

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the Fiscal Year Ended September 30, 2020

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from _____ to _____

Commission File Number 000-50924

BEACON ROOFING SUPPLY, INC.

(Exact name of registrant as specified in its charter)

Delaware

State or other jurisdiction of incorporation or organization

36-4173371

I.R.S. Employer Identification No.

505 Huntmar Park Drive, Suite 300, Herndon, VA 20170

Address of Principal Executive Offices, Zip Code

(571) 323-3939

Registrant's telephone number, including area code

Securities registered pursuant to section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.01 par value	BECN	NASDAQ Global Select Market

Securities registered pursuant to section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Emerging growth company	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>		

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.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting common equity held by non-affiliates of the registrant, computed by reference to the closing price at which the common stock was sold as of the end of the second quarter ended March 31, 2020, was \$906.3 million.

The number of shares of common stock outstanding as of October 31, 2020 was 68,990,505.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III (Items 10, 11, 12, 13 and 14) will be incorporated by reference from the Registrant's definitive proxy statement for its 2021 Annual Meeting of Shareholders, which will be filed pursuant to Regulation 14A with the United States Securities and Exchange Commission ("SEC") within 120 days after the end of the fiscal year to which this report relates.

BEACON ROOFING SUPPLY, INC.

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Year Ended September 30, 2020

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FORWARD-LOOKING STATEMENTS

The matters discussed in this Form 10-K that are forward-looking statements are based on current management expectations that involve substantial risks and uncertainties, which could cause actual results to differ materially from the results expressed in, or implied by, these forward-looking statements. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as “aim,” “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “project,” “should,” “will be,” “will continue,” “will likely result,” “would” and other words and terms of similar meaning in conjunction with a discussion of future operating or financial performance. You should read statements that contain these words carefully, because they discuss our future expectations, contain projections of our future results of operations or of our financial position or state other “forward-looking” information.

We believe that it is important to communicate our future expectations to our investors. However, there are events in the future that we are not able to accurately predict or control. The factors listed under Item 1A, Risk Factors, as well as any cautionary language in this Form 10-K, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. Although we believe that our expectations are based on reasonable assumptions, actual results may differ materially from those in the forward-looking statements as a result of various factors, including, but not limited to, those described under Item 1A, Risk Factors and elsewhere in this Form 10-K.

Forward-looking statements speak only as of the date of this Form 10-K. Except as required under federal securities laws and the rules and regulations of the SEC, we do not have any intention, and do not undertake, to update any forward-looking statements to reflect events or circumstances arising after the date of this Form 10-K, whether as a result of new information, future events or otherwise. As a result of these risks and uncertainties, readers are cautioned not to place undue reliance on the forward-looking statements included in this Form 10-K or that may be made elsewhere from time to time by or on behalf of us. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

PART I

ITEM 1. BUSINESS

Unless the context suggests otherwise, the terms “Beacon,” the “Company,” “we,” “our” or “us” are referring to Beacon Roofing Supply, Inc.

Overview

Beacon is the largest publicly traded distributor of roofing materials and complementary building products in the United States and Canada. We are among the oldest and most established distributors in the industry, providing high-quality exterior and interior products to the building industry. Our customers rely on us for local access to the building products and services they need to operate their businesses and serve their clients.

On January 15, 2020, we announced the rebranding of our exterior product branches with the trade name “Beacon Building Products” (the “Rebranding”). The new name, and a related logo, were adopted at over 450 Beacon one-step exterior products branches. Our interior, insulation, weatherproofing and two-step branches continue to operate under legacy brand names.

As of September 30, 2020, we operated 524 branches throughout all 50 states in the U.S. and 6 provinces in Canada. We offer one of the most extensive assortments of high-quality branded products in the industry, with approximately 160,000 SKUs available across our branch network.

We serve over 100,000 customers by promptly providing the products they require, allowing our customers to deliver on the project specifications and timelines that are critical to their success. Our customer base is composed mainly of a diverse population of building contractors from the markets in which we operate. These local, regional, and national contractors work on new construction projects as well as the repair or remodeling of residential and non-residential properties. We also distribute products to home builders, building owners, and retailers.

For the fiscal year ended September 30, 2020 (“fiscal year 2020” or “2020”), residential roofing products comprised 44.7% of our sales, non-residential roofing products accounted for 23.7% of our sales, and complementary products provided the remaining 31.6% of our sales. Approximately 97.4% of our net sales were to customers located in the United States.

We differentiate ourselves by providing our customers with value-added services and expertise. Our digital e-commerce platforms lead the industry and support the entire business lifecycle, enhancing our customers’ ability to meet and exceed the needs of their clientele. Our ability to save our customers time and money helps to drive customer loyalty while also enabling us to achieve attractive gross profit margins on our product sales. We have earned a reputation for providing a high level of product availability and high-quality customer service, driven mainly by our experienced employees who offer extensive industry knowledge and ensure the timely, accurate, and safe delivery of our products.

We utilize a branch-based operating model to maintain local customer relationships, while benefiting from networking branches that are in large markets through our On-Time and Complete network (Beacon OTC®) that allows us to serve our customers more effectively.

Since our initial public offering (“IPO”) in 2004, we have achieved growth through completing strategic acquisitions, opening new branch locations, and broadening the scope of our product offerings. We have grown from net sales of \$652.9 million in fiscal year 2004 to net sales of \$6.94 billion in fiscal year 2020, representing a compound annual growth rate of 15.9%.

Our recent history has been strongly influenced by significant acquisition-driven growth, highlighted by the acquisitions of Allied Building Products Corp. (“Allied”) for \$2.88 billion in 2018 (the “Allied Acquisition”) and Roofing Supply Group, LLC (“RSG”) for \$1.17 billion in 2016 (the “RSG Acquisition”). These strategic acquisitions expanded our geographic footprint, enhanced our market presence, diversified our product offerings, and positioned us to provide new growth opportunities that will increase our long-term profitability. The scale we have achieved from our expansion efforts will serve as a competitive advantage, also allowing us to use our assets more efficiently and control our expenses to drive operating leverage.

While we will continue to pursue strategic acquisitions to grow our business, our primary focus is now on improving our operations and continuing to identify additional opportunities for organic growth. We have demonstrated a track record for success in this pursuit, having opened 96 new branch locations since 2004. In 2020, we opened seven new branch locations across Connecticut, Georgia, Louisiana, New Hampshire, Ohio, Oregon and Virginia. In 2019, we opened nine new branch locations across Alabama, California, Florida, Nevada, North Carolina, Pennsylvania and Texas.

Our Industry

Market Size

Based on management's estimates, we believe the roofing distribution market in the United States and Canada represents more than \$25 billion in annual sales with roughly 60% of the market in residential roofing and 40% in non-residential. We also participate in other exterior and interior building products categories, including siding, wallboard, acoustical ceilings, weatherproofing, windows and insulation. Collectively, we believe these other building products have a larger addressable market opportunity than our primary roofing distribution business.

Demand Drivers

We believe the majority of roofing demand is driven by re-roofing activity (estimated at 80-90%), with the remaining balance being tied to new construction. Re-roofing projects are considered to be necessary maintenance and repair expenditures and are therefore less likely to be postponed during periods of recession or slower economic growth. As a result, demand for roofing products historically has been less volatile than overall demand for construction products.

Our complementary building products demand shows exposure to both the residential and non-residential sectors. These products possess greater exposure to new construction as compared to roofing products, but they also have less seasonality, and lower exposure to weather conditions and severe storm volatility.

Regional variations in economic activity influence the level of demand for roofing products across the United States. Of particular importance are regional differences in the level of new home construction and renovation. Demographic trends, including population growth and migration, contribute to the regional variations through their influence on regional housing starts and existing home sales.

In addition to our domestic operations, we also operate in 6 provinces across Canada. These international locations represented approximately 2.6% of our total net sales for the fiscal year ended September 30, 2020. We expect overall demand for operations in Canada to grow at a rate similar to our United States operations. For further geographic information, see Notes 4 and 15 in the Notes to the Consolidated Financial Statements.

Distribution Channels

Wholesale distribution is the primary distribution channel for both residential and non-residential roofing products. Wholesale roofing product distributors serve the important role of facilitating the purchasing relationships between roofing materials manufacturers and thousands of contractors. Wholesale distributors can maintain localized inventories, extend trade credit, give product advice and provide delivery and logistics services.

Given significant consolidation in the past decade, Beacon and two other distributors now represent over 50% of the roofing industry. The industry is characterized by these "national" distributors, a large number of local and regional roofing supply participants, as well as home improvement retailers and lumberyards. Our competition is primarily composed of local, regional and national specialty roofing distributors.

Our complementary products are distributed from traditional exterior locations or branches designed to address a specific product and customer subset (e.g., interiors). The competitive landscape within interiors shares similar fragmentation characteristics to roofing, as four large participants, including Beacon, represent approximately half of the market. The other product categories are typically more fragmented and have more meaningful involvement from manufacturer direct sales, home improvement and specialty retailers and lumber yards.

Our Strengths

We believe our sales and earnings growth opportunities are driven by our competitive strengths, which include the following:

- ***Customer Service.*** We put the customer at the center of our business, with a mission to empower our customers to build more. Our geographic footprint is designed to provide advantages in the regional markets we serve. We provide our customers with specialized products and personalized local services tailored to them. Our focus on customer service allows us to provide valuable guidance to our customers throughout the project lifecycle.
- ***Product Portfolio.*** Our product offerings provide customers with a variety of SKUs to supply their projects from foundation to rooftop. We believe we have one of the most extensive portfolios of high-quality branded products in the industry, allowing us to address the market-specific needs of the various geographic regions that we serve. We believe there are opportunities to expand our current product offerings, which will create additional opportunities to cross-sell more products throughout our existing branch network.
- ***Market Position and Scale.*** We maintain leading positions in key metropolitan markets across all regions that we serve, which currently includes all 50 states throughout the U.S. and 6 Canadian provinces. We utilize a branch-based operating

model, enhanced by Beacon OTC® networked branches in large markets, that allows our customers to benefit from the resources and scale efficiencies of a national distributor.

- **Diversified and stable business model.** Our business has been resilient in times of economic downturn because of the non-discretionary nature of the demand for our products as well as the diversity of both our product offerings and our customer base. For the fiscal year ended September 30, 2020, no single customer accounted for more than 1% of our net sales. We have a long history of organic sales growth and healthy gross margins through a variety of economic cycles.
- **Industry-leading digital platform.** We provide industry-leading digital solutions, including Beacon PRO+, our innovative e-commerce portal, and Beacon 3D+, our roofing estimating tool for our residential customers. These platforms help our customers save time, work more efficiently and grow their businesses.
- **Strong cash flow generation.** We have increased net sales in thirteen of the sixteen fiscal years since our IPO. Our track record of growth, combined with limited capital expenditure requirements, has resulted in strong cash flow generation that has allowed us to manage our debt leverage effectively.

Our Growth Strategy

Our objective is to be the preferred supplier of building products across markets in the United States and Canada while continuing to increase net sales, maximize profitability and maintain a strong balance sheet. We plan to attain these goals by executing the following initiatives:

- **Leverage our scale and scope to enhance and differentiate our service offering.** We intend to capitalize on the scale we have achieved via expansion through organic growth and strategic acquisitions. We seek to drive volume that will enable us to use our assets more efficiently and control our expenses via operating leverage. Our ability to serve customers with seamless execution will differentiate us in the market. Our operating model is one that puts customers and markets at the center of our business by networking branches together in major markets, allowing us to be more responsive. Each Beacon OTC® network shares inventory, fleet, equipment and employees in a manner that materially enhances customer service and drives loyalty to the Beacon brand.
- **Drive organic growth by investing in sales models that benefit our customers.** We will strive to be our customers' preferred supplier by providing hands-on partnership and practical innovation that uniquely serves their needs. By expanding and promoting our digital solutions, we will meet our customers' changing needs and capitalize on their e-commerce reliance. We will also build strong partnerships with suppliers who rely on us to position their products advantageously in the market, supporting innovation in products and services to benefit our customers.
- **Improve branch operating performance.** We will continue to identify operational improvement opportunities at each of our branches. In addition, we will maintain our intensified focus on those branches falling in the bottom quintile in operating performance in order to determine what actions should be taken to improve the profitability of these locations.

Our Products and Services

Products

The ability to provide a broad range of products is essential to success in building products distribution. We carry one of the most extensive arrays of high-quality branded products in the industry, enabling us to deliver a wide variety of products to our customers on a timely basis. We are able to fulfill the vast majority of our warehouse orders with inventory on hand because of the breadth and depth of the inventories at our branches.

Our product portfolio includes residential and non-residential roofing products as well as complementary building products, including:

Product Portfolio		
Residential Roofing Products	Non-Residential Roofing Products	Complementary Building Products
Asphalt shingles	Single-ply roofing	Vinyl siding
Synthetic slate and tile	Asphalt	Fiber cement siding
Clay tile	Metal	Wallboard
Concrete tile	Modified bitumen	Insulation
Slate	Build-up roofing	Acoustical ceilings
Nail base insulation	Cements and coatings	Stone veneer
Metal roofing	Insulation (flat stock/tapered)	Windows
Felts	Commercial fasteners	Doors
Synthetic underlayment	Metal edges and flashings	Skylights
Wood shingles and shakes	Smoke/roof hatches	Weatherproofing
Nails and fasteners	Sheet metal (copper/aluminum/steel)	Gutters and downspouts
Metal edgings and flashings	Roofing tools	Decking and railing
Prefabricated flashings	PVC membrane	Air barrier
Ridge and soffit vents	TPO membrane	Concrete restoration systems
Solar systems	EPDM membrane	Steel stud framing

Our product lines are designed to meet the requirements of our customers, comprised mainly of contractors that are engaged in new construction or renovation projects. The products that we distribute are supplied by the industry’s leading manufacturers of high-quality roofing materials, siding, insulation, wallboard, acoustical ceilings, weatherproofing, windows, doors, decking and related products (See “Purchasing and Suppliers”).

In the residential market, asphalt shingles comprise the largest share of the products we sell. In the non-residential market, single-ply membranes, insulation, and accessories comprise the largest share of our product offering. In the area of complementary building products, siding, wallboard, residential insulation, weatherproofing and acoustical ceilings comprise the largest share of the products we sell out of our portfolio.

Services

We emphasize superior value-added services to our customers. Our goal is to help our customers save time, be more efficient and enhance their business. We employ a knowledgeable sales force that possesses an in-depth understanding of the various roofing and building products we provide. Our sales force is capable of providing guidance to our customers throughout the lifecycles of their various projects. Specifically, we support our customers with the following value-added services:

- advice and assistance on product identification, specification and technical support, and training services;
- a large, service ready fleet with a broad footprint supporting timely job site delivery, rooftop loading and logistical services;
- tapered insulation engineered with enhanced computer-aided design and related layout services;
- metal fabrication and related metal roofing design and layout services;
- access to Beacon PRO+, our e-commerce platform, which provides customers with 24/7 access to online ordering, delivery tracking, order history, promotional tracking and more;
- access to Beacon 3D+, our roofing estimating tool that helps our residential customers attract and retain more business and directly integrates into our Beacon PRO+ platform;
- exclusive, innovative relationships with strategic partners that help promote home financing, CRM modeling, storm tracking, delivery tracking, and lead generation;
- trade credit and online bill pay; and
- marketing support, including industry leading information and project leads for contractors.

Our Customers

We serve over 100,000 customers, comprised of contractors, home builders, building owners, and retailers across the United States and Canada. Our customer base varies by size, ranging from relatively small contractors to large-sized contractors and builders that operate on a national scale. A significant number of our customers have relied on us as their vendor of choice for decades. We believe that we have strong customer relationships that our competitors cannot easily displace or replicate. For the fiscal year ended September 30, 2020, no single customer accounted for more than 1% of our net sales.

Human Capital Resources

We believe that our values-based culture is a key differentiator, which is critical to our success. We pride ourselves on attracting and retaining highly dedicated and customer-focused employees at all levels of the organization. We maintain a safety-first environment and emphasize the adoption of our Company's core values by all our employees, establishing standards for work ethic, collaboration, and a commitment to deliver. We believe that the achievement of our ongoing objectives will enable us to deliver exceptional results to our customers and shareholders.

We conduct a comprehensive annual organization and talent review process culminating with a report to the Board of Directors covering key elements such as: executive succession and development, organization structure, diversity, talent pipelines and workforce planning requirements. We maintain a broad suite of e-learning courses to deliver new hire and annual training to ensure compliance with safety, DOT and all other Federal and State requirements.

The focus on retention has become increasingly important as companies across all industries are vying for top talent. Our Total Rewards program encompasses compensation, benefits, employee development and the work environment. These are the key elements employees consider when making career decisions and we are focused on them continuously to ensure we are optimizing our talent investments. We track voluntary and involuntary turnover monthly and annually, and conduct exit interviews at all levels to gain relevant information and adapt our engagement and retention strategy as appropriate.

We are taking steps to expand our role as an employer that champions diversity, inclusion and equality of opportunity. We implemented a Diversity and Inclusion framework in 2020 and instituted a companywide council composed of fifteen diverse team members. Julian Francis, our Chief Executive Officer, signed the CEO Action for Diversity & Inclusion pledge, we conducted unconscious bias and diversity training for our executive leadership team and rolled out an internally developed Conversations of Understanding process. We measure gender and diversity demographic levels by business and function and are placing a more targeted focus on our incoming college graduate pipeline and branch operations roles to improve overall representation.

We promote a culture of charitable giving, highlighted by our annual Beacon of Hope contest that was created to give back to distinguished military veterans by providing roofing replacements or repairs. We are also a founding sponsor of National Women in Roofing, a volunteer-based organization that supports and advances the careers of women roofing professionals.

Our commitment to a culture of safety is unwavering, including a focus on the overall health and wellness of our employees. We maintain a comprehensive safety tracking and companywide scorecard program and have demonstrated strong improvements as a company over the past several years. We track and closely manage overall workers' compensation and auto claims, OSHA recordable incidents, lost time rates, DOT compliance, and other internally established safety prevention elements on a weekly, monthly, and annual basis. We offer competitive health and wellness programs to eligible employees and periodically conduct in-depth analyses of plan utilization to further tailor our employee benefits to meet their ongoing needs. In 2020, we implemented COVID-19 protocols across all locations in response to the pandemic to ensure both the safety of our employees and compliance with all federal and local ordinances.

As of September 30, 2020, we had 7,582 active employees consisting of 2,253 in sales and marketing, 940 branch managers and assistant branch managers, 3,618 drivers, delivery helpers and warehouse workers, 704 general and administrative employees and 67 executives. We have 407 employees that are represented by labor unions and there are no material outstanding labor disputes.

Sales and Marketing

Sales Strategy

Our sales strategy is to provide a comprehensive array of high-quality products and superior customer service, both accurately and on time. We believe that our proficiency in order fulfillment and inventory management and our robust catalog of value-added services, particularly the Beacon PRO+ e-commerce platform, enable us to attract and retain customers and differentiate ourselves from the competition.

Sales Organization

Our experienced sales force includes individuals responsible for generating sales at the local branch level as well individuals who focus on our larger, national account customers. We also retain sales personnel with specialized knowledge in relevant areas like solar, weatherproofing and insulation. The breadth and expertise of our salespeople help us facilitate sales growth from both existing and prospective customers alike.

Each of our branches is led by a branch manager. There is also a sales director at each location that is responsible for overseeing and coaching the sales team. The typical branch sales team is composed of one to four outside salespeople and one to five inside salespeople. Branches that focus primarily on the residential market generally staff a larger number of outside salespeople.

The primary objectives of our outside salespeople are to increase sales to existing customers and prospect for new customers. These activities are supported by utilizing our CRM (Customer Relationship Management) system throughout our selling organization. All outside sales representatives have a strategic group of existing customers that they actively manage to ensure that Beacon is meeting and exceeding their respective needs. They also spend time seeking new customers in order to grow and expand their portfolios.

To complement our outside sales force, we have built an experienced and technically proficient inside sales staff with vital product expertise to address inquiries from our customers. Our inside sales force is on the front line of customer engagement and also is responsible for fielding incoming orders and providing price quotes.

In addition to our outside and inside sales forces, we employ representatives who act as liaisons for certain roofing materials manufacturers to assist with the promotion of specific products to professional contractors, architects and building owners.

Marketing

Our marketing efforts are designed to ensure that our current and prospective customers are aware of Beacon's ability help them save time, be more efficient and enhance their business. Beacon's central marketing function supplements our sales force through targeted multi-channel outreach.

In order to build and strengthen relationships with customers and vendors, we offer exclusive promotions and help sponsor key national and regional trade shows. We also develop general business and roofing seminars for our customers and organize product demonstrations by our vendors. We serve as Trustee of The Roofing Alliance, a foundation established by the National Roofing Contractors Association, and are also active participants in other key regional contractors' associations.

Since 2017, customers have been using Beacon PRO+, our innovative e-commerce portal, to help manage their businesses. This digital platform enables customers to order online from our catalog of approximately 160,000 products, have 24/7 access to view real-time pricing, process and review the status of orders, track deliveries, monitor local storm activity and vendor promotions, request and approve quotes, and pay their bills online. Beacon PRO+ provides us with additional opportunities to engage with our customers and helps them save time, be more efficient, and enhance their businesses.

We leverage several other unique products and services, including Beacon 3D+, a roofing estimating tool for our residential customers that transforms smartphone photos of any home to a fully measured, customizable 3D model. Beacon 3D+ enables us to have an end-to-end portal that tracks projects online from measurements to ordering.

Purchasing and Suppliers

Our status as a leader in our core geographic markets, as well as our reputation in the industry, has allowed us to forge strong relationships with numerous manufacturers of roofing materials and complementary building products, including Armstrong World Industries, Atlas Roofing, Berger Building Products, Building Products of Canada, Carlisle Syntec, CertainTeed Roofing, CertainTeed Siding, ClarkDietrich, Firestone Building Products, GAF, IKO Manufacturing, James Hardie Building Products, Johns Manville Roofing, Malarkey, National Gypsum, Owens Corning Roofing, Ply Gem, Soprema, and TAMKO Building Products.

