

# Investor Booklet

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December 2018



**CONTINENTAL™**  
BUILDING PRODUCTS

# Legal Disclaimer

This presentation includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities and Exchange Act of 1934. All statements other than statements of historical facts included in this presentation regarding, among other things, our prospects, plans, financial position and business strategy, may constitute forward looking statements. These statements are based on the beliefs and assumptions of our management and on the information currently available to our management at the time of such statements. Forward-looking statements generally include discussions and descriptions other than historical information. These forward-looking statements can generally be identified as such because the context of the statement will include words such as "trend," "may," "annualized," "should," "outlook," "project," "intend," "seek," "plan," "believe," "anticipate," "expect," "estimate," "potential," "continue," "goal," or "opportunity," the negatives of these words, or similar words or expressions. The forward-looking statements made herein are only made as of the date of this presentation and we undertake no obligation to publicly update such forward looking statements to reflect subsequent events or circumstances. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these expectations may not prove to be correct. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements included in this document. These forward-looking statements are subject to risks and uncertainties that are discussed in greater detail in the Company's filings with the Securities and Exchange Commission, including our Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q, that may cause actual results to differ materially.

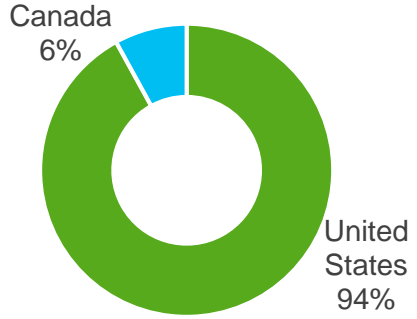


# Company Overview

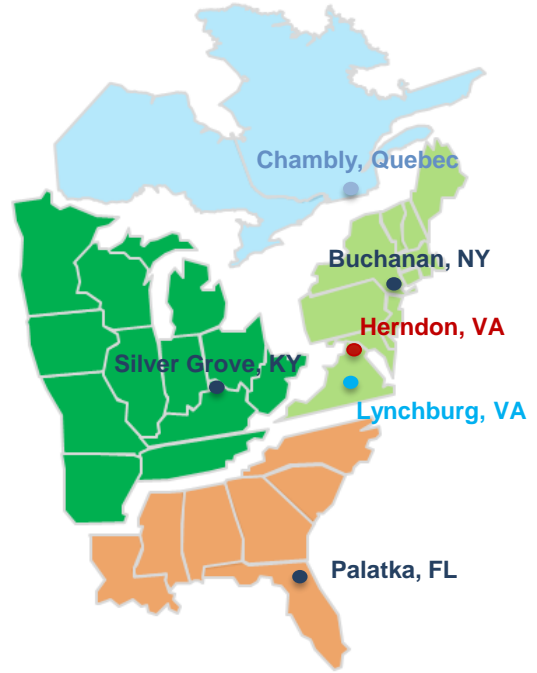
Continental is a leading, high margin manufacturer of gypsum wallboard and complementary finishing products

- Market position: Leader in core geographic regions
- Plants: 3 drywall manufacturing facilities (owned)  
2 joint compound facilities (owned)  
1 joint venture paperboard liner facility
- Manufacturing: 3.3 billion square feet; operated at 81% capacity utilization in 2017
- Key financials: Total revenue of \$518.7 mm (LTM 9/30/2018) EBITDA of \$148.5 mm (28.6% margin)
- Headquarters: Herndon, Virginia

## 2017 Sales Breakdown by Country



## Geographic Footprint



- Canada
- North Central
- North East
- South East
- Corporate
- Wallboard Plants
- Joint Compound
- Paperboard Liner



# Company Highlights

## 1 Focused on Operational Excellence, Low-Cost Production

- Newer capacity in the industry results in higher operating efficiency and lower capex needs
- Bison Way continuous improvement process drives efficiencies
- Strategic locations near customer end markets drive lower freight costs

## 2 Well Positioned to Capitalize on Construction Growth

- Strong positions in markets growing faster than the national average, and still below peak
- U.S housing starts continue to grow and remain below 40-year average of 1.4 million
- Repair and remodel provides stable demand base; housing and commercial embed significant potential upside

## 3 Favorable Industry Dynamics

- Market leader in key geographic regions with an estimated 30-35% average market share in key major markets
- As of 2017, industry capacity was 14% below prior peak level

