



## Off-Season Shareholder Engagement

January 2019

*This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements relating to events or results that may occur in the future are forward-looking statements, including but not limited to, statements or estimates regarding our plans, sales, sales trends, sales growth rates, revenues, profits, costs, working capital, balance sheet, inventories, products (including truss and concrete products as well as software offerings), relationships with contractors and partners (including our collaboration with The Home Depot, Inc.), market strategies, market share, expenses (including operating expenses and research, development and engineering investments), inventory turn rates, cost savings or reduction measures, repatriation of funds, results of operations, tax liabilities, losses, capital spending, housing starts, price changes (including product and raw material prices, such as steel prices), profitability, profit margins, operating income, operating income margin (referring to consolidated income from operations as a percentage of net sales), operating expenses as a percentage of net sales, effective tax rates, depreciation or amortization expenses, amortization periods, capital return (also called return on invested capital), stock repurchases, dividends, compensation arrangements, prospective adoption of new accounting standards, effects of changes in accounting standards, effects and expenses of (including eventual gains or losses related to) mergers and acquisitions and related integrations, effects and expenses of equity investments, effects of changes in foreign exchange rates or interest rates, effects and costs of SAP and other software program implementations (including related expenses, such as capital expenditures, and savings), effects and costs of credit facilities and capital lease obligations, headcount, engagement of consultants, the Company’s 2020 Plan and other operating initiatives (discussed under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” below), the Company’s efforts and costs to implement the 2020 Plan and initiatives, the targets and assumptions under the 2020 Plan and such other initiatives (including targets associated with organic compound annual growth rate in consolidated net sales, operating income, operating income margin, operating expenses as a percentage of net sales, cost structure rationalization, improved working capital management, return on invested capital, stock repurchases, and overall balance sheet discipline) and the projected effects and impact of any of the foregoing on our business, financial condition and results of operations. Forward-looking statements generally can be identified by words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “target,” “continue,” “predict,” “project,” “change,” “result,” “future,” “will,” “could,” “can,” “may,” “likely,” “potentially,” or similar expressions. Forward-looking statements are necessarily speculative in nature, are based on numerous assumptions, and involve known and unknown risks, uncertainties and other factors (some of which are beyond our control) that could significantly affect our operations and may cause our actual actions, results, financial condition, performance or achievements to be substantially different from any future actions, results, financial condition, performance or achievements expressed or implied by any such forward-looking statements. Those factors include, but are not limited to: (i) the impact, execution and effectiveness of the Company’s current strategic plan, the 2020 Plan, and initiatives the realization of the assumptions made under the plan and the efforts and costs to implement the plan and initiatives; (ii) general economic cycles and construction business conditions including changes in U.S. housing starts; (iii) customer acceptance of our products; (iv) product liability claims, contractual liability, engineering and design liability and similar liabilities or claims, (v) relationships with partners, suppliers and customers and their financial condition; (vi) materials and manufacturing costs; (vii) technological developments, including system updates and conversions; (viii) increased competition; (ix) changes in laws or industry practices; (x) litigation risks and actions by activist shareholders; (xi) changes in market conditions; (xii) governmental and business conditions in countries where our products are manufactured and sold; (xiii) natural disasters and other factors that are beyond the Company’s reasonable control; (xiv) changes in trade regulations, treaties or agreements or in U.S. and international taxes, tariffs and duties including those imposed on the Company’s income, imports, exports and repatriation of funds; (xv) effects of merger or acquisition activities; (xvi) actual or potential takeover or other change-of-control threats; (xvii) changes in our plans, strategies, objectives, expectations or intentions; and (xviii) other risks and uncertainties indicated from time to time in our filings with the U.S. Securities and Exchange Commission, including the Company’s most recent Annual Report on Form 10-K under the heading “Item 1A - Risk Factors.” Each forward-looking statement contained in the Company’s Quarterly Reports on Form 10-Q is specifically qualified in its entirety by the aforementioned factors. In light of the foregoing, investors are advised to carefully read the Company’s Quarterly Reports on Form 10-Q in connection with the important disclaimers set forth above and are urged not to rely on any forward-looking statements in reaching any conclusions or making any investment decisions about us or our securities. All forward-looking statements hereunder are made as of the date of the Company’s most recent Quarterly Report on Form 10-Q and are subject to change. Except as required by law, we do not intend and undertake no obligation to update, revise or publicly release any updates or revisions to any forward-looking statements hereunder, whether as a result of the receipt of new information, the occurrence of future events, the change of circumstances or otherwise. We further do not accept any responsibility for any projections or reports published by analysts, investors or other third parties. Each of the terms the “Company,” “we,” “our,” “us” and similar terms used herein refer collectively to Simpson Manufacturing Co., Inc., a Delaware corporation and its wholly-owned subsidiaries, including Simpson Strong-Tie Company Inc., unless otherwise stated. This presentation does not provide information with respect to the final fiscal quarter of 2018. To the extent that estimates have been made concerning the full 2018 fiscal year or any subsequent years, these reflect statements that have previously been made in the Company’s securities filings.*

