

August 8, 2017



# TopBuild Reports Strong Second Quarter 2017 Results

*8.6% Operating Margin, 8.9% on an Adjusted Basis  
\$0.63 Per Diluted Share Income from Continuing Operations  
\$0.67 Per Diluted Share on an Adjusted Basis*

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**Completed Two Acquisitions with ~\$40 Million of Annual Revenue**  
*\$83 million of anticipated annual incremental revenue from companies acquired in 2017*

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DAYTONA BEACH, Fla., Aug. 08, 2017 (GLOBE NEWSWIRE) -- **TopBuild Corp.** (NYSE:BLD), the leading purchaser, installer and distributor of insulation products to the United States construction industry, today reported results for the second quarter ended June 30, 2017.

Jerry Volas, Chief Executive Officer, stated, *"We had another outstanding quarter as we continue to grow our two business segments and expand operating margins. Commercial and residential new construction are demonstrating consistent strength and we continue to benefit from our business model and national scale.*

*"Looking ahead, we have strong momentum going into the second half of the year. Our focus remains on driving top line growth and improving operational efficiencies throughout the Company, generating strong results for our shareholders."*

## **Second Quarter Financial Highlights**

(unless otherwise indicated, comparisons are to the quarter ended June 30, 2016)

- Net sales increased 9.9% to \$474.5 million, primarily driven by sales volume growth in both operating segments as well as acquisitions. On a same branch basis, revenue increased 5.1% to \$453.6 million.
- Gross margin expanded 200 basis points to 24.6%.
- Operating profit was \$40.8 million, compared to operating profit of \$26.8 million. On an adjusted basis, operating profit was \$42.2 million, compared to \$27.4 million, a 53.8% improvement.
- Operating margin was 8.6%, up 240 basis points. Adjusted operating margin improved 250 basis points to 8.9%.
- Income from continuing operations was \$23.5 million, or \$0.63 per diluted share,

compared to \$15.6 million, or \$0.41 per diluted share. Adjusted income from continuing operations was \$25.0 million, or \$0.67 per diluted share, compared to \$16.2 million, or \$0.43 per diluted share.

- Adjusted EBITDA was \$48.2 million, compared to \$32.6 million, a 48.1% increase. Incremental EBITDA margin was 36.5%. On a same branch basis, adjusted EBITDA was \$45.6 million, a 40.1% increase, and incremental EBITDA margin was 59.1%.
- The seven acquisitions completed over the past 12 months contributed \$20.8 million of revenue. Incremental EBITDA related to these acquisitions improved 680 basis points from first quarter 2017 to 12.5%.
- At June 30, 2017, the Company had cash and cash equivalents of \$94.2 million, availability under its revolving credit facility of \$201.0 million and \$100 million available under a delayed draw term loan for total liquidity of \$395.2 million.

### Six Month Financial Highlights

(unless otherwise indicated, comparisons are to six months ended June 30, 2016)

- Net sales increased 8.3% to \$915.8 million. On a same branch basis, revenue increased 4.9% to \$887.4 million.
- Gross margin expanded 170 basis points to 23.8%.
- Operating profit was \$37.3 million, compared to operating profit of \$46.6 million. In the first quarter of 2017, the Company reported an operating loss of \$3.5 million related to a \$30 million legal settlement. On an adjusted basis, operating profit was \$70.8 million, compared to \$48.2 million, a 46.8% improvement.
- Operating margin was 4.1%, down 140 basis points. Adjusted operating margin improved 200 basis points to 7.7%.
- Income from continuing operations was \$21.7 million, or \$0.58 per diluted share, compared to \$26.7 million, or \$0.70 per diluted share. Adjusted income from continuing operations was \$42.0 million, or \$1.12 per diluted share, compared to \$28.1 million, or \$0.74 per diluted share.
- Adjusted EBITDA was \$82.1 million, compared to \$57.8 million, a 42.0% increase. Incremental EBITDA margin was 34.6%. On a same branch basis, adjusted EBITDA grew 36.7% to \$79.1 million and incremental EBITDA margin was 50.8%.

