# FIRST QUARTER 2023

Robert Buck, President & CEO
Rob Kuhns, CFO

May 4, 2023

# SAFE HARBOR

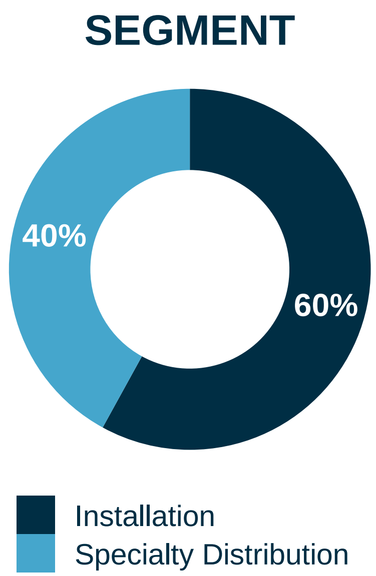
Statements contained herein reflect our views about future periods, including our future plans and performance, constitute “forward-looking statements” under the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as “will,” “would,” “anticipate,” “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. We caution you against unduly relying on any of these forward-looking statements. Our future performance may be affected by a number of risks including but not limited to the material risks under the caption entitled “Risk Factors” in our most recent Annual Report, as filed with the SEC, as well as under the caption entitled “Risk Factors” in subsequent reports that we file 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 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, which management uses to manage our business, provide additional meaningful comparisons between current results and results in our prior periods. Non-GAAP performance measures and ratios should be viewed in addition, and not as an alternative, to the Company's reported results under United States GAAP. Additional information about the Company is contained in the Company's filings with the SEC and is available on TopBuild's website at www.topbuild.com.

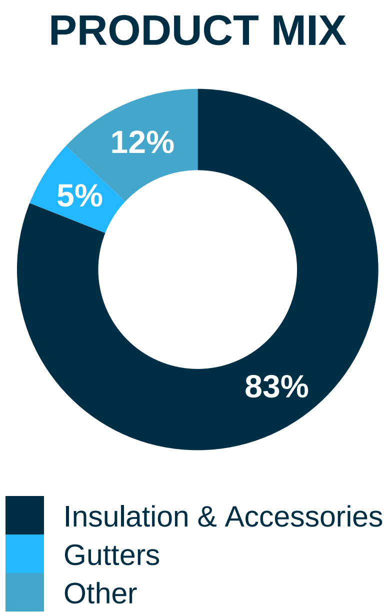
# TOPBUILD SNAPSHOT (NYSE: BLD)

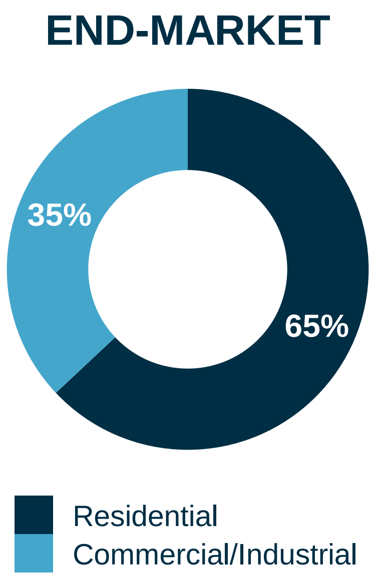
## Key Stats

| | |
|---|---|
| Headquarters | **Daytona Beach, FL** |
| Market Cap[1] | **$6.6B** |
| Employees | **~13,000** |
| Total Branches | **~415** |

## Sales Breakdown




**LEADING INSTALLER AND SPECIALTY DISTRIBUTOR OF INSULATION AND RELATED BUILDING MATERIAL PRODUCTS**

[1] As of 3/31/23

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# OUR BUSINESS MODEL

## Core Strengths

- Unique model, diversified end markets
- Laser focus on core business, insulation
- Multiple avenues for growth
- Unrivaled North American size and scale
- Operational excellence and performance driven
- M&A a core competency
- Recognized for exceptional labor, service and reliability
- Emphasis on talent development
- Safety of our people always comes first
- Business is inherently environmentally friendly

