



# TopBuild 2017 Investor Day

October 3, 2017



# Agenda

<b>Welcome &amp; Opening Remarks</b>	Tabitha Zane – VP, Investor Relations	8:00 AM
<b>Company Overview, Strategy &amp; Key Messages</b>	Jerry Volas – CEO	
<b>Company Culture &amp; Operating Model</b>	Robert Buck – President & COO	
<b>TruTeam   Residential</b>	Bill Christie – VP, Business Development	
<b>TruTeam   Branch Management</b>	Steve Raia – Regional Leader, Bill Christie & Robert Buck	
<b>Break &amp; Showcase</b>		9:30 AM
<b>TruTeam   Commercial</b>	Dave Procida – VP, Commercial Business Development	9:45 AM
<b>TruTeam   Commercial Management</b>	Bob Manroe – Regional Leader, Dave Procida & Robert Buck	
<b>Service Partners   Strategy &amp; Operating Model</b>	Sean Cusack – President, Service Partners	
<b>M&amp;A</b>	David Cushen – SVP, Mergers & Acquisitions	
<b>Financial Overview</b>	John Peterson – CFO	
<b>Closing Remarks</b>	Jerry Volas – CEO	
<b>Luncheon &amp; Q&amp;A Session</b>	All	11:30 AM
<b>Showcase</b>		12:30 PM

# Safe Harbor

Statements contained in this presentation and during question and answer panels that reflect our views about our future performance constitute “forward-looking statements” under the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as “believe,” “anticipate,” “appear,” “may,” “might,” “will,” “should,” “intend,” “plan,” “estimate,” “expect,” “assume,” “seek,” “forecast,” “anticipates,” “appears,” “believes,” “estimates,” “predicts,” “potential” or “continue,” 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 relying on any of these forward-looking statements. Our future performance may be affected by 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, and our ability to realize the expected benefits of the Separation. We discuss many of the risks we face under the caption entitled “Risk Factors” in our 10K and Form 10Q filed 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.

The Company believes that the non-GAAP performance measures and ratios that are contained herein, used in managing the business, may provide users of this financial information with additional meaningful comparisons between current results and results in prior periods. Non-GAAP performance measures and ratios should be viewed in addition to, and not as an alternative for, the Company's reported results under accounting principles generally accepted in the United States. Additional information about the Company is contained in the Company's filings with the Securities and Exchange Commission and is available on TopBuild's website at [www.topbuild.com](http://www.topbuild.com).





# Company Overview, Strategy & Key Messages

Jerry Volas – CEO

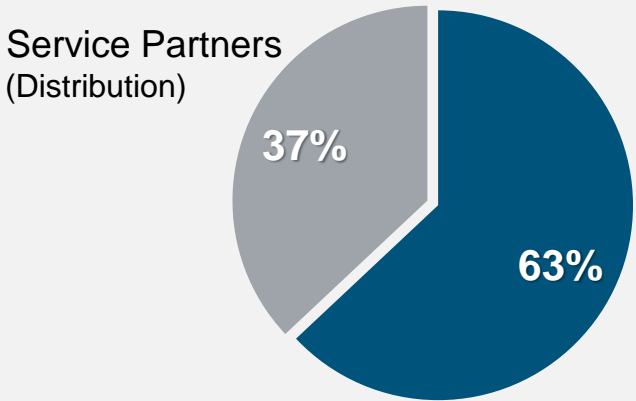




# TopBuild at a Glance (NYSE: BLD)

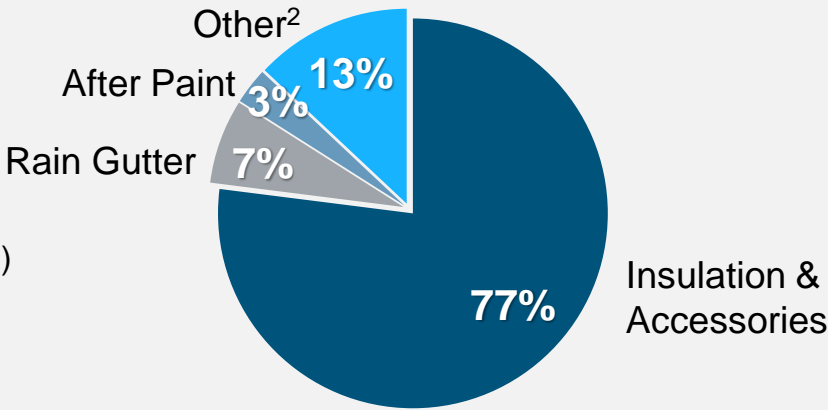
SPIN-DATE (From Masco)	HEADQUARTERS	MARKET-CAP <sup>1</sup>	U.S. EMPLOYEES
June 30, 2015	Daytona Beach, FL	\$2.2B	8,400+

2016 Revenue  
\$1.7B



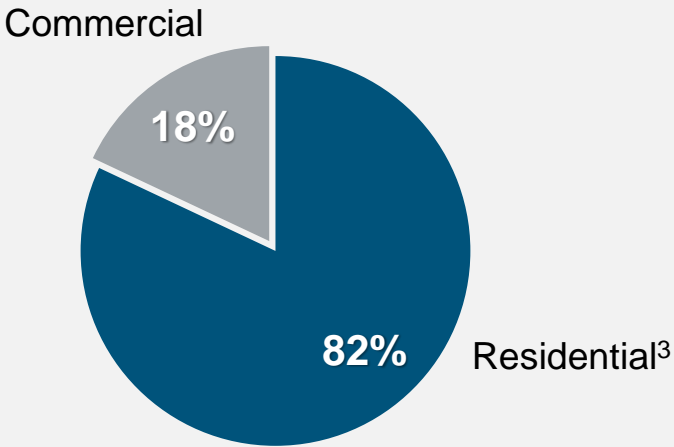
TruTeam  
(Installation)

Product Mix



Insulation &  
Accessories

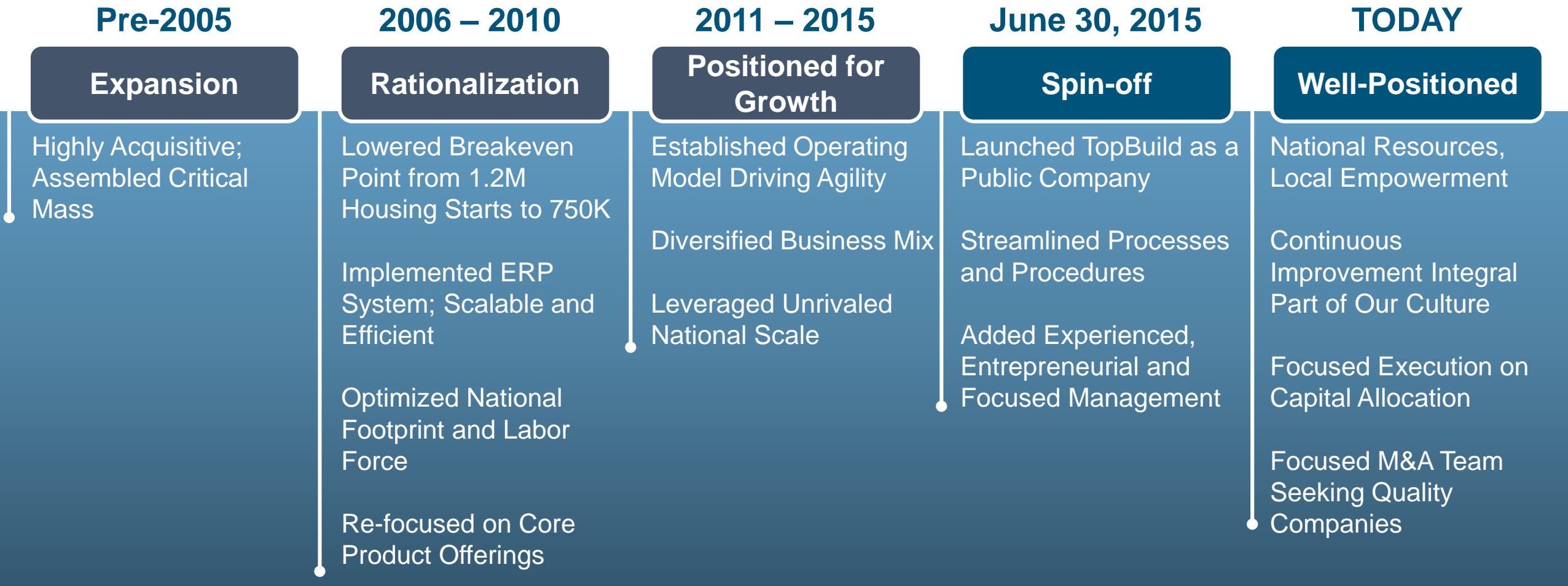
Business Mix



Residential<sup>3</sup>

**Largest Purchaser, Installer and Distributor of Insulation in the U.S.**

# Capitalizing on Established Strong Foundation



# We Are Critical to the Insulation Supply Chain

## PRIMARY FIBERGLASS & SPRAY FOAM INSULATION MANUFACTURERS



**KNAUF**



**CertainTeed**



**#1 in Residential  
Installation**

**35% Share of New  
Housing Starts**

**2x Size of Largest  
Competitor**

## BUILDERS & CONTRACTORS

- **Residential New Construction Highly Fragmented**
- **50K+ U.S. Home Builders**
- **50% of Housing Starts Covered by Large National/Regional Builders**



# Key Messages



**Maximizing Opportunities Related to Favorable Macro Drivers**

**Seasoned, Energized and Cycle-Tested Management Team**

**Leveraging Unrivaled National Scale to Increase Market Share through Organic Growth and Acquisitions (Resi & Commercial)**

**Driving Operational Excellence throughout our Company to Expand Margins**

**Diversified Business Model Mitigates Cyclicalities**

**Committed to a Blended Capital Allocation Strategy Emphasizing Accretive Acquisitions Followed by Share Repurchases**

# Positive Outlook for Construction Industry

## TopBuild Advantages



**GENERAL ECONOMY**



**POPULATION GROWTH**



**HOUSEHOLD FORMATIONS**



**AGE OF HOUSING STOCK**



**NEW HOME CONSTRUCTION**

Our Footprint Covers 95% of All Housing Starts

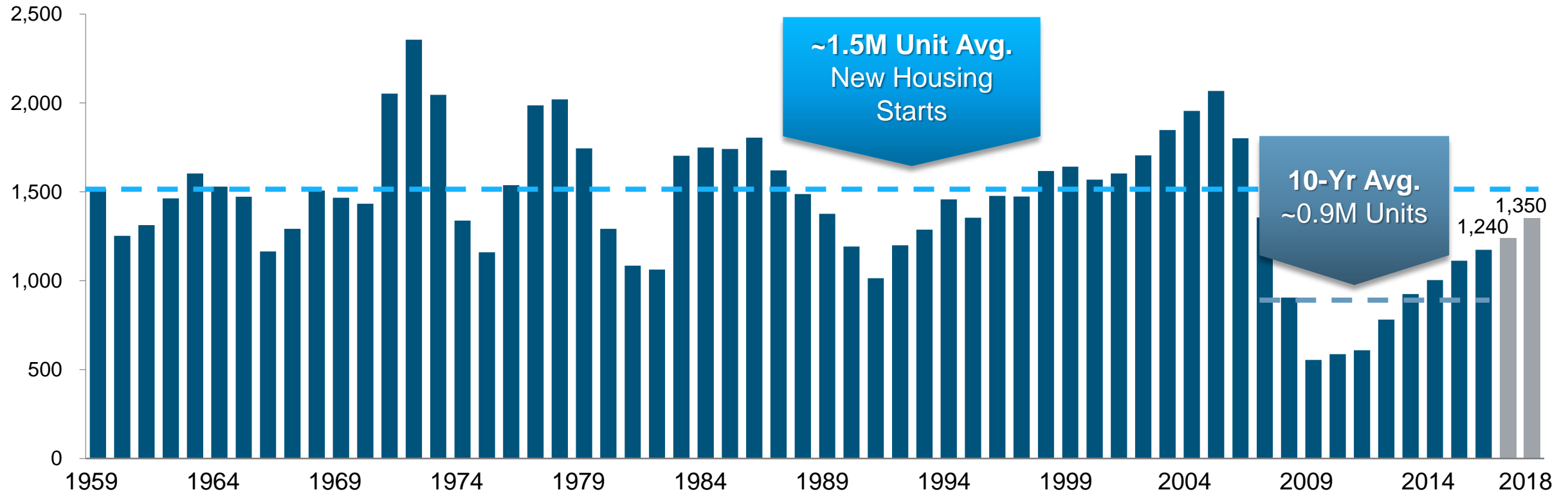
Largest Buyer of Insulation Facilitates Preferred Partnerships with Suppliers

Employer of Choice

**Macro Economic Trends Supporting Growth**

# Recovery in Core End Markets Supportive of Growth

TOTAL U.S. NEW HOUSING STARTS (000s)



- Housing starts reverting toward the norm
- Blue Chip consensus expectations for 5% to 6% growth in 2018 housing starts
- Continued penetration of commercial construction end markets provides additional growth catalysts



