

As filed with the Securities and Exchange Commission on February 24, 2017

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2016

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 001-36293



**CONTINENTAL**<sup>TM</sup>  
BUILDING PRODUCTS

**CONTINENTAL BUILDING PRODUCTS, INC.**

(Exact name of registrant as specified in its charter)	
Delaware	61-1718923
(State or other jurisdiction of incorporation)	(I.R.S Employer Identification No.)
12950 Worldgate Drive, Suite 700, Herndon, VA	20170
(Address of principal executive offices)	(Zip Code)
(703) 480-3800	
(Registrant's telephone number, including the area code)	

Securities Registered Pursuant to Section 12(b) Act:

Title of Each Class	Name of Exchange on Which Registered
Common Stock, \$0.001 par value per share	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) Act:

Title of Each Class	Name of Exchange on Which Registered
None	n/a

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be

contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act)

Yes  No

As of February 22, 2017, the registrant had outstanding 39,857,115 shares of the registrant's common stock, which amount excludes 4,636,278 shares of common stock held by the registrant as treasury shares.

The aggregate market value of the registrant's common stock, \$0.001 par value, held by non-affiliates of the registrant, as of June 30, 2016, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$900.6 million, based upon the last reported sales price for such date on the New York Stock Exchange.

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#### DOCUMENTS INCORPORATED BY REFERENCE

Certain information called for by Part III is incorporated by reference to certain sections in the registrant's definitive proxy statement relating to the 2017 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2016.

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## PART I

### Item 1. Business

*On August 30, 2013, substantially all of the assets and liabilities related to our business were acquired from Lafarge North America Inc., or Lafarge, which we refer to as the Acquisition. Prior to the Acquisition, we operated as the gypsum division of Lafarge. Unless otherwise specified, references in this Annual Report on Form 10-K to “our,” “we,” “us,” the “Company” and “our business” (i) for periods prior to the completion of the Acquisition, refer to the gypsum division of Lafarge, (ii) for periods after completion of the Acquisition but prior to the conversion refer to LSF8 Gypsum Holdings Company, LLC (the entity formed to complete the Acquisition that was converted into Continental Building Products, Inc.) and (iii) for the periods after the conversion, refer to Continental Building Products, Inc., in each case together with its consolidated subsidiaries. We are a holding company and have a relatively short operating history as a stand-alone company.*

#### General

We are a leading, high margin manufacturer of gypsum wallboard and complementary finishing products. Our manufacturing facilities and sales efforts are concentrated in the eastern United States and eastern Canada. Gypsum wallboard is a primary building material used in new residential and commercial construction and repair and remodel (“R&R”). We estimate that in 2016 our market share in the United States east of the Mississippi River, a market which accounted for more than 55% of total U.S. wallboard demand, was approximately 17% , and our share is significantly higher in many of the major metropolitan areas within a shipping radius of 300 miles of our facilities, which include New York, Miami, Tampa, Orlando, Cincinnati, Cleveland, Columbus, Indianapolis, Nashville, Jacksonville and Hartford.

We sell our products in the new residential, R&R and commercial construction markets. Traditionally, the new residential construction market has been the most significant contributor to wallboard industry demand. It has also been the most volatile. During the most recent economic downturn, new residential construction contracted sharply, but has rebounded in recent years as the economy continues its expansion. R&R activity was also affected by the last recession but has also recovered with the broader economy. We believe that R&R construction will remain an important source of demand as existing U.S. housing stock ages and properties that were foreclosed during the downturn are rehabilitated. The commercial construction market encompasses areas such as office, retail, healthcare, hospitality and government building projects.

The North American gypsum wallboard industry is the largest in the world, with the world’s highest per capita consumption rate. Gypsum wallboard is a low-cost, widely used building product for interior and exterior walls and ceilings in residential and commercial structures. It is highly regarded for its ease and speed of application and its superior performance in providing comfort, fire resistance and thermal and sound insulation. The primary raw material, gypsum, can be either natural or synthetic. Natural gypsum is a mineral mined in select areas throughout North America. Synthetic gypsum is sourced primarily via flue gas desulfurization within coal-fired power plants. According to the Gypsum Association, use of synthetic gypsum has increased from 5% of total wallboard production in 1995 to 45% in 2016 . We currently use exclusively synthetic gypsum in our manufacturing process.

New housing starts have been the most significant driver of North American wallboard demand. Starting in 2007, the North American wallboard industry suffered a dramatic decrease in demand, driven primarily by the significant downturn of the North American housing market and the associated credit crisis and global recession. U.S. housing starts fell from a cyclical peak of 2.1 million in 2005 to a 50-year low of 554,000 in 2009. Correspondingly, U.S. wallboard consumption declined by more than 50% from 36.2 billion square feet, or bsf, in 2005 to a low of 17.1 bsf in 2010. Pricing across the industry suffered over this period due to the decline in demand.

Industry-wide wallboard capacity contracted during the housing market downturn from a peak of approximately 40.5 bsf in 2008 to a low of approximately 33.1 bsf in 2012, as producers shuttered older and less efficient facilities or mothballed unneeded production capacity.

The U.S. housing market has continued to grow over the last several years. U.S. housing starts reached 1.00 million in 2014, 1.11 million in 2015 and 1.17 million in 2016, according to the U.S. Census Bureau, driving wallboard consumption to 21.5 bsf, 22.1 bsf and 24.7 bsf, respectively.

We believe that there is room for continued improvement in housing starts. Housing starts have averaged 1.44 million over the past 50 years, which is approximately 23% greater than the 2016 starts of 1.17 million. Wallboard consumption has historically correlated closely with increased construction activity, typically trailing housing starts by approximately three to six months. To the extent housing starts continue to increase, we expect a corresponding increase in wallboard demand.

We also expect continued recovery in the R&R market and improvement in the commercial construction market. In the residential segment, the Remodeling Market Index, or RMI, which measures home remodel activity, stood at 54 in the fourth quarter of 2016 according to NAHB Economics Group (an index number of 50 indicates equal numbers of remodelers report activity higher and lower than the previous quarter). Additionally, according to projections from Dodge Data & Analytics, commercial building, measured in dollars spent, is expected to increase by 6% in 2017.

### ***The Acquisition***

Lafarge founded its U.S. wallboard business in 1996 when it acquired two manufacturing facilities, including our Buchanan plant, from Georgia-Pacific. During the period from 2000 to 2010, Lafarge expanded its geographic footprint through acquisitions and the greenfield development of our Palatka and Silver Grove plants. During this period, Lafarge pursued a strategy of servicing customers from newer and more efficient plants by shuttering less efficient plants, investing in new facilities and modernizing existing facilities. These efforts culminated with the upgrade of the Buchanan plant in 2006 and the opening of the second production line at the Silver Grove plant in 2007, which we believe made the facility the largest in North America. These investments transformed Lafarge's gypsum division from a regional player in the northeast to a leading competitor across the eastern United States.

On August 30, 2013, Lone Star Fund VIII (U.S.), L.P., which we refer to in this Annual Report on Form 10-K, along with its affiliates and associates (excluding us and companies that it owns as a result of its investment activity), as Lone Star, acquired substantially all of the assets comprising Lafarge's North American gypsum business for a purchase price of approximately \$703 million and the assumption of certain liabilities pursuant to the terms of the asset purchase agreement signed in connection with the Acquisition. On March 18, 2016, Lone Star sold its remaining shares of our common stock and, to our knowledge, no longer holds any ownership interest in the Company.

### ***Products and Customers***

We offer our customers a full range of gypsum wallboard products, including LiftLite®, our lightweight product designed to be easier to lift and install, our Mold Defense® line of products designed for enhanced protection against mold and mildew, and our Weather Defense® line of moisture and mold-resistant exterior sheathing. To complement our wallboard business and to better serve our customers, we also operate a finishing products business that manufactures a comprehensive line of joint compounds at our plant in Silver Grove (Kentucky) and our joint compound plant in Chambly (Quebec). We provide superior customer service based on customer needs, consistently delivering high quality finished product and providing orders accurately with fast delivery times. Certain customers and markets have also favored the use of synthetic gypsum products, which we manufacture, versus natural gypsum products for the additional benefit of receiving Leadership in Energy and Environmental Design, or LEED, ratings to support environmentally responsible initiatives.

Our marketing and sales strategy consists of targeted direct sales efforts to existing and potential customers using an experienced sales force. We operate a single centralized customer-service call center. We also have a centralized logistics team for all of our operations that manages freight, storage and other distribution-related tasks. As is customary in the industry, we do not enter into long-term agreements with our customers. To encourage our customers to order our products and to increase their loyalty, we offer incentive programs, which provide for customer rebates that are triggered when specified sales volumes or net sales are reached. We generally bear the cost of delivering our finished products to our customers. We deliver by truck and, in the case of our Silver Grove and Palatka plants, by truck and rail. At each of our facilities, we have one or two carriers under contract that provide the majority of our shipping services.

We regularly achieve high rankings in customer service surveys and have received numerous "supplier of the year" awards from major customers. We consistently provide a high level of service to our customers through a combination of product availability and quality, on-time delivery, and timely and accurate invoicing. We sell our products through several different channels and to a broad group of customers, including gypsum wallboard distributors, buying groups, wholesalers and mass merchants. Lowes, our largest customer, represented 15%, 16% and 15% of our net sales in years ended December 31, 2016, 2015 and 2014, respectively, and no other customer represented more than 10% of sales.

### ***Manufacturing and Distribution***

We operate highly efficient and automated manufacturing facilities in Silver Grove (Kentucky), Palatka (Florida) and Buchanan (New York) that produce a full range of gypsum wallboard products for our diversified customer base. We are committed to operational excellence and have invested heavily in our facilities, which we believe are among the newest, largest and most efficient wallboard plants in North America.

Gypsum wallboard is manufactured by mixing finely ground, partially dehydrated, or calcined, gypsum with water and forming the resulting slurry between two layers of continuous paperboard liner. It is allowed to harden briefly before being dried and cut to specification.

The manufacturing process is tightly controlled to achieve uniformity and desired board characteristics. Additives can be introduced to the slurry at the beginning of the process to give the resulting board enhanced properties. For instance, fiberglass can be added to enhance fire resistance or fungicides added to defend against mold. Additives are also used to control the manufacturing process and to counteract impurities occurring in the gypsum.

We use only synthetic gypsum in our wallboard products, which we believe enhances our manufacturing quality and consistency, reduces production costs and provides important environmental benefits relative to natural gypsum. We are the only producer of gypsum wallboard in the United States to use 100% synthetic gypsum. Synthetic gypsum is principally produced through a process known as flue gas desulfurization, or FGD. The FGD process typically takes place in scrubbing towers in coal-fired power plants. Our strategically positioned plants provide us with two key benefits: cost-effective access to our supplies of synthetic gypsum, which reduces our inbound transportation costs, and close proximity to many major metropolitan areas, which decreases our product delivery costs.

We purchase all of our synthetic gypsum supplies from coal-fired power plants with operations near, or easily accessible to, our wallboard facilities. To secure our supplies, we have entered into long-term agreements with major suppliers with remaining terms (with extensions) ranging from approximately 10 years to 33 years. Our supply contracts provide for a base price with escalation provisions. These contracts are structured as “take-or-pay” arrangements, where the sellers are required to supply a specified annual amount of gypsum and we are required to buy a specified annual amount, or else, in either case, pay penalties under the contracts. Two of our plants have sufficient supply under contract to operate at our full design capacity, while one of our plants requires a small amount of additional supply at full capacity. We believe that we would be able to purchase additional synthetic gypsum on the open market to the extent any production increases require it, or if market conditions are favorable.

Our Seven Hills joint venture with WestRock Company, or WestRock, provides us with a reliable source of high-quality paperboard liner required for consistent wallboard production. We therefore have a long-term supply agreement that fulfills most of our current paper requirements. The Seven Hills joint venture has the capacity to supply us with approximately 75% of our paper needs at our full capacity, and some additional capacity can be added with a modest additional investment.

Our manufacturing processes utilize significant amounts of natural gas and electricity. We purchase both natural gas and electricity on the open market. We use derivative instruments to manage certain commodity price and interest rate exposures. We do not use derivative instruments for speculative trading purposes, and we typically do not hedge beyond one year. See Item 7A, Quantitative and Qualitative Disclosures About Market Risk, for additional information regarding our financial exposures.

Our wallboard facilities are located in close proximity to major metropolitan areas in the eastern United States and eastern Canada, lowering both our inbound and outbound transportation costs and facilitating timely delivery to our customers. Each of our facilities allows us to offer same-day delivery service to many of our key metropolitan markets, including our Buchanan plant, which provides same-day delivery service to customers in the New York City tri-state area, which management believes provides us with a competitive advantage.

### **Competition**

The market for our wallboard and finishing products is highly competitive. We believe the key competitive factors in the market include:

- price;
- service;
- product quality; and
- product range.

There are currently seven gypsum wallboard manufacturers in the United States: USG, National Gypsum, Georgia-Pacific, CertainTeed, Eagle Materials, Pabco Gypsum, and us. Of these, we believe only six compete in the eastern United States. Gypsum wallboard has a high weight-to-value ratio, so it is advantageous to both source raw materials and produce gypsum wallboard in close proximity to where it is used. If manufacturing facilities are not located in close proximity to end markets, transportation costs can render the cost of finished goods uncompetitive compared to locally manufactured wallboard. Accordingly, competition in the industry occurs principally on a regional basis. Each competitive geographic region has a different group of manufacturers and customers and, as a result, a different competitive landscape. A number of our competitors are larger than us and may have greater resources or lower costs of capital than we do.

Although gypsum wallboard remains a regional industry, consolidation in the industry has resulted in increased market share for certain industry participants, including us. In 1997 there were thirteen gypsum wallboard producers, compared to seven in 2016. This consolidation has occurred almost entirely amongst the smaller producers. Since 1997, our national market share has grown from 3% to 10% .

### **Other Information**

Because we fill orders upon receipt, we do not have any significant order backlog.

Our business does not have any special working capital requirements.

Spending on research and development was de minimis over the past three years.

No material part of our business is subject to renegotiation of profits or termination of contracts or subcontractors at the election of any government.

Sales of our wallboard products are, similar to many building products, seasonal in that sales are generally slightly higher from spring through autumn when construction activity is greatest in our markets. As a result, our quarterly results have varied in the past and may vary from quarter to quarter in the future.

### **Employees**

We had 617 employees as of December 31, 2016. Some of our employees at our Buchanan wallboard plant, representing approximately 13% of our workforce, are represented by two unions. The collective bargaining agreements with these two unions will expire on November 30, 2017. Our remaining employees are non-union. We believe our relationships with both our union and non-union employees are good.

### **Intellectual Property**

We maintain many trademarks for our wallboard and finishing products, including, among others, LiftLite ®, Firecheck ®, Mold Defense ® and Rapid Coat ®. We also rely on patents and trade secret law to protect some of our manufacturing processes. Loss of one or more of our patents, trademarks or licenses would not have a material impact on our business or our ability to continue our operations in the foreseeable future.

### **Environmental Matters**

Our wallboard and finishing products businesses are subject to numerous federal, state and local laws and regulations pertaining to health, safety and the environment. Some of these laws, such as the federal Clean Air Act and the federal Clean Water Act (and analogous state laws), impose environmental permitting obligations and govern the nature and amount of emissions that may be generated. Some laws, such as the Federal Superfund law (and analogous state laws), impose obligations to clean up or remediate spills of hazardous materials into the environment. Some laws, such as the federal



Resource Conservation and Recovery Act, or RCRA, (and analogous state laws), impose obligations on us with respect to the management of waste products. None of our operations is the subject of any material local, state or federal environmental proceedings or inquiries. We do not, and have not, used asbestos in any of our products.

Our manufacturing processes for wallboard use a significant amount of energy, especially natural gas. Increased regulation of energy use to address the possible emission of greenhouse gases and climate change could materially increase our manufacturing costs. The U.S. Congress and several states are considering or have adopted legislation to reduce emission of greenhouse gases, including carbon dioxide and methane. In October 2016, following litigation regarding rules proposed by the EPA in 2010 and the regulation of greenhouse gases, the EPA proposed new rules requiring that new or modified “stationary sources” that are already subject to “Prevention of Significant Deterioration” permitting, and that increase greenhouse gas emissions by 75,000 tons per year, demonstrate that they are incorporating the “best available control technology” to minimize those emissions. If these rules are finalized, to the extent we decide to make major modifications to our plants, these rules could require that we incur significant costs to satisfy permitting requirements. In addition, the EPA has adopted regulations (the validity of which are currently the subject of litigation) known as the Clean Power Plan designed to reduce the emissions of carbon dioxide from power plants. Enactment of new climate control legislation or other regulatory initiatives by the U.S. Congress or various states, or the adoption of additional regulations by the EPA and analogous state or Canadian governmental agencies that restrict emissions of greenhouse gases in areas in which we conduct business, could have a material adverse effect on our operations and demand for our services or products. From time to time, legislation has been introduced proposing a “carbon tax” on energy use or establishing a so-called “cap and trade” system. Such legislation would likely increase the cost of energy and, therefore, could materially increase our manufacturing costs. See “Risk Factors”.

***Additional Information***

See Note 19 to the Consolidated Financial Statements for financial information pertaining to our Wallboard segment and Item 1A—Risk Factors, for information regarding the possible effects that compliance with environmental laws and regulations may have on our business and operating results.

***Available Information***

Our website address is [www.continental-bp.com](http://www.continental-bp.com). Information contained on our website or connected thereto does not constitute a part of this Annual Report on Form 10-K or any other filing we make with the Securities and Exchange Commission, or the SEC. We make available free of charge on our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements on Schedule 14A and amendments or supplements to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, as soon as reasonably practical after we file such material with, or furnish it to, the SEC. Certain of these documents may also be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet website that contains reports, and other information regarding issuers that file electronically with the SEC at [www.sec.gov](http://www.sec.gov). We also make available free of charge on our website our Principles of Corporate Governance, our Code of Ethics and Business Conduct, and the Charters of our Audit Committee, Nominating and Corporate Governance Committee, and Compensation Committee of our Board of Directors.

## Item 1A. Risk Factors

Our business, operations and financial condition are subject to various risks and uncertainties. We have described below significant factors that may adversely affect our business, operations, financial performance and condition or industry. You should carefully consider these factors, together with all of the other information in this Annual Report on Form 10-K and in other documents that we file with the SEC, before making any investment decision about our securities. Adverse developments or changes, including those related to any of the factors discussed below, could materially and adversely affect our business, financial condition, results of operations, future prospects and growth.

### Risks Relating to Our Business and Industry

#### ***Demand for our products is closely related to construction activity, particularly new residential construction, which is cyclical.***

Historically, demand for the products that we manufacture has been closely correlated with new residential construction in the United States and Canada and, to a lesser extent, commercial construction and R&R activity. For example, from 2008 to 2014, new residential construction activities were at their lowest levels since 1949 and, correspondingly, demand for the products that we manufacture was weak. U.S. wallboard consumption was 17.1 bsf in 2010 and 17.2 bsf in 2011, down from pre-recession highs of 36.2 bsf in 2005. Prices fell significantly across the industry as demand decreased. The Predecessor's net sales declined from \$502.9 million for the year ended December 31, 2006 to \$244.0 million for the year ended December 31, 2010. Although conditions have improved in recent years, there is uncertainty regarding the extent and sustainability of the current expansion in such construction activity and resulting product demand levels. Demand for new residential construction is influenced by mortgage availability and rates, employment levels, household formation rates, domestic population growth, immigration rates, residential vacancy and foreclosure rates, demand for second homes, existing home prices, rental prices, housing inventory levels, consumer confidence, seasonal weather factors and other general economic factors. Our growth prospects depend, to a significant extent, on the degree by which conditions in the residential construction market improve in the future. We cannot control the foregoing and, as a result, our profitability and cash flow may vary materially in response to market conditions and changes in the supply and demand balance for our primary products.

During cyclical downturns in the markets in which we operate, we may incur losses. For example, for the years ended December 31, 2011 and 2012, the Predecessor incurred net losses of \$60.5 million and \$12.8 million, respectively, while the housing downturn continued. As a result of any possible future cyclical downturns, the price of our common stock may decline.

#### ***If we cannot effectively compete in our markets, our business, financial condition and operating results may be materially and adversely affected.***

Many of the wallboard products sold by our competitors are close substitutes for our products. Because of this substitutability, competition among manufacturers is based in large part on price, as well as service, quality and range of products. Actions of our competitors, or the entry of new competitors into our markets, could lead to lower pricing in an effort to maintain our customer base and could also lead to lower sales volumes. At times, the price for any one or more of the products that we produce may fall below our production costs, requiring us to either incur losses on product sales or cease production at one or more of our manufacturing facilities. There can be no assurance that prices for products sold by us will not decline in the future or that such declines will not have a material adverse effect on our business, financial condition and results of operations.

Some of our competitors are larger companies and, therefore, have access to greater financial and other resources than we do. These resources may afford those competitors greater purchasing power, increased financial flexibility and more capital resources for expansion and improvement, which may enable those competitors to compete more effectively than we can. If we fail to compete effectively, we could suffer a loss of sales.

#### ***If our coal-fired power plant synthetic gypsum suppliers switch to natural gas or cease operations, our supply of synthetic gypsum could be constrained and our operating results or cash flows may be materially and adversely affected.***

All of the gypsum used in our plants is synthetic gypsum. Most synthetic gypsum is a coal-combustion residual, or CCR, resulting from flue gas desulfurization, or FGD, carried out by electric generation or industrial plants burning coal as a fuel, although other industrial activities can also produce synthetic gypsum. The suppliers of synthetic gypsum are primarily power companies. As a result of the increase in coal price relative to natural gas and other reasons, some power companies have ceased operations or reduced power generation at certain high cost coal fired plants or at plants that are not compliant with current or anticipated environmental laws or switched such plants to using natural gas instead of coal for their electric generation needs. Additionally, existing or future changes in environmental regulations could make it more difficult or costly for power providers or industrial plants to burn coal. For example, the EPA's regulations issued in August 2015 as part of its

“Clean Power Plan” have the stated goal of reducing the amount of carbon dioxide emitted from power plants by 32% from 2005 levels by the year 2030. A meaningful portion of the reduction in carbon emissions would come from reducing the output of coal-fired power plants. In February of 2016 the Supreme Court issued a stay of enforcement of the Clean Power Plan pending resolution of legal challenges to the regulations, and we believe that the larger power plants with sophisticated pollution control devices that supply most of our gypsum would in any event be less likely to be affected than smaller, less efficient plants. However, in the event any of the power companies with which we have synthetic gypsum supply agreements, for these or other reasons, reduce their power generation, switch to using natural gas instead of coal or cease operations completely, our access to synthetic gypsum may be constrained or the cost to obtain gypsum could increase, which could have an adverse effect on our business. In that event, there can be no assurance that we could find alternative sources of synthetic gypsum in reasonable quantities or at reasonable prices.