### Operating Segment Highlights (\$ in 000s)

(comparisons are to the quarter ended June 30, 2016)

| TruTeam | 3 Months Ended 6/30/17 | 6 Months Ended 6/30/17 | Service Partners | 3 Months Ended 6/30/17 | 6 Months Ended 6/30/17 |
|---------|------------------------|------------------------|------------------|------------------------|------------------------|
| Sales   | \$ 320,984             | \$ 611,870             | Sales            | \$ 175,062             | \$ 345,306             |
| Change  | 11.4 %                 | 9.1 %                  | Change           | 6.6 %                  | 6.2 %                  |

|                              |         |           |                              |         |        |
|------------------------------|---------|-----------|------------------------------|---------|--------|
| <b>Operating Margin</b>      | 10.9 %  | 4.3 %     | <b>Operating Margin</b>      | 9.7 %   | 9.4 %  |
| <b>Change</b>                | 300 bps | (220) bps | <b>Change</b>                | 150 bps | 80 bps |
| <b>Adj. Operating Margin</b> | 11.0 %  | 9.3 %     | <b>Adj. Operating Margin</b> | 9.7 %   | 9.4 %  |
| <b>Change</b>                | 310 bps | 270 bps   | <b>Change</b>                | 150 bps | 80 bps |

## Capital Allocation

### Acquisitions

In the second quarter, the Company acquired Superior Insulation Products, a residential insulation company, and Canyon Insulation, a heavy commercial insulation and firestopping company. Combined, these companies generated approximately \$40 million in revenue for 2016. Year-to-date, through August 8, 2017, the Company has closed six acquisitions, four concentrating on residential insulation and two on heavy commercial. Combined, these acquisitions are expected to generate approximately \$83 million of incremental revenue on an annual basis.

*Volas stated, "Acquisitions remain our number one capital allocation priority and the pipeline of prospects our M&A team is currently evaluating is robust. Year-to-date, we've completed six acquisitions that are expected to contribute approximately \$83 million of incremental annual revenue."*

### Share Repurchases

In the second quarter, under the \$200 million share repurchase program announced on February 28, 2017, the Company repurchased 461,358 shares at an average price of \$47.48 per share. Year-to-date, through June 30, the Company has acquired 858,393 shares at an average share price of \$45.77.

In addition, as previously announced, the Company entered into an agreement with Bank of America Merrill Lynch (BofAML) to repurchase \$100 million of the Company's common stock under an accelerated share repurchase program. On July 5<sup>th</sup>, the Company made a payment of \$100.0 million to BofAML, using \$30 million of cash on hand and borrowing \$70 million under its revolving facility. In exchange, the Company received approximately 1.5 million shares with a value of approximately \$80 million. The remaining \$20 million balance is expected to settle no later than the end of the first quarter of 2018.

### Additional Information

Quarterly supplemental materials, including a presentation that will be referenced on today's conference call, are available on the "Investors" section of the Company's website at [www.topbuild.com](http://www.topbuild.com).

### Conference Call

A conference call to discuss second quarter 2017 financial results is scheduled for today, Tuesday, August 8, at 9:00 a.m. Eastern Time. The call may be accessed by dialing (877) 256-5211. The conference call will be webcast simultaneously on the "Investors" section of the Company's website at [www.topbuild.com](http://www.topbuild.com). A replay will be available for one week beginning at 11:00 a.m. Eastern Time and may be accessed by dialing (800) 633-8284 and entering the passcode: 21842821.

## **About TopBuild**

TopBuild Corp., headquartered in Daytona Beach, Florida, is the leading purchaser, installer and distributor of insulation products to the U.S. construction industry. We provide insulation services nationwide through TruTeam<sup>®</sup>, which has over 175 branches, and through Service Partners<sup>®</sup> which distributes insulation from over 70 branches. We leverage our national footprint to gain economies of scale while capitalizing on our local market presence to forge strong relationships with our customers. To learn more about TopBuild please visit our website at [www.topbuild.com](http://www.topbuild.com).

## **Use of Non-GAAP Financial Measures**

EBITDA, incremental EBITDA margin, the “adjusted” financial measures presented above, and figures presented on a “same branch basis” are not calculated in accordance with U.S. generally accepted accounting principles (“GAAP”). The Company believes that these non-GAAP financial measures, which are used in managing the business, may provide users of this financial information with additional meaningful comparisons between current results and results in prior periods. We define same branch sales as sales from branches in operation for at least 12 full calendar months. Such non-GAAP financial measures are reconciled to their closest GAAP financial measures in tables contained in this press release. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, the Company’s reported results under GAAP. Additional information may be found in the Company’s filings with the Securities and Exchange Commission which are available on TopBuild’s website under “Investors” at [www.topbuild.com](http://www.topbuild.com).

