
Section 1: 8-K (8-K)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of report (Date of earliest event reported): February 25, 2019

FOUNDATION BUILDING MATERIALS, INC.
(Exact Name of the Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction of Incorporation)

001-38009
(Commission File Number)

81-4259606
(IRS Employer Identification No.)

2741 Walnut Avenue, Suite 200, Tustin, California
(Address of Principal Executive Offices)

92780
(Zip Code)

(714) 380-3127
Registrant's telephone number, including area code

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On February 25, 2019, Foundation Building Materials, Inc. (the “Company”) issued a press release announcing its financial results for its fourth quarter and year ended December 31, 2018, and providing its full-year 2019 guidance. A copy of the press release is attached hereto as Exhibit 99.1 and incorporated herein by reference.

The information included or incorporated by reference in this Item 2.02, including Exhibit 99.1, is being furnished to the Securities and Exchange Commission (the “SEC”) and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 7.01. Regulation FD.

The Company intends to reference a slide deck (the “Presentation”) during the Company’s conference call to discuss its financial results for its fourth quarter and year ended December 31, 2018. A copy of the Presentation can be accessed on the Company’s website – investors.fbmsales.com by going to the “Events and Presentations” section and selecting “Read More Events and Presentations.”

The information included in this Item 7.01 is being furnished to the SEC and shall not be deemed “filed” for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

[99.1 Press Release issued by Foundation Building Materials, Inc. on February 25, 2019.](#)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

FOUNDATION BUILDING MATERIALS, INC.

Date: February 25, 2019

By: /s/ Richard Tilley

Name: Richard Tilley

Title: Vice President, General Counsel and Secretary

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Section 2: EX-99.1 (EXHIBIT 99.1)



Foundation Building Materials

Foundation Building Materials, Inc. Announces Fourth Quarter and Full Year 2018 Results

2018 Fourth Quarter Highlights

- Net sales of \$516.2 million, an increase of 16.3% compared to the prior year period
- Base business net sales of \$439.1 million, an increase of 10.6% compared to the prior year period
- Reduced net debt leverage ratio from 4.3x at September 30, 2018 to 3.6x at December 31, 2018
- Net income of \$1.9 million and adjusted net income⁽¹⁾ of \$7.0 million from continuing operations; earnings per share of \$0.04 and adjusted earnings per share⁽¹⁾ of \$0.16
- Adjusted EBITDA⁽¹⁾ of \$41.2 million, an increase of 23.9% compared to the prior year period; adjusted EBITDA margin⁽¹⁾ of 8.0% compared to 7.5% in the prior year period
- Closed the sale of the Mechanical Insulation segment for approximately \$122.5 million

2018 Full Year Highlights

- Record net sales of \$2.0 billion, an increase of 14.2% compared to the prior year
- Base business net sales of \$1.8 billion, an increase of 8.4% compared to the prior year
- Net loss of \$36.4 million and adjusted net income⁽¹⁾ of \$17.5 million from continuing operations; loss per share of \$0.85 and adjusted earnings per share⁽¹⁾ of \$0.41
- Adjusted EBITDA⁽¹⁾ of \$155.2 million, an increase of 14.7% compared to the prior year period; adjusted EBITDA margin⁽¹⁾ of 7.6%, the same as the prior year period
- Completed four acquisitions adding 16 branches across the U.S and opened five greenfield branches

Tustin, CA, February 25, 2019 Foundation Building Materials, Inc. (NYSE: FBM), one of the largest specialty building product distributors of wallboard, suspended ceiling systems and metal framing in North America, today reported fourth quarter and full year 2018 financial results.

“We are very pleased with our fourth quarter and full year results. We delivered double-digit net sales and strong base business growth reflecting our balanced product mix and our ongoing strategies to drive organic growth,” said Ruben Mendoza, President and CEO. “For 2019, our strategic priorities are to reduce debt, execute our business model to drive organic growth and expand profit margin to deliver long-term value to our shareholders.”

2018 Fourth Quarter Results

Net sales for the three months ended December 31, 2018 were \$516.2 million compared to \$443.7 million for the three months ended December 31, 2017, representing an increase of \$72.5 million, or 16.3%. Net sales from base business branches contributed \$439.1 million of the increase which was driven by strong commercial activity, price increases and product expansion into new geographic markets.

Gross profit for the three months ended December 31, 2018 was \$155.6 million compared to \$133.2 million for the three months ended December 31, 2017, representing an increase of \$22.5 million, or 16.9%. The increase in gross profit was primarily due to the increase in net sales. Gross margin for the three months ended December 31, 2018 was 30.1% compared to 30.0% for the three months ended December 31, 2017.

