



# IBP

INSTALLED BUILDING PRODUCTS

## INVESTOR PRESENTATION

FY 2015 RESULTS

REPORTED MARCH 2, 2016

# Disclaimer

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This presentation contains “forward-looking statements” as defined under U.S. federal securities laws. Forward-looking statements are generally identified by the use of the words “will,” “may,” “believes,” “expects,” “forecasts,” “intends,” “anticipates,” “projects,” “plans” and “seeks,” and, in each case their negative, and other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts.

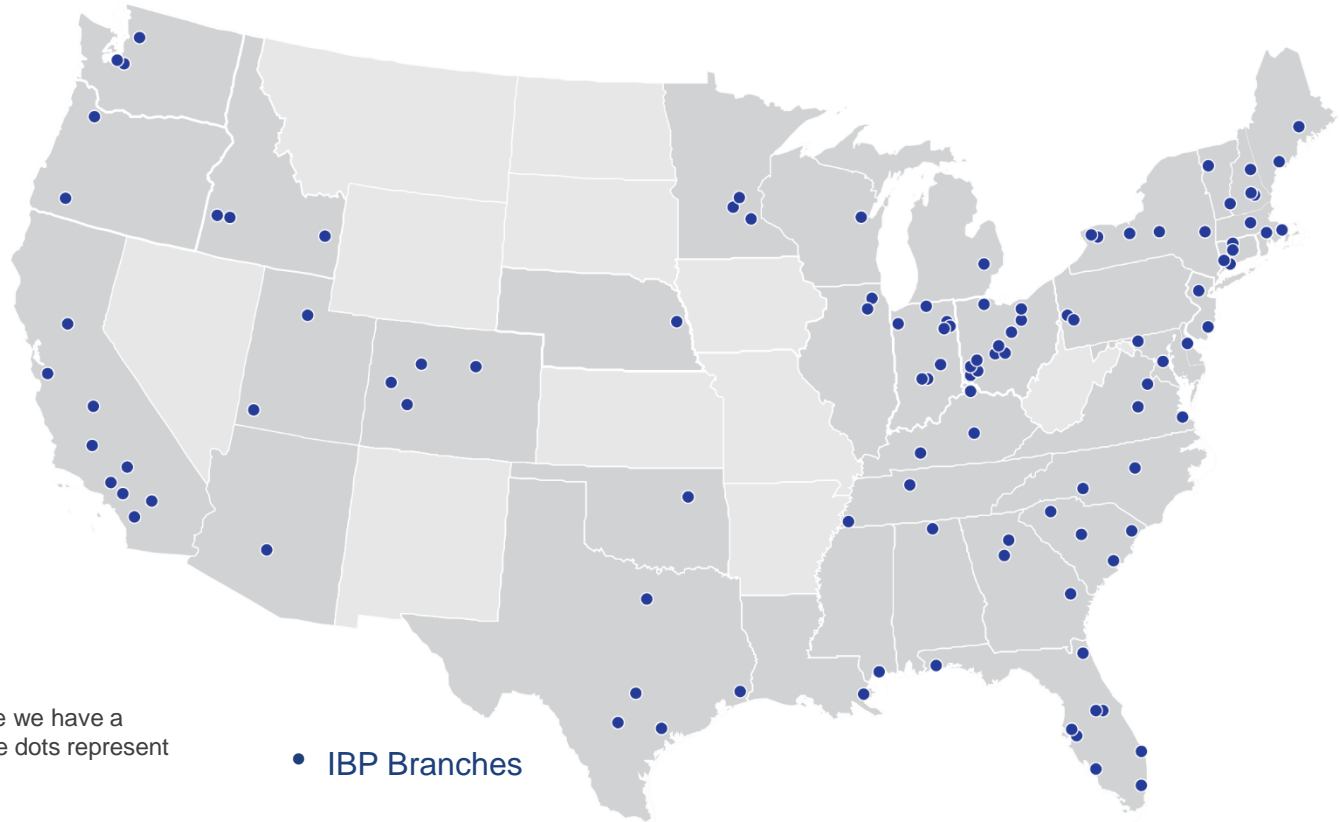
Forward-looking statements are based on management’s current expectations and involve risks and uncertainties that could cause actual results, performance or achievements to differ significantly from IBP’s historical results or those implied in such forward-looking statements, including, without limitation, the risks discussed in the “Risk Factors” section of our Annual Report on Form 10-K for the year ended December 31, 2014, as the same may be updated from time-to-time in our subsequent filings with the SEC. You should not place undue reliance on forward-looking statements as a prediction of actual results. Any forward-looking statements in this presentation speak only as of the date hereof. IBP expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements to reflect any change in expectations or events, conditions or circumstances on which any such statements are based.

This presentation includes the following non-GAAP financial measures: (1) EBITDA, (2) adjusted EBITDA and (3) adjusted Gross Profit. 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.

