Builders FirstSource

OUTPERFORM TODAY. TRANSFORM TOMORROW.

August 1, 2022

DAVE FLITMAN, President & CEO • PETER JACKSON, CFO

# Q2 2022 Earnings Presentation

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, synergies, 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. 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. All forward-looking statements are based upon currently available information and the Company's current assumptions, expectations and projections about future events. 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 and its contributory effects on the economy, the Company's merger with BMC and other acquisitions and continued ability to identify and consummate attractive acquisitions, the Company's growth strategies, including gaining market share and its digital strategies, or the Company's revenues and operating results being highly dependent on, among other things, the homebuilding industry, which in turn is dependent on economic conditions, lumber prices and the economy, including interest rates, inflation and labor and supply shortages. 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 in other reports the Company files with the SEC. Consequently, all forward-looking statements in this presentation and the schedules hereto are qualified by the factors, risks and uncertainties contained therein.

**Use of Non-GAAP Financial Measures**

This presentation and the schedules hereto include 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 August 1, 2022.

# Our Strategic Priorities Fuel Long-term Profitable Growth

Organic Growth of Value-added Products and Services

Drive Operational Excellence

Continue to Build Our High-Performing Culture

Pursue Strategic Tuck-in Acquisitions

# Executing Against Our Strategy in Q2 2022

## Organic Growth of Value-Added Products and Services

- ✓ 12% core organic growth
- ✓ Grew net sales of value-added products and services across the portfolio

## Drive Operational Excellence

- ✓ Delivered ~$40M in productivity savings; expect to deliver >$100M in productivity savings in 2022
- ✓ Completed 4,500 automated take-off estimates from customer plans on our Paradigm technology YTD, with Q2 estimates up 23% versus Q1

## Continue to Build Our High-Performing Culture

- ✓ Experienced management team with a strong execution track record
- ✓ Launched CSR report in May

## Pursue Strategic Tuck-In Acquisitions

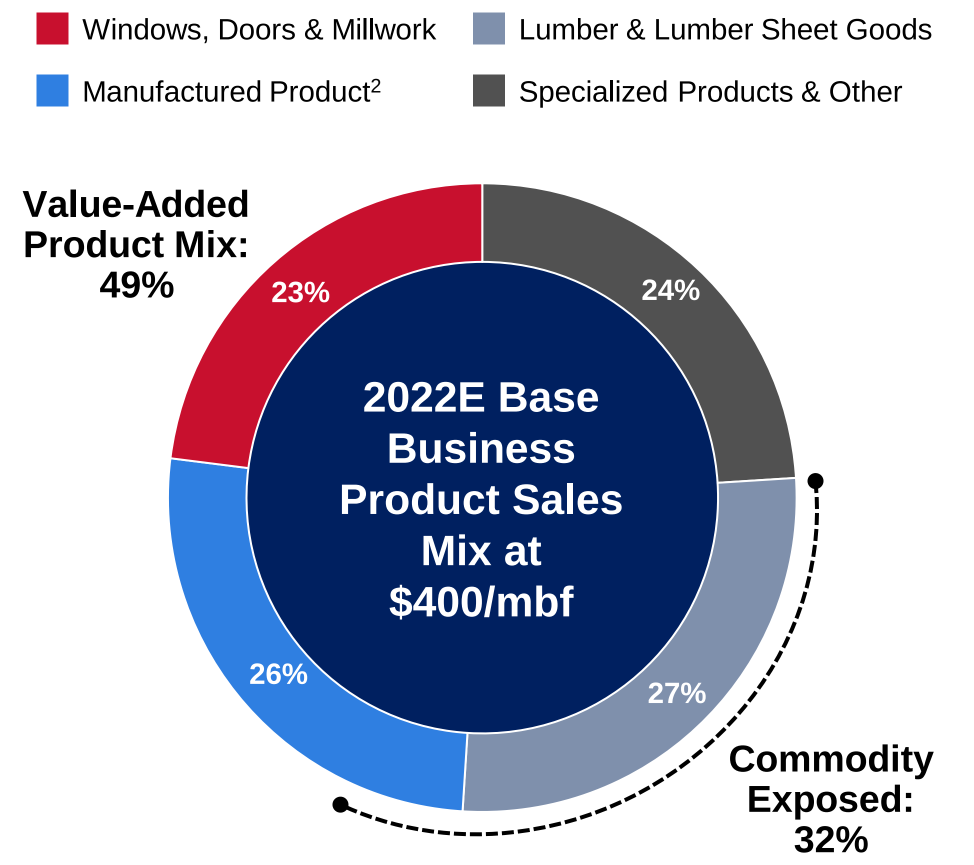
- ✓ On July 1, 2022, made tuck in acquisition of HomCo Lumber and Hardware

