

# BlueLinX Second Quarter 2018 Earnings Webcast



**Forward-Looking Statements.** This presentation includes “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance, liquidity levels or achievements, and may contain the words “believe,” “anticipate,” “expect,” “estimate,” “intend,” “project,” “plan,” “will be,” “will likely continue,” “will likely result” or words or phrases of similar meaning. The forward-looking statements in this presentation include statements regarding our potential for future growth; our positioning and ability to capitalize on housing trends; our capital structure and its ability to support growth and future deleveraging; the potential benefits of the acquisition of Cedar Creek; the success and timing of plans for the integration of Cedar Creek; the amount, composition and timing of potential synergies, cost savings, and costs to achieve that may or are expected to result from the combination with Cedar Creek; our outlook for the housing market and single family housing starts; our strategic initiatives; our plans and expectations for our existing real estate portfolio; and our plans and expectations for the treatment of net operating losses in the future. These forward-looking statements are based on estimates and assumptions made by our management that, although believed by us to be reasonable, are inherently uncertain. Forward-looking statements involve risks and uncertainties, including the factors described in the “Risk Factors” section in our Annual Report on Form 10-K for the year ended December 30, 2017, our Quarterly Reports on Form 10-Q, and in our periodic reports filed with the Securities and Exchange Commission from time to time. Given these risks and uncertainties, you are cautioned not to place undue reliance on forward-looking statements. Unless otherwise indicated, all forward-looking statements are as of the date they are made, and we undertake no obligation to update these forward-looking statements, whether as a result of new information, the occurrence of future events, or otherwise.

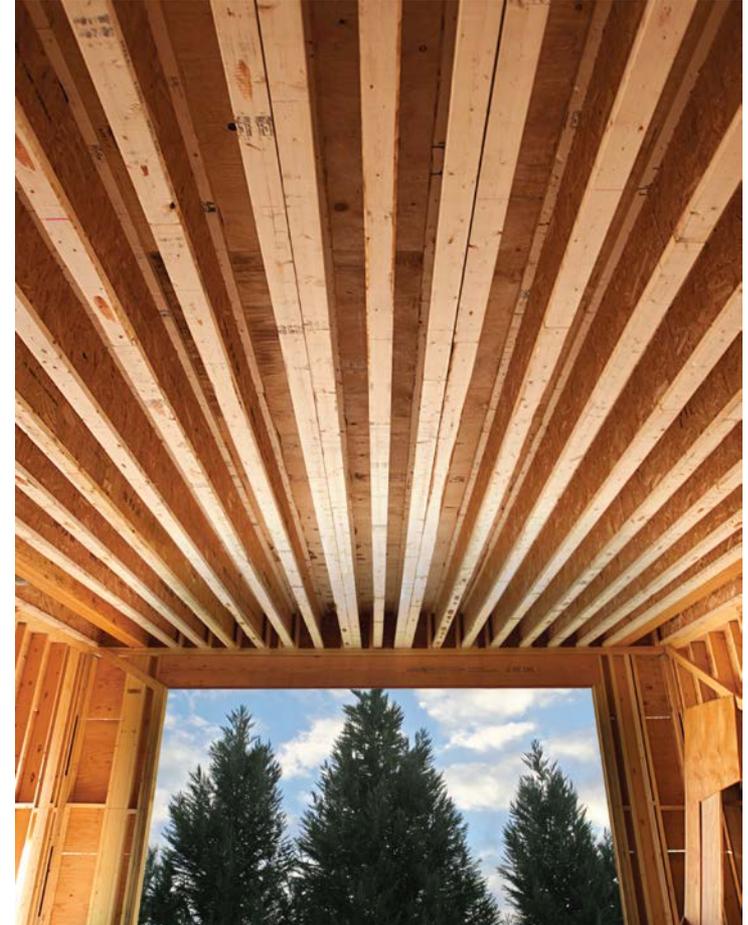
**Non-GAAP Financial Measures and Supplementary Financial Information.** BlueLinx reports its financial results in accordance with accounting principles generally accepted in the United States (“GAAP”). We also believe that presentation of certain non-GAAP measures, such as Adjusted EBITDA, as well as GAAP-based and non-GAAP supplemental financial measures, may be useful to investors and may provide a more complete understanding of the factors and trends affecting the business than using reported GAAP results alone. Explanations of these non-GAAP measures and these GAAP-based and non-GAAP supplemental financial measures are included in the accompanying Appendix to this presentation. And any non-GAAP measures used herein are reconciled herein or in the financial tables in the Appendix to their most directly comparable GAAP measures. We caution that non-GAAP measures and supplemental financial measures should be considered in addition to, but not as a substitute for, our reported GAAP results.

