



Beacon Roofing Supply

# Acquisition of Roofing Supply Group

Strategic combination of two leading roofing distributors



# Disclaimer

Before we begin, I would like to remind you that during the course of this conference call, management may make statements that are not purely historical facts or that necessarily depend upon future events, including statements about expected market share gains, forecasted financial performance or other statements about anticipations, beliefs, expectations, hopes, intentions or strategies for the future, such statements are considered forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. You are cautioned not to place undue reliance on forward-looking statements. All forward-looking statements are based upon information available to Beacon Roofing Supply on the date hereof. Beacon Roofing Supply undertakes no obligation to publicly update or revise any such forward-looking statements, whether as a result of new information, future events or otherwise. Such forward-looking statements involve risks and uncertainties that could cause actual events or results to differ materially from the events or results described in the forward-looking statements, including risks or uncertainties related to the Company's growth strategies, including gaining market share, or the Company's revenues and operating results being highly dependent on, among other things, the homebuilding industry, asphalt shingle prices and the economy. The Company may not succeed in addressing these and other risks. Further information regarding factors that could affect the Company's financial and other results can be found in the risk factors section of Beacon Roofing Supply's most recent annual report on Form 10-K filed with the Securities and Exchange Commission. Consequently, all forward-looking statements made on this call are qualified by the factors, risks and uncertainties contained therein.

In addition, numerous factors could cause actual results with respect to Beacon Roofing Supply's proposed acquisition to differ materially from those in the forward-looking statements, including without limitation, the possibility that the expected synergies, cost savings and tax efficiencies from the proposed transaction will not be realized, or will not be realized within the expected time period; the risk that the Beacon Roofing Supply and Roofing Supply Group (RSG) businesses will not be integrated successfully; the ability to obtain governmental approvals of the proposed transaction on the proposed terms and schedule contemplated by the parties; disruption from the proposed transaction making it more difficult to maintain business and operational relationships; the risk of customer attrition; the possibility that the proposed transaction does not close, including, but not limited to, due to the failure to satisfy the closing conditions; and the ability to obtain the debt financing contemplated to fund the cash portion of the transaction consideration and the terms of such financing. These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of the forward-looking statements contained herein. Other unknown or unpredictable factors could also have material adverse effects on Beacon Roofing Supply's future results.

Finally, in no way does this call constitute an offer to sell or the solicitation of an offer to buy any securities of Beacon Roofing Supply or any other issuer, nor shall there be any sale of any securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.



## **Paul Isabella**

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President and Chief Executive Officer

## **Joe Nowicki**

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Executive Vice President and Chief Financial Officer



# Beacon Roofing Supply's Acquisition of Roofing Supply Group

Beacon today announced that it has entered into an agreement to acquire RSG in a cash and stock transaction valued at approximately \$1.1 billion

- Combined Company to Generate Approximately \$3.7 Billion in Revenue Across 356 Locations
- Significantly Expands Beacon's Geographic Footprint in Southern and Western United States
- \$50 Million in Expected Annual Run-Rate Synergies
- Immediately Adjusted EPS Accretive and Provides Significant Tax Attributes
- Positions Combined Company to Better Capitalize on Continued Recovery in Roofing and Housing Markets



# Transaction Overview and Economics

<b>Purchase Price</b>	<ul style="list-style-type: none"><li>• \$1.1 billion in cash and stock</li></ul>
<b>Form of Consideration</b>	<ul style="list-style-type: none"><li>• \$286 million in cash and \$291 million in Beacon stock and options (fixed exchange ratio as of signing)<ul style="list-style-type: none"><li>– RSG’s net debt of \$565 million to be refinanced</li></ul></li></ul>
<b>Synergies</b>	<ul style="list-style-type: none"><li>• \$50 million annual run-rate pre-tax synergies</li></ul>
<b>Financial Impact</b>	<ul style="list-style-type: none"><li>• <b>Immediately accretive to earnings</b></li><li>• Significant expected tax attributes, including approximately \$130 million in net operating losses, existing intangible deductions of approximately \$190 million and transaction-related deductions of approximately \$50 million</li><li>• Combined company is expected to generate significant cash flow</li></ul>
<b>Transaction Financing</b>	<ul style="list-style-type: none"><li>• \$1.1 billion in fully committed financing associated with the acquisition<ul style="list-style-type: none"><li>– Anticipated allocation of debt instruments:<ul style="list-style-type: none"><li>• \$700 million 5-year ABL, \$350 million drawn at close for transaction financing purposes</li><li>• \$450 million 7-year Term Loan B</li><li>• \$300 million 8-year Senior Unsecured Notes</li></ul></li></ul></li></ul>
<b>Governance</b>	<ul style="list-style-type: none"><li>• As a result of the acquisition, CD&amp;R will own approximately ~15% of the pro forma company</li><li>• CD&amp;R will also have two seats on the board of the combined company</li></ul>
<b>Timing and Closing Conditions</b>	<ul style="list-style-type: none"><li>• Customary regulatory approvals and closing conditions</li><li>• Targeted to close on October 1<sup>st</sup>, 2015</li></ul>



