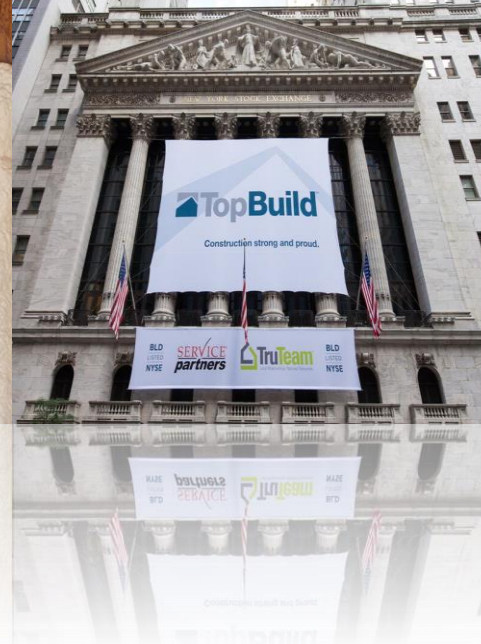


# Overview of USI Acquisition

March 2, 2018



# Safe Harbor

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This presentation 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 presentation. 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.

# A Transaction Aligned with TopBuild's Strategic Priorities

- Definitive agreement to acquire United Subcontractors, Inc. (“USI”) , a leading provider of installation and distribution services to the residential and commercial construction markets, for \$475M (transaction excludes USI's Construction Services business)
- Strengthens position in installation and distribution of insulation in the U.S.
- Expands geographic footprint and penetration in key growth regions
- Significantly increases service capability for customers and suppliers
- Expected to be accretive to GAAP EPS in the 12-month period after close
- Enhances pro forma EBITDA margin and free cash flow profile
- Anticipate at least \$15M of run-rate cost synergies

**Advancing Our Profitable Growth Strategy**

# TopBuild has Built a Strong Foundation for Profitable Growth

The leader in insulation installation and distribution with national scale

- 240+ locations, exposure to 95% of all housing starts
- Present in 99 out of top 100 MSAs

Operational excellence driving strong financial performance

- Optimized supply chain
- Full adoption of best practices and technology
- Leveraging national branch footprint

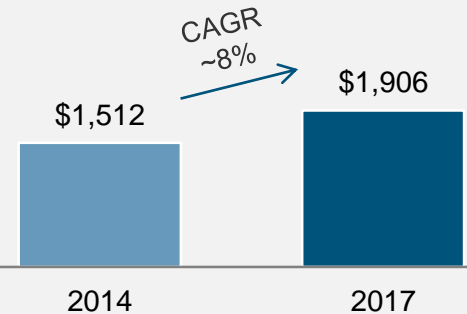
Strengthened balance sheet; balanced capital allocation to maximize shareholder returns

- Ample balance sheet liquidity
- \$162M of cash used to repurchase stock

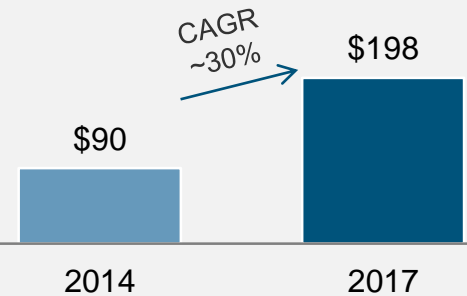
Disciplined and strategic approach to M&A led by a dedicated team

- Completed nine acquisitions since August 2016, with a combined positive net sales impact of \$121M
- Robust and comprehensive integration process
- Acquisitions performing at or above expectations

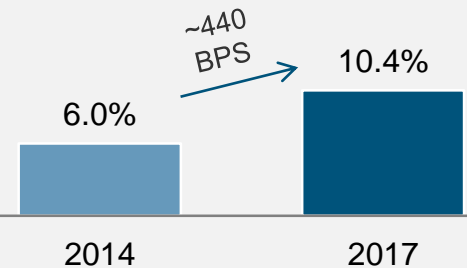
## REVENUE (\$M)



