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

Form 10-Q

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

For the quarterly period ended September 30, 2021

OR

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

For the transition period from _______ to _______

Commission File Number 001-40620

BUILDERS FIRSTSOURCE, INC.
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**52-2084569** **(I.R.S. Employer Identification No.)**
2001 Bryan Street, Suite 1600 **Dallas, Texas** **(Address of principal executive offices)**	**75201** **(Zip Code)**

(214) 880-3500
(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common stock, par value $0.01 per share	**BLDR**	**New York Stock Exchange**

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

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

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Small reporting company	☐
Emerging growth company	☐		

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

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

The number of shares of the issuer's common stock, par value $0.01, outstanding as of November 2, 2021 was 191,501,088.

BUILDERS FIRSTSOURCE, INC.

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PART I — FINANCIAL INFORMATION

Item 1. ***Financial Statements (unaudited)***

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except per share amounts)	**2021**	**2020**	**2021**	**2020**
Net sales	$ 5,508,590	$ 2,295,450	$ 15,259,047	$ 6,028,114
Cost of sales	3,796,138	1,724,799	10,893,890	4,474,718
Gross margin	1,712,452	570,651	4,365,157	1,553,396
Selling, general and administrative expenses	875,012	430,893	2,599,523	1,223,436
Income from operations	837,440	139,758	1,765,634	329,960
Interest expense, net	35,954	28,043	95,593	106,786
Income before income taxes	801,486	111,715	1,670,041	223,174
Income tax expense	188,341	25,783	387,081	49,551
Net income	$ 613,145	$ 85,932	$ 1,282,960	$ 173,623
Net income per share:				
Basic	$ 3.00	$ 0.74	$ 6.23	$ 1.49
Diluted	$ 2.98	$ 0.73	$ 6.18	$ 1.48
Weighted average common shares:				
Basic	204,268	116,731	205,976	116,542
Diluted	205,630	118,026	207,513	117,690

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

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

(in thousands, except per share amounts)	September 30, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 224,735	$ 423,806
Accounts receivable, less allowances of $38,627 and $17,637 at September 30, 2021 and December 31, 2020, respectively	2,134,269	880,018
Other receivables	167,309	76,436
Inventories, net	1,616,553	784,527
Other current assets	88,368	58,895
Total current assets	4,231,234	2,223,682
Property, plant and equipment, net	1,336,890	749,130
Operating lease right-of-use assets, net	444,073	274,562
Goodwill	3,141,594	785,305
Intangible assets, net	1,629,363	119,882
Other assets, net	25,994	21,110
Total assets	$ 10,809,148	$ 4,173,671
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,004,521	$ 600,357
Accrued liabilities	930,189	385,536
Current portion of operating lease liabilities	94,651	61,625
Current maturities of long-term debt	3,819	27,335
Total current liabilities	2,033,180	1,074,853
Noncurrent portion of operating lease liabilities	360,271	219,239
Long-term debt, net of current maturities, discounts and issuance costs	2,419,664	1,596,905
Deferred income taxes	330,998	49,495
Other long-term liabilities	141,609	80,396
Total liabilities	5,285,722	3,020,888
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Preferred stock, $0.01 par value, 10,000 shares authorized; zero shares issued and outstanding	—	—
Common stock, $0.01 par value, 300,000 shares authorized; 196,288 and 116,829 shares issued and outstanding at September 30, 2021 and December 31, 2020, respectively	1,963	1,168
Additional paid-in capital	4,254,262	589,241
Retained earnings	1,267,201	562,374
Total stockholders' equity	5,523,426	1,152,783
Total liabilities and stockholders' equity	$ 10,809,148	$ 4,173,671

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

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

(in thousands)	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Cash flows from operating activities:		
Net income	$ 1,282,960	$ 173,623
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	401,500	87,298
Deferred income taxes	(65,696)	3,155
Stock-based compensation expense	25,288	12,098
Net gain on sale of assets	(32,235)	(1,413)
Other non-cash adjustments	4,805	7,884
Changes in assets and liabilities, net of assets acquired and liabilities assumed:		
Receivables	(756,511)	(230,627)
Inventories	(321,068)	(189,692)
Other current assets	5,491	(5,076)
Other assets and liabilities	16,653	60,439
Accounts payable	103,006	205,570
Accrued liabilities	239,024	31,887
Net cash provided by operating activities	903,217	155,146
Cash flows from investing activities:		
Cash used for acquisitions, net of cash acquired	(898,113)	(15,893)
Proceeds from divestiture of business	76,162	—
Purchases of property, plant and equipment	(160,179)	(83,508)
Proceeds from sale of property, plant and equipment	11,728	3,298
Net cash used in investing activities	(970,402)	(96,103)
Cash flows from financing activities:		
Borrowings under revolving credit facility	2,420,000	791,000
Repayments under revolving credit facility	(2,495,000)	(818,000)
Proceeds from long-term debt and other loans	1,000,000	895,625
Repayments of long-term debt and other loans	(471,360)	(561,541)
Payments of debt extinguishment costs	(2,475)	(22,686)
Payments of loan costs	(17,970)	(13,800)
Exercise of stock options	537	1,343
Repurchase of common stock	(565,618)	(4,153)
Net cash (used in) provided by financing activities	(131,886)	267,788
Net change in cash and cash equivalents	(199,071)	326,831
Cash and cash equivalents at beginning of period	423,806	14,096
Cash and cash equivalents at end of period	$ 224,735	$ 340,927
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 75,531	$ 77,734
Cash paid for income taxes	414,515	21,280
Supplemental disclosures of non-cash activities:		
Non-cash consideration for the BMC Merger	$ 3,658,362	$ —
Accrued purchases of property, plant and equipment	13,164	1,336
Right-of-use assets obtained in exchange for operating lease obligations	49,135	33,379
Assets acquired under finance lease obligations	1,644	16,096
Amounts accrued for repurchases of common stock	30,756	—

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

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

(in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Total
Balance at December 31, 2019	116,052	$ 1,161	$ 574,955	$ 248,837	$ 824,953
Vesting of restricted stock units	579	6	(6)	—	—
Stock-based compensation expense	—	—	3,254	—	3,254
Exercise of stock options	82	—	398	—	398
Shares withheld for restricted stock units vested	(168)	(2)	(3,832)	—	(3,834)
Net income	—	—	—	8,767	8,767
Balance at March 31, 2020	116,545	1,165	574,769	257,604	833,538
Vesting of restricted stock units	130	2	(2)	—	—
Stock-based compensation expense	—	—	3,466	—	3,466
Exercise of stock options	48	—	325	—	325
Shares withheld for restricted stock units vested	(22)	—	(319)	—	(319)
Net income	—	—	—	78,924	78,924
Balance at June 30, 2020	116,701	$ 1,167	$ 578,239	$ 336,528	$ 915,934
Vesting of restricted stock units	13	—	—	—	—
Stock-based compensation expense	—	—	5,379	—	5,379
Exercise of stock options	89	1	619	—	620
Net income	—	—	—	85,932	85,932
Balance at September 30, 2020	116,803	$ 1,168	$ 584,237	$ 422,460	$ 1,007,865
Balance at December 31, 2020	116,829	$ 1,168	$ 589,241	$ 562,374	$ 1,152,783
Merger consideration	89,586	896	3,657,466	—	3,658,362
Vesting of restricted stock units	648	6	(6)	—	—
Stock-based compensation expense	—	—	10,402	—	10,402
Exercise of stock options	27	1	234	—	235
Shares withheld for restricted stock units vested	(232)	(2)	(10,415)	—	(10,417)
Net income	—	—	—	172,580	172,580
Balance at March 31, 2021	206,858	2,069	4,246,922	734,954	4,983,945
Vesting of restricted stock units	472	5	(5)	—	—
Stock-based compensation expense	—	—	8,465	—	8,465
Exercise of stock options	16	—	99	—	99
Shares withheld for restricted stock units vested	(150)	(2)	(7,287)	—	(7,289)
Net income	—	—	—	497,235	497,235
Balance at June 30, 2021	207,196	$ 2,072	$ 4,248,194	$ 1,232,189	$ 5,482,455
Vesting of restricted stock units	38	—	—	—	—
Stock-based compensation expense	—	—	6,421	—	6,421
Repurchase of common stock (1)	(10,958)	(109)	—	(578,133)	(578,242)
Exercise of stock options	22	—	202	—	202
Shares withheld for restricted stock units vested	(10)	—	(555)	—	(555)
Net income	—	—	—	613,145	613,145
Balance at September 30, 2021	196,288	$ 1,963	$ 4,254,262	$ 1,267,201	$ 5,523,426

(1) During the three and nine months ended September 30, 2021 we repurchased and retired 10,958,400 shares of our common stock at an average price of $52.74 per share for $578.2 million, net of fees, pursuant to the repurchase program authorized by our board of directors in August 2021.

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

1. Basis of Presentation

Builders FirstSource, Inc., a Delaware corporation formed in 1998, is a leading supplier and manufacturer of building materials, manufactured components and construction services to professional homebuilders, sub-contractors, remodelers and consumers. The Company operates approximately 550 locations in 39 states across the United States. In this quarterly report, references to the "Company," "we," "our," "ours" or "us" refer to Builders FirstSource, Inc. and its consolidated subsidiaries unless otherwise stated or the context otherwise requires.

