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Supplemental 2020 Plan Details

October 30, 2017

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KEY OBJECTIVES

FY 2016A

2020 TARGETS

1

FOCUS ON ORGANIC GROWTH



- \$861 M Net Sales

- ~8% Organic Net Sales CAGR⁽¹⁾

2

RATIONALIZE COST STRUCTURE TO INCREASE PROFITABILITY



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

- ~26% - 27% Operating Expenses as a % of Net Sales
- ~21% - 22% Operating Income Margin⁽²⁾
- Initiating work with leading management consultant to identify additional opportunities

3

IMPROVE WORKING CAPITAL MANAGEMENT & BALANCE SHEET DISCIPLINE



- 2x Inventory Turn Rate

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

IMPROVE RETURN ON INVESTED CAPITAL⁽³⁾

- 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 50% of cash flow from operations to shareholders
- Utilize capital from inventory reductions and balance sheet efficiency improvements to repurchase shares
- Review properties for potential sale / sale-leaseback options; capital release to be used for repurchases
- Deploy additional capital from a potential tax holiday or corporate tax rate reduction to repurchase shares

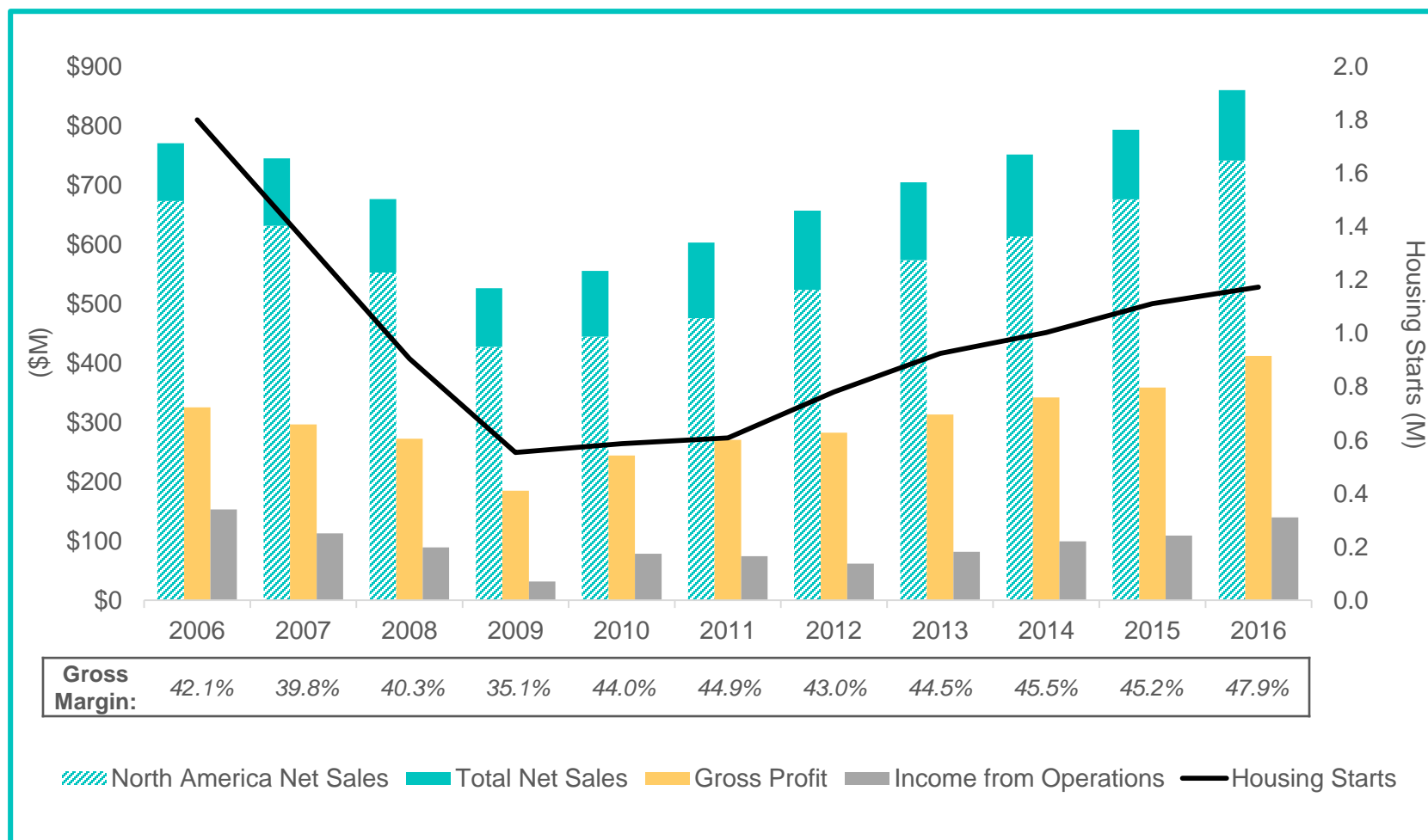
(1) Based on FY 2016 reported net sales of \$861 million.

