



Beacon Roofing Supply, Inc.

2005

ANNUAL REPORT

Beacon's Growing Family of Regional Distributors



JGA Corporation



Groupe Bedard



Beacon Sales Company



West End Lumber



Coastal Metal Service



Shelter Distribution Inc.



Best Distributing Co.



The Roof Center Inc.



Beacon Roofing Supply Canada Company



Quality Roofing Supply



Beacon Roofing Supply, Inc.

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[www.beaconroofingsupply.com](http://www.beaconroofingsupply.com)

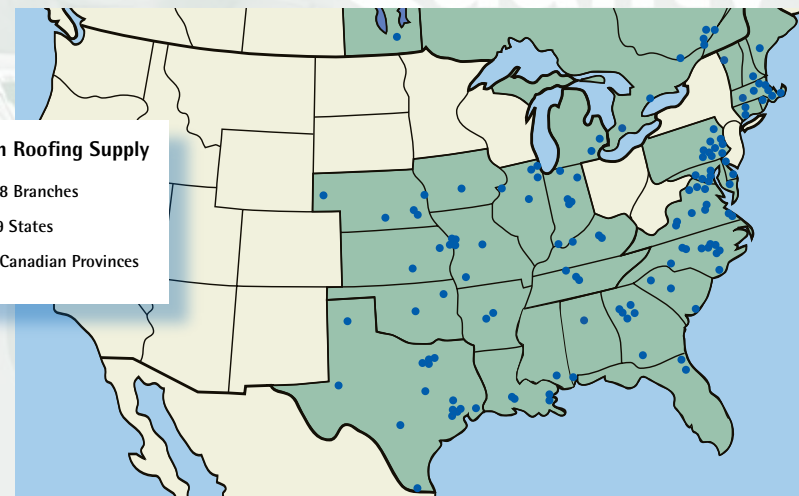
## Corporate Profile

Since its inception, Beacon Roofing Supply, Inc. has grown to be one of the largest distributors of residential and non-residential roofing materials and complementary products in North America. With over 30,000 customers, Beacon is the first or second largest distributor in many of the regions we serve. (See map below.) We have a reputation for quality people, quality service and quality products.

Our local branches stock a comprehensive product line that caters to the local market. In addition to residential and commercial roofing, our product categories include waterproofing, windows, siding and other exterior products. Beacon distributes the roofing and complementary products of brand-name manufacturers. These manufacturers understand that our staff expertise and quality service can ensure the successful application of their premium products.

Our knowledgeable and experienced sales and marketing team includes outside sales and business development specialists, inside sales/customer service representatives, manufacturer/architectural representatives and product specialists. Contractors trust the product knowledge and application expertise of Beacon's staff. They rely on this expertise, on-time delivery and product availability to deliver successful, profitable, on-time projects. As a result, "partnerships" are formed between Beacon branches and our customers that go beyond the industry norm.

We have grown by expanding our existing regions and by making strategic acquisitions. Our business is well-balanced between new and re-roof applications in both the residential and commercial markets. A highly scalable platform, a proven business model, results-oriented management, a strong people-focused corporate culture and a full enterprise computing function give us a solid foundation for continued growth. These strengths give us the flexibility to grow by expanding existing branches, opening new branches and making acquisitions.



## Financial Highlights

\$ in 000's except per share amounts

Fiscal year ended (1):	2001	2002	2003	2004	Pro forma (2) 2004	2005
Net sales	\$415,089	\$549,873	\$559,540	\$652,909	\$652,909	\$850,928
Gross margin %	22.6%	24.7%	25.2%	25.4%	25.4%	24.3%
Operating income	\$18,727	\$29,428	\$31,292	\$34,672	\$42,345	\$60,719
Operating income %	4.5%	5.4%	5.6%	5.3%	6.5%	7.1%
Income (loss) before taxes	\$422	\$11,364	\$14,626	(\$5,226)	\$39,868	\$54,893
Net income (loss)	(\$376)	\$5,211	\$7,105	(\$15,355)	\$22,525	\$32,917
Diluted net income (loss) per share	(\$0.03)	\$0.29	\$0.39	(\$0.86)	\$0.84	\$1.20
Total assets	\$263,655	\$257,932	\$275,708	\$301,498	\$301,498	\$384,437
Stockholders' equity	\$26,568	\$32,290	\$41,766	\$38,245	\$140,488	\$178,745
Total debt-to-equity ratio	618.3%	472.0%	344.4%	405.9%	38.0%	51.4%

