

---

UNITED STATES  
SECURITIES AND EXCHANGE  
COMMISSION  
WASHINGTON, D.C. 20549

---

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period September 30, 2024

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-36870

**TopBuild Corp.**

(Exact name of Registrant as Specified in its Charter)

Delaware  
(State or Other Jurisdiction of Incorporation or  
Organization)

47-3096382  
(I.R.S. Employer  
Identification No.)

475 North Williamson Boulevard  
Daytona Beach, Florida  
(Address of Principal Executive Offices)

32114  
(Zip Code)

(386) 304-2200

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.01 per share	BLD	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

The registrant had outstanding 29,502,560 shares of Common Stock, par value \$0.01 per share as of October 29, 2024.

---

---

**TOPBUILD CORP.  
TABLE OF CONTENTS**

	<b><u>Page No.</u></b>
<b><u>PART I. FINANCIAL INFORMATION</u></b>	
<b><u>Item 1. Financial Statements (Unaudited)</u></b>	
<u>Condensed Consolidated Balance Sheets</u>	4
<u>Condensed Consolidated Statements of Operations</u>	5
<u>Condensed Consolidated Statements of Comprehensive Income</u>	6
<u>Condensed Consolidated Statements of Cash Flows</u>	7
<u>Condensed Consolidated Statements of Changes in Equity</u>	8
<u>Notes to Condensed Consolidated Financial Statements</u>	9
<b><u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>	22
<b><u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u></b>	30
<b><u>Item 4. Controls and Procedures</u></b>	30
<b><u>PART II. OTHER INFORMATION</u></b>	
<b><u>Item 1. Legal Proceedings</u></b>	30
<b><u>Item 1A. Risk Factors</u></b>	30
<b><u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u></b>	31
<b><u>Item 3. Defaults upon Senior Securities</u></b>	31
<b><u>Item 4. Mine Safety Disclosures</u></b>	31
<b><u>Item 5. Other Information</u></b>	31
<b><u>Item 6. Exhibits</u></b>	31
<b><u>Index to Exhibits</u></b>	32
<b><u>Signature</u></b>	33

## GLOSSARY

We use acronyms, abbreviations, and other defined terms throughout this Quarterly Report, which are defined in the glossary below:

<b>Term</b>	<b>Definition</b>
3.625% Senior Notes	TopBuild's 3.625% senior unsecured notes issued March 15, 2021 and due March 15, 2029
4.125% Senior Notes	TopBuild's 4.125% senior unsecured notes issued October 14, 2021 and due February 15, 2032
2015 LTIP	2015 Long-Term Incentive Program authorizes the Board to grant stock options, stock appreciation rights, restricted shares, restricted share units, performance awards, and dividend equivalents
2022 Repurchase Program	\$200 million share repurchase program authorized by the Board on July 25, 2022
2024 Repurchase Program	\$1 billion share repurchase program authorized by the Board on May 3, 2024
Amendment No. 4	Amendment No. 4 to the Credit Agreement dated July 26, 2023
Annual Report	Annual report filed with the SEC on Form 10-K pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Best	Best Insulation Holdings LLC
Billings	Billings Insulation Service, Inc.
Board	Board of Directors of TopBuild
BofA	Bank of America, N.A.
Brabble	Brabble Insulation, Inc.
CODM	Chief Operating Decision Maker
Credit Agreement	Amended and Restated Credit Agreement, dated March 20, 2020, among TopBuild, BofA as administrative agent, and the other lenders and agents party thereto
Current Report	Current report filed with the SEC on Form 8-K pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
EBITDA	Earnings before interest, taxes, depreciation, and amortization
Exchange Act	The Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
Green Space	Nate's Insulation, LLC d/b/a Green Space Insulation
GAAP	Generally accepted accounting principles in the United States of America
Insulation Works	Insulation Works, Inc.
Lenders	Bank of America, N.A., together with the other lenders party to "Credit Agreement"
Morris Black	Morris Black & Sons, Inc.
Net Leverage Ratio	As defined in the "Credit Agreement," the ratio of outstanding indebtedness, less up to \$100 million of unrestricted cash, to EBITDA
NYSE	New York Stock Exchange
PCI	Pest Control Insulation, LLC
Quarterly Report	Quarterly report filed with the SEC on Form 10-Q pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Rocky Mountain	Rocky Mountain Spray Foam & Waterproofing, LLC
ROU	Right of use (asset), as defined in ASC 842
RSA	Restricted stock award
SEC	United States Securities and Exchange Commission
Secured Leverage Ratio	As defined in the "Credit Agreement," the ratio of outstanding indebtedness, including letters of credit, to EBITDA
SOFR	Secured overnight financing rate
SPI	SPI LLC d/b/a Specialty Products & Insulation
SRI	SRI Holdings, LLC
Term Loan	TopBuild's secured borrowings under the "Credit Agreement" due October 7, 2026
Term Facility Two	\$550 million delayed draw term loan intended to be used to fund the acquisition of SPI and was terminated in the second quarter of 2024
Texas Insulation	EOAKIS, LLC, d/b/a Texas Insulation
TopBuild	TopBuild Corp. and its wholly-owned consolidated domestic subsidiaries

**PART I – FINANCIAL INFORMATION**

**Item 1. FINANCIAL STATEMENTS**

**TOPBUILD CORP.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)**  
(In thousands except share data)

	As of	
	September 30, 2024	December 31, 2023
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 257,342	\$ 848,565
Receivables, net of an allowance for credit losses of \$21,829 at September 30, 2024, and \$23,948 at December 31, 2023	827,776	799,009
Inventories	392,208	364,731
Prepaid expenses and other current assets	43,813	36,939
Total current assets	<u>1,521,139</u>	<u>2,049,244</u>
Right of use assets	189,141	204,629
Property and equipment, net	270,022	264,487
Goodwill	2,092,315	2,042,568
Other intangible assets, net	565,440	591,058
Other assets	12,460	10,865
Total assets	<u>\$ 4,650,517</u>	<u>\$ 5,162,851</u>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 461,478	\$ 469,585
Current portion of long-term debt	45,137	47,039
Accrued liabilities	180,382	187,217
Short-term operating lease liabilities	67,509	65,780
Short-term finance lease liabilities	1,634	1,917
Total current liabilities	<u>756,140</u>	<u>771,538</u>
Long-term debt	1,341,439	1,373,028
Deferred tax liabilities, net	243,176	243,930
Long-term portion of insurance reserves	60,799	58,783
Long-term operating lease liabilities	130,299	146,213
Long-term finance lease liabilities	2,961	4,150
Other liabilities	1,434	1,554
Total liabilities	<u>2,536,248</u>	<u>2,599,196</u>
Commitments and contingencies		
Equity:		
Preferred stock, \$0.01 par value: 10,000,000 shares authorized; 0 shares issued and outstanding	-	-
Common stock, \$0.01 par value: 250,000,000 shares authorized; 39,557,215 shares issued and 29,505,185 outstanding at September 30, 2024, and 39,492,037 shares issued and 31,776,039 outstanding at December 31, 2023	396	394
Treasury stock, 10,052,030 shares at September 30, 2024, and 7,715,998 shares at December 31, 2023, at cost	(1,633,943)	(699,327)
Additional paid-in capital	922,963	906,334
Retained earnings	2,842,983	2,370,919
Accumulated other comprehensive loss	(18,130)	(14,665)
Total equity	<u>2,114,269</u>	<u>2,563,655</u>
Total liabilities and equity	<u>\$ 4,650,517</u>	<u>\$ 5,162,851</u>

See notes to our unaudited condensed consolidated financial statements.

**TOPBUILD CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**  
(In thousands except share and per common share data)

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Net sales	\$ 1,373,268	\$ 1,326,120	\$ 4,017,597	\$ 3,908,620
Cost of sales	951,455	905,430	2,784,712	2,695,916
Gross profit	421,813	420,690	1,232,885	1,212,704
Selling, general, and administrative expense	177,820	183,198	563,992	538,679
Operating profit	243,993	237,492	668,893	674,025
Other income (expense), net:				
Interest expense	(18,449)	(18,830)	(55,811)	(55,427)
Other, net	2,355	6,015	24,987	12,542
Other expense, net	(16,094)	(12,815)	(30,824)	(42,885)
Income before income taxes	227,899	224,677	638,069	631,140
Income tax expense	(58,939)	(57,075)	(166,005)	(163,270)
Net income	<u>\$ 168,960</u>	<u>\$ 167,602</u>	<u>\$ 472,064</u>	<u>\$ 467,870</u>
<b>Net income per common share:</b>				
Basic	\$ 5.68	\$ 5.30	\$ 15.28	\$ 14.81
Diluted	\$ 5.65	\$ 5.27	\$ 15.19	\$ 14.74
<b>Weighted average shares outstanding:</b>				
Basic	29,751,713	31,615,110	30,901,788	31,588,740
Diluted	29,925,400	31,788,812	31,083,857	31,744,856

See notes to our unaudited condensed consolidated financial statements.

**TOPBUILD CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)**  
**(In thousands)**

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Net income	\$ 168,960	\$ 167,602	\$ 472,064	\$ 467,870
Other comprehensive income (loss):				
Foreign currency translation adjustment	2,463	(3,008)	(3,464)	3,029
Comprehensive income	<u>\$ 171,423</u>	<u>\$ 164,594</u>	<u>\$ 468,600</u>	<u>\$ 470,899</u>

See notes to our unaudited condensed consolidated financial statements.

**TOPBUILD CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**  
(In thousands)

	<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>Cash Flows Provided by (Used in) Operating Activities:</b>		
Net income	\$ 472,064	\$ 467,870
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	104,777	98,216
Share-based compensation	13,405	11,080
Loss on sale of assets	672	2,733
Amortization of debt issuance costs	2,161	2,161
Provision for bad debt expense	13,730	7,380
Provision for inventory obsolescence	6,713	3,617
Change in certain assets and liabilities, net of effects of businesses acquired:		
Receivables, net	(30,294)	(52,482)
Inventories	(30,916)	82,960
Prepaid expenses and other current assets	(6,849)	(3,267)
Accounts payable	(17,441)	(21,361)
Accrued liabilities	(15,695)	(9,027)
Other, net	(2,529)	(1,402)
Net cash provided by operating activities	<u>509,798</u>	<u>588,478</u>
<b>Cash Flows Provided by (Used in) Investing Activities:</b>		
Purchases of property and equipment	(56,794)	(48,076)
Acquisition of businesses, net of cash acquired	(88,460)	(147,614)
Proceeds from sale of assets	2,336	14,674
Net cash used in investing activities	<u>(142,918)</u>	<u>(181,016)</u>
<b>Cash Flows Provided by (Used in) Financing Activities:</b>		
Repayment of long-term debt	(35,651)	(27,711)
Taxes withheld and paid on employees' equity awards	(6,088)	(6,350)
Exercise of stock options	3,224	2,489
Repurchase of shares of common stock	(919,186)	—
Payment of contingent consideration	—	(300)
Net cash used in financing activities	<u>(957,701)</u>	<u>(31,872)</u>
Impact of exchange rate changes on cash	(402)	(47)
Net (decrease) increase in cash and cash equivalents	<u>(591,223)</u>	<u>375,543</u>
Cash and cash equivalents - Beginning of period	848,565	240,069
Cash and cash equivalents - End of period	<u>\$ 257,342</u>	<u>\$ 615,612</u>
<b>Supplemental disclosure of noncash activities:</b>		
Leased assets obtained in exchange for new operating lease liabilities	\$ 35,718	\$ 45,525
Accruals for property and equipment	227	305
Excise taxes capitalized to treasury stock	9,342	—

See notes to our unaudited condensed consolidated financial statements.

**TOPBUILD CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited)**  
(In thousands except share data)

	Common Stock (\$0.01 par value)	Treasury Stock at cost	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Equity
<b>Balance at December 31, 2022</b>	\$ 393	\$ (692,799)	\$ 887,367	\$ 1,756,665	\$ (21,920)	\$ 1,929,706
Net income	-	-	-	135,870	-	135,870
Share-based compensation	-	-	3,135	-	-	3,135
Issuance of 95,012 restricted share awards under long-term equity incentive plan	2	-	-	-	-	2
32,594 shares withheld to pay taxes on employees' equity awards	-	(6,350)	-	-	-	(6,350)
28,840 shares issued upon exercise of stock options	-	-	1,028	-	-	1,028
Other comprehensive income, net of tax	-	-	-	-	1,753	1,753
<b>Balance at March 31, 2023</b>	<u>\$ 395</u>	<u>\$ (699,149)</u>	<u>\$ 891,530</u>	<u>\$ 1,892,535</u>	<u>\$ (20,167)</u>	<u>\$ 2,065,144</u>
Net income	-	-	-	164,400	-	164,400
Share-based compensation	-	-	3,751	-	-	3,751
Issuance of 18,768 restricted share awards under long-term equity incentive plan	-	-	-	-	-	-
4,762 shares issued upon exercise of stock options	-	-	468	-	-	468
Other comprehensive income, net of tax	-	-	-	-	4,283	4,283
<b>Balance at June 30, 2023</b>	<u>\$ 395</u>	<u>\$ (699,149)</u>	<u>\$ 895,749</u>	<u>\$ 2,056,935</u>	<u>\$ (15,884)</u>	<u>\$ 2,238,046</u>
Net income	-	-	-	167,602	-	167,602
Share-based compensation	-	-	4,194	-	-	4,194
17,409 shares issued upon exercise of stock options	-	-	993	-	-	993
Other comprehensive loss, net of tax	-	-	-	-	(3,008)	(3,008)
<b>Balance at September 30, 2023</b>	<u>\$ 395</u>	<u>\$ (699,149)</u>	<u>\$ 900,936</u>	<u>\$ 2,224,537</u>	<u>\$ (18,892)</u>	<u>\$ 2,407,827</u>

	Common Stock (\$0.01 par value)	Treasury Stock at cost	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Equity
<b>Balance at December 31, 2023</b>	\$ 394	\$ (699,327)	\$ 906,334	\$ 2,370,919	\$ (14,665)	\$ 2,563,655
Net income	-	-	-	152,381	-	152,381
Share-based compensation	-	-	5,127	-	-	5,127
Issuance of 51,236 restricted share awards under long-term equity incentive plan, net of forfeitures	1	-	-	-	-	1
14,965 shares withheld to pay taxes on employees' equity awards	-	(6,059)	-	-	-	(6,059)
5,757 shares issued upon exercise of stock options	-	-	1,020	-	-	1,020
Other comprehensive loss, net of tax	-	-	-	-	(4,092)	(4,092)
<b>Balance at March 31, 2024</b>	<u>\$ 395</u>	<u>\$ (705,386)</u>	<u>\$ 912,481</u>	<u>\$ 2,523,300</u>	<u>\$ (18,757)</u>	<u>\$ 2,712,033</u>
Net income	-	-	-	150,723	-	150,723
Share-based compensation	-	-	4,632	-	-	4,632
Issuance of 2,022 restricted share awards under long-term equity incentive plan, net of forfeitures	1	-	-	-	-	1
Repurchase of 1,246,182 shares pursuant to 2022 and 2024 Repurchase Programs	-	(510,443)	-	-	-	(510,443)
10,269 shares issued upon exercise of stock options	-	-	2,204	-	-	2,204
Other comprehensive loss, net of tax	-	-	-	-	(1,836)	(1,836)
<b>Balance at June 30, 2024</b>	<u>\$ 396</u>	<u>\$ (1,215,829)</u>	<u>\$ 919,317</u>	<u>\$ 2,674,023</u>	<u>\$ (20,593)</u>	<u>\$ 2,357,314</u>
Net income	-	-	-	168,960	-	168,960
Share-based compensation	-	-	3,646	-	-	3,646
Forfeiture of 4,106 restricted share awards under long-term equity incentive plan, net of issuances	-	-	-	-	-	-
Repurchase of 1,074,818 shares pursuant to 2024 Repurchase Program	-	(418,085)	-	-	-	(418,085)
67 shares withheld to pay taxes on employees' equity awards	-	(29)	-	-	-	(29)
Other comprehensive income, net of tax	-	-	-	-	2,463	2,463
<b>Balance at September 30, 2024</b>	<u>\$ 396</u>	<u>\$ (1,633,943)</u>	<u>\$ 922,963</u>	<u>\$ 2,842,983</u>	<u>\$ (18,130)</u>	<u>\$ 2,114,269</u>

See notes to our unaudited condensed consolidated financial statements.



**TOPBUILD CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. BASIS OF PRESENTATION**

TopBuild is listed on the NYSE under the ticker symbol “BLD.” We report our business in two segments: Installation and Specialty Distribution. Our Installation segment primarily installs insulation and other building products. Our Specialty Distribution segment primarily sells and distributes insulation and other building products. Our segments are based on our operating units, for which financial information is regularly evaluated by our CODM.

We believe the accompanying unaudited condensed consolidated financial statements contain all adjustments, of a normal recurring nature, necessary to state fairly our financial position as of September 30, 2024, our results of operations and comprehensive income for the three and nine months ended September 30, 2024 and 2023, and our cash flows for the nine months ended September 30, 2024 and 2023. The condensed consolidated balance sheet at December 31, 2023 was derived from our audited financial statements, but does not include all disclosures required by GAAP.

These condensed consolidated financial statements and related notes should be read in conjunction with the audited Consolidated Financial Statements included in the Company’s [Annual report for the year ended December 31, 2023](#), as filed with the SEC on February 28, 2024.

**2. ACCOUNTING POLICIES**

**Financial Statement Presentation.** Our condensed consolidated financial statements have been developed in conformity with GAAP, which requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. Actual results could differ materially from these estimates. All intercompany transactions between TopBuild entities have been eliminated.

**Recently Issued Accounting Pronouncements Not Yet Adopted**

In November 2023, the FASB issued ASU 2023-07, “Segment Reporting (Topic 280), Improvements to Reportable Segment Disclosures”. This standard amends Topic 280 to require all entities to disclose, on an annual and interim basis, significant segment expenses and an amount for other segment items by reportable segment. This standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. This standard will not affect our consolidated results of operations, financial position or cash flows. We will update our disclosures in future filings to comply with the disclosure requirements.

In December 2023, the FASB issued ASU 2023-09, “Income Taxes (Topic 740), Improvements to Income Tax Disclosures”. This standard amends Topic 740 to require all entities to disclose specific categories in the rate reconciliation, income taxes paid and other income tax information. This standard is effective for fiscal years beginning after December 15, 2024, with early adoption permitted and should be applied on a prospective basis. We do not anticipate that this standard will affect our consolidated results of operations, financial position or cash flows and we are assessing the impact of its adoption in our disclosures to our consolidated financial statements.

**3. REVENUE RECOGNITION**

Revenue is disaggregated between our Installation and Specialty Distribution segments and further based on market and product, as we believe this best depicts how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors.

**TOPBUILD CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following tables present our revenues disaggregated by market (in thousands):

	Three Months Ended September 30,							
	2024				2023			
	Installation	Specialty Distribution	Eliminations	Total	Installation	Specialty Distribution	Eliminations	Total
Residential	\$ 714,911	\$ 246,519	\$ (71,074)	\$ 890,356	\$ 689,232	\$ 227,245	\$ (54,788)	\$ 861,689
Commercial/Industrial	141,439	353,868	(12,395)	482,912	132,441	343,764	(11,774)	464,431
Net sales	<u>\$ 856,350</u>	<u>\$ 600,387</u>	<u>\$ (83,469)</u>	<u>\$ 1,373,268</u>	<u>\$ 821,673</u>	<u>\$ 571,009</u>	<u>\$ (66,562)</u>	<u>\$ 1,326,120</u>

  

	Nine Months Ended September 30,							
	2024				2023			
	Installation	Specialty Distribution	Eliminations	Total	Installation	Specialty Distribution	Eliminations	Total
Residential	\$ 2,102,174	\$ 700,520	\$ (193,395)	\$ 2,609,299	\$ 2,003,107	\$ 678,824	\$ (162,844)	\$ 2,519,087
Commercial/Industrial	403,902	1,038,487	(34,091)	1,408,298	394,711	1,025,047	(30,225)	1,389,533
Net sales	<u>\$ 2,506,076</u>	<u>\$ 1,739,007</u>	<u>\$ (227,486)</u>	<u>\$ 4,017,597</u>	<u>\$ 2,397,818</u>	<u>\$ 1,703,871</u>	<u>\$ (193,069)</u>	<u>\$ 3,908,620</u>

The following tables present our revenues disaggregated by product (in thousands):

	Three Months Ended September 30,							
	2024				2023			
	Installation	Specialty Distribution	Eliminations	Total	Installation	Specialty Distribution	Eliminations	Total
Insulation and accessories	\$ 688,002	\$ 532,341	\$ (74,070)	\$ 1,146,273	\$ 658,765	\$ 506,420	\$ (58,300)	\$ 1,106,885
Glass and windows	64,558	-	-	64,558	62,763	-	-	62,763
Gutters	30,562	52,086	(8,209)	74,439	28,215	46,131	(7,422)	66,924
All other	73,228	15,960	(1,190)	87,998	71,930	18,458	(840)	89,548
Net sales	<u>\$ 856,350</u>	<u>\$ 600,387</u>	<u>\$ (83,469)</u>	<u>\$ 1,373,268</u>	<u>\$ 821,673</u>	<u>\$ 571,009</u>	<u>\$ (66,562)</u>	<u>\$ 1,326,120</u>

  

	Nine Months Ended September 30,							
	2024				2023			
	Installation	Specialty Distribution	Eliminations	Total	Installation	Specialty Distribution	Eliminations	Total
Insulation and accessories	\$ 2,017,380	1,548,251	(200,337)	\$ 3,365,294	\$ 1,893,456	\$ 1,522,384	\$ (167,872)	\$ 3,247,968
Glass and windows	184,996	-	-	184,996	195,046	-	-	195,046
Gutters	88,901	141,455	(23,441)	206,915	85,895	130,062	(22,158)	193,799
All other	214,799	49,301	(3,708)	260,392	223,421	51,425	(3,039)	271,807
Net sales	<u>\$ 2,506,076</u>	<u>\$ 1,739,007</u>	<u>\$ (227,486)</u>	<u>\$ 4,017,597</u>	<u>\$ 2,397,818</u>	<u>\$ 1,703,871</u>	<u>\$ (193,069)</u>	<u>\$ 3,908,620</u>

The following table represents our contract assets and contract liabilities with customers, in thousands:

	Included in Line Item on Condensed Consolidated Balance Sheets	As of	
		September 30, 2024	December 31, 2023
<b>Contract Assets:</b>			
Receivables, unbilled	Receivables, net	\$ 76,610	\$ 64,882
<b>Contract Liabilities:</b>			
Deferred revenue	Accrued liabilities	\$ 17,951	\$ 18,365

The aggregate amount remaining on uncompleted performance obligations was \$378.0 million as of September 30, 2024. We expect to satisfy the performance obligations and recognize revenue on substantially all of these uncompleted contracts over the next 18 months.

