UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

For the Quarterly Period Ended June 30, 2022

OR

☐ **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 000-50924

BEACON ROOFING SUPPLY, INC.

(Exact name of registrant as specified in its charter)

Delaware	**36-4173371**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

505 Huntmar Park Drive, Suite 300, Herndon, VA 20170
(Address of principal executive offices) (Zip Code)

(571) 323-3939
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.01 par value	**BECN**	**NASDAQ Global Select Market**

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of July 31, 2022, 65,002,001 shares of common stock, par value $0.01 per share, of the registrant were outstanding.

BEACON ROOFING SUPPLY, INC.
FORM 10-Q
For the Quarter Ended June 30, 2022

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PART I. FINANCIAL INFORMATION (UNAUDITED)

Item 1. Condensed Consolidated Financial Statements

BEACON ROOFING SUPPLY, INC.
Condensed Consolidated Balance Sheets
(Unaudited; in millions, except per share amounts)

	June 30, 2022	December 31, 2021	June 30, 2021
Assets			
Current assets:			
Cash and cash equivalents	$ 54.6	$ 225.8	$ 188.9
Accounts receivable, less allowance of $18.2, $16.1 and $19.7 as of June 30, 2022, December 31, 2021 and June 30, 2021, respectively	1,321.7	855.2	965.1
Inventories, net	1,548.7	1,161.7	1,170.7
Prepaid expenses and other current assets	422.6	367.2	354.8
Total current assets	3,347.6	2,609.9	2,679.5
Property and equipment, net	289.1	256.3	223.8
Goodwill	1,785.2	1,777.4	1,761.7
Intangibles, net	383.4	421.0	439.8
Operating lease right-of-use assets, net	418.0	413.9	395.8
Deferred income taxes, net	58.0	61.9	89.2
Other assets, net	1.4	8.9	9.5
Total assets	$ 6,282.7	$ 5,549.3	$ 5,599.3
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable	$ 1,168.9	$ 794.2	$ 877.7
Accrued expenses	476.5	472.1	641.4
Current portion of operating lease liabilities	89.7	89.0	87.8
Current portion of finance lease liabilities	10.9	6.4	3.6
Current portion of long-term debt/obligations	10.0	10.0	10.4
Total current liabilities	1,756.0	1,371.7	1,620.9
Borrowings under revolving lines of credit, net	461.3	—	—
Long-term debt, net	1,609.6	1,612.9	1,616.1
Deferred income taxes, net	0.6	0.8	—
Operating lease liabilities	334.4	326.3	308.7
Finance lease liabilities	45.3	26.0	16.0
Total liabilities	4,207.2	3,337.7	3,561.7
Commitments and contingencies (Note 12)			
Convertible Preferred Stock (voting); $0.01 par value; aggregate liquidation preference $400.0; 0.4 shares authorized, issued and outstanding as of June 30, 2022, December 31, 2021 and June 30, 2021 (Note 6)	399.2	399.2	399.2
Stockholders' equity:			
Common stock (voting); $0.01 par value; 100.0 shares authorized; 65.0, 70.4 and 70.0 shares issued and outstanding as of June 30, 2022, December 31, 2021 and June 30, 2021, respectively	0.6	0.7	0.7
Undesignated preferred stock; 5.0 shares authorized, none issued or outstanding	—	—	—
Additional paid-in capital	1,123.5	1,148.6	1,138.5
Retained earnings	562.8	682.5	521.7
Accumulated other comprehensive income (loss)	(10.6)	(19.4)	(22.5)
Total stockholders' equity	1,676.3	1,812.4	1,638.4
Total liabilities and stockholders' equity	$ 6,282.7	$ 5,549.3	$ 5,599.3

See accompanying Notes to Condensed Consolidated Financial Statements

BEACON ROOFING SUPPLY, INC.
Condensed Consolidated Statements of Operations
(Unaudited; in millions, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net sales	$ 2,358.2	$ 1,872.1	$ 4,045.1	$ 3,190.1
Cost of products sold	1,708.0	1,354.7	2,955.4	2,339.9
Gross profit	650.2	517.4	1,089.7	850.2
Operating expense:				
Selling, general and administrative	355.4	296.3	664.7	564.1
Depreciation	18.9	15.1	36.4	29.7
Amortization	21.5	25.2	42.9	52.8
Total operating expense	395.8	336.6	744.0	646.6
Income (loss) from operations	254.4	180.8	345.7	203.6
Interest expense, financing costs, and other	18.9	23.2	35.5	51.8
Loss on debt extinguishment	—	50.7	—	60.2
Income (loss) from continuing operations before income taxes	235.5	106.9	310.2	91.6
Provision for (benefit from) income taxes	61.0	27.1	79.9	22.3
Net income (loss) from continuing operations	174.5	79.8	230.3	69.3
Net income (loss) from discontinued operations[1]	—	(3.3)	—	0.9
Net income (loss)	174.5	76.5	230.3	70.2
Dividends on Preferred Stock	6.0	6.0	12.0	12.0
Net income (loss) attributable to common stockholders	$ 168.5	$ 70.5	$ 218.3	$ 58.2
Weighted-average common stock outstanding[2]:				
Basic	68.1	69.9	69.1	69.8
Diluted	69.5	71.3	70.4	71.0
Net income (loss) per share[2]:				
Basic - Continuing operations	$ 2.17	$ 0.93	$ 2.77	$ 0.72
Basic - Discontinued operations	—	(0.04)	—	0.01
Basic net income (loss) per share	$ 2.17	$ 0.89	$ 2.77	$ 0.73
Diluted - Continuing operations	$ 2.12	$ 0.91	$ 2.72	$ 0.71
Diluted - Discontinued operations	—	(0.04)	—	0.01
Diluted net income (loss) per share	$ 2.12	$ 0.87	$ 2.72	$ 0.72

1. See Note 4 for additional information.
2. See Note 6 for detailed calculations and further discussion.

See accompanying Notes to Condensed Consolidated Financial Statements

BEACON ROOFING SUPPLY, INC.
Condensed Consolidated Statements of Comprehensive Income
(Unaudited; in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Net income (loss)	$ 174.5	$ 76.5	$ 230.3	$ 70.2
Other comprehensive income (loss):				
Foreign currency translation adjustment	(3.1)	1.2	(1.6)	2.2
Unrealized gain (loss) due to change in fair value of derivatives, net of tax	2.6	1.1	10.4	4.5
Total other comprehensive income (loss)	(0.5)	2.3	8.8	6.7
Comprehensive income (loss)	$ 174.0	$ 78.8	$ 239.1	$ 76.9

See accompanying Notes to Condensed Consolidated Financial Statements

BEACON ROOFING SUPPLY, INC.
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited; in millions)

	Common Stock Shares	Common Stock Amount	APIC[1]	Retained Earnings	AOCI[2]	Total
Three Months Ended June 30, 2022						
Balance as of March 31, 2022	68.7	$ 0.7	$ 1,135.9	$ 619.3	$ (10.1)	$ 1,745.8
Repurchase and retirement of common stock, net[3]	(3.9)	(0.1)	—	(225.0)	—	(225.1)
Net change in equity forward contracts[3]	—	—	(25.0)	—	—	(25.0)
Issuance of common stock, net of shares withheld for taxes	0.2	—	4.6	—	—	4.6
Stock-based compensation	—	—	8.0	—	—	8.0
Other comprehensive income (loss)	—	—	—	—	(0.5)	(0.5)
Net income (loss)	—	—	—	174.5	—	174.5
Dividends on Preferred Stock	—	—	—	(6.0)	—	(6.0)
Balance as of June 30, 2022	65.0	$ 0.6	$ 1,123.5	$ 562.8	$ (10.6)	$ 1,676.3
Three Months Ended June 30, 2021						
Balance as of March 31, 2021	69.8	$ 0.7	$ 1,126.2	$ 451.2	$ (24.8)	$ 1,553.3
Issuance of common stock, net of shares withheld for taxes	0.2	—	6.9	—	—	6.9
Stock-based compensation	—	—	5.4	—	—	5.4
Other comprehensive income (loss)	—	—	—	—	2.3	2.3
Net income (loss)	—	—	—	76.5	—	76.5
Dividends on Preferred Stock	—	—	—	(6.0)	—	(6.0)
Balance as of June 30, 2021	70.0	$ 0.7	$ 1,138.5	$ 521.7	$ (22.5)	$ 1,638.4
Six Months Ended June 30, 2022						
Balance as of December 31, 2021	70.4	$ 0.7	$ 1,148.6	$ 682.5	$ (19.4)	$ 1,812.4
Repurchase and retirement of common stock, net[3]	(5.8)	(0.1)	—	(338.0)	—	(338.1)
Net change in equity forward contracts[3]	—	—	(50.0)	—	—	(50.0)
Issuance of common stock, net of shares withheld for taxes	0.4	—	11.8	—	—	11.8
Stock-based compensation	—	—	13.1	—	—	13.1
Other comprehensive income (loss)	—	—	—	—	8.8	8.8
Net income (loss)	—	—	—	230.3	—	230.3
Dividends on Preferred Stock	—	—	—	(12.0)	—	(12.0)
Balance as of June 30, 2022	65.0	$ 0.6	$ 1,123.5	$ 562.8	$ (10.6)	$ 1,676.3
Six Months Ended June 30, 2021						
Balance as of December 31, 2020	69.4	$ 0.7	$ 1,109.8	$ 463.5	$ (29.2)	$ 1,544.8
Issuance of common stock, net of shares withheld for taxes	0.6	—	16.0	—	—	16.0
Stock-based compensation	—	—	12.7	—	—	12.7
Other comprehensive income (loss)	—	—	—	—	6.7	6.7
Net income (loss)	—	—	—	70.2	—	70.2
Dividends on Preferred Stock	—	—	—	(12.0)	—	(12.0)
Balance as of June 30, 2021	70.0	$ 0.7	$ 1,138.5	$ 521.7	$ (22.5)	$ 1,638.4

1. Additional Paid-in Capital ("APIC").
2. Accumulated Other Comprehensive Income (Loss) ("AOCI").
3. See Note 8 for additional information.

See accompanying Notes to Condensed Consolidated Financial Statements

BEACON ROOFING SUPPLY, INC.
Condensed Consolidated Statements of Cash Flows[1]
(Unaudited; in millions)

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Operating Activities		
Net income (loss)	$ 230.3	$ 70.2
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	79.3	82.6
Stock-based compensation	13.1	12.7
Certain interest expense and other financing costs	2.6	4.6
Loss on debt extinguishment	—	60.2
Gain on sale of fixed assets and other	(2.9)	(2.1)
Deferred income taxes	0.7	(78.0)
Loss on sale of business	—	6.6
Changes in operating assets and liabilities:		
Accounts receivable	(466.1)	(216.6)
Inventories	(385.0)	(220.8)
Prepaid expenses and other current assets	(47.1)	(19.3)
Accounts payable and accrued expenses	383.7	318.8
Other assets and liabilities	4.4	(0.2)
Net cash provided by (used in) operating activities	(187.0)	18.7
Investing Activities		
Purchases of property and equipment	(39.8)	(29.4)
Acquisition of business, net	(16.7)	—
Proceeds from sale of business	—	837.4
Proceeds from the sale of assets	3.0	2.4
Net cash provided by (used in) investing activities	(53.5)	810.4
Financing Activities		
Borrowings under revolving lines of credit	1,365.9	250.0
Payments under revolving lines of credit	(898.1)	(407.0)
Borrowings under term loan	—	1,000.0
Payments under term loan	(5.0)	(943.4)
Borrowings under senior notes	—	350.0
Payment under senior notes	—	(1,300.0)
Payment of debt issuance costs	—	(20.3)
Payment of call premium	—	(31.7)
Payments under equipment financing facilities and finance leases	(4.9)	(3.2)
Repurchase and retirement of common stock, net	(338.1)	—
Advance payment for equity forward contract	(50.0)	—
Payment of dividends on Preferred Stock	(12.0)	(12.0)
Proceeds from issuance of common stock related to equity awards	12.2	17.7
Payment of taxes related to net share settlement of equity awards	(0.4)	(1.7)
Net cash provided by (used in) financing activities	69.6	(1,101.6)
Effect of exchange rate changes on cash and cash equivalents	(0.3)	—
Net increase (decrease) in cash and cash equivalents	(171.2)	(272.5)
Cash and cash equivalents, beginning of period	225.8	461.4
Cash and cash equivalents, end of period	$ 54.6	$ 188.9
Supplemental Cash Flow Information		
Operating cash flows provided by (used in) discontinued operations	$ —	$ (21.8)
Cash paid during the period for:		
Interest	$ 37.1	$ 58.6
Income taxes, net of refunds[2]	$ 57.4	$ 52.6

1. Unless otherwise noted, amounts include both continuing and discontinued operations.
2. Six months ended June 30, 2022 amount includes $18.6 million related to the transition period from October 1, 2021 to December 31, 2021. Six months ended June 30, 2021 amount includes $46.6 million related to the Interior Products divestiture.

See accompanying Notes to Condensed Consolidated Financial Statements

1. Company Overview

Beacon Roofing Supply, Inc. (“Beacon” or the “Company”) was incorporated in the state of Delaware on August 22, 1997 and is the largest publicly traded distributor of residential and non-residential roofing materials and complementary building products in the United States and Canada.

On February 10, 2021, the Company completed the sale of its interior products and insulation businesses (“Interior Products”) to Foundation Building Materials Holding Company LLC (“FBM”), pursuant to that certain Equity Purchase Agreement, dated as of December 20, 2020 (the “Purchase Agreement”), by and between the Company and ASP Sailor Acquisition Corp. (“ASP”), for approximately $850 million in cash (subject to a working capital and certain other adjustments as set forth in the Purchase Agreement). On January 29, 2021, ASP assigned the Purchase Agreement to FBM. Unless otherwise noted, the Company has reflected Interior Products as discontinued operations for the three and six months ended June 30, 2021. For additional information, see Notes 2 and 4.

