



Beacon Roofing Supply, Inc.

2016 Third Quarter Earnings Call August 2, 2016





Highlights

- ❑ Record third quarter net sales of \$1.15 billion, 60.5% above prior year
- ❑ First quarter in Company history with \$1 billion in sales
- ❑ Organic growth of 8.7% in existing markets
- ❑ Gross margin improvement of 90 basis points to 24.5% of sales
- ❑ EPS of \$0.68 (\$0.77 adjusted) vs. \$0.56 in prior year
- ❑ Third quarter net income grew to \$41.1 million from \$28.3 million in prior year
- ❑ Third quarter adjusted EBITDA grew to \$109.6 million from \$60.0 million in prior year
- ❑ RSG integration and synergy realization on track
- ❑ Completed eight acquisitions year to date in Fiscal 2016



RSG Integration Update

- ❑ Branch consolidation activities almost complete
- ❑ ERP system conversion complete
- ❑ Successfully migrating RSG branches to Beacon operating structure
- ❑ Minimal loss of net sales post-consolidation
- ❑ Synergy realization is on target to exceed expectations
- ❑ Notable improvement in RSG gross margins vs. prior year under Beacon supply chain contracts



Consolidated Statements of Operations

(\$ in millions)

	Three Months Ended June 30,				Nine Months Ended June 30,			
	2016		2015		2016		2015	
	Actual	% of Net Sales	Actual	% of Net Sales	Actual	% of Net Sales	Actual	% of Net Sales
Net sales	\$ 1,152.7	100.0%	\$ 718.2	100.0%	\$ 2,952.7	100.0%	\$ 1,727.4	100.0%
Cost of products sold	870.7	75.5%	548.8	76.4%	2,241.7	75.9%	1,323.6	76.6%
Gross profit	282.0	24.5%	169.4	23.6%	711.0	24.1%	403.8	23.4%
Operating expense	203.7	17.7%	121.5	16.9%	601.9	20.4%	345.9	20.0%
Income from operations	78.3	6.8%	47.9	6.7%	109.1	3.7%	57.9	3.4%
Interest expense, financing costs and other	12.2	1.1%	2.5	0.3%	41.5	1.4%	8.0	0.5%
Income before provision for income taxes	66.1	5.7%	45.4	6.4%	67.6	2.3%	49.9	2.9%
Provision for income taxes	25.0	2.2%	17.1	2.4%	25.1	0.8%	18.5	1.1%
Net Income	\$ 41.1	3.5%	\$ 28.3	4.0%	\$ 42.5	1.5%	\$ 31.4	1.8%
EPS	\$ 0.68		\$ 0.56		\$ 0.71		\$ 0.63	

The third quarter 2016 Consolidated Statements of Operations includes \$2.2 million (\$1.6 million, net of taxes) of non-recurring charges, \$5.7 million (\$3.6 million, net of taxes) of additional amortization for acquired intangibles, and \$0.4 million (\$0.3 million, net of taxes) of interest expense, financing costs and other for the recognition of certain costs related to the RSG acquisition and all other acquisitions made in Fiscal 2016. For the nine months ended June 30, 2016 Consolidated Statement of Operations includes \$27.6 million (\$16.7 million, net of taxes) of non-recurring charges, \$17.1 million (\$10.4 million, net of taxes) of additional amortization for acquired intangibles, and \$5.5 million (\$3.3 million, net of taxes) of interest expense, financing costs and other for the recognition of certain costs related to the RSG acquisition and all other Fiscal 2016 acquisitions. Acquisition costs in fiscal year 2015 were immaterial. See "Consolidated Statement of Operations (Adjusted)" for further details.



Consolidated Statements of Operations (Adjusted)

(\$ in millions)

