

# IBP

INSTALLED BUILDING PRODUCTS

## Investor Presentation

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YTD Q3 2014



# Disclaimer

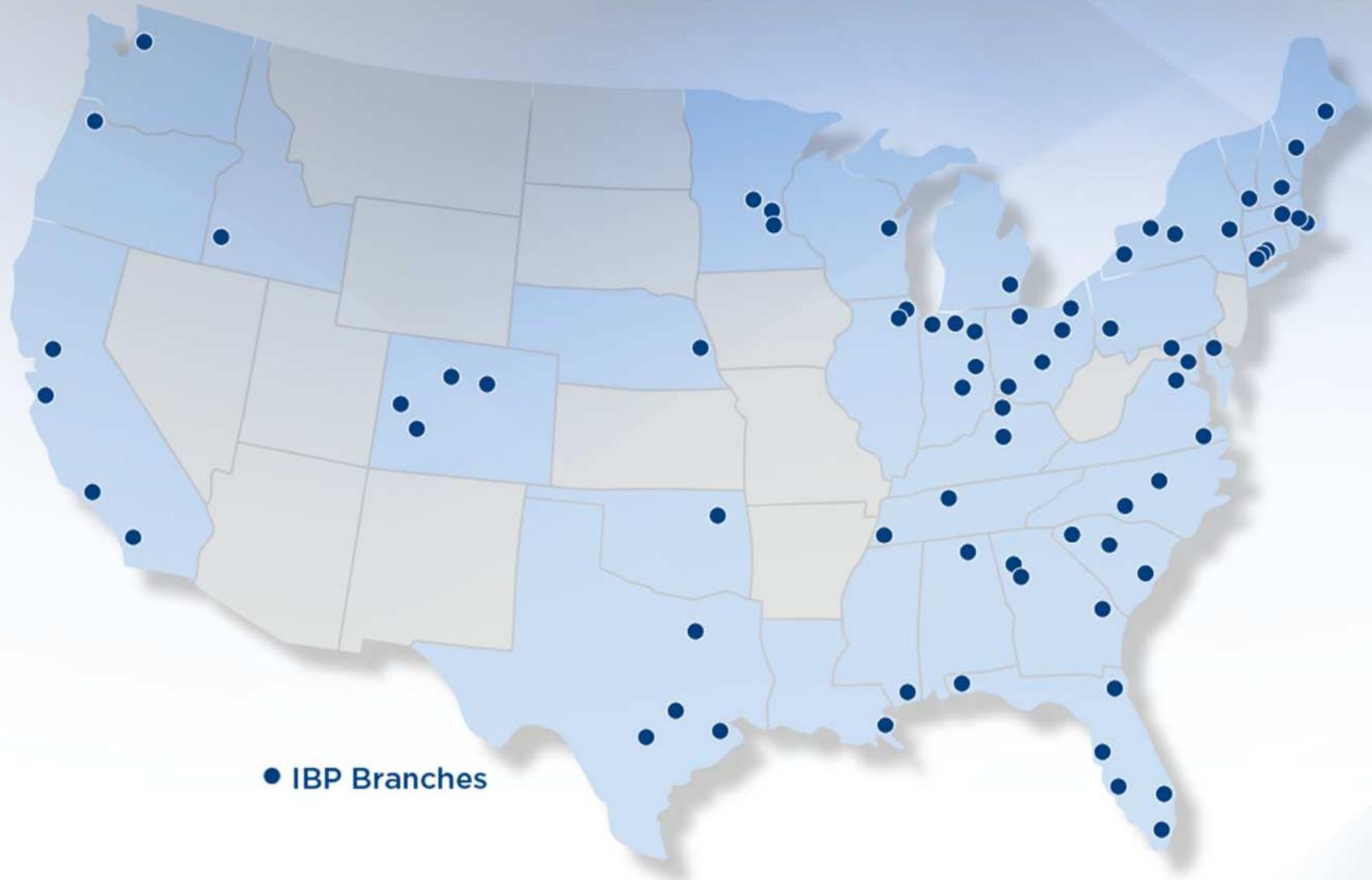
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This presentation includes certain non-GAAP financial measures, including EBITDA and adjusted EBITDA. These non-GAAP financial measures should be considered only as supplemental to, and not as superior to, financial measures prepared in accordance with GAAP. Please refer to the Appendix of this presentation for a reconciliation of the non-GAAP financial measures included in this presentation to the most directly comparable financial measures prepared in accordance with GAAP.

