

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant To Section 13 OR 15(d) Of The Securities Exchange Act Of 1934

Date of report (Date of earliest event reported)

April 30, 2020

PATRICK INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Indiana

000-03922

35-1057796

(State or other jurisdiction
of incorporation)

(Commission
File Number)

(IRS Employer
Identification Number)

107 W. Franklin Street, P.O. Box 638

Elkhart, Indiana

46515

(Address of Principal Executive Offices)

(Zip Code)

Registrant's Telephone Number, including area code

(574) 294-7511

(Former name or former address if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, no par value	PATK	NASDAQ

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). 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.

Item 2.02 Results of Operations and Financial Condition.

On April 30, 2020, the Company issued a press release announcing operating results for the first quarter ended March 29, 2020. A copy of the press release is furnished herewith as Exhibit 99.1 and incorporated herein by reference.

Item 7.01 Regulation FD Disclosure

The information referenced in this Form 8-K is furnished pursuant to Item 7.01, "Regulation FD Disclosure." Such information, including the Exhibit attached hereto, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

(a) Slides for Earnings Presentation as contained in Exhibit 99.2

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

[Exhibit 99.1](#) - Press Release issued April 30, 2020

[Exhibit 99.2](#) - Slides for Earnings Presentation

Exhibit 104 - Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PATRICK INDUSTRIES, INC.

(Registrant)

Date: April 30, 2020

By: /s/ Joshua A. Boone

Joshua A. Boone

Vice President - Finance and Chief Financial Officer

Patrick Industries, Inc. Reports First Quarter 2020 Financial Results

First Quarter 2020 Highlights *(all metrics compared to First Quarter 2019 unless otherwise noted)*

- Net sales of \$589.2 million decreased 3.1%; primarily attributable to lost shipping days and business disruption in our end markets in late March related to the COVID-19 pandemic
- Operating income of \$39.3 million increased 9.6%; operating margin expanded 80 basis points to 6.7%
- Net income of \$21.2 million increased 1.6%
- Diluted EPS of \$0.91 increased 1.5%
- Available liquidity, including cash on hand, in excess of \$500 million at the end of first quarter 2020

ELKHART, IN - April 30, 2020 - Patrick Industries, Inc. (NASDAQ: PATK), a major manufacturer and distributor of component and building products for the recreational vehicle ("RV"), marine, manufactured housing ("MH"), and industrial markets, today reported financial results for the first quarter ended March 29, 2020.

Net sales for the first quarter of 2020 decreased \$19.0 million, or 3.1%, to \$589.2 million from \$608.2 million in the same quarter of 2019. The decrease in the quarter was primarily attributable to lost shipping days and business disruption in our end markets in late March related to the COVID-19 pandemic.

Patrick reported operating income of \$39.3 million, an increase of 9.6% or \$3.5 million, from \$35.8 million reported in the first quarter of 2019. Net income in the first quarter of 2020 was \$21.2 million compared to \$20.8 million in the first quarter of 2019, and net income per diluted share was \$0.91 and \$0.90 for the first quarter of 2020 and 2019, respectively.

"Our first quarter results reflect both the momentum and positive traction experienced across all of our end markets in the first two months of the year, followed by business disruptions caused by the unprecedented and sudden COVID-19 pandemic, as many of our customers reduced production levels and purchases of our products which impacted our operations in late March," said Andy Nemeth, President and Chief Executive Officer. "Despite the impact of COVID-19 on our business, we are encouraged by our first quarter performance and are exceptionally proud of our talented and dedicated team members who immediately adjusted to the rapidly changing environment."

"Additionally, the diversification of our end markets and geographic regions in which we operate have helped to lessen the impact of COVID-19 on our results, as certain plants in various parts of the country remained operational throughout March. The actions that we have taken over the past twelve months have continued to drive operational efficiencies and further optimize our cost structure, including the \$10 million annualized fixed cost reduction implemented in the third quarter of 2019. The integration of acquisitions and execution of synergies across our business units has also helped to partially offset the financial impacts of COVID-19 and position our organization to be nimble in the current environment," Mr. Nemeth continued.

First Quarter 2020 Sales by Market Sector

RV *(55% of Sales)*

- Revenues of \$320.2 million decreased 6%, compared to flat RV industry wholesale unit shipments for the quarter;
- RV content per wholesale unit (on a trailing twelve-month basis) decreased 1% to \$3,112 from \$3,131 for the first quarter of 2019 .

Marine (13% of Sales)

- Revenues of \$78.0 million decreased 14%, while marine powerboat industry wholesale unit shipments decreased between 18% and 20%, according to Company estimates;
- Marine powerboat content per retail unit (on a trailing twelve-month basis) increased 3% to an estimated \$1,531 from \$1,484 for the first quarter of 2019.

