

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2022

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From To

Commission File Number: 001-36307

Installed Building Products, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
495 South High Street, Suite 50
Columbus, Ohio
(Address of principal executive offices)

45-3707650
(I.R.S. Employer
Identification No.)

43215
(Zip Code)

(614) 221-3399

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	IBP	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold on June 30, 2022 was \$1,955,334,261.

On February 15, 2023, the registrant had 28,306,393 shares of common stock, par value \$0.01 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement relating to the 2023 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. Such Definitive Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended December 31, 2022.

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Information Regarding Forward-Looking Statements and Risk Factors Summary

This Annual Report on Form 10-K (“Form 10-K”) contains forward-looking statements within the meaning of the federal securities laws, including with respect to the housing market and the commercial market, industry and economic conditions, our financial and business model, payment of dividends, the potential impact of the ongoing COVID-19 pandemic, our efforts to navigate the material pricing environment, our ability to increase selling prices, supply chain and material constraints, our material and labor costs, demand for our services and product offerings, expansion of our national footprint and diversification, 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 in 2023. Forward-looking statements may generally be identified by the use of words such as “anticipate,” “believe,” “estimate,” “project,” “predict,” “possible,” “forecast,” “may,” “could,” “would,” “should,” “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, the adverse impact of the ongoing COVID-19 pandemic; general economic and industry conditions; increases in mortgage interest rates and rising home prices; inflation and interest rates; the material price and supply environment; the timing of increases in our selling prices; as well as the factors discussed in the “Risk Factors” section of this Form 10-K, as the same may be updated from time to time in our subsequent filings with the Securities and Exchange Commission (“SEC”). Any forward-looking statement made by the Company in this report 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.

Important factors that could cause our results to vary from expectations include, but are not limited to:

- our dependence on the economy, the housing market, the level of new residential and commercial construction activity and the credit markets;
- the cyclical and seasonal nature of our business;
- declines in the economy or slowing of the housing market recovery that could lead to significant impairment charges;
- the highly fragmented and competitive nature of our industry;
- product shortages or the loss of key suppliers;
- changes in the costs and availability of products;
- our reliance on key personnel;
- our ability to attract, train and retain qualified employees while controlling labor costs;
- scrutiny and expectations from stakeholders regarding our environmental, social and governance (“ESG”) practices;
- a major pandemic or other public health issue and its effect on our business;
- our exposure to severe weather conditions;
- disruptions in our information technology systems, including cybersecurity incidents;
- inability to continue to successfully expand into new products or geographic markets;
- inability to successfully acquire and integrate other businesses;
- inability to successfully expand into the commercial construction market or other lines of business, including our distribution businesses;
- our exposure to claims arising from our operations;
- changes in employment and/or immigration laws or failure to properly verify the employment eligibility of our employees;
- our exposure to product liability, workmanship warranty, casualty, construction defect and other claims and legal proceedings;
- changes in, or failure to comply with, federal, state, local and other laws, regulations or rules;
- our ability to implement and maintain effective internal control over financial reporting;
- our indebtedness and the restrictions imposed on us by its terms and our exposure to interest rate changes;
- the reduction, suspension or elimination of dividend payments;
- additional factors discussed under Item 1, Business; Item 1A, Risk Factors; and Part II, Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations, of this Form 10-K; and
- other factors that the Company may not have currently identified or quantified.

PART I

Item 1. Business

OUR COMPANY

Installed Building Products, Inc. (“IBP”) and its wholly-owned subsidiaries (collectively referred to as the “Company” and “we,” “us” and “our”) primarily install insulation for residential and commercial builders located in the continental United States. We are also 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. We offer our portfolio of services from our national network of over 230 branch locations serving all 48 continental states and the District of Columbia. In addition, two recently-acquired regional distribution operations serve the Midwest, Mountain West, Northeast and Mid-Atlantic regions of the United States, and we operate a cellulose manufacturing facility.

IBP was formed as a Delaware corporation on October 28, 2011, however our business began in 1977 with one location in Columbus, Ohio. In the late 1990s, we began our acquisition strategy with the goal of creating a national platform and have grown to become one of the nation's largest installers of insulation in the residential new construction market. Since 1999, we have successfully completed and integrated over 180 acquisitions, which has allowed us to generate significant scale and to diversify our product offerings while expanding into some of the most attractive new construction markets in the United States. For a further discussion of our industry and trends affecting our industry, please refer to Item 7, Management’s Discussion and Analysis of Financial Condition, “Key Factors Affecting our Operating Results” of this Form 10-K.

OUR OPERATIONS

Segment Overview

In early 2022, we realigned our operating segments to reflect recent changes in our business. All prior period amounts related to the segment changes have been retrospectively recast throughout this Annual Report on Form 10-K to conform to the new presentation. We have three operating segments consisting of our Installation, Distribution and Manufacturing operations. The Installation operating segment represents the majority of our net revenue and gross profit and forms our one reportable segment. See Note 11, Information on Segments, in Part II, Item 8, Financial Statements and Supplementary Data, of this Form 10-K for further information.

Installation Operating Segment

Overview

Substantially all of our Installation segment sales are derived from the service-based installation of various products in the residential new construction, repair and remodel and commercial construction end markets from our national network of branch locations. We estimate we have the number one or two market position for new single-family insulation installation in more than half of the markets in which we operate based on permits issued in those markets. We are committed to delivering quality installation with a commitment to safety, corporate social responsibility and total customer satisfaction.

We manage all aspects of the installation process for our customers, from our direct purchase and receipt of materials from national manufacturers to our timely supply of materials to job sites and quality installation. Installation of insulation is a critical phase in the construction process, as certain interior work cannot begin until the insulation phase passes inspection.

Our business model is differentiated and creates value by streamlining the typical value chain. In a typical building products value chain, manufacturers rely on multiple distributors to purchase product. Distributors serve multiple wholesale and retail accounts who in turn sell to local contractors that perform the installation. We buy most of the products that we use in our business direct from manufacturers which are delivered to our local installation operations.

Insulation

We are a provider of energy efficiency solutions to our customers through our primary line of business of installing insulation. Insulation installation comprised approximately 61% of our net revenue of \$2.7 billion, \$2.0 billion and \$1.7 billion for the years ended December 31, 2022, 2021 and 2020, respectively. We handle every stage of the installation process, including

material procurement, project scheduling and logistics, multi-phase professional installation, quality inspection, waste management and recycling.

Insulation Materials

We offer a wide range of insulation materials consisting of:

- **Fiberglass and Cellulose Insulation** – Fiberglass insulation is made of fibrous glass that is held together by a thermoset resin creating insulating air pockets. It is typically comprised of an average of 50% recycled material, with some products containing up to 80% recycled material. It is primarily available in two forms: batts (also referred to as blankets) and loosefill (also referred to as blown in). Fiberglass is the most widely used residential insulation material in the United States. Cellulose insulation is made primarily of waste paper and cardboard and has a composition of at least 75% recycled content. Cellulose is only available in loosefill form and is blown into the structure with specialized equipment. Fiberglass and cellulose insulation accounted for approximately 83% of our insulation sales for the year ended December 31, 2022.
- **Spray Foam Insulation** – Spray foam insulation, which is generally a polyurethane foam, is applied at a job site by mixing two chemical components together in specialized application equipment. While typically having the highest insulating value per inch and sealing effectiveness of all insulation materials that we offer, spray foam is also typically the most expensive on an installed basis. Spray foam insulation accounted for approximately 17% of our insulation sales for the year ended December 31, 2022.

Insulation Installation Applications

Local building codes typically require the installation of insulation in multiple areas of a structure. Each of these areas is frequently referred to as a phase of the insulation installation process and requires a separate trip to the job site by our installers at different points in the construction of a structure. Building practice and the inspection process differ geographically and require our involvement at different times during the construction process. We assist the builders with coordinating inspections. We install insulation and sealant materials in many areas of a structure, including:

- **Basement and Crawl Space** – These spaces often account for the second most energy loss in a residential structure.
- **Building Envelope** – We insulate the exterior walls of both residential and commercial structures by applying insulation on the wall or between the studs.
- **Attic** – We insulate the attics of new and existing residential structures. The attic is the area where the most energy may be lost in a home.
- **Acoustical** – Many builder or architect specifications call for acoustical insulation for sound reduction purposes in both residential and commercial structures. This product is generally installed in the interior walls to minimize sound transmission.

In each of these applications, we typically use fiberglass batts, except in attic installations where we typically install loosefill fiberglass or cellulose. We also install a wide variety of advanced caulk and sealant products that control air infiltration in residential and commercial buildings to enhance energy efficiency, improve comfort and meet increasingly stringent energy code requirements.

Waterproofing

Some of our locations install waterproofing, caulking and moisture protection systems for commercial and industrial construction projects. We offer a variety of waterproofing options, including, but not limited to, sheet and hot applied waterproofing membranes, deck coating systems, bentonite systems and air & vapor systems. The installation and service of waterproofing comprised approximately 5% of our net revenue for the year ended December 31, 2022.

Shower Doors, Closet Shelving and Mirrors

Some of our locations install a variety of shower enclosures, ranging from basic sliding door designs to complex custom designs. We have the ability to meet our customers' diverse needs by customizing shower enclosures by size and style according to their specifications, including framing, hardware and glass options. We design and install closet shelving systems

in select markets utilizing some of the highest quality products available from national brands. We also offer standard and custom designed mirrors for our customers. Shower doors, closet shelving and mirror installations comprised approximately 7% of our net revenue for the year ended December 31, 2022.

Garage Doors

Some of our locations install and service garage doors and openers for new residential construction builders, homeowners and commercial customers. We offer a variety of options from some of the best-known garage door brands. We offer steel, aluminum, wood and vinyl garage doors as well as opener systems. Unlike the other products we install, the garage door business has an ongoing aftermarket service component, which represented approximately one-quarter of the net revenue resulting from garage doors for the year ended December 31, 2022. The installation and service of garage doors comprised approximately 6% of our net revenue for the year ended December 31, 2022.

Rain Gutters

Some of our locations install a wide range of rain gutters, which direct water from a home's roof away from the structure and foundation. Rain gutters are typically constructed from aluminum or copper and are available in a wide variety of colors, shapes and widths. They are generally assembled on the job site using specialized equipment. The installation of rain gutters comprised approximately 4% of our net revenue for the year ended December 31, 2022.

Fire-stopping and Fireproofing

Some of our locations install fire-stopping systems, including fire-rated joint assemblies, perimeter fire containment, and smoke and fire containment systems. Fire-stopping is a passive fire protection approach that relies on compartmentalization of various building components, including fire-rated walls, joints, and floors. The installation of these products collectively comprised approximately 2% of our net revenue for the year ended December 31, 2022.

Window Blinds

Some of our locations install different types of window blinds, including cordless blinds, shades and shutters. The installation of window blinds comprised approximately 2% of our net revenue for the year ended December 31, 2022.

Other Building Products

Some of our locations install other complementary building products, none of which is an individually significant percentage of net revenue. Installation of other building products comprised approximately 7% of our net revenue for the year ended December 31, 2022.

Distribution Operating Segment

We recently acquired two businesses to create a new distribution platform. AMD Distribution, Inc. ("AMD") is headquartered in Spring Valley, Minnesota and has eight locations which includes distribution centers and bonded warehouses. These locations service several states throughout the Midwest and Mountain West. AMD distributes products and materials purchased wholesale from manufacturers such as spray foam insulation, metal building insulation, residential insulation, and mechanical and fabricated Styrofoam insulation. AMD sells to a diverse group of independent contractors of various sizes working on projects in the residential, commercial and agricultural markets. AMD is also a distributor of accessories and equipment used throughout the insulation installation process.

Central Aluminum Supply Corporation and Central Aluminum Supply of North Jersey, LLC ("CAS") is a distributor of gutter supplies and accessories headquartered in Trenton, New Jersey. CAS has three locations which primarily sell to high-volume gutter installers and independent contractors in residential, multi-family and commercial markets. The products are primarily used in existing or retrofit construction projects across the Northeast and Mid-Atlantic regions. CAS purchases the majority of its finished painted aluminum from one supplier and is subject to the commodity pricing of aluminum metal.

Our Distribution segment comprised approximately 5% of our net revenue for the year ended December 31, 2022.

Manufacturing Operating Segment

Our small manufacturing operation, Advanced Fiber Technology ("AFT"), operates in Bucyrus, Ohio producing cellulose insulation and specialty industrial fibers. Prior to 2022, this segment was previously combined with our Installation operating segment. AFT's primary product, cellulose insulation, is made of primarily wastepaper and helps reduce greenhouse emissions by reducing the wastepaper decomposing in landfills which releases methane and carbon dioxide gases. AFT sells its products to a wide range of customers including distributors, retailers and insulation contractors.

This segment comprised approximately 1% of our net revenue for the year ended December 31, 2022.

Sales and Marketing

We seek to attract and retain customers through exceptional customer service, superior installation quality, broad service offerings and competitive pricing. Our strategy is centered on building and maintaining strong customer relationships. We also capitalize on cross-selling opportunities from existing customer relationships and identifying situations where customers may benefit from more than one of our installation service offerings. By executing this strategy, we believe we can continue to generate incremental sales volumes with new and existing customers.

Experienced sales and service professionals are important to our customer growth and increasing our profitability. Retaining and motivating local employees has been an important component of our acquisition and operating strategies. As of December 31, 2022, we employed approximately 700 sales professionals and our sales force has spent an average of approximately ten years with our operations. The local sales staff, which is generally led by the branch manager, is responsible for maintaining relationships with our customers. These local teams work diligently to increase sales by supporting our existing customers with excellent service and value while also pursuing new customers with competitive offerings. In addition to the efforts of our sales staff, we market our product and service offerings on the internet, in the local yellow pages, on the radio and through advertisements in trade journals. We primarily conduct our marketing using local trademarks and trade names.

COMPETITIVE ADVANTAGES

We seek to differentiate ourselves in areas where we believe we have a competitive advantage, including:

National scale with a strong local presence. Our national scale gives us access to the best products, training and innovation available, while our local teams provide best in class training and installation services and outstanding customer service. Our customers generally select their building products installer based on quality and timeliness of service, knowledge of local building codes, product application expertise, pricing, relationships and reputation in the market. For these reasons, we emphasize the importance of developing and maintaining strong customer relationships at the local level based on the knowledge and experience of our branch management and staff.

Diversified product lines, end markets and geographies. Diversifying our product line offerings provides us opportunity to increase sales to end customers and leverage our branch costs to improve profitability. We continue to generate revenue synergies by taking advantage of cross-selling opportunities with our existing customers in markets where we install multiple products. We have successfully diversified our product offering from the year ended December 31, 2013, when insulation installation comprised approximately 74% of revenues, to the year ended December 31, 2022, when it comprised 61% of revenues. We service the residential new construction and repair and remodel markets, both of which consist of single-family and multi-family dwellings, as well as the commercial construction market. The multi-family subset of the residential end market can offset decreasing single-family demand during economic downturns. We have diversified our end customer demographic from the year ended December 31, 2013, when revenue from the commercial end market comprised approximately 11% of revenues, to the year ended December 31, 2022 when it comprised 14% of revenues. Our exposure to commercial end markets diversifies our customer base and makes our business less dependent on residential new construction. Commercial construction is also driven by longer term projects which tends to provide greater revenue visibility. In periods of declining insulation installation volumes, our sales force is able to leverage our diversity of products and reduce the impact of lost insulation sales by growing sales of complementary building products, further enhancing our ability to perform. Distribution sales can also help offset decreasing sales in our installation segment. Our national geographic footprint provides us a balanced business not concentrated in any single region.

Engaged employees. We offer competitive benefits to our employees to ensure an engaged workforce. In addition to offering certain benefits to most employees, including medical insurance, 401k and paid time off, we also offer longevity stock awards, financial wellness training and savings matching in order to recruit and retain employees. Our retention efforts have reduced our employee turnover to a level below industry averages. Opportunity for professional growth, training and advancement are

strongly encouraged. We focus on the well-being of our employees through our Positive Production Program. This micro-video program is designed to help employees thrive in all aspects of life through learning and practicing research-backed physical, intellectual and emotional skills. Engaged, long-tenured employees benefit our business by being highly skilled and efficient, which drives profitability and encourages repeat business and customer loyalty. Higher employee retention also benefits our business through lower recruitment and training expense. We also consider safety and risk management to be a core business objective. Significant staffing, funding and other resources are allocated to our management systems that enhance safety and quality for our employees and our customers. Our branch managers are held accountable for the safety of employees and quality of workmanship at their locations. We provide our employees with ongoing training and development programs necessary to improve safety performance and work quality. Our regional managers, local branch managers and sales force have significant experience in the industry and have spent an average of more than 11 years with our operations. We also created the Installed Building Products Foundation in 2019 as a separate, not-for-profit organization to help support our employees for their education, financial and philanthropic needs. Our foundation also administers our employee financial assistance program to support our employees who experience financial hardship resulting from an unexpected emergency or disaster.

Financial strength, variable cost structure and strong free cash flow. We believe that we are among the most financially sound companies in our industry. We place an emphasis on having a strong balance sheet which allows us to focus on our strategic initiatives and pursue growth opportunities, drive profitability and generate cash. We have a highly variable cost structure with a significant portion of operating expenses directly linked to volume. Our largest expenses are materials and labor and most of our installation employees are paid by completed job. Our minimal capital expenditure requirements support the generation of strong free cash flow.

Execution excellence. We believe that our ability to consistently complete our installations within a customer's production schedule is recognized by our customers and is a key component of our high level of service. We have a proven track record of customer satisfaction in managing all aspects of the installation process for our customers. Throughout the construction process, our branch sales and supervisory staff and installation teams make frequent site visits to ensure timely and proper installation and to provide general service support. We believe a high level of service is valued by our customers and generates customer loyalty.

Broad and stable customer base. We benefit from a diverse customer base that includes production and custom homebuilders, multi-family, commercial and agricultural construction firms, homeowners and residential repair and remodeling contractors. We continue to enhance our long-standing relationships with some of the largest builders in the country. While we serve many national and regional builders across multiple markets, we compete for business at the local level. Given our emphasis on quality service, customer turnover is extremely low.

Well established relationships with suppliers. We have strong long-standing relationships with many of the manufacturers of the materials we use in our business, including the largest manufacturers of fiberglass and spray foam. The fiberglass insulation manufacturing market is highly consolidated and primarily served by four major manufacturers. We buy significant volume from all four manufacturers and have relationships with each company spanning more than two decades. Our national scale allows us to purchase volumes that account for a meaningful portion of the production for these suppliers allowing them to better plan their production schedules. Our relationships and purchasing power often allow us to negotiate preferred material supply terms and to keep purchases through distribution and retail to a minimum, giving us an advantage over our competitors.

Highly experienced and incentivized management team. Our senior management team (Chief Executive Officer, Chief Financial Officer and Chief Operating Officer) have been directing our strategy for over two decades. This team has led us through multiple housing industry cycles, providing valuable continuity and a demonstrated ability to improve operations and grow our business both organically and through acquisitions.

BUSINESS STRATEGY

We believe our geographic footprint, long-standing relationships with national insulation manufacturers, streamlined value chain and proven track record of successful acquisitions provides us with opportunities for continued growth in our existing markets and expansion into new markets. We believe our continued emphasis on expanding our product offering, further expansion into the commercial construction market and other lines of business, and targeting geographies where we look to grow market share will reduce potential future cyclicity of our operations. Our current strategic objectives include:

- capitalize on the new residential and large commercial construction markets;
- continue to strengthen our market share position by working with the best customers. We seek to work with the most profitable and efficient builders and commercial general contractors in our markets;

- recruit, develop and retain an exceptional workforce by investing in our employees and our communities and promoting a family-oriented culture;
- capitalize on our ability to cross-sell products through existing markets as well as new markets entered as a result of organic expansion and acquisitions. In addition to insulation and air infiltration products, we install garage doors, rain gutters, mirrors and shower doors, waterproofing, fireproofing and fire-stopping, window blinds and various other products;
- enhance profitability from our operating leverage and national scale;
- continue expansion in the multibillion-dollar commercial end market. This strategy includes acquiring more locations to serve the large commercial market and increasing overall commercial sales at our existing new residential locations;
- pursue value enhancing acquisitions in markets we currently serve as well as markets that are new to us by continuing our disciplined approach to valuations and pricing. We will continue to be selective in identifying acquisition targets at attractive multiples. We target profitable markets and companies with strong reputations and customer bases. As part of our acquisition strategy, we seek to maintain the management teams of the companies we acquire as well as retain their local branding, which further reduces associated risk; and
- we integrate new acquisitions quickly and seamlessly into our corporate infrastructure, including our accounting and employee systems. In addition, we utilize our internal software technology, jobCORE, to integrate most acquired operations and provide in-depth branch-level operational and financial performance data. We realize near term margin enhancement and revenue growth at acquired branches by applying our national buying power and leveraging relationships with large national homebuilders.

One of our key areas of focus has been diversifying our product and service offerings, customer base, and end markets. We have accomplished this through organic growth as well as acquisitions. We believe the benefits of this diversification include:

- Margin enhancement by leveraging branch costs across multiple products
- Diversified end-market exposure
- A more diverse customer base
- Stronger established local relationships
- Reduced cyclical risk

Product and end market diversification has been a primary strategic initiative throughout our history. In addition to acquisition and local market share growth, we typically experience an increased rate of product and end market diversification during periods of reduced demand growth rates in the residential end market. As such, our oldest and most established branches tend to exhibit the greatest diversity of service and product offerings. This diversity in turn contributes to enhanced profitability as compared to branches in our newer, less developed markets.

Given the current economic uncertainty and inflationary environment, we can provide no assurance that the positive trends reflected in our recent financial and operating results will continue in 2023.

TRENDS IN THE MARKETPLACE

Our business relies on various market factors, one of which is residential housing demand. Following the late 2000s recession in the U.S. economy, housing starts dropped well below historical averages. Rates returned to early 2000s levels in 2021 and 2022 as each year had 1.6 million non-seasonally adjusted starts. However, housing starts peaked in the first half of 2022 and overall fell by 3% in 2022 as compared to 2021. Starts are forecasted to fall to 1.3 million starts in 2023 according to Wolters Kluwer's Blue Chip Economic Indicators January 2023 forecast which would be the fewest starts since 2018. High inflation, economic uncertainty and rising interest rates are the primary drivers behind the overall decrease in demand for new single-family homes forecasted in 2023.

While we anticipate the decline in housing starts will impact our business negatively in 2023, we expect to benefit from our growing multi-family business in 2023 thanks to an extended backlog in this end market as well as housing shortages in some of the markets that we service. Commercial demand saw the least amount of growth of the end markets we serve in 2022 due to continued impacts from the COVID-19 pandemic ("COVID-19"). Construction cycle times continue to be lengthened due to

supply chain delays and disruptions, and the commercial sector is predicted to see a 3% decline in starts in 2023 over 2022, according to Dodge Data & Analytics.

Inflation can adversely affect us by increasing the costs of materials, labor and interest rates which, in turn, can have a negative impact on housing affordability, impacting consumer sentiment and increasing market uncertainty. Per the Bureau of Labor Statistics, inflation in the United States averaged 8.0% in 2022 as measured by the consumer price index. While this average rate is the highest annual rate since 1981, inflation rates showed signs of moderating in late 2022. The fast recovery in residential housing from the pandemic caused a strong demand surge in building materials that was unanticipated. When combined with the general inflationary environment, materials we buy and sell saw multiple increases in the last few years. However, we were able to mitigate most of these increases through selling price increase to our customers as evidenced by our increased gross margin. The increase in demand also caused significant shortages of many of the materials we install and sell. We expect pressures on material suppliers experienced in the last few years to alleviate in 2023 as home sales slow, allowing production cycle times to revert back to historic norms.

The Federal Reserve aims to moderate and stabilize inflation as it has raised the federal funds rate multiple times in 2022 and has signaled plans to continue raising this rate throughout 2022 and into 2023. This caused the average mortgage rate in the United States to more than double since the end of 2021. Rising interest rates began to curtail housing demand in the second half 2022, reducing mortgage financing affordability. While we believe the demand for our installation services remains high due to the extended single family and multi-family construction industry backlog of both units under construction and units not started, we are seeing signs of a slowdown in homebuilding demand resulting from these risks as we head into 2023.

SAFETY AND QUALITY CONTROL

Our quality control process starts with the initial proposal. Our sales staff and managers are knowledgeable about our service offerings and scope of work. They are trained on manufacturers' guidelines as well as state and local building codes. Our quality control programs emphasize onsite inspections, training by manufacturers and various certification programs.

We consider safety and risk management to be a core business objective and require our installers to wear personal protective equipment in the process of completing their work. Each year, we allocate significant staffing, funding and resources to our management systems that directly impact safety. We have strong workplace safety measures, including Safety Wanted 365, an initiative focused on creating a safer working environment to reduce job site injuries for both our employees and other jobsite personnel through year-round education and training. Additionally, our branch managers are held accountable for the safety of employees and quality of workmanship at their locations.

We track all incidents that occur on our job sites that could result in injury, including minor incidents that may not require first aid or medical treatment. We use this incident information to continually refine and develop our safety training programs for new hires and the continual training and safety knowledge throughout employment at IBP. We believe these programs are having a benefit on the safety and physical well-being of our employees. Total hours worked increased 10% from 2021 to 2022, while OSHA-defined incidents decreased by 15% during the same period, resulting in a decline in incident rate per hours worked of 22%. We also reported a 27% decrease in severe incidents from 2021 to 2022 as we had only 8 severe incidents in 2022. We had zero fatalities in 2020, 2021 and 2022, and are continually finding ways to improve our practices throughout the organization in order to improve the health and safety of our workforce.

CUSTOMERS

We serve a broad group of national, regional and local homebuilders, multi-family and commercial construction firms, individual homeowners and repair and remodeling contractors. Our top ten customers, which are primarily a combination of national and regional builders, accounted for approximately 16% of net revenue for the year ended December 31, 2022. We install a variety of products in multiple markets for our largest customers, further diversifying our relationship with them. For example, our largest customer is independently serviced by 78 different IBP branches nationwide despite representing approximately 5% of net revenue for the year ended December 31, 2022. While our largest customers are homebuilders, our customer base is also diverse. We work on a range of commercial projects including office buildings, airports, sports complexes, museums, hospitals, hotels and educational facilities. Of our top 20 customers, 19 represent homebuilders and one represents a commercial customer. We have long-term relationships with many of our customers and have served each of our top ten customers at least a decade.

BACKLOG

For contracts that are not complete at the reporting date, we recognize revenue over time utilizing a cost-to-cost input method. When this method is used, we estimate the costs to complete individual contracts and record as revenue that portion of the total contract price that is considered complete based on the relationship of costs incurred to date to total anticipated costs. The costs of earned revenue include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools and repairs. Backlog represents the transaction price for contracts for which work has not been performed and excludes unexercised contract options and potential modifications. Backlog is not a guarantee of future revenues as contractual commitments may change. There can be no assurance that backlog will result in revenues within the expected timeframe, if at all. We estimate backlog was \$162.3 million as of December 31, 2022 and we estimated it to be \$143.2 million as of December 31, 2021.

SUPPLIERS

We have long-term relationships with many of our suppliers, and we purchase from manufacturers whenever possible to streamline the typical supply chain. As one of the largest purchasers of insulation in the United States, we believe that we maintain particularly strong relationships with the largest manufacturers of the products we use in our business. The proximity of certain of our branch locations to insulation manufacturers' facilities provides additional mutual benefits, including opportunities for cost savings and joint planning regarding future production. Due to the limited number of large fiberglass insulation manufacturers, our three largest suppliers in the aggregate accounted for approximately 33% of all material purchases for the year ended December 31, 2022. We also believe that we maintain good relationships with suppliers of the non-insulation products we install. We have found that using multiple suppliers ensures a stable source of materials and favorable purchasing terms as suppliers compete to gain and maintain our business. In addition, our national purchasing volumes provide leverage with suppliers as we pursue additional purchasing synergies. In recent years, the industry experienced manufacturer supply constraints for some of the materials we purchase due to an unanticipated increase in demand as well as global supply chain bottlenecks caused by manufacturing curtailments due to COVID-19. We continue to face these challenges however we anticipate these impacts to lessen in 2023. See Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, "Key Factors Affecting our Operating Results" of this Form 10-K for more information.

SEASONALITY

We typically have higher sales during the second half of the year as our homebuilder customers complete construction of homes placed under contract for sale in the traditionally stronger spring selling season. In addition, some of our larger branches operate in states impacted by winter weather and, as such, experience a slowdown in construction activity during the first quarter of the calendar year. This winter slowdown contributes to traditionally lower sales and profitability in our first quarter. As a result of this seasonal activity, our quarterly results of operations and financial position for any particular quarter are not necessarily representative of the results seen over a full fiscal year.

The composition and level of our working capital typically change during periods of increasing sales as we carry more inventory and receivables, although these changes are generally offset in part by higher trade payables to our suppliers. Working capital levels increase in the summer and fall seasons due to higher sales during the peak of residential construction activity. Typically, the subsequent collection of receivables and reduction in inventory levels during the winter months has positively impacted cash flow. In the past, we have from time to time utilized our borrowing availability under our credit facilities to cover short-term working capital needs.

COMPETITION

We believe that competition in our industry is based on quality and timeliness of service, knowledge of local building codes, pricing, relationships and reputation in the market. The building products installation industry is highly fragmented. The markets for our non-insulation installation services are even more fragmented than the markets for insulation installation services. Our competitors for our installation services include one other large national contractor, several large regional contractors and numerous local contractors, and our competitors for our distribution services include other distributors of building products, manufacturers of certain products we sell and select retail outlets. We expect to continue to effectively compete in our local markets given our long-standing customer relationships, access to capital, tenure and quality of local staff, quality installation reputation and competitive pricing.

HUMAN CAPITAL RESOURCES

As of December 31, 2022, we had approximately 10,300 employees, consisting of approximately 7,200 installers, approximately 700 sales professionals, approximately 700 production personnel and approximately 1,700 administrative and management personnel. Less than 4% of our employees are covered under collective bargaining agreements. We have never experienced a work stoppage or strike, and we believe that we have good relationships with our employees. We monitor certain financial and operational statistics related to our workforce. For example, we utilize sales per installer per business day to ensure we maintain the proper level of staffing to complete our jobs. We were successful in achieving higher productivity in 2022 as compared to 2021 as evidenced by our annual sales per average employee per business day increasing to approximately \$1,400 from \$1,200.

Our employees are critical to our continued success and are our most important resource. We focus on attracting and retaining talented and experienced individuals to manage and support our operations. We consider retaining skilled employees to be a competitive advantage and employ various strategies to improve turnover metrics. Our turnover rate is typically better than industry averages. For example, across our installer base, we experienced average monthly turnover of 3.4% in 2022 compared with 4.4% for the U.S. construction industry, according to the U.S. Bureau of Labor Statistics. In addition, we offer many benefits and resources to most employees, some of which are above and beyond what others in our industry offer. See "Competitive Advantages, Engaged employees" above for further details on the benefits we offer.

As described in the Competitive Advantages section above, the Installed Building Products Foundation was formed by us in 2019 primarily to benefit our employees and their families and the communities in which they live and work. In 2022, the foundation and the Company awarded 256 grants and made contributions totaling \$3.0 million in the form of scholarships and financial assistance to our employees as well as donations and matching gifts to various charities supported by our employees. This is an increase from 2019 when the foundation and the Company awarded 94 grants totaling \$1.2 million.

Our management team supports the development of our existing workforce by establishing a culture of employee engagement, employee appreciation and the opportunity for promotion from within for many leadership positions. We believe this provides increased retention and promotes a long-term focus to our operations.

We respect and support the diversity of all people within our workforce. We are committed to diversity, equity and inclusion ("DE&I") practices and maintaining workplaces free from discrimination and harassment on the basis of race, color, age, religion, sex, national origin, ancestry, gender, sexual orientation, gender identification, disability, military status, veteran status, or any other status protected by law. We are proud of our strong and diverse workforce. Our Hispanic/Latino diversity outpaces the construction industry average, according to the Bureau of Labor Statistics, and our workforce as a whole is comprised of over 50% ethnic minorities. In addition, based on gender, racial, ethnic and orientation diversity, 44% of our board of directors is diverse, which helps drive our strategies for an inclusive workplace. We are committed in policy and practice to providing equal employment opportunities for all applicants and employees based upon their training, experience, and overall qualifications. Employees across all our branches are invited to participate in our regional and national DE&I committees to determine the standards for how employees should interact with one another and their communities. We do not tolerate inappropriate behavior or harassment.

The health and safety of our employees is of primary importance. See "Safety and Quality Control" above for details on our policies and practices. Our policy is designed to protect against accidents, injuries, and illnesses, in compliance with applicable safety and health laws and regulations. In response to the COVID-19 pandemic, we continue to enhance and evolve our safety protocols to protect our employees' health and well-being, and to comply with regulations from federal, state and local government agencies.

INFORMATION TECHNOLOGY

JobCORE is our web-enabled internal software technology used by the majority of our branches. The system is designed to operate our business in a highly efficient manner and manage our operations. The jobCORE software provides in-depth real-time job-level operational and financial performance data from each branch to the corporate office. JobCORE provides us, our branch managers and our sales personnel with an important operational tool for monitoring branch level performance. It assists management in assessing important business questions, including customer analysis, sales staff analysis, branch analysis and other operating activities.

INTELLECTUAL PROPERTY

We possess intellectual property rights, including trademarks, trade names and know-how and other proprietary rights that are important to our business. In particular, we maintain registered trademarks and trade names, some of which are the trademarks and trade names under which many of our local branches operate and we own or have licensed rights to use jobCORE and other software used in the operation of our business. While we do not believe our business is dependent on any one of our trademarks or trade names, we believe that our trademarks and trade names are important to the development and conduct of our business as well as to the local marketing of our services. We also maintain domain name registrations for each of our local branch websites. We make efforts to protect our intellectual property rights, although the actions we take may be inadequate to prevent others from using similar intellectual property. In addition, third parties may assert claims against our use of intellectual property and we may be unable to successfully resolve such claims.

ENVIRONMENTAL, SOCIAL AND REGULATORY MATTERS

As part of our commitment to socially responsible corporate practices, we have released our annual ESG report since 2021. This ESG report outlines our sustainability targets and objectives and can be found on our corporate website at <https://installedbuildingproducts.com/sustainability>. The contents of our website are not incorporated by reference in, or otherwise made a part of, this Form 10-K or in any other report or document we file with the SEC, and any references to our website are intended to be inactive textual references only.

Insulation is a critical component in reducing energy usage and greenhouse gas emissions. The Department of Energy, or DOE, states that over half of the energy used in the average American home is for heating and cooling due to many homes not having proper insulation. Per an insulation fact sheet provided by the DOE, inadequate insulation and air leakage are leading causes of energy waste in most homes. Through insulating homes and commercial structures, our industry promotes energy efficiency. Our loose-fill cellulose insulation is manufactured from recycled waste paper and our fiberglass insulation is made from recycled glass which helps reuse resources and reduce our global carbon footprint.

We are committed to socially responsible corporate practices. Through the Installed Building Products Foundation and other volunteer opportunities, we give back to the communities we serve. We also provide longevity stock awards and financial wellness training to our employees. We are subject to various federal, state and local laws and regulations applicable in the jurisdictions in which we operate, including laws and regulations relating to our relationships with our employees, public health and safety, workplace safety, transportation, zoning and fire codes. We strive to operate in accordance with applicable laws, codes and regulations.

We are responsible for adhering to several federal, state and local regulations covering building codes, compliance with COVID-19 restrictions, labor-related regulations covering minimum wage and employee safety, and transportation procedures. Our transportation operations are subject to the regulatory jurisdiction of the U.S. Department of Transportation, or DOT, which has broad administrative powers. We are also subject to safety requirements governing interstate operations prescribed by the DOT. In addition, vehicle dimension and weight and driver hours of service are subject to both federal and state regulation. Our operations are also subject to the regulatory jurisdiction of the U.S. Department of Labor's Occupational Safety and Health Administration, or OSHA, which has broad administrative powers regarding workplace and jobsite safety.