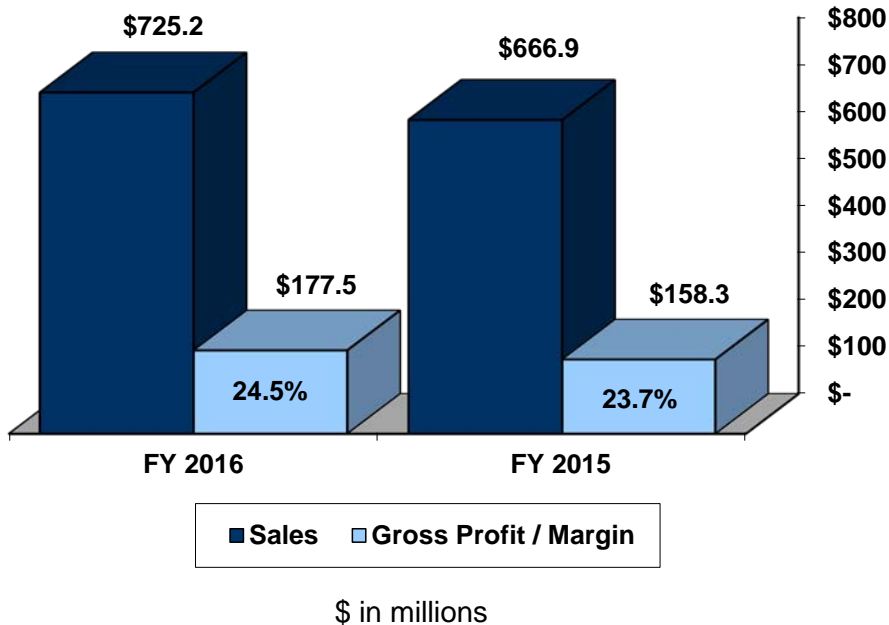
	Three Months Ended June 30,				Nine Months Ended June 30,			
	2016		2015		2016		2015	
	Actual (Adjusted)	% of Net Sales	Actual (Adjusted)	% of Net Sales	Actual (Adjusted)	% of Net Sales	Actual (Adjusted)	% of Net Sales
Net sales	\$ 1,152.7	100.0%	\$ 718.2	100.0%	\$ 2,952.7	100.0%	\$ 1,727.4	100.0%
Cost of products sold	870.7	75.5%	548.8	76.4%	2,241.7	75.9%	1,323.6	76.6%
Gross profit	282.0	24.5%	169.4	23.6%	711.0	24.1%	403.8	23.4%
Operating expense	195.8	17.0%	121.5	16.9%	557.2	18.9%	345.9	20.0%
Income from operations	86.2	7.5%	47.9	6.7%	153.8	5.2%	57.9	3.4%
Interest expense, financing costs and other	11.8	1.0%	2.5	0.3%	36.0	1.2%	8.0	0.5%
Income before provision for income taxes	74.4	6.5%	45.4	6.3%	117.8	4.0%	49.9	2.9%
Provision for income taxes	27.8	2.4%	17.1	2.4%	44.9	1.5%	18.5	1.1%
Adjusted Net Income	\$ 46.6	4.1%	\$ 28.3	3.9%	\$ 72.9	2.5%	\$ 31.4	1.8%
Adjusted EPS	\$ 0.77		\$ 0.56		\$ 1.21		\$ 0.63	

The above presentation excludes non-recurring charges, additional amortization for acquired intangibles, interest expense, financing costs and certain other expenses related to the RSG acquisition and all other acquisitions made in Fiscal 2016. Acquisition costs in fiscal year 2015 were immaterial. See "Reconciliation of GAAP to Adjusted" for further detail.

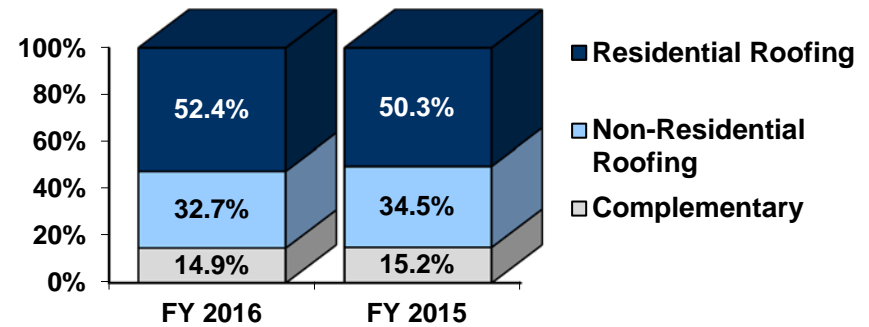


Quarterly Results

Existing Market Sales, Gross Profit & Gross Margin



Existing Market Product Mix



Existing Market Sales Growth (Decline)

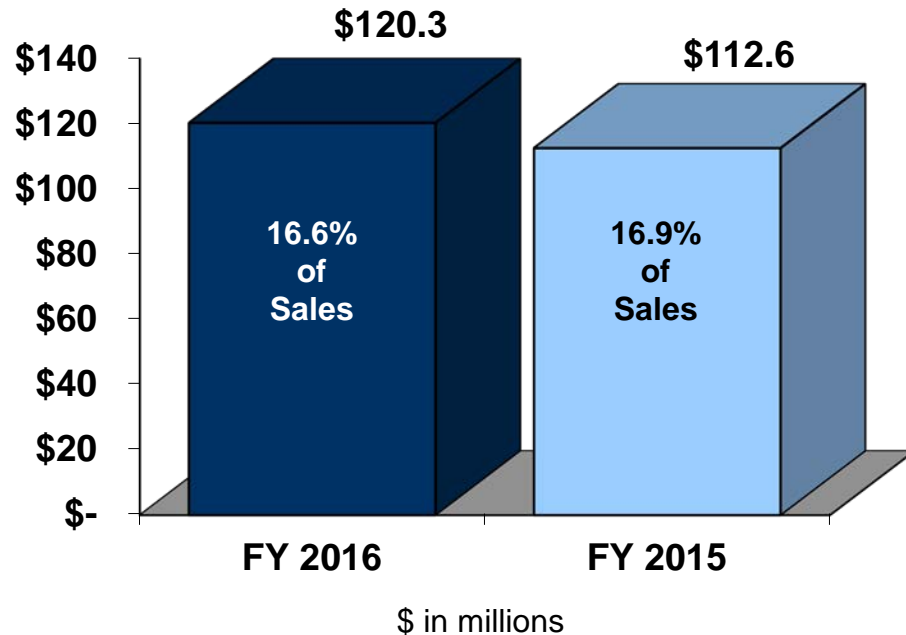
Northeast	(5.3%)
Mid-Atlantic	6.6%
Southeast	20.4%
Southwest	45.9%
Midwest	1.1%
West	10.3%
Canada	(2.6%)
Total	8.7%