## Our Values

**SAFETY**
We put the ***safety*** of our ***people*** first.

**INTEGRITY**
We deliver results with ***integrity***, ***respect***, and ***accountability***.

**FOCUS**
We are ***customer-focused***, grounded in strong relationships.

**INNOVATION**
We are ***continuously improving*** and encourage idea sharing.

**UNITY**
We are united as one ***team***, valuing ***diversity***.

**COMMUNITY**
We ***make a difference*** in the communities we serve.

**EMPOWERMENT**
We are ***empowered*** to be our best, individually and as a team.

**BEST IN CLASS EXECUTION AND MAKING A DIFFERENCE LOCALLY**

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# MULTIPLE AVENUES FOR GROWTH

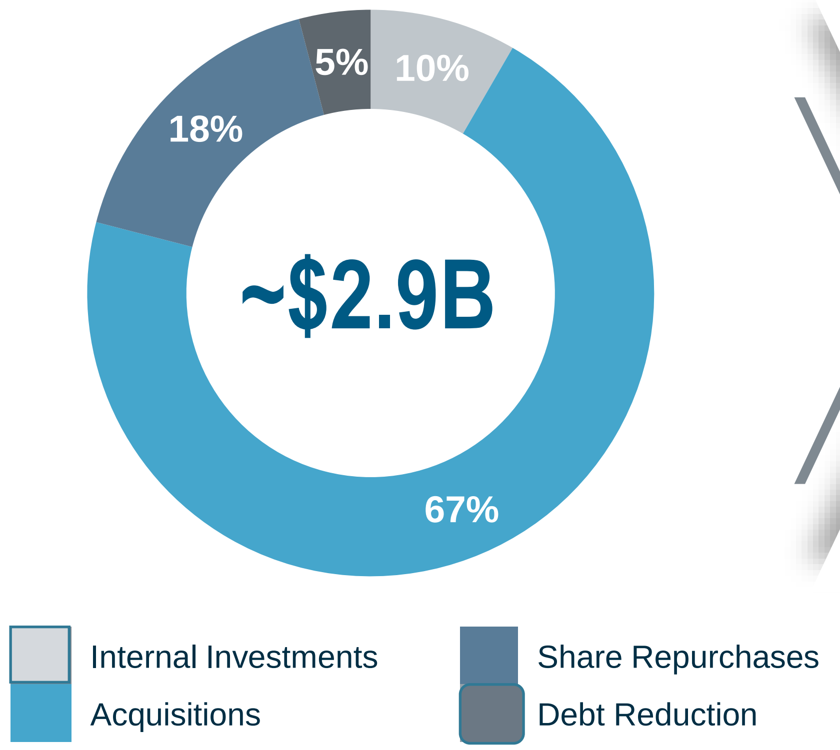
## Total Addressable Market of $17.5B+

| END-MARKET | MARKET SIZE | OUR SHARE | OUR FOCUS |
|---|---|---|---|
| Residential | ~$6.0B | ~40% | • Superior labor network<br>• Ability to serve builders/contractors of all sizes |
| Commercial Building Insulation | ~$6.0B | ~11% | • Bundled product solutions<br>• Provide services for light and heavy commercial |
| Commercial / Industrial Mechanical Insulation | ~$5.5B | ~10% | • Industry leading service and custom engineered fabrication capabilities<br>• Driving MRO business for recurring revenue |

**GROWING ORGANICALLY AND THROUGH TARGETED ACQUISITIONS**

CAPITAL ALLOCATION PAST FIVE YEARS

## USE OF CAPITAL
*(Since Jan 1, 2018)*




**Internal Investments**

- CapEx 1.6% of Sales
- Investing in equipment upgrades and digitization

**Acquisitions**

- Completed 24 transactions
  - ~$1.6B in revenue added
- End-markets very fragmented

**Share Repurchases**

- ~$510M in repurchases at an average share price of $112.67

**SIGNIFICANT VALUE CREATION**

# M&A: A CORE COMPETENCY

### STRATEGIC RATIONALE

- Focus on core of Insulation
- Enhance scale
- Expand market presence
- Increase customer base
- Acquire companies with aligned cultures and leadership

### FINANCIAL DISCIPLINE

- Utilize proven and thorough diligence process
- TTM EBITDA multiples 5x or 6x pre-synergy
  - 3x or 4x post synergy
- Ensure IRR significantly higher than cost of capital
- Validate synergies to ensure "low-risk"

### INTEGRATION COMPETENCY

- Integrated 24 companies since January 2018
- Dedicated integration team
- Move to ERP platform to drive improvements and visibility
- Drive and optimize operational best practices
- Realize synergies quickly