# **BUSINESS OVERVIEW**

# Local Presence on a National Scale

*The second largest<sup>1</sup> new residential insulation installer in the US with over 125 locations serving all 48 continental states and the District of Columbia*

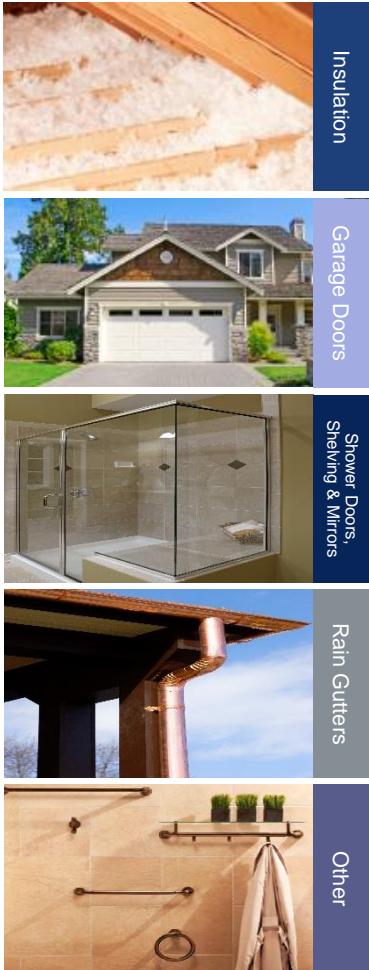


Note:

Shaded states are where we have a physical presence. Some dots represent multiple locations.

