

## GMS Reports Third Quarter Fiscal 2022 Results

*Net Sales of \$1.15 Billion with Significant Year-Over-Year Growth in Net Income and Adjusted EBITDA*

TUCKER, Ga.--(BUSINESS WIRE)-- GMS Inc. (NYSE: GMS), a leading North American specialty building products distributor, today reported financial results for the fiscal third quarter ended January 31, 2022.

### Third Quarter Fiscal 2022 Highlights

(Comparisons are to the third quarter of fiscal 2021)

- Net sales of \$1,153.6 million increased 53.6%; organic net sales increased 41.5%.
- Net income of \$61.4 million, or \$1.40 per diluted share, compared to net income of \$16.1 million, or \$0.37 per diluted share; Adjusted net income of \$76.5 million, or \$1.74 per diluted share, compared to \$25.9 million, or \$0.60 per diluted share.
- Adjusted EBITDA of \$135.1 million increased \$72.5 million, or 115.8%; Adjusted EBITDA margin improved 340 basis points to 11.7% from 8.3%.
- Net debt leverage was 2.3 times as of the end of the third quarter of fiscal 2022, down from 2.9 times a year ago.
- Completed the acquisition of AMES Taping Tools Holding LLC (“AMES”), the nation’s foremost provider of automatic taping and finishing tools to the professional drywall finishing industry.

“Carrying our momentum into the new calendar year, we achieved record-setting results with higher levels of sales, net income and Adjusted EBITDA than we have ever recorded for our fiscal third quarter,” said John C. Turner, Jr., President and Chief Executive Officer of GMS. “Leveraging our significant scale advantages to deliver outstanding customer service in a solid residential market, coupled with an inflationary pricing environment and successful platform expansion activities, helped us more than triple our net income and double our Adjusted EBITDA as compared to the prior year quarter.”

Turner continued, “The team remains fully focused on the continued execution of our strategic priorities. Looking ahead to close out our fiscal year in April, similar market dynamics as we experienced in the third quarter along with indications of improving levels of commercial activity, serve as a positive backdrop as we are confident we will continue to deliver exceptional levels of service to provide value to customers and to drive strong results for our stakeholders.”

### Third Quarter Fiscal 2022 Results

Net sales for the third quarter of fiscal 2022 of \$1.15 billion increased 53.6% as compared with the prior year quarter, primarily due to inflationary pricing, healthy residential end markets, strong performance from our complementary products and the acquisitions of D.L. Building Materials, Westside Building Material and AMES. Organic net sales increased 41.5%.

Excluding the impact from one additional selling day in the third quarter of fiscal 2022 compared to the same period a year ago, net sales and organic net sales were up 51.1% and 39.2%, respectively. While the sales growth was, in large part, due to product inflation, the Company also achieved year-over-year volume growth in each of its four product categories.

Year-over-year sales increases by product category were as follows:

- Wallboard sales of \$415.1 million increased 33.4% (up 28.1% on an organic basis).
- Ceilings sales of \$139.9 million increased 34.9% (up 26.8% on an organic basis).
- Steel framing sales of \$282.8 million increased 172.0% (up 151.0% on an organic basis).
- Complementary product sales of \$315.8 million increased 35.9% (up 17.1% on an organic basis).

Gross profit of \$367.8 million increased 51.1% compared to the third quarter of fiscal 2021 primarily due to the successful pass through of product inflation, continued strength in residential market demand and incremental gross profit from acquisitions. Gross margin of 31.9%, declined 50 basis points year-over-year primarily due to the timing and elasticity of inflationary price-cost dynamics in the market. On a product line basis, wallboard and steel margins were unfavorably impacted by these dynamics while complementary products and ceilings benefited.

Selling, general and administrative (“SG&A”) expense as a percentage of net sales improved 370 basis points to 20.9% for the quarter compared to 24.6% in the third quarter of fiscal 2021. Adjusted SG&A expense as a percentage of net sales of 20.4% improved 380 basis points from 24.2% in the prior year quarter as product inflation outpaced increases in operating costs.

