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

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**Form 10-Q**

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

For the quarterly period ended September 30, 2018

**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 001-36050

**BMC Stock Holdings, Inc.**

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

8020 Arco Corporate Drive, Suite 400  
Raleigh, North Carolina

(Address of principal executive offices)

26-4687975

(I.R.S. Employer Identification No.)

27617

(Zip Code)

(919) 431-1000

(Registrant's telephone number, including area code)

**Not Applicable**

(Former name, former address and former fiscal year, if changed since last report)

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 during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes  No

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

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

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

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

The number of shares outstanding of the Registrant's common stock, par value \$0.01 per share, at October 31, 2018 was 67,361,390 shares.

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**BMC STOCK HOLDINGS, INC. AND SUBSIDIARIES**  
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PART I. FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

**BMC STOCK HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

(in thousands, except share amounts)	September 30, 2018	December 31, 2017
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 57,691	\$ 11,750
Accounts receivable, net of allowances	380,307	322,892
Inventories, net	356,608	309,060
Contract assets	33,319	—
Costs in excess of billings on uncompleted contracts	—	28,738
Income taxes receivable	—	3,748
Prepaid expenses and other current assets	62,315	57,949
Total current assets	890,240	734,137
Property and equipment, net of accumulated depreciation	297,356	295,820
Customer relationship intangible assets, net of accumulated amortization	162,282	166,306
Other intangible assets, net of accumulated amortization	1,067	1,306
Goodwill	264,318	261,792
Other long-term assets	11,546	13,989
Total assets	\$ 1,626,809	\$ 1,473,350
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities		
Accounts payable	\$ 205,312	\$ 174,583
Accrued expenses and other liabilities	102,140	96,262
Contract liabilities	32,703	—
Billings in excess of costs on uncompleted contracts	—	18,428
Income taxes payable	2,404	—
Interest payable	9,572	4,769
Current portion:		
Long-term debt and capital lease obligations	6,964	7,739
Insurance reserves	14,525	13,496
Total current liabilities	373,620	315,277
Insurance reserves	41,334	38,470
Long-term debt	345,144	349,059
Long-term portion of capital lease obligations	10,485	14,838
Deferred income taxes	3,082	1,768
Other long-term liabilities	6,486	7,039
Total liabilities	780,151	726,451
Commitments and contingencies (Note 8)		
Stockholders' equity		
Preferred stock, \$0.01 par value, 50.0 million shares authorized, no shares issued and outstanding at September 30, 2018 and December 31, 2017	—	—
Common stock, \$0.01 par value, 300.0 million shares authorized, 67.6 million and 67.3 million shares issued, and 67.3 million and 67.1 million outstanding at September 30, 2018 and December 31, 2017, respectively	676	673
Additional paid-in capital	668,961	659,440
Retained earnings	182,229	90,607
Treasury stock, at cost, 0.3 million and 0.2 million shares at September 30, 2018 and December 31, 2017, respectively	(5,208)	(3,821)
Total stockholders' equity	846,658	746,899
Total liabilities and stockholders' equity	\$ 1,626,809	\$ 1,473,350

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



**BMC STOCK HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

(in thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
<b>Net sales</b>				
Building products	\$ 773,787	\$ 671,316	\$ 2,201,863	\$ 1,919,923
Construction services	216,477	209,696	621,064	605,164
	990,264	881,012	2,822,927	2,525,087
<b>Cost of sales</b>				
Building products	568,713	499,182	1,631,022	1,427,253
Construction services	180,248	172,285	511,919	498,405
	748,961	671,467	2,142,941	1,925,658
Gross profit	241,303	209,545	679,986	599,429
Selling, general and administrative expenses	176,204	158,602	506,236	465,305
Depreciation expense	10,059	11,053	29,323	32,555
Amortization expense	3,790	4,026	11,263	11,947
Merger and integration costs	1,459	2,574	3,627	13,339
	191,512	176,255	550,449	523,146
Income from operations	49,791	33,290	129,537	76,283
Other income (expense)				
Interest expense	(5,926)	(6,377)	(17,916)	(18,960)
Other income, net	2,953	1,083	7,830	2,366
Income before income taxes	46,818	27,996	119,451	59,689
Income tax expense	10,960	9,553	27,829	19,906
Net income	\$ 35,858	\$ 18,443	\$ 91,622	\$ 39,783
Weighted average common shares outstanding				
Basic	67,329	66,958	67,246	66,860
Diluted	67,896	67,442	67,743	67,341
Net income per common share				
Basic	\$ 0.53	\$ 0.28	\$ 1.36	\$ 0.60
Diluted	\$ 0.53	\$ 0.27	\$ 1.35	\$ 0.59

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

**BMC STOCK HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

(in thousands)	Nine Months Ended September 30,	
	2018	2017
<b>Cash flows from operating activities</b>		
Net income	\$ 91,622	\$ 39,783
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	37,297	40,049
Amortization of intangible assets	11,263	11,947
Amortization of debt issuance costs	1,263	1,263
Deferred income taxes	1,314	1,755
Non-cash stock compensation expense	8,226	4,751
(Gain) loss on sale of property, equipment and real estate	(3,435)	301
Other non-cash adjustments	686	898
Change in assets and liabilities, net of effects of acquisitions		
Accounts receivable, net of allowances	(59,768)	(46,591)
Inventories, net	(41,883)	(30,837)
Accounts payable	29,897	22,633
Other assets and liabilities	34,156	2,228
Net cash provided by operating activities	110,638	48,180
<b>Cash flows from investing activities</b>		
Purchases of property, equipment and real estate	(42,704)	(51,292)
Purchases of businesses, net of cash acquired	(20,970)	(38,737)
Insurance proceeds	1,991	—
Proceeds from sale of property, equipment and real estate	10,968	3,545
Net cash used in investing activities	(50,715)	(86,484)
<b>Cash flows from financing activities</b>		
Proceeds from revolving line of credit	713,264	769,458
Repayments of proceeds from revolving line of credit	(717,726)	(717,626)
Payments on capital lease obligations	(5,937)	(7,753)
Principal payments on other notes	(75)	(2,603)
Other financing activities, net	(3,508)	28
Net cash (used in) provided by financing activities	(13,982)	41,504
Net increase in cash and cash equivalents	45,941	3,200
<b>Cash and cash equivalents</b>		
Beginning of period	11,750	8,917
End of period	\$ 57,691	\$ 12,117
<b>Supplemental disclosure of non-cash investing and financing transactions</b>		
Acquisition-related holdback payments due at future date	\$ 1,403	\$ 375
Assets acquired under capital lease obligations	821	2,481

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

**BMC STOCK HOLDINGS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**1. Organization**

These unaudited financial statements represent the financial statements of BMC Stock Holdings, Inc. and its subsidiaries. All references to “BMC” or the “Company” mean BMC Stock Holdings, Inc. and its subsidiaries.

The Company distributes lumber and building materials to new construction and repair and remodeling contractors. Additionally, the Company provides solution-based services to its customers, including component design, product specification and installation services.

**2. Basis of Presentation**

The unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) that permit reduced disclosure for interim periods. The condensed consolidated balance sheet as of December 31, 2017 was derived from audited financial statements, but does not include all necessary disclosures required by accounting principles generally accepted in the United States of America (“GAAP”). The unaudited condensed consolidated financial statements include all accounts of the Company and, in the opinion of management, 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. These unaudited condensed consolidated financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2017 (“2017 Annual Report on Form 10-K”). 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. All material intercompany accounts and transactions have been eliminated in consolidation.

***Reclassifications***

Certain prior year amounts have been reclassified to conform to the current year presentation.

***Comprehensive income***

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

***Cash and cash equivalents***

Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash and have a maturity of three months or less from the time of purchase. As of September 30, 2018 and December 31, 2017, the Company had cash equivalents of \$40.2 million and \$0, respectively. Cash equivalents are valued at amortized cost, which approximates fair value due to the short-term maturity of these instruments, and was classified as a Level 1 or Level 2 measurement in accordance with Accounting Standards Codification (“ASC”) 820.

***Recently adopted accounting pronouncements***

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers, and issued subsequent amendments to the initial guidance to provide additional clarification on specific topics (“Topic 606”). Topic 606 provides a comprehensive revenue recognition model requiring companies to recognize revenue for the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. The Company adopted Topic 606 on January 1, 2018 using the modified retrospective transition method. See Note 6 for further details.

In August 2016, the FASB issued Accounting Standards Update 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (“ASU 2016-15”). ASU 2016-15 was issued to decrease the diversity in practice of how certain cash receipts and cash payments are presented and classified in the statement of cash flows by providing guidance on eight specific cash flow issues. Retrospective application is required. ASU 2016-15 became effective for the Company’s annual and interim periods beginning on January 1, 2018. The adoption of the standard did not have an impact on the Company’s current or historical financial statements.

In November 2016, the FASB issued Accounting Standards Update 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (“ASU 2016-18”). ASU 2016-18 requires that the statement of cash flows include restricted cash in the beginning and end-of-period total amounts shown and that the statement of cash flows explain the changes in restricted cash during the period.

Retrospective application is required. ASU 2016-18 became effective for the Company's annual and interim periods beginning on January 1, 2018. The adoption of the standard did not have an impact on the Company's current or historical financial statements.

In January 2017, the FASB issued Accounting Standards Update 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business ("ASU 2017-01"). ASU 2017-01 provides guidance in determining when a set of assets and activities meets the definition of a business. Prospective application is required. ASU 2017-01 became effective for the Company's annual and interim periods beginning on January 1, 2018. The adoption of the standard did not have an impact on the Company's current financial statements.

In February 2017, the FASB issued Accounting Standards Update 2017-05, Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets ("ASU 2017-05"). ASU 2017-05 clarifies the scope of Subtopic 610-20, which provides guidance for recognizing gains and losses from the sale or transfer of nonfinancial assets in contracts with noncustomers. ASU 2017-05 also provides guidance for partial sales of nonfinancial assets. ASU 2017-05 became effective for the Company's annual and interim periods beginning on January 1, 2018. The adoption of the standard did not have an impact on the Company's current or historical financial statements.

In May 2017, the FASB issued Accounting Standards Update 2017-09, Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting ("ASU 2017-09"). ASU 2017-09 provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting under ASC 718. ASU 2017-09 is to be applied prospectively to an award modified on or after the adoption date. ASU 2017-09 became effective for the Company's annual and interim periods beginning on January 1, 2018. The adoption of the standard did not have an impact on the Company's current financial statements.

In March 2018, the FASB issued Accounting Standards Update 2018-05, Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118 ("ASU 2018-05"). ASU 2018-05 adds paragraphs to the codification pursuant to SEC Staff Accounting Bulletin No. 118, which addresses the application of GAAP in situations when a company does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Cuts and Jobs Act (the "2017 Tax Act"). ASU 2018-05 provides entities with a one year measurement period from the December 22, 2017 enactment date in order to complete the accounting. The Company recognized a provisional net tax benefit of \$3.6 million related to the impact of the 2017 Tax Act during the year ended December 31, 2017. Upon completion of the Company's 2017 federal tax return during the three months ended September 30, 2018, the Company recognized an additional tax benefit of \$0.3 million related to the impact of the 2017 Tax Act. The Company may record additional provisional amounts or adjustments to provisional amounts during the measurement period.

#### ***Recently issued accounting pronouncements not yet adopted***

In February 2016, the FASB issued Accounting Standards Update 2016-02, Leases, and issued subsequent amendments to the initial guidance to provide additional clarification on specific topics ("ASU 2016-02"). ASU 2016-02 establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of operations. The Company plans to adopt the standard on January 1, 2019, utilizing the transition option provided by Accounting Standards Update 2018-11, Leases (Topic 842): Targeted Improvements, which the FASB issued in July 2018 and allows the Company to apply the guidance in ASU 2016-02 as of the adoption date, while applying the legacy guidance in ASC 840, Leases, including its disclosure requirements, in the comparative periods. The Company is in the process of evaluating the impact of the standard on the Company's financial statements. As a lessee, certain of the Company's leases under existing guidance are classified as operating leases that are not recorded on the balance sheet but are recorded in the statement of operations as expense is incurred. Upon adoption of the standard, the Company will be required to record substantially all leases on the balance sheet as a ROU asset and a lease liability, which is expected to have a material impact on the Company's balance sheet. The timing of expense recognition and classification in the statement of operations could change based on the classification of leases as either operating or financing. The Company continues to evaluate its existing lease portfolio, including accumulating all of the necessary information required to account for its leases under the standard. Additionally, to assist in the accounting, as well as to ensure that the Company meets the disclosure requirements of the standard, the Company is in the process of making changes to its processes, including the implementation of a lease management system.

In June 2016, the FASB issued Accounting Standards Update 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 amends the impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables. ASU 2016-13 is effective for the Company's annual and interim periods beginning on

January 1, 2020, with early adoption permitted beginning January 1, 2019. Modified retrospective application is required, with certain exceptions. The Company is evaluating the impact of the standard on its financial statements.

In January 2017, the FASB issued Accounting Standards Update 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment ("ASU 2017-04"). ASU 2017-04 simplifies the accounting for goodwill impairment by removing Step 2 of the goodwill impairment test, which requires computation of the implied fair value of a reporting unit's goodwill. The amount of a goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. ASU 2017-04 is effective for the Company's annual goodwill impairment test and any interim tests during the Company's annual and interim periods beginning on January 1, 2020. Early adoption is permitted for goodwill impairment tests performed on testing dates after January 1, 2017. Prospective application is required. The adoption of the standard is not expected to have a material impact on the Company's financial statements.

