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CFO

# The Power to Strengthen

August 2018

*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 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 shares, 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, effective tax rates, depreciation or amortization expenses, amortization periods, capital return, 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 initiatives (including targets associated with organic compound annual growth rate in consolidated net sales, cost structure rationalization, improved working capital management 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 or 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 Report 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 Report 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 this presentation 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.*

*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 July 31, 2018)

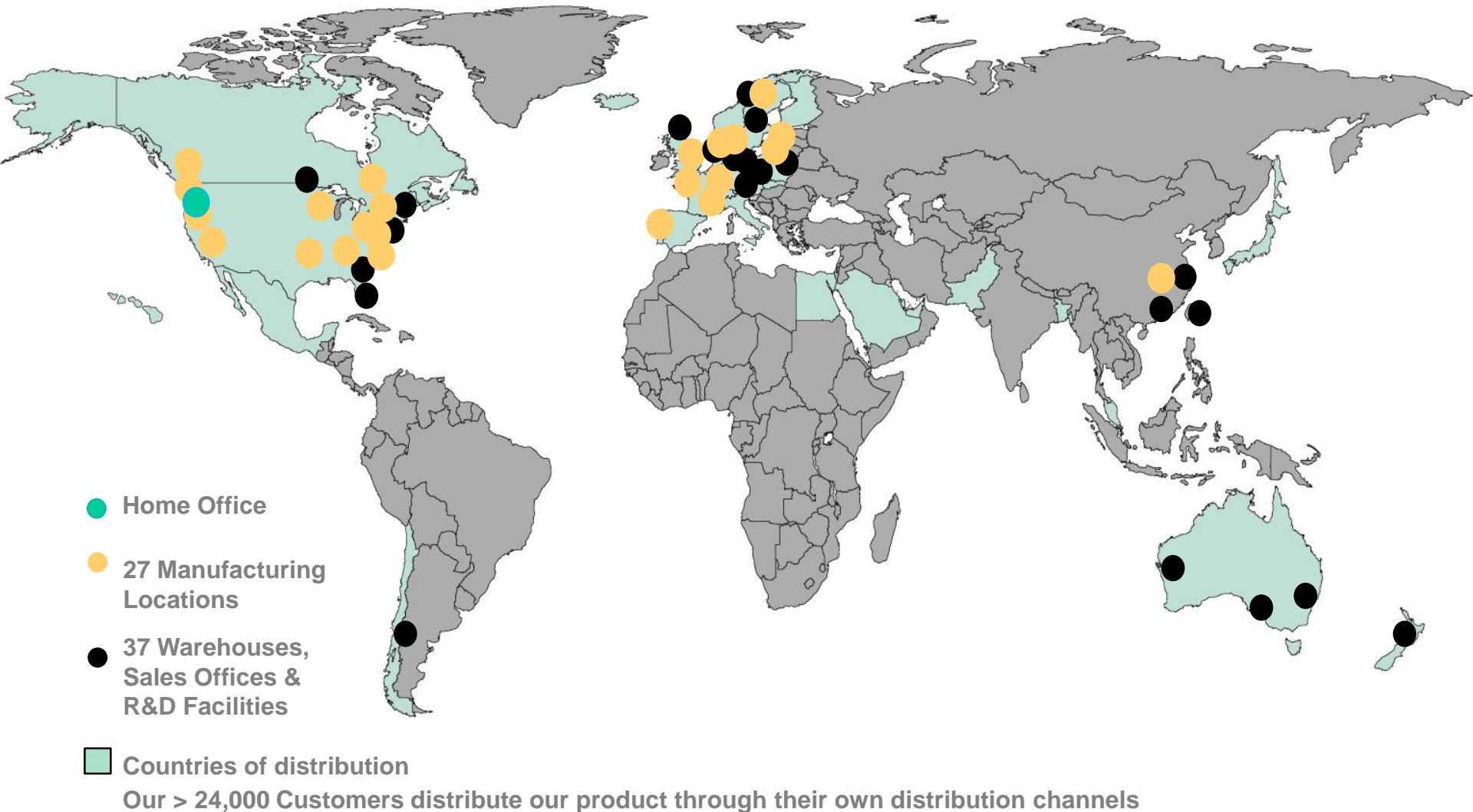
- Ticker: NYSE:SSD
- Market Cap: \$3.38 B
- 2017 Revenue: \$977 M
- Headquarters: Pleasanton, CA
- Operations in 50 locations globally
- Employees: 2,902

## 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.**



# Global Presence



# Products for Wood Construction

244  
Engineers

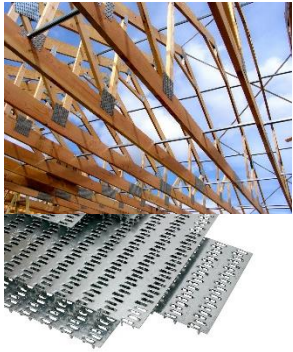
55  
Engineering &  
Lab Technicians

1,152  
Patents

163  
Patents  
Pending

184  
Code Reports

## Products



### Sample product lines:

Truss plates, screw-delivery systems, holdowns, fasteners, joist hangers, wood & steel shearwalls, moment frames

## Product Applications



Single Family



DIY



Multi-Family



Outdoor Accents



## Products



Sample product lines: powder-actuated tools, mechanical anchors, adhesives, concrete repair systems, carbon fiber