In December 2013 our synthetic gypsum supplier for our Buchanan plant, NRG Energy, announced plans to deactivate its Chalk Point and Dickerson coal fired power plants in May of 2017, a date that was extended twice, to May 2019. However, in its annual report for its fiscal year 2015 filed with the SEC, NRG reported that on February 29, 2016 it had withdrawn the deactivation notices that it had previously issued for the Chalk Point and Dickerson plants. These two plants have together recently supplied about one-third of our Buchanan plant's synthetic gypsum.

***We and our suppliers are subject to environmental and safety laws and regulations and these laws and regulations may change. These laws and regulations could cause us or our suppliers to make modifications to how we or they manufacture and price our products. These laws could also require that we or our suppliers make significant capital investments or otherwise increase our or their costs or result in liabilities to us.***

We and our suppliers are subject to federal, state, local and foreign laws and regulations governing the protection of the environment and occupational health and safety, including those governing air emissions, wastewater discharges, the management, disposal and cleanup of hazardous materials and wastes and the health and safety of our employees. We are also required to obtain permits from governmental authorities for certain operations, and if we expand or modify our facilities, or if environmental laws change, we could be required to obtain new or modified permits. If we were to fail to comply with these laws, regulations or permits, we could incur fines, penalties or other sanctions. In addition, we could be held responsible for costs and damages arising from claims or liabilities under these laws and regulations, such as with respect to any contamination at our facilities or at third-party waste disposal sites. We cannot completely eliminate the risk of contamination or injury resulting from hazardous materials. Environmental laws and regulations tend to become more stringent over time, and we could incur material additional expenses relating to compliance with future environmental laws.

For example, our manufacturing processes for wallboard use a significant amount of energy, especially natural gas. Increased regulation of energy use to address the possible emission of greenhouse gases and climate change could materially increase our manufacturing costs. The U.S. Congress and several states are considering or have adopted legislation to reduce emission of greenhouse gases, including carbon dioxide and methane. In October 2016, following litigation regarding rules proposed by the EPA in 2010 and the regulation of greenhouse gases, the EPA proposed new rules requiring that new or modified “stationary sources” that are already subject to “Prevention of Significant Deterioration” permitting, and that increase greenhouse gas emissions by 75,000 tons per year, demonstrate that they are incorporating the “best available control technology” to minimize those emissions. If these rules are finalized, to the extent we decide to make major modifications to our plants, these rules could require that we incur significant costs to satisfy permitting requirements. In addition, the EPA has adopted regulations (the validity of which are currently the subject of litigation) known as the Clean Power Plan designed to reduce the emissions of carbon dioxide from power plants. Enactment of new climate control legislation or other regulatory initiatives by the U.S. Congress or various states, or the adoption of additional regulations by the EPA and analogous state or Canadian governmental agencies that restrict emissions of greenhouse gases in areas in which we conduct business, could have a material adverse effect on our operations and demand for our products. From time to time, legislation has been introduced proposing a “carbon tax” on energy use or establishing a so-called “cap and trade” system. Such legislation would likely increase the cost of energy and therefore could materially increase our manufacturing costs.

Environmental regulatory changes or changes in methods used to comply with environmental regulations could adversely affect our suppliers, and therefore the price and availability of synthetic gypsum. If regulatory changes or changes in methods used to comply with environmental regulations adversely affect our suppliers or the price and availability of synthetic gypsum, our operating results or cash flows may be materially and adversely affected.

It is difficult to accurately predict whether or when currently proposed or additional laws and regulations regarding emissions and other environmental concerns will be enacted or what capital expenditures might be required as a result of them. Stricter regulation of emissions might require us or our suppliers to install emissions control or other equipment at some or all of our or their manufacturing facilities, requiring significant additional capital investments.

***We do not have long-term contracts with our customers, and our sales volume could be reduced if our customers switch some or all of their business with us to other suppliers.***

As is customary in the industry, we do not enter into long-term contracts with our customers. Our customers may choose to stop or reduce purchases of our products at any time in the future. A significant loss of our customers or a significant reduction in their purchases could have a material negative impact on our sales volume and business, or cause us to reduce our prices, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

***The loss of sales to Lowe's may have a material adverse effect on our business, financial condition and operating results.***

For the fiscal years ended December 31, 2016, 2015 and 2014, Lowe's accounted for 15%, 16% and 15% of our net sales, respectively. If Lowe's reduces, delays or cancels a substantial number of orders, our business, financial condition and operating results may be materially and adversely affected, particularly for the period in which the reduction, delay or cancellation occurs and also possibly for subsequent periods.

Because we do not have binding long-term purchasing agreements with Lowe's, there can be no assurance that Lowe's will continue to purchase products from us at current levels or at all.

***Certain of our customers have significant buying power, which may materially and adversely affect our revenues, financial condition, operating results and cash flows.***

Some of our customers are large companies with significant buying power. In addition, potential future consolidation in our distribution channel could enhance the ability of these customers to seek more favorable terms, including pricing, for the products they purchase from us. Accordingly, our ability to maintain or raise prices in the future may be limited, including during periods of raw material and other cost increases. If we are forced to reduce prices or to maintain prices during periods of increased costs, or if we lose customers because of pricing or other methods of competition, our business, results of operations and financial condition may be materially and adversely affected.

***A material disruption at one of our manufacturing facilities or at one of our suppliers' facilities could prevent us from meeting customer demand, reduce our sales and/or negatively affect our financial results.***

Any of our manufacturing facilities, or any of our machines within an otherwise operational facility, could cease operations unexpectedly due to a number of events, including but not limited to:

- major equipment failure;
- fires, floods, earthquakes, hurricanes, environmental incidents or other catastrophes;
- utility and transportation infrastructure disruptions;
- labor difficulties;
- other operational problems; or
- war, acts of terrorism or other unexpected events.

Any downtime or facility damage could prevent us from meeting customer demand for our products or require us to make unplanned capital expenditures. If our machines or facilities were to incur significant downtime, our ability to satisfy customer requirements could be impaired, resulting in decreased customer satisfaction and lower sales and net income. Because we operate at a limited number of facilities, the effects of any particular shutdown or facility damage could be significant to our operations as a whole and pronounced in the markets near the facility affected.

In addition, our suppliers of synthetic gypsum and paperboard liner are subject to the manufacturing facility disruption risks noted above. Our suppliers' inability to produce the necessary raw materials for our manufacturing processes may adversely impact our results of operations, cash flows and financial position. Because we rely on a limited number of suppliers, a disruption at any one of our suppliers' facilities could have a significant impact on our business.

***We are reliant on WestRock for paper and we may require additional supplies of paper if our current supply is disrupted or our utilization increases.***

We currently purchase most of our paperboard liner from the Seven Hills joint venture with WestRock, and purchase the balance on the open market. While the joint venture has the capacity to supply us with approximately 75% of our paper needs at our full capacity and most of our needs at current capacity, supply disruptions or additional paper demand that cannot be

fulfilled on the open market could adversely affect our business. Since we only have one major supplier of paper, our risk of supply disruption may be greater than that of some of our competitors. Paper is a significant component of our variable costs. To the extent we are required to purchase additional paper on the open market, such paper costs would be subject to market conditions and could increase, which could have a negative impact on our results of operations.

***If the cost of energy increases, our cost of goods sold will increase and our operating results or cash flows may be materially and adversely affected.***

Our manufacturing processes use substantial amounts of natural gas and electricity, which are major components of our cost of goods sold. Energy costs are affected by various market factors, including the availability of supplies of particular forms of energy, energy prices and local and national regulatory decisions. Prices for natural gas and electrical power have been volatile in recent years. There may be substantial increases in the price of energy in the future, which may be pronounced if there are dislocations in the energy markets due to political instability or other unforeseeable events. Our policy, which is designed to decrease volatility, is to hedge no more than 50% of our historical gas usage and to maintain hedges for no more than one year. We have entered into a contract to purchase most of our electricity requirements at our Buchanan, New York plant at fixed rates. We purchase our other electricity requirements at market rates and we currently do not hedge our electricity purchases. Consequently, we may be adversely impacted by increases in price more than competitors utilizing a more comprehensive hedging strategy, particularly in respect of electricity purchases. There can be no assurances we will continue to utilize this hedging strategy in the future or whether it or any other strategy we implement, including not hedging at all, will be successful.

***Significant changes in the cost and availability of transportation could adversely affect our business, financial condition and results of operations.***

Because manufacturers are responsible for delivering wallboard to their customers in our industry, transportation costs associated with the delivery of our wallboard products are a significant portion of our variable costs. Increases in the cost of fuel or energy can result in increases in the cost of transportation, which could materially and adversely affect our operating profits. Also, reductions in the availability of certain modes of transportation, such as rail or trucking, could limit our ability to deliver our products and therefore materially and adversely affect our operating profits.

***Our financial results may be affected by various legal and regulatory proceedings.***

We are subject to litigation and regulatory proceedings in the normal course of business and could become subject to additional claims in the future, some of which could be material. The outcome of legal proceedings may differ from our expectations because the outcomes of litigation and similar disputes are often difficult to predict reliably. Various factors and developments could lead us to make changes in initial estimates of liabilities and related insurance receivables, where applicable, or make additional estimates, including new or modified estimates as a result of a judicial ruling or judgment, a settlement, regulatory developments or changes in applicable law. A future adverse ruling, settlement or unfavorable development could result in charges that could have a material adverse effect on our results of operations. In January 2017, the Canadian International Trade Tribunal determined that dumping by certain U.S. gypsum wallboard producers of wallboard for use or consumption in Western Canada had caused injury to domestic Canadian producers, and recommended that duties of up to 43% of the export price be imposed on wallboard shipped from the US for consumption or use in Western Canada. While we do not ship wallboard into Western Canada, we cannot predict whether a similar proceeding might be initiated in Eastern Canada. Approximately 8% of our 2016 volume of gypsum wallboard, representing 7% of our 2016 net sales, was sold into Eastern Canada.

***We may be unable to attract and retain key management employees.***

Our key management personnel are important to our success. Our ability to retain our key management personnel or to attract suitable replacements should any members of our management team leave is dependent on the competitive nature of the employment market. The loss of services from key management personnel or a limitation in their availability could materially and adversely impact our business.

***We may experience delays or outages in our information technology system and computer networks.***

We use information technology systems to collect, store and transmit the data needed to operate our business. We may be subject to information technology system failures and network disruptions. These may be caused by delays or disruptions due to system updates, natural disasters, malicious attacks, accidents, power disruptions, telecommunications failures, acts of terrorism or war, computer viruses, physical or electronic break-ins or similar events or disruptions. We may in the future add applications to operate more efficiently. Predictions regarding benefits resulting from the implementation of these projects are subject to uncertainties. We may not be able to successfully implement the projects without experiencing difficulties. In

addition, any expected benefits of implementing projects might not be realized or the costs of implementation might outweigh the benefits realized.

A disruption in our information technology systems due to a catastrophic event or security breach could interrupt or damage our operations. In addition, we could be subject to reputational harm or liability if confidential customer information is misappropriated from our information technology systems. Despite our security measures and business continuity plans, these systems could be vulnerable to disruption, and any such disruption could negatively affect our financial condition and results of operations.

***Labor disruptions or cost increases could adversely affect our business.***

A work stoppage at one of our facilities could cause us to lose sales, incur increased costs and adversely affect our ability to meet customers' needs. A plant shutdown or a substantial modification to employment terms could negatively impact us. Approximately 13% of our 617 employees were unionized as of December 31, 2016. The current collective bargaining agreements with our unionized employees at our Buchanan plant expire on November 30, 2017. We cannot assure you that we will be able to negotiate new collective bargaining agreements on the same or similar terms as those in the current agreements, or at all, without production interruptions, including labor stoppages. In the past, we have experienced union organizing efforts directed at our non-union employees. We may also experience labor cost increases or disruptions in our non-union facilities in circumstances in which we must compete for employees with necessary skills and experience or in tight labor markets. Any such cost increases, work stoppages or disruptions could have a material adverse effect on our business, financial condition, results of operations and cash flows by limiting production, sales volumes and profitability.

***Our business can be seasonal in nature, and this may cause our quarterly results to vary.***

Sales of our wallboard products are, similar to many building products, seasonal in that sales are generally slightly higher from spring through autumn when construction activity is greatest in our markets. As a result, our quarterly results have varied in the past and may vary from quarter to quarter in the future. Such variations could have a negative impact on the price of our common stock. Additionally, because our business is seasonal, unfavorable weather conditions during peak construction periods could have an adverse effect on our sales.

**Risks Relating to our Indebtedness**

***Our current indebtedness, and any future indebtedness we may incur, may limit our operational and financing flexibility and negatively impact our business.***

Our subsidiary, Continental Building Products Operating Company, LLC, or OpCo, is a party to an Amended and Restated Credit Agreement that was entered into in August of 2016 that provided for a \$275.0 million senior secured term loan facility, or the Term Loan, and a \$75.0 million senior secured revolving credit facility, or the Revolver. As of December 31, 2016, \$273.6 million was outstanding under the Term Loan and no loans were outstanding under the Revolver. We may incur substantial additional debt in the future. The Amended and Restated Credit Agreement, and other debt instruments we may enter into in the future, may have important consequences, including the following:

- our ability to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes may be impaired;
- the requirement that we use a significant portion of our cash flows from operations to pay interest on any outstanding indebtedness, which would reduce the funds available to us for operations and other purposes; and
- our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate may be limited.

We expect that we will depend primarily on cash generated by our operations for funds to pay our expenses and any amounts due under our credit facility and any other indebtedness we may incur. Our ability to make these payments depends on our future performance, which will be affected by financial, business, economic and other factors, many of which we cannot control. Our business may not generate sufficient cash flows from operations in the future and our currently anticipated growth in revenues and cash flows may not be realized, either or both of which could result in our being unable to repay indebtedness or to fund other liquidity needs. If we do not have enough money, we may be required to refinance all or part of our then existing debt, sell assets or borrow more money, in each case on terms that may not be acceptable to us. In addition, the terms of existing or future debt agreements, including our existing credit facility, may restrict us from adopting any of these alternatives. Our ability to recapitalize and incur additional debt in the future could also delay or prevent a change in control of our company, make some transactions more difficult and impose additional financial or other covenants on us. In addition, any significant levels of indebtedness in the future could place us at a competitive disadvantage compared to our competitors that

may have proportionately less debt and could make us more vulnerable to economic downturns and adverse developments in our business. Our indebtedness and any inability to pay our debt obligations as they come due or inability to incur additional debt could adversely affect our business and results of operations.

***The terms of our credit facility imposes operating and financial restrictions on us.***

The Amended and Restated Credit Agreement contains a number of significant restrictions and covenants that generally limit our ability to, among other things:

- incur or guarantee additional debt;
- create or incur certain liens;
- make certain loan advances;
- engage in acquisitions, consolidations, mergers, changes of control and sales of certain assets;
- pay dividends and make other distributions;
- make optional payments and modifications of junior debt instruments;
- engage in certain affiliate transactions, sales and leasebacks and pledge transactions;
- make certain restricted subsidiary distributions;
- engage in certain lines of business or activities; and
- modify certain agreements.

The Amended and Restated Credit Agreement limits our ability to engage in these types of transactions even if we believe that a specific transaction would contribute to our future growth or improve our operating results. The Amended and Restated Credit Agreement also requires OpCo and its restricted subsidiaries to maintain a specific total leverage ratio in certain circumstances. See Note 10 to the Consolidated Financial Statements for more information regarding the terms of the Amended and Restated Credit Agreement.

Our ability to comply with these provisions may be affected by events beyond our control. A breach of any of these provisions or the inability to comply with required financial ratios in the Amended and Restated Credit Agreement could result in a default, in which case the lenders will have the right to declare all borrowings to be immediately due and payable. If we are unable to repay all borrowings when due, whether at maturity or if declared due and payable following a default, the lenders would have the right to proceed against the collateral granted to secure the indebtedness. If we breach these covenants or fail to comply with the terms of the Amended and Restated Credit Agreement, and the lenders accelerate the amounts outstanding thereunder, our business and results of operations would be adversely affected.

**Risks Related to the Ownership of Our Common Stock**

***Our future operating results may fluctuate significantly and our current operating results may not be a good indication of our future performance. Fluctuations in our quarterly financial results could affect our stock price in the future.***

Our revenues and operating results have historically varied from period to period and we expect that they will continue to do so as a result of a number of factors, many of which are outside of our control, including the cyclical and seasonality of our industry. If our quarterly financial results fail to meet the expectations of securities analysts and investors, our stock price could be negatively affected. Any volatility in our quarterly financial results may make it more difficult for us to raise capital in the future or pursue acquisitions that involve issuances of our stock. Our operating results for prior periods may not be effective predictors of future performance.

***We have no present intention to pay dividends on our common stock.***

We have no present intention to pay cash dividends on our common stock. Any determination to pay dividends to holders of our common stock will be at the discretion of our board of directors and will depend upon many factors, including our financial condition, results of operations, projections, liquidity, earnings, legal requirements, restrictions in our debt agreements and other factors that our board of directors deems relevant. Accordingly, you may need to sell your shares of our common stock to realize a return on your investment, and you may not be able to sell your shares at or above the price you paid for them.

***If securities or industry analysts do not continue to publish research or reports about our business, publish inaccurate or unfavorable research about our business or change their recommendations regarding our stock adversely, our stock price and trading volume could decline.***

The trading market for our common stock is influenced in part by the research and other reports that industry or securities analysts may publish about us or our business. We currently have research coverage by industry or financial analysts, but this coverage may not continue. If analysts do not continue coverage of us, the trading price of our stock would likely be negatively impacted. Even if analyst coverage continues, if one or more of the analysts who cover us downgrade our stock, or if analysts issue other unfavorable commentary or inaccurate research, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

***In the future, we expect to issue stock-based compensation, which has the potential to dilute stockholder value and cause the price of our common stock to decline.***

We have issued and expect to continue to issue awards of restricted stock and other forms of stock-based compensation to our directors, officers and employees in the future. If any options we issue are exercised, or any shares of restricted stock or restricted stock units, whether or not performance based, that we issue vests, and those shares are sold into the public market, the market price of our common stock may decline. In addition, the availability of shares of common stock for award under our equity incentive plan, or the grant of stock options, restricted stock, restricted stock units or other forms of stock-based compensation, may adversely affect the market price of our common stock.

***Our ability to raise capital in the future may be limited.***

Our business and operations may consume resources faster than we anticipate. In the future, we may need to raise additional funds through the issuance of new equity securities, debt or a combination of both. Additional financing may not be available on favorable terms, or at all. If adequate funds are not available on acceptable terms, we may be unable to fund our capital requirements. If we issue new debt securities, the debt holders would have rights senior to common stockholders to make claims on our assets, and the terms of any debt could restrict our operations, including our ability to pay dividends on our common stock. If we issue additional equity securities, existing stockholders will experience dilution, and the new equity securities could have rights senior to those of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of any future securities offerings by us reducing the market price of our common stock and diluting their interest.

***We are a holding company and depend on the cash flow of our subsidiaries.***

We are a holding company with no material assets other than the equity interests of our subsidiaries. Our subsidiaries conduct substantially all of our operations and own substantially all of our assets and intellectual property. Consequently, our cash flow and our ability to meet our obligations and pay any future dividends to our stockholders depends upon the cash flow of our subsidiaries and the payment of funds by our subsidiaries directly or indirectly to us in the form of dividends, distributions and other payments. Any inability on the part of our subsidiaries to make payments to us could have a material adverse effect on our business, financial condition and results of operations.



***Provisions of our charter documents, Delaware law and other documents could discourage, delay or prevent a merger or acquisition at a premium price.***

Provisions in our certificate of incorporation and bylaws may have the effect of delaying or preventing a change of control or changes in our management. For example, our certificate of incorporation and bylaws include provisions that:

- permit us to issue, without stockholder approval, preferred stock in one or more series and, with respect to each series, fix the number of shares constituting the series and the designation of the series, the voting powers, if any, of the shares of the series and the preferences and other special rights, if any, and any qualifications, limitations or restrictions, of the shares of the series;
- prevent stockholders from calling special meetings;
- restrict the ability of stockholders to act by written consent;
- limit the ability of stockholders to amend our certificate of incorporation and bylaws;
- require advance notice for nominations for election to the board of directors and for stockholder proposals;
- do not permit cumulative voting in the election of our directors, which means that the holders of a majority of our common stock may elect all of the directors standing for election; and
- establish a classified board of directors with staggered three-year terms.

These provisions may discourage, delay or prevent a merger or acquisition of our company, including a transaction in which the acquiror may offer a premium price for our common stock.

We are also subject to Section 203 of the Delaware General Corporation Law, or the DGCL, which, subject to certain exceptions, prohibits us from engaging in any business combination with any interested stockholder, as defined in that section, for a period of three years following the date on which that stockholder became an interested stockholder. In addition, our equity incentive plan permits vesting of stock options and restricted stock, and payments to be made to the employees thereunder in certain circumstances, in connection with a change of control of our company, which could discourage, delay or prevent a merger or acquisition at a premium price. In addition, our credit facility, and other debt instruments we may enter into in the future, may include provisions entitling the lenders to demand immediate repayment of all borrowings upon the occurrence of certain change of control events relating to our company, which also could discourage, delay or prevent a business combination transaction.

***Our certificate of incorporation includes a forum selection clause, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us.***

Our certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for any stockholder (including any beneficial owner) to bring (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed to us or to our stockholders by any of our directors, officers, or employees, (iii) any action asserting a claim arising pursuant to any provision of the DGCL or our certificate of incorporation or bylaws, or (iv) any action asserting a claim governed by the internal affairs doctrine, will be a state court located within the State of Delaware (or, if no state court located within the State of Delaware has jurisdiction, the federal district court for the District of Delaware); in all cases subject to the court's having personal jurisdiction over the indispensable parties named as defendants. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock is deemed to have notice of and consented to the foregoing provisions. This forum selection provision in our certificate of incorporation may limit our stockholders' ability to obtain a favorable judicial forum for disputes with us. It is also possible that, notwithstanding the forum selection clause included in our certificate of incorporation, a court could rule that such a provision is inapplicable or unenforceable.

**Item 1B. Unresolved Comments**

None.

## **Item 2. Properties**

We own the real property on which each of our wallboard manufacturing facilities and joint compound finishing products facilities are located. The address of our corporate headquarters is currently 12950 Worldgate Drive, Suite 700, Herndon, VA 20170, in approximately 19,500 square feet of leased office space.

### ***Wallboard Manufacturing Facilities***

We believe that our wallboard facilities are some of the largest and most modern in North America, resulting in productivity levels among the highest in the industry. Our facilities operate at production speeds that are significantly faster than the industry average. Each of our facilities is able to produce a full range of our wallboard products. In 2016, our utilization rate across all of our wallboard facilities was approximately 79% . Each of our wallboard manufacturing facilities is subject to a mortgage under the Amended and Restated Credit Agreement. Each of our wallboard manufacturing facilities is described in further detail below.

#### ***Silver Grove***

Our Silver Grove facility is located on the Ohio River in the township of Silver Grove, Kentucky, just outside of Cincinnati, Ohio. The design capacity for Silver Grove is 1.7 bsf, which we believe makes it the largest wallboard facility in North America.

