



**First Quarter 2020
Earnings Presentation**
May 1, 2020



Safe Harbor & Non-GAAP Financial Measures

Cautionary Notice

Statements in this news release and the schedules hereto that are not purely historical facts or that necessarily depend upon future events, including statements about expected market share gains, forecasted financial performance or other statements about anticipations, beliefs, expectations, hopes, intentions or strategies for the future, may be forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. In addition, oral statements made by our directors, officers and employees to the investor and analyst communities, media representatives and others, depending upon their nature, may also constitute forward-looking statements. All forward-looking statements are based upon currently available information and the Company's current assumptions, expectations and projections about future events. Readers are cautioned not to place undue reliance on forward-looking statements. Forward-looking statements are by nature inherently uncertain, and actual results or events may differ materially from the results or events described in the forward-looking statements as a result of many factors. Builders FirstSource, Inc. undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Any forward-looking statements involve risks and uncertainties, many of which are beyond the Company's control or may be currently unknown to the Company, that could cause actual events or results to differ materially from the events or results described in the forward-looking statements, including risks or uncertainties related to the recent novel coronavirus disease 2019 (also known as "COVID-19") pandemic, the Company's growth strategies, including gaining market share, or the Company's revenues and operating results being highly dependent on, among other things, the homebuilding industry, lumber prices and the economy. Builders FirstSource, Inc. may not succeed in addressing these and other risks. Further information regarding factors that could affect our financial and other results can be found in the risk factors section of Builders FirstSource, Inc.'s most recent annual report on Form 10-K filed with the Securities and Exchange Commission ("SEC") and may also be described from time to time in the other reports the Company files with the SEC. Consequently, all forward-looking statements in this release are qualified by the factors, risks and uncertainties contained therein.

Use of Non-GAAP Financial Measures

This presentation includes financial measures and terms not calculated in accordance with accounting principles generally accepted in the United States ("GAAP") in order to provide investors with an alternative method for assessing our operating results in a manner that enables investors to more thoroughly evaluate our current performance as compared to past performance. We believe these non-GAAP measures provide investors with a better baseline for modeling our future earnings expectations. Our management uses these non-GAAP measures for the same purpose. We believe that our investors should have access to the same set of tools that we use in analyzing our results. These non-GAAP measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results. Our calculations of adjusted net income, adjusted net income per share, adjusted EBITDA, free cash flow and net leverage are not necessarily comparable to similarly titled measures reported by other companies. The company provided detailed explanations of these non-GAAP financial measures in its Form 8-K filed with the Securities and Exchange Commission on April 30, 2020.

COVID-19 Operational and Financial Preparedness

Health and Safety

Prioritizing health and safety in all aspects of business
Dedicated team in place to monitor daily best practices, ensure safety and implement swift action as needed
Safeguards include enhanced location cleaning processes, remote work accommodations, suspended group activities, air travel restrictions and social distancing

Market Environment

Customers continue to push to get existing units under construction to completion
Market conditions softening as new project pipeline not fully replacing completed projects
Strong first quarter 2020 momentum softened into April

Business Preparedness

Managing business with a safety-first emphasis across nationwide footprint
BFS locations supplying customers except in the few states or counties where construction activities have been prohibited
Using technology where possible to facilitate customer orders and other interactions to reduce in person contact
Tightly managing costs to align with market environment

Balance Sheet Flexibility

Total liquidity of ~\$1.0b¹, including cash on hand of \$193m¹
No significant maturities for seven years until 2027
Minimizing capital expenditures and optimizing working capital
Reducing or deferring non-essential operating expenses

Well prepared to address the unprecedented environment

¹Pro forma as of March 31, 2020, including net proceed from April 2020 offering of \$350.0 million in aggregate principal amount of senior secured notes due 2027

Q1 2020 Financial Performance In Line With Expectations

Net sales \$1.8b
 +9.5% YoY
 (+3.9% Core Organic)¹

Achieved Core Organic Growth across all three end markets²

Value-added products drove Core Organic +3.9% led by 7% growth in Windows, Doors and Millwork; Manufactured Products grew +4%

**Gross
Margin** 26.0%
 -110 bps YoY

Normalization of gross margin percentage as expected

Particularly strong gross margin percentage in the prior year period due to rapid commodity cost deflation

**Adjusted
EBITDA** \$97.0m
 -3.9% YoY

SG&A: Slight improvement as a percent of sales. Overall increase due to higher compensation related to the increase in net sales and rising insurance expenses

Adjusted EBITDA: Normalization of gross margin more than offset the benefit of higher sales volumes and cost management

