Fourth Quarter 2019 Earnings Presentation

February 21, 2020

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, adjusted EBITDA, free cash flow and net leverage 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 February 20, 2020.

2019 Full Year Financial Highlights

Sales	Gross margin	Adjusted EBITDA
$7.3b	27.2%	$516m
-6%	+230 bp	+3%
Adjusted EPS	**Free Cash Flow**	**Net Leverage ratio**
$2.09	$391m	2.5x
+10%	+$210 million	Reduction of 0.6x

Leverage ratio – Net debt divided by FY2019 Adjusted EBITDA

2019 Full Year Operational and Strategic Highlights

Solid Growth

Sales volume growth of 7%[1] on solid execution of our strategic plan

All Regions grew driven by Single Family performance across the country

Record Profit and Cash Flow

An improved sales mix of value-added products, disciplined execution and a decline in commodity cost generated a record gross margin of 27.2%

Generated $391m of free cash flow and reduced net leverage 0.6x to 2.5x compared to prior year end

Record Adjusted EBITDA of $516m

Operational Excellence Contributing to Profitability

Pricing tools rolled out to 14 markets improving margin management and timeliness of pricing decisions

Successful roll-out of our dispatch and delivery optimization to ~70% of our sales footprint

Value-Added Products Growth Above Market

Strategic investments supported sales volume growth of 9% and improved value-added sales mix to 41% for the full year

Continued to invest in the largest network of value-added capacity in the industry including five acquisitions adding ~$240m in net sales annually

Exceptional Talent Management

Hired and / or promoted more than 250 key sales positions

“Forbes 2019 Best Large Employers” list

[1]Excludes the estimated impact of commodity prices

Q4 2019 Financial Highlights

Net sales $1.8b
-3% YoY
(+8% volume growth)[1]

Sales volume: Growth across all three end markets[2] with value-added products contributing nearly half of the growth.

Value-added products: +9% sales volume led by 11% growth in Manufactured Products and 7% in Windows, Doors and Millwork

Gross Margin 27.0%
-10 bps YoY

Continued pricing discipline combined with an improved sales mix due to particularly strong growth in higher margin products

Stable commodity costs in the second half of 2019

Adjusted EBITDA $109.3m
-13% YoY

SG&A: Steady with the prior year as operational efficiencies offset higher variable costs related to the sales volume growth

Adjusted EBITDA: -13% as higher sales volumes and cost management partially offset the year over year impact of commodity deflation on net sales

Adjusted Net Income $47m
-$6m YoY

Diluted Adjusted EPS: $0.40 per share, -$0.06 over the prior year

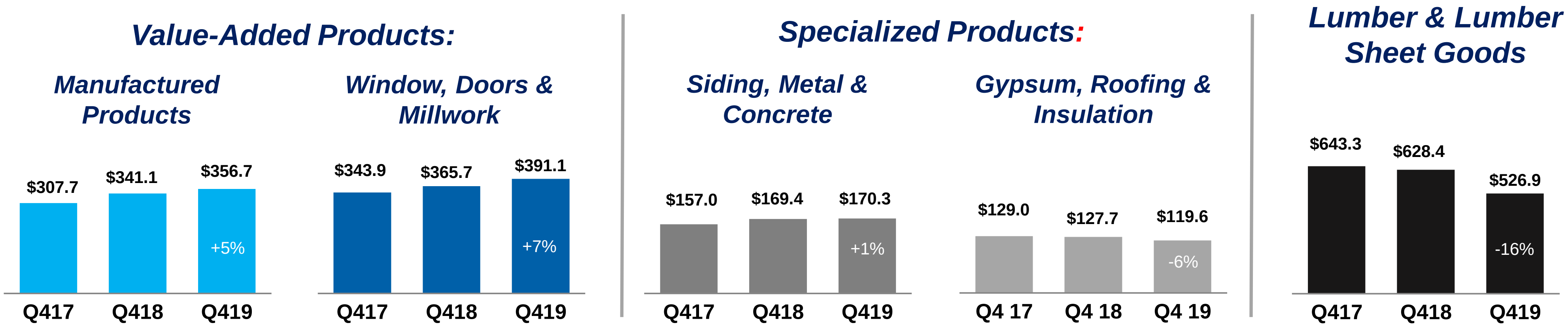
Interest expense: declined by $2.6m excluding the one-time charges

