
TOPBUILD (BLD)

Equity Valuation Report

APRIL 3, 2026

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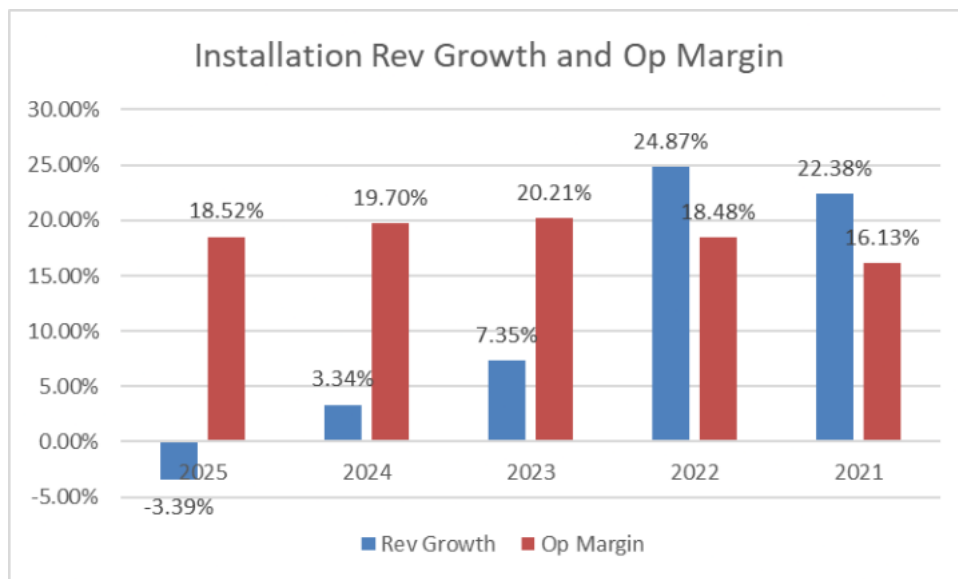
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TopBuild Corp. (BLD) is a leading installer of insulation and commercial roofing and a specialty distributor of insulation and other building products to the construction industry in the United States and Canada.

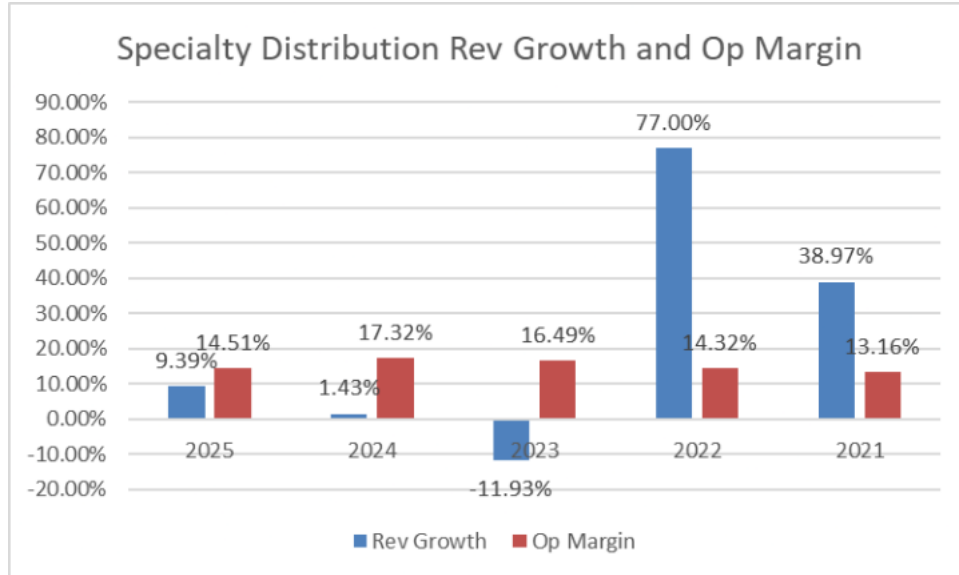
Our thesis is simple; we believe that as new construction headwind turns into a tailwind, growth will normalize around 13%, in line with historical average and BLD 2030 guidance. We also believe BLD will improve operating margin as synergies from acquisitions are realized and benefit of scale increases.

BLD operates in 2 segments: Installation and Specialty Distribution which account for 59% and 41% of revenues, respectively.

