

Patrick Industries, Inc.

Investor Presentation

April 2019



Forward-Looking Statements

This presentation contains certain statements related to future results or states our intentions, beliefs and expectations or predictions for the future which are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from either historical or anticipated results depending on a variety of factors. Further information concerning the Company and its business, including factors that potentially could materially affect the Company's financial results, is contained in the Company's filings with the Securities and Exchange Commission.

This presentation includes market and industry data, forecasts and valuations that have been obtained from independent consultant reports, publicly available information, various industry publications and other published industry sources. Although we believe these sources are reliable, we have not independently verified the information and cannot make any representation as to the accuracy or completeness of such information.

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Company Highlights & Overview

Company Snapshot

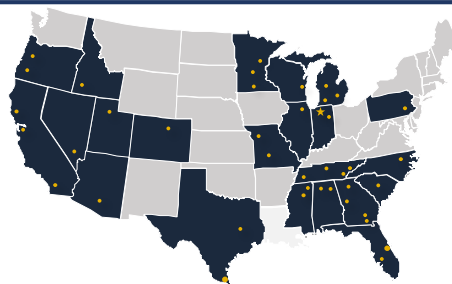
Founded in **1959**



Key **component manufacturer and supplier** to the RV, Marine, Housing and Industrial Markets

Headquartered in **Elkhart, Indiana**

Operates coast-to-coast in the U.S. and in British Columbia, China and The Netherlands



2018 revenue of **\$2.3B**

Listed on the **NASDAQ** under ticker **PATK**

8,200 team members



Acquired **57** companies in our core markets since 2010

2017 Acquisition Highlights

7 acquisitions
13 companies
\$249MM purchase price
\$309MM annualized revenues

2018 Acquisition Highlights

9 acquisitions
13 companies
\$338MM purchase price
\$568MM annualized revenues

2010 - 2018 Acquisition Highlights

42 acquisitions
57 companies
\$997MM purchase price
\$1,573MM annualized revenues

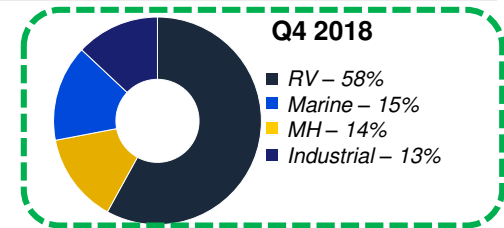
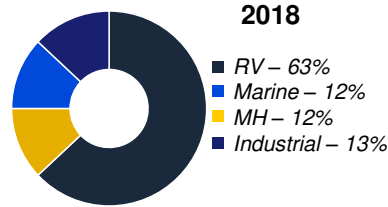
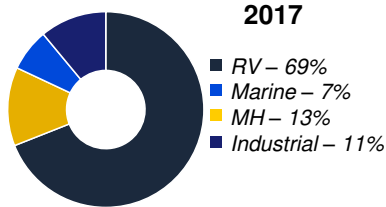
2018 Highlights



- ✓ **Sales growth of 38% - \$1.64B → \$2.26B**
 - ✓ RV content per unit grew 33% - \$2,234/unit → \$2,965/unit
 - ✓ MH content per unit grew 24% - \$2,289/unit → \$2,849/unit
 - ✓ Marine content per unit grew 139% - \$532/unit → \$1,270/unit
- ✓ **Net Income growth of 40% - \$85.7MM → \$119.8MM**
- ✓ **Operating cash flow growth of 100% - \$99.9MM → \$200MM**
- ✓ **Reinvested \$34MM into the business through capital expenditures**
- ✓ **Continued geographic expansion with now 6 expansion locations and 50+ additional product lines**
- ✓ **Acquired 13 companies through 9 acquisitions**
 - ✓ \$568MM annualized revenues
- ✓ **Increased liquidity**
 - ✓ Enhanced capital structure with \$173MM convertible notes (5-year, 1%)
 - ✓ Upsized credit facility to \$900MM
- ✓ **Employees increased from 6,800 to 8,200**

Market Platform

Sales Composition



Lifestyle & Leisure

Travel Trailer, Fifth Wheel, Folding Trailer, Class A, B, C



RV

63%
of 2018 sales

Marine

12%
of 2018 sales

Pontoon, Fiberglass, Ski & Wake, Aluminum



MH

12%
of 2018 sales



Manufactured Housing, Modular Housing, Modular Structure

Industrial

13%
of 2018 sales



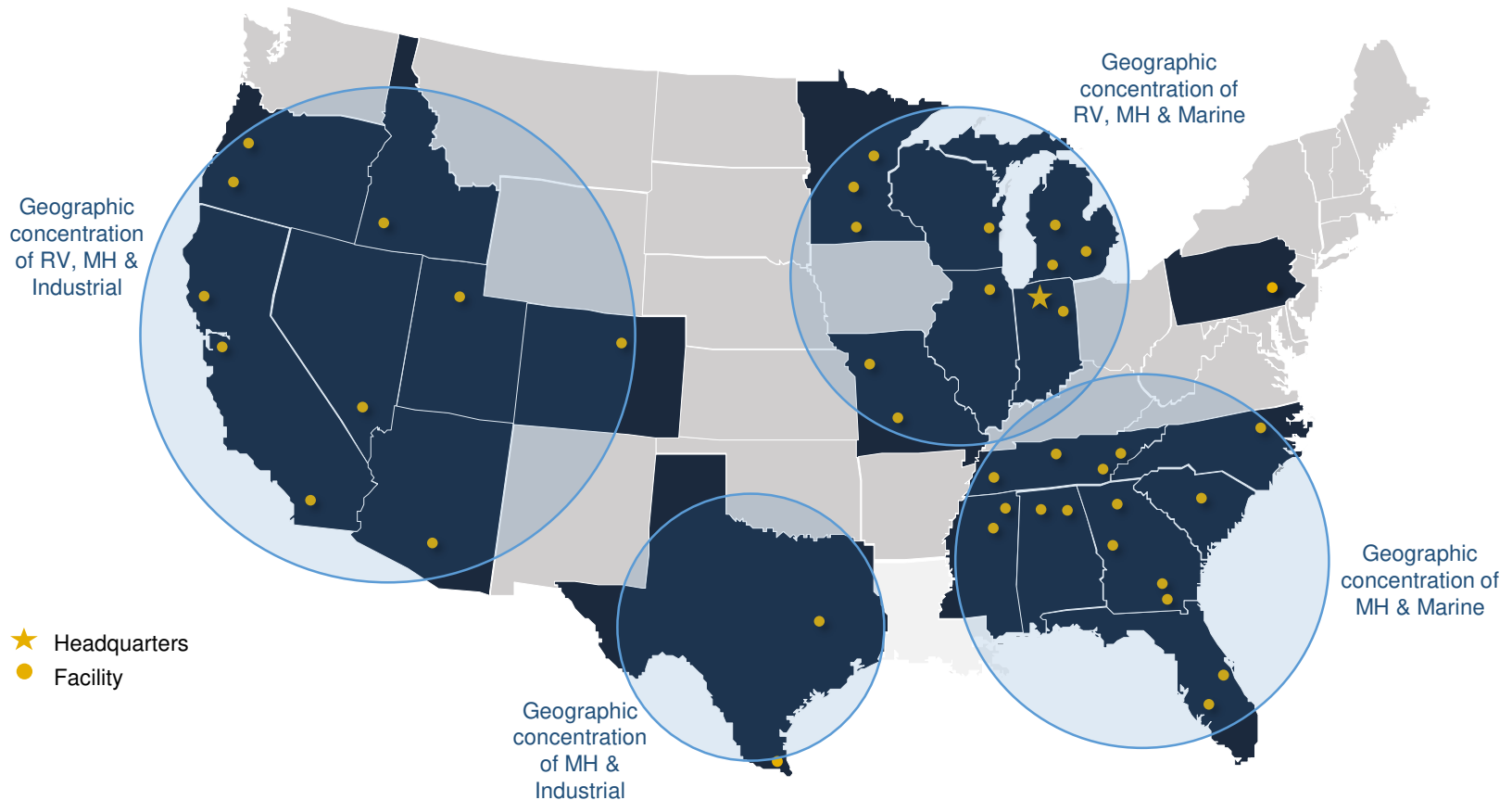
Residential Housing, Commercial Fixtures, Institutional Furniture

Housing & Industrial

Patrick Facility Profile

Nationwide Network

- ✓ *Strategically aligned with OEM customers*
- ✓ *Operates various manufacturing facilities and distribution centers*



**There is one manufacturing facility located in China that was part of the November 2017 LMI acquisition, one distribution center in the Netherlands that was part of the June 2018 acquisition of Marine Accessories Corporation, and one distribution center in Canada that was part of the November 2018 LaSalle Bristol acquisition.*



Markets Served & Trends

Economic Fundamentals

Solid trends in macro economic fundamentals in 2018 signal a continued positive outlook in our industries, albeit we need to stay wary of the volatile economic and political environment which could impact our markets.

Favorable Economic Fundamentals

- ✓ Strong consumer confidence
- ✓ Relatively low interest rates
- ✓ Lower, stable fuel prices
- ✓ Credit availability
- ✓ Favorable employment and wage trends
- ✓ Strength in equity and housing markets
- ✓ Increases in consumer spending with recreational goods increasing at a higher rate

Solid Industry Growth

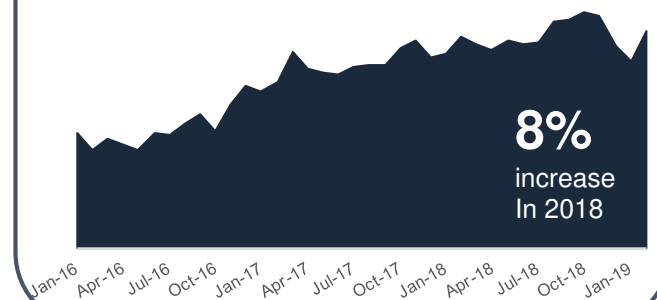
2018 compared to 2017...

