



Welcome to the New Builders FirstSource

Q1 2021 Earnings Presentation

May 6, 2021

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BLDR.com



Safe Harbor & Non-GAAP Financial Measures

- **Cautionary Notice**

- Statements in this presentation 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 continuing COVID-19 pandemic, the Company's merger with BMC, 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 and reconciliations of these non-GAAP financial measures in the earnings release included in its Form 8-K filed with the Securities and Exchange Commission on May 6, 2021.

Record Q1 2021 Business Update

Net sales \$4.2b
 +54.1% YoY
 (+22.0% Core Organic¹)

Gross Profit \$1.1b
 +52.1% YoY

**Adjusted
EBITDA** \$455.2m
 10.9% Margin

Record Sales Performance

- Focused execution, accelerating demand and increasing prices drove record results
- Improving housing starts, low mortgage rates and a shift towards single family living remain tailwinds for our products and services.

Operational Performance Drives Record Adjusted EBITDA and Adjusted EBITDA margin

- Premier positioning with customers, ability to deliver value, and an emphasis on cost management producing higher profitability
- Disciplined pricing process continues to support stable margins in volatile market conditions
- BMC integration efforts ahead of schedule with cost synergies firmly on track

Value-Added Focus Creating Long-Term Value

- Strength and scale of value-added offerings led by 42% growth in manufactured products
- Off-site assembly and other innovative solutions address customer labor challenges and jobsite productivity, fueling profitable growth

¹Core Organic compares Q1 2021 to combined non-GAAP pro forma first quarter 2020, and excludes other acquisitions, commodity price fluctuations and differences in selling days between periods.

Four Strategic Pillars

STRATEGIC PRIORITIES

1 Organic Growth of Value-Add Products and Services

Increase market penetration

- Maximize single family potential
- Grow multi-family and pro remodeling segments in select markets

Deploy capital to accelerate value-add products growth

Increase mix of value-add products:

- Truss & Panel
- Millwork
- READY-FRAME®

2 Drive Operational Excellence

Deliver a successful integration

- \$130 million to \$150 million in annual run-rate cost savings within 3 years
- Exceptional customer service
- Pricing and purchasing rigor
- Automation
- SG&A optimization

Invest in innovation and enhance digital solutions for our customers

3 Continue to Build our High-Performing Culture

Drive world-class safety results

Performance-based culture

Enhance talent acquisition, employee development and retention

- Military, college and trainee programs
- Leadership development programs
- Diversity & Inclusion

ESG

- Environmentally and socially responsible
- Deliver sustainable solutions

4 Pursue Strategic Acquisitions

Leverage free cash flow to accelerate strategic growth

- Tuck-in acquisitions
- Strong balance sheet supports opportunistic adjacent M&A

Leverage free cash flow to preserve balance sheet strength, grow our double-digit ROIC, and return capital to shareholders

Actively Pursuing M&A Opportunities

500+ US Building Products Businesses Totaling ~\$80 Billion in Sales Mapped

Geographical Scale

- Penetrate deeper in existing markets
- Broaden product portfolio in target markets

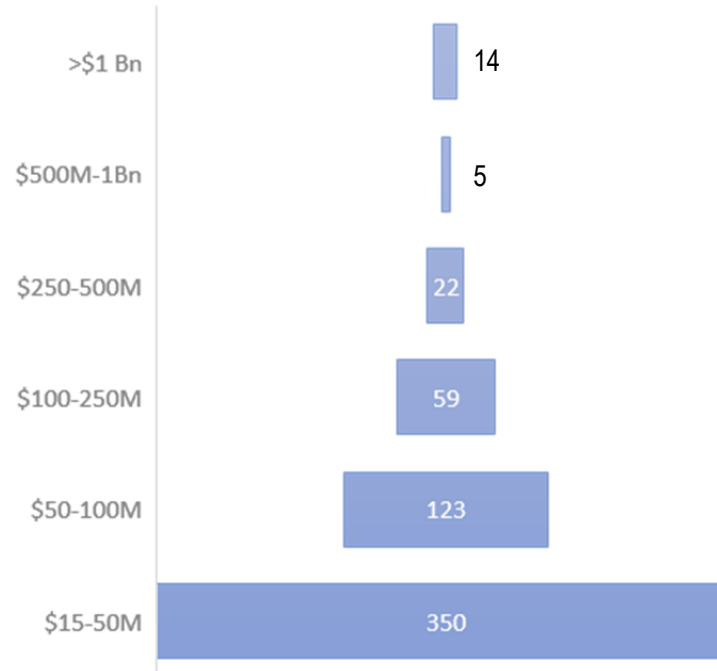
Technological Advancement

- Provide solutions to build more efficiently and address labor constraints
- Align with customers' increasing use of more sophisticated tools and digital technology