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

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

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

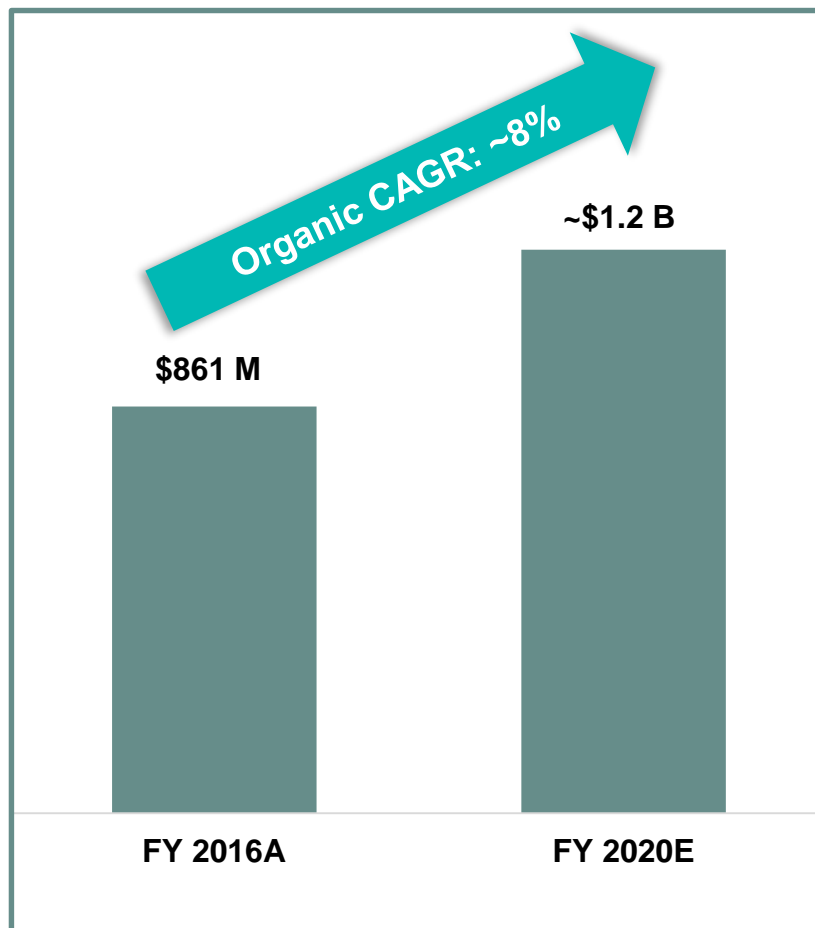
CONCRETE

- 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

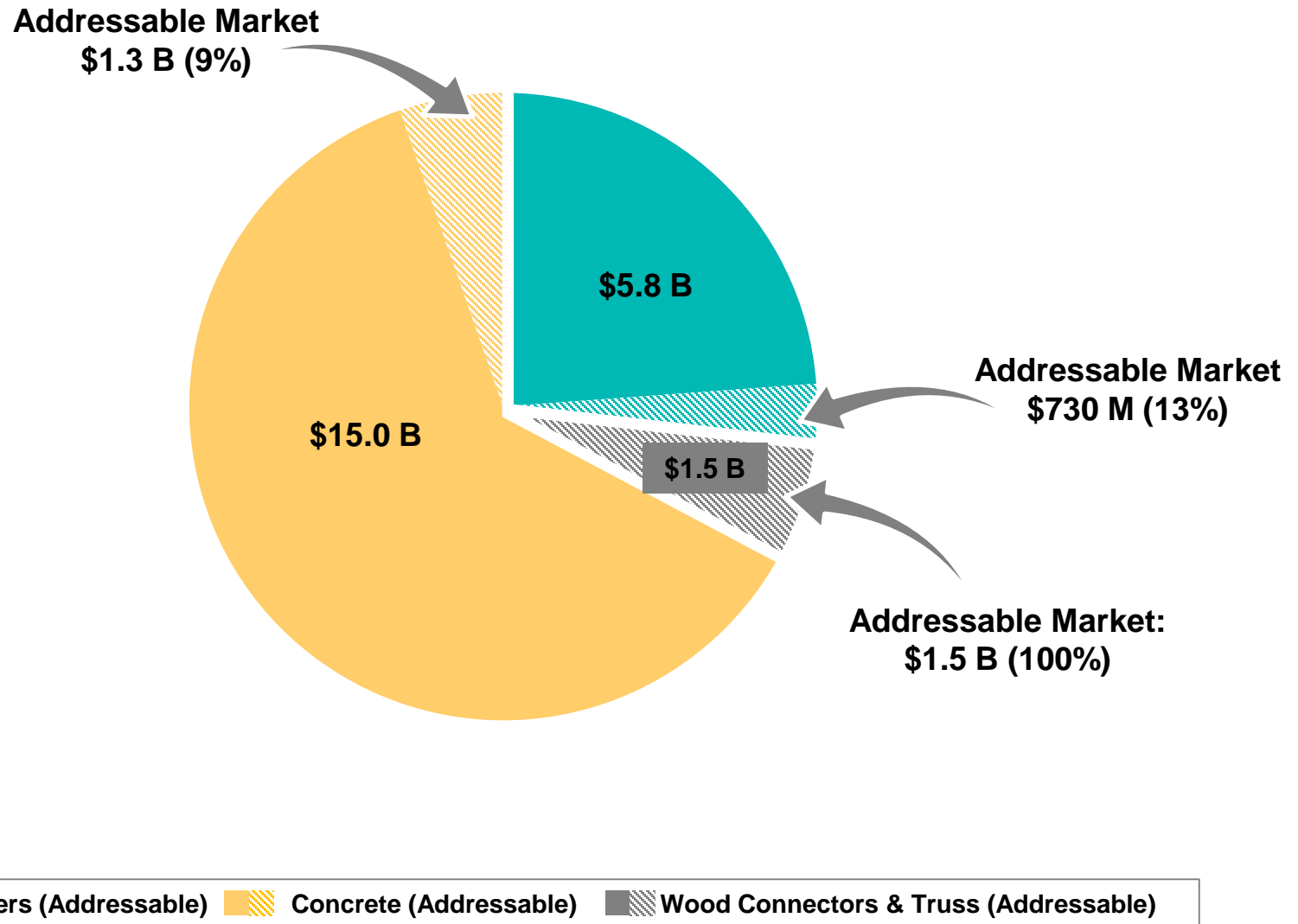
ORGANIC GROWTH TARGET



ORGANIC GROWTH DRIVERS

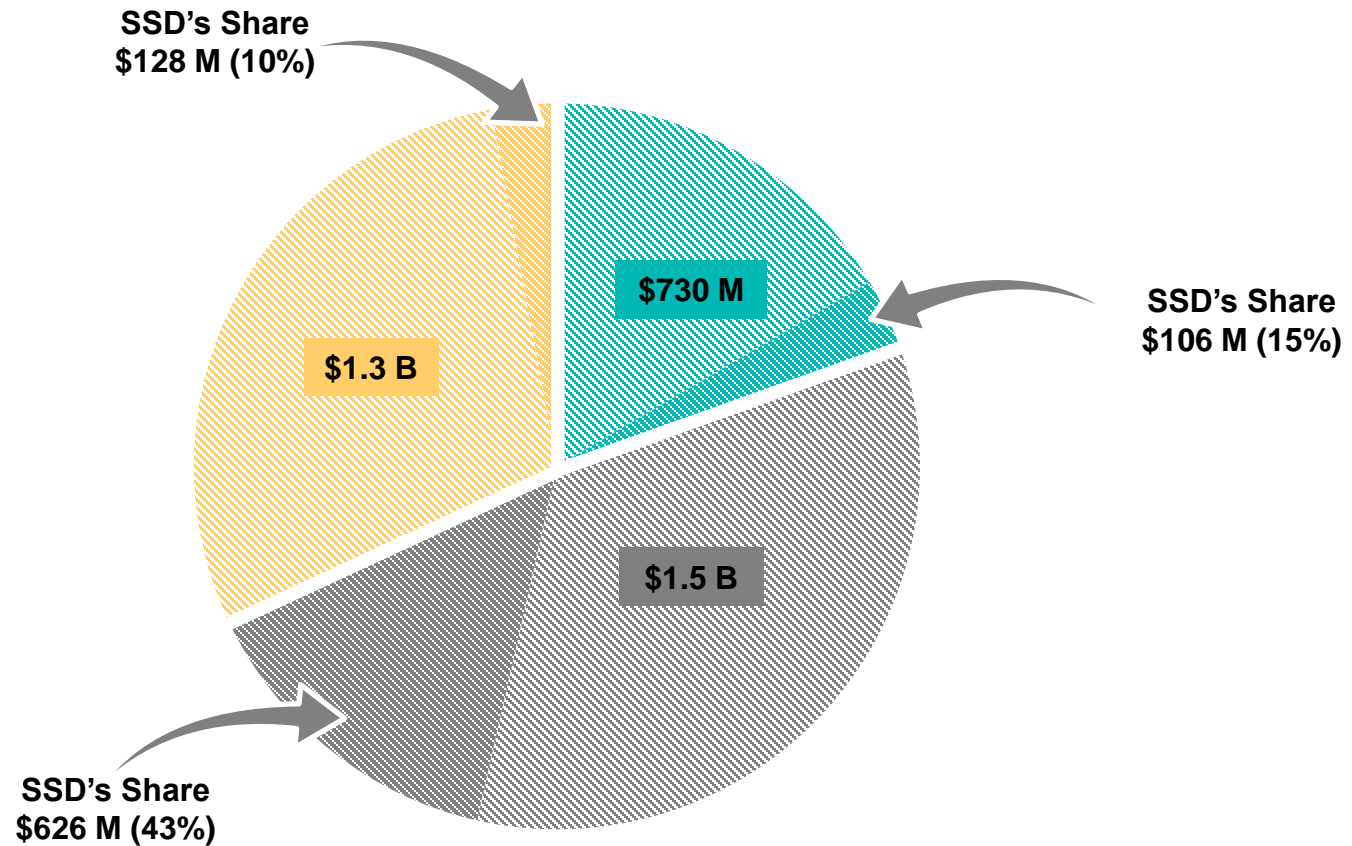
- Steady growth in North America and Europe
 - Estimate YOY growth in U.S. housing starts in mid single-digit range
 - Improved economic conditions in Europe
- Concrete market share improvement from approximately 10% to 14% of ~\$1.3 B addressable market
 - Deemphasize acquisition activity
- Strategic 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

Addressable Market Opportunity⁽¹⁾



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

Simpson's Market Share⁽¹⁾



 **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.

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

- Expect ~\$2 million reduction in 2018 SG&A through reduced head count and other expenses
- Divested Gbo Poland and Gbo Romania; enables management to focus on end user markets core to its strategy

CONCRETE

- Expect ~\$3 million reduction in 2018 SG&A through reduced head count and other expenses
- Cease development of low-margin concrete repair product lines in 2018; addressable market size shifts to \$1.3 B
- Focus on higher-margin product lines and cease acquisitions in concrete repair space