- ✓ RV wholesale unit shipments down 4%
- ✓ Marine powerboat retail units up 2%
- ✓ MH wholesale unit shipments up 4%
- ✓ Housing starts increase of 4%

Unemployment Rate



Consumer Confidence



Demographic Trends Across End Markets

Favorable Demographic Trends – Lifestyle & Leisure



- Active, outdoor lifestyle continuing to grow, allowing more time spent with family and friends and gain better access to nature
- Improved consumer savings levels for discretionary spend items such as RVs and recreational boating
- Significant number of “Baby Boomers” entering retirement age over the next 15 years
- Increased participation by millennials and ethnically diverse families
- New, younger buyers and emergence of incremental repeat buyers in channel
- Improved connectivity while traveling reduces barriers to leisure lifestyle and outdoor activities
- Continued innovation driving new design / features and higher price points

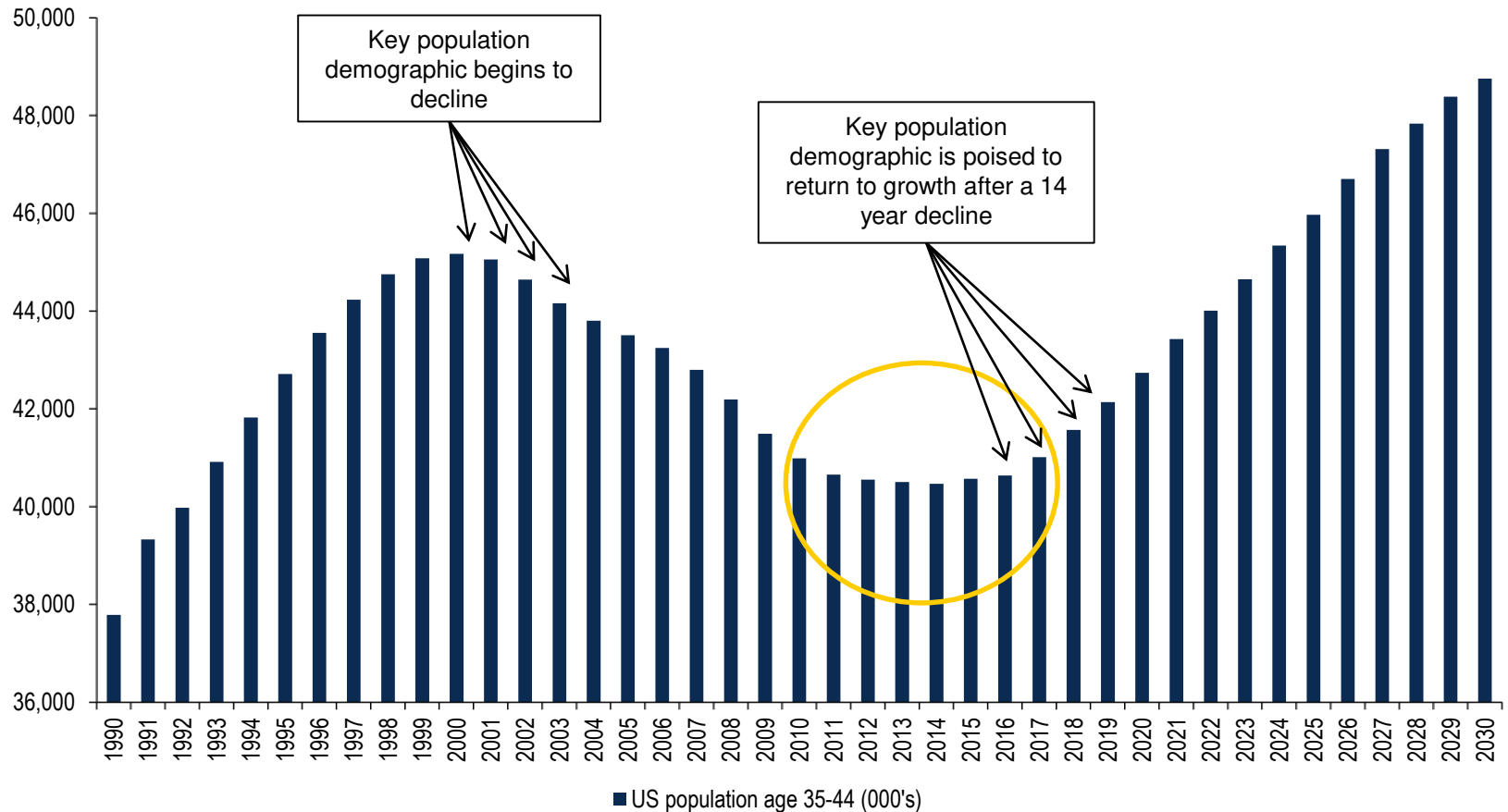
Favorable Demographic Trends – Housing & Industrial



- Innovative high-quality, affordable homes with excellent alternative to the traditional “stick-built” home
- Pent-up demand and need for quality, affordable housing providing continued runway in manufactured and new residential housing markets
- Growing population of first time home buyers as well as those looking to downsize
- Lack of “stick-built” housing contractors and sub-contractors
- Attractiveness of single-family manufactured housing option

Population Demographic Trend

A key trending population demographic in the industries we serve began to increase in 2017 indicating future market upside potential in all of our markets.

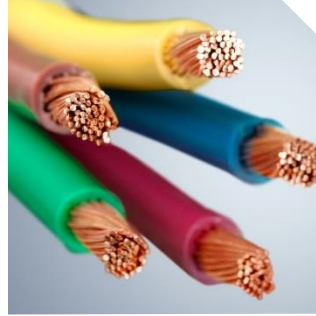


Sources: Euromonitor, BofA Merrill Lynch Global Research

Patrick Product Offering

RV Market

RV segment sales comprised **63%** of total Patrick sales in 2018



**Laminated and
Fiberglass
Products**

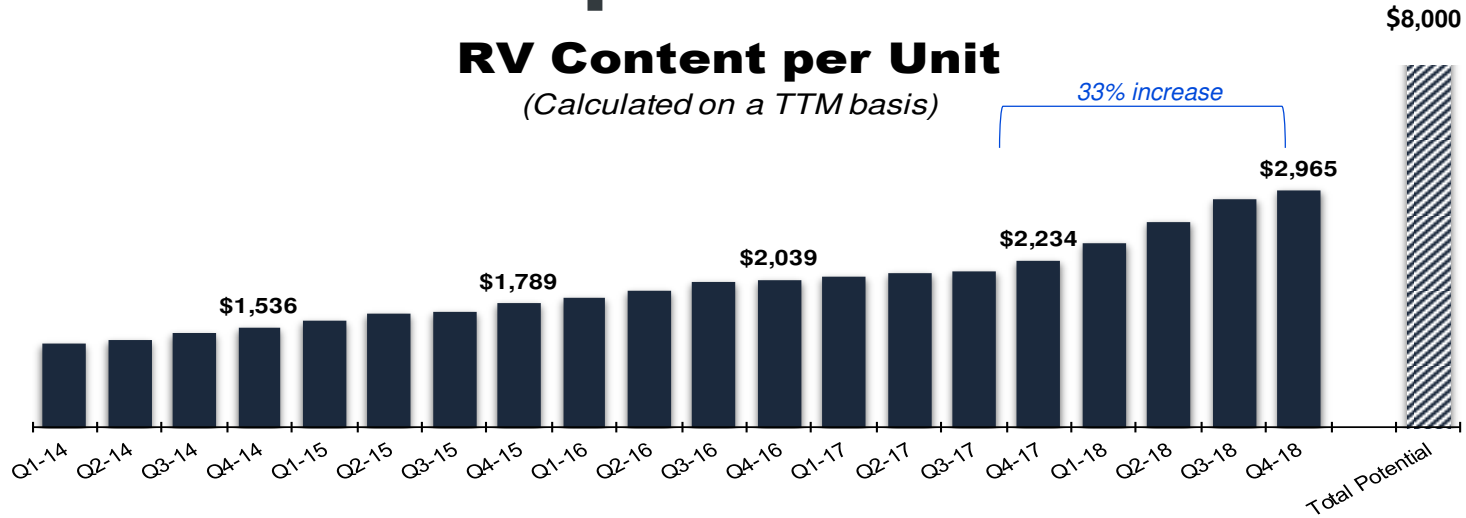
**Hardwoods &
Softwoods,
Cabinetry, and
Fabricated &
Solid Surface
Countertops**