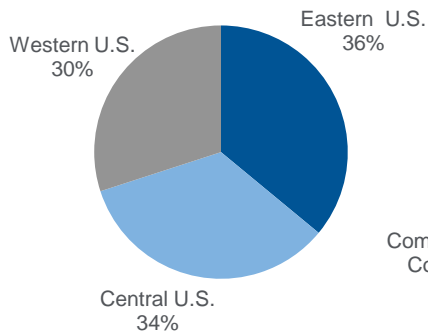
# Overview of Roofing Supply Group

## Business Overview

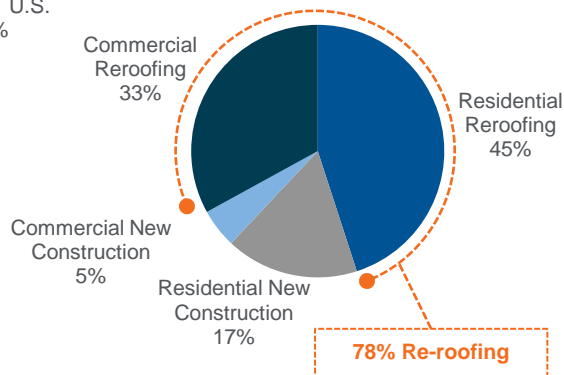
- Founded in 1981 in Houston, TX (Headquartered in Dallas, TX)
- RSG is a leading wholesale distributor of roofing supplies in the U.S.
- Distributes its products to contractors, builders, architects and building owners through 83 branches in 24 states of the U.S.
- Operates through two segments, Residential (62% of 2014 sales) and Commercial (38% of 2014 sales)
  - 78% related to re-roofing
- More than 20,000 SKUs spread across both residential and commercial products
- Owned by Clayton Dubilier & Rice since 2012
- 2014 Revenue: \$1.1 billion

## Revenue Breakdown (FY2014)

### By Geography








### By End Market



**FY2014 Revenue: \$1.1bn**

## Long-Standing Supplier Relationships

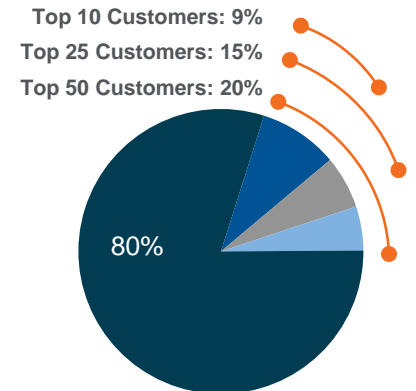
### Top Suppliers

Supplier	Tenure (Years)	Supplier	Tenure (Years)
	~15		>25
	~15		>25
	>25		>25
	~15		>25

## Diversified and Loyal Customer Base

- RSG sells to a diverse and highly fragmented customer base
  - Customer base of more than 7,000 active roofing contractors, home builders and retailers
  - No single customer accounted for more than 1.6% of 2014 sales
  - Top 100 represented only 29% of sales
  - RSG's extensive branch footprint allows for service to both local and national customers