**Adjusted
Net Income** \$40.2m
 +\$0.4m YoY

Diluted Adjusted EPS: \$0.34 per share, steady with the prior year

Interest expense: declined by \$1.0m excluding the one-time charges

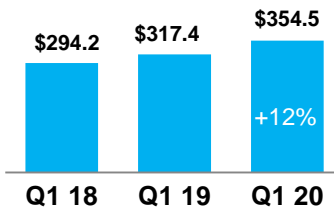
¹Core Organic Growth excludes acquisitions, commodity price fluctuations and differences in selling days between periods. ²Single-family, Multi-family and Repair and Remodel / Other

Q1 2020 Net Sales Growth Led by Value-added Products

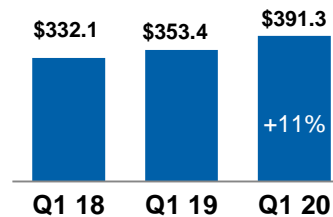
Q1 2020 sales by product category (\$ in millions / % change)

Value-Added Products:

Manufactured Products

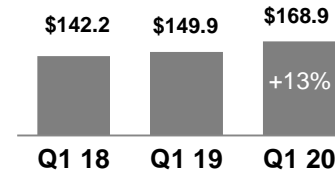


Window, Doors & Millwork

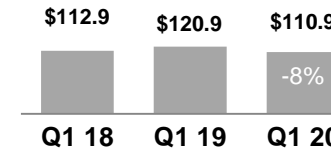


Specialized Products:

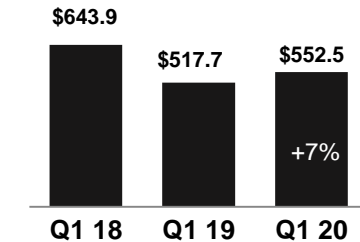
Siding, Metal & Concrete



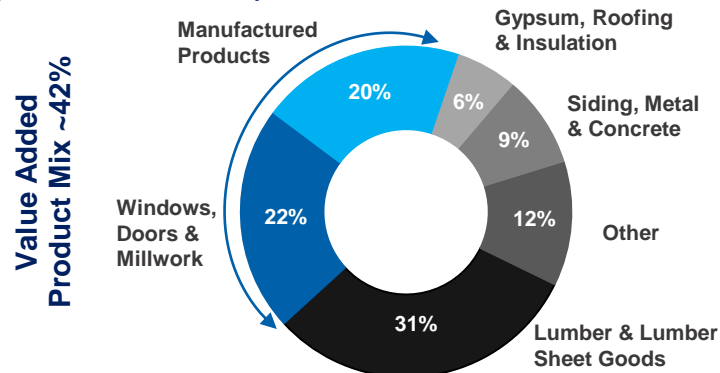
Gypsum, Roofing & Insulation



Lumber & Lumber Sheet Goods



Sales mix by product category (% of total net sales)



Value-added products outperformance

Continued to grow faster than other product categories

Value-added products grew by +11%

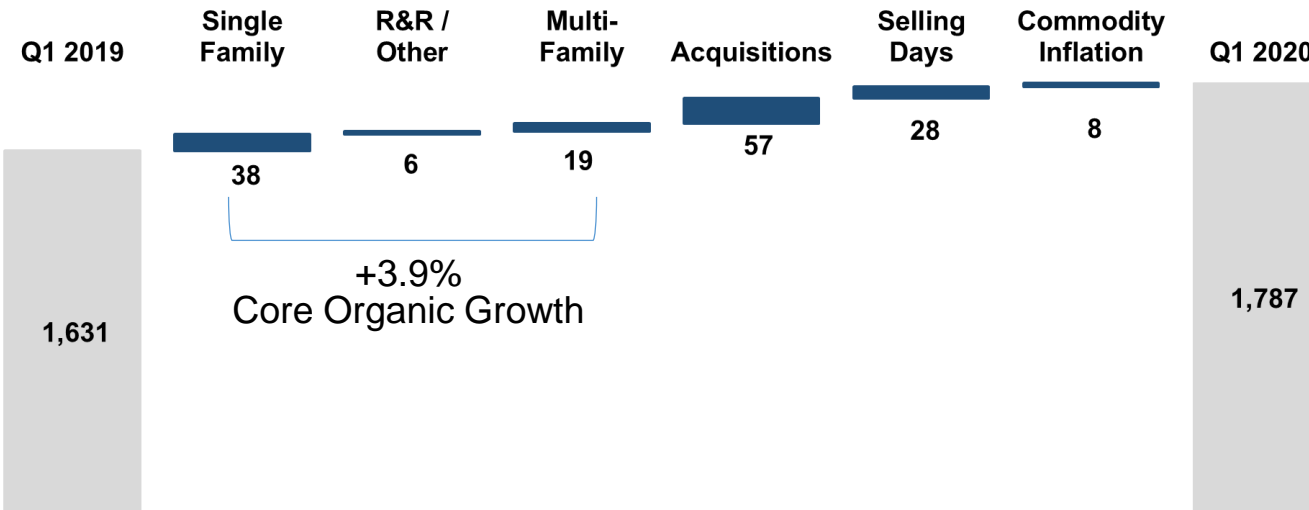
Fluctuations in commodities during the quarter had minimal impact on sales

