BEACON ROOFING SUPPLY INC

FORM 8-K
(Current report filing)

Filed 09/18/17 for the Period Ending 09/18/17

Address	505 HUNTMAR PARK DRIVE
	SUITE 300
	HERNDON, VA, 20170
Telephone	571-323-3939
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Industry	Construction Supplies & Fixtures
Sector	Consumer Cyclicals
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d)
of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): September 18, 2017

Beacon Roofing Supply, Inc.
(Exact name of registrant as specified in its charter)

Delaware	000-50924	36-4173371
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

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

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐

Item 8.01. Other Events.

As previously disclosed, on August 24, 2017, Beacon Roofing Supply, Inc., ("Beacon") entered into a stock purchase agreement (the "Stock Purchase Agreement") with Oldcastle, Inc. and Oldcastle Distribution, Inc., pursuant to which Beacon will acquire for approximately $2.625 billion in cash (subject to a working capital and certain other adjustments as set forth in the Stock Purchase Agreement) all of the outstanding shares of capital stock of Allied Building Products Corp. and an affiliated entity, Kapalama Kilgos Acquisition Corp. (the "Allied Acquisition"). The purpose of this Current Report on Form 8-K is to file the following historical combined financial statements of Allied Building Products Corp. and related companies (collectively, "Allied") and unaudited pro forma combined financial information to comply with the requirements of Rule 3-05 of Regulation S-X:

(i) Audited combined financial statements of Allied as of and for each of the fiscal years ended December 31, 2016, January 2, 2016, and December 27, 2014, and the related report thereon of Ernst & Young LLP, Allied's independent registered public accounting firm, filed herewith as Exhibit 99.1 and incorporated herein by reference;

(ii) Unaudited condensed combined interim financial statements of Allied as of and for the six-month periods ended July 1, 2017, and July 2, 2016, and the related review report thereon of Ernst & Young LLP, Allied's independent registered public accounting firm, filed herewith as Exhibit 99.2 and incorporated herein by reference; and

(iii) Unaudited pro forma condensed combined financial information of Beacon giving pro forma effect to the Allied Acquisition and related proposed financing transactions, consisting of the unaudited pro forma condensed combined statement of operations for the nine months ended June 30, 2017, the unaudited pro forma condensed combined statement of operations for the fiscal year ended September 30, 2016 and the unaudited pro forma condensed combined balance sheet as of June 30, 2017, filed herewith as Exhibit 99.3 and incorporated herein by reference.

The unaudited pro forma condensed combined financial information is provided for informational and illustrative purposes only and is not intended to represent, or be indicative of, the consolidated results of operations or financial position of Beacon that would have been reported had the Allied Acquisition and related proposed financing transactions been completed as of the dates presented, and should not be taken as representative of the future consolidated results of operations or financial position of Beacon following the consummation of the Allied Acquisition and related proposed financing transactions. We therefore caution you not to place undue reliance on the unaudited pro forma condensed combined financial information.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit Number	Description
23.1	Consent of Ernst & Young LLP, independent registered public accounting firm to Allied Building Products Corp. and related companies.
99.1	Audited combined financial statements of Allied Building Products Corp. and related companies as of and for each of the fiscal years ended December 31, 2016, January 2, 2016 and December 27, 2014, and the related report thereon of Ernst & Young LLP.
99.2	Unaudited condensed combined interim financial statements of Allied Building Products Corp. and related companies as of and for the six-month periods ended July 1, 2017, and July 2, 2016, and the related review report thereon of Ernst & Young LLP.
99.3	Unaudited pro forma condensed combined financial information of Beacon Roofing Supply, Inc. giving pro forma effect to the Allied Acquisition and related proposed financing transactions.

SIGNATURES

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 hereunto duly authorized.

BEACON ROOFING SUPPLY, INC.

Dated: September 18, 2017

By: /s/ Joseph M. Nowicki
Name: Joseph M. Nowicki
Title: Executive Vice President and Chief Financial Officer

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

1) Registration Statement (Form S-8 No. 333-210416) pertaining to the Beacon Roofing Supply, Inc. Amended and Restated 2014 Stock Plan,

2) Registration Statement (Form S-8 No. 333-193904) pertaining to the Beacon Roofing Supply, Inc. 2014 Stock Plan,

3) Registration Statement (Form S-8 No. 333-172142) pertaining to the Beacon Roofing Supply, Inc. 2014 Stock Plan (As Amended and Restated Effective February 8, 2011),

4) Registration Statement (Form S-8 No. 333-150773) pertaining to the Beacon Roofing Supply, Inc. 2004 Stock Plan (As Amended and Restated Effective October 22, 2007),

5) Registration Statement (Form S-8 No. 333-128379) pertaining to the Beacon Sales Acquisition, Inc. 401(k) Profit Sharing Plan,

6) Registration Statement (Form S-8 No. 333-119747) pertaining to the Beacon Roofing Supply, Inc. 1998 Stock Option Plan and 2004 Stock Plan;

7) Registration Statement (Form S-4 No. 333-209548) of Beacon Roofing Supply, Inc., and

8) Registration Statement (Form S-3 No. 333-210415) of Beacon Roofing Supply, Inc.;

of our report dated August 14, 2017, with respect to the combined financial statements of Allied Building Products Corp. and related companies as of December 31, 2016, January 2, 2016 and December 27, 2014, and for each of the three fiscal years in the period ended December 31, 2016, included in this Current Report on Form 8-K of Beacon Roofing Supply, Inc. dated September 18, 2017.

/s/ Ernst & Young LLP

Atlanta, Georgia
September 18, 2017

EXHIBIT 99.1

Allied Building Products Corp. and related companies

Combined Financial Statements

December 31, 2016, January 2, 2016 and December 27, 2014

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholder of Allied Building Products Corp. and related companies

We have audited the accompanying combined balance sheets of Allied Building Products Corp. and related companies (the “Company”) as of December 31, 2016, January 2, 2016 and December 27, 2014 and the related statements of operations **,** shareholder’s equity and cash flows for each of the three fiscal years in the period ended December 31, 2016. These combined financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audit as of and for the fiscal year ended December 31, 2016 in accordance with the standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America. We conducted our audits as of and for each of the two fiscal years in the period ended January 2, 2016 in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company’s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Allied Building Products Corp. and related companies at December 31, 2016, January 2, 2016 and December 27, 2014 and the results of their operations and their cash flows for each of the three fiscal years in the period ended December 31, 2016 in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Atlanta, GA, USA
August 14, 2017

ALLIED BUILDING PRODUCTS CORP. AND RELATED COMPANIES
COMBINED BALANCE SHEETS
(Amounts in thousands, except share amounts)

	December 31, 2016	January 2, 2016	December 27, 2014
ASSETS			
Current assets:			
Cash and cash equivalents	$ 6,494	$ 3,008	$ 11,776
Accounts receivable, net of allowances of $14,741, $15,574 and $18,071 as of December 31, 2016, January 2, 2016 and December 27, 2014 respectively	311,017	309,990	297,396
Inventories, net	268,374	242,422	234,517
Prepaid expenses and other assets	73,616	62,442	53,011
Amounts due from related parties	4,387	—	—
Total current assets	663,888	617,862	596,700
Property and equipment, net	110,799	109,611	84,506
Goodwill	433,094	433,094	433,094
Intangibles, net	16,142	26,579	38,923
Other assets	2,048	2,058	2,991
Total assets	$ 1,225,971	$1,189,204	$ 1,156,214
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities:			
Accounts payable, including bank overdraft of $4,767, $6,159 and $5,940 as of December 31, 2016, January 2, 2016 and December 27, 2014 respectively	$ 281,472	$ 287,559	$ 240,133
Accrued expenses and other liabilities	87,105	84,359	78,594
Indebtedness to related parties	—	94,120	232,596
Deferred acquisition consideration	1,570	1,233	726
Total current liabilities	370,147	467,271	552,049
Deferred acquisition consideration	2,602	4,174	5,408
Deferred income tax liability, net	13,426	12,315	2,616
Indebtedness to related parties	82,475	82,475	82,475
Total liabilities	468,650	566,235	642,548
Commitments and contingencies (Note 12)			
Shareholder's equity:			
Common shares:			
Class A Voting - no par value, 1,400 shares authorized, 497 issued and outstanding	—	—	—
Class B Non-Voting - no par value, 12,600 shares authorized, 4,095 issued and outstanding	—	—	—
Preferred shares - $714.286 par value, 6,300 shares authorized, 3,465 issued and outstanding	2,475	2,475	2,475
Additional paid-in capital	428,497	374,621	335,787
Retained earnings	326,349	245,873	175,404
Total shareholder's equity	757,321	622,969	513,666
Total liabilities and shareholder's equity	$ 1,225,971	$1,189,204	$ 1,156,214

The accompanying notes are an integral part of the Combined Financial Statements.

ALLIED BUILDING PRODUCTS CORP. AND RELATED COMPANIES
COMBINED STATEMENTS OF OPERATIONS
(Amounts in thousands)

	Fiscal Year Ended		
	December 31, 2016	January 2, 2016	December 27, 2014
Net sales	$ 2,560,404	$2,475,456	$ 2,365,687
Cost of sales (exclusive of amortization and depreciation shown separately below)	1,883,061	1,835,122	1,749,876
Gross profit	677,343	640,334	615,811
Operating expenses:			
Payroll costs	316,843	304,506	284,991
Occupancy costs	53,260	53,373	51,198
Repairs and maintenance	28,035	24,052	24,514
Depreciation	23,864	19,845	17,044
Sub-contractor and rental costs	13,093	11,046	14,679
Bank charges	17,010	15,393	13,802
Energy costs	15,598	17,531	23,192
Amortization	10,437	12,344	12,345
Other costs	60,794	53,803	55,888
Total operating expenses	538,934	511,893	497,653
Gain on sale of equipment	2,567	2,849	1,918
Operating income	140,976	131,290	120,076
Interest expense	(7,993)	(13,815)	(19,546)
Income before income taxes	132,983	117,475	100,530
Income tax expense	(52,507)	(47,006)	(39,965)
Net income	$ 80,476	$ 70,469	$ 60,565

The accompanying notes are an integral part of the Combined Financial Statements.

ALLIED BUILDING PRODUCTS CORP. AND RELATED COMPANIES
COMBINED STATEMENTS OF SHAREHOLDER'S EQUITY
(Amounts in thousands)

	Common shares	Preferred shares	Additional paid-in capital	Retained earnings	Total shareholder's equity
Balance at December 29, 2013	$ —	$ 2,475	$ 301,828	$ 129,839	$ 434,142
Cash dividends	—	—	—	(15,000)	(15,000)
Stock-based compensation	—	—	850	—	850
Contribution from parent	—	—	33,109	—	33,109
Net Income	—	—	—	60,565	60,565
Balance at December 27, 2014	$ —	$ 2,475	$ 335,787	$ 175,404	$ 513,666
Stock-based compensation	—	—	1,527	—	1,527
Contribution from parent	—	—	37,307	—	37,307
Net Income	—	—	—	70,469	70,469
Balance at January 2, 2016	$ —	$ 2,475	$ 374,621	$ 245,873	$ 622,969
Stock-based compensation	—	—	2,480	—	2,480
Contribution from parent	—	—	51,396	—	51,396
Net Income	—	—	—	80,476	80,476
Balance at December 31, 2016	$ —	$ 2,475	$ 428,497	$ 326,349	$ 757,321

The accompanying notes are an integral part of the Combined Financial Statements.

ALLIED BUILDING PRODUCTS CORP. AND RELATED COMPANIES
COMBINED STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	Fiscal Year Ended		
	December 31, 2016	January 2, 2016	December 27, 2014
Operating activities:			
Net Income	$ 80,476	$ 70,469	$ 60,565
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	34,301	32,189	29,389
Non-cash stock-based compensation	2,480	1,527	850
Deferred income taxes	1,111	9,699	6,856
Other	946	917	1,139
Gain on sale of equipment	(2,567)	(2,849)	(1,918)
Changes in operating assets and liabilities:			
Accounts receivable and other assets	(12,191)	(21,092)	(6,412)
Inventories	(25,952)	(7,905)	22,994
Accounts payable, bank overdrafts and other liabilities	(3,107)	53,485	(5,758)
Net cash provided by operating activities	75,497	136,440	107,705
Investing activities:			
Capital expenditure	(25,417)	(45,484)	(23,400)
Proceeds from sale of equipment	2,933	3,383	2,282
Net cash used in investing activities	(22,484)	(42,101)	(21,118)
Financing activities:			
Cash dividends paid	—	—	(15,000)
Deferred acquisition consideration	(1,471)	(1,021)	(1,887)
Contributions from parent	51,396	37,307	33,109
Changes in due to related party, net	(99,452)	(139,393)	(96,820)
Net cash used in financing activities	(49,527)	(103,107)	(80,598)
Net increase/(decrease) in cash and cash equivalents	3,486	(8,768)	5,989
Cash and cash equivalents, beginning of year	3,008	11,776	5,787
Cash and cash equivalents, end of year	$ 6,494	$ 3,008	$ 11,776

The accompanying notes are an integral part of the Combined Financial Statements.