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

The condensed consolidated balance sheet as of December 31, 2020 is derived from the audited consolidated financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America. This condensed consolidated balance sheet as of December 31, 2020 and the unaudited condensed consolidated financial statements included herein should be read in conjunction with the more detailed audited consolidated financial statements for the year ended December 31, 2020 included in our most recent annual report on Form 10-K, as amended ("Form 10-K"). Accounting policies used in the preparation of these unaudited condensed consolidated financial statements are consistent with the accounting policies described in the Notes to Consolidated Financial Statements included in our Form 10-K.

Segments

We offer an integrated solution to our customers by providing manufacturing, supply, and installation of a full range of structural and related building products directly to homebuilder customers. We manufacture floor trusses, roof trusses, wall panels, stairs, millwork, windows, and doors. We also provide a full range of construction services. These product and service offerings are distributed across our approximately 550 locations operating in 39 states across the United States. Following the merger with BMC Stock Holdings, Inc. on January 1, 2021, which is discussed in Note 2 to these condensed consolidated financial statements, the Company reorganized the structure of its internal organization.

Given the span and depth of our geographical reach, our locations are organized into three geographical divisions (East, Central, and West), which are also our operating segments. Our operating divisions are organized on a geographical basis to facilitate a disaggregated management of the Company and to respond to the local needs of the customers in the markets we serve. All of our segments have similar customers, products and services, and distribution methods.

Due to these similarities, along with the similar economic profitability achieved across all our operating segments, we aggregate our three operating segments into one reportable segment. Centralized financial and operational oversight, including resource allocation and assessment of performance on an income before income taxes basis, is performed by our CEO, whom we have determined to be our chief operating decision maker ("CODM").

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

Business Combinations

When they meet the requirements under ASC 805, *Business Combinations*, merger and acquisition transactions are accounted for using the acquisition method, and accordingly the results of operations of the acquiree are included in the Company's consolidated financial statements from the acquisition date. The consideration transferred is allocated to the identifiable assets acquired and liabilities assumed based on estimated fair values at the acquisition date, with any excess recorded as goodwill. Transaction-related costs are expensed in the period the costs are incurred. During the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding adjustment to goodwill.

Comprehensive Income

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

Reclassifications

Certain prior periods' amounts have been reclassified to conform to the current year presentation. These reclassifications had no impact on net income, total assets and liabilities, stockholders' equity, or cash flows as previously reported.

Recent Accounting Pronouncements

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

In December 2019, the FASB issued an update to existing guidance under the *Income Taxes* topic of the FASB Accounting Standards Codification ("Codification"). This updated guidance simplifies the accounting for income taxes by removing certain exceptions to the general principles in the *Income Taxes* topic. This guidance is effective for public companies annual and interim periods beginning after December 15, 2020 with early adoption permitted. The adoption of this guidance did not have a material impact on our consolidated financial statements.

2. Business Combinations and Dispositions

On January 1, 2021, we completed our previously announced all stock merger transaction with BMC Stock Holdings, Inc., a Delaware corporation ("BMC"), pursuant to the Agreement and Plan of Merger, dated as of August 26, 2020 (as amended, restated, supplemented, or otherwise modified from time to time, the "Merger Agreement"), by and among Builders FirstSource, Inc., Boston Merger Sub I Inc., a Delaware corporation and direct wholly owned subsidiary of Builders FirstSource, Inc. ("Merger Sub") and BMC. On the terms and subject to the conditions set forth in the Merger Agreement, on January 1, 2021, Merger Sub merged with and into BMC, with BMC continuing as the surviving corporation and a wholly owned subsidiary of Builders FirstSource, Inc. (the "BMC Merger"). The BMC Merger expands the Company's geographic reach and value-added offerings.

The BMC Merger was accounted for by the acquisition method, and accordingly the results of operations have been included in the Company's consolidated financial statements from the acquisition date. Net sales and income before income taxes attributable to BMC were $1.8 billion and $196.9 million, respectively, for the three months ended September 30, 2021. Net sales and income before income taxes attributable to BMC were $5.0 billion and $418.4 million, respectively, for the nine months ended September 30, 2021. Income before income taxes attributable to BMC reflects an increase in depreciation and amortization expense related to the recording of these assets at fair value as of the acquisition date and is also impacted by changes in the business post-acquisition. The consideration transferred was allocated to the identifiable assets acquired and liabilities assumed based on estimated fair values at the acquisition date, with the excess recorded as goodwill. The fair value of acquired intangible assets of $1.5 billion was primarily related to customer relationships. Immediately following the BMC Merger, the Company settled certain assumed long-term debt of $359.8 million using cash on hand. We incurred transaction-related costs of $0 and $17.6 million related to the BMC Merger during the three and nine months ended September 30, 2021, respectively, which are included in selling, general and administrative expenses in the accompanying condensed consolidated statement of operations.

The consideration transferred was determined as the sum of the following: (A) the price per share of the Company's common stock ("BFS common stock") of $40.81 (based on the closing price per share of BFS common stock on December 31, 2020), multiplied by each of: (1) the approximately 88.7 million shares of BFS common stock issued to BMC stockholders in the BMC Merger (based on the number of shares of BMC common stock outstanding on December 31, 2020, multiplied by the exchange ratio as set forth in the Merger Agreement); and (2) the approximately 0.9 million shares of BFS common stock issued to holders of outstanding BMC restricted stock awards in connection with the BMC Merger (based on the number of BMC restricted stock awards outstanding as of December 31, 2020 (with performance-based awards vesting at target level of performance), multiplied by the exchange ratio as set forth in the Merger Agreement); plus (B) the fair value attributable to fully vested, outstanding options for BMC common stock held by current BMC employees that were assumed by the Company at the effective time and became options to purchase BFS common stock, with the number of shares and exercise price adjusted by the exchange ratio.

The calculation of consideration transferred is as follows (in thousands, except ratios and per share amounts):

Number of BMC common shares outstanding		67,568
Exchange ratio for common shares outstanding per Merger Agreement		1.3125
Shares of BFS common stock issued for BMC outstanding common stock		88,683
Number of BMC stock awards that vested as a result of the BMC Merger		688
Exchange ratio for stock awards expected to vest per Merger Agreement		1.3125
Shares of BFS common stock issued for BMC vested restricted stock awards		903
Price per share of BFS common stock	$	40.81
Fair value of BFS common stock issued for BMC outstanding common stock and vested equity awards	$	3,655,988
Fair value of modified BMC fully vested, unexercised options		2,374
Total consideration transferred	$	3,658,362

On May 3, 2021, we acquired certain assets and operations of John’s Lumber and Hardware Co. (“John’s Lumber”) for a purchase price of $24.8 million. Located in Detroit, Michigan, John’s Lumber is a supplier of lumber and sheet goods, windows, doors, millwork, siding, decking, kitchen and bath and installation services to homebuilders, remodel contractors and retail consumers. This acquisition was funded with a combination of cash on hand and borrowings under our 2026 revolving credit facility (the “2026 facility”).

On July 1, 2021, we acquired all of the operating affiliates of Cornerstone Building Alliance SW, LLC (“Alliance”) for a purchase price of, $408.9 million, net of cash acquired. Alliance operates in Arizona, primarily serving the greater Phoenix, Tucson, and Prescott Valley metropolitan areas. Alliance manufactures roof trusses and distributes lumber and related products to residential homebuilders and commercial contractors. This acquisition was funded with a combination of cash on hand and borrowings under our 2026 facility.

On September 1, 2021, we acquired certain assets and operations of CTF Holdings Limited Partnership (“CTF”) for a purchase price of $182.5 million, net of cash acquired. Prior to the acquisition, CTF was the largest independent truss manufacturer in California, supplying framing contractors and builders in both the single and multifamily markets. This acquisition was funded with cash on hand.

These three transactions were accounted for by the acquisition method, and accordingly the results of operations have been included in the Company’s consolidated financial statements from the acquisition date. The purchase price was allocated to the assets acquired and liabilities assumed based on estimated fair values at the acquisition date, with the excess of purchase price over the estimated fair value of the net assets acquired recorded as goodwill. The fair value of acquired intangible assets of $176.7 million was primarily related to customer relationships. Customer relationships associated with John’s Lumber, Alliance, and CTF were $2.6 million, $108.2 million, and $52.8 million, respectively. We recorded goodwill for John’s Lumber, Alliance, and CTF of $8.4 million, $184.0 million, $98.1 million, respectively.

On August 17, 2021, we acquired certain assets and operations of WTS Paradigm, LLC (“Paradigm”), a software solutions and services provider for the building products industry for a purchase price of $449.4 million, net of cash acquired. Located in Middleton, Wisconsin, Paradigm enhances the Company’s digital capabilities and aligns with our broader vision to provide digital solutions that improve efficiency and solve pain points in the homebuilding process. This acquisition was funded with cash on hand.

This transaction was accounted for by the acquisition method, and accordingly the results of operations have been included in the Company’s consolidated financial statements from the acquisition date. The allocation of the consideration transferred for the Paradigm acquisition is preliminary and based upon all information available to the Company at the time of filing, and is subject to change. The Company is in the process of finalizing its valuation of the identified acquired intangible assets, and therefore, the allocation of the consideration transferred is not complete. The fair value assigned may be adjusted during the measurement period. The purchase price was allocated to the assets acquired and liabilities assumed based on estimated fair values at the acquisition date, with the excess of purchase price over the estimated fair value of the net assets acquired recorded as goodwill. The fair value of acquired intangible assets of $124.9 million was primarily related to developed technology of $97.2 million. We recorded goodwill of $324.1 million for this transaction.

