



Leading the Business of Building Brands

## **4Q and FY 2019 Earnings Presentation**

March 3, 2020

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See also the “Risk Factors” in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2019, to be filed with the SEC on the date hereof, and other risks described in documents subsequently filed by the Company from time to time with the Securities and Exchange Commission, which identify other important factors, though not necessarily all such factors, that could cause future outcomes to differ materially from those set forth in the forward- looking statements. The Company expressly disclaims any obligation to release publicly any updates or revisions to these forward-looking statements, whether as a result of new information, future events, or otherwise.

## Non-GAAP Financial Measures

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# Performance Highlights – Financial and Operational Success

## Performed well financially:

- › 4Q revenue momentum in both Windows and Siding segments
- › 4Q19 Adjusted EBITDA<sup>1</sup> of \$158.9 million or 12.8% of net sales
  - › \$30.3 million more than pro forma 4Q18<sup>1</sup>
  - › 270 bps better than pro forma 4Q18<sup>1</sup>
- › Pro forma Adjusted EBITDA<sup>1</sup> of \$581.9 million or 11.9% of net sales
  - › \$41.9 million more than pro forma 2018<sup>1</sup>
  - › 130 bps better than pro forma 2018<sup>1</sup>
- › Captured ~\$110 million of merger synergies and cost savings, \$10 million better than target
- › Reduced net debt to LTM pro forma Adjusted EBITDA<sup>1</sup> to 5.4x, about a quarter turn better than expected

## Performed well operationally:

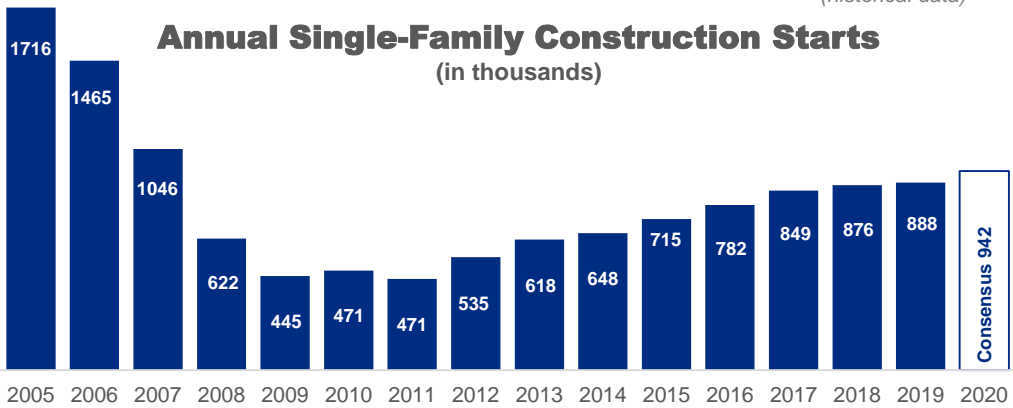
- › Maintained market and price leadership position
- › 15% increase in commercial backlog dollars year-over-year
- › Lowest warranty claims rate in the past 5 years within U.S. Siding business
- › Launch of automation projects within Windows business
- › Successful integration of Silver Line, Atrium and Environmental Stoneworks acquisitions



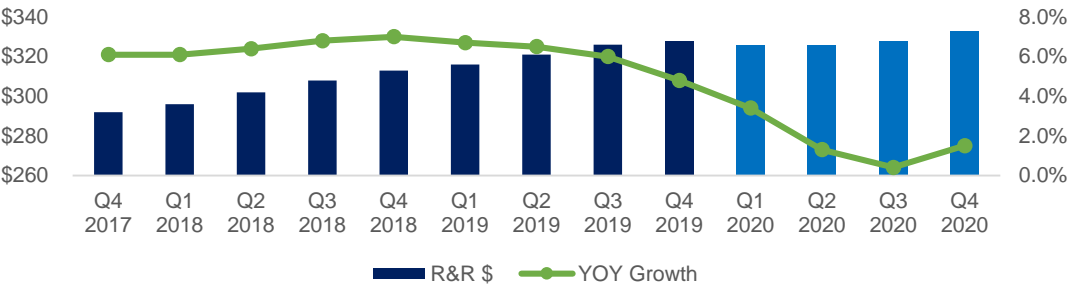
# Positive 2020 Outlook for End Markets

## RESIDENTIAL

Source: U.S. Census Bureau  
(historical data)