**Immaterial Rounding Differences.** Immaterial rounding adjustments and differences may exist between slides, press releases, and previously issued presentations.

This presentation and the associated remarks made during this conference call are integrally related and are intended to be presented and understood together.

## Second Quarter 2018

- Successfully completed the Cedar Creek acquisition in April, creating a leading building products wholesale distributor with combined Q2 2018 trailing twelve months net sales of \$3.4 billion
- Began integration of the two companies making quick organizational and structural decisions while strengthening relationships with key customers and suppliers
- Q2 Pro Forma Net Sales were \$949 million, up \$100 million from Q2 2017
- Pro Forma Adjusted EBITDA of \$38 million increased by \$7 million from the second quarter 2017



Industry leader with opportunity to continue transformative profitable growth

## STRONG FOUNDATION FOR SUCCESS

- 
- A leading building products distributor with a strong geographic presence east of the Rockies and over 700 sales associates
  - Comprehensive product and services portfolio provides opportunity for accelerated growth
  - Diversified and established customer base offers efficient growth potential
  - Well-positioned to capitalize on trend toward long-term recovery in the U.S. housing market
  - Synergies from Cedar Creek acquisition estimated to be at least \$50 million annually
  - Capital structure provides financial flexibility to support growth and long term deleveraging plan

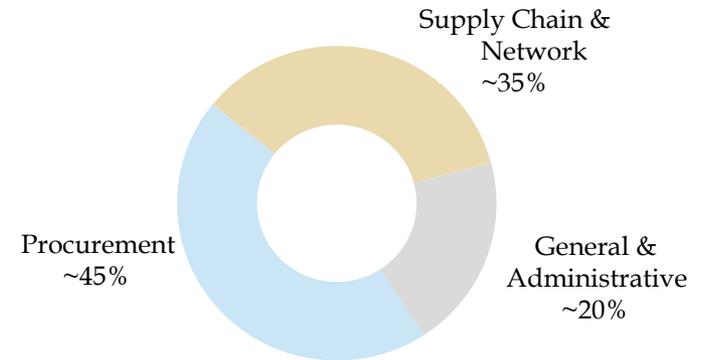
## ACCOMPLISHMENTS

- Created dedicated integration team coordinating with third party consultants to drive synergy opportunities
- Quickly established organizational structure consistent with local market strategy while taking advantage of economies of scale
- Decided on future ERP platform and began project plan to fully transition to one system by end of 2019
- Reduced two facilities through consolidations with three additional consolidations in process for completion in the next 60 days
- Converting all employees from multiple HR systems into single system by first week of September
- Moving quickly on numerous additional G&A cost saving opportunities
- Rebranding with new logo and BlueLinx name

# Acquisition Of Cedar Creek Expected To Yield Significant Cost Savings

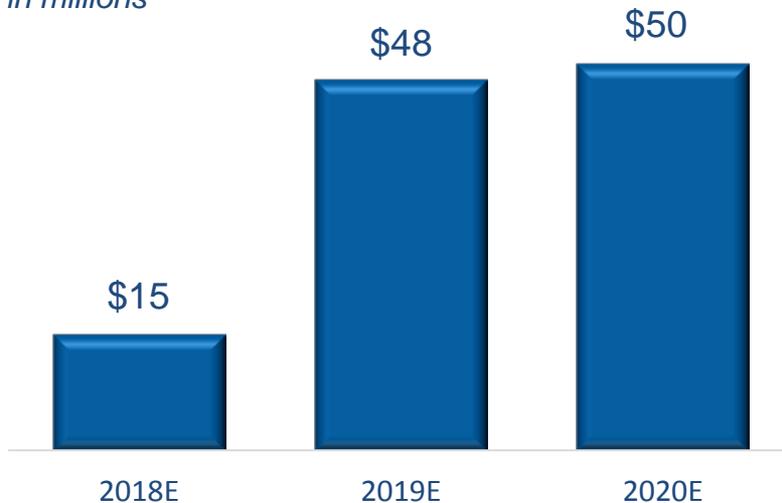
Opportunity	Description
Procurement	<ul style="list-style-type: none"> <li>• Supplier rationalization</li> <li>• Cost disparity</li> </ul>
Supply Chain Efficiencies	<ul style="list-style-type: none"> <li>• Overlap markets</li> <li>• Route optimization</li> </ul>
General & Administrative	<ul style="list-style-type: none"> <li>• Efficiency improvements</li> </ul>

