



# 2021 SECOND QUARTER

Robert Buck, President & CEO  
John Peterson, CFO

August 3, 2021

# 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](http://www.topbuild.com).



# 2021 TEAM GOALS

## FOCUSED ON:

- Striving for ZERO safety incidents
- Successfully integrating acquisitions into our family of companies
- Expanding our efforts to think differently in order to:
  - Simplify processes
  - Leverage fixed overhead
  - Manage expenses
  - Improve productivity
- Developing and building the talent and diversity of our team

**MAKING PROGRESS AND DELIVERING RESULTS**

# 2Q 2021 FINANCIAL HIGHLIGHTS\*

- 29.1% sales increase, 18.3% on a same branch basis
- 29.2% adjusted gross margin, up 140 bps
- 15.6% adjusted operating margin, up 270 bps
- 18.0% adjusted EBITDA margin, up 130 bps
- 64.3% increase in adjusted EPS to \$2.76 per diluted share

**STRONG FINANCIAL PERFORMANCE**

# BUSINESS UPDATE

## ■ RESIDENTIAL

- Building cycle elongated
- Backlog growing
- Material and labor constrained for all industry trades
  - Fiberglass remains on allocation
  - Spray foam supply slowly normalizing
- TruTeam and Service Partners effectively managing selling prices



**SUCCESSFULLY NAVIGATING CURRENT ENVIRONMENT**

# BUSINESS UPDATE

## ■ COMMERCIAL

- Same branch revenue up 20.8% from Q2 2020
- Delayed projects getting back on track
- Bidding activity strong for both light and heavy
- Types of heavy commercial projects being bid and won:
  - Large distribution centers and warehouses
  - Medical facilities
  - Schools, universities
  - Public safety facilities



COMMERCIAL CONTINUES TO STRENGTHEN

# INDUSTRY TRENDS EXTENDING BUILD CYCLE

## MATERIAL CONSTRAINED

- All trades experiencing constrained capacity and rising prices
- Additional fiberglass capacity coming online 4Q 2021
- Spray foam supply slowly normalizing
- 2021 fiberglass cost increases announced by manufacturers
  - January, April and June

## LABOR CONSTRAINED

- Labor shortages across construction industry
- “Friends and Family” referral program successful
  - Almost 1800 installers hired
  - Higher retention
- Improving installer productivity
  - New technology tools
- Integrated systems allow us to share labor, equipment and material
  - No other installer has this capability

**STRIKING OPTIMAL BALANCE BETWEEN PRICE AND VOLUME**

# CAPITAL ALLOCATION

- Five acquisitions completed year-to-date



**LCR CONTRACTORS**

- Heavy commercial and residential
- \$58M annual revenue



**OZARK FOAM**

- Residential insulation, primarily spray foam
- \$7.7M annual revenue



**AMERICAN BUILDING SYSTEMS**

- Residential (94%) and distribution (6%)
- \$144M annual revenue



**CREATIVE CONSERVATION**

- Residential insulation
- \$7.4M annual revenue



**RJ INSULATION**

- Residential insulation, shower doors & mirrors
- \$4M annual revenue

- Repurchased 123,031 share through 6/30/21
  - Averaged \$195.38 per share
- Additional, \$200M share repurchase program authorized

**ACQUISITIONS EXPECTED TO GENERATE ~\$221M ANNUAL REVENUE\***

# ESG UPDATE



- Top of mind for all stakeholders
- Dedicated resources in place
- Focus areas include:
  - Maintaining our focus on safety and continuing to improve the well-being of our employees,
  - Ensuring that our workforce reflects the diversity of the communities in which we operate,
  - Incorporating energy efficient solutions in our residential and commercial projects,
  - Tracking and reporting energy usage and waste generation across our footprint.