We are positioned as a key distributor with our suppliers due to our industry expertise, market share, track record of growth and financial strength, and the substantial volume of products that we distribute.

We manage the procurement of products through our national headquarters and regional offices, allowing us to take advantage of both scale and local market conditions to purchase products more economically than most of our competitors. We place purchase orders electronically with some of our major vendors. When invoices are received, our system matches them to the related purchase orders and then schedules the associated payment. Product is shipped directly by the manufacturers to our branches or customers.

Operations and Infrastructure

Operations

Our branch-based model is designed to meet local customer needs. In certain large markets we have taken steps to assure customer satisfaction by coordinating branches via our On-Time and Complete network (Beacon OTC®). The Beacon OTC® network allows for additional efficiencies in staffing, fleet and inventory while promoting a synergy across branches and a drive to perform that benefits both the customer and Beacon. Branch and market managers are provided a significant amount of autonomy, with responsibility for sales, pricing and staffing activities, and have full operational control of customer service and deliveries. We provide these managers with significant incentives that allow them to share in the profitability of both their respective branches/markets and the Company as a whole. Employees at our regional and corporate locations assist with functions such as procurement, credit and safety services, fleet management, information systems support, contract management, accounting, treasury and legal services, human resources, benefits administration, and sales and use tax services.

Our distribution fulfillment process is initiated upon receiving a request for a contract job order or direct product order from a customer. Under a contract job order, the customer typically requests roofing or other construction materials and technical support services. The customer discusses the project's requirements with a salesperson and the salesperson provides a price quote for the package of products and services. Subsequently, the salesperson processes the order and we deliver the products to the customer's job site. Our digital platform serves as an extension of our brick and mortar operations and provides customers with 24/7 access to order and track delivery of our products. These advanced capabilities provide us with additional opportunities to engage with our customers and support the entire project lifecycle.

In fiscal year 2020, we were able to support our customers by fulfilling approximately 99% of warehouse orders through our in-stock inventory as a result of the breadth and depth of the inventory maintained at our branches.

Facilities

As of September 30, 2020, we operated a network of 524 branches that serve key metropolitan areas in all 50 states throughout the U.S. and 6 Canadian provinces. This network has enabled us to effectively and efficiently serve a broad customer base and to achieve a leading market position in each of our geographic markets.

Fleet

During the year ended September 30, 2020, our distribution infrastructure supported more than 1.7 million deliveries. To service our customer base, we maintained a dedicated owned fleet of 1,837 straight trucks, 579 tractors and 1,232 trailers as of September 30, 2020. Nearly all of our delivery vehicles are equipped with specialized equipment, including 2,424 truck-mounted forklifts, cranes, hydraulic booms and conveyors, which are necessary to deliver products to job sites in an efficient and safe manner and in accordance with our customers' requirements. Our branches typically focus on providing materials to customers who are located within a two-hour radius of their respective facilities, and generally make deliveries each business day.

We believe that protection of the environment is important to the long-term success of our business. We recognize that our greatest impact on the environment is fleet emissions, and we have committed to using the Beacon OTC® strategy to minimize our average mileage per delivery and reduce our carbon footprint.

Management Information Systems

We operate fully integrated management information systems across our locations. Acquired businesses are moved to our IT platform as soon as feasible following acquisition. Our systems support every major internal operational function, providing complete integration of purchasing, receiving, order processing, shipping, inventory management, sales analysis and accounting. These common systems allow our branches to easily acquire products or schedule deliveries from nearby branches, greatly enhancing our customer service. Our systems also include a pricing matrix which allows us to refine pricing by region, branch, customer and customer type, or even a specific customer project. In addition, our systems allow us to monitor all branch and regional performance to support the adoption of strategic initiatives and drive results. We retain financial, credit and other documents for purposes of internal approvals, online viewing and auditing.

We deploy an array of cybersecurity capabilities to protect our various business systems and data. Where necessary, these capabilities have allowed us to transition seamlessly to operating effectively and safely in a virtual environment. Our branches are connected to a common computer network via secure Internet connections or private data lines. We maintain redundant systems with transactional data getting replicated throughout each business day. We have the capability of electronically switching our operations to the disaster recovery system. In certain instances, we rely on the IT systems of third parties to assist with conducting our business. If our systems or those of third parties on which we rely are damaged, breached, or cease to function properly, we may have to repair or replace them and may experience temporary interruptions in our business operations as a result.

Government Regulations

We are subject to regulation by various federal, state, provincial and local agencies. These agencies include the Environmental Protection Agency, Department of Transportation, Occupational Safety and Health Administration and Department of Labor and Equal Employment Opportunity Commission. We believe we comply, in all material respects, with existing applicable statutes and regulations affecting environmental issues and our employment, workplace health and workplace safety practices, and compliance with such statutes and regulations has no material effect on our capital expenditures, earnings or competitive position.

Competition

Although we are one of the largest roofing materials and complementary building product distributors in the United States and Canada, the industry remains highly competitive. The vast majority of our competition comes from local and regional roofing supply distributors and, to a lesser extent, other building supply distributors and big box retailers. Among distributors, we compete against a small number of large distributors and many small and local privately-owned distributors. The principal competitive factors in our business include,

but are not limited to, the availability of materials and supplies; technical product knowledge and advisory expertise; delivery and other service capabilities; pricing of products; and the availability of credit and capital. We generally compete on the basis of the quality of our products and services and, to a lesser extent, price.

Seasonality

In general, sales and net income are highest during our first, third and fourth fiscal quarters, which represent the peak months of construction and re-roofing, especially in our branches in the northern and mid-western U.S. and in Canada. We have historically incurred low net income levels or net losses during the second quarter when our sales are substantially lower.

We generally experience an increase in inventory, accounts receivable and accounts payable during the third and fourth quarters of the year as a result of the seasonality of our business. Our peak cash usage generally occurs during the third quarter, primarily because accounts payable terms offered by our suppliers typically have due dates in April, May and June, while our peak accounts receivable collections typically occur from June through November.

We generally experience a slowing of our accounts receivable collections during our second quarter, mainly due to the inability of some of our customers to conduct their businesses effectively in inclement weather in certain regions of the U.S. and Canada. We continue to attempt to collect those receivables, which require payment under our standard terms, and typically do not provide material concessions to our customers.

We generally experience our peak working capital needs during the third quarter after we build our inventories following the winter season but before we begin collecting on most of our spring receivables.

The impact of the COVID-19 pandemic may cause fluctuations in our financial results and working capital that are not aligned with the seasonality we generally experience.

History and Additional Information

Our predecessor, Beacon Sales Company, Inc., was founded in Charlestown, Massachusetts (part of Boston) in 1928. Beacon Roofing Supply, Inc. was incorporated in Delaware in 1997. Our principal executive offices are located at 505 Huntmar Park Drive, Suite 300, Herndon, Virginia 20170 and our telephone number is (571) 323-3939. Our Internet website address is www.becn.com.

We are subject to the information and periodic reporting requirements of the Securities Exchange Act of 1934, as amended (“Exchange Act”), and, in accordance with such requirements, furnish or file periodic reports, proxy statements, and other information with the Securities and Exchange Commission (“SEC”). These periodic reports, proxy statements, and other information are available at the SEC website, www.sec.gov. We also maintain an investor relations page on our website where our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, amendments to those reports and other required SEC filings may be accessed free of charge as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC.

ITEM 1A. RISK FACTORS

You should carefully consider the risks and uncertainties described below and other information included in this Form 10-K in evaluating us and our business. If any of the events described below occur, our business and financial results could be adversely affected in a material way. This could cause the trading price of our common stock to decline, perhaps significantly.

Risks Related to the COVID-19 Pandemic

The impact of the COVID-19 pandemic, or similar health concerns, could have a significant effect on supply and/or demand for our products and have a negative impact on our business operations and financial results.

A significant outbreak of epidemic, pandemic, or contagious diseases in the human population, including the COVID-19 pandemic, could cause a widespread health crisis that could result in an economic downturn, affecting the supply and/or demand for our products. Any quarantines, labor shortages or other disruptions to us, our suppliers, or our customers would likely adversely impact our sales and operating results. A prolonged economic downturn may result in reduced cash flows or a reduction to our market capitalization, triggering the potential need to recognize significant non-cash asset impairment charges in our results of operations. It could also result in an adverse impact on the creditworthiness of our customers and the collectability of trade receivables, thereby affecting our liquidity. In addition, order lead times could be extended or delayed, and pricing could increase. Some products or services may become unavailable if the regional spread became significant enough to prevent alternative sourcing. The increase in remote working arrangements for our personnel may result in greater information technology security risks. We are unable to predict the potential future impact that the COVID-19 pandemic, or another such virus or health concern, could have on us if the spread is unable to be contained.

Risks Related to Product Supply and Vendor Relations

An inability to obtain the products that we distribute could result in lost revenues and reduced margins and damage relationships with customers.

We distribute roofing and other specialty exterior and interior building materials that are manufactured by a number of major suppliers. Disruptions in our sources of supply may occur as a result of unanticipated demand or production or delivery difficulties. When shortages occur, roofing material suppliers often allocate products among distributors. Although we believe that our relationships with our suppliers are strong and that we would have access to similar products from competing suppliers should products be unavailable from current sources, any supply shortage, particularly of the most commonly sold items, could result in a loss of revenues and reduced margins and damage relationships with customers.

A change in vendor pricing and demand could adversely affect our income and gross margins.

Many of the products that we distribute are subject to price changes based upon manufacturers' raw material costs and other manufacturer pricing decisions. For example, as a distributor of residential roofing supplies, our business is sensitive to asphalt prices, which are highly volatile and often linked to oil prices, as oil is a significant input in asphalt production. Shingle prices have been volatile in recent years, partly due to volatility in asphalt prices. Historically, we have generally been able to pass increases in the prices of shingles on to our customers. Although we often are able to pass on manufacturers' price increases, our ability to pass on increases in costs and our ability to do so in a timely fashion depends on market conditions. The inability to pass along cost increases or a delay in doing so could result in lower operating margins. In addition, higher prices could impact demand for these products, resulting in lower sales volumes.

A change in vendor rebates could adversely affect our income and gross margins.

The terms on which we purchase products from many of our vendors entitle us to receive a rebate based on the volume of our purchases. These rebates effectively reduce our costs for products. If market conditions change, vendors may adversely change the terms of some or all of these programs. Although these changes would not affect the net recorded costs of product already purchased, it may lower our gross margins on products we sell and therefore the income we realize on such sales in future periods.

Risks Related to Human Capital

Loss of key talent or our inability to attract and retain new qualified talent could hurt our ability to operate and grow successfully.

Our success will continue to depend to a significant extent on our executive officers and key management personnel. We may not be able to retain our executive officers and key personnel or attract additional qualified management. The loss of any of our executive officers or other key management employees, or our inability to recruit and retain qualified employees, could hurt our ability to operate and make it difficult to execute our acquisition and internal growth strategies.

Risks Related to Acquisitions

We may not be able to effectively integrate newly acquired businesses into our operations or achieve expected cost savings or profitability from our acquisitions.

Our growth strategy includes acquiring other distributors of roofing materials and complementary products. Acquisitions involve numerous risks, including:

- unforeseen difficulties in integrating operations, technologies, services, accounting and employees;
- diversion of financial and management resources from existing operations;
- unforeseen difficulties related to entering geographic regions where we do not have prior experience;
- potential loss of key employees;
- unforeseen liabilities associated with businesses acquired; and
- inability to generate sufficient revenue or realize sufficient cost savings to offset acquisition or investment costs.

As a result, if we fail to evaluate and execute acquisitions properly, we might not achieve the anticipated benefits of such acquisitions and we may incur costs in excess of what we anticipate. These risks would likely be greater in the case of larger acquisitions.

We may not be able to successfully complete acquisitions on acceptable terms, which would slow our growth rate.

We continually seek additional acquisition candidates in selected markets and from time to time engage in exploratory discussions with potential candidates. We are unable to predict whether or when we will be able to identify any suitable additional acquisition candidates, or the likelihood that any potential acquisition will be completed. If we cannot complete acquisitions that we identify on acceptable terms, it is unlikely that we will sustain the historical growth rates of our business.

Risks Related to Cyclical and Seasonality

Cyclical in our business and general economic conditions could result in lower revenues and reduced profitability.

A portion of the products we sell are for residential and non-residential construction. The strength of these markets depends on new housing starts and business investment, which are a function of many factors beyond our control, including credit and capital availability, interest rates, foreclosure rates, housing inventory levels and occupancy, changes in the tax laws, employment levels, consumer confidence and the health of the United States economy and mortgage markets. Economic downturns in the regions and markets we serve could result in lower net sales and, since many of our expenses are fixed, lower profitability. In addition, demand for certain interior products, such as drywall, is highly correlated with new housing starts, which are subject to the factors detailed above. Unfavorable changes in demographics, credit markets, consumer confidence, housing affordability, or housing inventory levels and occupancy, or a weakening of the United States economy or of any regional or local economy in which we operate, could adversely affect consumer spending, result in decreased demand for our products, and adversely affect our business. In addition, instability in the economy and financial markets, including as a result of terrorism or civil or political unrest, may result in a decrease in housing starts, which would adversely affect our business.

Seasonality and weather-related conditions may have a significant impact on our financial results from period to period

The demand for our outdoor building materials is heavily correlated to both seasonal changes and unpredictable weather patterns. Seasonal demand fluctuations are expected, such as in our second fiscal quarter, when winter construction cycles and cold weather patterns have an adverse impact on new construction and re-roofing activity. The timing of weather patterns (unseasonable temperatures) and severe weather events (hurricanes, storms and protracted rain) may impact our financial results within a given period either positively or negatively, making it difficult to accurately forecast our results of operations. We expect that these seasonal and weather-related variations will continue in the near future.

Risks Related to Information Technology

If we encounter difficulties with our management information systems, we could experience problems with inventory, collections, customer service, cost control and business plan execution.

We believe our management information systems are a competitive advantage in maintaining our leadership position in the roofing distribution industry. However, if we experience problems with our management information systems, we could experience, among other things, product shortages and/or an increase in accounts receivable aging. Any failure by us to properly maintain and protect our management information systems could adversely impact our ability to attract and serve customers and could cause us to incur higher operating costs and experience delays in the execution of our business plan.

Since we rely heavily on information technology both in serving our customers and in our enterprise infrastructure in order to achieve our objectives, we may be vulnerable to damage or intrusion from a variety of deliberate cyber-attacks carried out by insiders or third parties, including computer viruses, worms or other malicious software programs that may access our systems. Despite the precautions we take to mitigate the risks of such events, an attack on our enterprise information technology system could result in business disruption and/or theft of our proprietary and confidential information. Such events could harm our reputation and have an adverse impact on our financial results, including the impact of related legal, regulatory, and remediation costs.

In certain instances, we rely on the IT systems of third parties to assist with conducting our business. If our systems or those of third parties on which we rely are damaged, breached, or cease to function properly, we may have to repair or replace them and may experience temporary interruptions in our business operations as a result.

Risks Related to Capitalization and Capital Structure

An impairment of goodwill and/or other intangible assets could reduce net income.

Acquisitions frequently result in the recording of goodwill and other intangible assets. At September 30, 2020, goodwill represented approximately 36% of our total assets. Goodwill is not amortized for financial reporting purposes and is subject to impairment testing at least annually using a fair-value based approach. The identification and measurement of goodwill impairment involves the estimation of the fair value of our reporting units. Our accounting for impairment contains uncertainty because management must use judgment in determining appropriate assumptions to be used in the measurement of fair value. We determine the fair values of our reporting units by using a qualitative approach.

We evaluate the recoverability of goodwill for impairment in between our annual tests when events or changes in circumstances, including a sustained decline in our market capitalization, indicate that the carrying amount of goodwill may not be recoverable. We also perform an annual qualitative assessment to evaluate whether evidence exists that would indicate our indefinite-lived intangibles are impaired. In addition, we review for triggering events that could indicate a need for an impairment test for finite-lived intangible assets. Any impairment of goodwill or indefinite- or finite-lived intangibles will reduce net income in the period in which the impairment is recognized.

We might need to raise additional capital, which may not be available, thus limiting our growth prospects.

In the future we may require equity or additional debt financing in order to consummate an acquisition, for additional working capital for expansion, or if we suffer more than seasonally expected losses. In the event such additional financing is unavailable to us on commercially attractive terms or at all, we may be unable to expand or make acquisitions or pursue other growth opportunities.

Major disruptions in the capital and credit markets may impact both the availability of credit and business conditions.

If the financial institutions that have extended credit commitments to us are adversely affected by major disruptions in the capital and credit markets, they may become unable to fund borrowings under those credit commitments. This could have an adverse impact on our financial condition since we need to borrow funds at times for working capital, acquisitions, capital expenditures and other corporate purposes.

Major disruptions in the capital and credit markets could also lead to broader economic downturns, which could result in lower demand for our products and increased incidence of customers' inability to pay their accounts. The majority of our net sales volume is facilitated through the extension of trade credit to our customers. Additional customer bankruptcies or similar events caused by such broader downturns may result in a higher level of bad debt expense than we have historically experienced. Also, our suppliers may be impacted, causing potential disruptions or delays of product availability. These events would adversely impact our results of operations, cash flows and financial position.

Our level and terms of indebtedness could adversely affect our ability to raise additional capital to fund our operations, take advantage of new business opportunities, and prevent us from meeting our obligations under our debt instruments.

As of September 30, 2020, we had \$1.29 billion in aggregate principal amount of our 4.875% senior notes due in 2025 outstanding, \$295.9 million in aggregate principal amount of our 4.5% senior notes due in 2026 outstanding, \$922.3 million outstanding under our senior secured term loan due in 2025, \$251.1 million drawn under our asset-based revolving line of credit with a 2023 maturity date, and \$2.6 million of total other indebtedness. Our substantial debt could have important consequences to us, including:

- increasing our vulnerability to general economic and industry conditions;
- requiring a substantial portion of our cash flow used in operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our liquidity and our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities;
- exposing us to the risk of increased interest rates, and corresponding increased interest expense, because borrowings under our asset-based revolving line of credit and term loan are at variable rates of interest;
- reducing funds available for working capital, capital expenditures, acquisitions and other general corporate purposes, due to the costs and expenses associated with such debt;
- making it more difficult to satisfy our obligations under the terms of our indebtedness;
- limiting our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions, and general corporate or other purposes; and
- limiting our ability to adjust to changing marketplace conditions and placing us at a competitive disadvantage compared to our competitors who may have less debt.

In addition, the debt agreements that currently govern our asset-based revolving line of credit and term loan and the indentures governing our outstanding senior notes impose significant operating and financial restrictions on us, including limitations on our ability to, among other things, pay dividends and make other distributions on, or redeem or repurchase, capital stock; make certain investments; incur certain liens; enter into transactions with affiliates; merge or consolidate; enter into agreements that restrict the ability of our subsidiaries to make dividends or other payments to Beacon Roofing Supply, Inc.; and transfer or sell assets. In addition, the terms of our preferred stock contain restrictions on our ability to pay dividends on our common stock, and the holders of such shares would participate in any declared common stock dividends, reducing the cash available to holders of common stock. As a result of these restrictions, we will be limited as to how we conduct our business and we may be unable to raise additional debt or equity financing to compete effectively or to capitalize on available business opportunities.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets, seek additional capital, or restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations, which could cause us to default on our debt obligations and impair our liquidity. In the event of a default under any of our indebtedness, the holders of the defaulted debt could elect to declare all the funds borrowed to be due and payable, together with accrued and unpaid interest, which in turn could result in cross-defaults under our other indebtedness. The lenders under our asset-based revolving line of credit could also elect to terminate their commitments thereunder and cease making further loans, and the lenders under the asset-based revolving line of credit and term loan could institute foreclosure proceedings against their collateral, which could potentially force us into bankruptcy or liquidation.

Despite our current level of indebtedness, we may be able to incur substantially more debt and enter into other transactions which could further exacerbate the risks to our financial condition described above.

We may be able to incur significant additional indebtedness in the future. Although the debt agreements that currently govern our asset-based revolving line of credit, term loan, outstanding senior notes and other debt instruments contain restrictions on the incurrence of additional indebtedness and entering into certain types of other transactions, these restrictions are subject to a number of qualifications and exceptions. Additional indebtedness incurred in compliance with these restrictions could be substantial. These restrictions also do not prevent us from incurring obligations, such as trade payables, that do not constitute indebtedness as defined under our debt instruments. To the extent we incur additional indebtedness or other obligations, the risks described in the immediately preceding risk factor and others described herein may increase.

The holders of Preferred Stock issued in connection with the Allied Acquisition have rights, preferences and privileges that are not held by, and are preferential to, the rights of our common shareholders. We may be required, under certain circumstances, to repurchase the preferred stock for cash, and such obligations could adversely affect our liquidity and financial condition.

On January 2, 2018 we issued 400,000 shares of Series A Cumulative Convertible Participating Preferred Stock, par value \$0.01 per share (the “Preferred Stock”) to CD&R Boulder Holdings, L.P. (the “CD&R Stockholder”), an entity affiliated with the investment firm Clayton, Dubilier & Rice LLC, pursuant to an Investment Agreement dated August 24, 2017 (the “Investment Agreement”). The proceeds of the issuance were used to partially finance the Allied Acquisition. The Preferred Stock is convertible perpetual participating preferred stock of Beacon, with an initial conversion price of \$41.26 per share, and accrues dividends at a rate of 6.0% per annum (payable in cash or in-kind, subject to specified limitations). The Preferred Stock may be converted at any time at the option of the holder into 9,694,619 shares of our common stock. In addition, under the terms of the Preferred Stock, we may, at our option, force the conversion of all (but not less than all) of the outstanding shares of Preferred Stock to common stock if at any time the market price of our common stock exceeds 200% of the then-effective conversion price per share for at least 75 days out of any trailing 90-trading day period. Any conversion of the Preferred Stock may significantly dilute our common shareholders and adversely affect both our net income per share and the market price of our common stock.

