



Beacon

NORTH AMERICA'S LEADING
BUILDING MATERIALS DISTRIBUTOR

RESIDENTIAL
COMMERCIAL
INTERIOR
SOLAR



2018 THIRD QUARTER EARNINGS CALL

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 Generally Accepted Accounting Principles ("GAAP"). The Company utilizes non-GAAP financial measures to analyze and report operating results that are unaffected by differences in capital structures, capital investment cycles, and varying ages of related assets. Although the Company believes these measures provide a useful representation of performance, non-GAAP financial measures should not be considered in isolation or as a substitute for any items calculated in accordance with GAAP. A reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measure can be found in the Appendix to this presentation as well as Company's latest Form 8-K, filed with the SEC on August 7, 2018.

- **Strategy Update** Paul Isabella, President & CEO
- **Q3 Results and Outlook** Joseph Nowicki, CFO
- **Q&A**
- **Closing remarks** Paul Isabella, President & CEO

One of the largest building materials distributors in North America

- 554 branches¹ across all 50 states and 6 Canadian provinces and ~8,400 employees
- 2nd largest roofing products distributor
- 4th largest distributor of interior building products
- Pro forma net sales of approximately \$7 billion

Multiple avenues for growth

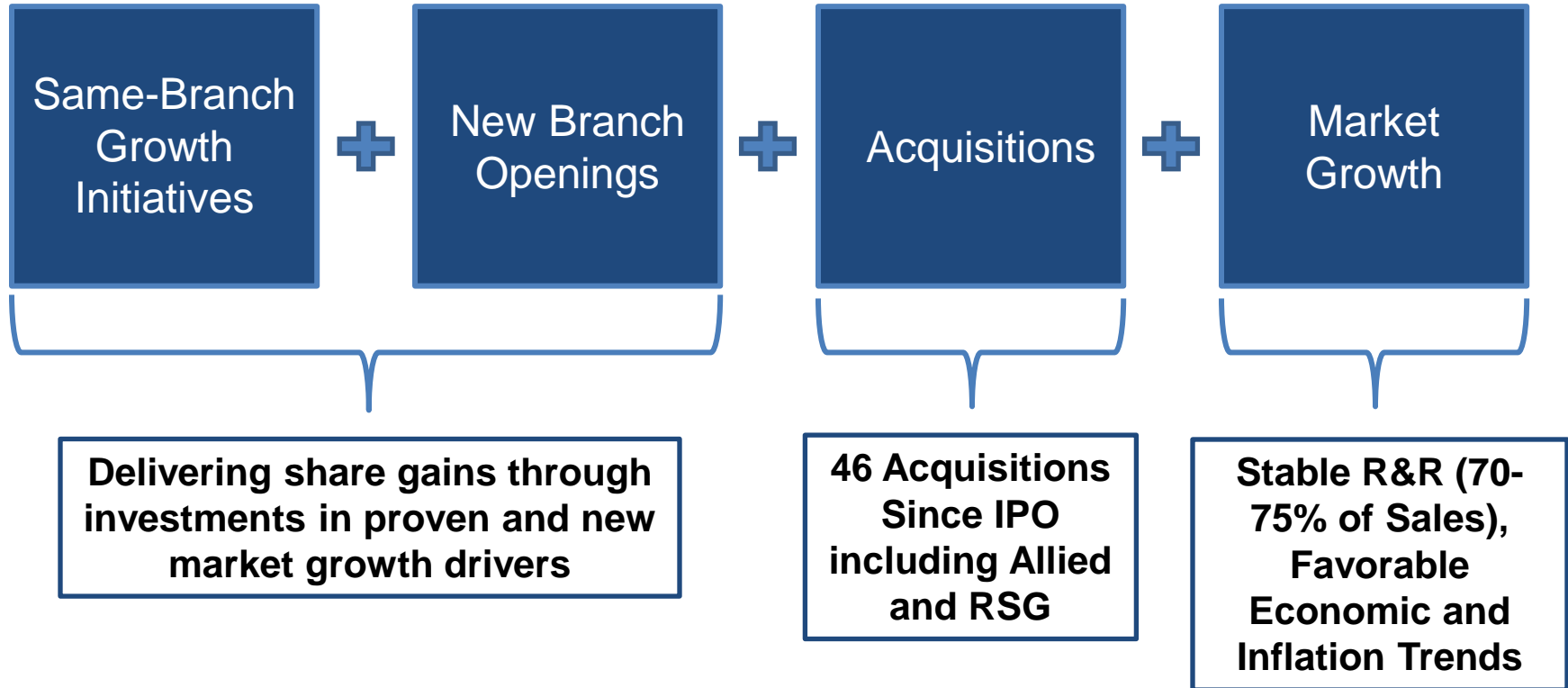
- Expansion of same-branch growth initiatives
- New branch openings across product platforms
- Diverse acquisition strategy in terms of size, geographies and product niche
- Favorable end-markets support continued cyclical recovery
- High percentage of sales (70-75%) from more consistent R&R market