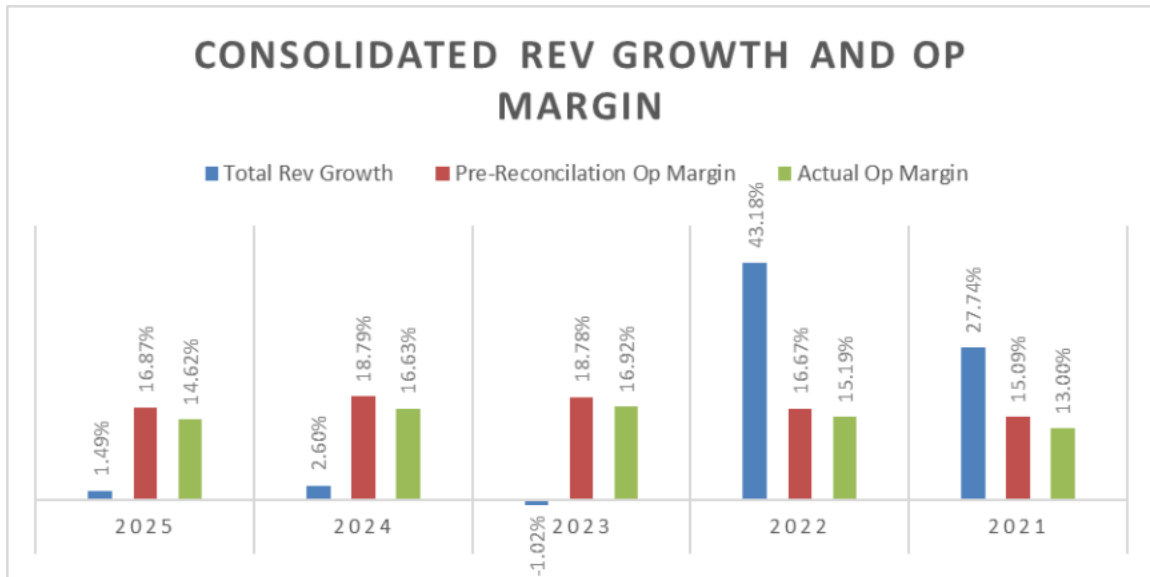
Installation segment provides insulation and commercial roofing nationwide through more than 200 branches. After massive growth, revenues have declined due to headwind of reduction in new construction. BLD also installs windows, gutter, garage doors, etc. “We handle every stage of the installation process including material procurement supplied by leading manufacturers, project scheduling and logistics, multi-phase professional installation, and installation quality assurance. With our recent expansion into commercial roofing, we have the opportunity to provide additional services after the initial installation is completed.” - 2025 10K. Due to this, Installation is able to maintain much higher operating margins relative to the industry and has improved since 2021 as revenue growth rate has declined.



Specialty Distribution segment distributes building and mechanical insulation and accessories with more than 250 distribution centers nationwide. 88% of segment sales come from fiberglass and spray foam. Revenues have similar story to Installation segment due to same headwind. However, operating margin has also improved since 2021.



Consolidated results clearly highlight BLD's ability to maintain and even improve margins as revenue declines. We believe this is a testament to management's leadership and discipline skills.



Growth:

TopBuild's growth strategy relies on acquisitions. We believe TopBuild's growth strategy is very logical and will provide a good return on investment, as historically shown. These acquisitions allow for many synergies, including 1. improving performance of acquired business through leveraging TLD's materials and labor networks, and 2. increasing customer base which allows for cross selling, leading to an increase in overall revenues.

With 49 acquisitions between 2016 and 2025, and an increase in revenues of 3.79B or 335%, this strategy clearly works for BLD. 2025 acquisitions added 1200 in revenue. 2026 acquisitions are estimated to add 800 in revenue. BLD's expertise in acquisitions allows BLD to find and purchase good businesses that immediately improve bottom and topline revenue as true benefits of synergies are realized.

As new construction headwind passes, we believe BLD will normalize around 13% annual growth from a combination of uptick in organic growth and continued successful acquisitions.

“Residential New Construction Demand for single-family homes in 2025 weakened throughout the year and continues to be uneven across the country. Multi-family starts have slowly started to improve in certain geographies. We expect our multi-family sales will continue to be slow as we move into 2026..... While the residential end-markets are facing near-term uncertainty due to affordability concerns, interest rates, and overall consumer confidence, we remain optimistic about the longer-term fundamentals due to underbuilding in the United States in prior years.....Our heavy commercial and industrial backlog is strong, our bidding activity is active, and our acquisitions of Progressive and SPI in 2025 all continue to support our positive view of commercial/industrial sales at our Installation Services and Specialty Distribution segments. We remain optimistic that declining interest rates in the future will continue to unlock projects across many industries. In addition, recurring maintenance and repair work on commercial and industrial sites serves as a continued driver for our business.” - FY25 10-K

TopBuild also has a proven ability to realize operating margin benefits from acquisitions. Once a business is acquired, it gains access to TLD's nationwide network of resources including materials and labor networks. TLD can improve bottom line of individual businesses immediately by providing cheaper and faster alternatives to materials used, reducing COGS. TLD has an extensive network of skilled laborers who can be strategically located in areas of high demand.

