Builders FirstSource

First Quarter 2018 Earnings Call

May 10, 2018

Safe Harbor & Non-GAAP Financial Measures

Cautionary Notice

Statements in this presentation which are not purely historical facts or which necessarily depend upon future events, including statements about forecasted financial performance or other statements about anticipations, beliefs, expectations, hopes, intentions or strategies for the future, may be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. Readers are cautioned not to place undue reliance on forward-looking statements. All forward-looking statements in this presentation are based upon information available to Builders FirstSource, Inc. on the date of this presentation. Except as required by law, Builders FirstSource, Inc. undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Any forward-looking statements involve risks and uncertainties that could cause actual events or results to differ materially from the events or results described in the forward-looking statements, including risks or uncertainties related to the Company's revenues and operating results being highly dependent on, among other things, the homebuilding industry, lumber prices and the economy. Builders FirstSource, Inc. may not succeed in addressing these and other risks. Further information regarding factors that could affect our financial and other results can be found in the risk factors section of Builders FirstSource, Inc.'s most recent Form 10-K filed with the Securities and Exchange Commission. Consequently, all forward-looking statements in this presentation are qualified by the factors, risks and uncertainties contained therein.

Use of Non-GAAP Financial Measures

This presentation includes financial measures and terms not calculated in accordance with accounting principles generally accepted in the United States ("GAAP") in order to provide investors with an alternative method for assessing our operating results in a manner that enables investors to more thoroughly evaluate our current performance as compared to past performance. We believe these non-GAAP measures provide investors with a better baseline for modeling our future earnings expectations. Our management uses these non-GAAP measures for the same purpose. We believe that our investors should have access to the same set of tools that we use in analyzing our results. These non-GAAP measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results. Our calculations of non-GAAP measures are not necessarily comparable to similarly titled measures reported by other companies. The company provided detailed explanations of these non-GAAP financial measures in its Form 8-K filed with the Securities and Exchange Commission on May 9, 2018.

Differentiated, diversified market leader positioned for accelerating growth and expanding profitability

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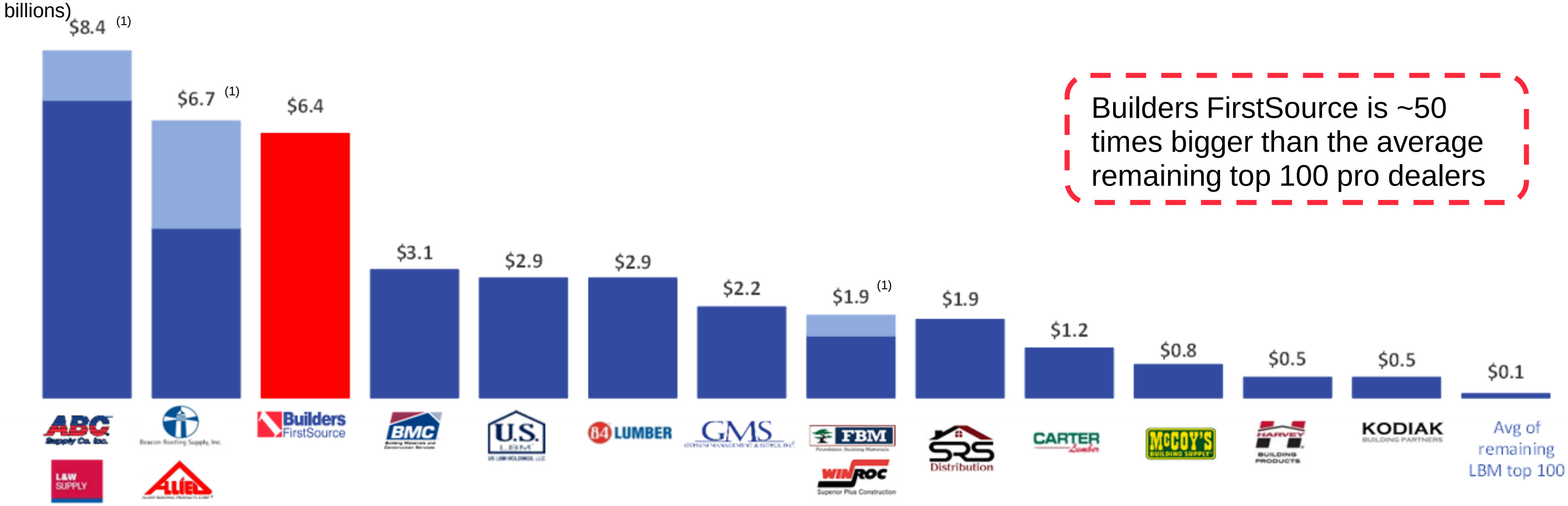
- Differentiated market leader with exceptional geographic end market diversity
- Competitively advantaged in a highly fragmented industry
- Capitalizing on highly favorable housing market dynamics
- Enhanced focus and investment towards driving market share gains and ongoing shift towards higher margin products
- Executing a range of operational excellence and cost savings initiatives throughout the organization
- Expanding cash flow generation