1 Description of Business

Allied Building Products Corp. and related companies (the "Company") are wholly owned subsidiaries of Oldcastle Distribution, Inc., which is ultimately a wholly owned subsidiary of Oldcastle, Inc. ("Oldcastle" or "Parent"), a holding company whose ultimate parent is CRH plc, a Republic of Ireland corporation.

The Company's business primarily consists of wholesale distribution of roofing, siding, insulation (exterior products), and gypsum wallboard, acoustical tile/grid and steel studs (interior products). The Company operates over 200 branches across 31 US states and has over 3,500 employees. The Company was incorporated in New Jersey in 1964.

The Company is engaged in one primary business activity, distribution of building products. The Company's operating structure is organized to support a single business. The Company's Chief Operating Decision Maker views the Company as a single business. As such the Company operates as a single reportable segment in accordance with ASC Topic 280, *Disclosures about Segments of an Enterprise and Related Information* .

2 Summary of Significant Accounting Policies

Basis of Presentation

The Combined Financial Statements include Allied Building Products Corp. and the following related entities: Kapalama Kilgos Acquisition Corp., A.L. Kilgo Company, Inc., Tri-Built Materials Group, LLC, RME Acquisition, LLC and Pacsource, LLC. These entities are under the common control of Oldcastle Distribution, Inc. The "Company," "we," "us" or "our" refer to Allied Building Products Corp. and related companies. These Combined Financial Statements reflect all of the costs of doing business related to the operations of the Company, including expenses incurred by other entities on its behalf. Oldcastle, Inc. and CRH plc supplement certain corporate functions within the Company and costs associated with these functions were allocated to the Company. These functions included regulatory and compliance, finance, treasury, internal audit and tax. The costs of such services were allocated to the Company based on the most relevant allocation method to the service provided.

Stock-based compensation was allocated by CRH plc on the basis of the specific employees associated with the Company.

Management believes such allocations were reasonable; however, they may not be indicative of the actual expense that would have been incurred had the Company been operating as an independent company for all of the periods presented. Management has determined that it is not practicable to estimate what our expenses would have been on a stand-alone basis. The charges for these functions are included in operating expenses in the Combined Statements of Operations.

All inter-company transactions have been eliminated.

Other Comprehensive Income

The Company does not have components of Other Comprehensive Income; therefore, Net Income is equal to Comprehensive Income.

Use of Estimates

The preparation of Combined Financial Statements in conformity with United States generally accepted accounting principles ("GAAP") requires management to use its judgment to make estimates and assumptions that affect the amounts reported in these Combined Financial Statements and accompanying notes. Significant items subject to such estimates include accounts receivable allowances, inventory reserves, recoverability of goodwill and intangibles and income taxes. Actual amounts could differ from those estimates.

2 Summary of Significant Accounting Policies - continued

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. For each of the years presented, the Company did not have any cash equivalents. The Company deposits its cash in high quality financial institutions.

Accounts Receivable

Accounts receivable are derived from unpaid invoiced amounts. Each month the Company reviews its receivables and evaluates whether an allowance for doubtful accounts is necessary based on any known or perceived collection issues. The allowance for doubtful accounts represents the Company's estimate of credit exposure. Any balances that are eventually deemed uncollectible are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company's accounts receivable are primarily from customers in the building industry located in the United States, and no single customer represented at least 10% of the Company's revenue during each of the years presented, or accounts receivable at the end of each of the years presented. There are no material dependencies on or concentrations of individual customers which would warrant disclosure under ASC 825-10-50-22. The Company has a large number of customers spread across various activities in the United States. In addition there are no material dependencies on or concentrations of individual sales products, or on available sources of supply of materials and labor needed to deliver revenue.

Financial Instruments

Financial instruments that potentially subject the Company to significant concentration of credit risk consist primarily of cash and accounts receivable. The Company maintains the majority of its cash with one financial institution, which management believes to be financially sound and with minimal credit risk. Due to the short maturities of cash, accounts receivable, and accounts payable, carrying amounts approximate their respective fair values. The deferred acquisition consideration is set to mature in 2021 and as such we concluded that the carrying value of it approximated fair value. Accordingly, such financial instruments were valued based upon Level 1 measures within the valuation hierarchy. The Company's deposits periodically exceed amounts guaranteed by the Federal Deposit Insurance Corporation.

Inventories

Inventories, consisting of finished goods, are valued at the lower of cost or net realizable value. Cost is determined using the weighted average method. Appropriate consideration is given to deterioration, obsolescence and other factors in evaluating net realizable value.

The Company's arrangements with vendors typically provide for rebates of a specified amount of consideration payable when a number of measures have been achieved, generally related to a specified cumulative level of purchases. The Company accounts for such rebates as a reduction of the costs of the vendor's inventory until the product is sold, at which time such rebates reduce cost of sales in the Combined Statement of Operations. Throughout the year, the Company estimates the amount of rebates based upon the expected level of purchases. The Company continually revises these estimates to reflect actual rebates earned based on actual purchase levels. Amounts due from vendors under these arrangements are included in other assets in the Combined Balance Sheets.

Inventories reserves, which include a reduction in respect of vendor rebates, were $56.8 million, $43.1 million and $35.5 million as of December 31, 2016, January 2, 2016 and December 27, 2014 respectively.

Cost of Sales

Cost of sales consist of all costs of merchandise (net of purchase discounts and vendor allowances), freight costs and changes in reserve levels for inventory. These costs are determined to be directly or indirectly incurred in bringing an article to its existing condition and location. Our cost of sales and gross margin may not be comparable to those of other entities. Some entities, like us, exclude costs related to depreciation and amortization expenses from cost of sales, whereas other entities include these costs in their cost of sales.

2 Summary of Significant Accounting Policies - continued

Property and Equipment

Property and equipment acquired in connection with acquisitions are recorded at fair value as of the date of the acquisition and depreciated utilizing the straight-line method over the estimated remaining lives. All other additions are recorded at cost, and depreciation is computed using the straight-line method. The Company reviews the estimated useful lives of its fixed assets on an ongoing basis and the following table summarizes the estimates currently used:

Asset Class	Estimated Useful Life
Buildings and improvements	40 years
Equipment	3 to 7 years
Furniture and fixtures	7 years
Leasehold improvements	Shorter of the estimated useful life or the term of the lease, considering renewal options expected to be exercised.

The Company assesses the recoverability of the carrying value of its property and equipment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of an asset to the future net undiscounted cash flows expected to be generated by the asset. If the undiscounted cash flows are less than the carrying amount of the asset, an impairment loss is recognized for the amount by which the carrying value of the asset exceeds the fair value of the assets.

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 purchase price in excess of the fair value of the assets acquired and liabilities assumed is recorded as goodwill. Various 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. 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.

Intangible Assets

An intangible asset is capitalized separately from goodwill as part of a business combination at cost (fair value at date of acquisition). Subsequent to initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The carrying values of definite-lived intangible assets are reviewed for indicators of impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable. Recoverability is measured by comparing the carrying amount of the asset to the future undiscounted cash flows the asset is expected to generate. If the asset is considered to be impaired, the amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset.

Intangible assets are amortized on a straight-line basis. In general, definite-lived intangible assets are amortized over periods ranging from one to ten years, depending on the nature of the intangible asset. Amortization periods, useful lives, expected patterns of consumption and residual values are reviewed at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method as appropriate on a prospective basis.

2 Summary of Significant Accounting Policies - continued

Goodwill

Goodwill arising on a business combination is initially measured at cost, being the excess of the cost of an acquisition over the net identifiable assets and liabilities assumed at the date of acquisition and relates to the future economic benefits arising from assets which are not capable of being individually identified and separately recognized. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is subject to impairment testing on an annual basis and at any time during the year if an indicator of impairment is considered to exist. Such circumstances could include, but are not limited to, a significant adverse change in business climate, increased competition or other economic conditions. To test for the recoverability of goodwill, the Company first performs a qualitative assessment based on economic, industry and company-specific factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the goodwill or indefinite-lived intangible asset is impaired. Based on the results of the qualitative assessment, two additional steps in the impairment assessment may be required. The first step would require a comparison of the reporting unit's fair value to the respective carrying value. If the carrying value exceeds the fair value, a second step is performed to measure the amount of impairment loss on a relative fair value basis, if any. When required, the Company estimates the fair value of the reporting unit using a discounted cash flow methodology. This methodology represents a Level 3 fair value measurement as defined under ASC 820, *Fair Value Measurements and Disclosures* , since the inputs are not readily observable in the marketplace. The goodwill impairment testing process involves the use of significant assumptions, estimates and judgments with respect to a variety of factors, including sales, gross margins, selling, general and administrative expenses, capital expenditures, cash flows and the selection of an appropriate discount rate, all of which are subject to inherent uncertainties and subjectivity. When we perform goodwill impairment testing, our assumptions are based on annual business plans and other forecasted results. We select a discount rate, which is used to reflect market-based estimates of the risks associated with the projected cash flows, based on the best information available as of the date of the impairment assessment. Based on the annual impairment analysis, there is no impairment on the goodwill.

Fair Value Measurement

The Company applies fair value accounting for all financial assets and liabilities that are reported at fair value in the financial statements on a recurring basis. Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The accounting guidance establishes a defined three-tier hierarchy to classify and disclose the fair value of assets and liabilities on both the date of their initial measurement as well as all subsequent periods. The hierarchy prioritizes the inputs used to measure fair value by the lowest level of input that is available and significant to the fair value measurement. The three levels are described as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 Valuation techniques for which the lowest level of inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3 Valuation techniques for which the lowest level of inputs that have a significant effect on the recorded fair value are not based on observable market data.

The Company evaluates its financial assets and liabilities subject to fair value measurements on a recurring basis to determine the appropriate level of classification as of each reporting period. The Company has no financial assets or liabilities that are reported at fair value as at December 31, 2016, January 2, 2016 and December 27, 2014 respectively.

2 Summary of Significant Accounting Policies - continued

Net Sales

The Company recognizes revenue (net sales on the Combined Statements of Operations) when the following four basic criteria are met:

- persuasive evidence of an arrangement exists;
- delivery has occurred or services have been rendered;
- the price to the buyer is fixed and determinable; and
- collectability is reasonably assured.

Based on these criteria, the Company generally recognizes revenue at the point of sale or upon delivery to the customer site. For goods shipped by third party carriers, the Company recognizes revenue upon shipment since the terms are generally FOB shipping point. The Company also arranges for certain products to be shipped directly from the manufacturer to the customer. The Company recognizes the gross revenue for these sales upon shipment as the terms are FOB shipping point. The Company negotiates credit terms on a customer-by-customer basis and products are shipped at an agreed-upon price. In accordance with ASC 605-45-45, the Company includes shipping and handling revenues in net revenue and shipping and handling costs in cost of goods sold.

Net sales are reported net of product returns, discounts and estimated returns and allowances. The Company estimates returns and allowances on an ongoing basis by considering historical and current trends.

Leases

The Company leases the majority of its facilities and enters into various other operating lease agreements in conducting its business. At the inception of each lease, the Company evaluates the lease agreement to determine whether the lease is an operating or capital lease. Operating lease expenses are recognized in the Combined Statements of Operations on a straight-line basis over the term of the related lease. Some of the Company’s lease agreements contain renewal options, tenant improvement allowances, rent holidays or rent escalation clauses. When such items are included in a lease agreement, the Company records a deferred rent asset or liability on the Combined Balance Sheets equal to the difference between the rent expense and cash rent payments.

Advertising

All costs associated with advertising and promotion are expensed as incurred. The advertising and promotion costs were $1.9 million, $1.6 million and $2.0 million for the years ended December 31, 2016, January 2, 2016 and December 27, 2014 respectively.

Income Taxes

The Company accounts for income taxes using the liability method, which requires it to recognize a current tax liability or asset for current taxes payable or refundable and a deferred tax liability or asset for the estimated future tax effects of temporary differences between the financial statement and tax reporting bases of assets and liabilities to the extent that they are realizable. Deferred tax expense (benefit) results from the net change in deferred tax assets and liabilities during the year. The Company is using the “separate return” methodology for the purposes of computing the tax provision in the Combined Financial Statements. Additionally, any current income taxes payable at the end of each fiscal period have been recognized as a capital contribution from the parent company in the Combined Financial Statements.