Builders FirstSource

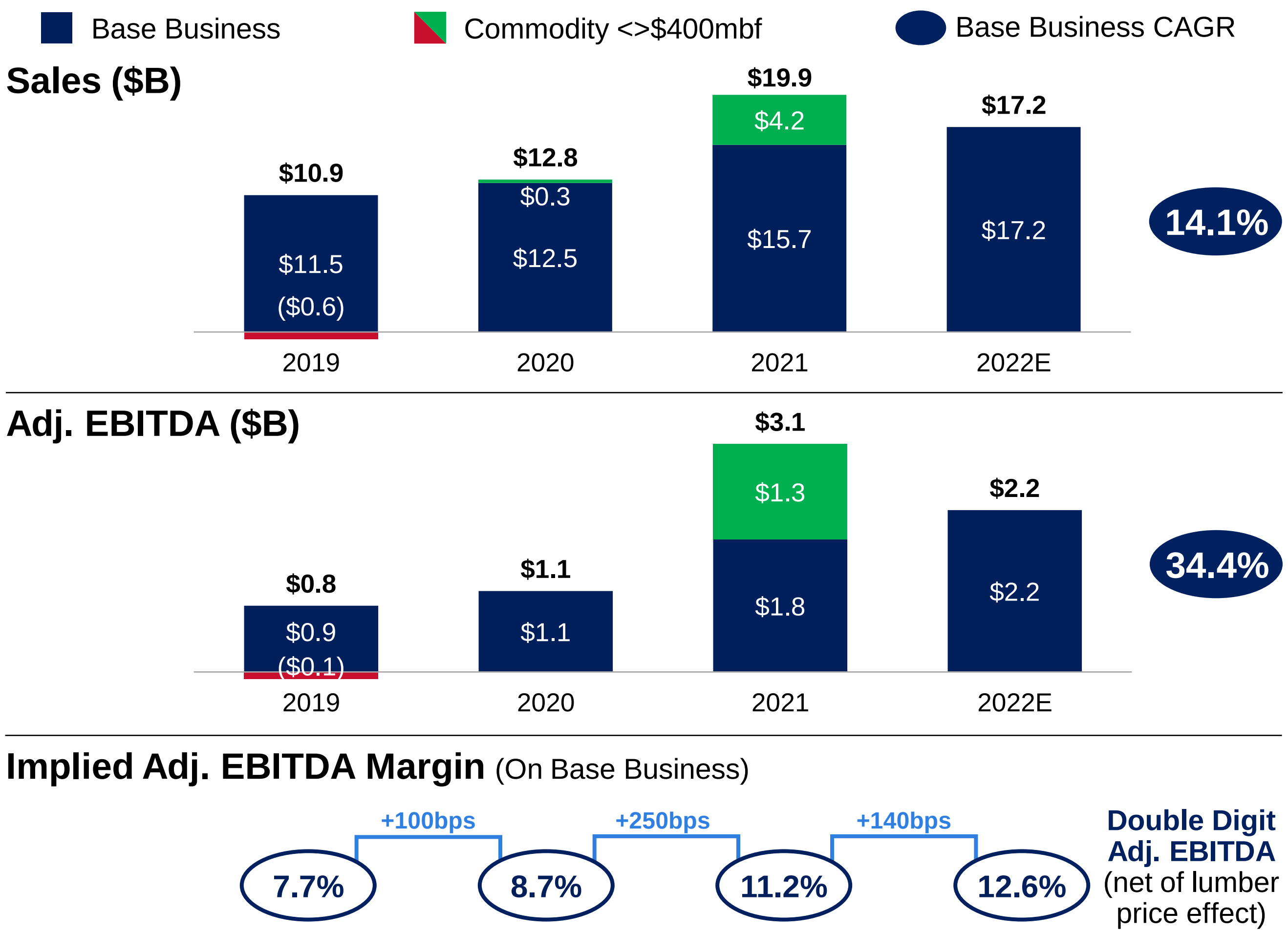
 

# Base Business[1] Expectations for 2022E Aligned with Long Term Plan

## Over 60% of BFS's Base Business[1] is Non-Commodity




## Majority of EBITDA Growth is Driven by Value-Added Products and Sustainable Operations Improvement / Synergy




1) This estimate assumes $400/mbf lumber & sheet good pricing.
2) Commodity exposure in manufactured products represents an estimated 5% of 2022E net sales mix at $400/mbf

.Adjusted EBITDA and Adjusted EBITDA margin are Non-GAAP financial measures. See the Non-GAAP Financial Measures slide in this presentation for a definition thereof and a discussion of certain matters regarding non-GAAP guidance.

# Continuing to Drive Operational Excellence to Achieve Targets

- Strategy implementation and outperformance enabled by focus on operational excellence
- Track record of execution with strong value proposition, differentiated platform, and customer-focused solutions
- Significant catalysts ahead: BFS -TEAM Operating System, Digital Transformation and Sustainability / ESG
- Robust FCF generation and disciplined capital deployment generate above market growth and profitability


### 2021 to 2025E Base Business Targets[1]

| ~10% | ~15% | ~30% | ~50bps |
|---|---|---|---|
| Net Sales CAGR | Adj. EBITDA CAGR | EPS CAGR | Adj. EBITDA Margin Expansion Annually |

**Deployable Capital of $7B to $10B**

[1] Key assumptions: Single-family housing starts growth of LSD through 2025, base business estimate assumes $400/mbf lumber & sheet good pricing, and leverage target of 1.0 to 2.0x. EPS includes amortization of intangibles. EPS includes amortization of intangibles.

Adjusted EBITDA and Adjusted EBITDA margin are Non-GAAP financial measures. See the Non-GAAP Financial Measures slide in this presentation for a definition thereof and a discussion of certain matters regarding non-GAAP guidance.

Builders FirstSource

# Delivering Record Second-Quarter Performance

**$6.9B**
Net Sales
24.2% Increase

**$1.5B**
Adj. EBITDA
80.3% Increase

**21.8%**
Adj. EBITDA Margin
680bps Increase

**$6.26**
Adj. EPS[1]
126.8% Increase

**Generated Free Cash Flow of ~$900M**

Builders FirstSource

Adjusted EBITDA, Adjusted EBITDA margin and Adjusted EPS are Non-GAAP financial measures. See the Non-GAAP Financial Measures slide in this presentation for a definition thereof and a discussion of certain matters regarding non-GAAP guidance.

# Continued M&A in 2022

- Successfully completed a substantial number of value-enhancing acquisitions
- Consistently target additive products, services, geographies and technologies
- Demonstrated ability to successfully integrate, cross-sell and create operating synergies
- Acquisition pipeline remains very robust and continues to build
- Strong balance sheet and ample liquidity to execute M&A strategy

| Acquisition | Annual Sales | Date | Rationale |
|---|---|---|---|
| HLH | $44M | Q3 2022 | ▪ Highly-profitable distributor in attractive Flagstaff, AZ market<br>▪ Low customer concentration and diverse product mix |
| VALLEY TRUSS | $26M | Q2 2022 | ▪ Provides additional component capacity and expands upon value-added offerings to single- and multi-family markets in ID |
| PANEL TRUSS | $138M | Q2 2022 | ▪ Offers additional component capacity in high-growth southern markets and expands upon value-added solutions |
| National Lumber | $440M | Q4 2021 | ▪ Diverse building materials and service offerings add substantial depth to BFS value-added solutions |
| Truss Technologies Inc. | $30M | Q4 2021 | ▪ Highly-profitable truss manufacturer expands value-added offering in MI |
| KATERRA APOLLO | N/A | Q3 2021 | ▪ Provides technology enhancing workflow, construction budgeting and scheduling, and field task assignments<br>▪ Aligns with BFS digital strategy to address inefficiencies in the home building process |
| CTF California TrusFrame | $143M | Q3 2021 | ▪ Adds substantial and profitable scale to value-added components business in CA |
| PARADIGM | $50M | Q3 2021 | ▪ Software solutions and services provider representing an important step forward in BFS strategy to invest in innovative digital solutions |
| ALLIANCE | $330M | Q3 2021 | ▪ Largest supplier of building materials in high-growth AZ market with ~500 dedicated employees across 9 operating locations |
| JOHN'S LUMBER | $49M | Q2 2021 | ▪ Acquisition benefits 14 locations throughout MI while allowing for value-added product expansion |



