



Specialty Products
and Insulation

Acquisition Overview

Specialty Products & Insulation

July 27, 2023



Safe Harbor

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. For us, particular uncertainties that could cause our actual results to be materially different from those expressed in our forward-looking statements include, without limitation, our ability to successfully complete the proposed acquisition of SPI, including satisfying closing conditions; any delay in closing the proposed acquisition of SPI; the occurrence of any event that could give rise to termination of the purchase agreement governing the acquisition of SPI; risks inherent in the achievement of cost synergies and the timing thereof; risks related to the disruption to us and SPI and their respective management as a result of the proposed acquisition; the effect of the announcement of the proposed acquisition on SPI’s ability to retain and hire key personnel and maintain relationships with clients, suppliers, and other third parties; our ability to successfully integrate SPI if the proposed acquisition is completed, including whether and to what extent the proposed acquisition will be accretive within the expected timeframe; and those described in the risk factors contained in our filings with the Securities and Exchange Commission. 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.



Acquisition Enhances Our Position as a Leading Specialty Distributor of Insulation

HIGHLIGHTS

- Definitive agreement to **acquire Specialty Products & Insulation** (“SPI”) for \$960M
- SPI is a **leading specialty distributor and fabricator** of mechanical insulation products, metal building insulation, and spray foam products in North America
- Expect \$35M to \$40M of run-rate cost synergies within two years of transaction closing

KEY BENEFITS

- Brings together **two leading specialty distributors** to further promote innovation and deliver best-in-class customer experiences
- **Enhances TopBuild’s position as a leading Specialty Distributor** in highly fragmented insulation industry
- **Further differentiates TopBuild’s unique operating model** and adds resources and capacity to better serve customers in key markets
- **Will drive significant returns on invested capital**
- Further reduces cyclicity by increasing **recurring revenue stream**

SPI Builds On Our Successful Specialty Distribution Business



Strategic Advantages



Expands North American footprint, including logistics and fabrication capabilities



Broadens customer and supplier base and expands participation in recurring maintenance and repair work



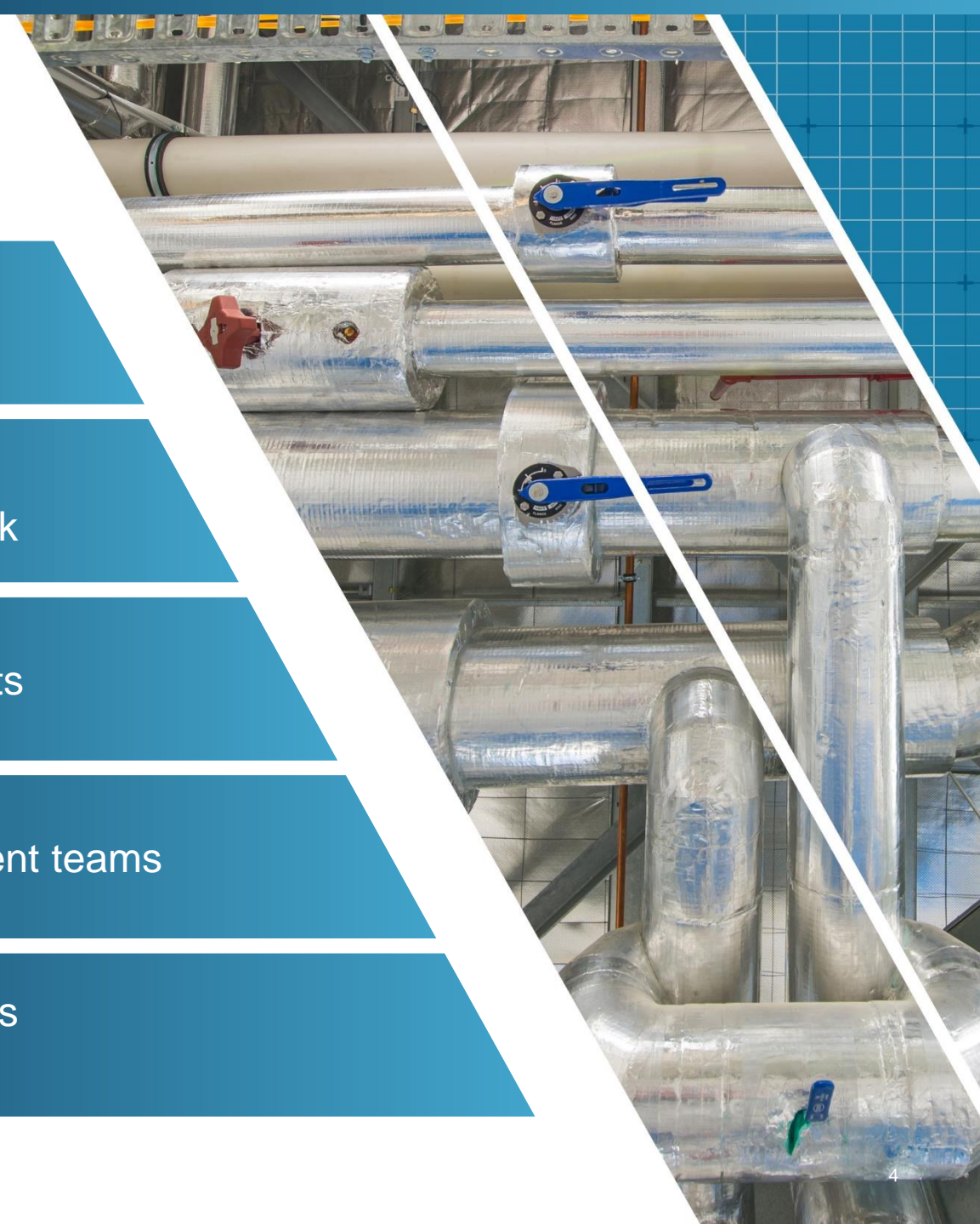
Increases exposure to all three insulation end-markets



