

BUILDERS FIRSTSOURCE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

	Years Ended December 31,		
	2019	2018	2017
	(In thousands, except per share amounts)		
Net sales	\$ 7,280,431	\$ 7,724,771	\$ 7,034,209
Cost of sales	5,303,602	5,801,831	5,306,818
Gross margin	1,976,829	1,922,940	1,727,391
Selling, general and administrative expenses	1,584,523	1,553,972	1,442,288
Income from operations	392,306	368,968	285,103
Interest expense, net	109,551	108,213	193,174
Income before income taxes	282,755	260,755	91,929
Income tax expense	60,946	55,564	53,148
Net income	\$ 221,809	\$ 205,191	\$ 38,781
Comprehensive income	\$ 221,809	\$ 205,191	\$ 38,781
<i>Net income per share:</i>			
Basic	\$ 1.92	\$ 1.79	\$ 0.34
Diluted	\$ 1.90	\$ 1.76	\$ 0.34
<i>Weighted average common shares outstanding:</i>			
Basic	115,713	114,586	112,587
Diluted	117,025	116,554	115,597

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

BUILDERS FIRSTSOURCE, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	December 31,	
	2019	2018
	(In thousands, except per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 14,096	\$ 10,127
Accounts receivable, less allowances of \$13,492 and \$13,054 at December 31, 2019 and 2018, respectively	614,946	654,170
Other receivables	77,447	68,637
Inventories, net	561,255	596,896
Other current assets	39,123	43,921
Total current assets	1,306,867	1,373,751
Property, plant and equipment, net	721,887	670,075
Operating lease right-of-use assets, net	292,684	—
Goodwill	769,022	740,411
Intangible assets, net	128,388	103,154
Deferred income taxes	8,417	22,766
Other assets, net	22,225	22,152
Total assets	\$ 3,249,490	\$ 2,932,309
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	436,823	423,168
Accrued liabilities	308,950	292,526
Current portion of operating lease liabilities	61,653	—
Current maturities of long-term debt	13,875	15,565
Total current liabilities	821,301	731,259
Noncurrent portion of operating lease liabilities	236,948	—
Long-term debt, net of current maturities, debt discount, premium and issuance costs	1,277,398	1,545,729
Deferred income taxes	36,645	—
Other long-term liabilities	52,245	58,983
Total liabilities	2,424,537	2,335,971
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Preferred stock, \$0.01 par value, 10,000 shares authorized; zero shares issued and outstanding at December 31, 2019 and 2018	—	—
Common stock, \$0.01 par value, 200,000 shares authorized; 116,052 and 115,078 shares issued and outstanding at December 31, 2019 and 2018, respectively	1,161	1,151
Additional paid-in capital	574,955	560,221
Retained earnings	248,837	34,966
Total stockholders' equity	824,953	596,338
Total liabilities and stockholders' equity	\$ 3,249,490	\$ 2,932,309