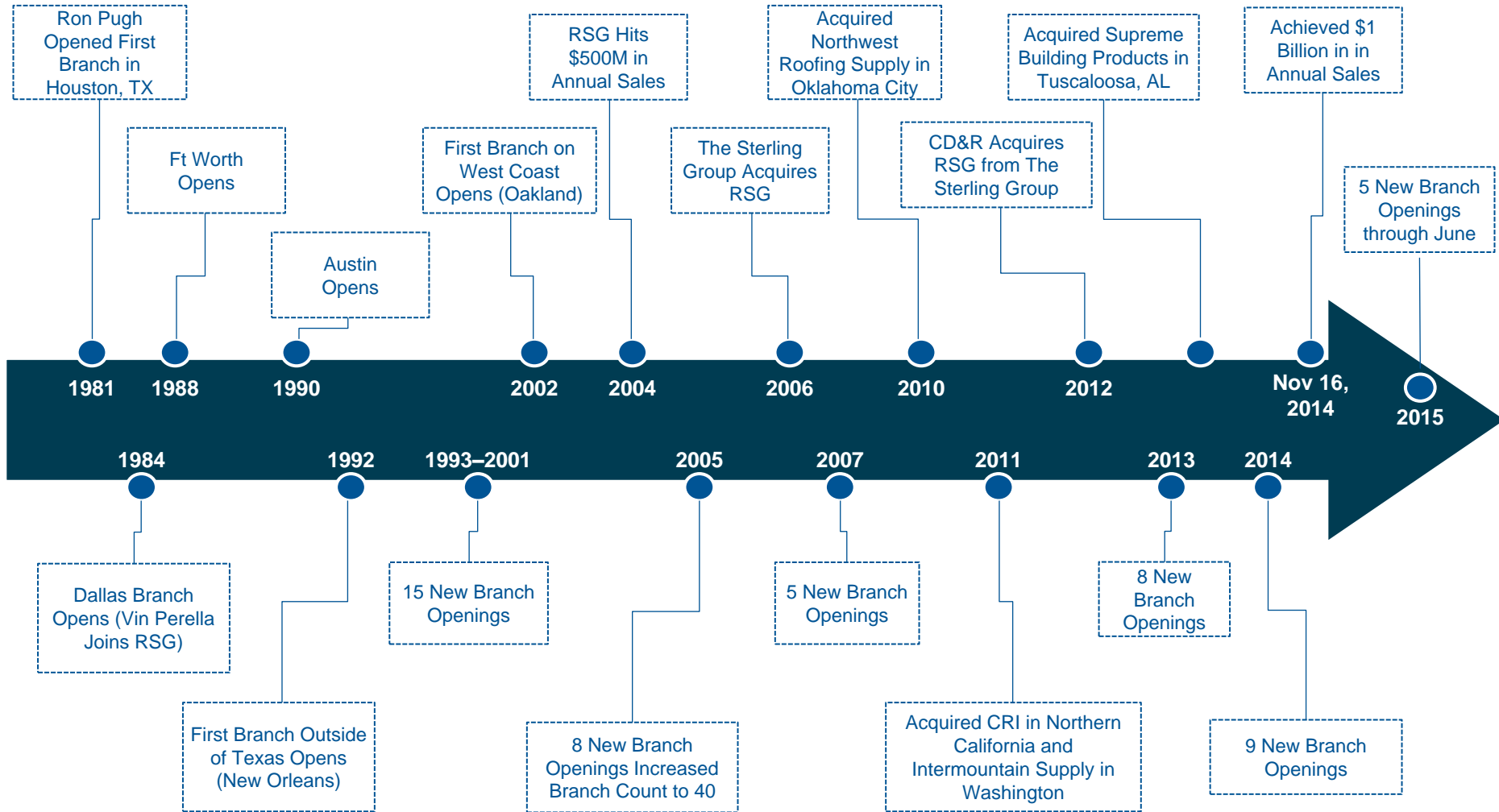
### 2014 Sales to Top Customers



# Roofing Supply Group History of Growth

## Acquisition and Growth History

(1981-Present)



# Benefits for Key Stakeholders

## Customers

- Expanded geographic footprint
- Broader range of industry-leading products
- Larger fleet for deliveries and service readiness

## Employees

- Aligns directly with our strategic plan focusing on customer service excellence and profitable growth
- Expanded footprint will provide increased development and career growth opportunities for talent across both organizations
- Superior employee benefits including healthcare, 401K and profit sharing

## Partners

- Strengthen relationships with existing suppliers
- Opportunity to participate in a combined company with much greater volumes