Brings together talented and experienced management teams



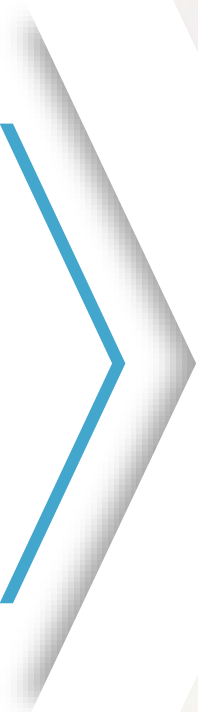
Provides opportunities to drive operational efficiencies throughout Specialty Distribution segment



Building on our Track Record of Success

TOPBUILD'S UNIQUE AND DIFFERENTIATED BUSINESS MODEL

- Diversified across insulation end-markets
- Best in class execution
- Strong cash generator
- Multiple avenues for growth...both organically and through M&A



...STRENGTHENED VIA SPI ACQUISITION



Drives profitable sales growth



Increases recurring revenue



Expands end-market diversification



Prudently deploys capital

TOPBUILD'S HISTORY OF STRONG FINANCIAL RESULTS

21%

5-Yr Revenue CAGR

37%

5-Yr Free Cash Flow CAGR

+840 bps

5-Yr Adj. EBITDA Margin Expansion

244%

5-Yr Total Shareholder Return



Note: All financial results as of 12/31/22. TSR as of 7/24/23

M&A: A Core Competency

Strategic Rationale

- Focus on core Insulation products
- Enhance resources and capabilities
- Expand geographic presence and customer base
- Value accretive growth opportunities
- Aligns to culture and leadership

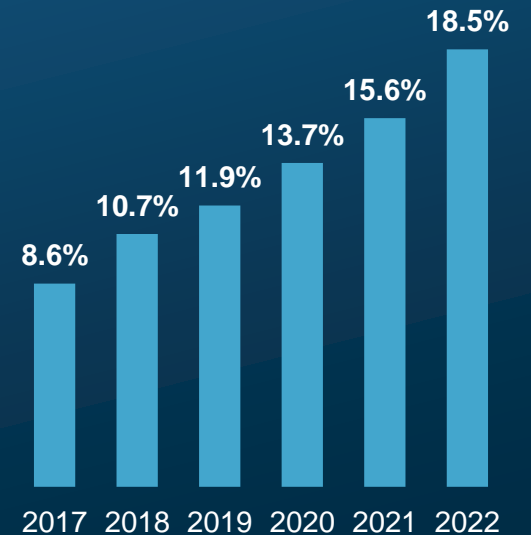
Integration Competency

- Integrated 26 companies since 1/1/2018
- Dedicated integration team
- Timely conversion to our ERP system
- Realize synergies quickly

Track Record of Success

- Exceeded projected synergies, including DI and USI integrations
- Consistently expanded margins post-acquisitions

ROIC¹



Disciplined Acquisition Strategy Creating Significant Shareholder Returns



¹ Operating Profit and Average Invested Capital adjusted for USI and Distribution International acquisitions.
Note: ROIC defined as $((1 - \text{Tax Rate}) * \text{Adjusted Operating Profit}) / (\text{LT Debt} + \text{Equity})$.