Existing Market results above exclude growth from acquired branches until they have been under ownership for at least four full fiscal quarters at the start of the fiscal reporting period.



Quarterly Results

Existing Market Operating Expenses



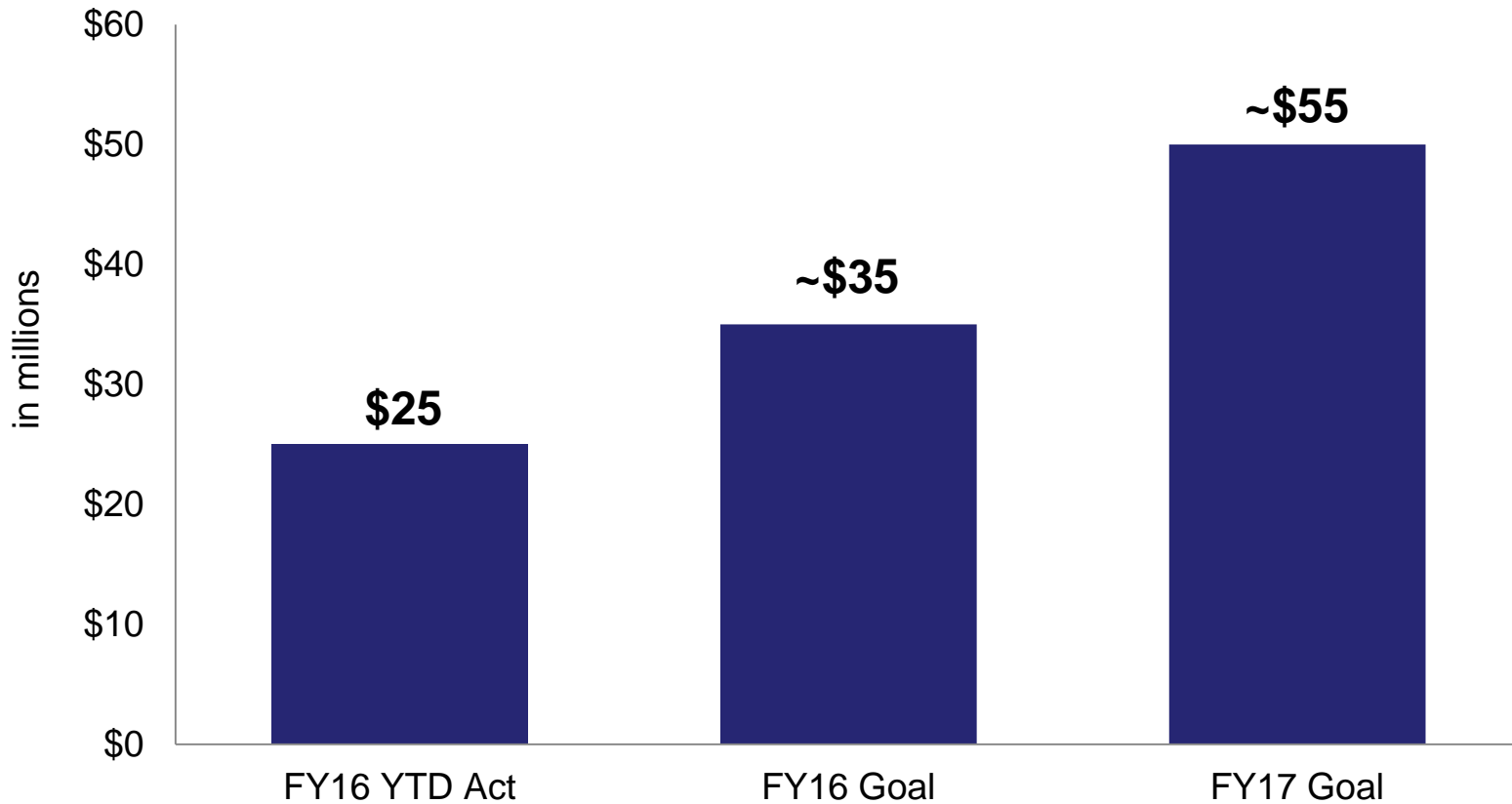
Operating Expense Increase (Decrease)

Payroll, employee benefits, stock comp	\$ 7.5
Bad debt expense	1.9
Greenfields	0.2
Amortization & depreciation	(0.7)
Selling expense & other	(1.2)
Total	\$ 7.7

Existing Market results above exclude growth from acquired branches until they have been under ownership for at least four full fiscal quarters at the start of the fiscal reporting period.