## ADJ. EBITDA (\$M)



## ADJ. EBITDA MARGIN



# USI Represents a Compelling Acquisition Opportunity

TopBuild to acquire USI for \$475M in cash, on a cash-free, debt-free basis



Presence in high-growth regions



Strong customer relationships and an experienced labor force

Leading position in many regions



Diversified product and service offering across insulation, window and glass installation and other building products



# USI Transaction Overview

## TRANSACTION DETAILS

- Purchasing from Trilantic Capital Partners for an enterprise value of \$475M on a cash-free/debt-free basis
  - Excludes USI Construction Services, which will be retained by Trilantic
- Implied EV/Adj. EBITDA of ~10.2x for the 12 months ended 12/31/17 and ~7.7x post run rate synergies<sup>1</sup>
- Expected to close by 2Q18, subject to regulatory approval as well as other customary closing conditions

## EXPECTED FINANCIAL RESULTS

- Expected to be accretive to GAAP EPS in the 12-month period after close
- Expected annualized run-rate cost synergies of at least \$15M by end of year two, post-close
- Pro forma total leverage of 2.9x (pre synergies) and 2.8x (post synergies)<sup>2</sup>; committed to deleveraging quickly

## FINANCING<sup>3</sup>

- Use cash on hand or draw on existing revolving credit facility: \$25M
- Term loan currently available from existing lenders: \$100M
- Expect to fund balance through senior secured or unsecured debt issuance: \$350M

1. Based on LTM Adj. EBITDA of \$47M as of 12/31/17 and run-rate synergies of \$15M; 2. Based on combined 2017 Adj. EBITDA of \$244M and run-rate synergies of \$15M (assuming additional \$475M of debt); 3. Excludes transaction and financing fees

# USI Fits Within TopBuild's Stated M&A Strategy

## ✓ Enhances Scale

- Provides opportunity to combine leading installers and distributors of insulation and other building materials
- Leverage across combined supply chain

## ✓ Increases Penetration in Key Regions

- Increases presence in high-growth regions: Pacific Northwest, Mountain West, Southwest and Southeast
- Increases distribution presence in two key regions: Denver, CO and Salt Lake City, UT

## ✓ Possesses Significant Value Creation Potential

- At least \$15M of projected run-rate synergies accomplished by end of year 2, post-close

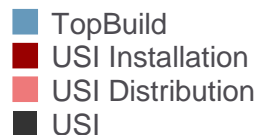
## ✓ Augments Business Product Mix & Capabilities

- Adds highly complementary core insulation business
- Strengthens position as leading installer and distributor
- Enhances value proposition for customers

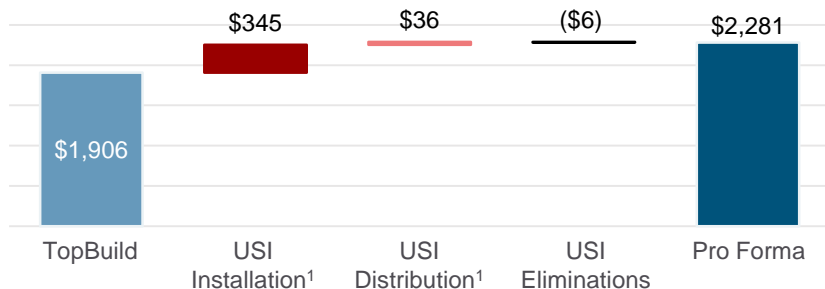
## ✓ Provides Experienced Operators & Well-trained Direct Labor

- Well-trained labor force closely aligned with same "best practices" as TopBuild
- Exceptional service and reliability with an institutional focus on safety

