HEADWATERS

NYSE: HW

Q4 and Fiscal Year End: September 30

INVESTMENT PROFILE

STOCK DATA

Recent Price (9/30/2016)	$16.90
52-Week Range	$14.19 - $20.83
Market Capitalization	$1.25 Billion
Shares Outstanding (millions)	74.0
Institutional Ownership	85%

OPERATIONAL DATA

Fiscal 2016 Year End:

Revenue.	$974.8 Million
Adjusted EBITDA	$189.6 Million

INVESTMENT APPEAL

- ***Market leadership positions in all business segments***
- ***High quality niche product offerings with strong brand names***
- ***Extensive and established national distribution network***
- ***Long-term customer relationships and exclusive contracts***
- ***Well positioned to benefit from market improvements in the construction and building products segments***
- ***Continuous improvements and cost reductions throughout all business segments***
- ***Successful debt restructuring - providing greater liquidity with no significant near-term maturities***

Headwaters is a leading manufacturer of building products for the residential construction, residential remodeling, commercial and institutional construction industries. The Company's portfolio of building products consists of specialty siding, trim board, decking, architectural stone, roofing, windows and block products. Headwaters' Construction Materials ("CM") segment focuses on the sale of high quality fly ash as a partial replacement for portland cement when making concrete. It is also a leader in the synthetic gypsum processing and management industry.

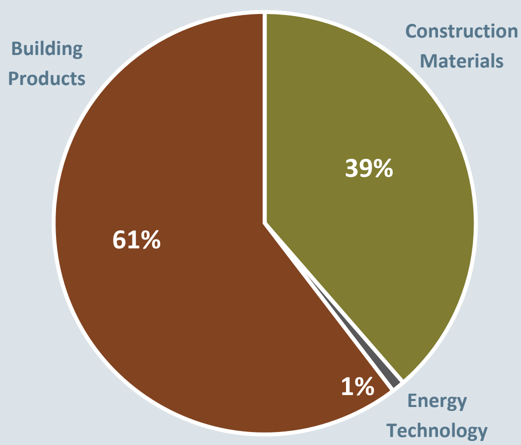
Headwaters' Building Products ("BP") segment has approximately 1,200 wholesale distributors across the country, mainly one-step and two-step distributors. The BP business also generates incremental sales through big box stores, such as Lowe's and Home Depot. Headwaters' CM division has a direct sales network that distributes high quality fly ash throughout the country. The Company's broad distribution system and superior reputation for quality has enabled Headwaters to capture leading market positions in all of its key niche product categories.

Headwaters' focus on transforming underutilized resources into valuable products has helped it capitalize on increasing demand for building materials that contribute to sustainability. The Company's fly ash business is a perfect example of sustainability. Headwaters is the largest supplier of fly ash in the United States today. Fly ash is one of the coal combustion by-products produced when burning coal at today's electric generating utilities. Fly ash can serve as a replacement for a portion of the portland cement used in producing concrete for major construction projects.

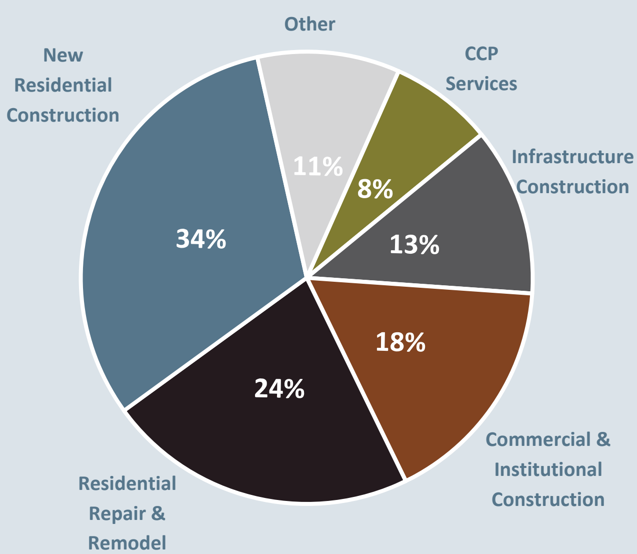
INVESTMENT SUMMARY

Headwaters' two primary business segments: Headwaters Building Products and Headwaters Construction Materials, enjoy diversified end-markets that help position the company to capitalize on the continued strength in the building products and construction materials markets.