<sup>1</sup> Based on internal estimates

# Products & End Markets



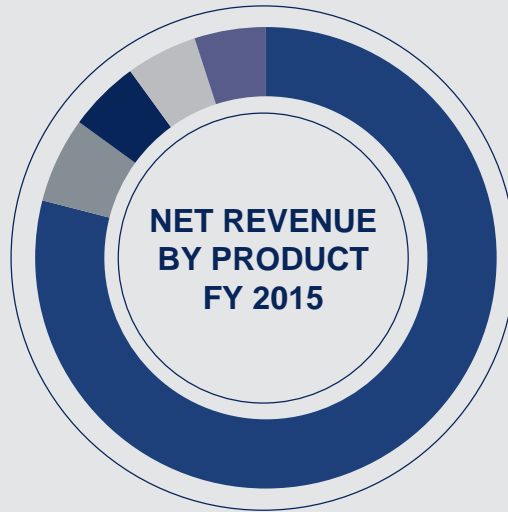
Insulation

Garage Doors

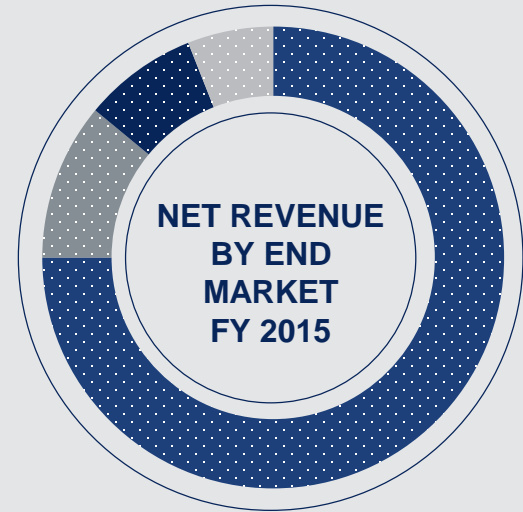
Shower Doors,  
Shelving & Mirrors

Rain Gutters

Other



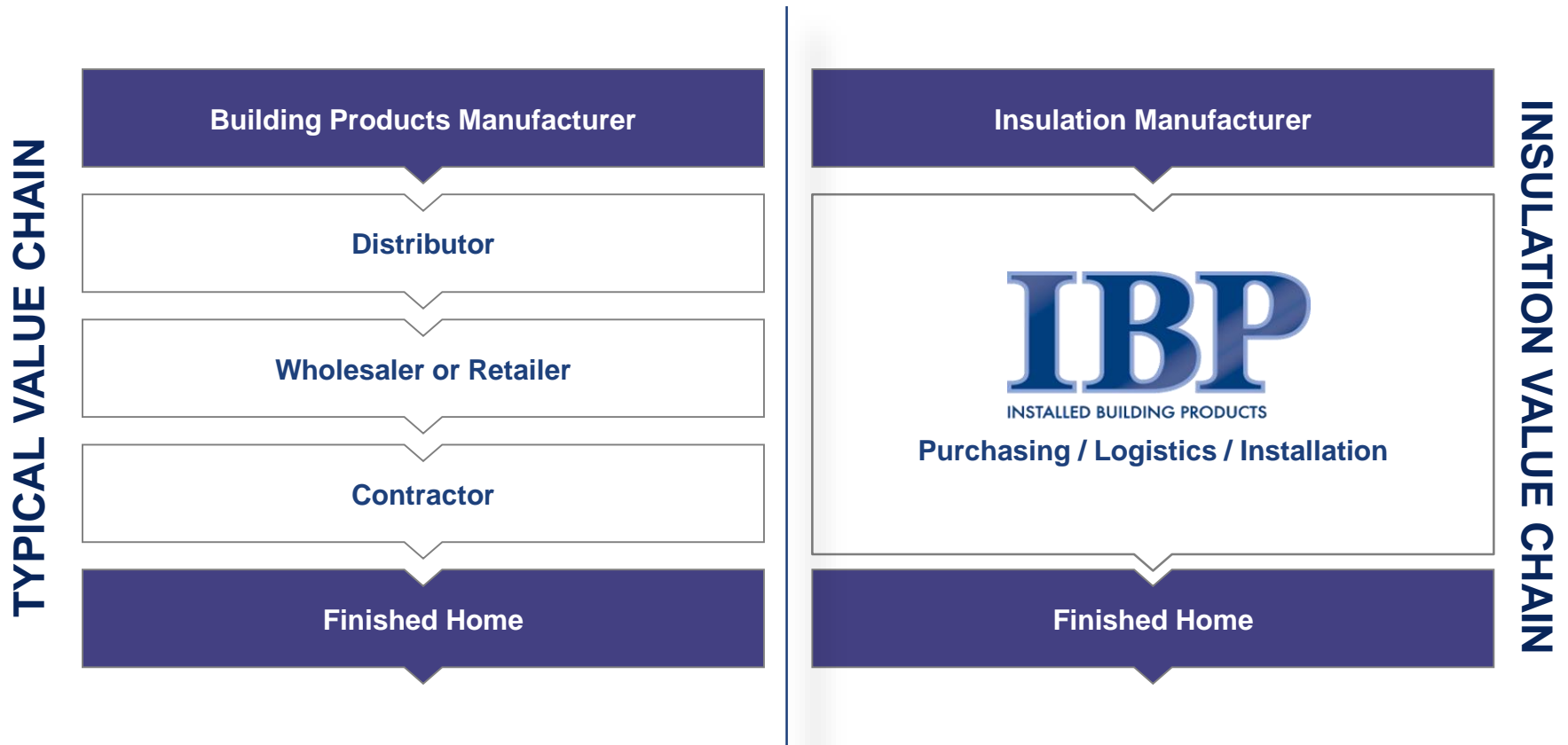
<b>INSULATION</b>	<b>78%</b>
<b>GARAGE DOORS</b>	<b>6%</b>
<b>SHOWER DOORS, SHELVING &amp; MIRRORS</b>	<b>5%</b>
<b>RAIN GUTTERS</b>	<b>5%</b>
<b>OTHER</b>	<b>6%</b>



<b>NEW SINGLE-FAMILY</b>	<b>75%</b>
<b>COMMERCIAL</b>	<b>11%</b>
<b>REPAIR &amp; REMODEL</b>	<b>8%</b>
<b>NEW MULTI-FAMILY</b>	<b>6%</b>

# Benefits of a Unique Value Chain Structure

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



# 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 US Housing Starts forecasted to increase at 11% CAGR from 2014 to 2017E<sup>1</sup>



**Continue to Strengthen Market Share Position**

IBP same branch single-family sales grew 13.6% in 2015  
US single-family housing completions grew 4.5% in 2015<sup>2</sup>



**Pursue Value Enhancing Strategic Acquisitions**

Attractive opportunities in fragmented market of independent contractors



**Extract Additional Value from Operating Leverage and National Scale**

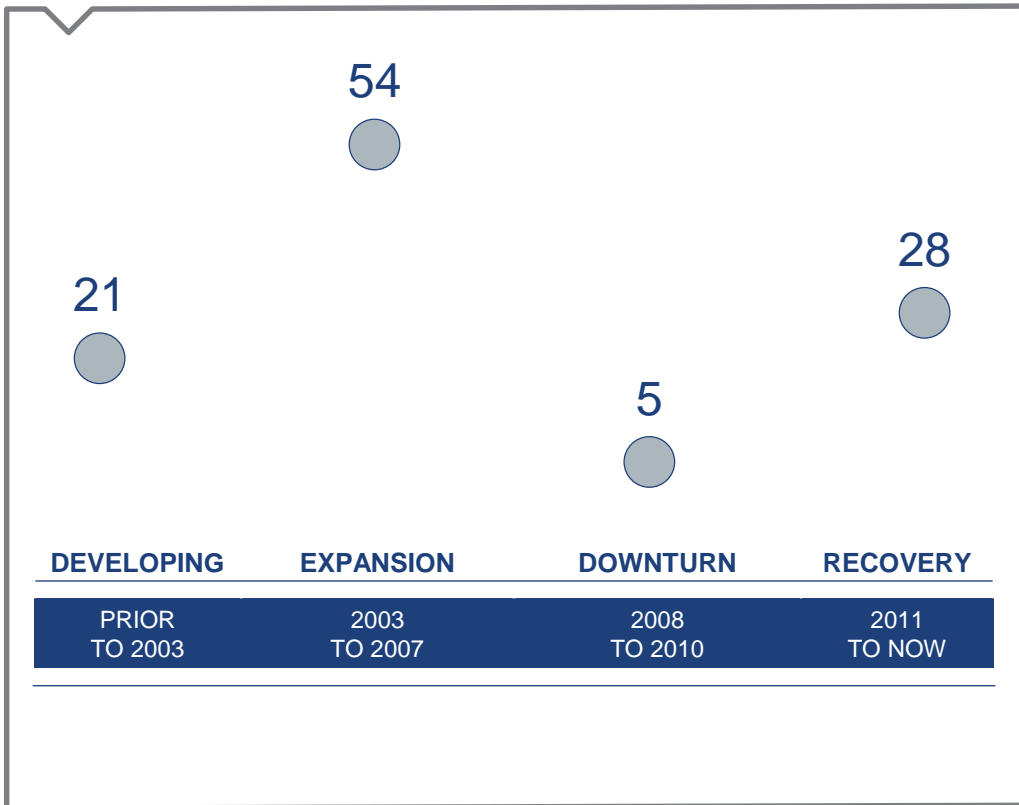
Demonstrated scale economies in indirect operating costs and SG&A with SG&A Margin improving 80 bps and Gross Margin improving 140 bps YTD, a total improvement of 220 bps

