First Quarter 2019 Earnings Presentation

May 3, 2019





Safe Harbor & Non-GAAP Financial Measures

Cautionary Notice

Statements in this news release and the schedules hereto that are not purely historical facts or that necessarily depend upon future events, including statements about expected market share gains, 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 21E of the Securities Exchange Act of 1934, as amended. In addition, oral statements made by our directors, officers and employees to the investor and analyst communities, media representatives and others, depending upon their nature, may also constitute forward-looking statements. All forward-looking statements are based upon currently available information and the Company's current assumptions, expectations and projections about future events. Readers are cautioned not to place undue reliance on forward-looking statements. Forward-looking statements are by nature inherently uncertain, and actual results or events may differ materially from the results or events described in the forward-looking statements as a result of many factors. 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, many of which are beyond the Company's control or may be currently unknown to the Company, 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 growth strategies, including gaining market share, or 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 annual report on Form 10-K filed with the Securities and Exchange Commission ("SEC") and may also be described from time to time in the other reports the Company files with the SEC. Consequently, all forward-looking statements in this release 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 2, 2019.

Differentiated market leader positioned for ongoing growth and expanding profitability

- Exceptional geographic and end market diversity
- Leadership in a highly fragmented industry
- Ongoing favorable housing market fundamentals
- Expanding in value-added capacity and sales growth driving market share gains and margin improvement
- Executing on operational excellence and cost management initiatives
- Expanding cash flow generation and conversion

Q1 2019 Update

Growth

Sales volume +6.8% per day[1], versus a down single-family housing starts market, further demonstrating the resilience of our platform

Growth across all three customer end-markets and four of the core product categories

Disciplined execution helped deliver exceptional gross margin

Operational Excellence

Continued roll-out of our dispatch and delivery optimization system to a total of ~170 locations improving uptime and reliability

Margin management and value-based pricing tools showing early contributions

Value-Added Products

Value-added products categories +10.0% per day excluding commodity deflation

Strong demand from homebuilders for productivity and efficiency solutions

Invested in additional value-added manufacturing capacity including plants, automation and machinery

[1]Excluding the impact of commodity deflation and one less selling day

Q1 2019 Financial Highlights

Revenue

$1.6b

-2.5%

- Sales volume per day[1]: +6.8%, a strong start to the year as demand improved across our customer end markets
- Value-added products: +8.8% sales per day / +10.0% excluding deflation
- Commodity prices: deflation impacted sales per day -9.3% reflecting lower lumber and panel prices than the same period last year

Gross margin

27.1%

+290 bp

- Improved mix due to growth in higher margin products
- Decline in the cost of commodities relative to our customer pricing commitments combined with continued pricing discipline
- Lumber and panel prices: continued to trail down into the first quarter with little recovery

Adjusted EBITDA

$101m

+$18m / +22%

- Adjusted EBITDA margin: +130 bps driven by higher sales volumes, particularly in value-added products, and the improved profitability due to factors reflected in the gross margin
- SG&A: +$11m on higher variable compensation related to the increased profitability as well as higher insurance costs

