

August 7, 2018



TopBuild Reports Strong Second Quarter 2018 Results

Net Sales Increased 27.7%

\$0.76 Income Per Diluted Share

\$1.03 Income Per Diluted Share on an Adjusted Basis

Completed Acquisition of USI on May 1

~\$410 million of expected annual incremental revenue from companies acquired in 2018

DAYTONA BEACH, Fla., Aug. 07, 2018 (GLOBE NEWSWIRE) -- **TopBuild Corp. (NYSE:BLD)**, the leading purchaser, installer and distributor of insulation products to the United States construction industry, today reported results for the second quarter ended June 30, 2018.

Jerry Volas, Chief Executive Officer, stated, *"We had another strong quarter with sales benefitting from the continued growth in residential and commercial construction. Our team remains focused on profitable growth which includes successfully managing the multiple supplier cost increases announced this year."*

"As a result of the USI acquisition, our national footprint is even stronger, particularly in many of the fastest growing markets. With over 10,000 employees, including almost 7,000 installers, we are well-positioned to take advantage of the continued strength in residential new construction."

Second Quarter Financial Highlights

(unless otherwise indicated, comparisons are to the quarter ended June 30, 2017)

- Net sales increased 27.7% to \$606.0 million, primarily driven by acquisitions, sales volume growth and increased selling prices in both operating segments. Of the 27.7% revenue growth, same branch contributed 10.5%.
- Gross margin, impacted by higher material cost, declined 70 basis points to 23.9%. On an adjusted basis, gross margin declined 60 basis points to 24.0%.
- Operating profit was \$43.7 million, compared to operating profit of \$40.8 million. On an adjusted basis, operating profit was \$57.8 million, compared to \$42.2 million, a 37.0% improvement.
- Operating margin was 7.2%, down 140 basis points. Adjusted operating margin improved 60 basis points to 9.5%.
- Adjusted EBITDA was \$70.6 million, compared to \$48.2 million, a 46.4% increase, and

adjusted EBITDA margin improved 140 basis points to 11.6%. Incremental EBITDA margin was 17.0%. On a same branch basis, adjusted EBITDA was \$59.9 million, a 31.4% increase, and incremental EBITDA margin was 23.6%.

- Net income was \$27.2 million, or \$0.76 per diluted share, compared to \$23.5 million, or \$0.63 per diluted share. Adjusted income was \$36.9 million, or \$1.03 per diluted share, compared to \$25.0 million, or \$0.67 per diluted share.
- The five acquisitions completed over the past 12 months contributed \$81.9 million of revenue. Incremental EBITDA related to acquisitions was 13.0%.
- At June 30, 2018, the Company had cash and cash equivalents of \$65.7 million and availability under its revolving credit facility of \$190.7 million for total liquidity of \$256.4 million.

Six Month Financial Highlights

(unless otherwise indicated, comparisons are to six months ended June 30, 2017)

- Net sales increased 19.8% to \$1,097.4 million. On a same branch basis, revenue increased 12.1% to \$994.9 million.
- On both a reported and adjusted basis, gross margin declined 50 basis points to 23.3%.
- Operating profit was \$77.6 million, compared to operating profit of \$37.3 million. On an adjusted basis, operating profit was \$96.0 million, compared to \$70.8 million, a 35.6% improvement.
- Operating margin was 7.1%. On an adjusted basis, operating margin improved 100 basis points to 8.7%.
- Net income was \$53.5 million, or \$1.49 per diluted share, compared to \$21.7 million, or \$0.58 per diluted share. Adjusted income was \$63.1 million, or \$1.76 per diluted share, compared to \$42.0 million, or \$1.12 per diluted share.
- Adjusted EBITDA was \$116.6 million, compared to \$82.1 million, a 42.0% increase. Adjusted EBITDA margin was 10.6%, a 160-basis point improvement, and incremental EBITDA margin was 19.0%. On a same branch basis, adjusted EBITDA grew 32.4% to \$104.7 million and incremental EBITDA margin was 28.6%.