**Electrical
System
Components**

**RV Painting and
Fabricated
Aluminum
Products**

**Distribution,
Transportation
and Design
Services**

RV Content per Unit



RV Product Categories

TOWABLE

MOTORIZED

Travel Trailer

Fifth Wheel

Class A

Class B & C



ASP \$22,035

- 88% of all wholesale shipments
- 62% of retail value of shipments



ASP \$50,768



ASP \$160,940

- 12% of all wholesale shipments
- 38% of retail value of all shipments



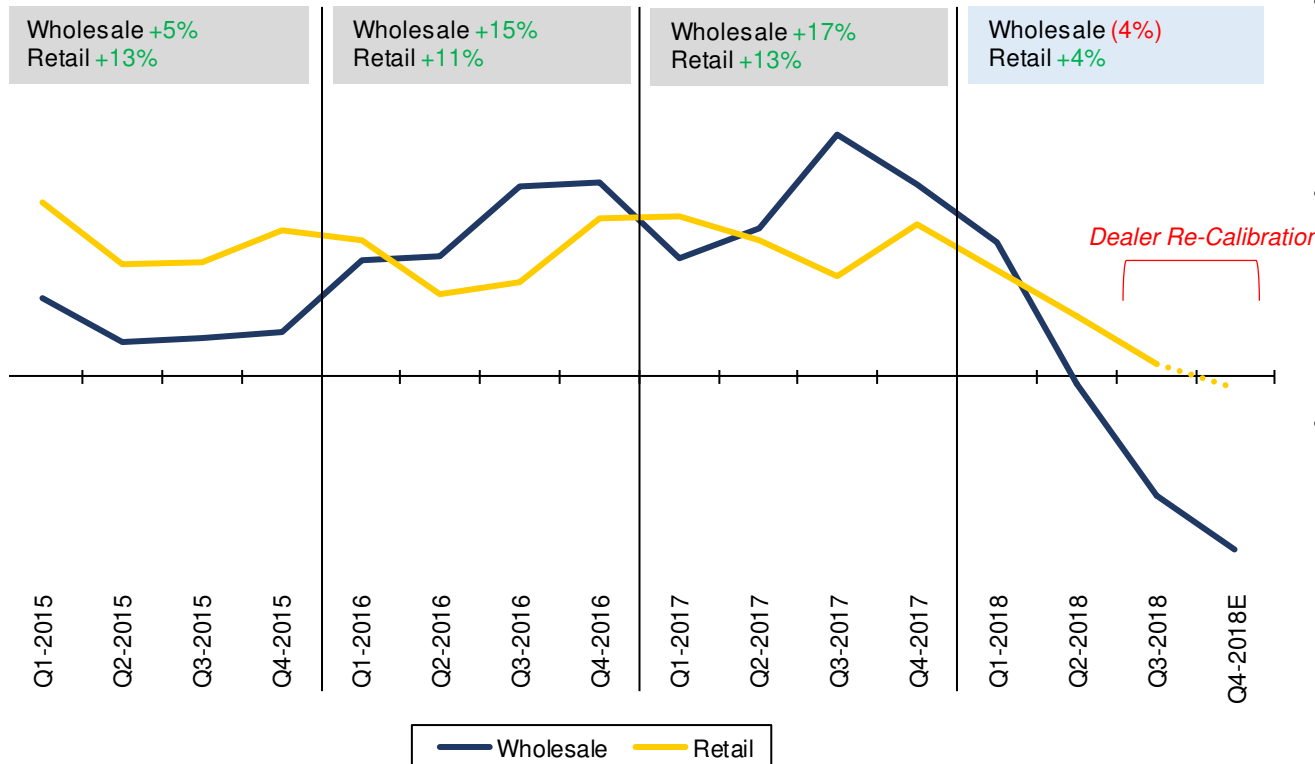
ASP \$97,663

Total Retail Value of Shipments in 2017 - \$20 billion

Source: RVIA 2017 Industry Profile (travel trailer stats include camping trailer and truck campers);

*100% market share in existing products would yield the 'Total Potential' content per unit amount

RV Retail & Inventories



2019 Expectations

- RVIA projects 5% decline in RV wholesale shipments vs. 2018
- Except for 2017 & 2018, wholesale shipments expected to be higher than in any prior year since 1973
- Dealers continue to rebalance inventory levels, which are lower year-over-year entering the 2019 selling season - but expect that retail trends will drive future orders.

Source: RV wholesale shipments: RVIA; Retail shipments: SSI



Favorable Industry Trends

➤ Influx of younger, more diverse campers continue to build momentum for the North American outdoor, leisure lifestyle

77 million household campers in the U.S.

6 million new campers have started camping since 2014

83 million millennials in the U.S.

40% of all campers are millennials

23% (19 million) call themselves highly-likely RV buyers

64% growth in campers who camp three or more times per year (2014-2017)

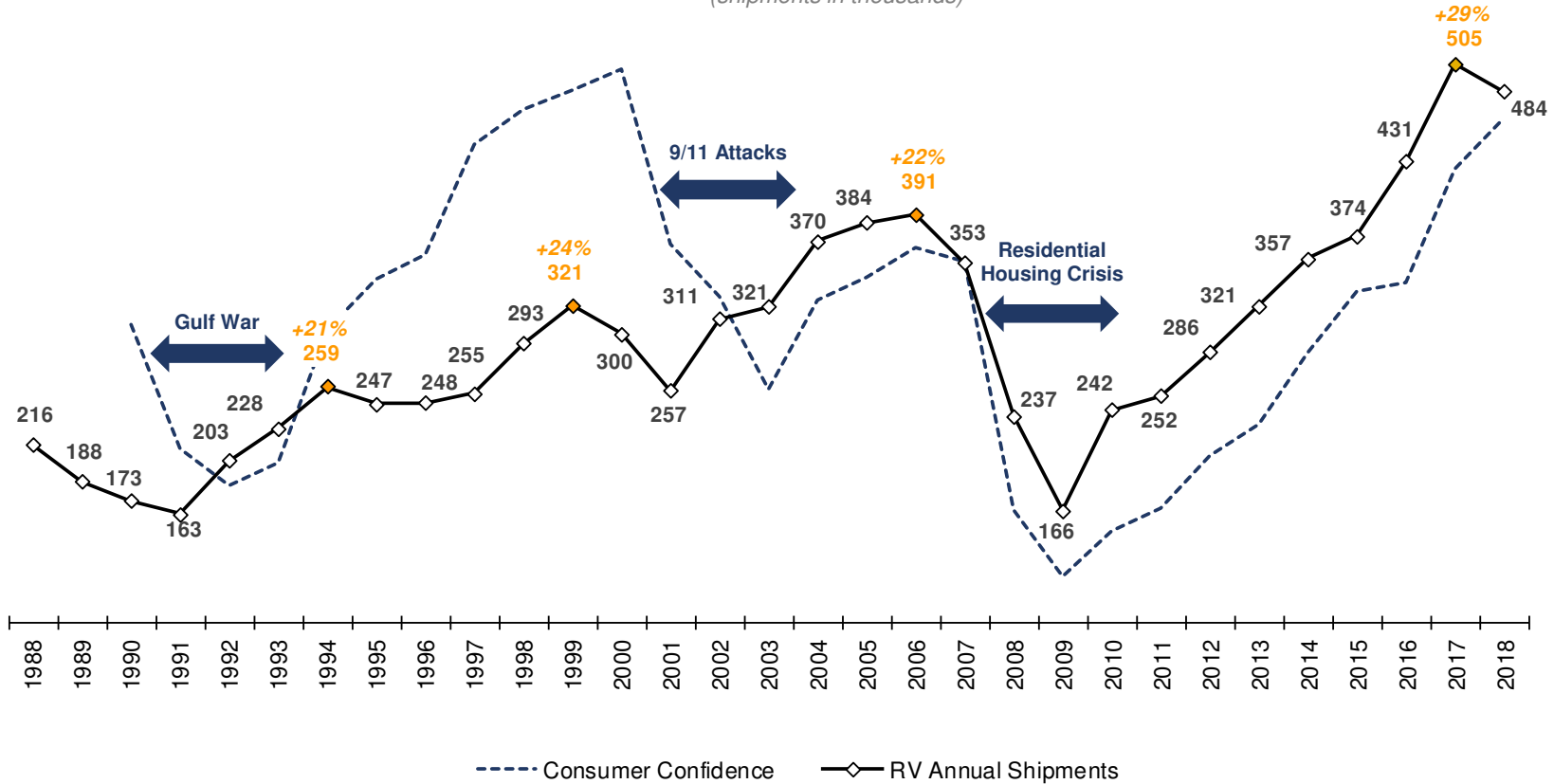
74% of campers traveled within 150 miles of home (*35% less than 50 miles from home*)



Industry Outlook

RV Wholesale Unit Shipments

(shipments in thousands)



RV shipments declined YoY for the first time since the economic downturn of 2009, coming off eight years of consecutive growth, which ended 29% higher than the last peak in 2006. It is our belief that the future growth trajectory remains positive based on current demographic indicators, overall economic conditions and resilience and strength of the leisure lifestyle.

RV Shipments Source: 1990 – 2018 RVIA; Consumer Confidence Index: The Conference Board

Patrick Product Offering

Marine segment sales comprised **12%** of total Patrick sales in 2018



**Fiberglass
Helm and
Dash
Assemblies**



**Wire
Harnesses**



**Aluminum
Fuel Tanks**



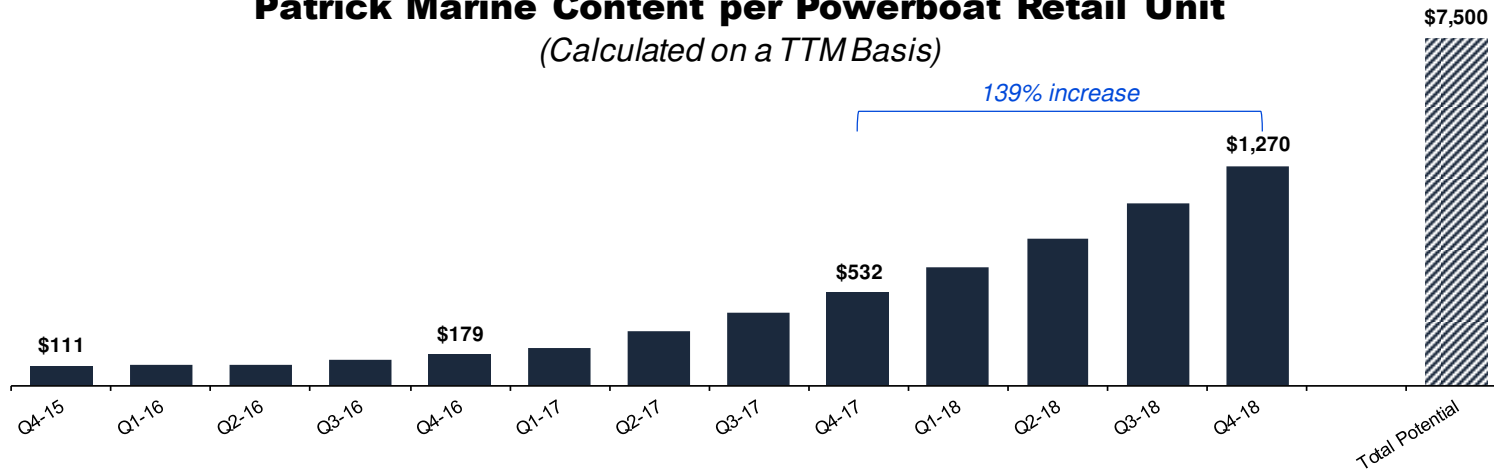
**Metal
Fabrication**



**Design
Services**

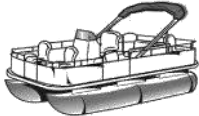



Marine Content per Unit

Patrick Marine Content per Powerboat Retail Unit
(Calculated on a TTM Basis)