# Strong Geographical Footprint

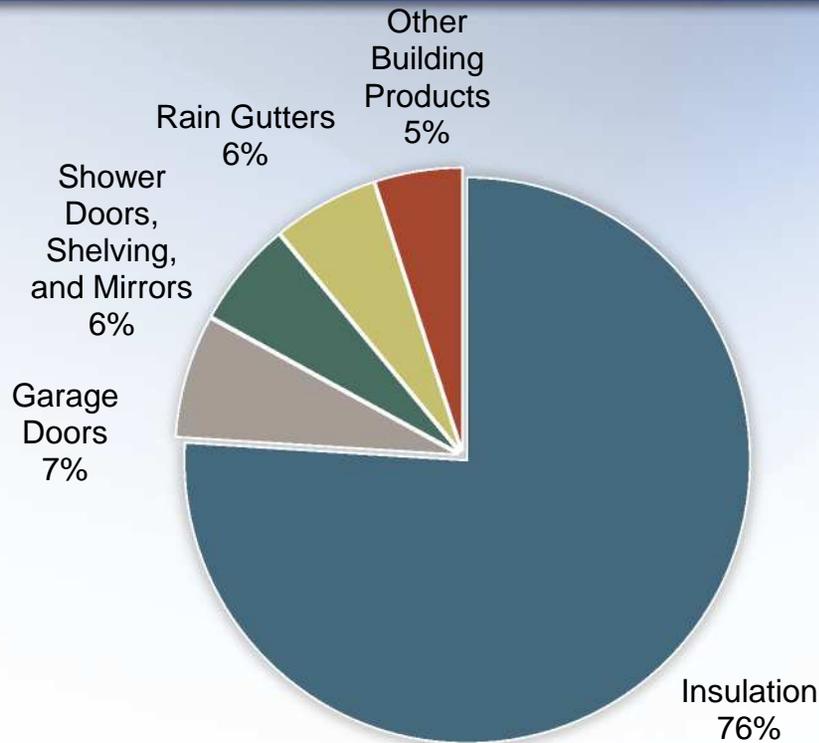
***Strong presence in existing markets with a geographical footprint that provides services to all 48 continental states***



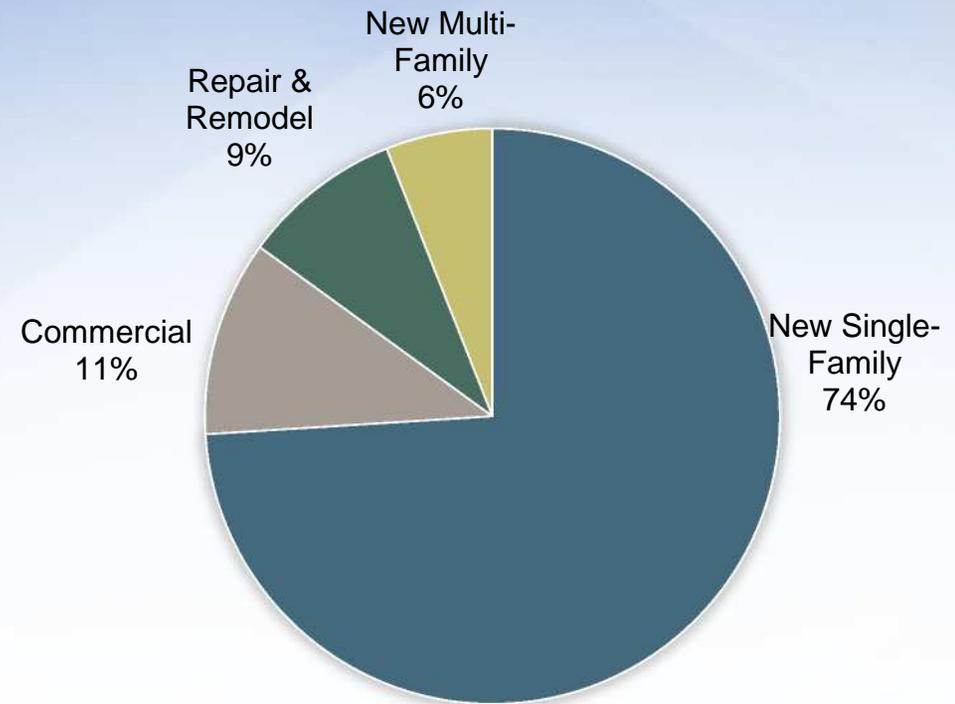
# Products & End Markets

***Focused insulation installation offering, coupled with complementary products for end markets having significant cyclical upside***

