proceeds from the third-party bond issuance. The Company has no future performance obligations related to the cash proceeds received, no obligations related to any future interest or principal payments to the third-party bondholders, and the third party has no recourse against the Company for the reimbursement of these funds. However, under the applicable accounting rules, since the Company pledged only certain reimbursements and not the entire amount, the Company recorded a non-cash transaction to increase assets and a related liability for the amount of the unpaid balance of the third-party bonds. The asset and liability will be reduced as the third-party bonds are repaid by the municipal district.

#### Note 7 — Debt

The Company's notes payable at their carrying amounts consist of the following:

	<u>December 31, 2025</u>	<u>September 30, 2025</u>
	<u>(In millions)</u>	
<b>Unsecured:</b>		
Revolving credit facility	\$ —	\$ —
5.0% senior notes due 2028 <sup>(1)</sup>	298.8	298.7
6.5% senior notes due 2033 <sup>(1)</sup>	494.4	494.1
Other note payable	—	9.9
	<u>\$ 793.2</u>	<u>\$ 802.7</u>

- (1) Unamortized debt issuance costs that were deducted from the carrying amounts of the senior notes totaled \$6.8 million and \$7.2 million at December 31, 2025 and September 30, 2025, respectively.

### ***Bank Credit Facility***

The Company has a \$665 million senior unsecured revolving credit facility with an uncommitted accordion feature that could increase the size of the facility to \$1 billion, subject to certain conditions and availability of additional bank commitments. Of the total commitments, \$600 million matures on December 18, 2029 and \$65 million matures on October 28, 2026. The facility also provides for the issuance of letters of credit with a sublimit equal to the greater of \$100 million and 50% of the total revolving credit commitments. Borrowings under the revolving credit facility are subject to a borrowing base calculation based on the book value of the Company's real estate assets and unrestricted cash. Letters of credit issued under the facility reduce the available borrowing capacity. At December 31, 2025, there were no borrowings outstanding and \$57.4 million of letters of credit issued under the revolving credit facility, resulting in available capacity of \$607.6 million.

The revolving credit facility is guaranteed by the Company's wholly-owned subsidiaries that are not immaterial subsidiaries and have not been designated as unrestricted subsidiaries. The revolving credit facility includes customary affirmative and negative covenants, events of default and financial covenants. The financial covenants require a minimum level of tangible net worth, a minimum level of liquidity and a maximum allowable leverage ratio. These covenants are measured as defined in the credit agreement governing the facility and are reported to the lenders quarterly. A failure to comply with these financial covenants could allow the lending banks to terminate the availability of funds under the revolving credit facility or cause any outstanding borrowings to become due and payable prior to maturity. At December 31, 2025, the Company was in compliance with all of the covenants, limitations and restrictions of its revolving credit facility.

### ***Senior Notes***

The Company has outstanding senior notes as described below that were issued pursuant to Rule 144A and Regulation S under the Securities Act of 1933, as amended (the "Securities Act"). The notes represent senior unsecured obligations that rank equally in right of payment to all existing and future senior unsecured indebtedness and may be redeemed prior to maturity, subject to certain limitations and premiums defined in the indenture agreements. The notes are guaranteed by each of the Company's subsidiaries to the extent such subsidiaries guarantee the Company's revolving credit facility.

The Company's \$300 million principal amount of 5.0% senior notes (the "2028 notes") mature March 1, 2028 with interest payable semiannually. Until March 1, 2026, the 2028 notes may be redeemed at 100.833% of their principal amount plus any accrued and unpaid interest, and the 2028 notes can be redeemed at par on or after March 1, 2026 through maturity. The annual effective interest rate of the 2028 notes after giving effect to the amortization of financing costs is 5.2%.

The Company's \$500 million principal amount of 6.5% senior notes (the "2033 notes") mature March 15, 2033, with interest payable semiannually. At any time prior to March 15, 2028, the Company may, on one or more occasions, redeem up to 40% of the aggregate principal amount of the 2033 notes with the net cash proceeds from certain equity offerings at a redemption price of 106.5% of the principal amount of the 2033 notes being redeemed. At any time prior to March 15, 2028, the Company may redeem some or all of the 2033 notes at a redemption price of 100% of the principal amount thereof plus a specified "make whole" premium described in the indenture. The Company also has the option, at any time on or after March 15, 2028 to redeem some or all of the 2033 notes at 103.25% of their principal amount plus any accrued and unpaid interest. In accordance with the indenture, the redemption price decreases annually thereafter and the 2033 notes can be redeemed at par on or after March 15, 2030 through maturity. The annual effective interest rate of the 2033 notes after giving effect to the amortization of financing costs is 6.7%.

The indentures governing the senior notes require that, upon the occurrence of both a change of control and a rating decline (as defined in each indenture), the Company offer to purchase the applicable series of notes at 101% of their principal amount, plus accrued and unpaid interest. Under the indenture governing the 2028 notes, if the Company or its restricted subsidiaries dispose of assets, under certain circumstances, the Company will be required to either invest the net cash proceeds from such asset sales in its business within a specified period of time, repay certain senior secured debt or debt of its non-guarantor subsidiaries, or make an offer to purchase a principal amount of such notes equal to the excess net cash proceeds at a purchase price of 100% of their principal amount.

The indenture governing the 2028 notes contains covenants that, among other things, restrict the ability of the Company and its restricted subsidiaries to pay dividends or distributions, repurchase equity, prepay subordinated debt and make certain investments; incur additional debt or issue mandatorily redeemable equity; incur liens on assets; merge or consolidate with another company or sell or otherwise dispose of all or substantially all of the assets of the Company and its restricted subsidiaries (taken as a whole); enter into transactions with affiliates; and allow to exist certain restrictions on the ability of subsidiaries to pay dividends or make other payments. The indenture governing the 2033 notes contains certain covenants that, among other things, restrict the ability of the Company and its restricted subsidiaries to create certain liens on assets; engage in certain sale and leaseback transactions; and merge or consolidate with another company or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the assets of the Company and its restricted subsidiaries (taken as a whole). At December 31, 2025, the Company was in compliance with all of the limitations and restrictions associated with its senior note obligations.