Pro forma results of operations as well as net sales and income attributable to the acquisitions discussed above are not presented as these acquisitions did not have a material impact on our results of operations. We incurred $6.5 million and $7.2 million of acquisition related costs attributable to these acquisitions in the three and nine months ended September 30, 2021, respectively, which are included in selling, general and administrative expenses in the accompanying condensed consolidated statement of operations.

On July 26, 2021, we completed the sale of our standalone Eastern U.S. gypsum distribution operations ("Gypsum Divestiture") for total cash proceeds of $76.2 million, resulting in a gain on sale totaling $26.3 million. The disposition does not meet the criteria for discontinued operations classification, thus the results of operations for this divestiture are reported within the Company's one reportable segment, and the gain on sale is included within selling, general and administrative expenses in the condensed consolidated statement of operations for the three and nine months ended September 30, 2021.

The following table summarizes the aggregate fair values of the assets acquired and liabilities assumed for the BMC Merger and other acquisitions (in thousands):

	BMC Merger	All Other Acquisitions	Total
Cash and cash equivalents	$ 167,490	$ 34,727	$ 202,217
Accounts receivable	469,204	94,316	563,520
Other receivables	36,704	2,895	39,599
Inventories	460,146	67,978	528,124
Other current assets	32,891	3,099	35,990
Property, plant and equipment	555,170	33,120	588,290
Operating lease right-of-use assets	179,133	21,277	200,410
Goodwill	1,751,604	614,609	2,366,213
Intangible assets	1,470,000	301,550	1,771,550
Other assets	6,244	619	6,863
Total assets	$ 5,128,586	$ 1,174,190	$ 6,302,776
Accounts payable	$ 279,980	$ 14,726	$ 294,706
Accrued liabilities	246,119	35,401	281,520
Operating lease liabilities	180,650	21,277	201,927
Long-term debt	366,797	42	366,839
Deferred income taxes	349,971	1,881	351,852
Other long-term liabilities	46,707	535	47,242
Total liabilities	$ 1,470,224	$ 73,862	$ 1,544,086
Total consideration transferred	$ 3,658,362	$ 1,100,328	$ 4,758,690

The following table reflects the pro forma operating results for the Company which gives effect to the BMC Merger as if it had occurred on January 1, 2020 (in thousands). The pro forma results are based on assumptions that the Company believes are reasonable under the circumstances. The pro forma results are not necessarily indicative of future results. The pro forma financial information includes the historical results of the Company and BMC adjusted for certain items, which are described below, and does not include the effects of any synergies or cost reduction initiatives related to the BMC Merger.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net sales	$ 5,508,590	$ 3,385,793	$ 15,259,047	$ 9,019,232
Net income	642,048	76,810	1,401,823	63,613

Pro forma net income (loss) reflects the following adjustments:

- Property, plant and equipment and intangible assets are assumed to be recorded at their estimated fair values as of January 1, 2020, and are depreciated or amortized over their estimated useful lives from that date.
- Transaction-related expenses of $57.7 million are assumed to have occurred on January 1, 2020, and are presented as an expense during the nine months ended September 30, 2020.

- Interest expense related to certain assumed long-term debt settled in connection with the BMC Merger has been adjusted.
- Cost of sales related to the sell-through of inventory stepped up in value in connection with the BMC Merger has been adjusted and is presented as cost of sales during the nine months ended September 30, 2020.

3. Revenue

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

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Lumber & lumber sheet goods	$ 2,400,538	$ 851,594	$ 6,726,566	$ 2,026,233
Manufactured products	1,253,918	421,296	3,162,147	1,141,535
Windows, doors & millwork	864,553	420,158	2,413,107	1,215,528
Siding, metal & concrete products	414,197	212,383	1,132,232	581,844
Gypsum, roofing & insulation	168,497	149,545	510,909	386,186
Other building products & services	406,887	240,474	1,314,086	676,788
Net sales	$ 5,508,590	$ 2,295,450	$ 15,259,047	$ 6,028,114

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

The timing of revenue recognition, billings and cash collections results in accounts receivable, unbilled receivables, contract assets and contract liabilities. Contract asset balances are included in accounts receivable on our condensed consolidated balance sheet and were $239.3 million and $57.3 million as of September 30, 2021 and December 31, 2020, respectively. Contract liabilities consist of deferred revenue and customer advances and deposits. Contract liability balances are included in accrued liabilities on our condensed consolidated balance sheet and were $165.7 million and $58.5 million as of September 30, 2021 and December 31, 2020, respectively. The increase in contract assets and liabilities during the three and nine months ended September 30, 2021 was primarily related to contract assets acquired and contract liabilities assumed in the BMC Merger.

4. Net Income per Common Share

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

The table below presents the calculation of basic and diluted EPS (in thousands, except per share amounts):

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Numerator:				
Net income	$ 613,145	$ 85,932	$ 1,282,960	$ 173,623
Denominator:				
Weighted average shares outstanding, basic	204,268	116,731	205,976	116,542
Dilutive effect of options and RSUs	1,362	1,295	1,537	1,148
Weighted average shares outstanding, diluted	205,630	118,026	207,513	117,690
Net income per share:				
Basic	$ 3.00	$ 0.74	$ 6.23	$ 1.49
Diluted	$ 2.98	$ 0.73	$ 6.18	$ 1.48
Antidilutive and contingent RSUs excluded from diluted EPS	220	299	241	389

5. Property, Plant and Equipment

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

	September 30, 2021	December 31, 2020
Land	$ 326,337	$ 206,321
Buildings and improvements	545,417	386,922
Machinery and equipment	872,534	517,543
Furniture, fixtures and information technology	129,653	102,309
Construction in progress	84,386	16,568
Finance lease right-of-use assets	6,054	43,256
Property, plant and equipment	1,964,381	1,272,919
Less: accumulated depreciation	627,491	523,789
Property, plant and equipment, net	$ 1,336,890	$ 749,130

Depreciation expense was $47.7 million and $24.0 million, of which $11.0 million and $5.3 million was included in cost of sales, for the three months ended September 30, 2021 and 2020, respectively. Depreciation expense was $139.9 million and $70.6 million, of which $31.9 million and $15.3 million was included in cost of sales, for the nine months ended September 30, 2021 and 2020, respectively.

Included in property, plant and equipment are certain assets held under other finance obligations. These assets are recorded at the present value of the lease payments and include land, buildings and equipment. Amortization charges associated with assets held under other finance obligations are included in depreciation expense.

The following balances held under other finance obligations are included on the accompanying condensed consolidated balance sheets (in thousands):

	September 30, 2021	December 31, 2020
Land	$ 110,953	$ 116,638
Buildings and improvements	119,660	131,390
Assets held under other finance obligations	230,613	248,028
Less: accumulated amortization	23,649	25,015
Assets held under other finance obligations, net	$ 206,964	$ 223,013

6. Goodwill

The following table sets forth the changes in the carrying amount of goodwill (in thousands):

Balance as of December 31, 2020 (1)	$ 785,305
BMC Merger	1,751,604
All other acquisitions	614,609
Gypsum Divestiture	(9,924)
Balance as of September 30, 2021 (1)	$ 3,141,594

(1) Goodwill is presented net of accumulated impairment losses of $44.6 million.

In 2021, the change in the carrying amount of goodwill is attributable to the BMC Merger and other acquisitions as well as the Gypsum Divestiture. As a result of the change in segments discussed in Note 1 to these condensed consolidated financial statements, the Company has determined that the reporting units used in the analysis of goodwill impairment should align with its three operating segments. As of September 30, 2021, no triggering events have occurred. The amount allocated to goodwill is attributable to the assembled workforce, synergies and expected growth from the expanded product and service offerings of BMC and our other acquisitions. The goodwill recognized from the BMC Merger and CTF will not be deductible for tax purposes. The $516.6 million of goodwill recognized from the other acquisitions is expected to be deductible for tax purposes and will be amortizable ratably over a 15-year period for tax purposes.

7. Intangible Assets

The following table presents intangible assets (in thousands) as of:

	September 30, 2021		December 31, 2020	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships	$ 1,709,115	$ (266,507)	$ 195,435	$ (94,690)
Trade names	201,861	(125,375)	52,061	(38,138)
Subcontractor relationships	5,440	(2,360)	5,440	(1,944)
Non-compete agreements	13,519	(2,586)	3,719	(2,001)
Developed technology	97,200	(944)	-	-
Total intangible assets	$ 2,027,135	$ (397,772)	$ 256,655	$ (136,773)

In connection with the BMC Merger and current year acquisitions, we recorded intangible assets of $1.8 billion, which includes $1.5 billion of customer relationships, $149.8 million of trade names, $97.2 million of developed technology, and $9.8 million of non-compete agreements. The weighted average useful lives of the acquired intangible assets are 11.1 years in total, 11.3 years for customer relationships, 7.0 years for trade names, 9.0 years for developed technology and 5.7 years for non-compete agreements. The fair value of acquired customer relationship intangible assets was primarily estimated by applying the multi-period excess earnings method, which involved the use of significant estimates and assumptions primarily related to forecasted revenue growth rates, gross margin, contributory asset charges, customer attrition rates, and market-participant discount rates. These measures are based on significant Level 3 inputs not observable in the market. Key assumptions developed based on the Company's historical experience, future projections and comparable market data include future cash flows, long-term growth rates, attrition rates and discount rates.

