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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2019

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from_____ to _____

Commission file number: 001-36870

TopBuild Corp.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**47-3096382**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
475 North Williamson Boulevard **Daytona Beach, Florida** (Address of Principal Executive Offices)	**32114** (Zip Code)

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

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

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

Securities registered pursuant to section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
☒ Yes ☐ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
☐ Yes ☒ No

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

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

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

Large accelerated filer ☒ Accelerated filer ☐ Smaller reporting company ☐ Non-accelerated filer ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant based on the closing price of $82.76 per share as reported on the New York Stock Exchange on June 28, 2019, the last business day of the registrant's most recently completed second fiscal quarter, was approximately $2.8 billion.

Number of shares of common stock outstanding as of February 13, 2020: 33,486,521

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for its 2020 Annual Meeting of Shareholders, to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2019, are incorporated by reference into Part III of this Form 10-K.

TOPBUILD CORP.
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GLOSSARY

We use acronyms, abbreviations, and other defined terms throughout this Annual Report on Form 10-K, as defined in the glossary below:

Term	Definition
2016 Repurchase Program	$50 million share repurchase program authorized by the Board on March 1, 2016
2017 ASR Agreement	$100 million accelerated share repurchase agreement with Bank of America, N.A.
2017 Repurchase Program	$200 million share repurchase program authorized by the Board on February 24, 2017
2018 ASR Agreement	$50 million accelerated share repurchase agreement with JPMorgan Chase Bank, N.A.
2019 Repurchase Program	$200 million share repurchase program authorized by the Board on February 22, 2019
2019 ASR Agreement	$50 million accelerated share repurchase agreement with Bank of America, N.A.
ADO	ADO Products, LLC
Amended Credit Agreement	Senior secured credit agreement and related security and pledge agreement dated May 5, 2017, as amended March 28, 2018, with the Lenders
Annual Report	Annual report filed with the SEC on Form 10-K pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Board	Board of Directors of TopBuild
BofA	Bank of America, N.A.
Cooper	Cooper Glass Company, LLC
Current Report	Current report filed with the SEC on Form 8-K pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
EBITDA	Earnings before interest, taxes, depreciation, and amortization
EcoFoam	Bella Insulutions Inc., DBA EcoFoam/Insulutions
Exchange Act	The Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FCCR	Fixed charge coverage ratio is defined in the “Amended Credit Agreement” as the ratio of EBITDA less capital expenditures, and income taxes paid to the sum of cash interest paid, debt principal payments and restricted payments made excluding stock repurchases
GAAP	Generally accepted accounting principles in the United States of America
Hunter	Hunter Insulation
IBR	Incremental borrowing rate, as defined in ASC 842
Lenders	Bank of America, N.A., together with the other lenders party to the "Amended Credit Agreement"
LIBOR	London interbank offered rate
Masco	Masco Corporation
Net Leverage Ratio	As defined in the “Amended Credit Agreement,” the ratio of outstanding indebtedness, less up to $75 million of unrestricted cash, to EBITDA
NYSE	New York Stock Exchange
Owens Corning	Owens Corning Sales, LLC
Quarterly Report	Quarterly report filed with the SEC on Form 10-Q pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Revolving Facility	Senior secured revolving credit facilities available under the Amended Credit Agreement, of $250 million with applicable sublimits for letters of credit and swingline loans.
ROU	Right of use (asset), as defined in ASC 842
RSA	Restricted stock award
Santa Rosa	Santa Rosa Insulation and Fireproofing, LLC
SEC	United States Securities and Exchange Commission
Secured Leverage Ratio	As defined in the “Amended Credit Agreement,” the ratio of outstanding indebtedness, including letters of credit, to EBITDA
Senior Notes	TopBuild's 5.625% senior unsecured notes due on May 1, 2026
Separation	Distribution of 100 percent of the outstanding capital stock of TopBuild to holders of Masco common stock
TopBuild	TopBuild Corp. and its wholly-owned consolidated domestic subsidiaries. Also, the "Company," "we," "us," and "our"
USI	United Subcontractors, Inc.
Viking	Viking Insulation Co.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements contained in this Annual Report that reflect our views about future periods, including our future plans and performance, constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as "will," "would," "anticipate," "expect," "believe," "designed," "plan," 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 our acquisitions. We discuss the material risks we face under the caption entitled "Risk Factors" in Item 1A of this Annual Report. Our forward-looking statements in this Annual Report speak only as of the date of this Annual Report. 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.

PART I

Item 1. BUSINESS

Overview

TopBuild Corp., headquartered in Daytona Beach, Florida, is a leading installer and distributor of insulation and other building products to the United States construction industry. Prior to June 30, 2015, we operated as a subsidiary of Masco, which trades on the NYSE under the symbol "MAS." 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 was completed and on July 1, 2015, we began trading on the NYSE under the symbol "BLD."

Segment Overview

We operate in two segments: our Installation segment, TruTeam, which accounts for 73% of our sales, and our Distribution segment, Service Partners, which accounts for 27% of our sales.

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

Installation (TruTeam)

We provide insulation installation services nationwide through our TruTeam contractor services business which has approximately 200 installation branches located across the United States.

Various insulation applications we install include:

- Fiberglass batts and rolls
- Blown-in loose fill fiberglass
- Blown-in loose fill cellulose
- Polyurethane spray foam

In addition to insulation products, which represented 72% of our Installation segment's sales during the year ended December 31, 2019, we also install other building products including rain gutters, glass and windows, afterpaint products, fireproofing, 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. The amount of insulation installed in a new home is regulated by various building and energy codes.

Our TruTeam customer base includes the largest single-family homebuilders in the U.S. as well as local/single-family custom builders, multi-family builders, commercial general contractors, remodelers, and individual homeowners.

Through our Home Services subsidiary and our Environments for Living® program, we offer a number of services and tools designed to assist builders with applying the principles of building science to new home construction. We offer pre-construction plan reviews using industry-standard home-energy analysis software, various inspection services, and diagnostic testing. We believe our Home Services subsidiary is one of the largest Home Energy Rating System Index (HERS) raters in the U.S.

Distribution (Service Partners)

We distribute insulation and other building products including rain gutters, fireplaces, closet shelving, and roofing materials through our Service Partners business, which has approximately 75 distribution centers located across the United 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 further information on our segments, see *Item 8. Financial Statements and Supplementary Data – Note 8. Segment Information.*

Demand for Our Products and Services

Demand for our insulation products and services is driven by new single-family residential and multi-family home construction, commercial construction, remodeling and repair activity, revised building codes that require additional insulation, and the growing need for energy efficiency. Being a leader in both installation and distribution allows us to reach a broader set of customers more effectively, regardless of their size or geographic location within the U.S. We recognize that competition for the installation and sale of insulation and other building products occurs in localized geographic markets throughout the country, and, as such, our operating model is based on our geographically diverse branches building and maintaining local customer relationships. At the same time, our local operations benefit from centralized functions such as purchasing, information technology, sales support, and credit and collections.

Activity in the construction industry is seasonal, typically peaking in the summer months. Because installation of insulation historically lags housing starts by several months, we generally see a corresponding benefit in our operating results during the third and fourth quarters.

Competitive Advantages

The market for the distribution and installation of building products is highly fragmented and competitive. Barriers to entry for local competitors are relatively low, increasing the risk that additional competitors will emerge. Our ability to maintain our competitive position in our industry depends on a number of factors including our national scale, sales channels, diversified product lines, strong local presence, reduced exposure to residential housing cyclicality and strong cash flows.

National scale. With our national footprint, we provide products and services to each major construction line of business in the U.S. Our national scale, together with our centralized TopBuild executive management team, allows us to compete locally by:

- Leveraging systems, management, and best practice processes across both our installation and distribution businesses
- Providing national and regional builders with broad geographic reach, while maintaining consistent policies and practices that enable reliable, high-quality products and services across many geographies and building sites
- Establishing strong ties to major manufacturers of insulation and other building products that help ensure we are buying competitively, maintaining our supply to our local branches and distribution centers, and driving efficiencies throughout our supply chain
- Providing consistent, customized support and geographic coverage to our customers
- Maintaining an operating capacity that allows us to ramp-up rapidly, without major incremental investment, to target forecasted growth in housing starts and construction activity in each of our lines of business throughout the U.S.

Two avenues to reach the builder. We believe that having both installation and distribution businesses provides a number of advantages to reaching our customers and driving share gains. Our installation business customer base includes builders of all sizes. Our branches go to market with the local brands that small builders recognize and value, and our national footprint is appealing to large builders who value consistency across a broad geography. Our distribution business focuses on selling to small contractors who are particularly adept at cultivating local relationships with small custom builders. Being a leader in both installation and distribution allows us to more effectively reach a broader set of builder customers, regardless of their size or geographic location within the U.S., and leverage new construction housing growth wherever it occurs.

Diversified lines of business. In response to the housing downturn in prior years and to mitigate the cyclicality of residential new home construction, we expanded and enhanced our ability to serve the commercial construction line of business. This included expanding our commercial operations and sales capacity, adding commercial product offerings, developing relationships with commercial general contractors and building our expertise and reputation for quality service for both light and heavy commercial construction projects. Although commercial construction is affected by many of the same macroeconomic and local economic factors that drive residential new construction, commercial construction has historically followed different cycles than residential new construction.

Strong local presence. Competition for the installation and sale of insulation and other building products to builders occurs in localized geographic markets throughout the country. Builders and contractors in each local market have different options in terms of choosing among insulation installers and distributors for their projects, and value local relationships, quality, and timeliness. Our installation branches are locally branded businesses that are recognized within the communities in which they operate. Our distribution centers service primarily local contractors, lumberyards, retail stores and others who, in turn, service local homebuilders and other customers. Our operating model, in which individual branches and distribution centers maintain local customer relationships, enables us to develop local, long-tenured relationships with these customers, build local reputations for quality, service and timeliness, and provide specialized products and personalized services tailored to a geographic region. At the same time, our local operations benefit from centralized functions, such as purchasing, information technology, sales support, and credit and collections, and the resources and scale efficiencies of an installation and distribution business that has a presence across the U.S.

Reduced exposure to residential housing cyclicality. During industry downturns many insulation contractors, who buy directly from manufacturers during industry peaks, return to purchasing through distributors for small, “Less Than Full Truckload” shipments, reduce warehousing needs, and purchase on credit. This drives incremental customers to Service Partners during these points in the business cycle, offsetting decreases in demand for installation services at

TruTeam as a result of a downturn. We believe that our leadership position in both installation and distribution helps to reduce exposure to cyclical swings in our lines of business.

Strong cash flow, low capital investment, and favorable working capital fund organic growth. Over the last several years, we have reduced fixed costs and improved our labor utilization. As a result, we can achieve profitability at lower levels of demand as compared to historical periods. For further discussion on our cash flows and liquidity, see *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources*.

Major Customers

We have a diversified portfolio of customers and no single customer accounted for three percent or more of our total revenues for the year ended December 31, 2019. Our top ten customers accounted for approximately 9 percent of our total sales in 2019.

Backlog

Due to our customers' need for timely installation of our products, our installation jobs are scheduled and completed within a short timeframe. We do not consider backlog material to our business.

Suppliers

Our businesses depend on our ability to obtain an adequate supply of high quality products and components from manufacturers and other suppliers. We rely heavily on third-party suppliers for our products and key components. We source the majority of our fiberglass building products from four primary U.S.-based residential fiberglass insulation manufacturers: Knauf, CertainTeed, Johns Manville, and Owens Corning. Failure by our suppliers to provide us with an adequate supply of high quality products on commercially reasonable terms, or to comply with applicable legal requirements, could have a material, adverse effect on our financial condition or operating results. We believe we generally have positive relationships with our suppliers.

Employees

As of December 31, 2019, we had approximately 10,400 employees. Approximately 915 of our employees are currently covered by collective bargaining or other similar labor agreements.

Executive Management

See *Item 10. Directors, Executive Officers, and Corporate Governance*.

Legislation and Regulation

We are subject to U.S. federal, state, and local regulations, particularly those pertaining to health and safety (including protection of employees and consumers), labor standards/regulations, contractor licensing, and environmental issues. In addition to complying with current effective requirements and requirements that will become effective at a future date, even more stringent requirements could eventually be imposed on our industries. Additionally, some of our products and services may require certification by industry or other organizations. Compliance with these regulations and industry standards may require us to alter our distribution and installation processes and our sourcing, which could adversely impact our competitive position. Further, if we do not effectively and timely comply with such regulations and industry standards, our operating results could be negatively affected.

Additional Information

We provide our Annual Reports, Quarterly Reports, Current Reports and amendments to those reports free of charge on our website, www.topbuild.com, as soon as reasonably practicable after these reports are filed with or furnished to the SEC. Information contained on our website is not incorporated by reference into this Form 10-K, and you should

not consider information contained on our website to be part of this Form 10-K or in deciding whether to purchase shares of our common stock.

Use of our Website to Distribute Material Company Information

We use our website as a channel of distribution for important Company information. We routinely post on our website important information, including press releases, investor presentations and financial information, which may be accessed by clicking on the Investors section of www.topbuild.com. We may also use our website to expedite public access to time-critical information regarding our Company in advance of or in lieu of distributing a press release or a filing with the SEC disclosing the same information. Therefore, investors should look to the Investors subpage of our website for important and time-critical information. Visitors to our website can also register to receive automatic e-mail and other notifications alerting them when new information is made available on the Investor Resources subpage of our website.

Item 1A. RISK FACTORS

There are a number of risks and uncertainties that could affect our business and cause our actual results to differ from past performance or expected results. We consider the following risks and uncertainties to be those material to our business. If any of these risks actually occur, our business, financial condition and results of operations could suffer, and the trading price of our common stock could decline. We urge investors to consider carefully the risk factors described below in evaluating the information contained in this Annual Report.

Risks Relating to Our Business and Our Industry

Our business relies on residential new construction activity, and to a lesser extent on residential repair/remodel and commercial construction activity, all of which are cyclical.

Demand for our services is cyclical and highly sensitive to general macroeconomic and local economic conditions over which we have no control. Macroeconomic and local economic conditions, including consumer confidence levels, fluctuations in home prices, unemployment and underemployment levels, income and wage growth, student loan debt, household formation rates, mortgage tax deduction limits, the age and volume of the housing stock, the availability of home equity loans and mortgages and the interest rates for such loans, and other factors, affect consumers' discretionary spending on both residential new construction projects and residential repair/remodel activity. The commercial construction market is affected by macroeconomic and local economic factors such as interest rates, credit availability for commercial construction projects, material costs, employment rates, office vacancy rates, and office absorption rates. Changes or uncertainty regarding these and similar factors could adversely affect our results of operations and our financial position.

We may not be successful in identifying and making acquisitions. In addition, acquisition integrations involve risks that could negatively affect our operating results, cash flows, and liquidity.

We have made, and in the future may continue to make, strategic acquisitions as part of our growth strategy. We may be unable to make accretive acquisitions or realize expected benefits of any acquisitions for any of the following reasons:

- failure to identify attractive targets in the marketplace;
- increased competition for attractive targets;
- incorrect assumptions regarding the future results of acquired operations or assets, expected cost reductions, or other synergies expected to be realized as a result of acquiring operations or assets;
- failure to obtain acceptable financing; or
- restrictions in our debt agreements.

Our ability to successfully implement our business plan and achieve targeted financial results is dependent on our ability to successfully integrate acquired businesses. The process of integrating acquired businesses, may expose us to operational challenges and risks, including, but not limited to:

- the ability to profitably manage acquired businesses or successfully integrate the acquired business' operations, financial reporting, and accounting control systems into our business;
- the expense of integrating acquired businesses;
- increased indebtedness;
- the loss of suppliers, customers or other significant business partners of acquired businesses;
- the ability to fund cash flow shortages that may occur if anticipated revenue is not realized or is delayed, whether by general economic or market conditions, or unforeseen internal difficulties;
- the availability of funding sufficient to meet increased capital needs;
- potential impairment of goodwill and other intangible assets;
- risks associated with the internal controls and accounting policies of acquired businesses;
- diversion of management's attention due to the increase in the size of our business;
- difficulties in the assimilation of different corporate cultures and business practices;
- the ability to retain vital employees or hire qualified personnel required for expanded operations;
- failure to identify all known and contingent liabilities during due diligence investigations; and
- the indemnification granted to us by sellers of acquired companies may not be sufficient.

Failure to successfully integrate any acquired businesses may result in reduced levels of revenue, earnings, or operating efficiency than might have been achieved if we had not acquired such businesses. In addition, our past acquisitions resulted, and any future acquisitions could result in the incurrence of additional debt and related interest expense, contingent liabilities, and amortization expenses related to intangible assets, which could have a material adverse effect on our financial condition, operating results, and cash flow.

We may not be able to achieve the benefits that we expect to realize as a result of future acquisitions. Failure to achieve such benefits could have an adverse effect on our financial condition and results of operations.

We may not be able to realize anticipated cost savings, revenue enhancements, or other synergies from future acquisitions, either in the amount or within the time frame that we expect. In addition, the costs of achieving these benefits may be higher than, and the timing may differ from, what we expect. Our ability to realize anticipated cost savings, synergies, and revenue enhancements may be affected by a number of factors, including, but not limited to, the following:

- the use of more cash or other financial resources on integration and implementation activities than we expect;
- unanticipated increases in expenses unrelated to any future acquisition, which may offset the expected cost savings and other synergies from any future acquisition;
- our ability to eliminate duplicative back office overhead and redundant selling, general, and administrative functions; and

- our ability to avoid labor disruptions in connection with the integration of any future acquisition, particularly in connection with any headcount reduction.

Specifically, while we expect future acquisitions to create opportunities to reduce our combined operating costs, these cost savings reflect estimates and assumptions made by our management, and it is possible that our actual results will not reflect these estimates and assumptions within our anticipated timeframe or at all.

If we fail to realize anticipated cost savings, synergies, or revenue enhancements, our financial results may be adversely affected, and we may not generate the cash flow from operations that we anticipate.

We are dependent on third-party suppliers and manufacturers to provide us with an adequate supply of quality products, and the loss of a large supplier or manufacturer could negatively affect our operating results.

Failure by our suppliers to provide us with an adequate supply of quality products on commercially reasonable terms, or to comply with applicable legal requirements, could have a material adverse effect on our financial condition or operating results. While we believe that we have generally positive relationships with our suppliers, the fiberglass insulation industry has encountered both shortages and periods of significant oversupply during past housing market cycles, leading to volatility in prices and allocations of supply, which affect our results. While we do not believe we depend on any sole or limited source of supply, we source the majority of our building products, primarily insulation, from a limited number of large suppliers. The loss of a large supplier, or a substantial decrease in the availability of products or components from our suppliers, could disrupt our business and adversely affect our operating results.

The long-term performance of our businesses relies on our ability to attract, develop, and retain talented personnel, including sales representatives, branch managers, installers, and truck drivers, while controlling our labor costs.

We are highly dependent on the skills and experience of our senior management team and other skilled and experienced personnel. The failure to attract and retain key employees could negatively affect our competitive position and operating results.

Our business results also depend upon our branch managers and sales personnel, including those of businesses acquired. Our ability to control labor costs and attract qualified labor is subject to numerous external factors including prevailing wage rates, the labor market, the demand environment, the impact of legislation or regulations governing wages and hours, labor relations, immigration, healthcare benefits, and insurance costs. In addition, we compete with other companies to recruit and retain qualified installers and truck drivers in a tight labor market, and we invest significant resources in training and motivating them to maintain a high level of job satisfaction. These positions generally have high turnover rates, which can lead to increased training and retention costs. If we fail to attract qualified labor on favorable terms, we may not be able to meet the demand of our customers, which could adversely impact our business, financial condition and results of operations.

Because we operate our business through highly dispersed locations across the U.S., our operations may be materially adversely affected by inconsistent local practices, and the operating results of individual branches and distribution centers may vary.

We operate our business through a network of highly dispersed locations throughout the United States, supported by executives and services at our Branch Support Center in Daytona Beach, Florida, with local branch management retaining responsibility for day-to-day operations and adherence to applicable local laws. Our operating structure can make it difficult for us to coordinate procedures across our operations. In addition, our branches and distribution facilities may require significant oversight and coordination from headquarters to support their growth. Inconsistent implementation of corporate strategy and policies at the local or regional level could materially and adversely affect our business, financial condition, results of operations, and cash flows.

Our profit margins could decrease due to changes in the costs of the products we install and/or distribute.

The principal building products that we install and distribute have been subject to price changes in the past, some of which have been significant. Our results of operations for individual quarters can be, and have been, hurt by a delay

between the time building product cost increases are implemented and the time we are able to increase prices for our installation or distribution services, if at all. Our supplier purchase prices may depend on our purchasing volume or other arrangements with any given supplier. While we have been able to achieve cost savings through volume purchasing or other arrangements with suppliers in the past, we may not be able to consistently continue to receive advantageous pricing for the products we distribute and install. If we are unable to maintain purchase pricing consistent with prior periods or unable to pass on price increases, our costs could increase and our margins may be adversely affected.

We face significant competition, and increased competitive pressure may adversely affect our business, financial condition, results of operations and cash flows.

The market for the distribution and installation of building products is highly fragmented and competitive, and barriers to entry are relatively low. Our installation competitors include national contractors, regional contractors, and local contractors, and we face many or all of these competitors for each project on which we bid. Our insulation distribution competitors include specialty insulation distributors (one multi regional, several regional, and numerous local). In some instances, our insulation distribution business sells products to companies that may compete directly with our installation service business. We also compete with broad line building products distributors, big box retailers, and insulation manufacturers. In addition to price, we believe that competition in our industry is based largely on customer service and the quality and timeliness of installation services and distribution product deliveries in each local market.
In the event that increased demand leads to higher prices for the products we sell and install, we may have limited ability to pass on price increases in a timely manner or at all due to the fragmented and competitive nature of our industry.

Our business is seasonal and is susceptible to adverse weather conditions and natural disasters. We also may be adversely affected by any natural or man-made disruptions to our facilities.

We normally experience stronger sales during the third and fourth calendar quarters, corresponding with the peak season for residential new construction and residential repair/remodel activity. Sales during the winter weather months are seasonally slower due to the lower construction activity. Historically, the installation of insulation lags housing starts by several months.

In addition, to the extent that hurricanes, severe storms, earthquakes, droughts, floods, fires, other natural disasters, or similar events occur in the geographic areas in which we operate, our business may be adversely affected.
Any widespread disruption to our facilities resulting from a natural disaster, an act of terrorism, or any other cause could damage a significant portion of our inventory, and could materially impair our ability to provide installation and/or distribution services for our customers.

Claims and litigation could be costly.

We are, from time to time, involved in various claims, litigation matters, and regulatory proceedings that arise in the ordinary course of our business and which could have a material adverse effect on us. These matters may include contract disputes, automobile liability and other personal injury claims, warranty disputes, environmental claims or proceedings, other tort claims, employment and tax matters, the quality of products sourced from our suppliers, and other proceedings and litigation, including class actions. In addition, we are exposed to potential claims by our employees or others based on job related hazards.

We may also be subject to claims or liabilities arising from our acquisitions for the periods prior to our acquisition of them, including environmental, employee-related and other liabilities and claims not covered by insurance. Our ability to seek indemnification from the former owners of our acquired businesses for these claims or liabilities may be limited by the respective acquisition agreements and the financial ability of the former owners to satisfy our indemnification claims.

Our builder and contractor customers are subject to product liability, casualty, negligence, construction defect, breach of contract, warranty and other claims in the ordinary course of their business. Our contractual arrangements with our builder and contractor customers may include our agreement to defend and indemnify them against various liabilities.

We rely on manufacturers and other suppliers to provide us with most of the products we install. Because we do not have direct control over the quality of such products manufactured or supplied by such third-party suppliers, we are exposed to risks relating to the quality of such products. In addition, we are exposed to potential claims arising from the conduct of our employees, homebuilders and other subcontractors, for which we may be liable contractually or otherwise.

Product liability, workmanship warranty, casualty, negligence, construction defect, breach of contract and other claims and legal proceedings can be expensive to defend and can divert the attention of management and other personnel for significant periods of time, regardless of fault or the ultimate outcome. In addition, lawsuits relating to construction defects typically have statutes of limitations that can run as long as ten years. Claims of this nature could also have a negative impact on customer confidence in us and our services.

Although we intend to defend all claims and litigation matters vigorously, given the inherently unpredictable nature of claims and litigation, we cannot predict with certainty the outcome or effect of any claim or litigation matter.

We expect to maintain insurance against some, but not all, of these risks of loss resulting from claims and litigation. We may elect not to obtain insurance if we believe the cost of available insurance is excessive relative to the risks presented. The levels of insurance we maintain may not be adequate to fully cover any and all losses or liabilities. If any significant accident, judgment, claim, or other event is not fully insured or indemnified against, it could have a material adverse impact on our business, financial condition, and results of operations.

New product innovations or new product introductions could negatively impact our business.

New product innovations or new product introductions could negatively impact demand for the products we currently install and distribute.

We may not be able to identify new products or new product lines and integrate them into our distribution network, which may impact our ability to compete. Our expansion into new markets may present competitive, distribution, and regulatory challenges that differ from current ones.

Our business depends in part on our ability to identify future products and product lines that complement existing products and product lines and that respond to our customers' needs.

We may not be able to compete effectively unless our product selection keeps up with trends in the markets in which we compete, or trends in new products, which could cause us to lose market share. Our expansion into new markets, new products or new product lines may present competitive, distribution and regulatory challenges, as well as divert management attention away from our core business. In addition, our ability to integrate new products and product lines into our distribution network could affect our ability to compete.

We are subject to competitive pricing pressure from our customers.

Residential homebuilders historically have exerted significant pressure on their outside suppliers to keep prices low in the highly fragmented building products supply and services industry. In addition, consolidation among homebuilders and changes in homebuilders' purchasing policies or payment practices could result in additional pricing pressure.

The development of alternatives to distributors in the supply chain could cause a decrease in our sales and operating results and limit our ability to grow our business.

Our distribution customers could begin purchasing more of their products directly from manufacturers, which would result in decreases in our net sales and earnings. Our suppliers could invest in infrastructure to expand their own local sales force and sell more products directly to our distribution customers, which also would negatively impact our business.

If we are required to take significant non-cash charges, our financial resources could be reduced, and our financial flexibility may be negatively affected.

We have significant goodwill and other intangible assets related to business combinations on our balance sheet. The valuation of these assets is largely dependent upon the expectations for future performance of our businesses. Expectations about the growth of residential new construction, commercial construction, and residential repair/remodel activity may impact whether we are required to recognize non cash, pretax impairment charges for goodwill and other indefinite lived intangible assets or other long-lived assets. If the value of our goodwill, other intangible assets, or long-lived assets is further impaired, our earnings and stockholders' equity would be adversely affected and may impact our ability to raise capital in the future.

Compliance with government regulation and industry standards could impact our operating results.

We are subject to federal, state, and local government regulations, particularly those pertaining to health and safety, including protection of employees and consumers; employment laws, including immigration and wage and hour regulations; contractor licensing; data privacy; and environmental issues. In addition to complying with current requirements, even more stringent requirements could be imposed in the future. Compliance with these regulations and industry standards is costly and may require us to alter our installation and distribution processes, product sourcing, or business practices, and makes recruiting and retaining labor in a tight labor market more challenging. Compliance with these regulations and industry standards could also divert our attention and resources to compliance activities, and could cause us to incur higher costs. Further, if we do not effectively and timely comply with such regulations and industry standards, our results of operations could be negatively affected, and we could become subject to substantial penalties or other legal liability.

We are subject to environmental regulation and potential exposure to environmental liabilities.

We are subject to various federal, state and local environmental laws and regulations. Although we believe that we operate our business, including each of our locations, in compliance with applicable laws and regulations and maintain all material permits required under such laws and regulations to operate our business, we may be held liable or incur fines or penalties in connection with such requirements. In addition, environmental laws and regulations, including those related to energy use and climate change, may become more stringent over time, and any future laws and regulations could have a material impact on our operations or require us to incur material additional expenses to comply with any such future laws and regulations.

Changes in employment and immigration laws may adversely affect our business.

Various federal and state labor laws govern the relationship with our employees and impact operating costs. These laws include:

- employee classification as exempt or non-exempt for overtime and other purposes;
- workers' compensation rates;
- immigration status;
- mandatory health benefits;
- tax reporting; and
- other wage and benefit requirements.

We have a significant exposure to changes in laws governing our relationships with our employees, including wage and hour laws and regulations, fair labor standards, minimum wage requirements, overtime pay, unemployment tax rates, workers' compensation rates, citizenship requirements and payroll taxes, which changes would have a direct

impact on our operating costs. Significant additional government-imposed increases in the preceding areas could have a material adverse effect on our business, financial condition and results of operations.

In addition, various states in which we operate are considering or have already adopted new immigration laws or enforcement programs, and the U.S. Congress and Department of Homeland Security from time to time consider and implement changes to federal immigration laws, regulations or enforcement programs. These changes may increase our compliance and oversight obligations, which could subject us to additional costs and make our hiring process more cumbersome, or reduce the availability of potential employees. Although we verify the employment eligibility status of all our employees, including through participation in the "E-Verify" program where required, some of our employees may, without our knowledge, be unauthorized workers. Use of the "E-Verify" program does not guarantee that we will properly identify all applicants who are ineligible for employment. Unauthorized workers are subject to deportation and may subject us to fines or penalties and, if any of our workers are found to be unauthorized, we could experience adverse publicity that negatively impacts our brand and may make it more difficult to hire and retain qualified employees, which could disrupt our operations. We could also become subject to fines, penalties and other costs related to claims that we did not fully comply with all recordkeeping obligations of federal and state immigration laws. These factors could have a material adverse effect on our business, financial condition and results of operations.

Union organizing activity and work stoppages could delay or reduce availability of products that we install and increase our costs.

Approximately 915 of our employees are currently covered by collective bargaining or other similar labor agreements that expire on various dates from 2020 through 2027. Any inability by us to negotiate collective bargaining arrangements could cause strikes or other work stoppages, and new contracts could result in increased operating costs. If any such strikes or other work stoppages occur, or if other employees become represented by a union, we could experience a disruption of our operations and higher labor costs. Further, if a significant number of additional employees were to unionize, including in the wake of any future legislation that makes it easier for employees to unionize, these risks would increase. In addition, certain of our suppliers have unionized work forces, and certain of the products we install and/or distribute are transported by unionized truckers. Strikes, work stoppages, or slowdowns could result in slowdowns or closures of facilities where the products that we install and/or distribute are manufactured, or could affect the ability of our suppliers to deliver such products to us. Any interruption in the production or delivery of these products could delay or reduce availability of these products and increase our costs.

We rely on information technology systems, and in the event of a disruption or security incident, we could experience problems with customer service, inventory, collections, and cost control and incur substantial costs to address related issues.

Our operations are dependent upon our information technology systems, including systems run by third-party vendors which we do not control, to manage customer orders on a timely basis, to coordinate our installation and distribution activities across locations, and to manage invoicing. If we experience problems with our information technology systems, we could experience, among other things, delays in receiving customer orders, placing orders with suppliers, and scheduling production, installation services, or shipments.

A substantial disruption in our information technology systems could have an adverse impact on revenue, harm our reputation, and cause us to incur legal liability and costs, which could be significant, to address and remediate such events and related security concerns.

In addition, we could be adversely affected if any of our significant customers or suppliers experienced any similar events that disrupted their respective business operations or damaged their reputations.

In the event of a cybersecurity incident, we could experience operational interruptions, incur substantial additional costs, become subject to legal or regulatory proceedings or suffer damage to our reputation.

In addition to the disruptions that may occur from interruptions in our information technology systems, cybersecurity threats and sophisticated and targeted cyberattacks pose a risk to our information technology systems. We have established security policies, processes and defenses designed to help identify and protect against intentional and unintentional misappropriation or corruption of our information technology systems and disruption of our operations.

Despite these efforts, our information technology systems may be damaged, disrupted or shut down due to attacks by unauthorized access, malicious software, computer viruses, undetected intrusion, hardware failures or other events, and in these circumstances our disaster recovery plans may be ineffective or inadequate. These breaches or intrusions could lead to business interruption, exposure of proprietary or confidential information, data corruption, damage to our reputation, exposure to legal and regulatory proceedings and other costs. Such events could have a material adverse impact on our financial condition, results of operations and cash flows. In addition, we could be adversely affected if any of our significant customers or suppliers experience any similar events that disrupt their business operations or damage their reputation.

We maintain monitoring practices and protections of our information technology to reduce these risks and test our systems on an ongoing basis for potential threats. We carry cybersecurity insurance to help mitigate the financial exposure and related notification procedures in the event of intentional intrusion. There can be no assurance, however, that our efforts will prevent the risk of a security breach of our databases or systems that could adversely affect our business.

Our business relies significantly on the expertise of our employees and we generally do not have intellectual property that is protected by patents.

Our business is significantly dependent upon our expertise in installation and distribution logistics, including significant expertise in the application of building science through our Environments for Living® program. We rely on a combination of trade secrets and contractual confidentiality provisions and, to a much lesser extent, copyrights and trademarks, to protect our proprietary rights. Accordingly, our intellectual property is more vulnerable than it would be if it were protected primarily by patents. We may be required to spend significant resources to monitor and protect our proprietary rights, and in the event a misappropriation or breach of our proprietary rights occurs, our competitive position in the market may be harmed. In addition, competitors may develop competing technologies and expertise that renders our expertise obsolete or less valuable.

Changes in building codes and consumer preferences could affect our ability to market our service offerings and our profitability. Moreover, if we do not respond to evolving customer preferences or changes in building standards, or if we do not maintain or expand our leadership in building science, our business, results of operation, financial condition, and cash flow would be adversely affected.

Each of our lines of business is impacted by local and state building codes and consumer preferences, including a growing focus on energy efficiency. Our competitive advantage is due, in part, to our ability to respond to changes in consumer preferences and building codes. However, if our installation and distribution services and our leadership in building sciences do not adequately or quickly adapt to changing preferences and building standards, we may lose market share to competitors, which would adversely affect our business, results of operation, financial condition, and cash flows. Further, our growth prospects could be harmed if consumer preferences and building standards evolve more slowly than we anticipate towards energy efficient service offerings, which are more profitable than minimum code service offerings.

We may have future capital needs and may not be able to obtain additional financing on acceptable terms.

Our future capital requirements will depend on many factors, including industry and market conditions, our ability to successfully complete future business combinations and the expansion of our existing operations. We anticipate that we may need to raise additional funds in order to grow our business and implement our business strategy. Economic and credit market conditions, the performance of the construction industry, and our financial performance, as well as other factors may constrain our financing abilities. Our ability to secure additional financing and to satisfy our financial obligations will depend upon our future operating performance; the availability of credit; economic conditions; and financial, business, and other factors, many of which are beyond our control. Any financing, if available, may be on terms that are not favorable to us and will be subject to changes in interest rates and the capital markets environment. If we cannot obtain adequate capital, we may not be able to fully implement our business strategy and our business, results of operations and financial condition could be adversely affected.

Our indebtedness and restrictions in our existing credit facility, Senior Notes or any other indebtedness we may incur in the future, could adversely affect our business, financial condition, results of operations, ability to make distributions to shareholders, and the value of our common stock.

Our indebtedness could have significant consequences on our future operations, including:

- making it more difficult for us to meet our payment and other obligations;
- reducing the availability of our cash flows to fund working capital, capital expenditures, acquisitions or strategic investments and other general corporate requirements, and limiting our ability to obtain additional financing for these purposes;
- subjecting us to increased interest expense related to our indebtedness with variable interest rates, including borrowings under our credit facility;
- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to changes in our business, the industry in which we operate and the general economy; and
- placing us at a competitive disadvantage compared to our competitors that have less debt or are less leveraged.

Any of the above-listed factors could have an adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations. If we are not able to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debt, sell assets, reduce or delay capital investments, or seek to raise additional capital, and some of these activities may be on terms that are unfavorable or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. If we are unable to implement one or more of these alternatives, we may not be able to meet our payment obligations.