If we issue additional shares of Preferred Stock as “in-kind” dividend payments that, together with the 400,000 shares of Preferred Stock issued to the CD&R Stockholder, represent in excess of 12,071,937 shares of our common stock on an as-converted basis, and in certain other circumstances as provided in the Preferred Stock certificate of designations, a “Triggering Event” would occur. Upon the occurrence of a “Triggering Event,” the dividend rate will increase to 9.0% per annum for so long as the Triggering Event remains in effect, which will further dilute our common shareholders if we issue additional shares of Preferred Stock to satisfy our dividend payment obligations. Moreover, if we declare or pay a cash dividend on our common stock, we will be required to declare and pay a dividend on the outstanding Preferred Stock on a pro rata basis with the common shares determined on an as-converted basis at the time the dividend is declared. The maximum number of shares of common stock into which the Preferred Stock may be converted (taking into account any shares of Preferred Stock issued as in-kind dividend payments) will be limited to 12,071,937 shares of our common stock, which represents 19.99% of the total number of shares of common stock issued and outstanding immediately prior to the execution of the Investment Agreement, unless and until we were to obtain shareholder approval of such issuance under the Nasdaq listing rules. The terms of the Investment Agreement and Preferred Stock do not require us to obtain shareholder approval in these circumstances.

Holders of the Preferred Stock generally are entitled to vote with the holders of the shares of common stock on an as converted basis on all matters submitted for a vote of holders of shares of common stock, voting together with the holders of shares of common stock as one class (subject to the limitation that any one Preferred Stock holder, together with its affiliates, cannot vote any preferred shares in excess of 19.99% of the aggregate voting power of the common stock outstanding immediately prior to the execution of the Investment Agreement prior to shareholder approval). The prior written consent of the holders of a majority of the Preferred Stock is required to, among other things, (i) amend or modify our charter, by-laws or the certificate of designations governing the Preferred Stock that would adversely affect the Preferred Stock or (ii) amend our debt agreements to, among other things, adversely affect our ability to pay dividends on the Preferred Stock, subject to certain exceptions.

The conversion price of the Preferred Stock is subject to customary anti-dilution adjustments, including in the event of any stock split, stock dividend, recapitalization or similar event. Adjustments to the conversion price could dilute the ownership interest of our common shareholders. In addition, holders of Preferred Stock have the right to receive a liquidation preference entitling them to be paid out of our assets available for distribution to shareholders, before any payment may be made to holders of shares of common stock, an amount equal to the greater of (a) 100% of the liquidation preference thereof plus all accrued and unpaid dividends or (b) the amount that such holder would have been entitled to receive upon our liquidation, dissolution and winding up if all outstanding shares of Preferred Stock had been converted into common stock immediately prior to such liquidation, dissolution or winding up, without regard to any of the limitations on conversion or convertibility.

Furthermore, the holders of the Preferred Stock will have certain redemption rights, including upon certain change of control events involving us, which, if exercised, could require us to repurchase all of the outstanding Preferred Stock for cash at the original purchase price of the Preferred Stock plus all accrued and unpaid dividends thereon. Our obligations to pay regular dividends to the holders of the Preferred Stock or any required repurchase of the outstanding Preferred Stock could impact our liquidity and reduce the amount of cash available for working capital, capital expenditures, growth opportunities, acquisitions, and other general corporate purposes. Our

obligations to the holders of Preferred Stock could also limit our ability to obtain additional financing or increase our borrowing costs, which could have an adverse effect on our financial condition. The preferential rights could also result in divergent interests between the holders of the Preferred Stock and our common shareholders.

The CD&R Stockholder may sell shares of our common stock in the public market, which may cause the market price of our common stock to decrease, and therefore make it more difficult to raise equity financing or issue equity as consideration in an acquisition.

Our registration rights agreement with the CD&R Stockholder requires us to register all shares held by the CD&R Stockholder and its permitted transferees (including shares of our common stock issued upon conversion of Preferred Stock) under the Securities Act upon request of the CD&R Stockholder. The registration rights for the CD&R Stockholder will allow it to sell its shares without compliance with the volume and manner of sale limitations under Rule 144 promulgated under the Securities Act and will facilitate the resale of such securities into the public market. The market value of our common stock could decline as a result of sales by the CD&R Stockholder from time to time. In particular, the sale of a substantial number of our shares by the CD&R Stockholder within a short period of time, or the perception that such sale might occur, could cause our stock price to decrease, make it more difficult for us to raise funds through future offerings of Beacon common stock or acquire other businesses using Beacon common stock as consideration.

The CD&R Stockholder holds a significant equity interest in our business and may exercise significant influence over us, including through its ability to designate up to two directors to our board of directors, and its interests as a preferred equity holder may diverge from, or even conflict with, the interests of our other common shareholders.

As of September 30, 2020, the CD&R Stockholder beneficially owns shares of our common stock and Preferred Stock, which, taken together on an as-converted basis, represent 29.8% of our total voting power. As a result, the CD&R Stockholder may have the indirect ability to significantly influence our policies and operations. In addition, under the Investment Agreement, the CD&R Stockholder is entitled to appoint up to two directors to our board of directors. Both Nathan K. Sleeper and Philip W. Knisely, partners at CD&R, currently serve as directors. Notwithstanding that all directors will be subject to fiduciary duties to us and to applicable law, the interests of the directors designated by the CD&R Stockholder may differ from the interests of our other directors or common shareholders as a whole. With such representation on our board of directors, the CD&R Stockholder has influence over the appointment of management and any action requiring the vote of our board of directors, including significant corporate action such as mergers and sales of substantially all of our assets. The directors controlled by the CD&R Stockholder will also be able to influence decisions affecting our capital structure, including decisions to issue additional capital stock and incur additional debt. Additionally, for so long as the CD&R Stockholder owns Preferred Stock, certain matters will require the approval of the CD&R Stockholder, including: (1) amendments or modifications to our charter, by-laws or the certificate of designations governing the Preferred Stock that would adversely affect the Preferred Stock, (2) authorization, creation, increase in the authorized amount of, or issuance of any class or series of senior or parity equity securities or any security convertible into, shares of senior or parity equity securities (but not junior securities), (3) any increase or decrease in the authorized number of preferred shares or the issuance of additional shares of Preferred Stock, (4) amendments to our debt agreements that would, among other things, adversely affect our ability to pay dividends on the Preferred Stock, subject to certain exceptions, and (5) the liquidation, dissolution or filing of a voluntary petition for bankruptcy or receivership. The CD&R Stockholder and its affiliates are in the business of making or advising on investments in companies, including businesses that may directly or indirectly compete with certain portions of our business. In addition, the CD&R Stockholder may have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their overall equity investment and have a negative impact to our common shareholders as a whole. Furthermore, the CD&R Stockholder may, in the future, own businesses that directly or indirectly compete with us. The CD&R Stockholder may also pursue acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of September 30, 2020, we leased 505 branch facilities and 14 non-branch facilities throughout the United States and Canada. These leased facilities range in size from approximately 500 to 240,000 square feet. In addition, as of September 30, 2020, we owned 19 branch facilities. These owned facilities range in size from approximately 11,500 square feet to 68,000 square feet. These facilities are pledged as collateral under our senior secured term loan and our asset based revolving line of credit. We believe that our properties are in good operating condition and adequately serve our current business operations.

The following table summarizes the locations of our branches and facilities as of September 30, 2020:

Location	Branches	Non-Branch Facilities
U.S. State		
Alabama	7	
Alaska	1	
Arizona	5	
Arkansas	4	
California	47	2
Colorado	18	
Connecticut	7	
Delaware	3	
Florida	39	1
Georgia	15	2
Hawaii	9	
Idaho	2	
Illinois	14	
Indiana	8	
Iowa	3	
Kansas	4	1
Kentucky	5	
Louisiana	9	
Maine	4	
Maryland	21	1
Massachusetts	13	1
Michigan	11	
Minnesota	5	
Mississippi	2	
Missouri	10	
Montana	1	
Nebraska	6	
Nevada	4	
New Hampshire	3	
New Jersey	21	1
New Mexico	1	
New York	18	
North Carolina	24	1
North Dakota	2	
Ohio	11	1
Oklahoma	2	
Oregon	8	
Pennsylvania	32	
Rhode Island	2	
South Carolina	8	
South Dakota	1	
Tennessee	8	
Texas	37	1
Utah	6	
Vermont	1	
Virginia	16	
Washington	17	1

West Virginia	4	
Wisconsin	4	
Wyoming	2	
Total — United States	505	13
Canadian Province		
Alberta	3	
British Columbia	3	
Nova Scotia	1	
Ontario	6	
Quebec	5	1
Saskatchewan	1	
Total — Canada	19	1
Total — All	524	14

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are involved in lawsuits that are brought against us in the normal course of business. We are not currently a party to any legal proceedings that would be expected, either individually or in the aggregate, to have a material adverse effect on our business or financial condition.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

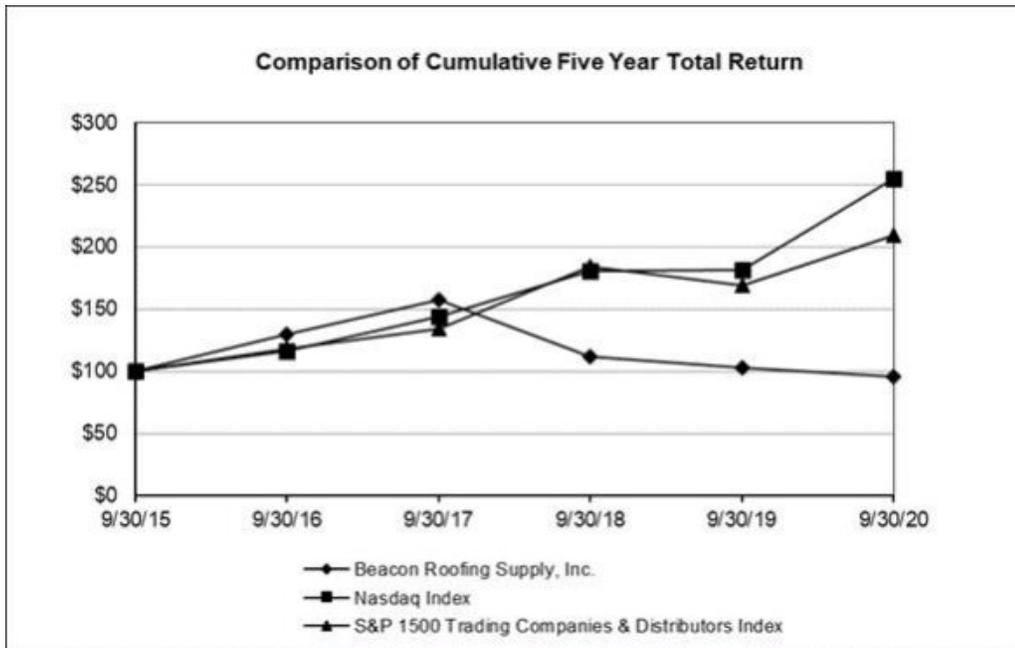
Our common stock trades on the Nasdaq Global Select Market (the “Nasdaq”) under the symbol “BECN”. As of November 9, 2020, there were 74 registered holders of record of our common stock.

We have not paid cash dividends on our common stock and do not anticipate paying dividends in the foreseeable future. Our board of directors currently intends to retain any future earnings for reinvestment in our growing business. Any future determination to pay dividends will also be at the discretion of our board of directors and will be dependent upon our results of operations and cash flows, our financial position and capital requirements, general business conditions, legal, tax, regulatory and any contractual restrictions on the payment of dividends, and any other factors our board of directors deems relevant.

Stock Performance Graph

This stock performance graph shall not be deemed “soliciting material” or to be “filed” with the SEC for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of Beacon Roofing Supply, Inc. under the Securities Act of 1933, as amended, or the Exchange Act. The performance of Beacon Roofing Supply, Inc.’s common stock depicted in the stock performance graph represents historical results only and is not necessarily indicative of future performance.

The following graph compares the cumulative total shareholder return on Beacon Roofing Supply, Inc.’s common stock (based on market prices) for the last five fiscal years with the cumulative total return on (i) the Nasdaq Index and (ii) the S&P 1500 Trading Companies & Distributors Index, assuming a hypothetical \$100 investment in each on September 30, 2014 and the re-investment of all dividends. The closing price of our common stock on September 30, 2020, was \$31.07.



Company / Index	Base Period 9/30/2015	INDEXED RETURNS Years Ended September 30,				
		2016	2017	2018	2019	2020
Beacon Roofing Supply, Inc.	100	129.49	157.74	111.39	103.20	95.63
Nasdaq Index	100	116.42	144.00	180.24	181.19	255.40
S&P 1500 Trading Companies & Distributors Index	100	117.63	133.72	184.24	169.07	209.03

ITEM 6. SELECTED FINANCIAL DATA

You should read the following selected financial information together with our financial statements and related notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” also included in this Form 10-K. We have derived the statement of operations data for the years ended September 30, 2020, 2019, and 2018, and the balance sheet data as of September 30, 2020 and 2019, from our audited financial statements included in this Form 10-K. We have derived the statements of operations data for the years ended September 30, 2017 and 2016, and the balance sheet data as of September 30, 2018, 2017, and 2016, from our audited financial statements not included in this Form 10-K.

Consolidated Statement of Operations Data

The following table presents selected statement of operations data for the periods presented (in millions, except per share data):

	Year Ended September 30,				
	2020	2019	2018	2017	2016
Net sales	\$ 6,943.9	\$ 7,105.2	\$ 6,418.3	\$ 4,376.6	\$ 4,127.1
Cost of products sold	5,244.7	5,368.6	4,825.0	3,300.7	3,114.0
Gross profit	1,699.2	1,736.6	1,593.3	1,075.9	1,013.1
Operating expense	1,664.1	1,588.8	1,388.7	859.8	808.1
Income (loss) from operations	35.1	147.8	204.6	216.1	205.0
Interest expense, financing costs, and other	128.1	158.6	136.5	52.8	58.5
Loss on debt extinguishment	14.7	—	—	—	—
Income (loss) before provision for income taxes	(107.7)	(10.8)	68.1	163.3	146.5
Provision for (benefit from) income taxes	(26.8)	(0.2)	(30.5)	62.4	56.6
Net income (loss)	(80.9)	(10.6)	98.6	100.9	89.9
Dividends on preferred shares	24.0	24.0	18.0	—	—
Net income (loss) attributable to common shareholders	\$ (104.9)	\$ (34.6)	\$ 80.6	\$ 100.9	\$ 89.9
Weighted-average common stock outstanding:					
Basic	68.8	68.4	68.0	60.3	59.4
Diluted	68.8	68.4	69.2	61.3	60.4
Net income (loss) per share:					
Basic	\$ (1.52)	\$ (0.51)	\$ 1.07	\$ 1.67	\$ 1.51
Diluted	\$ (1.52)	\$ (0.51)	\$ 1.05	\$ 1.64	\$ 1.49

Balance Sheet Data

The following table presents selected balance sheet data for the periods presented (in millions):

	September 30,				
	2020	2019	2018	2017	2016
Cash and cash equivalents	\$ 624.6	\$ 72.3	\$ 129.9	\$ 138.3	\$ 31.4
Total assets	6,957.5	6,392.8	6,508.7	3,449.6	3,113.9
Total long-term indebtedness ¹	2,751.8	2,586.6	2,606.1	750.2	1,117.7
Total stockholders’ equity	1,760.9	1,862.3	1,884.3	1,781.8	1,323.8

¹ Net of debt issuance costs

Non-GAAP Financial Measures

To provide investors with additional information regarding our financial results, we prepare certain financial measures that are not calculated in accordance with generally accepted accounting principles in the United States (“GAAP”), specifically:

- *Adjusted Operating Expense.* We define Adjusted Operating Expense as operating expense excluding the impact of the adjusting items (as described below).
- *Adjusted Net Income (Loss).* We define Adjusted Net Income (Loss) as net income (loss) excluding the impact of the adjusting items (as described below).
- *Adjusted EBITDA.* We define Adjusted EBITDA as net income (loss) excluding the impact of interest expense (net of interest income), income taxes, depreciation and amortization, stock-based compensation, and the adjusting items (as described below).

We use these supplemental non-GAAP measures 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 our non-GAAP financial measures consistently using the same methods each period.

We believe these non-GAAP measures are useful measures because they permit investors to better understand changes over comparative periods by providing financial results that are unaffected by certain items that are not indicative of ongoing operating performance.

While we believe that these non-GAAP measures are useful to investors when evaluating our business, they are not prepared and presented in accordance with GAAP, and therefore should be considered supplemental in nature. These non-GAAP measures should not be considered in isolation or as a substitute for other financial performance measures presented in accordance with GAAP. These non-GAAP financial measures may have material limitations including, but not limited to, the exclusion of certain costs without a corresponding reduction of net income for the income generated by the assets to which the excluded costs are related. In addition, these non-GAAP financial measures may differ from similarly titled measures presented by other companies.

Adjusting Items to Non-GAAP Financial Measures

The impact of the following expense (income) items are excluded from each of our non-GAAP measures (the “adjusting items”):

- *Acquisition costs.* Represents certain costs related to historical acquisitions, including: amortization of intangible assets; professional fees, branch integration expenses, travel expenses, employee severance and retention costs, and other personnel expenses classified as selling, general and administrative; and amortization of debt issuance costs.
- *Restructuring costs.* Represents costs stemming from headcount rationalization efforts and certain costs of the Rebranding; accrued estimated costs related to employee benefit plan withdrawals; and amortization of debt issuance costs and loss on debt extinguishment.
- *COVID-19 impact.* Represents costs directly related to our response to the COVID-19 pandemic; and income tax provision (benefit) stemming from the revaluation of deferred tax assets and liabilities made in conjunction with the Company’s application of the CARES Act.
- *Effects of tax reform.* Represents income tax provision (benefit) related to the Tax Cuts and Jobs Act of 2017.

The following table presents the impact and respective location of the adjusting items on our consolidated statements of operations for each of the periods indicated (in millions):

	Operating Expense		Non-Operating Expense			Income Taxes ¹	Total
	Selling, General and Administrative	Amortization	Interest Expense	Other (Income) Expense			
Year Ended September 30, 2020							
Acquisition costs ²	\$ 9.6	\$ 178.4	\$ 8.1	\$ (5.1)	\$ —	\$ —	\$ 191.0
Restructuring costs ³	2.3	142.6	3.5	21.5	—	—	169.9
COVID-19 impact	4.2	—	—	—	(0.7)	—	3.5
Total adjusting items	<u>\$ 16.1</u>	<u>\$ 321.0</u>	<u>\$ 11.6</u>	<u>\$ 16.4</u>	<u>\$ (0.7)</u>	<u>\$ —</u>	<u>\$ 364.4</u>
Year Ended September 30, 2019							
Acquisition costs	\$ 25.1	\$ 207.1	\$ 12.1	\$ —	\$ —	\$ —	\$ 244.3
Restructuring costs	4.1	—	—	3.3	—	—	7.4
Effects of tax reform	—	—	—	—	(0.5)	—	(0.5)
Total adjusting items	<u>\$ 29.2</u>	<u>\$ 207.1</u>	<u>\$ 12.1</u>	<u>\$ 3.3</u>	<u>\$ (0.5)</u>	<u>\$ —</u>	<u>\$ 251.2</u>
Year Ended September 30, 2018							
Acquisition costs	\$ 54.4	\$ 141.3	\$ 24.8	\$ —	\$ —	\$ —	\$ 220.5
Restructuring costs	—	—	—	—	—	—	—
Effects of tax reform	—	—	—	—	(48.8)	—	(48.8)
Total adjusting items	<u>\$ 54.4</u>	<u>\$ 141.3</u>	<u>\$ 24.8</u>	<u>\$ —</u>	<u>\$ (48.8)</u>	<u>\$ —</u>	<u>\$ 171.7</u>

¹ For tax impact of adjusting items, see Adjusted Net Income (Loss) table below.

² Other (Income) Expense includes a net \$5.1 million refund received as the final true-up of the \$164.0 million payment resulting from the 338(h)(10) election made in connection with the acquisition of Allied Building Products Corp. on January 2, 2018 (the “Allied Acquisition”).

³ Amortization includes the impact of non-cash accelerated intangible asset amortization of \$142.6 million related to the write-off of certain trade names in connection with the Rebranding. Other (Income) Expense includes a loss on debt extinguishment of \$14.7 million in connection with the October 2019 debt refinancing.

Adjusted Operating Expense

The following table presents a reconciliation of operating expense, the most directly comparable financial measure as measured in accordance with GAAP, to Adjusted Operating Expense for each of the periods indicated (in millions):

	Year Ended September 30,		
	2020	2019	2018
Operating expense	\$ 1,664.1	\$ 1,588.8	\$ 1,388.7
Acquisition costs	(188.0)	(232.2)	(195.7)
Restructuring costs	(144.9)	(4.1)	—
COVID-19 impact	(4.2)	—	—
Adjusted Operating Expense	<u>\$ 1,327.0</u>	<u>\$ 1,352.5</u>	<u>\$ 1,193.0</u>
Net sales	\$ 6,943.9	\$ 7,105.2	\$ 6,418.3
Operating expense as % of sales	24.0%	22.4%	21.6%
Adjusted Operating Expense as % of sales	19.1%	19.0%	18.6%

Adjusted Net Income (Loss)

The following table presents a reconciliation of net income (loss), the most directly comparable financial measure as measured in accordance with GAAP, to Adjusted Net Income (Loss) for each of the periods indicated (in millions):

	Year Ended September 30,		
	2020	2019	2018
Net income (loss)	\$ (80.9)	\$ (10.6)	\$ 98.6
Adjusting items:			
Acquisition costs	191.0	244.3	220.5
Restructuring costs	169.9	7.4	—
COVID-19 impact	3.5	—	—
Effects of tax reform	—	(0.5)	(48.8)
Total adjusting items	<u>364.4</u>	<u>251.2</u>	<u>171.7</u>
Less: tax impact of adjusting items ¹	<u>(93.4)</u>	<u>(64.4)</u>	<u>(63.6)</u>
Total adjustments, net of tax	<u>271.0</u>	<u>186.8</u>	<u>108.1</u>
Adjusted Net Income (Loss)	<u>\$ 190.1</u>	<u>\$ 176.2</u>	<u>\$ 206.7</u>

¹ Amounts represent tax impact on adjustments that are not included in our income tax provision (benefit) for the periods presented. The effective tax rate applied to these adjustments is calculated by using forecasted adjusted pre-tax income while factoring in estimated discrete tax adjustments for the fiscal year. The tax impact of adjustments for the years ended September 30, 2020, 2019 and 2018 were calculated using a blended effective tax rate of 25.6%, 25.6% and 37.0%, respectively.