**Compound 5-year annual sales growth for 2001 through 2005**

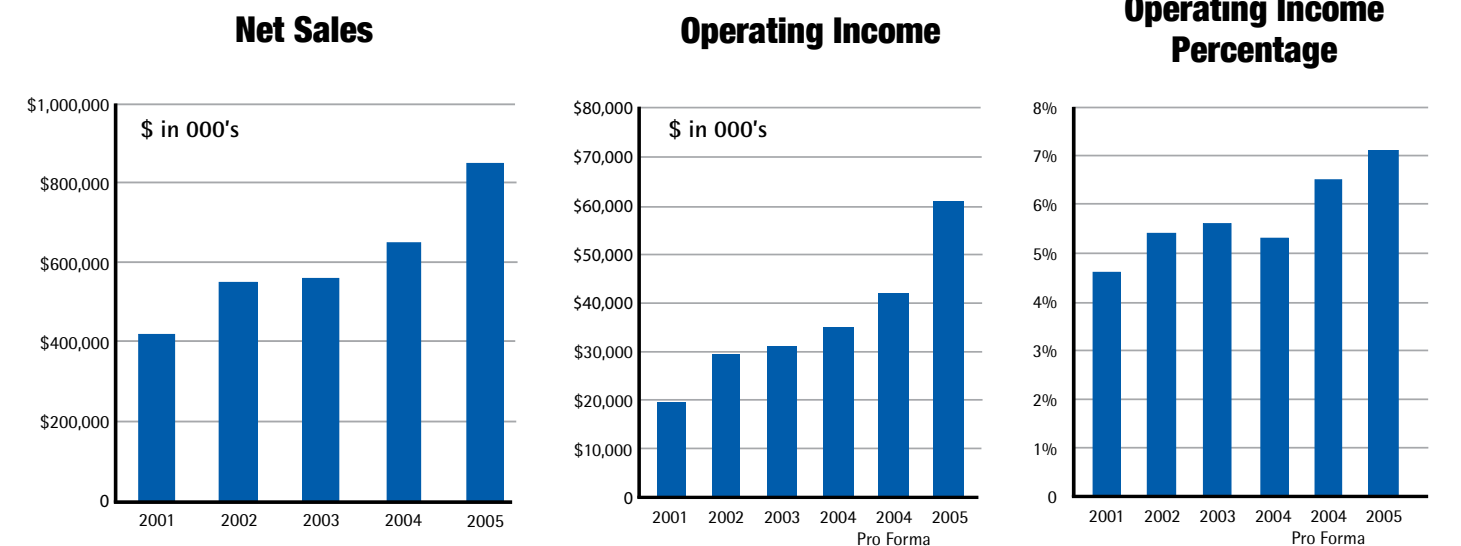
**30.6%**

**Compound annual operating income percentage growth from 2001 through 2005**

**42.4%**

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

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



# 2005

## The Year in Review

### Letter to our shareholders

#### Dear Shareholders and Friends,

It is a sincere pleasure to communicate with our shareholders and friends each year in our Annual Report. We take this duty very seriously. A book called *The Essays of Warren Buffett, Lessons for Corporate America* contains many of the letters he's written to his shareholders over the years. We draw inspiration from "The Oracle of Omaha" as we write this letter to you. Warren Buffett certainly has a marvelous way of communicating his business philosophies. We won't be able to delight you with our prose the way he can, but we know we can clearly communicate our accomplishments, reiterate our business plans and talk about our vision for the future. We also know that our future success is dependent on our company having the most talented people working in an environment that motivates them to be the absolute best they can be. There is more written about our corporate culture and "The Best Environment" on page 8 of this Annual Report.