## **Safe Harbor Statement**

This press release contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act. These forward-looking statements may address, among other things, our expected financial and operational results and the related assumptions underlying our expected results. These forward-looking statements are distinguished by use of 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. Our forward-looking statements contained herein speak only as of the date of this press release. Factors or events that we cannot predict, including those described in the risk factors contained in our filings with the Securities and Exchange Commission, may cause our actual results to differ from those expressed in forward-looking statements. Although TopBuild believes the expectations reflected in such forward-looking statements are based on reasonable assumptions, the Company can give no assurance that its expectations will be achieved and it undertakes no obligation to update publicly any forward-looking statements as a result of new information, future events, or otherwise, except as required by applicable law.

**(tables follow)**

**TopBuild Corp.**  
**Condensed Consolidated Statements of Operations**  
**(Unaudited)**  
**(in thousands, except per common share amounts)**

|  | Three Months Ended<br>June 30, |                  | Six Months Ended<br>June 30, |                  |
|--|--------------------------------|------------------|------------------------------|------------------|
|  | 2017                           | 2016             | 2017                         | 2016             |
| Net sales  | \$ 474,458                     | \$ 431,589       | \$ 915,821                   | \$ 845,613       |
| Cost of sales  | 357,849                        | 333,901          | 697,584                      | 658,470          |
| Gross profit   | 116,609                        | 97,688           | 218,237                      | 187,143          |
| Selling, general, and administrative expense (exclusive of significant legal settlement, shown separately below) | 75,813                         | 70,898           | 150,904                      | 140,586          |
| Significant legal settlement   | —                              | —                | 30,000                       | —                |
| Operating profit   | 40,796                         | 26,790           | 37,333                       | 46,557           |
| Other income (expense), net:   |                                |                  |                              |                  |
| Interest expense   | (1,918 )                       | (1,371 )         | (3,288 )                     | (3,044 )         |
| Loss on extinguishment of debt   | (1,086 )                       | —                | (1,086 )                     | —                |
| Other, net   | 105                            | 61               | 212                          | 136              |
| Other expense, net   | (2,899 )                       | (1,310 )         | (4,162 )                     | (2,908 )         |
| Income from continuing operations before income taxes  | 37,897                         | 25,480           | 33,171                       | 43,649           |
| Income tax expense from continuing operations  | (14,437 )                      | (9,865 )         | (11,422 )                    | (16,918 )        |
| Income from continuing operations  | 23,460                         | 15,615           | 21,749                       | 26,731           |
| Net income   | <u>\$ 23,460</u>               | <u>\$ 15,615</u> | <u>\$ 21,749</u>             | <u>\$ 26,731</u> |
| <b>Income per common share:</b>  |                                |                  |                              |                  |
| Basic:   |                                |                  |                              |                  |
| Income from continuing operations  | \$ 0.64                        | \$ 0.41          | \$ 0.59                      | \$ 0.71          |
| Net income   | <u>\$ 0.64</u>                 | <u>\$ 0.41</u>   | <u>\$ 0.59</u>               | <u>\$ 0.71</u>   |
| Diluted:   |                                |                  |                              |                  |
| Income from continuing operations  | \$ 0.63                        | \$ 0.41          | \$ 0.58                      | \$ 0.70          |
| Net income   | <u>\$ 0.63</u>                 | <u>\$ 0.41</u>   | <u>\$ 0.58</u>               | <u>\$ 0.70</u>   |

**TopBuild Corp.**  
**Condensed Consolidated Balance Sheets and Other Financial Data (Unaudited)**  
(dollars in thousands)

|   | As of            |                      |
|---|------------------|----------------------|
|   | June 30,<br>2017 | December 31,<br>2016 |
| <b>ASSETS</b>   |                  |                      |
| Current assets:   |                  |                      |
| Cash and cash equivalents   | \$ 94,233        | \$ 134,375           |
| Receivables, net of an allowance for doubtful accounts of \$3,566 and \$3,374 at June 30, 2017, and December 31, 2016, respectively | 297,325          | 252,624              |
| Inventories, net  | 111,640          | 116,190              |
| Prepaid expenses and other current assets   | 23,391           | 23,364               |
| Total current assets  | <u>526,589</u>   | <u>526,553</u>       |