MH (19% of Sales)

- Revenues of \$112.4 million increased 6% compared to the prior year, with an 8% increase in MH industry wholesale unit shipments, according to Company estimates;
- MH content per wholesale unit (on a trailing twelve-month basis) for the first quarter of 2020 increased 35% to an estimated \$4,596 from \$3,415 for the first quarter of 2019.

Industrial (13% of Sales)

- Revenues of \$78.6 million increased 14% compared to the prior year;
- In residential housing, the Company's primary industrial market, new housing starts in the first quarter of 2020 increased 22% compared to the first quarter of 2019.

The Company's content per unit in the RV, marine and MH market sectors was negatively impacted in the quarter as manufacturers curtailed production in late March while continuing to ship finished product and reduce inventory levels in preparation for the short-term suspension of their operations related to COVID-19.

COVID-19 Business Continuity and Operations Update

As previously communicated, the COVID-19 pandemic caused a disruption to the Company's operations during the latter half of March and through the month of April. In order to prioritize the safety and well-being of Patrick team members, continue to balance production levels with customer demand, and comply with government mandates while maximizing cash flows and liquidity, the Company temporarily suspended operations at certain facilities over the last five weeks and furloughed affected team members with benefits. Additionally, the Company proactively took the following cost containment and financial management measures:

- Voluntary compensation reduction by the executive team
- Voluntary reduction in quarterly compensation for the Board of Directors
- Compensation reduction for salaried team members
- Freeze on all non-essential hiring
- Reduction of all non-essential spending
- Prioritization of critical maintenance capital expenditures

The Company has certain facilities across the country that have remained operational throughout this time, and the majority of its other facilities either have re-opened already or are expected to return to operation by May 4, 2020. As plants resume operations, the Company has implemented specific policies and procedures across the organization in conjunction with guidelines established by the Centers for Disease Control to ensure Patrick maintains a safe work environment for all team members, which is the Company's highest priority.

Balance Sheet, Cash Flow and Capital Allocation

Patrick generated cash flow from operations of \$13.2 million in the quarter, a decrease of 53% compared to the prior year, which excludes \$16 million of receivables collected within two business days following the quarter end. Inclusive of the \$16 million collection of receivables, cash flow from operations would be \$29 million, consistent with the prior year. Capital expenditures during the quarter were \$7.6 million, a decrease of 24% due to a higher level of strategic project spending in the first quarter of 2019 and the Company's efforts to reduce non-essential capital expenditures during March 2020 as a result of COVID-19.

The Company returned \$21.4 million to shareholders during the quarter including \$5.8 million in the form of quarterly dividends and \$15.6 million in share repurchases and completed two strategic acquisitions with \$20 million in expected annual revenues. While there is \$43.5 million remaining under the current repurchase authorization, the Company has decided to pause its share buyback program at this time. In addition, the Company will continue to curtail strategic capital expenditures and has suspended acquisition activities until there is greater visibility into the macro environment. Given the current environment, and out of an abundance of caution, the Company remains focused on maintaining liquidity and maximizing cash flow.

The Company's net debt at the end of the quarter was approximately \$610 million. Available liquidity, comprised of borrowing availability under the Company's credit facility and inclusive of \$94.5 million of cash on hand, was approximately \$505 million, with no major debt maturities until 2023.

2020 Outlook

"As we progress through the second quarter, our cost reduction and financial management measures that were implemented late in the first quarter remain in place," added Mr. Nemeth. "We have recently taken additional steps to further reduce our fixed cost structure to align with projected revenues, consolidating certain like-product facilities as appropriate to maximize efficiencies, and have eliminated approximately \$35 million of annualized fixed overhead, which will take effect in the second quarter of 2020. We have developed detailed, tiered execution plans, and as we continue to assess the macro environment and related demand levels within our market sectors, we will enact further measures as deemed necessary to adapt to the rapidly changing environment. Furthermore, in September 2019, we amended and extended our credit facility in conjunction with the issuance of senior notes to both support our long-term strategic plan and for defensive purposes for unanticipated situations such as this pandemic. Our capital structure and financial position remain strong and provide ample liquidity, which together with the flexibility of our highly variable cost model, will help us to manage through the economic turmoil and be able to quickly pivot and execute on our strategic growth initiatives once stability and visibility in the markets improve."

Mr. Nemeth continued, "I am extremely proud of all of our passionate and dedicated team members throughout the organization who have worked diligently and tirelessly as we manage through these unprecedented times. Their commitment to our Company, each other, and our communities has been truly inspiring. Our organization, team members, and business units have continued to donate and manufacture personal protective equipment for front line COVID-19 workers in our local communities, volunteer their time, and sponsor lunches for medical professionals and staff at several local hospitals. As we look to the second quarter of 2020 and the remainder of the year, our organization remains extremely focused on short-term planning and execution with a commitment to our long-term goals of executing our strategic plan, driving shareholder value, reinvesting in our team members and communities, dealing responsibly with our business partners, and servicing our customers at the highest level."