In connection with the Gypsum Divestiture, we derecognized $0.5 million of intangible assets, net. Refer to Note 2 – Business Combinations and Dispositions for additional information.

During the three and nine months ended September 30, 2021, we recorded amortization expense in relation to the above-listed intangible assets of $92.3 million and $261.6 million, respectively. During the three and nine months ended September 30, 2020, we recorded amortization expense in relation to the above-listed intangible assets of $5.4 million and $16.7 million, respectively.

The following table presents the estimated amortization expense for intangible assets for the years ending December 31 (in thousands):

2021 (from October 1, 2021)	$ 96,494
2022	248,732
2023	217,259
2024	187,624
2025	165,262
Thereafter	713,992
Total future net intangible amortization expense	$ 1,629,363

8. Accrued Liabilities

Accrued liabilities consisted of the following (in thousands) as of:

	September 30, 2021	December 31, 2020
Accrued payroll and other employee related expenses	$ 383,356	$ 176,379
Contract liabilities	165,731	58,455
Accrued business taxes	89,854	46,717
Income taxes payable	78,422	12,236
Self-insurance reserves	74,034	38,642
Accrued rebates payable	40,961	18,592
Accrued interest	26,078	13,567
Other	71,753	20,948
Total accrued liabilities	$ 930,189	$ 385,536

9. Long-Term Debt

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

	September 30, 2021	December 31, 2020
2026 revolving credit facility (1)	$ -	$ 75,000
2027 notes	695,000	777,500
2030 notes	550,000	550,000
2032 notes	1,000,000	-
Other finance obligations	203,536	216,072
Finance lease obligations	4,153	23,873
	2,452,689	1,642,445
Unamortized debt discount/premium and debt issuance costs	(29,206)	(18,205)
	2,423,483	1,624,240
Less: current maturities of long-term debt and lease obligations	3,819	27,335
Long-term debt, net of current maturities, discounts and issuance costs	$ 2,419,664	$ 1,596,905

(1) The weighted average interest rate was 2.8% and 3.8% as of September 30, 2021 and December 31, 2020, respectively.

2021 Debt Transactions

On January 29, 2021, the Company amended its revolving credit facility to increase the total commitments by an aggregate amount of $500.0 million resulting in a new $1.4 billion amended credit facility, and to extend the maturity date from November 2023 to January 2026. In connection with this amendment, we expensed approximately $1.0 million of unamortized debt issuance costs related to exiting lenders to interest expense in the accompanying condensed consolidated statement of operations during the nine months ended September 30, 2021. Approximately $4.3 million of new debt issuance costs related to the amendment will be deferred through January 2026. The 2026 facility is discussed in more detail below.

On March 3, 2021, pursuant to the optional call feature in the indenture governing our 6.75% senior secured notes due 2027 (the “2027 notes”), $82.5 million of 2027 notes were redeemed at a redemption price equal to 103% of the principal amount of the notes, plus accrued and unpaid interest. In connection with this redemption, we recognized a loss on extinguishment of $3.6 million, which was recorded to interest expense in the accompanying condensed consolidated statement of operations during the nine months ended September 30, 2021. Of this loss, approximately $2.5 million was attributable to the payment of redemption premiums on the extinguished notes and $1.1 million was attributable to the write-off of unamortized net debt discount and debt issuance costs.

On July 23, 2021, the Company completed a private offering of $1.0 billion in aggregate principal amount of 4.25% senior unsecured notes due 2032 (the “2032 notes”). In connection with the offering, we incurred $13.7 million of various third-party fees and expenses. These costs have been recorded as a reduction to long-term debt and are being amortized over the contractual life of the 2032 notes using the effective interest method. The 2032 notes are discussed in more detail below.

2026 Revolving Credit Facility

The 2026 facility provides for a $1.4 billion revolving credit line to be used for working capital, general corporate purposes and funding capital expenditures and growth opportunities. In addition, we may use borrowings under the 2026 facility to facilitate debt repayment and consolidation. The available borrowing capacity, or borrowing base, is derived from a percentage of the Company's eligible receivables and inventory, as defined by the agreement, subject to certain reserves. As of September 30, 2021, we had $0.0 million in outstanding borrowings under our 2026 facility and our net excess borrowing availability was $1,273.6 million after being reduced by outstanding letters of credit totaling $126.4 million.

Borrowings under the 2026 facility bear interest, at our option, at either a eurodollar rate or a base rate, plus, in each case, an applicable margin. The applicable margin ranges from 1.50% to 2.00% per annum in the case of eurodollar rate loans and 0.50% to 1.00% per annum in the case of base rate loans. The margin in either case is based on a measure of availability under the 2026 facility. A variable commitment fee, currently 0.375% per annum, is charged on the unused amount of the revolver based on quarterly average loan utilization. Letters of credit under the 2026 facility are assessed at a rate equal to the applicable eurodollar margin, currently 1.50%, as well as a fronting fee at a rate of 0.125% per annum. These fees are payable quarterly in arrears at the end of March, June, September, and December.

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

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

The 2026 facility contains restrictive covenants which, among other things, limit the Company's ability to incur additional indebtedness, incur liens, engage in mergers or other fundamental changes, sell certain assets, pay dividends, make acquisitions or investments, prepay certain indebtedness, change the nature of our business, and engage in certain transactions with affiliates. In addition, the 2026 facility also contains a financial covenant requiring the satisfaction of a minimum fixed charge ratio of 1.00 to 1.00 if our excess availability falls below the greater of $80.0 million or 10% of the maximum borrowing amount, which was $140.0 million as of September 30, 2021.

Senior Unsecured Notes due 2032

As of September 30, 2021, we have $1.0 billion outstanding in aggregate principal amount of the 2032 notes, which mature on February 1, 2032. Interest accrues on the 2032 notes at a rate of 4.25% per annum and is payable semi-annually on February 1 and August 1 of each year, commencing on February 1, 2022.

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

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

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

At any time prior to August 1, 2026, the Company may redeem the 2032 notes in whole or in part at a redemption price equal to 100% of the principal amount of the 2032 notes plus the "applicable premium" set forth in the Indenture. At any time on or after August 1, 2026, the Company may redeem the 2032 notes at the redemption prices set forth in the Indenture, plus accrued and unpaid interest, if any, to the redemption date. At any time prior to August 1, 2024, the Company may redeem up to 40% of the aggregate principal amount of the 2032 notes with the net cash proceeds of one or more equity offerings, as described in the Indenture, at a price equal to 104.250% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date. If the Company experiences certain change of control triggering events, holders of the 2032 notes may require it to repurchase all or part of their 2032 notes at 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the repurchase date.

Fair Value

As of September 30, 2021 and December 31, 2020, the Company does not have any financial instruments that are measured at fair value on a recurring basis. We have elected to report the value of our 2027 notes, 2030 notes, 2032 notes and 2026 facility at amortized cost. The fair values of the 2027 notes, 2030 notes and 2032 notes at September 30, 2021 were approximately $736.2 million, $588.8 million and $1,027.1 million, respectively, and were determined using Level 2 inputs based on market prices. The carrying value of the 2026 facility at September 30, 2021 approximates fair value as the rates are comparable to those at which we could currently borrow under similar terms, are variable and incorporate a measure of our credit risk. As such, the fair value of the 2026 facility was also classified as Level 2 in the hierarchy.

We were not in violation of any covenants or restrictions imposed by any of our debt agreements at September 30, 2021.

10. Leases and Other Finance Obligations

Right-of-use assets and lease liabilities consisted of the following (in thousands) as of:

	September 30, 2021	December 31, 2020
Assets		
Operating lease right-of-use assets, net	$ 444,073	$ 274,562
Finance lease right-of-use assets, net (included in property, plant and equipment, net)	4,490	34,905
Total right-of-use assets	$ 448,563	$ 309,467
Liabilities		
Current		
Current portion of operating lease liabilities	$ 94,651	$ 61,625
Current portion of finance lease liabilities (included in current maturities of long-term debt)	1,444	12,178
Noncurrent		
Noncurrent portion of operating lease liabilities	360,271	219,239
Noncurrent portion of finance lease liabilities (included in long-term debt, net of current maturities)	2,709	11,695
Total lease liabilities	$ 459,075	$ 304,737

Total lease costs consisted of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Operating lease costs (1)	$ 33,820	$ 21,300	$ 99,292	$ 64,293
Finance lease costs:				
Amortization of finance lease right-of-use assets	397	1,548	1,787	4,704
Interest on finance lease liabilities	53	382	318	1,041
Variable lease costs	6,827	4,613	20,308	13,275
Total lease costs	$ 41,097	$ 27,843	$ 121,705	$ 83,313

(1) Includes short-term lease costs and sublease income which were not material for the three and nine months ended September 30, 2021 and 2020.