**TOPBUILD CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

On certain of our long-term contracts, a percentage of the total project cost is withheld and not invoiced to the customer and collected until satisfactory completion of the customer's project, typically within a year. This amount is referred to as retainage and is common practice in the construction industry. Retainage receivables are classified as a component of Receivables, net on our condensed consolidated balance sheets and were \$77.9 million and \$81.9 million as of September 30, 2024 and December 31, 2023, respectively.

**4. GOODWILL AND OTHER INTANGIBLES**

We have two reporting units which are also our operating and reportable segments: Installation and Specialty Distribution. Both reporting units contain goodwill. Assets acquired and liabilities assumed are assigned to the applicable reporting unit based on whether the acquired assets and liabilities relate to the operations of such unit and determination of its fair value. Goodwill assigned to the reporting unit is the excess of the fair value of the acquired business over the fair value of the individual assets acquired and liabilities assumed for the reporting unit.

In the fourth quarter of 2023, we performed an annual assessment on our goodwill resulting in no impairment and there were no indicators of impairment for the nine months ended September 30, 2024.

Changes in the carrying amount of goodwill for the nine months ended September 30, 2024, by segment, were as follows, in thousands:

	Gross Goodwill December 31, 2023	Additions	FX Translation Adjustment	Gross Goodwill September 30, 2024	Accumulated Impairment Losses	Net Goodwill September 30, 2024
Goodwill, by segment:						
Installation	\$ 1,901,160	\$ 45,334	\$ -	\$ 1,946,494	\$ (762,021)	\$ 1,184,473
Specialty Distribution	903,429	5,720	(1,307)	907,842	-	907,842
Total goodwill	<u>\$ 2,804,589</u>	<u>\$ 51,054</u>	<u>\$ (1,307)</u>	<u>\$ 2,854,336</u>	<u>\$ (762,021)</u>	<u>\$ 2,092,315</u>

See *Note 12 – Business Combinations* for goodwill recognized on acquisitions that occurred during the nine months ended September 30, 2024.

Other intangible assets, net includes customer relationships, non-compete agreements, and trademarks / trade names. The following table sets forth our other intangible assets, in thousands:

	As of	
	September 30, 2024	December 31, 2023
Gross definite-lived intangible assets	\$ 855,693	\$ 827,793
Accumulated amortization	(290,253)	(236,735)
Other intangible assets, net	<u>\$ 565,440</u>	<u>\$ 591,058</u>

The following table sets forth our amortization expense, in thousands:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Amortization expense	\$ 18,243	\$ 17,389	\$ 53,876	\$ 51,496

**TOPBUILD CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**5. LONG-TERM DEBT**

The following table reconciles the principal balances of our outstanding debt to our condensed consolidated balance sheets, in thousands:

	As of	
	September 30, 2024	December 31, 2023
3.625% Senior Notes due 2029	\$ 400,000	\$ 400,000
4.125% Senior Notes due 2032	500,000	500,000
Term loan due 2026	498,750	532,500
Equipment notes	137	2,039
Unamortized debt issuance costs	(12,311)	(14,472)
Total debt, net of unamortized debt issuance costs	1,386,576	1,420,067
Less: current portion of long-term debt	45,137	47,039
Total long-term debt	\$ 1,341,439	\$ 1,373,028

The following table sets forth our remaining principal payments for our outstanding debt balances as of September 30, 2024, in thousands:

	2024	2025	2026	2027	2028	Thereafter	Total
3.625% Senior Notes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 400,000	\$ 400,000
4.125% Senior Notes	-	-	-	-	-	500,000	500,000
Term loan	11,250	48,750	438,750	-	-	-	498,750
Equipment notes	137	-	-	-	-	-	137
Total	\$ 11,387	\$ 48,750	\$ 438,750	\$ -	\$ -	\$ 900,000	\$ 1,398,887

*Credit Agreement*

On July 26, 2023, we entered into Amendment No. 4 to our Credit Agreement, which provided for a new \$550.0 million Term Facility Two, the proceeds of which were intended to be used, in part, to finance the acquisition of SPI, including the payment of related fees and expenses. On April 22, 2024, we agreed to a mutual termination of our previous agreement to acquire SPI. In connection with the termination of the SPI acquisition, the Company terminated the commitments with respect to its undrawn Term Facility Two which was provided pursuant to Amendment No. 4. All other terms of the Company's Credit Agreement, as amended, remain in full force and effect.

The following table outlines the key terms of the Credit Agreement (dollars in thousands):

Senior secured term loan facility	\$ 600,000
Revolving facility (a)	\$ 500,000
Sublimit for issuance of letters of credit under revolving facility	\$ 100,000
Sublimit for swingline loans under revolving facility	\$ 35,000
Interest rate as of September 30, 2024	5.95 %
Scheduled maturity date	10/7/2026

(a) Use of the sublimits for the issuance of letters of credit and swingline loans reduces the availability under the revolving facility.

Interest expense on borrowings under the Credit Agreement is based on an applicable margin rate plus, at our option, either:

- A base rate determined by reference to the highest of either (i) the federal funds rate plus 0.50 percent, (ii) BofA's "prime rate," and (iii) the SOFR rate for U.S. dollar deposits with a term of one month, plus 1.00 percent (Term Facility One); or
- A SOFR rate determined by reference to the costs of funds for deposits in U.S. dollars for the interest period relevant to such borrowings, subject to a floor of 0%.

**TOPBUILD CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The applicable margin rate is determined based on our Secured Leverage Ratio. In the case of base rate borrowings, the applicable margin rate ranges from 0.00 percent to 1.50 percent for Term Facility One and in the case of SOFR rate borrowings, the applicable margin ranges from 1.00 percent to 2.50 percent for Term Facility One. Borrowings under the Credit Agreement are prepayable at the Company's option without premium or penalty. The Company is required to make prepayments with the net cash proceeds of certain asset sales and certain extraordinary receipts.

#### *Revolving Facility*

The Company has outstanding standby letters of credit that secure our financial obligations related to our workers' compensation, general insurance, and auto liability programs. These standby letters of credit, as well as any outstanding amount borrowed under our revolving facility, reduce the availability under the revolving facility.

The following table summarizes our availability under the revolving facility, in thousands:

	As of	
	September 30, 2024	December 31, 2023
Revolving facility	\$ 500,000	\$ 500,000
Less: standby letters of credit	(63,770)	(63,770)
Availability under revolving facility	<u>\$ 436,230</u>	<u>\$ 436,230</u>

We are required to pay commitment fees to the Lenders in respect of any unutilized commitments. The commitment fees range from 0.15 percent to 0.275 percent per annum, depending on our Secured Leverage Ratio. We must also pay customary fees on outstanding letters of credit.

#### *3.625% Senior Notes*

The 3.625% Senior Notes are \$400.0 million senior unsecured obligations and bear interest at 3.625% per year, payable semiannually in arrears on March 15 and September 15, beginning on September 15, 2021. The 3.625% Senior Notes mature on March 15, 2029, unless redeemed early or repurchased. If we undergo a change in control, we must make an offer to repurchase all of the 3.625% Senior Notes then outstanding at a repurchase price equal to 101% of their aggregate principal amount, plus accrued and unpaid interest (if any) to, but not including, the repurchase date. The Company may redeem the 3.625% Senior Notes, in whole or in part, at any time on or after March 15, 2024 at the redemption prices specified in the notes.

#### *4.125% Senior Notes*

The 4.125% Senior Notes are \$500.0 million senior unsecured obligations and bear interest at 4.125% per year, payable semiannually in arrears on February 15 and August 15, beginning on August 15, 2022. The 4.125% Senior Notes mature on February 15, 2032, unless redeemed early or repurchased. If we undergo a change in control, we must make an offer to repurchase all of the 4.125% Senior Notes then outstanding at a repurchase price equal to 101% of their aggregate principal amount, plus accrued and unpaid interest (if any) to, but not including, the repurchase date.

The Company may redeem the 4.125% Senior Notes, in whole or in part, at any time on or after October 15, 2026 at the redemption prices specified in the notes plus accrued and unpaid interest if redeemed during the 12 month period commencing on October 15 of the years set for: 2026 – 102.063%, 2027 – 101.375%, 2028 – 100.688%, 2029 and thereafter – 100.000%. The Company may also redeem a make-whole redemption of the 4.125% Senior Notes at any time prior to October 15, 2026 at the treasury rate plus 50 basis points. Additionally, the Company may redeem up to 40% of the aggregate principal amount of the 4.125% Senior Notes prior to October 15, 2024 with the net cash proceeds of certain sales of its capital stock at 104.125% of the principal amount of the notes, plus accrued and unpaid interest, if any, to the date of redemption only if, after the redemption, at least 60% of the aggregate principal amount of the notes originally issued remains outstanding.

**TOPBUILD CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Equipment Notes*

We did not issue equipment notes during the nine months ended September 30, 2024. The balance of equipment notes, which were issued for the purpose of financing vehicles and equipment, was \$0.1 million as of September 30, 2024 and matures in the fourth quarter of 2024.

*Covenant Compliance*

The indentures governing our 3.625% Senior Notes and our 4.125% Senior Notes (together, our “Senior Notes”) contain restrictive covenants that, among other things, generally limit the ability of the Company and certain of its subsidiaries (subject to certain exceptions) to (i) create liens, (ii) pay dividends, acquire shares of capital stock and make payments on subordinated debt, (iii) place limitations on distributions from certain subsidiaries, (iv) issue or sell the capital stock of certain subsidiaries, (v) sell assets, (vi) enter into transactions with affiliates, and (vii) effect mergers. The indentures provide for customary events of default which include (subject in certain cases to customary grace and cure periods), among others: nonpayment of principal or interest; breach of covenants or other agreements in the indenture; defaults in failure to pay certain other indebtedness; and certain events of bankruptcy or insolvency. Generally, if an event of default occurs and is continuing under the indenture, the trustee or the holders of at least 30% in aggregate principal amount of each of our Senior Notes then outstanding may declare the principal of, premium, if any, and accrued interest on the Senior Notes subject to such declaration immediately due and payable. The Senior Notes and related guarantees have not been registered under the Securities Act of 1933, and we are not required to register either the Senior Notes or the guarantees in the future.

The Credit Agreement contains certain covenants that limit, among other things, the ability of the Company to incur additional indebtedness or liens; to make certain investments or loans; to make certain restricted payments; to enter into consolidations, mergers, sales of material assets, and other fundamental changes; to transact with affiliates; to enter into agreements restricting the ability of subsidiaries to incur liens or pay dividends; or to make certain accounting changes. The Credit Agreement contains customary affirmative covenants and events of default.

The Credit Agreement requires that we maintain a Net Leverage Ratio and minimum Interest Coverage Ratio throughout the term of the agreement. The following table outlines the key financial covenants effective for the period covered by this Quarterly Report:

	<u>As of September 30, 2024</u>
Maximum Net Leverage Ratio	3.50:1.00
Minimum Interest Coverage Ratio	3.00:1.00
Compliance as of period end	In Compliance

**6. FAIR VALUE MEASUREMENTS**

The carrying values of cash and cash equivalents, receivables, net, and accounts payable are considered to be representative of their respective fair values due to the short-term nature of these instruments.

Fair value measurements were applied to our long-term debt portfolio. We believe the carrying value of our term loan and equipment notes approximate their fair market value primarily due to the fact that the non-performance risk of servicing our debt obligations, as reflected in our business and credit risk profile, has not materially changed since we assumed our debt obligations under the Credit Agreement. In addition, due to the floating-rate nature of our term loan, the market value is not subject to variability solely due to changes in the general level of interest rates as is the case with a fixed-rate debt obligation.

**TOPBUILD CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Based on market trades of our 3.625% Senior Notes and our 4.125% Senior Notes close to September 30, 2024 (Level 1 fair value measurement), we estimate the fair value of each in the table below:

	As of September 30, 2024	
	Fair Value	Gross Carrying Value
3.625% Senior Notes	\$ 375,520	\$ 400,000
4.125% Senior Notes	\$ 461,900	\$ 500,000

**7. SEGMENT INFORMATION**

The following tables set forth our net sales and operating results by segment, in thousands:

	Three Months Ended September 30,			
	2024	2023	2024	2023
	Net Sales		Operating Profit (c)	
Operations by segment (a):				
Installation	\$ 856,350	\$ 821,673	\$ 172,243	\$ 175,218
Specialty Distribution	600,387	571,009	94,911	88,269
Intercompany eliminations (b)	(83,469)	(66,562)	(13,476)	(11,501)
Total	\$ 1,373,268	\$ 1,326,120	253,678	251,986
General corporate expense, net (d)			(9,685)	(14,494)
Operating profit, as reported			243,993	237,492
Other expense, net			(16,094)	(12,815)
Income before income taxes			\$ 227,899	\$ 224,677

	Nine Months Ended September 30,			
	2024	2023	2024	2023
	Net Sales		Operating Profit (c)	
Operations by segment (a):				
Installation	\$ 2,506,076	\$ 2,397,818	\$ 499,717	\$ 494,394
Specialty Distribution	1,739,007	1,703,871	261,862	247,583
Intercompany eliminations (b)	(227,486)	(193,069)	(37,076)	(32,672)
Total	\$ 4,017,597	\$ 3,908,620	724,503	709,305
General corporate expense, net (d)			(55,610)	(35,280)
Operating profit, as reported			668,893	674,025
Other expense, net			(30,824)	(42,885)
Income before income taxes			\$ 638,069	\$ 631,140

- (a) All of our operations are located primarily in the U.S. and to a lesser extent Canada.
- (b) Intercompany net sales and operating profit resulted from sales made by Specialty Distribution to Installation which are eliminated in consolidation.
- (c) Segment operating profit includes an allocation of general corporate expenses attributable to the operating segments which is based on direct benefit or usage (such as salaries of corporate employees who directly support the segment).
- (d) General corporate expense, net includes expenses not specifically attributable to our segments for functions such as corporate human resources, finance, and legal, including salaries, benefits, and other related costs. In our second quarter of 2024, we incurred an acquisition termination fee of \$23.0 million (see *Note 12. Business Combinations*).

**TOPBUILD CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**8. INCOME TAXES**

Our effective tax rates were 25.9 percent and 26.0 percent for the three and nine months ended September 30, 2024, respectively. The effective tax rates for the three and nine months ended September 30, 2023, were 25.4 percent and 25.9 percent, respectively. The higher 2024 tax rate for the three months ended September 30, 2024, compared to the three months ended September 30, 2023, was primarily related to share-based compensation.

A tax expense of \$2.0 million and a tax benefit of \$0.5 million related to share-based compensation was recognized in our condensed consolidated statements of operations as a discrete item in income tax expense for the nine months ended September 30, 2024 and 2023, respectively.

**9. NET INCOME PER SHARE**

Basic net income per share is calculated by dividing net income by the number of weighted average shares outstanding during the period, without consideration for common stock equivalents. Diluted net income per share is calculated by adjusting the number of weighted average shares outstanding for the dilutive effect of common stock equivalents outstanding for the period, determined using the treasury stock method.

Basic and diluted net income per share were computed as follows:

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Net income (in thousands)	\$ 168,960	\$ 167,602	\$ 472,064	\$ 467,870
Weighted average number of common shares outstanding - basic	29,751,713	31,615,110	30,901,788	31,588,740
Dilutive effect of common stock equivalents:				
RSAs with service-based conditions	35,034	36,425	35,566	28,040
RSAs with market-based conditions	38,187	31,918	38,840	25,606
RSAs with performance-based conditions	11,297	17,663	15,735	16,223
Stock options	89,169	87,696	91,928	86,247
Weighted average number of common shares outstanding - diluted	29,925,400	31,788,812	31,083,857	31,744,856
<b>Basic net income per common share</b>	<u>\$ 5.68</u>	<u>\$ 5.30</u>	<u>\$ 15.28</u>	<u>\$ 14.81</u>
<b>Diluted net income per common share</b>	<u>\$ 5.65</u>	<u>\$ 5.27</u>	<u>\$ 15.19</u>	<u>\$ 14.74</u>

The following table summarizes shares excluded from the calculation of diluted net income per share because their effect would have been anti-dilutive:

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Anti-dilutive common stock equivalents:				
RSAs with service-based conditions	-	-	-	3,721
RSAs with market-based conditions	9,006	-	7,341	2,978
RSAs with performance-based conditions	-	-	-	-
Stock options	-	-	-	12,360
Total anti-dilutive common stock equivalents	<u>9,006</u>	<u>-</u>	<u>7,341</u>	<u>19,059</u>



**TOPBUILD CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**10. SHARE-BASED COMPENSATION**

Eligible employees participate in the 2015 LTIP, which authorizes the Board to grant stock options, stock appreciation rights, restricted shares, restricted share units, performance awards, and dividend equivalents. All grants are made by issuing new shares and no more than 4.0 million shares of common stock may be issued under the 2015 LTIP. As of September 30, 2024, we had 1.7 million shares remaining available for issuance under the 2015 LTIP.

Share-based compensation expense is included in selling, general, and administrative expense. The income tax effect associated with share-based compensation awards is included in income tax expense.

The following table presents share-based compensation amounts recognized in our condensed consolidated statements of operations, in thousands:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Share-based compensation expense	\$ 3,646	\$ 4,194	\$ 13,405	\$ 11,080
Income tax benefit/(expense)	\$ 127	\$ 679	\$ (1,980)	\$ 455

The following table presents a summary of our share-based compensation activity for the nine months ended September 30, 2024, in thousands, except per share amounts:

	RSAs		Stock Options			
	Number of Shares	Weighted Average Grant Date Fair Value Per Share	Number of Shares	Weighted Average Grant Date Fair Value Per Share	Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value
Balance December 31, 2023	195.5	\$ 223.49	128.7	\$ 36.65	\$ 98.58	\$ 35,462.8
Granted	45.0	\$ 419.27	—	\$ —	\$ —	—
Converted/Exercised	(52.9)	\$ 229.40	(16.0)	\$ 82.64	\$ 201.27	\$ 3,312.8
Forfeited/Expired	(6.2)	\$ 299.42	—	\$ —	\$ —	—
Balance September 30, 2024	181.4	\$ 269.25	112.7	\$ 30.10	\$ 83.97	\$ 36,356.0
Exercisable September 30, 2024 (a)			112.7	\$ 30.10	\$ 83.97	\$ 36,356.0

(a) The weighted average remaining contractual term for vested stock options is approximately 4.4 years.

We have unrecognized share-based compensation expense related to unvested awards as shown in the following table, dollars in thousands:

	As of September 30, 2024	
	Unrecognized Compensation Expense on Unvested Awards	Weighted Average Remaining Compensation Expense Period
RSAs	\$ 22,584	1.0
Stock options	—	—
Total unrecognized compensation expense related to unvested awards	\$ 22,584	

**TOPBUILD CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Our RSAs with performance-based conditions are evaluated on a quarterly basis with adjustments to compensation expense based on the likelihood of the performance target being achieved or exceeded. The following table shows the range of payouts and the related expense for our outstanding RSAs with performance-based conditions, in thousands:

RSAs with Performance-Based Conditions	Grant Date Fair Value	Payout Ranges and Related Expense			
		0%	25%	100%	200%
February 15, 2022	\$ 2,907	\$ -	\$ 727	\$ 2,907	\$ 5,814
February 21, 2023	\$ 3,845	\$ -	\$ 961	\$ 3,845	\$ 7,690
February 21, 2024	\$ 4,496	\$ -	\$ 1,124	\$ 4,496	\$ 8,992

During the first quarter of 2024, RSAs with performance-based conditions that were granted on February 16, 2021 vested based on cumulative three-year achievement of 200%. Total compensation expense recognized over the three-year performance period, net of forfeitures, was \$4.4 million.