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

BUILDERS FIRSTSOURCE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

	Years Ended December 31,		
	2019	2018	2017
	(In thousands)		
Cash flows from operating activities:			
Net income	\$ 221,809	\$ 205,191	\$ 38,781
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	100,038	97,906	92,993
Amortization of debt discount, premium and issuance costs	3,880	4,642	6,092
Loss (gain) on extinguishment of debt	8,189	(3,170)	56,657
Deferred income taxes	50,994	51,823	49,104
Stock compensation expense	12,239	14,420	13,508
Net (gain) loss on sales of assets and asset impairments	(949)	(1,393)	6,965
Changes in assets and liabilities, net of assets acquired and liabilities assumed:			
Receivables	42,789	(9,221)	(75,673)
Inventories	44,202	(5,425)	(60,645)
Other current assets	4,674	(10,356)	8
Other assets and liabilities	1,611	5,637	8,315
Accounts payable	4,070	(89,392)	65,764
Accrued liabilities	10,500	22,168	(23,341)
Net cash provided by operating activities	504,046	282,830	178,528
Cash flows from investing activities:			
Purchases of property, plant and equipment	(112,870)	(101,411)	(62,407)
Proceeds from sale of property, plant and equipment	6,545	4,753	2,981
Cash used for acquisitions	(92,855)	—	—
Net cash used in investing activities	(199,180)	(96,658)	(59,426)
Cash flows from financing activities:			
Borrowings under revolving credit facility	1,040,000	1,662,000	1,370,000
Repayments under revolving credit facility	(1,192,000)	(1,833,000)	(1,020,000)
Proceeds from long-term debt and other loans	478,375	3,818	—
Repayments of long-term debt and other loans	(610,834)	(65,312)	(379,926)
Payments of debt extinguishment costs	(2,301)	(134)	(48,704)
Payments of loan costs	(8,618)	—	(2,799)
Exercise of stock options	4,873	3,945	8,055
Repurchase of common stock	(10,392)	(4,895)	(2,644)
Net cash used in financing activities	(300,897)	(233,578)	(76,018)
Net increase (decrease) in cash and cash equivalents	3,969	(47,406)	43,084
Cash and cash equivalents at beginning of period	10,127	57,533	14,449
Cash and cash equivalents at end of period	\$ 14,096	\$ 10,127	\$ 57,533

Supplemental disclosure of non-cash activities

For the years ended December 31, 2019, 2018 and 2017, the Company retired assets subject to other finance obligations of \$0.6 million, \$0.6 million and \$14.0 million and extinguished the related other finance obligations of \$0.6 million, \$0.7 million and \$11.7 million, respectively.

The Company purchased equipment which was financed through finance lease obligations of \$16.5 million, and capital lease obligations of \$10.2 million and \$14.2 million in the years ended December 31, 2019, 2018 and 2017, respectively. In addition, purchases of property, plant and equipment included in accounts payable were \$3.4 million, \$2.4 million and \$3.9 million for the years ended December 31, 2019, 2018 and 2017, respectively.

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

BUILDERS FIRSTSOURCE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock Shares	Common Stock Amount	Additional Paid in Capital (In thousands)	Retained Earnings (Accumulated Deficit)	Total
Balance at December 31, 2016	111,564	\$ 1,115	\$ 527,868	\$ (219,363)	\$ 309,620
Vesting of restricted stock units	772	8	(8)	—	—
Shares withheld for restricted stock units vested	(213)	(2)	(2,642)	—	(2,644)
Exercise of stock options	1,449	15	8,040	—	8,055
Stock compensation expense	—	—	13,508	—	13,508
Cumulative effect adjustment	—	—	—	8,889	8,889
Net income	—	—	—	38,781	38,781
Balance at December 31, 2017	113,572	1,136	546,766	(171,693)	376,209
Vesting of restricted stock units	975	10	(10)	—	—
Shares withheld for restricted stock units vested	(239)	(2)	(4,893)	—	(4,895)
Exercise of stock options	770	7	3,938	—	3,945
Stock compensation expense	—	—	14,420	—	14,420
Cumulative effect adjustment	—	—	—	1,468	1,468
Net income	—	—	—	205,191	205,191
Balance at December 31, 2018	115,078	1,151	560,221	34,966	596,338
Vesting of restricted stock units	735	7	(7)	—	—
Shares withheld for restricted stock units vested	(196)	(2)	(2,448)	—	(2,450)
Repurchase of common stock (1)	(460)	(4)	—	(7,938)	(7,942)
Exercise of stock options	895	9	4,950	—	4,959
Stock compensation expense	—	—	12,239	—	12,239
Net income	—	—	—	221,809	221,809
Balance at December 31, 2019	<u>116,052</u>	<u>\$ 1,161</u>	<u>\$ 574,955</u>	<u>\$ 248,837</u>	<u>\$ 824,953</u>

- (1) During the year ended December 31, 2019, we repurchased and retired 460,000 shares of our common stock, at an average price of \$7.24 per share, for \$7.9 million pursuant to the repurchase program authorized by our board of directors in February 2019. The primary purpose of the repurchase program is to offset all, or a significant portion, of the dilution from employee stock awards.

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