**PROVEN STRATEGY AND DISCIPLINE, CREATING SIGNIFICANT SHAREHOLDER VALUE**

# OUR ESG FOCUS

## ENVIRONMENTAL

- Utilize products often made from recycled, re-used and long-lasting materials
- Waste minimization program
- Centralized fleet management
- Fleet refreshment program

## SOCIAL

- Safety-first culture
- Workplace fostering equity, diversity and inclusion
- Principles of integrity, respect and accountability embedded in our culture

## GOVERNANCE

- Independent Board Chair
- Directors serve one-year terms
- Majority vote director resignation policy
- Robust clawback policy
- Shareholders can amend bylaws
- Related party transactions are prohibited

**STRONG COMMITMENT BY BOARD AND MANAGEMENT**

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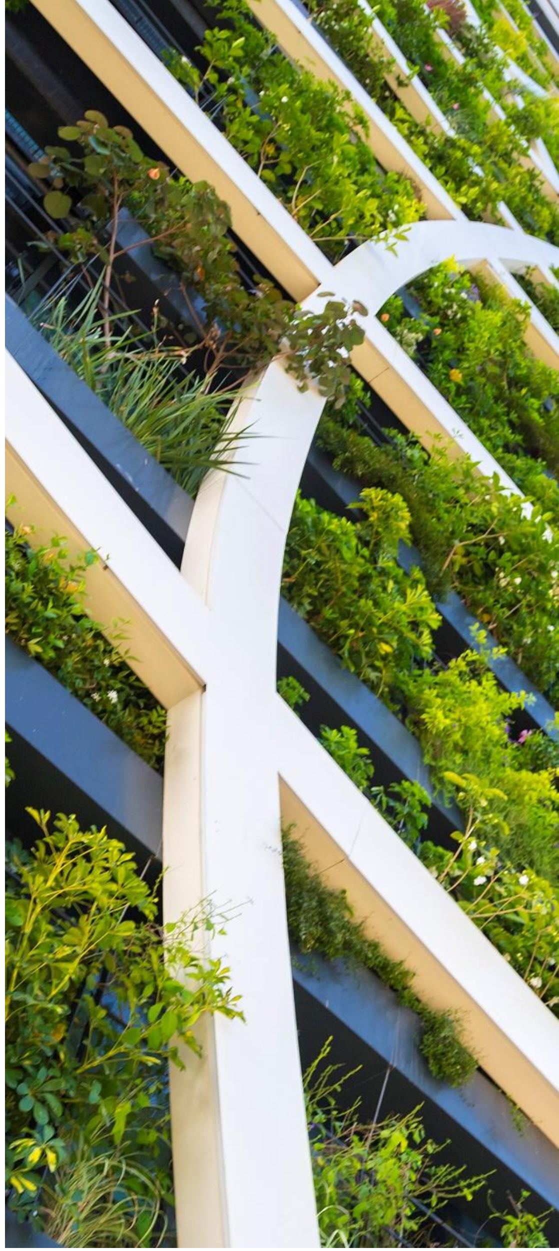
# OUR BUSINESS IS INHERENTLY ENVIRONMENTALLY FRIENDLY

- Insulation products we install and distribute significantly enhance energy efficiency
- A typical pound of fiberglass insulation saves 12x as much energy in its first year in place as the energy used to produce it
- Building insulation benefits
  - Thermal efficiency
  - Reduced GHG emissions
  - Lower energy usage and costs
  - Reduced carbon intensity from heating and cooling



**IMPROVING ENERGY EFFICIENCY**

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# BUSINESS UPDATE

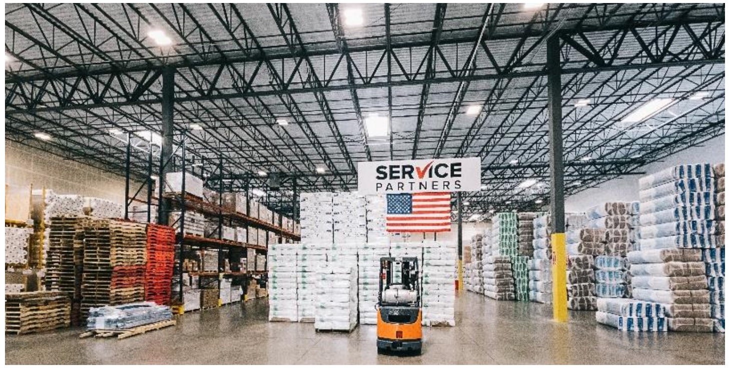
- Solid first quarter results
  - Revenue increased 8.2%
  - Adjusted EBITDA margin expanded 150 basis points to 18.8%
- Installation volume driven by backlog of single and multi-family homes
- Commercial/Industrial a second lever for organic growth
  - Strong bidding activity and growing backlog
  - Increasing demand for mechanical insulation…new projects and MRO work
- Fiberglass material still tight and industry remains on allocation
- Labor remains constrained for industry but a TopBuild strength
- Robust pipeline of acquisition opportunities