## 4 Strong Margins and Cash Flow Drive Value Enhancing Opportunities

- Significant EBITDA and margin growth through low-cost, efficient operating structure
- Capital being deployed to high-return CAPX to support low cost position
- Stock repurchase program of up to \$300 million through December 2019



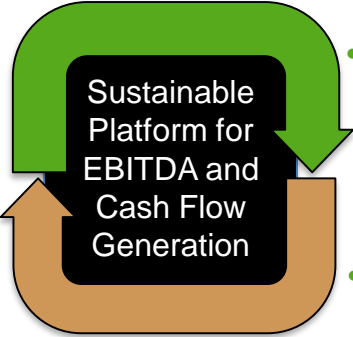
# Solid Platform for EBITDA and Cash Flow Generation

## Attractive Market Position

- Over 55% of US wallboard demand in CBPX addressable markets
- Plants strategically located close to end markets
- Strong customer relationships in growing markets

## Strategic Raw Material Supply

- Seven Hills JV provides captive paper supply
- Natural gas hedges targeted for ~50% of rolling energy needs
- Primary and secondary synthetic gypsum supply contracts provide ample gypsum for long term horizon



## Low-Cost, Efficient Capacity

- One of lowest industry costs per unit
- Invested over \$609M in state-of-the-art capacity from 2000 to 2017, creating some of the fastest industry line-speeds
- Energy consumption per MSF reduced by 18% since 2007
- New ERP system implemented below budget and ahead of schedule in 2014. Upgraded in 2018.

