

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

FORM 10-Q

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

For the quarterly period ended March 31, 2021
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 on each exchange on which registered
Common Stock, \$0.01 par value per share	IBP	The New York Stock Exchange

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 (Section 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 a check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

On April 29, 2021, the registrant had 29,696,832 shares of common stock, par value \$0.01 per share, outstanding.

TABLE OF CONTENTS

<u>PART I – FINANCIAL INFORMATION</u>	1
<u>Item 1. Financial Statements</u>	1
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	25
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	36
<u>Item 4. Controls and Procedures</u>	36
<u>PART II – OTHER INFORMATION</u>	36
<u>Item 1. Legal Proceedings</u>	37
<u>Item 1A. Risk Factors</u>	37
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	37
<u>Item 3. Defaults Upon Senior Securities</u>	37
<u>Item 4. Mine Safety Disclosures</u>	37
<u>Item 5. Other Information</u>	37
<u>Item 6. Exhibits</u>	38
<u>SIGNATURES</u>	39

PART I – FINANCIAL INFORMATION**Item 1. Financial Statements**

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

	March 31, 2021	December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 207,343	\$ 231,520
Accounts receivable (less allowance for credit losses of \$8,615 and \$8,789 at March 31, 2021 and December 31, 2020, respectively)	270,498	266,566
Inventories	85,980	77,179
Prepaid expenses and other current assets	46,344	48,678
Total current assets	610,165	623,943
Property and equipment, net	105,162	104,022
Operating lease right-of-use assets	54,442	53,766
Goodwill	242,036	216,870
Customer relationships, net	121,051	108,504
Other intangibles, net	67,151	62,889
Other non-current assets	33,609	17,682
Total assets	<u>\$ 1,233,616</u>	<u>\$ 1,187,676</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt	\$ 23,770	\$ 23,355
Current maturities of operating lease obligations	19,210	18,758
Current maturities of finance lease obligations	1,875	2,073
Accounts payable	104,001	101,462
Accrued compensation	47,520	45,876
Other current liabilities	48,926	44,951
Total current liabilities	245,302	236,475
Long-term debt	545,138	541,957
Operating lease obligations	34,618	34,413
Finance lease obligations	2,367	2,430
Deferred income taxes	9,957	35
Other long-term liabilities	55,696	53,184
Total liabilities	893,078	868,494
Commitments and contingencies (Note 15)		
Stockholders' equity		
Preferred Stock; \$0.01 par value: 5,000,000 authorized and 0 shares issued and outstanding at March 31, 2021 and December 31, 2020, respectively	—	—
Common stock; \$0.01 par value: 100,000,000 authorized, 33,208,082 and 33,141,879 issued and 29,689,201 and 29,623,272 shares outstanding at March 31, 2021 and December 31, 2020, respectively	331	331
Additional paid in capital	202,662	199,847
Retained earnings	277,804	269,420
Treasury stock; at cost: 3,518,881 and 3,518,607 shares at March 31, 2021 and December 31, 2020, respectively	(141,653)	(141,653)
Accumulated other comprehensive income (loss)	1,394	(8,763)
Total stockholders' equity	340,538	319,182
Total liabilities and stockholders' equity	<u>\$ 1,233,616</u>	<u>\$ 1,187,676</u>

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

	Three months ended March 31,	
	2021	2020
Net revenue	\$ 437,066	\$ 397,331
Cost of sales	311,639	281,071
Gross profit	125,427	116,260
Operating expenses		
Selling	20,858	20,355
Administrative	65,077	60,195
Amortization	8,396	6,680
Operating income	31,096	29,030
Other expense		
Interest expense, net	7,574	7,358
Other	81	—
Income before income taxes	23,441	21,672
Income tax provision	6,150	5,684
Net income	\$ 17,291	\$ 15,988
Other comprehensive income (loss), net of tax:		
Net change on cash flow hedges, net of tax (provision) benefit of \$(3,428) and \$1,939 for the three months ended March 31, 2021 and 2020, respectively	10,157	(5,608)
Comprehensive income	\$ 27,448	\$ 10,380
Basic net income per share	\$ 0.59	\$ 0.54
Diluted net income per share	\$ 0.58	\$ 0.53
Weighted average shares outstanding:		
Basic	29,286,044	29,722,444
Diluted	29,613,484	29,930,954
Cash dividends declared per share	\$ 0.30	—

INSTALLED BUILDING PRODUCTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED) FOR THE THREE MONTHS ENDED
MARCH 31, 2021 AND MARCH 31, 2020
(in thousands, except share amounts)

	Common Stock		Additional Paid In Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Loss	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				15,988				15,988
Cumulative effect of accounting changes, net of tax				(1,190)				(1,190)
Issuance of common stock awards to employees	89,957	1	(1)					—
Surrender of common stock awards					(1,759)	—		—
Share-based compensation expense			2,302					2,302
Share-based compensation issued to directors	316		33					33
Common stock repurchase					(442,542)	(15,759)		(15,759)
Other comprehensive loss, net of tax							(5,608)	(5,608)
BALANCE - March 31, 2020	32,961,777	\$ 330	\$ 192,564	\$ 188,169	(3,299,465)	\$ (122,515)	\$ (12,751)	\$ 245,797
	Common Stock		Additional Paid In Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Stockholders' Equity
	Shares	Amount			Shares	Amount		
BALANCE - January 1, 2021	33,141,879	\$ 331	\$ 199,847	\$ 269,420	(3,518,607)	\$ (141,653)	\$ (8,763)	\$ 319,182
Net income				17,291				17,291
Issuance of common stock awards to employees	66,203	—						—
Surrender of common stock awards					(274)	—		—
Share-based compensation expense			2,713					2,713
Share-based compensation issued to directors			102					102
Dividends declared (\$0.30 per share)				(8,907)				(8,907)
Other comprehensive income, net of tax							10,157	10,157
BALANCE - March 31, 2021	33,208,082	\$ 331	\$ 202,662	\$ 277,804	(3,518,881)	\$ (141,653)	\$ 1,394	\$ 340,538

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

	Three months ended March 31,	
	2021	2020
Cash flows from operating activities		
Net income	\$ 17,291	\$ 15,988
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization of property and equipment	10,663	10,374
Amortization of operating lease right-of-use assets	5,050	4,207
Amortization of intangibles	8,396	6,680
Amortization of deferred financing costs and debt discount	331	325
Provision for credit losses	127	1,298
Gain on sale of property and equipment	(252)	(35)
Noncash stock compensation	3,196	2,681
Amortization of terminated interest rate swap	798	—
Changes in assets and liabilities, excluding effects of acquisitions		
Accounts receivable	1,056	(1,000)
Inventories	(7,644)	1,411
Other assets	(1,794)	6,933
Accounts payable	524	(8,308)
Income taxes receivable/payable	4,633	5,649
Other liabilities	(4,757)	(10,291)
Net cash provided by operating activities	<u>37,618</u>	<u>35,912</u>
Cash flows from investing activities		
Purchases of investments	—	(776)
Maturities of short term investments	—	12,275
Purchases of property and equipment	(10,846)	(9,919)
Acquisitions of businesses, net of cash acquired of \$168 and \$0 in 2021 and 2020, respectively	(41,930)	(8,501)
Proceeds from sale of property and equipment	389	162
Other	(5)	(1,340)
Net cash used in investing activities	<u>(52,392)</u>	<u>(8,099)</u>
Cash flows from financing activities		
Proceeds from vehicle and equipment notes payable	7,808	7,094
Debt issuance costs	—	(22)
Principal payments on long-term debt	(6,481)	(6,711)
Principal payments on finance lease obligations	(530)	(738)
Dividends paid	(8,786)	—
Acquisition-related obligations	(1,414)	(2,378)
Repurchase of common stock	—	(15,759)
Net cash used in financing activities	<u>(9,403)</u>	<u>(18,514)</u>
Net change in cash and cash equivalents	(24,177)	9,299
Cash and cash equivalents at beginning of period	231,520	177,889
Cash and cash equivalents at end of period	<u>\$ 207,343</u>	<u>\$ 187,188</u>
Supplemental disclosures of cash flow information		
Net cash paid during the period for:		
Interest	\$ 10,839	\$ 9,798
Income taxes, net of refunds	1,474	37
Supplemental disclosure of noncash activities		
Right-of-use assets obtained in exchange for operating lease obligations	5,679	5,612
Property and equipment obtained in exchange for finance lease obligations	268	343
Seller obligations in connection with acquisition of businesses	5,959	2,570
Unpaid purchases of property and equipment included in accounts payable	1,043	1,346

INSTALLED BUILDING PRODUCTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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 190 locations and its corporate office is located in Columbus, Ohio.

We have one operating segment and a single reportable segment. Substantially all of our 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 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.

The COVID-19 pandemic (“COVID-19”) has caused significant volatility, uncertainty and economic disruption. Many public health organizations and international, federal, state and local governments implemented measures to combat the spread of COVID-19 during portions of 2020 and 2021 with some of these restrictions still in place as of the date of filing of this Quarterly Report on Form 10-Q. Some of these measures include restrictions on movement such as quarantines, “stay-at-home” orders and social distancing ordinances and restricting or prohibiting outright some or all forms of commercial and business activity. We do not believe the various orders and restrictions or COVID-19 itself significantly impacted our business in the first three months of 2021. However, the extent to which COVID-19 will impact our future operations, customers, suppliers, employees and financial results is uncertain. The future impact of COVID-19 on our financial results depends on numerous factors including government actions and the resulting impact on construction activity, the effect on our customers’ demand for our services, the effects on our supply chain for materials, and the ability of our customers to pay for our services.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements include all of our wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated.

The information furnished in the Condensed Consolidated Financial Statements includes normal recurring adjustments and reflects all adjustments which are, in the opinion of management, necessary for a fair presentation of the results of operations and statements of financial position for the interim periods presented. Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and the rules and regulations of the Securities and Exchange Commission (the “SEC”) have been omitted pursuant to such rules and regulations. We believe that the disclosures are adequate to prevent the information presented from being misleading when read in conjunction with our audited consolidated financial statements and the notes thereto included in Part II, Item 8, Financial Statements and Supplementary Data, of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (the “2020 Form 10-K”), as filed with the SEC on February 24, 2021. The December 31, 2020 Condensed Consolidated Balance Sheet data herein was derived from the audited consolidated financial statements but does not include all disclosures required by U.S. GAAP.

Our interim operating results for the three months ended March 31, 2021 are not necessarily indicative of the results to be expected in future operating quarters.

Note 2 to the audited consolidated financial statements in our 2020 Form 10-K describes the significant accounting policies and estimates used in preparation of the audited consolidated financial statements. Other than the recently implemented accounting policies described below, there have been no changes to our significant accounting policies during the three months ended March 31, 2021.

INSTALLED BUILDING PRODUCTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Recently Adopted Accounting Pronouncements

Standard	Effective Date	Adoption
ASU 2021-01, <i>Reference Rate Reform (Topic 848): Scope</i>	Effective upon issuance	This pronouncement clarifies the scope and application of ASU 2020-04, "Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Topic 848)." We continue to evaluate the impact of Topic 848 and may apply other elections as applicable as additional changes in the market occur.
ASU 2019-12, Income Taxes (Topic 740), <i>Simplifying the Accounting for Income Taxes</i>	January 1, 2021	This pronouncement simplifies the accounting for income taxes by removing certain exceptions to the general principles of Topic 740 and improves the consistent application of GAAP by clarifying and amending existing guidance. The adoption of this standard did not impact our financial statements or have a material effect on our disclosures.

NOTE 3 - REVENUE RECOGNITION

Our revenues 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. An insignificant portion of our sales, primarily retail sales, is accounted for on a point-in-time basis when the sale occurs, adjusted accordingly for any return provisions. We do 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.

INSTALLED BUILDING PRODUCTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

We disaggregate our revenue from contracts with customers 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. The following tables present our revenues disaggregated by end market and product (in thousands):

	Three months ended March 31,			
	2021		2020	
Residential new construction	\$ 326,858	75 %	\$ 298,340	75 %
Repair and remodel	33,563	8 %	24,043	6 %
Commercial	76,645	17 %	74,948	19 %
Net revenues	<u>\$ 437,066</u>	100 %	<u>\$ 397,331</u>	100 %

	Three months ended March 31,			
	2021		2020	
Insulation	\$ 283,456	65 %	\$ 259,701	65 %
Waterproofing	29,949	7 %	28,505	7 %
Shower doors, shelving and mirrors	31,433	7 %	27,015	7 %
Garage doors	24,439	5 %	22,987	6 %
Rain gutters	19,003	4 %	11,576	3 %
Fireproofing/firestopping ⁽¹⁾	12,435	3 %	11,741	3 %
Window blinds	11,534	3 %	10,931	3 %
Other building products	24,817	6 %	24,875	6 %
Net revenues	<u>\$ 437,066</u>	100 %	<u>\$ 397,331</u>	100 %

(1) Combined with "Other building products" in previous years but shown separately to conform with updated disclosures.

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 Condensed 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 Condensed Consolidated Balance Sheets.

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

	March 31, 2021	December 31, 2020
Contract assets	\$ 27,641	\$ 24,334
Contract liabilities	(9,724)	(8,965)

Uncompleted contracts were as follows (in thousands):

	March 31, 2021	December 31, 2020
Costs incurred on uncompleted contracts	\$ 182,748	\$ 169,544
Estimated earnings	94,802	90,737
Total	277,550	260,281
Less: Billings to date	254,840	240,665
Net under billings	<u>\$ 22,710</u>	<u>\$ 19,616</u>

INSTALLED BUILDING PRODUCTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Net under billings were as follows (in thousands):

	March 31, 2021	December 31, 2020
Costs and estimated earnings in excess of billings on uncompleted contracts (contract assets)	\$ 27,641	\$ 24,334
Billings in excess of costs and estimated earnings on uncompleted contracts (contract liabilities)	(4,931)	(4,718)
Net under billings	<u>\$ 22,710</u>	<u>\$ 19,616</u>

The difference between contract assets and contract liabilities as of March 31, 2021 compared to December 31, 2020 is primarily the result of timing differences between our performance of obligations under contracts and customer payments. During the three months ended March 31, 2021, we recognized \$7.6 million of revenue that was included in the contract liability balance at December 31, 2020. We did not recognize any impairment losses on our receivables and contract assets during the three months ended March 31, 2021 or 2020.

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 March 31, 2021, the aggregate amount of the transaction price allocated to remaining uncompleted contracts was \$93.2 million. We expect to satisfy remaining performance obligations and recognize revenue on substantially all of these uncompleted contracts over the next 18 months.

Practical Expedients and Exemptions

We generally expense 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 Condensed 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.

NOTE 4 - CREDIT LOSSES

Our expected loss allowance methodology for accounts receivable is developed using historical losses, current economic conditions and future market forecasts. We also perform ongoing evaluations of our existing and potential customer's creditworthiness. To date, the COVID-19 pandemic has not had a material impact on the collectability of our existing trade receivables.

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

Balance as of January 1, 2021	\$ 8,789
Current period provision	127
Recoveries collected	253
Amounts written off	(554)
Balance as of March 31, 2021	<u>\$ 8,615</u>

NOTE 5 - INVESTMENTS

Cash and cash equivalents includes investments in money market funds that are valued based on the net asset value of the funds. The investments in these funds were \$175.5 million and \$170.4 million as of March 31, 2021 and December 31, 2020, respectively. See Note 9, Fair Value Measurements, for additional information.

INSTALLED BUILDING PRODUCTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 6 - GOODWILL AND INTANGIBLES

We anticipate that the COVID-19 pandemic could continue to have an impact on the homebuilding industry in general, as it could result in further business interruptions (government-mandated or otherwise) and could affect, among other factors, employment levels, consumer spending and consumer confidence, which could decrease demand for homes, adversely affecting our business. As such, we considered whether impairment indicators arose through the date of filing of this Quarterly Report on Form 10-Q for our goodwill, long-lived assets and other intangible assets and concluded that no such factors existed to cause us to test for goodwill impairment during the three months ended March 31, 2021. While we ultimately concluded that our goodwill, long-lived assets and other intangibles assets were not impaired as of March 31, 2021, we will continue to assess impairment indicators related to the impact of the COVID-19 pandemic on our business.

