



UFP INDUSTRIES

March 2020

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## UNIVERSAL FOREST PRODUCTS, INC. (d/b/a UFP Industries)

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# UFPI: What we do

We manufacture products—historically wood-based, but today, other materials as well—from simple furring strips to highly designed and engineered specialty packaging.

- Many of our products are hidden inside the home—roof and floor trusses and engineered wood products.
- Many are in full display in homes and in office and retail establishments—such as laminated wall panels and decorative boards for interior applications.
- And many define outdoor living, like preserved lumber for decks, railings, fencing and lattice and non-wood products like composite decking, railing and a wide range of accessories.



## UFPI: What we do

We design, engineer, manufacture and distribute complex products and assignments, from outdoor living environments to concrete forms for intricate architectural elements. Our end markets include *construction, retail and industrial/agricultural*.

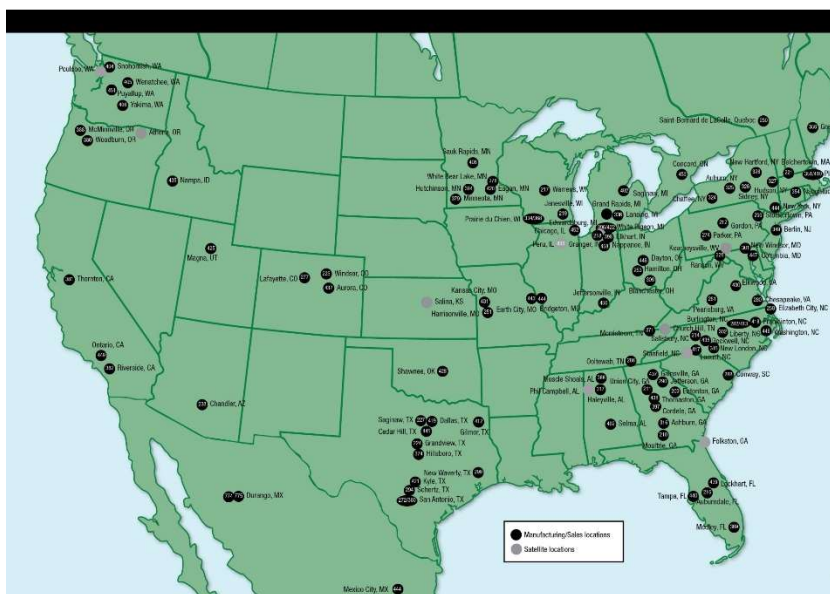
We offer services including: design and engineering of complex building and industrial products; installation of our products in parts of the country; manufacturing and project management; product development including design and testing in one of the most advanced facilities in our industries.



# UFPI: Where we are

NORTH AMERICA LOCATIONS

INTERNATIONAL LOCATIONS





# UFPI by Market - Construction

Where we got our start -- as a wholesaler to the manufactured housing industry (1955)

Became a manufacturer of trusses and components for MH (1970)

Entered the site-built construction business (1997)

Added concrete forming (2007)



Site-built construction (roof trusses, wall panels, etc.)





Concrete forming is a fast-growing area of our construction business





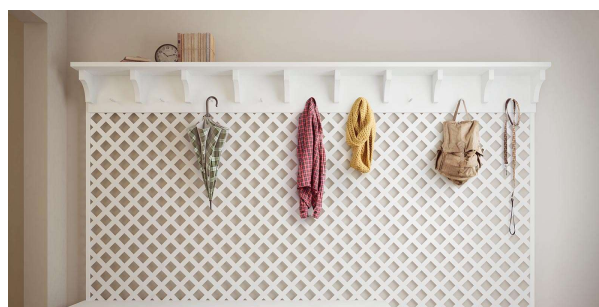
## Highway bridge in New Mexico



## UFPI by Market - Retail

We got our start in this market when we entered the wood preservation business (1978) to supply an upstart company: The Home Depot.

Today, we supply big box and independent retailers with products ranging from decking and the largest array of deck accessories in the market to lattice.







Our all-new Vault decking has the industry's best strength-to-weight ratio. Its patented Eovations™ technology allows the decking to be lightweight, but creates a fiber-like structure inside, similar to wood, giving it unique strength.







Deckorators offers a deep product line of decking, railing and accessories for outdoor living spaces.





ProWood® is our line of superior treated lumber, preferred by professional builders.

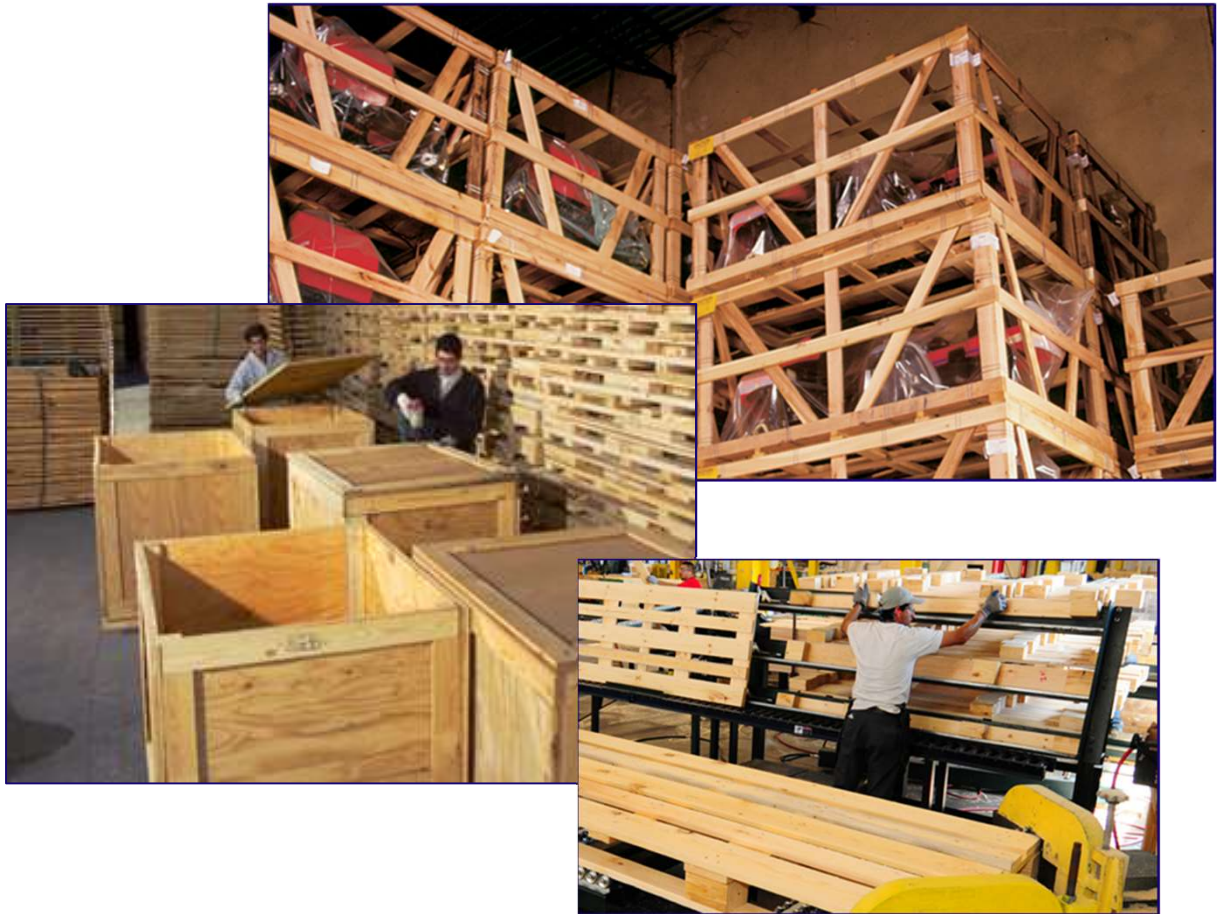
It's treated with an environmentally friendly compound and backed by a lifetime limited warranty against termite infestation and rot.