The fair value of our RSAs with a market-based condition granted under the 2015 LTIP was determined using a Monte Carlo simulation. The following are key inputs in the Monte Carlo analysis for awards granted in 2024, 2023, and 2022:

	2024	2023	2022
Measurement period (years)	2.86	2.86	2.87
Risk free interest rate	4.36 %	4.42 %	1.76 %
Dividend yield	0.00 %	0.00 %	0.00 %
Estimated fair value of market-based RSAs at grant date	\$ 503.68	\$ 270.64	\$ 298.20

**11. SHARE REPURCHASE PROGRAM**

On July 25, 2022, our Board authorized the 2022 Repurchase Program, pursuant to which the Company may purchase up to \$200 million of our common stock. As of September 30, 2024, the Company has utilized all amounts authorized under the 2022 Program. We repurchased a total of 677,657 shares of our common stock under the 2022 Repurchase Program at an average price of \$295.13.

On May 3, 2024, our Board authorized the 2024 Repurchase Program, pursuant to which the Company may purchase up to \$1.0 billion of our common stock. Share repurchases may be executed through various means including open market purchases, privately negotiated transactions, accelerated share repurchase transactions, or other available means. The 2024 Repurchase Program does not obligate the Company to purchase any shares and has no expiration date. Authorization for the 2024 Repurchase Program may be terminated, increased, or decreased by the Board at its discretion at any time. As of September 30, 2024, the Company has \$235.2 million remaining under the 2024 Share Repurchase Program.

Effective January 1, 2023, the Inflation Reduction Act of 2022 mandated a 1% excise tax on all share repurchases. Excise tax obligations that result from our share repurchases are included in the cost of treasury stock. As of September 30, 2024, the Company had an estimated excise tax liability of \$9.3 million for stock repurchases during the nine months ended September 30, 2024, which is included in "Accrued liabilities" in our Condensed Consolidated Balance Sheet.

The following table sets forth our share repurchases under the share repurchases programs in 2024. No shares were repurchased during 2023.

	Three Months Ended September 30, 2024	Nine Months Ended September 30, 2024
Number of shares repurchased	1,074,818	2,321,000
Share repurchase cost (in thousands) (a)	\$ 418,085	\$ 928,528

(a) The three and nine months ended September 30, 2024 include \$4.1 million and \$9.3 million of excise taxes, respectively

**TOPBUILD CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**12. BUSINESS COMBINATIONS**

Acquiring businesses is a key part of our ongoing strategy to grow our company and expand our offerings. Each acquisition has been accounted for as a business combination under ASC 805, "Business Combinations." Acquisition related costs were \$0.5 million and \$27.2 million in the three and nine months ended September 30, 2024, respectively, which includes \$23.0 million paid in the second quarter in connection with the mutual termination of our previous agreement to acquire SPI. Acquisition related costs were \$6.2 million and \$9.0 million for the three and nine months ended September 30, 2023, respectively. Acquisition related costs are included in selling, general, and administrative expense in our condensed consolidated statements of operations.

On February 15, 2024, we acquired the assets of the residential and light commercial insulation business Brabble. This installation acquisition enhanced our presence in North Carolina. The purchase price of \$5.4 million was funded by cash on hand and we recognized \$3.0 million of goodwill in connection with this acquisition.

On March 1, 2024, we acquired the assets of the residential insulation business Morris Black. This installation acquisition enhanced our presence in Pennsylvania. The purchase price of \$3.6 million was funded by cash on hand and we recognized \$2.0 million of goodwill in connection with this acquisition.

On March 1, 2024, we acquired the assets of the customized insulation products and accessories business PCI. This specialty distribution acquisition has a national customer base focused on the domestic pest control industry. The purchase price of \$13.8 million was funded by cash on hand and we recognized \$5.7 million of goodwill in connection with this acquisition.

On April 18, 2024, we acquired the assets of the residential and light commercial insulation business Green Space. This installation acquisition enhanced our presence in Missouri and neighboring states. The purchase price of approximately \$4.3 million was funded by cash on hand and we recognized \$2.6 million of goodwill in connection with this acquisition.

On May 16, 2024, we acquired the assets of the residential and light commercial insulation business Insulation Works. This installation acquisition enhanced our presence in Arkansas and extended our expertise to the agricultural business. The purchase price of approximately \$25.5 million was funded by cash on hand and we recognized \$15.1 million of goodwill in connection with this acquisition.

On May 31, 2024, we acquired the assets of the residential and light commercial insulation business Texas Insulation. This installation acquisition enhanced our presence in Texas. The purchase price of approximately \$35.9 million was funded by cash on hand and we recognized \$22.9 million of goodwill in connection with this acquisition.

The estimated fair values of the assets acquired and liabilities assumed for our 2024 acquisitions are as follows as of September 30, 2024, in thousands:

**Purchase price fair values:**

Accounts receivable	\$	11,082
Inventories		3,355
Prepaid and other assets		40
Property and equipment		3,474
ROU asset (operating)		2,138
Intangible assets		29,287
Goodwill		51,198
Accounts payable		(9,963)
Lease liabilities (operating)		(2,138)
Net assets acquired	\$	<u>88,473</u>

**TOPBUILD CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The estimate of acquired customer relationships related to our 2024 acquisitions was \$29.3 million and the weighted average useful life is 12 years.

During the nine months ended September 30, 2023, we made the following acquisitions:

On January 26, 2023, we acquired the assets of the residential insulation business of SRI. The purchase price of \$45.3 was funded by cash on hand.

On July 10, 2023, we acquired the assets of the residential insulation installer business Rocky Mountain. The purchase price of \$7.2 million was funded by cash on hand.

On July 17, 2023, we acquired the assets of the residential insulation business Best. The purchase price of \$94.6 million was funded by cash on hand.

As third-party or internal valuations are finalized, certain tax aspects of the foregoing transactions are completed, and customer post-closing reviews are concluded, adjustments may be made to the fair value of assets acquired, and in some cases total purchase price, through the end of each measurement period, generally one year following the applicable acquisition date.

The table below represents the finalized fair values of assets acquired and liabilities assumed for the acquisitions made during the nine months ended September 30, 2023:

	2023 Acquisitions			Totals
	SRI	Rocky Mountain	Best	
<b>Finalized purchase price fair values:</b>				
Accounts receivable	\$ 5,531	\$ 586	\$ 7,537	\$ 13,654
Inventories	4,383	267	2,132	6,782
Prepaid and other assets	158	—	43	201
Property and equipment	4,623	338	5,518	10,479
ROU asset (operating)	4,695	165	3,441	8,301
Intangible assets	13,740	2,399	30,470	46,609
Deferred taxes	67	19	45	131
Goodwill	23,065	3,609	51,418	78,092
Accounts payable	(6,078)	(18)	(2,623)	(8,719)
Lease Liabilities (operating)	(4,775)	(165)	(3,241)	(8,181)
All other liabilities	(95)	—	(150)	(245)
Net assets acquired	<u>\$ 45,314</u>	<u>\$ 7,200</u>	<u>\$ 94,590</u>	<u>\$ 147,104</u>

Goodwill to be recognized in connection with acquisitions is attributable to the synergies expected to be realized and improvements in the businesses after the acquisitions. Primarily all of the \$51.2 million and \$78.1 million of goodwill recorded from acquisitions completed in the nine months ended September 30, 2024 and 2023, respectively, is expected to be deductible for income tax purposes.

**TOPBUILD CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**13. ACCRUED LIABILITIES**

The following table sets forth the components of accrued liabilities, in thousands:

	As of	
	September 30, 2024	December 31, 2023
Accrued liabilities:		
Salaries, wages, and bonus/commissions	\$ 68,195	\$ 67,471
Insurance liabilities	29,951	29,920
Deferred revenue	17,951	18,365
Sales and property taxes	16,877	17,002
Customer rebates	14,607	17,326
Excise taxes	9,342	-
Interest payable on long-term debt	3,358	12,139
Other	20,101	24,994
Total accrued liabilities	\$ 180,382	\$ 187,217

See *Note 3 – Revenue Recognition* for discussion of our deferred revenue balances.

**14. OTHER COMMITMENTS AND CONTINGENCIES**

**Litigation.** We are subject to certain claims, charges, litigation, and other proceedings in the ordinary course of our business, including those arising from or related to contractual matters, intellectual property, personal injury, environmental matters, product liability, product recalls, construction defects, insurance coverage, personnel and employment disputes, antitrust, and other matters, including class actions. We believe we have adequate defenses in these matters, and we do not believe that the ultimate outcome of these matters will have a material adverse effect on us. However, there is no assurance that we will prevail in any of these pending matters, and we could in the future incur judgments, enter into settlements of claims, or revise our expectations regarding the outcome of these matters, which could materially impact our liquidity and our results of operations.

**Other Matters.** We enter into contracts, which include customary indemnities that are standard for the industries in which we operate. Such indemnities include, among other things, claims against our builder customers for issues relating to our workmanship. We generally exclude from our contracts with builder customers indemnity relating to product quality and warranty claims, as we pass such claims directly to the manufacturers of the products we install or distribute. In conjunction with divestitures and other transactions, we occasionally provide customary indemnities relating to various items including, among others, the enforceability of trademarks, legal and environmental issues, and asset valuations. We evaluate the probability that we may incur liabilities under these customary indemnities and appropriately record an estimated liability when deemed probable.

We also maintain indemnification agreements with our directors and officers that may require us to indemnify them against liabilities that arise by reason of their status or service as directors or officers, except as prohibited by applicable law.

**Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
**OVERVIEW**

TopBuild, headquartered in Daytona Beach, Florida, is a leading installer and specialty distributor of insulation and other building material products to the construction industry in the United States and Canada.

We operate in two segments: Installation and Specialty Distribution. Our Installation segment installs insulation and other building products nationwide. As of September 30, 2024, we had approximately 250 Installation branches located across the United States. We install various insulation applications, including fiberglass batts and rolls, blown-in loose fill fiberglass, polyurethane spray foam, and blown-in loose fill cellulose. Additionally, we install other building products including glass and windows, rain gutters, garage doors, closet shelving, and fireplaces, among other items. 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.

Our Specialty Distribution segment distributes building and mechanical insulation, insulation accessories, rain gutters, and other building product materials for the residential and commercial/industrial end markets. As of September 30, 2024, we had approximately 150 distribution centers located across the United States and 18 distribution centers in Canada. Our Specialty Distribution customer base consists of thousands of insulation contractors of all sizes serving a wide variety of residential and commercial/industrial industries, gutter contractors, weatherization contractors, other contractors, dealers, metal building erectors, and modular home builders.

We believe that having both Installation and Specialty Distribution provides us with several distinct competitive advantages. First, the combined buying power of our two business segments, along with our scale, strengthens our ties to the major manufacturers of insulation and other building material products. This helps to ensure we are buying competitively and ensures the availability of supply to our local branches and distribution centers. The overall effect is driving efficiencies through our supply chain. Second, being a leader in both installation and specialty distribution allows us to reach a broader set of builders and contractors more effectively, regardless of their size or geographic location in the U.S. and Canada, and leverage housing and commercial/industrial construction growth wherever it occurs. Third, during housing industry downturns, many insulation contractors who buy directly from manufacturers during industry peaks return to purchasing through specialty distributors. As a result, this helps to reduce our exposure to cyclical swings in our business.

For additional details pertaining to our operating results by segment, see *Note 7 – Segment Information* to our unaudited condensed consolidated financial statements contained in Part I, Item 1 of this Quarterly Report. For additional details regarding our strategy, material trends in our business and seasonality, please refer to Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our [Annual Report for the year ended December 31, 2023](#), as filed with the SEC on February 28, 2024.

The following discussion and analysis contains forward-looking statements and should be read in conjunction with the unaudited condensed consolidated financial statements, the notes thereto, and the section entitled “Forward-Looking Statements” included in this Quarterly Report.

**THIRD QUARTER 2024 VERSUS THIRD QUARTER 2023**

The following table sets forth our net sales, gross profit, operating profit, and margins, as reported in our condensed consolidated statements of operations, in thousands:

	Three Months Ended September 30,	
	2024	2023
<b>Net sales</b>	<b>\$ 1,373,268</b>	<b>\$ 1,326,120</b>
Cost of sales	951,455	905,430
<i>Cost of sales ratio</i>	<i>69.3 %</i>	<i>68.3 %</i>
<b>Gross profit</b>	<b>421,813</b>	<b>420,690</b>
<i>Gross profit margin</i>	<i>30.7 %</i>	<i>31.7 %</i>
Selling, general, and administrative expense	177,820	183,198
<i>Selling, general, and administrative expense to sales ratio</i>	<i>12.9 %</i>	<i>13.8 %</i>
<b>Operating profit</b>	<b>243,993</b>	<b>237,492</b>
<i>Operating profit margin</i>	<i>17.8 %</i>	<i>17.9 %</i>
Other expense, net	(16,094)	(12,815)
Income tax expense	(58,939)	(57,075)
<b>Net income</b>	<b>\$ 168,960</b>	<b>\$ 167,602</b>
<i>Net margin</i>	<i>12.3 %</i>	<i>12.6 %</i>

*Sales and Operations*

Net sales increased 3.6% for the three months ended September 30, 2024, from the comparable period of 2023. The increase was primarily driven by a 2.4% increase in sales from acquisitions, a 1.0% impact from higher selling prices and a 0.4% increase in sales volume, partially offset by a decline of 0.1% driven by the disposition of a non-core business.

Gross profit margins were 30.7% and 31.7% for the three months ended September 30, 2024 and 2023, respectively. The decline in gross profit margin is primarily due to higher material costs and lower benefit of sales mix compared to the same period of the prior year, partially offset by improved productivity and higher pricing.

Selling, general, and administrative expenses as a percentage of sales were 12.9% and 13.8% for the three months ended September 30, 2024 and 2023, respectively. Selling, general, and administrative expenses as a percentage of sales were lower primarily due to less acquisition related costs in 2024.

Operating margins were 17.8% and 17.9% for the three months ended September 30, 2024 and 2023, respectively. The decrease in operating margins was due to higher material costs and lower benefit of sales mix, partially offset by higher selling prices, productivity initiatives, and lower acquisition related costs in 2024.

## Business Segment Results

The following table sets forth our net sales and operating profit margins by business segment, in thousands:

	<b>Three Months Ended September 30,</b>		<b>Percent Change</b>
	<b>2024</b>	<b>2023</b>	
<b>Net sales by business segment:</b>			
Installation	\$ 856,350	\$ 821,673	4.2 %
Specialty Distribution	600,387	571,009	5.1 %
Intercompany eliminations	(83,469)	(66,562)	
<b>Net sales</b>	<b>\$ 1,373,268</b>	<b>\$ 1,326,120</b>	<b>3.6 %</b>
<b>Operating profit by business segment:</b>			
Installation	\$ 172,243	\$ 175,218	(1.7)%
Specialty Distribution	94,911	88,269	7.5 %
Intercompany eliminations	(13,476)	(11,501)	
Operating profit before general corporate expense	253,678	251,986	0.7 %
General corporate expense, net	(9,685)	(14,494)	
<b>Operating profit</b>	<b>\$ 243,993</b>	<b>\$ 237,492</b>	<b>2.7 %</b>
<b>Operating profit margins:</b>			
Installation	20.1 %	21.3 %	
Specialty Distribution	15.8 %	15.5 %	
Operating profit margin before general corporate expense	18.5 %	19.0 %	
<b>Operating profit margin</b>	<b>17.8 %</b>	<b>17.9 %</b>	

### Installation

#### *Sales*

Sales in our Installation segment increased \$34.7 million, or 4.2%, for the three months ended September 30, 2024, as compared to the same period in 2023. Sales increased 2.9% from acquisitions, 1.1% from higher selling prices, and 0.5% due to higher sales volume, partially offset by a decline of 0.2% driven by the disposition of a non-core business.

#### *Operating margins*

Operating margins in our Installation segment were 20.1% and 21.3% for the three months ended September 30, 2024 and 2023, respectively. The decline in operating margin was driven by higher material costs and lower benefit of sales mix, which was partially offset by higher selling prices and productivity initiatives.

### Specialty Distribution

#### *Sales*

Sales in our Specialty Distribution segment increased \$29.4 million, or 5.1%, for the three months ended September 30, 2024, as compared to the same period in 2023. Sales increased 3.0% due to higher sales volume, 1.4% from acquisitions and 0.8% from higher selling prices.

#### *Operating margins*

Operating margins in our Specialty Distribution segment were 15.8% and 15.5% for the three months ended September 30, 2024 and 2023, respectively. The increase in operating margin was driven by productivity initiatives, higher sales volume and higher selling prices, partially offset by higher material costs.



**OTHER ITEMS***Other expense, net*

Other expense, net, increased to \$16.1 million from \$12.8 million in the three months ended September 30, 2024 and 2023, respectively. The increase was driven by \$3.0 million lower interest income due to lower cash balances than the prior year. Interest and other expenses remained relatively flat compared to the prior period.

*Income tax expense*

Income tax expense was \$58.9 million, an effective tax rate of 25.9 percent, for the three months ended September 30, 2024, compared to \$57.1 million, an effective tax rate of 25.4 percent, for the comparable period in 2023. The tax rate for the three months ended September 30, 2024 was higher primarily related to share-based compensation.

**FIRST NINE MONTHS 2024 VERSUS FIRST NINE MONTHS 2023**

The following table sets forth our net sales, gross profit, operating profit, and margins, as reported in our condensed consolidated statements of operations, in thousands:

	<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>Net sales</b>	<b>\$ 4,017,597</b>	<b>\$ 3,908,620</b>
Cost of sales	2,784,712	2,695,916
<i>Cost of sales ratio</i>	<i>69.3 %</i>	<i>69.0 %</i>
<b>Gross profit</b>	<b>1,232,885</b>	<b>1,212,704</b>
<i>Gross profit margin</i>	<i>30.7 %</i>	<i>31.0 %</i>
Selling, general, and administrative expense	563,992	538,679
<i>Selling, general, and administrative expense to sales ratio</i>	<i>14.0 %</i>	<i>13.8 %</i>
<b>Operating profit</b>	<b>668,893</b>	<b>674,025</b>
<i>Operating profit margin</i>	<i>16.6 %</i>	<i>17.2 %</i>
Other expense, net	(30,824)	(42,885)
Income tax expense	(166,005)	(163,270)
<b>Net income</b>	<b>\$ 472,064</b>	<b>\$ 467,870</b>
<i>Net margin</i>	<i>11.7 %</i>	<i>12.0 %</i>

*Sales and Operations*

Net sales increased 2.8% for the nine months ended September 30, 2024, from the comparable period in 2023. The increase was primarily driven by a 2.5% increase in sales from acquisitions and a 1.2% impact from higher selling prices, partially offset by a 0.5% decline in sales volume and a decline of 0.4% driven by the disposition of a non-core business.

Gross profit margins were 30.7% and 31.0% for the nine months ended September 30, 2024 and 2023, respectively. The decline in gross profit margin is primarily due to higher material costs and lower benefit of sales mix compared to the same period of the prior year, partially offset by improved productivity and higher selling prices.

Selling, general, and administrative expenses as a percentage of sales were 14.0% and 13.8% for the nine months ended September 30, 2024 and 2023, respectively. Selling, general, and administrative expenses as a percentage of sales were higher due to a \$23.0 million fee paid to terminate our agreement to acquire SPI.

[Table of Contents](#)

Operating margins were 16.6% and 17.2% for the nine months ended September 30, 2024 and 2023, respectively. The decline in operating margins was due to higher material costs, lower benefit of sales mix, and increased selling, general, and administrative expenses from a \$23.0 million fee paid to terminate our agreement to acquire SPI. These impacts were partially offset by productivity initiatives and higher selling prices.

**Business Segment Results**

The following table sets forth our net sales and operating profit margins by business segment, in thousands:

	<b>Nine Months Ended September 30,</b>		<b>Percent Change</b>
	<b>2024</b>	<b>2023</b>	
<b>Net sales by business segment:</b>			
Installation	\$ 2,506,076	\$ 2,397,818	4.5 %
Specialty Distribution	1,739,007	1,703,871	2.1 %
Intercompany eliminations	(227,486)	(193,069)	
<b>Net sales</b>	<b>\$ 4,017,597</b>	<b>\$ 3,908,620</b>	<b>2.8 %</b>
<b>Operating profit by business segment:</b>			
Installation	\$ 499,717	\$ 494,394	1.1 %
Specialty Distribution	261,862	247,583	5.8 %
Intercompany eliminations	(37,076)	(32,672)	
Operating profit before general corporate expense	724,503	709,305	2.1 %
General corporate expense, net	(55,610)	(35,280)	
<b>Operating profit</b>	<b>\$ 668,893</b>	<b>\$ 674,025</b>	<b>(0.8)%</b>
<b>Operating profit margins:</b>			
Installation	19.9 %	20.6 %	
Specialty Distribution	15.1 %	14.5 %	
Operating profit margin before general corporate expense	18.0 %	18.1 %	
<b>Operating profit margin</b>	<b>16.6 %</b>	<b>17.2 %</b>	

**Installation**

*Sales*

Sales in our Installation segment increased \$108.3 million, or 4.5%, for the nine months ended September 30, 2024, as compared to the same period in 2023. Sales increased 3.4% from acquisitions, 1.2% from higher selling prices, and 0.6% due to higher sales volume, partially offset by a decline of 0.6% driven by the disposition of a non-core business.

