



Beacon

**2019 FOURTH QUARTER  
INVESTOR PRESENTATION**

# DISCLOSURE NOTICE

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

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

*A reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measure can be found in the Appendix as well as Company's latest Form 8-K, filed with the SEC on November 25, 2019.*

# BEACON OVERVIEW



## A leader in key metropolitan markets

- **Over 500** branches in 50 US states and 6 Canadian provinces
- **110,000+** customers with a broad product offering up to **140,000** SKU's
- **2nd** largest specialty roofing products distributor
- **4th** largest distributor of specialty interior building products



## Strong long-term historical performance

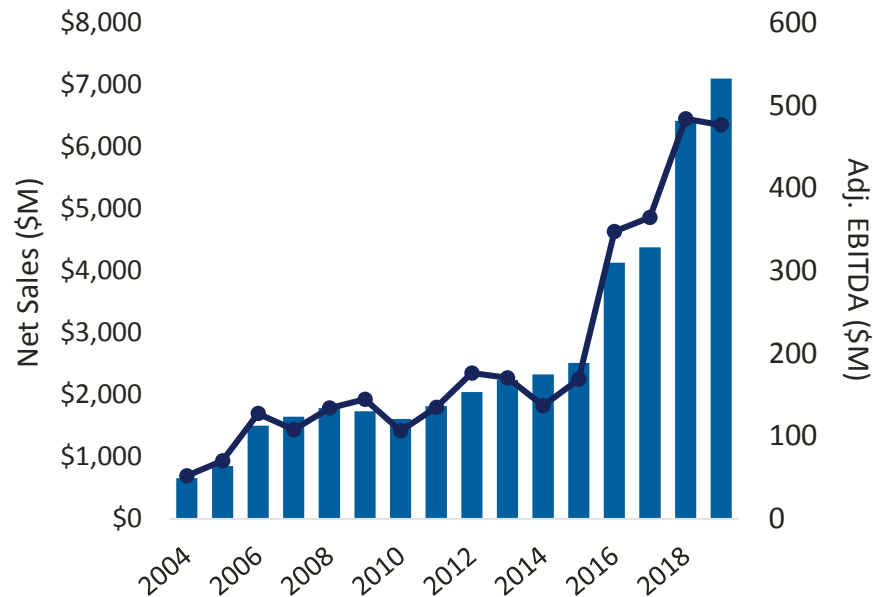
- Sales CAGR = **17.2%**
- Adjusted EBITDA CAGR = **15.9%**
- Op cash to adj. net income last 14 years = **141%**



## Rapid growth since 2004 IPO

- Repair & Remodel fuels market demand (~**70-75%**)
- Expansion of same branch **growth initiatives**
- Opened **89** new greenfield locations
- Completed **46** acquisitions

Net Sales & Adjusted EBITDA Since IPO



# LARGE STABLE MARKETS



## ROOFING PRODUCTS

- Estimated market size of \$26 billion
- ~20% current share; 2nd largest distributor
- Beacon is a leading consolidator