Adjusted Net Income

$40m

+$12m / +44%

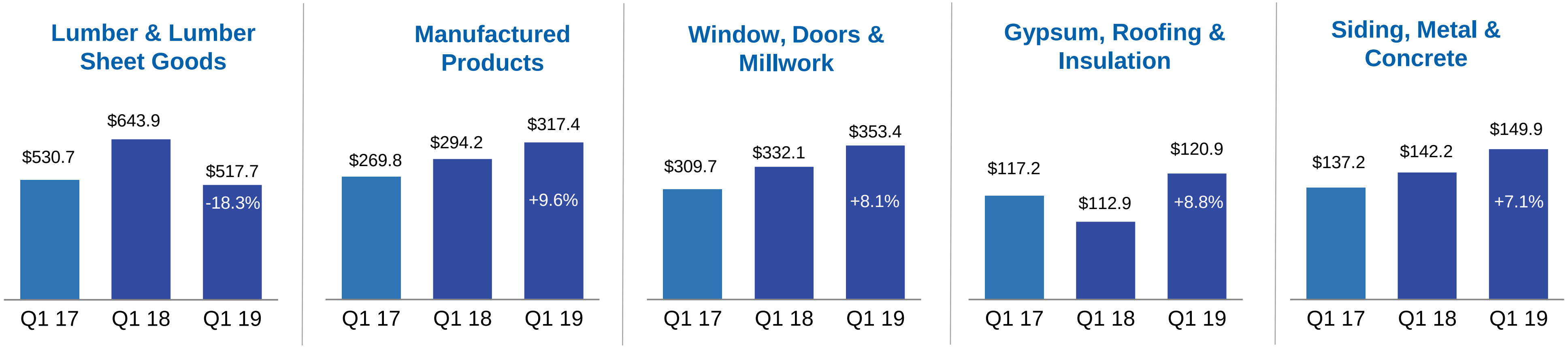
- Diluted Adjusted EPS: $0.34 per share, +42% over the prior year
- Interest expense: declined by $2m due to the repurchases of the 2024 notes executed in the fourth quarter of 2018 and the first quarter of 2019

[1]Excluding the impact of commodity deflation and one less selling day

Q1 2019 Net Sales by Product Category

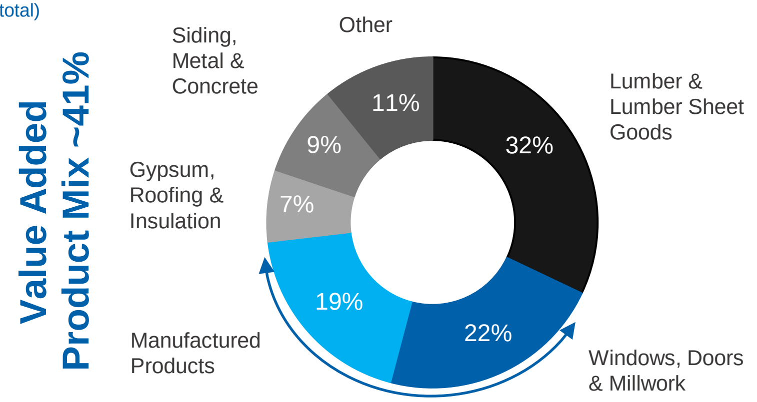
Q1 2019 sales by product category[1]

($ in millions)



Sales mix by product category

(% of total)



Value-added products improved to 41% of total sales

Commodity deflation drove a decrease in lumber related sales

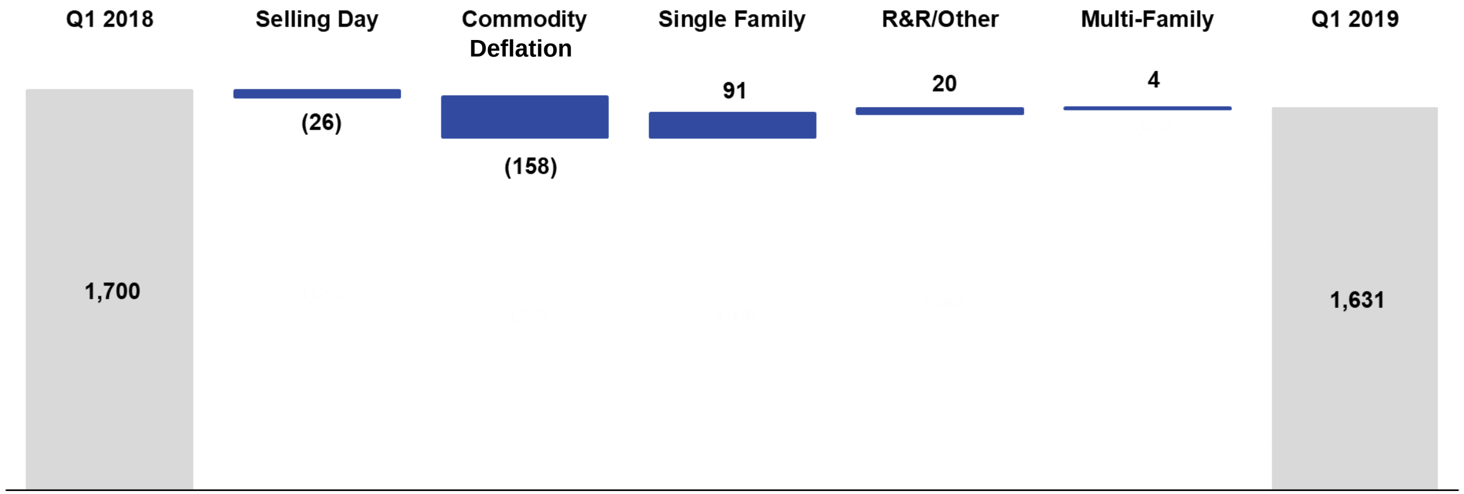
Significant capacity expansion planned 2019:

- Q1 19: Spent ~$22m on capital expenditures including significant growth related capacity
- 2019: 25% of total capex to be invested in growth including additional value-added capacity: new truss & millwork facilities, door machines, and line upgrades at dozens of locations

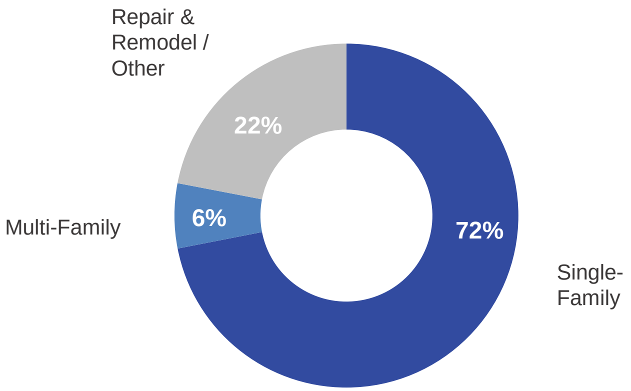
[1]Percent growth sales per day; Sale mix – Q1 2019

Q1 2019 Net Sales by End Market

Net sales bridge
($ in millions)



Sales mix by end market
(% of total)



Sale mix: Q1 2019

Single family: +7.5% per day, outperforming a down single-family starts market

R&R / Other: +5.2% per day, as overall improvement in demand offset slower activity in the Midwest

Multi-family: +4.1% per day, on recovering demand compared to a seasonally weak prior year period

Free cash flow and capital allocation priorities

Strong financial underpinning…

- *Strong EBITDA generation*
- *Relatively low capital intensive needs*
- *Current NOL is expected to shelter all but $15-20m of cash taxes in 2019*
- *Focus on working capital efficiency*
- *Refinancing transactions reduced 2019 cash interest*

…allows BLDR to optimally allocate capital

- *Fund capital expenditures at 1.5% of sales and capture value-added growth opportunities*
- *Strong free cash flow of $190-220m after capital expenditures*
- *Value creating "tuck-in" acquisitions that complement our existing footprint*
- *Opportunistic share repurchase of ~$20m related to the value of incentive compensation*
- *Continue to strengthen balance sheet*

Leveraging our strengths to accelerate growth and further expand profitability

Organic Investment in Value Added Product growth + ***Operational Excellence Initiatives***

Leverage Platform Strengths

Strong existing business positioned for ongoing growth and profitability as single-family starts return to historic average

- Market leader with exceptional size, geographic footprint and end market exposure
- Largest number of manufacturing plants (58) strategically located across the country
- Expanding best in class sales force capacity and capabilities
- Continue to grow faster than the single family market

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 high margin value-added products
  - Value-added products address the challenges of labor constraints, rising costs and the efficiency needs of our customer