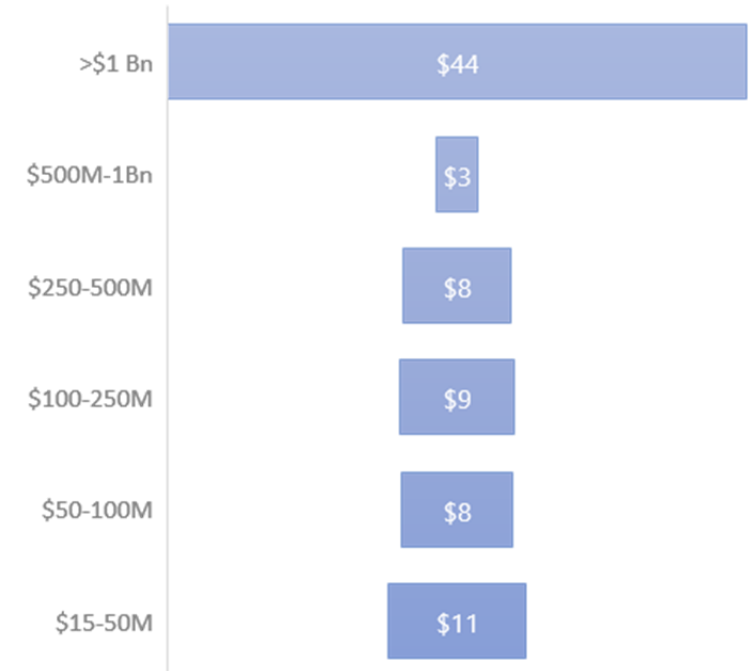
Value Add Products

- Increase higher margin value-added products mix
- Enhance opportunities to partner with customers

Bldg Products Businesses Segmented By Annual Sales



Sales (\$Bn) of Bldg Products Businesses Segmented by Annual Sales



Successful Integration Well Underway

Major Milestones

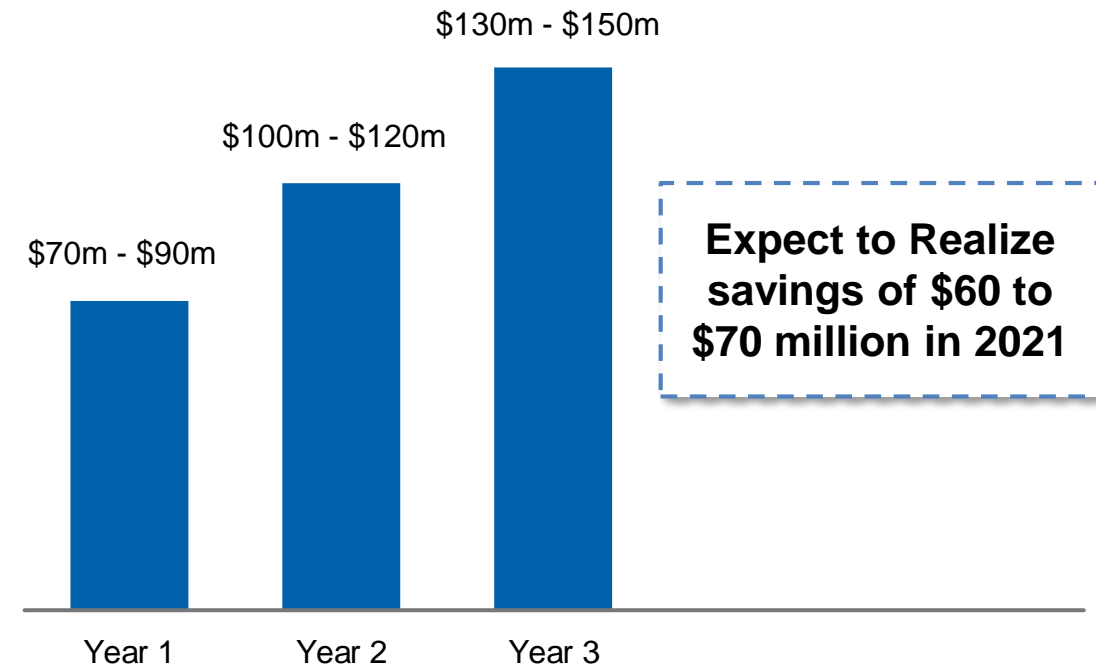
Focus On Customers And Employees

- Executed goal of smooth close and first quarter as one company
- Leadership and turnover remains well managed and stable

