BMC STOCK HOLDINGS, INC.

Q2 2020 Earnings Call

August 3, 2020

DISCLAIMER

This presentation contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements in this document may include, without limitation, statements regarding sales growth, price changes, earnings performance, strategic direction and the demand for our products as a result of national and international economic and other conditions. Forward-looking statements are typically identified by words or phrases such as "may," "might," "predict," "future," "seek to," "assume," "goal," "objective," "continue," "will," "could," "should," "would," "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "target," "prospects," "guidance," "possible," "predict," "propose," "potential" and "forecast," or the negative of such terms and other words, terms and phrases of similar meaning. Forward-looking statements involve estimates, expectations, projections, goals, forecasts, assumptions, risks and uncertainties, many of which are outside BMC's control. BMC cautions readers that any forward-looking statement is not a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking statement; therefore, investors and shareholders should not place undue reliance on such statement. There are a number of risks and uncertainties that could cause actual results to differ materially from the forward-looking statements included in this communication.

A number of important factors could cause actual results to differ materially from those indicated by the forward-looking statements. These factors include without limitation: the impact of the global outbreak of COVID-19; the state of the homebuilding industry and repair and remodeling activity, the economy and the credit markets; fluctuation of commodity prices and prices of our products as a result of national and international economic and other conditions; the impact of potential changes in our customer or product sales mix; our concentration of business in the Texas, California and Georgia markets; the potential loss of significant customers or a reduction in the quantity of products they purchase; seasonality and cyclicality of the building products supply and services industry; competitive industry pressures and competitive pricing pressure from our customers and competitors; our exposure to product liability, warranty, casualty, construction defect, contract, tort, employment and other claims and legal proceedings; our ability to maintain profitability and positive cash flows; our ability to retain our key employees and to attract and retain new qualified employees, while controlling our labor costs; product shortages, loss of key suppliers or failure to develop relationships with qualified suppliers, and our dependence on third-party suppliers and manufacturers; the implementation of our supply chain and technology initiatives; the impact of long-term non-cancelable leases at our facilities; our ability to effectively manage inventory and working capital; the credit risk from our customers; our ability to identify or respond effectively to consumer needs, expectations, market conditions or trends; our ability to successfully implement our growth strategy; the impact of federal, state, local and other laws and regulations; the impact of changes in legislation and government policy; the impact of unexpected changes in our tax provisions and adoption of new tax legislation; our ability to utilize our net operating loss carryforwards; natural or man-made disruptions to our distribution and manufacturing facilities; our exposure to environmental liabilities and subjection to environmental laws and regulation; the impact of health and safety laws and regulations; the impact of disruptions to our information technology systems; cybersecurity risks; our exposure to losses if our insurance coverage is insufficient; our ability to operate on multiple Enterprise Resource Planning ("ERP") information systems and convert multiple systems to a single system; the impact of our indebtedness; the impact of the various financial covenants in our secured credit agreement and senior secured notes indenture; and other factors discussed or referred to in the "Risk Factors" section of BMC's most recent Annual Report on Form 10-K filed with the SEC on February 27, 2020 as supplemented in our Quarterly Report on Form 10-Q.

All such factors are difficult to predict and are beyond BMC's control. All forward-looking statements attributable to BMC or persons acting on BMC's behalf are expressly qualified in their entirety by the foregoing cautionary statements. All such statements speak only as of the date made, and BMC undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, unless otherwise required by law.

NON-GAAP (ADJUSTED) FINANCIAL MEASURES

Adjusted EBITDA, Adjusted EBITDA margin, Adjusted net income and Adjusted diluted earnings per share are intended as supplemental measures of the Company’s performance that are not required by, or presented in accordance with, GAAP. The Company believes that Adjusted EBITDA, Adjusted EBITDA margin, Adjusted net income and Adjusted diluted earnings per share provide useful information to management and investors regarding certain financial and business trends relating to the Company’s financial condition and operating results.

- Adjusted EBITDA is defined as net income plus interest expense (income), income tax expense, depreciation and amortization, merger and integration costs, non-cash stock compensation expense, acquisition costs and other items.
- Adjusted EBITDA margin is defined as Adjusted EBITDA divided by net sales
- Adjusted net income is defined as net income adjusted for merger and integration costs, non-cash stock compensation expense, acquisition costs, other items and after-tax effecting those items.
- Adjusted diluted earnings per share is defined as Adjusted net income divided by diluted weighted average shares.