Effective April 30, 2020, the Board of Directors authorized the repurchase of up to \$30 million of the Company's debt securities. The authorization has no expiration date. All of the \$30 million authorization was remaining at December 31, 2025.

#### *Other Note Payable*

In December 2025, the Company repaid the \$9.9 million principal amount of a note payable that was issued as part of a transaction to acquire real estate for development. The note was non-recourse, was secured by the underlying real estate, and accrued interest at 4.0% per annum.

#### **Note 8 — Earnings per Share**

The computations of basic and diluted earnings per share are as follows:

	<b>Three Months Ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
	<b>(In millions, except share and per share amounts)</b>	
Numerator:		
Net income	\$ 15.4	\$ 16.5
Denominator:		
Weighted average common shares outstanding — basic	50,997,187	50,820,797
Dilutive effect of stock-based compensation	184,017	265,122
Total weighted average shares outstanding — diluted	51,181,204	51,085,919
Basic net income per common share	\$ 0.30	\$ 0.32
Diluted net income per common share	\$ 0.30	\$ 0.32

## **Note 9 — Income Taxes**

The Company's income tax expense for both the three months ended December 31, 2025 and 2024 was \$5.4 million. The effective tax rate was 26.0% for the three months ended December 31, 2025 compared to 24.7% in the prior year period. The effective tax rate for both periods included an expense for state income taxes and nondeductible expenses as well as a benefit for nontaxable income.

At December 31, 2025, the Company had deferred tax liabilities, net of deferred tax assets, of \$86.8 million. The deferred tax assets were partially offset by a valuation allowance of \$0.6 million, resulting in a net deferred tax liability of \$87.4 million. At September 30, 2025, deferred tax liabilities, net of deferred tax assets, were \$85.6 million. The deferred tax assets were partially offset by a valuation allowance of \$0.6 million, resulting in a net deferred tax liability of \$86.2 million. The valuation allowance for both periods was recorded because it is more likely than not that a portion of the Company's state deferred tax assets, primarily net operating loss (NOL) carryforwards, will not be realized because the Company is no longer operating in some states or the NOL carryforward periods are too brief to realize the related deferred tax asset. The Company will continue to evaluate both the positive and negative evidence in determining the need for a valuation allowance on its deferred tax assets. Any reversal of the valuation allowance in future periods will impact the effective tax rate.

## **Note 10 — Stockholders' Equity and Stock-Based Compensation**

### *Stockholders' Equity*

The Company has an effective shelf registration statement, filed with the Securities and Exchange Commission in September 2024, registering \$750 million of equity securities, of which \$300 million is reserved for sales under the at-the-market equity offering program that the Company entered into in November 2024. During the three months ended December 31, 2025, the Company did not issue any shares under its at-the-market equity offering program. At December 31, 2025, the full \$750 million remained available for issuance under the Company's shelf registration statement, with \$300 million reserved for sales under the at-the-market equity offering program.

### *Stock-Based Compensation*

The Company's Stock Incentive Plan provides for the granting of equity awards, such as performance stock units (PSUs) and restricted stock units (RSUs), to executive officers, other key employees and non-management directors. PSUs are earned by achieving key performance criteria and RSUs are earned through continued employment with the Company over a requisite time period. Each stock unit represents the contingent right to receive one share of the Company's common stock if the performance criteria and/or vesting conditions are satisfied. The stock units have no dividend or voting rights until vested.

In the three months ended December 31, 2025, the Company granted 114,565 PSUs to its executive officers. The number of units that ultimately vest depends on the achievement of four performance criteria which are (i) relative total stockholder return, (ii) return on inventory, (iii) market share goals, and (iv) book value per share, and can range from 0% to 200% of the number of units granted. The four performance criteria are weighted equally. These awards vest at the end of a three year performance period ending September 30, 2028. The grant date fair value of these equity awards was \$26.06 per unit. Compensation expense related to this grant was \$0.2 million in the three months ended December 31, 2025, based on an estimate of the Company's achievement of the four performance criteria, the elapsed portion of the performance period and the grant date fair value of the award.

In the three months ended December 31, 2025, a total of 321,285 RSUs were granted. The weighted average grant date fair value of these equity awards was \$27.07 per unit, and they vest annually in equal installments over periods of three to five years. Compensation expense related to this grant was \$1.4 million in the three months ended December 31, 2025. Stock-based compensation expense in the three months ended December 31, 2025 included \$1.1 million of expense recognized for employees that were retirement eligible on the date of the grant.

Total stock-based compensation expense related to the Company's equity awards for the three months ended December 31, 2025 was \$3.1 million compared to \$2.6 million in the prior year period.

## **Note 11 — Commitments and Contingencies**

### ***Contractual Obligations and Off-Balance Sheet Arrangements***

In support of the Company's residential lot development business, it issues letters of credit under the revolving credit facility and has a surety bond program that provides financial assurance to beneficiaries related to the execution and performance of certain development obligations. At December 31, 2025, the Company had outstanding letters of credit of \$57.4 million under the revolving credit facility and surety bonds of \$811.4 million issued by third parties to secure performance under various contracts. The Company expects that its performance obligations secured by these letters of credit and bonds will generally be completed in the ordinary course of business and in accordance with the applicable contractual terms. When the Company completes its performance obligations, the related letters of credit and bonds are generally released shortly thereafter, leaving the Company with no continuing obligations. The Company has no material third-party guarantees.