*Operating margins*

Operating margins in our Installation segment were 19.9% and 20.6% for the nine months ended September 30, 2024 and 2023, respectively. The decline in operating margin was driven by higher material costs and change in sales mix which was partially offset by higher selling prices and productivity initiatives.

**Specialty Distribution**

*Sales*

Sales in our Specialty Distribution segment increased \$35.1 million, or 2.1%, for the nine months ended September 30, 2024, as compared to same period in 2023. Sales increased 1.2% from higher selling prices and 1.0% from acquisitions, partially offset by a decline of 0.2% in sales volume.

*Operating margins*

Operating margins in our Specialty Distribution segment were 15.1% and 14.5% for the nine months ended September 30, 2024 and 2023, respectively. The increase in operating margin was driven by productivity initiatives and higher selling prices partially offset by higher material costs.

**OTHER ITEMS***Other expense, net*

Other expense, net, decreased to \$30.8 million for the nine months ended September 30, 2024 from \$42.9 million in the nine months ended September 30, 2023. The decrease was driven by \$11.6 million of higher interest income due to higher levels of invested cash balances during the period. The increase in interest income was partially offset by higher interest expense of \$0.4 million for the nine months ended September 30, 2024 due to higher interest rates on borrowings under the Credit Agreement compared to the same period in 2023.

*Income tax expense*

Income tax expense was \$166.0 million, an effective tax rate of 26.0 percent, for the nine months ended September 30, 2024 compared to \$163.3 million, an effective tax rate of 25.9 percent, for the comparable period in 2023. The tax rate for nine months ended September 30, 2024 was higher, driven by an increase in tax expense related to share-based compensation.

**Cash Flows and Liquidity**

Significant sources (uses) of cash and cash equivalents are summarized for the periods indicated, in thousands:

	<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>
Changes in cash and cash equivalents:		
Net cash provided by operating activities	\$ 509,798	\$ 588,478
Net cash used in investing activities	(142,918)	(181,016)
Net cash used in financing activities	(957,701)	(31,872)
Impact of exchange rate changes on cash	(402)	(47)
Net (decrease) increase in cash and cash equivalents	<u>\$ (591,223)</u>	<u>\$ 375,543</u>

Net cash flows provided by operating activities decreased \$78.7 million for the nine months ended September 30, 2024, as compared to the prior year period. Net income of \$472.1 million was essentially flat to the prior year period, even considering the \$23.0 million fee paid to terminate our agreement to acquire SPI, while operating profit declined by \$5.1 million primarily due material cost increases. We also incurred increases in working capital accounts, leading to more cash used in operations.

Net cash used in investing activities was \$142.9 million for the nine months ended September 30, 2024, primarily composed of \$88.5 million for our acquisitions and \$56.8 million for purchases of property and equipment, mainly vehicles, partially offset by \$2.3 million proceeds received from the sale of assets. Net cash used in investing activities was \$181.0 million for the nine months ended September 30, 2023, primarily composed of \$147.6 million for our acquisitions and \$48.1 million for purchases of property and equipment, mainly vehicles and equipment, partially offset by \$14.7 million proceeds received from the sale of assets.

Net cash used in financing activities was \$957.7 million for the nine months ended September 30, 2024. During the nine months ended September 30, 2024, we used \$919.2 million to repurchase shares of our common stock under the 2022 and 2024 Repurchase Programs, \$35.7 million for debt repayments and incurred \$2.9 million net cash outflow related to exercise of share-based incentive awards and stock options. Net cash used in financing activities was \$31.9 million for the nine months ended September 30, 2023. During the nine months ended September 30, 2023, we used \$27.7 million for debt repayments, and incurred \$3.9 million net cash outflow related to exercise of share-based incentive awards and stock options.

[Table of Contents](#)

We have access to liquidity through our cash from operations and available borrowing capacity under our Credit Agreement, which provides for borrowing and/or standby letter of credit issuances of up to \$500 million under the Revolving Facility. Additional information regarding our outstanding debt and borrowing capacity is incorporated by reference from *Note 5 – Long-term Debt* to our unaudited condensed consolidated financial statements contained in Part 1, Item 1 of this Quarterly Report.

The following table summarizes our liquidity, in thousands:

	As of	
	September 30, 2024	December 31, 2023
Cash and cash equivalents (a)	\$ 257,342	\$ 848,565
Revolving facility	500,000	500,000
Less: standby letters of credit	(63,770)	(63,770)
Availability under Revolving facility	436,230	436,230
Total liquidity	<u>\$ 693,572</u>	<u>\$ 1,284,795</u>

(a) Our cash and cash equivalents consist of AAA-rated money market funds as well as cash held in our demand deposit accounts.

We believe that our cash flows from operations, combined with our current cash levels and available borrowing capacity, will be adequate to support our ongoing operations and known contractual obligations including funding our debt service requirements, capital expenditures, lease obligations and working capital needs for at least the next twelve months. We also have adequate liquidity to maintain off-balance sheet arrangements for short-term leases, letters of credit, and performance and license bonds.

## OUTLOOK

### *Residential New Construction*

Several key inflation metrics improved in the third quarter and the labor market remains strong. Demand for single-family housing has improved more gradually than anticipated as growth slowed in the second half of the year compared to the first two quarters. Demand continues to be uneven across the country.

Demand for multi-family homes has declined in comparison to last year, however our 2024 multi-family sales have grown due to the strong backlog we brought into the year. We expect multi-family sales will continue to slow as we move into 2025. Multi-family housing units typically require approximately 40% of the insulation that a single-family unit requires.

As a result of years of underbuilding in the United States, an overall shortage of housing across the country persists, and we continue to be optimistic about the long-term fundamentals of our business. We believe demand for homes will be supported by strengthening energy efficiency requirements, moderating interest rates and increasing household formations.

### *Commercial and Industrial Construction*

Our commercial backlog is strong, and our bidding activity is active, both of which continue to support our positive view of commercial/industrial sales at our Installation and Specialty Distribution segments. Some projects have been delayed in 2024, but we have not seen an uptick in cancellations. We remain optimistic that lower interest rates in the future will unlock projects across many industries. In addition, recurring maintenance and repair work on industrial sites serves as a continued driver for our Specialty Distribution business.

## OFF-BALANCE SHEET ARRANGEMENTS

We had no material off-balance sheet arrangements during the nine months ended September 30, 2024, other than short-term leases, letters of credit, and performance and license bonds, which have been disclosed in Part 1, Item 1 of this Quarterly report.

We occasionally use performance bonds to ensure completion of our work on certain larger customer contracts that can span multiple accounting periods. Performance bonds generally do not have stated expiration dates; rather, we are released from the bonds as the contractual performance is completed. We also have bonds outstanding for license and insurance.

The following table summarizes our outstanding performance, licensing, insurance, and other bonds, in thousands:

	As of	
	September 30, 2024	December 31, 2023
Outstanding bonds:		
Performance bonds	\$ 152,259	\$ 145,982
Licensing, insurance, and other bonds	28,472	27,415
Total bonds	<u>\$ 180,731</u>	<u>\$ 173,397</u>

## CONTRACTUAL OBLIGATIONS

There have been no material changes to our contractual obligations from those previously disclosed in our [Annual Report for the year ended December 31, 2023](#), as filed with the SEC on February 28, 2024.

## CRITICAL ACCOUNTING POLICIES

We prepare our condensed consolidated financial statements in conformity with GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of sales and expenses during the reporting period. Actual results could differ from those estimates. Our critical accounting policies have not changed from those previously reported in our [Annual Report for the year ended December 31, 2023](#), as filed with the SEC on February 28, 2024.

## APPLICATION OF NEW ACCOUNTING STANDARDS

Information regarding the application of new accounting standards is incorporated by reference from *Note 2 – Accounting Policies* to our unaudited condensed consolidated financial statements contained in Part I, Item 1 of this Quarterly Report.

## FORWARD-LOOKING STATEMENTS

Statements contained in this report that reflect our views about future periods, including our future plans and performance, constitute “forward-looking statements” under the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as “will,” “would,” “should,” “anticipate,” “expect,” “believe,” “designed,” “plan,” “may,” “project,” “estimate” or “intend,” the negative of these terms, and similar references to future periods. These views involve risks and uncertainties that are difficult to predict and, accordingly, our actual results may differ materially from the results discussed in our forward-looking statements. We caution you against unduly relying on any of these forward-looking statements. Our future performance may be affected by the duration and impact of negative macro-economic impacts on the United States economy, specifically with respect to residential, commercial/industrial construction, our ability to collect our receivables from our customers, our reliance on residential new construction, residential repair/remodel, and commercial/industrial construction; our reliance on third-party suppliers and manufacturers; our ability to attract, develop, and retain talented personnel and our sales and labor force; our ability to maintain consistent practices across our locations; our ability to maintain our competitive position; and our ability to realize the expected benefits of our acquisitions. We discuss the material risks we face under the caption entitled “Risk Factors” in our [Annual Report for the year ended December 31, 2023](#), as filed with the SEC on February 28, 2024, as well as under the caption entitled “Risk Factors” in subsequent reports that we file with the SEC. Our forward-looking statements in this filing speak only as of the date of this filing. Factors or events that could cause our actual results to differ may emerge from time to time and it is not possible for us to predict all of them. Unless required by law, we undertake no obligation to update publicly any forward-looking statements as a result of new information, future events, or otherwise.

### **Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

#### *Interest Rate Risk*

We have a Term Loan outstanding with a principal balance of \$498.8 million and a revolving facility with an aggregate borrowing capacity of \$500.0 million. We also have outstanding 3.625% Senior Notes with an aggregate principal balance of \$400.0 million and 4.125% Senior Notes with an aggregate principal balance of \$500.0 million. The 3.625% Senior Notes and 4.125% Senior Notes bear a fixed rate of interest and therefore are excluded from the calculation below as they are not subject to fluctuations in interest rates.

Interest payable on both the aggregate Term Loan and Revolving Facility is based on a variable interest rate. As a result, we are exposed to market risks related to fluctuations in interest rates on this outstanding indebtedness. As of September 30, 2024, the applicable interest rate as of such date was 5.95%. Based on our outstanding borrowings as of September 30, 2024, a 100-basis point increase in the interest rate would result in a \$4.8 million increase in our annualized interest expense. There was no outstanding balance under the Revolving Facility as of September 30, 2024.

### **Item 4. CONTROLS AND PROCEDURES**

#### *Evaluation of Disclosure Controls and Procedures*

As of the end of the period covered by this Quarterly Report, we carried out an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of September 30, 2024.

#### *Changes in Internal Control over Financial Reporting*

There was no change in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) in the most recent fiscal quarter ended September 30, 2024, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## **PART II – OTHER INFORMATION**

### **Item 1. LEGAL PROCEEDINGS**

The information set forth under the caption "Litigation" in *Note 13 – Other Commitments and Contingencies* to our unaudited condensed consolidated financial statements contained in Part I, Item 1 of this Quarterly Report, is incorporated by reference herein.

### **Item 1A. RISK FACTORS**

There have been no material changes to our risk factors as previously disclosed in our [Annual Report for the year ended December 31, 2023](#), as filed with the SEC on February 28, 2024 which are incorporated by reference herein.

**Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

The following table provides information regarding the repurchase of our common stock for the three months ended September 30, 2024, in thousands, except share and per share data:

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Common Share (a)</b>	<b>Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs</b>
July 1, 2024 - July 31, 2024	415,999	\$ 394.15	415,999	\$ 485,197
August 1, 2024 - August 31, 2024	538,944	\$ 381.45	538,944	\$ 279,619
September 1, 2024 - September 30, 2024	119,875	\$ 370.38	119,875	\$ 235,220
Total	1,074,818	\$ 385.13	1,074,818	

(a) These amounts exclude the 1% excise tax mandated by the Inflation Reduction Act on share repurchases.

**Item 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

**Item 4. MINE SAFETY DISCLOSURES**

Not applicable.

**Item 5. OTHER INFORMATION**

During the quarter ended September 30, 2024, no director or officer (as defined in Rule 16a-1(f) promulgated under the Exchange Act) of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement" (as each term is defined in Item 408 of Regulation S-K).

**Item 6. EXHIBITS**

The Exhibits listed on the accompanying Index to Exhibits are filed or furnished (as noted on such Index) as part of this Quarterly Report and incorporated herein by reference.

**INDEX TO EXHIBITS**

Exhibit No.	Exhibit Title	Incorporated by Reference			Filed Herewith
		Form	Exhibit	Filing Date	
10.16†	<a href="#">TopBuild Corp. Executive Severance Plan, as amended October 28, 2024</a>				X
31.1	<a href="#">Principal Executive Officer Certification required by Rules 13a-14 and 15d-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>				X
31.2	<a href="#">Principal Financial Officer Certification required by Rules 13a-14 and 15d-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>				X
32.1‡	<a href="#">Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002</a>				
32.2‡	<a href="#">Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002</a>				
101.INS	Inline XBRL Instance Document - the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document				X
101.SCH	Inline XBRL Taxonomy Extension Schema Document				X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				X

‡Furnished herewith

†Indicates management contract or compensatory plan, contract or arrangement.



**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**TOPBUILD CORP.**

By: /s/ Madeline Otero  
Name: Madeline Otero  
Title: Vice President and Chief Accounting Officer  
(Principal Accounting Officer)

November 5, 2024

**TOPBUILD CORP.  
EXECUTIVE SEVERANCE PLAN**

**As Amended Effective October 28, 2024**

---

**TOPBUILD CORP.  
EXECUTIVE SEVERANCE PLAN**

**TABLE OF CONTENTS**

PREAMBLE ..... 1

**ARTICLE 1  
REFERENCES AND DEFINITIONS**

1.1	“Accrued Compensation”	1
1.2	“Affiliate”	1
1.3	“Base Salary”	1
1.4	“Beneficial Owner”	2
1.5	“Board”	2
1.6	“Cause”	2
1.7	“Change in Control”	2
1.8	“Change in Control Period”	3
1.9	“Code”	3
1.10	“Committee”	3
1.11	“Company”	3
1.12	“Disability”	3
1.13	“Equity Awards”	4
1.14	“ERISA”	4
1.15	“Exchange Act”	4
1.16	“Executive”	4
1.17	“Good Reason”	4
1.18	“Normal Retirement Age”	4
1.19	“Participant”	4
1.20	“Person”	4
1.21	“Plan”	4
1.22	“Tier 1 Participant”	4
1.23	“Tier 2 Participant”	5
1.24	“Tier CEO Participant”	5

**ARTICLE 2  
ELIGIBILITY AND PARTICIPATION**

2.1	Eligibility	5
2.2	Participation	5
2.3	Duration of Participation	5
2.4	Reemployment	5
2.5	Non-Compete, Non-Solicitation and Confidentiality Agreement	5

**ARTICLE 3  
PLAN BENEFITS**

3.1	Tier CEO Participants -Termination Without Cause or for Good Reason, Unrelated to a Change in Control	6
3.2	Tier CEO Participants - Termination Without Cause or for Good Reason, in Connection with a Change in Control	7
3.3	Tier 1 Participants -Termination Without Cause or for Good Reason, Unrelated to a Change in Control	9
3.4	Tier 1 Participants - Termination Without Cause or for Good Reason, in Connection with a Change in Control	10
3.5	Tier 2 Participants - Termination Without Cause or for Good Reason	12
3.6	Voluntary Resignation Prior to Normal Retirement Age; Termination for Cause	13
3.7	Disability; Death	14

---

3.8	Normal Retirement .....	14
3.9	Exclusive Remedy .....	15

**ARTICLE 4  
CONDITIONS AND LIMITATIONS ON BENEFITS**

4.1	Release of Claims Agreement .....	15
4.2	Adherence to Non-Compete, Non-Solicitation and Confidentiality Agreement .....	15
4.3	Code Section 409A .....	16
4.4	Limitation on Payments .....	17

**ARTICLE 5  
ADMINISTRATION OF THE PLAN**

5.1	Powers and Duties of the Committee .....	17
5.2	Agents .....	18
5.3	Claims for Benefits .....	18
5.4	Hold Harmless .....	19
5.5	Service of Process .....	19

**ARTICLE 6  
AMENDMENT OR TERMINATION OF THE PLAN**

6.1	Right to Amend or Terminate the Plan .....	19
6.2	Notice of Amendment or Termination .....	20
6.3	Payment Upon Plan Termination .....	20

**ARTICLE 7  
GENERAL PROVISIONS AND LIMITATIONS**

7.1	No Right to Continued Employment .....	20
7.2	Payment on Behalf of Payee .....	20
7.3	Nonalienation .....	20
7.4	Missing Payee .....	21
7.5	Required Information .....	21
7.6	Binding Effect .....	21
7.7	Merger or Consolidation .....	21
7.8	No Funding Created .....	21
7.9	Notices .....	21
7.10	No Duty to Mitigate .....	22
7.11	Severability .....	22
7.12	Entire Plan; Construction .....	22
7.13	Governing Law .....	22
7.14	Tax Withholding; No Company Representation .....	22

**EXHIBITS**

Participating Positions .....	Exhibit A
Non-Compete, Non-Solicitation and Confidentiality Agreement .....	Exhibit B
Severance Agreement, Waiver and Release .....	Exhibit C



**TOPBUILD CORP.  
EXECUTIVE SEVERANCE PLAN**

(as amended effective October 28, 2024 (the “Amendment Effective Date”))

**PREAMBLE**

TopBuild Corp. hereby amends this TopBuild Corp. Executive Severance Plan, effective as of the Amendment Effective Date, to further the economic interests of the Company by providing severance benefits to selected Executives.

The Board recognizes that, as is the case with many publicly held corporations, the possibility of a Change in Control exists and that such possibility, and the resultant uncertainty as to an Executive’s responsibilities, compensation, or continued employment, may result in the departure or distraction of the Executive, which may be detrimental to the financial performance of the Company.

The Board believes that it is in the best interests of the Company and its stockholders to (i) assure that the Company will have the continued dedication and objectivity of selected Executives, notwithstanding the possibility, threat, or occurrence of a Change in Control, and (ii) provide selected Executives with an incentive to continue their employment prior to a Change in Control and to motivate them to maximize the value of the Company upon a Change in Control for the benefit of its stockholders.

The Board also believes that it is important to the interest of the Company and its stockholders to provide selected Executives with certain severance benefits upon their termination of employment under certain non-Change in Control circumstances.

The Plan is a “top-hat” plan within the meaning of Sections 201(2), 301(a)(3), and 401(a)(1) of ERISA. As such, this Plan is subject to limited ERISA reporting and disclosure requirements and is exempt from most other ERISA requirements. Distributions required or contemplated by this Plan, or actions required to be taken under this Plan, shall not be construed as creating a trust of any kind or a fiduciary relationship between the Company and any Executive, Participant, employee, or any other person.

**ARTICLE 1  
REFERENCES AND DEFINITIONS**

Whenever used herein and capitalized, the following terms have the respective meanings indicated unless the context clearly requires otherwise.

- 1.1 **“Accrued Compensation”** means all of a Participant’s accrued but unpaid vacation, expense reimbursements, wages, and other benefits due to the Participant under any Company-provided plans, policies, or arrangements as of the Participant’s termination date.
- 1.2 **“Affiliate”** shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Exchange Act.
- 1.3 **“Base Salary”** means a Participant’s total annual base rate of pay as in effect immediately prior to the Participant’s termination of employment or, in the event of a termination during the Change in Control Period, if greater, at the level in effect immediately prior to the Change in Control. Base Salary shall not be reduced for any salary reduction contributions: (a) to cash or deferred arrangements under Code Section 401(k), (b) to a cafeteria plan under Code Section 125, or (c) to a nonqualified deferred compensation plan. Base Salary shall not take into account any bonuses, commissions, reimbursed expenses, employer credits or contributions to a nonqualified deferred compensation plan (other than salary reduction contributions as described above), or any additional cash compensation or compensation payable in a form other than cash.

1.4 “Beneficial Owner” or “Beneficially Owned” shall have the meaning set forth in Rule 13d-3 under the Exchange Act.

1.5 “Board” means the board of directors of TopBuild Corp.

