



Beacon Roofing Supply, Inc.



Q U A L I T Y P E O P L E



Beacon Roofing Supply, Inc.

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# 2004 Annual Report



Q U A L I T Y S E R V I C E

## Operating Divisions



West End  
Lumber



Groupe Bedard



Coastal Metal  
Service



The Roof Center Inc.



A COMMITMENT TO SERVICE & QUALITY  
Beacon Sales Company



Beacon Roofing Supply  
Canada Company

Beacon Roofing Supply Canada Company



Best Distributing Co.



Quality Roofing Supply



JGA Corp.



Q U A L I T Y P R O D U C T S

# Corporate Profile



Founded in 1928, Beacon Roofing Supply, Inc. has grown to be one of the largest distributors of residential and non-residential roofing materials in the U.S. and Canada. With over 19,500 contractor and applicator customers, it is the first or second largest distributor in each of the regions it serves (see map below). Beacon Roofing Supply has a reputation for quality people, quality service and quality products.



Beacon's local branches stock a comprehensive product offering which differs from local market to local market. Its products meet external residential and commercial building needs. In addition to roofing, local product offerings can include waterproofing, windows, siding and many other external products. In these categories, Beacon Roofing Supply distributes the products of brand-name manufacturers.



Beacon has a knowledgeable and experienced sales and marketing team including outside sales and

business development specialists, inside sales/customer service representatives and manufacturer/architectural representatives. Contractors trust the product knowledge and application expertise of the Beacon staff, and they rely on a Beacon branch's on-time delivery and product availability. Beacon branch operations "partner" with contractor-customers to assure the successful, profitable completion of projects and an ongoing relationship with each contractor.

Beacon has grown through both new branch openings and acquisitions. Its business is well balanced between residential and commercial markets. It is able to take full advantage of the re-roofing demand driving these two industry markets. A highly scalable platform, a proven business model, results-oriented management, a strong people-focused corporate culture and a fully integrated enterprise computing function form a solid foundation for more successful acquisitions and branch openings.



## Current Locations and Growth Opportunities

- Current states and provinces
- Current branches  
75 branches in 14 states and 3 Canadian provinces
- Beacon is currently pursuing growth opportunities throughout the U.S. and Canada.

# Financial Highlights

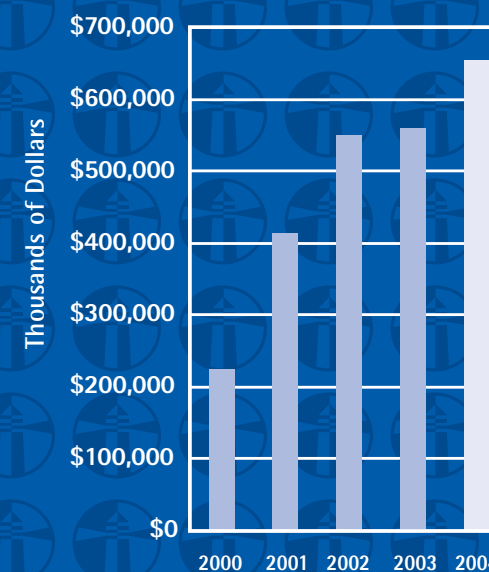
(\$ in thousands, except per share data)