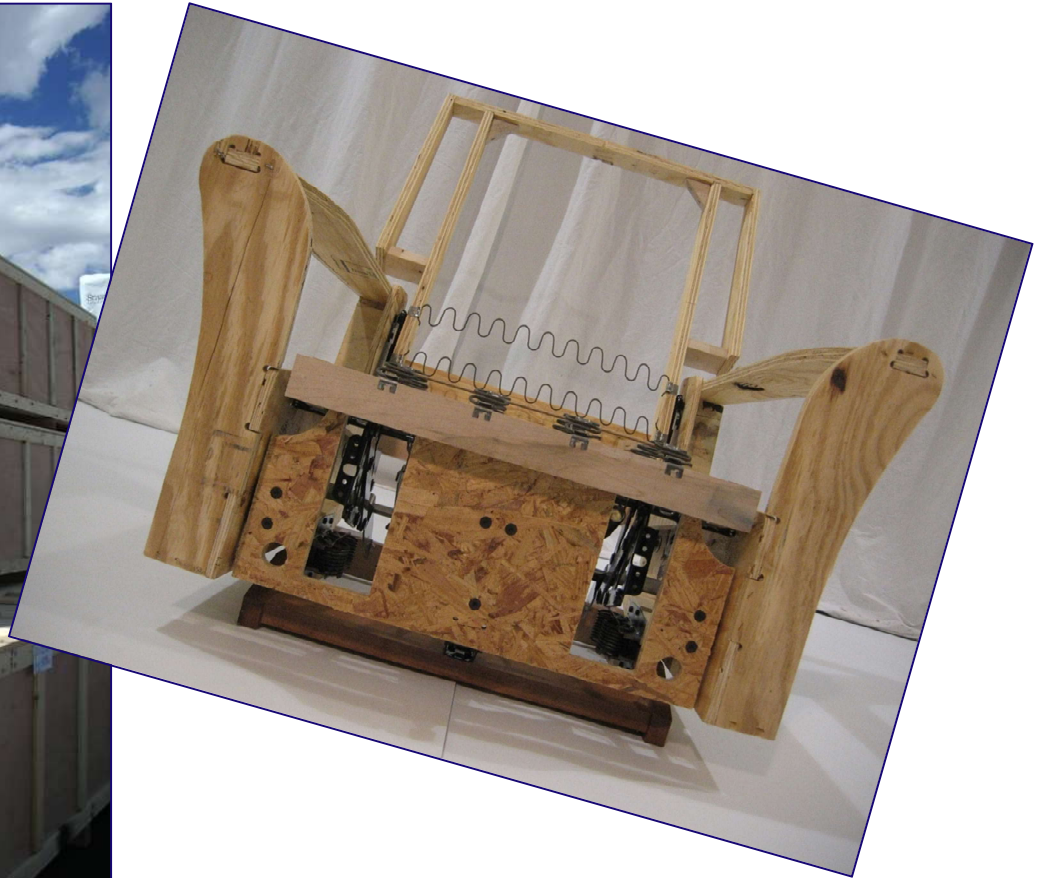
## UFPI by Market – Industrial

We formally entered the industrial market in 2000. From component pieces to fully designed, engineered and tested packaging, our goal is to be the global packaging solution provide for wood and alternative materials





## Crates and components for manufacturers



Custom crates for agricultural, manufacturing and military uses





## Lamination





## Office and entertainment fixtures and installation



## UFPI: About us

- We are a fiscally conservative holding company founded in 1955. We've been profitable each year since our founding.
- Our affiliated companies operate at approximately 150 locations in N. America, Europe, Asia and Australia.
- We source and sell raw materials and products worldwide.
- Senior management team of our companies is experienced and aggressive, with an average of more than 26 years of service.
- Our strong culture is rooted in core Midwestern values of hard work, honesty, and a get-the-job-done-right determination.



## UFPI: Keys to our success

- Diversified / balanced business model
- Optimal fiber utilization
- Strong management team: required to own stock and compensated based on ROI
- Continuous Improvement
- Financial Strength





## UFPI: Long-term financial goals

- Annual sales growth that exceeds positive U.S. GDP growth by 4 to 6 percentage points
- EBITDA growth exceeding unit sales growth
- Earn ROIC greater than WACC



## UFPI: Improving existing operations

- Profitable sales growth
- Adding new products and services
- Enhancing margin through increased operating leverage



# UFPI: New product sales

(in thousands) <u>Market Classification</u>	New Product Sales by Market			New Product Sales by Market		
	Three Months Ended			Twelve Months Ended		
	December 28,	December 29,	% Change	December 28,	December 29,	% Change
	2019	2018		2019	2018	
Retail	\$ 65,993	\$ 57,523	14.7%	\$ 361,954	\$ 316,017	14.5%
Industrial	24,657	22,292	10.6%	97,765	88,063	11.0%
Construction	20,003	15,581	28.4%	80,067	75,173	6.5%
Total New Product Sales	<u>\$ 110,653</u>	<u>\$ 95,396</u>	<u>16.0%</u>	<u>\$ 539,786</u>	<u>\$ 479,253</u>	<u>12.6%</u>