<sup>1</sup> Per February 2016 Blue Chip consensus housing starts forecast

<sup>2</sup> Per US Census Bureau

# Track Record of Successful Acquisitions

*100+ 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 more than 15 years**



# INDUSTRY HIGHLIGHTS

# Critical Position in an Attractive Industry

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

## 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:

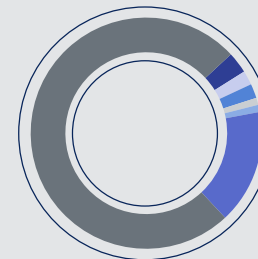
- Full service capabilities eliminate “nuisance” work for customers
- Timely delivery and quality installation of products ensures projects remain on schedule
- Institutional knowledge of local building codes and standards

### NORTH AMERICAN INSULATION MANUFACTURERS

Knauф  
Owens Corning  
CertainTeed  
Johns Manville



### HOMEBUILDERS BY CLOSING (2014)<sup>1</sup>



D.R. HORTON	3%
LENNAR	2%
PULTE GROUP	2%
THE RYLAND GROUP	1%
RYAN HOMES	1%
OTHER TOP 100	16%
REGIONAL & LOCAL	75%

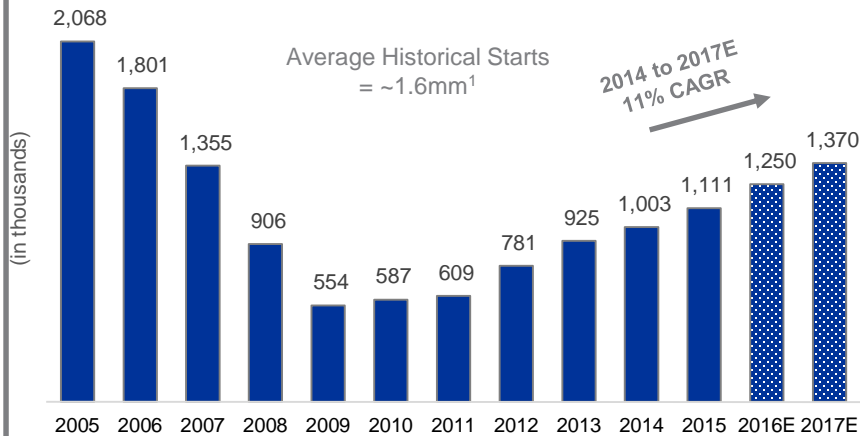
<sup>1</sup> Builder Magazine's 2014 Builder 100 list, based on the total number of home closings