FASB ASC Topic 740, *Income Taxes,* prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Based on this guidance, the Company analyzes its filing positions in all of the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions. Tax benefits from uncertain tax positions are recognized if it is more likely than not that the position is sustainable based solely on its technical merits. It is the Company’s policy to report interest and penalties accrued related to these positions as components of the income tax provision, when incurred. The Company is open to audit under the statute of limitations by the Internal Revenue Service for the tax years ended December 31, 2013 through 2016, as well as all other jurisdictions pursuant to their applicable statute of limitation periods for the tax years ended December 31, 2012 through December, 31 2016.

2 Summary of Significant Accounting Policies - continued

Stock-Based Compensation

Certain of the Company's employees participate in stock compensation plans of the ultimate parent company, CRH plc. The ultimate parent's plans include the following plans:

- 2013 Restricted Share Plan
- 2014 Performance Share Plan

Stock-based compensation expense is measured based on the fair value of CRH plc's common stock on the grant date. These restricted stock units are serviced-based and vest over the service period.

Stock-based compensation expense for performance share awards is measured based on the expected achievement of certain performance criteria.

The Company recognizes its proportionate share of its ultimate parent's FASB ASC 718, *Compensation – Stock Compensation* , compensation expense, based on actual awards granted to the Company employees. Compensation expense is recorded in payroll costs in the Combined Statements of Operations over the vesting periods.

For the years ended December 31, 2016, January 2, 2016 and December 27, 2014, the Company recorded stock compensation expense with a corresponding adjustment to paid-in capital contributed by its parent of $2.5 million, $1.5 million and $0.9 million respectively.

3 Recently issued Accounting Standards

Accounting standards not yet effective

The following accounting standards and guidance have been issued by the Financial Accounting Standards Board ("FASB") but not yet adopted by the Company as of December 31, 2016. Unless otherwise indicated the adoption of these accounting standards are not expected to have a material impact on the Combined Financial Statements:

- ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* , which significantly change the income statement impact of equity investments and the recognition of changes in the fair value of financial liabilities when the fair value option is elected. (Effective for fiscal year ending December 31, 2018).
- ASU 2016-02, *Leases* , ("ASU 2016-02"). ASU 2016-02 requires lessees to recognize assets and liabilities for most leases. The Company is currently assessing the impact the adoption of this standard will have on its Combined Financial Statements. (Effective for fiscal year ending December 31, 2019).
- ASU 2016-04, *Recognition of Breakage for Certain Prepaid Stored-Value Products* , which allows entities to recognize breakage on prepaid stored-value products consistent with how breakage is recognized under the new revenue standard. (Effective for fiscal year ending December 31, 2018).
- ASU 2016-05, *Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships* , which clarifies that a change in one of the parties to a derivative contract (through novation) that is part of a hedge accounting relationship does not, by itself, require de-designation of that relationship, as long as all other hedge accounting criteria continue to be met. (Effective for fiscal year ending December 31, 2017).
- ASU 2016-06, *Contingent Put and Call Options in Debt Instruments* , which clarifies that determining whether the economic characteristics of a put or call are clearly and closely related to its debt host requires only an assessment of the four-step decision sequence outlined in FASB ASC paragraph 815-15-25-24. (Effective for fiscal year ending December 31, 2017).

3 Recently issued Accounting Standards - continued

Accounting standards not yet effective - continued

- ASU 2016-07, *Simplifying the Transition to the Equity Method of Accounting* , which eliminates the requirement for an investor to retroactively apply the equity method when its increase in ownership interest (or degree of influence) in an investee triggers equity method accounting. (Effective for fiscal year ending December 31, 2017).
- ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting* , which simplifies various aspects related to the accounting and presentation of share-based payments. (Effective for fiscal year ending December 31, 2017).
- ASU 2016-13, *Measurement of Credit Losses on Financial Instruments* , which significantly changes the way entities recognize impairment of many financial assets by requiring immediate recognition of estimated credit losses expected to occur over their remaining life. (Effective for fiscal year ending December 31, 2020).
- ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments* , which addresses eight classification issues related to the statement of cash flows. (Effective for fiscal year ending December 31, 2018).
- ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory* , which requires entities to recognize at the transaction date the income tax consequences of intercompany asset transfers other than inventory. (Effective for fiscal year ending December 31, 2018).
- ASU 2016-17, *Consolidation (Topic 810): Interests Held through Related Parties That Are under Common Control* , which requires a single decision maker or service provider, in evaluating whether it is the primary beneficiary, to consider on a proportionate basis indirect interests held through related parties under common control. (Effective for fiscal year ending December 31, 2017).
- ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* , which requires companies to include cash and cash equivalents that have restrictions on withdrawal or use in total cash and cash equivalents on the statement of cash flows. (Effective for fiscal year ending December 31, 2018).
- In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers* , (“ASU 2014-09”) as well as supplemental guidance included in ASU 2016-8, ASU-2016-10 and ASU 2016-12. This new guidance requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The Company is currently assessing the impact the adoption of this standard will have on its Combined Financial Statements. (Effective for fiscal year ending December 31, 2018).

Accounting standards recently adopted

The following accounting standards have been adopted by the Company during the period ended December 31, 2016. Unless otherwise indicated, the adoption of these standards had no impact on the Combined Financial Statements.

- ASU 2014-10, *Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation* . ASU 2014-10 removes the definition of a development stage entity from the Master Glossary of the ASC thereby removing the financial reporting distinction between development stage entities and other reporting entities.

3 Recently issued Accounting Standards - continued

Accounting standards recently adopted - continued

- ASU 2014-13, *Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity (Topic 810)* . ASU 2014-13 allows a reporting entity to measure both the financial assets and financial liabilities of a consolidated collateralized financing entity ("CFE") using the fair value of either the CFE's financial assets or financial liabilities, whichever is more observable.
- ASU 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* . The ASU is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related disclosures in the notes to financial statements.
- ASU 2014-16, *Derivatives and Hedging (Topic 815): Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity* . ASU 2014-16 provides guidance to apply in evaluating whether the nature of the host contract within a hybrid financial instrument issued in the form of a share is more akin to debt or to equity.
- ASU 2015-02 *, Consolidation (Topic 810) – Amendments to the Consolidation Analysis* . ASU 2015-02 eliminates the deferral of FAS 167 and makes changes to both the variable interest model and the voting model.
- ASU 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* . The guidance introduces changes in the balance sheet presentation for debt issuance costs.
- ASU 2015-04, *Compensation – Retirement Benefits (Topic 715): Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets* . ASU 2015-04 allows an employer with a fiscal year-end that does not coincide with a calendar month-end to make an accounting policy election to measure defined benefit plan assets and obligations as of the end of the month closest to the entity's fiscal year-end.
- ASU 2015-05, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement* . ASU 2015-05 provides guidance to clarify the customer's accounting for fees paid in a cloud computing arrangement.
- ASU 2015-07, *Fair Value Measurement (Topic 820) – Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) (a consensus of the Emerging Issues Task Force)* . ASU 2015-07 eliminates the requirement to categorize investments measured using the net asset value (NAV) practical expedient in the fair value hierarchy.
- ASU 2015-11 simplifies the subsequent measurement of inventory by replacing the lower of cost or market test with a lower of cost and net realizable value test. The Company elected for early adoption of ASU 2015-11 on a prospective basis from fiscal year ended December 31, 2014. The adoption of the standard had no impact on the Company.
- ASU 2015-16, *Business Combinations: Simplifying the Accounting for Measurement-Period Adjustments* , simplifies the accounting and presentation for changes in provisional amounts accounted for in a business combination during the measurement period.
- ASU 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes* , on the balance sheet classification of deferred taxes. The standard requires that all deferred taxes are presented as non-current in a classified statement of financial position. The Company elected for early adoption of ASU 2015-17 on a retrospective basis during fiscal year ended December 31, 2016. The effect of this is that deferred tax liabilities, net, of $13.4 million, $12.3 million and $2.6 million have been classified as non-current liabilities as of December 31, 2016, January 2, 2016 and December 27, 2014 respectively.

4 Prepaid and Other Assets

The following table summarizes the significant components of prepaid expenses and other assets (in thousands):

	December 31, 2016	January 2, 2016	December 27, 2014
Vendor rebates	$ 55,395	$ 42,368	$ 36,830
Prepayments	14,256	11,219	10,074
Other	6,013	10,913	9,098
	$ 75,664	$ 64,500	$ 56,002
Due within 1 year	$ 73,616	$ 62,442	$ 53,011
Due greater than 1 year	2,048	2,058	2,991
	$ 75,664	$ 64,500	$ 56,002

5 Property and Equipment

	December 31, 2016	January 2, 2016	December 27, 2014
Property and equipment consist of the following (in thousands):			
Land and buildings	$ 67,486	$ 65,893	$ 71,714
Equipment	221,773	213,527	186,984
Construction in progress	7,261	6,941	2,878
	296,520	286,361	261,576
Less accumulated depreciation	(185,721)	(176,750)	(177,070)
	$ 110,799	$ 109,611	$ 84,506

Depreciation expense for the years ended December 31, 2016, January 2, 2016 and December 27, 2014, was $23.9 million, $19.8 million and $17.0 million respectively.

6 Goodwill and Intangible assets

	December 31, 2016	January 2, 2016	December 27, 2014
Goodwill:			
The carrying value of goodwill is (in thousands):	$ 433,094	$433,094	$ 433,094

There have been no impairment losses recorded.

	December 31, 2016	January 2, 2016	December 27, 2014	*Weighted-Average Remaining Life**
Intangible assets:				
Amortizable intangible assets:				
Marketing-related	$ 2,100	$ 2,100	$ 2,100	—
Customer-related	139,300	139,300	139,300	3.9
Contract-based	1,483	1,483	1,483	4.2
	$ 142,883	$ 142,883	$ 142,883	
Less accumulated amortization:				
Marketing-related	(2,100)	(2,100)	(2,100)	
Customer-related	(123,948)	(113,577)	(101,300)	
Contract-based	(693)	(627)	(560)	
	(126,741)	(116,304)	(103,960)	
	$ 16,142	$ 26,579	$ 38,923	

*As of December 31, 2016

Amortization expense for the years ended December 31, 2016, January 2, 2016 and December 27, 2014, was $10.4 million, $12.3 million and $12.3 million respectively.

The following table presents the estimated annual amortization expense for intangible assets (in thousands):

2017	$ 6,495
2018	2,101
2019	2,077
2020	2,068
2021	1,753
	$14,494

7 Equity

Authorized (at December 31, 2016, January 2, 2016 and December 27, 2014)

Common shares:
Class A – Voting
1,400 Equity Shares – No Par Value

Class B – Non Voting
12,600 Equity Shares – No Par Value

Preferred shares:
6,300 Preferred Shares – $714.286 Par Value

There are two types of shares, Ordinary and Preferred. Ordinary shares consist of Class A and Class B shares, of which only the Class A shares have voting rights. The Class B shares have no voting rights. The preferred shares are subject to a 12% discretionary non-cumulative dividend preference out of surplus annually and are also preferred as to rights upon liquidation (at par), dissolution or winding up of the company. They have no voting rights.

8 Income Taxes

Taxable income of the Company is included in the consolidated US federal income tax return of Oldcastle, Inc. Oldcastle, Inc. has allocated income taxes to the Company on a basis that considers the permanent and temporary differences related to the Company's operations computed on a "separate return" basis (in thousands).