**STRONG COMMITMENT BY BOARD AND MANAGEMENT**

# TOPBUILD HOME SERVICES GROUP

- Expertise focused on advancing environmentally conscious construction
- Environments For Living® program helps builders construct high-performance houses that save energy and reduce greenhouse gas emissions
- Extensively trained Home Energy Raters provide the evaluation, testing and independent verification required to be considered an ENERGY STAR compliant home
- Upon state adoption of a new energy code, the Home Service Groups conducts code compliance training internally and with builders to ensure they are meeting the new energy code regulations



Pre-Construction  
Plan Reviews



Inspection  
Services



Diagnostic  
Testing



Training and  
Support



Software  
Management Solution

AT THE FOREFRONT OF BUILDING SCIENCE

# FINANCIAL OVERVIEW

Second Quarter 2021

(\$ in 000s except per share amounts)	Three Months Ended June 30, 2021	Six Months Ended June 30, 2021
Sales	\$834,255	\$1,577,053
Y-O-Y Change	29.1%	21.4%
Adjusted Operating Profit*	\$129,879	\$227,057
Y-O-Y Change	55.5%	47.7%
Adjusted Operating Margin*	15.6%	14.4%
Y-O-Y Change	270 bps	260 bps
Adjusted EBITDA*	\$149,848	\$265,655
Y-O-Y Change	39.1%	35.5%
Adjusted EBITDA Margin*	18.0%	16.8%
Y-O-Y Change	130 bps	170 bps
Adjusted Income per Diluted Share	\$2.76	\$4.78
Y-O-Y Change	64.3%	57.2%

## PROFITABLE GROWTH

# CapEx, Working Capital & Cash Flow

\$ in 000s

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
<b>CAPEX</b>	\$28,560	\$20,937
<b>Operating Cash Flow</b>	\$202,203	\$178,162
<hr/>		
	June 30, 2021	December 31, 2020
<b>Cash Balance</b>	\$261,739	\$330,007
<hr/>		
	June 30, 2021	June 30, 2020
<b>Working Capital % to TTM Sales*</b>	9.9%	10.5%

**GENERATING STRONG OPERATING CASH FLOW**

# LEVERAGE

\$ in millions

**Total Debt**

\$717.5

**Less Cash**

261.7

**Net Debt**

**\$455.8**

**TTM Adj. EBITDA\***

\$506.3

**Leverage**

0.90x

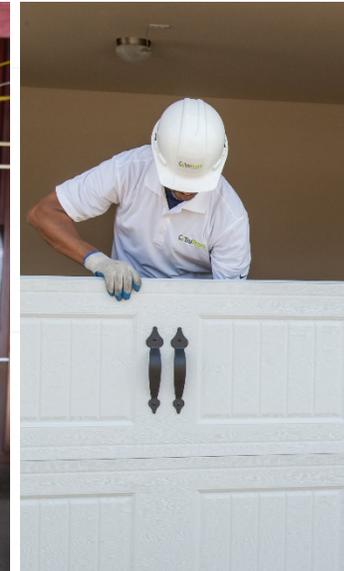
- \$378.8M available on \$450M Revolver
- Significant room under debt covenants



**SOLID BALANCE SHEET...AMPLE LIQUIDITY**



(\$ in 000s)	Three Months Ended June 30, 2021	Six Months Ended June 30, 2021
Sales	\$605,625	\$1,138,378
Y-O-Y Change	29.8%	20.8%
Adjusted Operating Profit*	\$100,294	\$174,419
Y-O-Y Change	41.0%	32.6%
Adjusted Operating Margin*	16.6%	15.3%
Y-O-Y Change	140 bps	130 bps



# SUCCESSFULLY REALIZING PRICE, EXPANDING OPERATING MARGINS

\* See Appendix for Reconciliation

# SERVICE PARTNERS

(\$ in 000s)	Three Months Ended June 30, 2021	Six Months Ended June 30, 2021
Sales	\$273,364	\$524,965
Y-O-Y Change	26.4%	21.9%
Adjusted Operating Profit*	\$42,876	\$78,295
Y-O-Y Change	70.5%	57.1%
Adjusted Operating Margin*	15.7%	14.9%
Y-O-Y Change	410 bps	330 bps



## SOLID SALES GROWTH...STRONG MARGIN EXPANSION

# 2021 OUTLOOK

(as of August 3, 2021)

## SALES

**\$3,290M to \$3,370M**

Increase:

Low end: \$70M

High end: \$50M

## ADJUSTED EBITDA\*

**\$565M to \$590M**

Increase:

Low end: \$33M

High end: \$28M



**ASSUMES HOUSING STARTS BETWEEN 1.475M AND 1.525M**

**HARD WORK,  
DEDICATION  
& TEAMWORK**

# THANK YOU TOPBUILD TEAM

Installers, warehouse workers, drivers, office and sales staff, field leadership and branch support center team.