|   |                     |                     |
|---|---------------------|---------------------|
| Property and equipment, net             | 98,185              | 92,760              |
| Goodwill                                | 1,084,833           | 1,045,058           |
| Other intangible assets, net            | 28,786              | 2,656               |
| Deferred tax assets, net                | 19,469              | 19,469              |
| Other assets                            | 3,197               | 3,623               |
|   | <u>          </u>   | <u>          </u>   |
| Total assets                            | <u>\$ 1,761,059</u> | <u>\$ 1,690,119</u> |
| <b>LIABILITIES</b>                      |                     |                     |
| Current liabilities:                    |                     |                     |
| Accounts payable                        | \$ 243,000          | \$ 241,534          |
| Current portion of long-term debt       | 12,500              | 20,000              |
| Accrued liabilities                     | 77,175              | 64,399              |
| Total current liabilities               | <u>332,675</u>      | <u>325,933</u>      |
| Long-term debt                          | 235,422             | 158,800             |
| Deferred tax liabilities, net           | 193,715             | 193,715             |
| Long-term portion of insurance reserves | 38,132              | 38,691              |
| Other liabilities                       | 3,151               | 433                 |
| Total liabilities                       | <u>803,095</u>      | <u>717,572</u>      |
| <b>EQUITY</b>                           | <u>957,964</u>      | <u>972,547</u>      |
| Total liabilities and equity            | <u>\$ 1,761,059</u> | <u>\$ 1,690,119</u> |

|  | <b>As of</b>                   |                                |
|--|--------------------------------|--------------------------------|
|  | <u>June 30,</u><br><u>2017</u> | <u>June 30,</u><br><u>2016</u> |
| <b>Other Financial Data</b>                  |                                |                                |
| <b>Working Capital Days†</b>                 |                                |                                |
| Receivable days                              | 45                             | 46                             |
| Inventory days                               | 29                             | 28                             |
| Accounts payable days                        | 83                             | 82                             |
| Working capital                              | \$ 165,965                     | \$ 143,202                     |
| Working capital as a percent of sales (LTM)‡ | 8.8 %                          | 8.4 %                          |

† Amounts adjusted for acquisitions for comparability purposes

‡ Last 12 months sales have been adjusted for the pro forma effect of acquired branches

**TopBuild Corp.**  
**Condensed Consolidated Statements of Cash Flows (Unaudited)**  
**(in thousands)**

|   | <b>Six Months Ended June 30,</b> |             |
|---|----------------------------------|-------------|
|   | <u>2017</u>                      | <u>2016</u> |
| <b>Net Cash Provided by (Used in) Operating Activities:</b>                       |                                  |             |
| Net income  | \$ 21,749                        | \$ 26,731   |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                  |             |
| Depreciation and amortization   | 6,835                            | 5,908       |
| Share-based compensation  | 5,101                            | 3,705       |

|   |               |              |
|---|---------------|--------------|
| Loss on extinguishment of debt                        | 1,086         | —            |
| Loss on sale or abandonment of property and equipment | 285           | 1,477        |
| Amortization of debt issuance costs                   | 186           | 171          |
| Provision for bad debt expense                        | 1,750         | 1,986        |
| Loss from inventory obsolescence                      | 826           | 667          |
| Deferred income taxes, net                            | —             | (3)          |
| Changes in certain assets and liabilities:            |               |              |
| Receivables, net                                      | (25,123)      | (21,436)     |
| Inventories, net                                      | 5,908         | 15,819       |
| Prepaid expenses and other current assets             | 7             | (3,266)      |
| Accounts payable                                      | (3,124)       | (39,237)     |
| Accrued liabilities                                   | 9,787         | 13,642       |
| Other, net  | 398           | (18)         |
| Net cash provided by operating activities             | <u>25,671</u> | <u>6,146</u> |

**Cash Flows Provided by (Used in) Investing Activities:**

|  |                 |                |
|--|-----------------|----------------|
| Purchases of property and equipment          | (8,571)         | (6,023)        |
| Acquisition of businesses                    | (83,932)        | —              |
| Proceeds from sale of property and equipment | 126             | 219            |
| Other, net                                   | 147             | 147            |
| Net cash used in investing activities        | <u>(92,230)</u> | <u>(5,657)</u> |