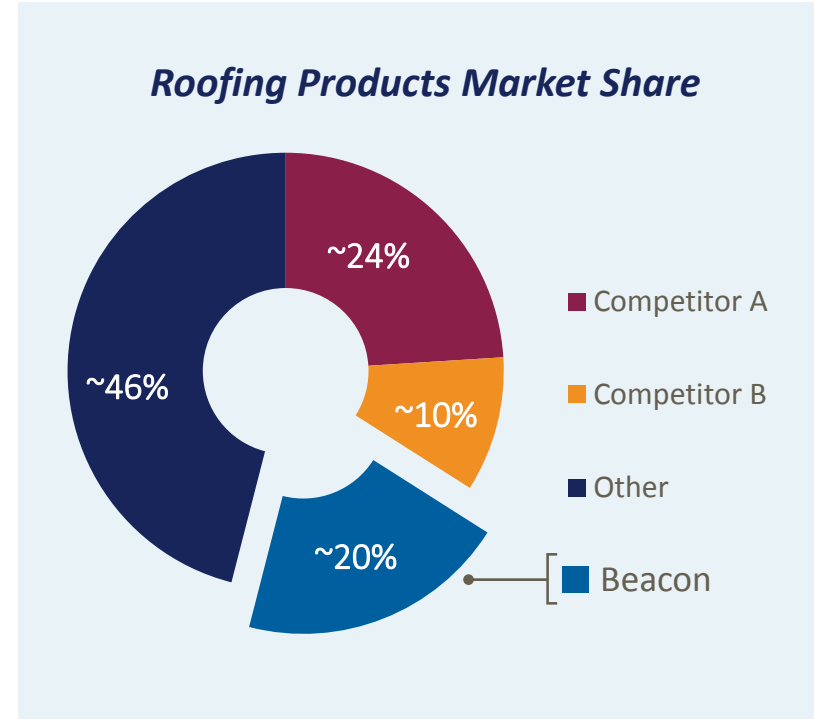
## EXTERIOR COMPLEMENTARY

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



## INTERIOR PRODUCTS

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

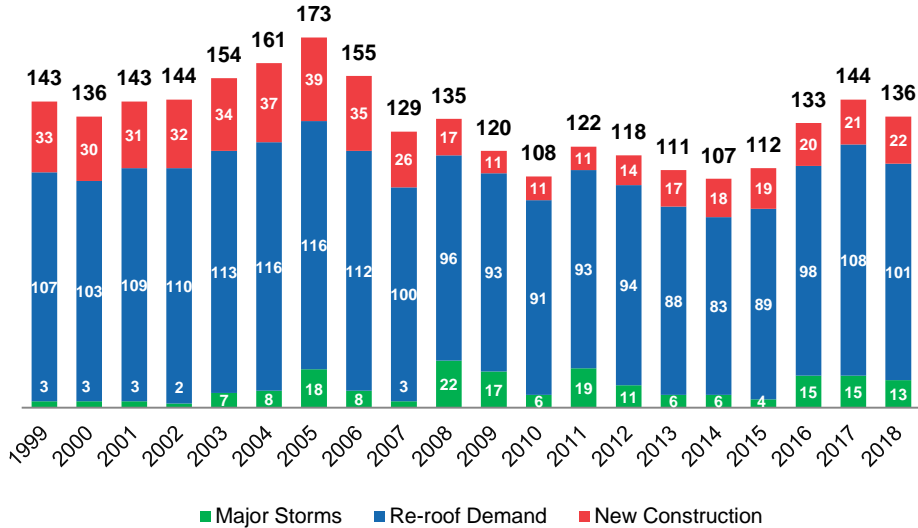


Source: Company Estimates, ProSales

# CONTINUED STABILITY THROUGH THE CYCLE

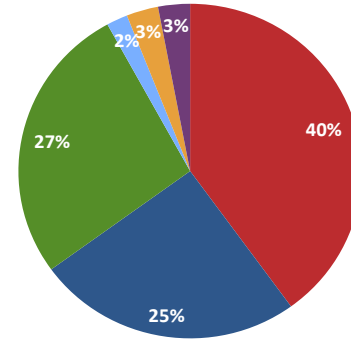
## U.S. Asphalt Shingle Market

(Millions of Squares)



- Re-roof demand remains approximately **13%** below prior cycle peaks

## Drivers of Re-Roofing Demand

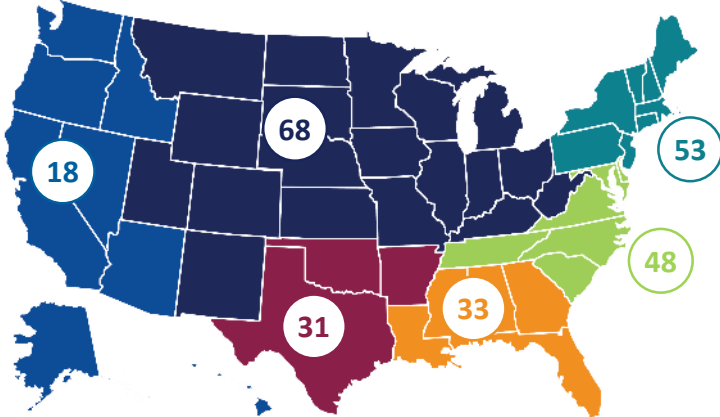


- Leaks
- Old
- Weather Damage
- Deteriorating
- Upgrade Appearance
- Other

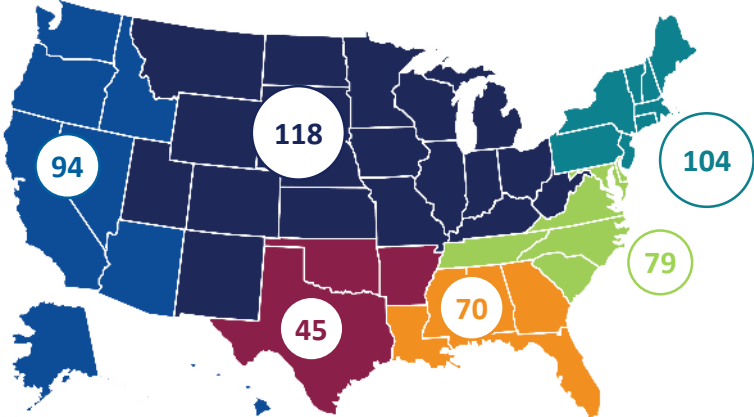
- Re-roofing/repair represents **~80%** of roofing demand
- 94%** of U.S. re-roofing demand is non-discretionary
- Insulated from broader economic conditions