# Energized Key Leadership Focused on Strong Execution



**Jerry Volas**  
CEO



**Robert Buck**  
President & COO



**John Peterson**  
CFO



**Steve Raia**  
SVP, Operations



**Bob Manroe**  
SVP, Operations



**Sean Cusack**  
President, Service Partners



**Bill Christie**  
VP, Business Development



**Dave Procida**  
VP, Commercial Bus. Dev.



**David Cushen**  
SVP, Mergers & Acquisitions

**Seasoned, Experienced and Cycle-Tested Management Team**

# One Company Leveraging Two Leading Channels



## INSTALLATION

Provide contractor services to large/national builders



## DISTRIBUTION

Distributes products to a variety of customers



Small Contractors,  
Lumber Yards, Retail



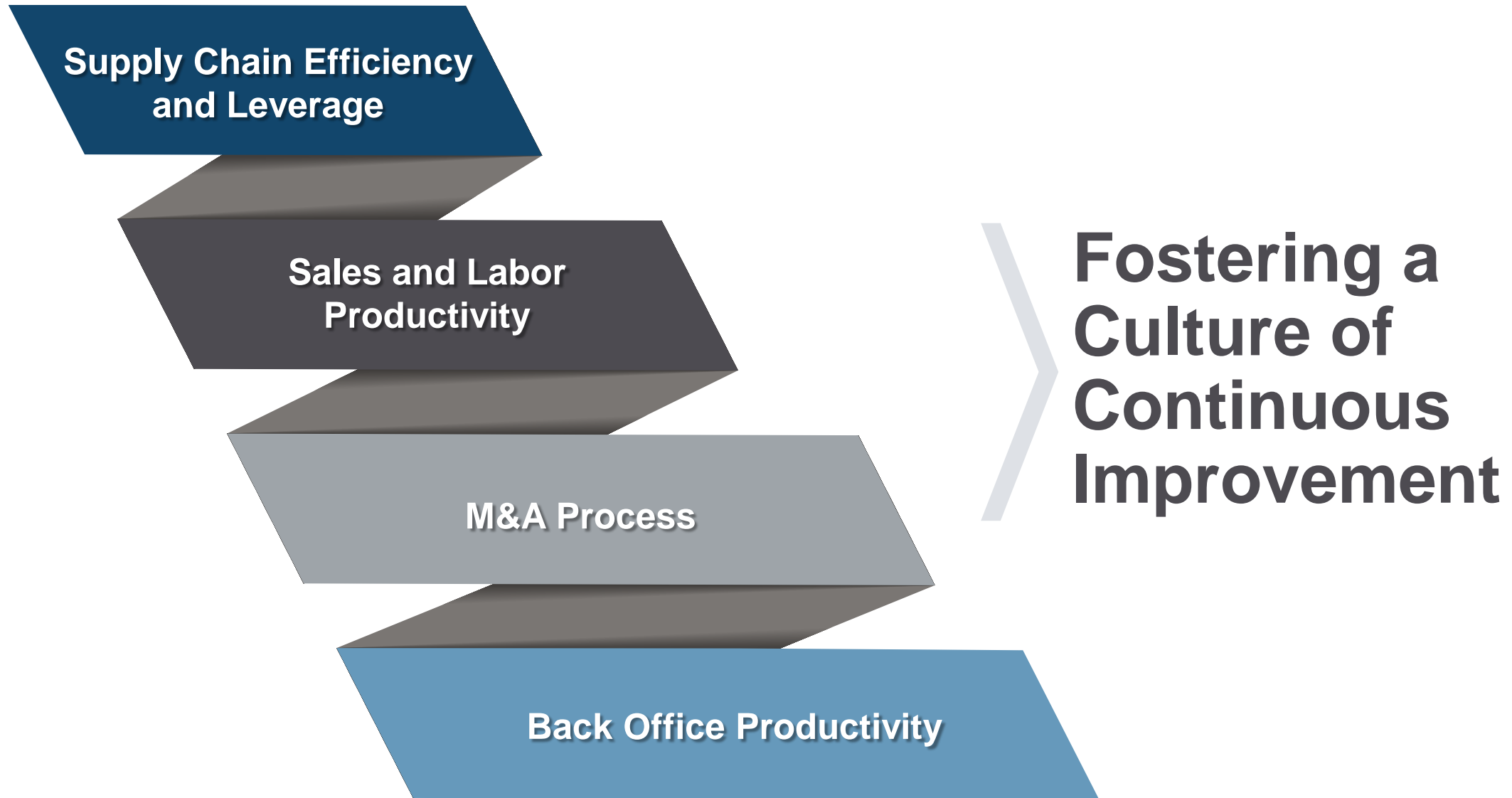
Access to

**50K+**

Builders and General Contractors

**Together, We Reach Customers Regardless of Size or Geographic Location**

# Operational Excellence Involves Every Aspect of our Business

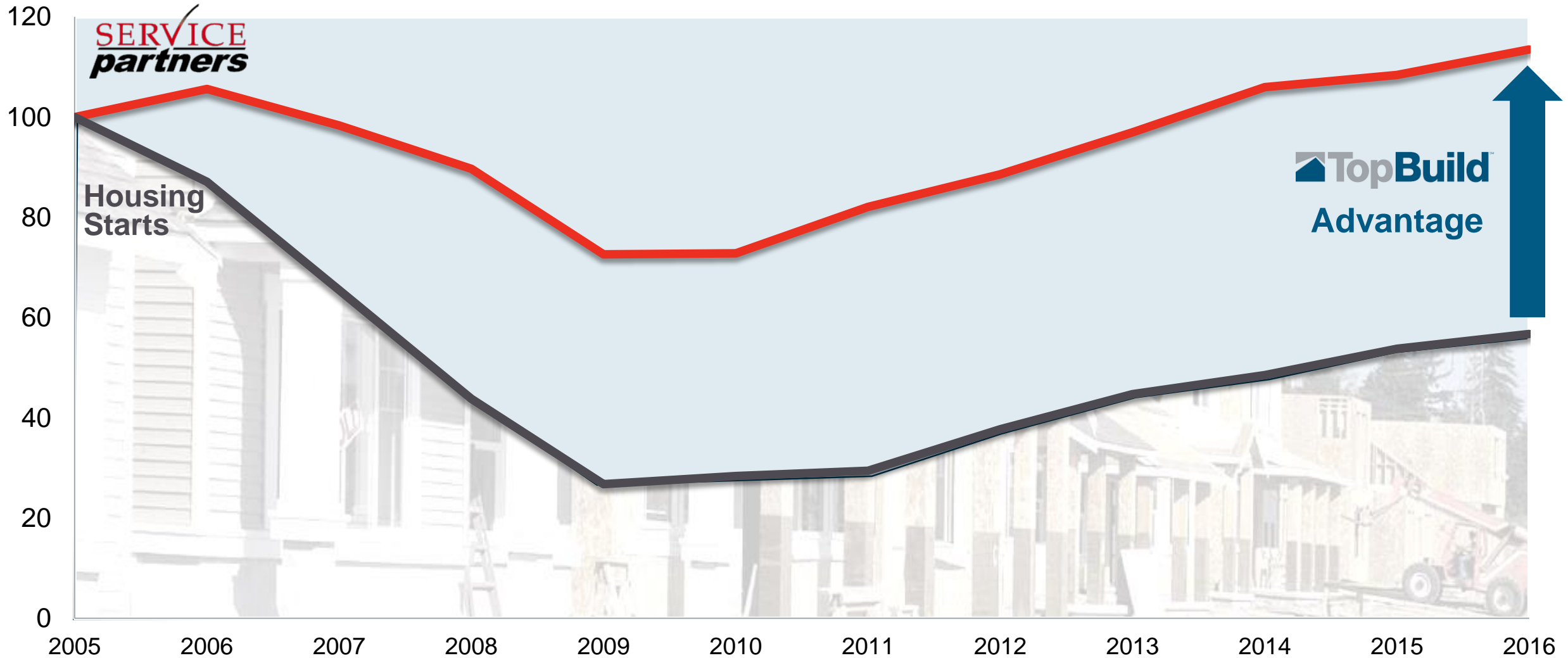




# Service Partners: Hedge Against Housing Starts Volatility

Indexed to 100

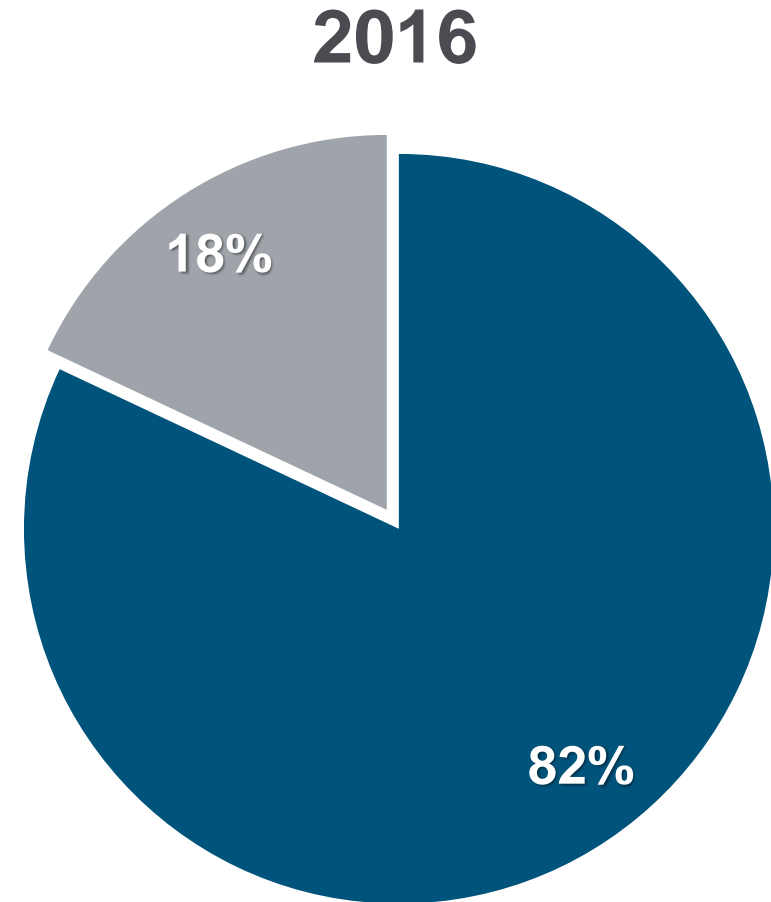
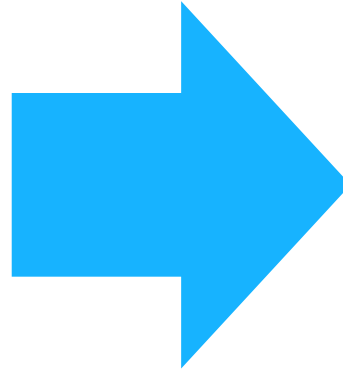
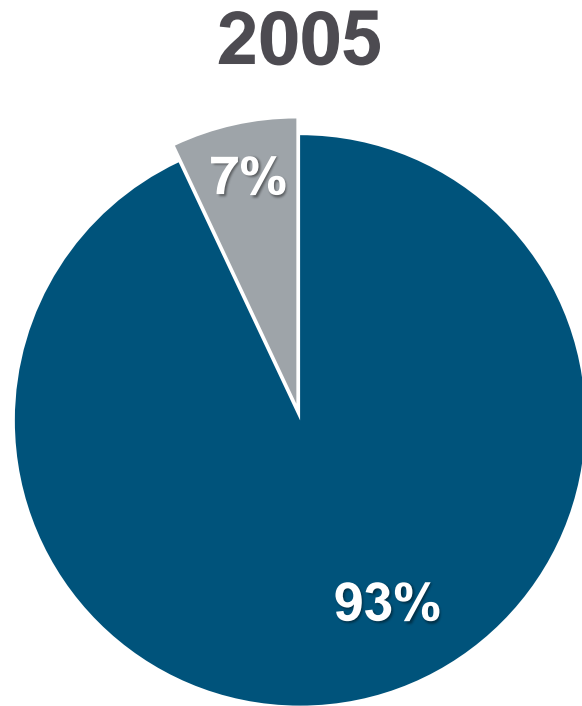
## SERVICE PARTNERS SALES VS. HOUSING STARTS



**TopBuild**  
Advantage

# Commercial: Hedge Against Housing Starts Volatility

- Residential<sup>1</sup>
- Commercial



**Greater End-market Diversification to Minimize Cyclicity**

# Capital Allocation Priorities



**Balanced, Thoughtful Approach**



# Platform for Profitable Growth in Place



- Housing starts below 50-year average
- Housing supply low
- Household formations increasing

- Leverage competitive advantages to gain share
- Acquire value-add companies
- Enhance operational efficiency

- Unrivaled national scale
- Unique business model with leverageable platform
- Ability to serve 95% of all housing starts

- Spin-off behind us
- Streamlined processes and procedures
- Delivering strong results

- Blended capital allocation strategy
- Acquisitions #1 priority; remaining disciplined
- Return excess capital through buybacks

**Committed to Sustainable Shareholder Value Creation**



# Company Culture & Operating Model

Robert Buck – President & COO





## **Culture Built on Ethics, Safety, Continuous Improvement and Customer Focus**

## **Operational Excellence Involves Every Aspect of our Business**

- Supply Chain Efficiency and Leverage
- Sales and Labor Productivity
- M&A Process
- Back Office Productivity

## **Talent and Local Empowerment Critical to Success**

- Develop and Acquire Talent in Key Areas
  - Executive Management
  - Directors/Branch Managers
  - Sales Force
  - Direct Labor

