



# 2020 Fourth QUARTER

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# SAFE HARBOR

Statements contained herein reflect our views about future periods, including our future plans and performance, constitute “forward-looking statements” under the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as “will,” “would,” “anticipate,” “expect,” “believe,” “designed,” “plan,” or “intend,” the negative of these terms, and similar references to future periods. These views involve risks and uncertainties that are difficult to predict and, accordingly, our actual results may differ materially from the results discussed in our forward-looking statements. We caution you against unduly relying on any of these forward-looking statements. Our future performance may be affected by a number of risks including but not limited to the material risks under the caption entitled “Risk Factors” in our most recent Annual Report, as filed with the SEC, as well as under the caption entitled “Risk Factors” in subsequent reports that we file with the SEC. Our forward-looking statements in this presentation speak only as of the date of this presentation. Factors or events that could cause our actual results to differ may emerge from time to time and it is not possible for us to predict all of them. Unless required by law, we undertake no obligation to update any forward-looking statements as a result of new information, future events, or otherwise. The Company believes that the non-GAAP performance measures and ratios that are contained herein, which management uses to manage our business, provide additional meaningful comparisons between current results and results in our prior periods. Non-GAAP performance measures and ratios should be viewed in addition, and not as an alternative, to the Company's reported results under United States GAAP. Additional information about the Company is contained in the Company's filings with the SEC and is available on TopBuild's website at [www.topbuild.com](http://www.topbuild.com).

# BUSINESS UPDATE

## ■ Residential

- Builders reporting record-setting order growth
- Long-term industry fundamentals positive
  - Historically low interest rates
  - Increasing household formations
  - Low inventory
- COVID-19 Impacts
  - Buyers looking to escape dense urban environments
  - Work from home policies driving demand for more space

## ■ Commercial

- Sequentially improving
- Strong bidding and growing backlog
- Expect to continue to strengthen as we move through the year

**TOPBUILD IN EXCELLENT POSITION TO CAPITALIZE ON GROWTH**

# FULL YEAR 2020 FINANCIAL HIGHLIGHTS\*

- 3.6% net sales increase
- 27.5% gross margin, up 150 bps
- 13.2% adjusted operating margin, up 200 bps
- 16.1% adjusted EBITDA margin, up 240 bps
- 32.6% increase in adjusted EPS to \$7.28 per diluted share

**BUSINESS MODEL EXECUTING WELL**

# CAPITAL ALLOCATION

- Three acquisitions completed in 2020
  - Garland Insulating
    - Residential and light commercial insulation, \$60M annual revenue
  - Hunter Insulation
    - Residential insulation, \$10M annual revenue
  - Cooper Glass
    - Commercial glass, \$9M annual revenue
- First 2021 acquisition completed
  - LCR Contractors
    - Heavy commercial and residential, \$58M annual revenue
- Repurchased 616,227 shares in 2020
  - Averaged \$79.76 per share

**ROBUST PIPELINE OF ACQUISITION PROSPECTS**

# INDUSTRY TRENDS EXTENDING BUILD CYCLE

## MATERIAL CONSTRAINED

- All trades experiencing constrained capacity and rising prices
- Additional fiberglass capacity coming online this year
- Comfortable with our supply chain
- Provide manufacturers with monthly forecasts
- Fiberglass cost increases
  - January in effect
  - April increase recently announced

## LABOR CONSTRAINED

- “Friends and Family” referral program successful
  - Added several hundred installers 2H 2020
- Improving installer productivity
  - Route optimization technology tools
- Integrated systems allow us to share labor, equipment and inventory
  - No other installer has this capability

**TOPBUILD WELL POSITIONED ON BOTH FRONTS**

# 2021 TEAM GOALS

## Focused on:

- Driving organic growth
- Successfully integrating acquisitions into our family of companies
- Expanding our efforts to think differently in order to:
  - Simplify processes
  - Leverage fixed overhead
  - Manage expenses
  - Improve productivity
- Developing and building the talent and diversity of our team
- Striving for ZERO safety incidents

**CONTINUED FOCUS ON DRIVING IMPROVEMENTS**

# FINANCIAL OVERVIEW

(\$ in 000s except per share amounts)	Three Months Ended December 31, 2020	Twelve Months Ended December 31, 2020
Sales	\$721,487	\$2,718,038
Y-O-Y Change	8.9%	3.6%
Adjusted Operating Profit*	\$103,975	\$359,423
Y-O-Y Change	35.7%	22.8%
Adjusted Operating Margin*	14.4%	13.2%
Y-O-Y Change	280 bps	200 bps
Adjusted EBITDA*	\$121,451	\$436,743
Y-O-Y Change	31.2%	21.6%
Adjusted EBITDA Margin*	16.8%	16.1%
Y-O-Y Change	280 bps	240 bps
Adjusted Income per Diluted Share*	\$2.15	\$7.28
Y-O-Y Change	45.3%	32.6%