#### ***Palatka***

Our Palatka facility is located approximately 50 miles southwest of Jacksonville, Florida, near the I-95 corridor. The design capacity of the Palatka facility is 900 million square feet, or mmsf, per year.

#### ***Buchanan***

The Buchanan facility is located on the Hudson River, approximately 40 miles north of Manhattan and has a capacity of 650 mmsf per year.

### ***Finishing Products***

We operate two joint compound plants as part of our finishing products business. The Chambly plant is located approximately 20 miles outside of Montreal, and the Silver Grove joint compound plant is within our Silver Grove wallboard facility just outside of Cincinnati, Ohio.

We believe that our existing properties are adequate for our current requirements and our operations in the foreseeable future.

## **Item 3. Legal Proceedings**

From time to time we have been, and may in the future become involved in, litigation or other legal proceedings relating to claims arising in the normal course of business. In the opinion of management, there are no pending or threatened legal proceedings which would reasonably be expected to have a material adverse effect on our business or results of operations. We may become involved in material legal proceedings in the future.

See Note 17 to the Consolidated Financial Statements for a description of certain legal proceedings.

## **Item 4. Mine Safety Disclosures**

Not applicable.

**PART II**

**Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities**

Our common stock is traded on the New York Stock Exchange, or NYSE, under the symbol CBPX. As of February 22, 2017, there were 3 holders of record of our common stock.

We have not declared or paid cash dividends on our common stock since the Initial Public Offering and we have no present intention to pay cash dividends on our common stock. Any determination to pay dividends to holders of our common stock will be at the discretion of our board of directors and will depend upon many factors, including our financial condition, results of operations, projections, liquidity, earnings, legal requirements, restrictions in our debt agreements and other factors that our board of directors deems relevant. Our credit facility contains, and debt instruments that we enter into in the future may contain, covenants that place limitations on the amount of dividends we may pay. In addition, under Delaware law, our board of directors may declare dividends only to the extent of our surplus, which is defined as total assets at fair market value minus total liabilities, minus statutory capital, or, if there is no surplus, out of our net profits for the then current and immediately preceding year.

See Part III, Item 12, Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters, for information regarding common stock authorized for issuance under equity compensation plans.

The information below represents the high and low sales prices per share of our common stock for the periods indicated below, as reported on the NYSE:

	Sales Prices	
	Common Stock Voting	
	High	Low
	<i>(per share)</i>	
<b>2016</b>		
Fourth Quarter	\$ 24.25	\$ 18.35
Third Quarter	24.78	20.75
Second Quarter	23.77	18.26
First Quarter	18.87	13.25
<b>2015</b>		
Fourth Quarter	22.18	15.38
Third Quarter	22.70	18.49
Second Quarter	24.21	20.75
First Quarter	22.87	15.91

On August 3, 2016, we announced that the board of directors approved an expansion of our stock repurchase program, which was originally announced on November 4, 2015. The expansion increased the total amount of our common stock we are authorized to repurchase from \$50.0 million to \$100.0 million, at such times and prices as determined by management as market conditions warrant. The expanded authorization also extended the expiration date from December 31, 2016 to December 31, 2017. See Note 12 to the Consolidated Financial Statements for the information on the common stock repurchase activity during the years ended December 31, 2016 and 2015.

***Common Stock Repurchase Activity During the Three Months Ended December 31, 2016***

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of the Publicly Announced Plans or Programs	Maximum Dollar Value That May Yet Be Purchased Under the Plans or Programs (a)
October 1 - October 31, 2016	—	\$ —	—	\$ 58,129,495
November 1 - November 30, 2016	80,300	21.62	80,300	56,393,658
December 1 - December 31, 2016	220,324	23.22	220,324	51,278,692
Total	300,624	\$ 22.79	300,624	

As of December 31, 2016, the maximum dollar value that may yet be purchased under the Plans or Programs was \$51.3 million. On February 21, 2017, the board of directors further expanded our share repurchase program up to a total of \$200.0 million of our common stock and extended the expiration date to December 31, 2018.

#### **Item 6. SELECTED FINANCIAL DATA**

The selected consolidated financial data presented below should be reviewed in conjunction with the audited consolidated financial statements and related notes and with “Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in this Annual Report on Form 10-K.

As discussed in more detail under Item 1, Business—The Acquisition, we acquired the gypsum division of Lafarge North America Inc. on August 30, 2013. The accompanying financial statements are presented for the “Predecessor,” which are the combined financial statements of the Lafarge gypsum division for the period preceding the Acquisition, and the “Successor,” which are the consolidated financial statements of us and our subsidiaries for the period following the Acquisition. We were formed on July 26, 2013 and had no results of operations prior to the Acquisition on August 30, 2013. As such, our consolidated results of operations reflect activity of the acquired business for the four months from August 30, 2013 through December 31, 2013. The Predecessor’s combined statements of operations data for the year ended December 31, 2012 and for the period from January 1, 2013 to August 30, 2013, and the Predecessor’s combined balance sheet data as of December 31, 2012 have been derived from the audited combined financial statements of the Lafarge gypsum division. Our balance sheet data as of December 31, 2015 and 2016 and consolidated statements of operations for the years ended December 31, 2014, 2015 and 2016 are derived from the Successor consolidated financial statements, which are included elsewhere in this Annual Report on Form 10-K. Our balance sheet data as of December 31, 2013 and 2014 and consolidated statements of operations for the period from July 26, 2013 to December 31, 2013 is derived from Successor consolidated financial statements not included in this Annual Report on Form 10-K. The Predecessor’s financial statements may not necessarily be indicative of the cost structure or results of operations that would have existed if the gypsum division of Lafarge operated as a stand-alone, independent business. The Acquisition was accounted for as a business combination, which resulted in a new basis of accounting. The Predecessor’s and the Successor’s financial statements are not comparable as a result of applying a new basis of accounting.

**Selected Financial Data**

	Successor				Predecessor	
	For the Year Ended December 31,			July 26 -	January 1 -	Year Ended
	2016	2015	2014	December 31,		
				2013	August 30, 2013	December 31, 2012
	<i>(in thousands)</i>					
<b>Results of Operations:</b>						
Net sales	\$ 461,375	\$ 421,682	\$ 424,502	\$ 150,066	\$ 252,248	\$ 311,410
Costs, expenses and other income:						
Cost of goods sold	336,317	312,840	330,173	121,335	195,338	289,936
Selling and administrative:						
Direct	37,918	34,891	33,568	14,953	19,338	27,194
Allocated from Lafarge	—	—	—	—	4,945	7,037
Total selling and administrative	37,918	34,891	33,568	14,953	24,283	34,231
Long Term Incentive Plan funded by Lone Star	—	29,946	—	—	—	—
Total costs and operating expenses	374,235	377,677	363,741	136,288	219,621	324,167
Operating income	87,140	44,005	60,761	13,778	32,627	(12,757)
Other expense, net	(5,963)	(751)	(5,644)	(21)	(191)	(87)
Interest expense, net	(13,590)	(16,432)	(29,069)	(10,542)	(91)	(212)
Income before losses from equity method investment and provision for income tax	67,587	26,822	26,048	3,215	32,345	(13,056)
Losses from equity method investment	(736)	(750)	(113)	—	(30)	(138)
Income before provision for income taxes	66,851	26,072	25,935	3,215	32,315	(13,194)
Provision for income taxes	(22,827)	(9,336)	(10,044)	(1,110)	(130)	352
Net income	44,024	16,736	15,891	2,105	32,185	(12,842)
Foreign currency translation adjustment	514	(3,099)	(1,939)	(254)	2,707	(1,197)
Net unrealized gain on derivatives, net of tax	1,418	811	(867)	—	—	—
Other	—	7	—	—	—	—
Other comprehensive (loss)/income	\$ 45,956	\$ 14,455	\$ 13,085	\$ 1,851	\$ 34,892	\$ (14,039)
<b>Other financial data:</b>						
Capital expenditures	\$ 12,147	\$ 10,029	\$ 9,638	\$ 2,798	\$ 2,506	\$ 5,205
<b>Period End Balances:</b>						
Cash and cash equivalents	\$ 51,536	\$ 14,729	\$ 15,627	\$ 11,822	N/A	\$ —
Property, plant and equipment, net	307,838	326,407	353,652	383,625	N/A	386,270
Total assets	634,749	634,968	700,981	740,376	N/A	556,746
Total liabilities	325,737	334,202	397,608	603,525	N/A	46,513
Total equity / net Parent investment	309,012	300,766	303,373	136,851	N/A	510,233

## **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read together with the Company's audited consolidated financial statements and the related notes thereto for the fiscal years ended December 31, 2016, 2015 and 2014 included elsewhere in this Annual Report on Form 10-K.

The discussion below and the other sections to which the Company has referred you contains management's comments on the Company's business strategy and outlook, and such discussions contain forward-looking statements. These forward-looking statements reflect the expectations, beliefs, plans and objectives of management about future financial performance and assumptions underlying management's judgment concerning the matters discussed, and accordingly, involve estimates, assumptions, judgments and uncertainties. The Company's actual results could differ materially from those discussed in the forward-looking statements and the discussion below is not necessarily indicative of future results. Factors that could cause or contribute to any differences include, but are not limited to, those discussed below and elsewhere in this report, particularly in Item 1A "Risk Factors" and below in "Forward-Looking Statements."

### **Overview**

We are a leading manufacturer of gypsum wallboard and complementary finishing products in the eastern United States and eastern Canada. We operate highly efficient and automated manufacturing facilities that produce a full range of gypsum wallboard products for our diversified customer base. We sell our products in the new residential, repair and remodel, or R&R, and commercial construction markets.

Our primary reportable segment is wallboard, which accounted for approximately 97.0%, 96.8% and 96.4% of our net sales for the years ended December 31, 2016, 2015 and 2014, respectively. We also operate other business activities, primarily the production of finishing products, which complement our full range of wallboard products. See Note 19 to the Consolidated Financial Statements for additional information on our reporting segment.

### **Market Conditions and Outlook**

For the new residential construction market, housing starts are a very good indicator of demand for our gypsum products. Installation of our gypsum products into a single family home typically follows a housing start by 90 to 120 days. Based on preliminary data reported by the U.S. Census Bureau, housing starts in the United States increased 5% in 2016 to 1,166,300 compared with an adjusted 1,111,800 in 2015. This followed an 11% increase in 2015 compared with 2014. While housing starts continue to increase year over year, they are still low by historical standards. Most industry analysts believe that the recovery in new residential construction will continue, although the recovery over the next few years may be modest, and that over the longer term housing starts will reach historical averages.

The repair and remodel market includes renovation of both residential and nonresidential buildings. Many buyers begin to remodel an existing home within two years of purchase. According to the National Association of Realtors, sales of existing homes in the United States increased to 5.45 million units in 2016, reflecting a 4% increase from the 2015 level of 5.25 million units, which was a 6% increase from 2014. The generally rising levels of existing home sales and home resale values in recent years have contributed to an increase in demand for our products from the residential repair and remodel market.

The commercial construction market encompasses areas such as office, retail, health care, hospitality, and government projects. According to Dodge Data & Analytics, total commercial spending in the United States increased 1% both from 2014 to 2015 and from 2015 to 2016.

The rate of recovery in the new residential construction market, repair and remodel market, and the new nonresidential construction market still remains uncertain and will depend on broader economic circumstances, including employment, household formation, the home ownership rate, existing home price trends, availability of mortgage financing, interest rates, consumer confidence, job growth and discretionary business investment. An increase in interest rates, high levels of unemployment, restrictive lending practices, a decrease in consumer confidence or other adverse economic conditions could have a material adverse effect on our business, financial condition, operating results and cash flows.

Industry shipments of gypsum board in the United States, as reported by the Gypsum Association, were an estimated 21.5 billion square feet, 22.1 billion square feet, and 24.7 billion square feet in 2014, 2015, and 2016, respectively. We are expecting that industry shipments will increase approximately 5% in 2017.

**Manufacturing Cost**

Paper and synthetic gypsum are our principal wallboard raw materials. Paper constitutes our most significant input cost and the most significant driver of our variable manufacturing costs. Energy costs, consisting of natural gas and electricity, are the other key input costs. In total, manufacturing cash costs represented 63% of our costs of goods sold for the year ended December 31, 2016, compared to 61% and 62% for the years ended December 31, 2015 and 2014, respectively. Depreciation and amortization represented 13% of our costs of goods sold for year ended December 31, 2016, compared to 16% for both the years ended December 31, 2015 and 2014. Distribution costs to deliver product to our customers represented the remaining portion of our costs of goods sold, or approximately 24% of our costs of goods sold for the year ended December 31, 2016, compared to 23% and 22% for the years ended December 31, 2015 and 2014, respectively.

Variable manufacturing costs, including inputs such as paper, gypsum, natural gas, and other raw materials, represented 68% of our manufacturing cash costs for the year ended December 31, 2016, compared to 67% and 70% for the years ended December 31, 2015 and 2014, respectively. Fixed production costs excluding depreciation and amortization consisted of labor, maintenance, and other costs that represented 32% of our manufacturing cash costs for the year ended December 31, 2016, compared to 33% and 30% for the years ended December 31, 2015 and 2014, respectively.

We currently purchase most of our paperboard liner from Seven Hills, a joint venture between us and WestRock Company. Under the joint venture agreement with Seven Hills, the price of paper adjusts based on changes in the underlying costs of production of the paperboard liner, of which the two most significant are recovered waste paper and natural gas. The largest waste paper source used by the operation is old cardboard containers (known as OCC). Seven Hills has the capacity to supply us with approximately 75% of our paper needs at our full capacity utilization and most of our needs at current capacity utilization on market-based pricing terms that we consider favorable. We believe we can also purchase additional paper on the spot market at competitive prices. See Note 8 to the Consolidated Financial Statements for additional information regarding our investment in Seven Hills.

**Results of Operations**

*Table M1: Results of Operations*

	For the Year Ended December 31,		
	2016	2015	2014
	<i>(dollars in thousands, except mill net)</i>		
Net Sales	\$ 461,375	\$ 421,682	\$ 424,502
Costs, expenses and other income:			
Cost of goods sold	336,317	312,840	330,173
Selling and administrative	37,918	34,891	33,568
Long Term Incentive Plan funded by Lone Star	—	29,946	—
Total costs and operating expenses	374,235	377,677	363,741
Operating income	87,140	44,005	60,761
Other expense, net	(5,963)	(751)	(5,644)
Interest expense, net	(13,590)	(16,432)	(29,069)
Income before losses from equity method investment and provision for income taxes	67,587	26,822	26,048
Losses from equity method investment	(736)	(750)	(113)
Income before provision for income taxes	66,851	26,072	25,935
Provision for income taxes	(22,827)	(9,336)	(10,044)
Net income	\$ 44,024	\$ 16,736	\$ 15,891
<b>Other operating data:</b>			
Capital expenditures and software purchased or developed	\$ 12,147	\$ 10,029	\$ 9,638
Wallboard sales volume (million square feet)	2,560	2,199	2,180
Mill net sales price (1)	\$ 143.83	\$ 153.70	\$ 154.77

(1) Mill net sales price represents average selling price per thousand square feet net of freight and delivery costs.

Net Sales - 2016 vs. 2015. Net sales increased by \$39.7 million , up 9.4% from \$421.7 million for the year ended December 31, 2015 , to \$461.4 million for the year ended December 31, 2016 . The increase was primarily attributable to a \$67.0 million favorable impact of higher wallboard volumes driven by higher demand in the United States. This increase was partially offset by an unfavorable impact of \$26.0 million due to a decrease in the average net selling price for gypsum wallboard at constant exchange rates and an unfavorable impact of \$1.3 million related to foreign currency exchange rates. Our non-wallboard products had a nominal impact on net sales.

Net Sales - 2015 vs. 2014. Net sales decreased by \$2.8 million , down 0.7% from \$424.5 million for the year ended December 31, 2014 , to \$421.7 million for the year ended December 31, 2015 . The decrease was primarily attributable to a \$5.2 million unfavorable impact of foreign currency and \$1.4 million in lower sales of our non-wallboard products. Total wallboard volume increased 0.9% compared to the prior year period, driven by higher demand, both in the United States and Canada. Overall volumes had a \$3.6 million favorable impact on net sales and the increase in the average net selling price for gypsum wallboard at constant exchange rates had a \$0.2 million favorable impact on net sales.

Cost of Goods Sold - 2016 vs. 2015. Cost of goods sold increased \$23.5 million , up 7.5% from \$312.8 million for the year ended December 31, 2015 , to \$336.3 million for the year ended December 31, 2016 . Higher wallboard volumes increased freight costs and input costs by \$11.5 million and \$19.8 million , respectively. In addition, labor costs increased by \$5.4 million , primarily due to higher volumes, and non-wallboard manufacturing costs increased by \$0.1 million . Lower input costs per thousand square feet ("Msf"), primarily related to energy prices, decreased cost of goods sold \$5.5 million . Other cost decreases included a \$4.7 million decrease of amortization and depreciation costs, a \$2.0 million favorable impact due to freight rates, a \$0.4 million favorable impact due to exchange rates, and a \$0.7 million decrease in other manufacturing costs.

Cost of Goods Sold - 2015 vs. 2014. Cost of goods sold decreased \$17.3 million , down 5.2% from \$330.2 million for the year ended December 31, 2014 , to \$312.8 million for the year ended December 31, 2015 . Approximately \$8.7 million of the decrease in cost of goods sold was due to lower manufacturing costs, primarily helped by lower energy prices. Lower amortization and favorable foreign exchange rates reduced costs by an additional \$4.4 million and \$5.0 million, respectively. Lower freight to customers decreased costs by \$1.1 million and higher wallboard volumes increased costs by \$1.8 million.

Selling and Administrative Expense - 2016 vs. 2015. Selling and administrative expense increased \$3.0 million , up 8.7% from \$34.9 million for the year ended December 31, 2015 , to \$37.9 million for the year ended December 31, 2016 . This increase was driven by a \$1.5 million increase in stock compensation expense and a \$1.8 million increase in payroll and bonus expenses and were partially offset by \$0.3 million decrease in other selling and administrative expense.

Selling and Administrative Expense - 2015 vs. 2014. Selling and administrative expense increased \$1.3 million , up 3.9% from \$33.6 million for the year ended December 31, 2014 , to \$34.9 million for the year ended December 31, 2015 . This increase was primarily driven by \$1.4 million higher amortization for the information technology system previously implemented, partly offset by savings in administrative costs.

Long Term Incentive Plan Funded by Lone Star - 2015. Under the LSF8 Gypsum Holdings, LP. Long Term Incentive Plan, or LTIP, certain of our officers and the estate of our former CEO were eligible to receive payments from LSF8 Gypsum Holdings, L.P., an affiliate of Lone Star Funds, or LSF8, in the event of a monetization event, as further described in Note 18 to the Consolidated Financial Statements. These monetization events occurred in 2015 and LSF8 was responsible for funding payments under the LTIP. As these payments arose out of employment with the Company, the \$29.9 million expenses were recorded on our books for the year ended December 31, 2015, and were also deductible for tax purposes. The funding of the LTIP was recorded as capital contributions from LSF8 in the Consolidated Statement of Cash Flows under financing activities.

Operating Income - 2016 vs. 2015. Operating income of \$87.1 million for the year ended December 31, 2016 increased by \$43.1 million from operating income of \$44.0 million for the year ended December 31, 2015 . The primary driver for this increase was the 16.4% increase in wallboard sales volumes in 2016 versus 2015 producing a \$16.2 million increase in gross margin. In addition, the absence of any LTIP expense in 2016 , as compared to \$29.9 million in LTIP expense in 2015 led to higher operating income in 2016. The favorable impacts were partly offset by \$3.0 million higher selling and administrative expense.

Operating Income - 2015 vs. 2014. Operating income of \$44.0 million for the year ended December 31, 2015 decreased by \$16.8 million from operating income of \$60.8 million for the year ended December 31, 2014 . The difference was driven mostly by the \$29.9 million LTIP expense in 2015 , \$2.8 million lower net sales and \$1.3 million higher selling and administrative expense, partly offset by \$17.2 million lower cost of goods sold.

Other Expense, Net - 2016 vs. 2015. Other expense, net, was \$6.0 million for the year ended December 31, 2016 , an increase in expenses from the \$0.8 million other expense, net in the year ended December 31, 2015 . The increase was primarily due to



\$5.8 million in additional expenses associated with the debt refinancing in the third quarter 2016. See Note 10 to the Consolidated Financial Statements for further details on the refinancing.

*Other Expense, Net - 2015 vs. 2014.* For the year ended December 31, 2015, other expense, net, was \$0.8 million, a decrease of \$4.9 million from the \$5.6 million other expense, net in 2014. The decrease was primarily due to non-recurring costs incurred in the first quarter 2014, including prepayment premium of \$3.1 million for the repayment of the Second Lien Term Loan and \$2.0 million for the payment of termination fees to affiliates of Lone Star in connection with the termination of an asset advisory agreement in connection with the Initial Public Offering.

*Interest Expense, Net - 2016 vs. 2015.* Interest expense was \$13.6 million for the year ended December 31, 2016, a decrease from \$16.4 million for the year ended December 31, 2015, reflecting lower average outstanding borrowings during 2016 compared to 2015 and the lower interest rate following the debt refinancing in August 2016. See Note 10 to the Consolidated Financial Statements for further details on the refinancing.

*Interest Expense, Net - 2015 vs. 2014.* Interest expense was \$16.4 million for the year ended December 31, 2015, a \$12.6 million decrease from \$29.1 million for the year ended December 31, 2014, reflecting lower average outstanding borrowings during 2015, reduced interest rate on the First Lien Term Loan and non-recurring costs that occurred in 2014 and not in 2015. The non-recurring costs include a write-off of the original issue discount and deferred financing fees associated with the early repayment of the Second Lien Term Loan on February 10, 2014 with the net proceeds from the Initial Public Offering.

*Provision for Income Taxes - 2016 vs 2015.* Provision for income taxes was \$22.8 million for the year ended December 31, 2016, compared to \$9.3 million in the prior year period. Higher provision for income taxes was primarily driven by higher pretax income as the effective income tax rates remained fairly steady at 34.1% and 35.8% for the years ended December 31, 2016 and 2015, respectively. See Note 15 to the Consolidated Financial Statements for full effective tax rate reconciliations.

*Provision for Income Taxes - 2015 vs 2014.* Provision from income taxes was \$9.3 million for the year ended December 31, 2015, compared to a provision for income taxes of \$10.0 million for the year ended December 31, 2014. Lower provision for income taxes was primarily a result of a lower effective tax rate of 35.8% for 2015, compared to 38.7% for 2014. This lower effective tax rate was the result of the use of domestic production activities deduction in 2015. See Note 15 to the Consolidated Financial Statements for full effective tax rate reconciliations.

