Builders FirstSource

Third Quarter 2019 Earnings Presentation

November 1, 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 adjusted net income, adjusted net income per share, and adjusted EBITDA 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 October 31, 2019.

YTD 2019 Operational Update

YTD 2019 Highlights

Solid Growth

- Sales volume growth of 6%[1] was well above the market, further demonstrating the solid execution of our strategy
- Growth in volumes across all customer end-markets and product categories
- A decline in commodity prices, improved sales mix and disciplined execution drove a higher gross margin

Operational Excellence On Track

- Pricing tools continue to improve margin management and timeliness of pricing decisions
- Roll-out of our dispatch and delivery optimization system remained on track with a total of ~230 locations completed to date

Value-Added Products Growth Strategy

- Strategic investment and execution drove value-added product categories growth of 9% excluding commodity deflation
- Strong demand from homebuilders for productivity and efficiency solutions
- Continued to invest in additional value-added capacity including the acquisition of three manufacturing facilities in Arizona and Nevada

YTD 2019 Key Figures

Net Sales

$5.5b
-6.6% YoY
(+6% volume growth)[1]

Gross Margin

27.2%
+300 bp YoY

Adjusted EBITDA

$406.8m
+8% YoY

[1]Excluding the impact of estimated commodity deflation

Q3 2019 Financial Highlights

Net sales

$2.0b

-6.5% YoY

(+9% volume growth)[1]

- Sales volume per day[1]: +9% with above market growth in all three end markets
- Value-added products: +11% sales volume per day[1]
- Commodity prices: deflation impacted sales by an estimated -17% reflecting lower lumber and panel prices than the same period last year
- One additional sales day in the third quarter of 2019 increased sales by 1.5%

Gross Margin

27.3%

+260 bps YoY

- Improved sales mix due to particularly strong growth in higher margin products and effective execution of our strategic plan and investment
- Continued pricing discipline combined with the favorable impact of commodity cost relative to our customer pricing commitments compared to the same period a year ago
- Commodity prices dipped before recovering to end relatively steady with levels at the beginning of the quarter

Adjusted EBITDA

$160.3m

+$6m / +4% YoY

- SG&A: +$11m primarily due to higher variable compensation related to higher volumes and increased profitability
- Adjusted EBITDA margin: +80 bps driven by higher sales volumes, particularly in value-added products, and the improved gross margin

Adjusted Net Income

$84m

+$6m / +8% YoY

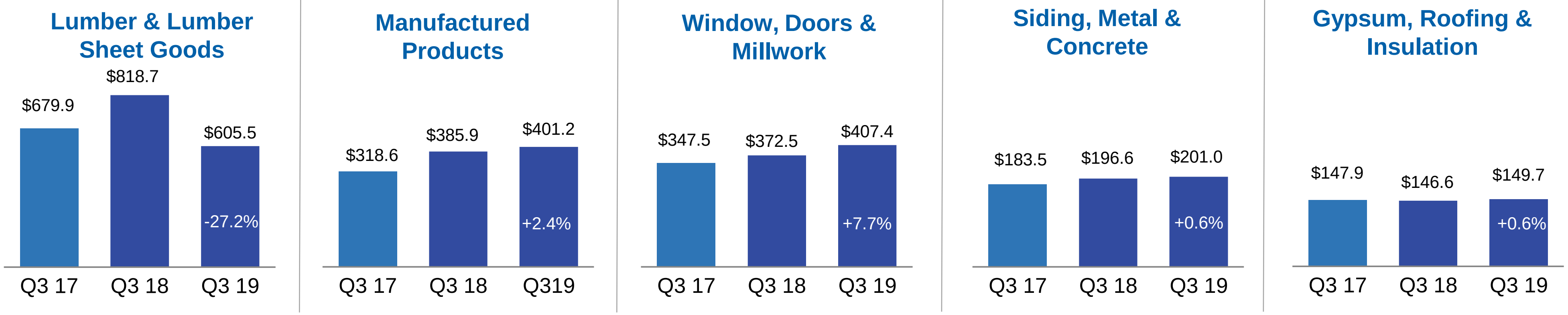
- Diluted Adjusted EPS: $0.72 per share, +7% over the prior year
- Interest expense: down slightly due to lower debt balances partially offset by charges related to a debt financing executed during the quarter. Excluding the one-time charges, interest expense declined by $4.4m