Product Mix Q1 2020

Q1 2020 Core Organic Growth in All End Markets

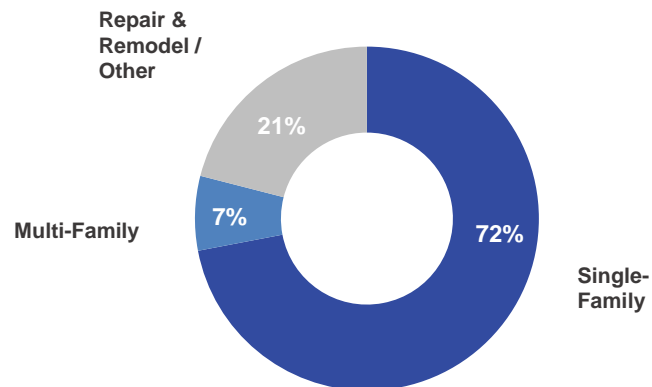
Net sales bridge

(\$ in millions)



Sales mix by end market

(% of total)



Core Organic performance:

Single family: +3% led by solid growth in Value-Added Products

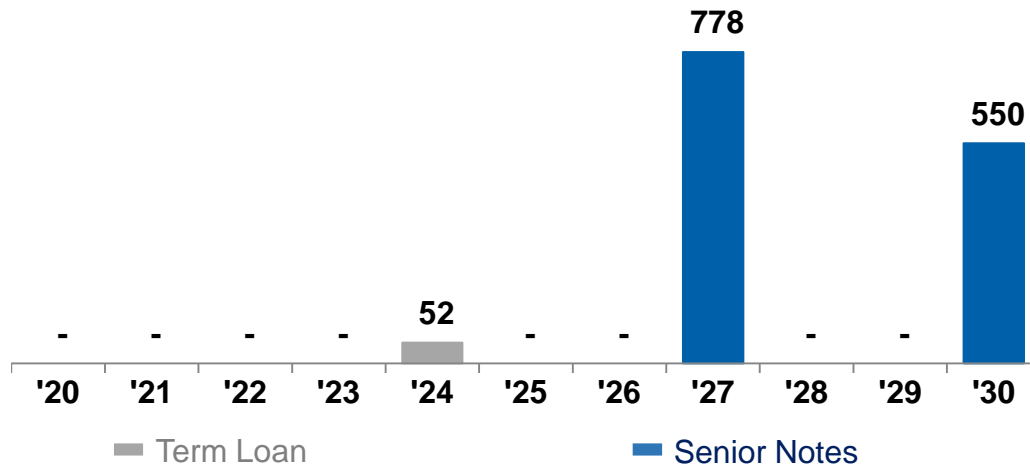
R&R / Other: +2% with broad growth across many markets

Multi-family: +19% on the timing of projects compared to the prior year period

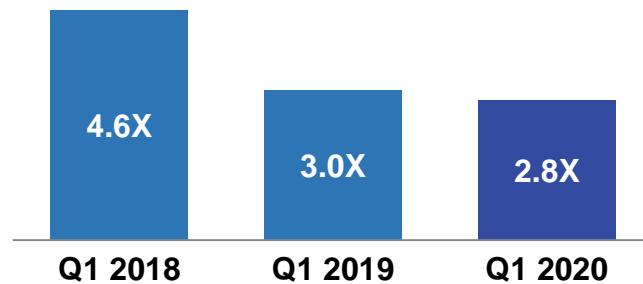
Sales mix: Q1 2020

Strong Liquidity and De-risked Balance Sheet

Weighted Average Debt Maturity of ~8.1 Years¹



Net Leverage² Improvement



Debt Profile¹

Average maturity of financial debt – 8.1 years

Average nominal interest rate – 5.97%

Covenants – Covenant lite

Liquidity Profile¹

Total Liquidity – ~\$1.0b

Cash and cash equivalents – \$193m

Available undrawn committed credit lines – \$819m

Capital Allocation Priorities

Balance sheet strength – Generate cash flow and preserve liquidity

Capital expenditures – spending limited to ensuring safe and proper maintenance of operations, and certain key strategic projects

¹Pro forma as of 3/31/2020, including net proceed from April 2020 offering of \$350 million aggregate principal amount of senior notes due 2027. ²Net Leverage calculated as principal value of debt and lease obligations less cash and cash equivalents divided by LTM Adj EBITDA

Prepared for rapidly evolving economic environment

Framework to drive success...