The Company operates its business primarily under the trade name "Beacon Building Products" and services customers in all 50 states throughout the U.S. and 6 provinces in Canada. The Company’s material subsidiaries are Beacon Sales Acquisition, Inc. and Beacon Roofing Supply Canada Company.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Company prepared the condensed consolidated financial statements in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and the requirements of the Securities and Exchange Commission (“SEC”). As permitted under those rules, certain footnotes or other financial information have been condensed or omitted. Additionally, the Company has reflected Interior Products as discontinued operations for the three and six months ended June 30, 2021. Unless otherwise noted, amounts and disclosures throughout these Notes to Condensed Consolidated Financial Statements relate to the Company's continuing operations. Certain prior period amounts have been reclassified to conform to current period presentation.

The balance sheet as of June 30, 2021 has been presented for a better understanding of the impact of seasonal fluctuations on the Company’s financial condition. The three-month periods ended June 30, 2022 and 2021 each had 64 business days. The six-month periods ended June 30, 2022 and 2021 each had 127 business days.

On August 11, 2021, the Company’s Board of Directors approved a change in its fiscal year end from September 30 to December 31. The Company’s 2022 fiscal year began on January 1, 2022 and will end on December 31, 2022. This change better aligns the Company’s financial reporting calendar with many of its industry peers and provides internal benefits by shifting the timing of the budgeting, physical inventory, and performance review cycles away from the Company’s busiest time of year.

In management’s opinion, the condensed consolidated financial statements include all normal and recurring adjustments that are considered necessary for the fair presentation of the Company’s financial position and operating results. The results for the three and six months ended June 30, 2022 are not necessarily indicative of the results to be expected for the twelve months ending December 31, 2022.

These unaudited condensed consolidated financial statements should be read in conjunction with the audited Consolidated Financial Statements and Notes thereto contained in the Company’s most recent Annual Report on Form 10-K for the fiscal year ended September 30, 2021 as well as the unaudited Condensed Consolidated Financial Statements and Notes thereto contained in the Company’s Transition Report on Form 10-Q for the period from October 1, 2021 to December 31, 2021.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in these condensed consolidated financial statements and accompanying notes. Significant items subject to such estimates include accounts receivable, vendor incentives, inventories, purchase price allocations, goodwill and intangibles, and income taxes. Assumptions made in the development of these estimates contemplate the impact of the novel coronavirus (“COVID-19”) on the economy and the Company’s anticipated results. Actual amounts could differ materially from these estimates.

Business Combinations

The Company records acquisitions resulting in the consolidation of a business using the acquisition method of accounting. Under this method, the Company records the assets acquired, including intangible assets that can be identified and named, and liabilities assumed based on their estimated fair values at the date of acquisition. The Company uses an income approach to determine the fair value of acquired intangible assets, specifically the multi-period excess earnings method for customer relationships and the relief from royalty method for trade names. Various Level 3 fair value assumptions are used in the determination of these estimated fair values, including items such as sales growth rates, cost synergies, customer attrition rates, discount rates, and other prospective financial information. The purchase price in excess of the fair value of the assets acquired and liabilities assumed is recorded as goodwill. Estimates associated with the accounting for acquisitions may change as additional information becomes available regarding the assets acquired and liabilities assumed. Transaction costs associated with acquisitions are expensed as incurred and are included as a component of selling, general and administrative expense within the condensed consolidated statements of operations.

Recent Accounting Pronouncements—Not Yet Adopted

In October 2021, the Financial Accounting Standards Board (the "FASB") issued ASU 2021-08, "Business Combinations – Accounting for Contract Assets and Contract Liabilities from Contracts with Customers." The guidance is intended to improve the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice. The guidance requires an acquirer to recognize and measure contract assets and liabilities acquired in a business combination in accordance with Topic 606 as if the acquirer had originated the contracts, as opposed to recognizing and measuring such contract assets and liabilities at fair value on the acquisition date. The standard will be effective for business combinations that occur after January 1, 2023. Early adoption is permitted. The guidance will be applied prospectively to acquisitions occurring on or after the effective date. The Company will continue to evaluate the impact of this guidance, which would depend on the contract assets and liabilities assumed in any future business combinations.

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The guidance provides optional practical expedients to ease the potential burden in accounting for contract modifications and hedge accounting related to reference rate reform. In January 2021, the FASB issued ASU 2021-01, "Reference Rate Reform (Topic 848), Scope," to clarify the scope of the guidance and reduce potential diversity in practice. The standard is effective as of March 12, 2020 through December 31, 2022. However, the standard is not applicable to contract modifications made, and hedging relationships entered into or evaluated after, December 31, 2022. The Company will evaluate and disclose the impact of this guidance in the period of election, as well as the nature and reason for doing so.

3. Acquisitions

The following table presents the Company's acquisitions since the start of 2021. The Company acquired 100% of the equity interests in each case. The Company has not provided pro forma results of operations for the transactions below, as the transactions individually and in the aggregate are not material to the Company. The results of operations for these transactions are included in the Company's condensed consolidated statements of operations from the date of the acquisition (dollars in millions):

Date Acquired	Company Name	Region	Branches	Goodwill Recognized[1]	Intangible Assets Acquired[1]
June 1, 2022	Complete Supply, Inc.	Illinois	1	$ 9.1	$ 4.6
April 29, 2022	Wichita Falls Builders Wholesale, Inc.	Texas	1	$ 0.2	$ 0.5
January 1, 2022	Crabtree Siding and Supply	Tennessee	1	$ 0.1	$ 0.1
November 1, 2021	Midway Sales & Distributing, Inc.	Kansas, Missouri, Nebraska	10	$ 28.8	$ 38.5

1. Based on provisional estimates of the fair value of assets acquired and liabilities assumed as of June 30, 2022.

Prior to the acquisitions, the acquired companies listed above produced aggregate annual sales of approximately $145 million. The total transaction costs incurred by the Company for these acquisitions for the three and six months ended June 30, 2022 were $0.7 million and $1.2 million, respectively. Of the $38.2 million of goodwill recognized for these acquisitions, $38.0 million is deductible for tax purposes.

Lowry's

In connection with the May 1, 2017 acquisition of Lowry's Inc., the Company recorded an indemnity holdback liability, which was remeasured to fair value at each reporting period until the contingency was resolved. During the first quarter of 2022, the contingency was resolved and the Company released the indemnity holdback liability, resulting in a gain of $0.9 million, which is included as a component of and reduction to selling, general and administrative expense within the condensed consolidated statements of operations for the six months ended June 30, 2022.

4. Divestitures

Solar Products

On December 1, 2021, the Company completed the divestiture of its solar products business ("Solar Products") in order to focus on the Company's core exteriors business. The Company recorded a loss on sale of $22.3 million for the three months ended December 31, 2021. The results of operations from Solar Products were included within income from continuing operations for the three and six months ended June 30, 2021 and were not material to the Company's overall results.

Interior Products

On February 10, 2021, the Company completed the sale of Interior Products to FBM pursuant to the Purchase Agreement for approximately $850 million in cash (subject to a working capital and certain other adjustments as set forth in the Purchase Agreement). The final adjusted purchase price for Interior Products was $842.7 million. During the three months ended December 31, 2021, the company received $6.6 million of final purchase consideration from FBM.

The Company completed this divestiture of net assets previously acquired in 2018 as part of the Allied Acquisition (as defined in Note 6) to enhance leadership focus, reduce net leverage, strengthen its balance sheet, and provide the financial flexibility to pursue strategic growth initiatives in its core exteriors business.

The following table reconciles major line items constituting pretax income (loss) from discontinued operations to net income (loss) from discontinued operations as presented in the condensed consolidated statements of operations (in millions):

	Three Months Ended June 30, 2021	Six Months Ended June 30, 2021
Net sales	$ —	$ 109.1
Cost of products sold	—	(80.3)
Selling, general and administrative	(0.2)	(21.2)
Depreciation and amortization	—	(0.2)
Other income (loss)	(0.1)	(0.1)
Loss on sale	(4.2)	(6.6)
Pretax income (loss) from discontinued operations	(4.5)	0.7
Provision for (benefit from) income taxes	(1.2)	(0.2)
Net income (loss) from discontinued operations	$ (3.3)	$ 0.9

There were no results from discontinued operations in the three or six months ended June 30, 2022. There were no assets or liabilities held for sale as of June 30, 2022, December 31, 2021 or June 30, 2021.

5. Net Sales

The following table presents the Company's net sales by product line and geography (in millions):

	U.S.	Canada	Total
Three Months Ended June 30, 2022			
Residential roofing products	$ 1,168.6	$ 27.5	$ 1,196.1
Non-residential roofing products	634.8	47.8	682.6
Complementary building products	476.1	3.4	479.5
Total net sales	$ 2,279.5	$ 78.7	$ 2,358.2
Three Months Ended June 30, 2021			
Residential roofing products	$ 955.9	$ 25.7	$ 981.6
Non-residential roofing products	446.4	40.3	486.7
Complementary building products	400.5	3.3	403.8
Total net sales	$ 1,802.8	$ 69.3	$ 1,872.1
Six Months Ended June 30, 2022			
Residential roofing products	$ 2,004.4	$ 38.2	$ 2,042.6
Non-residential roofing products	1,092.2	78.1	1,170.3
Complementary building products	826.9	5.3	832.2
Total net sales	$ 3,923.5	$ 121.6	$ 4,045.1
Six Months Ended June 30, 2021			
Residential roofing products	$ 1,642.1	$ 34.6	$ 1,676.7
Non-residential roofing products	752.4	64.1	816.5
Complementary building products	692.0	4.9	696.9
Total net sales	$ 3,086.5	$ 103.6	$ 3,190.1

6. Net Income (Loss) Per Share

Basic net income (loss) per share is calculated by dividing net income (loss) attributable to common stockholders by the weighted-average number of common shares outstanding during the period, without consideration for common share equivalents or the conversion of Preferred Stock (as defined below). Common share equivalents consist of the incremental common shares issuable upon the exercise of stock options and vesting of restricted stock unit awards. Diluted net income (loss) per common share is calculated by dividing net income (loss) attributable to common stockholders by the fully diluted weighted-average number of common shares outstanding during the period.

In connection with the acquisition of Allied Building Products Corp. on January 2, 2018 (the "Allied Acquisition"), the Company completed the sale of 400,000 shares of Series A Cumulative Convertible Participating Preferred Stock, par value $0.01 per share (the "Preferred Stock"), with an aggregate liquidation preference of $400.0 million, at a purchase price of $1,000 per share, to CD&R Boulder Holdings, L.P. The Preferred Stock is convertible perpetual participating preferred stock of the Company, and conversion of the Preferred Stock into $0.01 par value shares of the Company's common stock will be at a conversion price of $41.26 per share (or 9,694,619 shares of common stock). The Preferred Stock accumulates dividends at a rate of 6.0% per annum (payable quarterly in cash or in-kind, subject to certain conditions). The Preferred Stock is not mandatorily redeemable; therefore, it is classified as mezzanine equity in the Company's condensed consolidated balance sheets. Holders of Preferred Stock participate in dividends on an as-converted basis when declared on common shares. As a result, Preferred Stock is classified as a participating security and thereby requires the allocation of income that would have otherwise been available to common stockholders when calculating net income (loss) per share.

Diluted net income (loss) per share is calculated by utilizing the most dilutive result of the if-converted and two-class methods. In both methods, net income (loss) attributable to common stockholders and the weighted-average common shares outstanding are adjusted to account for the impact of the assumed issuance of potential common shares that are dilutive, subject to dilution sequencing rules.

The following table presents the components and calculations of basic and diluted net income (loss) per share (in millions, except per share amounts; certain amounts may not recalculate due to rounding):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Numerator:				
Net income (loss) from continuing operations	$ 174.5	$ 79.8	$ 230.3	$ 69.3
Dividends on Preferred Stock	(6.0)	(6.0)	(12.0)	(12.0)
Undistributed income from continuing operations allocated to participating securities	(20.9)	(9.0)	(26.8)	(6.9)
Net income (loss) from continuing operations attributable to common stockholders – Basic and Diluted	147.6	64.8	191.5	50.4
Net income (loss) from discontinued operations – Basic	—	(3.3)	—	0.9
Undistributed income from discontinued operations allocated to participating securities	—	0.4	—	(0.2)
Net income (loss) from discontinued operations attributable to common stockholders – Basic and Diluted	—	(2.9)	—	0.7
Net income (loss) attributable to common stockholders – Basic and Diluted	$ 147.6	$ 61.9	$ 191.5	$ 51.1
Denominator:				
Weighted-average common shares outstanding – Basic	68.1	69.9	69.1	69.8
Effect of common share equivalents	1.4	1.4	1.3	1.2
Weighted-average common shares outstanding – Diluted	69.5	71.3	70.4	71.0
Net income (loss) per share:				
Basic – Continuing operations	$ 2.17	$ 0.93	$ 2.77	$ 0.72
Basic – Discontinued operations	—	(0.04)	—	0.01
Basic net income (loss) per share	$ 2.17	$ 0.89	$ 2.77	$ 0.73
Diluted – Continuing operations	$ 2.12	$ 0.91	$ 2.72	$ 0.71
Diluted – Discontinued operations	—	(0.04)	—	0.01
Diluted net income (loss) per share	$ 2.12	$ 0.87	$ 2.72	$ 0.72

The following table includes the number of shares that may be dilutive common shares in the future (in millions). These shares were not included in the computation of diluted net income (loss) per share because the effect was either anti-dilutive or the requisite performance conditions were not met:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Stock options	0.2	—	0.1	0.3
Preferred Stock	9.7	9.7	9.7	9.7
Equity forward contract	0.9	—	0.9	—

7. Stock-based Compensation

On December 23, 2019, the Board of Directors of the Company approved the Beacon Roofing Supply, Inc. Second Amended and Restated 2014 Stock Plan (the "2014 Plan"). On February 11, 2020, the stockholders of the Company approved an additional 4,850,000 shares to be reserved for issuance under the 2014 Plan. The 2014 Plan, which was originally approved by the stockholders on February 12, 2014, provides for discretionary awards of stock options, stock awards, restricted stock units, and stock appreciation rights to selected employees and non-employee directors. The 2014 Plan mandates that all shares underlying lapsed, forfeited, expired, terminated, cancelled and withheld awards, including those from the predecessor plan, be returned to the 2014 Plan and made available for issuance. As of June 30, 2022, there were 3,751,778 shares of common stock available for issuance pursuant to the 2014 Plan. The 2014 Plan is the only plan maintained by the Company pursuant to which equity awards are granted.