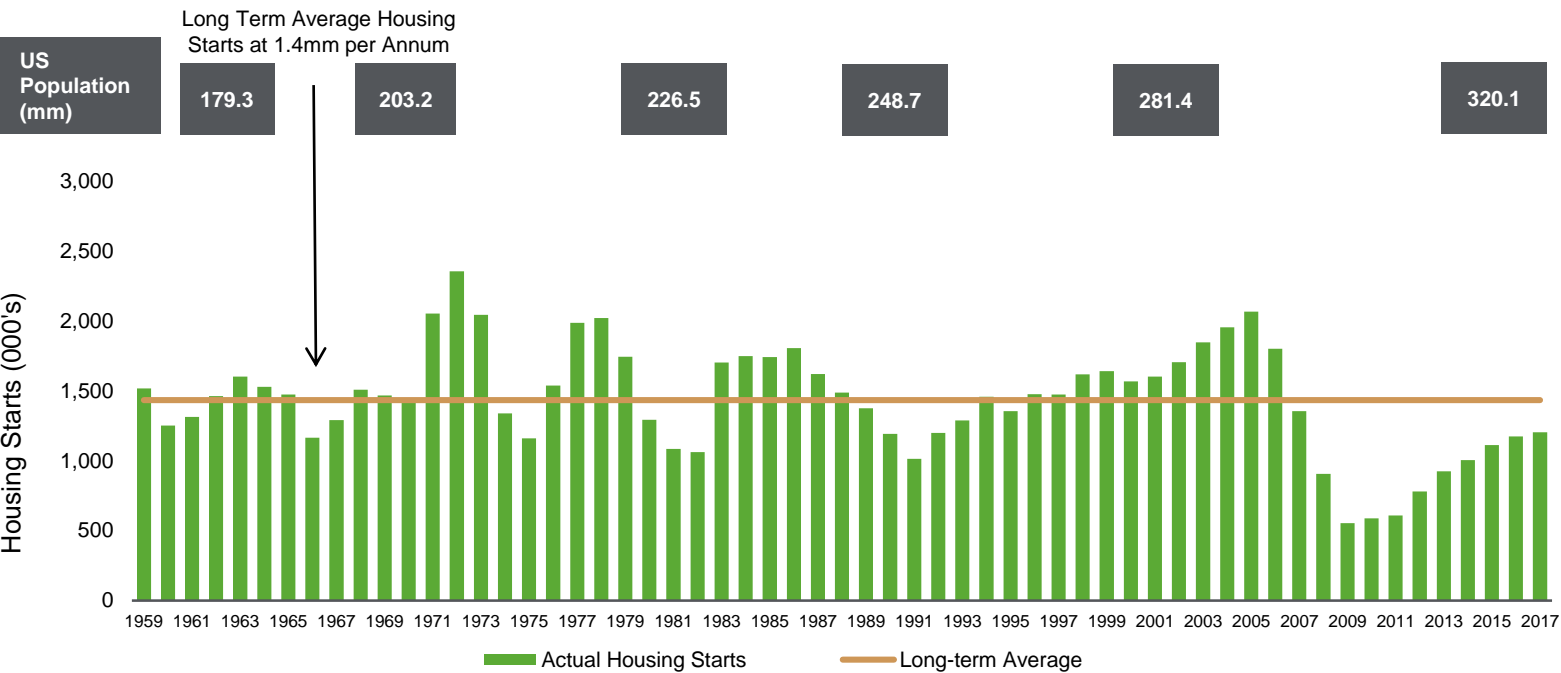
## Strict Capital Deployment

- Low sustaining capital needs given recent investments
- Strategic capex program focused on high return projects with <3 year paybacks
- Repurchased \$131M of shares through the company's \$300M stock repurchase program as of September 30, 2018.
- Net debt / LTM EBITDA ratio improved to 1.1x as of September 2018



# Attractive market opportunity with favorable demand trends

Housing starts have rebounded from lows but still remain below long-run average



Period	Housing Starts (in thousands)	Housing Starts 2017 <sup>(1)</sup> (in thousands)	Percentage Difference
Peak <sup>(2)</sup>	2,357	1,203	96%
Long-Term Average <sup>(3)</sup>	1,435	1,203	19%
Average Cyclical Low <sup>(4)</sup>	1,035	1,203	(14%)

Source: US Census Bureau.  
 (1) Average of monthly housing starts, as reported by the US Census Bureau through December 2017.  
 (2) Peak occurred in 1972.  
 (3) Average of annual housing starts from 1959 through 2017.  
 (4) Calculated as the average of 1960, 1966, 1975, 1982, 1991 and 2009 annual housing starts.



# Upside to Wallboard Demand Highly Correlated To Improving Housing Starts



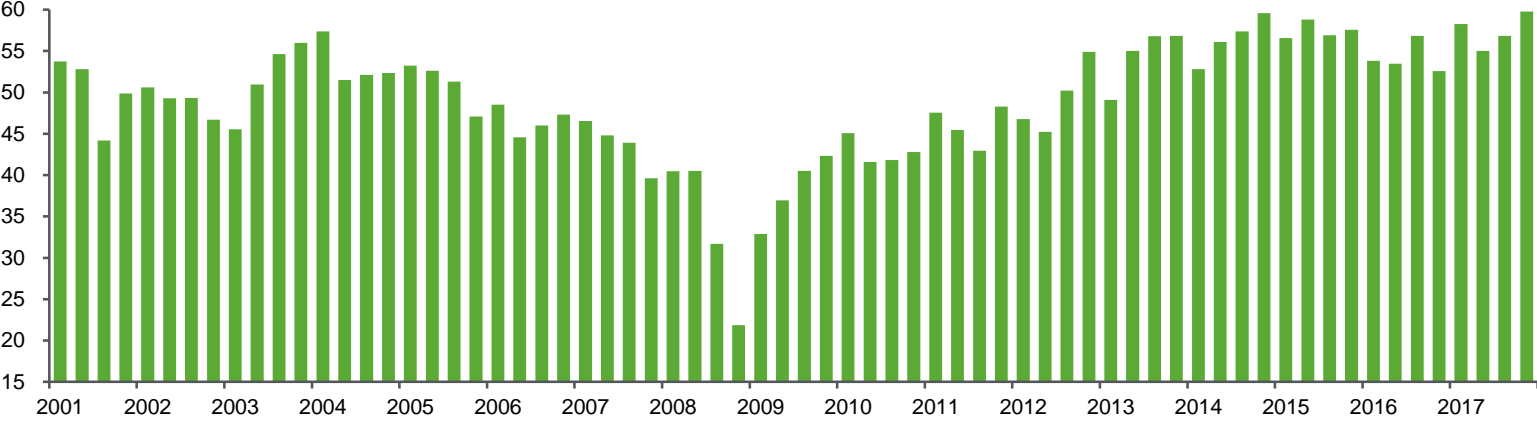
Source: Gypsum Association (wallboard demand) and U.S. Census Bureau (housing starts).