Acquisition benefits for TLD make a lot of sense. TLD can quickly apply industry knowledge and expertise that they have gained over 10 years of building businesses to every new acquisition they make. TLD provides numerous benefits and cross-selling opportunities through their acquisitions. This immediately makes those acquired businesses more valuable and increases TLD's value overall as a firm.

Risks:

With all these acquisitions, one probably wonders how they are being paid for. TLD uses a combination of cash and debt, but mostly debt. With a total debt to equity ratio of 1.36x, it may seem BLD is highly overleveraged. However, we believe TLD manages their debt well with an 8.2x interest/EBIT ratio, compared to 7.31x and 6.9x for building materials/building products sector and S&P500 averages, respectively. 2025 was an especially large year in acquisitions for TLD at 1.9B but we believe as organic growth upticks, TLD will spend significantly less in acquisitions and naturally the debt ratios of TLD will improve. TLD's debt directly impacts next year's revenues. Therefore, we see debt as a reinvestment cost in growing the business.

Should TLD's revenues decrease, we believe TLD can maintain a high coverage ratio as 70% of costs are variable and can be adjusted quickly as per CEO Robert Fox claimed in FY25 Earnings Call.

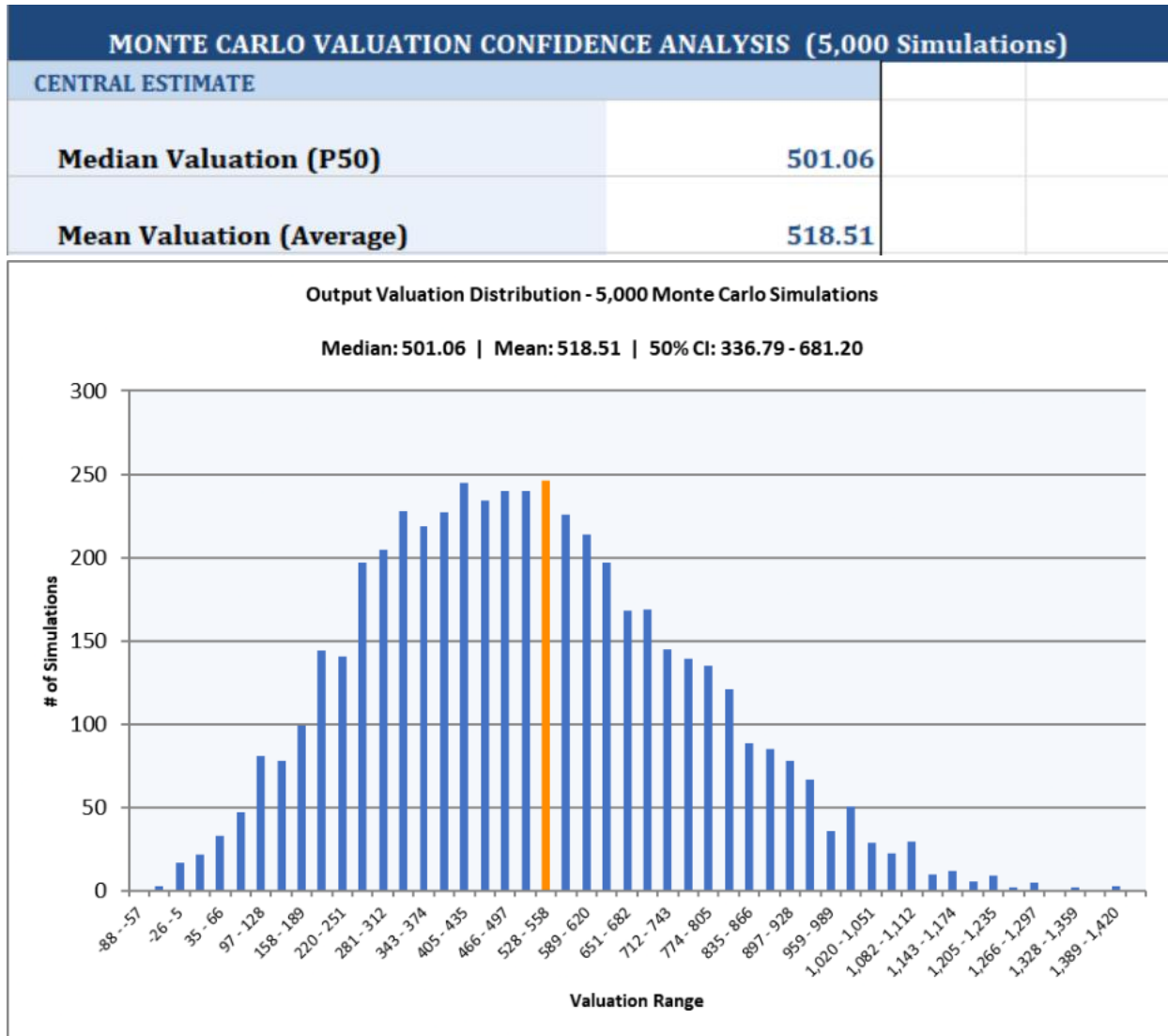
Another potential risk is not being able to raise future capital for further acquisitions. However, with cash of 184M and availability under revolving facility credit of 933M gives TLD 1,118M in total liquidity available, which we believe is fully sufficient for any acquisitions in the coming years.