In August 2018, the FASB issued Accounting Standards Update 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement ("ASU 2018-13"). ASU 2018-13 modifies the disclosure requirements on fair value measurements by removing, modifying and adding certain disclosure requirements in ASC 820, Fair Value Measurements and Disclosures ("ASC 820"). ASU 2018-13 is effective for the Company's annual and interim periods beginning on January 1, 2020, with early adoption permitted. Certain disclosures in ASU 2018-13 are required to be applied prospectively, while others require retrospective application. The Company is evaluating the impact of the standard on its financial statements.

### **3. Acquisitions**

For all acquisitions, the Company allocates the purchase price to assets acquired and liabilities assumed as of the date of acquisition based on the estimated fair values at the date of acquisition. The excess of the fair value of the purchase consideration over the fair values of the identifiable assets and liabilities is recorded as goodwill. Management makes significant estimates and assumptions when determining the fair value of assets acquired and liabilities assumed. These estimates include, but are not limited to, discount rates, projected future net sales, projected future expected cash flows and useful lives.

#### ***2018 Acquisition***

On March 1, 2018, the Company acquired substantially all of the assets and assumed certain liabilities of W.E. Shone Co. ("Shone Lumber"), a supplier of building materials in the state of Delaware, for a preliminary purchase price of \$22.4 million. This acquisition enhances the Company's value-added offerings and footprint in the Mid-Atlantic region. The preliminary purchase price includes a holdback which, after certain post-closing adjustments, requires the Company to pay \$1.4 million to the sellers one year from the closing date. The holdback amount may be further reduced under certain circumstances. The Company funded the transaction through available cash and borrowings on the Company's revolving line of credit.

The acquisition was accounted for using the acquisition method of accounting under ASC 805, Business Combinations, whereby the results of operations of Shone Lumber are included in the Company's consolidated financial statements beginning on the acquisition date. The purchase price allocation resulted in the recognition of goodwill of \$2.5 million, a customer relationship intangible asset of \$7.0 million, accounts receivable of \$6.4 million, inventory of \$8.8 million, property and equipment of \$2.9 million and total current liabilities of \$5.3 million, as well as other operating assets. The customer relationship intangible asset has a useful life of 9 years. Goodwill represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including assembled workforce and non-contractual relationships, as well as expected future synergies. All of the goodwill recognized is expected to be deductible for tax purposes.

For the year ended December 31, 2017, Shone Lumber generated net sales of approximately \$70.7 million. The Company incurred transaction costs of \$0 and \$0.2 million for the three and nine months ended September 30, 2018, respectively, which are included in selling, general and administrative expenses in the unaudited condensed consolidated statements of operations.

Net sales and estimated pre-tax earnings for Shone Lumber included in the unaudited condensed consolidated statements of operations for the three months ended September 30, 2018 were \$18.7 million and \$0.8 million, respectively. Net sales and estimated pre-tax earnings for Shone Lumber included in the unaudited condensed consolidated statements of operations from the March 1, 2018 acquisition date to September 30, 2018 were \$45.0 million and \$2.8 million, respectively. The impact of the acquisition was not considered significant for the reporting of pro forma financial information.

## 2017 Acquisitions

On April 3, 2017, the Company acquired substantially all of the assets and assumed certain liabilities of Texas Plywood & Lumber Company, Inc. (“TexPly”), a supplier of production millwork and doors in the Dallas-Fort Worth area, for a purchase price of \$31.7 million. This acquisition enhances the Company’s value-added offerings and footprint in the Dallas-Fort Worth market. The Company funded the transaction through borrowings on the Company’s revolving line of credit.

The acquisition was accounted for using the acquisition method of accounting under ASC 805, Business Combinations, whereby the results of operations of TexPly are included in the Company’s consolidated financial statements beginning on the acquisition date. The purchase price allocation resulted in the recognition of goodwill of \$3.6 million, a customer relationship intangible asset of \$13.6 million, accounts receivable of \$5.2 million, inventory of \$3.9 million and real property of \$5.4 million, as well as other operating assets and liabilities. The customer relationship intangible asset has a useful life of 13 years. Goodwill represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including assembled workforce and non-contractual relationships, as well as expected future synergies. All of the goodwill recognized is expected to be deductible for tax purposes.

On March 27, 2017, the Company acquired substantially all of the assets and assumed certain liabilities of Code Plus Components, LLC (“Code Plus”), a manufacturer of structural components located in Martinsburg, West Virginia, for a purchase price of \$7.1 million. This acquisition allowed the Company to add truss manufacturing capability to its value-added offerings in the Washington, DC metro area. The acquisition includes an earnout provision that would require the Company to pay the sellers up to an additional \$0.8 million upon the acquired operations achieving certain performance targets from the acquisition date through December 31, 2018. The Company funded the transaction through borrowings on the Company’s revolving line of credit.

The acquisition was accounted for using the acquisition method of accounting under ASC 805, Business Combinations, whereby the results of operations of Code Plus are included in the Company’s consolidated financial statements beginning on the acquisition date. The purchase price allocation resulted in the recognition of goodwill of \$3.4 million, a customer relationship intangible asset of \$2.3 million and a non-compete agreement intangible asset of \$0.5 million, as well as other operating assets and liabilities. The customer relationship intangible asset and non-compete agreement intangible asset have useful lives of 12 years and 5 years, respectively. Goodwill represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including assembled workforce and non-contractual relationships, as well as expected future synergies. All of the goodwill recognized is expected to be deductible for tax purposes.

Net sales and estimated pre-tax earnings of Code Plus and TexPly, in aggregate, included in the unaudited condensed consolidated statements of operations for the three months ended September 30, 2017 were \$18.5 million and \$1.5 million, respectively. Net sales and estimated pre-tax earnings of Code Plus and TexPly, in aggregate, included in the unaudited condensed consolidated statements of operations for the nine months ended September 30, 2017 were \$38.0 million and \$2.6 million, respectively. The impact of the acquisitions was not significant for the reporting of pro forma financial information.

## 4. Accounts Receivable

Accounts receivable consist of the following at September 30, 2018 and December 31, 2017:

(in thousands)	September 30, 2018	December 31, 2017
Trade receivables	\$ 390,575	\$ 333,954
Allowance for doubtful accounts	(7,668)	(4,771)
Sales returns allowance (a)	—	(4,127)
Other allowances	(2,600)	(2,164)
	<u>\$ 380,307</u>	<u>\$ 322,892</u>

(a) Effective January 1, 2018, as part of the Company’s adoption of Topic 606, the Company has recorded a liability for estimated returns of inventory as a refund liability within accrued expenses and other liabilities. These balances were previously presented as an allowance within accounts receivable. See Note 6 for further details.

## 5. Debt

Long-term debt as of September 30, 2018 and December 31, 2017 consists of the following:

(in thousands)	September 30, 2018	December 31, 2017
Senior secured notes, due 2024	\$ 350,000	\$ 350,000
Revolving credit agreement	—	4,462
Other	261	336
	350,261	354,798
Unamortized debt issuance costs related to senior secured notes	(5,012)	(5,639)
	345,249	349,159
Less: Current portion of long-term debt	105	100
	\$ 345,144	\$ 349,059

### *Senior Secured Notes*

On September 15, 2016, the Company issued \$350.0 million of senior secured notes due 2024 (the “Senior Notes”) under an unregistered private placement not subject to the registration requirements of the Securities Act of 1933, as amended (the “Securities Act”). The Senior Notes were issued by BMC East, LLC, a 100% owned subsidiary of the Company, and are guaranteed by the Company and the other subsidiaries that guarantee the Credit Agreement (as defined below). Each of the subsidiary guarantors is 100% owned, directly or indirectly, by the Company, and all guarantees are full and unconditional and joint and several. The interest rate is fixed at 5.5% and is payable semiannually on April 1 and October 1.

As of September 30, 2018, the estimated market value of the Senior Notes was approximately \$10.5 million lower than the carrying amount. The fair value is based on institutional trading activity and was classified as a Level 2 measurement in accordance with ASC 820.

### *Revolving Credit Agreement*

On December 1, 2015, the Company entered into a senior secured credit agreement with Wells Fargo Capital Finance, as administrative agent, and certain other lenders (the “Original Credit Agreement”), which includes a revolving line of credit (the “Revolver”). The Original Credit Agreement, as amended (the “Credit Agreement”), has an aggregate commitment of \$375.0 million. The Company had no outstanding borrowings under the Revolver and net availability of \$313.9 million as of September 30, 2018. The Company had \$61.1 million in letters of credit outstanding under the Credit Agreement as of September 30, 2018.

### *Other*

Other long-term debt as of September 30, 2018 consists of a \$0.3 million term note secured by real property with a maturity of February 2021. The interest rate is 7.0% and is paid monthly. The estimated market value of other long-term debt approximates the carrying amount.

## 6. Revenue

### *Adoption of Topic 606*

On January 1, 2018, the Company adopted Topic 606 using the modified retrospective method applied to those contracts that were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Company’s historical accounting policy under Topic 605, Revenue Recognition.

The impact of adopting Topic 606 was not material to the Company’s results of operations for the three and nine months ended September 30, 2018 and as such, comparability between periods is not materially affected.

Beginning January 1, 2018, the Company has presented contract assets and contract liabilities on its unaudited condensed consolidated balance sheets, determined on a contract-by-contract basis. Contract assets contain rights to payment that are conditional on something other than the passage of time, such as retainage, which were historically presented within accounts receivable, net of allowances, as well as the balances that were historically presented within costs in excess of billings on uncompleted contracts on the Company’s consolidated balance sheets. Contract liabilities contain advances from customers, which

were historically presented within accrued expenses and other liabilities, as well as the balances that were historically presented within billings in excess of costs on uncompleted contracts on the Company's consolidated balance sheets. Refer to further discussion of the Company's contract assets and contract liabilities below.

Additionally, beginning January 1, 2018, the Company has presented a return asset, which represents inventory the Company expects to receive from customers related to estimated sales returns, within prepaid expenses and other current assets on the Company's unaudited condensed consolidated balance sheets. This balance was previously presented within inventories, net, on the Company's consolidated balance sheets. Conversely, the Company has recorded a refund liability for estimated returns of inventory within accrued expenses and other liabilities on the Company's unaudited condensed consolidated balance sheets. These balances were previously presented as an allowance within accounts receivable, net of allowances, on the Company's consolidated balance sheets.

The following table reflects the cumulative impact of adoption of Topic 606. As the cumulative impact of adopting Topic 606 on the Company's historical results of operations was less than \$0.1 million, the Company did not record an adjustment to opening retained earnings as of January 1, 2018.

(in thousands)	December 31, 2017	Adoption of Topic 606	January 1, 2018
Accounts receivable, net of allowances	\$ 322,892	\$ (8,884)	\$ 314,008
Inventories, net	309,060	(3,128)	305,932
Contract assets	—	38,557	38,557
Costs in excess of billings on uncompleted contracts	28,738	(28,738)	—
Prepaid expenses and other current assets	57,949	3,128	61,077
Total assets	1,473,350	935	1,474,285
Accrued expenses and other liabilities	96,262	(6,967)	89,295
Contract liabilities	—	26,330	26,330
Billings in excess of costs on uncompleted contracts	18,428	(18,428)	—
Total liabilities	726,451	935	727,386
Total liabilities and stockholders' equity	\$ 1,473,350	\$ 935	\$ 1,474,285

The following table reflects the impact of adoption of Topic 606 on the Company's financial position as of September 30, 2018.

(in thousands)	Balances without Adoption of Topic 606	Adjustments	As Reported
Accounts receivable, net of allowances	\$ 387,848	\$ (7,541)	\$ 380,307
Inventories, net	359,731	(3,123)	356,608
Contract assets	—	33,319	33,319
Costs in excess of billings on uncompleted contracts	24,512	(24,512)	—
Prepaid expenses and other current assets	59,192	3,123	62,315
Total assets	1,625,543	1,266	1,626,809
Accrued expenses and other liabilities	113,027	(10,887)	102,140
Contract liabilities	—	32,703	32,703
Billings in excess of costs on uncompleted contracts	20,550	(20,550)	—
Total liabilities	778,885	1,266	780,151
Total liabilities and stockholders' equity	\$ 1,625,543	\$ 1,266	\$ 1,626,809

### *Nature of goods and services*

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account in Topic 606. The Company's building products contracts typically contain a promise to supply multiple distinct products and thus, they generally contain multiple performance obligations under Topic 606. Depending on the nature of the promises within the Company's construction services contracts and whether they are distinct under Topic 606, there may be a single performance obligation or multiple performance obligations. For contracts with multiple performance obligations, the contract's transaction price is allocated to each distinct performance obligation based on the standalone selling price of each distinct good or service, which is generally determined based on the prices charged to customers.

The Company recognizes revenue for its building products contracts when control of the promised goods (the performance obligations) is transferred to the Company's customers. This generally occurs at a point in time when the products are delivered and the customer obtains physical possession, legal title and the risks and rewards of ownership. However, for certain product offerings, products are customized to customer specifications and the customer benefits from the Company's performance over time as deliveries are made. As such, the Company has determined that an output method based on units delivered best depicts the transfer of control to the customer.