#### **Non-GAAP Measures**

EBITDA and Adjusted EBITDA have been presented in this Annual Report on Form 10-K as supplemental measures of financial performance that are not required by, or presented in accordance with, GAAP. We have presented EBITDA and Adjusted EBITDA as supplemental performance measures because we believe that they facilitate a comparative assessment of our operating performance relative to our performance based on our results under GAAP while isolating the effects of some items that vary from period to period without any correlation to core operating performance and eliminate certain charges that we believe do not reflect our operations and underlying operational performance. Management also believes that EBITDA and Adjusted EBITDA are useful to investors because they allow investors to view our business through the eyes of management and the board of directors, facilitating comparison of results across historical periods.

EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures of other companies because other companies may not calculate EBITDA and Adjusted EBITDA in the same manner as we do. EBITDA and Adjusted EBITDA are not measurements of our financial performance under GAAP and should not be considered in isolation or as alternatives to operating income determined in accordance with GAAP or any other financial statement data presented as indicators of financial performance or liquidity, each as calculated and presented in accordance with GAAP.

**Table M2: Reconciliation of GAAP Net Income to Non-GAAP EBITDA and Adjusted EBITDA**

	For the Year Ended December 31,		
	2016	2015	2014
	<i>(in thousands)</i>		
Net income	\$ 44,024	\$ 16,736	\$ 15,891
<b>Adjustments:</b>			
Other expense, net	5,963	751	5,644
Interest expense, net	13,590	16,432	29,069
Losses from equity method investment	736	750	113
Provision for income taxes	22,827	9,336	10,044
Depreciation and amortization	46,646	51,308	54,317
EBITDA—Non-GAAP Measure	133,786	95,313	115,078
Long Term Incentive Plan Funded by Lone Star (a)	—	29,946	—
Adjusted EBITDA—Non-GAAP Measure	\$ 133,786	\$ 125,259	\$ 115,078

(a) Represents expense recognized pursuant to the LTIP funded by LSF8, an affiliate of Lone Star. See Note 18 to the Consolidated Financial Statements for additional information regarding the LTIP.

### **Liquidity and Capital Resources**

Our primary sources of liquidity are cash on hand, cash from operations, and borrowings under our debt financing arrangements. We believe these sources will be sufficient to fund our planned operations and capital expenditures.

**Table M3: Net Change in Cash and Cash Equivalents**

	For the Year Ended December 31,		
	2016	2015	2014
	<i>(in thousands)</i>		
Net cash provided by operating activities	\$ 116,267	\$ 82,578	\$ 77,991
Net cash used in investing activities	(11,641)	(9,122)	(7,670)
Net cash used in financing activities	(68,044)	(72,856)	(65,621)
Effect of foreign exchange rates on cash and cash equivalents	225	(1,498)	(895)
Net change in cash and cash equivalents	\$ 36,807	\$ (898)	\$ 3,805

#### **Net Cash Provided By Operating Activities**

Net cash provided by operating activities for the years ended December 31, 2016, 2015 and 2014 was \$116.3 million, \$82.6 million and \$78.0 million, respectively. The increase of \$33.7 million in 2016 compared to 2015 was primarily driven by an increase in operating income and an improvement in working capital, partially offset by higher tax payments. The increase of \$4.6 million in 2015 compared to 2014 was primarily driven by improvements in working capital and a decrease in interest payments, partially offset by a decrease in operating income.

#### **Net Cash Used In Investing Activities**

Net cash used in investing activities for the year ended December 31, 2016 was \$11.6 million, compared to \$9.1 million and \$7.7 million for 2015 and 2014, respectively. The investing activities for the years ended December 31, 2016, 2015 and 2014 primarily reflect an aggregate of \$12.1 million, \$10.0 million and \$9.6 million, respectively, in capital expenditures and software purchased or developed, partially offset by distributions and contributions related to our equity investment in Seven Hills.

Net Cash Used In Financing Activities

Net cash used in financing activities for the year ended December 31, 2016 was \$68.0 million, compared to \$72.9 million and \$65.6 million for 2015 and 2014, respectively. During the year ended December 31, 2016, we refinanced the First Lien Credit Agreement, resulting in a net outflow of \$1.4 million, as discussed in greater detail below. We made principal payments for the First Lien Credit Agreement of \$26.4 million, \$55.0 million and \$62.0 million for the years ended December 31, 2016, 2015, and 2014, respectively. During 2015, we received \$29.8 million of capital contributions from Lone Star in connection with payments under LTIP. See Note 18 to the Consolidated Financial Statements for additional information on the LTIP payments. Additionally, in 2014 we issued common stock in the Initial Public Offering resulting in net cash proceeds of \$151.4 million and repaid \$155.0 million under the Second Lien Credit Agreement. We also deployed \$40.3 million and \$48.5 million during 2016 and 2015, respectively, to repurchase common stock.

**Credit Facilities**

On August 30, 2013, in connection with the Acquisition, the Company and its subsidiary Continental Building Products Operating Company, LLC, or OpCo, entered into a first lien credit agreement, or, as amended on December 2, 2013, the First Lien Credit Agreement, and a second lien credit agreement for borrowings of \$320 million and \$120 million, respectively, and drew \$25 million under a \$50 million revolving credit facility as part of the First Lien Credit Agreement. The available amount under the First Lien Credit Agreement was subsequently increased to \$415.0 million. In conjunction with the initial issuance of this debt, we incurred \$15.3 million of debt issuance costs which were being amortized using the effective interest rate method or the straight-line method which approximates the effective interest rate method, over the estimated life of the related debt.

On August 18, 2016, the Company, Opco and Continental Building Products Canada Inc. entered into an Amended and Restated Credit Agreement amending and restating the First Lien Credit Agreement, or the Amended and Restated Credit Agreement. The Amended and Restated Credit Agreement provides for a \$275 million senior secured first lien term loan facility, or the Term Loan, and a \$75 million senior secured revolving credit facility, or the Revolver, which mature on August 18, 2023 and August 18, 2021, respectively. Related to this debt refinancing, we incurred \$4.7 million of discount and debt issuance costs, of which \$2.5 million was recorded in Other Expense, net on the Consolidated Statement of Operations and \$2.2 million will be amortized over the term of the Amended and Restated Credit Agreement. Upon completion of this debt refinancing, we recognized an additional expense of \$3.3 million related to losses resulting from debt extinguishment which is also reported in Other expense, net on the Consolidated Statement of Operations.

Interest under the First Lien Credit Agreement was floating. The interest rate spread over LIBOR, which has a 1% floor, was reduced by 50 basis points in May 2014, from 3.75% to 3.25%, after we achieved a total leverage ratio of less than four times net debt to the trailing twelve months adjusted earnings before interest, depreciation and amortization, as of March 31, 2014, as calculated pursuant to the First Lien Credit Agreement. The margin applicable to the borrowing was further reduced in the third quarter of 2014 by 25 basis points to 3.00% after we achieved a B2 rating with a stable outlook by Moody's. The interest rate under the Amended and Restated Credit Agreement remains floating with a spread over LIBOR of 2.75% and floor of 0.75%. Interest under the Revolver is floating, based on LIBOR plus 2.25%. As of December 31, 2016, the annual effective interest rate on the Amended and Restated Credit Agreement including original issue discount and amortization of debt issuance costs was 4.05%.

Under the terms of the Amended and Restated Credit Agreement, we are required to repay the Term Loan in consecutive quarterly installments equal to 0.25% of the original principal amount of the Term Loan, beginning on September 30, 2016, and a final installment on August 18, 2023 in an amount equal to the aggregate principal amount outstanding on such date. During 2016, we made approximately \$1.4 million of mandatory principal payments under the Amended and Restated Credit Agreement. The First Lien Credit Agreement, and the Amended and Restated Credit Agreement is secured by a first priority lien on all of our property and equipment.

As of December 31, 2016 the outstanding balance on the Term Loan, net of debt issuance fees, was \$266.4 million and availability under the Revolver, based on draws and outstanding letters of credit and absence of violations of covenants, was \$72.9 million.

**Contractual Obligations and Other Long-Term Liabilities**
**Table M4: Future Contractual Obligations By Year As of December 31, 2016**

	2017	2018	2019	2020	2021	Thereafter	Total
	<i>(in thousands)</i>						
Operating leases (1)	\$ 1,183	\$ 616	\$ 1,494	\$ —	\$ —	\$ —	\$ 3,293
<b>Purchase commitments:</b>							
Synthetic gypsum (2)	18,828	16,085	16,570	14,185	3,232	27,173	96,073
Paper (3)	12,838	12,838	3,210	—	—	—	28,886
Natural gas (4)	869	—	—	—	—	—	869
Capital projects	317	—	—	—	—	—	317
IT and other professional services (5)	1,657	184	1	—	—	—	1,842
<b>Other commitments:</b>							
Long-term debt	2,750	2,750	2,750	2,750	2,750	259,875	273,625
Interest on indebtedness (6)	9,915	9,815	9,715	9,641	9,515	15,270	63,871
<b>Total commitments</b>	<b>\$ 48,357</b>	<b>\$ 42,288</b>	<b>\$ 33,740</b>	<b>\$ 26,576</b>	<b>\$ 15,497</b>	<b>\$ 302,318</b>	<b>\$ 468,776</b>

- (1) Operating lease payments reflect the minimum payments over the non-cancelable lease terms of the associated lease.
- (2) Reflects estimated minimum payments for synthetic gypsum over the contract terms, including transport.
- (3) We purchase paper under a long-term contract that specifies a two-year termination notice requirement from the anniversary date of the contract. WestRock has the option to require us to purchase paper for up to an additional two years subsequent to termination. The table reflects the estimated minimum payments due as of December 31, 2016, assuming a notice of cancellation was delivered on that date and no exercise by WestRock of its option.
- (4) Represents minimum notional gas purchase commitment under contract.
- (5) Represents commitments for data center, warehouse facilities and other.
- (6) See Note 10 - Debt for further details. Interest on indebtedness is calculated based on interest rates in effect at December 31, 2016.

A purchase commitment is an enforceable and legally binding agreement to purchase goods or services that specifies significant terms, including: fixed or minimum quantities to be purchased, minimum or variable price provisions and approximate timing of the transaction. Our primary purchase obligations are for our two principal raw materials, synthetic gypsum and paper. The purchase commitment amounts in the table above are based on the minimum quantities to be purchased at estimated prices to be paid based on current market conditions. Accordingly, the actual amounts due may vary significantly from the estimates included in the table.

**Off-Balance Sheet Arrangements**

With the exception of letters of credit of approximately \$2.1 million as of December 31, 2016, we have no off-balance sheet arrangements.

## **Critical Accounting Policies and Estimates**

### ***Critical Accounting Policies***

A summary of our significant and recent accounting policies is included in Note 2 to the audited financial statements included elsewhere in this Annual Report on Form 10-K. The preparation of our financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses. Although management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, actual results may differ to some extent from the estimates on which our financial statements have been prepared at any point in time. We believe that the critical accounting policies listed below involve our more significant judgments, assumptions and estimates and, therefore, could have the greatest potential impact on the financial statements.

### ***Impairment or Disposal of Long-Lived Assets***

We evaluate the recoverability of our long-lived assets in accordance with the provisions of *Financial Accounting Standards Board Accounting Standards Codification 360 Property, Plant and Equipment*, or ASC 360. ASC 360 requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is measured by comparing the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. Such evaluations for impairment are significantly impacted by estimates of future prices for its products, capital needs, economic trends in the construction sector and other factors. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value. Assets to be disposed of by sale are reflected at the lower of their carrying amount or fair value less cost to sell.

Determination as to whether and how much an asset is impaired involves significant management judgment involving highly uncertain matters, including estimating the future success of sales volumes, future selling prices and costs, alternative uses for the assets, and estimated proceeds from disposal of the assets. However, the impairment reviews and calculations are based on estimates and assumptions that take into account our business plans and long-term investment decisions.

We record impairment charges for assets that we permanently close if their fair value is less than their carrying value.

### ***Goodwill and Intangible Assets***

Goodwill represents the excess of costs over the fair value of identifiable assets of businesses acquired. We value goodwill and intangible assets in accordance with *Financial Accounting Standards Board Accounting Standards Codification 350, Goodwill and Other Intangible Assets*, or ASC 350. ASC 350 requires goodwill to be either qualitatively or quantitatively assessed for impairment annually (or more frequently if impairment indicators arise). Intangible assets that have indefinite useful lives are not amortized but are tested at least annually for impairment or whenever events or circumstances indicate an impairment may have occurred. Intangible assets that are deemed to have definite lives are amortized over their useful lives.

As of December 31, 2016 and 2015, we had \$119.9 million of goodwill, which resulted from the Acquisition. All goodwill is associated with our wallboard reporting unit. On an annual basis, we measure the fair value of our wallboard reporting unit on a qualitative basis or by using a discounted cash flow approach that estimates the projected future cash flows to be generated by the reporting unit, using a discount rate reflecting the weighted average cost of capital for a potential market participant. We perform our annual goodwill impairment test on the first day of our fiscal fourth quarter. Differences in assumptions used in projecting future cash flows and cost of funds could have a significant impact on the determination of fair value. During our goodwill impairment review, we may assess qualitative factors to determine whether more likely than not the fair value of the reporting unit is less than its carrying amount, including goodwill. The qualitative factors include, but are not limited to, macroeconomic conditions, industry and market considerations and our overall financial performance. If, after assessing the totality of these qualitative factors, we determine that it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then no additional assessment is deemed necessary.

When we use a discounted cash flow approach, projections are based on forecasts developed internally by management for use in managing the business. These projections include significant assumptions such as estimates of future revenues, profits, working capital requirements, operating plans and capital expenditures. Our forecasts are driven by consensus industry estimates of key economic indicators that affect our operating results, most notably new residential construction, light commercial construction, and repair and remodel activity. These economic indicators are then used to estimate future production volumes, selling prices and key input costs for our manufactured products. Our forecasts also take into consideration recent sales data and planned timing of capital projects. Differences in assumptions used in projecting future cash flows and cost of funds could have a significant impact on the determination of fair value.

A growth rate is used to calculate the terminal value in the discounted cash flow model and is the expected rate at which earnings or revenue is projected to grow beyond the forecasted period. The future cash flows are discounted at our weighted average cost of capital.

Based on the results of the first step of the goodwill impairment test, it is not more likely than not that the fair value of our wallboard reporting unit is less than its carrying amount as of October 1, 2016 and 2015 and, therefore, no goodwill impairment existed. We relied on a qualitative assessment to reach this conclusion. As a result, the second step of the goodwill impairment test was not required to be completed.

### ***Income Taxes***

Since the formation of the Company on July 26, 2013, our annual tax rate is based on our income, statutory tax regulations and rates, and tax planning opportunities available to us in the various jurisdictions in which we operate. Significant judgment is required in determining our annual tax expense and in evaluating our tax positions.

Tax law requires items to be included in our tax returns at different times than when the items are reflected in the financial statements. As a result, the annual tax expense reflected in the consolidated statement of operations is different than that which will be reported in the tax returns. Some of these differences are permanent, such as expenses recorded for accounting purposes that are not deductible in the returns, and some differences are temporary and reverse over time, such as depreciation expense. Temporary differences create deferred tax assets and liabilities. Deferred tax liabilities generally represent tax expense recognized in the financial statements for which payment has been deferred, or expense for which a deduction has been taken already in the tax return but the expense has not yet been recognized in the financial statements. Deferred tax assets generally represent items that can be used as a tax deduction or credit in tax returns in future years for which a benefit has already been recorded in the financial statements. Valuation allowances are established when necessary to reduce deferred income tax assets to the amounts we believe are more likely than not to be recovered. In evaluating the amount of any such valuation allowance, the company considers the reversal of existing temporary differences, the existence of taxable income in prior carry back years, available tax planning strategies and estimates of future taxable income for each of its taxable jurisdictions. The latter two factors involve the exercise of significant judgment.

We determine whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit is recorded in the financial statements. A tax position is measured as the portion of the tax benefit that is greater than 50% likely to be realized upon settlement with a taxing authority (that has full knowledge of all relevant information). We may be required to change our provision for income taxes when the ultimate deductibility of certain items is challenged or agreed to by taxing authorities, when estimates used in determining valuation allowances on deferred tax assets significantly change, or when receipt of new information indicates the need for adjustment in valuation allowances. Additionally, future events, such as changes in tax laws, tax regulations, or interpretations of such laws or regulations, could have an impact on the provision for income tax and the effective tax rate. Any such changes could significantly affect the amounts reported in the consolidated financial statements in the year these changes occur.

## **Forward-Looking Statements**

This Annual Report on Form 10-K contains “forward-looking statements.” These forward-looking statements are included throughout this Annual Report on Form 10-K, and relate to matters such as our industry, business strategy, goals and expectations concerning our market position, future operations, margins, profitability, capital expenditures, liquidity, capital resources and other financial and operating information. We have used the words “anticipate,” “assume,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “future,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “target,” “will” and similar terms and phrases to identify forward-looking statements in this Annual Report on Form 10-K. All of our forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we are expecting, including:

- cyclical nature of our markets, especially the new residential construction market;
- the highly competitive nature of our industry and the substitutability of competitors’ products;
- disruptions in our supply of synthetic gypsum due to regulatory changes or coal-fired power plants ceasing or reducing operations or switching to natural gas;
- changes to environmental and safety laws and regulations requiring modifications to our manufacturing systems;
- potential losses of customers;
- changes in affordability of energy and transportation costs;
- material disruptions at our facilities or the facilities of our suppliers;
- disruptions to our supply of paperboard liner, including termination of the WestRock contract;
- changes in, cost of compliance with or the failure or inability to comply with governmental laws and regulations, in particular environmental regulations;
- our involvement in legal and regulatory proceedings;
- our ability to attract and retain key management employees;
- disruptions in our information technology systems;
- labor disruptions;
- seasonal nature of our business; and
- additional factors discussed under the sections captioned “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business.”

The forward-looking statements contained in this Annual Report on Form 10-K are based on historical performance and management’s current plans, estimates and expectations in light of information currently available to us and are subject to uncertainty and changes in circumstances. There can be no assurance that future developments affecting us will be those that we have anticipated. Actual results may differ materially from these expectations due to changes in global, regional or local political, economic, business, competitive, market, regulatory and other factors, many of which are beyond our control. We believe that these factors include those described in “Risk Factors.” Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove to be incorrect, our actual results may vary in material respects from what we may have expressed or implied by these forward-looking statements. We caution that you should not place undue reliance on any of our forward-looking statements. Any forward-looking statement made by us in this Annual Report on Form 10-K speaks only as of the date on which we make it. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by applicable securities laws.

## **Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

In the normal course of business, we are exposed to financial risks such as changes in interest rates, foreign currency exchange rates, commodity price risk associated with our input costs and counterparty risk. We use derivative instruments to manage selected commodity price and interest rate exposures.

### ***Interest Rate Risk***

Our exposure to market risk for changes in interest rates relates primarily to our outstanding debt, and cash and cash equivalents. As of December 31, 2016, we had \$51.5 million in cash and cash equivalents. The interest expense associated with the term loan and revolving credit facility under the Amended and Restated Credit Agreement will vary with market rates.

Our exposure to market risk for changes in interest rates related to our outstanding debt is somewhat mitigated as the term loan under the Amended and Restated Credit Agreement has a LIBOR floor of 0.75%. A rise of interest rate levels would increase our interest expense and a reduction in interest rates to the floor would decrease our interest expense slightly as the LIBOR specified the calculation of interest during the fourth quarter was slightly above the floor. A hypothetical 1.00% increase in interest rates would have increased interest expense by approximately \$1.8 million for the year ended December 31, 2016, while a hypothetical 1.00% decrease in interest rate would have decreased interest expense by a nominal amount. We based this sensitivity calculation on the three month LIBOR rate of 0.84% as of September 28, 2016 in accordance with the measurement date specified in the Amended and Restated Credit Agreement.

As of December 31, 2016, we had interest rate swaps with a combined notional amount of \$100.0 million and a 4 years term, which swapped the floating interest rate on a portion of the term loan under the Amended and Restated Credit Agreement to an average fixed rate of 1.323%. The fair value of these interest rate swaps was \$1.8 million as of December 31, 2016.

The return on our cash equivalents balance was less than 1%. Therefore, although investment interest rates may continue to decrease in the future, the corresponding impact to our interest income, and likewise to our income and cash flow, would not be material.

### ***Foreign Currency Risk***

Approximately 7.8%, 8.0% and 8.3% of our net sales for the years ended December 31, 2016, 2015 and 2014, respectively, were in Canada. As a result, we are exposed to movements in foreign exchange rates between the U.S. dollar and Canadian dollar. We estimate that a 1% change in the exchange rate between the U.S. and Canadian currencies would impact annual net sales by approximately \$0.5 million based on results for the year ended December 31, 2016. This may differ from actual results depending on the level of sales volumes in Canada. During the reported periods we did not use foreign currency hedges to manage this risk.

### ***Commodity Price Risk***

Some of our key production inputs, such as paper and natural gas, are commodities whose prices are determined by the market's supply and demand for such products. Price fluctuations on our key input costs have a significant effect on our financial performance. The markets for most of these commodities are cyclical and are affected by factors such as global economic conditions, changes in or disruptions to industry production capacity, changes in inventory levels and other factors beyond our control. As of December 31, 2016, the Company had seven natural gas swap contracts for a portion of natural gas usage. Five of these contracts mature March 31, 2017, with the remaining two contracts maturing on May 31, 2017. Other than the natural gas swap contracts described above, we did not manage commodity price risk with derivative instruments. We may in the future enter into derivative financial instruments from time to time to manage our exposure related to these market risks.

### ***Counterparty Risk***

The Company is exposed to credit losses in the event of nonperformance by the counterparties to the Company's derivative instruments. All of the Company's counterparties have investment grade credit ratings; accordingly, the Company anticipates that the counterparties will be able to fully satisfy their obligations under the contracts. The Company's agreements outline the conditions upon which it or the counterparties are required to post collateral. As of December 31, 2016, the Company had no collateral posted with its counterparties related to the derivatives.

### ***Seasonality***

Sales of our wallboard products are seasonal, similar to many building products, in that sales are generally slightly higher from spring through autumn when construction activity is greatest in our markets.



**Item 8. Financial Statements and Supplementary Data**

**Management's Report on Internal Control Over Financial Reporting**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Internal control over financial reporting is a process designed by or under the supervision of the Company's Chief Executive Officer and Chief Financial Officer, and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with GAAP.

The Company's internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Continental's assets that could have a material effect on the consolidated financial statements.

Under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2016 . In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control - Integrated Framework (2013)* . Based on its evaluation, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2016 .

The Company's independent registered public accounting firm, Ernst & Young LLP, has issued an attestation report on the Company's internal control over financial reporting as of December 31, 2016 , as stated in their report appearing below.

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders of Continental Building Products, Inc.

We have audited Continental Building Products, Inc.'s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Continental Building Products, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Continental Building Products, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Continental Building Products, Inc. as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for each of the three fiscal years in the period ended December 31, 2016 of Continental Building Products, Inc. and our report dated February 24, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

McLean, Virginia  
February 24, 2017

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders of Continental Building Products, Inc.

