



Foundation Building Materials

# FBM Divestiture Of The Mechanical Insulation Segment

September 27, 2018



# DISCLOSURES

## Forward-Looking Statements

This presentation contains “forward-looking statements” as that term is defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain words such as “believe,” “anticipate,” “expect,” “estimate,” “intend,” “project,” “plan,” or words or phrases with similar meaning. Forward-looking statements made in this presentation relate to, among other things, anticipated operating results, changes in our product mix, our growth opportunities and the use of proceeds from the divestiture of assets. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on current expectations, forecasts and assumptions that involve risks and uncertainties, including, but not limited to, economic, competitive, governmental and technological factors outside of our control, that may cause our business, strategy or actual results to differ materially from the forward-looking statements. We do not intend, and undertake no obligation, to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable law. Investors are referred to the Company’s filings with the Securities and Exchange Commission, including its Annual Reports on Form 10-K and its Quarterly Reports on Form 10-Q for additional information regarding the risks and uncertainties that may cause actual results to differ materially from those expressed in any forward-looking statement.

# Transaction Rationale

## Divests a Non-Core Business Segment

- The Mechanical Insulation (“MI”) segment has limited synergies with the Specialty Building Products (“SBP”) segment; it typically has different customers, products and end markets
- Divestiture allows management and financial resources to focus on core SBP operations and growth opportunities
- Decreases exposure to energy and more cyclical industrial end markets

## Enhances Profitability

- Shifts product mix to higher margin business
  - ✓ Wallboard mix is expected to increase from 33% to 38% of net sales in the near-term
  - ✓ Complementary and Other Products mix is expected to increase from 22% to 26% of net sales in the near-term
- Consolidated gross margins are expected to expand as MI historically had lower gross margins than SBP

## Improves Free Cash Flow Profile and Reduces Leverage

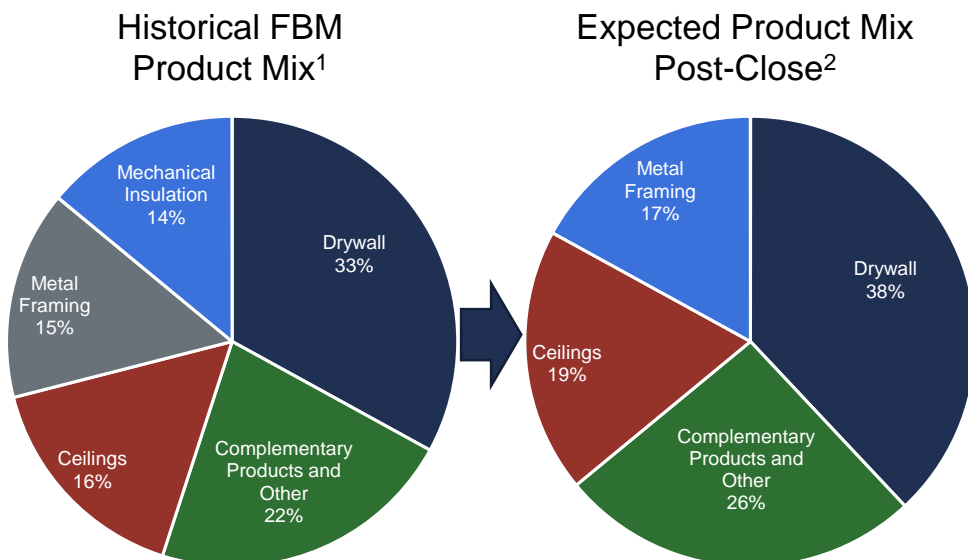
- FBM expects to use proceeds to repay approximately \$116 million of its ABL credit facility via proceeds at closing
- Taxes due from the transaction are expected to be mostly offset by the utilization of tax attributes
- Increases liquidity for acquisition opportunities