## Leading Indicator of Remodeling Activity<sup>1</sup>



- U.S. single-family housing market expected to grow ~ 4% to 6%
  - Residential building products installed 90- to 120- days after start
  - Applies to approximately 50% of the Windows and Siding segments
- Repair & Remodel expected to grow ~ 1% to 2%; trend indicator for ~50% of the Windows and Siding segments

## COMMERCIAL



- CNR sentiment considers a 9- to 14- month lag of the leading indicator market sentiment
- Prominent end market exposure in commercial & industrial, agricultural, and institutional
- Non-residential low-rise markets expected to improve ~ 1% to 2%; adjusted for CNR lag

# 2019: Becoming Cornerstone Building Brands



## CUSTOMER FOCUS

- Trusted partners
- Full exterior solutions – breadth of portfolio
- Best-in-class service
- National distribution – where our customers rely on us



## SOLUTIONS DRIVEN TECHNOLOGY

- Using technology to better serve our customers
- NexGen design automation
- Digital advancements



## EMPLOYEES

- Safety first
- Talent development
- Talent acquisition
- Cultural change



## GROWTH – TOPLINE, REVENUE

- Innovation – new products and extensions
- Cross selling – selling customers full portfolio
- Investing in our brands
- Strategic acquisitions



## OPERATONAL EXCELLENCE

- Driving efficiency & transforming the manufacturing process
- Investing in automation
- Culture of continuous improvement
- Network optimization



## CONTRIBUTING TO COMMUNITIES

- Environmental stewardship
- Home for Good project – helping those in need of affordable housing
- Social responsibility



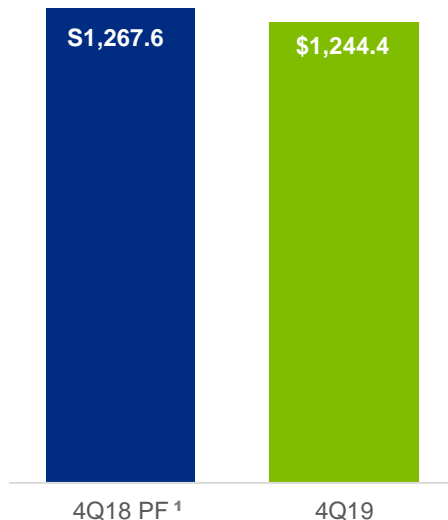


# **Financial Performance**



# 4Q and Pro Forma FY 2019 Operating Performance – Net Sales

**Quarterly Net Sales**  
(in millions)

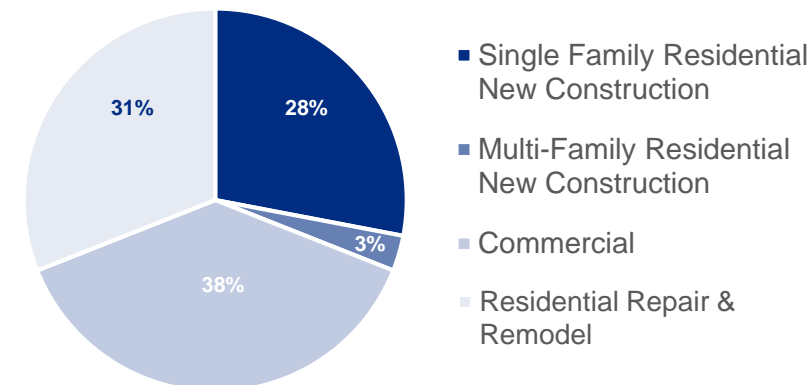


**Full Year PF<sup>1</sup> Net Sales**  
(in millions)

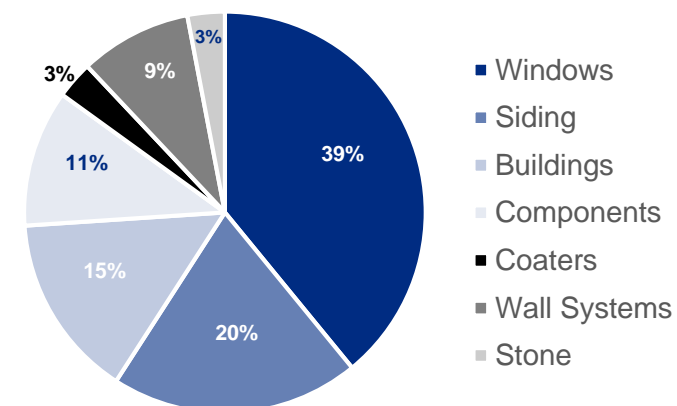


- Compared to pro forma 4Q18<sup>1</sup>, Windows segment up 5%; Siding segment slightly up; Commercial segment down 10% from softer addressable markets
- Market momentum is positive; strong order intake going into 2020