FY 2016 Revenue Breakdown of $975 Million



Diversified End Markets



HEADWATERS BUILDING PRODUCTS

- *Leading niche market positions*
- *Diversified revenue stream*
- *Unmatched national distribution network*
- *Exposure to new residential, repair & remodel, & commercial and Institutional markets*
- *Margins among highest in peer group*

BUILDING PRODUCTS: MARKET LEADERSHIP AND DIVERSIFIED END MARKETS

Headwaters' niche Building Products brands rank among the top in U.S. markets for resin-based accessories products, manufactured stone veneer, specialty roofing, and window products. These product lines position Headwaters in three high-growth areas of the construction materials market: specialty siding, manufactured stone, and specialty roofing. Headwaters is also a product leader in its regional Texas concrete block business.

Headwaters' BP segment implements a strategy to produce environmentally sustainable products that minimize waste, conserve natural resources, and use less energy in manufacturing or application.

The Company is a market leader in the manufacturing of building products and professional tools used in residential remodeling and construction. As the largest U.S. manufacturer of injection molded siding accessories, Headwaters is the vendor of choice for both wholesalers and leading U.S. home improvement retailers, including Lowe's and Home Depot. The Company's brands include: Atlantic® Premium Shutters, Kleer® Lumber, Mid-America Siding Components®, Tapco Tools® Systems, and others. The Company is also a leading manufacturer and marketer of premium quality architectural stone veneer. Brands include: Eldorado Stone®, StoneCraft™, and Dutch Quality Stone®. In addition to its stone product lines, the Company has introduced an architectural brick to compliment stone siding. Headwaters manufactures specialty niche roofing products under the brands: Entegra®, Inspire®, Gerard® and Ullmet®. Its window products are sold under the brand names of Krestmark and Legacy Vinyl Windows.

Many of Headwaters' concrete-based building products are more sustainable due to a mix of fly ash and portland cement, creating products at a lower cost and improved quality.

HEADWATERS BUILDING PRODUCTS: EFFICIENT MANUFACTURING AND COMPETITIVE MARGINS

The Company's BP segment has consistently generated competitive margins relative to its building product peers. At the end of fiscal 2016 Headwaters' BP segment remained in the top quartile, reporting Adjusted EBITDA margins of over 20%. The Company continues its efforts in continuous improvements by cutting costs and improving margins where ever possible.

HEADWATERS CONSTRUCTION MATERIALS

- *National sales leader in fly ash*
- *Leader in synthetic gypsum processing*
- *Margins among highest in peer group*
- *Unrivaled national footprint*
- *Attractive long term market fundamentals*

LEADING FLY ASH AND SYNTHETIC GYPSUM SALES

Headwaters is a leader in the selling of fly ash in most states across the U.S. Through its recent acquisition of Synthetic Materials LLC ("SynMat"), it is also a leader in the processing and management of synthetic gypsum. Both fly ash and synthetic gypsum are by-products produced when coal is burned at today's modern electric generating plants. These by-products are produced from the non-combustible minerals that naturally occur in coal.

High quality fly ash can be used as a partial replacement for portland cement when producing concrete. The aluminosilicates in fly ash react with residual calcium hydroxide (lime) released by the hydrated cement. This process creates additional cementing compounds and helps prevent calcium hydroxide from engaging in deleterious reactions – hence, a concrete that is stronger and more durable than traditional concrete made exclusively with portland cement.

Synthetic gypsum is used interchangeably with naturally mined gypsum in any number of applications. Although it is sold mainly to wallboard manufacturers, it can also be used in cement production, mining applications, and agricultural soil enhancement

FLY ASH PRODUCTION AND DEMAND

In order to strengthen Headwaters' ability to meet the needs of its fly ash clients and customers, the Company continues to look for ways to increase its supply of high quality fly ash.

There are several ways Headwaters can achieve its objective. For instance: increasing storage capabilities, adding new supply contracts, reclamation of landfilled ash, and the continued use of our proprietary RestoreAir® technology, which helps enhance fly ash utilization. The technology is currently installed at eleven utilities, with plans to bring on additional utilities going forward.

Cement consumption and pricing are predicted to increase over the foreseeable future, with cement demand exceeding capacity levels in the U.S. The gap will be filled by importing more portland cement into U.S. markets, and higher fly ash substitution rates.

SUSTAINABLE AND BETTER FOR THE ENVIRONMENT

The use of fly ash positively impacts the environment. It helps reduce landfill utilization, and it helps displace portland cement production, which emits approximately one ton of CO_2 for every ton of cement produced.

"If all the fly ash generated each year were used in producing concrete, the reduction in CO_2 emissions would be equal to eliminating 25% of the world's vehicles."