Company management uses Adjusted EBITDA, Adjusted EBITDA margin, Adjusted net income and Adjusted diluted earnings per share for trend analyses, for purposes of determining management incentive compensation and for budgeting and planning purposes. Adjusted EBITDA is used in monthly financial reports prepared for management and the board of directors. The Company believes that the use of Adjusted EBITDA, Adjusted EBITDA margin, Adjusted net income and Adjusted diluted earnings per share provide additional tools for investors to use in evaluating ongoing operating results and trends and in comparing the Company’s financial measures with other distribution and retail companies, which may present similar non-GAAP financial measures to investors. However, the Company’s calculation of Adjusted EBITDA, Adjusted EBITDA margin, Adjusted net income and Adjusted diluted earnings per share are not necessarily comparable to similarly titled measures reported by other companies. Company management does not consider Adjusted EBITDA, Adjusted EBITDA margin, Adjusted net income and Adjusted diluted earnings per share in isolation or as alternatives to financial measures determined in accordance with GAAP. The principal limitation of Adjusted EBITDA and Adjusted net income is that they exclude significant expenses and income that are required by GAAP to be recorded in the Company’s financial statements. Some of these limitations are: (i) Adjusted EBITDA and Adjusted net income do not reflect changes in, or cash requirements for, working capital needs; (ii) Adjusted EBITDA does not reflect interest expense, or the requirements necessary to service interest or principal payments on debt; (iii) Adjusted EBITDA does not reflect income tax expenses or the cash requirements to pay taxes; (iv) Adjusted net income and Adjusted EBITDA do not reflect historical cash expenditures or future requirements for capital expenditures or contractual commitments; (v) although depreciation and amortization charges are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future and Adjusted EBITDA and Adjusted net income do not reflect any cash requirements for such replacements and (vi) Adjusted net income and Adjusted EBITDA do not consider the potentially dilutive impact of issuing non-cash stock-based compensation. In order to compensate for these limitations, management considers Adjusted EBITDA and Adjusted net income in conjunction with GAAP results.

Net debt is a non-GAAP measure that represents long-term debt and the current portion of long-term debt less cash and cash equivalents. Management uses net debt as one of the means by which it assesses financial leverage, and it is therefore useful to investors in evaluating the Company’s business using the same measures as management. Net debt is also useful to investors because it is often used by securities analysts and other interested parties in evaluating the Company’s business. Net debt does however have certain limitations and should not be considered as an alternative to or in isolation from long-term debt or any other measure calculated in accordance with GAAP. Other companies, including other companies in the Company’s industry, may not use net debt in the same way or may calculate it differently than as presented herein.

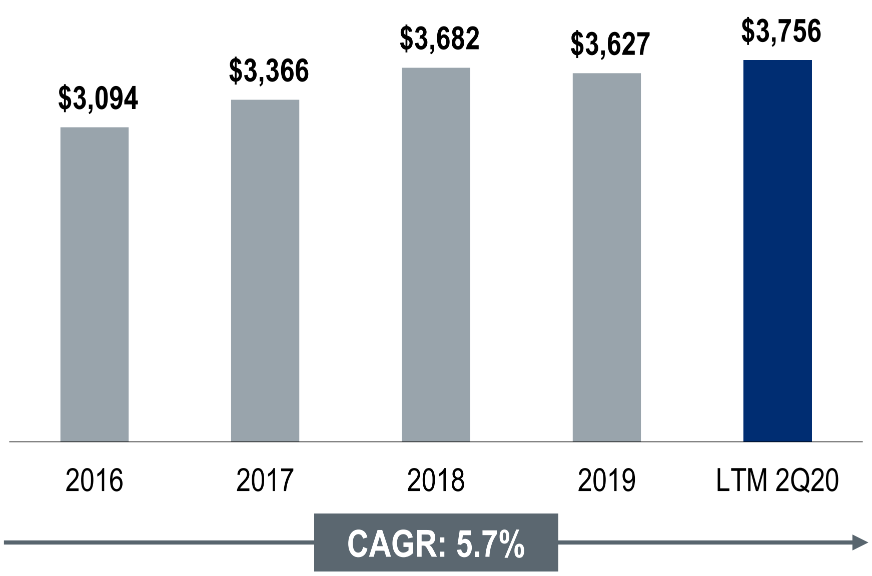
Certain guidance contained in this presentation is provided on a non-GAAP basis and cannot be reconciled to the most directly comparable GAAP measure without unreasonable effort because of the unpredictability of the amounts and timing of events affecting the calculations. For example, stock-based compensation, amortization of intangible assets, acquisition related costs and restructuring costs are all impacted by the timing and size of potential future actions, which are difficult to predict. In addition, from time to time, the Company excludes certain items that occur infrequently, which are also inherently difficult to predict and estimate. It is also difficult to predict the tax effect of the items the Company excludes and to estimate certain discrete tax items, like the resolution of tax audits or changes to tax laws. Material changes to any one of the exclusions could have a significant effect on the Company’s guidance and future GAAP results.