*Simpson Manufacturing Co. designs, engineers and manufactures structural connectors, anchors, software solutions and other products for new construction, retro-fitting and do-it-yourself markets*

*Simpson Manufacturing Co. operates across 3 reporting segments (North America, Europe and Asia/Pacific) with 2 primary product lines*

## Wood Construction Products



- Typically made of steel and are used primarily to strengthen, support and connect wood joints
- Produce and market over 16,000 standard and custom products

## Concrete Construction Products



- Composed of various materials including steel, chemicals and carbon fiber used to repair, protect and strengthen concrete
- Produce and market over 1,300 standard and custom products

## Key Facts and Figures (as of January 2, 2019)

- Ticker: NYSE:SSD
- Market Cap: \$2.52 B
- 2017 Revenue: \$977 M
- Headquarters: Pleasanton, CA
- Operations in 50 locations globally
- Employees: 2,902

## Company History

Barclay Simpson (1921-2014) founded Simpson Manufacturing in 1956, and **spent over 50 years building a culture** that has been perpetuated for the last six years under the leadership of Karen Colonias. Under Barclay's leadership, Simpson became a publicly traded company in 1994 and established itself as one of the world's largest suppliers of structural building products. In addition to delivering exceptional records of performance through strong fiscal management and innovative approaches to growth, the management team promoted a **culture of employee ownership focused on the value and contributions of every employee.**



# Strong Business Drives Shareholder Value

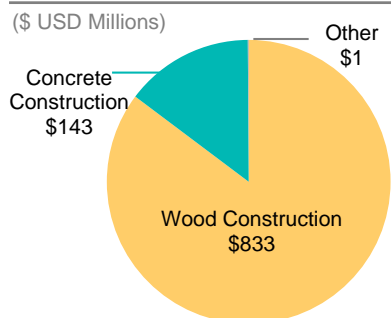
## A Strong Unique Business Model...

Simpson is seen as a thought leader in defining evolving building codes in collaboration with customers and regulators. Simpson continues to differentiate from competitors across operating segments by designing and marketing end-to-end wood and construction product systems.

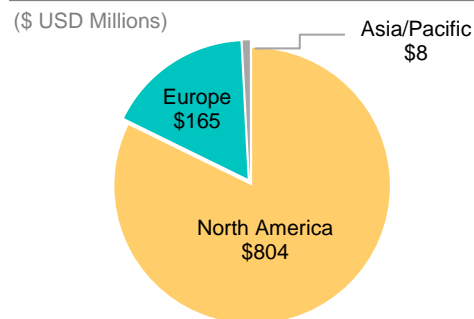
## Enables Us to Deliver Value to Shareholders

The Board employs a balanced capital allocation strategy that utilizes free cash flow to grow the business through capital expenditures, acquisitions, and to provide returns to stockholders through dividends and share repurchases. Simpson has increased its quarterly dividend by 103% since 2010 and repurchased \$322.1<sup>(1)</sup> million in shares since 2011.

