

# ACQUISITION OVERVIEW

## DISTRIBUTION INTERNATIONAL

September 8, 2021

# SAFE HARBOR

This presentation 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. For us, particular uncertainties that could cause our actual results to be materially different from those expressed in our forward-looking statements include, without limitation, our ability to successfully complete the proposed acquisition of DI, including satisfying closing conditions; any delay in closing the proposed acquisition of DI; the occurrence of any event that could give rise to termination of the purchase agreement governing the acquisition of DI; risks inherent in the achievement of cost synergies and the timing thereof; risks related to the disruption to us and DI and their respective management as a result of the proposed acquisition; the effect of the announcement of the proposed acquisition on DI’s ability to retain and hire key personnel and maintain relationships with clients, suppliers and other third parties; our ability to successfully integrate DI if the proposed acquisition is completed, including whether and to what extent the proposed acquisition will be accretive within the expected timeframe; and those described in the risk factors contained in our filings with the Securities and Exchange Commission. 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.

# COMPLEMENTARY TRANSACTION AND NEW PLATFORM FOR GROWTH

- Definitive agreement to acquire Distribution International (“DI”), the leading North America speciality distributor of mechanical insulation and related accessories for industrial and commercial end-markets, for \$1B
- Provides entry into high-value industrial and commercial insulation end-markets, a \$5B segment
- Expands footprint and increases penetration and capabilities within key markets, including recurring Maintenance, Repair and Operations (“MRO”) business
- Adds industry leading fabrication capabilities
- Positions TopBuild as the leading supplier of energy saving insulation products in three critical and expanding end-markets
- Enhances robust M&A pipeline with new roll-up opportunities in fragmented industrial and commercial end-markets
- Expected to be accretive to GAAP EPS in the first full year after close
- Anticipate \$35M to \$40M of run-rate synergies within 24 months

**ENHANCES POSITION AS THE LEADING SPECIALTY DISTRIBUTOR OF INSULATION**

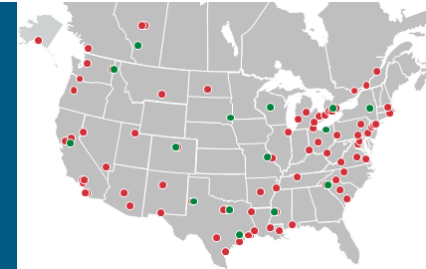


# DI PRESENTS A COMPELLING ACQUISITION

Leading player in \$5B  
mechanical insulation



101 branches and  
access to ~13K new  
customers



MRO business provides  
recurring revenue  
stream



Strong M&A  
opportunities in highly  
fragmented industry



Industry leading  
fabrication capabilities



Talented and  
experienced  
management team



COMPLEMENTARY CULTURES WITH EMPHASIS ON SAFETY, INTEGRITY, TALENT AND EXECUTION



# TOPBUILD HAS DEVELOPED A STRONG FOUNDATION FOR GROWTH

## Leadership and scale; insulation is at our core

- Leading residential and commercial installer and specialty distributor of insulation in the U.S.
- Diverse capabilities; expertise across all insulation material types in residential and commercial end-markets
- National footprint

## Operational excellence that's transferrable and scalable

- Proven best practices and technology
- Optimized supply chain relationships
- Strong return on capital, at both Service Partners and TruTeam

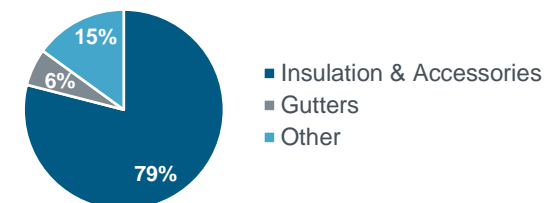
## Disciplined and balanced capital allocation approach

- Ample balance sheet capacity and access to capital
- 26 acquisitions successfully completed and integrated
- \$422M of cash used to repurchase stock since spin
- Continued strong pipeline of residential/commercial acquisitions