Goodwill

The change in carrying amount of goodwill was as follows (in thousands):

	Goodwill (Gross)	Accumulated Impairment Losses	Goodwill (Net)
January 1, 2021	\$ 286,874	\$ (70,004)	\$ 216,870
Business Combinations	25,141	—	25,141
Other	25	—	25
March 31, 2021	<u>\$ 312,040</u>	<u>\$ (70,004)</u>	<u>\$ 242,036</u>

Other changes included in the above table include minor adjustments for the purchase price allocation of certain acquisitions still under measurement. For additional information regarding changes to goodwill resulting from acquisitions, see Note 16, Business Combinations.

We test goodwill for impairment annually during the fourth quarter of our fiscal year or earlier if there is an impairment indicator. 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.

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 March 31,			As of December 31,		
	2021			2020		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Amortized intangibles:						
Customer relationships	\$ 215,841	\$ 94,790	\$ 121,051	\$ 197,641	\$ 89,137	\$ 108,504
Covenants not-to-compete	22,914	14,127	8,787	20,309	13,436	6,873
Trademarks and tradenames	84,057	28,488	55,569	79,657	27,245	52,412
Backlog	18,847	16,052	2,795	18,847	15,243	3,604
	<u>\$ 341,659</u>	<u>\$ 153,457</u>	<u>\$ 188,202</u>	<u>\$ 316,454</u>	<u>\$ 145,061</u>	<u>\$ 171,393</u>

INSTALLED BUILDING PRODUCTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The gross carrying amount of intangibles increased approximately \$25.2 million during the three months ended March 31, 2021 primarily due to business combinations. For more information, see Note 16, Business Combinations. Remaining estimated aggregate annual amortization expense is as follows (amounts, in thousands, are for the fiscal year ended):

Remainder of 2021	\$ 25,886
2022	31,215
2023	27,778
2024	24,265
2025	18,860
Thereafter	60,198

NOTE 7 - LONG-TERM DEBT

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

	As of March 31, 2021	As of December 31, 2020
Senior Notes due 2028, net of unamortized debt issuance costs of \$4,081 and \$4,230, respectively	\$ 295,919	\$ 295,770
Term loan, net of unamortized debt issuance costs of \$1,260 and \$1,343, respectively	198,740	198,657
Vehicle and equipment notes, maturing through March 2026; payable in various monthly installments, including interest rates ranging from 1.9% to 4.8%	68,821	67,493
Various notes payable, maturing through March 2025; payable in various monthly installments, including interest rates ranging from 1.0% to 5.0%	5,428	3,392
	568,908	565,312
Less: current maturities	(23,770)	(23,355)
Long-term debt, less current maturities	\$ 545,138	\$ 541,957

Remaining required repayments of debt principal, gross of unamortized debt issuance costs, as of March 31, 2021 are as follows (in thousands):

Remainder of 2021	\$ 18,264
2022	23,154
2023	15,963
2024	10,095
2025	206,494
Thereafter	300,279

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 each year until maturity. 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

INSTALLED BUILDING PRODUCTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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 December 2019, we amended and restated our \$400.0 million, seven-year term loan facility due April 2025 (the "Term Loan") under our credit agreement (the "Term Loan Agreement"), dated as of April 13, 2017 (as previously amended by the First Amendment thereto dated November 30, 2017 and by the Second Amendment thereto dated June 19, 2018). The amended Term Loan (i) effects a repricing of the interest rate applicable to the term loans thereunder from LIBOR plus 2.50% to LIBOR plus 2.25% and (ii) replaces Royal Bank of Canada with Bank of America, N.A. as the administrative agent and collateral agent thereunder. As of March 31, 2021, we had \$198.7 million, net of unamortized debt issuance costs, due on our Term Loan. The amended Term Loan also has a margin of 1.25% in the case of base rate loans.

In September 2019, we entered into a new asset-based lending credit agreement (the "ABL Credit Agreement"). The ABL Credit Agreement provides for an asset-based lending credit facility (the "ABL Revolver") of up to \$200.0 million with a five-year maturity, which replaced the Company's previous revolving credit facility. Borrowing availability under the ABL Revolver is based on a percentage of the value of certain assets securing the Company's obligations and those of the subsidiary guarantors thereunder. In connection with the Amended and Restated Term Loan, we entered into a Second Amendment (the "Second Amendment") to the ABL/Term Loan Intercreditor Agreement with Bank of America, N.A., as ABL Agent for the lenders under the ABL Credit Agreement, and Bank of America, N.A., as Term Loan Agent for the lenders under the Amended and Restated Term Loan. Including outstanding letters of credit, our remaining availability under the ABL Revolver as of March 31, 2021 was \$161.2 million.

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.

The ABL Revolver bears interest at either the Eurodollar rate or the base rate (which approximated the prime rate), at the Company's election, plus a margin of (A) 1.25% or 1.50% in the case of Eurodollar rate loans (based on a measure of availability under the ABL Credit Agreement) and (B) 0.25% or 0.50% in the case of base rate loans (based on a measure of availability under the ABL Credit Agreement).

The ABL Revolver also 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 \$75.0 million in aggregate and borrowing of swingline loans of up to \$20.0 million in aggregate.

The ABL Credit Agreement contains a financial covenant requiring the satisfaction of a minimum 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 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.

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 and Equipment Agreements") with various lenders to provide financing for the purpose of purchasing or leasing vehicles and equipment used in

INSTALLED BUILDING PRODUCTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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. No termination date applies to these agreements. As of March 31, 2021, approximately \$56.3 million of the various loan agreements was available for purchases of equipment.

Total gross assets relating to our Master Loan and Equipment Agreements were \$134.5 million and \$132.2 million as of March 31, 2021 and December 31, 2020, respectively. The net book value of assets under these agreements was \$66.5 million and \$65.7 million as of March 31, 2021 and December 31, 2020, respectively. Depreciation of assets held under these agreements is included within cost of sales on the Condensed Consolidated Statements of Operations and Comprehensive Income.

NOTE 8 - 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.

The table below presents the lease-related assets and liabilities recorded on the Condensed Consolidated Balance Sheets:

(in thousands)	Classification	As of March 31, 2021	As of December 31, 2020
Assets			
Non-Current			
Operating	Operating lease right-of-use assets	\$ 54,442	\$ 53,766
Finance	Property and equipment, net	4,591	4,946
Total lease assets		<u>\$ 59,033</u>	<u>\$ 58,712</u>
Liabilities			
Current			
Operating	Current maturities of operating lease obligations	\$ 19,210	\$ 18,758
Financing	Current maturities of finance lease obligations	1,875	2,073
Non-Current			
Operating	Operating lease obligations	34,618	34,413
Financing	Finance lease obligations	2,367	2,430
Total lease liabilities		<u>\$ 58,070</u>	<u>\$ 57,674</u>
Weighted-average remaining lease term:			
Operating leases		4.0 years	4.1 years
Finance leases		2.6 years	2.6 years
Weighted-average discount rate:			
Operating leases		3.56 %	3.67 %
Finance leases		5.11 %	5.08 %

INSTALLED BUILDING PRODUCTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Lease Costs

The table below presents certain information related to the lease costs for finance and operating leases:

(in thousands)	Classification	Three months ended March 31,	
		2021	2020
Operating lease cost ⁽¹⁾	Administrative	\$ 6,350	\$ 5,572
Finance lease cost			
Amortization of leased assets ⁽²⁾	Cost of sales	792	965
Interest on finance lease obligations	Interest expense, net	55	73
Total lease costs		<u>\$ 7,197</u>	<u>\$ 6,610</u>

- (1) Includes variable lease costs of \$0.7 million and \$0.6 million for the three months ended March 31, 2021 and 2020, respectively, and short-term lease costs of \$0.3 million and \$0.2 million for the three months ended March 31, 2021 and 2020, respectively.
- (2) Includes variable lease costs of \$0.2 million for each of the three months ended March 31, 2021 and 2020.

Other Information

The table below presents supplemental cash flow information related to leases (in thousands):

	Three months ended March 31,	
	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	\$ 5,324	\$ 4,746
Operating cash flows for finance leases	55	73
Financing cash flows for finance leases	530	738

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 Condensed Consolidated Balance Sheet as of March 31, 2021 (in thousands):

	Finance Leases	Operating Leases		
		Related Party	Other	Total Operating
Remainder of 2021	\$ 1,762	\$ 754	\$ 15,242	\$ 15,996
2022	1,287	986	15,751	16,737
2023	926	534	10,490	11,024
2024	512	548	4,835	5,383
2025	144	561	2,649	3,210
Thereafter	9	526	5,131	5,657
Total minimum lease payments	4,640	\$ 3,909	\$ 54,098	58,007
Less: Amounts representing executory costs	(67)			—
Less: Amounts representing interest	(331)			(4,179)
Present value of future minimum lease payments	4,242			53,828
Less: Current obligation under leases	(1,875)			(19,210)
Long-term lease obligations	<u>\$ 2,367</u>			<u>\$ 34,618</u>

INSTALLED BUILDING PRODUCTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 9 - FAIR VALUE MEASUREMENTSAssets 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 March 31, 2021 and December 31, 2020 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 three months ended March 31, 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 March 31, 2021 and December 31, 2020 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 March 31, 2021 and December 31, 2020, 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 March 31, 2021 and December 31, 2020. 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, calculated based on a weighted average of various future forecast scenarios, to their net present value. The fair values of financial assets and liabilities that are recorded at fair value in the Condensed Consolidated Balance Sheets and not described above were as follows (in thousands):

	As of March 31, 2021				As of December 31, 2020			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Financial assets:								
Cash equivalents	\$ 175,475	\$ 175,475	\$ —	\$ —	\$ 170,398	\$ 170,398	\$ —	\$ —
Derivative financial instruments	18,075	—	18,075	—	5,130	—	5,130	—
Total financial assets	<u>\$ 193,550</u>	<u>\$ 175,475</u>	<u>\$ 18,075</u>	<u>\$ —</u>	<u>\$ 175,528</u>	<u>\$ 170,398</u>	<u>\$ 5,130</u>	<u>\$ —</u>
Financial liabilities:								
Contingent consideration	\$ 7,510	\$ —	\$ —	\$ 7,510	\$ 4,004	\$ —	\$ —	\$ 4,004
Derivative financial instruments	482	—	482	—	324	—	324	—
Total financial liabilities	<u>\$ 7,992</u>	<u>\$ —</u>	<u>\$ 482</u>	<u>\$ 7,510</u>	<u>\$ 4,328</u>	<u>\$ —</u>	<u>\$ 324</u>	<u>\$ 4,004</u>

See Note 5, Investments, for more information on cash equivalents included in the table above. Also see Note 10, Derivatives and Hedging Activities, for more information on derivative financial instruments.

INSTALLED BUILDING PRODUCTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

Contingent consideration liability - January 1, 2021	\$ 4,004
Preliminary purchase price	4,000
Fair value adjustments	(200)
Accretion in value	561
Amounts cancelled	(36)
Amounts paid to sellers	(819)
Contingent consideration liability - March 31, 2021	<u>\$ 7,510</u>

The accretion in value of contingent consideration liabilities is included within administrative expenses on the Condensed 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 Condensed Consolidated Balance Sheets and not described above include our Senior Notes and investments. To estimate fair values of these items, we utilized third-party quotes which are derived all or in part from model prices, external sources or market prices. Both represent a Level 2 fair value measurement and are as follows (in thousands):

	As of March 31, 2021		As of December 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Senior Notes ⁽¹⁾	\$ 300,000	\$ 313,287	\$ 300,000	\$ 320,013

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

See Note 7, Long-Term Debt, for more information on our Senior Notes.

NOTE 10 - DERIVATIVES AND HEDGING ACTIVITIES

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 three months ended March 31, 2021, 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 March 31, 2021, we have not posted any collateral related to these agreements.

In August 2020, we terminated our two existing interest rate swaps and our forward interest rate swap and simultaneously entered into a new forward interest rate swap beginning July 30, 2021. The unrealized loss included in accumulated other comprehensive income (loss) associated with the terminated swaps of \$17.8 million at the time of termination will be amortized to interest expense over the course of the originally scheduled settlement dates of the terminated swaps. During the three months ended March 31, 2021, we amortized \$0.8 million of the unrealized loss to interest expense, net. The new forward interest rate swap has a beginning notional amount of \$200.0 million, a fixed rate of 0.51% and a maturity date of April 15, 2030. Upon commencement, this forward swap will serve to hedge substantially all of the variable cash flows on our Term Loan until its maturity and if extended. The assets and liabilities associated with the forward interest rate swap are included in other long-term assets and other current liabilities on the Condensed Consolidated Balance Sheets at their fair value amounts as described in Note 9, Fair Value Measurements.

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

INSTALLED BUILDING PRODUCTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

into earnings in the period that the hedged forecasted transaction affects earnings. We had no such changes during the three months ended March 31, 2021 or 2020.

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense, net as interest payments are made on our variable-rate debt. Over the next twelve months, we estimate that an additional \$3.7 million will be reclassified as an increase to interest expense, net.

LIBOR is used as a reference rate for our interest rate swap agreement 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. 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 11 - STOCKHOLDERS' EQUITY

As of March 31, 2021, we had a gain of \$1.4 million and as of December 31, 2020, we had a loss of \$8.8 million, respectively, in accumulated other comprehensive income (loss) on our Condensed Consolidated Balance Sheets. The gain as of March 31, 2021 represented the effective portion of the unrealized gain on our forward interest rate swap of \$12.5 million, net of taxes, less the unrealized loss on our terminated interest rate swaps of \$11.1 million, net of taxes. The loss as of December 31, 2020 represented the unrealized loss on our terminated interest rate swaps of \$12.2 million, net of taxes, less the effective portion of the unrealized gain on our forward interest rate swap of \$3.4 million, net of taxes. For additional information, see Note 10, Derivatives and Hedging Activities.

During the three months ended March 31, 2020, we repurchased approximately 443 thousand shares of our common stock with an aggregate price of approximately \$15.8 million, or \$35.59 average price per share. We did not repurchase any shares during the three months ended March 31, 2021. On February 22, 2021, our board of directors authorized an extension of our stock repurchase program through March 1, 2022 and concurrently authorized an increase in the total amount of our outstanding common stock we can purchase up to \$100.0 million. As of March 31, 2021, we have \$100.0 million remaining on our current stock repurchase program. The effect of these treasury shares reducing the number of common shares outstanding is reflected in our earnings per share calculation.

Dividends

During the three months ended March 31, 2021, we declared and paid the following cash dividend (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

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. 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 three months ended March 31, 2020.

INSTALLED BUILDING PRODUCTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 12 - EMPLOYEE BENEFITSHealthcare

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 \$7.2 million and \$7.0 million for the three months ended March 31, 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 Condensed Consolidated Balance Sheets and was \$3.3 million and \$3.1 million as of March 31, 2021 and December 31, 2020, respectively.

Workers' Compensation

Workers' compensation expense totaled \$4.2 million and \$4.4 million for the three months ended March 31, 2021 and 2020, respectively. Workers' compensation known claims and IBNR reserves included on the Condensed Consolidated Balance Sheets were as follows (in thousands):

	March 31, 2021	December 31, 2020
Included in other current liabilities	\$ 6,876	\$ 7,703
Included in other long-term liabilities	12,618	11,986
	<u>\$ 19,494</u>	<u>\$ 19,689</u>

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

	March 31, 2021	December 31, 2020
Included in other non-current assets	\$ 1,997	\$ 1,854

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. We recognized 401(k) plan expenses of \$0.7 million and \$0.6 million during the three months ended March 31, 2021 and 2020, respectively. These expenses are included in administrative expenses on the accompanying Condensed Consolidated Statements of Operations and Comprehensive Income.

Multiemployer Pension Plans

We participate in various multiemployer pension plans under collective bargaining agreements in Washington, Oregon 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.

Share-Based Compensation*Common Stock Awards*

We periodically grant shares of our common stock to non-employee members of our board of directors and our employees. We did not grant any such shares in the three months ended March 31, 2021. During the three months ended March 31, 2020, we granted 316 shares of our common stock to a non-employee member of our board of directors. The stock will vest on the date of our 2021 annual meeting.

INSTALLED BUILDING PRODUCTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Employees – Performance-Based Stock Awards

During the three months ended March 31, 2021, we issued approximately 0.1 million shares of our common stock to certain officers, which vest in two equal installments on each of April 20, 2022 and April 20, 2023. In addition, during the three months ended March 31, 2021, we established, and our board of directors approved, performance-based targets in connection with common stock awards to be issued to certain officers in 2022 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 2022 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 2022 and as such are included in other current liabilities on the Condensed Consolidated Balance Sheets. During the three months ended March 31, 2021 and 2020, we granted approximately five thousand and seven thousand shares of our common stock, respectively, all of which will vest in 2022.

