

GMS Inc.

Consolidated Balance Sheets

April 30, 2017 and 2016

(in thousands of dollars, except share data)

	April 30,	
	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 14,561	\$ 19,072
Trade accounts and notes receivable, net of allowances of \$9,851 and \$8,607, respectively	328,988	270,257
Inventories, net	200,234	165,766
Prepaid expenses and other current assets	11,403	16,548
Total current assets	555,186	471,643
Property and equipment, net of accumulated depreciation of \$71,409 and \$54,377, respectively	154,465	153,260
Goodwill	423,644	386,306
Intangible assets, net	252,293	221,790
Other assets	7,677	7,815
Total assets	<u>\$ 1,393,265</u>	<u>\$ 1,240,814</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 102,688	\$ 91,500
Accrued compensation and employee benefits	58,393	51,680
Other accrued expenses and current liabilities	37,891	41,814
Current portion of long-term debt	11,530	8,667
Revolving credit facility	—	26,914
Total current liabilities	210,502	220,575
Non-current liabilities:		
Long-term debt, less current portion	583,390	609,029
Deferred income taxes, net	26,820	41,203
Other liabilities	35,371	33,600
Liabilities to noncontrolling interest holders, less current portion	22,576	25,247
Total liabilities	878,659	929,654
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$0.01 per share, authorized 500,000,000 shares; 40,970,905 and 32,892,905 shares issued at April 30, 2017 and April 30, 2016, respectively	410	329
Preferred stock, par value \$0.01 per share, authorized 50,000,000 shares; 0 shares issued at April 30, 2017 and April 30, 2016, respectively	—	—
Additional paid-in capital	488,459	334,244
Retained earnings (accumulated deficit)	26,621	(22,265)
Accumulated other comprehensive loss	(884)	(1,148)
Total stockholders' equity	514,606	311,160
Total liabilities and stockholders' equity	<u>\$ 1,393,265</u>	<u>\$ 1,240,814</u>

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

GMS Inc.

Consolidated Statements of Operations and Comprehensive Income (Loss)

Years Ended April 30, 2017, 2016, and 2015

(in thousands of dollars, except for share and per share data)

	Year Ended April 30,		
	2017	2016	2015
Net sales	\$ 2,319,146	\$ 1,858,182	\$ 1,570,085
Cost of sales (exclusive of depreciation and amortization shown separately below)	1,560,575	1,265,018	1,091,114
Gross profit	758,571	593,164	478,971
Operating expenses:			
Selling, general and administrative	585,078	470,035	396,155
Depreciation and amortization	69,240	64,215	64,165
Total operating expenses	654,318	534,250	460,320
Operating income	104,253	58,914	18,651
Other (expense) income:			
Interest expense	(29,360)	(37,418)	(36,396)
Change in fair value of financial instruments	(382)	(19)	(2,494)
Write-off of debt discount and deferred financing fees	(7,103)	—	—
Other income, net	4,132	3,671	1,916
Total other (expense), net	(32,713)	(33,766)	(36,974)
Income (loss) before taxes	71,540	25,148	(18,323)
Provision for (benefit from) income taxes	22,654	12,584	(6,626)
Net income (loss)	\$ 48,886	\$ 12,564	\$ (11,697)
Weighted average shares outstanding:			
Basic	40,260,405	32,799,098	32,450,401
Diluted	41,070,025	33,125,242	32,450,401
Net income (loss) per share:			
Basic	\$ 1.21	\$ 0.38	\$ (0.36)
Diluted	\$ 1.19	\$ 0.38	\$ (0.36)
Comprehensive income (loss):			
Net income (loss)	\$ 48,886	\$ 12,564	\$ (11,697)
Increase (decrease) in fair value of financial instrument, net of tax	264	(1,158)	10
Comprehensive income (loss)	\$ 49,150	\$ 11,406	\$ (11,687)

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GMS Inc.