Marine Powerboat Product Categories

Our products are primarily used in the traditional powerboat market which we view as the following four categories:

Pontoon	Ski & Wake	Fiberglass	Aluminum
			
ASP \$36,504	ASP \$97,171	ASP \$69,116	ASP \$21,834
27% of market	5% of market	37% of market	31% of market

U.S. expenditures on boats, engines and accessories totaled \$39 billion in 2017

Source: NMMA 2017 Statistical Abstract; *100% market share in existing products would yield the 'Total Potential' content per unit amount

Industry Trends



Favorable Industry Trends

➔ Increased outdoor lifestyle and core recreational boater demand

36% (142 million) of U.S. adult population participated in recreational boating in 2017

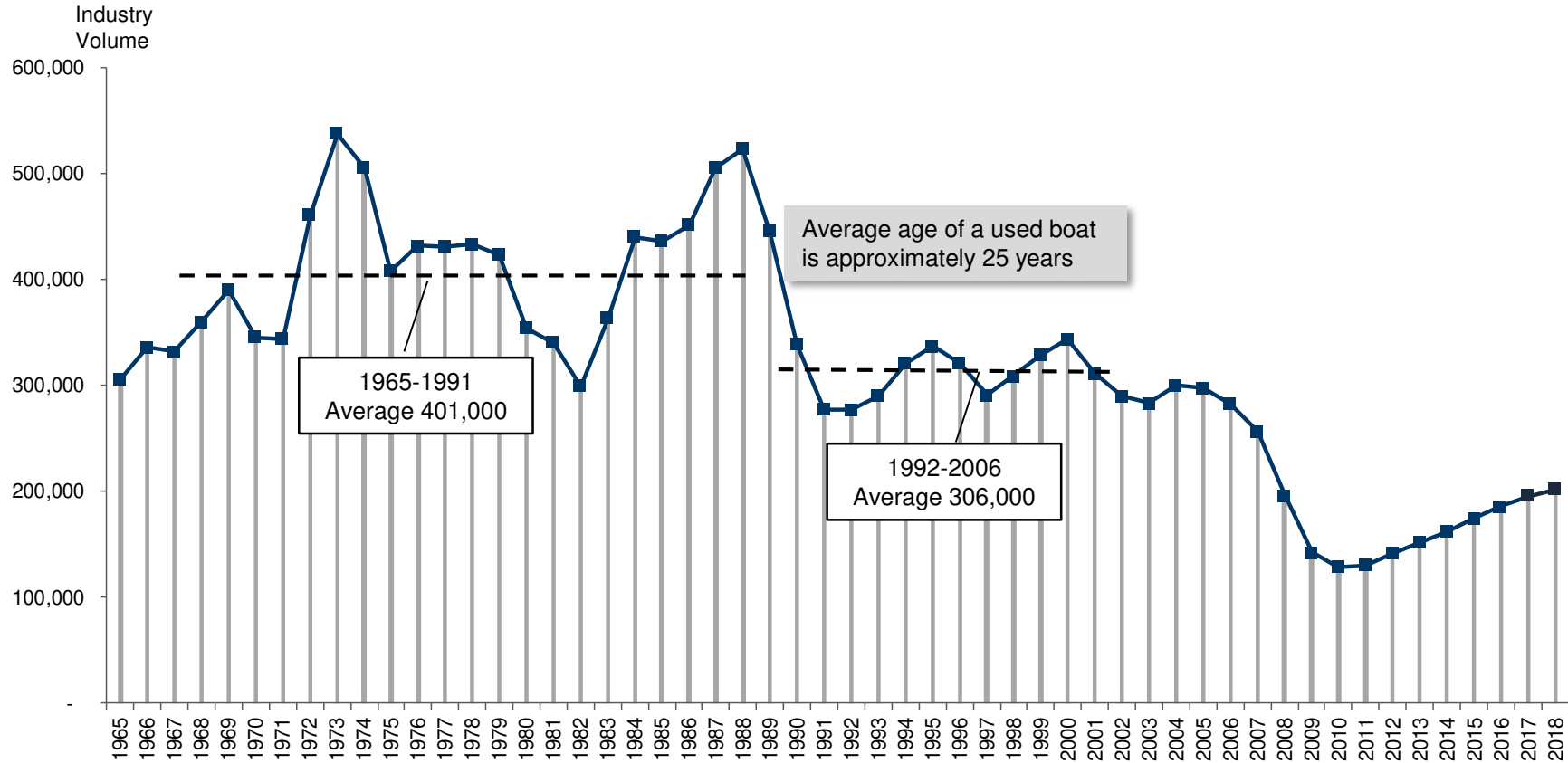
12 million registered boats in the U.S. in 2017

25 years average age of a boat on the water

1 million expected number of boats to be retired over next 4 years (2018-2022)



U.S. Marine Outlook



The U.S. marine market continues its recovery with the potential for a long runway of slow and steady growth with leisure lifestyle attractiveness and an aging inventory of used boats

Source: NMMA (traditional powerboat retail excluding jet boats and PWC)

Patrick Product Offering

MH Market

MH segment sales comprised **12%** of total Patrick sales in 2018



Fiberglass products



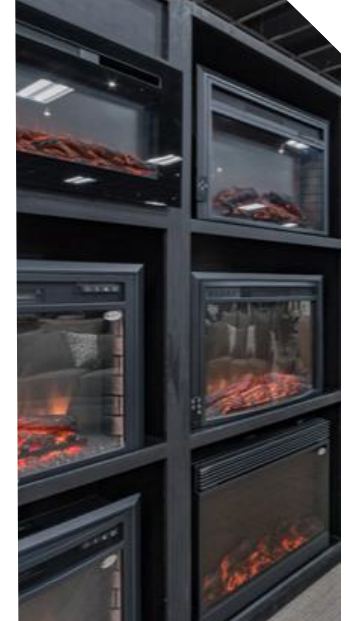
Hardwoods & Softwoods, Cabinetry, and Fabricated & Solid Surface Countertops



Laminated, Gypsum and Roofing Products



Electrical and Lighting

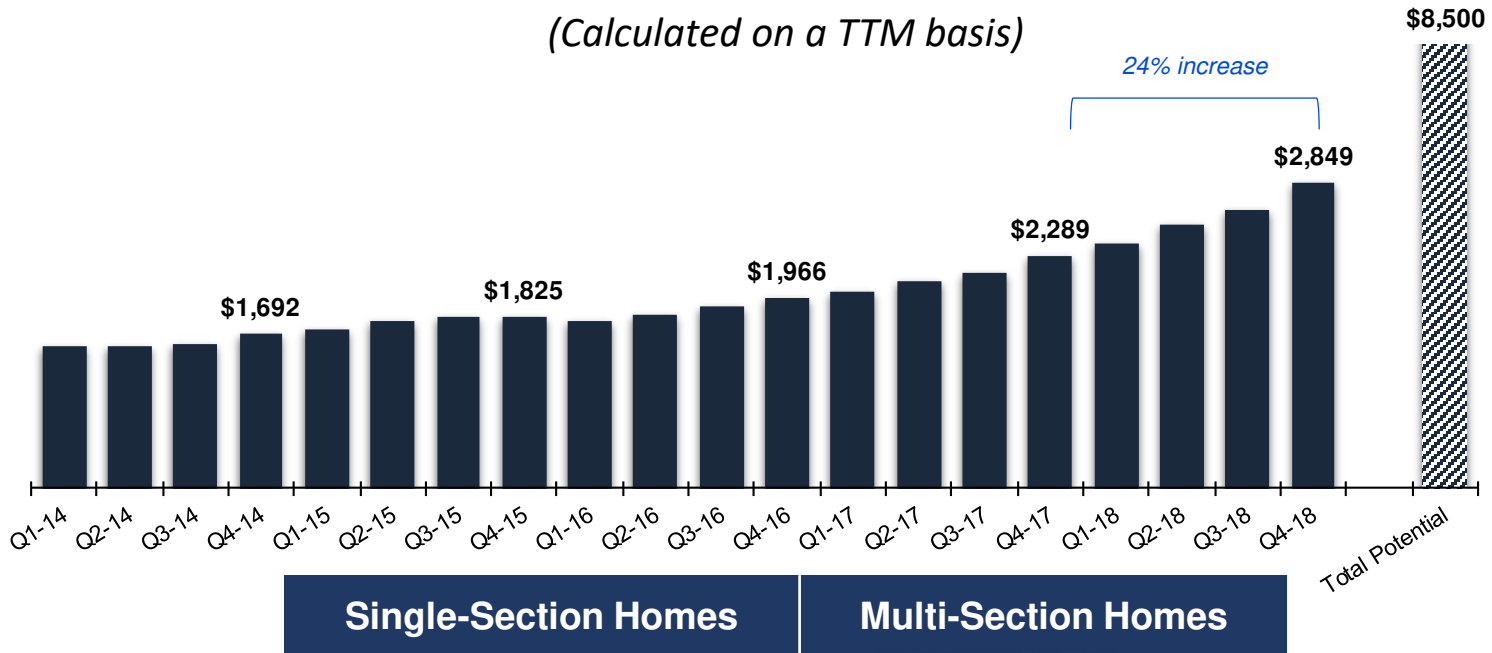


Distribution & Design Services

MH Content per Unit

Our focus on strategic acquisitions and organic growth has resulted in significant increases in our content per unit and sales outpacing our respective markets