# Digital Solutions

- ✓ Standard plan in-take and bid workflow being deployed
- ✓ Completed 4,500 automated take-off estimates from customer plans on our Paradigm technology YTD, with Q2 estimates up 23% versus Q1
- ✓ Completed agreements with SnapADU and Creative Homes for our configurable visualization tool, adding ~300 annual starts

- ✓ Significant development milestone achieved with the integration of material take-off, structural design, and visualization into one 3-D modeling process
- ✓ Leveraging our digital technologies to pilot building information modeling (BIM) pilots with three homebuilding industry leaders

FRONT LIGHT BUILDING COMPANY

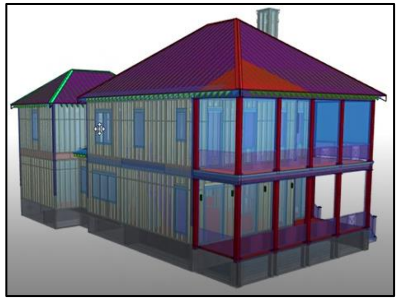
www.frontlightbuildingco.com

build WITH MATT RISINGER

## 3-Dimensional Digital Twin

**Take-Off Model**

**Structural Model**



**Visualization Model**

**Digital Transformation Of Homebuilding Industry is a $1B Opportunity to BFS**

Builders FirstSource

# Transformation of Business from Prior Recession

### Pre-Great Recession

- Portfolio consisted of commodity-based product lines
- Lower margin profile
- Little scale and diversification
  - ~130 locations
- Transactionally focused, few strategic partnerships with key customers or vendors

### Improvements Made

- Removed over $400M of costs through synergies and productivity
- Rationalized and consolidated locations; improved processes and reduced cost to serve through distribution network of over 560 locations
- Significant investment in manufacturing technology and automation
- Enhanced flexibility in variable expense structure

### Better Positioned Today

- Leaner, more efficient, consolidated company
- Higher margin profile through improved mix of value-added products and services and improved pricing management
- ~70% of expense base is variable, with variable compensation aligned across the integrated platform
- Fortress balance sheet; low leverage, strong free cash flow and ample liquidity
- Numerous strategic partnerships with key customers and vendors

## Successfully Transformed Business

| | 2007 | 2021 |
|---|---|---|
| Revenue | $1.6B | $19.9B |
| Adj. EBITDA | $51M | $3.1B |
| Free Cash Flow | $63M | $1.5B |
| Business Mix Focus | Commodity-Based Product Lines | Value-Added, Higher Margin Product Lines |

# Downturn Playbook

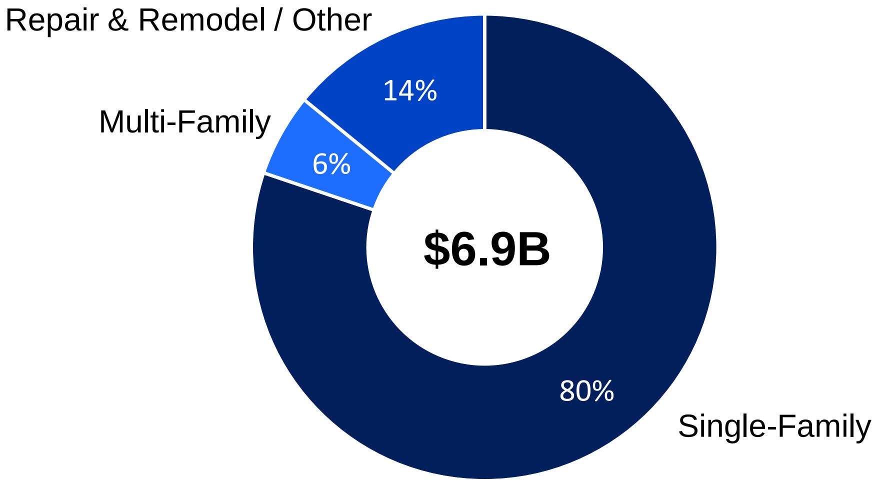
| Flexible Business Model | Downside Actions | Value Creation Opportunities |
|---|---|---|
| ▪ ~70% of SG&A expense is variable<br>▪ Efficient capacity utilization and ongoing optimization of footprint<br>▪ Strong free cash flow and moderate capital expenditures<br>▪ Working capital closely aligned to demand signals | ▪ Manage variable expenses to market levels<br>▪ Self-adjusting variable compensation – naturally flexes with market conditions<br>▪ Discretionary spending reductions<br>▪ Freeze/reduce headcount<br>▪ Accelerate productivity projects<br>▪ Right size the network and optimize capacity across plants and yards<br>▪ Moderate capital expenditures where appropriate | ▪ Highly accretive share repurchases<br>▪ Add distressed businesses to portfolio to drive long-term value creation<br>▪ Utilize product portfolio and competitive advantages in marketplace to gain share<br>▪ Accelerate digital and technology transformation<br>▪ Identify and accelerate strong ROI projects |

**Prepared to Win in Any Environment**

# 12% Core Organic Growth in Q2 2022

## Net Sales ($M) Bridge (Q2 2022 vs. Q2 2021)


## Q2 2022 Net Sales Mix by End Market




## Core Organic Sales Highlights

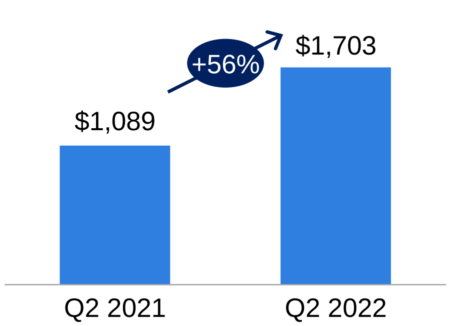
- Single-Family → +15.8% on strength across our entire footprint against a strong PY
- Multi-Family → Essentially flat due to timing of projects
- R&R / Other → Essentially flat despite inflation curbing demand