Evolution of Specialty Distribution Segment

2017

2022

Post-Acquisition

- 33% of total TopBuild revenue

- 41% of total TopBuild revenue

- ✓ ~46% of total TopBuild revenue
- ✓ Further increases segment's recurring revenue (will be ~1/3)

- 10.2% EBITDA margin

- 16.9% EBITDA margin

- ✓ Maintain incremental EBITDA margin range of 22% to 27% once fully synergized

- Limited fabrication capabilities

- Strategic fabrication footprint in U.S. and Canada

- ✓ Leading provider of fabricated insulation in the U.S. and Canada

- Insulation end market exposure heavily weighted towards Residential

- Enhanced Commercial/Industrial presence through DI acquisition

- ✓ Diversified insulation end market exposure across Residential, Commercial Building, and Commercial/Industrial Mechanical

Positioned for Continued Profitable Growth



Transaction Overview



Transaction Value

- \$960M purchase price
- Implied EV/Adjusted EBITDA multiple, net of \$90M of tax assets, of 11.4x for the 12 months ended March 31, 2023, and 7.6x post full run-rate cost synergies



Timing

- Subject to regulatory approval and other customary closing conditions



Financial Benefits

- Increases recurring revenue stream
- Drives significant returns on invested capital
- EPS break even year one



Financing

- To be funded by a combination of cash on hand and \$550M delayed draw term loan
- Pro forma leverage of 2.0x, within stated target of 1.0x to 2.0x



Leadership

- Engaged and experienced leadership team
- Collaborative integration planning underway



