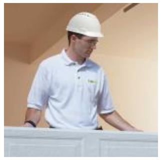
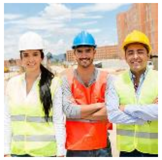
# Second Quarter 2015 Earnings Presentation

TopBuild℠

NYSE:BLD



# 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 Form 10 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.

# Today's Presenters

**Jerry Volas**
Chief Executive Officer

**Robert Buck**
President, Chief Operating Officer

**John Peterson**
Chief Financial Officer

# Q2 2015 Financial Results

TopBuild

**Agenda**

| | |
|---|---|
| Quarter in Review | Jerry Volas |
| Operations Review | Robert Buck |
| Financial Review | John Peterson |
| Q&A | |

# The Quarter in Review

TopBuild

**Driving Shareholder Value**

- Successful June 30 spin from Masco
- Solid top line growth
- Six month EBITDA margin consistent with expectation
- Improve alignment of customer pricing to material cost

# The Quarter in Review

| | |
|---|---|
| Housing environment | • New home construction starts remain well below 50 year average<br>• Blue Chip Economic Indicators expects that housing starts will climb back above 1 million units in 2015 |
| Our position in the market | • Largest insulation installer and distributor in the U.S.<br>• Two channels to the builder, a competitive advantage<br>• Uniquely positioned to work with all builders |
| Opportunities | • Well positioned to benefit from upward housing trajectory<br>• Largest commercial insulation installer in the market with share in the low to mid-single digits with significant room for growth<br>• Largest residential construction home energy consultant |

# Q2 2015 Financial Results

**Agenda**

| | |
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# Operations Review

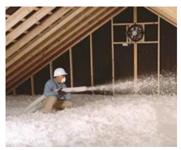
TopBuild

## Building on Two Strong Platforms

TopBuild

### TruTeam

Local Relationships. National Resources.



- Leading provider of installation of residential insulation & select building products
- >190 branches in 43 states
- National scale with recognized local brands and presence
- Well-earned reputation for quality employees, products and services

### Service Partners

- Leading distributor of residential insulation & select building products
- >70 distribution centers in 35 states
- National scale with recognized local brands and presence
- Well-earned reputation for “one stop shop,” delivery and service

TopBuild Home Services

# Operations Review

- **Pricing**
  - Proven practice over time of aligning material cost and customer pricing

- **Employer of choice for labor**
  - Availability and cost of labor continues to be a challenge in certain regions
  - TopBuild offers the best competitive wage and benefits package
  - We provide builders confidence in the workforce on their job site

- **Residential improving**
  - Second half housing improvement
  - New energy code adoption pushing forward

- **Large commercial market opportunity**
  - Build on light commercial momentum to capture additional share
  - Increase focus on growing heavy commercial over the long-term
  - Commercial business could approach incremental $100M in annual sales for TopBuild within a few years

## Q2 2015 Financial Results

TopBuild

**Agenda**

| | |
|---|---|
| Quarter in Review | Jerry Volas |
| Operations Review | Robert Buck |
| Financials Review | John Peterson |
| Q&A | |

# TopBuild Income Statement

| ($ in Millions) | Second Quarter 2015 |
| --- | --- |
| Sales<br>*Change* | $404<br>5.5% |
| Adjusted Operating Profit *<br>*Y-O-Y Change* | $20<br>54% |
| Adjusted Operating Margin *<br>*Y-O-Y Change* | 5.0%<br>160 bps |
| Adjusted EBITDA **<br>*Y-O-Y Change* | $24<br>14% |

** See Slide 18 for GAAP to non-GAAP reconciliation*
***See Slide 16 for adjusted EBITDA reconciliation*

## Highlights

- Sales up 5.5% driven by strong Install growth
- Adjusted operating profit up 54% on sales growth, lower depreciation and cost reductions
- Delayed selling price increases create some compression on gross margins

| ($ in Millions) | Second Quarter 2015 |
|---|---|
| Sales<br>*Change* | $265<br>9.5% |
| Adjusted Operating Profit *<br>*Y-O-Y Change* | $13<br>85.7% |
| Adjusted Operating Margin *<br>*Y-O-Y Change* | 5.1%<br>220 bps |