RECORD SECOND QUARTER 2020 RESULTS DRIVEN BY STEADFAST EXECUTION OF STRATEGY, WHILE ACCELERATING PRODUCTIVITY AND STRUCTURAL COST SAVINGS; INDUSTRY LEADING LTM ADJUSTED EBITDA MARGINS OF 7.5% REACHED A COMPANY RECORD

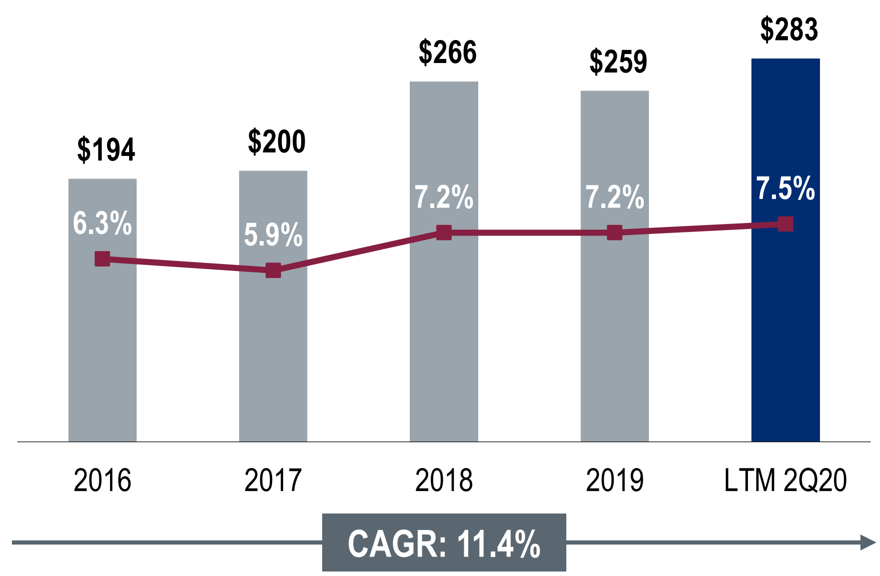
Q2 2020 Highlights

- Net sales increased 3.5%, primarily driven by acquisitions and price inflation
- Gross profit improved by 2.9% to $252.8 million
- Diluted EPS increased 22.6% to $0.65 and Adjusted net income per diluted share[1] increased 23.7% to $0.73
- Total liquidity was approximately $615.7 million, which included $253.4 million of cash and $362.3 million of borrowing capacity under the revolver, with no debt maturities until 2024. The Company repaid its $144 million precautionary revolver borrowings.

Net Sales ($M)



Adj. EBITDA[1] ($M) **& Margin[1]** (%)



[1] Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted Diluted EPS are non-GAAP financial measures. See Non-GAAP (Adjusted) Financial Measures pages of this presentation for definitions thereof and the Appendix to this presentation for a reconciliation thereof to net income, the most directly comparable GAAP measure.

COVID-19 OPERATIONAL AND FINANCIAL UPDATE

HEALTH AND SAFETY

- Created cross-function task force in early March – meets daily to ensure processes, protocols, training and communications are in place.
- Since June, we have required face coverings to be worn at all locations when social distancing is not possible and for all associates in customer-facing roles.
- We have continually updated and improved signage provided to our facilities with reference to the latest state, local and CDC recommendations.