Our operations and properties are subject to federal, state and local laws and regulations relating to the use, storage, handling, generation, transportation, treatment, emission, release, discharge and disposal of hazardous or toxic materials, substances, waste and petroleum products and the investigation, remediation, removal and monitoring of the presence or release of such materials, substances, waste and petroleum products, including at currently or formerly owned or occupied premises and off-site disposal locations. We have not previously incurred material costs to comply with environmental laws and regulations. However, we could be subject to material costs, liabilities or claims relating to environmental compliance in the future, especially in the event of changes in existing laws and regulations or in their interpretation or enforcement.

As the nature of our business involves the use or handling of certain potentially hazardous or toxic substances, including spray foam applications and lead-based paint, we may be held liable for claims alleging injury or damage resulting from the release of or exposure to such substances, as well as claims relating to the presence of mold, fungal growth and moisture intrusion alleged in connection with our business activities. In addition, as owners and lessees of real property, we may be held liable for, among other things, releases of hazardous or toxic substances or petroleum products on, at, under or emanating from currently or formerly owned or operated properties, or any off-site disposal locations, or for any known or newly discovered environmental conditions at or relating to any of our properties, including those arising from activities conducted by previous occupants or at adjoining properties, without regard to whether we knew of or were responsible for such release. We may be required to investigate, remove, remediate or monitor the presence or release of such hazardous or toxic substances or petroleum products

and may be held liable by a governmental entity for fines and penalties or to any third parties for damages, including for bodily injury, property damage and natural resource damage in connection with the presence or release of hazardous or toxic substances or petroleum products.

To date, costs to comply with applicable laws and regulations relating to pollution or the protection of human health and safety, the environment and natural resources have not had a material adverse effect on our financial condition or operating results, and we do not anticipate incurring material expenditures to comply with such laws and regulations in the current fiscal year.

In conjunction with our lease agreements and other transactions, we often provide reasonable and customary indemnities relating to various matters, including environmental issues. To date, we have not had to pay a material amount pursuant to any such indemnification obligations.

In addition, our suppliers are subject to various laws and regulations, including environmental laws and regulations. With our purchase of a cellulose manufacturer in November 2018, we are subject to similar laws and regulations that apply to our suppliers.

CORPORATE AND AVAILABLE INFORMATION

Installed Building Products, Inc. is a holding company that derives all of its operating income from its subsidiaries. Our principal executive offices are located at 495 South High Street, Suite 50, Columbus, Ohio 43215. Our main telephone number is (614) 221-3399. Our common stock is listed on the New York Stock Exchange, or NYSE, under the symbol "IBP."

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and file annual, quarterly and current reports, proxy statements and other information with the SEC. These filings are available to the public on the SEC's website at <http://www.sec.gov>.

Our corporate website is located at <http://www.installdbuildingproducts.com>, or <http://www.ibp.com>, and our investor relations website is located at <http://investors.installdbuildingproducts.com>. Copies of our Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available, free of charge, on our investor relations website as soon as reasonably practicable after we file such material with or furnish it electronically to the SEC.

We webcast our earnings calls and post the materials used in meetings with members of the investment community on our investor relations website. Additionally, we provide notifications of news or announcements regarding our financial performance, including SEC filings, investor events and press and earnings releases on our investor relations website. We have used, and intend to continue to use, our investor relations website as a means of disclosing material non-public information and for complying with disclosure obligations under Regulation FD. Further corporate governance information, including our certificate of incorporation, bylaws, governance guidelines, board committee charters and code of business conduct and ethics, is also available on our investor relations website under the heading "Corporate Governance." The contents of our website are not incorporated by reference in, or otherwise made a part of, this Form 10-K or in any other report or document we file with the SEC, and any references to our website are intended to be inactive textual references only.

Item 1A. Risk Factors

There are a number of business risks and uncertainties that affect our business. These risks and uncertainties could cause our actual results to differ from past performance or expected results. We consider the following risks and uncertainties to be most relevant to our business activities. Additional risks and uncertainties not presently known to us, or that we currently believe to be immaterial, may also adversely impact our business, financial condition and results of operations. We urge investors to consider carefully the risk factors described below in evaluating the information contained in this report.

For a summary of the following risks, please see "Information Regarding Forward-Looking Statements and Risk Factors Summary" which appears immediately prior to Item 1, Business, of this Form 10-K.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

Our business and the industry in which we operate are highly dependent on general and local economic conditions, the housing market, the level of new residential and commercial construction activity and other important factors, all of which are beyond our control.

Our business is cyclical, seasonal and highly sensitive to economic and housing market conditions over which we have no control, including:

- the number of new home and commercial building construction starts;
- short- and long-term interest rates;
- inflation;
- employment levels and job and personal income growth;
- housing demand from population growth, household formation and other demographic changes;
- housing affordability;
- rental housing demand;
- availability and cost of labor;
- availability and cost of land;
- changes in material prices;
- local zoning and permitting processes, including the length of building cycles from permit to completion, based on local economic or environmental factors;
- federal, state and local energy efficiency programs, regulations, codes and standards;
- availability and pricing of mortgage financing for homebuyers and commercial financing for developers of multi-family homes and commercial projects;
- foreclosure rates;
- consumer confidence generally and the confidence of potential homebuyers in particular;
- U.S. and global financial system and credit market stability;
- federal government economic, trade, and spending laws and policies;
- private party and government mortgage loan programs and federal and state regulation, oversight and legal action regarding lending, appraisal, foreclosure and short sale practices;
- federal and state personal income tax rates and provisions, including provisions for the deduction of mortgage loan interest payments, state and local income and real estate taxes and other expenses;
- general economic conditions, including in the markets in which we compete; and
- pandemics, natural disasters, war, acts of terrorism and response to these events.

Unfavorable changes in any of the above conditions could adversely affect consumer spending, result in decreased demand for homes and adversely affect our business generally or be more prevalent or concentrated in particular markets in which we operate. Any deterioration in economic or housing market conditions or continuation of uncertain economic or housing market conditions could have a material adverse effect on our business, financial condition, results of operations and prospects.

A continued downturn in the housing market could materially and adversely affect our business and financial results.

In 2022, the U.S. Census Bureau reported an estimated 1.55 million non-seasonally adjusted total housing starts, down from 1.60 million starts in 2021. Starts began decreasing in the second half of 2022 as the Federal Reserve began raising interest rates significantly throughout the year in an effort to slow increasing inflation rates, which ended 2022 averaging 8.0% according to the Bureau of Labor Statistics. This resulted in higher mortgage interest rates in the second half of 2022 and a lower estimate of housing starts for 2023 of 1.29 million, according to Blue Chip Economic Indicators. As a result, we began seeing a moderation in housing demand at the end of 2022 and into 2023.

Any continued decline in new home construction may result in lower demand for our services and products and may materially adversely affect our business, financial condition, liquidity, results of operations and cash flows. In particular, continued increases in mortgage interest rates, rising home prices, sustained periods of inflation, or other economic factors can reduce home affordability and may lead to a continued decline in the home construction market. The demand for new home construction could be negatively impacted if the number of renting households increases or if a shortage in the supply of affordable housing occurs, either of which could result in lower home ownership rates. Demand can also be negatively impacted by changing consumer tastes and demographic changes.

Other factors that might impact growth in the homebuilding industry include: uncertainty in financial, credit and consumer lending markets amid slow growth or recessionary conditions; levels of mortgage repayment; limited credit availability; federal and state personal income tax rates and changes to the deductibility of certain state and local taxes; Federal Reserve policy changes; shortages of suitable building lots in many regions; shortages of experienced labor; soft housing demand in certain markets; and rising materials prices. Given these factors, we can provide no assurance that present growth trends will continue, whether overall or in our markets. The economic downturn in 2007-2010 severely affected our business. Another reduction in housing demand in the future could have a similar effect on our business.

Our business relies on commercial construction activity, which has faced significant challenges and is dependent on business investment.

A portion of the products we install and sell are for the commercial construction market. If this market does not grow in the future, the growth potential of our business, and our financial condition, results of operations and cash flows could be adversely affected. The commercial construction market, as measured by investment dollars, increased 7% in 2022 from 2021 per the U.S. Census Bureau but is still suffering from some inefficiencies and project delays stemming from the pandemic.

According to Dodge Data & Analytics, commercial building starts in 2023, measured by investment dollars, are expected to decrease 3% from 2022 while institutional building starts (a subset of the nonresidential construction market in which we participate) are expected to increase 1% from 2022.

The strength of the commercial construction market depends on business investment which is a function of many national, regional and local economic conditions beyond our control, including capital and credit availability for commercial construction projects, material costs, interest rates, employment rates, demand for office space due to COVID-19-related changes in employment practices, vacancy rates, labor and healthcare costs, fuel and other energy costs and changes in tax laws affecting the real estate industry. Adverse changes or continued uncertainty regarding these and other economic conditions could result in a decline or postponement in spending on commercial construction projects, which could adversely affect our financial condition, results of operations and cash flows.

Weakness in the commercial construction market would have a material adverse effect on our business, financial condition and operating results. Continued uncertainty about current economic conditions will continue to pose a risk to our businesses that serve the non-residential markets. If participants in these industries postpone spending in response to tighter credit, negative financial news and declines in income or asset values or other factors such as unfavorable news surrounding the COVID-19 pandemic, this could have a material negative effect on the demand for our products and services and on our business, financial condition and results of operations.

A decline in the economy, a deterioration in expectations regarding the housing market or the commercial construction market, a failure to integrate acquisitions, especially within our distribution operations, and/or a general decline in operations or financial results of any of our segments could cause us to record significant non-cash impairment charges, which could negatively affect our earnings and reduce stockholders' equity.

We review the goodwill maintained in each of our three reporting units for impairment annually during the fourth quarter. We also review our goodwill and other intangible assets when events or changes in circumstances indicate the carrying value may not be recoverable. In doing so, we either assess qualitative factors or perform a detailed analysis to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. We did not record any goodwill impairment charges in 2022, 2021, or 2020; however, a decline in the expectation of our future performance, a decline in our market capitalization, sustained periods of economic inflation, a significant rise in interest rates, deterioration in expectations regarding the general economy and/or the timing and the extent of new home construction, home improvement and commercial construction activity may cause us to recognize non-cash, pre-tax impairment charges for goodwill or other long-lived assets, which are not determinable at this time. In addition, as a result of our acquisition strategy, we have recorded goodwill and may incur impairment charges in connection with prior and future acquisitions. Our recent distribution business acquisitions maintain significant goodwill balances in a separate reporting unit from our traditional installation business. If we are unable to successfully integrate this new platform into our business model and compete effectively, we may be required to recognize

impairment charges on our goodwill and other intangible assets within this reporting unit. If the value of goodwill or other intangible assets in this or other reporting units is impaired, our earnings and stockholders' equity would be adversely affected. As of December 31, 2022, we had goodwill and other intangible assets in an aggregate amount of \$657.0 million, or approximately 37% of our total assets, which is in excess of our stockholders' equity.

Our industry is highly fragmented and competitive, and increased competitive pressure may adversely affect our business, financial condition, results of operations and cash flows.

The building products installation industry is highly fragmented and competitive. We face significant competition from other national, regional and local companies. Any of these competitors may: (i) foresee the course of market development more accurately than we do; (ii) offer services that are deemed superior to ours; (iii) sell building products and services at a lower cost; (iv) develop stronger relationships with homebuilders and suppliers; (v) adapt more quickly to new technologies, new installation techniques or evolving customer requirements; or (vi) have access to financing on more favorable terms than we can obtain in the market. As a result, we may not be able to compete successfully with them. If we are unable to compete effectively, our business, financial condition, results of operations and cash flows may be adversely affected.

In the event that increased demand leads to higher prices for the products we use in our business, we may have limited, if any, ability to pass on price increases in a timely manner or at all due to the fragmented and competitive nature of our industry. Residential homebuilders have, in the past, placed pressure on their suppliers to keep prices low, also contributing to the possibility of not being able to pass on price increases.

Product shortages or the loss of key suppliers could affect our business, financial condition, results of operations and cash flows.

Our ability to offer a wide variety of products to our customers depends on our ability to obtain adequate product supply from manufacturers. We do not typically enter into long-term agreements with our suppliers but have done so from time to time. We currently have one short-term agreement with a supplier and may enter into other short- or long-term supply agreements at any time. We have certain agreements that do not qualify as supply agreements due to a lack of a fixed price and/or lack of a fixed and determinable purchase quantity, but nonetheless may require us to purchase certain of our products from certain vendors, depending on the specific circumstances. Generally, our products are available from various sources and in sufficient quantities to meet our operating needs. However, the loss of, or a substantial decrease in the availability of, products from our suppliers or the loss of key supplier arrangements could adversely impact our business, financial condition, results of operations and cash flows. Historically, unexpected events, such as incapacitation of supplier facilities due to extreme weather or fire, have temporarily reduced manufacturing capacity and production. During 2021 and 2022, we experienced multiple supply chain disruptions for certain materials we use in our business due to changing demand as well as the effects of the COVID-19 pandemic on the global supply chain. We expect these challenges to persist in 2023 but to a lesser degree. In addition, during prior economic downturns in the housing industry, manufacturers have reduced capacity by closing plants and production lines within plants. Even if such capacity reductions are not permanent, there may be a delay in manufacturers' ability to increase capacity in times of rising demand. If the demand for products from manufacturers and other suppliers exceeds the available supply, we may be unable to source additional products in sufficient quantity or quality in a timely manner and the prices for the products that we use in our business could rise. These developments could affect our ability to take advantage of market opportunities and limit our growth prospects. We continually evaluate our supplier relationships and at any given time may move some or all of our purchases from one or more of our suppliers. There can be no assurance that any such action would have its intended effect.

Failure by our suppliers to continue to provide us with products on commercially favorable terms, or at all, could have a material adverse effect on our operating margins, financial condition, operating results and/or cash flows. Our inability to source materials in a timely manner could also damage our relationships with our customers.

Changes in the costs of the products we use in our business, an inability to increase our selling prices or a delay in the timing of such increases can decrease our profit margins.

The principal building products we use in our business have been subject to price changes in the past, some of which have been significant. For example, sudden increased demand in our industry in 2021 and 2022 resulted in insulation material allocation throughout the industry and, as a result, increased market pricing which impacted our results of operations during that time. Increased market pricing, regardless of the catalyst, could impact our results of operations in the future to the extent that price increases cannot be passed on to our customers. We will continue to work with our customers to adjust selling prices to offset the aforementioned higher costs whenever prices rise, but there can be no assurance that any such action would have its intended effect. In addition, our results of operations for individual quarterly periods can be, and have been, adversely affected

by a delay between when building product cost increases are implemented and when we are able to increase prices for our products and services, if at all. Our supplier purchase prices often depend on volume requirements. If we do not meet these volume requirements, our costs could increase and our margins may be adversely affected. In addition, while we have been able to achieve cost savings through volume purchasing and our relationships with suppliers, we may not be able to continue to receive advantageous pricing for the products that we use in our business, which could have a material adverse effect on our financial condition, results of operations and cash flows.

Our success depends on our key personnel.

Our business results depend largely upon the continued contributions of our senior management team. We do not have employment agreements with any of our executive officers other than Jeff Edwards, our Chairman, President and Chief Executive Officer. Although Mr. Edwards' employment agreement requires him to devote the amount of time necessary to conduct our business and affairs, he is also permitted to engage in other business activities that do not create a conflict of interest or substantially interfere with his service to us, including non-competitive operational activities for his real estate development business. If we lose members of our management team, our business, financial condition and results of operations, as well as the market price of our securities, could be adversely affected.

Our business results also depend upon our branch managers and sales personnel, including those of companies recently acquired. While we customarily sign non-competition agreements, which typically continue for two years following the termination of employment, with our branch managers and sales personnel in order to maintain key customer relationships in our markets, such agreements do not protect us fully against competition from former employees. In addition, in January 2023, the Federal Trade Commission proposed a new rule that would prohibit non-competition agreements in most cases. If this rule, or a similar rule, were to become effective, it could have a material adverse effect on our retention of key employees and our customer relationships.

We are dependent on attracting, training and retaining qualified employees while controlling labor costs.

The labor market for the construction industry is competitive, including within the sector in which we operate. We must attract, train and retain a large number of qualified employees to install our products while controlling related labor costs. We face significant competition for these employees from our industry as well as from other industries. Tighter labor markets may make it even more difficult for us to hire and retain installers and control labor costs. Our ability to attract qualified employees and control labor costs is subject to numerous external factors, including competitive wage rates and health and other insurance and benefit costs. Additionally, periods of economic inflation can cause wage expectations to increase and we may have difficulty retaining employees if we do not, or cannot, meet these expectations. A significant increase in competition, minimum wage or overtime rates in localities where we have employees could have a significant impact on our operating costs and may require that we take steps to mitigate such increases, all of which may cause us to incur additional costs, expend resources responding to such increases and lower our margins.

Higher labor and health care costs could adversely affect our business.

Our labor costs have increased in recent years and may continue to increase as a result of competition, health and other insurance and benefit costs. In addition, health care coverage requirements, changes in workplace regulations and any future legislation could cause us to experience higher health care and labor costs in the future. Periods of economic inflation can cause these costs to rise more quickly and we may not be able to pass along these increased costs to our customers. Increased labor, health care and insurance costs could have an adverse effect on our business, financial condition and results of operations.

Variability in self-insurance liability estimates could adversely impact our results of operations.

We carry insurance for risks including, but not limited to, workers' compensation, general liability, vehicle liability, property and our obligation for employee-related health care benefits. In most cases, these risks are insured under high deductible and/or high-retention programs that require us to carry highly subjective liability reserves on our balance sheet. We estimate these insurance liabilities by considering historical claims experience, including frequency, severity, demographic factors and other actuarial assumptions, and periodically analyzing our historical trends with the assistance of external actuarial consultants. Our accruals for insurance reserves reflect these estimates and other management judgments, which are subject to variability. If our claim experience differs significantly from historical trends and actuarial assumptions and we then need to increase our reserves, our financial condition and results of operations could be adversely affected.

Increases in union organizing activity and/or work stoppages could delay or reduce availability of products that we use in our business and increase our costs.

Currently, less than 4% percent of our employees are covered by collective bargaining or other similar labor agreements. However, if a larger number of our employees were to unionize, including in the wake of any future legislation that makes it easier for employees to unionize, or if we acquire an entity with a unionized workforce in the future, our business could be negatively affected. Any inability by us to negotiate collective bargaining arrangements could cause strikes or other work stoppages, and new contracts could result in increased operating costs. If any such strikes or other work stoppages occur, or if other employees become represented by a union, we could experience a disruption of our operations and higher labor costs.

We participate in various multiemployer pension plans under collective bargaining agreements in Washington, Oregon, California and Illinois with other companies in the construction industry. We also participate in various multiemployer health and welfare plans that cover both active and retired participants. These plans cover most of our union-represented employees. If a participating employer stops contributing to the multiemployer plan, the unfunded obligations of the plan may be borne by the remaining participating employers. In addition, if a participating employer chooses to stop participating in these multiemployer plans, the employer may be required to pay those plans a withdrawal liability based upon the underfunded status of the plan.

In addition, certain of our suppliers have unionized workforces and certain of our products are transported by unionized truckers. Strikes or work stoppages could result in slowdowns or closures of facilities where the products that we use in our business are manufactured or could affect the ability of our suppliers to deliver such products to us. Any interruption in the production or delivery of these products could delay or reduce availability of these products and increase our costs.

Increases in fuel costs could adversely affect our results of operations.

The price of oil has fluctuated over the last few years, creating volatility in our fuel costs. We do not currently hedge our fuel costs. Increases in fuel costs can negatively impact our cost to deliver our products to our customers and thus increase our cost of sales. If we are unable to increase the selling price of our products to our customers to cover any increases in fuel costs, net income may be adversely affected.

Because we operate our business through highly dispersed locations across the United States, our operations may be materially adversely affected by inconsistent practices and the operating results of individual branches may vary.

We operate our business through a network of highly dispersed locations throughout the United States, supported by executives and services at our corporate office, with local branch management retaining responsibility for day-to-day operations and adherence to applicable local laws. Our operating structure can make it difficult for us to coordinate procedures across our operations in a timely manner or at all. In addition, our branches may require significant oversight and coordination from our corporate office to support their growth. Inconsistent implementation of corporate strategy and policies at the local level could materially and adversely affect our overall profitability, business, results of operations, financial condition and prospects.

In addition, the operating results of an individual branch may differ from those of another branch for a variety of reasons, including market size, management practices, competitive landscape, regulatory requirements, state and local taxes and local economic conditions. As a result, certain of our branches may experience higher or lower levels of growth than other branches. Therefore, our overall financial performance and results of operations may not be indicative of the performance and results of operations of any individual branch.

In the ordinary course of business, we are required to obtain performance bonds and licensing bonds, the unavailability of which could adversely affect our business, financial condition, results of operations and/or cash flows.

We are often required to obtain performance bonds and licensing bonds to secure our performance under certain contracts and other arrangements. In addition, the commercial construction end market also requires higher levels of performance bonding.

Our ability to obtain performance bonds and licensing bonds primarily depends on our credit rating, capitalization, working capital, past performance, management expertise and certain external factors, including the overall capacity of the surety market and the underwriting practices of surety bond issuers. The ability to obtain performance bonds and licensing bonds can also be impacted by the willingness of insurance companies to issue performance bonds and licensing bonds. If we are unable to obtain performance bonds and licensing bonds when required, our business, financial condition, results of operations and/or cash flows could be adversely impacted.

Increasing scrutiny and changing expectations from stakeholders regarding our ESG practices may impose additional costs on us or expose us to new or additional risks.

Investor advocacy groups, certain institutional investors, investment funds, lenders and other market participants, shareholders, and customers have focused increasingly on the ESG or “sustainability” practices of companies and have placed increasing importance on the social cost of their investments. If our ESG practices do not meet investor, lender, or other industry stakeholder expectations and standards, which continue to evolve, our access to capital may be negatively impacted based on an assessment of our ESG practices. These limitations, in both the debt and equity markets, may negatively affect our ability to manage our liquidity, our ability to refinance existing debt, grow our businesses, implement our strategies, our results of operations, and the price of our common stock.

We have released our ESG report annually since 2021. The report includes our policies and practices on a variety of social and environmental matters, including, diversity and inclusion initiatives, training and development programs, and employee health and safety practices as well as other sustainable business practices and environmental targets. It is possible that stakeholders may not be satisfied with our ESG practices or the speed of their adoption. We could also incur additional costs and require additional resources to monitor, report, and comply with various ESG practices. Also, our failure, or perceived failure, to meet the standards or targets set forth in the sustainability report could negatively impact our reputation and stock price, employee retention, and the willingness of our customers and suppliers to do business with us.

RISKS TO OUR BUSINESS FROM EXTERNAL THREATS

A major pandemic or other public health issue could adversely impact the U.S. economy as well as our business, financial condition, operating results and cash flows.

The United States has experienced, and may experience again in the future, outbreaks of contagious diseases that affect public health and public perception of health. For example, the COVID-19 pandemic continues to affect the global economy causing significant volatility, uncertainty and supply chain disruption. The industry in which we operate continues to experience effects of the COVID-19 pandemic such as manufacturer supply constraints for many of the materials we use in our business and tightness in the labor markets. These factors affected our ability to complete installation work for certain customers and also required us to source many of the materials we install from distributors and retail outlets at a premium. These higher costs had an adverse impact on our financial condition, operating results and cash flows in the previous three fiscal years. For example, we estimate our cost of sales for the year ended December 31, 2022 were approximately \$4.8 million higher than they would have been if we purchased these materials through regular channels.

Commercial projects could decline in the future if consumer behaviors change in the wake of COVID-19 or other public health disruptions to the economy and changes to our general ways of life. For example, reduced demand for office buildings, decreased airport traffic or decreased usage of sports arenas could continue to impact our commercial end market. The COVID-19 pandemic has amplified existing risks or introduced new risks that could adversely affect our business, including, but not limited to, internal controls and cybersecurity risks.

Considerable uncertainty still surrounds COVID-19 and its variants and its duration and potential effects, as well as the extent of, and effectiveness of, any responses taken on a local, national and global level. While we expect the COVID-19 pandemic and related events may have a negative effect on us in the future, the full extent and scope of the impact on our business and industry, as well as national, regional and global markets and economies, depends on numerous evolving factors that we may not be able to accurately predict, including the duration and scope of the pandemic, additional government actions taken in response to the pandemic, the impact on construction activity and demand for homes (based on employment levels, consumer spending and consumer confidence). Accordingly, our ability to conduct our business in the manner previously or currently expected could be materially and negatively affected, any of which could have a material adverse impact on our business, financial condition, operating results and cash flows.

Our business is seasonal and may be affected by adverse weather conditions, climate change, natural disasters or other catastrophic events.

We tend to have higher sales during the second half of the year as our homebuilder customers complete construction of homes placed under contract for sale in the traditionally stronger spring selling season. In addition, some of our larger branches operate in states impacted by winter weather and, as such, experience a slowdown in construction activity during inclement months. This winter slowdown contributes to traditionally lower sales and profitability in our first quarter.

In addition, climate change and/or adverse weather conditions, such as unusually prolonged cold conditions, rain, blizzards, hurricanes, earthquakes, fires, other natural disasters, epidemics or other catastrophic events could accelerate, delay or halt construction or installation activity or impact our suppliers. The impacts of climate change may subject us to increased costs, regulations, reporting requirements, standards or expectations regarding the environmental impacts of our business. Most, if not all, of our locations may be vulnerable to the adverse effects of climate change. Changing market dynamics, global policy developments and increasing frequency and impact of extreme weather events on the U.S. and elsewhere have the potential to disrupt our business. The impact of these types of events on our business may adversely impact quarterly or annual net revenue, cash flows from operations and results of operations. Weather is one of the main reasons for annual seasonality cycles of our business, and any adverse weather conditions can enhance this seasonality.

We may be adversely affected by disruptions in our information technology systems.

Our operations are dependent upon our information technology systems, including our web-enabled internal software technology, jobCORE. The jobCORE software provides in-depth operational and financial performance data from individual branch locations to the corporate office. We rely upon such information technology systems to manage customer orders on a timely basis, coordinate our sales and installation activities across locations and manage invoicing. As a result, the proper functioning of our information technology systems is critical to the successful operation of our business. Although our information technology systems are protected through physical and software safeguards, our information technology systems are still vulnerable to natural disasters, power losses, unauthorized access, delays and outages in our service, system capacity limits from unexpected increases in our volume of business, telecommunication failures, computer viruses and other problems. A substantial disruption in our information technology systems for any prolonged time period could result in delays in receiving inventory and supplies or installing our products on a timely basis for our customers, which could adversely affect our reputation and customer relationships.

In the event of a cybersecurity incident, we could experience operational interruptions, incur substantial additional costs, become subject to legal or regulatory proceedings or suffer damage to our reputation.

In addition to the disruptions that may occur in our information technology systems, cybersecurity threats and sophisticated and targeted cyberattacks pose a risk to our information technology systems. We have established security policies, processes and defenses designed to help identify and protect against intentional and unintentional misappropriation or corruption of our information technology systems and information and disruption of our operations. Despite these efforts, our information technology systems, including but not limited to jobCORE or other operational systems, financial systems, Human Resource and payroll systems, fleet management software, and risk management systems may be damaged, disrupted or shut down due to attacks by unauthorized access, malicious software, computer viruses, undetected intrusion, hardware failures or other events, and in these circumstances our disaster recovery plans may be ineffective or inadequate. These breaches or intrusions could lead to business interruption, exposure of proprietary or confidential information, data corruption, damage to our reputation, exposure to legal and regulatory proceedings and other costs. Such events could have a material adverse impact on our financial condition, results of operations and cash flows. In addition, we could be adversely affected if any of our significant customers or suppliers experiences any similar events that disrupt their business operations or damage their reputation.

As cyberattacks become more sophisticated generally, we may be required to incur significant costs to strengthen our systems to protect against outside intrusions and/or continue to maintain insurance coverage related to the threat of such attacks. The increased use of remote work environments, due to the COVID-19 pandemic, may increase our risk of cyberattacks or data breaches. While we have invested in industry appropriate protections and monitoring practices of our data and information technology to reduce these risks and test our systems on an ongoing basis for any current or potential threats, there can be no assurance that our efforts will prevent breakdowns or breaches of our or our third-party providers' databases or systems that could adversely affect our business.

We carry cybersecurity insurance to help mitigate the financial exposure and related notification procedures in the event of intentional intrusion. The measures that we implement to reduce and mitigate these risks may not be effective. While to date these threats have not had a material impact on our business or operations, if such an event occurred, it could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Terrorist attacks or acts of war against the United States or increased domestic or international instability could have an adverse effect on our operations.

Adverse developments in the war on terrorism, terrorist attacks against the United States or any outbreak or escalation of hostilities between the United States and any foreign power may cause disruption to the economy. Since our business is dependent on the housing and construction industries, such adverse effects on the economy could negatively affect these

industries and, therefore, our business, our employees and our customers, which could negatively impact our financial condition and results of operations.

RISKS ASSOCIATED WITH OUR GROWTH STRATEGY

We may not be able to continue to successfully expand into new products or geographic markets and further diversify our business, which could negatively impact our future sales and results of operations.

Generally, we seek to acquire businesses that will complement, enhance, or expand our current business or product offerings, or that might otherwise offer us growth opportunities into new or existing lines of business, including the expansion of our national footprint and end markets. Our business depends in part on our ability to diversify and grow our businesses and also expand the types of complementary building products that we install and sell. Our product and geographic expansion may not be successful and may not deliver expected results, which could negatively impact our future sales and results of operations.

Our expansion into new geographic markets may present competitive, local market and other challenges that differ from current ones. We may be less familiar with the target customers and may face different or additional risks, as well as increased or unexpected costs, compared to existing operations. Expansion into new geographic markets may also bring us into direct competition with companies with whom we have little or no past experience as competitors. To the extent we rely upon expansion into new geographic markets for growth and do not meet the new challenges posed by such expansion, our future sales growth could be negatively impacted, our operating costs could increase, and our business operations and financial results could be adversely affected.

We may be unable to successfully acquire and integrate other businesses and realize the anticipated benefits of acquisitions.

Acquisitions are a core part of our strategy and we may be unable to continue to grow our business through acquisitions. In addition, acquired businesses may not perform in accordance with expectations, and our business judgments concerning the value, strengths and weaknesses of acquired businesses may not prove to be correct. We may also be unable to achieve expected improvements or achievements in businesses that we acquire. The value of our common stock following the completion of an acquisition could be adversely affected if we are unable to realize the expected benefits from the acquisition on a timely basis or at all. Future acquisitions may result in the incurrence of debt and contingent liabilities, legal liabilities, goodwill impairments, increased interest expense and amortization expense and significant integration costs. In addition, future acquisitions could result in dilution of existing stockholders if we issue shares of common stock as consideration.

Acquisitions involve a number of special risks, including:

- our inability to manage acquired businesses or control integration costs and other costs relating to acquisitions;
- potential adverse short-term effects on operating results from increased costs, business disruption or otherwise;
- diversion of management's attention;
- loss of suppliers, customers or other significant business partners of the acquired business;
- failure to retain existing key personnel of the acquired business and recruit qualified new employees at the location;
- failure to successfully implement infrastructure, logistics and systems integration;
- potential impairment of goodwill and other intangible assets;
- risks associated with new lines of business and business models;
- risks associated with the internal controls of acquired businesses;
- exposure to legal claims for activities of the acquired business prior to acquisition and inability to realize on any indemnification claims, including with respect to environmental and immigration claims;
- the risks inherent in the systems of the acquired business and risks associated with unanticipated events or liabilities; and
- our inability to obtain financing necessary to complete acquisitions on attractive terms or at all.

Our strategy could be impeded if we do not identify, or face increased competition for, suitable acquisition candidates and our business, financial condition, results of operations and cash flows could be adversely affected if any of the foregoing factors were to occur.

Our continued expansion into the commercial construction end market could affect our revenue, margins, financial condition, operating results and cash flows.

Our existing branches or any branches we may start or acquire serving the commercial end market involve competitive, operational, financial and accounting challenges and other risks that differ from our traditional residential installation business. In addition, the typical contractual terms and arrangements and billing cycle for the commercial construction end market are different than the residential new construction end market. Our expansion into this market may include opening new branches that have higher start-up costs compared to our acquired branches. These factors and any other challenges we encounter could adversely affect our margins, financial condition, operating results and cash flows.

As of December 31, 2022, our estimated backlog associated with the commercial end market was approximately \$162.3 million. In accordance with industry practice, many of our contracts are subject to cancellation, reduction, termination or suspension at the discretion of the customer in respect of work that has not yet been performed. In the event of a project cancellation, we would generally have no contractual right to the total revenue reflected in our backlog but instead would collect revenues in respect of all work performed at the time of cancellation as well as all other costs and expenses incurred by us through such date. Projects can remain in backlog for extended periods of time because of the nature of the project, delays in execution of the project and the timing of the particular services required by the project. Additionally, the risk of contracts in backlog being cancelled, terminated or suspended generally increases at times, including as a result of periods of widespread macroeconomic and industry slowdown, weather, seasonality and many of the other factors impacting our business. For example, the COVID-19 pandemic resulted in the starts of certain long-term contracts being delayed. Many of the contracts in our backlog are subject to changes in the scope of services to be provided as well as adjustments to the costs relating to the contracts. The revenue for certain contracts included in backlog are based on estimates. Therefore, the timing of performance on our individual contracts can affect our margins and future profitability. There can be no assurance that backlog will result in revenues within the expected timeframe, if at all.

Our distribution businesses and continued expansion into other new lines of business could affect our revenue, margins, financial condition, operating results and cash flows.

We recently acquired two distribution entities operating under different business models than our traditional installation business. The new distribution businesses and any other future lines of business we may enter or acquire involve competitive, operational, financial and accounting challenges and other risks that differ from our traditional residential installation business. For example, particular commodity pricing can affect selling prices and costs for certain products we sell through distribution. Our expansion into these businesses may include opening new branches that have higher start-up costs compared to our acquired branches. These factors and any other challenges we encounter could adversely affect our margins, financial condition, operating results and cash flows.

In addition, a significant period of economic deflation could have an adverse impact on our business and financial results. Our recent acquisitions of two distribution businesses have substantially increased our inventory balances, and deflation could cause the value of our inventories to decline.

Certain products our distribution businesses sell are composed of materials with prices that fluctuate based on current market pricing. Fluctuations in market pricing of these materials can affect our selling prices. For example, one of our distribution businesses uses aluminum in many of its products. Aluminum commodity prices experienced a significant decrease during 2022 which reduced our selling prices while related inventory costs remained high. This led to a temporary decrease in margins, financial condition, operating results and cash flows for this business until inventory costs began to reflect current market pricing in late 2022.

Our customers could purchase materials directly from manufacturers or other sources.

We do not have any exclusivity agreements with the manufacturers of the products that we sell. The manufacturers from whom we acquire products could decide to sell their own products, impacting our ability to grow our business and negatively affecting our future net sales and earnings. Additionally, if we are unable to secure favorable arrangements on the products we sell from our suppliers, we may not be able to offer competitive pricing to our customers.

We may be subject to claims arising from the operations of our various businesses for periods prior to the dates we acquired them.

We have consummated over 180 acquisitions. From time to time we are subject to claims or liabilities arising from the ownership or operation of acquired businesses for the periods prior to our acquisition of them, including environmental, employee-related and other liabilities and claims not covered by insurance. Any future claims or liabilities could be significant.

Our ability to seek indemnification from the former owners of our acquired businesses for these claims or liabilities may be limited by various factors, including the specific time, monetary or other limitations contained in the respective acquisition agreements and the financial ability of the former owners to satisfy our indemnification claims. In addition, insurance companies may be unwilling to cover claims that have arisen from acquired businesses or locations, or claims may exceed the coverage limits that our acquired businesses had in effect prior to the date of acquisition. If we are unable to successfully obtain insurance coverage of third-party claims or enforce our indemnification rights against the former owners, or if the former owners are unable to satisfy their obligations for any reason, including because of their financial position, we could be held liable for the costs or obligations associated with such claims or liabilities, which could adversely affect our financial condition and results of operations.

LEGAL AND REGULATORY RISKS

Changes in employment laws may adversely affect our business.

Various federal and state labor laws govern the relationship with our employees and impact operating costs. These laws include:

- employee classification as exempt or non-exempt for overtime and other purposes;
- workers' compensation rates;
- immigration status;
- mandatory health benefits;
- tax reporting; and
- other wage and benefit requirements.