Operating Segment Highlights (\$ in 000s)

(comparisons are to the period ended June 30, 2017)

| TruTeam | 3 Months Ended 6/30/18 | 6 Months Ended 6/30/18 | Service Partners | 3 Months Ended 6/30/18 | 6 Months Ended 6/30/18 |
|------------------|------------------------|------------------------|------------------|------------------------|------------------------|
| Sales | \$429,423 | \$758,817 | Sales | \$205,621 | \$393,387 |
| Change | 33.8% | 24.0% | Change | 17.5% | 13.9% |
| Operating Margin | 11.6% | 10.4% | Operating Margin | 9.7% | 9.6% |

| | | | | | |
|------------------------------|--------|---------|------------------------------|-------|--------|
| Change | 70 bps | 610 bps | Change | 0 bps | 20 bps |
| Adj. Operating Margin | 11.6% | 10.5% | Adj. Operating Margin | 9.7% | 9.6% |
| Change | 60 bps | 120 bps | Change | 0 bps | 20 bps |

Capital Allocation

Acquisitions

In the second quarter, the Company acquired USI, a leading provider of insulation installation and distribution services to the residential and commercial construction markets, for a purchase price of \$475 million. The transaction was financed with proceeds from a \$400 million 5.625% Senior Notes offering which closed on April 25th and a \$100 million delayed-draw term loan that was available under the Company's existing secured credit facility.

Volas stated, "The integration of USI is proceeding very well and their operating performance was consistent with our initial expectations. Our team is focused on making the transition as seamless as possible for our customers, employees and suppliers. We continue to expect at least \$15 million in cost saving synergies and have begun exploring cross selling opportunities."

"Acquisitions remain our number one capital allocation priority and we continue to look for opportunities that will enhance our customer value proposition, market share and earnings growth."

Year-to-date, the Company has closed three acquisitions which, combined, are expected to generate approximately \$410 million of incremental annual revenue.

2018 Revenue and Adjusted EBITDA Outlook

| 2018 | Low | High |
|-----------------|----------|----------|
| Revenue | \$2,358M | \$2,398M |
| Adjusted EBITDA | \$269M | \$284M |

Assumptions:

- 2018 housing starts between 1.260k and 1.280k
- Eight months of revenue from USI with \$2M to \$4M of cost savings synergies
- \$75 million of incremental revenue for every 50,000 increase in new housing starts

This outlook reflects management's current view of present and future market conditions and is based on assumptions such as housing starts, general and administrative expenses, weighted average diluted shares outstanding and interest rates. This outlook does not include any effects related to potential acquisitions or divestitures that may occur after the date of this press release. Factors that could cause actual 2018 results to differ materially from TopBuild's current expectations are discussed below and are also detailed in the Company's 2017 Annual Report on Form 10-K and subsequent SEC reports.

Additional Information

Quarterly supplemental materials, including a presentation that will be referenced on today's conference call, are available on the "Investors" section of the Company's website at www.topbuild.com.

Conference Call

A conference call to discuss second quarter 2018 financial results is scheduled for today, Tuesday, August 7, at 9:00 a.m. Eastern Time. The call may be accessed by dialing (800) 920-2997. The conference call will be webcast simultaneously on the "Investors" section of the Company's website at www.topbuild.com.

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 TruTeam[®], which has over 205 branches, and through Service Partners[®] which distributes insulation from over 75 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

EBITDA, incremental EBITDA margin, the "adjusted" financial measures presented above, and figures presented on a "same branch basis" 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. We define same branch sales as sales from branches in operation for at least 12 full calendar months. Such non-GAAP financial measures are reconciled to their closest GAAP financial measures in tables contained in this press 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," "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. 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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TopBuild Corp.

Condensed Consolidated Statements of Operations (Unaudited)

