



BEACON

# DECEMBER 2020 INVESTOR PRESENTATION

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# DISCLOSURE NOTICE

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*This presentation contains information about management's view of the Company's future expectations, plans and prospects that constitute forward-looking statements for purposes of the safe harbor provisions under the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those indicated by such forward-looking statements as a result of various important factors, including, but not limited to, those set forth in the "Risk Factors" section of the Company's Form 10-K for the fiscal year ended September 30, 2020. In addition, the forward-looking statements included in this presentation represent the Company's views as of December 8, 2020, unless an earlier date is noted, and these views could change. However, while the Company may elect to update these forward-looking statements at some point, the Company specifically disclaims any obligation to do so, other than as required by federal securities laws. These forward-looking statements should not be relied upon as representing the Company's views as of any date subsequent to December 8, 2020, or subsequent to any earlier date noted..*

*This presentation contains references to certain financial measures that are not presented in accordance with United States Generally Accepted Accounting Principles ("GAAP"). The Company uses non-GAAP financial measures to evaluate financial performance, analyze underlying business trends and establish operational goals and forecasts that are used when allocating resources. The Company believes these non-GAAP financial measures permit investors to better understand changes over comparative periods by providing financial results that are unaffected by certain items that are not indicative of ongoing operating performance. While the Company believes these measures are useful to investors when evaluating performance, they are not prepared and presented in accordance with GAAP, and therefore should be considered supplemental in nature. The Company's non-GAAP financial measures should not be considered in isolation or as a substitute for other financial performance measures presented in accordance with GAAP. These non-GAAP financial measures may have material limitations including, but not limited to, the exclusion of certain costs without a corresponding reduction of net income for the income generated by the assets to which the excluded costs are related. In addition, these non-GAAP financial measures may differ from similarly titled measures presented by other companies.*

*A reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measure can be found in the Appendix as well as Company's Form 8-K filed with the SEC on November 19, 2020.*

# BEACON OVERVIEW



## A leader in key metropolitan markets

- **Over 500** branches in 50 US states and 6 Canadian provinces
- **100,000+** customers with a broad product offering of approximately **160,000** SKU's
- **2nd** largest specialty roofing products distributor
- **4th** largest distributor of specialty interior building products



## Strong long-term historical performance

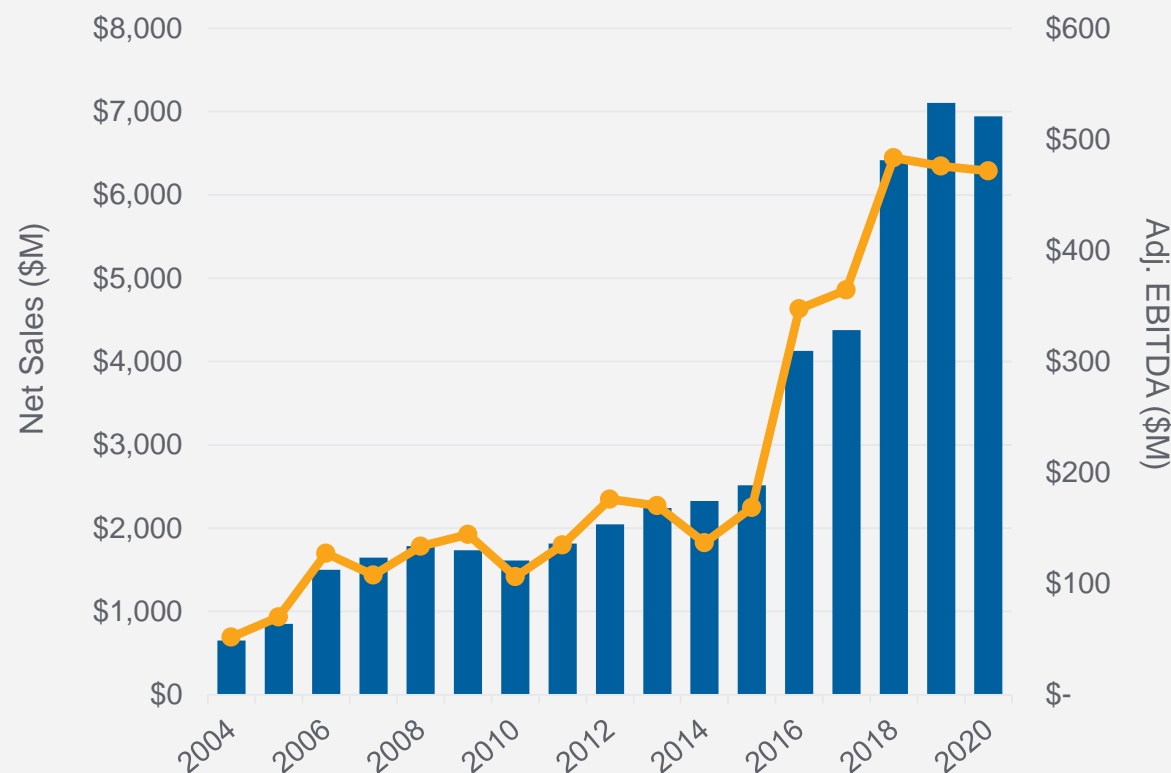
- Sales CAGR (2004-2020) = **15.9%**
- Adjusted EBITDA<sup>1</sup> CAGR (2004-2020) = **14.8%**
- Attractive history of operating cash flow generation