# Broad Strength Across Product Portfolio

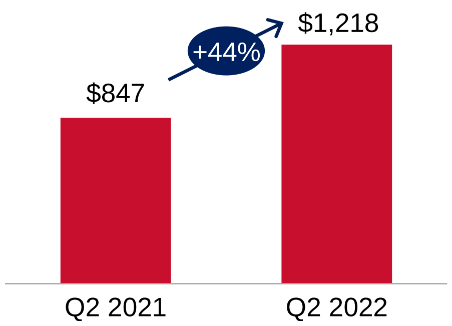
## Net Sales ($M) by Product Category (Q2 2022 vs. Q2 2021)

### Value-Added Products

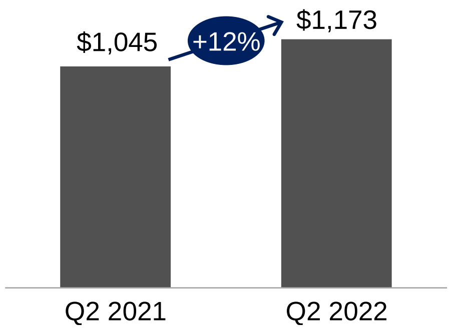
**Manufactured Products**




**Windows, Doors & Millwork**

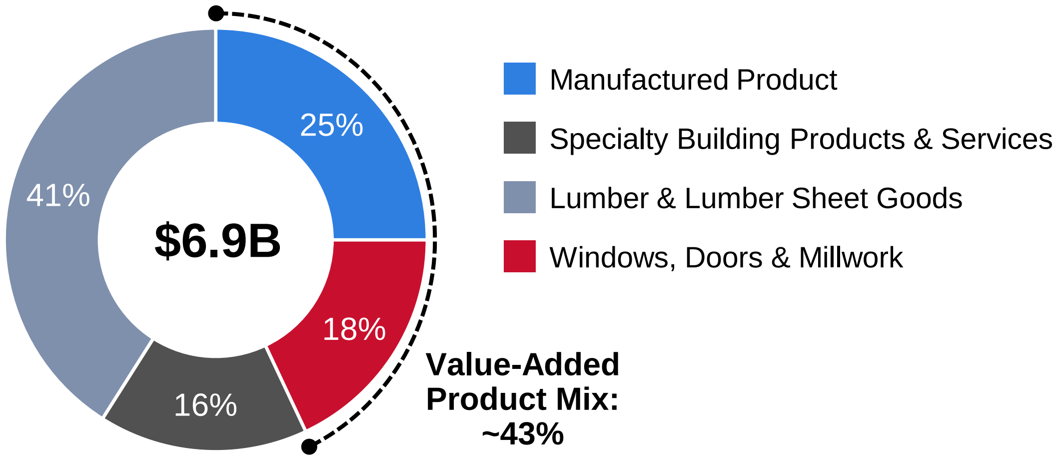



**Specialty Building Products & Services**




**Lumber & Lumber Sheet Goods**


## Q2 2022 Net Sales Mix by Product Category




## Value-Added Core Organic Sales Grew 32%

- 24.7% growth in Manufactured Products on robust Single-Family demand
- 41.3% growth in Windows, Doors & Millwork continued improvement as material availability and pricing improved

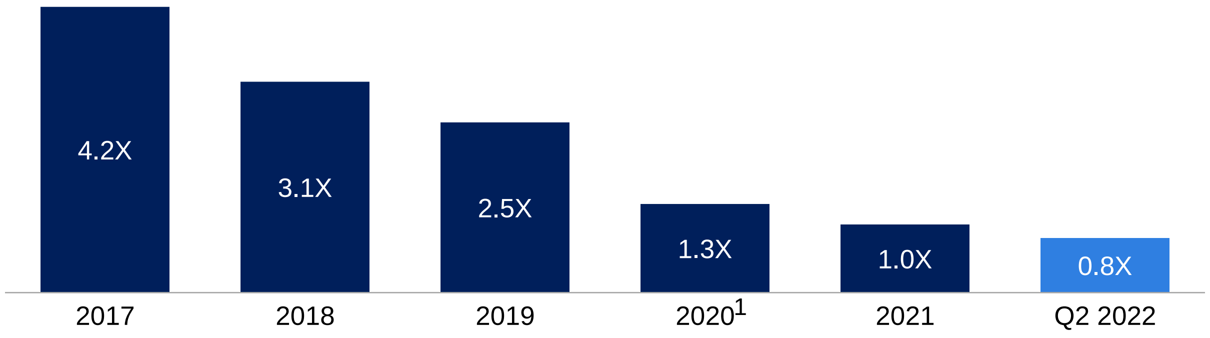
Builders FirstSource

# Strong Balance Sheet and Ample Liquidity Provide Financial Flexibility

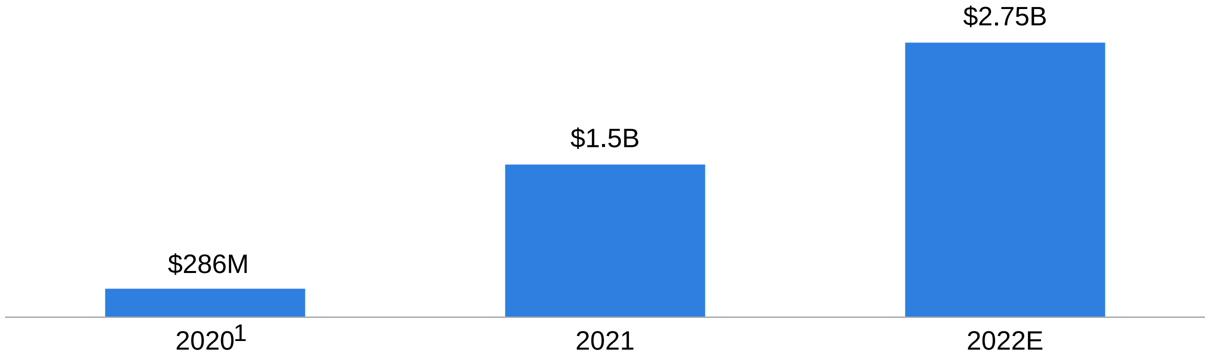
## Balanced Capital Allocation Priorities

1. Maintain a strong balance sheet
2. Reinvest in business to drive growth and productivity
3. Continue tuck-in M&A strategy
4. Return capital to shareholders