(in thousands, except per common share amounts)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|------------|---------------------------|------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net sales | \$ 605,969 | \$ 474,458 | \$ 1,097,412 | \$ 915,821 |
| Cost of sales | 460,928 | 357,849 | 841,353 | 697,584 |
| Gross profit | 145,041 | 116,609 | 256,059 | 218,237 |
| Selling, general, and administrative expense (exclusive of significant legal settlement, shown separately below) | 101,360 | 75,813 | 178,486 | 150,904 |
| Significant legal settlement | — | — | — | 30,000 |
| Operating profit | 43,681 | 40,796 | 77,573 | 37,333 |
| Other income (expense), net: | | | | |
| Interest expense | (7,322) | (1,918) | (9,645) | (3,288) |
| Loss on extinguishment of debt | — | (1,086) | — | (1,086) |
| Other, net | 82 | 105 | 115 | 212 |
| Other expense, net | (7,240) | (2,899) | (9,530) | (4,162) |
| Income before income taxes | 36,441 | 37,897 | 68,043 | 33,171 |
| Income tax expense | (9,288) | (14,437) | (14,503) | (11,422) |
| Net income | \$ 27,153 | \$ 23,460 | \$ 53,540 | \$ 21,749 |
| Net income per common share: | | | | |
| Basic | \$ 0.77 | \$ 0.64 | \$ 1.53 | \$ 0.59 |
| Diluted | \$ 0.76 | \$ 0.63 | \$ 1.49 | \$ 0.58 |
| Weighted average shares outstanding: | | | | |
| Basic | 35,102,429 | 36,488,222 | 35,081,292 | 36,803,979 |
| Diluted | 35,837,102 | 37,191,299 | 35,828,290 | 37,404,193 |

TopBuild Corp.**Condensed Consolidated Balance Sheets and Other Financial Data (Unaudited)**

(dollars in thousands)

| | As of | |
|---|---------------------|----------------------|
| | June 30, 2018 | December 31, 2017 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 65,737 | \$ 56,521 |
| Receivables, net of an allowance for doubtful accounts of \$3,303 and \$3,673 at June 30, 2018, and December 31, 2017, respectively | 396,220 | 308,508 |
| Inventories, net | 158,495 | 131,342 |
| Prepaid expenses and other current assets | 23,929 | 15,221 |
| Total current assets | 644,381 | 511,592 |
| Property and equipment, net | 159,265 | 107,121 |
| Goodwill | 1,362,861 | 1,077,186 |
| Other intangible assets, net | 210,345 | 33,243 |
| Deferred tax assets, net | 17,634 | 18,129 |
| Other assets | 6,130 | 2,278 |
| Total assets | <u>\$ 2,400,616</u> | <u>\$ 1,749,549</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | \$ 283,708 | \$ 263,814 |
| Current portion of long-term debt - term loan | 17,500 | 12,500 |
| Current portion of long-term debt - equipment notes | 2,800 | — |
| Accrued liabilities | 108,951 | 75,087 |
| Total current liabilities | 412,959 | 351,401 |
| Long-term debt - term loan | 315,926 | 229,387 |
| Long-term debt - equipment notes | 11,734 | — |
| Long-term debt - Senior Notes | 393,666 | — |
| Deferred tax liabilities, net | 168,590 | 132,840 |
| Long-term portion of insurance reserves | 43,925 | 36,160 |
| Other liabilities | 2,891 | 3,242 |
| Total liabilities | 1,349,691 | 753,030 |
| EQUITY | 1,050,925 | 996,519 |
| Total liabilities and equity | <u>\$ 2,400,616</u> | <u>\$ 1,749,549</u> |
| | | |
| | As of | |
| | June 30, 2018 | June 30, 2017 |
| Other Financial Data | | |
| Receivable days † | 45 | 45 |
| Inventory days † | 31 | 29 |
| Accounts payable days † | 66 | 83 |
| Receivables, net plus inventories, net less accounts payable † | \$ 271,007 | \$ 165,965 |
| Receivables, net plus inventories, net less accounts payable as a percent of sales (TTM)‡ | 11.1 % | 8.8 % |

† Adjusted for remaining acquisition day one balance sheet items

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

TopBuild Corp.
Consolidated Statement of Cash Flows
(in thousands)