We have audited the accompanying consolidated balance sheets of Continental Building Products, Inc. as of December 31, 2016 and 2015 , and the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2016 . These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Continental Building Products, Inc. at December 31, 2016 and 2015 , and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016 , in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Continental Building Products, Inc.'s internal control over financial reporting as of December 31, 2016 , based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 24, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

McLean, Virginia  
February 24, 2017

**Continental Building Products, Inc.**  
**Consolidated Statements of Operations**

	For the Year Ended December 31,		
	2016	2015	2014
	<i>(in thousands, except share data and per share amounts)</i>		
Net sales	\$ 461,375	\$ 421,682	\$ 424,502
Costs, expenses and other income:			
Cost of goods sold	336,317	312,840	330,173
Selling and administrative	37,918	34,891	33,568
Long Term Incentive Plan funded by Lone Star	—	29,946	—
Total costs and operating expenses	374,235	377,677	363,741
Operating income	87,140	44,005	60,761
Other expense, net	(5,963)	(751)	(5,644)
Interest expense, net	(13,590)	(16,432)	(29,069)
Income before losses from equity method investment and provision for income tax	67,587	26,822	26,048
Losses from equity method investment	(736)	(750)	(113)
Income before provision for income taxes	66,851	26,072	25,935
Provision for income taxes	(22,827)	(9,336)	(10,044)
Net income	\$ 44,024	\$ 16,736	\$ 15,891
Net income per share:			
Basic	\$ 1.08	\$ 0.39	\$ 0.37
Diluted	\$ 1.08	\$ 0.39	\$ 0.37
Weighted average shares outstanding:			
Basic	40,605,464	43,172,528	42,940,849
Diluted	40,662,304	43,218,324	42,952,022

See accompanying notes to consolidated financial statements.

**Continental Building Products, Inc.**  
**Consolidated Statements of Comprehensive Income**

	For the Year Ended December 31,		
	2016	2015	2014
	<i>(in thousands)</i>		
Net income	\$ 44,024	\$ 16,736	\$ 15,891
Foreign currency translation adjustment	514	(3,099)	(1,939)
Net unrealized gains/(losses) on derivatives, net of tax	1,418	811	(867)
Other	—	7	—
Other comprehensive income/(loss)	1,932	(2,281)	(2,806)
Comprehensive income	\$ 45,956	\$ 14,455	\$ 13,085

See accompanying notes to consolidated financial statements.

**Continental Building Products, Inc.**  
**Consolidated Balance Sheets**

	December 31, 2016	December 31, 2015
<i>(in thousands)</i>		
<b>Assets:</b>		
Cash and cash equivalents	\$ 51,536	\$ 14,729
Receivables, net	32,473	35,812
Inventories, net	25,239	27,080
Prepaid and other current assets	7,485	6,448
Total current assets	116,733	84,069
Property, plant and equipment, net	307,838	326,407
Customer relationships and other intangibles, net	81,555	94,835
Goodwill	119,945	119,945
Equity method investment	8,020	9,262
Debt issuance costs	658	450
Total Assets	\$ 634,749	\$ 634,968
<b>Liabilities and Shareholders' Equity:</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 27,411	\$ 22,788
Accrued and other liabilities	12,321	12,334
Notes payable, current portion	1,742	—
Total current liabilities	41,474	35,122
Deferred taxes and other long-term liabilities	19,643	12,537
Notes payable, non-current portion	264,620	286,543
Total Liabilities	325,737	334,202
<b>Equity:</b>		
Undesignated preferred stock, par value \$0.001 per share; 10,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock, \$0.001 par value per share; 190,000,000 shares authorized; 44,191,370 and 44,145,080 shares issued, respectively; 39,691,715 and 41,750,031 shares outstanding, respectively	44	44
Additional paid-in capital	322,384	319,817
Less: Treasury stock	(88,756)	(48,479)
Accumulated other comprehensive loss	(3,409)	(5,341)
Accumulated earnings	78,749	34,725
Total Equity	309,012	300,766
Total Liabilities and Equity	\$ 634,749	\$ 634,968

See accompanying notes to consolidated financial statements.

**Continental Building Products, Inc.**  
**Consolidated Statements of Cash Flows**

	For the Year Ended December 31,		
	2016	2015	2014
	<i>(in thousands)</i>		
<b>Cash flows from operating activities:</b>			
Net income	\$ 44,024	\$ 16,736	\$ 15,891
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>			
Depreciation and amortization	46,646	51,308	54,317
Bad debt (recovery)/expense	(104)	(166)	413
Amortization of debt issuance costs and debt discount	1,947	2,315	9,210
Loss on disposal of property, plant and equipment	128	95	—
Losses from equity method investment	736	750	113
Loss on debt extinguishment	5,802	—	—
Stock-based compensation	2,288	801	797
Deferred taxes	6,504	3,407	11,105
<b>Change in assets and liabilities:</b>			
Receivables	3,446	4,299	(8,268)
Inventories	1,921	2,116	(1,645)
Prepaid expenses and other current assets	767	749	(783)
Accounts payable	2,058	(1,323)	(3,805)
Accrued and other current liabilities	360	1,682	(665)
Other long term liabilities	(256)	(191)	1,311
Net cash provided by operating activities	<u>116,267</u>	<u>82,578</u>	<u>77,991</u>
<b>Cash flows from investing activities:</b>			
Capital expenditures	(11,733)	(8,812)	(5,698)
Software purchased or developed	(414)	(1,217)	(3,940)
Capital contributions to equity method investment	(349)	(103)	—
Distributions from equity method investment	855	1,010	1,968
Net cash used in investing activities	<u>(11,641)</u>	<u>(9,122)</u>	<u>(7,670)</u>
<b>Cash flows from financing activities:</b>			
Capital contribution from Lone Star Funds	—	29,750	—
Proceeds from exercise of stock options	20	873	—
Net proceeds from issuance of common stock	—	—	151,354
Proceeds from debt refinancing	275,000	—	—
Disbursements for debt refinancing	(271,988)	—	—
Payments of financing costs	(4,424)	—	—
Principal payments for First Lien Credit Agreement	(26,375)	(55,000)	(61,975)
Repayment of Second Lien Credit Agreement	—	—	(155,000)
Payments to repurchase common stock	(40,277)	(48,479)	—
Net cash used in financing activities	<u>(68,044)</u>	<u>(72,856)</u>	<u>(65,621)</u>
Effect of foreign exchange rates on cash and cash equivalents	225	(1,498)	(895)
Net change in cash and cash equivalents	<u>36,807</u>	<u>(898)</u>	<u>3,805</u>
Cash, beginning of period	<u>14,729</u>	<u>15,627</u>	<u>11,822</u>
Cash, end of period	<u>\$ 51,536</u>	<u>\$ 14,729</u>	<u>\$ 15,627</u>

See accompanying notes to consolidated financial statements.

**Continental Building Products, Inc.**  
**Consolidated Statements of Changes in Shareholders' Equity**

	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Income/(Loss)	Accumulated Earnings	Total Equity
	Shares	Amount					
<i>(in thousands, except share data)</i>							
<b>Balance as of January 1, 2014</b>	32,304,000	\$ 32	\$ 134,968		\$ (254)	\$ 2,105	\$ 136,851
Net income	—	—	—	—	—	15,891	15,891
Other comprehensive loss, net of tax	—	—	—	—	(2,806)	—	(2,806)
Proceeds from Initial Public Offering	11,765,000	12	151,342	—	—	—	151,354
Tax impact of the Initial Public Offering	—	—	1,286	—	—	—	1,286
Stock-based compensation	—	—	797	—	—	—	797
<b>Balance as of December 31, 2014</b>	<b>44,069,000</b>	<b>44</b>	<b>288,393</b>	<b>—</b>	<b>(3,060)</b>	<b>17,996</b>	<b>303,373</b>
Net income	—	—	—	—	—	16,736	16,736
Other comprehensive loss, net of tax	—	—	—	—	(2,281)	—	(2,281)
Capital contribution from Lone Star	—	—	29,750	—	—	—	29,750
Purchase of treasury shares	(2,395,049)	—	—	(48,479)	—	—	(48,479)
Stock option exercise	62,331	—	873	—	—	—	873
Stock-based compensation	13,749	—	801	—	—	—	801
Other	—	—	—	—	—	(7)	(7)
<b>Balance as of December 31, 2015</b>	<b>41,750,031</b>	<b>44</b>	<b>319,817</b>	<b>(48,479)</b>	<b>(5,341)</b>	<b>34,725</b>	<b>300,766</b>
Net income	—	—	—	—	—	44,024	44,024
Other comprehensive income, net of tax	—	—	—	—	1,932	—	1,932
Purchase of treasury shares	(2,104,606)	—	—	(40,277)	—	—	(40,277)
Stock option exercise	1,463	—	20	—	—	—	20
Stock-based compensation	33,954	—	2,288	—	—	—	2,288
Employee stock purchase program	10,873	—	259	—	—	—	259
<b>Balance as of December 31, 2016</b>	<b>39,691,715</b>	<b>\$ 44</b>	<b>\$ 322,384</b>	<b>\$ (88,756)</b>	<b>\$ (3,409)</b>	<b>\$ 78,749</b>	<b>\$ 309,012</b>

See accompanying notes to consolidated financial statements.



**Continental Building Products, Inc.**  
**Notes to the Consolidated Financial Statements**

1. BACKGROUND AND NATURE OF OPERATIONS

*Description of Business*

Continental Building Products, Inc. ("CBP", the "Company") is a Delaware corporation. The Company manufactures gypsum wallboard related products for commercial and residential buildings and houses. The Company operates a network of three highly efficient wallboard facilities, all located in the eastern United States and produces joint compound at one plant in the United States and at another plant in Canada.

*The Acquisition*

On June 24, 2013, Lone Star Fund VIII (U.S.), L.P., (along with its affiliates and associates, but excluding the Company and companies that it owns as a result of its investment activity, "Lone Star"), entered into a definitive agreement with Lafarge N.A. to purchase the assets of its North American gypsum division for an aggregate purchase price of approximately \$703 million (the "Acquisition") in cash. The closing of the Acquisition occurred on August 30, 2013.

*Initial Public Offering*

On February 10, 2014, the Company completed the initial public offering of 11,765,000 shares of its common stock at an offering price of \$14.00 per share (the "Initial Public Offering"). Net proceeds from the Initial Public Offering after underwriting discounts and commissions, but before other closing costs, were approximately \$154 million. The net proceeds were used to pay a \$2 million one-time payment to Lone Star in consideration for the termination of the Company's asset advisory agreement with affiliates of Lone Star. The remaining \$152 million of net proceeds and cash on hand of \$6.1 million were used to repay the \$155 million Second Lien Term Loan in full along with a prepayment premium of \$3.1 million (See Note 10, Debt). In expectation of the Initial Public Offering, on February 3, 2014, the Company effected a 32,304 for one stock split of its common stock. The Company's common stock trades on the New York Stock Exchange under the symbol "CBPX".

*Secondary Public Offerings*

On March 18, 2015, LSF8 Gypsum Holdings, L.P. ("LSF8"), an affiliate of Lone Star, sold 5,000,000 shares of the Company's common stock at a price per share of \$19.40. As a result of the sale, the aggregate beneficial ownership of Lone Star fell below 50% of the Company's outstanding shares of common stock and the Company no longer qualified as a "Controlled Company" under the corporate governance standards of New York Stock Exchange. On May 15, 2015 and June 3, 2015, LSF8 sold an additional 4,600,000 and 361,747 shares of the Company's common stock, respectively, at a price per share of \$21.90. On September 16, 2015, LSF8 sold an additional 4,600,000 shares of the Company's common stock at a price per share of \$19.85. The decrease in ownership by Lone Star and its affiliates to below 50% and LSF8's subsequent sales of common stock triggered an aggregate of \$29.9 million in payments to certain officers and the estate of the Company's former CEO under the LSF8 Gypsum Holdings, L.P. Long Term Incentive Plan, which was funded by LSF8 (See Note 18, Related Party Transactions).

On March 18, 2016, LSF8 sold its remaining 5,106,803 shares of the Company's common stock at a price per share of \$16.10. Following the March 18, 2016 transaction and the concurrent repurchase by the Company of 900,000 shares of Company's common stock from LSF8, to the best of the Company's knowledge, neither LSF8 nor any other affiliate of Lone Star held any shares of Company common stock. (See Note 12, Treasury Stock).

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Presentation

The accompanying consolidated financial statements for the Company have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions have been eliminated.

### (b) Cash

Cash and cash equivalents include highly liquid investments with maturities of three months or less at the time of purchase maintained at financial institutions in the United States and Canada. At times the amounts may exceed federally insured deposit limits. The Company has not experienced any losses and does not believe it is exposed to any significant credit risk related to demand deposits.

**Table 2.1: Certain Cash and Non-Cash Transactions**

	For the Year Ended December 31,		
	2016	2015	2014
	<i>(in thousands)</i>		
<b>Cash paid during the period for:</b>			
Interest paid on term loan	\$ 10,996	\$ 13,525	\$ 19,488
Income taxes paid, net	19,105	1,870	4,199

For the year ended December 31, 2016, non-cash amounts in accounts payable for capital expenditures totaled \$2.5 million.

### (c) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses. Actual results may differ from these estimates.

### (d) Earnings Per Share

Basic earnings per share is computed by dividing net income applicable to common stock by the weighted average number of shares of common stock outstanding. Diluted earnings per share is computed by dividing net income applicable to shares of common stock by the weighted average number of shares of common stock outstanding inclusive of any dilutive potential shares of common stock and dilutive stock options. It is assumed that all dilutive stock options were exercised at the beginning of each period and that the proceeds were used to purchase shares of common stock at the average market price during the period.

### (e) Cost of Goods Sold and Selling and Administrative Expenses

Cost of goods sold includes costs of production, depreciation, amortization of acquired intangibles, inbound freight charges for raw materials, outbound freight to customers, purchasing and receiving costs, inspection costs, warehousing at plant facilities, and internal transfer costs. Costs associated with third-party warehouses are included in selling and administrative expenses. Selling and administrative costs also include expenses for sales, marketing, legal, accounting and finance services, human resources, customer support, treasury, other general corporate services and amortization of software development cost.

### (f) Foreign Currency Translation

The Company uses the U.S. dollar as its functional currency for operations in the United States and the Canadian dollar for the Company's operations in Canada. The assets and liabilities of the Company's Canadian operations are translated at the exchange rate prevailing at the balance sheet date. Related revenues and expense accounts for the Canadian operations are translated using the average exchange rate during the year.

**(g) Concentration of Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily receivables. The Company performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral from its customers. The allowances for non-collection of receivables are based upon analysis of economic trends in the construction industry, detailed analysis of the expected collectability of accounts receivable that are past due and the expected collectability of overall receivables.

**Table 2.2: Significant Customer Net Sales as a Percentage of Total Net Sales**

	For the Year Ended December 31,		
	2016	2015	2014
Lowe's	15%	16%	15%

**Table 2.3: Significant Customer Accounts Receivable as a Percentage of Total Accounts Receivable**

	As of December 31,	
	2016	2015
Lowe's	32%	26%

**(h) Receivables**

Trade receivables are recorded at net realizable value, which includes allowances for cash discounts and doubtful accounts, and are reflected net of customer incentives. The Company reviews the collectability of trade receivables on an ongoing basis. The Company reserves for trade receivables determined to be uncollectible. This determination is based on the delinquency of the account, the financial condition of the customer and the Company's collection experience.

**(i) Inventories**

Inventories are valued at the lower of cost or market. Virtually all of the Company's inventories are valued under the average cost method. Inventories include materials, labor and applicable factory overhead costs. The value of inventory is adjusted for damaged, obsolete, excess and slow-moving inventory. Market value of inventory is estimated based on the impact of market trends, an evaluation of economic conditions and the value of current orders relating to the future sales of this type of inventory.

**(j) Property, Plant and Equipment**

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation of property, plant and equipment is computed for financial reporting purposes using the straight-line method over the estimated useful lives of the assets. These lives range from 20 to 25 years for buildings, 5 to 25 years for plant machinery, and 5 to 8 years for mobile equipment. For plant machinery, the large majority of the existing assets are being amortized over an estimated remaining life of approximately 7 years. Repair and maintenance costs are expensed as incurred. Substantially all of the Company's depreciation expenses are recorded in "Cost of goods sold" in the Statements of Operations.

The Company capitalizes interest during the active construction of major projects. Capitalized interest is added to the cost of the underlying assets and is depreciated over the useful lives of those assets. The amount of interest capitalized during the year ended December 31, 2016 was \$0.1 million compared to a nominal amount for the year ended December 31, 2015 and zero for the year ended December 31, 2014.

**(k) Impairment or Disposal of Long-Lived Assets**

The Company evaluates the recoverability of its long-lived assets in accordance with the provisions of Accounting Standards Codification 360 Property, Plant and Equipment ("ASC 360"). ASC 360 requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is measured by comparing the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset.

Such evaluations for impairment are significantly impacted by estimates of future prices for its products, capital needs, economic trends in the construction sector and other factors. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value. Assets to be disposed of by sale are reflected at the lower of their carrying amount or fair value less cost to sell.

The Company assesses impairment of the Company's long-lived assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. AS of December 31, 2016, the Company grouped the wallboard plants as an asset group. The plants within each group were used together to generate cash flows. The Company's two joint compound plants were also grouped as an asset group.

(l) Goodwill and Intangible Assets

The goodwill and intangibles reflected in the financial statements relates solely to the Acquisition.

Goodwill represents the excess of costs over the fair value of identifiable assets of businesses acquired. The Company evaluates goodwill and intangible assets in accordance with ASC 350, Goodwill and Other Intangible Assets ("ASC 350"). ASC 350 requires goodwill to be either qualitatively or quantitatively assessed for impairment annually (or more frequently if impairment indicators arise) for each reporting unit. The Company performs its annual impairment testing of goodwill as of October 1st of each year.

Intangible assets that are deemed to have definite lives are amortized over their useful lives. The cost of internal-use software purchased or developed internally, is accounted for in accordance with ASC 350-40, Internal-Use Software. The weighted average useful life of capitalized software is 3 years. Amortization of customer relationships is done over a 15 year period using an accelerated method that reflects the expected future cash flows from the acquired customer-related intangible asset. Trademarks identified as having definite lives are amortized on a straight-line basis over the estimated useful life of 15 years.

(m) Fair Value Measurements

U.S. GAAP provides a framework for measuring fair value, establishes a fair value hierarchy of the valuation techniques used to measure the fair value and requires certain disclosures relating to fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in a market with sufficient activity.

The three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value is as follows:

- Level 1—Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities that a Company has the ability to access;
- Level 2—Inputs, other than the quoted market prices included in Level 1, which are observable for the asset or liability, either directly or indirectly; and
- Level 3—Unobservable inputs for the asset or liability which is typically based on an entity's own assumptions when there is little, if any, related market data available.

The Company evaluates assets and liabilities subject to fair value measurements on a recurring and non-recurring basis to determine the appropriate level to classify them for each reporting period. This determination requires significant judgments to be made by the Company. The fair values of receivables, accounts payable, accrued costs and other current liabilities approximate the carrying values as a result of the short-term nature of these instruments.

(n) Environmental Remediation Liabilities

When the Company determines that it is probable that a liability for environmental matters has been incurred, an undiscounted estimate of the required remediation costs is recorded as a liability in the financial statements, without offset of potential insurance recoveries. Costs that extend the life, increase the capacity or improve the safety or efficiency of company-owned assets or are incurred to mitigate or prevent future environmental contamination are capitalized. Other environmental costs are expensed when incurred. The Company did not have any environmental liabilities recorded as of December 31, 2016 and 2015.

(o) Income Taxes

The provision for income taxes has been determined using the asset and liability approach of accounting for income taxes to reflect the expected future tax consequences of events recognized in the financial statements. Deferred income tax assets and liabilities are recognized by applying enacted tax rates to temporary differences that exist as of the balance sheet date which result from differences in the timing of reported taxable income between tax and financial reporting.

The Company reduces the carrying amounts of deferred tax assets by a valuation allowance if, based on the available evidence, it is more likely than not that such assets will not be realized. The need to establish valuation allowances for deferred tax assets is assessed annually. In assessing the requirement for, and amount of, a valuation allowance in accordance with the more likely

than not standard, the Company gives appropriate consideration to all positive and negative evidence related to the realization of the deferred tax assets. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability and foreign source income, the duration of statutory carryforward periods, and the Company's experience with operating loss and tax credit carryforward expirations. A history of cumulative losses is a significant piece of negative evidence used in the assessment. If a history of cumulative losses is incurred for a tax jurisdiction, forecasts of future profitability are not used as positive evidence related to the realization of the deferred tax assets in the assessment.

The Company recognizes the tax benefits of an uncertain tax position if those benefits are more likely than not to be sustained based on existing tax law. Additionally, the Company establishes a reserve for tax positions that are more likely than not to be sustained based on existing tax law, but uncertain in the ultimate benefit to be sustained upon examination by the relevant taxing authorities. Unrecognized tax benefits are subsequently recognized at the time the more likely than not recognition threshold is met, the tax matter is effectively settled or the statute of limitations for the relevant taxing authority to examine and challenge the tax position has expired, whichever is earlier.

(p) Share-Based Compensation

The Company accounts for stock-based compensation to employees and directors based on the estimated fair value of the award generally determined on the date of grant. The associated expense, net of estimated forfeitures, is generally recognized ratably over the requisite service period, which is generally the vesting period of the award. For awards with graded vesting that only contain a service condition, the Company recognizes expense on a straight-line basis over the service period.

(q) Collective Bargaining Agreement

Some of the Company's employees at its Buchanan wallboard plant, representing approximately 13% of its workforce, are represented by two unions. The collective bargaining agreements with these unions expire on November 30, 2017. The Company's remaining employees are non-union. The Company believes its relationships with both its union and non-union employees are good.

(r) Defined Contribution Pension Plans and Other Post-Retirement Benefits

Subsequent to the Acquisition, the Company's employees were able to participate in a 401K defined contribution pension plan. The Company contributes funds into this plan depending on each employee's years of service and subject to certain limits. For the years ended December 31, 2016, 2015 and 2014, the Company recorded an expense of \$1.9 million, \$1.4 million and \$1.9 million, respectively, for these contributions.

(s) Revenue Recognition

Revenue from the sale of gypsum products is recorded when title and ownership are transferred upon shipment of the products. Amounts billed to a customer in a sales transaction related to shipping and handling are included in "Net sales," and costs incurred for shipping and handling are classified as "Cost of goods sold" in the Consolidated/Combined Statements of Operations. The Company records estimated reductions to revenue for customer programs and incentive offerings, including promotions and other volume-based incentives, in the period in which the sale occurs.

(t) Derivative Instruments

The Company uses derivative instruments to manage selected commodity price and interest rate exposures. The Company does not use derivative instruments for speculative trading purposes, and typically does not hedge beyond one year. All derivative instruments must be recorded on the balance sheet at fair value.