RSG Synergy Highlights





RSG and Other Fiscal 2016 Acquisition Costs

<i>(In millions)</i>	Q3 2016	YTD 2016	P&L Line Item
Integration Costs	\$1.6	\$21.2	
Misc. SG&A	\$1.6	\$16.9	Op Ex
Stock Comp. Expense	\$0.0	\$4.3	Op Ex
Transaction Costs	\$1.0	\$11.9	
Misc. SG&A	\$0.6	\$5.6	Op Ex
Interest Expense	\$0.4	\$5.5	Other (income) / expense
(Gain) / Loss on Assets	\$0.0	\$0.8	Op Ex
Incremental Amortization	\$5.7	\$17.1	Op Ex
Total	\$8.3	\$50.2	

Acquisition costs reflected on a pre-tax basis



Amortization Impact on Net Income and EPS

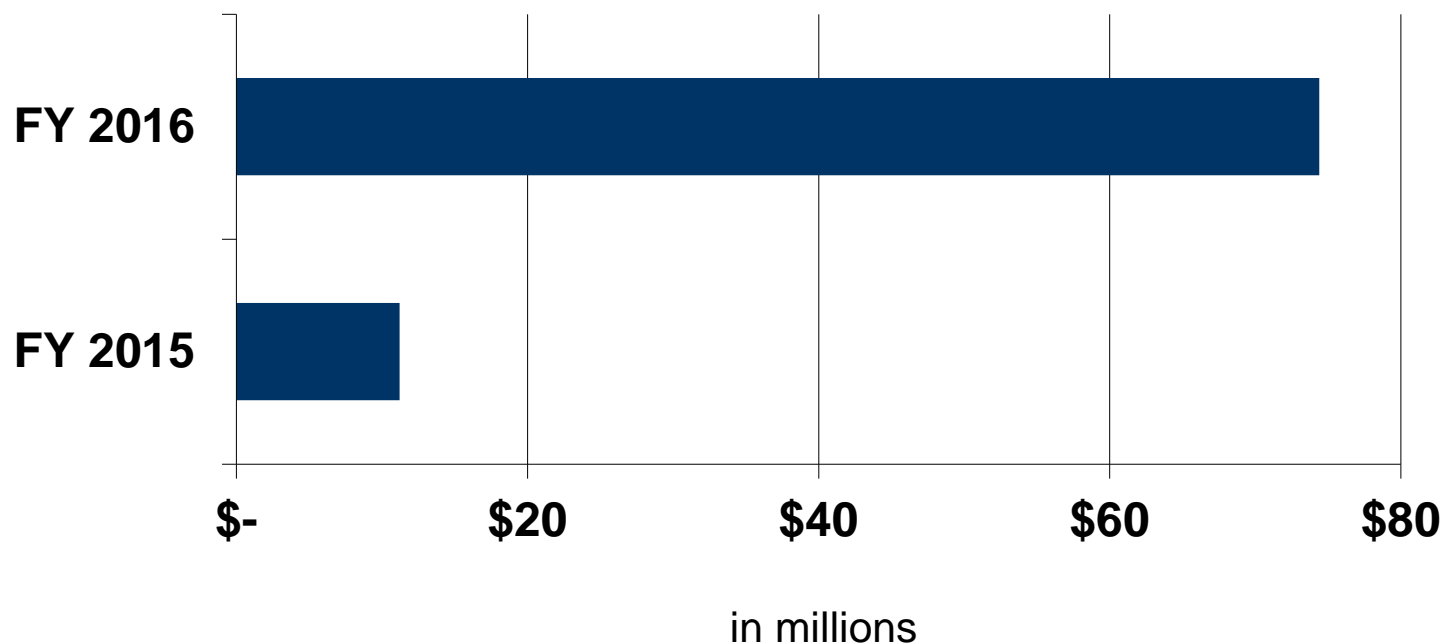
(\$ in millions)	Year-to-Date		Full Year	
	All Included	Incremental Excluded	All Included	Incremental Excluded
Legacy Beacon	(\$11)	(\$11)	(\$15)	(\$15)
Legacy RSG	(\$19)	(\$19)	(\$25)	(\$25)
Q1 & Q3 Beacon Acquisitions	(\$3)	(\$3)	(\$5)	(\$5)
Incremental RSG	(\$17)	-----	(\$23)	-----
FY16 Net Income Impact	(\$30)	(\$20)	(\$41)	(\$27)
EPS Impact ¹	(\$0.50)	(\$0.33)	(\$0.67)	(\$0.45)