Builders FirstSource: Differentiated market leader capitalizing on strategic advantages and enhanced focus on growth

- One of the largest LBM (Lumber and Building Material) suppliers of building products in the U.S. professional market
- Margin expansion opportunities with prefabricated components and value-added services, primarily for new residential construction and repair and remodeling
- Integrated solutions: manufacturing, supply, delivery and installation for a full range of structural and related building products
- Integrated approach and significant scale enables us to compete more effectively in the homebuilding end market
- Highly fragmented industry creates significant opportunities
  - Many competitors are small and privately owned with limited product offerings, access to capital, and IT infrastructure
  - We are increasing our focus and investment to accelerate our share capture from these smaller local distributors, particularly in high-margin value-added products

2016 Pro Forma Sales of Top Distribution Pro Dealers

(in $ billions)



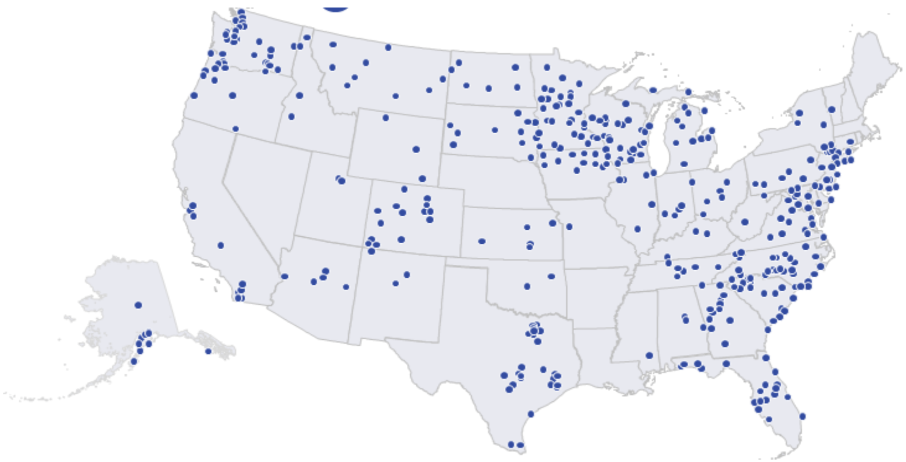
Source: ProSales 2017 Survey, Wall Street equity research

(1) Full year 2016 pro Forma for notable acquisitions

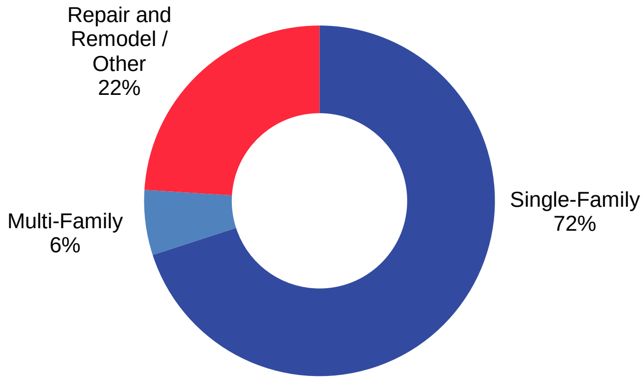
Exceptional geographic diversity and balanced end market exposure