All unvested equity awards contain a "double trigger" change in control mechanism. Unless an award is continued or assumed by a public company in an equitable manner, such award shall become fully vested immediately prior to a change in control (in the case of a restricted stock unit award with performance conditions at 100% of the grant target, and in the case of a restricted stock unit award with market conditions at 100% of the award then earned but not then vested). If an award is so continued or assumed, vesting will continue in accordance with the terms of the award, unless there is a qualifying termination within one-year following the change in control, in which event the award shall immediately become fully vested (in the case of a restricted stock unit award with performance conditions at 100% of the grant target, and in the case of a restricted stock unit award with market conditions at 100% of the award then earned but not then vested).

Stock Options

Non-qualified stock options generally expire 10 years after the grant date and, except under certain conditions, the options are subject to continued employment and vest in three annual installments over the three-year period following the grant date.

The fair values of the options granted for the six months ended June 30, 2022 were estimated on the dates of grants using the Black-Scholes option-pricing model with the following weighted-average assumptions:

Risk-free interest rate	1.93 %
Expected volatility	48.89 %
Expected life (in years)	5.14
Dividend yield	—

The following table summarizes all stock option activity for the six months ended June 30, 2022 (in millions, except per share amounts and time periods):

	Options Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value[1]
Balance as of December 31, 2021	1.6	$ 35.25	5.8	$ 36.2
Granted	0.2	58.99		
Exercised	(0.3)	37.25		
Canceled/Forfeited	—	35.04		
Balance as of June 30, 2022	1.5	$ 38.11	6.3	$ 22.1
Vested and expected to vest after June 30, 2022	1.5	$ 37.85	6.2	$ 21.9
Exercisable as of June 30, 2022	1.0	$ 35.02	5.1	$ 16.8

1. Aggregate intrinsic value represents the difference between the closing fair value of the underlying common stock and the exercise price of outstanding, in-the-money options on the date of measurement.

During the three months ended June 30, 2022 and 2021, the Company recorded stock-based compensation expense related to stock options of $1.1 million and $1.0 million, respectively. During the six months ended June 30, 2022 and 2021, the Company recorded stock-based compensation expense related to stock options of $1.9 million and $2.2 million, respectively. As of June 30, 2022, there was $6.6 million of total unrecognized compensation cost related to unvested stock options, which is expected to be recognized over a weighted-average period of 2.2 years. The following table summarizes additional information on stock options (in millions, except per share amounts):

	Six Months Ended June 30,	
	2022	2021
Weighted-average fair value per share of stock options granted[1]	$ 26.50	$ —
Total grant date fair value of stock options vested	$ 0.2	$ 1.4
Total intrinsic value of stock options exercised	$ 7.6	$ 11.3

1. Due to the Company's change in its fiscal year end, the Company made annual grants to employees during the six months ended June 30, 2022.

Restricted Stock Units

Time-based restricted stock unit ("RSU") awards granted to employees are subject to continued employment and generally vest on the third anniversary of the grant date. The Company also grants certain RSU awards to management that additionally may contain market or performance conditions. Market conditions are incorporated into the grant date fair value of the management awards with market conditions using a Monte Carlo valuation model. Compensation expense for management awards with market conditions is recognized over the service period and is not reversed if the market condition is not met. For awards with performance conditions, the actual number of awards that will vest can range from 0% to 200% of the original grant amount, depending upon actual Company performance below or above the established performance metric targets. At each reporting date, the Company estimates performance in relation to the defined targets when determining the projected number of management awards with performance conditions that are expected to vest and calculating the related stock-based compensation expense. Management awards with performance conditions are amortized over the service period if, and to the extent, it is determined that achievement of the performance condition is probable. If awards with market, performance and/or service conditions are forfeited due to failure to achieve performance conditions or failure to satisfy service conditions, any previously recognized expense for such awards is reversed.

RSUs granted to non-employee directors are subject to continued service and vest on the first anniversary of the grant date (except under certain conditions). Generally, the common shares underlying the RSUs are not eligible for distribution until the non-employee director's service on the Board has terminated, and for non-employee director RSU grants made prior to fiscal year 2014, the share distribution date is six months after the director's termination of service on the board. Any non-employee directors who have Beacon equity holdings (defined as common stock and outstanding vested equity awards) with a total fair value that is greater than or equal to five times the annual Board cash retainer may elect to have any future RSU grants settle simultaneously with vesting.

The following table summarizes all RSU activity for the six months ended June 30, 2022 (in millions, except grant date fair value amounts):

	RSUs Outstanding	Weighted-Average Grant Date Fair Value
Balance as of December 31, 2021	0.7	$ 35.99
Granted	0.7	50.94
Released	—	33.78
Canceled/Forfeited	—	38.75
Balance as of June 30, 2022	1.4	$ 43.64
Vested and expected to vest after June 30, 2022[1]	1.5	$ 42.64

1. As of June 30, 2022, outstanding awards with performance conditions were expected to vest at greater than 100% of their original grant amount.

The above table represents regular annual RSU awards granted during the six months ended June 30, 2022, as well as a special grant, made in connection with the Company's Ambition 2025 strategic plan to approximately 115 employees, consisting of the Company's executive officers (other than the Chief Executive Officer who is not eligible for the program), other members of senior management, and key operations and sales leaders. A total of 0.4 million RSUs with market conditions were awarded. The latter awards were granted in order to align executives and managers at various levels of the Company with the initiatives implemented to achieve the Company's long-term stockholder return goals set forth in the Ambition 2025 strategic plan.

During the three months ended June 30, 2022 and 2021, the Company recorded stock-based compensation expense related to RSUs of $6.9 million and $4.4 million, respectively. During the six months ended June 30, 2022 and 2021, the Company recorded stock-based compensation expense related to RSUs of $11.2 million and $7.4 million, respectively. As of June 30, 2022, there was $37.6 million of unrecognized compensation expense related to unvested RSUs (including unrecognized expense for RSUs with performance conditions at their estimated value as of June 30, 2022), which is expected to be recognized over a weighted-average period of 2.3 years.

The following table summarizes additional information regarding RSUs (in millions, except per share amounts):

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Weighted-average fair value per share of RSUs granted	$ 50.94	$ 51.89
Total grant date fair value of RSUs vested	$ 2.1	$ 5.3
Total intrinsic value of RSUs released	$ 2.0	$ 5.7

8. Share Repurchase Program

On February 24, 2022, the Company announced a new share repurchase program (the "Repurchase Program"), pursuant to which the Company may purchase up to $500.0 million of its common stock. Share repurchases under the Repurchase Program may be made from time to time through various means, including open market purchases (including block trades), privately negotiated transactions, accelerated share repurchase transactions or through a series of forward purchase agreements, option contracts or similar agreements and contracts (including Rule 10b5-1 plans) adopted by the Company, in each case in accordance with the rules and regulations of the Securities and Exchange Commission, including, if applicable, Rule 10b-18 of the Securities Exchange Act of 1934, as amended. The timing, volume, and nature of share repurchases pursuant to the Repurchase Program are at the discretion of management and may be suspended or discontinued at any time. Shares repurchased under the Repurchase Program are retired immediately and are included in the category of authorized but unissued shares. Direct and incremental costs associated with the Repurchase Program are deferred and included as a component of the purchase price. The excess of the purchase price over the par value of the common shares is reflected in retained earnings.

On March 10, 2022, pursuant to the Repurchase Program, the Company entered into a Variable Tenor ASR Master Agreement (the "ASR Master Agreement") and Supplemental Confirmation (collectively, the "March 2022 ASR Agreement") with Citibank, N.A. ("Citi") to repurchase $125.0 million of its common stock. Under the terms of the March 2022 ASR Agreement, the Company paid $125.0 million to Citi and received an initial share delivery of 1,689,189 shares of its common stock, representing 80% of the then expected share repurchases under the March 2022 ASR Agreement, based on the closing price of the Company's common stock of $59.20 on March 11, 2022. On June 13, 2022, the Company completed the March 2022 ASR Agreement and received an additional 406,200 shares of the Company's common stock. In total, 2,095,389 shares of the Company's common stock were delivered under the March 2022 ASR Agreement at an average price of $59.65 per share, which represents the daily volume-weighted average price of the Company's common stock during the term of the March 2022 ASR Agreement, less a discount and adjustments pursuant to the terms of the March 2022 ASR Agreement.

On June 13, 2022, the Company entered into an additional Supplemental Confirmation (together with the ASR Master Agreement, the "June 2022 ASR Agreement") with Citi to repurchase an additional $250.0 million of its common stock. Under the terms of the June 2022 ASR Agreement, the Company paid $250.0 million to Citi and received an initial share delivery of 3,480,077 shares of its common stock, representing 80% of the total expected share repurchases under the June 2022 ASR Agreement, based on the closing price of the Company's common stock of $57.47 on June 13, 2022. The final number of shares to be repurchased pursuant to the June 2022 ASR Agreement will be determined upon settlement based on the daily volume-weighted average price of the Company's common stock during the term of the June 2022 ASR Agreement, less a discount and subject to adjustments pursuant to the terms of the June 2022 ASR Agreement. At settlement, Citi will deliver additional shares of the Company's common stock, or, under certain circumstances, the Company will deliver cash or shares of the Company's common stock to Citi, with the method of settlement at the Company's election. As of June 30, 2022, the remaining $50.0 million of the $250.0 million purchase price was evaluated as an unsettled equity forward contract indexed to the Company's common stock and classified within stockholders' equity as a reduction to additional paid-in capital until the equity forward contract settles, when it will be reflected as a reduction in retained earnings. The final settlement of the June 2022 ASR Agreement is expected to be completed in the fourth quarter of 2022.

During the six months ended June 30, 2022, the Company also repurchased on the open market 221,658 shares of its common stock at an average price of $57.98 per share for an aggregate purchase price of $12.9 million.

During the three and six months ended June 30, 2022, the Company incurred costs directly attributable to the Repurchase Program of $0.1 million and $0.2 million, respectively. As of June 30, 2022, the Company had approximately $112.1 million available for repurchases remaining under the Repurchase Program.

There were no share repurchases during the six months ended June 30, 2021.

9. Goodwill and Intangible Assets

Goodwill

The following table sets forth the change in the carrying amount of goodwill during the six months ended June 30, 2022 (in millions):

Balance as of December 31, 2021	$	1,777.4
Acquisitions		8.3
Translation and other adjustments		(0.5)
Balance as of June 30, 2022	$	1,785.2

The changes in the carrying amount of goodwill for the six months ended June 30, 2022 were driven primarily by the Company's recent acquisitions. See Note 3 for additional information.

Intangible Assets

The intangible asset lives range from 5 to 20 years. The following table summarizes intangible assets by category (in millions, except time periods):

	June 30, 2022	December 31, 2021	June 30, 2021	Weighted-Average Remaining Life[1] (Years)
Amortizable intangible assets:				
Non-compete agreements	$ —	$ 0.2	$ 0.2	—
Customer relationships	1,097.5	1,092.3	1,086.1	15.1
Trademarks	1.0	1.0	—	0.5
Total amortizable intangible assets	1,098.5	1,093.5	1,086.3	15.1
Accumulated amortization	(724.9)	(682.3)	(656.3)	
Total amortizable intangible assets, net	373.6	411.2	430.0	
Indefinite-lived trademarks	9.8	9.8	9.8	
Total intangibles, net	$ 383.4	$ 421.0	$ 439.8	

1. As of June 30, 2022.

The following table summarizes the estimated future amortization expense for intangible assets (in millions):

Year Ending December 31,	
2022 (July - December)	$ 40.0
2023	67.2
2024	54.6
2025	44.3
2026	35.7
Thereafter	131.8
Total future amortization expense	$ 373.6

10. Financing Arrangements

The following table summarizes all outstanding debt (presented net of unamortized debt issuance costs) and other financing arrangements (in millions):

	June 30, 2022	December 31, 2021	June 30, 2021
Revolving Lines of Credit			
2026 ABL:			
2026 U.S. Revolver[1]	$ 455.1	$ —	$ —
2026 Canada Revolver[2]	6.2	—	—
Borrowings under revolving lines of credit, net	$ 461.3	$ —	$ —
Long-term Debt, net			
Term Loan:			
2028 Term Loan[3]	$ 975.9	$ 979.8	$ 983.6
Current portion	(10.0)	(10.0)	(10.0)
Long-term borrowings under term loan	965.9	969.8	973.6
Senior Notes:			
2026 Senior Notes[4]	297.1	296.8	296.4
2029 Senior Notes[5]	346.6	346.3	346.1
Long-term borrowings under senior notes	643.7	643.1	642.5
Long-term debt, net	$ 1,609.6	$ 1,612.9	$ 1,616.1
Equipment Financing Facilities, net			
Equipment financing facilities[6]	$ —	$ —	$ 0.4
Current portion	—	—	(0.4)
Long-term obligations under equipment financing, net	$ —	$ —	$ —

1. Effective rate on borrowings of 2.48% as of June 30, 2022.
2. Effective rate on borrowings of 3.95% as of June 30, 2022.
3. Interest rate of 3.31%, 2.34% and 2.59% as of June 30, 2022, December 31, 2021 and June 30, 2021, respectively.
4. Interest rate of 4.50% for all periods presented.
5. Interest rate of 4.125% for all periods presented.
6. Fixed interest rates ranging from 2.33% to 2.89% as of June 30, 2021.

