



 **TopBuild**<sup>SM</sup>  
NYSE:BLD



Statements contained in this presentation and during question and answer panels that reflect our views about our future performance constitute “forward-looking statements” under the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as “believe,” “anticipate,” “appear,” “may,” “might,” “will,” “should,” “intend,” “plan,” “estimate,” “expect,” “assume,” “seek,” “forecast,” “anticipates,” “appears,” “believes,” “estimates,” “predicts,” “potential” or “continue,” 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. We caution you against relying on any of these forward-looking statements. Our future performance may be affected by our reliance on residential new construction, residential repair/remodel and commercial construction, our reliance on third-party suppliers and manufacturers, our ability to attract, develop and retain talented personnel and our sales and labor force, our ability to maintain consistent practices across our locations, our ability to maintain our competitive position, and our ability to realize the expected benefits of the Separation. We discuss many of the risks we face under the caption entitled “Risk Factors” in our Form 10 filed with the SEC. Our forward-looking statements in this Information Statement speak only as of the date of this Information Statement. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Unless required by law, we undertake no obligation to update publicly any forward-looking statements as a result of new information, future events or otherwise.

# Today's Presenters



**Jerry Volas**  
Chief Executive Officer



**Robert Buck**  
President, Chief Operating Officer



**John Peterson**  
Chief Financial Officer

## The Business Today

Key Strengths We Are Leveraging

Financial Position

Growth Drivers



# Building on Two Strong Platforms



- Leading provider of installation of residential insulation & select building products
- >190 branches in 43 states
- National scale with recognized local brands and presence
- Well-earned reputation for quality employees, products and services



- Leading distributor of residential insulation & select building products
- >70 distribution centers in 35 states
- National scale with recognized local brands and presence
- Well earned reputation for “one stop shop”, delivery and service



# A critical component of the insulation supply chain

## Primary manufacturers of fiberglass insulation

CertainTeed



KNAUF



- #1 in residential installation
- 35% share of new housing starts
- 2x size of largest competitor

## Residential new construction is highly fragmented

- Over 50,000 home builders in the US
- 50% of housing starts are covered by large national and regional builders

# Attractive Product and Line of Business Mix

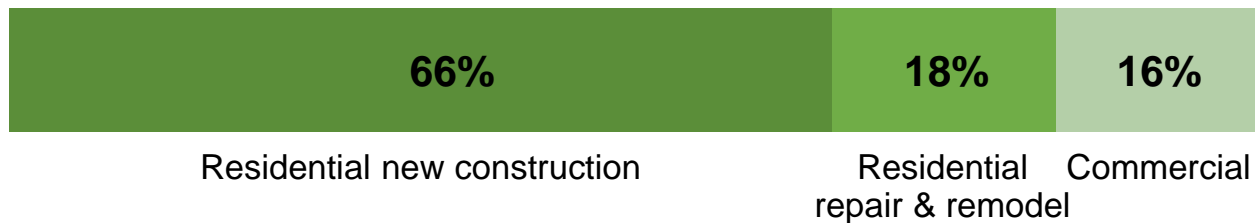
## Segment Mix



## Product




## Line of Business Mix



# Positioned to Capitalize on Established Strong Foundation

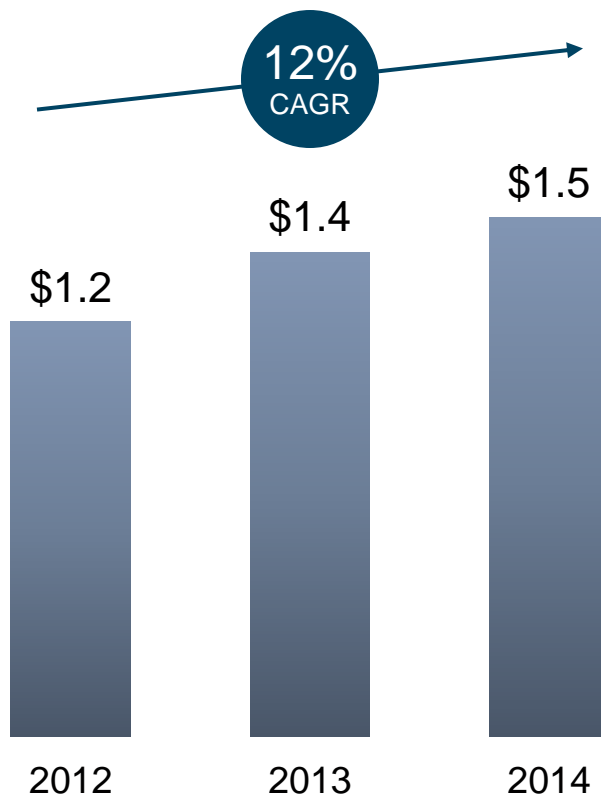
Prior to 2005	2006 - 2010	2011 - 2014
<ul style="list-style-type: none"><li>✓ Highly acquisitive; assembled critical mass</li></ul>	<ul style="list-style-type: none"><li>✓ Lowered breakeven point from 1.3M housing starts to 750k</li><li>✓ Completed ERP system, scalable and driving efficiencies</li><li>✓ Optimized national footprint</li><li>✓ Streamlined labor force</li><li>✓ Focused product offering</li></ul>	<ul style="list-style-type: none"><li>✓ Established operating model driving agility</li><li>✓ Diversified business mix</li><li>✓ Leverage unrivaled national scale</li></ul>
Expansion	Rationalization	Positioning for growth



