

**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, 2022

OR

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

For the transition period from _____ to _____

Commission File Number 001-40620

BUILDERS FIRSTSOURCE, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

2001 Bryan Street, Suite 1600
Dallas, Texas
(Address of principal executive offices)

52-2084569
(I.R.S. Employer
Identification No.)

75201
(Zip Code)

(214) 880-3500

(Registrant's telephone number, including area code)

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

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.01 per share	BLDR	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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Small 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 by Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the issuer's common stock, par value \$0.01, outstanding as of May 5, 2022 was 172,763,699.

BUILDERS FIRSTSOURCE, INC.

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PART I — FINANCIAL INFORMATION

Item 1. *Financial Statements (unaudited)*

BUILDERS FIRSTSOURCE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

(in thousands, except per share amounts)	Three Months Ended	
	March 31,	
	2022	2021
Net sales	\$ 5,681,131	\$ 4,173,775
Cost of sales	3,848,758	3,104,221
Gross margin	1,832,373	1,069,554
Selling, general and administrative expenses	968,568	821,598
Income from operations	863,805	247,956
Interest expense, net	41,314	31,844
Income before income taxes	822,491	216,112
Income tax expense	182,851	43,532
Net income	\$ 639,640	\$ 172,580
<i>Net income per share:</i>		
Basic	\$ 3.61	\$ 0.84
Diluted	\$ 3.56	\$ 0.83
<i>Weighted average common shares:</i>		
Basic	177,120	206,571
Diluted	179,546	208,624

The accompanying notes are an integral part of these condensed consolidated financial statements.

BUILDERS FIRSTSOURCE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
(Unaudited)

(in thousands, except per share amounts)	March 31, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 281,802	\$ 42,603
Accounts receivable, less allowances of \$47,266 and \$39,510 at March 31, 2022 and December 31, 2021, respectively	2,290,513	1,708,796
Other receivables	223,070	255,075
Inventories, net	2,188,056	1,626,244
Contract assets	240,668	207,587
Other current assets	155,824	127,964
Total current assets	5,379,933	3,968,269
Property, plant and equipment, net	1,385,998	1,385,441
Operating lease right-of-use assets, net	446,876	457,833
Goodwill	3,270,192	3,270,192
Intangible assets, net	1,537,695	1,603,409
Other assets, net	30,491	29,199
Total assets	\$ 12,051,185	\$ 10,714,343
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,563,334	\$ 1,093,370
Accrued liabilities	772,373	718,904
Contract liabilities	249,478	216,097
Current portion of operating lease liabilities	94,968	96,680
Current maturities of long-term debt	2,914	3,660
Total current liabilities	2,683,067	2,128,711
Noncurrent portion of operating lease liabilities	366,524	375,289
Long-term debt, net of current maturities, discounts and issuance costs	3,391,629	2,926,122
Deferred income taxes	354,723	362,121
Other long-term liabilities	119,195	119,619
Total liabilities	6,915,138	5,911,862
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Preferred stock, \$0.01 par value, 10,000 shares authorized; zero shares issued and outstanding	—	—
Common stock, \$0.01 par value, 300,000 shares authorized; 176,886 and 179,820 shares issued and outstanding at March 31, 2022 and December 31, 2021, respectively	1,769	1,798
Additional paid-in capital	4,240,540	4,260,670
Retained earnings	893,738	540,013
Total stockholders' equity	5,136,047	4,802,481
Total liabilities and stockholders' equity	\$ 12,051,185	\$ 10,714,343

The accompanying notes are an integral part of these condensed consolidated financial statements.

BUILDERS FIRSTSOURCE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

(in thousands)	Three Months Ended March 31,	
	2022	2021
Cash flows from operating activities:		
Net income	\$ 639,640	\$ 172,580
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	111,946	134,331
Deferred income taxes	(7,398)	(8,857)
Stock-based compensation expense	8,841	10,402
Other non-cash adjustments	2,037	2,874
Changes in assets and liabilities, net of assets acquired and liabilities assumed:		
Receivables	(549,712)	(294,129)
Inventories	(561,813)	(340,940)
Contract assets	(33,081)	(89,994)
Other current assets	(27,860)	(27,664)
Other assets and liabilities	407	1,999
Accounts payable	470,198	241,621
Accrued liabilities	93,237	2,039
Contract liabilities	33,380	(4,770)
Net cash provided by (used in) operating activities	179,822	(200,508)
Cash flows from investing activities:		
Cash acquired in BMC Merger	—	167,490
Purchases of property, plant and equipment	(50,475)	(39,263)
Proceeds from sale of property, plant and equipment	2,140	3,194
Net cash (used in) provided by investing activities	(48,335)	131,421
Cash flows from financing activities:		
Borrowings under revolving credit facility	1,906,000	410,000
Repayments under revolving credit facility	(1,738,000)	(260,000)
Proceeds from long-term debt and other loans	301,500	—
Repayments of long-term debt and other loans	(827)	(468,671)
Payments of debt extinguishment costs	—	(2,475)
Payments of loan costs	(6,416)	(4,272)
Exercise of stock options	420	235
Repurchase of common stock	(354,965)	(10,418)
Net cash provided by (used in) financing activities	107,712	(335,601)
Net change in cash and cash equivalents	239,199	(404,688)
Cash and cash equivalents at beginning of period	42,603	423,806
Cash and cash equivalents at end of period	\$ 281,802	\$ 19,118
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 52,528	\$ 21,922
Cash paid for income taxes	202	21,701
Supplemental disclosures of non-cash activities:		
Non-cash consideration for the BMC Merger	\$ —	\$ 3,658,362
Accrued purchases of property, plant and equipment	6,024	6,734
Right-of-use assets obtained in exchange for operating lease obligations	14,918	13,707
Assets acquired under finance lease obligations	—	1,644
Amounts accrued for repurchases of common stock	11,917	—

The accompanying notes are an integral part of these condensed consolidated financial statements.

BUILDERS FIRSTSOURCE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)

(in thousands)	Common Stock		Additional	Retained	Total
	Shares	Amount	Paid-in Capital	Earnings	
Balance at December 31, 2020	116,829	\$ 1,168	\$ 589,241	\$ 562,374	\$ 1,152,783
Merger consideration	89,586	896	3,657,466	—	3,658,362
Vesting of restricted stock units	648	6	(6)	—	—
Stock-based compensation expense	—	—	10,402	—	10,402
Exercise of stock options	27	1	234	—	235
Shares withheld for restricted stock units vested	(232)	(2)	(10,415)	—	(10,417)
Net income	—	—	—	172,580	172,580
Balance at March 31, 2021	206,858	\$ 2,069	\$ 4,246,922	\$ 734,954	\$ 4,983,945
Balance at December 31, 2021	179,820	\$ 1,798	\$ 4,260,670	\$ 540,013	\$ 4,802,481
Vesting of restricted stock units	1,018	11	(11)	—	—
Stock-based compensation expense	—	—	8,840	—	8,840
Repurchase of common stock (1)	(3,593)	(36)	—	(285,915)	(285,951)
Exercise of stock options	42	—	421	—	421
Shares withheld for restricted stock units vested	(401)	(4)	(29,380)	—	(29,384)
Net income	—	—	—	639,640	639,640
Balance at March 31, 2022	176,886	\$ 1,769	\$ 4,240,540	\$ 893,738	\$ 5,136,047

1. During the three months ended March 31, 2022, we repurchased and retired approximately 3.6 million shares of our common stock at an average price of \$79.58 per share for \$286.0 million, net of fees, pursuant to the repurchase programs authorized by our board of directors in November 2021 and February 2022.

The accompanying notes are an integral part of these consolidated financial statements.

BUILDERS FIRSTSOURCE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

Builders FirstSource, Inc., a Delaware corporation formed in 1998, is a leading supplier and manufacturer of building materials, manufactured components and construction services to professional homebuilders, sub-contractors, remodelers and consumers. The Company operates approximately 565 locations in 42 states across the United States. In this quarterly report, references to the “Company,” “we,” “our,” “ours” or “us” refer to Builders FirstSource, Inc. and its consolidated subsidiaries unless otherwise stated or the context otherwise requires.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all recurring adjustments and normal accruals necessary for a fair statement of the Company’s financial position, results of operations and cash flows for the dates and periods presented. Results for interim periods are not necessarily indicative of the results to be expected during the remainder of the current year or for any future period. Intercompany transactions are eliminated in consolidation.

The condensed consolidated balance sheet as of December 31, 2021 is derived from the audited consolidated financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America. This condensed consolidated balance sheet as of December 31, 2021 and the unaudited condensed consolidated financial statements included herein should be read in conjunction with the more detailed audited consolidated financial statements for the year ended December 31, 2021 included in our most recent annual report on Form 10-K (“Form 10-K”). Accounting policies used in the preparation of these unaudited condensed consolidated financial statements are consistent with the accounting policies described in the Notes to Consolidated Financial Statements included in our Form 10-K.

The accounting policies of our operating segments are consistent with the accounting policies described in the Notes to Consolidated Financial Statements included in our Form 10-K. Since the Company operates in one reportable segment, the primary measures reviewed by our CEO, whom we have determined to be our chief operating decision maker, including revenue, gross margin and income before income taxes, are shown in these condensed consolidated financial statements.

Comprehensive Income

Comprehensive income is equal to net income for all periods presented.

Reclassifications

Certain prior periods’ amounts have been reclassified to conform to the current year presentation, including presenting contract assets and contract liabilities separately on the face of the financial statements, whereas, these contract assets and contract liabilities had previously been presented as a component of accounts receivable and accrued liabilities, respectively. These reclassifications had no impact on net income, total assets and liabilities, stockholders’ equity, or cash flows as previously reported. We have changed the composition of our product categories, resulting in a decrease to four product categories. As a result of this change, prior period amounts have been reclassified to conform to the current year presentation.

Recent Accounting Pronouncements

In October 2021, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers which intends to address diversity and inconsistency in the accounting related to recognition of an acquired contract liability and payment terms and their effect on subsequent revenue recognized by the acquirer. This standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The adoption of this guidance is not expected to have a material impact on our consolidated financial statements.

In March 2020, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2020-04, Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The purpose of ASU 2020-04 is to provide optional guidance for a period of time related to accounting for reference rate reform on financial reporting. It is intended to reduce the potential burden of reviewing contract modifications related to discontinued rates. The amendments and optional expedients in this update are effective, as elected, beginning March 12, 2020 through December 31, 2022 and may be elected by topic. We have not elected adoption of this optional guidance and do not intend to elect this guidance before the sunset date of December 31, 2022, as there is no material impact on our consolidated financial statements.

2. Revenue

The following table disaggregates our sales by product category (in thousands):

	Three Months Ended March 31,	
	2022	2021
	(in thousands)	
Lumber & lumber sheet goods	\$ 2,325,355	\$ 1,769,299
Manufactured products	1,354,587	860,913
Windows, doors & millwork	1,011,572	736,156
Specialty building products & services	989,617	807,407
Net sales	<u>\$ 5,681,131</u>	<u>\$ 4,173,775</u>

Net sales from installation and construction services were less than 10% of the Company's net sales for each period presented.

The timing of revenue recognition, invoicing and cash collection results in accounts receivable, unbilled receivables, contract assets and contract liabilities. Contract assets include unbilled amounts when the revenue recognized exceeds the amount billed to the customer, and amounts representing a right to payment from previous performance that is conditional on something other than passage of time, such as retainage. Contract liabilities consist of deferred revenue and customer advances and deposits.

For the three months ended March 31, 2022 and 2021, we recognized as revenue approximately 70% and 78% of the contract liabilities balance at December 31, 2021 and 2020, respectively.

3. Net Income per Common Share

Net income per common share ("EPS") is calculated in accordance with the *Earnings per Share* topic of the Codification, which requires the presentation of basic and diluted EPS. Basic EPS is computed using the weighted average number of common shares outstanding during the period. Diluted EPS is computed using the weighted average number of common shares outstanding during the period, plus the dilutive effect of potential common shares.

The table below presents the calculation of basic and diluted EPS:

	Three Months Ended March 31,	
	2022	2021
	(in thousands, except per share amounts)	
Numerator:		
Net income	\$ 639,640	\$ 172,580
Denominator:		
Weighted average shares outstanding, basic	177,120	206,571
Dilutive effect of options and RSUs	2,426	2,053
Weighted average shares outstanding, diluted	<u>179,546</u>	<u>208,624</u>
Net income per share:		
Basic	\$ 3.61	\$ 0.84
Diluted	<u>\$ 3.56</u>	<u>\$ 0.83</u>
Antidilutive and contingent RSUs excluded from diluted EPS	<u>71</u>	<u>78</u>

4. Accrued Liabilities

Accrued liabilities consisted of the following as of:

	March 31, 2022	December 31, 2021
	(in thousands)	
Accrued payroll and other employee related expenses	\$ 303,935	\$ 385,800
Income taxes payable	154,406	2,230
Accrued business taxes	118,077	81,055
Self-insurance reserves	72,413	68,060
Accrued rebates payable	30,925	51,805
Amounts accrued for repurchases of common stock	11,917	51,545
Accrued interest	25,432	31,666
Other	55,268	46,743
Total accrued liabilities	<u>\$ 772,373</u>	<u>\$ 718,904</u>

5. Long-Term Debt

Long-term debt consisted of the following as of:

	March 31, 2022	December 31, 2021
	(in thousands)	
2026 revolving credit facility (1)	\$ 756,000	\$ 588,000
2027 notes	612,500	612,500
2030 notes	550,000	550,000
2032 notes	1,300,000	1,000,000
Other finance obligations	202,263	202,995
Finance lease obligations	3,419	3,787
	<u>3,424,182</u>	<u>2,957,282</u>
Unamortized debt discount/premium and debt issuance costs	(29,639)	(27,500)
	<u>3,394,543</u>	<u>2,929,782</u>
Less: current maturities of long-term debt	2,914	3,660
Long-term debt, net of current maturities, discounts and issuance costs	<u>\$ 3,391,629</u>	<u>\$ 2,926,122</u>

(1) The weighted average interest rate was 3.5% and 2.8% as of March 31, 2022 and December 31, 2021, respectively.