Employees – Performance-Based Restricted Stock Units

During 2020, 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 2021 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.

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, 2020	231,280	\$ 48.05	166,961	\$ 59.97	13,273	\$ 36.51
Granted	5,190	123.32	42,449	123.32	—	—
Forfeited/Cancelled	(274)	36.51	—	—	(99)	36.51
Nonvested awards/units at March 31, 2021	236,196	\$ 49.72	209,410	\$ 72.81	13,174	\$ 36.51

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

	Three months ended March 31,	
	2021	2020
Common Stock Awards	\$ 1,120	\$ 982
Non-Employee Common Stock Awards	102	33
Performance-Based Stock Awards	1,148	969
Liability Performance-Based Stock Awards	705	529
Performance-Based Restricted Stock Units	121	168
	\$ 3,196	\$ 2,681

INSTALLED BUILDING PRODUCTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

	Three months ended March 31,	
	2021	2020
Cost of sales	\$ 62	\$ 96
Selling	51	49
Administrative	3,083	2,536
	<u>\$ 3,196</u>	<u>\$ 2,681</u>

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. The difference between the sum of the expenses described above and the amount in the table is comprised of expenses related to immaterial nonrecurring awards.

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

	As of March 31, 2021	
	Unrecognized Compensation Expense on Unvested Awards	Weighted Average Remaining Vesting Period
Common Stock Awards	\$ 6,466	1.7 years
Performance-Based Stock Awards	8,397	2.1 years
Performance-Based Restricted Stock Units	20	0.1 years
Total unrecognized compensation expense related to unvested awards	<u>\$ 14,883</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.

As of March 31, 2021, approximately 1.9 million of the 3.0 million shares of common stock authorized for issuance were available for issuance under the 2014 Omnibus Incentive Plan.

NOTE 13 - INCOME TAXES

Our provision for income taxes as a percentage of pretax earnings is based on a current estimate of the annual effective income tax rate adjusted to reflect the impact of discrete items.

During the three months ended March 31, 2021 and 2020, our effective tax rate was 26.2%. The rate for the three months ended March 31, 2021 was unfavorably impacted by certain expenses not being deductible for income tax reporting purposes, while the rate for the three months ended March 31, 2020 was unfavorably impacted by separate tax filing entities in a loss position for which a full valuation allowance is required, resulting in no tax benefit for recognized losses.

NOTE 14 - 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 affiliated ownership.

We lease our headquarters and certain other facilities from related parties. See Note 8, Leases, for future minimum lease payments to be paid to these related parties.

INSTALLED BUILDING PRODUCTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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):

	Three months ended March 31,	
	2021	2020
Sales	\$ 278	\$ 3,282
Purchases	392	607
Rent	306	272

We had a related party balance of approximately \$0.5 million and \$0.7 million included in accounts receivable on our Condensed Consolidated Balance Sheets as of March 31, 2021 and December 31, 2020, respectively. 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 was a member of our board of directors until his resignation from our board effective March 18, 2020, accounted for a significant portion of our related party sales during the three months ended March 31, 2020.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Accrued General Liability and Auto Insurance

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

	March 31, 2021	December 31, 2020
Included in other current liabilities	\$ 4,901	\$ 5,102
Included in other long-term liabilities	19,037	16,440
	<u>\$ 23,938</u>	<u>\$ 21,542</u>

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

	March 31, 2021	December 31, 2020
Insurance receivables and indemnification assets for claims under fully insured policies	\$ 4,845	\$ 4,400
Insurance receivables for claims that exceeded the stop loss limit	328	328
Total insurance receivables and indemnification assets included in other non-current assets	<u>\$ 5,173</u>	<u>\$ 4,728</u>

Leases

See Note 8, Leases, for further information regarding 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.

INSTALLED BUILDING PRODUCTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

We have certain collateral requirements for our workers' compensation and general liability insurance policies. We have a contractual commitment to increase these collateral requirements by \$5.2 million which we expect to remit in the second quarter of 2021.

During the year ended December 31, 2018, we entered into an agreement with one of our suppliers to purchase a portion of the insulation materials we utilize across our business. This agreement is effective January 1, 2019 through December 31, 2021 with a purchase obligation of \$14.9 million for 2021. For the three months ended March 31, 2021, we have satisfied \$3.2 million of our purchase obligation under this agreement. In addition, the entity we acquired during the three months ended March 31, 2021 has an existing agreement with one of our suppliers to purchase a portion of the insulation materials it utilizes. This agreement is effective through December 31, 2021 with a total purchase obligation of \$3.3 million. In addition to what this entity purchased prior to our acquisition on March 1, 2021, we purchased \$0.3 million under this agreement during the three months ended March 31, 2021. See Note 16, Business Combinations, for more information on this acquisition.

NOTE 16 - BUSINESS COMBINATIONS

As part of our ongoing strategy to expand geographically and increase market share in certain markets, we completed one business combination during the three months ended March 31, 2021 and two business combinations during the three months ended March 31, 2020.

The largest of these acquisitions were I.W. International Insulation, Inc., dba Intermountain West Insulation ("Intermountain West") in March 2021 and Royals Commercial Services, Inc. ("Royals") in February 2020. 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. Where noted, "Other" represents acquisitions that were individually immaterial in that year. Net income (loss) includes amortization, taxes and interest allocations when appropriate.

For the three months ended March 31, 2021 (in thousands):

2021 Acquisition	Date	Acquisition Type	Cash Paid	Seller Obligations	Total Purchase Price	Three months ended March 31, 2021	
						Revenue	Net Income
Intermountain West	3/1/2021	Share	\$ 42,098	\$ 5,959	\$ 48,057	\$ 3,608	\$ 450

For the three months ended March 31, 2020 (in thousands):

2020 Acquisitions	Date	Acquisition Type	Cash Paid	Seller Obligations	Total Purchase Price	Three months ended March 31, 2020	
						Revenue	Net Loss
Royals	2/29/2020	Asset	\$ 7,590	\$ 2,500	\$ 10,090	\$ 784	\$ (87)
Other	1/13/2020	Asset	911	70	981	226	(21)
			<u>\$ 8,501</u>	<u>\$ 2,570</u>	<u>\$ 11,071</u>	<u>\$ 1,010</u>	<u>\$ (108)</u>

Acquisition-related costs recorded within administrative expenses on the Condensed Consolidated Statements of Operations and Comprehensive Income amounted to \$1.2 million and \$0.7 million for the three months ended March 31, 2021 and 2020, respectively. 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 do not expect to take any tax deductions for the goodwill associated with the 2021 business combination unless we decide to make an asset election in the future which would make a portion of the goodwill deductible for tax purposes.

INSTALLED BUILDING PRODUCTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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):

	As of March 31, 2021	As of March 31, 2020		
	Intermountain West	Royals	Other	Total
Estimated fair values:				
Cash	\$ 168	\$ —	\$ —	\$ —
Accounts receivable	5,122	2,848	—	2,848
Inventories	1,157	305	70	375
Other current assets	2,354	430	11	441
Property and equipment	796	598	118	716
Intangibles	25,200	3,930	582	4,512
Goodwill	25,141	3,015	206	3,221
Other non-current assets	264	58	8	66
Accounts payable and other current liabilities	(3,278)	(1,059)	(14)	(1,073)
Deferred income tax liabilities	(6,537)	—	—	—
Long-term debt	(2,036)	—	—	—
Other long-term liabilities	(294)	(35)	—	(35)
Fair value of assets acquired and purchase price	48,057	10,090	981	11,071
Less seller obligations	5,959	2,500	70	2,570
Cash paid	\$ 42,098	\$ 7,590	\$ 911	\$ 8,501

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. Goodwill and intangibles per the above table may not agree to the total gross increases of these assets as shown in Note 6, Goodwill and Intangibles, during each of the three months ended March 31, 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.

INSTALLED BUILDING PRODUCTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

	For the three months ended March 31,			
	2021		2020	
	Estimated Fair Value	Weighted Average Estimated Useful Life (yrs.)	Estimated Fair Value	Weighted Average Estimated Useful Life (yrs.)
Acquired intangibles assets				
Customer relationships	\$ 18,200	12	\$ 2,611	8
Trademarks and tradenames	4,400	15	1,145	15
Non-competition agreements	2,600	5	227	5
Backlog	—	0	529	2

Pro Forma Information

The unaudited pro forma information for the combined results of the Company has been prepared as if 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, 2020 and 2019, respectively, and the unaudited pro forma information does not purport to be indicative of future financial operating results (in thousands, except per share data):

	Unaudited pro forma for the three months ended March 31,	
	2021	2020
Net revenue	\$ 443,217	\$ 431,379
Net income	18,403	17,638
Basic net income per share	0.63	0.59
Diluted net income per share	0.62	0.59

Unaudited pro forma net income reflects additional intangible asset amortization expense of \$0.4 million and \$2.5 million for the three months ended March 31, 2021, and 2020, respectively, as well as additional income tax expense of \$0.4 million and \$0.6 million for the three months ended March 31, 2021 and 2020, respectively, that would have been recorded had the 2021 acquisitions taken place on January 1, 2020 and the 2020 acquisitions taken place on January 1, 2019.

NOTE 17 - 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 was 327 thousand and 209 thousand shares for the three months ended March 31, 2021 and 2020, respectively. Approximately 30 thousand and 5 thousand shares of potential common stock was not included in the calculation of diluted net income per common share for the three months ended March 31, 2021 and 2020, respectively, because the effect would have been anti-dilutive.

NOTE 18 - SUBSEQUENT EVENTS

On April 12, 2021, we acquired substantially all of the assets of Alert Insulation for total consideration of approximately \$6.6 million and on April 19, 2021, we acquired substantially all of the assets of Alpine Construction Services, LLC for total consideration of approximately \$8.3 million. The initial accounting for the business combinations was not complete at the time the financial statements were issued due to the timing of the acquisitions and the filing of this Quarterly Report on Form 10-Q. As a result, disclosures required under ASC 805-10-50, Business Combinations cannot be made at this time.

In addition, we recently announced that our board of directors declared a quarterly dividend, payable on June 30, 2021 to stockholders of record on June 15, 2021, at a rate of \$0.30 per share.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

This Management’s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our consolidated financial statements and related notes in “Item 1. Financial Statements” of this Form 10-Q, as well as our 2020 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 190 branch locations. Substantially all of our net revenue comes from service-based installation of these products in the residential new construction, repair and remodel and commercial construction end markets. We believe our business is well positioned to continue to profitably grow over the long-term due to our strong balance sheet, liquidity and our continuing acquisition strategy. See “Key Factors Affecting Our Operating Results, COVID-19 Impacts” below for a discussion of short-term impacts to our business.

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, consumer confidence, employment rates, housing inventory levels, foreclosure rates, the health of the economy and availability of mortgage financing. The strategic acquisitions of multiple companies over the last several years contributed meaningfully to our 10.0% increase in net revenue during the three months ended March 31, 2021 compared to 2020.

2021 First Quarter Highlights

Net revenue increased 10.0%, or \$39.7 million to \$437.1 million, while gross profit increased 7.9% to \$125.4 million during the three months ended March 31, 2021 compared to 2020. We also generated approximately \$37.6 million of cash from operating activities, and at March 31, 2021, we had \$207.3 million of cash and cash equivalents. We have not drawn on our existing \$200 million revolving line of credit. The increase in net revenue and gross profit was primarily driven by the contribution of our recent acquisitions, the 9.6% year-over-year growth in our residential end markets, and increased sales volume of complementary products. The increase in net revenue was in spite of historic February 2021 winter storms that led to lost production in the southern United States, especially Texas. The February winter storms also impacted the manufacturing capabilities at two of our large fiberglass insulation suppliers, disrupting our ability to source material and forcing us to buy through distributors and local retailers to meet customer demand. In addition, materials needed for spray foam applications were in short supply after the storms, as chemical processing facilities went offline. See “Net revenue, cost of sales and gross profit” below for further information about impacts from these weather events.

During the three months ended March 31, 2021, our single-family residential new construction market revenue grew 7.8% over the same period ended March 31, 2020. We experienced higher levels of growth in our repair and remodel end market and our multi-family end market. Our commercial end market experienced sales growth during this period as well, primarily due to acquisitions, but we experienced some project delays due to macroeconomic concerns surrounding the pandemic and the February storms, resulting in a decline in same branch sales within this market. These fluctuations are shown in further detail in the table below and impacts from COVID-19 and the weather events are discussed further in the sections that follow.

Key Measures of Performance

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

	Three months ended March 31,	
	2021	2020
Period-over-period Growth		
Sales Growth	10.0 %	16.1 %
Same Branch Sales Growth ⁽¹⁾	2.2 %	12.1 %
Single-Family Sales Growth ⁽²⁾	7.8 %	11.0 %
Single-Family Same Branch Sales Growth ⁽¹⁾⁽²⁾	3.2 %	5.9 %
Multi-Family Sales Growth ⁽³⁾	18.8 %	34.9 %
Multi-Family Same Branch Sales Growth ⁽¹⁾⁽³⁾	6.6 %	34.1 %
Residential Sales Growth ⁽⁴⁾	9.6 %	14.2 %
Residential Same Branch Sales Growth ⁽¹⁾⁽⁴⁾	3.7 %	9.7 %
Commercial Sales Growth ⁽⁵⁾	2.3 %	26.4 %
Commercial Same Branch Sales Growth ⁽¹⁾⁽⁵⁾	(14.5)%	24.0 %
Same Branch Sales Growth⁽⁶⁾		
Volume Growth ⁽¹⁾⁽⁷⁾	10.1 %	(0.2)%
Price/Mix Growth ⁽¹⁾⁽⁸⁾	(6.1)%	12.1 %
Large Commercial Same Branch Sales Growth ⁽¹⁾⁽⁹⁾	(13.1)%	14.1 %
U.S. Housing Market⁽¹⁰⁾		
Total Completions Growth	11.4 %	(0.5)%
Single-Family Completions Growth ⁽²⁾	14.1 %	4.4 %
Multi-Family Completions Growth ⁽³⁾	4.2 %	(11.7)%

- (1) Same-branch basis represents period-over-period growth for branch locations owned greater than 12 months as of each financial statement date.
- (2) Calculated based on period-over-period growth in the single-family subset of the residential new construction end market.
- (3) Calculated based on period-over-period growth in the multi-family subset of the residential new construction end market.
- (4) Calculated based on period-over-period growth in the residential new construction end market.
- (5) Calculated based on period-over-period growth in the total commercial end market. Our commercial end market consists of large and light commercial projects.
- (6) During the three months ended March 31, 2021, we changed the classification of one of our branches to the large commercial subset of the commercial end market, based on the type of work this branch performs. While this change is immaterial to the sales growth calculations, it affects comparability to the corresponding prior year metric as the change was made prospectively beginning January 1, 2021. We continually evaluate the branch classifications utilized in our sales growth metrics based on changes in our business and operations over time and future changes may occur to these classifications.
- (7) Excludes the large commercial end market; calculated as period-over-period change in the number of completed same-branch residential new construction and repair and remodel jobs.
- (8) Excludes the large commercial end market; 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 residential new construction

and repair and remodel jobs 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.

- (9) The large commercial end market, as a subset of our total commercial market, comprises certain of our branches working on projects constructed in steel and concrete, which are much larger than our average job. This market is excluded from the above same branch price/mix and volume growth metrics as to not skew the rates given the much larger per-job revenue compared to our average job.
- (10) U.S. Census Bureau data, as revised.

We believe the revenue growth measures 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.

Net revenue, cost of sales and gross profit

The components of gross profit were as follows (in thousands):

	Three months ended March 31,		
	2021	Change	2020
Net revenue	\$ 437,066	10.0 %	\$ 397,331
Cost of sales	311,639	10.9 %	281,071
Gross profit	\$ 125,427	7.9 %	\$ 116,260
Gross profit percentage	28.7 %		29.3 %

Net revenue increased during the three months ended March 31, 2021 compared to 2020 due primarily to acquisitions, the 9.6% year-over-year growth in our residential end market, and increased sales volume of complementary products. During the three months ended March 31, 2021, we believe our combined sales in all end markets, excluding the commercial end market, were not significantly affected by the COVID-19 pandemic. While the pandemic continues to impact our commercial business as evidenced by the 14.5% decline in same branch sales within this end market, we expect trends will improve later this year. See “Key Factors Affecting Our Operating Results, COVID-19 Impacts” below for further information. In addition, we believe year-to-date net revenue during the three months ended March 31, 2021 was impacted by temporary branch closures caused by the severe winter weather events in the southern United States, primarily Texas. We estimate net revenue during the first quarter of 2021 was reduced by a range of \$3.0 million to \$3.5 million due to these weather events. Lastly, our price/mix metric was negatively impacted during the quarter as we continue to experience a higher volume of insulation sales to production builders compared to the same period last year. This shift within the single-family end market impacted price/mix as the average insulation selling price for entry level production builder jobs is typically lower than a move-up or custom home builder.