	December 31, 2016	January 2, 2016	December 27, 2014
Current:			
Federal taxes	$ 42,567	$ 30,898	$ 27,421
State taxes	8,829	6,409	5,688
Total current income tax	$ 51,396	$ 37,307	$ 33,109
Deferred:			
Federal taxes	$ 920	$ 8,033	$ 5,678
State taxes	191	1,666	1,178
Total deferred income tax	$ 1,111	$ 9,699	$ 6,856
Total income tax	$ 52,507	$ 47,006	$ 39,965

The following table is a reconciliation of the statutory federal income tax rate to the Company's effective income tax rate for the periods presented:

	December 31, 2016	January 2, 2016	December 27, 2014
Income taxes at the US federal statutory rate of 35%	$ 46,677	$ 41,160	$ 35,072
State income taxes, net of federal tax benefit	5,863	5,249	4,462
Other, net	(33)	597	431
Income tax expense	$ 52,507	$ 47,006	$ 39,965

9 Deferred Taxes

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities are presented below (in thousands):

	December 31, 2016	January 2, 2016	December 27, 2014
Deferred tax assets:			
Inventory	$ 8,640	$ 8,116	$ 9,260
Receivable allowances	10,182	9,813	9,918
Valuation and other reserves	10,529	7,097	6,130
Gross deferred tax assets	$ 29,351	$ 25,026	$ 25,308
Deferred tax liabilities:			
Goodwill and other intangibles	$ 36,214	$ 31,785	$ 27,924
Property and equipment	6,563	5,556	—
Gross deferred tax liabilities	$ 42,777	$ 37,341	27,924
Net deferred tax liabilities	$ 13,426	$ 12,315	$ 2,616

10 Other Current Liabilities

The following table summarizes the significant components of accrued expenses and other current liabilities (in thousands):

	December 31, 2016	January 2, 2016	December 27, 2014
Payroll obligations	$ 25,752	$ 22,874	$ 24,262
Other	61,353	61,485	54,332
	$ 87,105	$ 84,359	$ 78,594

11 Related Party Transactions

	Counterparty	December 31, 2016	January 2, 2016	December 27, 2014
Recorded in the Combined Statement of Operations (in thousands):				
Allocation of central corporate costs (recorded in other costs)	CRH plc, Oldcastle, Inc.	$ 946	$ 917	$ 1,139
Stock-based compensation recharges (recorded in payroll costs)	CRH plc	2,480	1,527	850
Interest expense	Oldcastle, Inc.	7,676	13,489	19,222
Current income tax expense	Oldcastle, Inc.	51,396	37,307	33,109
		$ 62,498	$ 53,240	$ 54,320

	Counterparty	December 31, 2016	January 2, 2016	December 27, 2014
Recorded in the Combined Balance Sheet (in thousands):				
Amounts due from related parties	CRH plc, Oldcastle, Inc.	$ 4,387	$ —	$ —
Indebtedness to related parties	CRH plc, Oldcastle, Inc.	$ 82,475	$176,595	$ 315,071
Net indebtedness to related parties	CRH plc, Oldcastle, Inc.	$ 78,088	$176,595	$ 315,071
Included in equity:				
Income tax	Oldcastle, Inc.	$ 121,812	$ 70,416	$ 33,109

The Company has a number of lease arrangements in place with related parties of the Company, which have been entered into in the ordinary course of business, and payments relating to them amounted to $5.6 million, $5.6 million and $5.5 million for the years ended December 31, 2016, January 2, 2016 and December 27, 2014 respectively.

12 Commitments and Contingencies

Operating leases

The Company mostly operates in leased facilities, which are accounted for as operating leases. The leases typically provide for a base rent on a triple net basis. The leases provide for escalating rents over the lives of the leases and rent expense is recognized over the terms of those leases on a straight-line basis.

The Company has commitments under various non-cancellable operating leases expiring through 2037. Estimated future payments with respect to these contractual obligations are as follows (in thousands):

2017	$ 49,552
2018	41,992
2019	37,211
2020	31,469
2021	25,317
Thereafter	64,393
Total	$249,934

Operating lease expense was $51.2 million, $50.9 million and $48.1 million for the years ended December 31, 2016, January 2, 2016 and December 27, 2014 respectively.

The Company has commitments for capital expenditures of $9.2 million at 31 December 2016 for ongoing projects.

Laws and Regulations

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. The Company has historically not been exposed to environmental liabilities due to the nature of its business.

Litigation

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.

13 Pension Contributions

Costs recognized in respect of contributions to the Company's defined contribution pension scheme in payroll costs in the Combined Statements of Operations were $8.3 million, $7.6 million and $7.7 million for the fiscal years ended December 31, 2016, January 2, 2016 and December 27, 2014 respectively.

14 Subsequent Events

The Company has evaluated whether any additional subsequent events have occurred that would require disclosure or recognition in the accompanying Combined Financial Statements and concluded that no additional disclosure or recognition is necessary. The evaluation was performed through August 14, 2017, the date the Combined Financial Statements were available to be issued.

EXHIBIT 99.2

Allied Building Products Corp. and related companies

Condensed Combined Financial Statements

For the 6 month periods ended July 1, 2017 and July 2, 2016

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholder of Allied Building Products Corp. and related companies

We have reviewed the condensed combined balance sheets of Allied Building Products Corp. and related companies (the “Company”) as of July 1, 2017 and July 2, 2016, and the related condensed combined statements of operations, shareholder’s equity, and cash flows for the six-month periods ended July 1, 2017 and July 2, 2016. These condensed combined financial statements are the responsibility of the Company’s management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed combined financial statements referred to above for them to be in conformity with US generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America, the combined balance sheets of Allied Building Products Corp. and related companies as of December 31, 2016, and the related statements of operations, shareholder’s equity and cash flows for the fiscal year then ended (not presented herein) and we expressed an unqualified audit opinion on those combined financial statements in our report dated August 14, 2017. In our opinion, the accompanying condensed combined balance sheet of Allied Building Products Corp. and related companies as of December 31, 2016, is fairly stated, in all material respects, in relation to the combined balance sheet from which it has been derived.

/s/ Ernst & Young LLP

Atlanta, GA, USA
August 14, 2017

ALLIED BUILDING PRODUCTS CORP. AND RELATED COMPANIES
CONDENSED COMBINED BALANCE SHEETS
(Amounts in thousands, except share amounts)

	July 1, 2017	December 31, 2016	July 2, 2016
ASSETS			
Current assets:			
Cash and cash equivalents	$ 6,145	$ 6,494	$ 8,140
Accounts receivable, net of allowances of $16,115, $14,741 and $17,400 as of July 1, 2017, December 31, 2016 and July 2, 2016 respectively	393,652	311,017	370,676
Inventories, net	366,281	268,374	319,099
Prepaid expenses and other assets	58,093	73,616	62,641
Amounts due from related parties	—	4,387	—
Total current assets	824,171	663,888	760,556
Property and equipment, net	116,360	110,799	112,595
Goodwill	433,094	433,094	433,094
Intangibles, net	12,282	16,142	20,853
Other assets	2,269	2,048	2,070
Total assets	$1,388,176	$ 1,225,971	$1,329,168
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities:			
Accounts payable, including bank overdraft of $15,149, $4,767 and $7,480 as of July 1, 2017, December 31, 2016 and July 2, 2016 respectively	$ 376,033	$ 281,472	$ 329,266
Accrued expenses and other liabilities	87,777	87,105	82,599
Indebtedness to related parties	16,889	—	153,684
Deferred acquisition consideration	1,881	1,570	1,523
Total current liabilities	482,580	370,147	567,072
Deferred acquisition consideration	772	2,602	2,654
Deferred income tax liability, net	13,847	13,426	12,648
Indebtedness to related parties	82,475	82,475	82,475
Total liabilities	579,674	468,650	664,849
Commitments and contingencies (Note 11)			
Shareholder's equity:			
Common shares:			
Class A Voting – no par value; 1,400 shares authorized, 497 issued and outstanding	—	—	—
Class B Non-Voting – no par value; 12,600 shares authorized, 4,095 issued and outstanding	—	—	—
Preferred shares – $714.286 par value, 6,300 shares authorized, 3,465 issued and outstanding	2,475	2,475	2,475
Additional paid-in capital	449,607	428,497	391,597
Retained earnings	356,420	326,349	270,247
Total shareholder's equity	808,502	757,321	664,319
Total liabilities and shareholder's equity	$1,388,176	$ 1,225,971	$1,329,168

The accompanying notes are an integral part of the Condensed Combined Financial Statements.

ALLIED BUILDING PRODUCTS CORP. AND RELATED COMPANIES
CONDENSED COMBINED STATEMENTS OF OPERATIONS
(Amounts in thousands)

	Six Months Ended	
	July 1, 2017	July 2, 2016
Net sales	$1,245,611	$1,226,720
Cost of sales (exclusive of amortization and depreciation shown separately below)	927,964	917,356
Gross profit	317,647	309,364
Operating expenses:		
Payroll costs	157,657	158,807
Occupancy costs	27,574	26,334
Repairs and maintenance	13,099	11,922
Depreciation	12,142	11,677
Sub-contractor and rental costs	6,787	6,043
Bank charges	7,897	7,843
Energy costs	8,287	7,616
Amortization	3,861	5,726
Other costs	30,263	30,224
Total operating expenses	267,567	266,192
Gain on sale of equipment	1,711	1,834
Operating income	51,791	45,006
Interest expense	(1,776)	(4,803)
Income before income taxes	50,015	40,203
Income tax expense	(19,944)	(15,829)
Net income	$ 30,071	$ 24,374

The accompanying notes are an integral part of the Condensed Combined Financial Statements.

ALLIED BUILDING PRODUCTS CORP. AND RELATED COMPANIES
CONDENSED COMBINED STATEMENTS OF SHAREHOLDER'S EQUITY
(Amounts in thousands)

	Common shares	Preferred shares	Additional paid-in capital	Retained earnings	Total shareholder's equity
Balance at January 3, 2016	$ —	$ 2,475	$374,621	$245,873	$ 622,969
Stock-based compensation	—	—	1,480	—	1,480
Contribution from parent	—	—	15,496	—	15,496
Net Income	—	—	—	24,374	24,374
Balance at July 2, 2016	$ —	$ 2,475	$391,597	$270,247	$ 664,319
Balance at January 1, 2017	$ —	$ 2,475	$428,497	$326,349	$ 757,321
Stock-based compensation	—	—	1,587	—	1,587
Contribution from parent	—	—	19,523	—	19,523
Net Income	—	—	—	30,071	30,071
Balance at July 1, 2017	$ —	$ 2,475	$449,607	$356,420	$ 808,502

The accompanying notes are an integral part of the Condensed Combined Financial Statements.

ALLIED BUILDING PRODUCTS CORP. AND RELATED COMPANIES
CONDENSED COMBINED STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	Six Months Ended July 1, 2017	July 2, 2016
Operating activities:		
Net income	$ 30,071	$ 24,374
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	16,003	17,403
Non-cash stock-based compensation	1,587	1,480
Non-cash compensation	500	500
Deferred income taxes	421	333
Gain on sale of equipment	(1,711)	(1,834)
Changes in operating assets and liabilities:		
Accounts receivable and other assets	(67,332)	(60,897)
Inventories	(97,907)	(76,677)
Accounts payable, bank overdrafts and other liabilities	95,323	40,076
Net cash used in operating activities	(23,045)	(55,242)
Investing activities:		
Capital expenditure	(17,637)	(14,779)
Proceeds from sale of equipment	1,644	1,953
Net cash used in investing activities	(15,993)	(12,826)
Financing activities:		
Deferred acquisition consideration	(1,610)	(1,360)
Contributions from parent	19,523	15,496
Changes in due to related party, net	20,776	59,064
Net cash provided in financing activities	38,689	73,200
Net (decrease)/increase in cash and cash equivalents	(349)	5,132
Cash and cash equivalents, beginning of period	6,494	3,008
Cash and cash equivalents, end of period	$ 6,145	$ 8,140

The accompanying notes are an integral part of the Condensed Combined Financial Statements.

1 Description of Business

Allied Building Products Corp. and related companies (the "Company") are wholly owned subsidiaries of Oldcastle Distribution, Inc., which is ultimately a wholly owned subsidiary of Oldcastle, Inc. ("Oldcastle" or "Parent"), a holding company whose ultimate parent is CRH plc, a Republic of Ireland corporation.

The Company's business primarily consists of wholesale distribution of roofing, siding, insulation (exterior products), and gypsum wallboard, acoustical tile/grid and steel studs (interior products). The Company operates over 200 branches across 31 US states and has over 3,500 employees. The Company was incorporated in New Jersey in 1964.

The Company is engaged in one primary business activity, distribution of building products. The Company's operating structure is organized to support a single business. The Company's Chief Operating Decision Maker views the Company as a single business. As such the Company operates as a single reportable segment in accordance with ASC Topic 280, *Disclosures about Segments of an Enterprise and Related Information* .

2 Summary of Significant Accounting Policies

Basis of Presentation

We prepared the accompanying interim Condensed Combined Financial Statements in accordance with United States generally accepted accounting principles ("GAAP") and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. All significant intercompany balances and transactions have been eliminated. In our opinion, all normal and recurring adjustments that we consider necessary for a fair financial statement presentation have been made. The Condensed Combined Balance Sheet data at December 31, 2016 was derived from audited financial statements, but does not include all disclosures required by GAAP.