## Product Applications



Bridges



Concrete Piers

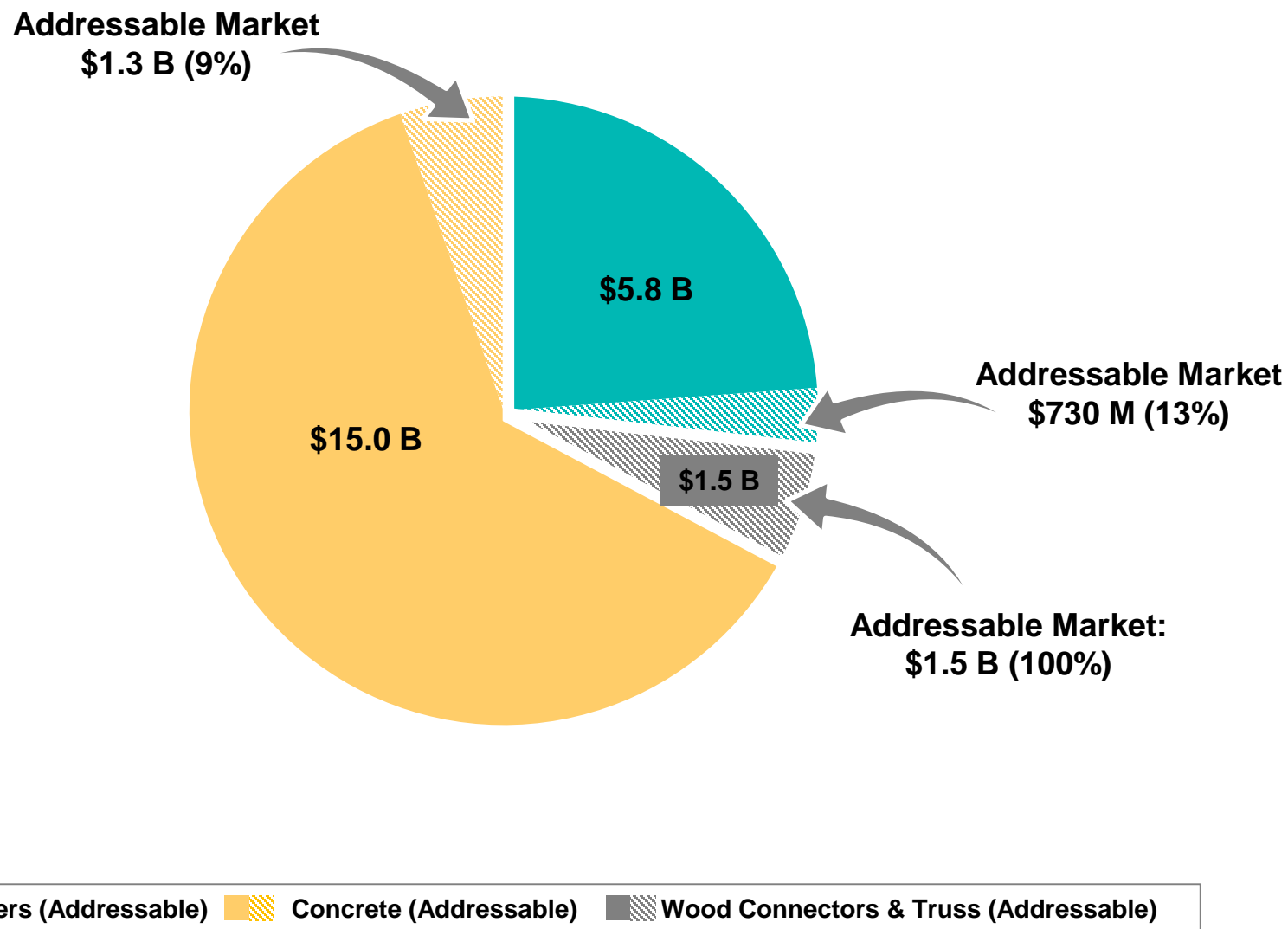


Agricultural Silos



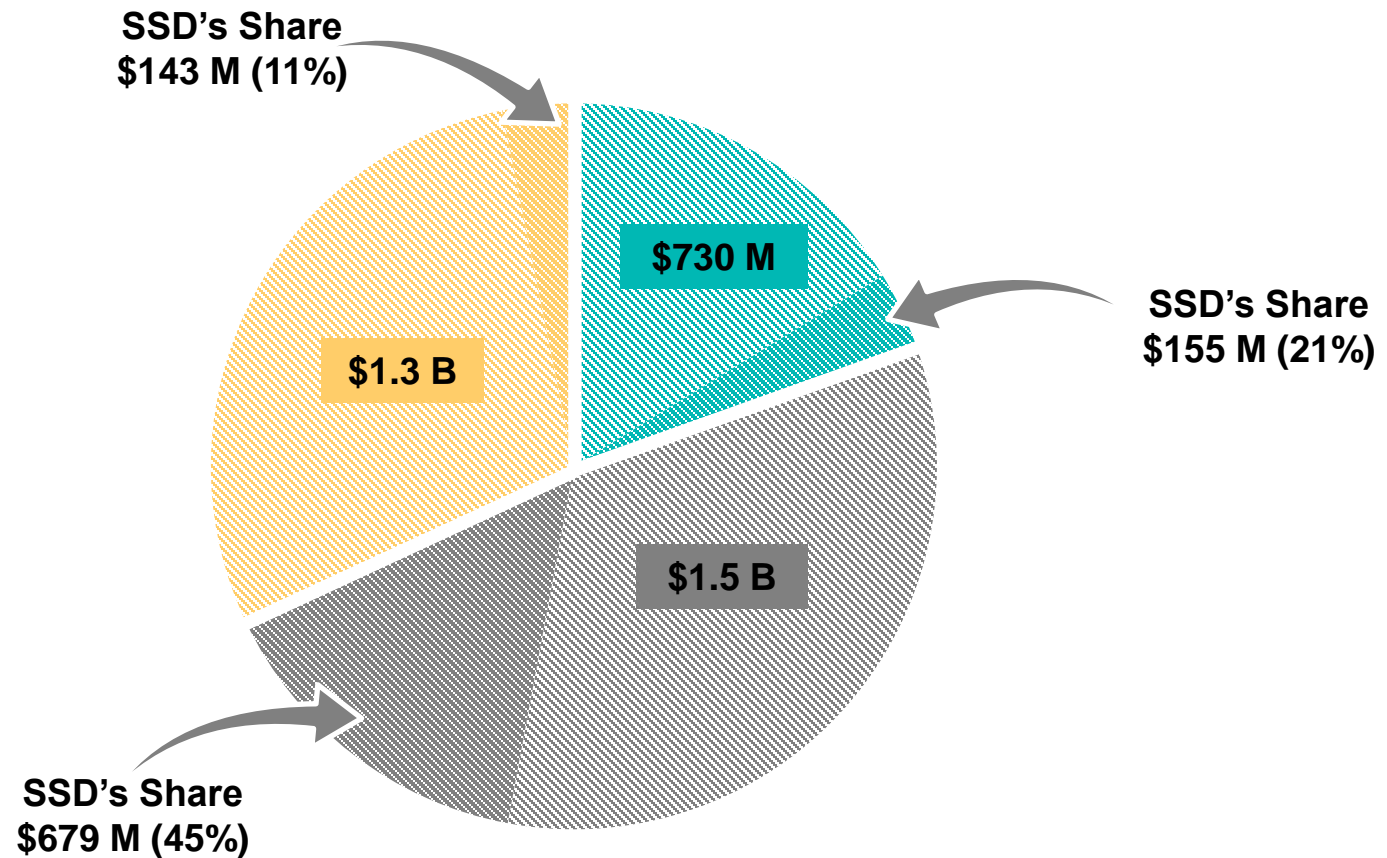
DIY – Home Depot

# Addressable Market Opportunity<sup>(1)</sup>



(1) Note: Market sizes and market shares based on internal estimates. Includes North America, Europe and Pacific Rim.