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

Q3 2019 Net Sales by Product Category

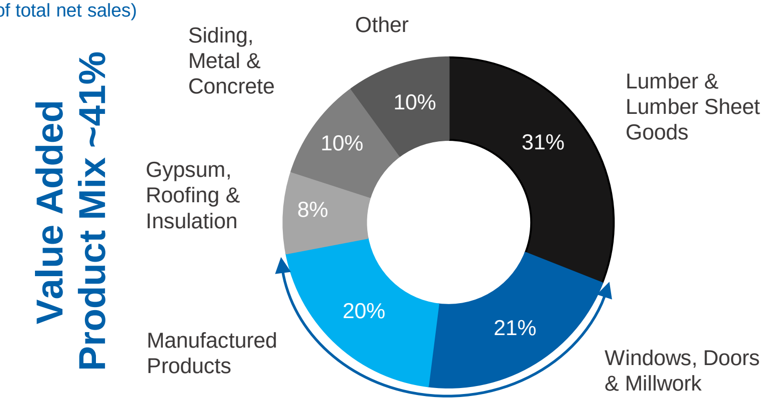
Q3 2019 sales by product category

($ in millions / % growth[1])



Sales mix by product category

(% of total net sales)



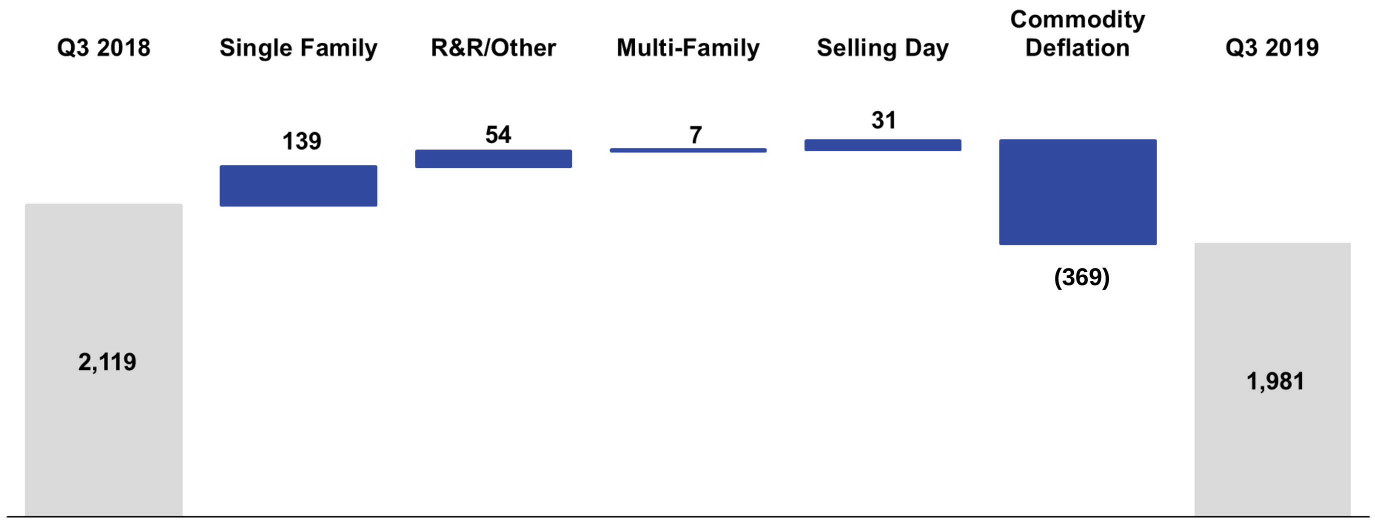
- Higher margin value-added products improved to 41% of total sales
- Commodity deflation drove a decrease in lumber related sales
- Ongoing strategic investments in additional value-added manufacturing capacity
  - Investing ~$30m in 2019: 2 new truss manufacturing facilities, 8 additional lines in existing plants, door facility expansions and new machinery / systems to a dozen more locations
  - Acquired three automated manufacturing facilities in July 2019 at a price of ~$43m, expanding value-added capacity and overall footprint to the Las Vegas and Phoenix markets