**Net Revenue by Product – LTM 9/14**



**Net Revenue by End Market – LTM 9/14**



**Insulation**



**Garage Doors**



**Rain Gutters**



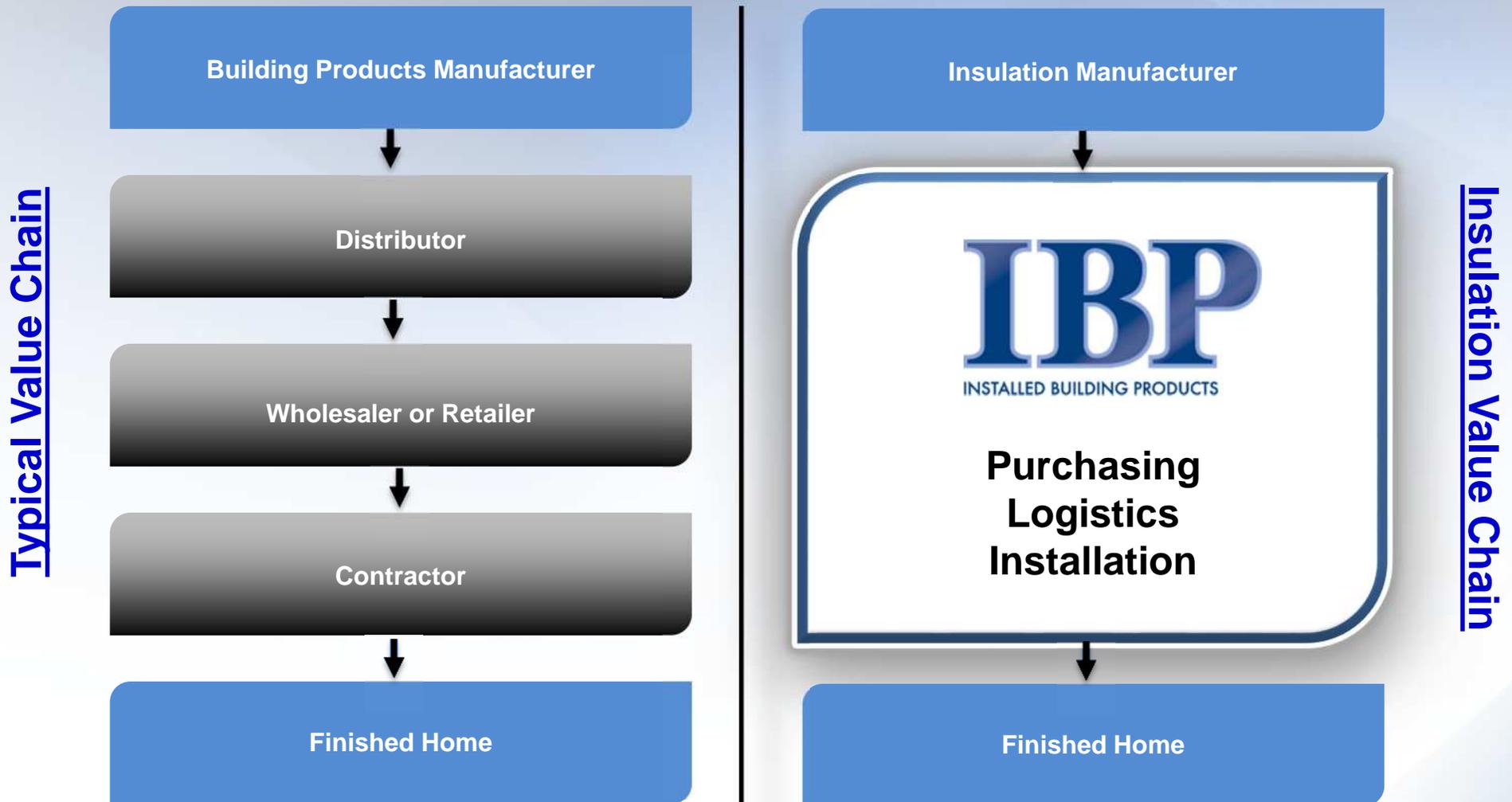
**Closets & Shelving**



**Shower Doors & Mirrors**

# Benefits of a Unique Value Chain Structure

*Scale provides a direct link between manufacturers and builders through a streamlined value chain*



# Critical Position in an Attractive Industry

**Primary link between a concentrated manufacturer base  
and a highly fragmented customer base**

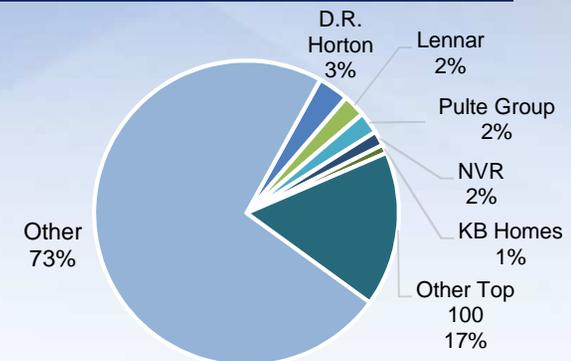
## North America Insulation Manufacturers (2013)<sup>1</sup>



**IBP**  
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## Homebuilders by Closing (2013)<sup>2</sup>



### Value to suppliers:

- ✓ Strong relationships with the largest manufacturers
- ✓ Accounts for a meaningful portion of supplier insulation volume
- ✓ National scale allows manufacturers to better plan production schedules