# Our Business Model is Differentiated

## CORE STRENGTHS

**Unrivaled National Scale and Buying Power**

**Operational Excellence Focused on Continuous Improvement**

**Footprint and Industry Competencies Enable Adjacent Expansions**

**Tenured Relationships with Customers and Suppliers**

**Exceptional Service and Reliability**

**Focus on Safety**

## COMPETITIVE DIFFERENTIATORS

**Strong Local Presence and Reputation**

**Ability to Leverage our Footprint, Best Practices and Assets**

**Building Science Expertise**

**Flexible Delivery (Less than Full Truckload)  
“One-Stop Shop”**

**Efficient Order Processing and Logistics**

**Product Breadth and Knowledge**

■ TruTeam    ■ Service Partners

# Leadership with Unrivalled National Scale

**LARGEST  
NETWORK IN U.S.**

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**240+  
LOCATIONS**

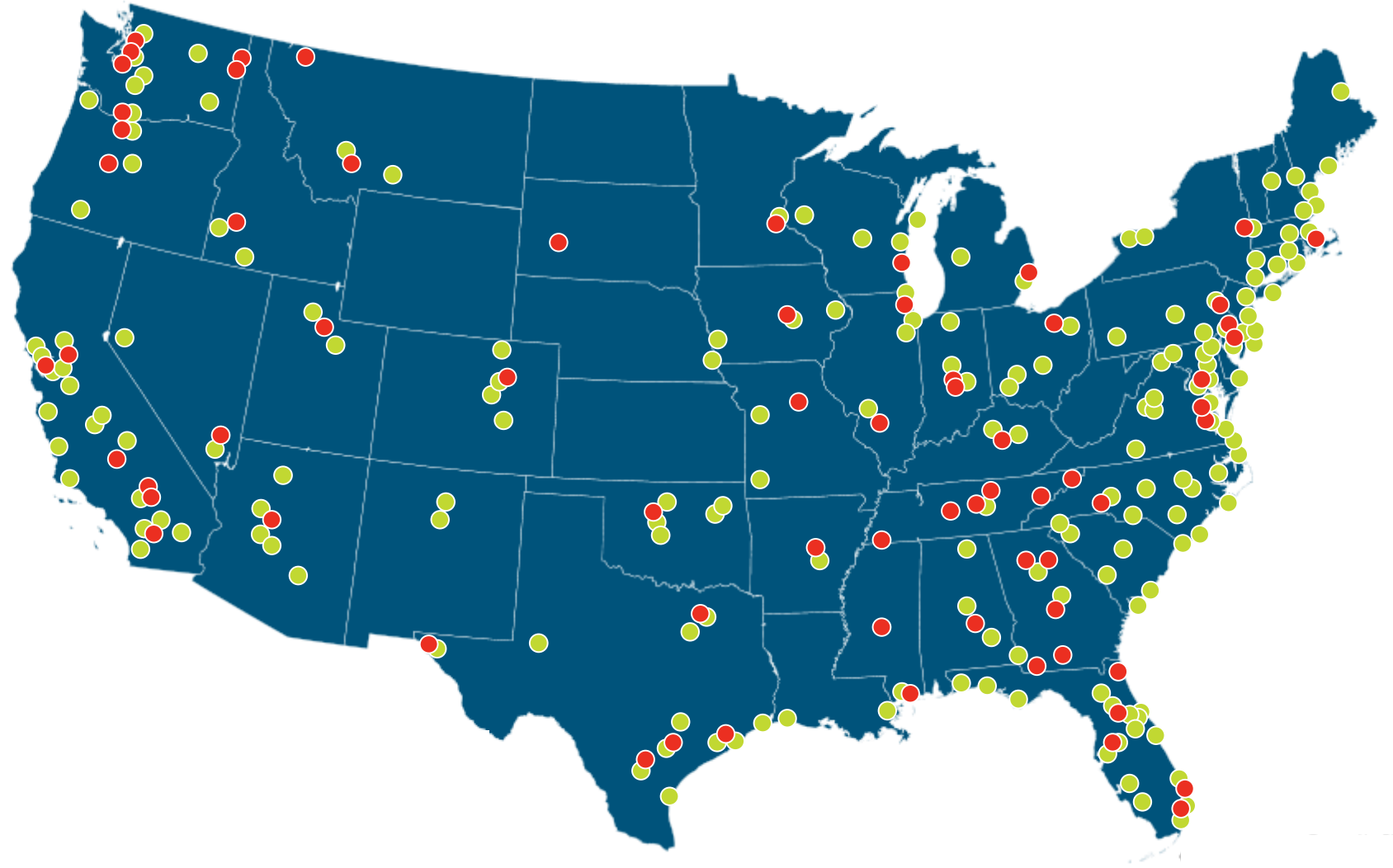
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**SERVING 95% OF ALL  
HOUSING STARTS**

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**99 OUT OF  
TOP 100 MSAs**

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# Fostering a Culture of Operational Excellence...

## Maximize Scale Advantage

- Optimized supply chain to create a win-win scenario for TopBuild and supplier partners

## Increase Sales & Labor Productivity

- Experienced operators
- Entrepreneurial spirit, utilizing best practices and technology

## Optimize Footprint

- Asset leverage and satellite locations
- Branch rationalization
- Acquisitions

## Pursue Back Office Efficiencies

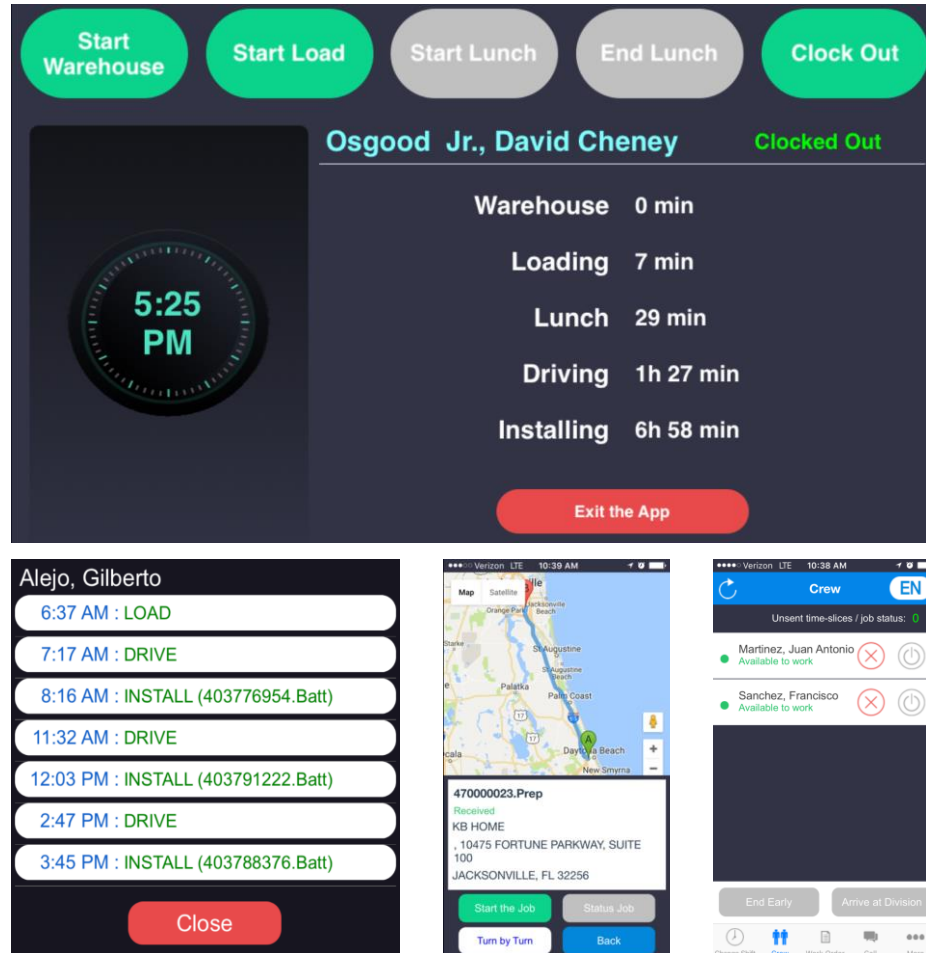
- Streamlined operations in the field and at Daytona branch support center



**...Involves Every Aspect of our Business**



# Utilizing Smart Technology with Real Time Data



## BENEFITS

- ✓ Enhanced Customer Service
- ✓ Job-site Quoting and Options
- ✓ Improved Sales Productivity
- ✓ Performance Metrics Tracking
- ✓ Greater Focus on Efficiency
- ✓ Routing Optimization

**Increasing Sales and Labor Productivity**

# Appealing to Employees and Customers

## WHY EMPLOYEES CHOOSE US

### Strong Focus on Employee Engagement

Referrals

Earnings Potential

Full Suite of Benefits

Clear Career Path

## WHY CUSTOMERS CHOOSE US

### Extensive Verification and Training Process for New Hires

Employment Verification

Drug Screening

Criminal Background Check

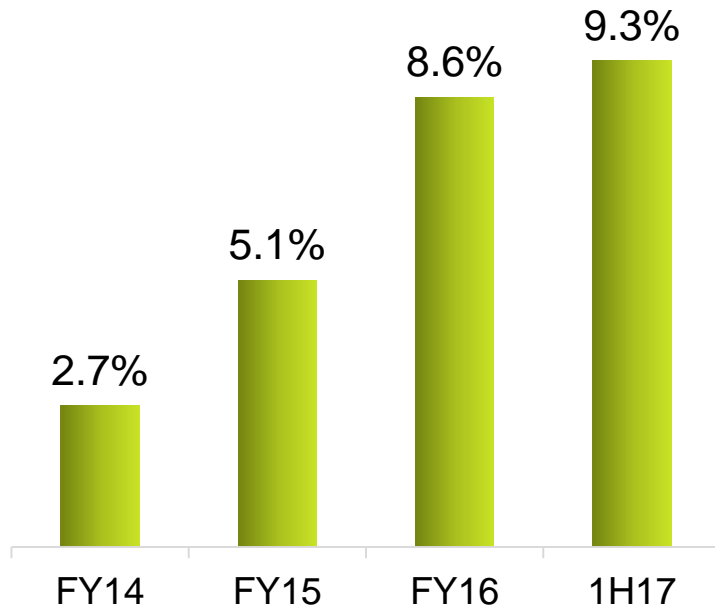
Safety Training

**Multiple Benefits to Employees and Customers**

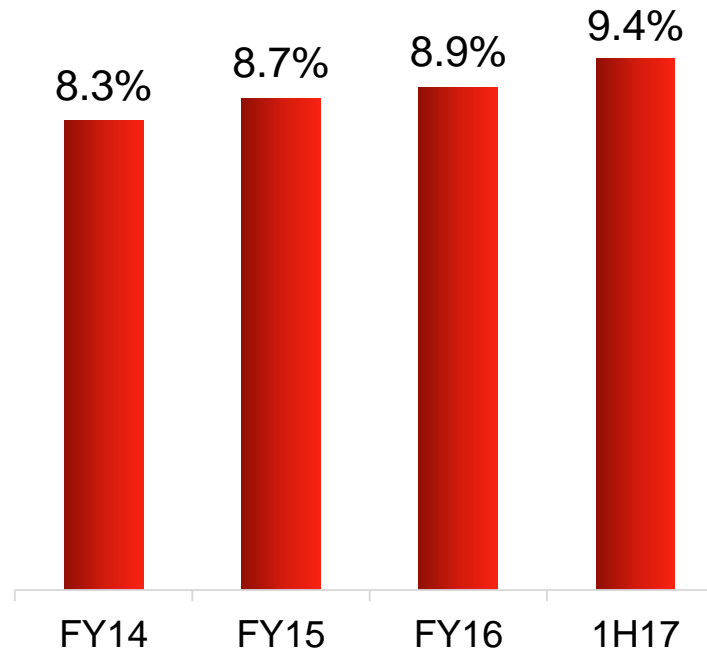
# Operational Excellence: Strong Margin Expansion Driven by...

## HISTORICAL ADJUSTED OPERATING MARGINS

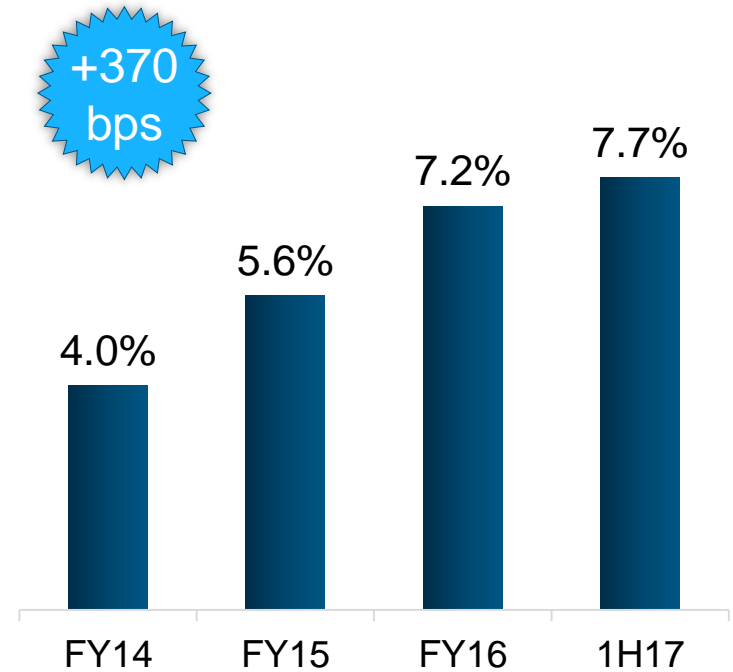
### TruTeam



### Service Partners



### TopBuild



...Focused Price Discipline, Improved Productivity & Culture of Continuous Improvement

# Key Takeaways

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- Promoting a Strong Results-oriented Culture
- Driving Operational Excellence Throughout our Organization
- Leveraging our Scale and Deep Relationships to Drive Results
- Attracting and Retaining Top Local Talent
- Engaging Employees and Fostering an Entrepreneurial and Empowered Spirit
- Building on New and Existing Competencies to Expand the Business