Focus On Cost Synergies

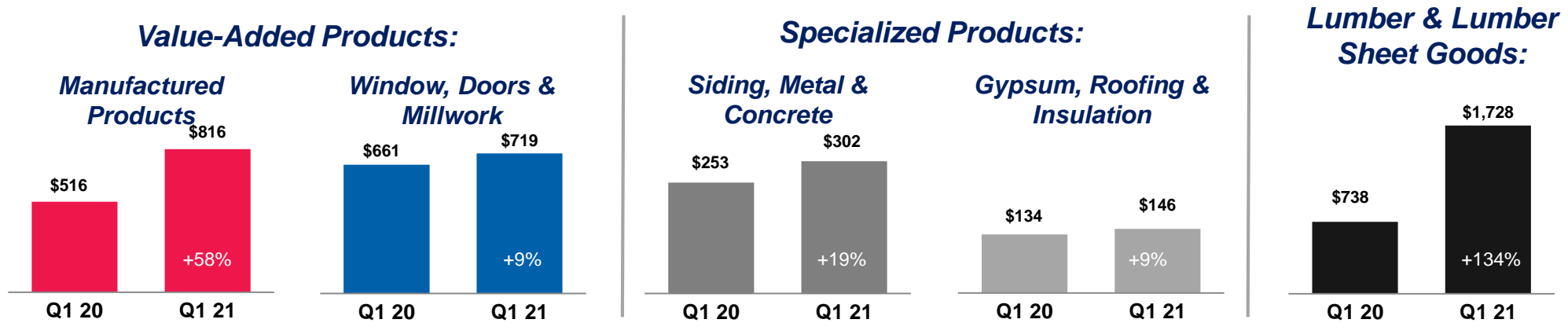
- Ahead of schedule for run rate cost savings of \$130m - \$150m⁽¹⁾ by 2023
- On track for realized savings of \$60m - \$70m for full year 2021
- Merger-related cost savings began to accumulate in Q1 2021 and into Q2 2021
- Positive momentum in growth efforts as teams work together

Estimated Run-Rate Cost Savings of \$130m - \$150m⁽¹⁾ (\$ in millions)

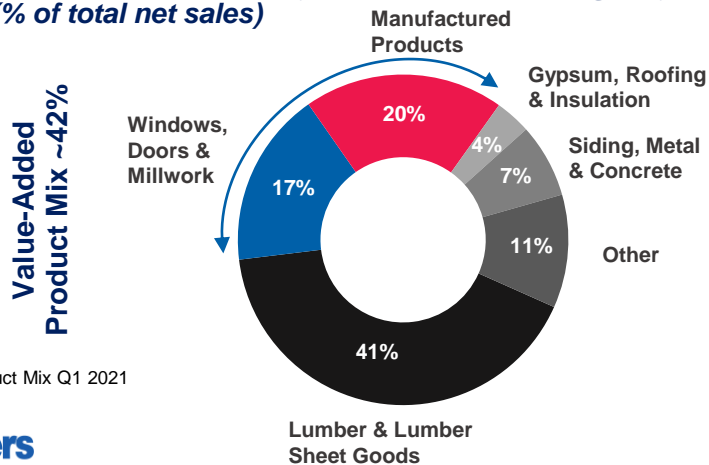


Q1 2021 - Broad Strength Across Product Portfolio

Net sales by product category (Q1 2021 compared to combined pro forma Q1 2020) (\$ in millions / % change)