### Our 2017 Sales by Product...

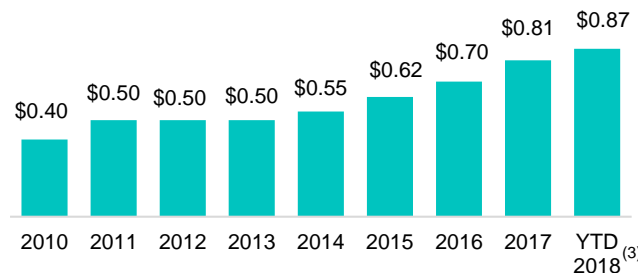


### and Across Operating Segments



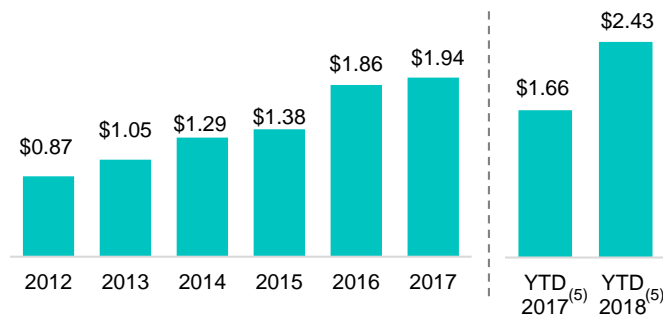
with industry leading operating and gross margins of **14.2%** and **45.7%** respectively

### Dividends Per Share<sup>(2)</sup>



- 2) Part of the 2013 dividend was accelerated due to uncertainty of changes to tax code in 2013. The dividend paid in Dec 2012 is included in 2013.  
3) Includes third quarter cash dividend of \$0.22 declared on October 22, 2018 and payable on January 24, 2019

### EPS<sup>(4)</sup>



- 4) The enactment of the Tax Cuts and Jobs Act in December 2017 resulted in a provisional net charge of \$2.2 million in the fourth quarter of 2017, or an impact of \$0.04 per fully diluted share.  
5) For the nine months ended September 30, 2017 and September 30, 2018

(1) As of October 2018.

## KEY OBJECTIVES

## FY 2016A

## 2020 TARGETS

1

### FOCUS ON ORGANIC GROWTH



- \$861 M Net Sales

- ~8% Organic Net Sales CAGR<sup>(1)</sup>

2

### RATIONALIZE COST STRUCTURE TO INCREASE PROFITABILITY



- 31.8% Operating Expenses as a % of Net Sales
- 16.2% Operating Income Margin<sup>(2)</sup>

- ~26% - 27% Operating Expenses as a % of Net Sales
- ~21% - 22% Operating Income Margin<sup>(2)</sup>
- Working with leading management consultant to identify additional opportunities

3

### IMPROVE WORKING CAPITAL MANAGEMENT & BALANCE SHEET DISCIPLINE



- 2x Inventory Turn Rate

- 4x Inventory Turn Rate
- Working with external consultant to identify further improvements to inventory management

### IMPROVE RETURN ON INVESTED CAPITAL<sup>(3)</sup>

- Execution on the 2020 Plan is expected to substantially enhance ROIC
- Expect to achieve 17% to 18% ROIC target by FY 2020, up from 10.5% in FY 2016