¹ Full Year EPS assumes diluted shares of 60.5 million



YTD Results

Cash Flow From Operations

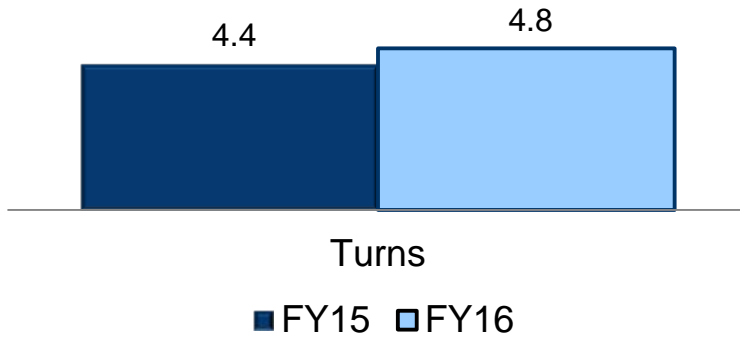


	<u>Net Income</u>	<u>Non-Cash & WC Adj.</u>	<u>CF from Ops</u>
FY 2016	\$42.5	\$31.9	\$74.4
FY 2015	\$31.5	(\$20.3)	\$11.2

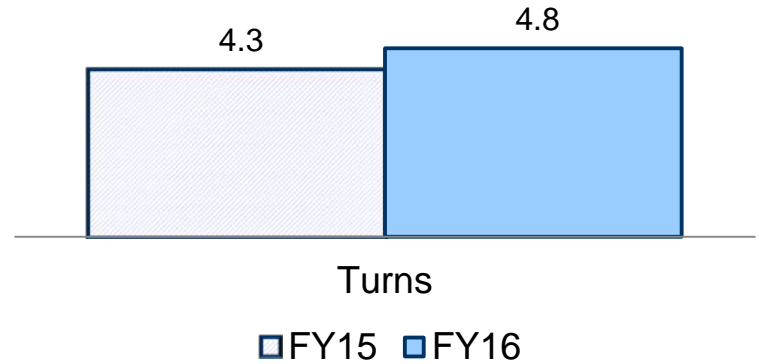


Q3 Inventory Turnover

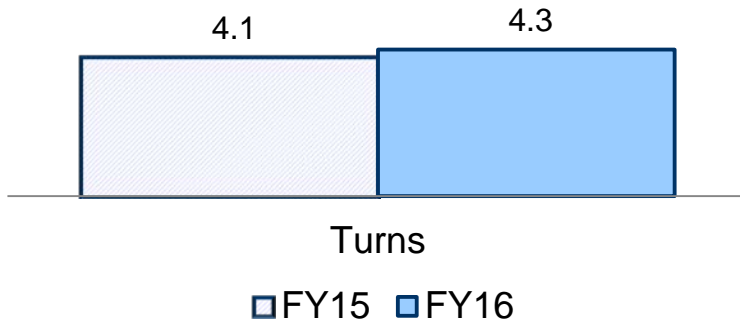
Legacy Beacon



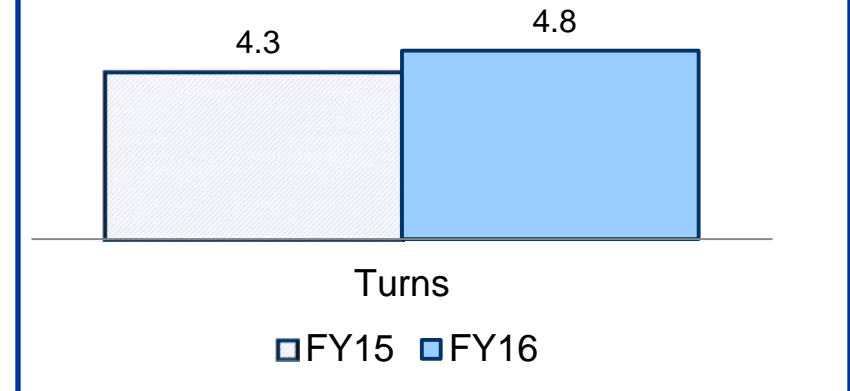
Legacy RSG



Combined Branches

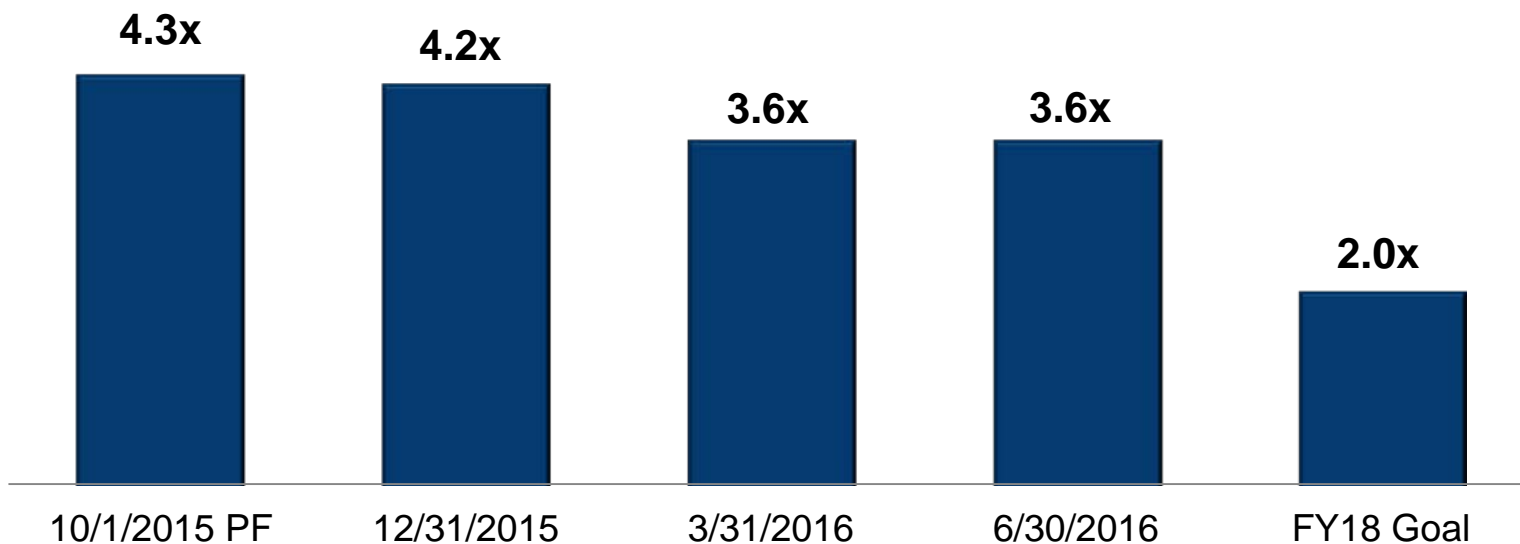


Total Consolidated Results





