



**UNIVERSAL FOREST PRODUCTS, INC.**

**December 2017**



## UNIVERSAL FOREST PRODUCTS, INC.

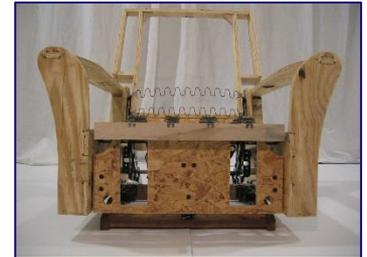
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# UFPI: What we do

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



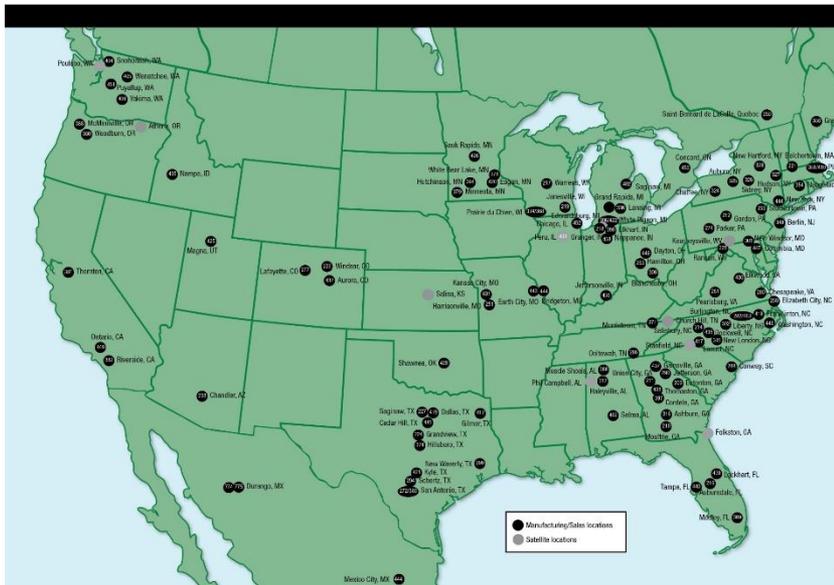
Universal Forest Products

NORTH AMERICA LOCATIONS



Universal Forest Products

INTERNATIONAL LOCATIONS



100/347



# 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.



**pro'wood**

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.