MH Content Per Unit
(Calculated on a TTM basis)



Single-Section Homes **Multi-Section Homes**



50% of 2017 market
Avg. Sales Price (2016): \$47,000

50% of 2017 market
Avg. Sales Price (2016): \$90,000

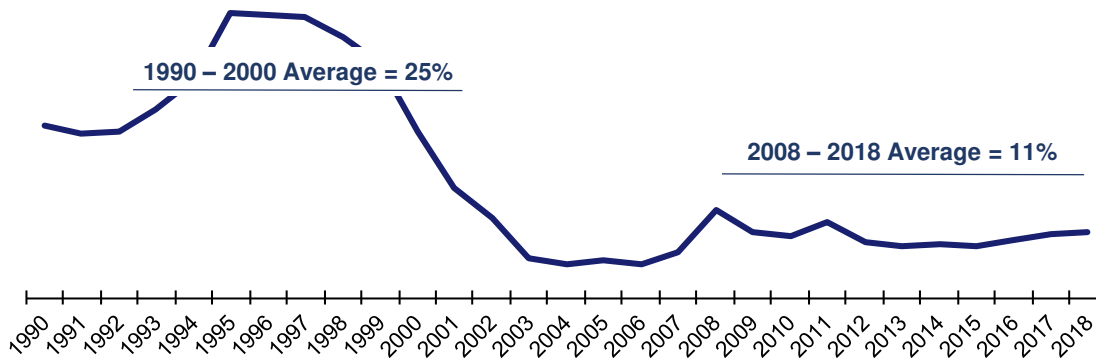
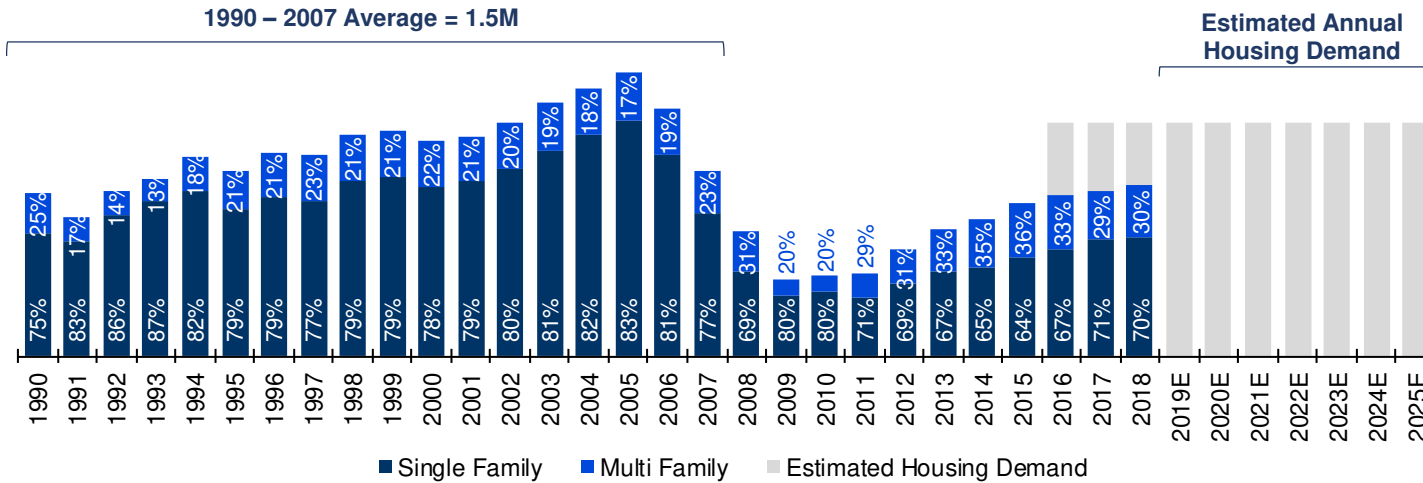
Source: MHI / IBTS

*100% market share in existing products would yield the 'Total Potential' content per unit amount

Growing Housing Demand

Total New Housing Starts

(starts in thousands)



If MH shipments continue at approximately 11% of new single family housing starts, based on estimated housing demand, MH units could exceed 150,000

Source: U.S. Census, NAHB, MHI

Industry Trends



Favorable Industry Trends

➔ Excellent alternative to the traditional “stick” built home

9 million households with 22 million people living in manufactured homes

80% of all new homes sold under \$150,000 are MH

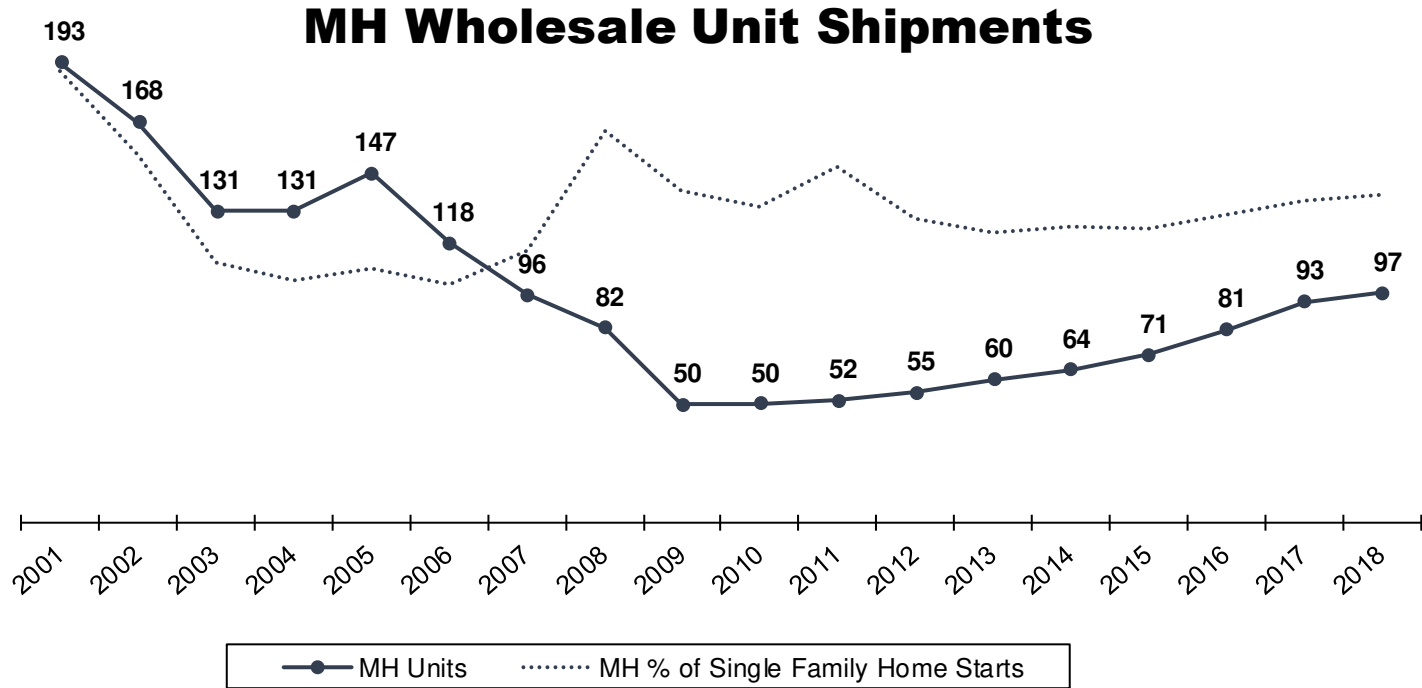
\$49 per sq. ft. average structure cost compared to \$107 for a single family home

\$70,600 average MH retail price for 1,446 sq. ft. (home only)



Industry Outlook

(shipments in thousands)



The MH industry continues to perform at historical lows reflecting the residual impacts from the residential housing market crisis. We believe, however, that there is pent-up demand and significant upside potential for this market based on current demographic trends, including multi-family housing capacity and improving consumer credit and financing conditions, among other factors.

Source: 1990-2018: MHI; NAHB

Patrick Product Offering

Industrial Market

Industrial segment sales comprised **13%** of total Patrick sales in 2018



**Solid Surface
and Fabricated
Countertops**



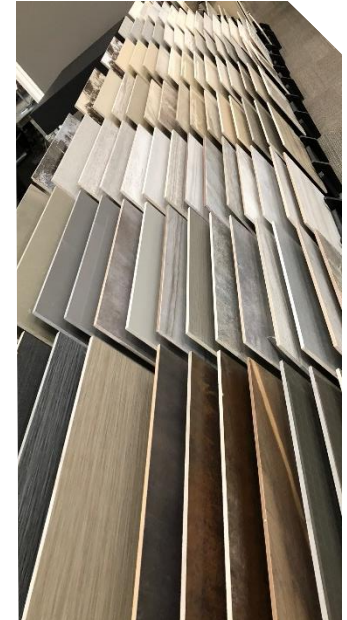
**Shower Doors
and Fabricated
Glass, Tubs
and Showers**



Slotwall



**FRP and
Polymer Panels**



**Distribution &
Design
Services**

Favorable Industry Trends

➔ Housing starts are well below the prior peak and there continues to be pent-up demand, providing continued runway in the new housing market

