

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 ended June 30, 2016

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: 1-36870

**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.)

**260 Jimmy Ann Drive**  
**Daytona Beach, Florida**  
(Address of Principal Executive Offices)

**32114**  
(Zip Code)

**(386) 304-2200**  
(Registrant's telephone number, including area code)

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 and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

Yes       No

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

Large accelerated filer  Accelerated filer  Smaller reporting company   
Non-accelerated filer  (Do not check if a smaller reporting company)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Shares Outstanding at July 29, 2016
Common stock, par value \$.01 per share	38,444,480

**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>	3
<u>Condensed Consolidated Statements of Operations</u>	4
<u>Condensed Consolidated Statements of Cash Flows</u>	5
<u>Condensed Consolidated Statements of Changes in Equity</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	7
<b><u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>	19
<b><u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u></b>	27
<b><u>Item 4. Controls and Procedures</u></b>	28
<b><u>PART II. OTHER INFORMATION</u></b>	
<b><u>Item 1. Legal Proceedings</u></b>	29
<b><u>Item 1A. Risk Factors</u></b>	29
<b><u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u></b>	29
<b><u>Item 3. Defaults upon Senior Securities</u></b>	29
<b><u>Item 4. Mine Safety Disclosures</u></b>	29
<b><u>Item 5. Other Information</u></b>	29
<b><u>Item 6. Exhibits</u></b>	29
<b><u>Signature</u></b>	30
<b><u>Index to Exhibits</u></b>	31

**PART I – FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS**

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

	As of	
	June 30, 2016	December 31, 2015
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 102,090	\$ 112,848
Receivables, net of an allowance for doubtful accounts of \$3,481 and \$3,399 at June 30, 2016 and December 31, 2015, respectively	254,998	235,549
Inventories, net	102,216	118,701
Prepaid expenses and other current assets	16,529	13,263
Total current assets	475,833	480,361
Property and equipment, net	91,829	93,066
Goodwill	1,044,041	1,044,041
Other intangible assets, net	1,584	1,987
Deferred tax assets, net	20,549	20,549
Other assets	1,581	2,245
Total assets	<u>\$ 1,635,417</u>	<u>\$ 1,642,249</u>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 214,012	\$ 253,311
Current portion of long-term debt	20,000	15,000
Accrued liabilities	73,371	58,369
Total current liabilities	307,383	326,680
Long-term debt	168,628	178,457
Deferred tax liabilities, net	181,251	181,254
Long-term portion of insurance reserves	37,801	39,655
Other liabilities	436	474
Total liabilities	695,499	726,520
Commitments and contingencies		
Equity:		
Preferred stock, \$0.01 par value: 10,000,000 shares authorized; 0 shares issued and outstanding at June 30, 2016 and December 31, 2015	—	—
Common stock, \$0.01 par value: 250,000,000 shares authorized; 38,519,953 issued and 38,366,521 outstanding at June 30, 2016, and 38,217,647 shares issued and outstanding at December 31, 2015	385	377
Treasury stock, 153,432 shares at June 30, 2016, at cost	(4,962)	—
Additional paid-in capital	841,388	838,976
Retained earnings	103,107	76,376
Total equity	939,918	915,729
Total liabilities and equity	<u>\$ 1,635,417</u>	<u>\$ 1,642,249</u>

See notes to our unaudited condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net sales	\$ 431,589	\$ 403,761	\$ 845,613	\$ 762,221
Cost of sales	333,901	318,071	658,470	602,715
Gross profit	97,688	85,690	187,143	159,506
Selling, general, and administrative expense	70,898	74,200	140,586	149,163
Operating profit	26,790	11,490	46,557	10,343
Other income (expense), net:				
Interest expense	(1,371)	(3,156)	(3,044)	(6,317)
Other, net	61	(4)	136	4
Other expense, net	(1,310)	(3,160)	(2,908)	(6,313)
Income from continuing operations before income taxes	25,480	8,330	43,649	4,030
Income tax expense from continuing operations	(9,865)	(1,700)	(16,918)	(1,200)
Income from continuing operations	15,615	6,630	26,731	2,830
Loss from discontinued operations, net	—	(235)	—	(234)
Net income	<u>\$ 15,615</u>	<u>\$ 6,395</u>	<u>\$ 26,731</u>	<u>\$ 2,596</u>
<b>Income (loss) per common share:</b>				
Basic:				
Income from continuing operations	\$ 0.41	\$ 0.18	\$ 0.71	\$ 0.08
Loss from discontinued operations, net	—	(0.01)	—	(0.01)
Net income	<u>\$ 0.41</u>	<u>\$ 0.17</u>	<u>\$ 0.71</u>	<u>\$ 0.07</u>
Diluted:				
Income from continuing operations	\$ 0.41	\$ 0.18	\$ 0.70	\$ 0.08
Loss from discontinued operations, net	—	(0.01)	—	(0.01)
Net income	<u>\$ 0.41</u>	<u>\$ 0.17</u>	<u>\$ 0.70</u>	<u>\$ 0.07</u>

See notes to our unaudited condensed consolidated financial statements

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

	<b>Six Months Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>Net Cash From (For) Operating Activities:</b>		
Net income	\$ 26,731	\$ 2,596
Adjustments to reconcile net income to net cash from (for) operating activities:		
Depreciation and amortization	5,908	6,140
Share-based compensation	3,705	1,666
Loss on sale or abandonment of property and equipment	1,477	2,299
Provision for bad debt expense	1,986	2,507
Loss from inventory obsolescence	667	792
Deferred income taxes, net	(3)	1,202
Changes in certain assets and liabilities:		
Receivables, net	(21,436)	(19,415)
Inventories, net	15,819	7,293
Prepaid expenses and other current assets	(3,266)	(412)
Accounts payable	(39,237)	(21,771)
Long-term portion of insurance reserves	(1,360)	1,882
Accrued liabilities	15,002	6,311
Other, net	153	(47)
Net cash from (for) operating activities	<u>6,146</u>	<u>(8,957)</u>
<b>Cash Flows From (For) Investing Activities:</b>		
Purchases of property and equipment	(6,023)	(7,111)
Proceeds from sale of property and equipment	219	440
Other, net	147	460
Net cash for investing activities	<u>(5,657)</u>	<u>(6,211)</u>
<b>Cash Flows From (For) Financing Activities:</b>		
Net transfer from Former Parent	—	77,186
Cash distribution paid to Former Parent	—	(200,000)
Proceeds from issuance of long-term debt	—	200,000
Repayment of long-term debt	(5,000)	—
Payment of debt issuance costs	—	(1,715)
Taxes withheld and paid on employees' equity awards	(1,285)	—
Repurchase of shares of common stock	(4,962)	—
Net cash (for) from financing activities	<u>(11,247)</u>	<u>75,471</u>
<b>Cash and Cash Equivalents</b>		
(Decrease) increase for the period	(10,758)	60,303
Beginning of year	112,848	2,965
End of period	<u>\$ 102,090</u>	<u>\$ 63,268</u>
<b>Supplemental disclosure of noncash investing activities:</b>		
Accruals for property and equipment	\$ 521	\$ —

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 <small>(\$0.01 par value)</small>	Treasury Stock at cost	Additional Paid-in Capital	Retained Earnings	Former Parent Investment	Equity
<b>Balance at December 31, 2014</b>	\$ —	\$ —	\$ —	\$ —	\$ 952,292	\$ 952,292
Net income	—	—	—	—	2,596	2,596
Separation-related adjustments	—	—	—	—	(118,249)	(118,249)
Reclassification of Former Parent investment in connection with the Separation	—	—	836,639	—	(836,639)	—
Issuance of common stock at Separation	377	—	(377)	—	—	—
<b>Balance at June 30, 2015</b>	<u>\$ 377</u>	<u>\$ —</u>	<u>\$ 836,262</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 836,639</u>
<b>Balance at December 31, 2015</b>	\$ 377	\$ —	\$ 838,976	\$ 76,376	\$ —	\$ 915,729
Net income	—	—	—	26,731	—	26,731
Share-based compensation	—	—	3,705	—	—	3,705
Issuance of restricted share awards under long-term equity incentive plan	8	—	(8)	—	—	—
Repurchase of 153,432 shares of common stock pursuant to Share Repurchase Program	—	(4,962)	—	—	—	(4,962)
51,578 shares of common stock withheld to pay taxes on employees' equity awards	—	—	(1,285)	—	—	(1,285)
<b>Balance at June 30, 2016</b>	<u>\$ 385</u>	<u>\$ (4,962)</u>	<u>\$ 841,388</u>	<u>\$ 103,107</u>	<u>\$ —</u>	<u>\$ 939,918</u>

See notes to our unaudited condensed consolidated financial statements.

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

**1. BASIS OF PRESENTATION**

On June 30, 2015 (the “Effective Date”), Masco Corporation (“Masco” or the “Former Parent”) completed the separation (the “Separation”) of its Installation and Other Services businesses (the “Services Business”) from its other businesses. On the Effective Date, TopBuild Corp., a Delaware corporation formed in anticipation of the Separation (“TopBuild” or the “Company”), became an independent public company which holds, through its subsidiaries, the assets and liabilities associated with the Services Business. The Separation was achieved through the distribution of 100 percent of the outstanding capital stock of TopBuild to holders of Masco common stock. References to “TopBuild,” the “Company,” “we,” “our,” and “us” refer to TopBuild Corp. and its consolidated subsidiaries.

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 on Form 10-K for the year ended December 31, 2015.

Prior to the Separation, the consolidated financial statements of TopBuild were prepared on a stand-alone basis and reflect the historical results of operations, financial position, and cash flows of Masco’s Services Business, including an allocable portion of corporate costs.

We report our business in two segments: Installation and Distribution. Our Installation segment principally includes the sale and installation of insulation and other building products. Our Distribution segment principally includes the distribution of insulation and other building products. Our segments are based on our operating units, for which financial information is regularly evaluated by our corporate operating executives.

In our opinion, the accompanying unaudited condensed consolidated financial statements contain all adjustments, of a normal recurring nature, necessary to state fairly our financial position as of June 30, 2016, our results of operations for the three and six months ended June 30, 2016 and 2015, and cash flows for the six months ended June 30, 2016 and 2015. The Condensed Consolidated Balance Sheet at December 31, 2015, was derived from our audited financial statements, but does not include all disclosures required by generally accepted accounting principles in the United States of America (“U.S. GAAP”).

**2. ACCOUNTING POLICIES**

**Financial Statement Presentation.** The condensed consolidated financial statements have been developed in conformity with U.S. 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 period. Actual results could differ materially from these estimates. Our financial statements for the periods prior to the Separation have been derived from the financial statements and accounting records of Masco using the historical results of operations and historical basis of assets and liabilities of the Services Business, and reflect Masco’s net investment in the Services Business.

All intercompany transactions between TopBuild entities have been eliminated. Transactions between TopBuild and Masco prior to the Separation, with the exception of purchase transactions, are reflected in the Condensed Consolidated Statements of Cash Flows as a financing activity in “Net transfer from Former Parent” and in the Condensed Consolidated Statements of Changes in Equity in the column, “Former Parent Investment.”

The accompanying condensed consolidated financial statements for the periods prior to the Separation include allocations of general corporate expenses incurred by Masco for functions such as corporate human resources, finance, and legal, including salaries, benefits, and other related costs. These general corporate expenses were allocated to TopBuild on the basis of sales. Total allocated general corporate costs were \$5.7 million and \$13.6 million for the three and six months ended June 30, 2015, respectively. These costs were included in selling, general, and administrative expenses.

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

Prior to the Separation, Masco incurred certain operating expenses on behalf of the Services Business that were allocated to TopBuild based on direct benefit or usage. These allocated operating expenses were \$1.2 million and \$5.6 million for the three and six months ended June 30, 2015, respectively. These costs were included in selling, general, and administrative expenses. An estimate of these operating expenses was allocated to each of TopBuild’s reporting segments based on a percentage of sales.

For periods prior to the Separation, these condensed consolidated financial statements may not reflect the actual expenses that would have been incurred had we operated as a stand-alone company and may not reflect the consolidated results of operations, financial position, and cash flows had we operated as a stand-alone company. Actual costs that would have been incurred if we had operated as a stand-alone company prior to the Separation would have depended on multiple factors, including organizational structure and strategic decisions made in various areas, including, without limitation, information technology and infrastructure.

During the quarter ended March 31, 2015, we identified an error related primarily to the misallocation of a favorable legal settlement to general corporate expenses of TopBuild in the fourth quarter of 2014. The impact of the error was to understate the allocation of corporate expenses reported as selling, general, and administrative expense and overstate operating profit by \$1.9 million. The error was not considered material to the previously reported 2014 financial statements. The Company recorded the correction of the error by an out-of-period adjustment in the first quarter of 2015, which is therefore reflected in the six months ended June 30, 2015, Condensed Consolidated Statements of Operations and Condensed Consolidated Statements of Cash Flows.

**Share-based Compensation.** Our share-based compensation program currently consists of restricted share awards (“RSAs”) and stock option awards (“Options”). Share-based compensation is reported in selling, general, and administrative expense.

The following table details our award types and accounting policies:

Award Type:	Fair Value Determination	Vesting	Expense Recognition‡	Expense Measurement
<b>Restricted Share Awards</b>				
Service Condition	Closing stock price on date of grant	Ratably; 3 or 5 years	Straight-line	Fair value at grant date
Performance Condition	Closing stock price on date of grant	Cliff; 3 years	Straight-line; Adjusted based on meeting or exceeding performance targets	Evaluated quarterly; 0 - 200% of fair value at grant date depending on performance
Market Condition	Monte-Carlo Simulation	Cliff; 3 years	Straight-line; Recognized even if condition is not met	Fair value at grant date
<b>Stock Options†</b>	Black-Scholes Options Pricing Model	Ratably; 3 or 5 years	Straight-line	Fair value at grant date

†Stock options expire no later than 10 years after the grant date.