# Simpson's Market Share<sup>(1)</sup>



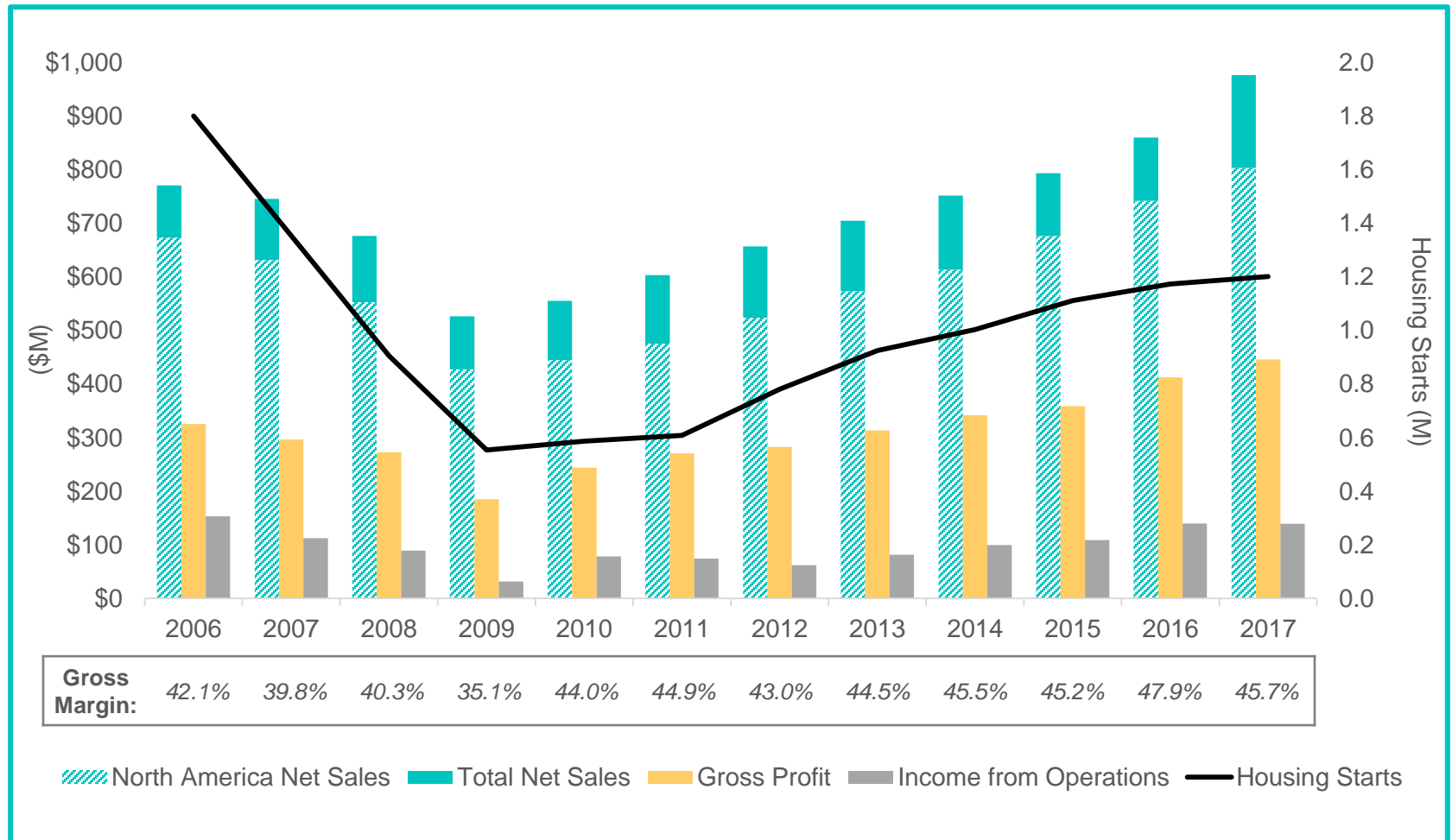
 Fasteners (SSD Share)    Concrete (SSD Share)    Wood Connectors & Truss (SSD Share)

(1) Note: Market sizes based on internal estimates. Includes North America, Europe and Pacific Rim.