History of success

- IPO September 2004 with 66 branches, ~1,200 employees, \$653 million sales and ~\$50 million EBITDA
- Despite cyclical headwinds, Beacon has grown each metric greater than 7x on pro forma basis
- Sales CAGR of ~20%, inclusive of pro forma Allied revenue.

¹ Branch count as of 08/07/18





Invest in Our People

- Specialized recruiting programs
- Partnerships: Military & National Women in Roofing
- Progressive talent development
- New center for learning and collaboration
- Sales and Operations excellence

Technology Investments

- Leading e-commerce solutions
- Use technology to help our customers win

Expand Product Depth and Breadth

- Cross-selling across our platforms
- Building out private label lines
- Expansion of complementary products

Support Non-Traditional Customers

- Solar installation contractors
- Dealers Choice platform
- National accounts



- Creates combined roofing distribution presence representing ~20% of the market
- Unique geographic footprint with locations in all 50 states and 6 Canadian provinces
- Powerhouse exteriors franchise in key New York/New Jersey markets
- Strengthens presence in the Midwest, Pacific Northwest, California, Florida and Texas
- Establishes platform launching investment into interior products distribution
- Combines two early digital platform adopters within exteriors products industry
- Adds one of the industry's leading private label offerings to Beacon
- Shared best practices adds to combined operational expertise and improved execution



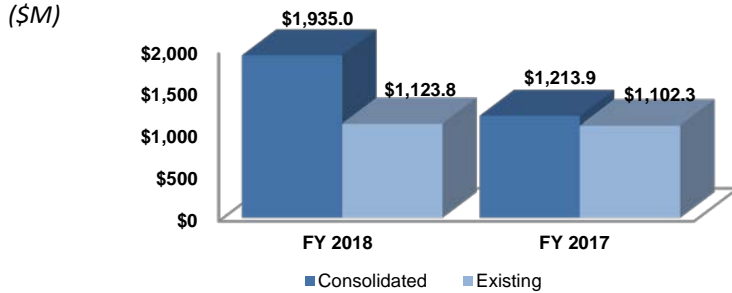
- ❑ Record Q3 net sales of \$1.9 billion; over 59% growth year-over-year
- ❑ Gross margins up 180 bps sequentially and 100 bps vs. prior year
- ❑ Positive price-cost realization across all product categories
- ❑ Record Q3 Adjusted EBITDA¹ of \$187.7 million vs. \$120.0 million in the prior year
- ❑ Integration of Allied progressing ahead of schedule; \$25 million in realized synergies YTD
- ❑ Acquired Atlas Supply, Inc. on July 16 – strengthens Waterproofing platform