STRONG BALANCE SHEET

- Total liquidity was approximately $615.7 million, which included $253.4 million of cash and $362.3 million of borrowing capacity under the revolver, with no debt maturities until 2024.
- During the first quarter, we borrowed $144 million under our revolving credit facility as a precautionary measure. In June 2020, we repaid this amount and currently do not have any outstanding borrowings under our revolver.

BUSINESS RESPONSE

- Accelerated productivity and implementing cost savings across our business, while preserving our best in class service level, has been critical to our strong performance.
- Through the BMC operating system, we have delivered approximately $10.6 million in productivity during the first half of 2020, which is an increase of more than 70% from the first half of 2019.
- SG&A expenses as a percent of net sales declined 150 basis points to 17.7%, as we took swift action beyond our operating system initiatives, to accelerate our efforts amid economic uncertainty. We will continue to drive productivity throughout this year, as we step on the accelerator in this area.

MARKET & OPERATIONS UPDATE

- Currently, all our facilities are open, and we are seeing strong underlying demand in the single-family and remodeling sectors. Most builders are seeing increased buyer traffic and new home orders.
- Our top-line momentum continued in July, where we drove valued-added products and continued to see strong demand across our different customer types.
- As we look at our preliminary July sales trends, housing starts, new home sales and inventories, and commodity price inflation, we estimate our third quarter net sales to increase approximately 5% to 10% as compared to the prior year.

Proactive Actions Taken to Remain Well Positioned to Withstand Market Uncertainty

SHARPENING THE FOCUS ON OUR GROWTH STRATEGIES

STRATEGIC PRIORITIES

Achieve Industry-Leading Financial Performance through Customer Service Leadership and Operational Excellence

01 Organic Growth of Value-Added Products and Segments

Balance Customer Portfolio

- Maximize Single Family Potential
- Grow Multi-Family in Select Markets
- Grow Pro Remodeling Segment

Increase Mix of Value-Added Products:

- READY-FRAME
- Millwork
- Windows
- Doors
- Components

02 Deliver Operational Excellence with the BMC Operating System

Best-in-Class Customer Service

Optimize Profitability

- Profitable Pricing
- Purchasing Rigor
- SG&A Optimization

Drive Continuous Improvement

03 Building High-Performing Culture

Performance Management

BMC Leadership Academy

- Talent Development
- Recruiting

College Graduate Management Training Program

Safety

04 Pursue Strategic Expansion

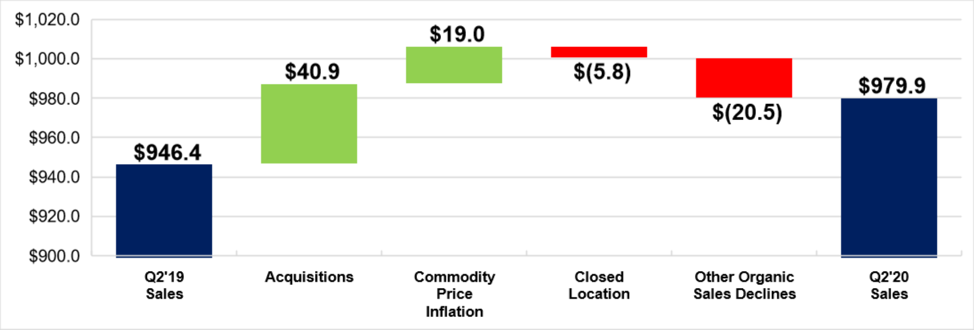
Areas of Focus for Tuck-in Acquisitions

- Value-Added Products
- Pro Remodel
- Improved Local Scale
- Expand Geographically