# Housing Market History

## Continued US Housing Improvement

### Total US housing starts forecasted to increase at a 11% CAGR from 2014 to 2017E

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

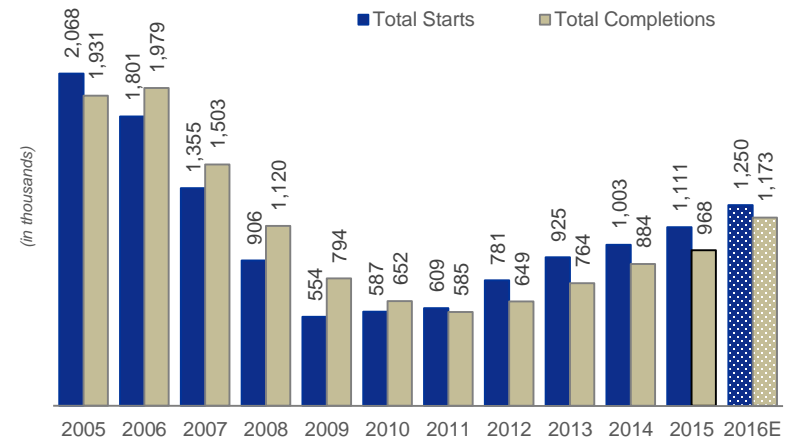


<sup>1</sup> Total housing starts averaged from 1968 to 2006

Source: US Census Bureau, February 2016 Blue Chip Economic Forecasts

## Market Trend

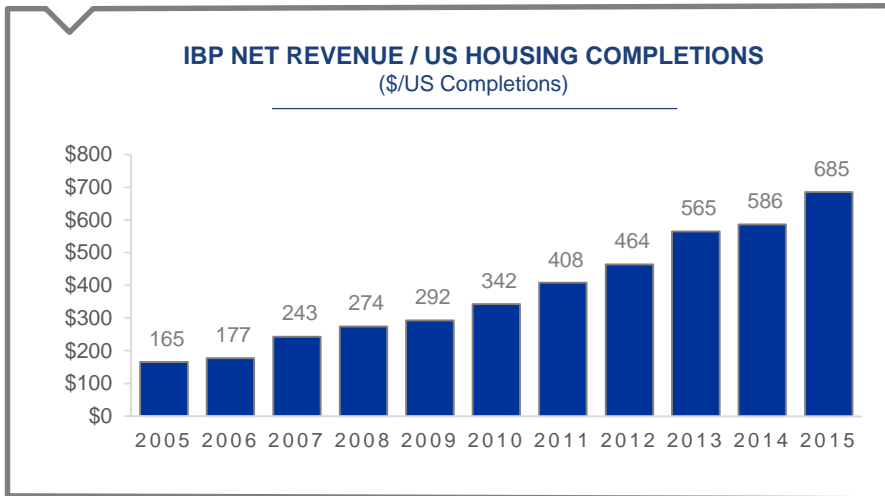
### Lag time between US housing starts and US housing completions is greater when the rate of change in starts is higher



Source: US Census Bureau, February 2016 Blue Chip Economic Forecasts, Street Estimates

# Proven Ability to Grow and Gain Market Share

*Track record of increasing net revenue per US housing completion since 2005*



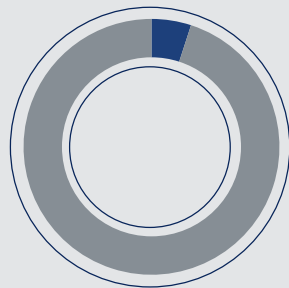
**Second largest insulation installer for residential new construction in the US**

**We estimate that the markets which we serve cover approximately 60% of permits issued up from 24% in 2005**

**Market share gains driven by:**

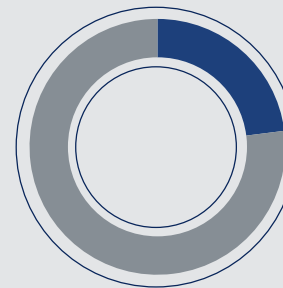
- Successful acquisition and integration of local installation operations
- Quality customer service
- Cross-selling complementary installation services

