



Third Quarter 2020 Earnings Presentation

October 30th, 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 recent novel coronavirus disease 2019 (also known as "COVID-19") pandemic, 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 October 29, 2020.

All-Stock Merger with BMC Remains on Track to Create Significant Value

Creates the Premier Supplier of Building Materials and Services with pro forma sales over \$11b

Increased Geographic Reach in a Highly Fragmented Industry

Enhanced and Expanded Suite of Value-Added Offerings

Investment in Innovation to Accelerate Next Generation of Growth for Customers

**Builders
FirstSource**



Substantial Value Creation Through Targeted Run Rate Synergies of \$130-\$150 Million

Strong Financial Profile with Robust Free Cash Flow Generation to Invest in Growth

Highly Complementary Cultures On People, Safety, Innovation, and ESG

Closing expected in late 2020 or early 2021

YTD 2020 Financial & Operational Update

Net sales \$6.0b
 +9.3% YoY
 (+2.8% Core Organic)¹

**Gross
Margin** 25.8%
 -140 bps YoY

**Adjusted
EBITDA** \$443m
 7% Margin

**Adjusted
EPS** \$1.84
 +\$0.15 YoY

Outstanding Sales Performance

Focused execution, robust demand and market dynamics delivered record net sales
Core organic grew across all three customer end markets²
Breadth of product portfolio demonstrated strength of our platform

Focused Execution and Operational Excellence

Reacted quickly to rapidly evolving market dynamics and beat expectations
Proactive management and disciplined pricing continue to underpin record EBITDA
Roll-out of pricing tools and dispatch & delivery optimization initiatives continue

Significantly Enhanced Our Ability to Deliver Value-Added Offerings

Announced strategic combination with BMC Stock Holdings to create the nation's premier supplier of building materials and services
Favorable market tailwinds poised to provide growing opportunities for value-added products

¹Core Organic excludes acquisitions, commodity price fluctuations and differences in selling days between periods. ²Single-family, Multi-family and Repair and Remodel / Other

Q3 2020 Accelerating Demand and Focused Execution Drive Record Quarter

Net sales \$2.3b
 +15.9% YoY
 (+6.7% Core Organic)¹

Gross Margin 24.9%
 -240 bps YoY

Adjusted EBITDA \$184m
 8% Margin

Adjusted EPS \$0.82
 +\$0.10 YoY

Accelerating demand, disciplined market pricing and solid execution delivered record net sales; lumber sales up 41% YoY

Core organic +7% with strong demand across geographies and end markets

Commodity inflation increased net sales by 7%

Value-added products core organic sales +2% showed increasing strength led by Manufactured Products

Focused execution delivered solid gross margin despite an unprecedented run-up in the cost of lumber and sheet goods

Commodity costs more than doubled year-over-year in Q3, providing inflationary tailwind into Q4

SG&A % of net sales down 200 basis points driven by cost leverage from commodity price inflation and higher core organic sales

Adjusted EBITDA at highest ever quarterly level due to record net sales combined with steady EBITDA margin YoY