2022 Debt Transactions

On January 21, 2022, the Company completed a private offering of an additional \$300.0 million in aggregate principal amount of 4.25% senior unsecured notes due 2032 (“2032 notes”) at an issue price equal to 100.50% of par value. The net proceeds from the offering were used to repay indebtedness outstanding under our \$1.4 billion revolving credit facility (“2026 facility”) and pay related transaction fees and expenses.

The additional \$1.5 million in proceeds received in excess of par value represents a debt premium which has been recorded as an increase to long-term debt. In connection with the offering, we incurred approximately \$4.4 million of various third-party fees and expenses which have been recorded as a reduction to long-term debt. The debt premium and third-party costs will be amortized over the contractual life of the 2032 notes using the effective interest method.

On February 4, 2022, the Company amended the 2026 facility to increase the total commitments by an aggregate amount of \$400.0 million resulting in a new \$1.8 billion amended credit facility. All other material terms of the credit facility remain unchanged from those of the previous agreement. Effective with this amendment, the eurodollar rate loans and related interest rate benchmark were changed to the Secured Overnight Financing Rate (“SOFR”). The applicable margin ranges for Term SOFR loans were amended to be from 1.35% to 1.60% and there are no changes to base rate loan borrowings. In connection with this amendment, we incurred approximately \$2.0 million of new debt issuance costs which have been recorded as other assets and will be amortized straight-line through December 2026. The 2026 facility is discussed in more detail below.

2026 Revolving Credit Facility

The 2026 facility provides for a \$1.8 billion revolving credit line to be used for working capital, general corporate purposes and funding capital expenditures and growth opportunities. In addition, we may use borrowings under the 2026 facility to facilitate debt repayment and consolidation. The available borrowing capacity, or borrowing base, is derived from a percentage of the Company's eligible receivables and inventory, as defined by the agreement, subject to certain reserves. As of March 31, 2022, we had \$756.0 million in outstanding borrowings under our 2026 facility and our net excess borrowing availability was \$917.1 million after being reduced by outstanding letters of credit totaling \$126.9 million.

Borrowings under the 2026 facility bear interest, at our option, at either a Term SOFR rate or a base rate, plus, in each case, an applicable margin. The applicable margin ranges from 1.35% to 1.60% per annum in the case of Term SOFR loans and 0.25% to 0.50% per annum in the case of base rate loans. The margin in either case is based on a measure of availability under the 2026 facility. A commitment fee, currently 0.20% per annum, is charged on the unused amount of the revolver based on quarterly average loan utilization. Letters of credit under the 2026 facility are assessed at a rate equal to 1.25% or 1.50%, based on the average excess availability, as well as a fronting fee at a rate of 0.125% per annum. These fees are payable quarterly in arrears at the end of March, June, September, and December.

All obligations under the 2026 facility are guaranteed jointly and severally by the Company and all other subsidiaries that guarantee the 6.75% senior secured notes due 2027 ("2027 notes"), our 5.00% senior unsecured notes due 2030 (the "2030 notes"), and our 2032 notes (such subsidiaries, the "Debt Guarantors"). All obligations and the guarantees of those obligations are secured by substantially all of the assets of the Company and the Debt Guarantors subject to certain exceptions and permitted liens, including with respect to the 2026 facility, a first-priority security interest in such assets that constitute ABL Collateral (as defined below) and a second-priority security interest in such assets that constitute Notes Collateral (as defined below).

"ABL Collateral" includes substantially all presently owned and after-acquired accounts receivable, inventory, rights of unpaid vendors with respect to inventory, deposit accounts, commodity accounts, securities accounts and lock boxes, investment property, cash and cash equivalents, and general intangibles, books and records, supporting obligations and documents and related letters of credit, commercial tort claims or other claims related to and proceeds of each of the foregoing. "Notes Collateral" includes all collateral that is not ABL Collateral.

The 2026 facility contains restrictive covenants which, among other things, limit the Company's ability to incur additional indebtedness, incur liens, engage in mergers or other fundamental changes, sell certain assets, pay dividends, make acquisitions or investments, prepay certain indebtedness, change the nature of our business, and engage in certain transactions with affiliates. In addition, the 2026 facility also contains a financial covenant requiring the satisfaction of a minimum fixed charge ratio of 1.00 to 1.00 if our excess availability falls below the greater of \$80.0 million or 10% of the maximum borrowing amount, which was \$180.0 million as of March 31, 2022.

Senior Unsecured Notes due 2032

As of March 31, 2022, we have \$1.3 billion outstanding in aggregate principal amount of the 2032 notes, which mature on February 1, 2032. Interest accrues on the 2032 notes at a rate of 4.25% per annum and is payable semi-annually on February 1 and August 1 of each year.

The terms of the 2032 notes are governed by the indenture, dated as of the July 23, 2021 (the "2032 Indenture"), among the Company, the guarantors named therein and Wilmington Trust, National Association, as trustee. The 2032 notes, subject to certain exceptions, are guaranteed, jointly and severally, on a senior unsecured basis, by the Debt Guarantors. Subject to certain exceptions, future subsidiaries that guarantee the 2026 facility, the 2027 notes, the 2030 notes or certain other indebtedness will also guarantee the 2032 notes.

The 2032 notes constitute senior unsecured obligations of the Company and Debt Guarantors, *pari passu* in right of payment with all of the existing and future senior indebtedness of the Company, including indebtedness under the 2026 facility, the 2027 notes and the 2030 notes, effectively subordinated to all existing and future secured indebtedness of the Company and the Debt Guarantors (including indebtedness under the 2026 facility and the 2027 notes) to the extent of the value of the assets securing such indebtedness, senior to all of the future subordinated indebtedness of the Company and the Debt Guarantors and structurally subordinated to any existing and future indebtedness and other liabilities, including preferred stock, of the Company's subsidiaries that do not guarantee the 2032 notes.

The 2032 Indenture contains restrictive covenants that limit the ability of the Company and its restricted subsidiaries to, among other things, incur additional debt or issue preferred stock, create liens, create restrictions on the Company’s subsidiaries’ ability to make payments to the Company, pay dividends and make other distributions in respect of the Company’s and its subsidiaries’ capital stock, make certain investments or certain other restricted payments, guarantee indebtedness, designate unrestricted subsidiaries, sell certain kinds of assets, enter into certain types of transactions with affiliates, and effect mergers and consolidations.

At any time prior to August 1, 2026, the Company may redeem the 2032 notes in whole or in part at a redemption price equal to 100% of the principal amount of the 2032 notes plus the “applicable premium” set forth in the 2032 Indenture. At any time on or after August 1, 2026, the Company may redeem the 2032 notes at the redemption prices set forth in the 2032 Indenture, plus accrued and unpaid interest, if any, to the redemption date. At any time prior to August 1, 2024, the Company may redeem up to 40% of the aggregate principal amount of the 2032 notes with the net cash proceeds of one or more equity offerings, as described in the 2032 Indenture, at a price equal to 104.25% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date. If the Company experiences certain change of control triggering events, holders of the 2032 notes may require it to repurchase all or part of their 2032 notes at 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the repurchase date.

Fair Value

As of March 31, 2022 and December 31, 2021, the Company does not have any financial instruments that are measured at fair value on a recurring basis. We have elected to report the value of our 2027 notes, 2030 notes, 2032 notes and 2026 facility at amortized cost. The fair values of the 2027 notes, 2030 notes and 2032 notes at March 31, 2022 were approximately \$636.2 million \$542.4 million and \$1,212.3 million, respectively, and were determined using Level 2 inputs based on market prices. The carrying value of the 2026 facility at March 31, 2022 approximates fair value as the rates are comparable to those at which we could currently borrow under similar terms, are variable and incorporate a measure of our credit risk. As such, the fair value of the 2026 facility was also classified as Level 2 in the hierarchy.

We were not in violation of any covenants or restrictions imposed by any of our debt agreements at March 31, 2022.

6. Employee Stock-Based Compensation

Time Based Restricted Stock Unit Grants

In the first three months of 2022, our board of directors granted 156,700 restricted stock units (“RSUs”) to employees under our 2014 Incentive Plan for which vesting is based solely on continuous employment over the requisite service period. All of these RSUs vest at 33% per year at each anniversary of the grant date over the next three years. The weighted average grant date fair value for these RSUs was \$69.11 per unit, which was based on the closing stock price on the respective grant dates.

Performance, Market and Service Condition Based Restricted Stock Unit Grants

In the first three months of 2022, our board of directors granted 150,600 RSUs to employees under our 2014 Incentive Plan, that cliff vest on the third anniversary of the grant date based on the Company’s level of achievement of performance goals relating to return on invested capital over a three-year period (“performance condition”) as well as continued employment during the performance period. The total number of shares of common stock that may be earned from the performance condition ranges from zero to 200% of the RSUs granted. The number of shares earned from the performance condition may be further increased by 10% or decreased by 10% based on the Company’s total shareholder return relative to a peer group during the performance period (“market condition”). The average grant date fair value for these RSUs, with consideration of the market condition, was \$70.77 per unit, which was determined using the Monte Carlo simulation model applying the following assumptions:

Expected volatility (company)	53.0%
Expected volatility (peer group median)	34.6%
Correlation between the Company and peer group median	0.6
Expected dividend yield	0.0%
Risk-free rate	1.7%

The expected volatilities and correlation are based on the historical daily returns of our common stock and the common stocks of the constituents of the Company’s peer group over the most recent period equal to the measurement period. The expected dividend yield is based on our history of not paying regular dividends in the past and our current intention to not pay regular dividends in the foreseeable future. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant and has a term equal to the measurement period.

7. Income Taxes

A reconciliation of the statutory federal income tax rate to our effective rate for continuing operations is provided below:

	2022	2021
Statutory federal income tax rate	21.0%	21.0%
State income taxes, net of federal income tax	2.9	1.7
Stock-based compensation windfall benefit	(1.7)	(1.9)
Permanent differences and other	—	(0.7)
	<u>22.2%</u>	<u>20.1%</u>

We base our estimate of deferred tax assets and liabilities on current tax laws and rates. In certain cases, we also base our estimate on business plan forecasts and other expectations about future outcomes. Changes in existing tax laws or rates could affect our actual tax results, and future business results may affect the amount of our deferred tax liabilities or the valuation of our deferred tax assets over time. Due to uncertainties in the estimation process, particularly with respect to changes in facts and circumstances in future reporting periods, as well as the residential homebuilding industry's cyclical nature and sensitivity to changes in economic conditions, it is possible that actual results could differ from the estimates used in previous analyses.

Accounting for deferred taxes is based upon estimates of future results. Differences between the anticipated and actual outcomes of these future results could have a material impact on our consolidated results of operations or financial position.

8. Commitments and Contingencies

As of March 31, 2022, we had outstanding letters of credit totaling \$126.9 million under our 2026 facility that principally support our self-insurance programs.

The Company has a number of known and threatened construction defect legal claims. While these claims are generally covered under the Company's existing insurance programs to the extent any loss exceeds the deductible, there is a reasonable possibility of loss that is not able to be estimated at this time because (i) many of the proceedings are in the discovery stage, (ii) the outcome of future litigation is uncertain, and/or (iii) the complex nature of the claims. Although the Company cannot estimate a reasonable range of loss based on currently available information, the resolution of these matters could have a material adverse effect on the Company's financial position, results of operations or cash flows.

In addition, we are involved in various other claims and lawsuits incidental to the conduct of our business in the ordinary course. We carry insurance coverage in such amounts in excess of our self-insured retention as we believe to be reasonable under the circumstances and that may or may not cover any or all of our liabilities in respect of such claims and lawsuits. Although the ultimate disposition of these other proceedings cannot be predicted with certainty, management believes the outcome of any such claims that are pending or threatened, either individually or on a combined basis, will not have a material adverse effect on our consolidated financial position, cash flows or results of operations. However, there can be no assurances that future adverse judgments and costs would not be material to our results of operations or liquidity for a particular period.

9. Related Party Transactions

An executive officer of one of our customers, Ashton Woods USA, L.L.C., serves as a member of the Company's board of directors. Accounts receivable due from and net sales to Ashton Woods USA, L.L.C. were approximately 1% of our total accounts receivable and our total net sales, respectively, as of March 31, 2022 and December 31, 2021, and for the three months ended March 31, 2022 and 2021. Further, the Company has entered into certain leases of land and buildings with certain employees or non-affiliate stockholders. Activity associated with these related party transactions was not significant as of or for the three months ended March 31, 2022 or 2021.