[1]Excluding the impact one additional selling day

Q3 2019 Net Sales by End Market

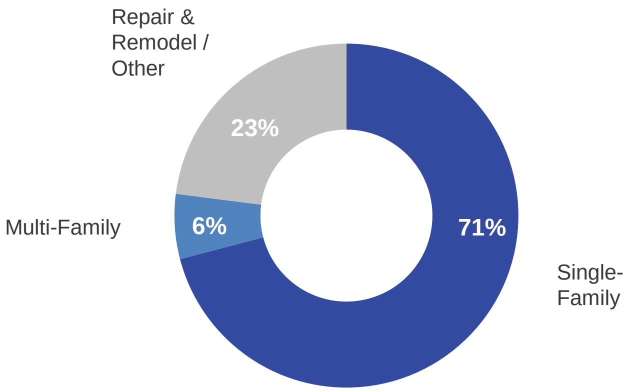
Net sales bridge

($ in millions)



Sales mix by end market

(% of total)



Sale mix: YTD 2019

Single family: +9.3% per day, outperforming the single-family starts market

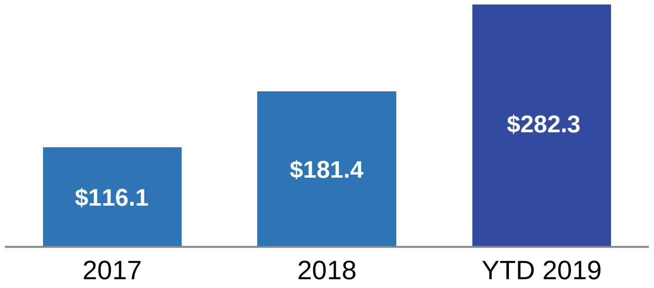
R&R / Other: +10.7% per day due in part to an improvement in activity in the SoCal market

Multi-family: +5.8% per day, on the timing of projects compared to the prior year period

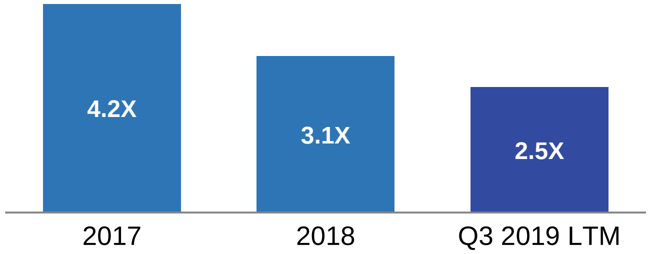
Cash flow and balance sheet support capital allocation priorities

Strong financial underpinnings…

Strong Free Cash Flow[1]



Net Leverage[2] Improvement



…allow BLDR to invest in value creation

Reinvest in the business

Balance sheet strength

Value creating "tuck-in" acquisitions

Return of capital to shareholders

[1]Free Cash Flow calculated as Operating Cash Flow less purchases of PP&E; [2]Net Leverage calculated as principal value of debt and lease obligations divided by LTM Adj EBITDA

Operational Excellence initiatives driving greater efficiencies in working capital

Framework to drive success…

Execution	Annual working capital targets and milestones Monthly follow-ups and corrective measures Performance tied to compensation
Benefits / Value	For customers: on-time delivery, higher satisfaction rates For BLDR: lower inventories, faster payment
Success / Metrics	~60% of our locations improved working capital in YTD 2019 Delivery optimization roll-out to 230 locations underpinning additional improvements

…producing tangible results

Systems, tools and processes to enhance and standardize receivables collections and payables aging