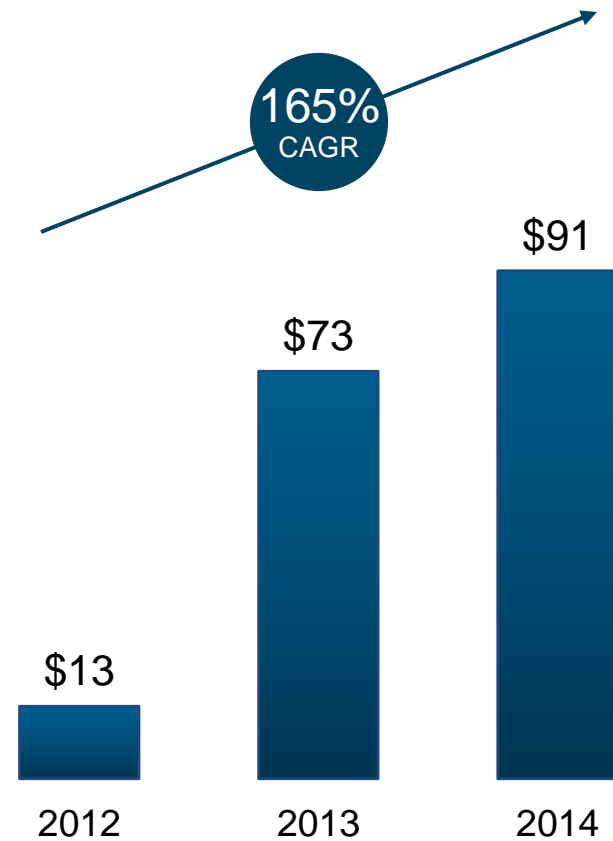


# Successful Results from Repositioning

## Revenue (\$B)



## Adjusted EBITDA (\$M)



The Business Today

Key Strengths We Are Leveraging

Financial Position

Growth Drivers



# Key Strengths We are Leveraging

1

Unrivaled national scale

2

Strong competitive advantages

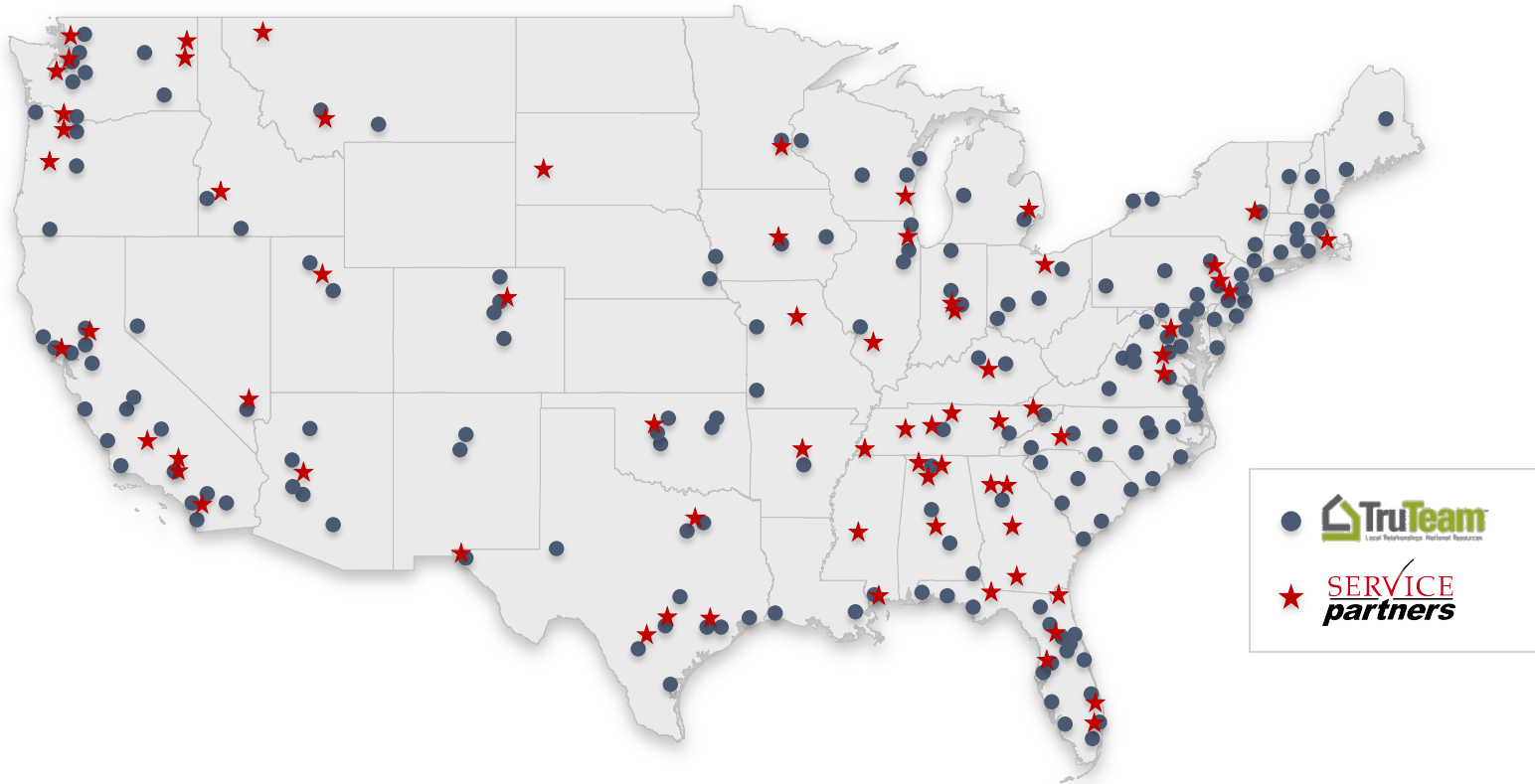
3

Diversified lines of business

4

Two distinct channels to customers

# 1. Leadership with Unrivaled National Scale – Over 260 Locations



- Largest network in U.S.
- Serves 95% of all housing starts and 99 of Top 100 MSAs