### INCREASE CAPITAL RETURN TO SHAREHOLDERS

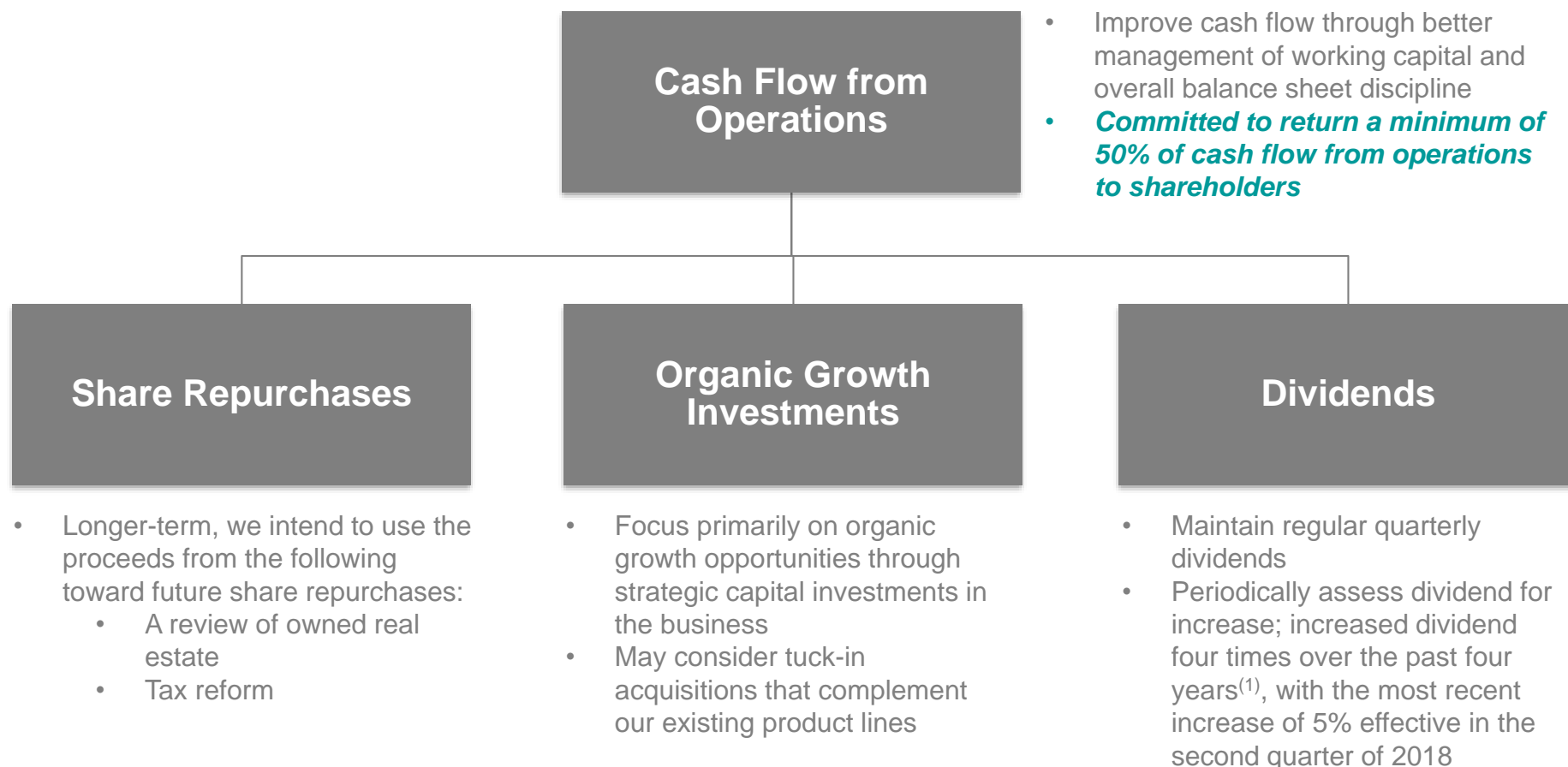
- Committed to returning a minimum of 50% of cash flow from operations to shareholders
- Utilize capital from inventory reductions and balance sheet efficiency improvements to repurchase shares
- Review of owned real estate properties for potential sale; capital release to be used for repurchases

(1) Based on FY 2016 reported net sales of \$861 million.