# Investment Highlights

Improved Geographic Footprint

1

Greater Diversification and Complementary Expertise

2

Better Scale in a Fragmented Market

3

Significant Cost Synergy Potential

4

Optimal Timing

5

Significant Cash Flow Generation Supports Deleveraging

6

Favorable Acquisition Financing

7



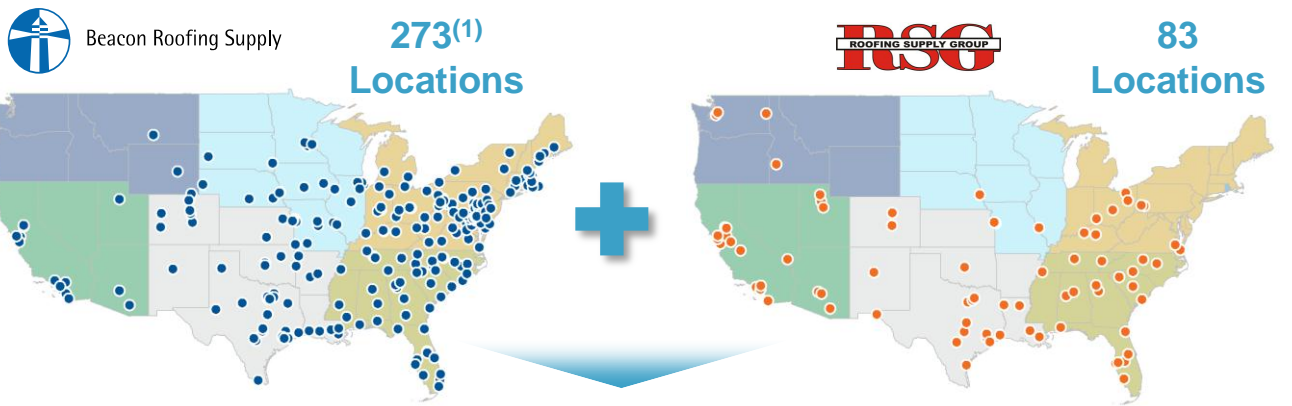
Beacon Roofing Supply



Beacon Roofing Supply

# 1 Improved Geographic Footprint

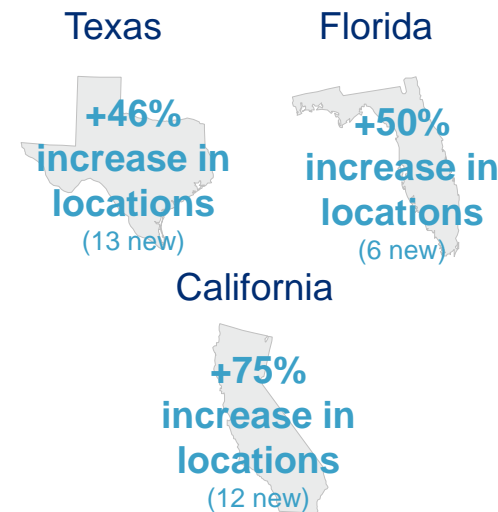
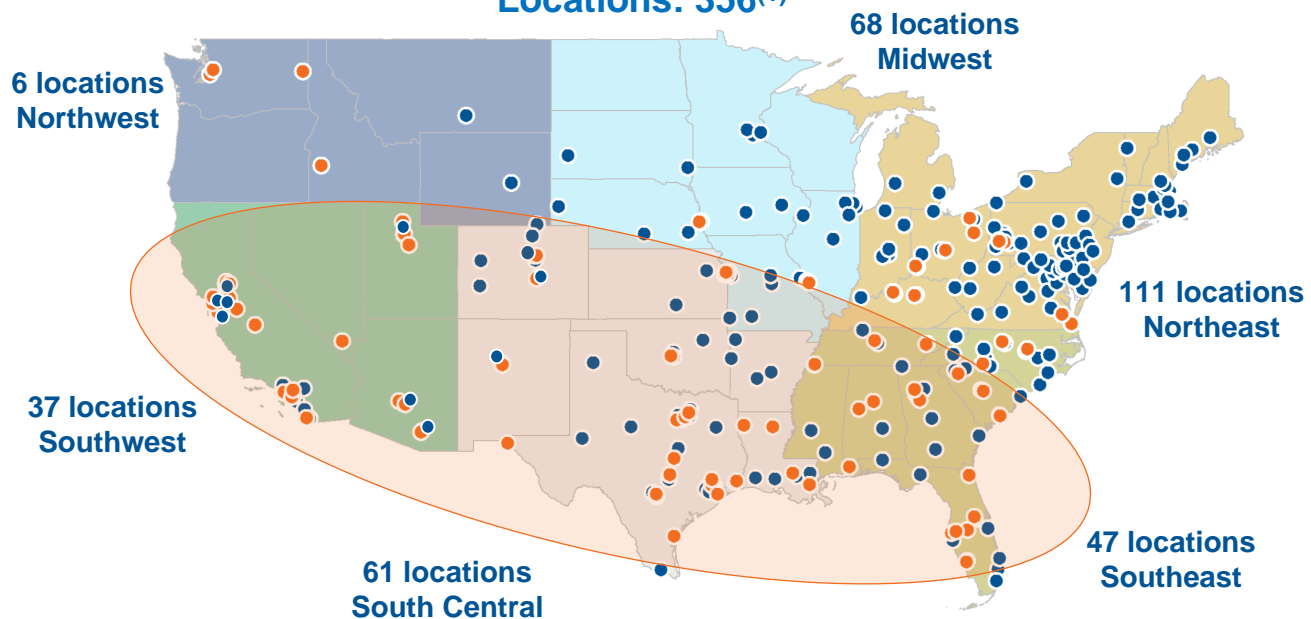
Improved distribution platform with increased exposure to the Southern and Western U.S.



Total Pro Forma Locations: 356<sup>(1)</sup>

Significant Increase in Presence in the States with Highest Issuance of Building Permits<sup>(2)</sup>

Top 5 States	YTD Permits Issued <sup>(3)</sup>	YTD Y-o-Y growth <sup>(4)</sup>
Texas	44,911	8.5%
Florida	25,889	11.5
California	17,748	13.8
North Carolina	15,165	3.7
Georgia	12,964	22.0
<b>Top 5</b>	<b>116,677</b>	<b>10.6%</b>
U.S.	273,372	8.5%



Sources: Management and U.S. Census Bureau.

- (1) Totals include Canadian locations and are pro forma for the acquisition of ProCoat Systems.
- (2) Top Metropolitan Statistical Areas (MSAs) based on 2014 Single Family Home Building Permits per U.S. Census data.
- (3) Year to date as of May 2015.
- (4) Represents year-over-year growth from YTD period May 2014 to May 2015.



