



LETTER TO SHAREHOLDERS

March 2021

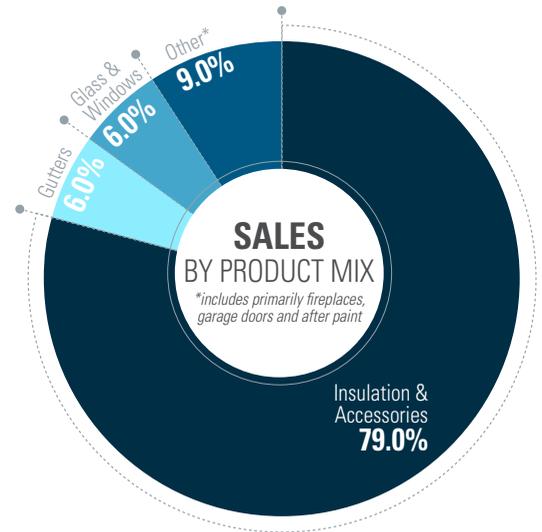
BLD
LISTED
NYSE

Company Profile

TopBuild (NYSE:BLD), a Fortune 1000 Company headquartered in Daytona Beach, Florida, is a leading installer and distributor of insulation and building material products to the U.S. construction industry.

2020 FINANCIAL HIGHLIGHTS¹

- 3.6% net sales growth to \$2.72 billion
- 150 basis point gross margin expansion to 27.5%
- 22.8% increase in adjusted operating profit to \$359.4 million
- 200 basis point adjusted operating margin improvement to 13.2%
- 21.6% increase in adjusted EBITDA to \$359.1 million
- 240 basis point adjusted EBITDA margin improvement to 16.1%
- 32.6% increase in adjusted income per diluted share to \$7.28



TWO OPERATING SEGMENTS



INSTALLATION

Provides contractor services to all builders
Over 200 Branches



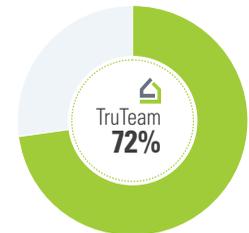
#1 in Residential Insulation Installation
—
>40%+ Share of New Housing Starts
—
2x Size of Largest Competitor



DISTRIBUTION

Distributes products to a variety of customers nationwide
Small Contractors, Lumber Yards, Retail

SALES BY SEGMENT *net of eliminations



Access to 50K+ Builders and General Contractors

FORWARD LOOKING STATEMENTS

Statements contained in the Annual Letter to Shareholders that are not historical and reflect our views about future periods and events, including our future performance, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as "will," "would," "anticipate," "expect," "believe," "plan," "hope," "estimates," "suggests," "has the potential to," "projects," "assumes", "goal", "targets", "likely", "should" or "intend," and other words and phrases of similar meanings, the negative of these terms, and similar references to anticipated or expected events, activities, trends, future periods or results. Forward-looking statements are based on management's current expectations and are subject to risks and uncertainties that are difficult to predict and, accordingly, our actual results may differ materially from the results discussed or implied in our forward-looking statements. Forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including: our reliance on residential new construction, residential repair/remodel, and commercial construction; our reliance on third-party suppliers and manufacturers; our ability to attract, develop and retain talented personnel and our sales and labor force; our ability to maintain consistent practices across our locations; our ability to maintain our competitive position; our ability to integrate acquisitions; changes in the costs of the products we install and/or distribute; increases in fuel costs; significant competition in our industry; seasonal effects on our business; and the other risks described under the caption entitled "Risk Factors" in our most recent Annual Report on Form 10-K filed with the SEC and under similar headings in our subsequently filed Quarterly Reports on Forms 10-Q and other filings 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 publicly any forward-looking statements as a result of new information, future events, or otherwise.

¹ For GAAP results and reconciliation of GAAP to non-GAAP measures, please see the table at the end of the letter to shareholders.