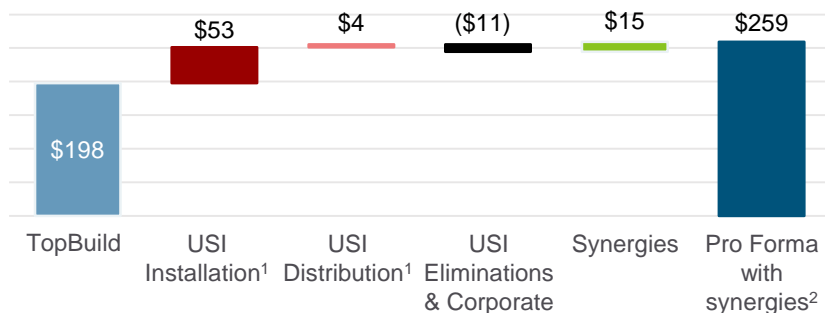
# Leadership in Insulation Installation and Distribution



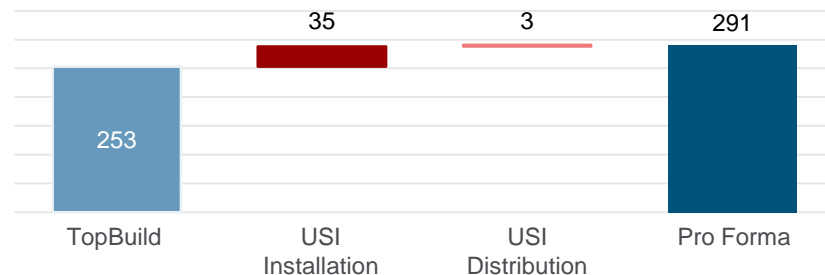
## Revenue (\$M)



## Adj. EBITDA (\$M)



## Locations



## Employees



**Boosts scale in fragmented insulation installation and distribution industry**

**Increases ability to serve builders of all sizes**

**Enhances value proposition for customers**

**Provides well-trained labor force**

1. Segment financials are before eliminations whereas pro forma financials shown after eliminations and corporate costs; 2. Pro forma figures include \$15M of run-rate synergies; 3. Pro forma for all acquisitions



# USI Overview

## Business Description

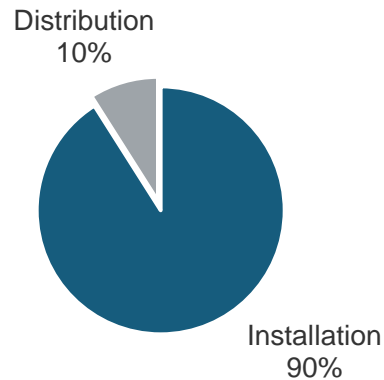
- A leading provider of insulation installation and distribution services to the residential and commercial construction markets
- Founded in 1998 and headquartered in St. Paul, MN
- 38 locations in 14 states
- Significant presence in high-growth regions: Pacific Northwest, Mountain West, Southwest and Southeast

## Financials<sup>1,2</sup>

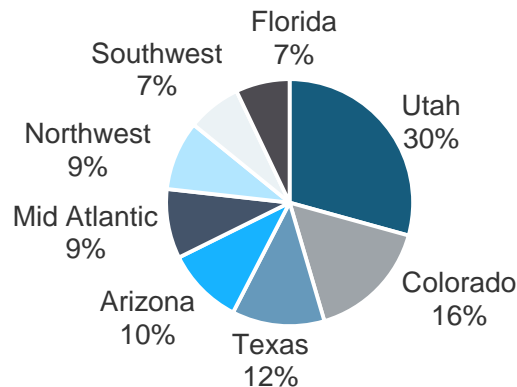
	2016	2017	Change
<b>Revenue (\$M)</b>	<b>\$353</b>	<b>\$375</b>	<b>6.1%</b>
<b>Adj. EBITDA (\$M)</b>	<b>\$45</b>	<b>\$47</b>	<b>4.5%</b>
<b>Adj. EBITDA Margin</b>	<b>12.7%</b>	<b>12.5%</b>	<b>(20 bps)</b>