### Value to customers:

- ✓ Full service capabilities eliminate “nuisance” work for customers
- ✓ Timely delivery and quality installation of products ensures projects remain on schedule
- ✓ Institutional knowledge of local building codes and standards

<sup>1</sup> Management's estimates of fiberglass insulation manufacturers

<sup>2</sup> Builder Magazine's 2013 Builder 100 list, based on the total number of home closings

Source: Wall Street Research, US Census Bureau, BuilderOnline.com

# Investment Strengths

**1**

**Local market leadership with national scale**

**2**

**Proven ability to gain market share**

**3**

**Highly efficient and scalable operating model**

**4**

**Proven acquisition track record**

**5**

**Highly experienced and incentivized management team**

# Local Market Leadership with National Scale

## *Leading market positions serviced through local trade names*

- Maintains local trade names and existing management, strengthening the relationship between the Company and its customers
- Business is primarily won or lost at the local level

Local IBP trade names



*is served by 11 different IBP branches across 15 markets*

# Multiple Ways to Drive Growth and Profitability

***Asset lite model can accommodate growth without significant capital needs***

## Capitalize on New Home Construction Market Recovery

- Total Housing Starts forecasted to increase at 13% CAGR from 2013 to 2015E<sup>1</sup>



## Continue to Strengthen Market Share Position

- Same branch single-family sales grew by 17% y-o-y in 3Q 2014
- US single-family housing completions grew 9% in 3Q 2014



## Pursue Value Enhancing Strategic Acquisitions

- Attractive opportunities in fragmented market of independent contractors



## Extract Additional Value from Operating Leverage and National Scale

- Demonstrated scale economies in indirect operating costs and SG&A, with Gross Margin improving 240 bps during 3Q 2014 as compared to 3Q 2013



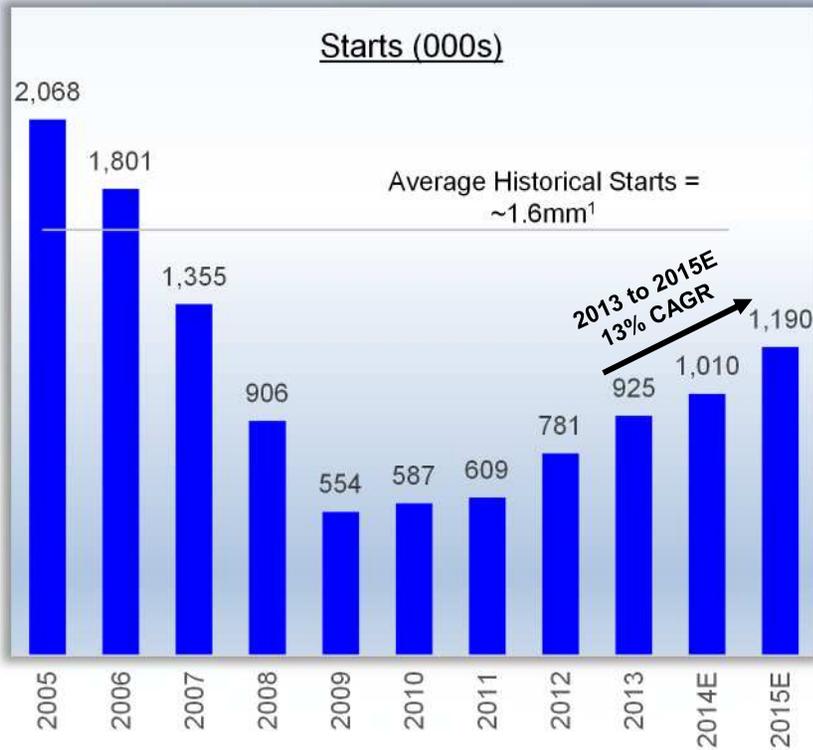
<sup>1</sup> Per Blue Chip consensus housing starts forecast

# Proven Ability to Gain Market Share

## Continued US Housing Improvement

Total US housing starts forecasted to increase at a 13% CAGR from 2013 to 2015E

- Approximately 75% of net revenue derived from single family new construction
- Strong competitive and geographic positions