Conference Call Webcast

As previously announced, Patrick Industries will host an online webcast of its first quarter 2020 earnings conference call that can be accessed on the Company's website, www.patrickind.com, under "Investor Relations," on Thursday, April 30, 2020 at 10:00 a.m. Eastern time. In addition, a supplemental earnings presentation can be accessed on the Company's website, www.patrickind.com under "Investor Relations - Presentations."

About Patrick Industries, Inc.

Patrick Industries, Inc. is a major manufacturer and distributor of component products and building products serving the recreational vehicle, marine, manufactured housing, residential housing, high-rise, hospitality, kitchen cabinet, office and household furniture, fixtures and commercial furnishings, and other industrial markets and operates coast-to-coast in various locations throughout the United States and in Canada, China and the Netherlands. Patrick's major manufactured products include decorative vinyl and paper laminated panels, countertops, fabricated aluminum products, wrapped profile mouldings, slide-out trim and fascia, cabinet doors and components, hardwood furniture, fiberglass bath fixtures and tile systems, thermoformed shower surrounds, specialty bath and closet building products, fiberglass and plastic helm systems and component products, wiring and wire harnesses, boat covers, towers, tops and frames, electrical systems components including instrument and dash panels, softwoods lumber, interior passage doors, air handling products, RV painting, slotwall panels and components, aluminum fuel tanks, and CNC molds and composite parts and other products. The Company also distributes drywall and drywall finishing products, electronics and audio systems components, wiring, electrical and plumbing products, appliances, cement siding, raw and processed lumber, FRP products, interior passage doors, roofing products, tile, laminate and ceramic flooring, shower doors, furniture, fireplaces and surrounds, interior and exterior lighting products, and other miscellaneous products, in addition to providing transportation and logistics services.

Use of Financial Metrics

In addition to reporting financial results in accordance with U.S. GAAP, the Company also provides financial metrics, such as RV, marine and MH content per unit, net debt and available liquidity, which we believe are important measures of the Company's business performance. These metrics should not be considered alternatives to U.S. GAAP. Our computations of content per unit, net debt and available liquidity may differ from similarly titled measures used by others. You should not consider these metrics in isolation or as substitutes for an analysis of our results as reported under U.S. GAAP.

Cautionary Statement Regarding Forward-Looking Statements

This press release contains certain statements related to future results, 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 involve a number of risks and uncertainties that could cause actual results to differ materially from either historical or anticipated results depending on a variety of factors. Potential factors that could impact results include: the impact of the continuing financial and operational uncertainty due to the COVID-19 pandemic, including its impact on the overall economy, our sales, customers, operations, team members, suppliers, and the countries where we have operations or from which we source products and raw materials, such as China; adverse economic and business conditions, including cyclical and seasonality in the industries we sell our products; the deterioration of the financial condition of our customers or suppliers; the loss of a significant customer; changes in consumer preferences; pricing pressures due to competition; conditions in the credit market limiting the ability of consumers and wholesale customers to obtain retail and wholesale financing for RVs, manufactured homes, and marine products; the imposition of restrictions and taxes on imports of raw materials and components used in our products; information technology performance and security; any increased cost or limited availability of certain raw materials; the impact of governmental and environmental regulations, and our inability to comply with them; our level of indebtedness; the ability to remain in compliance with our credit agreement covenants; the availability and costs of labor and production facilities; inventory levels of retailers and manufacturers; the ability to generate cash flow or obtain financing to fund growth; future growth rates in the Company's core businesses; realization and impact of efficiency improvements and cost reductions; the successful integration of acquisitions and other growth initiatives; increases in interest rates and oil and gasoline prices; the ability to retain key executive and management personnel; the disruption of business resulting from natural disasters or other unforeseen events, and adverse weather conditions impacting retail sales.

There can be no assurance that any forward-looking statement will be realized or that actual results will not be significantly different from that set forth in such forward-looking statement. The Company does not undertake to publicly update or revise any forward-looking statements except as required by law. Information about certain risks that could affect our business and cause actual results to differ from those expressed or implied in the forward-looking statements are contained in the section entitled "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, which is filed with the Securities and Exchange Commission ("SEC") and is available on the SEC's website at www.sec.gov. Each forward-looking statement speaks only as of the date of this press release, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances occurring after the date on which it is made.

Contact:

Julie Ann Kotowski
Investor Relations
kotowskj@patrickind.com
574.294.7511

PATRICK INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(thousands except per share data)	<u>First Quarter Ended</u>	
	March 29, 2020	March 31, 2019
NET SALES	\$ 589,232	\$ 608,218
Cost of goods sold	479,751	501,670
GROSS PROFIT	109,481	106,548
Operating Expenses:		
Warehouse and delivery	24,732	24,041
Selling, general and administrative	35,869	37,692
Amortization of intangible assets	9,601	8,989
Total operating expenses	70,202	70,722
OPERATING INCOME	39,279	35,826
Interest expense, net	10,492	8,983
Income before income taxes	28,787	26,843
Income taxes	7,600	5,994
NET INCOME	\$ 21,187	\$ 20,849
BASIC NET INCOME PER COMMON SHARE	\$ 0.92	\$ 0.90
DILUTED NET INCOME PER COMMON SHARE	\$ 0.91	\$ 0.90
Weighted average shares outstanding - Basic	23,016	23,039
Weighted average shares outstanding - Diluted	23,267	23,248