## Revenue Mix<sup>3</sup> (2017)

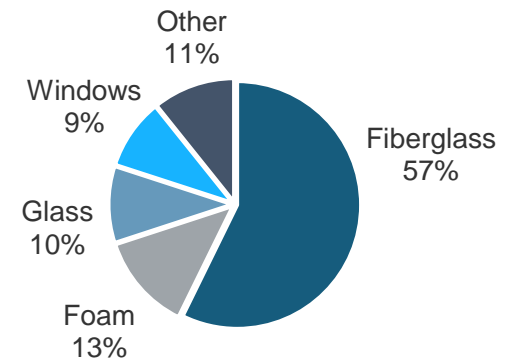
### Segment<sup>1</sup>



### Region



### Service Line



1. Acquisition does not include Construction Services; 2. Pro forma for all acquisitions; 3. Does not account for the impact of Glasshouse acquisition, corporate costs and eliminations

# Enhances Geographic Footprint in Growth Regions

## West

- TruTeam: 55
- Service Partners: 23
- USI Distribution: 3
- USI Installation: 17
- **Total: 98**

## Midwest

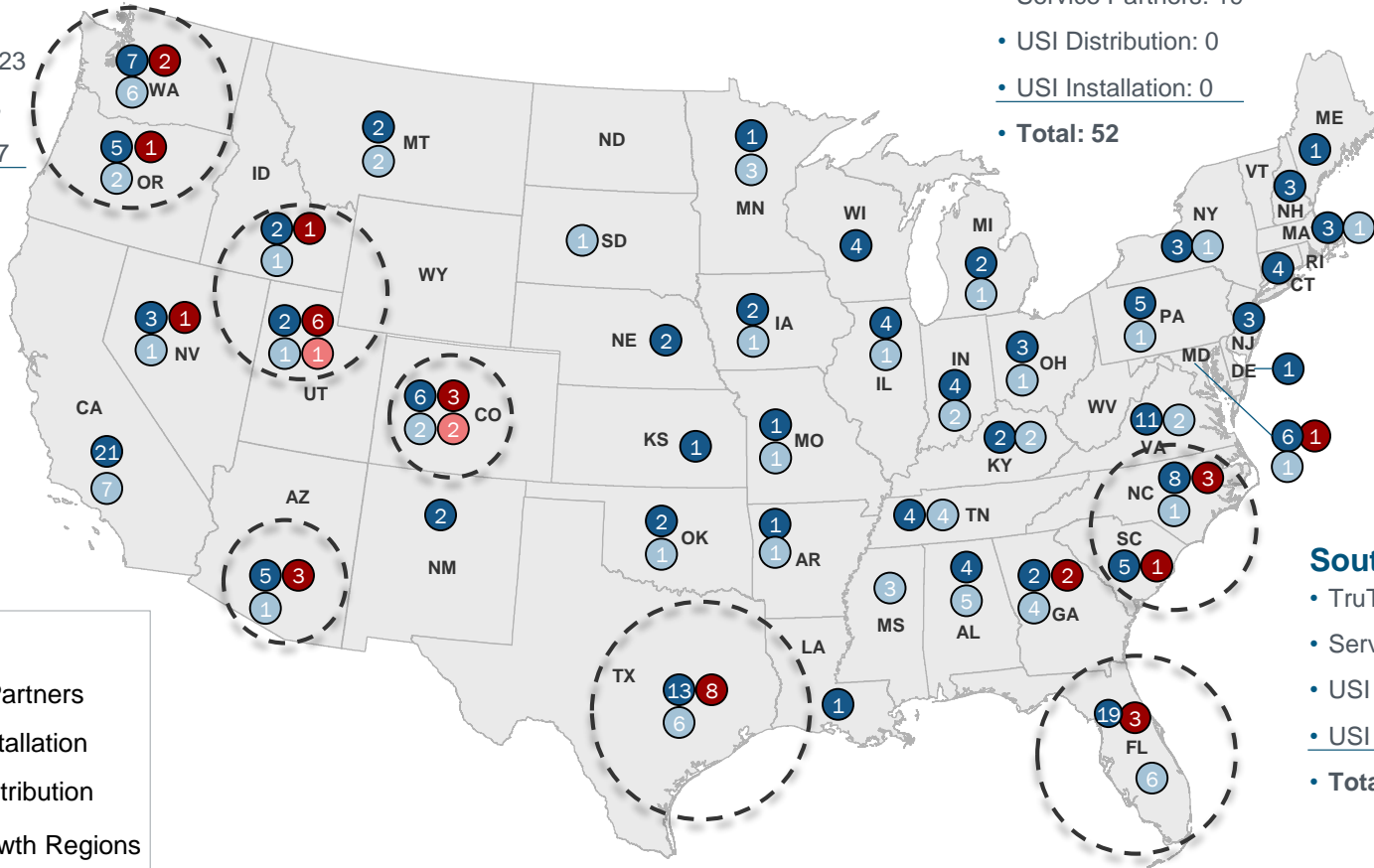
- TruTeam: 33
- Service Partners: 19
- USI Distribution: 0
- USI Installation: 0
- **Total: 52**