We have significant exposure to changes in laws governing our relationships with our employees, including wage and hour laws and regulations, fair labor standards, minimum wage requirements, overtime pay, unemployment tax rates, workers' compensation rates, citizenship requirements and payroll taxes, which likely would have a direct impact on our operating costs. Significant additional government-imposed increases in the preceding areas could have a material adverse effect on our business, financial condition and results of operations.

Our business could be adversely affected by changes in immigration laws or failure to properly verify the employment eligibility of our employees.

Some states in which we operate are considering or have already adopted new immigration laws or enforcement programs, and the federal government from time to time considers and implements changes to federal immigration laws, regulations or enforcement programs. These changes may increase our compliance and oversight obligations, which could subject us to additional costs and make our hiring process more cumbersome, or reduce the availability of potential employees. Although we verify the employment eligibility status of all our employees, including through participation in the "E-Verify" program in the states that require it, some of our employees may, without our knowledge, be unauthorized workers. In addition, use of the "E-Verify" program does not guarantee that we will properly identify all applicants who are ineligible for employment. Unauthorized workers are subject to deportation and may subject us to fines or penalties and, if any of our workers are found to be unauthorized, we could experience adverse publicity that negatively impacts our brand and may make it more difficult to hire and retain qualified employees. Termination of a significant number of employees due to work authorization or other regulatory issues may disrupt our operations, cause temporary increases in our labor costs as we train new employees and result in additional adverse publicity. We could also become subject to fines, penalties and other costs related to claims that we did not fully comply with all recordkeeping obligations of federal and state immigration laws. These factors could have a material adverse effect on our reputation, business, financial condition and results of operations.

Furthermore, immigration laws have been an area of considerable political focus in recent years, and the U.S. Congress, Department of Homeland Security and the Executive Branch of the U.S. government from time to time consider or implement changes to federal immigration laws, regulations or enforcement programs. Changes in immigration or work authorization laws may increase our obligations for compliance and oversight, which could subject us to additional costs and potential liability and make our hiring process more cumbersome, or reduce the availability of potential employees. We are subject to regulations of U.S. Immigration and Customs Enforcement, or ICE, and Department of Labor, and we are audited from time to time by these parties for compliance with work authentication requirements. While we believe we are in compliance with applicable laws and regulations, if we are found not to be in compliance as a result of any audits, we may be subject to fines or other remedial actions.

Our results of operations, financial condition and cash flows could be adversely affected if pending or future legal claims against us are not resolved in our favor.

We are subject to various claims and lawsuits arising in the ordinary course of business, including wage and hour lawsuits. The ultimate resolution of these matters is subject to inherent uncertainties. It is possible that the costs to resolve these matters could have a material adverse effect on our results of operations, financial condition or cash flows for the periods in which the matters are resolved. Similarly, if additional claims are filed against us in the future, the negative outcome of one or more of such matters could have a material adverse effect on our results, financial condition and cash flows.

The nature of our business exposes us to product liability, workmanship warranty, casualty, negligence, health and safety incidents, construction defect, breach of contract and other claims and legal proceedings.

We are subject to product liability, workmanship warranty, casualty, negligence, construction defect, breach of contract and other claims and legal proceedings relating to the products we install or manufacture that, if adversely determined, could adversely affect our financial condition, results of operations and cash flows. We rely on manufacturers and other suppliers to provide us with most of the products we use in our business. Other than for our manufacturer of cellulose insulation, we do not have direct control over the quality of such products manufactured or supplied by such third-party suppliers. As such, we are exposed to risks relating to the quality of such products.

In addition, we are exposed to potential claims arising from the conduct of our employees, homebuilders and other subcontractors, for which we may be contractually liable. We have in the past been, and may in the future be, subject to fines, penalties and other liabilities in connection with injury or damage incurred in conjunction with the installation of our products. Construction sites are inherently dangerous, and any failure in health and safety performance may have adverse effects on our reputation and relationships with our employees or customers. The nature and extent to which we use hazardous or flammable materials in our manufacturing processes creates risk of damage to persons and property that, if realized, could be material. Although we currently maintain what we believe to be suitable and adequate insurance, we may be unable to maintain such insurance on acceptable terms or such insurance may not provide adequate protection against potential liabilities. In addition, some liabilities may not be covered by our insurance. We maintain our Safety Wanted 365 program to help reduce jobsite, warehouse and plant injuries.

Product liability, workmanship warranty, casualty, negligence, construction defect, breach of contract and other claims and legal proceedings can be expensive to defend and can divert the attention of management and other personnel for significant periods of time, regardless of the ultimate outcome. In addition, lawsuits relating to construction defects typically have statutes of limitations that can run as long as ten years. Claims of this nature could also have a negative impact on customer confidence in us and our services. Current or future claims could have a material adverse effect on our reputation, business, financial condition and results of operations. For additional information, see Note 17, Commitments and Contingencies, in Part II, Item 8, Financial Statements and Supplementary Data, of this Form 10-K.

Federal, state, local and other laws and regulations could impose substantial costs and/or restrictions on our operations and could adversely affect our business.

We are subject to various federal, state, local and other laws and regulations, including, among other things, worker and workplace health and safety regulations promulgated by the OSHA, employment regulations promulgated by the U.S. Equal Employment Opportunity Commission and tax regulations promulgated by the Internal Revenue Service and various other state and local tax authorities. Our primary manufacturing facility is also subject to additional laws and regulations which may increase our exposure to health and safety liabilities. In addition, we are subject to increased regulation of data privacy and information security, including the adoption of more stringent state laws, including the California Privacy Rights Act and the Virginia Consumer Data Protection Act, which went into effect in January 2023. These types of data privacy and security laws, which continue to evolve, create a range of new compliance obligations for us and increase financial penalties for non-compliance. Additional or more burdensome regulatory requirements in these or other areas may increase our expenses, reduce demand for our services or restrict our ability to offer services in certain geographies, all of which could adversely affect our business, financial condition, results of operations and cash flows. Moreover, our failure to comply with any of the regulatory requirements applicable to our business could subject us to substantial fines and penalties that could adversely affect our business, financial condition, results of operations and cash flows.

Our transportation operations, which we depend on to transport materials from our locations to job sites or customers, are subject to the regulatory jurisdiction of the DOT. The DOT has broad administrative powers with respect to our transportation operations. More restrictive limitations on vehicle weight and size, trailer length and configuration or driver hours of service would increase our costs, which may increase our expenses and adversely affect our financial condition, operating results and/or cash flows. If we fail to comply with DOT regulations or the regulations become more stringent, we could experience

increased inspections, regulatory authorities could take remedial action, including imposing fines or shutting down our operations, and we could be subject to increased audit and compliance costs. We organize our transportation operations as a separate legal entity in certain states, including Ohio and Indiana, to take advantage of sales tax exemptions relating to vehicle operating costs. If legislation is enacted that modifies or eliminates these exemptions, our costs may increase. If any of these events were to occur, our financial condition, results of operations and cash flows may be adversely affected.

In addition, the residential construction and commercial construction industries are subject to various federal, state and local statutes, ordinances, rules and regulations concerning zoning, building design and safety, construction, contractors' licensing, energy conservation and similar matters, including regulations that impose restrictive zoning and density requirements on the residential new construction industry or that limit the number of homes that can be built within the boundaries of a particular area. Regulatory restrictions and industry standards may require us to alter our installation processes and our sourcing, increase our operating expenses and limit the availability of suitable building lots for our customers, any of which could negatively affect our business, financial condition and results of operations.

Changes in laws, regulations or rules, or a failure to comply with any laws, regulations or rules, may adversely affect our business.

We are subject to laws, regulations and rules enacted by national, regional and local governments and the New York Stock Exchange (NYSE). In particular, we are required to comply with certain SEC, NYSE and other legal or regulatory requirements in the U.S. Compliance with, and monitoring of, applicable laws, regulations and rules may be difficult, time consuming and costly.

For example, there is a growing concern from advocacy groups and the general public that the emissions of greenhouse gases and other human activities have caused, or will cause, significant changes in weather patterns and temperatures and the frequency and severity of natural disasters. These concerns have resulted in increasing governmental and societal attention to ESG matters, including expanding mandatory and voluntary reporting, diligence, and disclosure on topics such as climate change, waste production, water usage, human capital, labor, and risk oversight, and could expand the nature, scope, and complexity of matters on which we are required to control, assess, and report. These and other rapidly changing laws, regulations, policies and related interpretations, as well as increased enforcement actions by various governmental and regulatory agencies, may create challenges for us, including for our compliance and ethics programs and by increasing our ongoing costs of compliance, which could adversely impact our results of operations and cash flows.

These laws, regulations or rules and their interpretation and application may also change from time to time and those changes could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, a failure to comply with applicable laws, regulations or rules, as interpreted and applied, could have a material adverse effect on our business and financial statements.

We are subject to environmental regulation and potential exposure to environmental liabilities.

We are subject to various federal, state and local environmental laws and regulations. Although we believe that we operate our business, including each of our locations, in compliance with applicable laws and regulations and maintain all material permits required under such laws and regulations to operate our business, we may be held liable or incur fines or penalties in connection with such requirements. In addition, environmental laws and regulations, including those related to energy use and climate change, may become more stringent over time, and any future laws and regulations could have a material impact on our operations or require us to incur material additional expenses to comply with any such future laws and regulations.

Our primary manufacturing facility is also subject to additional laws and regulations which may increase our exposure to environmental liabilities. Despite providing a benefit to the environment by making structures more energy efficient, certain types of insulation, particularly spray foam applications, require our employees to handle potentially hazardous or toxic substances. While our employees who handle these and other potentially hazardous or toxic materials, including lead-based paint, receive specialized training and wear protective clothing, there is still a risk that they, or others, may be exposed to these substances. Exposure to these substances could result in significant injury to our employees and others, including site occupants, and damage to our property or the property of others, including natural resource damage. Our personnel and others at our work sites are also at risk for other workplace-related injuries, including slips and falls.

In addition, as owners and lessees of real property, we may be held liable for, among other things, hazardous or toxic substances, including asbestos or petroleum products on, at, under or emanating from currently or formerly owned or operated properties, or any off-site disposal locations, or for any known or newly discovered environmental conditions at or relating to any of our properties, including those arising from activities conducted by previous occupants or at adjoining properties, without regard to whether we knew of or were responsible for such release. We may be required to investigate, remove,

remediate or monitor the presence or release of such hazardous or toxic substances or petroleum products. We may also be held liable for fines, penalties or damages, including for bodily injury, property damage and natural resource damage in connection with the presence or release of hazardous or toxic substances or petroleum products. In addition, expenditures may be required in the future as a result of releases of, or exposure to, hazardous or toxic substances or petroleum products, the discovery of currently unknown environmental conditions or changes in environmental laws and regulations or their interpretation or enforcement and, in certain instances, such expenditures may be material.

RISKS RELATED TO OUR INDEBTEDNESS

We have debt principal and interest payment requirements that may restrict our future operations and impair our ability to meet our obligations.

Our degree of leverage and level of interest expense may have important consequences, including:

- our leverage may place us at a competitive disadvantage as compared with our less leveraged competitors and make us more vulnerable in the event of a downturn in general economic conditions or in any of our businesses;
- our flexibility in planning for, or reacting to, changes in our businesses and the industries in which we operate may be limited;
- a substantial portion of our cash flow from operations will be dedicated to the payment of interest and principal on our indebtedness, thereby reducing the funds available to us for operations, capital expenditures, acquisitions, future business opportunities or obligations to pay rent in respect of our operating leases; and

Our ability to service our debt and other obligations will depend on our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. Our business may not generate sufficient cash flow, and future financings may not be available to provide sufficient net proceeds, to meet these obligations or to successfully execute our business strategies. See Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, "Liquidity and Capital Resources, Debt." of this Form 10-K.

Restrictions in our existing credit facilities, senior notes, and any future facilities or any other indebtedness we may incur in the future, limit our ability to take certain actions and could adversely affect our business, financial condition, results of operations, and the value of our common stock.

Our credit facilities, or any future facilities we may enter into, the indenture governing our senior notes, or other indebtedness we may incur, impose certain restrictions and obligations on us. Under certain of these instruments, we must comply with defined covenants that limit our ability to, among other things:

- incur or guarantee additional debt and issue preferred stock;
- make distributions or dividends on or redeem or repurchase shares of common stock;
- make certain investments and acquisitions;
- make capital expenditures;
- incur certain liens or permit them to exist;
- enter into certain types of transactions with affiliates;
- acquire, merge or consolidate with another company; or
- transfer, sell or otherwise dispose of all or substantially all of our assets.

Our credit facilities contain, and any future facilities or other debt instruments we may enter into may contain, covenants requiring us to maintain certain financial ratios and meet certain tests, such as an excess cash flow test, fixed charge coverage ratio, leverage ratio or debt to earnings ratio. See Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, "Liquidity and Capital Resources, Credit Facilities." of this Form 10-K. Our ability to comply with those financial ratios and tests can be affected by events beyond our control, and we may not be able to comply with those ratios and tests when required to do so under the applicable debt instruments.

The provisions of our credit facilities, or other debt instruments, may affect our ability to obtain future financing and pursue attractive business opportunities and our flexibility in planning for, and reacting to, changes in business conditions. In addition, a failure to comply with the provisions of our credit facilities, any future credit facility, the indenture governing our senior

notes, or other debt instruments could result in a default or an event of default that could enable our lenders or other debt holders to declare the outstanding principal of that debt, together with accrued and unpaid interest, to be immediately due and payable. If the payment of our debt is accelerated, our assets may be insufficient to repay such debt in full, and our stockholders could experience a partial or total loss of their investment.

Our use of interest rate hedging instruments could expose us to risks and financial losses that may adversely affect our financial condition, liquidity and results of operations.

From time to time, we utilize interest rate derivatives to hedge the cash flows associated with existing variable-rate debt. The purpose of these instruments is to substantially reduce exposure to market risks on our Term Loan. We designated our interest rate swaps in existence at the time of this Form 10-K as a cash flow hedge in accordance with Accounting Standards Codification (“ASC”) 815, Derivatives and Hedging. However, in the future, we may fail to qualify for hedge accounting treatment under these standards for a number of reasons, including if we fail to satisfy hedge documentation and hedge effectiveness assessment requirements or if our derivative instruments are not highly effective. If we fail to qualify for hedge accounting treatment, losses on the swaps caused by the change in its fair value would be recognized as part of net income, rather than being recognized as part of other comprehensive income. Any such adverse developments could result in material liabilities and expense and could have a material adverse effect on our business.

Interest rate derivative instruments can be expensive and we could incur significant costs associated with the settlement or early termination of the agreements. In addition, our hedging transactions may expose us to certain risks and financial losses, including, among other things:

- the risk that the other parties to the agreements would not perform;
- the risk that the duration or amount of the hedges may not match the duration or amount of the related liability;
- the risk that the hedging instruments and the related liabilities do not transition to the same LIBOR replacement rate or that the timing or mechanics of such transition do not match between the hedging instruments and the related liabilities, in which case any such differences could decrease the effectiveness of the hedging instruments and change our financial position;
- the risk that hedging transactions may be adjusted from time to time in accordance with accounting rules to reflect changes in fair values including downward adjustments which would affect our stockholders’ equity; and
- the risk that we may not be able to meet the terms and conditions of the hedging instruments, in which case we may be required to settle the instruments prior to maturity with cash payments that could significantly affect our liquidity.

If we default on our obligations under the instruments governing our indebtedness, we may not be able to make payments on our debt and our business and financial condition could be adversely affected.

A failure by us to comply with the agreements governing our indebtedness, including, without limitation, our existing credit facilities or any future facilities, the indenture governing our senior notes and our other contractual obligations (including restrictive, financial and other covenants included therein), to pay our indebtedness and fixed costs or to post collateral (including under hedging arrangements) could result in a variety of material adverse consequences, including a default under our indebtedness and the exercise of remedies by our creditors, lessors and other contracting parties, and such defaults could trigger additional defaults under other indebtedness or agreements.

Any such default under the agreements governing our existing or future indebtedness and the remedies sought by the holders of such indebtedness could make us unable to make payments to pay principal of, or premium, if any, and interest on the senior notes, substantially decrease the market value of the senior notes and result in a cross-default under the senior notes. In the event of a default under our existing credit facilities or any future facilities or in respect of other indebtedness, the holders of such indebtedness may be able to cause all of our available cash flow to be used to pay such indebtedness, may be able to terminate outstanding credit commitments and/or may be able to cease making loans to us and, in any event, could elect to declare all of the funds borrowed under the applicable agreement to be immediately due and payable, together with accrued and unpaid interest, and we could be forced into bankruptcy or liquidation.

If our operating performance declines, we may need to seek waivers from the holders of our indebtedness to avoid being in default under the instruments governing such indebtedness. If we breach our covenants under our indebtedness, we may not be able to obtain a waiver from the holders of such indebtedness on terms acceptable to us or at all. If this occurs, we would be in

default under such indebtedness, the holders of such indebtedness and other lenders could exercise their rights as described above, and we could be forced into bankruptcy or liquidation.

Adverse credit ratings could increase our costs of borrowing money and limit our access to capital markets and commercial credit.

Moody's Investor Service and Standard & Poor's routinely evaluate our credit profile on an ongoing basis and have assigned ratings for our long-term debt. If these rating agencies downgrade any of our current credit ratings, our borrowing costs could increase and our access to the capital and commercial credit markets could be adversely affected. Additionally, these rating agencies have started to incorporate ESG factors into their credit ratings. Unfavorable ESG ratings could have a negative impact on our access to and costs of capital.

Our indebtedness exposes us to interest expense increases if interest rates increase.

If interest rates increase, our debt service obligations on our variable rate indebtedness, if any exists at the balance sheet date, would increase even though the amount borrowed would remain the same, and our net income and cash flows would correspondingly decrease. Specifically, we had no outstanding borrowings on our Revolver, as hereinafter defined, as of December 31, 2022, but should we have a balance in the future, we would incur interest based on a rate that varies per the conditions set forth in our agreement.

In addition, advances under our Revolver generally bear interest based on, at our election, either the Secured Overnight Financing Rate ("Term SOFR") or the base rate (which approximated the prime rate) plus a margin based on the type of rate applied and leverage ratio. Our Term Loan, as hereinafter defined, bears interest at either the base rate or the Eurodollar rate ("LIBOR") plus a margin based on the type of rate applied. On July 27, 2017, the Financial Conduct Authority (the authority that regulates LIBOR) ("FCA") announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. The Intercontinental Exchange Benchmark Administration, the administrator of LIBOR, announced in November 2020 a consultation regarding its intention to extend the publication of certain LIBOR settings, including the setting we use as a reference rate, to June 2023. On March 5, 2021, the FCA announced that the overnight, one-month, three-month, six-month and 12-month USD LIBOR rates would continue to be published until June 30, 2023. The FCA is currently considering whether to use its powers to compel the publication of non-representative synthetic rates for one-month, three-month and six-month USD LIBOR beyond June 2023. Our Term Loan Agreement includes a provision related to the potential discontinuance of LIBOR to be replaced with one or more Secured Overnight Financing Rate ("SOFR") values or another alternate benchmark rate. However, if (when) LIBOR ceases to exist after June 2023, the SOFR rates or other interest rates under the alternative rate could be higher than LIBOR. To the extent that these interest rates are higher, our interest expense will increase, which could adversely affect our financial condition, operating results and cash flows.

Our Term Loan bears interest at a variable rate, however interest rate hedges in place mitigate the risk of interest rate fluctuations associated with a portion of the outstanding debt balance. These derivative instruments are indexed to LIBOR, the value of which could also be impacted if LIBOR is limited or discontinued. For some instruments, the method of transitioning to an alternative reference rate may be challenging, especially if we cannot agree with the respective counterparty about how to make the transition. If a contract is not transitioned to an alternative reference rate and LIBOR is discontinued, the impact on our contracts is likely to vary by contract. If LIBOR is discontinued or if the methods of calculating LIBOR change from their current form, interest rates on our current or future indebtedness may be adversely affected. While we currently expect LIBOR to be available to us as a reference rate in substantially its current form until June 2023, it is possible that LIBOR will become unavailable prior to that point. This could result, for example, if sufficient banks decline to make submissions to the LIBOR administrator. In that case, the risks associated with the transition to an alternative reference rate will be accelerated and magnified.

We may require additional capital in the future, which may not be available on favorable terms or at all.

Our future capital requirements will depend on many factors, including industry and market conditions, our ability to successfully complete future business combinations and expansion of our existing operations. We anticipate that we may need to raise additional funds in order to grow our business and implement our business strategy. We anticipate that any such additional funds may be raised through equity or debt financings. Any equity or debt financing, if available at all, may be on terms that are not favorable to us and will be subject to changes in interest rates and the capital markets environment. Even if we are able to raise capital through equity or debt financings, as to which there can be no assurance, the interest of existing stockholders in our company may be diluted, and the securities we issue may have rights, preferences and privileges that are senior to those of our common stock or may otherwise materially and adversely affect the holdings or rights of our existing

stockholders. If we cannot obtain adequate capital, we may not be able to fully implement our business strategy and our business, results of operations and financial condition could be adversely affected.

RISKS RELATED TO OUR SECURITIES

The price of our common stock may fluctuate substantially and your investment may decline in value.

The market price of our common stock may be significantly affected by factors, such as:

- market conditions affecting the residential construction, commercial construction and building products industries;
- quarterly variations in our results of operations;
- changes in government regulations;
- the announcement of acquisitions by us or our competitors;
- changes in general economic and political conditions;
- volatility in the financial markets;
- results of our operations and the operations of others in our industry;
- changes in interest rates;
- the reduction, suspension or elimination of dividend payments;
- threatened or actual litigation and government investigations;
- the addition or departure of key personnel;
- actions taken by our stockholders, including the sale or disposition of their shares of our common stock;
- the extent of short-selling of shares of our common stock and the stock of our competitors; and
- differences between our actual financial and operating results and those expected by investors and analysts and changes in analysts' recommendations or projections.

These and other factors may lower the market price of our common stock, regardless of our actual operating performance.

Furthermore, in recent years the stock market and the price of our common stock has experienced significant price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies, including companies in our industry. The changes frequently appear to occur without regard to the operating performance of the affected companies. Hence, the price of our common stock could fluctuate based upon factors that have little or nothing to do with us, and these fluctuations could materially reduce the price of our common stock and materially affect the value of your investment.

Our internal controls over financial reporting may not be effective, which could have a significant and adverse effect on our business and reputation.

As a public company, we are required to comply with the SEC's rules implementing Sections 302 and 404 of the Sarbanes-Oxley Act, which require management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of controls over financial reporting.

To comply with the requirements of being a public company, we may undertake various actions, such as implementing additional internal controls and procedures and hiring additional accounting or internal audit staff.

Testing and maintaining internal controls can divert our management's attention from other matters that are important to the operation of our business. If we identify material weaknesses in our internal controls over financial reporting or are unable to comply with the requirements of Section 404 or are unable to assert that our internal controls over financial reporting are effective, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected, and we could become subject to investigations by the SEC or other regulatory authorities, which could require additional financial and management resources.

Future sales of our common stock, or the perception in the public markets that these sales may occur, may depress our stock price.

The market price of our common stock could decline significantly as a result of sales of a large number of shares of our common stock. These sales, or the perception that these sales might occur, could depress the market price of our common stock or make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

We have approximately 28.3 million shares of common stock outstanding as of December 31, 2022. The shares of common stock are freely tradable, except for any shares of common stock that may be held or acquired by our directors, executive officers and other affiliates, the sale of which will be restricted under the Securities Act of 1933, as amended. As of December 31, 2022, approximately 1.7 million of the 3.0 million shares of common stock authorized for issuance under the 2014 Omnibus Incentive Plan were available for issuance. These shares will become eligible for sale in the public market in the future, subject to certain legal and contractual limitations. If our existing stockholders sell substantial amounts of our common stock in the public market, or if the public perceives that such sales could occur, this could have an adverse impact on the market price of our common stock, even if there is no relationship between such sales and the performance of our business.

Jeff Edwards has significant ownership of our common stock and may have interests that conflict with those of our other stockholders.

As of December 31, 2022, Jeff Edwards beneficially owned approximately 17.4% of our outstanding common stock. As a result of his beneficial ownership of our common stock, he has sufficient voting power to significantly influence all matters requiring stockholder approval, including the election of directors, amendment of our amended and restated certificate of incorporation and approval of significant corporate transactions, and he has significant influence over our management and policies. This concentration of voting power may have the effect of delaying or preventing a change in control of us or discouraging others from making tender offers for our shares of common stock, which could prevent stockholders from receiving a premium for their shares of common stock. These actions may be taken even if other stockholders oppose them. The interests of Jeff Edwards may not always coincide with the interests of other stockholders. In addition, under our amended and restated certificate of incorporation, Jeff Edwards is permitted to pursue corporate opportunities for himself, rather than for us.

Provisions of our charter documents and Delaware law could delay, discourage or prevent an acquisition of us, even if the acquisition would be beneficial to our stockholders, and could make it more difficult for our stockholders to change our management.

Our amended and restated certificate of incorporation and bylaws may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares of our common stock. In addition, these provisions may frustrate or prevent any attempt by our stockholders to replace or remove our current management by making it more difficult to replace or remove members of our board of directors. These provisions include a classified board of directors with three-year staggered terms; no cumulative voting in director elections; the exclusive right of our board of directors to fill vacancies on our board; the ability of our board to authorize the issuance of shares of preferred stock and to determine the price and other terms without stockholder approval; a prohibition on stockholder action by written consent; a requirement that a special meeting of stockholders be called only by a resolution duly adopted by our board; and advance notice procedures that stockholders must comply with in order to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation Law, which prohibits a person who owns 15% or more of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired 15% or more of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner. Any delay or prevention of a change of control transaction or changes in our board of directors and management could deter potential acquirers or prevent the completion of a transaction in which our stockholders could receive a substantial premium over the then-current market price for their shares of our common stock.

We pay dividends to holders of our common stock, but may reduce, suspend, or eliminate dividend payments in the future.

Our board of directors approved the initiation of a quarterly cash dividend program in 2021 and also approved the payment of an annual variable dividend in each of 2022 and 2023. However, part of our business strategy includes retaining our future earnings, if any, in order to reinvest in the development and growth of our business, including our continued growth by acquisition strategy, and, therefore, we may reduce, suspend or eliminate dividend payments in the future. Any future determination to pay dividends will be at the discretion of our board of directors and will depend on our financial condition,

results of operations, capital requirements, the limits imposed by the terms of our credit facilities, or any then-existing debt instruments, and such other factors as our board of directors deems relevant. Accordingly, investors in our common stock may need to sell their shares to realize a return on their investment in our common stock, and investors may not be able to sell their shares at or above the prices paid for them.

If securities analysts do not publish favorable reports about us or if we, or our industry, are the subject of unfavorable commentary, the price of our common stock could decline.

The trading price for our common stock depends in part on the research and reports about us that are published by analysts in the financial industry. Analysts could issue negative commentary about us or our industry, or they could downgrade our common stock. We may also not receive sufficient research coverage or visibility in the market. Any of these factors could result in the decline of the trading price of our common stock, causing investors in our common stock to lose all or a portion of their investment.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Real Property

We lease office and warehouse space in 40 states, including our corporate office in Columbus, Ohio. Our leases are typically short in duration with customary extensions at our option. We believe suitable alternative space is available in all of our markets. We also own our cellulose manufacturing facility in Bucyrus, Ohio. We believe that our facilities are suitable and adequate for present purposes, and that the productive capacity in such facilities is substantially being utilized. The table below summarizes our locations as of December 31, 2022.

State	Number of Locations	Approximate Total Square Footage	State	Number of Locations	Approximate Total Square Footage
Alabama	4	31,550	Montana	1	4,576
Arizona	2	29,166	Nebraska	2	23,241
California	27	297,369	Nevada	1	15,350
Colorado	13	129,036	New Hampshire	8	75,370
Connecticut	2	31,292	New Jersey	7	121,451
Delaware	4	37,175	New York	8	101,630
Florida	28	248,585	North Carolina	15	194,403
Georgia	13	196,471	Ohio	11	454,165
Idaho	3	43,000	Oklahoma	3	35,543
Illinois	7	85,902	Oregon	2	32,928
Indiana	14	248,082	Pennsylvania	7	89,853
Kansas	2	74,206	South Carolina	8	116,439
Kentucky	4	46,330	South Dakota	2	50,000
Louisiana	2	19,535	Tennessee	7	111,482
Maine	3	38,750	Texas	20	364,455
Maryland	4	59,710	Utah	7	115,523
Massachusetts	4	45,303	Vermont	1	31,020
Michigan	2	36,800	Virginia	6	73,941
Minnesota	9	245,554	Washington	12	163,220
Missouri	2	15,436	Wisconsin	10	211,354

Our Fleet

As of December 31, 2022, our fleet consisted of approximately 5,600 total vehicles that we either leased or owned, including approximately 5,400 installation vehicles that our installers use to deliver and install products from our locations to job sites, and approximately 200 other vehicles that are utilized for various purposes, primarily by our distribution operations, sales staff, branch managers and various senior management personnel. For additional information, see Note 8, Long-Term Debt, and Note 17, Commitments and Contingencies, in Part II, Item 8, Financial Statements and Supplementary Data, of this Form 10-K.

Item 3. Legal Proceedings

We are involved in various claims and lawsuits incidental to the conduct of our business in the ordinary course, including wage and hour lawsuits. We carry insurance coverage that we believe to be reasonable under the circumstances, although insurance may or may not cover any or all of our liabilities in respect to claims and lawsuits. While management currently believes that the ultimate resolution of these matters, individually or in the aggregate, will not have a material adverse effect on our consolidated financial position, results of operations or cash flows, such matters are subject to inherent uncertainties. See Note 17, Commitments and Contingencies, in Part II, Item 8, Financial Statements and Supplementary Data, of this Form 10-K for additional information on significant legal proceedings.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information for Common Stock

Our common stock is traded on the NYSE under the symbol “IBP.”

Holders of Record

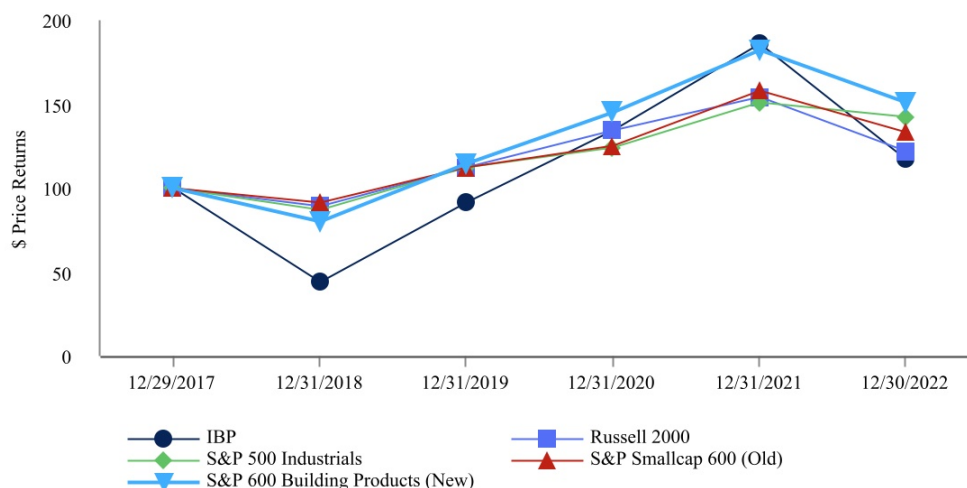
As of February 15, 2023, there were 1,105 holders of record of our common stock, one of which was Cede & Co., which is the holder of shares held through the Depository Trust Company.

Dividend Policy

Our board of directors has approved a quarterly cash dividend program since 2021, payable to stockholders of record on specific dates each quarter. In addition to the quarterly cash dividend, our board of directors approved an annual variable dividend payable in 2022 and 2023, with the 2023 dividend payable on March 31, 2023 at a rate of 90 cents per common share. We did not declare or pay any cash dividends on our common stock during the year ended December 31, 2020. Future determinations relating to payments of dividends will be made at the discretion of our board of directors and will depend on a number of factors, including our future earnings, capital requirements, financial condition, future prospects, contractual restrictions, legal requirements and other factors our board of directors may deem relevant.

Stock Performance Graph

The table below compares the cumulative total shareholder return on our common stock with the cumulative total return of (i) the Russell 2000 Index (“Russell 2000”), (ii) the Standard & Poor’s Industrials Index (“S&P 500 Industrials”) and (iii) the S&P Smallcap 600 Index (Old) (“S&P Smallcap 600 (Old)”) and (iv) the S&P 600 Building Products Index (New) (“S&P 600 Building Products (New)”). For comparison purposes, we are replacing the S&P Smallcap 600 (Old) with the S&P 600 Building Products as we believe it more closely aligns with our industry. The graph assumes investments of \$100 in our common stock and in each of the four indices and the reinvestment of dividends for the last five fiscal years through December 31, 2022.



	12/29/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/30/2022
IBP	100	44	91	134	186	117
Russell 2000	100	89	112	134	154	122
S&P 500 Industrials	100	87	112	124	151	142
S&P Smallcap 600 (Old)	100	91	112	125	158	133
S&P 600 Building Products (New)	100	80	114	145	182	151

Purchases of Equity Securities by the Issuer

The following table shows the stock repurchase activity for the three months ended December 31, 2022:

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs ⁽²⁾
October 1 - 31, 2022 ⁽¹⁾	720	\$ 80.96	—	\$ —
November 1 - 30, 2022	30,000	80.84	30,000	—
December 1 - 31, 2022	266,032	86.22	266,032	162.1 million
	296,752	\$ 85.66	296,032	\$ 162.1 million

(1) Represents shares surrendered to the Company by employees to satisfy tax withholding obligations arising in connection with the vesting of 2,409 shares of restricted stock awarded under our 2014 Omnibus Incentive Plan.

(2) On February 24, 2022, our board of directors authorized an extension of our previous stock repurchase program through March 1, 2023 and concurrently authorized an increase in the total amount of our outstanding common stock we can purchase under the extended program up to \$200.0 million. On August 4, 2022 our board of directors authorized a new stock repurchase program that allows for the repurchase of up to \$200.0 million of our outstanding common stock through August 10, 2023. This new program replaced the previous program. We repurchased \$137.6 million of common stock under our stock repurchase programs during the year ended December 31, 2022. On February 22, 2023 our board of directors authorized a new stock repurchase program that allows for the repurchase of up to \$200.0 million of our outstanding common stock through March 1, 2024. This 2023 new program will replace the previous 2022 program. For further information about our stock repurchase programs, see Note 13, Stockholder's Equity, in Part II, Item 8, Financial Statements and Supplementary Data, of this Form 10-K.

Recent Sales of Unregistered Securities

During 2022, we did not issue or sell any unregistered equity securities.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following in conjunction with the consolidated financial statements and related notes thereto included in Item 8, Financial Statements and Supplemental Data, of Part II of this Form 10-K. This discussion contains forward-looking statements reflecting current expectations that involve risks and uncertainties. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due to a number of factors, including those discussed in the section captioned "Risk Factors" and elsewhere in this Form 10-K.

OVERVIEW

We are one of the nation's largest insulation installers for the residential new construction market and are also a diversified installer of complementary building products, including waterproofing, fire-stopping and fireproofing, garage doors, rain gutters, window blinds, shower doors, closet shelving, mirrors and other products throughout the United States. We offer our portfolio of services for new and existing single-family and multi-family residential and commercial building projects in all 48 continental states and the District of Columbia from our national network of over 230 branch locations. 94% of our net revenue comes from the service-based installation of these products across all of our end markets and forms our Installation operating segment and single reportable segment. Additionally, we manufacture and distribute certain building products and materials to installers and distributors involved with various types of construction projects and these two operations form our Manufacturing operating segment and our Distribution operating segment, respectively. We believe our business is well positioned to continue to profitably grow due to our strong balance sheet, liquidity and our continuing acquisition strategy.

A large portion of our net revenue comes from the U.S. residential new construction market, which depends upon a number of economic factors, including demographic trends, interest rates, inflation, consumer confidence, employment rates, housing inventory levels, foreclosure rates, the health of the economy and the availability and affordability of mortgage financing. Our strategic acquisitions over the last several years contributed meaningfully to our 35.6% increase in net revenue during the year ended December 31, 2022 compared to 2021.