# R&R and commercial provide firm base of activity

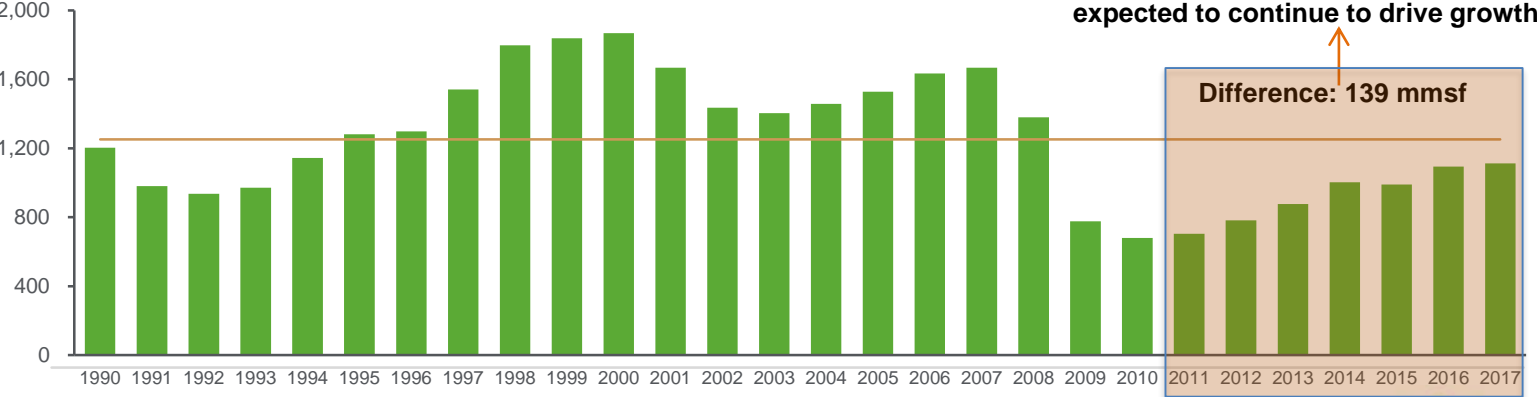
## R&R Provides Additional Support to Construction Demand

(RMI Index - Quarterly)



## Commercial Construction Stable with Strong Upside

(million sq. ft.)



Pent-up demand from underspending expected to continue to drive growth

Difference: 139 mmsf

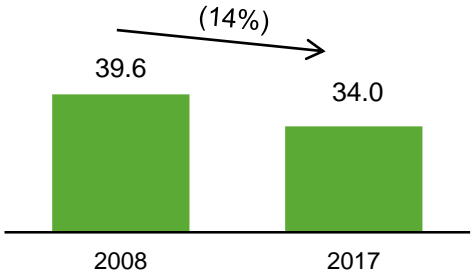




# Industry dynamics remain favorable

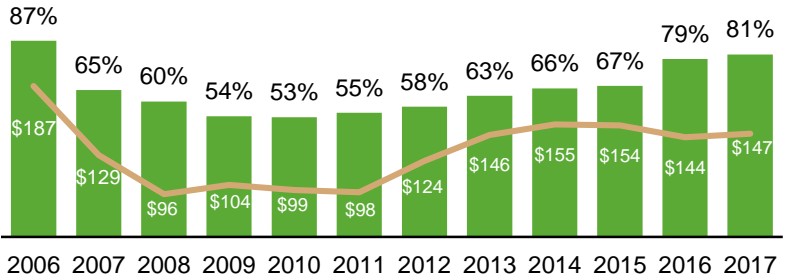
## Industry Capacity Rationalized

(Billions of sq. ft.)

