



Beacon

2019 Second Quarter Earnings Call

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

This presentation contains references to certain financial measures that are not presented in accordance with United States Generally Accepted Accounting Principles ("GAAP"). The Company uses non-GAAP financial measures to evaluate financial performance, analyze underlying business trends and establish operational goals and forecasts that are used when allocating resources. The Company believes these non-GAAP financial measures permit investors to better understand changes in underlying operating performance over comparative periods by providing financial results that are unaffected by cyclical variances that can be driven by items such as investment activity or purchase accounting adjustments. While the Company believes these measures are useful to investors when evaluating performance, they are not presented in accordance with GAAP, and therefore should be considered supplemental in nature. The Company's non-GAAP financial measures should not be considered in isolation or as a substitute for any items calculated in accordance with GAAP. In addition, these non-GAAP measures may have material limitations and may differ from similarly titled measures presented by other companies. A reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measure can be found in the Appendix as well as Company's latest Form 8-K, filed with the SEC on May 7, 2019.

CONFERENCE CALL AGENDA

- Company Strategy Update
Paul Isabella, President & Chief Executive Officer
- Q2 Results and Outlook
Joe Nowicki, Executive Vice President & CFO
- Q&A
- Closing Remarks
Paul Isabella, President & Chief Executive Officer

BEACON OVERVIEW



A leader in key metropolitan markets

- **539** branches in 50 US states and 6 Canadian provinces*
- **100,000+** customers with a broad product offering up to **90,000** SKU's
- Repair & Remodel fuels market demand (~**70-75%**)



Strong long-term historical performance

- Sales CAGR = **17.7%**
- Adjusted EBITDA CAGR = **17.3%**
- Adjusted EBITDA Margin Average = **7.6%**

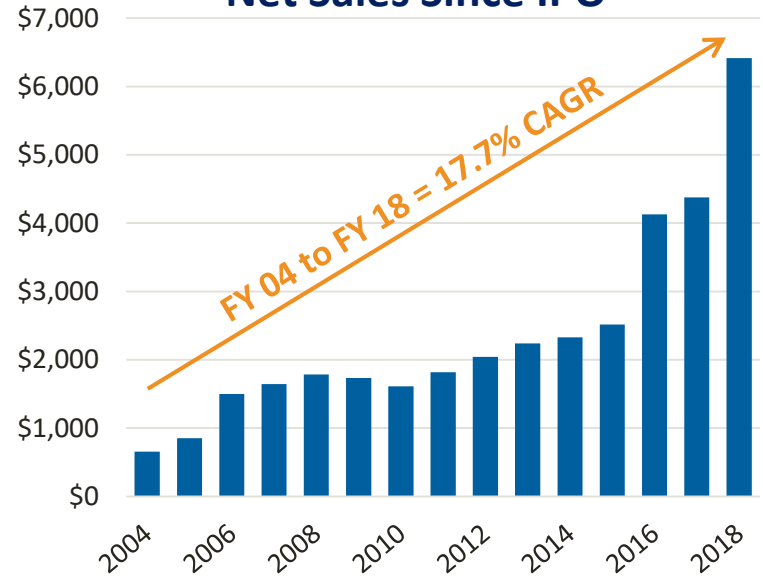


Rapid growth since 2004 IPO

- Opened **87** new greenfield locations
- Completed **46** acquisitions

*Branch numbers as of March 31, 2019

Net Sales Since IPO



ALLIED INTEGRATION UPDATE

- ▶ Synergy realization remains on track for \$100M realization in FY19 and \$120M in total
- ▶ Network rationalization progressing well...>40 total branches to-date with remaining consolidations to occur over the next few quarters
- ▶ RSA service model implementation underway – activities remain focused on improving customer service and profitability
- ▶ Systems conversions complete
- ▶ Integrating best practices across entire branch network, including Allied talent

SECOND QUARTER 2019 HIGHLIGHTS

- ▶ Record Q2 net sales of \$1.43B
- ▶ Existing market daily sales growth of 1.2% over prior year
- ▶ Attractive price-cost realization for four consecutive quarters
- ▶ Generated \$80 million in free cash flow in quarter and paid down over \$75 million in debt
- ▶ Existing market adj. operating expenses down ~\$2 million and 10 bps over prior year
- ▶ Opened four greenfield locations (five total in fiscal 2019)