Certain of our variable rate indebtedness uses LIBOR as a benchmark for establishing the rate of interest. LIBOR is the subject of recent national, international and other regulatory guidance and proposals for reform. These reforms and other pressures may cause LIBOR to be replaced with a new benchmark or to perform differently than in the past. The consequences of these developments cannot be entirely predicted, but could include an increase in the cost of our variable rate indebtedness.

Our existing term loan, revolving credit facility and the indenture governing our Senior Notes limit, and any future credit facility or other indebtedness we enter into may limit our ability to, among other things:

- incur or guarantee additional debt;
- make distributions or dividends on, or redeem or repurchase shares of our common stock;
- make certain investments, acquisitions, or other restricted payments;
- incur certain liens or permit them to exist;
- acquire, merge, or consolidate with another company; and
- transfer, sell, or otherwise dispose of substantially all of our assets.

Our revolving credit facility contains, and any future credit facility or other debt instrument we may enter into will also likely contain, covenants requiring us to maintain certain financial ratios and meet certain tests, such as a fixed charge coverage ratio, a leverage ratio, and a minimum test. Our ability to comply with those financial ratios and tests can be affected by events beyond our control, and we may not be able to comply with those ratios and tests when required to do so under the applicable debt instruments. For additional information regarding our outstanding debt see *Item 8. Financial Statements and Supplementary Data – Note 6. Long-Term Debt.*

Adverse credit ratings could increase our costs of borrowing money and limit our access to capital markets and commercial credit.

Moody's Investor Service and Standard & Poor's routinely evaluate our credit ratings related to our Senior Notes. If these rating agencies downgrade any of our current credit ratings, our borrowing costs could increase and our access to the capital and commercial credit markets could be adversely affected.

In connection with the Separation, Masco indemnified us for certain liabilities, and we indemnified Masco for certain liabilities. If we are required to act under these indemnities to Masco, we may need to divert cash to meet those obligations, which could adversely affect our financial results. Moreover, the Masco indemnity may not be sufficient to compensate us for the full amount of liabilities for which it may be liable, and Masco may not be able to satisfy its indemnification obligations to us in the future.

Indemnities that we may be required to provide Masco are not subject to any cap, may be significant, and could negatively affect our business, particularly indemnities relating to our actions that could affect the tax-free nature of the Separation. Third parties could also seek to hold us responsible for any of the liabilities that Masco has agreed to retain, and under certain circumstances, we may be subject to continuing contingent liabilities of Masco following the Separation, such as certain shareholder litigation claims. Further, Masco may not be able to fully satisfy its indemnification obligations, or such indemnity obligations may not be sufficient to cover our liabilities. Moreover, even if we ultimately succeed in recovering from Masco any amounts for which we are held liable, we may be temporarily required to bear these losses ourselves. Each of these risks could negatively affect our business, results of operations, liquidity, and financial condition.

Compliance with and changes in tax laws could adversely affect our performance.

We are subject to extensive tax liabilities imposed by multiple jurisdictions including income taxes; indirect taxes which include excise and duty, sales and use, and gross receipts taxes; payroll taxes; franchise taxes; withholding taxes; and ad valorem taxes. New tax laws and regulations, and changes in existing tax laws and regulations, are continuously being enacted or proposed which could result in increased expenditures for tax liabilities in the future. Many of these liabilities are subject to periodic audits by the respective taxing authority. Subsequent changes to our tax liabilities as a result of these audits may subject us to interest and penalties.

Risks Relating to Our Common Stock

The price of our common stock may fluctuate substantially, and the value of your investment may decline.

The market price of our common stock could fluctuate significantly due to a number of factors, many of which are beyond our control, including:

- fluctuations in our quarterly or annual earnings results, or those of other companies in our industry;
- failures of our operating results to meet our published guidance, the estimates of securities analysts or the expectations of our stockholders, or changes by securities analysts in their estimates of our future earnings;
- announcements by us or our customers, suppliers, or competitors;
- changes in laws or regulations which adversely affect our industry or us;
- changes in accounting standards, policies, guidance, interpretations, or principles;
- general economic, industry, and stock market conditions;
- future sales of our common stock by our stockholders;
- future issuances of our common stock by us; and

- other factors described in these "Risk Factors" and elsewhere in this Annual Report.

Provisions in our certificate of incorporation and bylaws, and certain provisions of Delaware law, could delay or prevent a change in control.

The existence of some provisions of our certificate of incorporation and bylaws and Delaware law could discourage, delay, or prevent a change in control that a stockholder may consider favorable. These include provisions:

- authorizing a large number of shares of stock that are not yet issued, which could have the effect of preventing or delaying a change in control if our board of directors issued shares to persons that did not support such change in control, or which could be used to dilute the stock ownership of persons seeking to obtain control; and

- prohibiting stockholders from calling special meetings of stockholders or taking action by written consent.

In addition, we are subject to Section 203 of the Delaware General Corporation Law, which may have an anti-takeover effect with respect to transactions not approved in advance by our board of directors, including discouraging takeover attempts that could have resulted in a premium over the market price for shares of our common stock.

These provisions apply even if a takeover offer is considered beneficial by some stockholders and could delay or prevent an acquisition that our board of directors determines is not in our and our stockholders' best interests.

Our bylaws designate the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a preferred judicial forum for disputes with us or our directors, officers, or other employees.

Our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer, or other employee to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of Delaware General Corporation Law, our certificate of incorporation (including any certificate of designations for any class or series of our preferred stock), or our bylaws, in each case, as amended from time to time, or (iv) any action asserting a claim governed by the internal affairs doctrine, shall be the Court of Chancery of the State of Delaware (provided, however, that in the event that the Court of Chancery of the State of Delaware lacks subject matter jurisdiction over such proceeding, the sole and exclusive forum for such action or proceeding shall be another state or federal court located within the State of Delaware), in all cases subject to the court having personal jurisdiction over the indispensable parties named as defendants. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock is deemed to have received notice of, and consented to, the foregoing provision. This forum selection provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable or cost effective for disputes with us or our directors, officers, or other employees, which may discourage such lawsuits against us and our directors, officers, and employees.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

We operate approximately 200 installation branch locations and approximately 75 distribution centers in the United States, most of which are leased. In January 2017, we moved into our new, 65,700 square foot Branch Support Center located at 475 North Williamson Boulevard in Daytona Beach, FL 32114. This lease expires in June 2029, assuming no exercise of any options set forth in the lease. We believe that our facilities have sufficient capacity and are adequate for our installation and distribution requirements.

Item 3. LEGAL PROCEEDINGS

For information regarding legal proceedings, see *Item 8. Financial Statements and Supplementary Data – Note 11. Other Commitments and Contingencies*, which we incorporate herein by reference.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information and Holders of our Common Stock. Our common stock is traded on the NYSE under the symbol "BLD". As of February 14, 2020, there were approximately 2,258 holders of our issued and outstanding common stock.

Dividends. No dividends were paid during the years ended December 31, 2019 and 2018. Our Amended Credit Agreement, in certain circumstances, limits the amount of dividends we may distribute. We do not anticipate declaring cash dividends to holders of our common stock in the foreseeable future.

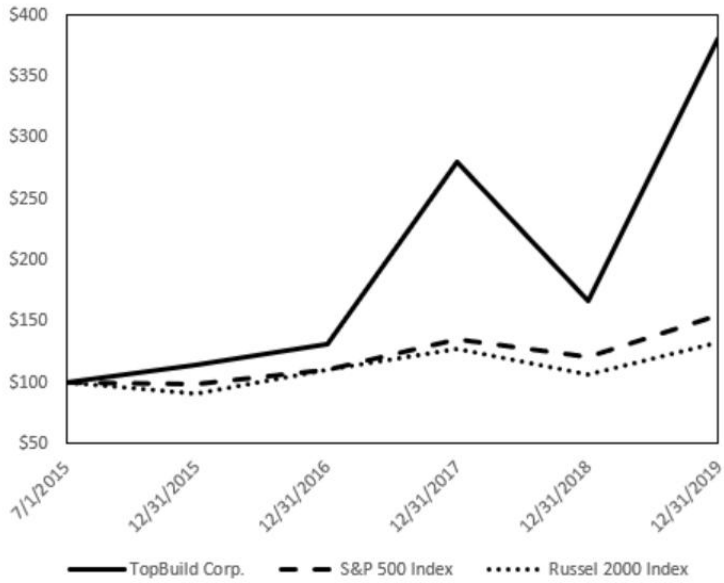
Issuer Purchases of Equity Securities. The following table provides information regarding the repurchase of our common stock for the three months ended December 31, 2019, in thousands, except share and per share data:

Period	Total Number of Shares Purchased	Average Price Paid per Common Share	Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
October 1, 2019 - October 31, 2019	75,747	$ 96.66	75,747	$ 140,501
November 1, 2019 - November 30, 2019 (a)	13,446	$ 103.18	405,947	$ 89,114
December 1, 2019 - December 31, 2019	—	$ —	—	$ 89,114
Total	89,193	$ 97.65	481,694	

(a) During the three months ended December 31, 2019, we paid $50.0 million for an initial delivery of 392,501 shares of our common stock, representing an estimated 85 percent of the total number of shares we expected, at the time we entered into the agreement, to receive under the 2019 ASR Agreement. For more information see *Item 8. Financial Statements and Supplementary Data – Note 17. Share Repurchase Program.*

All repurchases were made using cash resources. Excluded from this disclosure are shares repurchased to settle statutory employee tax withholdings related to the vesting of stock awards and the exercise of stock options.

Performance Graph and Table. The following graph and table compare the cumulative total return of our common stock from July 1, 2015, the date on which our common stock began trading on the NYSE, through December 31, 2019, with the total cumulative return of the Russell 2000 Index and the Standard & Poor's 500 Index. The graph and table assume an initial investment of $100 in our common stock and each of the two indices at the close of business on July 1, 2015, and reinvestment of dividends.



	7/1/2015	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019
TopBuild Corp.	$ 100	$ 114	$ 132	$ 281	$ 167	$ 381
Standard & Poor's 500 Index	$ 100	$ 99	$ 111	$ 136	$ 121	$ 155
Russel 2000 Index	$ 100	$ 91	$ 110	$ 127	$ 107	$ 132

Item 6. SELECTED FINANCIAL DATA

The following table sets forth selected historical financial data that should be read in conjunction with *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* and our audited financial statements and notes thereto, included in this Annual Report. The Consolidated Statements of Operations data for the years ended December 31, 2019, 2018, and 2017, and the Consolidated Balance Sheet data as of December 31, 2019 and 2018, are derived from our audited financial statements included in this Annual Report. The Consolidated Statements of Operations data for the years ended December 31, 2016 and 2015, and the Consolidated Balance Sheet data as of December 31, 2017, 2016, and 2015, were derived from our audited financial statements not included in this Annual Report. The selected historical financial data in this section is not intended to replace our historical financial statements and the related notes thereto. Prior to the Separation, our historical financial results included allocations of general and corporate expense from Masco; therefore, our historical results for periods prior to the Separation are not necessarily comparable to our subsequently reported results. For more information, see *Item 8. Financial Statements and Supplementary Data – Note 1. Summary of Significant Accounting Policies*.

	Year Ended December 31,				
(in thousands)	**2019**	**2018**	**2017**	**2016**	**2015**
Net sales	$ 2,624,121	$ 2,384,249	$ 1,906,266	$ 1,742,850	$ 1,616,580
Operating profit	$ 289,523	$ 208,953	$ 136,864	$ 121,604	$ 83,531
Net income	$ 190,995	$ 134,752	$ 158,133	$ 72,606	$ 79,123
Net income per common share:					
Basic	$ 5.65	$ 3.86	$ 4.41	$ 1.93	$ 2.10
Diluted	$ 5.56	$ 3.78	$ 4.32	$ 1.92	$ 2.09
At period end:					
Total assets	$ 2,603,963	$ 2,454,531	$ 1,749,549	$ 1,690,119	$ 1,642,249
Total debt, net of unamortized debt issuance costs	$ 732,227	$ 743,474	$ 241,887	$ 178,800	$ 193,457
Equity	$ 1,152,889	$ 1,072,098	$ 996,519	$ 972,547	$ 915,729

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The financial and business analysis below provides information which we believe is relevant to an assessment and understanding of our financial position, results of operations, and cash flows. This financial and business analysis should be read in conjunction with the financial statements and related notes.

In this section, we generally discuss the results of our operations for the year ended December 31, 2019 compared to the year ended December 31, 2018. For a discussion of the year ended December 31, 2018 to the year ended December 31, 2017, please refer to Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on February 26, 2019, which discussion is hereby incorporated herein by reference.

Executive Summary

We are a leading installer and distributor of insulation and other building products to the U.S. construction industry. Demand for our products and services is driven primarily by residential new construction, commercial construction, and residential repair/remodel activity throughout the U.S. A number of local and national factors influence activity in each of our lines of business, including demographic trends, interest rates, employment levels, business investment, supply and demand for housing stock, availability of credit, foreclosure rates, consumer confidence, and general economic conditions.

Activity in the construction industry is seasonal, typically peaking in the summer months. Because installation of insulation historically lags housing starts by several months, we generally see a corresponding benefit in our operating results during the third and fourth quarters.

Strategy

Our long-term strategy is to grow net sales, net income, and operating cash flows and remain the leading insulation installer and distributor by revenue. In order to achieve these goals, we plan to:

- Capitalize on the U.S. housing market through focused organic growth and accretive aligned acquisitions
- Gain share in commercial construction
- Continue to leverage our expertise in building science through our Environments for Living® program to benefit from the increasing focus on energy efficiency and trends in building codes
- Grow our business through acquisitions of complementary businesses

Our operating results depend heavily on residential new construction activity and, to a lesser extent, on commercial construction and residential repair/remodel activity, all of which are cyclical. We are also dependent on third-party suppliers and manufacturers providing us with an adequate supply of high-quality products.

Material Trends in Our Business

Housing starts (as reported by the U.S. Census Bureau) were lower than prior year in the first half of 2019. However, in the 3rd quarter housing starts outpaced prior year by 3.9% and in the fourth quarter housing starts were 19.6% higher than prior year. This positive uptick in starts, combined with the current low interest rate environment, is driving optimism for the housing market for the year 2020. We expect this industry tailwind in new residential construction to be slightly tempered by a lower revenue per housing unit. This lower revenue per unit is being driven by higher multifamily starts vs. single-family starts, and by the shift by homebuilders toward smaller, more affordable, single-family units.

In 2019, we experienced strong growth vs. prior year in our sales to commercial construction markets. We expect these markets, both light and heavy commercial, to remain strong in near-term with revenue in heavy commercial uneven due to timing and the nature of these larger construction projects.

Seasonality

We normally experience stronger sales during the third and fourth calendar quarters, corresponding with the peak season for residential new construction and residential repair/remodel activity. Sales during the winter weather months are typically slower due to lower construction activity. Historically, the installation of insulation lags housing starts by several months.

Results of Operations

We report our financial results in conformity with GAAP.

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

	Year Ended December 31,	
	2019	**2018**
Net sales	**$ 2,624,121**	**$ 2,384,249**
Cost of sales	1,942,854	1,808,097
Cost of sales ratio	*74.0 %*	*75.8 %*
Gross profit	**681,267**	**576,152**
Gross profit margin	*26.0 %*	*24.2 %*
Selling, general, and administrative expense	391,744	367,199
Selling, general, and administrative expense to sales ratio	*14.9 %*	*15.4 %*
Operating profit	**289,523**	**208,953**
Operating profit margin	*11.0 %*	*8.8 %*
Other expense, net	(35,745)	(28,129)
Income tax expense	(62,783)	(46,072)
Effective tax rate	*24.7 %*	*25.5 %*
Net income	**$ 190,995**	**$ 134,752**
Net margin	*7.3 %*	*5.7 %*

Comparison of the Years Ended December 31, 2019 and December 31, 2018

Sales and Operations

Net sales for 2019 increased 10.1 percent, or $239.9 million, to $2.6 billion. The increase was primarily driven by our USI acquisition in May 2018, increased volume, and by increased selling prices.

Our gross profit margin was 26.0 percent and 24.2 percent for 2019 and 2018, respectively. Gross profit margin improved primarily due to increased selling prices, higher sales growth in our Installation segment vs. Distribution segment, operational efficiencies, and synergies from the USI acquisition, partially offset by higher material costs.

Selling, general, and administrative expense as a percentage of sales was 14.9 percent and 15.4 percent for 2019 and 2018, respectively. Decreased selling, general, and administrative expense as a percent of sales was primarily the result of lower acquisition and closure costs related to the USI acquisition.

Operating margins were 11.0 percent and 8.8 percent for 2019 and 2018, respectively. The increase in operating margins related to increased selling prices, increased sales volume, operational efficiencies, synergies from the USI acquisition, and lower acquisition and closure costs related to the USI acquisition, partially offset by higher material costs.

Other Expense, Net

Other expense, net, which primarily consists of interest expenses, increased $7.6 million to $35.7 million in 2019 compared with 2018. The increase is primarily related to the issuance of our $400 million Senior Notes and our borrowing of the $100 million delayed draw term loan to fund our acquisition of USI in the second quarter of 2018, as well as the issuance of $15.0 million of equipment notes in 2019.

Income Tax Expense

Our effective tax rate decreased from 25.5 percent in 2018 to 24.7 percent in 2019. The lower 2019 rate was primarily related to an increased benefit from share-based compensation partially offset by an increase in the state and local taxes. The state and local tax increase was due to a revaluation of deferred tax assets & liabilities resulting from state filing position changes, with some offsetting benefit for the state return to provision adjustment and other miscellaneous state adjustments.

2019 and 2018 Business Segment Results

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

	Year Ended December 31,		
	2019	**2018**	**Percent Change**
Net sales by business segment:			
Installation	$ 1,906,730	$ 1,680,967	13.4 %
Distribution	862,143	820,309	5.1 %
Intercompany eliminations	(144,752)	(117,027)	
Net sales	$ 2,624,121	$ 2,384,249	10.1 %
Operating profit by business segment (a):			
Installation	$ 253,230	$ 196,986	28.6 %
Distribution	90,388	78,739	14.8 %
Intercompany eliminations	(23,921)	(20,899)	
Operating profit before general corporate expense	319,697	254,826	25.5 %
General corporate expense, net (b)	(30,174)	(45,873)	
Operating profit	$ 289,523	$ 208,953	38.6 %
Operating profit margins:			
Installation	13.3 %	11.7 %	
Distribution	10.5 %	9.6 %	
Operating profit margin before general corporate expense	12.2 %	10.7 %	
Operating profit margin	11.0 %	8.8 %	

(a) Segment operating profit for years ended December 31, 2019 and 2018 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).

(b) General corporate expense, net includes expenses not specifically attributable to our segments for functions such as corporate human resources, finance and legal, including salaries, benefits, and other related costs. In the years ended December 31, 2019 and 2018, general corporate expense, net decreased primarily due to merger and acquisition costs incurred related to the USI acquisition in 2018.

2019 and 2018 Business Segment Results Discussion

Changes in operating profit margins in the following business segment results discussion exclude general corporate expense, net in 2019 and 2018, as applicable.

Installation

Sales

Sales increased $225.8 million, or 13.4 percent, in 2019 compared to 2018. Sales increased 7.1 percent from acquisitions, 3.8 percent due to increased selling prices, and 2.5 percent due to increased sales volume, primarily in our commercial markets.

Operating Results

Operating margins in the Installation segment were 13.3 percent and 11.7 percent for 2019 and 2018, respectively. The increase in operating margins related to increased selling prices, increased sales volume, operational efficiencies, and synergies from the USI acquisition, partially offset by higher material costs.

Distribution

Sales

Sales increased $41.8 million, or 5.1 percent, in 2019 compared to 2018. Sales increased 4.6 percent due to increased selling prices, 1.3 percent from acquisitions, and decreased 0.8 percent due to volume. Volume decreased primarily due to deliberate decisions with respect to price and volume, as well as the decision to exit some low margin business.

Operating Results

Operating margins in the Distribution segment were 10.5 percent and 9.6 percent for 2019 and 2018, respectively. The increase in operating margins related to increased selling prices and operational efficiencies, which were partially offset by increased material costs.

Commitments and Contingencies

Litigation

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

Other Commitments

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

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

We occasionally use performance bonds to ensure completion of our work on certain larger customer contracts that can span multiple accounting periods. Performance bonds generally do not have stated expiration dates; rather, we are released from the bonds as the contractual performance is completed. We also have bonds outstanding for license and insurance. For additional information see *Item 8. Financial Statements and Supplementary Data – Note 11. Other Commitments and Contingencies.*

Liquidity and Capital Resources

We have access to liquidity through our cash from operations and available borrowing capacity under our Amended Credit Agreement, which provides for borrowing and/or standby letter of credit issuances of up to $250 million under the Revolving Facility. For additional information regarding our outstanding debt and borrowing capacity see *Item 8. Financial Statements and Supplementary Data – Note 6. Long-Term Debt.* 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 twelve months. Cash flows are seasonally stronger in the third and fourth quarters as a result of increased new construction activity during those periods.

The following table summarizes our total liquidity, in thousands:

	As of December 31,	
	2019	2018
Cash and cash equivalents (a)	$ 184,807	$ 100,929
Revolving Facility	250,000	250,000
Less: standby letters of credit	(61,382)	(59,288)
Availability under Revolving Facility	188,618	190,712
Total liquidity	$ 373,425	$ 291,641

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

Cash Flows

The following table presents a summary of our cash flows provided by (used in) operating, investing and financing activities for the periods indicated, in thousands:

	Year Ended December 31,	
	2019	2018
Changes in cash and cash equivalents:		
Net cash provided by operating activities	$ 271,777	$ 167,172
Net cash used in investing activities	(50,142)	(551,819)
Net cash (used in) provided by financing activities	(137,757)	429,055
Increase (decrease) for the period	$ 83,878	$ 44,408

Net cash flows provided by operating activities increased $104.6 million for the year ended December 31, 2019, as compared to December 31, 2018. The increase was primarily due to an increase in net income, the timing of working capital collections and expenditures, and the timing of income tax payments.

Net cash used in investing activities was $50.1 million for the year ended December 31, 2019, primarily comprised of $45.5 million for purchases of property and equipment, primarily vehicles, and $7.0 million for acquisitions, and partially offset by $2.3 million of proceeds from the sale of property and equipment. Net cash used in investing activities was $551.8 million for the year ended December 31, 2018, primarily comprised of $500.2 million of net cash for the acquisition of USI and ADO and substantially all of the assets of Santa Rosa, and $52.5 million for purchases of property and equipment primarily vehicles, partially offset by $0.8 million of proceeds from the sale of
property and equipment.

Net cash used in financing activities was $137.8 million for the year ended December 31, 2019. We used $110.9 million for common stock repurchases related to our share repurchase programs, including $50.0 million under the 2019 ASR Agreement, $21.9 million for payments on our term loan, $13.0 million for purchases of common stock for tax withholding obligations related to the vesting and exercise of share-based incentive awards, $5.9 million for payments on our equipment financing notes, and $1.1 million for payments of contingent consideration for EcoFoam and Santa Rosa. We received $15.0 million of proceeds from equipment financing notes. Net cash provided by financing activities was $429.1 million for the year ended December 31, 2018. In 2018, we received $400.0 million from the issuance of our Senior Notes and $100.0 million from the delayed draw on our term loan which we used to fund our acquisition of USI. We received $26.6 million of proceeds from equipment financing notes related to our decision to begin purchasing rather than leasing vehicles. We used $65.0 million for common stock repurchases related to our share repurchase programs, including $50.0 million under the 2018 ASR Agreement, $16.3 million for payments on our term loan, $7.8 million for payment of debt issuance costs related to our Amended Credit Agreement and our Senior Notes, $5.5 million for purchases of common stock for tax withholding obligations related to the vesting and exercise of share-based incentive awards, and $2.1 million for payments on our equipment financing notes. We also made a payment of $0.8 million of contingent consideration for EcoFoam. We drew $90.0 million on our Revolving Facility and repaid $90.0 million

Critical Accounting Policies and Estimates

We prepare our Consolidated Financial Statements in conformity with GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of sales and expenses during the reporting period. Actual results could differ from those estimates.

Our significant accounting policies are more fully described in *Item 8. Financial Statements and Supplementary Data – Note 1. Summary of Significant Accounting Policies*. However, certain of our accounting policies considered critical are those we believe are both most important to the portrayal of our financial condition and operating results and require our most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Judgments and uncertainties affecting the application of those policies may result in materially different amounts being reported under different conditions or using different assumptions. We consider the following policies to be most critical in understanding the judgments that are involved in preparing our Consolidated Financial Statements.

Revenue Recognition and Receivables

We recognize revenue for our Installation segment over time as the related performance obligation is satisfied with respect to each particular order within a given customer's contract. Progress toward complete satisfaction of the performance obligation is measured using a cost-to-cost measure of progress method. The cost input is based on the amount of material installed at that customer's location and the associated labor costs, as compared to the total expected cost for the particular order. Revenue is recognized as the customer is able to receive and utilize the benefits provided by our services. Each contract contains one or more individual orders, which are based on services delivered. When a contract modification is made, typically the remaining goods or services are considered distinct and we recognize revenue for the modification as a separate performance obligation. When material and installation services are bundled in a contract, we combine these items into one performance obligation as the overall promise is to transfer the combined item.

Revenue from our Distribution segment is recognized when title to products and risk of loss transfers to our customers. This represents the point in time when the customer is able to direct the use of and obtain substantially all the benefits from the product. The determination of when control is deemed transferred depends on the shipping terms that are agreed upon in the contract.

At time of sale, we record estimated reductions to revenue for customer programs and incentive offerings, including special pricing and other volume-based incentives based on historical experience, which is continuously adjusted. The duration of our contracts with customers is relatively short, generally less than a 90-day period, and therefore there is not a significant financing component when considering the determination of the transaction price which gets allocated to the individual performance obligations, generally based on standalone selling prices. Additionally, we consider shipping costs charged to a customer as a fulfillment cost rather than a promised service and expense as incurred. Sales taxes, when incurred, are recorded as a liability and excluded from revenue on a net basis.

We record a contract asset when we have satisfied our performance obligation prior to billing and a contract liability when a customer payment is received prior to the satisfaction of our performance obligation. The difference between the beginning and ending balances of our contract assets and liabilities primarily results from the timing of our performance and the customer's payment.

We maintain allowances for doubtful accounts receivable for estimated losses resulting from the inability of customers to make required payments. In addition, we monitor our customer receivable balances and the credit worthiness of our customers on an on-going basis. During downturns in our markets, declines in the financial condition and creditworthiness of customers impact the credit risk of the receivables involved and we have incurred additional bad debt expense related to customer defaults.

Goodwill and Other Intangible Assets

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

We perform our annual impairment testing of goodwill in the fourth quarter of each year, or as events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. When assessing goodwill for impairment, we have the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, we determine it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then we perform a two-step impairment test. If we conclude otherwise, then no further action is taken.

We also have the option to bypass the qualitative assessment and only perform a quantitative assessment, which is the first step of the two-step impairment test. In completing the two-step impairment test, we complete the impairment testing utilizing a discounted cash flow method. We selected this methodology because we believe that it is comparable to what would be used by other market participants. Our operating segments are reporting units that engage in business activities for which discrete financial information, including long range forecasts, is available. We have identified our segments as our reporting units and complete the impairment testing of goodwill at the operating segment level, as defined by accounting guidance. Fair value for our reporting units is determined using a discounted cash flow method which includes significant unobservable inputs (Level 3 inputs).

Determining market values using a discounted cash flow method requires us to make significant estimates and assumptions, including long term projections of cash flows, market conditions, and appropriate discount rates. Our judgments are based on historical experience, current market trends, consultations with external valuation specialists, and other information. While we believe that the estimates and assumptions underlying the valuation methodology are reasonable, changes to estimates and assumptions could result in different outcomes. In estimating future cash flows, we rely on internally generated long range forecasts for sales and operating profits, and generally a one to three percent long term assumed annual growth rate of cash flows for periods after the long range forecast. We generally develop these forecasts based upon, among other things, recent sales data for existing products, and estimated U.S. housing starts.

When necessary, an impairment loss is recognized to the extent that a reporting unit's recorded goodwill exceeds its implied fair value. We did not recognize any impairment charges for goodwill for the years ended December 31, 2019, 2018, and 2017. As of December 31, 2019, net goodwill reflected $762.0 million of accumulated impairment losses, relating primarily to impairment charges taken in 2008-2010 following the substantial decrease in U.S. housing starts after the financial crisis of 2007-2008.

In the fourth quarter of 2019, we performed an assessment on our goodwill and determined that the estimated fair value of each reporting unit substantially exceeded its carrying value at December 31, 2019, and therefore the goodwill was not impaired. In the fourth quarter of 2018, we performed an assessment on our goodwill and concluded that it was more-likely-than-not that goodwill was not impaired.

Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives. We evaluate the remaining useful lives of amortizable identifiable intangible assets at each reporting period to determine whether events and circumstances warrant a revision to the remaining periods of amortization.

Income Taxes

If, based upon all available evidence, both positive and negative, it is more likely than not (more than 50 percent likely) such deferred tax assets will not be realized, a valuation allowance is recorded. Significant weight is given to positive and negative evidence that is objectively verifiable. A company's three year cumulative loss position is significant negative evidence in considering whether deferred tax assets are realizable and the accounting guidance restricts the amount of reliance we can place on projected taxable income to support the recovery of deferred tax assets.

Current accounting guidance allows the recognition of only those income tax positions that have a greater than 50 percent likelihood of being sustained upon examination by taxing authorities. We believe that there is an increased potential for volatility in our effective tax rate because this threshold allows changes in the income tax environment and the inherent complexities of income tax law in a substantial number of jurisdictions to affect the computation of the liability for uncertain tax positions to a greater extent.

While we believe we have adequately assessed for our uncertain tax positions, amounts asserted by taxing authorities could vary from our assessment of uncertain tax positions. Accordingly, provisions for tax-related matters, including interest and penalties, could be recorded in income tax expense in the period revised assessments are made.

Business Combinations

The purchase price for business combinations is allocated to the estimated fair values of acquired tangible and intangible assets, including goodwill, and assumed liabilities, where applicable. Management uses significant judgments involving estimates and assumptions when determining the fair value of assets acquired and liabilities assumed. These estimates include, but are not limited to, discount rates, projected future revenue growth, cost synergies and expected cash flows, customer attrition rates, useful lives, and other prospective financial information. Additionally, we recognize customer relationships, trademarks and trade names, and non-competition agreements as identifiable intangible assets, which are recorded at fair value as of the transaction date. The fair value of these intangible assets is determined primarily using the income approach and using current industry information. Goodwill is recorded when consideration transferred exceeds the fair value of identifiable assets and liabilities. Measurement-period adjustments to assets acquired and liabilities assumed with a corresponding offset to goodwill are recorded in the period they occur, which may include up to one year from the acquisition date. Contingent consideration is recorded at fair value at the acquisition date.

Recently Issued Accounting Pronouncements

Recently issued accounting pronouncements and their expected or actual effect on our reported results of operations are addressed in *Item 8. Financial Statements and Supplementary Data – Note 1. Summary of Significant Accounting Policies*.

Off-Balance Sheet Arrangements

As of December 31, 2019 and 2018, other than short-term leases, letters of credit, and performance and license bonds, we had no material off-balance sheet arrangements.

Contractual Obligations

The following table provides payment obligations related to current contracts at December 31, 2019, in thousands:

	Payments Due by Period						
	2020	2021	2022	2023	2024	Thereafter	Total
Operating leases	$ 39,500	$ 26,547	$ 16,675	$ 8,650	$ 4,426	$ 5,500	$ 101,298
Principal repayments of long-term debt	34,272	38,961	257,411	6,376	2,130	400,000	739,150
Interest payments and fees on long-term debt (a)	32,642	31,512	25,515	22,678	22,527	30,000	164,874
Purchase obligations (b)	58,045	58,045	—	—	—	—	116,090
Total	$ 164,459	$ 155,065	$ 299,601	$ 37,704	$ 29,083	$ 435,500	$ 1,121,412

(a) Interest and fees have been calculated using the interest rate on our long-term debt as of December 31, 2019 and assumes our standby letters of credit remain constant during the term of our Amended Credit Agreement.

(b) We have minimum purchase commitments on certain products through 2021. Amounts have been calculated using pricing in effect at December 31, 2019 on non-cancelable minimum contractual obligations by period.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

The Amended Credit Agreement consists of a senior secured term loan facility in the amount of $250.0 million, $100.0 million of additional term loan capacity under a delayed draw feature, which we accessed on May 1, 2018 upon consummation of the acquisition of USI, and the Revolving Facility in the amount of $250.0 million. In addition, on April 25, 2018, we issued $400.0 million aggregate principal amount of Senior Notes. The Senior Notes bear a fixed rate of interest and therefore are excluded from the calculation below as they are not subject to fluctuations in interest rates.

Interest payable on both the term loan facility and revolving facility under the Amended Credit Agreement is based on a variable interest rate. As a result, we are exposed to market risks related to fluctuations in interest rates on this outstanding indebtedness. As of December 31, 2019, we had $305.6 million outstanding under our term loan facility, and the applicable interest rate as of such date was 2.95%. Based on our outstanding borrowings under the Amended Credit Agreement as of December 31, 2019, a 100 basis point increase in the interest rate would result in a $2.9 million increase in our annualized interest expense. There was no outstanding balance under the revolving facility as of December 31, 2019.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of TopBuild Corp.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of TopBuild Corp. and its subsidiaries (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of operations, of changes in equity and of cash flows for each of the three years in the period ended December 31, 2019, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance

with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue Recognition – Total Expected Costs for Performance Obligations Satisfied Over Time

As described in Notes 1 and 3 to the consolidated financial statements, $1,906.7 million of the Company's total revenues for the year ended December 31, 2019 was generated from the Installation segment. Revenue is recognized for the Installation segment over time as the related performance obligation is satisfied with respect to each particular order within a given customer's contract. Progress toward complete satisfaction of the performance obligation is measured using a cost-to-cost measure of progress method. The cost input is based on the amount of material installed at that customer's location and the associated labor costs, as compared to the total expected cost for the particular order. Revenue is recognized over time as the customer is able to receive and utilize the benefits provided.

The principal considerations for our determination that performing procedures relating to revenue recognition – total expected costs for performance obligations satisfied over time is a critical audit matter are there was significant auditor judgment and effort in performing procedures and evaluating audit evidence obtained relating to the total expected costs for performance obligations satisfied over time.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process, including controls over estimating the total expected costs for performance obligations satisfied over time. The procedures also included, among others, evaluating and testing management's process for determining the total expected costs for a sample of orders, which included evaluating the reasonableness of significant assumptions, including the estimated amount of material to be installed and the associated labor costs used by management and considering the factors that can affect the accuracy of those estimates. Evaluating the reasonableness of significant assumptions used involved assessing management's ability to reasonably estimate total expected costs for particular orders within customer contracts by (i) performing a comparison of the originally estimated and actual costs incurred on completed orders and (ii) evaluating the timely identification of circumstances that may warrant a modification to total expected cost, including actual costs in excess of estimates.

/s/ PricewaterhouseCoopers LLP
Orlando, Florida
February 25, 2020

We have served as the Company's auditor since 2015.