## Rapid growth since 2004 IPO

- Repair & Remodel fuels market demand (**~70-75%**)
- Expansion of same branch **growth initiatives**
- Opened **more than 90** new greenfield locations
- Completed **46** acquisitions

## NET SALES & ADJUSTED EBITDA SINCE IPO



# LARGE STABLE MARKETS



## ROOFING PRODUCTS

- Estimated market size of more than \$25 billion
- ~20% current share; 2nd largest distributor
- Beacon has historically been a leading industry consolidator



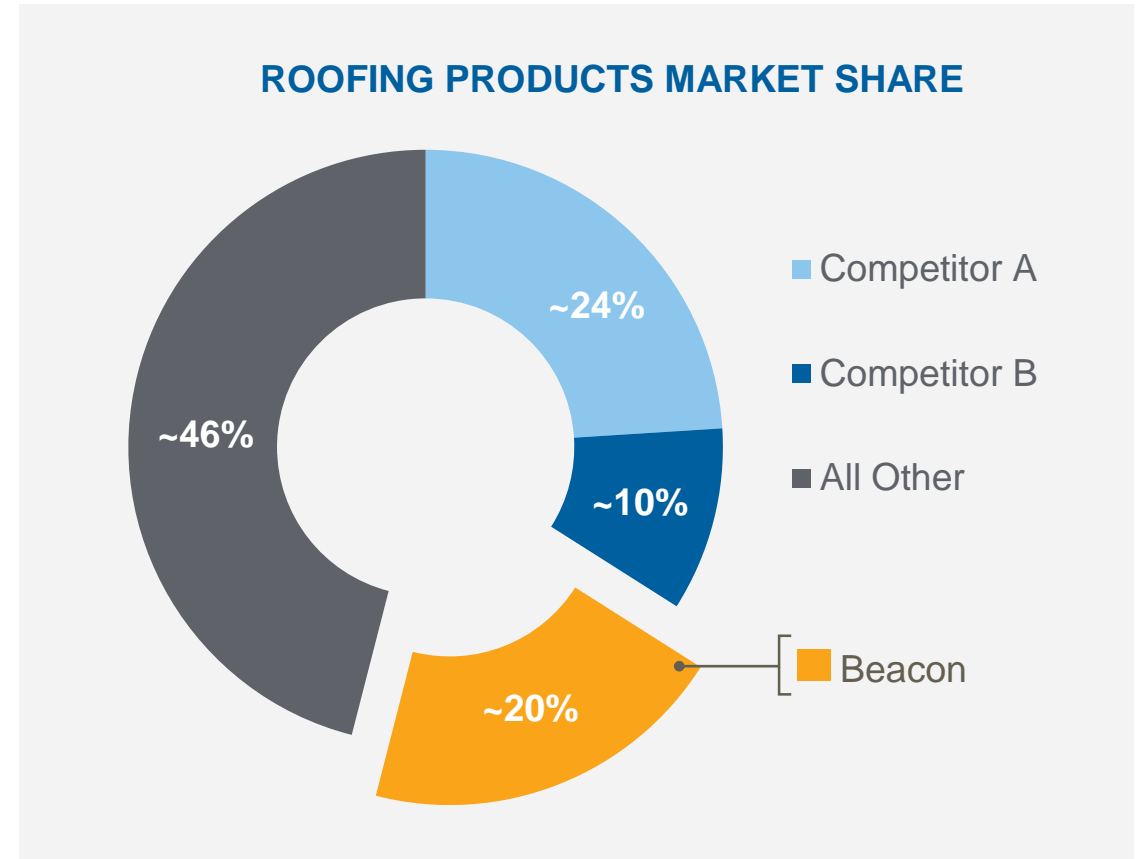
## EXTERIOR COMPLEMENTARY

- Estimated market size over \$30 billion
- Fragmented with diverse markets and channels to customers