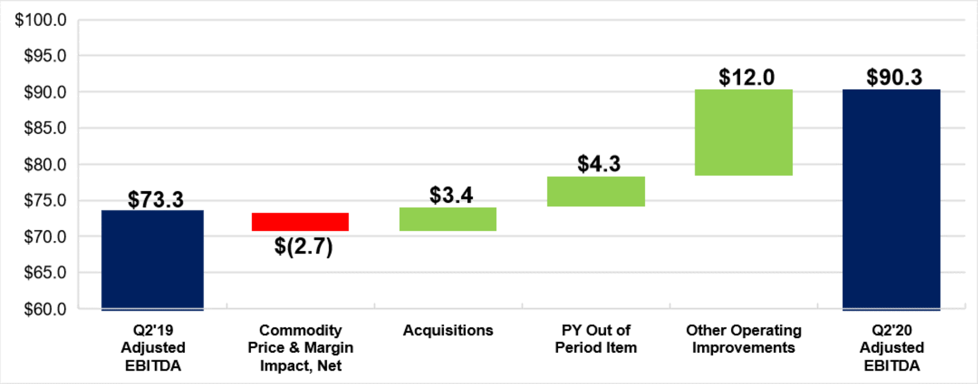
SOLID BALANCE SHEET PROVIDES FOUNDATION FOR GROWTH

Q2 2020 FINANCIAL RESULTS

Q2 2020 Net Sales Bridge ($M)



Q2 2020 Adjusted EBITDA[1] Bridge ($M)



Q2 2020 Commentary

- **Total 2Q20 net sales increase of 3.5%**
  - 4.3% growth from acquisitions
  - 2.0% from price inflation
  - (2.2%) from core organic sales declines[2]
  - (0.6%) from a closed location
- **Double-digit sales growth in Multi–family and Pro Remodel segments; significantly outperformed single-family starts**
- **Net sales came in higher than expected due to a quick bounce back in construction activity in markets which were briefly shut down by stay-at-home orders, strong core organic growth in multi-family and accelerating commodity price inflation**
- **Gross profit up 2.9% to $252.8M**
- **2Q Record Adjusted EBITDA Margin[1] of 9.2%**

[1] Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP financial measures. See Non-GAAP (Adjusted) Financial Measures pages of this presentation for definitions thereof and the Appendix to this presentation for a reconciliation to net income, the most directly comparable GAAP measure.
[2] Core Organic Growth is calculated as the total change in net sales excluding the estimated impact of changes in commodity-related prices, the net sales of non-comparable acquired or closed operations and changes in selling days, as applicable.

CAPITAL ALLOCATION PRIORITIES

Strong Cash Flow and Balance Sheet

- Operating cash flow increased $84.5 million to $136.1 million, primarily due to changes in working capital.
- Net Debt[1] to Adjusted EBITDA[1] of 0.3x at June 30, 2020
- Total liquidity to approximately $615.7 million
- No long-term debt maturities until 2024

Debt Maturity Schedule

1 Invest in Organic Strategy

- Value-add manufacturing automation and capacity
- Fleet and facility modernization drives productivity
- Technology and eBusiness tools
- Capital expenditures totaled $18.3 million in 2Q20
- We still have approximately $25 to $35 million of attractive projects in flight that we will continue throughout the remaining months of the year

2 Complete Strategic Acquisitions

- Although the pandemic initially slowed things down from an M&A perspective, we are now ramping up our conversations with private distributors.
- Our pipeline of acquisition candidates has never been stronger, and our strategic M&A growth continues to be a very important pillar of our business strategy.

3 Opportunistic Return of Capital

- We did not repurchase any shares in the second quarter of 2020.
- As of Q2 2020, we had approximately $54.2 million of capacity remaining under the current share repurchase authorization, which expires in November 2020.

Strong Balance Sheet Positions the Company to Weather COVID-19 Pandemic

[1] Net Debt and Adjusted EBITDA are Non-GAAP financial measures. See the Non-GAAP (Adjusted) Financial Measures slide in this presentation for definitions thereof and the Appendix of this presentation for a reconciliation thereof to long term debt and net income, as applicable, the most directly comparable GAAP measure.

Q3 2020 OUTLOOK

- Our top-line momentum continued in July, where we drove valued-added products and continued to see strong demand in the housing sector.
- As we look at our preliminary July sales trends, and recent trends in commodity prices, single-family starts, new home sales and housing inventories, we estimate our third quarter net sales to increase approximately 5% to 10% as compared to the prior year
- Sharp increases in lumber indices will put short-term pressure on our gross margin percentage in Q3 2020. We expect higher commodity prices to reduce our YoY SG&A expense as a percentage of sales as our operating expenses are leveraged across a higher revenue base.
- We estimate our Q3 2020 Adjusted EBITDA will be in the range of $75 million to $85 million as compared to the prior year.