TOPBUILD CORP.
CONSOLIDATED BALANCE SHEETS
(In thousands except share amounts)

	As of December 31,	
	2019	**2018**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 184,807	$ 100,929
Receivables, net of an allowance for doubtful accounts of $4,854 and $3,676 at December 31, 2019, and December 31, 2018, respectively	428,844	407,106
Inventories, net	149,078	168,977
Prepaid expenses and other current assets	17,098	27,685
Total current assets	779,827	704,697
Right of use assets	87,134	—
Property and equipment, net	178,080	167,961
Goodwill	1,367,918	1,364,016
Other intangible assets, net	181,122	199,387
Deferred tax assets, net	4,259	13,176
Other assets	5,623	5,294
Total assets	$ 2,603,963	$ 2,454,531
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 307,970	$ 313,172
Current portion of long-term debt	34,272	26,852
Accrued liabilities	98,418	104,236
Short-term lease liabilities	36,094	—
Total current liabilities	476,754	444,260
Long-term debt	697,955	716,622
Deferred tax liabilities, net	175,263	176,212
Long-term portion of insurance reserves	45,605	43,434
Long-term lease liabilities	54,010	—
Other liabilities	1,487	1,905
Total liabilities	1,451,074	1,382,433
Commitments and contingencies		
Equity:		
Preferred stock, $0.01 par value: 10,000,000 shares authorized; 0 shares issued and outstanding at December 31, 2019 and December 31, 2018	—	—
Common stock, $0.01 par value: 250,000,000 shares authorized; 38,884,530 shares issued and 33,489,769 outstanding at December 31, 2019, and 38,676,586 shares issued and 34,573,596 outstanding at December 31, 2018	388	387
Treasury stock, 5,394,761 shares at December 31, 2019, and 4,102,990 shares at December 31, 2018, at cost	(330,018)	(216,607)
Additional paid-in capital	849,657	846,451
Retained earnings	632,862	441,867
Total equity	1,152,889	1,072,098
Total liabilities and equity	$ 2,603,963	$ 2,454,531

See notes to our consolidated financial statements.

TOPBUILD CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands except per common share amounts)

	Year Ended December 31,		
	2019	**2018**	**2017**
Net sales	$ 2,624,121	$ 2,384,249	$ 1,906,266
Cost of sales	1,942,854	1,808,097	1,445,157
Gross profit	681,267	576,152	461,109
Selling, general, and administrative expense (exclusive of significant legal settlement shown separately below)	391,744	367,199	294,245
Significant legal settlement	—	—	30,000
Operating profit	289,523	208,953	136,864
Other income (expense), net:			
Interest expense	(37,823)	(28,687)	(8,019)
Loss on extinguishment of debt	—	—	(1,086)
Other, net	2,078	558	281
Other expense, net	(35,745)	(28,129)	(8,824)
Income before income taxes	253,778	180,824	128,040
Income tax (expense) benefit	(62,783)	(46,072)	30,093
Net income	$ 190,995	$ 134,752	$ 158,133
Net income per common share:			
Basic	$ 5.65	$ 3.86	$ 4.41
Diluted	$ 5.56	$ 3.78	$ 4.32
Weighted average shares outstanding:			
Basic	33,806,104	34,921,318	35,897,641
Diluted	34,376,555	35,613,319	36,572,146

See notes to our consolidated financial statements.

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

	Year Ended December 31,		
	2019	**2018**	**2017**
Cash Flows Provided by (Used in) Operating Activities:			
Net income	$ 190,995	$ 134,752	$ 158,133
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	52,700	39,419	16,453
Share-based compensation	13,658	11,317	9,889
Loss on extinguishment of debt	—	—	1,086
Loss on sale or abandonment of property and equipment	1,399	1,204	998
Amortization of debt issuance costs	1,558	1,201	401
Provision for bad debt expense	7,065	3,240	3,231
Loss from inventory obsolescence	2,622	2,187	1,979
Deferred income taxes, net	8,888	12,936	(59,535)
Change in certain assets and liabilities			
Receivables, net	(27,146)	(35,522)	(37,943)
Inventories, net	17,433	(23,297)	(14,901)
Prepaid expenses and other current assets	9,361	(8,360)	8,184
Accounts payable	(5,124)	29,687	17,936
Accrued liabilities	(2,690)	(660)	7,160
Other, net	1,058	(932)	121
Net cash provided by operating activities	271,777	167,172	113,192
Cash Flows Provided by (Used in) Investing Activities:			
Purchases of property and equipment	(45,536)	(52,504)	(25,308)
Acquisition of businesses, net of cash acquired of $15,756 in 2018	(6,952)	(500,202)	(84,090)
Proceeds from sale of property and equipment	2,321	849	603
Other, net	25	38	199
Net cash used in investing activities	(50,142)	(551,819)	(108,596)
Cash Flows Provided by (Used in) Financing Activities:			
Proceeds from issuance of long-term debt	14,989	526,604	250,000
Repayment of long-term debt	(27,793)	(18,399)	(186,250)
Payment of debt issuance costs	—	(7,819)	(2,150)
Proceeds from revolving credit facility	—	90,000	225,000
Repayment of revolving credit facility	—	(90,000)	(225,000)
Taxes withheld and paid on employees' equity awards	(12,951)	(5,465)	(4,764)
Repurchase of shares of common stock	(110,911)	(65,025)	(139,286)
Payment of contingent consideration	(1,091)	(841)	—
Net cash (used in) provided by financing activities	(137,757)	429,055	(82,450)
Cash and Cash Equivalents			
Increase for the period	83,878	44,408	(77,854)
Beginning of period	100,929	56,521	134,375
End of period	$ 184,807	$ 100,929	$ 56,521
Supplemental disclosure of cash paid for:			
Interest on long-term debt	$ 36,244	$ 23,733	$ 6,423
Income taxes	43,310	39,010	22,580
Supplemental disclosure of noncash activities:			
Leased assets obtained in exchange for new operating lease liabilities	$ 128,838	$ —	$ —
Accruals for property and equipment	542	860	1,123

See notes to our consolidated financial statements.

TOPBUILD CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In thousands)

	Common Stock ($0.01 par value)	Treasury Stock at cost	Additional Paid-in Capital	Retained Earnings	Equity
Balance at December 31, 2016	$ 385	$ (22,296)	$ 845,476	$ 148,982	$ 972,547
Net income	—	—	—	158,133	158,133
Share-based compensation	—	—	9,889	—	9,889
Issuance of 158,900 restricted share awards under long-term equity incentive plan	1	—	(1)	—	—
Repurchase of 858,393 shares pursuant to 2016 and 2017 Repurchase Programs	—	(39,286)	—	—	(39,286)
Repurchase of 1,507,443 shares pursuant to the 2017 ASR Agreement	—	(80,000)	(20,000)	—	(100,000)
123,101 shares withheld to pay taxes on employees' equity awards	—	—	(4,764)	—	(4,764)
Balance at December 31, 2017	$ 386	$ (141,582)	$ 830,600	$ 307,115	$ 996,519
Net income	—	—	—	134,752	134,752
Share-based compensation	—	—	11,317	—	11,317
Issuance of 90,760 restricted share awards under long-term equity incentive plan	1	—	(1)	—	—
Repurchase of 252,946 shares pursuant to 2017 Repurchase Program	—	(15,000)	—	—	(15,000)
Repurchase of 13,657 shares pursuant to the settlement of the 2017 ASR Agreement	—	(20,000)	20,000	—	—
Repurchase of 796,925 shares pursuant to the 2018 ASR Agreement	—	(40,025)	(10,000)	—	(50,025)
98,056 shares withheld to pay taxes on employees' equity awards	—	—	(5,465)	—	(5,465)
Balance at December 31, 2018	$ 387	$ (216,607)	$ 846,451	$ 441,867	$ 1,072,098
Net income	—	—	—	190,995	190,995
Share-based compensation	—	—	13,658	—	13,658
Issuance of 129,870 restricted share awards under long-term equity incentive plan	1	—	(1)	—	—
Repurchase of 176,327 shares pursuant to the settlement of the 2018 ASR Agreement	—	(10,000)	10,000	—	—
Repurchase of 722,943 shares pursuant to the 2019 Repurchase Program	—	(60,886)	—	—	(60,886)
Repurchase of 392,501 shares pursuant to the 2019 ASR Agreement	—	(42,525)	(7,500)	—	(50,025)
228,916 shares withheld to pay taxes on employees' equity awards	—	—	(12,951)	—	(12,951)
Balance at December 31, 2019	$ 388	$ (330,018)	$ 849,657	$ 632,862	$ 1,152,889

See notes to our consolidated financial statements.

TOPBUILD CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation. On June 30, 2015, Masco completed the Separation of its Services Business from its other businesses and TopBuild became an independent public company which holds, through its consolidated subsidiaries, the assets and liabilities of 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. TopBuild is a Delaware corporation and trades on the NYSE under the symbol "BLD."

We report our business in two segments: Installation and Distribution. Our Installation segment primarily installs insulation and other building products. Our Distribution segment primarily sells and distributes insulation and other building products. Our segments are based on our operating units, for which financial information is regularly evaluated by our Chief Operating Decision Maker.

Financial Statement Presentation. The consolidated financial statements have been developed in conformity with GAAP. All intercompany transactions between the TopBuild entities have been eliminated.

Use of Estimates and Assumptions in the Preparation of Financial Statements. The preparation of our consolidated financial statements in conformity with GAAP requires us to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of any contingent assets and liabilities, at the date of the financial statements, and the reported amounts of sales and expenses during the reporting period. Actual results may differ from these estimates and assumptions.

Revenue Recognition. Revenue is disaggregated between our Installation and Distribution segments. A reconciliation of disaggregated revenue by segment is included in Note 8 – Segment Information.

We recognize revenue for our Installation segment over time as the related performance obligation is satisfied with respect to each particular order within a given customer's contract. Progress toward complete satisfaction of the performance obligation is measured using a cost-to-cost measure of progress method. The cost input is based on the amount of material installed at that customer's location and the associated labor costs, as compared to the total expected cost for the particular order. Revenue is recognized as the customer is able to receive and utilize the benefits provided by our services. Each contract contains one or more individual orders, which are based on services delivered. When a contract modification is made, typically the remaining goods or services are considered distinct and we recognize revenue for the modification as a separate performance obligation. When material and installation services are bundled in a contract, we combine these items into one performance obligation as the overall promise is to transfer the combined item.

Revenue from our Distribution segment is recognized when title to products and risk of loss transfers to our customers. This represents the point in time when the customer is able to direct the use of and obtain substantially all the benefits from the product. The determination of when control is deemed transferred depends on the shipping terms that are agreed upon in the contract.

At time of sale, we record estimated reductions to revenue for customer programs and incentive offerings, including special pricing and other volume-based incentives based on historical experience, which is continuously adjusted. The duration of our contracts with customers is relatively short, generally less than a 90-day period, therefore there is not a significant financing component when considering the determination of the transaction price which gets allocated to the individual performance obligations, generally based on standalone selling prices. Additionally, we consider shipping costs charged to a customer as a fulfillment cost rather than a promised service and expense as incurred. Sales taxes, when incurred, are recorded as a liability and excluded from revenue on a net basis.

We record a contract asset when we have satisfied our performance obligation prior to billing and a contract liability when a customer payment is received prior to the satisfaction of our performance obligation. The difference between the beginning and ending balances of our contract assets and liabilities primarily results from the timing of our performance and the customer's payment. See *Note 3 – Revenue Recognition* for more information.

TOPBUILD CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income Taxes. We account for income taxes using the asset and liability method, which requires recognition of deferred tax assets and liabilities for expected future tax consequences of temporary differences that currently exist between tax basis and financial reporting basis of our assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates in the respective jurisdictions in which we operate.

Valuation allowances are established against deferred tax assets when it is more likely than not that the realization of those deferred tax assets will not occur. In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise, we consider all available positive and negative evidence. If, based upon all available evidence, both positive and negative, it is more likely than not (more than 50 percent likely) such deferred tax assets will not be realized, a valuation allowance is recorded. Significant weight is given to positive and negative evidence that is objectively verifiable. A company's three year cumulative loss position is significant negative evidence in considering whether deferred tax assets are realizable and the accounting guidance restricts the amount of reliance we can place on projected taxable income to support the recovery of the deferred tax assets.

Only those income tax positions that have a greater than 50 percent likelihood of being sustained upon examination by taxing authorities are recognized. There is an increased potential for volatility in our effective tax rate because of future changes in the income tax environment and the inherent complexities of income tax law in the various jurisdictions. Accordingly, provisions for tax-related matters, including interest and penalties, could be recorded in income tax expense in the period revised assessments are made.

Cash and Cash Equivalents. We consider our highly liquid investments with a maturity of three months or less at the time of purchase to be cash and cash equivalents.

Receivables, net. We do business with a significant number of customers, principally homebuilders. We monitor our exposure for credit losses on our customer receivable balances and the credit worthiness of our customers on an on-going basis and record related allowances for doubtful accounts. Allowances are estimated based upon specific customer balances where a risk of default has been identified, and also include a provision for non-customer specific defaults based upon historical collection, return, and write-off activity. During downturns in our markets, declines in the financial condition and creditworthiness of customers impact the credit risk of the receivables involved and we have incurred additional bad debt expense related to customer defaults. Receivables, net are presented net of certain allowances, including allowances for doubtful accounts.

Inventories, net. Inventories, net consist primarily of insulation, rain gutters, glass and windows, fireproofing and firestopping products, garage doors, fireplaces, shower enclosures, closet shelving, accessories, and other products. We value inventory at the lower of cost or net realizable value, where cost is determined by the first in-first out cost method. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable cost of completion, disposal, and transportation. Inventory value is evaluated at each balance sheet date to ensure that it is carried at the lower of cost or net realizable value. Inventory provisions are recorded to reduce inventory to the lower of cost or net realizable value for obsolete or slow moving inventory based on assumptions about future demand and marketability of products, the impact of new product introductions, inventory levels and turns, product spoilage, and specific identification of items such as product discontinuance, engineering/material changes, or regulatory-related changes. As of December 31, 2019 and 2018, all inventory consisted of finished goods.

Property and Equipment, net. Property and equipment, net, including significant betterments to existing facilities, are recorded at cost. Upon retirement or disposal, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the Consolidated Statements of Operations. Maintenance and repair costs are charged against earnings as incurred. Gains and losses on the disposal of equipment are included in selling, general, and administrative expense.

TOPBUILD CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

We review our property and equipment as an event occurs or circumstances change that would more likely than not reduce the fair value of the property and equipment below the carrying amount. If the carrying amount is not recoverable from its undiscounted cash flows, we would recognize an impairment loss for the difference between the carrying amount and the current fair value. Further, we evaluate the remaining useful lives of property and equipment at each reporting period to determine whether events and circumstances warrant a revision to the remaining depreciation periods.

Depreciation. Depreciation expense is computed principally using the straight-line method over the estimated useful lives of the assets. Estimated useful lives are generally as follows:

Asset Class	Estimated Useful Life
Buildings and land improvements	20 – 40 years
Software	3 – 6 years
Company vehicles	3 – 8 years
Equipment	6 – 10 years

Fair Value. 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"). 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). The three levels of the fair value hierarchy are:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices, such as quoted market prices for similar assets or liabilities or other inputs that are observable or can be corroborated by market data.

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Goodwill and Other Intangible Assets. We perform our annual impairment testing of goodwill in the fourth quarter of each year, or as events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. We have defined our reporting units and completed the impairment testing of goodwill at the operating segment level. Our operating segments are reporting units that engage in business activities for which discrete financial information, including long-range forecasts, are available. When assessing goodwill for impairment, we have the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, we determine it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then we perform a two-step impairment test. If we conclude otherwise, then no further action is taken. We also have the option to bypass the qualitative assessment and only perform a quantitative assessment, which is the first step of the two-step impairment test. In the two-step impairment test, we compare the fair value of the reporting units to the carrying value of the reporting units for goodwill impairment testing. Fair value for our reporting units is determined using a discounted cash flow method, which includes significant unobservable inputs (Level 3 inputs).

Determining market values using a discounted cash flow method requires us to make significant estimates and assumptions, including long term projections of cash flows, market conditions, and appropriate discount rates. Our judgments are based upon historical experience, current market trends, consultations with external valuation specialists and other information. In estimating future cash flows, we rely on internally generated long-range forecasts for sales and operating profits, including capital expenditures, and generally utilize a one to three percent long term assumed annual growth rate of cash flows for periods after the long-range forecast. An impairment loss is recognized to the extent that a reporting unit's recorded goodwill exceeds the implied fair value of goodwill.

TOPBUILD CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives. We evaluate the remaining useful lives of amortizable intangible assets at each reporting period to determine whether events and circumstances warrant a revision to the remaining periods of amortization. For additional information, see *Note 5 – Goodwill and Other Intangibles*.

Insurance Reserves. We use a combination of high deductible and matching deductible insurance programs for a number of risks including, but not limited to, workers' compensation, general liability, vehicle, and property liabilities. Our workers' compensation insurance is primarily a high-deductible insurance program and our primary general liability insurance is a matching deductible program. We are insured for covered claims above the deductibles and retentions on an excess basis. The liabilities represent our best estimate of our costs, using generally accepted actuarial reserving methods, of the ultimate obligations for reported claims plus those incurred but not reported claims through December 31, 2019 and 2018. The accruals are adjusted as new information develops or circumstances change that would affect the estimated liability. We also record an insurance receivable for claims that exceeded the stop loss limit included in other assets on our Consolidated Balance Sheets which offsets an equal liability included within the reserve amount recorded in other liabilities on our Consolidated Balance Sheets. At December 31, 2019 and 2018, the amount of this receivable and liability was $5.3 million and $4.2 million, respectively.

Advertising. Advertising costs are expensed as incurred. Advertising expense, net of manufacturers support, was approximately $1.7 million, $1.7 million, and $1.1 million for the years ended December 31, 2019, 2018, and 2017, respectively, and is included in selling, general, and administrative expense.

Share-based Compensation. Our share-based compensation program currently consists of RSAs and stock options. Share-based compensation expense is reported in selling, general, and administrative expense. We do not capitalize any compensation cost related to share-based compensation awards. The income tax benefits and deficiencies associated with share-based awards are reported as a component of income tax expense. Excess tax benefits and deficiencies are included in net cash provided by (used in) operating activities while shares withheld for tax-withholding are reported in financing activities under the caption "Taxes withheld and paid on employees' equity awards" in our condensed consolidated statements of cash flows. Award forfeitures are accounted for in the period they occur.

Award Type:	Fair Value Determination	Vesting	Expense Recognition‡	Expense Measurement
Restricted Share Awards				
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
Stock Options†	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.

Debt Issuance Costs. Debt issuance costs are amortized as interest expense over the life of the respective debt, which approximates the effective interest rate method. Unamortized debt issuance costs are presented as a direct deduction from the related debt on our Consolidated Balance Sheets.

TOPBUILD CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Leases. In February 2016 the FASB issued ASU 2016-02, "Leases." This standard requires a lessee to recognize certain leases on its balance sheet. Effective January 1, 2019, we adopted ASU 2016-02 using the modified retrospective transition method with the optional transition relief provided in targeted improvements ASU 2018-11, which allows the new standard to be applied in financial year 2019. Adoption of the new standard resulted in the recognition of ROU assets and lease liabilities of $99.1 million and $101.6 million, respectively, as of January 1, 2019 on our unaudited condensed consolidated balance sheet. There was no cumulative adjustment required to be recorded to our beginning retained earnings balance. Adoption of this standard did not materially impact our results of operations or cash flows for any periods presented.

We elected certain practical expedients allowed under ASC 842 – Leases. As such, we did not reassess whether any existing contracts are or contain leases, the lease classification of existing leases, or the initial direct costs for any existing leases. In addition, we elected by class of underlying asset to not separate fixed non-lease components from the lease component. Further, for all leases with an initial term of 12 months or less, we elected not to record any right of use asset or lease liability. We declined the option to use hindsight in determining lease term, assessing likelihood that a lease purchase option will be exercised or in assessing impairment of right of use asset for all classes of assets. To initially measure our lease liability, we used our IBR at January 1, 2019 based on the remaining lease term for all existing leases. See *Note 2 – Leases* for additional information.

Business Combinations. The purchase price for business combinations is allocated to the estimated fair values of acquired tangible and intangible assets, including goodwill, and liabilities assumed. These estimates include, but are not limited to, discount rates, projected future revenue growth, cost synergies and expected cash flows, customer attrition rates, useful lives and other prospective information. Additionally, we recognize customer relationships, trademarks and trade names, and non-competition agreements as identifiable intangible assets, which are recorded at fair value as of the transaction date. The fair value of these intangible assets is determined primarily using the income approach and using current industry information. Goodwill is recorded when consideration transferred exceeds the fair value of identifiable assets and liabilities. Measurement-period adjustments to assets acquired and liabilities assumed with a corresponding offset to goodwill are recorded in the period in which they occur, which may include up to one year from the acquisition date. Contingent consideration is recorded at fair value at the acquisition date.

Reclassification of Prior Year Presentation. Certain prior year amounts have been reclassified for consistency with the current year presentation. Reclassifications have been made to the product categories used in our disaggregated revenue figures to better align with how the business is managed following the acquisition of USI. These reclassifications had no effect on the previously reported results of operations.

Recently Issued Accounting Pronouncements Not Yet Adopted.

In June 2016 the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses". This guidance introduces a current expected credit loss ("CECL") model for the recognition of impairment losses on financial assets, including trade receivables. The CECL model replaces current GAAP's incurred loss model. Under CECL, companies will record an allowance through current earnings for the expected credit loss for the life of the financial asset upon initial recognition of the financial asset. This update is effective for us beginning January 1, 2020. We are currently evaluating the effect of adoption of this standard on our financial position and results of operations. The adoption of this standard will not have a material impact on our financial position and results of operations.

In January 2017 the FASB issued ASU 2017-04, "Simplifying the Test for Goodwill Impairment." The new standard simplifies the subsequent measurement of goodwill by eliminating the second step of the goodwill impairment test. This update is effective for us beginning January 1, 2020. The adoption of this standard will not have a material impact on our financial position and results of operations.

In August 2018 the FASB issued ASU 2018-13, "Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement." The new standard modifies the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement, including adjustments to Level 3 fair value measurement disclosures as well as the removal of disclosures around Level 1 and Level 2 transfers. This update is effective for us beginning January 1, 2020. The adoption of this standard will not have a material impact on our financial position and results of operations.

TOPBUILD CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In December 2019, the FASB issued ASU 2019-12, "Simplifying the Accounting for Income Taxes". This standard simplifies the accounting for income taxes by removing certain exceptions to the general principles included in current guidance, as well as improving consistent application of and simplifying GAAP for other areas by clarifying and amending existing guidance. This update is effective for us beginning January 1, 2022, with early adoption permitted. We have not yet selected an adoption date, and we are currently evaluating the effect of adoption of this standard on our financial position and results of operations.

2. LEASES

We have operating leases for our installation branch locations, distribution centers, our Branch Support Center in Daytona Beach, Florida, vehicles and certain equipment. In addition, we lease certain operating facilities from certain related parties, primarily former owners (and in certain cases, current management personnel) of companies acquired. These related party leases are immaterial to our consolidated statements of operations. As of December 31, 2019, we did not have any finance leases.

At the inception of a contract, we determine whether the contract is, or contains, a lease based on the unique facts and circumstances present. Our facilities operating leases have lease and non-lease fixed cost components, which we account for as one single lease component in calculating the present value of minimum lease payments. Variable lease and non-lease cost components are expensed as incurred and are primarily included in cost of sales on the accompanying consolidated statement of operations.

Operating lease payments are recognized as an expense in the consolidated statements of operations on a straight-line basis over the lease term, including future option periods the Company reasonably expects to exercise, whereby an equal amount of rent expense is attributed to each period during the term of the lease, regardless of when actual payments are made. This generally results in rent expense in excess of cash payments during the early years of a lease and rent expense less than cash payments in later years. The difference between rent expense recognized and actual rental payments is typically represented as the spread between the ROU asset and lease liability.

We recognize a ROU asset and a lease liability at the lease commencement date. Our leases may includeoptions to extend or terminate the lease, which will be reflected in the calculation of the lease liability and corresponding ROU asset when it is reasonably certain that we will exercise that option. We do not recognize ROU assets and lease liabilities for short-term leases that have an initial lease term of 12 months or less. We recognize the lease payments associated with short-term leases as an expense on a straight-line basis over the lease term.

The lease liability is initially measured as the present value of the unpaid lease payments as of the lease commencement date. The lease liability is discounted based on our IBR at the time of initial adoption of ASU 2016-02 for all exiting leases or upon a modification to the lease term and at the time of lease commencement for all future leases. Our IBR includes significant assumptions regarding our secured borrowing rates obtained on equipment note issuances and adjustments for differences in the remaining lease term, underlying assets and market conditions for companies with similar credit qualities as well as interest rate index fluctuations.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred less any lease incentives received. The ROU asset is subsequently measured throughout the lease term as the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Certain vehicle lease agreements have residual value guarantees at the end of the lease which require us to return the asset with a specified percentage of the original or other calculated value.

TOPBUILD CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The components of lease expense were as follows and are primarily included in cost of sales on the accompanying consolidated statement of operations, in thousands:

	Year Ended December 31, 2019
Operating lease cost	$ 45,209
Short-term lease cost	12,552
Variable lease cost	6,985
Sublease income	(574)
Net lease cost	$ 64,172

Future minimum lease payments under non-cancellable operating leases as of December 31, 2019 were as follows, in thousands:

Payments due by Period	
2020	$ 39,500
2021	26,547
2022	16,675
2023	8,650
2024	4,426
2025 & Thereafter	5,500
Total future minimum lease payments	101,298
Less: imputed interest	(11,194)
Lease liability at December 31, 2019	$ 90,104

As of December 31, 2019, the weighted average remaining lease term was3.4 years and the related lease liability was calculated using a weighted average discount rate of 4.2%.

The amount below is included in the cash flows provided by (used in) operating activities section on the accompanying consolidated statement of cash flows, in thousands:

	Year Ended December 31, 2019
Cash paid for amounts included in the measurement of lease liabilities	$ 44,801

TOPBUILD CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. REVENUE RECOGNTION

Revenue is disaggregated between our Installation and Distribution segments and further based on market and product, as we believe this best depicts how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. The following tables present our revenues disaggregated by market (in thousands):

	Year Ended December 31, 2019			
	Installation	Distribution	Eliminations	Total
Residential	$ $1,483,218	$ $655,208	$ ($114,540)	$ 2,023,886
Commercial	$423,512	$206,935	($30,212)	600,235
Net sales	$ 1,906,730	$ 862,143	$ (144,752)	$ 2,624,121

	Year Ended December 31, 2018			
	Installation	Distribution	Eliminations	Total
Residential	$ $1,352,022	$ $637,399	$ ($89,056)	$ 1,900,365
Commercial	$328,945	$182,910	($27,971)	483,884
Net sales	$ 1,680,967	$ 820,309	$ (117,027)	$ 2,384,249

	Year Ended December 31, 2017			
	Installation	Distribution	Eliminations	Total
Residential	$ $1,032,669	$ $569,241	$ ($73,403)	$ 1,528,507
Commercial	$248,627	$150,518	($21,386)	377,759
Net sales	$ 1,281,296	$ 719,759	$ (94,789)	$ 1,906,266

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

	Year Ended December 31, 2019			
	Installation	Distribution	Eliminations	Total
Insulation and accessories	$ 1,485,356	$ 712,959	$ (114,679)	$ 2,083,636
Glass and windows	152,071	-	-	152,071
Rain gutters	85,056	88,003	(24,261)	148,798
All other	184,247	61,181	(5,812)	239,616
Net sales	$ 1,906,730	$ 862,143	$ (144,752)	$ 2,624,121

	Year Ended December 31, 2018			
	Installation	Distribution	Eliminations	Total
Insulation and accessories	$ 1,297,931	$ 665,387	$ (90,323)	$ 1,872,995
Glass and windows	124,115	-	-	124,115
Rain gutters	85,950	82,080	(25,062)	142,968
All other	172,971	72,842	(1,642)	244,171
Net sales	$ 1,680,967	$ 820,309	$ (117,027)	$ 2,384,249

	Year Ended December 31, 2017			
	Installation	Distribution	Eliminations	Total
Insulation and accessories	$ 1,005,632	$ 591,721	$ (72,763)	$ 1,524,590
Glass and windows	45,450	-	-	45,450
Rain gutters	79,868	64,966	(20,090)	124,744
All other	150,346	63,072	(1,936)	211,482
Net sales	$ 1,281,296	$ 719,759	$ (94,789)	$ 1,906,266

TOPBUILD CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

We recognize revenue for our Installation segment over time as the related performance obligation is satisfied with respect to each particular order within a given customer's contract. Progress toward complete satisfaction of the performance obligation is measured using a cost-to-cost measure of progress method. The cost input is based on the amount of material installed at that customer's location and the associated labor costs, as compared to the total expected cost for the particular order. Revenue is recognized as the customer is able to receive and utilize the benefits provided by our services. Each contract contains one or more individual orders, which are based on services delivered. When a contract modification is made, typically the remaining goods or services are considered distinct and we recognize revenue for the modification as a separate performance obligation. When material and installation services are bundled in a contract, we combine these items into one performance obligation as the overall promise is to transfer the combined item.

Revenue from our Distribution segment is recognized when title to products and risk of loss transfers to our customers. This represents the point in time when the customer is able to direct the use of and obtain substantially all the benefits from the product. The determination of when control is deemed transferred depends on the shipping terms that are agreed upon in the contract.

At time of sale, we record estimated reductions to revenue for customer programs and incentive offerings, including special pricing and other volume-based incentives based on historical experience, which is continuously adjusted. The duration of our contracts with customers is relatively short, generally less than a 90-day period, therefore there is not a significant financing component when considering the determination of the transaction price which gets allocated to the individual performance obligations, generally based on standalone selling prices. Additionally, we consider shipping costs charged to a customer as a fulfillment cost rather than a promised service and expense as incurred. Sales taxes, when incurred, are recorded as a liability and excluded from revenue on a net basis.

We record a contract asset when we have satisfied our performance obligation prior to billing and a contract liability when a customer payment is received prior to the satisfaction of our performance obligation. The difference between the beginning and ending balances of our contract assets and liabilities primarily results from the timing of our performance and the customer's payment. Our remaining performance obligations are expected to be recognized within the next twelve months.

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

	Included in Line Item on Condensed Consolidated Balance Sheets	As of December 31, 2019	As of December 31, 2018
Contract Assets:			
Receivables, unbilled	Receivables, net	$ 57,153	$ 61,339
Contract Liabilities:			
Deferred revenue	Accrued liabilities	$ 16,139	$ 19,963

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4. PROPERTY & EQUIPMENT

The following table sets forth our property and equipment by class as of December 31, 2019 and 2018, in thousands:

	As of December 31,	
	2019	2018
Land and improvements	$ 7,597	$ 7,649
Buildings	39,715	38,933
Equipment	121,738	115,261
Computer hardware and software	135,938	132,719
Company vehicles	116,069	94,896
	421,057	389,458
Less: Accumulated depreciation	(242,977)	(221,497)
Total property and equipment, net	$ 178,080	$ 167,961

For additions to property and equipment as a result of 2018 acquisitions, see *Note 17 – Business Combinations.*

Total property and equipment, net as of December 31, 2018 excludes $0.9 million of assets held for sale related to a property acquired in the USI acquisition in which management committed to a plan of sale in the fourth quarter of 2018. These assets held for sale are included in prepaid expenses and other current assets on the Consolidated Balance Sheet as of December 31, 2018. These assets were sold during the second quarter of 2019 and no gain or loss was recognized on the sale.

Depreciation expense was $31.9 million, $23.7 million, and $13.5 million for the years ended December 31, 2019, 2018, and 2017, respectively.

5. GOODWILL AND OTHER INTANGIBLES

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

In the fourth quarters of 2019 and 2018, we performed annual assessments on our goodwill resulting in no impairment.

Changes in the carrying amount of goodwill for the years ended December 31, 2019 and 2018, by segment, were as follows, in thousands:

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	Gross Goodwill at December 31, 2018	Additions	Gross Goodwill at December 31, 2019	Accumulated Impairment Losses	Net Goodwill at December 31, 2019
Goodwill, by segment:					
Installation	$ 1,679,654	$ 3,935	$ 1,683,589	$ (762,021)	$ 921,568
Distribution	446,383	(33)	446,350	—	446,350
Total goodwill	$ 2,126,037	$ 3,902	$ 2,129,939	$ (762,021)	$ 1,367,918

	Gross Goodwill at December 31, 2017	Additions	Gross Goodwill at December 31, 2018	Accumulated Impairment Losses	Net Goodwill at December 31, 2018
Goodwill, by segment:					
Installation	$ 1,422,920	$ 256,734	$ 1,679,654	$ (762,021)	$ 917,633
Distribution	416,287	30,096	446,383	—	446,383
Total goodwill	$ 1,839,207	$ 286,830	$ 2,126,037	$ (762,021)	$ 1,364,016

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

	As of		
	December 31, 2019	December 31, 2018	December 31, 2017
Gross definite-lived intangible assets	$ 221,382	$ 218,882	$ 54,872
Accumulated amortization	(40,260)	(19,495)	(21,629)
Net definite-lived intangible assets	181,122	199,387	33,243
Indefinite-lived intangible assets not subject to amortization	—	—	—
Other intangible assets, net	$ 181,122	$ 199,387	$ 33,243
Amortization expense	$ 20,765	$ 15,752	$ 2,994

The following table sets forth the amortization expense related to the definite-lived intangible assets during each of the next five years, in thousands:

	Amortization Expense
2020	$ 20,900
2021	20,737
2022	19,913
2023	19,101
2024	19,076

See *Note 17 – Business Combinations* for breakout by major intangible asset class and their weighted average estimated useful lives.

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6. LONG-TERM DEBT

The following table reconciles the principal balances of our outstanding debt to our Consolidated Balance Sheets, in thousands

	As of December 31,	
Principal debt balances:	**2019**	**2018**
Senior Notes - 5.625% due May 2026	400,000	400,000
Term loan	305,625	327,500
Equipment notes	33,525	24,455
Unamortized debt issuance costs	(6,923)	(8,481)
Total debt, net of unamortized debt issuance costs	732,227	743,474
Less: current portion of long-term debt	34,272	26,852
Total long-term debt	$ 697,955	$ 716,622

The following table sets forth our remaining principal payments for our outstanding debt balances as of December 31, 2019, in thousands:

	Payments Due by Period						
	2020	**2021**	**2022**	**2023**	**2024**	**Thereafter**	**Total**
Senior Notes	$ —	$ —	$ —	$ —	$ —	$ 400,000	$ 400,000
Term loan	26,250	30,625	248,750	—	—	—	305,625
Equipment notes	8,022	8,336	8,661	6,376	2,130	—	33,525
Total	$ 34,272	$ 38,961	$ 257,411	$ 6,376	$ 2,130	$ 400,000	$ 739,150

Amended Credit Agreement and Senior Secured Term Loan Facility

On March 28, 2018, the Company executed an amendment to its credit agreement, which primarily facilitated the acquisition of USI by (i) extending until August 29, 2018, the period during which the Company could access the $100.0 million delayed draw term loan feature and (ii) providing that the Company could issue up to $500.0 million of Senior Notes in connection with its acquisition of USI. On May 1, 2018, the Company closed on its acquisition of USI. The acquisition was funded through net proceeds from the issuance of our Senior Notes on April 25, 2018 together with the net proceeds from the $100.0 million delayed draw term loan commitment accessed on May 1, 2018 under the Company's Amended Credit Agreement. These funds were also used for the payment of related fees and expenses, as well as for general corporate purposes.

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

Senior secured term loan facility (original borrowing) (a)	$	250,000
Additional delayed draw term loan (b)	$	100,000
Additional term loan and/or revolver capacity available under incremental facility (c)	$	200,000
Revolving Facility	$	250,000
Sublimit for issuance of letters of credit under Revolving Facility (d)	$	100,000
Sublimit for swingline loans under Revolving Facility (d)	$	20,000
Interest rate as of December 31, 2019		2.95 %
Scheduled maturity date		5/05/2022

(a) The Amended Credit Agreement provides for a term loan limit of $350.0 million; $250.0 million was drawn on May 5, 2017.
(b) On May 1, 2018, the net proceeds from the $100.0 million delayed draw term loan were used to partially fund the USI acquisition.
(c) Additional borrowing capacity is available under the incremental facility, subject to certain terms and conditions (including existing or new lenders providing commitments in respect of such additional borrowing capacity).
(d) Use of the sublimits for the issuance of letters of credit and swingline loans reduces the availability under the Revolving Facility.

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

- A base rate determined by reference to the highest of either (i) the federal funds rate plus0.50 percent, (ii) Bank of America's "prime rate," or (iii) the LIBOR rate for U.S. dollar deposits with a term of one month, plus 1.00 percent; or

- A LIBOR rate determined by reference to the costs of funds for deposits in U.S. dollars for the interest period relevant to such borrowings.