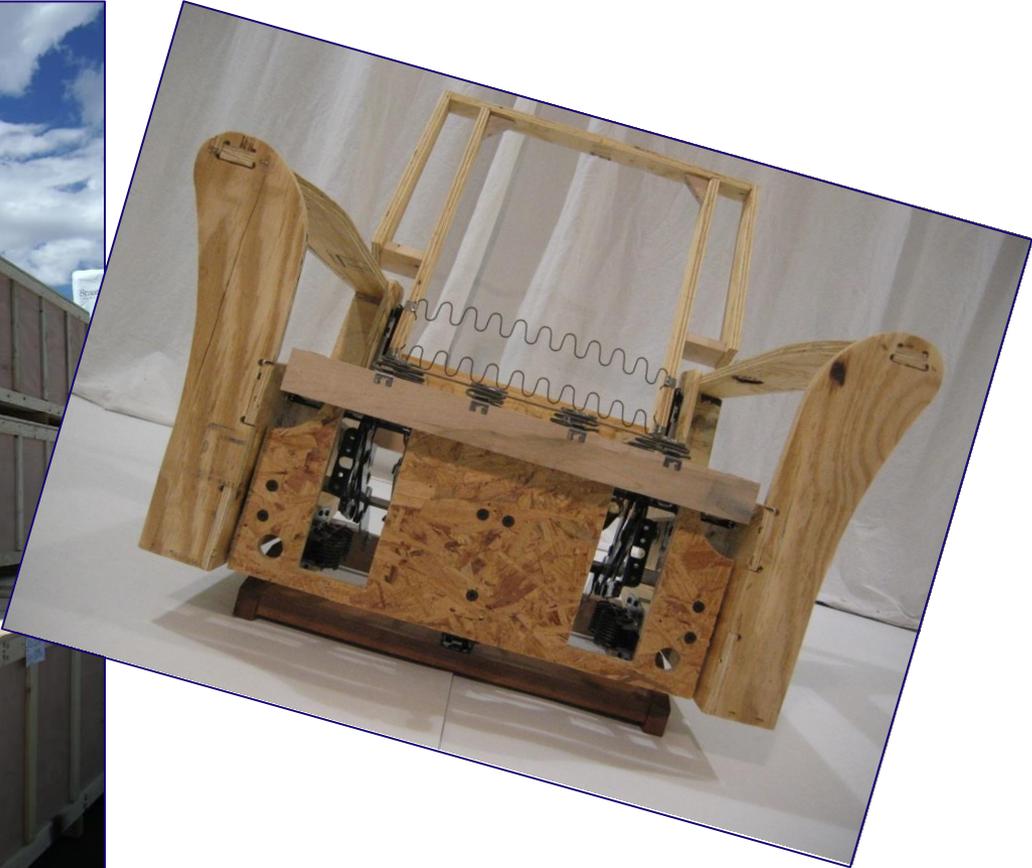


# UFPI by Market – Industrial

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



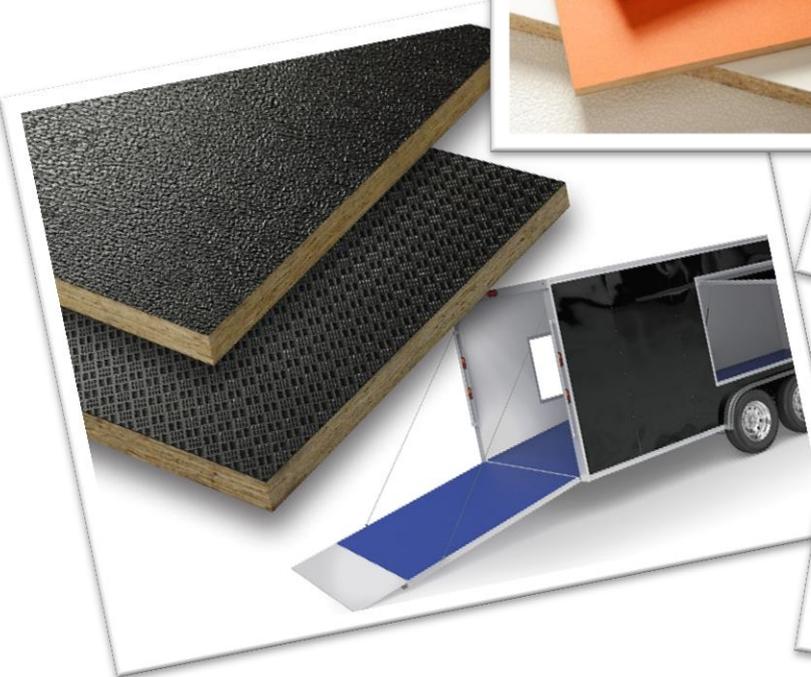
# Crates and components for manufacturers



## Custom crates for agricultural, manufacturing and military uses



Lamination



# 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 130 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: New product sales

(in thousands) <u>Market Classification</u>	<u>New Product Sales by Market</u>			<u>New Product Sales by Market</u>		
	<u>Three Months Ended</u>			<u>Twelve Months Ended</u>		
	<u>December 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>% Change</u>	<u>December 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>% Change</u>
Retail	\$ 44,911	\$ 36,304	23.71%	\$ 241,009	\$ 191,619	25.78%
Industrial	26,577	27,182	-2.23%	109,892	97,718	12.46%
Construction	16,393	13,172	24.45%	67,536	49,290	37.02%
<b>Total New Product Sales</b>	<b>\$ 87,881</b>	<b>\$ 76,658</b>	<b>14.64%</b>	<b>\$ 418,437</b>	<b>\$ 338,627</b>	<b>23.57%</b>



# UFPI: Our idX affiliate

An international provider of highly customized merchandising solutions for applications in banking, retail, automotive, restaurants, and medical facilities.