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



Product Mix Q1 2021

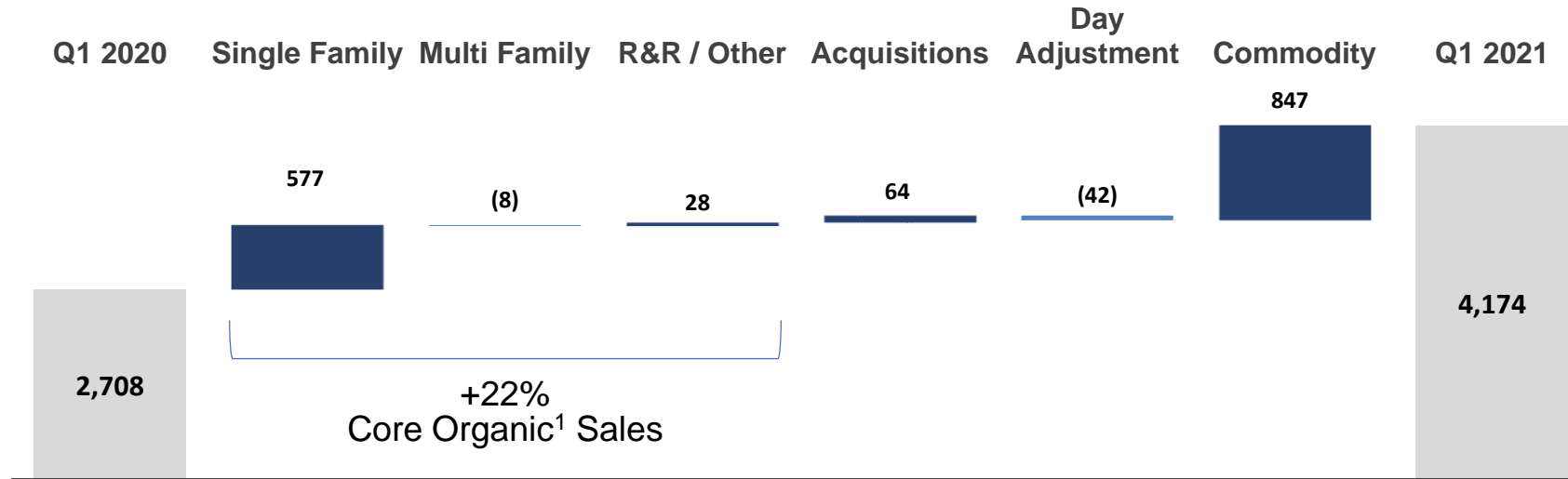
Value-added core organic¹ sales grew 22.0%

- 41.5% growth in Manufactured Products – adding shifts and investing for future growth
- Strategic acquisitions contributed 2.4% to Net Sales supporting VAP growth
- Solid windows, doors and millwork growth despite ongoing material availability challenges

Q1 2021 Core Organic Sales Growth Across All End Markets

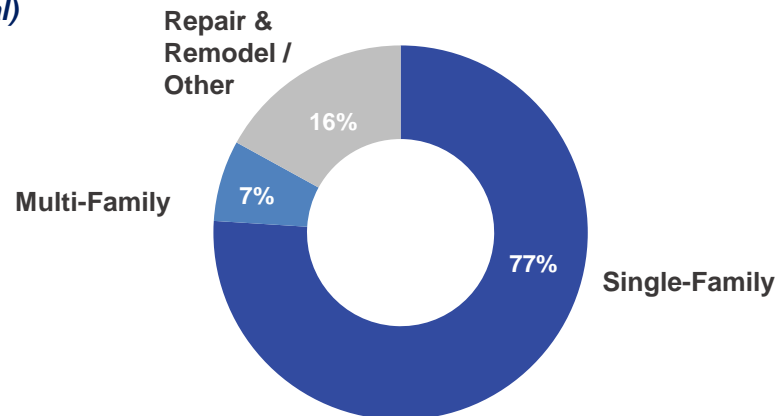
Net sales bridge (Q1 2021 compared to combined pro forma Q1 2020)

(\$ in millions)



Net sales mix by end market

(% of total)



Core organic¹ performance:

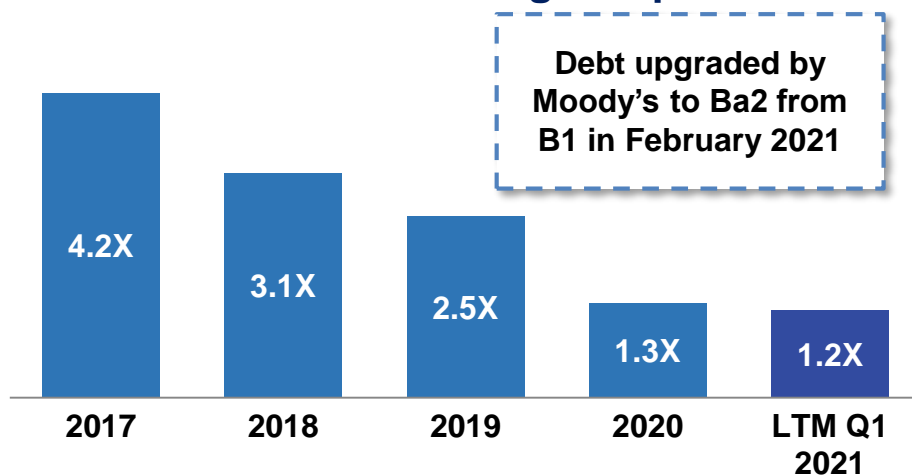
Single family: +29.6% on broad market recovery

R&R / Other: +5.4% with strength in most parts of the country

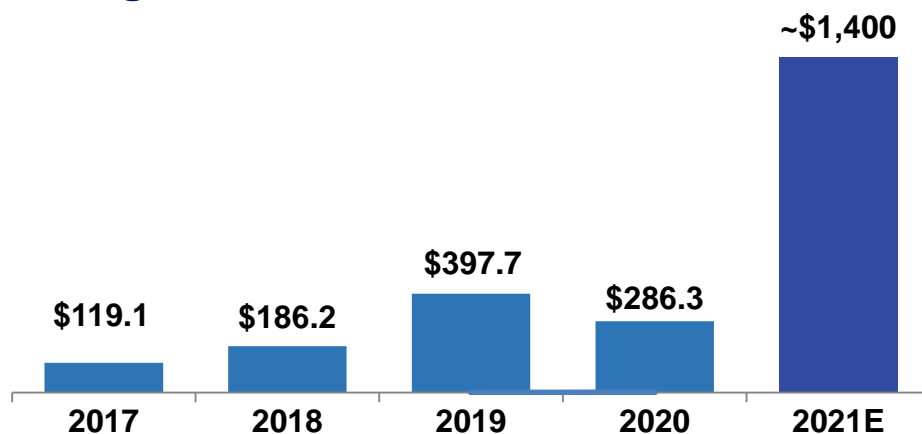
Multi-family: -3.1% on the timing of projects started in prior periods

Strong Balance Sheet and Liquidity Provide Financial Flexibility

Pro Forma Net Leverage¹ Improvement



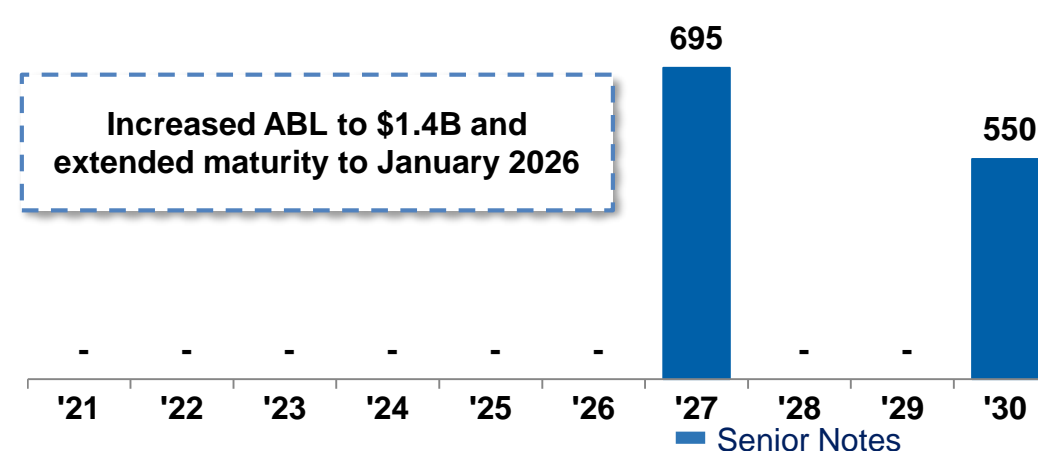
Strong Pro Forma Free Cash Flow²



Capital Allocation Priorities

1. Maintain a strong balance sheet
2. Leverage free cash flow to accelerate strategic and operational investments
3. Invest in innovation and enhance digital solutions internally, and for our customers
4. Pursue opportunistic M&A while preserving strong balance sheet

Weighted Average Debt Maturity of ~8 Years³



¹Pro forma as of 12/31/2020, including net proceeds from April 2020 offering of \$350 million aggregate principal amount of senior notes due 2027.