	Fiscal Year Ended (1)					Pro Forma (2)
	2000	2001	2002	2003	2004	2004
<b>Net sales</b>	\$223,955	\$415,089	\$549,873	\$559,540	\$652,909	\$652,909
<b>Gross margin %</b>	19.7%	22.6%	24.7%	25.2%	25.4%	25.4%
<b>Operating income</b>	\$10,368	\$18,727	\$29,428	\$31,292	\$34,672	\$42,345
<b>Operating income %</b>	4.6%	4.5%	5.4%	5.6%	5.3%	6.5%
<b>Income (loss) before taxes</b>	\$82	\$422	\$11,364	\$14,626	(\$5,226)	\$39,868
<b>Net income (loss)</b>	(\$942)	(\$376)	\$5,211	\$7,105	(\$15,355)	\$22,525
<b>Diluted net income (loss) per share</b>	(\$0.10)	(\$0.03)	\$0.29	\$0.39	(\$0.86)	\$0.84
<b>Total assets</b>	\$189,322	\$263,655	\$257,932	\$275,708	\$301,498	\$301,498
<b>Stockholders' equity</b>	\$7,297	\$26,568	\$32,290	\$41,766	\$38,245	\$140,488
<b>Total debt-to-equity ratio</b>	1,808.4%	618.3%	472.0%	344.4%	405.9%	38.0%
<b>Compound 5-year annual sales growth for 1999 through 2004</b>					38.7%	

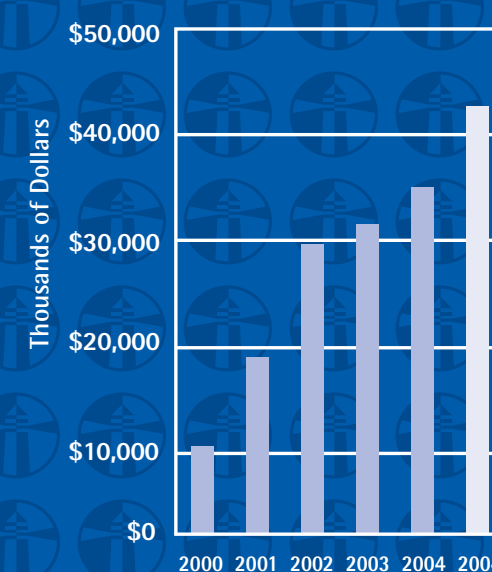
(1) The fiscal year for the Company is a 52- or 53-week period ending the last Saturday in September. All years except 2001 contain 52 weeks.

(2) Unaudited pro forma data assumes the IPO occurred prior to the start of fiscal year 2004. Please see the pro forma data and notes thereto in our Form 10-K.

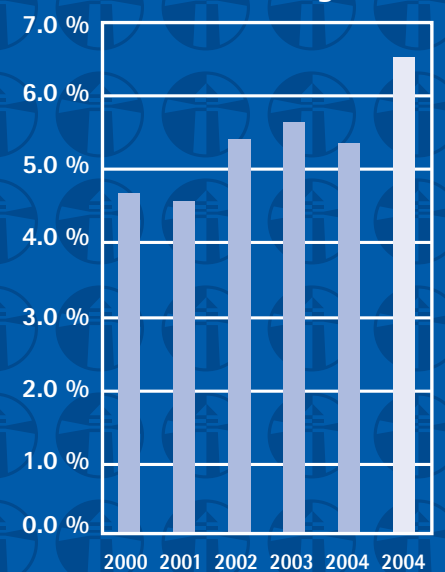
## Net Sales



## Operating Income



## Operating Income Percentage







## Letter to our shareholders

Dear Shareholders and Friends,

Fiscal year 2004 was one of our most successful years in the long history of our company. In this letter we want to highlight our results and describe the vision we have for the future. Before we get into those details, we want to recognize and thank our more than 1,200 fellow associates who come to work every day dedicated to providing the best products and service to our customers. Having the best-trained, knowledgeable and motivated people is why we have been successful and why our company's future is so bright. When a company gets the people part of the business right, everything else falls into place. We are blessed to have so many wonderful associates on the Beacon team.

Now, to the fiscal 2004 highlights. We became a public company by launching a successful IPO on September 22. But why go public? It's expensive to operate a public company. Are the benefits worth it? Absolutely! The public offering strengthened our balance sheet and provides us with more resources to grow organically and make more acquisitions. We have exciting opportunities in our industry and being a public company will help us achieve our goals. In addition, we can reward our associates, who helped build our company, with ownership opportunities, and we can attract the best people available to help us continue our success.