# Net Sales Correlation to U.S. Housing Starts

*Our investments in adjacent products and markets have helped mitigate our exposure to a cyclical U.S. housing market over time...*



*...while also allowing us to provide a complete product solution to our customers and to improve sales and margins in our core wood connector business.*

## EUROPE

- Attractive opportunity to grow wood connectors, fasteners and concrete products with tailwinds from improved economic conditions
- Helps diversify from significant exposure to U.S. housing starts
- Expands trusted brand reputation through extensive testing and education capabilities

## CONCRETE

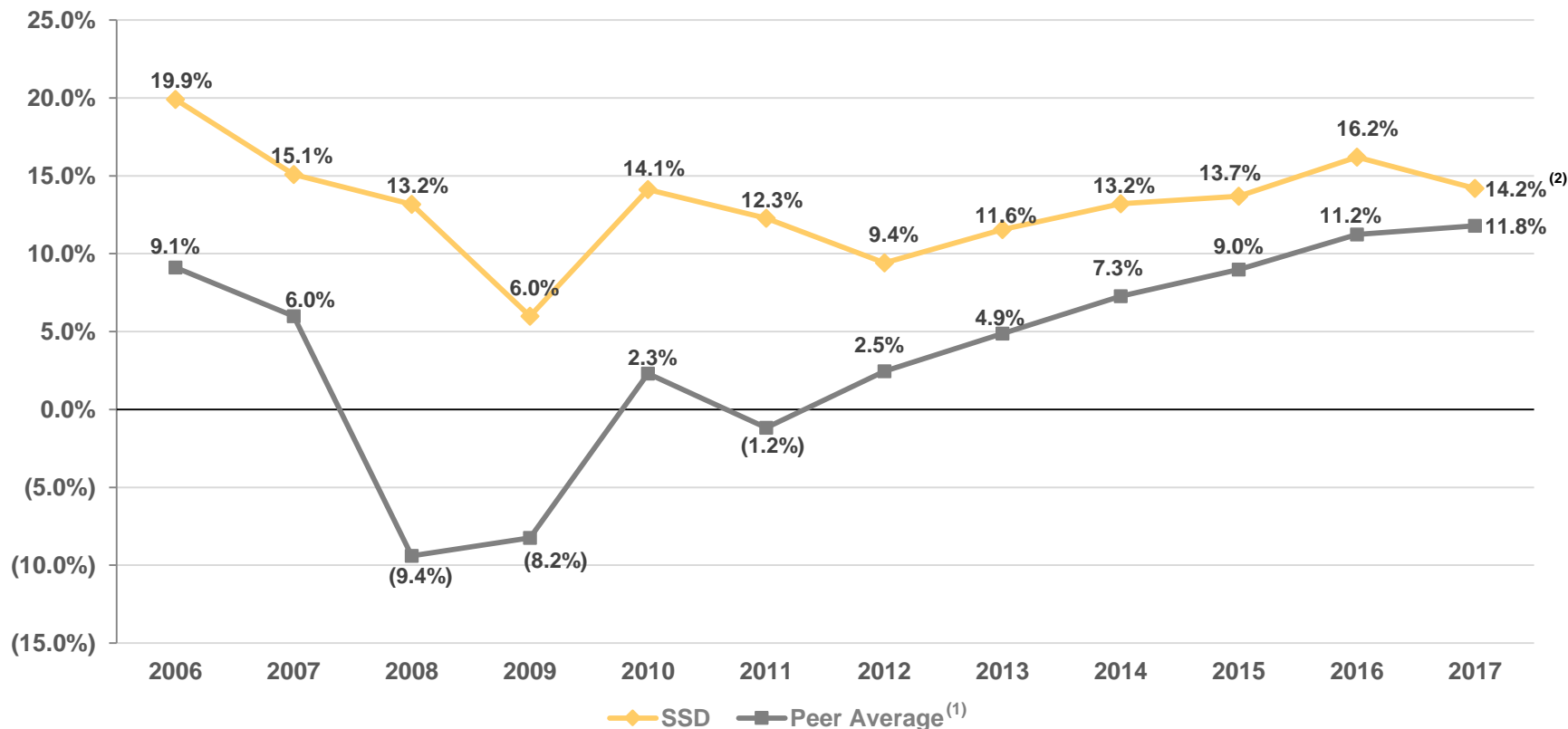
- Sharpening focus on higher-margin product lines to drive profitability and increase market share from 10% to 14% by fiscal 2020
- Complementary to wood offering
- Able to perform throughout all industry cycles given less reliance on U.S. housing starts for growth

## SOFTWARE

- Preserves market share of core connector business through availability of end-to-end product and software solution
- Development of best-in-class truss software solution, specifically, enhances technological capabilities to remain competitive
- Over 40%+ of our core connector business is tied to customers with software needs

# Operating Income Margin Outperformance

Simpson Historical Operating Income Margin Versus Peer Average<sup>(1)</sup>



(1) Peer average includes: AAON, AMWD, APOG, CBPX, EXP, ROCK, IIN, DOOR, NCS, PATK, PGTI, PGEM, NX, SUM, TREX, and USCR.

(2) Operating income margin for Simpson included severance charges of \$4.8 million in the fourth quarter of 2017 which negatively impacted the operating income margin by about 50 basis points.

# Strong Business Drives Shareholder Value

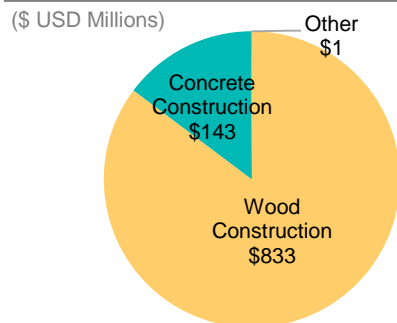
## A Strong Unique Business Model...

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.

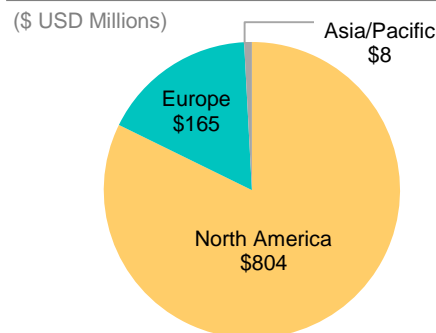
## Enables Us to Deliver Value to Shareholders

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 \$261.6 million in shares since 2011.