Net income increased 280.6% to \$61.4 million, or \$1.40 per diluted share, compared to net income of \$16.1 million, or \$0.37 per diluted share, in the third quarter of fiscal 2021. Adjusted net income was \$76.5 million, or \$1.74 per diluted share, compared to \$25.9 million, or \$0.60 per diluted share, in the third quarter of the prior fiscal year.

Adjusted EBITDA increased \$72.5 million, or 115.8%, to \$135.1 million compared to the prior year quarter. Adjusted EBITDA margin of 11.7% improved 340 basis points from 8.3% for the third quarter of fiscal 2021.

### Balance Sheet, Liquidity and Cash Flow

As of January 31, 2022, the Company had cash on hand of \$87.0 million, total debt of \$1.3 billion and \$183.2 million of available liquidity under its revolving credit facilities. Net debt leverage was 2.3 times as of the end of the quarter, down from 2.9 times at the end of the third quarter of fiscal 2021.

The Company recorded cash provided by operating activities and free cash flow of \$57.2 million and \$40.2 million, respectively, for the quarter ended January 31, 2022. For the quarter ended January 31, 2021, the Company recorded cash provided by operating activities and free cash flow of \$44.4 million and \$38.4 million, respectively.

### Platform Expansion Activities

During the third quarter of fiscal 2022, GMS acquired two companies.

On December 1, 2021, GMS completed the acquisition of AMES Taping Tools Holding LLC (“AMES”). With more than 90 company-owned AMES® stores and a fleet of approximately 100,000 automatic taping and finishing (“ATF”) tools available for rent, AMES is the nation’s leading provider of ATF tools and related products to the professional drywall finishing industry. Its portfolio provides a distinctive complement to GMS’s other product offerings and includes the industry-leading finishing tool brand, TapeTech®, as well as the country’s most widely used specialty interior finishing e-commerce platform, All-Wall.com®.

Also on December 1, 2021, the Company completed the acquisition of Kimco Supply Company (“Kimco”), a highly-respected distributor of drywall and related construction products and architectural elements with two locations in the Greater Tampa and Central Florida markets. Kimco adds density for the Company in the growing Tampa-St. Petersburg-Clearwater market for both core and complementary products.

Also, during the period, the Company opened a new greenfield location in Fort Myers, FL, bringing service to this Top 100 Metropolitan Statistical Area.

In addition, since acquiring AMES in early December, that business has continued to grow and execute against its growth strategy by adding two new stores in Pflugerville, TX and Greenville, SC during the Company’s fiscal third quarter.

### Conference Call and Webcast

GMS will host a conference call and webcast to discuss its results for the third quarter of fiscal 2022 ended January 31, 2022 and other information related to its business at 8:30 a.m. Eastern Time on Thursday, March 3, 2022. Investors who wish to participate in the call should dial 877-407-3982 (domestic) or 201-493-6780 (international) at least 5 minutes prior to the start of the call. The live webcast will be available on the Investors section of the Company’s website at [www.gms.com](http://www.gms.com). There will be a slide presentation of the results available on that page of the website as well. Replays of the call will be available through April 3, 2022 and can be accessed at 844-512-2921 (domestic) or 412-317-6671 (international) and entering the pass code 13725846.

### About GMS Inc.

Founded in 1971, GMS operates a network of nearly 300 distribution centers with extensive product offerings of wallboard, ceilings, steel framing and complementary construction products. In addition, GMS operates more than 90 tool sales, rental and service centers, providing a comprehensive selection of building products and solutions for its residential and commercial contractor customer base across the United States and Canada. The Company’s unique operating model combines the benefits of a national platform and strategy with a local go-to-market focus, enabling GMS to generate significant economies of scale while maintaining high levels of customer service.

### Use of Non-GAAP Financial Measures

GMS reports its financial results in accordance with GAAP. However, it presents Adjusted net income, free cash flow, Adjusted SG&A, Adjusted EBITDA, and Adjusted EBITDA margin, which are not recognized financial measures under GAAP. GMS believes that Adjusted net income, free cash flow, Adjusted SG&A, Adjusted EBITDA, and Adjusted EBITDA margin assist investors and analysts in comparing its operating performance across reporting periods on a consistent basis by excluding items that the Company does not believe are indicative of its core operating performance. The Company’s management believes Adjusted net income, Adjusted SG&A, free cash flow, Adjusted EBITDA and Adjusted EBITDA margin are helpful in highlighting trends in its operating results, while other measures can differ significantly depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which the Company operates and capital investments. In addition, the Company utilizes Adjusted EBITDA in certain calculations in its debt agreements.

