



2021 THIRD QUARTER

Robert Buck, President & CEO

John Peterson, CFO

Rob Kuhns, VP & Controller

November 2, 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.



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

DELIVERING RESULTS

3Q 2021 FINANCIAL HIGHLIGHTS*

- 21.3% sales increase, 10.6% on a same branch basis
- 29.6% gross margin, up 120 bps
- 16.3% adjusted operating margin, up 170 bps
- 18.7% adjusted EBITDA margin, up 160 bps
- 40.5% increase in adjusted EPS to \$2.95 per diluted share

ANOTHER QUARTER OF SOLID PERFORMANCE

BUSINESS UPDATE

- Supply chain disruptions and labor shortages impacting entire construction industry
- Building cycle elongated for residential and commercial projects
- Demand for residential housing remains strong
 - Low interest rates
 - Tight inventory
- BLD backlog growing
- Teams effectively managing input costs and selling prices



SUCCESSFULLY NAVIGATING CURRENT ENVIRONMENT

INDUSTRY TRENDS EXTENDING BUILD CYCLE

MATERIAL CONSTRAINED

- All trades experiencing constrained capacity and rising prices
- Spray foam facing continuing challenges
- Four price increases announced by fiberglass manufacturers in 2021 effective:
 - January, April, June & December
- Additional fiberglass capacity coming online late 2021/early 2022 and late 2023

LABOR CONSTRAINED

- Labor shortages across construction industry
- “Friends and Family” referral program successful
 - ~2300 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

SUPPLY CHAIN SHORTAGES AND LABOR CONSTRAINTS TEMPERING TOP-LINE GROWTH

CAPITAL ALLOCATION

- Eight 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



VALLEY GUTTER SUPPLY

- Fabricator and distributor
- \$10M annual revenue



CALIFORNIA BUILDING PRODUCTS

- Residential and light commercial
- \$18M annual revenue



DISTRIBUTION INTERNATIONAL

- Mechanical insulation distributor
- \$747M annual revenue

- Repurchased 183,136 shares YTD through 9/30/21
 - Averaged \$194.15 per share

2021 ACQUISITIONS EXPECTED TO GENERATE ~\$1B 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 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 Services Group 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

Third Quarter 2021

(\$ in 000s except per share amounts)	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2021
Sales	\$845,757	\$2,422,810
Y-O-Y Change	21.3%	21.3%
Adjusted Operating Profit*	\$137,440	\$364,496
Y-O-Y Change	35.2%	42.7%
Adjusted Operating Margin*	16.3%	15.0%
Y-O-Y Change	170 bps	220 bps
Adjusted EBITDA*	\$158,222	\$423,876
Y-O-Y Change	32.8%	34.4%
Adjusted EBITDA Margin*	18.7%	17.5%
Y-O-Y Change	160 bps	170 bps
Adjusted Income per Diluted Share	\$2.95	\$7.73
Y-O-Y Change	40.5%	50.4%

PROFITABLE GROWTH

CapEx, Working Capital & Cash Flow

\$ in 000s

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
CAPEX	\$42,320	\$27,206
Operating Cash Flow	309,505	\$255,723
<hr/>		
	September 30, 2021	December 31, 2020
Cash Balance	\$327,906	\$330,007
<hr/>		
	September 30, 2021	September 30, 2020
Working Capital % to TTM Sales*	10.3%	10.1%

GENERATING STRONG OPERATING CASH FLOW

LEVERAGE

\$ in millions

Total Debt

\$711.7

Less Cash

327.9

Net Debt

\$383.8

TTM Adj. EBITDA*

\$545.3

Leverage**

0.70x

- \$381.9M available on \$450M Revolver
- Significant room under debt covenants



**Using proforma DI TTM 9/30/21 and associated debt used for acquisition, net debt leverage would be 2.2x pre synergies

STRONG BALANCE SHEET



(\$ in 000s)	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2021
Sales	\$612,900	\$1,751,278
Y-O-Y Change	24.5%	22.1%
Adjusted Operating Profit*	\$105,217	\$279,636
Y-O-Y Change	26.1%	30.1%
Adjusted Operating Margin*	17.2%	16.0%
Y-O-Y Change	20 bps	100 bps



SUCCESSFULLY MANAGING INFLATIONARY ENVIRONMENT



(\$ in 000s)	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2021
Sales	\$276,398	\$801,363
Y-O-Y Change	13.2%	18.8%
Adjusted Operating Profit*	\$47,162	\$125,457
Y-O-Y Change	44.5%	52.1%
Adjusted Operating Margin*	17.1%	15.7%
Y-O-Y Change	370 bps	350 bps