## ESTIMATED \$50M COST SAVINGS BY OPPORTUNITY



## EXPECTED RUN-RATE SYNERGIES

*\$ in millions*

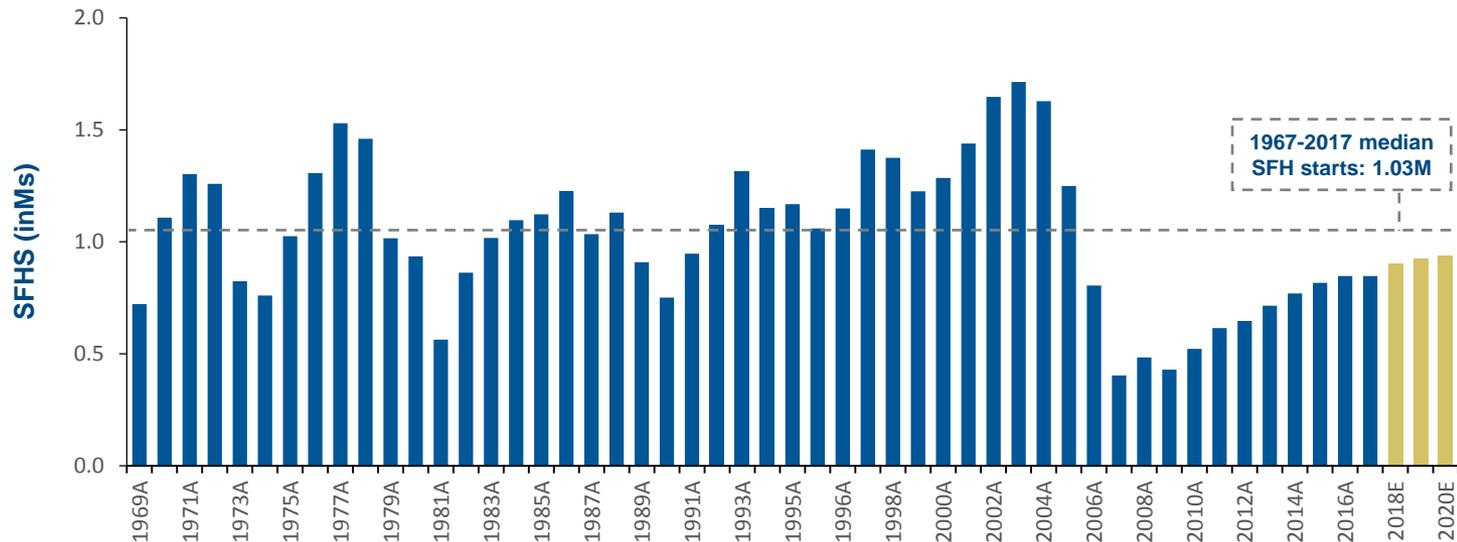


- Costs to achieve synergies estimated \$25 - \$40 million, down from \$40 - \$55 million originally
- \$25 million of potential gross proceeds on sale of owned BlueLinx real estate in overlap markets

## MARKET OUTLOOK

- Housing starts forecasted to be ~1.3 million in 2018
- U.S. unemployment rate as of Q2'18 is the lowest since 2000 at 4.0%
- U.S. Single Family Housing Starts in June were down to seasonally adjusted 858k annual rate with positive full year trend providing growth opportunities
- Mortgage interest rates remain at ~4.5% in June 2018
- Wood-based commodity prices have seen a steady drop over the past quarter
- Tariffs have had impact on certain imports from outside North America