- Diversity, scale and expansive geographic footprint enables exceptional customer reach and less exposure to any one market
  - Presence in 75 of top 100 MSAs and in 40 states
- National scale facilitates strategic partnerships with customers and suppliers
  - Unique positioning to offer large production homebuilders consistent service across 40 states
  - Advantaged purchasing power as the largest distributor of building products to the pro channel
- The highly fragmented homebuilding market provides a diverse customer base, where no one customer accounts for more than 5% of sales and top 10 account for ~16%
- Geographic and end market diversity reduces our dependence on any one market or segment
- Repair and remodeling (R&R) end market has historically provided a more stable revenue base

Broad U.S. coverage with over 400 locations in 40 states



Q1-2018 sales by end market



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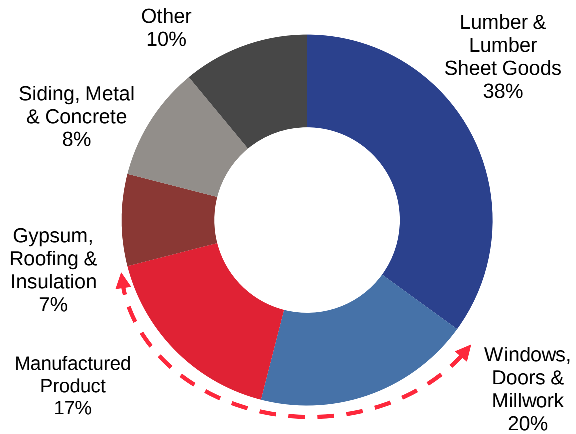
Labor shortages and extended building cycle times increase the relative value of our high margin value-added products

Investing to drive growth and expand share of wallet in value-added products

- Capacity expansion
  - In 2018, we are adding 3 new truss manufacturing facilities, 9 additional lines to existing plants, capacity and productivity additions to 10 plants, 1 new millwork facility, and capacity to 10 door shops
- Value added products sales per day grew 10% vs prior year
  - Manufactured products up 11%
  - Commodity inflation drove increase in lumber revenue and mix