Future maturities of lease liabilities as of September 30, 2021 were as follows (in thousands):

	Finance Leases	Operating Leases
2021 (from October 1, 2021)	$ 409	$ 29,490
2022	1,570	112,718
2023	1,337	95,739
2024	480	78,513
2025	257	56,062
Thereafter	438	167,888
Total lease payments	4,491	540,410
Less: amount representing interest	(338)	(85,488)
Present value of lease liabilities	4,153	454,922
Less: current portion	(1,444)	(94,651)
Long-term lease liabilities, net of current portion	$ 2,709	$ 360,271

Weighted average lease terms and discount rates were as follows:

	September 30, 2021	December 31, 2020
Weighted average remaining lease term (years)		
Operating leases	6.4	6.3
Finance leases	3.6	2.1
Weighted average discount rate		
Operating leases	5.4%	6.3%
Finance leases	4.4%	5.9%

The following table presents cash paid for amounts included in the measurement of lease liabilities (in thousands):

	Nine Months Ended September 30,	
	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 90,858	$ 62,185
Operating cash flows from finance leases	318	1,041
Financing cash flows from finance leases	27,565	9,961

Residual value guarantees in our lease agreements are not material. Our lease agreements do not impose any significant restrictions or covenants on us. As of September 30, 2021, we do not have any material leases that have been signed, but have not yet commenced. Leases with related parties are not significant as of September 30, 2021 nor for the three and nine months ended September 30, 2021 and 2020.

Other Finance Obligations

In addition to the operating and finance lease arrangements described above, the Company is party to 121 individual property lease agreements with a single lessor as of September 30, 2021. These lease agreements had initial terms ranging from nine to 15 years with renewal options in five-year increments providing for up to approximately 30-year total lease terms. A related agreement between the lessor and the Company gives the Company the right to acquire a limited number of the leased facilities at fair market value. These purchase rights represent a form of continuing involvement with these properties, which precluded sale-leaseback accounting. As a result, the Company treats all of the properties that it leases from this lessor as a financing arrangement.

We were deemed the owner of certain of our facilities during their construction period based on an evaluation made in accordance with the *Leases* topic of the Codification. Effectively, a sale and leaseback of these facilities occurred when construction was completed and the lease term began. These transactions did not qualify for sale-leaseback accounting. As a result, the Company treats the lease of these facilities as a financing arrangement.

As of September 30, 2021, other finance obligations consist of $203.5 million, with cash payments of $5.2 million and $15.9 million for the three and nine months ended September 30, 2021, respectively. These other finance obligations are included on the condensed consolidated balance sheet as part of long-term debt. The related assets are recorded as components of property, plant, and equipment on the condensed consolidated balance sheet.

Future minimum commitments for other finance obligations as of September 30, 2021 were as follows (in thousands):

2021 (from October 1, 2021)	$	4,236
2022		16,886
2023		16,893
2024		16,911
2025		16,911
Thereafter		174,344
Total	$	246,181

11. <u>Employee Stock-Based Compensation</u>

Time Based Restricted Stock Unit Grants

In the first nine months of 2021, our board of directors granted 577,500 restricted stock units (“RSUs”) to employees under our 2014 Incentive Plan for which vesting is based solely on continuous employment over the requisite service period. 536,000 of the RSUs vest at 33% per year at each anniversary of the grant date over the next three years, 37,000 of the RSUs vest at 50% per year at each anniversary of the grant date over the next two years, and 4,500 of the RSUs vest at 25% on each of the second and third anniversaries of the grant date and 50% on the fourth anniversary of the grant date. The weighted average grant date fair value for these RSUs was $47.56 per unit, which was based on the closing stock price on the respective grant dates.

Performance and Service Condition Based Restrictive Stock Unit Grants

In the first nine months of 2021, our board of directors granted 37,000 RSUs to employees under our 2014 Incentive Plan for which vesting is based on the Company’s achievement of certain performance targets over a two-year period (“performance condition”) as well as continued employment during the performance period. Assuming continued employment and if the performance vesting condition is achieved, the awards will vest on the second anniversary of the grant date. The actual number of shares of common stock that may be earned ranges from zero to 120% of the RSUs granted. The weighted average grant date fair value for these RSUs was $40.81 per unit, which was based on the closing stock price on the grant date.

Performance, Market and Service Condition Based Restricted Stock Unit Grants

In the first nine months of 2021, our board of directors granted 188,000 RSUs to employees under our 2014 Incentive Plan, that cliff vest on the third anniversary of the grant date based on the Company's level of achievement of performance goals relating to return on invested capital over a three-year period ("performance condition") as well as continued employment during the performance period. The total number of shares of common stock that may be earned from the performance condition ranges from zero to 200% of the RSUs granted. The number of shares earned from the performance condition may be further increased by 10% or decreased by 10% based on the Company's total shareholder return relative to a peer group during the performance period ("market condition"). The average grant date fair value for these RSUs, with consideration of the market condition, was $47.85 per unit, which was determined using the Monte Carlo simulation model using the following assumptions:

Expected volatility (company)	51.3%
Expected volatility (peer group median)	42.9%
Correlation between the Company and peer group median	0.6
Expected dividend yield	0.0%
Risk-free rate	0.3%

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

12. Income Taxes

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Statutory federal income tax rate	21.0%	21.0%	21.0%	21.0%
State income taxes, net of federal income tax	2.9	3.7	2.8	3.5
Stock-based compensation windfall benefit	0.0	(0.4)	(0.5)	(0.9)
Permanent differences and other	(0.4)	(1.2)	(0.1)	(1.4)
	23.5%	23.1%	23.2%	22.2%

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

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

13. Commitments and Contingencies

As of September 30, 2021, we had outstanding letters of credit totaling $126.4 million under our 2026 facility that principally support our self-insurance programs.

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

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

14. Related Party Transactions

Effective January 1, 2021, an executive officer of one of our customers, Ashton Woods USA, L.L.C., became a member of the Company's board of directors. Accounts receivable due from and net sales to Ashton Woods USA, L.L.C. were approximately 1% of our total accounts receivable and our total net sales, respectively, as of and for the nine months ended September 30, 2021. Further, the Company has entered into certain leases of land and buildings with certain employees or non-affiliate stockholders. Activity associated with these related party transactions was not significant as of or for the nine months ended September 30, 2021 or 2020.

Transactions between the Company and other related parties occur in the ordinary course of business. However, the Company carefully monitors and assesses related party relationships. Management does not believe that any of these transactions with related parties had a material impact on the Company's results for the nine months ended September 30, 2021 or 2020.

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

The following discussion of our financial condition and results of operations should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto for the year ended December 31, 2020 included in our most recent Form 10-K. The following discussion and analysis should also be read in conjunction with the unaudited condensed consolidated financial statements appearing elsewhere in this report. In this quarterly report on Form 10-Q, references to the "Company," "we," "our," "ours" or "us" refer to Builders FirstSource, Inc. and its consolidated subsidiaries unless otherwise stated or the context otherwise requires.

Cautionary Statement

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

COMPANY OVERVIEW

We are a leading supplier and manufacturer of building materials, manufactured components and construction services to professional contractors, sub-contractors and consumers. The Company operates approximately 550 locations in 39 states across the United States, which are internally organized into geographic operating divisions. Due to the similar economic characteristics, categories of products, distribution methods and customers, our operating divisions are aggregated into one reportable segment.

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

We group our building products into six product categories:

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

- *Gypsum, Roofing & Insulation.* Gypsum, roofing, & insulation include wallboard, ceilings, joint treatment and finishes.
- *Siding, Metal, and Concrete.* Siding, metal, and concrete includes vinyl, composite, and wood siding, exterior trim, other exteriors, metal studs and cement.
- *Other Building Products & Services.* Other building products & services consist of various products, including cabinets and hardware. This category also includes services such as turn-key framing, shell construction, design assistance and professional installation of products spanning all of our product categories.

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

- *Homebuilding Industry and Market Competition.* Our business is driven primarily by the residential new construction market and the residential repair and remodel market, which are in turn dependent upon a number of factors, including demographic trends, interest rates, consumer confidence, employment rates, housing affordability, household formation, land development costs, the availability of skilled construction labor and materials, and the health of the economy and mortgage markets. According to the U.S. Census Bureau, the seasonally adjusted annualized rates for U.S. total housing starts and U.S. single-family housing starts were 1.6 million and 1.0 million, respectively, as of September 30, 2021. Due to competition for homebuilder business and cyclical fluctuations in commodity prices, we may experience pressure on our gross margins. In addition to these factors, there has been a trend of consolidation within the building products supply industry. However, our industry remains highly fragmented and competitive and we will continue to face significant competition from local and regional suppliers. We believe there are several meaningful trends that indicate U.S. housing demand will continue to grow, including historically low interest rates, the aging of housing stock, and normal population growth due to immigration and birthrate exceeding death rate. Building upon the current rate of market growth, industry forecasters, including the National Association of Homebuilders ("NAHB"), expect to see continued increases in housing demand over the next year.
- *Effect of COVID-19 Pandemic.* In March of 2020, the U.S. economy began to see significant disruption, uncertainty and record high levels of unemployment as a result of the COVID-19 pandemic. Housing starts and repair and remodeling activity generally continued to increase throughout 2021 in our markets despite the pandemic. While the COVID-19 pandemic has not had a materially adverse impact on our financial results to date, the extent and duration of any future impact is uncertain, and we may experience a decline in housing starts, reduced sales demand, volatility in commodity prices, challenges in the labor markets and supply chain, increased margin pressures and/or increased operating costs.
- *Targeting Large Production Homebuilders.* In recent years, the homebuilding industry has undergone consolidation, and the larger homebuilders have increased their market share. We expect that trend to continue as larger homebuilders have better liquidity and land positions relative to the smaller, less capitalized homebuilders. Our focus is on maintaining relationships and market share with these customers while balancing the competitive pressures we are facing in servicing large homebuilders with certain profitability expectations. Additionally, we have been successful in expanding our custom homebuilder base while maintaining acceptable credit standards.
- *Repair and remodel end market.* Although the repair and remodel end market is influenced by housing starts to a lesser degree than the homebuilding market, the repair and remodel end market is still dependent upon some of the same factors as the homebuilding market, including demographic trends, interest rates, consumer confidence, employment rates, supply chain availability and the health of the economy and home financing markets. We expect that our ability to remain competitive and grow in this space will depend on our continued ability to provide a high level of customer service coupled with a broad product offering.
- *Use of Prefabricated Components.* Homebuilders are increasingly using prefabricated components in order to realize increased efficiency, overcome skilled construction labor shortages and improve quality. Shortening cycle time from start to completion is a key imperative of the homebuilders during periods of strong consumer demand. We continue to see the demand for prefabricated components increasing within the residential new construction market as the availability of skilled construction labor remains limited.
- *Economic Conditions.* Economic changes both nationally and locally in our markets impact our financial performance. The building products supply industry is highly dependent upon new home construction and subject to cyclical market changes. Our operations are subject to fluctuations arising from changes in supply and demand, national and local economic conditions, labor costs and availability, competition, government regulation, trade policies and other factors that affect the homebuilding industry such as demographic trends, interest rates, housing starts, the high cost of land development, employment levels, consumer confidence, and the availability of credit to homebuilders, contractors, and homeowners.