– From National Conference of State Legislatures' Briefing Paper entitled "Recycling Fly Ash"

RESULTS FOR Q4 AND FISCAL 2016

Total revenue for the year ended September 30, 2016 was $974.8 million, up 9% from $895.3 million for 2015. Gross profit increased 7%, from $269.9 million in 2015 to $288.2 million in 2016. Operating income of $102.1 million in 2015 improved by 8%, to $110.7 million in 2016. Income from continuing operations was $49.7 million, or $0.64 per diluted share, for 2016, compared to $132.1 million, or $1.74 per diluted share, for 2015, with the decrease primarily due to a normalized income tax expense in 2016 compared to a significant income to benefit in 2015 following the release of deferred tax asset valuation allowances in the fourth quarter of fiscal 2015.

Interest expense decreased from $64.2 million in 2015 to $42.4 million in 2016. In 2015, interest expense included approximately $24.8 million of incremental interest expense related to early debt repayments, and in 2016 there was approximately $7.0 million of non-routine expense related to early debt repayments. Other income in 2016 includes realized and unrealized gains on certain assets acquired in 2016 transactions that have been sold or are being held for sale. Discontinued operations were immaterial in both 2015 and 2016.

Adjusted EBITDA increased by $24.0 million or 14%, from $165.6 million to $189.6 million for the year ended September 30, 2016 as compared to 2015, and Adjusted EPS increased by 38% from $0.72 in 2015 to $0.99 in 2016.

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CAUTIONARY STATEMENTS RELEVANT TO FORWARD-LOOKING INFORMATION FOR THE PURPOSE OF "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This report contains forward-looking statements relating to Headwaters' operations that are based on management's current expectations, estimates and projections about the industries in which Headwaters operates. Words such as "may," "should," "anticipates," "expects," "intends," "plans," "targets," "forecasts," "projects," "believes," "seeks," "schedules," "estimates," "budgets," "goals," "outlook" and similar expressions are intended to help identify such forward-looking statements. Forward-looking statements include Headwaters' expectations as to the managing and marketing of coal combustion products and other construction materials, the production and marketing of building products, the sales to oil refineries of residue hydrocracking catalysts, the development, commercialization, and financing of new products and other strategic business opportunities and acquisitions, and other information about Headwaters which are not purely historical by nature, including those statements regarding Headwaters' future business plans, the operation of facilities, the availability of feedstocks, and the marketability of coal combustion products, construction materials, building products and catalysts. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, many of which are beyond the Company's control and are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. The reader should not place undue reliance on these forward-looking statements, which speak only as of the date of this report. Unless legally required, Headwaters undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Among the important factors that could cause actual results to differ materially from those in the forward-looking statements are: changing feedstock and energy prices; actions of competitors or regulators; technological developments; potential disruption of the Company's production facilities, transportation networks and information technology systems due to war, terrorism, malicious attack, civil accidents, political events, civil unrest or severe weather; potential environmental liability or product liability under existing or future laws and litigation; potential liability resulting from other pending or future litigation; changed accounting rules under generally accepted accounting principles promulgated by rule-setting bodies; and the factors set forth under the heading "Risk Factors" in the Company's Annual Report on Form 10-K, quarterly reports on Form 10-Q and other periodic reports. In addition, such results could be affected by general domestic and international economic and political conditions and other unpredictable or unknown factors not discussed in this report which could have material adverse effects on forward-looking statements.

HEADWATERS INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(in thousands, except per-share amounts)