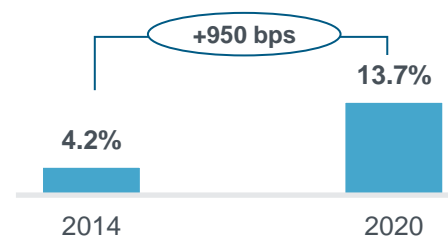
### TopBuild Product & Business Mix

78% Residential

22% Non-residential



### TopBuild ROIC



### ROA



### Strong Returns on Capital Allocation




\$1,321M

\$422M  
Share Repurchases

\$899M  
M&A

Since Spin<sup>1</sup>

# GROWTH FURTHER ENHANCED BY THE ACQUISITION OF DI

			
INSULATION FOCUS	✓	✓	✓
VALUE-ADD OFFERINGS	✓	✓	✓
ADDRESSABLE MARKET	\$10B+ Access to 50K+ builders and contractors		\$5B ~13K+ new customers
M&A OPPORTUNITIES	+++	+++	+++
END-MARKETS	Residential / Commercial	Residential / Commercial	Industrial / Commercial / MBI / Marine

DI ADDS INCREMENTAL \$5B MARKET OPPORTUNITY, A NEW PLATFORM FOR GROWTH

# DI TRANSACTION OVERVIEW

## TRANSACTION DETAILS

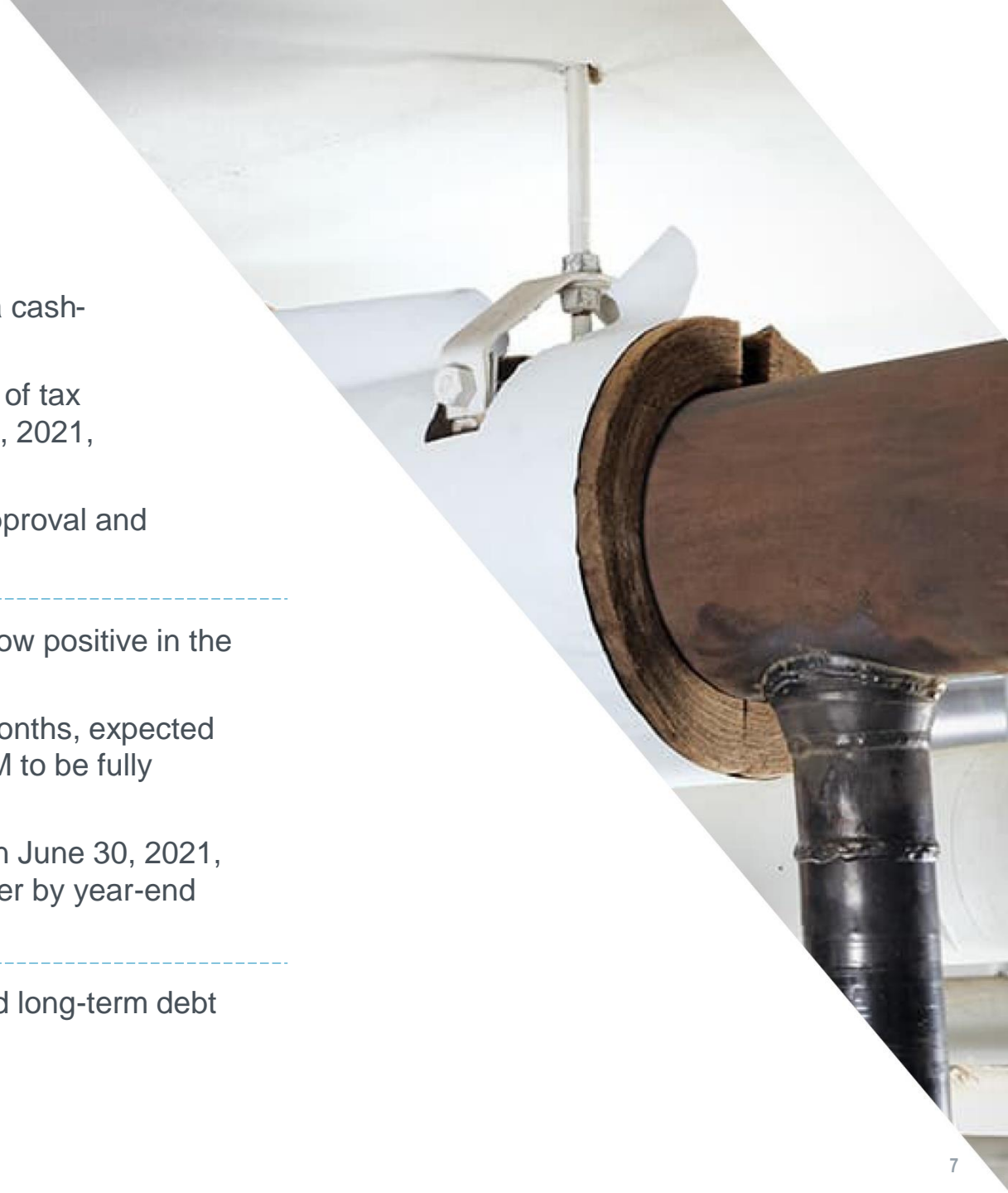
- Purchasing DI for enterprise value of \$1,001M on a cash-free/debt-free basis
- Implied EV/Adjusted EBITDA multiple, net of \$30M of tax assets, of ~12.9x for the 12 months ended June 30, 2021, and ~8.6x post full run-rate synergies
- Expected to close in 4Q21, subject to regulatory approval and other customary closing conditions