SOFTWARE

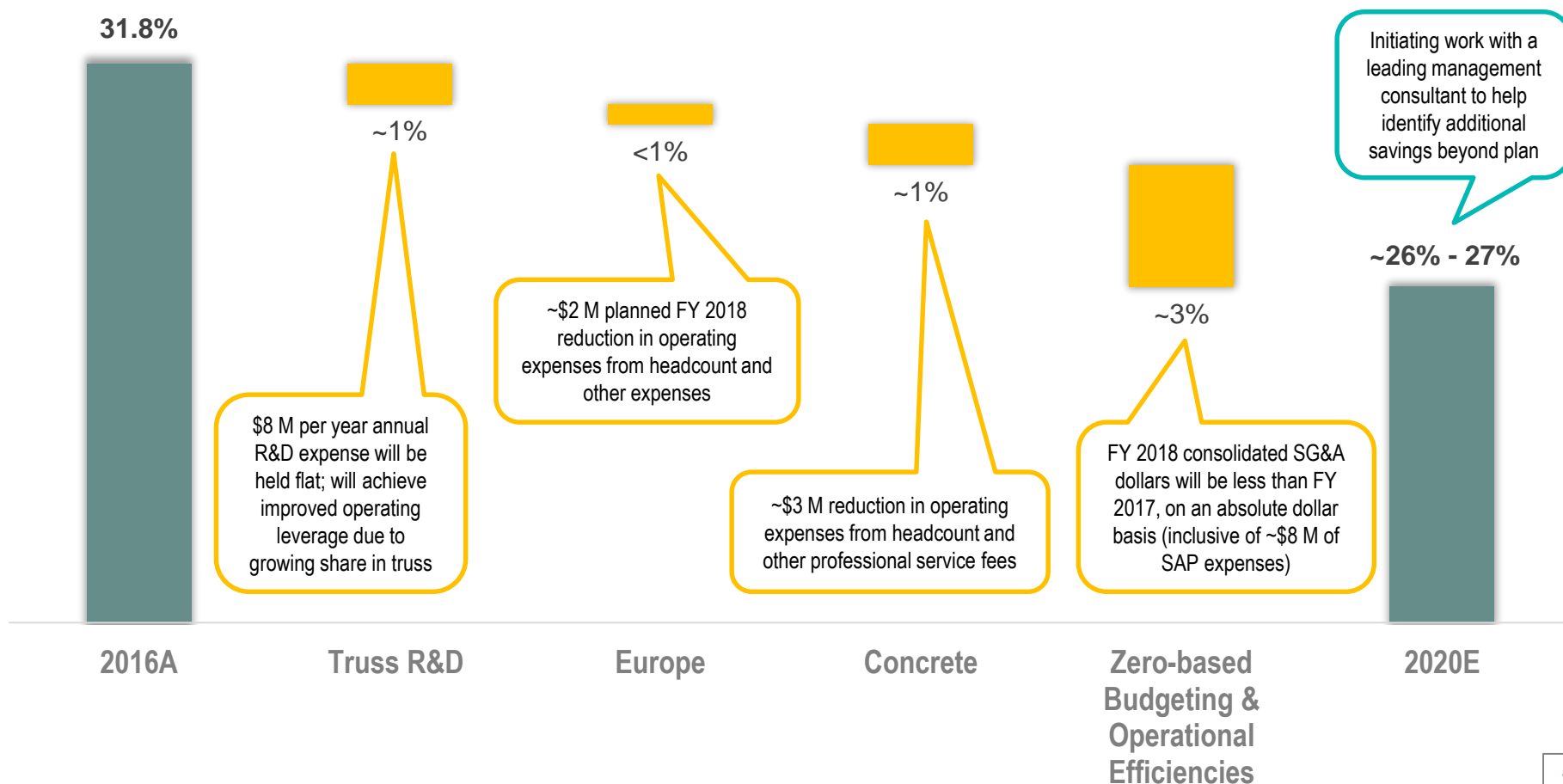
- Holding R&D expenses steady to enhance sophistication of our software solutions
- Refocus efforts on medium-sized truss component manufacturers to grow share
 - Continue to support smaller-sized customers
- Improve operating efficiencies through rationalization of manufacturing footprint

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

Path to Improved Operating Leverage

We plan to reduce our consolidated operating expenses as a percent of net sales by approximately 530 basis points from 31.8% in 2016 to be in the range of 26% to 27% by the end of 2020.