2020 Other Full-Year Assumptions

Capital Expenditure[1]	$75 million to $85 million
Interest expense	$23.5 million to $24.5 million
Effective tax rate	~24% to 25%
Depreciation & amortization expense[2]	$79 million - $83 million

1. The 2020 capital expenditure expectation is net of proceeds from the sale of property, equipment and real estate.
2. Depreciation expense forecast includes depreciation accounted for within cost of sales.

Appendix

REPORTED (GAAP) INCOME STATEMENT

($ths)	FY 2016	FY 2017	FY 2018	Q1 19	Q2 19	Q3 19	Q4 19	FY 2019	Q1 20	Q2 20	LTM 2Q20
Net sales	3,093,743	3,365,968	3,682,448	825,405	946,375	964,249	890,564	3,626,593	920,879	979,896	3,755,588
Cost of sales	2,351,778	2,570,453	2,773,232	609,283	700,598	709,482	655,926	2,675,289	683,751	727,074	2,776,233
Gross profit	741,965	795,515	909,216	216,122	245,777	254,767	234,638	951,304	237,128	252,822	979,355
SG&A	571,799	619,546	680,273	169,934	181,431	189,284	186,952	727,601	186,922	173,420	736,578
Depreciation expense	38,441	43,022	39,627	9,573	10,043	10,501	11,091	41,208	11,519	11,704	44,815
Amortization expense	20,721	16,003	15,015	4,347	4,338	4,552	4,808	18,045	5,013	5,016	19,389
Impairment of assets	11,928	435	-	-	529	115	1,259	1,903	-	2,255	3,629
Merger and integration costs	15,340	15,336	3,998	2,790	1,382	1,295	1,018	6,485	1,168	357	3,838
Income from operations	83,736	101,173	170,303	29,478	48,054	49,020	29,510	156,062	32,506	60,070	171,106
Interest expense	(30,131)	(25,036)	(24,035)	(6,038)	(5,574)	(5,773)	(5,771)	(23,156)	(5,932)	(6,204)	(23,680)
Loss on debt extinguishment	(12,529)	-	-	-	-	-	-	-	-	-	-
Other income, net	4,070	5,690	10,646	2,910	3,709	3,540	3,419	13,578	2,919	2,920	12,798
Income before income taxes	45,146	81,827	156,914	26,350	46,189	46,787	27,158	146,484	29,493	56,786	160,224
Income tax expense	14,266	24,402	37,176	6,000	10,490	13,190	6,959	36,639	7,464	13,164	40,777
Net income	**30,880**	**57,425**	**119,738**	**20,350**	**35,699**	**33,597**	**20,199**	**109,845**	**22,029**	**43,622**	**119,447**

NET SALES BY PRODUCT CATEGORY & CUSTOMER TYPE

($ths)	FY 2016	FY 2017	FY 2018	Q1 19	Q2 19	Q3 19	Q4 19	FY 2019	Q1 20	Q2 20	LTM 2Q20
Millwork, doors & windows	894,889	907,377	964,684	239,922	271,135	285,750	284,030	1,080,837	295,669	287,999	1,153,448
Structural components	461,761	522,619	622,105	141,276	166,955	175,344	152,468	636,043	160,344	164,535	652,691
Lumber & sheet goods	938,563	1,114,219	1,286,481	241,959	281,855	274,908	242,148	1,040,870	259,139	292,817	1,069,012
Other building products & services	798,530	821,753	809,178	202,248	226,430	228,247	211,918	868,843	205,727	234,545	880,437
Net sales by product category	3,093,743	3,365,968	3,682,448	**825,405**	**946,375**	**964,249**	**890,564**	3,626,593	**920,879**	**979,896**	3,755,588

($ths)	FY 2016	FY 2017	FY 2018	Q1 19	Q2 19	Q3 19	Q4 19	FY 2019	Q1 20	Q2 20	LTM 2Q20
Single-Family Homebuilders	2,262,124	2,526,837	2,814,100	628,718	716,974	718,690	649,475	2,713,857	674,771	702,388	2,745,324
Pro Remodeling	371,018	380,460	427,346	88,208	110,313	115,756	105,256	419,533	104,669	127,699	453,380
Multi-Family, Commercial and Other Contractors	460,601	458,671	441,002	108,479	119,088	129,803	135,833	493,203	141,439	149,809	556,884
Net sales by customer type	3,093,743	3,365,968	3,682,448	**825,405**	**946,375**	**964,249**	**890,564**	3,626,593	**920,879**	**979,896**	3,755,588