Okay, with inspiration from "The Oracle," let's first review our accomplishments in fiscal year 2005, our first full year as a public company. It was such an exciting year that we hated to see it end. Sales for the year were \$850.9 million, which reflects an increase of 30.3% or \$198 million over the prior year. Looking at the components of that sales growth, we are proud to say that our organic growth rate was 15.7%, and growth from acquisitions was 14.6%. Our long-term growth rate goal continues to be 15–25%, with organic growth contributing 5–10% and acquisitions adding 10–15%. Clearly, fiscal



Andrew Logie  
CHAIRMAN



Robert Buck  
PRESIDENT and CEO



David Grace  
CHIEF FINANCIAL OFFICER



Don Joseph, Jim Thompson (Branch Manager), Dave Rottman and Paul Mentz of the Wilmington, North Carolina branch, which received our most recent Chairman's Award for the Best Branch of the Year.

year 2005 exceeded our expectations. Last fiscal year was indeed a special year because we enjoyed growth across all product categories – residential, commercial and complementary products.

A net income of \$32.9 million and earnings per share of \$1.20 are both records for our company. These results demonstrate our ability to control costs and raise prices when required because of material cost increases. One of our core values is to operate in a "lean and clean environment." The fiduciary responsibility of caring for the financial resources entrusted to us is and will always be a top priority at Beacon Roofing Supply, Inc .

As you review our sales, net income, balance sheet and cash flows, we hope you are also pleased with our performance. From a "scorecard" point of view, we did very well. However, it is worth noting a few other accomplishments that will contribute to our success for years to come. We will achieve our long-term growth objectives by growing organically in our existing regions and acquiring well-known and well-run distributors in regions where we don't currently operate.

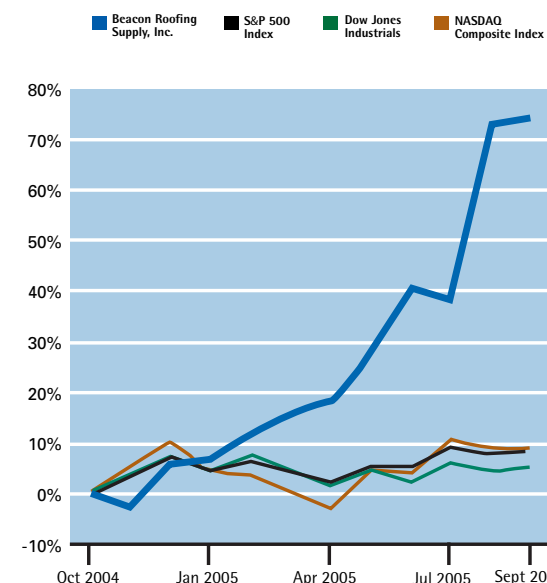
During fiscal 2005, we completed two major acquisitions. In December 2004, we acquired JGA Corp., a leading distributor headquartered in Atlanta with eight branches in Georgia and Florida. Soon after, in April 2005, we completed the acquisition of ISI, a well-known distributor of commercial roofing supplies with operations in Roanoke and Virginia Beach, Virginia. These two excellent acquisitions had combined total sales of approximately \$100 million in the 12 months prior to our purchase. Soon after the close of the fiscal year, two additional acquisitions were consummated.



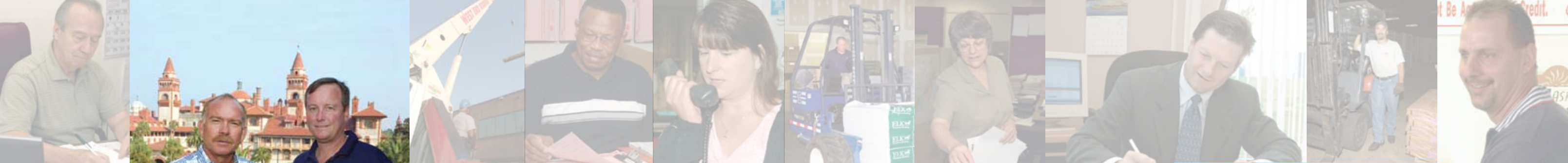
Siding is one of the complementary products offered by Beacon to create incremental building-envelope selling opportunities where applicable in our local branches.