The applicable margin rate is determined based on our Secured Leverage Ratio. In the case of base rate borrowings, the applicable margin rate ranges from 0.00 percent to 1.50 percent and in the case of LIBOR rate borrowings, the applicable margin ranges froml.00 percent to 2.50 percent. Borrowings under the Amended Credit Agreement are prepayable at the Company's option without premium or penalty. The Company is required to make prepayments with the net cash proceeds of certain asset sales and certain extraordinary receipts.

Revolving Facility

The Company has outstanding standby letters of credit that secure our financial obligations related to our workers' compensation, general insurance, and auto liability programs. These standby letters of credit, as well as any outstanding amount borrowed under our Revolving Facility, reduce the availability under the Revolving Facility. The following table summarizes our availability under the Revolving Facility, in thousands:

	As of	
	December 31, 2019	**December 31, 2018**
Revolving Facility	$ 250,000	$ 250,000
Less: standby letters of credit	(61,382)	(59,288)
Availability under Revolving Facility	$ 188,618	$ 190,712

We are required to pay commitment fees to the Lenders in respect of any unutilized commitments. The commitment fees range from0.15 percent to 0.275 percent per annum, depending on our Secured Leverage Ratio. We must also pay customary fees on outstanding letters of credit.

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Senior Notes

The Senior Notes are our senior unsecured obligations and bear interest at5.625% per year, payable semiannually in arrears on May 1 and November 1 of each year, which began on November 1, 2018. The Senior Notes mature on May 1, 2026, unless redeemed early or repurchased. We have the right to redeem the Senior Notes under certain circumstances, and, if we undergo a change in control, we must make an offer to repurchase all of the Senior Notes then outstanding at a repurchase price equal to 101% of their aggregate principal amount, plus accrued and unpaid interest (if any) to, but not including, the repurchase date.

Equipment Notes

During 2018, the Company executed $26.6 million of equipment notes for the purpose of financing the purchase of vehicles and equipment. During 2019, the Company issued additional equipment notes for $15.0 million. The Company's equipment notes each have a five year tenor maturing from 2023 to 2024 and bear interest at fixed rates between 2.8% and 4.4%.

Covenant Compliance

The indenture governing our Senior Notes contains customary restrictive covenants that, among other things, generally limit our ability to incur additional debt and issue preferred stock; to create liens; to pay dividends, acquire shares of capital stock, make payments on subordinated debt or make investments; to place limitations on distributions from certain subsidiaries; to issue guarantees; to issue or sell the capital stock of certain subsidiaries; to sell assets; to enter into transactions with affiliates; and to effect mergers. The Senior Notes indenture also contains customary events of default, subject in certain cases to grace and cure periods. Generally, if an event of default occurs and is continuing, the trustee under the indenture or the holders of at least 25% in aggregate principal amount of the Senior Notes then outstanding may declare the principal of, premium, if any, and accrued interest on all the Senior Notes immediately due and payable. The Senior Notes and related guarantees have not been registered under the Securities Act of 1933, and we are not required to register either the Senior Notes or the guarantees in the future.

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

The Amended Credit Agreement requires us to maintain a Net Leverage Ratio and minimum FCCR throughout the term of the agreement. The following table sets forth the maximum Net Leverage Ratios and minimum FCCR required:

Quarter Ending	Maximum Net Leverage Ratio	Minimum FCCR
June 30, 2018 through September 30, 2018	3.75:1.00	1.25:1.00
December 31, 2018 through June 30, 2019	3.50:1.00	1.25:1.00
September 30, 2019 and each fiscal quarter end thereafter	3.25:1.00	1.25:1.00

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

	As of December 31, 2019
Maximum Net Leverage Ratio	3.25:1.00
Minimum FCCR	1.25:1.00
Compliance as of period end	In Compliance

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7. FAIR VALUE 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. We measure our contingent consideration liabilities related to business combinations at fair value. For more information see *Note 17 –Business Combinations.*

Fair Value on Non-Recurring Basis

Fair value measurements were applied to our long-term debt portfolio. We believe the carrying value of our term loan 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 Amended Credit Agreement. In addition, due to the floating-rate nature of our term loan, the market value is not subject to variability solely due to changes in the general level of interest rates as is the case with a fixed-rate debt obligation. Based on active market trades of our Senior Notes close to December 31, 2019 (Level 1 fair value measurement), we estimate that the fair value of the Senior Notes is approximately $423.0 million compared to a gross carrying value of $400.0 million at December 31, 2019.

During all periods presented, there were no transfers between fair value hierarchical levels.

8. SEGMENT INFORMATION

Our reportable segments are Installation (TruTeam) and Distribution (Service Partners).

Our Installation segment installs insulation and other building products. We sell primarily to the residential new construction market, with increasing activity in both the commercial construction industry and repair/remodel of residential housing. In addition to insulation, we install other building products including rain gutters, glass and windows, afterpaint products, fireproofing, garage doors, fireplaces, shower enclosures and closet shelving.

Our Distribution segment sells and distributes insulation and other building products including rain gutters, fireplaces, closet shelving, and roofing materials. Distributed products are sold primarily to contractors and dealers (including lumber yards) from distribution centers in various parts of the United States.

Our segments are based on our operating units, for which financial information is regularly evaluated by our Chief Operating Decision Maker in determining resource allocation and assessing performance. The key performance metric we use to evaluate our businesses is segment operating profit. Operating profit for the individual segments includes corporate costs which are allocated to the segments based on various metrics including sales and headcount.

Intercompany sales from the Distribution segment to the Installation segment are recorded by the Distribution segment with a profit margin and by our Installation segment at cost.

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Key information by segment is as follows, for the years ended December 31, in thousands:

	Net Sales			Operating Profit (b)		
	2019	2018	2017	2019	2018	2017
Our operations by segment were (a):						
Installation (exclusive of significant legal settlement, shown separately below)	$ 1,906,730	$ 1,680,967	$ 1,281,296	$ 253,230	$ 196,986	$ 139,316
Significant legal settlement (Installation segment) (c)	—	—	—	—	—	(30,000)
Distribution	862,143	820,309	719,759	90,388	78,739	68,733
Intercompany eliminations and other adjustments	(144,752)	(117,027)	(94,789)	(23,921)	(20,899)	(16,463)
Total	$ 2,624,121	$ 2,384,249	$ 1,906,266	319,697	254,826	161,586
General corporate expense, net (d)				(30,174)	(45,873)	(24,722)
Operating profit, as reported				289,523	208,953	136,864
Other expense, net				(35,745)	(28,129)	(8,824)
Income before income taxes				$ 253,778	$ 180,824	$ 128,040

	Property Additions			Depreciation and Amortization			Total Assets	
	2019	2018	2017	2019	2018	2017	2019	2018
Our operations by segment were (a):								
Installation	$ 34,101	$ 69,497	$ 21,956	$ 42,682	$ 31,661	$ 12,208	$ 1,669,396	$ 1,618,032
Distribution	8,404	11,121	5,845	8,245	6,616	3,561	715,526	698,337
Corporate	2,993	6,796	1,620	1,773	1,142	684	219,041	138,162
Total, as reported	$ 45,498	$ 87,414	$ 29,421	$ 52,700	$ 39,419	$ 16,453	$ 2,603,963	$ 2,454,531

(a) All of our operations are located in the U.S.
(b) Segment operating profit includes an allocation of general corporate expenses attributable to the operating segments which is based on direct benefit or usage (such as salaries of corporate employees who directly support the segment).
(c) Significant legal settlement expense of $30 million incurred for the year ended December 31, 2017, related to the settlement agreement with Owens Corning. For more information see *Note 11 – Other Commitments and Contingencies*.
(d) General corporate expense, net includes expenses not specifically attributable to our segments for functions such as corporate human resources, finance, and legal, including salaries, benefits, and other related costs.

9. ACCRUED LIABILITIES

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

	As of December 31,	
	2019	2018
Accrued liabilities:		
Salaries, wages, and commissions	$ 32,154	$ 34,085
Insurance liabilities	22,506	25,212
Deferred revenue	16,139	19,963
Interest payable on long-term debt	3,966	3,951
Other	23,653	21,025
Total accrued liabilities	$ 98,418	$ 104,236

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10. EMPLOYEE RETIREMENT PLANS

We provide a defined-contribution retirement plan for substantially all employees. In addition, we participate in43 regional multi-employer pension plans, principally related to building trades; none of the plans are considered material.

The expense related to our participation in the retirement plans was as follows, in thousands:

	Years Ended December 31,		
	2019	2018	2017
Defined contribution plans	$ 10,015	$ 7,595	$ 4,089
Multi-employer plans	13,241	11,224	8,677
	$ 23,256	$ 18,819	$ 12,766

The Pension Protection Act ("PPA") defines a zone status for multi-employer pension plans. Plans in the green zone are at least 80 percent funded, plans in the yellow zone are at least 65 percent funded and plans in the red zone are generally less than 65 percent funded.

We participate in the Carpenters Pension Trust Fund for Northern California ("NCT"), which is our largest multi-employer plan expense and is in the red zone. The NCT has implemented a funding or rehabilitation plan in accordance with government requirements. Our contributions to NCT have not exceeded 1 percent of the total contributions to the plan.

	Employer Identification	PPA Zone Status		Funding Plan	Contributions (in thousands)			Surcharge
Pension Fund	Number/Plan Number	2019	2018	Pending / Implemented	2019	2018	2017	Imposed
NCT	94-6050970/001	Red	Red	Yes	$3,810	$3,319	$2,319	No

11. OTHER COMMITMENTS AND CONTINGENCIES

Litigation. During the first quarter of 2017, we paid $30 million to Owens Corning for a final legal settlement in connection with a breach of contract action related to our termination of an insulation supply contract. The settlement resulted in the dismissal of the lawsuit filed in May 2016 in Toledo, Ohio. The settlement is reflected in the significant legal settlement line item within our Consolidated Statements of Operations for the year ended December 31, 2017. The settlement is also reflected in our Installation segment's operating results for the year ended December 31, 2017.

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

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

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

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

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

	As of December 31,	
	2019	2018
Performance Bonds	$ 87,286	$ 65,517
Licensing, insurance, and other bonds	25,309	22,287
Total	$ 112,595	$ 87,804

12. INCOME TAXES

(In thousands)	2019	2018	2017
Income before income taxes:			
U.S.	$ 253,778	$ 180,824	$ 128,040
Income tax expense (benefit):			
Currently payable:			
U.S. Federal	$ 46,320	$ 25,980	$ 25,003
State and local	7,575	7,156	4,438
Deferred:			
U.S. Federal	(543)	9,939	(61,024)
State and local	9,431	2,997	1,490
	$ 62,783	$ 46,072	$ (30,093)
Deferred tax assets at December 31:			
Receivables, net	$ 1,720	$ 1,313	
Inventories, net	1,388	1,247	
Other assets, principally share-based compensation	2,894	3,645	
Accrued liabilities	5,278	6,141	
Lease Liability	9,167	—	
Long-term liabilities	9,971	10,109	
Long-term lease liability	13,645	—	
Net operating loss carryforward	12,803	17,317	
	56,866	39,772	
Deferred tax liabilities at December 31:			
Right of use assets	22,062	—	
Property and equipment, net	32,103	28,203	
Intangibles, net	172,265	172,996	
Other	1,440	1,609	
	227,870	202,808	
Net deferred tax liability at December 31	$ 171,004	$ 163,036	

The Tax Cuts and Jobs Act (Tax Act) was enacted on December 22, 2017 and became effective January 1, 2018. The Tax Act, among other things, reduced the U.S. federal corporate tax rate from 35 percent to 21 percent. In addition, the Tax Act limited certain deductions. Some of the major changes from the Tax Act that have affected the Company's effective tax rate include the elimination of the Domestic Production Activities Deduction; the elimination of deductions related to entertainment expenses; and increased limitations on the deductibility of officer compensation.

ASC 740, "Income Taxes" required us to adjust deferred tax assets and liabilities for the effect of tax rate changes in the period the rate change was enacted. Accordingly, the deferred tax balances were adjusted to reflect the change in the federal statutory rate from 35 percent to 21 percent in the fourth quarter of 2017. The adjustment resulted in a $74.1 million tax benefit in the U.S. Federal deferred tax expense for the year ending December 31, 2017.

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A valuation allowance must be established for deferred tax assets when it is more-likely-than-not that they will not be realized. After review of all available positive and negative evidence, the Company has determined that no valuation allowance was required for the deferred tax assets as of December 31, 2019 or December 31, 2018. As of December 31, 2019, there are no valuation allowances in place.

At December 31, 2019, the net deferred tax liability of $171.0 million consisted of net long-term deferred tax assets of $4.3 million and net long-term deferred tax liabilities of $175.3 million. At December 31, 2018, the net deferred tax liability of $163.0 million consisted of net long-term deferred tax assets of $13.2 million and net long-term deferred tax liabilities of $176.2 million. The deferred assets and deferred liabilities show the State deferreds net of Federal benefit.

Of the deferred tax asset related to the net operating loss at December 31, 2019, $12.7 million will expire between 2021 and 2038. Of the deferred tax asset related to the net operating loss at December 31, 2018, $17.2 million will expire between 2021 and 2037.

A reconciliation of the U.S. Federal statutory tax rate to the income tax expense (benefit) on income was as follows:

	2019	2018	2017
U.S. Federal statutory tax rate	21.0 %	21.0 %	35.0 %
State and local taxes, net of U.S. Federal tax benefit	5.3	4.5	3.5
Valuation allowance	—	—	—
Domestic Production Activities Deduction	—	—	(1.7)
Share based compensation	(2.2)	(1.4)	(2.3)
Non-deductible meals & entertainment	0.3	0.4	—
Non-deductible transaction costs	—	0.3	—
Effect of U.S. Federal tax rate change on deferred balances	—	—	(57.9)
Other, net	0.3	0.7	(0.6)
Effective tax rate	24.7 %	25.5 %	(24.0)%

The negative (beneficial) effective tax rate in 2017 is mostly related to the beneficial adjustment of $74.1 million included in the 2017 Federal deferred tax expense related to the adjustment of the deferred tax balances for the reduction of the Federal tax rate from 35 percent to 21 percent, enacted in December of 2017.

Share based compensation became a material factor in the Company's effective tax rate beginning in 2017. A tax benefit of $6.3 million, $3.2 million and $2.9 million related to share based compensation was recognized in income tax expense for the years ended December 31, 2019, December 31, 2018, and December 31, 2017, respectively.

The Domestic Production Activities Deduction, under IRC §199, was eliminated under the Tax Act and had only become a material factor in the Company's effective tax rate in 2016.

We file income tax returns in the U.S. Federal jurisdiction and various state and local jurisdictions. With few exceptions, we are no longer subject to income tax examinations on filed returns for years before 2016.

As of December 31, 2019, there areno liabilities related to uncertain tax positions. We have not incurred any interest or penalties related to uncertain tax positions not meeting the minimum statutory threshold to avoid payment of penalties in the year ended December 31, 2019.

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13. NET INCOME 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.

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

	Years Ended December 31,		
	2019	**2018**	**2017**
Net income (in thousands) - basic and diluted	$ 190,995	$ 134,752	$ 158,133
Weighted average number of common shares outstanding - basic	33,806,104	34,921,318	35,897,641
Dilutive effect of common stock equivalents:			
RSAs with service-based conditions	87,159	151,324	221,497
RSAs with market-based conditions	189,044	238,313	185,069
RSAs with performance-based conditions	69,199	20,432	—
Stock options	225,049	281,932	267,939
Weighted average number of common shares outstanding - diluted	34,376,555	35,613,319	36,572,146
Basic net income per common share	$ 5.65	$ 3.86	$ 4.41
Diluted net income per common share	$ 5.56	$ 3.78	$ 4.32

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

	Years Ended December 31,		
	2019	**2018**	**2017**
Anti-dilutive common stock equivalents:			
RSAs with service-based conditions	3,948	5,192	458
RSAs with market-based conditions	4,925	7,498	—
RSAs with performance-based conditions	—	—	—
Stock options	54,435	72,515	45,308
Total anti-dilutive common stock equivalents	63,308	85,205	45,766

TOPBUILD CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. SHARE-BASED COMPENSATION

Effective July 1, 2015, our eligible employees commenced participation in the 2015 Long-Term Incentive Program. The 2015 Long-Term Incentive Program authorizes the Board to grant stock options, stock appreciation rights, restricted shares, restricted share units, performance awards, and dividend equivalents. All grants are made by issuing new shares and no more than 4.0 million shares of common stock may be issued under the 2015 Long-Term Incentive Program. As of December 31, 2019, we had 2.3 million shares remaining available for issuance under the 2015 Long-Term Incentive Program.

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

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

	Year Ended December 31,		
	2019	2018	2017
Share-based compensation expense	$ 13,658	$ 11,317	$ 9,889
Income tax benefit realized	$ 6,285	$ 3,154	$ 2,882

The following table presents a summary of our share-based compensation activity for the year ended December 31, 2019, in thousands, except per share amounts:

	RSAs		Stock Options			
	Number of Shares	Weighted Average Grant Date Fair Value Per Share	Number of Shares	Weighted Average Grant Date Fair Value Per Share	Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value
Balance December 31, 2018	499.2	$ 41.29	611.4	$ 13.10	$ 34.45	$ 8,685.8
Granted	250.6	$ 67.37	103.5	$ 21.16	$ 58.08	
Converted/Exercised	(312.4)	$ 30.96	(329.0)	$ 10.91	$ 28.26	$ 18,556.9
Forfeited	(25.8)	$ 58.65	(9.7)	$ 20.28	$ 54.62	
Expired			(2.7)	$ 14.44	$ 38.39	
Balance December 31, 2019	411.6	$ 57.51	373.5	$ 17.06	$ 45.90	$ 21,356.4
Exercisable December 31, 2019 (a)			73.9	$ 16.10	$ 42.98	$ 4,438.7

(a) The weighted average remaining contractual term for vested stock options is 6.9 years.

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

	As of December 31, 2019	
	Unrecognized Compensation Expense on Unvested Awards	Weighted Average Remaining Vesting Period
Unrecognized compensation expense related to unvested awards:		
RSAs	$ 8,221	1.0 years
Stock options	1,524	0.7 years
Total unrecognized compensation expense related to unvested awards	$ 9,745	

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

		Payout Ranges and Related Expense			
RSAs with Performance-Based Conditions	**Grant Date Fair Value**	**0%**	**25%**	**100%**	**200%**
February 21, 2017	$ 1,816	$ —	$ 454	$ 1,816	$ 3,632
February 19, 2018	$ 2,052	$ —	$ 513	$ 2,052	$ 4,104
February 18, 2019	$ 2,488	$ —	$ 622	$ 2,488	$ 4,976

During the first quarter of 2020, RSAs with performance-based conditions that were granted on February 21, 2017 vested based on cumulative three-year achievement of 200%. Total compensation expense recognized over the three-year performance period, net of forfeitures, was $3.3 million.

The fair value of our RSAs with a market-based condition granted under the 2015 Long-Term Incentive Program was determined using a Monte Carlo simulation.

The following are key inputs in the Monte Carlo analysis for awards granted in 2019 and 2018:

	2019	**2018**
Measurement period (years)	2.87	2.87
Risk free interest rate	2.50 %	2.36 %
Dividend yield	0.00 %	0.00 %
Estimated fair value of market-based RSAs at grant date	$ 80.74	$ 103.31

The fair value of stock options granted under the 2015 Long-Term Incentive Program was calculated using the Black-Scholes Options Pricing Model.

The following table presents the assumptions used to estimate the fair values of the stock options granted in 2019 and 2018:

	2019	**2018**
Risk free interest rate	2.59 %	2.78 %
Expected volatility, using historical return volatility and implied volatility	32.50 %	32.50 %
Expected life (in years)	6.0	6.0
Dividend yield	0.00 %	0.00 %
Estimated fair value of stock options at grant date	$ 21.16	$ 27.44

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following tables set forth our quarterly results for each quarter of the years ending December 31, 2019 and 2018, in thousands, except per share amounts:

	2019				
	Q1	Q2	Q3	Q4	Total Year (a)
Net sales	$ 619,330	$ 660,112	$ 682,330	$ 662,349	$ 2,624,121
Gross profit	155,695	174,922	179,331	171,319	681,267
Operating profit	56,618	76,039	80,445	76,421	289,523
Net income	37,983	52,051	54,976	45,985	190,995
Basic net income per common share	$ 1.11	$ 1.53	$ 1.63	$ 1.38	$ 5.65
Diluted net income per common share	$ 1.09	$ 1.51	$ 1.60	$ 1.36	$ 5.56

	2018				
	Q1	Q2	Q3	Q4	Total Year (a)
Net sales	$ 491,444	$ 605,969	$ 647,289	$ 639,547	$ 2,384,249
Gross profit	111,018	145,041	161,865	158,226	576,152
Operating profit	33,893	43,681	66,217	65,161	208,953
Net income	26,388	27,153	42,658	38,553	134,752
Basic net income per common share	$ 0.75	$ 0.77	$ 1.22	$ 1.12	$ 3.86
Diluted net income per common share	$ 0.74	$ 0.76	$ 1.19	$ 1.10	$ 3.78

(a) Due to rounding, the sum of quarterly results may not equal the total for the year. Additionally, quarterly and year-to-date computations of per share amounts are made independently.

16. CLOSURE COSTS

We generally recognize expenses related to closures and position eliminations at the time of announcement or notification. Such costs include termination and other severance benefits, lease abandonment costs, and other transition costs. Closure costs are reflected in our Consolidated Statements of Operations as selling, general, and administrative expense. In our Consolidated Balance Sheets, accrued severance closure costs are reflected as accrued liabilities and accrued lease abandonment costs are reflected as short-term and long-term lease liabilities.

In connection with the acquisition of USI, management performed an evaluation of the resources necessary to effectively operate the acquired business. During the second quarter of 2018, management committed to a plan to close the USI corporate office in St. Paul, Minnesota, and consolidate certain administrative functions to our Daytona Beach, Florida, Branch Support Center. As a result, the Company incurred approximately $6.9 million of closure costs in connection with this activity of which $6.7 million was incurred during the year ended December 31, 2018 and $0.2 million was incurred during the first quarter of 2019, which completed the anticipated costs of the program. Closure costs pertaining to the USI acquisition are primarily included in general corporate expenses for segment reporting purposes.

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The following table details our total estimated closure costs, by cost type, pertaining to the above closure and transition related to the USI acquisition (in thousands):

Segment / Cost Type	Closure Costs Liability at December 31, 2018	Closure Costs Incurred for the Year Ended December 31, 2019	Cash Payments for the Year Ended December 31, 2019	Non-Cash Adjustments for the Year Ended December 31, 2019	Closure Costs Liability at December 31, 2019
Corporate:					
Severance	$ 3,065	239	(3,232)	(72)	$ —
Lease abandonment	301	—	(200)	229	330
Total Corporate:	$ 3,366	$ 239	$ (3,432)	$ 157	$ 330

The remaining lease abandonment liability will be paid monthly through lease expiration on September 30, 2021. Non-cash adjustments in the table above relate to true-up of estimates to actual amounts and other subsequent changes.

17. BUSINESS COMBINATIONS

As part of our strategy to supplement our organic growth and expand our access to additional markets and products, we completedhree acquisitions during 2018 and one acquisition in 2019. Each acquisition was accounted for as a business combination under ASC 805, "Business Combinations." Acquisition related costs for the years ended December 31, 2019 and 2018, were $0.1 million and $14.4 million, respectively. Acquisition costs are included in selling, general, and administrative expense in our Consolidated Statements of Operations.

Acquisitions

On January 10, 2018, we acquired ADO, a distributor of insulation accessories, located in Plymouth, Minnesota. The purchase price of approximately $23.0 million was funded by cash on hand of $22.2 million and contingent consideration of $0.8 million.

On January 18, 2018, we acquired substantially all of the assets of Santa Rosa, a residential and commercial insulation company located in Miami, Florida. The purchase price of approximately $5.8 million was funded by cash on hand of $5.6 million and contingent consideration of $0.2 million.

On May 1, 2018, we acquired USI, a leading distributor and installer of insulation in both residential and commercial construction markets. Our payment of $486.5 million, which included the purchase price of $475.0 million and adjustments for cash and working capital, was funded through net proceeds from the issuance on April 25, 2018 of $400.0 million of Senior Notes together with the net proceeds from the $100.0 million delayed draw term loan commitment under our Amended Credit Agreement. For additional information see *Note 6 – Long-Term Debt*.

On July 15, 2019, we acquired Viking, an insulation company located in Burbank, California. The purchase price of approximately $7.7 million was funded by cash on hand of$6.5 million and contingent consideration of $1.2 million.

Revenue and net income since the respective 2018 acquisition dates included in our Consolidated Statements of Operations were as follows, in thousands:

	Year Ended December 31, 2019	
	Net Sales	Net Income
ADO	27,055	380
Santa Rosa	9,097	1,155
USI	378,689	34,120
	$ 414,841	$ 35,655

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	Year Ended December 31, 2018	
	Net Sales	Net Income
ADO	24,766	252
Santa Rosa	6,034	602
USI	266,280	15,982
	$ 297,080	$ 16,836

Pro Forma Results

The following unaudited pro forma information has been prepared as if the 2018 acquisitions described above had taken place on January 1, 2017. The unaudited pro forma information is not necessarily indicative of the results that we would have achieved had the transactions actually taken place on January 1, 2017. Further, the pro forma information does not purport to be indicative of future financial operating results. The pro forma results for the year ended December 31, 2019 do not include any adjustments from our actual results as all 2018 acquisitions were wholly-owned for the entire period.
Our pro forma results are presented below, in thousands:

	Unaudited Pro Forma for the Year Ended December 31,	
	2019	2018
Net sales	$ 2,624,121	$ 2,515,593
Net income	$ 190,995	$ 144,755

The following table details the additional expense included in the unaudited pro forma net income as if the 2018 acquisitions described above had taken place on January 1, 2017. Our pro forma results are presented below, in thousands:

	Unaudited Pro Forma for the Year Ended December 31,	
	2019	2018
Amortization of intangible assets	$ —	$ 5,025
Income tax expense (using 26.5% and 27.0% effective tax rate in 2019 and 2018, respectively)	$ —	$ 3,700

Purchase Price Allocations

The estimated fair values of the assets acquired and liabilities assumed for the 2018 acquisitions, as well as the fair value of consideration transferred, approximated the following as of December 31, 2019, in thousands:

	2018 Acquisitions Completed During the Year Ended December 31, 2018			
	ADO	Santa Rosa	USI	Total
Estimated fair values:				
Cash	$ 939	$ —	$ 14,817	$ 15,756
Accounts receivable	3,434	1,433	61,445	66,312
Inventories	2,337	104	14,029	16,470
Prepaid and other assets	135	7	3,439	3,581
Property and equipment	951	522	33,126	34,599
Intangible assets	14,090	1,850	165,400	181,340
Goodwill	2,631	3,014	281,364	287,009
Accounts payable	(908)	(1,099)	(17,927)	(19,934)
Accrued liabilities	(609)	—	(34,686)	(35,295)
Deferred tax liability	—	—	(34,469)	(34,469)
Net assets acquired	$ 23,000	$ 5,831	$ 486,538	$ 515,369

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	2018 Acquisitions Completed During the Year Ended December 31, 2018			
	ADO	Santa Rosa	USI	Total
Fair value of consideration transferred:				
Cash	$ 22,172	$ 5,831	$ 486,538	$ 514,541
Contingent consideration	828	—	—	828
Total consideration transferred	$ 23,000	$ 5,831	$ 486,538	$ 515,369

Estimates of acquired intangible assets related to the 2018 acquisitions are as follows, as of December 31, 2019, dollars in thousands:

	Estimated Fair Value	Weighted Average Estimated Useful Life (Years)
2018 Acquisitions		
Customer relationships	$ 168,820	12
Trademarks and trade names	11,260	9
Non-competition agreements	1,260	5
Total intangible assets for 2018 acquisitions	$ 181,340	11

As third-party or internal valuations are finalized, certain tax aspects of the foregoing transactions are completed, and customer post-closing reviews are concluded, adjustments may be made to the fair value of assets acquired, and in some cases total purchase price, through the end of each measurement period, generally one year following the applicable acquisition date. Various insignificant adjustments to the fair value of assets acquired, and in some cases total purchase price, have been made to certain business combinations since the respective dates of acquisition. During the fourth quarter of 2018, we recorded measurement-period adjustments that increased goodwill by approximately $1.0 million, primarily for changes in the fair value of current assets. The impact of these adjustments to the consolidated statement of operations for the year ended December 31, 2018 was immaterial.

Goodwill to be recognized in connection with these acquisitions is attributable to the synergies expected to be realized and improvements in the businesses after the acquisitions. Of the $287.0 million of goodwill recorded from the 2018 acquisitions, $32.8 million is expected to be deductible for income tax purposes.

Contingent Consideration

On February 27, 2017, we acquired substantially all of the assets of EcoFoam, a residential and light commercial insulation installation company with locations in Colorado Springs and Denver, Colorado. The purchase price of approximately $22.3 million was funded by cash on hand of $20.2 million and contingent consideration of $2.1 million. The contingent consideration arrangement requires additional consideration to be paid by TopBuild to the sellers of EcoFoam based on EcoFoam's attainment of annual revenue targets over a three-year period. The total amount of undiscounted contingent consideration which TopBuild may be required to pay under the arrangement is $2.5 million. The fair value of $2.1 million contingent consideration recognized on the acquisition date was estimated by applying the income approach using discounted cash flows. That measure is based on significant Level 3 inputs not observable in the market. The significant assumption includes a discount rate of 9.5%. Changes in the fair value measurement each period reflect the passage of time as well as the impact of adjustments, if any, to the likelihood of achieving the specified targets. We made contingent payments of $0.8 million in the second quarters of 2019 and 2018.

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The acquisition of ADO included a contingent consideration arrangement that requires additional consideration to be paid by TopBuild to the sellers of ADO based on the achievement of certain EBITDA thresholds over a two-year period. The range of the undiscounted amounts TopBuild may be required to pay under the contingent consideration agreement is between zero and $1.0 million. The fair value of the contingent consideration recognized on the acquisition date of $0.8 million was estimated by applying the income approach using discounted cash flows. That measure is based on significant Level 3 inputs not observable in the market. The significant assumption includes a discount rate of 9.5%. Changes in the fair value measurement each period reflect the passage of time as well as the impact of adjustments, if any, to the likelihood of achieving the specified targets.

The acquisition of Santa Rosa included a contingent consideration arrangement that required additional consideration to be paid by TopBuild based on the achievement of a gross revenue target for 2018. The range of undiscounted amounts TopBuild could be required to pay under the contingent consideration was between zero and $0.25 million, which also represents the fair value recognized on the acquisition date. In the first quarter of 2019, we paid $0.25 million in full and had no remaining contingent consideration obligation related to Santa Rosa as of March 31, 2019.

Contingent consideration is recorded in the Consolidated Balance Sheets in accrued liabilities and other liabilities. Adjustments to the fair value of contingent consideration are reflected in selling, general, and administrative expense in the Consolidated Statements of Operations and are included in the acquisition related costs above.

The following table presents the fair value of contingent consideration as of December 31, 2019, in thousands:

	EcoFoam	ADO	Santa Rosa
Date of Acquisition	February 27, 2017	January 10, 2018	January 18, 2018
Fair value of contingent consideration recognized at acquisition date	$ 2,110	$ 828	$ 250
Contingent consideration at December 31, 2018	$ 1,573	$ 343	$ 250
Additions	—	—	—
Change in fair value of contingent consideration during the year ended December 31, 2019	90	(343)	—
Payment of contingent consideration during the year ended December 31, 2019	(841)	—	(250)
Liability balance for contingent consideration at December 31, 2019	$ 822	$ —	$ —

18. SHARE REPURCHASE PROGRAM

On February 22, 2019, our Board authorized the 2019 Repurchase Program, pursuant to which the Company may purchase up to $200.0 million of our common stock. Share repurchases may be executed through various means including, without limitation, open market purchases, privately negotiated transactions, accelerated share repurchase transactions or otherwise. The 2019 Share Repurchase Program does not obligate the Company to purchase any shares and has no expiration date. Authorization for the 2019 Share Repurchase Program may be terminated, increased, or decreased by the Board at its discretion at any time.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Effective November 4, 2019, under the 2019 Repurchase program, we entered into the 2019 ASR Agreement. We paid BofA $50.0 million in exchange for an initial delivery of 392,501 shares of our common stock on November 5, 2019, representing an estimated 85% of the total number of shares we expected to receive under the 2019 ASR Agreement, at the time we entered into the agreement. The actual number of shares repurchased under the 2019 ASR Agreement will be based on the average of the daily volume-weighted average prices paid for our common stock during the term of the transaction, less an agreed discount, and subject to potential adjustments pursuant to the terms and conditions of the agreement. The final settlement of the transaction under the agreement is expected to occur no later than February 28, 2020. At final settlement, BofA may be required to deliver additional shares of common stock to us, or, under certain circumstances, we may be required to deliver shares of our common stock or to make a cash payment, at our election, to BofA.

Effective November 7, 2018, under the 2017 Repurchase Program, we entered into the 2018 ASR Agreement. We paid JPMorgan Chase Bank, N.A. $50.0 million in exchange for an initial delivery of 796,925 shares of our common stock on November 8, 2018, representing an estimated 85% of the total number of shares we expected to receive under the 2018 ASR Agreement, at the time we entered into the agreement. During the quarter ended March 31, 2019, we received an additional 176,327 shares of our common stock from JPMorgan Chase Bank, N.A., representing the final settlement of the 2018 ASR Agreement. We purchased a total of 973,252 shares of our common stock under the 2018 ASR Agreement at an average price per share of $51.37.

On May 5, 2017, under the 2017 Repurchase Program, we entered into the 2017 ASR Agreement. When the agreement became effective on July 5, 2017, we paid BofA $100.0 million in exchange for an initial delivery of 1.5 million shares of our common stock, representing an estimated 80% of the total number of shares we expected to receive under the 2017 ASR Agreement, at the time we entered into the agreement. During the quarter ended March 31, 2018, we received an additional 13,657 shares of our common stock from BofA, representing the final settlement of the 2017 ASR Agreement. We purchased a total of 1,521,100 shares of our common stock under the 2017 ASR Agreement at an average price per share of $65.74.

The following table sets forth our share repurchases under the 2019 and 2017 Repurchase Programs during the periods presented:

	Year Ended December 31,	
	2019	2018
Number of shares repurchased	1,291,771 (b)	1,063,528 (a)
Share repurchase cost (in thousands)	$ 110,911	$ 65,025

(a) The year ended December 31, 2018 includes 13,657 shares we received as final settlement of our 2017 ASR Agreement.
(b) The year ended December 31, 2019 includes 176,327 shares we received as final settlement of our 2018 ASR Agreement.

19. SUBSEQUENT EVENTS

On February 20, 2020, we acquired Cooper, a commercial glass company located in Marion, Arkansas. The acquisition was accounted for as a business combination under ASC 805, “Business Combinations.” The purchase price of approximately $11.5 million included $10.5 million funded by cash on hand and an additional $1.0 million contingent consideration. During the measurement period, we expect to receive additional detailed information to complete the purchase allocation.

On February 24, 2020, we acquired Hunter, an insulation company located in Long Island, New York. The acquisition was accounted for as a business combination under ASC 805, “Business Combinations.” The purchase price of approximately $9.1 million was funded by cash on hand. During the measurement period, we expect to receive additional detailed information to complete the purchase allocation.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Annual Report, we carried out an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2019.

Management's Report on Internal Control over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2019. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control—Integrated Framework* (2013). Based on our assessment and those criteria, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2019.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2019, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing under *Item 8. Financial Statements and Supplementary Data – Report of Independent Registered Certified Public Accounting Firm*.

Changes in Internal Control Over Financial Reporting

There was no change in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) in the fiscal quarter ended December 31, 2019, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

Information required by this item will be set forth under the headings "Corporate Governance," "Proposal 1: Election of Directors," "Board of Directors and Committees," "Compensation of Executive Officers-Executive Officers" and "Delinquent Section 16(a) Reports" in our definitive proxy statement for the 2020 Annual Meeting of Shareholders ("2020 Proxy Statement") to be filed with the SEC within 120 days of the year ended December 31, 2019, and is incorporated herein by reference.