You are encouraged to evaluate each adjustment and the reasons GMS considers it appropriate for supplemental analysis. In addition, in evaluating Adjusted net income, Adjusted SG&A and Adjusted EBITDA, you should be aware that in the future, the Company may incur expenses similar to the adjustments in the presentation of Adjusted net income, Adjusted SG&A and Adjusted EBITDA. The Company’s presentation of Adjusted net income, Adjusted SG&A, Adjusted SG&A margin, Adjusted EBITDA, and Adjusted EBITDA margin should not be construed as an inference that its future results will be unaffected by unusual or non-recurring items. In addition, Adjusted net income, free cash flow, Adjusted SG&A and Adjusted EBITDA may not be comparable to similarly titled measures used by other companies in GMS’s industry or across different industries. Please see the tables at the end of this release for a reconciliation of Adjusted EBITDA, free cash flow, Adjusted SG&A and Adjusted net income to the most directly comparable GAAP financial measures.

When calculating organic net sales growth, the Company excludes from the calculation (i) net sales of acquired businesses until the first anniversary of the acquisition date, and (ii) the impact of foreign currency translation.

### Forward-Looking Statements and Information

This press release includes “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. You can generally identify forward-looking statements by the Company’s use of forward-looking terminology such as “anticipate,” “believe,” “confident,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “potential,” “predict,” “seek,” or “should,” or the negative thereof or other variations thereon or comparable terminology. In particular, statements about the markets in which GMS operates, including in particular residential and commercial construction, and the economy generally, pricing, the demand for the Company’s products, supply chain issues and related project timing, the Company’s strategic priorities and the results thereof, service levels and the ability to drive value and results contained in this press release may be considered forward-looking statements. The Company has based forward-looking statements on its current expectations, assumptions, estimates and projections. While the Company believes these expectations, assumptions, estimates, and projections are reasonable, such forward-looking statements are only predictions and involve known and unknown risks and uncertainties, many of which are beyond its control, including current and future public health issues that may affect the Company’s business. Forward-looking statements involve risks and uncertainties, including, but not limited to, those described in the “Risk Factors” section in the Company’s most recent Annual Report on Form 10-K, and in its other periodic reports filed with the SEC. In addition, the statements in this release are made as of March 3, 2022. The Company undertakes no obligation to update any of the forward-looking statements made herein, whether as a result of new information, future events, changes in expectation or otherwise. These forward-looking statements should not be relied upon as representing the Company’s views as of any date subsequent to March 3, 2022.

### GMS Inc. Condensed Consolidated Statements of Operations (Unaudited) (in thousands, except per share data)

|   | Three Months Ended |            | Nine Months Ended |              |
|---|--------------------|------------|-------------------|--------------|
|   | January 31,        |            | January 31,       |              |
|   | 2022               | 2021       | 2022              | 2021         |
| Net sales   | \$ 1,153,595       | \$ 751,191 | \$ 3,346,222      | \$ 2,366,620 |
| Cost of sales (exclusive of depreciation and amortization shown separately below) | 785,823            | 507,867    | 2,270,747         | 1,597,767    |
| Gross profit  | 367,772            | 243,324    | 1,075,475         | 768,853      |
| Operating expenses:   |                    |            |                   |              |
| Selling, general and administrative   | 241,040            | 184,844    | 685,652           | 556,308      |
| Depreciation and amortization   | 29,750             | 25,562     | 86,867            | 79,904       |
| Total operating expenses  | 270,790            | 210,406    | 772,519           | 636,212      |
| Operating income  | 96,982             | 32,918     | 302,956           | 132,641      |
| Other (expense) income:   |                    |            |                   |              |
| Interest expense  | (15,429)           | (13,454)   | (43,830)          | (41,060)     |
| Gain on legal settlement  | —                  | 1,382      | —                 | 1,382        |