⁽¹⁾ Adjusted EBITDA, adjusted net income and adjusted earnings per share are non-GAAP measures. See the supplementary schedules at the end of this press release for a discussion of how we define and calculate these measures, why we believe they are important and a reconciliation thereof to the most directly comparable GAAP measures. Adjusted EBITDA margin represents adjusted EBITDA divided by net sales.

Selling, general, and administrative ("SG&A"), expenses for the three months ended December 31, 2018, were \$116.4 million compared to \$100.6 million for the three months ended December 31, 2017, representing an increase of \$15.9 million. As a percentage of net sales, SG&A expenses were 22.6% for the three months ended December 31, 2018, compared to 22.7% for the three months ended December 31, 2017. Excluding non-recurring adjustments of \$2.3 million and \$0.8 million for the three months ended December 31, 2018 and 2017, respectively, SG&A expenses as a percentage of net sales for the three months ended December 31, 2018 were 22.1% compared to 22.5% for the three months ended December 31, 2017. The decrease in SG&A expenses as a percentage of net sales was due to our continued focus on operating efficiencies, cost reduction initiatives, and leveraging costs with the increase in net sales.

Net income from continuing operations for the three months ended December 31, 2018 was \$1.9 million, or \$0.04 per share, compared to net income from continuing operations of \$74.8 million, or \$1.74 per share for the three months ended December 31, 2017. Adjusted net income⁽¹⁾ for the three months ended December 31, 2018 was \$7.0 million, or \$0.16 per share, a decrease of \$0.1 million compared to an adjusted net income⁽¹⁾ of \$7.1 million, or \$0.17 per share, for the three months ended December 31, 2017.

Adjusted EBITDA⁽¹⁾ was \$41.2 million and adjusted EBITDA margin⁽¹⁾ was 8.0% for the three months ended December 31, 2018, compared to adjusted EBITDA⁽¹⁾ of \$33.3 million and adjusted EBITDA margin⁽¹⁾ of 7.5% for the three months ended December 31, 2017.

2018 Full Year Results

Net sales for the year ended December 31, 2018 were \$2.0 billion compared to \$1.8 billion for the year ended December 31, 2017, representing an increase of \$254.2 million, or 14.2%. Net sales from base business branches contributed \$137.1 million, or 8.4%, of the increase, which was driven by strong commercial activity, price increases and product expansion into new geographic markets.

Gross profit for the year ended December 31, 2018 was \$590.4 million compared to \$522.2 million for the year ended December 31, 2017, representing an increase of \$68.2 million, or 13.1%. The increase in gross profit was primarily due to the increase in net sales. Gross margin for the year ended December 31, 2018 was 28.9% compared to 29.2% for the year ended December 31, 2017. The decrease in gross margin was primarily due to higher product costs.

SG&A expenses for the year ended December 31, 2018 were \$444.5 million compared to \$399.9 million for the year ended December 31, 2017, representing an increase of \$44.7 million, or 11.2%. As a percentage of net sales, SG&A expenses were 21.7% for the year ended December 31, 2018 compared to 22.3% for the year ended December 31, 2017. Excluding non-recurring adjustments of \$9.2 million and \$11.9 million for the years ended December 31, 2018 and 2017, respectively, SG&A expenses as a percentage of net sales for the year ended December 31, 2018 were 21.3% compared to 21.7% for the year ended December 31, 2017. The decrease in SG&A expenses as a percentage of net sales was due to our continued focus on operating efficiencies, cost reduction initiatives, and leveraging costs with the increase in net sales.

Net loss from continuing operations for the year ended December 31, 2018, was \$36.4 million, or \$0.85 per share, compared to net income from continuing operations of \$77.9 million, or \$1.88 per share for the year ended December 31, 2017. Adjusted net income⁽¹⁾ for the year ended December 31, 2018, was \$17.5 million, or \$0.41 per share, an increase of \$7.9 million compared to adjusted net income⁽¹⁾ of \$9.6 million, or \$0.23 per share, for the year ended December 31, 2017.

Adjusted EBITDA⁽¹⁾ was \$155.2 million and adjusted EBITDA margin⁽¹⁾ was 7.6% for the year ended December 31, 2018, compared to adjusted EBITDA⁽¹⁾ of \$135.3 million and adjusted EBITDA margin⁽¹⁾ of 7.6% for the year ended December 31, 2017.

Acquisitions and Greenfield Branches

In 2018, the Company completed four acquisitions adding 16 branches with combined annualized net sales in excess of \$130.0 million. During 2018 the Company opened five specialty building products greenfield branches and expects to open four to six more branches by the end of 2019. These greenfield branches are projected to yield high returns on invested capital within the first few years of startup. They also serve to further leverage the Company's national scale, increase the Company's market share, generate economies of scale and support the Company's organic growth.