The Company generally recognizes revenue for its construction services contracts over time using cost based input methods. Periodic estimates of progress towards completion are made based on either a comparison of labor costs incurred to date with total estimated contract labor costs or total costs incurred to date with total estimated contract costs. Incurred costs represent work performed, which correspond and best depict transfer of control to the customer.

Contract revenues and contract costs to be recognized are dependent on the accuracy of estimates, including quantities of materials, labor productivity and other cost estimates. Historically, the Company has made reasonable estimates of the extent of progress towards completion and contract completion costs. Due to uncertainties inherent in the estimation process, it is possible that actual completion costs may vary from estimates. Revenue recognized for performance obligations satisfied over time for the three and nine months ended September 30, 2018 represented approximately 28% and 27% of total revenues, respectively.

Estimated losses on uncompleted contracts and changes in contract estimates reflect the Company's best estimate of probable losses of unbilled receivables, and are recognized in the period such revisions are known and can be reasonably estimated. These estimates are recognized in cost of sales. Estimated losses on uncompleted contracts and changes in contract estimates are established by assessing estimated costs to complete, change orders and claims for uncompleted contracts. Assumptions for estimated costs to complete include material prices, labor costs, labor productivity and contract claims. Such estimates are inherently uncertain and it is possible that actual completion costs may vary from these estimates.

All sales recognized are net of allowances for discounts and estimated returns, based on historical experience. Taxes assessed by governmental authorities that are directly imposed on the Company's revenue-producing transactions are excluded from sales. The Company accounts for shipping and handling costs associated with its contracts as a fulfillment cost and expenses these as incurred within selling, general and administrative expenses on the unaudited condensed consolidated statements of operations.

### *Disaggregation of revenue*

The following tables present the Company's net sales disaggregated by major product category and customer type. As noted above, prior period amounts have not been adjusted under the modified retrospective method and continue to be reported in accordance with the Company's historic accounting policy under Topic 605.

The following table shows net sales classified by major product category for the three and nine months ended September 30, 2018 and 2017 :

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Structural components	\$ 166,919	\$ 145,185	\$ 470,365	\$ 393,382
Lumber & lumber sheet goods	357,286	294,699	1,013,495	829,634
Millwork, doors & windows	251,606	225,804	730,318	677,554
Other building products & services	214,453	215,324	608,749	624,517
Total net sales	\$ 990,264	\$ 881,012	\$ 2,822,927	\$ 2,525,087

The following table reflects the Company's estimate of net sales by each customer type for the three and nine months ended September 30, 2018 and 2017 :

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Single-family homebuilders	\$ 749,543	\$ 663,599	\$ 2,143,910	\$ 1,881,003
Remodeling contractors	114,062	99,085	326,918	279,415
Multi-family, commercial & other contractors	126,659	118,328	352,099	364,669
Total net sales	\$ 990,264	\$ 881,012	\$ 2,822,927	\$ 2,525,087

#### **Contract balances**

The timing of revenue recognition, invoicing and cash collection affects receivables, contract assets and contract liabilities on the Company's unaudited condensed consolidated balance sheets. For building products contracts that contain performance obligations satisfied at a point in time, the Company recognizes revenue upon satisfaction of the performance obligation and then bills the customer, resulting in a receivable. For building products contracts that contain performance obligations satisfied over time, the Company recognizes revenue as the performance obligation is satisfied, but prior to billing, resulting in an unbilled receivable, as the Company has an unconditional right to payment.

For the Company's construction services contracts, amounts are generally billed as work progresses in accordance with agreed-upon contractual terms. Revenue is also recognized over time as the performance obligations are satisfied, which can result in contract assets and liabilities, on a contract-by-contract basis, due to timing differences between billing and revenue recognition. Contract assets include unbilled amounts when the revenue recognized exceeds the amount billed to the customer. Conversely, contract liabilities include amounts that have been billed to the customer in excess of the revenue recognized.

At times, the Company will have a right to payment from previous performance that is conditional on something other than passage of time, such as retainage, which creates a contract asset. Conversely, the Company may receive advances from customers prior to the Company's performance, which creates a contract liability.

Contract assets are reclassified to a receivable when the right to consideration becomes unconditional. The Company's terms generally provide for payment within 30 days of being invoiced. On occasion, when necessary to compete in certain circumstances, the Company will offer extended payment terms, which do not exceed one year.

The following table reflects the Company's contract balances as of September 30, 2018 and January 1, 2018, the date that the Company adopted Topic 606:

(in thousands)	September 30, 2018	January 1, 2018	Change
Receivables, including unbilled receivables presented in prepaid expenses and other current assets	\$ 390,753	\$ 321,418	\$ 69,335
Contract assets	33,319	38,557	(5,238)
Contract liabilities	\$ 32,703	\$ 26,330	\$ 6,373

During the nine months ended September 30, 2018, the Company's contract assets decreased by \$5.2 million and the Company's contract liabilities increased by \$6.4 million. The change in contract assets and liabilities was primarily due to the timing of revenue recognition, as the balances were not materially impacted by any other factors. For the three and nine months ended September 30, 2018, the Company recognized revenue of \$0.7 million and \$24.8 million, respectively, that was included in contract liabilities as of January 1, 2018. Revenue recognized related to performance obligations that were satisfied or partially satisfied in previous periods was not material for the three and nine months ended September 30, 2018.

#### **Practical Expedients**

As permitted by Topic 606, the Company has elected to expense any incremental costs of obtaining a contract as incurred as the amortization period would have been one year or less. Additionally, as permitted by Topic 606, the Company has elected not to adjust the promised amount of consideration for a significant financing component as the Company expects that the period of time between the Company's satisfaction of the performance obligation and the customer's payment would have been one year or less.

Finally, as permitted by Topic 606, the Company has elected not to disclose the value of unsatisfied performance obligations, as the Company's contracts generally have an original expected length of one year or less.

## 7. Income Taxes

The Company evaluates its deferred tax assets quarterly to determine if valuation allowances are required. In assessing the realizability of deferred tax assets, the Company considers both positive and negative evidence in determining whether it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company had a valuation allowance of \$0.1 million against its deferred tax assets related to certain state tax jurisdictions as of September 30, 2018 and December 31, 2017. To the extent the Company generates future tax net operating losses, the Company may be required to increase the valuation allowance on deferred tax assets, which may unfavorably impact the effective tax rate.

The Company has no material uncertain tax positions as of September 30, 2018 and December 31, 2017.

For the three and nine months ended September 30, 2018, the Company's effective tax rate was 23.4% and 23.3% respectively, which varied from the federal statutory rate of 21% primarily due to state income tax expense. For the three and nine months ended September 30, 2017, the effective tax rate was 34.1% and 33.3%, respectively, which varied from the federal statutory rate of 35% primarily due to the excess tax windfall benefits from stock compensation and a permanent domestic manufacturing deduction under Internal Revenue Code Section 199 (the "Manufacturing Deduction").

The 2017 Tax Act was enacted in December 2017. The 2017 Tax Act reduced the U.S. federal corporate tax rate from 35% to 21%, among other provisions. The Company has recognized a net tax benefit of \$3.6 million related to the impact of the 2017 Tax Act for the remeasurement of deferred tax assets and liabilities and included this amount in its consolidated financial statements for the year ended December 31, 2017, on a provisional basis based on information currently available. The 2017 Tax Act may be subject to technical amendments, as well as interpretations and implementing regulations by the Department of Treasury and Internal Revenue Service, any of which could increase or decrease one or more impacts of the legislation. As such, the Company may record additional provisional amounts or adjustments to provisional amounts during the measurement period ending no later than December 2018. Upon completion of the Company's 2017 federal tax return during the three months ended September 30, 2018, the Company recognized a tax benefit of \$0.3 million in addition to the provisional estimate recognized in 2017.

## 8. Commitments and Contingencies

From time to time, various claims, legal proceedings and litigation are asserted or commenced against the Company principally arising from alleged product liability, warranty, casualty, construction defect, contract, tort, employment and other disputes. In determining loss contingencies, management considers the likelihood of loss as well as the ability to reasonably estimate the amount of such loss or liability. An estimated loss is recorded when it is considered probable that such a liability has been incurred and when the amount of loss can be reasonably estimated. It is not certain that the Company will prevail in these matters. However, the Company does not currently believe that the ultimate outcome of any pending matters will have a material adverse effect on its consolidated financial position, results of operations or cash flows. As of September 30, 2018 and December 31, 2017, the Company has accrued \$3.0 million in relation to pending litigation that was recorded during the three and nine months ended September 30, 2017. The amount accrued is based upon currently available information; however, the ultimate obligation may be higher.

## 9. Stock Based Compensation

The following table highlights the expense related to stock based compensation for the three and nine months ended September 30, 2018 and 2017:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Restricted stock units (a)	\$ 3,281	\$ 1,157	\$ 8,049	\$ 4,139
Restricted stock	2	113	100	339
Stock options	27	96	77	273
Stock based compensation	\$ 3,310	\$ 1,366	\$ 8,226	\$ 4,751

(a) Includes service-based and performance-based restricted stock units.

During the three and nine months ended September 30, 2018 , the Company granted 0.1 million and 0.7 million service-based restricted stock unit awards, respectively. In addition, during the three and nine months ended September 30, 2018 , the Company granted performance-based restricted stock units that allow for a maximum of 0.2 million and 0.5 million performance-based restricted stock units to be earned, respectively.

During the three and nine months ended September 30, 2017 , the Company granted less than 0.1 million and 0.4 million service-based restricted stock unit awards, respectively. In addition, during the nine months ended September 30, 2017 , the Company granted performance-based restricted stock units that allow for a maximum of 0.3 million performance-based restricted stock units to be earned.

## 10. Segments

ASC 280, Segment Reporting, defines operating segments as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker (“CODM”) in deciding how to allocate resources and in assessing performance.

The Company’s operating segments consist of the Mid-Atlantic, Southeast, Texas, Intermountain and Western divisions. The CODM reviews aggregate information to allocate resources and assess performance. Based on the CODM’s review, as well as the similar economic characteristics, nature of products, distribution methods and customers of the divisions, the Company has aggregated its operating segments into one reportable segment, “Geographic divisions.”

In addition to the Company’s reportable segment, the Company’s consolidated results include “Other reconciling items.” Other reconciling items comprises the Company’s corporate activities and other income and expenses not allocated to the operating segments.

The following tables present Net Sales, Adjusted EBITDA and certain other measures for the reportable segment and total Company operations for the three and nine months ended September 30, 2018 and 2017 . Adjusted EBITDA is used as a performance metric by the CODM in determining how to allocate resources and assess performance.

<b>Three Months Ended September 30, 2018</b>				
(in thousands)	<b>Net Sales</b>	<b>Gross Profit</b>	<b>Depreciation &amp; Amortization</b>	<b>Adjusted EBITDA</b>
Geographic divisions	\$ 990,264	\$ 241,303	\$ 16,106	\$ 92,698
Other reconciling items	—	—	520	(18,330)
	<u>\$ 990,264</u>	<u>\$ 241,303</u>	<u>\$ 16,626</u>	

<b>Three Months Ended September 30, 2017</b>				
(in thousands)	<b>Net Sales</b>	<b>Gross Profit</b>	<b>Depreciation &amp; Amortization</b>	<b>Adjusted EBITDA</b>
Geographic divisions	\$ 881,012	\$ 209,545	\$ 16,996	\$ 70,158
Other reconciling items	—	—	629	(10,861)
	<u>\$ 881,012</u>	<u>\$ 209,545</u>	<u>\$ 17,625</u>	

<b>Nine Months Ended September 30, 2018</b>				
(in thousands)	<b>Net Sales</b>	<b>Gross Profit</b>	<b>Depreciation &amp; Amortization</b>	<b>Adjusted EBITDA</b>
Geographic divisions	\$ 2,822,927	\$ 679,986	\$ 47,079	\$ 252,873
Other reconciling items	—	—	1,481	(52,496)
	<u>\$ 2,822,927</u>	<u>\$ 679,986</u>	<u>\$ 48,560</u>	

**Nine Months Ended September 30, 2017**

(in thousands)	Net Sales	Gross Profit	Depreciation & Amortization	Adjusted EBITDA
Geographic divisions	\$ 2,525,087	\$ 599,429	\$ 50,167	\$ 188,882
Other reconciling items	—	—	1,829	(36,445)
	<u>\$ 2,525,087</u>	<u>\$ 599,429</u>	<u>\$ 51,996</u>	

**Reconciliation to consolidated financial statements:**

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
<b>Income before income taxes</b>	\$ 46,818	\$ 27,996	\$ 119,451	\$ 59,689
Interest expense	5,926	6,377	17,916	18,960
Interest income	(117)	—	(117)	—
Depreciation and amortization	16,626	17,625	48,560	51,996
Merger and integration costs	1,459	2,574	3,627	13,339
Non-cash stock compensation expense	3,310	1,366	8,226	4,751
Acquisition costs	—	—	267	317
Other items (a)	346	3,359	2,447	3,385
Adjusted EBITDA of other reconciling items	18,330	10,861	52,496	36,445
<b>Adjusted EBITDA of geographic divisions reportable segment</b>	<u>\$ 92,698</u>	<u>\$ 70,158</u>	<u>\$ 252,873</u>	<u>\$ 188,882</u>

(a) For the three and nine months ended September 30, 2018, the amounts represent 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. For the three and nine months ended September 30, 2017, the amounts represent asset impairment charges related to real estate held for sale and expense incurred related to pending litigation.