Initiatives underway, driving meaningful value creation

Category	Summary Description	Estimated EBITDA Growth
Core Business Growth	▪ Single family starts return to historic average of 1.1m starts ▪ Repair and Remodeling growth at ~3% annually ▪ Multi-family starts return to 400K historic average	~$130-160m
Value Added Product Growth Faster Than Market	▪ Grow faster than the single family market, leveraging value-added products ▪ Expand national manufacturing footprint, increase higher margin value-added mix ▪ 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 fleet tracking & routing and delivery optimization system ▪ Customer portal and automation of order entry and integrated billing providing customers access anytime and anywhere ▪ Back office automation including streamlining of accounts payable / receivable processes ▪ Pricing and margin optimization tools enabling sales to differentiate product offering including special & custom order business	~$60-70m
Financial Targets	▪ > 50% increase compared to FY2018 Adjusted EBITDA (~$750m) ▪ > $3.00 - $3.50 Adjusted EPS (~$360m - $420m Adjusted net income) ▪ > 85% Average Annual Free Cash Flow to Adjusted Net Income conversion	

Note: Assumes ~120M shares outstanding, CapEx between 1.5-1.7% of sales to capture savings and elevated associated depreciation, no further debt refinancing, and return to housing starts of 1.1M SF and 400K MF starts

Value Added Products – Manufactured Products

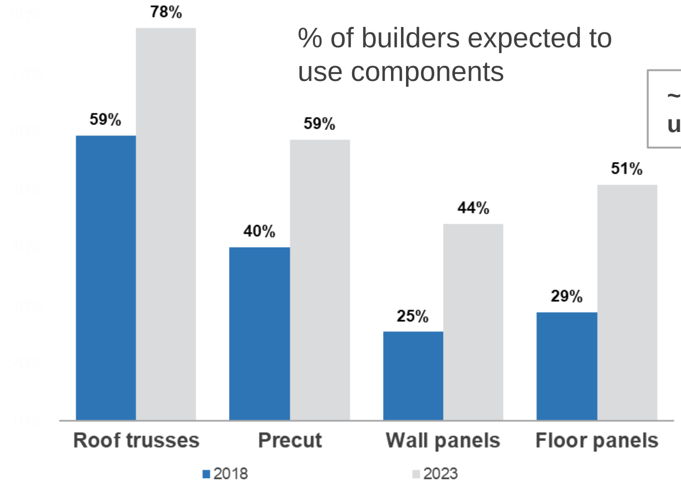
Constraints around traditional job-site framing

- Lack of skilled framing labor
- Injuries and workers compensation
- Additional quality control / warranty cost
- Material waste / shrinkage
- Jobsite clean up dumpsters
- Peak seasonal crew utilization

BFS's Manufactured Products offer productivity and efficiency solutions

- Precisely engineered, high-quality reliable components
- Digitized design and factory constructed to specs
- JIT delivery / reduction in idle inventory / work crew
- Shorten cycle-time / faster delivery of new homes

Significant growth opportunity in Manufactured Products[1]



~$6 billion market with upside potential[2]

The benefits of component framing are proven

~60% less total jobsite hours

~97% less jobsite waste generated

~27% less in board foot of lumber / EWP

Fully traditional framed vs. fully component framed

[1]Home Innovation Research (Dec 2018 Survey), [2]SBCA website

Q1 2019 Recap & Outlook

Q1 Highlights

Q1 2019:

Total sales volume per day +6.8%

Growth across all three end markets

Value-added Products +8.8% sale per day / +10.0% excluding commodity deflation

Adjusted EBITDA +$18.2m / 22.2%

Adjusted net income +44.2% / Adjusted EPS up $0.10 to $0.34 per share

Executed on our Operational Excellence roll out of our delivery optimization system and value based pricing tools

Invested $22m in capex including expanding our value-added products capacity

Market Outlook

Single Family

Builders continue to adjust to buyers' needs

Market fundamentals remain supportive of a low to mid-single digits percent growth for 2019