‡Expense is reversed if award is forfeited prior to vesting.

**Recently Issued Accounting Pronouncements:** In May 2014, the Financial Accounting Standards Board (“FASB”) issued a new standard for revenue recognition, Accounting Standards Codification 606 (“ASC 606”). The purpose of ASC 606 is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability across industries. ASC 606 is effective for us for annual periods beginning January 1, 2018. We are currently evaluating the impact the adoption of this new standard will have on our results of operations.



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

In July 2015, the FASB issued Accounting Standards Update 2015-11 (“ASU 2015-11”) “Simplifying the Measurement of Inventory.” Under the amendment, ASU 2015-11, inventory should be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This guidance is effective for fiscal years beginning after December 15, 2016. Early adoption is permitted; however, we do not anticipate adopting this standard until the first quarter of 2017. We do not anticipate the adoption of this amendment will have a material impact on our financial position or results of operations

In February 2016, the FASB issued Accounting Standards Update 2016-02 (“ASU 2016-02”), “Leases.” This standard requires a lessee to recognize most leases on their balance sheet. Companies are required to use a modified retrospective transition method for all existing leases. This standard is effective for annual periods beginning after December 15, 2018, and interim periods therein. Early adoption is permitted. We have not yet selected an adoption date and we are currently evaluating the effect on our financial position and results of operations.

In March 2016, the FASB issued Accounting Standards Update 2016-09 (“ASU 2016-09”), “Improvements to Employee Share-Based Payment Accounting.” This update is intended to simplify several aspects of the accounting for share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. Under this guidance, an entity recognizes all excess tax benefits and tax deficiencies as income tax expense or benefit in the income statement. This update is effective for annual and interim periods beginning after December 15, 2016, which will require us to adopt these provisions in the first quarter of 2017. Early adoption is permitted. We have not yet selected an adoption date and we are currently determining the effect on our financial position and results of operations.

**3. GOODWILL AND OTHER INTANGIBLES**

Changes in the carrying amount of goodwill for the six months ended June 30, 2016, by segment, were as follows, in thousands:

	<b>Gross Goodwill at December 31, 2015</b>	<b>Gross Goodwill at June 30, 2016</b>	<b>Accumulated Impairment Losses</b>	<b>Net Goodwill at June 30, 2016</b>
Installation	\$ 1,389,775	\$ 1,389,775	\$ (762,021)	\$ 627,754
Distribution	416,287	416,287	—	416,287
Total	<u>\$ 1,806,062</u>	<u>\$ 1,806,062</u>	<u>\$ (762,021)</u>	<u>\$ 1,044,041</u>

Other intangible assets, net includes customer relationships, non-compete agreements, and trademarks. The following table sets forth our other intangible assets as of June 30, 2016, and December 31, 2015, in thousands:

	<b>As of</b>	
	<b>June 30, 2016</b>	<b>December 31, 2015</b>
Gross definite-lived intangible assets	\$ 19,472	\$ 19,472
Accumulated amortization	(18,295)	(17,892)
Net definite-lived intangible assets	1,177	1,580
Indefinite-lived intangible assets not subject to amortization	407	407
Other intangible assets, net	<u>\$ 1,584</u>	<u>\$ 1,987</u>

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

**4. DEPRECIATION AND AMORTIZATION**

The following table sets forth our depreciation and amortization expense for the three and six months ended June 30, 2016 and 2015, in thousands:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Depreciation	\$ 2,819	\$ 2,825	\$ 5,505	\$ 5,608
Amortization	194	262	403	532
Total	<u>\$ 3,013</u>	<u>\$ 3,087</u>	<u>\$ 5,908</u>	<u>\$ 6,140</u>

**5. LONG-TERM DEBT**

The Company and its wholly-owned domestic subsidiaries (collectively, the “Guarantors”) entered into a senior secured credit agreement and related collateral and guarantee documentation (collectively, the “Credit Agreement”) with PNC Bank, National Association, as administrative agent, and the other lenders and agents party thereto. The Credit Agreement became effective on June 30, 2015. The following table summarizes the key terms of the Credit Agreement, dollars in thousands:

Senior secured term loan facility (original borrowing)	\$ 200,000
Additional term loan and/or revolver capacity available under incremental facility*	\$ 100,000
Interest rate as of June 30, 2016	1.95 %
Scheduled maturity date	6/30/2020
Senior secured revolving credit facility ("Revolving Facility")	\$ 125,000
Sublimit for issuance of letters of credit under Revolving Facility**	\$ 100,000
Sublimit for swingline loans under Revolving Facility**	\$ 15,000

\*Subject to certain conditions (including existing or new lenders providing commitments in respect of such additional borrowing capacity).

\*\* Use of the sublimits for the issuance of letters of credit and swingline loans reduces the availability under the Revolving Facility .

The following table sets forth our remaining principal payments for the following five years as of June 30, 2016, in thousands:

Schedule of Debt Maturity by Years:	Future Principal Payments
2016	\$ 10,000
2017	20,000
2018	20,000
2019	25,000
2020	115,000
Total principal maturities	<u>\$ 190,000</u>

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

The following table reconciles the principal balance of our long-term debt to our Condensed Consolidated Balance Sheets, in thousands:

	As of	
	June 30, 2016	December 31, 2015
Current portion of long-term debt	\$ 20,000	\$ 15,000
Long-term portion of long-term debt	170,000	180,000
Unamortized debt issuance costs	(1,372)	(1,543)
Long-term debt	<u>\$ 188,628</u>	<u>\$ 193,457</u>

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 reduce the availability under the Revolving Facility. The following table summarizes our availability under the Revolving Facility, in thousands:

	As of	
	June 30, 2016	December 31, 2015
Revolving Facility	\$ 125,000	\$ 125,000
Less: standby letters of credit	(55,096)	(55,096)
Capacity under Revolving Facility	<u>\$ 69,904</u>	<u>\$ 69,904</u>

The Credit Agreement contains certain covenants that limit, among other things, certain actions we may take and require us to maintain certain financial ratios. On May 9, 2016, the Company and its lenders executed an Amendment to the Credit Agreement (“Amendment No. 1”). Amendment No. 1 provides for the exclusion of up to \$50 million of completed share repurchases (on a trailing twelve month basis) from the Credit Agreement’s definition of “Fixed Charges” for the purposes of determining the Company’s compliance with the quarterly Fixed Charge Coverage Ratio (“FCCR”) financial covenant. Amendment No. 1 provides for an initial exclusion of up to \$25 million and allows for the exclusion of an additional \$25 million of completed share repurchases from the FCCR calculation, provided that the Company’s Total Leverage Ratio (as defined in the Credit Agreement) is below 2.0x at the time of such share repurchase and after giving pro forma effect to any such share repurchase.

The following table outlines the key financial covenants effective for the period covered by this report:

	June 30, 2016	December 31, 2015
Maximum net leverage ratio	3.25:1.00	3.50:1.00
Minimum fixed charge coverage ratio	1.10:1.00	1.10:1.00
Compliance as of period end	In Compliance	In Compliance

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

**6. FAIR VALUE MEASUREMENTS**

The fair value measurement standard defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (referred to as an “exit price”). Authoritative guidance on fair value measurements and disclosures clarifies that a fair value measurement for a liability should reflect the entity’s non-performance risk. In addition, a fair value hierarchy is established that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

**Fair Value on Recurring Basis**

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 on Non-Recurring Basis**

Fair value measurements were applied to our long-term debt. The carrying value of our long-term debt approximates the 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 Facility. In addition, due to the floating-rate nature of our long-term debt, 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. During the periods presented, there were no transfers between fair value hierarchical levels.

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

**7. SEGMENT INFORMATION**

Information about us by segment is as follows, in thousands:

	<b>Three Months Ended June 30,</b>			
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>Net Sales</b>		<b>Operating Profit (2)</b>	
Our operations by segment were (1):				
Installation	\$ 288,042	\$ 265,296	\$ 22,797	\$ 7,067
Distribution	164,257	160,841	13,547	11,897
Intercompany eliminations and other adjustments (3)	(20,710)	(22,376)	(3,524)	(1,750)
Total	<u>\$ 431,589</u>	<u>\$ 403,761</u>	<u>32,820</u>	<u>17,214</u>
General corporate expense, net (4)			(6,030)	(5,724)
Operating profit, as reported			26,790	11,490
Other expense, net			(1,310)	(3,160)
Income from continuing operations before income taxes			<u>\$ 25,480</u>	<u>\$ 8,330</u>

	<b>Six Months Ended June 30,</b>			
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>Net Sales</b>		<b>Operating Profit (2)</b>	
Our operations by segment were (1):				
Installation	\$ 560,920	\$ 498,659	\$ 36,303	\$ 6,035
Distribution	325,145	305,452	27,880	23,274
Intercompany eliminations and other adjustments (3)	(40,452)	(41,890)	(6,876)	(5,339)
Total	<u>\$ 845,613</u>	<u>\$ 762,221</u>	<u>57,307</u>	<u>23,970</u>
General corporate expense, net (4)			(10,750)	(13,627)
Operating profit, as reported			46,557	10,343
Other expense, net			(2,908)	(6,313)
Income from continuing operations before income taxes			<u>\$ 43,649</u>	<u>\$ 4,030</u>

- (1) All of our operations are located in the United States.
- (2) Segment operating profit for the three and six months ended June 30, 2016, 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). Segment operating profit for the three and six months ended June 30, 2015, includes an estimate of general corporate expense calculated based on a percentage of sales. For the three and six months ended June 30, 2015, the \$3.4 million and \$3.8 million differences, respectively, between estimated expense and actual corporate expense is recorded in intercompany eliminations and other adjustments.
- (3) Intercompany eliminations include the elimination of intercompany profit of \$3.5 million and \$4.0 for the three months ended June 30, 2016 and 2015, respectively, and \$6.9 million and \$7.4 million for the six months ended June 30, 2016 and 2015, respectively. Other adjustments primarily include differences between estimated and actual corporate costs allocated to the segments for the three and six months ended June 30, 2015, as noted in footnote (2) above.
- (4) General corporate expense, net included expenses not specifically attributable to our segments for functions such as corporate human resources, finance, and legal, including salaries, benefits, and other related costs.

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

**8. OTHER COMMITMENTS AND CONTINGENCIES**

**Litigation.** We are subject to 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 that the likelihood the outcome of these matters would have a material adverse effect on us is remote. However, there is no assurance that we will prevail in these 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 results of operations.

**Other Matters.** We enter into contracts, which include customary indemnifications that are standard for the industries in which we operate. Such indemnifications include customer claims against builders for issues relating to our products and workmanship. In conjunction with divestitures and other transactions, we occasionally provide customary indemnifications relating to various items including: the enforceability of trademarks; legal and environmental issues; and asset valuations. We evaluate the probability that amounts may be incurred and appropriately record an estimated liability when deemed probable.

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. Other types of bonds outstanding were principally license and insurance related.

**9. INCOME TAXES**

Our effective tax rates were 38.7 percent and 38.8 percent for the three and six months ended June 30, 2016, respectively. The effective tax rates for the three and six months ended June 30, 2015, were 20.4 percent and 29.8 percent, respectively. The lower rate in 2015 was primarily due to decreases in our valuation allowance resulting from a partial use of our Federal net operating loss carryforward by Masco.

For 2015 activity through the Separation, we filed our tax returns as a member of the Masco consolidated group for U.S. Federal and certain State jurisdictions. As a result, certain tax attributes, primarily the Federal and State net operating loss carryforwards, were treated as assets of the Masco consolidated group, which they were able to utilize through December 31, 2015. Masco fully utilized the Federal net operating loss and certain State net operating losses by the end of 2015.

In the fourth quarter of 2015, we released all but \$0.8 million of our valuation allowance against U.S. Federal and certain state deferred tax assets, due primarily to a return to sustainable operating profitability.

**10. INCOME (LOSS) PER SHARE**

Basic net income per share is calculated by dividing net income by the weighted average shares outstanding during the period, without consideration for common stock equivalents.

Diluted net income per share is calculated by adjusting weighted average shares outstanding for the dilutive effect of common stock equivalents outstanding for the period, determined using the treasury stock method.

For comparative purposes, the computation of basic and diluted income per common share for prior year periods presented was calculated using the shares distributed at Separation. On June 30, 2015, we distributed 37.7 million shares of our common stock to Masco stockholders in conjunction with the Separation.