## 11. Earnings Per Share

Basic net income per share (“EPS”) is calculated by dividing net income attributable to common stockholders by the weighted average shares outstanding during the period. Diluted EPS is calculated by adjusting weighted average shares outstanding for the dilutive effect of potential common shares, determined using the treasury-stock method. For purposes of the diluted EPS calculation, stock options, restricted stock and restricted stock unit awards are considered to be potential common shares. Performance-based restricted stock units are not included in the calculation of diluted EPS until they are contingently issuable.

The basic and diluted EPS calculations for the three and nine months ended September 30, 2018 and 2017 are presented below:

(in thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Income attributable to common stockholders	\$ 35,858	\$ 18,443	\$ 91,622	\$ 39,783
Weighted average common shares outstanding, basic	67,329	66,958	67,246	66,860
Effect of dilutive securities:				
Restricted stock units	399	248	321	212
Stock options	166	175	155	201
Restricted stock	2	61	21	68
Weighted average common shares outstanding, diluted	67,896	67,442	67,743	67,341
Basic income per common share	\$ 0.53	\$ 0.28	\$ 1.36	\$ 0.60
Diluted income per common share	\$ 0.53	\$ 0.27	\$ 1.35	\$ 0.59

The following table provides the securities that could potentially dilute EPS in the future, but were not included in the computation of diluted EPS for the periods presented because to do so would have been anti-dilutive. The amounts included in this table exclude performance-based restricted stock units. As of September 30, 2018, the number of currently outstanding performance-based restricted stock units that are issued upon vesting could range from zero to a maximum of 0.6 million.

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Stock options	—	1	—	1
Restricted stock units	—	13	—	13

## 12. Subsequent Events

On November 1, 2018, the Company completed the sale of substantially all of the assets and certain liabilities of its Coleman Floor business (“Coleman Floor”) for a preliminary sale price of \$8.0 million, subject to customary closing adjustments. For the three and nine months ended September 30, 2018, the net sales of Coleman Floor represented approximately 1% of the Company’s net sales. The Company did not meet all of the criteria in ASC 205, Presentation of Financial Statements (“ASC 205”), to present the assets and liabilities of Coleman Floor as held for sale until after September 30, 2018. Additionally, the sale does not represent a strategic shift under ASC 205, and as such, will not be reported as a discontinued operation in the Company’s consolidated financial statements. As of September 30, 2018, the Coleman Floor business had total assets of \$11.0 million and total liabilities of \$3.2 million.

## ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis should be read in conjunction with our historical consolidated financial statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q and with our audited financial statements included in our 2017 Annual Report on Form 10-K. All references to "BMC," "we," "us," "our" or the "Company" mean BMC Stock Holdings, Inc. and its subsidiaries.*

### Cautionary Statement with Respect to Forward-Looking Statements

Some of the statements contained in this Quarterly Report on Form 10-Q constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts or present facts or conditions. In many cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or the negative of these terms or other comparable terminology.

The forward-looking statements reflect our views about future events and are subject to risks, uncertainties, assumptions and changes in circumstances that may cause events or our actual activities or results to differ significantly from those expressed in any forward-looking statement. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future events, results, actions, levels of activity, performance or achievements. 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 state of the homebuilding industry and repair and remodeling activity, the economy and the credit markets;
- 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 cyclical nature of the building products supply and services industry;
- competitive industry pressures and competitive pricing pressure from our customers and competitors;
- fluctuation of commodity prices and prices of our products;
- our exposure to product liability, warranty, casualty, construction defect, contract, tort, employment and other claims and legal proceedings;
- our ability to maintain profitability;
- 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;
- the impact of pricing pressure 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; and
- the various financial covenants in our secured credit agreement and senior secured notes indenture.

Certain of these and other factors are discussed in more detail in “Item 1A. Risk Factors” of our 2017 Annual Report on Form 10-K. The forward-looking statements included herein are made only as of the date of this Quarterly Report on Form 10-Q and we undertake no obligation to publicly update or review any forward-looking statement made by us or on our behalf, whether as a result of new information, future developments, subsequent events or circumstances or otherwise, unless otherwise required by law.

## **Overview**

We are one of the leading providers of diversified building products and services in the U.S. residential construction market. Our objective is to provide best-in-class customer service and value-added products to our customers, which are primarily single- and multi-family home builders and professional remodelers. Our product offerings include lumber and lumber sheet goods and an array of value-added products including millwork, doors, windows and structural components such as engineered wood products, floor and roof trusses and wall panels. Our whole-house framing solution, *Ready-Frame*®, which is one of our fastest growing product offerings, saves builders both time and money and improves job site safety. We also offer our customers important services such as design, product specification, installation and installation management.

The 19 states in which we operate accounted for approximately 66% of 2017 U.S. single-family housing permits according to the U.S. Census Bureau. In these 19 states, we operate in 45 metropolitan areas.

Our net sales for the three months ended September 30, 2018 increased 12.4% compared to the prior year period. Our gross profit as a percentage of sales (“gross margin”) was 24.4% for the three months ended September 30, 2018 compared to 23.8% for the prior year period. We recorded income from operations of \$49.8 million during the three months ended September 30, 2018 compared to \$33.3 million during the three months ended September 30, 2017. See further discussion in “-Operating Results” below.

## **Factors Affecting Our Operating Results**

Our operating results and financial performance are influenced by a variety of factors, including, among others, acquisitions, conditions in the housing market and economic conditions generally, changes in the cost of the products we sell (particularly commodity products), pricing policies of our competitors, production schedules of our customers and seasonality. Some of the more important factors are discussed in our 2017 Annual Report on Form 10-K, as supplemented by the additional discussion below.

### ***Acquisitions***

On March 1, 2018, the Company completed the acquisition of Shone Lumber, a supplier of building materials in the state of Delaware, for a preliminary purchase price of \$22.4 million.

On April 3, 2017, the Company completed the acquisition of TexPly, a supplier of production millwork and doors in the Dallas-Fort Worth area, for a purchase price of \$31.7 million.

On March 27, 2017, the Company completed the acquisition of Code Plus, a truss manufacturer located in Martinsburg, West Virginia serving the Washington DC market, for a purchase price of \$7.1 million.

Approximately \$18.7 million of the sales increase for the three months ended September 30, 2018, compared to the prior year period, was a result of the acquisition of Shone Lumber, while the acquisitions of Shone Lumber, TexPly and Code Plus increased net sales by approximately \$61.0 million for the nine months ended September 30, 2018, compared to the prior year period.

See Note 3 to the unaudited condensed consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q for further discussion of the acquisitions of Shone Lumber, TexPly and Code Plus.

### ***Conditions in the housing and construction market***

The building products supply and services industry is highly dependent on new single-family home and multi-family construction and repair and remodeling activity, which in turn are dependent upon a number of factors, including, among other things, overall economic conditions. Unfavorable economic changes, both nationally and locally in our markets, could adversely affect consumer spending, result in decreased demand for homes and adversely affect our business. According to the U.S. Census Bureau, single-family housing starts in the South and West regions of the United States, which are our primary operating regions, increased approximately 3.3% for the three months ended September 30, 2018 as compared to the same period in the prior year.

### ***Commodity nature of our products***

Many of the building products we distribute, including lumber, oriented strand board (“OSB”), plywood and particleboard, are commodities that are widely available from other manufacturers or distributors with prices and volumes determined frequently based on participants’ perceptions of short-term supply and demand factors.

The following table reflects changes in the average composite framing lumber prices (per thousand board feet) and average composite structural panel prices (per thousand square feet). These prices represent transactions between manufacturers and their customers as reported by Random Lengths and may differ in magnitude or timing from the actual selling prices or cost of goods reported in our operating results. The average composite structural panel prices are based on index prices for OSB and plywood.

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2018 versus 2017</b>	<b>2018 average price</b>	<b>2018 versus 2017</b>	<b>2018 average price</b>
Framing lumber prices	11.7%	\$ 467	22.7%	\$ 497
Structural panel prices	3.2%	\$ 483	21.0%	\$ 512

Periods of increasing prices provide the opportunity for higher sales and increased gross profit, while periods of declining prices may result in declines in sales and profitability. In particular, low market prices for wood products over a sustained period can adversely affect our financial condition, operating results and cash flows, as can excessive spikes in market prices. For further discussion of the impact of commodity prices on historical periods, see “-Operating Results” below.

### ***Mix of products sold***

We typically realize greater gross margins on more highly engineered and customized products, or ancillary products that are often purchased based on convenience and are therefore less price sensitive to our customers. For example, sales of lumber and lumber sheet goods tend to generate lower gross margins due to their commodity nature and the relatively low switching costs of sourcing those products from different suppliers. Structural components and millwork, doors and windows often generate higher gross margins relative to other products. For further discussion of the impact of mix of products sold on historical periods, see “-Operating Results” below.

### ***Changes in customer sales mix***

Our operating results may vary according to the amount and type of products we sell to each of our primary customer types: single-family homebuilders, remodeling contractors and multi-family, commercial and other contractors. We tend to realize higher gross margins on sales to remodeling contractors due to the smaller product volumes purchased by those customers, as well as the more customized nature of the projects those customers generally undertake. Gross margins on sales to our other primary customer types can vary based on a variety of factors.

### ***Seasonality***

Our first and fourth quarters have historically been, and are generally expected to continue to be, adversely affected by weather patterns in some of our markets, causing reduced construction activity. As a result, sales are usually lower in the first and fourth quarters than in the second and third quarters.

## Operating Results

The following table sets forth our operating results in dollars and as a percentage of net sales for the periods indicated:

(in thousands)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2018		2017		2018		2017	
Net sales	\$ 990,264	100.0 %	\$ 881,012	100.0 %	\$ 2,822,927	100.0 %	\$ 2,525,087	100.0 %
Cost of sales	748,961	75.6 %	671,467	76.2 %	2,142,941	75.9 %	1,925,658	76.3 %
Gross profit	241,303	24.4 %	209,545	23.8 %	679,986	24.1 %	599,429	23.7 %
Operating expenses:								
Selling, general and administrative expenses	176,204	17.8 %	158,602	18.0 %	506,236	17.9 %	465,305	18.4 %
Depreciation expense	10,059	1.0 %	11,053	1.3 %	29,323	1.0 %	32,555	1.3 %
Amortization expense	3,790	0.4 %	4,026	0.5 %	11,263	0.4 %	11,947	0.5 %
Merger and integration costs	1,459	0.1 %	2,574	0.3 %	3,627	0.1 %	13,339	0.5 %
Income from operations	49,791	5.0 %	33,290	3.8 %	129,537	4.6 %	76,283	3.0 %
Other income (expense)								
Interest expense	(5,926)	(0.6)%	(6,377)	(0.7)%	(17,916)	(0.6)%	(18,960)	(0.8)%
Other income, net	2,953	0.3 %	1,083	0.1 %	7,830	0.3 %	2,366	0.1 %
Income before income taxes	46,818	4.7 %	27,996	3.2 %	119,451	4.2 %	59,689	2.4 %
Income tax expense	10,960	1.1 %	9,553	1.1 %	27,829	1.0 %	19,906	0.8 %
Net income	\$ 35,858	3.6 %	\$ 18,443	2.1 %	\$ 91,622	3.2 %	\$ 39,783	1.6 %

### Three months ended September 30, 2018 compared to three months ended September 30, 2017

#### Net sales

For the three months ended September 30, 2018, net sales increased \$109.3 million, or 12.4%, to \$990.3 million from \$881.0 million during the three months ended September 30, 2017. We estimate that net sales increased 6.3% from higher selling prices of lumber and lumber sheet goods, 2.1% from the acquisition of Shone Lumber and 4.0% from other organic growth, of which approximately 1.5% related to the impact of Hurricanes Harvey and Irma in the prior year period.

We estimate approximately 76% of our net sales for the three months ended September 30, 2018 were to customers engaged in new single-family construction. According to the U.S. Census Bureau, single-family housing starts in the South and West regions of the United States, which are our primary operating regions, increased approximately 3.3% for the three months ended September 30, 2018 as compared to the same period in the prior year, while single-family houses completed increased approximately 10.5% during the same period. We estimate that net sales to single-family homebuilders and remodeling contractors increased 13.2% and net sales to multi-family, commercial and other contractors increased 7.0%.

The following table shows net sales classified by major product category:

(in thousands)	Three Months Ended September 30, 2018		Three Months Ended September 30, 2017		% Change
	Net Sales	% of Sales	Net Sales	% of Sales	
Structural components	\$ 166,919	16.9%	\$ 145,185	16.5%	15.0 %
Lumber & lumber sheet goods	357,286	36.1%	294,699	33.5%	21.2 %
Millwork, doors & windows	251,606	25.4%	225,804	25.6%	11.4 %
Other building products & services	214,453	21.6%	215,324	24.4%	(0.4)%
Total net sales	\$ 990,264	100.0%	\$ 881,012	100.0%	12.4 %

The increase in net sales in our structural components product category was primarily related to an increase in single-family housing starts, an increase in net sales of our *Ready-Frame*® product offering and an increase in average selling prices. The impact of price inflation during the three months ended September 30, 2018 led to the increase in net sales in our lumber and lumber sheet goods product category.