## Net Leverage Improvement

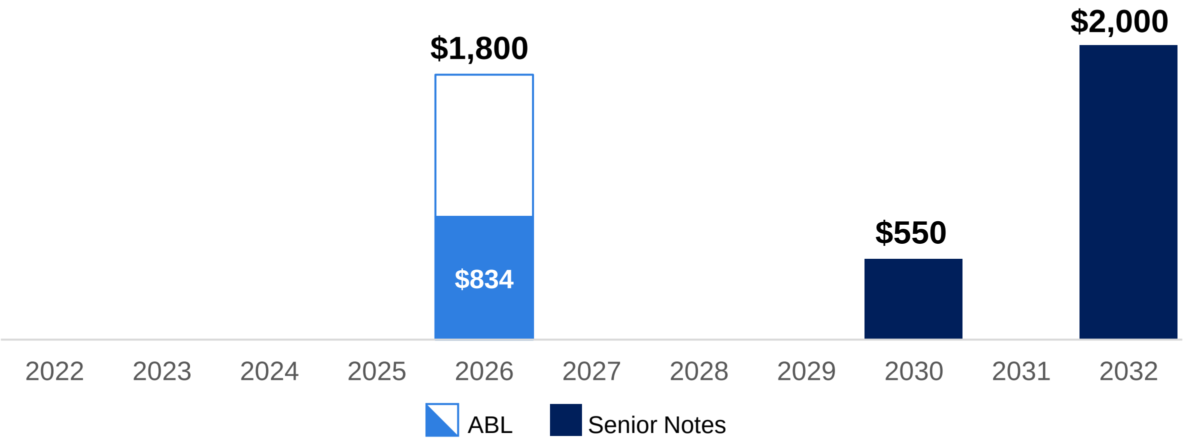



## Strong Free Cash Flow




## Weighted Average Debt Maturity of ~8 Years[2]

*in millions*




1) Pro forma as of 12/31/2020. Net Leverage calculated as principal value of debt and lease obligations less cash and cash equivalents divided by LTM Adj EBITDA. 2) Excludes finance leases and other finance obligations. Solid shading on ABL reflects drawn portion only. 2032 balance includes $1.3B of 4.25% and $0.7B of 6.375% notes

# Updated 2022 Outlook

## 2022 Full Year Financial Expectations

| Metrics | Current Guidance | Prior Guidance | 2021 Actual |
|---|---|---|---|
| **Base Business Sales[1]** | **8% to 12% growth** | **10% to 14% growth** | **$15.7 billion** |
| **Base Business Adjusted EBITDA[1]** | **18% to 22% growth** | **18% to 22% growth** | **$1.8 billion** |
| **Base Business Adjusted EBITDA margin[1]** | **120 to 160 bps of growth** | **90 to 110 bps of growth** | **11.2%** |
| Free Cash Flow[2] | $2.5 to $3.0 billion | $2.0 to $2.4 billion | $1.5 billion |
| Capital Expenditures[3] | $275 million to $325 million | $375 to $400 million | $205 million |
| Interest expense | $175 to $185 million | $175 to $185 million | $136 million |
| Effective tax rate | 23.0% to 25.0% | 23.0% to 25.0% | 23.1% |
| Depreciation & amortization expense[4] | $460 to $480 million | $440 to $460 million | $189 million |

## 2022 Full Year Assumptions

| Metrics | Current Guidance | Prior Guidance |
|---|---|---|
| Single family starts growth (BLDR geographies) | Down mid-single digits | Up mid-single digits |
| Multi-family starts growth (BLDR geographies) | Up low double-digits | Up low-to-mid single digits |
| R&R growth (BLDR geographies) | Up low-to-mid single digits | Up low-to-mid single digits |
| Selling Days | One less day in Q4 2022 vs 2021 | One less day in Q4 2022 vs 2021 |
| Productivity savings | >$100 million | >$100 million |
| Average commodity prices | $700 to $1,000 | $700 to $1,000 |

1. Assumes a $400/mbf commodity price for all periods and maintained for the full year.
2. Assumes average commodity prices in the range of $700 to $1,000/mbf.
3. The 2022 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.

Adjusted EBITDA and Adjusted EBITDA margin are Non-GAAP financial measures. See the Non-GAAP Financial Measures slide in this presentation for a definition thereof and a discussion of certain matters regarding non-GAAP guidance.

Builders FirstSource

# Sales and Adj. EBITDA Projection by Commodity Price

## Commodity Cost Assumptions and Estimated Corresponding Performance Scenario Analysis

| $/mbf | Sales ($B) | Adj. EBITDA ($B) |
|---|---|---|
| $400 | $16.2 – $18.0 | $2.0 – $2.3 |
| $500 | $17.6 – $19.4 | $2.3 – $2.5 |
| $600 | $18.8 – $20.8 | $2.5 – $2.8 |
| $700 | $20.1 – $22.3 | $2.8 – $3.1 |
| $800 | $21.5 – $23.7 | $3.0 – $3.3 |
| $900 | $22.7 – $25.1 | $3.3 – $3.6 |
| $1,000 | $24.0 – $26.6 | $3.5 – $3.9 |

### Assumptions

- Price fluctuations can result in materially different results than in a static commodity environment
- Commodity margin rates are adjusted to historical prices for each product category and maintained at each commodity price tier/sensitivity
- Total margin changes with commodity tier driven by sales mix changes
- Expenses associated with commodity price changes are included
- Includes Acquisitions and 2022 expectation of realized market participation
- Price at each tier is static for the full year
- Price tiers reflect BFS composite
- Low/High ranges for sales and Adj. EBITDA set at -/+ 5%

# Differentiated Market Leader Positioned for Above Market Growth & Expanding Profitability

- 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

OUTPERFORM TODAY. TRANSFORM TOMORROW.

# Q&A Session

Builders FirstSource®

OUTPERFORM TODAY. TRANSFORM TOMORROW.