## Northeast

- TruTeam: 48
- Service Partners: 7
- USI Distribution: 0
- USI Installation: 4
- **Total: 59**

## South

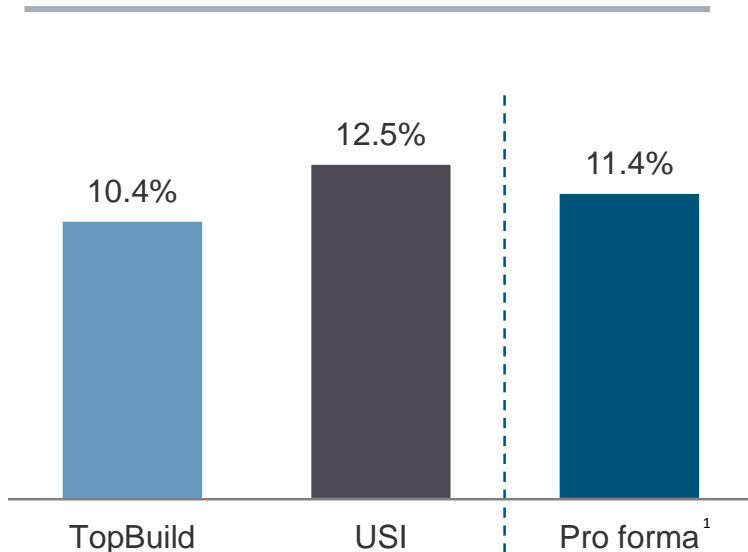
- TruTeam: 44
- Service Partners: 24
- USI Distribution: 0
- USI Installation: 14
- **Total: 82**



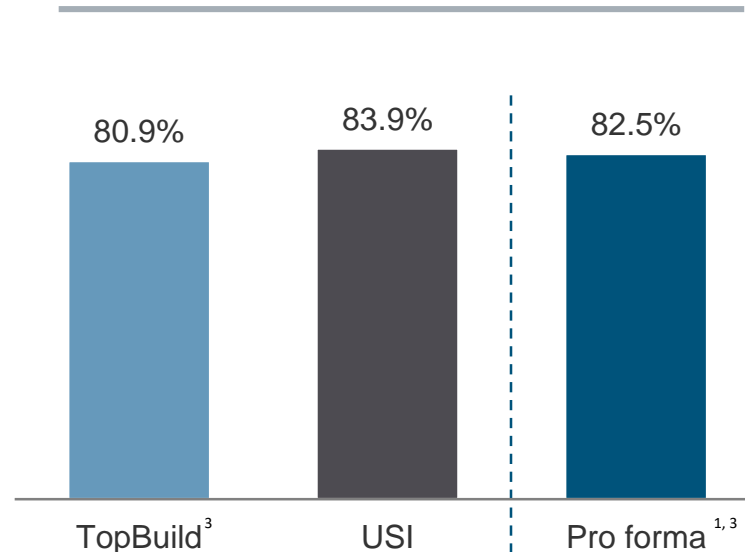
**Increases Penetration in High-Growth Regions**