PATRICK INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Unaudited)

(thousands)	As of	
	March 29, 2020	December 31, 2019
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 94,523	\$ 139,390
Trade receivables, net	154,571	87,536
Inventories	273,545	253,870
Prepaid expenses and other	26,275	36,038
Total current assets	548,914	516,834
Property, plant and equipment, net	189,129	180,849
Operating lease right-of-use assets	98,291	93,546
Goodwill and intangible assets, net	682,549	676,363
Deferred financing costs, net	2,868	2,978
Other non-current assets	407	423
TOTAL ASSETS	\$ 1,522,158	\$ 1,470,993
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Current maturities of long-term debt	\$ 5,000	\$ 5,000
Current operating lease liabilities	28,168	27,694
Accounts payable	138,146	96,208
Accrued liabilities	64,889	58,033
Total current liabilities	236,203	186,935
Long-term debt, less current maturities, net	672,235	670,354
Long-term operating lease liabilities	70,831	66,467
Deferred tax liabilities, net	26,546	27,284
Other long-term liabilities	20,967	22,472
TOTAL LIABILITIES	1,026,782	973,512
SHAREHOLDERS' EQUITY		
Common stock	170,626	172,662
Additional paid-in-capital	24,534	25,014
Accumulated other comprehensive loss	(8,741)	(5,698)
Retained earnings	308,957	305,503
TOTAL SHAREHOLDERS' EQUITY	495,376	497,481
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,522,158	\$ 1,470,993

PATRICK INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(thousands)	Three Months Ended	
	March 29, 2020	March 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 21,187	\$ 20,849
Depreciation and amortization	17,175	15,543
Stock-based compensation expense	4,311	3,947
Amortization of convertible notes debt discount	1,723	1,671
Other adjustments to reconcile net income to net cash provided by operating activities	750	1,048
Change in operating assets and liabilities, net of acquisitions of businesses	(31,982)	(15,174)
Net cash provided by operating activities	13,164	27,884
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(7,580)	(10,005)
Other investing activities	(24,260)	150
Net cash used by investing activities	(31,840)	(9,855)
NET CASH FLOWS USED BY FINANCING ACTIVITIES		
Increase (decrease) in cash and cash equivalents	(26,191)	(16,470)
Cash and cash equivalents at beginning of period	(44,867)	1,559
Cash and cash equivalents at beginning of period	139,390	6,895
Cash and cash equivalents at end of period	\$ 94,523	\$ 8,454

Q1 2020 Earnings Presentation

April 30, 2020



Forward-Looking Statements

This presentation contains certain statements related to future results, 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 involve a number of risks and uncertainties that could cause actual results to differ materially from either historical or anticipated results depending on a variety of factors. These risks and uncertainties include, but are not limited to, the impact of the continuing financial and operational uncertainty due to the COVID-19 pandemic, including its impact on the overall economy, our sales, customers, operations, team members and suppliers. 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.

We disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained in this presentation or to reflect any change in our expectations after the date of this presentation or any change in events, conditions or circumstances on which any statement is based.

Use of Non-GAAP Financial Measures

This presentation contains non-GAAP financial measures. These measures, the purposes for which management uses them, why management believes they are useful to investors, and a reconciliation to the most directly comparable GAAP financial measures can be found in the Appendix of this presentation. All references to profit measures and earnings per share on a comparable basis exclude items that affect comparability.

Company Snapshot



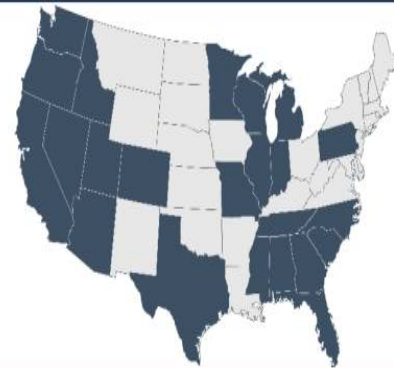
Founded in 1959 as a
Manufactured Housing Supplier



Today, operates as a key **component manufacturer and supplier** to the RV, Marine, Manufactured Housing and Industrial Markets

Headquartered in **Elkhart, Indiana**

Operates coast-to-coast in 23 states in
the U.S. and in Canada, China and the Netherlands