60% of Patrick's Industrial sales are linked to the residential housing market

3% increase in single-family housing starts in 2018 vs. prior year

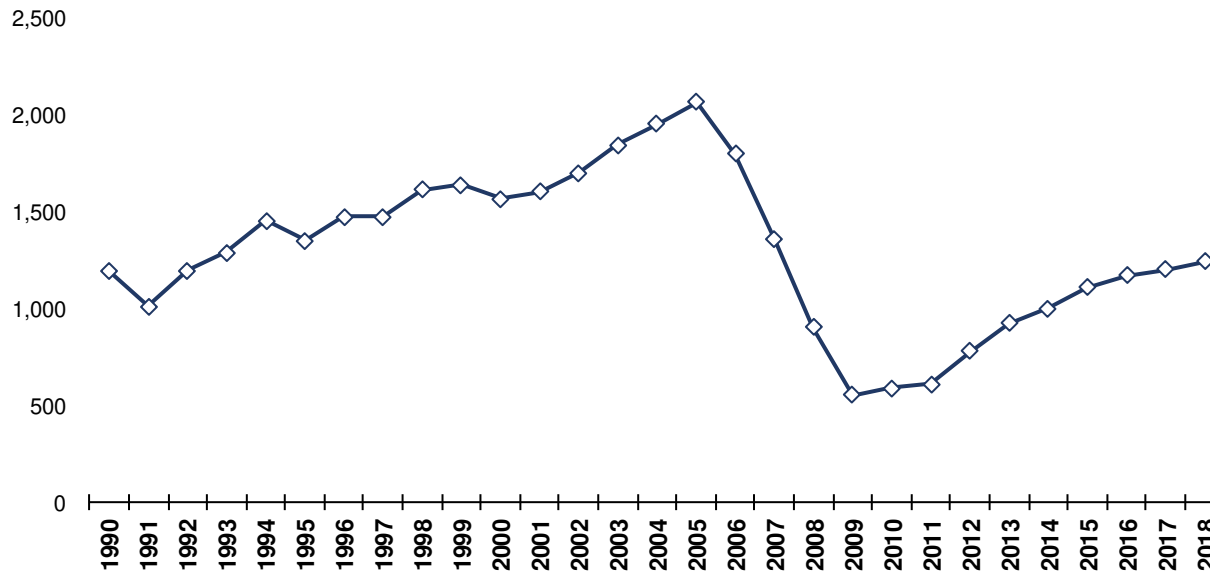
40% of Patrick's Industrial sales are linked to the non-residential housing market which includes: big box retail, retail & commercial fixtures and high rise, office, hospitality, schools & universities



Industry Outlook

Annual New Housing Starts

(starts in thousands)



Diversification and Adjacent Markets

Leverage our manufacturing and distribution capabilities, geographic footprint and product expertise to penetrate adjacent markets and identify new sales channels

The housing market continues to grow at a steady pace, providing ample runway for us to capitalize on by leveraging our product expertise and continuing to acquire and bring new products to the industrial markets and geographic regions



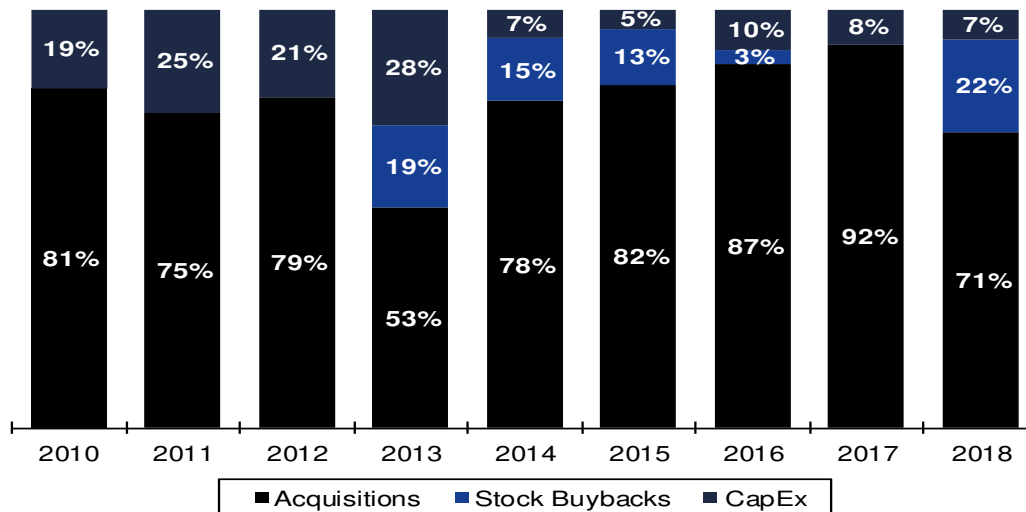
Growth Initiatives & Capital Allocation Strategy

Capital Allocation Strategy

Our capital allocation strategy is centered around the utilization of a balanced leverage position, strong cash flows and capital resources to grow and reinvest in the business model



Historical Capital Allocation

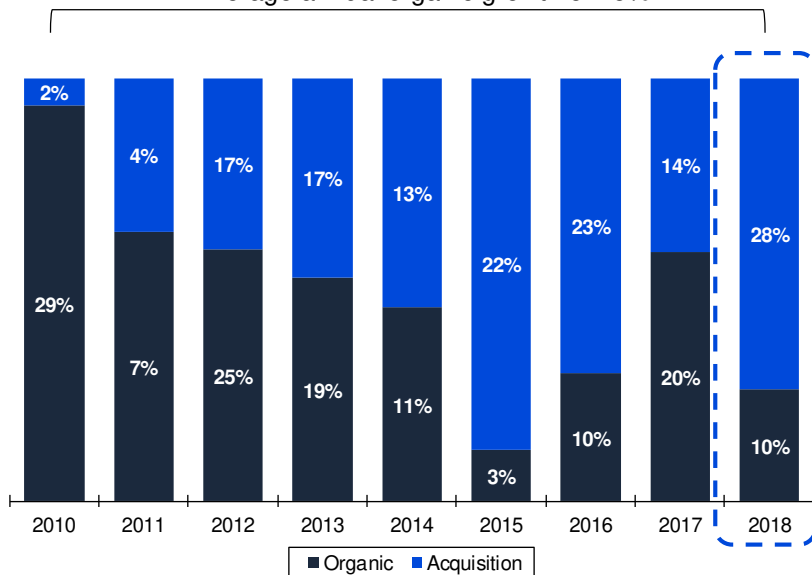


Organic and Strategic Growth

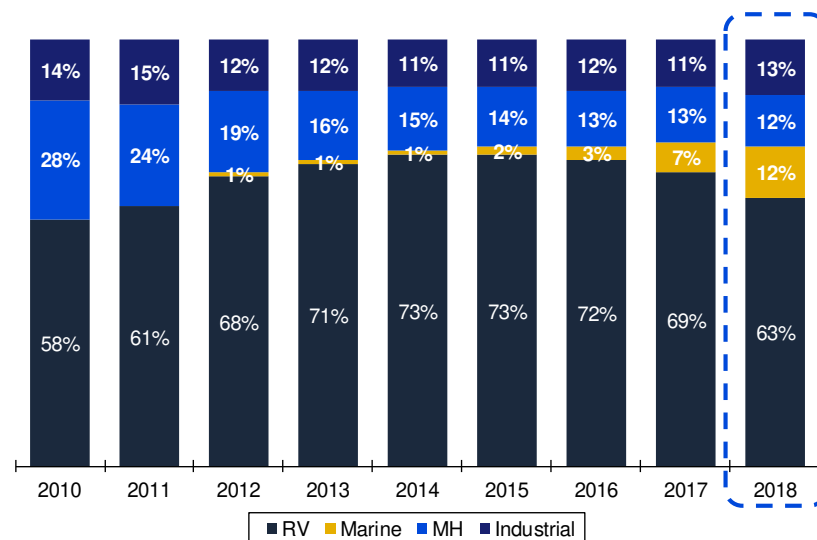
Strong sales growth continues to be evident and reflects organic and strategic impact leading to more balanced and diverse end-markets

Sales Growth Trends

Average annual organic growth of 15%



Revenue Mix



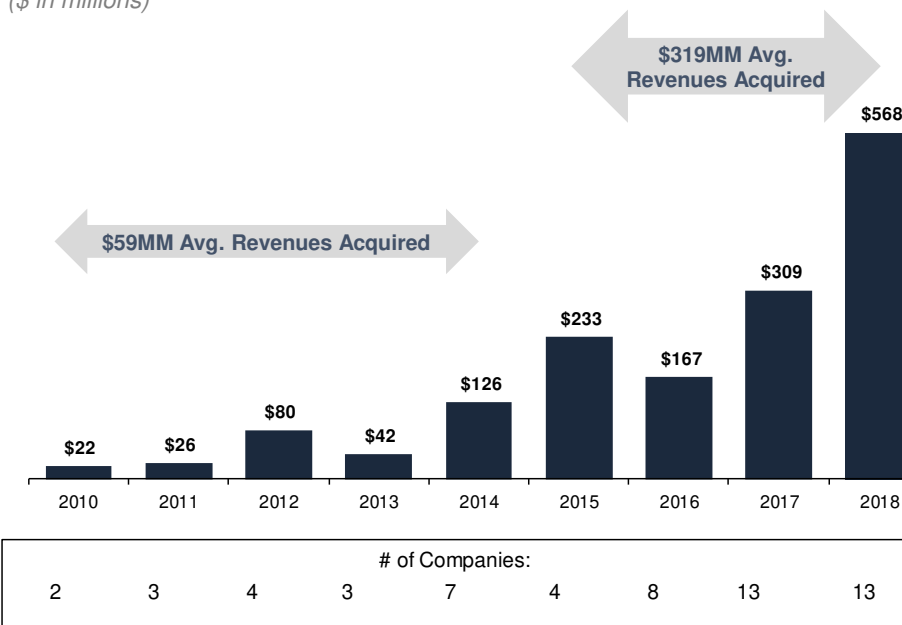
- Double digit organic and acquisition growth experienced over the last few years has led to strong top line growth
- With recent strategic acquisitions into diverse end-markets, our 2018 sales composition is 63% RV and 37% non-RV

