

**PROBUILD SUPPLY CHAIN**

# *Market Outlook*

**PwC Forest & Paper Industry Conference**

**May 2010**

# Agenda: Then, Now, Next

- ProBuild
- Market Outlook
- Competition
- Customers
- Supplier Relationships
- Key Takeaways

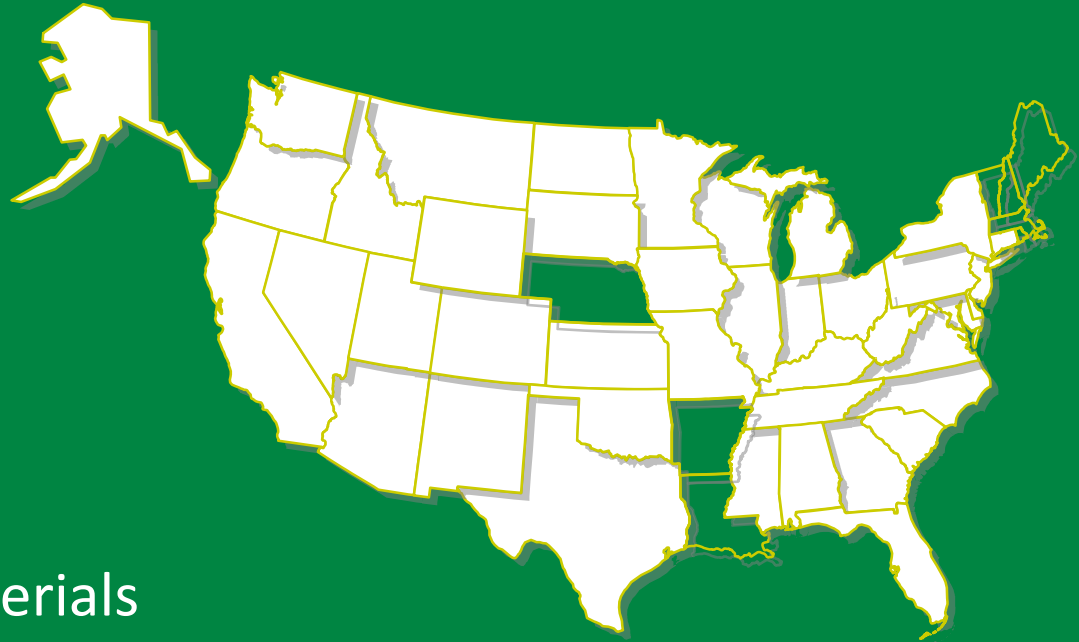
# ProBuild Then: A Family of Companies

*Different brands focused on different core businesses*



# ProBuild Now: One Company

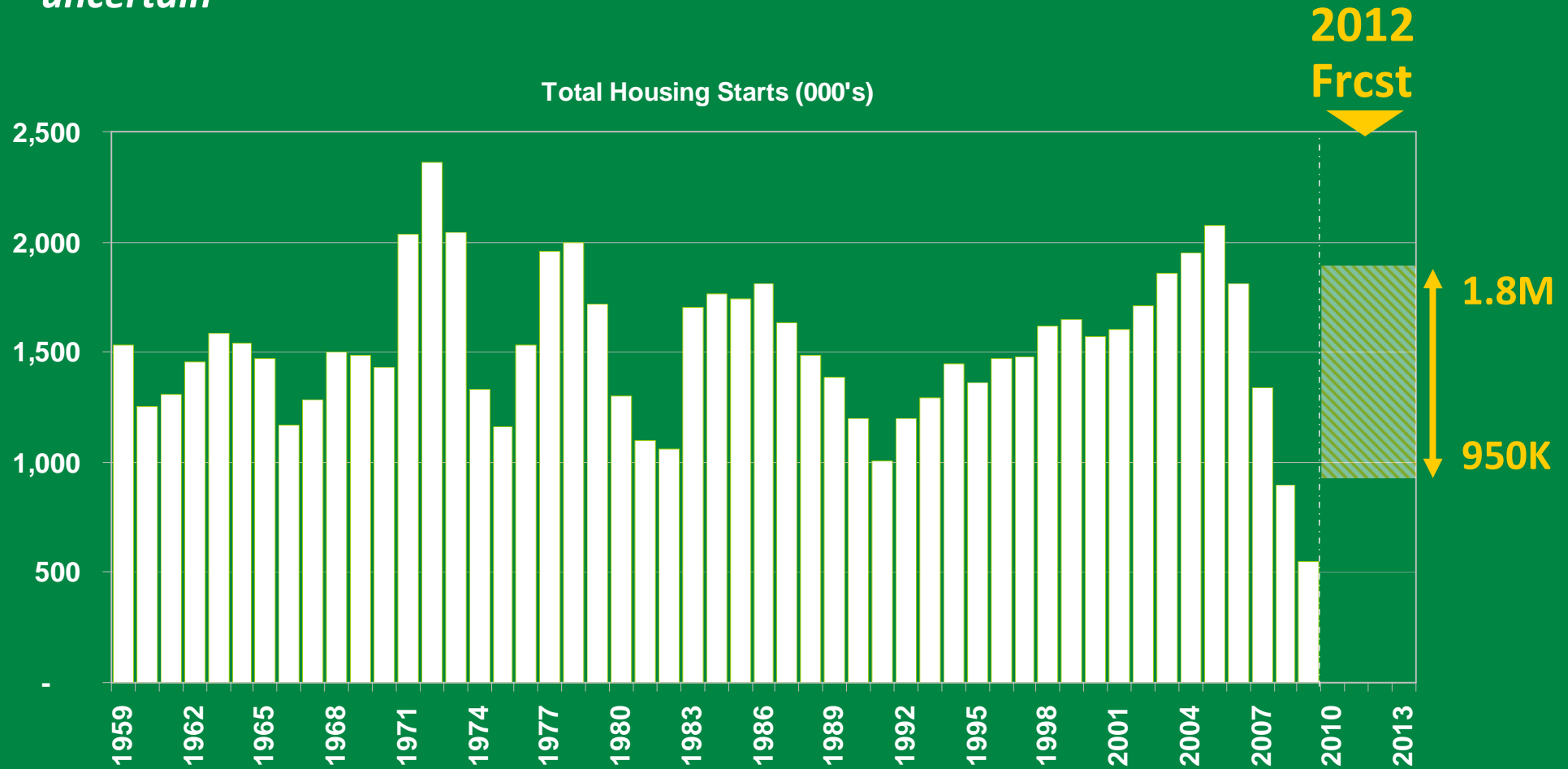
- \$3.2B, 2009 Revenue
- 48 of the Top 50 Markets
- 83 of the Top 100 markets
- 11,500 Employees
- Core Businesses
  - Lumber & Building Materials
  - Component Manufacturing
  - Millwork (Doorshops)
  - Gypsum



\* Some locations are co-located

# The Market: Then, Now, Next

*Analyst estimates vary widely and the extent to which housing will recover remains uncertain*