| | Six Months Ended June 30, | |
|---|----------------------------------|------------------|
| | 2018 | 2017 |
| Net Cash Provided by (Used in) Operating Activities: | | |
| Net income | \$ 53,540 | \$ 21,749 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 15,185 | 6,835 |
| Share-based compensation | 5,397 | 5,101 |
| Loss on extinguishment of debt | — | 1,086 |
| Loss on sale or abandonment of property and equipment | 487 | 285 |
| Amortization of debt issuance costs | 422 | 186 |
| Change in fair value of contingent consideration | 123 | — |
| Provision for bad debt expense | 1,672 | 1,750 |
| Loss from inventory obsolescence | 928 | 826 |
| Deferred income taxes, net | 375 | — |
| Change in certain assets and liabilities | | |
| Receivables, net | (22,382) | (25,123) |
| Inventories, net | (11,517) | 5,908 |
| Prepaid expenses and other current assets | (5,363) | 7 |
| Accounts payable | 220 | (3,124) |
| Accrued liabilities | 2,901 | 9,787 |
| Other, net | (595) | 398 |
| Net cash provided by operating activities | <u>41,393</u> | <u>25,671</u> |
| Cash Flows Provided by (Used in) Investing Activities: | | |
| Purchases of property and equipment | (27,521) | (8,571) |
| Acquisition of businesses, net of cash acquired of \$15,756 in 2018 | (499,050) | (83,932) |
| Proceeds from sale of property and equipment | 427 | 126 |
| Other, net | 23 | 147 |
| Net cash used in investing activities | <u>(526,121)</u> | <u>(92,230)</u> |
| Cash Flows Provided by (Used in) Financing Activities: | | |
| Proceeds from issuance of Senior Notes | 400,000 | — |
| Proceeds from issuance of term loan | 100,000 | 250,000 |
| Repayments of term loan | (7,500) | (180,000) |
| Proceeds from equipment notes | 15,066 | — |
| Repayments of equipment notes | (533) | — |
| Proceeds from revolving credit facility | 90,000 | — |
| Repayment of revolving credit facility | (90,000) | — |
| Payment of debt issuance costs | (7,717) | (2,150) |
| Taxes withheld and paid on employees' equity awards | (4,531) | (2,147) |
| Repurchase of shares of common stock | — | (39,286) |
| Payment of contingent consideration | (841) | — |
| Net cash provided by financing activities | <u>493,944</u> | <u>26,417</u> |
| Cash and Cash Equivalents | | |
| Increase (decrease) for the period | 9,216 | (40,142) |
| Beginning of year | 56,521 | 134,375 |
| End of period | <u>\$ 65,737</u> | <u>\$ 94,233</u> |
| Supplemental disclosure of noncash investing activities: | | |
| Accruals for property and equipment | \$ 864 | \$ 655 |

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

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|--|--------------------------------|------------|--------|------------------------------|------------|--------|
| | 2018 | 2017 | Change | 2018 | 2017 | Change |
| Installation | | | | | | |
| Sales | \$ 429,423 | \$ 320,984 | 33.8 % | \$ 758,817 | \$ 611,870 | 24.0 % |
| Operating profit, as reported | \$ 49,635 | \$ 35,086 | | \$ 78,965 | \$ 26,123 | |
| Operating margin, as reported | 11.6 % | 10.9 % | | 10.4 % | 4.3 % | |
| Significant legal settlement | — | — | | — | 30,000 | |
| Rationalization charges | 236 | 171 | | 453 | 582 | |
| Operating profit, as adjusted | \$ 49,871 | \$ 35,257 | | \$ 79,418 | \$ 56,705 | |
| Operating margin, as adjusted | 11.6 % | 11.0 % | | 10.5 % | 9.3 % | |
| Distribution | | | | | | |
| Sales | \$ 205,621 | \$ 175,062 | 17.5 % | \$ 393,387 | \$ 345,306 | 13.9 % |
| Operating profit, as reported | \$ 20,009 | \$ 17,022 | | \$ 37,912 | \$ 32,506 | |
| Operating margin, as reported | 9.7 % | 9.7 % | | 9.6 % | 9.4 % | |
| Rationalization charges | — | 17 | | 25 | 17 | |
| Operating profit, as adjusted | \$ 20,009 | \$ 17,039 | | \$ 37,937 | \$ 32,523 | |
| Operating margin, as adjusted | 9.7 % | 9.7 % | | 9.6 % | 9.4 % | |
| Total | | | | | | |
| Sales before eliminations | \$ 635,044 | \$ 496,046 | | \$ 1,152,204 | \$ 957,176 | |
| Intercompany eliminations | (29,075) | (21,588) | | (54,792) | (41,355) | |
| Net sales after eliminations | \$ 605,969 | \$ 474,458 | 27.7 % | \$ 1,097,412 | \$ 915,821 | 19.8 % |
| Operating profit, as reported - segment | \$ 69,644 | \$ 52,108 | | \$ 116,877 | \$ 58,629 | |
| General corporate expense, net | (20,686) | (7,632) | | (29,579) | (14,316) | |
| Intercompany eliminations and other adjustments | (5,277) | (3,680) | | (9,725) | (6,980) | |
| Operating profit, as reported | \$ 43,681 | \$ 40,796 | | \$ 77,573 | \$ 37,333 | |
| Operating margin, as reported | 7.2 % | 8.6 % | | 7.1 % | 4.1 % | |
| Significant legal settlement | — | — | | — | 30,000 | |
| Rationalization charges [†] | 4,341 | 1,258 | | 5,138 | 2,995 | |
| Acquisition related costs | 9,799 | 145 | | 13,281 | 437 | |
| Operating profit, as adjusted | \$ 57,821 | \$ 42,199 | | \$ 95,992 | \$ 70,765 | |
| Operating margin, as adjusted | 9.5 % | 8.9 % | | 8.7 % | 7.7 % | |
| Share-based compensation [‡] | 2,995 | 2,403 | | 5,397 | 4,487 | |
| Depreciation and amortization | 9,743 | 3,605 | | 15,185 | 6,835 | |
| EBITDA, as adjusted | \$ 70,559 | \$ 48,207 | | \$ 116,574 | \$ 82,087 | |
| EBITDA margin, as adjusted | 11.6 % | 10.2 % | | 10.6 % | 9.0 % | |
| Sales change period over period | 131,511 | | | 181,591 | | |
| EBITDA, as adjusted, change period over period | 22,352 | | | 34,487 | | |
| EBITDA, as adjusted, as percentage of sales change | 17.0 % | | | 19.0 % | | |

