



Installed Building Products Reports Record Third Quarter 2019 Results

November 1, 2019

COLUMBUS, Ohio--(BUSINESS WIRE)--Nov. 1, 2019-- Installed Building Products, Inc. (the "Company" or "IBP") (NYSE:IBP), an industry-leading installer of insulation and complementary building products, announced today results for the third quarter ended September 30, 2019.

Third Quarter 2019 Highlights (Comparisons are to Prior Year Period)

- Net revenue increased 13.6% to a record \$396.4 million
- Revenue from residential non-insulation products increased 14.3%
- Alpha's large commercial construction revenue increased 19.4%
- Net income increased 36.3% to a record \$21.2 million
- Adjusted EBITDA* increased 27.8% to a record \$55.9 million
- Net income per diluted share increased 42.0% to a record \$0.71
- Adjusted net income per diluted share* increased 37.5% to a record \$0.99
- In September 2019, completed an offering of \$300 million Senior Notes and entered into a new and increased \$200 million ABL Revolving Credit Facility
- In September 2019, acquired Northeast Spray Insulation, an insulation installer serving the Maine and New Hampshire markets with annual revenue of approximately \$3.6 million
- In September 2019, acquired Minnesota Spray-Foam, an insulation installer serving the Minnesota market with annual revenue of approximately \$1.6 million
- In August 2019, acquired Therm-Con, LLC and Foamtech, Inc., a fireplace, shower doors, closet shelving, and mirror installer serving the Tennessee, Georgia and Alabama markets with annual revenue of approximately \$4.7 million

"Favorable pricing trends, stable end-market demand, and the benefits of our geographic and product diversification strategies drove record third quarter sales and earnings," stated Jeff Edwards, Chairman and Chief Executive Officer. "Our third quarter results demonstrate the power of our financial model and our focus on profitability. I am pleased to report that for the 2019 third quarter IBP generated record quarterly net income of \$21.2 million, a 36% increase from the 2018 third quarter, and record adjusted EBITDA* of \$55.9 million, a nearly 28% increase from the 2018 third quarter."

"During the quarter, we strengthened our balance sheet with a \$300 million Senior Notes offering. The pricing and structure of our Senior Notes provides us with significant capital to continually invest in our business throughout the housing cycle, while staggering our debt maturities. At September 30, 2019, IBP had \$239.9 million of cash, cash equivalents, and short-term investments and nothing drawn on our \$200 million ABL Revolving Credit Facility. Our strong capital position, combined with our compelling operating cash flow, provides us with the financial flexibility to support our growth strategies and pursue acquisitions that continue to expand our geography and diversify our end-products and end-markets."

"Industry trends remain positive and net revenue increased 13.6% year-over-year as a result of stable demand in our single-family markets and double-digit growth in our multi-family and commercial end-markets. In addition, as a result of our product diversification strategy, revenue from complimentary products, not including Alpha's large commercial construction revenue, increased 14.3% and was accretive to third quarter gross margin. I am extremely encouraged by the positive business and market trends underway and we believe we are well-positioned for continued robust sales and earnings growth," concluded Mr. Edwards.

Third Quarter 2019 Results Overview

For the third quarter of 2019, net revenue was \$396.4 million, an increase of 13.6% from \$349.0 million in the third quarter of 2018. On a same branch basis, net revenue improved 9.3% from the prior year quarter. Residential same branch sales growth was 6.0% in the quarter, attributable to price gains and more favorable customer and product mix. Same branch single-family sales grew 4.9% during the third quarter, compared to growth in U.S. single-family housing completions of 3.8%, while our large commercial construction end market had organic growth of 19.4%.

Gross profit improved 21.3% to \$118.1 million from \$97.3 million in the prior year quarter. Adjusted gross profit* as a percent of total revenue was 29.8%, compared to 27.9% for the same period last year.

Selling and administrative expense, as a percentage of net revenue, was flat to prior year at 18.8%. Adjusted selling and administrative expense*, as a percentage of net revenue, was 18.2% compared to 17.7% for the same quarter last year.