## INTERIOR PRODUCTS

- Estimated market size of greater than \$15B
- 4th largest, regional strength

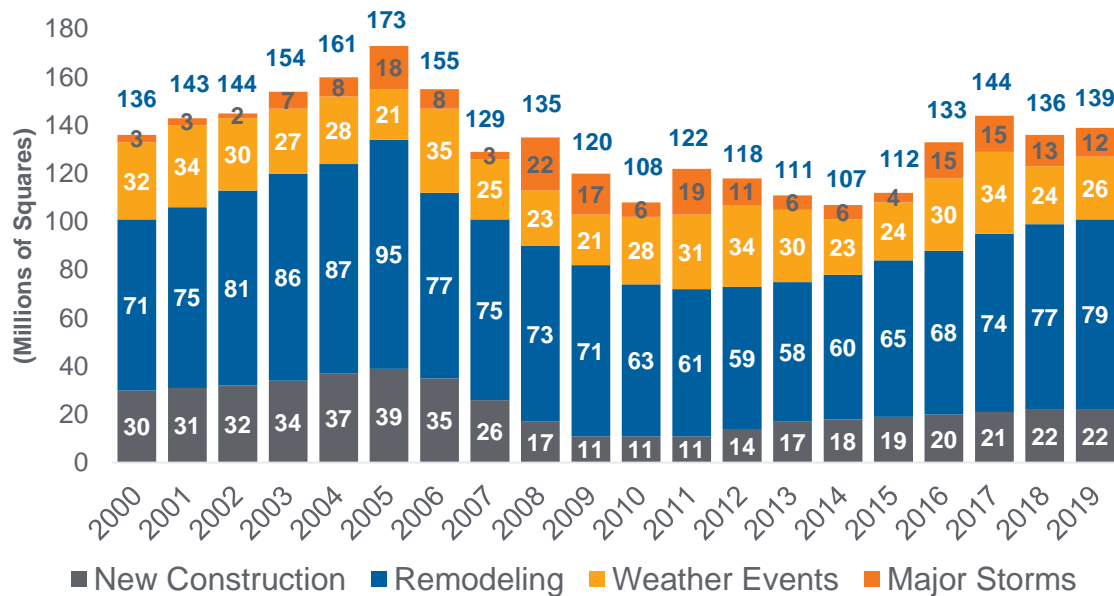


Source: Company Estimates, ProSales

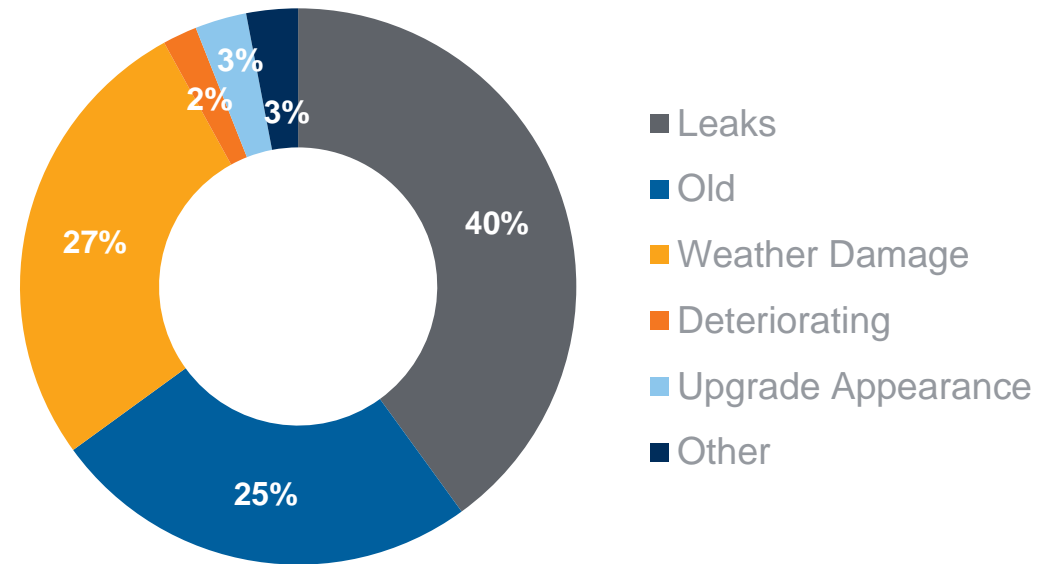


# ROOFING MARKET STABILITY THROUGH THE CYCLE

## US ASPHALT SHINGLE MARKET



## DRIVERS OF RE-ROOFING DEMAND



✓ Re-roof demand remains below prior cycle peaks

- ✓ Re-roofing/repair represents ~80% of roofing demand
- ✓ 94% of U.S. re-roofing demand is non-discretionary
- ✓ Insulated from broader economic conditions

# RESILIENT BUSINESS MODEL

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- ✓ Public company history includes the housing market downturn (2006-2012), the Great Recession (2008-2009) and the COVID-19 pandemic (2020)
- ✓ Experienced four fiscal-year organic sales declines in sixteen years, with three of these down only LSD; reflects the consistency of a recurring sales driven business model and end-market diversity
- ✓ Operating cash flow has been positive each of the past sixteen fiscal years
- ✓ During our public company history, fiscal year Adjusted EBITDA margins<sup>1</sup> have remained ~6% or higher, even during years with soft demand

# NEW LEADERSHIP TEAM MANAGING STRATEGIC SHIFT

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**Phil Knisely**  
CHAIRMAN

- ✓ Named Chairman of Board February 2020
- ✓ Beacon Director since 2015; CD&R operating partner



**Julian Francis**  
CEO

- ✓ Joined Beacon August 2019
- ✓ Former President, Owens Corning – Insulation Division



**Eric Swank**  
COO

- ✓ Promoted January 2019
- ✓ 15+ years in Beacon Leadership roles



**Frank Lonegro**  
CFO

- ✓ Joined Beacon April 2020
- ✓ Former CFO, CSX Corporation

# STRATEGIC INITIATIVES

FOCUSED ON SALES OUTPERFORMANCE AND OPERATIONAL EXECUTION



## Organic Growth

- Higher selling activity drives increased organic growth
- Strategic coaching, training and support for sales organization
- Over 1.3 million customer contacts in FY2020, the initiative's first year



## Digital Platform

- Most complete digital offering within building products distribution
- September digital sales >10% of total
- Product availability visible online within each OTC Market



## Beacon OTC® Network

- Raise customer service levels
- Generate operating cost savings and cash flow benefits
- OTC concept in 58 markets; planning hubs in major markets