## ANNUAL SINGLE FAMILY HOUSING STARTS





1

## Successful Integration of Two Companies

- Over \$3 billion of addressable spend for cost savings opportunities
- Identifiable and achievable cost savings of at least \$50M through supply chain, G&A and procurement
- Dedicated leadership team assigned to integration

2

## Emphasize Sales Growth

- Emphasize local customer interaction to grow market share
- Develop and deploy best practices in selling processes
- Utilize broad product offering across vast distribution network

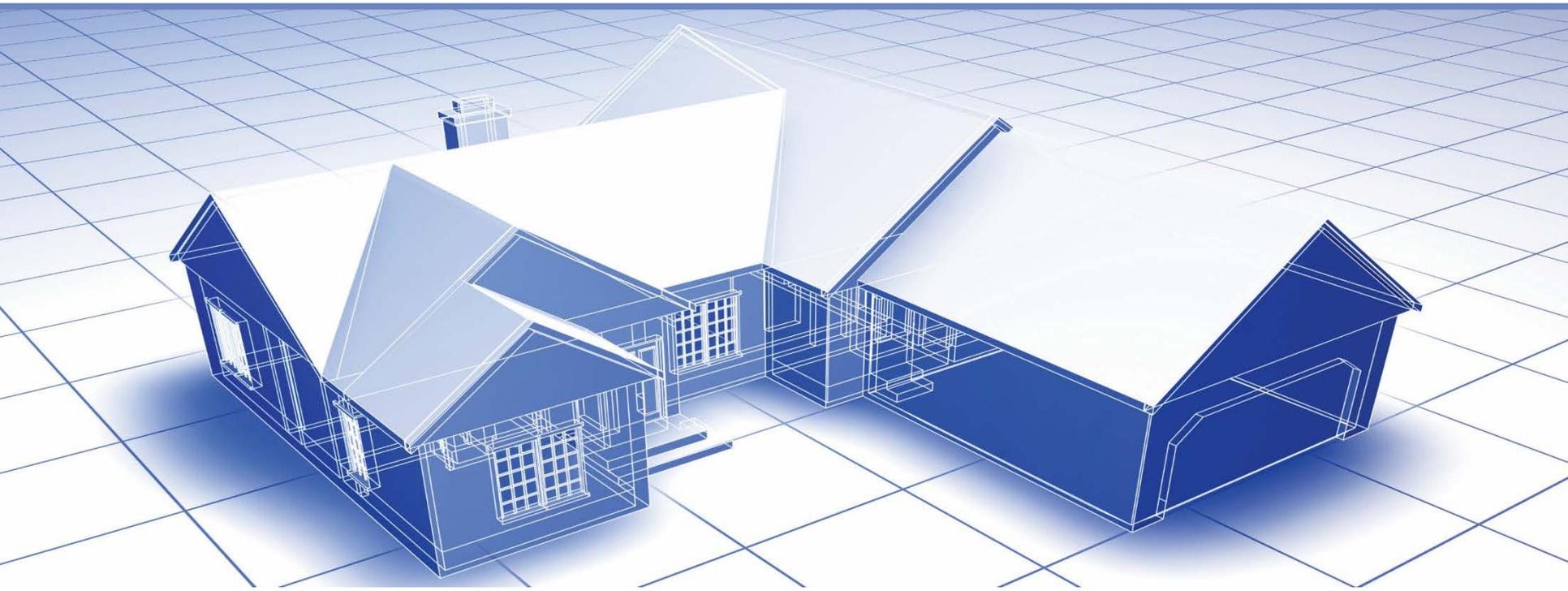
3

## Enhance Margins

- Emphasis on products and markets with high margin profiles
- Differentiate offering based on customer characteristics
- Maintain price discipline with systematic pricing processes



# Financial Overview



- Net Sales of \$893M, up \$419M or 88%
  - Pro Forma Net Sales of \$949M, up \$100M or 12%
- Gross Profit of \$104M<sup>1</sup>, up \$43M
  - Pro Forma Gross Profit of \$121M, up \$8M
- Gross Margin of 11.6%<sup>1</sup>
  - Pro Forma Gross Margin of 12.8%
- Net Loss of \$9M includes the following one-time items:
  - Acquisition related legal, consulting and professional fees of \$12M
  - Acquisition related inventory step-up charges of \$11M
  - Stock based compensation of \$4M
- Adjusted EBITDA of \$37M, up \$24M
  - Pro Forma Adjusted EBITDA of \$38M, up \$7M
- Excess Availability including cash on hand of \$134M