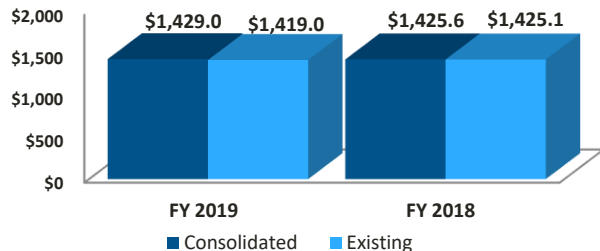
• See Appendix for reconciliation

• Free cash flow for the quarter ended March 31, 2019 of \$80.1M equaled net cash provided by operating activities of \$94.7M less purchases of property and equipment of \$14.6M

FINANCIAL HIGHLIGHTS

Sales Growth

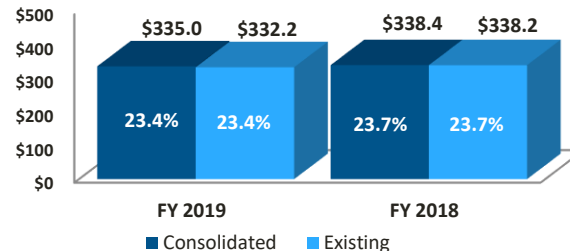
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- 0.2% Overall Growth / (0.4%) Existing Markets; **1.2% on same-day basis**

Gross Margin

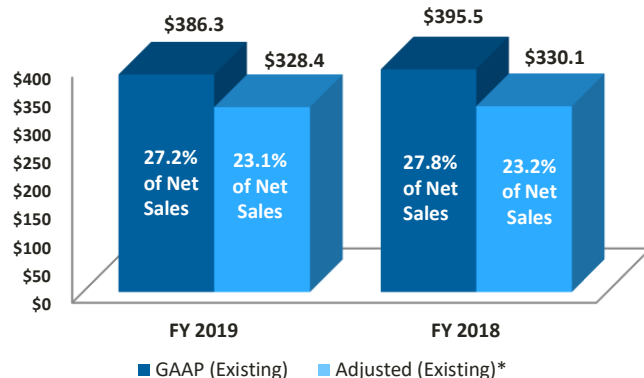
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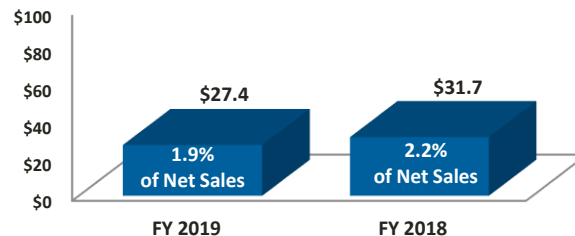
- Attractive price-cost realization for four consecutive quarters

Operating Costs

(\$M)



(\$M)

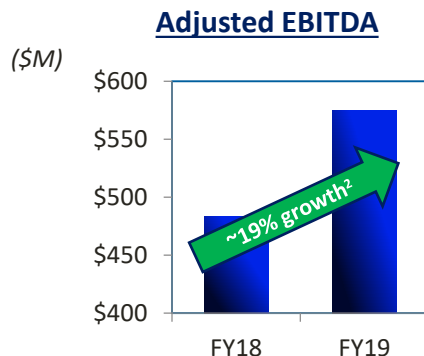
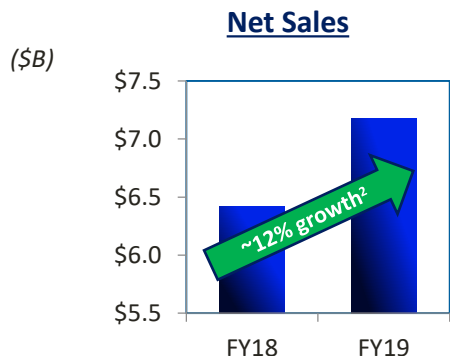


