



Net Sales Expand Nearly 10% in Q1 for Builders FirstSource

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Builders FirstSource (BFS) posted strong sales results in the fiscal first quarter of 2020 despite the outbreak of the coronavirus (COVID-19) pandemic emerging at the end of the period. The dealer reported first quarter net sales increased 9.5% year over (YOY) to \$1.8 billion.

For the period ending March 31, 2020, core organic growth increased 3.9% YOY, one additional selling day added 1.7% growth in net sales, and commodity price inflation contributed 0.4% growth. During the quarter, BFS acquired Bianchi & Company. The acquired company reported an annual revenue of approximately \$30 million and the acquisition contributed 3.5% growth in net sales, according to BFS.

Value-added product sales volume grew by an estimated 8.9% YOY on a per day basis in the first quarter, including sales growth of 8.8% in manufactured products and 9.0% in windows, doors, and millwork. BFS said it achieved higher sales estimated volume in all product categories with the exception of gypsum, roofing, and insulation. The dealer said demand increased across the single-family, repair and remodel, and multifamily customer end markets. Demand in the multifamily market expanded 19% YOY in the first quarter, according to BFS.

Despite a strong sales performance in the first quarter, net income contracted for BFS. The dealer posted a net income of \$8.8 million in the first quarter compared to a net income of \$35.7 million in the first quarter of 2019.

“Throughout the quarter we operated with a safety first emphasis to deliver our critical products and services while upholding our core values to protect the well-being of all,” CEO Chad Crow said in a public statement. “We tailored our operations to the current environment to produce solid first quarter results, which were well within our original expectations. Our approach to providing superior service at all times, together with our ongoing operational excellence initiatives, prior investments in technology, and our focus on partnering with customers, contributed to our success in this difficult time.”

BFS reported interest expense increased by \$27.0 million YOY to \$51.9 million. The increase was primarily attributed to one-time charges of \$28.0 million related to the redemption and extinguishment of BFS’s senior secured notes due 2024 and 2027.

The dealer recorded a gross margin of \$465.4 million in the first quarter, an increase of \$23.4 million compared to the prior year period. Gross margin percentage decreased 110 basis points YOY to 26.0%. BFS said the decrease in gross margin percentage was attributable to the expected normalization in lumber and lumber sheets goods product category gross margin percentage compared to the first quarter in 2019.

In the first quarter, adjusted EBITDA decreased \$3.9 million to \$97.0 million. The decrease was driven by the normalization of BFS’s gross margin percentage in the first quarter of 2020, according to the company. Adjusted EBITDA margin declined to 5.4% of sales from 6.2% in the same period a year ago.

“The evolving pandemic response efforts by local governments and health authorities have limited our near term visibility on industry demand,” Crow said. “In this environment, we have sharpened our focus on the controllable aspects of our business, including structural adjustments to our operations and capital resources, to more flexibly adjust the potentially volatile period ahead.”

In response to COVID-19, BFS previously announced it was drawing down an additional \$150 million under its revolving credit facility to give the company approximately \$150 million of cash on hand with no debt maturities until 2024. Dallas-based BFS also announced it was delaying capital expenditures not affecting near-term programs, deferring or limiting nonessential operating expenses, freezing hiring, deferring corporate wage increases, cutting board compensation, and taking other cost actions to protect existing jobs. The dealer was the second largest company on the 2019 ProSales 100 list.