**2019 PF<sup>1</sup> Net Sales by End Market**



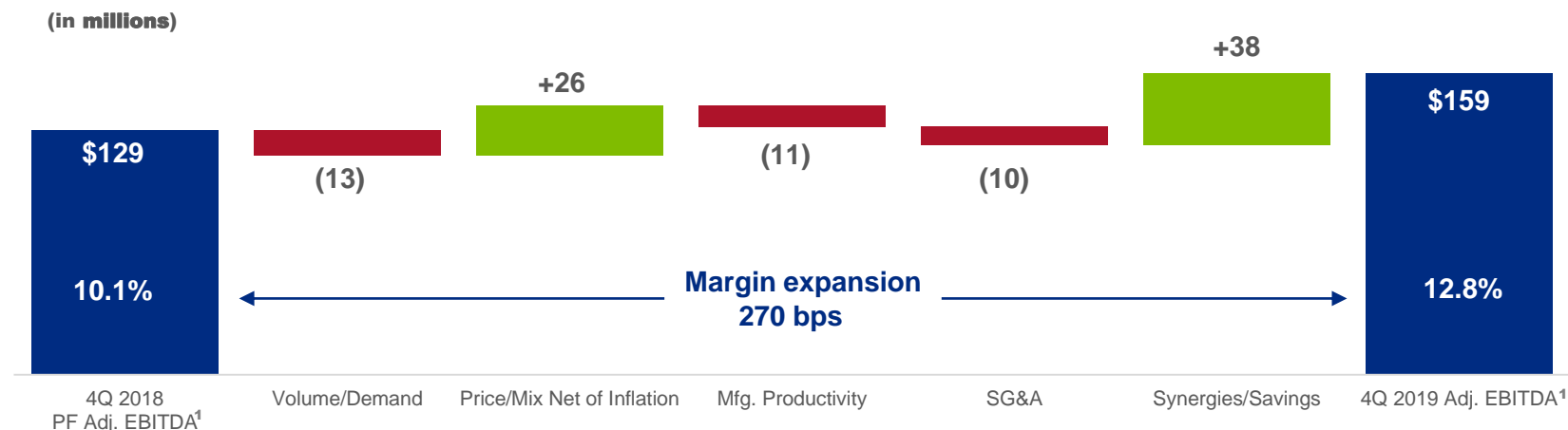
**2019 PF<sup>1</sup> Net Sales by Product**



# 4Q and Pro Forma FY 2019 Operating Performance – Adjusted EBITDA<sup>1</sup>

- 270 bps improvement from \$38 million of realized synergies and cost savings initiatives, \$10 million better than target