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

Q1 2020 LTM:
Revenue: **\$2.3B**
Operating Cash Flows: **\$178M**

7,000 team members

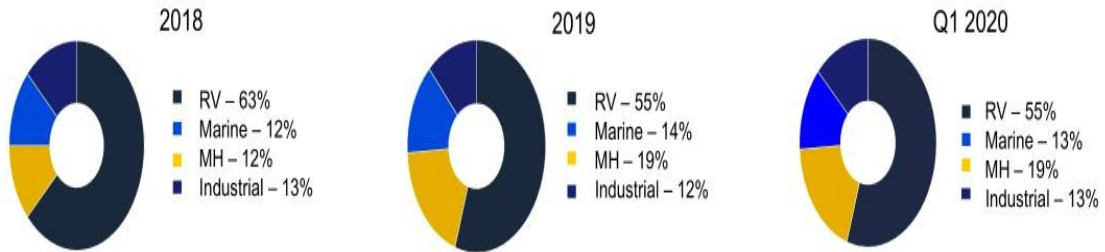


Our vision is to leverage the strength of our brand platform, manufacturing & distribution capabilities and synergies, diversified product portfolio, deep customer relationships, operating scale, and strategic geographic footprint to drive organic growth and through strategic acquisitions in all of our primary markets, while maintaining a strong balance sheet and disciplined leverage profile.

Market Platform

Over the last several years, we have strategically engaged in diversifying our market position in order to align our revenue stream with wholesale and retail trends across all four of our primary end markets

Sales Composition



Lifestyle & Leisure

RV



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

55% of Q1 2020 Sales

Marine



Pontoon, Fiberglass, Ski & Wake, Aluminum

13% of Q1 2020 Sales

Housing & Industrial

MH



Manufactured Housing, Modular Housing, Modular Structure

19% of Q1 2020 Sales

Industrial



Residential Housing, Hospitality, Commercial High-rise, Big box Retail, Institutional Furniture

13% of Q1 2020 Sales

Key Messages

1

Started the year with positive momentum and traction in all end markets, followed by the sudden disruption late in Q1 due to COVID-19

2

Strong operational and financial performance in Q1 despite lost production days and negative impact from COVID-19

3

Prioritization of team member safety – commitment to maintaining a safe work environment while continuing to serve our customers

4

Suspended certain operations, quickly and proactively implemented targeted cost containment and financial management measures

5

Flexible, high variable cost business model with cash on hand, strong liquidity and cash flows to navigate through the challenging economic conditions

COVID-19 Response



I would like to take this moment to thank all our conscientious team members across the organization who have worked so diligently and tirelessly as we navigate through these unprecedented and unforeseen times. Their commitment to our team and each other is truly inspiring. Our Company, team members and business units have put forth tremendous effort to support the communities in which we live and work. I am extremely proud of our *team's response to the challenging situation* and look forward to all of us emerging from this difficult time as a stronger organization.

Andy L. Nemeth | President & CEO

Company-wide Actions

HEALTH AND SAFETY

- ✓ Created COVID-19 Task Force and Business Unit Champions to provide continued awareness, training and education
- ✓ Implemented social distancing, strict sanitation practices and PPE measures
- ✓ Applied protocols in alignment with both CDC and state guidelines
- ✓ Encouraged work from home program as applicable
- ✓ Eliminated non-essential travel
- ✓ Implemented "Return to Work" protocols

SUPPORTING OUR COMMUNITIES

- ✓ Donating PPE for hospitals, care centers and front-line responders
- ✓ Sponsoring meals for local hospitals and frontline COVID-19 workers
- ✓ Temporary shifting of manufacturing focus at certain facilities to produce plastic face shields, masks and isolation gowns

COST CONTAINMENT AND FINANCIAL MEASURES

- ✓ Voluntary compensation reductions by the executive management team
- ✓ Voluntary reduced compensation for the Board of Directors
- ✓ Wage reductions for salaried team members across the organization
- ✓ Freeze on all non-essential hiring
- ✓ Fixed cost reduction of \$35 million
- ✓ Reduction of all non-essential spending
- ✓ Suspended acquisition activities and paused share repurchases

OPERATIONAL

- ✓ Suspended operations at certain facilities over the last five (5) weeks in alignment with customer demand
- ✓ Furloughed team members with benefits impacted by suspended operations
- ✓ Consolidating certain facilities with like-product lines

Q1 2020 Financial Highlights

COVID-19 IMPACT

Income Statement

- Net sales of \$589.2 million decreased 3.1%
- Operating income of \$39.3 million increased 9.6%
- Operating margin expanded 80 basis points to 6.7%
- Net income of \$21.2 million increased 1.6%
- Diluted EPS of \$0.91 increased 1.5%

- Sales decline primarily attributable to lost production days and business disruption in our end markets late in Q1 2020
- Earnings negatively impacted by lost production days

Other Important Highlights

- Completed two strategic acquisitions adding \$20 million in expected annualized revenues
- Returned \$21.4 million to shareholders through share repurchases and dividends
- Available liquidity of over \$500 million, including \$94.5 million of cash on hand, with no major debt maturities until 2023

- Suspended acquisition activities
- Share buybacks paused
- Aggressive management of cash flows and working capital to preserve liquidity