Adjusted EBITDA

The following table presents a reconciliation of net income (loss), the most directly comparable financial measure as measured in accordance with GAAP, to Adjusted EBITDA for each of the periods indicated (in millions):

	Year Ended September 30,		
	2020	2019	2018
Net income (loss)	\$ (80.9)	\$ (10.6)	\$ 98.6
Interest expense, net	138.5	160.2	143.1
Income taxes	(26.8)	(0.2)	(30.5)
Depreciation and amortization	391.1	277.8	201.5
Stock-based compensation	17.2	16.3	16.5
Acquisition costs ¹	4.5	25.1	54.4
Restructuring costs ¹	23.8	7.4	—
COVID-19 impact ¹	4.2	—	—
Adjusted EBITDA	<u>\$ 471.6</u>	<u>\$ 476.0</u>	<u>\$ 483.6</u>
Net sales	\$ 6,943.9	\$ 7,105.2	\$ 6,418.3
Net income (loss) as % of sales	(1.2%)	(0.1%)	1.5%
Adjusted EBITDA as % of sales	6.8%	6.7%	7.5%

¹ Amounts represent adjusting items included in selling, general, and administrative expense and other income (expense); remaining adjusting items balances are embedded within the other balances reported in this table.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our consolidated financial statements and related notes and other financial information appearing elsewhere in this Annual Report on Form 10-K. All references to "2020," "2019" and "2018" are referring to the twelve-month period ended September 30 for each of those respective fiscal years. This section of this Annual Report on Form 10-K generally discusses 2020 and 2019 items and year-to-year comparisons between 2020 and 2019. Discussions of 2018 items and year-to-year comparisons between 2019 and 2018 that are not included in this Form 10-K can be found in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended September 30, 2019. The following discussion may contain forward-looking statements that reflect our plans and expectation. Our actual results could differ materially from those anticipated by these forward-looking statements due to the factors discussed elsewhere in this Annual Report on Form 10-K, particularly in the "Risk Factors" section. We do not undertake, and specifically disclaim, any obligation to update any forward-looking statements to reflect the occurrence of events or circumstances after the date of such statements except as required by law.

Overview

Beacon is the largest publicly traded distributor of roofing materials and complementary building products in the United States and Canada. We are among the oldest and most established distributors in the industry, providing high-quality exterior and interior products to the building industry. Our customers rely on us for local access to the building products and services they need to operate their businesses and serve their clients.

On January 15, 2020, we announced the rebranding of our exterior product branches with the trade name "Beacon Building Products" (the "Rebranding"). The new name, and a related logo, were adopted at over 450 Beacon one-step exterior products branches. Our interior, insulation, weatherproofing and two-step branches continue to operate under legacy brand names.

As of September 30, 2020, we operated 524 branches throughout all 50 states in the U.S. and 6 provinces in Canada. We offer one of the most extensive assortments of high-quality branded products in the industry, with approximately 160,000 SKUs available across our branch network.

We serve over 100,000 customers by promptly providing the products they require, allowing our customers to deliver on the project specifications and timelines that are critical to their success. Our customer base is composed mainly of a diverse population of building contractors from the markets in which we operate. These local, regional, and national contractors work on new construction projects as well as the repair or remodeling of residential and non-residential properties. We also distribute products to home builders, building owners, and retailers.

Effective execution of both our sales and operating plans enables us to grow beyond the relative strength of the markets we serve. Our business model is a bottom-up approach, where each of our branches uses its local and regional knowledge and experience to assist with the development of a marketing plan and product mix that is best suited for its respective market. Local alignment with overall strategic goals provides the foundation for significant ownership of results at the branch level. Our distinctive operating model and branch level autonomy differentiate us from the competition.

We provide our customers with industry-leading digital solutions, including Beacon PRO+, our innovative e-commerce portal, and Beacon 3D+, a roofing estimating tool for our residential customers. These platforms help our customers save time, work more efficiently and grow their businesses. We believe customer relations and our employees' extensive industry knowledge are vital to promote customer loyalty and maintain customer satisfaction. We invest significant resources in professional development, management skills, product knowledge, and operational proficiency. These capabilities were developed on a foundation of continuous improvement, thereby driving our service excellence, productivity and efficiency.

Our recent history has been strongly influenced by significant acquisition-driven growth, highlighted by the acquisitions of Allied Building Products Corp. ("Allied") for \$2.88 billion in 2018 (the "Allied Acquisition") and Roofing Supply Group, LLC ("RSG") for \$1.17 billion in 2016 (the "RSG Acquisition"). These strategic acquisitions expanded our geographic footprint, enhanced our market presence, diversified our product offerings, and positioned us to provide new growth opportunities that will increase our long-term profitability. The scale we have achieved from our expansion efforts will serve as a competitive advantage, also allowing us to use our assets more efficiently and control our expenses to drive operating leverage.

While we will continue to pursue strategic acquisitions to grow our business, our primary focus is now on improving our operations and continuing to identify additional opportunities for organic growth. We have demonstrated a track record for success in this pursuit, having opened 96 new branch locations since 2004. In 2020, we opened seven new branch locations across Connecticut, Georgia, Louisiana, New Hampshire, Ohio, Oregon and Virginia. In 2019, we opened nine new branch locations across Alabama, California, Florida, Nevada, North Carolina, Pennsylvania and Texas.

General

We sell all materials necessary to install, replace and repair residential and non-residential roofs, including:

- Shingles, standard and specialty;
- Single-ply roofing;
- Metal roofing and accessories;
- Modified bitumen;
- Built-up roofing;
- Insulation;
- Slate and tile roofing;
- Fasteners, coatings and cements; and
- Other roofing accessories.

We also sell complementary building products such as:

- Vinyl, wood and fiber cement siding;
- Doors, windows and millwork;
- Decking and railing;
- Building insulation;
- Weatherproofing systems;
- Wallboard;
- Steel stud framing; and
- Acoustical ceilings.

We serve over 100,000 customers, none of which individually represents more than 1% of our total net sales. Many of our customers are small to mid-size contractors with relatively limited capital resources. We maintain strict credit review and approval policies, which has helped to keep losses from uncollectible customer receivables within our expectations. Our expenses consist primarily of the cost of products purchased for resale, labor, fleet, occupancy, and selling and administrative expenses.

Recent Developments

COVID-19 Pandemic

The COVID-19 pandemic has resulted, and is likely to continue to result, in significant economic disruption, and it is likely to adversely affect our business. As of the date of this filing, significant uncertainty exists concerning the magnitude of the impact and duration of the COVID-19 pandemic.

In this unprecedented time, we continue to emphasize the health and safety of our employees, customers and the communities in which we operate. Amid the current COVID-19 backdrop, we implemented a number of protocols to facilitate a safer environment at each of our locations, including more rigorous cleaning and sanitizing routines; limits on customer traffic in stores to maintain physical and social distancing protocols; other physical and social distancing efforts such as markings on floors, signage and plexiglass shields; and instituting curbside pickup. We have been designated an essential business in all the local markets that we serve, and we have yet to experience a significant amount of forced temporary branch closures due to COVID-19 business disruptions. We continue to deliver building products to both the residential and non-residential construction markets. We continue to serve customers in every way possible, and our online platform has stood out as an increasingly valuable tool in this current remote operating environment.

Our average daily sales levels for the three months and year ended September 30, 2020 decreased 0.6% and 2.7%, respectively, compared to the prior year.

In response to the potential business disruptions, we have implemented a series of operational and financial actions to combat the effects of the COVID-19 induced slowdown. We immediately responded to changes in localized demand through aggressive cost-cutting actions, including a reduction in seasonal and temporary hiring, cuts in overtime hours and reduced hourly schedules. We also implemented furloughs in both operating and non-operating functions, temporarily reduced salaries, improved working capital metrics by reducing inventory, and heightened our organizational focus on managing all expenses. Additionally, we significantly restricted capital expenditures, primarily by deferring expenditures related to our fleet vehicles. We took meaningful actions to improve our

financial flexibility and ensure the strength of our balance sheet, and we are prepared to take additional steps to appropriately manage the business through this uncertain period. We are also monitoring input costs to ensure we are well-positioned to take advantage of any opportunities that present themselves over the next several quarters.

Results of Operations

The following tables set forth consolidated statement of operations data and such data as a percentage of total net sales for the periods presented (in millions):

	Year Ended September 30,		
	2020	2019	2018
Net sales	\$ 6,943.9	\$ 7,105.2	\$ 6,418.3
Cost of products sold	5,244.7	5,368.6	4,825.0
Gross profit	1,699.2	1,736.6	1,593.3
Operating expense:			
Selling, general and administrative	1,273.0	1,311.0	1,187.2
Depreciation	70.1	70.7	60.3
Amortization	321.0	207.1	141.2
Total operating expense	1,664.1	1,588.8	1,388.7
Income (loss) from operations	35.1	147.8	204.6
Interest expense, financing costs, and other	128.1	158.6	136.5
Loss on debt extinguishment	14.7	—	—
Income (loss) before provision for income taxes	(107.7)	(10.8)	68.1
Provision for (benefit from) income taxes	(26.8)	(0.2)	(30.5)
Net income (loss)	(80.9)	(10.6)	98.6
Dividends on Preferred Stock	24.0	24.0	18.0
Net income (loss) attributable to common shareholders	\$ (104.9)	\$ (34.6)	\$ 80.6

	Year Ended September 30,		
	2020	2019	2018
Net sales	100.0%	100.0%	100.0%
Cost of products sold	75.5%	75.6%	75.2%
Gross profit	24.5%	24.4%	24.8%
Operating expense:			
Selling, general and administrative	18.3%	18.4%	18.5%
Depreciation	1.0%	1.0%	0.9%
Amortization	4.7%	2.9%	2.2%
Total operating expense	24.0%	22.3%	21.6%
Income (loss) from operations	0.5%	2.1%	3.2%
Interest expense, financing costs, and other	1.9%	2.2%	2.1%
Loss on debt extinguishment	0.2%	0.0%	0.0%
Income (loss) before provision for income taxes	(1.6%)	(0.1%)	1.1%
Provision for (benefit from) income taxes	(0.4%)	0.0%	(0.4%)
Net income (loss)	(1.2%)	(0.1%)	1.5%
Dividends on Preferred Stock	0.3%	0.4%	0.2%
Net income (loss) attributable to common shareholders	(1.5%)	(0.5%)	1.3%

In managing our business, we consider all growth, including the opening of new branches, to be organic growth unless it results from an acquisition. When we refer to growth in existing markets or organic growth, we include growth from existing and newly opened branches, but exclude growth from acquired branches until they have been under our ownership for at least four full fiscal quarters at the start of the fiscal reporting period. We believe the existing market information is useful to investors because it helps explain organic growth or decline. When we refer to regions, we are referring to our geographic regions. When we refer to our net product costs, we are referring to our invoice cost less the impact of short-term buying programs (also referred to as “special buys” given the manner in which they are offered).

As of September 30, 2020, we had a total of 524 branches in operation. All 524 branches were acquired prior to the start of fiscal year 2019 and therefore meet our existing market definition. As a result, operating results for existing markets are equal to consolidated operating results for all periods presented.

Comparison of the Years Ended September 30, 2020 and 2019

Net Sales

Net sales decreased 2.3% to \$6.94 billion in 2020, from \$7.11 billion in 2019. The comparative decrease in net sales was primarily influenced by softer demand from the impact of the COVID-19 pandemic, partially offset by increased volume in the Southeast and the continued positive impact of our industry-leading digital platform.

Net sales by geographic region increased (decreased) from 2019 to 2020 as follows: Northeast (7.5%); Mid-Atlantic (4.4%); Southeast 4.7%; Southwest (2.2%); Midwest (0.2%); West (3.5%); and Canada (4.9%).

We estimate the impact of inflation or deflation on our sales and gross profit by looking at changes in our average selling prices and gross margins (discussed below).

The following table summarizes net sales by product line for the periods presented (in millions):

	Year Ended September 30,				Change	
	2020		2019		\$	%
	Net Sales	%	Net Sales	%		
Residential roofing products	\$ 3,099.6	44.6%	\$ 3,079.6	43.3%	\$ 20.0	0.6%
Non-residential roofing products	1,646.6	23.7%	1,705.2	24.0%	(58.6)	(3.4%)
Complementary building products	2,197.7	31.7%	2,320.4	32.7%	(122.7)	(5.3%)
Total net sales	\$ 6,943.9	100.0%	\$ 7,105.2	100.0%	\$ (161.3)	(2.3%)

Gross Profit

The following table summarizes gross profit and gross margin for the periods presented (in millions):

	Year Ended September 30,		Change ¹	
	2020	2019	\$	%
Gross profit	\$ 1,699.2	\$ 1,736.6	\$ (37.4)	(2.2%)
Gross margin	24.5%	24.4%	N/A	0.1%

¹ Percentage changes for dollar amounts represent the ratable increase or decrease from period-to-period. Percentage changes for percentages represent the net period-to-period change in basis points.

Gross margin was 24.5% in 2020, up 0.1% from 24.4% in 2019. The comparative increase in gross margin was primarily influenced by a slight product mix shift. Prices and product costs were flat over the comparative periods.

Operating Expense

The following table summarizes operating expense for the periods presented (in millions):

	Year Ended September 30,		Change ¹	
	2020	2019	\$	%
Selling, general, and administrative	\$ 1,273.0	\$ 1,311.0	\$ (38.0)	(2.9%)
Depreciation	70.1	70.7	(0.6)	(0.8%)
Amortization	321.0	207.1	113.9	55.0%
Total operating expense	\$ 1,664.1	\$ 1,588.8	\$ 75.3	4.7%
% of net sales	24.0%	22.3%	N/A	1.7%

¹ Percentage changes for dollar amounts represent the ratable increase or decrease from period-to-period. Percentage changes for percentages represent the net period-to-period change in basis points.

Operating expense increased 4.7% to \$1.66 billion in 2020, from \$1.59 billion in 2019. The comparative increase in operating expense was mainly influenced by:

- a net \$113.9 million increase in amortization expense, which includes the gross impact of accelerated amortization of \$142.6 million related to the write-off of certain trade names in connection with the Rebranding.

The increase was partially offset by our aggressive cost-cutting actions in response to the COVID-19 pandemic, as well as our renewed focus on improving our cost structure and identifying opportunities for efficiencies across our business. These initiatives combined to produce the following primary effects:

- a \$24.5 million decrease in selling expense, mainly due to a decrease in fleet costs; and
- a \$15.8 million decrease in payroll and employee benefit costs, mainly due to reductions in both hours worked and headcount.

While certain of our cost actions were temporary in nature, we remain focused on improving our expense structure to produce permanent efficiency gains and increase our operating leverage as demand improves.

Interest Expense, Financing Costs and Other

Interest expense, financing costs and other expense was \$128.1 million in 2020, compared to \$158.6 million in 2019. The decrease is primarily due to:

- a lower weighted-average interest rate on our outstanding debt;
- a \$5.6 million settlement received in connection with a class action lawsuit; and
- a net \$5.1 million refund received as the final true-up of the \$164.0 million payment resulting from the 338(h)(10) election made in connection with the Allied Acquisition.

Income Taxes

There was an income tax benefit of \$26.8 million in 2020, compared to \$0.2 million in 2019. The comparative increase in income tax benefit was primarily due to the pretax loss in 2020 driven by the accelerated amortization of \$142.6 million related to the write-off of certain trade names in connection with the Rebranding. The effective tax rate was 24.9% in 2020, compared to 1.6% in 2019.

Net Income (Loss)/Net Income (Loss) Per Share

Net income (loss) was \$(80.9) million in 2020, compared to \$(10.6) million in 2019. There were \$24.0 million of dividends on preferred shares in both 2020 and 2019, making net income (loss) attributable to common shareholders \$(104.9) million and \$(34.6) million, respectively. We calculate net income (loss) per share by dividing net income (loss), less dividends on preferred shares and adjustments for participating securities, by the weighted-average number of common shares outstanding during the period. Diluted net income (loss) per share is calculated by utilizing the most dilutive result after applying and comparing the two-class method and if-converted method (see Note 5 in the Notes to Condensed Consolidated Financial Statements for further discussion).

The following table presents all the components utilized to calculate basic and diluted net income (loss) per share (in millions, except per share amounts):

	Year Ended September 30,	
	2020	2019
Net income (loss)	\$ (80.9)	\$ (10.6)
Dividends on Preferred Stock	24.0	24.0
Net income (loss) attributable to common shareholders	\$ (104.9)	\$ (34.6)
Undistributed income allocated to participating securities	—	—
Net income (loss) attributable to common shareholders - basic and diluted (if-converted method)	\$ (104.9)	\$ (34.6)
Undistributed income allocated to participating securities	—	—
Re-allocation of undistributed income to Preferred Stock	—	—
Net income (loss) attributable to common shareholders - diluted (two-class method)	\$ (104.9)	\$ (34.6)
Weighted-average common shares outstanding, basic	68.8	68.4
Effect of common share equivalents	—	—
Weighted-average common shares outstanding - diluted (if-converted and two-class method)	68.8	68.4
Net income (loss) per share - basic	\$ (1.52)	\$ (0.51)
Net income (loss) per share - diluted (two-class method)	\$ (1.52)	\$ (0.51)
Net income (loss) per share - diluted (if-converted method)	\$ (1.52)	\$ (0.51)

Seasonality

In general, sales and net income are highest during our first, third and fourth fiscal quarters, which represent the peak months of construction and re-roofing, especially in our branches in the northern and mid-western U.S. and in Canada. We have historically incurred low net income levels or net losses during the second quarter when our sales are substantially lower.

We generally experience an increase in inventory, accounts receivable and accounts payable during the third and fourth quarters of the year as a result of the seasonality of our business. Our peak cash usage generally occurs during the third quarter, primarily because accounts payable terms offered by our suppliers typically have due dates in April, May and June, while our peak accounts receivable collections typically occur from June through November.

We generally experience a slowing of our accounts receivable collections during our second quarter, mainly due to the inability of some of our customers to conduct their businesses effectively in inclement weather in certain regions of the U.S. and Canada. We continue to attempt to collect those receivables, which require payment under our standard terms, and typically do not provide material concessions to our customers.

We generally experience our peak working capital needs during the third quarter after we build our inventories following the winter season but before we begin collecting on most of our spring receivables.

The impact of the COVID-19 pandemic may cause fluctuations in our financial results and working capital that are not aligned with the seasonality we generally experience.

Quarterly Financial Data

The following table sets forth certain unaudited quarterly data for 2020 and 2019 which, in the opinion of management, reflect all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of this data. Results of any one or more quarters are not necessarily indicative of results for an entire fiscal year or of continuing trends (in millions, except per share amounts):

	2020				2019			
	Qtr 4	Qtr 3	Qtr 2	Qtr 1	Qtr 4	Qtr 3	Qtr 2	Qtr 1
Net sales	\$ 2,017.8	\$ 1,792.5	\$ 1,458.5	\$ 1,675.1	\$ 2,029.9	\$ 1,924.6	\$ 1,429.0	\$ 1,721.7
% of fiscal year's net sales	29.1%	25.8%	21.0%	24.1%	28.6%	27.1%	20.1%	24.2%
Gross profit	514.0	432.1	342.4	410.7	493.5	472.5	335.0	435.6
% of fiscal year's gross profit	30.2%	25.4%	20.2%	24.2%	28.4%	27.2%	19.3%	25.1%
Income (loss) from operations	121.2	75.0	(181.0)	19.9	89.9	74.2	(54.6)	38.3
% of fiscal year's income (loss) from operations	345.3%	213.7%	(515.7%)	56.7%	60.8%	50.3%	(37.0%)	25.9%
Net income (loss)	\$ 71.9	\$ (6.8)	\$ (122.6)	\$ (23.4)	\$ 27.4	\$ 31.0	\$ (68.1)	\$ (0.9)
Dividends on Preferred Stock	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Net income (loss) attributable to common shareholders	\$ 65.9	\$ (12.8)	\$ (128.6)	\$ (29.4)	\$ 21.4	\$ 25.0	\$ (74.1)	\$ (6.9)
Net income (loss) per share - basic	\$ 0.84	\$ (0.18)	\$ (1.87)	\$ (0.43)	\$ 0.27	\$ 0.32	\$ (1.08)	\$ (0.10)
Net income (loss) per share - diluted	\$ 0.83	\$ (0.18)	\$ (1.87)	\$ (0.43)	\$ 0.27	\$ 0.32	\$ (1.08)	\$ (0.10)

Impact of Inflation

We believe that our results of operations are not materially impacted by modest changes in inflation. In general, we have historically been successful in passing on price increases from our vendors to our customers in a timely manner. There was no significant inflationary pressure in 2020. There was increased product inflation from our suppliers in 2019 and 2018, and we were able to mostly offset higher products costs with increased selling prices.

Liquidity

Liquidity is defined as the current amount of readily available cash and the ability to generate adequate amounts of cash to meet the current needs for cash. We assess our liquidity in terms of our cash and cash equivalents on hand and the ability to generate cash to fund our operating activities, taking into consideration the seasonal nature of our business.