Currently, the Company is using natural gas swap contracts to manage commodity price increase exposure and interest rate swap contracts to lock a portion of the variability of the interest payments on long-term debt. The Company elected to designate these derivative instruments as cash flow hedges in accordance with ASC 815-20, Derivatives – Hedging. For derivative contracts designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is recorded to accumulated other comprehensive income, and is reclassified to earnings when the underlying forecasted transaction affects earnings. The ineffective portion of the changes in the fair value of the derivative is recorded in cost of goods sold for gas hedges and in interest expense for interest rate swaps. Gains and losses on these contracts that are designated as cash flow hedges are reclassified into earnings when the underlying forecasted transaction affect earnings. The Company reassesses the probability of the underlying forecasted transactions occurring on a quarterly basis.

(u) Recent Accounting Pronouncements

Adopted

In August 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* : Presentation of Financial Statements— Going Concern (Subtopic 205-40). This ASU defines when and how companies are required to disclose going concern uncertainties, which must be evaluated each interim and annual period. Specifically, it requires management to determine whether substantial doubt exists regarding the entity's going concern presumption. Substantial doubt about an entity's ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued (or available to be issued). If substantial doubt exists, certain disclosures are required; the extent of those disclosures depends on an evaluation of management's plans (if any) to mitigate the going concern uncertainty. The adoption of this ASU did not have a material impact on the Company's Consolidated Financial Statements and its disclosures. Based on the evaluation performed, no substantial doubt about Company's ability to continue as a going concern exists as of December 31, 2016.

In April 2015, the FASB issued ASU 2015-3, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, which changes the presentation of debt issuance costs in financial statements. Under the ASU, an entity presents such costs in the balance sheet as a direct deduction from the related debt liability. Amortization of the costs is reported as interest expense. The Company adopted ASU 2015-3 during the first quarter of 2016. Upon adoption, the guidance was applied retroactively to all periods presented in the financial statements, therefore, prior period adjustments were made to the December 31, 2015 balance sheet items and related footnotes. The effect of these adjustments was to reduce prepaid and other current assets by \$1.6 million, reduce debt issuance costs by \$6.5 million and reduce notes payable by \$8.1 million. The adoption of this ASU did not have a material impact on the Company's Consolidated Financial Statements.

Not Yet Adopted

In May 2014, the FASB issued ASU No. 2014-9, *Revenue from Contracts with Customers (Topic 606)*, which provides accounting guidance for all revenue arising from contracts with customers and affects all entities that enter into contracts to provide goods or services to their customers. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which defers the effective date of ASU No. 2014-9 for all entities by one year to annual reporting periods beginning after December 15, 2017. The ASU requires retroactive application on either a full or modified basis. We will adopt the standard on January 1, 2018. We are in the process of evaluating the impact of this standard on our sales to customers. While we have not completed our analysis, we do not anticipate that the new guidance will have a material impact on the Company's Consolidated Financial Statements.

In July 2015, the FASB issued ASU 2015-11, "*Inventory: Simplifying the Measurement of Inventory.*" This guidance applies to inventory valued at first-in, first-out (FIFO) or average cost and requires inventory to be measured at the lower of cost and net realizable value, rather than at the lower of cost or market. ASU 2015-11 is effective on a prospective basis for annual periods, including interim reporting periods within those periods, beginning after December 15, 2016. The Company values its inventory under the average cost method and thus will be required to adopt the standard. The Company is currently evaluating the impact that this guidance may have on its financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires lessees to recognize a lease liability and a right-of-use asset on the balance sheet. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is in the process of evaluating the impact of adoption, which is not expected to have a material impact on the Company's Consolidated Financial Statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which introduces targeted amendments intended to simplify the accounting for stock compensation. Specifically, the ASU requires all excess tax benefits and tax deficiencies (including tax benefits of dividends on share-based payment awards) to be recognized as income tax expense or benefit in the income statement. The tax effects of exercised or vested awards should be treated as discrete items in the reporting period in which they occur. An entity also should recognize excess tax benefits, and assess the need for a valuation allowance, regardless of whether the benefit reduces taxes payable in the current period. That is, off balance sheet accounting for net operating losses stemming from excess tax benefits would no longer be required and instead such net operating losses would be recognized when they arise. Existing net operating losses that are currently tracked off balance sheet would be recognized, net of a valuation allowance if required, through an adjustment to opening retained earnings in the period of adoption. Entities will no longer need to maintain and track an "APIC pool." The ASU also requires excess tax benefits to be classified along with other income tax cash flows as an operating activity in the statement of cash flows. The amendments are effective for annual periods beginning after

December 15, 2016. Early adoption is permitted. Although this change will reduce some of the administrative complexities of tracking share-based awards, it will increase the volatility of our income tax expense and cash flows from operations but is not expected to be significant to the Consolidated Financial Statements.

In June 2016, the FASB issued ASU 2016-13, “*Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments*”. This ASU is intended to introduce a revised approach to the recognition and measurement of credit losses, emphasizing an updated model based on expected losses rather than incurred losses. The provisions of this standard are effective for reporting periods beginning after December 15, 2019 and early adoption is permitted. The Company is currently evaluating the impact that this guidance may have on its Consolidated Financial Statements.

In August 2016, the FASB issued ASU 2016-15, “*Classification of Certain Cash Receipts and Cash Payments*”. This ASU intends to add or clarify guidance on the classification of certain cash receipts and payments in the statement of cash flows. The provisions of this standard are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is currently evaluating when it will adopt the ASU and the expected impact to related disclosures.

In October 2016, the FASB issued ASU 2016-16, “*Intra-Entity Transfers of Assets Other Than Inventory*”. The new standard requires companies to recognize the income tax effects of intercompany sales or transfers of assets, other than inventory, in the income statement as income tax expense (or benefit) in the period the sales or transfer occurs. The standard requires companies to apply a modified retrospective approach with a cumulative catch-up adjustment to opening retained earnings in the period of adoption. The provisions of this standard are effective for fiscal years beginning after December 15, 2017, and early adoption is permitted. The Company is currently evaluating when it will adopt the ASU and the expected impact to related disclosures.

In January 2017, the FASB issued ASU 2017- 04, “*Intangibles - Goodwill and Other*”. This ASU simplifies the goodwill impairment calculation by eliminating the requirement to calculate the implied fair value of goodwill (i.e., Step 2 of today’s goodwill impairment test) to measure a goodwill impairment charge. Instead, entities will record an impairment charge based on the excess of a reporting unit’s carrying amount over its fair value (i.e., Step 1 of today’s goodwill impairment test). The standard will be applied prospectively and is effective for annual and interim impairment tests performed in periods beginning after December 15, 2019. Early adoption is permitted for annual and interim goodwill impairment testing dates after January 1, 2017. The Company is currently evaluating when it will adopt the ASU and the expected impact to related disclosures.

### 3. RECEIVABLES, NET

**Table 3.1: Detail of Receivables, Net**

	As of December 31,	
	2016	2015
	<i>(in thousands)</i>	
Trade receivables, gross	\$ 33,199	\$ 37,800
Allowance for cash discounts and doubtful accounts	(726)	(1,988)
Receivables, net	<u>\$ 32,473</u>	<u>\$ 35,812</u>

Trade receivables are recorded net of credit memos issued during the normal course of business.

**Table 3.2: Changes in Allowance for Cash Discounts and Doubtful Accounts**

	For the Year Ended December 31,		
	2016	2015	2014
	<i>(in thousands)</i>		
Balance at beginning of period	\$ 1,988	\$ 2,308	\$ 1,737
Provision for losses	(104)	(166)	413
Write-offs, net of recoveries	(1,209)	(71)	85
Cash discount additions	4,334	3,719	4,072
Cash discount deductions	(4,283)	(3,802)	(3,999)
Balance at end of period	<u>\$ 726</u>	<u>\$ 1,988</u>	<u>\$ 2,308</u>

#### 4. INVENTORIES, NET

**Table 4: Composition of Inventories**

	As of December 31,	
	2016	2015
	<i>(in thousands)</i>	
Finished products	\$ 7,246	\$ 5,454
Raw materials	10,910	14,557
Supplies and other	7,083	7,069
Inventories, net	\$ 25,239	\$ 27,080

#### 5. PROPERTY, PLANT AND EQUIPMENT, NET

**Table 5: Property, Plant and Equipment Details**

	As of December 31,	
	2016	2015
	<i>(in thousands)</i>	
Land	\$ 12,925	\$ 12,925
Buildings	112,583	112,121
Plant machinery	275,010	272,613
Mobile equipment	6,721	3,837
Construction in progress	15,016	6,812
Property, plant and equipment, at cost	422,255	408,308
Accumulated depreciation	(114,417)	(81,901)
Property, plant and equipment, net	\$ 307,838	\$ 326,407

Depreciation expense was \$33.1 million , \$35.4 million and \$35.3 million for the years ended December 31, 2016 , 2015 and 2014 , respectively.

#### 6. CUSTOMER RELATIONSHIPS AND OTHER INTANGIBLES, NET

**Table 6.1: Details of Customer Relationships and Other Intangibles, Net**

	As of December 31,					
	2016			2015		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	<i>(in thousands)</i>					
Customer relationships	\$ 116,267	\$ (48,243)	\$ 68,024	\$ 116,073	\$ (37,228)	\$ 78,845
Purchased and internally developed software	5,322	(3,289)	2,033	5,284	(1,757)	3,527
Trademarks	14,783	(3,285)	11,498	14,759	(2,296)	12,463
Total	\$ 136,372	\$ (54,817)	\$ 81,555	\$ 136,116	\$ (41,281)	\$ 94,835

Amortization expense was \$13.5 million , \$15.9 million and \$19.0 million for the years ended December 31, 2016 , 2015 and 2014 , respectively.

Customer relationship assets are amortized over a 15 year period using an accelerated method that reflects the expected future cash flows from the acquired customer-list intangible asset. Trademarks are amortized on a straight-line basis over the estimated useful life of 15 years. Software development costs are amortized over a 3 year life with the expense recorded in selling and administrative expense.



**Table 6.2: Future Amortization Expense of Customer Relationships and Other Intangibles**

	As of December 31, 2016	
	<i>(in thousands)</i>	
2017	\$	11,732
2018		9,419
2019		8,470
2020		7,733
2021		7,075
Thereafter		37,126
Total	\$	81,555

## 7. GOODWILL

As of December 31, 2016 and 2015, the Company had one reporting unit, wallboard, which included goodwill. On an annual basis, the Company measures the fair value of its wallboard reporting unit on a qualitative basis or by using a discounted cash flow approach that estimates the projected future cash flows to be generated by the reporting unit, using a discount rate reflecting the weighted average cost of capital for a potential market participant. The Company performs its annual goodwill impairment test on the first day of its fiscal fourth quarter. Differences in assumptions used in projecting future cash flows and cost of funds could have a significant impact on the determination of fair value. During its goodwill impairment review, the Company may assess qualitative factors to determine whether it more likely than not the fair value of its reporting unit is less than its carrying amount, including goodwill. The qualitative factors include, but are not limited to, macroeconomic conditions, industry and market considerations and the overall financial performance of the Company. If, after assessing the totality of these qualitative factors, the Company determines that it is not more likely than not that the fair value of its reporting unit is less than its carrying amount, then no additional assessment is deemed necessary.

In accordance with ASC 350, the Company completed qualitative assessments as of October 1, 2016 and 2015 and determined that it was not more likely than not that the fair value of its reporting unit was less than its carrying amount. Therefore, the Company did not complete a quantitative analysis and concluded that there was no goodwill impairment as of December 31, 2016 and 2015. To date, no goodwill impairment losses have been recognized.

## 8. INVESTMENT IN SEVEN HILLS

The Company is a party with an unaffiliated third-party to a paperboard liner venture named Seven Hills Paperboard, LLC ("Seven Hills") that provides the Company with a continuous supply of high-quality recycled paperboard liner to meet its ongoing production requirements.

The Company has evaluated the characteristics of its investment and determined that Seven Hills would be deemed a variable interest entity, but that it does not have the power to direct the principal activities most impacting the economic performance of Seven Hills, and is thus not the primary beneficiary. As such, the Company accounts for this investment in Seven Hills under the equity method of accounting.

The Company currently has the right to terminate the venture and put its interest to the other investor based on a formula-driven price effective on the anniversary of the commencement date by providing notice two years prior to any such anniversary. Proceeds from such termination would revert to the Company. As of December 31, 2016 and 2015, the estimated redemption value would be \$8.3 million and \$9.4 million, respectively.

Paperboard liner purchased from Seven Hills was \$47.0 million, \$45.5 million and \$49.7 million for the years ended December 31, 2016, 2015 and 2014, respectively. As of December 31, 2016, the Company had certain purchase commitments for paper totaling \$28.9 million through 2019.

## 9. ACCRUED AND OTHER LIABILITIES

**Table 9: Details of Accrued and Other Liabilities**

	As of December 31,	
	2016	2015
	<i>(in thousands)</i>	
Employee-related costs	\$ 9,595	\$ 7,621
Income taxes	—	2,482
Other taxes	2,088	1,390
Other	638	841
Accrued and other liabilities	<u>\$ 12,321</u>	<u>\$ 12,334</u>

## 10. DEBT

**Table 10.1: Details of Debt**

	As of December 31,	
	2016	2015
	<i>(in thousands)</i>	
First Lien Credit Agreement (a)	\$ 273,625	\$ 296,988
Less: Original issue discount (net of amortization)	(1,946)	(2,372)
Less: Debt issuance costs	(5,317)	(8,073)
Total debt	266,362	286,543
Less: Current portion of long-term debt	(1,742)	—
Long-term debt	<u>\$ 264,620</u>	<u>\$ 286,543</u>

(a) As of December 31, 2016, the First Lien Credit Agreement, as amended and restated, had a maturity date of August 18, 2023 and an interest rate of LIBOR (with a 0.75% floor) plus 2.75% , compared to as of December 31, 2015, at which time the First Lien Credit Agreement had a maturity date of August 28, 2020 and an interest rate of LIBOR (with a 1.00% floor) plus 3.00% . The First Lien Credit Agreement was amended and restated in August 2016 as discussed below.

In connection with the Acquisition, the Company purchased certain assets from Lafarge N.A. with cash. In order to finance a portion of the consideration payable to Lafarge N.A., the Company and its subsidiary Continental Building Products Operating Company, LLC ("OpCo") entered into a first lien credit agreement with Credit Suisse AG, as administrative agent, Credit Suisse Securities (USA) LLC and RBC Capital Markets, as joint lead arrangers and joint bookrunners, and Royal Bank of Canada, as syndication agent (as amended on December 2, 2013, the "First Lien Credit Agreement") and a second lien credit agreement with Credit Suisse AG, as administrative agent, Credit Suisse Securities (USA) LLC and RBC Capital Markets, as joint lead arrangers and joint bookrunners, and Royal Bank of Canada, as syndication agent for borrowings of \$320 million and \$120 million , respectively, and drew \$25 million under a \$50 million revolving credit facility as part of the First Lien Credit Agreement. The available amount under the First Lien Credit Agreement was subsequently increased to \$415.0 million (the "First Lien Term Loan"). In conjunction with the initial issuance of this debt, the Company incurred \$15.3 million of debt issuance costs which were being amortized using the effective interest rate method or the straight-line method which approximates the effective interest rate method, over the estimated life of the related debt.

On August 18, 2016, the Company, Opco and Continental Building Products Canada Inc. and the lenders party thereto and Credit Suisse, as Administrative Agent, entered into an Amended and Restated Credit Agreement amending and restating the First Lien Credit Agreement (the "Amended and Restated Credit Agreement"). The Amended and Restated Credit Agreement provides for a \$275 million senior secured first lien term loan facility and a \$75 million senior secured revolving credit facility (the "Revolver"), which mature on August 18, 2023 and August 18, 2021, respectively. Related to this debt refinancing, the Company incurred \$4.7 million of discount and debt issuance costs, of which \$2.5 million was recorded in Other Expense, net on the Consolidated Statement of Operations, and \$2.2 million will be amortized over the term of the Amended and Restated Credit Agreement. Upon completion of this debt refinancing, the Company recognized an additional expense of \$3.3 million related to losses resulting from debt extinguishment which is also reported in Other expense, net on the Consolidated Statement of Operations.

Interest under the First Lien Credit Agreement was floating. The interest rate spread over LIBOR, which had a 1% floor, was reduced by 50 basis points in May 2014, from 3.75% to 3.25% , as a result of the Company achieving a total leverage ratio of less than four times net debt to the trailing twelve months adjusted earnings before interest, depreciation and amortization, as of March 31, 2014, as calculated pursuant to the First Lien Credit Agreement. The margin applicable to the borrowing was further reduced in the third quarter 2014 by 25 basis points to 3.00% after the Company achieved a B2 rating with a stable outlook by Moody's. The interest rate under the Amended and Restated Credit Agreement remains floating with a spread over LIBOR of 2.75% and floor of 0.75% .

The First Lien Credit Agreement was, and the Amended and Restated Credit Agreement is, secured by the underlying property and equipment of the Company. During the years ended December 31, 2016 , 2015 and 2014 , the Company pre-paid \$25.0 million , \$55.0 million and \$59.9 million , respectively, of principal payments. As of December 31, 2016 , the annual effective interest rate on the Amended and Restated Credit Agreement, including original issue discount and amortization of debt issuance costs, was 4.1% .

There were no amounts outstanding under the Company's revolving credit facility as of December 31, 2016 or 2015. During the year ended December 31, 2016 the Company borrowed and repaid in full \$22.0 million under the applicable revolving credit facility, compared to \$10.0 million which the Company borrowed and repaid in 2015 . Interest under the Revolver is floating, based on LIBOR plus 225 basis points. In addition, the Company pays a facility fee of 50 basis points per annum on the total Revolver. Availability under the Revolver as of December 31, 2016 , based on draws and outstanding letters of credit and absence of violations of covenants, was \$72.9 million .

**Table 10.2: Future Minimum Principal Payments Due Under the Credit Agreements**

	Amount Due	
	<i>(in thousands)</i>	
2017	\$	2,750
2018		2,750
2019		2,750
2020		2,750
2021		2,750
Thereafter		259,875
<b>Total Payments</b>	<b>\$</b>	<b>273,625</b>

Under the terms of the Amended and Restated Credit Agreement, the Company is required to comply with certain covenants, including among others, the limitation of indebtedness, limitation on liens, and limitations on certain cash distributions. One single financial covenant governs all of the Company's debt and only applies if the outstanding borrowings of the Revolver plus outstanding letters of credit are greater than \$22.5 million as of the end of the quarter. The financial covenant is a total leverage ratio calculation, in which total debt less outstanding cash is divided by adjusted earnings before interest, depreciation and amortization. As the sum of outstanding borrowings under the Revolver and outstanding letters of credit were less than \$22.5 million at December 31, 2016, the total leverage ratio of no greater than 5.0 per the financial covenant was not applicable at December 31, 2016.

## 11. DERIVATIVE INSTRUMENTS

The Company uses derivative instruments to manage selected commodity price and interest rate exposures. The Company does not use derivative instruments for speculative trading purposes, and typically does not hedge beyond one year for commodity derivative instruments. Cash flows from derivative instruments are included in net cash provided by operating activities in the consolidated statements of cash flows.

### Commodity Derivative Instruments

As of December 31, 2016 , the Company had 600 thousand millions of British Thermal Units ("mmBTUs") in aggregate notional amount outstanding natural gas swap contracts to manage commodity price exposures. All of these contracts mature by May 31, 2017 . The Company elected to designate these derivative instruments as cash flow hedges in accordance with FASB Accounting Standards Codification ("ASC") 815-20, *Derivatives – Hedging* . For derivative contracts designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is recorded to accumulated other comprehensive income, and is reclassified to earnings when the underlying forecasted transaction affects earnings. The ineffective portion of changes in the fair value of the derivative is recorded in cost of goods sold. The net unrealized gain that remained in accumulated other comprehensive loss as of December 31, 2016 was \$0.2 million which is net of a tax amount of \$0.1 million .

No ineffectiveness was recorded on these contracts during the years ended December 31, 2016 and 2015. The Company reassesses the probability of the underlying forecasted transactions occurring on a quarterly basis.

For the year ended December 31, 2016, approximately \$0.3 million of gains, net of \$0.1 million of tax, was recognized in other comprehensive income for the commodity contracts. For the year ended December 31, 2016, the amount of loss reclassified from accumulated other comprehensive income into income was \$0.3 million. As of December 31, 2016, there was \$0.4 million recorded in other current assets. As of December 31, 2015, \$0.3 million was recorded in other current liabilities and \$0.2 million was recorded in other current assets.

#### Interest Rate Derivative Instrument

The Company had an interest rate cap on three month U.S. Dollar LIBOR of 2% for a portion of the principal amount outstanding under the First Lien Credit Agreement that expired March 31, 2016. The hedge was being accounted for as a cash flow hedge. Changes in the time value of the interest rate cap are reflected directly in earnings through "other expense, net" in non-operating income. The Company recorded nominal amounts in the three months ended March 31, 2016 and the nine months ended September 30, 2015.

In September 2016, the Company entered into interest rate swap agreements for a combined notional amount of \$100.0 million with a term of 4 years, which swapped the floating LIBOR on a portion of the term loan under the Amended and Restated Credit Agreement to an average fixed rate of 1.323% and LIBOR floor of 0.75%. The Company elected to designate these interest rate swaps as cash flow hedges for accounting purposes. The net unrealized gain that remained in accumulated other comprehensive loss as of December 31, 2016 was \$1.2 million which is net of a tax amount of \$0.6 million. For the year ended December 31, 2016, the amount of loss reclassified from accumulated other comprehensive income into income was \$0.1 million. For the year ended December 31, 2016, approximately \$1.2 million of gains, net of tax expense of \$0.6 million was recognized in other comprehensive income for the interest rate swaps. As of December 31, 2016, there was \$1.8 million was recorded in other current assets. No ineffectiveness was recorded on these contracts during the year ended December 31, 2016.

#### Counterparty Risk

The Company is exposed to credit losses in the event of nonperformance by the counterparties to the Company's derivative instruments. As of December 31, 2016, the Company's derivatives were in a \$2.2 million net asset position. All of the Company's counterparties have investment grade credit ratings; accordingly, the Company anticipates that the counterparties will be able to fully satisfy their obligations under the contracts. The Company's agreements outline the conditions upon which it or the counterparties are required to post collateral. As of December 31, 2016, the Company had no collateral posted with its counterparties related to the derivatives.

## 12. TREASURY STOCK

On May 15, 2015, the Company repurchased 913,200 shares of its common stock from LSF8 in a private transaction at a price per share of \$21.90, or an aggregate of approximately \$20.0 million, pursuant to a stock purchase agreement dated May 11, 2015. On September 16, 2015, the Company repurchased an additional 1,007,500 shares of its common stock from LSF8 in a private transaction at a price per share of \$19.85, or an aggregate of approximately \$20.0 million, pursuant to a stock purchase agreement dated September 10, 2015. On March 18, 2016, the Company repurchased an additional 900,000 shares of its common stock from LSF8 in a private transaction at a price per share of \$16.10, or an aggregate of approximately \$14.5 million, pursuant to a stock purchase agreement dated March 14, 2016.