<sup>1</sup> Includes acquisition-related inventory step-up charge of \$11M

- Net Sales of \$1,330M, up \$428M or 47%
  - Pro Forma Net Sales of \$1,733M, up \$114M or 7%
- Gross Profit of \$159M<sup>1</sup>, up \$44M
  - Pro Forma Gross Profit of \$221M, up \$17M
- Gross Margin of 11.9%<sup>1</sup>
  - Pro Forma Gross Margin of 12.7%
- Net Loss of \$22M includes the following one-time items:
  - Acquisition related legal, consulting and professional fees of \$15M
  - Stock based compensation of \$13M
  - Acquisition related inventory step-up charges of \$11M
- Adjusted EBITDA of \$45M, up \$25M
  - Pro Forma Adjusted EBITDA of \$57M, up \$5M

<sup>1</sup> Includes acquisition-related inventory step-up charge of \$11M

# Pro Forma Net Sales and Gross Margin

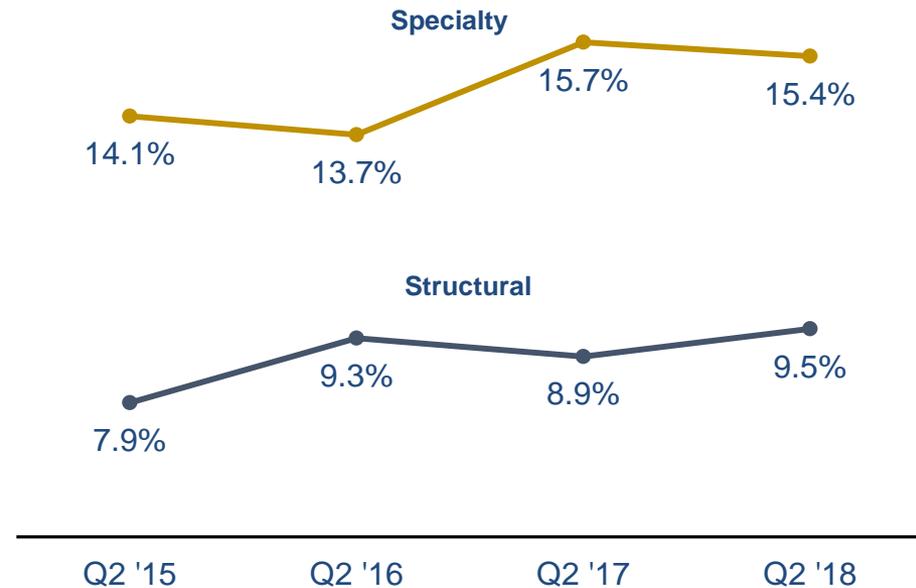
\$ in millions

## Pro Forma Net Sales



- Pro forma Net Sales increased by \$100M or 12% from the same quarter last year
- Sales growth led by structural products benefiting from strong commodity markets