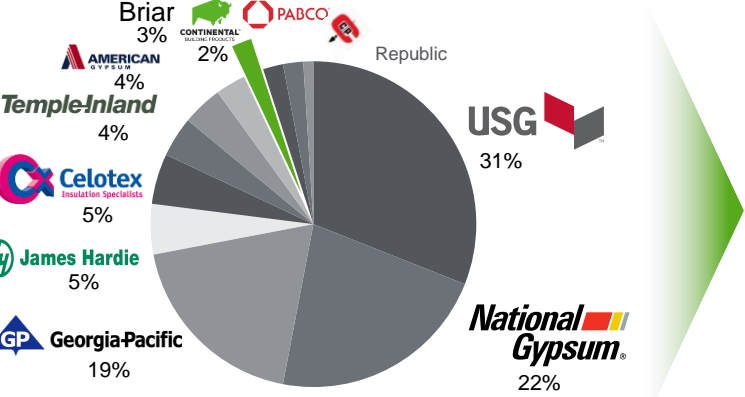


## CBPX Capacity Utilization and Mill-Net Price Still Below Peak

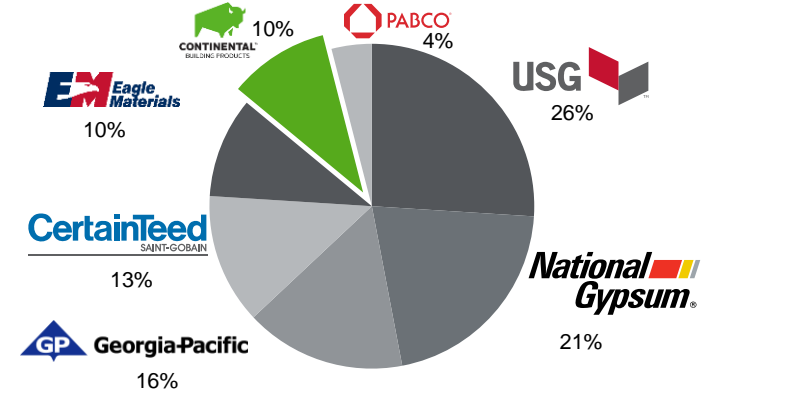
(CBPX Mill-Net price per thousand sq. ft., MSF)



## 1997



## 2017



Source: Management estimates, Gypsum Association and public corporate presentations.



# Financial and Operational Overview

## 1 Wallboard volume growth expected as construction recovery continues

- Housing cycle viewed as having a longer recovery as starts still remain below the long run average
- Repair and remodel has provided consistent base demand
- New commercial has recovered from historical lows but remains below the long run average

## 2 Positive Pricing Actions

- Average mill-net price up approximately 50% from 2011 to 2017 and remains well below previous peak levels

## 3 Newer, low-cost production generates high margins and operating leverage

- Substantially improved cost structure with a strong commitment to operational excellence (Bison Way)
- Significant past investments and high-return capex drive strong operating leverage and EBITDA growth

## 4 Generating strong cash flow

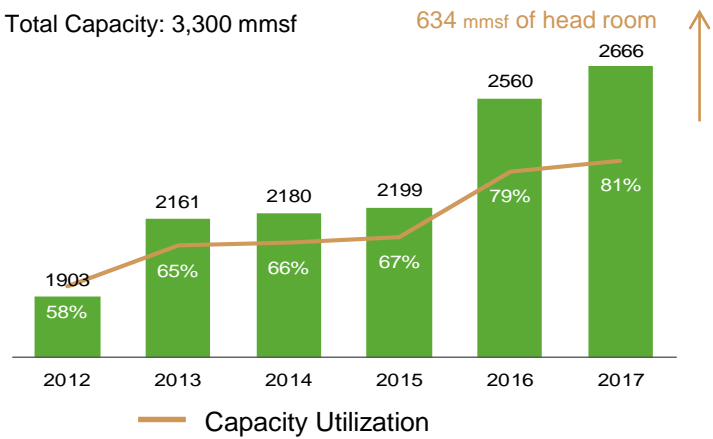
- Strong cash flow generation with focus on maintaining balance sheet strength and value enhancing opportunities
- Solid track record of disciplined deployment of cash flows to maximize shareholder value



# Improving Top Line with Plenty of Headroom for Growth

## Volume

(millions of square feet, mmsf)