## EXPECTED FINANCIAL RESULTS

- Expected to be accretive to GAAP EPS and cash flow positive in the first full year after close
- Integration anticipated to be completed within 12 months, expected annualized run-rate cost synergies of \$35M to \$40M to be fully implemented within 24 months
- Pro forma total net debt leverage of ~2.5X based on June 30, 2021, TTM pro forma results, which is expected to be lower by year-end 2021

## FINANCING

- To be funded by a combination of cash on hand and long-term debt
- Current capital raising alternatives very attractive



# DI BUSINESS OVERVIEW

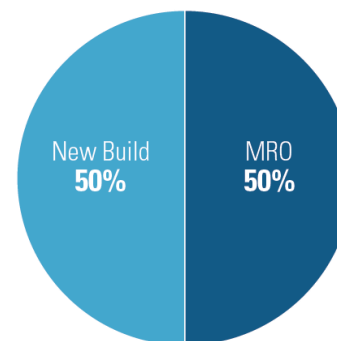
- Leading North American specialty distributor of mechanical insulation and related accessories for industrial and commercial end-markets
- Founded in 1986, headquartered in Houston, TX
- 101 locations; 84 in the United States, 17 in Canada
- Completed 11 acquisitions over the past 6 years
- Experienced and talented operating team joining TopBuild
- Longstanding relationships with major insulation manufacturers
- Strong recovery from COVID-19 impact
- Owned by Advent International, a private equity firm

## PRO FORMA FINANCIALS\*

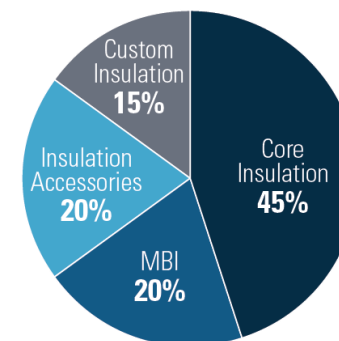
	2019	2020	LTM 06/30/21
Revenue (\$M)	\$805	\$711	\$747
Adj. EBITDA (\$M)	\$78	\$58	\$75
Adj. EBITDA Margin	9.7%	8.2%	10.0%