### ***Litigation***

On April 29, 2025, a verified stockholder of the Company filed a derivative complaint in the Delaware Court of Chancery, on behalf of the Company, against D.R. Horton, Inc., the Company's Executive Chairman, and certain of the Company's directors. The complaint, which is captioned Mississippi Public Employees' Retirement System v. D.R. Horton, Inc., C.A. No. 2025-0465-MTZ, asserts claims for breach of fiduciary duty arising out of lot sale transactions between the Company and D.R. Horton. The complaint seeks judgment awarding the Company damages against the defendants and awarding the plaintiff the costs and disbursements of the action, including reasonable attorneys' and experts' fees.

The Company disputes the allegations of wrongdoing in this matter. Nevertheless, the outcome of this lawsuit is uncertain and cannot be predicted with any certainty. Accordingly, at this time, the Company is not able to estimate a possible loss or range of loss that may result from this lawsuit or to determine whether such loss, if any, would have a material adverse effect on its business, financial condition, results of operations or liquidity.

On September 6, 2024, the Maryland Department of Environment (MDE) filed suit in the Circuit Court for Harford County, Maryland against the Company regarding various alleged stormwater compliance issues and violations at a project in Maryland dating from 2022 through 2024, seeking injunctive relief and civil penalties. Since the Company's first discovery of these issues, it has enhanced its practices and procedures related to stormwater compliance at the project in question, and is seeking to resolve these matters through further discussions with MDE. The Company does not believe it is reasonably possible that this matter would result in a loss that would have a material effect on its consolidated financial position, results of operations or cash flows.

In addition, the Company is involved in various other legal proceedings that arise from time to time in the ordinary course of business and believes that adequate reserves have been established for any probable losses. The Company does not believe that the outcome of any of these proceedings will have a significant adverse effect on its financial position, long-term results of operations or cash flows. It is possible, however, that charges related to these matters could be significant to the Company's results or cash flows in any one accounting period.

### ***Land Purchase Contracts***

The Company enters into land purchase contracts to acquire land for the development of residential lots. Under these contracts, the Company will fund a stated deposit in consideration for the right, but not the obligation, to purchase land or lots at a future point in time with predetermined terms. Under the terms of many of the purchase contracts, the deposits are not refundable in the event the Company elects to terminate the contract. Land purchase contract deposits and capitalized pre-acquisition costs are expensed to cost of sales when the Company believes it is probable that it will not acquire the property under contract and will not be able to recover these costs through other means.

At December 31, 2025, the Company had total deposits of \$34.1 million related to contracts to purchase land with a total remaining purchase price of approximately \$695.4 million. The majority of land and lots under contract are currently expected to be purchased within 3 years. None of the land purchase contracts were subject to specific performance provisions at December 31, 2025.

**Note 12 — Related Party Transactions**
***D.R. Horton***

The Company has a Shared Services Agreement with D.R. Horton whereby D.R. Horton provides the Company with certain administrative, compliance, operational and procurement services. In the three months ended December 31, 2025 and 2024, selling, general and administrative expense in the consolidated statements of operations included \$1.8 million for these shared services, \$4.2 million and \$3.5 million reimbursed to D.R. Horton for the cost of health insurance and other employee benefits and \$0.5 million and \$0.2 million for other corporate and administrative expenses paid by D.R. Horton on behalf of the Company.

Under the terms of the Master Supply Agreement with D.R. Horton, both companies identify land development opportunities to expand Forestar's portfolio of assets. At December 31, 2025 and September 30, 2025, the Company owned approximately 65,600 and 65,100 residential lots, respectively, of which D.R. Horton had the following involvement.

	<b>December 31, 2025</b>	<b>September 30, 2025</b>
	<b>(Dollars in millions)</b>	
Residential lots under contract to sell to D.R. Horton	22,600	22,800
Owned lots subject to right of first offer with D.R. Horton based on executed purchase and sale agreements	18,100	17,600
Earnest money deposits from D.R. Horton for lots under contract	\$ 203.1	\$ 179.7
Remaining sales price of lots under contract with D.R. Horton	\$ 2,022.4	\$ 2,000.0

Lot and land sales to D.R. Horton in the three months ended December 31, 2025 and 2024 were as follows:

	<b>Three Months Ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
	<b>(Dollars in millions)</b>	
Residential lots sold to D.R. Horton	1,627	2,112
Residential lot sales revenues from sales to D.R. Horton	\$ 183.8	\$ 217.4
Decrease in contract liabilities	\$ —	\$ 1.2
Tract sales and other revenues from D.R. Horton	\$ 5.3	\$ 2.0

In the three months ended December 31, 2025, the Company reimbursed D.R. Horton approximately \$7.8 million for pre-acquisition and other due diligence and development costs related to land purchase contracts identified by D.R. Horton that the Company independently underwrote and closed compared to reimbursements of \$4.2 million in the prior year period. In the three months ended December 31, 2025, the Company reimbursed D.R. Horton approximately \$1.7 million for previously paid earnest money related to those land purchase contracts compared to reimbursements of \$10.0 million in the prior year period. In the three months ended December 31, 2024, the Company purchased \$2.1 million of water rights from D.R. Horton.

In the three months ended December 31, 2025 and 2024, the Company paid D.R. Horton \$0.2 million and \$0.1 million for land development services. These amounts are included in cost of sales in the Company's consolidated statements of operations.

At December 31, 2025 and September 30, 2025, land held for future development primarily consisted of undeveloped land which the Company has under contract to sell to D.R. Horton at a sales price equal to the carrying value of the land at the time of sale plus additional consideration of 12% to 16% per annum.

At December 31, 2025, accrued expenses and other liabilities on the Company's consolidated balance sheets included \$6.3 million owed to D.R. Horton for any accrued and unpaid shared service charges, land purchase contract deposits and due diligence and other development cost reimbursements compared to \$2.2 million at September 30, 2025.