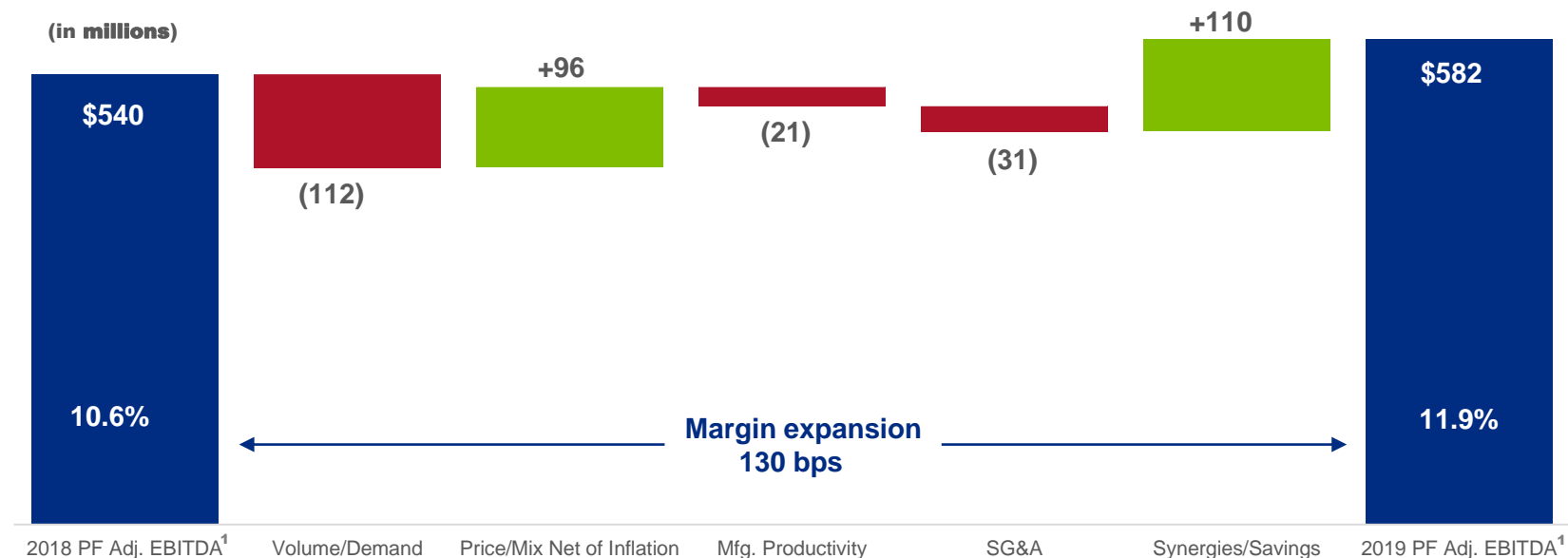
- Favorable steel spread from declining steel costs drove the price/mix net of inflation



- Demonstrated pricing leadership across all segments partially offsetting the delayed market demand

- Achieved ~\$110 million of synergies and cost savings across all segments; 60% manufacturing and 40% SG&A