Net income was \$21.2 million, or \$0.71 per diluted share, compared to \$15.6 million, or \$0.50 per diluted share in the prior year quarter. Adjusted net income* was \$29.7 million, or \$0.99 per diluted share, compared to \$22.4 million, or \$0.72 per diluted share in the prior year quarter. Adjusted net income adjusts for the impact of non-core items in both periods and includes an addback for non-cash amortization expense related to acquisitions.

Adjusted EBITDA* was \$55.9 million, a 27.8% increase from \$43.8 million in the prior year quarter, largely due to higher sales and improved gross profit. Adjusted EBITDA, as a percentage of net revenue, was 14.1%, compared to 12.5% in the prior year quarter.

Conference Call and Webcast

The Company will host a conference call and webcast on November 1, 2019 at 9:00 a.m. Eastern Time to discuss these results. To participate in the call, please dial 877-407-0792 (domestic) or 201-689-8263 (international). The live webcast will be available at www.installdbuildingproducts.com in the investor relations section. A replay of the conference call will be available through December 1, 2019, by dialing 844-512-2921 (domestic) or 412-317-6671 (international) and entering the passcode 13695760.

About Installed Building Products

Installed Building Products, Inc. is one of the nation's largest new residential insulation installers and is a diversified installer of complementary building products, including waterproofing, fire-stopping, fireproofing, garage doors, rain gutters, window blinds, shower doors, closet shelving and mirrors and other products for residential and commercial builders located in the continental United States. The Company manages all aspects of the installation process for its customers, from direct purchase and receipt of materials from national manufacturers to its timely supply of materials to job sites and quality installation. The Company offers its portfolio of services for new and existing single-family and multi-family residential and commercial building projects from its national network of over 175 branch locations.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the federal securities laws, including with respect to the housing market and industry conditions, our financial and business model, our efforts to navigate the material pricing environment, our ability to increase selling prices, the demand for our services and product offerings, expansion of our national footprint and end markets, diversification of our products, our ability to capitalize on the new home and commercial construction recovery, our ability to grow and strengthen our market position, our ability to pursue and integrate value-enhancing acquisitions, our ability to improve sales and profitability, and expectations for demand for our services and our earnings. Forward-looking statements may generally be identified by the use of words such as "anticipate," "believe," "expect," "intends," "plan," and "will" or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Any forward-looking statements that we make herein and in any future reports and statements are not guarantees of future performance, and actual results may differ materially from those expressed in or suggested by such forward-looking statements as a result of various factors, including, without limitation, general economic and industry conditions, the material price environment, the timing of increases in our selling prices, and the factors discussed in the "Risk Factors" section of the Company's Annual Report on Form 10-K for the year ended December 31, 2018, as the same may be updated from time to time in our subsequent filings with the Securities and Exchange Commission. Any forward-looking statement made by the Company in this press release speaks only as of the date hereof. New risks and uncertainties arise from time to time, and it is impossible for the Company to predict these events or how they may affect it. The Company has no obligation, and does not intend, to update any forward-looking statements after the date hereof, except as required by federal securities laws.

*Use of Non-GAAP Financial Measures

In addition to the financial measures prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), this press release contains the non-GAAP financial measures of Adjusted EBITDA, Adjusted EBITDA margin (i.e., Adjusted EBITDA divided by net revenue), Adjusted Net Income, Adjusted Net Income per diluted share, Adjusted Gross Profit and Adjusted Selling and Administrative expense. The reasons for the use of these measures, reconciliations of Adjusted EBITDA, Adjusted Net Income, Adjusted Net Income per diluted share, Adjusted Gross Profit, and Adjusted Selling and Administrative expense to the most directly comparable GAAP measures and other information relating to these measures are included below following the unaudited condensed consolidated financial statements. Non-GAAP financial measures have limitations as analytical tools and should not be considered in isolation or as a substitute for IBP's financial results prepared in accordance with GAAP.