Transactions between the Company and other related parties occur in the ordinary course of business. However, the Company carefully monitors and assesses related party relationships. Management does not believe that any of these transactions with related parties had a material impact on the Company's results for the three months ended March 31, 2022 or 2021.

10. Subsequent Events

Business Combinations

On April 1, 2022, we completed two transactions to acquire certain assets and the operations of (i) Panel Truss of Longview, Inc., Panel Truss – Hearne, LLC, Case-Hill, Inc., Panel Truss-Dallas, LLC, Truss Ops Trucking, LLC and Truss Ops, LLC (the “Texas Panel Truss Businesses”), and Panel Truss – Oakwood, LLC Panel Truss – Townville, LLC and Panel Truss – Ringgold, LLC (the “East Panel Truss Businesses”) and (ii) Valley Truss Co., Inc. (“Valley Truss”) for \$169.4 million in cash and \$31.2 million in cash, respectively, subject to certain closing adjustments.

Each of the Texas Panel Truss Businesses and the East Panel Truss Businesses provide building components primarily to multi-family markets, with the Texas Panel Truss Businesses primarily serving such markets in Texas and East Panel Truss Businesses primarily serving such markets in Georgia and South Carolina.

Valley Truss is a manufacturer of floor and roof trusses located in Boise, Idaho. Each of these acquisitions were funded with a combination of cash on hand and borrowings under our 2026 facility.

The accounting for these business combinations have not been completed at the date of this filing given the proximity to the acquisition date for each acquisition. The acquisitions will be accounted for by the acquisition method, and accordingly the results of operations will be included in the Company’s consolidated financial statements from the acquisition date. The purchase price will be allocated to the net assets acquired based on estimated fair values at the acquisition date, with the excess of purchase price over the estimated fair value of the net assets acquired recorded as goodwill.

Company Shares Repurchases

On May 9, 2022, the Company’s board of directors authorized a new share repurchase program of \$2.0 billion, which replaces the previous \$1.0 billion authorization announced on February 18, 2022.

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

The following discussion of our financial condition and results of operations should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto for the year ended December 31, 2021 included in our most recent Form 10-K. The following discussion and analysis should also be read in conjunction with the unaudited condensed consolidated financial statements appearing elsewhere in this report. In this quarterly report on Form 10-Q, references to the "Company," "we," "our," "ours" or "us" refer to Builders FirstSource, Inc. and its consolidated subsidiaries unless otherwise stated or the context otherwise requires.

Cautionary Statement

Statements in this report and the schedules hereto that are not purely historical facts or that necessarily depend upon future events, including statements about expected market share gains, forecasted financial performance or other statements about anticipations, beliefs, expectations, hopes, intentions or strategies for the future, may be forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Readers are cautioned not to place undue reliance on forward-looking statements. In addition, oral statements made by our directors, officers and employees to the investor and analyst communities, media representatives and others, depending upon their nature, may also constitute forward-looking statements. All forward-looking statements are based upon currently available information and the Company's current assumptions, expectations and projections about future events. Forward-looking statements are by nature inherently uncertain, and actual results or events may differ materially from the results or events described in the forward-looking statements as a result of many factors. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Any forward-looking statements involve risks and uncertainties, many of which are beyond the Company's control or may be currently unknown to the Company, that could cause actual events or results to differ materially from the events or results described in the forward-looking statements, including risks or uncertainties related to the novel coronavirus disease 2019 ("COVID-19") and its contributory effects on the economy, the Company's acquisitions, the Company's growth strategies, including gaining market share and its digital strategies, or the Company's revenues and operating results being highly dependent on, among other things, the homebuilding industry, which in turn is dependent on economic conditions, lumber prices and the economy, including labor and supply shortages. The Company may not succeed in addressing these and other risks. Further information regarding the risk factors that could affect our financial and other results can be found in the risk factors section of the Company's most recent Form 10-K filed with the Securities and Exchange Commission. Consequently, all forward-looking statements in this report are qualified by the factors, risks and uncertainties contained therein.

COMPANY OVERVIEW

We are a leading supplier and manufacturer of building materials, manufactured components and construction services to professional contractors, sub-contractors and consumers. The Company operates approximately 565 locations in 42 states across the United States, which are internally organized into geographic operating divisions. Due to the similar economic characteristics, categories of products, distribution methods and customers, our operating divisions are aggregated into one reportable segment.

We offer an integrated solution to our customers providing manufacturing, supply and installation of a full range of structural and related building products. Our manufactured products include our factory-built roof and floor trusses, wall panels and stairs, vinyl windows, custom millwork and trim, as well as engineered wood that we design, cut, and assemble for each home. We also assemble interior and exterior doors into pre-hung units. Additionally, we supply our customers with a broad offering of professional grade building products not manufactured by us, such as dimensional lumber and lumber sheet goods and various window, door and millwork lines. Our full range of construction-related services includes professional installation, turn-key framing and shell construction, and spans all our product categories.

We group our building products into four product categories:

- *Lumber & Lumber Sheet Goods.* Lumber & lumber sheet goods include dimensional lumber, plywood, and oriented strand board ("OSB") products used in on-site house framing.
- *Manufactured Products.* Manufactured products are factory-built substitutes for job-site framing and include wood floor and roof trusses, steel roof trusses, wall panels, and engineered wood that we design, cut and assemble for each home. Manufactured products also include our proprietary whole-house framing solution, Ready-Frame®, which designs, pre-cuts, labels, and bundles lumber and lumber sheet goods into customized framing packages, saving builders both time and money and improving job site safety.
- *Windows, Door & Millwork.* Windows & doors are comprised of the manufacturing, assembly, and distribution of windows, and the assembly and distribution of interior and exterior door units. Millwork includes interior trim and custom features, including those that we manufacture under the Synboard® brand name.

- *Specialty Building Products & Services.* Specialty building products & services consist of various products, including vinyl, composite and wood siding, metal studs, cement, roofing, insulation, wallboard, ceilings, cabinets, and hardware. This category also includes services such as turn-key framing, shell construction, design assistance and professional installation of products spanning all of our product categories. We also offer software products through our Paradigm subsidiary, including drafting, estimating, quoting, and virtual home design services, which provide software solutions to retailers, distributors, manufacturers and homebuilders that boost sales, reduce costs, and help them become more competitive.

Our operating results are dependent on the following trends, events and uncertainties, some of which are beyond our control:

- *Homebuilding Industry and Market Competition.* Our business is driven primarily by the residential new construction market and the residential repair and remodel market, which are in turn dependent upon a number of factors, including demographic trends, interest rates, consumer confidence, employment rates, housing affordability, household formation, land development costs, the availability of skilled construction labor, inflation and the health of the economy and mortgage markets. According to the U.S. Census Bureau, annual U.S. total and single-family housing starts were 1.8 million and 1.2 million, respectively, as of March 31, 2022. Many factors have impacted and may continue to impact our sales and gross margins, including continued consolidation within the building products supply industry, increased competition for homebuilder business, supply chain constraints and cyclical fluctuations in commodity prices. Moreover, our industry remains highly fragmented and competitive, and we will continue to face significant competition from local and regional suppliers. We believe there are several meaningful trends that indicate U.S. housing demand will continue to grow, including the aging of housing stock, and normal population growth due to immigration and birthrate exceeding death rate. Building upon the current rate of market growth, industry forecasters, including the National Association of Home Builders (“NAHB”), expect to see continued increases in housing demand over the next year.
- *Effect of COVID-19 Pandemic.* While the COVID-19 pandemic has not had a materially adverse impact on our financial results to date, the extent and duration of any future impact resulting from the pandemic and its contributory effects on the economy is uncertain, and we may experience a decline in housing starts, reduced sales demand, volatility in commodity prices, challenges in the supply chain, labor shortages, increased margin pressures and/or increased operating costs as a result.
- *Targeting Large Production Homebuilders.* The homebuilding industry continues to undergo consolidation, and the larger homebuilders continue to increase their market share. We expect that trend to continue as larger homebuilders have better liquidity and land positions relative to the smaller, less capitalized homebuilders. Our focus is on maintaining relationships and market share with these customers while balancing the competitive pressures we are facing in servicing large homebuilders with certain profitability expectations. Additionally, we have been successful in expanding our custom homebuilder base while maintaining acceptable credit standards.
- *Repair and remodel end market.* Although the repair and remodel end market is influenced by housing starts to a lesser degree than the homebuilding market, the repair and remodel end market is still dependent upon some of the same factors as the homebuilding market, including demographic trends, interest rates, consumer confidence, employment rates and the health of the economy and home financing markets. The repair and remodel end market has been impacted by the COVID-19 pandemic and while the extent of this impact and related uncertainties are yet to be fully known, we may experience reduced sales demand, challenges in the supply chain, increased margin pressures and/or increased operating costs in this area of our business as a result. We expect that our ability to remain competitive in this space will depend on our continued ability to provide a high level of customer service coupled with a broad product offering.
- *Use of Prefabricated Components.* Homebuilders are increasingly using prefabricated components in order to realize increased efficiency, overcome skilled construction labor shortages and improve quality. Shortening cycle time from start to completion is a key imperative of the homebuilders during periods of strong consumer demand. We continue to see the demand for prefabricated components increasing within the residential new construction market as the availability of skilled construction labor remains limited.
- *Economic Conditions.* Economic changes both nationally and locally in our markets impact our financial performance. The building products supply industry is highly dependent upon new home construction and subject to cyclical market changes. Our operations are subject to fluctuations arising from changes in supply and demand, national and local economic conditions, labor costs and availability, competition, government regulation, trade policies, rising inflation and other factors that affect the homebuilding industry such as demographic trends, interest rates, housing starts, the high cost of land development, employment levels, consumer confidence, and the availability of credit to homebuilders, contractors, and homeowners. The disruptions and uncertainties as a result of the ensuing COVID-19 pandemic may have a significant impact on our future operating results.

- *Housing Affordability.* The affordability of housing can be a key driver in demand for our products. Home affordability is influenced by a number of economic factors, such as the level of employment, consumer confidence, consumer income, supply of houses, the availability of financing and interest rates. Changes in the inventory of available homes as well as economic factors relative to home prices could result in changes to the affordability of homes. As a result, homebuyer demand may shift towards smaller, or larger, homes creating fluctuations in demand for our products.
- *Cost and/or Availability of Materials.* Prices of wood products, which are subject to cyclical market fluctuations, may adversely impact operating income when prices rapidly rise or fall within a relatively short period of time. We purchase certain materials, including lumber products, which are then sold to customers as well as used as direct production inputs for our manufactured and prefabricated products. Short-term changes in the cost and/or availability of these materials, some of which are subject to significant fluctuations, are oftentimes passed on to our customers, but our pricing quotation periods and market competition may limit our ability to pass on such price changes. We may also be limited in our ability to pass on increases on in-bound freight costs on our products. We may also experience challenges sourcing suitable products for our customers and may be forced to provide alternative materials as substitution for contracted orders. Our inability to pass on material price increases to our customers could adversely impact our operating results.
- *Controlling Expenses.* Another important aspect of our strategy is controlling costs and striving to be a low-cost building materials supplier in the markets we serve. We pay close attention to managing our working capital and operating expenses. Further, we pay careful attention to our logistics function and its effect on our shipping and handling costs.
- *Multi-Family and Light Commercial Business.* Our primary focus has been, and continues to be, on single-family residential new construction and the repair and remodel end market. However, we will continue to identify opportunities for profitable growth in the multi-family and light commercial markets.
- *Capital Structure.* We strive to optimize our capital structure to ensure that our financial needs are met in light of economic conditions, business activities, organic investments, opportunities for growth through acquisition and the overall risk characteristics of our underlying assets. In addition to these factors, we also evaluate our capital structure on the basis of our leverage ratio, our liquidity position, our debt maturity profile and market interest rates. As such, we may enter into various debt or equity transactions in order to appropriately manage and optimize our capital structure and liquidity needs.

RECENT DEVELOPMENTS

Company Shares Repurchases

On February 18, 2022, the Company announced that its board of directors authorized the repurchase of \$1.0 billion of its shares of common stock. Subsequently, on May 9, 2022, the board of directors authorized a new share repurchase program of \$2.0 billion, which replaces the previous authorization. This authorization is in addition to the two previous \$1.0 billion authorizations in 2021, which were completed on January 12, 2022. Share repurchases under the program may be made through a variety of methods, which may include open market purchases, in block trades, accelerated share repurchase transactions, trading plans in accordance with Rule 10b-5 or Rule 10b-18 under the Exchange Act, or any combination of such methods. The program does not obligate the Company to acquire any particular amount of its common stock, and the share repurchase program may be suspended or discontinued at any time at the Company's discretion. During the three months ended March 31, 2022, the Company repurchased approximately 3.6 million shares at a weighted average price of \$79.58 per share for a total cost of approximately \$286.0 million, net of fees.

Debt Transactions

On January 21, 2022, the Company completed a private offering of an additional \$300.0 million in aggregate principal amount of 2032 notes at an issue price equal to 100.50% of par value.

On February 4, 2022, the Company amended the 2026 facility to increase the total commitments by an aggregate amount of \$400.0 million resulting in a new \$1.8 billion amended credit facility.

These transactions are described in Note 5 to the condensed consolidated financial statements included in Item 1 of this quarterly report on Form 10-Q. From time to time, based on market conditions and other factors and subject to compliance with applicable laws and regulations, the Company may repurchase or call our notes, repay debt, repurchase shares of our common stock or otherwise enter into transactions regarding its capital structure.