Our principal sources of liquidity as of September 30, 2020 were our cash and cash equivalents of \$624.6 million and our available borrowings of \$955.0 million under our asset-based revolving lines of credit. During the three months ended March 31, 2020, we elected to borrow an additional \$725.0 million under our revolving lines of credit as a proactive measure to increase our cash position and preserve financial flexibility in response to the current uncertainty in global markets resulting from the COVID-19 pandemic. During the second half of fiscal 2020, we used a portion of our operating cash flows to fully repay these additional borrowings.

Significant factors which could affect future liquidity include the following:

- the adequacy of available bank lines of credit;
- the ability to attract long-term capital with satisfactory terms;
- cash flows generated from operating activities;
- working capital management;
- acquisitions; and
- capital expenditures.

Our primary capital needs are for working capital obligations and other general corporate purposes, including acquisitions and capital expenditures. Our primary sources of working capital are cash from operations and bank borrowings. We have financed large acquisitions through increased bank borrowings and the issuance of long-term debt and common or preferred stock. We then repay any such borrowings with cash flows from operations. We have funded most of our capital expenditures with cash on hand, increased bank borrowings, or equipment financing, and then reduced those obligations with cash flows from operations. We may explore additional or replacement financing sources in order to bolster liquidity and strengthen our capital structure.

We believe we currently have adequate liquidity and availability of capital to fund our present operations, meet our commitments on our existing debt and fund anticipated growth, including expansion in existing and targeted market areas. We may seek potential acquisitions from time to time and hold discussions with certain acquisition candidates. If suitable acquisition opportunities or working capital needs arise that require additional financing, we believe that our financial position and earnings history provide a sufficient base for obtaining additional financing resources at reasonable rates and terms. We may also choose to issue additional shares of common stock or preferred stock in order to raise funds.

The following table summarizes our cash flows for the periods indicated (in millions):

	Year Ended September 30,		
	2020	2019	2018
Net cash provided by (used in) operating activities	\$ 479.3	\$ 212.7	\$ 539.4
Net cash provided by (used in) investing activities	(39.0)	(211.7)	(2,784.4)
Net cash provided by (used in) financing activities	112.2	(58.8)	2,236.0
Effect of exchange rate changes on cash and cash equivalents	(0.2)	0.2	0.6
Net increase (decrease) in cash and cash equivalents	<u>\$ 552.3</u>	<u>\$ (57.6)</u>	<u>\$ (8.4)</u>

Operating Activities

Net cash provided by operating activities was \$479.3 million in 2020, compared to \$212.7 million in 2019. Cash from operations increased \$266.6 million due to an incremental cash inflow of \$238.8 million stemming from changes to our net working capital, mainly driven by decreases in accounts receivable and inventory as well as an increase in accounts payable. In addition, there was an increase in net income after adjustments for non-cash items of \$27.8 million.

Investing Activities

Net cash used in investing activities was \$39.0 million in 2020, compared to \$211.7 million in 2019. The \$172.7 million decrease in investing cash spend was primarily due to the \$164.0 million payment resulting from the 338(h)(10) election made in 2019 in connection with the Allied Acquisition.

Financing Activities

Net cash provided by financing activities was \$112.2 million in 2020, compared to net cash used in financing activities of \$58.8 million in 2019. The financing cash flow increase of \$171.0 million was primarily due to a \$181.9 million increase in net borrowings under our revolving lines of credit over the comparative periods, partially offset by a \$13.1 million net cash outflow in the current period related to the refinancing of our outstanding senior notes.

Monitoring and Assessing Collectability of Accounts Receivable

We perform periodic credit evaluations of our customers and typically do not require collateral, although we typically obtain payment and performance bonds for any type of public work and can lien projects under certain circumstances. Consistent with industry practices, we require payment from most customers within 30 days, except for sales to our non-residential roofing contractors, which we typically require to pay in 60 days.

As our business is seasonal in certain geographic regions, our customers' businesses are also seasonal. Sales are lowest in the winter months and our past due accounts receivable balance as a percentage of total receivables generally increases during this time. Throughout the year, we closely monitor our receivables and record estimated reserves based upon our judgment of specific customer situations, aging of accounts and our historical write-offs of uncollectible accounts.

Our divisional credit offices are staffed to manage and monitor our receivable aging balances and our systems allow us to enforce pre-determined credit approval levels and properly leverage new business. The credit pre-approval process denotes the maximum credit that each level of management can approve, with the highest credit amount requiring approval by our CEO and CFO. There are daily communications with branch and field staff. Our divisional offices conduct periodic reviews with their branch managers, various regional management staff and the Chief Credit Officer. Depending on the state of the respective division's receivables, these reviews can be weekly, bi-weekly or monthly. Additionally, the divisions are required to submit a monthly receivable forecast to the Chief Credit Officer. On a monthly basis, the Chief Credit Officer reviews and discusses these forecasts, as well as a prior month recap, with our executive management team.

Periodically, we perform a specific analysis of all accounts past due and write off account balances when we have exhausted reasonable collection efforts and determined that the likelihood of collection is remote based upon the following factors:

- aging statistics and trends;
- customer payment history;
- review of the customer's financial statements when available;
- independent credit reports; and
- discussions with customers.

We still pursue collection of amounts written off in certain circumstances and credit the allowance for any subsequent recoveries. Over the past three fiscal years, bad debt expense has been, on average, 0.15% of net sales. The continued limitation of bad debt expense is primarily attributed to the continued strengthening of our collections process and overall credit environment.

Commitments

The following table summarizes our contractual obligations as of September 30, 2020 (in millions):

	Payments Due by Period				
	Total	< 1 year	1-3 Years	3-5 Years	> 5 Years
2023 ABL	\$ 257.0	\$ —	\$ 257.0	\$ —	\$ —
2025 Term Loan	945.7	9.7	19.4	916.6	—
Senior Notes ¹	1,600.0	—	—	—	1,600.0
Equipment financing and other	2.6	2.6	—	—	—
Operating leases	490.8	115.1	185.7	108.2	81.8
Interest ²	512.8	102.0	196.4	191.7	22.7
Total	<u>\$ 3,808.9</u>	<u>\$ 229.4</u>	<u>\$ 658.5</u>	<u>\$ 1,216.5</u>	<u>\$ 1,704.5</u>

¹ Represent principal amounts for 2025 Senior Notes and 2026 Senior Notes.

² Interest payments reflect all currently scheduled and projected amounts as calculated using future LIBOR projections.

Capital Resources

As of September 30, 2020 we had access to the following financing arrangements:

- an asset-based revolving line of credit in the United States;
- an asset-based revolving line of credit in Canada;
- a term loan; and
- two separate senior notes instruments.

Debt Refinancing

2026 Senior Notes

On October 9, 2019, we and certain of our subsidiaries as guarantors executed a private offering of \$300.0 million aggregate principal amount of 4.50% Senior Notes due 2026 (the “2026 Senior Notes”) at an issue price of 100%. The 2026 Senior Notes mature on November 15, 2026 and bear interest at a rate of 4.50% per annum, payable on May 15 and November 15 of each year, commencing on May 15, 2020.

The 2026 Senior Notes and related subsidiary guarantees were offered and sold in a private transaction exempt from the registration requirements of the Securities Act of 1933, as amended (the “Securities Act”), to qualified institutional buyers in accordance with Rule 144A under the Securities Act and to non-U.S. persons outside of the United States pursuant to Regulation S under the Securities Act. The 2026 Senior Notes and related subsidiary guarantees have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction, and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act and other applicable securities laws.

On October 28, 2019, we used the net proceeds from the offering, together with cash on hand and available borrowings under the 2023 ABL (as defined below), to redeem all \$300.0 million aggregate principal amount outstanding of the 2023 Senior Notes (as defined below) at a redemption price of 103.188% and to pay all related accrued interest, fees and expenses.

The intent of the transaction was to take advantage of lower market interest rates by refinancing the existing 2023 Senior Notes with the 2026 Senior Notes. We accounted for the refinance as a debt extinguishment of the 2023 Senior Notes and an issuance of the 2026 Senior Notes. As a result, we recorded a loss on debt extinguishment of \$14.7 million in the three months ended December 31, 2019. We have capitalized debt issuance costs of \$4.7 million related to the 2026 Senior Notes, which are being amortized over the term of the financing arrangements.

As of September 30, 2020, the outstanding balance on the 2026 Senior Notes, net of \$4.1 million of unamortized debt issuance costs, was \$295.9 million.

Financing - Allied Acquisition

In connection with the Allied Acquisition, we entered into various financing arrangements totaling \$3.57 billion, including an asset-based revolving line of credit of \$1.30 billion (“2023 ABL”), \$525.0 million of which was drawn at closing, and a \$970.0 million term loan (“2025 Term Loan”). We also raised an additional \$1.30 billion through the issuance of senior notes (the “2025 Senior Notes”).

The proceeds from these financing arrangements were used to finance the Allied Acquisition, to refinance or otherwise extinguish all third-party indebtedness, to pay fees and expenses associated with the acquisition, and to provide working capital and funds for other general corporate purposes. We capitalized new debt issuance costs totaling approximately \$65.3 million related to the 2023 ABL, the 2025 Term Loan and the 2025 Senior Notes, which are being amortized over the term of the financing arrangements.

2023 ABL

On January 2, 2018, we entered into a \$1.30 billion asset-based revolving line of credit with Wells Fargo Bank, N.A. and a syndicate of other lenders. The 2023 ABL, as amended to date, provides for revolving loans in both the United States (“2023 U.S. Revolver”) in an amount up to \$1.25 billion and Canada (“2023 Canada Revolver”) in an amount up to \$50.0 million, in each case subject to a borrowing base. The 2023 ABL has a maturity date of January 2, 2023. The 2023 ABL has various borrowing tranches with an interest rate based, at our option, on a base rate, plus an applicable margin, or a reserve adjusted LIBOR rate, plus an applicable margin. The applicable margin ranges from 0.25% to 0.75% per annum with respect to base rate borrowings and from 1.25% to 1.75% per annum with respect to LIBOR borrowings. The current unused commitment fees on the 2023 ABL are 0.25% per annum. On July 28, 2020, we amended the 2023 ABL to provide for, among other things, a mechanism for replacing LIBOR with the secured overnight financing rate published by the Federal Reserve Bank of New York or other alternate benchmark rate selected by the administrative agent and us.

There is one financial covenant under the 2023 ABL, which is the Fixed Charge Coverage Ratio (the “FCCR”). The FCCR is calculated by dividing Consolidated EBITDA, less Capital Expenditures, by Consolidated Fixed Charges (all terms as defined in the agreement). Per the covenant, our FCCR must be a minimum of 1.00 at the end of each fiscal quarter, calculated on a trailing four quarter basis (or under certain circumstances, at the end of each fiscal month, calculated on a trailing twelve-month basis). Compliance is only required at such times as borrowing availability (subject to certain adjustments) is less than the greater of (i) 10% of the lesser of the borrowing base or the aggregate commitments or (ii) \$90.0 million, and for a period of thirty days thereafter. We were in compliance with this covenant as of September 30, 2020.

The 2023 ABL is secured by a first priority lien over substantially all of our and each guarantor’s accounts, chattel paper, deposit accounts, books, records and inventory (as well as intangibles related thereto), subject to certain customary exceptions (the “ABL

Priority Collateral”), and a second priority lien over substantially all of our and each guarantor’s other assets, including all of the equity interests of any subsidiary held by us or any guarantor, subject to certain customary exceptions (the “Term Priority Collateral”). The 2023 ABL is guaranteed jointly, severally, fully and unconditionally by our active United States subsidiaries.

As of September 30, 2020, the total balance outstanding on the 2023 ABL, net of \$5.9 million of unamortized debt issuance costs, was \$251.1 million. We also have outstanding standby letters of credit related to the 2023 U.S. Revolver in the amount of \$13.0 million as of September 30, 2020.

2025 Term Loan

On January 2, 2018, we entered into a \$970.0 million Term Loan with Citibank N.A., and a syndicate of other lenders. The 2025 Term Loan requires quarterly principal payments in the amount of \$2.4 million, with the remaining outstanding principal to be paid on its January 2, 2025 maturity date. The interest rate is based, at our option, on a base rate, plus an applicable margin, or a reserve adjusted LIBOR rate, plus an applicable margin. The applicable margin is 1.25% per annum with respect to base rate borrowings and 2.25% per annum with respect to LIBOR borrowings. We have the option of selecting a LIBOR period that determines the rate at which interest can accrue on the Term Loan as well as the period in which interest payments are made.

The 2025 Term Loan is secured by a first priority lien on the Term Priority Collateral and a second priority lien on the ABL Priority Collateral. Certain excluded assets will not be included in the Term Priority Collateral and the ABL Priority Collateral. The Term Loan is guaranteed jointly, severally, fully and unconditionally by our active United States subsidiaries.

As of September 30, 2020, the outstanding balance on the 2025 Term Loan, net of \$23.4 million of unamortized debt issuance costs, was \$922.3 million.

2025 Senior Notes

On October 25, 2017, Beacon Escrow Corporation, our wholly owned subsidiary (the “Escrow Issuer”), completed a private offering of \$1.30 billion aggregate principal amount of 4.875% Senior Notes due 2025 at an issue price of 100%. The 2025 Senior Notes bear interest at a rate of 4.875% per annum, payable semi-annually in arrears, beginning May 1, 2018. We anticipate repaying the 2025 Senior Notes at the maturity date of November 1, 2025. Per the terms of the Escrow Agreement, the net proceeds from the 2025 Senior Notes remained in escrow until they were used to fund a portion of the purchase price of the Allied Acquisition payable at closing on January 2, 2018.

Upon closing of the Allied Acquisition on January 2, 2018, (i) the Escrow Issuer merged with and into us, and we assumed all obligations under the 2025 Senior Notes; and (ii) all our existing domestic subsidiaries (including the entities acquired in the Allied Acquisition) became guarantors of the 2025 Senior Notes.

As of September 30, 2020, the outstanding balance on the 2025 Senior Notes, net of \$14.3 million of unamortized debt issuance costs, was \$1.29 billion.

Financing - RSG Acquisition

2023 Senior Notes

On October 1, 2015, in connection with the acquisition of Roofing Supply Group, we raised \$300.0 million by issuing 6.38% Senior Notes due 2023 (the “2023 Senior Notes”). The 2023 Senior Notes had a coupon rate of 6.38% per annum and were payable semi-annually in arrears, beginning April 1, 2016. There were early payment provisions in the indenture under which we would be subject to redemption premiums. On October 28, 2019, we redeemed all \$300.0 million aggregate principal amount outstanding of the 2023 Senior Notes at a redemption price of 103.188% plus accrued interest and, as a result, wrote off \$5.1 million of unamortized debt issuance costs.

Equipment Financing Facilities

As of September 30, 2020, we had \$2.6 million outstanding under equipment financing facilities, with fixed interest rates ranging from 2.33% to 2.89% and payments due through September 2021.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Critical Accounting Policies

Our consolidated financial statements are prepared in accordance with GAAP. Accounting policies, methods and estimates are an integral part of the preparation of consolidated financial statements in accordance with U.S. GAAP and, in part, are based upon

management's current judgments. Those judgments are normally based on knowledge and experience with regard to past and current events and assumptions about future events. Certain accounting policies, methods and estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. While there are a number of accounting policies, methods and estimates affecting our consolidated financial statements, areas that are particularly significant include:

- Inventories
- Business Combinations
- Goodwill and Intangible Assets

Inventories

Inventories, consisting substantially of finished goods, are valued at the lower of cost or market (net realizable value). Cost is determined using the moving weighted-average cost method.

Our arrangements with vendors typically provide for rebates after we make a special purchase and/or monthly, quarterly and/or annual rebates of a specified amount of consideration payable when a number of measures have been achieved. Annual rebates are generally related to a specified cumulative level of purchases on a calendar-year basis. We account for such rebates as a reduction of the inventory value until the product is sold, at which time such rebates reduce cost of sales in the consolidated statements of operations. Throughout the year, we estimate the amount of the periodic rebates based upon the expected level of purchases. We continually revise these estimates to reflect actual rebates earned based on actual purchase levels. Amounts due from vendors under these arrangements are included in "Prepaid expenses and other current assets" in the accompanying consolidated balance sheets.

Business Combinations

We record acquisitions resulting in the consolidation of a business using the acquisition method of accounting. Under this method, we record 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. We use an income approach to determine the fair value of acquired intangible assets, specifically the multi-period excess earnings method for customer relationships and the relief from royalty method for trade names. Various Level 3 fair value 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. The purchase price in excess of the fair value of the assets acquired and liabilities assumed is recorded as goodwill. We believe these estimates are based on reasonable assumptions, however they are inherently uncertain and unpredictable, therefore actual results may differ. 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.

Goodwill and Indefinite-Lived Intangibles

On an annual basis and at interim periods when circumstances require, we test the recoverability of our goodwill and indefinite-lived intangible assets. Examples of such indicators include a significant change in the business climate, unexpected competition, loss of key personnel or a decline in our market capitalization below net book value.

We perform impairment assessments at the reporting unit level, which is defined as an operating segment or one level below an operating segment, also known as a component. We currently have four components which we evaluate for aggregation by examining the distribution methods, sales mix, and operating results of each component to determine if these characteristics will be sustained over a long-term basis. For purposes of this evaluation, we expect components to exhibit similar economic characteristics 3-5 years after events such as an acquisition within our core roofing business or management/business restructuring. Components that exhibit similar economic characteristics are subsequently aggregated into a single reporting unit. Based on our most recent impairment assessment performed as of August 31, 2020, it was determined that all components exhibited similar economic characteristics, and therefore should be aggregated into a single reporting unit (collectively the "Reporting Unit").

To test for the recoverability of goodwill and indefinite-lived intangible assets, we first perform a qualitative assessment based on economic, industry and company-specific factors for all or selected reporting units 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.

Based on our most recent impairment assessment performed as of August 31, 2020, we concluded that it was more likely than not that the fair value of the goodwill and indefinite-lived intangible assets exceeded their net carrying amount, therefore the quantitative two-step impairment test was not required. Our total market capitalization exceeded carrying value by approximately 50.5% as of

August 31, 2020. We did not identify any macroeconomic, industry conditions or cost-related factors that would indicate it is more likely than not that the fair value of the reporting unit was less than its carrying value.

We amortize certain identifiable intangible assets that have finite lives, currently consisting of non-compete agreements, customer relationships and trade names. Non-compete agreements are amortized on a straight-line basis over the terms of the associated contractual agreements; customer relationship assets are amortized on an accelerated basis based on the expected cash flows generated by the existing customers; and trade names are amortized on an accelerated basis over a five- or ten-year period. Amortizable intangible assets are tested for impairment, when deemed necessary, based on undiscounted cash flows and, if impaired, are written down to fair value based on either discounted cash flows or appraised values. In connection with certain financing arrangements, we have debt issuance costs that are amortized over the lives of the associated financings.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to certain market risks as part of our on-going business operations. Our primary exposure includes changes in interest rates and foreign exchange rates.

Interest Rate Risk

Our interest rate risk relates primarily to the variable-rate borrowings we have outstanding. The following discussion of our interest rate is based on a 10% change in interest rates. These changes are hypothetical scenarios used to calibrate potential risk and do not represent our view of future market changes. As the hypothetical figures discussed below indicate, changes in fair value based on the assumed change in rates generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. The effect of a variation in a particular assumption is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another, which may magnify or counteract the sensitivities.

We use interest rate derivative instruments to manage the risk related to fluctuating cash flows from interest rate changes by converting a portion of our variable-rate borrowings into fixed-rate borrowings. Use of derivative financial instruments in hedging programs subjects us to certain risks, such as market and credit risks. Market risk represents the possibility that the value of the derivative instrument will change. In a hedging relationship, the change in the value of the derivative is offset to a great extent by the change in the value of the underlying hedged item. Credit risk related to derivatives represents the possibility that the counterparty will not fulfill the terms of the contract. The notional, or contractual, amount of our derivative financial instruments is used to measure interest to be paid or received and does not represent our exposure due to credit risk. Our current derivative instruments are with a large financial counterparty that is rated highly by nationally recognized credit rating agencies.

As of September 30, 2020, net of unamortized debt issuance costs, we had outstanding borrowings of \$251.1 million under our asset-based revolving lines of credit, \$922.3 million under our term loan, \$1.58 billion under our respective senior notes and \$2.6 million under our equipment financing facilities. Borrowings under our asset-based revolving lines of credit and term loan incur interest on a floating rate basis while borrowings under our senior notes and equipment lease facilities incur interest on a fixed rate basis.

As of September 30, 2020, our weighted-average effective interest rate on debt instruments with variable rates was 2.3%. Based on our analysis, the financial impact of a hypothetical 10% interest rate fluctuation in effect as of September 30, 2020 would be immaterial.

In fiscal year 2019, we took advantage of the recent interest rate cuts and executed two interest rate swaps to hedge against our interest rate risk related to the floating rate of our term loan. The swaps are for three- and five-year terms, and each hedge against \$250 million of our term loan for a total of \$500 million. The swaps are “pay-fixed/receive-floating” instruments with fixed rates of 1.499% and 1.489% for the three- and five-year swaps, respectively. The swaps are designed to hedge against the interest rate risk that the floating rate on our term loan, up-to the hedged amounts of \$250 million each, will exceed 1.499% and 1.489% within three- and five-years, respectively. The interest rate swaps are designated as cash flow hedges and as such, changes in the fair value of the swap instruments are recorded as a component of accumulated other comprehensive income and reclassified into earnings in the same period or periods during which the hedged forecasted transaction affects earnings. As of September 30, 2020, the fair value of the 3-year and 5-year swaps, net of tax, were \$5.0 million and \$10.0 million, respectively, both in favor of the counterparty.

Foreign Currency Exchange Rate Risk

We have exposure to foreign currency exchange rate fluctuations for net sales generated by our operations outside the United States, which can adversely impact our net income and cash flows. Approximately 2.6% of our net sales in 2020 were derived from sales to customers in Canada. This business is primarily conducted in the local currency. This exposes us to risks associated with changes in foreign currency that can adversely affect net sales, net income and cash flows. A 10% fluctuation of foreign currency exchange rates would not have a material impact on our results of operations or cash flows; therefore, we currently do not enter into financial instruments to manage this minimal foreign currency exchange risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

BEACON ROOFING SUPPLY, INC.
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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of
Beacon Roofing Supply, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Beacon Roofing Supply, Inc. (the Company) as of September 30, 2020 and 2019, the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended September 30, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at September 30, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of September 30, 2020, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated November 20, 2020 expressed an unqualified opinion thereon.