**Focused on Continuous Improvement**



# Residential

Bill Christie – VP, Business Development





# Key Messages



**Unparalleled Value Proposition to Meet Customer Needs**

**Leveraging Market Analytics to Drive Share Growth**

**#1 or #2 Player in Most Markets We Serve**

**Highly Trained and Motivated Sales and Production Teams**

**Local Relationships Enhanced by National Resources**



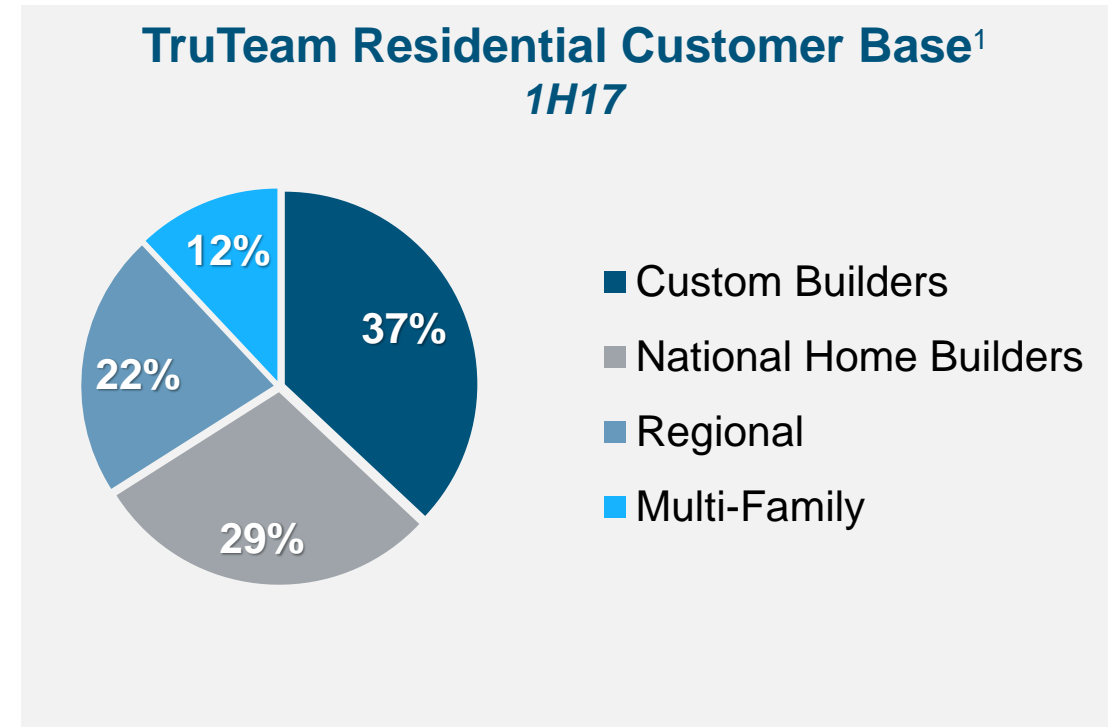
# Residential Market Opportunities for TopBuild

## MARKET OVERVIEW

- Housing market continues to improve; starts remain below 50-year historical average
- Seeing mix shift in housing starts towards single-family
- Stricter energy codes driving complexity and product innovation

## COMPETITIVE LANDSCAPE

- After top three players, highly fragmented industry
- Network of niche specialty players offering ancillary products



**Leverage Building Science Expertise, Robust Analytics to Capture Opportunities**

# Unparalleled Value Proposition

## PEOPLE



**5,500+ Installers Hired through Same Process, Ensuring Quality of Labor Force**

## SAFETY



**Zero Tolerance Engrained in our Culture**

## SCALE



**Ability to Deploy Resources to Other Branches as Needed (Labor, Equipment, Trucks)**

## BUILDING SCIENCE



**Expertise to Help Customers Navigate and Meet Code Changes**

**Talent, Local Empowerment and Scale Are Key Differentiators**

**Capture More  
Residential  
Market Share**

**Further  
Penetrate  
Light  
Commercial  
Market**

**Drive Growth  
in Spray Foam**

**Simple and Focused Strategy**

# Our TruTeam Sales Process to Capture More Market Share

- Typical branch has 3 to 4 seasoned construction sales personnel, managed locally
- Sales boot camp held at branch support center in Daytona for all new hires
- Ongoing formal training and proprietary sales tools to streamline and enhance customer experience
- At national level, dedicated resources to big builder and multi-family channels

## CUSTOM BUILDERS

- Local relationships win the order
- Higher take per unit
- Laser focused on opportunities; permit-by-permit
- Expanding sales footprint

## NATIONAL & MULTI-FAMILY

- Deep, long-lasting relationships with national builders
  - Multiple levels of engagement (e.g., top-to-top)
  - Visibility into large projects
- Execution occurs locally

## REGIONAL BUILDERS

- Strong share; established market leadership
- Regional managers and local sales leaders have strong customer relationships
- Execution occurs locally

# Gain Share in Light Commercial

## Light Commercial

### TOTAL ADDRESSABLE MARKET

~\$2.4B

### MIX

Retail, Small Office, Hotel and Education

### TYPICAL SIZE

1 to 3 stories

### TYPICAL AMOUNT

~\$2K to \$20K

- **Universal opportunity; all branches participate**
  - Different customer base
  - Residential skillsets transferrable
- **Focused strategy to capture share**
  - Specialized sales force
- **Different operating cycle serves to diversify portfolio**



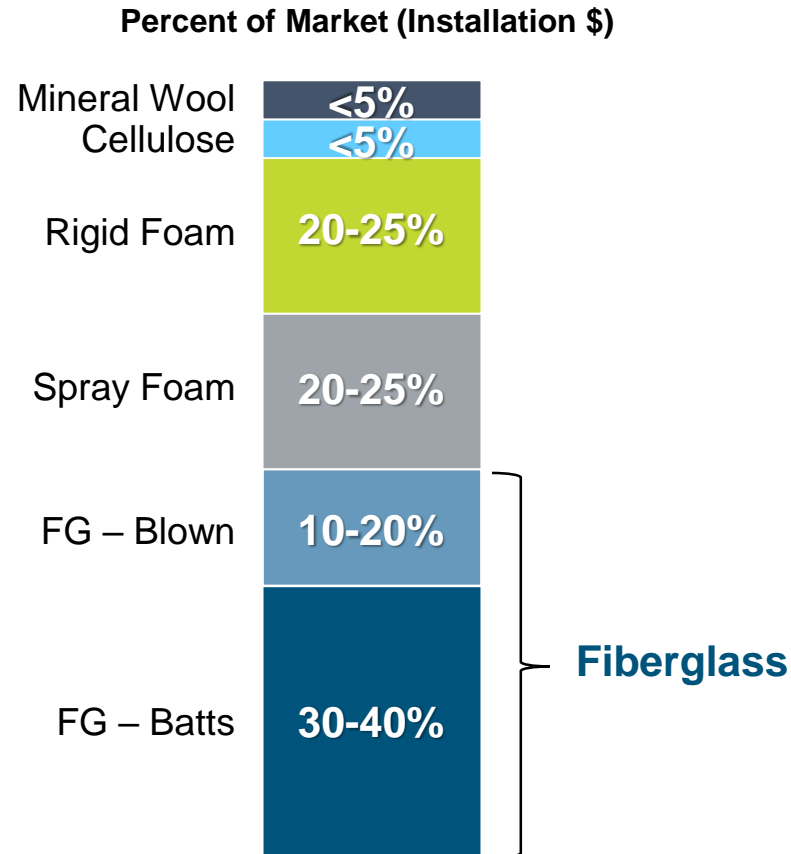
**Attractive Growth Vertical; Proven Track Record of Successful Execution**

# Substantial Spray Foam Growth Opportunities

## SPRAY FOAM MARKET OVERVIEW

- Total national sales account for ~10-12% of units and 20-25% of insulation revenue
- Innovation has improved safety, yield and ease of installation
- Cost differential between spray foam and fiberglass has narrowed
- Energy code changes driving growth

## 2016 U.S. INSULATION MARKET BY MATERIAL<sup>1</sup>: \$11B



## PATH FORWARD

- Increase spray foam adoption across entire customer base through focused sales effort
- Leverage building science expertise to communicate value
  - Code compliance, increased comfort, energy savings
- Pursue acquisitions to complement organic growth strategy

## Fueling Growth for 2017 and Beyond



# Key Takeaways

- Strong Market Leadership; Experienced Management Executing Clear Growth Strategy
- Favorable Macro Trends; Additional Opportunity in Residential Construction
- Multiple Growth Opportunities
  - Strengthening Established National/Regional Customer Relationships
  - Leveraging Local Relationships to Expand Custom Builder Share
  - Driving Spray Foam Adoption
  - Further Penetrating Light Commercial Vertical
- Unparalleled Customer Value Proposition



**Right Time, Right Team, Right Strategy**



# Branch Management

Moderator: Robert Buck

Panel: Steve Raia & Bill Christie







# Commercial

Dave Procida – VP, Commercial Business Development



# Key Messages



**Specialty Contractor; Highly Experienced with Multiple Application Capabilities**

**National Player in a Highly Fragmented Industry**

**Significant Growth Opportunity**

**Expansion through Organic Growth and M&A**

# \$4.8B Market Opportunity in Commercial Insulation

	LIGHT COMMERCIAL	HEAVY COMMERCIAL
MIX	Retail, Small Office, Hotel & Education	Hospitals, Universities, Stadiums & Institutional
TYPICAL SIZE	1 to 3 stories	3+ stories
TYPICAL AMOUNT	~\$2K to \$20K	~\$200K+

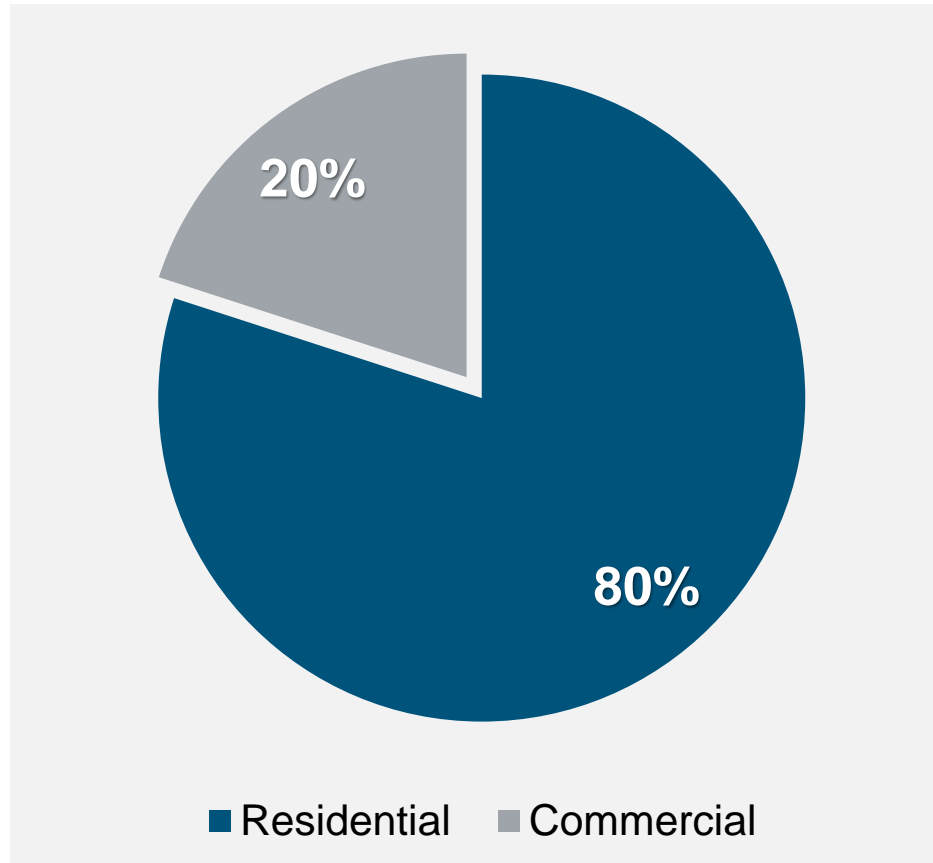
## ATTRACTIVE SEGMENT

- High barriers to entry
- Higher operating margins compared to residential new construction
- Longer construction cycle with good visibility into future projects
  - Light commercial: 6 to 12 months
  - Heavy commercial: 18+ months

**Top 25 MSAs Present Best Opportunities (~80% of All Projects)**

# Revenue Streams Continue to Grow...

**TTM 2017<sup>1</sup>**



- Industry leader at 7% to 8% market share
- 16% 3-year revenue CAGR
- Significant runway for growth

**...Through Smart Organic Growth and Strategic M&A**



# Commercial Applications: Basic

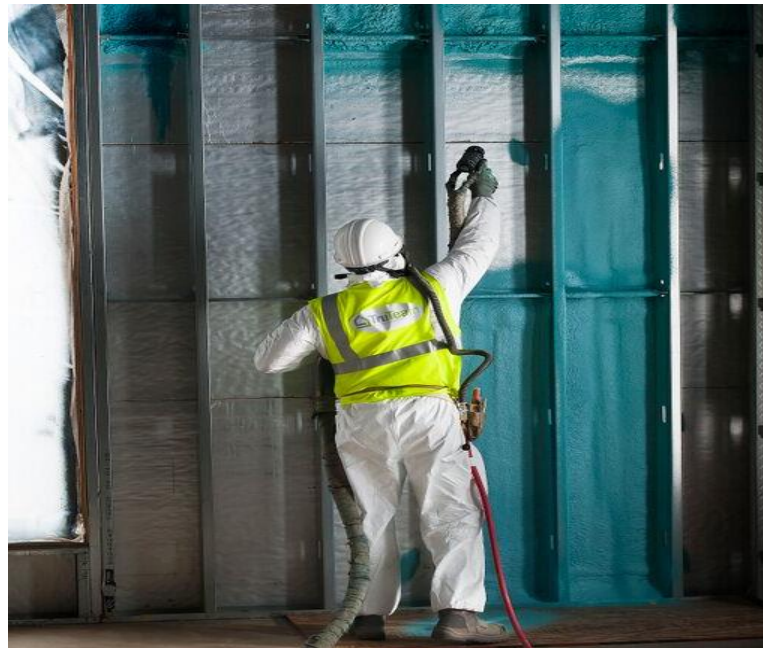
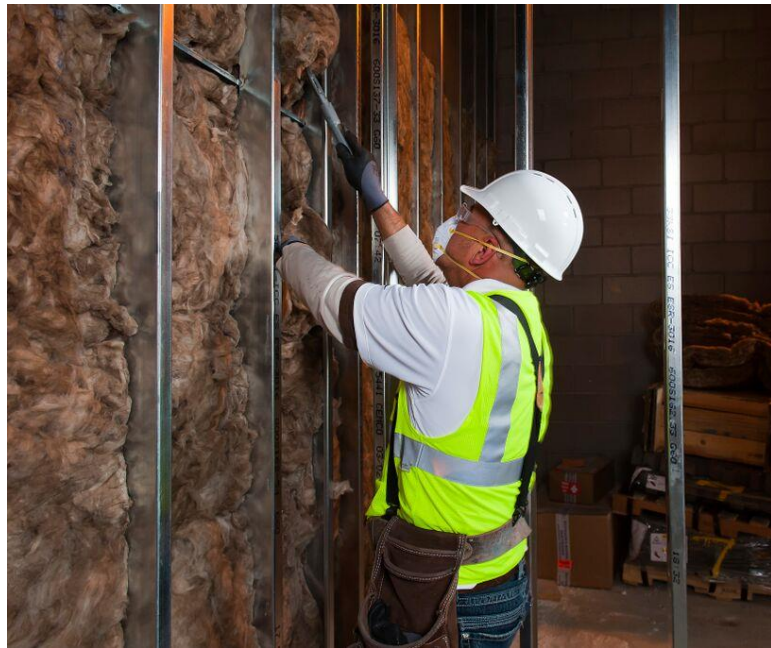
**THERMAL &  
SOUND BATTS**