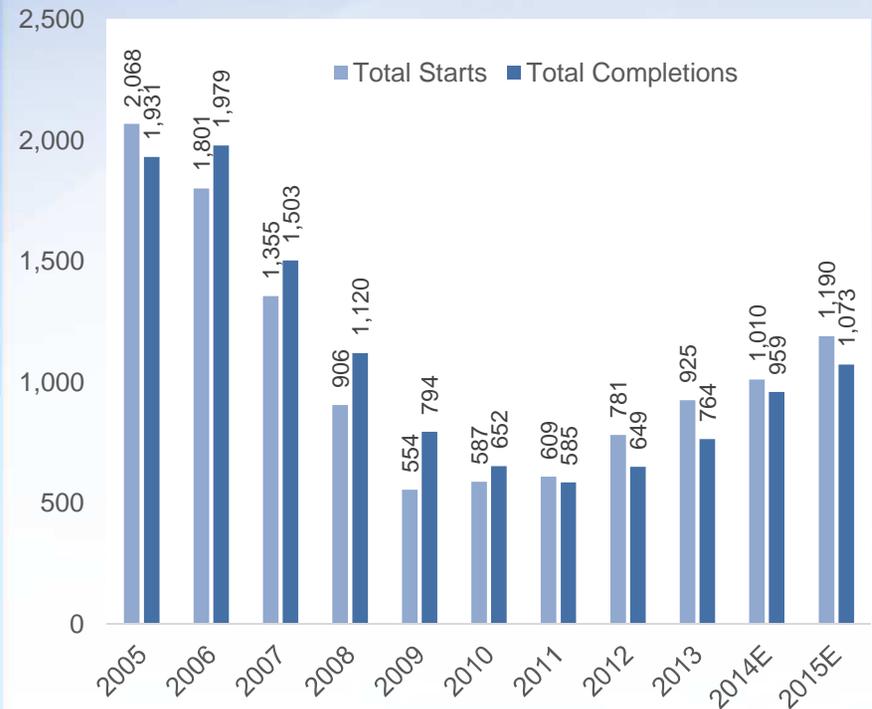


<sup>1</sup> Total housing starts averaged from 1968 to 2006

Source: US Census Bureau, Blue Chip consensus housing starts forecast

## Market Trend

Lag time between housing starts and completions is greater when the rate of change in starts is higher



Source: US Census Bureau, Blue Chip Economic Forecasts and Management Estimates

# Demonstrated Track Record of Successful Acquisitions

## 90+ successfully integrated acquisitions

- Key components of the acquisition strategy include:
  - Ability to realize synergies within scalable infrastructure
  - Targeting profitable markets
  - Acquiring operations with strong reputation and customer base
  - Maintaining local trade name and existing management team
- Corporate support allows more focus on customer service
- Senior management team has been directing the Company's acquisition strategy for 10+ years



# Clear Strategy for Value Enhancing Acquisitions

***Fragmented industry allows for geographic expansion through sizable acquisitions and strengthening of existing branches via smaller tuck-ins***

## Proven Model for Acquisitions

<b>Selective Criteria</b>	<ul style="list-style-type: none"><li>✓ Geographic expansion or existing market tuck-in</li><li>✓ Local brand strength</li><li>✓ High caliber local management and labor force</li></ul>
<b>Successful Integration</b>	<ul style="list-style-type: none"><li>✓ Acquired and successfully integrated over 90 acquisitions</li><li>✓ Structured integration process in place</li><li>✓ Dedicated corporate team assigned to oversee integration</li></ul>
<b>Achieve Synergies</b>	<ul style="list-style-type: none"><li>✓ Apply national insulation buying power</li><li>✓ Leverage national contracts with large homebuilders</li><li>✓ Value enhancing technology "JobCore"</li><li>✓ Corporate administrative support</li></ul>

## Key Areas of Opportunity



- Extensive pool of potential acquisition targets with 1,000+ independent insulation contractors across the US
- Additional large-market entry opportunities (IBP currently covers 35 of the top 50 MSA's<sup>1</sup>)
- Significant acquisition potential in attractive secondary markets

<sup>1</sup> MSA, or Metropolitan Statistical Area, is an area that generally consists of at least one urbanized area of 50,000 or more inhabitants, plus adjacent territory that has a high degree of social and economic integration with the core area as measured by commuting ties