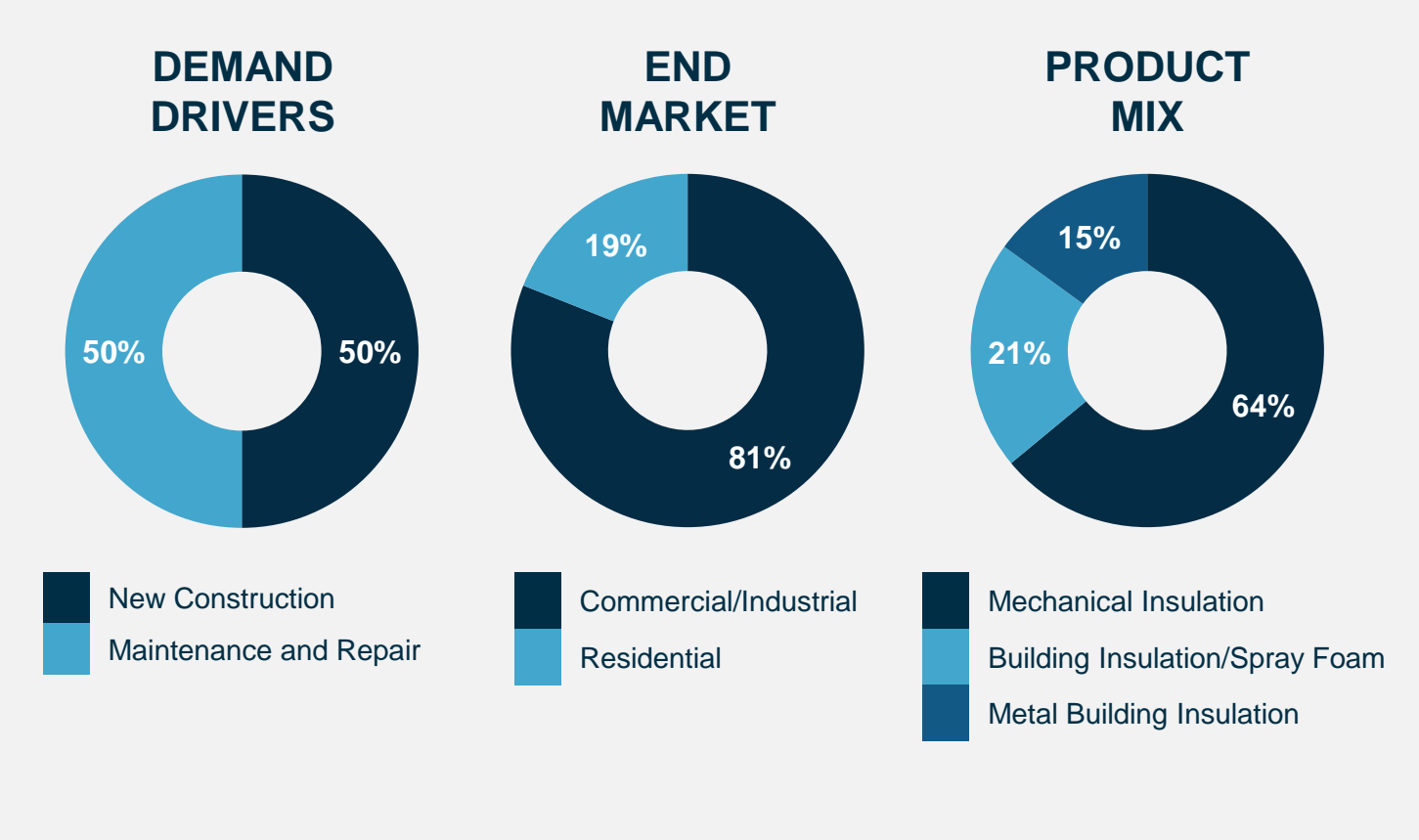
SPI Snapshot

Key Stats

Headquarters	Charlotte, NC
Revenue ¹ (\$M)	\$703
Adj. EBITDA ¹ (\$M)	\$77
Adj. EBITDA Margin ¹	10.9%
# Locations	89
# Customers	4,500+

- Founded in 1982 and owned by Incline Equity Partners
- Serves a broad customer base in both the U.S. and Canada
- Strong growth and sustainable margin performance driven by business momentum and margin enhancement initiatives
- M&A competency built over time

Sales Breakdown







SPI Enhances TopBuild’s Position as a Leading Specialty Distributor



Note: All financials adjusted to show full-year impact of acquisitions. ¹ TTM March 31, 2023.

SPI's Comprehensive Solutions Are "One-Stop-Shop" For Customers

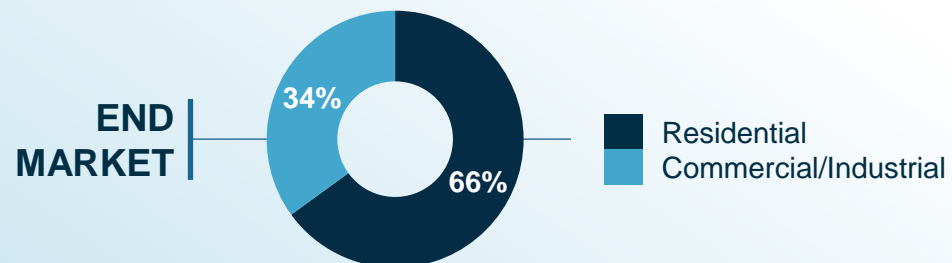
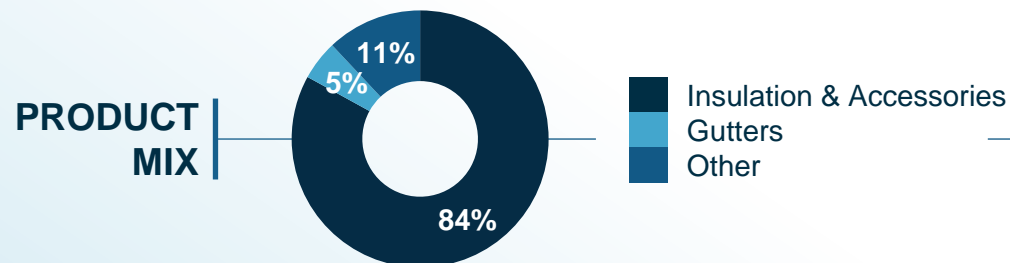
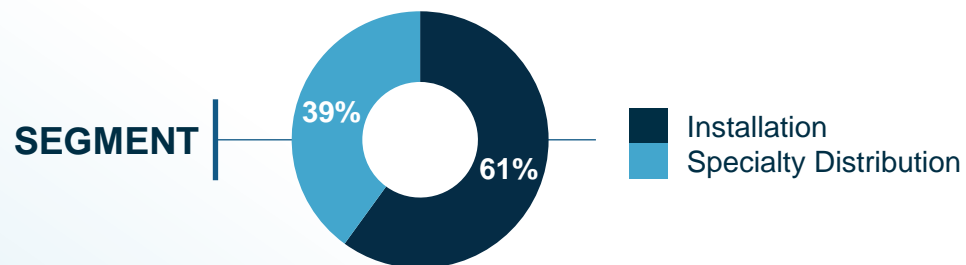