**SPRAY  
FOAM**



**METAL BUILDING  
INSULATION**



**Performed by All Branches**



# Commercial Applications: Technical

**AIR/VAPOR  
BARRIER**



**CURTAINWALL  
INSULATION**



**SLAB EDGE  
FIRESTOP**



**Complex Applications Performed by Experienced Branches**

# Commercial Applications: Specialty

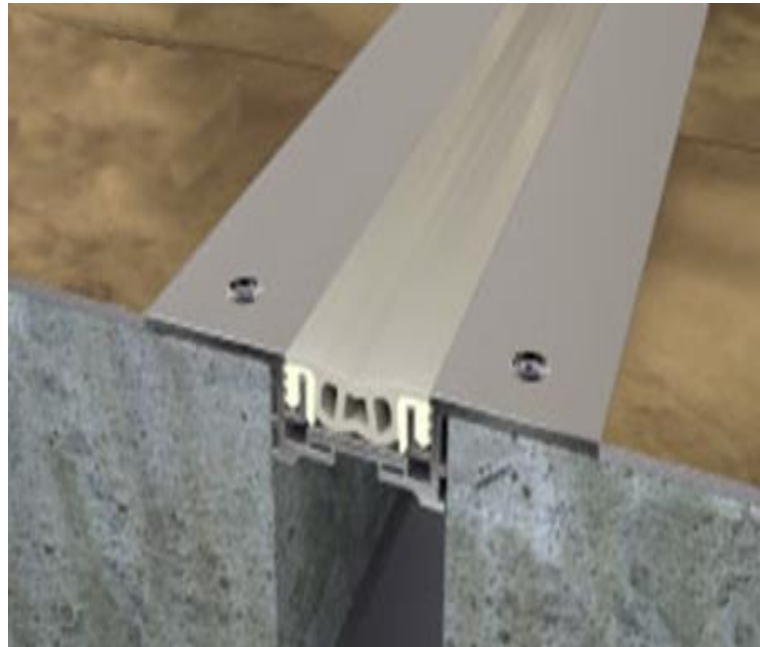
**TOP OF  
WALL FIRESTOP**



**EXPANSION  
JOINTS**



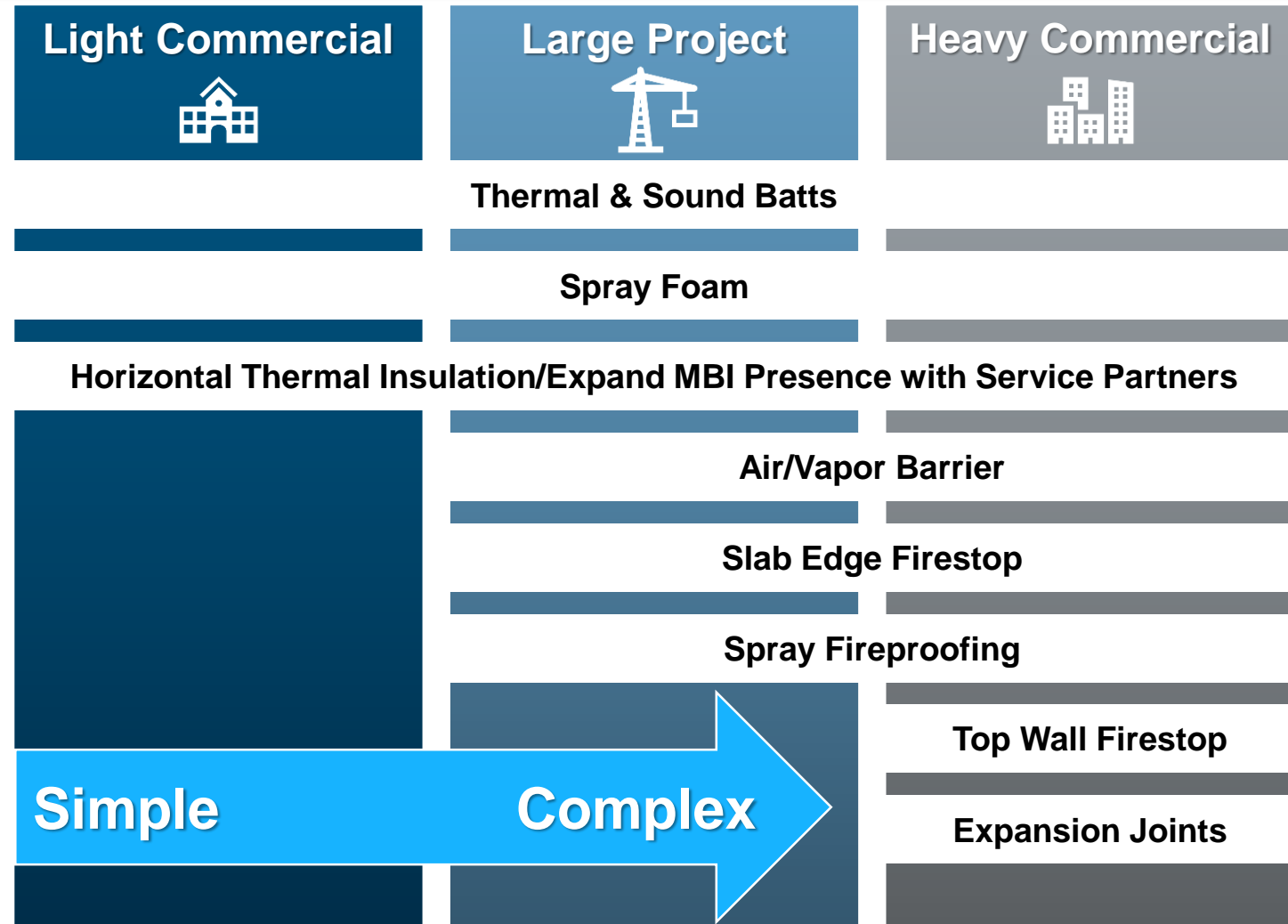
**SPRAY  
FIREPROOFING**



**Highly Technical; Performed by Designated Branches**

# Heavy Commercial Growth Initiative

- **Selling into contractor customer base**
  - General
  - Drywall
  - Curtainwall
- **Offering unique bundled applications**
  - Increases value to our customers
  - Increases project take
- **Created Centers of Excellence**
  - Light Commercial Hub
  - Heavy Commercial Hub



**Double-Digit Growth Expected to Continue**

# Commercial Hub Support Model: Branch Benefits

- 14 team members with commercial expertise
  - Experience: Average 20+ years
- Leveraging commercial talent across the company
- Standardizing best practices
- Investing in technology to grow commercial capacity and scale



**Consistent and Best Practices Across All Phases**



# Heavy Commercial Path Forward

## Expand Project Take with Existing Customers & Grow Customer Base

- Engage existing customers with expanded application offerings
- Attract new customers as we enter new markets
- Leverage customer base from acquisitions

## Standardize Service & Product Offerings

- Build and share “best practices”
- Centralize critical functions to support branch execution
- Add adjacent applications

## Grow in Top 25 Metro Areas

- Grow organically and complement with strategic, bolt-on acquisitions
- As specialty contractor, our link to project opportunities and future acquisitions is significantly enhanced

**A Focused Strategy and Definable Value Proposition to Succeed**

# TruTeam Capacity to Service | Daytona Beach Speedway

1

**IDENTIFY THE PROJECT:** National accounts business development

2

**TECHNICAL ESTIMATE** and proposal prepared by our Denver commercial branch

3

**MANPOWER FOR BASIC APPLICATIONS** provided by local New Smyrna, FL division

4

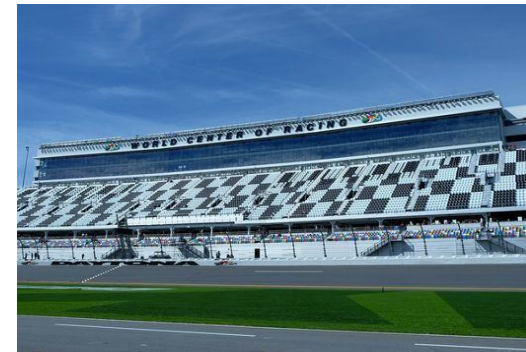
**TECHNICAL APPLICATIONS** performed by Washington D.C. branch

5

**SPECIALTY MATERIALS** provided by Service Partners

Collaborate ➤ Resource ➤ Execute

Effective Use of TopBuild's Scale and Commercial Expertise





# TruTeam Capacity to Service | MGM National Harbor



- Spray Fireproofing
- Intumescent Paint
- Spray Foam



- In-wall Insulation
- Under-Deck Insulation
- Top of Wall Firestop
- Curtainwall Insulation
- Air Barrier

*Given our national experience with TruTeam, their ability to support us from the budget stage on and execute in the field on multiple applications made them the obvious choice as our key subcontractor on this massive project.*

*They are truly a strategic business partner.*

**Richard Unger, VP  
Component Assembly Systems**



**1 Project | 2 Divisions | 3 Clients | 8 Applications | \$5M in Contracts**

# Selected Heavy Commercial Projects

## Federal



**The Pentagon**



**FBI Field Office, D.C.**



**Census Bureau HQ**



**Patent & Trademark Office**

## High Rises



**432 Park Avenue**



**One World Trade Center**



**Hudson Yards**



**Sales Force Rincon Center**

## Sports Facilities



**Yankee Stadium**



**Daytona Rising**



**Husky Stadium**



**AT&T Park**

## Special Projects



**Ronald Reagan Building**



**D.C. Convention Center**



**MGM Casino & Hotel**



**Nat'l Museum of African  
American History**



# Key Takeaways

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- **Largest Player in Fragmented Market with High Barriers to Entry**
- **Highly Experienced, Specialty Contractor Offering Unique Bundled Solutions**
- **Leveraging Existing Talent to Expand Application Capabilities**
- **Strategically Expanding through Organic Growth and Acquisitions**
- **Centralized Commercial Hub Provides a Consistent and Accurate Work Product Across All Disciplines**



**Focused Strategy with Strong Value Proposition to Succeed**



# Commercial Management

Moderator: Robert Buck

Panel: Bob Manroe & Dave Procida



# Service Partners Video







# Strategy & Operating Model

Sean Cusack – President, Service Partners





# Key Messages



**Largest National Insulation Distributor with Comprehensive Product and Service Offerings to Customers of All Sizes**

**Unique Value Proposition: Leveraging New Customer Pipeline and Enabling Customer Growth**

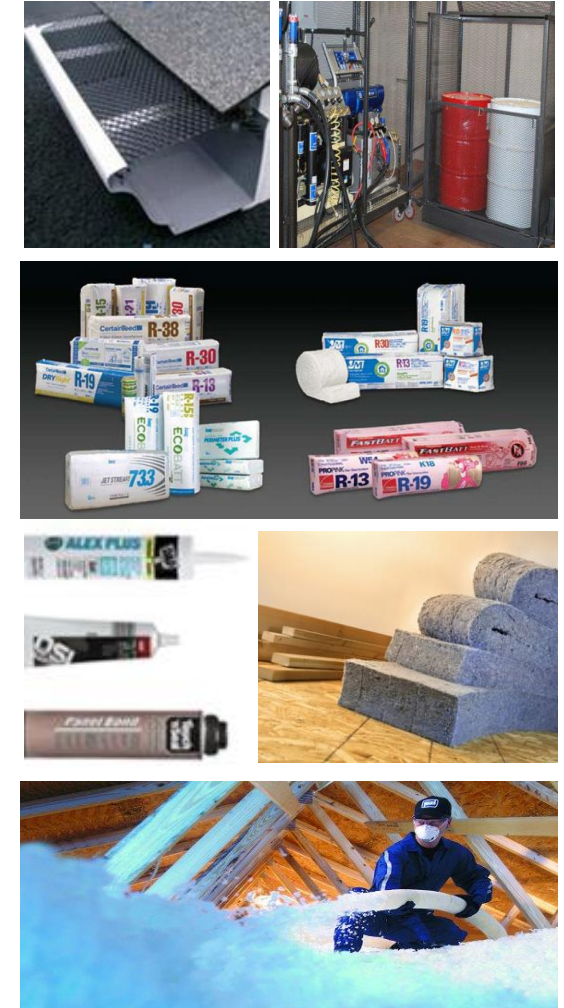
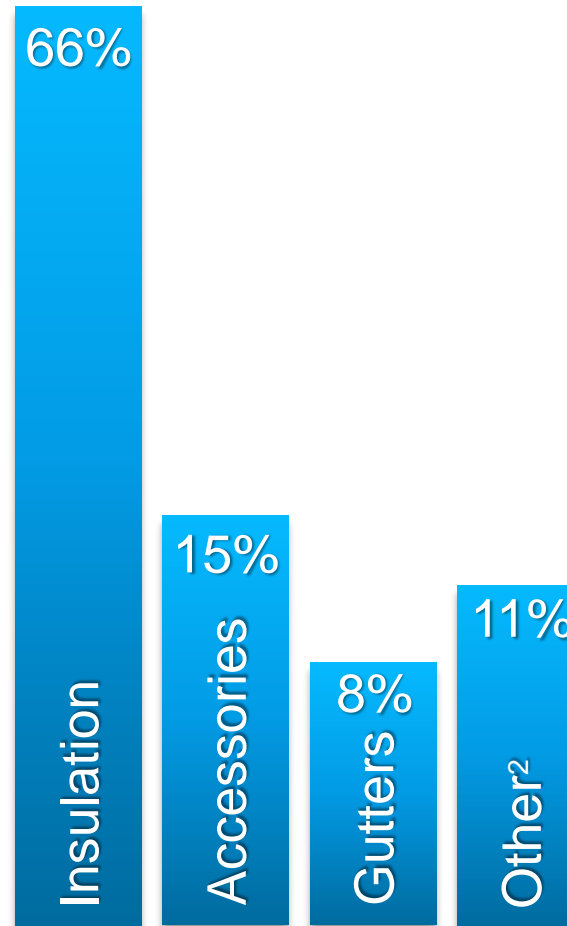
**Long-term Growth Opportunity in Expanding Spray Foam Business through Service and Training**