2021 Debt Refinancing

In May 2021, the Company entered into various financing arrangements to refinance certain debt instruments to take advantage of lower market interest rates (the “2021 Debt Refinancing”). The transactions included a new $350.0 million issuance of senior notes (the “2029 Senior Notes”). In addition, the Company entered into a second amended and restated credit agreement for its $1.30 billion asset-based revolving line of credit (the “2026 ABL”), and an amended and restated term loan credit agreement for a term loan of $1.00 billion (the “2028 Term Loan”), which together are defined as the “New Senior Secured Credit Facilities.”

On May 19, 2021, the Company used the net proceeds from the 2029 Senior Notes offering, together with cash on hand and borrowings under the New Senior Secured Credit Facilities, to redeem all $1.30 billion aggregate principal amount outstanding of the Company’s 4.875% Senior Notes due 2025 at a redemption price of 102.438%, to refinance all outstanding borrowings under the Company’s previous term loan, and to pay all related accrued interest, fees and expenses.

The financing arrangements entered into in connection with the 2021 Debt Refinancing had certain lenders who also participated in previous financing arrangements entered into by the Company; therefore, portions of the transactions were accounted for as either debt extinguishments or debt modifications. The Company recognized a loss on debt extinguishment for the three and six months ended June 30, 2021 of $50.7 million and $60.2 million, respectively. In addition, the Company capitalized debt issuance costs totaling $29.0 million related to the 2029 Senior Notes, 2026 ABL and 2028 Term Loan, which are being amortized over the terms of the financing arrangements.

2029 Senior Notes

On May 10, 2021, the Company and certain subsidiaries of the Company as guarantors completed a private offering of $350.0 million aggregate principal amount of 4.125% senior unsecured notes due 2029 at an issue price of 100.000%. The 2029 Senior Notes mature on May 15, 2029 and bear interest at a rate of 4.125% per annum, payable on May 15 and November 15 of each year, which commenced on November 15, 2021. The 2029 Senior Notes are fully and unconditionally guaranteed, on a joint and several basis, by certain of the Company's active United States subsidiaries.

The 2029 Senior Notes and related subsidiary guarantees were offered and sold in a private transaction exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), to qualified institutional buyers in accordance with Rule 144A under the Securities Act and to non-U.S. persons outside of the United States pursuant to Regulation S under the Securities Act. The 2029 Senior Notes and related subsidiary guarantees have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction, and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act and other applicable securities laws.

As of June 30, 2022, the outstanding balance on the 2029 Senior Notes, net of $3.4 million of unamortized debt issuance costs, was $346.6 million.

2026 ABL

On May 19, 2021, the Company entered into a $1.30 billion senior secured asset-based revolving credit facility with Wells Fargo Bank, N.A. and a syndicate of other lenders. The 2026 ABL provides for revolving loan commitments in both the United States in an amount up to $1.25 billion ("2026 U.S. Revolver") and Canada in an amount up to $50.0 million ("2026 Canada Revolver") (as such amounts may be reallocated pursuant to the terms of the 2026 ABL). The 2026 ABL has a maturity date of May 19, 2026. The 2026 ABL has various borrowing tranches with an interest rate based, at the Company's option, on a base rate, plus an applicable margin, or a reserve adjusted LIBOR rate, plus an applicable margin. The applicable margin for borrowings is based on the Company's quarterly average excess availability as determined by reference to a borrowing base and ranges from 0.25% to 0.75% per annum in the case of base rate borrowings and 1.25% to 1.75% per annum in the case of LIBOR borrowings. The unused commitment fees on the 2026 ABL are 0.20% per annum.

The 2026 ABL contains a springing financial covenant that requires a minimum 1.00 : 1.00 Fixed Charge Coverage Ratio (consolidated EBITDA less capital expenditures to fixed charges, each as defined in the 2026 ABL credit agreement) as of the end of each fiscal quarter (in each case, calculated on a trailing four fiscal quarter basis). The covenant would become operative if the Company failed to maintain a specified minimum amount of availability to borrow under the 2026 ABL, which was not applicable to the Company as of June 30, 2022.

In addition, the New Senior Secured Credit Facilities and the 2029 Senior Notes are subject to negative covenants that, among other things and subject to certain exceptions, limit the Company's ability and the ability of its restricted subsidiaries to: (i) incur indebtedness (including guarantee obligations); (ii) incur liens; (iii) engage in mergers or other fundamental changes; (iv) dispose of certain property or assets; (v) make certain payments, dividends or other distributions; (vi) make certain acquisitions, investments, loans and advances; (vii) prepay certain indebtedness; (viii) change the nature of their business; (ix) engage in certain transactions with affiliates; (x) engage in sale-leaseback transactions; and (xi) enter into certain other restrictive agreements. The 2026 ABL is secured by a first priority lien over substantially all of the Company's and each guarantor's accounts and other receivables, chattel paper, deposit accounts (excluding any such account containing identifiable proceeds of Term Priority Collateral (as defined below)), inventory, and, to the extent related to the foregoing and other ABL Priority Collateral, general intangibles (excluding equity interests in any subsidiary of the Company and all intellectual property), instruments, investment property (but not equity interests in any subsidiary of the Company), commercial tort claims, letters of credit, supporting obligations and letter of credit rights, together with all books, records and documents related to, and all proceeds and products of, the foregoing, subject to certain customary exceptions (the "ABL Priority Collateral"), and a second priority lien over substantially all of the Company's and each guarantor's other assets, including all of the equity interests of any subsidiary held by the Company or any guarantor, subject to certain customary exceptions (the "Term Priority Collateral"). Beacon Sales Acquisition, Inc., a Delaware corporation and subsidiary of the Company, is a U.S. Borrower under the 2026 ABL and Beacon Roofing Supply Canada Company, an unlimited liability company organized under the laws of Nova Scotia and subsidiary of the Company, is a Canadian borrower under the 2026 ABL. The 2026 ABL is fully and unconditionally guaranteed, on a joint and several basis, by the Company's active U.S. subsidiaries.

As of June 30, 2022, the outstanding balance on the 2026 ABL, net of $6.5 million of unamortized debt issuance costs, was $461.3 million. The Company also had outstanding standby letters of credit related to the 2026 U.S. Revolver in the amount of $15.8 million as of June 30, 2022.

2028 Term Loan

On May 19, 2021, the Company entered into a $1.00 billion senior secured term loan B facility with Citi and a syndicate of other lenders. The 2028 Term Loan requires quarterly principal payments in the amount of $2.5 million, with the remaining outstanding principal to be paid on its May 19, 2028 maturity date. The interest rate is based, at the Company's option, on a base rate, plus an applicable margin, or a reserve adjusted LIBOR rate, plus an applicable margin. The applicable margin for the 2028 Term Loan ranges, depending on the Company's consolidated total leverage ratio (consolidated total indebtedness to consolidated EBITDA, each as defined in the 2028 Term Loan credit agreement), from 1.25% to 1.50% per annum in the case of base rate borrowings and 2.25% to 2.50% per annum in the case of LIBOR borrowings.

The 2028 Term Loan is secured by a shared first-priority lien on the Term Priority Collateral and a shared second-priority lien on the ABL Priority Collateral. Certain excluded assets will not be included in the Term Priority Collateral and the ABL Priority Collateral. The 2028 Term Loan is fully and unconditionally guaranteed, on a joint and several basis, by certain of the Company's active U.S. subsidiaries.

As of June 30, 2022, the outstanding balance on the 2028 Term Loan, net of $14.0 million of unamortized debt issuance costs, was $975.9 million.

2019 Debt Refinancing

2026 Senior Notes

On October 9, 2019, the Company, and certain subsidiaries of the Company as guarantors, completed a private offering of $300.0 million aggregate principal amount of 4.50% Senior Secured Notes due 2026 (the "2026 Senior Notes") at an issue price of 100.000%. The 2026 Senior Notes mature on November 15, 2026 and bear interest at a rate of 4.50% per annum, payable on May 15 and November 15 of each year, commencing on May 15, 2020. The 2026 Senior Notes and related subsidiary guarantees are secured by a shared first-priority lien on the Term Priority Collateral and a shared second-priority lien on the ABL Priority Collateral. Certain excluded assets will not be included in the Term Priority Collateral and the ABL Priority Collateral. The 2026 Senior Notes are fully and unconditionally guaranteed, on a joint and several basis, by certain of the Company's active U.S. subsidiaries.

The 2026 Senior Notes and related subsidiary guarantees were offered and sold in a private transaction exempt from the registration requirements of the Securities Act, to qualified institutional buyers in accordance with Rule 144A under the Securities Act and to non-U.S. persons outside of the United States pursuant to Regulation S under the Securities Act. The 2026 Senior Notes and related subsidiary guarantees have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction, and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act and other applicable securities laws.

On October 28, 2019, the Company used the net proceeds from the offering, together with cash on hand and available borrowings under the Company's previous asset-based revolving credit facility, to redeem all $300.0 million aggregate principal amount outstanding of the Company's 6.375% Senior Notes due 2023.

The Company capitalized debt issuance costs of $4.7 million related to the 2026 Senior Notes, which are being amortized over the term of the financing arrangements.

As of June 30, 2022, the outstanding balance on the 2026 Senior Notes, net of $2.9 million of unamortized debt issuance costs, was $297.1 million.

11. Leases

The following table summarizes components of lease costs recognized in the condensed consolidated statements of operations (in millions; amounts include both continuing and discontinued operations):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Operating lease costs	$ 27.3	$ 26.4	$ 54.7	$ 53.2
Finance lease costs:				
Amortization of right-of-use assets	3.1	1.4	5.8	2.6
Interest on lease obligations	0.5	0.1	1.0	0.2
Variable lease costs	2.2	2.2	4.4	4.6
Total lease costs	$ 33.2	$ 30.1	$ 65.9	$ 60.6

The following table presents supplemental cash flow information related to the Company's leases (in millions):

	Six Months Ended June 30,	
	2022	2021
Cash paid for amounts included in measurement of lease obligations:		
Operating cash flows from operating leases	$ 51.7	$ 49.7
Operating cash flows from finance leases	$ 0.9	$ 0.2
Financing cash flows from finance leases	$ 4.9	$ 1.7
Right-of-use assets obtained in exchange for new finance lease liabilities	$ 30.5	$ 13.7
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 14.4	$ 45.9

As of June 30, 2022, the Company's operating leases had a weighted-average remaining lease term of 6.0 years and a weighted-average discount rate of 3.80%, and the Company's finance leases had a weighted-average remaining lease term of 5.0 years and a weighted-average discount rate of 4.12%.

The following table summarizes future lease payments as of June 30, 2022 (in millions):

Year Ending December 31,	Operating Leases	Finance Leases
2022 (July - December)	$ 52.5	$ 6.5
2023	99.5	12.8
2024	84.7	12.7
2025	65.3	12.4
2026	52.1	10.9
Thereafter	121.5	6.9
Total future lease payments	475.6	62.2
Imputed interest	(51.5)	(6.0)
Total lease liabilities	$ 424.1	$ 56.2

12. Commitments and Contingencies

The Company is subject to loss contingencies pursuant to various federal, state and local environmental laws and regulations; however, the Company is not aware of any reasonably possible losses that would have a material impact on its results of operations, financial position, or liquidity. Potential loss contingencies include possible obligations to remove or mitigate the effects on the environment of the placement, storage, disposal or release of certain chemical or other substances by the Company or by other parties. In connection with its acquisitions, the Company's practice is to request indemnification for any and all known material liabilities of significance as of the respective dates of acquisition. Historically, environmental liabilities have not had a material impact on the Company's results of operations, financial position or liquidity.

The Company is subject to litigation from time to time in the ordinary course of business; however, the Company does not expect the results, if any, to have a material adverse impact on its results of operations, financial position or liquidity. The Company accrues a liability for legal claims when payments associated with the claims become probable and the costs can be reasonably estimated. The Company also considers whether an insurance recovery receivable is applicable and appropriate based on the specific legal claim. The actual costs of resolving legal claims may be substantially higher or lower than the amounts accrued for those claims.

In December of 2018, a Beacon vehicle was involved in an accident that resulted in a fatality. The estate of the decedent and two bystanders have filed a lawsuit against the driver and Beacon. Trial is scheduled for late August 2022. There can be no assurance as to the ultimate outcome of this legal proceeding; however, the Company intends to vigorously defend this case, unless it is determined that it is appropriate to be settled. As of June 30, 2022, the Company had no significant amounts accrued with respect to this matter and related payment, if any, is not yet probable or reasonably estimable.

13. Accumulated Other Comprehensive Income (Loss)

Other comprehensive income (loss) is composed of certain gains and losses that are excluded from net income under GAAP and instead recorded as a separate element of stockholders' equity.