## REVENUE MIX (2020)

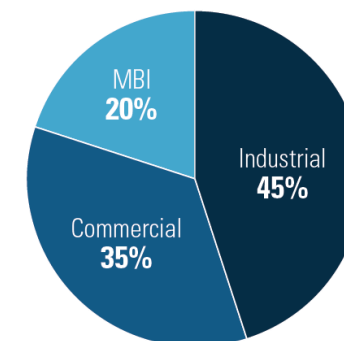
Demand Driver



Product Type



End-Market





# DI BUSINESS OVERVIEW

## DIVERSE CUSTOMER BASE

**Industrial:**  
~45%

General Industrial



Power



Chemicals / Refining



Marine



**Commercial:**  
~35%

Hospitals, Schools, Commercial Infrastructure



**MBI:**  
~20%

Warehouses, Schools, Commercial Infrastructure



## MRO BUSINESS PROVIDES RECURRING REVENUE STREAM

- Significant portion of industrial business (80%+) is driven by recurring Maintenance, Repair, and Operations (“MRO”)
- Replacement demand is driven by changes in building codes, wear and tear, and a desire / requirement to reduce emissions
- Many products are unique and fabricated at DI facilities
- DI integrates and automates replenishment systems directly on DI’s ERP system; further tying DI to the end-user

**DIVERSE CUSTOMER BASE WITH SIGNIFICANT MRO-DRIVEN RECURRING REVENUE**

# DI: A KEY PLAYER IN THE INSULATION VALUE CHAIN

MANUFACTURERS



INSTALLERS

END-USERS

*Value-added services and a comprehensive product and fabrication portfolio make DI a leading choice for Contractors*



*Customers safely install custom-fabricated materials on-site*

## Customer Profile

- Mechanical contractors
- Designers and installers of mechanical systems for commercial and industrial buildings
- Piping, ducting and other projects
- New construction and MRO work
- Help end-users conserve energy, reduce emissions, control temperatures, prevent accidents and improve acoustical environment

## Demand Drivers

- New commercial and industrial build projects with line-of-sight to near-term results
- Ongoing MRO demand at existing facilities
- Building codes, wear-and-tear, and emission reduction targets all drive replacement demand

## DI Offerings

- Comprehensive footprint
- Broad product offering
- Technical knowledge and expertise
- Value-add fabrication services
- World-class sales team and customer service
- Industry-leading e-Commerce options

**LEADER OF MECHANICAL INSULATION SOLUTIONS IN NORTH AMERICA**

# PRODUCT BREADTH AND CUSTOM PRODUCT FABRICATION

## PRODUCT ASSORTMENT

Core + Custom Insulation		Accessories		Metal Building Insulation	
Mineral Wool 	60% of Sales	Metal + PVC Jacketing 	20% of Sales	 <i>Customer Installing MBI</i>	20% of Sales
Fiberglass Pipe 	Cellular Glass 	Protective Gear 	Banding 		MBI
Pipe Cover 	Aerogels 	Respiratory 	Poly Sheeting 		MBI Facing 