# 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: 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**

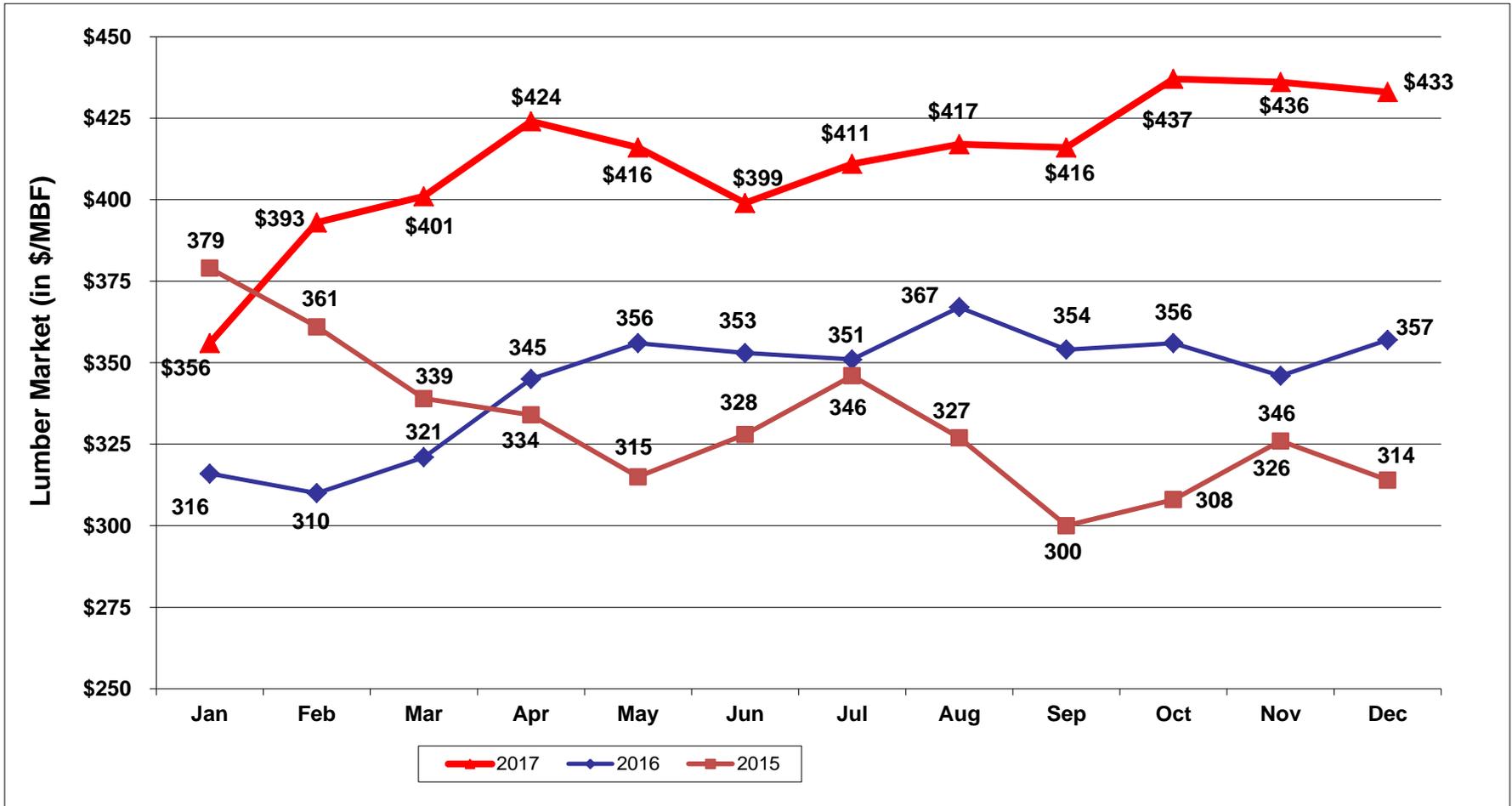


# Lumber Market Impact on Operating Results

- 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 **level of volatility** of the market.
- Use risk management techniques to mitigate impact on profitability.