[1]Sales volume excludes the estimated impact of commodity prices [2]Single-family, Multi-family and Repair and Remodel / Other

Q4 2019 Net Sales Mix and Product Category

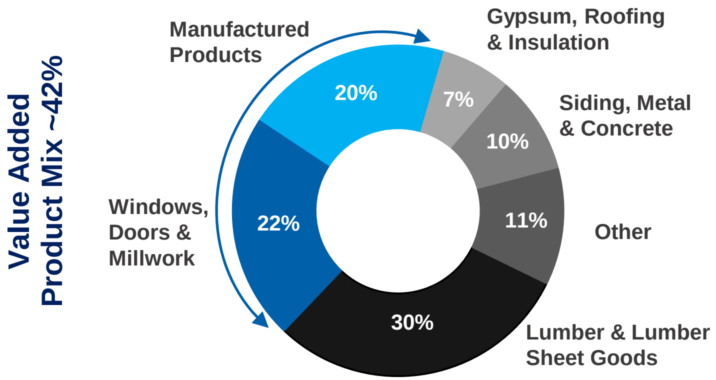
Q4 2019 sales by product category

($ in millions / % change)



Sales mix by product category

(% of total net sales)



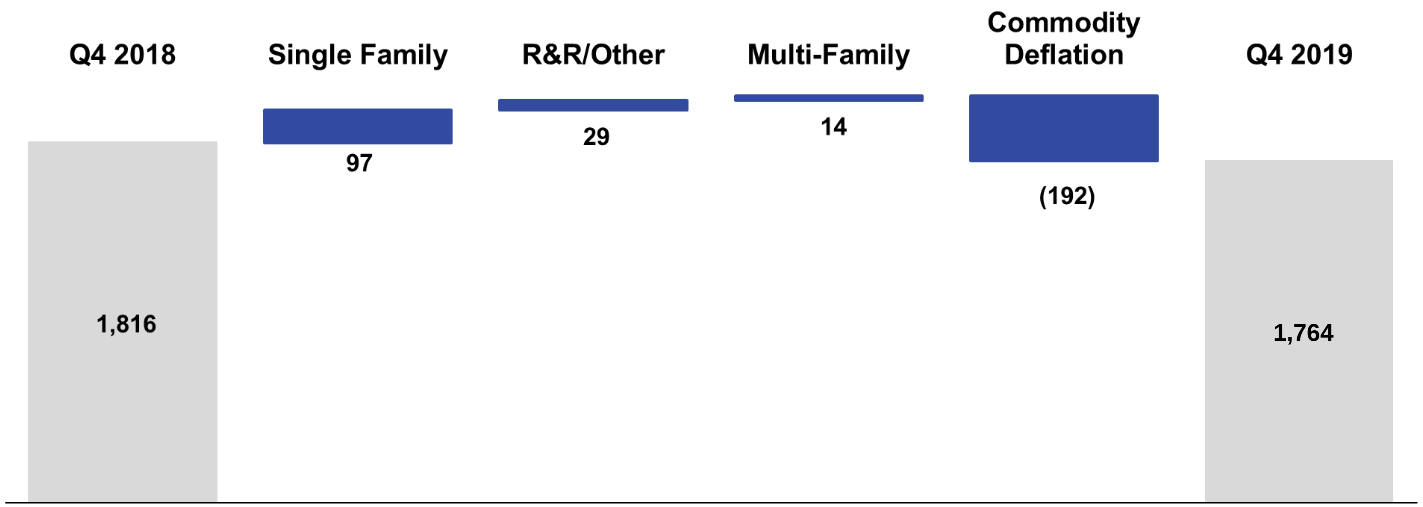
Product Mix: Q4 2019

- Higher margin value-added products improved to 42% of total sales in the quarter
- Ongoing strategic investments in value-added manufacturing capacity
  - Invested ~$30m in growth 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
  - Completed 5 tuck-in acquisitions, including Raney Components, a manufacturer and installer of wall panels, roof trusses, roof decking, interior wall framing and select building products across Florida
- Commodity deflation drove a decrease in lumber related sales