Q1-2018 sales by product category



Value Added Product Mix of 37%

Lumber & Sheet Goods

Manufactured product

Windows, doors & millwork

Gypsum, roofing & insulation

Other products & services

Siding, metal, & concrete

Note: Sales exclude the impact of closed locations

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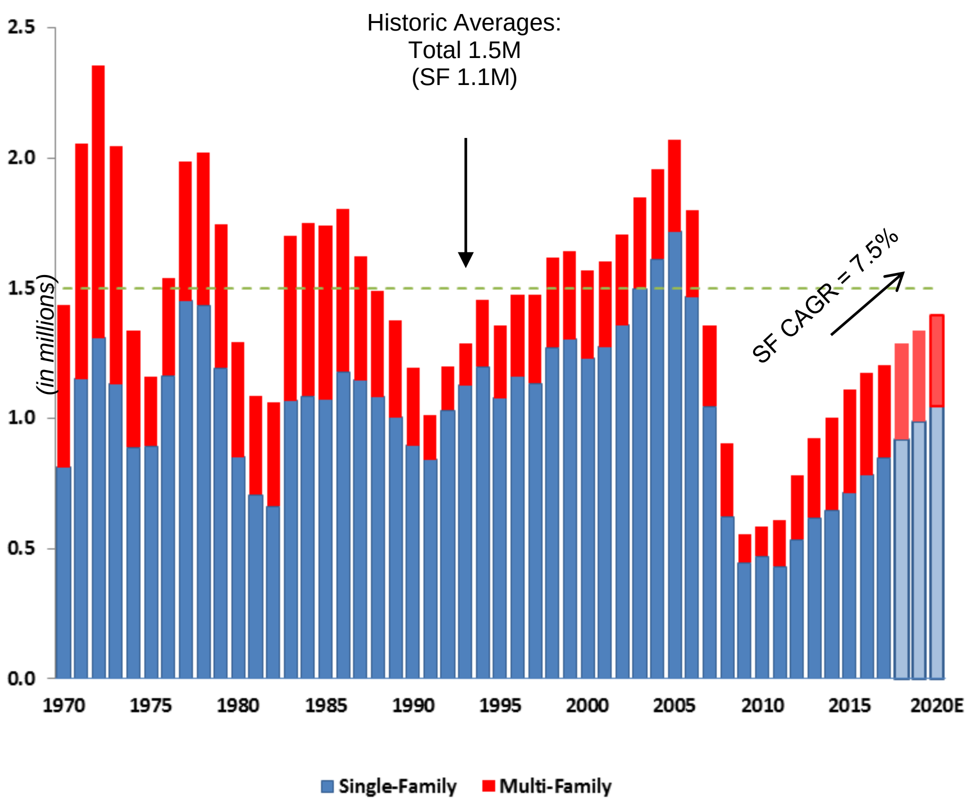
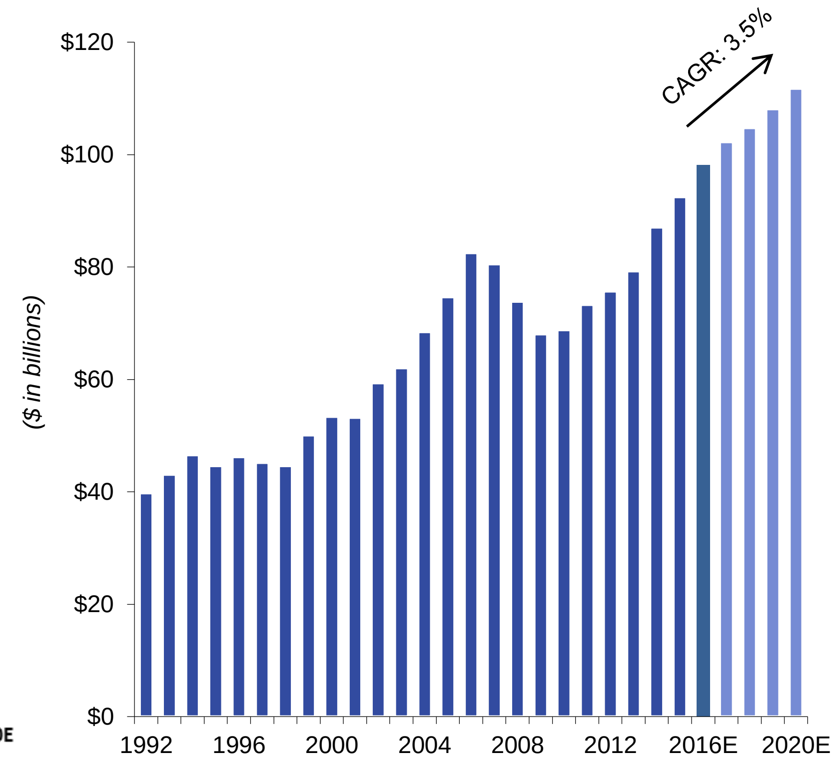
Supportive US housing market dynamics and outlook

U.S. housing starts[1]



Housing starts level is still significantly below the long-term historical average

Professional home improvement products spending[2]



Residential repair & remodel spending continues to show consistent growth

1 Source: US Census, National Association of Home Builders. Estimates (2017 – 2020) wall street and economic research
2 Source: Home Improvement Research Institute.

Priority remains continued focus on growth

Above Market Growth

- Leverage our geographic reach, vendor and customer relationships, and leading scale to grow faster than the market
- Continue to expand our salesforce

Expansion of Value-Added Products

- Significant opportunities exist to increase the penetration of our high-margin value-added product offerings, enabled by accelerating capacity investments

Operational Excellence

- Initiatives are underway to drive continuous improvement and enhanced efficiencies

Expanding Free Cash Flow

- Expanding operating cash flow enables funding of these growth initiatives and debt reduction

Exceptional Talent Development

- As business in our industry is won at the local level, focus on bench of general managers and sales leaders

Leveraging our strengths to accelerate growth and further expand profitability

Existing Business + **Organic Investment in Value Added Product growth** + **Operational Excellence Initiatives** + **Core Business Growth**

(Single family starts return to historic norm of 1.1M)

Leverage Platform Strengths

- Strong existing business positioned for accelerating growth and profitability
  - Market leader with exceptional size, geographic footprint, and end market exposure
  - Largest number of manufacturing plants (57) strategically located across the country
  - Expanding best in class sales force capacity and capability
  - Favorable housing market outlook