1.6 “Cause” means:

- (a) a Participant’s material failure to perform his or her stated duties, and the Participant’s continued failure to cure such failure to the reasonable satisfaction of the Company within ten (10) days following written notice of such failure to the Participant from the Committee;
- (b) a Participant’s material violation of a Company policy (including any insider trading policy) or any written agreement or covenant with the Company;
- (c) a Participant’s conviction of, or entry of a plea of guilty or *nolo contendere* to, a felony (other than motor vehicle offenses the effect of which do not materially impair the Participant’s performance of his or her employment duties);
- (d) a willful act by a Participant that constitutes gross misconduct and which is injurious to the Company;
- (e) a Participant’s commission of any act of fraud, embezzlement, dishonesty or any other willful misconduct that has caused or is reasonably expected to result in material injury to the Company;
- (f) the unauthorized use or disclosure by a Participant of any proprietary information or trade secrets of the Company or any other party to whom the Participant owes an obligation of nondisclosure as a result of the Participant’s relationship with the Company; or
- (g) a Participant’s willful failure to cooperate with an investigation by a governmental authority.

The determination as to whether a Participant is being terminated for Cause will be made in good faith by the Committee and will, except as set forth below, be final and binding on all interested parties. The foregoing definition does not in any way limit the Company’s ability to terminate a Participant’s employment relationship at any time.

Notwithstanding the foregoing, during the Change in Control Period, “Cause” shall mean (i) the willful and continued failure by the Participant (other than any such failure resulting from the Participant’s incapacity due to physical or mental illness) to perform substantially the duties and responsibilities of the Participant’s position with the Company after a written demand for substantial performance is delivered to the Participant by the Board, which demand specifically identifies the manner in which the Board believes that the Participant has not substantially performed such duties or responsibilities; (ii) the conviction of the Executive by a court of competent jurisdiction for felony criminal conduct; or (iii) the willful engaging by the Participant in fraud or dishonesty which is demonstrably and materially injurious to the Company or its reputation, monetarily or otherwise. For purposes of this paragraph, no act, or failure to act, on the Participant’s part shall be deemed “willful” unless committed, or omitted by the Participant in bad faith and without reasonable belief that the Participant’s act or failure to act was in, or not opposed to, the best interest of the Company. In addition, in the event of a dispute regarding the existence of Cause with respect to a termination during the Change in Control Period, a determination by the Committee as to the existence of Cause shall not be entitled to deference in the event of a claim described in Section 5.3(b) or 5.3(c) hereof.

1.7 “Change in Control” means the occurrence of any of the following events:

- (a) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing more than 40% of either the then-outstanding shares of common stock of the Company or the combined voting power of the Company’s then-outstanding securities, excluding any Person

who becomes such a Beneficial Owner in connection with a transaction described in paragraph (c)(i) below;

- (b) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on January 1, 2020, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's stockholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then in office who either were directors on January 1, 2020 or whose appointment, election or nomination for election was previously so approved or recommended;
- (c) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 50% of the combined voting power of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its Affiliates) representing more than 40% of the combined voting power of the Company's then-outstanding securities; or
- (d) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by stockholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale.

- 1.8** **"Change in Control Period"** means the period beginning two (2) months prior to, and ending twenty-four (24) months following, a Change in Control.
- 1.9** **"Code"** means the Internal Revenue Code of 1986, as now in effect or as hereafter amended. All citations to sections of the Code and related Treasury Regulations are to such sections as they may from time to time be amended or renumbered.
- 1.10** **"Committee"** means the Compensation Committee of the Board.
- 1.11** **"Company"** means TopBuild Corp. and (except with respect to the definition of Change in Control) will be interpreted to include any subsidiary, parent or affiliate, if applicable, or any successor company thereafter.
- 1.12** **"Disability"** means that a Participant has been unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months. Alternatively, a Participant will be deemed disabled if determined to be totally disabled by the Social Security Administration. Termination of employment resulting from Disability may only be effected after at least thirty (30) days' written notice by the Company of its intention to terminate a Participant's employment. In the event that a Participant resumes the performance of substantially all of his or her duties hereunder before his or her termination becomes effective, the notice of intent to terminate based on Disability will automatically be deemed to have been revoked.

- 1.13** “**Equity Awards**” means a Participant’s outstanding stock options, stock appreciation rights, restricted stock units, performance shares, performance stock units and any other Company equity compensation awards.
- 1.14** “**ERISA**” means the Employee Retirement Income Security Act of 1974, as now in effect or as hereafter amended. All citations to sections of ERISA are to such sections as they may from time to time be amended or renumbered.
- 1.15** “**Exchange Act**” shall mean the Securities Exchange Act of 1934, as amended from time to time.
- 1.16** “**Executive**” means an individual who is employed by the Company at the Vice President level or higher.
- 1.17** “**Good Reason**” means a Participant’s voluntary termination, within thirty (30) days following the expiration of the Company cure period (discussed below), on account of the occurrence of one or more of the following without the Participant’s consent:
- (a) a material reduction by the Company of the Participant’s annual base salary as in effect immediately prior to such reduction;
  - (b) the failure of the Company to obtain assumption of this Plan by any successor; or
  - (c) a material change in the geographic location of the Participant’s principal workplace; *provided* that a relocation of less than fifty (50) miles from the Company’s headquarters will not be considered a material change in geographic location.

In addition, following a Change in Control, (i) a material reduction of the Participant’s authority, duties or responsibilities, relative to his or her authority, duties or responsibilities in effect immediately prior to such reduction, or (ii) a material reduction in a Participant’s annual incentive opportunity or the fair value of the Participant’s annual long-term incentive compensation award (in each case as compared to the levels in effect immediately prior to the Change in Control) will constitute Good Reason.

A Participant may not resign for Good Reason without first providing the Company with written notice within ninety (90) days of the initial existence of the Good Reason condition specifically identifying the acts or omissions constituting the grounds for Good Reason and a reasonable cure period of not less than thirty (30) days following the date of such notice. In addition, in the event of a dispute regarding the existence of Good Reason with respect to a termination during the Change in Control Period, a determination by the Committee with respect to Good Reason shall not be entitled to deference in the event of a claims described in Section 5.3(b) or 5.3(c) hereof.

- 1.18** “**Normal Retirement Age**” means a Participant’s attainment of age sixty-two (62).
- 1.19** “**Participant**” means any Executive who commenced participation in the Plan as provided in Article 2 and unless otherwise specified shall include each Tier CEO Participant, Tier 1 Participant, and Tier 2 Participant.
- 1.20** “**Person**” shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.
- 1.21** “**Plan**” means the TopBuild Corp. Executive Severance Plan, as contained herein and as it may be amended from time to time hereafter.
- 1.22** “**Tier 1 Participant**” means a Participant holding a position designated as qualifying the holder of the position as a Tier 1 Participant on Exhibit A hereto.



- 1.23 “**Tier 2 Participant**” means a Participant holding a position designated as qualifying the holder of the position as a Tier 2 Participant on Exhibit A hereto.
- 1.24 “**Tier CEO Participant**” means a Participant holding a position designated as qualifying the holder of the position as a Tier CEO Participant on Exhibit A hereto.
- 1.25 “**Time in Service**” means the aggregate of the amount of time that a Participant has been a full-time employee of the Company in any role, including all periods of employment whether or not contiguous, and any period during which a Participant was employed by an acquired company to the extent such period of employment was recognized at the time of the acquisition.

**ARTICLE 2  
ELIGIBILITY AND PARTICIPATION**

- 2.1 **Eligibility.** An Executive shall be eligible to become a Participant in the Plan if the Executive:
- (a) is a member of the Company’s “select group of management or highly compensated employees,” as defined in ERISA Sections 201(2), 301(a)(3), and 401(a)(1);
  - (b) who is serving on the applicable date in one of the positions set forth on Exhibit A (which designation shall also identify the Executive as a Tier CEO Participant, a Tier 1 Participant, or a Tier 2 Participant), as adopted and amended by the Committee from time to time in accordance with the terms of the Plan; and
  - (c) executes a Non-Compete, Non-Solicitation and Confidentiality Agreement pursuant to Section 2.5 below.
- 2.2 **Participation.** An Executive who is eligible to become a Participant under Section 2.1 shall become a Participant as of the later of (a) the date the position is designated eligible in accordance with Section 2.1 (b) by the Committee, or (b) the date the Executive executes a Non-Compete, Non-Solicitation and Confidentiality Agreement pursuant to Section 2.5 below. For the avoidance of doubt, no Participant may qualify as to more than a single tier hereunder at the same time or as the result of the same acts or actions, in the event of any dispute as to qualification, the Committee shall make the final determination in its sole and absolute discretion.
- 2.3 **Duration of Participation.** A Participant shall cease to be a Participant on the date the Participant is no longer eligible for or entitled to a benefit under this Plan. Notwithstanding anything herein to the contrary, an individual who is a Participant on the date of a Change in Control will remain a Participant during the Change in Control Period and during the Change in Control Period no Tier CEO Participant may be re-designated as a Tier 1 Participant or a Tier 2 Participant, and no Tier 1 Participant may be re-designated as a Tier 2 Participant.
- 2.4 **Reemployment.** If a Participant who has incurred a termination of employment again becomes an Executive, the Executive may again become a Participant in accordance with Section 2.1 at the sole discretion of the Committee, but such reemployment shall not change, suspend, delay, or otherwise affect payment of any benefit otherwise payable to the Participant under the terms of the Plan.
- 2.5 **Non-Compete, Non-Solicitation and Confidentiality Agreement.** Eligibility to participate in this Plan and the receipt of any severance payments or benefits (other than the Accrued Compensation) pursuant to this Plan is subject to Executive executing the Non-Compete, Non-Solicitation and Confidentiality Agreement in substantially the form attached hereto as Exhibit B.
-

**ARTICLE 3  
PLAN BENEFITS**

**3.1 Tier CEO Participants -Termination Without Cause or for Good Reason, Unrelated to a Change in Control.** If the Company terminates a Tier CEO Participant's employment with the Company without Cause (excluding death or Disability) or if a Tier CEO Participant resigns from such employment for Good Reason, and, in each case, such termination occurs outside of the Change in Control Period, then subject to Article 4, the Tier CEO Participant will receive the following:

- (a) Accrued Compensation. The Company will pay the Tier CEO Participant all Accrued Compensation as soon as administratively feasible after termination.
- (b) Severance Payment. The Tier CEO Participant will receive a lump-sum payment (less applicable withholding taxes) equal to two (2) years of the Tier CEO Participant's Base Salary. Such lump-sum amount shall be payable upon the later of: (i) sixty (60) days following termination of employment, or (ii) such later date required by Section 4.3.
- (c) Bonus Payment. The Tier CEO Participant will receive a lump-sum payment equal to two hundred percent (200%) of the Tier CEO Participant's target bonus as in effect for the fiscal year in which the Tier CEO Participant's termination of employment occurs. For avoidance of doubt, the amount paid to the Tier CEO Participant pursuant to this subsection will not be prorated based on the actual amount of time the Tier CEO Participant is employed by the Company during the fiscal year (or the relevant performance period if something different than a fiscal year) during which the termination occurs. Such lump-sum amounts shall be payable upon the later of: (i) sixty (60) days following termination of employment, or (ii) such later date required by Section 4.3. In addition to the bonus payment described above, the Tier CEO Participant will be eligible to receive a lump-sum payment equal to the bonus for the fiscal year in which his or her termination of employment occurs that the Tier CEO Participant would have earned had the termination of employment not occurred, determined based on the actual achievement of the applicable performance criteria over such fiscal year. The bonus payment to the Tier CEO Participant described in the preceding sentence shall be calculated pro rata based on the portion of the fiscal year during which the Tier CEO Participant was an active employee of the Company and shall be paid following the end of the fiscal year at the time bonus payments are made to active employees of the Company.
- (d) Continuation Coverage. If the Tier CEO Participant elects continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), within the time period prescribed pursuant to COBRA for the Tier CEO Participant and his or her eligible dependents, then (without limitation of the Tier CEO Participant's rights under COBRA) the Company will provide continuation of the Tier CEO Participant's medical insurance coverage for twenty-four (24) months. These benefits shall be provided by the Company to the Tier CEO Participant beginning immediately upon the date of the Tier CEO Participant's termination of employment. Such benefits shall be provided to the Tier CEO Participant at the same coverage level and cost to the Tier CEO Participant as in effect immediately prior to the date of the Tier CEO Participant's termination of employment. Such benefits shall count as COBRA continuation coverage.

Notwithstanding the above, these medical insurance benefits shall be discontinued prior to the end of the stated continuation period in the event the Tier CEO Participant receives substantially similar benefits from a subsequent employer, as determined solely by the Company in good faith. For purposes of enforcing this provision, the Tier CEO Participant shall be deemed to have a duty to keep the Company informed as to the terms and conditions of any subsequent employment and the corresponding benefits earned from such employment, and shall provide, or cause to be provided, to the Company in writing correct, complete, and timely information concerning the same.

In addition, no later than the end of each calendar year in which such group health plan coverage is in effect, the Company will report the value of the group health plan coverage (less any amount the Tier CEO Participant pays for such coverage) as taxable income to the Tier CEO Participant.

- (e) Equity Awards. Notwithstanding any other provision in any applicable equity compensation plan and/or individual award agreement:
- (i) the Tier CEO Participant's then-outstanding and unvested stock options will become vested pro rata as of his or her termination of employment date based on the portion of the vesting period during which the Tier CEO Participant was an active employee of the Company, and the Tier CEO Participant's outstanding and vested stock options as of the Tier CEO Participant's termination of employment date will remain exercisable until the three (3) month anniversary of the termination of employment date; *provided, however,* that the post-termination exercise period for any individual stock option will not extend beyond the earlier of its original maximum term or the tenth (10<sup>th</sup>) anniversary of the original date of grant;
  - (ii) the Tier CEO Participant's then-outstanding and unvested performance shares or units will become vested pro rata as of his or her termination date based on the portion of the vesting period during which the Tier CEO Participant was an active employee of the Company; *provided, however,* that if an outstanding performance share is to be determined based on the achievement of performance criteria, then the performance share or unit will be determined based on the actual performance and attainment of the performance criteria over the relevant performance period(s), but the performance share shall be calculated pro rata based on the portion of the performance period during which the Tier CEO Participant was an active employee of the Company and paid or delivered following the end of the relevant performance period(s) in accordance with the provisions of any applicable equity compensation plan and/or individual award agreement; and
  - (iii) the Tier CEO Participant's then-outstanding and unvested restricted stock or units will become vested pro rata as of his or her termination date based on the portion of the vesting period during which the Tier CEO Participant was an active employee of the Company.

**3.2 Tier CEO Participants - Termination Without Cause or for Good Reason, in Connection with a Change in Control.** If the Company terminates a Tier CEO Participant's employment with the Company without Cause (excluding death or Disability) or if a Tier CEO Participant resigns from such employment for Good Reason, and, in each case, such termination occurs during the Change in Control Period, then subject to Article 4, the Tier CEO Participant will receive the following:

- (a) Accrued Compensation. The Company will pay the Tier CEO Participant the Accrued Compensation as soon as administratively feasible after termination.
- (b) Severance Payment. The Tier CEO Participant will receive a lump-sum payment (less applicable withholding taxes) equal to three (3) years of the Tier CEO Participant's Base Salary. Such lump-sum amount shall be payable upon the later of: (A) sixty (60) days following termination of employment, or (B) such later date required by Section 4.3.
- (c) Bonus Payment. The Tier CEO Participant will receive a lump-sum payment equal to three hundred percent (300%) of the greater of (i) the Tier CEO Participant's target bonus as in effect for the fiscal year in which the Change in Control occurs, or (ii) the Tier CEO Participant's target bonus as in effect for the fiscal year in which his or her termination of employment occurs. For avoidance of doubt, the amount paid to the Tier CEO Participant pursuant to this subsection will not be prorated based on the actual amount of time the Tier CEO Participant is employed by the Company during the fiscal year (or the relevant performance period if something different than a fiscal year) during which the termination occurs. In addition to the bonus payment described above, the Tier CEO Participant will receive a lump-sum payment equal to one hundred percent (100%) of his or her

target bonus as in effect for the fiscal year in which his or her termination of employment occurs calculated pro rata based on the portion of the performance period during which the Tier CEO Participant was an active employee of the Company. Such lump-sum amount shall be payable upon the later of: (A) sixty (60) days following termination of employment, or (B) such later date required by Section 4.3.

- (d) Continuation Coverage. If the Tier CEO Participant elects continuation coverage pursuant to COBRA within the time period prescribed pursuant to COBRA for the Tier CEO Participant and his or her eligible dependents, then the Company will provide continuation of the Tier CEO Participant's medical insurance coverage for thirty-six (36) months. These benefits shall be provided by the Company to the Tier CEO Participant beginning immediately upon the date of the Tier CEO Participant's termination of employment. Such benefits shall be provided to the Tier CEO Participant at the same coverage level and cost to the Tier CEO Participant as in effect immediately prior to the date of the Tier CEO Participant's termination of employment. Such benefits shall count as COBRA continuation coverage.

Notwithstanding the above, these medical insurance benefits shall be discontinued prior to the end of the stated continuation period in the event the Tier CEO Participant receives substantially similar benefits from a subsequent employer, as determined solely by the Company in good faith. For purposes of enforcing this provision, the Tier CEO Participant shall be deemed to have a duty to keep the Company informed as to the terms and conditions of any subsequent employment and the corresponding benefits earned from such employment, and shall provide, or cause to be provided, to the Company in writing correct, complete, and timely information concerning the same.

Following the end of the COBRA continuation period, if such group health plan coverage is provided under a health plan that is subject to Code Section 105(h), the benefits payable under such health plan to the Tier CEO Participant shall comply with the requirements of Treasury Regulation Section 1.409A-3(i)(1)(iv) and, if necessary, the Company shall amend such health plan to comply therewith.

In addition, no later than the end of each calendar year in which such group health plan coverage is in effect, the Company will report the value of the group health plan coverage (less any amount the Tier CEO Participant pays for such coverage) as taxable income to the Tier CEO Participant.

- (e) Accelerated Vesting of Equity Awards. Notwithstanding any other provision in any applicable equity compensation plan and/or individual award agreement:
- (i) one hundred percent (100%) of the Tier CEO Participant's then-outstanding and unvested stock options will become vested in full;
  - (ii) one hundred percent (100%) of the Tier CEO Participant's then-outstanding and unvested performance shares or units will become vested in full; provided, however, that if an outstanding performance share or unit is to vest and/or the amount of the award to vest is to be determined based on the achievement of performance criteria, then the performance share or unit will vest as to one hundred percent (100%) of the amount of the performance share or unit assuming the performance criteria had been achieved at target levels for the relevant performance period(s); and
  - (iii) one hundred percent (100%) of the Tier CEO Participant's then-outstanding and unvested restricted stock or units will become vested in full.
- (f) Extended Post-Termination Exercise Period. Notwithstanding any other provision in any applicable equity compensation plan and/or individual award agreement, the Tier CEO Participant's outstanding and vested stock options as of the Tier CEO Participant's termination of employment date will remain exercisable until the twelve (12)-month anniversary of the termination of employment date; *provided, however,* that the post-termination exercise period for any individual

stock option will not extend beyond the earlier of its original maximum term or the tenth (10<sup>th</sup>) anniversary of the original date of grant.

- (g) No Duplication of Benefits. For the avoidance of doubt, if (i) the Tier CEO Participant incurred a termination prior to a Change in Control that qualifies the Participant for severance payments under Section 3.1, and (ii) a Change in Control occurs within the two (2)-month period following the Tier CEO Participant's termination of employment that qualifies the Tier CEO Participant for the superior benefits under this Section 3.2, then the Tier CEO Participant shall be entitled to the benefits calculated under this Section 3.2, less amounts already paid under Section 3.1.

**3.3 Tier 1 Participants -Termination Without Cause or for Good Reason, Unrelated to a Change in Control.** If the Company terminates a Tier 1 Participant's employment with the Company without Cause (excluding death or Disability) or if a Tier 1 Participant resigns from such employment for Good Reason, and, in each case, such termination occurs outside of the Change in Control Period, then subject to Article 4, the Tier 1 Participant will receive the following:

- (a) Accrued Compensation. The Company will pay the Tier 1 Participant all Accrued Compensation as soon as administratively feasible after termination.
- (b) Severance Payment. The Tier 1 Participant will receive a lump-sum payment (less applicable withholding taxes) equal to one (1) year of the Tier 1 Participant's Base Salary. Such lump-sum amount shall be payable upon the later of: (i) sixty (60) days following termination of employment, or (ii) such later date required by Section 4.3.
- (c) Bonus Payment. The Tier 1 Participant will receive a lump-sum payment equal to one hundred percent (100%) of the Tier 1 Participant's target bonus as in effect for the fiscal year in which the Tier 1 Participant's termination of employment occurs. For avoidance of doubt, the amount paid to the Tier 1 Participant pursuant to this subsection will not be prorated based on the actual amount of time the Tier 1 Participant is employed by the Company during the fiscal year (or the relevant performance period if something different than a fiscal year) during which the termination occurs. Such lump-sum amounts shall be payable upon the later of: (i) sixty (60) days following termination of employment, or (ii) such later date required by Section 4.3. In addition to the bonus payment described above, the Tier 1 Participant will be eligible to receive a lump-sum payment equal to the bonus for the fiscal year in which his or her termination of employment occurs that the Tier 1 Participant would have earned had the termination of employment not occurred, determined based on the actual achievement of the applicable performance criteria over such fiscal year. The bonus payment to the Tier 1 Participant described in the preceding sentence shall be calculated pro rata based on the portion of the fiscal year during which the Tier 1 Participant was an active employee of the Company and shall be paid following the end of the fiscal year at the time bonus payments are made to active employees of the Company.
- (d) Continuation Coverage. If the Tier 1 Participant elects continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), within the time period prescribed pursuant to COBRA for the Tier 1 Participant and his or her eligible dependents, then (without limitation of the Tier 1 Participant's rights under COBRA) the Company will provide continuation of the Tier 1 Participant's medical insurance coverage for twelve (12) months. These benefits shall be provided by the Company to the Tier 1 Participant beginning immediately upon the date of the Tier 1 Participant's termination of employment. Such benefits shall be provided to the Tier 1 Participant at the same coverage level and cost to the Tier 1 Participant as in effect immediately prior to the date of the Tier 1 Participant's termination of employment. Such benefits shall count as COBRA continuation coverage.