- Margin expansion across all segments on a pro forma basis

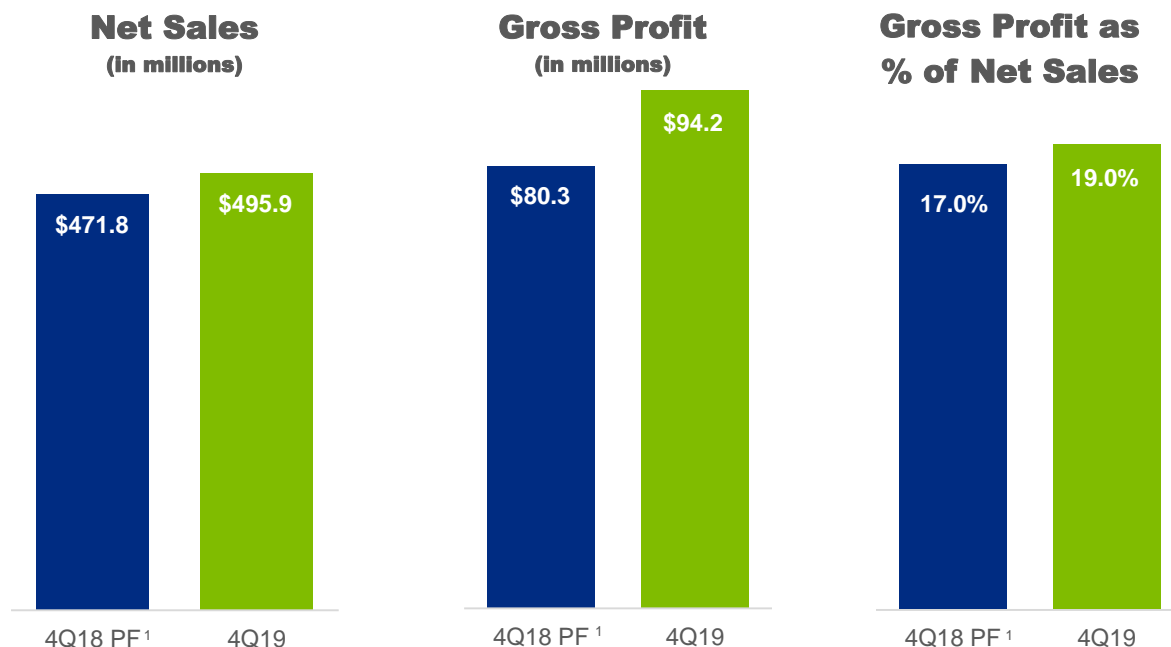




# Segment Overview



# Windows Segment



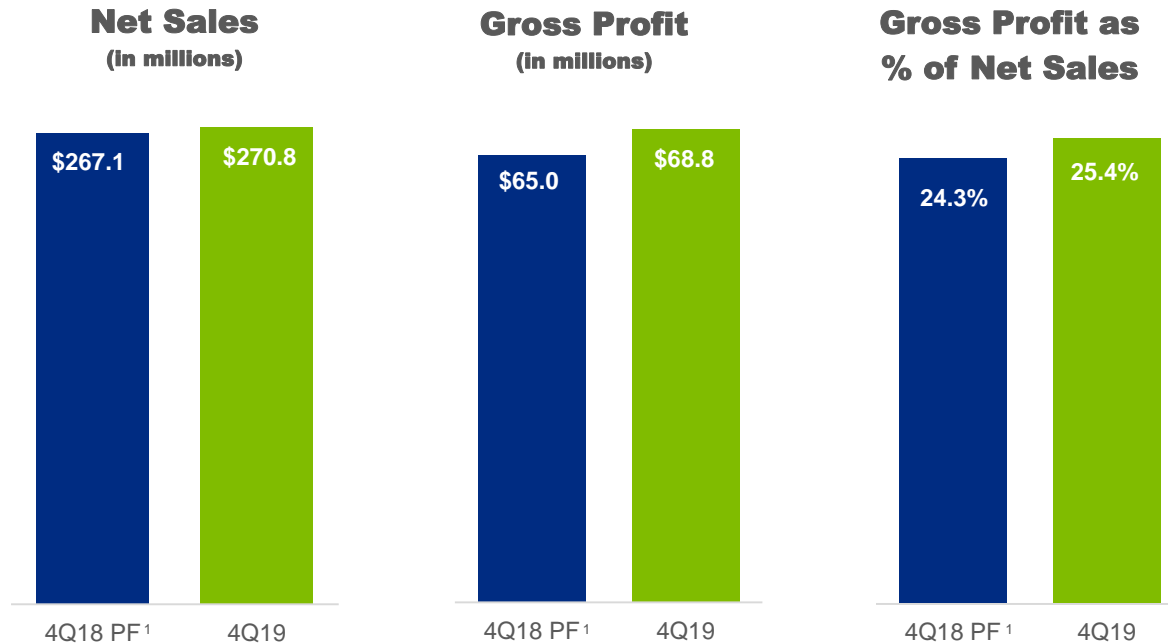
## FY 2019

- › Net Sales \$1.9 billion
- › Gross Profit \$353 million
- › Gross Profit as % of Net Sales 18.3%

## Highlights

- › 5% increase in net sales over pro forma 4Q18<sup>1</sup> from favorable selling price and mix
- › Gross profit expansion over pro forma 4Q18<sup>1</sup> was from realized cost savings
- › Successful launches of automated assembly and glass lines
- › Integration of Silver Line and Atrium acquisitions
- › Expansion of strategic relationship with retail customers

# Siding Segment



## PF FY 2019<sup>1</sup>

- › Net Sales **\$1.1 billion**
- › Gross Profit **\$296 million**
- › Gross Profit as % of Net Sales **26.2%**

## Highlights

- › During 4Q19, strong U.S. demand for siding products was offset by declining Canadian demand
- › 110 bps improvement in gross profit as a percentage of net sales over pro forma 4Q18<sup>1</sup> from positive product mix and realized cost savings
- › U.S. Siding warranty claims down 11% for FY 2019, representing the lowest claims rate in the past 5 years
- › Acquired Kleary Masonry, Inc., a leading installer of manufactured stone veneer in Northern California, during 1Q20