## UFPI: Future growth



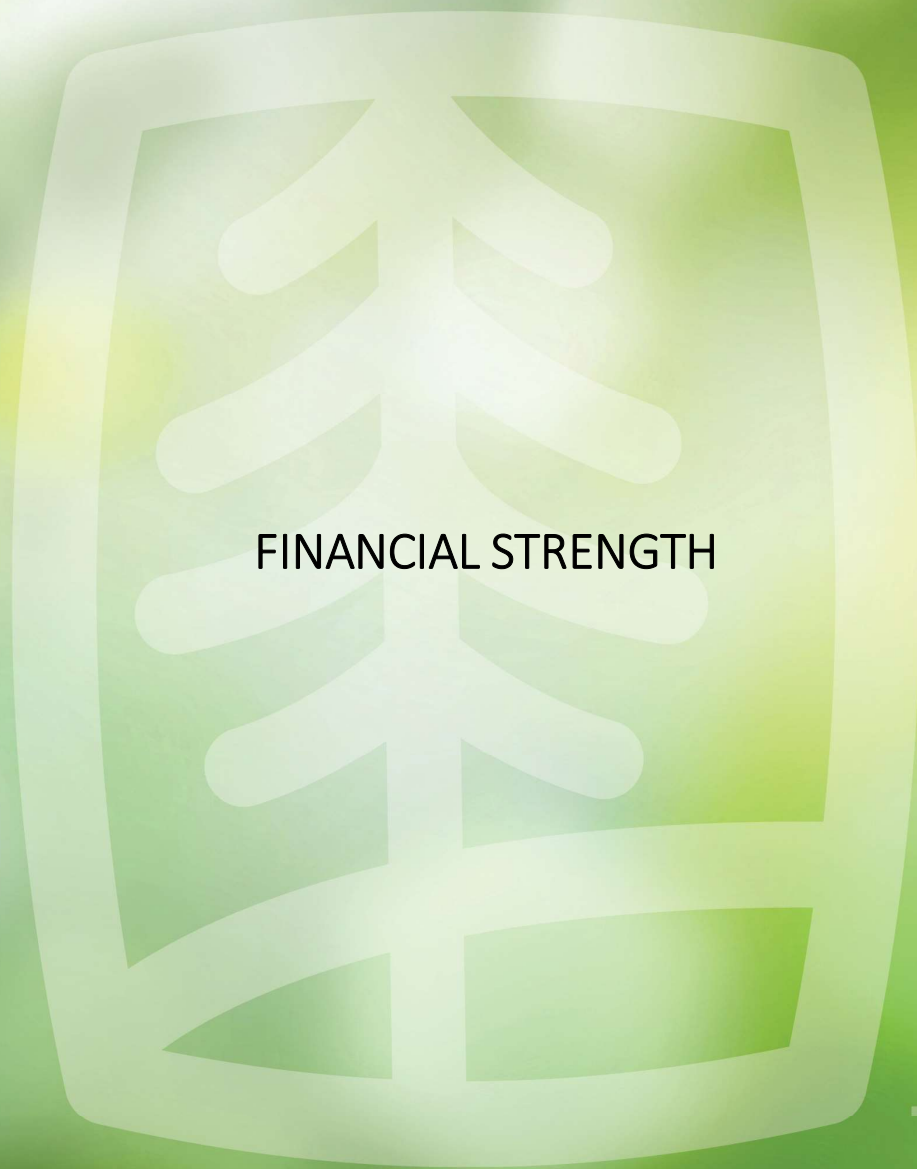
- Organic Growth
- Acquisition Growth
- New Markets
- New Geographies (including International)



## UFPI: Challenges and obstacles

- General economic trends
- Lumber price fluctuations
- Availability of qualified labor
- Increasing regulatory burdens





FINANCIAL STRENGTH

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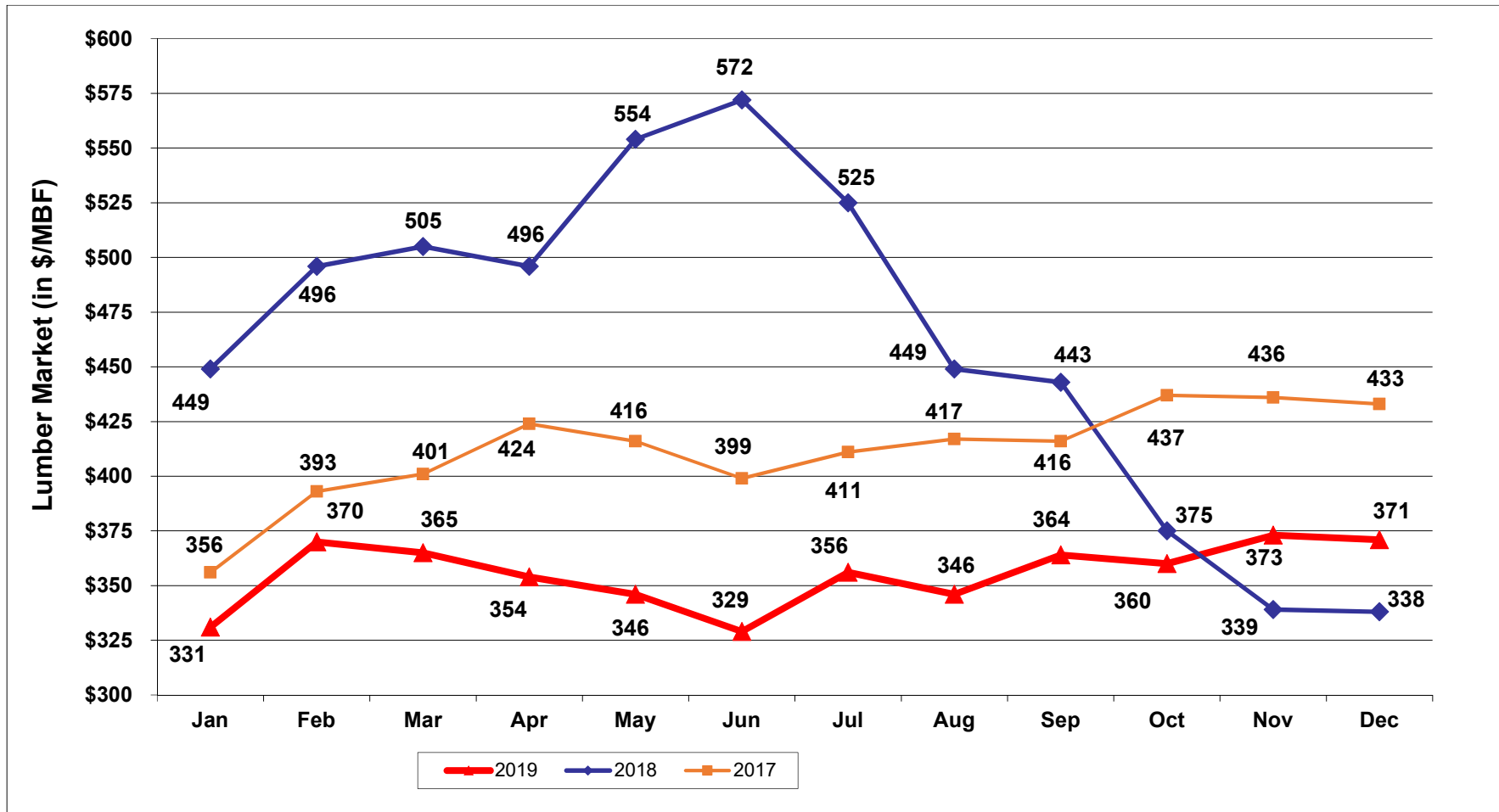


## Lumber Market Impact on Operating Results

- **Goal:** to earn a stable profit per unit.
- We are less affected by the **level** of lumber prices than primary producers of lumber are.
- **Level** of lumber prices affects gross profit and SG&A to sales ratios.
- Profit per unit is primarily impacted by the **trend** and **volatility** of the market.
- Balance in business and risk management techniques mitigate impact on profitability.