Multi-Family

Long lag between starts and revenue

Expected to be flat year over year

Repair & Remodel

Overall market remains strong – Midwest remains under pressure from tariffs

Low single-digit percent growth expected

Builders FirstSource

Appendix – Financial Schedules

Reconciliation from Net Income to Adjusted EBITDA

($ millions)	Q1 18	Q2 18	Q3 18	Q4 18	FY 18	Q1 19	TTM
Net sales	$ 1,700.4	$ 2,089.9	$ 2,118.5	$ 1,816.0	$ 7,724.8	$ 1,631.3	$ 7,655.6
Gross margin	411.1	496.3	522.8	492.8	1,922.9	$ 442.0	1,953.9
Gross margin %	*24.2%*	*23.7%*	*24.7%*	*27.1%*	*24.9%*	*27.1%*	*25.5%*
Reconciliation from Net Income to Adjusted EBITDA:							
GAAP Net Income (Loss)	**$ 23.2**	**$ 56.6**	**$ 73.3**	**$ 52.0**	**$ 205.2**	**$ 35.7**	**$ 217.7**
Integration related expenses	4.4	6.0	4.5	4.3	19.2	4.8	19.6
Debt issuance and refinancing cost (1)	-	-	-	(3.2)	(3.2)	(0.7)	(3.9)
Adjusted Net Income	**$ 27.6**	**$ 62.6**	**$ 77.8**	**$ 53.1**	**$ 221.1**	**$ 39.8**	**$ 233.3**
Weighted average diluted common shares (in millions)	*116.7*	*116.7*	*116.5*	*116.4*	*116.6*	*116.5*	*116.5*
Diluted adjusted net income (loss) per share:	**$ 0.24**	**$ 0.54**	**$ 0.67**	**$ 0.46**	**$ 1.90**	**$ 0.34**	**$ 2.00**
Depreciation and amortization expense	22.8	24.8	25.1	25.2	97.9	23.6	98.7
Interest expense, net	26.7	29.0	29.1	26.6	111.4	25.6	110.3
Income tax expense	2.2	19.0	19.4	15.0	55.6	11.3	64.7
Stock compensation expense	2.9	3.5	3.5	4.5	14.4	2.7	14.2
(Gain)/loss on sale and asset impairments	0.2	(0.1)	(0.2)	(0.9)	(1.0)	(0.4)	(1.6)
Other management-identified adjustments (2)	0.2	0.3	0.1	1.5	2.2	(1.7)	0.2
Adjusted EBITDA	**$ 82.6**	**$ 139.1**	**$ 154.8**	**$ 125.0**	**$ 501.6**	**$ 100.9**	**$ 519.9**
Adjusted EBITDA Margin	*4.9%*	*6.7%*	*7.3%*	*6.9%*	*6.5%*	*6.2%*	*6.8%*

(1) Gain or loss associated with refinancing long term debt
(2) Primarily relates to severance and one time cost

Reconciliation from Net Income to Adjusted EBITDA

($ millions)	Three months ended March 31, 2019		Three months ended March 31, 2018	
Reconciliation to Adjusted EBITDA:				
Reported GAAP Net Income	$	35.7	$	23.2
Integration related expenses		4.8		4.4
Debt issuance and refinancing cost [1]		(0.7)		-
Adjusted Net Income	**$**	**39.8**	**$**	**27.6**
Weighted average diluted common shares (in millions)		*116.5*		*116.7*
Diluted adjusted net income per share:	**$**	**0.34**	**$**	**0.24**
Reconciling items:				
Depreciation and amortization expense		23.6		22.8
Interest expense, net		25.6		26.7
Income tax (benefit) expense		11.3		2.2
Stock compensation expense		2.7		2.9
(Gain)/loss on sale and asset impairments		(0.4)		0.2
Other management-identified adjustments [2]		(1.7)		0.2
Adjusted EBITDA	**$**	**100.9**	**$**	**82.6**
Adjusted EBITDA Margin		*6.2%*		*4.9%*

(1) Gain or loss associated with refinancing long term debt
(2) Primarily relates to severance and one time cost

Interest Reconciliation and Debt Outstanding

	Three months ended March 31,	
	Interest Expense	Net Debt Outstanding
	(in millions)	
2024 Secured Notes @ 5.625% Fixed	$ 9.6	$ 675.9
2024 Term Loan @ 5.8% (Floating LIBOR)	6.6	457.1
Revolving Credit Facility @ 4.7% (Floating LIBOR)	2.9	222.0
Amortization of deferred loan costs and debt discount	1.1	
Finance leases and other finance obligations	5.2	239.1
Gain on debt extinguishment	(0.7)	
Other	0.2	
Cash		(11.7)
Total	$ 24.9	$ 1,582.4