Operating results for the six months ended July 1, 2017 and July 2, 2016, are not necessarily indicative of the results that may be expected for our full year. Allied Building Products Corp. and related companies business is cyclical in nature and sensitive to changes in general economic conditions, specifically to housing and construction-based markets. Although our various product lines are sold on a year-round basis, the demand for specific products or styles reflects some seasonality.

The Combined Financial Statements include Allied Building Products Corp. and the following related entities: Kapalama Kilgos Acquisition Corp., A.L. Kilgo Company, Inc., Tri-Built Materials Group, LLC, RME Acquisition, LLC and Pacsource, LLC. These entities are under the common control of Oldcastle Distribution, Inc. The "Company," "we," "us" or "our" refer to Allied Building Products Corp. and related companies. These Condensed Combined Financial Statements reflect all of the costs of doing business related to the operations of the Company, including expenses incurred by other entities on its behalf. Oldcastle, Inc. and CRH plc supplement certain corporate functions within the Company and costs associated with these functions were allocated to the Company. These functions included regulatory and compliance, finance, treasury, internal audit and tax. The costs of such services were allocated to the Company based on the most relevant allocation method to the service provided.

Stock-based compensation was allocated by CRH plc on the basis of the specific employees associated with the Company.

Management believes such allocations were reasonable; however, they may not be indicative of the actual expense that would have been incurred had the Company been operating as an independent company for all of the periods presented. Management has determined that it is not practicable to estimate what our expenses would have been on a stand-alone basis. The charges for these functions are included in operating expenses in the Condensed Combined Statements of Operations.

2 Summary of Significant Accounting Policies – continued

Other Comprehensive Income

The Company does not have components of Other Comprehensive Income; therefore, Net Income is equal to Comprehensive Income.

Use of Estimates

The preparation of Condensed Combined Financial Statements in conformity with GAAP requires management to use its judgment to make estimates and assumptions that affect the amounts reported in these Condensed Combined Financial Statements and accompanying notes. Significant items subject to such estimates include accounts receivable allowances, inventory reserves, recoverability of goodwill and intangibles and income taxes. Actual amounts could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. For each of the periods presented, the Company did not have any cash equivalents. The Company deposits its cash in high quality financial institutions.

Accounts Receivable

Accounts receivable are derived from unpaid invoices. Each month the Company reviews its receivables and evaluates whether an allowance for doubtful accounts is necessary based on any known or perceived collection issues. The allowance for doubtful accounts represents the Company’s estimate of credit exposure. Any balances that are eventually deemed uncollectible are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company’s accounts receivable are primarily from customers in the building industry located in the United States, and no single customer represented at least 10% of the Company’s revenue during each of the periods presented, or accounts receivable at the end of each of the periods presented. There are no material dependencies on or concentrations of individual customers which would warrant disclosure under ASC 825-10-50-22. The Company has a large number of customers spread across various activities in the United States. In addition there are no material dependencies on or concentrations of individual sales products, or on available sources of supply of materials and labor needed to deliver revenue.

Financial Instruments

Financial instruments that potentially subject the Company to significant concentration of credit risk consist primarily of cash and accounts receivable. The Company maintains the majority of its cash with one financial institution, which management believes to be financially sound and with minimal credit risk. Due to the short maturities of cash, accounts receivable, and accounts payable, carrying amounts approximate their respective fair values. The deferred acquisition consideration is set to mature in 2021 and as such we concluded that the carrying value of it approximated fair value. Accordingly, such financial instruments were valued based upon Level 1 measures within the valuation hierarchy. The Company’s deposits periodically exceed amounts guaranteed by the Federal Deposit Insurance Corporation.

Inventories

Inventories, consisting substantially of finished goods, are valued at the lower of cost or net realizable value. Cost is determined using the weighted average method. Appropriate consideration is given to deterioration, obsolescence and other factors in evaluating net realizable value.

The Company’s arrangements with vendors typically provide for rebates of a specified amount of consideration payable when a number of measures have been achieved, generally related to a specified cumulative level of purchases. The Company accounts for such rebates as a reduction of the costs of the vendor’s inventory until the product is sold, at which time such rebates reduce cost of sales in the Condensed Combined Statements of Operations. Throughout the year, the Company estimates the amount of rebates based upon the expected level of purchases. The Company continually revises these estimates to reflect actual rebates earned based on actual purchase levels. Amounts due from vendors under these arrangements are included in other assets in the Condensed Combined Balance Sheets.

Inventories reserves, which include a reduction in respect of vendor rebates, were $74.8 million, $56.8 million and $66.8 million as of July 1, 2017, December 31, 2016 and July 2, 2016 respectively.

2 Summary of Significant Accounting Policies – continued

Cost of Sales

Cost of sales consist of all costs of merchandise (net of purchase discounts and vendor allowances), freight costs and changes in reserve levels for inventory. These costs are determined to be directly or indirectly incurred in bringing an article to its existing condition and location. Our cost of sales and gross margin may not be comparable to those of other entities. Some entities, like us, exclude costs related to depreciation and amortization expenses from cost of sales, whereas other entities include these costs in their cost of sales.

Property and Equipment

Property and equipment acquired in connection with acquisitions are recorded at fair value as of the date of the acquisition and depreciated utilizing the straight-line method over the estimated remaining lives. All other additions are recorded at cost, and depreciation is computed using the straight-line method. The Company reviews the estimated useful lives of its fixed assets on an ongoing basis and the following table summarizes the estimates currently used:

Asset Class	Estimated useful life
Buildings and improvements	40 years
Equipment	3 to 7 years
Furniture and fixtures	7 years
Leasehold improvements	Shorter of the estimated useful life or the term of the lease, considering renewal options expected to be exercised.

The Company assesses the recoverability of the carrying value of its property and equipment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of an asset to the future net undiscounted cash flows expected to be generated by the asset. If the undiscounted cash flows are less than the carrying amount of the asset, an impairment loss is recognized for the amount by which the carrying value of the asset exceeds the fair value of the assets.

Business Combinations

The Company records acquisitions resulting in the consolidation of a business using the acquisition method of accounting. Under this method, the acquiring 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 purchase price in excess of the fair value of the assets acquired and liabilities assumed is recorded as goodwill. Various 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. 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.

Intangible Assets

An intangible asset is capitalized separately from goodwill as part of a business combination at cost (fair value at date of acquisition). Subsequent to initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The carrying values of definite-lived intangible assets are reviewed for indicators of impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable. Recoverability is measured by comparing the carrying amount of the asset to the future undiscounted cash flows the asset is expected to generate. If the asset is considered to be impaired, the amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset.

Intangible assets are amortized on a straight-line basis. In general, definite-lived intangible assets are amortized over periods ranging from one to ten years, depending on the nature of the intangible asset. Amortization periods, useful lives, expected patterns of consumption and residual values are reviewed at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method as appropriate on a prospective basis.

2 Summary of Significant Accounting Policies – continued

Goodwill

Goodwill arising on a business combination is initially measured at cost, being the excess of the cost of an acquisition over the net identifiable assets and liabilities assumed at the date of acquisition and relates to the future economic benefits arising from assets which are not capable of being individually identified and separately recognized. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is subject to impairment testing on an annual basis and at any time during the year if an indicator of impairment is considered to exist. Such circumstances could include, but are not limited to, a significant adverse change in business climate, increased competition or other economic conditions. To test for the recoverability of goodwill, the Company first performs a qualitative assessment based on economic, industry and company-specific factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the goodwill or indefinite-lived intangible asset is impaired. Based on the results of the qualitative assessment, two additional steps in the impairment assessment may be required. The first step would require a comparison of each reporting unit's fair value to the respective carrying value. If the carrying value exceeds the fair value, a second step is performed to measure the amount of impairment loss on a relative fair value basis, if any. When required the Company estimates the fair value of the reporting unit using a discounted cash flow methodology. This methodology represents a Level 3 fair value measurement as defined under ASC 820, *Fair Value Measurements and Disclosures* , since the inputs are not readily observable in the marketplace. The goodwill impairment testing process involves the use of significant assumptions, estimates and judgments with respect to a variety of factors, including sales, gross margins, selling, general and administrative expenses, capital expenditures, cash flows and the selection of an appropriate discount rate, all of which are subject to inherent uncertainties and subjectivity. When we perform goodwill impairment testing, our assumptions are based on annual business plans and other forecasted results. We select a discount rate, which is used to reflect market-based estimates of the risks associated with the projected cash flows, based on the best information available as of the date of the impairment assessment. Based on the annual impairment analysis, there is no impairment on the goodwill.

Fair Value Measurement

The Company applies fair value accounting for all financial assets and liabilities that are reported at fair value in the financial statements on a recurring basis. Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The accounting guidance establishes a defined three-tier hierarchy to classify and disclose the fair value of assets and liabilities on both the date of their initial measurement as well as all subsequent periods. The hierarchy prioritizes the inputs used to measure fair value by the lowest level of input that is available and significant to the fair value measurement. The three levels are described as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 Valuation techniques for which the lowest level of inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3 Valuation techniques for which the lowest level of inputs that have a significant effect on the recorded fair value are not based on observable market data.

The Company evaluates its financial assets and liabilities subject to fair value measurements on a recurring basis to determine the appropriate level of classification as of each reporting period. The Company has no financial assets or liabilities that are reported at fair value on a recurring basis as of July 1, 2017, December 31, 2016 and July 2, 2016 respectively.

2 Summary of Significant Accounting Policies – continued

Net sales

The Company recognizes revenue (net sales on the Condensed Combined Statements of Operations) when the following four basic criteria are met:

- persuasive evidence of an arrangement exists;
- delivery has occurred or services have been rendered;
- the price to the buyer is fixed and determinable; and
- collectability is reasonably assured.

Based on these criteria, the Company generally recognizes revenue at the point of sale or upon delivery to the customer site. For goods shipped by third party carriers, the Company recognizes revenue upon shipment since the terms are generally FOB shipping point. The Company also arranges for certain products to be shipped directly from the manufacturer to the customer. The Company recognizes the gross revenue for these sales upon shipment as the terms are FOB shipping point. The Company negotiates credit terms on a customer-by-customer basis and products are shipped at an agreed-upon price. In accordance with the ASC 605-45-45, the Company includes shipping and handling revenues in net revenue and shipping and handling costs in cost of goods sold.

Net sales are reported net of product returns, discounts and estimated returns and allowances. The Company estimate returns and allowances on an ongoing basis by considering historical and current trends.

Leases

The Company leases the majority of its facilities and enters into various other operating lease agreements in conducting its business. At the inception of each lease, the Company evaluates the lease agreement to determine whether the lease is an operating or capital lease. Operating lease expenses are recognized in the Condensed Combined Statements of Operations on a straight-line basis over the term of the related lease. Some of the Company's lease agreements contain renewal options, tenant improvement allowances, rent holidays or rent escalation clauses. When such items are included in a lease agreement, the Company records a deferred rent asset or liability on the Condensed Combined Balance Sheets equal to the difference between the rent expense and cash rent payments.

Advertising

All costs associated with advertising and promotion are expensed as incurred. The advertising and promotion costs were $1.0 million and $1.1 million for the six months ended July 1, 2017 and July 2, 2016 respectively.

Income Taxes

The Company accounts for income taxes using the liability method, which requires it to recognize a current tax liability or asset for current taxes payable or refundable and a deferred tax liability or asset for the estimated future tax effects of temporary differences between the financial statement and tax reporting bases of assets and liabilities to the extent that they are realizable. Deferred tax expense (benefit) results from the net change in deferred tax assets and liabilities during the period. The Company is using the "separate return" methodology for the purpose of computing the tax provision in the Condensed Combined Financial Statements. Additionally, any current income taxes payable at the end of each fiscal period have been recognized as a capital contribution from the parent company in the Condensed Combined Financial Statements.

FASB ASC Topic 740, *Income Taxes,* prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Based on this guidance, the Company analyzes its filing positions in all of the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions. Tax benefits from uncertain tax positions are recognized if it is more likely than not that the position is sustainable based solely on its technical merits **.** It is the Company's policy to report interest and penalties accrued related to these positions as components of the income tax provision, when incurred. The Company is open to audit under the statute of limitations by the Internal Revenue Service for the tax years ended December 31, 2013 through 2016, as well as all other jurisdictions pursuant to their applicable statute of limitations for the tax years ended December 31, 2012 through December 31, 2016.

2 Summary of Significant Accounting Policies – continued

Income Taxes – continued

In calculating the provision for interim period income taxes, in accordance with FASB ASC Topic 740, we estimate the effective rate expected to be applicable for the full fiscal year and apply that estimated annual effective tax rate to year-to-date income before income taxes. Adjustments to tax expense are made for year-to-date discrete items.