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

Basic and diluted income (loss) per share were computed as follows, in thousands, except share and per share amounts:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Income from continuing operations	\$ 15,615	\$ 6,630	\$ 26,731	\$ 2,830
Loss from discontinued operations, net	—	(235)	—	(234)
Net income - basic and diluted	<u>\$ 15,615</u>	<u>\$ 6,395</u>	<u>\$ 26,731</u>	<u>\$ 2,596</u>
Weighted average number of common shares outstanding - basic	37,691,259	37,667,947	37,726,542	37,667,947
Dilutive effect of common stock equivalents:				
RSAs with service-based conditions	176,401	—	145,042	—
RSAs with market-based conditions	58,392	—	29,196	—
RSAs with performance-based conditions	—	—	—	—
Stock options	<u>50,651</u>	<u>—</u>	<u>37,328</u>	<u>—</u>
Weighted average number of common shares outstanding - diluted	37,976,703	37,667,947	37,938,108	37,667,947
<b>Basic income (loss) per common share:</b>				
Income from continuing operations	\$ 0.41	\$ 0.18	\$ 0.71	\$ 0.08
Loss from discontinued operations, net	—	(0.01)	—	(0.01)
Net income	<u>\$ 0.41</u>	<u>\$ 0.17</u>	<u>\$ 0.71</u>	<u>\$ 0.07</u>
<b>Diluted income (loss) per common share:</b>				
Income from continuing operations	\$ 0.41	\$ 0.18	\$ 0.70	\$ 0.08
Loss from discontinued operations, net	—	(0.01)	—	(0.01)
Net income	<u>\$ 0.41</u>	<u>\$ 0.17</u>	<u>\$ 0.70</u>	<u>\$ 0.07</u>

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

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Anti-dilutive common stock equivalents:				
RSAs with service-based conditions	12,238	—	55,986	—
RSAs with market-based conditions	—	—	12,647	—
RSAs with performance-based conditions	—	—	—	—
Stock options	<u>445,196</u>	<u>—</u>	<u>464,740</u>	<u>—</u>
Total anti-dilutive common stock equivalents:	<u>457,434</u>	<u>—</u>	<u>533,373</u>	<u>—</u>

**11. SHARE-BASED COMPENSATION**

Prior to the Separation, our eligible employees participated in the Masco share-based compensation program and received restricted share awards and stock options. Effective July 1, 2015, our eligible employees participate in the 2015 TopBuild Long-Term Incentive Plan (the "2015 Plan"). The 2015 Plan authorizes the Board of Directors to grant stock options, stock appreciation rights, restricted shares, restricted share units, performance awards, and dividend equivalents. No more than 4.0 million shares of common stock may be issued under the 2015 Plan. As of June 30, 2016, we had 2.4 million shares available under the 2015 Plan.

Prior to the Separation, share-based compensation expense was allocated to TopBuild based on the awards and options previously granted by Masco to TopBuild employees. Outstanding, unvested Masco stock options and restricted share awards held by employees of TopBuild as of June 30, 2015, were forfeited upon Separation and replaced with TopBuild long-term incentive awards, issued under the 2015 Plan, immediately subsequent to the Separation. The replacement awards are subject to the same terms and conditions in effect prior to the Separation and are of generally equivalent value.

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

Included in selling, general, and administrative expense is share-based compensation expense as presented in the following table, in thousands:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Share-based compensation expense	\$ 2,105	\$ 858	\$ 3,705	\$ 1,666

The following table presents a summary of our share-based compensation activity for the six months ended June 30, 2016, in thousands, except per share amounts:

	<u>Restricted Share Awards</u>		<u>Stock Options</u>			
	<u>Number of Shares</u>	<u>Weighted Average Grant Date Fair Value Per Share</u>	<u>Number of Shares</u>	<u>Weighted Average Grant Date Fair Value Per Share</u>	<u>Weighted Average Exercise Price Per Share</u>	<u>Aggregate Intrinsic Value</u>
Balance December 31, 2015	586.6	\$ 21.97	387.6	\$ 9.35	\$ 24.03	\$ 2,611.7
Granted	325.8	\$ 28.58	409.3	\$ 10.20	\$ 26.30	
Converted/Exercised	(154.2)	\$ 19.21	(3.7)	\$ 10.35	\$ 26.81	
Forfeited	(23.6)	\$ 25.70	(34.9)	\$ 10.28	\$ 26.58	
Balance June 30, 2016	734.6	\$ 25.36	758.3	\$ 9.76	\$ 25.13	\$ 8,397.2
Exercisable June 30, 2016			71.7	\$ 6.69	\$ 16.86	\$ 1,387.3

As of June 30, 2016, we had unrecognized share-based compensation expense relating to unvested awards as shown in the following table, dollars in thousands:

	<u>As of June 30, 2016</u>		
	<u>Unrecognized Compensation Expense on Unvested Awards</u>	<u>Weighted Average Remaining Vesting Period</u>	<u>Weighted Average Remaining Contractual Term for Vested Options</u>
Restricted stock awards	\$ 14,915	1.9 years	
Stock options	5,929	2.0 years	9.1 years
Total unrecognized compensation expense related to unvested awards	\$ 20,844		

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 RSAs with performance-based conditions, in thousands:

<u>RSAs with performance-based conditions</u>	<u>Grant Date Fair Value</u>	<u>Payout Ranges and related expense</u>			
		<u>0%</u>	<u>25%</u>	<u>100%</u>	<u>200%</u>
February 22, 2016	\$ 2,275	\$ —	\$ 569	\$ 2,275	\$ 4,550



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

The fair value of our RSAs with a market-based condition granted under the 2015 Plan was determined using a Monte Carlo simulation. The following are key inputs in the Monte Carlo analysis for awards granted in 2016:

	<b>2016</b>
Remaining measurement period (years)	2.86
Risk free interest rate	0.90 %
Dividend yield	0.00 %
Estimated fair value of market-based RSAs granted	\$ 33.77

The fair values of stock options granted under the 2015 Plan were calculated using the Black-Scholes Options Pricing Model. The following table presents the assumptions used to estimate the fair values of options granted in 2016 and 2015:

	<b>2016</b>	<b>2015</b>
Risk free interest rate	1.51 %	1.82 %
Expected volatility	38.00 %	37.00 %
Expected life (in years)	6.00	6.00
Dividend yield	0.00 %	0.00 %
Estimated fair value of options granted	\$ 10.20	\$ 10.44

**12. SHARE REPURCHASE PROGRAM**

On March 1, 2016, our Board of Directors authorized a share repurchase program (the "Share Repurchase Program"), pursuant to which we may purchase up to \$50 million of our common stock. Share repurchases may be executed through various means including, without limitation, open market purchases, privately negotiated transactions, or otherwise, including pursuant to a Rule 10b5-1 plan. The Share Repurchase Program does not obligate us to purchase any shares and expires February 28, 2017. In its discretion, the Board of Directors may terminate, modify, or amend the Share Repurchase Program at any time.

The following table sets forth our share repurchases under the Share Repurchase Program:

	<b>Three Months Ended June 30, 2016</b>	<b>Six Months Ended June 30, 2016</b>
Number of shares purchased	100,024	153,432
Share repurchase cost (in thousands)	\$ 3,423	\$ 4,962
Average price per share	\$ 34.23	\$ 32.34

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

**13. CLOSURE COSTS**

We continuously evaluate our national footprint to ensure we are strategically located throughout the U.S. to serve our customers and position ourselves for continued growth. As a result of this evaluation, management approved a plan to close 13 locations within our Installation and Distribution segments during the first and second quarters of 2016. In conjunction with this evaluation, we eliminated certain positions at our corporate headquarters located in Daytona Beach, Florida. We recognize expenses related to branch closures and position eliminations at the time of announcement or notification. Such costs may include termination and other severance benefits, lease abandonment costs, and other contract termination costs. Closure costs are accrued on our Condensed Consolidated Balance Sheets as part of accrued liabilities and reflected in our Condensed Consolidated Statements of Operations as selling, general, and administrative expense. Unpaid amounts noted as of June 30, 2016, are expected to be paid within the next nine months.

The following table details our total estimated closure costs by cost type and segment related to the above closures and position eliminations, in thousands:

Segment / Cost Type	Closure Costs Liability at December 31, 2015	Closure Costs Incurred for the Six Months Ended June 30, 2016	Cash Payments for the Six Months Ended June 30, 2016	Non-cash Adjustments for the Six Months Ended June 30, 2016	Closure Costs Liability at June 30, 2016
<b>Installation:</b>					
Severance	\$ —	\$ 582.7	\$ (369.2)	\$ (33.2)	\$ 180.3
Lease abandonment	—	212.6	(101.1)	(12.6)	98.9
Total Installation:	—	795.3	(470.3)	(45.8)	279.2
<b>Distribution:</b>					
Severance	—	12.6	(12.6)	—	—
Lease abandonment	—	70.5	(50.7)	(0.5)	19.3
Total Distribution:	—	83.1	(63.3)	(0.5)	19.3
<b>Corporate:</b>					
Severance	—	110.1	(78.1)	—	32.0
Total Corporate:	—	110.1	(78.1)	—	32.0
<b>Consolidated:</b>					
Severance	—	705.4	(459.9)	(33.2)	212.3
Lease abandonment	—	283.1	(151.8)	(13.1)	118.2
Total Consolidated:	\$ —	\$ 988.5	\$ (611.7)	\$ (46.3)	\$ 330.5

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **OVERVIEW**

TopBuild Corp., headquartered in Daytona Beach, Florida, is the leading purchaser, installer, and distributor of insulation products to the United States construction industry, based on revenue. Prior to June 30, 2015, we operated as a subsidiary of Masco Corporation. We were incorporated in Delaware in February 2015 as Masco SpinCo Corp. and we changed our name to TopBuild Corp. on March 20, 2015. On June 30, 2015, the separation from Masco (the "Separation") was completed and on July 1, 2015, we began trading on the NYSE under the symbol "BLD."

We operate in two segments: Installation (TruTeam) and Distribution (Service Partners). Through our Installation segment, we provide insulation installation services nationwide through our TruTeam contractor services business which has over 175 branches located in 42 states. We install various insulation applications, including fiberglass batts and rolls, blown-in loose fill fiberglass, blown-in loose fill cellulose, and polyurethane spray foam. Additionally, we install other building products, including rain gutters, garage doors, fireplaces, shower enclosures, and closet shelving. 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.

Through our Distribution segment, we distribute insulation and other building products, including rain gutters, fireplaces, closet shelving, and roofing materials through our Service Partners business, which has over 70 branches in 33 states. Our Service Partners customer base consists of thousands of insulation contractors of all sizes, gutter contractors, weatherization contractors, other contractors, dealers, metal building erectors, and modular home builders.

For additional details pertaining to our operating results by segment see Note 7 – Segment Information – in the notes to the unaudited condensed consolidated financial statements, which is incorporated herein by reference.

**SECOND QUARTER 2016 AND THE FIRST SIX MONTHS 2016 VERSUS SECOND QUARTER 2015 AND THE FIRST SIX MONTHS 2015**

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 elsewhere in this Quarterly Report on Form 10-Q.

The following table sets forth our net sales, gross profit, operating profit, and margins, as reported in our Consolidated Statements of Operations, in thousands:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Net sales</b>	<b>\$ 431,589</b>	<b>\$ 403,761</b>	<b>\$ 845,613</b>	<b>\$ 762,221</b>
Cost of sales	333,901	318,071	658,470	602,715
<i>Cost of sales ratio</i>	<i>77.4 %</i>	<i>78.8 %</i>	<i>77.9 %</i>	<i>79.1 %</i>
<b>Gross profit</b>	<b>97,688</b>	<b>85,690</b>	<b>187,143</b>	<b>159,506</b>
<i>Gross profit margin</i>	<i>22.6 %</i>	<i>21.2 %</i>	<i>22.1 %</i>	<i>20.9 %</i>
Selling, general, and administrative expense	70,898	74,200	140,586	149,163
<i>Selling, general, and administrative expense to sales ratio</i>	<i>16.4 %</i>	<i>18.4 %</i>	<i>16.6 %</i>	<i>19.6 %</i>
<b>Operating profit</b>	<b>26,790</b>	<b>11,490</b>	<b>46,557</b>	<b>10,343</b>
<i>Operating profit margin</i>	<i>6.2 %</i>	<i>2.8 %</i>	<i>5.5 %</i>	<i>1.4 %</i>
Other expense, net	(1,310)	(3,160)	(2,908)	(6,313)
Income tax expense from continuing operations	(9,865)	(1,700)	(16,918)	(1,200)
<b>Income from continuing operations</b>	<b>\$ 15,615</b>	<b>\$ 6,630</b>	<b>\$ 26,731</b>	<b>\$ 2,830</b>
<i>Net margin on continuing operations</i>	<i>3.6 %</i>	<i>1.6 %</i>	<i>3.2 %</i>	<i>0.4 %</i>

We report our financial results in accordance with generally accepted accounting principles (“GAAP”) in the United States. However, we believe that certain non-GAAP performance measures and ratios used in managing the business may provide users of this financial information with additional meaningful comparisons between current results and results in prior periods. Non-GAAP performance measures and ratios should be viewed in addition to, and not as an alternative for, our financial results reported in accordance with GAAP.

**Sales and Operations**

Net sales increased 6.9 percent for the three months ended June 30, 2016, from the comparable period of 2015. The increase was principally driven by sales volume growth in both the Installation and Distribution segments. Our sales benefited primarily from the overall continued improvement in the housing market, as well as continued focus on organically growing our residential and commercial activity. Net sales also benefited from increased selling prices for the three months ended June 30, 2016, compared to the same period in the prior year.

Net sales increased 10.9 percent for the six months ended June 30, 2016, from the comparable period of 2015. The increase was principally driven by sales volume growth in both the Installation and Distribution segments. Our sales benefited primarily from the overall continued improvement in the housing market, as well as continued focus on organically growing our residential and commercial activity, mild winter weather conditions, and one additional business day for the six month period ending June 30, 2016, compared with the same period in the prior year. Net sales also benefited from increased selling prices for the six months ended June 30, 2016, compared to the same period in the prior year.

Our gross profit margin was 22.6 percent and 21.2 percent for the three months ended June 30, 2016 and 2015, respectively. Gross profit margin was positively impacted by favorable leverage on higher sales volume and increased selling prices, partially offset by higher insurance claims.

Our gross profit margin was 22.1 percent and 20.9 percent for the six months ended June 30, 2016 and 2015, respectively. Gross profit margin was positively impacted by favorable leverage on higher sales volume and increased selling prices, partially offset by higher insurance claims.

Selling, general, and administrative expense, as a percent of sales, was 16.4 percent and 18.4 percent for the three months ended June 30, 2016 and 2015, respectively. Reduced selling, general, and administrative expense as a percent of sales was a result of lower corporate expenses, increased sales volume, benefits associated with cost savings initiatives, and lower rationalization charges related to our spin-off from Masco, partially offset by higher share-based compensation expense. Selling, general, and administrative expense for the three months ended June 30, 2015, included allocations of Masco general corporate expenses of \$5.7 million.