#### *Cost of sales*

For the three months ended September 30, 2018, cost of sales increased \$77.5 million, or 11.5%, to \$749.0 million from \$671.5 million during the three months ended September 30, 2017. We estimate our cost of sales increased approximately 5.8% as a result of commodity cost inflation and approximately 2.1% due to the acquisition of Shone Lumber, while other organic changes increased our cost of sales by approximately 3.6%.

#### *Gross profit*

For the three months ended September 30, 2018, gross profit increased \$31.8 million, or 15.2%, to \$241.3 million from \$209.5 million for the three months ended September 30, 2017, driven primarily by commodity price increases and the acquisition of Shone Lumber. Our gross margin was 24.4% for the three months ended September 30, 2018 and 23.8% for the three months ended September 30, 2017. This increase was primarily due to an increase in the gross margin in our lumber and lumber sheet goods product category and an increase in net sales in our structural components and millwork, doors and windows product categories.

#### *Operating expenses*

For the three months ended September 30, 2018:

- selling, general and administrative expenses were \$176.2 million, up \$17.6 million, or 11.1%, from \$158.6 million for the three months ended September 30, 2017. Approximately \$3.4 million of this increase related to selling, general and administrative expenses of Shone Lumber, approximately \$15.4 million related to higher employee compensation, benefits and other employee-related costs and approximately \$0.8 million related to an increase in diesel fuel costs. These increases were partially offset by \$3.0 million accrued during the three months ended September 30, 2017 related to pending litigation.
- depreciation expense was \$10.1 million compared to \$11.1 million for the three months ended September 30, 2017. This decrease resulted from certain fixed assets that became fully depreciated in 2017, partially offset by the depreciation of replacements and additions of delivery fleet, material handling equipment and operating equipment.
- amortization expense was \$3.8 million compared to \$4.0 million for the three months ended September 30, 2017. This decrease resulted from certain intangible assets that became fully amortized in 2017, partially offset by the amortization of intangible assets acquired in the Shone Lumber acquisition.
- the Company incurred \$1.5 million of Merger and integration costs related to the ongoing integration of Building Materials Holding Corporation (“BMHC”) and Stock Building Supply Holdings, Inc. (“SBS”), consisting primarily of system integration costs, compared to \$2.6 million for the three months ended September 30, 2017.

#### *Interest expense*

For the three months ended September 30, 2018, interest expense was \$5.9 million compared to \$6.4 million for the three months ended September 30, 2017. This decrease related primarily to reduced borrowings under the Revolver. Non-cash amortization of debt issuance costs, which is included in interest expense, was \$0.4 million for the three months ended September 30, 2018 and 2017.

#### *Other income, net*

For the three months ended September 30, 2018, other income, net, which was derived primarily from state and local tax incentive programs and service charges assessed on past due accounts receivable, was \$3.0 million, compared to \$1.1 million for the three months ended September 30, 2017. This increase was primarily due to an increase in income from state and local tax incentive programs.

### Income tax

For the three months ended September 30, 2018, income tax expense was \$11.0 million compared to \$9.6 million for the three months ended September 30, 2017. The effective tax rate for the three months ended September 30, 2018 was 23.4%, which varied from the federal statutory rate of 21% primarily due to state income tax expense. The effective tax rate for the three months ended September 30, 2017 was 34.1%, which varied from the federal statutory rate of 35% primarily due to excess tax windfall benefits from stock compensation and the Manufacturing Deduction.

### Nine Months Ended September 30, 2018 compared to nine months ended September 30, 2017

#### Net sales

For the nine months ended September 30, 2018, net sales increased \$297.8 million, or 11.8%, to \$2,822.9 million from \$2,525.1 million during the nine months ended September 30, 2017. We estimate that net sales increased 7.1% from higher selling prices of lumber and lumber sheet goods, 2.4% from the acquisitions of Shone Lumber, TexPly and Code Plus and 2.3% from other organic growth.

We estimate approximately 76% of our net sales for the nine months ended September 30, 2018 were to customers engaged in new single-family construction. According to the U.S. Census Bureau, single-family housing starts in the South and West regions of the United States, which are our primary operating regions, increased approximately 7.9% for the nine months ended September 30, 2018 as compared to the same period in the prior year, while single-family houses completed increased approximately 10.4% during the same period. We estimate that net sales to single-family homebuilders and remodeling contractors increased 14.4% while net sales to multi-family, commercial and other contractors declined 3.4%.

The following table shows net sales classified by major product category:

(in thousands)	Nine Months Ended September 30, 2018		Nine Months Ended September 30, 2017		% Change
	Net Sales	% of Sales	Net Sales	% of Sales	
Structural components	\$ 470,365	16.7%	\$ 393,382	15.6%	19.6 %
Lumber & lumber sheet goods	1,013,495	35.9%	829,634	32.9%	22.2 %
Millwork, doors & windows	730,318	25.9%	677,554	26.8%	7.8 %
Other building products & services	608,749	21.5%	624,517	24.7%	(2.5)%
Total net sales	\$ 2,822,927	100.0%	\$ 2,525,087	100.0%	11.8 %

The increase in net sales in our structural components product category was primarily related to an increase in single-family housing starts, an increase in net sales of our *Ready-Frame*® product offering and an increase in average selling prices. The impact of price inflation during the nine months ended September 30, 2018 led to the increase in net sales in our lumber and lumber sheet goods product category, partially offset by an approximately 1% decline in organic volume. The decrease in our other building products and services product category was primarily related to a decrease in sales to multi-family, commercial and other contractors.

#### Cost of sales

For the nine months ended September 30, 2018, cost of sales increased \$217.3 million, or 11.3%, to \$2,142.9 million from \$1,925.7 million during the nine months ended September 30, 2017. We estimate our cost of sales increased approximately 7.1% as a result of commodity cost inflation and approximately 2.4% due to the acquisitions of Shone Lumber, TexPly and Code Plus, while other organic changes increased our cost of sales by approximately 1.8%.

#### Gross profit

For the nine months ended September 30, 2018, gross profit increased \$80.6 million, or 13.4%, to \$680.0 million from \$599.4 million for the nine months ended September 30, 2017, driven primarily by commodity price increases and the acquisition of Shone Lumber. Our gross margin was 24.1% for the nine months ended September 30, 2018 and 23.7% for the nine months ended September 30, 2017. This increase was primarily due to an increase in the gross margin in our lumber and lumber sheet goods product category and an increase in net sales in our structural components and millwork, doors and windows product categories.

### *Operating expenses*

For the nine months ended September 30, 2018 :

- selling, general and administrative expenses were \$506.2 million , up \$40.9 million , or 8.8% , from \$465.3 million for the nine months ended September 30, 2017 . Approximately \$11.4 million of this increase related to selling, general and administrative expenses of Shone Lumber, TexPly and Code Plus, approximately \$26.2 million related to higher employee compensation, benefits and other employee-related costs and approximately \$2.3 million related to an increase in diesel fuel costs. The Company also incurred approximately \$2.4 million of costs in connection with the departure of the Company's former chief executive officer and the search for and appointment of his permanent replacement. These increases were partially offset by \$3.0 million accrued during the nine months ended September 30, 2017 related to pending litigation.
- depreciation expense was \$29.3 million compared to \$32.6 million for the nine months ended September 30, 2017 . This decrease resulted from certain fixed assets that became fully depreciated in 2017, partially offset by the depreciation of replacements and additions of delivery fleet, material handling equipment and operating equipment.
- amortization expense was \$11.3 million compared to \$11.9 million for the nine months ended September 30, 2017 . This decrease resulted from certain intangible assets that became fully amortized in 2017, partially offset by the amortization of intangible assets acquired in the Shone Lumber, TexPly and Code Plus acquisitions.
- the Company incurred \$3.6 million of Merger and integration costs related to the ongoing integration of BMHC and SBS, consisting primarily of system integration costs, partially offset by a gain from disposition of property due to the integration, compared to \$13.3 million for the nine months ended September 30, 2017 . During the nine months ended September 30, 2017 , the Company recognized \$2.8 million of expense related to the discontinuance of the ERP system previously utilized by BMHC.

### *Interest expense*

For the nine months ended September 30, 2018 , interest expense was \$17.9 million compared to \$19.0 million for the nine months ended September 30, 2017 . This decrease related primarily to reduced borrowings under the Revolver. Non-cash amortization of debt issuance costs, which is included in interest expense, was \$1.3 million for the nine months ended September 30, 2018 and 2017 .

### *Other income, net*

For the nine months ended September 30, 2018 , other income, net, which was derived primarily from state and local tax incentive programs and service charges assessed on past due accounts receivable, was \$7.8 million , compared to \$2.4 million for the nine months ended September 30, 2017 . This increase was primarily due to an increase in income from state and local tax incentive programs.

### *Income tax*

For the nine months ended September 30, 2018 , income tax expense was \$27.8 million compared to \$19.9 million for the nine months ended September 30, 2017 . The effective tax rate for the nine months ended September 30, 2018 was 23.3% , which varied from the federal statutory rate of 21% primarily due to state income tax expense. The effective tax rate for the nine months ended September 30, 2017 was 33.3% , which varied from the federal statutory rate of 35% primarily due to excess tax windfall benefits from stock compensation and the Manufacturing Deduction.

### **Liquidity and Capital Resources**

Our primary capital requirements are to fund working capital needs and operating expenses, meet required interest and principal payments and fund capital expenditures. During 2018 and 2017, our capital resources have primarily consisted of cash and cash equivalents generated through operating cash flows and borrowings under our Revolver.

Our liquidity at September 30, 2018 was \$371.6 million , which includes \$57.7 million in cash and cash equivalents and \$313.9 million of unused borrowing capacity under our Revolver.

We believe that our cash flows from operations, combined with our current cash levels and available borrowing capacity, will be adequate to fund debt service requirements and provide cash, as required, to support our ongoing operations, capital expenditures, lease obligations and working capital for at least the next 12 months.

## Historical Cash Flow Information

### Net current assets

Net current assets (current assets less current liabilities) were \$516.6 million and \$418.9 million as of September 30, 2018 and December 31, 2017, respectively, as summarized in the following table:

(in thousands)	September 30, 2018	December 31, 2017
Cash and cash equivalents	\$ 57,691	\$ 11,750
Accounts receivable, net of allowances (a)	380,307	322,892
Inventories, net (a)	356,608	309,060
Other current assets (a)	95,634	90,435
Accounts payable, accrued expenses and other current liabilities (a)	(366,656)	(307,538)
Current portion of long-term debt and capital lease obligations	(6,964)	(7,739)
Total net current assets	\$ 516,620	\$ 418,860

(a) Effective January 1, 2018, as part of the Company's adoption of Topic 606, certain amounts within net current assets were reclassified. See Note 6 to the unaudited condensed consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q for a discussion of the changes, including the reclassifications made, resulting from our adoption of Topic 606.

Accounts receivable, net, increased \$57.4 million from December 31, 2017 to September 30, 2018 primarily due to seasonal increases in sales. Days sales outstanding (measured against net sales in the current fiscal quarter of each period) were 35 days at December 31, 2017 and September 30, 2018.

Inventories, net, increased \$47.5 million from December 31, 2017 to September 30, 2018 primarily due to commodity price inflation and seasonal increases in inventory purchases. Inventory days on hand (measured against cost of sales in the current fiscal quarter of each period) were 43 days at December 31, 2017 and September 30, 2018.

Accounts payable, accrued expenses and other current liabilities increased \$59.1 million from December 31, 2017 to September 30, 2018 primarily due to an increase in accounts payable related to increased inventory purchases in connection with seasonally higher sales volume.

### Cash flows from operating activities

Net cash provided by operating activities was \$110.6 million and \$48.2 million for the nine months ended September 30, 2018 and 2017, respectively, as summarized in the following table:

(in thousands)	Nine Months Ended September 30,	
	2018	2017
Net income	\$ 91,622	\$ 39,783
Non-cash expenses	55,300	59,209
Change in deferred income taxes	1,314	1,755
Change in working capital and other assets and liabilities	(37,598)	(52,567)
Net cash provided by operating activities	\$ 110,638	\$ 48,180

Net cash provided by operating activities increased by \$62.5 million for the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017. This increase was primarily related to improved profitability and changes in working capital and others assets and liabilities. Changes in working capital and other assets and liabilities relate primarily to the timing of cash received from customers and cash paid to vendors.

### Cash flows from investing activities

Net cash used in investing activities was \$50.7 million and \$86.5 million for the nine months ended September 30, 2018 and 2017 , respectively, as summarized in the following table:

(in thousands)	Nine Months Ended September 30,	
	2018	2017
Purchases of property, equipment and real estate	\$ (42,704)	\$ (51,292)
Purchases of businesses, net of cash acquired	(20,970)	(38,737)
Insurance proceeds	1,991	—
Proceeds from sale of property, equipment and real estate	10,968	3,545
Net cash used in investing activities	\$ (50,715)	\$ (86,484)

Cash used for the purchase of property, equipment and real estate for the nine months ended September 30, 2018 and 2017 resulted primarily from the purchase of vehicles and equipment to support increased sales volume and replace aged assets, and facility and technology investments to support our operations.

Purchases of businesses, net of cash acquired, for the nine months ended September 30, 2018 related to the cash paid at closing for the acquisition of Shone Lumber. Purchases of businesses, net of cash acquired, for the nine months ended September 30, 2017 , related to the cash paid at closing for the acquisitions of TexPly and Code Plus.