**Note 13 — Fair Value Measurements**

Fair value is the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants. In arriving at a fair value measurement, the Company uses a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable. The three levels of inputs used to establish fair value are the following:

- Level 1 — Quoted prices in active markets for identical assets or liabilities;
- Level 2 — Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company elected not to use the fair value option for cash and cash equivalents and debt.

For the financial assets and liabilities that the Company does not reflect at fair value, the following tables present both their respective carrying value and fair value at December 31, 2025 and September 30, 2025.

	Carrying Value	Fair Value at December 31, 2025			Total
		Level 1	Level 2	Level 3	
		(In millions)			
Cash and cash equivalents <sup>(a)</sup>	\$ 211.7	\$ 211.7	\$ —	\$ —	\$ 211.7
Debt <sup>(b)</sup>	793.2	—	810.0	—	810.0

	Carrying Value	Fair Value at September 30, 2025			Total
		Level 1	Level 2	Level 3	
		(In millions)			
Cash and cash equivalents <sup>(a)</sup>	\$ 379.2	\$ 379.2	\$ —	\$ —	\$ 379.2
Debt <sup>(b)(c)</sup>	802.7	—	808.9	9.9	818.8

- (a) The fair values of cash and cash equivalents approximate their carrying values due to their short-term nature and are classified as Level 1 within the fair value hierarchy.
- (b) At December 31, 2025 and September 30, 2025, debt primarily consisted of the Company's senior notes. The fair value of the senior notes is determined based on quoted market prices in markets that are not active, which is classified as Level 2 within the fair value hierarchy.
- (c) The fair value of the Company's other note payable approximates its carrying value due to its short-term nature and is classified as Level 3 within the fair value hierarchy.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included in this quarterly report and with our annual report on Form 10-K for the fiscal year ended September 30, 2025. Some of the information contained in this discussion and analysis constitutes forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those described in the "Forward-Looking Statements" section following this discussion.

**Our Operations**

Forestar Group Inc. is a national, well-capitalized residential lot development company focused primarily on making investments in land acquisition and development to sell finished single-family residential lots to homebuilders. Our common stock is listed on the New York Stock Exchange and the NYSE Texas under the ticker symbol "FOR." The terms "Forestar," the "Company," "we" and "our" used herein refer to Forestar Group Inc., a Delaware corporation, and its predecessors and subsidiaries.

In October 2017, Forestar became a majority-owned subsidiary of D.R. Horton, Inc. ("D.R. Horton") by virtue of a merger with a wholly-owned subsidiary of D.R. Horton. Immediately following the merger, D.R. Horton owned 75% of our outstanding common stock. As of December 31, 2025, D.R. Horton owned approximately 62% of our outstanding common stock. As our controlling shareholder, D.R. Horton has significant influence in guiding our strategic direction and operations.

We manage our operations through our real estate segment, which is our core business and generates substantially all of our revenues. The real estate segment primarily acquires land and installs infrastructure for single-family residential communities, and its revenues generally come from sales of residential single-family finished lots to local, regional and national homebuilders. We have other business activities for which the related assets and operating results are immaterial and therefore are included within our real estate segment.

Our real estate segment conducts a wide range of project planning and management activities related to the entitlement, acquisition, community development and sale of residential lots. We generally secure entitlements while the land is under contract by creating plans that meet the needs of the markets where we operate, and we aim to have all entitlements secured before closing on the investment. Moving land through the entitlement and development process creates significant value. We primarily invest in entitled short-duration projects that can be developed in phases, enabling us to complete and sell lots at a pace that matches market demand, consistent with our focus on maximizing capital efficiency and returns. We occasionally make short-term strategic investments in finished lots (lot banking) and undeveloped land (land banking) with the intent to sell these assets within a short time period to utilize available capital prior to its deployment into longer-term lot development projects. For the three months ended December 31, 2025, we sold 1,944 lots with an average sales price of \$121,000. At December 31, 2025, our lot position consisted of 101,000 residential lots, of which approximately 65,600 were owned and 35,400 were controlled through purchase contracts. Of our 65,600 owned lots, approximately 24,100 lots are under contract to be sold for an aggregate remaining sales price of approximately \$2.2 billion.

We have expanded and diversified our lot development operations across 64 markets in 23 states by investing available capital into our existing markets and by entering new markets. We believe our geographically diverse operations provide a strong platform for us to consolidate market share in the highly fragmented lot development industry. We also believe our geographic diversification lowers our operational risks and enhances our earnings potential by mitigating the effects of local and regional economic cycles.

Our customers are primarily local, regional and national homebuilders. The lots we deliver in our communities are primarily for entry-level, first-time move-up and active adult homes. Entry-level and first-time move-up homebuyers are the largest segments of the new home market.

During the three months ended December 31, 2025, total residential lots sold decreased by 17% while the average sales price per lot increased 15% resulting in a 5% decrease in total residential lot sales revenue compared to the prior year period. Our consolidated revenues increased 9% to \$273.0 million compared to \$250.4 million. Our pre-tax income was \$20.8 million in the three months ended December 31, 2025 compared to \$21.9 million in the prior year period, and our pre-tax operating margin was 7.6% compared to 8.7%. Net income was \$15.4 million in the three months ended December 31, 2025 compared to \$16.5 million in the prior year period, and our diluted earnings per share was \$0.30 compared to \$0.32.

During the first quarter, new home demand continued to be impacted by ongoing affordability constraints and cautious consumer sentiment. Homebuilders have continued to offer elevated levels of sales incentives, such as mortgage rate buydowns, to address affordability and spur the demand for new homes. Despite current market conditions, our revenues increased 9% from the prior year period. Our ongoing focus is primarily to develop lots for homes at affordable price points. While disruptions in the supply chain for certain construction materials and tightness in the labor market have largely subsided, delays in receiving the necessary approvals from municipalities are still extending development cycle times in certain markets, and development costs remain elevated. We attempt to offset cost increases in one component with savings in another, and we increase our land and lot sales prices when market conditions permit. However, if market conditions are challenging, we may have to reduce selling prices or may not be able to offset cost increases with higher selling prices.