Adj. EBITDA*

FISCAL 2019 OUTLOOK

	2019
Net Sales	\$7.0 - \$7.35B
Adjusted EBITDA ¹	\$540 - \$610M
Adjusted EPS ¹	\$2.90 - \$3.35

- In March 25th press release management expressed confidence in achieving the lower end of Adjusted EPS range



¹ See Appendix for definitions
² Based on midpoint of guidance

SUMMARY

- ▶ Record Q2 net sales of \$1.43B in historically toughest quarter
 - ▶ Highly attractive market with steady repair & remodel (historically 70-75% of net sales)
- ▶ Guided to lower end of Adjusted EPS and Adjusted EBITDA range
- ▶ Remain focused on organic growth with several growth initiatives
 - ▶ Investments in our people
 - ▶ Technology investments
 - ▶ Expanded product breadth and depth
 - ▶ New customers and markets
- ▶ Continuation of successful Allied integration
- ▶ Commitment to de-leveraging...available free cash flow to pay down debt



Q&A



APPENDIX

RECONCILIATION: ADJ. NET INCOME & ADJ. EPS

(In millions, except share and per share amounts)

	Three Months Ended March 31, 2019			Three Months Ended March 31, 2018		
	Reported (GAAP)	Non-GAAP Adjustments	Adjusted (Non-GAAP)	Reported (GAAP)	Non-GAAP Adjustments	Adjusted (Non-GAAP)
Gross profit	335.0	-	335.0	338.4	-	338.4
Operating expense	389.6	(58.5)	331.1	395.8	(65.4)	330.4
Income (loss) from operations	(54.6)	58.5	3.9	(57.4)	65.4	8.0
Interest expense, financing costs and other	40.5	(3.0)	37.5	39.6	(6.3)	33.3
Income (loss) before provision for income taxes	(95.1)	61.5	(33.6)	(97.0)	71.7	(25.3)
Provision for (benefit from) income taxes	(27.0)	18.3	(8.7)	(30.3)	22.5	(7.8)
Net income (loss)	\$ (68.1)	\$ 43.2	\$ (24.9)	\$ (66.7)	\$ 49.2	\$ (17.5)
Dividends on preferred shares	6.0	-	6.0	6.0	-	6.0
Net income (loss) attributable to common shareholders	\$ (74.1)	\$ 43.2	\$ (30.9)	\$ (72.7)	\$ 49.2	\$ (23.5)
Weighted-average shares outstanding (diluted)	68,451,920	-	68,451,920	68,019,300	-	68,019,300
EPS	\$ (1.08)		\$ (0.45)	\$ (1.07)		\$ (0.35)

Adjusted Net Income (Loss) is defined as net income that excludes non-recurring acquisition costs, the amortization of intangibles, business restructuring costs, and the non-recurring effects of tax reform. Adjusted net income per share or "Adjusted EPS" is calculated by dividing the Adjusted Net Income (Loss) for the period by the weighted-average diluted shares outstanding for the period.

We use Adjusted Net Income (Loss) and Adjusted EPS to evaluate financial performance, analyze the underlying trends in our business and establish operational goals and forecasts that are used when allocating resources.

We believe that Adjusted Net Income (Loss) and Adjusted EPS are useful measures because they permit investors to better understand changes in underlying operating performance over comparative periods by providing financial results that are unaffected by cyclical variances that can be driven by items such as investment activity or purchase accounting adjustments.

While we believe Adjusted Net Income (Loss) and Adjusted EPS are useful to investors when evaluating our business, they are not prepared and presented in accordance with United States Generally Accepted Accounting Principles ("GAAP"), and therefore should be considered supplemental in nature. You should not consider Adjusted Net Income (Loss) or Adjusted EPS in isolation or as a substitute for net income and net income per share or diluted earnings per share calculated in accordance with GAAP. In addition, Adjusted Net Income (Loss) and Adjusted EPS may have material limitations and may differ from similarly titled measures presented by other companies.