	Quarter Ended September 30, 2015	Quarter Ended September 30, 2016	Year Ended September 30, 2015	Year Ended September 30, 2016
Revenue:				
Building products	$ 151,873	$ 170,599	$ 523,643	$ 594,281
Construction materials	111,461	114,945	352,263	370,439
Energy technology	9,383	6,047	19,427	10,087
Total revenue	**272,717**	**291,591**	**895,333**	**974,807**
Cost of revenue:				
Building products	102,689	126,168	367,163	423,910
Construction materials	74,978	77,419	249,077	258,478
Energy technology	4,749	2,482	9,202	4,218
Total cost of revenue	**182,416**	**206,069**	**625,442**	**686,606**
Gross profit	**90,301**	**85,522**	**269,891**	**288,201**
Operating expenses:				
Selling, general and administrative	44,337	41,726	149,623	156,898
Amortization	4,558	6,183	18,161	20,593
Total operating expenses	**48,895**	**47,909**	**167,784**	**177,491**
Operating income	**41,406**	**37,613**	**102,107**	**110,710**
Net interest expense	(8,219)	(16,881)	(64,219)	(42,424)
Other income (expense), net	(38)	4,437	(218)	4,149
Income from continuing operations before income taxes	**33,149**	**25,169**	**37,670**	**72,435**
Income tax benefit (provision)	93,698	(8,566)	94,458	(22,756)
Income from continuing operations	**126,847**	**16,603**	**132,128**	**49,679**
Income (loss) from discontinued operations, net of income taxes	(73)	270	(460)	84
Net income	**126,774**	**16,873**	**131,668**	**49,763**
Net income attributable to non-controlling interest	(174)	(819)	(869)	(1,667)
Net income attributable to Headwaters Incorporated	**$ 126,600**	**$ 16,054**	**$ 130,799**	**$ 48,096**
Basic income (loss) per share attributable to Headwaters Incorporated:				
From continuing operations	$ 1.72	$ 0.21	$ 1.79	$ 0.65
From discontinued operations	0.00	0.00	(0.01)	0.00
	$ 1.72	**$ 0.21**	**$ 1.78**	**$ 0.65**
Diluted income (loss) per share attributable to Headwaters Incorporated:				
From continuing operations	$ 1.68	$ 0.21	$ 1.74	$ 0.64
From discontinued operations	0.00	0.00	(0.01)	0.00
	$ 1.68	**$ 0.21**	**$ 1.73**	**$ 0.64**
Weighted average shares outstanding:				
Basic	73,618	73,911	73,570	73,842
Diluted	75,310	75,498	75,602	75,415
Operating income (loss) by segment:				
Building products	$ 24,953	$ 14,857	$ 64,418	$ 65,365
Construction materials	24,894	28,986	64,984	76,099
Energy technology	1,862	1,476	731	(2,514)
Corporate	(10,303)	(7,706)	(28,026)	(28,240)
Total	**$ 41,406**	**$ 37,613**	**$ 102,107**	**$ 110,710**

HEADWATERS INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
(in thousands)

	September 30, 2015	September 30, 2016
Assets:		
Current assets:		
Cash and cash equivalents	$ 142,597	$ 65,298
Trade receivables, net	134,384	152,084
Inventories	55,074	72,668
Other	12,156	14,704
Total current assets	**344,211**	**304,754**
Property, plant and equipment, net	185,718	206,792
Goodwill	178,199	290,503
Intangible assets, net	143,718	319,162
Deferred income taxes	92,852	68,059
Other assets	34,321	49,173
Total assets	**$ 979,019**	**$ 1,238,443**
Liabilities and Stockholders' Equity:		
Current liabilities:		
Accounts payable	$ 25,306	$ 30,211
Accrued liabilities	104,325	109,151
Current portion of long-term debt	4,250	7,785
Total current liabilities	**133,881**	**147,147**
Long-term debt, net	558,080	746,716
Other long-term liabilities	36,776	41,230
Total liabilities	**728,737**	**935,093**
Redeemable non-controlling interest in consolidated subsidiary	**12,431**	**13,363**
Stockholders' equity:		
Common stock - par value	74	74
Capital in excess of par value	728,667	733,117
Retained earnings (accumulated deficit)	(489,889)	(441,793)
Treasury stock	(1,001)	(1,411)
Total stockholders' equity	**237,851**	**289,987**
Total liabilities and stockholders' equity	**$ 979,019**	**$ 1,238,443**

HEADWATERS INCORPORATED
Reconciliations of Non-GAAP Financial Measures (Unaudited)
(in millions, except per-share amounts)

Reconciliation of Income from Continuing Operations to Adjusted EDITDA	Quarter Ended September 30, 2015	Quarter Ended September 30, 2016	Year Ended September 30, 2015	Year Ended September 30, 2016
Income from continuing operations (GAAP)	**$ 126.9**	**$ 16.6**	**$ 132.1**	**$ 49.6**
Non-controlling interest of subsidiary	(0.2)	(0.8)	(0.9)	(1.7)
Net interest expense	8.2	16.9	64.2	42.5
Income taxes	(93.7)	8.6	(94.5)	22.8
Depreciation, amortization, and equity-based compensation	14.8	20.1	56.2	65.1
Non-routine customer and business acquisition-related costs and adjustments	0.6	(0.6)	1.8	1.3
Consolidation of acquired businesses	-	3.3	-	7.8
Asset impairments, write-offs and other non-routine items	-	2.2	0.6	2.2
Cash-based compensation tied to stock price	2.3	-	6.1	-
Adjusted EBITDA	**$ 58.9**	**$ 66.3**	**$ 165.6**	**$ 189.6**
Segment Adjusted EBITDA				
Building Products	$ 35.1	$ 36.6	$ 101.9	$ 119.4
Construction materials	28.9	32.7	80.5	92.4
Energy technology	2.2	1.8	2.2	(1.1)
Corporate	(9.6)	(4.8)	(25.1)	(21.1)
Cash-based compensation tied to stock price	2.3	-	6.1	-
Adjusted EBITDA	**$ 58.9**	**$ 66.3**	**$ 165.6**	**$ 189.6**