# FY2016-2019 | BEACON'S TRANSFORMATION

PRE-RSG BRANCH COUNT



FY2019 BRANCH COUNT

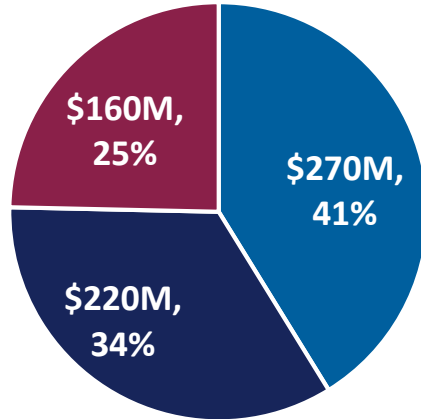


- ▶ Revenue from **\$2.5B to \$7B+**
- ▶ Industry-leading **Digital Platform**
- ▶ Expansion of **Private Label - TriBuilt**
- ▶ Market Share **~9% to ~20%**
- ▶ Multiple Product Platforms: **Interiors, Exteriors, Complementary**
- ▶ Combined RSG + Allied Synergies: **\$175M+**

# PRODUCT MIX GROWTH

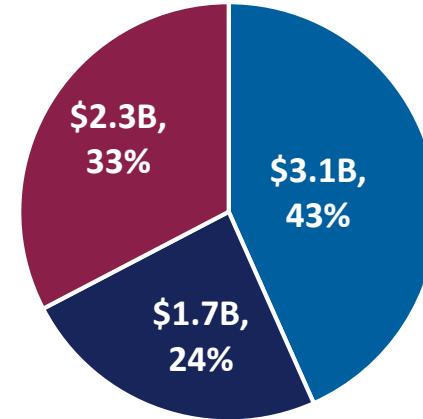
## Sales Product Mix

FY04



Total Sales  
= ~\$650M

FY19



Total Sales  
= ~\$7.1B

■ Residential roofing ■ Non-Residential roofing ■ Other\*

■ Residential roofing ■ Non-Residential roofing ■ Other\*

- Significant product expansion - up to 140,000 SKUs
- Added Interior products as part of Complementary with Allied Acquisition in 2018
- Expansion of private label (TriBuilt) in each Product Line

\* Other includes complementary products such as siding, windows, insulation, waterproofing systems, and specialty interior building products

# WHY PROS CHOOSE BEACON

*Customer Engagement That Drives Customer Retention and Innovation*

## CLOSE OUT THE JOB

- Digital Bill Pay
- Online Rebate Tracking

## DELIVERY

- Delivery Tracking
- Jobsite Pictures
- Triple Check

## PURCHASE MATERIALS

- Beacon Pro+
- 3D+ Estimate to Order
- Project Management



## ESTABLISH CREDIBILITY

- HomeAdvisor Partnership
- Certification Programs
- Custom Marketing Programs

## GENERATE LEADS

- Digital Lead Gen
- Logic Track
- Storm Tracker

## SELL THE JOB

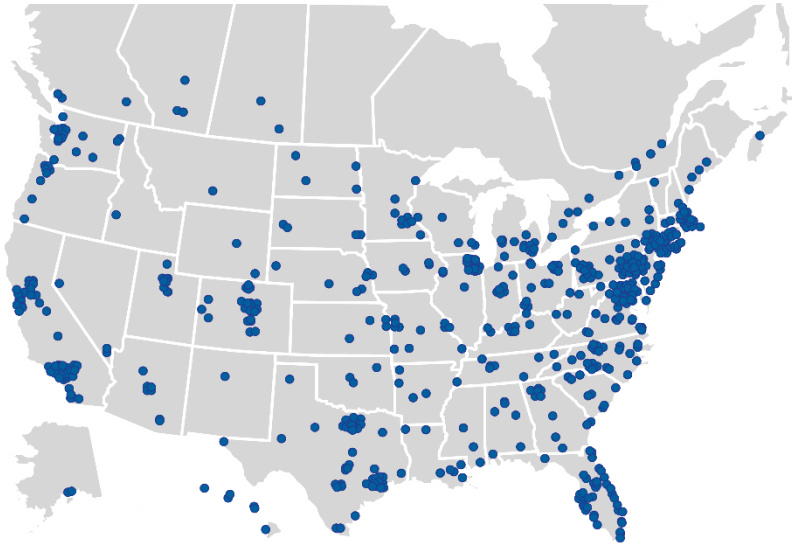
- Homeowner Financing
- In-Home Visualizer