(2) Operating income margin refers to consolidated income from operations as a percentage of net sales.

(3) See slide 29 for Return on Invested Capital (ROIC) definition.

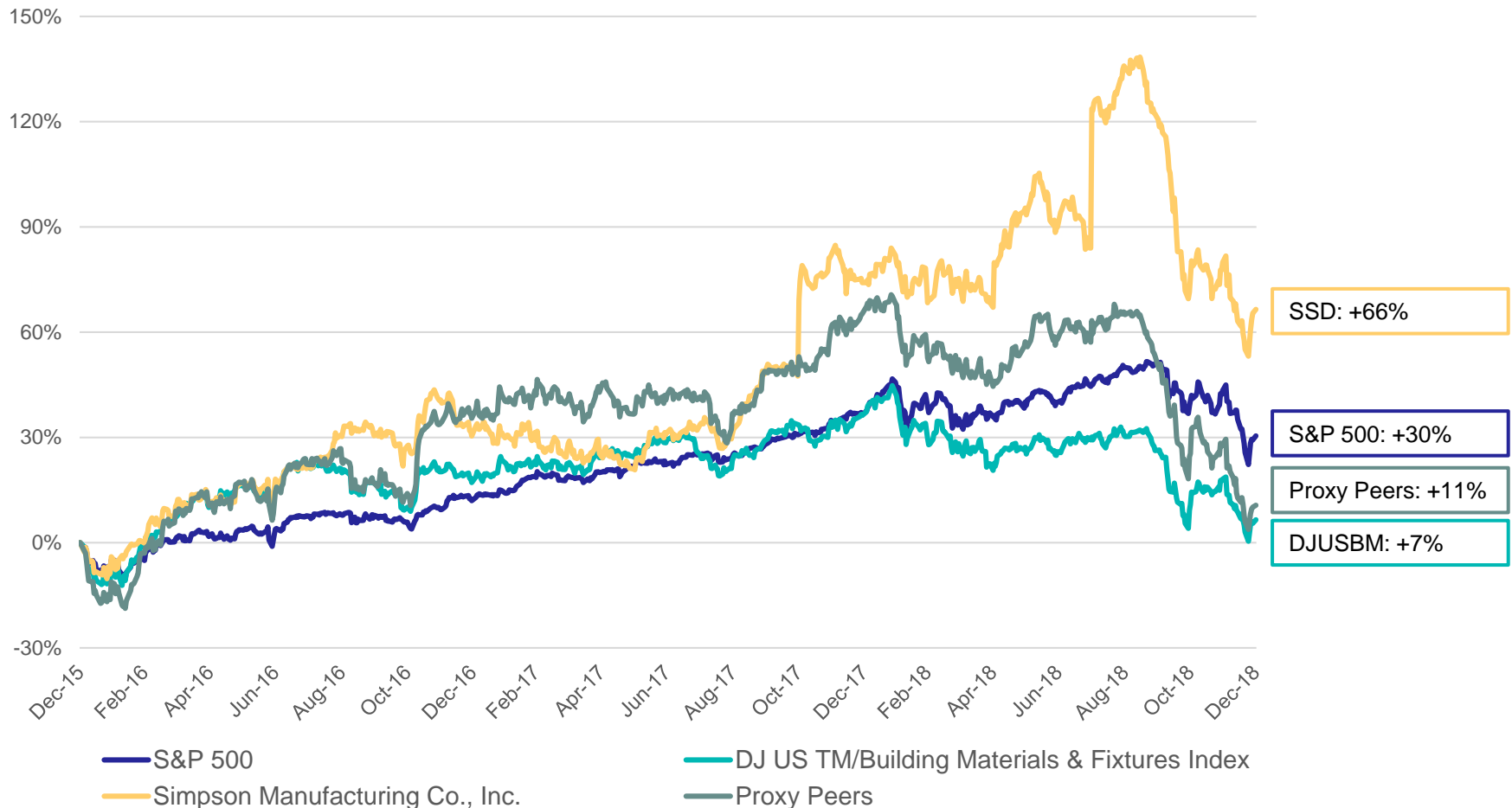
*Given our confidence the 2020 Plan will drive improved operational performance in our business, we plan to purchase additional shares of our stock*



(1) As of September 30, 2018.