We have omitted discussion of 2020 results in the sections that follow where it would be redundant to the discussion previously included in Part II, Item 7, of Form 10-K for the year ended December 31, 2021.

2022 Highlights

Net revenues increased 35.6%, or \$701.2 million, while gross profit increased 40.4% to \$827.8 million during the year ended December 31, 2022 compared to 2021. We also generated approximately \$277.9 million of cash from operating activities. The increase in net revenue and gross profit was primarily driven by the contribution of our recent acquisitions, selling price and product mix improvements as evidenced by the 23.0% increase in our price/mix metric and increased sales volume of 5.5% on a same branch basis for our Installation segment. Gross profit grew faster than revenue primarily due to higher selling prices and resulting leverage gained on labor and other costs of sales. These synergies were partially offset by higher fuel costs and higher material costs due to increased Distribution segment sales which generally have higher material costs than our other segments. Supply chain constraints and inflationary pressures also contributed to higher material costs in 2022, particularly for spray foam and several complementary installed products, as some products continue to be difficult to source near volume and pricing levels secured in prior periods. Certain net revenue, end market and industry metrics we use to monitor our operations are discussed in the "Key Measures of Performance" section below.

As of December 31, 2022, we had \$229.6 million of cash and cash equivalents and we have not drawn on our revolving line of credit. We amended and extended our revolving line of credit in February 2022, increasing the commitment to \$250.0 million from \$200.0 million. Additionally, we received \$25.5 million from amending the maturity dates on our three interest rate swaps in July 2022. Our liquidity remains strong despite repurchasing \$137.6 million of our Company's stock and paying our variable and regular quarterly dividends of \$62.7 million during the year ended December 31, 2022.

During the year ended December 31, 2022, we experienced overall sales growth in all of our end markets and we achieved 24.6% year-over-year same branch sales growth, with acquisitions contributing the remaining portion of our total sales growth. Our largest end market, the single-family subset of the residential new construction market, grew revenue 33.5% over the same period in 2021. Our commercial end market experienced sales growth of 15.2% during the year ended December 31, 2022 primarily through acquisitions. We experienced commercial project delays in 2022 due to macroeconomic concerns surrounding the pandemic and general economic uncertainty.

We continue to diversify our operations through our acquisition strategy and met our goal of acquiring at least \$100.0 million in revenue in 2022. Our commitment to the diversification of our product mix included expanding our distribution business as evidenced by our largest acquisition in 2022, Central Aluminum Supply Corporation ("CAS"), a distributor of gutter supplies and accessories.

The homebuilding market is expected to slow in 2023 due to economic concerns, namely higher inflation and interest rates experienced in 2022. While home starts are currently projected to be lower in 2023 than 2022, we believe there are several trends that should drive long-term growth in the housing market, even if there are temporary periods of slowed growth. These long-term trends include an aging housing stock, population growth, demographic changes, household formation growth and the fact that housing starts remained below long-term historic averages for over a decade following the 2008 recession. We expect that our net revenue, gross profit and operating income will benefit from this growth over time although we will be negatively impacted by the slowdown in the homebuilding industry in the near term.

2021 Highlights

Net revenues increased 19.1%, or \$315.4 million, while gross profit increased 15.6% to \$589.5 million during the year ended December 31, 2021 compared to 2020. We also generated approximately \$138.3 million of cash from operating activities. The increase in net revenue and gross profit was primarily driven by the contribution of our recent acquisitions, selling price and product mix improvements as evidenced by the 3.3% increase in our price/mix metric and increased sales volume of 7.9% on a same branch basis for our Installation segment. Gross profit grew slower than revenue primarily due to higher material costs caused by pandemic-related supply chain constraints, higher fuel costs and reduced efficiencies within the large commercial construction market due to challenges from the COVID-19 pandemic. Inflationary pressure contributed to the year-over-year margin compression as materials, particularly spray foam, gutters, and other complementary installed products, continued to be difficult to source near volume and pricing levels secured in prior periods.

As of December 31, 2021, we had \$333.5 million of cash and cash equivalents. In December 2021, we modified our debt structure to take advantage of favorable market conditions, entering into a new term loan credit agreement which provided for a seven-year \$500 million term loan facility. A portion of the proceeds from the term loan were used to repay, in full, all amounts outstanding under the previous term loan agreement. We had not drawn on our \$200.0 million revolving line of credit existing at December 31, 2021. Additionally, we paid our first quarterly dividends as a public company in 2021.

During the year ended December 31, 2021, we experienced overall sales growth in all of our end markets and we achieved 9.7% year-over-year same branch sales growth, with acquisitions contributing the remaining portion of our total sales growth. Our largest end market, the single-family subset of the residential new construction market, grew revenue 22.1% over the same period in 2020 for our Installation segment. Our commercial end market experienced sales growth of 10.8% during the year ended December 31, 2021 primarily through acquisitions, but we experienced project delays due to macroeconomic concerns surrounding the pandemic, resulting in a decline in same branch sales within this market. These fluctuations are shown in further detail in the "Key Measures of Performance" section below, and impacts from COVID-19 are discussed further in the sections that follow.

Key Measures of Performance

We utilize certain net revenue and industry metrics to monitor our operations. At the beginning of 2022, we realigned our operating segments to reflect recent changes in our business as described in Part II, Item 8, "Note 11 - Information on Segments" in this Form 10-K. In conjunction with this realignment, we modified the key metrics we use to monitor company and segment performance. Specifically, we now present total sales growth and same branch growth metrics for our consolidated results, our Installation reportable segment and our Other category consisting of our Distribution and Manufacturing operating segments. In addition, our volume growth and price/mix growth metrics are now only presented for the Installation reportable segment to align with how we monitor our operations. While these changes do not significantly alter the prior period metrics previously disclosed, prior period Manufacturing operating segment growth metrics were reclassified from our Installation segment metrics to the Other category metrics in the table below.

We believe the revenue growth measures shown in the table that follows are important indicators of how our business is performing, however, we may rely on different metrics in the future. We also utilize gross profit percentage as shown in the following section to monitor our most significant variable costs and to evaluate labor efficiency and success at passing increasing costs of materials to customers.

The following table shows certain key measures of performance we utilize to evaluate our results:

	Years ended December 31,		
	2022	2021	2020
Period-over-period Growth			
Consolidated Sales Growth	35.6 %	19.1 %	9.4 %
Consolidated Same Branch Sales Growth ⁽¹⁾	24.6 %	9.7 %	4.5 %
Installation ⁽²⁾			
Sales Growth ⁽³⁾	29.5 %	18.7 %	9.6 %
Same Branch Sales Growth ⁽¹⁾⁽³⁾	24.5 %	9.4 %	4.7 %
Single-Family Sales Growth ⁽⁴⁾	33.5 %	22.1 %	5.2 %
Single-Family Same Branch Sales Growth ⁽¹⁾⁽⁴⁾	28.9 %	14.4 %	0.6 %
Multi-Family Sales Growth ⁽⁵⁾	31.8 %	14.7 %	37.5 %
Multi-Family Same Branch Sales Growth ⁽¹⁾⁽⁵⁾	31.0 %	6.7 %	33.2 %
Residential Sales Growth ⁽⁶⁾	33.2 %	20.9 %	9.5 %
Residential Same Branch Sales Growth ⁽¹⁾⁽⁶⁾	29.2 %	13.2 %	4.9 %
Commercial Sales Growth ⁽⁷⁾	15.2 %	10.8 %	10.2 %
Commercial Same Branch Sales Growth ⁽¹⁾⁽⁷⁾	6.6 %	(4.0)%	3.4 %
Other ⁽²⁾			
Sales Growth ⁽⁸⁾	453.8 %	65.1 %	(6.3)%
Same Branch Sales Growth ⁽¹⁾⁽⁸⁾	41.5 %	44.3 %	(6.3)%
Same Branch Sales Growth - Installation ⁽²⁾⁽⁹⁾			
Volume Growth ⁽¹⁾⁽¹⁰⁾	5.5 %	7.9 %	1.9 %
Price/Mix Growth ⁽¹⁾⁽¹¹⁾	23.0 %	3.3 %	2.8 %
U.S. Housing Market ⁽¹²⁾			
Total Completions Growth	3.7 %	4.2 %	2.5 %
Single-Family Completions Growth	5.6 %	6.1 %	0.9 %
Multi-Family Completions Growth	(1.1)%	(0.3)%	6.3 %

(1) Same-branch basis represents period-over-period growth for branch locations owned greater than 12 months as of each financial statement date.

(2) Prior period disclosures have been recast to conform to the current period segment presentation.

(3) Calculated based on period-over-period growth of all end markets for our Installation segment.

(4) Calculated based on period-over-period growth in the single-family subset of the residential new construction end market for our Installation segment.

(5) Calculated based on period-over-period growth in the multi-family subset of the residential new construction end market for our Installation segment.

(6) Calculated based on period-over-period growth in the residential new construction end market for our Installation segment.

(7) Calculated based on period-over-period growth in the total commercial end market. Our commercial end market consists of heavy and light commercial projects.

(8) Calculated based on period-over-period growth in our Other category which consists for our Manufacturing and Distribution operating segments. Our distribution businesses were acquired in December, 2021 and April, 2022.

(9) The heavy commercial end market, a subset of our total commercial end market, comprises projects that are much larger than our average installation job. The end market is excluded from the volume growth and price/mix growth calculations as to not skew the growth rates given its much larger per-job revenue compared to the average jobs in our remaining end markets.

(10) Calculated based on period-over-period change in the number of completed same-branch jobs within our Installation segment for all markets we serve except the heavy commercial end market.

(11) Defined as change in the mix of products sold and related pricing changes and calculated as the change in period-over-period average selling price per same-branch jobs within our Installation segment for all markets we serve except the heavy commercial market, multiplied by total current year jobs. The mix of end customer and product would have an impact on the year-over-year price per job.

(12) U.S. Census Bureau data, as revised.

Net revenue, cost of sales and gross profit

The components of gross profit for 2022, 2021 and 2020 were as follows (dollars in thousands):

	2022	Change	2021	Change	2020
Net revenue	\$ 2,669,844	35.6 %	\$ 1,968,650	19.1 %	\$ 1,653,225
Cost of sales	1,842,060	33.6 %	1,379,131	20.6 %	1,143,251
Gross profit	\$ 827,784	40.4 %	\$ 589,519	15.6 %	\$ 509,974
Gross profit percentage	31.0 %		29.9 %		30.8 %

Net revenue increased during the year ended December 31, 2022 compared to the year ended December 31, 2021 primarily due to increased selling prices and organic growth as shown in the Key Measures of Performance section above. Acquisitions also meaningfully contributed to our 2022 revenue growth, adding \$217.1 million of revenue in 2022. Our residential end market grew 33.2% primarily due to selling price increases, higher volume and the continued success of our acquisition strategy. Our commercial end market continued to face challenges associated with project delays due to economic concerns and the COVID-19 pandemic. However, the commercial business improved from its 2021 performance as evidenced by a 6.6% annual growth rate in same branch sales in 2022, showing signs of improvement in the second half of 2022. Our price/mix metric was positively impacted during the year ended December 31, 2022 as we were able to pass along selling price increases to partially offset multiple price increases in material costs.

The remaining overall growth in net revenue for the year December 31, 2022 is attributable to the recent acquisitions of AMD Distribution and Central Aluminum which form our Distribution operating segment. This operating segment, combined with our Manufacturing operating segment, grew from \$29.3 million to \$162.4 million in net revenue for the year ended December 31, 2022.

As a percentage of net revenue, gross profit increased during the year ended December 31, 2022 compared to the year ended December 31, 2021 primarily on the strength of sales growth across all of our end markets as well as strong price/mix growth. Sales price increases allowed us to gain significant leverage on our labor and other cost of sales expenses as a percentage of net revenue. However, ongoing industry wide supply chain issues impacted our operating efficiency, driving our material costs higher. In order to meet customer demand during the year, we purchased materials from distributors and home centers at a premium to what we typically would purchase directly from manufacturers. As a result, during the year ended December 31, 2022, we estimate these purchases increased materials expense by approximately \$4.8 million, therefore reducing gross profit by 20 basis points during the period. While inflation and material supply chain issues are likely to persist into 2023, we will continue to work with our suppliers to lessen the impact on our margins and with our customers to offset further cost increases through selling price adjustments.

Operating Expenses

Operating expenses for 2022, 2021 and 2020 were as follows (dollars in thousands):

	2022	Change	2021	Change	2020
Selling	\$ 119,031	27.7 %	\$ 93,204	14.2 %	\$ 81,613
Percentage of total net revenue	4.5 %		4.7 %		4.9 %
Administrative	\$ 335,688	23.2 %	\$ 272,391	14.4 %	\$ 238,147
Percentage of total net revenue	12.6 %		13.8 %		14.4 %
Gains on acquisition earnouts	\$ (16,109)	1456.4 %	\$ (1,035)	450.5 %	\$ (188)
Percentage of total net revenue	(0.6)%		(0.1)%		0.0 %
Amortization	\$ 43,763	18.0 %	\$ 37,079	29.9 %	\$ 28,535
Percentage of total net revenue	1.6 %		1.9 %		1.7 %

Selling

The dollar increase in selling expenses in 2022 was primarily driven by a year-over-year increase in selling wages, benefits and commissions of \$23.4 million, or 27.5%, which supported our increased net revenue of 35.6%. Selling expense decreased as a percentage of sales primarily due to increased leverage on selling wages from increased sales.

Administrative

The dollar increase in administrative expenses in 2022 was primarily due to an increase in wages and benefits in the amount of \$32.2 million, which was attributable to both acquisitions and organic growth as well as favorable company performance. Facility expense and insurance cost increases due to organic and acquisition-driven growth also factored into the overall increase in administrative operating expenses. During 2022, we saw our administrative costs decrease as a percentage of sales primarily due to the leverage gained on these costs from an increase in net revenue. 2021 and 2020 balances previously included amounts on the gains on acquisition earnouts that were recast during the year ended December 31, 2022 on the Consolidated Statements of Operations and Comprehensive Income.

Gains on acquisition earnouts

Some of our acquisitions have contingent consideration liabilities in the form of earnouts included in the total purchase price of the business. We assess the fair value of the contingent consideration liability at each reporting period, and any changes in the estimated fair value are reflected in gains on acquisition earnouts on the Consolidated Statements of Operations and Comprehensive Income. The gain recorded during the year ended December 31, 2022 increased from 2021 primarily due to a \$15.1 million gain on the Central Aluminum Supply Corporation earnout recorded as a result of revised earnout target expectations. Prior period amounts were previously included in administrative expenses on the Consolidated Statements of Operations and Comprehensive Income.

Amortization

Our intangible assets include non-competes, customer relationships, trade names and backlog established upon acquisition of most businesses we acquire. Amortization expense increased \$2.9 million in 2022 resulting from the increase in new intangible assets from 2022 acquisitions, with the remaining increase due to a full year of amortization expense attributable to prior year acquisitions. See Note 18, Business Combinations, in Item 8, Financial Statements and Supplementary Data, of this Form 10-K for information on our acquisitions.

Other Expense, net

Other expense, net for 2022, 2021 and 2020 was as follows (dollars in thousands):

	2022	Change	2021	Change	2020
Interest expense, net	\$ 41,574	26.6 %	\$ 32,842	8.4 %	\$ 30,291
Other	530	(221.3)%	(437)	(209.5)%	399
Total other expense, net	<u>\$ 42,104</u>	<u>29.9 %</u>	<u>\$ 32,405</u>	<u>5.6 %</u>	<u>\$ 30,690</u>

The year-over-year increase in other expense, net during 2022 was primarily a result of increased interest rates on our variable rate debt and increased average debt levels. See Note 8, Long-Term Debt, in Item 8, Financial Statements and Supplementary Data, of this Form 10-K for further information regarding debt balances.

Income Tax Provision

Income tax provision and effective tax rates for 2022, 2021 and 2020 were as follows (dollars in thousands):

	2022	2021	2020
Income tax provision	\$ 79,879	\$ 36,712	\$ 33,938
Effective tax rate	26.3 %	23.6 %	25.9 %

During the year ended December 31, 2022, our tax rate was unfavorably impacted by certain expenses not being deductible for income tax reporting purposes.

During the year ended December 31, 2021, our tax rate was favorably impacted by the release of a valuation allowance for a tax filing entity, excess tax benefits from share-based compensation arrangements and statute of limitation expirations of uncertain tax positions.

Other comprehensive gain (loss), net of tax

Other comprehensive gain (loss), net of tax for 2022, 2021 and 2020 were as follows (in thousands):

	2022	2021	2020
Unrealized gain (loss) on cash flow hedge, net of taxes	\$ 40,787	\$ 8,536	\$ (1,620)

During the year ended December 31, 2022, we amended the maturity dates for our three existing interest rate swaps. These swaps had unrealized gains of \$51.2 million at the amendment date of July 8, 2022 and the amendment created off-market terms of \$25.7 million due to an other-than-insignificant financing element. The unrealized gains will be amortized as a decrease to interest expense, net through the original maturity date of April 2030 and the off-market terms will be amortized as an increase to interest expense, net through December 2025. We amortized \$3.9 million of the remaining unrealized gains, off-market terms and unrealized losses on our terminated cash flow hedges to interest expense, net during the year ended December 31, 2022, not including tax effects of \$1.0 million. Also, during the year ended December 31, 2022, we recorded an unrealized gain, net of taxes, of \$37.9 million on our cash flow hedges primarily due to the market's expectations for interest rates in the future relative to our three existing interest rate swaps and two forward interest rate swaps.

During the year ended December 31, 2021, we recorded an unrealized gain, net of taxes, of \$6.4 million on our cash flow hedges primarily due to the market's expectations for interest rates in the future relative to our July 2021 swap. We also amortized \$3.2 million of the unrealized loss on our terminated cash flow hedges to interest expense, net during the year ended December 31, 2021, not including tax effects of \$1.1 million.

We amortize the unrealized gains and losses on our terminated cash flow hedges at the time of termination over the course of the originally scheduled settlement dates of the terminated swaps. For more information on our cash flow hedges, see "Liquidity and Capital Resources, Derivative Instruments" below and Note 12, Derivatives and Hedging Activities, in Item 8, Financial Statements and Supplementary Data, of this Form 10-K.

KEY FACTORS AFFECTING OUR OPERATING RESULTS

Inflation and Interest Rates

Inflation affected the economy as a whole in 2022 as consumer price inflation reached 40-year highs, negatively impacting consumer sentiment and increasing market uncertainty. The Federal Reserve took actions to moderate and stabilize inflation by raising the federal funds rate multiple times in 2022 and signaling plans to continue raising the rate in 2023. This caused the average mortgage rate in the United States to more than double since the end of 2021. Rising interest rates began to curtail housing demand in the second half of 2022, reducing mortgage financing affordability. As a result, the residential homebuilding market began showing signs of weakening in late 2022 and early 2023 and housing starts, permits and completions are forecasted to decline in 2023.

We expect to be impacted by these economic headwinds in 2023. However, we believe the large residential construction backlog of both units under construction and units not started will partially offset these challenges. Additionally, there are housing shortages in some of the markets we serve and we expect that backlog in our growing multi-family business will also help to offset any declines we may face in the residential homebuilding market. Many existing homeowners are locked into low interest mortgages and with an aging housing stock, so we expect that the repair and remodel markets we service could experience growth as well. Incentives from the Inflation Reduction Act of 2022 are also likely to support repair and remodel demand in 2023, as evidenced by growth in this market of nearly 50% in the three months ended December 31, 2022 compared to the same period in 2021.

Trends in the Construction Industry

Rising inflation and interest rates, as discussed above, began to reduce the demand and affordability of new homes in late 2022. Previously, residential housing demand experienced a rapid recovery after the onset of the COVID-19 pandemic. This quick increase in demand created material shortages, causing inflationary pressure on materials. As a result, we experienced significant price increases on most of the products we install. We anticipate these shortages will partially lessen in 2023 assuming inflationary pressures cause housing demand to lessen. This outlook may change depending on housing demand and the ability of manufacturers to produce adequate supply.

Our operating results may vary based on our product mix and the mix of our end markets among new single-family, multi-family and commercial builders and owners of existing homes. We maintain a mix of business among all types of homebuilders

ranging from small custom builders to large regional and national homebuilders as well as a wide range of commercial builders. Net revenue derived from our ten largest homebuilder customers in the United States was approximately 16% for the year ended December 31, 2022. The residential new construction and repair and remodel markets represented approximately 80% of our total net revenue for the year ended December 31, 2022, compared to 83% in the same period in 2021. The remaining portion was attributable to our new distribution businesses and the commercial construction end market.

Cost and Availability of Materials

We typically purchase the materials we use in our business directly from manufacturers. The industry supply of these materials experienced supply shortages in 2022 due to strong demand and effects from the COVID-19 pandemic. In order to meet customer demand during the year, we purchased materials from distributors and home centers at a premium to what we typically would purchase directly from manufacturers, therefore reducing gross profit.

In addition, we experience price increases from our suppliers from time to time, including multiple increases over the last three years caused by supply shortages and general economic inflationary pressures. We have experienced unprecedented increased pricing for fiberglass and foam insulation materials over the last three years but expect manufacturers to slow the pace of price increases in 2023. Increased market pricing, regardless of the catalyst, has and could continue to impact our results of operations in 2023, to the extent that price increases cannot be passed on to our customers. Our selling price increases were able to support most material cost increases in 2022 but we may have more difficulty raising prices in 2023 if housing demand slows. We will continue to work with our customers to adjust selling prices to offset higher costs as they occur.

Cost of Labor

Our business is labor intensive. As of December 31, 2022, we had approximately 10,300 employees, most of whom work as installers on local construction sites. We expect to spend more to hire, train and retain installers to support our growing business in 2023, as tight labor availability continues within the construction industry. We offer a comprehensive benefits package unlike many of our local competitors, which will increase costs as we hire additional personnel. Our workers' compensation costs also continue to rise as we increase our coverage for additional personnel. We obtained leverage on our labor costs during the year ended December 31, 2022, compared to 2021 due to increased selling prices per job. However, inflation and market competition could increase these costs in the near-term.

We experienced strong employee retention, turnover and labor efficiency rates in the year ended December 31, 2022. We believe this is partially a result of various programs meant to benefit our employees, including our financial wellness plan, longevity stock compensation plan for employees and assistance from the Installed Building Products Foundation meant to benefit our employees, their families and their communities. While improved retention drives lower costs to recruit and train new employees, resulting in greater installer productivity, these improvements are somewhat offset by the additional costs of these incentives.

COVID-19 Impacts

The COVID-19 pandemic has caused significant volatility, uncertainty and economic disruption. As the pandemic continues to move towards the endemic stage, the full extent and scope of the impact on our business and industry, as well as national, regional and global markets and economies, depends on numerous evolving factors that we may not be able to accurately predict, including the duration and scope of the pandemic, additional government actions taken in response to the pandemic, the impact on construction activity and demand for homes (based on employment levels, consumer spending and consumer confidence). The fast recovery in residential housing demand helped offset prolonged impacts of the pandemic already experienced. However, we have experienced supply constraints and material price increases ultimately stemming from the effects of the pandemic across most of the products we install or sell, which could continue into 2023.

In the commercial sector, we have experienced some impact to our commercial business from the pandemic, mainly in the form of project start delays and other inefficiencies. In the future, certain large-scale infrastructure programs may be at risk if the need for such structures decline, project funding declines or as consumer behaviors change in the wake of COVID-19 disruptions to the economy and changes to our general ways of life. For example, reduced demand for office buildings and/or educational facilities, decreased airport traffic, or decreased usage of sports arenas or similar commercial structures could impact our commercial end market. We continue to evaluate the nature and extent of the COVID-19 pandemic's impact on our financial condition, results of operations and cash flows.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security ("CARES Act") was signed into law. The CARES Act provides numerous tax provision and other stimulus measures. We benefited from the temporary suspension of the employer portion of Social Security taxes by deferring \$20.7 million of payments in 2020. We have since paid back these deferrals,

including paying 50% back in the year ended December 31, 2022. It is important to note that this does not impact the timing of the expense, only the timing of the payment.

Environmental, Social and Governance, Climate Change and Other Factors

According to the Office of Energy Efficiency & Renewable Energy, over \$400 billion is spent each year to power homes and commercial structures that consume 75% of all electricity used in the United States and 40% of the nation's total energy. As a result, U.S. buildings account for 35% of the U.S. carbon dioxide emissions that drive the climate crisis. Insulation is a critical component in the construction of homes and commercial structures. Installing insulation also helps increase energy conservation because it is the best way to prevent energy waste in most homes and commercial structures. Beyond our service offerings, we also recognize that as a good corporate citizen, we have a responsibility to support our communities and be stewards of the environment. We have transitioned a large portion of our electricity supply to a carbon-free energy source and entered a national waste management program to increase recycling at our facilities, reducing landfill waste. We continue to work to find new ways to reduce our carbon footprint.

Certain effects of climate change that may cause severe weather events could have a material effect on our operations. Climate change and/or adverse weather conditions such as unusually prolonged cold conditions, rain, blizzards, hurricanes, earthquakes, fires, or other natural disasters could accelerate, delay or halt construction or installation activity or impact our suppliers. The impacts of climate change may subject us to increased costs, regulations, reporting requirements, standards or expectations regarding the environmental impacts of our business. Most, if not all, of our locations may be vulnerable to the adverse effects of climate change. Weather is one of the main reasons for annual seasonality cycles of our business, and any adverse weather conditions can enhance this seasonality.

Lastly, we expect our selling and administrative expenses to continue to increase as our business grows, which could impact our future operating profitability.

SEASONALITY

We tend to have higher sales during the second half of the year as our homebuilder customers complete construction of homes placed under contract for sale in the traditionally stronger spring selling season. In addition, some of our larger branches operate in states impacted by winter weather and as such experience a slowdown in construction activity during the first quarter of the calendar year. This winter slowdown contributes to traditionally lower sales and profitability in our first quarter. See Part I, Item 1, Business, of this Form 10-K for further information.

LIQUIDITY AND CAPITAL RESOURCES

Our capital resources primarily consist of cash from operations and borrowings under our various debt agreements and capital equipment leases and loans. As of December 31, 2022, we had cash and cash equivalents of \$229.6 million as well as access to \$250.0 million under our asset-based lending credit facility (as defined below), less \$5.8 million of outstanding letters of credit, resulting in total liquidity of \$473.9 million. Our total liquidity is reduced by \$1.6 million within our cash and cash equivalents due to a deposit into a trust to serve as additional collateral for our workers' compensation and general liability policies. This amount can be converted to a letter of credit at our discretion and would reduce the availability of our asset-based lending facility (as defined below). Liquidity may also be limited in the future by certain cash collateral limitations under our asset-based credit facility (as defined below), depending on the status of our borrowing base availability.

We experienced unprecedented increases in pricing for fiberglass and foam insulation materials in 2022. Increased market pricing on the materials we purchase has and could continue to impact our results of operations in 2023 due to the higher prices we must pay for materials.

Short-Term Material Cash Requirements

For at least the next twelve months, our primary capital requirements are to fund working capital needs, operating expenses, acquisitions and capital expenditures and to meet principal and interest obligations and make required income tax payments. We may also use our resources to fund our optional stock repurchase program and pay quarterly and annual dividends. During 2023, we anticipate discretionary spending for capital improvements and quarterly dividends to approximate 2022 levels of approximately \$45.6 million and \$36.0 million, respectively, as well as approximately \$25.2 million for our annual variable dividend to be paid March 31, 2023. In addition, we expect to use cash and cash equivalents to acquire various companies with at least \$100.0 million in aggregate net revenue. The amount of cash paid for an acquisition is dependent on various factors, including the size and determined value of the business being acquired.

Firm commitments for funds include \$68.5 million in interest and principals payments on long-term debt obligations including our Senior Notes, Term Loan, notes payable to sellers of acquisitions and vehicles purchased under the Master Loan and Security Agreement, the Master Equipment Agreement and the Master Loan Agreements. Additionally, we maintain certain production vehicles under a finance lease structure which will require \$3.0 million in interest and principal payments under current agreements in 2023. We lease certain locations, vehicles and equipment under operating lease agreements that will require \$28.9 million in funds over the next twelve months. Finally, we have a product supply agreement with a certain vendor that requires us to purchase a minimum of \$27.0 million of inventory in 2023. Payments for income taxes cannot be estimated at this time.

We expect to meet our short-term liquidity requirements primarily through net cash flows from operations, our cash and cash equivalents on hand and borrowings from banks under the Master Loan and Security Agreement, the Master Equipment Agreement and the Master Loan Agreements. Additional sources of funds, should we need them, include borrowing capacity under our asset-based lending credit facility (as defined below).

We believe that our cash flows from operations, combined with our current cash levels and available borrowing capacity, will be adequate to support our ongoing operations and to fund our business needs, commitments and contractual obligations for at least the next 12 months as evidenced by our net positive cash flows from operations for the years ended December 31, 2022, 2021 and 2020. We believe that we have access to additional funds, if needed, through the capital markets to obtain further debt financing under the current market conditions, but we cannot guarantee that such financing will be available on favorable terms, or at all.

Long-Term Material Cash Requirements

Beyond the next twelve months, our principal demands for funds will be to fund working capital needs and operating expenses, to meet principal and interest obligations on our long-term debts and finance leases as they become due or mature, and to make required income tax payments. Additional funds may be spent on acquisitions, capital improvements and dividend payments, at our discretion.

Known obligations beyond the next twelve months include \$1,036.5 million in interest and principals payments on long-term debt obligations noted above through 2028, as follows (amounts in thousands):

2024	\$	85,525
2025		72,305
2026		70,169
2027		59,555
Thereafter		810,167

In addition, our finance leases will require \$7.0 million in interest and principal payments under current agreements through 2026. Operating lease obligations will require \$54.2 million in payments beyond the next twelve months.

Sources and Uses of Cash and Related Trends

Working Capital

We carefully manage our working capital and operating expenses. As of December 31, 2022 and 2021, our working capital, including cash and cash equivalents, was \$556.4 million, or 20.8% of net revenue, and \$551.7 million, or 28.0% of net revenue, respectively. The increase in working capital year-over-year was driven primarily by accounts receivable increasing \$84.5 million resulting from our increased net revenue, and inventories increasing by \$33.6 million due to material price inflation, increased selling activity and distribution company acquisitions. These increases were partially offset by a \$103.9 million decrease in cash and cash equivalents resulting from the payment of dividends and share repurchases and an increase of \$16.5 million in accounts payable primarily due to material price inflation and increased sales volume. We continue to look for opportunities to reduce our working capital as a percentage of net revenue.

The following table presents our cash flows (in thousands):

	Years ended December 31,		
	2022	2021	2020
Net cash provided by operating activities	\$ 277,904	\$ 138,314	\$ 180,789
Net cash used in investing activities	\$ (158,669)	\$ (278,439)	\$ (77,794)
Net cash (used in) provided by financing activities	\$ (223,093)	\$ 242,090	\$ (49,364)

Cash Flows from Operating Activities

Our primary source of cash provided by operations is revenues generated from installing or selling building products and the resulting operating income generated by these revenues. Operating income is adjusted for certain non-cash items, and our cash flows from operations can be impacted by the timing of our cash collections on sales and collection of retainage amounts. The COVID-19 pandemic has not had a material impact to our cash collections to date. Our primary uses of cash from operating activities include payments for installation materials, compensation costs, leases, income taxes and other general corporate expenditures included in net income.

Net cash provided by operating activities increased from 2021 to 2022 primarily due to higher net income due to increased sales. We also received a cash payment of \$25.5 million for amending the maturity date of our interest rate swap derivatives.

Cash Flows from Investing Activities

Sources of cash from investing activities consist primarily of proceeds from the sales of property and equipment and, periodically, maturities from short term investments. Cash used in investing activities consists primarily of purchases of property and equipment, payments for acquisitions and, periodically, purchases of short term investments.

Net cash used by investing activities decreased from 2021 to 2022 primarily due to the decrease in payments for acquisitions. We completed three less acquisitions in 2022 compared to 2021, and the size of the acquisitions were generally larger in the year ended December 31, 2021. The amount of cash paid for an acquisition is dependent on various factors, including the size and determined value of the business being acquired. See Note 18, Business Combinations, in Item 8, Financial Statements and Supplementary Data, of this Form 10-K for more information regarding our business acquisitions in 2022, 2021 and 2020.

Additionally, total cash used to purchase property and equipment increased in 2022, and we expect to continue to support any increases in future net revenue through further capital expenditures. A majority of these capital expenditures were subsequently reimbursed via various vehicle and equipment notes payable, with related cash inflows shown in cash flows from financing activities.

Cash Flows from Financing Activities

Our sources of cash from financing activities consist of proceeds from the issuance of debt and new vehicle and equipment notes payable. Cash used in financing activities consists primarily of debt repayments, acquisition-related obligations, dividends and stock repurchases.

We had a net use of cash in financing activities in 2022 compared to a net inflow of cash in 2021 primarily due to the proceeds on our Term Loan received in 2021. We did not incur any such significant new borrowings during the year ended December 31, 2022. We also repurchased \$137.6 million of common stock during the year ended December 31, 2022 while we did not repurchase any shares under our stock repurchase plan during the year ended December 31, 2021. Our net cash (used in) provided by financing activities during the year ended December 31, 2022 also included the payment of our first variable annual dividend of \$26.2 million.

Debt

5.75% Senior Notes due 2028

In September 2019, we issued \$300.0 million in aggregate principal amount of 5.75% senior unsecured notes (the "Senior Notes"). The Senior Notes will mature on February 1, 2028 and interest will be payable semi-annually in cash in arrears on February 1 and August 1, commencing on February 1, 2020. The net proceeds from the Senior Notes offering were \$295.0 million after debt issuance costs.

The indenture covering the Senior Notes contains restrictive covenants that, among other things, limit the ability of the Company and certain of our subsidiaries (subject to certain exceptions) to: (i) incur additional debt and issue preferred stock; (ii) pay dividends on, redeem or repurchase stock in an aggregate amount exceeding 2.0% of market capitalization per fiscal year, or in an aggregate amount exceeding certain applicable restricted payment baskets; (iii) prepay subordinated debt; (iv) create liens; (v) make specified types of investments; (vi) apply net proceeds from certain asset sales; (vii) engage in transactions with affiliates; (viii) merge, consolidate or sell substantially all of our assets; and (ix) pay dividends and make other distributions from subsidiaries.

Credit Facilities

In February 2022, we amended and extended the term of our asset-based lending credit agreement (the "ABL Credit Agreement"). The ABL Credit Agreement increased the commitment under the asset-based lending credit facility (the "ABL Revolver") to \$250 million from \$200.0 million, and permits us to further increase the commitment amount up to \$300.0 million. The amendment also extends the maturity date from September 26, 2024 to February 17, 2027. The ABL Revolver bears interest at either the base rate or the Secured Overnight Financing Rate ("Term SOFR"), at our election, plus a margin of 0.25% or 0.50% in the case of base rate loans or 1.25% or 1.50% for Term SOFR advances (in each case based on a measure of availability under the ABL Credit Agreement). The amendment also allows for modification of specified fees depend upon achieving certain sustainability targets, in addition to making other modifications to the ABL Credit Agreement. Including outstanding letters of credit, our remaining availability under the ABL Revolver as of December 31, 2022 was \$244.2 million.

The ABL Revolver provides incremental revolving credit facility commitments of up to \$50.0 million. The terms and conditions of any incremental revolving credit facility commitments must be no more favorable than the terms of the ABL Revolver. The ABL Revolver also allows for the issuance of letters of credit of up to \$100.0 million in aggregate and borrowing of swingline loans of up to \$25.0 million in aggregate.

The ABL Credit Agreement contains a financial covenant requiring the satisfaction of a minimum of fixed charge coverage ratio of 1.0x in the event that we do not meet a minimum measure of availability under the ABL Revolver. The ABL Credit Agreement and the Term Loan Agreement contain restrictive covenants that, among other things, limit the ability of the Company and certain of our subsidiaries (subject to certain exceptions) to: (i) incur additional debt and issue preferred stock; (ii) pay dividends on, redeem or repurchase stock in an aggregate amount exceeding the greater of 2.0% of market capitalization per fiscal year or certain applicable restricted payment basket amounts; (iii) prepay subordinated debt; (iv) create liens; (v) make specified types of investments; (vi) apply net proceeds from certain asset sales; (vii) engage in transactions with affiliates; (viii) merge, consolidate or sell substantially all of our assets; and (ix) pay dividends and make other distributions from subsidiaries.