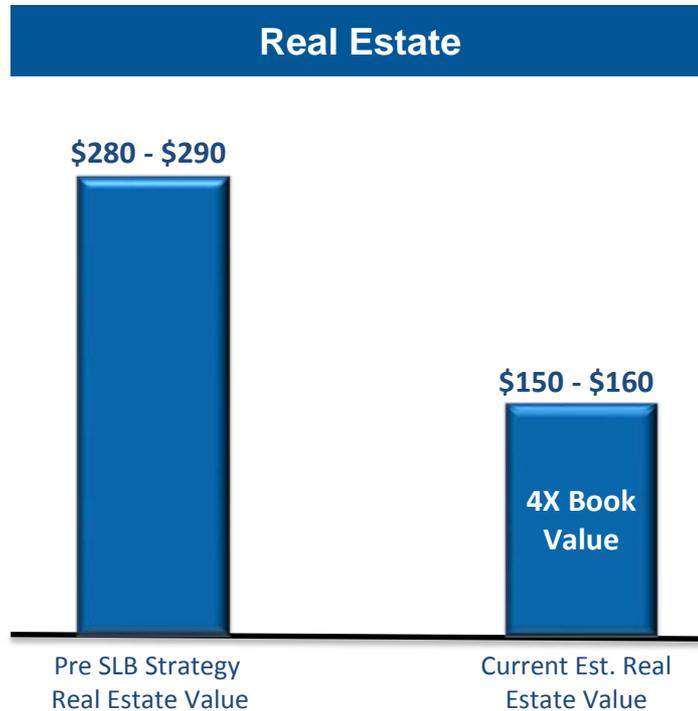
## Pro Forma Gross Margin



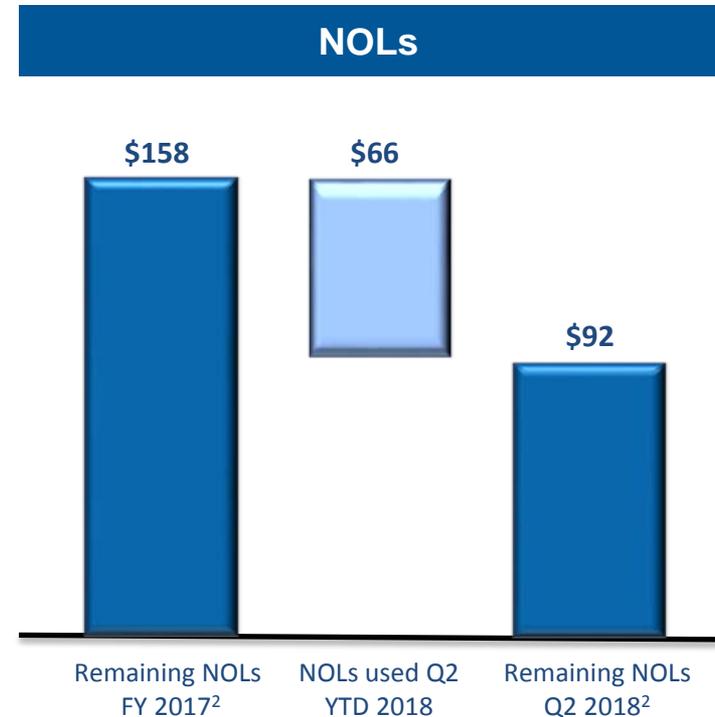
- Pro Forma Gross Margin of 12.8%
  - Structural Gross margin increased 60 basis points as we continued to capitalize on strong commodity prices
  - Specialty Gross margin decreased 30 basis points driven by lower volumes in cedar products

# Real Estate and NOLs<sup>1</sup> Overview

\$ in millions



- Utilized sale leaseback (“SLB”) proceeds to pay off CMBS mortgage, better positioning the company for the acquisition of Cedar Creek



- While our focus is achieving at least \$50M+ in annual run-rate synergies, we will continue to assess our real estate portfolio as a source of capital
- NOLs can be used against ordinary income, as well as gains on real estate sales or sale leasebacks

<sup>1</sup> Net Operating Losses listed above consist of only Federal NOLs

<sup>2</sup> NOLs used are estimated until the applicable tax return is filed. Actual usage may be different from these current estimates.



# Appendix



# Non-GAAP And Supplementary Financial Measures

BlueLinx reports its financial results in accordance with GAAP, but we also believe that presentation of certain non-GAAP measures, as well as GAAP-based and non-GAAP supplemental financial measures, may be useful to investors and may provide a more complete understanding of the factors and trends affecting the business than using reported GAAP results alone. We caution that non-GAAP measures and supplemental financial measures should be considered in addition to, but not as a substitute for, our reported GAAP results.

**Adjusted EBITDA and Pro Forma Adjusted EBITDA.** We define Adjusted EBITDA as an amount equal to net income plus interest expense and all interest expense related items, income taxes, depreciation and amortization, and further adjusted to exclude certain non-cash items, and other adjustments to Consolidated Net Income, including compensation expense from SARs, and one-time charges associated with the legal, consulting, and professional fees related to the Cedar Creek acquisition, and interest charges on debt modification fees under the CMBS mortgage payoff in the first quarter of fiscal 2018.