## FABRICATION

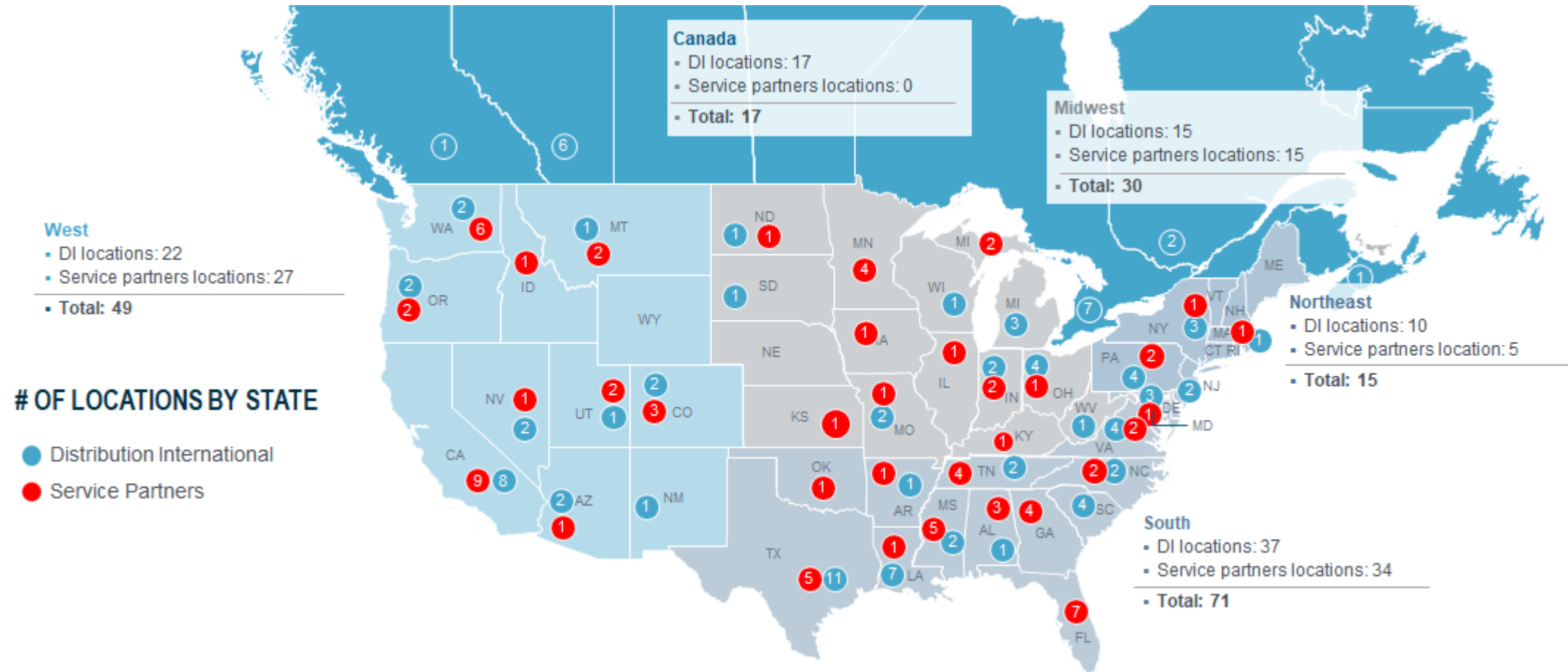


28 strategically located sites across the U.S. and Canada

- Fabrication in conjunction with a full line of mechanical insulation solutions provides customers a single-source solution
- Custom fabrication is essential to the insulation value chain
- Fabrication requires capital and technical know-how
- Fabricated products typically generate higher margins

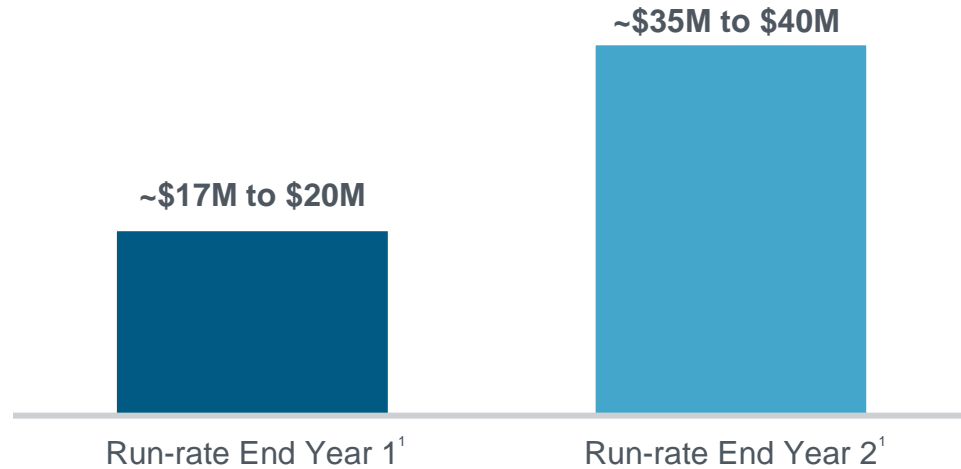
## INDUSTRY LEADING FABRICATION CAPABILITIES