On November 4, 2015, the Company announced that the Board of Directors approved a new stock repurchase program authorizing the Company to repurchase up to \$50.0 million of its common stock, at such times and prices as determined by management as market conditions warrant, through December 31, 2016. Pursuant to this authorization, the Company has repurchased shares of its common stock in the open market and in the March 2016 private transaction with LSF8 described above. On August 3, 2016, the Company announced the Board of Directors had approved an expansion of its stock repurchase program by \$50.0 million, increasing the aggregate authorization from up to \$50.0 million to up to \$100.0 million. The program was also extended from the end of 2016 to the end of 2017.

All repurchased shares are held in treasury, reducing the number of shares of common stock outstanding and used in the Company's earnings per share calculation.

**Table 12: Treasury Stock Activity**

	December 31, 2016			December 31, 2015		
	Shares	Amount (a)	Average Share Price (a)	Shares	Amount (a)	Average Share Price (a)
	<i>(in thousands, except share data)</i>					
Beginning Balance	2,395,049	\$ 48,479	\$ 20.24	—	\$ —	\$ —
Repurchases on open market	1,204,606	25,787	21.41	474,349	8,481	17.88
Repurchase from LSF8 in private transaction	900,000	14,490	16.10	1,920,700	39,998	20.82
Ending Balance	4,499,655	\$ 88,756	\$ 19.73	2,395,049	\$ 48,479	\$ 20.24

(a) Includes commissions paid for repurchases on open market.

### 13. SHARE-BASED COMPENSATION

#### *Stock options, Restricted Stock Awards, Restricted Stock Units and Performance Restricted Stock Units*

In conjunction with the Initial Public Offering, the Company granted employees 142,000 stock options and 75,000 restricted shares that vest over four years. The fair value of stock options was determined using the Black Scholes option pricing model with the following assumptions: (a) a risk free interest rate assumption of 2.15% , based on the U.S. Treasury yield curve in effect at the time of the grant; (b) a dividend yield of 0% as the Company had at the time of grant no plans to pay a dividend; (c) a volatility assumption of 50.34% , based on historical volatilities of comparable publicly traded companies, and (d) an expected life of 6.25 years based on the assumption that the options will be exercised evenly from time of vesting to the expiration date.

On March 2, 2015, the Company granted certain employees and independent members of the board of directors 62,070 Restricted Stock Units (“RSUs”) and 40,050 RSUs that are subject to certain performance conditions (“PRSUs”). Of the 62,070 RSUs granted in March, 7,581 fully vest after one year, and 54,489 vest ratably over four years. On May 5, 2015, the Company granted certain employees an additional 9,205 RSUs and 6,280 PRSUs which vest ratably over four years. The PRSUs vest on December 31, 2017, with the exact number of PRSUs vesting subject to the achievement of certain performance conditions through December 31, 2016. The number of PRSUs earned will vary from 0% to 200% of the number of PRSUs awarded, depending on the Company’s performance relative to a cumulative two year EBITDA target for fiscal years 2015 and 2016. The fair value of each RSU and PRSU is equal to the market price of the Company’s common stock at the date of the grant.

On March 11, 2016 , the Company granted certain employees 104,680 RSUs that vest ratably over 4 years and for certain members of the board directors 10,578 RSUs that vest 1 year from the grant date. All of these grants had a market price on the date of grant of \$17.16 . Additionally, on March 14, 2016 , the Company granted certain members of the board directors 7,052 RSUs that vest on March 14, 2017 and had a market price on the date of grant of \$17.12 .

On March 11, 2016 , the Company also granted certain employees 62,795 PRSUs. The PRSUs vest on December 31, 2018 , with the exact number of PRSUs vesting subject to the achievement of certain performance conditions through December 31, 2017 . The number of PRSUs earned will vary from 0% to 200% of the number of PRSUs awarded, depending on the Company’s performance relative to a cumulative two year EBITDA target for fiscal years 2016 and 2017. The market price on date of grant of \$17.16 .

On May 5, 2016 , the Company granted its Chairman of the board directors 1,164 RSUs that vest 1 year from the grant date, which had a market price on the date of grant of \$19.63 . On May 16, 2016 , the Company granted certain employees 2,227

RSUs that vest ratably over 4 years , which had a market price on the date of grant of \$21.10 .

**Table 13.1: Stock Options**

	For the Year Ended December 31,					
	2016		2015		2014	
	Stock Options	Weighted Average Exercise Price	Stock Options	Weighted Average Exercise Price	Stock Options	Weighted Average Exercise Price
Outstanding, beginning of year	77,369	14.00	142,000	14.00	—	—
Granted	—	—	—	—	142,000	14.00
Exercised	(1,463)	14.00	(62,331)	14.00	—	—
Cancelled/Forfeited	(450)	14.00	(2,300)	14.00	—	—
Outstanding, end of year	75,456	14.00	77,369	14.00	142,000	14.00
Exercisable at end of year	37,108	14.00	19,131	14.00	60,000	14.00

The weighted average exercise price of the 75,456 options vested or expected to vest as of December 31, 2016 was \$14.00 . During 2016 the total intrinsic value of options exercised was nominal compared to \$0.3 million for the options exercised during 2015 .

**Table 13.2: Restricted Stock Awards, Restricted Stock Units and Performance Based Restricted Stock Units**

	Restricted Stock Awards	Restricted Stock Units	Performance Restricted Stock Units	Total	Weighted Average Grant Date Fair Value
Non-vested as of January 1, 2014	—	—	—	—	\$ —
Granted	75,000	—	—	75,000	\$ 14.00
Cancelled/Forfeited	(20,000)	—	—	(20,000)	\$ 14.00
Vested and issued	—	—	—	—	\$ 14.00
Non-vested as of December 31, 2014	55,000	—	—	55,000	\$ 14.00
Granted	—	71,275	46,330	117,605	\$ 21.19
Cancelled/Forfeited	(3,619)	(1,103)	—	(4,722)	\$ 14.00
Vested and issued	(13,749)	—	—	(13,749)	\$ 14.00
Non-vested as of December 31, 2015	37,632	70,172	46,330	154,134	\$ 19.44
Granted	—	125,701	62,795	188,496	\$ 17.22
Cancelled/Forfeited	(1,068)	(2,444)	—	(3,512)	\$ 17.47
Vested and issued	(12,329)	(23,849)	—	(36,178)	\$ 18.72
Non-vested as of December 31, 2016	24,235	169,580	109,125	302,940	\$ 18.17

As of December 31, 2016 , 2015 and 2014 , the intrinsic value of options, restricted stock awards, RSUs and PRSUs outstanding, exercisable, and vested or expected to vest was \$7.7 million , \$3.0 million and \$1.5 million , respectively.

For the years ended December 31, 2016 , 2015 and 2014 , the Company recognized \$2.1 million , \$0.7 million and \$0.8 million in expenses, respectively, related to share-based compensation awards which were recorded in selling and administrative expenses. As of December 31, 2016 , there was \$3.9 million of total unrecognized compensation cost related to non-vested stock options, restricted stock awards, RSUs and PRSUs. This cost is expected to be recognized over a weighted-average period of 2.3 years .

#### Employee Stock Purchase Plan

On February 18, 2015, subject to approval by the Company's stockholders, the Company adopted an Employee Stock Purchase Plan ("ESPP") enabling employees to purchase shares of the Company's common stock at a discount. On May 20, 2015, the Company's stockholders approved the ESPP at the Company's 2015 annual meeting. The ESPP authorizes the issuance of up to 600,000 shares of the Company's common stock, but actual shares issued will depend on plan participation. Shares issued under the ESPP will reduce, on a share-for-share basis, the number of shares of the Company's common stock previously available for issuance pursuant to the Company's 2014 Stock Incentive Plan. Employees contribute to the ESPP through payroll deductions over a twelve month offering period and are limited to the lower of 10% of the employee's salary or \$10,000 per employee. The purchase price of the shares is equal to the lower of 85 percent of the closing price of the Company's

common stock on either the first or last trading day of a given offering period. The first offering period commenced on May 1, 2015 and a second commenced on May 1, 2016. During the years ended December 31, 2016 and 2015, the company recognized \$0.1 million and \$0.1 million in expenses, respectively, which was recorded in selling and administrative expenses, related to the ESPP. Additionally, during 2016 the Company's employees purchased 10,873 shares of common stock under the ESPP.

#### Defined Contribution Pension Plan

The Company's employees are able to participate in a 401K defined contributed pension plan. The Company contributes funds into this plan depending on each employee's years of service and subject to certain limits. For the years ended December 31, 2016, 2015 and 2014, the company recorded an expense of \$1.9 million, \$1.4 million and \$1.9 million, respectively.

#### 14. ACCUMULATED OTHER COMPREHENSIVE LOSS

**Table 14: Changes in Accumulated Other Comprehensive (Loss)/Income by Category**

	Foreign currency translation adjustment	Net unrealized gain on derivatives, net of tax	Total
<i>(in thousands)</i>			
Balance as of January 1, 2014	\$ (254)	\$ —	\$ (254)
Other comprehensive loss before reclassifications	(1,939)	(967)	(2,906)
Amounts reclassified from AOCI	—	100	100
Net current-period other comprehensive loss	(1,939)	(867)	(2,806)
Balance as of December 31, 2014	(2,193)	(867)	(3,060)
Other comprehensive (loss)/income before reclassifications	(3,099)	2,718	(381)
Amounts reclassified from AOCI	—	(1,900)	(1,900)
Net current-period other comprehensive (loss)/income	(3,099)	818	(2,281)
Balance as of December 31, 2015	(5,292)	(49)	(5,341)
Other comprehensive income before reclassifications	514	1,834	2,348
Amounts reclassified from AOCI	—	(416)	(416)
Net current-period other comprehensive income	514	1,418	1,932
Balance as of December 31, 2016	\$ (4,778)	\$ 1,369	\$ (3,409)

#### 15. INCOME TAXES

The Company is subject to federal income taxes and various state, provincial and local income taxes.

**Table 15.1: Components of Income Tax Expense**

	For the Year Ended December 31,		
	2016	2015	2014
<i>(in thousands)</i>			
Current income tax expense/(benefit)	\$ 16,323	\$ 5,929	\$ (1,061)
Deferred tax expense	6,504	3,407	11,105
Income tax expense	\$ 22,827	\$ 9,336	\$ 10,044

**Table 15.2: Components of Income before Provision for Income Taxes by Country**

	For the Year Ended December 31,		
	2016	2015	2014
<i>(in thousands)</i>			
United States	\$ 67,128	\$ 27,090	\$ 27,270
Canada	(277)	(1,018)	(1,335)
Income before provision for income taxes	\$ 66,851	\$ 26,072	\$ 25,935

**Table 15.3: Reconciliation of Tax Expense at Statutory Tax Rate to Actual Tax Expense**

	For the Year Ended December 31,		
	2016	2015	2014
	<i>(in thousands)</i>		
Tax expense at statutory rate	\$ 23,398	\$ 9,124	\$ 9,077
Increase/(decrease) due to:			
U.S./Canadian tax rate differential	21	(18)	107
U.S. state taxes net of federal benefit	1,045	401	503
Non-deductible expenses	144	166	46
Domestic production activities deduction	(1,719)	(356)	—
Tax credits	(12)	(147)	—
Change in valuation allowance	27	272	361
Other	(77)	(106)	(50)
Income tax expense	<u>\$ 22,827</u>	<u>\$ 9,336</u>	<u>\$ 10,044</u>
Statutory tax rate	35.00%	35.00%	35.00%
Effective tax rate	34.15%	35.81%	38.73%

**Table 15.4: Components of Deferred Tax Assets and Liabilities**

	As of December 31,	
	2016	2015
	<i>(in thousands)</i>	
Deferred tax assets:		
Reserves and other liabilities	\$ 4,723	\$ 3,717
Tax loss carryforwards	661	592
Acquisition costs and intangibles	—	1,220
Deferred Compensation	877	284
Inventory	1,432	1,825
AMT Credit	—	2,141
Other	178	91
Valuation allowance	(693)	(663)
Total deferred tax assets	<u>\$ 7,178</u>	<u>\$ 9,207</u>
Deferred tax liabilities:		
Prepays	\$ 543	\$ 338
Acquisition costs and intangibles	576	—
Depreciation, amortization and other	24,012	20,285
Unrealized gains on hedges	788	—
Total deferred tax liabilities	<u>25,919</u>	<u>20,623</u>
Net deferred tax liability	<u>\$ (18,741)</u>	<u>\$ (11,416)</u>

The Company is subject to audit examinations at federal, state and local levels by tax authorities in those jurisdictions. In addition, the Canadian operations are subject to audit examinations at federal and provincial levels by tax authorities in those jurisdictions. The tax matters challenged by the tax authorities are typically complex; therefore, the ultimate outcome of any challenges would be subject to uncertainty. The Company has not identified any issues that did not meet the recognition threshold or would be impacted by the measurement provisions of the uncertain tax position guidance.

The Company is no longer subject to examination by federal, state, provincial or local taxing authorities for the years before 2013. As of December 31, 2016 and 2015 the Company did not have any unrecognized tax benefits. The Company does not expect the amount of any unrecognized tax benefits to significantly increase in the next twelve months. The Company recognizes interest related to income tax matters as interest expense and penalties related to income tax matters as other non-



interest expense. As of December 31, 2016 and 2015, the Company does not have any amounts accrued for interest or penalties.

## 16. EARNINGS PER SHARE

The following table shows the weighted average number of shares used in computing earnings per share and the effect on the weighted average number of shares of potentially dilutive securities. Potential dilutive common stock has no effect on income available to common stockholders.

**Table 16: Basic and Dilutive Earnings Per Share**

	For the Year Ended December 31,		
	2016	2015	2014
	<i>(dollars in thousands, except for per share amounts)</i>		
Net income	\$ 44,024	\$ 16,736	15,891
Weighted average number of shares outstanding- basic	40,605,464	43,172,528	42,940,849
Effect of dilutive securities:			
Restricted stock awards	9,018	12,081	—
Restricted stock units	31,200	7,000	11,173
Performance restricted stock units	3,557	3,188	—
Stock options	13,065	23,527	—
Total effect of dilutive securities	56,840	45,796	11,173
Weighted average number of shares outstanding - diluted	40,662,304	43,218,324	42,952,022
Basic earnings per share	\$ 1.08	\$ 0.39	\$ 0.37
Diluted earnings per share	\$ 1.08	\$ 0.39	\$ 0.37

## 17. COMMITMENTS AND CONTINGENCIES

### Commitments

The Company leases certain buildings and equipment. The Company's facility and equipment leases may provide for escalations of rent or rent abatements and payment of pro rata portions of building operating expenses. Minimum lease payments are recognized on a straight-line basis over the minimum lease term. The total expenses under operating leases for the years ended December 31, 2016, 2015 and 2014 was \$4.1 million, \$4.4 million and \$4.8 million, respectively. The Company also has non-capital purchase commitments that primarily relate to gas, gypsum, paper and other raw materials. The total amounts purchased under such commitments were \$68.1 million, \$66.7 million and \$72.4 million for the years ended December 31, 2016, 2015 and 2014.

**Table 17: Future Minimum Lease Payments Due Under Noncancellable Operating Leases and Purchase Commitments by Year**

	Future Minimum Lease Payments		Purchase Commitments
	<i>(in thousands)</i>		
2017	\$ 1,183	\$	34,509
2018	616		29,107
2019	1,494		19,781
2020	—		14,185
2021	—		3,232
Thereafter	—		27,173
Total	\$ 3,293	\$	127,987

*Contingent obligations*

Under certain circumstances, the Company provides letters of credit related to its natural gas and other supply purchases. As of December 31, 2016 and December 31, 2015, the Company had outstanding letters of credit of approximately \$2.1 million and \$3.0 million, respectively.

*Litigations*

In March 2015, a group of homebuilders commenced a lawsuit against the Company and other U.S. wallboard manufacturers, alleging that such manufacturers had conspired to fix the price of wallboard in violation of antitrust and unfair competition laws. The complaint, as amended in October 2015, December 2015 and March 2016, also alleged that the manufacturers agreed to abolish the use of "job quotes" and agreed to restrict the supply of wallboard in order to support the allegedly collusive price increases. The case was transferred to the Eastern District of Pennsylvania for coordinated and consolidated pretrial proceedings with existing antitrust litigation in that district. The Company filed a motion to dismiss the case with respect to the Company in April 2016 and denied any wrongdoing of the type alleged in the amended complaint. In June 2016, the Court granted the Company's motion to dismiss the case with respect to the Company, with prejudice. In July 2016, the plaintiffs filed a Motion to Certify Order for Interlocutory Appeal seeking to challenge the Court's decision to grant the Company's motion to dismiss. In September 2016, the Court denied the plaintiffs' motion to Certify Order to Interlocutory appeal, and, based on the Court's order dismissing the case against the Company, the plaintiffs and the Company executed a joint stipulation dismissing the case against the Company, with prejudice. The dismissal of the case against the Company does not limit or restrict the right of the plaintiffs eventually to appeal the Court's order dismissing the case. The Company believes it has meritorious defenses to the allegations and does not believe the lawsuit will have a material adverse effect on its financial condition, results of operation or liquidity.

In July 2015, the Company received a grand jury subpoena directing it to provide certain documents in connection with an investigation being conducted by the Department of Justice regarding antitrust matters in the gypsum drywall industry. The Company cooperated fully with the Department of Justice in responding to the subpoena. In September of 2016, the Department of Justice advised the Company that the Company has no further obligations under the subpoena and that nothing further is required from the Company with respect to the subpoena. The Company does not believe the investigation will have a material adverse effect on its financial condition, results of operations or liquidity.

In the ordinary course of business, the Company executes contracts involving indemnifications standard in the industry. These indemnifications might include claims relating to any of the following: environmental and tax matters; intellectual property rights; governmental regulations and employment-related matters; customer, supplier, and other commercial contractual relationships; and financial matters. While the maximum amount to which the Company may be exposed under such agreements cannot be estimated, it is the opinion of management that these guarantees and indemnifications are not expected to have a material adverse effect on the Company's financial condition, results of operations or liquidity.

In the ordinary course of business, the Company is involved in certain legal actions and claims, including proceedings under laws and regulations relating to environmental and other matters. Because such matters are subject to many uncertainties and the outcomes are not predictable with assurance, the total liability for these legal actions and claims cannot be determined with certainty. When the Company determines that it is probable that a liability for environmental matters, legal actions or other contingencies has been incurred and the amount of the loss is reasonably estimable, an estimate of the costs to be incurred is recorded as a liability in the financial statements. As of December 31, 2016 and 2015, such liabilities were not expected to have a material adverse effect on the Company's financial condition, results of operations or liquidity. While management believes its accruals for such liabilities are adequate, the Company may incur costs in excess of the amounts provided. Although the ultimate amount of liability that may result from these matters or actions is not ascertainable, any amounts exceeding the recorded accruals are not expected to have a material adverse effect on the Company's financial condition, results of operations or liquidity.

## 18. RELATED PARTY TRANSACTIONS

### LTIP Payments

In connection with the March, May and September 2015 secondary public offerings and concurrent May and September 2015 stock repurchases, certain officers of the Company and the estate of the Company's former CEO earned incentive payments in the aggregate amount of approximately \$29.9 million under the LSF8 Gypsum Holdings, L.P. Long-Term Incentive Plan ("LTIP"). LSF8 was responsible for funding any payments under the LTIP, including those referenced above. As these payments arose out of employment with the Company, the Company recognized the payments made to the officers and the estate as an expense. The funding of the LTIP payments by LSF8 was recorded as additional paid-in capital. The \$29.9 million in LTIP payments were recorded as an expense to the Company, that were tax deductible, and capital contributions by LSF8 in the first, second and third quarters of 2015. No further payments will be made under the LTIP.

## 19. SEGMENT REPORTING

Segment information is presented in accordance with ASC 280, *Segment Reporting*, which establishes standards for reporting information about operating segments. It also establishes standards for related disclosures about products and geographic areas. The Company's primary reportable segment is wallboard, which represented approximately 97.0% , 96.8% and 96.4% of the Company's revenues for the years ended December 31, 2016 , 2015 and 2014 , respectively. This segment produces wallboard for the commercial and residential construction sectors. The Company also manufactures finishing products, which complement the Company's full range of wallboard products.

Revenues from the major products sold to external customers include gypsum wallboard and finishing products.

The Company's two geographic areas consist of the United States and Canada for which it reports net sales, fixed assets and total assets.

The Company evaluates operating performance based on profit or loss from operations before certain adjustments as shown below. Revenues are attributed to geographic areas based on the location of the assets producing the revenues. The Company did not provide asset information by segment as its Chief Operating Decision Maker does not use such information for purposes of allocating resources and assessing segment performance.

**Table 19.1: Segment Reporting**

	For the Year Ended December 31,		
	2016	2015	2014
	<i>(in thousands)</i>		
<b>Net Sales:</b>			
Wallboard	\$ 447,679	\$ 407,982	\$ 409,408
Other	13,696	13,700	15,094
Total net sales	<u>461,375</u>	<u>421,682</u>	<u>424,502</u>
<b>Operating income:</b>			
Wallboard	87,094	44,276	60,080
Other	46	(271)	681
Total operating income	<u>87,140</u>	<u>44,005</u>	<u>60,761</u>
<b>Adjustments:</b>			
Interest expense	(13,590)	(16,432)	(29,069)
Loss from equity investment	(736)	(750)	(113)
Other expense, net	(5,963)	(751)	(5,644)
Income before provision for income taxes	<u>66,851</u>	<u>26,072</u>	<u>25,935</u>
<b>Depreciation and Amortization:</b>			
Wallboard	45,561	50,150	53,114
Other	1,085	1,158	1,203
Total depreciation and amortization	<u>\$ 46,646</u>	<u>\$ 51,308</u>	<u>\$ 54,317</u>

**Table 19.2: Net Sales By Geographic Region**

	For the Year Ended December 31,		
	2016	2015	2014
	<i>(in thousands)</i>		
United States	\$ 425,611	\$ 387,937	\$ 389,073
Canada	35,764	33,745	35,429
Net sales	<u>\$ 461,375</u>	<u>\$ 421,682</u>	<u>\$ 424,502</u>

**Table 19.3: Assets By Geographic Region**

	Fixed Assets		Total Assets	
	As of December 31,		As of December 31,	
	2016	2015	2016	2015
	<i>(in thousands)</i>			
United States	\$ 304,807	\$ 323,361	\$ 617,050	\$ 617,878
Canada	3,031	3,046	17,699	17,090
Total	<u>\$ 307,838</u>	<u>\$ 326,407</u>	<u>\$ 634,749</u>	<u>\$ 634,968</u>

## 20. FAIR VALUE DISCLOSURES

The Company estimates the fair value of its debt by discounting the future cash flows of each instrument using estimated market rates of debt instruments with similar maturities and credit profiles. These inputs are classified as Level 3 within the fair value hierarchy. As of December 31, 2016 and 2015, the carrying value reported in the consolidated balance sheet for the Company's notes payable approximated its fair value.