⁽¹⁾ Adjusted EBITDA, adjusted net income and adjusted earnings per share are non-GAAP measures. See the supplementary schedules at the end of this press release for a discussion of how we define and calculate these measures, why we believe they are important and a reconciliation thereof to the most directly comparable GAAP measures. Adjusted EBITDA margin represents adjusted EBITDA divided by net sales.

2019 Guidance⁽¹⁾

| | 2018 Results | 2019 Guidance |
|----------------------------------|--------------|------------------|
| Net sales (in billions) | \$2.04 | \$2.10 to \$2.25 |
| Gross margin | 28.9% | 29.1% to 29.3% |
| Adjusted EBITDA (in millions) | \$155 | \$160 to \$180 |
| Adjusted EBITDA margin | 7.6% | 7.6% to 8.0% |
| Adjusted EPS | \$0.41 | \$0.70 to \$0.90 |
| Net debt leverage ⁽²⁾ | 3.6x | 3.2x to 3.5x |

⁽²⁾For a calculation of net debt leverage, see Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2018.

Fourth Quarter Earnings Release and Conference Call

In conjunction with this release, Foundation Building Materials, Inc. will host a conference call tomorrow, Tuesday, February 26, 2019, at 8:30 AM Eastern Time. Ruben Mendoza, President and Chief Executive Officer, John Gorey, Chief Financial Officer, Pete Welly, Chief Operating Officer, Kirby Thompson, Senior Vice President of Sales and Marketing and John Moten, Vice President Investor Relations will host the call.

The call can be accessed in three ways:

- At the FBM website: www.fbmsales.com in the Investors section of the Company's website;
- By telephone: For both listen-only participants and those who wish to take part in the question and answer portion of the call, the dial-in telephone number in the U.S. is (877) 407-9039. For participation outside the U.S., the dial-in number is (201) 689-8470; and
- Audio Replay: A replay of the call will be available beginning at 12:00 PM Eastern Time on Tuesday, February 26, 2019, and ending 11:59 PM Eastern Time on March 6, 2019. Dial-in numbers for U.S. based participants are (844) 512-2921. Participants outside the U.S. should use the replay dial-in number of (412) 317-6671. All callers will be required to provide the Conference ID of 13686920.

About Foundation Building Materials

Foundation Building Materials is a specialty building products distributor of wallboard, suspended ceiling systems, and metal framing throughout North America. Based in Tustin, California, the Company employs more than 3,400 people and operates more than 175 branches across the U.S. and Canada.

Forward-Looking Statements

This press release 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 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 contained in this press release relate to, among other things, the Company's projected financial performance and operating results including projected net sales, gross margin, adjusted EBITDA, adjusted EBITDA margin, adjusted earnings per share, leverage for 2019, as well as statements regarding the Company's progress towards achieving its strategic objectives, including the performance of current greenfield branches, the opening of additional greenfield branches, and the successful integration and performance of the Company's acquisitions. 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 our filings with the Securities and Exchange Commission, including our Annual Reports on Form 10-K and our 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.

Contact Information:

⁽¹⁾ Adjusted EBITDA, adjusted net income and adjusted earnings per share are non-GAAP measures. See the supplementary schedules at the end of this press release for a discussion of how we define and calculate these measures, why we believe they are important and a reconciliation thereof to the most directly comparable GAAP measures. Adjusted EBITDA margin represents adjusted EBITDA divided by net sales.

Investor Relations:

John Moten, IRC

Foundation Building Materials, Inc.

657-900-3200

Investors@fbmsales.com

Media Relations:

Joele Frank, Wilkinson Brimmer Katcher

Jed Repko or Ed Trissel

212-355-4449

- Financial Tables Follow -

FOUNDATION BUILDING MATERIALS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share data)

| | Three Months Ended December 31, (Unaudited) | | Year Ended December 31, | |
|---|--|------------|-------------------------|--------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net sales | \$ 516,159 | \$ 443,674 | \$ 2,044,312 | \$ 1,790,114 |
| Cost of goods sold | 360,541 | 310,523 | 1,453,953 | 1,267,925 |
| Gross profit | 155,618 | 133,151 | 590,359 | 522,189 |
| Operating expenses: | | | | |
| Selling, general and administrative expenses | 116,438 | 100,563 | 444,527 | 399,864 |
| Depreciation and amortization | 20,500 | 18,199 | 77,419 | 70,861 |
| Total operating expenses | 136,938 | 118,762 | 521,946 | 470,725 |
| Income from operations | 18,680 | 14,389 | 68,413 | 51,464 |
| Loss on extinguishment of debt | — | — | (58,475) | — |
| Interest expense | (10,255) | (15,864) | (53,283) | (61,011) |
| Other income, net | 1,171 | 68,064 | 1,298 | 81,488 |
| Income (loss) before income taxes | 9,596 | 66,589 | (42,047) | 71,941 |
| Income tax expense (benefit) | 7,671 | (8,170) | (5,628) | (5,965) |
| Income (loss) from continuing operations | 1,925 | 74,759 | (36,419) | 77,906 |
| Income from discontinued operations, net of tax | 2,613 | 1,133 | 10,523 | 4,574 |
| Gain on sale of discontinued operations, net of tax | 13,712 | — | 13,713 | — |
| Net income (loss) | \$ 18,250 | \$ 75,892 | \$ (12,183) | \$ 82,480 |