During the nine months ended September 30, 2018 , the Company received insurance proceeds related to a fire at one of the Company's facilities during 2015, of which \$2.0 million related to property, plant and equipment damaged in the fire.

Proceeds from the sale of property, equipment and real estate during the nine months ended September 30, 2018 and 2017 related primarily to the sale of real estate of \$10.2 million and \$3.0 million , respectively.

### Cash flows from financing activities

Net cash (used in) provided by financing activities was \$(14.0) million and \$41.5 million for the nine months ended September 30, 2018 and 2017 , respectively, as summarized in the following table:

(in thousands)	Nine Months Ended September 30,	
	2018	2017
Net (repayments of) proceeds from Revolver	\$ (4,462)	\$ 51,832
Payments on capital lease obligations and other notes	(6,012)	(10,356)
Other financing activities, net	(3,508)	28
Net cash (used in) provided by financing activities	\$ (13,982)	\$ 41,504

The Company made net repayments of \$4.5 million and net borrowings of \$51.8 million on the Revolver during the nine months ended September 30, 2018 and 2017, respectively. The net repayments during the nine months ended September 30, 2018 were the result of aggregate payments under the Revolver, partially offset by borrowings to fund the acquisition of Shone Lumber. A portion of the net borrowings during the nine months ended September 30, 2017 was used to fund the acquisitions of Code Plus and TexPly during March 2017 and April 2017, respectively.

Payments on capital lease obligations and other notes declined by \$4.3 million for the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017 due primarily to one-time payments made during the nine months ended September 30, 2017 related to the payoff of certain other notes.

Proceeds from the exercise of stock options, which are included in other financing activities, net, were \$1.3 million for the nine months ended September 30, 2018 compared to \$2.7 million for the nine months ended September 30, 2017 . Purchases of treasury shares, which are also included in other financing activities, net, were \$1.7 million for the nine months ended September 30, 2018 compared to \$0.3 million for the nine months ended September 30, 2017 . For the nine months ended September 30, 2018 , other financing activities also include net repayments of secured borrowings and the release of the holdback for the Code Plus acquisition. For the nine months ended September 30, 2017 , other financing activities also include net repayments of secured borrowings and payments of debt issuance costs.

### **Capital expenditures**

Capital expenditures vary depending on prevailing business factors, including current and anticipated market conditions. We expect our 2018 capital expenditures, including the incurrence of capital lease obligations and net of proceeds from the sale of property, equipment and real estate, to be approximately \$55.0 million to \$65.0 million primarily related to vehicles and equipment, including lease buyouts, to replace aged assets and support increased sales volume, and facility and technology investments to support our operations. For the nine months ended September 30, 2018, capital expenditures, including the incurrence of capital lease obligations and net of proceeds from the sale of property, equipment and real estate, were \$32.6 million.

### **Senior secured notes**

On September 15, 2016, the Company issued \$350.0 million of Senior Notes. The Senior Notes mature on October 1, 2024 and are secured by a first priority lien on certain assets of the Company and a second priority lien on the collateral that secures the Credit Agreement, which collectively approximates substantially all assets of the Company. The interest rate is fixed at 5.5% and is payable semiannually on April 1 and October 1. The indenture governing the Senior Notes (the "Indenture") contains customary nonfinancial covenants, including restrictions on new indebtedness, issuance of liens and guarantees, investments, distributions to equityholders, asset sales and affiliate transactions. The Senior Notes were issued by BMC East, LLC, a 100% owned subsidiary of the Company, and are guaranteed by the Company and the other subsidiaries that guarantee the Credit Agreement. Each of the subsidiary guarantors is 100% owned, directly or indirectly, by the Company, and all guarantees are full and unconditional and joint and several. We were in compliance with all covenants under the Indenture as of September 30, 2018.

### **Revolving credit agreement**

On December 1, 2015, in connection with the Merger, the Company entered into the Original Credit Agreement with Wells Fargo Capital Finance, as administrative agent, and certain other lenders. The Credit Agreement, which includes the Revolver, has an aggregate commitment of \$375.0 million and a letters of credit sublimit of \$100.0 million. The Revolver matures at the earlier of (i) December 1, 2020 and (ii) the date that is three months prior to the maturity of the Senior Notes (or if the Senior Notes are refinanced or repaid, the date that is three months prior to the new maturity date of the replacement notes or other indebtedness that replaced or refinanced the Senior Notes). The Revolver is subject to an asset-based borrowing formula on eligible accounts receivable, credit card receivables and inventory, in each case reduced by certain reserves.

Borrowings under the Revolver bear interest, at our option, at either the Base Rate (which means the higher of (i) the Federal Funds Rate plus 0.5%, (ii) the LIBOR rate plus 1.0% or (iii) the prime rate) plus a Base Rate Margin (which ranges from 0.25% to 0.75% based on Revolver availability) or LIBOR plus a LIBOR Rate Margin (which ranges from 1.25% to 1.75% based on Revolver availability). The fee on any outstanding letters of credit issued under the Revolver ranges from 0.75% to 1.25%, depending on whether the letters of credit are fully cash collateralized. The fee on the unused portion of the Revolver is 0.25%.

The Credit Agreement contains customary nonfinancial covenants, including restrictions on new indebtedness, issuance of liens, investments, distributions to equityholders, asset sales and affiliate transactions. The Credit Agreement includes a financial covenant that requires us to maintain a minimum Fixed Charge Coverage Ratio of 1.00:1.00, as defined therein. However, the covenant is only applicable if excess availability under the Credit Agreement is less than or equal to the greater of (i) \$33.3 million and (ii) 10% of the line cap, and remains in effect until excess availability has been greater than the greater of (i) \$33.3 million and (ii) 10% of the line cap for 30 consecutive days. While there can be no assurances, based upon our forecast, we do not expect the financial covenant to become applicable during the year ended December 31, 2018. We were in compliance with all covenants under the Credit Agreement as of September 30, 2018.

We had no outstanding borrowings with net availability of \$313.9 million as of September 30, 2018. We had \$61.1 million in letters of credit outstanding under the Credit Agreement as of September 30, 2018.

### **Contractual Obligations and Commercial Commitments**

The Company was obligated under certain purchase commitments totaling approximately \$10.0 million at September 30, 2018 that are non-cancellable, enforceable and legally binding on us. These purchase commitments consist primarily of obligations for vehicle purchases and facility improvements. Subsequent to September 30, 2018, the Company became obligated for an additional \$30.0 million of purchase commitments, primarily for the purchase of vehicles.

### **Off-Balance Sheet Arrangements**

At September 30, 2018 and December 31, 2017, other than operating leases and letters of credit issued under the Credit Agreement, we had no material off-balance sheet arrangements with unconsolidated entities.

### **Recently Issued Accounting Pronouncements**

See Note 2 to the unaudited condensed consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q for a summary of recently issued accounting pronouncements.

### **Critical Accounting Policies**

Except for our accounting policies impacted by our adoption of Topic 606, there have been no material changes to the critical accounting policies as disclosed in the Company's 2017 Annual Report on Form 10-K. See Note 6 to the unaudited condensed consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q for a discussion of the changes to the critical accounting policies resulting from our adoption of Topic 606.

### **ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There have been no material changes to the market risks as disclosed in the Company's 2017 Annual Report on Form 10-K.

### **ITEM 4 CONTROLS AND PROCEDURES**

#### **Disclosure controls and procedures**

Our management is responsible for establishing and maintaining disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These disclosure controls and procedures are designed to ensure 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. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

We have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q, with the participation of our Chief Executive Officer and Chief Financial Officer, as well as other key members of our management. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2018 .

The design of any system of control is based upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated objectives under all future events, no matter how remote, or that the degree of compliance with the policies or procedures may not deteriorate. Because of their inherent limitations, disclosure controls and procedures may not prevent or detect all misstatements. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

#### **Changes in internal control over financial reporting**

There was no change in our internal control over financial reporting during the three months ended September 30, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **ITEM 1 LEGAL PROCEEDINGS**

We are currently involved in various claims, legal proceedings and lawsuits incidental to the conduct of our business in the ordinary course. We are a defendant in various pending lawsuits, legal proceedings and claims arising from assertions of alleged product liability, warranty, casualty, construction defect, contract, tort, employment and other claims. We carry insurance in such amounts in excess of our self-insurance or deductibles as we believe to be reasonable under the circumstances although insurance may or may not cover any or all of our liabilities in respect of claims and lawsuits. We do not currently believe that the ultimate resolution of these matters will have a material adverse effect on our consolidated financial position, cash flows or operating results.

### **ITEM 1A RISK FACTORS**

There have been no material changes to our risk factors from the risk factors disclosed in our 2017 Annual Report on Form 10-K. The risks described in our 2017 Annual Report on Form 10-K, in addition to the other information set forth in this Quarterly Report on Form 10-Q, 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.

### **ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

### **ITEM 3 DEFAULTS UPON SENIOR SECURITIES**

None.

### **ITEM 4 MINE SAFETY DISCLOSURES**

Not applicable.

### **ITEM 5 OTHER INFORMATION**

None.

**ITEM 6 EXHIBITS****EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description</b>
10.1 #	<a href="#">Employment Agreement, dated as of August 23, 2018, by and between David E. Flitman and BMC Stock Holdings, Inc.</a>
10.2 #	<a href="#">Amendment to Employment Agreement, dated as of August 27, 2018, by and between Michael McGaugh and BMC Stock Holdings, Inc.</a>
31.1	<a href="#">Certification by David E. Flitman, President and Chief Executive Officer, pursuant to Exchange Act Rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2	<a href="#">Certification by James F. Major, Jr., Executive Vice President, Chief Financial Officer and Treasurer, pursuant to Exchange Act Rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1	<a href="#">Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
32.2	<a href="#">Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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# Denotes management compensatory plan or arrangement.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 1, 2018

BMC STOCK HOLDINGS, INC.

By: /s/ James F. Major, Jr.

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Executive Vice President, Chief Financial Officer and Treasurer

(Principal financial and accounting officer and duly authorized officer)

## EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this “**Agreement**”) is entered into as of August 23, 2018 between David E. Flitman (“**Executive**”) and BMC STOCK HOLDINGS, INC., a Delaware corporation (the “**Company**”).

### RECITALS

WHEREAS, Executive and the Company desire to enter into an Employment Agreement setting forth the terms and conditions of Executive’s employment by the Company.

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

### TERMS AND CONDITIONS

#### SECTION 1 EMPLOYMENT

1.1 Employment. The Company hereby employs Executive and Executive hereby accepts such employment by the Company as of the Effective Date for the period and upon the terms and conditions contained in this Agreement.

1.2 Position and Duties. Executive shall serve the Company effective as of the date as this Agreement as President and Chief Executive Officer. Executive shall have all of the powers and duties in such capacity that are customary to the powers and duties of those of a President and Chief Executive Officer serving in a similar role in a company within the industry in which the Company operates. The foregoing powers and duties shall be subject to the direction of the Company’s Board of Directors (the “**Board**”). Executive shall report to the Board. Effective the Effective Date (defined below), Executive shall be appointed to the Board, and thereafter during his employment shall be renominated to serve as a director upon expiration of each of his Board terms. 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. However, Executive may continue his service on the board of directors of Veritiv Corporation (NYSE: VRTV), to the extent it does not interfere with Executive’s duties to 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 his duties to the Company), without the prior written consent of the Board or a Committee designated by the Board to approve such matters.

1.3 Effective Date; Indefinite Term. Executive’s employment under this Agreement shall begin on the latest of the mutual execution of this Agreement, the effective date mutually agreed to by the Company and the Executive, and the date this Agreement is approved by the Board or, where required, the requisite independent directors on the Board (“**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**”).

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## 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 \$775,000 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, the 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 independent directors on 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 incentive award plan for management and executives as 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**”). With respect to the 2018 calendar year, Executive shall be eligible for a prorated bonus taking into account actual performance, based on the period of his employment with the Company during 2018, payable in the manner and at the time bonuses for such year are paid to other executives.

(c) **Annual Equity Grant.** Commencing with the annual awards to senior executives in calendar year 2019, during the term of employment, Executive shall be eligible to participate under the Company’s 2013 Incentive Compensation Plan (as amended through the date hereof, or successor plan) (“**Plan**”) for the award of an annual grant of equity (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, as appropriate, based upon any of the factors described in the Plan in addition to general factors relating to retention of talent.

(d) **Sign-On Equity Grant.** As of the Effective Date, Executive shall receive a one-time grant of equity awards consisting of the following, pursuant to and subject to the Plan and award agreements between the Company and Executive, which Plan and award agreements shall control in the event of any conflict with this SECTION 2.1(d):

(i) a number of time-based restricted stock units (“RSUs”) to be calculated as \$1,166,667 divided by the closing price of the Company’s common stock on the trading day prior to the date of grant. The RSUs shall vest in three substantially equivalent installments on the first three anniversaries of the Effective Date, subject to Executive’s continued employment except as otherwise specifically provided in this Agreement; and

(ii) a target number of performance-based restricted stock units (“PSUs”) to be calculated as \$2,333,333 divided by closing price on the trading day prior to date of grant. Subject to Executive’s continued employment except as specifically provided in this Agreement, the PSUs will vest on December 31, 2021, subject to the Compensation Committee’s certification of the achievement of certain performance

goals over the period from January 1, 2019 through December 31, 2021 (the “ **Performance Period** ”). The actual number of shares of common stock that will be issued in connection with settlement of the PSUs could range from zero to a maximum of 200% of the target number identified in the first sentence of this subsection (ii), based upon the Company’s performance over the Performance Period, using cumulative Adjusted Earnings Per Share (“Adjusted EPS”) (weighted 50%) and Average Return on Invested Capital (“Average ROIC”) (weighted 50%) over such period as the financial metrics. No PSUs will vest based on Cumulative Adjusted EPS if the total is below \$5.87 per share and no PSUs will vest based on Average ROIC if the average is below 12%.