You helped deliver our very strong second quarter results!





# APPENDIX

# ADJUSTED EBITDA RECONCILIATION

(\$ in 000s)

	Three Months Ended June 30,		Six Months Ended June 30,		Trailing Twelve Months Ended
	2021	2020	2021	2020	June 30, 2021
<b>Net income, as reported</b>	<b>\$ 90,380</b>	<b>\$ 55,496</b>	<b>\$ 150,222</b>	<b>\$ 106,268</b>	<b>\$ 290,977</b>
Adjustments to arrive at EBITDA, as adjusted:					
Interest expense and other, net	6,039	8,188	12,563	16,457	27,829
Income tax expense	31,867	16,770	47,525	27,485	96,107
Depreciation and amortization	17,703	19,121	33,221	33,311	62,320
Share-based compensation	2,266	5,130	5,377	9,038	11,249
Rationalization charges	—	2,376	16	2,376	(263)
Acquisition related costs	1,457	(40)	2,210	196	2,869
Refinancing costs and loss on extinguishment of debt	—	20	13,862	290	13,862
COVID-19 pay	136	692	659	692	1,335
<b>EBITDA, as adjusted</b>	<b>\$ 149,848</b>	<b>\$ 107,753</b>	<b>\$ 265,655</b>	<b>\$ 196,113</b>	<b>\$ 506,285</b>
<b>Net Sales</b>	<b>\$ 834,255</b>	<b>\$ 646,099</b>	<b>\$ 1,577,053</b>	<b>\$ 1,299,327</b>	
<b>EBITDA margin, as adjusted</b>	18.0 %	16.7 %	16.8 %	15.1 %	

# SEGMENT DATA

(\$ in 000s)

	Three Months Ended June 30,		Change	Six Months Ended June 30,		Change
	2021	2020		2021	2020	
<b>TruTeam</b>						
Sales	\$ 605,625	\$ 466,569	29.8 %	\$ 1,138,378	\$ 942,442	20.8 %
Operating profit, as reported	\$ 99,066	\$ 69,643		\$ 172,702	\$ 129,994	
Operating margin, as reported	16.4 %	14.9 %		15.2 %	13.8 %	
Rationalization charges	—	857		—	857	
Acquisition related costs	112	—		1,112	4	
COVID-19 pay	116	638		605	638	
Operating profit, as adjusted	\$ 100,294	\$ 71,138		\$ 174,419	\$ 131,493	
Operating margin, as adjusted	16.6 %	15.2 %		15.3 %	14.0 %	
<b>Service Partners</b>						
Sales	\$ 273,364	\$ 216,336	26.4 %	\$ 524,965	\$ 430,558	21.9 %
Operating profit, as reported	\$ 42,856	\$ 24,155		\$ 78,241	\$ 48,825	
Operating margin, as reported	15.7 %	11.2 %		14.9 %	11.3 %	
Rationalization charges	—	944		—	944	
COVID-19 pay	20	54		54	54	
Operating profit, as adjusted	\$ 42,876	\$ 25,153		\$ 78,295	\$ 49,823	
Operating margin, as adjusted	15.7 %	11.6 %		14.9 %	11.6 %	
<b>Total</b>						
Sales before eliminations	\$ 878,989	\$ 682,905		\$ 1,663,343	\$ 1,373,000	
Intercompany eliminations	(44,734)	(36,806)		(86,290)	(73,673)	
Net sales after eliminations	\$ 834,255	\$ 646,099	29.1 %	\$ 1,577,053	\$ 1,299,327	21.4 %