Earnings (loss) per share data:

| | | | | |
|--|---------|---------|-----------|---------|
| Earnings (loss) from continuing operations per share - basic | \$ 0.04 | \$ 1.74 | \$ (0.85) | \$ 1.88 |
| Earnings (loss) from continuing operations per share - diluted | \$ 0.04 | \$ 1.74 | \$ (0.85) | \$ 1.88 |

| | | | | |
|---|---------|---------|---------|---------|
| Earnings from discontinued operations per share - basic | \$ 0.39 | \$ 0.03 | \$ 0.57 | \$ 0.11 |
| Earnings from discontinued operations per share - diluted | \$ 0.39 | \$ 0.03 | \$ 0.57 | \$ 0.11 |

| | | | | |
|-------------------------------------|---------|---------|-----------|---------|
| Earnings (loss) per share - basic | \$ 0.43 | \$ 1.77 | \$ (0.28) | \$ 1.99 |
| Earnings (loss) per share - diluted | \$ 0.43 | \$ 1.77 | \$ (0.28) | \$ 1.99 |

Weighted average shares outstanding:

| | | | | |
|---------|------------|------------|------------|------------|
| Basic | 42,903,161 | 42,865,407 | 42,892,879 | 41,486,496 |
| Diluted | 42,912,707 | 42,890,114 | 42,915,028 | 41,490,653 |

FOUNDATION BUILDING MATERIALS, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|---|--------------------------|--------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 15,299 | \$ 12,101 |
| Accounts receivable—net of allowance for doubtful accounts of \$3,239 and \$3,885, respectively | 276,043 | 238,091 |
| Other receivables | 57,472 | 55,487 |
| Inventories | 165,989 | 148,246 |
| Prepaid expenses and other current assets | 9,053 | 11,785 |
| Current assets held for sale | — | 82,948 |
| Total current assets | 523,856 | 548,658 |
| Property and equipment, net | 151,641 | 144,524 |
| Intangible assets, net | 145,876 | 164,536 |
| Goodwill | 484,941 | 452,728 |
| Other assets | 10,393 | 5,604 |
| Noncurrent assets held for sale | — | 38,220 |
| Total assets | \$ 1,316,707 | \$ 1,354,270 |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 137,773 | \$ 134,460 |
| Accrued payroll and employee benefits | 28,830 | 17,920 |
| Accrued taxes | 11,867 | 7,003 |
| Tax receivable agreement | 16,667 | 15,892 |
| Current portion of term loan, net | 4,500 | — |
| Other current liabilities | 19,979 | 37,270 |
| Current liabilities held for sale | — | 29,733 |
| Total current liabilities | 219,616 | 242,278 |
| Asset-based revolving credit facility | 146,000 | 47,486 |
| Long-term portion of term loan, net | 437,999 | — |
| Long-term portion of notes payable, net | — | 534,379 |
| Tax receivable agreement | 117,948 | 119,912 |
| Deferred income taxes, net | 20,678 | 17,912 |
| Other liabilities | 8,117 | 12,657 |
| Noncurrent liabilities held for sale | — | 982 |
| Total liabilities | 950,358 | 975,606 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock, \$0.001 par value, authorized 10,000,000 shares; 0 shares issued | — | — |
| Common stock, \$0.001 par value, authorized 190,000,000 shares; 42,907,326 and 42,865,407 shares issued, respectively | 13 | 13 |
| Additional paid-in capital | 332,330 | 330,113 |
| Retained earnings | 34,187 | 46,184 |
| Accumulated other comprehensive (loss) income | (181) | 2,354 |
| Total stockholders' equity | 366,349 | 378,664 |