Net Leverage calculated as principal value of debt and lease obligations less cash and cash equivalents divided by LTM Adj EBITDA.

²Net of PPE.

³Excludes finance leases and other finance obligations.

Raised 2021 Outlook

2021 Full Year Financial Expectations

Metrics	Revised Guidance	Prior Guidance	2020 Pro Forma
Sales ¹ (YoY Growth)	\$16.0 to \$17.0 billion (+25% to +33%)	\$13.9 to \$14.6 billion (+9% to +14%)	\$12.8 billion
Adjusted EBITDA ² (YoY Growth)	\$1.75 to \$1.85 billion (+64% to +73%)	\$1.29 to \$1.34 billion (+20% to +25%)	\$1.1 billion
Free Cash Flow	\$1.3 to \$1.5 billion	\$800 to \$900 million	\$286 million
Capital Expenditures ³	1.4% to 1.6% of net sales	1.4% to 1.6% of net sales	\$181 million
Interest expense	\$110 to \$115 million	\$110 to \$115 million	\$158 million
Effective tax rate	23.0% to 25.0%	23.0% to 25.0%	23.4%
Depreciation & amortization expense ⁴	\$540 to \$550 million	\$540 to \$550 million	\$198 million

2021 Full Year Assumptions

Metrics	Revised Guidance	Prior Guidance
Single family starts growth (BLDR geographies)	Up low-double digits	Up high-single digits
Multi-family starts growth (BLDR geographies)	Down high-single to low-double digits	Down low-double digits
R&R starts growth (BLDR geographies)	Up low- to mid-single digits	Up low-single digits
Commodity pricing impact (BLDR demand mix)	Up +[10-20]%	Up +[0-10]%
Realized cost synergy savings (BMC integration)	\$60 to \$70 million	\$60 to \$70 million

1. 2021 Sales include the following acquisitions: Bianchi & Company, Kansas Building Supply Company & TW Perry.

2. Adjusted EBITDA is a Non-GAAP financial measure. See the Non-GAAP (Adjusted) Financial Measures slide in this presentation for a definition thereof and a discussion of certain matters regarding non-GAAP guidance.

3. The 2021 capital expenditure expectation is net of proceeds from the sale of property, equipment and real estate.

4. Depreciation expense forecast includes depreciation accounted for within cost of sales.

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, driving 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

Question & Answer



Session



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



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Reconciliations

BUILDERS FIRSTSOURCE, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

	Three Months Ended March 31,	
	2021	2020
	(Unaudited)	
	(In thousands, except per share amounts)	
Net sales	\$ 4,173,775	\$ 1,787,021
Cost of sales	3,104,221	1,321,608
Gross margin	1,069,554	465,413
Selling, general and administrative expenses	821,598	404,466
Income from operations	247,956	60,947
Interest expense, net	31,844	51,931
Income before income taxes	216,112	9,016
Income tax expense	43,532	249
Net income	<u>\$ 172,580</u>	<u>\$ 8,767</u>
<i>Net income per share:</i>		
Basic	<u>\$ 0.84</u>	<u>\$ 0.08</u>
Diluted	<u>\$ 0.83</u>	<u>\$ 0.07</u>
<i>Weighted average common shares:</i>		
Basic	<u>206,571</u>	<u>116,258</u>
Diluted	<u>208,624</u>	<u>117,494</u>

Reconciliations

BUILDERS FIRSTSOURCE, INC. AND SUBSIDIARIES

Financial Data (unaudited)