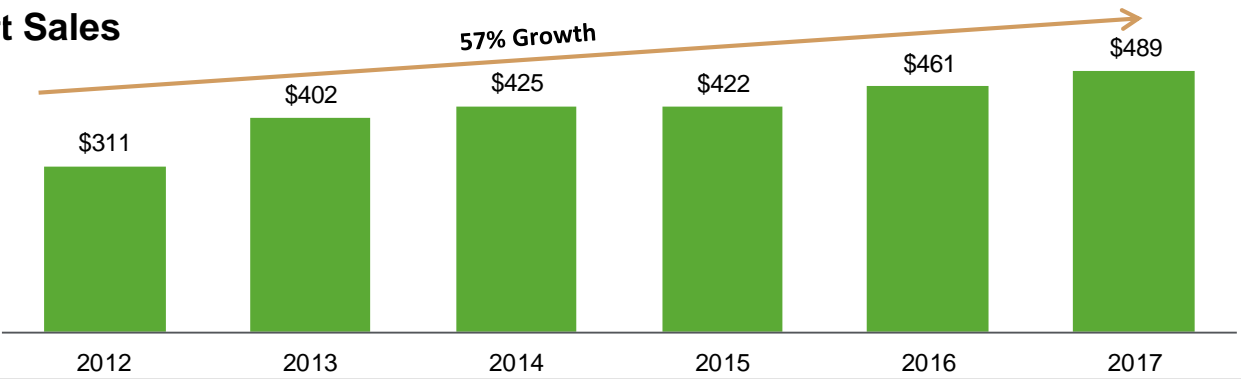


## Mill-Net Price Per MSF



## Total Net Sales

(\$ in millions)



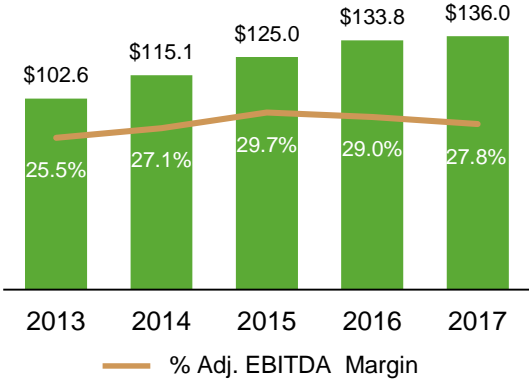
Source: Company filings.



# Strong Conversion of EBITDA into Cash Flow

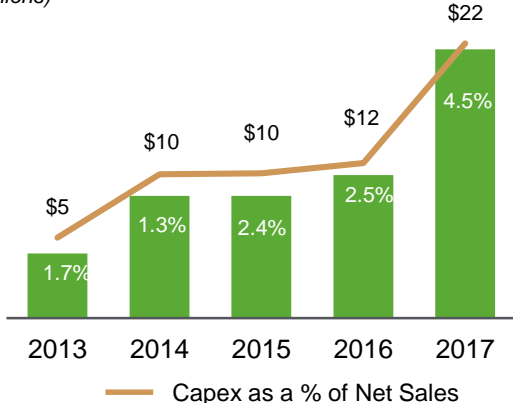
## Adjusted EBITDA

(\$ in millions)



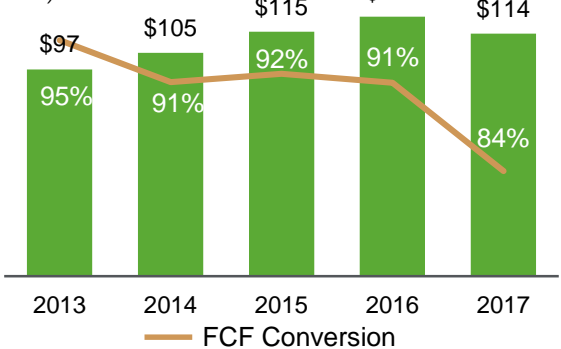
## Total Capex

(\$ in millions)



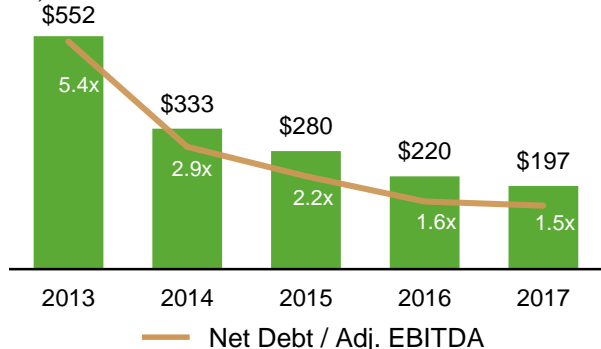
## Adjusted EBITDA - Capex

(\$ in millions)



## Net Debt

(\$ in millions)