We remain focused on managing the pricing and sales pace in each of our communities to optimize the returns on our inventory investments and adjust to local market conditions and demand. To adjust to changes in market conditions during recent years, we have reduced lot prices where necessary.

We believe we are well-positioned to consolidate market share in the highly fragmented lot development industry because of our national footprint and strong local teams, our low net leverage and strong liquidity position, lower overhead model, geographically diverse lot portfolio that is focused on affordable price points and strategic relationship with D.R. Horton. We plan to remain disciplined when investing in land opportunities and to remain focused on managing our lot sales pace and lot pricing at each community to optimize the return on our investments.

## Results of Operations

The following tables and related discussion set forth key operating and financial data as of and for the three months ended December 31, 2025 and 2024.

### Operating Results

Components of income before income taxes were as follows:

	Three Months Ended December 31,	
	2025	2024
	(In millions)	
Revenues	\$ 273.0	\$ 250.4
Cost of sales	218.0	195.4
Selling, general and administrative expense	36.5	36.0
Equity in earnings of unconsolidated ventures	—	(0.6)
Interest and other income	(2.3)	(2.3)
Income before income taxes	<u>\$ 20.8</u>	<u>\$ 21.9</u>

**Lot Sales**

Residential lots sold consisted of:

	<b>Three Months Ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Development projects	1,900	2,291
Lot banking projects	44	42
	1,944	2,333
Average sales price per lot <sup>(a)</sup>	\$ 121,000	\$ 105,500

(a) Excludes any impact from change in contract liabilities.

**Revenues**

Revenues consisted of:

	<b>Three Months Ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
	<b>(In millions)</b>	
Residential lot sales:		
Development projects	\$ 231.1	\$ 241.0
Lot banking projects	4.1	5.2
Decrease in contract liabilities	—	1.2
	235.2	247.4
Tract sales and other	37.8	3.0
Total revenues	\$ 273.0	\$ 250.4

Residential lot sales to D.R. Horton and customers other than D.R. Horton consisted of:

	<b>Three Months Ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Residential lots sold to D.R. Horton	1,627	2,112
Residential lots sold to customers other than D.R. Horton	317	221
	1,944	2,333

Residential lot revenues from lot sales to D.R. Horton and customers other than D.R. Horton, before deferred development projects and changes in contract liabilities, consisted of:

	<b>Three Months Ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
	<b>(In millions)</b>	
Revenues from lot sales to D.R. Horton	\$ 183.8	\$ 217.4
Revenues from lot sales to customers other than D.R. Horton	51.4	28.8
	<u>\$ 235.2</u>	<u>\$ 246.2</u>

Residential lot sales revenues in the three months ended December 31, 2025 decreased compared to the prior year period primarily due to the decrease in lot sales volume, which was partially offset by the increase in our average selling price per lot. The increase in our average sales price per lot was primarily due to changes in the regional mix of lot sales.

Lots sold to customers other than D.R. Horton in the three months ended December 31, 2025 included 146 lots that were sold for \$33.4 million to a lot banker who expects to sell those lots to D.R. Horton at a future date.

Tract sales and other revenues in three months ended December 31, 2025 primarily consisted of 193 tract acres sold to customers other than D.R. Horton for \$29.3 million.

#### ***Cost of Sales, Real Estate Impairment and Land Option Charges and Interest Incurred***

Cost of sales in the three months ended December 31, 2025 increased compared to the prior year periods primarily due to the increase in revenues. Cost of sales related to tract sales and other revenues in the three months ended December 31, 2025 was \$26.9 million.

Each quarter, we review the performance and outlook for all of our real estate for indicators of potential impairment and perform detailed impairment evaluations and analyses when necessary. As a result of this process, no impairment charges were recorded in the three months ended December 31, 2025 and 2024. In the three months ended December 31, 2025, land purchase contract deposit and pre-acquisition cost write-offs related to land purchase contracts that we have terminated or expect to terminate were \$0.8 million, compared to \$1.1 million in the prior year period.

We capitalize interest costs throughout the development period (active real estate). Capitalized interest is charged to cost of sales as the related real estate is sold to the buyer. Interest incurred was \$12.5 million in the three months ended December 31, 2025 compared to \$8.3 million in the prior year period. Interest charged to cost of sales in the three months ended December 31, 2025 was 2.0% of total cost of sales (excluding impairments and land option charges) compared to 1.8% and for the prior year period.

#### ***Selling, General and Administrative (SG&A) Expense and Other Income Statement Items***

SG&A expense in the three months ended December 31, 2025 was \$36.5 million compared to \$36.0 million in the prior year period. SG&A expense as a percentage of revenues was 13.4% in the three months ended December 31, 2025 compared to 14.4% in the prior year period. Our SG&A expense primarily consisted of employee compensation and related costs. Our business operations employed 415 and 427 employees at December 31, 2025 and 2024, respectively. We attempt to control our SG&A costs while ensuring that our infrastructure supports our operations; however, we cannot make assurances that we will be able to maintain or improve upon the current SG&A expense as a percentage of revenues.

Interest and other income primarily represents interest earned on our cash deposits.

### ***Income Taxes***

Income tax expense for both the three months ended December 31, 2025 and 2024 was \$5.4 million. Our effective tax rate was 26.0% for the three months ended December 31, 2025 compared to 24.7% in the prior year period. The effective tax rate for both periods included an expense for state income taxes and nondeductible expenses as well as a benefit for nontaxable income.