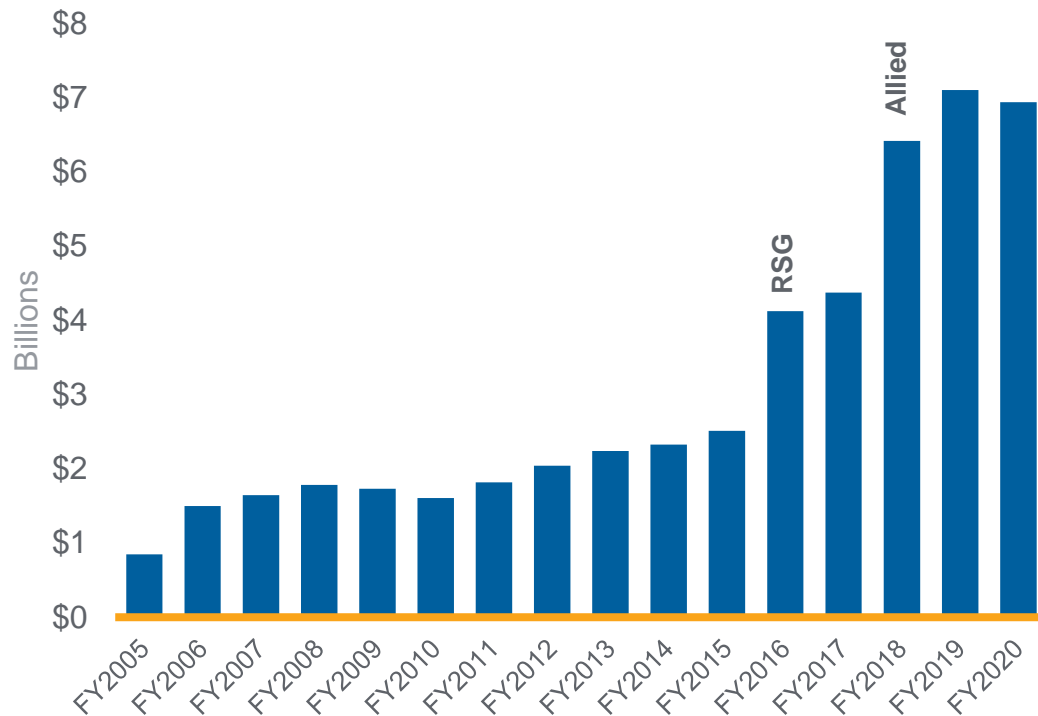
## Branch Operating Performance

- Improve operating performance of lowest quintile branches
- Drive efficiencies across network
- Attractive operating income improvement in initiative's first year



# ORGANIC GROWTH FOCUS

## ANNUAL SALES



## HISTORY

- Long-term history (2006-2015) of organic sales growth in excess of market
- Two large acquisitions helped move sales from ~\$2.5B to ~\$7B from 2015 to 2020
- Completion of large acquisition integrations and new leadership team driving organic growth focus

## CURRENT ACTIONS

- Improved selling effectiveness through CRM optimization
- Established goals for daily customer interactions
- Aligned sales outbound calling and marketing campaigns
- Expanded sales force training and coaching

# OMNI-CHANNEL APPROACH

EXPANDED MARKET PRESENCE AND INDUSTRY LEADING OMNI-CHANNEL EXPERIENCE

500+ Branch Locations



Pro+ Digital Suite



**BEACON3D+**

**BEACONPRO+**

**DELIVERY TRACKING**

TRADITIONAL

E-COMMERCE

MULTICHANNEL

OMNICHANNEL



# WHY PROS CHOOSE BEACON

CUSTOMER ENGAGEMENT THAT DRIVES CUSTOMER RETENTION AND INNOVATION

## SAVE TIME AND BUILD YOUR BUSINESS

From lead to final invoice, Beacon is there — helping you find your project, land the job, do the work, close it out, and find the next one.



# BEACON OTC® (ON TIME & COMPLETE) OVERVIEW

NETWORK OF BRANCHES SHARING RESOURCES AND SYSTEMS FOR AN OPTIMAL DELIVERY EXPERIENCE



- ✓ **Phased approach to implementation**
  - Market driven P&L and leadership role assigned
  - Centralized dispatch (finalizing)
  - Selective hub implementation (in progress)
  - Development of sales centers (in progress)
  - Network optimization (continuous)
- ✓ **Customer benefits**
  - Improved delivery timetables
  - Shipment notification by text/email
  - Consistent end-to-end customer experience
- ✓ **Beacon benefits**
  - Enhances sales growth
  - Improves operating cost leverage
  - More efficient use of fleet
  - Targeting \$50-100 million LT inventory reduction



# ENHANCE BRANCH OPERATING PERFORMANCE

FOCUS ON IMPROVING LOWEST QUINTILE BRANCHES

- ✓ Targeting \$30-60 million incremental operating profit enhancement
- ✓ Dashboarding and communication rhythms that enable high level assessment & detailed branch diagnostics
- ✓ Lowest quintile branches produced more than \$20M operating margin improvement FY2020
  - Improved sales performance
  - Product mix shift benefits
  - Focused efforts on raising ecommerce activity
  - Higher private label adoption
  - Operating cost improvement