|   |           |           |            |           |
|---|-----------|-----------|------------|-----------|
| Other income, net                           | 1,041     | 989       | 2,771      | 2,441     |
| Total other expense, net                    | (14,388)  | (11,083)  | (41,059)   | (37,237)  |
| Income before taxes                         | 82,594    | 21,835    | 261,897    | 95,404    |
| Provision for income taxes                  | 21,211    | 5,709     | 64,951     | 23,590    |
| Net income                                  | \$ 61,383 | \$ 16,126 | \$ 196,946 | \$ 71,814 |
| Weighted average common shares outstanding: |           |           |            |           |
| Basic                                       | 43,094    | 42,726    | 43,106     | 42,691    |
| Diluted                                     | 43,945    | 43,361    | 43,937     | 43,184    |
| Net income per common share:                |           |           |            |           |
| Basic                                       | \$ 1.42   | \$ 0.38   | \$ 4.57    | \$ 1.68   |
| Diluted                                     | \$ 1.40   | \$ 0.37   | \$ 4.48    | \$ 1.66   |

**GMS Inc.**  
**Condensed Consolidated Balance Sheets (Unaudited)**  
(in thousands, except per share data)

|  | January 31,<br>2022 | April 30,<br>2021 |
|--|---------------------|-------------------|
| <b>Assets</b>  |                     |                   |
| Current assets:  |                     |                   |
| Cash and cash equivalents  | \$ 86,975           | \$ 167,012        |
| Trade accounts and notes receivable, net of allowances of \$9,683 and \$6,282, respectively  | 700,255             | 558,661           |
| Inventories, net   | 585,351             | 357,054           |
| Prepaid expenses and other current assets  | 19,055              | 19,525            |
| Total current assets   | 1,391,636           | 1,102,252         |
| Property and equipment, net of accumulated depreciation of \$216,541 and \$193,364, respectively   | 342,995             | 311,326           |
| Operating lease right-of-use assets  | 146,762             | 118,413           |
| Goodwill   | 693,942             | 576,330           |
| Intangible assets, net   | 480,312             | 350,869           |
| Deferred income taxes  | 20,536              | 15,715            |
| Other assets   | 9,997               | 8,993             |
| Total assets   | \$ 3,086,180        | \$ 2,483,898      |
| <b>Liabilities and Stockholders' Equity</b>  |                     |                   |
| Current liabilities:   |                     |                   |
| Accounts payable   | \$ 293,485          | \$ 322,965        |
| Accrued compensation and employee benefits   | 79,031              | 72,906            |
| Other accrued expenses and current liabilities   | 129,927             | 87,138            |
| Current portion of long-term debt  | 44,624              | 46,018            |
| Current portion of operating lease liabilities   | 40,413              | 33,474            |
| Total current liabilities  | 587,480             | 562,501           |
| Non-current liabilities:   |                     |                   |
| Long-term debt, less current portion   | 1,281,737           | 932,409           |
| Long-term operating lease liabilities  | 107,002             | 90,290            |
| Deferred income taxes, net   | 47,174              | 12,728            |
| Other liabilities  | 59,511              | 63,508            |
| Total liabilities  | 2,082,904           | 1,661,436         |
| Commitments and contingencies  |                     |                   |
| Stockholders' equity:  |                     |                   |
| Common stock, par value \$0.01 per share, 500,000 shares authorized; 43,095 and 43,073 shares issued and outstanding as of January 31, 2022 and April 30, 2021, respectively | 431                 | 431               |
| Preferred stock, par value \$0.01 per share, 50,000 shares authorized; 0 shares issued and outstanding as of January 31, 2022 and April 30, 2021                             | —                   | —                 |
| Additional paid-in capital   | 536,635             | 542,737           |
| Retained earnings  | 471,481             | 274,535           |
| Accumulated other comprehensive income (loss)  | (5,271)             | 4,759             |
| Total stockholders' equity   | 1,003,276           | 822,462           |
| Total liabilities and stockholders' equity   | \$ 3,086,180        | \$ 2,483,898      |