Net Debt Leverage Ratio¹



¹ Net Debt leverage calculation = Total debt net of cash / Trailing 4 quarter Proforma EBITDA

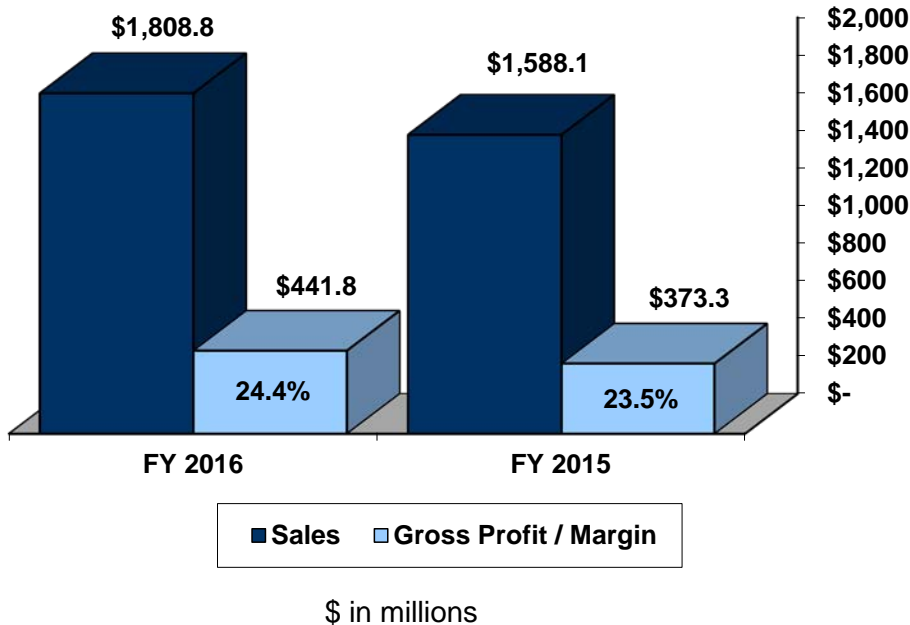
Third Quarter Highlights:

- Over \$77 million in acquisitions
- Third quarter represents peak working capital usage
- Maintained net debt leverage ratio

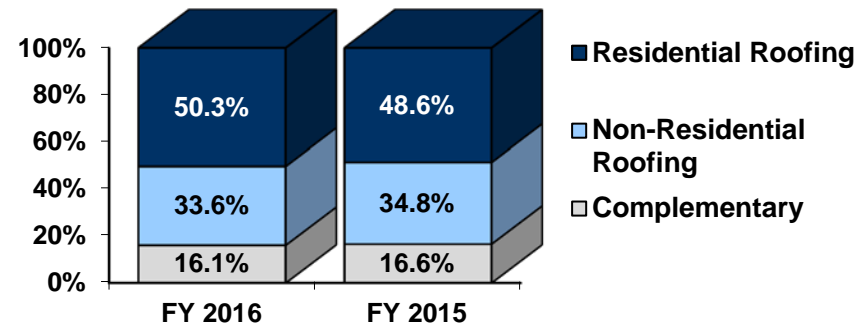


Year-to-Date Results

Existing Market Sales, Gross Profit & Gross Margin



Existing Market Product Mix



Existing Market Sales Growth (Decline)