At December 31, 2025, we had deferred tax liabilities, net of deferred tax assets, of \$86.8 million. The deferred tax assets were partially offset by a valuation allowance of \$0.6 million, resulting in a net deferred tax liability of \$87.4 million. At September 30, 2025, deferred tax liabilities, net of deferred tax assets, were \$85.6 million. The deferred tax assets were partially offset by a valuation allowance of \$0.6 million, resulting in a net deferred tax liability of \$86.2 million. The valuation allowance for both periods was recorded because it is more likely than not that a portion of our state deferred tax assets, primarily net operating loss (NOL) carryforwards, will not be realized because we are no longer operating in some states or the NOL carryforward periods are too brief to realize the related deferred tax asset. We will continue to evaluate both the positive and negative evidence in determining the need for a valuation allowance on our deferred tax assets. Any reversal of the valuation allowance in future periods will impact our effective tax rate.

### **Land and Lot Position**

Our land and lot position at December 31, 2025 and September 30, 2025 is summarized as follows:

	<b>December 31, 2025</b>	<b>September 30, 2025</b>
Lots owned	65,600	65,100
Lots controlled through land and lot purchase contracts	35,400	34,700
Total lots owned and controlled	<u>101,000</u>	<u>99,800</u>
Owned lots under contract to sell to D.R. Horton	22,600	22,800
Owned lots under contract to customers other than D.R. Horton	1,500	1,000
Total owned lots under contract	<u>24,100</u>	<u>23,800</u>
Owned lots subject to right of first offer with D.R. Horton based on executed purchase and sale agreements	18,100	17,600
Owned lots fully developed	10,400	8,900

### **Liquidity and Capital Resources**

#### ***Liquidity***

At December 31, 2025, we had \$211.7 million of cash and cash equivalents and \$607.6 million of available borrowing capacity on our revolving credit facility. We have no senior note maturities until 2028. We believe we are well-positioned to operate effectively during changing economic conditions because of our low net leverage and strong liquidity position, our low overhead model and our strategic relationship with D.R. Horton.

At December 31, 2025, our ratio of debt to total capital (debt divided by stockholders' equity plus debt) was 30.8% compared to 31.2% at September 30, 2025 and 33.3% at December 31, 2024. Our ratio of net debt to total capital (debt net of unrestricted cash divided by stockholders' equity plus debt net of unrestricted cash) was 24.6% compared to 19.3% at September 30, 2025 and 29.5% at December 31, 2024. Over the long term, we intend to maintain our ratio of net debt to total capital at approximately 40% or less. We believe that the ratio of net debt to total capital is useful in understanding the leverage employed in our operations.

We believe that our existing cash resources and revolving credit facility will provide sufficient liquidity to fund our near-term working capital needs. Our ability to achieve our long-term growth objectives will depend on our ability to obtain financing in sufficient amounts. We regularly evaluate alternatives for managing our capital structure and liquidity profile in consideration of expected cash flows, growth and operating capital requirements and capital market conditions. We may, at any time, be considering or preparing for the purchase or sale of our debt securities, the sale of our common stock or a combination thereof.

### ***Bank Credit Facility***

We have a \$665 million senior unsecured revolving credit facility with an uncommitted accordion feature that could increase the size of the facility to \$1 billion, subject to certain conditions and availability of additional bank commitments. Of the total commitments, \$600 million matures on December 18, 2029 and \$65 million matures on October 28, 2026. The facility also provides for the issuance of letters of credit with a sublimit equal to the greater of \$100 million and 50% of the total revolving credit commitments. Borrowings under the revolving credit facility are subject to a borrowing base calculation based on the book value of our real estate assets and unrestricted cash. Letters of credit issued under the facility reduce the available borrowing capacity. At December 31, 2025, there were no borrowings outstanding and \$57.4 million of letters of credit issued under the revolving credit facility, resulting in available capacity of \$607.6 million.

The revolving credit facility is guaranteed by our wholly-owned subsidiaries that are not immaterial subsidiaries and have not been designated as unrestricted subsidiaries. The revolving credit facility includes customary affirmative and negative covenants, events of default and financial covenants. The financial covenants require a minimum level of tangible net worth, a minimum level of liquidity and a maximum allowable leverage ratio. These covenants are measured as defined in the credit agreement governing the facility and are reported to the lenders quarterly. A failure to comply with these financial covenants could allow the lending banks to terminate the availability of funds under the revolving credit facility or cause any outstanding borrowings to become due and payable prior to maturity. At December 31, 2025, we were in compliance with all of the covenants, limitations and restrictions of our revolving credit facility.

### ***Senior Notes***

We have outstanding senior notes as described below that were issued pursuant to Rule 144A and Regulation S under the Securities Act of 1933, as amended. The notes represent senior unsecured obligations that rank equally in right of payment to all existing and future senior unsecured indebtedness and may be redeemed prior to maturity, subject to certain limitations and premiums defined in the respective indenture. The notes are guaranteed by each of our subsidiaries to the extent such subsidiaries guarantee our revolving credit facility.

Our \$300 million principal amount of 5.0% senior notes (the "2028 notes") mature March 1, 2028 with interest payable semiannually. Until March 1, 2026, the 2028 notes may be redeemed at 100.833% of their principal amount plus any accrued and unpaid interest, and the 2028 notes can be redeemed at par on or after March 1, 2026 through maturity. The annual effective interest rate of the 2028 notes after giving effect to the amortization of financing costs is 5.2%.

Our \$500 million principal amount of 6.5% senior notes (the "2033 notes") mature March 15, 2033, with interest payable semiannually. At any time prior to March 15, 2028, we may, on one or more occasions, redeem up to 40% of the aggregate principal amount of the 2033 notes with the net cash proceeds from certain equity offerings at a redemption price of 106.5% of the principal amount of the 2033 notes being redeemed. At any time prior to March 15, 2028, we may redeem some or all of the 2033 notes at a redemption price of 100% of the principal amount thereof plus a specified "make whole" premium described in the indenture. We also have the option, at any time on or after March 15, 2028 to redeem some or all of the 2033 notes at 103.25% of their principal amount plus any accrued and unpaid interest. In accordance with the indenture, the redemption price decreases annually thereafter and the 2033 notes can be redeemed at par on or after March 15, 2030 through maturity. The annual effective interest rate of the 2033 notes after giving effect to the amortization of financing costs is 6.7%.