Acquisition Execution

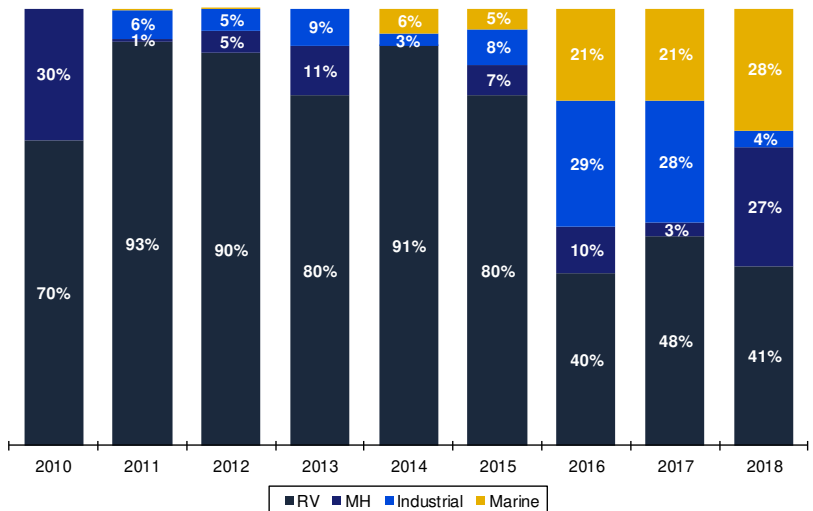
Demonstrated ability to source, acquire and integrate while increasingly executing on opportunities across diverse end-markets

Acquisition Momentum

(\$ in millions)



Acquisition End-Market Mix



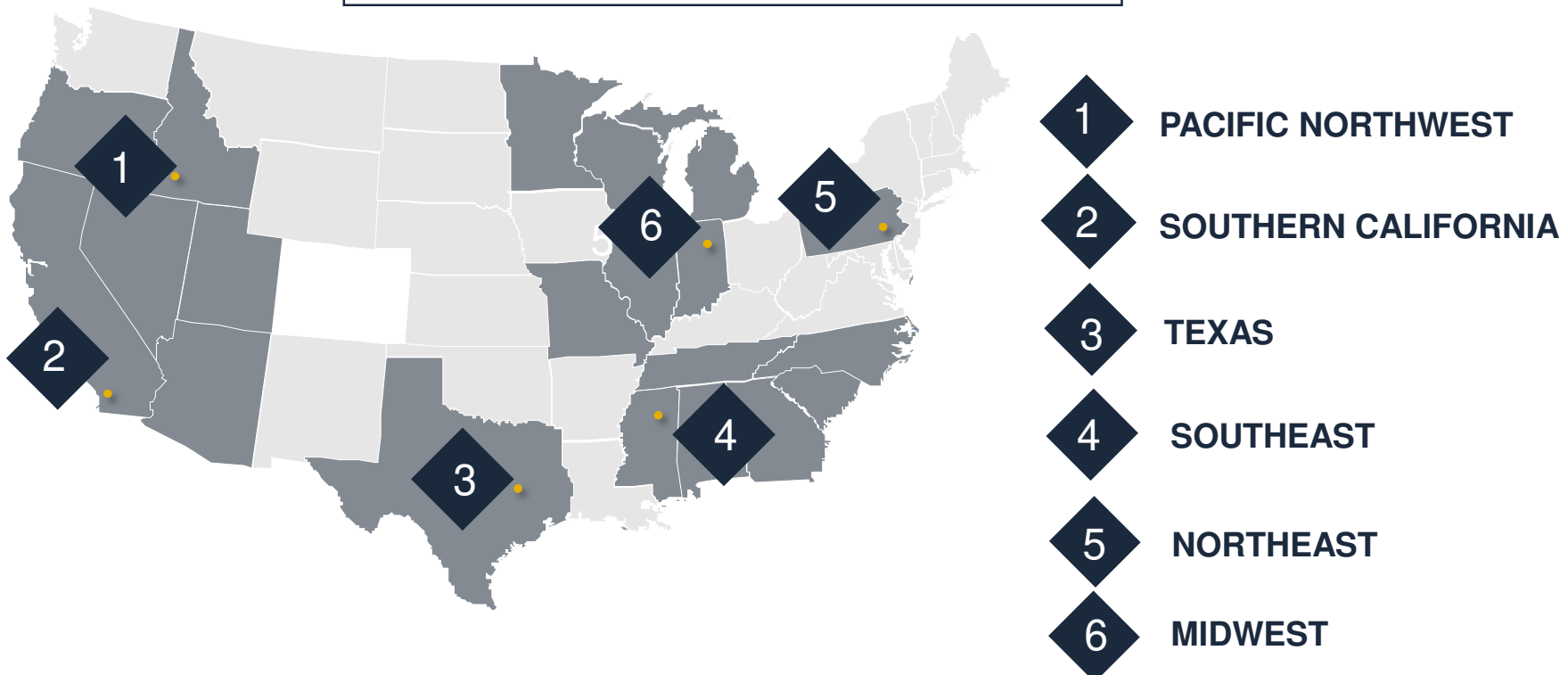
- Commitment to expanding product portfolio within our core markets has resulted in 42 strategic acquisitions of 57 companies from 2010 – 2018
- Averaged ~\$319MM in annualized acquired revenue in last 4 years

Geographic and Product Expansion

Focus on expansion opportunities with \$500MM market potential

Targeted Product Lines:

- Lamination
- Aluminum
- FRP
- Fiberglass
- Paint
- Shower Doors
- Solid Surface
- Hardwood Products
- Pressed Products
- Interior Doors
- Plastics
- Bath & Closet Systems

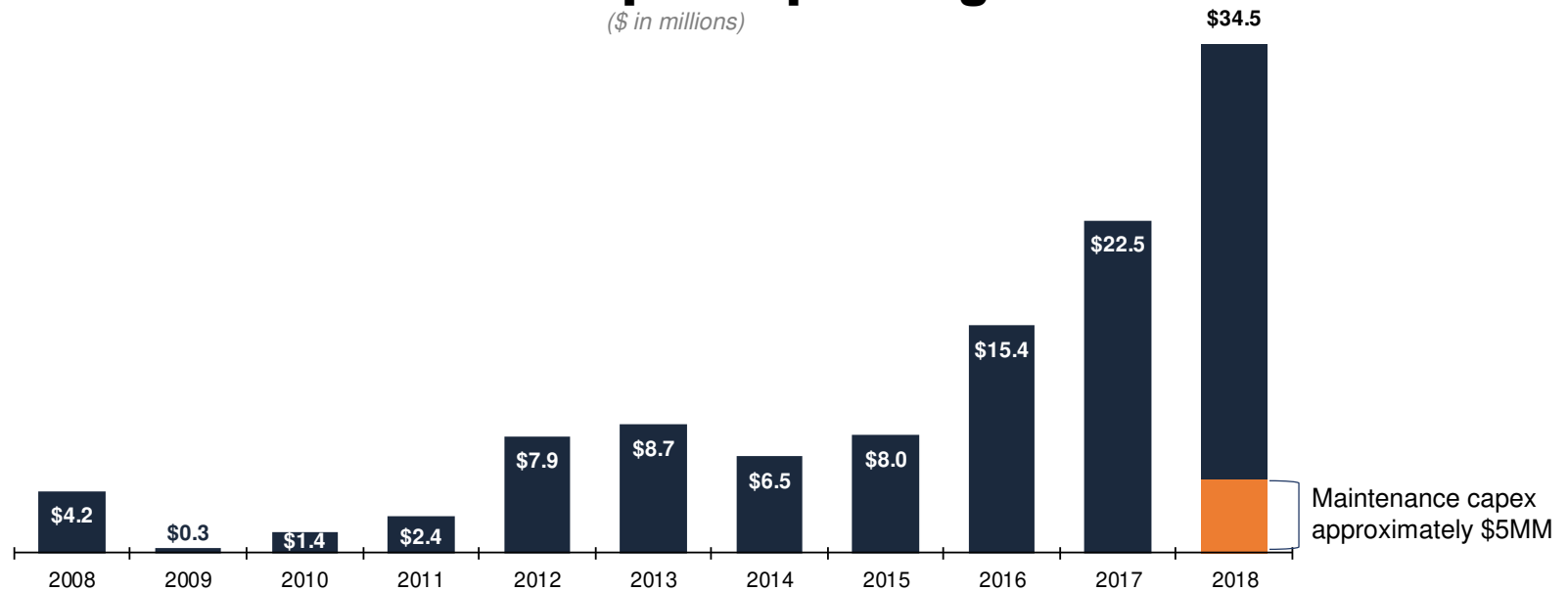


Capital Expenditures

We will continue to invest in our infrastructure to drive efficiency and capacity, and flex our capital spend when necessary to align with our demand levels

Annual Capital Spending

(\$ in millions)



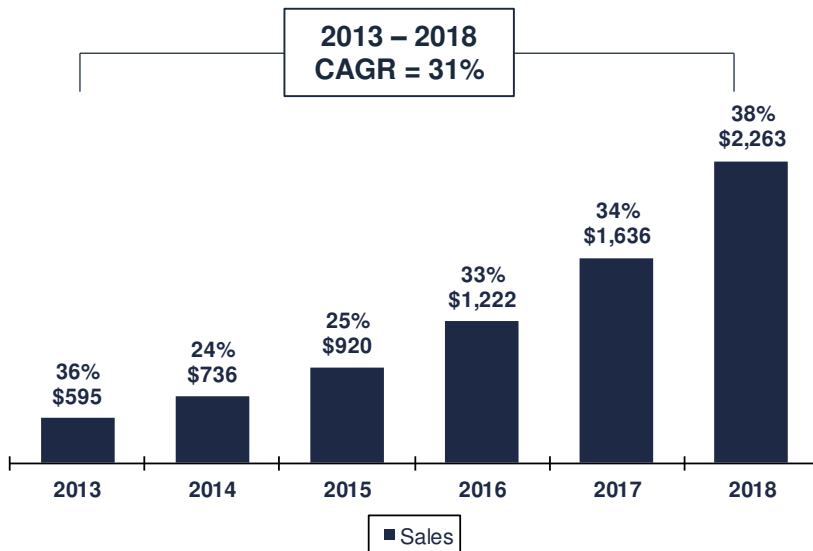
2016 – 2018 Strategic Focus:

- \$72MM Investment
- New Process / Automation
- Increased Capacity
- Increased Efficiencies

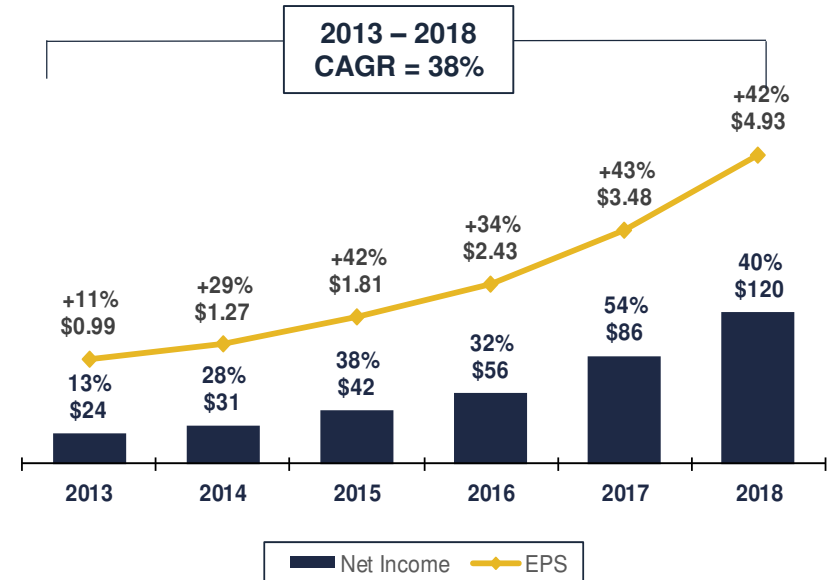
Consistent Sales & Earnings Growth

(\$ in millions except per share data)

Sales Growth



Earnings Growth



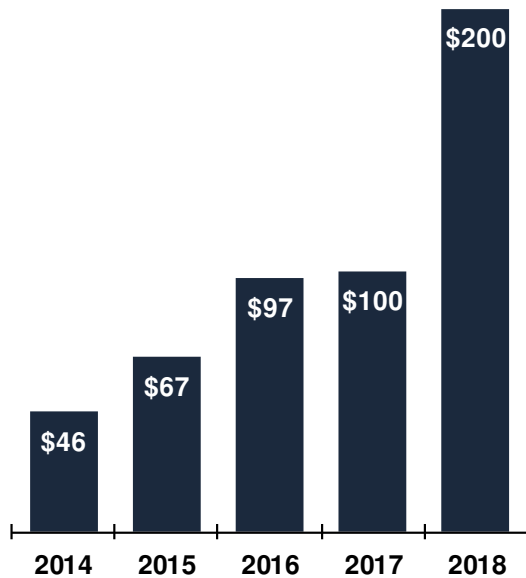
- Sales continue to grow and outpace their respective markets, driven by acquisitions, new products and line extensions, and market share gains
- Net income and EPS continue steady growth driven by the following:
 - Leveraging of fixed costs
 - Tight management of controllable expenses
 - Realized cost synergies from acquisitions

Cash Flow Generation and Growth

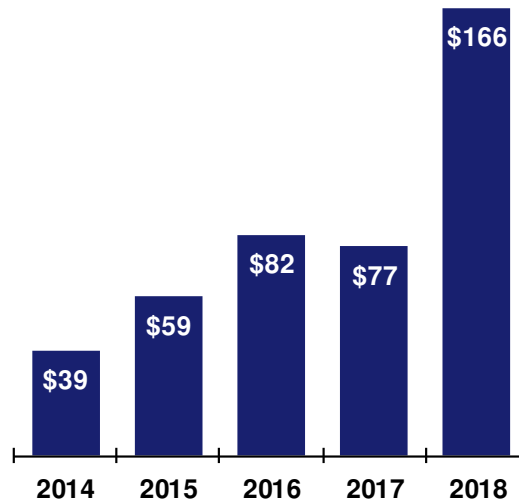
(\$ in millions)

Strong free cash flow generation provides flexibility across operational, financial and strategic objectives

Cash Flows from Operating Activities

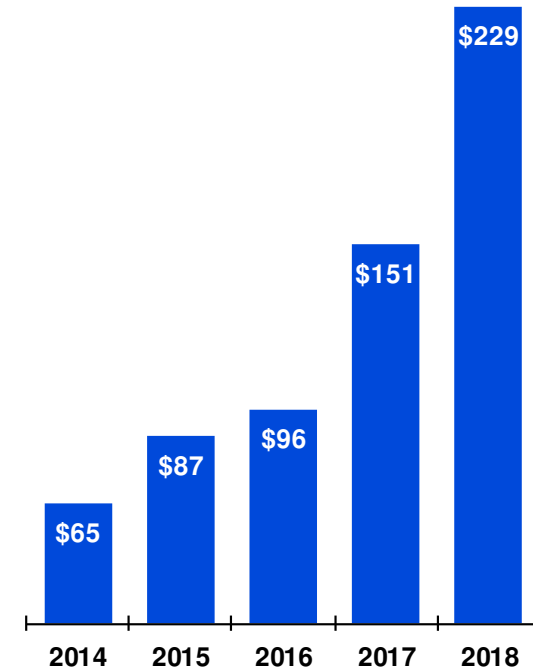


Free Cash Flow



Free cash flow is calculated as operating cash flow less capital expenditures

Working Capital

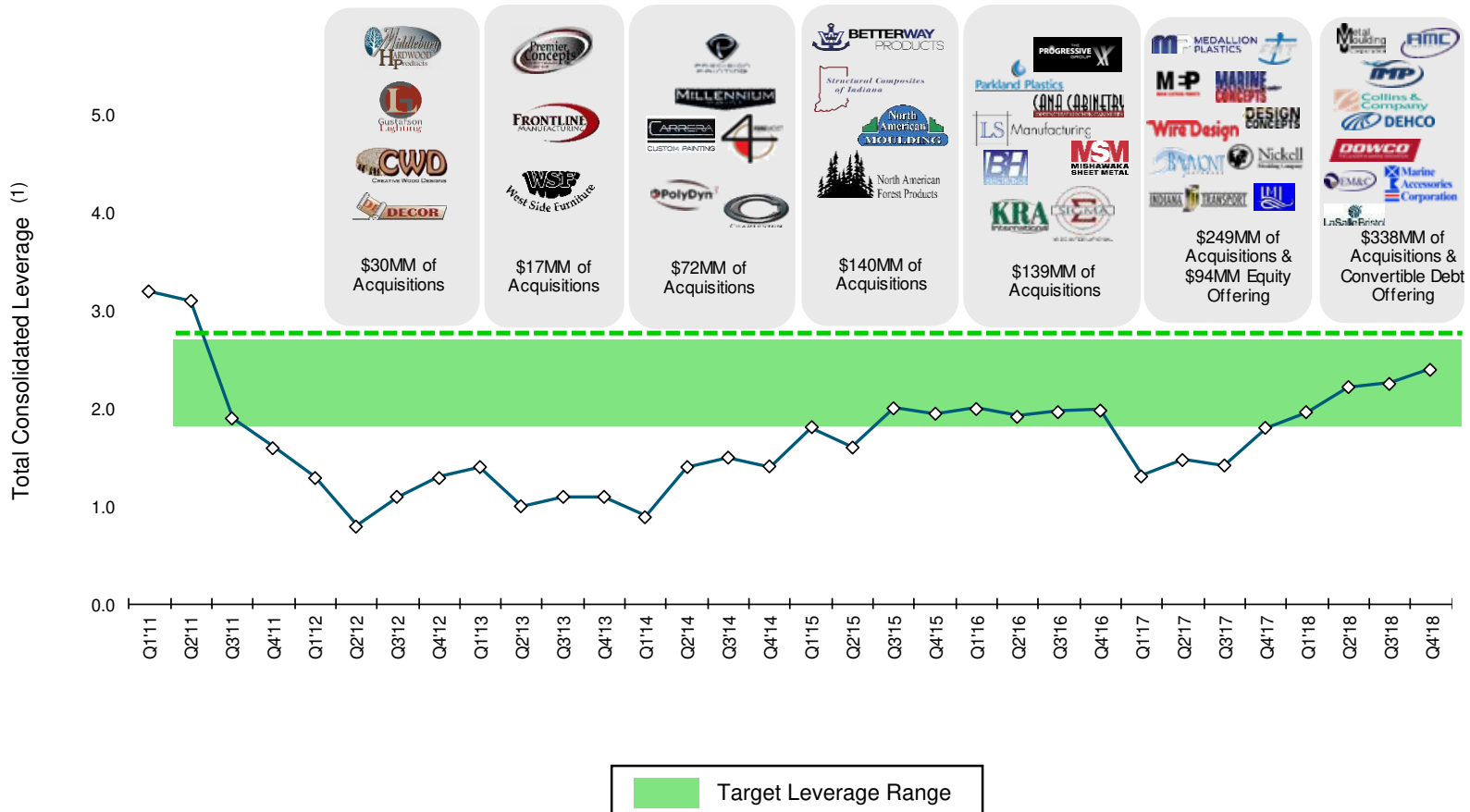


Working capital is calculated as current assets (excl. cash) less current liabilities (excl. current maturities of long-term debt); deferred tax assets are excluded from working capital given new accounting standard adopted by the Company in Q1 2016

Leverage Capacity

We expect to continue to utilize and maintain a disciplined leverage position and our cash flows in alignment with our capital allocation strategy and financing covenants

Leverage Ratio



(1) Leverage is the consolidated total indebtedness to consolidated adjusted EBITDA as defined by the 2018 Credit Agreement



PATRICK
INDUSTRIES, INC.