# MARGIN RECONCILIATION

(\$ in 000s)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Gross profit, as reported	\$ 243,180	\$ 178,054	\$ 440,939	\$ 350,011
<i>Gross margin, as reported</i>	29.1 %	27.6 %	28.0 %	26.9 %
Rationalization charges	—	1,079	—	1,079
COVID-19 pay	122	482	592	482
<i>Gross profit, as adjusted</i>	\$ 243,302	\$ 179,615	\$ 441,531	\$ 351,572
<i>Gross margin, as adjusted</i>	29.2 %	27.8 %	28.0 %	27.1 %
Operating profit, as reported - segments	\$ 141,922	\$ 93,798	\$ 250,943	\$ 178,819
General corporate expense, net	(6,704)	(7,383)	(13,311)	(16,581)
Intercompany eliminations	(6,932)	(5,961)	(13,460)	(11,795)
Operating profit, as reported	\$ 128,286	\$ 80,454	\$ 224,172	\$ 150,443
<i>Operating margin, as reported</i>	15.4 %	12.5 %	14.2 %	11.6 %
Rationalization charges	—	2,376	16	2,376
Acquisition related costs <sup>1</sup>	1,457	(40)	2,210	196
Refinancing costs	—	20	—	57
COVID-19 pay	136	692	659	692
Operating profit, as adjusted	\$ 129,879	\$ 83,502	\$ 227,057	\$ 153,764
<i>Operating margin, as adjusted</i>	15.6 %	12.9 %	14.4 %	11.8 %

<sup>1</sup> Acquisition related costs include corporate level adjustments as well as segment operating adjustments.

# INCOME PER COMMON SHARE RECONCILIATION

(\$ in 000s)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Income before income taxes, as reported</b>	\$ 122,247	\$ 72,266	\$ 197,747	\$ 133,753
Rationalization charges	—	2,376	16	2,376
Acquisition related costs	1,457	(40)	2,210	196
Refinancing costs and loss on extinguishment of debt	—	20	13,862	290
COVID-19 pay	136	692	659	692
<b>Income before income taxes, as adjusted</b>	<b>123,840</b>	<b>75,314</b>	<b>214,494</b>	<b>137,307</b>
Tax rate at 26.0%	(32,198)	(19,582)	(55,769)	(35,700)
<b>Income, as adjusted</b>	<b>\$ 91,642</b>	<b>\$ 55,732</b>	<b>\$ 158,725</b>	<b>\$ 101,607</b>
<b>Income per common share, as adjusted</b>	<b>\$ 2.76</b>	<b>\$ 1.68</b>	<b>\$ 4.78</b>	<b>\$ 3.04</b>
Weighted average diluted common shares outstanding	33,177,435	33,202,423	33,190,107	33,401,135

# SAME BRANCH AND ACQUISITION NET SALES RECONCILIATION

(\$ in 000s)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Same branch:				
Residential	\$ 594,259	\$ 505,534	\$ 1,151,253	\$ 1,012,266
Commercial	169,824	140,565	328,173	287,061
Same branch net sales	764,083	646,099	1,479,426	1,299,327
Acquisitions (a):				
Residential	\$ 58,351	\$ —	\$ 78,141	\$ —
Commercial	11,821	—	19,486	—
Acquisitions net sales	70,172	—	97,627	—
<b>Total net sales</b>	<b>\$ 834,255</b>	<b>\$ 646,099</b>	<b>\$ 1,577,053</b>	<b>\$ 1,299,327</b>

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

# ACQUISITION ADJUSTED NET SALES

(\$ in 000s)

	2020		2021		Trailing Twelve Months Ended
	Q3	Q4	Q1	Q2	June 30, 2021
Net Sales	\$ 697,223	\$ 721,487	\$ 742,798	\$ 834,255	\$ 2,995,763
Acquisitions proforma adjustment <sup>†</sup>	73,677	55,303	44,199	2,204	175,383
Net sales, acquisition adjusted	<u>\$ 770,900</u>	<u>\$ 776,790</u>	<u>\$ 786,997</u>	<u>\$ 836,459</u>	<u>\$ 3,171,146</u>

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

# RECONCILIATION GUIDANCE TABLE

(\$ in 000,000)

	Twelve Months Ending December 31, 2021	
	Low	High
<b>Estimated net income</b>	\$ 339.5	\$ 363.6
Adjustments to arrive at estimated EBITDA, as adjusted:		
Interest expense and other, net	24.7	22.2
Income tax expense	119.3	127.8
Depreciation and amortization	70.6	67.5
Share-based compensation	10.9	8.9
<b>Estimated EBITDA, as adjusted</b>	\$ 565.0	\$ 590.0