**GMS Inc.**  
**Condensed Consolidated Statements of Cash Flows (Unaudited)**  
(in thousands)

| Nine Months Ended<br>January 31, |      |
|----------------------------------|------|
| 2022                             | 2021 |

| <b>Cash flows from operating activities:</b>  |  |            |            |
|---|--|------------|------------|
| Net income  |  | \$ 196,946 | \$ 71,814  |
| Adjustments to reconcile net income to net cash (used in) provided by operating activities: |  |            |            |
| Depreciation and amortization   |  | 86,867     | 79,904     |
| Amortization of debt discount and debt issuance costs                                       |  | 2,037      | 2,257      |
| Equity-based compensation   |  | 12,461     | 10,318     |
| (Gain) loss on disposal and impairment of assets  |  | (474)      | (529)      |
| Deferred income taxes   |  | (1,740)    | (9,645)    |
| Other items, net  |  | 5,357      | 105        |
| Changes in assets and liabilities net of effects of acquisitions:                           |  |            |            |
| Trade accounts and notes receivable   |  | (109,948)  | (15,381)   |
| Inventories   |  | (191,103)  | (24,391)   |
| Prepaid expenses and other assets   |  | 2,215      | 1,040      |
| Accounts payable  |  | (46,310)   | (41,371)   |
| Accrued compensation and employee benefits  |  | 3,618      | (11,932)   |
| Other accrued expenses and liabilities  |  | 20,187     | 6,307      |
| Cash (used in) provided by operating activities   |  | (19,887)   | 68,496     |
| <b>Cash flows from investing activities:</b>  |  |            |            |
| Purchases of property and equipment   |  | (33,161)   | (17,857)   |
| Proceeds from sale of assets  |  | 1,124      | 1,233      |
| Acquisition of businesses, net of cash acquired   |  | (345,376)  | (51)       |
| Cash used in investing activities   |  | (377,413)  | (16,675)   |
| <b>Cash flows from financing activities:</b>  |  |            |            |
| Repayments on revolving credit facilities   |  | (823,583)  | (102,189)  |
| Borrowings from revolving credit facilities   |  | 1,182,774  | 14,750     |
| Payments of principal on long-term debt   |  | (3,832)    | (7,476)    |
| Payments of principal on finance lease obligations  |  | (23,154)   | (22,662)   |
| Repurchases of common stock   |  | (17,858)   | (2,000)    |
| Proceeds from exercises of stock options  |  | 4,024      | 3,656      |
| Payments for taxes related to net share settlement of equity awards                         |  | (2,850)    | (807)      |
| Proceeds from issuance of stock pursuant to employee stock purchase plan                    |  | 2,332      | 2,076      |
| Cash provided by (used in) financing activities   |  | 317,853    | (114,652)  |
| Effect of exchange rates on cash and cash equivalents                                       |  | (590)      | 2,495      |
| Decrease in cash and cash equivalents   |  | (80,037)   | (60,336)   |
| Cash and cash equivalents, beginning of period  |  | 167,012    | 210,909    |
| Cash and cash equivalents, end of period  |  | \$ 86,975  | \$ 150,573 |
| Supplemental cash flow disclosures:   |  |            |            |
| Cash paid for income taxes  |  | \$ 61,066  | \$ 31,942  |
| Cash paid for interest  |  | 35,721     | 38,114     |

**GMS Inc.**  
**Net Sales by Product Group (Unaudited)**  
(dollars in thousands)

|                        | Three Months Ended  |            |                   |            | Nine Months Ended   |            |                     |            |
|------------------------|---------------------|------------|-------------------|------------|---------------------|------------|---------------------|------------|
|                        | January 31, 2022    | % of Total | January 31, 2021  | % of Total | January 31, 2022    | % of Total | January 31, 2021    | % of Total |
| Wallboard              | \$ 415,132          | 36.0%      | \$ 311,122        | 41.4%      | \$ 1,219,789        | 36.5%      | \$ 969,722          | 41.0%      |
| Ceilings               | 139,894             | 12.1%      | 103,711           | 13.8%      | 418,831             | 12.5%      | 330,480             | 14.0%      |
| Steel framing          | 282,764             | 24.5%      | 103,957           | 13.8%      | 751,040             | 22.4%      | 325,782             | 13.8%      |
| Complementary products | 315,805             | 27.4%      | 232,401           | 31.0%      | 956,562             | 28.6%      | 740,636             | 31.2%      |
| Total net sales        | <u>\$ 1,153,595</u> |            | <u>\$ 751,191</u> |            | <u>\$ 3,346,222</u> |            | <u>\$ 2,366,620</u> |            |