RECONCILIATION: ADJUSTED EBITDA

<i>(In millions)</i>	Three Months Ended March 31,	
	2019	2018
Net income (loss)	\$ (68.1)	\$ (66.7)
Acquisition costs	6.7	28.3
Interest expense, net	41.8	41.8
Income taxes	(27.0)	(30.3)
Depreciation and amortization	69.2	54.2
Stock-based compensation	4.8	4.4
Adjusted EBITDA	<u>\$ 27.4</u>	<u>\$ 31.7</u>
Adjusted EBITDA as a % of net sales	1.9%	2.2%

Adjusted EBITDA is defined as net income plus interest expense (net of interest income), income taxes, depreciation and amortization, stock-based compensation, non-recurring acquisition costs, and business restructuring costs. EBITDA is a measure commonly used in the distribution industry, and we present Adjusted EBITDA to enhance your understanding of our operating performance.

We use Adjusted EBITDA to evaluate financial performance, analyze the underlying trends in our business and establish operational goals and forecasts that are used when allocating resources. We expect to compute Adjusted EBITDA consistently using the same method each period.

We believe that Adjusted EBITDA is a useful measure because it permits investors to better understand changes in underlying operating performance over comparative periods by providing financial results that are unaffected by cyclical variances that can be driven by items such as investment activity or purchase accounting adjustments.

While we believe Adjusted EBITDA is useful to investors when evaluating our business, it is not prepared and presented in accordance with United States Generally Accepted Accounting Principles ("GAAP"), and therefore should be considered supplemental in nature. Adjusted EBITDA should not be considered in isolation or as a substitute for net income, cash flows from operations, or any other items calculated in accordance with GAAP. In addition, Adjusted EBITDA may have material limitations and may differ from similarly titled measures presented by other companies.

RECONCILIATION: EXISTING MARKETS OPEX TO ADJ. OPEX

(In millions)

	Three Months Ended March 31, 2019			Three Months Ended March 31, 2018		
	Reported (GAAP)	Non-GAAP Adjustments	Adjusted (Non-GAAP)	Reported (GAAP)	Non-GAAP Adjustments	Adjusted (Non-GAAP)
Existing Markets Sales	\$ 1,419.0	\$ -	\$ 1,419.0	\$ 1,425.1	\$ -	\$ 1,425.1
Existing Markets Operating Expense	386.3	(57.9)	328.4	395.5	(65.4)	330.1
OpEx as % of Sales	27.2%		23.1%	27.8%		23.2%

Adjusted Operating Expense is calculated by removing the impact of non-recurring acquisition costs and amortization of intangibles from existing market operating expense as reported on a GAAP basis. Non-GAAP adjustment totals are detailed as follows:

- FY19 adjustments are composed of \$6.7M of non-recurring acquisition costs and \$51.2M of amortization
- FY18 adjustments are composed of \$28.3M of non-recurring acquisition costs and \$37.1M of amortization

We believe that non-GAAP measures are useful measures because they allow investors to better understand changes in underlying operating performance over comparative periods by providing investors with financial results that are unaffected by cyclical variances that can be driven by items such as investment activity or purchase accounting adjustments.

While we believe that that non-GAAP measures are useful to investors when evaluating our business, this information should be considered as supplemental in nature and is not meant as a substitute for the related financial information prepared and presented in accordance with GAAP. You should not consider this measure as a substitute alongside other financial performance measures presented in accordance with GAAP. In addition, non-GAAP measures may have material limitations and may differ from similarly titled measures presented by other companies.

2019 GUIDANCE RECONCILIATION

2019 Adjusted EBITDA Outlook

<i>(In millions)</i>	Low		High
GAAP Net Income	\$55	-	\$67
Acquisition Costs	25	-	31
Interest Expense, net	154	-	170
Income Taxes	18	-	26
Depreciation	70	-	80
Amortization	200	-	210
Stock Compensation	18	-	26
Adjusted EBITDA	\$540	-	\$610

2019 Adjusted EPS Outlook

<i>(In millions, except per share amounts)</i>	Low		High
GAAP Net Income	\$55	-	\$67
Acquisition Costs (post-tax)	27	-	36
Amortization (post-tax)	146	-	160
Adjusted Net Income	\$227	-	\$263
Avg Diluted Shares Outstanding	79	-	79
Adjusted Diluted EPS	2.90	-	3.35