Stock-Based Compensation

Certain of the Company's employees participate in stock compensation plans of the ultimate parent company, CRH plc. The ultimate parent's plans include the following plans:

- 2013 Restricted Share Plan
- 2014 Performance Share Plan

Stock-based compensation expense is measured based on the fair value of CRH plc's stock on the grant date. These restricted stock units are serviced-based and vest over the service period

Stock-based compensation expense for performance share awards is measured based on the expected achievement of certain performance criteria.

The Company recognizes its proportionate share of its ultimate parent's FASB ASC 718, *Compensation – Stock Compensation* , compensation expense, based on actual awards granted to the Company employees. Compensation expense is recorded in payroll costs in the Condensed Combined Statements of Operations over the vesting periods.

For the six month period ended July 1, 2017 and July 2, 2016, the Company recorded stock compensation expense with a corresponding adjustment to paid-in capital contributed by its parent of $1.6 million and $1.5 million respectively.

3 Recently issued Accounting Standards

Accounting standards not yet effective

The following accounting standards and guidance have been issued by the Financial Accounting Standards Board ("FASB") but not yet adopted by the Company as of July 1, 2017. Unless otherwise indicated the adoption of these accounting standards are not expected to have a material impact on the Condensed Combined Financial Statements:

- ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* , which significantly change the income statement impact of equity investments and the recognition of changes in the fair value of financial liabilities when the fair value option is elected. (Effective for fiscal year ending December 31, 2018).
- ASU 2016-02, *Leases* , ("ASU 2016-02"). ASU 2016-02 requires lessees to recognize assets and liabilities for most leases. The Company is currently assessing the impact the adoption of this standard will have on its Combined Financial Statements. (Effective for fiscal year ending December 31, 2019).
- ASU 2016-04, *Recognition of Breakage for Certain Prepaid Stored-Value Products* , which allows entities to recognize breakage on prepaid stored-value products consistent with how breakage is recognized under the new revenue standard. (Effective for fiscal year ending December 31, 2018).
- ASU 2016-13, *Measurement of Credit Losses on Financial Instruments* , which significantly changes the way entities recognize impairment of many financial assets by requiring immediate recognition of estimated credit losses expected to occur over their remaining life. (Effective for fiscal year ending December 31, 2020).
- ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments* , which addresses eight classification issues related to the statement of cash flows. (Effective for fiscal year ending December 31, 2018).

3 Recently issued Accounting Standards – continued

Accounting standards not yet effective – continued

- ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory* , which requires entities to recognize at the transaction date the income tax consequences of intercompany asset transfers other than inventory. (Effective for fiscal year ending December 31, 2018).
- ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* , which requires companies to include cash and cash equivalents that have restrictions on withdrawal or use in total cash and cash equivalents on the statement of cash flows. (Effective for fiscal year ending December 31, 2018).
- In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* , ("ASU 2014-09") as well as supplemental guidance included in ASU 2016-8, ASU-2016-10 and ASU 2016-12. This new guidance requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The Company is currently assessing the impact the adoption of this standard will have on its Combined Financial Statements. (Effective for fiscal year ending December 31, 2018).
- ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* . ASU 2017-07 changes how employers that sponsor defined benefit pension and/or other postretirement benefit plans present the cost of the benefits in the income statement. (Effective for fiscal year ending December 31, 2018).
- ASU 2017-04, *Simplifying the Test for Goodwill Impairment* . ASU 2017-04 simplifies the accounting for goodwill impairment by requiring impairment charges to be based on the first step in today's two-step impairment test under Accounting Standards Codification (ASC) 350. Therefore, entities will record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value. (Effective for fiscal year ending December 31, 2021).
- ASU 2017-08, *Premium Amortization on Purchased Callable Debt Securities* . ASU 2017-08 amends the amortization period for certain purchased callable debt securities held at a premium. (Effective for fiscal year ending December 31, 2019).

Accounting standards recently adopted

The following accounting standards have been adopted by the Company during the period ended July 1, 2017. Unless otherwise indicated, the adoption of these standards had no impact on the Condensed Combined Financial Statements.

- ASU 2016-05, *Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships* , which clarifies that a change in one of the parties to a derivative contract (through novation) that is part of a hedge accounting relationship does not, by itself, require de-designation of that relationship, as long as all other hedge accounting criteria continue to be met.
- ASU 2016-06, *Contingent Put and Call Options in Debt Instruments* , which clarifies that determining whether the economic characteristics of a put or call are clearly and closely related to its debt host requires only an assessment of the four-step decision sequence outlined in FASB ASC paragraph 815-15-25-24.
- ASU 2016-07, *Simplifying the Transition to the Equity Method of Accounting* , which eliminates the requirement for an investor to retroactively apply the equity method when its increase in ownership interest (or degree of influence) in an investee triggers equity method accounting.
- ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting* , which simplifies various aspects related to the accounting and presentation of share-based payments.
- ASU 2016-17, *Consolidation (Topic 810): Interests Held through Related Parties That Are under Common Control* , which requires a single decision maker or service provider, in evaluating whether it is the primary beneficiary, to consider on a proportionate basis indirect interests held through related parties under common control.

3 Recently issued Accounting Standards – continued

Accounting standards recently adopted – continued

- The Company retrospectively adopted ASU 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes,* during fiscal year ended December 31, 2016. The standard requires that all deferred taxes are presented as non-current in a classified statement of financial position. The Company elected for early adoption of ASU 2015-17 on a retrospective basis. The effect of this is that deferred tax liabilities, net, of $13.8 million, $13.4 million and $12.6 million have been classified as non-current liabilities as of July 1, 2017, December 31, 2016 and July 2, 2016 respectively.

4 Prepaid and Other Assets

The following table summarizes the significant components of prepaid expenses and other assets (in thousands):

	July 1, 2017	December 31, 2016	July 2, 2016
Vendor rebates	$46,579	$ 55,395	$51,864
Prepayments	8,526	14,256	8,101
Other	5,257	6,013	4,746
	$60,362	$ 75,664	$64,711
Due within 1 year	$58,093	$ 73,616	$62,641
Due greater than 1 year	2,269	2,048	2,070
	$60,362	$ 75,664	$64,711

5 Property and Equipment

	July 1, 2017	December 31, 2016	July 2, 2016
Property and equipment consist of the following (in thousands):			
Land and buildings	$ 69,566	$ 67,486	$ 66,560
Equipment	230,696	221,773	219,765
Construction in progress	7,108	7,261	5,608
	307,370	296,520	291,933
Less accumulated depreciation	(191,010)	(185,721)	(179,338)
	$ 116,360	$ 110,799	$ 112,595

Depreciation expense for the six months ended July 1, 2017 and July 2, 2016 was $12.1 million and $11.7 million respectively.

6 Goodwill and Intangible Assets

	July 1, 2017	December 31, 2016	July 2, 2016
Goodwill:			
The carrying value of goodwill is (in thousands):	$433,094	$ 433,094	$433,094

There have been no impairment losses recorded.

	July 1, 2017	December 31, 2016	July 2, 2016
Intangible assets:			
Amortizable intangible assets:			
Marketing-related	$ 2,100	$ 2,100	$ 2,100
Customer-related	139,300	139,300	139,300
Contract-based	1,483	1,483	1,483
	142,883	142,883	142,883
Less accumulated amortization	(130,601)	(126,741)	(122,030)
	$ 12,282	$ 16,142	$ 20,853

Amortization expense for the six months ended July 1, 2017 and July 2, 2016 was $3.9 million and $5.7 million respectively.

7 Equity

Authorized (at July 1, 2017, December 31, 2016 and July 2, 2016)

Common shares:

Class A – Voting

1,400 Equity Shares – No Par Value

Class B – Non Voting

12,600 Equity Shares – No Par Value

Preferred shares:

6,300 Preferred Shares – $714.286 US$ each

There are two types of shares, Ordinary and Preferred. Ordinary shares consist of Class A and Class B shares, of which only the Class A shares have voting rights. The Class B shares have no voting rights. The preferred shares are subject to a 12% discretionary non-cumulative dividend preference out of surplus annually and are also preferred (at par) as to rights upon liquidation, dissolution or winding up of the company. They have no voting rights.

8 Income Taxes

Taxable income of the Company is included in the consolidated US federal income tax return of Oldcastle, Inc. Oldcastle, Inc. has allocated income taxes to the Company on a basis that considers the permanent and temporary differences related to the Company's operations computed on a "separate return" basis.

The following table is a reconciliation of the statutory federal income tax rate to the Company's effective income tax rate for the periods presented (in thousands):

	Six Months Ended	
	July 1, 2017	July 2, 2016
Income taxes at the US federal statutory rate of 35%	$17,505	$14,071
State income taxes, net of federal tax benefit	2,227	1,730
Other, net	212	28
Income tax expense	$19,944	$15,829

The effective income tax rate for the six months ended July 1, 2017, was 39.9%, compared to an effective tax rate of 39.4% for the same period in the prior year and an effective tax rate of 39.4% for the fiscal year ended December 31, 2016. Based upon on our current projected pre-tax income, our estimated annual income tax rate for the fiscal year ending December 30, 2017, is expected to be approximately 39.9%, excluding any discrete items.

9 Other Current Liabilities

The following table summarizes the significant components of accrued expenses and other current liabilities (in thousands):

	July 1, 2017	December 31, 2016	July 2, 2016
Payroll obligations	$18,446	$ 25,752	$19,164
Other	69,331	61,353	63,435
	$87,777	$ 87,105	$82,599

10 Related Party Transactions

	Counterparty	For Six Months Ended July 1, 2017	July 2, 2016
Recorded in the Condensed Combined Statement of Operations (in thousands):			
Allocation of central corporate costs (recorded in other costs)	CRH plc, Oldcastle, Inc.	$ 500	$ 500
Stock-based compensation recharges (recorded in payroll costs)	CRH plc	1,587	1,480
Interest expense	Oldcastle, Inc.	1,655	4,628
Current income tax expense	Oldcastle, Inc.	19,523	15,496
		$23,265	$22,104

	Counterparty	July 1, 2017	December 31, 2016	July 2, 2016
Recorded in the Condensed Combined Balance Sheet (in thousands):				
Amounts due from related parties	CRH plc, Oldcastle, Inc.	$ —	$ 4,387	$ —
Indebtedness to related parties	CRH plc, Oldcastle, Inc.	$ 99,364	$ 82,475	$236,159
Net indebtedness to related parties	CRH plc, Oldcastle, Inc.	$ 99,364	$ 78,088	$236,159
Included in equity:				
Income tax	Oldcastle Inc.	$141,335	$ 121,812	$ 85,912

The Company has a number of lease arrangements in place with related parties of the Company, which have been entered into in the ordinary course of business, and payments relating to them amounted to $2.9 million in the six months ended July 1, 2017 and $2.8 million in the six months ended July 2, 2016.

11 Commitments and Contingencies

Laws and regulations

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. The Company has historically not been exposed to environmental liabilities due to the nature of its business.

Litigation

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.

12 Subsequent Events

The Company has evaluated whether any additional subsequent events have occurred that would require disclosure or recognition in the accompanying Condensed Combined Financial Statements and concluded that no additional disclosure or recognition is necessary. The evaluation was performed through August 14, 2017, the date the Condensed Combined Financial Statements were available to be issued.

Exhibit 99.3

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined financial statements present the combination of the historical financial statements of Beacon and Allied, adjusted to give effect to the Allied Transactions. As used herein, the term "Allied Transactions" refers to the following proposed transactions: (i) a $300.0 million public offering of shares of Beacon's common stock; (ii) the Debt Financing (as defined herein); (iii) the Convertible Preferred Stock Purchase (as defined herein); (iv) the closing of the Allied Acquisition (as defined herein); (v) the repayment of certain existing indebtedness of Beacon; and (vi) the payment of estimated premiums, fees and expenses in connection with the proposed $300.0 million public offering of shares of Beacon's common stock, the proposed Debt Financing, the Allied Acquisition and the Convertible Preferred Stock Purchase.