As a percentage of net revenue, gross profit decreased during the three months ended March 31, 2021 compared to 2020 attributable primarily to higher material costs. The pandemic has resulted in supply constraints for some of the materials we install which in turn has resulted in increased pricing of some of these materials. In addition, the aforementioned winter storms disrupted our ability to source certain materials, forcing us to buy through distributors and local retailers to meet customer demand. Materials needed for spray foam applications were also in short supply after the storms, as chemical processing facilities went offline. We estimate gross profit was reduced during the first quarter of 2021 by a range of \$1.0 million to \$1.5 million due to the weather events, and we estimate the material supply shortages further impacted gross profit by approximately \$2.0 million and affected our ability to complete installation work for certain customers during the quarter. Supply chain efficiencies have steadily improved during April and into May, relative to the first quarter of 2021, but we expect the supply chain to be tight over the remainder of the year for many of the materials and products used throughout our installation work.

Operating expenses

Operating expenses were as follows (in thousands):

	Three months ended March 31,				
	2021		2020		
Selling	\$	20,858	2.5 %	\$	20,355
Percentage of total net revenue		4.8 %			5.1 %
Administrative	\$	65,077	8.1 %	\$	60,195
Percentage of total net revenue		14.9 %			15.1 %
Amortization	\$	8,396	25.7 %	\$	6,680
Percentage of total net revenue		1.9 %			1.7 %

Selling

The dollar increase in selling expenses for the three months ended March 31, 2021 was primarily driven by an increase in selling wages and commissions to support our increased net revenue of 10.0%. Selling expense as a percentage of sales decreased for the three months ended March 31, 2021 compared to 2020 primarily due to the additional loss reserves recorded as a result of adoption of ASU 2016-13, Financial Instruments – Credit Losses (Topic 326) during the first quarter of 2020.

Administrative

The dollar increase in administrative expenses for the three months ended March 31, 2021 was primarily due to an increase in wages, benefits and facility costs attributable to both acquisitions and organic growth. Administrative expenses decreased as a percentage of sales for the three months ended March 31, 2021 compared to 2020 primarily due to the leverage gained on administrative wages from increased sales.

Amortization

The increase in amortization for the three months ended March 31, 2021 was attributable to the increase in finite-lived intangible assets recorded as a result of acquisitions.

Other expense, net

Other expense, net was as follows (in thousands):

	Three months ended March 31,				
	2021	Change	2020		
Interest expense, net	\$	7,574	2.9 %	\$	7,358
Other		81	100.0 %		—
Total other expense, net	\$	7,655		\$	7,358

The increase in interest expense, net during the three months ended March 31, 2021 compared to 2020 was primarily due to the amortization of our unrealized loss on our terminated interest rate swap derivatives. See Note 10, Derivatives and Hedging Activities, for more information.

Income tax provision

Income tax provision and effective tax rates were as follows (in thousands):

	Three months ended March 31,			
	2021	2020		
Income tax provision	\$	6,150	\$	5,684
Effective tax rate		26.2 %		26.2 %

During the three months ended March 31, 2021, our effective tax rate was 26.2%. The rate for the three months ended March 31, 2021 was unfavorably impacted by certain expenses not being deductible for income tax reporting purposes, while the rate for the three months ended March 31, 2020 was unfavorably impacted by separate tax filing entities in a loss position for which a full valuation allowance is required, resulting in no tax benefit for recognized losses.

Other comprehensive income (loss), net of tax

Other comprehensive income (loss), net of tax was as follows (in thousands):

	Three months ended March 31,	
	2021	2020
Net change on cash flow hedges, net of taxes	\$ 10,157	\$ (5,608)

During the three months ended March 31, 2021, we recorded an unrealized gain of \$9.6 million, net of tax, on our forward cash flow hedge due to favorable market conditions and also amortized \$0.6 million, net of tax, of the remaining unrealized loss on our terminated cash flow hedges. The unrealized losses recorded during the three months ended March 31, 2020 on our now-terminated cash flow hedges were partially driven by market responses to the COVID-19 pandemic. For more information on our cash flow hedges, see “Liquidity and Capital Resources, Derivative Instruments” below.

KEY FACTORS AFFECTING OUR OPERATING RESULTS*Cost and availability of Materials*

We typically purchase the materials that we install directly from manufacturers. The industry supply of these materials has experienced disruptions in the past. In 2021, the industry supply of some of the materials we install was disrupted due to the higher demand for materials and the supply chain issues caused by the weather events in the southern United States, especially Texas and the COVID-19 pandemic. This has forced us to buy materials at higher prices through distributors and local retailers to meet customer demand. The pandemic has also resulted in the need for some of our manufacturers to allocate materials across the industry which has affected the pricing and availability of those materials. Supply chain efficiencies have steadily improved during April and into May, relative to the first quarter of 2021, but we expect the supply chain to be tight over the remainder of the year for many of the materials and products used throughout our installation work.

In addition, we experience price increases from our suppliers from time to time. During the three months ended March 31, 2021, we saw increased pricing for fiberglass insulation materials and expect manufacturers to seek additional price increases during the year. Increased market pricing, regardless of the catalyst, has and could continue to impact our results of operations in 2021, 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 higher costs as they occur. See “COVID-19 Impacts” below for a discussion of the short-term impacts of the current economic climate on the availability of the materials we install.

Cost of Labor

Our business is labor intensive and the majority of our employees work as installers on local construction sites. We expect to spend more to hire, train and retain installers to support our growing business in 2021, as tight labor availability continues within the construction industry. We offer a comprehensive benefits package, which many of our local competitors are not able to provide, 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.

Despite temporary layoffs and furloughs driven by branch closures during portions of the first and second quarters of 2020 as a response to the effects of COVID-19, we experienced strong employee retention, turnover and labor efficiency rates in the year ended December 31, 2020, which continued into the three months ended March 31, 2021. 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. See “COVID-19 Impacts” below for a discussion of the short-term impacts of the current economic climate on our workforce.

COVID-19 Impacts

In December 2019, a novel strain of coronavirus surfaced in Wuhan, China. Since then, the virus has spread globally, including to the United States. In response, the World Health Organization declared the situation a pandemic and the U.S. Secretary of Health and Human Services declared a public health emergency. The COVID-19 pandemic has caused significant volatility, uncertainty and economic disruption. Many public health organizations and international, federal, state and local governments implemented measures to combat the spread of COVID-19 during portions of 2020 with some of these restrictions still in place as of the date of filing of this Form 10-Q. Some of these measures include restrictions on movement such as quarantines, “stay-

at-home” orders and social distancing ordinances and restricting or prohibiting outright some or all forms of commercial and business activity. While portions of the economy have since reopened, there is still significant uncertainty surrounding the duration and scope of the pandemic, as well as its impact on the economy. We cannot predict if federal, state and local governments will implement additional restrictions, when restrictions currently in place will expire or whether restrictions currently in place will become more limiting.

While the COVID-19 pandemic and related events could have a negative effect on us in 2021, 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). Most economic forecasts show the U.S. housing market outlook as positive for 2021, with total housing starts forecast as higher than 2020. As evidence of this trend, total U.S. housing market completions were up 11.4% during the three months ended March 31, 2021 compared to the same period of the prior year. In addition, housing starts increased 10.2% in the first quarter of 2021 compared to 2020, respectively, which highlights the continued recovery in housing demand that should serve to help offset prolonged impacts of the pandemic already experienced. In the commercial sector, we have experienced some impact to our commercial business, mainly in the form of project start delays and inefficiencies due to social distancing requirements in some areas. 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.

Our management remains focused on mitigating the impact of COVID-19 on our business and the risk to our employees and customers. We have taken a number of precautionary measures intended to mitigate these risks, including increasing the frequency of regular cleaning and disinfecting processes at our facilities, adhering to social distancing protocols, limiting the number of workers on our jobsites, suspending non-essential air travel and encouraging employees to work remotely when possible. As is common practice in our industry, installers are required to wear protective equipment in the process of completing their work and this practice has been extended to employees at our facilities and within general office spaces. We are prepared to take additional actions if necessary as suggested or required by various health agencies.

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. Other than branches that serve states where construction was not deemed “essential” during portions of 2020, we have experienced limited business disruptions to date and therefore have not needed to implement significant continuity measures and have not incurred significant related expenditures. Assuming a significant number of additional states or markets in which we operate do not reverse their current positions about construction being an “essential” business, we do not anticipate having to implement any additional measures in the future.

Our corporate office is fully operational even though many employees are working remotely. As such, we have made no modifications to internal controls over financial reporting and have confidence controls are operating as designed. We have enhanced our efforts to mitigate cyber threats and phishing, given the number of employees working remotely. We are continually monitoring and assessing the COVID-19 situation on our internal controls to minimize the impact of their design and operating effectiveness.

We expect some impact from the pandemic to our earnings, financial position and cash flows in 2021, however there is much uncertainty surrounding the estimated magnitude of these impacts. We estimate limited impact to our Consolidated Balance Sheets other than a potential reduction in working capital due to the possibility of reduced net revenue and net income. Trade accounts receivable may also be reduced somewhat by lower net revenue and a higher allowance for credit losses due to enhanced risk of uncollectibility from some customers, although we have not seen a significant impact to date. We anticipate revenue and net income may be negatively impacted in 2021 due to supply constraints and/or material price increases. While our cash from operations may decline over recent performance due to a decrease in expected net income driven by lower net revenue, we do not anticipate any issues meeting debt obligations or making timely payments to vendors given our strong liquidity and large cash reserves. See "Liquidity and Capital Resources" below for further information. Given the continued uncertainty created by the COVID-19 pandemic and its potential effects, it is not possible to estimate the full, adverse impact to our future 2021 sales or other financial results at this time.

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 have benefited from the temporary suspension of certain payment requirements for the employer portion of Social Security taxes. As of December 31, 2020, we deferred \$20.7 million of payments, depending on the number of employees, that would have been paid during 2020, such that under the CARES Act,

50% of the amount will now be paid on December 31, 2021 and the remaining 50% will be paid on December 31, 2022. It is important to note that this does not impact the timing of the expense, only the timing of the payment. We also benefited from the creation of certain refundable employee retention credits and the technical correction for qualified leasehold improvements, which provides for tax bonus depreciation.

In addition, we were adhering to the Families First Coronavirus Response Act which required employers to provide their employees with paid sick leave and extended family and medical leave for specified reasons related to COVID-19. Qualifying reasons for leave related to COVID-19 include when an employee is quarantined, is experiencing COVID-19 symptoms and is seeking a medical diagnosis, is being advised by a healthcare provider to self-quarantine, is caring for an individual subject to a quarantine order or self-quarantine situation, is caring for a child whose school or place of care is closed, or is experiencing any other substantially similar condition specified by the U.S. Department of Health and Human Services. These provisions were in effect until December 31, 2020.

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. Our primary capital requirements are to fund working capital needs, operating expenses, acquisitions and capital expenditures and to meet required principal and interest payments. We may also use our resources to fund our optional stock repurchase program and recently announced quarterly dividend program. As discussed above, our cash reserves may also be used to fund payroll and other short-term requirements if our business is affected significantly by COVID-19. As of March 31, 2021, we had no outstanding borrowings 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 borrowing availability, will be adequate to support our ongoing operations and to fund our debt service requirements, capital expenditures and working capital for at least the next 12 months as evidenced by our net positive cash flows from operating activities for each of the three months ended March 31, 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.

While the general economic environment within the United States and most markets around the world have been significantly impacted by the spread of COVID-19, prompting governmental and health agencies to issue unprecedented orders to close businesses not deemed “essential” during portions of 2021 and 2020, we believe we have robust capital resources at our immediate disposal to meet our needs. We have cash and cash equivalents of \$207.3 million as of March 31, 2021 as well as access to \$200.0 million under our ABL Revolver, less \$38.8 million of outstanding letters of credit. This amount available to us is based on eligible collateral, which may be reduced over time. While our cash from operations could decline later in 2021 due to COVID-19 impacts as described above, we believe it will remain at a level to fund our operations and not require us to draw on our ABL Revolver. However, as necessary or desirable, we may adjust or amend the terms of our credit facilities. With the uncertainty surrounding COVID-19, our ability to engage in such transactions may be constrained by volatile credit market conditions. See Part I, Item 1A, Risk Factors, from our most recent Form 10-K for more information on the potential impacts from the COVID-19 pandemic and resulting economic strain.

LIBOR is used as a reference rate for our Term Loan, as hereinafter defined, and our interest rate swap agreement 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, and it is unclear whether new methods of calculating LIBOR will be established. 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. Our Term Loan Agreement, interest rate swap agreement and ABL Credit Agreement include 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 LIBOR ceases to exist after 2023, the interest rates under the alternative rate could be higher than LIBOR. 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. 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. We continue to evaluate the impact of the guidance and may apply other elections as applicable as additional changes in the market occur.

The following table summarizes our liquidity (in thousands):

	As of March 31, 2021	As of December 31, 2020
Cash and cash equivalents	\$ 207,343	\$ 231,520
ABL Revolver	200,000	200,000
Less: outstanding letters of credit	(38,772)	(38,772)
Total liquidity ⁽¹⁾	<u>\$ 368,571</u>	<u>\$ 392,748</u>

- (1) Total liquidity reflects full borrowing base capacity under our asset-based lending credit facility (as defined below) and may be limited by certain cash collateral limitations depending upon the status of our borrowing base availability. These potential deductions would lower our available cash and cash equivalents balance shown in the table above. As of March 31, 2021, total liquidity would be reduced by \$10.8 million due to these cash collateral limitations. In addition, total liquidity is further reduced by \$5.3 million within cash and cash equivalents above which was deposited 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 on our asset-based lending credit facility (as defined below) included in the table above. We have additional collateral requirements of \$5.2 million that we expect to remit in the second quarter of 2021.

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 is payable semi-annually in cash in arrears on February 1 and August 1 of each year until maturity. 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 December 2019, we amended and restated our \$400.0 million, seven-year term loan facility due April 30, 2025 (the "Term Loan") under our credit agreement (the "Term Loan Agreement"), dated as of April 13, 2017 (as previously amended by the First Amendment thereto dated November 30, 2017 and by the Second Amendment thereto dated June 19, 2018). The amended Term Loan (i) effects a repricing of the interest rate applicable to the term loans thereunder from LIBOR plus 2.50% to LIBOR plus 2.25% and (ii) replaces Royal Bank of Canada with Bank of America, N.A. as the administrative agent and collateral agent thereunder. As of March 31, 2021, we had \$198.7 million, net of unamortized debt issuance costs, due on our Term Loan. The amended Term Loan also has a margin of 1.25% in the case of base rate loans.

In September 2019, we entered into a new asset-based lending credit agreement (the "ABL Credit Agreement"). The ABL Credit Agreement provides for an asset-based lending credit facility (the "ABL Revolver") of up to \$200.0 million with a five-year maturity, which replaced the Company's previous revolving credit facility. Borrowing availability under the ABL Revolver is based on a percentage of the value of certain assets securing the Company's obligations and those of the subsidiary guarantors thereunder. In connection with the Amended and Restated Term Loan, we entered into a Second Amendment to the ABL/Term Loan Intercreditor Agreement with Bank of America, N.A., as ABL Agent for the lenders under the ABL Credit Agreement, and Bank of America, N.A., as Term Loan Agent for the lenders under the Amended and Restated Term Loan. Including outstanding letters of credit, our remaining availability under the ABL Revolver as of March 31, 2021 was \$161.2 million.

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.

The ABL Revolver bears interest at either the Eurodollar rate or the base rate (which approximated the prime rate), at the Company's election, plus a margin of (A) 1.25% or 1.50% in the case of Eurodollar rate loans (based on a measure of availability under the ABL Credit Agreement) and (B) 0.25% or 0.50% in the case of base rate loans (based on a measure of availability under the ABL Credit Agreement).