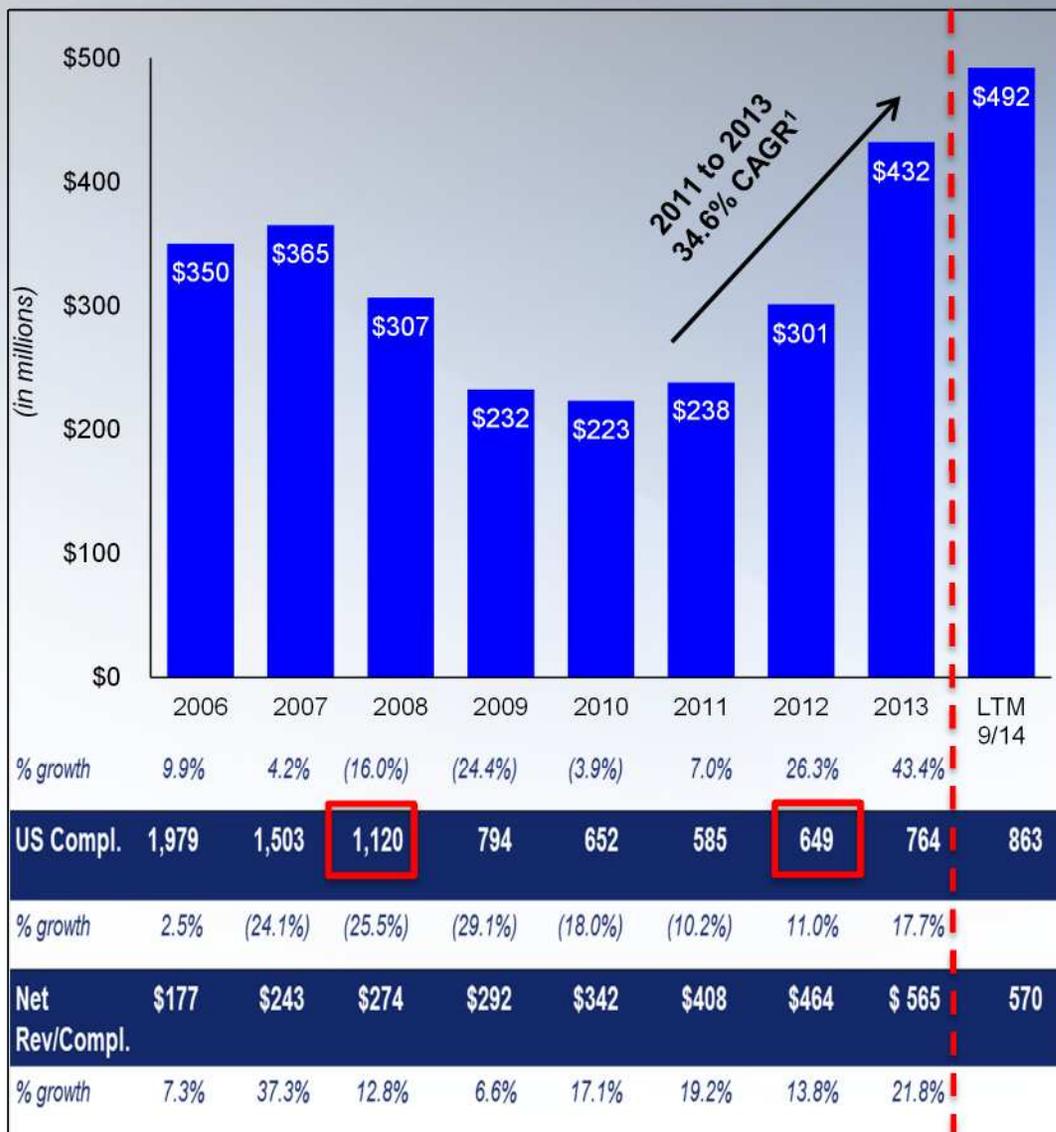
# Highly Experienced and Incentivized Management Team

## ***Strong operational focus and proven understanding of the industry***

- Field management structure is comprised of deeply experienced managers at all levels
- Team has effectively managed through several housing cycles, established a proven acquisition strategy, and gained market share
- Senior management aligned with investors due to meaningful equity ownership in IBP



# Strong Top-Line Momentum



## IBP has increased its net revenue divided by total U.S. housing completions by 250% since 2005

- Result of acquiring local installation operations, gaining market share organically, and cross-selling complementary services
- YTD single family sales growth of 20.3% compared to 9.7% in single family completions