CURRENT OPERATING CONDITIONS AND OUTLOOK

According to the U.S. Census Bureau, actual U.S. total housing starts were 0.4 million for the first quarter of 2022, an increase of 10.3% compared to the first quarter of 2021. Actual U.S. single-family starts for the first quarter of 2022 were 0.3 million, an increase of 3.9% compared to the first quarter of 2021. A composite of third-party sources, including the NAHB, are forecasting 1.7 million U.S. total housing starts and 1.2 million U.S. single family housing starts for 2022, which are increases of 4.7% and 2.5%,

respectively from 2021. In addition, the Home Improvement Research Institute is forecasting sales in the professional repair and remodel end market to increase approximately 7.9% in 2022 compared to 2021.

Our net sales for the first quarter of 2022 increased 36.1% from the same period last year. The increase was driven by core organic sales growth of 15.0%, primarily in our single family customer segment, with commodity price inflation accounting for another 12.8%. The remaining increase is attributable to sales from acquisitions completed within the last twelve months. Our gross margin percentage in the first quarter of 2022 increased by 6.7% compared to the first quarter of 2021 primarily due to core organic growth in value-added product categories, as well as disciplined pricing in a volatile, supply-constrained marketplace. Our selling, general and administrative expenses, as a percentage of net sales, were 17.0% in the first quarter of 2022, a 2.7% decrease from 19.7% in the first quarter of 2021, driven primarily by cost leverage on increased net sales.

We believe the long-term outlook for the housing industry is positive due to growth in the underlying demographics compared to historical new construction levels. However, rising interest rates and inflation may dampen the housing industry as homes become less affordable for consumers, investors and builders. We feel we are well-positioned to take advantage of the construction activity in our markets and to increase our market share, which may include strategic acquisitions. We will continue to focus on working capital by closely monitoring the credit exposure of our customers, remaining focused on maintaining the right level of inventory and by working with our vendors to improve payment terms and pricing on our products. We strive to achieve the appropriate balance of short-term expense control while maintaining the expertise and capacity to grow the business as market conditions expand.

SEASONALITY AND OTHER FACTORS

Our first and fourth quarters have historically been, and are generally expected to continue to be, adversely affected by weather causing reduced construction activity during these quarters. In addition, quarterly results historically have reflected, and are expected to continue to reflect, fluctuations from period to period arising from the following:

- The volatility of lumber prices;
- The cyclical nature of the homebuilding industry;
- General economic conditions in the markets in which we compete;
- The pricing policies of our competitors;
- Disruptions in our supply chain;
- The production schedules of our customers; and
- The effects of weather.

The composition and level of working capital typically change during periods of increasing sales as we carry more inventory and receivables. Working capital levels typically increase in the first and second quarters of the year due to higher sales during the peak residential construction season. These increases may result in negative operating cash flows during this peak season, which historically have been financed through available cash and borrowing availability under credit facilities. Generally, collection of receivables and reduction in inventory levels following the peak building and construction season positively impact cash flow.

RESULTS OF OPERATIONS

The following table sets forth the percentage relationship to net sales of certain costs, expenses and income items:

	Three Months Ended March 31,	
	2022	2021
Net sales	100.0%	100.0%
Cost of sales	67.7%	74.4%
Gross margin	32.3%	25.6%
Selling, general and administrative expenses	17.0%	19.7%
Income from operations	15.3%	5.9%
Interest expense, net	0.7%	0.8%
Income tax expense	3.2%	1.0%
Net income	11.4%	4.1%

Three Months Ended March 31, 2022 Compared with the Three Months Ended March 31, 2021

Net Sales. Net sales for the three months ended March 31, 2022 were \$5.7 billion, a 36.1% increase over net sales of \$4.2 billion for the three months ended March 31, 2021. Core organic growth, primarily in the single family customer segment, and commodity price inflation increased net sales by 15.0% and 12.8%, respectively. The remaining increase in net sales is attributable to net sales from acquisitions completed within the last twelve months.

The following table shows net sales classified by product category:

	Three Months Ended March 31,		2021		% Change
	2022	(in millions)	2021		
	Net Sales	% of Net Sales	Net Sales	% of Net Sales	
Lumber & lumber sheet goods	\$ 2,325.4	40.9%	\$ 1,769.3	42.4%	31.4%
Manufactured products	1,354.6	23.8%	860.9	20.6%	57.3%
Windows, doors & millwork	1,011.6	17.8%	736.2	17.6%	37.4%
Specialty building products & services	989.5	17.5%	807.4	19.4%	22.6%
Net sales	\$ 5,681.1	100.0%	\$ 4,173.8	100.0%	36.1%

We achieved increased net sales in all of our product categories primarily due to core organic sales growth and commodity price inflation.

Gross Margin. Gross margin increased \$0.8 billion to \$1.8 billion and our gross margin percentage increased to 32.3% in the first quarter of 2022 from 25.6% in the first quarter of 2021, a 6.7% increase. This increase was primarily attributable to core organic growth particularly in value-added product categories, as well as from disciplined pricing in a volatile, supply-constrained marketplace.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased \$147.0 million, or 17.9%. This increase was primarily due to higher variable compensation costs as a result of higher sales and profitability, as well as additional operating expenses from locations added through acquisitions within the last twelve months.

As a percentage of net sales, selling, general and administrative expenses decreased to 17.0% in the first quarter of 2022 from 19.7% in the first quarter of 2021, largely driven by cost leverage on increased net sales.

Interest Expense, Net. Interest expense was \$41.3 million in the first quarter of 2022, an increase of \$9.5 million from the first quarter of 2021. The increase was primarily due to higher outstanding debt balances during the first quarter of 2022 compared to the first quarter of 2021.

Income Tax Expense. We recorded income tax expense of \$182.9 million and \$43.5 million in the first quarters of 2022 and 2021, respectively. Our effective tax rate was 22.2% in the first quarter of 2022 compared to 20.1% in the first quarter of 2021. The increase in the tax expense was primarily driven by the increase in income before income taxes in the current period.

LIQUIDITY AND CAPITAL RESOURCES

Our primary capital requirements are to fund working capital needs and operating expenses, meet required interest and principal payments, and to fund capital expenditures and potential future growth opportunities. Our capital resources at March 31, 2022 consist of cash on hand and borrowing availability under our 2026 facility.

Our 2026 facility will be primarily used for working capital, general corporate purposes and funding capital expenditures and growth opportunities. In addition, we may use borrowings under the 2026 facility to facilitate debt repayment and consolidation. Availability under the 2026 facility is determined by a borrowing base. Our borrowing base consists of trade accounts receivable, inventory, other receivables, and qualified cash that all meet specific criteria contained within the credit agreement, minus agent specified reserves. Net excess borrowing availability is equal to the maximum borrowing amount minus outstanding borrowings and letters of credit.

The following table shows our borrowing base and excess availability as of:

	March 31, 2022	December 31, 2021
(in millions)		
Accounts receivable availability	\$ 1,438.4	\$ 608.8
Inventory availability	1,506.9	514.7
Other receivables availability	177.2	50.9
Gross availability	3,122.5	1,174.4
Less:		
Agent reserves	(110.0)	(40.6)
Plus:		
Cash in qualified accounts	227.1	413.9
Borrowing base	3,239.6	1,547.7
Aggregate revolving commitments	1,800.0	900.0
Maximum borrowing amount (lesser of borrowing base and aggregate revolving commitments)	1,800.0	900.0
Less:		
Outstanding borrowings	(756.0)	(75.0)
Letters of credit	(126.9)	(78.0)
Net excess borrowing availability on revolving facility	<u>\$ 917.1</u>	<u>\$ 747.0</u>

As of March 31, 2022, we had \$756.0 million in outstanding borrowings under our 2026 facility and our net excess borrowing availability was \$917.1 million after being reduced by outstanding letters of credit totaling \$126.9 million. Excess availability must equal or exceed a minimum specified amount, currently \$180.0 million, or we are required to meet a fixed charge coverage ratio of 1:00 to 1:00. We were not in violation of any covenants or restrictions imposed by any of our debt agreements at March 31, 2022.

Liquidity

Our liquidity at March 31, 2022 was \$1.2 billion, which consists of net borrowing availability under the 2026 facility and cash on hand.

Our level of indebtedness results in significant interest expense and could have the effect of, among other things, reducing our flexibility to respond to changing business and economic conditions. From time to time, based on market conditions and other factors and subject to compliance with applicable laws and regulations, we may repurchase or call our notes, repay, refinance or modify our debt or otherwise enter into transactions regarding our capital structure.

If industry conditions deteriorate or if we pursue additional acquisitions, we may be required to raise additional funds through the sale of capital stock or debt in the public capital markets or in privately negotiated transactions. There can be no assurance that any of these financing options would be available on favorable terms, if at all. Alternatives to help supplement our liquidity position could include, but are not limited to, idling or permanently closing additional facilities, adjusting our headcount in response to current business conditions, attempts to renegotiate leases, managing our working capital and/or divesting of non-core businesses. There are no assurances that these steps would prove successful or materially improve our liquidity position.

Consolidated Cash Flows

Cash provided by operating activities was \$179.8 million for the three months ended March 31, 2022 compared to cash used in operating activities of \$200.5 million for the three months ended March 31, 2021. The increase in cash provided by operating activities was largely the result of an increase in net income offset by an increase in net working capital in the first three months of 2022.

For the three months ended March 31, 2022, the Company used a net \$48.3 million in cash investing in property, plant and equipment. Offsetting comparable net investments in property, plant and equipment in the first quarter of 2021 was \$167.5 million of cash acquired as part of the BMC Merger.

Cash provided by financing activities was \$107.7 million for the three months ended March 31, 2022, which consisted primarily of the issuance of \$300.0 million of 2032 notes and approximately \$168.0 million in net borrowings under the 2026 facility, offset by cash used to repurchase \$355.0 million of common stock. Cash used in financing activities was \$335.6 million for the three months ended March 31, 2021, which was primarily related to the extinguishment of debt acquired in the BMC Merger and the redemption of a portion of the Company's 2027 notes, partially offset by net borrowings under the 2026 facility.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies are those that both are important to the accurate portrayal of a company's financial condition and results, and require subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

In order to prepare financial statements that conform to generally accepted accounting principles, we make estimates and assumptions that affect the amounts reported in our financial statements and accompanying notes. Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may be significantly different from our expectations.

Refer to Part II, "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Form 10-K for a discussion of our critical accounting estimates and assumptions.

RECENT ACCOUNTING PRONOUNCEMENTS

Information regarding recent accounting pronouncements is discussed in Note 1 to the condensed consolidated financial statements included in Item 1 of this quarterly report on Form 10-Q.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

We may experience changes in interest expense if changes in our debt occur. Changes in market interest rates could also affect our interest expense. Our 2027 notes, our 2030 notes, and our 2032 notes bear interest at a fixed rate, and therefore our interest expense related to these notes would not be affected by an increase in market interest rates. Borrowings under the 2026 facility bear interest at either a base rate or SOFR rate, plus, in each case, an applicable margin. A 1.0% increase in interest rates on the 2026 revolving credit facility would result in approximately \$7.6 million in additional interest expense annually based on our \$756.0 million in outstanding borrowings as of March 31, 2022. The 2026 facility also assesses variable commitment and outstanding letter of credit fees based on quarterly average loan utilization.

We purchase certain materials, including lumber products, which are then sold to customers as well as used as direct production inputs for our manufactured products that we deliver. Short-term changes in the cost of these materials and the related in-bound freight costs, some of which are subject to significant fluctuations, are sometimes, but not always, passed on to our customers. Delays in our ability to pass on material price increases to our customers can adversely impact our operating results.

Item 4. *Controls and Procedures*

Disclosure Controls Evaluation and Related CEO and CFO Certifications. Our management, with the participation of our principal executive officer ("CEO") and principal financial officer ("CFO"), conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this quarterly report.

Certifications of our CEO and our CFO, which are required in accordance with Rule 13a-14 of the Securities Exchange Act of 1934, as amended ("Exchange Act"), are attached as exhibits to this quarterly report. This "Controls and Procedures" section includes the information concerning the controls evaluation referred to in the certifications, and it should be read in conjunction with the certifications for a more complete understanding of the topics presented.

Limitations on the Effectiveness of Controls. We do not expect that our disclosure controls and procedures will prevent all errors and all fraud. A system of controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the system are met. Because of the limitations in all such systems, no evaluation can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. Furthermore, the design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how unlikely. Because of these inherent limitations in a cost-effective system of controls and procedures, misstatements or omissions due to error or fraud may occur and not be detected.

Scope of the Controls Evaluation. The evaluation of our disclosure controls and procedures included a review of their objectives and design, the Company's implementation of the controls and procedures and the effect of the controls and procedures on the information generated for use in this quarterly report. In the course of the evaluation, we sought to identify whether we had any data errors, control problems or acts of fraud and to confirm that appropriate corrective action, including process improvements, were being undertaken if needed. This type of evaluation is performed on a quarterly basis so that conclusions concerning the effectiveness of our disclosure controls and procedures can be reported in our quarterly reports on Form 10-Q. Many of the components of our

disclosure controls and procedures are also evaluated by our internal audit department, our legal department and by personnel in our finance organization. The overall goals of these various evaluation activities are to monitor our disclosure controls and procedures on an ongoing basis, and to maintain them as dynamic systems that change as conditions warrant.