The ABL Revolver also 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 \$75.0 million in aggregate and borrowing of swingline loans of up to \$20.0 million in aggregate.

The ABL Credit Agreement contains a financial covenant requiring the satisfaction of a minimum 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 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.

At March 31, 2021, we were in compliance with all applicable covenants under the Term Loan Agreement, ABL Credit Agreement and the Senior Notes and we currently do not expect any covenant violations due to the impacts of COVID-19.

Derivative Instruments

In August 2020, we terminated our two existing interest rate swaps and our forward interest rate swap and simultaneously entered into a new forward interest rate swap beginning July 30, 2021. The unrealized loss included in accumulated other comprehensive loss associated with the terminated swaps of \$17.8 million at the time of termination will be amortized to interest expense over the course of the originally scheduled settlement dates of the terminated swaps. During the three months ended March 31, 2021, we amortized \$0.8 million of the unrealized loss to interest expense, net. The new forward interest rate swap has a beginning notional amount of \$200.0 million, a fixed rate of 0.51% and a maturity date of April 15, 2030. Upon commencement, this forward swap will serve to hedge substantially all of the variable cash flows on our Term Loan until its maturity and if extended. The assets and liabilities associated with the forward interest rate swap are included in other long-term assets and other current liabilities on the Condensed Consolidated Balance Sheets at their fair value amounts as described in Note 9, Fair Value Measurements.

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. As of March 31, 2021, we had \$68.8 million due on these various loan agreements and approximately \$56.3 million of remaining availability for purchases of equipment.

Total gross assets relating to our Master Loan and Equipment Agreements were \$134.5 million and \$132.2 million as of March 31, 2021 and December 31, 2020, respectively. The net book value of assets under these agreements was \$66.5 million and \$65.7 million as of March 31, 2021 and December 31, 2020, respectively. Depreciation of assets held under these agreements is included within cost of sales on the Condensed Consolidated Statements of Operations and Comprehensive Income. See Note 7, Long-term Debt, for more information regarding our Master Loan and Security Agreement, Master Equipment 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 March 31, 2021	
Performance bonds	\$	36,014
Insurance letters of credit and cash collateral		45,216
Permit and license bonds		8,122
Total bonds and letters of credit	\$	89,352

We posted \$5.3 million into a trust in 2020 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.

Historical cash flow information

Cash flows from operating activities

Net cash provided by operating activities was \$37.6 million and \$35.9 million for three months ended March 31, 2021 and 2020, respectively. Generally, the primary driver of our cash flows from operating activities is operating income adjusted for certain noncash items, offset by cash payments for taxes and interest on our outstanding debt. Our cash flows from operations can be impacted by the timing of our cash collections on sales and collection of retainage amounts. During the three months ended March 31, 2021, we saw an increase in cash from operations primarily due to higher net income from improved results as described above.

Historically, cash flows tend to be seasonally stronger in the third and fourth quarters as a result of increased construction activity. However, we may see a reduction in cash inflows in future quarters depending on pandemic impacts on housing starts and commercial projects. See "Key Factors Affecting Our Operating Results, COVID-19 Impacts" above for further information on short-term impacts to our cash from operations.

Cash flows from investing activities

Business Combinations. During the three months ended March 31, 2021 and 2020, we made cash payments of \$41.9 million and \$8.5 million, respectively, on various business combinations. The amount of cash paid is dependent on various factors, including the size and determined value of the business being acquired. See Note 16, Business Combinations, for more information regarding our acquisitions in 2021 and 2020.

Capital Expenditures. Total cash paid for property and equipment was \$10.8 million and \$9.9 million for the three months ended March 31, 2021 and 2020, respectively, and was primarily related to purchases of vehicles and various equipment to support our growing operations. 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.

Other. During the three months ended March 31, 2020, we invested \$0.8 million in short-term investments consisting primarily of corporate bonds and commercial paper and had \$12.3 million in short-term investments mature. We have temporarily discontinued investment purchases due to the relatively low returns provided from current interest rates associated with traditional investments, but may resume such activity in the future.

Cash flows from financing activities

We utilize our credit facilities and Senior Notes to support our operations and continuing acquisitions as well as fund our discretionary stock repurchase program and pay dividends. The largest cash outflow from financing activities during the three months ended March 31, 2021 was payment of our first quarterly dividend of \$8.8 million. During the three months ended March 31, 2021 and 2020, we received proceeds of \$7.8 million and \$7.1 million, respectively, from our fixed asset loans which serve to offset a significant portion of the capital expenditures included in cash outflows from investing activities as described above. We made payments on these fixed asset loans and various other notes payable of \$6.5 million and \$6.7 million during the three months ended March 31, 2021 and 2020, respectively. We also made \$0.5 million and \$0.7 million in principal payments on our finance leases and paid \$1.4 million and \$2.4 million of acquisition-related obligations during the three months ended March 31, 2021 and 2020, respectively. Lastly, we paid \$15.8 million to repurchase 443 thousand shares of our common stock during the three months ended March 31, 2020. We did not repurchase any shares of our common stock during the three months ended March 31, 2021.

Contractual Obligations

We had no significant changes to our obligations during the three months ended March 31, 2021.

Critical Accounting Policies and Estimates

There have been no changes to our critical accounting policies and estimates from those previously disclosed in our 2020 Form 10-K.

Recently Adopted Accounting Pronouncements

Standard	Adoption
ASU 2021-01, Reference Rate Reform (Topic 848):Scope	This pronouncement clarifies the scope and application of ASU 2020-04, "Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Topic 848)." We continue to evaluate the impact of Topic 848 and may apply other elections as applicable as additional changes in the market occur.
ASU 2019-12, Income Taxes (Topic 740), Simplifying the Accounting for Income Taxes	This pronouncement simplifies the accounting for income taxes by removing certain exceptions to the general principles of Topic 740 and improves the consistent application of GAAP by clarifying and amending existing guidance. The adoption of this standard did not impact our financial statements or have a material effect on our disclosures.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the federal securities laws, including with respect to the housing market and the commercial market, industry conditions, our financial and business model, payments of dividends, the impact of COVID-19 on our business and end markets, the demand for our services and product offerings, trends in the commercial business, expansion of our national footprint and end markets, diversification of our products, 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, our efforts to navigate the material pricing environment, our ability to increase selling prices, our material and labor costs, supply chain constraints, the impact of COVID-19 on our financial results and expectations for demand for our services and our earnings in 2021. 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 duration, effect and severity of the COVID-19 crisis; the adverse impact of the COVID-19 crisis on our business and financial results, the economy and the markets we serve; general economic and industry conditions; the material price and supply environment; the timing of increases in our selling prices and the factors discussed in the "Risk Factors" section of our 2020 Annual Report on Form 10-K and this Quarterly Report on Form 10-Q, as the same may be updated from time to time in our subsequent filings with the 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.

Item 3. 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 March 31, 2021, we had \$198.7 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. Our interest rate swap is a forward rate swap that begins July 30, 2021 and does not reduce exposure to market risks on our Term Loan as of March 31, 2021. As a result, total variable rate debt of \$200.0 million was exposed to market risks as of March 31, 2021 through the effective date of the forward rate swap. A hypothetical one percentage point increase (decrease) in interest rates on our variable rate debt would increase (decrease) our annual interest expense by approximately \$2.0 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 agreement we use to hedge our interest rate exposure. In 2017, the FCA announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021, and it is unclear whether new methods of calculating LIBOR will be established. 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. Our Term Loan Agreement, interest rate swap agreement and ABL Credit Agreement include 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 LIBOR ceases to exist after 2023, the interest rates under the alternative rate could be higher than LIBOR. 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. 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. We continue to evaluate the impact of the guidance and may apply other elections as applicable as additional changes in the market occur.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We have evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report with the participation of our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) as required by Exchange Act Rules 13a-15(e) and 15d-15(e). Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of March 31, 2021.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended March 31, 2021 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any material impact to our internal controls over financial reporting despite the fact that many of the employees at our corporate office are working remotely due to the COVID-19 pandemic. We are continually monitoring and assessing the COVID-19 situation on our internal controls to minimize the impact on their design and operating effectiveness.

PART II – OTHER INFORMATION**Item 1. Legal Proceedings**

See Part I, Item 1. Financial Statements, Note 15, Commitments and Contingencies – Other Commitments and Contingencies, for information about existing legal proceedings.

Item 1A. Risk Factors

As of the date of this report, there have been no material changes for the three months ended March 31, 2021 from the risk factors as disclosed in our 2020 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table shows the stock repurchase activity for the three months ended March 31, 2021:

	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 ⁽¹⁾
January 1 - 31, 2021	—	\$ —	—	—
February 1 - 28, 2021	—	—	—	—
March 1 - 31, 2021	—	—	—	—
	—	\$ —	—	\$ 100.0 million

- (1) On February 26, 2018, our board of directors authorized a \$50 million stock repurchase program effective March 2, 2018 and on October 31, 2018, our board of directors approved an additional stock repurchase program, effective November 6, 2018, pursuant to which we may purchase up to an additional \$100 million of our outstanding common stock. On February 20, 2020, our board of directors approved extending the current stock repurchase program to March 1, 2021. On February 22, 2021, our board of directors authorized an extension of our stock repurchase program through March 1, 2022 and concurrently authorized an increase in the total amount of our outstanding common stock we can purchase up to \$100.0 million. As a result of this extension, we have \$100.0 million remaining on our stock repurchase program as of the date of filing of this Form 10-Q. For further information about our stock repurchase program, see Note 11, Stockholder's Equity. We did not repurchase any shares under our stock repurchase program during the three months ended March 31, 2021.

Item 3. Defaults Upon Senior Securities

There have been no material defaults in senior securities.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

(a)(3) Exhibits

The following exhibits are being filed as part of this Quarterly Report on Form 10-Q:

<u>Exhibit Number</u>	<u>Description</u>
10.1*#	Amended and Restated Employment Agreement, dated as of April 15, 2021, by and between Installed Building Products, Inc. and Jeffrey W. Edwards.
10.2*#	Form of Amended and Restated Indemnification Agreement for directors and officers.
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-Q for the period ended March 31, 2021, formatted in inline XBRL, include: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations and Comprehensive Income, (iii) Condensed Consolidated Statements of Stockholders' Equity, (iv) Condensed Consolidated Statements of Cash Flows and (v) the Notes to the Condensed 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.

SIGNATURES

Pursuant to the requirements 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: May 7, 2021

INSTALLED BUILDING PRODUCTS, INC.

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

By: /s/ Michael T. Miller
Michael T. Miller
Executive Vice President and Chief Financial Officer

**AMENDED AND RESTATED
EMPLOYMENT AGREEMENT**

This Employment Agreement (this “Agreement”), dated as of April 15, 2021 (the “Effective Date”), is made by and among Installed Building Products, Inc., a Delaware corporation, having its principal offices at 495 South High Street, Suite 50, Columbus, Ohio 43215 (the “Company”), and Jeffrey W. Edwards (the “Executive”).

RECITALS

WHEREAS, the Company and the Executive are currently parties to that certain employment agreement, dated as of November 1, 2013, as amended on November 1, 2016 and November 1, 2019 (the “Prior Agreement”); and

WHEREAS, the Company and the Executive desire to amend and restate the Prior Agreement effective as of the Effective Date.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, and intending to be legally bound hereby, the parties hereto hereby agree as follows, effective as of the Effective Date:

1. Employment. As of the Effective Date, the Company and Executive hereby agree that, during the Term (as defined in Section 2 below), the Executive shall be employed as Chief Executive Officer and President of the Company, and the Executive hereby accepts such employment. Effective on the Effective Date, the Executive shall serve as Chairman of the Board of Directors of the Company (the “Board”). During the Term and for so long as shares of the Company’s capital stock are traded on a national securities exchange, the Company shall use reasonable efforts as may be necessary to nominate the Executive for re-election as a member of the Board.

2. Term of Employment. The “Term” of employment under this Agreement shall be the period commencing on the Effective Date and ending on April 15, 2024 (the “Expiration Date”); provided, however, that this Agreement shall be automatically renewed, and the Term shall be automatically extended for one (1) additional year on the Expiration Date and each anniversary of the Expiration Date thereafter, unless the Executive gives notice to the Company, or the Company gives notice to the Executive, at least ninety (90) days prior to the expiration of the Term (including any renewal thereof) of such party’s desire to terminate the Term (such notice to be delivered in accordance with Section 9.3). The “Term” shall include any extension or renewal thereof. Notwithstanding the foregoing, Executive’s employment hereunder may be earlier terminated pursuant to the provisions of Section 5 hereof.

3. Positions, Responsibilities and Duties.

3.1 Positions. During the Term, the Executive shall serve as Chief Executive Officer and President of the Company. In this capacity, the Executive shall have the duties, authorities and responsibilities commensurate with the duties, authorities and responsibilities of persons in such position in companies similar in nature and size to the Company, and such other duties, authorities and responsibilities as the Board shall designate from time to time that are not inconsistent with the Executive's position as the Chief Executive Officer and President of the Company. During the Term, the Executive shall report to the Board.

3.2 Duties. During the Term, the Executive shall devote the amount of his business time necessary and proper to conduct the business and affairs of the Company, and the Executive shall use his best efforts to perform faithfully the duties and responsibilities contemplated by this Agreement; provided, however, that the Executive shall be allowed, to the extent such activities do not create a conflict of interest or substantially interfere with the performance of his duties and responsibilities hereunder, to (i) manage his personal and family, financial and legal affairs; (ii) participate in charitable, civic, educational, professional, community and industry affairs, including without limitation board or committee service for the Columbus Foundation, the Salvation Army, the Columbus Museum of Art, the Columbus Partnership and the Harvard University Joint Center for Housing Studies; and (iii) continue to engage in non-competitive operational activities for the Real Estate Business (as defined below). The parties hereby acknowledge that the Executive, in addition to the services he performs for the Company, has historically operated a substantial real estate development business (the "Real Estate Business") and, during the Term, it is expected that the Executive will continue to engage in the Real Estate Business in accordance with the terms and conditions of this Agreement. The parties hereby acknowledge and agree that, although Executive's principal place of business will be the Company's headquarters in Columbus, Ohio, the Executive shall be permitted to carry out his duties and responsibilities under this Agreement from any other location deemed appropriate by the Executive.

4. Compensation and Other Benefits.

4.1 Base Salary and Bonus. During the Term, the Executive shall receive a base salary per annum payable in accordance with the Company's normal payroll practices of not less than \$600,000 ("Base Salary"), subject to adjustments as may be determined by the Compensation Committee of the Board (the "Compensation Committee") from time to time. During the Term, the Executive will be eligible to participate in the Company's annual incentive and long-term incentive programs, as may be in effect from time to time in accordance with the Company's compensation practices and the terms and provisions of such programs, as established by the Compensation Committee.

4.2 Benefits. During the Term, the Executive shall be entitled to participate in any employee benefit plan that the Company has adopted or may adopt, maintain or contribute to for the benefit of its employees generally, subject to satisfying the applicable eligibility requirements. The Executive shall accrue vacation at a rate of four (4) weeks per year in accordance with the Company's vacation policies. Notwithstanding the foregoing, the Company may modify or terminate any employee benefit plan at any time.

4.3 Expense Reimbursement. Upon presentation of appropriate documentation, the Executive shall be entitled to receive reimbursement from the Company of all reasonable business expenses incurred by the Executive in performing services (including automobile reimbursement) hereunder, provided that such expenses shall be paid and must be incurred in accordance with the Company's expense reimbursement policy, and any other applicable policies and procedures established from time to time by the Company.

5. Termination. The Executive's employment and the Term shall terminate on the first of the following to occur:

5.1 Death. Automatically on the date of death of the Executive.

5.2 Disability. The date on which the Executive shall have experienced a Disability. For purposes of this Agreement, "Disability" shall mean either (i) a long-term disability entitling the Executive to receive benefit payments under the Company's long-term disability plan as then in effect or (ii) if no such plan is then in effect or applicable to the Executive, the Executive's incapacity, due to physical or mental illness, which has rendered him unable to perform the essential functions of his position for a total of one hundred twenty (120) days (whether or not consecutive) during any consecutive 365-day period; provided, further, that any question as to the existence of the Disability of the Executive under subclause (ii) above as to which the parties hereto cannot agree shall be determined in writing by a qualified independent licensed healthcare provider selected by the Company. The determination of a Disability by such healthcare provider shall be final and conclusive for all purposes of this Agreement. In conjunction with the foregoing, the Executive shall agree to consent to any such examinations which are relevant to a determination of whether he is mentally and/or physically disabled, or which is required by such healthcare provider, and to furnish such medical information as may be reasonably requested, and to waive any applicable patient privilege that may arise because of such examination.