## 2005 MARKET SHARE



IBP	5%
OTHERS	95%

## MARKET SHARE TODAY



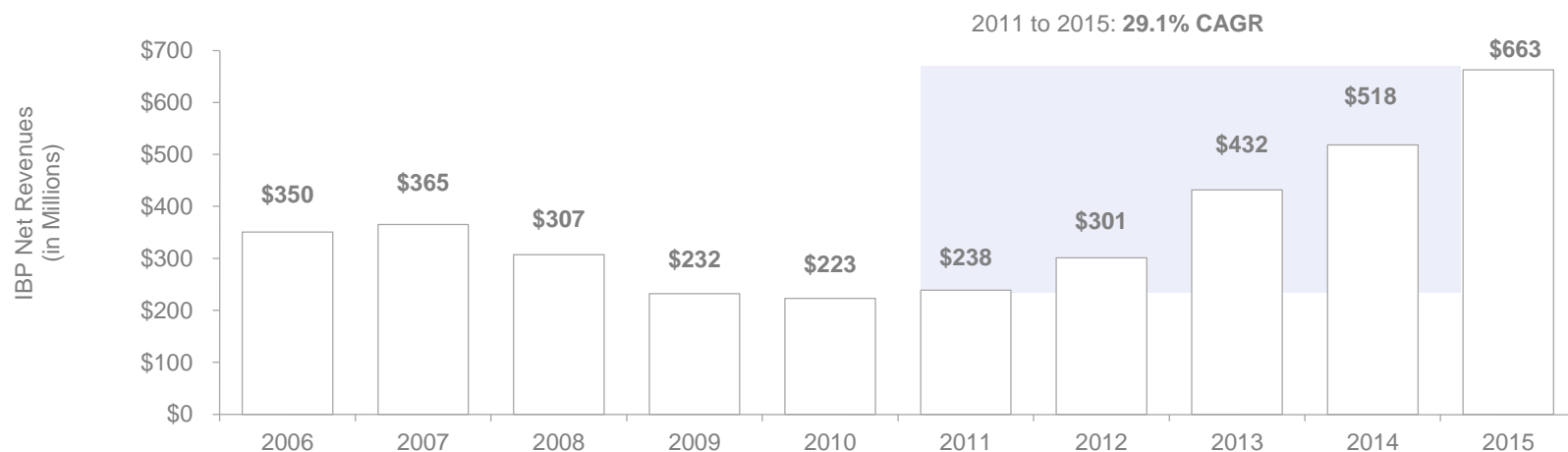
IBP	23%
OTHERS	77%

Note: Market share of new residential construction based on internal estimates

Source: Management, Completions from US Census Bureau

# FINANCIAL PERFORMANCE

# Strong Top-Line Momentum



Revenue Growth	9.9%	4.2%	-16.0%	-24.4%	-3.9%	7.0%	26.3%	43.4%	19.9%	27.9%
Total US Housing Completions (in thousands)	1,979	1,503	1,120	794	652	585	649	764	884	968
% US Housing Completions Growth	2.5%	-24.1%	-25.5%	-29.1%	-18.0%	-10.2%	11.0%	17.7%	15.6%	9.5%
IBP Net Rev / US Housing Completions	\$177	\$243	\$274	\$292	\$342	\$408	\$464	\$565	\$586	\$685
% IBP Growth / US Housing Completions	7.3%	37.3%	12.8%	6.6%	17.1%	19.2%	13.8%	21.8%	3.7%	16.8%

Source: U.S. Census Bureau, Company filings

# Summary Financial Results

<i>(in millions)</i>	2011	2012	2013	2014	2015
US Housing Completions (000's)	585	649	764	884	968
Net Revenue	\$ 238	\$ 301	\$ 432	\$ 518	\$ 663
% Net Revenue Growth	7.0%	26.3%	43.4%	19.9%	27.9%
Same Branch Sales Growth	7.0%	20.5%	29.6%	16.4%	11.7%
<b>Net Revenue/US Housing Completions</b>	<b>\$ 408</b>	<b>\$ 464</b>	<b>\$ 565</b>	<b>\$ 586</b>	<b>\$ 685</b>
COGS <sup>1</sup>	\$ 181	\$ 227	\$ 322	\$ 376	\$ 475
Adjusted Gross Profit <sup>1</sup>	\$ 57	\$ 74	\$ 110	\$ 142	\$ 188
% Margin	24.0%	24.6%	25.4%	27.4%	28.4%
Adjusted SG&A <sup>2</sup>	\$ 64	\$ 71	\$ 91	\$ 110	\$ 134
% of Net Revenue	26.9%	23.7%	21.1%	21.3%	20.2%
<b>Adjusted EBITDA<sup>3</sup></b>	<b>\$ (6.6)</b>	<b>\$ 6.2</b>	<b>\$ 25.4</b>	<b>\$ 44.0</b>	<b>\$ 71.2</b>
% of Net Revenue	-2.8%	2.1%	5.9%	8.5%	10.7%

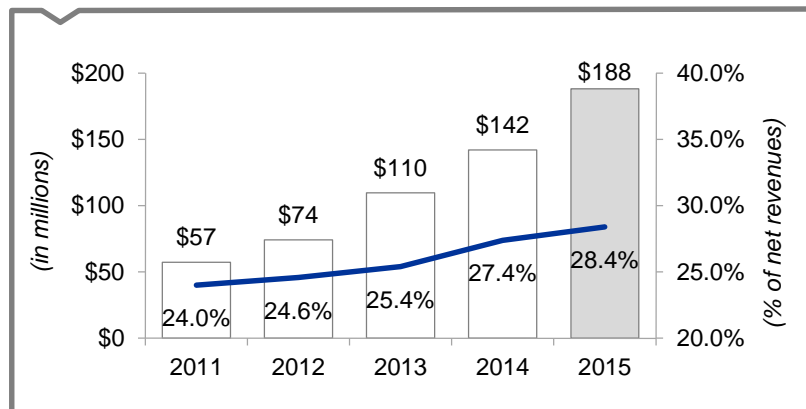
<sup>1</sup> COGS adjusted in 2014 for \$1.8 million adverse development in workers' compensation. See the Gross Profit and Adjust Gross Profit Reconciliation in the Appendix. Adjusted Gross Profit is a non-GAAP financial measure.

<sup>2</sup> SG&A adjusted for one-off items as detailed in the EBITDA and Adjusted EBITDA Reconciliation: 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

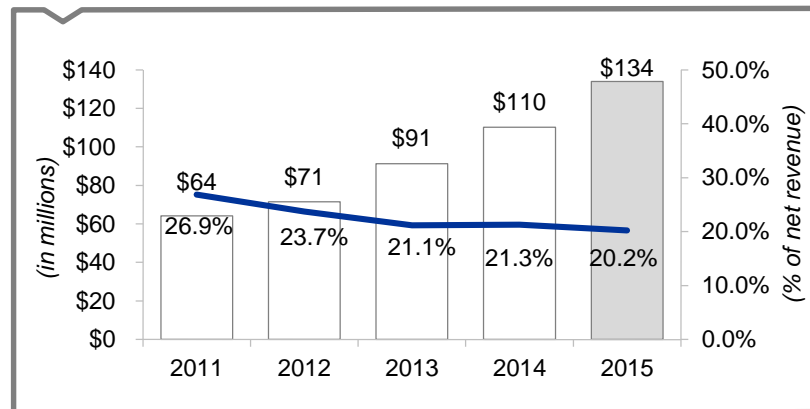
<sup>3</sup> Adjusted EBITDA is a non-GAAP financial measure. A reconciliation to the most comparable measure prepared in accordance with GAAP is included in the Appendix.