Selling, general, and administrative expense, as a percent of sales, was 16.6 percent and 19.6 percent for the six months ended June 30, 2016 and 2015, respectively. Reduced selling, general, and administrative expense as a percent of sales was a result of lower corporate expenses, increased sales volume, benefits associated with cost savings initiatives, and lower rationalization charges related to our spin-off from Masco, partially offset by higher share-based compensation expense and closure costs discussed below. Selling, general, and administrative expense for the six months ended June 30, 2015, included allocations of Masco general corporate expenses of \$13.6 million.

Operating margins were 6.2 percent and 2.8 percent for the three months ended June 30, 2016 and 2015, respectively. Operating margins before general corporate expenses were 7.6 percent and 4.3 percent for the three months ended June 30, 2016 and 2015, respectively. Operating margins were positively impacted by increased sales volume, increased selling prices, lower corporate expenses, and benefits associated with cost savings initiatives, partially offset by higher insurance claims, share-based compensation expense, and closure costs discussed below.

Operating margins were 5.5 percent and 1.4 percent for the six months ended June 30, 2016 and 2015, respectively. Operating margins before general corporate expenses were 6.8 percent and 3.1 percent for the six months ended June 30, 2016 and 2015, respectively. Changes in operating margins were positively impacted by increased sales volume, increased selling prices, lower corporate expenses, and benefits associated with cost savings initiatives, partially offset by higher insurance claims, share-based compensation expense, and closure costs discussed below.

#### *Closure and Related Costs*

We incurred expense of \$1.0 million during the six months ended June 30, 2016, related to the closure of 13 locations within our Installation and Distribution segments and the elimination of certain positions at our corporate headquarters. We anticipate recovering these costs within the next nine months.

**Business Segment Results**

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

	<b>Three Months Ended June 30,</b>		<b>Percent Change</b>
	<b>2016</b>	<b>2015</b>	
<b>Sales by business segment:</b>			
Installation	\$ 288,042	\$ 265,296	8.6 %
Distribution	164,257	160,841	2.1 %
Intercompany eliminations and other adjustments	(20,710)	(22,376)	
<b>Net sales</b>	<b>\$ 431,589</b>	<b>\$ 403,761</b>	<b>6.9 %</b>
<b>Operating profit by business segment:</b>			
Installation	\$ 22,797	\$ 7,067	222.6 %
Distribution	13,547	11,897	13.9 %
Intercompany eliminations and other adjustments	(3,524)	(1,750)	
Operating profit before general corporate expense	32,820	17,214	90.7 %
General corporate expense, net	(6,030)	(5,724)	
<b>Operating profit</b>	<b>\$ 26,790</b>	<b>\$ 11,490</b>	<b>133.2 %</b>
<b>Operating profit margins:</b>			
Installation	7.9 %	2.7 %	
Distribution	8.2 %	7.4 %	
Operating profit margin before general corporate expense	7.6 %	4.3 %	
<b>Operating profit margin</b>	<b>6.2 %</b>	<b>2.8 %</b>	

	<b>Six Months Ended June 30,</b>		<b>Percent Change</b>
	<b>2016</b>	<b>2015</b>	
<b>Sales by business segment:</b>			
Installation	\$ 560,920	\$ 498,659	12.5 %
Distribution	325,145	305,452	6.4 %
Intercompany eliminations and other adjustments	(40,452)	(41,890)	
<b>Net sales</b>	<b>\$ 845,613</b>	<b>\$ 762,221</b>	<b>10.9 %</b>
<b>Operating profit by business segment:</b>			
Installation	\$ 36,303	\$ 6,035	501.5 %
Distribution	27,880	23,274	19.8 %
Intercompany eliminations and other adjustments	(6,876)	(5,339)	
Operating profit before general corporate expense	57,307	23,970	139.1 %
General corporate expense, net	(10,750)	(13,627)	
<b>Operating profit</b>	<b>\$ 46,557</b>	<b>\$ 10,343</b>	<b>350.1 %</b>
<b>Operating profit margins:</b>			
Installation	6.5 %	1.2 %	
Distribution	8.6 %	7.6 %	
Operating profit margin before general corporate expense	6.8 %	3.1 %	
<b>Operating profit margin</b>	<b>5.5 %</b>	<b>1.4 %</b>	

## **Installation**

### *Sales*

Sales in the Installation segment increased \$22.7 million, or 8.6 percent, for the three months ended June 30, 2016, compared to the same period in 2015. The increase in sales was primarily due to increased sales volume related to a higher level of activity in new home construction and an increased sales volume of commercial installation. Sales also increased 3.7 percent due to increased selling prices.

Sales in the Installation segment increased \$62.3 million, or 12.5 percent, for the six months ended June 30, 2016, compared to the same period in 2015. The increase in sales was primarily due to increased sales volume related to a higher level of activity in new home construction and commercial activity, mild winter weather conditions, as well as one additional business day during the six months ended June 30, 2016. Sales also increased 3.4 percent due to increased selling prices.

### *Operating results*

Operating margins in the Installation segment were 7.9 percent and 2.7 percent for the three months ended June 30, 2016 and 2015, respectively. Operating margins were positively impacted by increased sales volume, higher selling prices, and related absorption of fixed costs, as well as the benefits associated with cost savings initiatives, and lower corporate expenses which were allocated to the segments based on direct benefit or usage, partially offset by higher insurance claims, increased legal expense, and increased bonus expense.

Operating margins in the Installation segment were 6.5 percent and 1.2 percent for the six months ended June 30, 2016 and 2015, respectively. Operating margins were positively impacted by increased sales volume, higher selling prices, and related absorption of fixed costs, as well as the benefits associated with cost savings initiatives, lower corporate expenses which were allocated to the segments based on direct benefit or usage, and lower professional fees incurred related to the spin-off in the prior year, partially offset by higher insurance claims and current rationalization charges related to the closure costs noted above.

## **Distribution**

### *Sales*

Sales in the Distribution segment increased \$3.4 million, or 2.1 percent, for the three months ended June 30, 2016, compared to the same period in 2015. The increase was primarily due to increased sales volume related to a higher level of activity in new home construction. Sales were partially offset by a 2.2 percent decrease in selling prices.

Sales in the Distribution segment increased \$19.7 million, or 6.4 percent, for the six months ended June 30, 2016, compared to the same period in 2015. The increase in sales was primarily due to an increase in sales volume related to a higher level of activity in new home construction, mild winter weather conditions, and one additional business day during the six months ended June 30, 2016. Sales were partially offset by a 2.0 percent decrease in selling prices.

### *Operating results*

Operating margins in the Distribution segment were 8.2 percent and 7.4 percent for the three months ended June 30, 2016 and 2015, respectively. Operating margins were positively impacted by increased volume and related absorption of fixed costs, lower corporate expenses which were allocated to the segments based on direct benefit or usage, and benefits associated with cost savings initiatives, partially offset by a decrease in selling prices.

Operating margins in the Distribution segment were 8.6 percent and 7.6 percent for the six months ended June 30, 2016 and 2015, respectively. Operating margins were positively impacted by increased volume and related absorption of fixed costs, lower corporate expenses which were allocated to the segments based on direct benefit or usage, as well as benefits associated with cost savings initiatives, partially offset by a decrease in selling prices.

**OTHER ITEMS**

*Other expense, net*

Other expense net, which primarily consisted of interest expense, was \$1.3 million and \$3.2 million for the three months ended June 30, 2016 and 2015, respectively.

Other expense net, which primarily consisted of interest expense, was \$2.9 million and \$6.3 million for the six months ended June 30, 2016 and 2015, respectively.

For both the three and six month periods ended June 30, 2015, prior to the Separation, interest expense was allocated to us by Masco; as such, this expense is not indicative of our future interest expense. Utilizing our current interest rate of 1.95 percent as of June 30, 2016, our expected interest expense, including the amortization of debt issuance costs, is estimated to be \$2.0 million for the remaining six months of 2016.

*Income tax expense from continuing operations*

Income tax expense from continuing operations was \$9.9 million, an effective tax rate ("ETR") of 38.7 percent, for the three months ended June 30, 2016, compared to \$1.7 million, an ETR of 20.4 percent, for the comparable period in 2015. The lower 2015 rate was primarily due to the decrease in our valuation allowance resulting from the partial use of the Federal net operating loss carryforward by Masco.

Income tax expense from continuing operations was \$16.9 million, an ETR of 38.8 percent, for the six months ended June 30, 2016, compared to \$1.2 million, an ETR of 29.8 percent, for the comparable period in 2015. The lower 2015 rate was primarily due to the decrease in our valuation allowance resulting from the partial use of the Federal net operating loss carryforward by Masco.



**Cash Flows and Liquidity**

Significant sources (uses) of cash and cash equivalents for the six months ended June 30, 2016 and 2015, were summarized as follows, in thousands:

	<b>Six Months Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
Net cash from (for) operating activities	\$ 6,146	\$ (8,957)
Purchases of property and equipment	(6,023)	(7,111)
Proceeds from sale of property and equipment	219	440
Other investing, net	147	460
Net transfer from Former Parent	—	77,186
Cash distribution paid to Former Parent	—	(200,000)
Proceeds from issuance of long-term debt	—	200,000
Repayment of long-term debt	(5,000)	—
Taxes withheld and paid on employees' equity awards	(1,285)	—
Repurchase of shares of common stock	(4,962)	—
Payment of debt issuance costs	—	(1,715)
Cash and cash equivalents (decrease) increase	<u>\$ (10,758)</u>	<u>\$ 60,303</u>
Working capital (receivables, net plus inventories, less accounts payable) as a percentage of net sales for the trailing 12 months	8.4 %	8.3 %

As of as of June 30, 2016 and 2015, our working capital was 8.4 percent and 8.3 percent of net sales for the trailing twelve months, respectively. Working capital increased \$14.2 million to \$143.2 million at June 30, 2016, compared to June 30, 2015. The marginal increase in working capital as a percentage of net sales for the trailing 12 months ended June 30, 2016, compared to June 30, 2015, was due primarily to slightly accelerated supplier payment terms reducing accounts payable levels, offset by lower levels of net receivables and net inventory relative to the trailing 12 months net sales.

Net cash flows generated from (used for) operating activities were \$6.1 million and \$(9.0) million for the six months ended June 30, 2016 and 2015, respectively. The increase was due primarily to improved net income for the six months ended June 30, 2016, compared with the same period in 2015. Further benefiting net cash flows generated from operating activities was improved management of inventory purchases driven by higher sales levels during the six months ended June 30, 2016, relative to June 30, 2015. Accrued liabilities also increased for the six months ended June 30, 2016, relative to June 30, 2015, primarily related to additional days of accrued payroll for the comparative periods, increased state income taxes payable related to our increased profitability for the comparative periods, and an increase in our group health insurance reserve based on our year-to-date claims experience compared with the prior year period. These changes were partially offset by a larger decrease in our accounts payable for the six months ended June 30, 2016, compared to the same period for 2015, due to the satisfaction of payables related to strategic inventory purchases in the fourth quarter of 2015 and a nominal change to payment terms for select suppliers which accelerated payments.

Net cash used for investing activities was \$5.7 million for the six months ended June 30, 2016, primarily comprised of \$6.0 million in purchases of property and equipment, partially offset by \$0.2 million of proceeds from sale of property and equipment. Net cash used for investing activities was \$6.2 million for the six months ended June 30, 2015, primarily comprised of \$7.1 million in purchases of property and equipment, partially offset by \$0.4 million of proceeds from sale of property and equipment.

Net cash used for financing activities was \$11.2 million for the six months ended June 30, 2016, primarily comprised of \$5.0 million of repayments of our long-term debt, \$5.0 million of repurchases of our common stock related to our \$50 million share repurchase program announced in March 2016, and \$1.3 million of purchases of common stock for tax withholding obligations related to the vesting of restricted share awards during the six months ended June 30, 2016. Net cash from financing activities for the six months ended June 30, 2015, was \$75.5 million, comprised of a \$77.2 million transfer from Masco, partially offset by a \$1.7 million payment of debt issuance costs. Financing activities for this period in 2015 also included \$200 million proceeds from the issuance of long term debt fully offset by a \$200 million distribution to Masco in conjunction with the Separation.

Prior to the Separation, we largely funded our growth through cash provided by our operations, combined with support from Masco, through its operating cash flows, its long-term debt, and its issuance of securities in the financial markets.

In June 2015, we entered into the Credit Agreement with a bank group. The Credit Agreement consists of a senior secured term loan facility of \$200 million, which was used to finance a \$200 million cash distribution to Masco in connection with the Separation, and a senior secured revolving credit facility which provides for borrowing and/or standby letter of credit issuances of up to \$125 million. Additional borrowing capacity under the credit facility may be accessed by the Company without the consent of the lenders in an aggregate amount not to exceed \$100 million, subject to certain conditions.

Following the Separation, we have access to liquidity through our cash from operations and available borrowing capacity under our Credit Agreement. 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 to fund our debt service requirements, capital expenditures, and working capital for at least the next 12 months. Cash flows are seasonally stronger in the third and fourth quarters as a result of increased new construction activity.