Our Board of Directors adopted a Code of Business Ethics (the "Code") that applies to all of our employees, officers, and directors, including our Chief Executive Officer, Chief Financial Officer, and other senior officers, in accordance with applicable rules and regulations of the SEC and the NYSE. Our Code is available on our website at http://www.topbuild.com/Investors/Corporate-Governance/Governance-Documents/. We will disclose any amendments to or waivers of this Code for directors, executive officers, or senior officers on our website. The reference to our website address does not constitute incorporation by reference of the information contained on the website, and such information is not a part of this Annual Report.

Item 11. EXECUTIVE COMPENSATION

Information required by this item will be set forth under the headings "Director Compensation," "Director Compensation Table," "Compensation Committee Report," "Compensation of Executive Officers," and "Corporate Governance" in our 2020 Proxy Statement, and is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT, AND RELATED STOCKHOLDER MATTERS

Information required by this item will be set forth under the heading "Common Stock Ownership of Officers, Directors, and Significant Shareholders" and "Equity Compensation Plan Information" in our 2020 Proxy Statement, and is incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item will be set forth under the heading "Corporate Governance" and related subsections within our 2020 Proxy Statement, and is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required by this item will be set forth under the heading "Proposal 2 - Ratification of the Appointment of Independent Registered Public Accounting Firm" in our 2020 Proxy Statement, and is incorporated herein by reference.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

a. Listing of Documents:

i. *Financial Statements.* Our Consolidated Financial Statements included in Item 8 hereof, as required at December 31, 2019 and 2018, and for the years ended December 31, 2019, 2018, and 2017, consist of the following:

Consolidated Balance Sheets
Consolidated Statements of Operations
Consolidated Statements of Cash Flows
Consolidated Statements of Changes in Equity
Notes to Consolidated Financial Statements

ii. *Exhibits*. See separate Index to Exhibits hereafter.

Item 16. FORM 10-K SUMMARY

None.

INDEX TO EXHIBITS

Exhibit No.	Exhibit Title	Incorporated by Reference			Filed Herewith
		Form	Exhibit	Filing Date	
2.1***	Separation and Distribution Agreement, dated as of June 29, 2015, by and between Masco Corporation and TopBuild Corp. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on July 6, 2015).	8-K	2.1	7/6/2015	
2.2***	Agreement and Plan of Merger, dated as of March 1, 2018, by and among Legend Holdings LLC, USI Legend Parent, Inc., TopBuild Corp. and Racecar Acquisition Corp.	8-K	2.1	3/2/2018	
3.1	Composite Certificate of Incorporation of TopBuild Corp.	10-Q	3.2	7/8/2018	
3.2	Amended and Restated Bylaws of TopBuild Corp., as dated as of July 27, 2019				X
3.3	Certificate of Amendment to the Amended and Restated Certificate of Incorporation	8-K	3.1	4/30/2019	
4.1	Indenture, dated April 25, 2018, by and between TopBuild Escrow Corp, and U.S. Bank National Association, as Trustee	8-K	4.1	4/26/2018	
4.2	Supplemental Indenture, dated May 1, 2018, by and among the Company, the Guarantors and U.S. Bank National Association, as Trustee	8-K	4.1	5/2/2018	
4.3	Description of TopBuild Securities Registered Under Section 12 of the Exchange Act				X
10.1	Tax Matters Agreement, dated as of June 29, 2015, between Masco Corporation and TopBuild Corp. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on July 6, 2015).	8-K	10.1	7/6/2015	
10.2	Transition Services Agreement, dated as of June 29, 2015, between Masco Corporation and TopBuild Corp. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on July 6, 2015).	8-K	10.2	7/6/2015	
10.3	Employee Matters Agreement, dated as of June 29, 2015, by and between Masco Corporation and TopBuild Corp. (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on July 6, 2015).	8-K	10.3	7/6/2015	
10.4†	TopBuild Corp. Executive Severance Plan	10-K	10.10	3/3/2016	
10.5†	Change in Control and Severance Agreement between Gerald Volas and TopBuild Corp.	10-K	10.11	3/3/2016	
10.6†	Amended and Restated TopBuild Corp. 2015 Long Term Stock Incentive Plan ("A&R LTIP")	10-Q	10.2	5/11/2016	
10.7†	Form of Restricted Stock Award ("RSA") Agreement under A&R LTIP				X

Exhibit No.	Exhibit Title	Incorporated by Reference			Filed Herewith
		Form	Exhibit	Filing Date	
10.8†	Form of Performance RSA Agreement (EPS) under A&R LTIP				X
10.9†	Form of Performance RSA Agreement (RTSR) under A&R LTIP				X
10.10†	Form of Option Award Agreement under A&R LTIP				X
10.11†	Form of RSA Agreement for Non-Employee Director under A&R LTIP				X
10.12	Credit Agreement, dated May 5, 2017, among TopBuild Corp. and Bank of America, N.A., as administrative agent, and the other lenders and agents party thereto	10-Q	10.1	8/8/2017	
10.13	Security and Pledge Agreement, dated May 5, 2017, among TopBuild Corp. and Bank of America, N.A. as administrative agent, and the other lenders and agents party thereto	10-Q	10.2	8/8/2017	
10.14	Form of Exhibits to Credit Agreement dated May 5, 2017, among TopBuild Corp. and Bank of America, N.A. as administrative agent, and the other lenders and agents party thereto	10-Q	10.3	8/8/2017	
10.15	Annex and Schedules to Credit Agreement dated May 5, 2017, among TopBuild Corp. and Bank of America, N.A. as administrative agent, and the other lenders and agents party thereto	10-Q	10.4	8/8/2017	
10.16*	Accelerated Share Repurchase agreement, dated May 5, 2017, among TopBuild Corp. and Bank of America, N.A.*	10-Q	10.5	8/8/2017	
10.17	Escrow Agreement, dated April 25, 2018, by and among TopBuild Corp., TopBuild Escrow Corp. and U.S. Bank National Association	8-K	10.1	4/26/2018	
10.18	Amendment No. 1 to Credit Agreement, dated as of March 28, 2018, among TopBuild Corp., each of the guarantors party thereto, Bank of America, N.A., as administrative agent, and each of the lenders party thereto	10-Q	10.1	5/8/2018	
10.19*	Accelerated Share Repurchase agreement, dated November 7, 2018, among TopBuild Corp. and JPMorgan Chase Bank, National Association*	10-K	10.20	2/26/2019	
10.20†	Amendment to the TopBuild Corp. 2015 Long Term Stock Incentive Plan	8-K	10.1	2/22/2019	
10.21†	TopBuild Corp. Executive Severance Plan, as amended and restated effective February 18, 2019	8-K	10.2	2/22/2019	
10.22†	Amendment to Change in Control and Severance Agreement dated as March 1, 2016 between TopBuild Corp. and Gerald Volas	8-K	10.3	2/22/2019	

Exhibit No.	Exhibit Title	Incorporated by Reference			Filed Herewith
		Form	Exhibit	Filing Date	
10.23**	Accelerated Share Repurchase Agreement, dated November 4, 2019, among TopBuild Corp. and Bank of America, N.A.**				X
10.24†	Employment and Retirement Transition Agreement, dated as of January 9, 2020, between TopBuild Corp. and Gerald Volas.	8-K	10.1	1/10/2020	
21.1	List of Subsidiaries of TopBuild Corp.				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	Inline XBRL Instance Document - the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				X
101.SCH	Inline XBRL Taxonomy Extension Schema Document				X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase				X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				X

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

*Confidential treatment has been granted for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality requests. Omissions are designated as [***]. A complete version of this exhibit has been filed with the SEC.

**Certain identified information has been excluded from this exhibit because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed. "[***]" indicates where the information has been omitted from this exhibit.

*** The schedules and exhibits to this agreement have been omitted pursuant to Item 601(c) of Regulation S-K. The Company agrees to supplementally furnish to the SEC, upon request, a copy of any omitted schedule or exhibit.

‡Furnished herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

February 25, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Gerald Volas Gerald Volas	Director, Chief Executive Officer (Principal Executive Officer)	February 25, 2020
/s/ John S. Peterson John S. Peterson	Vice President, Chief Financial Officer (Principal Financial Officer)	February 25, 2020
/s/ Robert Kuhns Robert Kuhns	Vice President, Controller (Principal Accounting Officer)	February 25, 2020
/s/ Alec C. Covington Alec C. Covington	Chairman of the Board	February 25, 2020
/s/ Carl T. Camden Carl T. Camden	Director	February 25, 2020
/s/ Joseph S. Cantie Joseph S. Cantie	Director	February 25, 2020
/s/ Tina M. Donikowski Tina M. Donikowski	Director	February 25, 2020
/s/ Mark A. Petrarca Mark A. Petrarca	Director	February 25, 2020
/s/ Nancy M. Taylor Nancy M. Taylor	Director	February 25, 2020

AMENDED AND RESTATED BYLAWS

OF

TopBuild Corp.

As Amended July 29, 2019

* * * * *

Article 1.

OFFICES

Section 1.01 Registered Office. The registered office of the Corporation shall be in the City of Wilmington, County of New Castle, State of Delaware.

Section 1.02 Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

Section 1.03 Books. The books of the Corporation may be kept within or without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

Article 2.

MEETINGS OF STOCKHOLDERS

Section 2.01 Time and Place of Meetings. All meetings of stockholders shall be held at such place, if any, either within or without the State of Delaware, on such date and at such time as may be determined from time to time by the Board of Directors, or on such other date to which a meeting may be adjourned or rescheduled, at such time and place, if any, as shall be designated by resolution of the Board of Directors and set forth in the notice of such meeting.

Section 2.02 Annual Meetings. An annual meeting of stockholders, commencing with the year 2016, shall be held for the election of directors and to transact such other business as may properly be brought before the meeting.

Section 2.03 Special Meetings. Special meetings of the stockholders may be called only by the Chairman of the Board, the Chief Executive Officer, the President or a majority of the Board of Directors. Special meetings shall be held as shall be designated by resolution of the Board of Directors and set forth in the notice of such meeting, and the business transacted shall be confined to the purpose or purposes stated in the notice of the meeting.

Section 2.04 Notice of Meetings and Adjourned Meetings; Waivers of Notice.

(a) Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, if any, date and hour of the meeting,

the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by law, such notice shall be given not less than 10 nor more than 60 days before the date of the meeting to each stockholder of record entitled to vote at such meeting, as of the record date for determining the stockholders entitled to notice of the meeting. The Board of Directors or the chairman of the meeting may adjourn the meeting to another time or place, if any, whether or not a quorum is present, and notice need not be given of the adjourned meeting if the time, place, if any, and the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, are announced at the meeting at which such adjournment is made. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 30 days, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new record date for stockholders entitled to vote is fixed for the adjourned meeting, the Board of Directors shall fix a new record date for notice of such adjourned meeting in accordance with Section 6.01, and shall give notice of the adjourned meeting to each stockholder of record entitled to vote at such adjourned meeting as of the record date fixed for notice of such adjourned meeting.

(b) A written waiver of any such notice signed by the person entitled thereto, or a waiver by electronic transmission by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a stockholder at a meeting, except when the stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened, shall constitute a waiver of notice of such meeting.

Section 2.05 Quorum. Unless otherwise required by law, by the Certificate of Incorporation or by these Bylaws, the presence, in person or by proxy, of the holders of a majority of the total voting power of all outstanding securities of the Corporation generally entitled to vote at a meeting of stockholders shall constitute a quorum for the transaction of business. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the chairman of the meeting or a majority in voting interest of the stockholders present in person or represented by proxy may adjourn the meeting, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted that might have been transacted at the meeting as originally notified; but only those stockholders of record as originally noticed shall be entitled to vote at any adjournment or adjournments thereof.

Section 2.06 Voting.

(a) Unless otherwise provided in the Certificate of Incorporation and subject to law, each stockholder shall be entitled to one vote for each outstanding share of capital stock of the Corporation held by such stockholder. Any share of capital stock of the Corporation held by the Corporation shall have no voting rights. Except as otherwise required by law, the Certificate of Incorporation or these Bylaws, in all matters other than the election of directors (which shall be governed by Section 2.06(b)), the affirmative vote of the holders of a majority of the votes cast at the meeting on the subject matter shall be the act of the stockholders. In all matters, including the election of directors, abstentions and broker non-votes shall not be counted as votes cast.

(b) Subject to the rights of the holders of any class or series of preferred stock to elect additional directors under specific circumstances, as may be set forth in the certificate of designations for such class or series of preferred stock, a nominee for director shall be elected to the Board of Directors if the votes cast for such nominee's election exceed the votes cast against such nominee's election at any meeting of

stockholders for the election of directors duly called and at which a quorum is present; provided, however, that directors shall be elected by a plurality of the votes cast if the Secretary of the Corporation determines that the number of nominees or Proposed Nominees (as defined below) for election exceeds the number of directors to be elected at such meeting as of the seventh (7) day preceding the date the Corporation files its definitive proxy statement for such meeting with the Securities and Exchange Commission (regardless of whether or not thereafter supplemented).

(c) Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to a corporate action in writing without a meeting may authorize another person or persons to act for such stockholder by proxy, appointed by an instrument in writing, subscribed by such stockholder or by his attorney thereunto authorized, or by proxy sent by cable, telegram or by any means of electronic communication permitted by law, which results in a writing from such stockholder or by his attorney, and delivered to the secretary of the meeting. No proxy shall be voted after three (3) years from its date, unless said proxy provides for a longer period.

Section 2.07 No Action by Consent. Subject to the rights of the holders of any class or series of preferred stock then outstanding, as may be set forth in the certificate of designations for such class or series of preferred stock, any action required or permitted to be taken at any annual or special meeting of stockholders may be taken only upon the vote of stockholders at an annual or special meeting duly noticed and called in accordance with Delaware Law and may not be taken by written consent of stockholders without a meeting.

Section 2.08 Organization. At each meeting of stockholders, the Chairman of the Board of Directors, if one shall have been elected, the Chief Executive Officer or the President, shall preside at such meeting as more particularly provided in Article 4 hereof. In the event the Chairman of the Board, the Chief Executive Officer and the President shall be absent or otherwise unable to preside, then the director designated by the vote of the majority of the directors present at such meeting, shall act as chairman of the meeting. The Secretary (or in the Secretary's absence or inability to act, the person whom the chairman of the meeting shall appoint secretary of the meeting) shall act as secretary of the meeting and keep the minutes thereof.

Section 2.09 Order of Business. The order of business at all meetings of stockholders shall be as determined by the chairman of the meeting.

Section 2.10 Nomination of Directors and Proposal of Other Business.

(a) Annual Meetings of Stockholders.

(i) Nominations of persons for election to the Board of Directors or the proposal of other business to be transacted by the stockholders at an annual meeting of stockholders may be made only (A) pursuant to the Corporation's notice of meeting (or any supplement thereto), provided, however, that reference in the Corporation's notice of meeting (or any supplement thereto) to the election of directors or the election of members of the Board of Directors shall not include or be deemed to include nominations, (B) by or at the direction of the Board of Directors, (C) as may be provided in the certificate of designations for any class or series of the Corporation's preferred stock or (D) by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice provided for in paragraph (ii) of this Section 2.10(a) and at the time of the annual meeting, who shall be entitled to vote at the meeting and who complies with the procedures set forth in this Section 2.10(a), and, except as otherwise required by law, any failure to comply with these procedures shall result in the nullification of such nomination or proposal.

(ii) For nominations or other business to be properly brought before an annual meeting of stockholders by a stockholder pursuant to clause (D) of paragraph (i) of this Section 2.10(a), the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation, and any such proposed business (other than the nominations of persons for election to the Board of Directors) must constitute a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to, or mailed and received by, the Secretary of the Corporation at the principal executive offices of the Corporation not less than 120 days nor more than 150 days prior to the first anniversary of the preceding year's annual meeting of stockholders; provided, however, that, if the date of the annual meeting is advanced more than 30 days prior to such anniversary date or delayed more than 70 days after such anniversary date, then to be timely such notice must be received by the Corporation no earlier than 120 days prior to such annual meeting and no later than the later of 70 days prior to the date of the meeting or the 10th day following the day on which public announcement of the date of the meeting was first made by the Corporation. In no event shall the adjournment or postponement of any meeting, or any announcement thereof, commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(iii) A stockholder's notice to the Secretary shall set forth (A) as to each person whom the stockholder proposes to nominate for election or reelection as a director (a "Proposed Nominee"), (1) all information relating to such Proposed Nominee that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, including the rules and regulations promulgated thereunder (the "Exchange Act"); and (2) a reasonably detailed description of any compensatory, payment or other financial agreement, arrangement or understanding that such Proposed Nominee has with any other person or entity other than the Corporation, including the amount of any payment or payments received or receivable thereunder, in each case in connection with nomination or service as a director of the Corporation (a "Third-Party Compensation Arrangement"), (B) as to any other business that the stockholder proposes to bring before the meeting, a reasonably detailed description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend these Bylaws, the text of the proposed amendment), the reasons for conducting such business and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made (including any material interest of the respective "affiliates" or "associates" (as such terms are defined in Rule 12b-2 promulgated under the Exchange Act or in any successor to such Rule) of such stockholder and any such beneficial owner), as well as any benefits anticipated to be derived therefrom by such stockholder, beneficial owner, or any of their respective associates or affiliates, and (C) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the proposal is made:

(1) the name and address of such stockholder (as it appears on the Corporation's books), any such beneficial owner, and their respective affiliates and associates or others acting in concert therewith;

(2) (A) the class or series and number of shares of the Corporation that are, directly or indirectly, owned beneficially or of record by such stockholder, such beneficial owner, and their respective affiliates and associates or others acting in concert therewith, (B) any option, warrant, convertible security, stock appreciation right, forwards, futures, swaps or any similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the Corporation or with a value derived in whole or in part from

the value of any class or series of shares of the Corporation, or any derivative or synthetic arrangement having the characteristics of a long position in any class or series of shares of the Corporation, or any contract, derivative, swap or other transaction or series of transactions designed to produce economic benefits and risks that correspond substantially to the ownership of any class or series of shares of the Corporation, including due to the fact that the value of such contract, derivative, swap or other transaction or series of transactions is determined by reference to the price, value or volatility of any class or series of shares of the Corporation, whether or not such instrument, contract or right shall be subject to settlement in the underlying class or series of shares of the Corporation, through the delivery of cash or other property, or otherwise, and without regard to whether such stockholder, such beneficial owner, or any of their respective affiliates or associates or others acting in concert therewith, may have entered into transactions that hedge or mitigate the economic effect of such instrument, contract or right, or any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the Corporation (any of the foregoing, a "Derivative Instrument") directly or indirectly owned beneficially by such stockholder, such beneficial owner, or any of their respective affiliates or associates or others acting in concert therewith;

(3) a description of any agreement, arrangement or understanding, irrespective of form and including any Derivative Instrument, that has been entered into by or on behalf of, or any other agreement, arrangement or understanding that has been made, the effect or intent of which is to create or mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such stockholder, any such beneficial owner or their respective affiliates or associates with respect to the Corporation's securities;

(4) a description of any agreement, arrangement or understanding between or among such stockholder and any such beneficial owner, any of their respective affiliates or associates, and any other person or persons (including their names) in connection with each Proposed Nominee or other business;

(5) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to bring such nomination or other business before the meeting;

(6) a representation as to whether such stockholder, any beneficial owner, or any of their respective affiliates or associates intend, or are part of a group that intends, to (i) deliver a proxy statement and/or form of proxy to holders of at least the percentage of the voting power of the Corporation's outstanding capital stock required to approve or adopt the proposal or to elect each Proposed Nominee and/or (ii) otherwise to solicit proxies from stockholders in support of such proposal or nomination;

(7) any other information relating to such stockholder, beneficial owner, their respective affiliates or associates, Proposed Nominee or proposed business that would be required to be disclosed in a proxy statement or other filing required to be made in connection with the solicitation of proxies in support of such nominee or proposal pursuant to Section 14 of the Exchange Act; and

(8) such other information relating to any proposed item of business as the Corporation may reasonably require to determine whether such proposed item of business is a proper matter for stockholder action.

The foregoing notice requirements shall be deemed satisfied by a stockholder if the stockholder has complied with Rule 14a-8 (or any successor thereof) promulgated under the Exchange Act, and such stockholder's proposal has been included pursuant to Rule 14a-8 in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting.

If requested by the Corporation, the information required to be provided by a stockholder and any beneficial owner pursuant to this Section 2.10(a) shall be updated by such stockholder and any such beneficial owner not later than 10 days after the record date for the meeting to disclose such information as of the record date.

(b) Special Meetings of Stockholders. If the election of directors is included as business to be brought before a special meeting in the Corporation's notice of meeting, then nominations of persons for election to the Board of Directors at a special meeting of stockholders may be made by any stockholder who is a stockholder of record at the time of giving of notice provided for in this Section 2.10(b) and at the time of the special meeting, who shall be entitled to vote at the meeting and who complies with the procedures set forth in this Section 2.10(b). For nominations to be properly brought by a stockholder before a special meeting of stockholders pursuant to this Section 2.10(b), the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation (i) not earlier than 150 days prior to the date of the special meeting nor (ii) later than the later of 120 days prior to the date of the special meeting or the 10th day following the day on which public announcement of the date of the special meeting was first made. A stockholder's notice to the Secretary shall comply with the notice requirements of Section 2.10(a)(iii).

(c) General.

(i) To be eligible to be a nominee for election as a director, the Proposed Nominee must provide to the Secretary of the Corporation in accordance with the applicable time periods prescribed for delivery of notice under Section 2.10(a)(i) or Section 2.10(b): (A) a completed D&O questionnaire (in the form provided by the secretary of the Corporation at the request of the nominating stockholder) containing information regarding the Proposed Nominee's background and qualifications and such other information as may reasonably be required by the Corporation to determine the eligibility of such Proposed Nominee to serve as a director of the Corporation or to serve as an independent director of the Corporation, (B) a written representation that, unless previously disclosed to the Corporation writing, the Proposed Nominee is not and will not become a party to any voting agreement, arrangement or understanding with any person or entity as to how such nominee, if elected as a director, will vote on any issue or that could limit or interfere with such person's ability to comply, if elected as a director, with his/her fiduciary duties under applicable law, (C) a written representation and agreement that the Proposed Nominee is not and will not become a party to any Third-Party Compensation Arrangement, (D) a written representation that, such Proposed Nominee, if elected, intends to tender, promptly following such election, an irrevocable resignation effective upon such person's failure to receive the required vote for reelection at the next meeting at which such Proposed Nominee would face reelection, and upon acceptance of such resignation by the Board of Directors, (E) a written representation that, if elected as a director, such Proposed Nominee would be in compliance and will continue to comply with the Corporation's corporate governance guidelines, as disclosed on the Corporation's website, together with all other corporate governance, conflict of interest, confidentiality, and stock ownership and trading

policies and guidelines of the Corporation (which will be provided by the Secretary promptly upon written request), in each case as amended from time to time, (F) a written representation that such Proposed Nominee (i) consents to being named in the proxy statement as a nominee for director, (ii) consents to serve as a director if elected and (iii) currently intends to serve as a director for the full term for which such Proposed Nominee is standing for election, and (G) a list of all Derivative Instruments directly or indirectly owned beneficially by the Proposed Nominee and such Proposed Nominee's affiliates and associates. At the request of the Board of Directors, any person nominated by the Board of Directors for election as a director shall furnish to the Secretary of the Corporation the information that is required to be set forth in a stockholder's notice of nomination that pertains to such nominee.

(ii) No person shall be eligible to be nominated by a stockholder to serve as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 2.10. No business proposed by a stockholder shall be conducted at a stockholder meeting except in accordance with this Section 2.10

(iii) The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by these Bylaws or that business was not properly brought before the meeting, and if he/she should so determine, he/she shall so declare to the meeting and the defective nomination shall be disregarded or such business shall not be transacted, as the case may be. Notwithstanding the foregoing provisions of this Section 2.10, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the Corporation to present a nomination or other proposed business, such nomination shall be disregarded or such proposed business shall not be transacted, as the case may be, notwithstanding that proxies in respect of such vote may have been received by the Corporation and counted for purposes of determining a quorum. For purposes of this Section 2.10, to be considered a qualified representative of the stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders.

(iv) Without limiting the foregoing provisions of this Section 2.10, a stockholder shall also comply with all applicable requirements of the Exchange Act with respect to the matters set forth in this Section 2.10; provided, however, that any references in these Bylaws to the Exchange Act are not intended to and shall not limit any requirements applicable to nominations or proposals as to any other business to be considered pursuant to this Section 2.10, and compliance with paragraphs (a)(i)(D) and (b) of this Section 2.10 shall be the exclusive means for a stockholder to make nominations or submit other business (other than as provided in Section 2.10(c)(v)).

(v) Notwithstanding anything to the contrary, the notice requirements set forth herein with respect to the proposal of any business pursuant to this Section 2.10 shall be deemed satisfied by a stockholder if such stockholder has submitted a proposal to the Corporation in compliance with Rule 14a-8 under the Exchange Act, and such stockholder's proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for the meeting of stockholders.

Section 2.11 Inspectors at Stockholders' Meetings.

(a) The Board of Directors, in advance of any stockholders' meeting, shall appoint one or more inspectors to act at the meeting or any adjournment thereof and to make a written report thereof. In case any inspector or alternate appointed is unable to act, the chairman of the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability.

(b) The inspectors shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election in a manner fair to all stockholders. On request of the chairman of the meeting or any stockholder entitled to vote thereat, the inspectors shall make a report in writing of any challenge, question or matter determined by them and execute a certificate of any fact found by them. Any report or certificate made by them shall be prima facie evidence of the facts stated and of the vote as certified by them.

Article 3.

DIRECTORS

Section 3.01 General Powers. Except as otherwise provided by law or the Certificate of Incorporation, the business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

Section 3.02 Number, Election and Term of Office. The Board of Directors shall consist of not less than 5 nor more than 12 directors, with the exact number of directors to be determined from time to time solely by resolution adopted by the affirmative vote of a majority of the Board. Each director shall serve for a term ending on the date of the annual meeting of stockholders next following the annual meeting at which such director was elected; provided that each director shall hold office until such director's successor shall have been duly elected and qualified or until such director's earlier death, resignation or removal. Directors need not be stockholders.

Section 3.03 Quorum and Manner of Acting. Unless the Certificate of Incorporation or these Bylaws require a greater number, a majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors and, except as otherwise expressly required by law or by the Certificate of Incorporation, the act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors. When a meeting is adjourned to another time or place (whether or not a quorum is present), notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Board of Directors may transact any business which might have been transacted at the original meeting. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat (or if only one be present, then that one) shall adjourn the meeting, from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 3.04 Time and Place of Meetings. The Board of Directors shall hold its regular and special meetings at such place, either within or without the State of Delaware, and at such time as may be

determined from time to time by the Board of Directors (or the Chairman of the Board of Directors in the absence of a determination by the Board of Directors).

Section 3.05 Annual Meeting. The Board of Directors shall meet for the purpose of organization, the election of officers and the transaction of other business, as soon as practicable after each annual meeting of stockholders, on the same day and at the same place where such annual meeting shall be held. Notice of such meeting need not be given. In the event such annual meeting is not so held, the annual meeting of the Board of Directors may be held at such place either within or without the State of Delaware, on such date and at such time as shall be specified in a notice thereof given as hereinafter provided in Section 3.07 herein or in a waiver of notice thereof signed by any director who chooses to waive the requirement of notice.

Section 3.06 Regular Meetings. After the place and time of regular meetings of the Board of Directors shall have been determined and notice thereof shall have been once given to each member of the Board of Directors, regular meetings may be held without further notice being given.

Section 3.07 Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board of Directors, the Chief Executive Officer or the President and shall be called by the Chairman of the Board of Directors, Chief Executive Officer, President or the Secretary, on the written request of three directors. Notice of special meetings of the Board of Directors shall be given to each director at least 48 hours before the date of the meeting in such manner as is determined by the Board of Directors. Any requirement of notice shall be effectively waived by any director who signs a waiver of notice before or after the meeting or who waives notice by means of electronic submission or who attends the meeting without protesting (prior thereto or at its commencement) the fact that the meeting has not been lawfully called or convened

Section 3.08 Committees. The Board of Directors, by resolution adopted by a majority of the Board, may designate one or more committees, each committee to consist of such number of directors as shall be specified in the resolution designating the committee. Unless otherwise provided by the Board of Directors each committee may make, alter and repeal rules for the conduct of its business. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to the following matters: (a) approving or adopting, or recommending to the stockholders, any action or matter expressly required by Delaware Law to be submitted to the stockholders for approval or (b) adopting, amending or repealing any Bylaw of the Corporation. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Vacancies in any committee, whether caused by resignation or by increase in the number of members constituting said committee, shall be filled by a majority of the entire Board of Directors.

Section 3.09 Action by Consent. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board of Directors or committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions, are filed with the minutes of proceedings of the Board of Directors or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Section 3.10 Telephonic Meetings. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors, or such committee, as the case may be, by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

Section 3.11 Resignation.

(a) Any director may resign from the Board of Directors at any time by giving notice to the Board of Directors or to the Secretary of the Corporation. Any such notice must be in writing or by electronic transmission to the Board of Directors or to the Secretary of the Corporation. The resignation of any director shall take effect upon receipt of notice thereof or at such later time as shall be specified in such notice; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

(b) No person shall be eligible to be nominated by the Board of Directors to serve as a director of the Corporation unless the proposed nominee has agreed to tender, promptly following the annual meeting at which he or she is elected as director, an irrevocable resignation effective upon such person's failure to receive the required vote for reelection at the next meeting at which such person would face reelection, and upon acceptance of such resignation by the Board of Directors. If a director nominee fails to receive the required number of votes for reelection, the Board of Directors (excluding the director in question) shall, within 90 days after certification of the election results, decide whether to accept the director's resignation. Absent a compelling reason for the director to remain on the Board of Directors, the Board of Directors shall accept the resignation. The Board of Directors shall promptly disclose its decision and, if applicable, the reasons for rejecting the resignation in a filing with the Securities and Exchange Commission.

Section 3.12 Vacancies. Unless otherwise provided in the Certificate of Incorporation, vacancies on the Board of Directors resulting from death, resignation, removal or otherwise and newly created directorships resulting from any increase in the number of directors shall, except as otherwise required by law, be filled solely by a majority of the directors then in office (although less than a quorum) or by the sole remaining director, and each director so elected shall hold office for a term expiring at the next succeeding annual meeting of stockholders; provided that such director shall hold office until such director's successor shall have been duly elected and qualified or until such director's earlier death, resignation or removal. If there are no directors in office, then an election of directors may be held in accordance with Delaware Law. Unless otherwise provided in the Certificate of Incorporation, when one or more directors shall resign from the Board of Directors, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have the power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office as provided in the filling of the other vacancies. The Board of Directors shall not fill a director vacancy or newly created directorship with any candidate who has not agreed to tender, promptly following his or her appointment to the Board of Directors, an irrevocable resignation effective upon such person's failure to receive the required vote for reelection at the next meeting at which such person would face reelection, and upon acceptance of such resignation by the Board of Directors.

Section 3.13 [reserved].

Section 3.14 Compensation. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, the Board of Directors shall have authority to fix the compensation of directors, including fees and reimbursement of expenses.

Section 3.15 Preferred Stock Directors. Notwithstanding anything else contained herein, whenever the holders of one or more classes or series of preferred stock shall have the right, voting separately as a class or series, to elect directors, the election, term of office, filling of vacancies, removal and other features of such directorships shall be governed by the terms of the resolutions applicable thereto adopted by the Board of Directors pursuant to the Certificate of Incorporation, and such directors so elected shall not be subject to the provisions of Sections 3.02, 3.12 and 3.13 of this Article 3 unless otherwise provided therein.

Article 4.

OFFICERS

Section 4.01 Principal Officers. The principal officers of the Corporation shall be a Chief Executive Officer, a President, one or more Vice Presidents, a Treasurer and a Secretary who shall have the duty, among other things, to record the proceedings of the meetings of stockholders and directors in a book kept for that purpose. The Corporation may also have such other principal officers, including one or more Controllers, as the Board of Directors may in its discretion appoint. One person may hold the offices and perform the duties of any two or more of said offices, except that no one person shall hold the offices and perform the duties of President and Secretary.

Section 4.02 Appointment, Term of Office and Remuneration. The principal officers of the Corporation shall be appointed by the Board of Directors in the manner determined by the Board of Directors. Each such officer shall hold office until his or her successor is appointed, or until his or her earlier death, resignation or removal. The remuneration of all officers of the Corporation shall be fixed by the Board of Directors. Any vacancy in any office shall be filled in such manner as the Board of Directors shall determine.

Section 4.03 Subordinate Officers. In addition to the principal officers enumerated in Section 4.01 herein, the Corporation may have one or more Assistant Treasurers, Assistant Secretaries and Assistant Controllers and such other subordinate officers, agents and employees as the Board of Directors may deem necessary, each of whom shall hold office for such period as the Board of Directors may from time to time determine. The Board of Directors may delegate to any principal officer the power to appoint and to remove any such subordinate officers, agents or employees.

Section 4.04 Chief Executive Officer. Subject to the provisions of these Bylaws and to the direction of the Board of Directors, the Chief Executive Officer shall have the responsibility for the general management and control of the business and affairs of the Corporation and shall perform all duties and have all powers which are commonly incident to the office of the chief executive or which are delegated to him by the Board of Directors. The Chief Executive Officer shall have the power on behalf of the Corporation to enter into, execute and deliver all contracts, instruments, conveyances or documents and to affix the corporate seal thereto and shall have general supervision and direction of all other officers, employees and agents of the Corporation, subject in all cases to the orders and resolutions of the Board of Directors.

Section 4.05 President. The President shall be the chief operating and administrative officer of the Corporation. The President shall have general responsibility for the management and control of the operations and administration of the Corporation and shall perform all duties and have all powers which are commonly incident to the office of the president or which are delegated to him by the Board of Directors. The President shall have the power on behalf of the Corporation to enter into, execute and deliver all

contracts, instruments, conveyances or documents and to affix the corporate seal thereto and shall have general supervision and direction of all other officers, employees and agents of the Corporation, subject in all cases to the orders and resolutions of the Board of Directors and to the direction of the Chief Executive Officer.

Section 4.06 Vice President. Each Vice President shall have such powers and duties as may be delegated to him or her by the Board of Directors. One Vice President shall be designated by the Board of Directors to perform the duties and exercise the powers of the President in the event of the President's absence or disability.

Section 4.07 Secretary. The Secretary shall issue all authorized notices for, and shall keep minutes of all meetings of the stockholders and the Board of Directors. The Secretary shall have charge of the corporate books and shall perform such other duties as the Board of Directors may from time to time prescribe.

Section 4.08 Treasurer. The Treasurer shall have the responsibility for maintaining the financial records of the Corporation. The Treasurer shall make such disbursements of the funds of the Corporation as are authorized and shall render from time to time and account of all such transactions and of the financial condition of the Corporation. The Treasurer shall also perform such other duties as the Board of Directors may from time to time prescribe.

Section 4.09 Removal. Except as otherwise permitted with respect to subordinate officers, any officer may be removed, with or without cause, at any time, by resolution adopted by the Board of Directors.

Section 4.10 Resignations. Any officer may resign at any time by giving notice to the Board of Directors (or to a principal officer if the Board of Directors has delegated to such principal officer the power to appoint and to remove such officer). Any such notice must be in writing. The resignation of any officer shall take effect upon receipt of notice thereof or at such later time as shall be specified in such notice; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 4.11 Powers and Duties. The officers of the Corporation shall have such powers and perform such duties incident to each of their respective offices and such other duties as may from time to time be conferred upon or assigned to them by the Board of Directors.

Article 5.