The following table summarizes the components of, and changes in, AOCI (in millions):

	Foreign Currency Translation	Derivative Financial Instruments	AOCI
Balance as of December 31, 2021	$ (15.3)	$ (4.1)	$ (19.4)
Other comprehensive income before reclassifications	(1.6)	10.4	8.8
Balance as of June 30, 2022	$ (16.9)	$ 6.3	$ (10.6)

Gains (losses) on derivative instruments are recognized in the condensed consolidated statements of operations in interest expense, financing costs, and other.

14. Geographic Data

The following table summarizes certain geographic information (in millions):

	June 30, 2022	December 31, 2021	June 30, 2021
Long-lived assets:			
U.S.	$ 653.8	$ 666.5	$ 652.9
Canada	10.3	9.9	10.4
Total long-lived assets	$ 664.1	$ 676.4	$ 663.3

15. Fair Value Measurement

As of June 30, 2022, the carrying amount of cash and cash equivalents, accounts receivable, prepaid and other current assets, accounts payable and accrued expenses approximated fair value because of the short-term nature of these instruments. The Company measures its cash equivalents at amortized cost, which approximates fair value based upon quoted market prices (Level 1).

As of June 30, 2022, based upon recent trading prices (Level 2), the fair value of the Company's $300.0 million 2026 Senior Notes was $270.8 million, and the fair value of the $350.0 million 2029 Senior Notes was $287.9 million.

As of June 30, 2022, the fair value of the Company's term loan and revolving lines of credit approximated the amount outstanding. The Company estimates the fair value of its term loan and revolving lines of credit by discounting the future cash flows of each instrument using estimated market rates of debt instruments with similar maturities and credit profiles (Level 3).

16. Financial Derivatives

The Company uses interest rate derivative instruments to manage the risk related to fluctuating cash flows from interest rate changes by converting a portion of its variable-rate borrowings into fixed-rate borrowings.

On September 11, 2019, the Company entered into two interest rate swap agreements to manage the interest rate risk associated with the variable rate on the Company's previous term loan. Each swap agreement has a notional amount of $250.0 million. As part of the 2021 Debt Refinancing, Beacon refinanced its previous term loan, resulting in the issuance of the 2028 Term Loan; the two interest rate swaps were designed and executed such that they continue to hedge against a total notional amount of $500.0 million related to the refinanced 2028 Term Loan. One agreement (the "5-year swap") will expire on August 30, 2024 and swaps the thirty-day LIBOR with a fixed-rate of 1.49%. The second agreement (the "3-year swap") will expire on August 30, 2022 and swaps the thirty-day LIBOR with a fixed-rate of 1.50%. At the inception of the swap agreements, the Company determined that both swaps qualified for cash flow hedge accounting under ASC 815. Therefore, changes in the fair value of the swaps, net of taxes, will be recognized in other comprehensive income each period, then reclassified into the condensed consolidated statements of operations as a component of interest expense, financing costs, and other in the period in which the hedged transaction affects earnings.

The effectiveness of the swaps will be assessed qualitatively by the Company during the lives of the hedges by (i) comparing the current terms of the hedges with the related hedged debt to assure they continue to coincide and (ii) through an evaluation of the ability of the counterparty to the hedges to honor their obligations under the hedges. The Company performed a qualitative analysis as of June 30, 2022 and concluded that the swap agreements continue to meet the requirements under ASC 815 to qualify for cash flow hedge accounting. As of June 30, 2022, the fair value of the 3-year swap, net of tax, was $0.1 million in favor of the Company, and the fair value of the 5-year swap, net of tax, was $6.2 million in favor of the Company.

The Company records any differences paid or received on its interest rate hedges to interest expense, financing costs and other within the condensed consolidated statements of operations. The following table summarizes the combined fair values, net of tax, of the interest rate derivative instruments (in millions):

Instrument	Fair Value Hierarchy	Net Assets (Liabilities) as of June 30, 2022	Net Assets (Liabilities) as of December 31, 2021	Net Assets (Liabilities) as of June 30, 2021
Designated interest rate swaps[1]	Level 2	$ 6.3	$ (4.1)	$ (8.9)

1. Assets are included in the condensed consolidated balance sheets in prepaid expenses and other current assets, while liabilities are included in accrued expenses.

The fair value of the interest rate swaps is determined through the use of a pricing model, which utilizes verifiable inputs such as market interest rates that are observable at commonly quoted intervals (generally referred to as the "LIBOR Curve") for the full terms of the hedge agreements. These values reflect a Level 2 measurement under the applicable fair value hierarchy.

The following table summarizes the amounts of gain (loss) on the interest rate derivative instruments recognized in other comprehensive income (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
Instrument	2022	2021	2022	2021
Designated interest rate swaps	$ 2.6	$ 1.0	$ 10.4	$ 4.3

17. Quarterly Financial Data

The following table sets forth certain unaudited quarterly data for 2022 and 2021, which, in the opinion of management, reflect all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of this data. Results of any one or more quarters are not necessarily indicative of results for an entire fiscal year or of continuing trends (in millions, except per share amounts):

	Three Months Ended					
	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Net sales	$ 2,358.2	$ 1,686.9	$ 1,754.9	$ 1,875.4	$1,872.1	$1,318.0
% of fiscal year's net sales	n/a	n/a	25.7 %	27.5 %	27.5 %	19.3 %
Gross profit	$ 650.2	$ 439.5	$ 461.6	$ 507.8	$ 517.4	$ 332.8
% of fiscal year's gross profit	n/a	n/a	25.4 %	27.9 %	28.4 %	18.3 %
Net income (loss) from continuing operations	$ 174.5	$ 55.8	$ 68.1	$ 104.5	$ 79.8	$ (10.5)
Net income (loss)	$ 174.5	$ 55.8	$ 68.0	$ 104.8	$ 76.5	$ (6.3)
Net income (loss) attributable to common stockholders	$ 168.5	$ 49.8	$ 62.0	$ 98.8	$ 70.5	$ (12.3)
Net income (loss) from continuing operations per share – Basic	$ 2.17	$ 0.62	$ 0.78	$ 1.23	$ 0.93	$ (0.24)
Net income (loss) per share – Basic	$ 2.17	$ 0.62	$ 0.78	$ 1.24	$ 0.89	$ (0.18)
Net income (loss) from continuing operations per share – Diluted	$ 2.12	$ 0.61	$ 0.76	$ 1.21	$ 0.91	$ (0.24)
Net income (loss) per share – Diluted	$ 2.12	$ 0.61	$ 0.76	$ 1.22	$ 0.87	$ (0.18)

n/a = not currently available.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our Consolidated Financial Statements and the notes thereto and Management's Discussion and Analysis included in our 2021 Annual Report on Form 10-K, our Condensed Consolidated Financial Statements and the notes thereto included in our Transition Report on Form 10-Q for the period from October 1, 2021 to December 31, 2021 and our Condensed Consolidated Financial Statements and the notes thereto included elsewhere in this document. Unless otherwise indicated, references to "2022" refer to the three or six months ended June 30, 2022 being discussed and references to "2021" refer to the three or six months ended June 30, 2021 being discussed.

Cautionary Statement Regarding Forward-Looking Information

Our disclosure and analysis in this report contains forward-looking information within the meaning of the Private Securities Litigation Reform Act of 1995, as amended, that involves risks and uncertainties. Our forward-looking statements express our current expectations or forecasts of possible future results or events, including projections of future performance, statements of management's plans and objectives, future contracts, and forecasts of trends and other matters. You can identify these statements by the fact that they do not relate strictly to historic or current facts and often use words such as "anticipate," "estimate," "expect," "believe," "will likely result," "outlook," "project" and other words and expressions of similar meaning. No assurance can be given that the results in any forward-looking statements will be achieved and actual results could be affected by one or more factors, which could cause them to differ materially. We do not undertake, and specifically disclaim, any obligation to update any forward-looking statements to reflect the occurrence of events or circumstances after the date of such statements except as required by law.

Certain factors that may affect our business and could cause actual results to differ materially from those expressed in any forward-looking statements include those set forth under the heading "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2021. We may not succeed in addressing these and other risks. Consequently, all forward-looking statements in this report are qualified by the factors, risks and uncertainties contained therein and readers are cautioned not to place undue reliance on forward-looking statements.

Overview

We are the largest publicly traded distributor of roofing materials and complementary building products in North America. We have served the building industry for over 90 years and as of June 30, 2022, we operated 450 branches throughout all 50 states in the U.S. and 6 provinces in Canada. We offer one of the most extensive ranges of high-quality professional grade exterior products comprising over 100,000 SKUs, and we serve over 80,000 residential and non-residential customers who trust us to help them save time, work more efficiently and enhance their businesses.

We are strategically focused on the two core markets of residential and non-residential roofing. As a distributor, our national scale, networked model and specialized capabilities are competitive advantages, providing strong value for both customers and suppliers. We intend to grow faster than the market by enhancing our customers' experience, activating a complete go-to-market strategy, and expanding our footprint while also driving margin-enhancing initiatives.

Our differentiated service model is designed to solve customer needs. The scale of our business provides branch coverage, technology enablement and investment in our team that is the foundation of customer excellence. In addition, service is further enhanced by our On Time and Complete network (Beacon OTC®), market-based sales teams, and national call center. We also provide the most complete digital commerce platform in roofing distribution, creating value for customers who are able to operate their businesses more effectively and efficiently.

Our history has been strongly influenced by significant acquisition-driven growth, highlighted by the acquisitions of Allied Building Products Corp. for $2.88 billion in 2018 and Roofing Supply Group, LLC for $1.17 billion in 2016. These strategic acquisitions expanded our geographic footprint, enhanced our market presence, and diversified our product offerings. The scale we have achieved from our expansion efforts serves as a competitive advantage, allowing us to use our assets more efficiently, and control our expenses to drive operating leverage.

On February 24, 2022, we announced our Ambition 2025 Value Creation Framework ("Ambition 2025") to drive growth, enhance customer service and expand our footprint in key markets, which included new Ambition 2025 financial targets and the Repurchase Program (as defined and further detailed below) as well as strategic deployment of capital on acquisitions. We have pursued and finalized numerous smaller acquisitions in key markets to complement the expansion of our geographic footprint, including 13 total branches from these recent acquisitions (for additional information, see Note 3 in the Notes to Condensed Consolidated Financial Statements):

- On June 1, 2022, we acquired Complete Supply, Inc., an independent distributor of residential roofing and exterior building supplies to contractors and homebuilders, with 1 branch located in Illinois and annual sales of approximately $10 million prior to the acquisition;

- On April 29, 2022, we acquired Wichita Falls Builders Wholesale, Inc., a distributor of complementary residential exterior building materials, including windows, doors and siding to contractors, homebuilders and retail customers, with 1 branch located in Texas and annual sales of approximately $4 million prior to the acquisition;
- On January 1, 2022, we acquired Crabtree Siding and Supply, a wholesale distributor of residential exterior building materials, including a broad offering of complementary products, to contractors and homebuilder customers, with 1 branch located in Tennessee and annual sales of approximately $1 million prior to the acquisition; and
- On November 1, 2021, we acquired Midway Sales & Distributing, Inc., a leading Midwest distributor of residential and commercial exterior building and roofing supplies, with 10 branches across Kansas, Missouri and Nebraska and annual sales of approximately $130 million prior to the acquisition.

As part of Ambition 2025, we will continue to pursue strategic acquisitions to grow our business, while we also remain heavily focused on improving our operations and continuing to identify additional opportunities for organic growth. Our recent highlights in these pursuits are demonstrated by the following results for the first half of 2022:

- 2022 organic daily sales growth of 24.2% compared to 2021, driven primarily by successful price execution;
- two new branch locations in 2022; and
- significant improvements in labor efficiency and fleet utilization metrics as compared to pre-pandemic levels, driven by strategic cost actions.

In managing our business, we consider all growth, including the opening of new branches, to be organic growth unless it results from an acquisition. When we refer to organic growth, we include growth from existing and newly opened branches, but exclude growth from acquired branches until they have been under our ownership for at least four full fiscal quarters at the start of the fiscal reporting period.

In order to pursue these strategic growth initiatives and focus on our core exterior products business, we completed two divestitures in 2021. On December 1, 2021, we completed the divestiture of our solar products business (“Solar Products”). The results of operations from Solar Products were not material to us and are included in continuing operations for the periods presented. On February 10, 2021, we completed the sale of our interior products and insulation businesses (“Interior Products”) to Foundation Building Materials Holding Company LLC for the final adjusted purchase price of $842.7 million. We have reflected Interior Products as discontinued operations for the three and six months ended June 30, 2021. Unless otherwise noted, amounts and disclosures in our discussion below relate to our continuing operations. For additional information, see Note 4 in the Notes to Condensed Consolidated Financial Statements.

COVID-19 Pandemic and Supply Chain Dynamics

We continue to monitor the ongoing impact of the COVID-19 pandemic, including the effects of recent notable variants of the virus. The health and safety of our employees, customers, and the communities in which we operate remains our top priority. Additional safety measures have been implemented in response to the COVID-19 pandemic. We had an essential business designation status throughout the pandemic in all the local markets that we serve. To date, our business experienced the largest adverse impact from COVID-19 in the third quarter of fiscal year 2020, mainly in areas with significant government construction restrictions that have since been eliminated. We have the financial strength and operational flexibility to respond to future COVID-19 pandemic restrictions, and have taken proactive steps to make a number of the cost management initiatives undertaken in response to the COVID-19 pandemic permanent.