The unaudited pro forma condensed combined balance sheet information gives effect to the Allied Transactions as if they had been consummated on June 30, 2017 and includes pro forma adjustments based on Beacon management's preliminary valuations of certain acquired tangible and intangible assets. Beacon's fiscal year ends on September 30, while Allied's last three fiscal years ended on December 31, 2016, January 2, 2016 and December 27, 2014. The unaudited pro forma condensed combined statement of operations information for the fiscal year ended September 30, 2016 gives effect to the Allied Transactions as if they had been consummated on October 1, 2015 and combines Beacon's historical results for the fiscal year ended September 30, 2016 with Allied's historical results for the fiscal year ended December 31, 2016. As Allied's fiscal year end is within 93 days of Beacon's fiscal year end, the unaudited pro forma condensed combined statement of operations information for the fiscal year ended September 30, 2016 includes Allied's annual operating results for its respective fiscal year ended December 31, 2016. The unaudited pro forma condensed combined statement of operations information for the nine months ended June 30, 2017 gives effect to the Allied Transactions as if they had been consummated on October 1, 2016 and combines Beacon's historical results for the nine months ended June 30, 2017 with Allied's historical results for the six months ended July 1, 2017 and the three months ended December 31, 2016.

The final terms of the Allied Transactions, including the Debt Financing, will be subject to market conditions and may change materially from the assumptions described in the following unaudited pro forma condensed combined financial statements. Changes in assumptions with respect to the Allied Transactions would result in changes to various components of the unaudited pro forma condensed combined balance sheet, including stockholders' equity and total debt, and various components of the unaudited pro forma condensed combined statements of operations, including interest expense and earnings per share. Depending on the nature of the changes, the impact on the unaudited pro forma condensed combined financial information could be material.

The unaudited pro forma condensed combined financial statements were prepared using the acquisition method of accounting for business combinations under the guidance of Accounting Standards Codification Topic 805, *Business Combinations* ("ASC 805"). Under ASC 805, assets acquired and liabilities assumed are recorded at fair value, with any excess purchase price allocated to goodwill. The fair value of identifiable tangible and intangible assets acquired and liabilities assumed are preliminary and are based upon available information and certain assumptions described in the accompanying notes to the unaudited pro forma condensed combined financial statements that Beacon's management believes are reasonable under the circumstances. The final purchase price allocation for the Allied Transactions will be performed after the closing of the Allied Acquisition and will depend on the actual net tangible and intangible assets that exist as of the closing of the Allied Acquisition. Any final adjustments may change the allocation of purchase price, which could result in a change to the unaudited pro forma condensed combined financial information, including goodwill. The result of the final purchase price allocation could be materially different from the preliminary allocation set forth herein.

The unaudited pro forma condensed combined financial information is provided for informational and illustrative purposes only and is not intended to represent or be indicative of the consolidated results of operations or financial position of Beacon that would have been reported had the Allied Transactions been completed as of the dates presented, and should not be taken as representative of the future consolidated results of operations or financial position of Beacon following the consummation of the Allied Transactions. We therefore caution you not to place undue reliance on the unaudited pro forma condensed combined financial information. The unaudited pro forma condensed combined financial information should be read in conjunction with:

- the accompanying notes related to the unaudited pro forma condensed combined financial statements;

- the audited consolidated financial statements and the notes related thereto for Beacon for the fiscal years ended September 30, 2016, 2015 and 2014 and as of September 30, 2016 and 2015, which are filed with Beacon's Annual Report on Form 10-K for the fiscal year ended September 30, 2016 on file with the United States Securities and Exchange Commission (the "SEC");
- the unaudited consolidated interim financial statements and the notes related thereto for Beacon as of and for the nine months ended June 30, 2017 and 2016, which are filed with Beacon's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 on file with the SEC;
- the audited combined financial statements and the notes related thereto for Allied as of and for the fiscal years ended December 31, 2016, January 2, 2016 and December 27, 2014, which are included as Exhibit 99.1 to this Current Report on Form 8-K; and
- unaudited condensed combined interim financial statements and the notes thereto for Allied as of and for the six months ended July 1, 2017 and July 2, 2016, which are included as Exhibit 99.2 to this Current Report on Form 8-K.

Beacon Roofing Supply, Inc.
Unaudited Pro Forma Condensed Combined Statements of Operations
For the Nine Months Ended June 30, 2017

	Historical Beacon	Historical Allied [1]	Pro Forma Adjustments	Note Reference	Pro Forma Combined
	(in thousands, other than share and per share amounts)				
Statement of Operations Data:					
Net sales	$ 3,086,802	$1,871,490	$ —		$ 4,958,292
Cost of products sold	2,333,504	1,376,043	—		3,709,547
Gross profit	753,298	495,447	—		1,248,745
Operating expense	624,526	402,121	64,235	4(a), 4(b)	1,090,882
Income from operations	128,772	93,326	(64,235)		157,863
Interest expense, financing costs, and other	39,239	2,747	81,483	4(c), 4(d)	123,469
Income before provision for income taxes	89,533	90,579	(145,718)		34,394
Provision for income taxes	33,800	35,915	(56,301)	4(e)	13,414
Net income	$ 55,733	$ 54,664	$ (89,417)		$ 20,980
Dividend on preferred shares					18,000
Net income attributable to common stockholders					$ 2,980
Weighted-average common stock outstanding:					
Basic	60,131,546		5,985,634	4(f)	66,117,180
Diluted	61,163,591		5,985,634	4(f)	67,149,225
Net income per share:					
Basic	$ 0.93		$ (0.88)	4(g)	$ 0.05
Diluted	$ 0.91		$ (0.87)	4(g)	$ 0.04

(1) The unaudited pro forma condensed statement of operations data of Allied for the nine months ended June 30, 2017 includes the historical statement of operations of Allied for the three months ended December 31, 2016. The historical statement of operations data of Allied for the three months ended December 31, 2016, is also included in the unaudited pro forma condensed combined statement of operations for the fiscal year ended September 30, 2016. Condensed historical statement of operations data of Allied for the three months ended December 31, 2016 is as follows (in thousands):

	Three Months Ended December 31, 2016
Revenue	$ 625,879
Expenses	601,286
Net income	$ 24,593

Beacon Roofing Supply, Inc.
Unaudited Pro Forma Condensed Combined Statements of Operations
For the Fiscal Year Ended September 30, 2016

	Historical		Pro Forma	Note	Pro Forma
	Beacon	Allied [1]	Adjustments	Reference	Combined
	(in thousands, other than share and per share amounts)				
Statement of Operations Data:					
Net sales	$ 4,127,109	$2,560,404	$ —		$ 6,687,513
Cost of products sold	3,114,040	1,883,061	—		4,997,101
Gross profit	1,013,069	677,343	—		1,690,412
Operating expense	808,085	536,367	83,057		1,427,509
Income from operations	204,984	140,976	(83,057)	4(a), 4(b)	262,903
Interest expense, financing costs, and other	58,452	7,993	106,444		172,889
Income before provision for income taxes	146,532	132,983	(189,501)	4(c), 4(d)	90,014
Provision for income taxes	56,615	52,507	(74,017)		35,105
Net income	$ 89,917	$ 80,476	$ (115,484)	4(e)	$ 54,909
Dividend on preferred shares					24,000
Net income attributable to common stockholders					$ 30,909
Weighted-average common stock outstanding:					
Basic	59,424,372		5,985,634	4(f)	65,410,006
Diluted	60,418,067		5,985,634	4(f)	66,403,701
Net income per share:					
Basic	$ 1.51		$ (1.04)	4(g)	$ 0.47
Diluted	$ 1.49		$ (1.02)	4(g)	$ 0.47

(1) Represents Allied statement of operations data for the year ended December 31, 2016. There were no significant transactions outside the ordinary course of business for Allied in the three months ended December 31, 2016

Beacon Roofing Supply, Inc.
Unaudited Pro Forma Condensed Combined Balance Sheet
As of June 30, 2017

	Historical		Pro Forma	Note	Pro Forma
	Beacon	Allied	Adjustments	Reference	Combined
			(in thousands)		
Balance Sheet Data:					
Assets					
Current assets:					
Cash and cash equivalents	$ 33,055	$ 6,145	$ (6,145)	5(a), 5(e)	$ 33,055
Accounts receivable	670,977	393,652	—		1,064,629
Inventories, net	641,425	366,281	—		1,007,706
Prepaid expenses and other current assets	221,477	58,093	—		279,570
Total current assets	1,566,934	824,171	(6,145)		2,384,960
Property and equipment, net	156,951	116,360	29,000	5(b)	302,311
Goodwill	1,256,014	433,094	1,108,548	5(b)	2,797,656
Intangibles, net	442,962	12,282	898,000	5(b)	1,353,244
Other assets, net	1,511	2,269	—		3,780
Total Assets	$3,424,372	$1,388,176	$2,029,403		$6,841,951
Liabilities and Stockholders' Equity					
Current liabilities:					
Accounts payable	$ 387,579	$ 376,033	$ —		$ 763,612
Accrued expenses	280,315	89,658	24,103	5(c)	394,076
Current portions of long-term debt	13,762	—	—		13,762
Indebtedness to related parties	—	16,889	(16,889)	5(e)	—
Total current liabilities	681,656	482,580	7,214		1,171,450
Borrowings under revolving lines of credit, net	449,615	—	142,902	5(d)	592,517
Long-term debt, net	721,685	—	1,795,323	5(d)	2,517,008
Deferred income taxes, net	142,116	13,847	318,414	5(b)	474,377
Long-term obligations under equipment financing and other, net	28,412	772	—		29,184
Indebtedness to related parties	—	82,475	(82,475)	5(e)	—
Total liabilities	2,023,484	579,674	2,181,378		4,784,536
Commitments and contingencies					
Convertible preferred stock	—	—	398,025	5(a)	398,025
Stockholders' equity:					
Common stock	603	—	60	5(a), 5(e)	663
Preferred stock	—	2,475	(2,475)	5(e)	—
Additional paid-in capital	714,608	449,607	(160,917)	5(a), 5(e)	1,003,298
Retained earnings	703,055	356,420	(386,668)	5(c), 5(e)	672,807
Accumulated other comprehensive loss	(17,378)	—	—		(17,378)
Total stockholders' equity	1,400,888	808,502	(550,000)		1,659,390
Total Liabilities and Stockholders' Equity	$3,424,372	$1,388,176	$2,029,403		$6,841,951

Notes to Unaudited Pro Forma Condensed Combined Financial Information

1. Description of Transaction

On August 24, 2017, Beacon entered into a stock purchase agreement (the "Stock Purchase Agreement") with Oldcastle, Inc. and Oldcastle Distribution, Inc., pursuant to which Beacon will acquire for approximately $2.625 billion in cash (subject to a working capital and certain other adjustments as set forth in the Stock Purchase Agreement) (the "Purchase Price") all of the issued and outstanding shares of capital stock of Allied Building Products Corp. and an affiliated entity (together with its and their respective subsidiaries, "Allied"), on the terms and subject to the conditions set forth in the Stock Purchase Agreement (the "Allied Acquisition").

To finance this transaction, Beacon has entered into a commitment letter with lenders for the following debt financing facilities:

- a $970.0 million seven-year senior secured term loan "B" facility ("Term Loan B");
- a $1.3 billion senior-secured asset-based revolving line of credit ("ABL revolver"); and
- a $1.3 billion senior unsecured bridge facility (the "Bridge loan").

In connection with the aforementioned debt financing (the "Debt Financing"), Beacon plans to enter into the following equity financing transactions to further finance the Allied Acquisition:

- a $400.0 million sale (the "Convertible Preferred Stock Purchase") of Series A Cumulative Convertible Participating Preferred Stock to CD&R Boulder Holdings, L.P ("convertible preferred stock"); and
- a $300.0 million public offering of shares of common stock.

2. Basis of Presentation

The unaudited pro forma condensed combined financial information has been prepared pursuant to the rules and regulations of the SEC. Certain information and certain footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations.

The unaudited pro forma condensed combined balance sheet information gives effect to the Allied Transactions as if they had been consummated on June 30, 2017 and includes pro forma adjustments based on Beacon management's preliminary valuations of certain tangible and intangible assets. Beacon's fiscal year ends on September 30, while Allied's last three fiscal years ended on December 31, 2016, January 2, 2016 and December 27, 2014. The unaudited pro forma condensed combined statement of operations information for the fiscal year ended September 30, 2016 gives effect to the Allied Transactions as if they had been consummated on October 1, 2015 and combines Beacon's historical results for the fiscal year ended September 30, 2016 with Allied's historical results for the fiscal year ended December 31, 2016. As Allied's fiscal year end is within 93 days of Beacon's fiscal year end, the unaudited pro forma condensed combined statement of operations information for the fiscal year ended September 30, 2016 includes Allied's annual operating results for its respective fiscal year ended December 31, 2016. The unaudited pro forma condensed combined statement of operations information for the nine months ended June 30, 2017 gives effect to the Allied Transactions as if they had been consummated on October 1, 2016 and combines Beacon's historical results for the nine months ended June 30, 2017 with Allied's historical results for the six months ended July 1, 2017 and the three months ended December 31, 2016.