The following table summarizes our liquidity, in thousands:

	As of	
	June 30, 2016	December 31, 2015
Cash and cash equivalents	\$ 102,090	\$ 112,848
Revolving Facility	125,000	125,000
Less: standby letters of credit	(55,096)	(55,096)
Capacity under Revolving Facility	69,904	69,904
Total liquidity	\$ 171,994	\$ 182,752

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

	As of	
	June 30, 2016	December 31, 2015
Performance bonds	\$ 27,362	\$ 19,475
Licensing, insurance, and other bonds	10,635	9,976
Total	\$ 37,997	\$ 29,451

### CRITICAL ACCOUNTING POLICIES

We prepare our condensed consolidated financial statements in conformity with GAAP. The preparation of these condensed consolidated 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, costs, and expenses during the reporting period. Actual results could differ from those estimates. Our critical accounting policies have not changed materially from those previously reported in our Annual Report on Form 10-K for year ended December 31, 2015, as filed with the SEC on March 3, 2016.

## **APPLICATION OF NEW ACCOUNTING STANDARDS**

Information regarding application of new accounting standards is incorporated by reference from Note 2 to our unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

## **FORWARD-LOOKING STATEMENTS**

Statements contained in this report that reflect our views about our future 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,” “anticipate,” “expect,” “believe,” 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 our reliance on residential new construction, residential repair/remodel, and commercial 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 the Separation. We discuss the material risks we face under the caption entitled “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2015, filed 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*

Prior to the Separation, we participated in Masco’s centralized cash management program and were funded through an intercompany loan arrangement whereby Masco provided daily liquidity, as needed, to fund our operations. As a result of this intercompany funding arrangement, prior to the Separation, we had no external indebtedness that exposed us to interest rate risk. Our historical financial statements include standby letter of credit costs, as Masco allocated these costs to TopBuild in related party interest expense allocations.

Our Credit Agreement became effective on June 30, 2015. The Credit Agreement consists of a senior secured term loan facility in the amount of \$200 million and a senior secured revolving facility in the amount of \$125 million.

Interest payable on both the term loan facility 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 our outstanding indebtedness. Based on the current interest rate of 1.95 percent under the senior secured term loan facility, a 100 basis point increase in the interest rate would result in a \$1.8 million increase in our annualized interest expense. There was no outstanding balance under the revolving facility as of June 30, 2016.

**Item 4. CONTROLS AND PROCEDURES**

*Evaluation of Disclosure Controls and Procedures*

Our principal executive officer and principal financial officer have concluded, based on an evaluation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective.

*Changes in Internal Control over Financial Reporting*

During the three months ended June 30, 2016, we did not make any changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We continue to review and document our internal controls over financial reporting and may, from time to time, make changes aimed at enhancing their effectiveness.

**PART II – OTHER INFORMATION****Item 1. LEGAL PROCEEDINGS**

None.

**Item 1A. RISK FACTORS**

There have been no material changes to our risk factors as previously disclosed in our Annual Report on Form 10-K as filed with the SEC on March 3, 2016.

**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 June 30, 2016, 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</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 (a)</b>
April 1, 2016 - April 30, 2016	18,300	\$ 29.55	18,300	\$ 47,921
May 1, 2016 - May 31, 2016	33,840	\$ 34.85	33,840	\$ 46,741
June 1, 2016 - June 30, 2016	47,884	\$ 35.57	47,884	\$ 45,038
Total	100,024	\$ 34.23	100,024	

- (a) On March 1, 2016, our Board of Directors authorized a share repurchase program, which we publicly announced on March 3, 2016 (the “Share Repurchase Program”), pursuant to which we may purchase up to \$50 million of our common stock. The Share Repurchase program does not obligate us to purchase any shares and expires February 28, 2017. The Share Repurchase Program may be terminated, increased, or decreased by our Board of Directors at its discretion at any time.

During the three months ended June 30, 2016, we repurchased 100,024 shares of our common stock for approximately \$3.4 million under the \$50 million Share Repurchase Program. All repurchases were made using cash resources. Our common stock repurchases occurred on the open market pursuant to a Rule 10b5-1 plan. Excluded from this disclosure are shares repurchased to settle statutory employee tax withholding related to the vesting of stock awards and exercise of options.

**Item 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

**Item 4. MINE SAFETY DISCLOSURES**

Not applicable.

**Item 5. OTHER INFORMATION**

None

**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 Form 10-Q and incorporated herein by reference.

**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/ John S. Peterson  
Name: John S. Peterson  
Title: Vice President and Chief Financial Officer

August 4, 2016

**INDEX TO EXHIBITS**

Exhibit No.	Exhibit Title	Incorporated By Reference			Filed Herewith
		Form	Exhibit	Filing Date	
10.1	1st Amendment to Credit Agreement, dated May 9, 2016, among TopBuild Corp. and PNC Bank, National Association, as administrative agent, and the other lenders and agents party thereto.	10-Q	10.1	5/11/2016	
10.2	Amended and Restated TopBuild Corp. 2015 Long Term Stock Incentive Plan ("A&R LTIP").	10-Q	10.2	5/11/2016	
10.3	Form of Restricted Stock Award ("RSA") Agreement under A&R LTIP.				X
10.4	Form of Performance RSA Agreement (EPS) under A&R LTIP.				X
10.5	Form of Performance RSA Agreement (RTSR) under A&R LTIP.				X
10.6	Form of Option Award Agreement under A&R LTIP.				X
10.7	Form of RSA Agreement for Non-Employee Director under A&R LTIP.				X
31.1	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.				X
31.2	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.				X
32.1†	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.				
32.2†	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.				
101.INS	XBRL Instance Document.				X
101.SCH	XBRL Taxonomy Extension Schema Document.				X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.				X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.				X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				X

†Furnished herewith.

## TOPBUILD

**TERMS AND CONDITIONS OF  
RESTRICTED STOCK AWARDS GRANTED UNDER THE  
AMENDED AND RESTATED TOPBUILD 2015 LONG TERM STOCK INCENTIVE PLAN**

These Terms and Conditions apply to an award to you of restricted stock (the "Grant") by TopBuild Corp. (the "Company"). The grant date, number of shares and vesting dates ("Grant Information") are set forth under the "Restricted Awards/Units" tab located under the "Grants & Awards" heading on your dashboard at the Computershare website, and are incorporated herein by reference. By pressing "Acknowledge Grant" and "I agree," you agree to accept the Grant, and you voluntarily agree to these Terms and Conditions and the provisions of the Amended and Restated 2015 Long Term Stock Incentive Plan (as adopted effective May 2, 2016, the "Plan"), and acknowledge that:

- You have read and understand these Terms and Conditions, and are familiar with the provisions of the Plan.
- You have received or have access to all of the documents referred to in these Terms and Conditions.
- All of your rights to the Grant are embodied in these Terms and Conditions and in the Plan, and there are no other commitments or understandings currently outstanding with respect to any other grants of options or restricted stock, except as may be evidenced by agreements duly executed by you and the Company.

You and the Company agree that all of the terms and conditions of the Grant (including the Grant Information) are set forth in these Terms and Conditions and in the Plan. These Terms and Conditions together with the Grant Information constitute your restricted stock award agreement (the "Agreement"). Please read these documents and the related Participation Guide/Prospectus carefully. Copies of the Plan, the Participation Guide/Prospectus and information about the Company are available in the "Documents" and "News Headlines" sections of [www.computershare.com/employee/us](http://www.computershare.com/employee/us).

The use of the words "employment" or "employed" shall be deemed to refer to employment by the Company and its subsidiaries and shall not include employment by an "Affiliate" (as defined in the Plan) which is not a subsidiary of the Company unless the Committee so determines at the time such employment commences.

Certificates for the shares of stock evidencing the Restricted Shares (as defined in the Plan) will not be issued but the shares will be registered in your name in book entry form promptly after your acceptance of this award. You will be entitled to vote and, subject to these Terms and Conditions and the Plan, including but not limited to the vesting and forfeiture provisions, and any applicable Company policy relating to payment, receive any cash dividends (net of required tax withholding) on the Restricted Shares, but you will not be able to obtain a stock certificate or sell, encumber or otherwise transfer the shares except in accordance with the Plan.

---



Provided since the date of the Grant you have been continuously employed by the Company, the restrictions on the shares will lapse in installments until all shares are free of restrictions in each case based on the initial number of shares.

In accordance with Section 6(d)(ii) of the Plan, if your employment should be terminated by reason of your permanent and total disability or if you should die while Restricted Shares remain unvested, the restrictions on all Restricted Shares will lapse and your rights to the shares will become vested on the date of such termination or death. If you are then an employee and your employment should be terminated by reason of retirement on or after your attaining age 65, such restrictions will continue to lapse in the same manner as though your employment had not been terminated, subject to the other provisions of this Agreement and the Plan.

If your employment is terminated for any reason, with or without cause, while restrictions remain in effect, other than for a reason referred to above, all Restricted Shares for which restrictions have not lapsed will be automatically forfeited to the Company.

**You agree not to engage in certain activities.**

Notwithstanding the foregoing, if at any time you engage in an activity following your termination of employment which in the sole judgment of the Committee is detrimental to the interests of the Company, a subsidiary or affiliated company, all Restricted Shares for which restrictions have not lapsed will be forfeited to the Company. You acknowledge that such activity includes, but is not limited to, "Business Activities" (as defined below).

In addition you agree, in consideration for the Grant, and regardless of whether restrictions on shares subject to the Grant have lapsed, while you are employed or retained as a consultant by the Company or any of its subsidiaries and for a period of one year following any termination of your employment and, if applicable, any consulting relationship with the Company or any of its subsidiaries other than a termination in connection with a Change in Control (as defined in the Plan), not to engage in, and not to become associated in a "Prohibited Capacity" (as hereinafter defined) with any other entity engaged in, any Business Activities and not to encourage or assist others in encouraging any employee of the Company or any of its subsidiaries to terminate employment or to become engaged in any such Prohibited Capacity with an entity engaged in any Business Activities. "Business Activities" shall mean the design, development, manufacture, sale, marketing or servicing of any product or providing of services competitive with the products or services of (x) the Company or any subsidiary if you are employed by or consulting with the Company at any time while the Grant is outstanding, or (y) the subsidiary employing or retaining you at any time while the Grant is outstanding, to the extent such competitive products or services are distributed or provided either (1) in the same geographic area as are such products or services of the Company or any of its subsidiaries, or (2) to any of the same customers as such products or services of the Company or any of its subsidiaries are distributed or provided. "Prohibited Capacity" shall mean being associated with an entity as an employee, consultant, investor or in another capacity where (1) confidential business information of the Company or any of its subsidiaries could be used in fulfilling any of your duties or responsibilities with such other entity, (2) any of your duties or responsibilities are similar to or include any of those you had while employed or retained as a consultant by the Company or any of its subsidiaries, or (3) an investment by you in such other entity represents more than 1% of such other entity's capital stock, partnership or other ownership interests.

Should you breach any of the restrictions contained in the preceding paragraph, by accepting this Grant you agree, independent of any equitable or legal remedies that the Company may have and without limiting the Company's right to any other equitable or legal remedies, to pay to the Company in cash immediately upon the demand of the Company (1) the amount of income realized for income tax purposes from this Grant, net of all federal, state and other taxes payable on the amount of such income, but only to the extent such income is realized from restrictions lapsing on shares on or after your termination of employment or, if applicable, any consulting relationship with the Company or its subsidiary or within the two year period prior to the date of such termination, plus (2) all costs and expenses of the Company in any effort to enforce its rights under this or the preceding paragraph. The Company shall have the right to set off or withhold any amount owed to you by the Company or any of its subsidiaries or affiliates for any amount owed to the Company by you hereunder.

**You agree to the application of the Company's Dispute Resolution Policy.**

Section 3 of the Plan provides, in part, that the Committee shall have the authority to interpret the Plan and Grant agreements, and decide all questions and settle all controversies and disputes relating thereto. It further provides that the determinations, interpretations and decisions of the Committee are within its sole discretion and are final, conclusive and binding on all persons. In addition, you and the Company agree that if for any reason a claim is asserted against the Company or any of its subsidiaries or affiliated companies or any officer, employee or agent of the foregoing (other than a claim involving non-competition restrictions or the Company's, a subsidiary's or an affiliated company's trade secrets, confidential information or intellectual property rights) which (1) are within the scope of the Company's Dispute Resolution Policy (the terms of which are incorporated herein, as it shall be amended from time to time); (2) subverts the provisions of Section 3 of the Plan; or (3) involves any of the provisions of the Agreement or the Plan or the provisions of any other restricted stock awards or option or other agreements relating to Company Common Stock or the claims of yourself or any persons to the benefits thereof, in order to provide a more speedy and economical resolution, the Dispute Resolution Policy shall be the sole and exclusive remedy to resolve all disputes, claims or controversies which are set forth above, except as otherwise agreed in writing by you and the Company or a subsidiary of the Company. It is our mutual intention that any arbitration award entered under the Dispute Resolution Policy will be final and binding and that a judgment on the award may be entered in any court of competent jurisdiction. Notwithstanding the provisions of the Dispute Resolution Policy, however, the parties specifically agree that any mediation or arbitration required by this paragraph shall take place at the offices of the American Arbitration Association located in the Daytona Beach, Florida area or such other location in the Daytona Beach, Florida area as the parties might agree. The provisions of this paragraph: (a) shall survive the termination or expiration of this Agreement (b) shall be binding upon the Company's and your respective successors, heirs, personal representatives, designated beneficiaries and any other person asserting a claim based upon the Agreement, (c) shall supersede the provisions of any prior agreement between you and the Company or its subsidiaries or affiliated companies with respect to any of the Company's option, restricted stock or other stock-based incentive plans to the extent the provisions of such other agreement requires arbitration between you and your employer, and (d) may not be modified without the consent of the Company. Subject to the exception set forth above, you and the Company acknowledge that neither of us nor any other person asserting a claim described above has the right to resort to any federal, state or local court

or administrative agency concerning any such claim and the decision of the arbitrator shall be a complete defense to any action or proceeding instituted in any tribunal or agency with respect to any dispute.