Northeast	11.9%
Mid-Atlantic	13.1%
Southeast	30.5%
Southwest	29.7%
Midwest	3.0%
West	18.1%
Canada	(2.1%)
Total	13.9%

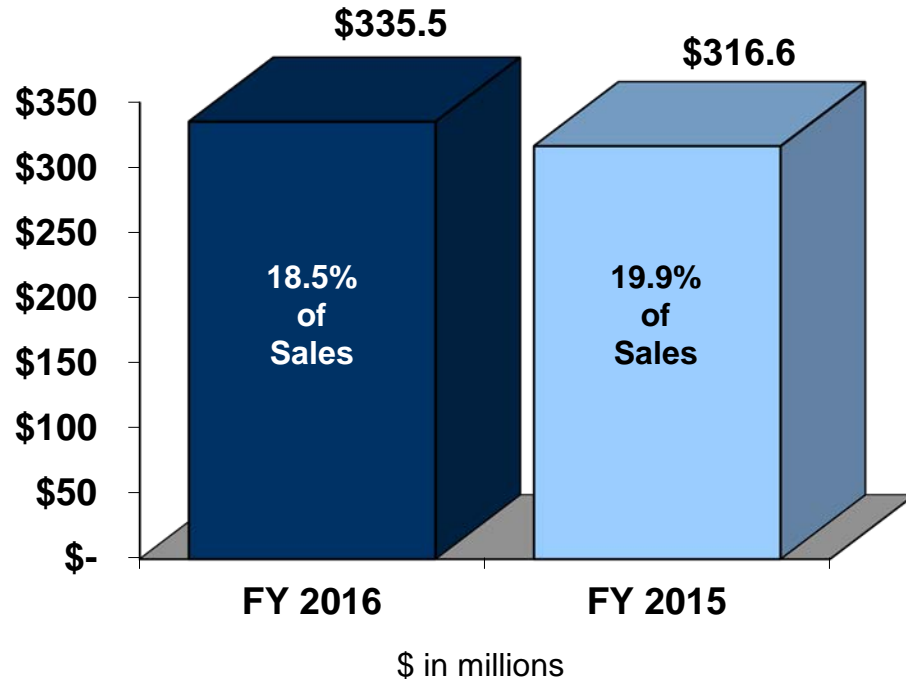
Existing Market results above exclude growth from acquired branches until they have been under ownership for at least four full fiscal quarters at the start of the fiscal reporting period.

* Sales growth 13.3% on a same day basis



Year-to-Date Results

Existing Market Operating Expenses



Operating Expense Increase (Decrease)

Payroll, employee benefits, stock comp	\$ 18.3
Greenfields	2.5
Bad debt expense	2.5
Other	(0.2)
Gain on sale of assets	(1.7)
Selling expenses	(2.5)
Total	\$ 18.9

Existing Market results above exclude growth from acquired branches until they have been under ownership for at least four full fiscal quarters at the start of the fiscal reporting period.



FY16 Sales Guidance

Q3 YTD Actual \$3.0B

Q4 \$1.2 - \$1.3B

Fiscal 2016 \$4.2 - 4.3B

Key Assumptions for Q4 \$1.2B:

- Q4 ~ 5% higher than Q3 – seasonality
- Low to mid single digit existing market growth in Q4 – full year approximately double digit
- No price increase impact (sequentially)
- Additional acquisitions beyond RSG contribute \$50M in sales in Q4
- Above average storm impact in Q4
- Favorable weather patterns for roofing

Key Assumptions for Q4 \$1.3B:

- Q4 ~15% higher than Q3 – seasonality
- Mid to high single digit existing market growth in Q4 – full year mid teens
- Favorable price impact in storm markets
- Additional acquisitions beyond RSG contribute \$60M in sales in Q4
- Above average storm impact in Q4
- Favorable weather patterns for roofing



FY16 Adjusted EPS Guidance

Q3 YTD \$1.21

Q4 \$0.84 – \$0.94

Fiscal 2016 \$2.05 - \$2.15

Key Assumptions for Q4 \$0.84:

- Q4 Sales of \$1.2B
- No price increase impact (sequentially)
- Product mix consistent with YTD
- GM% in Q4 consistent with Q3
- Op Ex leverage continues due to traditional 50% variable structure
- RSG synergy improvements continue at expected run rate
- 39% effective tax rate continues

Key Assumptions for Q4 \$0.94:

- Q4 Sales of \$1.3B
- Ability to pass through price increase (sequentially)
- Product mix consistent with YTD
- GM% in Q4 up slightly from Q3 due to price
- Op Ex leverage continues due to traditional 50% variable structure
- RSG synergy improvements continue at expected run rate
- 39% effective tax rate continues



Reconciliation: GAAP to Adjusted

Reconciliation of Net Income to Adjusted Net Income:

(In millions)

	Three Months Ended June 30, 2016			Nine Months Ended June 30, 2016		
	Actual	Non-GAAP Adjustments ¹	Actual (Adjusted)	Actual	Non-GAAP Adjustments ¹	Actual (Adjusted)
Net sales	\$ 1,152.7	\$ -	\$ 1,152.7	\$ 2,952.7	\$ -	\$ 2,952.7
Cost of products sold	870.7	-	870.7	2,241.7	-	2,241.7
Gross profit	282.0	-	282.0	711.0	-	711.0
Operating expense	203.7	(7.9)	195.8	601.9	(44.7)	557.2
Income from operations	78.3	7.9	86.2	109.1	44.7	153.8
Interest expense, financing costs and other	12.2	(0.4)	11.8	41.5	(5.5)	36.0
Income before provision for income taxes	66.1	8.3	74.4	67.6	50.2	117.8
Provision for income taxes	25.0	2.8	27.8	25.1	19.8	44.9
Net Income	<u>\$ 41.1</u>	<u>\$ 5.5</u>	<u>\$ 46.6</u>	<u>\$ 42.5</u>	<u>\$ 30.4</u>	<u>\$ 72.9</u>

Reconciliation of EPS to Adjusted EPS:

EPS	\$ 0.68	\$ 0.71
Non-GAAP Adjustments ¹ per share impact on Net Income	0.09	0.50
Adjusted EPS	<u>\$ 0.77</u>	<u>\$ 1.21</u>

¹Non-GAAP Adjustments are comprised entirely of non-recurring costs related to the RSG acquisition and the other acquisitions made in fiscal year 2016 - See "RSG and Other Acquisition Costs" slide for further detail



Reconciliation: Adjusted EBITDA

Reconciliation of Net Income to Adjusted EBITDA

(In millions)

	<u>Three Months Ended June 30,</u>		<u>Nine Months Ended June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Net Income	41.1	28.3	42.5	31.5
Acquisition costs ¹	2.2	-	23.3	-
Interest expense, net	12.5	2.5	41.8	7.8
Income taxes	25.0	17.1	25.1	18.5
Depreciation and amortization	25.4	9.5	73.0	25.9
Stock-based compensation	3.4	2.6	14.1	7.3
Adjusted EBITDA	<u>109.6</u>	<u>60.0</u>	<u>219.8</u>	<u>91.0</u>

¹Acquisition costs in fiscal year 2015 were immaterial



Reconciliation: Net Debt Leverage Ratio

Reconciliation of Net Debt Leverage Ratio:

(In millions)

Gross total debt as of June 30, 2016	\$ 1,216
Cash and cash equivalents as of June 30, 2016	(37)
Net debt as of June 30, 2016	\$ 1,179
Pro Forma RSG Adjusted EBITDA for the nine months ended September 30, 2015 ¹	\$ 49
Pro Forma RSG Adjusted EBITDA for the six months ended June 30, 2015 ²	15
Pro Forma RSG Adjusted EBITDA for the three months ended September 30, 2015	\$ 34
Beacon Adjusted EBITDA for the quarter ended September 30, 2015	78
Adjusted EBITDA for the nine months ended June 30, 2016	220
Pro Forma Adjusted EBITDA for the twelve months ended June 30, 2016	\$ 332
Net debt leverage ratio as of June 30, 2016	3.6

¹ Adjusted EBITDA for the nine months ended September 30, 2015

Net loss attributable to controlling stockholders' interest	\$ (13,187)
Interest expense, net	32,142
Provision for income taxes	(4,031)
Depreciation and amortization	32,510
Stock-based compensation	1,994
Adjusted EBITDA	\$ 49,428

² Adjusted EBITDA for the six months ended June 30, 2015

Net loss attributable to controlling stockholders' interest	\$ (21,084)
Interest expense, net	21,135
Provision for income taxes	(8,156)
Depreciation and amortization	21,494
Stock-based compensation	1,248
Adjusted EBITDA	\$ 14,637



Reconciliation: Adjusted EPS Guidance

Reconciliation of Adjusted EPS Guidance

(In millions)

	<u>Low End</u>	<u>High End</u>
Earnings Per Share ¹	\$ 1.47	\$ 1.57
Company adjustments, net of income taxes: Acquisition costs ²	<u>\$ 0.58</u>	<u>\$ 0.58</u>
Adjusted Earnings Per Share	<u>\$ 2.05</u>	<u>\$ 2.15</u>

¹Represents projected diluted net income per share for full year Fiscal 2016

²Represents projected EPS impact of non-recurring acquisition costs for full year Fiscal 2016, assuming 60.5 million diluted weighted-average shares outstanding