¹ See Appendix for reconciliation

Q3 Financial Highlights

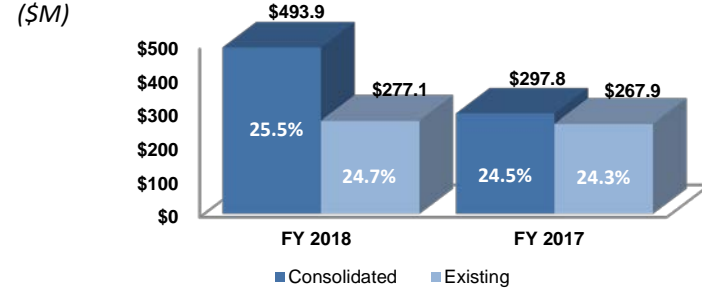


Sales Growth



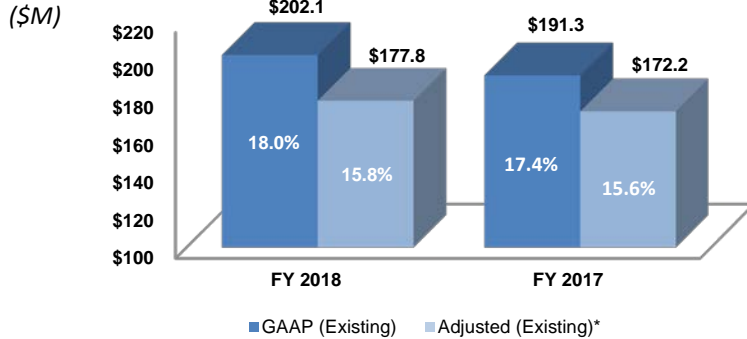
- 59.4% Overall Growth / 2.0% Existing Markets
- Non-residential organic revenue grew 9%

Gross Margin



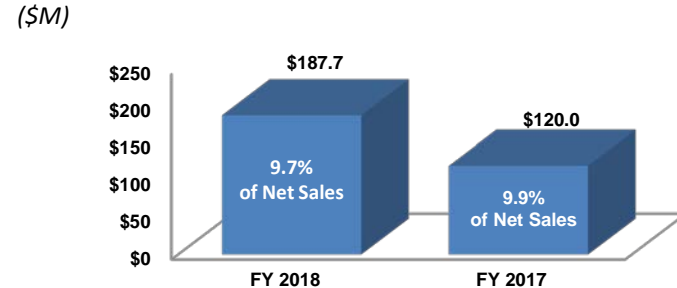
- Price up approximately 5% (improved each month in CY)
- Positive price cost relationship across all product lines
- Strongest quarterly price increases since 2012

Operating Costs



- Solid operating cost control
- \$25 million of synergies from Allied YTD
- Q2 to Q3 sequential reduction in operating cost

Adj. EBITDA



- Adjusted EBITDA* grew over 56% in the quarter

Net Debt

- ❑ Net debt = \$3.1B / Net Debt Leverage¹ @ 4.7x...increase due to traditional season working capital requirements
- ❑ Net Debt Leverage target – 4.0X by end of calendar year 2018

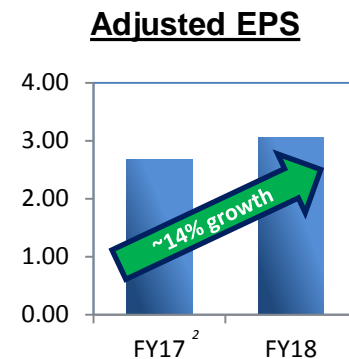
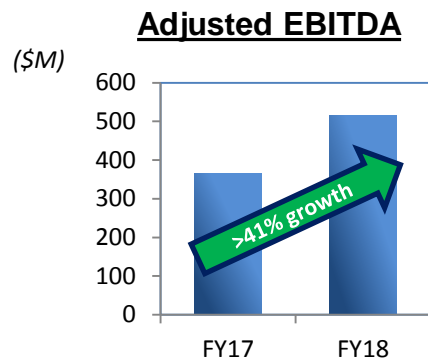
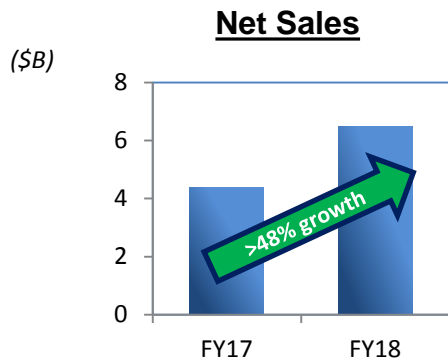
CapEx

- ❑ Capital expenditures = ~\$35M through Q3 – targeting 50-60bps of net sales for FY18 representing solid improvement over traditional 100-110 bps of net sales

Working Capital

- ❑ Working capital increase ~19% from Q2 due to seasonal ramp up of inventory and AR
- ❑ Plans in place to reduce inventory by end of fiscal year (traditional seasonality)
- ❑ Targeting fiscal year 2018 free cash flow of \$200-\$225 million