**GMS Inc.**  
**Reconciliation of Net Income to Adjusted EBITDA (Unaudited)**  
(in thousands)

|                            | Three Months Ended |                  | Nine Months Ended |                  |
|----------------------------|--------------------|------------------|-------------------|------------------|
|                            | January 31, 2022   | January 31, 2021 | January 31, 2022  | January 31, 2021 |
| Net income                 | \$ 61,383          | \$ 16,126        | \$ 196,946        | \$ 71,814        |
| Interest expense           | 15,429             | 13,454           | 43,830            | 41,060           |
| Interest income            | (40)               | (6)              | (67)              | (57)             |
| Provision for income taxes | 21,211             | 5,709            | 64,951            | 23,590           |

|   |              |            |              |              |
|---|--------------|------------|--------------|--------------|
| Depreciation expense                              | 13,816       | 11,371     | 40,444       | 36,908       |
| Amortization expense                              | 15,934       | 14,191     | 46,423       | 42,996       |
| EBITDA  | \$ 127,733   | \$ 60,845  | \$ 392,527   | \$ 216,311   |
| Stock appreciation expense(a)                     | 1,251        | 1,446      | 3,126        | 2,552        |
| Redeemable noncontrolling interests(b)            | 182          | 624        | 1,085        | 1,062        |
| Equity-based compensation(c)                      | 3,077        | 1,877      | 8,250        | 6,734        |
| Severance and other permitted costs(d)            | 273          | (83)       | 669          | 2,626        |
| Transaction costs (acquisitions and other)(e)     | 921          | 664        | 3,889        | 789          |
| Gain on disposal of assets(f)                     | (252)        | (1,404)    | (474)        | (529)        |
| Effects of fair value adjustments to inventory(g) | 1,870        | —          | 3,601        | —            |
| Gain on legal settlement                          | —            | (1,382)    | —            | (1,382)      |
| EBITDA addbacks                                   | 7,322        | 1,742      | 20,146       | 11,852       |
| Adjusted EBITDA                                   | \$ 135,055   | \$ 62,587  | \$ 412,673   | \$ 228,163   |
| Net sales   | \$ 1,153,595 | \$ 751,191 | \$ 3,346,222 | \$ 2,366,620 |
| Adjusted EBITDA Margin                            | 11.7%        | 8.3%       | 12.3%        | 9.6%         |

(a) Represents changes in the fair value of stock appreciation rights.

(b) Represents changes in the fair values of noncontrolling interests.

(c) Represents non-cash equity-based compensation expense related to the issuance of share-based awards.

(d) Represents severance expenses and other costs permitted in the calculation of Adjusted EBITDA under the ABL Facility and the Term Loan Facility, including certain unusual, nonrecurring costs and credits due to COVID-19.

(e) Represents costs related to acquisitions paid to third parties.

(f) Includes gains from the sale of assets.

(g) Represents the non-cash cost of sales impact of acquisition accounting adjustments to increase inventory to its estimated fair value.

**GMS Inc.**  
**Reconciliation of Cash Provided By (Used In) Operating Activities to Free Cash Flow (Unaudited)**  
**(in thousands)**

|   | Three Months Ended<br>January 31, |           | Nine Months Ended<br>January 31, |           |
|---|-----------------------------------|-----------|----------------------------------|-----------|
|   | 2022                              | 2021      | 2022                             | 2021      |
| Cash provided by (used in) operating activities | \$ 57,208                         | \$ 44,448 | \$ (19,887)                      | \$ 68,496 |
| Purchases of property and equipment             | (17,042)                          | (6,012)   | (33,161)                         | (17,857)  |
| Free cash flow (a)                              | \$ 40,166                         | \$ 38,436 | \$ (53,048)                      | \$ 50,639 |

(a) Free cash flow is a non-GAAP financial measure that we define as net cash provided by (used in) operations less capital expenditures.