Market and Margin Expansion Initiatives

- Execute on operational excellence initiatives and value-added product expansion to accelerate profit growth
  - Operational excellence initiatives, including distribution and logistics, pricing and margin management, back office efficiencies and systems-enabled process improvements, yield significant cost savings
  - Expand our national manufacturing footprint and differentiated capabilities to capture above market growth in higher margin value-added products
    - Value-added products address the growing demand for ways to build homes more efficiently, addressing labor constraints and rising costs.
  - Grow faster than the single family market

Meaningful Value Creation

- A normalized housing market and focus on operations should result in substantially increased returns
  - Significant resulting cash flow provides opportunity for debt reduction, returning cash to shareholders, and increasing investment in organic and acquisitive growth
    - Our long term leverage target is between 2.5-3.5 X EBITDA

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Initiatives underway, with meaningful value creation

Category	Summary Description	Estimated EBITDA Growth
Core Business Growth	▪ Single family starts return to historic norm of 1.1M ▪ Repair and Remodeling growth at ~3% annually ▪ Multi-family starts return to 400K historic norm	~$250-280M
Value Added Product Growth Faster Than Market	▪ Grow faster than the single family market, leveraging value added products ▪ Expand national manufacturing footprint, providing access to higher margin value added products ▪ Provide solutions to build more efficiently and address labor constrains	~$30-40M
Operational Excellence Initiatives	▪ Delivery and logistic projects to improve efficiency and customer service, including black box technology and delivery and dispatch system ▪ Home builder integration, including customer portal and automation of order entry and integrated billing ▪ Back office automation ▪ Pricing and margin optimization tools ▪ Operational reporting improvements that enable more efficient operations and indirect spending reductions	~$65-75M

We believe will enable Builders FirstSource, within 4-5 years, to:

✓ **~ Double Baseline (2016) EBITDA**

✓ **~ EPS $3.00 - $3.50**

✓ **~ 2.5 – 3.0 x Baseline (2016) Free Cash Flow**

✓ **~ Over $1B Cumulative Cash Generation**

Note: Assumes ~120M shares outstanding at the end of 4-5 years, CapEx between 1.5-1.7% of sales to capture savings and elevated associated depreciation, no further debt refinancing, and return to normalized housing starts of 1.1M SF and 400K MF starts. See page 1 regarding Forward-Looking Statements and Risk Factors

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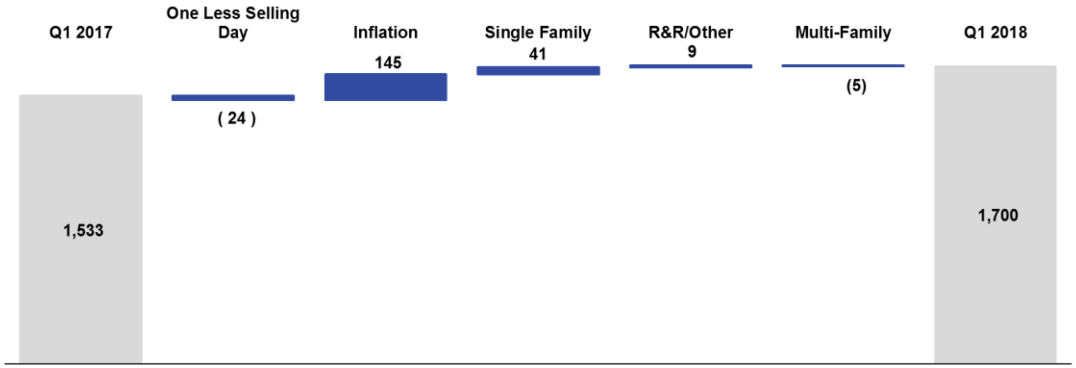
Adjusted Financial Overview