- *Housing Affordability.* The affordability of housing can be a key driver in demand for our products. Home affordability is influenced by a number of economic factors, such as the level of employment, consumer confidence, consumer income, supply of houses, availability of financing and interest rates. Changes in the inventory of available homes as well as economic factors relative to home prices could result in changes to the affordability of homes. As a result, homebuyer demand may shift towards smaller, or larger, homes creating fluctuations in demand for our products.
- *Cost of Materials.* Prices of wood products, which are subject to cyclical market fluctuations, may adversely impact operating income when prices rapidly rise or fall within a relatively short period of time. We purchase certain materials, including lumber products, which are then sold to customers as well as used as direct production inputs for our manufactured and prefabricated products. Short-term changes in the cost of these materials, some of which are subject to significant fluctuations, are oftentimes passed on to our customers, but our pricing quotation periods and market competition may limit our ability to pass on such price changes. We may also be limited in our ability to pass on increases on in-bound freight costs on our products. Our inability to pass on material price increases to our customers could adversely impact our operating results.
- *Availability of Materials.* At times since March of 2020, certain of our suppliers have either reduced or ceased production in some or all of their facilities in response to the COVID-19 pandemic. Although these actions did not have a material negative impact on our results of operations to date, these actions have limited the supply of certain materials and extended lead times, which, among other things, have caused, and could continue to cause, the cost of certain materials we purchase, including wood products, to rise, as well as limit our ability to procure the materials we need to fulfill customer demand.
- *Controlling Expenses.* Another important aspect of our strategy is controlling costs and striving to be a low-cost building materials supplier in the markets we serve. We pay close attention to managing our working capital and operating expenses. Further, we pay careful attention to our logistics function and its effect on our shipping and handling costs.
- *Multi-Family and Light Commercial Business.* Our primary focus has been, and continues to be, on single-family residential new construction and the repair and remodel end market. However, we will continue to identify opportunities for profitable growth in the multi-family and light commercial markets.
- *Capital Structure.* As a result of our historical growth through acquisitions, we had $2.5 billion of indebtedness as of September 30, 2021. We strive to optimize our capital structure to ensure that our financial needs are met in light of economic conditions, business activities, organic investments, opportunities for growth through acquisition and the overall risk characteristics of our underlying assets. In addition to these factors, we also evaluate our capital structure on the basis of our leverage ratio, our liquidity position, our debt maturity profile and market interest rates. As such, we may enter into various debt or equity transactions in order to appropriately manage and optimize our capital structure and liquidity needs.

RECENT DEVELOPMENTS

BMC Merger & Other Acquisitions

On January 1, 2021, we completed our previously announced all stock merger transaction with BMC. During the nine months ended September 30, 2021, we have also completed four other acquisitions. The BMC Merger and the other acquisitions were accounted for using the acquisition method of accounting, with Builders FirstSource, Inc. as the accounting acquirer. The operating results of BMC are included as part of the Company beginning on January 1, 2021, while the results of the other acquired companies are included from the date of each acquisition and as such, the historical financial condition, results of operations and cash flows of the Company presented in this quarterly report on Form 10-Q for periods prior to that date do not include BMC or the other acquired companies. These transactions are described in Note 2 to the condensed consolidated financial statements included in Item 1 of this quarterly report on Form 10-Q.

Debt Transactions

On January 29, 2021, the Company amended its revolving credit facility to, among other things, increase the total commitments by an aggregate amount of $500.0 million resulting in a new $1.4 billion amended credit facility, and to extend the maturity date from November 2023 to January 2026.

On March 3, 2021, pursuant to the optional call feature in the indenture governing the 2027 notes, $82.5 million of 2027 notes were redeemed at a redemption price equal to 103% of the principal amount of the notes, plus accrued and unpaid interest.

On July 23, 2021, the Company completed a private offering of $1.0 billion in aggregate principal amount of 4.25% senior unsecured notes due 2032 at an issue price of 100% of their par value.

These transactions are described in Note 9 to the condensed consolidated financial statements included in Item 1 of this quarterly report on Form 10-Q. From time to time, based on market conditions and other factors and subject to compliance with applicable laws and regulations, the Company may repurchase or call our notes, repay debt, repurchase shares of our common stock or otherwise enter into transactions regarding its capital structure.

Market Information

On August 11, 2021, the board of directors authorized the Company to buy back up to $1.0 billion of its common shares. Share repurchases under the program may be made through a variety of methods, which may include open market purchases, in block trades, accelerated share repurchase transactions, trading plans in accordance with Rule 10b-5 or Rule 10b-18 under the Exchange Act, or any combination of such methods. The program does not obligate the Company to acquire any particular amount of its common stock, and the share repurchase program may be suspended or discontinued at any time at the Company's discretion. During the three months ended September 30, 2021, the Company repurchased 10,958,400 shares at a weighted average price of $52.74 per share for a total cost of approximately $578.2 million, net of fees.

Our common stock traded on the NASDAQ Global Select Market of the NASDAQ Stock Market LLC ("NASDAQ") under the symbol "BLDR" from June 22, 2005 until July 16, 2021. On July 19, 2021, we transferred the listing of our common stock to the New York Stock Exchange ("NYSE") under the symbol "BLDR".

COVID-19 Pandemic

Despite the limited impact of the COVID-19 pandemic on our financial results since its outset, the extent to which the pandemic may impact our results in future periods is uncertain and will depend upon, among other things, the duration and severity of the outbreak or subsequent outbreaks, related government responses, such as required physical distancing or restrictions on business operations and travel, the pace of recovery of economic activity and the impact to consumers, the effectiveness of available vaccines, and any supply chain disruptions and labor shortages, all of which are uncertain and difficult to predict in light of the rapidly evolving nature of the pandemic. Refer to Part I, Item 1A. Risk Factors of our most recent Form 10-K for a full discussion of the risks associated with the COVID-19 pandemic.

CURRENT OPERATING CONDITIONS AND OUTLOOK

According to the U.S. Census Bureau, actual U.S. total housing starts were 0.4 million for the third quarter of 2021, an increase of 8.5% compared to the third quarter of 2020. Actual U.S. single-family starts for the third quarter of 2021 were 0.3 million, an increase of 4.7% compared to the third quarter of 2020. For the nine months ended September 30, 2021, actual U.S. total housing starts were 1.2 million, a 19.5% increase compared to the nine months ended September 30, 2020. Actual U.S. single-family starts were 0.9 million in the first nine months of 2021, a 20.5% increase compared to the same period a year ago. A composite of third party sources, including the NAHB, are forecasting 1.6 million U.S. total housing starts and 1.1 million U.S single family housing starts for 2021, which are increases of 16.0% and 14.1%, respectively from 2020. In addition, the Home Improvement Research Institute is forecasting sales in the professional repair and remodel end market to increase approximately 15.5% in 2021 compared to 2020.

Our net sales for the third quarter of 2021 increased 140.0% from the same period last year. The significant increase was primarily driven by acquisitions, with our BMC Merger accounting for 77.3% of our sales growth in the third quarter of 2021, while commodity price inflation accounted for another 38.6%. The remainder of the increase was a result of core organic sales growth in our single family customer segment. Our gross margin percentage in the third quarter of 2021 increased by 6.2% compared to the third quarter of 2020 primarily due to effective pricing relative to the impact of commodity inflation, as well as core organic growth in value-added product categories. Our selling, general and administrative expenses, as a percentage of net sales, were 15.9% in the third quarter of 2021, a 2.9% decrease from 18.8% in the third quarter of 2020, driven primarily by cost leverage on increased net sales.

We believe the long-term outlook for the housing industry is positive due to growth in the underlying demographics compared to historical new construction levels, despite the uncertainty in the industry at the outset of the COVID-19 pandemic. We feel we are well-positioned to take advantage of the construction activity in our markets and to increase our market share, which may include strategic acquisitions. We will continue to focus on working capital by closely monitoring the credit exposure of our customers, remaining focused on maintaining the right level of inventory and by working with our vendors to improve payment terms and pricing on our products. We strive to achieve the appropriate balance of short-term expense control while maintaining the expertise and capacity to grow the business as market conditions expand.