#### BEACON'S STOCK PERFORMANCE

(Nasdaq: US: BECN 10/1/2004-9/30/2005)



Beacon was named IPO of 2004 by the *Boston Globe* for the performance of our stock after its initial public offering.



Drew Taylor (right), Beacon's St. Augustine, Florida branch manager with contractor Virgil Arnette. Beacon supplies Arnette's firm with the terra cotta clay tile they use to repair and replace the tile roofing system of a local college seen in the background. Arnette is one of 30,000 contractor customers to experience Beacon's brand of service in 2005.

On October 14, 2005, we completed the purchase of Shelter Distribution, which operates 53 branches in 15 states and had sales of approximately \$248 million in 2004. Then on November 23, 2005, we acquired Easton Wholesale. Easton Wholesale has operated a roofing and building supply distribution business in Easton, Maryland since 1954. The four acquisitions described above have combined annual sales exceeding \$350 million. We are proud of the success of our acquisition program.

complete the project on a timely basis with the finding of no significant deficiencies in our internal controls over financial reporting. Although this project was expensive, we believe we are a stronger and more disciplined company because of it. We are especially proud of how our management team came together to achieve this major accomplishment in 2005, while we continued to rapidly grow our business.



Fiscal year 2005 was truly successful on virtually all fronts. We achieved record sales and profits, improved profitability, made several acquisitions, opened six new branches and successfully implemented the requirements of the Sarbanes-Oxley Act. Our shareholders were rewarded with a stock price that began the fiscal year at \$15.95 and ended at \$31.76. All of those accomplishments are wonderful, but what about the future?

We're optimistic about the future for several reasons. We are in a good business. The industry is healthy and has good prospects for growth. We have a solid business model that recognizes the importance of the entrepreneurial spirit of our branch and regional organizations. We will stick to the fundamentals of growing organically and making strategic acquisitions as we expand throughout North America. However, the most important thing we can do is to make sure we always have the best-trained and motivated people working hard to ensure our success. Linking culture, people, services, products and customers is the Beacon business model. And in this model, our quality people are our most important competitive advantage.

Thank you for your confidence and support.

drop in signatures from last year.

**Andrew Logie**  
Chairman

**Robert Buck**  
President and CEO

  
**David Grace**  
Chief Financial Officer



Members of the Beacon staff responsible for commercial architect/construction specifier representation in New England. The 2005 increase in Beacon's commercial roofing business exceeded expectations.



A Beacon flatbed truck crane makes a just-in-time rooftop delivery of materials for a commercial roofing contractor customer near Toronto, Ontario.

## 2005

The Year in Review

**Linking culture, people, service, products and customers is the Beacon business model.**  
And in this model, **our quality people are our most important competitive advantage.**



Dan Jandzio and branch manager Jason Carruthers (right), the sales team at Beacon's new branch in York, Pennsylvania. In FY 2005 Beacon opened six new branch locations in its existing regions.

During 2005, we also planted the Beacon flag in six markets adjacent to our existing markets with new branch openings. These new branch openings were in Greenville, North Carolina; Baltimore, Maryland; York, Pennsylvania; Shelburne, Vermont; Birmingham, Alabama; and London, Ontario. Our expectation is that these new branches will soon become profitable and, in just a few years, will each be the #1 or #2 major roofing/building materials distributor in those markets.

Another very important accomplishment in 2005 was our successful implementation of the requirements of the Sarbanes-Oxley Act. Becoming a public company at the end of our 2004 fiscal year, did not afford us the luxury of any additional time to prepare for this substantial project. Despite the limited time, we were able to