The exterior products industry experienced constrained supply chain dynamics in 2021, which has continued in 2022. As a result, we experienced significant cost increases and, at times, a limited ability to purchase enough product to meet consumer demand. We have continued to see an increase in our backlog metrics. Open orders, a measure of our backlog, ended the quarter higher than the prior quarter-end. These trends, caused in large part from global disruptions related to the COVID-19 pandemic and the subsequent rapid economic recovery, may persist in the near-term. In addition to inflationary pressures caused by product shortages, we are also experiencing product cost inflation caused by increased input costs, including rising oil prices, which increases may have been impacted by the Russian invasion of Ukraine. We took proactive measures to actively increase our inventory, price effectively and deliver high-value solutions to our customers’ critical building material needs. As a leading distributor of essential building materials, we will continue to react quickly to market and supply chain developments and ensure high-quality service for our customers.

Comparison of the Three Months Ended June 30, 2022 and 2021

The following tables set forth condensed consolidated statements of operations data and such data as a percentage of total net sales for the periods presented (in millions):

	Three Months Ended June 30,	
	2022	2021
Net sales	$ 2,358.2	$ 1,872.1
Cost of products sold	1,708.0	1,354.7
Gross profit	650.2	517.4
Operating expense:		
Selling, general and administrative	355.4	296.3
Depreciation	18.9	15.1
Amortization	21.5	25.2
Total operating expense	395.8	336.6
Income (loss) from operations	254.4	180.8
Interest expense, financing costs, and other	18.9	23.2
Loss on debt extinguishment	—	50.7
Income (loss) from continuing operations before income taxes	235.5	106.9
Provision for (benefit from) income taxes	61.0	27.1
Net income (loss) from continuing operations	174.5	79.8
Net income (loss) from discontinued operations	—	(3.3)
Net income (loss)	174.5	76.5
Dividends on Preferred Stock	6.0	6.0
Net income (loss) attributable to common stockholders	$ 168.5	$ 70.5

	Three Months Ended June 30,	
	2022	2021
Net sales	100.0 %	100.0 %
Cost of products sold	72.4 %	72.4 %
Gross profit	27.6 %	27.6 %
Operating expense:		
Selling, general and administrative	15.1 %	15.8 %
Depreciation	0.8 %	0.9 %
Amortization	0.9 %	1.3 %
Total operating expense	16.8 %	18.0 %
Income (loss) from operations	10.8 %	9.6 %
Interest expense, financing costs, and other	0.8 %	1.2 %
Loss on debt extinguishment	— %	2.7 %
Income (loss) from continuing operations before income taxes	10.0 %	5.7 %
Provision for (benefit from) income taxes	2.6 %	1.4 %
Net income (loss) from continuing operations	7.4 %	4.3 %
Net income (loss) from discontinued operations	— %	(0.2)%
Net income (loss)	7.4 %	4.1 %
Dividends on Preferred Stock	0.3 %	0.3 %
Net income (loss) attributable to common stockholders	7.1 %	3.8 %

When we refer to regions, we are referring to our geographic regions. When we refer to our net product costs, we are referring to our invoice cost less the impact of short-term buying programs.

As of June 30, 2022, we had a total of 450 branches in operation.

Net Sales

Net sales increased 26.0% to $2.36 billion in 2022, up from $1.87 billion in 2021. Net sales increased across all three lines of business, substantially driven by a weighted-average selling price increase of approximately 24-25% as well as an estimated volume increase of approximately 0-1%. Additionally, net sales in 2022 includes the results of acquired branches, while net sales in 2021 includes the results of divested branches that were included in continuing operations. Excluding the impact of acquired and divested branches, the increase in net sales would have been approximately 1% lower.

Net sales by geographic region, including the impact of acquired and divested branches, increased from 2021 to 2022 as follows: Northeast 20.8%; Mid-Atlantic 21.4%; Southeast 24.0%; Southwest 29.7%; Midwest 42.6%; West 10.4%; and Canada 13.6%.

We estimate the impact of inflation or deflation on our sales and gross profit by looking at changes in our average selling prices and gross margins (discussed below). To calculate approximate weighted average selling price and product cost changes, we review organic U.S. warehouse sales of the same items sold regionally period over period and normalize the data for non-representative outliers. To determine estimated volumes, we subtract the change in weighted average selling price, calculated as described above, from the total changes in net sales, excluding acquisitions and dispositions. As a result, and especially in high inflationary periods, the weighted average selling price and estimated volume changes may not be directly comparable to changes reported in prior periods.

The following table summarizes net sales by product line for the periods presented (in millions):

	Three Months Ended June 30,				Year-over-Year Change	
	2022		2021			
	Net Sales	Mix %	Net Sales	Mix %	$	%
Residential roofing products	$ 1,196.1	50.7%	$ 981.6	52.4%	$ 214.5	21.9 %
Non-residential roofing products	682.6	29.0%	486.7	26.0%	195.9	40.3 %
Complementary building products	479.5	20.3%	403.8	21.6%	75.7	18.7 %
Total net sales	$ 2,358.2	100.0%	$ 1,872.1	100.0%	$ 486.1	26.0 %

Gross Profit

The following table summarizes gross profit and gross margin for the periods presented (in millions):

	Three Months Ended June 30,		Change[1]	
	2022	2021	$	%
Gross profit	$ 650.2	$ 517.4	$ 132.8	25.7 %
Gross margin	27.6%	27.6%	N/A	0.0 %

1. Percentage changes for dollar amounts represent the ratable increase or decrease from period-to-period. Percentage changes for percentages represent the net period-to-period change in basis points.

Gross margin was 27.6% in both 2022 and 2021. The consistent gross margin resulted from a weighted-average selling price increase (calculated as described above) of approximately 24-25%, offset by a weighted-average product cost increase of approximately 23-24% and a higher non-residential product mix.

Operating Expense

The following table summarizes operating expense for the periods presented (in millions):

	Three Months Ended June 30,		Change[1]	
	2022	2021	$	%
Selling, general and administrative	$ 355.4	$ 296.3	$ 59.1	19.9 %
Depreciation	18.9	15.1	3.8	25.2 %
Amortization	21.5	25.2	(3.7)	(14.7)%
Operating expense	$ 395.8	$ 336.6	$ 59.2	17.6 %
% of net sales	16.8%	18.0%	N/A	(1.2)%

1. Percentage changes for dollar amounts represent the ratable increase or decrease from period-to-period. Percentage changes for percentages represent the net period-to-period change in basis points.

Operating expense increased 17.6% to $395.8 million in 2022, from $336.6 million in 2021. The comparative increase in operating expense was mainly influenced by the following factors:

- a $28.6 million increase in payroll and employee benefit costs, primarily due to increased headcount to drive and support future growth, as well as wage inflation and higher incentive compensation;
- a $11.4 million increase in selling costs, primarily due to net sales growth resulting in higher commissions, as well as an increase in fleet costs; and
- a $8.7 million increase in general and administrative expenses, primarily due to higher professional fees and an increase in travel and entertainment expenses.

Operating expense in 2022 includes the results of acquired branches, while operating expense in 2021 includes the results of divested branches that were included in continuing operations, the combined results of which drove a net increase of $7.2 million from 2021 to 2022.

Operating expense as a percent of sales was lower in 2022, driven by the positive impact from net sales growth as well as productivity gains.

Interest Expense, Financing Costs and Other

Interest expense, financing costs and other expense was $18.9 million in 2022, compared to $23.2 million in 2021. The comparative decrease is primarily due to a lower weighted-average interest rate on our outstanding debt.

Loss on Debt Extinguishment

Loss on debt extinguishment was $50.7 million in 2021 and includes the write-off of debt issuance costs and payment of redemption premiums stemming from our 2021 Debt Refinancing.

Income Taxes

Income tax provision (benefit) was $61.0 million in 2022, compared to $27.1 million in 2021. The comparative increase in income tax provision was primarily due to higher pre-tax income from continuing operations. The effective tax rate, excluding any discrete items, was 26.1% in 2022, compared to 25.9% in 2021. We expect our 2022 effective tax rate, excluding any discrete items, will range from approximately 25.5% to 26.5%.

Net Income (Loss)/Net Income (Loss) Per Share

Net income (loss) from continuing operations was $174.5 million in 2022, compared to $79.8 million in 2021. Net income (loss) from discontinued operations was $(3.3) million in 2021 (see Note 4 in the Notes to Condensed Consolidated Financial Statements for further discussion). Consolidated net income (loss) was $174.5 million in 2022, compared to $76.5 million in 2021. There were $6.0 million of dividends on preferred shares for both 2022 and 2021, making consolidated net income (loss) attributable to common stockholders $168.5 million and $70.5 million, respectively.

We calculate net income (loss) per share by dividing net income (loss), less dividends on preferred shares and adjustments for participating securities, by the weighted-average number of common shares outstanding during the period. Diluted net income (loss) per share is calculated by utilizing the most dilutive result after applying and comparing the two-class method and if-converted method (see Note 6 in the Notes to Condensed Consolidated Financial Statements for further discussion).

The following table presents all the components utilized to calculate basic and diluted net income (loss) per share (in millions, except per share amounts; certain amounts may not recalculate due to rounding):

	Three Months Ended June 30,	
	2022	2021
Numerator:		
Net income (loss) from continuing operations	$ 174.5	$ 79.8
Dividends on Preferred Stock	(6.0)	(6.0)
Undistributed income from continuing operations allocated to participating securities	(20.9)	(9.0)
Net income (loss) from continuing operations attributable to common stockholders – Basic and Diluted (if-converted and two-class method)	147.6	64.8
Net income (loss) from discontinued operations	—	(3.3)
Undistributed income from discontinued operations allocated to participating securities	—	0.4
Net income (loss) from discontinued operations attributable to common stockholders – Basic and Diluted (if-converted and two-class method)	—	(2.9)
Net income (loss) attributable to common stockholders – Basic and Diluted (if-converted and two-class method)	$ 147.6	$ 61.9
Denominator:		
Weighted-average common shares outstanding – Basic	68.1	69.9
Effect of common share equivalents	1.4	1.4
Weighted-average common shares outstanding – Diluted	69.5	71.3
Net income (loss) per share:		
Basic – Continuing operations	$ 2.17	$ 0.93
Basic – Discontinued operations	—	(0.04)
Basic net income (loss) per share	$ 2.17	$ 0.89
Diluted – Continuing operations	$ 2.12	$ 0.91
Diluted – Discontinued operations	—	(0.04)
Diluted net income (loss) per share (if-converted and two-class method)	$ 2.12	$ 0.87

Comparison of the Six Months Ended June 30, 2022 and 2021

The following tables set forth condensed consolidated statements of operations data and such data as a percentage of total net sales for the periods presented (in millions):

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Net sales	$ 4,045.1	$ 3,190.1
Cost of products sold	2,955.4	2,339.9
Gross profit	1,089.7	850.2
Operating expense:		
Selling, general and administrative	664.7	564.1
Depreciation	36.4	29.7
Amortization	42.9	52.8
Total operating expense	744.0	646.6
Income (loss) from operations	345.7	203.6
Interest expense, financing costs, and other	35.5	51.8
Loss on debt extinguishment	—	60.2
Income (loss) from continuing operations before income taxes	310.2	91.6
Provision for (benefit from) income taxes	79.9	22.3
Net income (loss) from continuing operations	230.3	69.3
Net income (loss) from discontinued operations	—	0.9
Net income (loss)	230.3	70.2
Dividends on Preferred Stock	12.0	12.0
Net income (loss) attributable to common stockholders	$ 218.3	$ 58.2

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Net sales	100.0 %	100.0 %
Cost of products sold	73.1 %	73.3 %
Gross profit	26.9 %	26.7 %
Operating expense:		
Selling, general and administrative	16.4 %	17.7 %
Depreciation	0.9 %	0.9 %
Amortization	1.1 %	1.7 %
Total operating expense	18.4 %	20.3 %
Income (loss) from operations	8.5 %	6.4 %
Interest expense, financing costs, and other	0.8 %	1.6 %
Loss on debt extinguishment	— %	1.9 %
Income (loss) from continuing operations before income taxes	7.7 %	2.9 %
Provision for (benefit from) income taxes	2.0 %	0.7 %
Net income (loss) from continuing operations	5.7 %	2.2 %
Net income (loss) from discontinued operations	— %	— %
Net income (loss)	5.7 %	2.2 %
Dividends on Preferred Stock	0.3 %	0.4 %
Net income (loss) attributable to common stockholders	5.4 %	1.8 %

When we refer to regions, we are referring to our geographic regions. When we refer to our net product costs, we are referring to our invoice cost less the impact of short-term buying programs.

As of June 30, 2022, we had a total of 450 branches in operation.

Net Sales

Net sales increased 26.8% to $4.05 billion in 2022, up from $3.19 billion in 2021. Net sales increased across all three lines of business, substantially driven by a weighted-average selling price increase of approximately 23-24% as well as an estimated volume increase of approximately 2-3%. Additionally, net sales in 2022 includes the results of acquired branches, while net sales in 2021 includes the results of divested branches that were included in continuing operations. Excluding the impact of acquired and divested branches, the increase in net sales would have been approximately 1% lower.

Net sales by geographic region, including the impact of acquired and divested branches, increased from 2021 to 2022 as follows: Northeast 23.3%; Mid-Atlantic 22.0%; Southeast 20.6%; Southwest 31.5%; Midwest 45.1%; West 12.4%; and Canada 17.2%.

We estimate the impact of inflation or deflation on our sales and gross profit by looking at changes in our average selling prices and gross margins (discussed below). To calculate approximate weighted average selling price and product cost changes, we review organic U.S. warehouse sales of the same items sold regionally period over period and normalize the data for non-representative outliers. To determine estimated volumes, we subtract the change in weighted average selling price, calculated as described above, from the total changes in net sales, excluding acquisitions and dispositions. As a result, and especially in high inflationary periods, the weighted average selling price and estimated volume changes may not be directly comparable to changes reported in prior periods.