# 1. National Scale with Local Relationships → Unrivaled Platform

## National Reach and Scale

- Offers superior supply chain efficiencies to suppliers in exchange for volume discounts
- Ability to service national builders across geographies
- Representation in all major MSA's



+

## Local Presence

- Localized knowledge, service capability and customer relationships
- Local brands and presence enhances customer acquisition and loyalty
- Access to fragmented customer base



=

## Unrivaled Platform

- Diversified earnings base by geography and segment
- Service full spectrum of customers
- Provider of supply chain efficiencies to manufacturers of insulation and other products
- Established IT systems and processes



## 2. Strong Competitive Advantages Differentiate TopBuild



- ✓ Broad geographic reach enables servicing highly fragmented home building industry
- ✓ Relationships with key customers and suppliers
- ✓ Reliability and consistent service
- ✓ Building science expertise
- ✓ Employer of choice for labor
- ✓ Institutional focus on safety



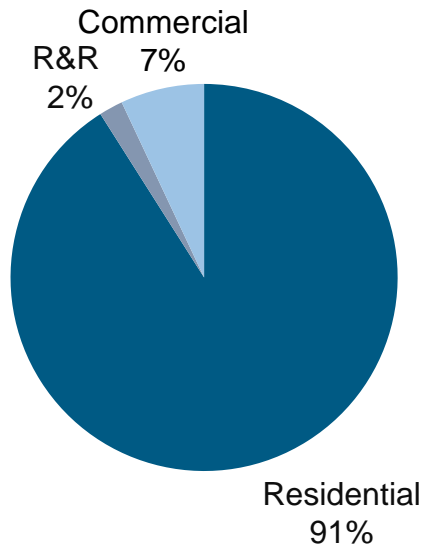
- ✓ Inventory management
- ✓ Comprehensive product selection
- ✓ Flexible delivery (less than full truck load) and next day delivery
- ✓ Credit availability
- ✓ Local brands cultivate loyalty and enhance services
- ✓ Building science expertise and knowledge of local contractors



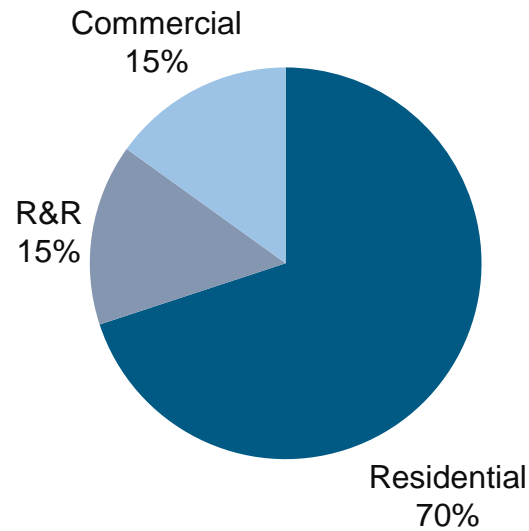
- ✓ Plan review & consulting with builders
- ✓ Utility rebate processing
- ✓ Training for builders' subcontractors on proper installation techniques
- ✓ Energy Star® and code compliance checklists
- ✓ Home Energy Rating Scores (HERS)
- ✓ Testing home performance