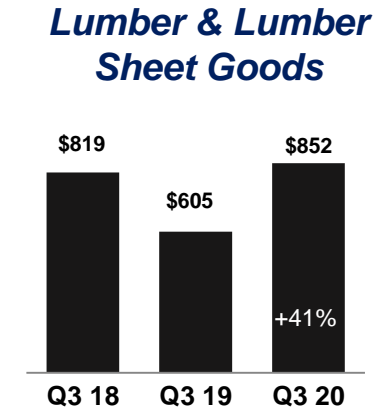
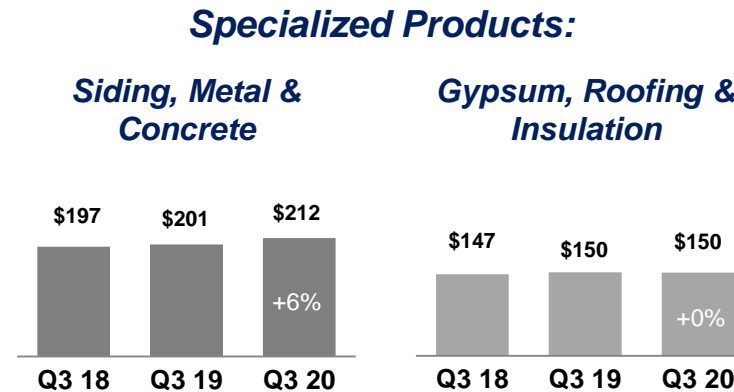
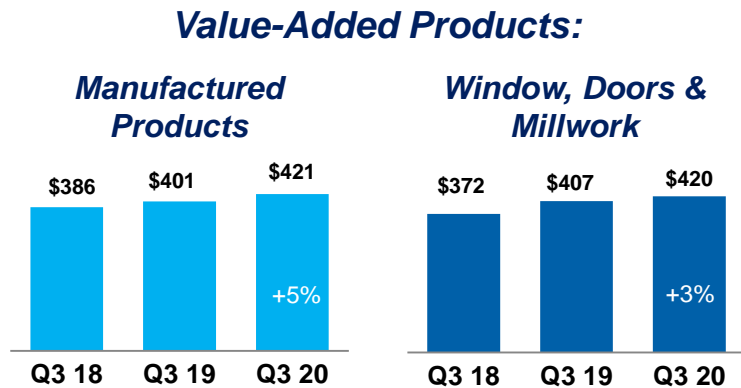
Diluted Adjusted EPS of \$0.82 per share, +14% over the prior year quarter

Interest expense +\$3.4m (excluding one-time charges) on higher debt balances to increase liquidity and financial flexibility

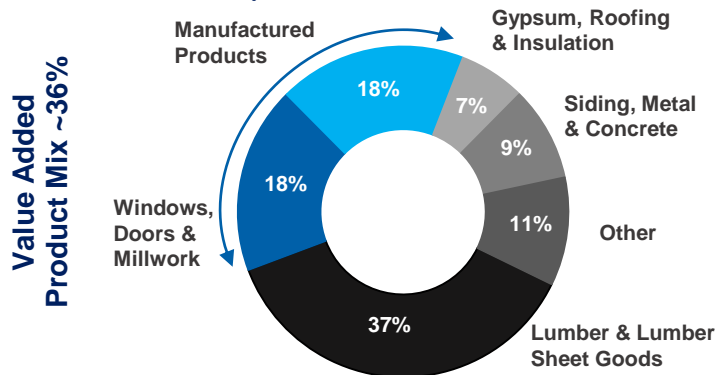
¹Core Organic Growth excludes acquisitions, commodity price fluctuations and differences in selling days between periods.

Q3 2020 Broad Strength Across Product Portfolio

Q3 2020 net sales by product category (\$ in millions / % change)



Net sales mix by product category (% of total net sales)



Value-added products grew core organic sales by +2%

Strategic acquisitions contributed to the value-added products growth

Core organic growth despite the regional impact of COVID-related economic restrictions

Specialized products: sales strong within the R&R and Other customer end market especially out West