Delivery optimization driving improved cycle times and inventory turns

My BFS Customer Portal adoption rates rising, streamlining customer payments

YTD working capital[1] as a percent of sales favorable to the prior year by 1.4%

Reduction in cash conversion days across receivables, payables and inventory

[1]Working capital defined as accounts receivable plus inventory minus accounts payables

Outlook

Financial Outlook

Q4 2019:

Net sales down 2% to 5% over the prior year

Commodity deflation impact on net sales of -7 to -11%

Adjusted EBITDA between $100 – $110 million

Gross margin percentage between 26.4% and 26.6%

FY 2019:

Adjusted EBITDA between $507 – $517 million

Capital expenditures of ~1.5% of net sales

Free cash flow between $300 - $320 million

Effective long term tax rate of ~24%

Market Outlook

Single Family

Mid-single digits percent growth in Q4

Market outlook continues to improve vs. first half of 2019

Multi-Family

Expected to be flat in Q4

Lag between starts and revenue

Repair & Remodel

Low single-digit percent growth in Q4

Overall market remains strong – lapping some of the tariff impact in the Midwest

Initiatives on track, driving meaningful value creation

Category	~EBITDA contribution		Financial Targets
Core Business Growth	~$130-160m	YTD 2019 sales volume growth of 6%, well above market	> 50% increase in Adjusted EBITDA as compared to FY2018 (~$750m)
Value-Added Product Growth Faster Than Market	~$30-40m	Value-added products leading sales volume growth	> $3.00 - $3.50 Adjusted EPS (~$360m - $420m Adjusted net income)
Operational Excellence Initiatives	~$60-70m	Op. excellence expected to add $14m - $16m to EBITDA in 2019	> 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

Differentiated market leader positioned for above market growth and expanding profitability

- Leadership in a highly fragmented industry
- Exceptional geographic, customer and end market diversity
- Strategic investment in value-added capacity and growth, driving market share gains and margin expansion
- Ongoing favorable housing market fundamentals
- Expanding cash flow generation and lowering leverage
- Operational excellence and cost management initiatives driving gains in efficiency, productivity and customer value
- Experienced management team

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	Q2 19	Q3 19	TTM
Net sales	$ 1,700.4	$ 2,089.9	$ 2,118.5	$ 1,816.0	$ 7,724.8	$ 1,631.3	$ 1,904.5	$ 1,981.0	$ 7,332.8
Gross margin	$ 411.0	$ 496.3	$ 522.8	$ 492.8	1,922.9	$ 442.0	$ 517.2	$ 541.1	$ 1,993.1
Gross margin %	*24.2%*	*23.7%*	*24.7%*	*27.1%*	*24.9%*	*27.1%*	*27.2%*	*27.3%*	*27.2%*
Reconciliation from Net Income to Adjusted EBITDA:									
GAAP Net Income (Loss)	**$ 23.2**	**$ 56.6**	**$ 73.3**	**$ 52.0**	**$ 205.2**	**$ 35.7**	**$ 66.6**	**$ 78.1**	**$ 232.5**
Integration related expenses	4.4	6.0	4.5	4.3	19.2	4.8	3.2	2.8	15.1
Debt issuance and refinancing cost (1)	-	-	-	(3.2)	(3.2)	(0.7)	4.3	3.1	3.6
Adjusted Net Income	**$ 27.6**	**$ 62.6**	**$ 77.8**	**$ 53.1**	**$ 221.2**	**$ 39.8**	**$ 74.1**	**$ 84.0**	**$ 251.2**
Weighted average diluted common shares (in millions)	*116.7*	*116.7*	*116.5*	*116.4*	*116.6*	*116.5*	*116.9*	*117.2*	*116.7*
Diluted adjusted net income (loss) per share:	**$ 0.24**	**$ 0.54**	**$ 0.67**	**$ 0.46**	**$ 1.90**	**$ 0.34**	**$ 0.63**	**$ 0.72**	**$ 2.15**
Depreciation and amortization expense	22.8	24.8	25.1	25.2	97.9	23.6	23.8	24.4	97.0
Interest expense, net	26.7	29.0	29.1	26.6	111.4	25.6	25.1	24.7	101.9
Income tax expense	2.2	19.0	19.4	15.0	55.6	11.3	19.7	23.7	69.7
Stock compensation expense	2.9	3.5	3.5	4.5	14.4	2.7	3.4	3.3	13.9
(Gain)/loss on sale and asset impairments	0.2	(0.1)	(0.2)	(0.9)	(1.0)	(0.4)	(0.6)	(0.2)	(2.1)
Other management-identified adjustments (2)	0.2	0.3	0.1	1.5	2.1	(1.7)	0.1	0.4	0.2
Adjusted EBITDA	**$ 82.6**	**$ 139.1**	**$ 154.8**	**$ 125.0**	**$ 501.6**	**$ 100.9**	**$ 145.6**	**$ 160.3**	**$ 531.8**
Adjusted EBITDA Margin	*4.9%*	*6.7%*	*7.3%*	*6.9%*	*6.5%*	*6.2%*	*7.6%*	*8.1%*	*7.3%*