### 3. Continuing to Diversify Lines of Business and Optimize Mix

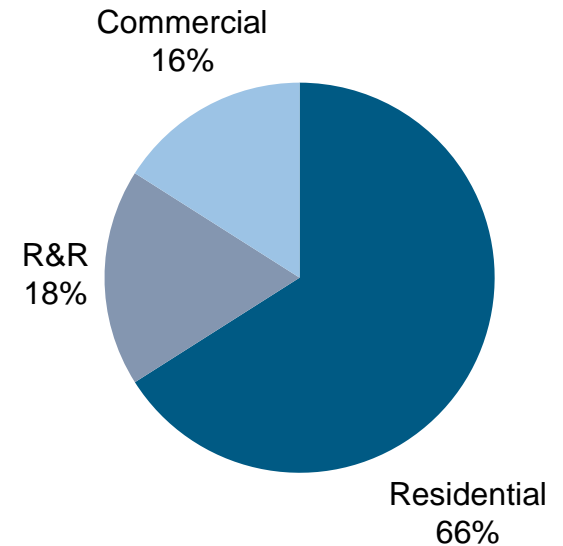
2005



2010



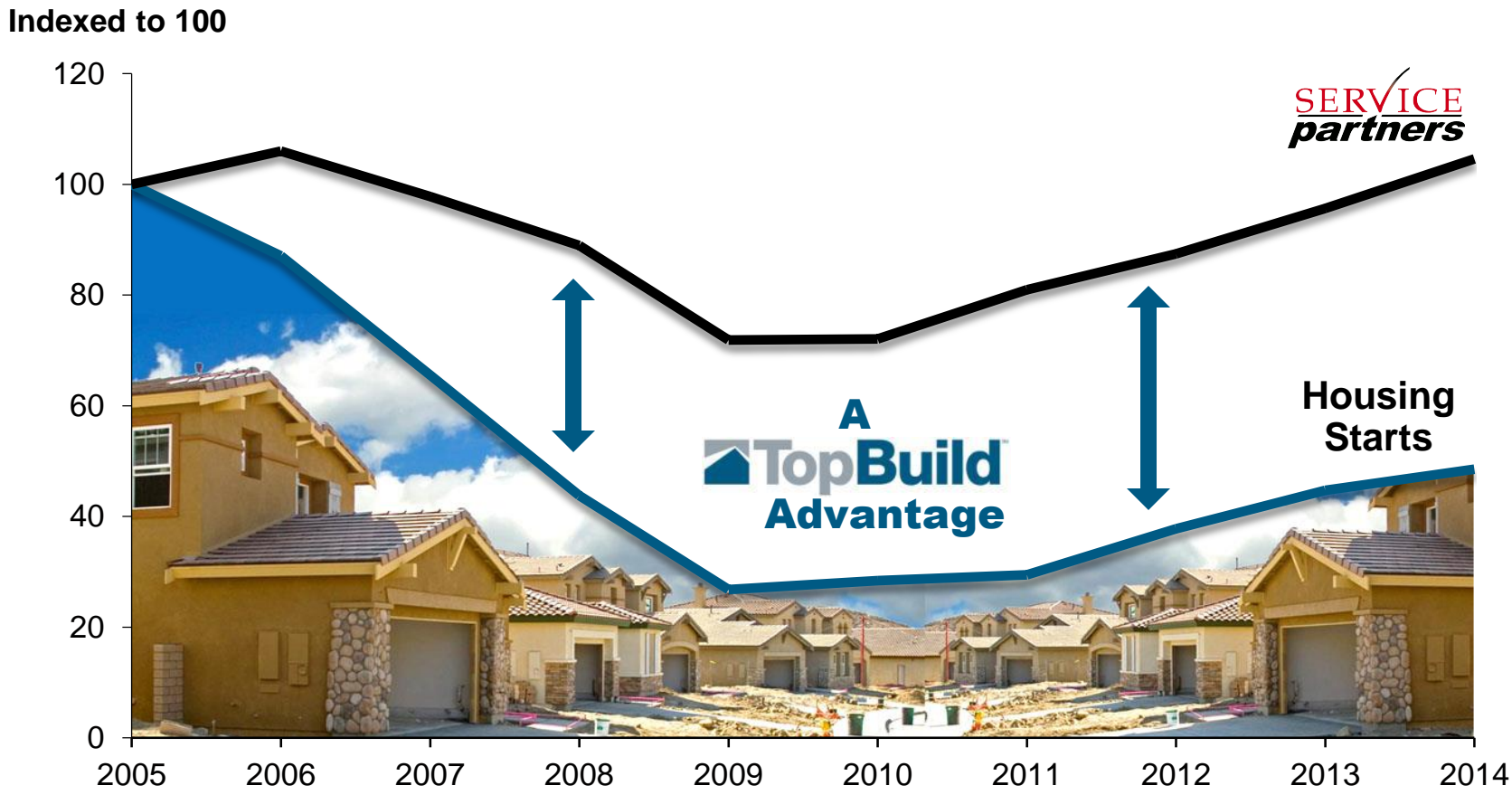
2014





### 3. Service Partners Provides Diversity – Less Cyclical and Key Defense Against Housing Start Volatility

Service Partners Sales vs. Housing Starts





### 3. Customer base is diverse, with low levels of concentration

#### Customer base



- No customer greater than 3% of TopBuild sales revenue

##### Select, key customers

- D.R. Horton America's Builder • KB Home
- Lennar • Pulte Homes
- Toll Brothers

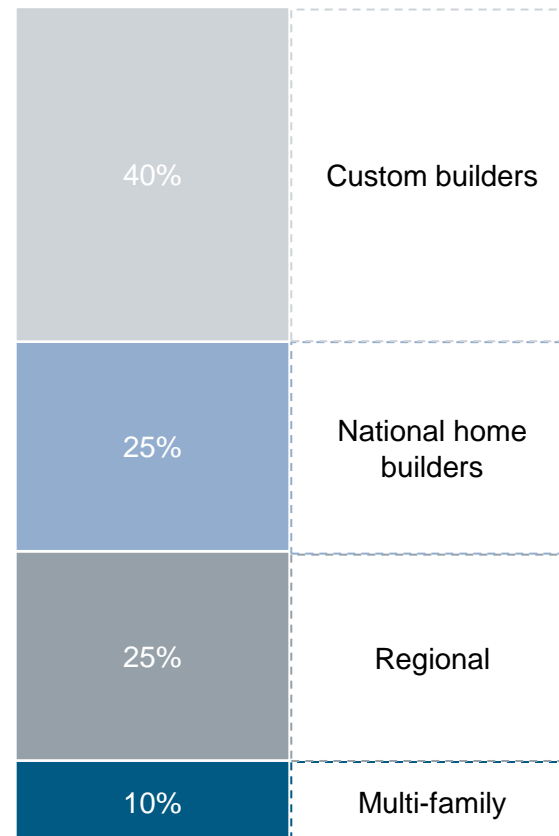
**SERVICE**  
**partners**

- No customer greater than 1% of TopBuild sales revenue

##### Select, key customers

- Numerous local contractors • LMC
- Do it Best Corp • L&W Supply

#### TruTeam residential new construction customer base



Source: Management estimates

## 4. Two Distinct Channels to Reach Broader Customer Base

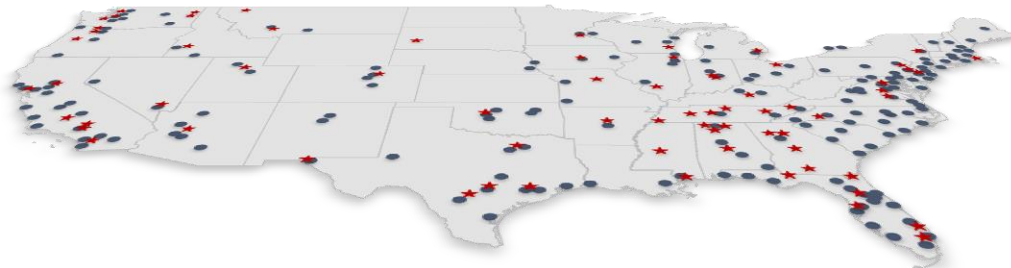