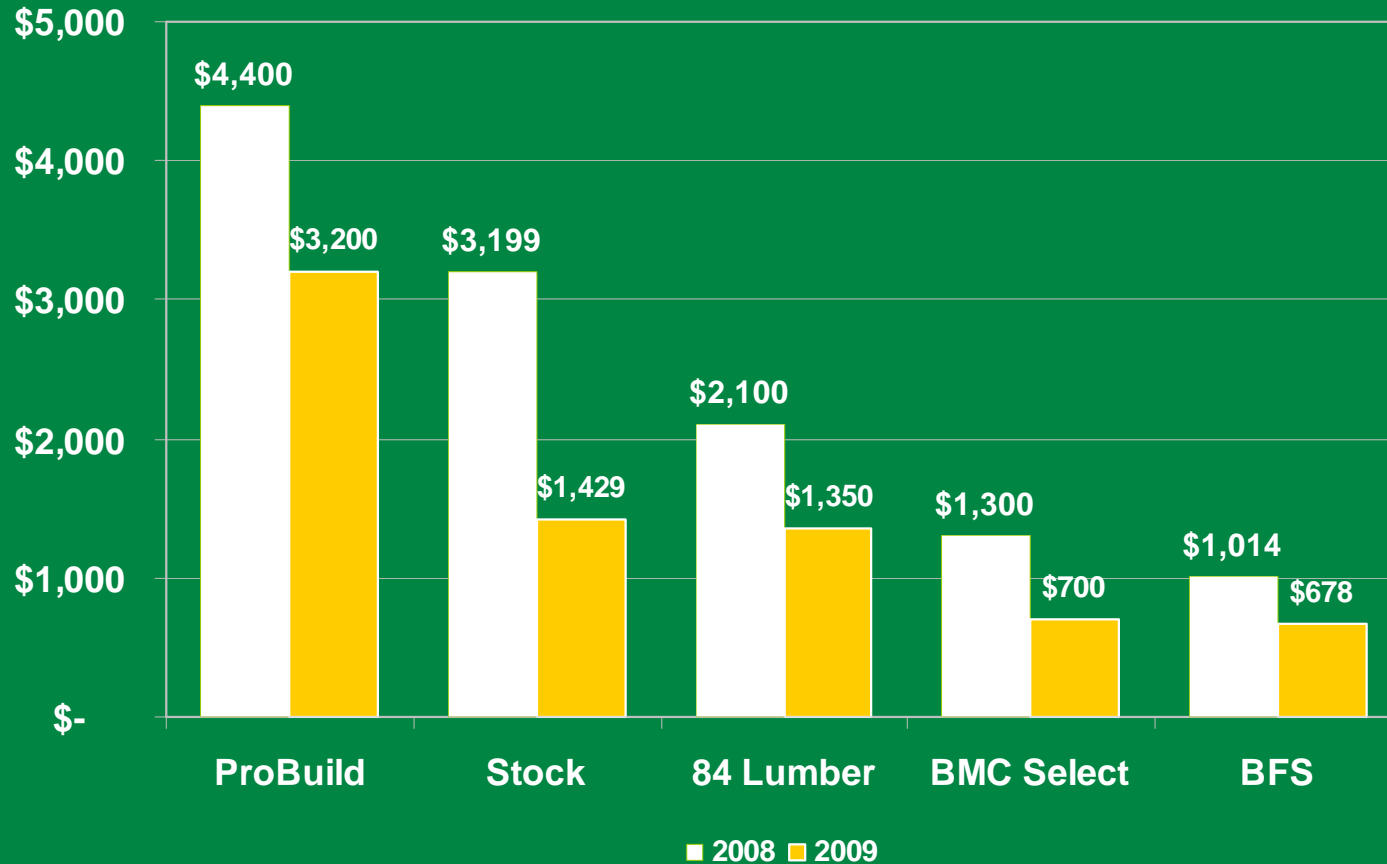


***Our Questions: Where is it going, how quickly, will you have production, can we get product?***

***If today's OSB market is indicative, it will be a difficult recovery.