## CONTINUED STRONG PERFORMANCE



# CAPEX, WORKING CAPITAL & CASH FLOW

\$ in 000s

	Twelve Months Ended December 31, 2020	Twelve Months Ended December 31, 2019
<b>CAPEX</b>	\$40,938	\$45,536
<b>Operating Cash Flow</b>	\$357,884	\$271,777
	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>Cash Balance</b>	\$330,007	\$184,807
	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>Working Capital % to TTM Sales*</b>	9.3%	10.3%

**MINIMAL CAPEX REQUIRED...WORKING CAPITAL IMPROVING**

# LEVERAGE

\$ in millions

<b>Total Debt</b>	<b>\$714.2</b>
<b>Less Cash</b>	<b>330.0</b>
<b>Net Debt</b>	<b>\$384.2</b>
<b>TTM Adj. EBITDA*</b>	<b>\$436.7</b>
<b>Leverage</b>	<b>0.88x</b>

- \$389.6M available on \$450M Revolver
- Significant room under debt covenants



**STRONG BALANCE SHEET...AMPLE LIQUIDITY**

\* See slide 15 for adjusted EBITDA reconciliation



(\$ in 000s)	Three Months Ended December 31, 2020	Twelve Months Ended December 31, 2020
Sales	\$508,812	\$1,943,461
Y-O-Y Change	6.9%	1.9%
Adjusted Operating Profit*	\$82,020	\$296,941
Y-O-Y Change	28.5%	16.9%
Adjusted Operating Margin*	16.1%	15.3%
Y-O-Y Change	270 bps	200 bps

## OPERATIONAL EXCELLENCE DRIVING STRONG MARGIN EXPANSION



(\$ in 000s)

**Three Months Ended  
December 31, 2020**

**Twelve Months Ended  
December 31, 2020**

Sales	\$251,535	\$926,207
Y-O-Y Change	12.7%	7.4%
Adjusted Operating Profit*	\$33,752	\$116,216
Y-O-Y Change	33.8%	28.4%
Adjusted Operating Margin*	13.4%	12.5%
Y-O-Y Change	210 bps	200 bps

**ROBUST SALES GROWTH...STRONG MARGIN EXPANSION**

# 2021 Outlook

## SALES

**\$3,050M to \$3,150M**

## ADJUSTED EBITDA\*

**\$505M to \$535M**

## 3-YEAR TARGETS

**7.5% to 10.0%**

Commercial Annual Same Branch Revenue Growth

**11.0% to 16.0%**

Incremental EBITDA % (M&A)

**9.5% to 10.5%**

Working Capital (% of Sales)

**22.0% to 27.0%**

Incremental EBITDA % (Organic)

**2.0%**

Capex (% of Sales)

**26.0%**

Normalized Tax Rate

**\$90M**

of Residential Revenue for Every 50K Increase in Starts

**ASSUMES HOUSING STARTS BETWEEN 1.425M AND 1.475M**



# APPENDIX

# ADJUSTED EBITDA RECONCILIATION

(\$ in 000s)

	Three Months Ended December 31,		Year Ended December 31,	
	2020	2019	2020	2019
<b>Net income, as reported</b>	\$ 70,757	\$ 45,985	\$ 247,023	\$ 190,995
Adjustments to arrive at EBITDA, as adjusted:				
Interest expense and other, net	7,660	8,517	31,723	35,745
Income tax expense	24,660	21,919	76,067	62,783
Depreciation and amortization	14,883	13,696	62,410	52,700
Share-based compensation	2,593	2,246	14,910	13,658
Rationalization charges	(4)	15	2,097	1,992
Acquisition related costs	518	166	855	1,200
Refinancing costs and loss on extinguishment of debt	—	—	290	—
COVID-19 pay	384	—	1,368	—
<b>EBITDA, as adjusted</b>	<b>\$ 121,451</b>	<b>\$ 92,544</b>	<b>\$ 436,743</b>	<b>\$ 359,073</b>
<b>Net Sales</b>	<b>\$ 721,487</b>	<b>\$ 662,349</b>	<b>\$ 2,718,038</b>	<b>\$ 2,624,121</b>
<b>EBITDA margin, as adjusted</b>	16.8 %	14.0 %	16.1 %	13.7 %

# SEGMENT GAAP TO NON-GAAP RECONCILIATION

(\$ in 000s)