Consolidated Statements of Cash Flows

Years Ended April 30, 2017, 2016, and 2015

(in thousands of dollars)

	April 30,		
	2017	2016	2015
Cash flows from operating activities:			
Net income	\$ 48,886	\$ 12,564	\$ (11,697)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property and equipment	25,565	26,667	32,208
Accretion and amortization of debt discount and deferred financing fees	9,793	3,438	3,374
Amortization of intangible assets	43,675	37,548	31,957
Provision for losses on accounts and notes receivable	(122)	(1,032)	(233)
Provision for obsolescence of inventory	425	80	1,077
Decrease in fair value of contingent consideration	(1,484)	—	—
Equity-based compensation	3,142	4,733	9,012
(Gain)/Loss on sale or impairment of assets	(336)	(645)	1,089
Loss on fair value of financial instruments	—	—	2,494
Changes in assets and liabilities net of effects of acquisitions:			
Trade accounts and notes receivable	(20,400)	(27,338)	(11,649)
Inventories	(18,390)	(699)	(4,610)
Accounts payable	(3,763)	1,055	(3,655)
Deferred income tax	(20,114)	(20,499)	(21,664)
Prepaid expenses and other assets	(412)	(4,682)	1,989
Accrued compensation and employee benefits	4,440	3,454	8,204
Accrued expenses and liabilities	626	5,551	9,170
Liabilities to noncontrolling interest holders	1,133	446	1,862
Income tax receivable / payable	(5,956)	7,106	(905)
Cash provided by operating activities	<u>66,708</u>	<u>47,747</u>	<u>48,023</u>
Cash flows from investing activities:			
Purchases of property and equipment	(11,083)	(7,692)	(13,940)
Proceeds from sale of assets	3,995	9,847	3,807
Purchase of financial instruments	—	—	(4,638)
Acquisition of businesses, net of cash acquired	(150,428)	(120,195)	(67,696)
Cash used in investing activities	<u>(157,516)</u>	<u>(118,040)</u>	<u>(82,467)</u>
Cash flows from financing activities:			
Repayments on the revolving credit facility	(1,011,925)	(697,144)	(303,099)
Borrowings from the revolving credit facility	1,013,365	782,104	320,049
Payments of principal on long-term debt	(4,584)	(3,931)	(3,927)
Principal repayments of capital lease obligations	(5,208)	(4,249)	(4,327)
Proceeds from issuance of common stock in initial public offering, net of underwriting discounts	156,941	—	—
Proceeds from sales of common stock	—	—	5,370
Repayment of term loan	(160,000)	—	—
Proceeds from term loan amendment	481,225	—	—
Repayments on term loan amendment	(381,225)	—	—
Debt issuance costs	(2,637)	(391)	—
Stock repurchases	—	(5,827)	—
Exercise of stock options	345	6,519	—
Cash provided by financing activities	<u>86,297</u>	<u>77,081</u>	<u>14,066</u>
(Decrease) increase in cash and cash equivalents	(4,511)	6,788	(20,378)
Balance, beginning of period	19,072	12,284	32,662
Balance, end of period	<u>\$ 14,561</u>	<u>\$ 19,072</u>	<u>\$ 12,284</u>
Supplemental cash flow disclosures:			
Cash paid for income taxes	\$ 49,163	\$ 26,067	\$ 16,111
Cash paid for interest	26,443	34,557	31,720
Supplemental schedule of noncash activities:			
Assets acquired under capital lease	\$ 9,410	\$ 7,542	\$ 5,211
Change in fair value of derivative instrument	184	1,889	—
Issuance of installment notes associated with equity-based compensation liability awards	5,352	1,557	1,644
Increase in other liabilities due to transition guidance	—	3,208	—
Increase to other assets and decrease to property and equipment	—	833	1,837
Non cash property and equipment adjustments	—	110	115
Increase (decrease) in insurance claims payable and insurance recoverable	1,876	(25,715)	6,350

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