### Net Revenues / Total U.S. Housing Completions



Note: Historical revenue figures not pro forma for acquisitions

Source: U.S. Census Bureau, Company filings

# Financial Results

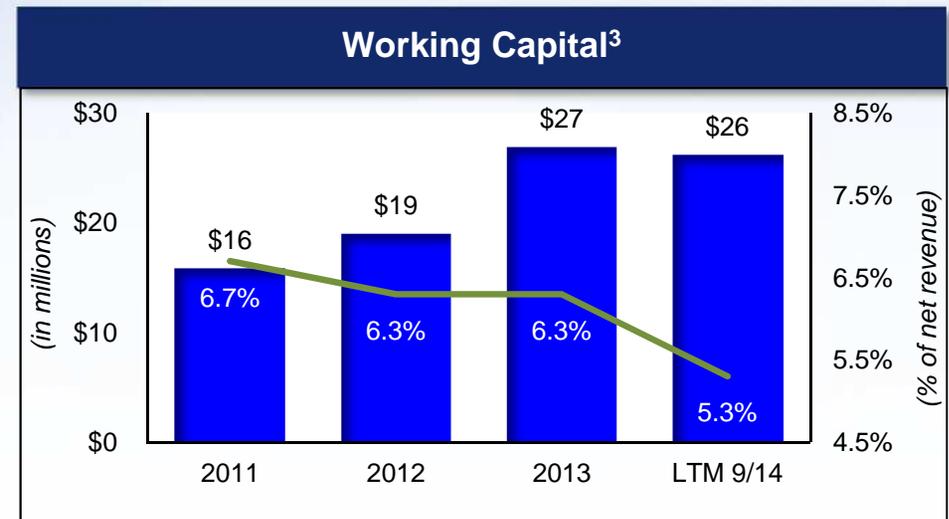
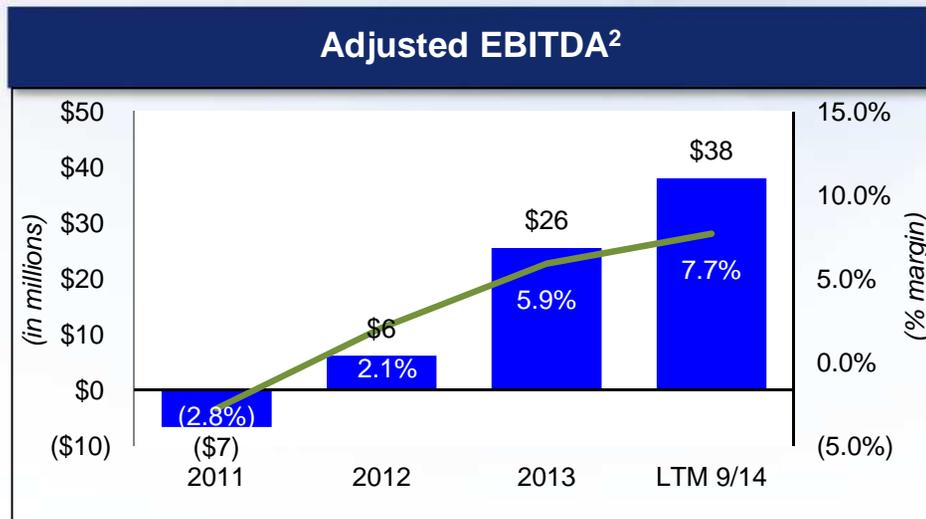
(\$ in millions)	2011	2012	2013	YTD 9/2013	YTD 9/2014
Completions (000's)	585	649	765	546	645
Net Revenue	\$238	\$301	\$432	\$313	\$373
% Growth	7.0%	26.3%	43.4%		19.2%
<b>Net Revenue/US Completions</b>	<b>\$408</b>	<b>\$464</b>	<b>\$565</b>	<b>\$573</b>	<b>\$578</b>
COGS	181	227	322	234	272
Gross Profit	57	74	110	78	101
% Margin	24.0%	24.6%	25.4%	25.1%	27.1%
SG&A <sup>1</sup>	64	71	91	70	82
% of Net Revenue	26.9%	23.7%	21.1%	22.4%	21.9%
<b>Adjusted EBITDA<sup>2</sup></b>	<b>(\$6.6)</b>	<b>\$6.2</b>	<b>\$25.5</b>	<b>\$16.1</b>	<b>\$28.8</b>
<b>% of Net Revenue</b>	<b>(2.8%)</b>	<b>2.1%</b>	<b>5.9%</b>	<b>5.2%</b>	<b>7.7%</b>
Net Capex <sup>3</sup>	(1)	(3)	(3)	(1)	(2)
% of Net Revenue	(0.4%)	(1.0%)	(0.6%)	(0.3%)	(0.6%)
Same Branch Sales Growth		20.5%	29.6%		16.4%

<sup>1</sup> SG&A adjusted for one-off items: legal settlements, non-cash compensation expense, related party management fees, IPO and follow-on costs, SOX implementation and gain from put option on redeemable preferred stock, as detailed in the Adjusted EBITDA reconciliation.

<sup>2</sup> Adjusted EBITDA is a non-GAAP financial measure. A reconciliation to the most comparable measure prepared in accordance with GAAP is included in the Appendix.

<sup>3</sup> Net capex excludes capital leases of \$4.5 million, \$12.2 million, \$22.3 million, \$22.0 million and \$28.3 million as of December 31, 2011, 2012, 2013, YTD September 2013 and YTD September 2014, respectively.

# Improving Financial Performance



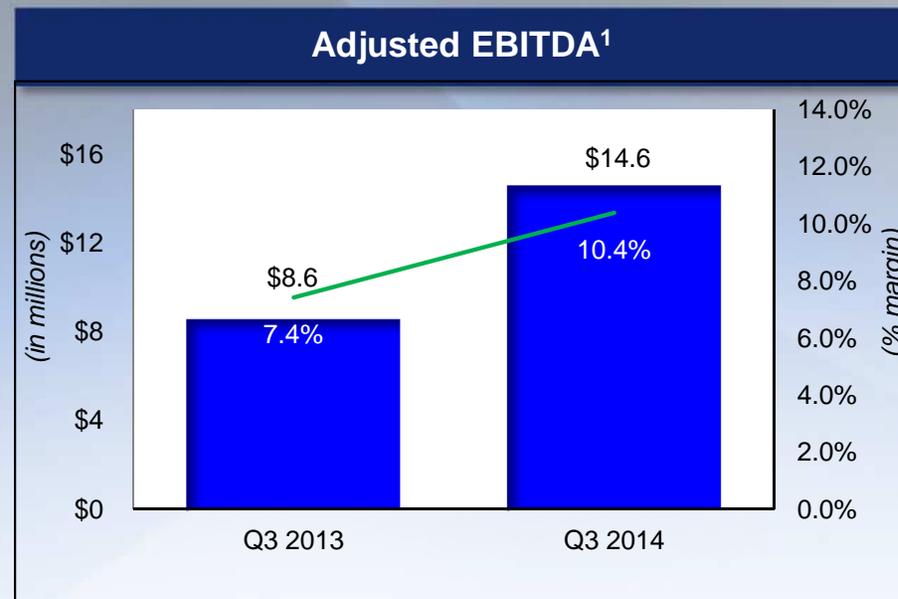
<sup>1</sup> Selling and Administrative adjusted for items: 2014 IPO and follow-on costs, share based compensation, SOX initial implementation and gain from redeemable preferred stock, 2013 legal settlement and 2012 non-cash stock compensation, included in the adjusted EBITDA reconciliation in the Appendix