(e) Sign-On Cash Bonus. Within thirty (30) days after the Effective Date, the Company shall pay Executive a lump sum cash amount of \$200,000 (less applicable tax withholdings) to compensate Executive for, among other things, the portion of his fiscal year 2019 annual bonus accrued through the Effective Date. Executive shall refund this sign-on bonus in the event that Executive voluntarily terminates his employment (other than for Good Reason, as defined below), or in the event the Company terminates his employment for Cause (as defined below), prior to the first anniversary of the Effective Date.

## 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 his duties upon presentation of documents in accordance with the reasonable procedures established by the Company.

2.4 Relocation Benefits. Executive will be provided relocation benefits in connection with Executive’s relocation to Raleigh, North Carolina pursuant to the Company’s executive relocation policy; provided, Executive may be entitled to an additional period of covered temporary housing benefits than provided under such policy as may be approved by the Board on a calendar quarterly basis (in advance).

### 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 the Executive's employment for Cause. As used in this Agreement, "Cause" shall mean that the 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 him under this Agreement;

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

(v) materially fails to attempt in good faith 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 attempt in good faith to comply with a lawful directive of the Board 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 his 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 in a material way, (B) constitutes a material breach of this Agreement, including SECTION 4, or (C) constitutes a material breach of his 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 (iii), (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) Due to Death or Disability. Executive’s employment shall terminate upon Executive’s death and the Company may terminate Executive’s employment due to Executive’s Disability. As used in this Agreement, “**Disability**” shall mean any physical or mental disability or incapacity that is reasonably expected to render Executive incapable of fully performing the services required of Executive by the Company for a period of 180 consecutive days or for shorter periods aggregating 180 days during any twelve (12) month period. For purposes of the definition of “Disability”, “Company” shall include any subsidiary, business unit or affiliate of the Company. Any question as to the existence of a Disability upon which Executive and the Company cannot agree shall be determined by a qualified independent physician selected by the Company, with the consent of the Executive, which consent shall not be unreasonably withheld. The determination of such physician made in writing to the Company and Executive shall be final and conclusive for all purposes of determining Disability under this Agreement.

(c) 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 (i) for Cause pursuant to SECTION 3.1(a) above or (ii) due to death or Disability pursuant to SECTION 3.1(b) above.

### 3.2 By the Executive:

(a) Without Good Reason. Executive may terminate his 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 his employment under this Agreement For Good Reason. As used in this Agreement, “**For Good Reason**” shall mean any of the following: (i) a material diminution in the Executive’s Base Salary or Target Annual Cash Bonus, (ii) a material diminution in Executive’s title, authority, duties and responsibilities as compared to Executive’s title, authority, duties and responsibilities measured immediately after the Effective Date, (iii) any requirement that the Executive report to anyone but the Board or the removal of Executive by the Board or failure to renominate Executive as a member of the Board, (iv) any material breach by the Company or related entities of this Agreement or the Executive’s other agreements with the Company or related entities, (v) there is a Change in Control and the successor to the Company, if applicable, does not assume and continue this Agreement, and

(vi) any requirement by the Company that the Executive relocate his personal residence to any city more than fifty (50) miles from Raleigh, North Carolina.

Notwithstanding the foregoing, no event shall be a Good Reason event unless (i) the Executive gives the Company written notice that he 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) the 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 his resignation by a court of competent jurisdiction or otherwise.

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 hereof shall terminate, except that the Company shall pay to the Executive or, if applicable, the 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 termination for Cause or a voluntary termination by Executive without Good Reason, his 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, for Executive's death, for Executive's Disability, or if Executive terminates his 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. In the event of Executive's death or Executive's Disability, if Executive is unable to execute and deliver such Separation Agreement and General Release, execution and delivery may be completed by Executive's spouse, if available, or if such spouse is unavailable due to death or incapacity, any other adult member of Executive's immediate family. 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 the 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, 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 200% of his current annualized Base Salary which shall be paid to Executive on a salary continuation basis according to the Company's normal payroll practices over the 24 month period following the date the Executive incurs a Separation from Service, but in no event less frequently than monthly.
- (ii) An amount equal to 200% of the Executive's Target Bonus referenced in SECTION 2.1(b) (based upon his Base Salary as of the date of termination) which shall be paid to Executive in equal installments according to the Company's normal payroll practices over the 24 month period following the date the Executive incurs a Separation from Service, but in no event less frequently than monthly.
- (iii) Subject to (1) the Executive's timely election of continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), and (2) the Executive's continued copayment of premiums at the same level and cost to the Executive as if the 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 the Executive (and the Executive's eligible dependents) for a period of eighteen (18) months at the Company's expense, provided that the Executive is eligible and remains eligible for COBRA coverage. The Company may modify its obligation under this SECTION 3.4(a)(ii) 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.
- (iv) The Company shall accelerate the vesting of the Executive's then-outstanding and unvested stock options, stock appreciation rights, restricted stock units or shares, or any other Company time-based equity compensation awards, to the extent that such awards would have vested solely upon the Executive's continued employment within twelve months following the date of termination.
- (v) In addition to the benefits described in SECTION 3.4(a)(i), (ii) and (iii), in the event that there is a Change in Control of the Company and (1) the successor fails to assume and continue this Agreement, or (2) within ninety (90) days preceding or within six (6) months after the Change in Control (a) the Executive is terminated without Cause, or (b) Executive terminates for Good Reason, then (I) Company shall accelerate the vesting of (x) the Executive's then-outstanding and unvested stock options, stock appreciation rights, restricted stock units or shares, or any other Company time-based equity compensation awards, to the extent that such awards would have vested solely upon the Executive's continued employment, such that one hundred percent (100%) of such awards become vested in full and (y) the target level of the Executive's then-outstanding performance stock units or other Company equity compensation awards that vest based on achievement of specified performance criteria, such that such awards become fully vested at

the target level of award, (II) the reference to “200%” in SECTION 3.4(a)(i) shall be modified to read “300%”, and (III) the reference to “200%” in SECTION 3.4(a)(ii) shall be modified to read “300%”.

(b) Termination for Executive’s Death or Disability. In the event of Executive’s death or Disability, the Company shall accelerate the vesting of the Executive’s then-outstanding and unvested stock options, stock appreciation rights, restricted stock units or shares, or any other Company time-based equity compensation awards, to the extent that such awards would have vested solely upon the Executive’s continued employment within twelve months following the date of termination, or if more favorable to Executive such awards shall vest in accordance with any such more favorable terms that may be provided in the award agreements.

(c) 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 the 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.

(d) Notwithstanding anything to the contrary in this Agreement, with respect to any severance benefits or amounts payable to the Executive under this Agreement, in no event shall a termination of employment occur under this Agreement unless such termination constitutes a Separation from Service. For purposes of this Agreement, a “ **Separation from Service** ” shall mean the Executive’s “separation from service” with the Company as such term is defined in Treasury Regulation Section 1.409A-1(h) and any successor provision thereto.

Notwithstanding anything to the contrary in this Agreement, to the maximum extent permitted by applicable law, amounts payable to the Executive pursuant to this SECTION 3.4 shall be made in reliance upon Treas. Reg. Section 1.409A-1(b)(9) (Separation Pay Plans) or Treas. Reg. Section 1.409A-1(b)(4) (Short-Term Deferrals). However, to the extent any such payments are treated as non-qualified deferred compensation subject to Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”), then if Executive is deemed at the time of his Separation from Service to be a “specified employee” for purposes of Section 409A(a)(2)(B)(i) of the Code, then to the extent delayed commencement of any portion of the benefits to which the Executive is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of the Executive’s termination benefits shall not be provided to the Executive prior to the earlier of (i) the expiration of the six-month period measured from the date of the Executive’s Separation from Service or (ii) the date of Executive’s death. Upon the earlier of such dates, all payments deferred pursuant to this SECTION 3.4(d) shall be paid in a lump sum to the Executive. Thereafter, payments will resume in accordance with this Agreement. The determination of whether the Executive is a “specified employee” for purposes of Section 409A(a)(2)(B)(i) of the Code as of the time of his Separation from Service shall be made by the Company in accordance with the terms of Section 409A of the Code and applicable guidance thereunder (including without limitation Treas. Reg. Section 1.409A-1(i) and any successor provision thereto).

(e) The 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.

(f) The term “ **Change in Control** ” shall mean the occurrence of any of the following events: (i) the Board approves a plan of liquidation, dissolution or winding-up of the Company, (ii) the consummation of a sale or other disposition of all or substantially all of the assets of the Company and its subsidiaries, (iii) any “person,” as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (other than the Company, any trustee or other fiduciary holding securities under any employee benefit plan of the Company, or any company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of Common Stock of the Company), becoming the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the Company’s then outstanding securities or otherwise acquiring the power to elect or designate a majority of the members of the Board, (iv) a merger or consolidation of the Company with any other corporation or entity (a “ **Merger Partner** ”), as a result of which (A) the voting securities of the Merger Partner outstanding immediately prior thereto represent (either by remaining outstanding or by being converted into voting securities of a surviving entity) more than 50% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or (B) the shareholders of the Merger Partner immediately prior thereto have the power to elect or designate a majority of the members of the Board of the Company or such surviving entity; provided, however, that a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no person (other than those covered by the exceptions in clause (iii) above) acquires more than 50% of the combined voting power of the Company’s then outstanding securities or the power to elect or designate a majority of the members of the Board shall not constitute a Change in Control of the Company.

## 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. 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.

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. The parties understand and agree that the purpose of the restrictions contained in this SECTION 5 is to protect the goodwill and other legitimate business interests of the Company, 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 his or her ability to make a living after the termination of his or her employment with the Company. The provisions of SECTION 4 and SECTION 5 shall survive the expiration or sooner termination of this Agreement. For purposes of SECTION 4 and SECTION 5, “ **Company** ” shall include any subsidiary, business unit or affiliate of the Company with respect to which Executive performs Executive’s duties.

5.2 Non-Compete; Non-Diversion. In consideration for this Agreement to employ Executive and other valuable consideration provided hereunder, Executive agrees and covenants that during the term of employment and for a period of twenty-four months after the Termination Date, Executive shall not, directly or indirectly, for himself or any third party, or alone or as a member of a partnership or limited liability company, or as an officer, director, shareholder, member or otherwise, engage in the following acts:

- (a) divert or attempt to divert any existing business of the Company provided that after the Termination Date this shall not prevent normal competitive sales for a nonListed Company (as defined below);
- (b) solicit, induce or entice, or seek to solicit, induce or entice, or otherwise interfere with the Company’s business relationship with, any customer of the Company, provided that after the Termination Date this shall not prevent normal competitive sales activities for a non-Listed Company;
- (c) (1) during the term of employment, render any services (whether as an independent contractor or otherwise) on behalf of a "Listed Company" (as defined below), and (2) for a period of twenty-four (24) months after the Termination Date, render any services (whether as an independent contractor or otherwise) on behalf of any Listed Company;
- (d) own or control any interest in (except as a passive investor of less than two percent (2%) of the capital stock or publicly traded notes or debentures of a publicly held company), or become an officer, director, partner, member, or joint venturer of, any Competing Business, provided that after the Termination Date this shall only apply to the Listed Companies;
- (e) advance credit or lend money to any third party for the purpose of establishing or operating any Competing Business, provided that after the Termination Date this shall only apply to the Listed Companies; or
- (f) with respect to any substantially full time independent contractor of the Company, employee of the Company or individual who was, at any time during the three months prior to the Termination Date, an employee of the Company: (A) hire or retain, or attempt to hire or retain, such individual to provide services for any third party; or (B) encourage, induce, solicit or attempt to solicit, divert, cause or attempt to cause, such individual to (1) terminate and/or leave his

or her employment, (2) accept employment with any person or entity other than the Company, or (3) terminate his or her relationship with the Company or devote less than his or her full time efforts to the Company.

As used herein, “ **Listed Company** ” means one of ten (10) companies that are material competitors as identified by the Company, provided that the Company may at any time change such ten (10) companies to alternative competitors so long as the number does not exceed ten (10), no change can be effective after the termination of Executive’s employment with the Company and any change shall be effective thirty (30) days after Executive is given written notice thereof and only if at the end of such thirty (30) day period the Executive is employed by the Company. As of the Effective Date, the Listed Companies are limited to: 84 Lumber Co., Builders FirstSource, Inc., HD Supply, Inc., Ganahl Lumber Co., US LBM Holdings, LLC, Carter Lumber Company, Parr Lumber Company and McCoy Corporation (dba McCoy’s Building Supply).