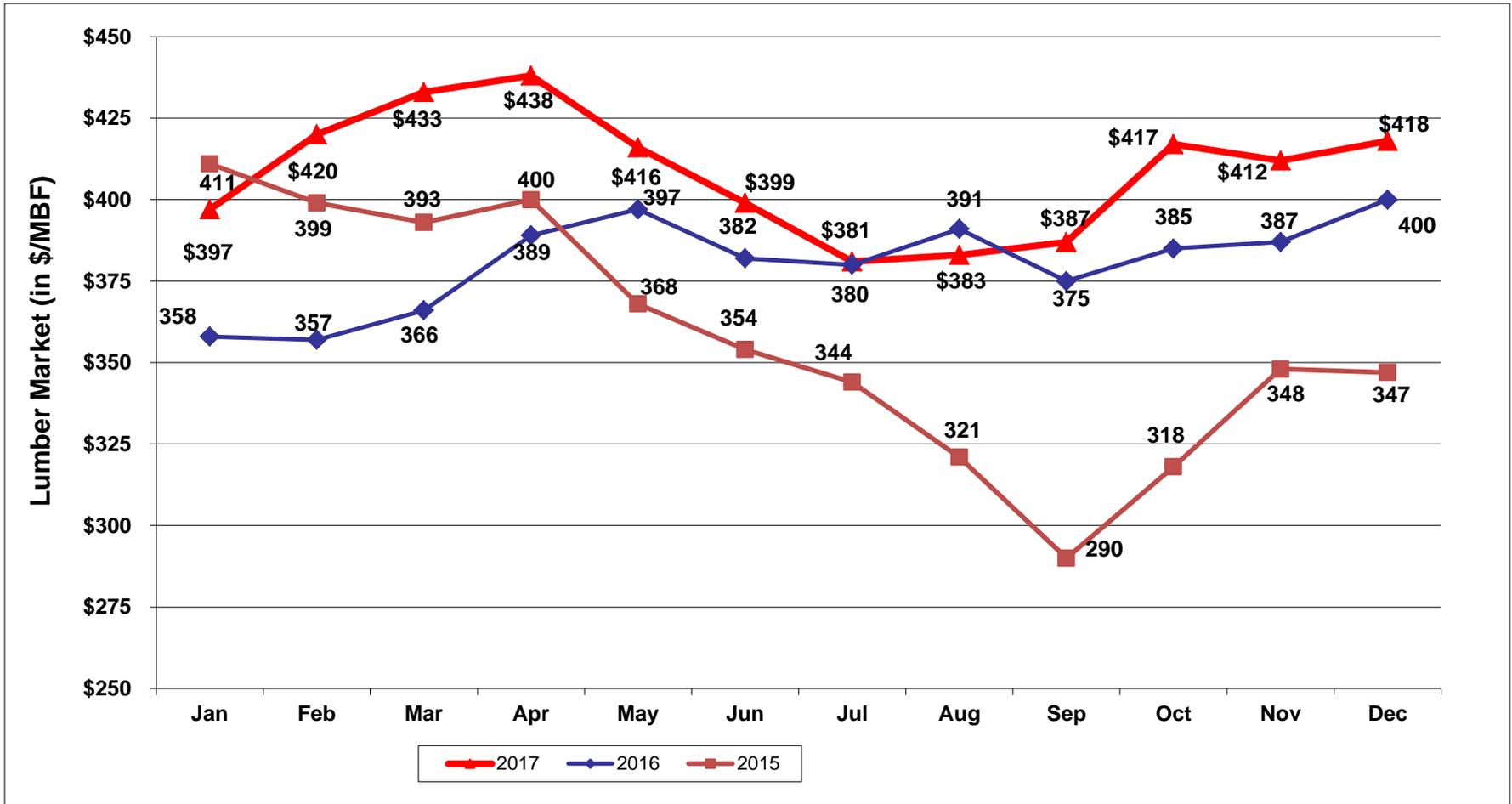
# Lumber Market



*Average weekly Random Lengths framing lumber composite price.*

