

November 9, 2016



TopBuild Reports Third Quarter 2016 Financial Results

Net sales Increased 5.9% to \$453 Million

Installation Segment Sales up 7.2%

Distribution Segment Sales up 1.9%

\$39.1 Million Operating Profit

\$39.6 Million on an Adjusted Basis, up 27%

\$0.65 Diluted Earnings per Share

\$0.63 on an Adjusted Basis, up 26%

DAYTONA BEACH, Fla., Nov. 9, 2016 /PRNewswire/ --**TopBuild Corp. (NYSE: BLD)**, the leading purchaser, installer and distributor of insulation products to the United States construction industry, reported financial results for the third quarter ended September 30, 2016.



Jerry Volas, Chief Executive Officer of TopBuild stated, *"We continue to successfully leverage our existing platform to generate sales growth, outpacing the increase in lagged housing starts. We believe the trajectory of housing starts will continue to be positive, as there is a limited supply of new construction, and increasing household formations are driving demand. This is an excellent external environment for TopBuild to drive market share and sales growth."*

"Our operational improvement initiatives are also generating positive results. The 8.7% adjusted operating margin for the third quarter is an increase of 140 basis points year-over-year and 230 basis points sequentially. Year-to-date, our adjusted operating profit margin has expanded 200 basis points. In summary, we remain focused on balancing top line growth with margin performance."

Third Quarter Financial Highlights

(unless otherwise indicated, comparisons are to the quarter ended September 30, 2015)

- Net sales increased 5.9% to \$453.1 million, primarily driven by sales volume growth in both operating segments.
- Gross margin was up 190 basis points year-over-year and 170 basis points on an adjusted basis.
- Selling, general and administrative ("SG&A") expenses as a percentage of sales were 15.2%, compared to 14.9%.
- Operating profit was \$39.1 million compared to \$30.2 million. On an adjusted basis, operating profit was \$39.6 million compared to \$31.2 million, a 26.7% improvement.
- Operating margins improved 150 basis points to 8.6%. On an adjusted basis, operating margins were 8.7%, up 140 basis points.
- Net income from continuing operations was \$24.6 million, or \$0.65 per diluted share, compared to \$16.6 million or \$0.44 per diluted share. On an adjusted basis, net income from continuing operations was \$23.8 million, or \$0.63 per diluted share compared to \$19.0 million or \$0.50 per diluted share.
- At quarter end, the Company had cash and cash equivalents of \$104.5 million and availability under its revolving credit facility of \$75.9 million for total liquidity of \$180.4 million.

Operating Segment Highlights

(all comparisons are to the quarter ended September 30, 2015)

- TruTeamSM (Installation)
 - Net sales increased 7.2% driven primarily by increased volume.
 - Operating margin was 10.7%, a 330 basis point improvement. On an adjusted basis, operating margin was 10.8%, a 300 basis point improvement.
- Service Partners[®] (Distribution)
 - Net sales rose 1.9%, negatively impacted by a decrease in selling prices.
 - Operating margin was 8.9% compared to 9.9%, with the margin decline primarily attributable to lower selling prices.

Additional Information

A presentation that will be referenced on today's conference call is available on the "Investors" section of the Company's website at www.topbuild.com.

Conference Call Details

A conference call to discuss the Company's third quarter financial results for 2016 is scheduled for today, Wednesday, November 9, 2016, at 9:00 a.m. Eastern Time. The call may be accessed by dialing (800) 624-0538. The conference call will be webcast simultaneously on the "Investors" section of the Company's website at www.topbuild.com.

A replay of the call will be available on TopBuild's website or it may be accessed by phone by dialing (800) 633-8284. The replay passcode is 21817553.

About TopBuild

TopBuild Corp., headquartered in Daytona Beach, Florida, is the leading purchaser, installer and distributor of insulation products to the U.S. construction industry. We provide insulation services nationwide through TruTeamSM, which has over 170 branches and our Service Partners[®] business distributes insulation from over 70 branches. We leverage our national footprint to gain economies of scale while capitalizing on our local market presence to forge

strong relationships with our customers. To learn more about TopBuild please visit our website at www.topbuild.com.