† Rationalization charges include corporate level adjustments as well as segment operating adjustments.

‡ Amounts for the three and six month periods ending June 30, 2017, exclude \$0.6 million of share-based compensation included in the line item, rationalization charges.

TopBuild Corp.

Non-GAAP Reconciliations (Unaudited)

(in thousands, except share and per common share amounts)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|-------------------|---------------------------|-------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Gross Profit and Operating Profit Reconciliations | | | | |
| Net sales | \$ 605,969 | \$ 474,458 | \$ 1,097,412 | \$ 915,821 |
| Gross profit, as reported | \$ 145,041 | \$ 116,609 | \$ 256,059 | \$ 218,237 |
| Rationalization charges | 155 | — | 155 | — |
| Gross profit, as adjusted | \$ 145,196 | \$ 116,609 | \$ 256,214 | \$ 218,237 |
| Gross margin, as reported | 23.9 % | 24.6 % | 23.3 % | 23.8 % |
| Gross margin, as adjusted | 24.0 % | 24.6 % | 23.3 % | 23.8 % |
| Operating profit, as reported | \$ 43,681 | \$ 40,796 | \$ 77,573 | \$ 37,333 |
| Significant legal settlement | — | — | — | 30,000 |
| Rationalization charges | 4,341 | 1,258 | 5,138 | 2,995 |
| Acquisition related costs | 9,799 | 145 | 13,281 | 437 |
| Operating profit, as adjusted | \$ 57,821 | \$ 42,199 | \$ 95,992 | \$ 70,765 |
| Operating margin, as reported | 7.2 % | 8.6 % | 7.1 % | 4.1 % |
| Operating margin, as adjusted | 9.5 % | 8.9 % | 8.7 % | 7.7 % |
| Income Per Common Share Reconciliation | | | | |
| Income before income taxes, as reported | \$ 36,441 | \$ 37,897 | \$ 68,043 | \$ 33,171 |
| Significant legal settlement | — | — | — | 30,000 |
| Rationalization charges | 4,341 | 1,258 | 5,138 | 2,995 |
| Acquisition related costs | 9,799 | 145 | 13,281 | 437 |
| Loss on extinguishment of debt | — | 1,086 | — | 1,086 |
| Income before income taxes, as adjusted | 50,581 | 40,386 | 86,462 | 67,689 |
| Tax rate at 27% and 38% for 2018 and 2017, respectively | (13,657) | (15,347) | (23,345) | (25,722) |
| Income, as adjusted | \$ 36,924 | \$ 25,039 | \$ 63,117 | \$ 41,967 |
| Income per common share, as adjusted | \$ 1.03 | \$ 0.67 | \$ 1.76 | \$ 1.12 |
| Weighted average diluted common shares outstanding | 35,837,102 | 37,191,299 | 35,828,290 | 37,404,193 |