The following table summarizes net sales by product line for the periods presented (in millions):

	Six Months Ended June 30,				Year-over-Year Change	
	2022		2021			
	Net Sales	%	Net Sales	%	$	%
Residential roofing products	$ 2,042.6	50.5%	$ 1,676.7	52.6%	$ 365.9	21.8 %
Non-residential roofing products	1,170.3	28.9%	816.5	25.6%	353.8	43.3 %
Complementary building products	832.2	20.6%	696.9	21.8%	135.3	19.4 %
Total net sales	$ 4,045.1	100.0%	$ 3,190.1	100.0%	$ 855.0	26.8 %

Gross Profit

The following table summarizes gross profit and gross margin for the periods presented (in millions):

	Six Months Ended June 30,		Change[1]	
	2022	2021	$	%
Gross profit	$ 1,089.7	$ 850.2	$ 239.5	28.2 %
Gross margin	26.9%	26.7%	N/A	0.2 %

1. Percentage changes for dollar amounts represent the ratable increase or decrease from period-to-period. Percentage changes for percentages represent the net period-to-period change in basis points.

Gross margin was 26.9% in 2022, up 0.2 percentage points from 26.7% in 2021. The comparative increase in gross margin resulted from a weighted-average selling price increase (calculated as described above) of approximately 23-24%, largely offset by a weighted-average product cost increase of approximately 23-24% and a higher non-residential product mix.

Operating Expense

The following table summarizes operating expense for the periods presented (in millions):

	Six Months Ended June 30,		Change[1]	
	2022	2021	$	%
Selling, general, and administrative	$ 664.7	$ 564.1	$ 100.6	17.8 %
Depreciation	36.4	29.7	6.7	22.6 %
Amortization	42.9	52.8	(9.9)	(18.8)%
Total operating expense	$ 744.0	$ 646.6	$ 97.4	15.1 %
% of net sales	18.4%	20.3%	N/A	(1.9)%

1. Percentage changes for dollar amounts represent the ratable increase or decrease from period-to-period. Percentage changes for percentages represent the net period-to-period change in basis points.

Operating expense increased 15.1% to $744.0 million in 2022, from $646.6 million in 2021. The comparative increase in operating expense was mainly influenced by the following factors:

- a $45.2 million increase in payroll and employee benefit costs, primarily due to increased headcount to drive and support future growth, as well as wage inflation and higher incentive compensation;
- a $21.7 million increase in selling costs, primarily due to net sales growth resulting in higher commissions, as well as an increase in fleet costs; and
- a $19.1 million increase in general and administrative expenses, primarily due to an increase in travel and entertainment expenses as well as insurance expenses.

Operating expense in 2022 includes the results of acquired branches, while operating expense in 2021 includes the results of divested branches that were included in continuing operations, the combined results of which drove a net increase of $12.8 million from 2021 to 2022.

Operating expense as a percent of sales was lower in 2022, driven by the positive impact from net sales growth as well as productivity gains.

Interest Expense, Financing Costs and Other

Interest expense, financing costs and other expense was $35.5 million in 2022, compared to $51.8 million in 2021. The comparative decrease is primarily due to decreased average debt balances during the respective periods and a lower weighted-average interest rate on our outstanding debt.

Loss on Debt Extinguishment

Loss on debt extinguishment was $60.2 million in 2021 and includes the write-off of debt issuance costs and payment of redemption premiums stemming from our 2021 Debt Refinancing.

Income Taxes

Income tax provision (benefit) was $79.9 million in 2022, compared to $22.3 million in 2021. The comparative increase in income tax provision was primarily due to higher pre-tax income from continuing operations. The effective tax rate, excluding any discrete items, was 26.0% in 2022, compared to 25.9% in 2021. We expect our 2022 effective tax rate, excluding any discrete items, will range from approximately 25.5% to 26.5%.

Net Income (Loss)/Net Income (Loss) Per Share

Net income (loss) from continuing operations was $230.3 million in 2022, compared to $69.3 million in 2021. Net income (loss) from discontinued operations was $0.9 million in 2021 (see Note 4 in the Notes to Condensed Consolidated Financial Statements for further discussion). Consolidated net income (loss) was $230.3 million in 2022, compared to $70.2 million in 2021. There were $12.0 million of dividends on preferred shares for both 2022 and 2021, making consolidated net income (loss) attributable to common stockholders $218.3 million and $58.2 million, respectively.

We calculate net income (loss) per share by dividing net income (loss), less dividends on preferred shares and adjustments for participating securities, by the weighted-average number of common shares outstanding during the period. Diluted net income (loss) per share is calculated by utilizing the most dilutive result after applying and comparing the two-class method and if-converted method (see Note 6 in the Notes to Condensed Consolidated Financial Statements for further discussion).

The following table presents all the components utilized to calculate basic and diluted net income (loss) per share (in millions, except per share amounts; certain amounts may not recalculate due to rounding):

	Six Months Ended June 30,	
	2022	2021
Numerator:		
Net income (loss) from continuing operations	$ 230.3	$ 69.3
Dividends on Preferred Stock	(12.0)	(12.0)
Undistributed income from continuing operations allocated to participating securities	(26.8)	(6.9)
Net income (loss) from continuing operations attributable to common stockholders – Basic and Diluted (if-converted and two-class method)	191.5	50.4
Net income (loss) from discontinued operations	—	0.9
Undistributed income from discontinued operations allocated to participating securities	—	(0.2)
Net income (loss) from discontinued operations attributable to common stockholders – Basic and Diluted (if-converted and two-class method)	—	0.7
Net income (loss) attributable to common stockholders – Basic and Diluted (if-converted and two-class method)	$ 191.5	$ 51.1
Denominator:		
Weighted-average common shares outstanding – Basic	69.1	69.8
Effect of common share equivalents	1.3	1.2
Weighted-average common shares outstanding – Diluted	70.4	71.0
Net income (loss) per share:		
Basic – Continuing operations	$ 2.77	$ 0.72
Basic – Discontinued operations	—	0.01
Basic net income (loss) per share	$ 2.77	$ 0.73
Diluted – Continuing operations	$ 2.72	$ 0.71
Diluted – Discontinued operations	—	0.01
Diluted net income (loss) per share (if-converted and two-class method)	$ 2.72	$ 0.72

Non-GAAP Financial Measures

To provide investors with additional information regarding our financial results, we prepare certain financial measures that are not calculated in accordance with generally accepted accounting principles in the United States ("GAAP"), specifically:

- *Adjusted Operating Expense*. We define Adjusted Operating Expense as operating expense, excluding the impact of the adjusting items (as described below).
- *Adjusted Net Income (Loss)*. We define Adjusted Net Income (Loss) as net income (loss) from continuing operations, excluding the impact of the adjusting items (as described below).
- *Adjusted EBITDA*. We define Adjusted EBITDA as net income (loss) from continuing operations, excluding the impact of interest expense (net of interest income), income taxes, depreciation and amortization, stock-based compensation, and the adjusting items (as described below).

We use these supplemental non-GAAP measures to evaluate financial performance, analyze the underlying trends in our business and establish operational goals and forecasts that are used when allocating resources. We expect to compute our non-GAAP financial measures consistently using the same methods each period.

We believe these non-GAAP measures are useful measures because they 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 we believe that these non-GAAP measures are useful to investors when evaluating our business, they are not prepared and presented in accordance with GAAP, and therefore should be considered supplemental in nature. These non-GAAP 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 relate. In addition, these non-GAAP financial measures may differ from similarly titled measures presented by other companies.

Adjusting Items to Non-GAAP Financial Measures

The impact of the following expense (income) items is excluded from each of our non-GAAP measures (the "adjusting items"):

- *Acquisition costs*. Represent certain costs related to historical acquisitions, including: amortization of intangible assets; professional fees, branch integration expenses, travel expenses, employee severance and retention costs, and other personnel expenses classified as selling, general and administrative; gains/losses related to changes in fair value of contingent consideration or holdback liabilities; and amortization of debt issuance costs.
- *Restructuring costs*. Represent costs stemming from headcount rationalization efforts and certain rebranding costs; impact of the Interior Products and Solar Products divestitures; costs related to changing our fiscal year end; amortization of debt issuance costs; debt refinancing and extinguishment costs; and abandoned lease costs.
- *COVID-19 impacts*. Represent costs directly related to the COVID-19 pandemic.

The following table presents the impact of the adjusting items on our condensed consolidated statements of operations for each of the periods indicated (in millions):

	Operating Expense		Non-Operating Expense			
	SG&A[1]	Amortization	Interest Expense	Other (Income) Expense	Income Taxes[2]	Total
Three Months Ended June 30, 2022						
Acquisition costs	$ 1.7	$ 21.5	$ 1.0	$ —	$ —	$ 24.2
Restructuring costs	2.9	—	0.3	—	—	3.2
COVID-19 impacts	0.1	—	—	—	—	0.1
Total adjusting items	$ 4.7	$ 21.5	$ 1.3	$ —	$ —	$ 27.5
Three Months Ended June 30, 2021						
Acquisition costs	$ 0.8	$ 25.2	$ 1.2	$ —	$ —	$ 27.2
Restructuring costs[3]	1.7	—	0.7	50.8	—	53.2
COVID-19 impacts	0.4	—	—	—	—	0.4
Total adjusting items	$ 2.9	$ 25.2	$ 1.9	$ 50.8	$ —	$ 80.8
Six Months Ended June 30, 2022						
Acquisition costs	$ 2.2	$ 42.9	$ 2.0	$ —	$ —	$ 47.1
Restructuring costs	4.6	—	0.6	—	—	5.2
COVID-19 impacts	1.5	—	—	—	—	1.5
Total adjusting items	$ 8.3	$ 42.9	$ 2.6	$ —	$ —	$ 53.8
Six Months Ended June 30, 2021						
Acquisition costs	$ 1.4	$ 50.5	$ 3.1	$ —	$ —	$ 55.0
Restructuring costs[3]	4.7	2.3	1.5	60.3	—	68.8
COVID-19 impacts	0.9	—	—	—	—	0.9
Total adjusting items	$ 7.0	$ 52.8	$ 4.6	$ 60.3	$ —	$ 124.7

1. Selling, general and administrative expense ("SG&A").
2. For tax impact of adjusting items, see Adjusted Net Income (Loss) table below.
3. Other (income) expense for the three and six months ended June 30, 2021 includes a loss on debt extinguishment of $50.7 million and $60.2 million, respectively, in connection with the write-off of debt issuance costs and payment of redemption premiums stemming from our refinancing transactions.

Adjusted Operating Expense

The following table presents a reconciliation of operating expense, the most directly comparable financial measure as measured in accordance with GAAP, to Adjusted Operating Expense for each of the periods indicated (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Operating expense	$ 395.8	$ 336.6	$ 744.0	$ 646.6
Acquisition costs	(23.2)	(26.0)	(45.1)	(51.9)
Restructuring costs	(2.9)	(1.7)	(4.6)	(7.0)
COVID-19 impacts	(0.1)	(0.4)	(1.5)	(0.9)
Adjusted Operating Expense	$ 369.6	$ 308.5	$ 692.8	$ 586.8
Net sales	$ 2,358.2	$ 1,872.1	$ 4,045.1	$ 3,190.1
Operating expense as % of net sales	16.8 %	18.0 %	18.4 %	20.3 %
Adjusted Operating Expense as % of net sales	15.7 %	16.5 %	17.1 %	18.4 %

Adjusted Net Income (Loss)

The following table presents a reconciliation of net income (loss) from continuing operations, the most directly comparable financial measure as measured in accordance with GAAP, to Adjusted Net Income (Loss) for each of the periods indicated (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Net income (loss) from continuing operations	$ 174.5	$ 79.8	$ 230.3	$ 69.3
Adjusting items:				
Acquisition costs	24.2	27.2	47.1	55.0
Restructuring costs	3.2	53.2	5.2	68.8
COVID-19 impacts	0.1	0.4	1.5	0.9
Total adjusting items	27.5	80.8	53.8	124.7
Less: tax impact of adjusting items[1]	(7.4)	(20.7)	(13.9)	(32.0)
Total adjustments, net of tax	20.1	60.1	39.9	92.7
Adjusted Net Income (Loss)	$ 194.6	$ 139.9	$ 270.2	$ 162.0
Net sales	$ 2,358.2	$ 1,872.1	$ 4,045.1	$ 3,190.1
Net income (loss) as % of sales	7.4 %	4.3 %	5.7 %	2.2 %
Adjusted Net Income (Loss) as % of sales	8.3 %	7.5 %	6.7 %	5.1 %

1. Amounts represent tax impact on adjustments that are not included in our income tax provision (benefit) for the periods presented. The tax impact of adjustments for the three months ended June 30, 2022 and 2021 were calculated using a blended effective tax rate of 26.9% and 25.6%, respectively. The tax impact of adjustments for the six months ended June 30, 2022 and 2021 were calculated using a blended effective tax rate of 25.8% and 25.7%, respectively.

Adjusted EBITDA

The following table presents a reconciliation of net income (loss) from continuing operations, the most directly comparable financial measure as measured in accordance with GAAP, to Adjusted EBITDA for each of the periods indicated (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Net income (loss) from continuing operations	$ 174.5	$ 79.8	$ 230.3	$ 69.3
Interest expense, net	19.1	23.2	36.3	52.8
Income taxes	61.0	27.1	79.9	22.3
Depreciation and amortization	40.4	40.3	79.3	82.5
Stock-based compensation	8.0	5.4	13.1	9.6
Acquisition costs[1]	1.7	0.8	2.2	1.4
Restructuring costs[1]	2.9	52.5	4.6	65.0
COVID-19 impacts	0.1	0.4	1.5	0.9
Adjusted EBITDA	$ 307.7	$ 229.5	$ 447.2	$ 303.8
Net sales	$ 2,358.2	$ 1,872.1	$ 4,045.1	$ 3,190.1
Net income (loss) as % of net sales	7.4 %	4.3 %	5.7 %	2.2 %
Adjusted EBITDA as % of net sales	13.0 %	12.3 %	11.1 %	9.5 %

1. Amounts represent adjusting items included in SG&A and other income (expense); remaining adjusting item balances are embedded within the other line item balances reported in this table.