INSTALLED BUILDING PRODUCTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(unaudited, in thousands, except share and per share amounts)

| | Three months ended September 30, | | Nine months ended September 30, | |
|--|-------------------------------------|------------|------------------------------------|------------|
| | 2019 | 2018 | 2019 | 2018 |
| Net revenue | \$ 396,449 | \$ 348,999 | \$ 1,110,398 | \$ 983,311 |
| Cost of sales | 278,362 | 251,665 | 795,616 | 710,358 |
| Gross profit | 118,087 | 97,334 | 314,782 | 272,953 |
| Operating expenses | | | | |
| Selling | 19,398 | 17,434 | 54,431 | 49,300 |
| Administrative | 55,098 | 48,337 | 156,022 | 137,511 |
| Amortization | 6,156 | 5,228 | 18,065 | 19,678 |
| Operating income | 37,435 | 26,335 | 86,264 | 66,464 |
| Other expense | | | | |
| Interest expense, net | 8,458 | 5,282 | 19,783 | 15,013 |
| Other | 155 | 132 | 381 | 417 |
| Income before income taxes | 28,822 | 20,921 | 66,100 | 51,034 |
| Income tax provision | 7,610 | 5,358 | 17,135 | 12,762 |
| Net income | \$ 21,212 | \$ 15,563 | \$ 48,965 | \$ 38,272 |
| Other comprehensive (loss) income, net of tax: | | | | |
| Unrealized (loss) gain on cash flow hedge, net of tax benefit (provision) of \$575 and (\$278) for the three months ended September 30, 2019 and 2018, respectively, and \$2,676 and (\$822) for the nine months ended September 30, 2019 and 2018, respectively | (1,726) | 818 | (8,021) | 2,453 |
| Comprehensive income | \$ 19,486 | \$ 16,381 | \$ 40,944 | \$ 40,725 |
| Basic net income per share | \$ 0.71 | \$ 0.50 | \$ 1.65 | \$ 1.22 |

| | | | | | | | | |
|--------------------------------------|----|------------|----|------------|----|------------|----|------------|
| Diluted net income per share | \$ | 0.71 | \$ | 0.50 | \$ | 1.64 | \$ | 1.21 |
| Weighted average shares outstanding: | | | | | | | | |
| Basic | | 29,785,548 | | 31,229,086 | | 29,741,555 | | 31,373,871 |
| Diluted | | 29,877,056 | | 31,312,756 | | 29,839,873 | | 31,512,104 |

INSTALLED BUILDING PRODUCTS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited, in thousands, except share and per share amounts)

| | September 30, 2019 | December 31, 2018 |
|---|--------------------------|-------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 234,950 | \$ 90,442 |
| Investments | 4,980 | 10,060 |
| Accounts receivable (less allowance for doubtful accounts of \$6,712 and \$5,085 at September 30, 2019 and December 31, 2018, respectively) | 242,065 | 214,121 |
| Inventories | 63,547 | 61,162 |
| Other current assets | 32,955 | 35,760 |
| Total current assets | 578,497 | 411,545 |
| Property and equipment, net | 102,148 | 90,117 |
| Operating lease right-of-use assets | 42,553 | - |
| Goodwill | 184,574 | 173,049 |
| Intangibles, net | 144,321 | 149,790 |
| Other non-current assets | 11,589 | 10,157 |
| Total assets | <u>\$ 1,063,682</u> | <u>\$ 834,658</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Current maturities of long-term debt | \$ 22,734 | \$ 22,642 |
| Current maturities of operating lease obligations | 15,032 | - |
| Current maturities of finance lease obligations | 3,133 | 4,806 |
| Accounts payable | 100,181 | 96,949 |
| Accrued compensation | 32,793 | 27,923 |
| Other current liabilities | 41,576 | 29,366 |
| Total current liabilities | 215,449 | 181,686 |
| Long-term debt | 542,510 | 432,182 |
| Operating lease obligations | 27,129 | - |
| Finance lease obligations | 3,682 | 3,824 |
| Deferred income taxes | 3,833 | 6,695 |
| Other long-term liabilities | 43,565 | 27,773 |
| Total liabilities | 836,168 | 652,160 |
| Commitments and contingencies | | |
| Stockholders' equity | | |
| Preferred Stock; \$0.01 par value: 5,000,000 authorized and 0 shares issued and outstanding at September 30, 2019 and December 31, 2018, respectively | - | - |
| Common stock; \$0.01 par value: 100,000,000 authorized, 32,871,504 and 32,723,972 issued and 30,016,749 and 29,915,611 shares outstanding at September 30, 2019 and December 31, 2018, respectively | 329 | 327 |
| Additional paid in capital | 188,216 | 181,815 |
| Retained earnings | 154,177 | 105,212 |
| Treasury stock; at cost: 2,854,755 and 2,808,361 shares at September 30, 2019 and December 31, 2018, respectively | (106,756) | (104,425) |
| Accumulated other comprehensive loss | (8,452) | (431) |
| Total stockholders' equity | 227,514 | 182,498 |
| Total liabilities and stockholders' equity | <u>\$ 1,063,682</u> | <u>\$ 834,658</u> |