Use of Non-GAAP Financial Measures

The "adjusted" financial measures presented above are not calculated in accordance with U.S. generally accepted accounting principles ("GAAP"). The Company believes that these non-GAAP financial measures, which are used in managing the business, may provide users of this financial information with additional meaningful comparisons between current results and results in prior periods. Such non-GAAP financial measures are reconciled to their closest GAAP financial measures in tables contained in this news release. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, the Company's reported results under GAAP. Additional information may be found in the Company's filings with the Securities and Exchange Commission which are available on TopBuild's website under "Investors" at www.topbuild.com.

Safe Harbor Statement

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act. These forward-looking statements may address, among other things, our expected financial and operational results and the related assumptions underlying our expected results. These forward-looking statements are distinguished by use of words such as "will," "would," "anticipate," "expect," "believe," "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. Our forward-looking statements contained herein speak only as of the date of this press release. Factors or events that we cannot predict, including those described in the risk factors contained in our filings with the Securities and Exchange Commission, may cause our actual results to differ from those expressed in forward-looking statements. Although TopBuild believes the expectations reflected in such forward-looking statements are based on reasonable assumptions, the Company can give no assurance that its expectations will be achieved and it undertakes no obligation to update publicly any forward-looking statements as a result of new information, future events, or otherwise, except as required by applicable law.

Investor Relations and Media Contact

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(tables follow)

TopBuild Corp.
Condensed Consolidated Statements of Operations
(Unaudited)
(in thousands, except common share amounts)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---------------|-------------------------------------|------------|------------------------------------|--------------|
| | 2016 | 2015 | 2016 | 2015 |
| Net sales | \$ 453,102 | \$ 427,888 | \$ 1,298,715 | \$ 1,190,109 |
| Cost of sales | 344,963 | 333,886 | 1,003,433 | 936,601 |

| | | | | |
|---|-----------|-----------|-----------|-----------|
| Gross profit | | | | |
| | 108,139 | 94,002 | 295,282 | 253,508 |
| Selling, general, and administrative expense | 69,038 | 63,811 | 209,623 | 212,974 |
| Operating profit | 39,101 | 30,191 | 85,659 | 40,534 |
| Other income (expense), net: | | | | |
| Interest expense | (1,271) | (1,576) | (4,315) | (7,893) |
| Other, net | 65 | 10 | 201 | 14 |
| Other expense, net | (1,206) | (1,566) | (4,114) | (7,879) |
| Income from continuing operations before income taxes | 37,895 | 28,625 | 81,545 | 32,655 |
| Income tax expense from continuing operations | (13,329) | (12,001) | (30,246) | (13,201) |
| Income from continuing operations | 24,566 | 16,624 | 51,299 | 19,454 |
| Loss from discontinued operations, net | — | — | — | (234) |
| Net income | \$ 24,566 | \$ 16,624 | \$ 51,299 | \$ 19,220 |
| Income (loss) per common share: | | | | |
| Basic: | | | | |
| Income from continuing operations | \$ 0.65 | \$ 0.44 | \$ 1.36 | \$ 0.52 |
| Loss from discontinued operations, net | — | — | — | (0.01) |
| Net income | \$ 0.65 | \$ 0.44 | \$ 1.36 | \$ 0.51 |
| Diluted: | | | | |
| Income from continuing operations | \$ 0.65 | \$ 0.44 | \$ 1.35 | \$ 0.52 |
| Loss from discontinued operations, net | — | — | — | (0.01) |
| Net income | \$ 0.65 | \$ 0.44 | \$ 1.35 | \$ 0.51 |

TopBuild Corp
Condensed Consolidated Balance Sheets and Other Financial Data (Unaudited)
(dollars in thousands)

| | As of | |
|---|-----------------------|----------------------|
| | September 30, 2016 | December 31, 2015 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 104,497 | \$ 112,848 |
| Receivables, net of an allowance for doubtful accounts of \$3,607 and \$3,399 at September 30, 2016 and December 31, 2015, respectively | 265,655 | 235,549 |

| | | |
|---|--------------|--------------|
| Inventories, net | 105,829 | 118,701 |
| Prepaid expenses and other current assets | 16,425 | 13,263 |
| Total current assets | 492,406 | 480,361 |
| Property and equipment, net | 91,992 | 93,066 |
| Goodwill | 1,045,058 | 1,044,041 |
| Other intangible assets, net | 2,838 | 1,987 |
| Deferred tax assets, net | 20,549 | 20,549 |
| Other assets | 3,620 | 2,245 |
| Total assets | \$ 1,656,463 | \$ 1,642,249 |