**POSITIONED TO OUTPERFORM IN ANY ENVIRONMENT**

# FIRST QUARTER FINANCIAL HIGHLIGHTS*

## Adjusted

- 8.2% sales increase
- 29.3% gross margin, up 100 bps
- 16.1% operating margin, up 180 bps
- 18.8% EBITDA margin, up 150 bps
- 38.0% incremental EBITDA
- 43.0% incremental EBITDA on a same branch basis




**ANOTHER QUARTER OF STRONG PERFORMANCE**

*See Appendix for Reconciliation

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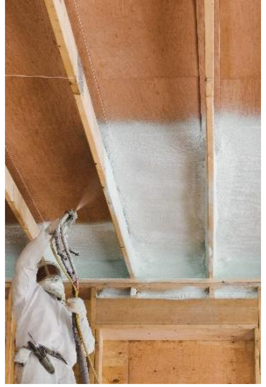
# INSTALLATION



TruTeam

Comparisons are to the quarter ended March 31, 2022

| ($ in 000s) | Three Months Ended March 31, 2023 |
|---|---|
| Sales<br>Y-O-Y Change | $767,090<br>**13.4%** |
| Adjusted Operating Profit*<br>Y-O-Y Change | $147,160<br>**30.0%** |
| Adjusted Operating Margin*<br>Y-O-Y Change | 19.2%<br>**250 bps** |
| Adjusted EBITDA Margin*<br>Y-O-Y Change | 21.4%<br>**230 bps** |

- ✓ Revenue growth driven by increased volume and higher selling prices
- ✓ Solid backlog of single and multi-family homes
- ✓ Taking advantage of light commercial opportunities to drive growth
- ✓ Productivity initiatives continue to enhance results

**LEAD APP TOOL DRIVING SALES OPPORTUNITIES**

*See Appendix for Reconciliation

# SELECT COMMERCIAL INSTALLATION PROJECTS

**SLC International Airport**
Salt Lake City, UT

Photo Credit: Salt Lake City International Airport

**Microsoft Redmond Campus**
Redmond, WA

Photo Credit: City of Redmond, WA

**YouTube Headquarters**
San Bruno, CA

Photo Credit: William McDonough + Partners

**Intuit Dome**
Inglewood, CA

Photo Credit: Los Angeles Clippers

# SPECIALTY DISTRIBUTION



SERVICE PARTNERS
DISTRIBUTION INTERNATIONAL

Comparisons are to the quarter ended March 31, 2022

| ($ in 000s) | Three Months Ended March 31, 2023 |
|---|---|
| Sales<br>Y-O-Y Change | $558,375<br>**2.7%** |
| Adjusted Operating Profit*<br>Y-O-Y Change | $73,673<br>**4.3%** |
| Adjusted Operating Margin*<br>Y-O-Y Change | 13.2%<br>**20 bps** |
| Adjusted EBITDA Margin*<br>Y-O-Y Change | 15.8%<br>**20 bps** |

- ✓ Revenue growth driven by increased pricing and improved commercial/industrial volume
- ✓ Several new projects kicking off across diverse industries
- ✓ Recurring maintenance and repair work on many commercial and industrial sites
- ✓ Continue to identify opportunities to enhance operational efficiencies

## NUMBER OF LARGE-SCALE INDUSTRIAL PROJECTS INCREASING

*See Appendix for Reconciliation

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# SELECT SPECIALTY DISTRIBUTION PROJECTS

**Semiconductor Manufacturing Center**
Phoenix, AZ

Photo Credit: TSMC

**Marathon Alternative Fuel Facility**
Martinez, CA

Photo Credit: Contra Costa County

**Tesla Gigafactory**
Austin, TX

Photo Credit: Tesla

# CAPITAL ALLOCATION

- One acquisition completed in Q1, $62M annual revenue

SRI

- Residential insulation
- $62M annual revenue
- Acquired January 2023

- Dedicated integration team with proven expertise
- Highly complementary businesses enable substantial synergy realization
- Consistent track record of successfully executing on plan