Conclusions regarding Disclosure Controls. Based on the required evaluation of our disclosure controls and procedures, our CEO and CFO have concluded that, as of March 31, 2022, we maintained disclosure controls and procedures that were effective in providing reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting. During the period covered by this report there were no changes in our internal control over financial reporting identified in connection with the evaluation described above that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

The Company has a number of known and threatened construction defect legal claims. While these claims are generally covered under the Company's existing insurance programs to the extent any loss exceeds the deductible, there is a reasonable possibility of loss that is not able to be estimated at this time because (i) many of the proceedings are in the discovery stage, (ii) the outcome of future litigation is uncertain, and/or (iii) the complex nature of the claims.

In addition, we are involved in various other claims and lawsuits incidental to the conduct of our business in the ordinary course. We carry insurance coverage in such amounts in excess of our self-insured retention as we believe to be reasonable under the circumstances and that may or may not cover any or all of our liabilities in respect of such claims and lawsuits.

Although the ultimate disposition of these proceedings cannot be predicted with certainty, management believes the outcome of any such claims that are currently pending or threatened, either individually or on a combined basis, will not have a material adverse effect on our consolidated financial position, cash flows or results of operations. However, there can be no assurances that future adverse judgments and costs would not be material to our results of operations or liquidity for a particular period.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part 1, "Item 1A. Risk Factors" in our Form 10-K, which could materially affect our business, financial condition or future results. The risks described in our annual report on Form 10-K are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

There were no material changes to the risk factors reported in Part 1, "Item 1A. Risk Factors" in our Form 10-K.

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

Company Stock Repurchases

The following table provides information with respect to our purchases of Builders FirstSource, Inc. common stock during the first quarter of fiscal year 2022:

Period	Total Number of Shares Purchased	Average Price Paid per Share (including fees)	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
January 1, 2022 — January 31, 2022	3,115,488	\$ 81.36	3,106,600	\$ —
February 1, 2022 — February 28, 2022	—	—	—	1,000,000,000
March 1, 2022 — March 31, 2022	878,355	70.43	486,681	966,768,962
Total	<u>3,993,843</u>	\$ 78.96	<u>3,593,281</u>	\$ 966,768,962

In the first quarter of 2022, approximately 3.6 million shares were repurchased and retired pursuant to share repurchase programs authorized by our board of directors on November 18, 2021, and February 18, 2022. The November 2021 repurchase program was completed on January 12, 2022. Under the February 2022 program we are authorized to repurchase up to \$1.0 billion of our common stock. The remaining 400,562 shares presented in the table above represent stock tendered in order to meet tax withholding requirements for restricted stock units vested.

Item 6. Exhibits

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of Builders FirstSource, Inc. (incorporated by reference to Exhibit 3.1 to Amendment No. 4 to the Registration Statement of the Company on Form S-1, filed with the Securities and Exchange Commission on June 6, 2005, File Number 333-122788)
3.2	Amendment to Amended and Restated Certificate of Incorporation of Builders FirstSource, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on January 4, 2021, File Number 0-51357)
3.3	Amended and Restated By-Laws of Builders FirstSource, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on August 14, 2020, File Number 0-51357)
4.1	Second Supplemental Indenture, dated as of January 21, 2022, among Builders FirstSource, Inc., the guarantors party thereto and Wilmington Trust, National Association, as trustee (form of Note included therein) (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on January 21, 2022, File Number 001-40620)
10.1	Amendment No. 5 to Credit Agreement, dated as of February 4, 2022, among the Company, Truist Bank (as successor by merger to SunTrust Bank), as administrative agent and collateral agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 8, 2022, File Number 001-40620)
10.2*+	Employment Agreement, entered into as of January 31, 2022, between Amy Bass Messersmith and Builders FirstSource, Inc.
31.1*	Certification of Chief Executive Officer pursuant to 17 CFR 240.13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by David E. Flitman as Chief Executive Officer
31.2*	Certification of Chief Financial Officer pursuant to 17 CFR 240.13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by Peter M. Jackson as Chief Financial Officer
32.1**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by David E. Flitman as Chief Executive Officer and Peter M. Jackson as Chief Financial Officer
101*	The following financial information from Builders FirstSource, Inc.'s Form 10-Q filed on May 10, 2022 formatted in Inline eXtensible Business Reporting Language ("Inline XBRL"): (i) Condensed Consolidated Statement of Operations for the three months ended March 31, 2022 and 2021, (ii) Condensed Consolidated Balance Sheet as of March 31, 2022 and December 31, 2021, (iii) Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2022 and 2021, (iv) Condensed Consolidated Statements of Changes in Stockholders' Equity for the three months ended March 31, 2022 and 2021 and (v) the Notes to Condensed Consolidated Financial Statements.
104*	The cover page for the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 has been formatted in Inline XBRL.

* Filed herewith.

** Builders FirstSource, Inc. is furnishing, but not filing, the written statement pursuant to Title 18 United States Code 1350, as added by Section 906 of the Sarbanes-Oxley Act of 2002, of David E. Flitman our Chief Executive Officer, and Peter M. Jackson, our Chief Financial Officer.

+ Indicates a management contract or compensatory plan or arrangement

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.

BUILDERS FIRSTSOURCE, INC.

/s/ DAVID E. FLITMAN

David E. Flitman
President and Chief Executive Officer
(Principal Executive Officer)

May 10, 2022

/s/ PETER M. JACKSON

Peter M. Jackson
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

May 10, 2022

/s/ JAMI BECKMANN

Jami Beckmann
Senior Vice President and Chief Accounting Officer
(Principal Accounting Officer)

May 10, 2022

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this “**Agreement**”) between Amy Bass Messersmith (“**Executive**”), Builders FirstSource, Inc., a Delaware corporation (the “**Company**”), is entered into as of March 14, 2022 (the “**Effective Date**”).

RECITALS

WHEREAS, the Company and Executive desire to enter into this Employment Agreement to set forth certain terms of Employee’s employment with the Company.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein, the Company and Executive hereby agree as follows:

SECTION 1

EMPLOYMENT TERMS

1.1 Employment. The Company hereby agrees to employ Executive pursuant to the terms of this Agreement, and Executive hereby accepts such employment by the Company, effective as of the Effective Date, for the period and upon the terms and conditions contained in this Agreement.

1.2 Position and Duties. Executive is hereby employed as of the Effective Date to serve as the Chief People Officer. In her capacity as Chief People Officer, Executive shall have all of the powers, duties and responsibilities commensurate with such position as shall be assigned to her by the Chief Executive Officer of the Company. In her capacity as Chief People Officer of the Company, Executive will report directly to the Chief Executive Officer of the Company.

Executive shall devote Executive’s full business time and attention and full diligence and vigor and good faith efforts to the affairs of the Company. Executive shall not engage in any other material business duties or pursuits or render any services of a professional nature to any other entity or person, or serve on any other board of directors (other than a not-for-profit board of directors, and then only to the extent it does not interfere with her duties to the Company), without the prior written consent of the Company’s Board of Directors (the “**Board**”) or a committee designated by the Board to approve such matters.

1.3 Term. Executive’s employment under this Agreement shall commence on the Effective Date and shall continue for an indefinite term, until terminated in accordance with SECTION 3 below. Certain provisions, however, as more fully set forth in SECTION 4, SECTION 5 and SECTION 6 below, continue in effect beyond the date of the termination of Executive’s employment (the “**Termination Date**”). Executive agrees that, effective as of the applicable Termination Date, Executive shall resign from all positions held by Executive as an officer, director or otherwise with respect to the Company or any member of the Company Group (as defined below).

SECTION 2

COMPENSATION AND BENEFITS

2.1 Compensation.

(a) Base Salary. The Company shall pay to Executive an annual base salary at the rate not less than \$450,000 each calendar year (“**Base Salary**”), payable in accordance with the Company’s ordinary payroll and withholding practices from time to time in effect for its employees. During the term of employment hereunder, Executive’s salary shall be reviewed from time to time (but no less than annually) to determine whether an increase (not decrease) in Executive’s salary is appropriate. Any such increase shall be at the sole discretion of the Board, or

where required, the Compensation Committee of the Board, and thereafter any such increased amount shall be Executive's "Base Salary" for all purposes.

(b) Annual Cash Bonus. During the term of employment, Executive shall be eligible to participate under the Company's annual incentive program for executive officers, as in effect and from time to time adopted by the Board (the "**Incentive Plan**") for the award of an annual cash bonus ("**Annual Cash Bonus**"). The Annual Cash Bonus shall be determined based on a target bonus equal to 100% of Base Salary (the "**Target Bonus**"). Payment of the Annual Cash Bonus, if any, shall be made pursuant to the terms and conditions of the Incentive Plan.

(c) Sign-On Cash Bonus. Executive shall receive a one-time cash bonus award in the amount of \$200,000 (the "**Sign-On Bonus**"). If the Company terminates Executive's employment for Cause or Executive terminates her employment without Good Reason on or before the first anniversary of the Effective Date, Executive shall repay the Sign-On Bonus to the Company.

(d) Annual Equity Grant. During the term of employment, Executive shall be eligible to participate under the applicable equity plan of the Company then in effect, as amended from time to time, or any successor plans (collectively, the "**Company Equity Plan**"), for the award of an annual grant of equity thereunder (the "**Annual Equity Grant**"). The actual award and amount of any Annual Equity Grant will be determined by the Board or the Compensation Committee of the Board in accordance with the terms of the applicable Company Equity Plan and subject to the provisions thereof. Executive's initial Annual Equity Grant will be made on the Effective Date and have a grant date fair market value equal to \$575,000.

(e) Sign-On Equity Grant. Executive shall receive a one-time equity award grant of time-vesting restricted stock units with a grant date fair market value equal to \$425,000. Such restricted stock units shall vest in three equal installments on March 14, 2023, 2024, and 2025, and shall be subject to the same general terms and conditions as are applicable to equity awards granted to other senior executives of the Company.

2.2 Benefits.

(a) Generally. Executive shall be eligible to participate, to the extent it is legal and permitted by the applicable benefits plans, policies or contracts, in all employee benefits programs that the Company may adopt for its employees generally providing for sick or other leave, vacation, group health, disability and life insurance benefits. Executive shall be eligible to participate in the Company's 401(k) plan on the terms and conditions and qualifications of such plan from time to time in effect, with a Company match (if any) no less favorable than that provided to any other Company executives. Executive shall be entitled to four (4) weeks of paid vacation for each full calendar year of employment, to be accrued in accordance with the Company's regular vacation pay policy.

(b) Executive. Executive shall be eligible to participate, to the extent it is legal and permitted by the applicable plans, policies or contracts, in all benefits or fringe benefits which are in effect generally for the Company's executive personnel from time to time.

2.3 Expense Reimbursement. The Company shall pay or reimburse Executive for all reasonable expenses incurred in connection with performing her duties upon presentation of documents in accordance with the reasonable procedures established by the Company.

SECTION 3

TERMINATION

3.1 By the Company:

(a) For Cause. The Company shall have the right at any time, exercisable upon written notice, to terminate Executive's employment for Cause. As used in this Agreement, "**Cause**" shall mean that Executive:

(i) has committed any act or omission that results in, or that may reasonably be expected to result in, a conviction, plea of no contest or imposition of unadjudicated probation for any felony or crime involving moral turpitude;

(ii) has committed any act of fraud, embezzlement or misappropriation, or engaged in material misconduct or breach of fiduciary duty against the Company (or any predecessor thereto or successor thereof);

(iii) has willfully failed to substantially perform such duties as are reasonably assigned to her under this Agreement;

(iv) has unlawfully used (including being under the influence) or possessed illegal drugs on the Company's premises or while performing her duties and responsibilities for the Company;

(v) materially fails to perform Executive's duties required under Executive's employment by or other relationship with the Company (it being agreed that failure of the Company to achieve operating results or similar poor performance of the Company shall not, in and of itself, be deemed a failure to perform Executive's duties);

(vi) fails to comply with a lawful directive of the Board or Chief Executive Officer that is consistent with the Company's business practices and Code of Ethics;

(vii) engages in (A) willful misconduct for which Executive receives a material and improper personal benefit at the expense of the Company, or (B) accidental misconduct resulting in such a benefit which Executive does not promptly report to the Company and redress promptly upon becoming aware of such benefit;

(viii) in carrying out her duties under this Agreement, has engaged in acts or omissions constituting gross negligence or willful misconduct resulting in, or which, in the good faith opinion of the Board, could be expected to result in, substantial economic harm to the Company;

(ix) has failed for any reason to correct, cease or alter any action or omission that (A) materially violates or does not conform with the Company's policies, standards or regulations (including, without limitation, any Company policy or rule related to discrimination or sexual and other types of harassment or abusive conduct), (B) constitutes a material breach of this Agreement, including SECTION 4, or (C) constitutes a material breach of her duty of loyalty to the Company; or

(x) has disclosed any Proprietary Information (as defined below) without authorization from the Board, except as otherwise permitted by this Agreement, another agreement between the parties or any Company policy in effect at the time of disclosure.

For purposes of the definition of "Cause", "Company" shall include any subsidiary, business unit or affiliate of the Company. The Company shall provide written notice to Executive of any act or omission that the Company believes constitutes grounds for "Cause" pursuant to clause (v), (vi), (vii)(B) or (ix) above, and no such act or omission shall constitute "Cause" unless Executive fails to remedy such act or omission within ten (10) days of the receipt of such notice; provided that such ten (10) day cure period shall not apply with respect to any matter that is incapable of cure within such period.