5.3 Cause. Immediately upon written notice from the Company to the Executive of a termination for Cause. "Cause" shall mean: (i) the Executive's conviction of, or plea of guilty or nolo contendere to, a felony; (ii) the Executive's willful commission of an act of fraud, dishonesty or other act of willful misconduct in the course of the Executive's duties hereunder that has a significant adverse effect on the Company or its affiliates; (iii) the Executive's willful failure to perform the Executive's duties under this Agreement after the Company has delivered to the Executive a written demand for performance which describes the basis for the Board's belief that the Executive has violated his obligations to the Company and the Executive fails to cure such alleged violation or failure within thirty (30) days after receipt of such notice; or (iv) any material breach by the Executive of this Agreement after the Company has delivered to the Executive a written notice which describes the basis for the Board's belief that the Executive has materially breached this Agreement, and the Executive fails to cure such alleged breach within thirty (30) days after receipt of such notice.

5.4 Without Cause. The date upon which the Company shall give the Executive a notice of involuntary termination (or the termination date specified in such notice) without Cause (other than for death or Disability).

5.5 Good Reason. Upon written notice by the Executive to the Company of a termination for Good Reason. “Good Reason” shall mean the occurrence of any of the following events, without the express written consent of the Executive, unless such events are corrected in all material respects by the Company within thirty (30) days following written notification by the Executive to the Company that the Executive intends to terminate the Executive’s employment hereunder for one of the following reasons: (i) a material diminution in the Executive’s Base Salary or Target Bonus in effect from time to time; (ii) a material diminution in the Executive’s duties, authorities, responsibilities, title, or position; (iii) a relocation of the Executive’s primary work location by more than 50 miles from its then current location; or (iv) any material breach by the Company of this Agreement. The Executive shall provide the Company with a written notice detailing the specific circumstances alleged to constitute Good Reason within sixty (60) days after the first occurrence of such circumstances. Otherwise, any claim of such circumstances as “Good Reason” shall be deemed irrevocably waived by the Executive. If the Company fails to correct any such event alleged to constitute Good Reason, the Executive must terminate employment for Good Reason within thirty (30) days after the end of the correction period for the termination to be considered a Good Reason termination.

5.6 Resignation Without Good Reason. Upon 180 days’ prior written notice by the Executive to the Company of the Executive’s voluntary termination of employment without Good Reason (which the Company may, in its sole discretion, make effective earlier than any notice date).

5.7 Expiration of Term. Upon the expiration of the Term due to a non-extension of the Agreement by the Company or the Executive pursuant to the provisions of Section 2 hereof.

6. Payments upon Termination.

6.1 Accrued Amounts. In the event of a termination of the Executive’s employment for any reason, the Executive shall be entitled to: (i) any Base Salary earned but unpaid through the date of termination; and (ii) the Executive’s accrued and unused vacation and unreimbursed business expenses (for which the Executive is entitled to reimbursement under this Agreement), in each case, as of the date of such termination (collectively, the “Accrued Amounts”). The Accrued Amounts will be paid within sixty (60) days following termination of employment.

6.2 Severance Payments. Subject to the Executive’s compliance with the obligations in Sections 6.3 and 7 hereof, in the event of a termination of the Executive’s employment (i) by the Company without Cause, or (ii) by the Executive for Good Reason, the Executive will be entitled, in addition to the Accrued Amounts, to the following payments (collectively, the “Severance Payments”):

6.2.1 Base Salary continuation payments in accordance with the regular payroll practices of the Company for a period of eighteen (18) months (the “Severance Period”) following such termination, provided, however, if the termination occurs within the two-year period following a Change in Control, the

Severance Period shall instead be twenty-four (24) months (unless the Change in Control results from the sale by Executive of all of his equity interests in the Company, in which case, the foregoing proviso shall not apply);

6.2.2 a lump sum cash payment equal to 1.5 times the dollar value of the total target performance-based cash award (“Target Award”) for the Executive established by the Compensation Committee for the year of termination (regardless of actual Company performance); provided, however, if the termination occurs within the two-year period following a Change in Control, the lump sum payment shall equal 2 times the Target Award (unless the Change in Control results from the sale by Executive of all of his equity interests in the Company, in which case, the foregoing proviso shall not apply); and

6.2.3 any cash bonus and restricted stock earned but unpaid or unissued under the Company’s annual incentive programs for the year immediately preceding the year of termination based on actual Company performance and payable and issuable at the same time as such bonus or restricted stock for such year would have otherwise been paid or issued; and

provided, that, notwithstanding anything herein to the contrary, the first payment of the Severance Payments and the lump sum payment of the multiple of the Target Award shall be made on the first payroll period occurring after the sixtieth (60th) day following the date of termination of the Executive’s employment and shall include payment of any amounts that would otherwise be due prior thereto. For purposes of this Agreement, a “Change in Control” means the occurrence of any of the following: (A) the acquisition (including through purchase, reorganization, merger, consolidation or similar transaction), directly or indirectly, in one or more transactions by a Person (other than any of the Edwards Investors) of beneficial ownership (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended) of securities representing 45% or more of the combined voting power of the securities of the Company entitled to vote generally in the election of directors of the Board, calculated on a fully diluted basis after giving effect to such acquisition; (B) an election of Persons to the Board that causes two-thirds of the Board to consist of Persons other than (i) members of the Board on the Effective Date and (ii) Persons who were nominated for election as members of the Board at a time when two-thirds of the Board consisted of Persons who were members of the Board on the Effective Date; provided that any Person nominated for election by a Board at least two-thirds of which consisted of Persons described in clauses (i) or (ii) or by Persons who were themselves nominated by such Board shall be deemed to have been nominated by a Board consisting of Persons described in clause (i); or (C) the sale or other disposition, directly or indirectly, of all or substantially all of the assets of the Company and its subsidiaries, taken as a whole, to any Person (other than any of the Edwards Investors). As used herein, (i) “Person” means any individual, entity (including any employee benefit plan or any trust for an employee benefit plan) or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Securities Exchange Act of 1934, as amended, or any successor provision), and (ii) “Edwards Investors” means Jeffrey Edwards, Peter Edwards, Anne Edwards and Michael Edwards, and the investment

entities through which any of them directly and indirectly beneficially owns shares of the Common Stock.

6.3 Conditions to the Receipt of the Severance Payments. Notwithstanding anything herein to the contrary, (i) the receipt of the Severance Payments pursuant to Section 6.2 hereof shall be subject to the Executive's signing and not revoking, within sixty (60) days following his termination of employment, a customary release of claims in the form provided to him by the Company within seven (7) days following his employment termination (the "Release"), which Release must have become effective and irrevocable no later than the sixtieth (60th) day following the Executive's termination of employment (the "Release Deadline"), and if the Release does not become effective and irrevocable by the Release Deadline, the Executive will forfeit any right to the Severance Payments and, for the avoidance of doubt, in no event will any Severance Payments be paid or provided; and (ii) the receipt of the Severance Payments pursuant to Section 6.2 hereof shall be subject at all times to the Executive's continued compliance in all material respects with the provisions of Section 7 hereof.

6.4 Section 280G. If any payment or benefit (including payments and benefits pursuant to this Agreement) that the Executive would receive in connection with a Change in Control from the Company or otherwise (a "Transaction Payment") would (a) constitute a "parachute payment" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"); and (b) the net after-tax benefit that the Executive would receive by reducing the Transaction Payments to three times the "base amount," as defined in Section 280G(b)(3) of the Code (the "Parachute Threshold"), is greater than the net after-tax benefit the Executive would receive if the full amount of the Transaction Payments were paid to the Executive, then the Transaction Payments payable to the Executive shall be reduced (but not below zero) so that the Transaction Payments due to Executive do not exceed the amount of the Parachute Threshold.

7. Restrictive Covenants. In consideration of the compensation and benefits to the Executive provided hereunder and as a result of the Executive's employment with the Company, the Executive agrees to be subject to and bound by the restrictive covenants contained in this Section 7. For purposes of this Section 7, the term "Company" shall include the Company and its subsidiaries. The obligations contained in this Section 7 shall survive the termination or expiration of the Term and the Executive's employment with the Company and shall be fully enforceable thereafter.

7.1 Non-Solicitation. During the Term and for a period of two (2) years thereafter, the Executive agrees that the Executive shall not, directly or indirectly, individually or on behalf of any other person, firm, corporation or other entity: (i) solicit, aid or induce any customer of the Company to curtail, reduce or terminate its business relationship with the Company, or in any other way interfere with any such business relationships with the Company; (ii) solicit, aid or induce any employee, representative or agent of the Company to leave such employment or retention or to accept employment with or render services to or with any other person, firm, corporation or other entity unaffiliated with the Company or hire or retain any such employee, representative or agent or take any action to materially assist or aid any other person,

firm, corporation or other entity in identifying, hiring or soliciting any such employee, representative or agent; or (iii) interfere, or aid or induce any other person or entity in interfering, with the relationship between the Company and any of their respective vendors, joint venturers or licensors. An employee, representative or agent shall be deemed covered by this Section 7.1 while so employed or retained and for a period of ninety (90) days thereafter.

7.2 Non-Competition. The Executive acknowledges and agrees that he performs services of a unique nature for the Company that are irreplaceable, and that the Executive's performance of such services to a competing business will result in irreparable harm to the Company. Accordingly, during the Term, and for a period of two (2) years thereafter, the Executive agrees that the Executive will not, directly or indirectly, own, manage, operate, control, be employed by (whether as an employee, consultant, independent contractor or otherwise, and whether or not for compensation) or render services to any person, firm, corporation or other entity, in whatever form, engaged in the business of sales, installation, marketing, or distribution of insulation, insulation materials or acoustic products, or shower enclosures, shelving, mirrors, blinds or bath accessories, or with respect to any other business or products that the Company engages in or manufactures as the case may be (regardless of whether such activity is at the manufacturing, distribution or retail level) on the date of termination or in which they have planned to engage or manufacture as the case may be, on or prior to such termination date, to be engaged in or manufacture on or after such date as the case may be, in any case within a one hundred (100) mile radius of any of the Company's (or any of its affiliates') existing or future branch operations. Notwithstanding the foregoing provisions, for so long as the Real Estate Business does not compete with the Company's business, this Section 7.2 shall not apply with respect to Executive's engagement in the Real Estate Business. The Executive acknowledges that his skills are such that he can be gainfully employed in noncompetitive employment and that the agreement not to compete will in no way prevent him from earning a living.

7.3 Confidentiality. The Executive shall not, during the Term and at any time thereafter, without the prior express written consent of the Company, directly or indirectly divulge, disclose or make available or accessible any Confidential Information (as defined below) to any person, firm, partnership, corporation, trust or any other entity or third party (other than when required to do so in good faith to perform the Executive's duties and responsibilities under this Agreement or when (i) required to do so by a lawful order of a court of competent jurisdiction, any governmental authority or agency, or any recognized subpoena power, or (ii) necessary to prosecute the Executive's rights against the Company or to defend himself against any allegations). In addition, the Executive shall not create any derivative work or other product based on or resulting from any Confidential Information (except in the good faith performance of his duties under this Agreement). The Executive shall also proffer to the Board's designee, no later than the effective date of any termination of his employment with the Company for any reason, and without retaining any copies, notes or excerpts thereof, all memoranda, computer disks or other media, computer programs, diaries, notes, records, data, customer or client lists, marketing plans and strategies, and any other documents consisting of or containing Confidential Information that are in the Executive's actual or constructive possession or which are subject to his control at such time. For purposes of this Agreement, "Confidential Information" shall mean

all information respecting the business and activities of the Company, including, without limitation, the terms and provisions of this Agreement, the clients, customers (including the identity and lists of former, current or potential customers), suppliers, employees, consultants, computer or other files, projects, products, product designs, services, inventions, patents, patent applications, trade secrets, computer disks or other media, computer hardware or computer software programs, marketing plans, marketing methods, financial information, technical information, sales and distribution information, price lists, methodologies, know-how, processes, practices, approaches, projections, forecasts, formats, systems, techniques, data gathering methods and/or strategies of the Company. Notwithstanding the immediately preceding sentence, Confidential Information shall not include any information that is, or becomes, generally available to the public (unless such availability occurs as a result of the Executive's breach of any portion of this Section 7.3).

7.4 Non-Disparagement. During the Term and at any time thereafter, the Executive agrees, and the Company shall instruct its executive officers, not to make any defamatory or disparaging remarks, comments or statements regarding the other party (and, if applicable, any of the other party's subsidiaries or affiliates, or any of its or their respective officers, directors, employees, shareholders, agents or products), in any manner reasonably likely to be harmful to any of them or, if applicable, their respective products, services, business, business reputation or personal reputation. The foregoing shall not be violated by truthful statements in response to legal process, required governmental testimony or filings, or administrative or arbitral proceedings (including, without limitation, depositions in connection with such proceedings).

7.5 Injunctive Relief. The Executive acknowledges and agrees that the restrictions set forth in this Section 7 are necessary for the reasonable and proper protection of the Company's business, and that each such term, condition, restriction and provision is fair and reasonable with respect to the subject matter thereof. The Executive further acknowledges and agrees that the Company will have no adequate remedy at law, and would be irreparably harmed, if the Executive breaches or threatens to breach any of the provisions of this Section 7 of this Agreement. The Executive agrees that, in addition to any and all other legal remedies available, the Company shall be entitled to equitable and/or injunctive relief to prevent any breach or threatened breach of this Section 7, and to specific performance of each of the terms of such Section in addition to any other legal or equitable remedies that the Company may have. The Executive further agrees that he shall not, in any equity proceeding relating to the enforcement of the terms of this Section 7, raise the defense that the Company has an adequate remedy at law.

7.6 Reformation. It is the intention of the parties to this Agreement that the potential restrictions on the Executive's future employment imposed by this Section 7 be reasonable in both duration and geographic scope and in all other respects. If for any reason any court of competent jurisdiction shall find any provisions of this Section 7 unreasonable in duration or geographic scope or otherwise, the Executive and the Company agree that the restrictions and prohibitions contained herein shall be effective to the fullest extent allowed under applicable law in such jurisdiction, and such court shall have the power to reduce the scope

or duration of such provision, as the case may be, and, in its reduced form, such provision shall then be enforceable.

7.7 Inventions.

7.7.1 The Executive acknowledges and agrees that all ideas, methods, inventions, discoveries, improvements, work products or developments ("Inventions"), whether patentable or unpatentable, (A) that relate to the Executive's work with the Company, made or conceived by the Executive, solely or jointly with others, during the Term, or (B) suggested by any work that the Executive performs in connection with the Company, either while performing the Executive's duties with the Company or on the Executive's own time, but only insofar as the Inventions are related to the Executive's work as an employee or other service provider to the Company, shall belong exclusively to the Company (or its designee), whether or not patent applications are filed thereon. The Executive will keep full and complete written records (the "Records"), in the manner prescribed by the Company, of all Inventions, and will promptly disclose all Inventions completely and in writing to the Company. The Records shall be the sole and exclusive property of the Company, and the Executive will surrender them upon the termination of the Term, or upon the Company's request. The Executive will assign to the Company the Inventions and all patents that may issue thereon in any and all countries, whether during or subsequent to the Term, together with the right to file, in the Executive's name or in the name of the Company (or its designee), applications for patents and equivalent rights (the "Applications"). The Executive will, at any time during and subsequent to the Term, make such applications, sign such papers, take all rightful oaths, and perform all acts as may be requested from time to time by the Company with respect to the Inventions. The Executive will also execute assignments to the Company (or its designee) of the Applications, and give the Company and its attorneys all reasonable assistance (including the giving of testimony) to obtain the Inventions for its benefit, all without additional compensation to the Executive from the Company, but entirely at the Company's expense.