The only assets or liabilities the Company had at December 31, 2016 that are recorded at fair value on a recurring basis are the natural gas hedges and interest rate swaps. The natural gas hedges had a positive fair value of \$0.2 million as of December 31, 2016, net of tax amount of \$0.1 million, compared to a negative fair value of \$0.1 million, net of tax amount of \$30,000 as of December 31, 2015. Interest rate swaps had a positive fair value of \$1.2 million as of December 31, 2016, net of tax amount of \$0.6 million. Both the natural gas hedges and interest rate swaps are classified within Level 2 of the fair value hierarchy as they are valued using third party pricing models which contain inputs that are derived from observable market data. Generally, the Company obtains its Level 2 pricing inputs from its counterparties. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

Assets and liabilities that are measured at fair value on a non-recurring basis include intangible assets and goodwill. These items are recognized at fair value when they are considered to be impaired.

There were no fair value adjustments for assets and liabilities measured on a non-recurring basis. The Company discloses fair value information about financial instruments for which it is practicable to estimate that value.

## 21. QUARTERLY FINANCIAL INFORMATION (Unaudited)

**Table 21.1: Quarterly Income Statement and Other Operating Data - 2016**

	2016 Quarter Ended			
	December 31	September 30	June 30	March 31
	<i>(in thousands, except earnings per share and operating data)</i>			
Net sales	118,217	114,558	117,115	111,485
Costs, expenses and other income:				
Cost of goods sold	85,862	86,756	83,744	79,955
Selling and administrative	9,554	9,241	10,163	8,960
Total costs and operating expenses	95,416	95,997	93,907	88,915
Operating income	22,801	18,561	23,208	22,570
Other (expense)/income, net	(223)	(5,900)	6	154
Interest expense, net	(3,098)	(3,146)	(3,648)	(3,698)
Income before losses from equity method investment and provision for income tax	19,480	9,515	19,566	19,026
Losses from equity method investment	(10)	(291)	(240)	(195)
Income before provision for income taxes	19,470	9,224	19,326	18,831
Provision for income taxes	(6,879)	(3,014)	(6,604)	(6,330)
Net income	\$ 12,591	\$ 6,210	\$ 12,722	\$ 12,501
Net income per share (1):				
Basic	\$ 0.32	\$ 0.15	\$ 0.31	\$ 0.30
Diluted	\$ 0.31	\$ 0.15	\$ 0.31	\$ 0.30
Other operating data:				
Wallboard sales volume (msf)	666	634	643	617
Mill net sales price	141.61	144.34	144.86	144.62
Depreciation and amortization	10,990	11,868	11,842	11,946

(1) As a result of rounding and the required method of computing shares in interim periods, the total of the quarterly earnings per share amounts may not equal the earnings per share amount of the year.

**Table 21.2: Quarterly Income Statement and Other Operating Data - 2015**

	2015 Quarter Ended			
	December 31	September 30	June 30	March 31
	<i>(in thousands, except earnings per share and operating data)</i>			
Net sales	110,360	108,150	110,996	92,176
Costs, expenses and other income:				
Cost of goods sold	81,498	78,151	81,516	71,675
Selling and administrative	8,092	9,008	9,363	8,428
Long Term Incentive Plan funded by Lone Star	—	9,933	15,842	4,171
Total costs and operating expenses	89,590	97,092	106,721	84,274
Operating income	20,770	11,058	4,275	7,902
Other (expense)/income, net	(51)	(283)	31	(448)
Interest expense, net	(3,873)	(4,154)	(4,184)	(4,221)
Income before losses from equity method investment and provision for income tax	16,846	6,621	122	3,233
(Losses)/earnings from equity method investment	(220)	(278)	(311)	59
Income/(loss) before provision for/(benefit from) income taxes	16,626	6,343	(189)	3,292
Provision for income taxes	(6,023)	(2,104)	63	(1,272)
Net income	\$ 10,603	\$ 4,239	\$ (126)	\$ 2,020
Net income per share (1):				
Basic	\$ 0.25	\$ 0.10	\$ —	\$ 0.05
Diluted	\$ 0.25	\$ 0.10	\$ —	\$ 0.05
Other operating data:				
Wallboard sales volume (msf)	596	567	567	469
Mill net sales price	148.37	153.05	156.85	157.46
Depreciation and amortization	12,377	12,661	13,141	13,129

(1) As a result of rounding and the required method of computing shares in interim periods, the total of the quarterly earnings per share amounts may not equal the earnings per share amount of the year.

## 22. SUBSEQUENT EVENTS

On January 17, 2017, the Company entered into contracts for the supply of synthetic gypsum to the Company's Silver Grove, Kentucky gypsum wallboard plant with each of (i) Dynegey Zimmer, LLC, an affiliate of Dynegey Inc. ("Dynegey") in respect of the supply of synthetic gypsum from Dynegey's Wm. H. Zimmer power generating station in Moscow, Ohio and (ii) Dynegey Miami Fort, LLC, an affiliate of Dynegey, for the supply of synthetic gypsum from Dynegey's Miami Fort power generating station in North Bend, Ohio (together the "Gypsum Contracts"). Each of the Gypsum Contracts provides for the supply of synthetic gypsum at an agreed base price, subject to escalation provisions, for a 20 -year term. The Gypsum Contracts are structured as "take or pay" arrangements, where the suppliers are required to supply a specified annual amount of synthetic gypsum and the Company is required to buy a specified annual amount, or else, in either case, pay contractual penalties.

On February 21, 2017 , the Company announced the Board of Directors had approved an expansion of its stock repurchase program by \$100.0 million , increasing the aggregate authorization from up to \$100.0 million to up to \$200.0 million . The program was also extended from December 31, 2017 to December 31, 2018 .

On February 21, 2017, the Company successfully repriced its term loan under the Amended and Restated Credit Agreement lowering its interest rate by 25 bps to LIBOR plus 2.50% and further reducing its estimated interest expense by approximately \$0.8 million per annum. All other terms and conditions under the term loan remain the same.

### **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

### **Item 9A. CONTROLS AND PROCEDURES**

Management's Evaluation of Disclosure Controls and Procedures. The Company maintains disclosure controls and procedures designed to ensure that information required to be disclosed in its periodic filings under the Securities Exchange Act of 1934 (the "Exchange Act"), including this Annual Report on Form 10-K, is recorded, processed, summarized and reported on a timely basis. These disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed under the Exchange Act is accumulated and communicated to the Company's management on a timely basis to allow decisions regarding required disclosure. Management, including the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined under Rules 13a - 15(e) and 15d - 15(e) of the Exchange Act) as of December 31, 2016.

The Company carried out the evaluation of the effectiveness of its disclosure controls and procedures, required by paragraph (b) of Exchange Act Rules 13a-15 and 15d-15, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer. Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2016.

Management's Report on Internal Control Over Financial Reporting. See "Financial Statements—Management's Report on Internal Control Over Financial Reporting" in Item 8 of this Annual Report on Form 10-K.

Attestation Report of Independent Registered Public Accounting Firm. See "Financial Statements—Report of Independent Registered Public Accounting Firm" in Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting. There were no changes in the Company's internal control over financial reporting during the three months ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### **Item 9B. Other Information**

None.

**PART III****Item 10. Directors, Executive Officers and Corporate Governance**

The information required by this Item is herein incorporated by reference to the Company's definitive proxy statement relating to the 2017 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2016.

**Item 11. Executive Compensation**

The information required by this Item is herein incorporated by reference to the Company's definitive proxy statement relating to the 2017 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2016.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters****Information with Respect to Securities Authorized for Issuance Under Equity Compensation Plans**

The following table sets forth as of December 31, 2016, information with respect to (a) number of securities to be issued upon exercise of outstanding options, warrants and rights, (b) the weighted average exercise price of outstanding options, warrants and rights and (c) the number of securities remaining available for future issuance, in each case under the Company's 2014 Stock Incentive Plan and the Company's Employee Stock Purchase Plan, or ESPP. The ESPP provides for the sale of up to a maximum of 600,000 shares of Company common stock to plan participants. Shares issued under the ESPP will reduce, on a share-for-share basis, the number of shares of Company common stock available for issuance pursuant to our 2014 Stock Incentive Plan.

	(a)		(b)		(c)
	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights		Weighted Average Exercise Price of Outstanding Options, Warrants and Rights		Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities in Column (a))
Equity compensation plans approved by security holders	75,456	\$	14.00		1,114,374
Equity compensation plans not approved by security	—		—		—
<b>Total</b>	<b>75,456</b>	<b>\$</b>	<b>14.00</b>		<b>1,114,374</b>

All other information required by this Item is herein incorporated by reference to the Company's definitive proxy statement relating to the 2017 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2016.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information required by this Item is herein incorporated by reference to the Company's definitive proxy statement relating to the 2017 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2016.

**Item 14. Principal Accountant Fees and Services**

The information required by this Item is herein incorporated by reference to the Company's definitive proxy statement relating to the 2017 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2016.



**PART IV****Item 15. Exhibits and Financial Statements**

The following documents are filed as part of this Annual Report on Form 10-K, or incorporated herein by reference:

1. Financial Statements. The Company's financial statements are included Part II, Item 8, Financial Statements and Supplementary Data.
2. Financial Statement Schedules. All schedules are omitted since they are not applicable, not required, or the information required to be set forth herein is included in the Consolidated Financial Statements.
3. Exhibits. The exhibits listed in the Exhibit Index immediately below are filed as part of this Annual Report on Form 10-K, or are incorporated by reference herein.

<b>Exhibit No.</b>	<b>Description of Exhibit</b>	
2.1	Asset Purchase Agreement, dated as of June 24, 2013, by and between Lafarge North America Inc. and Lone Star U.S. Acquisitions, LLC.	(b)
2.2	Amendment No. 1 to Asset Purchase Agreement, dated as of August 28, 2013, by and between Lafarge North America Inc., Lone Star U.S. Acquisitions, LLC, Continental Building Products, LLC, Continental Silver Grove, LLC, Continental Palatka, LLC and Continental Buchanan, LLC.	(b)
2.3	Amendment No. 2 to Asset Purchase Agreement, dated as of August 29, 2013, by and between Lafarge North America Inc., Lone Star U.S. Acquisitions, LLC, Continental Building Products, LLC, Continental Silver Grove, LLC, Continental Palatka, LLC and Continental Buchanan, LLC.	(b)
3.1	Certificate of Incorporation of the Company.	(c)
3.2	Bylaws of the Company	(b)
4.1	Form of Registration Rights Agreement between Continental Building Products, Inc. and LSF8 Gypsum Holdings, L.P.	(b)
10.1 <sup>^</sup>	Synthetic Gypsum Supply Agreement dated as of December 11, 2007 between Synthetic Materials, LLC and Lafarge North America Inc.	(b)
10.2 <sup>^</sup>	Amended and Restated Gypsum Contract dated as of June 8, 2005 between The Cincinnati Gas & Electric Company (an operating owner of the Miami Fort Generating Station) and Lafarge North America, Inc.	(b)
10.3 <sup>^</sup>	Gypsum Contract dated as of December 29, 1998 among Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company), The Dayton Power and Light Company, Columbus Southern Power Company (each an owner of the Wm. H. Zimmer Generating Station) and Lafarge North America Inc. (formerly known as Lafarge Corporation).	(b)
10.4 <sup>^</sup>	Synthetic Gypsum Supply Agreement dated as of December 11, 2007 between Synthetic Materials, LLC and Lafarge North America Inc.	(b)
10.5 <sup>^</sup>	Gypsum Contract dated as of August 9, 1999 between Seminole Electric Cooperative, Inc. and Lafarge North America Inc.	(b)
10.6 <sup>^</sup>	Paper Supply Agreement dated as of February 18, 2000 between Seven Hills Paperboard, LLC and Lafarge North America Inc. (formerly known as Lafarge Corporation).	(b)
10.7#	Continental Building Products, Inc. 2014 Stock Incentive Plan.	(c)
10.8#	Form of Grant Notice for 2014 Stock Incentive Plan Restricted Stock Unit Award.	(a)
10.9#	Form of Grant Notice for 2014 Stock Incentive Plan Restricted Stock Award.	(a)
10.10#	Form of Grant Notice for 2014 Stock Incentive Plan Nonqualified Stock Options.	(a)
10.11#	Form of Grant Notice for 2014 Stock Incentive Plan Incentive Stock Options.	(a)
10.12	First Lien Credit Agreement, dated as of August 30, 2013, by and among LSF8 Gypsum Holdings Company, LLC, Continental Building Products LLC, Continental Building Products Canada Inc., the lenders party thereto, Credit Suisse AG, as Administrative Agent, Credit Suisse Securities (USA) LLC and RBC Capital Markets, as Joint Lead Arrangers and Joint Bookrunners and Royal Bank of Canada, as Syndication Agent.	(b)

<b>Exhibit No.</b>	<b>Description of Exhibit</b>	
10.13	Incremental Assumption Agreement and Amendment No. 1, dated as of December 2, 2013, to the First Lien Credit Agreement dated as of August 30, 2013, by and among LSF8 Gypsum Holdings Company, LLC, Continental Building Products LLC, Continental Building Products Canada Inc., the lenders party thereto, Credit Suisse AG, as Administrative Agent, Credit Suisse Securities (USA) LLC and RBC Capital Markets, as Joint Lead Arrangers and Joint Bookrunners and Royal Bank of Canada, as Syndication Agent.	(b)
10.14	Second Lien Credit Agreement, dated as of August 30, 2013, by and among LSF8 Gypsum Holdings Company, LLC, Continental Building Products LLC, the lenders party thereto, Credit Suisse AG, as Administrative Agent, Credit Suisse Securities (USA) LLC and RBC Capital Markets, as Joint Lead Arrangers and Joint Bookrunners and Royal Bank of Canada, as Syndication Agent, as amended on December 2, 2013.	(b)
10.15	Incremental Assumption Agreement and Amendment No. 1, dated as of December 2, 2013, to the Second Lien Credit Agreement dated as of August 30, 2013, by and among LSF8 Gypsum Holdings Company, LLC, Continental Building Products LLC, Continental Building Products Canada Inc., the lenders party thereto, Credit Suisse AG, as Administrative Agent, Credit Suisse Securities (USA) LLC and RBC Capital Markets, as Joint Lead Arrangers and Joint Bookrunners and Royal Bank of Canada, as Syndication Agent.	(b)
10.16#	Form of Indemnification Agreement for officers and directors	(b)
10.17^	First Amendment to Synthetic Gypsum Supply Agreement, dated as of December 11, 2007, by and between Synthetic Materials, LLC and Lafarge North America Inc., effective as of February 16, 2009.	(b)
10.18	Assignment and Assumption Agreement, dated as of May 10, 2010, by and between Synthetic Materials, LLC and Mirant Mid-Atlantic, LLC, assigning the Synthetic Gypsum Supply Agreement, dated as of December 11, 2007, between Synthetic Materials, LLC and Lafarge North America Inc.	(b)
10.19^	Letter of Understanding, dated January 4, 2010, by and between Duke Energy Corporation and Lafarge North America, Inc. revising the Amended and Restated Gypsum Contract, dated as of June 8, 2005, by and between The Cincinnati Gas & Electric Company (operating owner of the Miami Fort Generating Station) and Lafarge North America Inc.	(b)
10.20^	December 2009 Amendment to Gypsum Contract, dated as of December 29, 1998, by and among Duke Energy Ohio, Inc. (formerly known as The Cincinnati Gas & Electric Company), The Dayton Power and Light Company and Columbus Southern Power Company (each an owner of the Wm. H. Zimmer Generating Station) and Lafarge North America, Inc. (formerly known as Lafarge Corporation), effective December 22, 2009.	(b)
10.21^	Process for Managing Surplus Gypsum, dated as of December 3, 2010, by and between Duke Energy Ohio and Lafarge North America, Inc.	(b)
10.22^	Amendment No. 1 to Supply Agreement, dated as of December 11, 2007, by and between Synthetic Materials, LLC and Lafarge North America, Inc., effective as of December 22, 2008.	(b)
10.23^	Amendment One to Gypsum Contract, dated as of August 9, 1999, by and between Seminole Electric Cooperative, Inc. and Lafarge North America, Inc. (formerly known as Lafarge Corporation), effective December 11, 2008.	(b)
10.24#	Employment Agreement, dated as of March 24, 2015, by and between Continental Building Products, Inc. and James Bachmann.	(d)
10.25#	Form of Grant Notice for 2014 Stock Incentive Plan Restricted Stock Unit Award.	(d)
10.26#	Form of Grant Notice for 2014 Stock Incentive Plan Restricted Stock Award.	(d)
10.27#	Form of Grant Notice for 2014 Stock Incentive Plan Nonqualified Stock Options.	(d)
10.28#	Form of Grant Notice for 2014 Stock Incentive Plan Incentive Stock Options.	(d)
10.29#	Form of Grant Notice for 2014 Stock Incentive Plan Performance-Based Restricted Stock Units.	(d)
10.30#	Amendment No. 1 to Continental Building Products, Inc. 2014 Stock Incentive Plan.	(d)
10.31	Stock Purchase Agreement by and between Continental Building Products, Inc. and LSF8 Gypsum Holdings, L.P. dated May 11, 2015.	(e)

Exhibit No.	Description of Exhibit	
10.32#	Continental Building Products, Inc. Employee Stock Purchase Plan.	(e)
10.33	Stock Purchase Agreement by and between Continental Building Products, Inc. and LSF8 Gypsum Holdings, L.P. dated September 10, 2015.	(f)
10.34#	Continental Building Products, Inc. Executive Severance and Change of Control Plan.	(f)
10.35	Stock Purchase Agreement by and between Continental Building Products, Inc. and LSF8 Gypsum Holdings, L.P. date March 14, 2016	(g)
10.36	Amended and Restated Credit Agreement dated as of August 18, 2016 among Continental Building Products, Inc., Continental Building Products Operating Company, LLC, Continental Building Products Canada, Inc., the Lender Party thereto and Credit Suisse AG as Administrative Agent.	(h)
21.1	List of Subsidiaries of the Company.	*
23.1	Consent of Ernst & Young LLP.	*
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	*
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	*
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	*
101.INS	XBRL Instance Document.	*
101.SCH	XBRL Taxonomy Extension Schema Document.	*
101.CAL	XBRL Taxonomy Calculation Linkbase Document.	*
101.DEF	XBRL Taxonomy Definition Linkbase Document.	*
101.LAB	XBRL Taxonomy Label Linkbase Document.	*
101.PRE	XBRL Taxonomy Presentation Linkbase Document.	*

# Denotes management compensatory plan or arrangement.

\* Filed herewith.

^ Certain portions of this exhibit have been redacted and separately filed with the Securities and Exchange Commission pursuant to a request for confidential treatment.

(a) Previously filed on December 24, 2013 as an exhibit to the Company's Registration Statement on Form S-1 (File No. 333-193078) and incorporated herein by reference.

(b) Previously filed on January 10, 2014 as an exhibit to Amendment No. 1 to the Company's Registration Statement on Form S-1 (File No. 333-193078) and incorporated herein by reference.

(c) Previously filed on May 6, 2015 as an exhibit to the Company's Quarterly Report on Form 10-Q and incorporated herein by reference.

(d) Previously filed on August 6, 2015 as an exhibit to the Company's Quarterly Report on Form 10-Q and incorporated herein by reference.

(e) Previously filed on November 5, 2015 as an exhibit to the Company's Quarterly Report on Form 10-Q and incorporated herein by reference.

(f) Previously filed on November 5, 2015 as an exhibit to the Company's Quarterly Report on Form 10-Q and incorporated herein by reference.

(g) Previously filed on May 10, 2016 as an exhibit to the Company's Quarterly Report on Form 10-Q and incorporated herein by reference.

(h) Previously filed on August 22, 2016 as an exhibit to the Company's Current Report on Form 8-K and incorporated herein by reference.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(s) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**CONTINENTAL BUILDING PRODUCTS, INC.**

/s/ James Bachmann

February 24, 2017

By: James Bachmann  
President and Chief Executive Officer  
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ James Bachmann</u> James Bachmann	President and Chief Executive Officer (Principal Executive Officer) and Director	<u>February 24, 2017</u>
<u>/s/ Dennis Schemm</u> Dennis Schemm	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	<u>February 24, 2017</u>
<u>/s/ Dennis Romps</u> Dennis Romps	Senior Vice President, Corporate Controller and Chief Accounting Officer (Principal Accounting Officer)	<u>February 24, 2017</u>
<u>/s/ Edward Bosowski</u> Edward Bosowski	Chairman of the Board, Director	<u>February 24, 2017</u>
<u>/s/ Michael O. Moore</u> Michael O. Moore	Director	<u>February 24, 2017</u>
<u>/s/ Jack Sweeny</u> Jack Sweeny	Director	<u>February 24, 2017</u>
<u>/s/ Chantal Veevaete</u> Chantal Veevaete	Director	<u>February 24, 2017</u>
<u>/s/ Michael Keough</u> Michael Keough	Director	<u>February 24, 2017</u>

**Subsidiaries of the Company**

<b>Name of Subsidiary</b>	<b>State of Incorporation or Organization</b>
Continental Building Products Operating Company, LLC	Delaware
Continental Buchanan, LLC	Delaware
Continental Palatka, LLC	Delaware
Continental Silver Grove, LLC	Delaware
Continental Building Products Canada, Inc.	Canada

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in Amendment No. 1 to the Registration Statement (Form S-8 No. 333-194836) pertaining to the Continental Building Products, Inc. 2014 Stock Incentive Plan and the Continental Building Products, Inc. Employee Stock Purchase Plan of our report dated February 24, 2017, with respect to the consolidated financial statements of Continental Building Products, Inc. included in its Annual Report (Form 10-K) for the year ended December 31, 2016, filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP

McLean, Virginia  
February 24, 2017

**CERTIFICATION**

I, James Bachmann, certify that:

1. I have reviewed this Annual Report on Form 10-K of Continental Building Products, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ James Bachmann

February 24, 2017

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James Bachmann  
 President and Chief Executive Officer  
 (Principal Executive Officer)

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Date

**CERTIFICATION**

I, Dennis Schemm, certify that:

1. I have reviewed this Annual Report on Form 10-K of Continental Building Products, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Dennis Schemm

February 24, 2017

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Dennis Schemm

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Date

Senior Vice President and Chief Financial Officer  
(Principal Financial Officer)



**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Continental Building Products, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, James Bachmann, President and Chief Executive Officer of the Company, and Dennis Schemm, Senior Vice President and Chief Financial Officer of the Company, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that to his knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

<u>/s/ James Bachmann</u>	<u>February 24, 2017</u>
James Bachmann	Date
President and Chief Executive Officer	
(Principal Executive Officer)	

<u>/s/ Dennis Schemm</u>	<u>February 24, 2017</u>
Dennis Schemm	Date
Senior Vice President and Chief Financial Officer	
(Principal Financial Officer)	