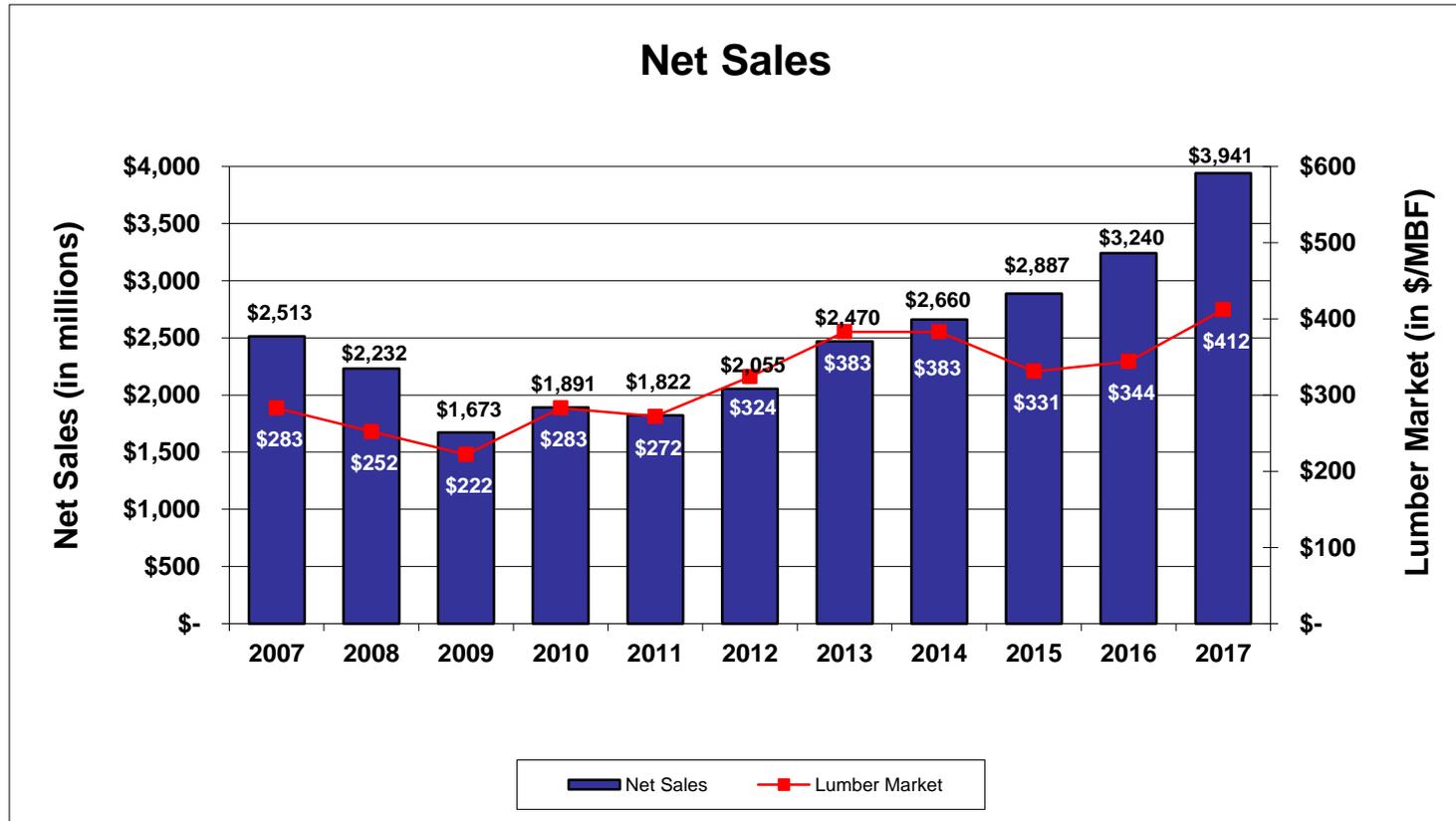


# Lumber Market - SYP



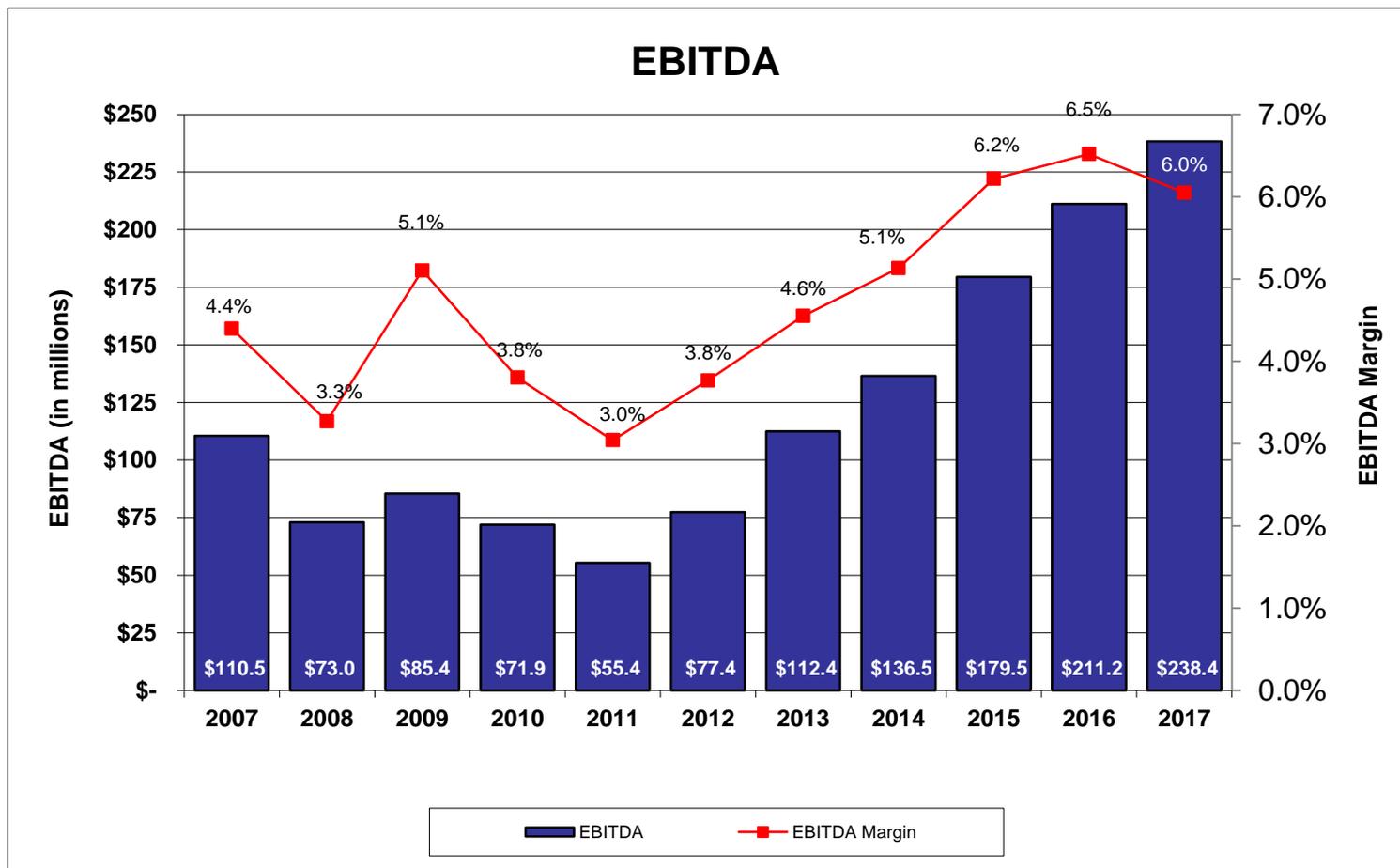
Average weekly Southern Yellow Pine price.