# FOURTH QUARTER 2020 REVIEW

- Record Q4 Net Income and Adjusted EBITDA\* despite unique operating environment
- Residential roofing sales up 6% on R&R and new residential strength
  - Non-res declined from COVID-driven economic pressures
  - Still seeing geographic differences in states first impacted by pandemic
- Strategic initiatives delivering bottom line results
  - Digital exit run-rate exceeded 10% of sales
  - Lowest-quintile branches delivered strong operating income increase
- Sequential and YoY gross margin improvement driven by strong pricing execution
- Solid operating expense management tied to cost discipline and productivity gains
- Expanded Q4 Net Income Margin to 3.6% from 1.3% a year ago
  - Adjusted EBITDA Margin\* improved to 9.5% from 8.3% a year ago
- FY2020 operating cash flow \$479M from operating performance and trade working capital controls

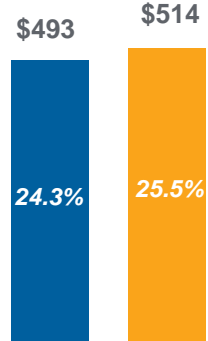
***Building company culture around continuous improvement and operational execution***

# Q4'20 FINANCIAL RESULTS

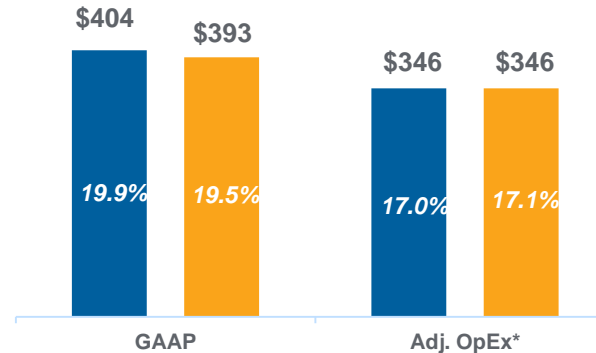
Net Sales (\$M)



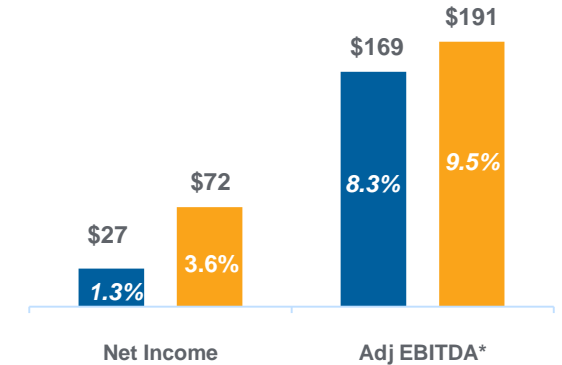
Gross Margin (\$M)



Operating Expense (\$M)



Net Income/ Adj. EBITDA\* (\$M)



Q4 2019

Q4 2020

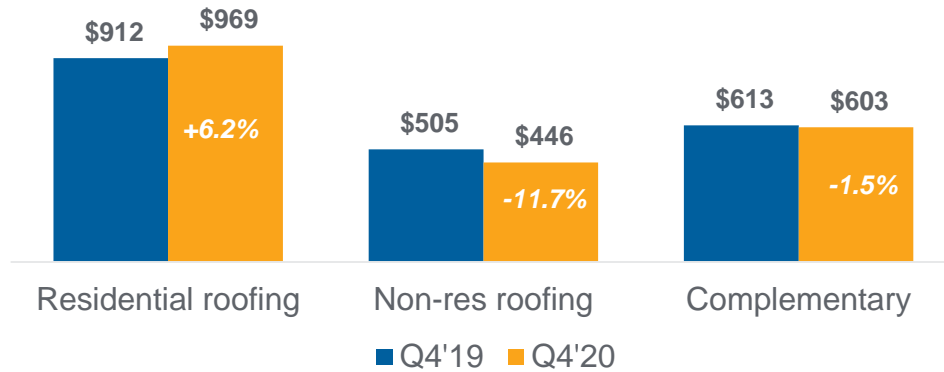
% of Net Sales

- Daily sales -0.6% YoY
- Res roofing up 6%
- Divergence in sales growth between residential and commercial markets
- Gross margin +120 bps YoY
- Price-cost positive ~75 bps
- Improved pricing, mix and price increase timing benefit
- Recent price increase will benefit gross margin
- Adj. OpEx\* flat YoY
- Effective cost controls offset higher incentive compensation
- Benefits from strategic initiatives and efficiency gains
- Adj. EBITDA\* ~\$22M higher YoY
- Strong gross margin and operating cost performance
- Adj. EBITDA margin\* of 9.5% compared to 8.3% in prior year