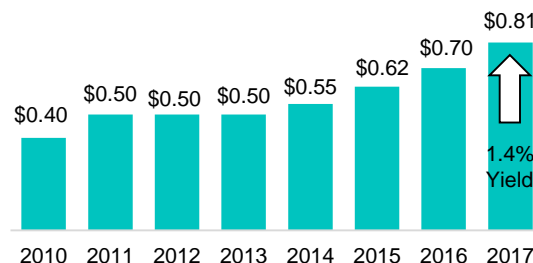
### Our 2017 Sales by Product...



### and Across Operating Segments

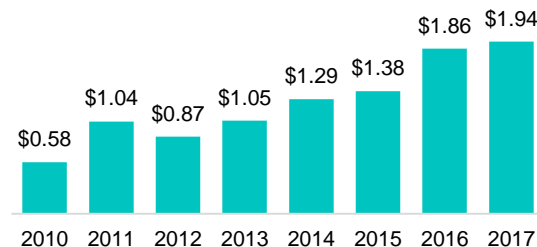


### Dividends Per Share<sup>(1)</sup>



1) 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.

### EPS<sup>(2)</sup>



2) 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.



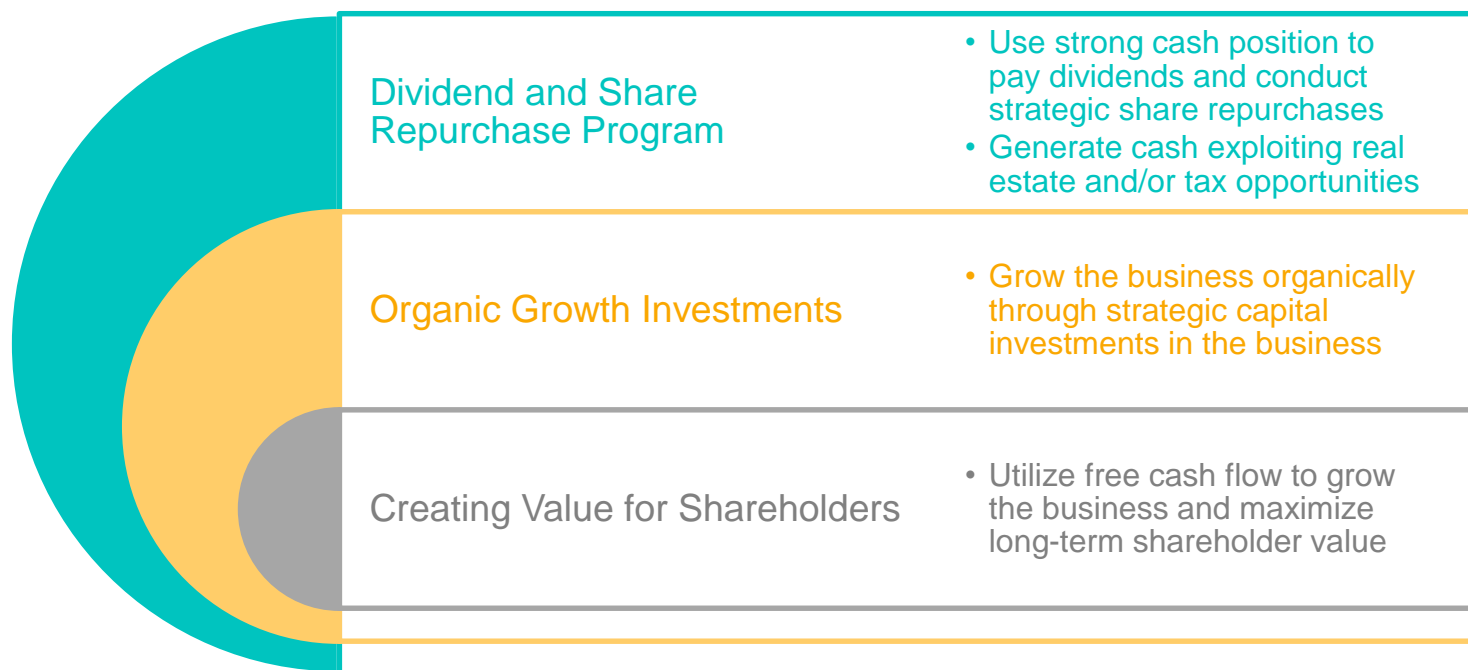
# Thoughtful Deployment of Capital

*We seek profitable growth opportunities in the building products range to create long-term value while consistently returning capital to our shareholders. Based on shareholder feedback, the initial results of an extensive review of our capital allocation strategy and the high degree of confidence we have in our business, **the Company has established a current target capital return to shareholders of a minimum of 50% of cash flows from operations through both dividends and repurchases of the Company's shares of common stock.***

## STOCK REPURCHASES:

- \$126.1 M available under \$275.0 M authorization
- Repurchased \$25.4 M<sup>(1)</sup>

- \$300 M credit facility
- \$155 M of cash & cash equivalents<sup>(2)</sup>
- No debt – insignificant amount of capital lease obligations



(1) Year-to-date as of the period ended June 30, 2018.

(2) As of June 30, 2018.

## SAP STRATEGY

- ✓ Why? Legacy platform no longer able to support growing and complex needs of the business
- ✓ Current focus on converting all North American locations before other foreign operations to create efficiencies
- ✓ No scope creep helps contain costs
- ✓ Limited customization helps ensure consistency

## PROJECT COSTS

(\$ millions)

	2016A	2017A	2018E	2019E - 2021E	Total
<b>Total Project Costs</b>	\$3	\$8	\$10	~\$14 - \$18	~\$35 - \$39
<b>Total Expense</b>	\$1	\$2	\$9 - \$10		

**Notes:**

~\$5.0 million contingency included: IT Business analysts, full-time Business Process Owners, IT training

# Track Record of Shareholder Engagement and Responsiveness

2015

- Members of our management and Board engaged with stockholders, representing ~51% of our shares, regarding compensation and governance topics, which resulted in the following changes:
  - ✓ Introduced long-term incentive award with three year relative TSR performance modifier
  - ✓ Increased percentage of NEO's compensation that is delivered in equity and vests over multiple years
  - ✓ Added stock ownership guidelines for each of our Named Executive Officers and directors
  - ✓ Improved disclosure of our compensation programs
- Hired independent compensation consultant to assist the Board in redesigning the compensation plan