The indentures governing our senior notes require that, upon the occurrence of both a change of control and a rating decline (as defined in each indenture), we offer to purchase the applicable series of notes at 101% of their principal amount, plus accrued and unpaid interest. Under the indenture governing the 2028 notes, if we or our restricted subsidiaries dispose of assets, under certain circumstances, we will be required to either invest the net cash proceeds from such asset sales in our business within a specified period of time, repay certain senior secured debt or debt of our non-guarantor subsidiaries, or make an offer to purchase a principal amount of such notes equal to the excess net cash proceeds at a purchase price of 100% of their principal amount.

The indenture governing the 2028 notes contains covenants that, among other things, restrict the ability of us and our restricted subsidiaries to pay dividends or distributions, repurchase equity, prepay subordinated debt and make certain investments; incur additional debt or issue mandatorily redeemable equity; incur liens on assets; merge or consolidate with another company or sell or otherwise dispose of all or substantially all of the assets of us and our restricted subsidiaries (taken as a whole); enter into transactions with affiliates; and allow to exist certain restrictions on the ability of subsidiaries to pay dividends or make other payments. The indenture governing the 2033 notes contains certain covenants that, among other things, restrict the ability of us and our restricted subsidiaries to create certain liens on assets; engage in certain sale and leaseback transactions; and merge or consolidate with another company or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the assets of us and our restricted subsidiaries (taken as a whole). At December 31, 2025, we were in compliance with all of the limitations and restrictions associated with our senior note obligations.

Effective April 30, 2020, our Board of Directors authorized the repurchase of up to \$30 million of our debt securities. The authorization has no expiration date. All of the \$30 million authorization was remaining at December 31, 2025.

#### ***Other Note Payable***

In December 2025, we repaid the \$9.9 million principal amount of a note payable that was issued as part of a transaction to acquire real estate for development. The note was non-recourse, was secured by the underlying real estate, and accrued interest at 4.0% per annum.

#### ***Issuance of Common Stock***

We have an effective shelf registration statement filed with the Securities and Exchange Commission in September 2024, registering \$750 million of equity securities, of which \$300 million was reserved for sales under our at-the-market equity offering program that we entered into in November 2024. In the three months ended December 31, 2025, we did not issue any shares of common stock under our at-the-market equity offering program. At December 31, 2025, the full \$750 million remained available for issuance under the shelf registration statement, with \$300 million reserved for sales under our at-the-market equity offering program.

#### ***Operating Cash Flow Activities***

In the three months ended December 31, 2025, net cash used in operating activities was \$157.0 million, which was primarily the result of the increase in real estate, partially offset by net income generated in the period and the increases in accounts payable and other liabilities and earnest money deposits on sales contracts. In the three months ended December 31, 2024, net cash used in operating activities was \$450.0 million, which was primarily the result of the increase in real estate and the decreases in accounts payable and other liabilities and accrued development costs, partially offset by net income generated in the period and the increase in earnest money deposits on sales contracts.

#### ***Investing Cash Flow Activities***

In the three months ended December 31, 2025, net cash used in investing activities was \$0.1 million compared to \$0.9 million of cash provided by investing activities in the prior year period.

#### ***Financing Cash Flow Activities***

In the three months ended December 31, 2025, net cash used in financing activities was \$10.4 million which was primarily the result of the repayment of the \$9.9 million principal amount of our other note payable. Cash provided by financing activities in the three months ended December 31, 2024 was \$99.9 million which was primarily the result of \$100 million of borrowings under our senior unsecured revolving credit facility.

**Critical Accounting Policies and Estimates**

There have been no material changes in our critical accounting policies or estimates from those disclosed in our 2025 Annual Report on Form 10-K.

**New and Pending Accounting Pronouncements**

Please read **Note 1—Basis of Presentation** to the consolidated financial statements included in this Quarterly Report on Form 10-Q.

## Forward-Looking Statements

This Quarterly Report on Form 10-Q and other materials we have filed or may file with the Securities and Exchange Commission contain "forward-looking statements" within the meaning of the federal securities laws. These forward-looking statements are identified by their use of terms and phrases such as "believe," "anticipate," "could," "estimate," "likely," "intend," "may," "plan," "expect," and similar expressions, including references to assumptions. These statements reflect our current views with respect to future events and are subject to risks and uncertainties. We note that a variety of factors and uncertainties could cause our actual results to differ significantly from the results discussed in the forward-looking statements. Factors and uncertainties that might cause such differences 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 cyclical nature of the homebuilding and lot development industries and changes in economic, real estate and other conditions;
- the impact of significant inflation, higher interest rates or deflation;
- supply shortages and other risks of acquiring land, construction materials and skilled labor;
- the effects of public health issues such as a major epidemic or pandemic on the economy and our business;
- the impacts of weather conditions and natural disasters;
- health and safety incidents relating to our operations;
- 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;
- the effects of information technology failures, cybersecurity incidents, and the failure to satisfy privacy and data protection laws and regulations;
- the impact of governmental policies, laws or regulations and actions or restrictions of regulatory agencies;
- the effects of changes in income tax and securities laws
- our ability to achieve our strategic initiatives;
- continuing liabilities related to assets that have been sold;
- 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;
- competitive conditions in our industry;
- 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; and
- our ability to hire and retain key personnel.