In December 2021, we entered into a new \$500 million, seven-year term loan facility due December 2028 (the "Term Loan") under our credit agreement (the "Term Loan Agreement"), dated as of December 14, 2021 with Royal Bank of Canada as the administrative agent and collateral agent thereunder. The Term Loan amortizes in quarterly principal payments of \$1.25 million starting on March 31, 2022, with any remaining unpaid balances due on the maturity date of December 14, 2028. The Term Loan bears interest at either the base rate (which approximates the prime rate) or the Eurodollar rate, plus a margin of (A) 1.25% in the case of base rate loans or (B) 2.25% in the case of Eurodollar rate loans. Proceeds from the Term Loan were used to refinance and repay in full all amounts outstanding under our previous term loan agreement. We intend to use the remaining funds for general corporate purposes, including acquisitions and other growth initiatives. As of December 31, 2022, we had \$489.2 million, net of unamortized debt issuance costs, due on our Term Loan.

Subject to certain exceptions, the Term Loan will be subject to mandatory prepayments of (i) 100% of the net cash proceeds from issuances or incurrence of debt by the Company or any of its restricted subsidiaries (other than with respect to certain permitted indebtedness (excluding any refinancing indebtedness); (ii) 100% (with step-downs to 50% and 0% based on achievement of specified net leverage ratios) of the net cash proceeds from certain sales or dispositions of assets by the Company or any of its restricted subsidiaries in excess of a certain amount and subject to reinvestment provision and certain other exception; and (iii) 50% (with step-downs to 25% and 0% based upon achievement of specified net leverage ratios) of excess cash flow of the Company and its restricted subsidiaries in excess of \$15.0 million, subject to certain exceptions and limitations.

All of the obligations under the Term Loan and ABL Revolver are guaranteed by all of the Company's existing restricted subsidiaries and will be guaranteed by the Company's future restricted subsidiaries. Additionally, all obligations under the Term Loan and ABL Revolver, and the guarantees of those obligations, are secured by substantially all of the assets of the Company and the guarantors, subject to certain exceptions and permitted liens, including a first-priority security interest in such assets that constitute ABL Priority Collateral, as defined in the ABL Credit Agreement, and a second-priority security interest in such assets that constitute Term Loan Priority Collateral, as defined in the Term Loan Agreement.

As of December 31, 2022, we were in compliance with all applicable covenants under the Term Loan Agreement, ABL Credit Agreement, and the Senior Notes.

Derivative Instruments

As of December 31, 2022, we had five total interest rate swaps including two forward interest rate swaps. For a summary of notional amounts, maturity dates and interest rates for each of these swaps, see Note 12, Derivatives and Hedging Activities, in Item 8, Financial Statements and Supplementary Data of this Form 10-K. Together, these five swaps serve to hedge \$400.0 million of the variable cash flows on our variable rate Term Loan through maturity. The assets and liabilities associated with the forward interest rate swap are included in other current and other non-current assets on the Consolidated Balance Sheets at their fair value amounts as described in Note 10, Fair Value Measurements, in Item 8, Financial Statements and Supplementary Data, of this Form 10-K.

LIBOR is used as a reference rate for our Term Loan and our interest rate swap agreements we use to hedge our interest rate exposure. For more information on the discontinuance of LIBOR, see Item 7A. Quantitative and Qualitative Disclosures about Market Risk, of this Form 10-K.

Vehicle and Equipment Notes

We have financing loan agreements with various lenders to provide financing for the purpose of purchasing or leasing vehicles and equipment used in the normal course of business. Vehicles and equipment purchased or leased under each financing arrangement serve as collateral for the note applicable to such financing arrangement. Regular payments are due under each note for a period of typically 60 consecutive months after the incurrence of the obligation.

Total outstanding loan balances relating to our master loan and equipment agreements were \$73.0 million and \$69.2 million as of December 31, 2022 and 2021, respectively. Depreciation of assets held under these agreements is included within cost of sales on the Consolidated Statements of Operations and Comprehensive Income. See Note 8, Long-Term Debt, in Item 8, Financial Statements and Supplementary Data of this Form 10-K for more information regarding our Master Loan and Security Agreement, Master Equipment Lease Agreement and Master Loan Agreements.

Letters of Credit and Bonds

We may use performance bonds to ensure completion of our work on certain larger customer contracts that can span multiple accounting periods. Performance bonds generally do not have stated expiration dates; rather, we are released from the bonds as the contractual performance is completed. In addition, we occasionally use letters of credit and cash to secure our performance under our general liability and workers' compensation insurance programs. Permit and license bonds are typically issued for one year and are required by certain municipalities when we obtain licenses and permits to perform work in their jurisdictions.

The following table summarizes our outstanding bonds, letters of credit and cash-collateral (in thousands):

	As of December 31, 2022
Performance bonds	\$ 104,220
Insurance letters of credit and cash collateral	68,475
Permit and license bonds	9,682
Total bonds and letters of credit	<u>\$ 182,377</u>

We have \$58.9 million included in our insurance letters of credit in the above table that are unsecured and therefore do not reduce total liquidity. As of December 31, 2022, we have \$1.6 million posted into a trust to serve as additional collateral for our workers' compensation and general liability policies. This collateral can be converted to a letter of credit at our discretion and is therefore not considered to be restricted cash.

Critical Accounting Estimates

Management's discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of our consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Certain accounting policies involve judgments and uncertainties to such an extent that there is a reasonable likelihood that materially

different amounts could have been reported using different assumptions or under different conditions. We evaluate our estimates and assumptions on a regular basis. We base our estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of our assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and assumptions used in preparation of our consolidated financial statements. We believe the following critical accounting estimate requires judgement and estimation in the preparation of our consolidated financial statements and to be fundamental to our results of operations. See Note 2, Significant Accounting Policies included in Item 8 of the Form 10-K for a summary of all of our significant accounting policies and their effect on our financial statements.

Revenue recognition

The majority of our revenues are recognized when we complete our contracts with customers to install building products and the control of the promised good or service is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. For contracts that are not complete at the reporting date, we recognize revenue over time utilizing a cost-to-cost input method as we believe this represents the best measure of when goods and services are transferred to the customer. When this method is used, we estimate the costs to complete individual contracts and record as revenue that portion of the total contract price that is considered complete based on the relationship of costs incurred to date to total anticipated costs. Under the cost-to-cost method, the use of estimated costs to complete each contract is a significant variable in the process of determining recognized revenue and can change throughout the duration of a contract due to contract modifications and other factors impacting job completion. Our cost estimation process is based on the knowledge, significant experience and judgement of project management, finance professionals and operational management to assess a variety of factors to determine revenues on uncompleted contracts. Such factors include historical performance, costs of materials and labor, change orders and the nature of the work to be performed. We generally review and reassess our estimates for each uncompleted contract at least quarterly to reflect the latest reliable information available. Changes in these estimates could favorably or unfavorably impact revenues and their related profits.

Goodwill Impairment

We performed an annual quantitative goodwill impairment test as of October 1, 2022 on our Distribution operating segment which we have determined is also a reporting unit. The estimate of the reporting unit's fair value was determined by placing a 75% weighting on a discounted cash flow model and a 25% weighting on market-related model using current industry information that involve significant unobservable inputs (Level 3 inputs). Based on the results of this evaluation, we concluded that there were no impairments of goodwill as the estimated fair value exceeded its carrying value. The estimated fair value exceeded the Distribution operating segment's carrying value by 8.6%. A 100 basis point change in the discount rate in our discounted cash flow model using our weighted system would not have resulted in an impairment for our Distribution operating segment, nor would reasonable changes in the weighting of each method. The estimates and assumptions used in the test are subject to uncertainty due to the professional judgments required. We performed a qualitative evaluation for our Installation and Manufacturing operating segments and determined that it was more likely than not that the fair value of these operating segments exceeded their carrying values.

Business combinations

We have recorded a significant amount of finite lived intangible assets associated with the acquisitions of businesses through our growth strategy. These intangible assets consist of customer relationships, backlog, non-competition agreements and business trademarks and trade names. Fair values and estimated useful lives are assigned to the identified intangible assets at the date of acquisition by financial professionals using either the income approach or the market approach along with certain industry information, professional experience and knowledge. In some instances, the process of assigning values and useful lives requires using judgment and other financial professionals may come to different conclusions. We review intangible assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when estimated future cash flows expected to result from the use of an asset and its eventual disposition are less than its carrying amount. When impairment is identified, the carrying amount of the asset is reduced to its estimated fair value. Impairment losses would negatively affect earnings.

We also record contingent consideration liabilities that arise from future earnout payments to the sellers associated with certain acquisitions and are based on predetermined calculations of certain future results. These future payments can require a significant amount of estimation by considering various factors, including business risk and projections. We have used various estimate techniques and also consult with a third party valuation expert in certain instances. The contingent consideration liabilities are measured at fair value by discounting estimated future payments to their net present value.

Insurance risks

We carry insurance policies for a number of risks, including, but not limited to, workers' compensation, general liability, vehicle liability, property and our obligation for employee-related health care benefits. Most of our insurance policies contain an element for which we assume a portion of the risk by having high deductibles or a large cap on claims. For a description of our different insurance programs, see Note 2, Significant Accounting Policies in Item 8, Financial Statements and Supplementary Data in this Form 10-K.

Our largest healthcare plan is partially self-funded with an insurance company paying benefits in excess of stop loss limits per individual/family. An accrual for estimated healthcare claims incurred but not reported ("IBNR") is included within accrued compensation on the Consolidated Balance Sheets and was \$3.8 million and \$3.3 million as of December 31, 2022 and 2021, respectively.

We participate in multiple workers' compensation plans covering a significant portion of our business. Under these plans, we use a high deductible program to cover losses above the deductible amount on a per claim basis. We accrue for the estimated losses occurring from both asserted and unasserted claims. Insurance claims and reserves include accruals of estimated settlements for known claims, as well as accruals of actuarial estimates of IBNR claims. In estimating these reserves, historical loss experience and judgments about the expected levels of costs per claim are considered. These claims are accounted for based on actuarial estimates of the undiscounted claims, including IBNR. We believe the use of actuarial methods to account for these liabilities provides a consistent and effective way to measure these highly judgmental accruals. As of December 31, 2022 and 2021, we estimated total short-term and long-term known and IBNR claims for workers' compensation to be \$23.7 million and \$21.4 million, respectively. As of December 31, 2022 and 2021, offsets of these liabilities were \$2.3 million and \$2.1 million, respectively, with insurance receivables and indemnification assets for claims under fully insured policies or claims that exceeded the stop loss limit.

We also participate in a high retention general liability insurance program and a high deductible auto insurance program. As of December 31, 2022 and 2021, general liability and auto insurance reserves included in other current and long-term liabilities were \$25.0 million and \$21.9 million, respectively. As of December 31, 2022 and 2021, offsets of these liabilities were \$5.3 million and \$3.9 million, respectively, with insurance receivables and indemnification assets for claims under fully insured policies or claims that exceeded the stop loss limit.

Liabilities relating to claims associated with these risks are estimated by considering historical claims experience, including frequency, severity, demographic factors and other actuarial assumptions. In estimating our liability for such claims, we periodically analyze our historical trends, including loss development, and apply appropriate loss development factors to the incurred costs associated with the claims with the assistance of external actuarial consultants. While we do not expect the amounts ultimately paid to differ significantly from our estimates, our reserves and corresponding expenses could be affected if future claim experience differs significantly from historical trends and actuarial assumptions.

We have not made any material changes in our methodology used to establish our insurance reserves during the years ended December 31, 2022 and 2021, and none of the adjustments to our estimates have been material.

Recent Accounting Pronouncements

For a description of recently issued and/or adopted accounting pronouncements, see Note 2, Significant Accounting Policies, in Item 8, Financial Statements and Supplementary Data, of this Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks related to fluctuations in interest rates on our outstanding variable rate debt. As of December 31, 2022, we had \$489.2 million outstanding on the Term Loan, net of unamortized debt issuance costs, no outstanding borrowings on the ABL Revolver and no outstanding borrowings under finance leases subject to variable interest rates. We had three active interest rate swaps which, when combined with our two forward interest rate swaps, serve to hedge \$400.0 million of the variable cash flows on our Term Loan until its maturity as of December 31, 2022. As a result, total variable rate debt of \$95.0 million was exposed to market risks as of December 31, 2022. A hypothetical one percentage point increase (decrease) in interest rates on our variable rate debt would increase (decrease) our annual interest expense by approximately \$1.0 million. Our Senior Notes accrued interest at a fixed rate of 5.75%.

For variable rate debt, interest rate changes generally do not affect the fair value of the debt instrument, but do impact future earnings and cash flows, assuming other factors are held constant. We have not entered into and currently do not hold derivatives for trading or speculative purposes.

LIBOR is used as a reference rate for our Term Loan and our interest rate swap agreements we use to hedge our interest rate exposure. In 2017, the Financial Conduct Authority (“FCA”), the authority that regulates LIBOR, announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. The Intercontinental Exchange Benchmark Administration, the administrator of LIBOR, announced in March 2021 its intention to extend the publication of certain LIBOR settings, including the setting we use as a reference rate, to June 2023, and it is unclear whether new methods of calculating LIBOR will be established after that point. Our Term Loan Agreement and interest rate swap agreements include a provision related to the discontinuance of LIBOR to be replaced with one or more Secured Overnight Financing Rate (“SOFR”) values or another alternative benchmark rate. However, when LIBOR ceases to exist after June 2023, the interest rates under the alternative rate could be higher than LIBOR. During the year ended December 31, 2022, we adopted ASU 2022-06, Reference Rate Reform: Deferral of the Sunset Date of Topic 848 (Topic 848) which extends the sunset date of previous adopted guidance under ASU 2020-04 to December 31, 2024. The purpose of the guidance is to provide relief for impacted areas as it relates to impending reference rate reform. We elected to apply the hedge accounting expedients related to probability and the assessments of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives. Application of these expedients preserves the presentation of derivatives consistent with past presentation.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Installed Building Products, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Installed Building Products, Inc. (the “Company”) as of December 31, 2022 and 2021, the related consolidated statements of operations and comprehensive income, stockholders’ equity, and cash flows, for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 22, 2023, expressed an unqualified opinion on the Company’s internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Goodwill, Distribution Reporting Unit - Refer to Notes 2 and 7 to the financial statements

Critical Audit Matter Description

The Company’s evaluation of goodwill for impairment involves comparing the carrying value of each reporting unit to the estimated fair value of the reporting unit. The Company’s determination of estimated fair value of the reporting unit is determined by considering both the market approach and the income approach. The determination of the estimated fair value requires management to make significant estimates and assumptions related to the valuation of the reporting unit. Changes in these assumptions could have a significant impact on either the fair value of the reporting unit, the amount of any goodwill impairment charge, or both. The Company’s consolidated goodwill balance was \$373.6 million as of December 31, 2022, of which \$83.9 million was allocated to the Distribution reporting unit, which is the reporting unit that exhibits significant sensitivity to changes in estimates and assumptions given the limited cushion between the carrying value and estimated fair value. As of December 31, 2022, the estimated fair value of the Distribution reporting unit exceeded its carrying value by approximately 8.6%.

We identified the valuation of goodwill for the Distribution reporting unit as a critical audit matter because of the significant assumptions made by management to estimate its fair value. Those assumptions included revenue growth rates, forecasted EBITDA, and the selection of the discount rate. Our performance of audit procedures to evaluate the assumptions required a high degree of auditor judgment and an increased extent of audit effort, including the involvement of our fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to testing the fair value of the Distribution reporting unit focused on revenue growth rates, forecasted EBITDA, and the selection of the discount rate and included the following procedures, among others:

- We tested the effectiveness of controls over management’s goodwill impairment evaluation, including those over the determination of the fair value of the Distribution reporting unit, such as controls related to the revenue growth rates, forecasted EBITDA, and the selection of an appropriate discount rate.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the long-term growth rate, including testing the source information underlying the determination of the long-term growth rate, testing the mathematical accuracy of the calculation, and developing a range of independent estimates and comparing those to the long-term growth rate selected by management.
- We assessed the reasonableness of management’s forecast by comparing the forecasted revenue growth rates and forecasted EBITDA information used in the Distribution reporting units historical results and internal communications to management and the board of directors, as well as comparing the forecasted revenue growth rates to peer company and industry historical revenue growth rates and forecasts.
- We considered the impact of changes in the regulatory environment on management’s forecasts of the revenue growth rates.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the discount rate, including testing the source information underlying the determination of the discount rate, testing the mathematical accuracy of the calculation, and developing a range of independent estimates and comparing those to the discount rate selected by management.

/s/ Deloitte & Touche LLP

Columbus, Ohio
February 22, 2023

We have served as the Company’s auditor since 2013.

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

	As of December 31,	
	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 229,627	\$ 333,485
Accounts receivable (less allowance for credit losses of \$9,549 and \$8,717 at December 31, 2022 and 2021, respectively)	397,222	312,767
Inventories	176,629	143,039
Prepaid expenses and other current assets	80,933	70,025
Total current assets	884,411	859,316
Property and equipment, net	118,774	105,933
Operating lease right-of-use assets	76,174	69,871
Goodwill	373,555	322,517
Customer relationships, net	192,328	178,264
Other intangibles, net	91,145	86,157
Other non-current assets	42,545	31,144
Total assets	\$ 1,778,932	\$ 1,653,202
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt	\$ 30,983	\$ 30,839
Current maturities of operating lease obligations	26,145	23,224
Current maturities of finance lease obligations	2,508	1,747
Accounts payable	149,186	132,705
Accrued compensation	51,608	50,964
Other current liabilities	67,631	68,090
Total current liabilities	328,061	307,569
Long-term debt	830,171	832,193
Operating lease obligations	49,789	46,075
Finance lease obligations	6,397	3,297
Deferred income taxes	28,458	4,819
Other long-term liabilities	42,557	42,409
Total liabilities	1,285,433	1,236,362
Commitments and contingencies (Note 17)		
Stockholders' equity		
Preferred Stock; \$0.01 par value: 5,000,000 authorized and 0 shares issued and outstanding at December 31, 2022 and 2021, respectively	—	—
Common stock; \$0.01 par value: 100,000,000 authorized, 33,429,557 and 33,271,659 issued and 28,306,482 and 29,706,401 shares outstanding at December 31, 2022 and 2021, respectively	334	333
Additional paid in capital	228,827	211,430
Retained earnings	513,095	352,543
Treasury stock; at cost: 5,123,075 and 3,565,258 shares at December 31, 2022 and 2021, respectively	(289,317)	(147,239)
Accumulated other comprehensive income (loss)	40,560	(227)
Total stockholders' equity	493,499	416,840
Total liabilities and stockholders' equity	\$ 1,778,932	\$ 1,653,202

See accompanying notes to consolidated financial statements

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

	Years ended December 31,		
	2022	2021	2020
Net revenue	\$ 2,669,844	\$ 1,968,650	\$ 1,653,225
Cost of sales	1,842,060	1,379,131	1,143,251
Gross profit	827,784	589,519	509,974
Operating expenses			
Selling	119,031	93,204	81,613
Administrative	335,688	272,391	238,147
Gains on acquisition earnouts	(16,109)	(1,035)	(188)
Amortization	43,763	37,079	28,535
Operating income	345,411	187,880	161,867
Other expense			
Interest expense, net	41,574	32,842	30,291
Other expense (income)	530	(437)	399
Income before income taxes	303,307	155,475	131,177
Income tax provision	79,879	36,712	33,938
Net income	<u>\$ 223,428</u>	<u>\$ 118,763</u>	<u>\$ 97,239</u>
Other comprehensive gain (loss), net of tax:			
Net change in cash flow hedges, net of tax (provision) benefit of \$(14,381), \$(2,773) and \$550 for the twelve months ended December 31, 2022, 2021 and 2020, respectively	40,787	8,536	(1,620)
Comprehensive income	<u>\$ 264,215</u>	<u>\$ 127,299</u>	<u>\$ 95,619</u>
Earnings Per Share:			
Basic	\$ 7.78	\$ 4.04	\$ 3.30
Diluted	\$ 7.74	\$ 4.01	\$ 3.27
Weighted average shares outstanding:			
Basic	28,708,166	29,367,676	29,504,115
Diluted	28,869,501	29,628,527	29,717,609
Cash dividends declared per share	\$ 2.16	\$ 1.20	\$ —

See accompanying notes to consolidated financial statements

INSTALLED BUILDING PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share amounts)

	Common Stock		Additional Paid In Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive (Loss) Income	Stockholders' Equity
	Shares	Amount			Shares	Amount		
BALANCE—January 1, 2020	32,871,504	\$ 329	\$ 190,230	\$ 173,371	(2,855,164)	\$ (106,756)	\$ (7,143)	\$ 250,031
Net income				97,239				97,239
Cumulative effect of accounting change				(1,190)				(1,190)
Issuance of common stock awards to employees	264,004	2	(2)					—
Surrender of common stock awards					(30,223)	(973)		(973)
Share-based compensation expense			9,286					9,286
Share-based compensation issued to directors	6,371		333					333
Common stock repurchase					(633,220)	(33,924)		(33,924)
Net change in cash flow hedges, net of tax							(1,620)	(1,620)
BALANCE—January 1, 2021	33,141,879	\$ 331	\$ 199,847	\$ 269,420	(3,518,607)	\$ (141,653)	\$ (8,763)	\$ 319,182
Net income				118,763				118,763
Issuance of common stock awards to employees	125,550	2	(2)					—
Surrender of common stock awards					(46,651)	(5,586)		(5,586)
Share-based compensation expense			11,118					11,118
Share-based compensation issued to directors	4,230		467					467
Dividends Declared (\$1.20 per share)				(35,640)				(35,640)
Net change in cash flow hedges, net of tax							8,536	8,536
BALANCE—January 1, 2022	33,271,659	\$ 333	\$ 211,430	\$ 352,543	(3,565,258)	\$ (147,239)	\$ (227)	\$ 416,840
Net income				223,428				223,428
Issuance of common stock awards to employees	112,389	1	(1)					—
Surrender of common stock awards					(55,183)	(4,522)		(4,522)
Share-based compensation expense			12,851					12,851
Share-based compensation issued to directors	6,305		547					547
Issuance of awards previously classified as liability awards	39,204		4,000					4,000
Dividends Declared (\$2.16 per share)				(62,876)				(62,876)
Common stock repurchase					(1,502,634)	(137,556)		(137,556)
Net change in cash flow hedges, net of tax							40,787	40,787
BALANCE—December 31, 2022	33,429,557	\$ 334	\$ 228,827	\$ 513,095	(5,123,075)	\$ (289,317)	\$ 40,560	\$ 493,499

See accompanying notes to consolidated financial statements

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

	Years ended December 31,		
	2022	2021	2020
Cash flows from operating activities			
Net income	\$ 223,428	\$ 118,763	\$ 97,239
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization of property and equipment	47,283	43,562	41,339
Amortization of operating lease right-of-use assets	26,631	22,258	18,122
Amortization of intangibles	43,763	37,079	28,535
Amortization of deferred financing costs and debt discount	1,912	1,354	1,332
Provision for credit losses	4,129	2,227	4,444
Write-off of debt issuance costs	—	1,767	—
Gain on sale of property and equipment	(1,419)	(1,840)	(786)
Noncash stock compensation	13,816	13,752	10,826
Gains on acquisition earnouts	(16,109)	(1,035)	(188)
Deferred income taxes	7,066	(438)	(8,475)
Other, net	(91)	3,223	1,326
Changes in assets and liabilities, excluding effects of acquisitions			
Accounts receivable	(76,486)	(16,775)	(10,489)
Inventories	(16,495)	(54,003)	187
Proceeds from termination of interest rate swap agreements	25,462	—	—
Other assets	(2,586)	(19,885)	(870)
Accounts payable	9,623	26,424	(203)
Income taxes receivable/payable	3,207	(4,403)	4,296
Other liabilities	(15,230)	(33,716)	(5,846)
Net cash provided by operating activities	<u>277,904</u>	<u>138,314</u>	<u>180,789</u>
Cash flows from investing activities			
Purchases of investments	(344,388)	—	(776)
Maturities of short term investments	345,000	—	38,693
Purchases of property and equipment	(45,646)	(36,979)	(33,587)
Acquisitions of businesses, net of cash acquired of \$523, \$1,707 and \$0 in 2022, 2021 and 2020, respectively	(113,536)	(241,308)	(76,446)
Proceeds from sale of property and equipment	1,958	2,694	1,187
Other	(2,057)	(2,846)	(6,865)
Net cash used in investing activities	<u>\$ (158,669)</u>	<u>\$ (278,439)</u>	<u>\$ (77,794)</u>

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

	Years ended December 31,		
	2022	2021	2020
Cash flows from financing activities			
Proceeds from term loan (Note 8)	\$ —	\$ 500,000	\$ —
Payments on term loan (Note 8)	(5,000)	(200,000)	—
Proceeds from vehicle and equipment notes payable	30,940	27,834	21,290
Debt issuance costs	(655)	(7,520)	(157)
Principal payments on long-term debt	(30,173)	(26,301)	(26,685)
Principal payments on finance lease obligations	(2,306)	(2,125)	(2,632)
Acquisition-related obligations	(11,150)	(8,918)	(6,283)
Dividends paid	(62,671)	(35,294)	—
Repurchase of common stock	(137,556)	—	(33,924)
Surrender of common stock awards by employees	(4,522)	(5,586)	(973)
Net cash (used in) provided by financing activities	(223,093)	242,090	(49,364)
Net change in cash and cash equivalents	(103,858)	101,965	53,631
Cash and cash equivalents at beginning of period	333,485	231,520	177,889
Cash and cash equivalents at end of period	<u>\$ 229,627</u>	<u>\$ 333,485</u>	<u>\$ 231,520</u>
Supplemental disclosures of cash flow information			
Net cash paid during the period for:			
Interest	\$ 40,278	\$ 25,976	\$ 26,324
Income taxes, net of refunds	69,076	39,241	37,072
Supplemental disclosure of noncash activities			
Right-of-use assets obtained in exchange for operating lease obligations	\$ 32,677	\$ 38,084	\$ 26,001
Release of indemnification of acquisition-related debt	980	2,036	—
Property and equipment obtained in exchange for finance lease obligations	6,241	2,735	1,000
Seller obligations in connection with acquisition of businesses	26,978	29,169	14,086
Unpaid purchases of property and equipment included in accounts payable	935	441	1,013

See accompanying notes to consolidated financial statements

INSTALLED BUILDING PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION

Installed Building Products (“IBP”), a Delaware corporation formed on October 28, 2011, and its wholly-owned subsidiaries (collectively referred to as the “Company,” and “we,” “us” and “our”) primarily install insulation, 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 operates in over 230 locations and its corporate office is located in Columbus, Ohio.

In the first quarter of 2022, we realigned our operating segments to reflect recent changes in our business. We have three operating segments consisting of our Installation, Manufacturing and Distribution operations. See Note 11, Information on Segments, for further information.

The vast majority of our sales originate from our one reportable segment, Installation. Substantially all of our Installation segment sales are derived from the service-based installation of various products in the residential new construction, repair and remodel and commercial construction end markets from our national network of branch locations. Each of our installation branches has the capacity to serve all of our end markets. See Note 3, Revenue Recognition, for information on our revenues by product and end market.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The accompanying consolidated financial statements include all of our wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated.

Reclassifications

The change in reportable segments described in Note 1, Organization and Note 11, Information on Segments, requires certain prior year disclosures in Note 3, Revenue Recognition and Note 7, Goodwill and Intangibles to be recast to conform to the current year presentation. We expanded the presentation of our administrative operating expenses to separately present our gains on acquisition earnouts in the Consolidated Statements of Operation and Comprehensive Income in this Form 10-K. This expansion resulted in the presentation of \$1.0 million and \$0.2 million of gains on acquisition earnouts for the years ended December 31, 2021 and 2020, respectively, and a corresponding increase in administrative operating expenses as compared to the Form 10-K for the previous two years.

Use of Estimates

Preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates, judgements and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Management believes the accounting estimates are appropriate and reasonably determined; however, due to the inherent uncertainties in making these estimates, actual amounts could differ from such estimates.

Cash and Cash Equivalents

We consider all highly-liquid investments purchased with original term to maturity of three months or less to be cash equivalents. Substantially all cash is held in banks providing FDIC coverage of \$0.25 million per depositor.

Revenue and Cost Recognition

Our revenues are disaggregated between our Installation reportable segment and our Other category which includes our Manufacturing and Distribution operating segments. The reconciliation of the disaggregation of revenue is included in Note 11, Information on Segments.

Revenues for our Installation operating segment are derived primarily through contracts with customers whereby we install insulation and other complementary building products and are recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. We account for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

INSTALLED BUILDING PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

We offer assurance-type warranties on certain of our installed products and services that do not represent a separate performance obligation and, as such, do not impact the timing or extent of revenue recognition.

For contracts that are not complete at the reporting date, we recognize revenue over time utilizing a cost-to-cost input method as we believe this represents the best measure of when goods and services are transferred to the customer. When this method is used, we estimate the costs to complete individual contracts and record as revenue that portion of the total contract price that is considered complete based on the relationship of costs incurred to date to total anticipated costs. Under the cost-to-cost method, the use of estimated costs to complete each contract is a significant variable in the process of determining recognized revenue, requires judgment and can change throughout the duration of a contract due to contract modifications and other factors impacting job completion. The costs of earned revenue include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools and repairs. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

Our long-term contracts can be subject to modification to account for changes in contract specifications and requirements. We consider contract modifications to exist when the modification either creates new, or changes the existing, enforceable rights and obligations. Most of our contract modifications are for goods or services that are not distinct from the existing contract due to the significant integration service provided in the context of the contract and are accounted for as if they were part of that existing contract. The effect of a contract modification on the transaction price and our measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue (either as an increase in or a reduction of revenue) on a cumulative catch-up basis.

Payment terms typically do not exceed 30 days for short-term contracts and typically do not exceed 60 days for long-term contracts with customers. All contracts are billed either contractually or as work is performed. Billing on our long-term contracts occurs primarily on a monthly basis throughout the contract period whereby we submit invoices for customer payment based on actual or estimated costs incurred during the billing period. On certain of our long-term contracts the customer may withhold payment on an invoice equal to a percentage of the invoice amount, which will be subsequently paid after satisfactory completion of each installation project. This amount is referred to as retainage and is common practice in the construction industry, as it allows for customers to ensure the quality of the service performed prior to full payment. Retainage receivables are classified as current or long-term assets based on the expected time to project completion. See "Accounts Receivable" below for further discussion of our retainage receivables.

Revenues for our Distribution and Manufacturing operating segments included in the Other category are accounted for on a point-in-time basis when the sale occurs, adjusted accordingly for any return provisions. Sales taxes are not included in revenue as we act as a conduit for collecting and remitting sales taxes to the appropriate government authorities. The point-in-time recognition is when we transfer the promised products to the customer and the customer obtains control of the products depending upon the agreed upon terms in the contract.

We generally expense all sales commissions and other incremental costs of obtaining a contract when incurred because the amortization period is usually one year or less. Sales commissions are recorded within selling expenses on the Consolidated Statements of Operations and Comprehensive Income.

We do not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less.

Derivative Instruments and Hedging Activities

We record all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether we have elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the earnings effect of the hedged forecasted transactions in a cash flow hedge. We may enter into derivative contracts that are intended to economically hedge certain of our risks, even though hedge accounting does not apply or we elect not to apply hedge accounting. See Note 12, Derivatives and Hedging Activities, for additional information on our accounting policy for derivative instruments and hedging activities.

INSTALLED BUILDING PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Business Combinations

The purchase price for business combinations is allocated to the estimated fair values of acquired tangible and intangible assets, including goodwill and assumed liabilities, where applicable. Additionally, we recognize customer relationships, trademarks and trade names, backlog and non-competition agreements as identifiable intangible assets. These assets are recorded at fair value as of the transaction date. The fair value of these intangibles is determined using either the income approach or the market approach using current industry information which involves significant unobservable inputs (Level 3 inputs). These inputs include projected sales, margin and tax rate. Contingent consideration is recorded at fair value at the acquisition date and any subsequent adjustments to these fair values would be recorded in earnings.

At times, the total purchase price for a business combination could be less than the estimated fair values of acquired tangible and intangible assets. In these cases, we record a gain on bargain purchase within other expenses in the Consolidated Statements of Operations and Comprehensive Income rather than goodwill in accordance with U.S. GAAP.

Accounts Receivable

We account for trade receivables based on amounts billed to customers. Past due receivables are determined based on contractual terms. We do not accrue interest on any of our trade receivables.

Retainage receivables represent the amount retained by our customers to ensure the quality of the installation and is received after satisfactory completion of each installation project. Management regularly reviews aging of retainage receivables and changes in payment trends and records an allowance when collection of amounts due are considered at risk. Amounts retained by project owners under construction contracts and included in accounts receivable were \$49.8 million and \$40.5 million as of December 31, 2022 and 2021, respectively. In addition, as of December 31, 2022 and 2021, \$1.0 million and \$0.5 million of long-term retainage receivables were recorded in other non-current assets, respectively.

Accounts receivable are presented net of our allowance for credit losses. Credit losses are measured according to ASC 326, "Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments." We consider multiple factors to estimate expected credit losses for financial instruments, including trade receivables, retainage receivables and contract assets (unbilled receivables).

Our expected loss allowance methodology for accounts receivable is developed using historical losses, current economic conditions and current credit quality. We perform ongoing evaluations of our existing and potential customer's creditworthiness. See Note 4, Credit Losses, for additional information.

Concentration of Credit Risk

Credit risk is our risk of financial loss from the non-performance of a contractual obligation on the part of our counterparty. Such risk arises principally from our receivables from customers and cash and bank balances. Substantially all of our trade accounts receivable are from entities engaged in residential and commercial construction. We perform periodic credit evaluations of our customers' financial condition. The general credit risk of our counterparties is not considered to be significant. In addition, no individual customer made up more than 3% of accounts receivable or 5% of net revenue for the years ended December 31, 2022, 2021 and 2020.

Inventories

Inventories consist of insulation, waterproofing materials, fireproofing and fire-stopping materials, garage doors, rain gutters, window blinds, shower doors, mirrors, closet shelving and other products. We value inventory at each balance sheet date to ensure that it is carried at the lower of cost or net realizable value with cost determined using the first-in, first-out ("FIFO") method. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable cost of completion, disposal and transportation. As of December 31, 2022 and 2021, substantially all inventory was finished goods. Inventory provisions are recorded to reduce inventory to the lower of cost or net realizable value for obsolete or slow moving inventory based on assumptions about future demand and marketability of products, the impact of new product introductions, inventory levels and turns, product spoilage, and specific identification of items such as product discontinuance, engineering/material changes, or regulatory-related changes.

INSTALLED BUILDING PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. We provide for depreciation and amortization of property and equipment using the straight-line method over the expected useful lives of the assets. Expected useful lives of property and equipment vary but generally are the shorter of lease life or five years for vehicles and leasehold improvements, three to five years for furniture, fixtures and equipment and 30 years for buildings.

Major renewals and improvements are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is recorded. These assets are regularly reviewed for possible impairment if there are indicators that their carrying amounts are not recoverable.

Goodwill

Goodwill results from business combinations and represents the excess of the purchase price over the fair value of acquired tangible assets and liabilities and identifiable intangible assets. Annually, on October 1, or if conditions indicate an earlier review is necessary, we perform our goodwill impairment testing to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. As described in Note 1, Organization and Note 11, Information on Segments, we realigned our operating segments in 2022 to reflect recent changes in our business. We have determined that our reporting units are at the operating segment level.

The estimate of a reporting unit's fair value is determined by weighting a discounted cash flow model and a market-related model using current industry information that involve significant unobservable inputs (Level 3 inputs). In determining the estimated future cash flow, we consider and apply certain estimates and judgments using our historical knowledge, external valuation experts, current market trends and other information. These estimates and judgments include current and projected future levels of income based on management's plans, business trends, prospects, market and economic conditions and market-participant considerations. An impairment charge is recognized for the amount by which the carrying value exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to each reporting unit.