We present Adjusted EBITDA because it is a primary measure used by management to evaluate operating performance and, we believe, helps to enhance investors' overall understanding of the financial performance and cash flows of our business. We believe Adjusted EBITDA is helpful in highlighting operating trends. We also believe that Adjusted EBITDA is frequently used by securities analysts, investors and other interested parties in their evaluation of companies, many of which present an Adjusted EBITDA measure when reporting their results. However, Adjusted EBITDA is not a presentation made in accordance with GAAP, and is not intended to present a superior measure of the financial condition from those determined under GAAP. Adjusted EBITDA, as used herein, is not necessarily comparable to other similarly titled captions of other companies due to differences in methods of calculation.

Pro forma Adjusted EBITDA for any period is calculated in the same manner as Adjusted EBITDA, but also combines the historical results of BlueLinx for the three and six months ended June 30, 2018, and July 1, 2017, with the historical results of Cedar Creek for the three month period ended March 31, 2018, and thirteen day period ended April 13, 2018, and the three and six months ended July 1, 2017, respectively, giving effect to the Cedar Creek acquisition and related adjustments as if the acquisition occurred on January 1, 2017.

**Supplemental Financial Measures.** We completed the acquisition of Cedar Creek on April 13, 2018. As a result, Cedar Creek's financial results are only included in the combined company's reported financial results from the Closing Date forward. To supplement these reported results, we have provided GAAP-based and non-GAAP pro forma financial information of the combined company in this presentation that includes Cedar Creek's financial results for the relevant periods prior to the Closing Date. This pro forma information combines the historical results of BlueLinx for the three and six months ended June 30, 2018, and July 1, 2017, with the historical results of Cedar Creek for the three month period ended March 31, 2018, and thirteen day period ended April 13, 2018, and the three and six months ended July 1, 2017, respectively, giving effect to the Cedar Creek acquisition and related adjustments as if the acquisition occurred on January 1, 2017.

# Adjusted EBITDA

<i>(In thousands)</i>				
<i>(Unaudited)</i>				
	2018	2017	2018	2017
	Q2	Q2	Q2 YTD	Q2 YTD
Net (loss) income	\$ (8,558)	\$ 3,238	\$ (21,985)	\$ 3,822
Adjustments:				
Depreciation and amortization	7,444	2,253	10,109	4,616
Interest expense	12,194	5,367	20,674	10,609
Provision for (Benefit from) income taxes	942	676	(597)	709
Gain from sales of property	—	—	—	(6,700)
Amortization of deferred gain	(1,300)	—	(2,470)	—
Share-based compensation expense	3,763	695	12,963	1,459
Multi-employer pension withdrawal	—	1,000	—	5,500
Inventory step-up adjustment	10,918	—	10,918	—
Merger and acquisition costs <sup>(1)</sup>	11,642	—	15,234	—
Restructuring, severance, and legal	(47)	(427)	225	108
Adjusted EBITDA	<u>\$ 36,998</u>	<u>\$ 12,802</u>	<u>\$ 45,071</u>	<u>\$ 20,123</u>

(1) Reflects primarily legal, professional and other integration costs related to the Cedar Creek acquisition

# Pro Forma Adjusted EBITDA

<i>(In thousands)</i>				
<i>(Unaudited)</i>				
	2018	2017	2018	2017
	Q2	Q2	Q2 YTD	Q2 YTD
Net (loss) income	\$ 9,180	\$ 5,963	\$ (1,439)	\$ (30,290)
Adjustments:				
Depreciation and amortization	8,670	7,847	17,644	17,640
Interest expense	12,604	10,850	26,611	21,487
Provision for (Benefit from) income taxes	4,773	4,886	3,104	(2,871)
Gain from sales of property	—	—	—	(6,700)
Amortization of deferred gain	(1,300)	(453)	(2,470)	(453)
Share-based compensation expense	3,763	695	12,963	1,459
Multi-employer pension withdrawal	—	1,000	—	5,500
Inventory step-up adjustment	—	—	—	11,600
Merger and acquisition costs <sup>(1)</sup>	—	—	—	34,044
Restructuring, severance, and legal	(47)	(183)	226	605
Adjusted EBITDA	<u>\$ 37,643</u>	<u>\$ 30,605</u>	<u>\$ 56,639</u>	<u>\$ 52,021</u>

(1) Reflects primarily legal, professional and other integration costs related to the Cedar Creek acquisition

**Please reference our  
Earnings Release and 10-Q  
available on our website  
[www.BlueLinxCo.com](http://www.BlueLinxCo.com)**