# Commercial Segment

**Net Sales**  
(in millions)



**Gross Profit**  
(in millions)



**Gross Profit as  
% of Net Sales**



## Highlights

- › 4Q19 net sales decline from slow order pace in addressable market as steel prices peaked heading into 2019
- › 380 bps improvement in gross profit over pro forma 4Q18<sup>1</sup> due to favorable spread and realized cost savings
- › Grew backlog by 25% in tonnage and 15% dollars
- › On-time, in-full deliveries significantly improved during 2019
- › Focus on safety as a core value drove a 30% decline in recordable injuries

## FY 2019

- › Net Sales \$1.8 billion
- › Gross Profit \$458 million
- › Gross Profit as % of Net Sales 24.8%

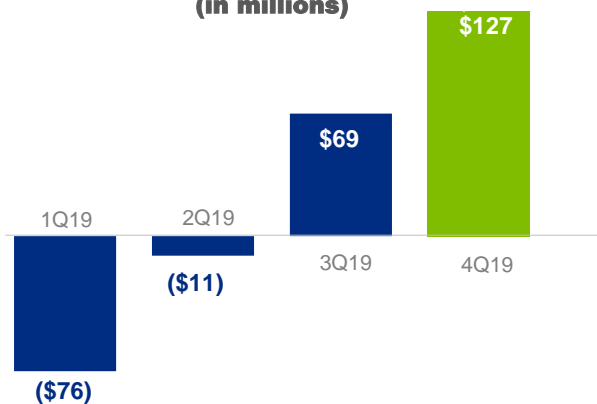




## STRONG CASH GENERATION

### 2019 Free Cash Flow<sup>1</sup>

(In millions)

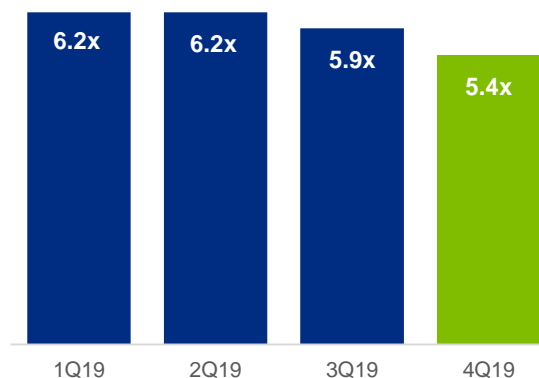


- › 1Q and 2Q use of cash is typical due to seasonality in construction activity
- › Generated \$99 million in cash from seasonality and efficient management of primary working capital<sup>2</sup>
- › Targeting 1% improvement in primary working capital<sup>2</sup> in 2020



## FOCUSED ON DELEVERAGING

### Net Debt Leverage<sup>3</sup>



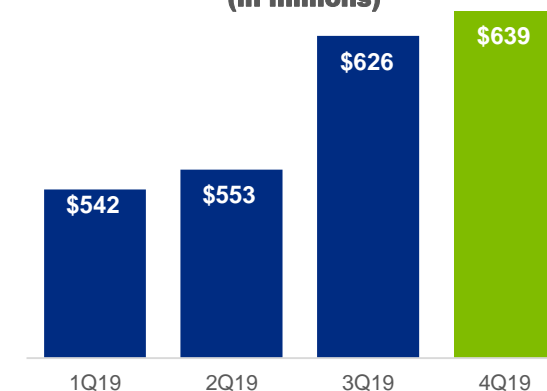
- › Net debt leverage<sup>3</sup> about a quarter turn better than expected
- › Expect to improve net debt leverage ratio by 3/4 to 1 turn annually, target 2.0x to 2.5x times



## FLEXIBILITY TO FUND GROWTH

### 2019 Liquidity Position<sup>4</sup>

(In millions)



- › Excess availability under the ABL facility was \$426 million as of year-end
- › Strong liquidity position to provide capital for growth and innovation

# Expect Positive Momentum to Continue in 2020

## 1Q 2020 Net Sales

### Windows & Siding segments:

- ▶ Healthy single-family starts and positive trends in repair & remodel
- ▶ Expect mid single-digit growth over pro forma 1Q 2019<sup>1</sup>

### Commercial segment:

- ▶ Growing backlog and positive market outlook
- ▶ Pricing headwinds from lower steel costs
- ▶ Expect to be about flat to pro forma 1Q 2019<sup>1</sup>

## 1Q 2020 Adjusted EBITDA<sup>1</sup>

### Anticipate Adjusted EBITDA<sup>1</sup> to be between \$75 million and \$90 million

- ▶ Stable material costs
- ▶ Lower cost structure from cost savings impacts
- ▶ Headwinds from wage adjustments and variable employee compensation and benefits