SEASONALITY AND OTHER FACTORS

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

- The volatility of lumber prices;
- The cyclical nature of the homebuilding industry;

- General economic conditions in the markets in which we compete;
- The pricing policies of our competitors;
- Disruptions in our supply chain;
- The production schedules of our customers; and
- The effects of weather.

The composition and level of working capital typically change during periods of increasing sales as we carry more inventory and receivables. Working capital levels typically increase in the first and second quarters of the year due to higher sales during the peak residential construction season. These increases may result in negative operating cash flows during this peak season, which historically have been financed through available cash and borrowing availability under credit facilities. Generally, collection of receivables and reduction in inventory levels following the peak building and construction season positively impact cash flow. However, the effects of the COVID-19 pandemic and the significant fluctuations in commodity price that began during the third quarter of 2020 and have continued throughout 2021 have led to increased working capital levels.

RESULTS OF OPERATIONS

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	68.9%	75.1%	71.4%	74.2%
Gross margin	31.1%	24.9%	28.6%	25.8%
Selling, general and administrative expenses	15.9%	18.8%	17.0%	20.3%
Income from operations	15.2%	6.1%	11.6%	5.5%
Interest expense, net	0.7%	1.2%	0.6%	1.9%
Income tax expense	3.4%	1.1%	2.5%	0.8%
Net income	11.1%	3.8%	8.5%	2.8%

Three Months Ended September 30, 2021 Compared with the Three Months Ended September 30, 2020

Net Sales. Net sales for the three months ended September 30, 2021 were $5.5 billion, a 140.0% increase over net sales of $2.3 billion for the three months ended September 30, 2020. The BMC Merger and commodity price inflation increased net sales by 77.3% and 38.6%, respectively. The remaining increase in net sales is primarily attributable to core organic growth in our single family customer segment and net sales from our other acquisitions.

The following table shows net sales classified by product category (in millions):

	Three Months Ended September 30,				
	2021		2020		
	Net Sales	% of Net Sales	Net Sales	% of Net Sales	% Change
Lumber & lumber sheet goods	$ 2,400.5	43.6%	$ 851.6	37.1%	181.9%
Manufactured products	1,253.9	22.8%	421.3	18.4%	197.6%
Windows, doors & millwork	864.6	15.7%	420.2	18.3%	105.8%
Siding, metal & concrete products	414.2	7.5%	212.4	9.3%	95.0%
Gypsum, roofing & insulation	168.5	3.1%	149.5	6.5%	12.7%
Other building products & services	406.9	7.3%	240.5	10.4%	69.2%
Net sales	$ 5,508.6	100.0%	$ 2,295.5	100.0%	140.0%

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

Gross Margin. Gross margin increased $1.1 billion to $1.7 billion, driven primarily by the BMC Merger, commodity price inflation, and core organic sales growth. Our gross margin percentage increased to 31.1% in the third quarter of 2021 from 24.9% in the third quarter of 2020, a 6.2% increase. This increase was primarily attributable to pricing relative to the impact of commodity price inflation, as well as core organic growth particularly in value-added product categories.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $444.1 million, or 103.1% This increase was primarily due to the BMC Merger, including an increase of $97.0 million in related depreciation and amortization expense, and higher variable compensation costs as a result of higher sales and profitability.

As a percentage of net sales, selling, general and administrative expenses decreased to 15.9% in the third quarter of 2021 from 18.8% in the third quarter of 2020, largely driven by cost leverage on increased net sales and disciplined expense management.

Interest Expense, Net. Interest expense was $36.0 million in the third quarter of 2021, an increase of $7.9 million from the third quarter of 2020. The increase was primarily due to higher outstanding debt balance during the third quarter of 2021 compared to the third quarter of 2020.

Income Tax Expense. We recorded income tax expense of $188.3 million and $25.8 million in the third quarters of 2021 and 2020, respectively. Our effective tax rate was 23.5% in the third quarter of 2021 compared to 23.1% in the third quarter of 2020. The increase in the tax expense was primarily driven by the increase in income before income taxes in the current period.

Nine Months ended September 30, 2021 Compared with the Nine Months ended September 30, 2020

Net Sales. Net sales for the nine months ended September 30, 2021 were $15.3 billion, a 153.1% increase over net sales of $6.0 billion for the nine months ended September 30, 2020. The BMC Merger and commodity price inflation increased net sales by 83.9% and 40.5%, respectively. The remaining increase in sales is primarily attributable to core organic growth in our single family customer segment and net sales from our other acquisitions.

The following table shows net sales classified by product category (in millions):

	Nine Months Ended September 30,				
	2021		2020		
	Net Sales	% of Net Sales	Net Sales	% of Net Sales	% Change
Lumber & lumber sheet goods	$ 6,726.6	44.1%	$ 2,026.3	33.6%	232.0%
Manufactured products	3,162.1	20.7%	1,141.5	18.9%	177.0%
Windows, doors & millwork	2,413.1	15.8%	1,215.5	20.2%	98.5%
Siding, metal & concrete products	1,132.2	7.4%	581.8	9.7%	94.6%
Gypsum, roofing & insulation	510.9	3.3%	386.2	6.4%	32.3%
Other building products & services	1,314.1	8.7%	676.8	11.2%	94.2%
Net sales	$ 15,259.0	100.0%	$ 6,028.1	100.0%	153.1%

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

Gross Margin. Gross margin increased $2.8 billion to $4.4 billion, driven primarily by the BMC Merger, commodity price inflation, and core organic sales growth. Our gross margin percentage increased to 28.6% in the nine months ended September 30, 2021 from 25.8% in the nine months ended September 30, 2020, a 2.8% increase. This increase was primarily attributable to pricing relative to the impact of commodity price inflation, as well as core organic growth particularly in value-added product categories.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $1.4 billion, or 112.5%. This increase was primarily due to the BMC Merger, including an increase of $290.5 million in related depreciation and amortization expense, and higher variable compensation costs as a result of higher sales and profitability.

As a percentage of net sales, selling, general and administrative expenses decreased to 17.0% in the nine months ended September 30, 2021 from 20.3% in the nine months ended September 30, 2020, largely driven by cost leverage on increased net sales and disciplined expense management.

Interest Expense, Net. Interest expense was $95.6 million in the nine months ended September 30, 2021, a decrease of $11.2 million from the nine months ended September 30, 2020. Interest expense decreased primarily due to a loss on extinguishment of

$28.0 million recognized during the first nine months of 2020, partially offset by approximately $4.6 million expensed in the first nine months of 2021 related to the partial 2027 notes redemption and the 2026 facility amendment, as well as higher debt balances in the first nine months of 2021.

Income Tax Expense. We recorded income tax expense of $387.1 million and $49.6 million for the nine months ended September 30, 2021 and 2020, respectively. Our effective tax rate was 23.2% in the first nine months of 2021 compared to 22.2% in the first nine months of 2020. The increase in the tax expense was primarily driven by an increase in income before income taxes in the current period.

LIQUIDITY AND CAPITAL RESOURCES

Our primary capital requirements are to fund working capital needs and operating expenses, meet required interest and principal payments, and to fund capital expenditures and potential future growth opportunities. Our capital resources at September 30, 2021 consist of cash on hand and borrowing availability under our 2026 facility.

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

The following table shows our borrowing base and excess availability (in millions) as of:

	September 30, 2021	December 31, 2020
Accounts receivable availability	$ 1,312.7	$ 608.8
Inventory availability	1,169.8	514.7
Other receivables availability	138.2	50.9
Gross availability	2,620.7	1,174.4
Less:		
Agent reserves	(73.9)	(40.6)
Plus:		
Cash in qualified accounts	160.5	413.9
Borrowing base	2,707.3	1,547.7
Aggregate revolving commitments	1,400.0	900.0
Maximum borrowing amount (lesser of borrowing base and aggregate revolving commitments)	1,400.0	900.0
Less:		
Outstanding borrowings	-	(75.0)
Letters of credit	(126.4)	(78.0)
Net excess borrowing availability on revolving facility	$ 1,273.6	$ 747.0

As of September 30, 2021, we did not have any outstanding borrowings under our 2026 facility and our net excess borrowing availability was $1.3 billion after being reduced by outstanding letters of credit totaling $126.4 million. Excess availability must equal or exceed a minimum specified amount, currently $140.0 million, or we are required to meet a fixed charge coverage ratio of 1:00 to 1:00. We were not in violation of any covenants or restrictions imposed by any of our debt agreements at September 30, 2021.

Liquidity

Our liquidity at September 30, 2021 was $1.5 billion, which consists of net borrowing availability under the 2026 facility and cash on hand.

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

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

Consolidated Cash Flows

Cash provided by operating activities was $903.2 million for the nine months ended September 30, 2021 compared to cash provided by operating activities of $155.1 million for the nine months ended September 30, 2020. The increase in cash provided by operating activities was largely the result of an increase in net income in the first nine months of 2021, exceeding the net income in the first nine months of 2020.

For the nine months ended September 30, 2021 the Company used $970.4 million in cash in investing activities, $874.3 million more than the same period in the prior year. Of this increase, $882.2 million more was spent on acquisitions and $68.2 million more as a net investment in property, plant and equipment. Offsetting these increases in cash used for investing activities was cash acquired in the BMC Merger and from the Gypsum Divestiture.