INSTALLED BUILDING PRODUCTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

Nine months ended September 30,
2019 2018

Cash flows from operating activities

| | | | | |
|--|----|----------------|----|---------------|
| Net income | \$ | 48,965 | \$ | 38,272 |
| Adjustments to reconcile net income to net cash provided by operating activities | | | | |
| Depreciation and amortization of property and equipment | | 28,575 | | 24,567 |
| Amortization of operating lease right-of-use assets | | 11,597 | | - |
| Amortization of intangibles | | 18,065 | | 19,678 |
| Amortization of deferred financing costs and debt discount | | 845 | | 883 |
| Provision for doubtful accounts | | 3,173 | | 2,219 |
| Write-off of debt issuance costs | | 2,774 | | 1,164 |
| Gain on sale of property and equipment | | (69) | | (551) |
| Noncash stock compensation | | 6,442 | | 6,089 |
| Changes in assets and liabilities, excluding effects of acquisitions | | | | |
| Accounts receivable | | (29,144) | | (35,953) |
| Inventories | | (852) | | (6,799) |
| Other assets | | (4,845) | | (801) |
| Accounts payable | | 2,535 | | 7,523 |
| Income taxes receivable / payable | | 13,487 | | 10,542 |
| Other liabilities | | 4,969 | | 2,016 |
| Net cash provided by operating activities | | <u>106,517</u> | | <u>68,849</u> |

Cash flows from investing activities

| | | | | |
|--|--|-----------------|--|-----------------|
| Purchases of investments | | (17,352) | | (22,818) |
| Maturities of short term investments | | 22,560 | | 37,500 |
| Purchases of property and equipment | | (37,267) | | (27,051) |
| Acquisitions of businesses | | (24,740) | | (34,682) |
| Proceeds from sale of property and equipment | | 563 | | 1,106 |
| Other | | (1,795) | | (1,590) |
| Net cash used in investing activities | | <u>(58,031)</u> | | <u>(47,535)</u> |

Cash flows from financing activities

| | | | | |
|---|----|----------------|----|----------------|
| Proceeds from senior notes | | 300,000 | | - |
| Proceeds from term loan | | - | | 100,000 |
| Payments on term loan | | (195,750) | | (750) |
| Proceeds from vehicle and equipment notes payable | | 23,767 | | 20,657 |
| Debt issuance costs | | (5,191) | | (1,992) |
| Principal payments on long-term debt | | (15,278) | | (10,324) |
| Principal payments on finance lease obligations | | (3,398) | | (4,316) |
| Acquisition-related obligations | | (5,797) | | (2,901) |
| Repurchase of common stock | | - | | (42,827) |
| Surrender of common stock awards by employees | | (2,331) | | (2,282) |
| Net cash provided by financing activities | | <u>96,022</u> | | <u>55,265</u> |
| Net change in cash and cash equivalents | | 144,508 | | 76,579 |
| Cash and cash equivalents at beginning of period | | 90,442 | | 62,510 |
| Cash and cash equivalents at end of period | \$ | <u>234,950</u> | \$ | <u>139,089</u> |

Supplemental disclosures of cash flow information

| | | | | |
|--------------------------------------|----|--------|----|--------|
| Net cash paid during the period for: | | | | |
| Interest | \$ | 17,746 | \$ | 14,110 |
| Income taxes, net of refunds | | 3,790 | | 1,902 |