Dear Fellow Shareholders:

This is my first letter to you since assuming the role of CEO in January. Having been with TopBuild and its predecessor companies, Masco Contractor Services and Service Partners, for over a decade, I am honored and excited to embrace this new role and lead our Company into what is clearly an exciting future. I also want to thank Jerry Volas, our former CEO, for his leadership over the past five and a half years. Under Jerry's guidance, we have built an exceptionally strong foundation, and we are grateful for his service.

2020 debuted as a year of great opportunities with momentum building for residential new construction. However, challenges and uncertainties quickly ensued as COVID-19 emerged and became a global pandemic. We, like most companies, were impacted by the national shutdown and we took precautions at all of our locations to address health and safety concerns. As the year progressed and things stabilized, we experienced an unprecedented increase in demand for residential new construction which continues to this day.

While COVID-19 has taken an economic and social toll around the world, it has also shined a spotlight on the importance of living safely, one of TopBuild's core values. We are optimistic the virus will continue to be contained and, eventually, recede as we move through the year and the availability of the vaccines increases. We extend our thoughts and get well wishes to those whose lives have been impacted by the virus.

REPORTING OUR RESULTS

Our 2020 financial results demonstrate the strength of our unique and diversified operating model. We have a national footprint in installation and distribution, encompassing both residential and commercial construction, and we install and distribute a wide range of insulation products and applications.

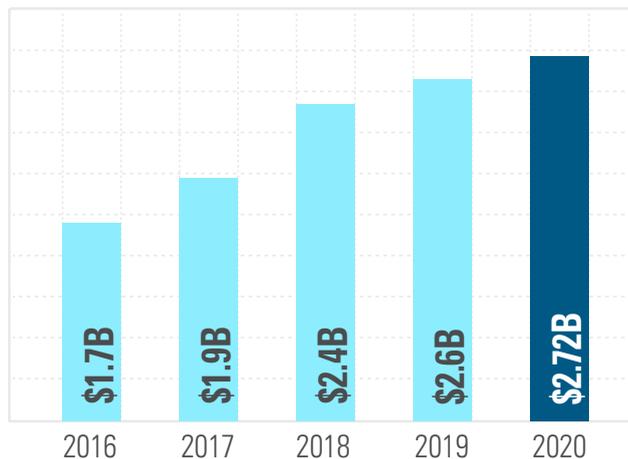
Despite the challenges resulting from the pandemic, both of our business segments reported revenue growth and solid margin expansion. Consolidated revenue increased 3.6%, while adjusted operating profit grew 22.8% and adjusted EBITDA increased 21.6%. Adjusted operating and EBITDA margins expanded 200 basis points and 240 basis points respectively, and adjusted net income increased 32.6% to \$7.28 per diluted share.

These solid results are a testament to the strength and resiliency of our team and the unrelenting focus on constantly improving the business and driving productivity.

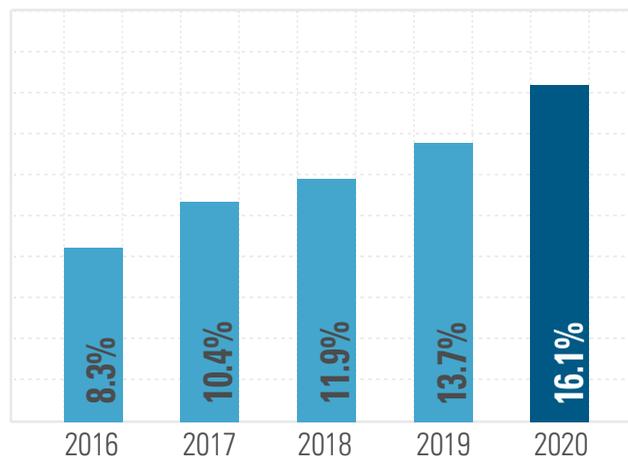
Looking at our two business segments, TruTeam, our installation business, reported revenue growth of 1.9%, a solid showing despite the many statewide shutdowns and a drop in commercial revenue. Throughout the year, our team remained focused on improving labor and sales productivity, resulting in a 200-basis point expansion in adjusted operating margin to 15.3%.