Q4 2019 Net Sales by End Market

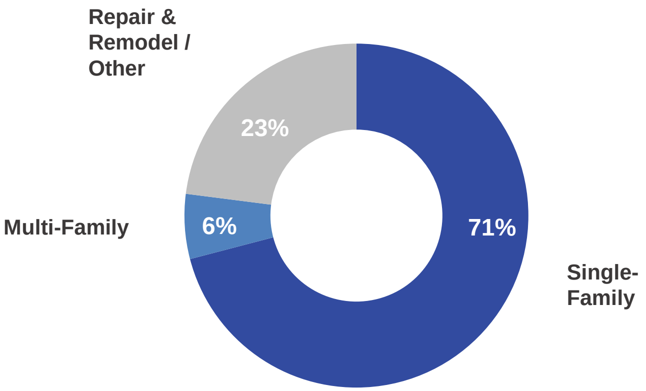
Net sales bridge

($ in millions)



Sales mix by end market

(% of total)



Single family: +8% led by high single digit growth in Value-Added Products

R&R / Other: +7% with broad growth across many markets

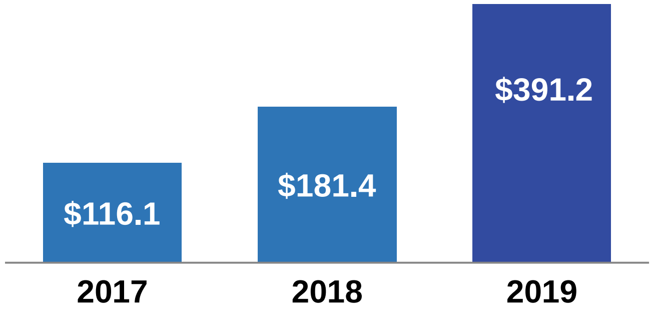
Multi-family: +13% on the timing of projects compared to the prior year period

Sales mix: Q4 2019

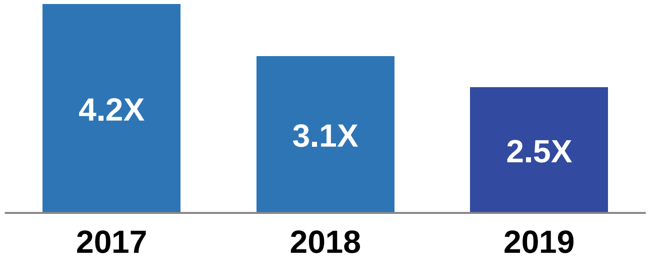
Strong Cash Flow and Balance Sheet Support Capital Allocation Priorities

Strong financial underpinnings…

Strong Free Cash Flow[1]



Net Leverage[2] Improvement



…Allow us to invest in value creation

- **Reinvestments in the business**
- **Balance sheet strength**
- **Value-creating 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 less cash and cash equivalents divided by LTM Adj EBITDA

Focused Acquisition Strategy to Fuel Next Generation of Growth

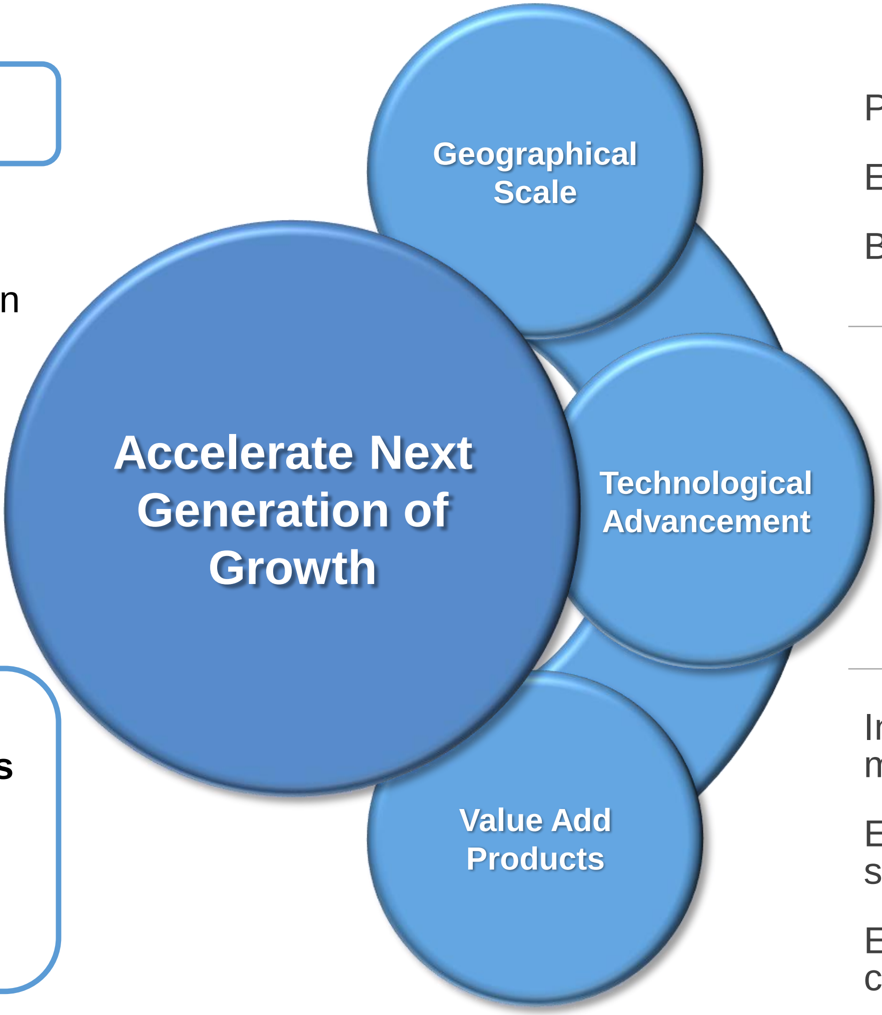
In addition to organic growth...