Cash used in financing activities was $131.9 million for the nine months ended September 30, 2021, which consisted primarily of the issuance of $1.0 billion of 2032 notes, offset by cash used to extinguish $359.8 million of debt acquired in the BMC Merger and to redeem $82.5 million of the Company’s 2027 notes, as well as to repurchase $565.6 million our common stock. Cash provided by financing activities was $267.8 million for the nine months ended September 30, 2020, which was primarily related to the net proceeds received from the Company’s financing transactions during the period, including the issuance of $550.0 million of 2030 notes and the issuance of $350.0 million of 2027 notes. The proceeds from these issuances were offset by the redemption of the remaining $503.9 million in outstanding aggregate principal amount of 2024 notes, and $47.5 million in aggregate principal amount of senior secured notes due 2027.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

As a result of the BMC Merger, our critical accounting estimate related to business combinations is described below. In addition, refer to Note 1 to the condensed consolidated financial statements included in Item 1 of this quarterly report on Form 10-Q for a discussion of the impact of a change in the Company’s reporting units, to align with its operating segments, on the Company’s goodwill impairment analysis. Refer to Part II, “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Form 10-K for a discussion of our other critical accounting estimates and assumptions.

Business Combinations. We allocate the purchase price of acquired companies to the assets acquired and liabilities assumed based on estimated fair values at the acquisition date, with the excess of purchase price over the estimated fair value of the identifiable net assets acquired recorded as goodwill. The allocation of the purchase price requires us to make significant estimates and assumptions to determine the fair value of assets acquired and liabilities assumed and the related useful lives of the acquired assets, when applicable, as of the acquisition date.

Examples of critical estimates used in valuing certain of the intangible assets we have acquired or may acquire in the future include, but are not limited to, future expected cash flows from acquired trade names and customer relationships, the period of time the acquired trade names and customer relationships will continue to be used and discount rates used to determine the present value of estimated future cash flows. These estimates are inherently uncertain and unpredictable, and if different estimates were used, the purchase price for the acquisition could be allocated to the acquired assets and assumed liabilities differently from the allocation that we have made.

Future changes in the judgments, assumptions and estimates that are used in our acquisition valuations and intangible asset and goodwill impairment testing, including discount rates or future operating results and related cash flow projections, could result in significantly different estimates of the fair values in the future. An increase in discount rates, a reduction in projected cash flows or a combination of the two could lead to a reduction in the estimated fair values, which may result in impairment charges that could materially affect our financial statements in any given year.

RECENT ACCOUNTING PRONOUNCEMENTS

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

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

We may experience changes in interest expense if changes in our debt occur. Changes in market interest rates could also affect our interest expense. Our 2027 notes, our 2030 notes, and our 2032 notes bear interest at a fixed rate, and therefore our interest expense related to these notes would not be affected by an increase in market interest rates. Borrowings under the 2026 facility bear interest at either a base rate or eurodollar rate, plus, in each case, an applicable margin. We did not have outstanding borrowings on our 2026 facility as of September 30, 2021. The 2026 facility also assesses variable commitment and outstanding letter of credit fees based on quarterly average loan utilization.

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

Item 4. ***Controls and Procedures***

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

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

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

Scope of the Controls Evaluation. The evaluation of our disclosure controls and procedures included a review of their objectives and design, the Company's implementation of the controls and procedures and the effect of the controls and procedures on the information generated for use in this quarterly report. In the course of the evaluation, we sought to identify whether we had any data errors, control problems or acts of fraud and to confirm that appropriate corrective action, including process improvements, were being undertaken if needed. This type of evaluation is performed on a quarterly basis so that conclusions concerning the effectiveness of our disclosure controls and procedures can be reported in our quarterly reports on Form 10-Q. Many of the components of our disclosure controls and procedures are also evaluated by our internal audit department, our legal department and by personnel in our finance organization. The overall goals of these various evaluation activities are to monitor our disclosure controls and procedures on an ongoing basis, and to maintain them as dynamic systems that change as conditions warrant.

Conclusions regarding Disclosure Controls. Based on the required evaluation of our disclosure controls and procedures, our CEO and CFO have concluded that, as of September 30, 2021, we maintained disclosure controls and procedures that were effective in providing reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

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

On January 1, 2021, the Company completed the BMC Merger. The Company is currently in the process of integrating BMC pursuant to the Sarbanes-Oxley Act of 2002. The Company is evaluating changes to processes, information technology systems and other components of internal controls over financial reporting as part of its ongoing integration activities of the BMC and other acquisitions, and as a result, controls will be periodically changed. The Company believes, however, it will be able to maintain sufficient controls over the substantive results of its financial reporting throughout this integration process. Because of the size, complexity and timing of the BMC Merger, the internal controls over financial reporting of BMC and other acquisitions could be excluded from management's assessment of the Company's internal control over financial reporting for the year ended December 31, 2021, as applicable and as permitted under Securities and Exchange Commission regulations.

PART II — OTHER INFORMATION

Item 1. *Legal Proceedings*

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

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

Although our business and facilities are subject to federal, state and local environmental regulation, environmental regulation does not have a material impact on our operations. We believe that our facilities are in material compliance with such laws and regulations. As owners and lessees of real property, we can be held liable for the investigation or remediation of contamination on such properties, in some circumstances without regard to whether we knew of or were responsible for such contamination. Our current expenditures with respect to environmental investigation and remediation at our facilities are minimal, although no assurance can be provided that more significant remediation may not be required in the future as a result of spills or releases of petroleum products or hazardous substances or the discovery of unknown environmental conditions.

Item 1A. *Risk Factors*

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

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

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

Company Stock Repurchases

The following table provides information with respect to our purchases of Builders FirstSource, Inc. common stock during the third quarter of fiscal year 2021:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet be Purchased Under the Plans or Programs
July 1, 2021 — July 31, 2021	4,470	$ 43.57	—	$ —
August 1, 2021 — August 31, 2021	4,322,694	51.18	4,317,500	778,976,435
September 1, 2021 — September 30, 2021	6,640,900	53.75	6,640,900	422,031,163
Total	10,968,064	$ 52.73	10,958,400	$ 422,031,163

In the third quarter of 2021, 10,958,400 shares were repurchased and retired pursuant to a share repurchase program authorized by our board of directors on August 11, 2021. Under this program we are authorized to repurchase up to $1.0 billion of our common stock. The remaining 9,664 shares presented in the table above represent stock tendered in order to meet tax withholding requirements for restricted stock units vested.

Item 6. ***Exhibits***

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of Builders FirstSource, Inc. (incorporated by reference to Exhibit 3.1 to Amendment No. 4 to the Registration Statement of the Company on Form S-1, filed with the Securities and Exchange Commission on June 6, 2005, File Number 333-122788)
3.2	Amendment to Amended and Restated Certificate of Incorporation of Builders FirstSource, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on January 4, 2021, File Number 0-51357)
3.3	Amended and Restated By-Laws of Builders FirstSource, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on August 14, 2020, File Number 0-51357)
4.1	Indenture, dated as of July 23, 2021, among Builders FirstSource, Inc., the guarantors party thereto and Wilmington Trust, National Association, as trustee (form of Note included therein) (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 23, 2021, File Number 001-40620)
31.1*	Certification of Chief Executive Officer pursuant to 17 CFR 240.13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by David E. Flitman as Chief Executive Officer
31.2*	Certification of Chief Financial Officer pursuant to 17 CFR 240.13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by Peter M. Jackson as Chief Financial Officer
32.1**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by David E. Flitman as Chief Executive Officer and Peter M. Jackson as Chief Financial Officer
101*	The following financial information from Builders FirstSource, Inc.'s Form 10-Q filed on November 4, 2021 formatted in Inline eXtensible Business Reporting Language ("Inline XBRL"): (i) Condensed Consolidated Statement of Operations for the three and nine months ended September 30, 2021 and 2020, (ii) Condensed Consolidated Balance Sheet as of September 30, 2021 and December 31, 2020, (iii) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2021 and 2020, (iv) Condensed Consolidated Statements of Changes in Stockholders' Equity for the three and nine months ended September 30, 2021 and 2020 and (v) the Notes to Condensed Consolidated Financial Statements.
104*	The cover page for the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 has been formatted in Inline XBRL.

* Filed herewith.

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

SIGNATURES

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

BUILDERS FIRSTSOURCE, INC.

/s/ DAVID E. FLITMAN
David E. Flitman
President and Chief Executive Officer
(Principal Executive Officer)

November 4, 2021

/s/ PETER M. JACKSON
Peter M. Jackson
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

November 4, 2021

/s/ JAMI COULTER
Jami Coulter
Senior Vice President and Chief Accounting Officer
(Principal Accounting Officer)

November 4, 2021

Exhibit 31.1

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

I, David E. Flitman, certify that:

1. I have reviewed this report on Form 10-Q of Builders FirstSource, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ DAVID E. FLITMAN
David E. Flitman
President and Chief Executive Officer

Date: November 4, 2021

Exhibit 31.2

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

I, Peter M. Jackson, certify that:

1. I have reviewed this report on Form 10-Q of Builders FirstSource, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ PETER M. JACKSON
Peter M. Jackson
Executive Vice President and Chief Financial Officer

Date: November 4, 2021

Exhibit 32.1

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

In connection with the quarterly report of Builders FirstSource, Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, David E. Flitman, as Chief Executive Officer of the Company, and Peter M. Jackson, as Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to our knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DAVID E. FLITMAN
David E. Flitman
President and Chief Executive Officer

/s/ PETER M. JACKSON
Peter M. Jackson
Executive Vice President and Chief Financial Officer

Date: November 4, 2021

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