** See slide 19 for GAAP to non-GAAP reconciliation*

## Highlights

- Increased sales volume driven by higher level of activity in both residential and commercial and higher selling price
- Margin improvement due to volume leverage, lower depreciation and cost savings initiatives; partially offset by negative price/commodity relationship

| ($ in Millions) | Second Quarter 2015 |
| --- | --- |
| Sales<br>*Change* | $161<br>0.5% |
| Adjusted Operating Profit *<br>*Y-O-Y Change* | $13<br>0% |
| Adjusted Operating Margin *<br>*Y-O-Y Change* | 7.7%<br>(40 bps) |

** See slide 19 for GAAP to non-GAAP reconciliation*

## Highlights

- Tough Q2 comp…prior year announced price increase effective late Q2-14 increased Q2-14 revenues as customers purchased in advance
- Operating margins impacted by insurance reserve adjustment

# TopBuild Selling, General and Administrative expenses (SG&A)

| ($ in Millions) | Second Quarter 2015 | Second Quarter 2014 |
|---|---|---|
| SG&A expenses as reported<br>*SG&A % of sales* | $74.2<br>*18.4%* | $74.7<br>*19.5%* |
| SG&A adjusted for non-GAAP items and allocations<br>*Adj. SG&A % of sales* | $66.4<br>*16.5%* | $71.5<br>*18.7%* |

## Highlights

- SG&A down $0.5 million as reported and $5.1 million when excluding impact of non-GAAP reconciling items and replacing Masco's allocation with TopBuild costs
- SG&A will continue to benefit from reduced depreciation and corporate allocations, net of public company costs

# TopBuild Cash Flow/Working Capital/CAPEX

| ($ in Millions) | Six Months ended June, 30 2015 | Six Months ended June, 30 2014 |
|---|---|---|
| Operating Cash Flow | $(9.0) | $16.9 |
| Cash Balance | $63.3 | $5.1 |
| Working Capital % to sales (using LTM sales) | 8.3% | 8.2% |
| CAPEX | $(7.1) | $(6.1) |

**Highlights**

- Operating cash flow impacted by different annual timing of inventory build/payables disbursements and a prior year change in terms
- Still on track for working capital dollars of ~ 6.5% of sales for year-end 2015
- Initial cash balance of $63.3 million driven by early July disbursement schedule…account adjusted to ~ $20 million post disbursement
- CAPEX consistent with historical spending patterns
- Overall strong liquidity of $131 million between cash and credit facility

# TopBuild Adjusted EBITDA Reconciliation

| (in Millions) | Q1-2015 | Q1-2014 | Q2-2015 | Q2-2014 | Q3-2014 | Q4-2014 | FY 2014 |
|---|---|---|---|---|---|---|---|
| **Operating profit, as reported** | $ (2) | $ (8) | $ 12 | $ 10 | $ 14 | $ 25 | $ 41 |
| Depreciation & amortization | 3 | 6 | 3 | 7 | 7 | 6 | 26 |
| **EBITDA** | 1 | (2) | 15 | 17 | 21 | 31 | 67 |
| **Adjustments:** | | | | | | | |
| Non-recurring charges/spin-off expenses | - | - | 5 | - | 1 | 1 | 2 |
| Truck mounted device fixed asset disposal | - | - | 2 | - | - | - | - |
| Stock-based compensation | 1 | 1 | 1 | 1 | 1 | 1 | 4 |
| Total allocated Masco corporate expenses | 13 | 10 | 7 | 9 | 13 | 8 | 40 |
| Expected standalone corporate expenses | (5) | (5) | (6) | (6) | (6) | (5) | (22) |
| Total adjustments | $ 9 | $ 6 | $ 9 | $ 4 | $ 9 | $ 5 | $ 24 |

| | Q1 Chg. | Q1-2015 | Q1-2014 | Q2 Chg. | Q2-2015 | Q2-2014 | Q3-2014 | Q4-2014 | FY 2014 |
|---|---|---|---|---|---|---|---|---|---|
| Adjusted EBITDA | $ 6 | $ 10 | $ 4 | $ 3 | $ 24 | $ 21 | $ 30 | $ 36 | $ 91 |
| Sales | $ 25 | $ 358 | $ 333 | $ 21 | $ 404 | $ 383 | $ 399 | $ 397 | $ 1,512 |
| Incremental EBITDA margin % | *24%* | | | *14%* | | | | | |