	Three months ended March 31,	
	2021	2020
	(in millions except share amounts)	
Net sales	4,173.8	1,787.0
Cost of sales	3,104.2	1,321.6
Gross margin	1,069.6	465.4
Gross margin %	25.6%	26.0%
Adjusted SG&A/Other (excluding depreciation and amortization) as a % of sales ⁽¹⁾	14.7%	20.6%
Adjusted EBITDA	455.2	97.0
Adjusted EBITDA margin %	10.9%	5.4%
Depreciation and amortization	(134.3)	(29.4)
Interest expense, net of debt issuance cost and refinancing	(27.4)	(23.9)
Income tax expense	(61.3)	(7.7)
Other adjustments	(3.2)	(3.3)
Adjusted Net Income	\$ 229.0	\$ 32.7
Basic adjusted net income per share:	\$ 1.11	\$ 0.28
Diluted adjusted net income per share:	\$ 1.10	\$ 0.28
Weighted average common shares (in millions)		
Basic	206.6	116.3
Diluted	208.6	117.5

(1) Adjusted SG&A and other as a percentage of sales is defined as GAAP SG&A less depreciation and amortization, stock compensation, acquisition, integration and other expenses.

Reconciliations

BUILDERS FIRSTSOURCE, INC. AND SUBSIDIARIES
Reconciliation of Adjusted Non-GAAP Financial Measures to their GAAP Equivalents
(unaudited)

	Three months ended March 31,		Twelve months ended March 31,
	2021	2020	2021
	(in millions)		
Reconciliation to Adjusted EBITDA:			
GAAP Net Income	\$ 172.6	\$ 8.8	\$ 477.3
Acquisition and Integration Expense	69.7	3.4	91.4
Debt issuance and refinancing cost ⁽¹⁾	4.5	28.0	5.9
Tax-effect of adjustments to net income	(17.8)	(7.5)	(23.3)
Adjusted Net Income	229.0	32.7	551.3
Weighted average diluted common shares (in millions)	208.6	117.5	
Diluted adjusted net income per share:	\$ 1.10	\$ 0.28	
Reconciling items:			
Depreciation and amortization expense ⁽²⁾	134.3	29.4	221.5
Interest expense, net	27.4	23.9	109.7
Income tax expense	61.3	7.7	161.2
Stock compensation expense	4.7	3.3	18.4
Gain on sale and asset impairments	(1.5)	(0.2)	(4.5)
Other management-identified adjustments ⁽³⁾	0.0	0.2	0.8
Adjusted EBITDA	\$ 455.2	\$ 97.0	\$ 1,058.4
Adjusted EBITDA Margin	10.9%	5.4%	9.7%

(1) Costs associated with issuing and extinguishing long term debt in 2021 and 2020.

(2) Includes \$83.2 million of amortization expense in 2021 related to acquired intangibles from the BMC Merger.

(3) Primarily relates to severance and other one time costs.

Reconciliations

BUILDERS FIRSTSOURCE, INC. AND SUBSIDIARIES
Sales by Product Category
(unaudited)

	Three months ended					
	March 31,					
	2021		2020			
	Net Sales	% of Net Sales	Net Sales	% of Net Sales	% Change	Per Day
Manufactured Products	\$ 816.1	19.6%	\$ 354.5	19.8%	130.2%	133.9%
Windows, Doors & Millwork	718.6	17.2%	391.3	21.9%	83.6%	86.5%
Value-Added Products	1,534.7	36.8%	745.8	41.7%	105.8%	109.1%
Gypsum, Roofing & Insulation	146.4	3.5%	110.8	6.2%	32.1%	34.2%
Siding, Metal & Concrete Products	301.9	7.2%	168.9	9.5%	78.7%	81.6%
Other	462.3	11.1%	209.0	11.7%	121.2%	124.7%
Specialized Products & Other	910.6	21.8%	488.7	27.4%	86.3%	89.3%
Lumber & Lumber Sheet Goods	\$ 1,728.5	41.4%	\$ 552.5	30.9%	212.9%	217.8%
Total net sales	<u>\$ 4,173.8</u>	<u>100.0%</u>	<u>\$ 1,787.0</u>	<u>100.0%</u>	<u>133.6%</u>	<u>137.3%</u>

Reconciliations

BUILDERS FIRSTSOURCE, INC. AND SUBSIDIARIES

Combined Financial Data

(unaudited)

Three months ended

March 31,

	2021		2020	
			<i>(Pro Forma)</i>	
<i>(In millions)</i>				
Net Sales	\$	4,173.8	\$	2,707.9
Gross Margin		1,069.6		703.0
<i>Gross Margin %</i>		25.6%		26.0%
Net Income		172.6		30.8
Adjusted EBITDA		455.2		158.7
Adjusted Net Income		229.0		56.9