INSULATION END MARKETS	COMMERCIAL/INDUSTRIAL	COMMERCIAL BUILDING	RESIDENTIAL
SPI PRODUCTS	MECHANICAL INSULATION	METAL BUILDING INSULATION, FIBERGLASS, SPRAY FOAM, MINERAL WOOL	FIBERGLASS, SPRAY FOAM
END-MARKET OPPORTUNITY (excludes non-insulation products)	\$5.5B	\$6.0B	\$6.0B
DESCRIPTION	Fabricates and distributes insulation products primarily for industrial and commercial end markets	Diverse offering of commercial and metal building insulation products	Comprehensive spray foam portfolio including chemicals, equipment, and aftermarket parts
SPECIALIZED CAPABILITIES	Engineering and Fabrication	Customized Solutions	Equipment Solutions
ADDITIONAL CAPABILITIES AND SERVICES	<p>COMPREHENSIVE OFFERING OF HIGH MARGIN ASSOCIATED PRODUCTS</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>Cladding and jacketing</p> </div> <div style="text-align: center;">  <p>Fire protection</p> </div> <div style="text-align: center;">  <p>Tools and accessories</p> </div> <div style="text-align: center;">  <p>Personal protection equipment</p> </div> </div>		

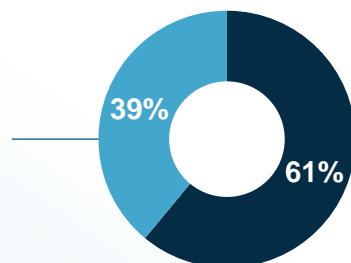
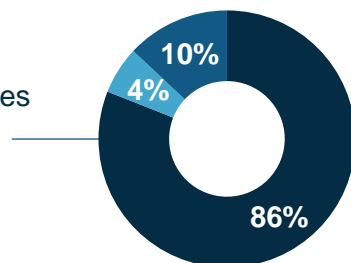
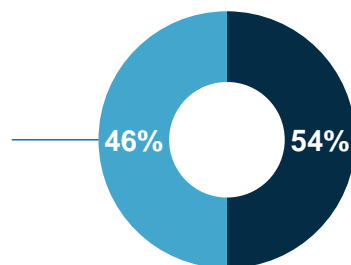