***June YTD = 20%***

## Highlights

- Incremental adjusted EBITDA margin @ 14% Q2-2015 and 20% June 2015 year-to-date

# Appendix

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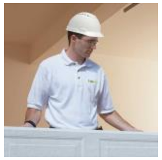

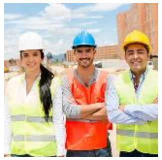

# TopBuild GAAP to Non-GAAP Reconciliation

| | Three Months Ended June 30, 2015 | Three Months Ended June 30, 2014 | Change | Six Months Ended June 30, 2015 | Six Months Ended June 30, 2014 | Change |
|---|---|---|---|---|---|---|
| **Total** | | | | | | |
| Net sales before eliminations | $ 426 | $ 402 | | $ 804 | $ 752 | |
| Intercompany eliminations | (22) | (19) | | (42) | (36) | |
| **Net sales after eliminations** | **$ 404** | **$ 383** | **5%** | **$ 762** | **$ 716** | **6%** |
| Operating profit, as reported - segment | $ 19 | $ 20 | | $ 29 | $ 22 | |
| General corporate expense, net | (6) | (6) | | (14) | (11) | |
| Intercompany eliminations and other adjustments | (1) | (4) | | (5) | (9) | |
| **Operating profit, as reported** | **$ 12** | **$ 10** | | **$ 10** | **$ 2** | |
| *Operating margin, as reported* | *2.8%* | *2.7%* | | *1.4%* | *0.3%* | |
| Rationalization/spin-off charges | 4 | - | | 4 | - | |
| General corporate expense, net | 6 | 6 | | 14 | 11 | |
| Direct corporate expense | 1 | 3 | | 6 | 8 | |
| Expected stand-alone corporate expenses | (6) | (6) | | (11) | (11) | |
| Charge for litigation settlements, net | 1 | - | | 1 | - | |
| Fixed asset disposal (truck mounted devices) | 2 | - | | 2 | - | |
| **Operating profit, as adjusted** | **$ 20** | **$ 13** | | **$ 26** | **$ 10** | |
| *Operating margin, as adjusted* | *5.0%* | *3.4%* | | *3.4%* | *1.4%* | |

# Segment GAAP to Non-GAAP Reconciliation

| | Three Months Ended June 30, 2015 | | Three Months Ended June 30, 2014 | | Change | Six Months Ended June 30, 2015 | | Six Months Ended June 30, 2014 | | Change |
|---|---|---|---|---|---|---|---|---|---|---|
| **Installation** | | | | | | | | | | |
| **Net sales** | **$** | **265** | **$** | **242** | **9%** | **$** | **499** | **$** | **454** | **10%** |
| Operating profit, as reported | $ | 7 | $ | 7 | | $ | 6 | $ | - | |
| *Operating margin, as reported* | | *2.7%* | | *2.9%* | | | *1.2%* | | *n/a* | |
| Rationalization/spin-off charges | | 3 | | - | | | 4 | | - | |
| Charge for litigation settlements, net | | 1 | | - | | | 1 | | - | |
| Fixed asset disposal (truck mounted devices) | | 2 | | - | | | 2 | | - | |
| Operating profit, as adjusted | $ | 13 | $ | 7 | | $ | 13 | $ | - | |
| *Operating margin, as adjusted* | | *5.1%* | | *2.9%* | | | *2.7%* | | *n/a* | |
| **Distribution** | | | | | | | | | | |
| **Net sales** | **$** | **161** | **$** | **160** | **n/a** | **$** | **305** | **$** | **298** | **2%** |
| Operating profit, as reported | $ | 12 | $ | 13 | | $ | 23 | $ | 22 | |
| *Operating margin, as reported* | | *7.4%* | | *8.1%* | | | *7.6%* | | *7.3%* | |
| Rationalization charges | | 1 | | - | | | 1 | | - | |
| Operating profit, as adjusted | $ | 13 | $ | 13 | | $ | 24 | $ | 22 | |
| *Operating margin, as adjusted* | | *7.7%* | | *8.1%* | | | *7.8%* | | *7.3%* | |