In last 12 months completed five acquisitions contributing ~$240 million of annualized value-added sales

Actively monitoring a pipeline of acquisition opportunities

Strong balance sheet to continue consolidating fragmented market

…Targeting value-added offerings and technological capabilities to support an increasingly sophisticated customer base



Penetrate deeper in existing markets

Expand into new markets

Broaden product portfolio in target markets

Provide solutions to build more efficiently and address labor constraints

Align with customers' increasing use of more sophisticated tools and digital technology

Increase higher margin value-added products mix

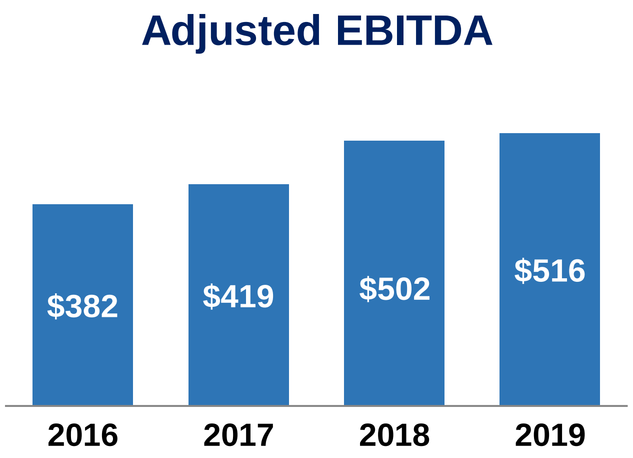
Expand vertically-integrated product and service capabilities

Enhance opportunities to partner with customers

Executed on Our 2019 Priorities While Further Expanding Profitability with Initiatives Underway

Category	2019 EBITDA Contribution	Factors
Core Business Growth	**~($65m)[1]**	Solid execution generated volume growth across our end markets led by value-added products Modest starts growth for most of 2019 Steep commodities and modest cost headwinds
Value-Added Products Faster than Market	**~$55m[2]**	Sales volume growth of 9% Greenfield plants continue to ramp Acquired 6 new truss & millwork plants
Operational Excellence Initiatives	**~$25m**	Pricing and margin optimization tools contributing to the bottom line Delivery and logistic optimization showing early positive results and operational benefits

Record of Success



[1]Includes ($87) million dollar impact from commodities as well as ($13) million dollar cost headwind [2]Excludes the impact of commodity prices

Long Range Initiatives Poised to Deliver Additional Value Creation

Category	Key Initiatives	EBITDA Growth 2022 vs 2019
Core Business Growth	Core business growth driven by value-added products and modest end market expansion	$190-210m
Value-Added Products Faster than Market	Grow value-added products faster than market Acquisitions to fuel next generation growth strategy and supplement modest housing growth	
Operational Excellence Initiatives	Execute on operational excellence initiatives targeting logistics, automation, pricing, margin, working capital and other optimization efforts	$30m-40m
		Total ~$220m - $250m

Long Range Plan 2022 Targets

Adjusted EBITDA of ~$750m

$3.00 - $3.50 Adjusted EPS ($360m - $420m Adjusted net income)