Notwithstanding the above, these medical insurance benefits shall be discontinued prior to the end of the stated continuation period in the event the Tier 1 Participant receives substantially similar benefits from a subsequent employer, as determined solely by the Company in good faith. For purposes of enforcing this provision, the Tier 1 Participant shall be deemed to have a duty to keep the Company informed as to the

terms and conditions of any subsequent employment and the corresponding benefits earned from such employment, and shall provide, or cause to be provided, to the Company in writing correct, complete, and timely information concerning the same.

In addition, no later than the end of each calendar year in which such group health plan coverage is in effect, the Company will report the value of the group health plan coverage (less any amount the Tier 1 Participant pays for such coverage) as taxable income to the Tier 1 Participant.

- (e) Equity Awards. Notwithstanding any other provision in any applicable equity compensation plan and/or individual award agreement:
- (i) the Tier 1 Participant's then-outstanding and unvested stock options will become vested pro rata as of his or her termination of employment date based on the portion of the vesting period during which the Tier 1 Participant was an active employee of the Company, and the Tier 1 Participant's outstanding and vested stock options as of the Tier 1 Participant's termination of employment date will remain exercisable until the three (3) month anniversary of the termination of employment date; *provided, however*, that the post-termination exercise period for any individual stock option will not extend beyond the earlier of its original maximum term or the tenth (10<sup>th</sup>) anniversary of the original date of grant;
  - (ii) the Tier 1 Participant's then-outstanding and unvested performance shares or units will become vested pro rata as of his or her termination date based on the portion of the vesting period during which the Tier 1 Participant was an active employee of the Company; *provided, however*, that if an outstanding performance share is to be determined based on the achievement of performance criteria, then the performance share or unit will be determined based on the actual performance and attainment of the performance criteria over the relevant performance period(s), but the performance share shall be calculated pro rata based on the portion of the performance period during which the Tier 1 Participant was an active employee of the Company and paid or delivered following the end of the relevant performance period(s) in accordance with the provisions of any applicable equity compensation plan and/or individual award agreement; and
  - (iii) the Tier 1 Participant's then-outstanding and unvested restricted stock or units will become vested pro rata as of his or her termination date based on the portion of the vesting period during which the Tier 1 Participant was an active employee of the Company.

**3.4 Tier 1 Participants - Termination Without Cause or for Good Reason, in Connection with a Change in Control.** If the Company terminates a Tier 1 Participant's employment with the Company without Cause (excluding death or Disability) or if a Tier 1 Participant resigns from such employment for Good Reason, and, in each case, such termination occurs during the Change in Control Period, then subject to Article 4, the Tier 1 Participant will receive the following:

- (a) Accrued Compensation. The Company will pay the Tier 1 Participant the Accrued Compensation as soon as administratively feasible after termination.
- (b) Severance Payment. The Tier 1 Participant will receive a lump-sum payment (less applicable withholding taxes) equal to two (2) years of the Tier 1 Participant's Base Salary. Such lump-sum amount shall be payable upon the later of: (A) sixty (60) days following termination of employment, or (B) such later date required by Section 4.3.
- (c) Bonus Payment. The Tier 1 Participant will receive a lump-sum payment equal to two hundred percent (200%) of the greater of (i) the Tier 1 Participant's target bonus as in effect for the fiscal year in which the Change in Control occurs, or (ii) the Tier 1 Participant's target bonus as in effect for the fiscal year in which his or her termination of employment occurs. For avoidance of doubt,

the amount paid to the Tier 1 Participant pursuant to this subsection will not be prorated based on the actual amount of time the Tier 1 Participant is employed by the Company during the fiscal year (or the relevant performance period if something different than a fiscal year) during which the termination occurs. In addition to the bonus payment described above, the Tier 1 Participant will receive a lump-sum payment equal to one hundred percent (100%) of his or her target bonus as in effect for the fiscal year in which his or her termination of employment occurs calculated pro rata based on the portion of the performance period during which the Tier 1 Participant was an active employee of the Company. Such lump-sum amount shall be payable upon the later of: (A) sixty (60) days following termination of employment, or (B) such later date required by Section 4.3.

- (d) Continuation Coverage. If the Tier 1 Participant elects continuation coverage pursuant to COBRA within the time period prescribed pursuant to COBRA for the Tier 1 Participant and his or her eligible dependents, then the Company will provide continuation of the Tier 1 Participant's medical insurance coverage for twenty four (24) months. These benefits shall be provided by the Company to the Tier 1 Participant beginning immediately upon the date of the Tier 1 Participant's termination of employment. Such benefits shall be provided to the Tier 1 Participant at the same coverage level and cost to the Tier 1 Participant as in effect immediately prior to the date of the Tier 1 Participant's termination of employment. Such benefits shall count as COBRA continuation coverage.

Notwithstanding the above, these medical insurance benefits shall be discontinued prior to the end of the stated continuation period in the event the Tier 1 Participant receives substantially similar benefits from a subsequent employer, as determined solely by the Company in good faith. For purposes of enforcing this provision, the Tier 1 Participant shall be deemed to have a duty to keep the Company informed as to the terms and conditions of any subsequent employment and the corresponding benefits earned from such employment, and shall provide, or cause to be provided, to the Company in writing correct, complete, and timely information concerning the same.

Following the end of the COBRA continuation period, if such group health plan coverage is provided under a health plan that is subject to Code Section 105(h), the benefits payable under such health plan to the Tier 1 Participant shall comply with the requirements of Treasury Regulation Section 1.409A-3(i)(1)(iv) and, if necessary, the Company shall amend such health plan to comply therewith.

In addition, no later than the end of each calendar year in which such group health plan coverage is in effect, the Company will report the value of the group health plan coverage (less any amount the Tier 1 Participant pays for such coverage) as taxable income to the Tier 1 Participant.

- (e) Accelerated Vesting of Equity Awards. Notwithstanding any other provision in any applicable equity compensation plan and/or individual award agreement:
- (i) one hundred percent (100%) of the Tier 1 Participant's then-outstanding and unvested stock options will become vested in full;
  - (ii) one hundred percent (100%) of the Tier 1 Participant's then-outstanding and unvested performance shares or units will become vested in full; provided, however, that if an outstanding performance share or unit is to vest and/or the amount of the award to vest is to be determined based on the achievement of performance criteria, then the performance share or unit will vest as to one hundred percent (100%) of the amount of the performance share or unit assuming the performance criteria had been achieved at target levels for the relevant performance period(s); and
  - (iii) one hundred percent (100%) of the Tier 1 Participant's then-outstanding and unvested restricted stock or units will become vested in full.
- (f) Extended Post-Termination Exercise Period. Notwithstanding any other provision in any applicable equity compensation plan and/or individual award agreement, the Tier 1 Participant's outstanding

and vested stock options as of the Tier 1 Participant's termination of employment date will remain exercisable until the twelve (12)-month anniversary of the termination of employment date; *provided, however*, that the post-termination exercise period for any individual stock option will not extend beyond the earlier of its original maximum term or the tenth (10<sup>th</sup>) anniversary of the original date of grant.

- (g) No Duplication of Benefits. For the avoidance of doubt, if (i) the Tier 1 Participant incurred a termination prior to a Change in Control that qualifies the Participant for severance payments under Section 3.3, and (ii) a Change in Control occurs within the two (2)-month period following the Tier 1 Participant's termination of employment that qualifies the Tier 1 Participant for the superior benefits under this Section 3.4, then the Tier 1 Participant shall be entitled to the benefits calculated under this Section 3.4, less amounts already paid under Section 3.3.

**3.5 Tier 2 Participants - Termination Without Cause or for Good Reason.** If the Company terminates a Tier 2 Participant's employment with the Company without Cause (excluding death or Disability) or if a Tier 2 Participant resigns from such employment for Good Reason, whether or not such termination occurs during the Change in Control Period, then subject to Article 4, the Tier 2 Participant will receive the following:

- (a) Accrued Compensation. The Company will pay the Tier 2 Participant all Accrued Compensation as soon as administratively feasible after termination.
- (b) Severance Payment. The Tier 2 Participant will receive a lump-sum payment (less applicable withholding taxes) equal to six (6) months' of the Tier 2 Participant's Base Salary. Such lump-sum amount shall be payable upon the later of: (i) sixty (60) days following termination of employment, or (ii) such later date required by Section 4.3.
- (c) Bonus Payment. The Tier 2 Participant will receive a lump-sum payment equal to fifty percent (50%) of the Tier 2 Participant's target bonus as in effect for the fiscal year in which the Tier 2 Participant's termination of employment occurs. For avoidance of doubt, the amount paid to the Tier 2 Participant pursuant to the preceding sentence will not be prorated based on the actual amount of time the Tier 2 Participant is employed by the Company during the fiscal year (or the relevant performance period if something different than a fiscal year) during which the termination occurs. Such lump-sum amounts shall be payable upon the later of: (i) sixty (60) days following termination of employment, or (ii) such later date required by Section 4.3. In addition to the bonus payment described above, the Tier 2 Participant will be eligible to receive a lump-sum payment equal to the bonus for the fiscal year in which his or her termination of employment occurs that the Tier 2 Participant would have earned had the termination of employment not occurred, determined based on the actual achievement of the applicable performance criteria over such fiscal year. The bonus payment to the Tier 2 Participant described in the preceding sentence shall be calculated pro rata based on the portion of the fiscal year during which the Tier 2 Participant was an active employee of the Company and shall be paid following the end of the fiscal year at the time bonus payments are made to active employees of the Company.
- (d) Continuation Coverage. If the Tier 2 Participant elects continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), within the time period prescribed pursuant to COBRA for the Tier 2 Participant and his or her eligible dependents, then (without limitation of the Tier 2 Participant's rights under COBRA) the Company will provide continuation of the Tier 2 Participant's medical insurance coverage for six (6) months. These benefits shall be provided by the Company to the Tier 2 Participant beginning immediately upon the date of the Tier 2 Participant's termination of employment. Such benefits shall be provided to the Tier 2 Participant at the same coverage level and cost to the Tier 2 Participant as in effect immediately prior to the date of the Tier 2 Participant's termination of employment. Such benefits shall count as COBRA continuation coverage.

Notwithstanding the above, these medical insurance benefits shall be discontinued prior to the end of the stated continuation period in the event the Tier 2 Participant receives substantially similar benefits from a



subsequent employer, as determined solely by the Company in good faith. For purposes of enforcing this provision, the Tier 2 Participant shall be deemed to have a duty to keep the Company informed as to the terms and conditions of any subsequent employment and the corresponding benefits earned from such employment, and shall provide, or cause to be provided, to the Company in writing correct, complete, and timely information concerning the same.

In addition, no later than the end of each calendar year in which such group health plan coverage is in effect, the Company will report the value of the group health plan coverage (less any amount the Tier 2 Participant pays for such coverage) as taxable income to the Tier 2 Participant.

- (e) Equity Awards. Notwithstanding any other provision in any applicable equity compensation plan and/or individual award agreement:
- (i) the Tier 2 Participant's then-outstanding and unvested stock options will become vested pro rata as of his or her termination of employment date based on the portion of the vesting period during which the Tier 2 Participant was an active employee of the Company, and the Tier 2 Participant's outstanding and vested stock options as of the Tier 2 Participant's termination of employment date will remain exercisable until the three (3) month anniversary of the termination of employment date; *provided, however,* that the post-termination exercise period for any individual stock option will not extend beyond the earlier of its original maximum term or the tenth (10<sup>th</sup>) anniversary of the original date of grant;
  - (ii) the Tier 2 Participant's then-outstanding and unvested performance shares or units will become vested pro rata as of his or her termination date based on the portion of the vesting period during which the Tier 2 Participant was an active employee of the Company; *provided, however,* that if an outstanding performance share is to be determined based on the achievement of performance criteria, then the performance share or unit will be determined based on the actual performance and attainment of the performance criteria over the relevant performance period(s), but the performance share shall be calculated pro rata based on the portion of the performance period during which the Tier 2 Participant was an active employee of the Company and paid or delivered following the end of the relevant performance period(s) in accordance with the provisions of any applicable equity compensation plan and/or individual award agreement; and
  - (iii) the Tier 2 Participant's then-outstanding and unvested restricted stock or units will become vested pro rata as of his or her termination date based on the portion of the vesting period during which the Tier 2 Participant was an active employee of the Company.

**3.6 Voluntary Resignation Prior to Normal Retirement Age; Termination for Cause.** If a Participant's employment with the Company terminates (i) voluntarily by the Participant (other than for Good Reason and prior to Normal Retirement Age), or (ii) for Cause by the Company, then the Participant will irrevocably forfeit the benefits under this Plan and will not be entitled to receive the severance or other benefits hereunder other than the Accrued Compensation. Notwithstanding any other provision in any applicable equity compensation plan and/or individual award agreement, the following provisions shall apply with respect to grants of equity compensation upon such resignation or termination for Cause:

- (a) Forfeiture of Equity Awards. All outstanding and unvested Equity Awards will be immediately forfeited upon the Participant's voluntary resignation or termination of employment for Cause.
- (b) Post-Termination Exercise Period. Upon the Participant's resignation, the Participant's outstanding and vested stock options as of the Participant's termination of employment date will remain exercisable until the three (3)-month anniversary of the termination of employment date; *provided, however,* that the post-termination exercise period for any individual stock option will not extend beyond the earlier of its original maximum term or the tenth (10<sup>th</sup>) anniversary of the original date

of grant. Upon the Participant's termination for Cause, the Participant's outstanding and vested stock options shall not be exercisable as of the Participant's termination of employment date.

**3.7 Disability; Death.** If the Company terminates a Participant's employment as a result of the Participant's Disability, or a Participant's employment terminates due to the Participant's death, then the Participant will irrevocably forfeit the benefits under this Plan and will not be entitled to receive the severance or other benefits hereunder other than the Accrued Compensation and the payment of the pro-rata portion of the Participant's bonus (if any) for the portion of the bonus measurement period prior to the retirement date, based on actual performance and payable on the date on which such bonus is usually paid. Notwithstanding any other provision in any applicable equity compensation plan and/or individual award agreement, the following provisions shall apply with respect to grants of equity compensation upon death or termination due to Disability:

(a) Accelerated Vesting of Equity Awards.

- (i) One hundred percent (100%) of the Participant's then-outstanding and unvested stock options will become vested in full;
- (ii) the Participant's then-outstanding and unvested performance shares or units will become vested pro rata as of the Participant's termination date based on the portion of the vesting period during which he or she was an active employee of the Company; *provided, however*, that if an outstanding performance share or unit is to be determined based on the achievement of performance criteria, then the performance share or unit will be determined based on the actual performance and attainment of the performance criteria over the relevant performance period(s), but the performance share or unit shall be calculated pro rata based on the portion of the performance period during which the Participant was an active employee of the Company and paid or delivered following the end of the relevant performance period(s) in accordance with the provisions of any applicable equity compensation plan and/or individual award agreement; and
- (iii) one hundred percent (100%) of the Participant's then-outstanding and unvested restricted stock or units will become vested in full.

(b) Extended Post-Termination Exercise Period. The Participant's outstanding and vested stock options as of the Participant's termination of employment date will remain exercisable until the twelve (12)-month anniversary of the termination of employment date; *provided, however*, that the post-termination exercise period for any individual stock option will not extend beyond the earlier of its original maximum term or the tenth (10<sup>th</sup>) anniversary of the original date of grant.

**3.8 Normal Retirement.** If a Participant has achieved at least seven (7) years of Time in Service and provides not less than six (6) months notice, of their intent to resign employment on or after the Normal Retirement Age under circumstances other than those described in Sections 3.1, 3.2, 3.3, 3.4, or 3.5 above (which notice period may be reduced or waived if the Participant's resignation is due to a serious health condition of an immediate family member, as determined by the Committee in its sole discretion), then the Participant will irrevocably forfeit the benefits under this Plan and will not be entitled to receive the severance or other benefits hereunder other than the Accrued Compensation and the payment of the pro-rata portion of the Participant's bonus (if any) for the portion of the bonus measurement period prior to the retirement date, based on actual performance and payable on the date on which such bonus is usually paid. Notwithstanding any other provision in any applicable equity compensation plan and/or individual award agreement, the following provisions shall apply with respect to grants of equity compensation upon termination on or after the Normal Retirement Age:

- (a) Accelerated Vesting of Equity Awards.
- (i) the Participant's then-outstanding and unvested performance shares or units will become vested pro rata as of the Participant's termination date based on the portion of the vesting period during which he or she was an active employee of the Company; provided, however, that if an outstanding performance share or unit is to be determined based on the achievement of performance criteria, then the performance share or unit will be determined based on the actual performance and attainment of the performance criteria over the relevant performance period(s), but the performance share or unit shall be calculated pro rata based on the portion of the performance period during which the Participant was an active employee of the Company and paid or delivered following the end of the relevant performance period(s) in accordance with the provisions of any applicable equity compensation plan and/or individual award agreement; and
- (ii) the Participant's then-outstanding and unvested restricted stock or units will continue to vest based on their vesting schedule.
- (b) Extended Post-Termination Exercise Period. The Participant's outstanding stock options as of the Participant's termination of employment date will vest in accordance with the terms of the applicable award agreement, but will remain exercisable until the earlier of the original maximum term or the tenth (10<sup>th</sup>) anniversary of the original date of grant.
- 3.9 Exclusive Remedy.** In the event of a termination of a Participant's employment as set forth in this Article 3, the provisions of Article 3 are intended to be and are exclusive and in lieu of any other rights to severance pay or remedies to which the Participant is entitled, whether at law, tort or contract, in equity, or under the Plan (other than the payment of the Accrued Compensation).

**ARTICLE 4**  
**CONDITIONS AND LIMITATIONS ON BENEFITS**

- 4.1 Release of Claims Agreement.** The receipt of any severance payments or benefits (other than the Accrued Compensation) pursuant to the Plan is subject to the Participant signing and not revoking a separation agreement and release of claims in substantially the form attached hereto as Exhibit C (the "Release"), which must become effective and irrevocable no later than the sixtieth (60<sup>th</sup>) day following the Participant's termination of employment (the "Release Deadline"). If the Release does not become effective and irrevocable by the Release Deadline, the Participant will forfeit any right to severance payments and any other benefits under the Plan. In no event will severance payments or benefits be paid or provided until the Release actually becomes effective and irrevocable.
- 4.2 Adherence to Non-Compete, Non-Solicitation and Confidentiality Agreement.** The receipt of any severance payments or other benefits (other than the Accrued Compensation) pursuant to this Plan is subject to the Participant executing and adhering to the provisions of the Non-Compete, Non-Solicitation and Confidentiality Agreement (the "Non-Compete Agreement") in substantially the form attached hereto as Exhibit B. A Participant will forfeit any entitlement to the severance payments or other benefits including the vesting of any equity awards (other than the Accrued Compensation) pursuant to this Plan upon the Participant's breach of the Non-Compete Agreement, or in the case of unvested equity awards, the taking of any act or action prohibited under Section 7 of the Non-Compete Agreement up to the date of any such vesting notwithstanding the expiration or ineffectiveness of the Non-Compete Agreement. To the extent permitted by law, if the Company determines that a Participant has breached the Non-Compete Agreement (directly or as set forth in the immediately preceding sentence), it will immediately cease any further payments, benefits and vesting under the Plan. In addition and without limitation of the foregoing provisions of this paragraph, if the Company determines that a Participant has breached the Non-Compete Agreement it will have the right to seek repayment of any such payments or benefits that have already been provided, without prejudice to any other remedies that may be available to the Company.