	2018
Net Sales	\$6.45 - \$6.55 billion
Adjusted EBITDA¹	\$510 - \$520 million
Adjusted EPS¹	\$3.00 - \$3.10



¹ See Appendix for definitions

² For FY17 Adjusted EPS, please reference slide 33 in the Q4 2017 Investor Presentation on the BECN Investor Relations site under "Events & Presentations"

- ❑ Solid long-term outlook in highly attractive market with steady Repair & Remodel

- ❑ Positive price-cost realization within all product categories
 - ❑ Ahead of second quarter 2018 guidance
 - ❑ Pricing disciplined in the industry despite softer near-term demand environment

- ❑ Remain focused on growth with several growth initiatives
 - Personnel Investments
 - Technology Investments
 - Expanded Product Breadth and Depth
 - New Customers and Markets

- ❑ Continuation of successful Allied integration and the two additional acquisitions this year

Reconciliation: Adjusted Net Income & Adjusted EPS (QTD)



(In millions, except share and per share amounts)

	Three Months Ended June 30, 2018			Three Months Ended June 30, 2017		
	Reported	Non-GAAP Adjustments	Adjusted	Reported	Non-GAAP Adjustments	Adjusted
Net sales	\$ 1,935.0	\$ -	\$ 1,935.0	\$ 1,213.9	\$ -	\$ 1,213.9
Cost of products sold	1,441.1	-	1,441.1	916.1	-	916.1
Gross profit	493.9	-	493.9	297.8	-	297.8
Operating expense	389.1	(60.0)	329.0	212.9	(22.7)	190.2
Income (loss) from operations	104.8	60.0	164.8	84.9	22.7	107.5
Interest expense, financing costs and other	37.3	(3.5)	33.8	13.4	(1.2)	12.2
Income (loss) before provision for income taxes	67.5	63.6	131.0	71.5	23.8	95.3
Provision for (benefit from) income taxes	18.1	19.5	37.6	26.8	9.2	36.0
Net income (loss)	\$ 49.4	\$ 44.0	\$ 93.4	\$ 44.7	\$ 14.6	\$ 59.3
	Weighted-average shares outstanding		78,842,762	Weighted-average shares outstanding		61,350,843
	Adjusted EPS \$		1.18	Adjusted EPS \$		0.97

We define Adjusted Net Income (Loss) 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 (loss) per share ("Adjusted EPS") is calculated by dividing the Adjusted Net Income (Loss) for the period by the weighted-average diluted shares outstanding for the period after assuming the full conversion of the participating Preferred Stock.

Adjusted EPS is calculated using the diluted weighted-average common stock outstanding totals for each respective period after assuming the full conversion of the participating Preferred Stock. The weighted-average share count utilized in the 2018 calculation of Adjusted EPS is 78,842,762. This amount is the 69,148,143 diluted weighted-average shares outstanding plus the assumed conversion of 9,694,619 weighted-average shares of participating Preferred Stock, which were excluded from the GAAP net income (loss) per share calculation for the period due to their anti-dilutive nature. The weighted-average share count utilized in the 2017 calculation of Adjusted EPS is 61,350,843.

We believe these non-GAAP measures are useful because they allow investors to better understand year-over-year changes in underlying operating performance. We believe that these non-GAAP measures provide investors and analysts with a measure of operating results unaffected by differences in capital structures and capital investment cycles among otherwise comparable companies. Further, we believe these measures are useful to investors because they improve comparability of results of operations since they eliminate the impact of purchase accounting adjustments that can render operating results non-comparable between periods. However, our calculations of these non-GAAP measures may not align with similarly titled measures reported by other companies. Although we believe that these non-GAAP financial measures are useful in 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 in accordance with GAAP. You should not consider any of these measures as a substitute alongside other financial performance measures presented in accordance with GAAP.

(In millions)

Gross total debt as of June 30, 2018	\$ 3,091.8
Cash and cash equivalents as of June 30, 2018	(27.6)
Net debt as of June 30, 2018	\$ 3,064.3
Combined Adjusted EBITDA for the year ended September 30, 2017	\$ 547.8
<u>Add</u> : Combined Adjusted EBITDA for the nine months ended June 30, 2018	364.1
<u>Less</u> : Combined Adjusted EBITDA for the nine months ended June 30, 2017	(352.5)
<u>Add</u> : Expected synergies remaining	95.0
Combined Adjusted EBITDA for the trailing 4 quarters ended June 30, 2018	\$ 654.3
Net Debt Leverage as of June 30, 2018	4.7x

We define Net Debt Leverage as total gross debt, less cash, divided by Combined Adjusted EBITDA for the trailing four quarters.