Total liabilities and stockholders' equity

\$ 1,316,707 \$ 1,354,270

FOUNDATION BUILDING MATERIALS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

| | Year Ended December 31, | |
|---|-------------------------|-----------|
| | 2018 | 2017 |
| Cash flows from operating activities: | | |
| Net (loss) income | \$ (12,183) | \$ 82,480 |
| Less: gain on sale of business | 13,713 | — |
| Less: net income from discontinued operations | 10,523 | 4,574 |
| Net (loss) income from continuing operations | (36,419) | 77,906 |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities of continuing operations: | | |
| Depreciation | 33,437 | 29,404 |
| Amortization of intangible assets | 43,982 | 41,456 |
| Amortization of debt issuance costs and debt discount | 7,370 | 9,910 |
| Inventory fair value purchase accounting adjustment | 1,057 | 720 |
| Loss on extinguishment of debt | 58,475 | — |
| Provision for doubtful accounts | 1,810 | 1,721 |
| Stock-based compensation | 2,175 | 1,902 |
| Reduction in tax receivable agreement | (1,189) | (68,033) |
| Unrealized gain on derivative instruments, net | (265) | (13,059) |
| Loss on disposal of property and equipment | 552 | 200 |
| Deferred income taxes | 221 | (6,263) |
| Change in assets and liabilities, net of effects of acquisitions: | | |
| Accounts receivable | (23,326) | 4,602 |
| Other receivables | (1,721) | (3,610) |
| Inventories | (8,834) | (10,449) |
| Prepaid expenses and other current assets | 2,708 | 378 |
| Other assets | (1,320) | 2,970 |
| Accounts payable | (1,951) | 19,362 |
| Accrued payroll and employee benefits | 11,105 | (5,351) |
| Accrued taxes | 4,893 | (1,528) |
| Other liabilities | (16,911) | (12,186) |
| Net cash provided by operating activities from continuing operations | 75,849 | 70,052 |
| Cash flows from investing activities from continuing operations: | | |
| Purchases of property and equipment | (34,892) | (28,249) |
| Payment of net working capital adjustments related to acquisitions | (40) | (405) |
| Proceeds from net working capital adjustments related to acquisitions | 154 | 8,602 |
| Proceeds from the disposal of fixed assets | 2,315 | 2,586 |
| Acquisitions, net of cash acquired | (93,477) | (73,038) |
| Net cash used in investing activities from continuing operations | (125,940) | (90,504) |
| Cash flows from financing activities from continuing operations: | | |
| Proceeds from asset-based revolving credit facility | 897,911 | 400,239 |
| Repayments of asset-based revolving credit facility | (799,272) | (561,509) |
| Term loan proceeds | 450,000 | — |
| Principal payments on long-term debt | (575,000) | — |
| Prepayment premium on bond | (23,872) | — |

| | | |
|--|-----------|-----------|
| Debt issuance costs and deferred finance costs | (7,935) | — |
| Tax withholding payment related to net settlement of equity awards | (61) | — |
| Principal repayment of capital lease obligations | (2,771) | (2,582) |
| Issuance of common stock | — | 163,952 |
| Capital contributions | — | 2,997 |
| Net cash (used in) provided by financing activities from continuing operations | (61,000) | 3,097 |
| Net cash (used in) provided by operating activities from discontinued operations | (6,614) | 7,209 |
| Net cash provided by (used in) investing activities from discontinued operations | 121,568 | (6,434) |
| Net cash used in financing activities of discontinued operations | (162) | (255) |
| Net cash provided by discontinued operations | 114,792 | 520 |
| Effect of exchange rate changes on cash | (503) | 384 |
| Net increase (decrease) increase in cash | 3,198 | (16,451) |
| Cash and cash equivalents at beginning of period | 12,101 | 28,552 |
| Cash and cash equivalents at end of period | \$ 15,299 | \$ 12,101 |

Supplemental disclosures of cash flow information:

| | | |
|----------------------------|-----------|-----------|
| Cash paid for income taxes | \$ 2,507 | \$ 4,129 |
| Cash paid for interest | \$ 61,199 | \$ 50,866 |

Supplemental disclosures of non-cash investing and financing activities:

| | | |
|---|----------|------------|
| Change in fair value of derivatives, net of tax | \$ 4,616 | \$ 2,970 |
| Assets acquired under capital lease | \$ — | \$ 670 |
| Goodwill adjustment for purchase price allocation | \$ 202 | \$ 519 |
| Tax receivable agreement | \$ — | \$ 203,837 |
| Notes received for disposals of equipment | \$ — | \$ 134 |

FOUNDATION BUILDING MATERIALS, INC.
NET SALES BY MAJOR PRODUCT LINE, GROSS PROFIT AND GROSS MARGIN
FOR THE THREE MONTHS ENDED DECEMBER 31, 2018 AND 2017 (Unaudited)
(in thousands)

| | Three Months Ended December 31, | | | | Change | |
|----------------------------------|--|---------------|-------------------|---------------|------------------|--------------|
| | 2018 | | 2017 | | \$ | % |
| Wallboard | \$ 198,014 | 38.4% | \$ 172,910 | 39.0% | \$ 25,104 | 14.5% |
| Suspended ceiling systems | 91,453 | 17.7% | 80,895 | 18.2% | 10,558 | 13.1% |
| Metal framing | 97,474 | 18.9% | 67,925 | 15.3% | 29,549 | 43.5% |
| Complementary and other products | 129,218 | 25.0% | 121,944 | 27.5% | 7,274 | 6.0% |
| Total net sales | \$ 516,159 | 100.0% | \$ 443,674 | 100.0% | \$ 72,485 | 16.3% |
| Total gross profit | \$ 155,618 | | \$ 133,151 | | \$ 22,467 | 16.9% |
| Total gross margin | | 30.1% | | 30.0% | | 0.1% |