**Expansion through Organic Growth and M&A**

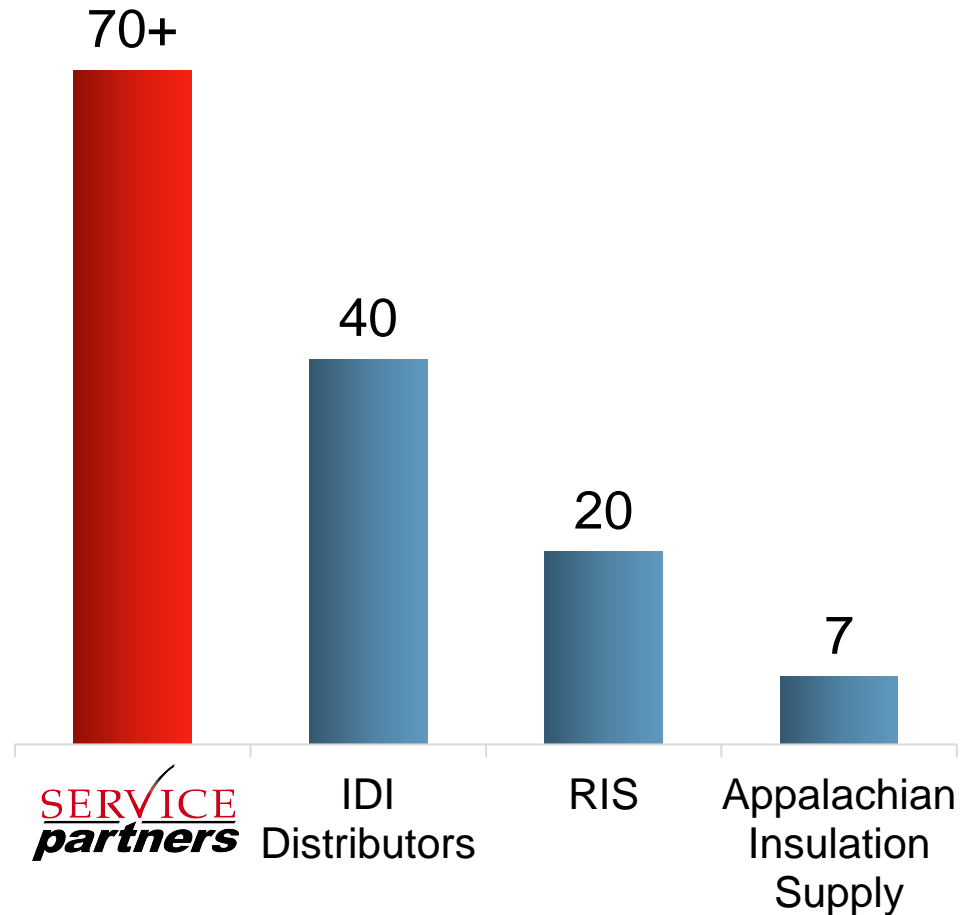
# Service Partners at a Glance

2016 Revenue	\$677M
Adj. Operating Margin	8.9%
Branches	70+
Employees	750+

## PRODUCT OFFERINGS<sup>1</sup>



# National Footprint with Branches in Key Markets



- ✓ Service customers in all 50 states
- ✓ 2.5M+ sq. ft. of warehouse space

# Relationship-Driven Business Model and Value Proposition

## PRODUCT KNOWLEDGE



- Extensive, reliable and current
- Technical training and service support

## EXTENSIVE PRODUCT LINE



- Comprehensive SKU mix across network; all major manufacturers
- One-stop shop for contractors

## COMPREHENSIVE LOGISTICS



- National fleet, just-in-time delivery
- Proprietary e-commerce website

## LOCAL PRESENCE



- Easy pick-up for and/or delivery to customers

## CREDIT AVAILABILITY



- Differentiates us for small contractors
- Avg. DSO < 40 days; default rate < 1%

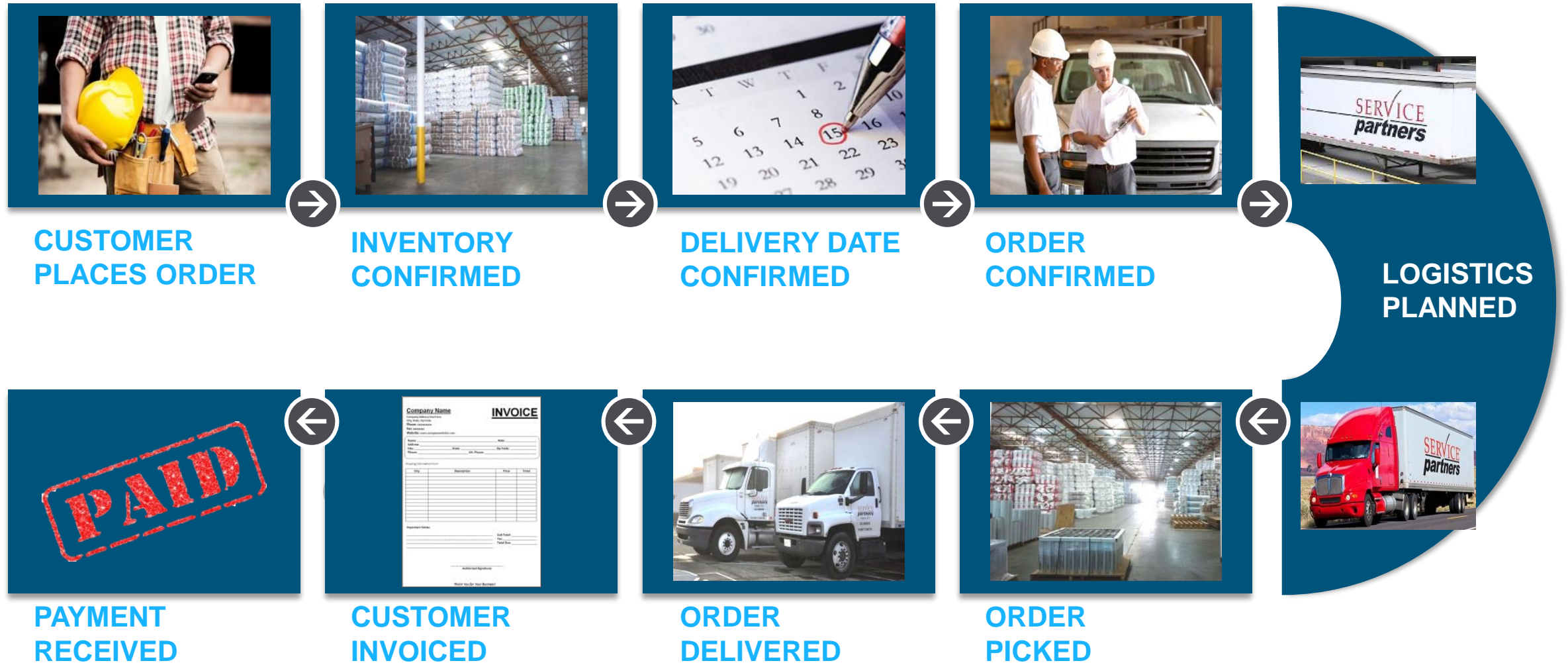
## CONTRACTOR CLUB



- Exclusive customer loyalty program providing training and benefits

**Differentiated Approach Driving Strong Operating Margin**

# Life of an Order



1,000+ Orders per Day

# Path for Growth

**Service  
Smaller  
Contractors**

**Increase  
Attachment  
Rate**

**Introduce  
Service &  
Parts Solution  
to Spray Foam  
Customers**

**Expand  
Commercial  
Product  
Offering**

**Focus on Customers, Product Offerings and Expanded Services**





## BACKGROUND

- Low barriers to entry: continuous supply of new customers
- Customers' lack of scale limits their ability to buy direct
- Smaller purchase quantities due to lack of warehouse space and capital equals higher margins for Service Partners
- Typically, less than \$100K in purchases through Service Partners

## STRATEGY

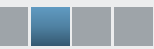
**Gain New Contractors through Cold Calling, Strong Service Reputation and Word of Mouth**

**Seek to Develop Business Partnerships Early; Support their Growth and Build Loyalty**

**Increase Sales Force; "Feet on the Street"**

**Premium Paid for Service and Expertise**

# Increase Attachment Rate



## BACKGROUND

- Significant opportunity to up-sell accessories to 40K+ customers
- 1,000 customer touchpoints per day
- Historically inconsistent product offering across organization

## STRATEGY

**Invest in Sales Technology Platform**

**Expand Product and Sales Training Nationally**

**Maximize Sales Dollar per Customer Order**

**Extend Best Practices Across Organization**

**Acute Focus on Increasing per Customer Order Size**

# Introduce Service & Parts Solution to Spray Foam Customers

## BACKGROUND

- Spray foam taking share from fiberglass
- Increased investment required for installation contractor given original equipment/maintenance costs; adds complexity while uptime is critical

### ***Service Partners***

- Distributor of full line of spray foam and related accessories
- Accredited provider of spray foam certification for contractors
- National technical support network

## STRATEGY

### **Roll Out Mobile Rig Repair Pilot Program in 5 Markets**

- Strengthens current customer relationships
- Creates introduction to 1) new customers currently buying from competitors and 2) commercial roofing contractors using spray foam

### **Provide Maintenance and Repair through On-site and Video**

## First-Mover Advantage

# Expand Commercial Product Offering



## BACKGROUND

- Typically sell to commercial GCs, which generates installation leads
- Dedicated, tenured sales force; technical sale
- Currently produce metal building insulation (MBI) at 21 locations
- National footprint will aid commercial expansion

## STRATEGY

**Dedicate Resources to Capture \$4.8B Opportunity**

**Expand Commercial Product Offering and Leverage Footprint**

**Increase MBI Footprint – 3 New Locations per Year**

**Leverage Niche Expertise to Grow Market Share**

# Key Takeaways

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- High-margin Distribution Business
- Extensive Product Offering Nationally
- Deep Local Relationships and High Service Levels; We are a Partner to our Customers
- Clear Growth Strategy in Place
  - Expanding Product Offering
  - Increasing Share of Wallet
  - Investing in Commercial Excellence and Technology



**The ONLY One-Stop Shop for Insulation Contractors**





## M&A

David Cushen – SVP, Mergers & Acquisitions





# Key Messages



**Disciplined, Strategic Approach with Dedicated M&A Team**

**Completed Acquisitions Strengthening our Market Position and Providing Great Return for Shareholders**

**Robust Integration Process**

**Strong Deal Pipeline Provides Significant Growth Opportunity**

# Disciplined M&A Criteria

## STRATEGIC

- ✓ Enhances Scale
- ✓ Increases Penetration in Key Markets and Geographies
- ✓ Augments Business Product Mix, Capabilities
- ✓ Enjoys Sustainable Customer Base
- ✓ Provides Experienced Entrepreneurial Leaders, Trained and Qualified Direct Labor

## FINANCIAL

Targeted 3-year IRR >12%

Significant Cost Synergies from Material Purchasing Power

EBITDA Multiple: 4.5x-6x Pre-synergies

**Seeking Acquisitions Across Both Business Segments**

# Dedicated M&A Team Executing Diligent Process...

- M&A team comprises 8 dedicated members: leveraging cross-functional expertise
  - Business development
  - Operations
  - Treasury
  - Human resources
- Combined team experience of 200+ acquisitions
  - Primarily self-sourced deals
  - Local pipeline generation
  - Significant inbound activity
  - Service Partners referrals

## RIGOROUS PRE-CLOSE PROCESS

- Negotiate legal documents at all stages
- Complete functional due diligence
- Develop cultural fit and integration plan
- Create transition timeline
- Establish support teams and systems plan in place

► **REPEATABLE AND SCALABLE**

**...Resulting in a Robust Active Pipeline**

# Integration Process

- Operations leads process with support from functional teams
- Transfer of all business systems to TopBuild platform begins Day 1
- Functional training provided to new staff through our established Operations Center of Excellence
- Successful integration requires thoughtful approach to melding cultures
  - Critical to maintain entrepreneurial spirit
  - Leverage owner's expertise, customer relationships