Supplemental disclosure of noncash activities

| | | | | |
|---|--|---------|--|-------|
| Right-of-use assets obtained in exchange for operating lease obligations | | 11,593 | | - |
| Termination of operating lease obligations and right-of-use assets | | (2,814) | | - |
| Property and equipment obtained in exchange for finance lease obligations | | 2,175 | | 1,034 |
| Seller obligations in connection with acquisition of businesses | | 4,322 | | 5,420 |
| Unpaid purchases of property and equipment included in accounts payable | | 1,527 | | 615 |

Non-GAAP Financial Measures**Reconciliation of Non-GAAP Financial Measures**

Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net Income, Adjusted Gross Profit and Adjusted Selling and Administrative Expense measure performance by adjusting EBITDA, GAAP net income, gross profit and selling and administrative expense, respectively, for certain income or expense items that are not considered part of our core operations. We believe that the presentation of these measures provides useful information to investors regarding our results of operations because it assists both investors and us in analyzing and benchmarking the performance and value of our business.

We believe the Adjusted EBITDA measure 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.

Although we use the Adjusted EBITDA measure to assess the performance of our business, the use of the measure is limited because it does not include certain material expenses, such as interest and taxes, necessary to operate our business. Adjusted EBITDA should be considered in addition to, and not as a substitute for, GAAP net income as a measure of performance. Our presentation of this measure should not be construed as an indication that our future results will be unaffected by unusual or non-recurring items. This measure has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Because of these limitations, this measure is not intended as an alternative to net income as an indicator of our operating performance, as an alternative to any other measure of performance in conformity with GAAP or as an alternative to cash flow provided by operating activities as a measure of liquidity. You should therefore not place undue reliance on this measure or ratios calculated using this measure.

We also believe the Adjusted Net Income measure 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 certain non-core items such as discontinued operations, acquisition related expenses, amortization expense, the tax impact of these certain non-core items, and the volatility related to the timing and extent of other activities such as asset impairments and non-core income and expenses. To make the financial presentation more consistent with other public building products companies, beginning in the fourth quarter 2016 we included an addback for non-cash amortization expense related to acquisitions. Accordingly, we believe that this measure is useful for comparing general operating performance from period to period. Other companies may define Adjusted Net Income differently and, as a result, our measure may not be directly comparable to measures of other companies. In addition, Adjusted Net Income may be defined differently for purposes of covenants contained in our revolving credit facility or any future facility.

INSTALLED BUILDING PRODUCTS, INC.
RECONCILIATION OF GAAP TO NON-GAAP MEASURES
ADJUSTED NET INCOME CALCULATIONS
(unaudited, in thousands, except share and per share amounts)

The table below reconciles Adjusted Net Income to the most directly comparable GAAP financial measure, net income, for the periods presented therein.

Per share figures may reflect rounding adjustments and consequently totals may not appear to sum.

| | Three months ended September | | Nine months ended September | |
|--|------------------------------|------------------|-----------------------------|------------------|
| | 30, | 30, | 30, | 30, |
| | 2019 | 2018 | 2019 | 2018 |
| Net income, as reported | \$ 21,212 | \$ 15,563 | \$ 48,965 | \$ 38,272 |
| Adjustments for adjusted net income: | | | | |
| Writeoff of capitalized loan costs | 2,774 | 50 | 2,774 | 1,164 |
| Share based compensation expense | 2,099 | 1,894 | 6,441 | 6,089 |
| Acquisition related expenses | 303 | 674 | 1,497 | 1,874 |
| Financial Wellness Program ¹ | - | - | - | 604 |
| Branch start-up costs ² | 129 | 166 | 746 | 628 |
| Retirement expense | - | 824 | - | 824 |
| Legal settlement | - | 790 | - | 790 |
| Gain on sale of assets | - | (364) | - | (364) |
| Amortization expense ³ | 6,156 | 5,228 | 18,065 | 19,678 |
| Tax impact of adjusted items at normalized tax rate ⁴ | (2,980) | (2,408) | (7,676) | (8,135) |
| Adjusted net income | \$ 29,693 | \$ 22,417 | \$ 70,812 | \$ 61,424 |
| Weighted average shares outstanding (diluted) | 29,877,056 | 31,312,756 | 29,839,873 | 31,512,104 |
| Diluted net income per share, as reported | \$ 0.71 | \$ 0.50 | \$ 1.64 | \$ 1.21 |
| Adjustments for adjusted net income, net of tax impact, per diluted share ⁵ | 0.28 | 0.22 | 0.73 | 0.74 |
| Diluted adjusted net income per share | \$ 0.99 | \$ 0.72 | \$ 2.37 | \$ 1.95 |