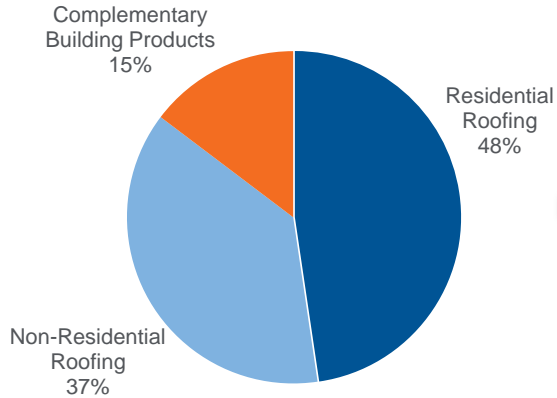
Beacon Roofing Supply

# 2 Greater Diversification and Complementary Expertise

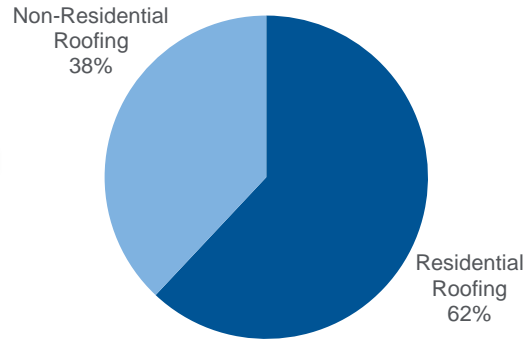
## Sales by End Market

FYE 2014

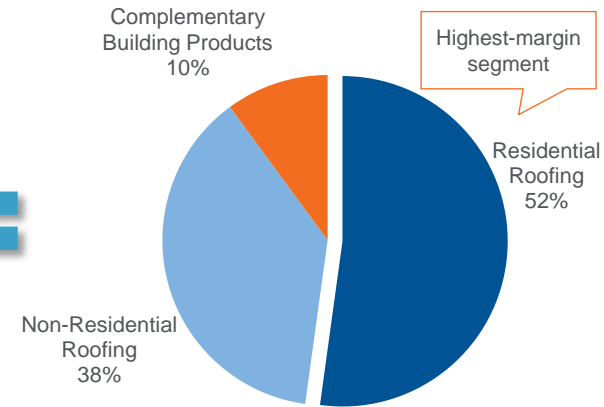
### Beacon



### RSG



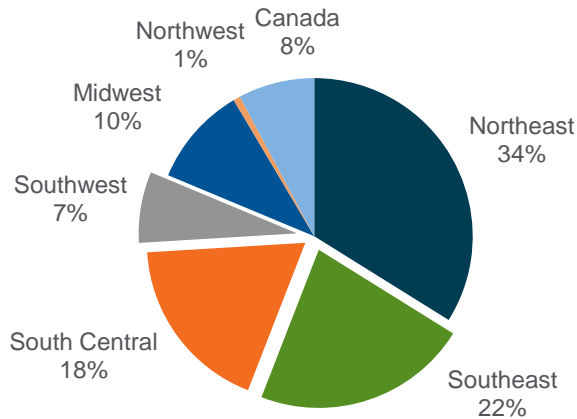
### Pro Forma



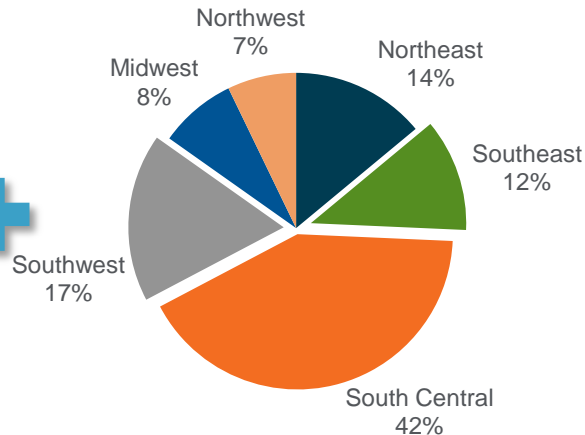
## Sales by Geography

FYE 2014

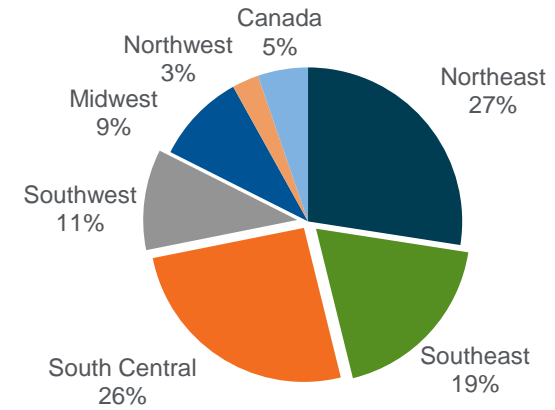
### Beacon



### RSG



### Pro Forma



Source: Company presentations and filings.

Note: RSG's figures are calendarized to match Beacon's fiscal year of 9/30.

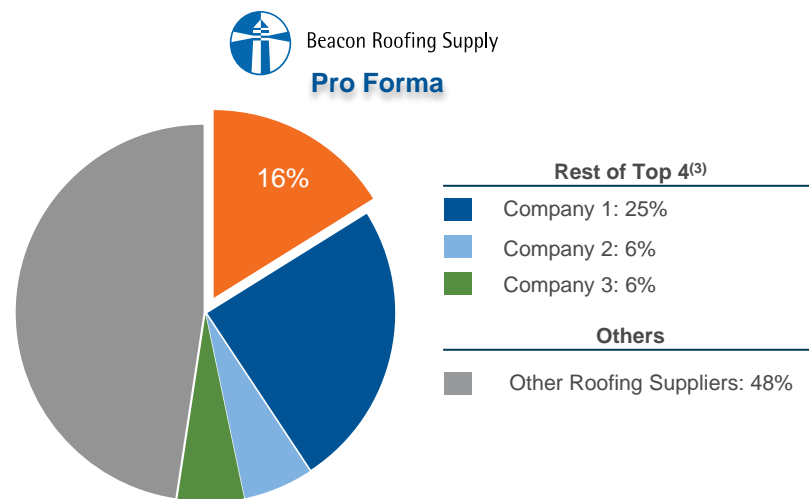


# 3 Better Scale in a Fragmented Market

## Roofing Industry Overview

- Roofing is a \$21 billion industry<sup>(1)</sup>
- Beacon is the second largest roofing distributor in North America
- Pro forma Beacon sales will be more than \$1 billion greater than its next largest competitor