- National footprint with local brands and presence appeals to customers of all sizes
- Consistency across a broad geography-highly valued by large customers



- Strong relationships with local contractors
- Highly valued by local custom builders
- Diverse customer base

**Reach customers regardless of size or geographic location  
and leverage housing growth wherever it occurs**



The Business Today

Key Strengths We Are Leveraging

Financial Position

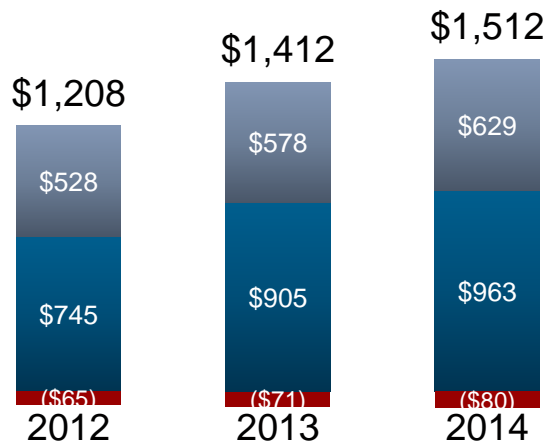
Growth Drivers



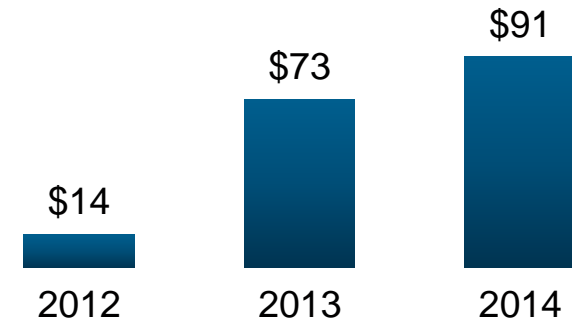
# Revenue Growing, Margin Expanding



## Revenue (\$M)



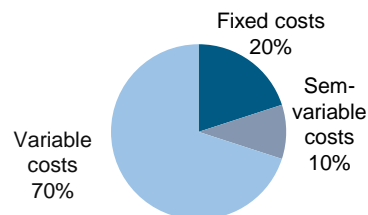
## Consolidated Adjusted EBITDA (\$M)



**% margin**      **1.2%**      **5.1%**      **6.0%**

Revenue growth	2012	2013	2014
TopBuild	12.2%	16.9%	7.1%
TruTeam		21.4%	6.5%
Service Partners		9.4%	8.8%

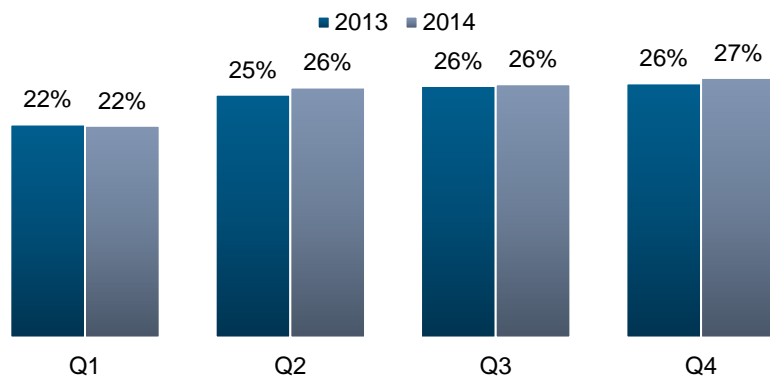
## Estimated fixed & variable cost



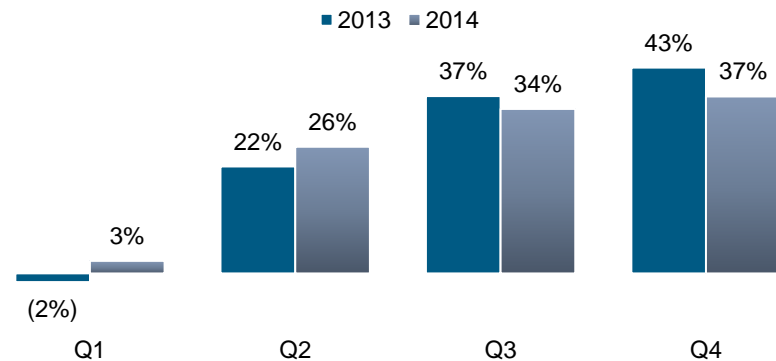
**Incremental margins ~20% on revenue growth**