Impairment of Other Intangible and Long-Lived Assets

Other intangible assets consist of customer relationships, backlog, non-competition agreements and business trademarks and trade names. Amortization of finite lived intangible assets is recorded to reflect the pattern of economic benefits based on projected revenues over their respective estimated useful lives (customer relationships – eight to 15 years, backlog – 12 to 36 months, non-competition agreements – one to five years and business trademarks and trade names – two to 15 years). We do not have any indefinite-lived intangible assets other than goodwill.

We review long-lived assets and intangible assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when estimated future cash flows expected to result from the use of an asset and its eventual disposition are less than its carrying amount. When impairment is identified, the carrying amount of the asset is reduced to its estimated fair value. Assets to be disposed of are recorded at the lower of net book value or fair net realizable value less cost to sell at the date management commits to a plan of disposal. There was no impairment loss for the years ended December 31, 2022, 2021, and 2020.

Other Liabilities

Our workers' compensation insurance program, for a significant portion of our business, is considered a high deductible program whereby we are responsible for the cost of claims under approximately \$0.8 million. Our general liability insurance program is considered a high retention program whereby we are responsible for the cost of claims up to approximately \$5.0 million, subject to an aggregate cap of \$10.0 million. Our vehicle liability insurance program is considered a high deductible program whereby we are responsible for the cost of claims under approximately \$1.0 million. In each case, if we do not pay these claims, our insurance carriers are required to make these payments to the claimants on our behalf. The liabilities represent our best estimate of our costs, using generally accepted actuarial reserving methods, of the ultimate obligations for reported claims plus those incurred but not reported for all claims incurred through December 31, 2022 and 2021. We establish case reserves for reported claims using case-basis evaluation of the underlying claims data and we update as information becomes known. We regularly monitor the potential for changes in estimates, evaluate our insurance accruals and adjust our recorded provisions.

INSTALLED BUILDING PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The assumptions underlying the ultimate costs of existing claim losses are subject to a high degree of unpredictability, which can affect the liability recorded for such claims. For example, variability in inflation rates of health care costs inherent in workers' compensation claims can affect the ultimate costs. Similarly, changes in legal trends and interpretations, as well as a change in the nature and method of how claims are settled, can affect ultimate costs. Our estimates of liabilities incurred do not anticipate significant changes in historical trends for these variables and any changes could have a considerable effect on future claim costs and currently recorded liabilities.

We carry insurance for a number of risks, including, but not limited to, workers' compensation, general liability, vehicle liability, property and our obligation for employee-related health care benefits. Liabilities relating to claims associated with these risks are estimated by considering historical claims experience, including frequency, severity, demographic factors and other actuarial assumptions. In estimating our liability for such claims, we periodically analyze our historical trends, including loss development, and apply appropriate loss development factors to the incurred costs associated with the claims with the assistance of external actuarial consultants. While we do not expect the amounts ultimately paid to differ significantly from our estimates, our reserves and corresponding expenses could be affected if future claim experience differs significantly from historical trends and actuarial assumptions.

Treasury Stock

Repurchases of our common stock are recorded at cost and classified as Treasury Stock on our Consolidated Balance Sheets. As of December 31, 2022, we have not re-issued any of our treasury stock, but may do so periodically.

Advertising Costs

Advertising costs are generally expensed as incurred. Advertising expense was approximately \$4.9 million, \$4.6 million, and \$3.9 million for the years ended December 31, 2022, 2021 and 2020, respectively. These costs are included in selling expense on the Consolidated Statements of Operations and Comprehensive Income.

Deferred Financing Costs

Deferred financing costs and debt issuance costs combined, totaling \$10.2 million and \$11.4 million, net of accumulated amortization as of December 31, 2022 and 2021, respectively, are amortized over the term of the related debt on a straight-line basis which approximates the effective interest method. The deferred financing costs are included in other non-current assets while the debt issuance costs are included in long-term debt on the Consolidated Balance Sheets as of December 31, 2022 and 2021, respectively. The related amortization expense of these costs combined was \$1.9 million, \$1.4 million and \$1.3 million and is included in interest expense, net on the Consolidated Statements of Operations and Comprehensive Income for the years ended December 31, 2022, 2021 and 2020, respectively.

We wrote off \$0.2 million in previously capitalized loan costs during the year ended December 31, 2021. In addition, we expensed loan costs of approximately \$1.6 million for the year ended December 31, 2021 associated with our credit facilities because they did not meet the requirements for capitalization. We had no such write offs or expenses during the years ended December 31, 2022 or 2020. These amounts are included in interest expense, net on the Consolidated Statements of Operations and Comprehensive Income. We also had \$0.7 million and \$7.5 million in new costs associated with the debt-related financing transactions incurred during the years ended December 31, 2022 and 2021. The deferred financing costs are included in other non-current assets while the debt issuance costs are included in long-term debt on the Consolidated Balance Sheets. These costs are amortized over the term of the related debt on a straight-line basis which approximates the effective interest method.

For additional information on our debt instruments, see Note 8, Long-Term Debt.

Leases

Leases are measured according to ASC 842, "Leases," which requires substantially all leases, with the exception of leases with a term of one year or less, to be recorded as a lease liability measured as the present value of the future lease payments with a corresponding right-of-use asset. ASC 842 also requires disclosures designed to give financial statement users information on the amount, timing and uncertainty of cash flows.

We determine if an arrangement is a lease at inception. Most of our operating leases do not provide an implicit rate so we use our incremental borrowing rate based on the information available at the commencement date to determine the present value of future payments. Leases with an initial term of 12 months or less are not recorded on the balance sheet as we recognize lease expense for these leases on a straight-line basis over the lease term. We elect to not separate lease components from non-lease

INSTALLED BUILDING PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

components for all fixed payments, and we exclude variable lease payments in the measurement of right-of-use assets and lease obligations.

Most lease agreements include one or more renewal options, all of which are at our sole discretion. Generally, future renewal options that have not been executed as of the balance sheet date are excluded from right-of-use assets and related lease liabilities. Certain leases also include options to purchase the leased property. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. Some of our vehicle lease agreements include provisions for residual value guarantees and any expected payment is included in our lease liability.

Share-Based Compensation

Our share-based compensation program is designed to attract and retain employees while also aligning employees' interests with the interests of our stockholders. Restricted stock awards are periodically granted to certain employees, officers and non-employee members of our board of directors under the stockholder-approved 2014 Omnibus Incentive Plan.

Certain of our stock awards are deemed to be equity-based with a service condition and do not contain a market or performance condition with the exception of performance-based awards granted to certain officers and performance-based stock units. Fair value of the non-performance-based awards to employees and officers is measured at the grant date and amortized to expense over the vesting period of the awards using the straight-line attribution method for all service-based awards with a graded vesting feature. This fair value is reduced by assumed forfeitures and adjusted for actual forfeitures until vesting. We also issue performance-based stock awards to certain officers under our 2014 Omnibus Incentive Plan. The performance-based compensation expense is recorded over the requisite service period using the graded-vesting method for the entire award. Performance-based stock awards are accounted for at fair value at date of grant. We also periodically grant performance-based stock units to certain employees under the stockholder-approved 2014 Omnibus Incentive Plan. These units convert to shares upon meeting time- and performance-based requirements.

Compensation expense for performance-based stock units is recorded based on an assessment each reporting period of the probability that certain performance goals will be met during the contingent vesting period. If performance goals are not probable to occur, no compensation expense will be recognized. If performance goals that were previously deemed probable are not or are not expected to be met, the previously recognized compensation cost related to such performance goals will be reversed. Employees and officers are subject to tax at the vesting date based on the market price of the shares on that date, or on the grant date if an election is made.

Income Taxes

We account for income taxes using the asset and liability method. Under this method, the amount of taxes currently payable or refundable are accrued and deferred tax assets and liabilities are recognized for the estimated future tax consequences of temporary differences that currently exist between the tax basis and financial reporting basis of our assets and liabilities.

Valuation allowances are established against deferred tax assets when it is more likely than not that the realization of those deferred tax assets will not occur. In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, the ability to produce future taxable income, prudent and feasible tax planning strategies and recent financial operations. In projecting future taxable income, we factor in historical results and changes in accounting policies and incorporate assumptions, including the amount of future federal and state pretax operating income, the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates we use to manage the underlying businesses.

Deferred tax assets and liabilities are measured using the enacted tax rates in effect in the years when those temporary differences are expected to reverse. The effect on deferred taxes from a change in tax rate is recognized through operations in the period that includes the enactment date of the change. Changes in tax laws and rates could also affect recorded deferred tax assets and liabilities in the future.

A tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Income tax positions must meet a more likely than not recognition threshold to be recognized.

INSTALLED BUILDING PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

We recognize tax liabilities for uncertain tax positions and adjust these liabilities when our judgment changes as a result of the evaluation of new information not previously available. Liabilities related to uncertain tax positions are recorded in other long-term liabilities on the Consolidated Balance Sheets. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense and the effective tax rate in the period in which the new information becomes available. Interest and penalties related to unrecognized tax benefits are recognized within income tax expense in the Consolidated Statements of Operations and Comprehensive Income. Accrued interest and penalties are recognized in other current liabilities on the Consolidated Balance Sheets.

Our income tax expense, deferred tax assets and liabilities and reserves for unrecognized tax benefits reflect management's best assessment of estimated future taxes to be paid. We are subject to income taxes in the United States, which includes numerous state and local jurisdictions. Significant judgments and estimates are required in determining the income tax expense, deferred tax assets and liabilities and the reserve for unrecognized tax benefits.

Estimated Fair Value of Financial Instruments

See Note 10, Fair Value Measurements, for related accounting policies.

Recently Adopted Accounting Pronouncements

Standard	Effective Date	Adoption
ASU 2022-06, Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848	December 21, 2022	This pronouncement amends ASU 2020-04 which provides temporary optional expedients and exceptions to certain transactions affected by reference rate reform. ASU 2022-06 defers the sunset date of applying ASU 2020-04 to December 31, 2024. We continue to evaluate whether to apply the optional guidance on an ongoing basis but do not expect it to have a material impact on our consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

We are currently evaluating the impact of certain ASUs on our Consolidated Financial Statements or Notes to Consolidated Financial Statements, which are described below:

Standard	Description	Effective Date	Effect on the financial statements or other significant matters
ASU 2021-08, Business Combinations (Topic 805): Accounting for contract assets and contract liabilities from contracts with customers	This pronouncement amends Topic 805 to require an acquirer to account for revenue contracts in a business combination in accordance with Topic 606 as if the acquirer had originated the contracts.	Annual periods beginning after December 15, 2022, including interim periods therein. Early adoption is permitted.	The Company will adopt and apply the guidance as prescribe by this ASU to future business combinations that occur after the effective date. This will not materially affect our consolidated financial statements.

INSTALLED BUILDING PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 – REVENUE RECOGNITION

We disaggregate our revenue from contracts with customers for our Installation segment by end market and product, as we believe it best depicts how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors. Revenues for the Other category are presented net of intercompany sales in the tables below. The following tables present our net revenues disaggregated by end market and product (in thousands):

	Years ended December 31,					
	2022		2021		2020	
Residential new construction	\$ 1,980,253	74 %	\$ 1,488,674	76 %	\$ 1,230,955	75 %
Repair and remodel	151,761	6 %	121,594	6 %	106,486	6 %
Commercial	381,543	14 %	331,275	17 %	298,920	18 %
Net revenue, Installation	\$ 2,513,557	94 %	\$ 1,941,543	99 %	\$ 1,636,361	99 %
Other ⁽¹⁾	156,287	6 %	27,107	1 %	16,864	1 %
Net revenue, as reported	\$ 2,669,844	100 %	\$ 1,968,650	100 %	\$ 1,653,225	100 %

	Years ended December 31,					
	2022		2021		2020	
Insulation	\$ 1,611,037	61 %	\$ 1,235,583	63 %	\$ 1,041,453	63 %
Shower doors, shelving and mirrors	172,979	7 %	138,797	7 %	117,131	7 %
Garage doors	168,800	6 %	108,675	6 %	93,516	6 %
Waterproofing	124,808	5 %	130,924	6 %	122,962	7 %
Rain gutters	114,022	4 %	86,406	4 %	62,672	4 %
Fireproofing/firestopping	63,498	2 %	59,381	3 %	49,648	3 %
Window blinds	61,295	2 %	50,255	3 %	46,984	3 %
Other building products	197,118	7 %	131,522	7 %	101,995	6 %
Net revenues, Installation	\$ 2,513,557	94 %	\$ 1,941,543	99 %	\$ 1,636,361	99 %
Other ⁽¹⁾	156,287	6 %	27,107	1 %	16,864	1 %
Net revenue, as reported	\$ 2,669,844	100 %	\$ 1,968,650	100 %	\$ 1,653,225	100 %

⁽¹⁾ Net revenue for manufacturing operations are included in the Other category for all periods presented to conform with our change in composition of operating segments.

Contract Assets and Liabilities

Our contract assets consist of unbilled amounts typically resulting from sales under contracts when the cost-to-cost method of revenue recognition is utilized and revenue recognized, based on costs incurred, exceeds the amount billed to the customer. Our contract assets are recorded in other current assets in our Consolidated Balance Sheets. Our contract liabilities consist of customer deposits and billings in excess of revenue recognized, based on costs incurred and are included in other current liabilities in our Consolidated Balance Sheets.

Contract assets and liabilities related to our uncompleted contracts and customer deposits were as follows (in thousands):

	As of December 31,	
	2022	2021
Contract assets	\$ 29,431	\$ 32,679
Contract liabilities	(18,884)	(14,153)

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Uncompleted contracts were as follows (in thousands):

	As of December 31,	
	2022	2021
Costs incurred on uncompleted contracts	\$ 273,788	\$ 206,050
Estimated earnings	114,781	106,163
Total	388,569	312,213
Less: Billings to date	368,009	285,978
Net under billings	\$ 20,560	\$ 26,235

Net under billings were as follows (in thousands):

	As of December 31,	
	2022	2021
Costs and estimated earnings in excess of billings on uncompleted contracts (contract assets)	\$ 29,431	\$ 32,679
Billings in excess of costs and estimated earnings on uncompleted contracts (contract liabilities)	(8,871)	(6,444)
Net under billings	\$ 20,560	\$ 26,235

The difference between contract assets and contract liabilities as of December 31, 2022 compared to December 31, 2021 is primarily the result of timing differences between our performance of obligations under contracts and customer payments and billings. During the year ended December 31, 2022, we recognized \$13.7 million of revenue that was included in the contract liability balance at December 31, 2021. We did not recognize any impairment losses on our receivables and contract assets during the years ended December 31, 2022 and 2021.

Remaining performance obligations represent the transaction price of contracts for which work has not been performed and excludes unexercised contract options and potential modifications. As of December 31, 2022, the aggregate amount of the transaction price allocated to remaining uncompleted contracts was \$162.3 million. We expect to satisfy remaining performance obligations and recognize revenue on substantially all of these uncompleted contracts over the next 18 months.

NOTE 4 – CREDIT LOSSES

We account for credit losses under ASC 326 using an expected credit loss impairment model for financial instruments, including trade receivables, retainage receivables and contract assets (unbilled receivables). We consider information such as historical experience, present economic conditions and other relevant factors management considers relevant to estimate expected credit losses.

Upon adoption of ASC 326 on January 1, 2020 under the modified retrospective approach, we recorded a cumulative effect adjustment to retained earnings of \$1.2 million, net of \$0.4 million of income taxes, on the opening consolidated balance sheet as of January 1, 2020. The adoption of the credit loss standard had no impact to cash from or used in operating, financing or investing activities on our consolidated cash flow statements.

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Changes in our allowance for credit losses were as follows (in thousands):

January 1, 2020	\$	6,878
Cumulative effect of change in accounting principle		1,600
Current period provision		4,444
Recoveries collected and additions		503
Amounts written off		(4,636)
December 31, 2020	\$	8,789
Current period provision		2,227
Recoveries collected and additions		574
Amounts written off		(2,873)
December 31, 2021	\$	8,717
Current period provision		4,129
Recoveries collected and additions		334
Amounts written off		(3,631)
December 31, 2022	\$	9,549

NOTE 5 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents include highly liquid instruments with insignificant interest rate risk and original or remaining maturities of three months or less at the time of purchase. These instruments amounted to \$191.9 million and \$258.1 million as of December 31, 2022 and 2021, respectively. See Note 10, Fair Value Measurements, for additional information.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following (in thousands):

	As of December 31,	
	2022	2021
Land	\$ 108	\$ 108
Buildings	3,901	3,901
Leasehold improvements	12,620	10,935
Furniture, fixtures and equipment	74,175	64,556
Vehicles and equipment	287,336	248,848
	378,140	328,348
Less: accumulated depreciation and amortization	(259,366)	(222,415)
	\$ 118,774	\$ 105,933

We recorded the following depreciation and amortization expense on our property and equipment, by income statement category (in thousands):

	Years ended December 31,		
	2022	2021	2020
Cost of sales	\$ 44,410	\$ 40,938	\$ 39,011
Administrative	2,873	2,623	2,328

NOTE 7 – GOODWILL AND INTANGIBLES

Goodwill

In the first quarter of 2022, we changed our operating segments to align with recent changes in our business, resulting in three operating segments: Installation, Manufacturing and Distribution. Our Installation operating segment remains our one reportable segment and our Manufacturing and Distribution operating segments are combined into our Other category. We also determined that our reporting units are at the operating segment level. See Note 11, Information on Segments, for additional details about our change in segment structure. Prior to this change, goodwill was combined into one reporting unit as reflected in the table below for the year ended December 31, 2021. Effective January 1, 2022, we reassigned our goodwill to each of our three reporting units using a relative fair value approach.

The change in carrying amount of goodwill by reportable segment for the year ended December 31, 2021 was as follows (in thousands):

	Installation
Goodwill (gross) - January 1, 2021	\$ 286,874
Business combinations	105,617
Other additions	30
Goodwill (gross) - December 31, 2021	392,521
Accumulated impairment losses	(70,004)
Goodwill (net) - December 31, 2021	\$ 322,517

The change in carrying amount of goodwill by reportable segment after the assignment of goodwill as noted above for the year ended December 31, 2022 was as follows (in thousands):

	Installation	Other	Consolidated
Goodwill (gross) - January 1, 2022, after change in reporting units	\$ 331,782	\$ 60,739	\$ 392,521
Business combinations	21,700	27,594	49,294
Other additions	1,744	—	1,744
Goodwill (gross) - December 31, 2022	355,226	88,333	443,559
Accumulated impairment losses	(70,004)	—	(70,004)
Goodwill (net) - December 31, 2022	\$ 285,222	\$ 88,333	\$ 373,555

Other additions for the Installation segment included in the above table for the year ended December 31, 2022 include an adjustment to a prior year acquisition still within its measurement period of approximately \$1.6 million. We also made other minor adjustments for the allocation of certain acquisitions still under measurement which are included as other additions in the above table for the Installation segment for the years ended December 31, 2022 and 2021. For additional information regarding changes to goodwill resulting from acquisitions, see Note 18, Business Combinations.

On October 1, 2022, our measurement date, we tested goodwill for impairment by reporting unit. We have the option to either assess goodwill for impairment by performing a qualitative assessment to determine whether it is more likely than not that the fair value is less than its carrying value, or to bypass the qualitative evaluation and perform a quantitative assessment. For the Installation and Manufacturing reporting units, we performed a one-step qualitative assessment in conformity with generally accepted accounting principles and determined that no impairment of goodwill was required. We considered the impacts of the COVID-19 pandemic in our analysis and concluded there were no associated impairment indicators. We performed a quantitative assessment for our Distribution reporting unit. This assessment determined the fair value of the distribution reporting unit by weighting a discounted cash flow model and a market-related model in consultation with an external valuation expert. Upon comparison of the calculated fair value to the carrying value of the reporting unit, it was determined no impairment of goodwill needed to be recognized for the year ended December 31, 2022. In addition, no impairment of goodwill was recognized for the years ended December 31, 2021 or 2020. Accumulated impairment losses included within the above table were incurred over multiple periods, with the latest impairment charge being recorded during the year ended December 31, 2010. These accumulated losses were assigned to our Installation reporting unit.

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Intangibles, net

The following table provides the gross carrying amount, accumulated amortization and net book value for each major class of intangibles (in thousands):

	As of December 31,					
	2022			2021		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Amortized intangibles:						
Customer relationships	\$ 338,050	\$ 145,722	\$ 192,328	\$ 292,113	\$ 113,849	\$ 178,264
Covenants not-to-compete	30,899	20,086	10,813	27,717	16,471	11,246
Trademarks and tradenames	119,612	39,638	79,974	103,007	32,623	70,384
Backlog	20,815	20,457	358	23,724	19,197	4,527
	<u>\$ 509,376</u>	<u>\$ 225,903</u>	<u>\$ 283,473</u>	<u>\$ 446,561</u>	<u>\$ 182,140</u>	<u>\$ 264,421</u>

We recorded no intangible asset impairment loss for the years ended December 31, 2022, 2021 and 2020.

The gross carrying amount of intangibles increased approximately \$62.8 million and \$130.1 million during the years ended December 31, 2022 and 2021, respectively. Intangibles associated with business combinations accounted for approximately \$65.1 million and \$130.0 million of the increases during the years ended December 31, 2022 and 2021, respectively. For the year ended December 31, 2022, there was a measurement period adjustment for a prior year acquisition that decreased gross intangibles by \$3.0 million. For more information, see Note 18, Business Combinations. Amortization expense on intangible assets totaled approximately \$43.8 million, \$37.1 million, and \$28.5 million during the years ended December 31, 2022, 2021 and 2020, respectively. Remaining estimated aggregate annual amortization expense is as follows (in thousands):

2023	\$ 42,460
2024	38,366
2025	32,961
2026	29,010
2027	24,724
Thereafter	115,952

NOTE 8 – LONG-TERM DEBT

Long-term debt consisted of the following (in thousands):

	As of December 31,	
	2022	2021
Senior Notes due 2028, net of unamortized debt issuance costs of \$3,036 and \$3,633, respectively	\$ 296,964	\$ 296,367
Term loan, net of unamortized debt issuance costs of \$5,767 and \$6,735, respectively	489,233	493,265
Vehicle and equipment notes, maturing through December 2027; payable in various monthly installments, including interest rates ranging from 1.9% to 6.1%	72,984	69,228
Various notes payable, maturing through April 2025; payable in various monthly installments, including interest rates ranging from 2.0% to 5.0%	1,973	4,172
	<u>861,154</u>	<u>863,032</u>
Less: current maturities	(30,983)	(30,839)
Long-term debt, less current maturities	<u>\$ 830,171</u>	<u>\$ 832,193</u>

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Remaining required repayments of debt principal, gross of unamortized debt issuance costs, as of December 31, 2022 are as follows (in thousands):

2023	\$	30,983
2024		25,570
2025		19,630
2026		14,576
2027		9,198
Thereafter		770,000

5.75% Senior Notes due 2028

In September 2019, we issued \$300.0 million in aggregate principal amount of 5.75% senior unsecured notes (the "Senior Notes"). The Senior Notes will mature on February 1, 2028 and interest is payable semi-annually in cash in arrears on February 1 and August 1, commencing on February 1, 2020. The net proceeds from the Senior Notes offering were \$295.0 million after debt issuance costs.

The indenture covering the Senior Notes contains restrictive covenants that, among other things, limit the ability of the Company and certain of our subsidiaries (subject to certain exceptions) to: (i) incur additional debt and issue preferred stock; (ii) pay dividends on, redeem or repurchase stock in an aggregate amount exceeding 2.0% of market capitalization per fiscal year, or in an aggregate amount exceeding certain applicable restricted payment baskets; (iii) prepay subordinated debt; (iv) create liens; (v) make specified types of investments; (vi) apply net proceeds from certain asset sales; (vii) engage in transactions with affiliates; (viii) merge, consolidate or sell substantially all of our assets; and (ix) pay dividends and make other distributions from subsidiaries.

Credit Facilities

In February 2022, we amended and extended the term of our asset-based lending credit agreement (the "ABL Credit Agreement"). The ABL Credit Agreement increased the commitment under the asset-based lending credit facility (the "ABL Revolver") to \$250 million from \$200.0 million, and permits us to further increased the commitment amount up to \$300.0 million. The amendment also extends the maturity date from September 26, 2024 to February 17, 2027. The ABL Revolver bears interest at either the base rate or the Secured Overnight Financing Rate ("Term SOFR"), at our election, plus a margin of 0.25% or 0.50% in the case of base rate loans or 1.25% or 1.50% for Term SOFR advances (in each case based on a measure of availability under the ABL Credit Agreement). The amendment also allows for modification of specified fees depend upon achieving certain sustainability targets, in addition to making other modifications to the ABL Credit Agreement. Including outstanding letters of credit, our remaining availability under the ABL Revolver as of December 31, 2022 was \$244.2 million.

The ABL Revolver provides incremental revolving credit facility commitments of up to \$50.0 million. The terms and conditions of any incremental revolving credit facility commitments must be no more favorable than the terms of the ABL Revolver. The ABL Revolver also allows for the issuance of letters of credit of up to \$100.0 million in aggregate and borrowing of swingline loans of up to \$25.0 million in aggregate.

The ABL Credit Agreement contains a financial covenant requiring the satisfaction of a minimum of fixed charge coverage ratio of 1.0x in the event that we do not meet a minimum measure of availability under the ABL Revolver. The ABL Credit Agreement and the Term Loan Agreement contain restrictive covenants that, among other things, limit the ability of the Company and certain of our subsidiaries (subject to certain exceptions) to: (i) incur additional debt and issue preferred stock; (ii) pay dividends on, redeem or repurchase stock in an aggregate amount exceeding the greater of 2.0% of market capitalization per fiscal year or certain applicable restricted payment basket amounts' (iii) prepay subordinated debt; (iv) create liens; (v) make specified types of investments; (vi) apply net proceeds from certain asset sales; (vii) engage in transactions with affiliates; (viii) merge, consolidate or sell substantially all of our assets; and (ix) pay dividends and make other distributions from subsidiaries.

In December 2021, we entered into a new \$500 million, seven-year term loan facility due December 2028 (the "Term Loan") under our credit agreement (the "Term Loan Agreement"), dated as of December 14, 2021 with Royal Bank of Canada as the administrative agent and collateral agent thereunder. The Term Loan amortizes in quarterly principal payments of \$1.25 million starting on March 31, 2022, with any remaining unpaid balances due on the maturity date of December 14, 2028. The Term Loan bears interest at either the base rate (which approximates the prime rate) or the Eurodollar rate, plus a margin of (A) 1.25% in the case of base rate loans or (B) 2.25% in the case of Eurodollar rate loans. Proceeds from the Term Loan were used

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to refinance and repay in full all amounts outstanding under our previous term loan agreement. We intend to use the remaining funds for general corporate purposes, including acquisitions and other growth initiatives. As of December 31, 2022, we had \$489.2 million, net of unamortized debt issuance costs, due on our Term Loan.

Subject to certain exceptions, the Term Loan will be subject to mandatory prepayments of (i) 100% of the net cash proceeds from issuances or incurrence of debt by the Company or any of its restricted subsidiaries (other than with respect to certain permitted indebtedness (excluding any refinancing indebtedness); (ii) 100% (with step-downs to 50% and 0% based on achievement of specified net leverage ratios) of the net cash proceeds from certain sales or dispositions of assets by the Company or any of its restricted subsidiaries in excess of a certain amount and subject to reinvestment provision and certain other exception; and (iii) 50% (with step-downs to 25% and 0% based upon achievement of specified net leverage ratios) of excess cash flow of the Company and its restricted subsidiaries in excess of \$15 million, subject to certain exceptions and limitations.

All of the obligations under the Term Loan and ABL Revolver are guaranteed by all of the Company's existing restricted subsidiaries and will be guaranteed by the Company's future restricted subsidiaries. Additionally, all obligations under the Term Loan and ABL Revolver, and the guarantees of those obligations, are secured by substantially all of the assets of the Company and the guarantors, subject to certain exceptions and permitted liens, including a first-priority security interest in such assets that constitute ABL Priority Collateral, as defined in the ABL Credit Agreement, and a second-priority security interest in such assets that constitute Term Loan Priority Collateral, as defined in the Term Loan Agreement.

Vehicle and Equipment Notes

We are party to a Master Loan and Security Agreement ("Master Loan and Security Agreement"), a Master Equipment Lease Agreement ("Master Equipment Agreement") and one or more Master Loan Agreements ("Master Loan Agreements" and together with the Master Loan and Security Agreement and Master Equipment Agreement the "Master Loan Equipment Agreements") with various lenders to provide financing for the purpose of purchasing or leasing vehicles and equipment used in the normal course of business. Each financing arrangement under these agreements constitutes a separate note and obligation. Vehicles and equipment purchased or leased under each financing arrangement serve as collateral for the note applicable to such financing arrangement. Regular payments are due under each note for a period of typically 60 consecutive months after the incurrence of the obligation. The specific terms of each note are based on specific criteria, including the type of vehicle or equipment and the market interest rates at the time.

Total outstanding loan balances relating to our master loan and equipment agreements were \$73.0 million and \$69.2 million as of December 31, 2022 and 2021, respectively. Depreciation of assets held under these agreements is included within cost of sales on the Consolidated Statements of Operations and Comprehensive Income.

NOTE 9 – LEASES

We lease various assets in the ordinary course of business as follows: warehouses to store our materials and perform staging activities for certain products we install; various office spaces for selling and administrative activities to support our business; and certain vehicles and equipment to facilitate our operations, including, but not limited to, trucks, forklifts and office equipment.

INSTALLED BUILDING PRODUCTS, INC.
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The table below presents the lease-related assets and liabilities recorded on the Consolidated Balance Sheet:

(in thousands)	Classification	As of December 31,	
		2022	2021
Assets			
Non-Current			
Operating	Operating lease right-of-use assets	\$ 76,174	\$ 69,871
Finance	Property and equipment, net	8,928	5,266
Total lease assets		<u>\$ 85,102</u>	<u>\$ 75,137</u>
Liabilities			
Current			
Operating	Current maturities of operating lease obligations	\$ 26,145	\$ 23,224
Financing	Current maturities of finance lease obligations	2,508	1,747
Non-Current			
Operating	Operating lease obligations	49,789	46,075
Financing	Finance lease obligations	6,397	3,297
Total lease liabilities		<u>\$ 84,839</u>	<u>\$ 74,343</u>
Weighted-average remaining lease term			
Operating leases		4.0 years	4.3 years
Finance leases		3.6 years	3.3 years
Weighted-average discount rate			
Operating leases		4.41 %	3.38 %
Finance leases		5.76 %	4.96 %

Lease Costs

The table below presents certain information related to the lease costs for finance and operating leases during 2022, 2021 and 2020:

(in thousands)	Classification	Years ended December 31,		
		2022	2021	2020
Operating lease cost ⁽¹⁾	Administrative	\$ 33,158	\$ 27,357	\$ 23,454
Finance lease cost				
Amortization of leased assets ⁽²⁾	Cost of sales	3,241	3,083	3,645
Interest on finance lease obligations	Interest expense, net	324	218	268
Total lease costs		<u>\$ 36,723</u>	<u>\$ 30,658</u>	<u>\$ 27,367</u>

- (1) Includes variable lease costs of \$3.7 million, \$3.0 million and \$2.9 million for the years ended December 31, 2022, 2021 and 2020, respectively, and short-term lease costs of \$1.1 million, \$1.1 million and \$0.8 million for the years ended December 31, 2022, 2021 and 2020, respectively.
- (2) Includes variable lease costs of \$0.7 million for each of the three years ended December 31, 2022, 2021 and 2020, respectively.

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Other Information

The table below presents supplemental cash flow information related to leases during 2022, 2021 and 2020:

(in thousands)	Years ended December 31,		
	2022	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows for operating leases	\$ 27,710	\$ 22,930	\$ 19,668
Operating cash flows for finance leases	324	218	268
Financing cash flows for finance leases	2,306	2,125	2,632

Undiscounted Cash Flows

The table below reconciles the undiscounted cash flows for each of the first five years and total of the remaining years for the finance lease obligations and operating lease obligations recorded on the Consolidated Balance Sheet as of December 31, 2022:

(in thousands)	Finance Leases	Operating Leases		
		Related Party	Other	Total Operating
2023	\$ 2,954	\$ 1,421	\$ 27,512	\$ 28,933
2024	2,438	1,175	19,222	20,397
2025	2,075	1,017	12,837	13,854
2026	1,745		9,114	9,114
2027	774	—	5,252	5,252
Thereafter	—	—	5,559	5,559
Total minimum lease payments	9,986	\$ 3,613	\$ 79,496	83,109
Less: Amounts representing executory costs	(6)			—
Less: Amounts representing interest	(1,075)			(7,175)
Present value of future minimum lease payments	8,905			75,934
Less: Current obligation under leases	(2,508)			(26,145)
Long-term lease obligations	<u>\$ 6,397</u>			<u>\$ 49,789</u>

NOTE 10 – FAIR VALUE MEASUREMENTS

Fair Values

Fair value is the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

ASC 820, “Fair Value Measurement,” establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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Assets and Liabilities Measured at Fair Value on a Recurring Basis

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. During the periods presented, there were no transfers between fair value hierarchical levels.

Assets Measured at Fair Value on a Nonrecurring Basis

Certain assets, specifically other intangible and long-lived assets, are measured at fair value on a nonrecurring basis in periods subsequent to initial recognition. Assets measured at fair value on a nonrecurring basis as of December 31, 2022 and 2021 are categorized based on the lowest level of significant input to the valuation. The assets are measured at fair value when our impairment assessment indicates a carrying value for each of the assets in excess of the asset's estimated fair value. Undiscounted cash flows, a Level 3 input, are utilized in determining estimated fair values. During each of the years ended December 31, 2022, 2021 and 2020, we did not record any impairments on these assets required to be measured at fair value on a nonrecurring basis.

Estimated Fair Value of Financial Instruments

Accounts receivable, accounts payable and accrued liabilities as of December 31, 2022 and 2021 approximate fair value due to the short-term maturities of these financial instruments. The carrying amounts of certain long-term debt, including the Term Loan and ABL Revolver as of December 31, 2022 and 2021, approximate fair value due to the variable rate nature of the agreements. The carrying amounts of our operating lease right-of-use assets and the obligations associated with our operating and finance leases as well as our vehicle and equipment notes approximate fair value as of December 31, 2022 and 2021. All debt classifications represent Level 2 fair value measurements. Derivative financial instruments are measured at fair value based on observable market information and appropriate valuation methods.

Contingent consideration liabilities arise from future earnout payments to the sellers associated with certain acquisitions and are based on predetermined calculations of certain future results. These future payments are estimated by considering various factors, including business risk and projections. The contingent consideration liabilities are measured at fair value by discounting estimated future payments to their net present value.

The fair values of financial assets and liabilities that are recorded at fair value in the Consolidated Balance Sheets and not described above were as follows (in thousands):

	As of December 31, 2022				As of December 31, 2021			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Financial assets:								
Cash equivalents	\$ 191,881	\$ 191,881	\$ —	\$ —	\$ 258,055	\$ 258,055	\$ —	\$ —
Derivative financial instruments	38,671	—	38,671	—	14,830	—	14,830	—
Total financial assets	\$ 230,552	\$ 191,881	\$ 38,671	\$ —	\$ 272,885	\$ 258,055	\$ 14,830	\$ —
Financial liabilities:								
Contingent consideration	\$ 1,858	\$ —	\$ —	\$ 1,858	\$ 11,170	\$ —	\$ —	\$ 11,170
Derivative financial instruments	—	—	—	—	1,937	—	1,937	—
Total financial liabilities	\$ 1,858	\$ —	\$ —	\$ 1,858	\$ 13,107	\$ —	\$ 1,937	\$ 11,170

See Note 5, Cash and Cash Equivalents, for more information on cash equivalents included in the table above. Also see Note 12, Derivatives and Hedging Activities, for more information on derivative financial instruments.

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The change in fair value of the contingent consideration (a Level 3 input) was as follows (in thousands):

Contingent consideration liability—January 1, 2022	\$ 11,170
Preliminary purchase price	15,039
Fair value adjustments	(994)
Accretion in value	743
Gains on acquisition earnouts	(16,109)
Settlement adjustments	(505)
Amounts paid to sellers	(7,486)
Contingent consideration liability—December 31, 2022	<u>\$ 1,858</u>

The gains on acquisition earnouts in the above table include a \$15.1 million gain that occurred in the fourth quarter on an earnout that was determined to no longer be probable of payment as a result of revised earnout target expectations. The earnout related to one of our 2022 acquisitions and is included within gains on acquisition earnouts in operating expenses on the Consolidated Statements of Operations and Comprehensive Income. See Note 18, Business Combinations, for further information. The accretion in value of contingent consideration liabilities is included within administrative expenses on the Consolidated Statements of Operations and Comprehensive Income.