Adoption of New Accounting Standards

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for leases in fiscal year 2020 due to the adoption of the new leasing standard. The Company adopted the new leasing standard using the modified retrospective approach.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or in the account or disclosures to which it relates.

Valuation of Vendor Rebates

Description of the Matter

As disclosed in Note 2, the Company's arrangements with vendors typically provide for rebates as inventory purchases are made. A vendor rebate receivable and a corresponding reduction to inventory are recorded at the point in which inventory is purchased, and a reduction in cost of goods sold is recognized at the point the related inventory is sold. The Company had \$326.4 million of vendor rebate receivables as of September 30, 2020, of which a portion related to rebates earned under cumulative annual calendar-year vendor rebate agreements. The annual calendar-year vendor rebate agreements provide for rebates only after the Company makes annual purchases of a specified amount. The Company updates its estimates of annual calendar-year purchases each reporting period in order to estimate the cumulative rebates earned under annual calendar-year vendor agreements.

Auditing rebates earned under cumulative annual calendar-year vendor agreements is especially challenging due to the judgment required by management to estimate the vendor rebates earned during the year, as the projected full year rebate rate is applied to inventory purchased and sold during the year. This estimate has a significant effect on the amount of cost of goods sold recognized during the year.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the vendor rebates process. For example, we tested the controls relating to management's review of the estimated level of calendar-year purchases that are used to determine the estimated vendor rebates earned.

To test the valuation of vendor rebates, we performed audit procedures that included, among others, evaluating management's precision in forecasting calendar-year purchases by comparing historical actual results to management's estimates of annual purchases in prior years, as well as assessing purchasing activity subsequent to the balance sheet date compared to management's estimates.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1997.

Tysons, Virginia
November 20, 2020

BEACON ROOFING SUPPLY, INC.
Consolidated Balance Sheets
(In millions, except per share amounts)

	September 30,	
	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 624.6	\$ 72.3
Accounts receivable, less allowance of \$19.2 and \$13.1 as of September 30, 2020 and 2019, respectively	1,029.3	1,108.1
Inventories, net	944.6	1,018.2
Prepaid expenses and other current assets	378.3	315.6
Total current assets	2,976.8	2,514.2
Property and equipment, net	243.7	260.4
Goodwill	2,490.4	2,490.6
Intangibles, net	801.2	1,125.5
Operating lease assets	443.3	—
Other assets, net	2.1	2.1
Total assets	<u>\$ 6,957.5</u>	<u>\$ 6,392.8</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 954.6	\$ 822.9
Accrued expenses	563.8	599.2
Current operating lease liabilities	100.5	—
Current portions of long-term debt/obligations	12.3	18.7
Total current liabilities	1,631.2	1,440.8
Borrowings under revolving lines of credit, net	251.1	81.0
Long-term debt, net	2,494.2	2,494.6
Deferred income taxes, net	74.0	103.9
Non-current operating lease liabilities	340.4	—
Long-term obligations under equipment financing, net	—	4.6
Other long-term liabilities	6.5	6.4
Total liabilities	4,797.4	4,131.3
Commitments and contingencies (Note 12)		
Convertible Preferred Stock; \$0.01 par value; aggregate liquidation preference \$400.0; 0.4 shares authorized, issued and outstanding as of September 30, 2020 and 2019 ¹		
	399.2	399.2
Stockholders' equity:		
Common stock (voting); \$0.01 par value; 100.0 shares authorized; 69.0 and 68.6 shares issued and outstanding as of September 30, 2020 and 2019, respectively	0.7	0.7
Undesignated preferred stock; 5.0 shares authorized, none issued or outstanding	—	—
Additional paid-in capital	1,100.6	1,083.0
Retained earnings	694.3	799.2
Accumulated other comprehensive income (loss)	(34.7)	(20.6)
Total stockholders' equity	1,760.9	1,862.3
Total liabilities and stockholders' equity	<u>\$ 6,957.5</u>	<u>\$ 6,392.8</u>

¹ See Note 3 for additional information.

See accompanying Notes to Consolidated Financial Statements

BEACON ROOFING SUPPLY, INC.
Consolidated Statements of Operations
(In millions, except per share amounts)

	Year Ended September 30,		
	2020	2019	2018
Net sales	\$ 6,943.9	\$ 7,105.2	\$ 6,418.3
Cost of products sold	5,244.7	5,368.6	4,825.0
Gross profit	1,699.2	1,736.6	1,593.3
Operating expense:			
Selling, general and administrative	1,273.0	1,311.0	1,187.2
Depreciation	70.1	70.7	60.3
Amortization	321.0	207.1	141.2
Total operating expense	1,664.1	1,588.8	1,388.7
Income (loss) from operations	35.1	147.8	204.6
Interest expense, financing costs, and other	128.1	158.6	136.5
Loss on debt extinguishment	14.7	—	—
Income (loss) before provision for income taxes	(107.7)	(10.8)	68.1
Provision for (benefit from) income taxes	(26.8)	(0.2)	(30.5)
Net income (loss)	(80.9)	(10.6)	98.6
Dividends on Preferred Stock	24.0	24.0	18.0
Net income (loss) attributable to common shareholders	\$ (104.9)	\$ (34.6)	\$ 80.6
Weighted-average common stock outstanding: ¹			
Basic	68.8	68.4	68.0
Diluted	68.8	68.4	69.2
Net income (loss) per share: ¹			
Basic	\$ (1.52)	\$ (0.51)	\$ 1.07
Diluted	\$ (1.52)	\$ (0.51)	\$ 1.05

¹ See Note 5 for detailed calculations and further discussion.

See accompanying Notes to Consolidated Financial Statements

BEACON ROOFING SUPPLY, INC.
Consolidated Statements of Comprehensive Income
(In millions)

	Year Ended September 30,		
	2020	2019	2018
Net income (loss)	\$ (80.9)	\$ (10.6)	\$ 98.6
Other comprehensive income (loss):			
Foreign currency translation adjustment	(0.7)	(1.7)	(2.7)
Unrealized gain (loss) due to change in fair value of derivatives, net of tax	(13.4)	(1.6)	—
Total other comprehensive income (loss)	(14.1)	(3.3)	(2.7)
Comprehensive income (loss)	\$ (95.0)	\$ (13.9)	\$ 95.9

See accompanying Notes to Consolidated Financial Statements

BEACON ROOFING SUPPLY, INC.
Consolidated Statements of Stockholders' Equity
(In millions)

	Common Stock		APIC ¹	Retained Earnings	AOCI ²	Total
	Shares	Amount				
Balance as of September 30, 2017	67.7	\$ 0.7	\$ 1,047.5	\$ 748.2	\$ (14.6)	\$ 1,781.8
Issuance of common stock, net of shares withheld for taxes	0.4	—	3.5	—	—	3.5
Issuance costs related to secondary offering of common stock	—	—	(0.5)	—	—	(0.5)
Stock-based compensation	—	—	16.5	—	—	16.5
Other comprehensive income (loss)	—	—	—	—	(2.7)	(2.7)
Net income (loss)	—	—	—	98.6	—	98.6
Dividends on Preferred Stock	—	—	—	(13.0)	—	(13.0)
Balance as of September 30, 2018	68.1	\$ 0.7	\$ 1,067.0	\$ 833.8	\$ (17.3)	\$ 1,884.2
Issuance of common stock, net of shares withheld for taxes	0.4	—	(0.4)	—	—	(0.4)
Stock-based compensation	—	—	16.4	—	—	16.4
Other comprehensive income (loss)	—	—	—	—	(3.3)	(3.3)
Net income (loss)	—	—	—	(10.6)	—	(10.6)
Dividends on Preferred Stock	—	—	—	(24.0)	—	(24.0)
Balance as of September 30, 2019	68.6	\$ 0.7	\$ 1,083.0	\$ 799.2	\$ (20.6)	\$ 1,862.3
Issuance of common stock, net of shares withheld for taxes	0.4	—	0.4	—	—	0.4
Stock-based compensation	—	—	17.2	—	—	17.2
Other comprehensive income (loss)	—	—	—	—	(14.1)	(14.1)
Net income (loss)	—	—	—	(80.9)	—	(80.9)
Dividends on Preferred Stock	—	—	—	(24.0)	—	(24.0)
Balance as of September 30, 2020	<u>69.0</u>	<u>\$ 0.7</u>	<u>\$ 1,100.6</u>	<u>\$ 694.3</u>	<u>\$ (34.7)</u>	<u>\$ 1,760.9</u>

¹ Additional Paid-in Capital ("APIC").

² Accumulated Other Comprehensive Income (Loss) ("AOCI").

See accompanying Notes to Consolidated Financial Statements

BEACON ROOFING SUPPLY, INC.
Consolidated Statements of Cash Flows
(In millions)

	Year Ended September 30,		
	2020	2019	2018
Operating Activities			
Net income (loss)	\$ (80.9)	\$ (10.6)	\$ 98.6
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	391.1	277.8	201.5
Stock-based compensation	17.2	16.4	16.5
Certain interest expense and other financing costs	11.5	12.1	17.3
Beneficial lease amortization	—	2.3	—
Loss on debt extinguishment	14.7	—	1.2
Gain on sale of fixed assets and other	(3.5)	(3.8)	(1.3)
Deferred income taxes	(25.6)	(2.6)	(30.1)
338(h)(10) election refund	(5.1)	—	—
Changes in operating assets and liabilities:			
Accounts receivable	78.4	(18.5)	(45.0)
Inventories	73.4	(82.8)	(65.1)
Prepaid expenses and other current assets	(73.6)	(70.8)	57.6
Accounts payable and accrued expenses	72.2	92.1	287.4
Other assets and liabilities	9.5	1.1	0.8
Net cash provided by (used in) operating activities	<u>479.3</u>	<u>212.7</u>	<u>539.4</u>
Investing Activities			
Purchases of property and equipment	(48.5)	(57.0)	(46.0)
Acquisition of businesses, net	5.1	(164.0)	(2,740.5)
Proceeds from the sale of assets	4.4	9.3	2.1
Net cash provided by (used in) investing activities	<u>(39.0)</u>	<u>(211.7)</u>	<u>(2,784.4)</u>
Financing Activities			
Borrowings under revolving lines of credit	2,038.0	2,100.1	2,807.7
Payments under revolving lines of credit	(1,870.0)	(2,114.0)	(2,707.7)
Borrowings under term loan	—	—	970.0
Payments under term loan	(9.7)	(9.7)	(445.8)
Borrowings under senior notes	300.0	—	1,300.0
Payment under senior notes	(309.6)	—	—
Payment of debt issuance costs	(4.3)	(0.8)	(65.8)
Payments under equipment financing facilities and finance leases	(8.6)	(10.0)	(11.6)
Proceeds from issuance of convertible preferred stock	—	—	400.0
Payment of stock issuance costs	—	—	(1.3)
Payment of dividends on Preferred Stock	(24.0)	(24.0)	(13.0)
Proceeds from issuance of common stock related to equity awards	3.3	3.3	7.5
Payment of taxes related to net share settlement of equity awards	(2.9)	(3.7)	(4.0)
Net cash provided by (used in) financing activities	<u>112.2</u>	<u>(58.8)</u>	<u>2,236.0</u>
Effect of exchange rate changes on cash and cash equivalents	(0.2)	0.2	0.6
Net increase (decrease) in cash and cash equivalents	552.3	(57.6)	(8.4)
Cash and cash equivalents, beginning of period	72.3	129.9	138.3
Cash and cash equivalents, end of period	<u>\$ 624.6</u>	<u>\$ 72.3</u>	<u>\$ 129.9</u>
Supplemental Cash Flow Information			
Cash paid during the period for:			
Interest	\$ 130.3	\$ 146.4	\$ 111.3
Income taxes paid (received), net of refunds	(5.4)	(8.5)	35.1

See accompanying Notes to Consolidated Financial Statements

BEACON ROOFING SUPPLY, INC.
Notes to Consolidated Financial Statements
(In millions, except per share amounts or otherwise indicated)

1. Company Overview

Beacon Roofing Supply, Inc. (the “Company”) was incorporated in the state of Delaware on August 22, 1997 and is the largest publicly traded distributor of residential and non-residential roofing materials and complementary building products in the United States and Canada.

On January 15, 2020, the Company announced the rebranding of its exterior product branches with the trade name “Beacon Building Products” (the “Rebranding”). The new name, and a related logo, were adopted at over 450 Beacon one-step exterior products branches. The Company’s interior, insulation, weatherproofing and two-step branches continue to operate under legacy brand names.

The Company operates its business under regional and local trade names and services customers in all 50 states throughout the U.S. and 6 provinces in Canada. The Company’s material subsidiaries are Beacon Sales Acquisition, Inc. and Beacon Roofing Supply Canada Company.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All inter-company transactions have been eliminated. Certain prior period amounts have been reclassified to conform to current period presentation.

Use of Estimates

The preparation of consolidated financial statements in conformity with United States generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the amounts reported in these consolidated financial statements and accompanying notes. Significant items subject to such estimates include inventories, purchase price allocations, recoverability of goodwill and intangibles, and income taxes. Assumptions made in the development of these estimates contemplate the impact of the novel coronavirus (“COVID-19”) on the economy and the Company’s anticipated results; however, actual amounts could differ materially from these estimates.

Fiscal Year

The fiscal years presented are the years ended September 30, 2020 (“2020”), September 30, 2019 (“2019”), and September 30, 2018 (“2018”). Each of the Company’s first three quarters ends on the last day of the calendar month.

Segment Information

Operating segments are defined as components of a business that can earn revenue and incur expenses for which discrete financial information is evaluated on a regular basis by the chief operating decision maker (“CODM”) in order to decide how to allocate resources and assess performance. The Company’s CODM, the Chief Executive Officer, reviews consolidated results of operations to make decisions, therefore the Company views its operations and manages its business as one operating segment.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. Cash and cash equivalents also include unsettled credit card transactions. Cash equivalents are comprised of money market funds which invest primarily in commercial paper or bonds with a rating of A-1 or better, and bank certificates of deposit.

Accounts Receivable

Accounts receivable are derived from unpaid invoiced amounts and are recorded at their net realizable value. The allowance for doubtful accounts is calculated based on actual historical write-offs and current economic factors and represents the Company’s best estimate of its credit exposure. Each month the Company reviews its receivables on a customer-by-customer basis and any balances that are 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 Canada, and no single customer represented at least 10% of the Company’s revenue during the year ended September 30, 2020 or accounts receivable as of September 30, 2020.

Concentrations of Risk

Financial instruments that potentially subject the Company to significant concentration of credit risk consist primarily of cash, cash equivalents and accounts receivable. The Company maintains the majority of its cash and cash equivalents with one financial institution, which management believes to be financially sound and with minimal credit risk. The Company's deposits typically exceed amounts guaranteed by the Federal Deposit Insurance Corporation.

Inventories

Inventories, consisting substantially of finished goods, are valued at the lower of cost or market (net realizable value). Cost is determined using the moving weighted-average cost method.

The Company's arrangements with vendors typically provide for rebates after it makes a special purchase and/or monthly, quarterly and/or annual rebates of a specified amount of consideration payable when a number of measures have been achieved. Annual rebates are generally related to a specified cumulative level of purchases on a calendar-year basis. The Company accounts for such rebates as a reduction of the inventory value until the product is sold, at which time such rebates reduce cost of sales in the consolidated statements of operations. Throughout the year, the Company estimates the amount of the periodic 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 "prepaid expenses and other current assets" in the accompanying consolidated balance sheets.

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.

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 Company uses an income approach to determine the fair value of acquired intangible assets, specifically the multi-period excess earnings method for customer relationships and the relief from royalty method for trade names. Various Level 3 fair value 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. The purchase price in excess of the fair value of the assets acquired and liabilities assumed is recorded as goodwill. 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.

Goodwill and Intangibles

On an annual basis and at interim periods when circumstances require, the Company tests the recoverability of its goodwill and indefinite-lived intangible assets. Examples of such indicators include a significant change in the business climate, unexpected competition, loss of key personnel or a decline in the Company's market capitalization below the Company's net book value.

The Company performs impairment assessments at the reporting unit level, which is defined as an operating segment or one level below an operating segment, also known as a component. The Company currently has four components which it evaluates for aggregation by examining the distribution methods, sales mix, and operating results of each component to determine if these characteristics will be sustained over a long-term basis. For purposes of this evaluation, the Company expects its components to exhibit similar economic characteristics 3-5 years after events such as an acquisition within the Company's core roofing business or management/business restructuring. Components that exhibit similar economic characteristics are subsequently aggregated into a single reporting unit. Based on the Company's most recent impairment assessment performed as of August 31, 2020, it was determined that all of the Company's components exhibited similar economic characteristics, and therefore should be aggregated into a single reporting unit (collectively, the "Reporting Unit").

To test for the recoverability of goodwill and indefinite-lived intangible assets, the Company first performs a qualitative assessment based on economic, industry and company-specific factors for all or selected reporting units 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.

Based on the Company's most recent qualitative impairment assessment performed as of August 31, 2020, the Company concluded that there were no indicators of impairment, and that therefore it was more likely than not that the fair value of the goodwill and indefinite-lived intangible assets exceeded their net carrying amount, and therefore the quantitative two-step impairment test was not required.

The Company amortizes certain identifiable intangible assets that have finite lives, currently consisting of non-compete agreements, customer relationships and trade names. Non-compete agreements are amortized on a straight-line basis over the terms of the associated contractual agreements; customer relationship assets are amortized on an accelerated basis based on the expected cash flows generated by the existing customers; and trade names are amortized on an accelerated basis over a five or ten year period. Amortizable intangible assets are tested for impairment, when deemed necessary, based on undiscounted cash flows and, if impaired, are written down to fair value based on either discounted cash flows or appraised values. In connection with certain financing arrangements, the Company has debt issuance costs that are amortized over the lives of the associated financings.

Evaluation of Long-Lived Assets

The Company evaluates the recoverability of its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount of the assets 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.

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:* Observable inputs. Quoted prices in active markets for identical assets and liabilities;
- *Level 2:* Observable inputs other than the quoted price. Includes quoted prices for similar instruments, quoted prices for identical or similar instruments in inactive markets and amounts derived from valuation models where all significant inputs are observable in active markets; and
- *Level 3:* Unobservable inputs. Includes amounts derived from valuation models where one or more significant inputs are unobservable and require the Company to develop relevant assumptions.

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.

Financial Derivatives

The Company has entered into interest rate swaps to minimize the risks and costs associated with financing activities, as well as to maintain an appropriate mix of fixed-rate and floating-rate debt. The swap agreements are contracts to exchange variable-rate for fixed-interest rate payments over the life of the agreements. The Company's derivative instruments are designated as cash flow hedges, for which the Company records the effective portions of changes in their fair value, net of tax, in other comprehensive income. The Company recognizes any ineffective portion of the hedges in the consolidated statement of operations through interest expense, financing costs and other.

Net Sales

The Company records net sales when performance obligations with the customer are satisfied. A performance obligation is a promise to transfer a distinct good to the customer and is the unit of account. The transaction price is allocated to each distinct performance obligation and recognized as net sales when, or as, the performance obligation is satisfied. All contracts have a single performance obligation as the promise to transfer the individual good is not separately identifiable from other promises and is, therefore, not distinct. Performance obligations are satisfied at a point in time and net sales are recognized when the customer accepts the delivery of a product or takes possession of a product with rights and rewards of ownership. For goods shipped by third party carriers, the Company

recognizes revenue upon shipment since the terms are generally FOB shipping point at which time control passes to the customer. 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 at which time control passes to the customer.

The Company enters into agreements with customers to offer rebates, generally based on achievement of specified sales levels and various marketing allowances that are common industry practice. Reductions to net sales for customer programs and incentive offerings, including promotions and other volume-based incentives, are estimated using the most likely amount method and recorded in the period in which the sale occurs. Provisions for early payment discounts are accrued in the same period in which the sale occurs. The Company does not have any material payment terms as payment is received shortly after the transfer of control of the products to the customer. Commissions to internal sales teams are paid to obtain contracts. As these contracts are less than one year, these costs are expensed as incurred.

The Company includes shipping and handling costs billed to customers in net sales. Related costs are accounted for as fulfillment activities and are recognized as cost of products sold when control of the products transfers to the customer.

Leases

The Company mostly operates in leased facilities, which are accounted for as operating leases. The leases typically provide for a base rent plus real estate taxes and insurance. Certain of 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 real estate leases expire between 2020 and 2038.

In addition, the Company leases equipment such as trucks and forklifts. Equipment leases are primarily accounted for as operating leases; however, the Company also accounts for some equipment leases as finance leases. The equipment leases expire between 2020 and 2027.

The Company determines if an arrangement is a lease at inception. Operating lease assets and liabilities are included on the consolidated balance sheets. Finance lease assets are included in property and equipment, net. The current portion of the finance lease liabilities is included in accrued expenses, and the noncurrent portion is included in other long-term liabilities.

Operating lease assets and liabilities are recognized at the present value of the future lease payments at the lease commencement date. The interest rate used to determine the present value of the future lease payments is the Company's incremental borrowing rate, because the interest rates implicit in most of the leases are not readily determinable. The incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments.

Operating lease assets include any prepaid lease payments and lease incentives. The Company's lease terms include periods under options to extend or terminate the lease when it is reasonably certain that those options will be exercised. The Company generally uses the base, non-cancelable lease term when determining the lease assets and liabilities. Operating lease expense is recognized on a straight-line basis over the lease term.

The Company's lease agreements generally contain lease and non-lease components. Non-lease components primarily include payments for maintenance and utilities. The Company has elected to combine fixed payments for non-lease components with lease payments and account for them together as a single lease component, which increases the lease assets and liabilities.