# Enhances TopBuild's Financial Profile

## 2017 ADJ. EBITDA MARGIN



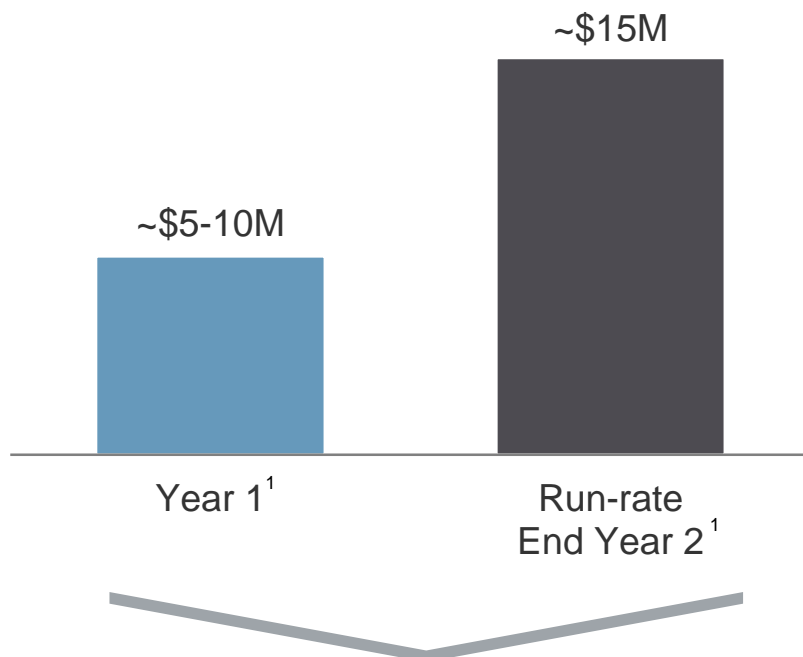
## 2017 CASH CONVERSION<sup>2</sup>



- Significantly improves TopBuild's revenue growth profile given higher pro forma exposure to key growth regions
- Assuming run-rate synergies, increases TopBuild 2017 pro forma adjusted EBITDA margin from 10.4% to 11.4%
- Both TopBuild and USI are capital light and generate substantial free cash flow, enabling TopBuild to de-lever quickly
  - Pro forma total leverage projected to be below 2.5x after one year

1. Pro forma figures include \$15M of run-rate synergies; 2. Cash Conversion = (Adj. EBITDA – Capex)/Adj. EBITDA; 3. TopBuild assumes illustrative pro forma adjustment of an additional \$12.5M to account for full year of purchasing fleet vs. leasing

# Significant Cost Synergy Potential



- Dedicated integration team with successful track record of executing on plan
- Highly complementary nature of businesses enables substantial synergy realization
- Synergies recognized through supply chain and improved efficiencies

## Branch

- Improve production efficiencies
- Improve sales productivity
- Better asset utilization
- Capture non-direct opportunities

## Corporate

- Eliminate redundancies and streamline head office functions and systems

## Supply Chain

- Leverage TopBuild's scale and best-practices across the supply chain and branch operations