<sup>2</sup> Adjusted EBITDA is a non-GAAP financial measure. A reconciliation to the most comparable measure prepared in accordance with GAAP is included within the presentation

<sup>3</sup> Working Capital excludes cash on hand of: 2011 - \$2,528; 2012 - \$3,898; 2013 - \$4,065; LTM 9/14 - \$24,732



# Q3 2014 Performance



- Strong Q3 performance attributable to growth in same branch single family end market of 16.9% compared to single family completions of 9.3%
- Improvements in mix, price and higher energy efficiency standards also contributed to revenue growth
- Growth and margin improvement in Adjusted EBITDA largely due to higher net revenue and reduced COGS as a percentage of sales from cost efficiencies

<sup>1</sup> Adjusted EBITDA is a non-GAAP financial measure. A reconciliation to the most comparable measure prepared in accordance with GAAP is included in the Appendix

# Appendix

# EBITDA and adjusted EBITDA Reconciliation

(\$ in millions)	2011	2012	2013	LTM 9/14
<b>Net (loss) income</b>	<b>(\$9.0)</b>	<b>(\$1.9)</b>	<b>\$6.0</b>	<b>\$11.3</b>
Interest expense	7.0 <sup>1</sup>	2.0	2.3	2.8
Provision for income taxes <sup>2</sup>	1.4	0.6	4.2	7.0
Depreciation and amortization	9.1	7.9	11.6	14.1
<b>EBITDA</b>	<b>\$8.5</b>	<b>\$8.5</b>	<b>\$24.1</b>	<b>\$35.2</b>
Gain on extinguishment of debt <sup>3</sup>	(18.5)	--	--	--
Recapitalization transaction fees <sup>4</sup>	2.7	--	--	--
Legal settlement <sup>5</sup>	--	(7.0)	1.4	1.4
Non-cash stock compensation <sup>6</sup>	0.8	4.7	--	--
Gain from put option Redeemable Preferred Stock <sup>7</sup>	--	--	--	(0.5)
IPO and follow-on costs expensed	--	--	--	1.3
Share based compensation expense	--	--	--	0.3
Sarbanes-Oxley initial implementation	--	--	--	0.3
<b>Adjusted EBITDA</b>	<b>(\$6.6)</b>	<b>\$6.2</b>	<b>\$25.5</b>	<b>\$38.0</b>

\* See Appendix for notes to support EBITDA and adjusted EBITDA Reconciliation

# EBITDA and adjusted EBITDA Reconciliation Notes

- <sup>1</sup> Consists of interest expense of \$3.7 on debt and related-party interest of \$3.3. The related-party interest was forgiven in connection with the Recapitalization
- <sup>2</sup> Excludes income taxes related to discontinued operations
- <sup>3</sup> Represents the gain recorded in the 2011 Consolidated Statement of Operations related to the extinguishment of certain first lien senior secured indebtedness in connection with the Recapitalization
- <sup>4</sup> Represents expenses related to the Recapitalization
- <sup>5</sup> Represents the settlement in 2012 of a class action lawsuit in which IBP was one of the plaintiffs. The lawsuit related to excess material prices being charged by certain manufacturers. Also included in this line are settlement expenses related to two lawsuits against us that were settled in January and February 2014, which were included in administrative expenses for the year ended December 31, 2013
- <sup>6</sup> In 2010, IBP Management Holdings, LLC and, in 2011, IBP Investment Holdings, LLC issued awards of their equity interests to certain employees. Certain of these employees were granted rights to put such equity awards during a limited period to Jeff Edwards. Accounting guidance requires that the compensation associated with these equity awards be pushed down to IBP and recorded as non-cash compensation expense
- <sup>7</sup> Represents non-cash gain recorded to accelerate the maturity of the Redeemable Preferred Stock, redeemed in full with IPO proceeds in February 2014