	Three Months Ended December 31,			Change	Year Ended December 31,			Change
	2020	2019			2020	2019		
<b>TruTeam</b>								
Sales	\$ 508,812	\$ 475,929	6.9 %	\$ 1,943,461	\$ 1,906,730	1.9 %		
Operating profit, as reported	\$ 81,657	\$ 63,661		\$ 294,793	\$ 253,230			
Operating margin, as reported	16.0 %	13.4 %		15.2 %	13.3 %			
Rationalization charges	—	(24)		866	159			
Acquisition related costs	—	177		4	636			
COVID-19 pay	363	—		1,278	—			
Operating profit, as adjusted	\$ 82,020	\$ 63,814		\$ 296,941	\$ 254,025			
Operating margin, as adjusted	16.1 %	13.4 %		15.3 %	13.3 %			
<b>Service Partners</b>								
Sales	\$ 251,535	\$ 223,244	12.7 %	\$ 926,207	\$ 862,143	7.4 %		
Operating profit, as reported	\$ 33,731	\$ 25,234		\$ 115,343	\$ 90,388			
Operating margin, as reported	13.4 %	11.3 %		12.5 %	10.5 %			
Rationalization charges	—	—		783	109			
COVID-19 pay	21	—		90	—			
Operating profit, as adjusted	\$ 33,752	\$ 25,234		\$ 116,216	\$ 90,497			
Operating margin, as adjusted	13.4 %	11.3 %		12.5 %	10.5 %			
<b>Total</b>								
Sales before eliminations	\$ 760,347	\$ 699,173		\$ 2,869,668	\$ 2,768,873			
Intercompany eliminations	(38,860)	(36,824)		(151,630)	(144,752)			
Net sales after eliminations	\$ 721,487	\$ 662,349	8.9 %	\$ 2,718,038	\$ 2,624,121	3.6 %		
Operating profit, as reported - segments	\$ 115,388	\$ 88,895		\$ 410,136	\$ 343,618			
General corporate expense, net	(6,174)	(6,568)		(30,785)	(30,174)			
Intercompany eliminations	(6,137)	(5,906)		(24,305)	(23,921)			
Operating profit, as reported	\$ 103,077	\$ 76,421		\$ 355,046	\$ 289,523			
Operating margin, as reported	14.3 %	11.5 %		13.1 %	11.0 %			
Rationalization charges <sup>1</sup>	(4)	15		2,097	1,992			
Acquisition related costs <sup>1</sup>	518	166		855	1,200			
Refinancing costs	—	—		57	—			
COVID-19 pay	384	—		1,368	—			
Operating profit, as adjusted	\$ 103,975	\$ 76,602		\$ 359,423	\$ 292,715			
Operating margin, as adjusted	14.4 %	11.6 %		13.2 %	11.2 %			

<sup>1</sup> Rationalization charges and acquisition related costs include corporate level adjustments as well as segment operating adjustments.



# INCOME PER COMMON SHARE RECONCILIATION

(\$ in 000s)

	Three Months Ended December 31,		Year Ended December 31,	
	2020	2019	2020	2019
<b>Income before income taxes, as reported</b>	\$ 95,417	\$ 67,904	\$ 323,090	\$ 253,778
Rationalization charges	(4)	15	2,097	1,992
Acquisition related costs	518	166	855	1,200
Refinancing costs and loss on extinguishment of debt	—	—	290	—
COVID-19 pay	384	—	1,368	—
<b>Income before income taxes, as adjusted</b>	<b>96,315</b>	<b>68,085</b>	<b>327,700</b>	<b>256,970</b>
Tax rate at 26.0% and 26.5% for 2020 and 2019, respectively	(25,042)	(18,043)	(85,202)	(68,097)
<b>Income, as adjusted</b>	<b>\$ 71,273</b>	<b>\$ 50,042</b>	<b>\$ 242,498</b>	<b>\$ 188,873</b>
<b>Income per common share, as adjusted</b>	<b>\$ 2.15</b>	<b>\$ 1.48</b>	<b>\$ 7.28</b>	<b>\$ 5.49</b>
Weighted average diluted common shares outstanding	33,189,104	33,886,904	33,299,986	34,376,555

# SAME BRANCH AND ACQUISITION NET SALES RECONCILIATION

(\$ in 000s)

	Three Months Ended December 31,		Year Ended December 31,	
	2020	2019	2020	2019
Same branch:				
Residential	\$ 550,960	\$ 512,715	\$ 2,104,233	\$ 2,016,016
Commercial	149,308	149,364	576,356	608,105
Same branch net sales	700,268	662,349	2,680,589	2,624,121
Acquisitions (a):				
Residential	\$ 18,969	\$ —	\$ 23,650	\$ —
Commercial	2,250	—	13,799	—
Acquisitions net sales	21,219	—	37,449	—
<b>Total net sales</b>	<b>\$ 721,487</b>	<b>\$ 662,349</b>	<b>\$ 2,718,038</b>	<b>\$ 2,624,121</b>
Acquisitions proforma adjustment †			\$ 48,469	
<b>TTM net sales, acquisition adjusted</b>			<b>\$ 2,766,507</b>	

(a) Represents current year impact of acquisitions in their first twelve months

† Trailing 12 months sales have been adjusted for the pro forma effect of acquired branches

# Reconciliation Guidance Table

(\$ in 000,000)

	Twelve Months Ending December 31, 2021	
	Low	High
<b>Estimated net income</b>	\$ 291.9	\$ 321.2
Adjustments to arrive at estimated EBITDA, as adjusted:		
Interest expense and other, net	31.7	28.7
Income tax expense	102.6	112.8
Depreciation and amortization	67.0	63.0
Share-based compensation	11.8	9.3
<b>Estimated EBITDA, as adjusted</b>	\$ 505.0	\$ 535.0

 **TopBuild**<sup>®</sup>