Other factors, including the risk factors described in Item 1A of our 2025 Annual Report on Form 10-K, may also cause actual results to differ materially from those projected by our forward-looking statements. New factors emerge from time to time and it is not possible for us to predict all such factors, nor can we assess the impact of any such factor on our business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement.

Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by law, we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events.

**Item 3. *Quantitative and Qualitative Disclosures About Market Risk.***

**Interest Rate Risk**

We are subject to interest rate risk on our senior debt and revolving credit facility. We monitor our exposure to changes in interest rates and utilize both fixed and variable rate debt. For fixed rate debt, changes in interest rates generally affect the fair value of the debt instrument, but not our earnings or cash flows. Conversely, for variable rate debt, changes in interest rates generally do not impact the fair value of the debt instrument, but may affect our future earnings and cash flows. Except in very limited circumstances, we do not have an obligation to prepay fixed-rate debt prior to maturity and, as a result, interest rate risk and changes in fair value would not have a significant impact on our cash flows related to our fixed-rate debt until such time as we are required to refinance, repurchase or repay such debt.

At December 31, 2025, our fixed rate debt consisted of \$300 million principal amount of our 5.0% senior notes due March 2028 and \$500 million principal amount of 6.5% senior notes due March 2033. Our variable rate debt consisted of the outstanding borrowings on our \$665 million senior unsecured revolving credit facility, of which there was none at December 31, 2025.

**Item 4. *Controls and Procedures.***

(a) Disclosure controls and procedures

Our management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures were effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act and were effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in internal control over financial reporting

There have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II—OTHER INFORMATION**

### **Item 1. *Legal Proceedings.***

We are involved in various legal proceedings that arise from time to time in the ordinary course of our business. We believe we have established adequate reserves for any probable losses and that the outcome of any of the proceedings should not have a material adverse effect on our financial position or long-term results of operations or cash flows. It is possible, however, that charges related to these matters could be significant to our results of operations or cash flow in any single accounting period.

With respect to administrative or judicial proceedings involving the environment, we have determined that we will disclose any such proceeding if we reasonably believe such proceeding will result in monetary sanctions, exclusive of interest and costs, at or in excess of \$1 million.

On April 29, 2025, a verified stockholder of the Company filed a derivative complaint in the Delaware Court of Chancery, on behalf of the Company, against D.R. Horton, Inc., the Company's Executive Chairman, and certain of the Company's directors. The complaint, which is captioned *Mississippi Public Employees' Retirement System v. D.R. Horton, Inc.*, C.A. No. 2025-0465-MTZ, asserts claims for breach of fiduciary duty arising out of lot sale transactions between the Company and D.R. Horton. The complaint seeks judgment awarding the Company damages against the defendants and awarding the plaintiff the costs and disbursements of the action, including reasonable attorneys' and experts' fees.

The Company disputes the allegations of wrongdoing in this matter. Nevertheless, the outcome of this lawsuit is uncertain and cannot be predicted with any certainty. Accordingly, at this time, the Company is not able to estimate a possible loss or range of loss that may result from this lawsuit or to determine whether such loss, if any, would have a material adverse effect on its business, financial condition, results of operations or liquidity.

On September 6, 2024, the Maryland Department of Environment (MDE) filed suit in the Circuit Court for Harford County, Maryland against the Company regarding various alleged stormwater compliance issues and violations at a project in Maryland dating from 2022 through 2024, seeking injunctive relief and civil penalties. Since our first discovery of these issues, we have enhanced our practices and procedures related to stormwater compliance at the project in question, and we are seeking to resolve these matters through further discussions with MDE. We do not believe it is reasonably possible that this matter would result in a loss that would have a material effect on our consolidated financial position, results of operations or cash flows.

### **Item 5. *Other Information.***

#### **(c) Trading Plans**

During the three months ended December 31, 2025, no director or Section 16 officer adopted or terminated any Rule 10b5-1 trading arrangements or non-Rule 10b5-1 trading arrangements (in each case, as defined in Item 408(a) of Regulation S-K).

**Item 6. Exhibits.**

<b>Exhibit Number</b>	<b>Exhibit</b>
31.1*	<a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2*	<a href="#">Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1*	<a href="#">Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2*	<a href="#">Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS**	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH**	Inline XBRL Taxonomy Extension Schema Document.
101.CAL**	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF**	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB**	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE**	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104**	Cover Page Interactive Data File (embedded within the Inline XBRL document contained in Exhibit 101).

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\* Filed or furnished herewith.

\*\* Submitted electronically herewith.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: January 22, 2026

Forestar Group Inc.

By: /s/ James D. Allen

James D. Allen, on behalf of Forestar Group Inc.  
as Executive Vice President and Chief Financial Officer  
*(Principal Financial and Principal Accounting Officer)*

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO EXCHANGE ACT RULE 13a-14(a)**

I, Anthony W. Oxley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Forestar Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Anthony W. Oxley

Anthony W. Oxley  
Chief Executive Officer

Date: January 22, 2026

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO EXCHANGE ACT RULE 13a-14(a)**

I, James D. Allen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Forestar Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ James D. Allen

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James D. Allen

Chief Financial Officer

Date: January 22, 2026

**Certification of Chief Executive Officer**  
**Pursuant to 18 U.S.C. Section 1350, as Adopted**  
**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

I, Anthony W. Oxley, Chief Executive Officer of Forestar Group Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, this quarterly report on Form 10-Q fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in this quarterly report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Forestar Group Inc.

/s/ Anthony W. Oxley

Anthony W. Oxley

January 22, 2026

**Certification of Chief Financial Officer**  
**Pursuant to 18 U.S.C. Section 1350, as Adopted**  
**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

I, James D. Allen, Chief Financial Officer of Forestar Group Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, this quarterly report on Form 10-Q fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in this quarterly report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Forestar Group Inc.

/s/ James D. Allen

James D. Allen

January 22, 2026