CAPITAL STOCK

Section 5.01 Certificates For Stock; Uncertificated Shares. The shares of the Corporation shall be represented by certificates, provided that the Board of Directors may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares or a combination of certificated and uncertificated shares. Any such resolution that shares of a class or series will only be uncertificated shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Except as otherwise required by law, the rights and obligations of the holders of uncertificated shares and the rights and obligations of the holders of shares represented by certificates of the same class and series shall be identical. Every holder of stock represented by certificates shall be entitled to have a certificate signed by, or in the name of the Corporation by any two authorized officers of the Corporation representing the number of shares registered in certificate form. Each of the President and the Secretary, in addition to any other officers of the corporation authorized by the Board of Directors or these Bylaws, is hereby authorized to sign certificates by, or in the name of, the Corporation. Any or all of the

signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue. The Corporation shall not have the power to issue a certificate in bearer form.

Section 5.02 Transfer of Shares. Shares of the stock of the Corporation may be transferred on the record of stockholders of the Corporation by the holder thereof or by such holder's duly authorized attorney upon surrender of a certificate therefor properly endorsed or upon receipt of proper transfer instructions from the registered holder of uncertificated shares or by such holder's duly authorized attorney and upon compliance with appropriate procedures for transferring shares in uncertificated form, unless waived by the Corporation. The person in whose name shares of stock shall stand on the record of stockholders of the Corporation shall be deemed the owner thereof for all purposes regarding the Corporation.

Section 5.03 Lost, Destroyed or Stolen Certificates. No certificate representing shares shall be issued in place of any certificate alleged to have been lost, destroyed or stolen, except on production of evidence of such loss, destruction or theft, and if the Board of Directors shall so require, bond in such amount and in such form as they may deem expedient to indemnify the Corporation, and/or the transfer agents, and/or the registrars of its stock against any claims arising in connection therewith, and secured by such surety as the Board of Directors may in its discretion require.

Section 5.04 Authority for Additional Rules Regarding Transfer. The Board of Directors shall have the power and authority to make all such rules and regulations as they may deem expedient concerning the issue, transfer and registration of certificated or uncertificated shares of the stock of the Corporation, as well as for the issuance of new certificates in lieu of those which may be lost, destroyed or stolen.

Article 6.

GENERAL PROVISIONS

Section 6.01 Fixing the Record Date.

(a) In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing such record date is adopted by the Board of Directors, and which record date shall not be more than 60 nor less than 10 days before the date of such meeting. If the Board of Directors so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board of Directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided that the Board of Directors may in its discretion or as required by law fix a new record date for determination of stockholders entitled to vote at the adjourned meeting, and in such case shall fix the same date or an earlier date as the record date for stockholders entitled to notice of such adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to

exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than 60 days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 6.02 Dividends. Subject to limitations contained in Delaware Law and the Certificate of Incorporation, the Board of Directors may declare and pay dividends upon the shares of capital stock of the Corporation, which dividends may be paid either in cash, in property or in shares of the capital stock of the Corporation.

Section 6.03 Year. The fiscal year of the Corporation shall commence on January 1 and end on December 31 of each year.

Section 6.04 Corporate Seal. The Board of Directors may adopt a corporate seal, which shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed, affixed or otherwise reproduced.

Section 6.05 Voting of Stock Owned by the Corporation. The Board of Directors may authorize any person, on behalf of the Corporation, to attend, vote at and grant proxies to be used at any meeting of stockholders of any corporation (except this Corporation) in which the Corporation may hold stock.

Section 6.06 Forum Selection. Unless the Corporation consents in writing to the selection of an alternative forum (an "Alternative Forum Consent"), the sole and exclusive forum for (a) any derivative action or proceeding brought on behalf of the Corporation, (b) any action asserting a claim of breach of a fiduciary duty owed by any director, officer, stockholder, employee or agent of the Corporation to the Corporation or the Corporation's stockholders, (c) any action asserting a claim against the Corporation or any director, officer, stockholder, employee or agent of the Corporation arising out of or relating to any provision of the Delaware General Corporation Law or the Certificate of Incorporation or these Bylaws (in each case, as they may be amended from time to time), or (d) any action asserting a claim against the Corporation or any director, officer, stockholder, employee or agent of the Corporation governed by the internal affairs doctrine of the State of Delaware shall be the Court of Chancery of the State of Delaware; provided, however, that in the event that the Court of Chancery of the State of Delaware lacks subject matter jurisdiction over such proceeding, the sole and exclusive forum for such action or proceeding shall be another state or federal court located within the State of Delaware, in each case, unless the Court of Chancery (or such other state or federal court located within the State of Delaware, as applicable) has dismissed a prior action by the same plaintiff asserting the same claims because such court lacked personal jurisdiction over an indispensable party named as a defendant therein. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Section 6.06. The existence of any Alternative Forum Consent shall not act as a waiver of the Corporation's ongoing consent right as set forth above in this Section 6.06 with respect to any current or future actions or claims.

Section 6.07 Amendments. These Bylaws or any of them, may be altered, amended or repealed, or new Bylaws may be made, by the stockholders entitled to vote thereon at any annual or special meeting thereof or by the Board of Directors. Unless a higher percentage is required by the Certificate of Incorporation as to any matter that is the subject of these Bylaws, all such amendments must be approved by the affirmative vote of the holders of not less than a majority of the total voting power of all outstanding

securities of the Corporation, generally entitled to vote in the election of directors, voting together as a single class, or by a majority of the Board of Directors, provided that notices of the proposed amendments shall have been sent to all directors not less than three days before the meeting at which they are to be acted upon, or at any regular meeting of the directors by the unanimous vote of all directors present.

Exhibit 4.3

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

TopBuild Corp. ("TopBuild") has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: our common stock, par value $0.01 per share (the "common stock").

DESCRIPTION OF COMMON STOCK

The following summary description sets forth some of the general terms and provisions of the common stock. Because this is a summary description, it does not contain all of the information that may be important to you. For a more detailed description of the common stock, you should refer to the provisions of our amended and restated certificate of incorporation (the "certificate of incorporation") and our amended and restated bylaws, as amended, each of which is an exhibit to the Form 10-K to which this description is an exhibit.

Authorized Shares

Under our certificate of incorporation, TopBuild is authorized to issue up to 250,000,000 shares of common stock with a par value of $0.01 per share and up to 10,000,000 shares of preferred stock with a par value of $0.01 per shares (the "preferred stock").

Common Stock

Voting Rights

The holders of common stock are entitled to one vote per share on all matters to be voted on by stockholders. Holders of shares of common stock are not entitled to cumulate their votes in the election of directors. Generally, all matters to be voted on by stockholders must be approved by a majority of the votes entitled to be cast by the holders of common stock present in person or represented by proxy, voting together as a single class, subject to any voting rights granted to holders of any preferred stock.

Dividends

Subject to the preferences that may be applicable to any outstanding preferred stock, the holders of common stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by the board of directors out of funds legally available.

Rights upon Liquidation

In the event of a liquidation, dissolution or winding up of our company, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of preferred stock, if any, then outstanding.

Other Preemptive or Similar Rights

The holders of our common stock have no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock.

Preferred Stock

Our board of directors has the authority to issue, without further vote or action by our stockholders, the preferred stock in one or more series and to fix the designations, powers, preferences and relative, participating, optional or other rights, if any, and the qualifications, limitations or restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any series or the designation of such series.

The issuance of preferred stock could adversely affect the voting power of the holders of the common stock and the likelihood that such holders will receive dividend payments and payments upon liquidation. In addition, the issuance of preferred stock may have the effect of delaying, deferring or preventing a change in control of TopBuild without further action by our stockholders and may adversely affect the voting and other rights of the holders of common stock. At present, TopBuild has no plans to issue any of the preferred stock.

Election and Removal of Directors

Our board of directors consists of seven directors. The number of directors is fixed exclusively by one or more resolutions adopted from time to time solely by the affirmative vote of a majority of the board of directors. Any director or the entire board of directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election. Any vacancy occurring on the board of directors and any newly created directorship may be filled only by a majority of the remaining directors in office (although less than a quorum) or by the sole remaining director.

Limits on Written Consents

Our certificate of incorporation and bylaws provide that holders of our common stock will not be able to act by written consent without a stockholder meeting.

Stockholder Meetings

Our certificate of incorporation provides that special meetings of our common stockholders may be called only by the Chairman of the Board of Directors, the Chief Executive Officer or the President and shall be called by the Chairman of the Board of Directors, Chief Executive Officer, President or the Secretary, on the written request of three directors. Our bylaws provide that business transacted at any special meeting will be limited to the purposes stated in the notice of such meeting.

Business Combinations

Our certificate of incorporation generally provides that mergers and certain other business combinations between us and a related person must be approved by the holders of securities having 95% of our outstanding voting power. A "related person" means any holder of 30% or more of our outstanding voting power. Under Delaware law, unless the certificate of incorporation provides otherwise, only a majority of our outstanding voting power is required to approve certain of these transactions, such as mergers and consolidations, while certain other of these transactions would not require any stockholder approval.

These requirements of our certificate of incorporation do not apply, however, to a business combination with a related person, if:

- the cash, or fair market value of other consideration, to be received per share by holders of our common stock in the business combination bears the same or a greater percentage relationship to the market price of our common stock immediately prior to the announcement of the business combination as the highest per share price which the related person has previously paid for any of the shares of our common stock already owned by it bears to the market price of our common stock immediately prior to the commencement of acquisition of our common stock by the related

person;

- the cash, or fair market value of other consideration, to be received per share by holders of our common stock in the business combination (i) is not less than the highest per share price paid by the related person in acquiring any of its holdings of our common stock, and (ii) is not less than the earnings per share of our common stock for the four full consecutive fiscal quarters immediately preceding the record date for solicitation of votes on the business combination, multiplied by the then price/earnings multiple (if any) of the related person;

- after the related person has acquired a 30% interest and prior to the consummation of the business combination: (i) the related person has taken steps to ensure that the board of directors included at all times representation by continuing director(s) proportionate to the stockholdings of our public common stockholders not affiliated with the related person; (ii) there shall have been no reduction in the rate of dividends payable on our common stock except as necessary to insure that a quarterly dividend payment does not exceed 5% of our net income for the four full consecutive fiscal quarters immediately preceding the declaration date of that quarterly dividend, or except as may have been approved by a unanimous vote of the directors; (iii) the related person has not acquired any newly issued shares of stock, directly or indirectly, from us (except upon conversion of convertible securities acquired by it prior to obtaining a 30% interest or as a result of a pro rata stock dividend or stock split); and (iv) the related person has not acquired any additional shares of our outstanding common stock or securities convertible into common stock except as a part of the transaction which results in the related person acquiring its 30% interest;

- The related person may not have (i) received the benefit, directly or indirectly (except proportionately as a stockholder) of any loans, advances, guarantees, pledges or other financial

assistance or tax credits of or provided by us, or (ii) made any major change in our business or equity capital structure without the unanimous approval of the directors, in either case prior to the consummation of the business combination; and

• A proxy statement has been mailed to all holders of our common stock for the purpose of soliciting stockholder approval of the business combination.

Amendment of Certificate of Incorporation

The amendment of our certificate of incorporation requires the affirmative vote of holders of not less than a majority of the total voting power of our outstanding securities generally entitled to vote in the election of directors, voting together as a single class, except any amendment to the provisions described under "Business Combinations" above, which requires the vote of at least 95% in voting power of all of the outstanding shares of our stock entitled to vote.

Amendment of Bylaws

Our bylaws, as amended, are generally subject to alteration, amendment or repeal, and new bylaws may be adopted, with:

- the affirmative vote of a majority of the whole board; or
- the affirmative vote of holders of not less than a majority of the total voting power of our outstanding securities generally entitled to vote in the election of directors, voting together as a single class.

Other Limitations on Stockholder Actions

Our bylaws also impose some procedural requirements on stockholders who wish to make nominations in the election of directors or propose any other business to be brought before an annual meeting of stockholders or, if applicable, special meeting of stockholders.

Under these procedural requirements, in order to nominate a director or bring a proposal for any other business before a meeting of stockholders, a stockholder is required to deliver timely notice of the nomination or proposal pertaining to a proper subject for presentation at the meeting to our corporate secretary along with, among other things, the following:

- information relating to each director nominee, if any, required to be disclosed in the solicitation of proxies for the election of directors pursuant to the Exchange Act;

- a reasonably detailed description of any compensatory, payment or other financial agreement, arrangement or understanding that the director nominee has with any other person or entity other than the Corporation in connection with candidacy or service as a director of the Corporation;

- a reasonably detailed description of the business, if any, to be brought before the meeting, the text of the proposal or business, the reasons for conducting such business at the meeting, and any material interest of the stockholder or beneficial owner in the proposal;

- the name and address of the stockholder and the beneficial owner, if any, on whose behalf the nomination or proposal is made;

- for each class or series of stock, the number of shares beneficially owned by the stockholder and beneficial owner and a representation that the stockholder is a holder of record entitled to vote at the meeting; and

- a description of any agreement, arrangement or understanding that has been entered into by or on behalf of, or any other agreement, arrangement or understanding that has been made, the effect or intent of which is to create or mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, the stockholder or beneficial owner or any nominee with respect to our securities.

To be timely, a stockholder is generally required to deliver notice:

- in connection with an annual meeting of stockholders, not less than 120 nor more than 150 days prior to the first anniversary of the annual meeting of stockholders held in the immediately preceding year, but in the event that the date of the annual meeting is more than 30 days before or more than 70 days after the anniversary date of the preceding annual meeting of stockholders, a stockholder notice will be timely if received by us no earlier than 120 days prior to the annual meeting and no later than the later of 70 days prior to the date of the annual meeting or the 10th day following the day on which we first publicly announced the date of the annual meeting; or

- in connection with the election of a director at a special meeting of stockholders, not earlier than 150 days prior to the date of the special meeting nor more than the later of 120 days prior to the date of the special meeting or the 10th day following the day on which we first publicly announced the date of the special meeting.

If a stockholder fails to follow the required procedures, the stockholder's proposal or nominee will be ineligible and will not be voted on by our stockholders.

Limitation of Liability of Directors and Officers

Our certificate of incorporation provides that no director will be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director, except liability for:

- any breach of the director's duty of loyalty to our company or our stockholders;

- any act or omission not in good faith or which involved intentional misconduct or a knowing violation of law;

- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; and

- any transaction from which the director derived an improper personal benefit.

As a result, neither we nor our stockholders have the right, including through stockholders' derivative suits on our behalf, to recover monetary damages against a director for breach of fiduciary duty as a director, including breaches resulting from grossly negligent behavior, except in the situations described above.

Our certificate of incorporation provides that, to the fullest extent permitted by law, we will indemnify any officer or director of our company in connection with any threatened, pending or completed action, suit or proceeding to which such person is, or is threated to be made, a party, whether civil or criminal, administrative or investigative, arising out of the fact that the person is or was our director or officer, or served any other enterprise at our request as a director or officer. We will reimburse the expenses, including attorneys' fees, incurred by a person indemnified by this provision in connection with any proceeding, including in advance of its final disposition, to the fullest extent permitted by law. Amending this provision will not reduce our indemnification obligations relating to actions taken before an amendment.

We expect to maintain insurance for our officers and directors against certain liabilities, including liabilities under the Securities Act, under insurance policies, the premiums of which will be paid by us. The effect of these will be to indemnify any officer or director of the Company against expenses, judgments, attorney's fees and other amounts paid in settlements incurred by an officer or director arising from claims against such persons for conduct in their capacities as officers or directors of the Company.

Forum Selection

Our bylaws, as amended, provides that the Court of Chancery of the State of Delaware is the sole and exclusive forum for (a) any derivative action or proceeding brought on our behalf, (b) any action asserting a claim of breach of a fiduciary duty, (c) any action asserting a claim against us arising out of or relating to any provision of the Delaware General Corporation Law or our certificate of incorporation or our bylaws, or (d) any action asserting a claim against us governed by the internal affairs doctrine of the State of Delaware. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of and consented to the provisions of our bylaws.

Anti-Takeover Effects of Some Provisions

Some of the provisions of our certificate of incorporation and bylaws (as described above) could make the following more difficult:

- acquisition of control of us by means of a proxy contest or otherwise, or

- removal of our incumbent officers and directors.

These provisions, including our ability to issue preferred stock, are designed to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors. We believe that the benefits of increased protection will give us the potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us, and that the benefits of this increased protection will outweigh the disadvantages of discouraging those proposals, because negotiation of those proposals could result in an improvement of their terms.

Delaware Business Combination Statute

We have elected to be subject to Section 203 of the Delaware General Corporation Law, which regulates corporate acquisitions. Section 203 prevents an "interested stockholder," which is defined generally as a person owning 15% or more of a corporation's voting stock, or any affiliate or associate of that person, from engaging in a broad range of "business combinations" with the corporation for three years after becoming an interested stockholder unless:

- the board of directors of the corporation had, prior to the person becoming an interested stockholder, approved either the business combination or the transaction that resulted in the stockholder's becoming an interested stockholder;

- upon completion of the transaction that resulted in the stockholder's becoming an interested stockholder, that person owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, other than statutorily excluded shares; or

- following the transaction in which that person became an interested stockholder, the business combination is approved by the board of directors of the corporation and holders of at least two-thirds of the outstanding voting stock not owned by the interested stockholder

Under Section 203, the restrictions described above also do not apply to specific business combinations proposed by an interested stockholder following the announcement or notification of designated extraordinary transactions involving the corporation and a person who had not been an interested stockholder during the previous three years or who became an interested stockholder with the approval of a majority of the corporation's directors, if such extraordinary transaction is approved or not opposed by a majority of the directors who were directors prior to any person becoming an interested stockholder during the previous three years or were recommended for election or elected to succeed such directors by a majority of such directors.

Section 203 may make it more difficult for a person who would be an interested stockholder to effect various business combinations with a corporation for a three-year period. Section 203 also may have the effect of preventing changes in our management and could make it more difficult to accomplish transactions which our stockholders may otherwise deem to be in their best interests.

Transfer Agent and Registrar

Our transfer agent and registrar for the common stock is Computershare Trust Company, N.A.

Listing

The common stock is traded on the New York Stock Exchange under the trading symbol “BLD.”

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 at your log-in page at the Company's online stock administration portal, and are incorporated herein by reference. By accepting the grant on the Company's online stock administration portal, 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, as may be amended from time to time, 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. Capitalized terms that are used but not defined herein shall have the meaning ascribed to them in the Plan. Copies of the Plan, the Participation Guide/Prospectus and information about the Company are available in the online stock administration portal.

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 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.

Pursuant to the authorization permitted under 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 or as set forth below in connection with a Change in Control, 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.

You agree that this Grant and certain Awards previously granted to you will be subject to the Company's Clawback Policy.

You agree that in the event that either (1) the Company has a material restatement of its financial statements, other than as a result of changes to accounting rules and regulations or (2) your employment is terminated as a result of your having engaged in Covered Conduct (as defined below), the Committee shall have the discretion at any time (notwithstanding any expiration of the Plan or of the rights or obligations otherwise arising under an Award) to require you (whether or not you are then an employee, consultant or director of the Company or any of its affiliates) to return some or all of the Proceeds (as defined below) from Subject Awards (as defined below) and may require you to waive, forfeit and surrender to the Company your rights with respect to all or a portion of your Subject Awards which have not yet vested or become exercisable (or have not been exercised). The preceding sentence sets forth the Company's "Clawback Policy." For purposes of the Clawback Policy: (i) the term "Covered Conduct" shall mean conduct that constitutes "Cause" as such term is defined in the Company's Executive Severance Plan (as amended February 18, 2019), whether or not you participate in the Executive Severance Plan; (ii) the term "Subject Awards" shall mean Awards granted under the Plan and incentive compensation

awards granted under any other plan, program or agreement, in each case to the extent such awards are (1) granted following February 18, 2019 and (2) granted or became vested during the three year period preceding the restatement of financial statements or latest date on which you engaged in Covered Conduct (as applicable); and (iii) the term "Proceeds" shall mean Shares or cash received pursuant to the vesting or exercise of a Subject Award (or, in the event that such Shares have been disposed of, cash in an amount equal to the Fair Market Value of the Shares on the date of vesting, exercise or disposition, as determined by the Company); Proceeds with respect to options shall be determined net of the applicable exercise price. You also acknowledge that the Clawback Policy shall be interpreted and administered by the Committee in its discretion.

You will be entitled to accelerated vesting of the Grant and certain other Awards under certain circumstances in connection with a Change in Control.

With respect to this Grant and each other then-outstanding Award that you hold which is assumed or substituted for in connection with a Change in Control, in the event of a termination of your service with the Company or an Affiliate without Cause (as defined below) during the 12-month period immediately following such Change in Control, on the date of such termination (1) such Award shall become fully vested and, if applicable, exercisable, (2) the restrictions, payment conditions, and forfeiture conditions applicable to any such Award granted shall lapse, and (3) any performance conditions imposed with respect to any such Award shall be deemed to be achieved at the actual level of performance at the time of the termination, or, if not determinable, at the applicable target level of performance. With respect to this Grant and each other then-outstanding Award that you hold which is not assumed or substituted in connection with a Change in Control, immediately prior to the occurrence of the Change in Control, (1) such Award shall become fully vested and, if applicable, exercisable, (2) the restrictions, payment conditions, and forfeiture conditions applicable to any such Award granted shall lapse, and (3) any performance conditions imposed with respect to Award shall be deemed to be achieved at the actual level of performance at the time of the Change in Control, or, if not determinable, at the applicable target level of performance. For purposes of the preceding sentences, the Committee shall have the full and final authority to determine whether an Award shall be considered assumed or substituted for and, without limiting the foregoing, an Award which remains subject to substantially the same terms and conditions that were applicable to the Award immediately prior to the Change in Control but which confers the right to receive common stock of the acquiring entity may be considered assumed or substituted for hereunder. Solely for purposes of the forgoing provisions governing treatment of Awards following a Change in Control, "Cause" shall mean (i) your willful and continued failure by (other than any such failure resulting from your incapacity due to physical or mental illness) to perform substantially the duties and responsibilities of your position with the Company after a written demand for substantial performance is delivered to you, which demand specifically identifies the manner in which the Company believes that you have not substantially performed such duties or responsibilities; (ii) your conviction by a court of competent jurisdiction for felony criminal conduct; or (iii) the willful engaging by you in fraud or dishonesty which is demonstrably and materially injurious to the Company or its reputation, monetarily or otherwise.

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.

Except as specified above with respect to the Clawback Policy and treatment in connection with a Change in Control (which terms and conditions you agree are effective for this Grant and are retroactively effective for other Awards as set forth above), these Terms and Conditions are effective for grants made on and after February 17, 2020.

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 at your log-in page at the Company's online stock administration portal, and are incorporated herein by reference. By accepting the grant on the Company's online stock administration portal, 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, as may be amended from time to time, 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. Capitalized terms that are used but not defined herein shall have the meaning ascribed to them in the Plan. Copies of the Plan, the Participation Guide/Prospectus and information about the Company are available in the Company's online stock administration portal.

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 is terminated for any reason, with or without cause, while restrictions remain in effect, other than as set forth below in connection with a Change in Control, 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 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.

You agree that this Grant and certain Awards previously granted to you will be subject to the Company's Clawback Policy.

You agree that in the event that either (1) the Company has a material restatement of its financial statements, other than as a result of changes to accounting rules and regulations or (2) your employment is terminated as a result of your having engaged in Covered Conduct (as defined below), the Committee shall have the discretion at any time (notwithstanding any expiration of the Plan or of the rights or obligations otherwise arising under an Award) to require you (whether or not you are then an employee, consultant or director of the Company or any of its affiliates) to return some or all of the Proceeds (as defined below) from Subject Awards (as defined below) and may require you to waive, forfeit and surrender to the Company your rights with respect to all or a portion of your Subject Awards which have not yet vested or become exercisable (or have not been exercised). The preceding sentence sets forth the Company's "Clawback Policy." For purposes of the Clawback Policy: (i) the term "Covered Conduct" shall mean conduct that constitutes "Cause" as such term is defined in the Company's Executive Severance Plan (as amended February 18, 2019), whether or not you participate in the Executive Severance Plan; (ii) the term "Subject Awards" shall mean Awards granted under the Plan and incentive compensation awards granted under any other plan, program or agreement, in each case to the extent such awards are (1) granted following February 18, 2019 and (2) granted or became vested during the three year period preceding the restatement of financial statements or latest date on which you engaged in Covered Conduct (as applicable); and (iii) the term "Proceeds" shall mean Shares or cash received pursuant to the vesting or exercise of a Subject Award (or, in the event that such Shares have been disposed of, cash in an amount equal to the Fair Market Value of the Shares on the date of vesting, exercise or disposition, as determined by the Company); Proceeds with respect to options shall be determined net of the applicable exercise price. You also acknowledge that the Clawback Policy shall be interpreted and administered by the Committee in its discretion.

You will be entitled to accelerated vesting of the Grant and certain other Awards under certain circumstances in connection with a Change in Control.

With respect to this Grant and each other then-outstanding Award that you hold which is assumed or substituted for in connection with a Change in Control, in the event of a termination of your service with the Company or an Affiliate without Cause (as defined below) during the 12-month period immediately following such Change in Control, on the date of such termination (1) such Award shall become fully vested and, if applicable, exercisable, (2) the restrictions, payment conditions, and forfeiture conditions applicable to any such Award granted shall lapse, and (3) any performance conditions imposed with respect to any such Award shall be deemed to be achieved at the actual level of performance at the time of the termination, or, if not determinable, at the applicable target level of performance. With respect to this Grant and each other then-outstanding Award that you hold which is not assumed or substituted in connection with a Change in Control, immediately prior to the occurrence of the Change in Control, (1) such Award shall become fully vested and, if applicable, exercisable, (2) the restrictions, payment conditions, and forfeiture conditions applicable to any such Award granted shall lapse, and (3) any performance conditions imposed with respect to Award shall be deemed to be achieved at the actual level of performance at the time of the Change in Control, or, if not determinable, at the applicable target level of performance. For purposes of the preceding sentences, the Committee shall have the full and final authority to determine whether an Award shall be considered assumed or substituted for and, without limiting the foregoing, an Award which remains subject to substantially the same terms and conditions that were applicable to the Award immediately prior to the Change in Control but which confers the right to receive common stock of the acquiring entity may be considered assumed or substituted for hereunder. Solely for purposes of the forgoing provisions governing treatment of Awards following a Change in Control, "Cause" shall mean (i) your willful and continued failure by (other than any such failure resulting from your incapacity due to physical or mental illness) to perform substantially the duties and responsibilities of your position with the Company after a written demand for substantial performance is delivered to you, which demand specifically identifies the manner in which the Company believes that you have not substantially performed such duties or responsibilities; (ii) your conviction by a court of competent jurisdiction for felony criminal conduct; or (iii) the willful engaging by you in fraud or dishonesty which is demonstrably and materially injurious to the Company or its reputation, monetarily or otherwise.

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.

Except as specified above with respect to the Clawback Policy and treatment in connection with a Change in Control (which terms and conditions you agree are effective for this Grant and are retroactively effective for other Awards as set forth above), these Terms and Conditions are effective for grants made on and after February 17, 2020.

Appendix A

Appendix to the ____ 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 [_____] (the "Measurement Period").

The vesting of shares can be adjusted up or down from the target 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. 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 meets or exceeds certain target performance, based on scaling determined by the Compensation Committee.

All determinations regarding any achievement shall be made by the Compensation Committee in its sole discretion and all such determinations shall be final and binding on all parties. Any shares will be deemed eligible to vest ("Eligible Shares") on the date that both (i) the Audit Committee of the Board or the Company's independent auditors has verified in writing to the Compensation Committee the calculations of the EPS metric and (ii) the Compensation Committee has then certified in writing as to the amount of vesting based on performance (such date, the "Certification Date").

On the Certification Date, any shares that did not become Eligible Shares shall immediately be forfeited without consideration.

Eligible Shares will vest on the first applicable Company prescribed stock vesting date on or after the Certification Date.

The Compensation Committee reserves the right to make certain assumptions and minor calculation decisions when calculating performance.

Change in Control – Upon the occurrence of a Change in Control during the Measurement Period while you remain employed at the Change in Control, Shares will be deemed earned and become Eligible Shares at 100% target level of performance. A pro-rata portion of Eligible Shares will vest upon the Change in Control based upon the portion of time (expressed as fully completed months) served as of the Change in Control during the Measurement Period. The remainder of Eligible Shares that did not vest on the Change in Control shall time-vest on the last day of the Measurement Period, subject to continued employment with the Company (or its successor).

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 at your log-in page at the Company's online stock administration portal, and are incorporated herein by reference. By accepting the grant on the Company's online stock administration portal, 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, as may be amended from time to time, 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. Capitalized terms that are used but not defined herein shall have the meaning ascribed to them in the Plan. Copies of the Plan, the Participation Guide/Prospectus and information about the Company are available in the online stock administration portal.

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 is terminated for any reason, with or without cause, while restrictions remain in effect, other than as set forth below in connection with a Change in Control, 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 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.

You agree that this Grant and certain Awards previously granted to you will be subject to the Company's Clawback Policy.

You agree that in the event that either (1) the Company has a material restatement of its financial statements, other than as a result of changes to accounting rules and regulations or (2) your employment is terminated as a result of your having engaged in Covered Conduct (as defined below), the Committee shall have the discretion at any time (notwithstanding any expiration of the Plan or of the rights or obligations otherwise arising under an Award) to require you (whether or not you are then an employee, consultant or director of the Company or any of its affiliates) to return some or all of the Proceeds (as defined below) from Subject Awards (as defined below) and may require you to waive, forfeit and surrender to the Company your rights with respect to all or a portion of your Subject Awards which have not yet vested or become exercisable (or have not been exercised). The preceding sentence sets forth the Company's "Clawback Policy." For purposes of the Clawback Policy: (i) the term "Covered Conduct" shall mean conduct that constitutes "Cause" as such term is defined in the Company's Executive Severance Plan (as amended February 18, 2019), whether or not you participate in the Executive Severance Plan; (ii) the term "Subject Awards" shall mean Awards granted under the Plan and incentive compensation awards granted under any other plan, program or agreement, in each case to the extent such awards are (1) granted following February 18, 2019 and (2) granted or became vested during the three year period preceding the restatement of financial statements or latest date on which you engaged in Covered Conduct (as applicable); and (iii) the term "Proceeds" shall mean Shares or cash received pursuant to the vesting or exercise of a Subject Award (or, in the event that such Shares have been disposed of, cash in an amount equal to the Fair Market Value of the Shares on the date of vesting, exercise or disposition, as determined by the Company); Proceeds with respect to options shall be determined net of the applicable exercise price. You also acknowledge that the Clawback Policy shall be interpreted and administered by the Committee in its discretion.

You will be entitled to accelerated vesting of the Grant and certain other Awards under certain circumstances in connection with a Change in Control.

With respect to this Grant and each other then-outstanding Award that you hold which is assumed or substituted for in connection with a Change in Control, in the event of a termination of your service with the Company or an Affiliate without Cause (as defined below) during the 12-month period immediately following such Change in Control, on the date of such termination (1) such Award shall become fully vested and, if applicable, exercisable, (2) the restrictions, payment conditions, and forfeiture conditions applicable to any such Award granted shall lapse, and (3) any performance conditions imposed with respect to any such Award shall be deemed to be achieved at the actual level of performance at the time of the termination, or, if not determinable, at the applicable target level of performance. With respect to this Grant and each other then-outstanding Award that you hold which is not assumed or substituted in connection with a Change in Control, immediately prior to the occurrence of the Change in Control, (1) such Award shall become fully vested and, if applicable, exercisable, (2) the restrictions, payment conditions, and forfeiture conditions applicable to any such Award granted shall lapse, and (3) any performance conditions imposed with respect to Award shall be deemed to be achieved at the actual level of performance at the time of the Change in Control, or, if not determinable, at the applicable target level of performance. For purposes of the preceding sentences, the Committee shall have the full and final authority to determine whether an Award shall be considered assumed or substituted for and, without limiting the foregoing, an Award which remains subject to substantially the same terms and conditions that were applicable to the Award immediately prior to the Change in Control but which confers the right to receive common stock of the acquiring entity may be considered assumed or substituted for hereunder. Solely for purposes of the forgoing provisions governing treatment of Awards following a Change in Control, "Cause" shall mean (i) your willful and continued failure by (other than any such failure resulting from your incapacity due to physical or mental illness) to perform substantially the duties and responsibilities of your position with the Company after a written demand for substantial performance is delivered to you, which demand specifically identifies the manner in which the Company believes that you have not substantially performed such duties or responsibilities; (ii) your conviction by a court of competent jurisdiction for felony criminal conduct; or (iii) the willful engaging by you in fraud or dishonesty which is demonstrably and materially injurious to the Company or its reputation, monetarily or otherwise.

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.

Except as specified above with respect to the Clawback Policy and treatment in connection with a Change in Control (which terms and conditions you agree are effective for this Grant and are retroactively effective for other Awards as set forth above), these Terms and Conditions are effective for grants made on and after February 17, 2020.

Appendix A

Appendix to the ____ 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 [_____] (the "Measurement Period").

The vesting of shares can be adjusted up or down from the target 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. 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 meets or exceeds certain target performance, based on scaling determined by the Compensation Committee.

All determinations regarding any achievement shall be made by the Compensation Committee in its sole discretion and all such determinations shall be final and binding on all parties. Any shares will be deemed eligible to vest ("Eligible Shares") on the date that both (i) the Audit Committee of the Board or the Company's independent auditors has verified in writing to the Compensation Committee the calculations of the RTSR and (ii) the Compensation Committee has then certified in writing as to the amount of vesting based on performance (such date, the "Certification Date").

On the Certification Date, any shares that did not become Eligible Shares shall immediately be forfeited without consideration.

Eligible Shares will vest on the first applicable Company prescribed stock vesting date on or after the Certification Date.

The Compensation Committee reserves the right to make certain assumptions and minor calculation decisions when calculating performance.

Change in Control – Upon the occurrence of a Change in Control during the Measurement Period while you remain employed at the Change in Control, Shares will be deemed earned and become Eligible Shares according to the pre-approved scaling based on actual performance against the peer group assuming the Measurement Period ended upon the Change in Control. The Company's stock price will be deemed to be the price per share payable to Company stockholders in the Change in Control. A pro-rata portion of Eligible Shares will vest upon the Change in Control based upon the portion of time (expressed as fully completed months) served as of the Change in Control during the Measurement Period. The remainder of Eligible Shares that did not

vest on the Change in Control shall time-vest on the last day of the Measurement Period, subject to continued employment with the Company (or its successor).

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 at your log-in page at the Company's online stock administration portal, and are incorporated herein by reference. By accepting the grant on the Company's online stock administration portal, 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 and amended February 18, 2019, the "Plan"), and acknowledge that:

- You have read and understand all 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 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. Capitalized terms that are used but not defined herein shall have the meaning ascribed to them in the Plan. Copies of the Plan, the Participation Guide/Prospectus and information about the Company are available in the online stock administration portal.

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 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. Except as set forth below in connection with a Change in Control, if during the option exercise periods your employment is terminated for any reason, the Option shall terminate in accordance with Section 6(g) of the Plan, except as may otherwise be provided in the Company's Executive Severance Plan (including the provisions of Section 3 of such plan providing for an extended exercise period in certain circumstances).

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 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.

You agree that this Grant and certain Awards previously granted to you will be subject to the Company's Clawback Policy.

You agree that in the event that either (1) the Company has a material restatement of its financial statements, other than as a result of changes to accounting rules and regulations or (2) your employment is terminated as a result of your having engaged in Covered Conduct (as defined below), the Committee shall have the discretion at any time (notwithstanding any expiration of the Plan or of the rights or obligations otherwise arising under an Award) to require you (whether or not you are then an employee, consultant or director of the Company or any of its affiliates) to

return some or all of the Proceeds (as defined below) from Subject Awards (as defined below) and may require you to waive, forfeit and surrender to the Company your rights with respect to all or a portion of your Subject Awards which have not yet vested or become exercisable (or have not been exercised). The preceding sentence sets forth the Company's "Clawback Policy." For purposes of the Clawback Policy: (i) the term "Covered Conduct" shall mean conduct that constitutes "Cause" as such term is defined in the Company's Executive Severance Plan (as amended February 18, 2019), whether or not you participate in the Executive Severance Plan; (ii) the term "Subject Awards" shall mean Awards granted under the Plan and incentive compensation awards granted under any other plan, program or agreement, in each case to the extent such awards are (1) granted following February 18, 2019 and (2) granted or became vested during the three year period preceding the restatement of financial statements or latest date on which you engaged in Covered Conduct (as applicable); and (iii) the term "Proceeds" shall mean Shares or cash received pursuant to the vesting or exercise of a Subject Award (or, in the event that such Shares have been disposed of, cash in an amount equal to the Fair Market Value of the Shares on the date of vesting, exercise or disposition, as determined by the Company); Proceeds with respect to Options shall be determined net of the applicable exercise price. You also acknowledge that the Clawback Policy shall be interpreted and administered by the Committee in its discretion.