**Michael Neese**

SVP, Investor Relations

Michael.Neese@BLDR.com

(214) 765-3804


BLDR.COM

# Pursuing Accretive Tuck-In M&A

**Geographic Scale**

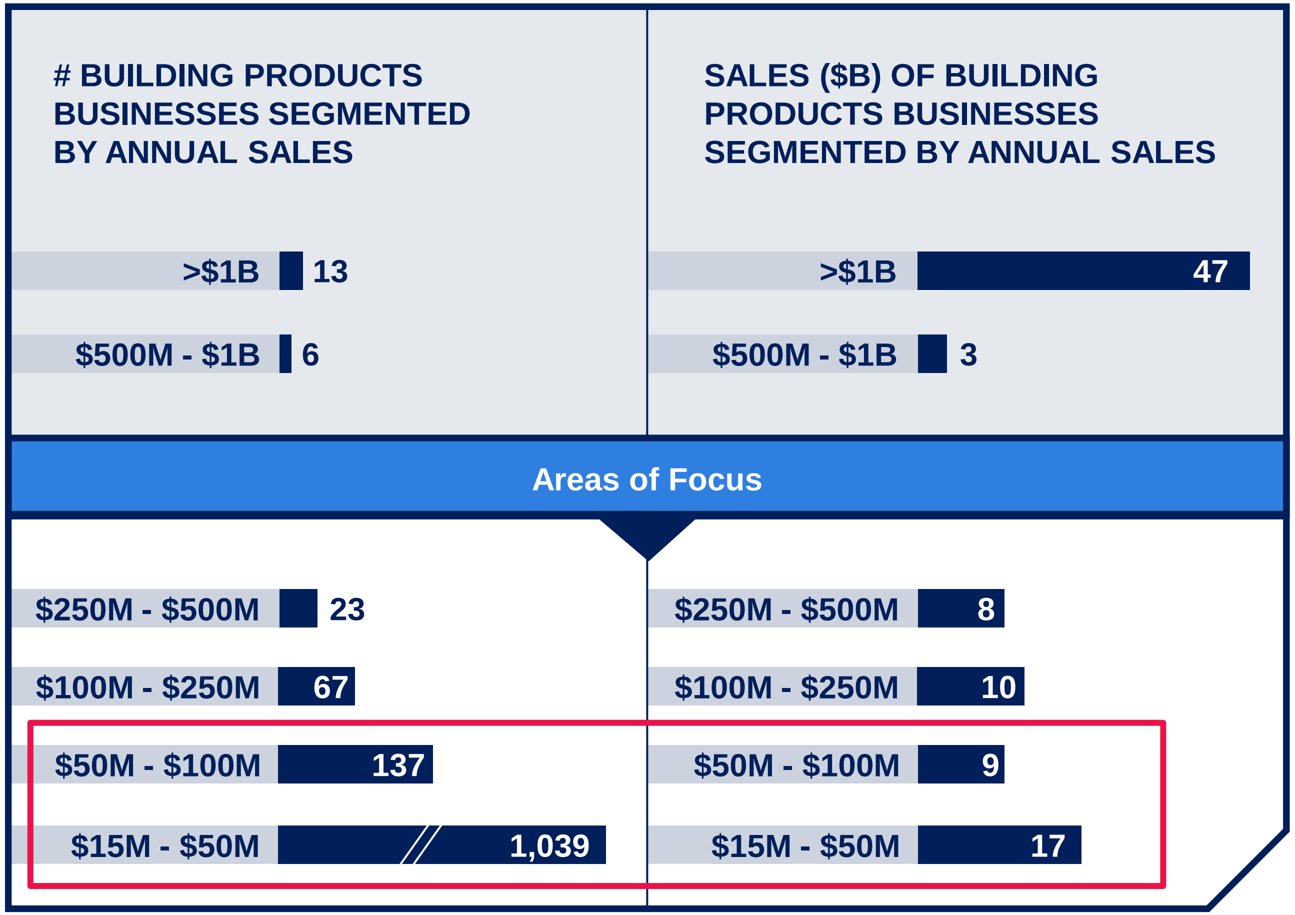
- Broaden product portfolio in target markets
- Deepen presence in existing service areas by expanding product portfolios

**Value-Added Products**

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

**Technological Advancement**

- Provide innovative solutions to build more efficiently and address labor constraints




**1,000+ U.S. Building Product Businesses Totaling ~$80B in Sales[1] Mapped**

Builders FirstSource

Source: U.S. Census and Company estimates.[1] Based on $81K assumed materials cost per home as of 2019 according to BAML cost of a home data, adjusted for 2020 lumber prices and 973K single-family, 320K multi-family housing starts in 2020 according to the U.S. Census Bureau.

# Q2 2022 Financials

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

| (in thousands, except per share amounts) | Three Months Ended June 30, 2022 | Three Months Ended June 30, 2021 | Six Months Ended June 30, 2022 | Six Months Ended June 30, 2021 |
|---|---|---|---|---|
| Net sales | $ 6,926,259 | $ 5,576,682 | $ 12,607,391 | $ 9,750,457 |
| Cost of sales | 4,514,112 | 3,993,531 | 8,362,870 | 7,097,752 |
| Gross margin | 2,412,147 | 1,583,151 | 4,244,521 | 2,652,705 |
| Selling, general and administrative expenses | 1,046,279 | 902,913 | 2,014,847 | 1,724,511 |
| Income from operations | 1,365,868 | 680,238 | 2,229,674 | 928,194 |
| Interest expense, net | 70,715 | 27,795 | 112,029 | 59,639 |
| Income before income taxes | 1,295,153 | 652,443 | 2,117,645 | 868,555 |
| Income tax expense | 307,944 | 155,208 | 490,795 | 198,740 |
| Net income | $ 987,209 | $ 497,235 | $ 1,626,850 | $ 669,815 |
| *Net income per share:* | | | | |
| Basic | $ 5.79 | $ 2.40 | $ 9.36 | $ 3.24 |
| Diluted | $ 5.75 | $ 2.39 | $ 9.27 | $ 3.21 |
| *Weighted average common shares:* | | | | |
| Basic | 170,378 | 207,114 | 173,730 | 206,844 |
| Diluted | 171,549 | 208,318 | 175,525 | 208,470 |