**Q4 results reflect price-cost rebound and sustainable benefits from productivity measures**

# Q4 SALES TRENDS BY PRODUCT AND COVID IMPACT

**Sales by Product Category (\$M)**



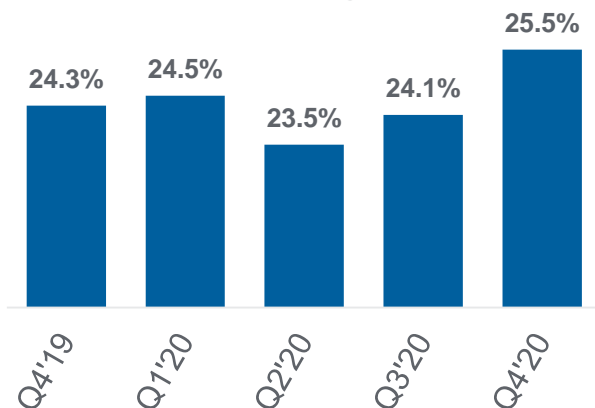
- Sales growth remained relatively stable (May-September) following COVID related lockdowns
- Residential and non-residential end markets continue to experience divergent trends
- Res roofing sales increased MSD reflecting both strong R&R and new construction activity
- Q4 shingle purchases consistent with ARMA shipment growth; inventory stable sequentially
- Non-res roofing decline reflects a pull-forward in seasonal school demand and pandemic-related delays in project bidding
- Complementary sales varied by end market; increased residential exteriors was offset by softer non-res exteriors and interiors categories

**Daily Sales Growth – COVID Restricted\* vs. Other Mkts**

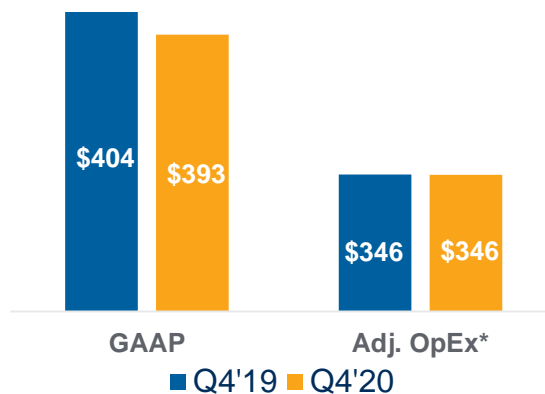
	<u>Q3'20 vs. Q3'19</u>	<u>Q4'20 vs. Q4'19</u>
COVID Restricted	Down 21%	Down 9%
Other Markets	Down 1%	Up 3%
Total	Down 7%	Down 1%

# Q4 MARGIN AND EXPENSE SPOTLIGHT

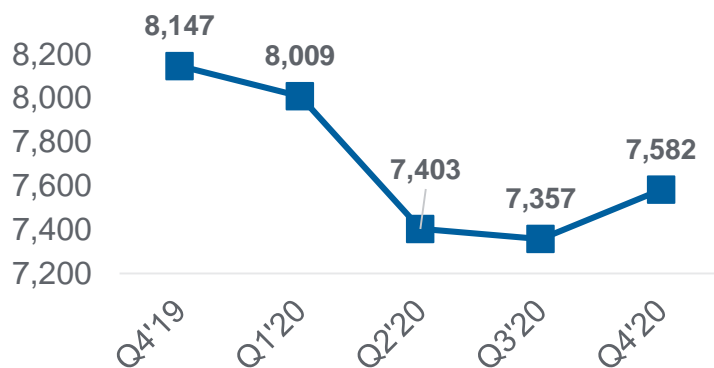
**Gross Margin**



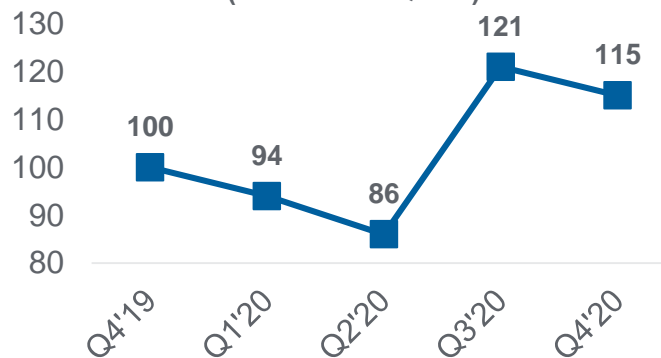
**Operating Expense (\$M)**



**Quarter-End Headcount**



**Sales Per Hour Worked\*\*  
(Indexed to Q4'19)**



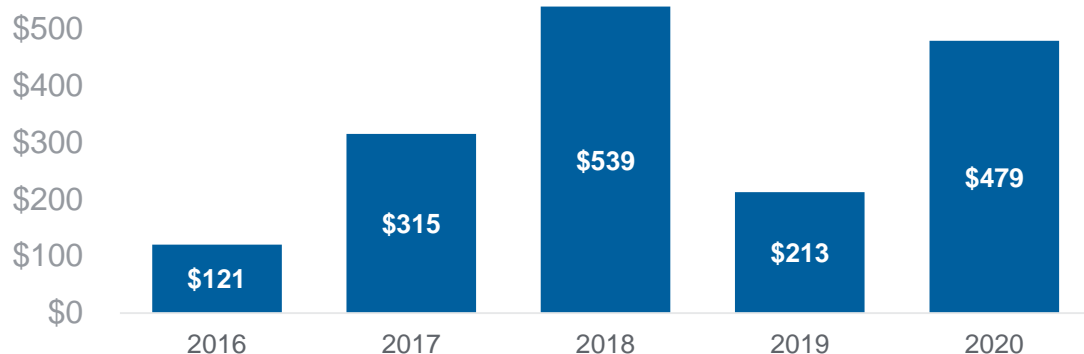
- Q4 gross margin and Adjusted OpEx\* to sales percentages outperformed guidance
- Q4 gross margin increased 120 bps YoY; price-cost ~75 bps favorable
- 4<sup>th</sup> quarter pricing flat YoY in July-August, but up in September reflecting residential roofing increase
- Q4 Adjusted OpEx\* flat YoY; productivity gains and favorable operating leverage partially offset by higher incentive compensation