(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 September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Reconciliation to Adjusted EBITDA:				
Reported GAAP Net Income	$ 78.1	$ 73.3	$ 180.4	$ 153.2
Integration related expenses	2.8	4.5	10.8	14.9
Debt issuance and refinancing cost (1)	3.1	-	6.8	-
Adjusted Net Income	**$ 84.0**	**$ 77.8**	**$ 198.0**	**$ 168.1**
Weighted average diluted common shares (in millions)	*117.2*	*116.5*	*116.9*	*116.6*
Diluted adjusted net income per share:	**$ 0.72**	**$ 0.67**	**$ 1.69**	**$ 1.44**
Reconciling items:				
Depreciation and amortization expense	24.4	25.1	71.8	72.7
Interest expense, net	24.7	29.1	75.3	84.8
Income tax (benefit) expense	23.7	19.4	54.7	40.5
Stock compensation expense	3.3	3.5	9.4	9.9
(Gain)/loss on sale and asset impairments	(0.2)	(0.2)	(3.2)	(0.1)
Other management-identified adjustments (2)	0.4	0.1	0.8	0.7
Adjusted EBITDA	**$ 160.3**	**$ 154.8**	**$ 406.8**	**$ 376.6**
Adjusted EBITDA Margin	*8.1%*	*7.3%*	*7.4%*	*6.4%*

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

Debt, Interest and Free Cash Flow Reconciliation

Debt and Interest	Three months ended September 30, 2019 Interest Expense		Net Debt Outstanding	
	(in millions)			
2027 Secured Notes @ 6.75% Fixed	$	7.7	$	475.0
2024 Secured Notes @ 5.625% Fixed		7.4		503.9
2024 Term Loan @ 5.6% (Floating LIBOR)		2.1		157.1
Revolving Credit Facility @ 4.4% (Floating LIBOR)		1.3		-
Amortization of deferred loan costs and debt discount		1.0		
Finance leases and other finance obligations		5.2		241.5
Debt issuance and refinancing cost		3.1		
Cash				(43.3)
Total	$	27.8	$	1,334.2

Free Cash Flow	Three months ended 2019		Nine months ended 2019	
	(in millions)		(in millions)	
Cash flows from operating activities	$	182	$	360
Less: Purchases of property, plant and equipment		(33)		(78)
Free Cash Flow	$	149	$	282

GAAP Financial Schedules – Income Statement

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Unaudited) (In thousands, except per share amounts)			
Sales	$ 1,981,035	$ 2,118,467	$ 5,516,858	$ 5,908,791
Cost of sales	1,439,893	1,595,686	4,016,585	4,478,630
Gross margin	541,142	522,781	1,500,273	1,430,161
Selling, general and administrative expenses	411,510	400,993	1,183,105	1,151,670
Income from operations	129,632	121,788	317,168	278,491
Interest expense, net	27,788	29,106	82,071	84,805
Income before income taxes	101,844	92,682	235,097	193,686
Income tax expense	23,714	19,354	54,655	40,516
Net income	$ 78,130	$ 73,328	$ 180,442	$ 153,170
Comprehensive income	$ 78,130	$ 73,328	$ 180,442	$ 153,170
Net income per share:				
Basic	$ 0.68	$ 0.64	$ 1.56	$ 1.34
Diluted	$ 0.67	$ 0.63	$ 1.54	$ 1.31
Weighted average common shares:				
Basic	115,732	114,707	115,639	114,480
Diluted	117,154	116,456	116,870	116,614