Markets and Trends

As we reflect on the first quarter, we had tremendous momentum to start the year, followed by the unprecedented and sudden impact from COVID-19

	RV	Marine*	MH*	Industrial (housing starts)
Wholesale Shipments	<ul style="list-style-type: none"> Jan-Feb: +13% Q1: Flat 	<ul style="list-style-type: none"> Jan-Feb: (18-20%) Q1: (18-20%) 	<ul style="list-style-type: none"> Jan-Feb: +15% Q1: +8% 	<ul style="list-style-type: none"> Jan-Feb: +34% Q1: +22%
Retail Shipments*	<ul style="list-style-type: none"> Jan-Feb: +3-5% Q1: +1-3% 	<ul style="list-style-type: none"> Jan-Feb: +9% Q1: (5%) 	-	-
Industry Trends	<ul style="list-style-type: none"> Inventory levels calibrated Strong traffic at recent RV retail shows 	<ul style="list-style-type: none"> Inventory levels expected to be calibrated for 2021 model year Boat show attendance strong – retail sold boats being delivered in Q2 	<ul style="list-style-type: none"> Demographic trends support strong demand patterns for quality, affordable homes Tailwinds from first-time home buyers and older generation downsizing 	<ul style="list-style-type: none"> Tight inventories, low interest rates and growing population of 35-44-year olds Increased demand at big box retail as homeowners look to remodel
COVID-19 Future Impact	<ul style="list-style-type: none"> Short-term disruption to consumers Long-term beneficiary of lifestyle and adaptation changes 	<ul style="list-style-type: none"> Short-term disruption to consumers Long-term beneficiary of lifestyle and adaptation changes 	<ul style="list-style-type: none"> Short-term disruption to consumers Long-term beneficiary of demographics, low inventories and price points 	<ul style="list-style-type: none"> Short-term disruption to consumers Long-term beneficiary of demographics, low inventories and low interest rates

* Company estimates

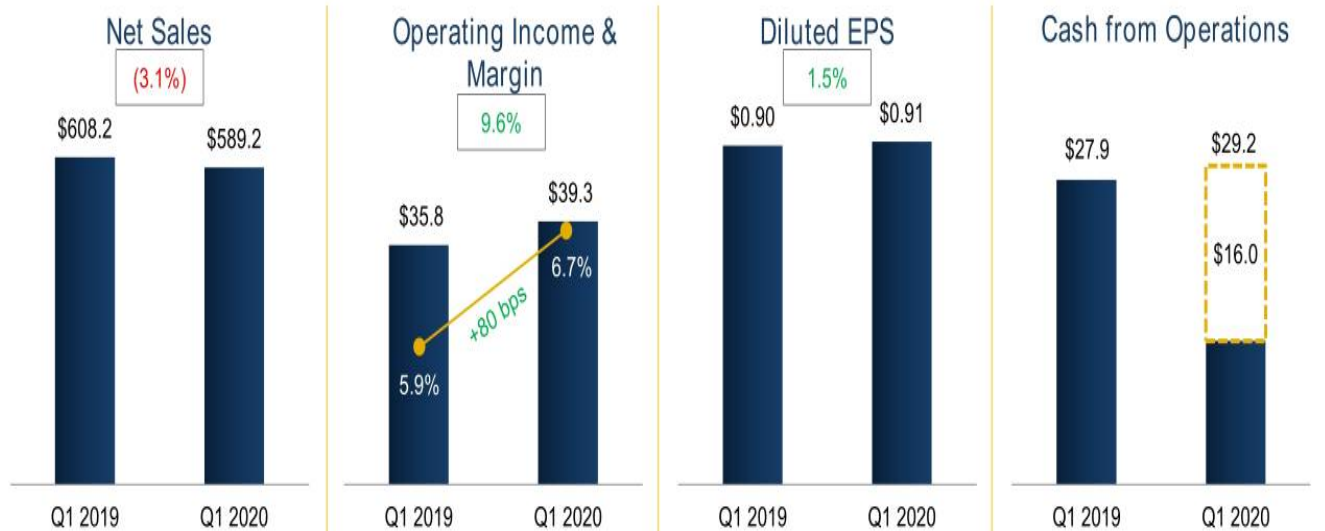
Operations & Short-term Outlook

- Roll out “Return to Work” protocols for planned re-opening of all our facilities by May 4, 2020
- Anticipate significant short-term disruption in all end markets in the second quarter, followed by sequential improvement through the back-half of 2020
- Leverage high-variable cost model and flexible manufacturing capabilities – shifting production to match demand throughout various plants and geographies as necessary
- Consolidate certain like-product based facilities as appropriate to maximize efficiencies, capacities, and synergies

ADDITIONAL COST SAVINGS IDENTIFIED

Eliminated annualized fixed overhead (effective Q2 2020)	\$35M
Consolidate certain like-product facilities	

Q1 2020 Financial Results (\$ millions except per share data)