**Cash Flows Provided by (Used in) Financing Activities:**

|   |               |                 |
|---|---------------|-----------------|
| Proceeds from issuance of long-term debt            | 250,000       | —               |
| Repayment of long-term debt                         | (180,000)     | (5,000)         |
| Payment of debt issuance costs                      | (2,150)       | —               |
| Taxes withheld and paid on employees' equity awards | (2,147)       | (1,285)         |
| Repurchase of shares of common stock                | (39,286)      | (4,962)         |
| Net cash provided by (used in) financing activities | <u>26,417</u> | <u>(11,247)</u> |

**Cash and Cash Equivalents**

|                         |                  |                   |
|-------------------------|------------------|-------------------|
| Decrease for the period | (40,142)         | (10,758)          |
| Beginning of year       | <u>134,375</u>   | <u>112,848</u>    |
| End of year             | <u>\$ 94,233</u> | <u>\$ 102,090</u> |

Supplemental disclosure of noncash investing activities:

|                                     |        |        |
|-------------------------------------|--------|--------|
| Accruals for property and equipment | \$ 655 | \$ 521 |
|-------------------------------------|--------|--------|

**TopBuild Corp.  
Segment Data  
(Unaudited)  
(dollars in thousands)**

|                               | Three Months Ended<br>June 30, |                   | Change | Six Months Ended<br>June 30, |                   | Change |
|-------------------------------|--------------------------------|-------------------|--------|------------------------------|-------------------|--------|
|                               | 2017                           | 2016              |        | 2017                         | 2016              |        |
| <b>Installation</b>           |                                |                   |        |                              |                   |        |
| Sales                         | <u>\$ 320,984</u>              | <u>\$ 288,042</u> | 11.4 % | <u>\$ 611,870</u>            | <u>\$ 560,920</u> | 9.1 %  |
| Operating profit, as reported | \$ 35,086                      | \$ 22,797         |        | \$ 26,123                    | \$ 36,303         |        |

|                                      |           |           |           |           |
|--------------------------------------|-----------|-----------|-----------|-----------|
| <i>Operating margin, as reported</i> | 10.9 %    | 7.9 %     | 4.3 %     | 6.5 %     |
| Significant legal settlement         | —         | —         | 30,000    | —         |
| Rationalization charges              | 171       | 66        | 582       | 894       |
| Operating profit, as adjusted        | \$ 35,257 | \$ 22,863 | \$ 56,705 | \$ 37,197 |
| <i>Operating margin, as adjusted</i> | 11.0 %    | 7.9 %     | 9.3 %     | 6.6 %     |

#### Distribution

|                                      |                   |                   |       |                   |                   |       |
|--------------------------------------|-------------------|-------------------|-------|-------------------|-------------------|-------|
| Sales                                | <u>\$ 175,062</u> | <u>\$ 164,257</u> | 6.6 % | <u>\$ 345,306</u> | <u>\$ 325,145</u> | 6.2 % |
| Operating profit, as reported        | \$ 17,022         | \$ 13,547         |       | \$ 32,506         | \$ 27,880         |       |
| <i>Operating margin, as reported</i> | 9.7 %             | 8.2 %             |       | 9.4 %             | 8.6 %             |       |
| Rationalization charges              | 17                | —                 |       | 17                | 83                |       |
| Operating profit, as adjusted        | \$ 17,039         | \$ 13,547         |       | \$ 32,523         | \$ 27,963         |       |
| <i>Operating margin, as adjusted</i> | 9.7 %             | 8.2 %             |       | 9.4 %             | 8.6 %             |       |

#### Total

|   |                   |                   |       |                   |                   |       |
|---|-------------------|-------------------|-------|-------------------|-------------------|-------|
| Sales before eliminations                       | \$ 496,046        | \$ 452,299        |       | \$ 957,176        | \$ 886,065        |       |
| Intercompany eliminations                       | (21,588 )         | (20,710 )         |       | (41,355 )         | (40,452 )         |       |
| Net sales after eliminations                    | <u>\$ 474,458</u> | <u>\$ 431,589</u> | 9.9 % | <u>\$ 915,821</u> | <u>\$ 845,613</u> | 8.3 % |
| Operating profit, as reported - segment         | \$ 52,108         | \$ 36,344         |       | \$ 58,629         | \$ 64,183         |       |
| General corporate expense, net                  | (7,632 )          | (6,030 )          |       | (14,316 )         | (10,750 )         |       |
| Intercompany eliminations and other adjustments | (3,680 )          | (3,524 )          |       | (6,980 )          | (6,876 )          |       |
| Operating profit, as reported                   | \$ 40,796         | \$ 26,790         |       | \$ 37,333         | \$ 46,557         |       |
| <i>Operating margin, as reported</i>            | 8.6 %             | 6.2 %             |       | 4.1 %             | 5.5 %             |       |
| Significant legal settlement                    | —                 | —                 |       | 30,000            | —                 |       |
| Rationalization charges <sup>†</sup>            | 1,258             | 647               |       | 2,995             | 1,655             |       |
| Acquisition related costs                       | 145               | —                 |       | 437               | —                 |       |
| Operating profit, as adjusted                   | \$ 42,199         | \$ 27,437         |       | \$ 70,765         | \$ 48,212         |       |
| <i>Operating margin, as adjusted</i>            | 8.9 %             | 6.4 %             |       | 7.7 %             | 5.7 %             |       |