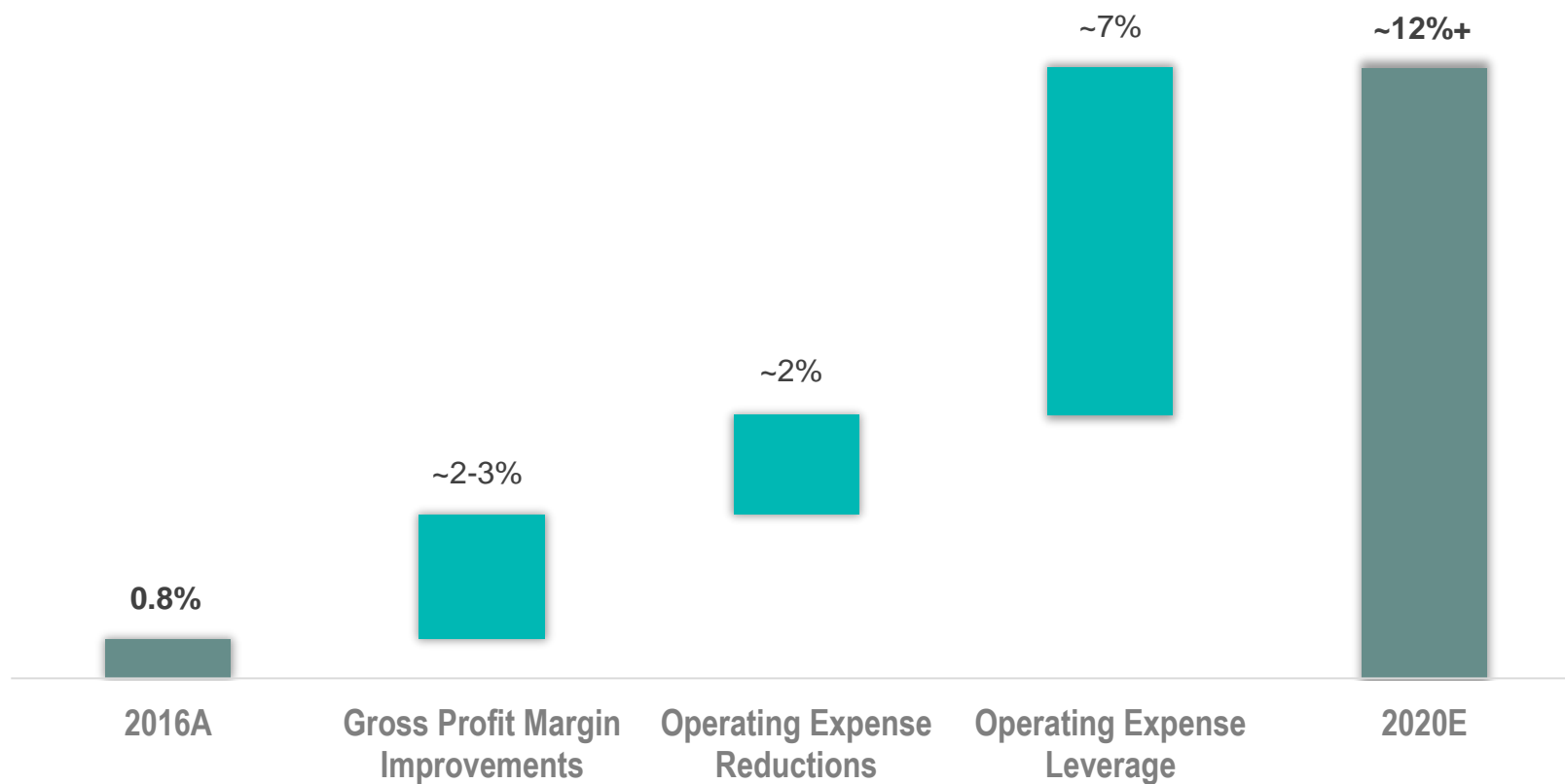
TOTAL OPERATING EXPENSES AS A PERCENT OF SALES



Path to Improved Profitability in Europe

In Europe, we are reducing total operating expense dollars by \$2 million in 2018, contributing to ~700 basis points of operating margin improvement in 2018 through reductions in both headcount and other expenses.