# Seasonality and timing of revenue and earnings

## Revenue



## EBIT (segment operating profit)\*

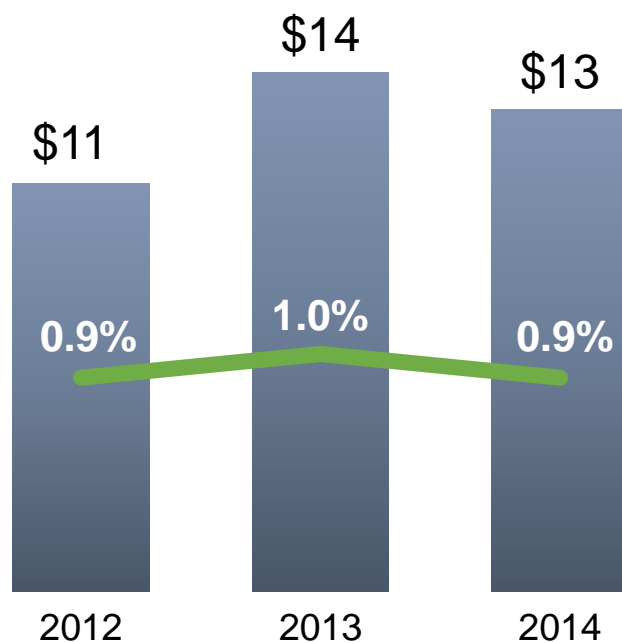


\*Before general corporate expense and intercompany eliminations and other adjustments

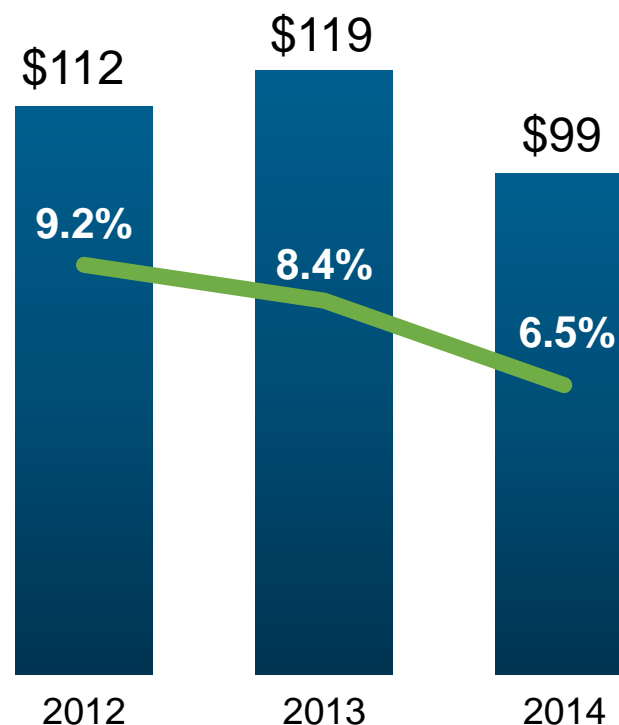
- Strongest sales and operating earnings typically during the third and fourth calendar quarters
  - Corresponds with peak season for residential new construction and residential repair/remodel activity
- Insulation demand typically lags construction starts
  - Single family: 45-90 days
  - Multifamily/commercial: 150-240 days

# Positioned to Self Fund Organic Growth

**Capital Expenditures (\$M)  
and % of Revenue**



**Net Working Capital\* (\$M)  
and % of Revenue**



\* Defined as accounts receivable plus inventory minus accounts payable

# Pro Forma Capitalization – Strong Balance Sheet

## Total Debt to Adj. EBITDA

**2.20X**

Reflects EBITDA at 12/31/2014

## Conservative Net Leverage

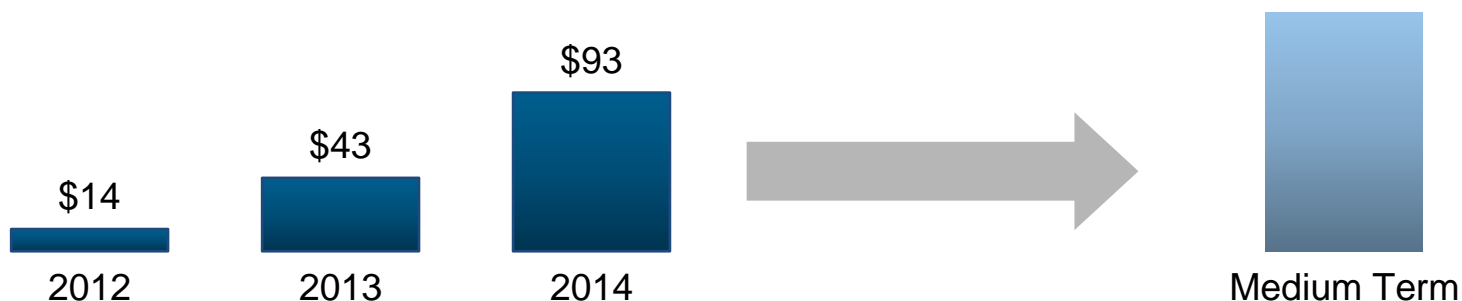
Long-term debt	\$200
Less: Cash <sup>1</sup>	(20)
<b>Total net debt</b>	<b>\$180</b>
12/31/14 EBITDA	\$91