\$16 million of receivables collected two business days after quarter end

- Decline attributable to lost production days / business disruption related to COVID-19
- Revenues from leisure lifestyle market (RV & Marine) declined 8%, with RV down 6% and marine down 14%
- Revenues from housing & industrial markets increased 9%, with MH up 6% and industrial up 14%

- Overhead reductions driven by proactive cost containment measures / cost reductions in 2019
- Integration / execution of synergies related to acquisitions and similar businesses

- Increase in overall effective tax rate due to discreet one-time item related to lower level of stock compensation tax benefits vs. Q1 2019
- Repurchased approximately 559,000 shares in aggregate of Company's stock in 2019 and Q1'20

- Q1 2020 inventories increased due to strategic overseas purchases and potential supply-chain disruptions related to COVID-19

Performance by Market Sectors

Revenues (\$ millions)



RV

- 55% of sales – Q1 2020
- Content Per Unit (TTM) – declined 1% to \$3,112 from \$3,131 in Q1 2019
- Content Per Unit negatively impacted due to OEMs curtailing production in late March, but continuing to ship finished goods in anticipation of short-term suspended operations



MARINE

- 13% of sales – Q1 2020
- Powerboat Content Per Retail Unit (TTM) – increased 3% to an estimated \$1,531 from \$1,484 in Q1 2019
- Continue to drive content growth driven by acquisitions, leveraging growth-oriented synergies from acquisitions, and geographic expansions



MH

- 19% of sales – Q1 2020
- Content Per Unit (TTM) – increased 35% to an estimated \$4,596 from \$3,415 in Q1 2019
- Content growth driven by acquisitions and leveraging synergies



INDUSTRIAL

- 13% of sales – Q1 2020
- New Housing Starts – increased 22% compared to Q1 2019
- 60% of revenues tied to new housing starts
- Patrick's products generally go into new homes 4-6 months after new housing starts

Balance Sheet, Cash Flow and Liquidity

The strength of our cash flows, combined with our liquidity, provides us with the flexibility to navigate a variety of scenarios through these unprecedented times

Debt Structure	<ul style="list-style-type: none"> • \$550M Senior Secured Revolver • \$100M Term Loan (\$97.5M o/s at 3/29/20) • \$172.5M 1% Convertible Senior Notes • \$300M 7.5% Senior Notes 	NET LEVERAGE* (\$ millions) <table border="1"> <tbody> <tr> <td>Total Debt Outstanding</td> <td>\$703.8</td> </tr> <tr> <td>Less: Cash on Hand</td> <td>(108.8)</td> </tr> <tr> <td>Net Debt</td> <td>\$595.0</td> </tr> <tr> <td>LTM Adj. EBITDA</td> <td>256.2</td> </tr> <tr> <td>Net Debt to Adj. EBITDA</td> <td>2.32x</td> </tr> </tbody> </table>	Total Debt Outstanding	\$703.8	Less: Cash on Hand	(108.8)	Net Debt	\$595.0	LTM Adj. EBITDA	256.2	Net Debt to Adj. EBITDA	2.32x
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Debt Maturities	<ul style="list-style-type: none"> • Revolver borrowings – September 2024 • Term Loan – pre-determined quarterly installments; balance due @ maturity • Convertible Senior Notes – February 2023 • Senior Notes – October 2027 	LIQUIDITY (\$ millions) <table border="1"> <tbody> <tr> <td>Total Revolver Credit Capacity</td> <td>\$550.0</td> </tr> <tr> <td>Less: Total Debt Outstanding (including outstanding letters of credit)</td> <td>(139.8)</td> </tr> <tr> <td>Unused Credit Capacity</td> <td>410.2</td> </tr> <tr> <td>Add: Cash on Hand</td> <td>94.5</td> </tr> <tr> <td>Total Available Liquidity</td> <td>\$504.7</td> </tr> </tbody> </table>	Total Revolver Credit Capacity	\$550.0	Less: Total Debt Outstanding (including outstanding letters of credit)	(139.8)	Unused Credit Capacity	410.2	Add: Cash on Hand	94.5	Total Available Liquidity	\$504.7
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Unused Credit Capacity	410.2											
Add: Cash on Hand	94.5											
Total Available Liquidity	\$504.7											
Covenants	<ul style="list-style-type: none"> • Consolidated Net Leverage Ratio – maximum 4.00x vs. 2.32x at 3/29/20 • Consolidated Fixed Charge Coverage Ratio – minimum 1.50x vs. 6.53x at 3/29/20 											
Liquidity	<ul style="list-style-type: none"> • Available liquidity, including cash on hand - \$504.7M at 3/29/20 											