EUROPE INCOME FROM OPERATIONS AS A PERCENT OF SALES

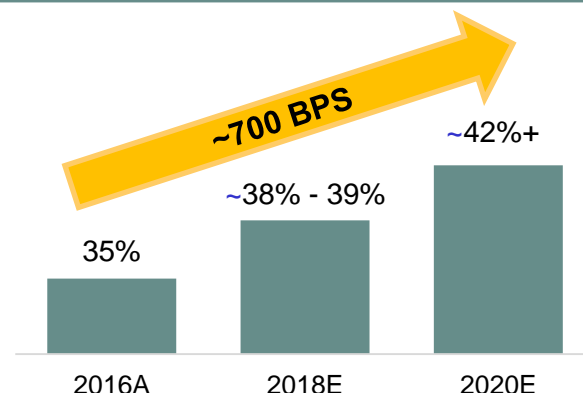


Focus on Higher-Margin Markets in Concrete

CONCRETE STRATEGY

- Reprioritizing efforts in the concrete space to drive improved profitability
- Effective immediately, ceasing development of lower-margin concrete repair lines (excluding bridge & marine)
- Reduces our addressable market to \$1.3 billion from \$3.5 billion previously

CONCRETE GROSS MARGIN TARGET



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

INVENTORY TURN IMPROVEMENT

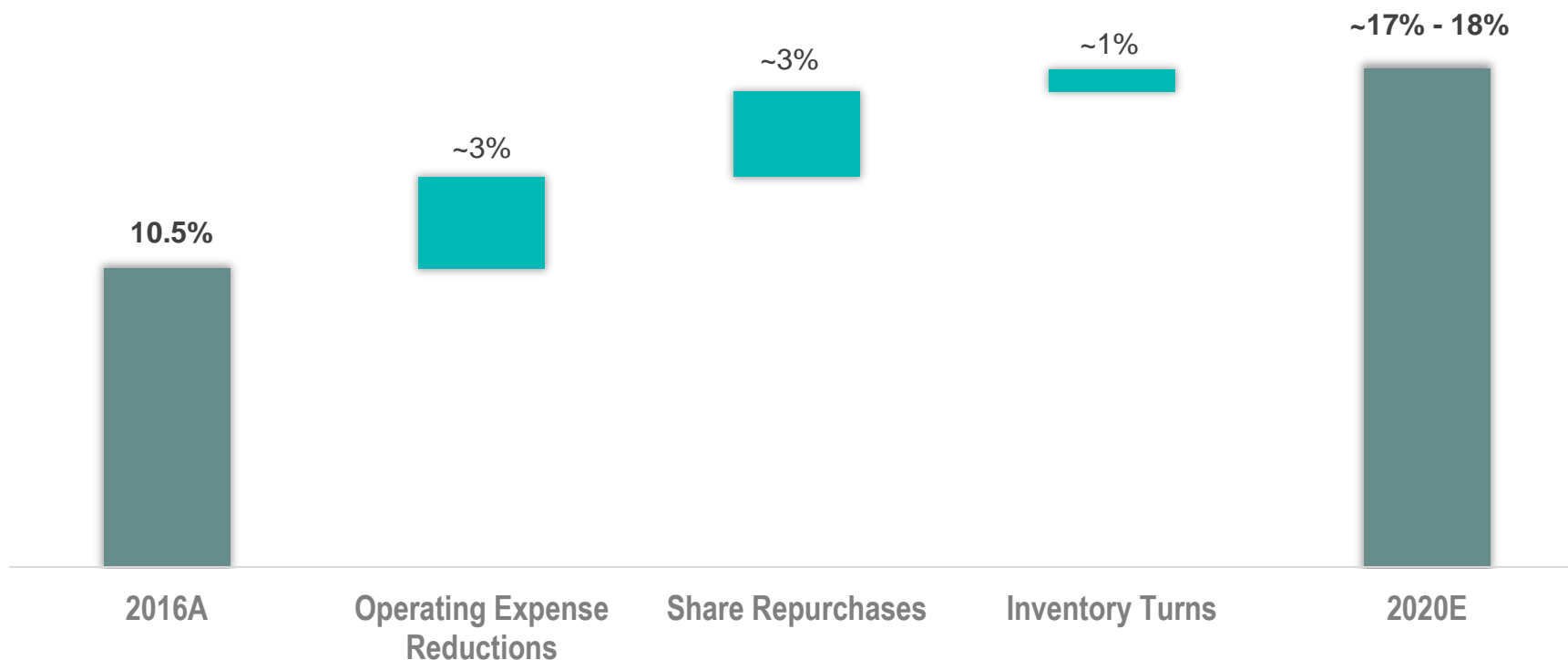


DRIVERS OF CAPITAL RELEASE

- 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 ERP system implementation in 2019
- 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