5.3 Cessation/Reimbursement of Payments. If Executive violates any provision of SECTION 4 or SECTION 5, the Company may, upon giving written notice to Executive, immediately cease all payments and benefits that it may be providing to Executive pursuant to SECTION 2 or SECTION 3, and Executive shall be required to reimburse the Company for any payments received from, and the cash value of any benefits provided by, the Company between the first day of the violation and the date such notice is given; 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 his or 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 the Executive’s employment. Executive acknowledges that a breach by him 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 he 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:** BMC Stock Holdings, Inc.  
Attn: General Counsel  
Two Lake Side Commons, Suite 500  
980 Hammond Drive  
Atlanta, GA 30328

**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 Georgia without regard to its principles of conflicts of laws. Executive: agrees to submit to the jurisdiction of the State of Georgia; agrees that any dispute concerning this Agreement shall be brought exclusively in a state or federal court of competent jurisdiction in Georgia; and agrees that other than disputes involving SECTION 4 or SECTION 5, all disputes shall be settled through arbitration pursuant to SECTION 6.14. 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 immediately. 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 the 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 freely.

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 and incorporated herein by this reference. 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 the 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 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 the Executive shall not affect in-kind benefits or reimbursements to be provided in any other tax year of the Executive, except for the reimbursement of medical expenses referred to in Section 105(b) of the 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 the 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 the 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 6.11 shall only apply to in-kind benefits and reimbursements that would result in taxable compensation income to the Executive.

6.12 Section 409A. This Agreement is intended to be written, administered, interpreted and construed in a manner such that no payment or benefits provided under this Agreement become subject to (a) the gross income inclusion set forth within Code Section 409A(a)(1)(A) or (b) the

interest and additional tax set forth within Code Section 409A(a)(1)(B) (together, referred to herein as the “ **Section 409A Penalties**”), including, where appropriate, the construction of defined terms to have meanings that would not cause the imposition of Section 409A Penalties. In no event shall the Company be required to provide a tax gross-up payment to Executive or otherwise reimburse Executive with respect to Section 409A Penalties. In the event that following the date hereof the Company reasonably determines that any compensation or benefits payable under this Agreement may be subject to Section 409A of the Code, the Company and the Executive shall work together to adopt such amendments to this Agreement or adopt other policies or procedures (including amendments, policies and procedures with retroactive effect), or take any other commercially reasonable actions necessary or appropriate to (x) exempt the compensation and benefits payable under this Agreement from Section 409A of the Code and/or preserve the intended tax treatment of the compensation and benefits provided with respect to this Agreement or (y) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance.

6.13 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 he takes in good faith with regard to the Company or parent or any benefit plan of either, in accordance with the Company’s Articles 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.

6.14 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 Atlanta, Georgia. 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.

6.15. 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 the Executive to tax under Section 4999 of the Code, it must be

determined whether the Executive will receive the total payments due or the Reduced Amount. The 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 the 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 the 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 the 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 6.15 are binding upon the Company and the Executive, subject to any differing determination by the Internal Revenue Service.

It is the intention of the Company and the Executive to reduce the payments under this Agreement and any other plan, agreement or arrangement only if the aggregate Net After Tax Receipts to the 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 the 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 the Executive. The 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 the Executive, including Section 4999 of the Code, determined by applying the highest marginal rate of income taxes which applied to the 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 the Executive without subjecting the Executive to tax under Section 4999 of the Code.

Executive's Initials: /s/ DEF    Company's Initials: /s/ DWB

[Signatures on following page]

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

<p>COMPANY:</p> <p>BMC STOCK HOLDINGS, INC.</p> <p>By: /s/ David Bullock Its: Chairman of Board of Directors</p>	<p>EXECUTIVE:</p> <p>/s/ David E. Flitman David E. Flitman</p>
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EXHIBIT A

SEPARATION AGREEMENT AND GENERAL RELEASE

This Separation Agreement and General Release (this "Agreement") is made as of by and between [\_\_\_\_\_] ("Executive") and BMC STOCK HOLDINGS, 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, the Executive shall receive (a) his 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, and (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) shall receive 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 his 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, the Company agrees to pay to Executive the amounts provided in SECTION 3.4 of that certain Employment Agreement, dated as of [\_\_\_\_\_] by and between the 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, his or her heirs, executors, personal representatives, administrators and assigns, irrevocably, knowingly and unconditionally releases, remises and discharges the Company, its parents, all current or former affiliated or related companies of the Company and its parent, partnerships, or joint ventures, and, with respect to each of them, all of the Company's or such related entities' predecessors and successors, and with respect to each such entity, its officers, directors, managers, Executives, equity holders, advisors and counsel (collectively, the "Company Parties") from any and all actions, causes of action, charges, complaints, claims, damages, demands, debts, lawsuits, rights, understandings and obligations of any kind, nature or description whatsoever, known or unknown (collectively,

the “Claims”), arising out of or relating to the Executive’s employment with the Company and/or the separation of Executive from the Company.

(b) This general release of Claims by Executive includes, without limitation, (i) all Claims based upon actions or omissions (or alleged actions or omissions) that have occurred up to and including the date of this Agreement, regardless of ripeness or other limitation on immediate pursuit of any Claim in the absence of this Agreement; (ii) all Claims relating to or arising out of Executive’s employment with and separation from the Company; (iii) all Claims (including Claims for discrimination, harassment, and retaliation) arising under any federal, state or local statute, regulation, ordinance, or the common law, including without limitation, Claims arising under Title VII of the Civil Rights Act of 1964, the Americans With Disabilities Act, the Age Discrimination in Employment Act, as amended, the Family and Medical Leave Act and 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, and any other federal or state law, local ordinance or common law including for wrongful discharge, breach of implied or express contract, intentional or negligent infliction of emotional distress, defamation or other tort; and (iv) all Claims for reinstatement, attorney’s fees, interest, costs, wages or other compensation.

(c) Executive agrees that there is a risk that each and every injury which he or she may have suffered by reason of his or 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 he or she fully understands that by the execution of this Agreement no further claims for any such injuries may ever be asserted.

(d) This general release does not release any Claim that relates to: (i) Executive’s right to enforce this Agreement; (ii) 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, EPLI, or directors and officers insurance policy or any contractual indemnification agreement; (iii) Executive’s right, if any, to government provided unemployment and worker’s compensation benefits; or (iv) Executive’s rights under any Company Executive benefit plans (i.e. health, disability or retirement plans), which by their explicit terms survive the termination of Executive’s employment.

(e) 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.

(f) 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.

(g) 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 his or her option execute this Agreement at any time during the Review Period. If the 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;

(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 with respect to any Claim under the ADEA until the seven-day period has expired (“Revocation Period Expiration Date”). Notice of a revocation by the 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(g)(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, BMC Stock Holdings, Inc., Two Lake Side Commons, Suite 500, 980 Hammond Drive, Atlanta, Georgia 30328. In the event that Executive exercises his or her right to revoke this release pursuant to SECTION 4(g)(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 he or she has voluntarily waived his or her right to consider this Agreement for the full forty-five (45) day period.

EXECUTIVE AGREES THAT THE CONSIDERATION RECEIVED BY HIM OR HER UNDER THIS AGREEMENT, INCLUDING THE PAYMENTS DESCRIBED ABOVE, IS IN FULL AND COMPLETE SATISFACTION OF ANY CLAIMS THAT EXECUTIVE MAY HAVE, OR MAY HAVE HAD, ARISING OUT OF EXECUTIVE'S EMPLOYMENT WITH THE COMPANY (INCLUDING FOR THE AVOIDANCE OF DOUBT, ALL OF ITS SUBSIDIARIES OR AFFILIATES) OR THE TERMINATION OF THAT EMPLOYMENT, UP TO THE DATE OF EXECUTION OF THIS AGREEMENT. EXECUTIVE ACKNOWLEDGES THAT HE OR SHE UNDERSTANDS THAT, BY ENTERING INTO THIS AGREEMENT, HE OR SHE NO LONGER HAS THE RIGHT TO ASSERT ANY CLAIM OR LAWSUIT OF ANY KIND ATTEMPTING TO RECOVER MONEY OR ANY OTHER RELIEF AGAINST THE COMPANY PARTIES FOR ACTS OR INJURIES ARISING OUT OF EXECUTIVE'S FORMER EMPLOYMENT BY COMPANY (INCLUDING FOR THE AVOIDANCE OF DOUBT, ALL OF ITS SUBSIDIARIES OR AFFILIATES) OR THE TERMINATION OF THAT EMPLOYMENT.

Such claims further include any claims Executive may have pursuant to an internal grievance procedure at Company (including for the avoidance of doubt, all of its subsidiaries or affiliates). Executive does not waive any rights or claims that may arise after the date this Agreement is executed.

5. **Review of Agreement; No Assignment of Claims.** Executive represents and warrants that he or 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 and that it will not file any Claim at any time regarding the matters covered by this Agreement; 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 or participating in any investigation or proceeding conducted by the Equal Employment Opportunity Commission; provided, further, that Executive acknowledges that he will not be entitled to recover any monetary or other damages in connection with or as a result of any such EEOC or federal employment practices agency proceeding.

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 Georgia 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.** For two (2) years, 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 his 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.** 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.

**EXECUTIVE ACKNOWLEDGES THE FOLLOWING: HE OR SHE HAS ENTERED INTO THIS AGREEMENT KNOWINGLY, VOLUNTARILY AND OF HIS OR HER**

**OWN FREE WILL WITH A FULL UNDERSTANDING OF ITS TERMS; HE OR SHE HAS READ THIS AGREEMENT; THAT HE OR SHE FULLY UNDERSTANDS ITS TERMS; THAT EXECUTIVE IS ADVISED TO CONSULT AN ATTORNEY FOR ADVICE; THAT HE OR SHE HAS THE RIGHT TO CONSULT WITH AN ATTORNEY PRIOR TO EXECUTING THIS AGREEMENT; THAT HE OR SHE HAS HAD AMPLE TIME TO CONSIDER HIS OR HER DECISION BEFORE ENTERING INTO THE AGREEMENT. EXECUTIVE ACKNOWLEDGES THAT HE OR SHE IS SATISFIED WITH THE TERMS OF THIS AGREEMENT AND AGREES THAT THE TERMS ARE BINDING UPON HIM OR HER.**

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

**EXECUTIVE ACKNOWLEDGES THAT HE OR SHE HAS BEEN ADVISED BY THE COMPANY OF HER ABILITY TO TAKE ADVANTAGE OF THE CONSIDERATION PERIOD AFFORDED BY SECTION 4 ABOVE AND THAT HE OR SHE HAS THE RIGHT TO CONSULT WITH AN ATTORNEY BEFORE SIGNING THIS AGREEMENT.**

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

BMC STOCK HOLDINGS, INC.

By:  
Name:  
Title:

**SEVERANCE AGREEMENT  
ATTACHMENT A**

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

August 27, 2018

Michael McGaugh

**Re: Amendment to Employment Agreement**

Dear Mike:

Reference is made to that Amended and Restated Employment Agreement between you and BMC Stock Holdings, Inc. (the "Company") dated as of August 1, 2017 (the "Employment Agreement"). You and the Company agree as follows:

1. In Section 3.1(b) of the Employment Agreement, the language "a qualified independent physician selected by Executive (or, if Executive is unable to make such selection, a selection shall be made by Executive's spouse, if available, or if such spouse is unavailable due to death or incapacity, any other adult member of Executive's immediate family), with the consent of the Company, which consent shall not be unreasonably withheld" is revised to read: "a qualified independent physician selected by the Company, with the consent of the Executive, which consent shall not be unreasonably withheld".

2. The Company acknowledges and agrees that the relocation of our headquarters from Atlanta, Georgia to Raleigh, North Carolina, which is scheduled to be effective as of September 30, 2018, will be treated as "Good Reason" under Section 3.2(b) of the Employment Agreement and that, with respect solely to such relocation of the Company's headquarters, the reference to "ninety (90) days" in the second paragraph of Section 3.2(b) of the Employment Agreement will be revised to read "fifteen (15) months" such that you may give written notice of the occurrence of such Good Reason event on or before December 31, 2019".

Except as specifically modified hereby, the Employment Agreement shall continue in effect without change. Please indicate your agreement to the provisions of this letter by signing below and returning a copy to me.

Sincerely,

/s/ David Keltner  
David Keltner  
Interim President and CEO

Acknowledged and Agreed:

/s/ Michael McGaugh  
Michael McGaugh

## CERTIFICATION

I, David E. Flitman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of BMC Stock Holdings, 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.

Date: November 1, 2018

/s/ David E. Flitman

David E. Flitman

President and Chief Executive Officer

(principal executive officer)

## CERTIFICATION

I, James F. Major, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of BMC Stock Holdings, 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.

Date: November 1, 2018

/s/ James F. Major, Jr.

James F. Major, Jr.  
Executive Vice President, Chief  
Financial Officer and Treasurer  
(principal financial officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of BMC Stock Holdings, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2018, as filed with the Securities and Exchange Commission (the "Report"), I, David E. Flitman, Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: November 1, 2018

/s/ David E. Flitman

David E. Flitman

President and Chief Executive Officer

(principal executive officer)

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

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of BMC Stock Holdings, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2018, as filed with the Securities and Exchange Commission (the "Report"), I, James F. Major, Jr., Executive Vice President, Chief Financial Officer and Treasurer of the Company, certify pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: November 1, 2018

/s/ James F. Major, Jr.

James F. Major, Jr.  
Executive Vice President, Chief  
Financial Officer and Treasurer  
(principal financial officer)

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