Payments under the Company's lease agreements are primarily fixed. However, certain lease agreements contain variable payments, which are expensed as incurred and are not included in the operating lease assets and liabilities. These amounts include payments affected by the Consumer Price Index and reimbursements to landlords for items such as property insurance and common area costs. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Stock-Based Compensation

The Company applies the fair value method to recognize compensation expense for stock-based awards. Using this method, the estimated grant-date fair value of the award is recognized on a straight-line basis over the requisite service period based on the portion of the award that is expected to vest. The Company estimates forfeitures at the time of grant and revises the estimates, if necessary, in subsequent periods if actual forfeitures differ from those estimates. For awards with a performance-based vesting condition, the Company accrues stock-based compensation expense if it is probable that the performance condition will be achieved.

Stock-based compensation expense for restricted stock units is measured based on the fair value of the Company's common stock on the grant date. The Company utilizes the Black-Scholes option pricing model to estimate the grant-date fair value of option awards. The exercise price of option awards is set to equal the estimated fair value of the common stock at the date of the grant. The following weighted-average assumptions are also used to calculate the estimated fair value of option awards:

- *Expected volatility*: The expected volatility of the Company's shares is estimated using the historical stock price volatility over the most recent period commensurate with the estimated expected term of the awards.

- *Expected term:* For employee stock option awards, the Company determines the weighted average expected term equal to the weighted period between the vesting period and the contract life of all outstanding options.
- *Dividend yield:* The Company has not paid dividends and does not anticipate paying a cash dividend in the foreseeable future and, accordingly, uses an expected dividend yield of zero.
- *Risk-free interest rate:* The Company bases the risk-free interest rate on the implied yield available on a U.S. Treasury note with a term equal to the estimated expected term of the awards.

Foreign Currency Translation

The Company's operations located outside of the United States where the local currency is the functional currency are translated into U.S. dollars using the current rate method. Results of operations are translated at the average rate of exchange for the period. Assets and liabilities are translated at the closing rates on the period end date. Gains and losses on translation of these accounts are accumulated and reported as a separate component of equity and other comprehensive income (loss). Gains and losses on foreign currency transactions are recognized in the consolidated statements of operations as a component of interest expense, financing costs, and other.

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.

FASB ASC Topic 740 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.

Net Income (Loss) per Share

Basic net income (loss) per share is calculated by dividing net income (loss) attributable to common shareholders by the weighted-average number of common shares outstanding during the period, without consideration for common share equivalents or the conversion of Preferred Stock. Common share equivalents consist of the incremental common shares issuable upon the exercise of stock options and vesting of restricted stock unit awards. Diluted net income (loss) per common share is calculated by dividing net income (loss) attributable to common shareholders by the fully diluted weighted-average number of common shares outstanding during the period.

Holders of Preferred Stock participate in dividends on an as-converted basis when declared on common shares. As a result, Preferred Stock is classified as a participating security and thereby requires the allocation of income that would have otherwise been available to common shareholders when calculating net income (loss) per share.

Diluted net income (loss) per share is calculated by utilizing the most dilutive result of the if-converted and two-class methods. In both methods, net income (loss) attributable to common shareholders and the weighted-average common shares outstanding are adjusted to account for the impact of the assumed issuance of potential common shares that are dilutive, subject to dilution sequencing rules.

Recent Accounting Pronouncements—Adopted

In February 2016, the FASB issued ASU 2016-02, "Leases." This guidance replaces most existing accounting for leases and requires enhanced disclosures. The guidance requires the Company to record a right-of-use asset and a lease liability for most of the Company's leases, including those previously treated as operating leases. The Company adopted the standard using the modified retrospective transition method as of October 1, 2019 and did not apply the standard to comparative prior periods presented. The Company used the package of transition practical expedients outlined in the transition guidance. The most significant effects of the new standard were the recognition of \$483.5 million of operating lease assets and \$476.0 million of operating lease liabilities on October 1, 2019. As part of the adoption, the Company carried forward the assessment from the previous lease standard of whether Beacon's contracts contain (or are) leases, the classification of leases, and remaining lease terms. The accounting for finance leases remains unchanged. The adoption of the new standard did not have a material impact on the Company's consolidated results of operations or cash flows (see Note 11 for further discussion).

In February 2018, the FASB issued ASU 2018-02, "Income Statement – Reporting Comprehensive Income." This guidance is intended to address the accounting treatment for the tax effects on items within accumulated other comprehensive income as a result of the adoption of the Tax Cuts and Jobs Act of 2017. This new standard became effective for the Company on October 1, 2019. The adoption of this new guidance did not have a material impact on the Company's financial statements and related disclosures.

Recent Accounting Pronouncements—Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, “*Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments*.” This guidance is intended to introduce a revised approach to the recognition and measurement of credit losses, emphasizing an updated model based on expected losses rather than incurred losses. This new standard will become effective for the Company on October 1, 2020. The adoption of the new standard will be done using the modified-retrospective approach, through a cumulative-effect adjustment to retained earnings as of October 1, 2020. The most significant effect of the standard is expected to be an increase to the Company’s accounts receivable reserve and a corresponding retained earnings adjustment of approximately \$4.3 million on October 1, 2020.

In January 2017, the FASB issued ASU 2017-04, “*Simplifying the Accounting for Goodwill Impairment*.” This guidance is intended to introduce a simplified approach to measurement of goodwill impairment, eliminating the need for a hypothetical purchase price allocation and instead measuring impairment by the amount a reporting unit’s carrying value exceeds its fair value. This new standard will become effective for the Company on October 1, 2020. The Company does not expect the adoption of this new guidance to have a material impact on its financial statements and related disclosures.

In December 2019, the FASB issued ASU 2019-12, “*Income Taxes – Simplifying the Accounting for Income Taxes*.” This guidance is intended to simplify the accounting for income taxes by removing certain exceptions, clarifying existing guidance and improving consistent application of the guidance. This new standard is effective for annual reporting periods, and interim reporting periods contained therein, beginning after December 15, 2020, and early adoption is permitted. The Company is currently evaluating the impact that this guidance may have on its financial statements and related disclosures.

In March 2020, the FASB issued ASU 2020-04, “*Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Reporting*.” The guidance provides optional practical expedients to ease the potential burden in accounting for contract modifications and hedge accounting related to reference rate reform. The standard is effective as of March 12, 2020 through December 31, 2022. However, the standard is not applicable to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022. The Company expects to elect optional expedients and exceptions provided by the guidance, as needed, related to the 2023 ABL and 2025 Term Loan debt instruments, both of which include interest rates based on a LIBOR rate (with a floor) plus a fixed spread. The Company will evaluate and disclose the impact of this guidance in the period of election, as well as the nature and reason for doing so.

In October 2020, the FASB issued ASU 2020-06, “*Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity’s Own Equity (Subtopic 815-40), Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity*.” The guidance is intended to simplify the accounting for convertible instruments, including reducing the number of accounting models that require separate accounting for embedded conversion features and requiring the use of the if-converted method for all convertible instruments in the diluted EPS calculation. The new standard is effective for annual reporting periods, and interim reporting periods contained therein, beginning after December 15, 2021. Early adoption is permitted for annual reporting periods, and interim reporting periods contained therein, beginning after December 15, 2020. The Company does not expect the adoption of this new guidance to have a material impact on its financial statements and related disclosures.

3. Acquisitions

Allied Building Products Corp.

On January 2, 2018 (the “Closing Date”), the Company completed its acquisition of all the outstanding capital stock of Allied (the “Allied Acquisition”), pursuant to a certain stock purchase agreement dated August 24, 2017 (the “Stock Purchase Agreement”), among the Company, Oldcastle, Inc., as parent, and Oldcastle Distribution, Inc., as seller, 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”). As of September 30, 2020, the adjusted Purchase Price for Allied was \$2.88 billion, including increases of (i) \$164.0 million related to the impact of the Section 338(h)(10) election under the current U.S. tax code and (ii) \$88.1 million from a recorded net working capital adjustment.

In connection with the Allied Acquisition, on the Closing Date the Company entered into (i) a new term loan agreement with Citibank, N.A., providing for a term loan B facility with an initial commitment of \$970.0 million and (ii) an amended and restated credit agreement with Wells Fargo Bank, N.A., providing for a senior secured asset-based revolving credit facility with an initial commitment of \$1.30 billion. Base borrowing rates on these facilities are at LIBOR plus 1.25% and LIBOR plus 2.25%, respectively.

In connection with the Allied Acquisition, on the Closing Date, the Company completed the sale of 400,000 shares of Series A Cumulative Convertible Participating Preferred Stock, par value \$0.01 per share (the “Preferred Stock”), with an aggregate liquidation preference of \$400.0 million, at a purchase price of \$1,000 per share, to CD&R Boulder Holdings, L.P., pursuant to an investment agreement, dated as of August 24, 2017, with CD&R Boulder Holdings, L.P. and Clayton, Dubilier & Rice Fund IX, L.P. (solely for the purpose of limited provisions therein) (the “Convertible Preferred Stock Purchase”). The \$400.0 million in proceeds from the Convertible Preferred Stock Purchase were used to finance, in part, the Purchase Price. The Preferred Stock is convertible perpetual participating preferred stock of the

Company, and conversion of the Preferred Stock into \$0.01 par value shares of the Company's common stock will be at a conversion price of \$41.26 per share. The Preferred Stock accumulates dividends at a rate of 6.0% per annum (payable in cash or in-kind, subject to certain conditions). The Preferred Stock is not mandatorily redeemable; therefore, it is classified as mezzanine equity on the Company's consolidated balance sheets and has a balance of \$399.2 million (the \$400.0 million proceeds received on the Closing Date, net of \$0.8 million of unamortized issuance costs) as of September 30, 2020.

Allied's results of operations have been included with Company's consolidated results beginning January 2, 2018. Allied distributed products in 208 locations across 31 states as of the date of the close.

The Allied Acquisition has been accounted for as a business combination in accordance with the requirements of ASC 805, "Business Combinations." The acquisition price has been allocated among assets acquired and liabilities assumed at fair value based on information currently available, with the excess recorded as goodwill. The goodwill recognized is attributable primarily to expected synergies from the Allied assembled workforce operating the branches as part of a larger network and the value stemming from the addition of both new customers and an established new line of business (interiors). As of March 31, 2019, the Company had finalized the purchase accounting entries for the Allied Acquisition, detailed as follows (in millions):

	January 2, 2018 (as reported at March 31, 2018)	Adjustments	January 2, 2018 (as adjusted at March 31, 2019)
Cash	\$ 19.3	\$ (19.2)	\$ 0.2
Accounts receivable	315.5	22.1	337.5
Inventory	322.7	(7.9)	314.8
Prepaid and other current assets	59.3	16.2	75.4
Property, plant, and equipment	139.5	(0.2)	139.4
Goodwill	1,130.6	102.1	1,232.8
Intangible assets	1,037.0	—	1,037.0
Current liabilities	(271.3)	12.0	(259.3)
Non-current liabilities	(6.8)	6.1	(0.7)
Total purchase price	<u>\$ 2,745.8</u>	<u>\$ 131.2</u>	<u>\$ 2,877.1</u>

The purchase accounting entries above include the impact of the Section 338(h)(10) election under the current U.S. tax code. The Company made this election on October 15, 2018 and has reflected the \$164.0 million impact of this election in the purchase price and its fiscal year 2018 tax provision accordingly. In the year ended September 30, 2020, the Company received a net \$5.1 million refund as the final true-up of the \$164.0 million payment, which was recorded in interest expense, financing costs, and other in the consolidated statements of operations. The Company determined that \$1.01 billion of goodwill related to the acquisition of Allied remains deductible for tax purposes as of September 30, 2020.

All of the Company's goodwill and indefinite-lived trade name are tested for impairment annually, and all acquired goodwill and intangible assets are subject to review for impairment should future indicators of impairment develop. There were no material contingencies assumed as part of the Allied Acquisition.

Additional Acquisitions – Fiscal Year 2018

During fiscal year 2018, the Company acquired 7 branches from the following two acquisitions:

- On May 1, 2018, the Company acquired Tri-State Builder's Supply, a wholesale supplier of roofing, siding, windows, doors and related building products with 1 branch located in Duluth, Minnesota and annual sales of approximately \$6 million. The Company has finalized the acquisition accounting entries for this transaction.
- On July 16, 2018, the Company acquired Atlas Supply, Inc., the Pacific Northwest's leading distributor of sealants, coatings, adhesives and related weatherproofing products, with 6 branches operating in Seattle, Tacoma, Spokane, and Mountlake Terrace in Washington, as well as locations in Portland, Oregon and Boise, Idaho, and annual sales of approximately \$37 million. The Company has finalized the acquisition accounting entries for this transaction.

The Company has recorded purchase accounting entries for these transactions that recognized the acquired assets and liabilities at their estimated fair values as of the respective acquisition dates. These transactions resulted in goodwill of \$7.6 million (\$6.5 million of which remains deductible for tax purposes as of September 30, 2020) and \$11.4 million in intangible assets.

4. Net Sales

The following table presents the Company's net sales by product line and geography for the years ended September 30, 2020 and 2019 (in millions):

	U.S.	Canada	Total
Year Ended September 30, 2020			
Residential roofing products	\$ 3,043.2	\$ 56.4	\$ 3,099.6
Non-residential roofing products	1,534.5	112.1	1,646.6
Complementary building products	2,188.7	9.0	2,197.7
Total net sales	<u>\$ 6,766.4</u>	<u>\$ 177.5</u>	<u>\$ 6,943.9</u>
Year Ended September 30, 2019			
Residential roofing products	\$ 3,023.2	\$ 56.4	\$ 3,079.6
Non-residential roofing products	1,582.8	122.4	1,705.2
Complementary building products	2,312.5	7.9	2,320.4
Total net sales	<u>\$ 6,918.5</u>	<u>\$ 186.7</u>	<u>\$ 7,105.2</u>

5. Net Income (Loss) Per Share

The following table presents the components and calculations of basic and diluted net income (loss) per share for each period presented (in millions, except per share amounts):

	Year Ended September 30,		
	2020	2019	2018
Net income (loss)	\$ (80.9)	\$ (10.6)	\$ 98.6
Dividends on Preferred Stock	24.0	24.0	18.0
Net income (loss) attributable to common shareholders	\$ (104.9)	\$ (34.6)	\$ 80.6
Undistributed income allocated to participating securities	—	—	(7.7)
Net income (loss) attributable to common shareholders - basic and diluted	<u>\$ (104.9)</u>	<u>\$ (34.6)</u>	<u>\$ 72.9</u>
Weighted-average common shares outstanding - basic	68.8	68.4	68.0
Effect of common share equivalents	—	—	1.2
Weighted-average common shares outstanding - diluted	<u>68.8</u>	<u>68.4</u>	<u>69.2</u>
Net income (loss) per share - basic	\$ (1.52)	\$ (0.51)	\$ 1.07
Net income (loss) per share - diluted	\$ (1.52)	\$ (0.51)	\$ 1.05

The following table includes the number of shares that may be dilutive common shares in the future. These shares were not included in the computation of diluted net income (loss) per share because the effect was either anti-dilutive or the requisite performance conditions were not met (in millions):

	Year Ended September 30,		
	2020	2019	2018
Stock options	2.0	1.3	0.4
Restricted stock units	0.3	0.1	0.2
Preferred Stock	9.7	9.7	7.2

6. Stock-based Compensation

On December 23, 2019, the Board of Directors of the Company approved the Beacon Roofing Supply, Inc. Second Amended and Restated 2014 Stock Plan (the "2014 Plan"). On February 11, 2020, the shareholders of the Company approved an additional 4,850,000 shares under the 2014 Plan. The 2014 Plan, which was originally approved by the shareholders on February 12, 2014, provides for discretionary awards of stock options, stock awards, restricted stock units, and stock appreciation rights to selected employees and non-employee directors. The 2014 Plan mandates that all forfeited, expired, and withheld shares, including those from the predecessor plan, be returned to the 2014 Plan and made available for issuance. As of September 30, 2020, there were 5.7 million shares of common stock available for issuance. The 2014 Plan is the only plan maintained by the Company pursuant to which equity awards are granted.

For all equity awards granted prior to October 1, 2014, in the event of a change in control of the Company, all awards are immediately vested. Beginning in fiscal 2015, equity awards contained a “double trigger” change in control mechanism. Unless an award is continued or assumed by a public company in an equitable manner, an award shall become fully vested immediately prior to a change in control (at 100% of the grant target in the case of a performance-based restricted stock unit award). If an award is so continued or assumed, vesting will continue in accordance with the terms of the award, unless there is a qualifying termination within one-year following the change in control, in which event the award shall immediately become fully vested (at 100% of the grant target in the case of a performance-based restricted stock unit award).

Stock Options

Non-qualified stock options generally expire 10 years after the grant date and, except under certain conditions, the options are subject to continued employment and vest in three annual installments over the three-year period following the grant dates.

The fair values of the options granted for the year ended September 30, 2020 were estimated on the dates of grants using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Year Ended September 30,		
	2020	2019	2018
Risk-free interest rate	1.61%	2.86%	2.10%
Expected volatility	34.26%	29.68%	26.43%
Expected life (in years)	5.26	5.22	5.46
Dividend yield	—	—	—

The following table summarizes all stock option activity for the periods presented (in millions, except per share and time period amounts):

	Options Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value ¹
Balance as of September 30, 2019	2.3	\$ 32.61	6.1	\$ 12.0
Granted	0.5	31.95		
Exercised	(0.2)	19.51		
Canceled/Forfeited	(0.1)	37.30		
Expired	—	31.68		
Balance as of September 30, 2020	2.5	\$ 33.09	5.9	\$ 6.9
Vested and expected to vest after September 30, 2020	2.4	\$ 33.13	5.9	\$ 6.8
Exercisable as of September 30, 2020	1.6	\$ 33.69	4.5	\$ 5.1

¹ Aggregate intrinsic value as represents the difference between the closing fair value of the underlying common stock and the exercise price of outstanding, in-the-money options on the date of measurement.

During the years ended September 30, 2020, 2019, and 2018, the Company recorded stock-based compensation expense related to stock options of \$4.4 million, \$4.1 million, and \$3.9 million, respectively. As of September 30, 2020, there was \$4.9 million of total unrecognized compensation cost related to unvested stock options, which is expected to be recognized over a weighted-average period of 1.8 years.

The following table summarizes additional information on stock options for the periods presented (in millions, except per share amounts):

	Year Ended September 30,		
	2020	2019	2018
Weighted-average fair value of stock options granted	\$ 10.35	\$ 8.91	\$ 15.86
Total grant date fair value of stock options vested	\$ 4.3	\$ 3.9	\$ 4.2
Total intrinsic value of stock options exercised	\$ 2.1	\$ 2.8	\$ 9.6

Restricted Stock Units

Restricted stock unit (“RSU”) awards granted to employees are subject to continued employment and generally vest on the third anniversary of the grant date. The Company also grants certain RSU awards to management that contain one or more additional vesting conditions tied directly to a defined performance metric for the Company. The actual number of RSUs that will vest can range from 0%

to 200% of the original grant amount, depending upon actual Company performance below or above the established performance metric targets. The Company estimates performance in relation to the defined targets when determining the projected number of RSUs that are expected to vest and calculating the related stock-based compensation expense.

RSUs granted to non-employee directors are subject to continued service and vest on the first anniversary of the grant date (except under certain conditions). Generally, the common shares underlying the RSUs are not eligible for distribution until the non-employee director's service on the Board has terminated, and for non-employee director RSU grants made prior to fiscal year 2014, the share distribution date is six months after the director's termination of service on the board. Beginning in fiscal year 2016, the Company enacted a policy that allows any non-employee directors who have Beacon equity holdings (defined as common stock and outstanding vested equity awards) with a total fair value that is greater than or equal to five times the annual Board cash retainer to elect to have any future RSU grants settle simultaneously with vesting.

The following table summarizes all restricted stock unit activity for the periods presented (in millions, except per share amounts):

	RSUs Outstanding	Weighted-Average Grant Date Fair Value
Balance as of September 30, 2019	1.1	\$ 37.48
Granted	0.5	31.81
Released	(0.3)	44.87
Canceled/Forfeited	(0.1)	33.69
Balance as of September 30, 2020	<u>1.2</u>	<u>\$ 33.55</u>
Vested and expected to vest after September 30, 2020	1.0	\$ 34.68

During the years ended September 30, 2020, 2019, and 2018, the Company recorded stock-based compensation expense related to RSUs of \$12.8 million, \$12.3 million, and \$12.6 million, respectively. As of September 30, 2020, there was \$12.9 million of total unrecognized compensation cost related to unvested restricted stock units, which is expected to be recognized over a weighted-average period of 1.7 years.

The following table summarizes additional information on RSUs for the period presented (in millions, except per share amounts):

	Year Ended September 30,		
	2020	2019	2018
Weighted-average fair value of RSUs granted	\$ 31.81	\$ 28.02	\$ 57.40
Total grant date fair value of RSUs vested	\$ 14.4	\$ 16.1	\$ 6.7
Total intrinsic value of RSUs released	\$ 9.8	\$ 11.5	\$ 11.0

7. Prepaid Expenses and Other Current Assets

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

	September 30,	
	2020	2019
Vendor rebates	\$ 326.4	\$ 262.8
Other	51.9	52.8
Total prepaid expenses and other current assets	<u>\$ 378.3</u>	<u>\$ 315.6</u>

8. Property and Equipment

The following table provides a detailed breakout of property and equipment, by type (in millions):

	September 30,	
	2020	2019
Land and buildings	\$ 87.3	\$ 83.4
Equipment	453.1	448.1
Furniture and fixtures	42.5	40.0
Finance lease assets	11.6	—
Total property and equipment	<u>594.5</u>	<u>571.5</u>
Accumulated depreciation	(350.8)	(311.1)
Total property and equipment, net	<u>\$ 243.7</u>	<u>\$ 260.4</u>

Depreciation expense for the years ended September 30, 2020, 2019, and 2018 was \$70.1 million, \$70.7 million, and \$60.3 million, respectively.