***

# Competition: Then & Now

Top ProDealer Revenue '08-'09



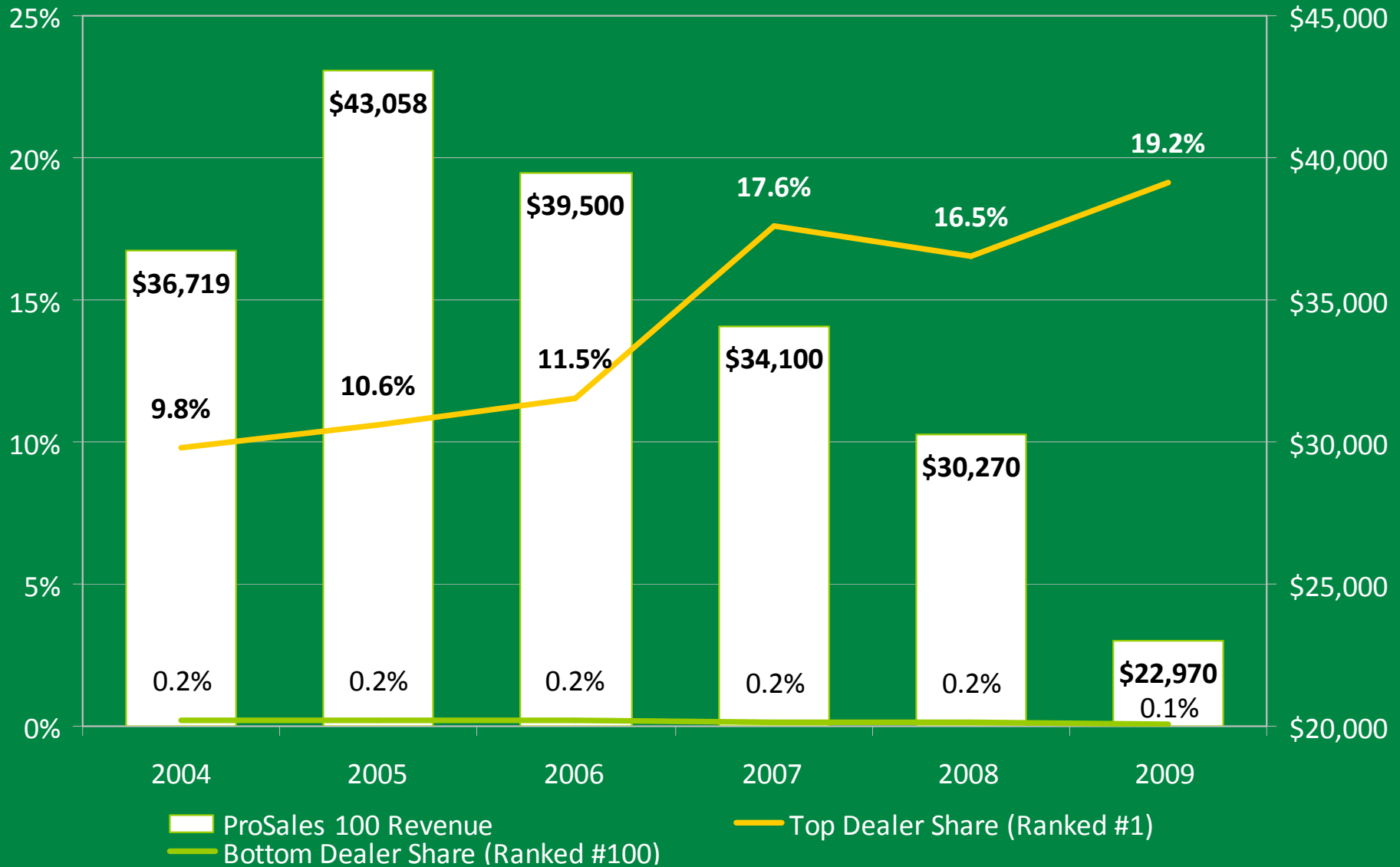
## Now

- 2 Chapter 11 filings in Top 5
- Gone from 9k to 6k Pro Dealer locations
- Working capital constraints
- Margin pressure