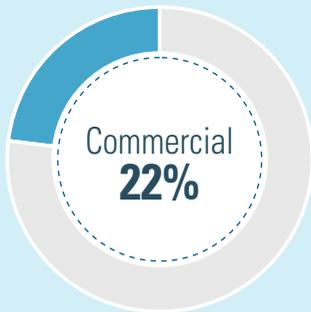
Service Partners, our distribution business, had a strong year, growing revenue 7.4% and expanding adjusted operating margin 200 basis points to 12.5%. Over the past two years, we made a number of key decisions and changes, including improving our mix of customers and product offerings and enhancing our talent throughout the organization. We now have a very entrepreneurial and forward-focused team embracing these changes, and our results demonstrate the benefits of these decisions.

SALES GROWTH



ADJUSTED EBITDA MARGIN EXPANSION





SALES BY BUSINESS MIX

Our commercial installation business was challenged last year due to pandemic-related project delays. On a year-over-year basis, same branch commercial revenue declined 5.2% after increasing 20.2% in 2019. Pre-COVID-19, it was not uncommon to have ten to twelve trades simultaneously working on a job site. That has changed significantly with social distancing rules, delaying projects and elongating project timelines as the number of trades on a job site at any one time has been strictly limited.

The good news is that our commercial business showed solid signs of improvement as we moved through the year and will continue to be a very important part of our business model moving forward.

In 2020, we also completed three acquisitions - Hunter Insulation, Garland Insulating and Cooper Glass - which, combined, are expected to contribute almost \$80 million of annual revenue. We likely would have welcomed additional companies to our team during the year, but made the decision in late first quarter to pause our acquisition program through the summer in response to the many uncertainties related to the pandemic.

MANAGING OUR BUSINESS

Our core values serve as our guiding principles in growing and managing our business. This means:

- A strong commitment to safety at work and at home, as well as encouraging a healthy lifestyle;
- Developing leadership and a workforce that integrates diversity and is inclusive;
- Establishing and maintaining a strong corporate culture of integrity and governance policies;
- Promoting energy efficiency in new building construction;
- Making a difference in our communities;
- Empowering our team to drive new ideas, seek continuous improvement, and provide industry leading service.

For example, when COVID-19 became a pandemic in early 2020, our cornerstone value of Safety served as the guide for our path forward. We created a Field Operations support team to implement specific measures to safeguard our employees' health and wellbeing and, where appropriate, instituted a work-from-home policy.

Last year, we reexamined our core value of Unity and what it means to our Company and our co-workers. We have defined Unity to mean that "we are united as one team, valuing diversity." To value diversity means that we treat every individual – regardless of race, ethnicity, gender, sexual orientation, religion, age, physical ability, or other differences – as a valued person. Our goal for TopBuild is that we live our value of Unity and work together as one team, respecting those things that make us different while recognizing that these same things make us better.

Our long-term commitment to operational efficiency also remains a key focus, encompassing every aspect of our business and delivering savings that benefit both top-line growth and operating margins. This includes continuing efforts to optimize our customer and supplier partnerships, enhance our national footprint, improve our business processes, raise labor and sales productivity, and streamline processes through technology.

CAPITALIZING ON A DYNAMIC HOUSING ENVIRONMENT

From a macro viewpoint, the housing industry hasn't been this robust since before the Great Recession in the early/mid 2000's. Demand for residential new construction is extremely strong, driven by the combination of historically low interest rates, significant pent-up demand, low levels of new and resale home inventory, and a COVID-enhanced consumer appetite to relocate from small apartments in densely populated urban communities to suburban/rural locations. All of these factors are contributing to our extremely favorable outlook for the long-term growth and health of our industry and our Company.