**GMS Inc.**  
**Reconciliation of Selling, General and Administrative Expense to Adjusted SG&A (Unaudited)**  
**(in thousands)**

|   | Three Months Ended<br>January 31, |            | Nine Months Ended<br>January 31, |              |
|---|-----------------------------------|------------|----------------------------------|--------------|
|   | 2022                              | 2021       | 2022                             | 2021         |
| Selling, general and administrative expense   | \$ 241,040                        | \$ 184,844 | \$ 685,652                       | \$ 556,308   |
| Adjustments                                   |                                   |            |                                  |              |
| Stock appreciation expense(a)                 | (1,251)                           | (1,446)    | (3,126)                          | (2,552)      |
| Redeemable noncontrolling interests(b)        | (182)                             | (624)      | (1,085)                          | (1,062)      |
| Equity-based compensation(c)                  | (3,077)                           | (1,877)    | (8,250)                          | (6,734)      |
| Severance and other permitted costs(d)        | (273)                             | 104        | (685)                            | (2,589)      |
| Transaction costs (acquisitions and other)(e) | (921)                             | (664)      | (3,889)                          | (789)        |
| Gain on disposal of assets(f)                 | 252                               | 1,404      | 474                              | 529          |
| Adjusted SG&A                                 | \$ 235,588                        | \$ 181,741 | \$ 669,091                       | \$ 543,111   |
| Net sales                                     | \$ 1,153,595                      | \$ 751,191 | \$ 3,346,222                     | \$ 2,366,620 |
| Adjusted SG&A margin                          | 20.4%                             | 24.2%      | 20.0%                            | 22.9%        |

(a) Represents changes in the fair value of stock appreciation rights.

(b) Represents changes in the fair values of noncontrolling interests.

(c) Represents non-cash equity-based compensation expense related to the issuance of share-based awards.

(d) Represents severance expenses and other costs permitted in the calculation of Adjusted EBITDA under the ABL Facility and the Term Loan Facility, including certain

- unusual, nonrecurring costs and credits due to COVID-19.  
(e) Represents costs related to acquisitions paid to third parties.  
(f) Includes gains from the sale of assets.

**GMS Inc.**  
**Reconciliation of Income Before Taxes to Adjusted Net Income (Unaudited)**  
(in thousands, except per share data)

|  | Three Months Ended<br>January 31, |           | Nine Months Ended<br>January 31, |            |
|--|-----------------------------------|-----------|----------------------------------|------------|
|  | 2022                              | 2021      | 2022                             | 2021       |
| Income before taxes                                      | \$ 82,594                         | \$ 21,835 | \$ 261,897                       | \$ 95,404  |
| EBITDA add-backs   | 7,322                             | 1,742     | 20,146                           | 11,852     |
| Acquisition accounting depreciation and amortization (1) | 11,424                            | 9,798     | 32,553                           | 30,054     |
| Adjusted pre-tax income                                  | 101,340                           | 33,375    | 314,596                          | 137,310    |
| Adjusted income tax expense                              | 24,828                            | 7,510     | 77,076                           | 30,895     |
| Adjusted net income                                      | \$ 76,512                         | \$ 25,865 | \$ 237,520                       | \$ 106,415 |
| Effective tax rate (2)                                   | 24.5%                             | 22.5%     | 24.5%                            | 22.5%      |
| <b>Weighted average shares outstanding:</b>              |                                   |           |                                  |            |
| Basic  | 43,094                            | 42,726    | 43,106                           | 42,691     |
| Diluted  | 43,945                            | 43,361    | 43,937                           | 43,184     |
| <b>Adjusted net income per share:</b>                    |                                   |           |                                  |            |
| Basic  | \$ 1.78                           | \$ 0.61   | \$ 5.51                          | \$ 2.49    |
| Diluted  | \$ 1.74                           | \$ 0.60   | \$ 5.41                          | \$ 2.46    |

- (1) Depreciation and amortization from the increase in value of certain long-term assets associated with the April 1, 2014 acquisition of the predecessor company and amortization of intangible assets from the acquisitions of Titan, Westside Building Material and Ames Taping Tools.  
(2) Normalized cash tax rate excluding the impact of acquisition accounting and certain other deferred tax amounts.

## Contacts

Investors:  
Carey Phelps  
[ir@gms.com](mailto:ir@gms.com)  
770-723-3369

Source: GMS Inc.