Our performance in fiscal year 2004 was outstanding. Sales were a record \$653 million compared to \$560 million for fiscal year 2003, an increase of 17%. And importantly, this growth was entirely organic. We experienced strong growth across all three major product groups: residential roofing, non-residential roofing and other building products. Our business is well balanced between residential and commercial markets and this positions our company to take advantage of strong economic conditions in each market. We are proud of our five-year compound growth rate in sales of 39%, which demonstrates our ability to grow even during some difficult economic conditions.

We are also proud of our history of increasing operating income year after year. Operating income increased by 10.8% to \$34.7 million in fiscal year 2004 from \$31.3 million in fiscal 2003, despite a charge of \$10.3 million for stock-based compensation in 2004 associated with our IPO. This shows our

ability to improve margins, excluding the stock charge, at a rate faster than the increase in sales.

Part of our corporate culture is operating in a lean and no-waste environment. We protect the financial resources entrusted to us and it shows in our results. Our operating income performance over the last five years was also very strong. Our five-year compound growth rate in operating income was 38% on a pro forma basis.

As you review our fiscal 2004 performance, you will note we recorded certain significant charges primarily associated with our IPO. Our IPO triggered a further change in the value of warrant derivatives associated with prior financings and a stock-based compensation charge, and we also took a charge for the early extinguishment of debt. These charges obviously do not relate to the ongoing performance of our operations and no future warrant-derivative charges will occur from prior financings.

We conclude this year's letter by sharing our thoughts about the future direction of our company. We are in a very good industry that offers us many growth opportunities. The industry is driven by re-roofing demand that provides us with a recurring revenue stream. We have a highly scalable platform and a proven business model that requires minimal capital for organic growth. We operate on one integrated computer system that provides us with consistent operating and financial information to best manage our network of 75 branches. We have in place a sophisticated benchmarking report that ranks all of our branch operations in 13 vital categories. We publish this report monthly and we know which branches are leading the way and why, and, conversely, we know where the weak spots are and what needs to be fixed. In addition, our culture is strong and is a key reason for our success.

With all of these things in place, we are very confident about our abilities to deliver the expected growth in sales and profits in the future.

We have specific growth strategies in place for both organic and acquisition growth. Our organic growth will be driven by a selective and disciplined strategy of new branch openings, growth of existing branches and the addition of new products and services that best support our contractor base. Furthermore, our industry is consolidating and we are committed to leading this consolidation. Our acquisition strategy is to target market leaders in geographic areas that we presently do not service. Our recent acquisition of JGA Corp. reflects this approach. JGA is a leading Southeast distributor of roofing and other building materials with eight facilities in Georgia and Florida, a growing area targeted by us for expansion. We will remain prudent and disciplined, both operationally and financially, in our acquisition activity. We have a strong track record of successfully integrating acquisitions. We integrate systems, install a growth process and improve margins.

We are very excited about the future of Beacon and about the career opportunities for our associates. On the following pages, we have described in more detail the true nature of our company. We believe that our future is bright because of the positive business characteristics of our industry and, even more importantly, because of the principles we embrace.

Thank you for your confidence and support.

A handwritten signature in blue ink that reads 'Andrew Logie'.

Andrew Logie  
Chairman

A handwritten signature in blue ink that reads 'Bob Buck'.

Robert Buck  
President and CEO

# Company Values and Culture



The foundation of our business is the quality people who staff it and the corporate culture that supports their efforts. Over the years we have developed a corporate culture to share personal and business values across the organization, and to help our company and our associates grow and prosper.

## Our personal values are based upon these foundational principles –

- Honesty and Integrity in everything we do.
- Loyalty to each other and our company.
- Caring and Compassionate regarding each other.
- Pride in a job well done.
- Morality in our dealings with each other, our customers, vendors and other constituents.