#### 4.3 Code Section 409A.

- (a) Notwithstanding anything to the contrary in the Plan, no severance pay or benefits to be paid or provided to a Participant, if any, pursuant to the Plan that, when considered together with any other severance payments or separation benefits, are considered deferred compensation under Code Section 409A, and the final regulations and any guidance promulgated thereunder (together, the “Deferred Payments”) will be paid or otherwise provided until the Participant incurs a “separation from service” within the meaning of Code Section 409A. Similarly, no severance payable to the Participant, if any, pursuant to the Plan that otherwise would be exempt from Code Section 409A will be payable until the Participant incurs a “separation from service” within the meaning of Code Section 409A.
- (b) It is intended that, to the maximum extent permitted under Code Section 409A, none of the severance payments under the Plan will constitute Deferred Payments but rather will be exempt from Code Section 409A as a payment that would fall within the “short-term deferral period” as described in Section 4.3(d) below or resulting from an involuntary separation from service as described in Section 4.3(e) below. However, any severance payments or benefits under the Plan that would be considered Deferred Payments will be paid on, or, in the case of installments, will not commence until, the sixtieth (60<sup>th</sup>) day following the Participant’s separation from service, or, if later, such time as required by Section 4.3(c). Except as required by Section 4.3(c), any installment payments that would have been made to the Participant during the sixty (60) day period immediately following the Participant’s separation from service but for the preceding sentence will be paid to the Participant on the sixtieth (60<sup>th</sup>) day following the Participant’s separation from service and the remaining payments will be made as provided in the Plan.
- (c) Notwithstanding anything to the contrary in the Plan, if the Participant is a “specified employee” within the meaning of Code Section 409A at the time of the Participant’s termination (other than due to death), then the Deferred Payments, if any, that are payable within the first six (6) months following the Participant’s separation from service, will become payable on the first payroll date that occurs on or after the date six (6) months and one (1) day following the date of the Participant’s separation from service. All subsequent Deferred Payments, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if the Participant dies following his or her separation from service, but before the six (6) month anniversary of the separation from service, then any payments delayed in accordance with this subsection will be payable in a lump sum as soon as administratively practicable after the date of the Participant’s death and all other Deferred Payments will be payable in accordance with the payment schedule applicable to each payment or benefit. Each payment and benefit payable under the Plan is intended to constitute a separate payment under Section 1.409A-2(b)(2) of the Treasury Regulations.
- (d) Any amount paid under the Plan that satisfies the requirements of the “short-term deferral” rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations will not constitute Deferred Payments for purposes of Section 4.3(a) above.
- (e) Any amount paid under the Plan that qualifies as a payment made as a result of an involuntary separation from service pursuant to Section 1.409A-1(b)(9)(iii) of the Treasury Regulations that does not exceed the Code Section 409A Limit (as defined below) will not constitute Deferred Payments for purposes of Section 4.3(a) above. Code Section 409A Limit means two (2) times the lesser of: (i) a Participant’s annualized compensation based upon the annual rate of pay paid to the Participant during the Participant’s taxable year preceding the Participant’s taxable year of his or her separation from service, and with such adjustments as are set forth in Treasury Regulation 1.409A-1(b)(9)(iii)(A)(1) and any Internal Revenue Service guidance issued with respect thereto; or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Code Section 401(a)(17) for the year in which the Participant’s separation from service occurs.

- (f) The foregoing provisions are intended to comply with the requirements of Code Section 409A so that none of the severance payments and benefits to be provided hereunder will be subject to the additional tax imposed under Code Section 409A, and any ambiguities herein will be interpreted to so comply.

**4.4 Limitation on Payments.** In the event that the severance and other benefits provided for under the Plan or otherwise payable to a Participant (i) constitute “parachute payments” within the meaning of Code Section 280G, and (ii) but for this Section 4.4, would be subject to the excise tax imposed by Code Section 4999, then the Participant’s benefits under Article 3 will be either:

- (a) delivered in full, or
- (b) delivered as to such lesser extent which would result in no portion of such benefits being subject to excise tax under Code Section 4999,

whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Code Section 4999, results in the receipt by the Participant on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be taxable under Code Section 4999. If a reduction in severance and other benefits constituting “parachute payments” is necessary so that benefits are delivered to a lesser extent, reduction will occur in the following order: (A) reduction of cash payments; (B) cancellation of awards granted “contingent on a change in ownership or control” (within the meaning of Code Section 280G), (C) cancellation of accelerated vesting of equity awards; (D) reduction of employee benefits. In the event that acceleration of vesting of equity award compensation is to be reduced, such acceleration of vesting will be cancelled in the reverse order of the date of grant of the Participant’s equity awards.

Any determination required under this Section 4.4 will be made in writing by the Company’s independent public accountants immediately prior to a Change in Control (the “Firm”), whose determination will be conclusive and binding upon all interested parties. For purposes of making the calculations required by this Section 4.4, the Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Code Sections 280G and 4999. The Company and the Participant will furnish to the Firm such information and documents as the Firm may reasonably request in order to make a determination under this Section. The Company will bear all costs the Firm may incur in connection with any calculations contemplated by this Section 4.4.

## ARTICLE 5 ADMINISTRATION OF THE PLAN

**5.1 Powers and Duties of the Committee.** The Committee shall have general responsibility for the administration of the Plan, including, but not limited to, complying with reporting and disclosure requirements, if any, and establishing and maintaining Plan records. The Committee may delegate to any Executive or other employee of the Company all or a portion of its authority to perform any act hereunder, including, without limitation, those matters involving the exercise of discretion, provided that such delegation shall be subject to revocation at any time at the discretion of the Committee. In the exercise of the Committee’s sole and absolute discretion, the Committee shall interpret the Plan’s provisions and determine the eligibility of individuals for benefits. The Committee shall have the maximum discretion permitted under law to interpret the Plan, and all decisions of the Committee shall be final and binding on all interested parties, subject to the last paragraph of Section 1.6 and Section 5.3 below.

No individual serving as a Committee member or at the request of the Committee shall be entitled to act on or decide any matter relating solely to him or her or any of his or her rights or benefits under the Plan. In the event an individual is unable to act on any matter by reason of the foregoing restriction, the remaining Committee members shall act on such matter. The Committee shall not receive any special compensation for serving in the capacity of Committee but shall be reimbursed for any reasonable expenses incurred in connection herewith. Except as otherwise required by ERISA, no bond or other security shall be required of the Committee in any jurisdiction.

**5.2 Agents.** The Committee may engage such legal counsel, certified public accountants and other advisers and service providers, who may be advisers or service providers for the Company or an affiliate, and make use of such agents and clerical or other personnel, as it shall require or may deem advisable for purposes of the Plan. The Committee may rely upon the written opinion of any legal counsel or accountants engaged by the Committee, and may delegate to any such agent its authority to perform any act hereunder, including, without limitation, those matters involving the exercise of discretion, *provided* that such delegation shall be subject to revocation at any time at the discretion of the Committee.

**5.3 Claims for Benefits.** Any person claiming a benefit (“Claimant”) under the Plan shall present the request in writing to the Committee.

- (a) Initial Claim Review. If the claim is wholly or partially denied, the Committee will, within a reasonable period of time, and within ninety (90) days of the receipt of such claim, or if the claim is a claim on account of Disability, within forty-five (45) days of the receipt of such claim, provide the Claimant with written notice of the denial setting forth in a manner calculated to be understood by the Claimant:
- (i) The specific reason or reasons for which the claim was denied;
  - (ii) Specific reference to pertinent provisions of the Plan, rules, procedures or protocols upon which the Committee relied to deny the claim;
  - (iii) A description of any additional material or information that the Claimant may file to perfect the claim and an explanation of why this material or information is necessary;
  - (iv) An explanation of the Plan’s claims review procedure and the time limits applicable to such procedure and a statement of the Claimant’s right to bring a civil action under Section 502(a) of ERISA following an adverse determination upon review; and
  - (v) In the case of an adverse determination of a claim on account of Disability, the information to the Claimant shall include, to the extent necessary, the information set forth in the Department of Labor Regulation Section 2560.503-1(g)(1)(v).

If special circumstances require the extension of the forty-five (45)-day or ninety (90)-day period described above, the Claimant will be notified before the end of the initial period of the circumstances requiring the extension and the date by which the Committee expects to reach a decision. Any extension for deciding a claim will not be for more than an additional ninety (90)-day period, or if the claim is on account of Disability, for not more than two additional thirty (30)-day periods.

- (b) Review of Claim. If a claim for benefits is denied, in whole or in part, the Claimant may request to have the claim reviewed. The Claimant will have one hundred eighty (180) days in which to request a review of a claim regarding Disability, and will have sixty (60) days in which to request a review of all other claims. The request must be in writing and delivered to the Board, and the Board or its designee shall review the appeal (“appeal official”). If no such review is requested, the initial decision of the Committee will be considered final and binding.

The appeal official’s decision on review shall be sent to the Claimant in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the Claimant, as well as specific references to the pertinent Plan provisions, rules, procedures or protocols upon which the appeal official relied to deny the appeal. The appeal official shall consider all information submitted by the Claimant, regardless of whether the information was part of the original claim. The decision shall also include a statement of the Claimant’s right to bring an action under Section 502(a) of ERISA.

The appeal official’s decision on review shall be made not later than sixty (60) days (forty-five (45) days in the case of a claim on account of Disability) after its receipt of the request for review, unless special

circumstances require an extension of time for processing, in which case a decision shall be rendered as soon as possible, but not later than one hundred and twenty (120) days (ninety (90) days in the case of a claim on account of Disability) after receipt of the request for review. This notice to the Claimant shall indicate the special circumstances requiring the extension and the date by which the appeal official expects to render a decision and will be provided to the Claimant prior to the expiration of the initial forty-five (45)-day or sixty (60)-day period.

Notwithstanding the foregoing, in the case of a claim on account of Disability:

- (i) The review of the denied claim shall be conducted by a party who is neither the individual who made the benefit determination nor a subordinate of such person; and
  - (ii) No deference shall be given to the initial benefit determination. For issues involving medical judgment, the reviewing party must consult with an independent health care professional who may not be the health care professional who decided the initial claim.
- (c) Legal Proceedings Regarding Claims. Claimants must follow the claims procedures included in this Section before taking action in any other forum regarding a claim. Any suit or legal action initiated by a Claimant must be brought by the Claimant no later than one (1) year following a final decision on the claim under these claims procedures. The one (1)-year statute of limitations on suits for benefits shall apply in any forum where a Claimant initiates such suit or legal action. If a civil action is not filed within this period, the Claimant's claim will be deemed permanently waived and abandoned, and the Claimant will be precluded from reasserting it.
- (d) Legal Fee Reimbursement. In the event of a good faith dispute by a Participant regarding benefits under the Plan with respect to a termination occurring during the Change in Control Period, the Company shall reimburse to the Participant, promptly upon receipt of reasonable documentation (which must be submitted within the six-month period following the date upon which the expense is incurred), the Participant's reasonable legal fees incurred in connection with such dispute.

**5.4 Hold Harmless.** To the maximum extent permitted by law, the members of the Committee and the Board shall not be personally liable by reason of any contract or other instrument executed by such members or on such members' behalf in their capacity as the administrator of the Plan nor for any mistake of judgment made in good faith, and the Company shall indemnify and hold harmless, directly from its own assets (including the proceeds of any insurance policy the premiums of which are paid from the Company's own assets), the Committee and each other officer, employee, or director of the Company or an affiliate to whom any duty or power relating to the administration or interpretation of the Plan is delegated against any cost or expense (including counsel fees) or liability (including any sum paid in settlement of a claim with the approval of the Company) arising out of any act or omission to act in connection with the Plan unless arising out of such person's own fraud, willful misconduct or bad faith.

**5.5 Service of Process.** The Committee or such other person designated by the Committee shall be the agent for service of process under the Plan.

## ARTICLE 6 AMENDMENT OR TERMINATION OF THE PLAN

### 6.1 Right to Amend or Terminate the Plan.

- (a) Prior to a Change in Control, the Committee reserves the right at any time to amend or terminate the Plan, in whole or in part, and for any reason and without the consent of any Participant or other person. Following a Change in Control, the Plan may be amended or terminated only with the prior written consent of all Participants.

- (b) In no event shall an amendment or termination modify, reduce, or otherwise affect the Company's obligations under the Plan made before the amendment or termination, as such obligations are defined under the provisions of the Plan existing immediately before such amendment or termination.

**6.2 Notice of Amendment or Termination.** Notice of any amendment requiring notification under Section 6.1(b) hereof, or termination of the Plan, shall be given by the Committee to each Participant and any other person entitled to a benefit hereunder.

**6.3 Payment Upon Plan Termination.** If the Plan is terminated, the Company may distribute all vested, accrued benefits under the Plan in a single lump-sum payment after the date the Plan is terminated if and to the extent permitted under Code Section 409A and the related Treasury Regulations and other guidance issued thereunder. Accordingly, the Company may accelerate Deferred Payments hereunder in accordance with one of the following:

- (a) the termination of the Plan within twelve (12) months of a corporate dissolution taxed under Code Section 331 or with the approval of a bankruptcy court pursuant to 11 U.S.C. 503(b)(1)(A), as provided in Treasury Regulation Section 1.409A-3(j)(4)(ix)(A);
- (b) the termination of the Plan, provided that the termination does not occur proximate to a downturn in the financial health of the Company, if all arrangements that would be aggregated with the Plan under Treasury Regulation Section 1.409A-1(c) are terminated, and no payments other than payments that would be payable under the terms of the Plan if the termination had not occurred are made within twelve (12) months of the Plan termination, and all payments are made within twenty-four (24) months of the Plan termination, and no new arrangement that would be aggregated with the Plan under Treasury Regulation Section 1.409A-1(c) is adopted within three (3) years following the Plan termination, as provided in Treasury Regulation Section 1.409A-3(j)(4)(ix)(C); or
- (c) such other events and conditions as the IRS may prescribe in generally applicable published regulatory or other guidance under Code Section 409A.

## ARTICLE 7 GENERAL PROVISIONS AND LIMITATIONS

**7.1 No Right to Continued Employment.** Nothing contained in the Plan shall give any person the right to be retained in the employment of the Company or affect the right of the Company to dismiss any employee. The adoption and maintenance of the Plan shall not constitute a contract between the Company and an Executive or consideration for, or an inducement to or condition of, the employment of any Executive.

**7.2 Payment on Behalf of Payee.** If the Committee shall find that any person to whom any amount is payable under the Plan is unable to care for such person's affairs because of illness or accident, or is a minor, or had died, then any payment due such person or such person's estate (unless a prior claim therefor has been made by a duly appointed legal representative) may, if the Committee so elects, be paid to such person's spouse, a child, a relative, an institute maintaining or having custody of such person, or any other person deemed by the Committee to be a proper recipient on behalf of such person otherwise entitled to payment hereunder. Any such payment shall be a complete discharge of the liability of the Plan and the Company therefor.

**7.3 Nonalienation.** No interest, expectancy, benefit, payment, claim, or right of any Participant under the Plan shall be (a) subject in any manner to any claims of any creditor of the Participant or any other person; (b) subject to the debts, contracts, liabilities or torts of the Participant or any other person; or (c) subject to alienation by anticipation, sale, transfer, assignment, bankruptcy, pledge, attachment, charge or encumbrance of any kind. If any person shall attempt to take any action contrary to this Section, such action shall be null and void and of no effect, and the Committee and the Company shall disregard such action and shall not in any manner be bound thereby and shall suffer no liability on account of its disregard thereof. If a Participant or any successor in interest hereunder shall become bankrupt or attempt to anticipate, alienate, sell, assign,



pledge, encumber, or charge any right hereunder, then such right or benefit shall, in the discretion of the Committee, cease and terminate, and in such event the Committee may hold or apply the same or any part thereof for the benefit of the Participant or the spouse, children, or other dependents of the Participant, or any of them, in such manner and in such amounts and proportions as the Committee may deem proper.

- 7.4 **Missing Payee.** If the Committee cannot ascertain the whereabouts of any person to whom a payment is due under the Plan, and if, after five (5) years from the date such payment is due, a notice of such payment due is mailed to the last known address of such person, as shown on the records of the Committee or the Company, and within three (3) months after such mailing, such person has not made written claim therefor, the Committee may direct that such payment and all remaining payments otherwise due to such person be canceled on the records of the Plan and the amount thereof forfeited, and upon such cancellation, the Company shall have no further liability therefor, except that, in the event such person later notifies the Committee of such person's whereabouts and requests the payment or payments due to such person under the Plan, the amounts otherwise due but unpaid as of the date payment would have been made shall be paid to such person without interest or earnings accruals due to late payment.
- 7.5 **Required Information.** Each Participant shall file with the Committee such pertinent information concerning himself or herself, or such other person as the Committee may specify, and no Participant or any successor in interest shall have any rights or be entitled to any benefits under the Plan unless such information is filed by or with respect to the Participant.
- 7.6 **Binding Effect.** Obligations incurred by the Company pursuant to this Plan shall be binding upon and inure to the benefit of the Company, its successors and assigns, and the Participant and any successor in interest of the Participant.
- 7.7 **Merger or Consolidation.** In the event of a merger or consolidation by the Company with another entity, or the acquisition of substantially all of the assets or outstanding ownership interests of the Company by another entity, the obligations and responsibilities of the Company under this Plan shall be assumed by any such successor or acquiring entity, and all of the rights, privileges, and benefits of the Participants hereunder shall continue.
- 7.8 **No Funding Created.** All payments provided under the Plan shall be paid from the general assets of the Company and no separate fund shall be established to secure payment. Notwithstanding the foregoing, the Company may establish a grantor trust to assist it in funding Plan obligations; *provided, however*, that such trust shall at all times remain located within the United States. Any payments made to a Participant or other person from any such trust shall relieve the Company from any further obligations under the Plan only to the extent of such payment. Nothing herein shall constitute the creation of a trust or other fiduciary relationship between the Company and any other person.
- 7.9 **Notices.**
- (a) **General.** Notices and all other communications contemplated by the Plan will be in writing and will be deemed to have been duly given when sent electronically or personally delivered, when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid, or when delivered by a private courier service such as UPS, DHL or Federal Express that has tracking capability. In the case of a Participant, notices will be sent to the e-mail address or addressed to the Participant at the home address, in either case which the Participant most recently communicated to the Company in writing. In the case of the Company, electronic notices will be sent to the e-mail address of the Chief Executive Officer or the General Counsel and mailed notices will be addressed to its corporate headquarters, and all notices will be directed to the attention of its Chief Executive Officer or General Counsel.
  - (b) **Notice of Termination.** Any termination by the Company for Cause or by the Participant for Good Reason will be communicated by a notice of termination to the other party hereto given in accordance with Section 7.9(a). Such notice will indicate the specific termination provision under the Plan relied upon, will set forth in reasonable detail the facts and circumstances claimed to

provide a basis for termination under the provision so indicated, and will specify the termination date.

- 7.10 No Duty to Mitigate.** A Participant will not be required to mitigate the amount of any payment contemplated by the Plan, nor will any such payment be reduced by any earnings that the Participant may receive from any other source.
- 7.11 Severability.** If any provision of this Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining provisions hereof; instead, each provision shall be fully severable, and the Plan shall be construed and enforced as if said illegal or invalid provision had never been included herein.
- 7.12 Entire Plan; Construction.** This document and any written amendments hereto (including any resolutions of the Company, the Committee or the Board) contain all the terms and provisions of the Plan and shall constitute the entire Plan, any other alleged terms or provisions being of no effect. Unless otherwise indicated, all references to Articles, Sections, and subsections shall be to the Plan as set forth in this document. The Article titles and the captions preceding Sections and subsections have been inserted solely as a matter of convenience and in no way define or limit the scope or intent of any provision. When the context so requires, the masculine pronoun shall be deemed to include the feminine and neuter and the singular to include the plural, and vice versa in each instance, unless the context clearly indicates otherwise.
- 7.13 Governing Law.** This Plan shall be governed by and construed under the laws of the State of Florida, without regard to conflicts of law provisions, to the extent not preempted by ERISA or other applicable federal law.
- 7.14 Tax Withholding; No Company Representation.** All payments made pursuant to this Plan will be subject to withholding of applicable income, employment and other taxes. The Company does not represent or guarantee that any particular federal, state or local income, payroll or other tax treatment will result from this Plan or the benefits provided hereunder.

Each Participant, for himself or herself and his or her successors in interest, assumes full responsibility for all of his or her portion of federal, state and local taxes arising from the payments provided hereunder and by accepting benefits hereunder agrees to indemnify and hold the Committee, the Company and the Board harmless from any and all tax consequences, including interest and/or penalties, related to taxes owed and payable by the Participant or any successor in interest.

\* \* \*

Approved by the Committee on the 28th day of October, 2024.

## EXHIBIT A

### Participating Positions and Tiers:

Chief Executive Officer – Tier CEO

Chief Operating Officer – Tier 1

Chief Financial Officer – Tier 1

Chief Legal Officer/General Counsel – Tier 1

Chief Human Resources Officer – Tier 1

President, TruTeam – Tier 1

President, Specialty Distribution – Tier 1

President of a Company Operating Segment – Tier 1

Chief Information Officer – Tier 1

Chief Growth/Marketing Officer – Tier 1

Chief Accounting Officer – Tier 2

Executives performing the functions set forth above without regard to title may be designated as Tier 1 or Tier 2 participants by the Committee or the Chief Executive Officer from time to time.

## EXHIBIT B

### NON-COMPETE, NON-SOLICITATION AND CONFIDENTIALITY AGREEMENT

This NON-COMPETE, NON-SOLICITATION AND CONFIDENTIALITY AGREEMENT ("Agreement") between \_\_\_\_\_ ("Executive") and TopBuild Corp. (together with its Affiliates, the "Company"), is effective as of \_\_\_\_\_, 20\_\_.