TopBuild, Poised for Accelerated Growth

TopBuild Sales PRE-ACQUISITION



Pro Forma Sales POST-ACQUISITION

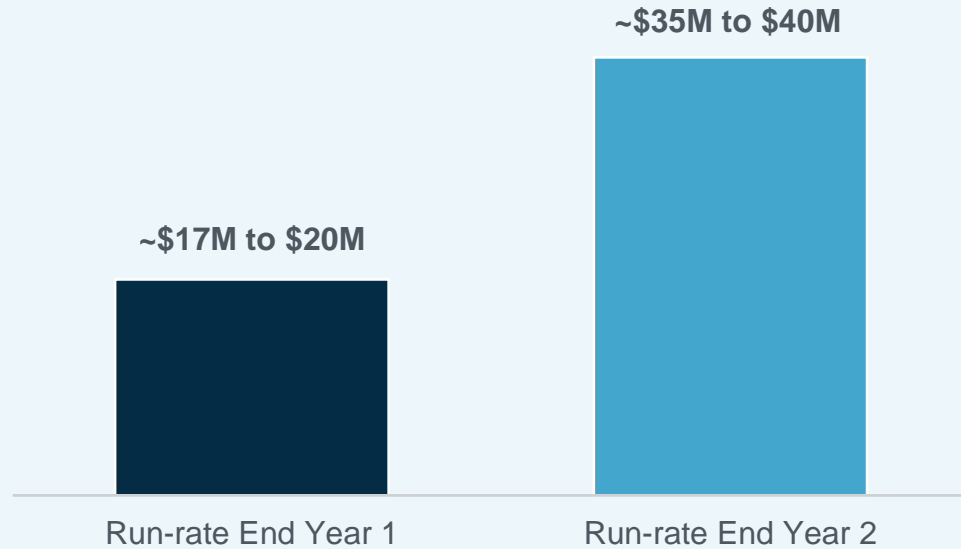


**More Balanced Segment Mix
with Higher Recurring Revenue**

**Continued Leadership
Focused on Core Insulation
Products**

**Increased Diversification
and End-Market Exposure**

Significant Cost Synergies



- Dedicated integration team with consistent track record of **successfully delivering synergies**
- **Highly complementary businesses** enable substantial synergy realization

SOURCES OF SYNERGIES

SUPPLY CHAIN

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

OPERATIONAL IMPROVEMENTS

- Improve efficiencies and productivity
- Achieve enhanced asset utilization
- Optimize fleet and logistics
- Reduce indirect spend



Key Takeaways

Compelling Strategic Opportunity

01

Brings together two leading specialty distributors to further promote innovation and deliver best-in-class customer experiences

02

Reinforces position as a leading Specialty Distributor in highly fragmented insulation industry

03

Further differentiates TopBuild's unique operating model and reduces cyclicity by increasing recurring revenue stream

04

Provides opportunities to drive operational efficiencies throughout Specialty Distribution segment

Clear Path to Financial Value Creation



Enhances financial profile through revenue growth and margin improvement



Will drive significant returns on invested capital



Maintains leverage within target range



Q&A





APPENDIX

RECONCILIATION OF PRO FORMA NON-GAAP MEASURES TO GAAP MEASURES (unaudited)

(\$ in 000s)

	Trailing Twelve Months Ended March 31, 2023
Net sales	\$ 5,105,064
Pro forma acquisition sales ^(a)	861,090
Pro forma sales	<u>\$ 5,966,154</u>
Net income, as reported	\$ 577,148
Adjustments to arrive at EBITDA, as adjusted:	
Interest expense and other, net	59,862
Income tax expense	195,630
Depreciation and amortization	124,936
Share-based compensation	11,717
Rationalization charges	(645)
Acquisition related costs	8,558
EBITDA, as adjusted	<u>\$ 977,206</u>
Pro forma acquisition EBITDA ^(a)	96,515
Pro forma EBITDA, as adjusted	<u>\$ 1,073,721</u>
Total debt, net of unamortized issuance costs	\$ 1,464,937
Pro forma acquisition debt funding ^(b)	550,000
Pro forma total debt	<u>\$ 2,014,937</u>
Cash and cash equivalents	\$ 333,778
Pro forma acquisition cash funding ^(c)	(505,000)
Pro forma cash and cash equivalents	<u>\$ (171,222)</u>
<i>Pro forma net debt leverage ratio</i>	2.0

(a) Represents the trailing twelve months proforma impact of SRI and Best Insulation acquisitions as well as our definitive agreement to acquire SPI.

(b) Represents the trailing twelve months proforma impact from our definitive agreement to acquire SPI.

(c) Represents the trailing twelve months proforma impact of Best Insulation acquisition and our definitive agreement to acquire SPI.

NON-GAAP RECONCILIATION OF PRO FORMA REVENUE BY SEGMENT

(unaudited)

(\$ in 000s)

	Trailing Twelve Months Ended March 31, 2023
Installation	
Sales	\$ 3,060,375
Pro forma acquisition sales ^(a)	157,890
Pro forma sales	<u>\$ 3,218,265</u>
Specialty Distribution	
Sales	\$ 2,292,774
Pro forma acquisition sales ^(a)	703,200
Pro forma sales	<u>\$ 2,995,974</u>
Total sales	
Sales before eliminations	\$ 5,353,149
Intercompany eliminations	(248,085)
Net sales after eliminations	<u>\$ 5,105,064</u>
Pro forma acquisition sales ^(a)	861,090
Pro forma sales	<u>\$ 5,966,154</u>

(a) Represents the trailing twelve months proforma impact of SRI and Best Insulation acquisitions as well as our definitive agreement to acquire SPI.