## Our business values encompass these traits and characteristics –

- Results Oriented – It's important to deliver on our promises.
- Strong Work Ethic – Something to be admired.
- Perseverance – Setbacks will occur, but this value will keep us focused on achieving our goals.
- Passion – We love our business and our people. Passion for one's work is key to our success.
- Frugality – We take care of the resources entrusted to us. Waste is not fair to those who trust us.
- Credibility – We deliver on our commitments. We can be counted on!
- Teamwork – We recognize that we depend on each other in all we do.
- Discipline – No shortcuts. Before decisions are made, we have the discipline to research all the facts. We seek good advice before moving ahead.



## The Best Environment

- No Fear
- No Politics
- No Secrets
- Lean and Clean
- No Hidden Agendas
- Cherish People
- Honesty and Integrity  
(MORE IMPORTANT THAN COMPETENCE)
- When One Hurts, We All Help

Each Beacon associate carries a card with this message.



- ▶ Quality People
- ▶ Quality Service
- ▶ Quality Products

Quality people create quality service. And, the combination of those two attracts manufacturers of quality products. We are fortunate and proud to be able to look forward to the long-term success of our company with this culture. It is our competitive advantage.

All of us will make mistakes; no one is perfect. However, our goal is to live by these values each and every day.

# Corporate and Shareholder Information

## BOARD of DIRECTORS

Andrew R. Logie  
Chairman of the Board

Robert R. Buck  
President and  
Chief Executive Officer

H. Arthur Bellows, Jr.  
Chairman of Braeburn Associates  
and The Finance Network

James J. Gaffney  
Chairman of the Board of Directors  
Imperial Sugar Company and  
iPCS Corporation

Peter M. Gotsch  
Partner  
Code Hennessy & Simmons LLC

Krista M. Hatcher  
Vice President  
Code Hennessy & Simmons LLC

Brian P. Simmons  
Partner  
Code Hennessy & Simmons LLC

Wilson B. Sexton  
Chairman of the Board  
and former Chief Executive Officer  
SCP Pool Corporation

## EXECUTIVE MANAGEMENT

Andrew R. Logie  
Chairman of the Board

Robert R. Buck  
President and  
Chief Executive Officer

David R. Grace  
Chief Financial Officer,  
Treasurer and Vice President-Finance

Richard D. Lantz  
Senior Vice President,  
Sales and Marketing

Donald B. Hollingworth  
Vice President, Credit

John C. Smith, Jr.  
Vice President, Purchasing

C. Eric Swank  
Vice President, Human Resources

John Blackburn  
Regional Vice President  
JGA Corp.

Robert K. Greer, Jr.  
Regional Vice President  
West End Lumber

William T. Logie  
Regional Vice President  
Beacon Sales Company

James I. MacKimm  
Regional Vice President  
Quality Roofing Supply

Lloyd G. McCulley, Jr.  
Regional Vice President  
The Roof Center

Patrick Murphy  
Regional Vice President  
Best Distributing Co.

Jean-Guy Plante  
Regional Vice President  
Beacon Canada

### Transfer Agent and Registrar

EquiServe Trust Company, N.A.  
P.O. Box 43010  
Providence, RI 02940-3010  
781-575-3400

### Annual Meeting

February 22, 2005, 8:00 a.m. ET  
Beacon Roofing Supply, Inc.  
One Lakeland Park Drive  
Peabody, MA 01960

### Independent Registered Public Accounting Firm

Ernst & Young LLP  
200 Clarendon Street  
Boston, MA 02116

### Corporate Headquarters

Beacon Roofing Supply, Inc.  
One Lakeland Park Drive  
Peabody, MA 01960  
Phone: 978-535-7668

### Form 10-K

Additional copies of the Company's  
Annual Report on Form 10-K are  
available from the company at no  
charge. Requests should be directed  
to the Company's corporate  
headquarters at the phone  
number above.

The shares of Beacon Roofing  
Supply, Inc. are traded on the  
Nasdaq Exchange under the  
symbol "BECN".

### On the Internet

Interested investors may visit  
the Company's website at  
[www.beaconroofingsupply.com](http://www.beaconroofingsupply.com)  
for updated information,  
including press releases, share  
trading data and SEC filings.