## Estimated Roofing Industry Market Share<sup>(2)</sup>



## Number of Roofing Distributors

1,500  
Total

## Multi-Regional Roofing Players

75  
Are in more than  
one region

## Top 5 Distributors

Account for  
~52%  
of industry sales

Source: The Freedonia Group, Pro Sales Magazine.

(1) Represents sales by manufacturers.

(2) Top 4 share estimate based on sales figures in Pro Sales Magazine, May 2015.

(3) Figures may not sum due to rounding.



Beacon Roofing Supply

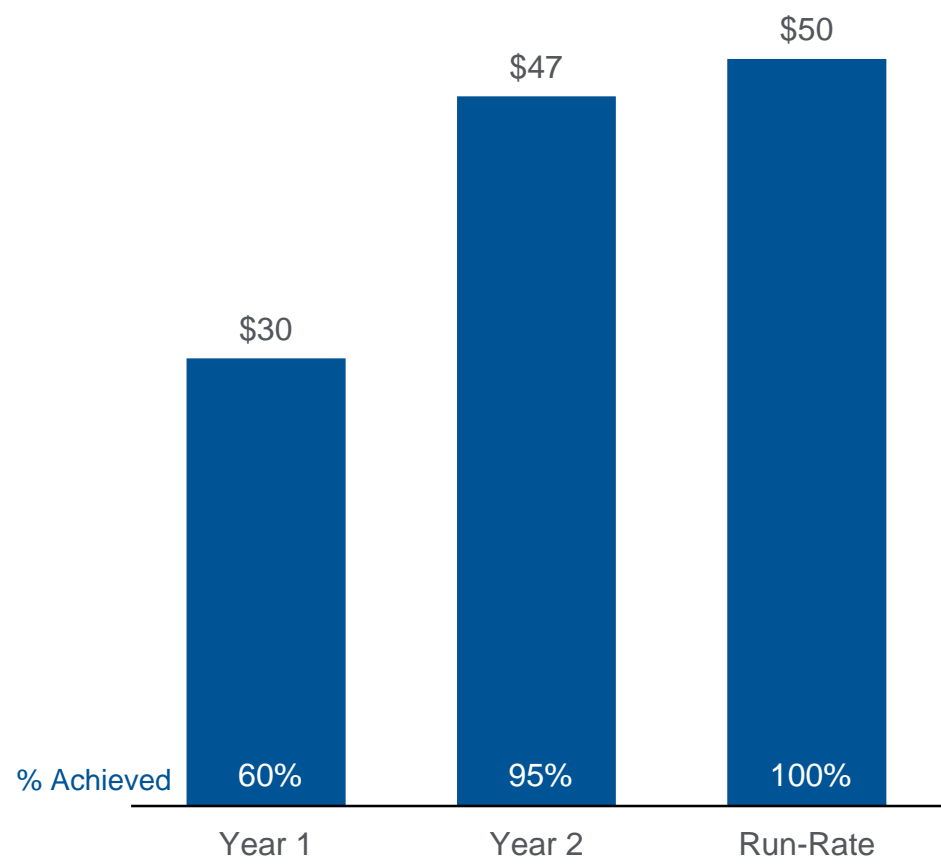
# 4 Significant Cost Synergy Potential

## Estimate of Synergy Opportunity

**\$50mm**

- ✓ Beacon has successfully acquired and integrated 28 businesses since its IPO in 2004
- ✓ Run-rate cost synergies conservatively represent ~5% of RSG's 2014 sales
- ✓ Management, with support of external consultants, has developed a detailed plan for the implementation of its cost synergy initiatives

## Run-Rate Synergies and Timing of Expected Realization



- Beacon management anticipates rapidly realizing potential synergies, reaching near full run-rate by Q2 2017

Source: Global management consulting firm.