## ENHANCING OPERATIONS ACROSS FOOTPRINT

**OPERATIONAL IMPROVEMENT**

- Leverage technology and best practices
- Improve labor and sales productivity
- Enhance value proposition for customers

**SUPPLY CHAIN**

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

**BACK OFFICE**

- Eliminate redundancies, rationalize functions
- Leverage technology to streamline processes

**CREATING STRONG VALUE FOR SHAREHOLDERS**

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# CAPEX, WORKING CAPITAL & CASH FLOW

$ in 000s

| | Three Months Ended March 31, 2023 | Three Months Ended March 31, 2022 |
|---|---|---|
| Operating Cash Flow | $169,801 | $89,483 |
| CAPEX | $15,580 | $18,413 |
| FREE CASH FLOW | **$154,221** | **$71,070** |

| | March 31, 2023 | December 31, 2022 |
|---|---|---|
| Cash Balance | $333,778 | $240,069 |
| Working Capital % to TTM Sales* | 15.6% | 15.7% |

## CAPITAL LIGHT MODEL GENERATING STRONG CASH FLOW

*See Appendix for Reconciliation

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# FLEXIBLE CAPITAL STRUCTURE

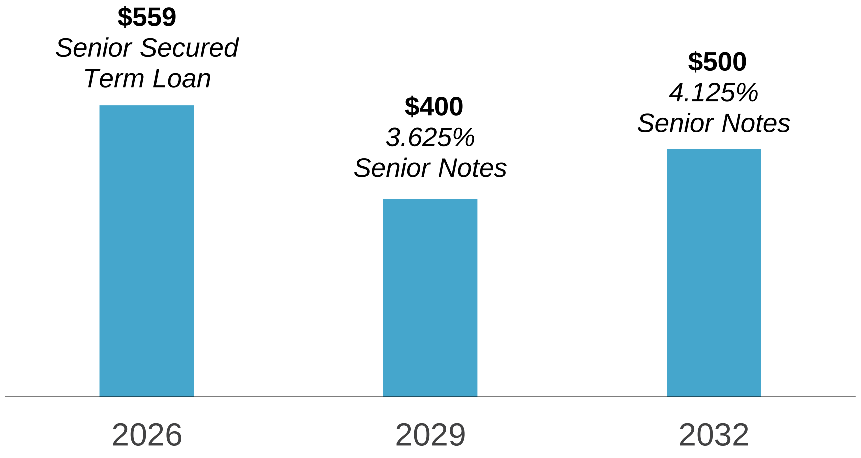
## Capital Summary & Financial Highlights ($M)

| March 31, 2023 | |
|---|---|
| Cash | $ 333.8 |
| Total Debt | $ 1,464.9 |
| Net Debt | $1,131.1 |
| TTM Proforma Adjusted EBITDA* | $982.9 |
| Net Leverage | 1.15x |

| Available Credit Under Revolving Credit Facility | $ 432.3 |
|---|---|
| Cash & Cash Equivalents | $ 333.8 |
| Total Available Liquidity | $ 766.1 |