RECONCILIATION OF NON-GAAP ITEMS
ADJ. EBITDA, NET DEBT & NET DEBT TO LTM ADJ. EBITDA RATIO

($ths)	FY 2016	FY 2017	FY 2018	Q1 19	Q2 19	Q3 19	Q4 19	FY 2019	Q1 20	Q2 20	LTM 2Q20
Net income	30,880	57,425	119,738	20,350	35,699	33,597	20,199	109,845	22,029	43,622	119,447
Interest expense, net	30,131	25,036	23,277	5,097	4,730	4,726	4,615	19,168	5,349	5,865	20,555
Income tax expense	14,266	24,402	37,176	6,000	10,490	13,190	6,959	36,639	7,464	13,164	40,777
Depreciation and amortization	68,680	69,217	65,388	16,792	17,632	18,535	19,194	72,153	19,995	20,299	78,023
Merger and integration costs	15,340	15,336	3,998	2,790	1,382	1,295	1,018	6,485	1,168	357	3,838
Non-cash stock compensation expense	7,252	6,769	11,315	2,915	3,248	3,014	3,285	12,462	3,170	3,328	12,797
Acquisition costs and other items[1]	-	1,383	4,331	456	(80)	229	309	914	1,831	495	2,864
Business reorganization costs	-	435	656	-	228	72	1,467	1,767	-	3,219	4,758
Impairment of assets	11,928	-	-	-	-	-	-	-	-	-	-
Loss on debt extinguishment	12,529	-	-	-	-	-	-	-	-	-	-
Inventory step-up charges	2,884	-	-	-	-	-	-	-	-	-	-
Adjusted EBITDA	193,890	200,003	265,879	54,400	73,329	74,658	57,046	259,433	61,006	90,349	283,059
Adjusted EBITDA margin	6.3%	5.9%	7.2%	6.6%	7.7%	7.7%	6.4%	7.2%	6.6%	9.2%	7.5%
Long Term Debt	344,827	349,059	345,197					346,032			346,450
Current Portion of Long Term Debt	1,662	100	-					-			-
Less: Cash & Cash Equivalents	(8,917)	(11,750)	(150,723)					(165,496)			(253,443)
Net Debt	337,572	337,409	194,474					180,536			93,007
Net Debt to LTM Adjusted EBITDA Ratio	1.7	1.7	0.7					0.7			0.3

1. Includes acquisition costs, expense incurred related to pending litigation, costs incurred in connection with the departure of the Company's former chief executive officer and the search for and appointment of his permanent replacement, income related to the final settlement of insurance claims made by the Company for a fire at one of the Company's facilities.

RECONCILIATION OF NON-GAAP ITEMS
ADJ. NET INCOME AND ADJ. DILUTED EPS

(in $ths, except per share amounts)	Q2 2020	Q2 2019
Net income	**$ 43,622**	**$ 35,699**
Merger and integration costs	357	1,382
Non-cash stock compensation expense	3,328	3,248
Acquisition costs	495	18
Business reorganization costs (a)	3,219	228
Other items (b)	-	(98)
Tax effect of adjustments to net income (c)	(1,712)	(1,114)
Adjusted net income	**$ 49,309**	**$ 39,363**
Diluted weighted avg. shares	67,564	67,077
Adjusted diluted earnings per share	**$ 0.73**	**$ 0.59**

(a) For the three months ended June 30, 2020, represents asset impairment charges related to the closure or relocation of the operations of certain of the Company's facilities ("Impairment Charges"), which were not related to the COVID-19 pandemic, and severance expense related to permanent headcount reductions due to the impact of the COVID-19 pandemic. For the three months ended June 30, 2019, represents Impairment Charges and the effect of certain customary post-closing adjustments related to the November 1, 2018 disposition of the Company's Coleman Floor business.

(b) For the three months ended June 30, 2019, represents income from a recovery made by the Company related to a fire at one of the Company's facilities during 2015.

(c) The tax effect of adjustments to net income was based on the respective transactions' income tax rate, which was 23.1% and 23.3% for the three months ended June 30, 2020 and 2019, respectively.