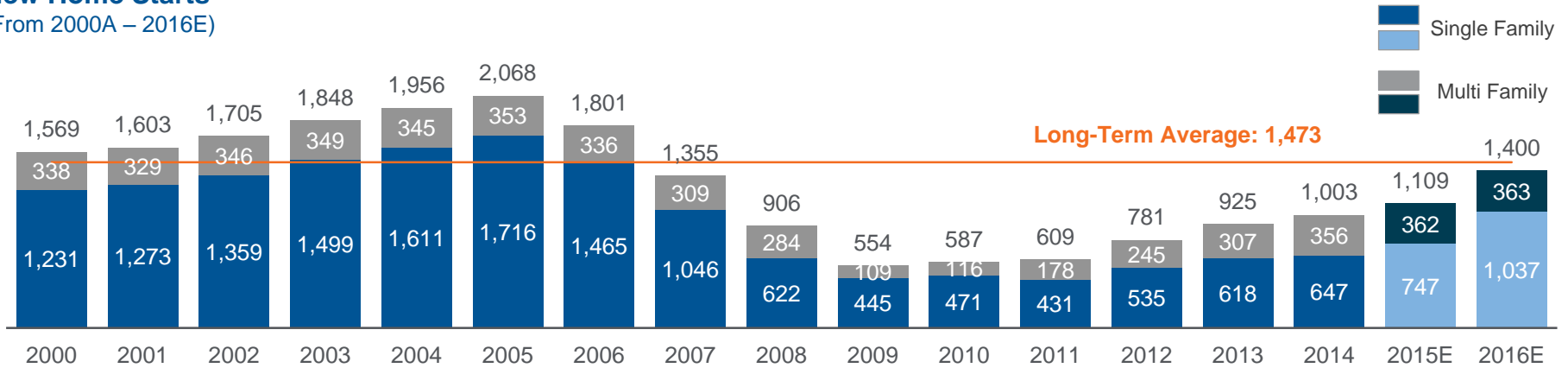


# 5 Optimal Timing: End Markets

Both Housing and Non-Residential markets are in the early stages of a significant cyclical recovery.

## New Home Starts

(From 2000A – 2016E)



## U.S. Spending on Non-Residential Construction

(\$ in billions)



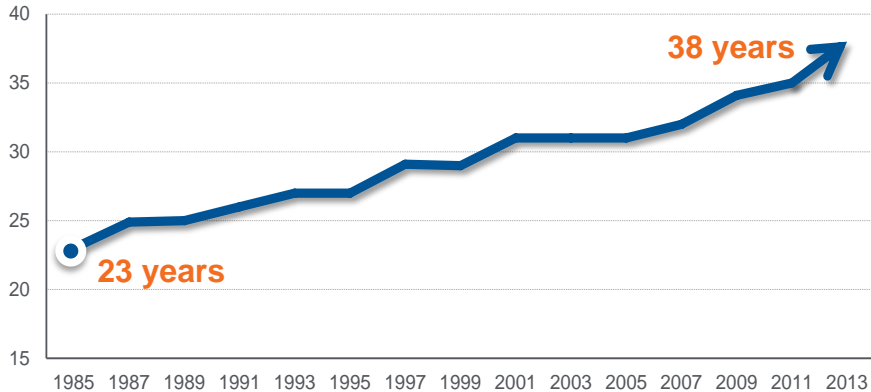
Source: NAHB, FMI Corporation.



# 5 Optimal Timing: Roofing Market

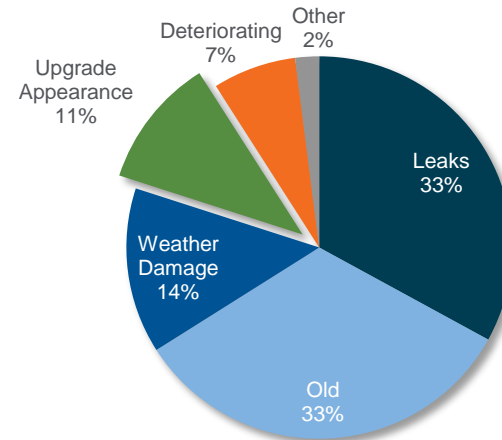
Households in America are getting older...

Median Age of Owner-Occupied Housing



...And most owners are forced to invest in repairs...

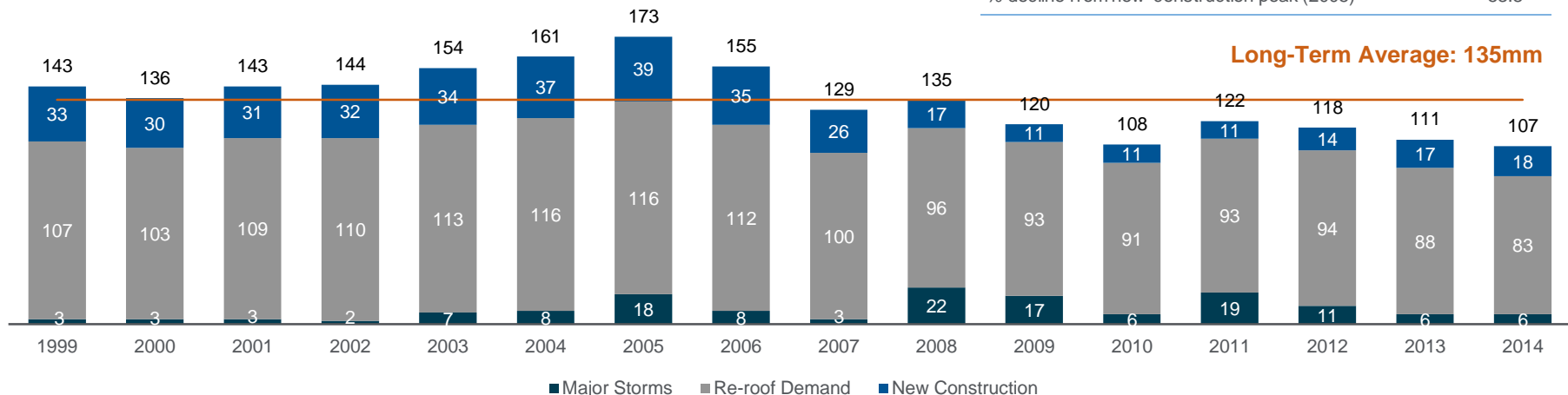
88% of U.S. re-roofing demand is non-discretionary