## COMPREHENSIVE POST-CLOSE CHECKLIST

- Customer impact
- Employee morale and retention
- Owner engagement
- Synergies
- Critical systems integration
- Supplier relationships
- Performing to plan

► **ONGOING PROFITABILITY REVIEW**

**Established, Thorough and Tested**

# Case Study | Canyon Insulation

## DEAL BACKGROUND

- Sourced through existing relationship
- Well-established, profitable company

- ✓ Strong entrepreneurial owner/operator & seasoned team
- ✓ Provided geographic expansion in southern California
- ✓ Bolstered heavy commercial applications

## DILIGENCE

- Financials & Risk Profile
- Sales Backlog & Pipeline Visibility
- Industry Reputation
- Customer Relationships
- Company Culture
- Union Pension Reviews






## INTEGRATION

- On-site Support Day 1
- Employees Introduced to TopBuild & Benefit Programs
- Customers & Suppliers Contacted
- Transferred to TopBuild Systems within One Week
- Internal Controls Training

**Fully Integrated into TopBuild within One Month**



# 2017 Completed Acquisitions

	CLOSE DATE	Annual Revenue
 <b>MIDWEST</b> — Fireproofing, LLC. —	Jan	~\$20M
	Feb	~\$23M
<i>Mr. Insul</i> <b>FOAM</b>	Feb	~\$2M
 <b>CAPITAL</b> Insulation Services	Mar	~\$7M
 <b>SUPERIOR</b> INSULATION PRODUCTS	Apr	~\$12M
 <b>C</b> Canyon <b>I</b> Insulation, Inc.	Jun	~\$28M

Focus Area

- Heavy Commercial
- Resi & Light Commercial
- Residential

## KEY CRITERIA

- ✓ Enhances Scale
- ✓ Increases Penetration in Key Markets, Geographies
- ✓ Augments Business Product Mix, Capabilities
- ✓ Enjoys Sustainable Customer Base
- ✓ Provides Experienced Leaders and Qualified Labor

# Key Takeaways

- **Disciplined, Strategic Acquisitions are a Top Priority**
  - Drives Growth
  - Augments Product Mix/Capabilities
- **Positive Benefits Realized**
  - Immediate Synergies from Material Purchasing Power
  - Respective Owners Have Joined TopBuild and Strengthened our Management Team
- **Dedicated M&A Team Comprising Seasoned, Experienced Business Leaders**
- **Well-defined Diligence and Integration Processes**
- **Acquisitions Performing per Expectations**
- **Robust Pipeline Provides Additional Growth Opportunity**



**Continued Focus on M&A to Enhance Shareholder Value**



# Financial Overview

John Peterson – CFO



# Key Messages



**Differentiated Operating Structure Positions Us Well with Ongoing Housing Recovery**

**Financial Results Provide Clear Evidence our Plan is Working**

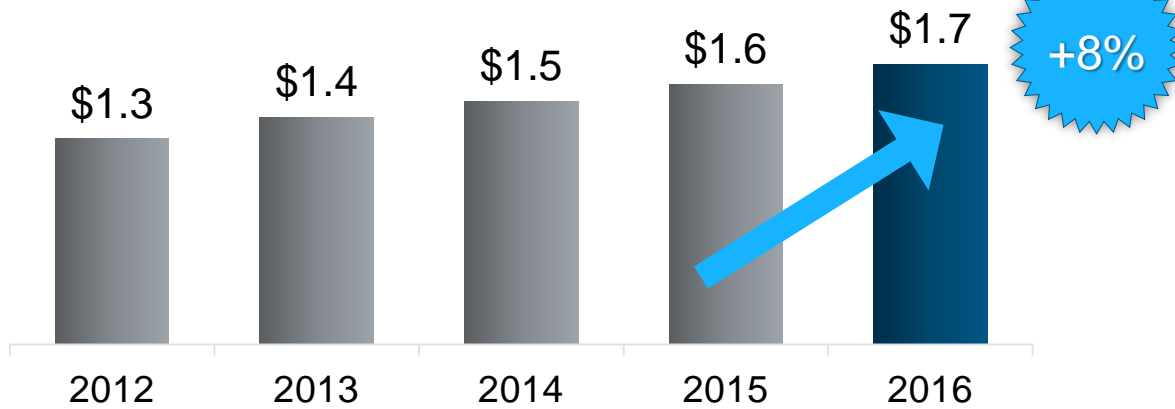
**Top Line Growth and Operational Efficiency Improvements are Generating Strong Margin Expansion**

**Bullish on Macro Economy and Industry Growth**

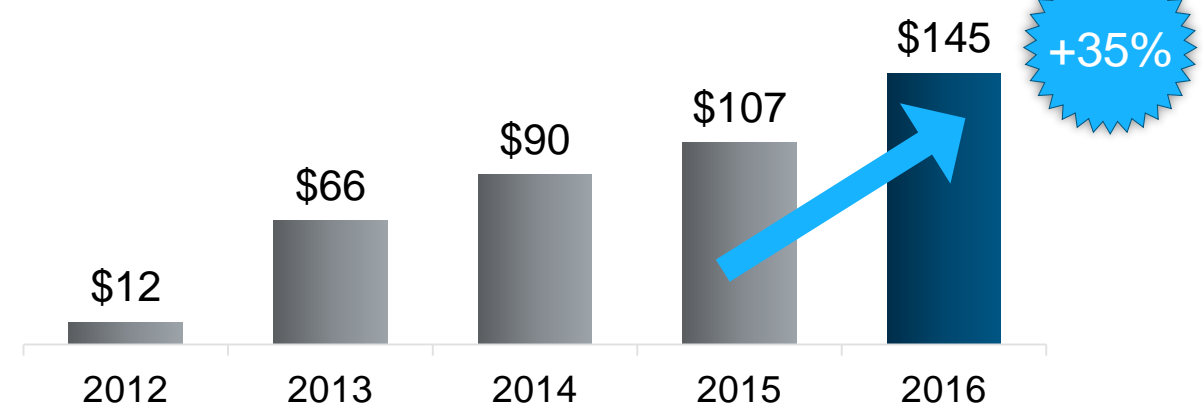
**Balanced Capital Allocation Strategy to Maximize Shareholder Returns**

# Accelerating Profitability Since Spin Off

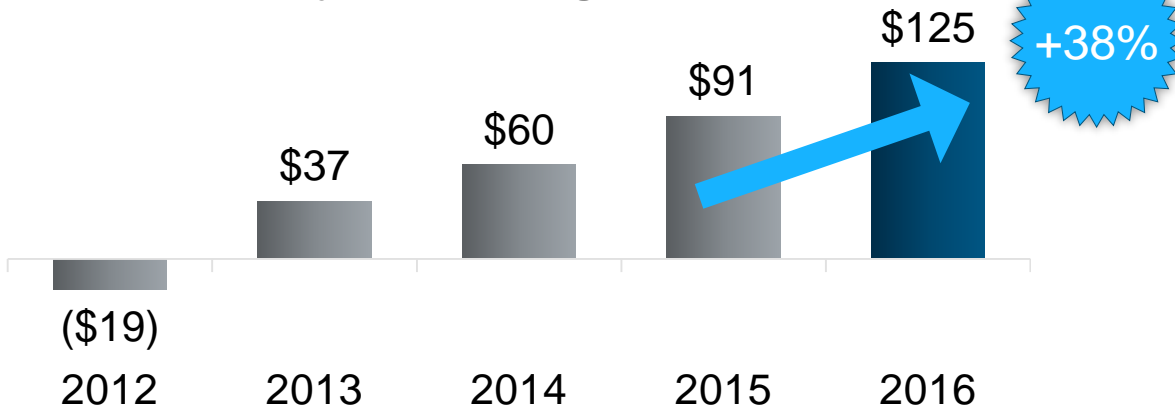
**Revenue (\$B)**



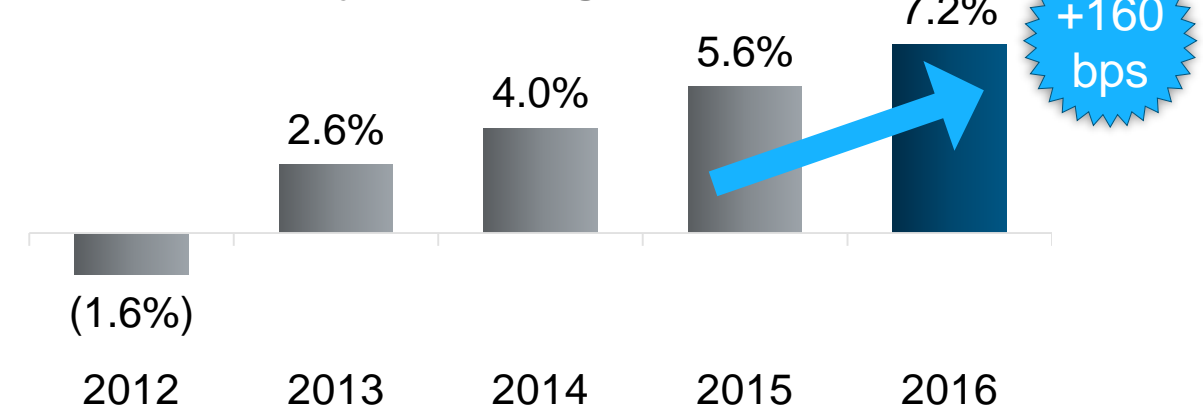
**Adj. EBITDA<sup>1</sup> (\$M)**



**Adj. Operating Profit<sup>1</sup> (\$M)**



**Adj. Op. Margin<sup>1</sup> (%)**

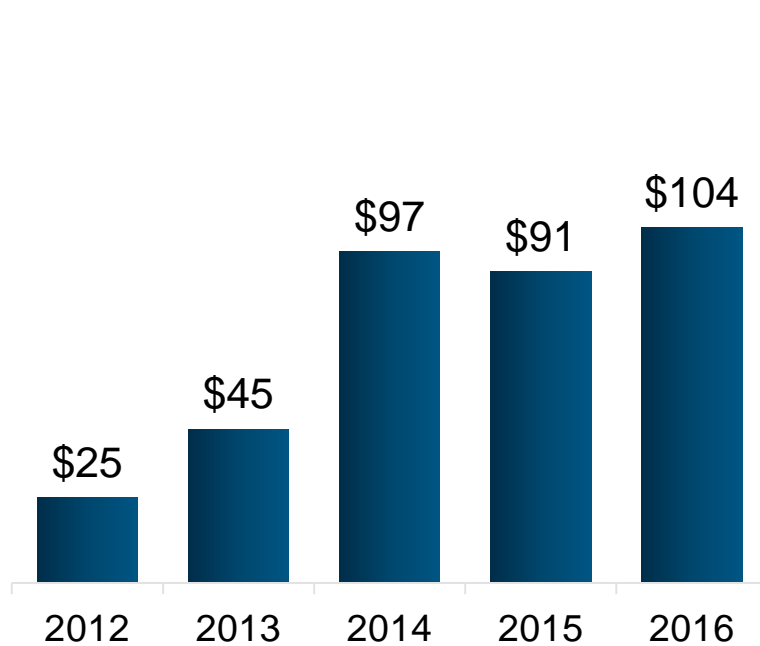


**Strong Growth, Productivity & Operating Leverage Has Delivered Strong Results**

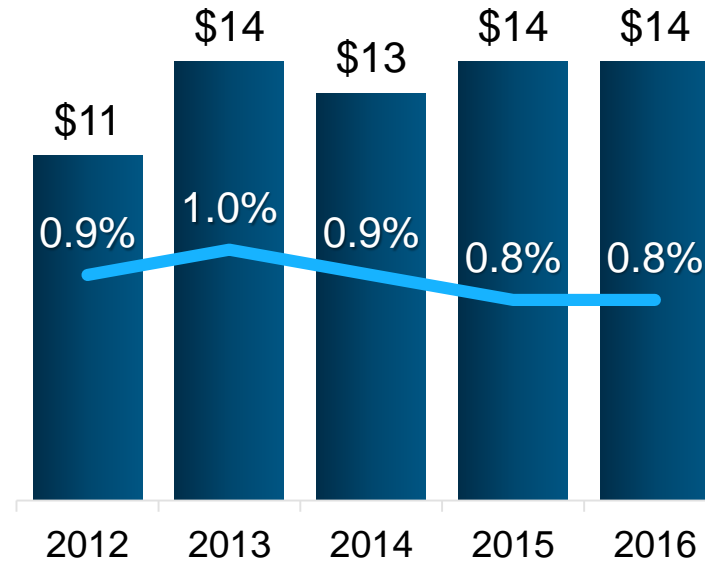


# TopBuild Financial Model

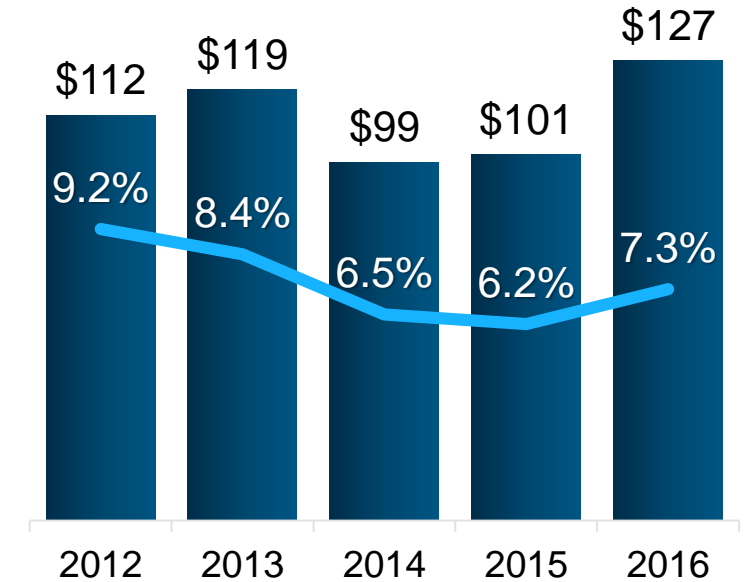
**FCF<sup>1</sup> (\$M)**



**Capital Expenditures (\$M) and % of Revenue**



**Net Working Capital<sup>1</sup> (\$M) and % of Revenue**



- Strong earnings growth with minimal reinvestment requirements lead to strong cash flow generation
- Attractive cash flow and balance sheet funds organic growth, strategic acquisitions and return of capital