Q1 2018 Adjusted results

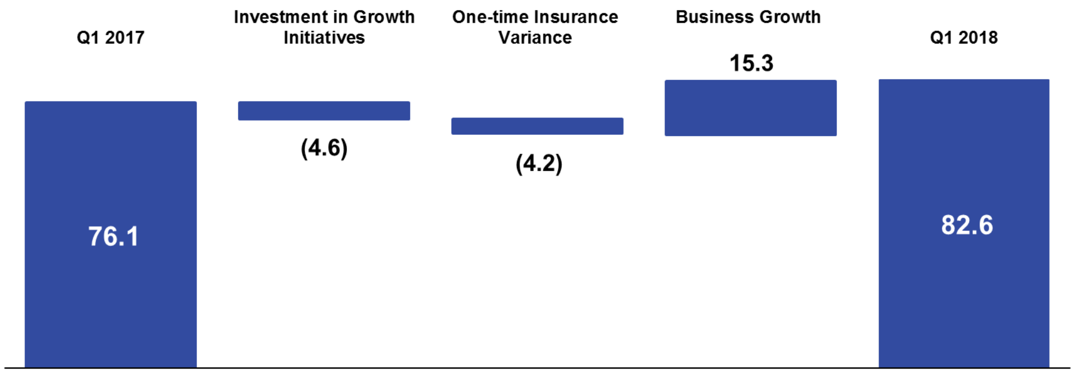
Net Revenue Bridge

($ in millions)



Adjusted EBITDA Bridge [1,2]

($ in millions)



(1) See Adjusted (Non- GAAP) EBITDA reconciliations to GAAP on page 14

(2) Growth investments includes new sales associates, costs associated with new manufacturing facilities, and cost to stand up our operational excellence initiatives

- Sales per day grew 12.7% over prior year
  - Sales volume per day +3.9% in single family despite weather related facility closures in the quarter
  - +2.8% sales per day volume growth R&R/Other
  - Commodity price inflation benefited sales by 9.6%
  - Expected declines in multi-family
- Gross margins decreased by 30 bps vs PY as a result of commodity inflation
  - Lumber and panel prices are up 13% and 24% since year end
  - Commodity inflation generally benefits operating results in the long term, but causes gross margin percentage compression when prices are rising due to short term pricing commitments provided customers. Additionally, higher sales in commodity products has a negative mix impact on gross margin percent
- SG&A as a % of sales decreased by 80 basis points
  - Improvement driven by cost leverage and continued cost discipline
  - Invested $4.6M in growth initiatives
  - $4.2M attributable one-time in decrease in insurance expense in the first quarter of 2017. We do not expect this variance to repeat balance of the year
- Adjusted EBITDA increased 8.6% over 2017
  - Revenue growth in the quarter drives profits, with commodity inflation and one time insurance cost decrease in 2017 impacting conversion rate
  - Investments in growth initiatives continue

Free cash flow and deleveraging priorities

The following financial attributes…	We believe will enable Builders FirstSource in 2018 to…
Strong projected free cash flow generation	*Generate net free cash flow of $170-190M*
Relatively low capital intensive business	*Fund capital investments at 1.7% of sales*
Our current NOL should shelter the Company from paying all but $15-20M of cash taxes in 2018	*Improve our leverage ratio to $\leq$ 3.5X*
Focus on working capital efficiency, expected to run 10% of incremental sales	*Fund organic growth opportunities and expand share of wallet through value added products*
Refinancing transactions reduced 2018 cash interest by $35M annually	*Reduce debt*

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Appendix - Financial Schedules

Reconciliation from Net Income to Adjusted EBITDA

	Three months ended March 31, 2018	Three months ended March 31, 2017
(in millions)		
GAAP Net Income	**$ 23.2**	**$ 3.8**
Integration related expenses	4.4	5.9
Debt issuance and refinancing cost (1)	-	2.4
Adjusted Net Income	**27.6**	**12.1**
Weighted average diluted common shares (in millions)	*116.7*	*114.6*
Diluted adjusted net income (loss) per share:	**$ 0.24**	**$ 0.11**
Reconciling items:		
Depreciation and amortization expense	22.8	23.6
Interest expense, net	26.7	33.8
Income tax (benefit) expense	2.2	0.3
Stock compensation expense	2.9	2.9
(Gain)/loss on sale and asset impairments	0.2	3.1
Other management-identified adjustments (2)	0.2	0.3
Adjusted EBITDA	**$ 82.6**	**$ 76.1**
Adjusted EBITDA Margin	***4.9%***	***5.0%***

(1) Cost associated with refinancing long term debt in 2017. (2) Primarily relates to severance and one time cost.