...While roofing volume is still below long-term averages

U.S. Asphalt Shingle Market

(Sq. Ft. in mm)



Change From Peak Levels

% decline from total peak (2005)	38.2%
% decline from major storms peak (2008)	72.7
% decline from reroof peak (2005)	28.4
% decline from new construction peak (2005)	53.8

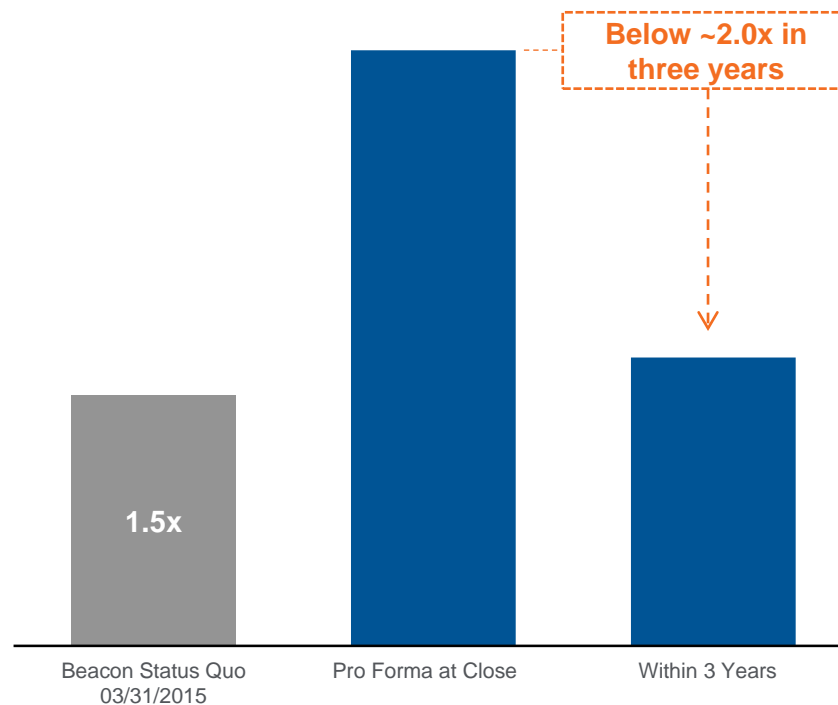
Source: Asphalt Roofing Manufacturers Association, Summary of Asphalt Roofing Industry Shipments. U.S. Census Bureau. National Association of Realtors existing home sales and Owens Corning management estimates. ELK. F.W. Dodge.



## Strong Deleveraging Profile

- Pro forma net debt of \$1.1 billion at close
  - Strong liquidity position with \$350mm of ABL availability for seasonal working capital needs and acquisitions
- Rapid expected deleveraging driven by:
  - Cost synergies realization
  - Earnings expansion
  - Strong free cash flow generation enhanced by recovering housing sector
  - Low ongoing capital expenditure
  - Utilization of tax attributes, including approximately \$130 million in net operating losses, existing intangible deductions of approximately \$190 million and transaction-related deductions of approximately \$50 million

## Illustrative Net Debt / Pro Forma EBITDA





# 7 Favorable Acquisition Financing

The current financing environment along with Beacon's leverage profile provides an opportunity to secure favorable financing terms

<b>Liquidity</b>	<ul style="list-style-type: none"><li>• More than \$350 million of liquidity at close, including ABL capacity and excess cash for seasonal working capital requirements and acquisitions</li></ul>
<b>Debt</b>	<ul style="list-style-type: none"><li>• Anticipated allocation of debt instruments:<ul style="list-style-type: none"><li>– \$700 million 5-year ABL, \$350 million drawn at close for transaction financing purposes</li><li>– \$450 million 7-year Term Loan B</li><li>– \$300 million of 8-year Senior Unsecured Notes</li></ul></li><li>• <b>Estimated Weighted Average Cost of Debt: ~4%<sup>(1)</sup></b></li></ul>
<b>Equity</b>	<ul style="list-style-type: none"><li>• \$291 million in new stock and options</li></ul>

Source: Management.

(1) Does not include \$350mm of undrawn ABL at close.



# Acquisition Provides Significant Opportunities

*An Exciting Opportunity to Drive Growth and Create Significant Shareholder Value*

Enhances Growth Strategy

Expands Geographic Presence and Diversity

Significant Cost Synergies and Tax Attributes

Enhanced Free Cash Flow Generation / Expected Deleveraging

Optimal Timing

Immediately Accretive to Earnings