7.7.2 In addition, the Inventions will be deemed Work for Hire, as such term is defined under the copyright laws of the United States, on behalf of the Company, and the Executive agrees that the Company will be the sole owner of the Inventions, and all underlying rights therein, in all media now known or hereinafter devised, throughout the universe and in perpetuity without any further obligations to the Executive. If the Inventions, or any portion thereof, are deemed not to be Work for Hire, the Executive hereby irrevocably conveys, transfers and assigns to the Company, all rights, in all media now known or hereinafter devised, throughout the universe and in perpetuity, in and to the Inventions, including, without limitation, all of the Executive's right, title and interest in the copyrights (and all renewals, revivals and extensions thereof) to the Inventions, including, without limitation, all rights of any kind or any nature now or hereafter

recognized, including without limitation, the unrestricted right to make modifications, adaptations and revisions to the Inventions, to exploit and allow others to exploit the Inventions and all rights to sue at law or in equity for any infringement, or other unauthorized use or conduct in derogation of the Inventions, known or unknown, prior to the date hereof, including, without limitation, the right to receive all proceeds and damages therefrom. In addition, the Executive hereby waives any so-called "moral rights" with respect to the Inventions. The Executive hereby waives any and all currently existing and future monetary rights in and to the Inventions and all patents that may issue thereon, including, without limitation, any rights that would otherwise accrue to the Executive's benefit by virtue of the Executive being an employee of or other service provider to the Company.

7.8 Return of Company Property. On the date of the Executive's termination of employment with the Company for any reason (or at any time prior thereto at the Company's request), the Executive shall return all property belonging to the Company or its affiliates (including, but not limited to, any Company-provided laptops, computers, cell phones, wireless electronic mail devices or other equipment, or documents and property belonging to the Company).

8. Representations of the Executive. The Executive represents and warrants to the Company that (i) the Executive has the legal right to enter into this Agreement and to perform all of the obligations on the Executive's part to be performed hereunder in accordance with its terms, and (ii) the Executive is not a party to any agreement or understanding, written or oral, and is not subject to any restriction, which, in either case, could prevent the Executive from entering into this Agreement or performing all of the Executive's duties and obligations hereunder.

9. Miscellaneous.

9.1 Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio, applied without reference to principles of conflict of laws. All of the parties hereto agree to appear before and submit exclusively to the jurisdiction of the state and federal courts located within Ohio with respect to any controversy, dispute, or claim arising out of or relating to this Agreement.

9.2 Amendments. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

9.3 Notices. For purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given (i) on the date of delivery, if delivered by hand, (ii) on the date of transmission, if delivered by confirmed facsimile or electronic mail, (iii) on the first business day following the date of deposit, if delivered by guaranteed overnight delivery service, or (iv) on the fourth

business day following the date delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

To the Company: Installed Building Products, Inc.

495 South High Street, Suite 50

Columbus, OH 43215

Attn: General Counsel

To the Executive: At the address shown on the records of the Company

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

9.4 No Assignment. This Agreement is personal to the Executive and he may not assign or delegate any rights or obligations hereunder without first obtaining the written consent of the Company.

9.5 Withholding Taxes. The Company may withhold from any amounts payable under this Agreement such federal, foreign state and local taxes as may be required to be withheld pursuant to any applicable law or regulation.

9.6 Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

9.7 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original instrument, but all of which together shall constitute one and the same Agreement.

9.8 Entire Agreement. This Agreement contains the entire agreement between the parties concerning the subject matter hereof and supersedes all prior agreements, understandings, discussions, negotiations and undertakings, whether written or oral, between the parties with respect thereto.

9.9 Headings. The headings in this Agreement are intended solely for convenience of reference and shall be given no effect in the construction or interpretation of this Agreement.

9.10 Waivers. The failure of the Company at any time, or from time to time, to require performance of any of the Executive's obligations under this Agreement shall in no manner affect the Company's right to enforce any provisions of this Agreement at a subsequent time. The waiver by the Company of any right arising out of any breach shall not be construed as a waiver of any right arising out of any subsequent breach.

9.11 Survivorship. The respective rights and obligations of the parties hereunder shall survive any termination of this Agreement or the Term hereunder for any reason

to the extent necessary to the intended provision of such rights and the intended performance of such obligations.

10. Code Section 409A Compliance.

10.1 The intent of the parties is that payments and benefits under this Agreement comply with, or be exempt from, Internal Revenue Code Section 409A and the regulations and guidance promulgated thereunder (collectively “Code Section 409A”) and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. In no event whatsoever shall the Company be liable for any additional tax, interest or penalty that may be imposed on the Executive by Code Section 409A or any damages for failing to comply with Code Section 409A.

10.2 Notwithstanding anything to the contrary in this Agreement, (i) a termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment that are considered “non-qualified deferred compensation” under Code Section 409A unless such termination is also a “separation from service” within the meaning of Code Section 409A and, for purposes of any such provision of this Agreement, references to a “termination,” “termination of employment” or like terms shall mean “separation from service,” (ii) if the Executive is deemed on the date of termination to be a “specified employee” within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any payment that is considered non-qualified deferred compensation under Code Section 409A payable on account of a “separation from service,” such payment or benefit shall be made or provided at the date which is the earlier of (i) the date that is immediately following the date of the expiration of the six (6)-month period measured from the date of such “separation from service” of the Executive, and (ii) the date of the Executive’s death (the “Delay Period”), and (iii) upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Executive in a lump sum and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein.

10.3 Notwithstanding anything to the contrary in this Agreement, with regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as permitted by Code Section 409A, (i) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, (ii) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year, and (iii) such payments shall be made on or before the last day of Executive’s taxable year following the taxable year in which the expense occurred.

10.4 For purposes of Code Section 409A, the Executive’s right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments. In no event may the Executive, directly or indirectly, designate

the calendar year of any payment to be made under this Agreement that is considered nonqualified deferred compensation.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Effective Date.

INSTALLED BUILDING PRODUCTS, INC.

/s/ Michael T. Miller

By: Michael T. Miller

CFO

EXECUTIVE

/s/ Jeffrey W. Edwards

Jeffrey W. Edwards

AMENDED AND RESTATED
INDEMNIFICATION AGREEMENT

This Amended and Restated Indemnification Agreement (this “**Agreement**”) is made as of _____, 20____ by and between Installed Building Products, Inc., a Delaware corporation (the “**Company**”), and _____ (“**Indemnitee**”). This Agreement supersedes and replaces any and all previous agreements between the Company and Indemnitee covering the subject matter of this Agreement. Certain capitalized terms used herein are defined in Section 2 hereof.

RECITALS

WHEREAS, highly competent persons have become more reluctant to serve publicly held corporations as directors, officers or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of such corporations;

WHEREAS, the Board of Directors of the Company (the “**Board**”) has determined that, in order to attract and retain qualified individuals, the Company will attempt to maintain on an ongoing basis, at its sole expense, liability insurance to protect persons serving the Company and its subsidiaries from certain liabilities. Although the furnishing of such insurance has been a customary and widespread practice among United States-based corporations and other business enterprises, the Company believes that, given current market conditions and trends, such insurance may be available to it in the future only at higher premiums and with more exclusions. At the same time, directors, officers and other persons in service to corporations or business enterprises are being increasingly subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the corporation or business enterprise itself;

WHEREAS, the uncertainties relating to such insurance and to indemnification have increased the difficulty of attracting and retaining such persons;

WHEREAS, the Board has determined that the increased difficulty in attracting and retaining such persons is detrimental to the best interests of the Company and its stockholders and that the Company should act to assure such persons that there will be increased certainty of such protection in the future;

WHEREAS, the Amended and Restated Bylaws of the Company (the “**Bylaws**”) require indemnification of the officers and directors of the Company and the Amended and Restated Certificate of Incorporation of the Company (the “**Certificate of Incorporation**”) requires indemnification of the directors of the Company. Indemnitee may also be entitled to indemnification pursuant to the General Corporation Law of the State of Delaware (the “**DGCL**”). The Bylaws, the Certificate of Incorporation and the DGCL expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of the Board, officers and other persons with respect to indemnification;

WHEREAS, it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified;

WHEREAS, this Agreement is a supplement to and in furtherance of the Bylaws, the Certificate of Incorporation and any resolutions adopted pursuant thereto, as well as any rights of Indemnitee under any directors' and officers' liability insurance policies and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder; and

WHEREAS, Indemnitee does not regard the protection available under the Bylaws, the Certificate of Incorporation and insurance as adequate in the present circumstances, and may not be willing to serve or continue to serve as a director or officer without adequate protection, and the Company desires Indemnitee to serve in such capacity. Indemnitee is willing to serve, continue to serve and to take on additional service for or on behalf of the Company on the condition that he or she be so indemnified.

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

Section 1. Services to the Company. Indemnitee agrees to serve as a director or officer of the Company, as the case may be. Indemnitee may at any time and for any reason resign from such position (subject to any other contractual obligation or any obligation imposed by operation of law), in which event the Company shall have no obligation under this Agreement to continue Indemnitee in such position. This Agreement shall not be deemed an employment contract between the Company (or any of its subsidiaries or any Enterprise) and Indemnitee. Indemnitee specifically acknowledges that Indemnitee's employment with the Company (or any of its subsidiaries or any Enterprise), if any, is at will, and Indemnitee may be discharged at any time for any reason, with or without cause, except as may be otherwise provided in any written employment contract between Indemnitee and the Company (or any of its subsidiaries or any Enterprise), other applicable formal severance policies duly adopted by the Board or, with respect to service as a director or officer of the Company, by the Certificate of Incorporation, the Bylaws or the DGCL. The foregoing notwithstanding, this Agreement shall continue in force after Indemnitee has ceased to serve as a director or officer of the Company, as provided in Section 16 hereof.

Section 2. Definitions. As used in this Agreement:

(a) References to "**agent**" shall mean any person who is or was a director, officer or employee of the Company or a subsidiary of the Company or other person authorized by the Company to act for the Company, to include such person serving in such capacity as a director, officer, employee, fiduciary or other official of another corporation, partnership, limited liability company, joint venture, trust or other enterprise at the request of, for the convenience of or to represent the interests of the Company or a subsidiary of the Company.

(b) A “**Change in Control**” shall be deemed to occur upon the earliest to occur after the date of this Agreement of any of the following events:

i. any Person (as defined below) is or becomes the Beneficial Owner (as defined below), directly or indirectly, of securities of the Company representing 15% or more of the combined voting power of the Company’s then outstanding securities unless the change in relative Beneficial Ownership of the Company’s securities by any Person results solely from a reduction in the aggregate number of outstanding shares of securities entitled to vote generally in the election of directors;

ii. during any period of two consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in Sections 2(b)(i), 2(b)(iii) or 2(b)(iv)) whose election by the Board or nomination for election by the Company’s stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the members of the Board;

iii. the effective date of a merger or consolidation of the Company with any other entity, other than a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 51% of the combined voting power of the voting securities of the surviving entity outstanding immediately after such merger or consolidation and with the power to elect at least a majority of the board of directors or other governing body of such surviving entity;

iv. the approval by the stockholders of the Company of a complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company’s assets; and

v. there occurs any other event of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or a response to any similar item on any similar schedule or form) promulgated under the Exchange Act, whether or not the Company is then subject to such reporting requirement.

For purposes of this Section 2(b), the following terms shall have the following meanings:

(A) “**Exchange Act**” shall mean the Securities Exchange Act of 1934, as amended from time to time.

(B) “**Person**” shall have the meaning as set forth in Sections 13(d) and 14(d) of the Exchange Act; provided, however, that Person shall exclude (i) the Company, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company and (iii) any entity owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(C) “**Beneficial Owner**” shall have the meaning given to such term in Rule 13d-3 under the Exchange Act; provided, however, that Beneficial Owner shall exclude any Person otherwise becoming a Beneficial Owner by reason of the stockholders of the Company approving a merger of the Company with another entity.

(c) “**Corporate Status**” describes the status of a person who is or was a director, trustee, partner, managing member, officer, employee, agent or fiduciary of the Company or of any other corporation, limited liability company, partnership or joint venture, trust or other enterprise which such person is or was serving at the request of the Company.

(d) “**Disinterested Director**” shall mean a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(e) “**Enterprise**” shall mean the Company and any other corporation, limited liability company, partnership, joint venture, trust or other enterprise of which Indemnitee is or was serving at the request of the Company as a director, officer, trustee, partner, managing member, employee, agent or fiduciary.

(f) “**Expenses**” shall include all reasonable attorneys’ fees, retainers, court costs, transcript costs, fees and other costs of experts and other professionals, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, fax transmission charges, secretarial services, any federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement, ERISA excise taxes and penalties, and all other disbursements, obligations or expenses of the types customarily incurred in connection with, or as a result of, prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a deponent or witness in or otherwise participating in a Proceeding. Expenses also shall include (i) Expenses incurred in connection with any appeal resulting from any Proceeding, including, without limitation, the premium, security for and other costs relating to any cost bond, supersedeas bond or other appeal bond or its equivalent, (ii) Expenses incurred in connection with recovery under any directors’ and officers’ liability insurance policies maintained by the Company, regardless of whether Indemnitee is ultimately determined to be entitled to such indemnification, advancement or Expenses or insurance recovery, as the case may be, and (iii) for purposes of Section 14(d) only, Expenses incurred by or on behalf of Indemnitee in connection with the interpretation, enforcement or defense of Indemnitee’s rights under this Agreement, the Certificate of Incorporation, the Bylaws or under any directors’ and officers’ liability insurance policies maintained by the Company, by litigation or otherwise. Expenses shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

(g) “**Independent Counsel**” shall mean a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term “Independent Counsel” shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either

the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. The Company agrees to pay the reasonable fees and expenses of the Independent Counsel referred to above.

(h) The term "**Proceeding**" shall include any threatened, pending or completed action, suit, claim, counterclaim, cross claim, arbitration, mediation, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought in the right of the Company or otherwise and whether of a civil, criminal, administrative, regulatory, legislative or investigative (formal or informal) nature, including any appeal therefrom, in which Indemnitee was, is or will be involved as a party, potential party, non-party witness or otherwise by reason of the fact that Indemnitee is or was a director or officer of the Company, by reason of any action taken by him or her (or a failure to take action by him) or of any action (or failure to act) on his or her part while acting pursuant to his or her Corporate Status, in each case whether or not serving in such capacity at the time any liability or Expense is incurred for which indemnification, reimbursement or advancement of Expenses can be provided under this Agreement. If Indemnitee believes in good faith that a given situation may lead to or culminate in the institution of a Proceeding, this shall be considered a Proceeding under this paragraph.

(i) Reference to "**other enterprise**" shall include employee benefit plans; references to "**fin**es" shall include any excise tax assessed with respect to any employee benefit plan; references to "**serv**ing at the request of the Company" shall include any service as a director, officer, employee or agent of the Company that imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he or she reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "**not opposed to the best interests of the Company**" as referred to in this Agreement.

Section 3. Indemnity in Third-Party Proceedings. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 3 if Indemnitee is, or is threatened to be made, a party to or a participant in any Proceeding, other than a Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 3, Indemnitee shall be indemnified to the fullest extent permitted by applicable law against all Expenses, judgments, liabilities, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, liabilities, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnitee or on his or her behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company and, in the case of a criminal Proceeding, had no reasonable cause to believe that his or her conduct was unlawful. The parties hereto intend that this Agreement, to the fullest extent permitted by law, shall provide for indemnification in excess of that expressly permitted by statute, including, without limitation, any indemnification provided by the Certificate of Incorporation, the Bylaws, vote of its stockholders or Disinterested Directors or applicable law.

Section 4. Indemnity in Proceedings by or in the Right of the Company. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 4 if Indemnitee is, or is threatened to be made, a party to or a participant in any Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 4, Indemnitee shall be indemnified to the fullest extent permitted by applicable law against all Expenses actually and reasonably incurred by him or her or on his or her behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company. Unless otherwise required by law, no indemnification for Expenses shall be made under this Section 4 in respect of any claim, issue or matter as to which Indemnitee shall have been finally adjudged by a court to be liable to the Company, unless and only to the extent that the Delaware Court (as defined below) or any court in which the Proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnification.

Section 5. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provisions of this Agreement, to the fullest extent permitted by applicable law and to the extent that Indemnitee is a party to (or a participant in) and is successful, on the merits or otherwise, in any Proceeding or in defense of any claim, issue or matter therein, in whole or in part, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him or her or on his or her behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him or her or on his or her behalf in connection with or related to each successfully resolved claim, issue or matter to the fullest extent permitted by law. For purposes of this Section 5 and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

Section 6. Indemnification For Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the fullest extent permitted by applicable law and to the extent that Indemnitee is, by reason of his or her Corporate Status, a witness or otherwise asked to participate in any aspect of a Proceeding to which Indemnitee is not a party, he or she shall be indemnified against all Expenses actually and reasonably incurred by him or her or on his or her behalf in connection therewith.