**Goal = growth of 4% to 6% over positive GDP**





**Goal = EBITDA growth exceeding unit sales growth.**

**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.*



# Margin Improvement Drivers

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



# Selected Income Statement Data

## Annual Results

*In thousands, except per-share data*

	2017	2016	2015	2016 – 2017 % Change	2015 – 2016 % Change
Retail	\$ 1,493,366	\$ 1,294,273	\$ 1,137,109	15.4	13.8
Industrial	1,334,082	984,968	890,179	35.4	10.6
Construction	1,178,755	1,018,136	905,193	15.8	12.5
<b>Total Gross Sales</b>	\$ 4,006,203	\$ 3,297,377	\$ 2,932,481	21.5	12.4
<b>Total Unit Sales Change</b>				14.9	11.2
<b>EBITDA (1)</b>	\$ 238,376	\$ 211,200	\$ 179,504	12.9	17.7
<b>EBITDA Margin</b>	6.0%	6.5%	6.2%	-7.7	4.8
<b>Net Earnings Attributable to Controlling Interest</b>	\$ 119,512	\$ 101,179	\$ 80,595	18.1	25.5
<b>Diluted EPS</b>	\$ 1.94	\$ 1.65	\$ 1.33	17.6	24.1

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



# Selected Income Statement Data

## 4th Quarter & YTD Results

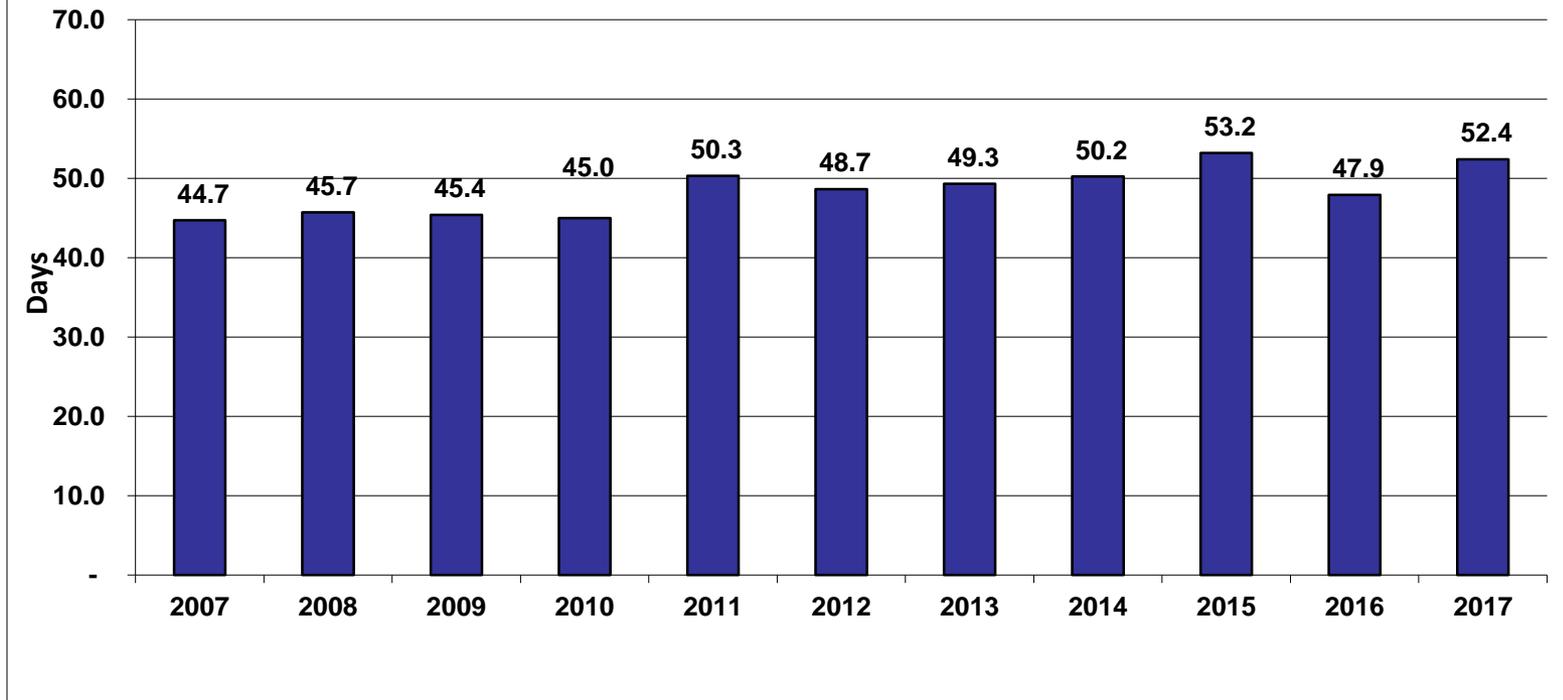
*In thousands, except per-share data*

	Q4 2017	Q4 2016	% Change	Unit % Change	YTD 2017	YTD 2016	% Change	Unit % Change
Retail	\$ 330,613	\$ 276,109	19.7	13	\$ 1,493,366	\$ 1,294,273	15.4	10
Industrial	345,134	317,932	8.6	2	1,334,082	984,968	35.4	29
Construction	305,758	277,742	10.1	0	1,178,755	1,018,136	15.8	7
<b>Total Gross Sales</b>	\$ 981,505	\$ 871,783	12.6	5	\$ 4,006,203	\$ 3,297,377	21.5	15
<b>EBITDA (1)</b>	\$ 56,538	\$ 48,844	15.8		\$ 238,376	\$ 211,200	12.9	
<b>EBITDA Margin</b>	5.9%	5.7%	3.0		6.0%	6.5%	-7.2	
<b>Net Earnings Attributable to Controlling Interest</b>	\$ 31,115	\$ 20,750	50.0		\$ 119,512	\$ 101,179	18.1	
<b>Diluted EPS</b>	\$ 0.51	\$ 0.34	50.0		\$ 1.94	\$ 1.65	17.6	