(b) Without Cause. The Company may terminate Executive's employment under this Agreement at any time without Cause. As used in this Agreement, a termination without Cause shall mean the termination of Executive's employment by the Company other than for Cause pursuant to SECTION 3.1(a) above.

3.2 By Executive:

(a) Without Good Reason. Executive may terminate her employment under this Agreement at any time without Good Reason. As used in this Agreement, a termination without Good Reason shall mean termination of Executive's employment by Executive other than for Good Reason pursuant to SECTION 3.2(b) below.

(b) For Good Reason. Executive shall have the right at any time to resign her employment under this Agreement for Good Reason. As used in this Agreement, “**Good Reason**” shall mean the occurrence of any of the following events, without Executive’s consent: (i) a material diminution in Executive’s Base Salary or Target Bonus, in each case, other than as part of any across-the-board proportionate reduction applying to all senior executives of the Company, (ii) a material diminution in Executive’s title, authority, reporting structure, duties and responsibilities as compared to Executive’s title, authority, reporting structure, duties and responsibilities set forth herein (a “Material Diminution”) (for the sake of clarity, (A) a change in reporting structure in the event of a Change in Control does not constitute a Material Diminution, (B) a change to a different position that is of comparable status within the Company does not constitute a Material Diminution, (C) any changes generally implemented with regard to a broad group of senior executives does not constitute a Material Diminution, and (D) any change consented to by Executive is not a Material Diminution), (iii) any material breach by the Company or any member of the Company Group (as defined below) of this Agreement, (iv) there is a Change in Control and the successor to the Company, if applicable, does not assume and continue this Agreement, and (v) except as required by Section 1.4, any requirement by the Company that Executive relocate her personal residence to any city more than one hundred (100) miles from Dallas, Texas.

Notwithstanding the foregoing, no event shall be a Good Reason event unless (i) Executive gives the Company written notice that she is resigning for Good Reason within ninety (90) days of the first occurrence of the Good Reason event, and (ii) the Company (A) accepts such resignation, (B) does not cure such Good Reason event, or (C) disputes the existence of Good Reason, in each case within thirty (30) days of receiving such notice, and in the case of clauses (A) and (B) Executive’s resignation for Good Reason shall become effective as of the earlier of (x) the date the Company accepts such resignation, or (y) the expiration of the thirty day cure period (provided the Company has not cured the Good Reason event) and in the case of clause (C) shall become effective only if Good Reason is ultimately determined to exist upon final resolution of the Company’s dispute of her resignation by a court of competent jurisdiction or otherwise.

(c) The term “**Change in Control**” shall have the meaning set forth in the Company’s 2014 Incentive Plan, as may be amended from time to time.

3.3 Compensation Upon Termination. Upon termination of Executive’s employment with the Company, the Company’s obligation to pay compensation and benefits under SECTION 2 shall terminate, except that the Company shall pay to Executive or, if applicable, Executive’s heirs, all earned but unpaid Base Salary under SECTION 2.1(a) and accrued but unused vacation under SECTION 2.2, in each case, through the Termination Date and Executive’s unreimbursed expenses incurred through the Termination Date in accordance with SECTION 2.3. In addition, Executive shall be entitled to receive (i) any vested amounts or benefits due under any tax-qualified retirement or group insurance plan or program in accordance with the terms thereof, and (ii) other than on an involuntary termination by the Company for Cause or a voluntary termination by Executive without Good Reason (for the avoidance of doubt, for purposes of this subsection, a termination due to Executive’s death shall not constitute a termination for Good Reason”), her Annual Cash Bonus for any completed fiscal year to the extent earned for such fiscal year and if such bonus has not previously been paid for such completed fiscal year, at the same time such Annual Cash Bonus would have been paid if Executive had continued in employment (it being understood that in the event of any such termination Executive is not entitled to an Annual Bonus for the then-current Fiscal Year). If the Company terminates Executive’s employment without Cause or if Executive terminates her employment for Good Reason, then, in addition, to the foregoing compensation, upon execution and delivery (and non-revocation) by Executive of the Separation Agreement and General Release as set forth in SECTION 6.10, the Company shall pay severance benefits pursuant to SECTION 3.4 below. No other payments or compensation of any kind shall be paid in respect of Executive’s employment with or termination from the Company. Notwithstanding any contrary provision contained herein, in the event of any termination of Executive’s employment, the exclusive remedies available to Executive shall be the amounts due under this SECTION 3, which are in the nature of liquidated damages, and are not in the nature of a penalty.

3.4 Severance Benefits.

(a) Termination without Cause or for Good Reason. Subject to the terms and conditions of eligibility for Executive’s receipt of severance benefits under this Agreement, including the timely execution and delivery (and non-revocation) by Executive of the Separation Agreement and General Release as set forth in SECTION 6.10,

if the Company terminates Executive's employment without Cause or Executive terminates her employment for Good Reason, the Company shall pay to Executive, as severance benefits, which amounts are in addition to the Compensation upon Termination set forth in SECTION 3.3 herein:

(i) An amount equal to 100% of her Base Salary which shall be paid to Executive on a salary continuation basis according to the Company's normal payroll practices over the twelve (12) month period following the date Executive incurs a Separation from Service, but in no event less frequently than monthly.

(ii) An amount equal to 100% of Executive's Target Bonus, which shall be paid to Executive in equal installments according to the Company's normal payroll practices over the twelve (12) month period following the date Executive incurs a Separation from Service, but in no event less frequently than monthly.

(iii) Subject to (1) Executive's timely election of continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**"), and (2) Executive's continued copayment of premiums at the same level and cost to Executive as if Executive were an employee of the Company (excluding, for purposes of calculating cost, an employee's ability to pay premiums with pre-tax dollars), continued participation in the Company's group health plan (to the extent permitted under applicable law and the terms of such plan) which covers Executive (and Executive's eligible dependents) for a period of twelve (12) months at the Company's expense, provided that Executive is eligible and remains eligible for COBRA coverage. The Company may modify its obligation under this SECTION 3.4(a)(iii) to the extent reasonably necessary to avoid any penalty or excise taxes imposed on it in connection with the continued payment of premiums by the Company under the Patient Protection and Affordable Care Act of 2010, as amended, or other applicable law.

(b) Notwithstanding any other provision of this Agreement, any severance benefits that would otherwise have been paid before the Company's first normal payroll payment date falling on or after the sixtieth (60th) day after the date on which Executive incurs a Separation from Service (the "**First Payment Date**") shall be made on the First Payment Date. Each separate severance installment payment and each other payment that Executive may be eligible to receive under this Agreement shall be a separate payment under this Agreement for all purposes.

(c) Executive shall have no duty or obligation to mitigate the amounts due under SECTION 3.4(a) above and any amounts earned by Executive from other employment shall not be offset or reduce the amounts due hereunder.

SECTION 4

CERTAIN AGREEMENTS

4.1 **Confidentiality.** Executive acknowledges that the Company owns and shall own and has developed and shall develop proprietary information concerning its business and the business of its subsidiaries and affiliates and each of their employees, customers and clients ("**Proprietary Information**"). Such Proprietary Information includes, among other things, trade secrets, financial information, product plans, customer lists, marketing plans, systems, manuals, training materials, forecasts, inventions, improvements, know-how and other intellectual property, in each case, relating to the Company's business. Executive shall, at all times, both during employment by the Company and thereafter, keep all Proprietary Information in confidence and trust and shall not use or disclose any Proprietary Information without the written consent of the Company, except as necessary in the ordinary course of Executive's duties. Executive shall keep the terms of this Agreement in confidence and trust and shall not disclose such terms, except to Executive's family, accountants, financial advisors, or attorneys, or as otherwise authorized or required by law. The parties acknowledge that pursuant to the Defend Trade Secrets Act of 2016 (the "**DTSA**"), an individual may not be held criminally or civilly liable under any Federal or state trade secret law for disclosure of a trade secret that (i) is made (A) in confidence to a Federal, state or local governmental authority, either directly or indirectly, or to an attorney; and (B) solely for the purpose of reporting or investigating a suspected violation of applicable law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Nothing in this Agreement or any other agreement Executive has with the Company or any of its affiliates is intended to conflict with the DTSA or create liability for disclosures of trade secrets that are expressly allowed by such section. Under the DTSA, any employee, contractor, or consultant who is found to have

wrongfully misappropriated trade secrets (as the terms “misappropriate” and “trade secret” are defined in the DTSA) may be liable for, among other things, exemplary damages and attorneys’ fees. Further, nothing in this Agreement or any other agreement Executive has with the Company or any of its affiliates will prohibit or restrict Executive from making any voluntary disclosure of information or documents related to any violation of law to any governmental agency or legislative body, or any self-regulatory organization, in each case, without advance notice to the Company.

4.2 Company Property. Executive recognizes that all Proprietary Information, however stored or memorialized, and all identification cards, keys, flash drives, computers, mobile phones, Personal Data Assistants, telephone numbers, access codes, marketing materials, documents, records and other equipment or property which the Company provides are the sole property of the Company. Upon termination of employment, Executive shall (1) refrain from taking any such property from the Company’s premises, and (2) return any such property in Executive’s possession within ten (10) business days.

4.3 Assignment of Inventions to the Company. Executive shall promptly disclose to the Company all improvements, inventions, formulas, processes, computer programs, know-how and trade secrets developed, whether or not patentable, made or conceived or reduced to practice or developed by Executive, either alone or jointly with others, during and related to Executive’s employment and the Company’s business or while using the Company’s equipment, supplies, facilities or trade secret information (collectively, “**Inventions**”). All Inventions and other intellectual property rights shall be the sole property of the Company and shall be “works made for hire.” Executive hereby assigns to the Company any rights Executive may have or acquire in all Inventions and agrees to perform, during and after employment with the Company, at the Company’s expense including reasonable compensation to Executive, all acts reasonably necessary by the Company in obtaining and enforcing intellectual property rights with respect to such Inventions. Executive hereby irrevocably appoints the Company and its officers and agents as Executive’s attorney-in-fact to act for and in Executive’s name and stead with respect to such Inventions.

SECTION 5

COVENANT NOT TO ENGAGE IN CERTAIN ACTS

5.1 General. Executive understands and agrees that Executive shall hold a position of significant trust and, in such position of significant trust, shall provide services and have responsibility with respect to the Company and all of its subsidiaries and affiliates (collectively, the “**Company Group**”), including, without limitation, contributing to the acquisition and retention of customers and the generation of goodwill. Executive further understands and agrees that Executive will develop, access and use Proprietary Information for the benefit of the Company Group. The parties understand and agree that the purpose of the restrictions contained in SECTION 4 and this SECTION 5 is to protect the goodwill and other legitimate business interests of the Company (including its Proprietary Information), and that the Company would not have entered into this Agreement in the absence of such restrictions. Executive acknowledges and agrees that the restrictions are reasonable and do not, and will not, unduly impair her ability to make a living after the termination of her employment with the Company. The provisions of SECTION 4 and SECTION 5 shall survive the expiration or sooner termination of this Agreement.

5.2 Non-Compete; Non-Interference; Non-Solicit. During the term of employment and for a period of twelve (12) months after the Termination Date Executive shall not, whether for Executive’s own account or for any other Person, directly or indirectly, with or without compensation:

(a) own, manage, operate, control or participate in the ownership, management, operation or control of, or be employed or engaged in a senior management role by, any corporation, limited liability company, partnership, joint venture, proprietorship or other business entity or organization that engages in or plans to engage in the business of (i) supplying, distributing, manufacturing, designing, constructing and/or installing structural and related building products, including, without limitation, prefabricated components, roof and floor trusses, wall panels, stairs, windows, doors, millwork, lumber products, roofing, insulation, hardware and other building products and/or (ii) providing services to customers in connection with any of the foregoing or otherwise related to residential homebuilding, in each case, (i) and (ii) anywhere in the United States (a “**Competing Business**”).

(b) solicit, or call upon or otherwise attempt to solicit, on behalf of any Competing Business, any of the customers, prospective customers, vendors or suppliers of Company Group;

(c) divert or take away, or attempt to divert or take away, any existing business of the Company Group;

(d) induce or entice, or seek to induce or entice, or otherwise interfere with, the Company Group's business relationship with, any customer of the Company Group;

(e) advance credit or lend money to any third party for the purpose of establishing or operating any Competing Business; or

(f) with respect to any substantially full time independent contractor of the Company Group, employee of the Company Group or individual who was, at any time during the three months prior to the Termination Date, an employee of the Company Group: (A) hire or retain, or attempt to hire or retain, such individual to provide services for any third party; or (B) entice away or in any manner persuade or attempt to persuade, such individual to (1) terminate and/or leave her employment or engagement, (2) accept employment with any person or entity other than a member of the Company Group, or (3) terminate her relationship with the Company Group or devote less of her business time to the Company Group.

Notwithstanding the foregoing, nothing in this SECTION 5.2 will prohibit Executive from acquiring or holding not more than two percent (2%) of any class of publicly traded securities.