The carrying values and associated fair values of financial assets and liabilities that are not recorded at fair value in the Consolidated Balance Sheets and not described above include our Senior Notes. To estimate fair value of our Senior Notes, we utilized third-party quotes which are derived all or in part from model prices, external sources or market prices. The Senior Notes represent a Level 2 fair value measurement and are as follows (in thousands):

	As of December 31, 2022		As of December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Senior Notes ⁽¹⁾	\$ 300,000	\$ 270,993	\$ 300,000	\$ 311,028

(1) Excludes the impact of unamortized debt issuance costs.

Also see Note 8, Long-Term Debt, for more information on our Senior Notes.

NOTE 11 - INFORMATION ON SEGMENTS

During the first quarter of 2022, our Chief Executive Officer, who is also our Chief Operating Decision Maker ("CODM"), changed the manner in which he reviews financial information for purposes of assessing business performance, managing the business and allocating resources. In conjunction with this change, we realigned our segment structure resulting in our Company having three operating segments consisting of Installation, Distribution and Manufacturing.

Our Installation operating segment represents the majority of our net revenue and gross profit and forms our one reportable segment. This operating segment represents the service-based installation of insulation and complementary building products in the residential new construction, repair and remodel and commercial construction end markets from our national network of branch locations. These branch locations have similar economic and operating characteristics including the nature of products and services offered, operating procedures and risks, customer bases, employee incentives, material procurement and shared corporate resources which led us to conclude that they combine to form one operating segment.

The Other category reported below reflects the operations of our two remaining operating segments, Distribution and Manufacturing, which do not meet the quantitative thresholds for separate reporting. Our Distribution operating segment includes our recently acquired distribution businesses that sell insulation, gutters and accessories primarily to installers of these products who operate in multiple end markets. Our Manufacturing operating segment consists of our cellulose insulation manufacturing operation which was previously combined with our Installation operating segment. In addition to sales of cellulose insulation, revenues from this operating segment consist of sales of asphalt and industrial fibers to distributors and installers of these products.

The Installation reportable segment includes substantially all of our net revenue from services while net revenue included in the Other category includes substantially all of our net revenue from sales of products. The intercompany sales from the Other category to the Installation reportable segment include a profit margin while our Installation segment records these transactions at cost. These transactions are shown in the Eliminations column in the tables below.

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The key metrics used to assess the performance of our operating segments are revenue and segment gross profit as these are the metrics used by our CODM to review results, assess performance and allocate resources. We define segment gross profit as revenue less cost of sales, excluding depreciation and amortization. We do not report total assets, depreciation and amortization expenses included in reported cost of sales, operating expenses or other expense, net by segment because our CODM does not use this information to assess segment performance or allocate resources. The following tables represents our segment information for the years ended December 31, 2022, 2021 and 2020 (in thousands):

	Year ended December 31, 2022			
	Installation	Other	Eliminations	Consolidated
Revenue	\$ 2,513,557	\$ 162,433	\$ (6,146)	\$ 2,669,844
Cost of sales ⁽¹⁾	1,678,771	123,705	(4,826)	1,797,650
Segment gross profit	\$ 834,786	\$ 38,728	\$ (1,320)	\$ 872,194
Segment gross profit percentage	33.2 %	23.8 %	21.5 %	32.7 %

	Year ended December 31, 2021			
	Installation	Other	Eliminations	Consolidated
Revenue	\$ 1,941,543	\$ 29,332	\$ (2,225)	\$ 1,968,650
Cost of sales ⁽¹⁾	1,317,739	22,155	(1,701)	1,338,193
Segment gross profit	\$ 623,804	\$ 7,177	\$ (524)	\$ 630,457
Segment gross profit percentage	32.1 %	24.5 %	23.6 %	32.0 %

	Year ended December 31, 2020			
	Installation	Other	Eliminations	Consolidated
Revenue	\$ 1,636,361	\$ 17,762	\$ (898)	\$ 1,653,225
Cost of sales ⁽¹⁾	1,092,139	12,771	(670)	1,104,240
Segment gross profit	\$ 544,222	\$ 4,991	\$ (228)	\$ 548,985
Segment gross profit percentage	33.3 %	28.1 %	25.4 %	33.2 %

(1) Cost of sales included in segment gross profit is exclusive of depreciation and amortization for the years ended December 31, 2022, 2021 and 2020.

The prior period disclosures in the above tables have been recast to conform to the current period segment presentation.

The reconciliation between consolidated segment gross profit for each period as shown in the tables above to consolidated income before income taxes is as follows:

	Years ended December 31,		
	2022	2021	2020
Segment gross profit - Consolidated	\$ 872,194	\$ 630,457	\$ 548,985
Depreciation and amortization ⁽¹⁾	44,410	40,938	39,011
Gross profit, as reported	827,784	589,519	509,974
Operating expenses	482,373	401,639	348,107
Operating income	345,411	187,880	161,867
Other expense, net	42,104	32,405	30,690
Income before income taxes	\$ 303,307	\$ 155,475	\$ 131,177

(1) Cost of sales included in segment gross profit is exclusive of depreciation and amortization for the years ended December 31, 2022, 2021 and 2020.

NOTE 12 – DERIVATIVES AND HEDGING ACTIVITIES

Risk Management Objective of Using Derivatives

We are exposed to certain risks arising from both our business operations and economic conditions. We manage exposure to a wide variety of business and operational risks through our core business activities. We manage economic risks, including interest rate, liquidity and credit risk primarily by overseeing the amount, sources and duration of debt funding and the use of

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derivative financial instruments. Specifically, we have entered into derivative financial instruments to manage exposure to interest rate movements that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. Our derivative financial instruments are used to manage differences in the amount, timing and duration of our known or expected cash receipts and known or expected cash payments principally related to our investments and borrowings.

Cash Flow Hedges of Interest Rate Risk

Our purpose for using interest rate derivatives is to add stability to interest expense and to manage our exposure to interest rate movements. During the year ended December 31, 2022, we used interest rate swaps to hedge the variable cash flows associated with existing variable-rate debt. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. We do not use derivatives for trading or speculative purposes and we currently do not have any derivatives that are not designated as hedges. As of December 31, 2022, we have not posted any collateral related to these agreements.

As of December 31, 2022, we had the following interest rate swap derivatives (notional amount in millions):

Effective Date	Notional Amount	Fixed Rate	Maturity Date
July 30, 2021	\$ 200.0	0.51 %	December 31, 2025
December 31, 2021	100.0	1.37 %	December 31, 2025
December 31, 2021	100.0	1.37 %	December 31, 2025
December 31, 2025	300.0	3.09 %	December 14, 2028
December 31, 2025	100.0	2.98 %	December 14, 2028

As of December 31, 2021, we had the following interest rate swap derivatives (notional amount in millions):

Effective Date	Notional Amount	Fixed Rate	Maturity Date
July 30, 2021	\$ 200.0	0.51 %	April 15, 2030
December 31, 2021	100.0	1.37 %	December 31, 2028
December 31, 2021	100.0	1.37 %	December 31, 2028

On July 8, 2022, we amended the maturity date of each of our three active interest rate swaps to December 31, 2025 with other terms remaining unchanged. Collectively, the swap had unrealized gains of \$51.2 million at the amendment date of July 8, 2022. These unrealized gains will be amortized as a decrease to interest expense, net through the original maturity dates of April 15, 2030 and December 15, 2028. For the year ended December 31, 2022, we amortized \$3.4 million of these unrealized gains as a decrease to interest expense, net. In conjunction with the amendments, we received cash of \$25.5 million from swap counterparties, which is presented in cash flows from operating activities in the Consolidated Statements of Cash Flow for the year ended December 31, 2022.

The amended swaps include off-market terms at inception and contained a \$25.7 million other-than-insignificant financing element which will amortize to interest expense, net through the new December 31, 2025 maturity date of the amended swaps. As of December 31, 2022, we amortized \$3.6 million of the financing element as an increase to interest expense, net. Future net cash settlements are recognized through cash flows from investing activities in the Consolidated Statements of Cash Flows due to the other-than-insignificant financing element.

Also in July 2022, we entered into two new forward interest rate swaps. As of December 31, 2022, these two forward interest rate swaps, combined with our three amended swaps, serve to hedge \$400.0 million of the variable cash flows on our variable rate Term Loan through maturity. The assets and liabilities associated with these interest rate swaps are included in other current assets, other non-current assets and other current liabilities on the Consolidated Balance Sheets at their fair value amounts as described in Note 10, Fair Value Measurements.

In August 2020, we terminated two then-existing interest rate swaps and one then-existing forward interest rate swap. During the years ended December 31, 2022, 2021 and 2020, we amortized \$3.8 million, \$3.2 million and \$1.3 million, respectively, of the \$17.8 million unrealized loss that existed at the time of termination as an increase to interest expense, net.

The changes in the fair value of derivatives designated, and that qualify, as cash flow hedges are recorded in other comprehensive gain (loss), net of tax on the Consolidated Statements of Operations and Comprehensive Income and in

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accumulated other comprehensive income (loss) on the Consolidated Balance Sheets and subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. We had no such changes during the years ended December 31, 2022 and 2021.

Amounts reported in accumulated other comprehensive income (loss) related to derivatives will be reclassified to interest expense, net as interest payments are made on our variable-rate debt, and as our terminated and amended swaps are amortized. Over the next twelve months, we estimate that an additional \$11.1 million will be reclassified as a decrease to interest expense, net.

The following table summarizes amounts recorded to interest expense, net included in the Condensed Consolidated Statements of Operations and Comprehensive Income related to our interest rate swaps (in thousands):

	As of December 31,		
	2022	2021	2020
(Benefit) expense associated with swap net settlements	\$ (3,128)	\$ 370	\$ 1,453
Expense associated with amortization of amended/terminated swaps	3,928	3,223	1,326

LIBOR is used as a reference rate for our interest rate swap agreements we use to hedge our interest rate exposure. The Intercontinental Exchange Benchmark Administration, the administrator of LIBOR, announced in March 2021 its intention to extend the publication of certain LIBOR settings, including the setting we use as a reference rate, to June 2023. In January 2020, the FASB issued ASU 2020-04, Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Topic 848) and in January 2021, the FASB subsequently issued ASU 2021-01, Reference Rate Reform - Scope, which clarified the scope and application of the original guidance. During the year ended December 31, 2022, we adopted ASU 2022-06, Reference Rate Reform: Deferral of the Sunset Date of Topic 848 (Topic 848) which extends the sunset date of previous adopted guidance under ASU 2020-04 to December 31, 2024. The purpose of this guidance is to provide relief for impacted areas as it relates to impending reference rate reform. We elected to apply the hedge accounting expedients related to probability and the assessments of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives. Application of these expedients preserves the presentation of derivatives consistent with past presentation.

NOTE 13 – STOCKHOLDERS' EQUITY

Accumulated other comprehensive income (loss)

The change in accumulated other comprehensive income (loss) related to our interest rate derivatives, net of taxes, was as follows (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Accumulated loss at beginning of period	\$ (227)	\$ (8,763)	\$ (7,143)
Unrealized gain (loss) in fair value of interest rate derivatives	37,885	6,151	(2,601)
Reclassification of realized net losses to earnings	2,902	2,385	981
Accumulated gain (loss) at end of period	<u>\$ 40,560</u>	<u>\$ (227)</u>	<u>\$ (8,763)</u>

The reclassifications of realized net losses to earnings in the above table are recorded within interest expense, net.

Share repurchases

On February 24, 2022, we announced that our board of directors authorized an extension of our previous stock repurchase program through March 1, 2023 and concurrently authorized an increase in the total amount of our outstanding common stock we can purchase up to \$200.0 million. On August 4, 2022, we announced that our board of directors authorized a new stock repurchase program which replaces our previous program. The new stock repurchase program allows for the repurchase of up to \$200.0 million of our outstanding common stock through August 10, 2023. As of December 31, 2022, we had \$162.1 million remaining on that stock repurchase program. On February 22, 2023, we announced that our board of directors authorized a new

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stock repurchase program that allows for the repurchase of up to \$200.0 million of our outstanding common stock. The new program replaces the previous program and is in effect through March 1, 2024. The effect of these treasury shares in reducing the number of common shares outstanding is reflected in our earnings per share calculation.

During the year ended December 31, 2022, we repurchased approximately 1.5 million shares of our common stock with an aggregate price of approximately \$137.6 million, or \$91.54 average price per share. During the year ended December 31, 2020 we repurchased 633 thousand shares of our outstanding common stock with an aggregate price of approximately \$33.9 million, or \$53.57 average price per share. We did not repurchase any shares during the year ended December 31, 2021.

Dividends

During the year ended December 31, 2022, we declared and paid the following cash dividends (amount declared and amount paid in thousands):

Declaration Date	Record Date	Payment Date	Dividend Per Share	Amount Declared	Amount Paid
2/24/2022	3/15/2022	3/31/2022	\$ 0.90	\$ 26,585	\$ 26,242
2/24/2022	3/15/2022	3/31/2022	0.315	9,305	9,184
5/5/2022	6/15/2022	6/30/2022	0.315	9,054	8,982
8/4/2022	9/15/2022	9/30/2022	0.315	9,018	8,945
11/03/2022	12/15/2022	12/31/2022	0.315	8,917	8,845

During the year ended December 31, 2021, we declared and paid the following cash dividends (amount declared and amount paid in thousands):

Declaration Date	Record Date	Payment Date	Dividend Per Share	Amount Declared	Amount Paid
2/23/2021	3/15/2021	3/31/2021	\$ 0.30	\$ 8,907	\$ 8,786
5/5/2021	6/15/2021	6/30/2021	0.30	8,910	8,821
8/5/2021	9/15/2021	9/30/2021	0.30	8,912	8,821
11/4/2021	12/15/2021	12/31/2021	0.30	8,911	8,866

The amount of dividends declared may vary from the amount of dividends paid in a period due to the vesting of restricted stock awards and performance share awards, which accrue dividend equivalent rights that are paid when the award vests. During the year ended December 31, 2022, we also paid \$0.5 million in accrued dividends not included in the table above related to the vesting of these awards. The payment of future dividends will be at the discretion of our board of directors and will depend on our future earnings, capital requirements, financial condition, future prospects, results of operations, contractual restrictions, legal requirements, and other factors deemed relevant by our board of directors. We did not declare or pay any cash dividends on our capital stock during the year ended December 31, 2020.

Our credit facilities place restrictions on the amount of dividends and stock repurchases we can make during a fiscal year. See Note 8, Long-Term Debt, for more information.

NOTE 14 – EMPLOYEE BENEFITS

Healthcare

We participate in multiple healthcare plans, the largest of which is partially self-funded with an insurance company paying benefits in excess of stop loss limits per individual/family. Our healthcare benefit expense (net of employee contributions) was approximately \$30.3 million, \$28.4 million and \$24.1 million for the years ended December 31, 2022, 2021 and 2020, respectively, for all plans. An accrual for estimated healthcare claims incurred but not reported (“IBNR”) is included within accrued compensation on the Consolidated Balance Sheets and was \$3.8 million and \$3.3 million as of December 31, 2022 and 2021, respectively.

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Workers' Compensation

We participate in multiple workers' compensation plans. Under these plans, for a significant portion of our business, we use a high deductible program to cover losses above the deductible amount on a per claim basis. We accrue for the estimated losses occurring from both asserted and unasserted claims. Workers' compensation liability for premiums is included in other current liabilities on the Consolidated Balance Sheets. Insurance claims and reserves include accruals of estimated settlements for known claims, as well as accruals of actuarial estimates of IBNR claims. In estimating these reserves, historical loss experience and judgments about the expected levels of costs per claim are considered. These claims are accounted for based on actuarial estimates of the undiscounted claims, including IBNR. We believe the use of actuarial methods to account for these liabilities provides a consistent and effective way to measure these highly judgmental accruals.

Workers' compensation expense totaled \$19.1 million, \$17.6 million and \$15.7 million for the years ended December 31, 2022, 2021 and 2020, respectively, and is included in cost of sales on the Consolidated Statements of Operations and Comprehensive Income.

Workers' compensation known claims and IBNR reserves included on the Consolidated Balance Sheets were as follows (in thousands):

	As of December 31,	
	2022	2021
Included in other current liabilities	\$ 9,946	\$ 8,048
Included in other long-term liabilities	13,730	13,397
	<u>\$ 23,676</u>	<u>\$ 21,445</u>

We also had an insurance receivable for claims that exceeded the stop loss limit for fully insured policies included on the Consolidated Balance Sheets. This receivable offsets an equal liability included within the reserve amounts noted above and was as follows (in thousands):

	As of December 31,	
	2022	2021
Included in other non-current assets	\$ 2,318	\$ 2,137

Retirement Plans

We participate in multiple 401(k) plans, whereby we provide a matching contribution of wages deferred by employees and can also make discretionary contributions to each plan. Certain plans allow for discretionary employer contributions only. These plans cover substantially all our eligible employees. During the years ended December 31, 2022, 2021 and 2020, we recognized 401(k) plan expenses of \$2.9 million, \$2.5 million and \$2.2 million, respectively, which is included in administrative expenses on the accompanying Consolidated Statements of Operations and Comprehensive Income.

Multiemployer Pension Plans

We participate in various multiemployer pension plans under collective bargaining agreements in Washington, Oregon, California and Illinois with other companies in the construction industry. These plans cover our union-represented employees and contributions to these plans are expensed as incurred. These plans generally provide for retirement, death and/or termination benefits for eligible employees within the applicable collective bargaining units, based on specific eligibility/participation requirements, vesting periods and benefit formulas. We do not participate in any multiemployer pension plans that are considered to be individually significant.

The risks of participating in these multiemployer pension plans are different from single-employer pension plans. For example:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the multiemployer plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

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- If a participating employer chooses to stop participating in these multiemployer plans, the employer may be required to pay those plans a withdrawal liability based upon the underfunded status of the plan.

We also participate in various multiemployer health and welfare plans that cover both active and retired participants. Health care benefits are provided to participants who meet certain eligibility requirements under the applicable collective bargaining unit.

Our contributions to multiemployer pension and health and welfare benefit plans were as follows (in thousands):

	Years ended December 31,		
	2022	2021	2020
Pension plans	\$ 2,916	\$ 2,783	\$ 1,128
Health & welfare plans	3,115	2,893	952
Total contributions	\$ 6,031	\$ 5,676	\$ 2,080

The increase in contributions for the year ended December 31, 2021 was driven by the acquisition of Alert Insulation in 2021 and a full year of operations for 2020 acquisitions Insulation Contractors/Magellan Insulation and Norkote, Inc. We did not acquire any businesses with union employees in the year-ended December 31, 2022. See Note 18, Business Combinations for more information.

Share-Based Compensation

Common Stock Awards

We periodically grant shares of our common stock under our 2014 Omnibus Incentive Plan to non-employee members of our board of directors and our employees. During the years ended December 31, 2022, 2021 and 2020, we granted approximately six thousand, four thousand and six thousand shares of restricted stock, respectively, to non-employee members of our board of directors. Substantially all of the stock will vest over a one-year service period.

In addition, we granted approximately 0.1 million, 0.1 million and 0.2 million shares of our common stock to employees in each of the years ended December 31, 2022, 2021 and 2020, respectively. Substantially all of the stock will vest in three equal installments (rounded to the nearest whole share) annually over a three-year service period.

Employees - Performance-Based Stock Awards

We periodically grant nonvested stock awards subject to performance-based vesting conditions to certain officers. During the year ended December 31, 2022, we issued approximately 41 thousand shares of our common stock which vest in two equal installments on each of April 20, 2023 and April 20, 2024. In addition, during the year ended December 31, 2022, we established, and our board of directors approved, performance-based targets in connection with common stock awards to be issued to certain officers in 2023 contingent upon achievement of these targets.

In addition, there are long-term performance-based restricted stock awards to be issued to certain employees annually through 2024 contingent upon achievement of certain performance targets. These awards are accounted for as liability-based awards since they represent a predominantly-fixed monetary amount that will be settled with a variable number of common shares in the first quarter of 2025 and as such are included in other long-term liabilities on the Consolidated Balance Sheets. During the years ended December 31, 2022, 2021 and 2020 we granted approximately 39 thousand, five thousand and seven thousand shares of our common stock, respectively, all of which vested in 2022.

Employees - Performance-Based Restricted Stock Units

During 2021, we established, and our board of directors approved, performance-based restricted stock units in connection with common stock awards which were issued to certain employees in 2022 based upon achievement of a performance target. In addition, during the year ended December 31, 2022, we established, and our board of directors approved, performance-based restricted stock units in connection with common stock awards to be issued to certain employees in 2023 based upon achievement of a performance target. These units will be accounted for as equity-based awards that will be settled with a fixed number of common shares. During the years ended December 31, 2022, 2021 and 2020 we granted approximately 17 thousand, eight thousand and 14 thousand units, respectively, each of which will vest over a one-year service period.

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Share-Based Compensation Summary

Amounts and changes for each category of equity-based award were as follows:

	Common Stock Awards		Performance-Based Stock Awards		Performance-Based Restricted Stock Units	
	Awards	Weighted Average Grant Date Fair Value Per Share	Awards	Weighted Average Grant Date Fair Value Per Share	Units	Weighted Average Grant Date Fair Value Per Share
Nonvested awards/units at December 31, 2021	199,353	\$ 68.99	143,401	\$ 81.30	8,252	\$ 126.89
Granted	109,189	89.32	54,585	102.98	16,618	80.55
Vested	(149,504)	74.96	(71,933)	59.07	(8,061)	126.89
Forfeited/Cancelled	(1,921)	79.60	—	—	(1,098)	88.61
Nonvested awards/units at December 31, 2022	157,117	\$ 77.31	126,053	\$ 103.37	15,711	\$ 80.55

The following table summarizes the share-based compensation expense recognized under our 2014 Omnibus Incentive Plan (in thousands):

	Years ended December 31,		
	2022	2021	2020
Common Stock Awards	\$ 6,247	\$ 5,285	\$ 4,116
Non-Employee Common Stock Awards	547	465	333
Performance-Based Stock Awards	5,337	4,528	3,869
Liability Performance-Based Stock Awards	493	2,612	1,969
Performance-Based Restricted Stock Units	1,192	862	539
	\$ 13,816	\$ 13,752	\$ 10,826

We recorded the following stock compensation expense, by income statement category (in thousands):

	Years ended December 31,		
	2022	2021	2020
Cost of sales	\$ 648	\$ 448	\$ 284
Selling	478	204	202
Administrative	12,690	13,100	10,340
	\$ 13,816	\$ 13,752	\$ 10,826

Administrative stock compensation expense includes all stock compensation earned by our administrative personnel, while cost of sales and selling stock compensation represents all stock compensation earned by our installation and sales employees, respectively. We recognized windfall tax benefits of \$0.3 million and \$1.7 million for the years ended December 31, 2022 and 2021, and we recognized a tax shortfall of \$0.3 million for the year ended December 31, 2020, respectively, within the income tax provision in the Consolidated Statements of Operations and Comprehensive Income.

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Unrecognized share-based compensation expense related to unvested awards was as follows (in thousands):

	As of December 31, 2022	
	Unrecognized Compensation Expense on Unvested Awards	Weighted Average Remaining Vesting Period
Common Stock Awards	\$ 6,259	1.7
Performance-Based Stock Awards	5,825	1.6
Performance-Based Restricted Stock Units	348	0.3
Total unrecognized compensation expense related to unvested awards	<u>\$ 12,432</u>	

Total unrecognized compensation expense is subject to future adjustments for forfeitures. This expense is expected to be recognized over the remaining weighted-average period shown above on a straight-line basis except for the Performance-Based Stock Awards which uses the graded-vesting method. Shares forfeited are returned as treasury shares and available for future issuances.

During the years ended December 31, 2022, 2021 and 2020, our employees surrendered approximately 53 thousand, 44 thousand and 25 thousand shares of our common stock under all plans, respectively, to satisfy tax withholding obligations arising in connection with the vesting of common stock awards issued under our 2014 Omnibus Incentive Plan.

As of December 31, 2022, approximately 1.7 million of the 3.0 million shares of common stock authorized for issuance were available for issuance under the 2014 Omnibus Incentive Plan.

NOTE 15 – INCOME TAXES

The provision for income taxes is comprised of the following (in thousands):

	Years ended December 31,		
	2022	2021	2020
Current:			
Federal	\$ 55,488	\$ 27,011	\$ 33,495
State	17,312	10,139	8,918
	<u>72,800</u>	<u>37,150</u>	<u>42,413</u>
Deferred:			
Federal	5,584	(437)	(7,177)
State	1,495	(1)	(1,298)
	<u>7,079</u>	<u>(438)</u>	<u>(8,475)</u>
Total tax expense	<u>\$ 79,879</u>	<u>\$ 36,712</u>	<u>\$ 33,938</u>

The reconciliation between our effective tax rate on net income and the federal statutory rate is as follows (dollars in thousands):

	Years ended December 31,					
	2022		2021		2020	
Income tax at federal statutory rate	\$ 63,694	21.0 %	\$ 32,650	21.0 %	\$ 27,547	21.0 %
Stock compensation	300	0.1 %	(1,567)	(1.0)%	331	0.3 %
Other permanent items	1,282	0.4 %	1,274	0.8 %	424	0.3 %
Change in valuation allowance	(184)	(0.1)%	(922)	(0.6)%	(207)	(0.2)%
Change in uncertain tax positions	(459)	(0.1)%	(2,867)	(1.8)%	65	0.1 %
State income taxes, net of federal benefit	15,246	5.0 %	8,144	5.2 %	5,778	4.4 %
Total tax expense	<u>\$ 79,879</u>	<u>26.3 %</u>	<u>\$ 36,712</u>	<u>23.6 %</u>	<u>\$ 33,938</u>	<u>25.9 %</u>

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Components of the net deferred tax asset or liability are as follows (in thousands):

	As of December 31,	
	2022	2021
Deferred Tax Assets		
Long-term		
Accrued liabilities and allowances	\$ 13,009	\$ 10,200
Allowance for doubtful accounts	1,251	979
Inventories	1,210	900
Property and equipment	538	333
Intangibles	7,673	7,042
Net operating loss carryforwards	719	1,049
Other	15	14
Long-term deferred tax assets	24,415	20,517
Less: Valuation allowance	(44)	(216)
Net deferred tax assets	24,371	20,301
Deferred Tax Liabilities		
Long-term		
Accrued liabilities and allowances	(640)	(669)
Property and equipment	(8,489)	(7,629)
Intangibles	(10,659)	(6,783)
Investment in partnership	(31,154)	(8,271)
Other	(1,067)	(793)
Long-term deferred tax liabilities	(52,009)	(24,145)
Net deferred tax liabilities	\$ (27,638)	\$ (3,844)
The above amounts are included in our Consolidated Balance Sheets as follows:		
Other non-current assets	820	975
Long-term deferred income tax liabilities	(28,458)	(4,819)
Net deferred tax liabilities	\$ (27,638)	\$ (3,844)

As of December 31, 2022, we had a deferred tax asset balance of \$0.7 million reflecting the benefit of \$3.4 million in federal and state income tax net operating loss (NOL) carryforwards, the earliest of which expires in 2030.

Valuation Allowance

We assess the available positive and negative evidence to estimate if sufficient future taxable income will be generated to utilize the existing deferred tax assets on a jurisdiction and by tax filing entity basis. A significant piece of objective negative evidence evaluated is cumulative losses incurred over the most recent three-year period. Such objective evidence limits our ability to consider other subjective positive evidence such as our projections for future growth.

Based on this evaluation, a valuation allowance has been recorded as of December 31, 2022 and 2021 for the net deferred tax assets recorded on certain of our wholly owned subsidiaries. Such deferred tax assets relate primarily to net operating losses that are not more likely than not realizable. However, the amount of the deferred tax asset considered realizable could be adjusted if our estimate of future taxable income during the carryforward period changes, or if objective negative evidence in the form of cumulative losses is no longer present. Additional weight may be given to subjective evidence such as our projections for growth in this situation.

INSTALLED BUILDING PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Uncertain Tax Positions

We are subject to taxation in the United States and various state jurisdictions. As of December 31, 2022, our tax years for 2018 through 2020 are subject to examination by the tax authorities. A rollforward of the gross unrecognized tax benefits is as follows (in thousands):

Unrecognized tax benefit, December 31, 2019	\$	5,717
Increase as a result of tax positions taken during the period		3,822
Decrease as a result of tax positions taken during the period		(2,873)
Increase as a result of expiring statutes		10
Unrecognized tax benefit, December 31, 2020	\$	6,676
Increase as a result of tax positions taken during the period		4,482
Decrease as a result of tax positions taken during the period		(3,999)
Decrease as a result of expiring statutes		(2,857)
Unrecognized tax benefit, December 31, 2021	\$	4,302
Increase as a result of tax positions taken during the period		5,448
Decrease as a result of tax positions taken during the period		(4,863)
Increase as a result of expiring statutes		3
Unrecognized tax benefit, December 31, 2022	\$	4,890

Unrecognized tax benefits of \$0.5 million at December 31, 2022 would affect the effective tax rate. Interest expense and penalties accrued related to uncertain tax positions as of December 31, 2022 are \$0.5 million.

We expect a decrease to the amount of unrecognized tax benefits (exclusive of penalties and interest) within the next twelve months of zero to \$2.8 million.

Determining uncertain tax positions and the related estimated amounts requires judgment and carry estimation risk. If future tax law changes or interpretations should come to light, or additional information should become known, our conclusions regarding unrecognized tax benefits may change.

NOTE 16 – RELATED PARTY TRANSACTIONS

We sell installation services to other companies related to us through common or affiliated ownership and/or board of directors and/or management relationships. We also purchase services and materials and pay rent to companies with common or related ownership.

We lease our headquarters and certain other facilities from related parties. See Note 9, Leases, for future minimum lease payments to be paid to these related parties.

The amount of sales to common or related parties as well as the purchases from and rent expense paid to common or related parties were as follows (in thousands):

	Years ended December 31,		
	2022	2021	2020
Sales	\$ 12,793	\$ 1,452	\$ 3,987
Purchases	2,152	1,544	1,841
Rent	1,300	1,322	1,125

At December 31, 2022 and 2021, we had related party balances of approximately \$3.3 million and \$0.9 million, respectively, included in accounts receivable on our Consolidated Balance Sheets. These balances primarily represent trade accounts receivable arising during the normal course of business with various related parties. M/I Homes, Inc., a customer whose Chairman, President and Chief Executive Officer rejoined our board of directors in July of 2022, accounted for \$2.5 million of the related party accounts receivable balance as of December 31, 2022. Additionally, M/I Homes, Inc. accounted for a significant portion of our related party sales during the year ended December 31, 2022.

NOTE 17 – COMMITMENTS AND CONTINGENCIES

Accrued General Liability and Auto Insurances

Accrued general liability and auto insurance reserves included on the Consolidated Balance Sheets were as follows (in thousands):

	As of December 31,	
	2022	2021
Included in other current liabilities	\$ 7,479	\$ 5,889
Included in other long-term liabilities	17,528	16,050
	<u>\$ 25,007</u>	<u>\$ 21,939</u>

We also had insurance receivables and indemnification assets included on the Consolidated Balance Sheets that, in aggregate, offset equal liabilities included within the reserve amounts noted above. The amounts were as follows (in thousands):

	As of December 31,	
	2022	2021
Insurance receivables and indemnification assets for claims under fully insured policies	\$ 4,933	\$ 3,578
Insurance receivables for claims that exceeded the stop loss limit	380	278
Total insurance receivables and indemnification assets included in other non-current assets	<u>\$ 5,313</u>	<u>\$ 3,856</u>

Leases

See Note 9, Leases, for further information on our lease commitments.

Other Commitments and Contingencies

From time to time, various claims and litigation are asserted or commenced against us principally arising from contractual matters and personnel and employment disputes. In determining loss contingencies, management considers the likelihood of loss as well as the ability to reasonably estimate the amount of such loss or liability. An estimated loss is recorded when it is considered probable that such a liability has been incurred and when the amount of loss can be reasonably estimated. As litigation is subject to inherent uncertainties, we cannot be certain that we will prevail in these matters. However, we do not believe that the ultimate outcome of any pending matters will have a material adverse effect on our consolidated financial position, results of operations or cash flows.

NOTE 18 – BUSINESS COMBINATIONS

As part of our ongoing strategy to expand geographically and increase market share in certain markets, as well as diversify our products and end markets, we completed eight, eleven and nine business combinations during the years ended December 31, 2022, 2021 and 2020, respectively. Acquisition-related costs amounted to \$3.0 million, \$3.8 million and \$3.0 million for the years ended December 31, 2022, 2021 and 2020, respectively, and are included in Administrative expenses on the Consolidated Statements of Operations and Comprehensive Income. In addition, we recognized gains on acquisition earnouts on the Consolidated Statements of Operations and Comprehensive Income of \$16.1 million, \$1.0 million and \$0.2 million for the years ended December 31, 2022, 2021 and 2020, respectively, due to probability assessments and to the cancellations of acquisition-related earnouts. The gain recorded during the year ended December 31, 2022, is primarily comprised of a \$15.1 million gain for the Central Aluminum acquisition (as defined below) recorded as a result of revised earnout target expectations. The goodwill recognized in conjunction with these business combinations represents the excess cost of the acquired entity over the net amount assigned to assets acquired and liabilities assumed. We expect to deduct \$41.3 million of goodwill for tax purposes as a result of 2022 acquisitions.

INSTALLED BUILDING PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Below is a summary of each significant acquisition by year, including revenue and net income (loss) since date of acquisition, shown for the year of acquisition. The largest of our 2022 acquisitions were Central Aluminum Supply Corporation and Central Aluminum Supply of North Jersey, LLC (collectively "CAS") in April 2022 and ABS Insulating Company, Inc., ABS Sprayfoam Insulation, Inc. and ABS Coastal Insulating Company, LLC (collectively "ABS") in December 2022. In each table, "Other" represents acquisitions that were individually immaterial in that year. Net income (loss), as noted below, includes amortization, taxes and interest allocations when appropriate. Prior period amounts have been recast to conform with the current year presentation.