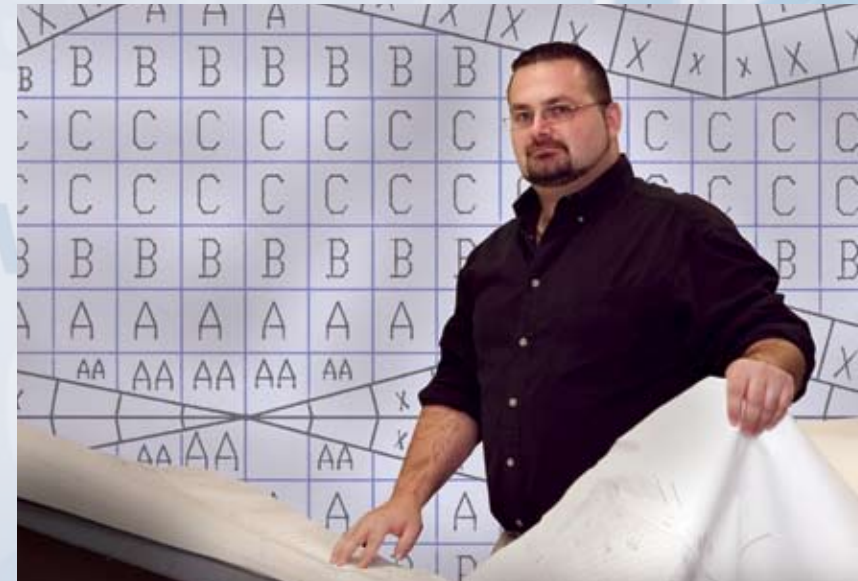
# Our Company's Continued Growth

When careful investors searching for a true growth company look at Beacon Roofing Supply, Inc., they find well-grounded, performance-oriented differences in our growth strategy. These competitive advantages set our company apart from other growing distribution enterprises:

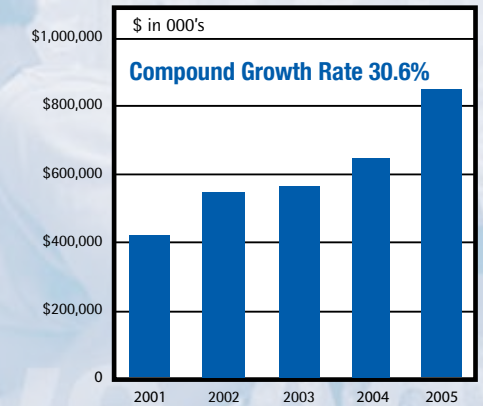
- How we value employees of acquired companies for their local knowledge and customer relationships;
- How we give these "new" employees more opportunities for growth and increased income, as well as better benefits;
- How we provide the capital funds and expertise necessary for local branches to acquire new equipment, offer new, complementary products and provide better service;
- How each new region joins our company's development: offering new products and services, finding new customers, increasing sales and opening new local branches;
- How our entrepreneurial operating philosophy encourages a diversity of people, products and services necessary to compete and flourish at the local branch level;
- And how, by being successful at the local branch level, we have been able to grow consistently and impressively.



Greg Woods, Waterproofing Specialist in Lancaster, Pennsylvania at a new college sports complex checking the application of the project's vapor/air barrier and the above- and below-grade waterproofing supplied by Beacon.



Mark Ricci, Manager, Northeast Tapered Dept., heads the Beacon department that processes commercial roofing specifications for tapered insulation systems (background schematic) supplied to roofing contractors in the Northeastern states by their local Beacon branches.



Beacon's Annual Sales Growth 2001-2005.

We encourage a diversity of people, products and services necessary to succeed at the local branch level.



Mike Tansey, Regional Residential Roofing Product Manager.



A new housing project featuring roofing and siding systems supplied by Beacon under Tansey's (left) supervision.



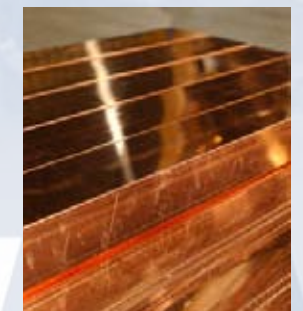
A new multi-family housing development featuring millwork (polyvinyl railings, fiber cement siding and trim) supplied by Beacon under Johnson's (right) supervision.



Jim Johnson, Regional Millwork Product Manager.



Rodney Darneal (right), Beacon's Commercial Products Manager in Houston, Texas, with contractor customers Kelly Page and Chris Robelen of Peak Roofing at Beacon's delivery of a commercial, low-slope roofing system for a Houston office building.