#### Background

A. The Company and its Affiliates are engaged in the business of selling, distributing and installing a wide range of products for new residential and commercial construction and existing home improvement projects throughout the United States, including, but not limited to insulation, gutters, fireplaces and fire doors. The Company's business depends upon the preservation of goodwill and continued confidentiality of proprietary information and trade secrets.

B. The Company wishes to employ Executive on an at-will basis as a \_\_\_\_\_, and Executive wishes to be so employed by the Company in this capacity.

C. The Company will train Executive in its business, and in carrying out Executive's duties. Executive will become familiar with the Company's confidential information and trade secrets and will acquire experience, skills and knowledge related to the Company's business.

D. The parties agree that this Agreement is necessary to safeguard against the unauthorized disclosure or use of the Company's confidential information and to preserve its goodwill and ongoing business value.

THEREFORE, in consideration of Executive's employment by the Company and Executive's eligibility to participate in the TopBuild Corp. Executive Severance Plan (the "Plan"), subject to the terms of the Plan, the Company's willingness to disclose certain confidential information to Executive, the mutual promises contained in this Agreement and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

#### NON-DISCLOSURE

1. Confidential Information. Executive acknowledges that the Company has certain trade secrets and other confidential and proprietary information which it has acquired and developed, and will acquire and develop, at great effort and expense. Such information includes, without limitation, confidential information, whether in tangible or intangible form, regarding the Company's products, services, marketing strategies, business plans, operations, costs, current or prospective customer information (including customer lists, requirements, creditworthiness, preferences and similar matters), product concepts, designs, specifications, research and development efforts, technical data and know-how, sales information (including pricing and other terms and conditions of sale), financial information, internal procedures, techniques, forecasts, methods, trade information, software programs, project requirements, inventions, trademarks, trade names, and all other information which is not generally known to those outside the Company (collectively, "Confidential Information"). Confidential Information does not include information that is or becomes available to the public other than as a result of disclosure by Executive.

2. Restricted Use of Confidential Information. In the course of Executive's employment, Executive will have access to and may help develop Confidential Information. Except as required in the performance of Executive's duties, Executive will not, either during Executive's employment or at any time thereafter, disclose any Confidential Information to others or use the Confidential Information for Executive's own benefit or for the benefit of others. All records, files, and documents relating to the Company's business shall remain the sole property of the Company and may not be copied without written permission. Upon the termination of Executive's employment, Executive agrees to promptly return all records, files, documents and other materials relating to the Company's business, whether in hard copy or electronic format. Executive shall not retain copies of such materials.

3. Nothing in this Agreement shall be construed to limit Executive's right to respond accurately and fully to any question, inquiry or request for information when required by legal process or from initiating communications directly with, or responding to any inquiry from, or providing testimony before, any self-regulatory organization or state or federal regulatory authority, regarding the Company, Executive's employment, or this Agreement. Executive is not required to contact the Company regarding the subject matter of any such communications before engaging in such communications. Pursuant to 18 U.S.C. § 1833(b), Executive understands that the Executive will not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret of the Company that (i) is made (A) in confidence to a Federal, State, or local government official, either directly or indirectly, or to his attorney and (B) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. Executive understands that if Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Executive may disclose the trade secret to the Executive's attorney and use the trade secret information in the court proceeding if Executive (x) files any document containing the trade secret under seal, and (y) does not disclose the trade secret, except pursuant to court order. Nothing in this Agreement, or any other agreement that Executive has with the Company, is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by such section. Further, nothing in this Agreement or any other agreement that Executive has with the Company shall prohibit or restrict Executive from making any voluntary disclosure of information or documents concerning possible violations of law to any governmental agency or legislative body, or any self-regulatory organization, in each case, without advance notice to the Company.

#### NON-SOLICITATION AND NON-COMPETITION

4. Need for Covenants. Executive understands that the Company has spent and will continue to spend substantial amounts of time, money and effort to develop its business, Confidential Information, reputation, goodwill (both associated with its trade name and geographic area of business), and its customer, supplier and employee relationships. Executive further understands that Executive will benefit from those investments and efforts. Executive acknowledges that Executive's use of any such matters to compete against the Company in an unrestricted manner would be unfair and detrimental to the Company. Executive agrees that taking advantage of any of the above-identified investments of time, money or effort expended by the Company would unfairly place the Executive at a competitive advantage over Company. Executive further acknowledges the Company's need to protect its business interests by reasonably restricting Executive's ability to compete with the Company. Finally, Executive acknowledges that the Company would not employ, or continue to employ, Executive, or extend to Executive eligibility to participate in the Plan, without Executive's agreement to be bound by the provisions of this Agreement.

5. Definitions.

- (a) "Affiliate" means, as to any person or entity, any other person or entity (i) that directly or indirectly controls, is controlled by, or is under direct or indirect common control with, such person or entity or (ii) that has the power directly or indirectly to direct or cause the direction of the management and policies of such person or entity, through the ownership of voting securities, by contract or otherwise.
- (b) "Competitive Capacity" means performing the same or similar duties as those performed by Executive on behalf of the Company at any time during the 24 month period preceding the date of Executive's termination of employment.
- (c) "Competitive Products" means any product or service offered by the Company in the Territory or any product or service that directly or indirectly competes with or is substantially similar to such product or service. For illustrative purposes, these products may include insulation distribution and installation.
- (d) "Competitor" means any person or entity (including Executive or an entity that Executive becomes affiliated with or renders services to) that offers, or is actively planning to offer, Competitive Products within the Territory.

- (e) "Customer" means all customers and actively sought prospective customers of the Company with whom Executive had material contact in the performance of Executive's duties at any time during the twenty-four (24) month period preceding the date of Executive's termination of employment.
- (f) "Territory" means the United States of America.
- (g) "Restricted Period" means the period of Executive's employment with the Company or an Affiliate and for a period of twelve (12) months following the date of Executive's termination of employment for any reason, whether voluntary or involuntary.
- (h) "Directly or indirectly" means conduct taken individually, through other individuals, or as a partner, shareholder, member, officer, director, manager, employee, salesperson, independent contractor, agent, or consultant for any other individual or entity.

6. Non-Solicitation/Non-Interference. During the Restricted Period, Executive shall not, either for Executive's own account or for or on behalf of any Competitor, directly or indirectly, take any of the following actions:

- (a) Contact or otherwise solicit any employee, consultant, or independent contractor of the Company with the intention of encouraging such person to terminate his or her employment or other relationship with the Company, or employ or otherwise hire or engage any such person;
- (b) Solicit, call upon, accept work and/or orders for product from, or initiate communication or contact with any Customer for the purpose of offering Competitive Products to such Customer, or otherwise offer Competitive Products to such Customer;
- (c) Solicit, call upon or initiate communication or contact with any Customer, vendor or supplier of the Company for the purpose of encouraging such person to terminate, place elsewhere or reduce the volume of its business with the Company; or
- (d) Otherwise attempt to directly or indirectly interfere with the Company's business or its relationships with its employees, independent contractors, vendors, suppliers or Customers.

7. Non-Competition. During the Restricted Period, Executive shall not, either for Executive's own account or for or on behalf of any Competitor, directly or indirectly, take any of the following actions:

- (a) (i) Have an ownership or financial interest in a Competitor, (ii) advise or consult with a Competitor concerning competitive activity in the Territory, or (iii) otherwise be employed by or provide services in a Competitive Capacity to a Competitor in the Territory;
- (b) Engage in the production, sale or distribution of Competitive Products in the Territory; or
- (c) Market, sell, or otherwise offer or provide Competitive Products in the Territory.

#### **GENERAL PROVISIONS**

8. Survival/Independent Agreement. Unless expressly set forth in a document signed by both parties, the restrictive covenants set forth herein shall survive the termination of this Agreement and the termination of Executive's employment for any reason, voluntary or involuntary. Executive's obligations hereunder are independent of Executive's employment. Any breach or alleged breach by the Company of any obligation to Executive shall not affect the binding nature of Executive's obligations under this Agreement or excuse or terminate Executive's obligations hereunder.

9. Scope. If any provision of this Agreement is found to be invalid in any jurisdiction, in whole or in part, such provision shall remain valid in all other jurisdictions. If any court determines that any provision of this Agreement is unenforceable because of the duration or scope of such provision, such provision shall not be rendered

void, and such court shall have the power to amend the scope or duration of such provision, and in its amended form, such provision shall remain in full force and effect. If any provision of this Agreement is found to be void or unenforceable for any reason, all remaining provisions of this Agreement shall remain in full force and effect.

10. Specific Enforcement/Injunctive Relief. Executive agrees that it would be difficult to measure the Company's damages from a breach or threatened breach of this Agreement by Executive, but that such breach or threatened breach could result in damages that would be significant and irreparable. Executive agrees that the Company shall be entitled, in addition to any other remedies available at law, to seek injunctive or other equitable relief against such breach or threatened breach. If the Company prevails in any action brought to enforce this Agreement, the Company shall be entitled to costs and attorneys' fees incurred by it in such action. Notwithstanding any agreements to arbitrate disputes, the parties agree that a temporary restraining order, temporary injunctive relief, or permanent injunctive relief may be pursued and secured in court under Paragraph 10 to prevent immediate harm without waiving any party's ability to have all issues of final relief and damages made subject to sole and exclusive arbitration procedures.

11. Miscellaneous. The headings contained in this Agreement are for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

12. Governing Law. This Agreement shall be governed by the laws of the State of Florida, without regard to conflicts of law provisions.

13. Amendments; Assignments. No modification, amendment, extension or waiver of this Agreement shall be binding unless in writing and signed by the parties. The waiver by the Company of a breach of this Agreement shall not be construed as a waiver of any subsequent breach. Nothing in this Agreement shall be construed as a limitation upon the Company's right to modify or amend any of its manuals or policies in its sole discretion. This Agreement shall inure to the benefit of, and be binding upon the parties and their heirs, administrators, successors and assigns, and may be assigned by the Company to its successors and assigns and Affiliates. Executive may not assign any rights or obligations hereunder without the written consent of the Company.

14. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements between the parties in connection with the subject matter.

IN WITNESS WHEREOF, the parties have signed this Agreement effective as of the day and year first above written.

**EXECUTIVE**

Dated: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_

**COMPANY**

Dated: \_\_\_\_\_

**TOPBUILD CORP.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## EXHIBIT C

### SEVERANCE AGREEMENT, WAIVER AND RELEASE

The parties to this Severance Agreement, Waiver and Release (this "Agreement"), \_\_\_\_\_ ("Executive") and \_\_\_\_\_, its affiliates, parents, successors, predecessors, and subsidiaries (collectively, the "Company") agree that:

Executive and the Company wish to end their at-will employment relationship effective \_\_\_\_\_ in a manner that is satisfactory to both Executive and the Company.

Executive and the Company, for the good and valuable consideration stated below, the sufficiency of which is acknowledged, agree as follows:

1. In exchange for the Company's promises in this Agreement, Executive, including Executive's heirs, administrators, executors, spouse, if any, successors, estate, representatives and assigns and all others claiming by or through Executive, voluntarily and knowingly releases the Company, its parent companies, their subsidiaries, divisions, affiliates, related companies, predecessors, successors, partners, members, directors, officers, trustees, employees, independent contractors, consultants, stockholders, owners, attorneys, agents, benefit plans, subrogees, insurers, representatives and assigns, whether alleged to have acted in their official capacities or personally (collectively, the "Released Parties"), completely and forever, from any and all claims, causes of action, suits, contracts, promises, or demands of any kind, which Executive may now have, whether known or unknown, intentional or otherwise, from the beginning of time to the Effective Date of this Agreement, with the sole and limited exception of the rights and claims reserved in Paragraph 2. The Effective Date of this Agreement is the date it is signed by Executive.

2. Executive understands and agrees that this Agreement covers all claims described in Paragraph 1, including, but not limited to, any alleged violation of the Civil Rights Act of 1991; Title VII of the Civil Rights Act of 1964, as amended; the Americans with Disabilities Act; the Employee Retirement Income Security Act; the Worker Adjustment and Retraining Notification Act; the Family and Medical Leave Act; **the Age Discrimination in Employment Act as amended by the Older Workers Benefit Protection Act**; the Fair Labor Standards Act, to the extent permitted by law; the Occupational Safety and Health Act of 1970; and any other federal, state or local civil, labor, pension, wage-hour or human rights law, including [insert references to applicable state and local statutes], federal or state public policy, damages, contract or tort law; any claim arising under federal or state common law, including, but not limited to, constructive or wrongful discharge or intentional or negligent infliction of emotional distress; and any claim for costs or attorney's fees.

This Agreement does not include, and Executive does not waive, any rights or claims: (1) which may arise after Executive signs this Agreement; (2) for alleged workplace injuries or occupational disease that arise under any state's workers' compensation laws; (3) for benefits in which Executive has a vested right under any pension plans; (4) which cannot be released by law; (5) to enforce this Agreement; (6) to participate in any proceedings before an administrative agency responsible for enforcing labor and/or employment laws, (e.g., the Equal Employment Opportunity Commission); or (7) for indemnification with respect to Executive's services to the Company or an affiliate. Executive agrees, however, to waive and release any right to receive any monetary award from such proceedings described in item (6) of the preceding sentence. Nothing in this Agreement shall be construed to limit Executive's right to respond accurately and fully to any question, inquiry or request for information when required by legal process or from initiating communications directly with, or responding to any inquiry from, or providing testimony before, any self-regulatory organization or state or federal regulatory authority, regarding the Company, Executive's employment, or this Agreement. Executive is not required to contact the Company regarding the subject matter of any such communications before engaging in such communications

3. Except as set forth in Paragraph 2, Executive agrees to keep the terms of this Agreement confidential and not to disclose the terms of this Agreement to any third party at any time, other than to Executive's attorneys,



taxing authorities, accountants, or as otherwise required by law. Executive agrees to use Executive's best efforts to ensure that the terms of this Agreement are kept confidential by Executive's spouse, heirs, assigns, attorneys, etc. Executive is not prohibited from disclosing the terms of this Agreement to Executive's spouse, if any, attorney, if any, or accountant, in a proceeding to enforce its terms, or as otherwise required by law or court order.

4. In exchange for Executive's promises contained herein, the Company agrees to provide Executive the benefits set forth in the TopBuild Corp. Executive Severance Plan (the "Plan") subject to the provisions of the Plan.

5. The parties agree that if any provision of this Agreement is declared illegal or unenforceable by any court of competent jurisdiction and cannot be modified to be enforceable, including the general release language, the provision declared illegal or unenforceable will immediately become null and void, leaving the remainder of this Agreement in full force and effect.

6. Executive declares and expressly warrants that Executive is not Medicare eligible, that Executive is not a Medicare beneficiary, and that Executive is not within 30 months of becoming Medicare eligible; that Executive is not 65 years of age or older; that Executive is not suffering from end stage renal failure or amyotrophic lateral sclerosis; that Executive has not received Social Security benefits for 24 months or longer; and/or that Executive has not applied for Social Security benefits, and/or has not been denied Social Security disability benefits and is not appealing any denial of Social Security disability benefits.

Executive affirms, covenants and warrants that Executive has made no claim for illness or injury against, nor is Executive aware of any facts supporting any claim against, the Released Parties under which the Released Parties could be liable for medical expenses incurred by Executive before or after the execution of this Agreement. Because Executive is not a Medicare recipient as of the date of this release, Executive is aware of no medical expenses that Medicare paid and for which the Released Parties are or could be liable now or in the future. Executive agrees and affirms that, to the best of Executive's knowledge, no liens of any governmental entities, including those for Medicare conditional payments, exist.

7. In compliance with the Older Workers Benefit Protection Act, Executive is hereby advised to consult with an attorney regarding the terms, meaning and impact of this Agreement. In addition, Executive understands and agrees that (a) by signing this Agreement, Executive waives and releases any claims Executive might have against any of the Released Parties, including, but not limited to, any claims under the Age Discrimination in Employment Act of 1967; (b) Executive has twenty one (21) days from the date of receipt of this Agreement to consider whether or not to execute this Agreement, which Executive waives by virtue of Executive's execution of the Agreement during the consideration period; and (c) after Executive signs this Agreement and it becomes effective, Executive has seven days from that date to change Executive's mind and revoke the Agreement. To revoke the Agreement, Executive must clearly communicate Executive's decision in writing to by the seventh day following the Effective Date of this Agreement. Executive understands and agrees that should Executive revoke Executive's release and waiver as to claims under the Age Discrimination in Employment Act of 1967, as amended, the Company's obligations under this Agreement and the Plan will become null and void.

8. Executive agrees that Executive will not, in any way, disparage the Company or any of the Released Parties. Further, Executive and the Company agree that they will not make, nor solicit, any comments, statements, or the like to the media, or to others, that may be considered to be derogatory or detrimental to the good name or business reputation of Executive or the Company.

9. Executive acknowledges that, through Executive's employment with the Company, Executive has acquired and had access to the Company's confidential and proprietary business information and trade secrets ("Confidential Information"). Executive acknowledges and agrees that the Company prohibits the use or disclosure of its Confidential Information and that the Company has taken all reasonable steps necessary to protect the secrecy of such Confidential Information. Executive acknowledges and agrees that "Confidential Information" includes any data or information that is valuable to the Company and not generally known to competitors of the Company or other outsiders, regardless of whether the confidential information is in printed, written or electronic form, retained in Executive's memory or has been compiled or created by Executive, including but not limited to: business plans; product designs, drawings and formulas; test and development data; customer or prospective customer, vendor,

supplier and distributor information; financial information; marketing strategies; pending projects and proposals; personnel and payroll records; pricing data; contract terms; proprietary production processes; third party information that the Company has a duty to maintain as confidential; and other business-related information, which, if made available to the Company's competitors or the public, would be advantageous to such competitors and detrimental to the Company. Executive agrees that Executive has not and in the future will not use, or disclose to any third party, Confidential Information, unless compelled by law after reasonable advance notice to the Company, and further agrees to return all documents, disks, CDs, DVDs, drives, storage devices or any other item or source containing Confidential Information, or any other of the Company's property, to the Company upon execution of this Agreement. If Executive has any question regarding what data or information would be considered by the Company to be Confidential Information subject to this provision, Executive agrees to contact \_\_\_\_\_. Pursuant to 18 U.S.C. § 1833(b), Executive understands that the Executive will not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret of the Company that (i) is made (A) in confidence to a Federal, State, or local government official, either directly or indirectly, or to Executive's attorney and (B) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. Executive understands that if Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Executive may disclose the trade secret to Executive's attorney and use the trade secret information in the court proceeding if Executive (x) files any document containing the trade secret under seal, and (y) does not disclose the trade secret, except pursuant to court order. Nothing in this Agreement, or any other agreement that Executive has with the Company, is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by such section. Further, nothing in this Agreement or any other agreement that Executive has with the Company shall prohibit or restrict Executive from making any voluntary disclosure of information or documents concerning possible violations of law to any governmental agency or legislative body, or any self-regulatory organization, in each case, without advance notice to the Company.

10. This Agreement contains the complete understanding between the parties, with the sole and limited exception of the Plan and the Non-Compete, Non-Solicitation and Confidentiality agreement between the Company and Executive dated \_\_\_\_\_, 20\_\_\_\_, which shall remain in full force and effect. The parties agree that no promises or agreements will be binding or will modify this understanding unless in writing and signed by both parties.

11. The terms of the TruTeam Dispute Resolution Policy, as currently in effect as of the date of this Agreement (a copy of which has been provided to Executive), are incorporated into this Agreement and shall apply to any alleged or actual breaches of this Agreement or any other claims arising out of Executive's employment with the Company and its affiliates that are not otherwise released by this Agreement.

12. This Agreement may be executed in multiple counterparts, each of which will be considered an original, and all of which will be considered a single memorandum. If Executive signs a facsimile copy of this Agreement, Executive also will provide the Company with a conforming original copy.

13. The validity, construction, and interpretation of this Agreement and the rights and duties of the parties to this Agreement will be governed by the laws of the State of Florida, without regard to any state conflict of law rules.

The parties agree that they have read this Agreement, understand and agree to its terms, and have knowingly and voluntarily signed it on the dates written below.

**EXECUTIVE**

Dated: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

**COMPANY**

Dated: \_\_\_\_\_

**TOPBUILD CORP.**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**Certifications**

I, Robert Buck, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TopBuild Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2024

/s/ Robert Buck

---

Robert Buck  
Chief Executive Officer and Director  
(Principal Executive Officer)

**Certifications**

I, Robert Kuhns, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TopBuild Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2024

/s/ Robert Kuhns

Robert Kuhns

Vice President and Chief Financial Officer

(Principal Financial Officer)

---

**CERTIFICATION OF PERIOD REPORT**

I, Robert Buck, Chief Executive Officer and Director of TopBuild Corp. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to the best of my knowledge:

- (1) the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2024

/s/ Robert Buck

Robert Buck  
Chief Executive Officer and Director  
(Principal Executive Officer)

---

**CERTIFICATION OF PERIOD REPORT**

I, Robert Kuhns, Vice President and Chief Financial Officer of TopBuild Corp. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to the best of my knowledge:

- (1) the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2024

/s/ Robert Kuhns

Robert Kuhns

Vice President and Chief Financial Officer

(Principal Financial Officer)

---