# 3-Year Relative Total Shareholder Return

*Recent stock performance reflects clarity surrounding business strategy, growth prospects and operational efficiencies*



Note: Proxy peer average includes: AAON, AMWD, APOG, CBPX, EXP, ROCK, IIN, DOOR, NCS, PATK, PGTI, NX, SUM, TREX, and USCR.

Note: Time period spanning December 31, 2015 to December 31, 2018.

Note: Total shareholder return measures the internal rate of return of all cash flows to the investor during the holding period of an investment, not solely the capital gain.

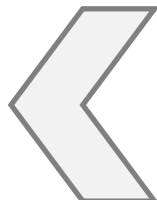
# Independent and Diverse Board

*Our Board is committed to being effective stewards of shareholder capital and possesses the diversity of skills and experiences to oversee the business*



**James Andrasick**  
*New Chairman*

Former Chairman & CEO  
Matson Navigation



**Peter Louras, Jr.**  
*Former Chairman*

Retired Group VP  
The Clorox Company

*As part of our refreshment process, Peter Louras Jr. has stepped down as Chairman and in order to provide support to incoming Chairman James Andrasick, Peter will remain on the Board until the 2019 Annual Meeting*



**Michael Bless** ★

CEO  
Century Aluminum  
Company



**Jennifer Chatman**

Paul J. Cortese  
Professor of Mgmt.  
Haas School of Business  
UC Berkeley



**Karen Colonias**

President & CEO  
Simpson Manufacturing



**Gary Cusumano**

Former Chairman  
The Newhall Land and  
Farming Company



**Phil Donaldson** ★

Executive VP & CFO  
Andersen Corporation



**Celeste Volz Ford**

Founder & CEO  
Stellar Solutions



**Robin Greenway  
MacGillivray**

Former Senior Vice  
President — One AT&T  
Integration, AT&T

**44%**

Female Directors

**89%**

Independent Directors

*(CEO only non-  
independent director)*

**9yrs**

Average tenure

*(including 2 directors  
added over past 2 years)*



Indicates director joined over past 2 years



## Director Refreshment Process

- Review Board composition against our strategic priorities
- Board self assessment and third party corporate governance evaluation
- Formalization of director candidate search criteria
- Independent search firm screens candidates and Governance and Nominating Committee interviews select candidates
- GNC recommends an independent director nominee

## Powerful Combined Skill-Set



# Board Has Responded to Shareholder Feedback

- *The Board and management regularly conducts broad outreach to our shareholders to seek feedback on our executive compensation program and governance practices*
- *In response to shareholder feedback, and following a thorough review of our practices, the Board made several changes since our 2016 Annual Meeting:*