# INCREASES PENETRATION IN KEY MARKETS, INCLUDING CANADA



# EXPANDED FOOTPRINT AND CUSTOMER BASE, INCLUDING INDUSTRY LEADING FABRICATION FACILITIES

# SIGNIFICANT COST SYNERGIES IDENTIFIED



- Dedicated integration team with proven execution; consistent track record of successfully delivering synergies
- Highly complementary businesses enable substantial synergy realization
- Synergies recognized through supply chain leverage and productivity improvements

## SOURCES OF SYNERGIES

SUPPLY CHAIN	<ul style="list-style-type: none"> <li>▪ Leverage TopBuild's scale and best-practices across the supply chain and branch network</li> </ul>
BACK OFFICE	<ul style="list-style-type: none"> <li>▪ Improve functional team productivity</li> <li>▪ Achieve enhanced asset utilization</li> <li>▪ Capture non-direct opportunities</li> </ul>
OPERATIONAL IMPROVEMENT	<ul style="list-style-type: none"> <li>▪ Optimize fleet and logistics</li> <li>▪ Eliminate redundancies; leverage technology as well as best practices</li> <li>▪ Reduce indirect spend</li> </ul>



# MEETS TOPBUILD'S STATED M&A STRATEGIC OBJECTIVES



## Leadership and scale

- Adds the market leader in mechanical insulation distribution to TopBuild's leading platform
- Strengthens position as preferred channel partner with major insulation manufacturers



## Highly complementary and strategic

- Expands customer base and enhances footprint, increasing scale and cross-selling opportunities
- Exposure to all end-markets: residential, commercial, industrial



## Adds new and exciting growth segments

- Growth within industrial and commercial insulation end-markets, supported by energy efficiency tailwinds
- Highly fragmented market with significant M&A potential



## Leverages TopBuild's core competencies in insulation

- Shared best practices complemented by systems and processes to drive improved margin performance
- Leverages operational expertise, knowledge of energy codes, supplier/product access



## Value creation

- Significant synergy potential
- Expected to be EPS accretive and cash flow positive in first full year

## ACQUISITION INTEGRATION A TOPBUILD CORE COMPETENCY

# ESG ENHANCING TRANSACTION



- TopBuild's core insulation businesses are ESG positive
  - Insulation critical for the reduction of carbon footprint, energy efficiency and code compliance
  - Reduces heat exchange/loss



- We drive energy code compliance across all markets we serve
- Transaction expands energy efficiency solutions to the industrial end-market



- Best in class environmental management of operations across combined companies
- ESG focus provides additional growth opportunities
- Highly diverse workforce
- Safety lifestyle

**TOPBUILD WILL BE LEADING SUPPLIER OF ENERGY SAVING INSULATION SOLUTIONS**

# TRANSACTION ALIGNED WITH TOPBUILD'S STRATEGIC PRIORITIES

- ✓ Provides entry into high-value mechanical insulation market, a \$5B new growth platform
- ✓ Expands footprint and increases penetration within key markets, including recurring MRO business
- ✓ Adds industry leading fabrication capabilities
- ✓ Positions TopBuild as the leading supplier of energy saving insulation products in three critical and expanding end-markets
- ✓ Anticipate strong financial return...GAAP EPS and cash-flow positive in first full year after close.
- ✓ Enhances robust M&A pipeline with new roll-up opportunities in fragmented mechanical insulation market

**MAINTAINS UNWAVERING FOCUS ON PROFITABLE GROWTH**