We also believe TLD is currently taking advantage of depressed earnings and valuations of companies to acquire for better prices than when new construction headwind is a tailwind. We predict high debt ratios to be a short-term strategy to lever up and capitalize and cyclicity of construction.

Using this information, we build a discounted cash flow model, estimating free cash flow to the firm. We estimate TLD's fair value to be \$525.65 per share. Our assumption includes TLD growing from 6% of total addressable market (TAM) to 10% and improving operating margin to 15.5% in year 5.

TOPBUILD CORP. (XNYS:BLD)												3/31/2026		
Base Year and Comparison				Growth Story		Profitability Story						Terminal Value		
Revenue Growth	Company	1.50%	Industry	7.17%	12y Average growth rate of 12%. We believe this will improve as housing market improves and acquisitions (already improving rev by 12% this year) will compound improvement. Coincidentally, in line with 2030 guidance.		Excellent track record of synergies and scaling. Historical rate of 16.5% in good years. Improves as effect of scale improves across all segments of the business.				Growth Rate		4.14%	
Revenue		\$5,409		18.71%							Cost of capital		7.75%	
Operating Margin		14.52%									Return on capital		7.75%	
Operating Income		\$791									Reinvestment Rate		53.42%	
EBIT (1-4)		\$587												
PV(Terminal value)	\$	16,145											Terminal year	
PV (CF over next 10 years)	\$	5,992	1	2	3	4	5	6	7	8	9	10	Terminal year	
Probability of failure =		0.00%	Revenue Growth	12.00%	13.00%	13.00%	13.00%	13.00%	11.23%	9.40%	7.88%	5.91%	4.14%	
Value of operating assets =	\$22,136		Revenue	\$ 6,058	\$ 6,846	\$ 7,736	\$ 8,741	\$ 9,878	\$ 10,987	\$ 12,025	\$ 12,950	\$ 13,715	\$ 14,283	\$ 14,874
- Debt	\$7,500		Operating Margin	13.50%	14.30%	14.70%	15.10%	15.50%	15.50%	15.50%	15.50%	15.50%	15.50%	15.50%
- Minority interests	\$0		Operating Income	\$ 818	\$ 979	\$ 1,137	\$ 1,320	\$ 1,531	\$ 1,763	\$ 1,864	\$ 2,007	\$ 2,126	\$ 2,214	\$ 2,306
+ Cash	\$184		EBIT (1-4)	\$ 607	\$ 727	\$ 844	\$ 980	\$ 1,137	\$ 1,267	\$ 1,390	\$ 1,499	\$ 1,591	\$ 1,660	\$ 1,729
+ Non-operating assets	\$0		Reinvestment/Interest on Debt	\$ 135	\$ 165	\$ 190	\$ 210	\$ 225	\$ 235	\$ 245	\$ 260	\$ 270	\$ 285	\$ 500
Value of equity	\$14,820		FCFF	\$ 472	\$ 562	\$ 654	\$ 770	\$ 912	\$ 1,032	\$ 1,145	\$ 1,239	\$ 1,321	\$ 1,375	\$ 1,229
- Value of options	\$26		Cost of Capital	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%
Value of equity in common stock	\$14,795		Cumulated WACC	0.9281	0.8613	0.7994	0.7419	0.6885	0.6390	0.5931	0.5504	0.5105	0.4741	
Number of shares	28.15													
Estimated value /share	\$525.65													
Price per share	\$356.91													
% Under or Over Valued	-32.19%													

Running a monte carlo simulation to account for uncertainty in major assumptions and weighting towards the bear case, we estimate TLD’s fair value to be \$501.06 per share.



At today's price (4/3/2026) of \$356.91, these numbers imply a ~47% and ~40% potential to the upside.

We believe TLD is undervalued due to recently missing analysts estimates for Q4 2025 and uncertainty in short-term results as presented in FY25 earnings call by Fox. However, Fox guides that management is uncertain in short-term but confident in 2030’s guidance of ~\$9.5B in sales, ~\$1.85B EBTIDA, and >14% return on invested capital. - 2025 Investor Day

TLD’s first point on investing with them sums it all: “(TLD is) best-in-class, industrial compounder and value creator with a clear profitable growth strategy to further build upon strong track record” - 2025 Investor Day