¹ Employer match upon completion of the program, net of waived executive bonuses

² Addback of costs related to organic branch expansion for Alpha locations

3 Addback of all non-cash amortization resulting from business combinations

4 Normalized effective tax rate of 26% applied to both periods represented

5 Includes adjustments related to the items noted above, net of tax

INSTALLED BUILDING PRODUCTS, INC.
RECONCILIATION OF GAAP TO NON-GAAP MEASURES
ADJUSTED GROSS PROFIT CALCULATIONS
(unaudited, in thousands)

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|----------------------------------|------------------|---------------------------------|-------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Gross profit | \$ 118,087 | \$ 97,334 | \$ 314,782 | \$ 272,953 |
| Share based compensation expense | 97 | 94 | 280 | 749 |
| Financial Wellness Program ¹ | - | - | - | 711 |
| Branch start-up costs ² | 129 | 166 | 746 | 628 |
| Gain on sale of assets | - | (364) | - | (364) |
| Adjusted gross profit | <u>\$ 118,313</u> | <u>\$ 97,230</u> | <u>\$ 315,808</u> | <u>\$ 274,677</u> |
| Adjusted gross profit - % Total Revenue | 29.8% | 27.9% | 28.4% | 27.9% |

¹ Employer match upon completion of the program, partially offset by waived executive bonuses (see below Adjusted Selling & Administrative)

² Addback of costs related to organic branch expansion for Alpha locations

INSTALLED BUILDING PRODUCTS, INC.
RECONCILIATION OF GAAP TO NON-GAAP MEASURES
ADJUSTED SELLING AND ADMINISTRATIVE EXPENSE CALCULATIONS
(unaudited, in thousands)

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|----------------------------------|------------------|---------------------------------|-------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Selling expense | \$ 19,398 | \$ 17,434 | \$ 54,431 | \$ 49,300 |
| Administrative expense | 55,098 | 48,337 | 156,022 | 137,511 |
| Selling and Administrative | <u>\$ 74,496</u> | <u>\$ 65,771</u> | <u>\$ 210,453</u> | <u>\$ 186,811</u> |
| Share based compensation expense | 2,002 | 1,800 | 6,161 | 5,340 |
| Acquisition related expenses | 303 | 674 | 1,497 | 1,874 |
| Financial Wellness Program ¹ | - | - | - | (107) |
| Retirement expense | - | 824 | - | 824 |
| Legal settlement | - | 790 | - | 790 |
| Adjusted Selling and Administrative | <u>\$ 72,191</u> | <u>\$ 61,683</u> | <u>\$ 202,795</u> | <u>\$ 178,090</u> |
| Adj. Selling and Administrative - % Total Revenue | 18.2% | 17.7% | 18.3% | 18.1% |

¹ Employer match upon completion of the program, net of waived executive bonuses

The table below reconciles Adjusted EBITDA to the most directly comparable GAAP financial measure, net income, for the periods presented therein.

INSTALLED BUILDING PRODUCTS, INC.
RECONCILIATION OF GAAP TO NON-GAAP MEASURES
ADJUSTED EBITDA CALCULATIONS
(unaudited, in thousands)

| | Three months ended September 30, | | Nine months ended September 30, | |
|-------------------------------|----------------------------------|---------------|---------------------------------|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| Adjusted EBITDA: | | | | |
| Net income (GAAP) | \$ 21,212 | \$ 15,563 | \$ 48,965 | \$ 38,272 |
| Interest expense | 8,458 | 5,282 | 19,783 | 15,013 |
| Provision for income taxes | 7,610 | 5,358 | 17,135 | 12,762 |
| Depreciation and amortization | <u>16,117</u> | <u>13,563</u> | <u>46,640</u> | <u>44,245</u> |