2016

- In direct response to stockholder feedback and following a deep review of our executive compensation and governance practices, the Board approved several significant changes including:
  - ✓ Transformed our executive compensation program to enhance long-term performance orientation
    - Increased the proportion of total NEO compensation delivered in equity with multi-year vesting
    - Established three year performance measurement period in long-term incentive awards
    - Adopted operational metrics in long-term incentives that align with our strategy
    - Modified compensation targeting practices to target the median for compensation elements
  - ✓ Eliminated the stockholder rights plan
  - ✓ Shortened director term limits to 15 years for new directors that are elected to the Board (*current directors' term limits will remain at 20 years*)
  - ✓ Adopted compensation risk policies; clawback, anti-hedging and anti-pledging

2017

- Called a special meeting to provide stockholders with an opportunity to vote on Board declassification and the elimination of cumulative voting
- Committed to adopt proxy access after the special meeting of stockholders
- Announced the retirement of Thomas Fitzmyers as Vice Chairman of the Board, effective as of the 2017 Annual Meeting of Stockholders
- Elected new independent director, Michael Bless, at the 2017 Annual Meeting of Stockholders
- Unveiled "2020 Plan" to improve operational performance and enhance shareholder value

**The Board has a track record of engaging with and seeking the feedback of our stockholders as well as taking action on the feedback received.**

# 3-Year Relative Price Performance

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



Note: Peer average includes: AAON, AMWD, APOG, CBPX, EXP, ROCK, IIN, DOOR, NCS, PATK, PGTI, NX, SUM, TREX, and USCR.  
Note: As of July 31, 2018.

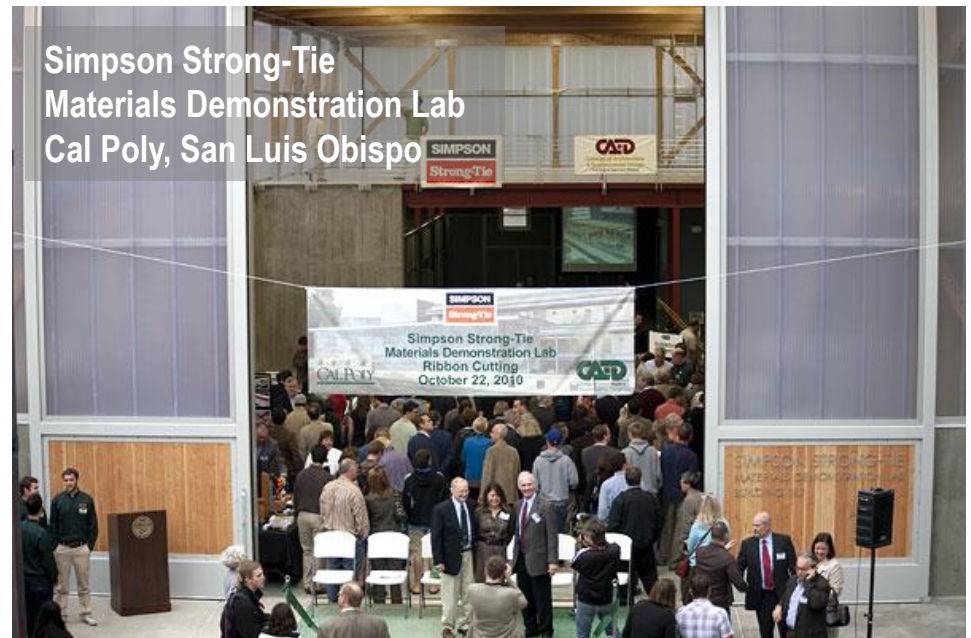


Simpson Strong-Tie  
Research & Testing Lab  
Washington State University



- Funding for Research & Test Labs at **Washington State University** and **Cal Poly, San Luis Obispo**
- We hire Engineering, Architectural and Marketing graduates from these schools.
- We regularly collaborate with other researchers and research facilities across the United States.

Simpson Strong-Tie  
Materials Demonstration Lab  
Cal Poly, San Luis Obispo



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



For more information, visit <http://www.simpsonmfg.com/social-responsibility>





**2020 PLAN**

## 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.



# 2020 Plan Improvements by Initiative

*In an effort to both reduce costs and drive profitability, we will be focused on operational improvements in our key focus areas.*

## EUROPE

- Consolidated European management team to one head of operations; creates efficiencies and accountability across European business
- Divested Gbo Poland and Gbo Romania; enables management to focus on end user markets core to its strategy