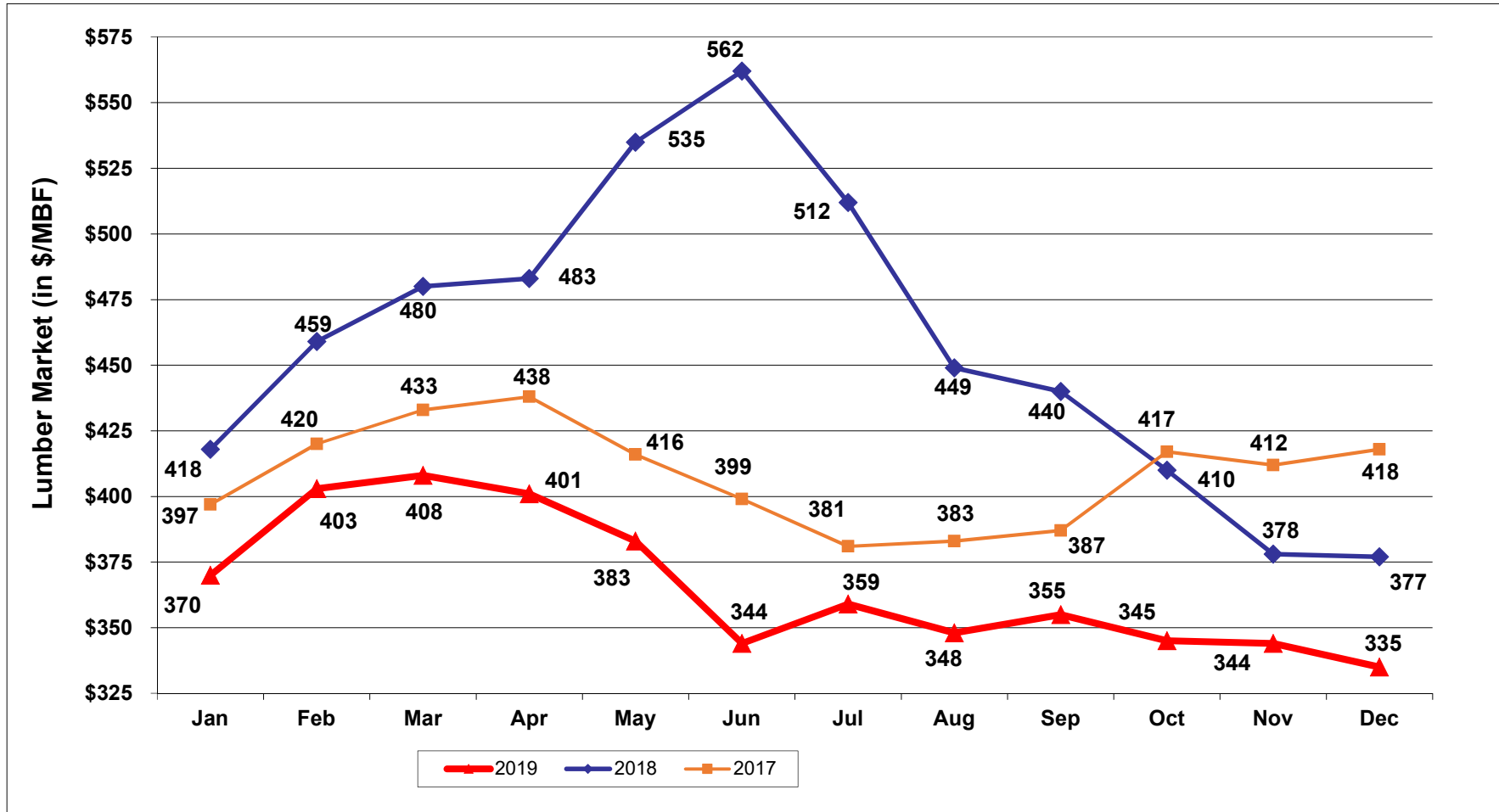
# Lumber Market



*Average weekly Random Lengths framing lumber composite price.*