TTM Adjusted EBITDA Reconciliation	Twelve Months Ended 9/30/2014	Twelve Months Ended 9/30/2015	Twelve Months Ended 9/30/2016
Income from continuing operations (GAAP)	**$ 16.5**	**$ 132.1**	**$ 49.6**
Non-controlling interest of subsidiary	(0.8)	(0.9)	(1.7)
Net interest expense	46.3	64.2	42.5
Income taxes	3.6	(94.5)	22.8
Depreciation, amortization, and equity-based compensation	56.9	56.2	65.1
Non-routine customer and business acquisition-related costs and adjustments	6.1	1.8	1.3
Consolidation of acquired businesses	-	-	7.8
Asset impairments, write-offs and other non-routine items	3.1	0.6	2.2
Cash-based compensation tied to stock price	6.1	6.1	-
TTM Adjusted EBITDA	**$ 137.8**	**$ 165.6**	**$ 189.6**
Segment TTM Adjusted EBITDA			
Building Products	$ 88.1	$ 101.9	$ 119.4
Construction materials	66.8	80.5	92.4
Energy technology	(2.0)	2.2	(1.1)
Corporate	(21.2)	(25.1)	(21.1)
Cash-based compensation tied to stock price	6.1	6.1	-
TTM Adjusted EBITDA	**$ 137.8**	**$ 165.6**	**$ 189.6**

Reconciliation of Diluted EPS from Continuing Operations to Adjusted EPS	**Quarter Ended September 30, 2015**	**Quarter Ended September 30, 2016**	**Year Ended September 30, 2015**	**Year Ended September 30, 2016**
Reported numerator for diluted earnings per share from continuing operations in accordance with GAAP - income from continuing operations attributable to Headwaters Incorporated	**$ 126.7**	**$ 15.8**	**$ 131.2**	**$ 47.9**
Adjustments to numerator:				
To reflect income taxes in the 2015 periods at a normalized rate (see Note to table below)	(106.6)	-	(107.9)	-
Amortization expense related to acquired intangible assets	4.5	6.1	17.9	20.3
Non-routine customer and business acquisition-related costs and adjustments	0.6	(0.6)	1.8	1.3
Consolidation of acquired businesses	-	3.3	-	7.8
Asset impairments, write-offs and other non-routine items, including accelerated depreciation	-	3.7	0.6	3.7
Non-routine interest expense related to early debt repayments, repricings, new debt issuances	-	8.7	24.8	10.1
Cash-based compensation tied to stock price	2.3	-	6.1	-
Income tax effect of above pretax adjustments	(2.9)	(8.3)	(19.9)	(16.8)
Total adjustments to income from continuing operations, net of income tax effect	(102.1)	12.9	(76.6)	26.4
Numerator for adjusted diluted earnings per share from continuing operations	**$ 24.6**	**$ 28.7**	**$ 54.6**	**$ 74.3**
Reported denominator for diluted earnings per share in accordance with GAAP and for adjusted earnings per share	75.3	75.5	75.6	75.4
Reported diluted income per share from continuing operations (GAAP)	**$ 1.68**	**$ 0.21**	**$ 1.74**	**$ 0.64**
Effect of adjustments on diluted income per share calculation	(1.35)	0.17	(1.02)	0.35
Adjusted diluted income per share from continuing operations (Adjusted EPS)	**$ 0.33**	**$ 0.38**	**$ 0.72**	**$ 0.99**

Note to table: In the September 2015 quarter, we reversed most of the valuation allowance on our deferred tax assets, while in 2016 our income taxes reflect a normalized rate. Accordingly, in order for the 2015 Adjusted EPS to be comparable to 2016, we have included an adjustment to reflect income taxes at a normalized rate of 39%, for both the 2015 period GAAP earnings and the income tax effect of the adjustments shown in the table. This is consistent with the calculation of income taxes for the 2016 periods.