Builders FirstSource

# Q2 2022 Financials

BUILDERS FIRSTSOURCE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(unaudited)

| (in thousands) | Six Months Ended June 30, 2022 | Six Months Ended June 30, 2021 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income | $ 1,626,850 | $ 669,815 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 229,805 | 261,553 |
| Deferred income taxes | (22,627) | (32,753) |
| Stock-based compensation expense | 18,156 | 18,867 |
| Other non-cash adjustments | 8,614 | 3,534 |
| Changes in assets and liabilities, net of assets acquired and liabilities assumed: | | |
| Receivables | (637,115) | (753,320) |
| Inventories | (419,560) | (840,283) |
| Contract assets | (63,127) | (113,823) |
| Other current assets | (6,790) | (53,672) |
| Other assets and liabilities | 23,707 | 10,201 |
| Accounts payable | 168,144 | 448,527 |
| Accrued liabilities | 160,794 | 154,334 |
| Contract liabilities | 40,219 | 23,244 |
| Net cash provided by (used in) operating activities | 1,127,070 | (203,776) |
| Cash flows from investing activities: | | |
| Cash acquired in BMC Merger | — | 167,490 |
| Prepayments for acquisitions | — | (225,000) |
| Cash used for acquisitions | (192,945) | (24,833) |
| Purchases of property, plant and equipment | (119,538) | (98,293) |
| Proceeds from sale of property, plant and equipment | 5,395 | 9,321 |
| Net cash used in investing activities | (307,088) | (171,315) |
| Cash flows from financing activities: | | |
| Borrowings under revolving credit facility | 3,599,000 | 1,769,000 |
| Repayments under revolving credit facility | (3,353,000) | (1,233,000) |
| Proceeds from long-term debt and other loans | 1,001,500 | — |
| Repayments of long-term debt and other loans | (614,146) | (470,330) |
| Payments of debt extinguishment costs | (20,672) | (2,475) |
| Payments of loan costs | (15,816) | (4,272) |
| Exercise of stock options | 434 | 335 |
| Repurchase of common stock | (1,293,700) | (17,707) |
| Net cash (used in) provided by financing activities | (696,400) | 41,551 |
| Net change in cash and cash equivalents | 123,582 | (333,540) |
| Cash and cash equivalents at beginning of period | 42,603 | 423,806 |
| Cash and cash equivalents at end of period | $ 166,185 | $ 90,266 |
| | | |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest | $ 85,646 | $ 53,600 |
| Cash paid for income taxes | 430,789 | 191,070 |
| Supplemental disclosures of non-cash activities: | | |
| Non-cash or accrued consideration for acquisitions | $ 7,371 | $ 3,658,362 |
| Accrued purchases of property, plant and equipment | 10,392 | 9,616 |
| Right-of-use assets obtained in exchange for operating lease obligations | 67,039 | 29,146 |
| Assets acquired under finance lease obligations | — | 1,644 |
| Amounts accrued for repurchases of common stock | 69,412 | — |

Builders FirstSource®

# Q2 2022 Financials

**BUILDERS FIRSTSOURCE, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED BALANCE SHEET**
**(unaudited)**

| (in thousands, except per share amounts) | June 30, 2022 | December 31, 2021 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 166,185 | $ 42,603 |
| Accounts receivable, less allowances of $48,011 and $39,510 at June 30, 2022 and December 31, 2021, respectively | 2,407,841 | 1,708,796 |
| Other receivables | 228,191 | 255,075 |
| Inventories, net | 2,065,349 | 1,626,244 |
| Contract assets | 270,714 | 207,587 |
| Other current assets | 139,036 | 127,964 |
| Total current assets | 5,277,316 | 3,968,269 |
| Property, plant and equipment, net | 1,420,722 | 1,385,441 |
| Operating lease right-of-use assets, net | 483,545 | 457,833 |
| Goodwill | 3,336,291 | 3,270,192 |
| Intangible assets, net | 1,534,242 | 1,603,409 |
| Other assets, net | 33,786 | 29,199 |
| Total assets | $ 12,085,902 | $ 10,714,343 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 1,265,461 | $ 1,093,370 |
| Accrued liabilities | 904,934 | 718,904 |
| Contract liabilities | 259,029 | 216,097 |
| Current portion of operating lease liabilities | 96,504 | 96,680 |
| Current maturities of long-term debt | 2,885 | 3,660 |
| Total current liabilities | 2,528,813 | 2,128,711 |
| Noncurrent portion of operating lease liabilities | 401,995 | 375,289 |
| Long-term debt, net of current maturities, discounts and issuance costs | 3,552,362 | 2,926,122 |
| Deferred income taxes | 339,494 | 362,121 |
| Other long-term liabilities | 126,885 | 119,619 |
| Total liabilities | 6,949,549 | 5,911,862 |
| Commitments and contingencies (Note 11) | | |
| Stockholders' equity: | | |
| Preferred stock, $0.01 par value, 10,000 shares authorized; zero shares issued and outstanding | — | — |
| Common stock, $0.01 par value, 300,000 shares authorized; 160,226 and 179,820 shares issued and outstanding at June 30, 2022 and December 31, 2021, respectively | 1,602 | 1,798 |
| Additional paid-in capital | 4,244,374 | 4,260,670 |
| Retained earnings | 890,377 | 540,013 |
| Total stockholders' equity | 5,136,353 | 4,802,481 |
| Total liabilities and stockholders' equity | $ 12,085,902 | $ 10,714,343 |

Builders FirstSource

# Reconciliations

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

| (in millions) | Three Months Ended June 30, 2022 | Three Months Ended June 30, 2021 | Six Months Ended June 30, 2022 | Six Months Ended June 30, 2021 | Twelve Months Ended June 30, 2022 |
|---|---|---|---|---|---|
| **Reconciliation to Adjusted EBITDA:** | | | | | |
| GAAP net income | $ 987.2 | $ 497.2 | $ 1,626.9 | $ 669.8 | $ 2,682.5 |
| Acquisition and integration expense | 15.6 | 20.4 | 30.3 | 89.9 | 66.3 |
| Debt issuance and refinancing cost (1) | 27.4 | - | 27.4 | 4.6 | 30.8 |
| Amortization expense | 70.1 | 80.6 | 135.8 | 169.3 | 324.6 |
| Tax-effect of adjustments to net income | (27.1) | (24.2) | (46.4) | (63.3) | (101.2) |
| Adjusted net income | $ 1,073.2 | $ 574.0 | $ 1,774.0 | $ 870.3 | $ 3,003.0 |
| *Weighted average diluted common shares* | 171.5 | 208.3 | 175.5 | 208.5 | |
| Diluted adjusted net income per share: | $ 6.26 | $ 2.76 | $ 10.11 | $ 4.17 | |
| Reconciling items: | | | | | |
| Depreciation expense | $ 47.8 | $ 46.6 | $ 94.0 | $ 92.3 | $ 191.0 |
| Interest expense, net | 43.3 | 27.8 | 84.6 | 55.0 | 157.5 |
| Income tax expense | 335.0 | 179.4 | 537.2 | 262.0 | 919.4 |
| Stock compensation expense | 9.3 | 8.0 | 18.2 | 12.6 | 30.6 |
| Gain on sale and asset impairments | (1.4) | (0.3) | (0.6) | (1.7) | (25.4) |
| Other management-identified adjustments (2) | 0.1 | 0.3 | 0.4 | 0.5 | 1.1 |
| Adjusted EBITDA | $ 1,507.3 | $ 835.8 | $ 2,507.8 | $ 1,291.0 | $ 4,277.2 |
| *Adjusted EBITDA margin* | *21.8%* | *15.0%* | *19.9%* | *13.2%* | *18.8%* |

(1) Costs associated with issuing and extinguishing long term debt in 2021 and 2022.
(2) Primarily relates to severance and other one-time costs.