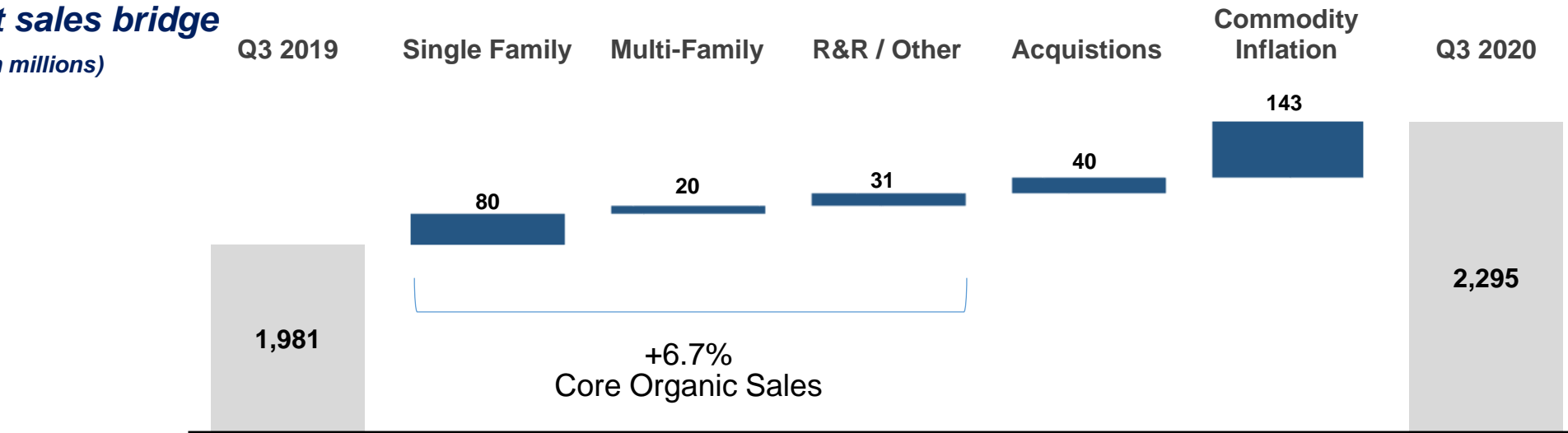
Lumber and Sheet Goods sales led sales growth

Product Mix Q3 2020

Q3 2020 Core Organic Grew Across All End Markets

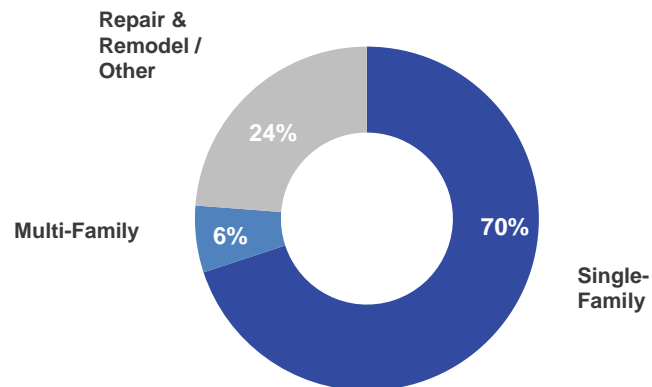
Net sales bridge

(\$ in millions)



Net sales mix by end market

(% of total)



Core organic performance:

Single family: +6% on broad market recovery

R&R / Other: +7% led by strength in the western part of the country

Multi-family: +18% on the timing of projects compared to the prior year period

Sales mix: Q3 2020

Focused Execution and Robust Market Tailwinds Support Record 2020 Outlook

Q4 2020 Outlook

Adjusted EBITDA expected to be in range of \$190 million to \$210 million

- Safety-first emphasis in all aspects of business
- Expect core organic growth to be up mid to high-single digit percent year over year (excluding commodity inflation and acquisitions)
- Gross margin expected to be consistent with Q3 due to record lumber and panel commodity inflation
- Disciplined management of costs and cash to preserve strong liquidity

Housing Fundamentals Continue to Improve

Fundamentals of Single Family Housing Expected to Provide Tailwind

- Single family housing starts up 17% in Q3 and up 6% YTD¹
- Builder confidence at all-time high of 85 in October²
- Increase of 24% year over year in home mortgage applications in September³
- Current 30-year mortgage rate⁴ below 3%, near all-time lows
- Existing home inventory near all time low of 3 months supply⁵

¹U.S. Census Bureau. ²NAHB / Wells Fargo Housing Market Index (HMI). ³Freddie Mac Primary Mortgage Market Survey. ⁴Mortgage Bankers Association. ⁵National Association of Realtors

Differentiated Market Leader Positioned for Above Market Growth and Expanding Profitability



**Builders
FirstSource**

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

Focus on maintaining strong balance sheet and liquidity

Expanding cash flow generation and maintaining 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