Anticipate & Take Action

Anticipate demand-related operational adjustments and react quickly

- Managing with a safety-first emphasis in all aspects of business
- Business continuity and risk mitigation plans in place for a range of demand scenarios

Cost Management

Disciplined cost management to align with evolving demand environment

- Managing cash and costs without limiting ability to safely serve our customers
- Taking prudent actions to position BFS for success when macroeconomic conditions improve

Financial Flexibility

Strong liquidity profile and balance sheet flexibility

- Current liquidity and long-dated debt maturities provide sound financial footing
- Evaluating additional steps to further enhance financial flexibility, liquidity and cash flow

LRP Execution

Committed to long range plan targets; timeline to be updated post-COVID-19

- Focusing on value-added products to drive growth over the long term
- Executing on operational excellence initiatives to achieve long-term financial targets
- 2022 timing to be reassessed after the impact of COVID-19 is better understood

Differentiated market leader positioned for above market growth and expanding profitability



**Builders
FirstSource**

Leadership in a highly fragmented industry

Exceptional geographic, customer and end market diversity

Strategic investment in value-added capacity and growth, driving market share gains and margin expansion

Focus on maintaining strong balance sheet and liquidity

Expanding cash flow generation and lowering leverage

Operational excellence and cost management initiatives driving gains in efficiency, productivity and customer value

Experienced management team



Appendix – Financial Schedules



Reconciliation from Net Income to Adjusted EBITDA

	Three months ended March 31,		Twelve months ended March 31,
	2020	2019	2020
	(in millions)		
Reconciliation to Adjusted EBITDA:			
GAAP Net Income	\$ 8.8	\$ 35.7	\$ 194.9
Acquisition and Integration Expense	3.4	4.8	11.7
Debt issuance and refinancing cost ⁽¹⁾	28.0	(0.7)	38.9
Adjusted Net Income	40.2	39.8	245.5
<i>Weighted average diluted common shares (in millions)</i>			
	117.5	116.5	
Diluted adjusted net income per share:	\$ 0.34	\$ 0.34	
Reconciling items:			
Depreciation and amortization expense	29.4	23.6	105.9
Interest expense, net	23.9	25.6	97.7
Income tax (benefit) expense	0.2	11.3	49.9
Stock compensation expense	3.3	2.7	12.9
(Gain)/loss on sale and asset impairments	(0.2)	(2.4)	(0.7)
Other management-identified adjustments ⁽²⁾	0.2	0.3	1.0
Adjusted EBITDA	\$ 97.0	\$ 100.9	\$ 512.2
Adjusted EBITDA Margin	5.4%	6.2%	6.9%

(1) Costs associated with issuing and extinguishing long term debt in 2019 and 2018
(2) Primarily relates to severance and one-time cost

Debt, Interest and Free Cash Flow Reconciliation

	Three months ended March 31, 2020	
	Interest Expense	Net Debt Outstanding
	(in millions)	
2030 Secured Notes @ 5% Fixed	\$ 3.7	\$ 550.0
2027 Secured Notes @ 6.75% Fixed	7.7	427.5
2024 Secured Notes @ 5.625% Fixed	3.9	-
2024 Term Loan @ 4.7% (Floating LIBOR)	0.6	52.0
Revolving Credit Facility @ 4.1% (Floating LIBOR)	1.9	310.0
Amortization of debt issuance costs, discount and premium	0.7	
Finance leases and other finance obligations	5.3	239.6
Loss on debt extinguishment	28.0	
Other	0.1	
Cash		(163.9)
Total	\$ 51.9	\$ 1,415.2

	Three months ended March 31, 2020	
Free Cash Flow	(in millions)	
Operating activities	\$ (51)	
Less: Capital expenditures	(28)	
Free Cash Flow	\$ (79)	