FOUNDATION BUILDING MATERIALS, INC.
NET SALES BY MAJOR PRODUCT LINE, GROSS PROFIT AND GROSS MARGIN
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(in thousands)

| | Year Ended December 31, | | | | Change | |
|----------------------------------|-------------------------|---------------|---------------------|---------------|-------------------|---------------|
| | 2018 | | 2017 | | \$ | % |
| Wallboard | \$ 781,257 | 38.2% | \$ 701,467 | 39.2% | \$ 79,790 | 11.4% |
| Suspended ceiling systems | 379,809 | 18.6% | 328,815 | 18.4% | 50,994 | 15.5% |
| Metal framing | 361,493 | 17.7% | 280,410 | 15.7% | 81,083 | 28.9% |
| Complementary and other products | 521,753 | 25.5% | 479,422 | 26.8% | 42,331 | 8.8% |
| Total net sales | \$ 2,044,312 | 100.0% | \$ 1,790,114 | 100.0% | \$ 254,198 | 14.2% |
| Total gross profit | \$ 590,359 | | \$ 522,189 | | \$ 68,170 | 13.1% |
| Total gross margin | | 28.9% | | 29.2% | | (0.3)% |

FOUNDATION BUILDING MATERIALS, INC.
BASE BUSINESS AND ACQUIRED AND COMBINED NET SALES
FOR THE THREE MONTHS ENDED DECEMBER 31, 2018 AND 2017 (Unaudited) AND
YEARS ENDED DECEMBER 31, 2018 AND 2017 (Unaudited)
(in thousands)

| | Three Months Ended December 31, | | Change | |
|--------------------------------------|--|-------------------|------------------|--------------|
| | 2018 | 2017 | \$ | % |
| Base business ⁽¹⁾ | \$ 439,118 | \$ 397,133 | \$ 41,985 | 10.6% |
| Acquired and combined ⁽²⁾ | 77,041 | 46,541 | 30,500 | 65.5% |
| Net sales | \$ 516,159 | \$ 443,674 | \$ 72,485 | 16.3% |

⁽¹⁾ Represents net sales from branches that were owned by us since January 1, 2017 and branches that were opened by us during such period.

⁽²⁾ Represents branches acquired and combined after January 1, 2017, primarily as a result of our strategic combination of branches.

| | Year Ended December 31, | | Change | |
|--------------------------------------|--------------------------------|---------------------|-------------------|--------------|
| | 2018 | 2017 | \$ | % |
| Base business ⁽¹⁾ | \$ 1,779,036 | \$ 1,641,911 | \$ 137,125 | 8.4% |
| Acquired and combined ⁽²⁾ | 265,276 | 148,203 | 117,073 | 79.0% |
| Net sales | \$ 2,044,312 | \$ 1,790,114 | \$ 254,198 | 14.2% |

(1) Represents net sales from branches that were owned by us since January 1, 2017 and branches that were opened by us during such period.

(2) Represents branches acquired and combined after January 1, 2017, primarily as a result of our strategic combination of branches.

FOUNDATION BUILDING MATERIALS, INC.
BASE BUSINESS AND ACQUIRED AND COMBINED NET SALES BY MAJOR PRODUCT LINE
FOR THE THREE MONTHS ENDED DECEMBER 31, 2018 AND 2017 (Unaudited) AND
YEARS ENDED DECEMBER 31, 2018 AND 2017 (Unaudited)
(in thousands)

| | Three Months Ended December 31, 2017 | Base Business Net Sales Change | Acquired and Combined Net Sales Change | Three Months Ended December 31, 2018 | Total Net Sales % Change | Base Business Net Sales % Change ⁽¹⁾ | Acquired and Combined Net Sales % Change ⁽²⁾ |
|----------------------------------|--|---|--|--|--------------------------------|---|--|
| Wallboard | \$ 172,910 | \$ 9,536 | \$ 15,568 | \$ 198,014 | 14.5% | 6.1% | 88.7% |
| Suspended ceiling systems | 80,895 | 4,928 | 5,630 | 91,453 | 13.1% | 6.8% | 70.6% |
| Metal framing | 67,925 | 21,785 | 7,764 | 97,474 | 43.5% | 35.2% | 129.4% |
| Complementary and other products | 121,944 | 5,736 | 1,538 | 129,218 | 6.0% | 5.4% | 10.3% |
| Net sales | 443,674 | 41,985 | 30,500 | 516,159 | 16.3% | 10.6% | 65.5% |
| Average daily net sales | \$ 7,156 | \$ 677 | \$ 492 | \$ 8,325 | 16.3% | 10.6% | 65.5% |

(1) Represents base business net sales change as a percentage of base business net sales for the three months ended December 31, 2017.