You will be entitled to accelerated vesting of the Option and certain other Awards under certain circumstances in connection with a Change in Control.

With respect to this Grant and each other then-outstanding Award that you hold which is assumed or substituted for in connection with a Change in Control, in the event of a termination of your service with the Company or an Affiliate without Cause (as defined below) during the 12-month period immediately following such Change in Control, on the date of such termination (1) such Award shall become fully vested and, if applicable, exercisable, (2) the restrictions, payment conditions, and forfeiture conditions applicable to any such Award granted shall lapse, and (3) any performance conditions imposed with respect to any such Award shall be deemed to be achieved at the actual level of performance at the time of the termination, or, if not determinable, at the applicable target level of performance. With respect to this Grant and each other then-outstanding Award that you hold which is not assumed or substituted in connection with a Change in Control, immediately prior to the occurrence of the Change in Control, (1) such Award shall become fully vested and, if applicable, exercisable, (2) the restrictions, payment conditions, and forfeiture conditions applicable to any such Award granted shall lapse, and (3) any performance conditions imposed with respect to Award shall be deemed to be achieved at the actual level of performance at the time of the Change in Control, or, if not determinable, at the applicable target level of performance. For purposes of the preceding sentences, the Committee shall have the full and final authority to determine whether an Award shall be considered assumed or substituted for and, without limiting the foregoing, an Award which remains subject to substantially the same terms and conditions that were applicable to the Award immediately prior to the Change in Control but which confers the right to receive common stock of the acquiring entity may be considered

assumed or substituted for hereunder. Solely for purposes of the forgoing provisions governing treatment of Awards following a Change in Control, "Cause" shall mean (i) your willful and continued failure by (other than any such failure resulting from your incapacity due to physical or mental illness) to perform substantially the duties and responsibilities of your position with the Company after a written demand for substantial performance is delivered to you, which demand specifically identifies the manner in which the Company believes that you have not substantially performed such duties or responsibilities; (ii) your conviction by a court of competent jurisdiction for felony criminal conduct; or (iii) the willful engaging by you in fraud or dishonesty which is demonstrably and materially injurious to the Company or its reputation, monetarily or otherwise.

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.

Except as specified above with respect to the Clawback Policy and treatment in connection with a Change in Control (which terms and conditions you agree are effective for this Option and are retroactively effective for other Awards as set forth above), these Terms and Conditions are effective for grants made on and after February 18, 2019.

Exhibit 10.11

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 at your log-in page at the Company's online stock administration portal, and are incorporated herein by reference. By accepting the grant on the Company's online stock administration portal, 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, as may be amended from time to time, 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. Capitalized terms that are used but not defined herein shall have the meaning ascribed to them in the Plan. Copies of the Plan, the Participation Guide/Prospectus and information about the Company are available in the online stock administration portal.

The use of the words "employment" or "employed" shall be deemed to refer to employment by, or service as a director to, the Company and its subsidiaries and shall not include employment by, or service as a director to, 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 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, or providing services to, 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.

Pursuant to the authorization permitted under Section 6(d)(ii) of the Plan, if your employment, or service, 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 or a director and your employment, or service, 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, or service, is terminated for any reason, with or without cause, while restrictions remain in effect, other than for a reason referred to above or as set forth below in connection with a Change in Control, all Restricted Shares for which restrictions have not lapsed will be automatically forfeited to the Company.

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 service 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 service 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 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.

You agree that this Grant and certain Awards previously granted to you will be subject to the Company's Clawback Policy.

You agree that in the event that either (1) the Company has a material restatement of its financial statements, other than as a result of changes to accounting rules and regulations or (2) your employment is terminated as a result of your having engaged in Covered Conduct (as defined below), the Committee shall have the discretion at any time (notwithstanding any expiration of the Plan or of the rights or obligations otherwise arising under an Award) to require you (whether or not you are then an employee, consultant or director of the Company or any of its affiliates) to

return some or all of the Proceeds (as defined below) from Subject Awards (as defined below) and may require you to waive, forfeit and surrender to the Company your rights with respect to all or a portion of your Subject Awards which have not yet vested or become exercisable (or have not been exercised). The preceding sentence sets forth the Company's "Clawback Policy." For purposes of the Clawback Policy: (i) the term "Covered Conduct" shall mean conduct that constitutes "Cause" as such term is defined in the Company's Executive Severance Plan (as amended February 18, 2019), whether or not you participate in the Executive Severance Plan; (ii) the term "Subject Awards" shall mean Awards granted under the Plan and incentive compensation awards granted under any other plan, program or agreement, in each case to the extent such awards are (1) granted following February 18, 2019 and (2) granted or became vested during the three year period preceding the restatement of financial statements or latest date on which you engaged in Covered Conduct (as applicable); and (iii) the term "Proceeds" shall mean Shares or cash received pursuant to the vesting or exercise of a Subject Award (or, in the event that such Shares have been disposed of, cash in an amount equal to the Fair Market Value of the Shares on the date of vesting, exercise or disposition, as determined by the Company); Proceeds with respect to options shall be determined net of the applicable exercise price. You also acknowledge that the Clawback Policy shall be interpreted and administered by the Committee in its discretion.

You will be entitled to 100% accelerated vesting of the Grant and other Awards granted under the Non-Employee Director Equity Program upon a Change in Control.

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.

Except as specified above with respect to the Clawback Policy and treatment in connection with a Change in Control (which terms and conditions you agree are effective for this Grant and are retroactively effective for other Awards as set forth above), these Terms and Conditions are effective for grants made on and after February 17, 2020.

EXHIBIT 10.23

CONFIDENTIAL TREATMENT HAS BEEN REQUESTED FOR PORTIONS OF THIS EXHIBIT. THE COPY FILED HEREWITH OMITS THE INFORMATION SUBJECT TO THE CONFIDENTIALITY REQUEST. OMISSIONS ARE DESIGNATED AS [***]. A COMPLETE VERSION OF THIS EXHIBIT HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

Execution Copy

Date: November 4, 2019

To: TopBuild Corp.

From: Bank of America, N.A.
Bank of America Tower at One Bryant Park
New York, New York 10036
Attn: Robert Stewart, Assistant General Counsel
Telephone: 646-855-0711
Email: rstewart4@bofa.com

Re: Accelerated Share Repurchase Transaction

Ladies and Gentlemen:

The purpose of this communication (this "**Confirmation**") is to confirm the terms and conditions of the Transaction entered into between Bank of America, N.A. ("**Dealer**") and TopBuild Corp. ("**Counterparty**") on the Trade Date specified below (the "**Transaction**"). The terms of the Transaction shall be set forth in this Confirmation. This Confirmation shall constitute a "Confirmation" as referred to in the ISDA Master Agreement specified below.

1. This Confirmation is subject to, and incorporates, the definitions and provisions of the 2006 ISDA Definitions (including the Annex thereto) (the "**2006 Definitions**") and the definitions and provisions of the 2002 ISDA Equity Derivatives Definitions (the "**Equity Definitions**", and together with the 2006 Definitions, the "**Definitions**"), in each case as published by the International Swaps and Derivatives Association, Inc. ("**ISDA**"). In the event of any inconsistency between the 2006 Definitions and the Equity Definitions, the Equity Definitions will govern.

This Confirmation evidences a complete and binding agreement between Dealer and Counterparty as to the terms of the Transaction to which this Confirmation relates. This Confirmation shall be subject to an agreement (the "**Agreement**") in the form of the 2002 ISDA Master Agreement (the "**ISDA Form**") as if Dealer and Counterparty had executed an agreement in such form (without any Schedule but with the elections set forth in this Confirmation). The Transaction shall be the only Transaction under the Agreement.

All provisions contained in, or incorporated by reference to, the Agreement will govern this Confirmation except as expressly modified herein. In the event of any inconsistency between this Confirmation and either the Definitions or the Agreement, this Confirmation shall govern. The Transaction is a Share Forward Transaction within the meaning set forth in the Equity Definitions.

2. The terms of the particular Transaction to which this Confirmation relates are as follows:

General Terms:

Trade Date:	November 4, 2019
Seller:	Dealer
Buyer:	Counterparty
Shares:	The common stock of Counterparty, par value USD 0.01 per share (Ticker Symbol: "BLD")
Prepayment:	Applicable
Prepayment Amount:	As provided in Annex B to this Confirmation.

Prepayment Date: The first Exchange Business Day following the Trade Date

Exchange: New York Stock Exchange

Related Exchange(s): All Exchanges

Calculation Agent: Dealer.

Valuation Terms:

Averaging Dates: Each of the consecutive Exchange Business Days commencing on, and including, the Exchange Business Day immediately following the Trade Date and ending on, and including, the Final Averaging Date.

Final Averaging Date: The Scheduled Final Averaging Date; *provided* that Dealer shall have the right, in its absolute discretion, at any time to accelerate the Final Averaging Date, in whole or in part, to any date that is on or after the Scheduled Earliest Acceleration Date by written notice (an "**Acceleration Notice**") to Counterparty no later than 5:00 P.M., New York City time, on the Exchange Business Day immediately following the accelerated Final Averaging Date. Dealer shall specify in each Acceleration Notice the portion of the Prepayment Amount that is subject to acceleration (which may be less than the full Prepayment Amount).

Scheduled Final Averaging Date: As provided in Annex B to this Confirmation.

Scheduled Earliest Acceleration Date: As provided in Annex B to this Confirmation.

Valuation Date: The Final Averaging Date.

Averaging Date Disruption: Modified Postponement, *provided* that notwithstanding anything to the contrary in the Equity Definitions, if a Market Disruption Event occurs on any Averaging Date, the Calculation Agent may, if appropriate in light of market conditions, regulatory considerations or otherwise, take any or all of the following actions: (i) postpone the Scheduled Final Averaging Date in accordance with Modified Postponement (as modified herein) and/or (ii) if such Averaging Date is a Disrupted Day only in part, the Calculation Agent shall (x) determine the VWAP Price for such Disrupted Day based on Rule 10b-18 eligible transactions in the Shares on such Disrupted Day and (y) determine the Settlement Price based on an appropriately volume weighted average instead of the arithmetic average described under "Settlement Price" below, in each case, to appropriately reflect the nature and duration of such Market Disruption Event. Any Exchange Business Day on which, as of the date hereof, the Exchange is scheduled to close prior to its normal close of trading shall be deemed not to be an Exchange Business Day; if a closure of the Exchange prior to its normal close of trading on any Exchange Business Day is scheduled following the date hereof, then such Exchange Business Day shall be deemed to be a Disrupted Day in full.

Section 6.3(a) of the Equity Definitions is hereby amended (A) by deleting the words "during the one hour period that ends at the relevant Valuation Time, Latest Exercise Time, Knock-in Valuation Time or Knock-out Valuation Time, as the case may be" in clause (ii) thereof, and (B) by replacing the words "or (iii) an Early Closure." therein with "(iii) an Early Closure, or (iv) a Regulatory Disruption."

Section 6.3(d) of the Equity Definitions is hereby amended by deleting the remainder of the provision following the term "Scheduled Closing Time" in the fourth line thereof.

Section 6.6(a) of the Equity Definitions is hereby amended by replacing the word "shall" in the fifth line thereof with the word "may", and by deleting clause (i) thereof. Section 6.7(c)(iii)(A) of the Equity Definitions is hereby amended by replacing the word "shall" in the sixth and eighth lines thereof with the word "may".

Regulatory Disruption:	Any event that Dealer, based on advice of counsel, concludes, in its good faith and reasonable discretion, makes it appropriate due to any legal, regulatory or self-regulatory requirements or related policies and procedures relating to legal, regulatory or self-regulatory requirements (whether or not such policies or procedures are imposed by law or have been voluntarily adopted by Dealer provided that such policies and/or procedures are generally applicable in similar situations and applied to the Transaction hereunder in a non-discriminatory manner) for Dealer to refrain from or decrease any market activity in connection with the Transaction on any Scheduled Trading Day(s). Dealer shall notify Counterparty as soon as reasonably practicable that a Regulatory Disruption has occurred, the reason for the Regulatory Disruption, and the Averaging Dates affected by it. Following a determination by the Dealer of the occurrence of a Regulatory Disruption, upon a written request of the Counterparty, Dealer shall provide within five (5) Exchange Business Days following receipt of such request, a written explanation in reasonable detail to the Counterparty (but without disclosing any proprietary information of the Dealer or other information that it determines in good faith is proprietary or subject to contractual, legal or regulatory obligations not to disclose such information) providing the basis for such determination.

Settlement Terms:

Initial Share Delivery:	On the Initial Share Delivery Date, Dealer shall deliver to Counterparty the Initial Shares.
Initial Share Delivery Date:	The first Exchange Business Day following the Trade Date.
Initial Shares:	As provided in Annex B to this Confirmation.
Settlement Date:	The date that falls one Settlement Cycle following the Valuation Date.
Settlement:	On the Settlement Date, Dealer shall deliver to Counterparty the Number of Shares to be Delivered, if a positive number. If the Number of Shares to be Delivered is a negative number, the Counterparty Settlement Provisions in Annex A shall apply.
Number of Shares to be Delivered:	A number of Shares equal to (a) the Prepayment Amount divided by (b) (i) the Settlement Price *minus* (ii) the Price Adjustment Amount; *provided* that the Number of Shares to be Delivered as so determined shall be reduced by the number of Shares delivered on the Initial Share Delivery Date.
Settlement Price:	The arithmetic average of the VWAP Prices for all Averaging Dates.
VWAP Price:	For any Averaging Date, the Rule 10b-18 dollar volume weighted average price per Share for such day based on transactions executed during such day, as reported on Bloomberg Page "BLD <Equity>

	AQR SEC" (or any successor thereto) or, in the event such price is not so reported on such day in any market news source (other than due to a temporary delay for any reason which will be remedied on the next succeeding Business Day) for any reason or is manifestly incorrect, as reasonably determined by the Calculation Agent using a volume weighted method. Following any determination that the VWAP Price as reported by Bloomberg or any other market news source is manifestly incorrect, upon written request of Counterparty, the Calculation Agent shall provide within five (5) Exchange Business Days following receipt of such request a written explanation in reasonable detail to Counterparty (but without disclosing any proprietary information of the Dealer or other information that it determines in good faith is proprietary or subject to contractual, legal or regulatory obligations not to disclose such information) providing the basis for such determination.
Price Adjustment Amount:	As provided in Annex B to this Confirmation.
Excess Dividend Amount:	For the avoidance of doubt, all references to the Excess Dividend Amount in Section 9.2(a)(iii) of the Equity Definitions shall be deleted.
Other Applicable Provisions:	To the extent either party is obligated to deliver Shares hereunder, the provisions of the last sentence of Section 9.2 and Sections 9.8, 9.9, 9.10, 9.11 (except that the Representation and Agreement contained in Section 9.11 of the Equity Definitions shall be modified by excluding any representations therein relating to restrictions, obligations, limitations or requirements under applicable securities laws arising as a result of the fact that Counterparty is the Issuer of the Shares) and 9.12 of the Equity Definitions will be applicable as if "Physical Settlement" applied to the Transaction.
Dividends:	
Dividend:	Any dividend or distribution on the Shares other than any dividend or distribution of the type described in Sections 11.2(e)(i), 11.2(e)(ii)(A) or 11.2(e)(ii)(B) of the Equity Definitions.
Share Adjustments:	
Method of Adjustment:	Calculation Agent Adjustment; *provided* that the declaration or payment of Dividends shall not be a Potential Adjustment Event. If the Scheduled Final Averaging Date is postponed pursuant to "Averaging Date Disruption" above, the Calculation Agent, in its good faith and commercially reasonable discretion, may deem such postponement to be a Potential Adjustment Event.
Extraordinary Events:	
Consequences of Merger Events:	
(a) Share-for-Share:	Cancellation and Payment
(b) Share-for-Other:	Cancellation and Payment
(c) Share-for-Combined:	Cancellation and Payment
Tender Offer:	Applicable; *provided* that Section 12.1(d) of the Equity Definitions shall be amended by replacing "10%" in the third line thereof with "25%".
Consequences of Tender Offers:	

(a) Share-for-Share:	Modified Calculation Agent Adjustment.
(b) Share-for-Other:	Modified Calculation Agent Adjustment.
(c) Share-for-Combined:	Modified Calculation Agent Adjustment.
Composition of Combined Consideration:	Not Applicable
Provisions applicable to Merger Events and Tender Offers:	The consequences set forth opposite "Consequences of Merger Events" and "Consequences of Tender Offers" above shall apply regardless of whether a particular Merger Event or Tender Offer relates to a Transaction Announcement for which an adjustment has been made pursuant to Section 9 below, without duplication of any such adjustment.
New Shares:	In the definition of New Shares in Section 12.1(i) of the Equity Definitions, the text in clause (i) thereof shall be deleted in its entirety (including the word "and" following such clause (i)) and replaced with "publicly quoted, traded or listed on any of the New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or their respective successors)".
Nationalization, Insolvency or Delisting:	Cancellation and Payment (Calculation Agent Determination); *provided* that in addition to the provisions of Section 12.6(a)(iii) of the Equity Definitions, it shall also constitute a Delisting if the Exchange is located in the United States and the Shares are not immediately re-listed, re-traded or re-quoted on any of the New York Stock Exchange, The NASDAQ Global Market or The NASDAQ Global Select Market (or their respective successors); if the Shares are immediately re-listed, re-traded or re-quoted on any such exchange or quotation system, such exchange or quotation system shall thereafter be deemed to be the Exchange.
Additional Disruption Events:	
Change in Law:	Applicable; *provided* that Section 12.9(a)(ii) of the Equity Definitions is hereby amended by (i) replacing the phrase "the interpretation" in the third line thereof with the phrase ", or public announcement of, the formal or informal interpretation", (ii) replacing the word "Shares" where it appears in clause (X) thereof with the words "Hedge Positions" and (iii) immediately following the word "Transaction" in clause (X) thereof, adding the phrase "in the manner contemplated by the Hedging Party on the Trade Date"; *provided further* that Section 12.9(a)(ii) of the Equity Definitions is hereby amended by replacing the parenthetical beginning after the word "regulation" in the second line thereof with the words "(including, for the avoidance of doubt and without limitation, (x) any tax law or (y) adoption or promulgation of new regulations authorized or mandated by existing statute)".
Failure to Deliver:	Applicable
Insolvency Filing:	Applicable
Hedging Disruption:	Applicable
Increased Cost of Hedging:	Applicable
Loss of Stock Borrow:	Applicable

Maximum Stock Loan Rate:As provided in Annex B to this Confirmation.

Increased Cost of Stock Borrow:Applicable

Initial Stock Loan Rate:As provided in Annex B to this Confirmation.

Hedging Party:Dealer or an affiliate of Dealer that is involved in the hedging of the Transaction for all applicable Additional Disruption Events; *provided* that when making any calculation as "Hedging Party," Dealer shall act in good faith and in a commercially reasonable manner. Following any such calculation, upon a written request by Counterparty, Dealer shall within five (5) Exchange Business Days following receipt of such request provide Counterparty with a report (in a commonly used file format for the storage and manipulation of financial data but without disclosing any proprietary models of the Calculation Agent or other information that it determines in good faith is or is likely to be proprietary or subject to contractual, legal or regulatory obligations not to disclose such information) displaying in reasonable detail the basis for such calculation.

Determining Party:Dealer for all applicable Extraordinary Events and Additional Disruption Events; *provided* that when making any calculation as "Determining Party," Dealer shall act in good faith and in a commercially reasonable manner. Following any such calculation, upon a written request by Counterparty, Dealer shall within five (5) Exchange Business Days following receipt of such request provide Counterparty with a report (in a commonly used file format for the storage and manipulation of financial data but without disclosing any proprietary models of the Calculation Agent or other information that it determines in good faith is or is likely to be proprietary or subject to contractual, legal or regulatory obligations not to disclose such information) displaying in reasonable detail the basis for such calculation.

Non-Reliance:Applicable

Agreements and Acknowledgments
Regarding Hedging Activities:Applicable

Additional Acknowledgments:Applicable

3. Account Details:

4. Offices:

(a) The Office of Counterparty for the Transaction is: Counterparty is not a Multibranch Party

(b) The Office of Dealer for the Transaction is: New York

5. Notices: For purposes of this Confirmation:

(a) Address for notices or communications to Counterparty: Counterparty to provide

(b) Address for notices or communications to Dealer:

Bank of America, N.A.
Bank of America Tower at One Bryant Park
New York, New York 10036
Attn: Robert Stewart, Assistant General Counsel
Telephone: 646-855-0711
Email: rstewart4@bofa.com

With a copy to:

Bank of America, N.A.
Bank of America Tower at One Bryant Park
New York, New York 10036
Attn: Jake Mendelsohn, Managing Director
Telephone: 646-855-8900
Email: jake.mendelsohn@bofa.com

6. Additional Provisions Relating to Transactions in the Shares.

(a) Counterparty acknowledges and agrees that the Initial Shares delivered on the Initial Share Delivery Date may be sold short to Counterparty. Counterparty further acknowledges and agrees that Dealer may, during (i) the period from the date hereof to the Valuation Date or, if later, the Scheduled Earliest Acceleration Date without regard to any adjustment thereof pursuant to "Special Provisions regarding Transaction Announcements" below, and (ii) the period from and including the first Settlement Valuation Date to and including the last Settlement Valuation Date, if any (together, the "**Relevant Period**"), purchase Shares in connection with the Transaction, which Shares may be used to cover all or a portion of such short sale or may be delivered to Counterparty. Such purchases will be conducted independently of Counterparty. The timing of such purchases by Dealer, the number of Shares purchased by Dealer on any day and the price paid per Share pursuant to such purchases shall be within the absolute discretion of Dealer. It is the intent of the parties that the Transaction comply with the requirements of Rule 10b5-1(c)(1)(i)(A) and Rule 10b5-1(c)(1)(i)(B) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and the parties agree that this Confirmation shall be interpreted to comply with the requirements of Rule 10b5-1(c), and Counterparty shall not take any action that results in the Transaction not so complying with such requirements. Without limiting the generality of the preceding sentence, Counterparty acknowledges and agrees that (A) Counterparty does not have, and shall not attempt to exercise, any influence over how, when or whether Dealer effects any purchases of Shares in connection with the Transaction, (B) during the period beginning on (but excluding) the date of this Confirmation and ending on (and including) the last day of the Relevant Period, neither Counterparty nor its officers or employees shall, directly or indirectly, communicate any information regarding Counterparty or the Shares to any employee of Dealer or its Affiliates responsible for trading the Shares in connection with the transactions contemplated hereby, (C) Counterparty is entering into the Transaction in good faith and not as part of a plan or scheme to evade compliance with federal securities laws including, without limitation, Rule 10b-5 promulgated under the Exchange Act and (D) Counterparty will not alter or deviate from this Confirmation or enter into or alter a corresponding hedging transaction with respect to the Shares. Counterparty also acknowledges and agrees that any amendment, modification, waiver or termination of this Confirmation must be effected in accordance with the requirements for the amendment or termination of a "plan" as defined in Rule 10b5-1(c) under the Exchange Act. Without limiting the generality of the foregoing, any such amendment, modification, waiver or termination shall be made in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b-5 under the Exchange Act, and no such amendment, modification or waiver shall be made at any time at which Counterparty or any officer or director of Counterparty is aware of any material nonpublic information regarding Counterparty or the Shares.

(b) Counterparty agrees that neither Counterparty nor any of its Affiliates or agents shall take any action that would cause Regulation M of the Exchange Act to be applicable to any purchases of Shares, or any security for which the Shares are a reference security (as defined in Regulation M), by Counterparty or any of its affiliated purchasers (as defined in Regulation M) during the Relevant Period.

(c) Counterparty shall, at least one day prior to the first day of the Relevant Period, notify Dealer in writing of the total number of Shares purchased in Rule 10b-18 purchases of blocks pursuant to the once-a-week block exception contained in Rule 10b-18(b)(4) by or for Counterparty or any of its affiliated purchasers during each of the four calendar weeks preceding the first day of the Relevant Period and during the calendar week in which the first day of the Relevant Period occurs ("Rule 10b-18 purchase", "blocks" and "affiliated purchaser" each being used as defined in Rule 10b-18).

(d) During the Relevant Period, Counterparty shall except to the extent required by any law, (i) during the period beginning on (and including) the date of this Confirmation and ending on (and including) the last day of the Relevant Period make, or permit to be made, any public announcement (as defined in Rule 165(f) under the Securities Act

of 1933, as amended (the "**Securities Act**")) of any merger, acquisition, or similar transaction involving a recapitalization relating to Counterparty (other than any such transaction in which the consideration consists solely of cash and there is no valuation period) (a "**Merger Transaction**") or potential Merger Transaction unless such announcement is made prior to the opening or after the close of the regular trading session on the Exchange for the Shares, (ii) promptly notify Dealer following any such announcement that such announcement has been made, and (iii) promptly deliver to Dealer following the making of any such announcement a certificate indicating (A) Counterparty's average daily Rule 10b-18 purchases (as defined in Rule 10b-18) during the three full calendar months preceding the date of the announcement of such transaction and (B) Counterparty's block purchases (as defined in Rule 10b-18) effected pursuant to paragraph (b)(4) of Rule 10b-18 during the three full calendar months preceding the date of the announcement of such transaction. In addition, except to the extent required by any law, Counterparty shall promptly notify Dealer of the earlier to occur of the completion of such transaction and the completion of the vote by target shareholders. Counterparty acknowledges that any such public announcement may result in a Regulatory Disruption and may cause the Relevant Period to be suspended or the Transaction to be terminated. Accordingly, Counterparty acknowledges that its actions in relation to any such announcement or transaction must comply with the standards set forth in Section 6(a) above.

(e) Without the prior written consent of Dealer, Counterparty shall not, and shall cause its Affiliates and affiliated purchasers (each as defined in Rule 10b-18) not to, directly or indirectly (including, without limitation, by means of a cash-settled or other derivative instrument) purchase, offer to purchase, place any bid or limit order that would effect a purchase of, or commence any tender offer relating to, any Shares (or an equivalent interest, including a unit of beneficial interest in a trust or limited partnership or a depository share) or any security convertible into or exchangeable for Shares during the Relevant Period.

Notwithstanding the immediately preceding paragraph or anything herein to the contrary, Counterparty may purchase Shares (x) on any Exchange Business Day pursuant to any Rule 10b5-1 or Rule 10b-18 repurchase plan entered into with Dealer or an Affiliate of Dealer (each, a "Dealer Permitted OMR Transaction"), so long as, on any Exchange Business Day, purchases under all Dealer Permitted OMR Transactions do not in the aggregate exceed the Designated OMR Threshold specified in Annex B to this Confirmation on such Exchange Business Day.

(f) With respect to purchases of Shares by Dealer in connection with the Transaction during the Relevant Period (other than any purchases made by Dealer for its own account in connection with dynamic hedge adjustments of Dealer's exposure to the Transaction as a result of any equity optionality contained in such Transaction, including, for the avoidance of doubt, timing optionality), Dealer will use good faith, commercially reasonable efforts to effect such purchases in a manner so that, if such purchases were made by Counterparty, they would meet the requirements of Rule 10b-18(b)(2), (3) and (4), taking into account any applicable Securities and Exchange Commission no-action letters as appropriate and subject to any delays between the execution and reporting of a trade of the Shares on the Exchange and other circumstances beyond Dealer's control. Notwithstanding anything to the contrary herein, the foregoing sentence shall not apply to purchases made by Dealer or its Affiliates to dynamically hedge for the account of Dealer or its Affiliates the optionality arising under the Transaction (including, for the avoidance of doubt, timing optionality).

7. Representations, Warranties and Agreements.

(a) In addition to the representations, warranties and agreements in the Agreement and those contained elsewhere herein, Counterparty represents and warrants to and for the benefit of, and agrees with, Dealer as follows:

(i) As of the Trade Date, and as of the date of any election by Counterparty of the Share Termination Alternative under (and as defined in) Section 10(a) below, (A) none of Counterparty and its officers and directors is aware of any material nonpublic information regarding Counterparty or the Shares and (B) Counterparty is in compliance with its reporting obligations under the Exchange Act, and its most recent Annual Report on Form 10-K, together with all reports subsequently filed by it pursuant to the Exchange Act, taken together and as amended and supplemented to the date of this representation, do not, as of their respective filing dates, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(ii) Without limiting the generality of Section 13.1 of the Equity Definitions, Counterparty acknowledges that Dealer is not making any representations or warranties or taking any position or expressing

any view with respect to the treatment of the Transaction under any accounting standards including ASC Topic 260,*Earnings Per Share*, ASC Topic 815, *Derivatives and Hedging*, or ASC Topic 480, *Distinguishing Liabilities from Equity* and ASC 815-40, *Derivatives and Hedging – Contracts in Entity's Own Equity* (or any successor issue statements) or under FASB's Liabilities & Equity Project.

(iii) Without limiting the generality of Section 3(a)(iii) of the Agreement, the Transaction will not violate Rule 13e-1 or Rule 13e-4 under the Exchange Act.

(iv) As of the Trade Date, (A) this Transaction is being entered into pursuant to a publicly disclosed Share buy-back program and its Board of Directors has approved the use of derivatives to effect the Share buy-back program, and (B) there is no internal policy of Counterparty, whether written or oral, that would prohibit Counterparty from entering into any aspect of such Transaction, including, without limitation, the purchases of Shares to be made pursuant to such Transaction.

(v) Counterparty is not entering into this Confirmation to create actual or apparent trading activity in the Shares (or any security convertible into or exchangeable for Shares) or to raise or depress or otherwise manipulate the price of the Shares (or any security convertible into or exchangeable for Shares) or otherwise in violation of the Exchange Act, and will not engage in any other securities or derivative transaction to such ends.

(vi) Counterparty is not, and after giving effect to the transactions contemplated hereby will not be, required to register as an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

(vii) On the Trade Date, the Prepayment Date, the Initial Share Delivery Date and the Settlement Date, Counterparty is not, or will not be, "insolvent" (as such term is defined under Section 101(32) of the U.S. Bankruptcy Code (Title 11 of the United States Code) (the "**Bankruptcy Code**")) and Counterparty would be able to purchase the Shares hereunder in compliance with the corporate laws of the jurisdiction of its incorporation.

(viii) No state or local (including non-U.S. jurisdictions) law, rule, regulation or regulatory order applicable to the Shares would give rise to any reporting, consent, registration or other requirement (including without limitation a requirement to obtain prior approval from any person or entity) as a result of Dealer or its affiliates owning or holding (however defined) Shares.

(ix) [reserved]

(x) Counterparty understands no obligations of Dealer to it hereunder will be entitled to the benefit of deposit insurance and that such obligations will not be guaranteed by any affiliate of Dealer or any governmental agency.

(xi) Counterparty is (i) a corporation for U.S. federal income tax purposes and is organized under the laws of Delaware and (ii) a "U.S. person" (as that term is used in section 1.1441-4(a)(3)(ii) of United States Treasury Regulations) for U.S. federal income tax purposes.

(xii) Counterparty (A) is capable of evaluating investment risks independently, both in general and with regard to all transactions and investment strategies involving a security or securities; (B) will exercise independent judgment in evaluating the recommendations of any broker-dealer or its associated persons, unless it has otherwise notified the broker-dealer in writing; and (C) has total assets of at least USD 50,000,000 as of the date hereof.

(xiii) As of the Trade Date for each Transaction hereunder, and as of the date of any election with respect to any Transaction hereunder, there has not been any public announcement (as defined in Rule 165(f) under the Securities Act) of a Merger Transaction or potential Merger Transaction.

(b) Each of Dealer and Counterparty agrees and represents that it is an "eligible contract participant" as defined in Section 1a(18) of the U.S. Commodity Exchange Act, as amended.

(c) Counterparty acknowledges that the offer and sale of the Transaction to it is intended to be exempt from registration under the Securities Act, by virtue of Section 4(a)(2) thereof. Accordingly, Counterparty represents and warrants to Dealer that (i) it has the financial ability to bear the economic risk of its investment in the Transaction and is able to bear a total loss of its investment, (ii) it is an "accredited investor" as that term is defined in Regulation D as promulgated under the Securities Act, (iii) it is entering into the Transaction for its own account and without a view to the distribution or resale thereof, and (iv) the assignment, transfer or other disposition of the Transaction has not been and will not be registered under the Securities Act and is restricted under this Confirmation, the Securities Act and state securities laws.

(d) Counterparty agrees and acknowledges that Dealer is a "financial institution," "swap participant" and "financial participant" within the meaning of Sections 101(22), 101(53C) and 101(22A) of the Bankruptcy Code. The parties hereto further agree and acknowledge that it is the intent of the parties that (A) this Confirmation is (i) a "securities contract," as such term is defined in Section 741(7) of the Bankruptcy Code, with respect to which each payment and delivery hereunder or in connection herewith is a "termination value," "payment amount" or "other transfer obligation" within the meaning of Section 362 of the Bankruptcy Code and a "settlement payment," within the meaning of Section 546 of the Bankruptcy Code and (ii) a "swap agreement," as such term is defined in Section 101(53B) of the Bankruptcy Code, with respect to which each payment and delivery hereunder or in connection herewith is a "termination value," "payment amount" or "other transfer obligation" within the meaning of Section 362 of the Bankruptcy Code and a "transfer," as such term is defined in Section 101(54) of the Bankruptcy Code and a "payment or other transfer of property" within the meaning of Sections 362 and 546 of the Bankruptcy Code, and (B) Dealer is entitled to the protections afforded by, among other sections, Sections 362(b)(6), 362(b)(17), 362(o), 546(e), 546(g), 548(d)(2), 555, 560 and 561 of the Bankruptcy Code.

8. Agreements and Acknowledgements Regarding Hedging.

Counterparty acknowledges and agrees that:

(a) During the Relevant Period, Dealer and its Affiliates may buy or sell Shares or other securities or buy or sell options or futures contracts or enter into swaps or other derivative securities in order to adjust its hedge position with respect to the Transaction;

(b) Dealer and its Affiliates also may be active in the market for Shares other than in connection with hedging activities in relation to the Transaction;

(c) Dealer shall make its own determination as to whether, when or in what manner any hedging or market activities in Counterparty's securities shall be conducted and shall do so in a manner that it deems appropriate to hedge its price and market risk with respect to the Settlement Price and/or the VWAP Price; and

(d) Any market activities of Dealer and its Affiliates with respect to Shares may affect the market price and volatility of Shares, as well as the Settlement Price and/or the VWAP Price, each in a manner that may be adverse to Counterparty.

9. Special Provisions regarding Transaction Announcements.

(a) If a Transaction Announcement occurs on or prior to the final Settlement Date, the Calculation Agent shall make such adjustment to the exercise, settlement, payment or any of the other terms of the Transaction (including without limitation, the Number of Shares to be Delivered and the Price Adjustment Amount), at such time or multiple times as the Calculation Agent determines, in a commercially reasonable manner, appropriate to account for the economic effect of the Transaction Announcement (including adjustments to account for changes in volatility, expected dividends, stock loan rate, value of any commercially reasonable Hedge Positions in connection with the Transaction and liquidity relevant to the Shares or to such Transaction); provided, for the avoidance of doubt, in such event the Number of Shares to be Delivered may be reduced below zero pursuant to the proviso to such definition.