5.3 Cessation/Reimbursement of Payments. Notwithstanding anything to the contrary in this Agreement, if Executive violates any provision of SECTION 4 or SECTION 5, the Company may, upon giving written notice to Executive, immediately terminate Executive's employment with the Company for Cause or, in the event the violation occurs following the Termination Date, cease all payments and benefits that it may be providing to Executive pursuant to SECTION 3, and Executive shall be required to reimburse the Company for any payments received from the Company pursuant to SECTION 3; provided, however, that the foregoing shall be in addition to such other remedies as may be available to the Company and shall not be deemed to permit Executive to forego or waive such payments in order to avoid her obligations under SECTION 4 or SECTION 5; and provided, further, that any release of claims by Executive pursuant to SECTION 6.10 shall continue in effect.

5.4 Survival; Injunctive Relief. Executive agrees that the provisions of SECTION 4 and SECTION 5 shall survive the termination of this Agreement and the termination of Executive's employment. Executive acknowledges that a breach by her of the covenants contained in SECTION 4 or SECTION 5 cannot be reasonably or adequately compensated in damages in an action at law and that such breach will cause the Company immeasurable and irreparable injury and damage. Executive further acknowledges that she possesses unique skills, knowledge and ability and that competition in violation of SECTION 4 or SECTION 5 would be extremely detrimental to the Company. By reason thereof, each of the Company and Executive agrees that the other shall be entitled, in addition to any other remedies it may have under this Agreement, at law or in equity, or otherwise, to temporary, preliminary and/or permanent injunctive and other equitable relief to prevent or curtail any actual or threatened violation of SECTION 4 or SECTION 5, without proof of actual damages that have been or may be caused to the Company by such breach or threatened breach, and waives to the fullest extent permitted by law the posting or securing of any bond by the other party in connection with such remedies.

SECTION 6

MISCELLANEOUS

6.1 Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be mailed by certified or registered mail, postage prepaid, with return receipt requested, telecopy (with hard copy delivered by overnight courier service), or delivered by hand, messenger or overnight courier service, and shall be deemed given when received at the addresses of the parties set forth below, or at such other address furnished in writing to the other parties hereto:

To the Company:

Builders FirstSource, Inc.
Attn: General Counsel
2001 Bryan Street, Suite 1600
Dallas, Texas 75201

To Executive: at the home address of Executive maintained in the human resource records of the Company.

6.2 Severability. The parties agree that it is not their intention to violate any public policy or statutory or common law. In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law. Without limiting the foregoing, if any portion of SECTION 5 is held to be unenforceable, the maximum enforceable restriction of time, scope of activities and geographic area will be substituted for any such restrictions held unenforceable.

6.3 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware without regard to its principles of conflicts of laws. Executive: agrees to submit to the jurisdiction of the State of Delaware; agrees that any dispute concerning this Agreement shall be brought exclusively in a state or federal court of competent jurisdiction in Delaware; and agrees that other than disputes involving SECTION 4 or SECTION 5, all disputes shall be settled through arbitration pursuant to SECTION 6.15. Executive waives any and all objections to jurisdiction or venue.

6.4 Survival. The covenants and agreements of the parties set forth in SECTIONS 4, 5 and 6 are of a continuing nature and shall survive the expiration, termination or cancellation of this Agreement, irrespective of the reason therefor.

6.5 Entire Agreement. This Agreement contains the entire understanding between the parties hereto with respect to the terms of employment, compensation, benefits, and covenants of Executive, and supersede all other prior and contemporaneous agreements and understandings, inducements or conditions, express or implied, oral or written, between Executive and the Company relating to the subject matter of the Agreement, which such other prior and contemporaneous agreements and understandings, inducements or conditions shall be deemed terminated effective on the Effective Date, including without limitation, the Prior Employment Agreement. For the avoidance of doubt, the parties agree that any and all indemnification agreements between Executive and the Company shall continue in full force unimpaired by this Agreement

6.6 Binding Effect, Etc. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and the Company's successors and assigns, including any direct or indirect successor by purchase, merger, consolidation, reorganization, liquidation, dissolution, winding up or otherwise with respect to all or substantially all of the business or assets of the Company, and Executive's spouse, heirs, and personal and legal representatives.

6.7 Counterparts; Amendment. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be amended or modified only by written instrument duly executed by the Company and Executive.

6.8 Voluntary Agreement. Executive has read this Agreement carefully, has had the opportunity to seek advice of counsel and understands and accepts the obligations that it imposes upon Executive without reservation. No other promises or representations have been made to Executive to induce Executive to sign this Agreement. Executive is signing this Agreement voluntarily and finely.

6.9 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns (including any direct or indirect successor, spouses, heirs and personal and legal representatives). Any such successor or assign of the Company shall be included in the term “Company” as used in this Agreement.

6.10 Release of Claims. In consideration for the compensation and other benefits provided pursuant to this Agreement, Executive agrees to execute a “Separation Agreement and General Release” to be presented by the Company substantially in the form of Exhibit A attached hereto. The Company’s obligation to pay severance benefits pursuant to SECTION 3.4 is expressly conditioned on Executive’s execution and delivery of such Separation Agreement and General Release no later than forty-five (45) days after the date Executive incurs a Separation from Service without revoking it for a period of seven (7) days following delivery. Executive’s failure to execute and deliver such Separation Agreement and General Release within such forty-five (45) day time period (or Executive’s subsequent revocation of such Separation Agreement and General Release) will void the Company’s obligation to pay severance benefits under this Agreement

6.11 Withholding. All compensation payable to Executive pursuant to this Agreement will be subject to any applicable statutory withholding taxes and such other taxes as are required or permitted under applicable law and such other deductions or withholdings as authorized by Executive to be collected with respect to compensation paid to Executive.

6.12 In-kind Benefits and Reimbursements. Notwithstanding anything to the contrary in this Agreement, in-kind benefits and reimbursements provided under this Agreement during any tax year of Executive shall not affect in-kind benefits or reimbursements to be provided in any other tax year of Executive, except for the reimbursement of medical expenses referred to in Section 105(b) of the Internal Revenue Code, as amended (“**Code**”), and are not subject to liquidation or exchange for another benefit. Notwithstanding anything to the contrary in this Agreement, reimbursement requests must be timely submitted by Executive and, if timely submitted, reimbursement payments shall be made to Executive as soon as administratively practicable following such submission, but in no event later than December 31st of the calendar year following the calendar year in which the expense was incurred. In no event shall Executive be entitled to any reimbursement payments after December 31st of the calendar year following the calendar year in which the expense was incurred. This SECTION 6.12 shall apply only to in-kind benefits and reimbursements that would result in taxable compensation income to Executive.

6.13 Section 409A The intent of the parties is that payments and benefits under this Agreement be exempt from, or comply with, Section 409A of the Code (and the rules and regulations promulgated thereunder) (“**Section 409A**”), and accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered to be in accordance therewith. Notwithstanding anything contained herein to the contrary, Executive shall not be considered to have terminated employment with the Company for purposes of any payments under this Agreement which are subject to Section 409A until Executive would be considered to have incurred a “separation from service” from the Company within the meaning of Section 409A. Each amount to be paid or benefit to be provided under this Agreement shall be construed as a separate identified payment for purposes of Section 409A, and any payments described in this Agreement that are due within the “short term deferral period” as defined in Section 409A, or otherwise satisfying an exception under Section 409A, shall not be treated as deferred compensation unless applicable law requires otherwise. Without limiting the foregoing and notwithstanding anything contained herein to the contrary, to the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this Agreement during the six (6)-month period immediately following Executive’s separation from service shall instead be paid on the first business day after the date that is six (6) months following Executive’s separation from service (or, if earlier, death). To the extent required to avoid accelerated taxation and/or tax penalties under Section 409A, amounts reimbursable to Executive under this Agreement shall be paid to Executive on or before the last day of the year following the year in which the expense was incurred and the amount of expenses eligible for reimbursement (and in-kind benefits provided) during any one year may not effect amounts reimbursable or provided in any subsequent year. In no event shall the timing of Executive’s execution of a Separation Agreement and General Release pursuant to SECTION 6.10 result, directly or indirectly, in Executive designating the calendar year of any payment hereunder, and, to the extent required by Section 409A, if a payment hereunder that is subject to execution of a Separation Agreement and General Release could be made in more than one taxable year, payment shall be made in the later taxable year. Notwithstanding anything to the contrary in this

Agreement or any other agreement by and between Executive and any member of the Company Group, to the extent that (i) this Agreement provides for the vesting and settlement of any equity award held by Executive and (ii) such equity award constitutes nonqualified deferred compensation subject to Section 409A, such equity award shall be settled at the earliest time that will not trigger a Tax or penalty under Section 409A. The Company makes no representation that any or all of the payments described in this Agreement shall be exempt from or comply with Section 409A and makes no undertaking to preclude Section 409A from applying to any such payment.

6.14 Indemnification, etc. The Company shall provide an indemnification agreement by which it shall indemnify and hold harmless Executive to the fullest extent permitted by law for any action or inaction Executive takes in good faith with regard to the Company or parent or any benefit plan of either, in accordance with the Company's Certificate of Incorporation and By-laws. Further, the Company shall cover Executive on its directors' and officers' liability insurance policies to no less extent than that which covers any other officer or director of the Company.

6.15 Arbitration. Except with respect to the Company's enforcement of the covenants in SECTION 4 and SECTION 5, in the event that either Executive or the Company (or their successor and assigns, or any other person claiming benefits on behalf of or through them) has a dispute, claim, question, or disagreement arising from or relating to this Agreement or the breach thereof, the parties hereto shall use their best efforts to settle the dispute, claim, question, or disagreement. To this effect, they shall consult and negotiate with each other in good faith and, recognizing their mutual interests, attempt to reach a just and equitable solution satisfactory to both parties. If the parties do not reach such solution within a period of 60 days, then, upon written notice by either party to the other, all such disputes, claims, questions, or differences shall be finally settled by confidential binding arbitration administered by the American Arbitration Association in accordance with the provisions of its Employment Arbitration Rules, unless such claim is precluded by law from being settled through arbitration. Such arbitration shall take place in Dallas, Texas. Any arbitrator selected by the parties to arbitrate any such dispute shall have practiced predominately in the field of employment law for no less than ten years. The arbitrator will have the power to interpret this Agreement. Any determination or decision by the arbitrator shall be binding upon the parties and may be enforced in any court of law. The parties agree that this arbitration provision does not apply to the right of Executive to file a charge, testify, assist or participate in any manner in an investigation, hearing or proceeding before the Equal Employment Opportunity Commission or any other agency pertaining to any matters covered by this Agreement and within the jurisdiction of the agency. Both parties agree that this arbitration clause has been bargained for by the parties upon advice of their respective counsel.

6.16 Code Section 280G. Notwithstanding any other provision of this Agreement, if it is determined that the benefits or payments payable under this Agreement, taking into account other benefits or payments provided under other plans, agreements or arrangements, constitute Parachute Payments that would subject Executive to tax under Section 4999 of the Code, it must be determined whether Executive will receive the total payments due or the Reduced Amount. Executive will receive the Reduced Amount if the Reduced Amount results in equal or greater Net After Tax Receipts than the Net After Tax Receipts that would result from Executive receiving the total payments due.

If it is determined that the total payments should be reduced to the Reduced Amount, the Company must promptly notify Executive of that determination, including a copy of the detailed calculations by an accounting firm or other professional organization qualified to make the calculation that was selected by the Company and acceptable to Executive (the "**Accounting Firm**"). The Company shall pay the fees and expenses of the Accounting Firm. All determinations made by the Accounting Firm under this SECTION 6.16 are binding upon the Company and Executive, subject to any differing determination by the Internal Revenue Service.

It is the intention of the Company and Executive to reduce the payments under this Agreement and any other plan, agreement or arrangement only if the aggregate Net After Tax Receipts to Executive would thereby be increased.

If it is determined that the total payments should be reduced to the Reduced Amount, any reduction shall be in the order that would provide Executive with the largest amount of Net After Tax Receipts (subject to the remainder of this sentence, pro rata if two alternatives provide the same result) and shall, to the extent permitted by Code Section 280G and 409A be designated by Executive. Executive shall at any time have the unilateral right to forfeit any equity grant in whole or in part.

For purposes of this Agreement, the term “**Net After Tax Receipt**” means the Present Value of the total payments or the Reduced Amount, as applicable, net of all federal, state and local income and payroll taxes imposed on Executive, including Section 4999 of the Code, determined by applying the highest marginal rate of income taxes which applied to Executive’s taxable income for the immediately preceding taxable year. For purposes of this Agreement, the term “**Parachute Payment**” means a payment (under this Agreement or any other plan, agreement or arrangement) that is described in Section 280G(b)(2) of the Code, determined in accordance with Section 280G of the Code and the regulations thereunder. For purposes of this Agreement, the term “**Present Value**” means the value determined in accordance with Section 280G(d)(4) of the Code and the regulations thereunder. For purposes of this Agreement, the term “**Reduced Amount**” means the largest amount of Parachute Payments that is less than the total Parachute Payments and that may be paid to Executive without subjecting Executive to tax under Section 4999 of the Code.

[Signatures on following page]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

COMPANY:

EXECUTIVE:

BUILDERS FIRTSOURCE, INC.

By: /s/ Timothy D. Johnson
Name: Timothy D. Johnson
Its: Executive Vice President & General Counsel

/s/ Amy Bass Messersmith
Amy Bass Messersmith

EXHIBIT A

SEPARATION AGREEMENT AND GENERAL RELEASE

This Separation Agreement and General Release (this “**Agreement**”) is made as of by and between [] (“**Executive**”) and Builders FirstSource, Inc. (the “**Company**”). For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **Termination of Employment.** The parties agree that Executive’s employment with the Company and all of its affiliates is terminated effective as of [] (the “**Termination Date**”).