LIABILITIES

| | | |
|---|------------|------------|
| Current liabilities: | | |
| Accounts payable | \$ 217,931 | \$ 253,311 |
| Current portion of long-term debt | 20,000 | 15,000 |
| Accrued liabilities | 73,524 | 58,369 |
| Total current liabilities | 311,455 | 326,680 |
| Long-term debt | 163,714 | 178,457 |
| Deferred tax liabilities, net | 181,730 | 181,254 |
| Long-term portion of insurance reserves | 39,555 | 39,655 |
| Other liabilities | 436 | 474 |
| Total liabilities | 696,890 | 726,520 |

EQUITY

| | | |
|------------------------------|--------------|--------------|
| Total liabilities and equity | \$ 1,656,463 | \$ 1,642,249 |
|------------------------------|--------------|--------------|

| As of | |
|-----------------------|-----------------------|
| September 30, 2016 | September 30, 2015 |

Other Financial Data

Working Capital Days

| | | |
|---|------------|------------|
| Receivable days | 45 | 46 |
| Inventory days | 29 | 30 |
| Accounts payable days | 76 | 86 |
| Working capital | \$ 153,553 | \$ 111,782 |
| Working capital as a percent of sales (LTM) | 8.9 % | 7.0 % |

TopBuild Corp.

Condensed Consolidated Statement of Cash Flows (Unaudited) (in thousands)

| | Nine Months Ended September 30, | |
|---|------------------------------------|-----------|
| | 2016 | 2015 |
| Net Cash Provided by (Used in) Operating Activities: | | |
| Net income | \$ 51,299 | \$ 19,220 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 8,923 | 9,070 |
| Share-based compensation | 5,743 | 3,151 |
| Loss on sale or abandonment of property and equipment | 2,399 | 2,265 |
| Amortization of debt issuance costs | 257 | 86 |
| Provision for bad debt expense | 2,696 | 2,658 |
| Loss from inventory obsolescence | 970 | 1,194 |
| Deferred income taxes, net | 476 | 5,401 |
| Changes in certain assets and liabilities: | | |
| Receivables, net | (32,294) | (29,729) |
| Inventories, net | 12,103 | 2,378 |
| Prepaid expenses and other current assets | (3,162) | (2,908) |
| Accounts payable | (35,023) | 10,146 |
| Long-term portion of insurance reserves | (1,599) | 1,211 |
| Accrued liabilities | 15,159 | 18,983 |

| | | |
|---|---------------|---------------|
| Other, net | (13) | 20 |
| Net cash provided by operating activities | <u>27,934</u> | <u>43,146</u> |

Cash Flows Provided by (Used in) Investing Activities:

| | | |
|--|-----------------|----------------|
| Purchases of property and equipment | (10,083) | (10,589) |
| Acquisition of a business | (3,476) | — |
| Proceeds from sale of property and equipment | 379 | 771 |
| Other, net | 93 | 500 |
| Net cash used in investing activities | <u>(13,087)</u> | <u>(9,318)</u> |

Cash Flows Provided by (Used in) Financing Activities:

| | | |
|---|-----------------|---------------|
| Net transfer (to) from Former Parent | (153) | 75,935 |
| Cash distribution paid to Former Parent | — | (200,000) |
| Proceeds from issuance of long-term debt | — | 200,000 |
| Repayment of long-term debt | (10,000) | (2,500) |
| Payment of debt issuance costs | — | (1,715) |
| Taxes withheld and paid on employees' equity awards | (1,668) | (171) |
| Repurchase of shares of common stock | (11,377) | — |
| Net cash (used in) provided by financing activities | <u>(23,198)</u> | <u>71,549</u> |

Cash and Cash Equivalents

| | | |
|------------------------------------|-------------------|-------------------|
| (Decrease) increase for the period | (8,351) | 105,377 |
| Beginning of year | 112,848 | 2,965 |
| End of period | <u>\$ 104,497</u> | <u>\$ 108,342</u> |

Supplemental disclosure of noncash investing activities:

| | | |
|-------------------------------------|--------|------|
| Accruals for property and equipment | \$ 110 | \$ — |
|-------------------------------------|--------|------|