## Other

### Expect FY 2020:

- ▶ Capex to be between 2.0% – 2.5% of net sales
- ▶ Cash interest of ~\$200 million
- ▶ Effective tax rate of ~30%; Cash taxes of ~\$60 million
- ▶ Maintain focused discipline on primary working capital<sup>2</sup> improvements; expect to generate ~\$50 million cash benefit
- ▶ Price to offset wage inflation and material input costs in all segments
- ▶ Expect to incur ~ \$25 million of restructuring costs to achieve \$60 million of savings



# Key Takeaways – Successful 2019 and Positive Outlook for 2020

## Looking Back on 2019

- › Formed new company – Cornerstone Building Brands
- › Captured ~\$110 million in merger synergies and cost savings, \$10 million over target
- › Successfully integrated acquisitions contributing to both net sales and gross profit expansion
- › Generated pro forma net sales of \$4.9 billion and pro forma Adjusted EBITDA<sup>1</sup> of \$582 million, a 130 bps year-over-year improvement from price discipline, focused cost management, realized synergies and higher steel pass-through
- › Improved balance sheet from debt pay down and effective working capital management

## Looking Ahead to 2020

- › Expect healthy end markets from positive consumer fundamentals
- › Target improved cost structure of \$60 million
- › Maintain price leadership position
- › Generate strong free cash flow
- › Integration of Kleary acquisition, a leading installer of manufactured stone veneer in Northern California







**Q&A**





# Appendix



# Pro Forma Net Sales and Gross Profit Reconciliation for FY19

(in thousands) For the Year Ended December 31, 2019	Reported	Pro Forma Adjustments	Pro Forma
		Acquisitions <sup>1/2</sup>	
<b>Net Sales</b>			
Commercial	\$ 1,847,893	\$ -	\$ 1,847,893
Siding	1,111,407	16,229	1,127,636
Windows	1,930,447	-	1,930,447
<b>Total Net Sales</b>	<u>\$ 4,889,747</u>	<u>\$ 16,229</u>	<u>\$ 4,905,976</u>
<b>Gross Profit</b>			
Commercial	\$ 457,747	-	\$ 457,747
Siding	277,583	18,015	295,598
Windows	353,089	-	353,089
<b>Total Gross Profit</b>	<u>\$ 1,088,419</u>	<u>\$ 18,015</u>	<u>\$ 1,106,434</u>

# Pro Forma Net Sales and Gross Profit Reconciliation for FY18

(in thousands) For the Year Ended December 31, 2018	Pro Forma Adjustments			Pro Forma
	Reported	Acquisitions <sup>1</sup>	Change in Fiscal Period <sup>2</sup>	
<b>Net Sales</b>				
Commercial	\$ 2,000,577	\$ -	\$ 14,376	\$ 2,014,953
Siding	-	1,127,331	-	1,127,331
Windows	-	1,977,203	-	1,977,203
<b>Total Net Sales</b>	<u>\$ 2,000,577</u>	<u>\$ 3,104,534</u>	<u>\$ 14,376</u>	<u>\$ 5,119,487</u>
<b>Gross Profit</b>				
Commercial	\$ 462,682	\$ -	\$ (3,660)	\$ 459,022
Siding	-	284,123	-	284,123
Windows	-	347,950	-	347,950
<b>Total Gross Profit</b>	<u>\$ 462,682</u>	<u>\$ 632,073</u>	<u>\$ (3,660)</u>	<u>\$ 1,091,095</u>

# Pro Forma Net Sales and Gross Profit Reconciliation for 4Q18

(in thousands) For the Fourth Quarter of 2018	Pro Forma Adjustments			Pro Forma
	Reported	Acquisitions <sup>1</sup>	Change in Fiscal Period <sup>2</sup>	
<b>Net Sales</b>				
Commercial	\$ 573,634	\$ -	\$ (45,024)	\$ 528,610
Siding	-	267,118	-	267,118
Windows	-	471,825	-	471,825
<b>Total Net Sales</b>	<u>\$ 573,634</u>	<u>\$ 738,943</u>	<u>\$ (45,024)</u>	<u>\$ 1,267,553</u>
<b>Gross Profit</b>				
Commercial	\$ 133,281	\$ -	\$ (14,938)	\$ 118,343
Siding	-	64,973	-	64,973
Windows	-	80,316	-	80,316
<b>Total Gross Profit</b>	<u>\$ 133,281</u>	<u>\$ 145,289</u>	<u>\$ (14,938)</u>	<u>\$ 263,632</u>