(b) "**Transaction Announcement**" means (i) the Announcement of an Acquisition Transaction or an event that, if consummated, would result in an Acquisition Transaction, (ii) an Announcement that Counterparty or any of its subsidiaries has entered into an agreement, a letter of intent or an understanding to enter into an Acquisition Transaction, (iii) the Announcement of an intention to solicit or enter into, or to explore strategic alternatives or other similar undertaking that includes a potential Acquisition Transaction among the possibilities of transactions solicited or explored, (iv) any other Announcement that in the reasonable judgment of the Calculation Agent is reasonably likely to result in an Acquisition Transaction, or (v) any Announcement of any material change or amendment to any previous Transaction Announcement (including any Announcement of the abandonment of any such previously announced Acquisition Transaction, agreement, letter of intent, understanding or intention). "Announcement" as used in this definition of Transaction Announcement shall include only public announcements made by Counterparty or one of its subsidiaries or any other party to an executed agreement, letter of intent or understanding with the Counterparty or one of its subsidiaries, in respect of the relevant Acquisition Transaction (or an authorized representative of any of the foregoing).

"**Acquisition Transaction**" means (i) any Merger Event (and for purposes of this definition the definition of Merger Event shall be read with the references therein to "100%" being replaced by "30%" and to "50%" by "75%" and as if the clause beginning immediately following the definition of Reverse Merger therein to the end of such definition were deleted) or Tender Offer, or any other transaction involving the merger of Counterparty with or into any third party, (ii) the sale or transfer of all or substantially all of the assets of Counterparty, (iii) a recapitalization, reclassification, binding share exchange or other similar transaction, (iv) any acquisition, lease, exchange, transfer, disposition (including by way of spin-off or distribution) of assets (including any capital stock or other ownership interests in subsidiaries) or other similar event by Counterparty or any of its subsidiaries where the aggregate consideration transferable or receivable by or to Counterparty or its subsidiaries exceeds 30% of the market capitalization of Counterparty and (v) any transaction in which Counterparty or its board of directors has a legal obligation to make a recommendation to its shareholders in respect of such transaction (whether pursuant to Rule 14e-2 under the Exchange Act or otherwise).

10. Other Provisions.

(a) *Alternative Calculations and Payment on Early Termination and on Certain Extraordinary Events.* If either party would owe the other party any amount pursuant to Sections 12.2, 12.3, 12.6, 12.7 or 12.9 of the Equity Definitions or pursuant to Section 6(d)(ii) of the Agreement (a "**Payment Obligation**"), Counterparty shall have the right, in its sole discretion, to satisfy or to require Dealer to satisfy, as the case may be, any such Payment Obligation, in whole or in part, by the Share Termination Alternative (as defined below) by giving irrevocable telephonic notice to Dealer, confirmed in writing within one Scheduled Trading Day, no later than 9:30 A.M. New York City time on the Merger Date, Tender Offer Date, Announcement Date, Early Termination Date or date of cancellation or termination in respect of an Extraordinary Event, as applicable ("**Notice of Share Termination**"); *provided* that if Dealer would owe Counterparty the Payment Obligation and Counterparty does not elect to require Dealer to satisfy such Payment Obligation by the Share Termination Alternative in whole, Dealer shall have the right, in its sole discretion, to elect to satisfy any portion of such Payment Obligation that Counterparty has not so elected by the Share Termination Alternative, notwithstanding Counterparty's failure to elect; and *provided further* that Counterparty shall not have the right to so elect (but, for the avoidance of doubt, Dealer shall have the right to so elect) in the event of (i) an Insolvency, a Nationalization, a Merger Event or a Tender Offer, in each case, in which the consideration or proceeds to be paid to holders of Shares consists solely of cash or (ii) an Event of Default in which Counterparty is the Defaulting Party or a Termination Event in which Counterparty is the sole Affected Party, which Event of Default or Termination Event resulted from an event or events within Counterparty's control. Upon such Notice of Share Termination, the following provisions shall apply on the Scheduled Trading Day immediately following the Merger Date, Tender Offer Date, Announcement Date, Early Termination Date or date of cancellation or termination in respect of an Extraordinary Event, as applicable, with respect to the Payment Obligation or such portion of the Payment Obligation for which the Share Termination Alternative has been elected (the "**Applicable Portion**"):

Share Termination Alternative:	Applicable and means, if delivery pursuant to the Share Termination Alternative is owed by Dealer, that Dealer shall deliver to Counterparty the Share Termination Delivery Property on the date on which the Payment Obligation would otherwise be due pursuant to Section 12.7 or 12.9 of the Equity Definitions or Section 6(d)(ii) of the Agreement, as applicable, or such later date as the Calculation Agent may reasonably determine (the "**Share Termination Payment Date**"), in satisfaction of the Payment Obligation or the Applicable Portion, as the case may be. If delivery pursuant to the

	Share Termination Alternative is owed by Counterparty, paragraphs 2 through 5 of Annex A shall apply as if such delivery were a settlement of the Transaction to which Net Share Settlement (as defined in Annex A) applied, the Cash Settlement Payment Date were the Early Termination Date, the Forward Cash Settlement Amount were zero (0) *minus* the Payment Obligation (or the Applicable Portion, as the case may be) owed by Counterparty, and "Shares" as used in Annex A were replaced by "Share Termination Delivery Units."
Share Termination Delivery Property:	A number of Share Termination Delivery Units, as calculated by the Calculation Agent, equal to the Payment Obligation (or the Applicable Portion, as the case may be) divided by the Share Termination Unit Price. The Calculation Agent shall adjust the Share Termination Delivery Property by replacing any fractional portion of a security therein with an amount of cash equal to the value of such fractional security based on the values used to calculate the Share Termination Unit Price.
Share Termination Unit Price:	The value to Dealer of property contained in one Share Termination Delivery Unit on the date such Share Termination Delivery Units are to be delivered as Share Termination Delivery Property, as determined by the Calculation Agent in its discretion by commercially reasonable means and notified by the Calculation Agent to the parties at the time of notification of the Payment Obligation. For the avoidance of doubt, the parties agree that in determining the Share Termination Delivery Unit Price the Calculation Agent may consider the purchase price paid in connection with the purchase of Share Termination Delivery Property.
Share Termination Delivery Unit:	In the case of a Termination Event, Event of Default, Delisting or Additional Disruption Event, one Share or, in the case of an Insolvency, Nationalization, Merger Event or Tender Offer, one Share or a unit consisting of the number or amount of each type of property received by a holder of one Share (without consideration of any requirement to pay cash or other consideration in lieu of fractional amounts of any securities) in such Insolvency, Nationalization, Merger Event or Tender Offer. If such Insolvency, Nationalization, Merger Event or Tender Offer involves a choice of consideration to be received by holders, such holder shall be deemed to have elected to receive the maximum possible amount of cash.
Failure to Deliver:	Applicable
Other applicable provisions:	If Share Termination Alternative is applicable, the provisions of Sections 9.8, 9.9, 9.10, 9.11 (except that the Representation and Agreement contained in Section 9.11 of the Equity Definitions shall be modified by excluding any representations therein relating to restrictions, obligations, limitations or requirements under applicable securities laws arising as a result of the fact that Counterparty is the issuer of the Shares or any portion of the Share Termination Delivery Units) and 9.12 of the Equity Definitions will be applicable as if "Physical Settlement" applied to the Transaction, except that all references to "Shares" shall be read as references to "Share Termination Delivery Units".

(b) *Equity Rights.* Dealer acknowledges and agrees that this Confirmation is not intended to convey to it rights with respect to the Transaction that are senior to the claims of common stockholders in the event of Counterparty's bankruptcy. For the avoidance of doubt, the parties agree that the preceding sentence shall not apply at any time other than during Counterparty's bankruptcy to any claim arising as a result of a breach by Counterparty of any of its obligations under this Confirmation or the Agreement. For the avoidance of doubt, the parties acknowledge that this Confirmation is not secured by any collateral that would otherwise secure the obligations of Counterparty herein under or pursuant to any other agreement.

(c) *Indemnification.* In the event that Dealer or the Calculation Agent or any of their Affiliates becomes involved in any capacity in any action, proceeding or investigation brought by or against any person in connection with any matter referred to in this Confirmation other than due to the willful misconduct, bad faith or gross negligence of Dealer, Counterparty shall reimburse Dealer or the Calculation Agent or such Affiliate for its reasonable legal and other out-of-pocket expenses (including the cost of any investigation and preparation) incurred in connection therewith within 30 days of receipt of notice of such expenses, and shall indemnify and hold Dealer or the Calculation Agent or such Affiliate harmless on an after-tax basis against any losses, claims, damages or liabilities to which Dealer or the Calculation Agent or such Affiliate may become subject in connection with any such action, proceeding or investigation. If for any reason the foregoing indemnification is unavailable to Dealer or the Calculation Agent or such Affiliate or insufficient to hold it harmless, then Counterparty shall contribute to the amount paid or payable by Dealer or the Calculation Agent or such Affiliate as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by Counterparty on the one hand and Dealer or the Calculation Agent or such Affiliate on the other hand in the matters contemplated by this Confirmation or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits received by Counterparty on the one hand and Dealer or the Calculation Agent or such Affiliate on the other hand in the matters contemplated by this Confirmation but also the relative fault of Counterparty and Dealer or the Calculation Agent or such Affiliate with respect to such losses, claims, damages or liabilities and any other relevant equitable considerations. The relative benefits received by Counterparty, on the one hand, and Dealer or the Calculation Agent or such Affiliate, on the other hand, shall be in the same proportion as the Prepayment Amount bears to the customary brokerage commission for share repurchases multiplied by the Initial Shares. The reimbursement, indemnity and contribution obligations of Counterparty under this Section 10(c) shall be in addition to any liability that Counterparty may otherwise have, shall extend upon the same terms and conditions to the partners, directors, officers, agents, employees and controlling persons (if any), as the case may be, of Dealer or the Calculation Agent and their Affiliates and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of Counterparty, Dealer or the Calculation Agent, any such Affiliate and any such person. Counterparty also agrees that neither Dealer, the Calculation Agent nor any of such Affiliates, partners, directors, officers, agents, employees or controlling persons shall have any liability to Counterparty for or in connection with any matter referred to in this Confirmation except to the extent that any losses, claims, damages, liabilities or expenses incurred by Counterparty result from the gross negligence or bad faith of Dealer or the Calculation Agent or a breach by Dealer or the Calculation Agent of any of its covenants or obligations hereunder. The foregoing provisions shall survive any termination or completion of the Transaction.

(d) *Staggered Settlement.* If Dealer would owe Counterparty any Shares pursuant to the "Settlement Terms" above, Dealer may, by notice to Counterparty on or prior to the Settlement Date (a "**Nominal Settlement Date**"), elect to deliver the Shares deliverable on such Nominal Settlement Date on two or more dates (each, a "**Staggered Settlement Date**") or at two or more times on the Nominal Settlement Date as follows: (i) in such notice, Dealer will specify to Counterparty the related Staggered Settlement Dates (each of which will be on or prior to such Nominal Settlement Date) or delivery times and how it will allocate the Shares it is required to deliver under "Settlement Terms" above among the Staggered Settlement Dates or delivery times; and (ii) the aggregate number of Shares that Dealer will deliver to Counterparty hereunder on all such Staggered Settlement Dates and delivery times will equal the number of Shares that Dealer would otherwise be required to deliver on such Nominal Settlement Date.

(e) *Adjustments*. For the avoidance of doubt, whenever the Calculation Agent is called upon to make an adjustment pursuant to the terms of this Confirmation or the Definitions to take into account the effect of an event, the Calculation Agent shall make such adjustment by reference to the effect of such event on the Hedging Party, assuming that the Hedging Party maintains a commercially reasonable hedge position.

(f) *Transfer and Assignment*. Dealer may transfer or assign its rights and obligations hereunder and under the Agreement, in whole or in part, to any of its Affiliates without the consent of Counterparty provided such Affiliates have an unconditional guaranty from Dealer with respect to its performance under this Transaction or the creditworthiness of such Affiliates is at least equal to, or better than, Dealer's creditworthiness at the time of such transfer or assignment, and provided further that such transfer shall not cause a Tax Event, Illegality or other Termination Event.

(g) *Additional Termination Events.* It shall constitute an Additional Termination Event with respect to which the Transaction is the sole Affected Transaction and Counterparty is the sole Affected Party and Dealer shall be the party entitled to designate an Early Termination Date pursuant to Section 6(b) of the Agreement if, at any time during the

Relevant Period, the price per Share on the Exchange, as determined by the Calculation Agent, is at or below the Threshold Price (as provided in Annex B to this Confirmation).

The declaration by the Issuer of any Dividend, the ex-dividend date for which occurs or is scheduled to occur before the Relevant Dividend End Date, will constitute an Additional Termination Event, with Counterparty as the sole Affected Party and all Transactions hereunder as the Affected Transactions. "**Relevant Dividend Period End Date**" means: (A) if Annex A applies, the last day of the Settlement Valuation Period, or (B) otherwise, the Termination Date.

(h) *Amendments to Equity Definitions.* The following amendments shall be made to the Equity Definitions:

(i) Section 11.2(a) of the Equity Definitions is hereby amended by deleting the words "a diluting or concentrative effect on the theoretical value of the relevant Shares" and replacing them with the words "a material economic effect on the relevant Transaction";

(ii) The first sentence of Section 11.2(c) of the Equity Definitions, prior to clause (A) thereof, is hereby amended to read as follows: '(c) If "Calculation Agent Adjustment" is specified as the Method of Adjustment in the related Confirmation of a Share Option Transaction or Share Forward Transaction, then following the announcement or occurrence of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a material economic effect on the Transaction and, if so, will (i) make appropriate adjustment(s), if any, to any one or more of:' *and* the portion of such sentence immediately preceding clause (ii) thereof is hereby amended by deleting the words "diluting or concentrative". and the words "(*provided* that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Shares)" and replacing such latter phrase with the words "(and, for the avoidance of doubt, adjustments may be made to account solely for changes in volatility, stock loan rate or liquidity relative to the relevant Shares)";

(iii) Section 11.2(e)(vii) of the Equity Definitions is hereby amended by deleting the words "diluting or concentrative effect on the theoretical value of the relevant Shares" and replacing them with the words "material economic effect on the relevant Transaction";

(iv) Section 12.6(a)(ii) of the Equity Definitions is hereby amended by (1) deleting from the fourth line thereof the word "or" after the word "official" and inserting a comma therefor, and (2) deleting the semi-colon at the end of subsection (B) thereof and inserting the following words therefor "or (C) at Dealer's option, the occurrence of any of the events specified in Section 5(a)(vii) (1) through (9) of the ISDA Master Agreement with respect to that issuer";

(v) Section 12.9(b)(iv) of the Equity Definitions is hereby amended by (A) deleting (1) subsection (A) in its entirety, (2) the phrase "or (B)" following subsection (A) and (3) the phrase "in each case" in subsection (B); and (B) replacing the phrase "neither the Non-Hedging Party nor the Lending Party lends Shares" with the phrase "such Lending Party does not lend Shares" in the penultimate sentence;

(vi) Section 12.9(b)(v) of the Equity Definitions is hereby amended by (A) adding the word "or" immediately before subsection "(B)" and deleting the comma at the end of subsection (A); and (B)(1) deleting subsection (C) in its entirety, (2) deleting the word "or" immediately preceding subsection (C) and (3) replacing in the penultimate sentence the words "either party" with "the Hedging Party" and (4) deleting clause (X) in the final sentence; and

(vii) Section 12.9(b)(vi) of the Equity Definitions is hereby amended by: (A) adding the word "or" immediately before subsection "(B)" and deleting the comma at the end of subsection (A); and (B) (1) deleting subsection (C) in its entirety, (2) deleting the word "or" immediately preceding subsection (C) and (3) deleting the final sentence in its entirety and replacing it with the sentence "The Hedging Party will determine the Cancellation Amount payable by one party to the other".

(i) *No Netting and Set-off.* Each party waives any and all rights it may have to set off obligations arising under the Agreement and the Transaction against other obligations between the parties, whether arising under any other agreement, applicable law or otherwise.

(j) *Disclosure.* Effective from the date of commencement of discussions concerning the Transaction, either party and each of such party's respective employees, representatives, or other agents may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the Transaction and all materials of any kind (including opinions or other tax analyses) that are provided to Counterparty relating to such tax treatment and tax structure, other than any information for which nondisclosure is reasonably necessary in order to comply with applicable securities laws.

(k) *Designation by Dealer*. Notwithstanding any other provision in this Confirmation to the contrary requiring or allowing Dealer to purchase, sell, receive or deliver any Shares or other securities to or from Counterparty, Dealer may designate any of its Affiliates to purchase, sell, receive or deliver such Shares or other securities and otherwise to perform Dealer's obligations in respect of the Transaction and any such designee may assume such obligations. Dealer may assign the right to receive Payment Shares to any third party who may legally receive Payment Shares. Dealer shall be discharged of its obligations to Counterparty only to the extent of any such performance. For the avoidance of doubt, Dealer hereby acknowledges that notwithstanding any such designation hereunder, to the extent any of Dealer's obligations in respect of any Transaction are not completed by its designee, Dealer shall be obligated to continue to perform or to cause any other of its designees to perform in respect of such obligations.

(l) *Wall Street Transparency and Accountability Act of 2010.* The parties hereby agree that none of (i) Section 739 of the Wall Street Transparency and Accountability Act of 2010 (the "WSTAA"), (ii) any similar legal certainty provision included in any legislation enacted, or rule or regulation promulgated, on or after the Trade Date, (iii) the enactment of the WSTAA or any regulation under the WSTAA, (iv) any requirement under the WSTAA or (v) any amendment made by the WSTAA shall limit or otherwise impair either party's right to terminate, renegotiate, modify, amend or supplement this Confirmation or the Agreement, as applicable, arising from a termination event, force majeure, illegality, increased cost, regulatory change or similar event under this Confirmation, the Equity Definitions or the Agreement (including, but not limited to, any right arising from any Change in Law, Hedging Disruption, Increased Cost of Hedging or Illegality).

(m) *Tax Matters*

(i) *Withholding Tax imposed on payments to non-US counterparties under the United States Foreign Account Tax Compliance Act.* "Tax" and "Indemnifiable Tax", each as defined in Section 14 of the Agreement, shall not include any U.S. federal withholding tax imposed or collected pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (a "**FATCA Withholding Tax**"). For the avoidance of doubt, a FATCA Withholding Tax is a Tax the deduction or withholding of which is required by applicable law for the purposes of Section 2(d) of the Agreement.

(ii) *Tax documentation.* Counterparty shall provide to Dealer a valid U.S. Internal Revenue Service Form W-9, or any successor thereto, (i) on or before the date of execution of this Confirmation and (ii) promptly upon learning that any such tax form previously provided by Counterparty has become obsolete or incorrect. Additionally, Counterparty shall, promptly upon request by Dealer, provide such other tax forms and documents requested by Dealer.

(n) *Termination Currency.* The Termination Currency shall be USD.

(o) *Calculations and Payment Date upon Early Termination.* The parties acknowledge and agree that in calculating (a) the Close-Out Amount pursuant to Section 6 of the Agreement and (b) the amount due upon cancellation or termination of the Transaction (whether in whole or in part) pursuant to Article 12 of the Equity Definitions as a result of

an Extraordinary Event, Dealer may (but need not) determine such amount based on (i) expected losses assuming a commercially reasonable (including, without limitation, with regard to reasonable legal and regulatory guidelines) risk bid were used to determine loss or (ii) the price at which one or more market participants would offer to sell to the Seller a block of Shares equal in number to the Seller's hedge position in relation to the Transaction. Notwithstanding anything to the contrary in Section 6(d)(ii) of the Agreement or Article 12 of the Equity Definitions, all amounts calculated as being due in respect of an Early Termination Date under Section 6(e) of the Agreement or upon cancellation or termination of the relevant Transaction under Article 12 of the Equity Definitions will be payable on the day that notice of the amount payable is effective; provided that if Counterparty elects to receive or deliver Share Termination Delivery Units in accordance with Section 10(a) above, such Share Termination Delivery Units shall be delivered on a date selected by Dealer as promptly as practicable.

(p) *Calculations.* Following any adjustment or calculation by the Calculation Agent hereunder, upon a written request by Counterparty, the Calculation Agent will provide to Counterparty within five (5) Exchange Business Days following receipt of such request, a report (in a commonly used file format for the storage and manipulation of financial data but without disclosing any proprietary models of the Calculation Agent or other information that it determines in good faith is or is likely to be proprietary or subject to contractual, legal or regulatory obligations not to disclose such information) displaying in reasonable detail the basis for such adjustment or calculation, as the case may be. Whenever the Calculation Agent is required or permitted to exercise discretion in any way, it will do so in good faith and in a commercially reasonable manner.

(q) *Waiver of Trial by Jury.* **EACH OF COUNTERPARTY AND DEALER HEREBY IRREVOCABLY WAIVES (ON ITS OWN BEHALF AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ON BEHALF OF ITS STOCKHOLDERS) ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THE TRANSACTION OR THE ACTIONS OF DEALER OR ITS AFFILIATES IN THE NEGOTIATION, PERFORMANCE OR ENFORCEMENT HEREOF.**

(q) *Governing Law; Jurisdiction*. **THIS CONFIRMATION AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS CONFIRMATION SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK. THE PARTIES HERETO IRREVOCABLY SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK AND THE UNITED STATES COURT FOR THE SOUTHERN DISTRICT OF NEW YORK IN CONNECTION WITH ALL MATTERS RELATING HERETO AND WAIVE ANY OBJECTION TO THE LAYING OF VENUE IN, AND ANY CLAIM OF INCONVENIENT FORUM WITH RESPECT TO, THESE COURTS**.

(r) [Reserved]

(s) *Maximum Share Delivery.* Notwithstanding anything to the contrary in this Confirmation, in no event shall Dealer be required to deliver any Shares, or any Shares or other securities comprising Share Termination Delivery Units, in excess of the Maximum Number of Shares set forth in Annex B to this Confirmation.

(t) [Reserved]

(u) *Counterparts.* This Confirmation may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any party hereto may execute this Confirmation by signing and delivering one or more counterparts.

(v) *U.S. Resolution Stay Protocol.* The parties acknowledge and agree that (i) to the extent that prior to the date hereof both parties have adhered to the 2018 ISDA U.S. Resolution Stay Protocol (the "**Protocol**"), the terms of the Protocol are incorporated into and form a part of the Agreement, and for such purposes the Agreement shall be deemed a Protocol Covered Agreement, Dealer shall be deemed a Regulated Entity and Counterparty shall be deemed an Adhering Party; (ii) to the extent that prior to the date hereof the parties have executed a separate agreement the effect of which is to amend the qualified financial contracts between them to conform with the requirements of the QFC Stay Rules (the "**Bilateral Agreement**"), the terms of the Bilateral Agreement are incorporated into and form a part of the Agreement, and for such purposes the Agreement shall be deemed a Covered Agreement, Dealer shall be deemed a Covered Entity and Counterparty shall be deemed a Counterparty Entity; or (iii) if clause (i) and clause (ii) do not apply, the terms of

Section 1 and Section 2 and the related defined terms (together, the "**Bilateral Terms**") of the form of bilateral template entitled "Full-Length Omnibus (for use between U.S. G-SIBs and Corporate Groups)" published by ISDA on November 2, 2018 (currently available on the 2018 ISDA U.S. Resolution Stay Protocol page at www.isda.org and, a copy of which is available upon request), the effect of which is to amend the qualified financial contracts between the parties thereto to conform with the requirements of the QFC Stay Rules, are hereby incorporated into and form a part of the Agreement, and for such purposes the Agreement shall be deemed a "Covered Agreement," Dealer shall be deemed a "Covered Entity" and Counterparty shall be deemed a "Counterparty Entity." In the event that, after the date of the Agreement, both parties hereto become adhering parties to the Protocol, the terms of the Protocol will replace the terms of this paragraph. In the event of any inconsistencies between the Agreement and the terms of the Protocol, the Bilateral Agreement or the Bilateral Terms (each, the "**QFC Stay Terms**"), as applicable, the QFC Stay Terms will govern. Terms used in this paragraph without definition shall have the meanings assigned to them under the QFC Stay Rules. For purposes of this paragraph, references to "the Agreement" include any related credit enhancements entered into between the parties or provided by one to the other. In addition, the parties agree that the terms of this paragraph shall be incorporated into any related covered affiliate credit enhancements, with all references to Dealer replaced by references to the covered affiliate support provider.

"**QFC Stay Rules**" means the regulations codified at 12 C.F.R. 252.2, 252.81–8, 12 C.F.R. 382.1-7 and 12 C.F.R. 47.1-8, which, subject to limited exceptions, require an express recognition of the stay-and-transfer powers of the FDIC under the Federal Deposit Insurance Act and the Orderly Liquidation Authority under Title II of the Dodd Frank Wall Street Reform and Consumer Protection Act and the override of default rights related directly or indirectly to the entry of an affiliate into certain insolvency proceedings and any restrictions on the transfer of any covered affiliate credit enhancements.

Please confirm your agreement to be bound by the terms stated herein by executing the copy of this Confirmation enclosed for that purpose and returning it to us.

Yours sincerely,

BANK OF AMERICA, N.A.

By: /s/ Jake Mendelsohn
Name: Jake Mendelsohn
Title: Managing Director

Confirmed as of the date first above written:

TOPBUILD CORP.

By: /s/George Sellew
Name: George Sellew
Title: Treasurer

ANNEX A

COUNTERPARTY SETTLEMENT PROVISIONS

1. The following Counterparty Settlement Provisions shall apply to the extent indicated under the Confirmation:

Settlement Currency:	USD
Settlement Method Election:	Applicable; *provided* that (i) Section 7.1 of the Equity Definitions is hereby amended by deleting the word "Physical" in the sixth line thereof and replacing it with the words "Net Share" and (ii) the Electing Party may make a settlement method election only if the Electing Party represents and warrants to Dealer in writing on the date it notifies Dealer of its election that, as of such date, (A) none of Counterparty and its officers and directors is aware of any material nonpublic information regarding Counterparty or the Shares and (B) it is electing the settlement method in good faith and not as part of a plan or scheme to evade compliance with the federal securities laws.
Electing Party:	Counterparty
Settlement Method Election Date:	The date that is the earlier of (i) 3 Exchange Business Days prior to the Scheduled Final Averaging Date and (ii) the second Exchange Business Day immediately following the Valuation Date.
Default Settlement Method:	Net Share Settlement
Special Settlement:	Either (i) a settlement to which this Annex A applies that follows the occurrence of a Transaction Announcement to which Section 9 of this Confirmation applies or (ii) any settlement to which paragraphs 2 through 5 of this Annex A apply that follows a termination or cancellation of the Transaction pursuant to Section 6 of the Agreement or Article 12 of the Equity Definitions to which Section 10(a) of this Confirmation applies.
Forward Cash Settlement Amount:	The Number of Shares to be Delivered *multiplied by* the Settlement Valuation Price.
Settlement Valuation Price:	The arithmetic average of the VWAP Prices for all Settlement Valuation Dates, subject to Averaging Date Disruption, determined as if each Settlement Valuation Date were an Averaging Date (with Averaging Date Disruption applying as if the last Settlement Valuation Date were the Final Averaging Date and the Settlement Valuation Price were the Settlement Price).
Settlement Valuation Dates:	A number of Scheduled Trading Days selected by Dealer in its commercially reasonable discretion, beginning on the Scheduled Trading Day immediately following the later of the Settlement Method Election Date and the Final Averaging Date.
Cash Settlement:	If Cash Settlement is applicable, then Counterparty shall pay to Dealer the absolute value of the Forward Cash Settlement Amount on the Cash Settlement Payment Date.
Cash Settlement Payment Date:	The date one Settlement Cycle following the last Settlement Valuation Date.
Net Share Settlement Procedures:	If Net Share Settlement is applicable, Net Share Settlement shall be made in accordance with paragraphs 2 through 5 below.

2. Net Share Settlement shall be made by delivery on the Cash Settlement Payment Date of a number of Shares equal to the product of (i) the absolute value of the Number of Shares to be Delivered and (ii) 100%, *plus* a commercially reasonable amount determined by Dealer to account for the fact that such Shares will not be registered for resale; *provided* that in the case of a Special Settlement, Net Share Settlement shall be made (i) by delivery on the Cash Settlement Payment Date (such date, the "**Net Share Settlement Date**") of a number of Shares (the "**Restricted Payment Shares**") with a value equal to the absolute value of the Forward Cash Settlement Amount, with such Shares' value based on the realizable market value thereof to Dealer (which value shall take into account an illiquidity discount resulting from the fact that the Restricted Payment Shares will not be registered for resale), as determined by the Calculation Agent (the "**Restricted Share Value**"), and paragraph 3 of this Annex A shall apply to such Restricted Payment Shares, and (ii) by delivery of the Make-Whole Payment Shares as described in paragraph 4 below.

3.(a) All Restricted Payment Shares and Make-Whole Payment Shares shall be delivered to Dealer (or any affiliate of Dealer designated by Dealer) pursuant to the exemption from the registration requirements of the Securities Act provided by Section 4(a)(2) thereof.

(b) As of or prior to the date of delivery, Dealer and any potential purchaser of any such Shares from Dealer (or any affiliate of Dealer designated by Dealer) identified by Dealer shall be afforded a commercially reasonable opportunity to conduct a due diligence investigation with respect to Counterparty customary in scope for private placements of equity securities (including, without limitation, the right to have made available to them for inspection all financial and other records, pertinent corporate documents and other information reasonably requested by them).

(c) As of the date of delivery, Counterparty shall enter into an agreement (a "**Private Placement Agreement**") with Dealer (or any affiliate of Dealer designated by Dealer) in connection with the private placement of such Shares by Counterparty to Dealer (or any such affiliate) and the private resale of such Shares by Dealer (or any such affiliate), substantially similar to private placement purchase agreements customary for private placements of equity securities, in form and substance commercially reasonably satisfactory to Dealer, which Private Placement Agreement shall include, without limitation, provisions substantially similar to those contained in such private placement purchase agreements relating to the indemnification of, and contribution in connection with the liability of, Dealer and its affiliates, and the provision of customary opinions, accountants' comfort letters and lawyers' negative assurance letters, and shall provide for the payment by Counterparty of all fees and expenses in connection with such resale, including all fees and expenses of counsel for Dealer, and shall contain representations, warranties and agreements of Counterparty reasonably necessary or advisable to establish and maintain the availability of an exemption from the registration requirements of the Securities Act for such resales.

(d) Counterparty shall not take or cause to be taken any action that would make unavailable either (i) the exemption set forth in Section 4(a)(2) of the Securities Act for the sale of any Restricted Payment Shares or Make-Whole Payment Shares by Counterparty to Dealer or (ii) an exemption from the registration requirements of the Securities Act reasonably acceptable to Dealer for resales of Restricted Payment Shares and Make-Whole Payment Shares by the Dealer (or an affiliate of Dealer).

(e) Counterparty expressly agrees and acknowledges that the public disclosure of all material information relating to Counterparty is within Counterparty's control.

(f) In connection with the private placement of such shares by Counterparty to Dealer (or any affiliate of Dealer designated by Dealer) and the private resale of such shares by Dealer (or any such affiliate), Counterparty shall, if so requested by Dealer, prepare, in cooperation with Dealer, a private placement memorandum in form and substance reasonably satisfactory to Dealer.

4. If Restricted Payment Shares are delivered in accordance with paragraph 3 above, on the last Settlement Valuation Date, a balance (the "**Settlement Balance**") shall be established with an initial balance equal to the absolute value of the Forward Cash Settlement Amount. Following the delivery of Restricted Payment Shares or any Make-Whole Payment Shares, Dealer shall sell all such Restricted Payment Shares or Make-Whole Payment Shares in a commercially reasonable manner. At the end of each Exchange Business Day upon which sales have been made, the Settlement Balance shall be reduced by an amount equal to the aggregate proceeds received by Dealer or its affiliate upon the sale of such Restricted Payment Shares or Make-Whole Payment Shares, less a customary and commercially reasonable private placement fee for private placements of common stock by similar issuers. If, on any Exchange Business Day, all Restricted Payment Shares

and Make-Whole Payment Shares have been sold and the Settlement Balance has not been reduced to zero, Counterparty shall (i) deliver to Dealer or as directed by Dealer one Settlement Cycle following such Exchange Business Day an additional number of Shares (the "**Make-Whole Payment Shares**" and, together with the Restricted Payment Shares, the "**Payment Shares**") equal to (x) the Settlement Balance as of such Exchange Business Day *divided* by (y) the Restricted Share Value of the Make-Whole Payment Shares as of such Exchange Business Day or (ii) promptly deliver to Dealer cash in an amount equal to the then remaining Settlement Balance. This provision shall be applied successively until either the Settlement Balance is reduced to zero or the aggregate number of Restricted Payment Shares and Make-Whole Payment Shares equals the Maximum Deliverable Number. If on any Exchange Business Day, Restricted Payment Shares and Make-Whole Payment Shares remain unsold and the Settlement Balance has been reduced to zero, Dealer shall promptly return such unsold Restricted Payment Shares or Make-Whole Payment Shares.

5. Notwithstanding the foregoing, in no event shall Counterparty be required to deliver more than the Maximum Deliverable Number of Shares hereunder. "**Maximum Deliverable Number**" means the number of Shares set forth as such in Annex B to this Confirmation. Counterparty represents and warrants to Dealer (which representation and warranty shall be deemed to be repeated on each day from the date hereof to the Settlement Date or, if Counterparty has elected to deliver any Payment Shares hereunder in connection with a Special Settlement, to the date on which resale of such Payment Shares is completed (the "**Final Resale Date**")) that the Maximum Deliverable Number is equal to or less than the number of authorized but unissued Shares of Counterparty that are not reserved for future issuance in connection with transactions in such Shares (other than the transactions under this Confirmation) on the date of the determination of the Maximum Deliverable Number (such Shares, the "**Available Shares**"). In the event Counterparty shall not have delivered the full number of Shares otherwise deliverable as a result of this paragraph 5 (the resulting deficit, the "**Deficit Shares**"), Counterparty shall be continually obligated to deliver, from time to time until the full number of Deficit Shares have been delivered pursuant to this paragraph, Shares when, and to the extent that, (i) Shares are repurchased, acquired or otherwise received by Counterparty or any of its subsidiaries after the date hereof (whether or not in exchange for cash, fair value or any other consideration), (ii) authorized and unissued Shares reserved for issuance in respect of other transactions prior to such date which prior to the relevant date become no longer so reserved or (iii) Counterparty additionally authorizes any unissued Shares that are not reserved for other transactions. Counterparty shall immediately notify Dealer of the occurrence of any of the foregoing events (including the number of Shares subject to clause (i), (ii) or (iii) and the corresponding number of Shares to be delivered) and promptly deliver such Shares thereafter.

ANNEX B

Prepayment Amount:	USD 50,000,000
Scheduled Final Averaging Date:	[***]
Scheduled Earliest Acceleration Date:	[***]
Initial Shares:	392,501 Shares
Price Adjustment Amount:	[***]
Maximum Stock Loan Rate:	200 basis points
Initial Stock Loan Rate:	25 basis points
Threshold Price:	USD 54.14
Maximum Deliverable Number:	1,000,000
Designated OMR Threshold:	[***]
Maximum Number of Shares:	[***]

Exhibit 21.1

SUBSIDIARIES OF TOPBUILD CORP.

Name	Jurisdiction of Organization
ADO Products, LLC	Minnesota
American Commercial Insulation, LLC	Delaware
Builder Procurement Services, LLC	Delaware
Builder Services Group, Inc.	Florida
Service Partners, LLC	Virginia
Superior Contracting Corporation	Delaware
TopBuild Home Services, Inc.	Delaware
TopBuild Support Services, Inc.	Delaware
Viking Insulation, LLC	California

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Gerald Volas, certify that:

1. I have reviewed this Annual Report on Form 10-K of TopBuild Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2020

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

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John S. Peterson, certify that:

1. I have reviewed this Annual Report on Form 10-K of TopBuild Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2020

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

Exhibit 32.1

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

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 Annual Report on Form 10-K of the Company for the year ended December 31, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; 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: February 25, 2020

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

Exhibit 32.2

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

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 Annual Report on Form 10-K of the Company for the year ended December 31, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; 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: February 25, 2020

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