\*Non-GAAP measure; see Appendix for definition and reconciliation

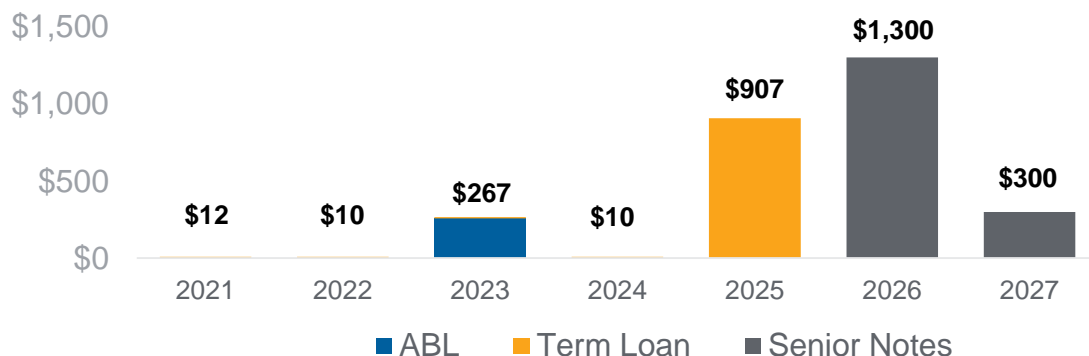
\*\*Hours worked reflect all company-wide hourly employees, but exclude salaried/commission-based personnel

# STRONG CASH FLOW PERFORMANCE IN 2020

Operating Cash Flow (\$M)



Debt Maturity Schedule by Fiscal Year (\$M)



- Q4 operating cash flow of \$229M driven by strong operating margins and trade working capital management
- Total debt reduced by ~\$600M during Q4
- Repaid previously announced \$725M March ABL drawdown; remaining ABL balance expected to be repaid 1<sup>st</sup> half FY2021
- Net Debt Leverage\* reduced to 4.7x; targeting approximately 3x
- Favorable maturity schedule and attractive borrowing costs



# FISCAL 2021 PERSPECTIVE<sup>1</sup>

## Early 2021 Indications

- October daily sales up ~6.5%; residential markets up double digits with commercial categories experiencing sales declines
- Expect Q1 net sales increase of LSD-MSD depending on timing and severity of winter weather
- Q1 gross margins expected at ~25% from continued pricing execution
- COVID learnings assist winterization approach and OpEx controls

## Fiscal 2021 Perspective

- Expect FY2021 net sales growth near upper end of LSD range with end market divergence
  - Confidence in residential market and successful price increases
  - Demand uncertainty related to COVID and reduced non-residential visibility
- Anticipate FY2021 Adj. EBITDA<sup>2</sup> of \$500-\$525M with year-to-year margin expansion
  - Focused on controllable areas: pricing execution, productivity gains and cost controls



**BEACON**

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# APPENDIX

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# RECONCILIATIONS: HISTORICAL ADJUSTED EBITDA

<i>(millions of dollars)</i>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Net income (loss)	(15.4)	32.9	49.3	25.3	40.3	52.4	34.5	59.2	75.6
Acquisition costs	-	-	-	-	-	-	-	-	-
Interest expense/other expense	39.9	5.8	19.5	27.4	25.9	22.9	18.2	13.4	17.4
Income taxes	10.1	22.0	31.5	17.1	28.5	33.9	20.8	31.2	50.9
Depreciation and amortization	6.9	8.7	23.8	32.9	34.2	30.4	27.8	25.1	24.4
Stock-based compensation	10.3	0.7	3.2	5.0	4.9	4.8	5.0	6.1	7.9
Restructuring costs	-	-	-	-	-	-	-	-	-
COVID-19 impact	-	-	-	-	-	-	-	-	-
Adjusted EBITDA	51.9	70.2	127.3	107.7	133.8	144.4	106.3	134.9	176.1
Net Sales	652.9	850.9	1,500.6	1,645.8	1,784.5	1,734.0	1,610.0	1,817.4	2,043.7
Net income (loss) as % of sales	-2.4%	3.9%	3.3%	1.5%	2.3%	3.0%	2.1%	3.3%	3.7%
Adjusted EBITDA as % of sales	7.9%	8.2%	8.5%	6.5%	7.5%	8.3%	6.6%	7.4%	8.6%
<i>(millions of dollars)</i>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	
Net income (loss)	72.6	53.8	62.3	89.9	100.9	98.6	(10.6)	(80.9)	
Acquisition costs	-	-	7.0	24.7	15.7	54.4	25.1	138.5	
Interest expense/other expense	9.2	10.3	10.6	58.1	53.8	143.1	160.2	(26.8)	
Income taxes	48.9	34.9	44.0	56.6	62.5	(30.5)	(0.2)	391.1	
Depreciation and amortization	30.4	30.3	34.9	100.2	116.5	201.5	277.8	17.2	
Stock-based compensation	9.3	7.4	9.9	17.7	15.1	16.5	16.4	4.5	
Restructuring costs	-	-	-	-	-	-	7.4	23.8	
COVID-19 impact	-	-	-	-	-	-	-	4.2	
Adjusted EBITDA	170.4	136.8	168.7	347.4	364.4	483.6	476.0	471.6	
Net Sales	2,240.7	2,326.9	2,515.2	4,127.1	4,376.7	6,418.3	7,105.2	6,943.9	
Net income (loss) as % of sales	3.2%	2.3%	2.5%	2.2%	2.3%	1.5%	-0.1%	-1.2%	
Adjusted EBITDA as % of sales	7.6%	5.9%	6.7%	8.4%	8.3%	7.5%	6.7%	6.8%	

