



TO OUR SHAREHOLDERS:

2017 was a year of profitable growth and significant value creation for our shareholders. Our consistent and focused strategy drove sales growth, both organically and through acquisitions, and the conversion of that sales growth to the bottom line through efficiency improvements across our entire Company.

TopBuild has a unique operating model that differentiates us from our peers. Our size and scale give us key advantages in the procurement of both materials and labor, and our two distinct businesses, TruTeam and Service Partners, enhance our reach into a very fragmented residential housing market. In addition, our commercial business, which has been expanding rapidly over the past three years, provides another important avenue of growth for our Company.

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2017 FINANCIAL AND OPERATIONAL HIGHLIGHTS

Our financial results in 2017 were strong. Total revenue, including contributions from acquired companies, grew 9.4% to \$1.91 billion, and our adjusted operating profit was \$171.9 million, a 37.6% improvement. We are particularly pleased with the conversion of our strong top-line growth to the bottom line. Our EBITDA margin was 10.4%, a 210-basis point improvement from 2016, and our drop-down to adjusted EBITDA was 32.5% for the full year. This margin improvement is a direct result of our focus to improve operations, increase labor and sales productivity, optimize our footprint, consolidate back office functions and streamline many other processes and procedures.

In addition to driving financial growth during 2017, our team achieved a number of important accomplishments that further strengthened our Company and created value for our customers and shareholders. Most notably:

- ◆ We successfully completed six acquisitions that are expected to generate over \$83 million of net annual revenue, including four residential and two heavy commercial installation firms. These companies have enhanced our scale, increased our penetration in key markets, augmented our business product mix and capabilities and added depth to our management team.
- ◆ We upsized our term loan and revolving credit facility to \$600 million, further enhancing our liquidity and extending our debt maturity to May 2022, almost two years beyond our prior loan maturity date. This additional capital strengthened our ability to capitalize on strategic acquisitions and other opportunities designed to enhance long-term value for our shareholders.
- ◆ We returned \$139 million to our shareholders through two share repurchase programs, demonstrating our commitment to optimizing our capital structure.
- ◆ We improved shareholder transparency with the introduction of annual and long-term guidance metrics. We are now providing a forecasted annual range for revenue and adjusted EBITDA which will be updated every quarter.
- ◆ And finally, we were awarded the 2017 ENERGY STAR Partner of the Year for our continued leadership in protecting the environment through superior energy efficiency achievements. TopBuild Home Services has been an ENERGY STAR partner for 15 years, working closely with home builders and consumers to create homes that are more comfortable and energy efficient.

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STRATEGIC ACQUISITIONS

In my letter to you last year, I stated that acquiring accretive businesses that enhance our footprint and expand our residential, commercial and distribution capabilities is our number one capital allocation priority, and it remains so. Since implementing our acquisition program in August 2016, we've been very clear with regard to our strategy and the types of organizations we are seeking. We look for profitable, well managed companies with solid customer bases that expand our market share and revenue quality in high growth regions and are accretive to earnings. We target companies with experienced operators and a well-trained installer base.

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In total, through February 2018, we've completed nine acquisitions that are expected to generate over \$121 million of net annual revenue. These transactions have included six residential and two heavy commercial installation firms and an insulation distributor.

On March 2, 2018, we announced our intention to acquire United Subcontractors, Inc. (“USI”), a leading provider of installation and distribution services to the residential and commercial construction markets, in an all-cash transaction valued at \$475 million. This pivotal transaction will strengthen our position as the leading installer and distributor of insulation in the United States.

USI was founded in 1998 and their operations encompass 38 locations in high growth markets including the Pacific Northwest, Mountain West, Southwest and Southeast. In addition, USI offers a diversified product line that will augment and enhance our own product mix and capabilities. In 2017, on a pro forma basis, USI had revenue of \$375 million, adjusted EBITDA of \$47 million and an adjusted EBITDA margin of 12.5%.

Culturally, we are a good fit. Both companies have a strong focus on safety, local empowerment, customer service and satisfaction and a drive for operational excellence. There is a lot of excitement at both TopBuild and USI that this combination is going to create an exceptionally strong organization that will enhance the value proposition for our customers and drive value for our shareholders.

At the close of this transaction, which is expected to occur in the second quarter of 2018, TopBuild will be a company with almost \$2.3 billion of annual revenue, close to 300 locations across the country, adjusted EBITDA of approximately \$259 million and an employee base exceeding 10,000 strong. In today's tight labor market, this is a big competitive advantage.

While there will be much work to do from an integration standpoint, our track record of strong execution leaves us confident regarding the scale and cost model benefits we will achieve from this transaction. We expect to generate synergies at a run rate of at least \$15 million by the end of the second year after the transaction closes.

“We are very optimistic 2018 will be another successful year for TopBuild. In our opinion, the housing recovery has several years to go, and with exposure to 95% of all housing starts, unrivaled national scale and buying power, a diversified business model that mitigates cyclicalities and a seasoned, energized and cycle-tested management team, we are uniquely positioned to capture a large portion of that growth.”

OUTLOOK

As we look at 2018, we are very optimistic that it will be another successful year for TopBuild. The economy is strong, interest rates remain low, household formation is increasing and new home inventory is tight. We are seeing more first-time buyers enter the market and, as a result, we believe single family housing will grow proportionately greater than multi-family, which will only further enhance TopBuild’s top line growth.

Strategic acquisitions will remain an important aspect of our projected growth and our number one capital allocation priority. We will also continue to focus on initiatives that drive operational efficiency and improve labor and sales productivity. While we will concentrate on top line growth, our team is laser focused on ensuring this growth is profitable and translates into margin expansion at both of our business segments.

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Our success is due, in large measure, to the hard work of our over 8,000 employees. They are committed to working safely, providing outstanding service to our customers and pushing for operational excellence throughout our Company. Their dedication enables us to grow profitably and ultimately enhance value for you, our shareholders. I also want to thank our Board of Directors for their support and guidance.

As always, we appreciate the trust you put in our leadership team as stewards of your capital.



Respectfully,

A handwritten signature in black ink, appearing to read 'Jerry Volas', written over a horizontal line.

Jerry Volas
Chief Executive Officer
March 21, 2018