# Mechanical Insulation Divestiture Overview

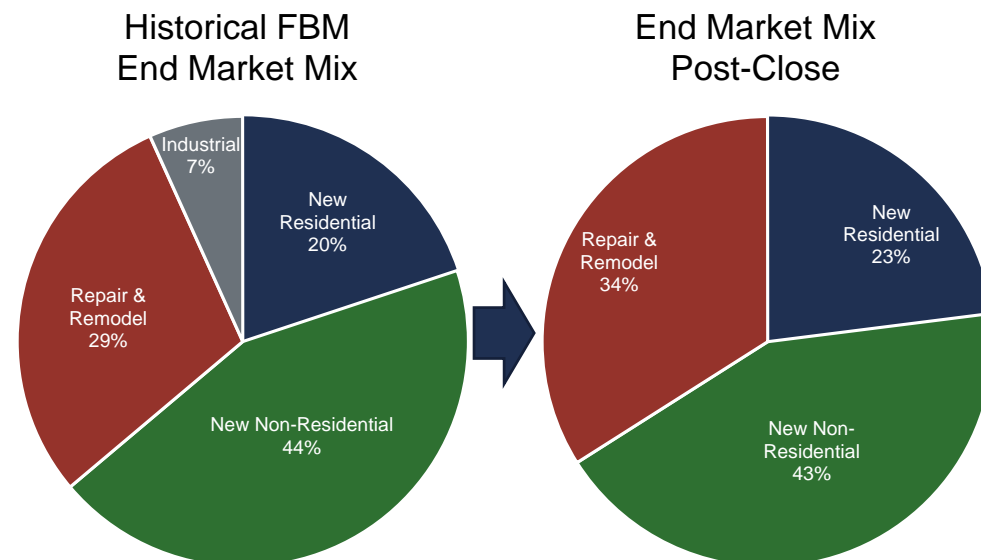
## Overview of Divestiture

- FBM has entered into a definitive agreement to sell its MI segment to Dunes Point Capital for \$122.5 million in cash, subject to certain working capital and other pre- and post-closing adjustments
  - Two part transaction: (1) Asset sale of U.S. MI segment of Foundation Building Materials, LLC, and (2) Stock sale of FBM Canada SPI, Inc.
  - The MI segment had LTM Q2 2018 net sales of \$296 million
  - Current and prior period financial results for the MI segment will be reported as discontinued operations beginning in the third quarter of 2018
- MI operates 54 branches and 13 fabrication shops
  - Operations in 26 states and two Canadian provinces
- The transaction is anticipated to close in the fourth quarter of 2018