Transformation of Business from Prior Recession

Great Recession	Response to Recession	Better Positioned Today
<ul style="list-style-type: none"> • Portfolio consisted of commodity-based product lines • Low margin profile • Little scale and diversification • Geographically centralized in Midwest • Weak cash flows • Limited liquidity and restrictive capital structure • High leverage heading into recession 	<ul style="list-style-type: none"> • Aggressive fixed cost reduction and consolidated certain operations • Divestiture of non-core assets • Streamlining of administrative and support activities • Targeted margin accretive acquisitions – post recovery • Market and geographic diversification • Added liquidity and enhanced capital structure 	<ul style="list-style-type: none"> • Engineered, value-added, brand-centric product portfolio • Higher margin profile • Highly scaled / market & geographically diversified • Highly variable (>80%) cost structure • Flexible manufacturing process • Asset light and not capital intensive • Ample liquidity and enhanced capital structure • Maintain discipline financial policy

Successfully Transformed the Business

2007		2019
\$370	Revenue (\$ millions)	\$2,337
11.9%	Gross Margin (%)	18.1%
\$20	Free Cash Flow (\$ millions)*	\$165
1,331	Employees	7,500
Commodity-Based Product Lines	Fiberglass Thermoforming / Plastics Metal Fabrication / Fuel Tanks Countertop Fabrication Marine Canvas & Towers Electrical Systems / Wire Harnesses	Value-added, Higher Margin Product Lines

*Free cash flow defined as cash flow from operations less capital expenditures

Downturn Playbook

Flexible Business Model

- High variable cost model
 - >80% variable costs
- Flexible manufacturing process
 - Ability to shift production across like-product facilities
- Ability to moth-ball or ramp up facilities based on capacities and demand
- Geographically diverse
 - Presence in 23 states
- Non-capital-intensive businesses
- Flexible working capital

Cost Containment Actions Taken

- ✓ Voluntary wage reductions for the executive management team and board of directors' compensation
- ✓ Wage reductions for salaried team members across the organization
- ✓ Furlough with benefits of certain team members that were impacted by the suspension of operations
- ✓ Freeze on all non-essential hiring
- ✓ Prioritized critical maintenance capital expenditures
- ✓ Aggressive reduction in inventories and working capital

Additional Levers Available

- Fixed overhead reductions
- Variable compensation reductions
- Consolidation of facilities
- Sale-leasebacks (2.7 million square feet)
- Staggered lease terms for leased facilities (6.9 million square feet)
- Divestiture of facilities and/or brands
- Aggressive inventory and working capital reductions
- Suspension of dividends

Conclusion / Takeaways

1

Flexible business model with ability to produce across all four market sectors and shift production amongst plants with similar products to drive efficient operations

2

Strong balance sheet with no near-term debt maturities, ample liquidity, cash on hand, and enhanced capital structure

3

Proven resilience to withstand significant economic challenges with an ability to take decisive actions and implement cost containment strategies

4

Primary market sectors uniquely positioned for post COVID-19:

- ✓ Social distancing
- ✓ Quality time with family & friends



Appendix

PATK
LISTED
NASDAQ

 **PATRICK**
INDUSTRIES, INC.

Non-GAAP Reconciliations

Reconciliation of Cash Flow from Operations to Free Cash Flow

(\$ in millions)	2007	2019
Cash Flow from Operations	\$ 22.5	\$ 192.4
Less: Capital Expenditures	(2.5)	(27.7)
Free Cash Flow	<u>\$ 20.0</u>	<u>\$ 164.7</u>

Reconciliation of Net Income to EBITDA to LTM Adjusted EBITDA

(\$ in millions)	LTM 3/29/20
Net income	\$ 89.9
+ Depreciation & amortization	64.4
+ Interest Expense, net	38.1
+ Income taxes	29.9
EBITDA	<u>222.3</u>
+ Stock compensation expense	15.8
+ Acquisition proforma, transaction-related expenses & other	18.1
LTM Adjusted EBITDA	<u>\$ 256.2</u>

Reconciliation of Net Leverage*

(\$ millions)	
Total debt outstanding @ 3/29/20	\$ 705.0
Less: term loan payment	(1.2)
Total debt outstanding @ 3/31/20	<u>703.8</u>
Less: cash on hand @ 3/31/20	(108.8)
Net debt @ 3/31/20	<u>\$ 595.0</u>
LTM Adjusted EBITDA	<u>\$ 256.2</u>
Net Debt to Adjusted EBITDA	2.3 X

*As defined by credit agreement which includes debt balance and cash balance two days following quarter end

Use of Non-GAAP Financial Information

Free Cash Flow, Earnings before interest, taxes, depreciation and amortization ("EBITDA"), and LTM Adjusted EBITDA are non-GAAP financial measures. In addition to reporting financial results in accordance with accounting principles generally accepted in the United States, we provide non-GAAP operating results adjusted for certain items and other one-time items. We adjust for the items listed above in all periods presented, unless the impact is clearly immaterial to our financial statements.

We utilize the adjusted results to review our ongoing operations without the effect of these adjustments and for comparison to budgeted operating results. We believe the adjusted results are useful to investors because they help them compare our results to previous periods and provide important insights into underlying trends in the business and how management oversees our business operations on a day-to-day basis.