# OMNI-CHANNEL APPROACH

*Expanded Market Presence and Industry Leading Omni-Channel Experience*

500+ Branch Locations



Pro+ Digital Suite



82%

B2B buyers say personalized customer care has a moderate to major influence on their loyalty

Source: Salesforce, December 2017

# BEACON OTC (ON TIME AND COMPLETE) OVERVIEW

*A network of branches sharing resources and systems to provide an optimal customer delivery experience*



## Customers Benefit

- ▶ Improved delivery timetables
- ▶ Shipment delivery notification via text or email
- ▶ Improved branch interactions
- ▶ Consistent end-to-end customer experience

## Suppliers Benefit

- ▶ Collaboration for inventory optimization
- ▶ Logistics leverage via hub locations

## Beacon Benefits

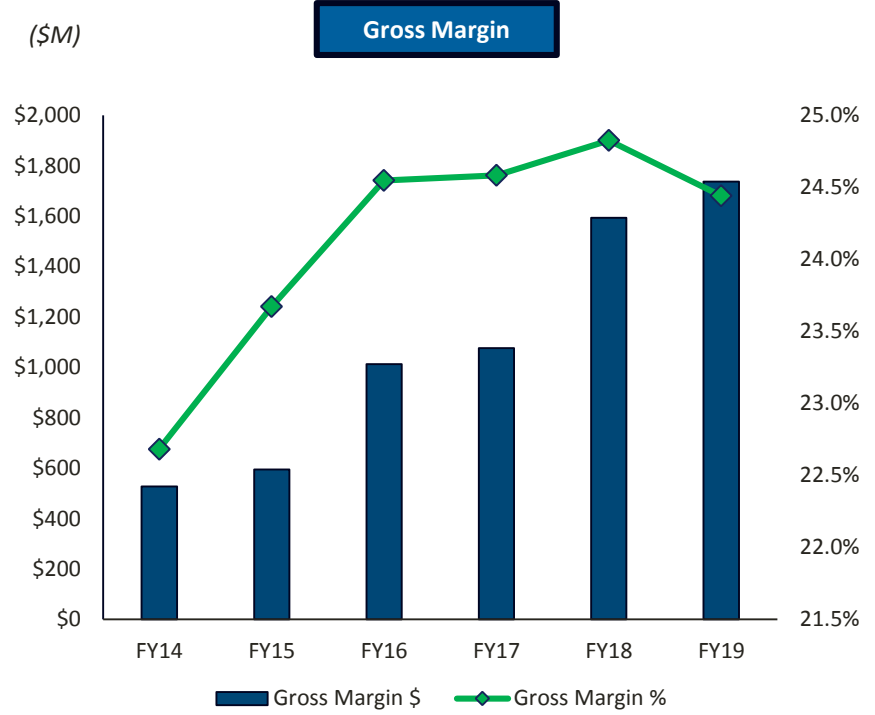
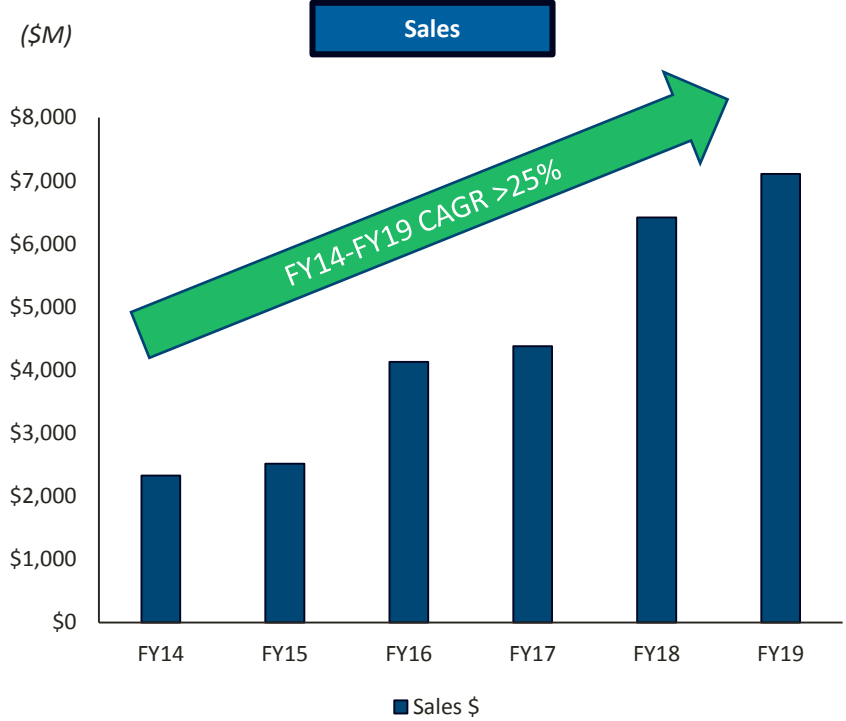
- ▶ Enhances sales growth
- ▶ Improves operating cost leverage
- ▶ Reduces working capital