The unaudited pro forma condensed combined financial statements were prepared using the acquisition method of accounting for business combinations under the guidance of Accounting Standards Codification Topic 805, *Business Combinations* ("ASC 805"). Under ASC 805, assets acquired and liabilities assumed are recorded at fair value, with any excess purchase price allocated to goodwill. The fair value of identifiable tangible and intangible assets acquired and liabilities assumed are preliminary and are based upon available information and certain assumptions described in the accompanying notes to the unaudited pro forma condensed combined financial statements that Beacon's management believes are reasonable under the circumstances. The final purchase price allocation for the Allied Transactions will be performed after the closing of the Allied Acquisition and will depend on the actual net tangible and intangible assets that exist as of the closing of the Allied Acquisition. Any final adjustments may change the allocation of purchase price, which could result in a change to the unaudited pro forma condensed combined financial information, including goodwill. The result of the final purchase price allocation could be materially different from the preliminary allocation set forth herein.

3. Accounting Policies

Following the Allied Acquisition, Beacon will conduct a review of accounting policies of Allied in an effort to determine if differences in accounting policies require reclassification of results of operations or reclassification of assets or liabilities to conform to Beacon's accounting policies and classifications. As a result of that review, Beacon may identify differences among the accounting policies of the companies that, when conformed, could have a material impact on the unaudited pro forma combined financial information.

4. Unaudited Pro Forma Combined Statement of Operations Adjustments

(a) In accordance with ASC 805, the estimated purchase price of Allied has been allocated on a preliminary basis to the fair value of its assets and liabilities. The preliminarily determined fair value for Allied definite-lived intangible assets (customer relationships) is approximately $800.0 million. This adjustment increases operating expenses for the incremental expense that will be incurred based on the amortization of acquired definite-lived intangible assets, and was calculated as follows (in thousands):

	Nine Months Ended June 30, 2017
Estimated pro forma amortization	$ 65,137
Historical amortization	(5,885)
Total incremental amortization	$ 59,252

	Year Ended September 30, 2016
Estimated pro forma amortization	$ 86,850
Historical amortization	(10,437)
Total incremental amortization	$ 76,413

Definite lived intangible assets consisting of amounts assigned to customer relationships are expected to be amortized over their estimated life of 20 years on an accelerated basis. Estimated future amortization for the five year period following the closing date of the Allied Acquisition is $86.8 million, $122.5 million, $108.3 million, $91.8 million, and $75.5 million for the years ending September 30, 2017, 2018, 2019, 2020, and 2021, respectively.

(b) In accordance with ASC 805, the estimated purchase price of Allied has been allocated on a preliminary basis to the fair value of its assets and liabilities. The preliminarily determined fair value for Allied property, plant, and equipment is approximately $145.0 million. This adjustment increases operating expenses for the incremental expense that will be incurred based on the depreciation of acquired property, plant, and equipment. The incremental depreciation expense for the nine months ended June 30, 2017 and year ended September 30, 2016 was $5.0 million and $6.6 million, respectively. These amounts were calculated based on an estimated $29.0 million of incremental fair value depreciated over a range of 1.6 to 8.0 years.

(c) To consummate the Allied Acquisition, Beacon intends to incur approximately $2.0 billion of incremental new indebtedness. Based on the assumed interest rates on the Debt Financing in connection with the Allied Acquisition the pro forma adjustment to interest expense was calculated as follows (in thousands):

	Nine Months Ended June 30, 2017
Estimated interest expense on financing incurred in connection with the Allied Acquisition	$ 98,551
Less : Interest expense recorded in Beacon's historical results related to interest expense	(20,129)
Estimated amortization of deferred financing costs recorded in connection with the Allied Acquisition	5,571
Less : Interest expense recorded in Beacon's historical results related to deferred financing costs	(2,509)
Total pro forma adjustment to interest expense related to debt financing	$ 81,484

	Year Ended September 30, 2016
Estimated interest expense on financing incurred in connection with the Allied Acquisition	$ 131,401
Less : Interest expense recorded in Beacon's historical results related to interest expense	(29,846)
Estimated amortization of deferred financing costs recorded in connection with the Allied Acquisition	7,429
Less : Interest expense recorded in Beacon's historical results related to deferred financing costs	(2,539)
Total pro forma adjustment to interest expense related to debt financing	$ 106,445

Beacon estimates the weighted-average interest rate on the new indebtedness to be approximately 4.6%. A hypothetical 1/8 percent increase or decrease in the expected weighted-average interest rate, including from an increase in LIBOR, would increase or decrease interest expense on Beacon's financing by approximately $35.8 million annually.

(d) In connection with the Allied Acquisition, Beacon intends to obtain at least $400.0 million of equity financing via the Convertible Preferred Stock Purchase. The preferred stock will be convertible perpetual participating preferred stock of Beacon, with an initial conversion price of $41.26 per share, and will accrue dividends at a rate of 6.0% per annum (payable in cash or in-kind, subject to specified limitations). Assuming an outstanding convertible preferred stock value of $400.0, the common stock equivalent of the preferred stock upon conversion would be approximately 9.7 million shares of common stock. Estimated deferred financing costs related to this equity financing are approximately $2.0 million. These costs net down the total value of the preferred stock on the balance sheet.

(e) The adjustment to the unaudited pro forma condensed combined balance sheet as of June 30, 2017 gives effect to the recording of the fair value of the estimated net deferred tax assets acquired from Allied, and the recording of a deferred tax liability associated with the difference in the financial reporting and tax basis in the customer relationship intangible recorded as part of the acquisition method of accounting described in Note 5(b).

For purposes of the unaudited pro forma condensed combined statement of operations, the combined United States federal and state statutory tax rate of 39.0% has been used for all periods presented. This does not reflect Beacon's effective tax rate, which includes other tax items such as tax charges or benefits, and does not take into account any historical or possible future tax events that may impact Beacon in the future.

(f) In connection with the Allied Acquisition, Beacon intends to obtain approximately $300.0 million of equity financing through a public offering of shares of our common stock. Utilizing the Beacon common stock closing price of $50.12 as of September 8, 2017, the pro forma adjustment to basic and diluted weighted-average common stock outstanding for the nine months ended June 30, 2017 and year ended September 30, 2016 is an increase of approximately 6.0 million shares.

Assuming a full conversion of the preferred stock outstanding at the beginning of the period (see Note 4(d)), the pro forma adjustment to diluted weighted-average common stock outstanding for the nine months ended June 30, 2017 and year ended September 30, 2016 would be increases of approximately 14.6 million shares and 14.7 million shares, respectively.

(g) The pro forma adjustment to net income per share ("EPS") is derived by dividing the pro forma net income attributable to common stockholders by the pro forma basic and diluted weighted-average shares outstanding ("WASO") and comparing the respective totals to historical net income per share.

Assuming no conversion of preferred stock in the period and an assumed 6% annual dividend on the convertible preferred shares outstanding, the following represents the calculation of the pro forma adjustment to net income per share for the respective periods presented (in thousands, except share and per share amounts):

	Nine Months Ended June 30, 2017
Pro Forma Net Income	$ 20,980
Less : Dividends on preferred shares	(18,000)
Net income attributable to common stockholders	$ 2,980
Pro forma Basic WASO	66,117,180
Pro forma Diluted WASO	67,149,225

	Pro Forma EPS	Unadjusted EPS	Pro Forma EPS Adjustment
Pro forma Basic EPS	$ 0.05	$ 0.93	$ (0.88)
Pro forma Diluted EPS	$ 0.04	$ 0.91	$ (0.87)

	Year Ended September 30, 2016
Pro Forma Net Income	$ 54,909
Less : Dividends on preferred shares	(24,000)
Net income attributable to common stockholders	$ 30,909
Pro forma Basic WASO	65,410,006
Pro forma Diluted WASO	66,403,701

	Pro Forma EPS	Unadjusted EPS	Pro Forma EPS Adjustment
Pro forma Basic EPS	$ 0.47	$ 1.51	$ (1.04)
Pro forma Diluted EPS	$ 0.47	$ 1.49	$ (1.02)

Assuming full conversion of preferred stock at the beginning of the period, the following would represent the calculation of the pro forma adjustment to net income per share for the respective periods presented (in thousands, except share and per share amounts):

	Nine Months Ended June 30, 2017
Pro Forma Net Income	$ 20,980
Less : Dividends on preferred shares	—
Net income attributable to common stockholders	$ 20,980
Pro forma Basic WASO	66,117,180
Pro forma Diluted WASO	75,811,799

	Pro Forma EPS	Unadjusted EPS	Pro Forma EPS Adjustment
Pro forma Basic EPS	$ 0.32	$ 0.93	$ (0.61)
Pro forma Diluted EPS	$ 0.28	$ 0.91	$ (0.63)

	Year Ended September 30, 2016
Pro Forma Net Income	$ 54,909
Less : Dividends on preferred shares	—
Net income attributable to common stockholders	$ 54,909
Pro forma Basic WASO	65,410,006
Pro forma Diluted WASO	75,104,625

	Pro Forma EPS	Unadjusted EPS	Pro Forma EPS Adjustment
Pro forma Basic EPS	$ 0.84	$ 1.51	$ (0.67)
Pro forma Diluted EPS	$ 0.73	$ 1.49	$ (0.76)

5. Unaudited Pro Forma Combined Balance Sheet Adjustments

(a) A summary of the expected sources and uses resulting from the Allied Acquisition and related financing transactions is as follows (in thousands):

Sources of funds	
Total debt financing	$2,901,568
Issuance of preferred stock	400,000
Issuance of common stock	300,000
Total sources of funds	$3,601,568
Use of funds	
Cash consideration for Allied	$2,625,000
Repayment of existing Beacon debt	887,240
Transaction fees	24,103
Deferred financing fees	65,225
Total use of funds	$3,601,568

(b) The unaudited pro forma condensed combined balance sheet has been adjusted to reflect the preliminary allocation by Beacon management of the purchase price for Allied to the identifiable tangible and intangible net assets acquired, with the excess purchase price allocated to goodwill. Under the acquisition method of accounting, the total estimated purchase price is allocated to Allied’s net tangible and intangible assets based on their estimated fair values at the date of the completion of the acquisition.

Below is a preliminary allocation of the total purchase price and the pro forma adjustments to the unaudited pro forma condensed combined balance sheet as of June 30, 2017 (in thousands):

Purchase Price Allocation	
Net working capital	$ 243,000
Inventory	358,000
Fixed assets	145,000
Other assets	2,000
Trade name	110,000
Customer relationships	800,000
Goodwill	967,000
Total	$2,625,000

The adjustments to the historical combined net assets as a result of the allocation of the estimated purchase price for Allied are as follows (in thousands):

	Historical book value	**Preliminary fair values**	**Pro forma adjustment**
Trade name	$ —	$ 110,000	$ 110,000
Customer relationships	12,282	800,000	787,718
Intangible assets, net	—	910,000	910,000
Goodwill	433,094	967,000	533,906
Deferred income taxes	13,847	331,871	318,024

Upon completion of the fair value assessment, the Company anticipates that the final purchase price allocation will differ from the preliminary assessment provided above. Any changes to the initial estimates of the fair value of the assets and liabilities will be recorded as adjustments and the residual amounts will be allocated as an increase or decrease to goodwill.

(c) Beacon and Allied anticipate incurring transaction costs associated with the Allied Acquisition of approximately $24.1 million. This adjustment reflects the accrual of those anticipated costs.

(d) The adjustments to historical combined long-term debt are comprised of the following (in thousands):

Paydown of existing Beacon revolver lines of credit	$ (449,615)
Paydown of existing Beacon Term Loan B	(437,625)
ABL revolver [1]	593,717
Term Loan B [1]	970,000
Bridge loan [1]	1,300,000
Net change in long term debt	$1,976,477

(1) Amounts represent debt financing commitments entered into by Beacon. Actual allocation of these amounts upon closing of the Allied Acquisition may change based on the results of the equity financing Beacon plans to obtain in connection with these debt financing transactions.

Deferred financing fees of approximately $52.0 million have been recorded against the gross long-term debt balances. Deferred financing fees will be amortized over the contractual term of the respective facilities. Deferred financing fees of $13.8 million relating to Beacon's existing long-term debt have been eliminated from total assets with a corresponding decrease to retained earnings for the amounts related to Beacon. No adjustment has been made to the unaudited pro forma combined statements of operations for these costs, as they are non-recurring.

(e) Adjustment to eliminate (settle) Allied's intercompany debt and stockholder's equity.