TopBuild Corp.
Same Branch Net Sales and Adjusted EBITDA (Unaudited)
(dollars in thousands)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--|-------------------|--------------------------------------|-------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net sales | | | | |
| Same branch | \$ 524,067 | \$ 453,648 | \$ 994,942 | \$ 887,425 |
| Acquired | 81,902 | 20,810 | 102,470 | 28,396 |
| Total | <u>\$ 605,969</u> | <u>\$ 474,458</u> | <u>\$ 1,097,412</u> | <u>\$ 915,821</u> |
| EBITDA, as adjusted | | | | |
| Same branch | \$ 59,933 | \$ 45,599 | \$ 104,690 | \$ 79,050 |
| Acquired | 10,626 | 2,608 | 11,884 | 3,037 |
| Total | <u>\$ 70,559</u> | <u>\$ 48,207</u> | <u>\$ 116,574</u> | <u>\$ 82,087</u> |
| Change in total EBITDA, as adjusted, as percentage of total sales change | 17.0 % | 36.5 % | 19.0 % | 34.6 % |
| Change in same branch EBITDA, as adjusted, as percentage of same branch sales change | 20.4 % | 59.1 % | 23.8 % | 50.8 % |
| Change in acquired EBITDA, as adjusted, as percentage of acquired sales change | 13.1 % | 12.5 % | 11.9 % | 10.7 % |
| Same branch change in EBITDA, as adjusted, and total prior year EBITDA (inclusive of prior year acquired EBITDA), as adjusted, as a percentage of the change in current period same branch sales and total prior year sales (inclusive of prior year acquired sales) | 23.6 % | 59.1 % | 28.6 % | 50.8 % |
| Acquired EBITDA, as adjusted, as a percentage of acquired sales | 13.0 % | 12.5 % | 11.6 % | 10.7 % |

TopBuild Corp.
Reconciliation of EBITDA to Net Income (Unaudited)
(in thousands)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--|-------------------------|--------------------------------------|-------------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net income, as reported | \$ 27,153 | \$ 23,460 | \$ 53,540 | \$ 21,749 |
| Adjustments to arrive at EBITDA, as adjusted: | | | | |
| Interest expense and other, net | 7,240 | 1,813 | 9,530 | 3,076 |
| Income tax expense | 9,288 | 14,437 | 14,503 | 11,422 |
| Depreciation and amortization | 9,743 | 3,605 | 15,185 | 6,835 |
| Share-based compensation † | 2,995 | 2,403 | 5,397 | 4,487 |
| Significant legal settlement | — | — | — | 30,000 |
| Rationalization charges | 4,341 | 1,258 | 5,138 | 2,995 |
| Loss on extinguishment of debt | — | 1,086 | — | 1,086 |
| Acquisition related costs | 9,799 | 145 | 13,281 | 437 |
| EBITDA, as adjusted | <u>\$ 70,559</u> | <u>\$ 48,207</u> | <u>\$ 116,574</u> | <u>\$ 82,087</u> |

† Amounts for the three and six month periods ending June 30, 2017, exclude \$0.6 million of share-based compensation included in the line item, rationalization charges.

TopBuild Corp.
2018 Estimated Adjusted EBITDA Range (Unaudited)
(dollars in millions)

| | Twelve Months Ending December 31, 2018 | |
|---|---|-----------------|
| | Low | High |
| Estimated net income | \$ 117.7 | \$ 134.7 |
| Adjustments to arrive at estimated EBITDA, as adjusted: | | |
| Interest expense and other, net | 29.7 | 28.1 |
| Income tax expense | 43.5 | 49.9 |
| Depreciation and amortization | 39.5 | 36.3 |
| Share-based compensation | 12.8 | 11.7 |
| Rationalization charges | 11.5 | 9.5 |
| Acquisition related costs | 14.3 | 13.8 |
| Estimated EBITDA, as adjusted | \$ 269.0 | \$ 284.0 |



Source: TopBuild Corp.