Seasonality and Quarterly Fluctuations

The demand for building materials is closely correlated to both seasonal changes and unpredictable weather patterns, therefore demand fluctuations are expected.

In general, our net sales and net income are highest in quarters ending June 30, September 30 and December 31, which represent the peak months of construction and re-roofing. Conversely, we have historically experienced low net income levels or net losses in quarters ending March 31, when winter construction cycles and cold weather patterns have an adverse impact on our customers' ability to conduct their business.

Our balance sheet fluctuates throughout the year, driven by similar seasonal trends. We generally experience an increase in inventory and peak cash usage in the quarters ending March 31 and June 30, driven primarily by increased purchasing that is necessary to meet the rise in demand for our products during the warmer months. Accounts receivable, accounts payable, and cash collections are generally at their highest during the quarters ending June 30 and September 30, when sales are typically at their peak.

At times, we experience fluctuations in our financial performance that are driven by factors outside of our control, including the impact that severe weather events and unusual weather patterns may have on the timing and magnitude of demand and material availability.

In addition, the impacts of the COVID-19 pandemic and resulting supply chain disruptions as well as inflation have caused, and may continue to cause, fluctuations in our financial results and working capital that are not aligned with the seasonality we generally experience.

Liquidity

Liquidity is defined as the current amount of readily available cash and the ability to generate adequate amounts of cash to meet the current needs for cash. We assess our liquidity in terms of our cash and cash equivalents on hand and the ability to generate cash to fund our operating activities, taking into consideration available borrowings and the seasonal nature of our business.

Our principal sources of liquidity as of June 30, 2022 were our cash and cash equivalents of $54.6 million and our available borrowings of approximately $809.0 million under our asset-based revolving lines of credit.

Significant factors which could affect future liquidity include the following:

- the adequacy of available bank lines of credit;

- the ability to attract long-term capital with satisfactory terms;
- cash flows generated from operating activities;
- working capital management;
- acquisitions; and
- capital expenditures.

Our primary capital needs are for working capital obligations and other general corporate purposes, including acquisitions and capital expenditures. Our primary sources of working capital are cash from operations and bank borrowings. We have financed large acquisitions through increased bank borrowings and the issuance of long-term debt and common or preferred stock. We then repay any such borrowings with cash flows from operations or subsequent financings. We have funded most of our capital expenditures with cash on hand, increased bank borrowings, or equipment financing, and then reduced those obligations with cash flows from operations. We may explore additional or replacement financing sources in order to bolster liquidity and strengthen our capital structure.

We believe we currently have adequate liquidity and availability of capital to fund our present operations, meet our commitments on our existing debt and fund anticipated growth, including expansion in existing and targeted market areas. We may seek potential acquisitions from time to time and hold discussions with certain acquisition candidates. If suitable acquisition opportunities or working capital needs arise that require additional financing, we believe that our financial position, credit profile and earnings history provide a sufficient base for obtaining additional financing resources at reasonable rates and terms. We may also choose to issue additional shares of common stock or preferred stock in order to raise funds.

The following table summarizes our cash flows for the periods indicated (in millions):

	Six Months Ended June 30,	
	2022	**2021**
Net cash provided by (used in) operating activities	$ (187.0)	$ 18.7
Net cash provided by (used in) investing activities	(53.5)	810.4
Net cash provided by (used in) financing activities	69.6	(1,101.6)
Effect of exchange rate changes on cash and cash equivalents	(0.3)	—
Net increase (decrease) in cash and cash equivalents	$ (171.2)	$ (272.5)

Operating Activities

Net cash used in operating activities, including both continuing and discontinued operations, was $187.0 million in 2022, compared to cash provided by operating activities of $18.7 million in 2021. Cash from operations decreased $205.7 million primarily due to an incremental cash outflow of $372.0 million stemming from changes to our net working capital, mainly driven by an unfavorable change in cash outflows related to accounts receivable and inventories compared to the prior year, partially offset by a favorable change in cash inflows related to accounts payable and accrued expenses. The unfavorable change related to accounts receivable is largely driven by increased sales, while the unfavorable change related to inventories and favorable change related to accounts payable and accrued expenses are primarily due to product cost inflation as well as a build-up of product inventories during our peak selling season. The decrease was partially offset by an increase in net income after adjustments for non-cash items of $166.3 million. Operating cash flows used in discontinued operations for the six months ended June 30, 2021 were $21.8 million.

Investing Activities

Net cash used in investing activities was $53.5 million in 2022, compared to cash provided by investing activities of $810.4 million in 2021. Cash provided by investing activities in 2021 primarily reflects proceeds from the sale of Interior Products, whereas cash used in investing activities in 2022 reflects cash used for purchases of property and equipment as well as acquired businesses. There were no investing cash flows from discontinued operations.

Financing Activities

Net cash provided by financing activities was $69.6 million in 2022, compared to cash used in financing activities of $1.10 billion in 2021. Cash used in financing activities in 2021 was primarily due to $1.05 billion in net repayments of borrowings, mostly in connection with the 2021 Debt Refinancing (as defined below). Cash provided by financing activities in 2022 reflects $467.8 million in net borrowings, partially offset by $338.1 million in cash used to repurchase our common stock and a $50.0 million advance payment for shares of our common stock, both under the Repurchase Program (as defined below).

Share Repurchase Program

On February 24, 2022, we announced a new share repurchase program (the "Repurchase Program"), pursuant to which we may purchase up to $500.0 million of our common stock. Shares repurchased under the Repurchase Program are retired immediately and are included in the category of authorized but unissued shares. As of June 30, 2022, we had approximately $112.1 million remaining under the Repurchase Program. The pace of our repurchase activity will depend on factors such as our working capital needs, our cash requirements for acquisitions, our debt repayment obligations, our stock price, and economic and market conditions.

On March 10, 2022, we entered into a Variable Tenor ASR Master Agreement (the "ASR Master Agreement") and Supplemental Confirmation (collectively, the "March 2022 ASR Agreement") with Citibank, N.A. ("Citi") to repurchase $125.0 million of our common stock. Under the terms of the March 2022 ASR Agreement, we paid $125.0 million to Citi and received an initial share delivery of 1,689,189 shares of our common stock, representing 80% of the then expected share repurchases under the March 2022 ASR Agreement, based on the closing price of our common stock of $59.20 on March 11, 2022. On June 13, 2022, we completed the March 2022 ASR Agreement and received an additional 406,200 shares of our common stock. In total, 2,095,389 shares of our common stock were delivered under the March 2022 ASR Agreement at an average price of $59.65 per share, which represents the daily volume-weighted average price of our common stock during the term of the March 2022 ASR Agreement, less a discount and adjustments pursuant to the terms of the March 2022 ASR Agreement.

On June 13, 2022, we entered into an additional Supplemental Confirmation (together with the ASR Master Agreement, the "June 2022 ASR Agreement") with Citi to repurchase an additional $250.0 million of our common stock. Under the terms of the June 2022 ASR Agreement, we paid $250.0 million to Citi and received an initial share delivery of 3,480,077 shares of our common stock, representing 80% of the total expected share repurchases under the June 2022 ASR Agreement, based on the closing price of our common stock of $57.47 on June 13, 2022. The final number of shares to be repurchased pursuant to the ASR Agreement will be determined upon settlement. As of June 30, 2022, the remaining $50.0 million of the $250.0 million purchase price was evaluated as an unsettled equity forward contract indexed to our common stock and classified within stockholders' equity as a reduction to additional paid-in capital until the equity forward contract settles, when it will be reflected as a reduction in retained earnings. The final settlement of the June 2022 ASR Agreement is expected to be completed in the fourth quarter of 2022.

During the six months ended June 30, 2022, we also repurchased on the open market 221,658 shares of our common stock at an average price of $57.98 per share for an aggregate purchase price of $12.9 million.

See Note 8 in the Notes to Condensed Consolidated Financial Statements for additional information.

Capital Resources

In May 2021, we entered into a series of financing arrangements to refinance certain debt instruments to take advantage of lower market interest rates (the "2021 Debt Refinancing"). Upon completion of the 2021 Debt Refinancing, the weighted-average interest rate on our outstanding debt was 3.43% as of June 30, 2022, down from 4.21% as of March 31, 2021 (prior to the 2021 Debt Refinancing).

As of June 30, 2022, we had access to the following financing arrangements:

- the 2026 U.S. Revolver, an asset-based revolving line of credit in the United States, in an amount up to $1.25 billion and with an outstanding balance of $455.1 million;
- the 2026 Canada Revolver, an asset-based revolving line of credit in Canada, in an amount up to $50.0 million and with an outstanding balance of $6.2 million;
- the 2028 Term Loan with an outstanding balance of $975.9 million; and
- two separate senior notes instruments, including the 2029 Senior Notes and 2026 Senior Notes, with outstanding balances of $346.6 million and $297.1 million, respectively.

See Note 10 in the Notes to Condensed Consolidated Financial Statements for additional information on our current financing arrangements and the 2021 Debt Refinancing.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our market risk disclosures set forth in Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" of our Annual Report on Form 10-K for the fiscal year ended September 30, 2021 have not changed materially during the transition period from October 1, 2021 to December 31, 2021 or the six months ended June 30, 2022.

Item 4. Controls and Procedures

As of June 30, 2022, management, including the CEO and CFO, performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act")). Based on that evaluation, management, including the CEO and CFO, concluded that as of June 30, 2022, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. We maintain a system of internal control over financial reporting that is 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 in the United States.

There have been no material changes to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended June 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

See Note 12 in the Notes to Condensed Consolidated Financial Statements for information about pending legal proceedings.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

The following table provides information with respect to the Company's purchases of its common stock during the second quarter of 2022:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[1, 2]	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs[1, 2]
April 2022	—	$ —	—	$ 362,100,000
May 2022	—	—	—	$ 362,100,000
June 2022	3,886,277	57.90	3,886,277	$ 112,147,537
Total	3,886,277	$ 57.90	3,886,277	

1. On February 24, 2022, the Company announced a program to repurchase up to $500.0 million of its common stock.
2. On March 10, 2022, the Company entered into a Variable Tenor ASR Master Agreement (the "ASR Master Agreement") and Supplemental Confirmation (collectively, the "March 2022 ASR Agreement") with Citibank, N.A. ("Citi") whereupon the Company provided Citi with a prepayment of $125.0 million and received an initial share delivery of 1,689,189 shares of its common stock, representing 80% of the total expected share repurchases under the March 2022 ASR Agreement, based on the closing price of the Company's common stock of $59.20 on March 11, 2022. On June 13, 2022, the Company completed the March 2022 ASR Agreement and received an additional 406,200 shares of the Company's common stock. In total, 2,095,389 shares of the Company's common stock were delivered under the March 2022 ASR Agreement at an average price of $59.65 per share, which represents the daily volume-weighted average price of the Company's common stock during the term of the March 2022 ASR Agreement, less a discount and adjustments pursuant to the terms of the March 2022 ASR Agreement.

   On June 13, 2022, the Company entered into an additional Supplemental Confirmation (together with the ASR Master Agreement, the "June 2022 ASR Agreement") with Citi whereupon the Company provided Citi with a prepayment of $250.0 million and received an initial share delivery of 3,480,077 shares of its common stock, representing 80% of the total expected share repurchases under the June 2022 ASR Agreement, based on the closing price of the Company's common stock of $57.47 on June 13, 2022. Under the terms of the June 2022 ASR Agreement, the total number of shares delivered and average purchase price per share will be determined upon settlement, which is expected to occur during the fourth quarter of 2022.

See Note 8 in the Notes to Condensed Consolidated Financial Statements for additional information on our Share Repurchase Program.

Item 6. Exhibits

Exhibit Number	Description	Incorporated by Reference		
		Form	Exhibit	Filing Date
31.1*	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)			
31.2*	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)			
32.1**	Certification pursuant to 18 U.S.C. Section 1350			
101*	101.INS Inline XBRL Instance – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. 101.SCH Inline XBRL Taxonomy Extension Schema 101.CAL Inline XBRL Taxonomy Extension Calculation 101.PRE Inline XBRL Taxonomy Extension Presentation 101.LAB Inline XBRL Taxonomy Extension Labels 101.DEF Inline XBRL Taxonomy Extension Definition			
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)			

* Filed herewith

** Furnished herewith

Pursuant to Rule 405 of Regulation S-T, the following interactive data files formatted in Inline Extensible Business Reporting Language (iXBRL) are attached as Exhibit 101 to this Quarterly Report on Form 10-Q:

(i) the Condensed Consolidated Balance Sheets as of June 30, 2022; December 31, 2021; and June 30, 2021,

(ii) the Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2022 and 2021,

(iii) the Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2022 and 2021,

(iv) the Condensed Consolidated Statements of Stockholders' Equity for the three and six months ended June 30, 2022 and 2021,

(v) the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2022 and 2021, and

(vi) the Notes to Condensed Consolidated Financial Statements.

SIGNATURE

Pursuant to the requirements 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.

		BEACON ROOFING SUPPLY, INC.
Date: August 5, 2022	BY:	/s/ FRANK A. LONEGRO
		Frank A. Lonegro
		Executive Vice President & Chief Financial Officer