## Capital Structure (As of March 31, 2023)

### Debt Maturity Schedule[1] ($M)




### Current Credit Ratings

S&P: BB+

Moody's: Ba1

**HEALTHY BALANCE SHEET SUPPORTS CAPITAL ALLOCATION PRIORITIES**

*See Appendix for Reconciliation

[1]Excludes equipment notes

# 2023 OUTLOOK
(as of May 4, 2023)

## SALES

**$4,700M to $4,900M**

## ADJUSTED EBITDA*

**$820M to $910M**

## ASSUMPTIONS

**RESIDENTIAL**
Mid to Upper Single Digit Revenue Decline

**COMMERCIAL/ INDUSTRIAL**
Low to Mid-Single Digit Revenue Growth

**CAPEX**
1.5% to 2% of Revenue

**WORKING CAPITAL**
12% to 14%

**INCOME TAX RATE**
25% to 27%

**INCREMENTAL EBITDA**
Organic: 22% to 27%
Acquisitions Year 1: 11% to 16%






**OUTPERFORMING IN ANY ENVIRONMENT**

*See Appendix for Reconciliation

# APPENDIX

# ADJUSTED EBITDA RECONCILIATION (unaudited)

## ($ in 000s)

| | Three Months Ended March 31, 2023 | Three Months Ended March 31, 2022 | Trailing Twelve Months Ended March 31, 2023 |
|---|---|---|---|
| **Net income, as reported** | **$ 135,870** | **$ 114,711** | **$ 577,148** |
| Adjustments to arrive at EBITDA, as adjusted: | | | |
| Interest expense and other, net | 16,116 | 11,282 | 59,862 |
| Income tax expense | 47,445 | 37,961 | 195,630 |
| Depreciation and amortization | 32,100 | 30,499 | 124,936 |
| Share-based compensation | 3,135 | 3,727 | 11,717 |
| Rationalization charges | — | 473 | (645) |
| Acquisition related costs | 3,658 | 3,076 | 8,558 |
| **EBITDA, as adjusted** | **$ 238,324** | **$ 201,729** | **$ 977,206** |
| Proforma acquisition EBITDA [(a)] | | | 5,675 |
| **Proforma TTM EBITDA, as adjusted** | | | **$ 982,881** |

(a) Represents the trailing twelve months proforma impact of acquisitions completed in the period.

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# SEGMENT DATA (unaudited)

## ($ in 000s)

| | Three Months Ended March 31, 2023 | Three Months Ended March 31, 2022 | Change |
|---|---|---|---|
| **Installation** | | | |
| Sales | $ 767,090 | $ 676,693 | *13.4 %* |
| Operating profit, as reported | $ 146,897 | $ 112,679 | |
| *Operating margin, as reported* | *19.1 %* | *16.7 %* | |
| Rationalization charges | — | 473 | |
| Acquisition related costs | 263 | 80 | |
| Operating profit, as adjusted | $ 147,160 | $ 113,232 | |
| *Operating margin, as adjusted* | *19.2 %* | *16.7 %* | |
| Share-based compensation | 379 | 407 | |
| Depreciation and amortization | 16,493 | 15,685 | |
| EBITDA, as adjusted | $ 164,032 | $ 129,324 | *26.8 %* |
| *EBITDA margin, as adjusted* | *21.4 %* | *19.1 %* | |
| **Speciality Distribution** | | | |
| Sales | $ 558,375 | $ 543,862 | *2.7 %* |
| Operating profit, as reported | $ 73,333 | $ 70,420 | |
| *Operating margin, as reported* | *13.1 %* | *12.9 %* | |
| Acquisition related costs | 340 | 241 | |
| Operating profit, as adjusted | $ 73,673 | $ 70,661 | |
| *Operating margin, as adjusted* | *13.2 %* | *13.0 %* | |
| Share-based compensation | 238 | 353 | |
| Depreciation and amortization | 14,572 | 14,030 | |
| EBITDA, as adjusted | $ 88,483 | $ 85,044 | *4.0 %* |
| *EBITDA margin, as adjusted* | *15.8 %* | *15.6 %* | |
| **Total** | | | |
| Sales before eliminations | $ 1,325,465 | $ 1,220,555 | |
| Intercompany eliminations | (60,227) | (51,637) | |
| Net sales after eliminations | $ 1,265,238 | $ 1,168,918 | *8.2 %* |

# MARGIN RECONCILIATION (unaudited)

## ($ in 000s)

| | Three Months Ended March 31, | |
|---|---|---|
| | 2023 | 2022 |
| Gross profit, as reported | $ 370,215 | $ 331,201 |
| *Gross margin, as reported* | *29.3 %* | *28.3 %* |
| Acquisition related costs | — | 121 |
| *Gross profit, as adjusted* | $ 370,215 | $ 331,322 |
| *Gross margin, as adjusted* | *29.3 %* | *28.3 %* |
| Operating profit, as reported - segments | $ 220,230 | $ 183,099 |
| General corporate expense, net | (10,828) | (10,437) |
| Intercompany eliminations | (9,971) | (8,708) |
| Operating profit, as reported | $ 199,431 | $ 163,954 |
| *Operating margin, as reported* | *15.8 %* | *14.0 %* |
| Rationalization charges | — | 473 |
| Acquisition related costs [1] | 3,658 | 3,076 |
| Operating profit, as adjusted | $ 203,089 | $ 167,503 |
| *Operating margin, as adjusted* | *16.1 %* | *14.3 %* |
| Share-based compensation | 3,135 | 3,727 |
| Depreciation and amortization | 32,100 | 30,499 |
| EBITDA, as adjusted | $ 238,324 | $ 201,729 |
| *EBITDA margin, as adjusted* | *18.8 %* | *17.3 %* |

[1] Acquisition related costs include corporate level adjustments as well as segment operating adjustments.