| | | | | |
|----------------------------------|-----------|-----------|------------|------------|
| EBITDA | 53,397 | 39,766 | 132,523 | 110,292 |
| Acquisition related expenses | 303 | 674 | 1,497 | 1,874 |
| Share based compensation expense | 2,099 | 1,894 | 6,441 | 6,089 |
| Financial Wellness Program | - | - | - | 604 |
| Branch start-up costs | 129 | 166 | 746 | 628 |
| Retirement expense | - | 824 | - | 824 |
| Legal settlement | - | 790 | - | 790 |
| Gain on sale of assets | - | (364) | - | (364) |
| Adjusted EBITDA | \$ 55,928 | \$ 43,750 | \$ 141,207 | \$ 120,737 |
| Adjusted EBITDA margin | 14.1% | 12.5% | 12.7% | 12.3% |

INSTALLED BUILDING PRODUCTS, INC.
SUPPLEMENTARY TABLE
(unaudited)

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|----------------------------------|-------|---------------------------------|-------|
| | 2019 | 2018 | 2019 | 2018 |
| Period-over-period Growth | | | | |
| Sales Growth | 13.6% | 18.2% | 12.9% | 18.0% |
| Same Branch Sales Growth | 9.3% | 12.2% | 8.2% | 11.6% |
| Single-Family Sales Growth | 10.3% | 19.5% | 11.3% | 21.2% |
| Single-Family Same Branch Sales Growth | 4.9% | 12.9% | 5.3% | 13.4% |
| Residential Sales Growth | 10.7% | 17.4% | 11.2% | 18.5% |
| Residential Same Branch Sales Growth | 6.0% | 11.3% | 6.0% | 11.6% |
| U.S. Housing Market¹ | | | | |
| Total Completions Growth | 2.2% | 5.4% | 2.8% | 6.7% |
| Single-Family Completions Growth | 3.8% | 10.2% | 4.9% | 9.0% |
| Same Branch Sales Growth² | | | | |
| Volume Growth | 2.9% | 7.6% | 2.3% | 7.2% |
| Price/Mix Growth | 5.4% | 4.2% | 5.1% | 4.5% |
| Alpha Sales Growth | 19.4% | 15.8% | 15.7% | 11.0% |

1 U.S. Census Bureau data, as revised

2 Same branch volume and price/mix growth excludes Alpha sales growth

INSTALLED BUILDING PRODUCTS, INC.
INCREMENTAL REVENUE AND ADJUSTED EBITDA MARGINS
(unaudited, in thousands)

| | Three months ended September 30, | | | | Nine months ended September 30, | | | |
|-------------------------|----------------------------------|---------|-----------|---------|---------------------------------|---------|------------|---------|
| | 2019 | % Total | 2018 | % Total | 2019 | % Total | 2018 | % Total |
| Revenue Increase | | | | | | | | |
| Same Branch | \$ 32,570 | 68.6% | \$ 36,011 | 66.9% | \$ 80,753 | 63.5% | \$ 96,694 | 64.4% |
| Acquired | 14,880 | 31.4% | 17,794 | 33.1% | 46,333 | 36.5% | 53,559 | 35.6% |
| Total | \$ 47,450 | 100.0% | \$ 53,806 | 100.0% | \$ 127,087 | 100.0% | \$ 150,253 | 100.0% |

| | Adj EBITDA Contribution | | Adj EBITDA Contribution | | Adj EBITDA Contribution | | Adj EBITDA Contribution | |
|------------------------|----------------------------|-------|----------------------------|------|----------------------------|-------|----------------------------|-------|
| Adjusted EBITDA | | | | | | | | |
| Same Branch | \$ 9,589 | 29.4% | \$ 2,668 | 7.4% | \$ 14,037 | 17.4% | \$ 10,279 | 10.6% |
| Acquired | 2,589 | 17.4% | 1,751 | 9.8% | 6,433 | 13.9% | 5,608 | 10.5% |
| Total | \$ 12,178 | 25.7% | \$ 4,419 | 8.2% | \$ 20,470 | 16.1% | \$ 15,887 | 10.6% |

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