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



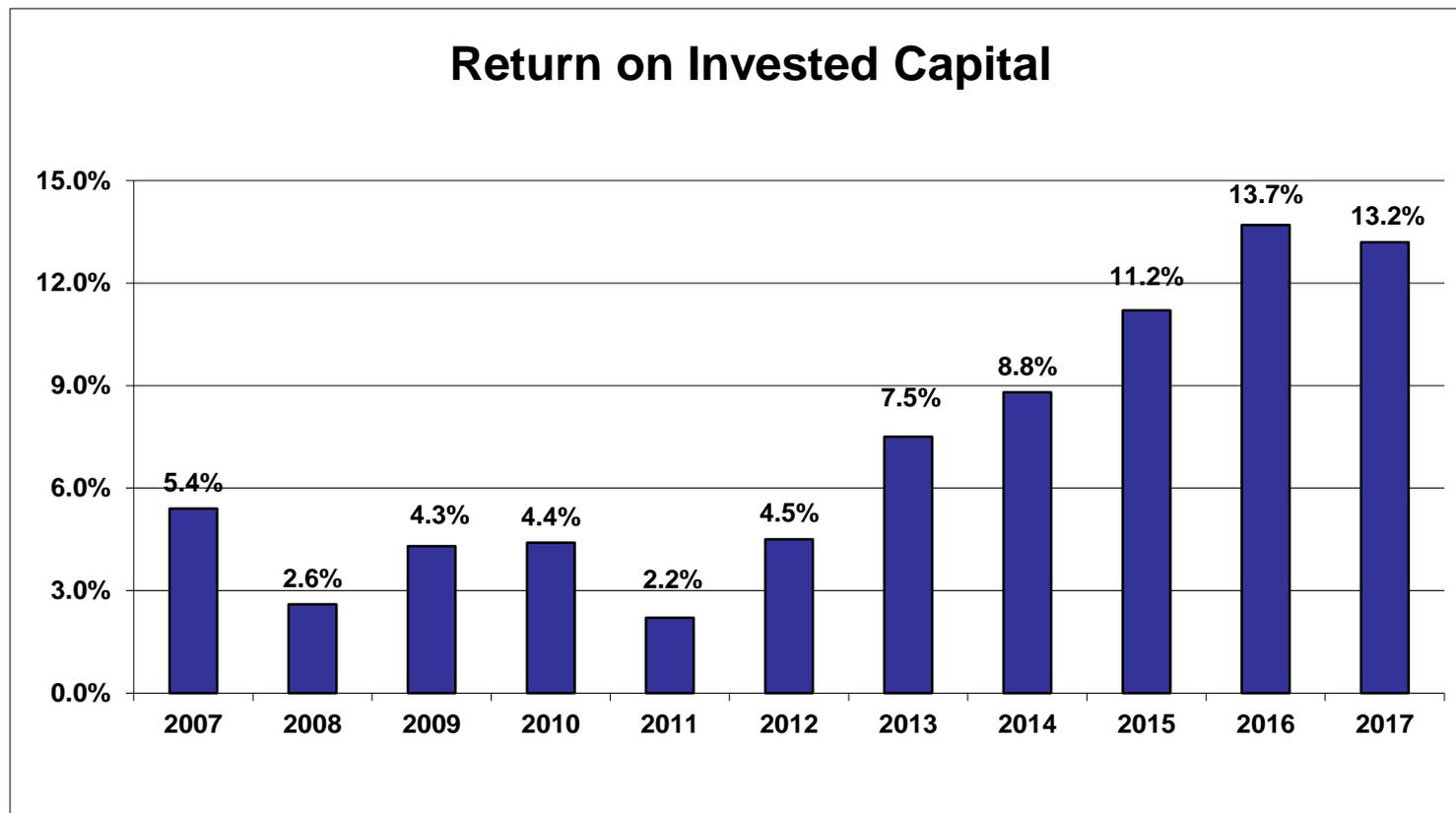
## Cash Cycle



*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.