# 2019 Quarterly and Full Year Adjusted EBITDA and Pro Forma Adjusted EBITDA Reconciliation

(\$ in millions)	For the three months ended March 30, 2019	For the three months ended June 29, 2019	For the three months ended September 28, 2019	For the three months ended December 31, 2019	YTD for the twelve months ended December 31, 2019
<b>Operating income (loss), GAAP</b>	<b>(\$27.4)</b>	<b>\$80.9</b>	<b>\$95.6</b>	<b>\$65.6</b>	<b>\$214.7</b>
Restructuring and impairment	3.4	7.1	5.0	2.5	18.1
Strategic development and acquisition related costs	14.1	12.1	10.5	13.5	50.2
Non cash charge of purchase price allocated to inventories	16.3	-	-	-	16.3
Customer inventory buybacks	0.2	0.2	0.1	-	0.6
Other, net	0.7	1.4	1.7	0.9	4.7
<b>Adjusted operating income</b>	<b>\$7.4</b>	<b>\$101.7</b>	<b>\$112.9</b>	<b>\$82.6</b>	<b>\$304.6</b>
Other income and expense, net	0.4	(0.4)	0.7	0.5	1.2
Depreciation and amortization	60.0	67.5	64.0	72.3	263.8
Share-based compensation expense	4.0	3.5	3.1	3.5	14.1
<b>Adjusted EBITDA</b>	<b>\$71.7</b>	<b>\$172.3</b>	<b>\$180.8</b>	<b>\$158.9</b>	<b>\$583.6</b>
Pro Forma Adj. EBITDA impact for Environmental Stoneworks <sup>(1)</sup>	(1.7)	-	-	-	(1.7)
<b>Pro Forma Adjusted EBITDA</b>	<b>\$70.0</b>	<b>\$172.3</b>	<b>\$180.8</b>	<b>\$158.9</b>	<b>\$581.9</b>

# 2018 Quarterly and Full Year Adjusted EBITDA and Pro Forma Adjusted EBITDA Reconciliation

(\$ in millions)	For the three months ended March 31, 2018	For the three months ended June 30, 2018	For the three months ended September 29, 2018	For the three months ended December 31, 2018	YTD for the twelve months ended December 31, 2018
<b>Operating income (loss), GAAP</b>	<b>\$12.9</b>	<b>\$19.0</b>	<b>\$54.5</b>	<b>\$39.6</b>	<b>\$125.9</b>
Restructuring and impairment	1.1	0.5	(0.4)	0.8	1.9
Strategic development and acquisition related costs	0.7	1.1	3.6	11.7	17.1
Loss (gain) on disposition of business	-	6.7	(1.0)	-	5.7
Acceleration of CEO retirement benefits	4.6	-	-	-	4.6
Gain on insurance recovery	-	-	(4.7)	-	(4.7)
Other, net	(0.3)	-	-	-	(0.3)
<b>Adjusted operating income</b>	<b>\$19.0</b>	<b>\$27.3</b>	<b>\$52.0</b>	<b>\$52.0</b>	<b>\$150.2</b>
Other income and expense, net	1.1	-	0.1	(0.1)	1.0
Depreciation and amortization	10.4	10.4	10.2	11.3	42.3
Share-based compensation expense	2.3	2.0	1.0	2.7	8.0
<b>Adjusted EBITDA</b>	<b>\$32.9</b>	<b>\$39.7</b>	<b>\$63.3</b>	<b>\$65.9</b>	<b>\$201.5</b>
Change in fiscal period <sup>1</sup>	(1.8)	18.1	(10.9)	(16.2)	(10.6)
Impact of acquisitions <sup>2</sup>	41.1	116.1	113.1	78.8	349.1
<b>Pro Forma Adjusted EBITDA</b>	<b>\$72.2</b>	<b>\$173.9</b>	<b>\$165.5</b>	<b>\$128.6</b>	<b>\$540.0</b>