(2) Represents acquired and combined as a percentage of acquired and combined net sales for the three months ended December 31, 2017.

| | Year Ended December 31, 2017 | Base Business Net Sales Change | Acquired and Combined Net Sales Change | Year Ended December 31, 2018 | Total Net Sales % Change | Base Business Net Sales % Change ⁽¹⁾ | Acquired and Combined Net Sales % Change ⁽²⁾ |
|----------------------------------|------------------------------------|---|--|------------------------------------|--------------------------------|---|--|
| Wallboard | \$ 701,467 | \$ 28,372 | \$ 51,418 | \$ 781,257 | 11.4% | 4.4% | 92.6% |
| Suspended ceiling systems | 328,815 | 25,205 | 25,789 | 379,809 | 15.5% | 8.3% | 100.0% |
| Metal framing | 280,410 | 60,535 | 20,548 | 361,493 | 28.9% | 23.2% | 106.9% |
| Complementary and other products | 479,422 | 23,013 | 19,318 | 521,753 | 8.8% | 5.3% | 40.5% |
| Net sales | 1,790,114 | 137,125 | 117,073 | 2,044,312 | 14.2% | 8.4% | 79.0% |
| Average daily net sales | \$ 7,104 | \$ 542 | \$ 463 | \$ 8,080 | 13.7% | 8.3% | 78.7% |

(1) Represents base business net sales change as a percentage of base business net sales for the year ended December 31, 2017.

(2) Represents acquired and combined as a percentage of acquired and combined net sales for the year ended December 31, 2017.

Non-GAAP (Generally Accepted Accounting Principles) Financial Measures

In addition to results under GAAP, this press release contains certain non-GAAP financial measures, including adjusted EBITDA, adjusted EBITDA margin, adjusted net income, net debt leverage and adjusted earnings per share ("EPS"), which are provided as supplemental measures of financial performance. These measures are not required by, or presented in accordance with, GAAP. The Company calculates adjusted EBITDA as net (loss) income before interest expense net, loss on extinguishment of debt, income tax (benefit) expense, depreciation and amortization, unrealized gain on derivative financial instruments, IPO and public company readiness expenses, stock-based compensation, and other non-recurring adjustments such as non-cash purchase accounting effects, (gains) losses on the disposal of property and equipment, hurricane-related costs, transaction costs, management fees and the decrease in the tax receivable agreement liability, or TRA. The Company calculates adjusted EBITDA margin as adjusted EBITDA divided by net sales. The Company calculates adjusted net income as net income (loss) before loss on extinguishment of debt, unrealized losses gains on derivative financial instruments, IPO and public company readiness expenses, stock-based compensation, and other non-recurring adjustments such as non-cash purchase accounting adjustments, (gains) losses on the disposal of property and equipment, hurricane-related costs, transaction costs, management fees and the decrease in the TRA liability. The Company calculates adjusted EPS as adjusted net income on a per weighted average share outstanding basis. For a calculation of net debt leverage, see Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2018.

These non-GAAP financial measures are presented because they are important metrics used by management as a means by which it assesses financial performance. These measures may also be used by analysts, investors and other interested parties to evaluate companies in the Company's industry. These measures, when used in conjunction with related GAAP financial measures, provide investors with an additional financial analytical framework that may be useful in assessing the Company's financial condition and results of operations.

These non-GAAP financial measures have certain limitations. These measures should not be considered as alternatives to measures of financial performance derived in accordance with GAAP. In addition, these measures should not be construed as an inference that the Company's future results will be unaffected by unusual or non-recurring items. Furthermore, these measures are not intended to be liquidity measures. Other companies, including other companies in the Company's industry, may not use these measures or may calculate these measures differently than the Company does, limiting their usefulness as comparative measures.