# FOURTH QUARTER 2019 HIGHLIGHTS

- ▶ Q4 net sales of \$2.03B; 3.2% daily organic growth over prior year
- ▶ Existing market residential daily sales growth of 11.5% over prior year
- ▶ Operating cash generation of more than \$400M, reduced Net Debt<sup>1</sup> by \$393M
- ▶ Improvements to capital structure; refinanced \$300M of Sr. notes

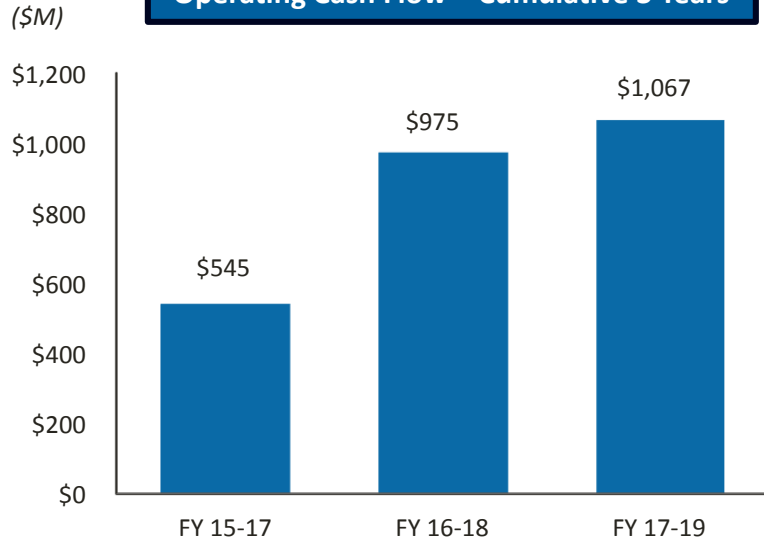
<sup>1</sup> Defined as gross debt less cash. Decrease in gross debt and increase cash from 6/30/2019 to 9/30/2019 was \$348.4 million and \$44.6 million, respectively.

# SIGNIFICANT SALES GROWTH AND MARGIN EXPANSION



# STRONG CASH GENERATOR

Operating Cash Flow – Cumulative 3 Years



- Generated ~\$1.1B in operating cash flow over three years
- Net Debt reduction in Q4 was \$393M
- Improved the capital structure:
  - Refinanced existing bonds
    - Issued \$300M of 8 yr. Sr. Secured HY notes @ 4.5%
    - Replaces 2023 notes @ 6.375%
    - Lowered interest rate by ~190 bps.
    - Extends maturity 3 years
  - Fixed \$500M of Term B loan at rate of ~3.75%

# SUMMARY

- ▶ Significant Positives in Q4 and Fiscal 2019
  - ▶ Daily organic residential sales grew 11.5% in the quarter
  - ▶ Demonstrated good operating leverage, improving 40 bps. over the prior year\*
  - ▶ Robust operating cash flow – almost \$1.1 billion in total over the last 3 years
  - ▶ Integration activities complete
- ▶ Looking forward to FY20
  - ▶ Pivot focus to organic growth
  - ▶ New customers across our branch network
  - ▶ Improving branch operating performance
  - ▶ Expanding on our industry-leading digital platform

\* On an adjusted basis – see Appendix.

***FY20 and beyond...realizing our potential***

# APPENDIX



Note: for non-GAAP reconciliations please reference the most recent investor presentation located on the Beacon Roofing Supply website / Investor Relations / Events & Presentations