# Improving Financial Performance

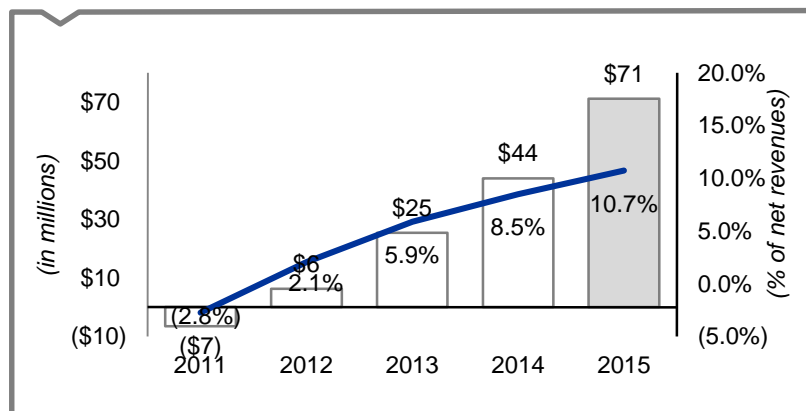
Adjusted Gross Profit<sup>1</sup>



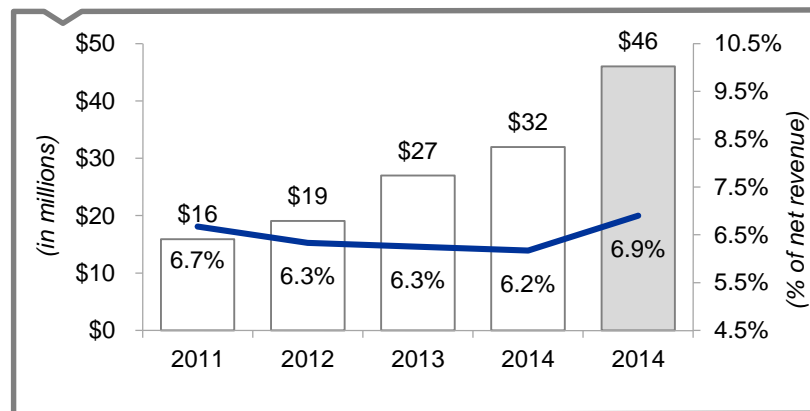
Selling & Administrative<sup>2</sup>



Adjusted EBITDA<sup>3</sup>



Working Capital<sup>4</sup>



<sup>1</sup> Gross profit adjusted in 2014 for \$1.8 million adverse development in workers' compensation. See the Gross Profit and Adjusted Gross Profit Reconciliation in the Appendix.

Adjusted Gross Profit is a non-GAAP financial measure.

<sup>2</sup> SG&A adjusted for one-off items as detailed in the EBITDA and Adjusted EBITDA Reconciliation: 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

<sup>3</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>4</sup> Working Capital excludes cash on hand (in thousands) of: 2011 - \$2,528; 2012 - \$3,898; 2013 - \$4,065; 2014 - \$10,761; 2015 - \$6,818