# Strong Cash Flows Driving Value Enhancing Opportunities

(\$ in millions)	9/30/2017	9/30/2018
<b>Cash</b>	<b>\$60</b>	<b>\$105</b>
Revolver	--	--
1st lien term loan due 2021	<b>272</b>	<b>270</b>
Original issue discount	(2)	(1)
<b>Total debt</b>	<b>\$270</b>	<b>\$269</b>
Book equity	299	348
<b>Total capitalization</b>	<b>\$568</b>	<b>\$617</b>
<b>Net Debt</b>	<b>\$210</b>	<b>\$163</b>
<b>LTM EBITDA</b>	<b>\$133</b>	<b>\$148</b>
<b><u>Credit Statistics</u></b>		
Net debt / LTM EBITDA	1.6x	1.1x
Liquidity	\$133	\$178

Since the inception of its share repurchase program, the Company has repurchased a total of ~5.9 million shares for approximately \$131 million as of September 30, 2018.



# Recent Operating and Financial Performance

					Q3 2018 Vs Q3 2017
<i>(\$ in millions)</i>	2016	2017	Q3 2017	Q3 2018	
Mill-Net Price (\$/MSF)	\$143.83	\$146.92	\$144.90	\$155.43	+7.3%
Wallboard Volume (MMSF)	2,560	2,666	644	674	+4.7%
Total Net Sales	\$461	\$489	\$117	\$131	+12.0%
Operating Income	\$87	\$90	\$20	\$27	+35.0%
EBITDA	\$134	\$136	\$32	\$39	+21.9%
<i>% Margin</i>	29.0%	27.8%	27.3%	29.4%	+210 bps
Depreciation and Amortization	\$47	\$46	\$12	\$11	-9.1%
Capital Expenditures	\$12	\$22	\$6	\$7	+16.7%



# Experienced and Highly Aligned Management Team

**Jay Bachmann**  
President, CEO

- 14 years of experience with the Company
- Prior positions
  - Chief Financial Officer, USA (Lafarge NA)
  - Senior Vice President Finance - Investor Relations (Lafarge SA)

**Dennis Schemm**  
Senior VP, CFO

- Joined the Company in 2015 with over 20 years of industry experience
- Prior positions
  - Vice President of Global Finance for Armstrong Flooring (Armstrong Worldwide)
  - Director of Global Financial Planning and Analysis at Gilbarco, a Danaher Company
  - Senior Financial Roles at Monsanto Company

**Tim Power**  
Senior VP, General Counsel

- 17 years of experience with the Company
- Prior positions
  - Vice President and Associate General Counsel (Lafarge NA)
  - Assistant General Counsel (Lafarge NA)

**Bruce Major**  
Senior VP,  
Manufacturing and Strategic Sourcing

- Joined the Company in 2016 with 17 years in Gypsum Operations Management
- Prior positions
  - VP – Manufacturing, Lafarge Cement U.S.
  - SVP – Manufacturing, Lafarge Gypsum Division



# Appendix





# Non-GAAP Reconciliations

## Reconciliation of Net Income to EBITDA

(\$ in Thousands)

	For the Three Months Ended	
	September 30, 2018	September 30, 2017
	<i>(in thousands)</i>	
Net Income	\$ 18,564	\$ 10,987
<u>Adjustments:</u>		
Other expense/(income), net	29	(146)
Interest expense, net	2,549	2,988
Losses from equity method investment	393	204
Provision for income taxes	5,436	5,674
Depreciation and amortization	11,580	12,057
EBITDA—Non-GAAP Measure	<u>38,551</u>	<u>31,764</u>
EBITDA Margin - EBITDA as a percentage of net sales - Non-GAAP Measure	29.4%	27.3%

Source: Company filings.



# Non-GAAP Reconciliations (cont'd)

## Reconciliation of Operating Income to EBITDA

(\$ in Thousands)

	For the Quarter Ended				
	September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018	September 30, 2018
<b>Operating Income - GAAP Measure</b>	\$ 19,707	\$ 26,571	\$ 20,762	\$ 30,560	\$ 26,971
Depreciation and Amortization	12,057	10,643	10,581	10,805	11,580
EBITDA - Non-GAAP Measure	<u>\$ 31,764</u>	<u>\$ 37,214</u>	<u>\$ 31,343</u>	<u>\$ 41,365</u>	<u>\$ 38,551</u>
 EBITDA Margin - EBITDA as a percentage of net sales - Non-GAAP Measure	 27.3%	 28.3%	 26.8%	 29.7%	 29.4%

Source: Company filings.



**BUILD**  
**BISON**  
**STRONG**<sup>SM</sup>