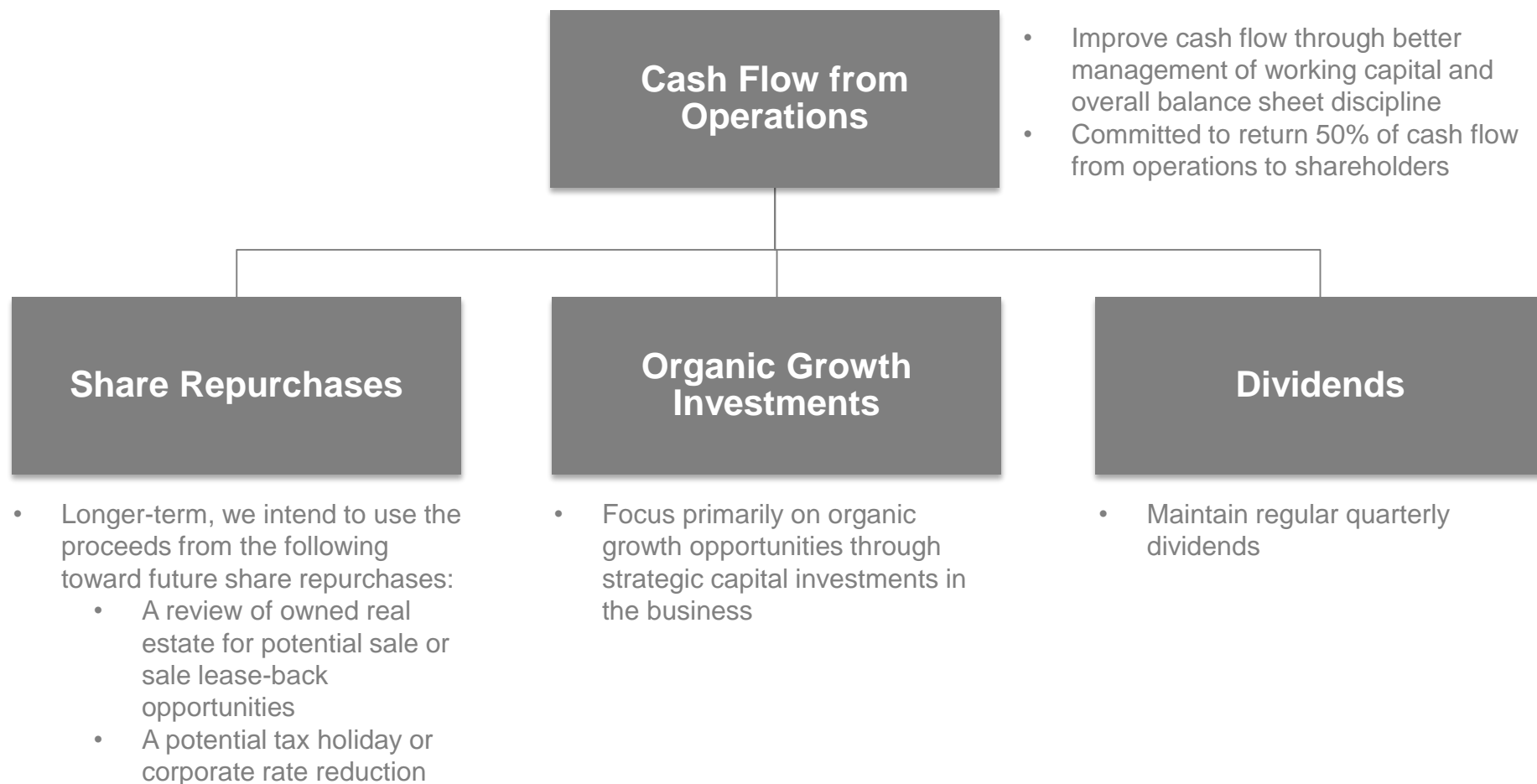
Return on Invested Capital⁽¹⁾ Improvement

Through execution on the 2020 Plan, we expect to substantially increase our return on invested capital above our weighted average cost of capital which will drive enhanced shareholder value.



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

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.



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⁽¹⁾ target to approximately 17% to 18% by FY 2020.

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



APPENDIX

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.