|                            |       |       |  |       |       |  |
|----------------------------|-------|-------|--|-------|-------|--|
| Share-based compensation ‡ | 2,403 | 2,105 |  | 4,487 | 3,705 |  |
|----------------------------|-------|-------|--|-------|-------|--|



|   |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|
| Depreciation and amortization                     | 3,605            | 3,013            | 6,835            | 5,908            |
| EBITDA, as adjusted                               | <u>\$ 48,207</u> | <u>\$ 32,555</u> | <u>\$ 82,087</u> | <u>\$ 57,825</u> |
| Sales change period over period                   | 42,869           |                  | 70,208           |                  |
| EBITDA, as adjusted change period over period     | 15,652           |                  | 24,262           |                  |
| EBITDA, as adjusted as percentage of sales change | 36.5 %           |                  | 34.6 %           |                  |

† Rationalization charges include corporate level adjustments as well as segment operating adjustments.

‡ Amounts for the three and six month periods ending June 30, 2017, exclude \$0.6 million of share-based compensation included in the line item, rationalization charges.

**TopBuild Corp.**  
**Non-GAAP Reconciliations**  
**(Unaudited)**  
**(in thousands, except common share amounts)**

|  | <u>Three Months Ended June 30,</u> |                   | <u>Six Months Ended June 30,</u> |                   |
|--|------------------------------------|-------------------|----------------------------------|-------------------|
|  | <u>2017</u>                        | <u>2016</u>       | <u>2017</u>                      | <u>2016</u>       |
| <b>Gross Profit and Operating Profit Reconciliations</b> |                                    |                   |                                  |                   |
| <b>Net sales</b>   | <u>\$ 474,458</u>                  | <u>\$ 431,589</u> | <u>\$ 915,821</u>                | <u>\$ 845,613</u> |
| <b>Gross profit, as reported</b>                         | <u>\$ 116,609</u>                  | <u>\$ 97,688</u>  | <u>\$ 218,237</u>                | <u>\$ 187,143</u> |
| <b>Gross profit, as adjusted</b>                         | <u>\$ 116,609</u>                  | <u>\$ 97,688</u>  | <u>\$ 218,237</u>                | <u>\$ 187,143</u> |
| Gross margin, as reported                                | 24.6 %                             | 22.6 %            | 23.8 %                           | 22.1 %            |
| Gross margin, as adjusted                                | 24.6 %                             | 22.6 %            | 23.8 %                           | 22.1 %            |
| <b>Operating profit, as reported</b>                     | <u>\$ 40,796</u>                   | <u>\$ 26,790</u>  | <u>\$ 37,333</u>                 | <u>\$ 46,557</u>  |
| Significant legal settlement                             | —                                  | —                 | 30,000                           | —                 |
| Rationalization charges                                  | 1,258                              | 647               | 2,995                            | 1,655             |
| Acquisition related costs                                | 145                                | —                 | 437                              | —                 |
| <b>Operating profit, as adjusted</b>                     | <u>\$ 42,199</u>                   | <u>\$ 27,437</u>  | <u>\$ 70,765</u>                 | <u>\$ 48,212</u>  |
| Operating margin, as reported                            | 8.6 %                              | 6.2 %             | 4.1 %                            | 5.5 %             |
| Operating margin, as adjusted                            | 8.9 %                              | 6.4 %             | 7.7 %                            | 5.7 %             |