***Challenge: Withstanding the downturn, yet being positioned for a recovery – people, process, products***

# Competition: Then & Now (cont.)

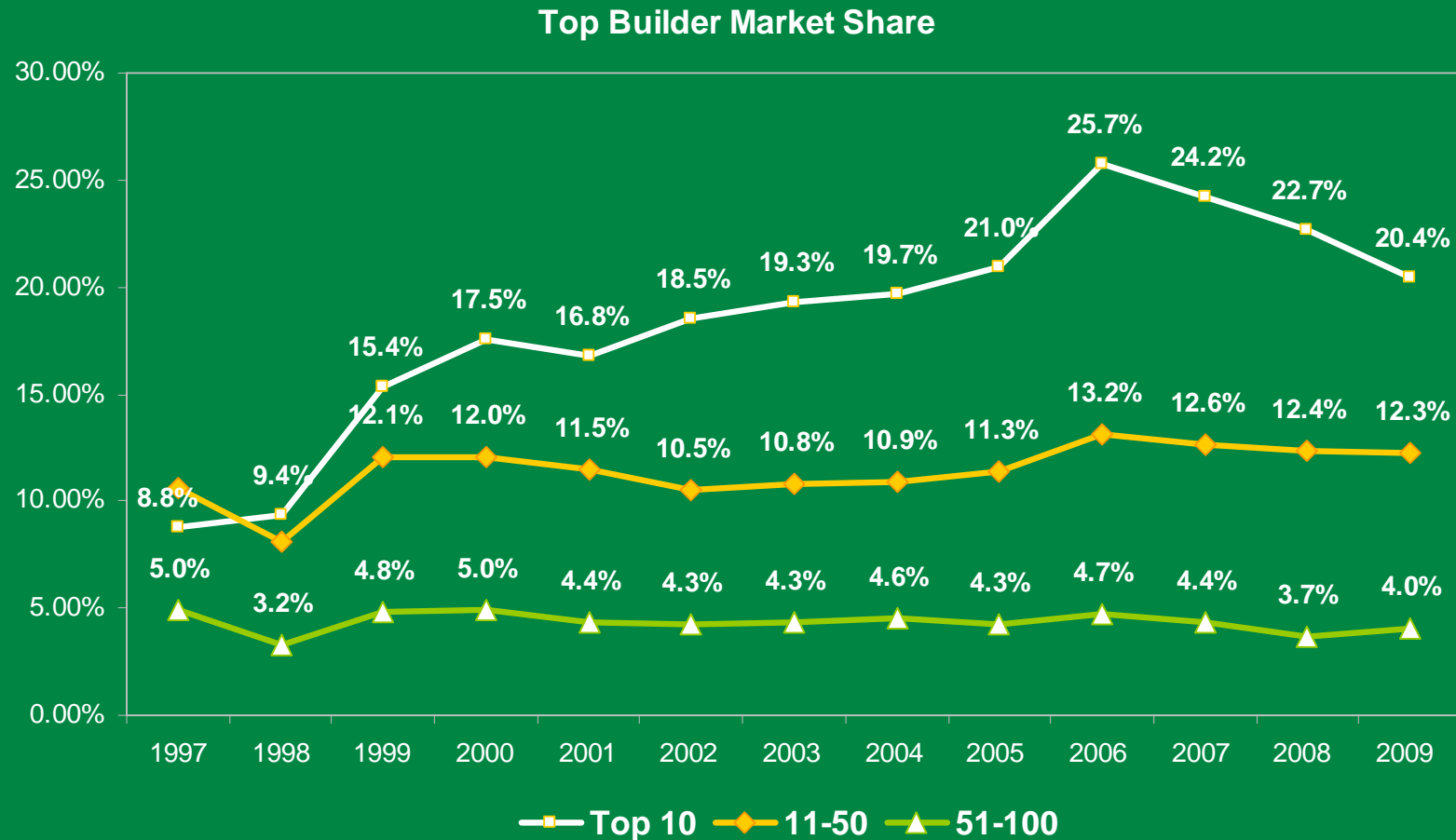
## ProSales 100 Revenue



# Competition: Next

- **Early signs of Private Equity/Risk Capital rationalizing assets and reconstituting competitive management teams**
  - Larger pro dealers are expected to re-develop
  - Possible entrance of foreign players (Saint Gobain, CRH)
  - Increased Private Equity
    - US LBM Holdings: 6 brands & 30 locations across WI, IL, IN, PA, CT and NY
  - Combination of remaining existing chains (BFS/BMHC or Stock/BMHC)
- **Varying product & service offerings blur recent business models**
  - Manufacturers: engineering homes & components
  - Pro Dealers: expanding services including building the home
  - Pro Dealers: expanding product mix , reclaiming roofing, gypsum, insulation
  - Specialty Distribution: expanding product mix
  - Installers & Dealers: becoming building science (green) experts

# Customers: Then, Now, Next



- Access to capital is key...publics are advantaged