GAAP Financial Schedules – Income Statement

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
	(Unaudited) (In thousands, except per share amounts)	
Sales	$ 1,631,300	$ 1,700,436
Cost of sales	1,189,325	1,289,384
Gross margin	441,975	411,052
Selling, general and administrative expenses	370,084	358,908
Income from operations	71,891	52,144
Interest expense, net	24,901	26,742
Income before income taxes	46,990	25,402
Income tax expense	11,282	2,182
Net income	$ 35,708	$ 23,220
Comprehensive income	$ 35,708	$ 23,220
Net income per share:		
Basic	$ 0.31	$ 0.20
Diluted	$ 0.31	$ 0.20
Weighted average common shares:		
Basic	115,425	114,090
Diluted	116,531	116,696

GAAP Financial Schedules – Balance Sheet

	March 31, 2019	December 31, 2018
	(Unaudited) (In thousands, except per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 11,724	$ 10,127
Accounts receivable, less allowances of $13,004 and $13,054 at March 31, 2019 and December 31, 2018, respectively	648,942	654,170
Other receivables	50,833	68,637
Inventories, net	635,499	596,896
Other current assets	38,756	43,921
Total current assets	1,385,754	1,373,751
Property, plant and equipment, net	669,055	670,075
Operating lease right-of-use assets, net	269,640	—
Goodwill	740,411	740,411
Intangible assets, net	99,286	103,154
Deferred income taxes	13,128	22,766
Other assets, net	22,191	22,152
Total assets	$ 3,199,465	$ 2,932,309
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	471,338	423,168
Accrued liabilities	189,237	292,526
Current portion of operating lease liabilities	60,291	—
Current maturities of long-term debt	17,045	15,565
Total current liabilities	737,911	731,259
Noncurrent portion of operating lease liabilities	213,841	—
Long-term debt, net of current maturities, debt discount, and debt issuance costs	1,562,085	1,545,729
Other long-term liabilities	53,157	58,983
Total liabilities	2,566,994	2,335,971
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; 115,603 and 115,078 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively	1,156	1,151
Additional paid-in capital	560,641	560,221
Retained earnings	70,674	34,966
Total stockholders' equity	632,471	596,338
Total liabilities and stockholders' equity	$ 3,199,465	$ 2,932,309

GAAP Financial Schedules – Cash Flow

	Three months ended March 31, 2019	Three months ended March 31, 2018
	(Unaudited) (In thousands)	
Cash flows from operating activities:		
Net income	$ 35,708	$ 23,220
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	23,576	22,819
Amortization of debt issuance costs and debt discount	1,149	1,149
Gain on extinguishment of debt	(680)	—
Deferred income taxes	9,638	1,497
Stock compensation expense	2,659	2,890
Gain on sale of assets	(464)	(245)
Changes in assets and liabilities:		
Receivables	22,703	(57,132)
Inventories	(38,603)	(85,958)
Other current assets	4,732	(9,481)
Other assets and liabilities	(1,319)	1,552
Accounts payable	47,371	4,376
Accrued liabilities	(100,395)	(83,012)
Net cash provided by (used in) operating activities	6,075	(178,325)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(21,524)	(20,113)
Proceeds from sale of property, plant and equipment	720	568
Net cash used in investing activities	(20,804)	(19,545)
Cash flows from financing activities:		
Borrowings under revolving credit facility	374,000	555,000
Repayments under revolving credit facility	(331,000)	(399,000)
Repayments of long-term debt and other loans	(24,440)	(2,780)
Exercise of stock options	216	2,041
Repurchase of common stock	(2,450)	(4,855)
Net cash provided by financing activities	16,326	150,406
Net change in cash and cash equivalents	1,597	(47,464)
Cash and cash equivalents at beginning of period	10,127	57,533
Cash and cash equivalents at end of period	$ 11,724	$ 10,069

First we **Listen** – Then we **Deliver**

Investor Relations

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