## Product Mix Shift



## End Market Mix Shift<sup>3</sup>

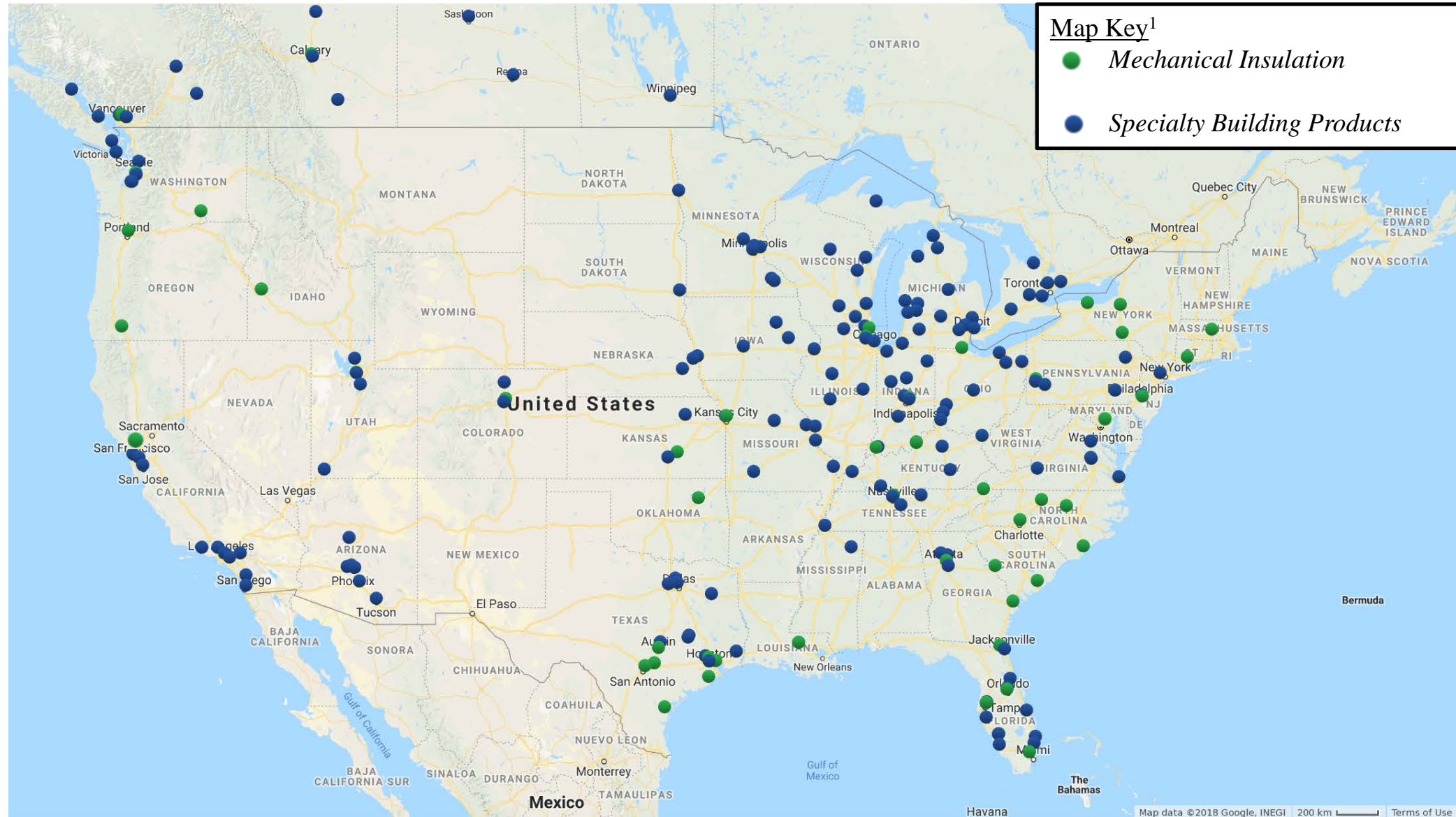


<sup>1</sup> For the three month period ending June 30, 2018

<sup>2</sup> Reflects removal of MI for the three month period ending June 30, 2018

<sup>3</sup> Management Estimates

# CURRENT GEOGRAPHIC FOOTPRINT

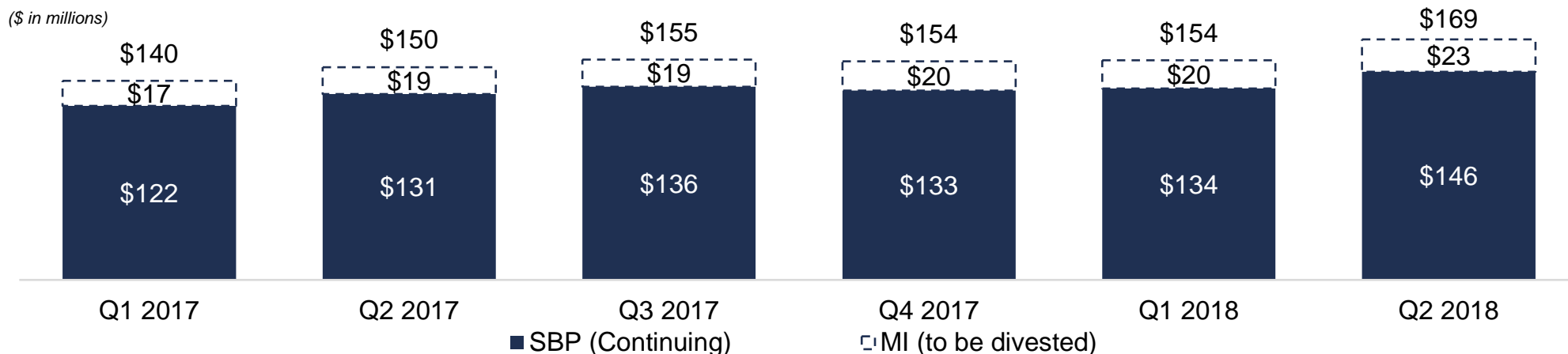


<sup>1</sup> As of 6/30/18.

# Historical Financials

**Consolidated gross margins are expected to expand as MI historically has lower gross margins**

## Gross Profit by Segment



## Historical Financials

(\$ in Thousands)

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	2017	LTM Q2-18
SBP	\$418,463	\$460,086	\$467,891	\$443,674	\$463,661	\$522,219	\$1,790,114	\$1,897,445
MI	60,994	69,144	67,555	73,095	72,636	82,754	270,788	296,040
<b>Total Net Sales</b>	<b>\$479,457</b>	<b>\$529,230</b>	<b>\$535,446</b>	<b>\$516,769</b>	<b>\$536,297</b>	<b>\$604,973</b>	<b>\$2,060,902</b>	<b>\$2,193,485</b>
SBP	\$122,426	\$130,729	\$135,883	\$133,151	\$134,437	\$146,267	\$522,189	\$549,738
MI	17,485	18,803	18,900	20,484	20,003	22,830	75,672	82,217
<b>Total Gross Profit</b>	<b>\$139,911</b>	<b>\$149,532</b>	<b>\$154,783</b>	<b>\$153,635</b>	<b>\$154,440</b>	<b>\$169,097</b>	<b>\$597,861</b>	<b>\$631,955</b>
<i>SBP Gross Margin (%)</i>	29.3%	28.4%	29.0%	30.0%	29.0%	28.0%	29.2%	29.0%
<i>MI Gross Margin (%)</i>	28.7%	27.2%	28.0%	28.0%	27.5%	27.6%	27.9%	27.8%
<i>Total Gross Margin (%)</i>	29.2%	28.3%	28.9%	29.7%	28.8%	28.0%	29.0%	28.8%