# Lumber Market - SYP

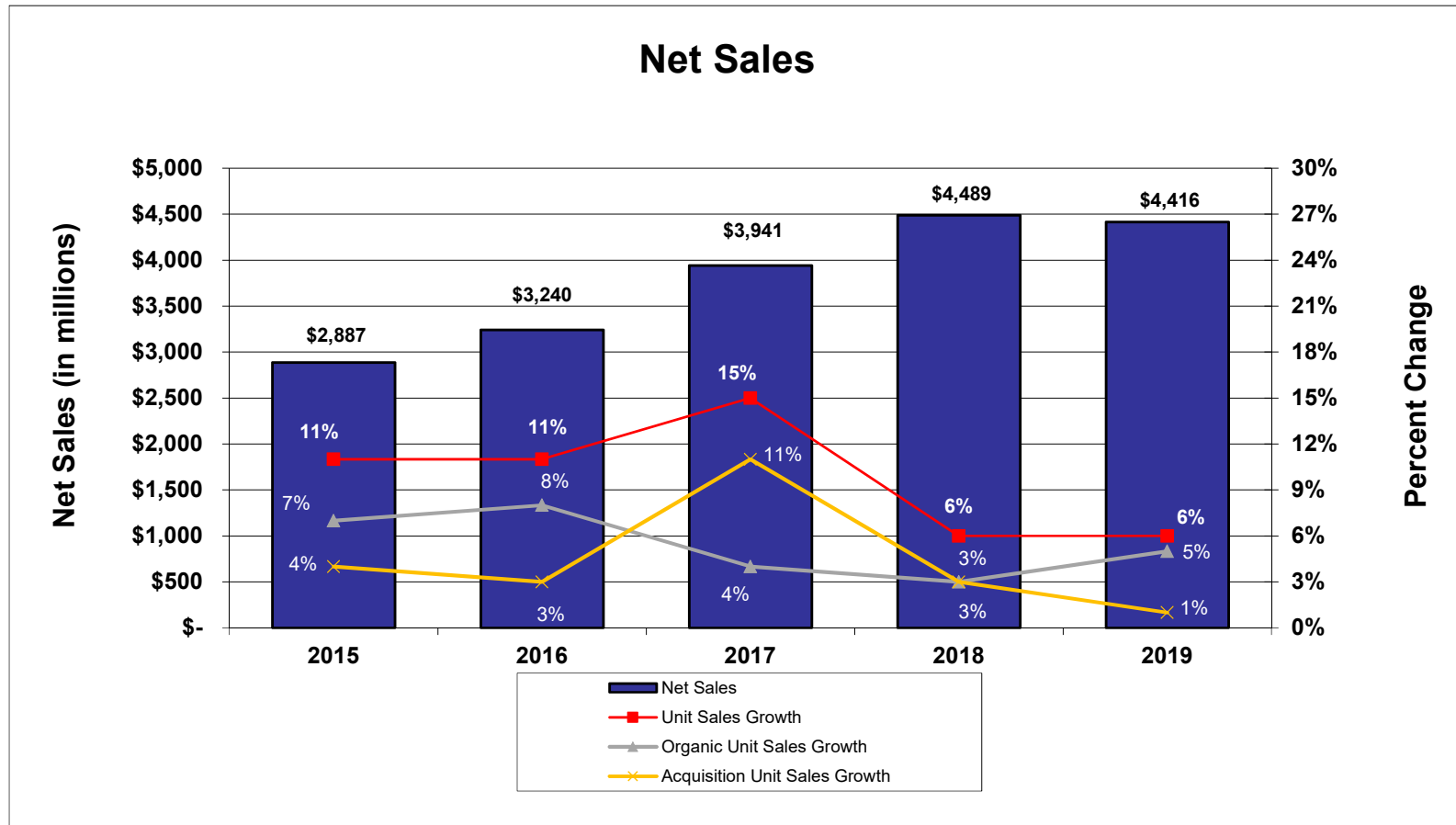


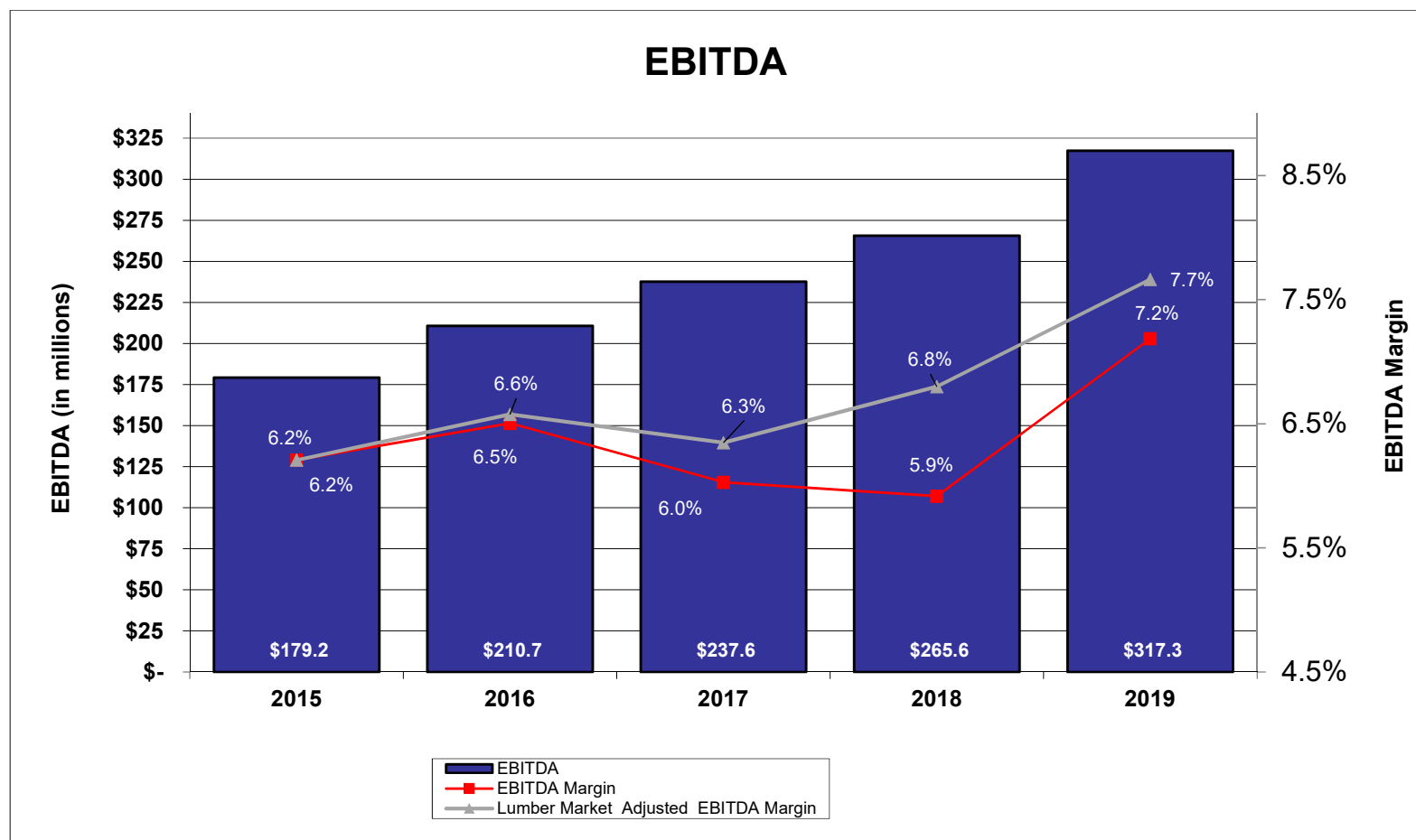
*Average weekly Southern Yellow Pine price.*