**Income Per Common Share Reconciliation**

|   |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|
| <b>Income from continuing operations before income taxes, as reported</b> | <u>\$ 37,897</u> | <u>\$ 25,480</u> | <u>\$ 33,171</u> | <u>\$ 43,649</u> |
| Significant legal settlement  | —                | —                | 30,000           | —                |
| Rationalization charges   | 1,258            | 647              | 2,995            | 1,655            |

|   |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|
| Acquisition related costs   | 145              | —                | 437              | —                |
| Loss on extinguishment of debt  | 1,086            | —                | 1,086            | —                |
| <b>Income from continuing operations before income taxes, as adjusted</b> | <b>40,386</b>    | <b>26,127</b>    | <b>67,689</b>    | <b>45,304</b>    |
| Tax at 38% rate   | (15,347 )        | (9,928 )         | (25,722 )        | (17,216 )        |
| <b>Income from continuing operations, as adjusted</b>                     | <b>\$ 25,039</b> | <b>\$ 16,199</b> | <b>\$ 41,967</b> | <b>\$ 28,088</b> |
| <b>Income per common share, as adjusted</b>                               | <b>\$ 0.67</b>   | <b>\$ 0.43</b>   | <b>\$ 1.12</b>   | <b>\$ 0.74</b>   |
| Average diluted common shares outstanding                                 | 37,191,299       | 37,976,703       | 37,404,193       | 37,938,108       |

**TopBuild Corp.**  
**Same Branch Net Sales and Adjusted EBITDA**  
**(Unaudited)**  
**(in thousands)**

|   | Three Months Ended<br>June 30, |            | Six Months Ended<br>June 30, |            |
|---|--------------------------------|------------|------------------------------|------------|
|   | 2017                           | 2016       | 2017                         | 2016       |
| <b>Net sales</b>  |                                |            |                              |            |
| Same branch   | \$ 453,648                     | \$ 431,589 | \$ 887,425                   | \$ 845,613 |
| Acquired  | 20,810                         | —          | 28,396                       | —          |
| Total   | \$ 474,458                     | \$ 431,589 | \$ 915,821                   | \$ 845,613 |
| <b>EBITDA, as adjusted</b>                                    |                                |            |                              |            |
| Same branch   | 45,599                         | 32,555     | 79,050                       | 57,825     |
| Acquired  | 2,608                          | —          | 3,037                        | —          |
| Total   | \$ 48,207                      | \$ 32,555  | \$ 82,087                    | \$ 57,825  |
| Same branch EBITDA, as adjusted as percentage of sales change | 59.1 %                         | 33.3 %     | 50.8 %                       | 28.8 %     |
| Acquired EBITDA, as adjusted as percentage of sales change    | 12.5 %                         | — %        | 10.7 %                       | — %        |

**TopBuild Corp.**  
**Reconciliation of EBITDA to Net Income**  
**(Unaudited)**  
**(in thousands)**

|   | Three Months Ended<br>June 30, |                  | Six Months Ended June 30, |                  |
|---|--------------------------------|------------------|---------------------------|------------------|
|   | 2017                           | 2016             | 2017                      | 2016             |
| <b>Net income, as reported</b>                | <b>\$ 23,460</b>               | <b>\$ 15,615</b> | <b>\$ 21,749</b>          | <b>\$ 26,731</b> |
| Adjustments to arrive at EBITDA, as adjusted: |                                |                  |                           |                  |
| Interest expense and other, net               | 1,813                          | 1,310            | 3,076                     | 2,908            |
| Income tax expense from continuing operations | 14,437                         | 9,865            | 11,422                    | 16,918           |
| Depreciation and amortization                 | 3,605                          | 3,013            | 6,835                     | 5,908            |

|                                |                  |                  |                  |                  |
|--------------------------------|------------------|------------------|------------------|------------------|
| Share-based compensation †     | 2,403            | 2,105            | 4,487            | 3,705            |
| Significant legal settlement   | —                | —                | 30,000           | —                |
| Rationalization charges        | 1,258            | 647              | 2,995            | 1,655            |
| Loss on extinguishment of debt | 1,086            | —                | 1,086            | —                |
| Acquisition related costs      | 145              | —                | 437              | —                |
| <b>EBITDA, as adjusted</b>     | <b>\$ 48,207</b> | <b>\$ 32,555</b> | <b>\$ 82,087</b> | <b>\$ 57,825</b> |

† Amounts for the three and six month periods ending June 30, 2017, exclude \$0.6 million of share-based compensation included in the line item, rationalization charges.

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