<sup>1</sup>TopBuild is targeting a closing cash balance of \$20M

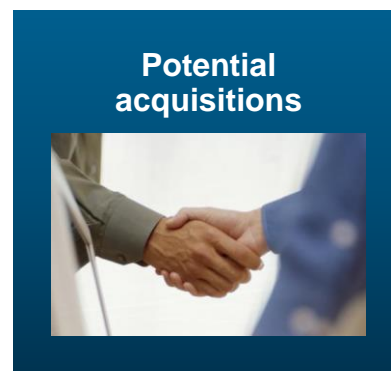
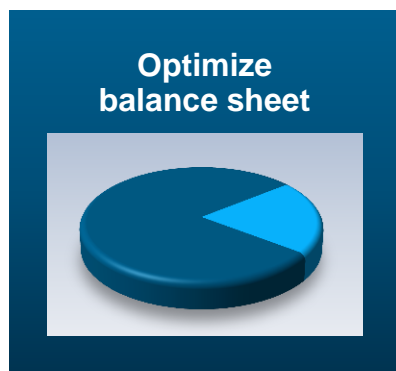


# Attractive Financial Profile Provides Flexibility

## Free cash flow (\$mm)



**Attractive Cash Free Flow  
and Balance Sheet**



Free cash flow is defined as adjusted EBITDA less capex and changes in working capital per cash flow statement



# Expect Smooth Transition to Public Company

- ✓ Clear path to separation from Masco
  - Already independent business with limited integration with Masco
  - Separate IT systems
  - No shared locations
- ✓ Strong governance foundation
  - Public company infrastructure in place
  - Public company governance policies and procedures established
  - Establishing independent Board of Directors
- ✓ Incremental public company costs expected to be offset by discontinued Masco corporate expense allocation and cost model improvements



The Business Today

Key Strengths We Are Leveraging

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Growth Drivers



# Growth Drivers Going Forward



1

Benefit from macroeconomic trends driving recovery in lines of business

2

Capitalize on demand for greater energy efficiency

3

Gain share in residential market

4

Expand position in commercial market



# 1. Macro Economic Trends Supporting Growth

**1**

**General economy**



**2**

**Population growth**



**3**

**Household formations**



**4**

**Age of housing stock**



**5**

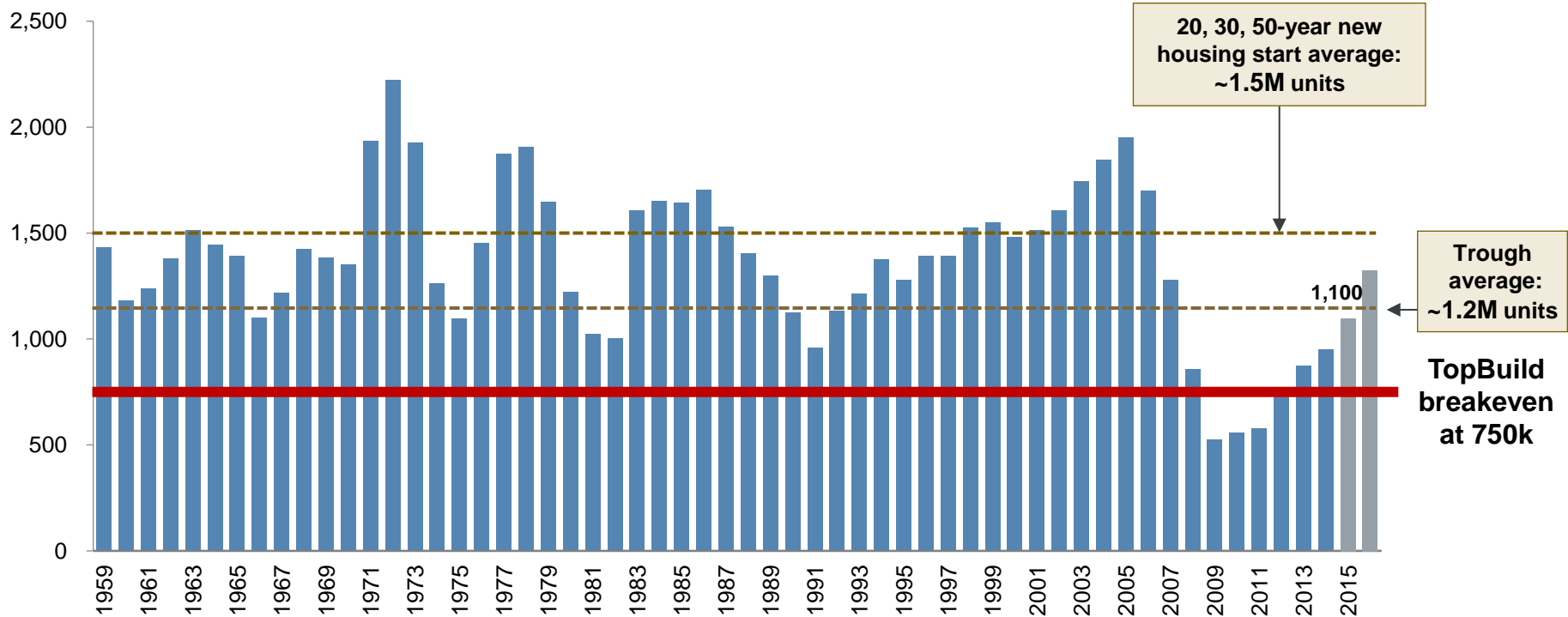
**New home construction**



# 1. Recovery in Housing Starts – Reverting Toward the Norm

## Total U.S. New Housing Starts (000s)

■ Historical    ■ Blue Chip Economic Indicators (April 2015)



## 2. Capitalize on Drive for Greater Energy Efficiency

### Key Drivers

#### Regulatory

- New energy codes demand a minimum HERS<sup>1</sup> rating
- States increasingly adopting more stringent 2012 IECC<sup>2</sup> codes

#### Economic

- A real value proposition for consumers
  - More efficient
  - Lower operating costs
  - More comfortable