**The Grant does not imply any employment or consulting commitment by the Company.**

You agree that the Grant and acceptance of the Grant does not imply any commitment by the Company, a subsidiary or affiliated company to your continued employment or consulting relationship, and that your employment status is that of an employee-at-will and in particular that the Company, its subsidiary or affiliated company has a continuing right with or without cause (unless otherwise specifically agreed to in writing executed by you and the Company) to terminate your employment or other relationship at any time. You agree that your acceptance represents your agreement not to terminate voluntarily your current employment (or consulting arrangement, if applicable) for at least one year from the date of this Grant unless you have already agreed in writing to a longer period.

**You agree to comply with applicable tax requirements and to provide information as requested.**

You agree to comply with the requirements of applicable federal and other laws with respect to withholding or providing for the payment of required taxes. You also agree to promptly provide such information with respect to shares acquired pursuant to the Grant, as may be requested by the Company or any of its subsidiaries or affiliated companies.

This Agreement shall be governed by and interpreted in accordance with Florida law.

The headings set forth herein are for information purposes only and are not a substantive part of these Terms and Conditions.

These Terms and Conditions are effective for grants made on and after May 2, 2016.

## TOPBUILD

**TERMS AND CONDITIONS OF  
PERFORMANCE RESTRICTED STOCK AWARDS GRANTED UNDER THE  
AMENDED AND RESTATED TOPBUILD 2015 LONG TERM STOCK INCENTIVE PLAN**

These Terms and Conditions apply to an award to you of performance-based restricted stock (the "Grant") by TopBuild Corp. (the "Company"). The grant date, number of shares and performance and time vesting conditions and dates ("Grant Information") are set forth in Appendix A hereto and under the "Restricted Awards/Units" tab located under the "Grants & Awards" heading of your dashboard at the Computershare website, and are incorporated herein by reference. By pressing "Acknowledge Grant" and "I agree," you agree to accept the Grant, and you voluntarily agree to these Terms and Conditions and the provisions of the Amended and Restated 2015 Long Term Stock Incentive Plan (as adopted effective May 2, 2016, the "Plan"), and acknowledge that:

- You have read and understand these Terms and Conditions, and are familiar with the provisions of the Plan.
- You have received or have access to all of the documents referred to in these Terms and Conditions.
- All of your rights to the Grant are embodied in these Terms and Conditions and in the Plan, and there are no other commitments or understandings currently outstanding with respect to any other grants of options or restricted stock, except as may be evidenced by agreements duly executed by you and the Company.

You and the Company agree that all of the terms and conditions of the Grant (including the Grant Information) are set forth in these Terms and Conditions and in the Plan. These Terms and Conditions together with the Grant Information constitute your restricted stock award agreement (the "Agreement"). Please read these documents and the related Participation Guide/Prospectus carefully. Copies of the Plan, the Participation Guide/Prospectus and information about the Company are available in the "Documents" and "News Headlines" sections of [www.computershare.com/employee/us](http://www.computershare.com/employee/us).

The use of the words "employment" or "employed" shall be deemed to refer to employment by the Company and its subsidiaries and shall not include employment by an "Affiliate" (as defined in the Plan) which is not a subsidiary of the Company unless the Committee so determines at the time such employment commences.

Certificates for the shares of stock evidencing the Restricted Shares (as defined in the Plan) will not be issued but the shares will be registered in your name in book entry form promptly after your acceptance of this award. You will be entitled to vote and, to the extent permitted by Company policy, receive any cash dividends (net of required tax withholding) on the Restricted Shares but you will not be able to obtain a stock certificate or sell, encumber or otherwise transfer the shares until the shares have been earned except in accordance with the Plan.

---

Provided you have been continuously employed by the Company since the date of the Grant, the restrictions on the shares will lapse and the final number of shares of stock awarded will be determined in accordance with the terms of Section 6(e) of the Plan and Appendix A.

If your employment should be terminated by reason of your permanent and total disability, death, retirement, or other termination while Restricted Shares remain unvested, the amounts of any payments due under this Agreement will be determined in accordance with Sections 6(d)(ii), (g) and (h) of the Plan and Company policy.

**You agree not to engage in certain activities.**

Notwithstanding the foregoing, if at any time you engage in an activity following your termination of employment which in the sole judgment of the Committee is detrimental to the interests of the Company, a subsidiary or affiliated company, all Restricted Shares for which restrictions have not lapsed will be forfeited to the Company. You acknowledge that such activity includes, but is not limited to, "Business Activities" (as defined below).

In addition, you agree, in consideration for the Grant, and regardless of whether restrictions on shares subject to the Grant have lapsed, while you are employed or retained as a consultant by the Company or any of its subsidiaries and for a period of one year following any termination of your employment and, if applicable, any consulting relationship with the Company or any of its subsidiaries other than a termination in connection with a Change in Control (as defined in the Plan), not to engage in, and not to become associated in a "Prohibited Capacity" (as hereinafter defined) with any other entity engaged in, any Business Activities and not to encourage or assist others in encouraging any employee of the Company or any of its subsidiaries to terminate employment or to become engaged in any such Prohibited Capacity with an entity engaged in any Business Activities. "Business Activities" shall mean the design, development, manufacture, sale, marketing or servicing of any product or providing of services competitive with the products or services of (x) the Company or any subsidiary if you are employed by or consulting with the Company at any time while the Grant is outstanding, or (y) the subsidiary employing or retaining you at any time while the Grant is outstanding, to the extent such competitive products or services are distributed or provided either (1) in the same geographic area as are such products or services of the Company or any of its subsidiaries, or (2) to any of the same customers as such products or services of the Company or any of its subsidiaries are distributed or provided. "Prohibited Capacity" shall mean being associated with an entity as an employee, consultant, investor or another capacity where (1) confidential business information of the Company or any of its subsidiaries could be used in fulfilling any of your duties or responsibilities with such other entity, (2) any of your duties or responsibilities are similar to or include any of those you had while employed or retained as a consultant by the Company or any of its subsidiaries, or (3) an investment by you in such other entity represents more than 1% of such other entity's capital stock, partnership or other ownership interests.

Should you breach any of the restrictions contained in the preceding paragraph, by accepting this Grant you agree, independent of any equitable or legal remedies that the Company may have and without limiting the Company's right to any other equitable or legal remedies, to pay to the Company in cash immediately upon the demand of the Company (1) the amount of income realized for income tax purposes from this Grant, net of all federal, state and other taxes

payable on the amount of such income, but only to the extent such income is realized from restrictions lapsing on shares on or after your termination of employment or, if applicable, any consulting relationship with the Company or its subsidiary or within the two year period prior to the date of such termination, plus (2) all costs and expenses of the Company in any effort to enforce its rights under this or the preceding paragraph. The Company shall have the right to set off or withhold any amount owed to you by the Company or any of its subsidiaries or affiliates for any amount owed to the Company by you hereunder.

**You agree to the application of the Company's Dispute Resolution Policy.**

Section 3 of the Plan provides, in part, that the Committee shall have the authority to interpret the Plan and Grant agreements, and decide all questions and settle all controversies and disputes relating thereto. It further provides that the determinations, interpretations and decisions of the Committee are within its sole discretion and are final, conclusive and binding on all persons. In addition, you and the Company agree that if for any reason a claim is asserted against the Company or any of its subsidiaries or affiliated companies or any officer, employee or agent of the foregoing (other than a claim involving non-competition restrictions or the Company's, a subsidiary's or an affiliated company's trade secrets, confidential information or intellectual property rights) which (1) are within the scope of the Company's Dispute Resolution Policy (the terms of which are incorporated herein, as it shall be amended from time to time); (2) subverts the provisions of Section 3 of the Plan; or (3) involves any of the provisions of the Agreement or the Plan or the provisions of any other restricted stock awards or option or other agreements relating to Company Common Stock or the claims of yourself or any persons to the benefits thereof, in order to provide a more speedy and economical resolution, the Dispute Resolution Policy shall be the sole and exclusive remedy to resolve all disputes, claims or controversies which are set forth above, except as otherwise agreed in writing by you and the Company or a subsidiary of the Company. It is our mutual intention that any arbitration award entered under the Dispute Resolution Policy will be final and binding and that a judgment on the award may be entered in any court of competent jurisdiction. Notwithstanding the provisions of the Dispute Resolution Policy, however, the parties specifically agree that any mediation or arbitration required by this paragraph shall take place at the offices of the American Arbitration Association located in the Daytona Beach, Florida area or such other location in the Daytona Beach, Florida area as the parties might agree. The provisions of this paragraph: (a) shall survive the termination or expiration of this Agreement (b) shall be binding upon the Company's and your respective successors, heirs, personal representatives, designated beneficiaries and any other person asserting a claim based upon the Agreement, (c) shall supersede the provisions of any prior agreement between you and the Company or its subsidiaries or affiliated companies with respect to any of the Company's option, restricted stock or other stock-based incentive plans to the extent the provisions of such other agreement requires arbitration between you and your employer, and (d) may not be modified without the consent of the Company. Subject to the exception set forth above, you and the Company acknowledge that neither of us nor any other person asserting a claim described above has the right to resort to any federal, state or local court or administrative agency concerning any such claim and the decision of the arbitrator shall be a complete defense to any action or proceeding instituted in any tribunal or agency with respect to any dispute.

**The Grant does not imply any employment or consulting commitment by the Company.**

You agree that the Grant and acceptance of the Grant does not imply any commitment by the Company, a subsidiary or affiliated company to your continued employment or consulting relationship, and that your employment status is that of an employee-at-will and in particular that the Company, its subsidiary or affiliated company has a continuing right with or without cause (unless otherwise specifically agreed to in writing executed by you and the Company) to terminate your employment or other relationship at any time. You agree that your acceptance represents your agreement not to terminate voluntarily your current employment (or consulting arrangement, if applicable) for at least one year from the date of this Grant unless you have already agreed in writing to a longer period.

**You agree to comply with applicable tax requirements and to provide information as requested.**

You agree to comply with the requirements of applicable federal and other laws with respect to withholding or providing for the payment of required taxes. You also agree to promptly provide such information with respect to shares acquired pursuant to the Grant, as may be requested by the Company or any of its subsidiaries or affiliated companies.

This Agreement shall be governed by and interpreted in accordance with Florida law.

The headings set forth herein are for information purposes only and are not a substantive part of these Terms and Conditions.

These Terms and Conditions are effective for grants made on and after May 2, 2016.

## Appendix A

### Appendix to the 2016 Performance Share Equity Grant

The amount and vesting of Performance shares are dependent on the financial performance of TopBuild Corp. (the “Company”) over a three year period. The accounting performance measurement period will extend from [ ] to [ ].

Your initial grant of shares can be adjusted up or down based on achieving a pre-defined target for cumulative earnings per share (EPS) metric for the Company.

The grants are issued at an expected target payout of 100% and can be adjusted to reflect the actual performance of the Company as determined by the Compensation Committee after the end of the measurement period, at which time the Performance shares will vest. Partial payout, or no payout, are permitted for performance that falls below target levels and a maximum potential payout of up to 200% of the target award if the level for performance exceeds certain target performance. The performance-based restricted shares will vest on [ ].

Management reserves the right to make certain assumptions and minor calculation decisions when calculating performance.



## TOPBUILD

**TERMS AND CONDITIONS OF  
PERFORMANCE RESTRICTED STOCK AWARDS GRANTED UNDER THE  
AMENDED AND RESTATED TOPBUILD 2015 LONG TERM STOCK INCENTIVE PLAN**

These Terms and Conditions apply to an award to you of performance-based restricted stock (the "Grant") by TopBuild Corp. (the "Company"). The grant date, number of shares and performance and time vesting conditions and dates ("Grant Information") are set forth in Appendix A hereto and under the "Restricted Awards/Units" tab located under the "Grants & Awards" heading of your dashboard at the Computershare website, and are incorporated herein by reference. By pressing "Acknowledge Grant" and "I agree," you agree to accept the Grant, and you voluntarily agree to these Terms and Conditions and the provisions of the Amended and Restated 2015 Long Term Stock Incentive Plan (as adopted effective May 2, 2016, the "Plan"), and acknowledge that:

- You have read and understand these Terms and Conditions, and are familiar with the provisions of the Plan.
- You have received or have access to all of the documents referred to in these Terms and Conditions.
- All of your rights to the Grant are embodied in these Terms and Conditions and in the Plan, and there are no other commitments or understandings currently outstanding with respect to any other grants of options or restricted stock, except as may be evidenced by agreements duly executed by you and the Company.

You and the Company agree that all of the terms and conditions of the Grant (including the Grant Information) are set forth in these Terms and Conditions and in the Plan. These Terms and Conditions together with the Grant Information constitute your restricted stock award agreement (the "Agreement"). Please read these documents and the related Participation Guide/Prospectus carefully. Copies of the Plan, the Participation Guide/Prospectus and information about the Company are available in the "Documents" and "News Headlines" sections of [www.computershare.com/employee/us](http://www.computershare.com/employee/us).

The use of the words "employment" or "employed" shall be deemed to refer to employment by the Company and its subsidiaries and shall not include employment by an "Affiliate" (as defined in the Plan) which is not a subsidiary of the Company unless the Committee so determines at the time such employment commences.

Certificates for the shares of stock evidencing the Restricted Shares (as defined in the Plan) will not be issued but the shares will be registered in your name in book entry form promptly after your acceptance of this award. You will be entitled to vote and, to the extent permitted by Company policy, receive any cash dividends (net of required tax withholding) on the Restricted Shares but you will not be able to obtain a stock certificate or sell, encumber or otherwise transfer the shares until the shares have been earned except in accordance with the Plan.

---

Provided you have been continuously employed by the Company since the date of the Grant, the restrictions on the shares will lapse and the final number of shares of stock awarded will be determined in accordance with the terms of Section 6(e) of the Plan and Appendix A.