Please note Combined Adjusted EBITDA is utilized for the calculation of our Net Debt Leverage only and is separate from Adjusted EBITDA metrics that do not include amounts from pre-acquisition periods. See slide 16 for a definition and reconciliation of Combined Adjusted EBITDA.

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Reconciliation: Net Debt Leverage (Combined Adjusted EBITDA)



(In thousands)

	Nine Months Ended June 30,		Year Ended September 30,
	2018	2017	2017
Combined Financial Data:			
Net income	\$ 81,618	\$ 112,995	\$ 190,038
Acquisition costs	43,827	4,715	15,745
Interest expense, net	103,286	42,844	56,822
Income taxes	(32,510)	70,410	121,285
Depreciation and amortization	154,729	110,298	148,787
Stock-based compensation	13,133	11,227	15,074
Combined Adjusted EBITDA	\$ 364,082	\$ 352,489	\$ 547,751

We define Combined Adjusted EBITDA as net income (loss) of Allied and Beacon plus interest expense (net of interest income), income taxes, depreciation and amortization, stock-based compensation and non-recurring acquisition costs from the historical periods (including those prior to the January 2, 2018 acquisition). Acquisition costs reflect all non-recurring charges related to acquisitions (excluding the impact of tax) that are not embedded in other balances of the table. Certain portions of the total acquisition costs incurred are included in interest expense, income taxes, depreciation and amortization, and stock-based compensation.

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(In thousands)

	Three Months Ended June 30,	
	2018	2017
Net income (loss)	\$ 49,375	\$ 44,659
Acquisition costs	9,957	1,971
Interest expense, net	39,055	13,614
Income taxes	18,090	26,815
Depreciation and amortization	65,887	29,283
Stock-based compensation	5,298	3,653
Adjusted EBITDA	<u>\$ 187,662</u>	<u>\$ 119,995</u>
 Adjusted EBITDA as a % of net sales	 9.7%	 9.9%

We define Adjusted EBITDA 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. Acquisition costs reflect all non-recurring charges related to acquisitions (excluding the impact of tax) that are not embedded in other balances of the table. Certain portions of the total acquisition costs incurred are included in interest expense, income taxes, depreciation and amortization, and stock-based compensation.

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(In millions)

	Three Months Ended June 30, 2018			Three Months Ended June 30, 2017		
	Reported	Non-GAAP Adjustments	Adjusted	Reported	Non-GAAP Adjustments	Adjusted
Existing Markets Sales	\$ 1,123.8	\$ -	\$ 1,123.8	\$ 1,102.3	\$ -	\$ 1,102.3
Existing Markets Operating Expense	202.1	(24.3)	177.8	191.3	(19.1)	172.2
Adjusted OpEx as % of Sales	18.0%		15.8%	17.4%		15.6%

We define Adjusted Operating Expense as operating expense after removing the impact of acquisition costs and amortization expense.

FY18 operating expense adjustments include: Acquisition costs of \$9.9 million and Amortization of \$14.4 million. FY17 operating expense adjustments include: Acquisition costs of \$1.9 million and Amortization of \$17.2 million.

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Adjusted EBITDA 2018 Outlook

\$ in millions	Low		High
GAAP Net Income	\$115	-	\$125
Acquisition Costs (SG&A)	55	-	55
Interest Expense, net	140	-	145
Income Taxes	(20)	-	(30)
Depreciation	55	-	60
Amortization	150	-	150
Stock Compensation	15	-	15
Adjusted EBITDA	\$510	-	\$520

Adjusted EPS 2018 Outlook

\$ in millions	Low		High
GAAP Net Income	\$115	-	\$125
One-time tax items	(48)	-	(50)
Acquisition Costs (post-tax)	56	-	56
Amortization (post-tax)	105	-	105
Adjusted Net Income	\$228	-	\$236
Avg Diluted Shares Outstanding	76	-	76
Adjusted Diluted EPS	\$3.00	-	\$3.10