# Reconciliations

**BUILDERS FIRSTSOURCE, INC. AND SUBSIDIARIES**
**Financial Data**
**(unaudited)**

| (in millions, except per share amounts) | Three Months Ended June 30, 2022 | Three Months Ended June 30, 2021 | Six Months Ended June 30, 2022 | Six Months Ended June 30, 2021 |
|---|---|---|---|---|
| Net sales | $ 6,926.3 | $ 5,576.7 | $ 12,607.4 | $ 9,750.5 |
| Cost of sales | 4,514.2 | 3,993.5 | 8,362.9 | 7,097.8 |
| Gross margin | 2,412.1 | 1,583.2 | 4,244.5 | 2,652.7 |
| *Gross margin %* | *34.8%* | *28.4%* | *33.7%* | *27.2%* |
| *Adjusted SG&A/Other (excluding depreciation and amortization) as a % of sales* (1) | *13.0%* | *13.4%* | *13.8%* | *14.1%* |
| Adjusted EBITDA | 1,507.3 | 835.8 | 2,507.8 | 1,291.0 |
| *Adjusted EBITDA margin %* | *21.8%* | *15.0%* | *19.9%* | *13.2%* |
| Depreciation expense | (47.8) | (46.6) | (94.0) | (92.3) |
| Interest expense, net of debt issuance cost and refinancing | (43.3) | (27.8) | (84.6) | (55.0) |
| Income tax expense | (335.0) | (179.4) | (537.2) | (262.0) |
| Other adjustments | (8.0) | (8.0) | (18.0) | (11.4) |
| Adjusted net income | $ 1,073.2 | $ 574.0 | $ 1,774.0 | $ 870.3 |
| *Basic adjusted net income per share:* | $ 6.30 | $ 2.77 | $ 10.21 | $ 4.21 |
| *Diluted adjusted net income per share:* | $ 6.26 | $ 2.76 | $ 10.11 | $ 4.17 |
| *Weighted average common shares* | | | | |
| Basic | 170.4 | 207.1 | 173.7 | 206.8 |
| Diluted | 171.5 | 208.3 | 175.5 | 208.5 |

(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**
**Interest Reconciliation**
**(unaudited)**

| (in millions) | Three Months Ended June 30, 2022 | | Six Months Ended June 30, 2022 | |
|---|---|---|---|---|
| | Interest Expense | Net Debt Outstanding | Interest Expense | Net Debt Outstanding |
| 2032 Unsecured notes @ 4.25% | $ 13.8 | $ 1,300.0 | $ 26.8 | $ 1,300.0 |
| 2032 Unsecured notes @ 6.375% | 2.0 | 700.0 | 2.0 | 700.0 |
| 2030 Unsecured notes @ 5.00% | 6.9 | 550.0 | 13.8 | 550.0 |
| 2027 Secured notes @ 6.75% | 8.6 | - | 18.9 | - |
| Revolving credit facility @ 3.50% weighted average interest rate | 5.8 | 834.0 | 10.6 | 834.0 |
| Amortization of debt issuance costs, discount and premium | 1.2 | - | 2.5 | - |
| Finance leases and other finance obligations | 5.0 | 203.8 | 10.1 | 203.8 |
| Debt issuance and refinancing cost | 27.4 | - | 27.4 | - |
| Cash | - | (166.2) | - | (166.2) |
| Total | $ 70.7 | $ 3,421.6 | $ 112.0 | $ 3,421.6 |

| (in millions) | Three Months Ended June 30, 2022 | Six Months Ended June 30, 2022 |
|---|---|---|
| **Free Cash Flow** | | |
| Operating activities | $ 947.2 | $ 1,127.1 |
| Less: Capital expenditures, net of proceeds | (65.8) | (114.1) |
| Free cash flow | $ 881.4 | $ 1,013.0 |

Builders FirstSource

# Reconciliations

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

| | Three Months Ended June 30, | | | | |
|---|---|---|---|---|---|
| | 2022 | | 2021 | | |
| (in millions) | Net Sales | % of Net Sales | Net Sales | % of Net Sales | % Change |
| Manufactured products | $ 1,702.9 | 24.6% | $ 1,088.8 | 19.5% | 56.4% |
| Windows, doors & millwork | 1,218.3 | 17.6% | 846.6 | 15.2% | 43.9% |
| Value-added products | 2,921.2 | 42.2% | 1,935.4 | 34.7% | 50.9% |
| Specialty building products & services | 1,173.2 | 16.9% | 1,044.8 | 18.7% | 12.3% |
| Lumber & lumber sheet goods | 2,831.9 | 40.9% | 2,596.5 | 46.6% | 9.1% |
| Total net sales | $ 6,926.3 | 100.0% | $ 5,576.7 | 100.0% | 24.2% |

| | Six Months Ended June 30, | | | | |
|---|---|---|---|---|---|
| | 2022 | | 2021 | | |
| (in millions) | Net Sales | % of Net Sales | Net Sales | % of Net Sales | % Change |
| Manufactured products | $ 3,063.2 | 24.3% | $ 1,949.7 | 20.0% | 57.1% |
| Windows, doors & millwork | 2,244.1 | 17.8% | 1,591.3 | 16.3% | 41.0% |
| Value-added products | 5,307.3 | 42.1% | 3,541.0 | 36.3% | 49.9% |
| Specialty building products & services | 2,131.7 | 16.9% | 1,843.7 | 18.9% | 15.6% |
| Lumber & lumber sheet goods | 5,168.4 | 41.0% | 4,365.8 | 44.8% | 18.4% |
| Total net sales | $ 12,607.4 | 100.0% | $ 9,750.5 | 100.0% | 29.3% |

Builders FirstSource