	Three months ended September 30,		Nine months ended September 30,		Twelve months ended September 30,
	2020	2019	2020	2019	2020
	(in millions)		(in millions)		
Reconciliation to Adjusted EBITDA:					
GAAP Net Income	\$ 85.9	\$ 78.1	\$ 173.6	\$ 180.4	\$ 215.0
Acquisition and Integration Expense	10.8	2.8	14.5	10.8	16.7
Debt issuance and refinancing cost ⁽¹⁾	-	3.1	28.0	6.8	31.5
Adjusted Net Income	96.7	84.0	216.1	198.0	263.2
Weighted average diluted common shares (in millions)	118.0	117.2	117.7	116.9	
Diluted adjusted net income per share:	\$ 0.82	\$ 0.72	\$ 1.84	\$ 1.69	
Reconciling items:					
Depreciation and amortization expense	29.4	24.4	87.3	71.8	115.6
Interest expense, net	28.0	24.7	78.8	75.3	102.7
Income tax expense	25.8	23.7	49.6	54.7	55.8
Stock compensation expense	5.4	3.3	12.1	9.4	15.0
Gain on sale and asset impairments	(1.2)	(0.2)	(1.3)	(3.2)	(0.9)
Other management-identified adjustments ⁽²⁾	0.2	0.4	0.6	0.8	1.1
Adjusted EBITDA	\$ 184.3	\$ 160.3	\$ 443.2	\$ 406.8	\$ 552.5
Adjusted EBITDA Margin	8.0%	8.1%	7.4%	7.4%	7.1%

(1) Costs associated with issuing and extinguishing long term debt in 2020 and 2019
(2) Primarily relates to severance and one-time cost

Debt, Interest and Free Cash Flow Reconciliation

	Three months ended September 30, 2020	Nine months ended September 30, 2020	
	Interest Expense (in millions)	Interest Expense (in millions)	Net Debt Outstanding (in millions)
2030 Secured Notes @ 5%	\$ 7.0	\$ 17.6	\$ 550.0
2027 Secured Notes @ 6.75%	13.1	32.4	777.5
2024 Secured Notes @ 5.625%	-	3.9	-
2024 Term Loan @ 4.4% Floating LIBOR	0.5	1.7	52.0
Revolving Credit Facility @ 3.8% Floating LIBOR	1.1	4.7	-
Amortization of debt issuance costs, discount and premium	1.0	2.6	-
Finance leases and other finance obligations	5.3	15.9	244.2
Loss on debt extinguishment	-	28.0	-
Other	-	-	-
Cash	-	-	(340.9)
Total	\$ 28.0	\$ 106.8	\$ 1,282.8

	Three months ended September 30, 2020	Nine months ended September 30, 2020
	(in millions)	(in millions)
Free Cash Flow		
Operating activities	\$ (15)	\$ 155
Less: Capital expenditures	(29)	(84)
Free Cash Flow	\$ (44)	\$ 71

GAAP Financial Schedules – Income Statement¹

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(Unaudited)			
	(In thousands, except per share amounts)			
Net sales	\$ 2,295,450	\$ 1,981,035	\$ 6,028,114	\$ 5,516,858
Cost of sales	1,724,799	1,439,893	4,474,718	4,016,585
Gross margin	570,651	541,142	1,553,396	1,500,273
Selling, general and administrative expenses	430,893	411,510	1,223,436	1,183,105
Income from operations	139,758	129,632	329,960	317,168
Interest expense, net	28,043	27,788	106,786	82,071
Income before income taxes	111,715	101,844	223,174	235,097
Income tax expense	25,783	23,714	49,551	54,655
Net income	<u>\$ 85,932</u>	<u>\$ 78,130</u>	<u>\$ 173,623</u>	<u>\$ 180,442</u>
Comprehensive income	<u>\$ 85,932</u>	<u>\$ 78,130</u>	<u>\$ 173,623</u>	<u>\$ 180,442</u>
<i>Net income per share:</i>				
Basic	<u>\$ 0.74</u>	<u>\$ 0.68</u>	<u>\$ 1.49</u>	<u>\$ 1.56</u>
Diluted	<u>\$ 0.73</u>	<u>\$ 0.67</u>	<u>\$ 1.48</u>	<u>\$ 1.54</u>
<i>Weighted average common shares:</i>				
Basic	<u>116,731</u>	<u>115,732</u>	<u>116,542</u>	<u>115,639</u>
Diluted	<u>118,026</u>	<u>117,154</u>	<u>117,690</u>	<u>116,870</u>