>85% Average Annual Free Cash Flow to Adjusted Net Income conversion

2.5x - 3.5x net leverage ratio

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 mid-single digit percentage annual single-family housing start growth

Outlook

Financial Outlook

Q1 2020:

Net sales up 6 – 10% over the prior year

Commodity inflation impact on net sales of 0 – 4%

Adj. EBITDA between $90 – $100 million

Gross margin percentage between 26.0% and 26.2%

FY 2020:

Adj. EBITDA between $550m – $580m

Capital expenditures of ~1.5% of net sales

Long term effective tax rate of ~23%

Market Outlook

Single Family

Mid-single digits percent growth

Market outlook continues to improve vs. first half of 2019

Multi-Family

Expected to be flat

Lag between starts and revenue

Repair & Remodel

Low-single digits percent growth

Lapping the impact of tariffs in the Midwest

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

Appendix – Financial Schedules

Reconciliation from Net Income to Adjusted EBITDA

($ millions)	Three months ended December 31, 2019	Three months ended December 31, 2018	Twelve months ended December 31, 2019	Twelve months ended December 31, 2018
Reconciliation to Adjusted EBITDA:				
Reported GAAP Net Income	$ 41.4	$ 52.0	$ 221.8	$ 205.2
Integration related expenses	2.3	4.3	13.1	19.2
Debt issuance and refinancing cost (1)	3.5	(3.2)	10.2	(3.2)
Adjusted Net Income	**$ 47.2**	**$ 53.1**	**$ 245.1**	**$ 221.2**
Weighted average diluted common shares (in millions)	*117.5*	*116.4*	*117.0*	*116.6*
Diluted adjusted net income per share:	**$ 0.40**	**$ 0.46**	**$ 2.09**	**$ 1.90**
Reconciling items:				
Depreciation and amortization expense	28.3	25.2	100.1	97.9
Interest expense, net	24.0	26.6	99.4	111.4
Income tax (benefit) expense	6.3	15.0	61.0	55.6
Stock compensation expense	2.9	4.5	12.3	14.4
(Gain)/loss on sale and asset impairments	0.3	(0.9)	(0.9)	(1.0)
Other management-identified adjustments (2)	0.3	1.5	(0.9)	2.1
Adjusted EBITDA	**$ 109.3**	**$ 125.0**	**$ 516.1**	**$ 501.6**
Adjusted EBITDA Margin	*6.2%*	*6.9%*	*7.1%*	*6.5%*

(1) Costs associated with issuing and extinguishing long term debt in 2019 and 2018
(2) Primarily relates to severance and one-time cost

Debt, Interest and Free Cash Flow Reconciliation

Debt and Interest	Three months ended December 31, Interest Expense		Net Debt Outstanding	
	(in millions)			
2027 Secured Notes @ 6.75% Fixed	$	7.9	$	475.0
2024 Secured Notes @ 5.625% Fixed		7.1		503.9
2024 Term Loan @ 5.6% (Floating LIBOR)		1.5		52.0
Revolving Credit Facility @ 4.4% (Floating LIBOR)		1.2		27.0
Amortization of debt issuance costs, discount and premium		0.9		
Finance leases and other finance obligations		5.4		242.1
Loss on debt extinguishment		3.5		
Cash				(14.1)
Total	$	27.5	$	1,285.9

Free Cash Flow	Three months ended December 31, 2019		Twelve months ended December 31, 2019	
	(in millions)		(in millions)	
Operating activities	$	144	$	504
Less: Capital expenditures		(35)		(113)
Free Cash Flow	$	109	$	391

GAAP Financial Schedules – Income Statement[1]

	Years Ended December 31,		
	2019	2018	2017
	(In thousands, except per share amounts)		
Net sales	$ 7,280,431	$ 7,724,771	$ 7,034,209
Cost of sales	5,303,602	5,801,831	5,306,818
Gross margin	1,976,829	1,922,940	1,727,391
Selling, general and administrative expenses	1,584,523	1,553,972	1,442,288
Income from operations	392,306	368,968	285,103
Interest expense, net	109,551	108,213	193,174
Income before income taxes	282,755	260,755	91,929
Income tax expense	60,946	55,564	53,148
Net income	$ 221,809	$ 205,191	$ 38,781
Comprehensive income	$ 221,809	$ 205,191	$ 38,781
Net income per share:			
Basic	$ 1.92	$ 1.79	$ 0.34
Diluted	$ 1.90	$ 1.76	$ 0.34
Weighted average common shares outstanding:			
Basic	115,713	114,586	112,587
Diluted	117,025	116,554	115,597