(Above) Copper downspout custom fabricated to project specifications at one of Beacon's Coastal Metal Service facilities.

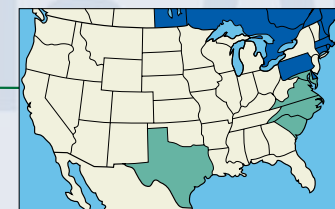
## From Our Modest New England Beginning to Our Vision of Our Future



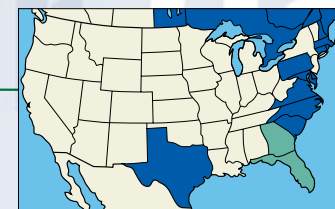
1984 Beacon Sales Company



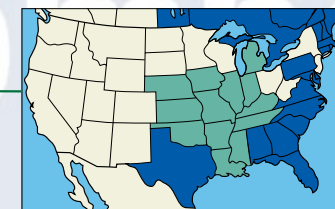
1998-99 added Quality Roofing Supply, Groupe Bedard, Exeltherm



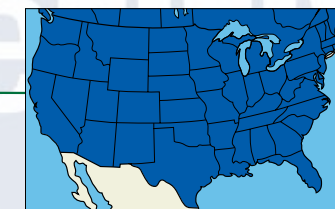
2000-01 added Best Distributing, The Roof Center, West End Lumber



2002-04 added JGA Corp.



2005 added Shelter Distribution



... And Beyond

## Quality . . . Our People, Values and Culture

The quality people who staff our business, the quality values we share, and the quality culture that supports our efforts assure our company's continued success. Our values and our culture help our company and our people grow and prosper. We thrive in a competitive environment, because our quality people are our competitive advantage.

Our people appreciate our company's sustained emphasis on quality values, as our company, our customers, our suppliers and our stockholders appreciate their quality performance.



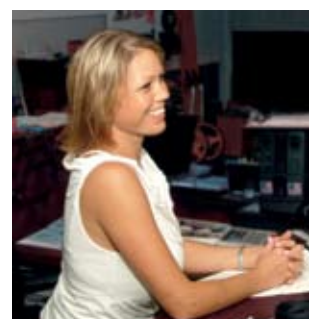
### Our personal values are based upon these foundational principles:

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



### Our business values encompass these traits and characteristics:

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



Beacon Roofing Supply, Inc.

### Board of Directors

**Andrew R. Logie**  
Chairman of the Board

**Robert R. Buck**  
President and Chief Executive Officer

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

**James J. Gaffney**  
Chairman of the Board of Directors  
Imperial Sugar Company

**Peter Gotsch**  
Partner, Code Hennessy & Simmons LLC

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

### Executive Management

**Andrew R. Logie**  
Chairman of the Board

**Robert R. Buck**  
President and Chief Executive Officer

**David R. Grace**  
Chief Financial Officer

**C. Eric Swank**  
Senior Vice President,  
Sales and Marketing

**Donald B. Hollingworth**  
Vice President, Credit

**John C. Smith, Jr.**  
Vice President, Purchasing

**Thomas R. Miller**  
Vice President, Human Resources

**John Blackburn**  
Regional Vice President  
JGA Corp.

**John H. Bradberry**  
Regional Vice President  
Shelter Southwest Division

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

**Timothy C. Hanks**  
Regional Vice President  
Shelter Central Plains Division

**William T. Logie**  
Regional Vice President  
Beacon Sales Company

**James I. MacKimm**  
Regional Vice President  
Quality Roofing Supply

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

**Patrick Murphy**  
Regional Vice President  
Best Distributing Co.

**Jean-Guy Plante**  
Regional Vice President  
Beacon Canada

**Daniel R. Tinker**  
Regional Vice President  
Shelter Midwest Division

### Transfer Agent and Registrar

Computershare Trust Company, N.A.  
250 Royall Street  
Canton, MA 02021

### Annual Meeting

February 15, 2006, 9:00 a.m. EST

### Independent Registered Public Accounting Firm

Ernst & Young LLP  
200 Clarendon St.  
Boston, MA 02116

### Corporate Headquarters

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

### Form 10-K

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

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

### On the Internet

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