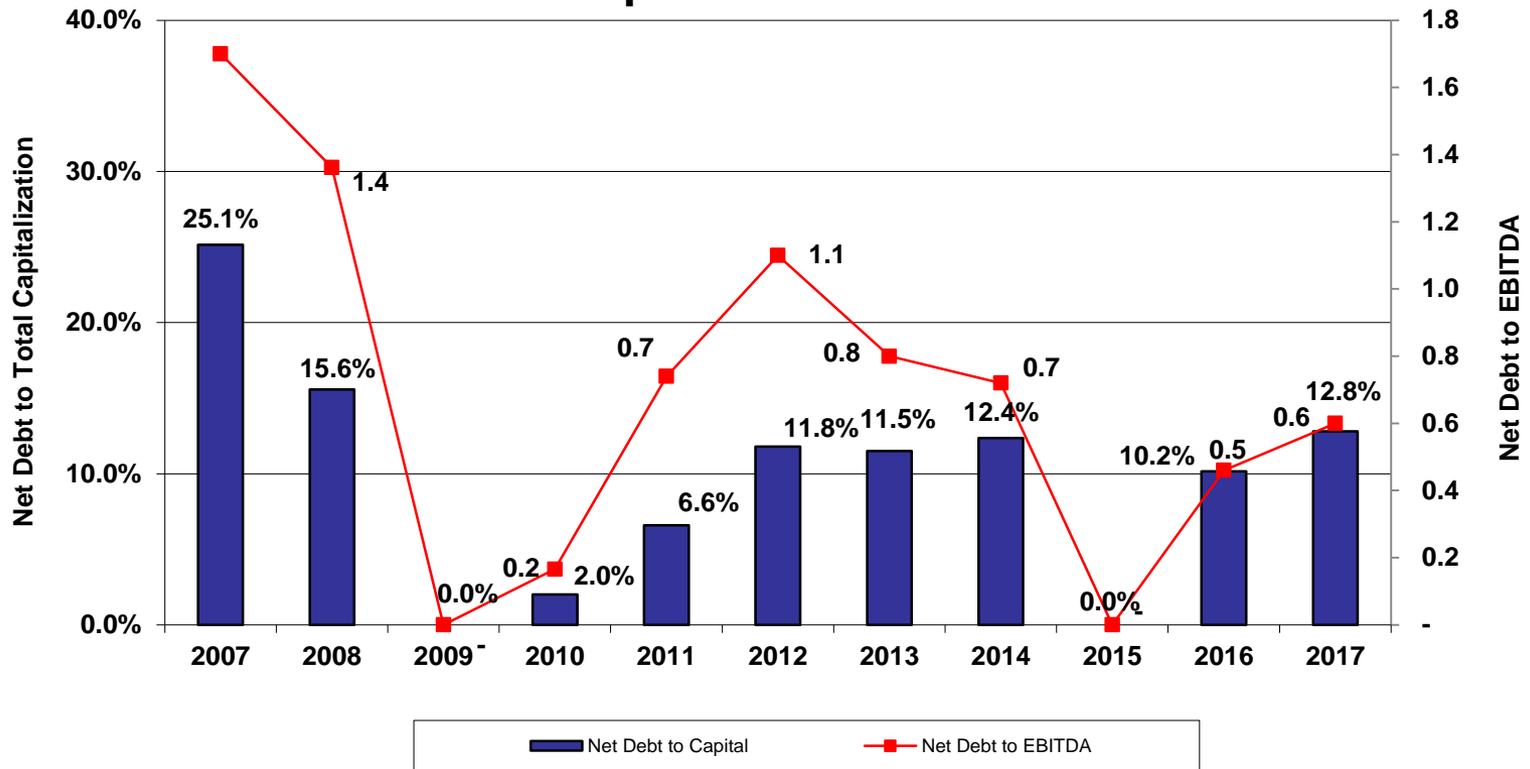
## Net Debt *(in thousands)*

	Dec-17	Dec-16	Dec-15
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
Revolving credit facility (\$295 million total available)	59,422	23,860	-
Industrial Development Revenue Bonds (1)	9,700	9,700	9,700
Foreign Subsidiary Debt	2,057	3,336	1,195
Debt Issuance Costs	(176)	(203)	-
Less Cash Surplus	28,339	34,091	87,756
Plus Cash Overdraft	25,851	19,761	-
<b>Total Net Debt</b>	<b>\$ 143,515</b>	<b>\$ 97,363</b>	<b>\$ (1,861)</b>
<b>Incremental debt capacity at 1.75 X EBITDA</b>	<b>\$ 244,000</b>		

*(1) Variable rates ranging from 0.17% to 0.35%. Maturities ranging from 20 to 25 years.*



## Capital Structure



# Use of Free Cash Flow & Unused Debt Capacity

- Dividend policy and yield
- Share buy back authorization and objectives
- Expansionary capex and working capital
- Acquisition strategy



## UFPI Investment Data

2/2/2018 Stock Price	\$36.46
Market Cap	\$2.2 billion
Enterprise Value	\$2.4 billion
2017 Gross Sales	\$4.0 billion
2017 EPS	\$1.94
2017 EBITDA	\$238.4 million
Annual Dividend Yield	0.88%





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