**TopBuild Corp
Segment Data (Unaudited)
(dollars in thousands)**

| | Three Months Ended September 30, | | Change | Nine Months Ended September 30, | | Change |
|--|-------------------------------------|-------------------|--------|------------------------------------|-------------------|--------|
| | 2016 | 2015 | | 2016 | 2015 | |
| Installation | | | | | | |
| Sales | <u>\$ 300,005</u> | <u>\$ 279,809</u> | 7.2 % | <u>\$ 860,924</u> | <u>\$ 778,469</u> | 10.6 % |
| Operating profit, as reported | \$ 32,196 | \$ 20,678 | | \$ 68,499 | \$ 26,713 | |
| Operating margin, as reported | 10.7 % | 7.4 % | | 8.0 % | 3.4 % | |
| Rationalization charges [†] | 115 | 23 | | 1,009 | 3,853 | |
| Legal adjustments, net | — | 1,030 | | — | 2,400 | |
| Fixed asset disposal (truck mounted devices) | — | — | | — | 1,690 | |
| Employee benefit policy change | — | — | | — | — | |
| Operating profit, as adjusted | <u>\$ 32,311</u> | <u>\$ 21,731</u> | | <u>\$ 69,508</u> | <u>\$ 34,656</u> | |
| Operating margin, as adjusted | 10.8 % | 7.8 % | | 8.1 % | 4.5 % | |
| Distribution | | | | | | |
| Sales | <u>\$ 174,123</u> | <u>\$ 170,881</u> | 1.9 % | <u>\$ 499,268</u> | <u>\$ 476,333</u> | 4.8 % |
| Operating profit, as reported | \$ 15,536 | \$ 16,909 | | \$ 43,416 | \$ 40,183 | |
| Operating margin, as reported | 8.9 % | 9.9 % | | 8.7 % | 8.4 % | |

| | | | | |
|-------------------------------|-----------|-----------|-----------|-----------|
| Rationalization charges | — | — | 83 | 512 |
| Operating profit, as adjusted | \$ 15,536 | \$ 16,909 | \$ 43,499 | \$ 40,695 |
| Operating margin, as adjusted | 8.9 % | 9.9 % | 8.7 % | 8.5 % |

Total

| | | | | |
|------------------------------|-------------------|-------------------|---------------------|---------------------|
| Sales before eliminations | \$ 474,128 | \$ 450,690 | \$ 1,360,192 | \$ 1,254,802 |
| Intercompany eliminations | (21,026) | (22,802) | (61,477) | (64,693) |
| Net sales after eliminations | <u>\$ 453,102</u> | <u>\$ 427,888</u> | <u>\$ 1,298,715</u> | <u>\$ 1,190,109</u> |
| | | 5.9 % | | 9.1 % |

| | | | | |
|---|------------------|------------------|------------------|------------------|
| Operating profit, as reported - segment | \$ 47,732 | \$ 37,587 | \$ 111,915 | \$ 66,896 |
| General corporate expense, net | (4,966) | (4,395) | (15,716) | (18,022) |
| Intercompany eliminations and other adjustments | (3,665) | (3,001) | (10,540) | (8,340) |
| Operating profit, as reported | <u>\$ 39,101</u> | <u>\$ 30,191</u> | <u>\$ 85,659</u> | <u>\$ 40,534</u> |
| Operating margin, as reported | 8.6 % | 7.1 % | 6.6 % | 3.4 % |

| | | | | |
|--|------------------|------------------|------------------|------------------|
| Rationalization charges†‡ | 435 | 23 | 2,090 | 4,365 |
| Legal adjustments, net | — | 1,030 | — | 2,400 |
| Acquisition costs | 55 | — | 55 | — |
| Fixed asset disposal (truck mounted devices) | — | — | — | 1,690 |
| Masco general corporate expense, net | — | — | — | 13,627 |
| Masco direct corporate expense | — | — | — | 5,604 |
| Expected standalone corporate expense | — | — | — | (11,000) |
| Operating profit, as adjusted | <u>\$ 39,591</u> | <u>\$ 31,244</u> | <u>\$ 87,804</u> | <u>\$ 57,220</u> |
| Operating margin, as adjusted | 8.7 % | 7.3 % | 6.8 % | 4.8 % |