*Purchases of SYP comprise approximately 64% of our total lumber purchases.*







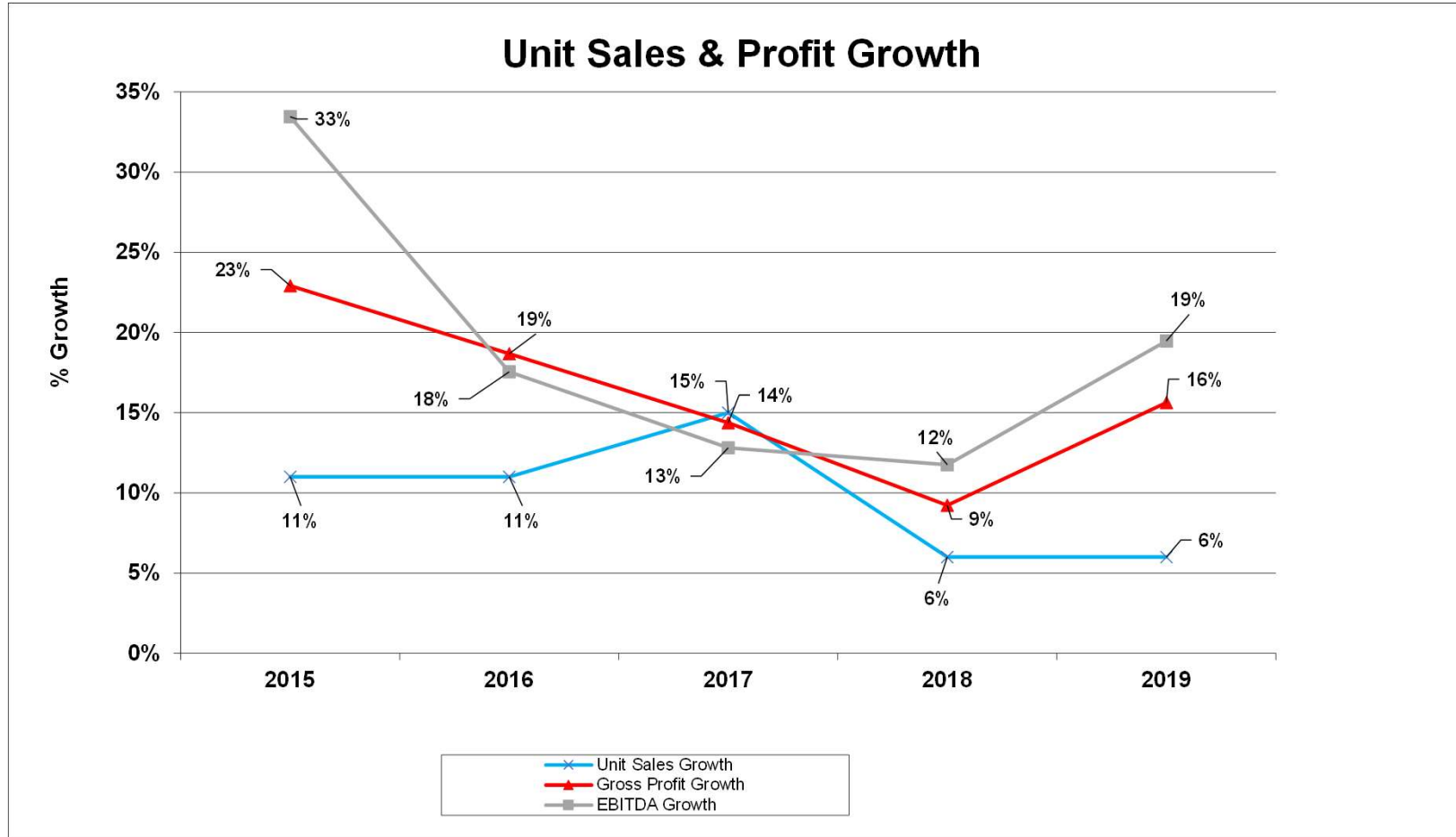


**(1) Lumber Market Adjusted EBITDA Margin** determined by restating 2016-2019 sales to be based upon 2015 lumber prices.

**(2) Non-GAAP Financial Information:**

*This release includes certain financial information not prepared in accordance with U.S. GAAP. Because not all companies calculate non-GAAP financial information identically (or at all), the presentations herein may not be comparable to other similarly titled measures used by other companies. Management considers EBITDA, a non-GAAP measure, an alternative performance measure which may provide useful information to investors. See the company's web site at [www.ufpi.com](http://www.ufpi.com) for reconciliation to related GAAP measurement*





*Goal to continue to achieve EBITDA growth exceeding unit sales growth.*





# Margin Improvement Drivers

- Operating leverage on sales growth
- Product mix improvements
  - New product and core line innovation initiatives
  - Conversion from commodity to value-added
- Strength of market demand
- Better balance reduces impact of volatile lumber market on profits
- Automation initiatives



# Selected Income Statement Data

## 4th Quarter & Annual Results

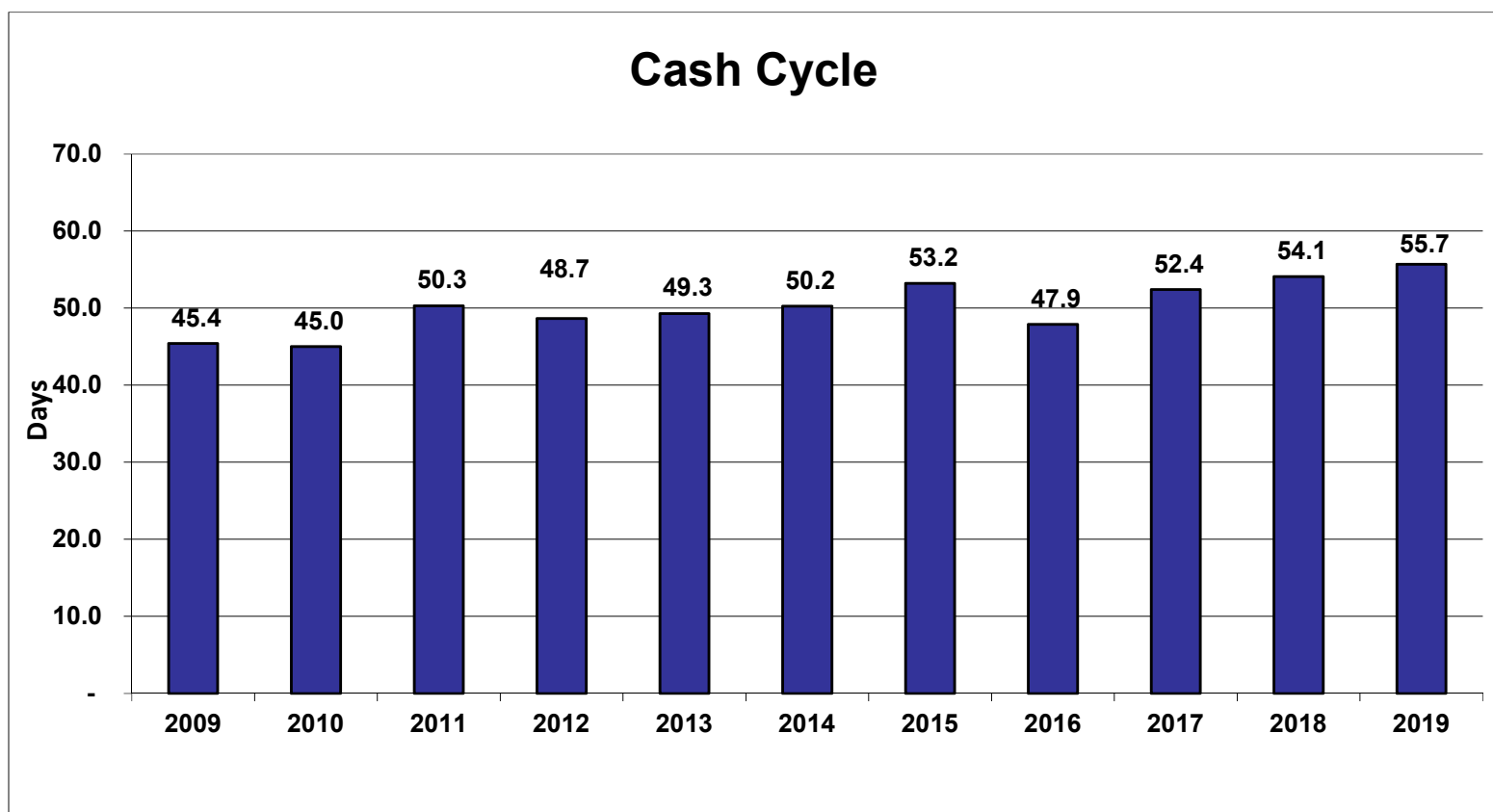
*In thousands, except per-share data*

	Q4 2019	Q4 2018	\$ % Change	Unit % Change	Annual 2019	Annual 2018	\$ % Change	Unit % Change
Retail	\$ 323,342	\$ 302,414	6.9	3.0	\$ 1,638,885	\$ 1,659,503	-1.2	2.5
Industrial	309,709	321,101	-3.5	0.7	1,329,245	1,307,350	1.7	2.0
Construction	378,990	376,508	0.7	2.0	1,524,053	1,598,896	-4.7	1.8
<b>Total Gross Sales</b>	\$ 1,012,041	\$ 1,000,023	1.2	5.7	\$ 4,492,183	\$ 4,565,749	-1.6	6.3
<b>EBITDA (1)</b>	\$ 70,870	\$ 63,303	12.0		\$ 317,297	\$ 265,575	19.5	
<b>Net Earnings Attributable to Controlling Interest (2)</b>	\$ 38,676	\$ 31,632	22.3		\$ 179,650	\$ 148,598	20.9	
<b>Diluted EPS (2)</b>	\$ 0.61	\$ 0.50	22.0		\$ 2.91	\$ 2.40	21.3	