## CONCRETE

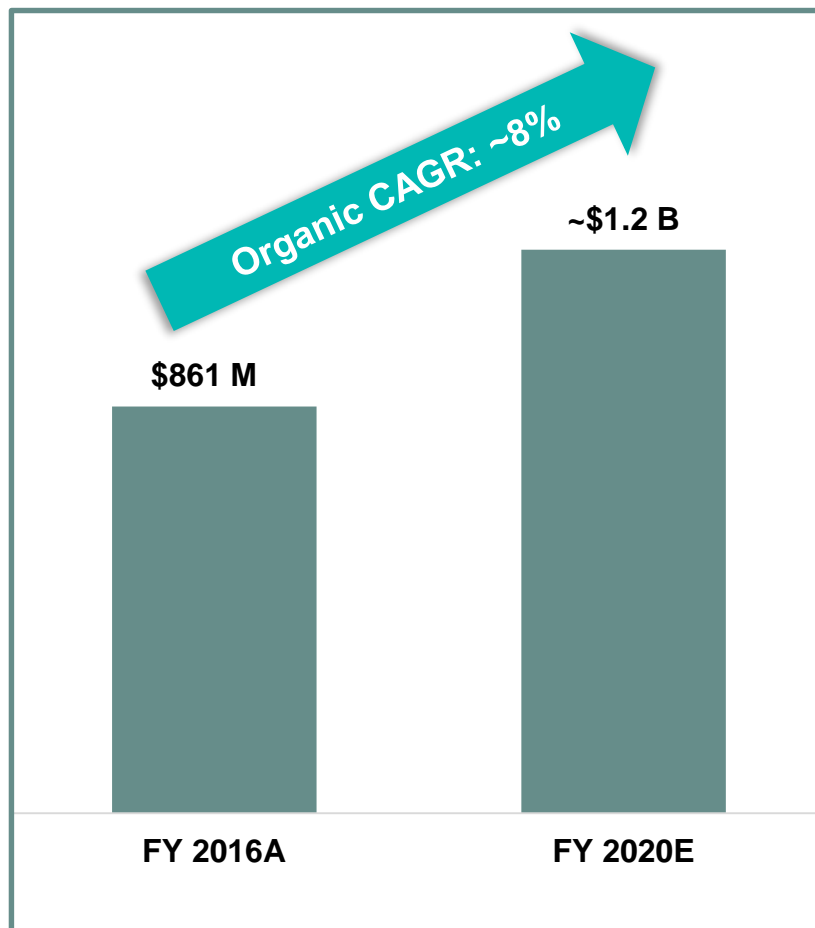
- Cease development of low-margin concrete repair product lines in 2018; addressable market size shifts to \$1.3 B
- Reduced total operating expenses by \$3 million in 2017
- Focus on higher-margin product lines and cease acquisitions in concrete repair space

## SOFTWARE

- Holding R&D expenses steady to enhance sophistication of our software solutions
- Refocus efforts on medium-sized truss component manufacturers to grow share
  - Continue to support smaller-sized customers
- Improve operating efficiencies through rationalization of manufacturing footprint

*We will continuously review our progress against these initiatives – if we are not on track, we will evaluate more aggressive steps.*

## ORGANIC GROWTH TARGET



## ORGANIC GROWTH DRIVERS

- Steady growth in North America and Europe
  - Estimate YOY growth in U.S. housing starts in mid single-digit range
  - Improved economic conditions in Europe
- Concrete market share improvement from approximately 10% to 14% of ~\$1.3 B addressable market
  - Deemphasize acquisition activity in the concrete space
- Strategic capital investments
  - ~ $\frac{1}{3}$  maintenance CapEx
  - ~ $\frac{2}{3}$  CapEx to support organic growth, primarily in core connector business, and efficiency improvements in our initiatives

## CONCRETE STRATEGY

- Reprioritized efforts in the concrete space to drive improved profitability
- Ceased development of lower-margin concrete repair lines (excluding bridge & marine)
- Reduced our addressable market to \$1.3 billion from \$3.5 billion previously

## SIX KEY FOCUS AREAS

### Light Framed Construction



#### Why?

Aligns with the company's core competency and allows us to leverage resources

### Retrofit



#### Why?

We have a great product mix to go after this business and we tend to do well with this customer group

### Waste Water Treatment Plants



#### Why?

Our stainless steel and crack injection offerings have done well in this space

### Direct OEM



#### Why?

Have great products for this space & selling direct opens up a new opportunity for us

### Commercial Cold-Formed Steel



#### Why?

We have invested in this space and developed a great, high margin product mix

### Bridge and Marine



#### Why?

FX-70 and CSS lines are top in industry & more focus in this area will yield great results

*Over 40% of our core wood connector business is tied to customers with software needs*

## INVESTMENTS IN SOFTWARE

### Acquired CG Visions (January 2017)

- Provides expertise and resources to offer software solutions and services to builders and lumber building material dealers
- Supports efforts to further develop integrated software component solutions for the building industry

### Proprietary Truss Software

- Ongoing development to support truss component manufacturers
- Small and medium-sized component manufacturers represent >40% of truss market
  - Focused on converting medium-sized customers
  - Enabled by increased software capabilities and sophistication of our solutions

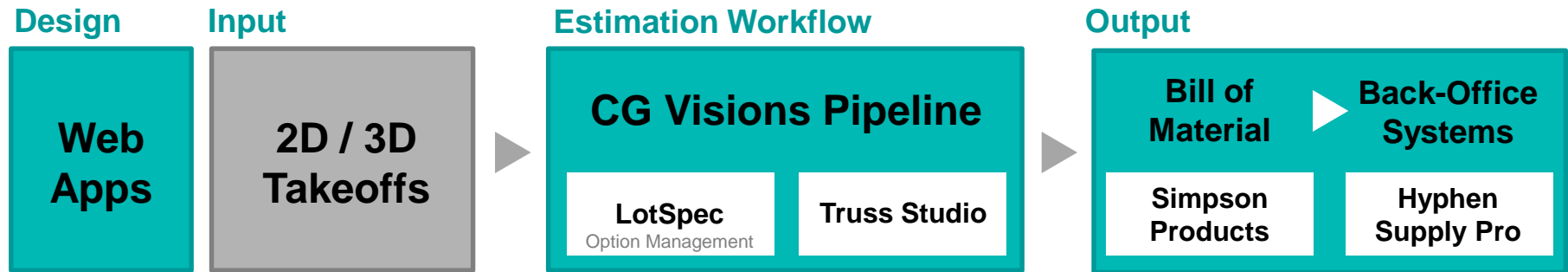
## STRATEGIC RATIONALE

- Without software solutions, we believe a meaningful portion of our market share in our core wood connector products would be at risk
- Enhances technological capabilities to remain competitive in wood construction space



# Simpson Strong-Tie Technology Strategy

*Technology strengthens our value proposition as the industry trusted partner in construction solutions and building software systems.*