[1]Unaudited

GAAP Financial Schedules – Balance Sheet[1]

	December 31, 2019	December 31, 2018
	(In thousands, except per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 14,096	$ 10,127
Accounts receivable, less allowances of $13,492 and $13,054 at December 31, 2019 and 2018, respectively	614,946	654,170
Other receivables	77,447	68,637
Inventories, net	561,255	596,896
Other current assets	39,123	43,921
Total current assets	1,306,867	1,373,751
Property, plant and equipment, net	721,887	670,075
Operating lease right-of-use assets, net	292,684	—
Goodwill	769,022	740,411
Intangible assets, net	128,388	103,154
Deferred income taxes	8,417	22,766
Other assets, net	22,225	22,152
Total assets	$ 3,249,490	$ 2,932,309
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	436,823	423,168
Accrued liabilities	308,950	292,526
Current portion of operating lease liabilities	61,653	—
Current maturities of long-term debt	13,875	15,565
Total current liabilities	821,301	731,259
Noncurrent portion of operating lease liabilities	236,948	—
Long-term debt, net of current maturities, debt discount, premium and issuance costs	1,277,398	1,545,729
Deferred income taxes	36,645	—
Other long-term liabilities	52,245	58,983
Total liabilities	2,424,537	2,335,971
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value, 10,000 shares authorized; zero shares issued and outstanding at December 31, 2019 and 2018	—	—
Common stock, $0.01 par value, 200,000 shares authorized; 116,052 and 115,078 shares issued and outstanding at December 31, 2019 and 2018, respectively	1,161	1,151
Additional paid-in capital	574,955	560,221
Retained earnings	248,837	34,966
Total stockholders' equity	824,953	596,338
Total liabilities and stockholders' equity	$ 3,249,490	$ 2,932,309

[1]Unaudited

GAAP Financial Schedules – Cash Flow[1]

	Years Ended December 31, 2019	2018	2017
		(In thousands)	
Cash flows from operating activities:			
Net income	$ 221,809	$ 205,191	$ 38,781
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	100,038	97,906	92,993
Amortization of debt discount, premium and issuance costs	3,880	4,642	6,092
Loss (gain) on extinguishment of debt	8,189	(3,170)	56,657
Deferred income taxes	50,994	51,823	49,104
Stock compensation expense	12,239	14,420	13,508
Net (gain) loss on sales of assets and asset impairments	(949)	(1,393)	6,965
Changes in assets and liabilities, net of assets acquired and liabilities assumed:			
Receivables	42,789	(9,221)	(75,673)
Inventories	44,202	(5,425)	(60,645)
Other current assets	4,674	(10,356)	8
Other assets and liabilities	1,611	5,637	8,315
Accounts payable	4,070	(89,392)	65,764
Accrued liabilities	10,500	22,168	(23,341)
Net cash provided by operating activities	504,046	282,830	178,528
Cash flows from investing activities:			
Purchases of property, plant and equipment	(112,870)	(101,411)	(62,407)
Proceeds from sale of property, plant and equipment	6,545	4,753	2,981
Cash used for acquisitions	(92,855)	—	—
Net cash used in investing activities	(199,180)	(96,658)	(59,426)
Cash flows from financing activities:			
Borrowings under revolving credit facility	1,040,000	1,662,000	1,370,000
Repayments under revolving credit facility	(1,192,000)	(1,833,000)	(1,020,000)
Proceeds from long-term debt and other loans	478,375	3,818	—
Repayments of long-term debt and other loans	(610,834)	(65,312)	(379,926)
Payments of debt extinguishment costs	(2,301)	(134)	(48,704)
Payments of loan costs	(8,618)	—	(2,799)
Exercise of stock options	4,873	3,945	8,055
Repurchase of common stock	(10,392)	(4,895)	(2,644)
Net cash used in financing activities	(300,897)	(233,578)	(76,018)
Net increase (decrease) in cash and cash equivalents	3,969	(47,406)	43,084
Cash and cash equivalents at beginning of period	10,127	57,533	14,449
Cash and cash equivalents at end of period	$ 14,096	$ 10,127	$ 57,533

[1]Unaudited

Builders FirstSource

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Investor Relations

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