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# SAME BRANCH AND ACQUISITION METRICS (unaudited)

## ($ in 000s)

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| **Net Sales** | | | | | | |
| Same branch | $ | 1,250,393 | | $ | 1,168,918 | |
| Acquisitions (a) | | 14,845 | | | — | |
| Total | $ | 1,265,238 | | $ | 1,168,918 | |
| **EBITDA, as adjusted** | | | | | | |
| Same branch | $ | 236,775 | | $ | 201,729 | |
| Acquisitions (a) | | 1,549 | | | — | |
| Total | $ | 238,324 | | $ | 201,729 | |
| **EBITDA, as adjusted, as a percentage of sales** | | | | | | |
| Same branch (b) | | 18.9 | % | | | |
| Acquisitions (c) | | 10.4 | % | | | |
| Total (d) | | 18.8 | % | | 17.3 | % |
| **As Adjusted Incremental EBITDA, as a percentage of change in sales** | | | | | | |
| Same branch (e) | | 43.0 | % | | | |
| Acquisitions (c) | | 10.4 | % | | | |
| Total (f) | | 38.0 | % | | | |

(a) Represents current year impact of acquisitions in their first twelve months

(b) Same branch metric, as adjusted, as a percentage of same branch sales

(c) Acquired metric, as adjusted, as a percentage of acquired sales

(d) Total EBITDA, as adjusted, as a percentage of total sales

(e) Change in same branch EBITDA, as adjusted, as a percenrage of change in same branch sales

(f) Change in total EBITDA, as adjusted, as a percenrage of change in total sales

# INCOME PER COMMON SHARE RECONCILIATION (unaudited)

## ($ in 000s except share and per common share amounts)

| | Three Months Ended March 31, | |
|---|---|---|
| | 2023 | 2022 |
| **Income before income taxes, as reported** | **$ 183,315** | **$ 152,672** |
| Rationalization charges | — | 473 |
| Acquisition related costs | 3,658 | 3,076 |
| **Income before income taxes, as adjusted** | **186,973** | **156,221** |
| Tax rate at 26.0% | (48,613) | (40,617) |
| **Income, as adjusted** | **$ 138,360** | **$ 115,604** |
| **Income per common share, as adjusted** | **$ 4.36** | **$ 3.50** |
| Weighted average diluted common shares outstanding | 31,713,239 | 33,042,490 |

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# ACQUISITION ADJUSTED NET SALES (unaudited)

## ($ in 000s)

| | 2022 Q2 | 2022 Q3 | 2022 Q4 | 2023 Q1 | Trailing Twelve Months Ended March 31, 2023 | For the Year Ended December 31, 2022 |
|---|---|---|---|---|---|---|
| Net Sales | $ 1,274,285 | $ 1,300,998 | $ 1,264,543 | $ 1,265,238 | $ 5,105,064 | $ 5,008,744 |
| Acquisitions proforma adjustment † | 15,575 | 17,576 | 18,279 | 6,187 | 57,617 | 3,372 |
| Net sales, acquisition adjusted | $ 1,289,860 | $ 1,318,574 | $ 1,282,822 | $ 1,271,425 | $ 5,162,681 | $ 5,012,116 |
| | | | | | | |
| Receivables, net plus inventories, net less accounts payable | | | | | $ 805,225 | $ 787,601 |
| *Receivables, net plus inventories, net less accounts payable as a percent of sales (TTM) †* | | | | | *15.6 %* | *15.7 %* |

† Trailing 12 months sales have been adjusted for the pro forma effect of acquired branches

# RECONCILIATION GUIDANCE TABLE (unaudited)

($ in 000,000)

| | Twelve Months Ending December 31, 2023 | |
|---|---|---|
| | Low | High |
| **Estimated net income** | **$ 445.0** | **521.0** |
| Adjustments to arrive at estimated EBITDA, as adjusted: | | |
| Interest expense and other, net | 67.0 | 63.0 |
| Income tax expense | 157.0 | 183.0 |
| Depreciation and amortization | 129.0 | 125.0 |
| Share-based compensation | 15.0 | 13.0 |
| Acquisition related costs | 7.0 | 5.0 |
| **Estimated EBITDA, as adjusted** | **$ 820.0** | **$ 910.0** |

TopBuild®