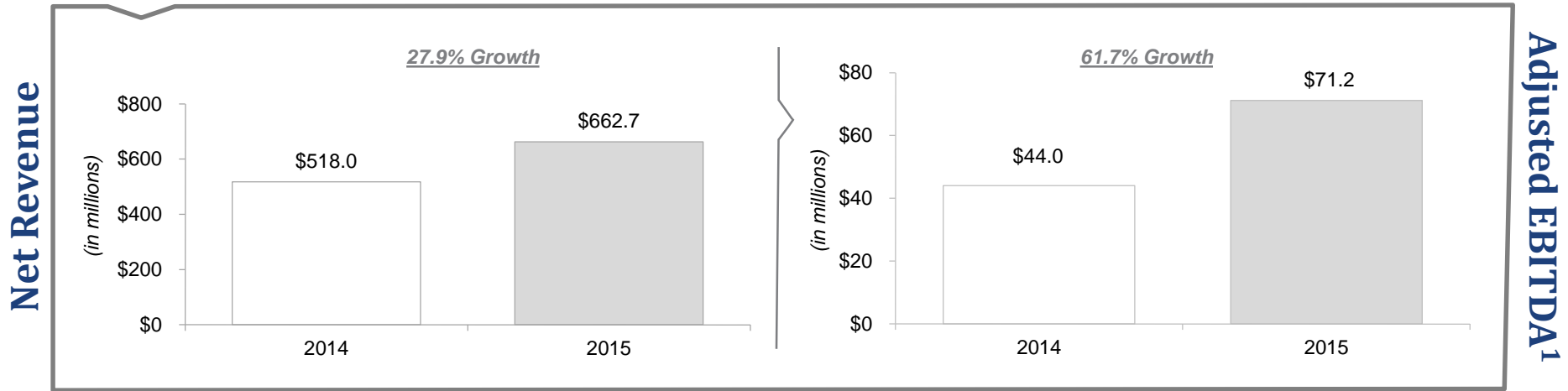


# Strong Balance Sheet

<i>(\$ in millions)</i>	2011	2012	2013	2014	2015
<b>Cash</b>	\$ 2.5	\$ 3.9	\$ 4.1	\$ 10.8	\$ 6.8
Revolver	16.7	17.2	27.3	-	-
Term Loan Due April 30, 2020	-	-	-	-	48.1
Delayed Draw Term Loan	-	-	-	-	50.0
Previous Term Loan	-	-	-	24.7	-
Vehicle and Equipment Notes Payable	-	-	-	1.3	21.1
Capital Lease Obligations	4.5	12.2	22.0	26.9	20.4
Various notes payable	0.1	0.7	0.8	0.8	4.5
<b>Total Debt</b>	\$ 21.3	\$ 30.1	\$ 50.1	\$ 53.7	\$ 144.1
<b>Net Debt</b>	\$ 18.8	\$ 26.2	\$ 46.0	\$ 42.9	\$ 137.3
<b>LTM Adjusted EBITDA <sup>1</sup></b>	\$ (6.6)	\$ 6.2	\$ 25.4	\$ 44.0	\$ 71.2
<u>Credit Statistics:</u>					
Net Debt / LTM Adjusted EBITDA	(2.8)x	4.2x	1.8x	1.0x	1.9x
<b>Working Capital (Excl. Cash)</b>	\$ 15.9	\$ 19.1	\$ 27.0	\$ 32.0	\$ 46.0

<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

# FY 2015 Performance



**Strong 2015 performance attributable to growth in same branch single family sales of 13.6% compared to growth in US single family housing completions of 4.5%**

**Net revenue growth was predominantly attributable to acquisitions and organic growth in the volume of completed jobs in all end markets**

**Growth 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

<i>(in millions)</i>	2011	2012	2013	2014	2015
Net (loss) income	\$ (9.0)	\$ (1.9)	\$ 6.0	\$ 13.9	\$ 26.5
Interest expense	7.0 <sup>1</sup>	2.0	2.3	3.2	3.7
Provision for income taxes <sup>2</sup>	1.4	0.6	4.2	8.6	15.4
Depreciation and amortization	9.1	7.9	11.5	15.0	23.2
Gain on bargain purchase	-	-	-	-	(1.1)
<b>EBITDA</b>	<b>\$ 8.5</b>	<b>\$ 8.6</b>	<b>\$ 24.0</b>	<b>\$ 40.7</b>	<b>\$ 67.8</b>
Gain on extinguishment of debt <sup>3</sup>	(18.5)	-	-	-	-
Recapitalization transaction fees <sup>4</sup>	2.7	-	-	-	-
Legal settlement and reserves <sup>5</sup>	-	(7.0)	1.4	1.8	0.1
Non-cash stock compensation <sup>6</sup>	0.8	4.7	-	-	-
Gain from put option Redeemable Preferred Stock <sup>7</sup>	-	-	-	(0.5)	-
Acquisition related expenses	-	-	-	0.1	1.1
IPO and follow-on cost expensed	-	-	-	1.3	-
Share based compensation expense	-	-	-	0.3	2.1
Sarbanes-Oxley initial implementation	-	-	-	0.3	-
<b>Adjusted EBITDA</b>	<b>\$ (6.6)</b>	<b>\$ 6.2</b>	<b>\$ 25.4</b>	<b>\$ 44.0</b>	<b>\$ 71.2</b>

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

# EBITDA and Adjusted EBITDA Reconciliation Notes

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- <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. Impact of adverse change in workers' compensation experience included in other costs of sales in 4Q 2014.
- <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

We believe Adjusted EBITDA is useful to investors and us as a measure of comparative operating performance from period to period as it measures our changes in pricing decisions, cost controls and other factors that impact operating performance, and removes the effect of our capital structure (primarily interest expense), asset base (primarily depreciation and amortization), items outside our control (primarily income taxes) and the volatility related to the timing and extent of other activities such as asset impairments and non-core income and expenses. Accordingly, we believe that this measure is useful for comparing general operating performance from period to period. In addition, we use various EBITDA-based measures in determining the achievement of awards under certain of our incentive compensation programs. Other companies may define Adjusted EBITDA differently and, as a result, our measure may not be directly comparable to measures of other companies. In addition, Adjusted EBITDA may be defined differently for purposes of covenants contained in our revolving credit facility or any future facility.

# Gross Profit and Adjusted Gross Profit Reconciliation

(in millions)	2011	2012	2013	2014	2015
Gross Profit	\$ 57.2	\$ 74.0	\$ 109.7	\$ 140.0	\$ 188.3
Reserve for workers' compensation <sup>1</sup>	-	-	-	1.8	-
<b>Adjusted Gross Profit</b>	<b>\$ 57.2</b>	<b>\$ 74.0</b>	<b>\$ 109.7</b>	<b>\$ 141.8</b>	<b>\$ 188.3</b>

<sup>1</sup> Gross profit adjustment for adverse development in workers' compensation expense in 2014

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