STRONG MARGIN EXPANSION

2021 OUTLOOK

(as of November 2, 2021)

SALES

\$3,425M to \$3,475M

Legacy TopBuild: \$3,255M to \$3,295M
Distribution International: \$170M to \$180M

ADJUSTED EBITDA*

\$585M to \$605M

Legacy TopBuild: \$570M to \$585M
Distribution International: \$15M to \$20M



BULLISH ON THE THREE END-MARKETS WE SERVE

**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 third quarter results!





APPENDIX

ADJUSTED EBITDA RECONCILIATION

(\$ in 000s)

	Three Months Ended September 30,		Nine Months Ended September 30,		Trailing Twelve Months Ended
	2021	2020	2021	2020	September 30, 2021
Net income, as reported	\$ 95,435	\$ 69,996	\$ 245,658	\$ 176,266	\$ 316,415
Adjustments to arrive at EBITDA, as adjusted:					
Interest expense and other, net	5,437	7,606	18,000	24,063	25,660
Income tax expense	32,934	23,921	80,457	51,407	105,117
Depreciation and amortization	17,784	14,216	51,005	47,527	65,888
Share-based compensation	2,998	3,280	8,375	12,317	10,968
Rationalization charges	—	(274)	16	2,102	12
Acquisition related costs	3,634	142	5,844	338	6,362
Refinancing costs and loss on extinguishment of debt	—	—	13,862	290	13,862
COVID-19 pay	—	293	659	984	1,043
EBITDA, as adjusted	\$ 158,222	\$ 119,180	\$ 423,876	\$ 315,294	\$ 545,327
Net Sales	\$ 845,757	\$ 697,223	\$ 2,422,810	\$ 1,996,551	
EBITDA margin, as adjusted	18.7 %	17.1 %	17.5 %	15.8 %	
Proforma acquisition EBITDA ^(a)					\$ 105,148
Proforma combined EBITDA, as adjusted					\$ 650,475
Net Debt Calculation					
Long-term debt, gross					\$ 711,694
Acquisition debt ^(b)					807,500
Total long-term debt, gross					\$ 1,519,194
Cash and cash equivalents					\$ 327,906
Acquisition cash, net ^(c)					(243,746)
Total cash and cash equivalents					\$ 84,160
Net debt, total					\$ 1,435,034

(a) Represents the trailing twelve months proforma impact of acquisitions completed through the date of this release.

(b) Represents the trailing twelve months proforma impact of debt incurred to fund the acquisition of Distribution International.

(c) Represents the trailing twelve months proforma impact of cash used to fund the acquisition of Distribution International.

SEGMENT DATA

(\$ in 000s)

	Three Months Ended September 30,			Change	Nine Months Ended September 30,			Change
	2021	2020			2021	2020		
TruTeam								
Sales	\$ 612,900	\$ 492,206		24.5 %	\$ 1,751,278	\$ 1,434,648		22.1 %
Operating profit, as reported	\$ 105,046	\$ 83,142			\$ 277,748	\$ 213,136		
Operating margin, as reported	17.1 %	16.9 %			15.9 %	14.9 %		
Rationalization charges	—	9			—	866		
Acquisition related costs	171	—			1,283	4		
COVID-19 pay	—	278			605	916		
Operating profit, as adjusted	\$ 105,217	\$ 83,429			\$ 279,636	\$ 214,922		
Operating margin, as adjusted	17.2 %	17.0 %			16.0 %	15.0 %		
Service Partners								
Sales	\$ 276,398	\$ 244,113		13.2 %	\$ 801,363	\$ 674,672		18.8 %
Operating profit, as reported	\$ 47,162	\$ 32,787			\$ 125,403	\$ 81,612		
Operating margin, as reported	17.1 %	13.4 %			15.6 %	12.1 %		
Rationalization charges	—	(161)			—	783		
COVID-19 pay	—	15			54	70		
Operating profit, as adjusted	\$ 47,162	\$ 32,641			\$ 125,457	\$ 82,464		
Operating margin, as adjusted	17.1 %	13.4 %			15.7 %	12.2 %		
Total								
Sales before eliminations	\$ 889,298	\$ 736,319			\$ 2,552,641	\$ 2,109,320		
Intercompany eliminations	(43,541)	(39,096)			(129,831)	(112,769)		
Net sales after eliminations	\$ 845,757	\$ 697,223		21.3 %	\$ 2,422,810	\$ 1,996,551		21.3 %