The following is a reconciliation of adjusted EBITDA to the nearest GAAP measure, net income (loss) (unaudited):

| | Three Months Ended December 31, | | Year Ended December 31, | |
|---|--|------------------|--------------------------------|-------------------|
| | 2018 | 2017 | 2018 | 2017 |
| <i>(in thousands)</i> | | | | |
| Net income (loss) from continuing operations | \$ 1,925 | \$ 74,759 | \$ (36,419) | \$ 77,906 |
| Interest expense, net | 10,244 | 15,838 | 53,201 | 60,924 |
| Loss on extinguishment of debt | — | — | 58,475 | — |
| Income tax expense (benefit) | 7,671 | (8,170) | (5,628) | (5,965) |
| Depreciation and amortization | 20,500 | 18,199 | 77,419 | 70,861 |
| Unrealized gain on derivative financial instruments | (209) | (14) | (265) | (13,059) |
| IPO and public company readiness expenses | — | 157 | 89 | 5,085 |
| Stock-based compensation | 788 | 210 | 2,299 | 1,901 |
| Non-cash purchase accounting effects ^(a) | — | (127) | 413 | 703 |
| (Gain) loss on disposal of property and equipment | (61) | 48 | 552 | 199 |
| Hurricane-related costs ^(b) | — | (20) | (83) | 376 |
| Transaction costs ^(c) | 1,553 | 411 | 6,306 | 4,047 |
| Management fees ^(d) | — | — | — | 353 |
| Decrease in TRA liability ^(e) | (1,189) | (68,033) | (1,189) | (68,033) |
| Adjusted EBITDA | \$ 41,222 | \$ 33,258 | \$ 155,170 | \$ 135,298 |
| Adjusted EBITDA margin ^(f) | 8.0% | 7.5% | 7.6% | 7.6% |

- (a) Adjusts for the effect of the purchase accounting step-up in the value of inventory to fair value recognized as a result of acquisitions.
- (b) Represents costs incurred and insurance proceeds resulting from Hurricanes Harvey and Irma.
- (c) Represents costs related to our transactions, including fees to financial advisors, accountants, attorneys, other professionals and certain internal corporate development costs.
- (d) Represents fees paid to our former private equity sponsor for services provided pursuant to past management agreements. These fees are no longer being incurred.
- (e) Related to adjustment in liability related to the Tax Cut and Jobs Act of 2017. See Note 20, Tax Receivable Agreement, in the notes to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.
- (f) Adjusted EBITDA margin represents adjusted EBITDA divided by net sales.

The following is a reconciliation of adjusted net income to the nearest GAAP measure, net income (loss) (unaudited):

| | Three Months Ended December 31, | | Year Ended December 31, | |
|---|---------------------------------|------------|-------------------------|------------|
| | 2018 | 2017 | 2018 | 2017 |
| (in thousands, except share and per share data) | | | | |
| Net income (loss) | \$ 1,925 | \$ 74,759 | \$ (36,419) | \$ 77,906 |
| Loss on extinguishment of debt | — | — | 58,475 | — |
| Unrealized gain on derivative financial instruments | (209) | (14) | (265) | (13,059) |
| IPO and public company readiness expenses | — | 157 | 89 | 5,085 |
| Stock-based compensation | 788 | 210 | 2,299 | 1,901 |
| Non-cash purchase accounting effects ^(a) | — | (127) | 413 | 703 |
| (Gain) loss on disposal of property and equipment | (61) | 48 | 552 | 199 |
| Hurricane-related costs ^(b) | — | (20) | (83) | 376 |
| Transaction costs ^(c) | 1,553 | 411 | 6,306 | 4,047 |
| Management fees ^(d) | — | — | — | 353 |
| Decrease in TRA liability ^(e) | (1,189) | (68,033) | (1,189) | (68,033) |
| Tax effects ^(f) | 4,162 | (257) | (12,635) | 152 |
| Adjusted net income | \$ 6,969 | \$ 7,134 | \$ 17,543 | \$ 9,630 |
| Earnings (loss) per share data as reported: | | | | |
| Basic | \$ 0.04 | \$ 1.74 | \$ (0.85) | \$ 1.88 |
| Diluted | \$ 0.04 | \$ 1.74 | \$ (0.85) | \$ 1.88 |
| Earnings per share data as adjusted: | | | | |
| Basic | \$ 0.16 | \$ 0.17 | \$ 0.41 | \$ 0.23 |
| Diluted | \$ 0.16 | \$ 0.17 | \$ 0.41 | \$ 0.23 |
| Weighted average shares outstanding: | | | | |
| Basic | 42,903,161 | 42,865,407 | 42,892,879 | 41,486,496 |
| Diluted | 42,912,707 | 42,890,114 | 42,915,028 | 41,490,653 |

- (a) Adjusts for the effect of the purchase accounting step-up in the value of inventory to fair value recognized as a result of acquisitions.
- (b) Represents costs incurred and insurance proceeds resulting from Hurricanes Harvey and Irma.
- (c) Represents costs related to our transactions, including fees to financial advisors, accountants, attorneys, other professionals and certain internal corporate development costs.
- (d) Represents fees paid to former private equity sponsors for services provided pursuant to past management agreements. These fees are no longer being incurred.
- (e) Related to adjustment in liability related to the Tax Cut and Jobs Act of 2017. See Note 20, Tax Receivable Agreement, in the notes to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.
- (f) Represents the tax effect and one-time, non-recurring tax items.