GAAP Financial Schedules – Income Statement¹

	Three Months Ended March 31,	
	2020	2019
	(Unaudited)	
	(In thousands, except per share amounts)	
Net sales	\$ 1,787,021	\$ 1,631,300
Cost of sales	1,321,608	1,189,325
Gross margin	465,413	441,975
Selling, general and administrative expenses	404,466	370,084
Income from operations	60,947	71,891
Interest expense, net	51,931	24,901
Income before income taxes	9,016	46,990
Income tax expense	249	11,282
Net income	\$ 8,767	\$ 35,708
Comprehensive income	\$ 8,767	\$ 35,708
<i>Net income per share:</i>		
Basic	\$ 0.08	\$ 0.31
Diluted	\$ 0.07	\$ 0.31
<i>Weighted average common shares:</i>		
Basic	116,258	115,425
Diluted	117,494	116,531

¹Unaudited

GAAP Financial Schedules – Balance Sheet¹

	March 31, 2020	December 31, 2019
	(Unaudited)	
	(In thousands, except per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 163,872	\$ 14,096
Accounts receivable, less allowances of \$18,496 and \$13,492 at March 31, 2020 and December 31, 2019, respectively	702,192	614,946
Other receivables	54,647	77,447
Inventories, net	640,048	561,255
Other current assets	44,122	39,123
Total current assets	1,604,881	1,306,867
Property, plant and equipment, net	730,738	721,887
Operating lease right-of-use assets, net	285,964	292,684
Goodwill	777,283	769,022
Intangible assets, net	132,165	128,388
Deferred income taxes	8,393	8,417
Other assets, net	21,934	22,225
Total assets	\$ 3,561,358	\$ 3,249,490
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	551,548	436,823
Accrued liabilities	223,319	308,950
Current portion of operating lease liabilities	61,628	61,653
Current maturities of long-term debt	22,518	13,875
Total current liabilities	859,013	821,301
Noncurrent portion of operating lease liabilities	230,355	236,948
Long-term debt, net of current maturities, debt discount, and debt issuance costs	1,545,211	1,277,398
Deferred income taxes	37,496	36,645
Other long-term liabilities	55,745	52,245
Total liabilities	2,727,820	2,424,537
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value, 10,000 shares authorized; zero shares issued and outstanding	—	—
Common stock, \$0.01 par value, 200,000 shares authorized; 116,545 and 116,052 shares issued and outstanding at March 31, 2020 and December 31, 2019, respectively	1,165	1,161
Additional paid-in capital	574,769	574,955
Retained earnings	257,604	248,837
Total stockholders' equity	833,538	824,953
Total liabilities and stockholders' equity	\$ 3,561,358	\$ 3,249,490

¹Unaudited

GAAP Financial Schedules – Cash Flow¹

	Three months ended March 31,	
	2020	2019
	(Unaudited) (In thousands)	
Cash flows from operating activities:		
Net income	\$ 8,767	\$ 35,708
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	29,400	23,576
Amortization of debt issuance costs and debt discount	684	1,149
Loss (gain) on extinguishment of debt	5,349	(680)
Deferred income taxes	875	9,638
Stock compensation expense	3,254	2,659
Gain on sale of assets	(133)	(464)
Changes in assets and liabilities, net of assets acquired and liabilities assumed:		
Receivables	(61,998)	22,703
Inventories	(78,591)	(38,603)
Other current assets	(5,000)	4,732
Other assets and liabilities	26,286	(1,319)
Accounts payable	108,295	47,371
Accrued liabilities	(87,842)	(100,395)
Net cash provided by (used in) operating activities	(50,654)	6,075
Cash flows from investing activities:		
Purchases of property, plant and equipment	(28,498)	(21,524)
Proceeds from sale of property, plant and equipment	538	720
Cash used for acquisitions	(15,893)	—
Net cash used in investing activities	(43,853)	(20,804)
Cash flows from financing activities:		
Borrowings under revolving credit facility	681,000	374,000
Repayments under revolving credit facility	(398,000)	(331,000)
Proceeds from long-term debt and other loans	550,000	—
Repayments of long-term debt and other loans	(554,263)	(24,440)
Payments of debt extinguishment costs	(22,686)	—
Payments of loan costs	(8,332)	—
Exercise of stock options	398	216
Repurchase of common stock	(3,834)	(2,450)
Net cash provided by financing activities	244,283	16,326
Net change in cash and cash equivalents	149,776	1,597
Cash and cash equivalents at beginning of period	14,096	10,127
Cash and cash equivalents at end of period	\$ 163,872	\$ 11,724

¹Unaudited



First we **Listen** – Then we **Deliver** 



Investor Relations

Binit Sanghvi

214-765-3804 | binit.sanghvi@bldr.com