| | | | | |
|-------------------------------|------------------|------------------|-------------------|------------------|
| Share-based compensation | 2,037 | 1,485 | 5,743 | 3,151 |
| Depreciation and amortization | 3,015 | 2,930 | 8,923 | 9,156 |
| EBITDA, as adjusted | <u>\$ 44,643</u> | <u>\$ 35,659</u> | <u>\$ 102,470</u> | <u>\$ 69,527</u> |

| | | |
|---|--------|---------|
| Sales change period over period | 25,214 | 108,606 |
| EBITDA, as adjusted change period over period | 8,984 | 32,943 |
| EBITDA, as adjusted as percentage of sales change | 35.6 % | 30.3 % |

† 2015 Rationalization charges included spin-off charges

‡ 2016 Rationalization charges include corporate level adjustments as well as segment operating adjustments

TopBuild Corp.

Non-GAAP Reconciliations (Unaudited)

(in thousands, except common share amounts)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|-------------------|------------------------------------|---------------------|
| | 2016 | 2015 | 2016 | 2015 |
| Gross Profit and Operating Profit Reconciliations | | | | |
| Net sales | \$ 453,102 | \$ 427,888 | \$ 1,298,715 | \$ 1,190,109 |
| Gross profit, as reported | \$ 108,139 | \$ 94,002 | \$ 295,282 | \$ 253,508 |
| Insurance adjustment | — | 1,000 | — | 1,000 |
| Gross profit, as adjusted | \$ 108,139 | \$ 95,002 | \$ 295,282 | \$ 254,508 |
| Gross margin, as reported | 23.9 % | 22.0 % | 22.7 % | 21.3 % |
| Gross margin, as adjusted | 23.9 % | 22.2 % | 22.7 % | 21.4 % |
| Operating profit, as reported | \$ 39,101 | \$ 30,191 | \$ 85,659 | \$ 40,534 |
| Rationalization charges† | 435 | 23 | 2,090 | 4,365 |
| Acquisition costs | 55 | — | 55 | — |
| Legal adjustments, net | — | 1,030 | — | 2,400 |
| Fixed asset disposal (truck mounted device) | — | — | — | 1,690 |
| Masco general corporate expense, net | — | — | — | 13,627 |
| Masco direct corporate expense | — | — | — | 5,604 |
| Expected standalone corporate expense | — | — | — | (11,000) |
| Operating profit, as adjusted | \$ 39,591 | \$ 31,244 | \$ 87,804 | \$ 57,220 |
| Operating margin, as reported | 8.6 % | 7.1 % | 6.6 % | 3.4 % |
| Operating margin, as adjusted | 8.7 % | 7.3 % | 6.8 % | 4.8 % |
| Income Per Common Share Reconciliation | | | | |
| Income from continuing operations before income taxes, as reported | \$ 37,895 | \$ 28,625 | \$ 81,545 | \$ 32,655 |
| Rationalization charges† | 435 | 23 | 2,090 | 4,365 |
| Acquisition costs | 55 | — | 55 | — |
| Legal adjustments, net | — | 1,030 | — | 2,400 |
| Fixed asset disposal (truck mounted device) | — | — | — | 1,690 |
| Masco general corporate expense, net | — | — | — | 13,627 |
| Masco direct corporate expense | — | — | — | 5,604 |
| Expected standalone corporate expense | — | — | — | (11,000) |
| Income from continuing operations before income taxes, as adjusted | 38,385 | 29,678 | 83,690 | 49,341 |
| Tax rate at 38% and 36% for 2016 and 2015, respectively | (14,586) | (10,684) | (31,802) | (17,763) |
| Income from continuing operations, as adjusted | \$ 23,799 | \$ 18,994 | \$ 51,888 | \$ 31,578 |
| Income per common share, as adjusted | \$ 0.63 | \$ 0.50 | \$ 1.37 | \$ 0.84 |
| Average diluted common shares outstanding | 37,952,333 | 37,907,784 | 37,942,540 | 37,748,756 |

† 2015 Rationalization charges included spin-off charges.

To view the original version on PR Newswire, visit <http://www.prnewswire.com/news-releases/topbuild-reports-third-quarter-2016-financial-results-300359254.html>

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