1. Represents 12 months and 24 months post transaction close

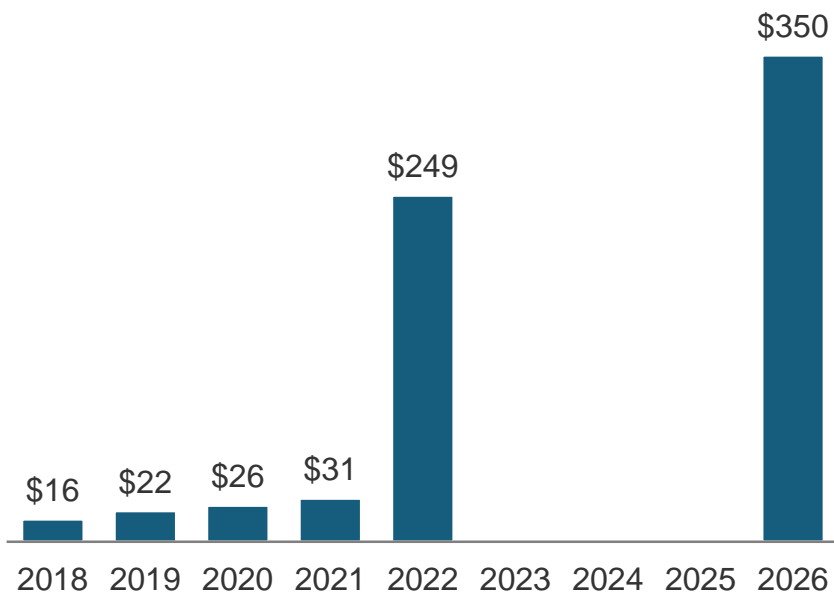
# Transaction Funding Overview

- TopBuild intends to finance the acquisition from proceeds of a \$100M (delayed draw) term loan funding commitment currently available from existing lenders and a \$350M senior secured or unsecured debt issuance
  - Unsecured, fixed-rate funding at historically attractive rates
  - Focusing on long-term maturities with no amortization
  - Ability to achieve attractive financial covenants
- Post transaction pro forma total leverage to be 2.9x (pre synergies) and 2.8x (post synergies) and expect to de-lever to below 2.5x within one year

**Funding Expected to Strengthen TopBuild's Capital Structure Long-term**

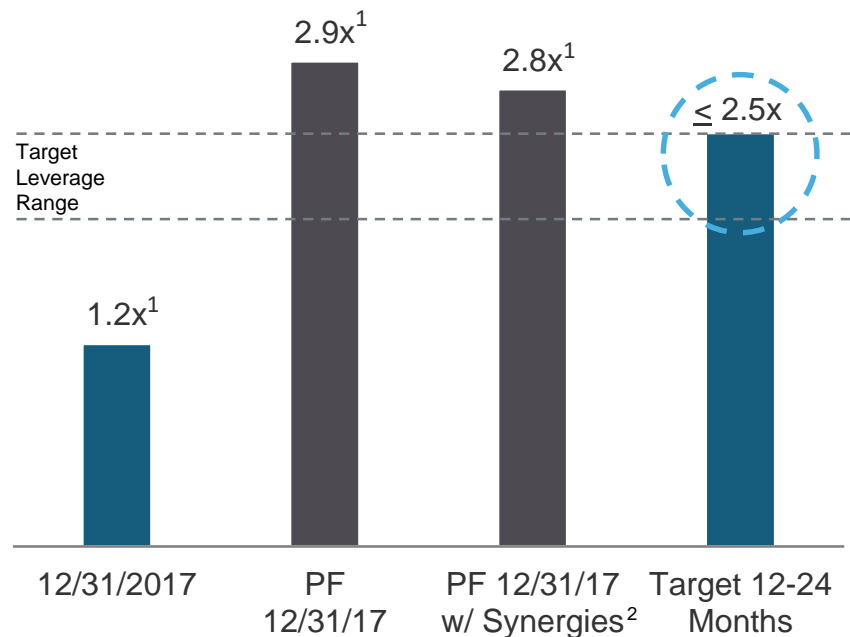
# Funding Strategy and Financial Profile

## PRO FORMA MATURITY SCHEDULE



- Use cash on hand or draw on existing revolving credit facility: \$25M
- Term loan currently available from existing lenders: \$100M
- Expect to fund balance through senior secured or unsecured debt issuance: \$350M

## PRO FORMA LEVERAGE



- Ability to deleverage quickly; pro forma leverage expected to return to within targeted leverage range within 12 to 24 months

1. Based on total Debt/Adj. EBITDA as of LTM 12/31/17; 2. Includes \$15M in run-rate synergies

# A Highly Compelling Strategic Rationale

- ✓ **Strengthens TopBuild's position as the leader in insulation installation and distribution**
- ✓ **Enhances geographic footprint and penetration in key growth markets**
- ✓ **Augments business and product mix, enhancing value proposition for customers**
- ✓ **Accretive to TopBuild's growth and margin profile; robust FCF generation supports ability to deleverage quickly**
- ✓ **Optimal use of capital, delivering strong shareholder returns**