*(1) See the company's Web site at [www.ufpi.com](http://www.ufpi.com) for reconciliation to related GAAP measurement.*

*(2) Includes \$7 million pre-tax (\$5.3 million after tax) gain on the sale of certain real estate in Q1 2018.*



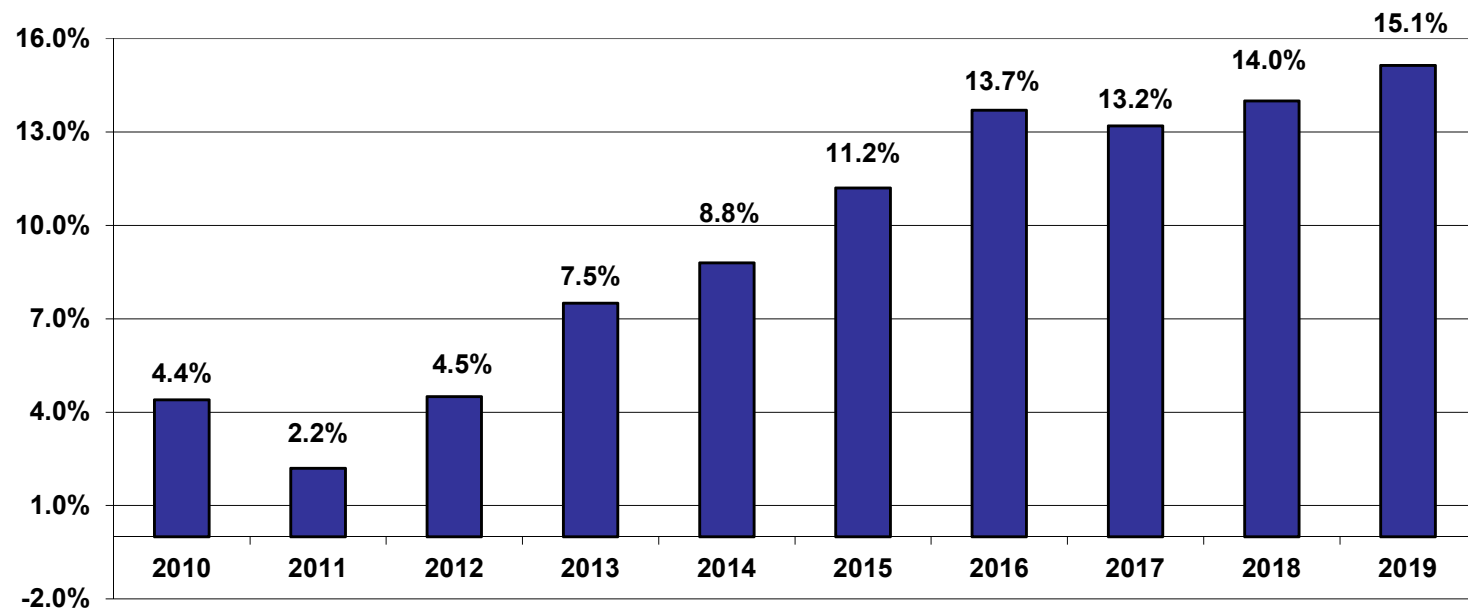


***Cash cycle = Days Receivables Outstanding + Days Supply of Inventory - Days Payables Outstanding***





## Return on Invested Capital



Hurdle Rate =  
12%

10% WACC  
& minimum  
ROIC Goal

*Note: See the company's Web site at [www.ufpi.com](http://www.ufpi.com) for reconciliation to related GAAP measurement.*

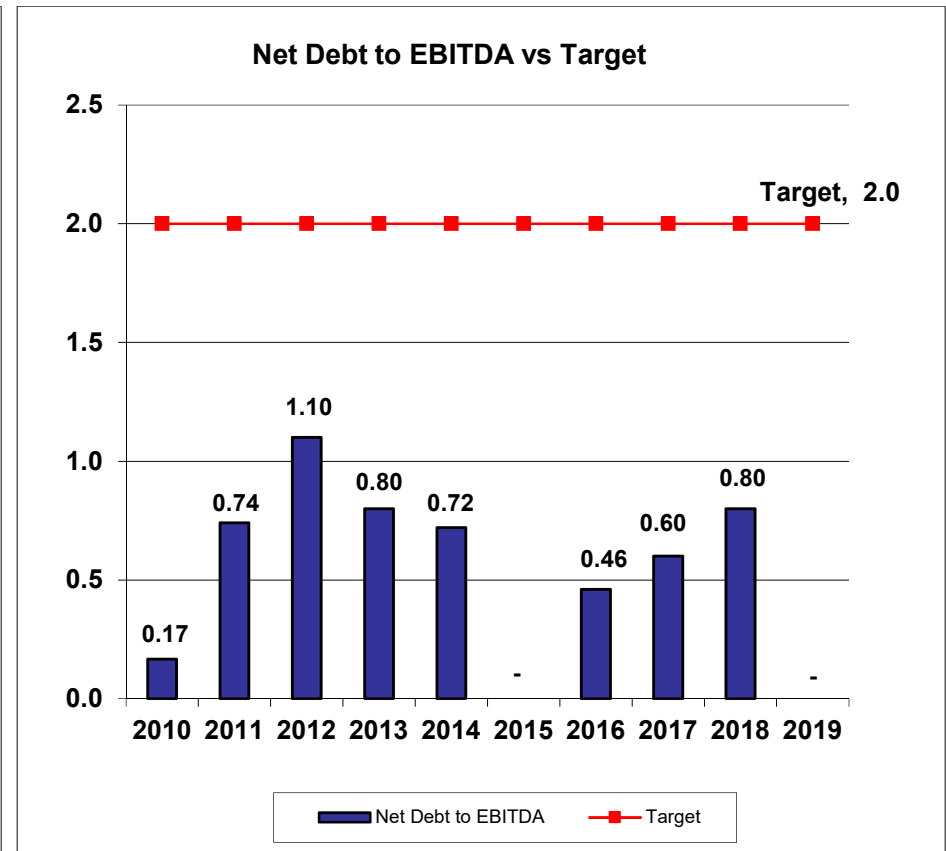
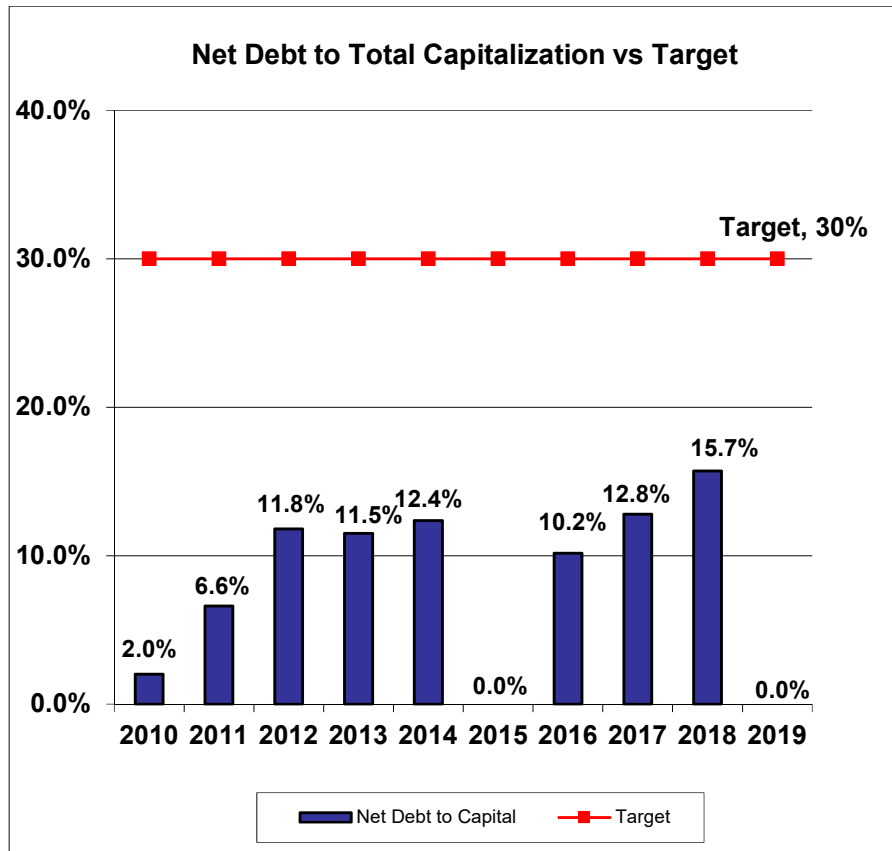