¹Unaudited

GAAP Financial Schedules – Balance Sheet¹

	September 30, 2020	December 31, 2019
	(Unaudited)	
	(In thousands, except per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 340,927	\$ 14,096
Accounts receivable, less allowances of \$17,325 and \$13,492 at September 30, 2020 and December 31, 2019, respectively	860,842	614,946
Other receivables	64,626	77,447
Inventories, net	751,149	561,255
Other current assets	44,198	39,123
Total current assets	2,061,742	1,306,867
Property, plant and equipment, net	750,841	721,887
Operating lease right-of-use assets, net	278,075	292,684
Goodwill	777,283	769,022
Intangible assets, net	121,145	128,388
Deferred income taxes	5,977	8,417
Other assets, net	19,871	22,225
Total assets	<u>\$ 4,014,934</u>	<u>\$ 3,249,490</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 651,332	\$ 436,823
Accrued liabilities	342,059	308,950
Current portion of operating lease liabilities	61,953	61,653
Current maturities of long-term debt	29,527	13,875
Total current liabilities	1,084,871	821,301
Noncurrent portion of operating lease liabilities	222,132	236,948
Long-term debt, net of current maturities, debt discount, and debt issuance costs	1,574,146	1,277,398
Deferred income taxes	37,360	36,645
Other long-term liabilities	88,560	52,245
Total liabilities	3,007,069	2,424,537
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; 116,803 and 116,052 shares issued and outstanding at September 30, 2020 and December 31, 2019, respectively	1,168	1,161
Additional paid-in capital	584,237	574,955
Retained earnings	422,460	248,837
Total stockholders' equity	1,007,865	824,953
Total liabilities and stockholders' equity	<u>\$ 4,014,934</u>	<u>\$ 3,249,490</u>

¹Unaudited

GAAP Financial Schedules – Cash Flow¹

	Nine Months Ended	
	September 30,	
	2020	2019
	(Unaudited) (In thousands)	
Cash flows from operating activities:		
Net income	\$ 173,623	\$ 180,442
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	87,298	71,771
Amortization of debt issuance costs and debt discount	2,535	3,060
Loss on extinguishment of debt, net	5,349	4,654
Deferred income taxes	3,155	36,547
Stock compensation expense	12,098	9,380
Net gain on sale of assets and asset impairments	(1,413)	(1,502)
Changes in assets and liabilities, net of assets acquired and liabilities assumed:		
Receivables	(230,627)	(41,083)
Inventories	(189,692)	22,263
Other current assets	(5,076)	8,968
Other assets and liabilities	60,439	1,756
Accounts payable	205,570	73,913
Accrued liabilities	31,887	(9,905)
Net cash provided by operating activities	<u>155,146</u>	<u>360,264</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(83,508)	(77,937)
Proceeds from sale of property, plant and equipment	3,298	5,474
Cash used for acquisitions	(15,893)	(33,931)
Net cash used in investing activities	<u>(96,103)</u>	<u>(106,394)</u>
Cash flows from financing activities:		
Borrowings under revolving credit facility	791,000	885,000
Repayments under revolving credit facility	(818,000)	(1,064,000)
Proceeds from issuance of notes	895,625	478,375
Repayments of long-term debt and other loans	(561,541)	(502,062)
Payments of debt extinguishment costs	(22,686)	(2,301)
Payments of loan costs	(13,800)	(8,566)
Exercise of stock options	1,343	3,220
Repurchase of common stock	(4,153)	(10,392)
Net cash provided by (used in) financing activities	<u>267,788</u>	<u>(220,726)</u>
Net change in cash and cash equivalents	326,831	33,144
Cash and cash equivalents at beginning of the period	14,096	10,127
Cash and cash equivalents at end of the period	<u>\$ 340,927</u>	<u>\$ 43,271</u>

¹Unaudited



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



Investor Relations

Binit Sanghvi

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