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Adjusted EBITDA Reconciliation by Quarter

	Quarter 1 2017	Quarter 2 2017	Quarter 3 2017	Quarter 4 2017	Full Year 2017	Quarter 1 2018	T12M Q1-18
Financial Data							
Net sales	$ 1,533.1	$ 1,843.3	$ 1,878.9	$ 1,778.9	$ 7,034.2	$ 1,700.4	$ 7,201.5
Sales adjustment for closed locations	-	-	-	-	-	-	-
Net sales excluding closed locations	1,533.1	1,843.3	1,878.9	1,778.9	7,034.2	1,700.4	7,201.5
Gross margin	376.1	460.8	459.3	431.2	1,727.4	411.0	1,762.3
Gross margin %	*24.5%*	*25.0%*	*24.4%*	*24.2%*	*24.6%*	*24.2%*	*24.5%*
Reconciliation from Net Income to Adjusted EBITDA:							
GAAP Net Income (Loss)	**$ 3.8**	**$ 37.9**	**$ 39.7**	**$ (42.7)**	**$ 38.8**	**$ 23.2**	**$ 58.2**
Integration related expenses	5.9	5.1	5.7	4.0	20.7	4.4	19.2
Debt issuance and refinancing cost (1)	2.4	-	-	56.3	58.7	-	56.3
Revaluation of NOL (2)	-	-	-	29.0	29.0	-	29.0
Adjusted Net Income	**12.1**	**43.0**	**45.4**	**46.6**	**147.2**	**27.6**	**162.7**
Weighted average diluted common shares (in millions)	*114.6*	*115.9*	*115.9*	*116.5*	*115.6*	*116.7*	
Diluted adjusted net income (loss) per share:	**$ 0.11**	**$ 0.37**	**$ 0.39**	**$ 0.40**	**$ 1.27**	**$ 0.24**	
Depreciation and amortization expense	23.6	24.2	23.0	22.2	93.0	22.8	92.2
Interest expense, net	33.8	33.7	33.8	33.2	134.5	26.7	127.4
Income tax expense	0.3	19.7	15.1	(11.0)	24.1	2.2	26.0
Stock compensation expense	2.9	3.5	3.5	3.6	13.5	2.9	13.5
(Gain)/loss on sale and asset impairments	3.1	(0.2)	1.5	1.9	6.3	0.2	3.4
Other management-identified adjustments (3)	0.3	0.1	(0.3)	0.4	0.4	0.2	0.2
Adjusted EBITDA	**$ 76.1**	**$ 124.0**	**$ 122.0**	**$ 96.9**	**$ 419.0**	**$ 82.6**	**$ 425.4**
Adjusted EBITDA Margin	*5.0%*	*6.5%*	*6.5%*	*5.4%*	*6.0%*	*4.9%*	*5.9%*

(1) Cost associated with refinancing long term debt in 2017. (2) In 2017, the company revalued its NOL tax asset given the tax reform that allows for a lower federal corporate tax rate.(3) Primarily relates to severance and one time cost.

Interest Reconciliation and Debt Outstanding

	Three months ended March 31, Interest Expense		Net Debt Outstanding		Adjusted Annual Go Forward Cash Interest [1]	
			(in millions)			
2024 Secured Notes @ 5.625% Fixed	$	10.5	$	750.0	$	42.2
2024 Term Loan @ 4.7% (Floating LIBOR) [2]		5.5		461.8		21.7
Revolving Credit Facility @ 3.5% (Floating LIBOR) [2]		4.4		506.0		20.3
Amortization of deferred loan costs and debt discount		1.1				
Lease finance obligations and capital leases		5.4		241.5		21.5
Other		(0.2)				
Cash				(10.1)		
Total	$	26.7	$	1,949.2	$	105.7

- Total liquidity at March 31, 2018 was $321.9M
- The Company has an extended debt maturity profile
- The net debt/Adjusted EBITDA (on a trailing 12 month basis) leverage ratio on March 31, 2011 was 4.6x, a 0.4x reduction from the prior year
- Adjusted EBITDA (on a trailing 12 month basis) / Adjusted annual go forward cash interest is greater than 4x

(1) Excludes issuance cost and one time items. Assumes current or pro forma borrowing rates on variable debt. (2) Assumes Q1 balance for the Term Loan and the revolving credit facility for annualized projections.