If your employment should be terminated by reason of your permanent and total disability, death, retirement, or other termination, while Restricted Shares remain unvested the amounts of any payments due under this agreement will be determined in accordance with Sections 6(d)(ii), (g) and (h) of the Plan and Company policy.

**You agree not to engage in certain activities.**

Notwithstanding the foregoing, if at any time you engage in an activity following your termination of employment which in the sole judgment of the Committee is detrimental to the interests of the Company, a subsidiary or affiliated company, all Restricted Shares for which restrictions have not lapsed will be forfeited to the Company. You acknowledge that such activity includes, but is not limited to, "Business Activities" (as defined below).

In addition you agree, in consideration for the Grant, and regardless of whether restrictions on shares subject to the Grant have lapsed, while you are employed or retained as a consultant by the Company or any of its subsidiaries and for a period of one year following any termination of your employment and, if applicable, any consulting relationship with the Company or any of its subsidiaries other than a termination in connection with a Change in Control (as defined in the Plan), not to engage in, and not to become associated in a "Prohibited Capacity" (as hereinafter defined) with any other entity engaged in, any Business Activities and not to encourage or assist others in encouraging any employee of the Company or any of its subsidiaries to terminate employment or to become engaged in any such Prohibited Capacity with an entity engaged in any Business Activities. "Business Activities" shall mean the design, development, manufacture, sale, marketing or servicing of any product or providing of services competitive with the products or services of (x) the Company or any subsidiary if you are employed by or consulting with the Company at any time while the Grant is outstanding, or (y) the subsidiary employing or retaining you at any time while the Grant is outstanding, to the extent such competitive products or services are distributed or provided either (1) in the same geographic area as are such products or services of the Company or any of its subsidiaries, or (2) to any of the same customers as such products or services of the Company or any of its subsidiaries are distributed or provided. "Prohibited Capacity" shall mean being associated with an entity as an employee, consultant, investor or another capacity where (1) confidential business information of the Company or any of its subsidiaries could be used in fulfilling any of your duties or responsibilities with such other entity, (2) any of your duties or responsibilities are similar to or include any of those you had while employed or retained as a consultant by the Company or any of its subsidiaries, or (3) an investment by you in such other entity represents more than 1% of such other entity's capital stock, partnership or other ownership interests.

Should you breach any of the restrictions contained in the preceding paragraph, by accepting this Grant you agree, independent of any equitable or legal remedies that the Company may have and without limiting the Company's right to any other equitable or legal remedies, to pay to the Company in cash immediately upon the demand of the Company (1) the amount of income realized for income tax purposes from this Grant, net of all federal, state and other taxes payable on the amount of such income, but only to the extent such income is realized from

restrictions lapsing on shares on or after your termination of employment or, if applicable, any consulting relationship with the Company or its subsidiary or within the two year period prior to the date of such termination, plus (2) all costs and expenses of the Company in any effort to enforce its rights under this or the preceding paragraph. The Company shall have the right to set off or withhold any amount owed to you by the Company or any of its subsidiaries or affiliates for any amount owed to the Company by you hereunder.

**You agree to the application of the Company's Dispute Resolution Policy.**

Section 3 of the Plan provides, in part, that the Committee shall have the authority to interpret the Plan and Grant agreements, and decide all questions and settle all controversies and disputes relating thereto. It further provides that the determinations, interpretations and decisions of the Committee are within its sole discretion and are final, conclusive and binding on all persons. In addition, you and the Company agree that if for any reason a claim is asserted against the Company or any of its subsidiaries or affiliated companies or any officer, employee or agent of the foregoing (other than a claim involving non-competition restrictions or the Company's, a subsidiary's or an affiliated company's trade secrets, confidential information or intellectual property rights) which (1) are within the scope of the Company's Dispute Resolution Policy (the terms of which are incorporated herein, as it shall be amended from time to time); (2) subverts the provisions of Section 3 of the Plan; or (3) involves any of the provisions of the Agreement or the Plan or the provisions of any other restricted stock awards or option or other agreements relating to Company Common Stock or the claims of yourself or any persons to the benefits thereof, in order to provide a more speedy and economical resolution, the Dispute Resolution Policy shall be the sole and exclusive remedy to resolve all disputes, claims or controversies which are set forth above, except as otherwise agreed in writing by you and the Company or a subsidiary of the Company. It is our mutual intention that any arbitration award entered under the Dispute Resolution Policy will be final and binding and that a judgment on the award may be entered in any court of competent jurisdiction. Notwithstanding the provisions of the Dispute Resolution Policy, however, the parties specifically agree that any mediation or arbitration required by this paragraph shall take place at the offices of the American Arbitration Association located in the Daytona Beach, Florida area or such other location in the Daytona Beach, Florida area as the parties might agree. The provisions of this paragraph: (a) shall survive the termination or expiration of this Agreement, (b) shall be binding upon the Company's and your respective successors, heirs, personal representatives, designated beneficiaries and any other person asserting a claim based upon the Agreement, (c) shall supersede the provisions of any prior agreement between you and the Company or its subsidiaries or affiliated companies with respect to any of the Company's option, restricted stock or other stock-based incentive plans to the extent the provisions of such other agreement requires arbitration between you and your employer, and (d) may not be modified without the consent of the Company. Subject to the exception set forth above, you and the Company acknowledge that neither of us nor any other person asserting a claim described above has the right to resort to any federal, state or local court or administrative agency concerning any such claim and the decision of the arbitrator shall be a complete defense to any action or proceeding instituted in any tribunal or agency with respect to any dispute.

**The Grant does not imply any employment or consulting commitment by the Company.**

You agree that the Grant and acceptance of the Grant does not imply any commitment by the Company, a subsidiary or affiliated company to your continued employment or consulting relationship, and that your employment status is that of an employee-at-will and in particular that the Company, its subsidiary or affiliated company has a continuing right with or without cause (unless otherwise specifically agreed to in writing executed by you and the Company) to terminate your employment or other relationship at any time. You agree that your acceptance represents your agreement not to terminate voluntarily your current employment (or consulting arrangement, if applicable) for at least one year from the date of this Grant unless you have already agreed in writing to a longer period.

**You agree to comply with applicable tax requirements and to provide information as requested.**

You agree to comply with the requirements of applicable federal and other laws with respect to withholding or providing for the payment of required taxes. You also agree to promptly provide such information with respect to shares acquired pursuant to the Grant, as may be requested by the Company or any of its subsidiaries or affiliated companies.

This Agreement shall be governed by and interpreted in accordance with Florida law.

The headings set forth herein are for information purposes only and are not a substantive part of these Terms and Conditions.

These Terms and Conditions are effective for grants made on and after May 2, 2016.

## Appendix A

### Appendix to the 2016 Performance Share Equity Grant

The amount and vesting of Performance shares are dependent on the financial performance of TopBuild Corp. (the “Company”) over a three year period. The accounting performance measurement period will extend from [ ] to [ ].

Your initial grant of shares can be adjusted up or down based on achieving a pre-defined target Relative Total Shareholder Return (“RTSR”), relative to a peer group of related companies, metric for the Company.

The grants are issued at an expected target payout of 100% and can be adjusted to reflect the actual performance of the Company as determined by the Compensation Committee after the end of the measurement period, at which time the Performance shares will vest. Partial payout, or no payout, are permitted for performance that falls below target levels and a maximum potential payout of up to 200% of the target award if the level for performance exceeds certain target performance. The performance-based restricted shares will vest on [ ].

Management reserves the right to make certain assumptions and minor calculation decisions when calculating performance.

## TOPBUILD

**TERMS AND CONDITIONS OF  
NON-QUALIFIED STOCK OPTIONS GRANTED UNDER THE  
AMENDED AND RESTATED TOPBUILD 2015 LONG TERM STOCK INCENTIVE PLAN**

These Terms and Conditions apply to a grant to you of a non-qualified stock option (the "Option" or "Grant") by TopBuild Corp. (the "Company"). The grant date, number of shares, exercise price, vesting dates and the expiration date of the Option ("Grant Information") are set forth under the "Options" tab located under the "Grants & Awards" heading of your dashboard at the Computershare website, and are incorporated herein by reference. By pressing "Acknowledge Grant" and "I agree," you agree to accept the Option, and you voluntarily agree to these Terms and Conditions and the provisions of the Amended and Restated 2015 Long Term Stock Incentive Plan (as adopted effective May 2, 2016, the "Plan"), and acknowledge that:

- You have read and understand all the se Terms and Conditions, and are familiar with the provisions of the Plan.
- You have received or have access to all of the documents referred to in these Terms and Conditions.
- All of your rights to the Option are embodied in these Terms and Conditions and in the Plan, and there are no other commitments or understandings currently outstanding with respect to any other grants of options, restricted stock, phantom stock or stock appreciation rights, except as may be evidenced by agreements duly executed by you and the Company.

You and the Company agree that all of the terms and conditions of the grant of the Option (including the Grant Information) are set forth in these Terms and Conditions and in the Plan. These Terms and Conditions together with the Grant Information constitute your option agreement (the "Agreement"). Please read these documents and the related Participation Guide/Prospectus carefully. Copies of the Plan, the Participation Guide/Prospectus and information about the Company are available in the "Documents" and "News Headlines" sections of [www.computershare.com/employee/us](http://www.computershare.com/employee/us).

The use of the words "employment" or "employed" shall be deemed to refer to employment by the Company and its subsidiaries and shall not include employment by an "Affiliate" (as defined in the Plan) which is not a subsidiary of the Company unless the Committee so determines at the time such employment commences.

This Option, if accepted by you, grants you the right to purchase shares of Company Common Stock, \$0.01 par value, at a price per share which shall not be less than 100% of the fair market value of a share of Company Common Stock on the date of grant.

**When the Option is Exercisable and Termination**

The Option is exercisable cumulatively in installments, provided that, subject to the last sentence of this paragraph, on each date of exercise you qualify under the provisions of the Plan, including Section 6(a), subparagraph (i)(E), to exercise such Option. All installments of the

---

Option must be exercised no later than ten years after the date of grant; all unexercised installments or portions thereof shall lapse and the right to purchase shares pursuant to this Option shall be of no further effect after such date. If during the option exercise periods your employment is terminated for any reason, the Option shall terminate in accordance with Section 6 of the Plan.

**You agree not to engage in certain activities.**

Notwithstanding the foregoing, if at any time you engage in an activity following your termination of employment which in the sole judgment of the Committee is detrimental to the interests of the Company, a subsidiary or affiliated company, all unexercised installments of the Option or portions thereof will be forfeited to the Company. You acknowledge that such activity includes, but is not limited to, Business Activities (as defined below).

In addition you agree, in consideration for the grant of the Option and regardless of whether the Option becomes exercisable or is exercised, while you are employed or retained as a consultant by the Company or any of its subsidiaries and for a period of one year following any termination of your employment and, if applicable, any consulting relationship with the Company or any of its subsidiaries other than a termination in connection with a Change in Control (as defined in the Plan), not to engage in, and not to become associated in a “Prohibited Capacity” (as defined below) with any other entity engaged in, any Business Activities and not to encourage or assist others in encouraging any employee of the Company or any of its subsidiaries to terminate employment or to become engaged in any such Prohibited Capacity with an entity engaged in any Business Activities. “Business Activities” shall mean the design, development, manufacture, sale, marketing or servicing of any product or providing of services competitive with the products or services of (x) the Company or any subsidiary if you are employed by or consulting with the Company at any time the Option is outstanding, or (y) the subsidiary employing or retaining you at any time while the Option is outstanding, to the extent such competitive products or services are distributed or provided either (1) in the same geographic area as are such products or services of the Company or any of its subsidiaries, or (2) to any of the same customers as such products or services of the Company or any of its subsidiaries are distributed or provided. “Prohibited Capacity” shall mean being associated with an entity as an employee, consultant, investor or another capacity where (1) confidential business information of the Company or any of its subsidiaries could be used in fulfilling any of your duties or responsibilities with such other entity, (2) any of your duties or responsibilities are similar to or include any of those you had while employed or retained as a consultant by the Company or any of its subsidiaries, or (3) an investment by you in such other entity represents more than 1% of such other entity’s capital stock, partnership or other ownership interests.

Should you breach any of the restrictions contained in the preceding paragraph, by accepting the Option you agree, independent of any equitable or legal remedies that the Company may have and without limiting the Company’s right to any other equitable or legal remedies, to pay to the Company in cash immediately upon the demand of the Company (1) the amount of income realized for income tax purposes from the exercise of any portion of the Option, net of all federal, state and other taxes payable on the amount of such income (and reduced by any amount already paid to the Company under the second preceding paragraph), but only to the extent such exercises occurred on or after your termination of employment or, if applicable, any consulting relationship with the Company or its subsidiary or within the two year

period prior to the date of such termination, plus (2) all costs and expenses of the Company in any effort to enforce its rights under this or the preceding paragraph. The Company shall have the right to set off or withhold any amount owed to you by the Company or any of its subsidiaries or affiliates for any amount owed to the Company by you hereunder.