MARGIN RECONCILIATION

(\$ in 000s)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Gross profit, as reported	\$ 250,291	\$ 198,328	\$ 691,229	\$ 548,341
<i>Gross margin, as reported</i>	29.6 %	28.4 %	28.5 %	27.5 %
Rationalization charges	—	(63)	—	1,016
COVID-19 pay	—	273	592	755
<i>Gross profit, as adjusted</i>	\$ 250,291	\$ 198,538	\$ 691,821	\$ 550,111
<i>Gross margin, as adjusted</i>	29.6 %	28.5 %	28.6 %	27.6 %
Operating profit, as reported - segments	\$ 152,208	\$ 115,929	\$ 403,151	\$ 294,748
General corporate expense, net	(10,812)	(8,032)	(24,124)	(24,610)
Intercompany eliminations	(7,590)	(6,374)	(21,050)	(18,169)
<i>Operating profit, as reported</i>	\$ 133,806	\$ 101,523	\$ 357,977	\$ 251,969
<i>Operating margin, as reported</i>	15.8 %	14.6 %	14.8 %	12.6 %
Rationalization charges	—	(274)	16	2,102
Acquisition related costs ¹	3,634	142	5,844	338
Refinancing costs	—	—	—	57
COVID-19 pay	—	293	659	984
<i>Operating profit, as adjusted</i>	\$ 137,440	\$ 101,684	\$ 364,496	\$ 255,450
<i>Operating margin, as adjusted</i>	16.3 %	14.6 %	15.0 %	12.8 %

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

INCOME PER COMMON SHARE RECONCILIATION

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Income before income taxes, as reported	\$ 128,369	\$ 93,917	\$ 326,115	\$ 227,673
Rationalization charges	—	(274)	16	2,102
Acquisition related costs	3,634	142	5,844	338
Refinancing costs and loss on extinguishment of debt	—	—	13,862	290
COVID-19 pay	—	293	659	984
Income before income taxes, as adjusted	132,003	94,078	346,496	231,387
Tax rate at 26.0%	(34,321)	(24,460)	(90,089)	(60,161)
Income, as adjusted	\$ 97,682	\$ 69,618	\$ 256,407	\$ 171,226
Income per common share, as adjusted	\$ 2.95	\$ 2.10	\$ 7.73	\$ 5.14
Weighted average diluted common shares outstanding	33,088,680	33,210,545	33,155,995	33,337,259

SAME BRANCH AND ACQUISITION NET SALES RECONCILIATION

(\$ in 000s)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Same branch:				
Residential	\$ 610,377	\$ 545,688	\$ 1,761,630	\$ 1,557,954
Commercial	160,856	151,535	489,029	438,597
Same branch net sales	771,233	697,223	2,250,659	1,996,551
Acquisitions (a):				
Residential	\$ 62,050	\$ —	\$ 140,190	\$ —
Commercial	12,474	—	31,961	—
Acquisitions net sales	74,524	—	172,151	—
Total net sales	\$ 845,757	\$ 697,223	\$ 2,422,810	\$ 1,996,551

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

ACQUISITION ADJUSTED NET SALES

(\$ in 000s)

	2020	2021			Trailing Twelve Months Ended
	Q4	Q1	Q2	Q3	September 30, 2021
Net Sales	\$ 721,487	\$ 742,798	\$ 834,255	\$ 845,757	\$ 3,144,297
Acquisitions proforma adjustment [†]	57,830	46,727	4,731	1,336	110,624
Net sales, acquisition adjusted	<u>\$ 779,317</u>	<u>\$ 789,525</u>	<u>\$ 838,986</u>	<u>\$ 847,093</u>	<u>\$ 3,254,921</u>

[†] 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
Estimated net income	\$ 273.0	\$ 308.7
Adjustments to arrive at estimated EBITDA, as adjusted:		
Interest expense and other, net	29.8	27.8
Income tax expense	95.8	108.4
Depreciation and amortization	80.6	78.5
Share-based compensation	11.8	10.8
Rationalization charges	0.9	0.7
Acquisition related costs	18.2	16.2
Refinancing costs and loss on extinguishment of debt	14.9	13.9
Acquisition purchase accounting, including inventory step-up	60.0	40.0
Estimated EBITDA, as adjusted	\$ 585.0	\$ 605.0