**Strong FCF and Limited Reinvestment Requirements**

# Financial Overview | 1H 2017



(\$ in 000s)

<b>Sales</b> YoY Δ	<b>\$915,821</b> 8.3%	<b>\$611,870</b> 9.1%	<b>\$345,036</b> 6.2%
<b>Adj. Operating Profit<sup>1</sup></b> YoY Δ	<b>\$70,765</b> 46.8%	<b>\$56,705</b> 52.4%	<b>\$32,523</b> 16.3%
<b>Adj. Operating Margin<sup>1</sup></b> YoY Δ	<b>7.7%</b> 200 bps	<b>9.3%</b> 270 bps	<b>9.4%</b> 80 bps

**Volume, Price, Productivity and Acquisitions Contributed to Solid 1H**

# Strong Balance Sheet

**JUNE 30, 2017**

	(\$M)
Long-term Debt	\$250.0
Less Cash	94.2
Net Debt	<b>\$155.8</b>
Adj. TTM EBITDA	\$168.8

**DEBT TO ADJ. EBITDA (Long-term)**

Gross	1.5x
Net	0.9x

► Maintain Cash Reserve  
Ensuring Adequate Liquidity  
in Downside Scenario

► Comfortable Increasing Net  
Leverage to 2.0x to 2.5x for  
Right Opportunities

► 2018 Annual Interest  
Expense Range  
\$12.8M to \$13.3M

**Credit Facility Provides Flexibility and Dry Powder**

# Capital Allocation Priorities

1

## Internal Investment

Reinvestment in People, Technology and Equipment to Enhance Scale

2

## Acquisitions

Strategic/Accretive Deals are the Top Priority for Capital Deployment

- Residential
- Commercial
- Distribution

3

## Share Repurchases

Committed to Enhancing Shareholder Value

- Share repurchase program
- \$162M of value returned (since spin)

**Flexible, Balanced Approach Delivering Strong Returns for Shareholders**

# Increasing Financial Transparency

- **Continuing evolution focused on being best-in-class**
- **Stronger investor engagement**
- **Confidence in our ability to meet financial objectives**
  - Experienced, cycle-tested management team
  - 2+ years of strong execution since spin
  - Operational excellence framework in place and already delivering results
  - Comprehensive internal procedures for forecasting



**Focused on Execution to Meet Measurable Goals**



# Introducing Long-term Targets and Annual Guidance

## 3-YEAR TARGETS

**\$60M**

of Residential Revenue for Every 50K Increase in Starts

**12%+**

Commercial Annual Growth

**11% to 16%<sup>1</sup>**

Incremental EBITDA % (M&A)

**7% to 8%**

Working Capital (% of Sales)

**22% to 27%**

Incremental EBITDA % (Organic)

**2% to 2.5%**

Capex (% of Sales)

**38%**

Normalized Tax Rate

# Introducing Long-term Targets and Annual Guidance

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Incremental EBITDA % (Organic)

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**38%**

Normalized Tax Rate

## 2017 OUTLOOK (\$M)

**\$1,880 to \$1,905**

Revenue

**\$183 to \$193**

Adjusted EBITDA<sup>2</sup>

# Scenario: Assuming 1.5M Housing Starts in 2021

## TOPBUILD PERFORMANCE

	2017E <sup>1</sup>	2021E
Revenue	\$1,917M	\$2,460M
EBITDA	\$191M	\$310M to \$338M
EBITDA Margin	~10.0%	12.6% to 13.7%

## KEY ASSUMPTIONS

**\$60M**

of Residential Revenue for Every 50K Increase in Starts

**12%**

Commercial Annual Growth

**22% to 27%**

Incremental EBITDA % (Organic)

**\$312M**

of Incremental Revenue for 260K Increase in Starts Assumes 1.24M Starts in 2017

**No Impact**

Included from Future Acquisitions

**Approaching Mid Double-Digit EBITDA Margin at 1.5M Starts**

# Key Takeaways

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- Driving Profitable Growth
- 2+ Years of Strong Evidence the Model is Working
- Flexible Balance Sheet Strengthened by Strong Cash Flow Generation Supports Growth Initiatives and Capital Allocation Alternatives
- Prudent, Balanced Capital Deployment Strategy with an Emphasis on Strategic M&A
- Continued Positive Momentum with Solid Foundation in Place to Deliver Strong Shareholder Value



**Great Foundation and We Are Just Getting Started**



## Closing Remarks

Jerry Volas – CEO





# Why TopBuild?

- **Clear, Sustainable Competitive Advantages**
  - Unrivaled National Scale
  - Critical to Supply Chain
  - Cyclical Mitigated with Distribution and Commercial Businesses
  - Experienced, Cycle-tested Management Team
  - Culture Focused on Operational Efficiency
- **Focused on Organic Growth and Accretive Acquisitions**
- **Strong Balance Sheet and Significant FCF Generation**
- **Efficient and Balanced Capital Allocation Strategy**



**Positioned for Further Profitable Growth and Delivering on Strategic Goals**



## Appendix



# Non-GAAP Reconciliation: Adjusted Operating Margin

(Dollars in thousands)	1H	Twelve Months Ended December 31,		
	2017	2016	2015	2014
Operating Profit, as Reported	\$ 37,333	\$ 121,604	\$ 83,531	\$ 40,717
Legal Settlement	30,000	-	2,430	-
Rationalization Charges	2,995	3,139	4,672	2,000
Acquisition Related Costs	437	124	-	-
Fixed Asset Disposal (Truck Mounted Devices)	-	-	1,690	-
Masco General Corporate Expense, Net	-	-	13,627	21,948
Masco Direct Corporate Expense	-	-	5,604	17,782
Expected Standalone Corporate Expense	-	-	(11,000)	(22,000)
Employee Benefit Policy Change	-	-	(9,861)	-
<b>Operating Profit, as Adjusted</b>	<b>\$ 70,765</b>	<b>\$ 124,867</b>	<b>\$ 90,693</b>	<b>\$ 60,447</b>
Net Sales	\$ 915,821	\$ 1,742,850	\$ 1,616,580	\$ 1,512,077
<b>Adjusted Operating Margin (%)</b>	<b>7.7%</b>	<b>7.2%</b>	<b>5.6%</b>	<b>4.0%</b>

# Non-GAAP Reconciliation: Adjusted EBITDA

(Dollars in thousands)	1H	Twelve Months Ended December 31,		
	2017	2016	2015	2014
Net Income, as Reported	\$ 21,749	\$ 72,606	\$ 78,971	\$ 9,403
Adjustments to Arrive at EBITDA, as Adjusted				
Interest Expense and Other, Net	3,076	5,331	9,416	12,379
Income Tax Expense from Continuing Operations	11,422	43,667	(5,008)	17,842
Depreciation and Amortization	6,835	12,011	12,108	26,079
Share-based Compensation <sup>1</sup>	4,487	7,669	4,651	3,762
Legal Settlement	30,000	-	2,430	-
Rationalization Charges	2,995	3,139	4,672	2,000
Loss on Extinguishment of Debt	1,086	-	-	-
Acquisition Related Costs	437	124	-	-
Fixed Asset Disposal (Truck Mounted Devices)	-	-	1,690	-
Masco General Corporate Expense, Net	-	-	13,627	21,948
Masco Direct Corporate Expense	-	-	5,604	17,782
Expected Standalone Corporate Expense	-	-	(11,000)	(22,000)
Employee Benefit Policy Change	-	-	(9,861)	-
Loss on Discontinued Operations	-	-	152	1,093
<b>EBITDA, as Adjusted</b>	<b>\$ 82,087</b>	<b>\$ 144,547</b>	<b>\$ 107,452</b>	<b>\$ 90,288</b>

# Non-GAAP Reconciliation: 2017E Adjusted EBITDA Range

(Dollars in millions)		2017E	
		Low	High
<b>Net Income, as Reported</b>		\$ 70.6	\$ 77.6
Adjustments to Arrive at EBITDA, as Adjusted:			
Interest Expense and Other, Net		8.0	7.6
Income Tax Expense from Continuing Operations		43.3	47.6
Depreciation and Amortization		16.1	15.7
Share-based Compensation		10.5	10.0
Significant Legal Settlement		30.0	30.0
Rationalization Charges		3.0	3.0
Loss on Extinguishment of Debt		1.1	1.1
Acquisition Related Costs		0.4	0.4
<b>EBITDA, as Adjusted</b>		\$ 183.0	\$ 193.0



# Presenter Experience



**Jerry Volas** was named CEO of TopBuild in connection with Masco's spin off transaction in June 2015. Prior to assuming the CEO role, Jerry spent over 32 years with Masco in various positions of increasing responsibility, including Group President, a position he held beginning in 2006. During his tenure at Masco, Jerry also served as President of Liberty Hardware for four years and in a number of progressive financial roles throughout the organization.

Jerry earned a Bachelor's degree in Business Administration from the University of Michigan and is a CPA. He serves on the board of directors of Trex Company, a manufacturer of wood alternative decking and related products.



**Robert Buck** was named President and COO of TopBuild in connection with Masco's spin off transaction in June 2015. Prior to assuming this role, Robert served as Group VP of Masco where he was responsible for the Installation and Other Services Segment consisting of both Masco Contractor Services and Service Partners. Robert began his career with Masco Corporation in 1997 at Liberty Hardware where he spent eight years in several operations leadership roles and worked extensively in international operations. He became EVP in 2005 and helped lead the merger of another Masco company with Liberty Hardware before being promoted to the office of President in 2007.

Robert earned a BS and Master's degree in Business Administration from the University of North Carolina at Greensboro.



**John Peterson** was named CFO of TopBuild in connection with Masco Corporation's spin off transaction in June 2015. Prior to assuming this role, John served as EVP, CFO with Masco Contractor Services. He also held the position of CFO of Masco's Retail Cabinet Group. Prior to joining Masco, John was the VP, Finance and IT with BioLab, a subsidiary of Chemtura (formerly Great Lakes Chemical), VP, Finance – Performance Chemicals, a division of Great Lakes Chemical, Director Financial Planning for Engineered Materials Sector, a business unit of Honeywell (formerly AlliedSignal). John also held finance management positions with Lockheed Martin, General Electric, and RCA.

John earned a Bachelor's degree in Accounting from Pennsylvania State University and Master's degree in Business Administration from the University of Indianapolis.

# Presenter Experience



**Bill Christie** was named VP of Business Development in connection with Masco's spin-off transaction in June 2015. At Masco Contractor Services (MCS), where he worked for close to 30 years, Bill led the company's sales and development efforts on a national scale for close to a decade. Prior to holding that position, he spent 20 years managing insulation companies on behalf of MCS along the eastern seaboard.

Bill earned a Bachelor's degree in Industrial Relations from the University of North Carolina at Chapel Hill.



**Sean Cusack** rejoined Service Partners in October 2016 as EVP and was promoted to President in February 2017. He originally joined Service Partners in 2001 and over the next 14 years held various management positions, including CFO. Prior to rejoining Service Partners, Sean served as CFO for Home Care Delivered.

Sean earned a Bachelor's degree in Accounting from Virginia Polytechnic Institute and State University.



**David Cushen** was named SVP, Mergers and Acquisitions in July 2016. David previously served as SVP of Operations for Masco Contractor Services (MCS), the predecessor company to TruTeam. David joined MCS in 1999 and served in various capacities including VP of Operations, Regional Manager and Division Manager. Prior to MCS, David was an Investment Advisor with Woodchester in Dublin, Ireland.

David earned a Bachelor of Commerce Degree in Accounting from University College in Dublin, Ireland.

# Presenter Experience



**Bob Manroe** joined TopBuild as SVP of Operations in July 2016. Previously, he was the President of BSI West Coast, a national insulation company, which had annual sales of \$850 million when it was acquired by Masco Contractor Services (MCS) in 2001. Bob remained with Masco until 2004, serving as President of MCS West Coast. Bob began his career in the insulation industry at Schmid Insulation based in San Diego, which he joined after graduating from high school in 1976. As Schmid expanded, Bob moved to the San Francisco Bay area where Schmid became part of the Hill Companies. Bob was named President of the Hill Companies in 1988, which subsequently merged with BSI in 1997.



**Dave Procida** joined TopBuild as VP, Commercial Business Development in July 2015. Previously, he served as EVP for Component Assembly Systems, a leading national walls and ceilings contracting company. During his seven years there, Dave opened three new offices and accounted for over \$230M in new business for the company, much of it during a very difficult economy. Dave started his career as the founder of a commercial insulation business that was eventually purchased by Masco Contractor Services (MCS) in 2000. He was a division manager for MCS from 2000 – 2006, and then served as the director of commercial business development until February 2008.

Dave earned a Bachelor's degree in Education from Glassboro State College.



**Steve Raia** joined TopBuild as SVP of Operations in November 2015. Previously, he was the owner/operator of Cary Insulation, which had over 35 locations when it was acquired by Masco Contractor Services (MCS) in 1999. Steve remained with Masco until 2007, managing MCS's East Coast operations. Steve began installing insulation as a teenager, working for his father's company during school breaks and weekends. He became a full-time installer of Cary Insulation after graduating from high school in 1973. Over time, he was given responsibility for all aspects of managing the business including purchasing, labor productivity initiatives, recruiting, sales and human resources. Steve inherited the company in 1991 and grew the business from three locations to a total of 35.