GAAP Financial Schedules – Balance Sheet

	September 30, 2019	December 31, 2018
	(Unaudited) (In thousands, except per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 43,271	$ 10,127
Accounts receivable, less allowances of $14,280 and $13,054 at September 30, 2019 and December 31, 2018, respectively	721,134	654,170
Other receivables	49,526	68,637
Inventories, net	581,543	596,896
Other current assets	34,603	43,921
Total current assets	1,430,077	1,373,751
Property, plant and equipment, net	696,154	670,075
Operating lease right-of-use assets, net	286,971	-
Goodwill	754,765	740,411
Intangible assets, net	101,303	103,154
Deferred income taxes	5,055	22,766
Other assets, net	23,434	22,152
Total assets	$ 3,297,759	$ 2,932,309
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 499,360	$ 423,168
Accrued liabilities	289,735	292,526
Current portion of operating lease liabilities	60,280	-
Current maturities of long-term debt	14,370	15,565
Total current liabilities	863,745	731,259
Noncurrent portion of operating lease liabilities	232,475	-
Long-term debt, net of current maturities, debt discount, premium and issuance costs	1,350,467	1,545,729
Deferred income taxes	18,836	-
Other long-term liabilities	53,235	58,983
Total liabilities	2,518,758	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; 115,767 and 115,078 shares issued and outstanding at September 30, 2019 and December 31, 2018, respectively	1,158	1,151
Additional paid-in capital	570,373	560,221
Retained earnings	207,470	34,966
Total stockholders' equity	779,001	596,338
Total liabilities and stockholders' equity	$ 3,297,759	$ 2,932,309

GAAP Financial Schedules – Cash Flow

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
	(Unaudited) (In thousands)	
Cash flows from operating activities:		
Net income	$ 180,442	$ 153,170
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	71,771	72,691
Amortization of debt discount, premium and issuance costs	3,060	3,479
Loss on extinguishment of debt, net	4,654	-
Deferred income taxes	36,547	35,829
Stock compensation expense	9,380	9,929
Net gain on sale of assets and asset impairments	(1,502)	(480)
Changes in assets and liabilities, net of assets acquired and liabilities assumed:		
Receivables	(41,083)	(151,092)
Inventories	22,263	(86,639)
Other current assets	8,968	(1,786)
Other assets and liabilities	1,756	1,442
Accounts payable	73,913	(12,792)
Accrued liabilities	(9,905)	(14,219)
Net cash provided by operating activities	360,264	9,532
Cash flows from investing activities:		
Purchases of property, plant and equipment	(77,937)	(78,693)
Proceeds from sale of property, plant and equipment	5,474	1,890
Cash used for acquisitions	(33,931)	-
Net cash used in investing activities	(106,394)	(76,803)
Cash flows from financing activities:		
Borrowings under revolving credit facility	885,000	1,243,000
Repayments under revolving credit facility	(1,064,000)	(1,189,000)
Proceeds from long-term debt and other loans	478,375	3,818
Repayments of long-term debt and other loans	(502,062)	(11,173)
Payments of debt extinguishment costs	(2,301)	-
Payments of loan costs	(8,566)	-
Exercise of stock options	3,220	2,394
Repurchase of common stock	(10,392)	(4,855)
Net cash provided by (used in) financing activities	(220,726)	44,184
Net change in cash and cash equivalents	33,144	(23,087)
Cash and cash equivalents at beginning of the period	10,127	57,533
Cash and cash equivalents at end of the period	$ 43,271	$ 34,446

Builders FirstSource

First we Listen – Then we Deliver

Investor Relations

Binit Sanghvi

214-765-3804 | binit.sanghvi@bldr.com