## THREE PILLARS

### DEVELOPMENT

- Truss Studio design
- Director management
- Web apps

### PARTNER

- Hyphen back office ERP
- CSD I joist floor design
- Wall panel design

### ACQUIRE

- CG Visions
- LotSpec Acad & Revit options
- RubySketch Sketchup

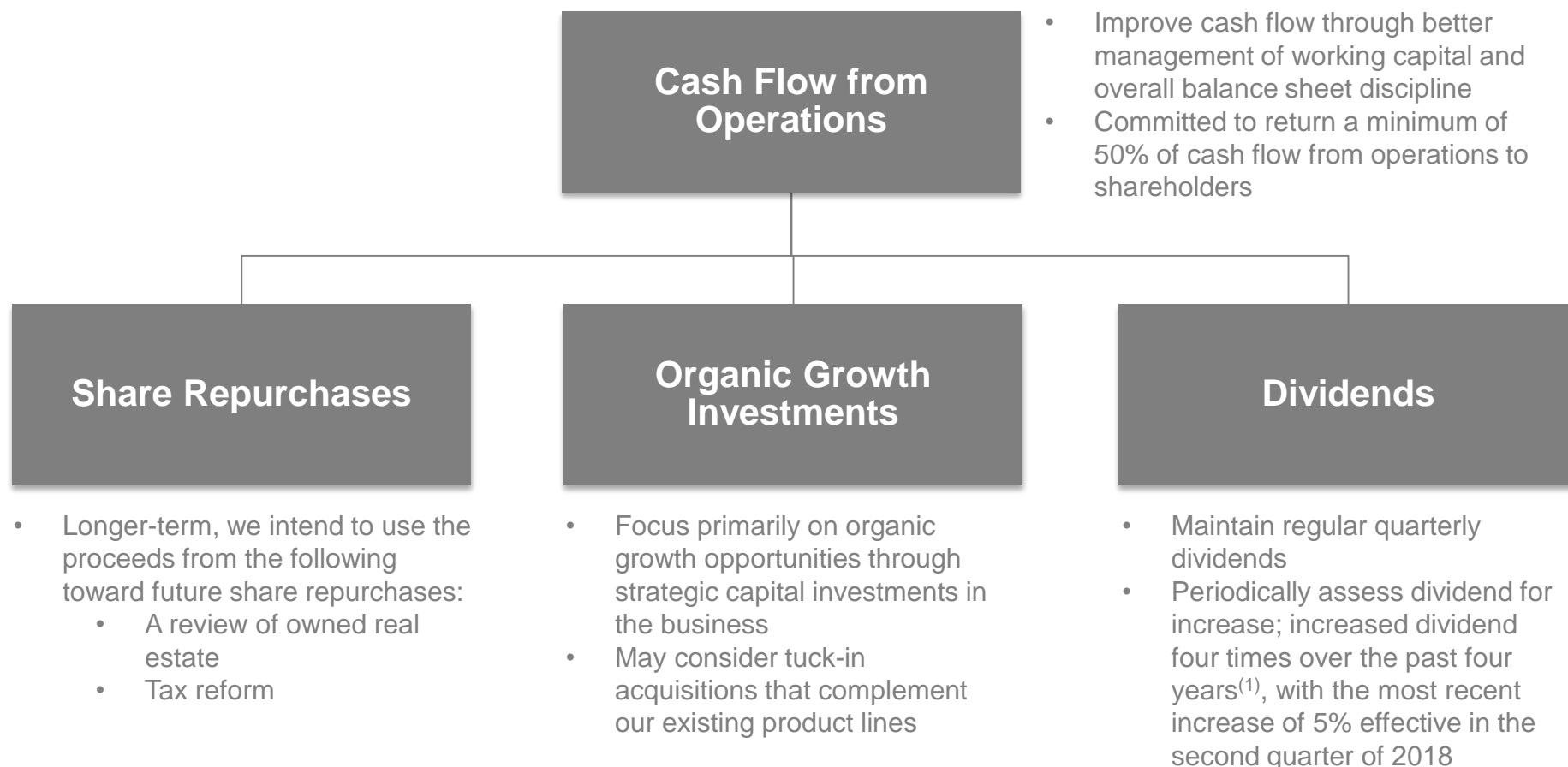
## INVENTORY TURN IMPROVEMENT



## DRIVERS OF CAPITAL RELEASE

- Established internal team to better manage inventory without impacting product availability standards
  - Delivering products typically within 24 hours is a key competitive factor
  - Eliminating ~25% - 30% of SKU's
- Expect enhanced operating efficiencies upon completion of SAP system implementation
- Engaged external consultant with a specialization in Lean principles to opine on additional methods to enhance efficiency
  - Identified ~30% of additional raw materials and finished goods to eliminate over the next three years

*Given our confidence the 2020 Plan will drive improved operational performance in our business, we plan to be more aggressive in repurchasing shares of our stock in the near-term.*



(1) As of June 30, 2018.

***We believe our execution on the 2020 Plan will create substantial value for all shareholders of Simpson Manufacturing Company***

**Now → 2020:**

- ✓ Focusing on organic growth
- ✓ Rationalizing our cost structure to improve Company-wide profitability
- ✓ Improving working capital management and balance sheet discipline
- ✓ Increasing capital return to shareholders
- ✓ Working with external management and Lean consultants to perform independent, in-depth analyses of our operations to identify incremental opportunities for improvement beyond the 2020 Plan

***We expect these objectives will result in an improved ROIC<sup>(1)</sup> target to approximately 17% to 18% by FY 2020***

(1) See slide 31 for Return on Invested Capital (ROIC) definition.

# Return on Invested Capital (“ROIC”) Definition

When referred to in this presentation, the Company’s return on invested capital (“ROIC”) for a fiscal year is calculated based on (i) the net income of that year as presented in the Company’s consolidated statements of operations prepared pursuant to generally accepted accounting principles in the U.S. (“GAAP”), as divided by (ii) the average of the sum of the total stockholders’ equity and the total long-term liabilities at the beginning of and at the end of such year, as presented in the Company’s consolidated balance sheets prepared pursuant to GAAP for that applicable year. As such, the Company’s ROIC, a ratio or statistical measure, is calculated using exclusively financial measures presented in accordance with GAAP.



[www.simpsonmfg.com/financials](http://www.simpsonmfg.com/financials)



Simpson's People Make the Difference