**You agree to the application of the Company's Dispute Resolution Policy.**

Section 3 of the Plan provides, in part, that the Committee shall have the authority to interpret the Plan and Option agreements, and decide all questions and settle all controversies and disputes relating thereto. It further provides that the determinations, interpretations and decisions of the Committee are within its sole discretion and are final, conclusive and binding on all persons. In addition, you and the Company agree that if for any reason a claim is asserted against the Company or any of its subsidiaries or affiliated companies or any officer, employee or agent of the foregoing which (1) is within the scope of the Company's Dispute Resolution Policy (the terms of which are incorporated herein, as it shall be amended from time to time); (2) subverts the provisions of Section 3 of the Plan; or (3) involves any of the provisions of the Agreement or the Plan or the provisions of any other option agreements or restricted stock awards or other agreements relating to Company Common Stock or the claims of yourself or any persons to the benefits thereof, in order to provide a more speedy and economical resolution, the Dispute Resolution Policy shall be the sole and exclusive remedy to resolve all disputes, claims or controversies which are set forth above, except as otherwise agreed in writing by you and the Company or a subsidiary of the Company. It is our mutual intention that any arbitration award entered under the Dispute Resolution Policy will be final and binding and that a judgment on the award may be entered in any court of competent jurisdiction. Notwithstanding the provisions of the Dispute Resolution Policy, however, the parties specifically agree that any mediation or arbitration required by this paragraph shall take place at the offices of the American Arbitration Association located in the Daytona Beach, Florida area or such other location in the Daytona Beach, Florida area as the parties might agree. The provisions of this paragraph: (a) shall survive the termination or expiration of this Agreement, (b) shall be binding upon the Company's and your respective successors, heirs, personal representatives, designated beneficiaries and any other person asserting a claim based upon this Agreement, (c) shall supersede the provisions of any prior agreement between you and the Company or its subsidiaries or affiliated companies with respect to any of the Company's option, restricted stock or other stock-based incentive plans to the extent the provisions of such other agreement requires arbitration between you and the Company or one of its subsidiaries, and (d) may not be modified without the consent of the Company. Subject to the exception set forth above, you and the Company acknowledge that neither of us nor any other person asserting a claim described above has the right to resort to any federal, state or local court or administrative agency concerning any such claim and the decision of the arbitrator shall be a complete defense to any action or proceeding instituted in any tribunal or agency with respect to any dispute.

**The following provision applies if your employment is terminated.**

If your employment with the Company or any of its subsidiaries is terminated for any reason, other than death, permanent and total disability, retirement on or after normal retirement date or the sale or other disposition of the business or subsidiary employing you, and other than termination of employment in connection with a Change in Control, and if any installments of the Option or any restoration options granted upon any exercise of the Option became



exercisable within the two year period prior to the date of such termination (such installments and restoration options being referred to as the "Subject Options"), by accepting the Option you agree that the following provisions will apply:

- (1) Upon the demand of the Company you will pay to the Company in cash within 30 days after the date of such termination the amount of income realized for income tax purposes from the exercise of any Subject Options, net of all federal, state and other taxes payable on the amount of such income, plus all costs and expenses of the Company in any effort to enforce its rights hereunder; and
- (2) Any right you would otherwise have, pursuant to the terms of the Plan and these Terms and Conditions, to exercise any Subject Options on or after the date of such termination, shall be extinguished as of the date of such termination.

The Company shall have the right to set off or withhold any amount owed to you by the Company or any of its subsidiaries or affiliates for any amount owed to the Company by you hereunder.

**The Option grant does not imply any employment or consulting commitment by the Company.**

You agree that the grant of the Option and acceptance of the Option does not imply any commitment by the Company, a subsidiary or affiliated company to your continued employment or consulting relationship, and that your employment status is that of an employee-at-will and in particular that the Company, its subsidiary or affiliated company has a continuing right with or without cause (unless otherwise specifically agreed to in writing executed by you and the Company) to terminate your employment or other relationship at any time. You agree that your acceptance represents your agreement not to terminate voluntarily your current employment (or consulting arrangement, if applicable) for at least one year from the date of grant unless you have already agreed in writing to a longer period.

**You agree to comply with applicable tax requirements and to provide information as requested.**

You agree to comply with the requirements of applicable federal and other laws with respect to withholding or providing for the payment of required taxes. You also agree to promptly provide such information with respect to shares acquired pursuant to the Option, as may be requested by the Company or any of its subsidiaries or affiliated companies.

The Agreement shall be governed by and interpreted in accordance with Florida law.

The headings set forth herein are for informational purposes only and are not a substantive part of these Terms and Conditions.

These Terms and Conditions are effective for grants made on and after May 2, 2016.

## TOPBUILD

**TERMS AND CONDITIONS OF  
RESTRICTED STOCK AWARDS FOR NON-EMPLOYEE  
DIRECTORS UNDER THE  
AMENDED AND RESTATED TOPBUILD 2015 LONG TERM STOCK INCENTIVE PLAN**

These Terms and Conditions apply to an award to you of restricted stock (the "Grant") by the Board of Directors (the "Board") of TopBuild Corp. (the "Company"). The grant date, number of shares and vesting dates ("Grant Information") are set forth under the "Restricted Awards Detail & History" tab located under the "Grants & Awards" heading on your dashboard at the Computershare website and are incorporated herein by reference. By pressing "Acknowledge Grant" and "I agree," you agree to accept the Grant, and you voluntarily agree to these Terms and Conditions and the provisions of the Amended and Restated 2015 Long Term Stock Incentive Plan (as adopted effective May 2, 2016, the "Plan"), and acknowledge that:

- You have read and understand these Terms and Conditions, and are familiar with the provisions of the Plan.
- You have received or have access to all of the documents referred to in these Terms and Conditions.
- All of your rights to the Grant are embodied in these Terms and Conditions and in the Plan, and there are no other commitments or understandings currently outstanding with respect to any other grants of options, restricted stock, phantom stock or stock appreciation rights, except as may be evidenced by agreements duly executed by you and the Company.

You and the Company agree that all of the terms and conditions of the Grant (including the Grant Information) are set forth in these Terms and Conditions and in the Plan. These Terms and Conditions together with the Grant Information constitute your restricted stock award agreement (the "Agreement"). Please read these documents and the related Participation Guide/Prospectus carefully. Copies of the Plan, the Participation Guide/Prospectus and information about the Company are available in the "Documents" and "News Headlines" sections of [www.computershare.com/employee/us](http://www.computershare.com/employee/us).

Certificates for the shares of stock evidencing the Restricted Shares (as defined in the Plan) will not be issued but the shares will be registered in your name in book entry form promptly after your acceptance of this award. You will be entitled to vote and, subject to these Terms and Conditions and the Plan, including but not limited to the vesting and forfeiture provisions, and any applicable Company policy relating to payment, receive any cash dividends (net of required tax withholding) on the Restricted Shares, but you will not be able to obtain a stock certificate or sell, encumber or otherwise transfer the shares except in accordance with the Plan.

Provided since the date of the Grant you have continuously served as an Eligible Director, as hereinafter defined, the restrictions on the shares will lapse in installments until all shares are free of restrictions in each case based on the initial number of shares. An Eligible Director is any Director of the Company who is not an employee of the Company and who receives a fee for services as a Director. If your term as an Eligible Director should be terminated by reason of your death or permanent and total disability, or if following retirement from your term as an Eligible Director you thereafter die, the restrictions on all Restricted Stock will lapse and your rights to the shares will become vested on the date of such termination or death. If your term as an Eligible Director terminates by reason of retirement on or after normal retirement age as specified in the Company's Corporate Governance Guidelines, the restrictions contained in the Grant shall continue to lapse in the same manner as though your term had not terminated. If your term as an Eligible Director is terminated for any reason other than death or permanent and total disability or retirement on or after normal retirement age as specified in the Company's Corporate Governance Guidelines, while restrictions remain in effect, the Restricted Stock that has not vested shall be automatically forfeited and transferred back to the Company; provided, however, that a pro rata portion of the Restricted Stock which would have vested less than one year following the year of such termination shall vest on the date of termination, based upon the portion of the year between annual vesting dates during which you served as an Eligible Director of the Company.

**You agree not to engage in certain activities.**

Notwithstanding the foregoing, if at any time you engage in an activity following your termination of service which in the sole judgment of the Board is detrimental to the interests of the Company, a subsidiary or affiliated company, all Restricted Shares for which restrictions have not lapsed will be forfeited to the Company. You acknowledge that such activity includes, but is not limited to, "Business Activities" (as defined below).

In addition you agree, in consideration for the Grant, and regardless of whether restrictions on shares subject to the Grant have lapsed, while you are a Director of the Company and for a period of one year following any termination of your term as a Director of the Company, other than a termination following a Change in Control (as defined in the Plan), not to engage in, and not to become associated in a "Prohibited Capacity" (as hereinafter defined) with any other entity engaged in, any Business Activities and not to encourage or assist others in encouraging any employee of the Company or any of its subsidiaries to terminate employment or to become engaged in any such Prohibited Capacity with an entity engaged in any Business Activities. "Business Activities" shall mean the design, development, manufacture, sale, marketing or servicing of any product or providing of services competitive with the products or services of the Company or any subsidiary at any time while the Grant is outstanding, to the extent such competitive products or services are distributed or provided either (1) in the same geographic area as are such products or services of the Company or any of its subsidiaries, or (2) to any of the same customers as such products or services of the Company or any of its subsidiaries are distributed or provided. "Prohibited Capacity" shall mean being associated with an entity as a director, employee, consultant, investor or in another capacity where (1) confidential business information of the Company or any of its subsidiaries could be used in fulfilling any of your duties or responsibilities with such other entity, or (2) an investment by you in such other entity represents more than 1% of such other entity's capital stock, partnership or other ownership interests.

Should you breach any of the restrictions contained in the preceding paragraph, by accepting this Grant you agree, independent of any equitable or legal remedies that the Company may have and without limiting the Company's right to any other equitable or legal remedies, to pay to the Company in cash immediately upon the demand of the Company (1) the amount of income realized for income tax purposes from this Grant, net of all federal, state and other taxes payable on the amount of such income, but only to the extent such income is realized from restrictions lapsing on shares on or after your termination of your term as a Director of the Company or within the two year period prior to the date of such termination, plus (2) all costs and expenses of the Company in any effort to enforce its rights under this or the preceding paragraph. The Company shall have the right to set off or withhold any amount owed to you by the Company or any of its subsidiaries or affiliates for any amount owed to the Company by you hereunder.

**You agree to the application of the Company's Dispute Resolution Policy.**

Section 3 of the Plan provides, in part, that the Committee appointed by the Board to administer the Plan shall have the authority to interpret the Plan and Grant agreements, and decide all questions and settle all controversies and disputes relating thereto. It further provides that the determinations, interpretations and decisions of the Committee are within its sole discretion and are final, conclusive and binding on all persons. In addition, you and the Company agree that if for any reason a claim is asserted against the Company or any of its subsidiaries or affiliated companies or any officer, employee or agent of the foregoing (other than a claim involving non-competition restrictions or the Company's, a subsidiary's or an affiliated company's trade secrets, confidential information or intellectual property rights) which (1) is within the scope of the Company's Dispute Resolution Policy (the terms of which are incorporated herein, as it shall be amended from time to time); (2) subverts the provisions of Section 3 of the Plan; or (3) involves any of the provisions of the Agreement or the Plan or the provisions of any other restricted stock awards or option or other agreements relating to Company Common Stock or the claims of yourself or any persons to the benefits thereof, in order to provide a more speedy and economical resolution, the Dispute Resolution Policy shall be the sole and exclusive remedy to resolve all disputes, claims or controversies which are set forth above, except as otherwise agreed in writing by you and the Company. It is our mutual intention that any arbitration award entered under the Dispute Resolution Policy will be final and binding and that a judgment on the award may be entered in any court of competent jurisdiction. Notwithstanding the provisions of the Dispute Resolution Policy, however, the parties specifically agree that any mediation or arbitration required by this paragraph shall take place at the offices of the American Arbitration Association located in the metropolitan Daytona Beach area or such other location in the metropolitan Daytona Beach area as the parties might agree. The provisions of this paragraph: (a) shall survive the termination or expiration of this Agreement, (b) shall be binding upon the Company's and your respective successors, heirs, personal representatives, designated beneficiaries and any other person asserting a claim based upon the Agreement, (c) shall supersede the provisions of any prior

---

agreement between you and the Company with respect to any of the Company's option, restricted stock or other stock-based incentive plans to the extent the provisions of such other agreement requires arbitration between you and the Company, and (d) may not be modified without the consent of the Company. Subject to the exception set forth above, you and the Company acknowledge that neither of us nor any other person asserting a claim described above has the right to resort to any federal, state or local court or administrative agency concerning any such claim and the decision of the arbitrator shall be a complete defense to any action or proceeding instituted in any tribunal or agency with respect to any dispute.

**You agree to comply with applicable tax requirements and to provide information as requested.**

You agree to comply with the requirements of applicable federal and other laws with respect to withholding or providing for the payment of required taxes. You also agree to promptly provide such information with respect to shares acquired pursuant to the Grant, as may be requested by the Company or any of its subsidiaries or affiliated companies.

This Agreement shall be governed by and interpreted in accordance with Florida law.

The headings set forth herein are for information purposes only and are not a substantive part of these Terms and Conditions.

These Terms and Conditions are effective for grants made on or after May 2, 2016.

---

**Certifications**

I, Gerald Volas, 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)) 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) 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
  - (c) 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: August 4, 2016

/s/ Gerald Volas

\_\_\_\_\_  
Gerald Volas  
Chief Executive Officer and Director  
(Principal Executive Officer)

---

**Certifications**

I, John S. Peterson, 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)) 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) 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
  - (c) 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: August 4, 2016

/s/ John S. Peterson  
John S. Peterson  
Vice President and Chief Financial Officer  
(Principal Financial Officer)

---

**CERTIFICATION OF PERIOD REPORT**

I, Gerald Volas, 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 June 30, 2016 (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: August 4, 2016

/s/ Gerald Volas

Gerald Volas  
Chief Executive Officer and Director  
(Principal Executive Officer)

---

**CERTIFICATION OF PERIOD REPORT**

I, John S. Peterson, 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 June 30, 2016 (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: August 4, 2016

/s/ John S. Peterson

John S. Peterson

Vice President and Chief Financial Officer

(Principal Financial Officer)

---