### Play to Our Strengths

- Consulting with builders
- Testing home performance
- Training sales and production crews
- Creates good, better, best options

<sup>1</sup>Home Energy Rating System

<sup>2</sup>International Energy Conservation Code

## 2. Capitalize on Drive for Greater Energy Efficiency

*Case study – IECC Code adoption and enforcement in Maryland*

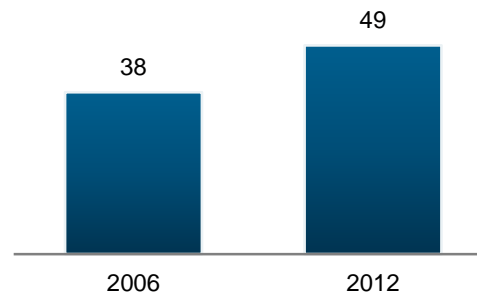


Source: [www.energystar.gov](http://www.energystar.gov)

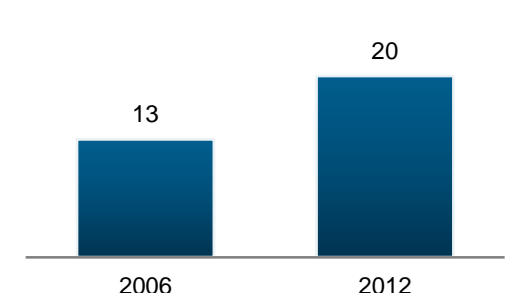
- 1<sup>st</sup> state to adopt 2012 IECC Energy Code
- 22 of 23 counties are within IECC Climate Zone 4
  - Local jurisdictions required to enforce IECC code within 12 months
- Responsible for energy life-cycle savings of \$5,300 per home

### IECC Insulation Code Requirements for Maryland

Ceiling (R-value) – IECC zone 4



Walls (R-value) – IECC zone 4



Source: [www.energy.maryland.gov/codes/](http://www.energy.maryland.gov/codes/); [www.energycodes.gov](http://www.energycodes.gov)



**Rigorous code enforcement in some Maryland counties has resulted in a significant increase in insulation demand**



### 3. Gain Share in Residential New Construction and Repair and Remodel Lines of Business

#### Key Initiatives

- Leverage strong value proposition with Top 20 Big Builders to gain share
- Continue to drive increased penetration of Regional Builders and Small Custom Builders
- Continue to grow Multi-Family business
- Drive great execution at branch level



- ▶ **\$45M in TopBuild Revenue for every 50k increase in NHC starts**
- ▶ **R&R estimated to increase at GDP + 1-2%**



## 4. Expand Position in Commercial Business

### Key Initiatives

- Leverage key capabilities and national footprint
- Build on light commercial momentum to capture additional share
- Increase focus on growing heavy commercial over the long term



**~\$75-\$100M incremental TopBuild opportunity by 2017**

# TopBuild's forward outlook

## Revenue assumptions



**\$45M in TopBuild revenue for every 50k increase in new housing starts**



**~\$75-\$100M incremental commercial opportunity by 2017**



**R&R estimated to increase at GDP + 1-2%**

## EBITDA assumption



**Incremental margins ~20% on revenue growth**

# TopBuild: Repositioned for Profitable Growth

# 1

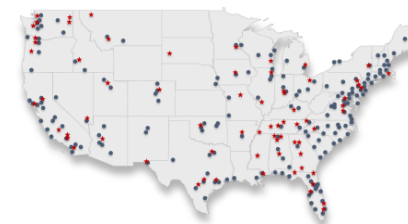
## **Successfully repositioned business**

- expansion and rationalization complete

# 2

## **Leveraging unrivaled strength**

- national network, competitive advantages, diversified revenues, growing free cash flow



# 3

## **Multiple growth drivers**

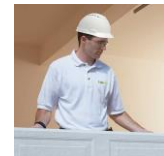
- market recovery, gaining share in all lines of business



# Appendix



 **TopBuild**<sup>SM</sup>



# TopBuild Adjusted EBITDA Reconciliation

TopBuild Adjusted EBITDA  
(\$ in Millions)

	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Operating profit, as reported</b>	(\$116)	\$24	\$41
Depreciation & Amortization	30	28	26
<b>EBITDA</b>	<u>-\$86</u>	<u>\$52</u>	<u>\$67</u>

## Adjustments:

Non-recurring litigation and rationalization expenses (1)	\$77	\$2	\$2
Stock-based compensation	4	4	4
Total allocated corporate expenses (2)	42	38	40
Expected standalone corporate expenses (3)	-22	-22	-22
<b>Total adjustments</b>	<u>\$101</u>	<u>\$22</u>	<u>\$24</u>
<b>Adjusted EBITDA</b>	<b>\$14</b>	<b>\$73</b>	<b>\$91</b>

(1) Includes non-recurring litigation settlement charges of \$76 million, principally related to Columbus Drywall litigation, in which Masco denied wrongdoing and settled to eliminate the expense and uncertainty of litigation

(2) Represents total allocated expenses including a portion of previously unallocated expenses per accounting rule for carve out statements

(3) Represents management expectations of stand-alone corporate expenses

# TopBuild Free Cash Flow Reconciliation

## TopBuild Free Cash Flow

(\$ in millions)

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Adjusted EBITDA	\$14	\$73	\$91
Less capex per cash flow statement	-11	-14	-13
Adjusted for changes in working capital per cash flow statement			
Receivables	-20	-22	-16
Inventory	-9	-13	-9
Accounts payable and accrued liabilities	40	19	40
Free Cash Flow	<hr/> \$14	<hr/> \$43	<hr/> \$93