TopBuild is in an excellent position to capitalize on this housing growth with a national footprint, strong supply chain, and a flexible labor force that can be shared across multiple branch locations. There are some constraints across the entire construction industry, primarily from a shortage of labor and material, but we are confident these issues will be resolved over time.

IDENTIFYING AVENUES OF GROWTH

We see multiple avenues of growth for our Company, both organic and through acquisitions.

RESIDENTIAL

With builders reporting record order growth, residential new construction should remain strong for the foreseeable future. As I mentioned earlier, TopBuild is well-positioned to meet this demand, and we have empowered and incentivized our local branch managers to be proactive in servicing existing customers and in identifying prospective ones.

The drive for more energy-efficient homes also creates two additional opportunities for growth on the residential side. First, TopBuild Home Services, which helps builders create more energy efficient homes, provides us with another viable route to reach our builder customers, and, second, stricter building codes require both more and higher rated insulation, increasing our revenue per home.

COMMERCIAL

Our commercial business is showing strong signs of improvement and this business presents a tremendous opportunity for growth. It is a \$5 billion industry of which we have an 11% share that represents about 22% of our revenue. Given the size of the opportunity in commercial construction, there is a lot of white space for future TopBuild growth. Built over time, our market presence in residential new construction is significantly greater, and we believe that our future commercial market presence shows the same potential.

One reason for this optimism is that bidding activity for many types of commercial projects has remained strong, and we are looking at potential jobs with start dates through early 2022. Many of the heavy commercial projects we are working on and have been awarded are distribution centers, warehouses, healthcare facilities, and infrastructure projects. Furthermore, the light commercial business, which includes smaller buildings that provide services for new residential developments such as banks, restaurants, and small strip malls, should create additional opportunities for growth.

As you can see, our long-term outlook for our commercial business remains bullish and we hope to see meaningful improvement as we move through the year.

ACQUISITIONS

Finally, acquisitions will be a major component of our growth and remain our number one capital allocation priority. We have an extremely active pipeline that includes companies installing a wide range of insulation products, beyond just fiberglass and spray foam. We look for companies with a strong customer base, a talented management team, an experienced installer base and locations in regions where we expect strong growth.

We have a robust pipeline of prospects and have already completed two acquisitions this year, LCR Contractors and Ozark Foam, which should generate close to \$66 million of revenue. In addition, we have entered an agreement to acquire American Building Systems, adding an additional \$144 million of annual revenue.

We expect to be very active on the acquisition front this year.

LOOKING AHEAD

Every day I challenge our team to ask themselves three questions as they work towards achieving their long-term goals and managing their day-to-day operations. The answers will always be evolving as we strive to maintain our leadership position in our industry and to outperform, regardless of where we are in the housing cycle.

01 INNOVATION

How can we as a Company think and act differently to continually drive improvements in our business?



02 TECHNOLOGY

How can we harness technology to improve our processes and drive operational efficiencies throughout our organization?



03 TALENT

How can we continue to attract and retain a diverse and talented team to ensure we are performing at our best?



We are excited to build on the strong momentum of the housing industry and the improving commercial construction business. We also understand that the key to continued success is consistency and executional excellence in all that we do. At our annual leadership meeting in January, which we held virtually this year, we emphasized that every TopBuild team member must drive to improve everything they do every single day.

Towards that end our team is focused on:

- Driving organic growth,
- Successfully integrating new 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, and
- Striving for ZERO safety incidents.

These goals will require us to continue to challenge ourselves to look for new ways to support our customers while also continuing to identify and address new challenges and opportunities. I am confident we have the right plan, the best team, and the determination and focus to grow our Company and continue to create value for our shareholders.

I want to thank our over 10,000 employees for their commitment to TopBuild. It is their hard work, support of our strategy, and dedication that enables us to deliver on our long-term goals. I also want to thank our Board of Directors for their continued support and to thank you, our shareholders, for trusting us to be good stewards of your capital.



Regards,

Robert Buck
President and Chief Executive Officer
March 2021