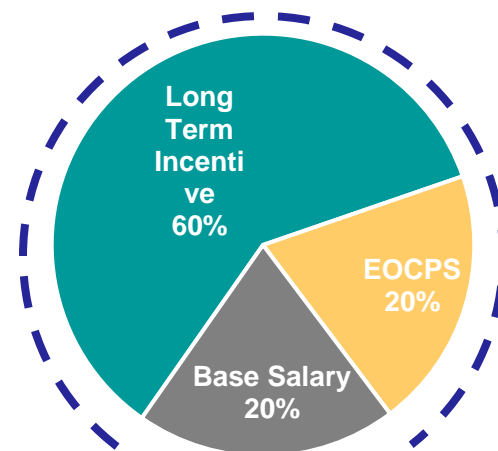
Compensation Practices	Governance Practices	Board Structure
<ul style="list-style-type: none"> <li>Adopted a <b>median pay for median performance pay philosophy</b></li> <li>Transformed our executive compensation program:                             <ul style="list-style-type: none"> <li>Reduced proportion delivered through EOCPS</li> <li>Extended all performance periods (added annual measurement to EOCPS and 3-year measurement to LTIP)</li> <li>Established <b>LTIP equity metrics distinct from EOCPS</b>, which align with our strategy</li> </ul> </li> <li><b>Adopted clawback, anti-hedging and anti-pledging policies</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Declassified the Board</b>, phased in over a three-year period beginning at the 2017 Annual Meeting</li> <li><b>Eliminated Cumulative Voting</b></li> <li><b>Eliminated the shareholder rights plan</b></li> <li><b>Reduced Director term limits</b> for new directors elected to the Board</li> </ul> <p><u>These practices are in addition to our:</u></p> <ul style="list-style-type: none"> <li>Separate Independent Chairman and CEO roles</li> <li>Majority vote standard for director elections</li> <li>No supermajority voting provisions</li> </ul>	<ul style="list-style-type: none"> <li><b>Conducted a comprehensive Board self assessment</b> and third party governance evaluation to formalize director candidate search criteria</li> <li><b>Nominated new independent director candidates, Michael Bless and Phillip Donaldson</b>, for election at the 2017 and 2018 Annual Meetings, respectively</li> <li><b>Announced Chairman succession from Peter Louras Jr. to James Andrasick</b> effective at the end of 2018. Peter Louras Jr. will remain on the Board until the 2019 annual meeting, ensuring a smooth leadership transition</li> </ul>

***Our Board is committed to ongoing communication with our shareholders***

# 2018 Executive Compensation Program

*In response to shareholder feedback, the Board made a number of compensation program changes which were phased in over the past two years. 2018 is the first year exhibiting full implementation of the changes*

2018 Program Design		
Salary	Salary is positioned to <u>50<sup>th</sup> percentile</u> of peer group	
EOCPS	50%	50%
	Annual Operating Profit	Quarterly Operating Profit
Long-Term Incentive	80% PSUs	
	50%	50%
	Three-year revenue growth following grant	Three-year ROIC following grant
	20% RSUs	
	Three-year staggered vesting (20% / 40% / 40%)	



**80%**  
of targeted compensation  
is “at-risk”

*We believe in doing what's right for our people, customers and community*

## Environmental Efforts



### **Manufacturing Process**

Our value engineering process optimizes design while maximizing performance for construction



### **Energy Efficiencies**

We strive to increase energy efficiencies at our facilities for environmentally friendly, cost-effective operations



### **Sustainable Building Practices**

We support established national and local sustainable building practices



### **Recycling**

We recycle most key materials to reduce our impact on the environment



### **Innovative Product Use**

Our products strengthen structures they are installed in, making them more able to resist natural forces



### **Quality Programs**

We follow a quality system that manages defined procedures to ensure consistent product quality



### **Environmental Health & Safety**

We conduct safety audits at our manufacturing facilities around the world

## Social Programs



### **Employee Involvement**

Our employees dedicate hundreds of volunteer hours each year in their local communities



### **All Inclusive Workplace**

Our Boulstrop, Denmark, branch was named "Inclusive Workplace of the Year" in 2014



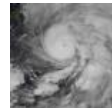
### **Scholarships**

Our program provides financial assistance to employees' children, and to engineering and architecture students



### **Sponsorships**

The company sponsors a variety of campaigns to help support those in our industry



### **Disaster Relief**

Simpson-Strong Tie supports disaster relief and recovery efforts around the globe



### **Industry Recognition**

We collaborated with academia on the NEESWood Capstone project



### **Careers**

We value the individuals and the creativity that individuals can bring to the workplace

# Robust Board Oversight of Risk Management

*Our Board is actively involved in overseeing the Company's risk management, regularly reviewing information regarding operational, financial, legal and strategic risks to ensure that shareholders' investments are protected for the long term*