- Branding becomes more important as homeowners prefer greater personalization...smaller builders are advantaged
- Bankruptcies and recapitalizations will continue to reshape the industry
  - Possible emergence of a “mega builder” – Pulte/Centex

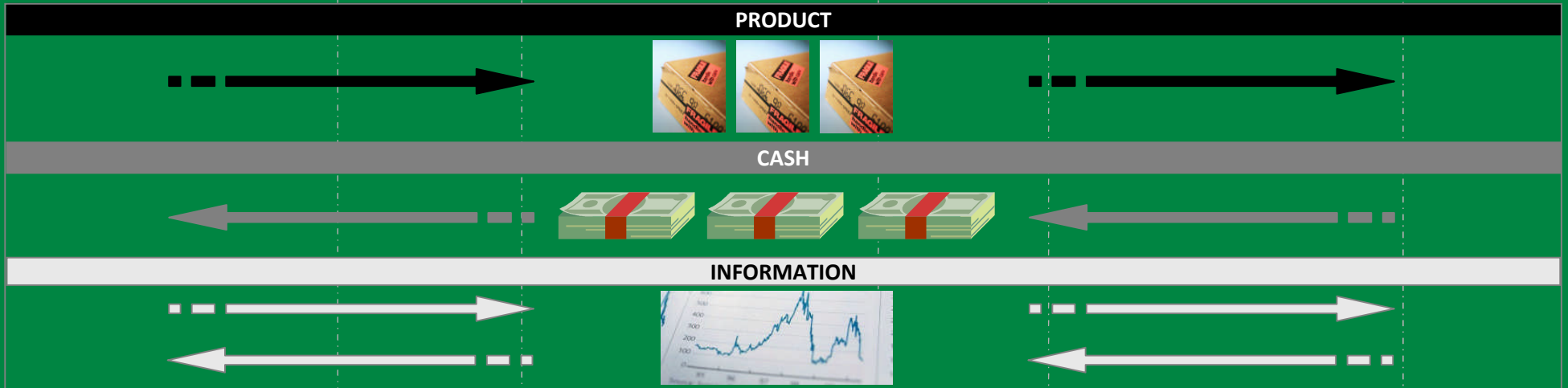
# Supplier Relationships

- Then
  - Transactional purchases
  - Buy / Sell
- Now
  - Collaborative but tactical, driven by this year's operating objectives
  - Balance of program & transactional purchases
- Next
  - Balanced, deeper relationships, more strategic
  - Integrated systems
  - Demand driven supply chain

# ProBuild's Supply Chain Vision: end-to-end, integrated and demand driven



## Flows



## Built on a foundation of...

**Standardized Processes**

**Advanced Technology**

**Data Synchronization w/ Partners**

# Key Takeaways

- Margin pressure
  - Volatile commodity markets vs. builders buying habits and not accepting increases
- May be light at the end of the tunnel...
  - but not business as usual, and
  - job creation is key
- Resource challenges in a recovering market
  - Labor
  - Talent
  - Materials

Thank you