# RECONCILIATIONS: NON-GAAP FINANCIAL MEASURES

## ADJUSTED EBITDA

### FY2020 AND FY2019 ACTUALS

(\$M)	Three Months Ended		Year Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Net income (loss)	\$ 71.9	\$ 27.4	\$ (80.9)	\$ (10.6)
Interest expense, net	32.6	38.4	138.5	160.2
Income taxes	18.1	20.8	(26.8)	(0.2)
Depreciation and amortization	60.6	69.5	391.1	277.8
Stock-based compensation	3.9	3.5	17.2	16.3
Acquisition costs	1.8	3.8	4.5	25.1
Restructuring costs	1.2	5.7	23.8	7.4
COVID-19 impact	0.8	—	4.2	—
Adjusted EBITDA	<u>\$ 190.9</u>	<u>\$ 169.1</u>	<u>\$ 471.6</u>	<u>\$ 476.0</u>
Net sales	\$ 2,017.8	\$ 2,029.9	\$ 6,943.9	\$ 7,105.2
Net income (loss) as % of sales	3.6%	1.3%	(1.2%)	(0.1%)
Adjusted EBITDA as % of sales	9.5%	8.3%	6.8%	6.7%

### FY2021 GUIDANCE<sup>1</sup>

(\$M)	Year Ending	
	September 30, 2021	September 30, 2021
	Low	High
Net income (loss)	\$ 85	\$ 103
Income taxes	30	37
Interest expense, net		130
Depreciation and amortization		221
Stock-based compensation		18
Adjusting items <sup>2</sup>		16
Adjusted EBITDA	<u>\$ 500</u>	<u>\$ 525</u>

We define Adjusted EBITDA as net income (loss) excluding the impact of interest expense (net of interest income), income taxes, depreciation and amortization, stock-based compensation, acquisition costs, restructuring costs, and costs directly related to our response to the COVID-19 pandemic.

- FY20 adjustments from depreciation and amortization include the impact of non-cash accelerated intangible asset amortization of \$142.6 million (\$106.2 million, net of taxes) related to the write-off of certain trade names in connection with the Company's rebranding efforts.
- FY20 adjustments from restructuring costs include a loss on debt extinguishment of \$14.7 million in connection with Q1'20 debt refinancing

<sup>1</sup> Guidance speaks only as of November 19, 2020

<sup>2</sup> Defined as Acquisition costs, Restructuring costs and COVID-19 impact



# RECONCILIATIONS: NON-GAAP FINANCIAL MEASURES

## ADJUSTED OPERATING EXPENSE

(\$M)	Three Months Ended		Year Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Operating expense	\$ 392.8	\$ 403.6	\$ 1,664.1	\$ 1,588.8
Acquisition costs	(45.8)	(55.3)	(188.0)	(232.2)
Restructuring costs	(0.4)	(2.4)	(144.9)	(4.1)
COVID-19 impact	(0.8)	—	(4.2)	—
Adjusted Operating Expense	<u>\$ 345.8</u>	<u>\$ 345.9</u>	<u>\$ 1,327.0</u>	<u>\$ 1,352.5</u>
Net sales	\$ 2,017.8	\$ 2,029.9	\$ 6,943.9	\$ 7,105.2
OPEX as a % of net sales	19.5%	19.9%	24.0%	22.4%
Adjusted OPEX as a % of net sales	17.1%	17.0%	19.1%	19.0%

We define Adjusted Operating Expense as operating expense (as reported on a GAAP basis) excluding the impact of amortization, acquisition costs, restructuring costs, and costs directly related to our response to the COVID-19 pandemic.

- FY20 adjustments from amortization include the impact of non-cash accelerated intangible asset amortization of \$142.6 million related to the write-off of certain trade names in connection with the Company's rebranding efforts.

# RECONCILIATIONS: NON-GAAP FINANCIAL MEASURES

## NET DEBT LEVERAGE

	<b>September 30, 2020</b>
<i>(\$M)</i>	
Gross total debt	\$ 2,818.3
Less: cash and cash equivalents	(624.6)
Net debt	<u>\$ 2,193.7</u>
FY2020 Adjusted EBITDA	<u>\$ 471.6</u>
Net Debt Leverage	<b>4.7x</b>

We define Net Debt Leverage as gross total debt less cash, divided by Adjusted EBITDA for the trailing four quarters.