Section 7. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of Expenses, but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled.

Section 8. Additional Indemnification.

(a) Notwithstanding any limitation in Sections 3, 4 or 5, the Company shall indemnify Indemnitee to the fullest extent permitted by applicable law if Indemnitee is a party to or threatened to be made a party to or a participant in any Proceeding (including a Proceeding by or

in the right of the Company to procure a judgment in its favor) by reason of Indemnitee's Corporate Status against all Expenses, judgments, fines and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines and amounts paid in settlement) actually and reasonably incurred by or on behalf of Indemnitee in connection with the Proceeding.

(b) For purposes of Section 8(a), the meaning of the phrase "**to the fullest extent permitted by applicable law**" shall include, but not be limited to:

i. to the fullest extent permitted by the provision of the DGCL that authorizes or contemplates additional indemnification by agreement, or the corresponding provision of any amendment to or replacement of the DGCL; and

ii. to the fullest extent authorized or permitted by any amendments to or replacements of the DGCL adopted after the date of this Agreement that increase the extent to which a corporation may indemnify its officers and directors.

Section 9. Exclusions. Notwithstanding any provision in this Agreement, the Company shall not be obligated under this Agreement to make any indemnification payment in connection with any claim made involving Indemnitee:

(a) for which payment has actually been made to or on behalf of Indemnitee under any insurance policy or other indemnity provision, except to the extent such payment is insufficient to satisfy the Indemnitee's right to indemnification hereunder; or

(b) for (i) an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Exchange Act or similar provisions of state statutory law or common law, or (ii) any reimbursement of the Company by Indemnitee of any bonus or other incentive-based or equity-based compensation or of any profits realized by Indemnitee from the sale of securities of the Company, as required in each case under the Exchange Act (including any such reimbursements that arise from an accounting restatement of the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 (the "**Sarbanes-Oxley Act**"), or the payment to the Company of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act) or (iii) any reimbursement of the Company by an Indemnitee of any compensation pursuant to any compensation recoupment or clawback policy adopted by the Board or the Compensation Committee of the Board, including but not limited to any such policy adopted to comply with stock exchange listing requirements implementing Section 10D of the Exchange Act; or

(c) except as provided in Section 14(d) of this Agreement, in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (i) the Board authorized the Proceeding (or any part of any Proceeding) prior to its initiation, (ii) such payment arises in connection with any mandatory counterclaim or cross-claim or affirmative defense brought or raised by Indemnitee in any Proceeding (or any part of any Proceeding), or (iii) the Company provides the

indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law.

Section 10. Advances of Expenses. Notwithstanding any provision of this Agreement to the contrary (other than Section 14(d)), the Company shall advance, to the extent not prohibited by law, the Expenses incurred by or on behalf of Indemnitee in connection with any Proceeding (or any part of any Proceeding) not initiated by Indemnitee or any Proceeding initiated by Indemnitee with the prior approval of the Board, as provided in Section 9(c), and such advancement shall be made within 30 days after the receipt by the Company of a statement or statements requesting such advances from time to time (which shall include invoices received by Indemnitee in connection with such Expenses but, in the case of invoices in connection with legal services, any references to legal work performed or to expenditures made that would cause Indemnitee to waive any privilege accorded by applicable law shall not be so included), whether prior to or after final disposition of any Proceeding. Advances shall be unsecured and interest-free. Advances shall be made without regard to Indemnitee's ability to repay the Expenses and without regard to Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement. In accordance with Section 14(d), advances shall include any and all reasonable Expenses incurred pursuing an action to enforce this right of advancement, including Expenses incurred preparing and forwarding statements to the Company to support the advances claimed. Indemnitee shall qualify for advances upon the execution and delivery to the Company of this Agreement, which shall constitute an undertaking providing that Indemnitee undertakes to repay the amounts advanced (without interest) to the extent that it is ultimately determined that Indemnitee is not entitled to be indemnified by the Company. No other form of undertaking shall be required other than the execution of this Agreement. This Section 10 shall not apply to any claim made by Indemnitee for which indemnity is excluded pursuant to Section 9.

Section 11. Procedure for Notification and Defense of Claim.

(a) Indemnitee shall notify the Company in writing of any matter with respect to which Indemnitee intends to seek indemnification or advancement of Expenses hereunder as soon as reasonably practicable following the receipt by Indemnitee of written notice thereof or Indemnitee's becoming aware thereof. The written notification to the Company shall include a description of the nature of the Proceeding and the facts underlying the Proceeding, in each case, to the extent known to Indemnitee. To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification following the final disposition of such Proceeding. The failure by Indemnitee to notify the Company hereunder will not relieve the Company from any liability that it may have to Indemnitee hereunder or otherwise than under this Agreement, and any delay in so notifying the Company shall not constitute a waiver by Indemnitee of any rights under this Agreement, except to the extent (solely with respect to the indemnity hereunder) that such failure or delay materially prejudices the Company. The Chief Financial Officer of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that Indemnitee has requested indemnification.

(b) The Company will be entitled to participate in the Proceeding at its own expense.

(c) The Company shall not settle any Proceeding (in whole or in part) if such settlement would impose any Expense, judgment, liability, fine, penalty or limitation on Indemnitee for which Indemnitee is not entitled to be indemnified hereunder without Indemnitee's prior written consent, which consent shall not be unreasonably withheld.

Section 12. Procedure Upon Application for Indemnification.

(a) Upon written request by Indemnitee for indemnification pursuant to Section 11(a), a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall be made in the specific case: (i) if a Change in Control shall have occurred, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee; or (ii) if a Change in Control shall not have occurred, (A) by a majority vote of the Disinterested Directors, even though less than a quorum of the Board, (B) by a committee of Disinterested Directors designated by a majority vote of the Disinterested Directors, even though less than a quorum of the Board, (C) if there are no such Disinterested Directors or, if such Disinterested Directors so direct, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee or (D) if so directed by the Board, by the stockholders of the Company; and, if it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within 10 days after such determination. Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information that is not privileged or otherwise protected from disclosure and that is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or Expenses (including attorneys' fees and disbursements) incurred by or on behalf of Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom. The Company promptly will advise Indemnitee in writing with respect to any determination that Indemnitee is or is not entitled to indemnification, including a description of any reason or basis for which indemnification has been denied.

(b) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 12(a) hereof, the Independent Counsel shall be selected as provided in this Section 12(b). If a Change in Control shall not have occurred, the Independent Counsel shall be selected by the Board, and the Company shall give written notice to Indemnitee advising him or her of the identity of the Independent Counsel so selected. If a Change in Control shall have occurred, the Independent Counsel shall be selected by Indemnitee (unless Indemnitee shall request that such selection be made by the Board, in which event the preceding sentence shall apply), and Indemnitee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected. In either event, Indemnitee or the Company, as the case may be, may, within 10 days after such written notice of selection shall have been given, deliver to the Company or to Indemnitee, as the case may be, a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 2 of this Agreement, and the objection shall set forth with particularity the

factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or the Delaware Court has determined that such objection is without merit. If, within 20 days after the later of submission by Indemnitee of a written request for indemnification pursuant to Section 11(a) hereof and the final disposition of the Proceeding, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition the Delaware Court for resolution of any objection that shall have been made by the Company or Indemnitee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by such court or by such other person as such court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 12(a) hereof. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 14(a) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

(c) If the Company disputes a portion of the amounts for which indemnification is requested, the undisputed portion shall be paid and only the disputed portion withheld pending resolution of any such dispute.

Section 13. Presumptions and Effect of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall, to the fullest extent not prohibited by law, presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 11(a) of this Agreement, and the Company shall, to the fullest extent not prohibited by law, have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption. Neither the failure of the Company (including by its directors or Independent Counsel) to have made a determination prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or Independent Counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(b) Subject to Section 14(e), if the person, persons or entity empowered or selected under Section 12 of this Agreement to determine whether Indemnitee is entitled to indemnification shall not have made a determination within 60 days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall, to the fullest extent not prohibited by law, be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 60-day period may be

extended for a reasonable time, not to exceed an additional 30 days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining or evaluating of documentation and/or information relating thereto; and provided, further, that the foregoing provisions of this Section 13(b) shall not apply (i) if the determination of entitlement to indemnification is to be made by the stockholders pursuant to Section 12(a) of this Agreement and if (A) within 15 days after receipt by the Company of the request for such determination the Board has resolved to submit such determination to the stockholders for their consideration at an annual meeting thereof to be held within 75 days after such receipt and such determination is made thereat, or (B) a special meeting of stockholders is called within 15 days after such receipt for the purpose of making such determination, such meeting is held for such purpose within 60 days after having been so called and such determination is made thereat, or (ii) if the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 12(a) of this Agreement.

(c) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his or her conduct was unlawful.

(d) For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Enterprise, including financial statements, or on information supplied to Indemnitee by the directors or officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser or other expert selected with the reasonable care by the Enterprise. The provisions of this Section 13(d) shall not be deemed to be exclusive or to limit in any way the other circumstances in which Indemnitee may be deemed to have met the applicable standard of conduct set forth in this Agreement. Whether or not the foregoing provisions of this Section 13(d) are satisfied, it shall in any event be presumed that Indemnitee has at all times acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company.

(e) The knowledge and/or actions, or failure to act, of any director, officer, trustee, partner, managing member, fiduciary, agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

Section 14. Remedies of Indemnitee.

(a) Subject to Section 14(e), in the event that (i) a determination is made pursuant to Section 12 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 10 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 12(a) of this Agreement within 90 days after receipt by the Company of the

request for indemnification, (iv) payment of indemnification is not made pursuant to Section 5, 6 or 7 or the last sentence of Section 12(a) of this Agreement within 10 days after receipt by the Company of a written request therefor, (v) payment of indemnification pursuant to Section 3, 4 or 8 of this Agreement is not made within 10 days after a determination has been made that Indemnatee is entitled to indemnification, or (vi) the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or Proceeding designed to deny, or to recover from, Indemnatee the benefits provided or intended to be provided to Indemnatee hereunder, Indemnatee shall be entitled to an adjudication by a court of his or her entitlement to such indemnification or advancement of Expenses. Alternatively, Indemnatee, at his or her option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Indemnatee shall commence such proceeding seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnatee first has the right to commence such proceeding pursuant to this Section 14(a); provided, however, that the foregoing clause shall not apply in respect of a proceeding brought by Indemnatee to enforce his or her rights under Section 5 of this Agreement. The Company shall not oppose Indemnatee's right to seek any such adjudication or award in arbitration.

(b) In the event that a determination shall have been made pursuant to Section 12(a) of this Agreement that Indemnatee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 14 shall be conducted in all respects as a de novo trial, or arbitration, on the merits and Indemnatee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 14 the Company shall have the burden of proving Indemnatee is not entitled to indemnification or advancement of Expenses, as the case may be.

(c) If a determination shall have been made pursuant to Section 12(a) of this Agreement that Indemnatee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 14, absent (i) a misstatement by Indemnatee of a material fact, or an omission of a material fact necessary to make Indemnatee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) The Company shall, to the fullest extent not prohibited by law, be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 14 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement. It is the intent of the Company that, to the fullest extent permitted by law, Indemnatee not be required to incur legal fees or other Expenses associated with the interpretation, enforcement or defense of Indemnatee's rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to Indemnatee hereunder. The Company shall, to the fullest extent permitted by law, indemnify Indemnatee against any and all Expenses and, if requested by Indemnatee, shall (within 10 days after receipt by the Company of a written request therefor) advance, to the extent not prohibited by law, such Expenses to Indemnatee, which are incurred by or on behalf of Indemnatee in connection with any action brought by Indemnatee for

indemnification or advancement of Expenses from the Company under this Agreement or under any directors' and officers' liability insurance policies maintained by the Company if, in the case of indemnification, Indemnitee is wholly successful on the underlying claims; if Indemnitee is not wholly successful on the underlying claims, then such indemnification shall be only to the extent Indemnitee is successful on such underlying claims or otherwise as permitted by law, whichever is greater.

(e) Notwithstanding anything in this Agreement to the contrary, no determination as to entitlement of Indemnitee to indemnification under this Agreement shall be required to be made prior to the final disposition of the Proceeding.

Section 15. Non-exclusivity; Survival of Rights; Insurance; Subrogation.

(a) The rights of indemnification and to receive advancement of Expenses as provided by this Agreement (i) shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Certificate of Incorporation, the Bylaws, any agreement, a vote of stockholders or a resolution of the Board, or otherwise and (ii) shall be interpreted independently of, and without reference to, any other such rights to which Indemnitee may at any time be entitled. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his or her Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in Delaware law, whether by statute or judicial decision, permits greater indemnification or advancement of Expenses than would be afforded currently under the Bylaws, Certificate of Incorporation and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, employees, or agents of the Enterprise, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, officer, employee or agent under such policy or policies. If, at the time of the receipt of a notice of a claim pursuant to the terms hereof, the Company has director and officer liability insurance in effect, the Company shall give prompt notice of such claim or of the commencement of a Proceeding, as the case may be, to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies.

(c) In the event of any payment made by the Company under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such

rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(d) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder (or for which advancement of Expenses is provided hereunder) if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

(e) The Company's obligation to indemnify or advance Expenses hereunder to Indemnitee who is or was serving at the request of the Company as a director, officer, trustee, partner, managing member, fiduciary, employee or agent of any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise shall be reduced by any amount Indemnitee has actually received as indemnification or advancement of Expenses from such other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise.

Section 16. Duration of Agreement. This Agreement shall continue until and terminate upon the later of (a) 10 years after the date that Indemnitee shall have ceased to serve as a director or officer, as applicable, of the Company or (b) one year after the final termination of any Proceeding then pending in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and of any proceeding (including any appeal) commenced by Indemnitee pursuant to Section 14 of this Agreement relating thereto. The indemnification and advancement of Expenses rights provided by or granted pursuant to this Agreement shall be binding upon and be enforceable by the parties hereto and their respective successors and assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), shall continue as to an Indemnitee who has ceased to be a director, officer, employee or agent of the Company or of any other Enterprise, and shall inure to the benefit of Indemnitee and his or her spouse, assigns, heirs, devisees, executors and administrators and other legal representatives. The Company shall require and shall cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company to, by written agreement, expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

Section 17. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever, then: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

Section 18. Enforcement.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve as a director or officer of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving or continuing to serve as a director or officer of the Company.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof; provided, however, that this Agreement is a supplement to and in furtherance of the Certificate of Incorporation, the Bylaws, any directors' and officers' insurance maintained by the Company and applicable law, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

Section 19. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions of this Agreement nor shall any waiver constitute a continuing waiver.

Section 20. Notice by Indemnitee. Indemnitee agrees promptly to notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification or advancement of Expenses covered hereunder. The failure of Indemnitee to so notify the Company shall not relieve the Company of any obligation which it may have to Indemnitee under this Agreement or otherwise, except to the extent that such failure materially prejudices the Company.

Section 21. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given if (a) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, (b) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed, (c) mailed by reputable overnight courier and receipted for by the party to whom said notice or other communication shall have been directed or (d) sent by facsimile transmission, with receipt of oral confirmation that such transmission has been received:

(a) If to Indemnitee, at the address indicated on the signature page of this Agreement, or such other address as Indemnitee shall provide to the Company.

(b) If to the Company to:

Installed Building Products, Inc.
495 South High Street, Suite 50
Columbus, OH 43215
Facsimile: (614) 221-3399
Attention: Chief Financial Officer

or to any other address as may have been furnished to Indemnitee by the Company.

Section 22. Contribution. To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by or on behalf of Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

Section 23. Applicable Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. Except with respect to any arbitration commenced by Indemnitee pursuant to Section 14(a) of this Agreement, the Company and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Chancery Court of the State of Delaware (the “**Delaware Court**”), and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court and (iv) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

Section 24. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

Section 25. Miscellaneous. Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate. The headings of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the day and year first above written.

**INSTALLED BUILDING
PRODUCTS, INC.**

By:
Name:
Title:

INDEMNITEE

By:
Name:
Address:

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 quarterly report on Form 10-Q 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.

Dated: May 7, 2021

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 quarterly report on Form 10-Q 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.

Dated: May 7, 2021

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. Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021 (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: May 7, 2021

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. Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021 (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: May 7, 2021

By: /s/ Michael T. Miller
Michael T. Miller
Executive Vice President and Chief Financial Officer