GAAP Financial Schedules – Income Statement

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
	(Unaudited) (In thousands, except per share amounts)	
Sales	$ 1,700,436	$ 1,533,064
Cost of sales	1,289,384	1,157,012
Gross margin	411,052	376,052
Selling, general and administrative expenses	358,908	335,775
Income from operations	52,144	40,277
Interest expense, net	26,742	36,157
Income before income taxes	25,402	4,120
Income tax expense	2,182	298
Net income	$ 23,220	$ 3,822
Comprehensive income	$ 23,220	$ 3,822
Net income per share:		
Basic	$ 0.20	$ 0.03
Diluted	$ 0.20	$ 0.03
Weighted average common shares:		
Basic	114,090	111,964
Diluted	116,696	114,580

GAAP Financial Schedules – Balance Sheet

	March 31, 2018	December 31, 2017
	(Unaudited) (In thousands, except per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 10,069	$ 57,533
Accounts receivable, less allowances of $11,874 and $11,771 at March 31, 2018 and December 31, 2017, respectively	710,448	631,992
Other receivables	60,762	71,232
Inventories, net	678,790	601,547
Other current assets	43,046	33,564
Total current assets	1,503,115	1,395,868
Property, plant and equipment, net	643,721	639,303
Assets held for sale	5,273	5,273
Goodwill	740,411	740,411
Intangible assets, net	126,360	132,567
Deferred income taxes	73,092	75,105
Other assets, net	17,717	17,597
Total assets	$ 3,109,689	$ 3,006,124
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Checks outstanding	$ 30,996	$ —
Accounts payable	488,178	514,282
Accrued liabilities	187,804	271,597
Current maturities of long-term debt and lease obligations	12,413	12,475
Total current liabilities	719,391	798,354
Long-term debt and lease obligations, net of current maturities, debt discount and debt issuance costs	1,928,410	1,771,945
Other long-term liabilities	60,915	59,616
Total liabilities	2,708,716	2,629,915
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value, 10,000 shares authorized; zero shares issued and outstanding	—	—
Common stock, $0.01 par value, 200,000 shares authorized; 114,619 and 113,572 shares issued and outstanding at March 31, 2018 and December 31, 2017, respectively	1,146	1,136
Additional paid-in capital	546,832	546,766
Accumulated deficit	(147,005)	(171,693)
Total stockholders' equity	400,973	376,209
Total liabilities and stockholders' equity	$ 3,109,689	$ 3,006,124

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GAAP Financial Schedules – Cash Flow

	Three months ended March 31, 2018	Three months ended March 31, 2017
	(Unaudited) (In thousands)	
Cash flows from operating activities:		
Net income	$ 23,220	$ 3,822
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	22,819	23,592
Amortization and write-off of debt issuance costs and debt discount	1,149	2,435
Deferred income taxes	1,497	40
Bad debt expense	443	681
Stock compensation expense	2,890	2,904
Net loss (gain) on sale of assets and asset impairments	(245)	3,145
Changes in assets and liabilities:		
Receivables	(57,575)	(41,655)
Inventories	(85,958)	(76,243)
Other current assets	(9,481)	(6,118)
Other assets and liabilities	1,552	348
Accounts payable and checks outstanding	4,376	50,949
Accrued liabilities	(83,012)	(100,342)
Net cash used in operating activities	(178,325)	(136,442)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(20,113)	(9,778)
Proceeds from sale of property, plant and equipment	568	449
Net cash used in investing activities	(19,545)	(9,329)
Cash flows from financing activities:		
Borrowings under revolving credit facility	555,000	457,000
Repayments under revolving credit facility	(399,000)	(315,000)
Repayments of long-term debt and other loans	(2,780)	(2,626)
Payments of loan costs	—	(2,765)
Exercise of stock options	2,041	1,701
Repurchase of common stock	(4,855)	(2,473)
Net cash provided by financing activities	150,406	135,837
Net change in cash and cash equivalents	(47,464)	(9,934)
Cash and cash equivalents at beginning of period	57,533	14,449
Cash and cash equivalents at end of period	$ 10,069	$ 4,515

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