For the year ended December 31, 2022 (in thousands):

2022 Acquisitions	Date	Acquisition Type	Cash Paid	Seller Obligations	Total Purchase Price	Revenue	Net Income (Loss)
CAS	4/11/2022	Share	\$ 55,150	\$ 22,927	\$ 78,077	\$ 37,822	\$ (1,001)
ABS	12/19/2022	Share	23,150	412	23,562	658	(97)
Other	Various	Asset/Share	35,759	3,639	39,398	22,576	787
Total			<u>\$ 114,059</u>	<u>\$ 26,978</u>	<u>\$ 141,037</u>	<u>\$ 61,056</u>	<u>\$ (311)</u>

For the year ended December 31, 2021 (in thousands):

2021 Acquisitions	Date	Acquisition Type	Cash Paid	Seller Obligations	Total Purchase Price	Revenue	Net Income (Loss)
IWI	03/01/2021	Share	\$ 42,098	\$ 5,959	\$ 48,057	\$ 36,259	\$ 3,373
Five Star	9/13/2021	Share	26,308	5,466	31,774	6,861	(119)
AMD	12/13/2021	Asset	119,490	6,631	126,121	3,707	(225)
Other	Various	Asset/Share	55,119	9,835	64,954	35,604	(390)
Total			<u>\$ 243,015</u>	<u>\$ 27,891</u>	<u>\$ 270,906</u>	<u>\$ 82,431</u>	<u>\$ 2,639</u>

For the year ended December 31, 2020 (in thousands):

2020 Acquisitions	Date	Acquisition Type	Cash Paid	Seller Obligations	Total Purchase Price	Revenue	Net Income (Loss)
ICON	10/13/2020	Asset	\$ 16,900	\$ 3,598	\$ 20,498	\$ 4,798	\$ 449
Other	Various	Asset	59,546	10,488	70,034	35,696	1,443
Total			<u>\$ 76,446</u>	<u>\$ 14,086</u>	<u>\$ 90,532</u>	<u>\$ 40,494</u>	<u>\$ 1,892</u>

INSTALLED BUILDING PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Purchase Price Allocations

The estimated fair values of the assets acquired and liabilities assumed for the acquisitions, as well as total purchase prices and cash paid, approximated the following (in thousands):

	2022			
	CAS	ABS	Other	Total
Estimated fair values:				
Cash	\$ 243	\$ 193	\$ 87	\$ 523
Accounts receivable	3,502	2,777	5,800	12,079
Inventories	13,784	853	2,456	17,093
Other current assets	576	485	71	1,132
Property and equipment	2,590	1,269	4,498	8,357
Operating lease right-of-use asset	844	—	66	910
Intangibles	34,900	12,800	17,365	65,065
Goodwill	27,594	10,546	11,154	49,294
Other non-current assets	—	—	56	56
Accounts payable and other current liabilities	(5,387)	(2,677)	(2,133)	(10,197)
Deferred income tax liabilities	—	(2,455)	—	(2,455)
Income tax payable	—	(229)	—	(229)
Other long-term liabilities	(569)	—	(22)	(591)
Fair value of assets acquired and purchase price	<u>78,077</u>	<u>23,562</u>	<u>39,398</u>	<u>141,037</u>
Less seller obligations	<u>22,927</u>	<u>412</u>	<u>3,639</u>	<u>26,978</u>
Cash paid	<u>\$ 55,150</u>	<u>\$ 23,150</u>	<u>\$ 35,759</u>	<u>\$ 114,059</u>

	2021				
	IWI	Five Star	AMD	Other	Total
Estimated fair values:					
Cash	\$ 168	\$ 1,472	\$ —	\$ 67	\$ 1,707
Accounts receivable	5,122	4,583	8,393	13,584	31,682
Inventories	1,157	1,399	7,540	1,786	11,882
Other current assets	3,014	330	—	1,975	5,319
Property and equipment	796	1,161	1,133	4,124	7,214
Operating lease right-of-use-asset	—	—	199	—	199
Intangibles	25,200	17,400	52,800	31,554	126,954
Goodwill	23,282	6,626	56,327	21,122	107,357
Other non-current assets	264	—	—	417	681
Accounts payable and other current liabilities	(8,416)	(1,170)	(184)	(6,809)	(16,579)
Deferred income tax liabilities	—	—	—	(2,089)	(2,089)
Other long-term liabilities	(2,530)	(27)	(87)	(777)	(3,421)
Fair value of assets acquired and purchase price	<u>48,057</u>	<u>31,774</u>	<u>126,121</u>	<u>64,954</u>	<u>270,906</u>
Less seller obligations	<u>5,959</u>	<u>5,466</u>	<u>6,631</u>	<u>9,835</u>	<u>27,891</u>
Cash paid	<u>\$ 42,098</u>	<u>\$ 26,308</u>	<u>\$ 119,490</u>	<u>\$ 55,119</u>	<u>\$ 243,015</u>

INSTALLED BUILDING PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	2020		
	ICON	Other	Total
Estimated fair values:			
Accounts receivable	\$ 4,828	\$ 12,777	\$ 17,605
Inventories	243	2,518	2,761
Other current assets	675	779	1,454
Property and equipment	380	5,482	5,862
Intangibles	11,830	34,393	46,223
Goodwill	2,870	18,435	21,305
Other non-current assets	145	96	241
Accounts payable and other current liabilities	(445)	(4,196)	(4,641)
Other long-term liabilities	(28)	(250)	(278)
Fair value of assets acquired and purchase price	20,498	70,034	90,532
Less seller obligations	3,598	10,488	14,086
Cash paid	<u>\$ 16,900</u>	<u>\$ 59,546</u>	<u>\$ 76,446</u>

Contingent consideration is included as “seller obligations” in the above table or within “fair value of assets acquired” if subsequently paid during the period presented. These contingent payments consist primarily of earnouts based on performance that are recorded at fair value at the time of acquisition, and/or non-compete agreements and amounts based on working capital calculations. When these payments are expected to be made over one year from the acquisition date, the contingent consideration is discounted to net present value of future payments based on a weighted average of various future forecast scenarios.

Further adjustments to the allocation for each acquisition still under its measurement period are expected as third-party or internal valuations are finalized, certain tax aspects of the transaction are completed, contingent consideration is settled, and customary post-closing reviews are concluded during the measurement period attributable to each individual business combination. As a result, insignificant adjustments to the fair value of assets acquired, and in some cases total purchase price, have been made to certain business combinations since the date of acquisition and future adjustments may be made through the end of each measurement period.

The provisional amounts for one of our 2021 acquisitions originally reported in our Consolidated Balance Sheets included in our Annual Report on Form 10-K for the period ended December 31, 2021 were adjusted due to adjustments to pre-acquisition financial information and ongoing analysis of the fair value measurements. As a result of an independent appraisal, we increased goodwill by approximately \$1.6 million and decreased intangibles by \$(3.0) million. These adjustments were within applicable measurement period guidelines and did not effect earnings.

Goodwill and intangibles per the above table may not agree to the total gross increases of these assets as shown in Note 7, Goodwill and Intangibles, during the years ended December 31, 2022, 2021 and 2020 due to minor adjustments to goodwill for the allocation of certain acquisitions still under measurement as well as other immaterial intangible assets added during the ordinary course of business.

Estimates of acquired intangible assets related to the acquisitions are as follows (dollars in thousands):

	2022		2021		2020	
	Estimated Fair Value	Weighted Average Estimated Useful Life (yrs)	Estimated Fair Value	Weighted Average Estimated Useful Life (yrs)	Estimated Fair Value	Weighted Average Estimated Useful Life (yrs)
Acquired intangibles assets						
Customer relationships	\$ 45,236	12	\$ 95,173	12	\$ 28,307	8
Trademarks and trade names	16,794	15	23,149	15	9,834	15
Non-competition agreements	2,645	5	7,054	5	3,315	5
Backlog	390	1	1,578	1.5	4,767	1.5

INSTALLED BUILDING PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Pro Forma Information (unaudited)

The unaudited pro forma information has been prepared as if the 2022 acquisitions had taken place on January 1, 2021, the 2021 acquisitions had taken place on January 1, 2020 and the 2020 acquisitions had taken place on January 1, 2019. The unaudited pro forma information is not necessarily indicative of the results that we would have achieved had the transactions actually taken place on January 1, 2021, 2020 and 2019 and the unaudited pro forma information does not purport to be indicative of future financial operating results (in thousands, except for per share data):

	December 31,		
	2022	2021	2020
Net revenue	\$ 2,732,084	\$ 2,217,592	\$ 1,922,327
Net income	227,108	135,850	107,791
Basic net income per share	7.91	4.63	3.65
Diluted net income per share	7.87	4.59	3.63

Unaudited pro forma net income reflects additional intangible asset amortization expense of \$2.5 million, \$13.1 million and \$18.2 million for the years ended December 31, 2022, 2021 and 2020, respectively, additional interest expense of \$4.3 million for each of the years ended December 31, 2021 and 2020, respectively, as well as additional income tax expense of \$1.2 million, \$5.7 million and \$3.7 million for the years ended December 31, 2022, 2021 and 2020, respectively.

NOTE 19 – INCOME PER COMMON SHARE

Basic net income per common share is calculated by dividing net income by the weighted average shares outstanding during the period, without consideration for common stock equivalents.

Diluted net income per common share is calculated by adjusting weighted average shares outstanding for the dilutive effect of common stock equivalents outstanding for the period, determined using the treasury stock method. Potential common stock is included in the diluted income per common share calculation when dilutive. The dilutive effect of outstanding restricted stock awards after application of the treasury stock method as of December 31, 2022, 2021 and 2020, was 161 thousand, 261 thousand and 213 thousand, respectively. Approximately two thousand shares of potential common stock were not included in the calculation of diluted net income per common share for the years ended December 31, 2022, because the effect would have been anti-dilutive.

NOTE 20 – SUBSEQUENT EVENTS

On February 22, 2023, we announced that our board of directors approved a special annual dividend, payable on March 31, 2023 to stockholders of record on March 15, 2023 at a rate of 90 cents per share. In addition, we recently announced that our board of directors declared a quarterly dividend, payable on March 31, 2023 to stockholders of record on March 15, 2023 at a rate of 33.0 cents per share.

On February 22, 2023, we also announced that our board of directors authorized a new stock repurchase program that allows for the repurchase of up to \$200.0 million of our outstanding common stock. The new program replaces the previous program and is in effect through March 1, 2024. For more information about our stock repurchase programs, see Note 13, Stockholders' Equity.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We conducted an evaluation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of December 31, 2022 with the participation of the Company's principal executive officer and principal financial officer as required by Exchange Act Rule 13a-15(b). Based on that evaluation, the Company's principal executive officer and principal financial officer concluded that, as of December 31, 2022, our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and includes, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Management, under the supervision of the principal executive officer and the principal financial officer, assessed the effectiveness of our internal control over financial reporting, excluding the internal control over financial reporting at the subsidiaries listed below that we acquired during 2022 as of December 31, 2022 using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework (2013). The scope of management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2022 includes all of the Company's subsidiaries except the subsidiaries listed below, which were acquired during 2022 and whose financial statements constitute the percentages of total assets and net revenue listed below of the consolidated financial statements of the Company as of and for the year ended December 31, 2022:

Subsidiary	Acquisition Date	Percentage of Total Assets	Percent of Net Revenue
Pisgah Insulation	February 28, 2022	0.1%	0.4%
Central Aluminum	April 11, 2022	1.2%	1.4%
Tri County Insulation	May 23, 2022	0.3%	0.3%
Ozark's Modern Insulation	August 1, 2022	0.0%	0.1%
All Florida Insulation	September 26, 2022	0.0%	0.0%
Lynch Insulation	November 14, 2022	0.1%	0.0%
Orr Industries	December 5, 2022	0.2%	0.0%
ABS Insulating	December 19, 2022	0.3%	0.0%

Management excluded the internal control over financial reporting at these subsidiaries from its assessment in accordance with the guidance of the staff of the SEC that an assessment of a recently acquired business may be omitted from the scope of management's assessment of internal control over financial reporting for one year following the acquisition.

Based on this assessment, management has determined that our internal control over financial reporting was effective as of December 31, 2022. We have not experienced any material impact to our internal controls over financial reporting due to the COVID-19 pandemic. We are continually monitoring and assessing the COVID-19 situation to identify potential limitations on our current internal controls that would adversely impact the design and operating effectiveness of internal controls over financial reporting.

The effectiveness of our internal control over financial reporting as of December 31, 2022, has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which follows below.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the quarter ended December 31, 2022 that has materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Installed Building Products, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Installed Building Products, Inc. (the “Company”) as of December 31, 2022, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022. We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2022, of the Company and our report dated February 22, 2023, expressed an unqualified opinion on those financial statements.

As described in Management’s Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting at the subsidiaries listed below, which were acquired during 2022 and whose financial statements constitute the percentages of total revenues and assets listed below of the consolidated financial statements of the Company as of and for the year ended December 31, 2022.

<u>Subsidiary</u>	<u>Acquisition Date</u>	<u>Percentage of Total Assets</u>	<u>Percent of Net Revenue</u>
Pisgah Insulation	February 28, 2022	0.1%	0.4%
Central Aluminum	April 11, 2022	1.2%	1.4%
Tri County Insulation	May 23, 2022	0.3%	0.3%
Ozark’s Modern Insulation	August 1, 2022	0.0%	0.1%
All Florida Insulation	September 26, 2022	0.0%	0.0%
Lynch Insulation	November 14, 2022	0.1%	0.0%
Orr Industries	December 5, 2022	0.2%	0.0%
ABS Insulating	December 19, 2022	0.3%	0.0%

Accordingly, our audit did not include the internal control over financial reporting of the subsidiaries listed above.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the

company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Columbus, Ohio
February 22, 2023

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item will be set forth under the headings “Election of Directors,” “Executive Officers and Certain Significant Employees” and “Corporate Governance” in our definitive proxy statement for the 2023 Annual Meeting of Stockholders (“2023 Proxy Statement”) to be filed with the SEC within 120 days of the fiscal year ended December 31, 2022 and is incorporated herein by reference.

Our board of directors has adopted a code of business conduct and ethics that applies to all of our employees, officers and directors, including our Chief Executive Officer, Chief Financial Officer and other executive and senior financial officers. The full text of our code of business conduct and ethics is posted on the investor relations page on our website which is located at <http://investors.installobuildingproducts.com>. We will post any amendments to our code of business conduct and ethics, or waivers of its requirements, on our website.

Item 11. Executive Compensation

The information required by this item will be set forth under the headings “Executive Compensation” and “Compensation Committee Interlocks and Insider Participation” in our 2023 Proxy Statement and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information regarding security ownership of certain beneficial owners and management and related stockholder matters, as well as equity compensation plan information, will be presented in our Proxy Statement for our 2023 Annual Meeting of Stockholders, to be filed on or before April 13, 2023, and such information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be set forth under the headings “Certain Relationships and Related-Party Transactions” and “Corporate Governance” in our 2023 Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information required by this item will be set forth under the heading “Fees Paid to Deloitte” and “Pre-Approval of Services” in our 2023 Proxy Statement and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as a part of this Form 10-K:

1. Financial Statements: The Consolidated Financial Statements, the Notes to Consolidated Financial Statements and the Report of Independent Registered Public Accounting Firm (PCAOB ID No. 34) for Installed Building Products, Inc. are presented in Item 8, Financial Statements and Supplementary Data, of Part II of this Form 10-K.
2. Financial Schedules: All financial statement schedules have been omitted because they are inapplicable, not required, or shown in the consolidated financial statements and notes in Item 8, Financial Statements and Supplementary Data, of Part II of this Form 10-K.

(b) Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
3.1	<u>Second Amended and Restated Certificate of Incorporation of Installed Building Products, Inc., incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on February 25, 2014.</u>
3.2	<u>Amended and Restated Bylaws of Installed Building Products, Inc., incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on February 28, 2018.</u>
4.1	<u>Form of Common Stock Certificate of Installed Building Products, Inc., incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1/A filed on January 27, 2014.</u>
4.2	<u>Indenture, dated September 26, 2019, among Installed Building Products, Inc., the guarantors named therein and U.S. Bank National Association, as Trustee (including the Form of Note), incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on September 27, 2019.</u>
4.3	<u>Description of Installed Building Product, Inc.'s Securities Registered Pursuant to Section 12 of the Exchange Act, incorporated by reference to Exhibit 4.3 to the Company's Annual Report on Form 10-K filed on February 27, 2020.</u>
10.1#	<u>Form of Amended and Restated Indemnification Agreement for directors and officers, incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on May 7, 2021.</u>
10.2#	<u>Amended and Restated Employment Agreement, dated as of April 15, 2021, by and between Installed Building Products, Inc. and Jeffrey W. Edwards, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 7, 2021.</u>
10.3#	<u>Installed Building Products, Inc. 2014 Omnibus Incentive Plan, incorporated by reference to Exhibit 10.21 to the Company's Registration Statement on Form S-1/A filed on January 27, 2014.</u>
10.4#	<u>Amendment, dated as of February 24, 2017, to the Installed Building Products, Inc. 2014 Omnibus Incentive Plan, incorporated by reference to Exhibit 10.16 to the Company's Annual Report on Form 10-K filed on February 28, 2017.</u>
10.5	<u>Term Loan Credit Agreement, dated April 13, 2017, by and among Installed Building Products, Inc., the lenders party thereto from time to time, Royal Bank of Canada, as term administrative agent, and RBC Capital Markets, UBS Securities LLC and Jefferies Finance LLC as joint lead arrangers and joint bookrunners, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 17, 2017.</u>
10.6	<u>Credit Agreement, dated April 13, 2017, by and among Installed Building Products, Inc., the subsidiary guarantors from time to time party thereto, the financial institutions from time to time party thereto, and SunTrust Bank, as issuing bank, swing bank and administrative agent, with SunTrust Robinson Humphrey, Inc. as left lead arranger and bookrunner, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on April 17, 2017.</u>
10.7	<u>ABL/Term Loan Intercreditor Agreement, dated April 13, 2017, by and among Installed Building Products, Inc., SunTrust Bank, as ABL agent, Royal Bank of Canada, as term loan agent, and each of the agents and certain of the Company's subsidiaries from time to time party thereto, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on April 17, 2017.</u>
10.8	<u>Term Collateral Agreement, dated April 13, 2017, among Installed Building Products, Inc., certain of its subsidiaries and Royal Bank of Canada, as term collateral agent, incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on April 17, 2017.</u>
10.9	<u>Security Agreement, dated April 13, 2017, among Installed Building Products, Inc., certain of its subsidiaries and SunTrust Bank, as administrative agent, incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on April 17, 2017.</u>

- 10.10 [Term Guarantee Agreement, dated April 13, 2017, among certain of Installed Building Products, Inc.'s subsidiaries and Royal Bank of Canada, as term collateral agent, incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed on April 17, 2017.](#)
- 10.11 [Amendment No. 1, dated October 26, 2017, to Term Loan Credit Agreement by and among Installed Building Products, Inc., the other loan parties party thereto, the participating lenders and fronting bank party thereto, Royal Bank of Canada, as administrative agent, and RBC Capital Markets, as lead arranger and bookrunner, incorporated by reference to Exhibit 10.31 to the Company's Annual Report on Form 10-K filed on February 28, 2018.](#)
- 10.12 [First Amendment, dated November 30, 2017, to Term Loan Credit Agreement, by and among Installed Building Products, Inc., the other loan parties party thereto, the participating lenders and fronting bank party thereto, Royal Bank of Canada, as administrative agent, and RBC Capital Markets, as lead arranger and bookrunner, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 1, 2017.](#)
- 10.13 [First Amendment, dated October 26, 2017, to the Credit Agreement among Installed Building Products, Inc., certain of its subsidiaries and SunTrust Bank, as administrative agent, incorporated by reference to Exhibit 10.33 to the Company's Annual Report on Form 10-K filed on February 28, 2018.](#)
- 10.14 [Second Amendment, dated December 26, 2017, to the Credit Agreement among Installed Building Products, Inc., certain of its subsidiaries and SunTrust Bank, as administrative agent, incorporated by reference to Exhibit 10.34 to the Company's Annual Report on Form 10-K filed on February 28, 2018.](#)
- 10.15 [Second Amendment to Term Loan Credit Agreement, dated as of June 19, 2018, by and among Installed Building Products, Inc., the other loan parties party thereto, the participating lenders and fronting bank party thereto, Royal Bank of Canada, as administrative agent, and RBC Capital Markets, as joint lead arranger and joint bookrunner, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 19, 2018.](#)
- 10.16 [Third Amendment to Credit Agreement, dated as of June 19, 2018, by and among Installed Building Products, Inc., the lenders party thereto, and SunTrust Bank, as administrative agent, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 19, 2018.](#)
- 10.17 [Restatement Agreement, dated as of December 17, 2019, among Installed Building Products, Inc., as Borrower, the Lenders party thereto and Bank of America, N.A., as Administrative Agent, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 18, 2019.](#)
- 10.18 [First Amendment to ABL/Term Loan Intercreditor Agreement, dated as of June 19, 2018, by and among Installed Building Products, Inc., SunTrust Bank, as ABL agent, and Royal Bank of Canada, as term loan agent, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on June 19, 2018.](#)
- 10.19 [Second Amendment to ABL/Term Loan Intercreditor Agreement, dated as of December 17, 2019, by and among Installed Building Products, Inc., as Borrower, Bank of America, N.A., as ABL Agent, and Bank of America, N.A., as Term Loan Agent, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 18, 2019.](#)
- 10.20 [Purchase Agreement, dated as of September 16, 2019, by and among Installed Building Products, Inc., as issuer, the subsidiary guarantors party thereto, and BofA Securities, Inc. for itself and on behalf of several initial purchasers, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 17, 2019.](#)
- 10.21 [Credit Agreement, dated September 26, 2019, among Installed Building Products, Inc., the guarantors party thereto, the lenders party thereto and Bank of America, N.A., as issuing bank, swing bank and administrative agent, with KeyBank National Association, as a syndication agent and U.S. Bank National Association, as a syndication agent, and Bank of America, N.A., as lead arranger and bookrunner, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 27, 2019.](#)
- 10.22 [Security Agreement, dated September 26, 2019, among Installed Building Products, Inc., the other grantors party thereto and Bank of America, N.A., as administrative agent, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on September 27, 2019.](#)
- 10.23 [Term Loan Credit Agreement, dated December 14, 2021, by and among Installed Building Products, Inc., the lenders party thereto from time to time, Royal Bank to Canada, as term administrative agent and term collateral agent, and RBC Capital Markets, BofA Securities, Inc. and Goldman Sachs Bank USA as joint lead arrangers and joint bookrunners and Loop Capital Markets LLC, US Bank National Associations, KeyBank Capital Markets Inc. and PNC Capital Markets LLC as Co-managers, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 14, 2021.](#)
- 10.24 [Third Amendment to ABL/Term Loan Intercreditor Agreement, dated December 14, 2021, by and among Installed Building Products, Inc., Bank of America, N.A., as ABL agent, Royal Bank of Canada, as collateral agent and certain of the Company's subsidiaries from time to time party thereto, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on December 14, 2021.](#)
- 10.25 [Lien Sharing and Priority Confirmation Joinder, dated, December 14, 2021, among Installed Building Products, Inc., the guarantors named therein, Bank of America, N.A., as ABL agent, and Royal Bank of Canada, as collateral agent under the Term Loan Agreement, incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on December 14, 2021.](#)

- 10.26 [Term Collateral Agreement, dated December 14, 2021, among Installed Building Products, Inc., certain of its subsidiaries and Royal Bank of Canada, as term collateral agent, incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on December 14, 2021.](#)
- 10.27 [Term Guarantee Agreement, dated December 14, 2021 among certain of Installed Building Products, Inc.'s subsidiaries and Royal of Canada, as term collateral agent, incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed on December 14, 2021.](#)
- 10.28 [Consent and Amendment No. 2 to Credit Agreement, dated December 14, 2021, by and among Installed Building Products, Inc., the financial institutions party thereto and Bank of America N.A., as administrative agent, incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed on December 14, 2021.](#)
- 10.29 [Amendment No. 3 to Credit Agreement, dated February 17, 2022, by and among Installed Building Products, Inc., the financial institutions party thereto as lenders and Bank of America N.A., as administrative agent, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 18, 2022.](#)
- 10.30# [Form of Restricted Stock Agreement, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 14, 2014.](#)
- 10.31# [Form of Performance Share Award Agreement, incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on August 13, 2014.](#)
- 10.32# [Form of Restricted Stock Agreement for Employees, incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K filed on March 13, 2015.](#)
- 10.33# [Form of Restricted Stock Agreement for awards made on or after April 19, 2017, incorporated by reference to Exhibit 10.35 to the Company's Quarterly Report on Form 10-Q filed on May 8, 2017.](#)
- 10.34# [Form of Performance Share Agreement for awards made on or after April 19, 2017, incorporated by reference to Exhibit 10.36 to the Company's Quarterly Report on Form 10-Q filed on May 8, 2017.](#)
- 10.35# [Form of Stock Award Agreement, incorporated by reference to Exhibit 10.37 to the Company's Quarterly Report on Form 10-Q filed on May 8, 2017.](#)
- 10.36# [Form of Performance-Based Cash Award Agreement, incorporated by reference to Exhibit 10.38 to the Company's Quarterly Report on Form 10-Q filed on May 8, 2017.](#)
- 21.1* List of Subsidiaries of Installed Building Products, Inc.
- 23.1* Consent of Deloitte & Touche LLP.
- 31.1* CEO Certification pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2* CFO Certification pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1* CEO Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2* CFO Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101** The following financial statements from the Company's Annual Report on Form 10-K for the period ended December 31, 2021, formatted in inline XBRL, include: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations and Comprehensive Income, (iii) Consolidated Statements of Stockholders' Equity, (iv) Consolidated Statements of Cash Flows and (v) the Notes to the Consolidated Financial Statements.
- 104** Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)

* Filed herewith

** Submitted electronically with the report.

Indicates management contract or compensatory plan.

Item 16. Form 10-K Summary

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 22, 2023

INSTALLED BUILDING PRODUCTS, INC.

/s/ Jeffrey W. Edwards

By: Jeffrey W. Edwards
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Jeffrey W. Edwards</u> Jeffrey W. Edwards	President, Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)	February 22, 2023
<u>/s/ Michael T. Miller</u> Michael T. Miller	Executive Vice President, Chief Financial Officer and Director (Principal Financial Officer)	February 22, 2023
<u>/s/ Todd R. Fry</u> Todd R. Fry	Chief Accounting Officer and Treasurer (Principal Accounting Officer)	February 22, 2023
<u>/s/ Margot L. Carter</u> Margot L. Carter	Director	February 22, 2023
<u>/s/ Lawrence A. Hilsheimer</u> Lawrence A. Hilsheimer	Director	February 22, 2023
<u>/s/ Janet E. Jackson</u> Janet E. Jackson	Director	February 22, 2023
<u>/s/ David R. Meuse</u> David R. Meuse	Director	February 22, 2023
<u>/s/ Robert H. Schottenstein</u> Robert H. Schottenstein	Director	February 22, 2023
<u>/s/ Michael H. Thomas</u> Michael H. Thomas	Director	February 22, 2023
<u>/s/ Vikas Verma</u> Vikas Verma	Director	February 22, 2023

Significant Subsidiaries of Installed Building Products, Inc.

<u>Name</u>	<u>Jurisdiction of Organization</u>
5 Star Building Products LLC	Utah
5 Star Building Products of Southern Utah, LLC	Utah
A+ Insulation of Kansas City, LLC	Delaware
ABS Coastal Insulating Company, Inc.	South Carolina
ABS Insulating Company, Inc.	North Carolina
Accurate Insulation LLC	Maryland
Accurate Insulation of Colorado, LLC	Delaware
Accurate Insulation of Delaware, LLC	Delaware
Accurate Insulation of Upper Marlboro, LLC	Delaware
Advanced Fiber, LLC	Delaware
Advanced Insulation, LLC	Delaware
Alert Insulation of California, LLC	Delaware
All Construction Services, LLC	Delaware
All in One & Moore Building Systems, LLC	Delaware
Alpha Insulation & Water Proofing Company	Georgia
Alpha Insulation & Water Proofing, Inc.	Texas
Alpine Construction of Colorado, LLC	Ohio
Alpine Insulation I, LLC	Delaware
AMD Distribution Services, LLC	Delaware
American Insulation & Energy Services, LLC	Alabama
Any Season Insulation, LLC	Delaware
Apple Valley Insulation, a BDI Company, Inc.	California
Aster Contractors Holdings, LLC	Delaware
Astro Insulation of Illinois, LLC	Delaware
Baytherm Insulation, LLC	Delaware
BDI Insulation of Idaho Falls, Inc.	Idaho
BDI Insulation of Salt Lake, L.L.C.	Utah
Big City Insulation of Idaho, Inc.	Idaho
Big City Insulation, Inc.	Utah
B-Organized Insulation, LLC	Delaware
Broken Drum Insulation Visalia, Inc.	California
Broken Drum of Bakersfield, Inc.	California
Builders Installed Products of Maine, LLC	Delaware
Builders Installed Products of New Hampshire, LLC	Delaware
Builders Installed Products of New York, LLC	Delaware
Builders Installed Products of Vermont, LLC	Delaware
Building Materials Finance, Inc.	Delaware
C.Q. Insulation, Inc.	Florida
Central Aluminum Supply Corporation	New Jersey
Central Aluminum Supply of North Jersey, L.L.C.	New Jersey
CFI Insulation, Inc.	Tennessee
CLS Insulation, LLC	Delaware
Cornhusker Insulation, LLC	Delaware

Division 7 8 9 Supply, LLC	Delaware
East Coast Insulators II, LLC	Delaware
Eastern Contractor Services Limited Liability Company	New Jersey
Ecologic Energy Solutions, LLC	Delaware
Edwards/Mooney & Moses, LLC	Delaware
Elite Spray Foam of Las Vegas, LLC	Delaware
EMPER Holdings, LLC	Delaware
Energy Savers of Louisville, LLC	Delaware
Expert Insulation of Minnesota, LLC	Delaware
FiberClass Insulation, LLC	Delaware
First State Building Products, LLC	Delaware
Fort Wayne Urethane, LLC	Delaware
Garage Door Systems, LLC	Delaware
Gold Insulation, Inc.	Delaware
Gold Star Insulation, L.P.	Delaware
Green Star Plus Insulation, LLC	Delaware
G-T-G, LLC	South Carolina
Gulf Coast Insulation, LLC	Delaware
Hinkle Insulation & Drywall Company, Incorporated	Texas
Horizon Electric Services, LLC	Delaware
I.W. International Insulation Incorporated	Washington
IBHL A Holding Company, Inc.	Delaware
IBHL B Holding Company, Inc.	Delaware
IBHL II-A Holding Company, Inc.	Delaware
IBHL II-B Holding Company, Inc.	Delaware
IBP Arctic Express, LLC	Delaware
IBP Asset II, LLC	Delaware
IBP Asset, LLC	Delaware
IBP Corporation Holdings, Inc.	Delaware
IBP Exteriors, Inc.	New Jersey
IBP Holdings II, LLC	Delaware
IBP Holdings, LLC	Delaware
IBP Legacy Glass & Supply, LLC	Delaware
IBP Logistics, LLC	Delaware
IBP of Mansfield, LLC	Delaware
IBP of Oklahoma, LLC	Delaware
IBP of San Antonio, LLC	Delaware
IBP of Toledo, LLC	Delaware
IBP Rating Services, LLC	Texas
IBP Texas Assets I, LLC	Delaware
IBP Texas Assets II, LLC	Delaware
IBP Texas Assets III, LLC	Delaware
Installed Building Products – Panhandle, LLC	Delaware
Installed Building Products – Portland, LLC	Oregon
Installed Building Products Distribution Services, LLC	Delaware
Installed Building Products II, LLC	Delaware
Installed Building Products of Fort Myers, LLC	Delaware
Installed Building Products of Houston, LLC	Delaware
Installed Building Products of Jacksonville, LLC	Delaware

Installed Building Products of Maine, LLC	Delaware
Installed Building Products of Miami, LLC	Delaware
Installed Building Products of Missouri, LLC	Delaware
Installed Building Products of Tampa, LLC	Delaware
Installed Building Products of Utah, LLC	Delaware
Installed Building Products of West Palm, LLC	Delaware
Installed Building Products, Inc.	Delaware
Installed Building Products, LLC	Delaware
Installed Building Solutions II, LLC	Delaware
Insulation Contractors of Washington, LLC	Delaware
Insulation Northwest, LLC	Delaware
Insulation Wholesale Supply, LLC	Nevada
InsulVail, LLC	Colorado
Key Insulation of Austin, LLC	Delaware
Key Insulation of San Antonio, LLC	Delaware
Lakeside Insulation, LLC	Delaware
Layman Brothers Insulation, LLC	Delaware
LKS Transportation, LLC	Delaware
Loveday Insulation, LLC	Delaware
Lynch Insulation of Montana, LLC	Delaware
M&D Insulation, LLC	Delaware
MAP Installed Building Products of Sagamore, LLC	Delaware
MAP Installed Building Products of Seekonk, LLC	Delaware
Marv's Insulation, Inc.	Idaho
Metro Home Insulation, LLC	Delaware
Mid South Construction and Building Products, Inc.	Georgia
Mid-Atlantic Insulation, LLC	Delaware
MIG Building Systems of East Syracuse, LLC	Delaware
MIG Building Systems, LLC	Delaware
Momper Insulation of Crown Point, LLC	Delaware
Momper Insulation of Elkhart, LLC	Delaware
Momper Insulation of Fort Wayne, LLC	Delaware
Norkote of Washington, LLC	Delaware
Northwest Insulation, LLC	Delaware
OJ Insulation Holdings, Inc.	Delaware
OJ Insulation, L.P.	Delaware
Orr Industries of Pennsylvania, LLC	Delaware
Pacific Partners Insulation North, a BDI Company, LLC	Washington
Pacific Partners Insulation South, a BDI Company, LLC	Washington
Parker Insulation and Building Products, LLC	Texas
PEG, LLC	Texas
Pisgah Insulation and Fireplaces of NC, LLC	North Carolina
Premier Building Supply SLC, LLC	Utah
Premier Building Supply, LLC	Utah
RaJan, LLC	Ohio
Rocket Insulation, LLC	Delaware
Rockford Insulation, LLC	Delaware
Royals Commercial of Maryland, LLC	Delaware
SCE of Chicago, LLC	Delaware

Sierra Insulation Contractors II, LLC	Delaware
Southern Insulators, LLC	Delaware
Spec 7 Insulation Co., LLC	Colorado
Suburban Insulation, Inc.	Pennsylvania
Superior Insulation Services, LLC	Delaware
Superior Insulation, LLC	Delaware
TCI Contracting of Charleston, LLC	Delaware
TCI Contracting of Hilton Head, LLC	Delaware
TCI Contracting of Kentucky, LLC	Delaware
TCI Contracting of Memphis, LLC	Delaware
TCI Contracting of Nashville, LLC	Delaware
TCI Contracting of the Gulf, LLC	Delaware
TCI Contracting, LLC	Georgia
Thermal Control Insulation, LLC	Ohio
Therm-Con of Tennessee, LLC	Delaware
Tidewater Insulators, LLC	Delaware
Town Building Systems, LLC	Delaware
Trademark Roofing Company, Inc.	North Carolina
Trademark Seamless Gutter Company, Inc.	North Carolina
Tri-County Building Products of California, LLC	Delaware
Trilok Industries, Inc.	Georgia
U.S. Insulation Corp.	Connecticut
Water-Tite Company, LLC	Delaware
WeatherSeal Company, LLC	Delaware
Wilson Insulation Company, LLC	Georgia

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-195107 on Form S-8 of our reports dated February 22, 2023, relating to the consolidated financial statements of Installed Building Products, Inc., and the effectiveness of Installed Building Products, Inc.'s internal control over financial reporting, appearing in this Annual Report on Form 10-K of Installed Building Products, Inc. for the year ended December 31, 2022.

/s/ Deloitte & Touche LLP

Columbus, Ohio
February 22, 2023

INSTALLED BUILDING PRODUCTS, INC.

Certification Required by Rule 13a-14(a) or 15d-14(a)
of the Securities Exchange Act of 1934

I, Jeffrey W. Edwards, certify that:

1. I have reviewed this Annual Report on Form 10-K of Installed Building Products, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2023

By: /s/ Jeffrey W. Edwards
Jeffrey W. Edwards
President and Chief Executive Officer

INSTALLED BUILDING PRODUCTS, INC.

Certification Required by Rule 13a-14(a) or 15d-14(a)
of the Securities Exchange Act of 1934

I, Michael T. Miller, certify that:

1. I have reviewed this Annual Report on Form 10-K of Installed Building Products, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2023

By: /s/ Michael T. Miller

Michael T. Miller

Executive Vice President and Chief Financial Officer

INSTALLED BUILDING PRODUCTS, INC.

Certification Required by Rule 13a-14(b) or 15d-14(b)
of the Securities Exchange Act of 1934 and
Section 1350 of Chapter 63 of Title 18 of the
United States Code

The certification set forth below is being submitted in connection with the Installed Building Products, Inc. Annual Report on Form 10-K for the year ended December 31, 2022 (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Jeffrey W. Edwards, the President and Chief Executive Officer, of Installed Building Products, Inc., certifies that, to the best of his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the consolidated financial condition and results of operations of Installed Building Products, Inc.

Dated: February 22, 2023

By: /s/ Jeffrey W. Edwards

Jeffrey W. Edwards

President and Chief Executive Officer

INSTALLED BUILDING PRODUCTS, INC.

Certification Required by Rule 13a-14(b) or 15d-14(b)
of the Securities Exchange Act of 1934 and
Section 1350 of Chapter 63 of Title 18 of the
United States Code

The certification set forth below is being submitted in connection with the Installed Building Products, Inc. Annual Report on Form 10-K for the year ended December 31, 2022 (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Michael T. Miller, the Executive Vice President and Chief Financial Officer, of Installed Building Products, Inc., certifies that, to the best of his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the consolidated financial condition and results of operations of Installed Building Products, Inc.

Dated: February 22, 2023

By: /s/ Michael T. Miller

Michael T. Miller

Executive Vice President and Chief Financial Officer