## Net Debt *(in thousands)*

	Dec-19	Dec-18	Dec-17
3.89% series 2012 - A notes, Tranche A, due December 2022	\$ 35,000	\$ 35,000	\$ 35,000
3.98% series 2012 - B notes, Tranche B, due December 2024	40,000	40,000	40,000
4.20% series 2018 - C notes, Tranche C, due June 2028	40,000	40,000	-
4.27% series 2018 - D notes, Tranche D, due June 2030	35,000	35,000	-
Revolving credit facility (\$375 million total available)	3,976	42,490	59,422
Industrial Development Revenue Bonds	9,700	9,700	9,700
Other	8	88	1,881
Less Cash Surplus	(168,336)	(27,316)	(28,339)
Plus Cash Overdraft	-	27,367	25,851
<b>Total Net Debt (Cash)</b>	<b>\$ (4,652)</b>	<b>\$ 202,329</b>	<b>\$ 143,515</b>
<b>Incremental debt capacity at 2X EBITDA less average debt</b>	<b>\$ 489,000</b>		



# Capital Structure





## Use of Free Cash Flow & Unused Debt Capacity

- Free cash flow > net earnings
- Dividend policy and yield
- Share buy back authorization and objectives
- Expansionary capex and working capital
- Acquisition strategy

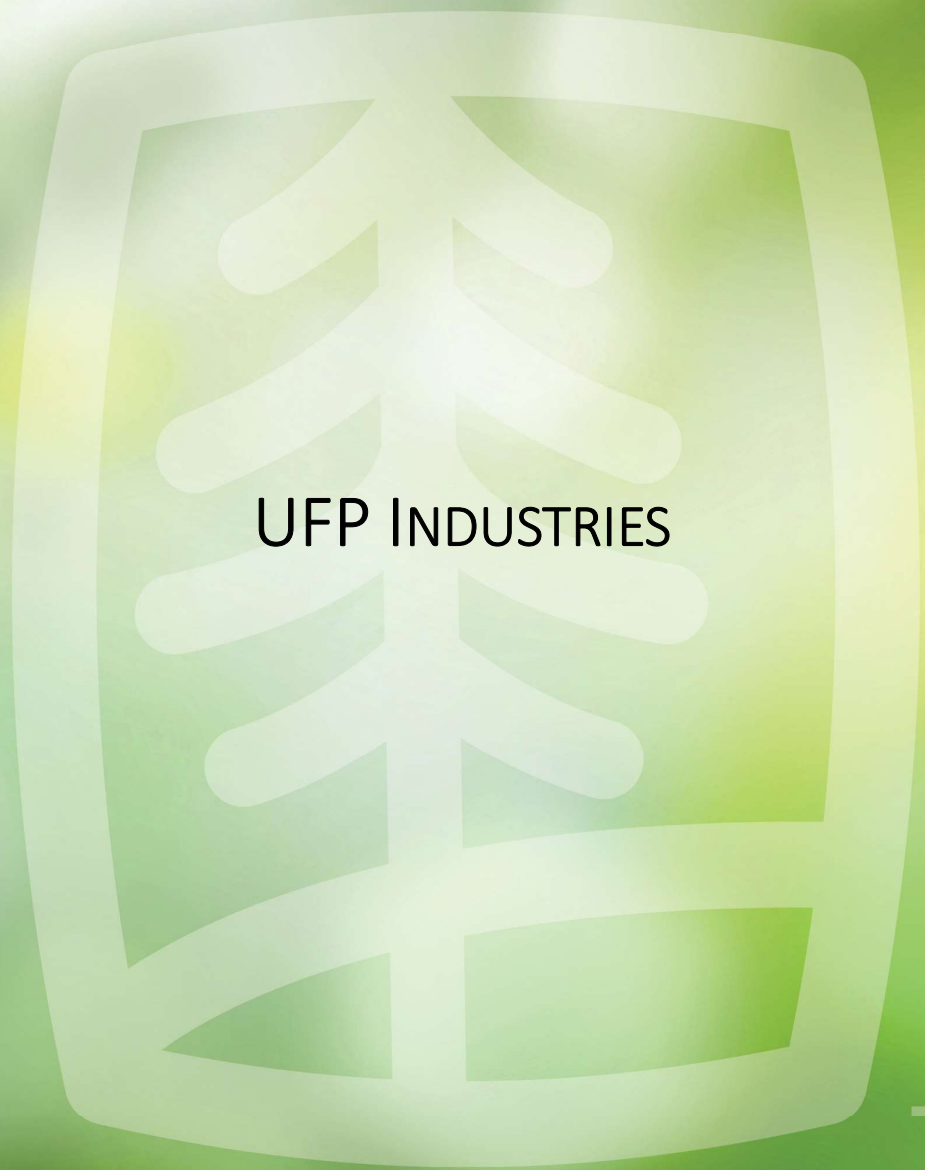


## UFPI Investment Data

03/06/2020 Stock Price	\$47.27
Market Cap	\$2.9 billion
Enterprise Value	\$2.9 billion
2019 Gross Sales	\$4.5 billion
2019 EPS	\$2.91
2019 EBITDA	\$317.3 million
Annual Dividend Yield (1)	1.06%

*(1) Based on most recent quarterly approved rate of \$0.125/share and 03/06/2020 stock price*





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