2. **Payments Due to Executive.** Executive acknowledges receipt of [] (\$[]) from the Company, representing Executive’s accrued but unpaid Base Salary and accrued unused vacation through the Termination Date. In addition, Executive shall receive (a) her annual bonus (if any) for the fiscal year completed prior to the Termination Date, to be paid at the same time annual bonuses would have been paid if Executive had continued in employment, (b) shall receive any vested benefits due under any tax-qualified retirement or group insurance plan or program in accordance with the term thereof, and (c) any unreimbursed business expenses incurred through the Termination Date. Other than as expressly set forth in this SECTION 2, Executive is not entitled to any consulting fees, wages, accrued vacation pay, benefits or any other amounts with respect to her employment through the Termination Date.

3. **Severance Benefits and Continuing Health Insurance Coverage.** In consideration of Executive’s execution and non-revocation of this Agreement in accordance with its terms, the Company agrees to pay to Executive the amounts provided in SECTION 3.4 of that certain Amended and Restated Employment Agreement, dated as of _____, 20__ by and between Executive and the Company, which amounts are, to the extent known, stated on Attachment A hereto.

4. **General Release.**

(a) Executive, on behalf of Executive, her heirs, executors, personal representatives, administrators and assigns, voluntarily, irrevocably, knowingly and unconditionally releases, remises and discharges the Company and all of its current and former parents, subsidiaries and affiliates, each of their respective members, officers, directors, stockholders, partners, employees, agents, representatives, advisors and attorneys, and each of their respective subsidiaries, affiliates, estates, predecessors, successors and assigns (collectively, the “**Company Parties**”) from any and all actions, causes of action, charges, complaints, claims, damages, demands, debts, lawsuits, rights, understandings, obligations, expenses (including attorneys’ fees and costs), covenants, contracts, promises or liabilities of any kind, nature or description whatsoever, known or unknown, in law or in equity (collectively, the “**Claims**”) which Executive or Executive’s heirs, executors, personal representatives, administrators and assigns ever had, now has or may hereafter claim to have by reason of any matter, cause or thing whatsoever (i) arising from the beginning of time through the date upon which Executive executes this Agreement, including, without limitation, any such Claims arising out of, relating to or in connection with Executive’s employment or service as a director with the Company, including tort, fraud, or defamation and arising under federal, local or state statute or regulation, including, without limitation, Title VII of the Civil Rights Act of 1964, the Americans With Disabilities Act, the Age Discrimination in Employment Act, as amended by the Older Workers Benefit Protection Act, the Family and Medical Leave Act, the Employee Retirement Income Security Act of 1974, the Civil Rights Act of 1991, the Equal Pay Act, the Fair Labor Standards Act, 42 U.S.C. § 1981, the Texas Labor Code (including, without limitation, the Texas Payday Law, the Texas Anti-Retaliation Act, Chapter 21 of the Texas Labor Code, and the Texas Whistleblower Act), each as amended and including each of their respective implementing regulations and/or any other federal, state, local or foreign law (statutory, regulatory or otherwise), that may be legally waived and released; (ii) arising out of or relating to the termination of Executive’s employment; or (iii) arising under or relating to any policy, agreement, understanding or promise, written or oral, formal or informal, between the Company or any of the other Company Parties and Executive.

(b) Executive agrees that there is a risk that each and every injury which she may have suffered by reason of her employment relationship might not now be known, and there is a further risk that such injuries, whether known or unknown at the date of this Agreement, might become progressively worse, and that as a result thereof further

damages may be sustained by Executive; nevertheless, Executive desires to forever and fully release and discharge the Company Parties, and she fully understands that by the execution of this Agreement no further claims for any such injuries may ever be asserted.

(c) This general release does not in any way diminish or impair: (i) any Claims Executive may have that cannot be waived under applicable law, (ii) Executive's right to enforce this Agreement; (iii) any rights Executive may have to indemnification from personal liability or to protection under any insurance policy maintained by the Company, including without limitation any general liability, employment practices liability, or directors and officers insurance policy or any contractual indemnification agreement; (iv) Executive's right, if any, to government provided unemployment and worker's compensation benefits; or (v) Executive's rights under any Company Executive benefit plans (i.e. health, disability or tax-qualified retirement plans), which by their explicit terms survive the termination of Executive's employment

(d) Executive agrees that the consideration set forth in SECTION 3 above shall constitute the entire consideration provided under this Agreement, and that Executive will not seek from the Company Parties any further compensation or other consideration for any claimed obligation, entitlement, damage, cost or attorneys' fees in connection with the matters encompassed by this Agreement.

(e) Executive understands and agrees that if any facts with respect to this Agreement or Executive's prior treatment by or employment with the Company are found to be different from the facts now believed to be true, Executive expressly accepts, assumes the risk of, and agrees that this Agreement shall remain effective notwithstanding such differences. Executive agrees that the various items of consideration set forth in this Agreement fully compensate for said risks, and that Executive will have no legal recourse against the Company in the event of discovery of a difference in facts.

(f) Executive agrees to the release of all known and unknown claims, including expressly the waiver of any rights or claims arising out of the Federal Age Discrimination in Employment Act, 29 U.S.C. § 621, et seq. ("**ADEA**"), and in connection with such waiver of ADEA claims, and as provided by the Older Worker Benefit Protection Act, Executive understands and agrees as follows:

(i) Executive has the right to consult with an attorney before signing this Agreement, and is hereby advised to do so;

(ii) Executive shall have a period of forty-five (45) days from the Termination Date (or from the date of receipt of this Agreement if received after the Termination Date) in which to consider the terms of the Agreement (the "**Review Period**"). Executive may at her option execute this Agreement at any time during the Review Period. If Executive does not return the signed Agreement to the Company prior to the expiration of the 45-day period, then the offer of severance benefits set forth in this Agreement shall lapse and shall be withdrawn by the Company; and

(iii) Executive may revoke this Agreement at any time during the first seven (7) days following Executive's execution of this Agreement, and this Agreement and release shall not be effective or enforceable until the seven-day period has expired ("**Revocation Period Expiration Date**"). Notice of a revocation by Executive must be made to the designated representative of the Company (as described below) within the seven (7) day period after Executive signs this Agreement. If Executive revokes this Agreement, it shall not be effective or enforceable against the Company Parties. Accordingly, the "**Effective Date**" of this Agreement shall be on the eighth (8th) day after Executive signs the Agreement and returns it to the Company, and provided that Executive does not revoke the Agreement during the seven (7) day revocation period.

In the event Executive elects to revoke this release pursuant to SECTION 4(f)(iii) above, Executive shall notify Company by hand-delivery, express courier or certified mail, return receipt requested, within seven (7) days after signing this Agreement to: ATTN: General Counsel, Builders FirstSource, Inc., [ADDRESS]. In the event that Executive exercises her right to revoke this release pursuant to SECTION 4(f)(iii) above, any and all obligations of Company under this Agreement shall be null and void. Executive agrees that by signing this Agreement prior to the expiration of the forty-five (45) day period she has voluntarily waived her right to consider this Agreement for the full forty-five (45) day period. Executive further agrees that any changes to this Agreement made during the Review Period, whether material or immaterial, shall not restart the 45-day consideration period.

5. **Review of Agreement; No Assignment of Claims.** Executive represents and warrants that she (a) has carefully read and understands all of the provisions of this Agreement and has had the opportunity for it to be reviewed and explained by counsel to the extent Executive deems it necessary, (b) is voluntarily entering into this Agreement, (c) has not relied upon any representation or statement made by the Company or any other person with regard to the subject matter or effect of this Agreement, (d) has not transferred or assigned any Claims and (e) has not filed any complaint or charge against any of the Company Parties with any local, state, or federal agency or court.

6. **No Claims.** Each party represents that it has not filed any Claim against the other Party with any state, federal or local agency or court; provided, however, that nothing in this Agreement shall be construed to prohibit Executive from filing a Claim, including a challenge to the validity of this Agreement, with the Equal Employment Opportunity Commission (“**EEOC**”) or participating in any investigation or proceeding conducted by the EEOC.

7. **Interpretation.** This Agreement shall take effect as an instrument under seal and shall be governed and construed in accordance with the laws of the State of Texas without regard to provisions or principles thereof relating to conflict of laws.

8. **Agreement as Defense.** This Agreement may be pleaded as a full and complete defense to any subsequent action or other proceeding arising out of, relating to, or having anything to do with any and all Claims, counterclaims, defenses or other matters capable of being alleged, which are specifically released and discharged by this Agreement. This Agreement may also be used to abate any such action or proceeding and/or as a basis of a cross complaint for damages.

9. **Nondisclosure of Agreement.** The terms and conditions of this Agreement are confidential. Executive agrees not to disclose the terms of this Agreement to anyone except immediate family members and Executive’s attorneys and financial advisers. Executive further agrees to inform these people that the Agreement is confidential and must not be disclosed to anyone else. Executive may disclose the terms of this Agreement if compelled to do so by a court, but Executive agrees to notify the Company immediately if anyone seeks to compel Executive’s testimony in this regard, and to cooperate with the Company if the Company decides to oppose such effort. Executive agrees that disclosure by Executive in violation of this Agreement would cause so much injury to the Company that money alone could not fully compensate the Company and that the Company is entitled to injunctive and equitable relief. Executive also agrees that the Company would be entitled to recover money from Executive if this Agreement were violated.

10. **Ongoing Covenants.** Executive acknowledges that nothing in this Agreement shall limit or otherwise impact Executive’s continuing obligations of confidentiality to the Company in accordance with Company policy and applicable law, or any applicable Company policies or agreements between the Company and Executive with respect to non-competition or non-solicitation, and Executive covenants and agrees to abide by all such continuing obligations.

11. **No Adverse Comments.** Executive agrees not to make, issue, release or authorize any written or oral statements, derogatory or defamatory in nature, about the Company, its affiliates or any of their respective products, services, directors, officers or executives, provided that the foregoing shall not be violated by truthful testimony in response to legal process, normal competitive statements, rebuttal of statements by the other or actions to enforce her rights. Nothing herein prohibits Executive from communicating, without notice to or approval by the Company, with any federal government agency about a potential violation of a federal law or regulation.

12. **Integration; Severability.** Except with respect to any continuing obligations to the Company, the terms and conditions of this Agreement constitute the entire agreement between Company and Executive and supersede all previous communications, either oral or written, between the parties with respect to the subject matter of this Agreement. No agreement or understanding varying or extending the terms of this Agreement shall be binding upon either party unless in writing signed by or on behalf of such party. In the event that a court finds any portion of this Agreement unenforceable for any reason whatsoever, Company and Executive agree that the other provisions of the Agreement shall be deemed to be severable and will continue in full force and effect to the fullest extent permitted by law.

13. EXECUTIVE ACKNOWLEDGES THE FOLLOWING: SHE HAS ENTERED INTO THIS AGREEMENT KNOWINGLY, VOLUNTARILY AND OF HER OWN FREE WILL WITH A FULL UNDERSTANDING OF ITS TERMS; SHE HAS READ THIS AGREEMENT; THAT SHE FULLY UNDERSTANDS ITS TERMS; THAT EXECUTIVE IS ADVISED TO CONSULT AN ATTORNEY FOR ADVICE; THAT SHE HAS THE RIGHT TO CONSULT WITH AN ATTORNEY PRIOR TO EXECUTING THIS AGREEMENT; THAT SHE HAS HAD AMPLE TIME TO CONSIDER HER DECISION BEFORE ENTERING INTO THE AGREEMENT; THAT SHE IS SATISFIED WITH THE TERMS OF THIS AGREEMENT AND AGREES THAT THE TERMS ARE BINDING UPON HER; AND THAT SHE HAS BEEN ADVISED BY THE COMPANY OF HER ABILITY TO TAKE ADVANTAGE OF THE CONSIDERATION PERIOD AFFORDED BY SECTION 4 ABOVE.

IN WITNESS WHEREOF, the parties have executed this Agreement with effect as of the date first above written.

SEVERANCE AGREEMENT

ATTACHMENT A

The following severance benefits are payable pursuant to SECTION 3.4 of Executive's Employment Agreement:

**Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, David E. Flitman, certify that:

1. I have reviewed this report on Form 10-Q of Builders FirstSource, 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(s) 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; and
5. The registrant's other certifying officer(s) 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.

/s/ DAVID E. FLITMAN

David E. Flitman
President and Chief Executive Officer

Date: May 10, 2022

**Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Peter M. Jackson, certify that:

1. I have reviewed this report on Form 10-Q of Builders FirstSource, 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(s) 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; and
5. The registrant's other certifying officer(s) 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.

/s/ PETER M. JACKSON

Peter M. Jackson
Executive Vice President and Chief Financial Officer

Date: May 10, 2022

**Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350
(Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)**

In connection with the quarterly report of Builders FirstSource, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, David E. Flitman, as Chief Executive Officer of the Company, and Peter M. Jackson, as Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to our knowledge:

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

/s/ DAVID E. FLITMAN

David E. Flitman
President and Chief Executive Officer

/s/ PETER M. JACKSON

Peter M. Jackson
Executive Vice President and Chief Financial Officer

Date: May 10, 2022

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.