9. Goodwill and Intangible Assets

The Company considered the adverse impact of the COVID-19 pandemic on its operations as part of its annual impairment analyses of intangible assets and goodwill and concluded there was no impairment to record in fiscal year 2020.

Goodwill

The following table sets forth the change in the carrying amount of goodwill during the years ended September 30, 2020 and 2019, respectively (in millions):

Balance as of September 30, 2018	\$	2,491.8
Acquisitions ¹		(0.5)
Translation and other adjustments		(0.7)
Balance as of September 30, 2019	\$	<u>2,490.6</u>
Balance as of September 30, 2019	\$	2,490.6
Translation and other adjustments		(0.2)
Balance as of September 30, 2020	\$	<u>2,490.4</u>

¹ Reflects purchase accounting adjustments related to fiscal year 2018 acquisition of Atlas Supply, Inc. (see Note 3 for further discussion).

The changes in the carrying amount of goodwill for the years ended September 30, 2020 and 2019 were driven primarily by purchase accounting and foreign currency translation adjustments.

Intangible Assets

In connection with transactions finalized for the year ended September 30, 2018, the Company recorded intangible assets of \$1.05 billion (\$920.8 million of customer relationships, \$7.0 million of beneficial lease arrangements, and \$120.0 million of indefinite-lived trademarks).

The following table summarizes intangible assets by category (in millions, except time period amounts):

	September 30,		Weighted-Average Remaining Life ¹ (Years)
	2020	2019	
Amortizable intangible assets:			
Non-compete agreements	\$ 0.2	\$ 2.8	1.7
Customer relationships	1,481.1	1,530.9	16.4
Trademarks	7.2	10.5	6.1
Beneficial lease arrangements	—	8.1	—
Total amortizable intangible assets	1,488.5	1,552.3	
Accumulated amortization	(738.6)	(619.9)	
Total amortizable intangible assets, net	\$ 749.9	\$ 932.4	
Indefinite-lived trademarks	51.3	193.1	
Total intangibles, net	\$ 801.2	\$ 1,125.5	

¹ As of September 30, 2020.

In the second quarter of fiscal year 2020, in connection with the Rebranding, the Company incurred non-cash accelerated intangible asset amortization of \$142.6 million related to the write-off of certain trade names, primarily Allied (exterior products only), Roofing Supply Group and JGA. The Company used an income approach, specifically the relief from royalty method, to determine the fair value of remaining indefinite-lived trademarks. Various Level 3 fair value assumptions were used in the determination of the estimated fair value, including items such as sales growth rates, royalty rates, discount rates, and other prospective financial information.

For the years ended September 30, 2020, 2019, and 2018, the Company recorded \$321.0 million, \$207.1 million, and \$141.2 million, respectively, of amortization expense relating to the above-listed intangible assets. The intangible asset lives range from 5 to 20 years and the weighted-average remaining life was 16.4 years as of September 30, 2020.

The following table summarizes the estimated future amortization expense for intangible assets (in millions):

<u>Year Ending September 30,</u>	
2021	\$ 147.9
2022	120.4
2023	97.3
2024	78.7
2025	63.6
Thereafter	242.0
Total future amortization expense	<u>\$ 749.9</u>

10. Financing Arrangements

The following table summarizes all financing arrangements from the respective periods presented (in millions):

	<u>September 30,</u>	
	<u>2020</u>	<u>2019</u>
Revolving Lines of Credit		
<u>2023 ABL:</u>		
U.S. Revolver ¹	\$ 251.1	\$ 81.0
Current portion	—	—
Borrowings under revolving lines of credit, net	<u>\$ 251.1</u>	<u>\$ 81.0</u>
Long-term Debt, net		
<u>Term Loans:</u>		
2025 Term Loan ²	\$ 922.3	\$ 926.5
Current portion	(9.7)	(9.7)
Long-term borrowings under term loan	<u>912.6</u>	<u>916.8</u>
<u>Senior Notes:</u>		
2023 Senior Notes ³	—	294.9
2025 Senior Notes ⁴	1,285.7	1,282.9
2026 Senior Notes ⁵	295.9	—
Current portion	—	—
Long-term borrowings under senior notes	<u>1,581.6</u>	<u>1,577.8</u>
Long-term debt, net	<u>\$ 2,494.2</u>	<u>\$ 2,494.6</u>
Equipment Financing Facilities, net		
Equipment financing facilities ⁶	\$ 2.6	\$ 6.9
Capital lease obligations ⁷	—	6.7
Current portion	(2.6)	(9.0)
Long-term obligations under equipment financing, net	<u>\$ —</u>	<u>\$ 4.6</u>

¹ Effective rate on borrowings of 1.89% and 5.41% as of September 30, 2020 and 2019, respectively.

² Interest rate of 2.41% and 4.36% as of September 30, 2020 and 2019, respectively.

³ Interest rate of 6.38% as of September 30, 2019.

⁴ Interest rate of 4.88% for all periods presented.

⁵ Interest rate of 4.50% as of September 30, 2020.

⁶ Fixed interest rates ranging from 2.33% to 2.89% for all periods presented.

⁷ As of October 1, 2019, in connection with the adoption of ASU 2016-02, capital lease obligations that were formerly included in equipment financing facilities are included either in accrued expenses or other long-term liabilities on the consolidated balance sheets (see Notes 2 and 11 for further discussion).

Debt Refinancing

2026 Senior Notes

On October 9, 2019, the Company, and certain subsidiaries of the Company as guarantors, executed a private offering of \$300.0 million aggregate principal amount of 4.50% Senior Notes due 2026 (the “2026 Senior Notes”) at an issue price of 100%. The 2026 Senior Notes mature on November 15, 2026 and bear interest at a rate of 4.50% per annum, payable on May 15 and November 15 of each year, commencing on May 15, 2020.

The 2026 Senior Notes and related subsidiary guarantees were offered and sold in a private transaction exempt from the registration requirements of the Securities Act of 1933, as amended (the “Securities Act”), to qualified institutional buyers in accordance with Rule 144A under the Securities Act and to non-U.S. persons outside of the United States pursuant to Regulation S under the Securities Act. The 2026 Senior Notes and related subsidiary guarantees have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction, and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act and other applicable securities laws.

On October 28, 2019, the Company used the net proceeds from the offering, together with cash on hand and available borrowings under the 2023 ABL (as defined below), to redeem all \$300.0 million aggregate principal amount outstanding of the 2023 Senior Notes (as defined below) at a redemption price of 103.188% and to pay all related accrued interest, fees and expenses.

The intent of the transaction was to take advantage of lower market interest rates by refinancing the existing 2023 Senior Notes with the 2026 Senior Notes. The Company accounted for the refinance as a debt extinguishment of the 2023 Senior Notes and an issuance of the 2026 Senior Notes. As a result, the Company recorded a loss on debt extinguishment of \$14.7 million in the three months ended December 31, 2019. The Company has capitalized debt issuance costs of \$4.8 million related to the 2026 Senior Notes, which are being amortized over the term of the financing arrangements.

As of September 30, 2020, the outstanding balance on the 2026 Senior Notes, net of \$4.1 million of unamortized debt issuance costs, was \$295.9 million.

Financing - Allied Acquisition

In connection with the Allied Acquisition, the Company entered into various financing arrangements totaling \$3.57 billion, including an asset-based revolving line of credit of \$1.30 billion (“2023 ABL”), \$525.0 million of which was drawn at closing, and a \$970.0 million term loan (“2025 Term Loan”). The Company also raised an additional \$1.30 billion through the issuance of senior notes (the “2025 Senior Notes”).

The proceeds from these financing arrangements were used to finance the Allied Acquisition, to refinance or otherwise extinguish all third-party indebtedness, to pay fees and expenses associated with the acquisition, and to provide working capital and funds for other general corporate purposes. The Company capitalized new debt issuance costs totaling approximately \$65.3 million related to the 2023 ABL, the 2025 Term Loan and the 2025 Senior Notes, which are being amortized over the term of the financing arrangements.

2023 ABL

On January 2, 2018, the Company entered into a \$1.30 billion asset-based revolving line of credit with Wells Fargo Bank, N.A. and a syndicate of other lenders. The 2023 ABL, as amended to date, provides for revolving loans in both the United States (“2023 U.S. Revolver”) in an amount up to \$1.25 billion and Canada (“2023 Canada Revolver”) in an amount up to \$50.0 million, in each case subject to a borrowing base. The 2023 ABL has a maturity date of January 2, 2023. The 2023 ABL has various borrowing tranches with an interest rate based, at the Company’s option, on a base rate, plus an applicable margin, or a reserve adjusted LIBOR rate, plus an applicable margin. The applicable margin ranges from 0.25% to 0.75% per annum with respect to base rate borrowings and from 1.25% to 1.75% per annum with respect to LIBOR borrowings. The current unused commitment fees on the 2023 ABL are 0.25% per annum. On July 28, 2020, the Company amended the 2023 ABL to provide for, among other things, a mechanism for replacing LIBOR with the secured overnight financing rate published by the Federal Reserve Bank of New York or other alternate benchmark rate selected by the administrative agent and the Company.

There is one financial covenant under the 2023 ABL, which is the Fixed Charge Coverage Ratio (the “FCCR”). The FCCR is calculated by dividing Consolidated EBITDA, less Capital Expenditures, by Consolidated Fixed Charges (all terms as defined in the agreement). Per the covenant, the Company’s FCCR must be a minimum of 1.00 at the end of each fiscal quarter, calculated on a trailing four quarter basis (or under certain circumstances, at the end of each fiscal month, calculated on a trailing twelve-month basis). Compliance is only required at such times as borrowing availability (subject to certain adjustments) is less than the greater of (i) 10% of the lesser of the borrowing base or the aggregate commitments or (ii) \$90.0 million, and for a period of thirty days thereafter. The Company was in compliance with this covenant as of September 30, 2020.

The 2023 ABL is secured by a first priority lien over substantially all of the Company's and each guarantor's accounts, chattel paper, deposit accounts, books, records and inventory (as well as intangibles related thereto), subject to certain customary exceptions (the "ABL Priority Collateral"), and a second priority lien over substantially all of the Company's and each guarantor's other assets, including all of the equity interests of any subsidiary held by the Company or any guarantor, subject to certain customary exceptions (the "Term Priority Collateral"). The 2023 ABL is guaranteed jointly, severally, fully and unconditionally by the Company's active United States subsidiaries.

In March 2020, the Company elected to draw down approximately \$725 million from its revolving lines of credit. This was a proactive measure to increase the Company's cash position and preserve financial flexibility in light of current uncertainty in global markets resulting from the COVID-19 pandemic. During the second half of fiscal 2020, the Company used a portion of its operating cash flows to fully repay these additional borrowings. As of September 30, 2020, the total balance outstanding on the 2023 ABL, net of \$5.9 million of unamortized debt issuance costs, was \$251.1 million. The Company also has outstanding standby letters of credit related to the 2023 U.S. Revolver in the amount of \$13.0 million as of September 30, 2020.

2025 Term Loan

On January 2, 2018, the Company entered into a \$970.0 million Term Loan with Citibank N.A., and a syndicate of other lenders. The 2025 Term Loan requires quarterly principal payments in the amount of \$2.4 million, with the remaining outstanding principal to be paid on its January 2, 2025 maturity date. The interest rate is based, at the Company's option, on a base rate, plus an applicable margin, or a reserve adjusted LIBOR rate, plus an applicable margin. The applicable margin is 1.25% per annum with respect to base rate borrowings and 2.25% per annum with respect to LIBOR borrowings. The Company has the option of selecting a LIBOR period that determines the rate at which interest can accrue on the Term Loan as well as the period in which interest payments are made.

The 2025 Term Loan is secured by a first priority lien on the Term Priority Collateral and a second priority lien on the ABL Priority Collateral. Certain excluded assets will not be included in the Term Priority Collateral and the ABL Priority Collateral. The Term Loan is guaranteed jointly, severally, fully and unconditionally by the Company's active United States subsidiaries.

As of September 30, 2020, the outstanding balance on the 2025 Term Loan, net of \$23.4 million of unamortized debt issuance costs, was \$922.3 million.

2025 Senior Notes

On October 25, 2017, Beacon Escrow Corporation, a wholly owned subsidiary of the Company (the "Escrow Issuer"), completed a private offering of \$1.30 billion aggregate principal amount of 4.875% Senior Notes due 2025 at an issue price of 100%. The 2025 Senior Notes bear interest at a rate of 4.875% per annum, payable semi-annually in arrears, beginning May 1, 2018. The Company anticipates repaying the 2025 Senior Notes at the maturity date of November 1, 2025. Per the terms of the Escrow Agreement, the net proceeds from the 2025 Senior Notes remained in escrow until they were used to fund a portion of the purchase price of the Allied Acquisition payable at closing on January 2, 2018.

Upon closing of the Allied Acquisition on January 2, 2018, (i) the Escrow Issuer merged with and into the Company, and the Company assumed all obligations under the 2025 Senior Notes; and (ii) all existing domestic subsidiaries of the Company (including the entities acquired in the Allied Acquisition) became guarantors of the 2025 Senior Notes.

As of September 30, 2020, the outstanding balance on the 2025 Senior Notes, net of \$14.3 million of unamortized debt issuance costs, was \$1.29 billion.

Financing - RSG Acquisition

2023 Senior Notes

On October 1, 2015, in connection with the acquisition of Roofing Supply Group, the Company raised \$300.0 million by issuing 6.38% Senior Notes due 2023 (the "2023 Senior Notes"). The 2023 Senior Notes had a coupon rate of 6.38% per annum and were payable semi-annually in arrears, beginning April 1, 2016. There were early payment provisions in the indenture under which the Company would be subject to redemption premiums. On October 28, 2019, the Company redeemed all \$300.0 million aggregate principal amount outstanding of the 2023 Senior Notes at a redemption price of 103.188% plus accrued interest and, as a result, wrote off \$5.1 million of unamortized debt issuance costs.

Other Information

The following table presents annual principal payments for all outstanding financing arrangements for each of the next five years and thereafter (in millions):

Year Ending September 30,	2023 ABL	2025 Term Loan	Senior Notes ¹	Equipment Financing Facilities	Total
2021	\$ —	\$ 9.7	\$ —	\$ 2.6	\$ 12.3
2022	—	9.7	—	—	9.7
2023	257.0	9.7	—	—	266.7
2024	—	9.7	—	—	9.7
2025	—	906.9	—	—	906.9
Thereafter	—	—	1,600.0	—	1,600.0
Total debt	257.0	945.7	1,600.0	2.6	2,805.3
Unamortized debt issuance costs	(5.9)	(23.4)	(18.4)	—	(47.7)
Total long-term debt	\$ 251.1	\$ 922.3	\$ 1,581.6	\$ 2.6	\$ 2,757.6

¹ Represent principal amounts for 2025 Senior Notes and 2026 Senior Notes.

Under the terms of the 2023 ABL, the 2025 Term Loan, the 2025 Senior Notes and the 2026 Senior Notes, the Company is limited in making certain restricted payments, including dividends on its common stock. Based on the provisions in the respective debt agreements and given the Company's intention to not pay common stock dividends in the foreseeable future, the Company does not believe that the restrictions are significant.

11. Leases

The following table summarizes components of operating lease costs recognized within selling, general and administrative expenses (in millions):

	Year Ended September 30, 2020
Operating lease costs	\$ 124.5
Variable lease costs	10.4
Total operating lease costs	\$ 134.9

The following table presents supplemental cash flow information related to operating leases (in millions):

	Year Ended September 30, 2020
Operating cash flows for operating lease liabilities	\$ 118.7

As of September 30, 2020, the Company's operating leases had a weighted-average remaining lease term of 5.6 years and a weighted-average discount rate of 3.87%. The following table summarizes future lease payments under operating leases as of September 30, 2020 (in millions):

Year Ending September 30,	
2021	\$ 115.1
2022	101.4
2023	84.3
2024	67.4
2025	40.8
Thereafter	81.8
Total future lease payments	490.8
Imputed interest	(49.9)
Total operating lease liabilities	\$ 440.9

12. Commitments and Contingencies

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. Historically, environmental liabilities have not had a material impact on the Company's results of operations, financial position or liquidity.

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. Accumulated Other Comprehensive Income (Loss)

Other comprehensive income (loss) is comprised of certain gains and losses that are excluded from net income under GAAP and instead recorded as a separate element of stockholders' equity.

The following table summarizes the components of and changes in accumulated other comprehensive loss (in millions):

	Foreign Currency Translation	Derivative Financial Instruments	AOCI
Balance as of September 30, 2017	\$ (14.6)	\$ —	\$ (14.6)
Other comprehensive loss before reclassifications	(2.7)	—	(2.7)
Reclassifications out of other comprehensive loss	—	—	—
Balance as of September 30, 2018	\$ (17.3)	\$ —	\$ (17.3)
Other comprehensive income before reclassifications	(1.7)	(1.6)	(3.3)
Reclassifications out of other comprehensive loss	—	—	—
Balance as of September 30, 2019	\$ (19.0)	\$ (1.6)	\$ (20.6)
Other comprehensive income before reclassifications	(0.7)	(13.4)	(14.1)
Reclassifications out of other comprehensive loss	—	—	—
Balance as of September 30, 2020	<u>\$ (19.7)</u>	<u>\$ (15.0)</u>	<u>\$ (34.7)</u>

Gains (losses) on derivative instruments are recognized in the consolidated statements of operations in interest expense, financing costs, and other.

14. Income Taxes

The Company recorded a provision for (benefit from) income taxes of \$(26.8) million, \$(0.2) million and \$(30.5) million for the years ended September 30, 2020, 2019 and 2018, respectively.

On March 27, 2020, the U.S. federal government officially signed into law the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). ASC 740, "Accounting for Income Taxes," requires companies to recognize the effect of tax law changes in the period of enactment. The CARES Act allows companies a five-year carryback at the enacted federal tax rate of 35% for net operating losses ("NOLs") arising in tax years beginning after December 31, 2017 and before January 1, 2021. However, due to strong results from operations through year end, the Company realized taxable income for the year ended September 30, 2020 and did not generate any benefit associated with the carryback of losses permitted under the CARES Act.

Other provisions in the CARES Act impacting the Company include the ability to carry back losses due to the technical correction for fiscal year filers with an NOL in the 2017-2018 straddle year, the technical correction regarding qualified improvement property, the increase in Section 163(j) interest limitation percentage, and the allowance of remaining AMT credits to be fully refundable in 2019. The Company carried back losses from 2018 to 2016 during the year to generate an immaterial tax benefit. The increase in Section 163(j) interest limitation percentage allowed the Company to deduct all interest expense from 2020 and utilize the Section 163(j) deferred tax asset carryover generated in 2019. The remaining provisions did not have a material impact on the Company's tax provision (benefit).

On December 22, 2017, the U.S. federal government officially signed into law the Tax Cut and Jobs Act of 2017 ("TCJA"). ASC 740, Accounting for Income Taxes, required companies to recognize the effect of tax law changes in the period of enactment even though the effective date for most provisions was for tax years beginning after December 31, 2017, or in the case of certain other provisions, January 1, 2018. The Company has fully implemented the federal TCJA provisions into its ASC 740 analysis. State conformity to the

TCJA law changes have been communicated by the state and local jurisdictions; therefore, the Company has made adjustments related to the potential impact in its financial statements.

The following table summarizes the components of the income tax provision (benefit) (in millions):

	Year Ended September 30,		
	2020	2019	2018
Current:			
Federal ¹	\$ (1.1)	\$ —	\$ (4.4)
Foreign	1.4	0.6	0.5
State	0.6	1.6	3.5
Total current taxes	0.9	2.2	(0.4)
Deferred:			
Federal	(21.3)	(1.5)	(35.2)
Foreign	0.2	—	(0.2)
State	(6.6)	(0.9)	5.3
Total deferred taxes	(27.7)	(2.4)	(30.1)
Provision for (benefit from) income taxes	\$ (26.8)	\$ (0.2)	\$ (30.5)

¹ 2018 tax benefit due to changes in the treatment of acquired fixed assets stemming from the Tax Cut and Jobs Act of 2017

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:

	Year Ended September 30,		
	2020	2019	2018
U.S. federal income taxes at statutory rate	21.0%	21.0%	24.5%
State income taxes, net of federal benefit	4.1%	(3.3%)	5.2%
Share-based payments	(0.6%)	(4.7%)	(3.9%)
Deferred tax asset/liability remeasurement ¹	0.6%	0.0%	(73.5%)
Repatriation transition tax ¹	0.0%	4.3%	1.8%
Non-deductible meals and entertainment	(0.9%)	(13.9%)	2.2%
Other	0.7%	(1.8%)	(1.2%)
Effective tax rate	24.9%	1.6%	(44.9%)

¹ 2020 includes the impact of carryback of NOLs to 2016 tax year and realization of 35% statutory rate. 2018 includes Impact of Tax Cut and Jobs Act of 2017.

Deferred income taxes reflect the tax consequences of temporary differences between the amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax law. These temporary differences are determined according to ASC 740 Income Taxes. The following table presents temporary differences that give rise to deferred tax assets and liabilities for the periods presented (in millions):

	September 30,	
	2020	2019
Deferred tax assets:		
Deferred compensation	\$ 10.8	\$ 11.1
Allowance for doubtful accounts	5.7	4.2
Accrued vacation and other	10.4	5.2
Inventory valuation	13.7	14.3
Tax loss carryforwards ¹	11.5	18.3
Unrealized loss on financial derivatives	4.8	0.5
Lease liability	111.6	1.6
Total deferred tax assets	168.5	55.2
Deferred tax liabilities:		
Excess tax over book depreciation and amortization	(128.7)	(159.1)
Lease right-of-use asset	(113.8)	—
Total deferred tax liabilities	(242.5)	(159.1)
Net deferred income tax liabilities	\$ (74.0)	\$ (103.9)

¹ Comprised of net operating loss, foreign tax, and alternative minimum tax carryforwards

The Company acquired \$135.3 million of federal and state net operating loss (“NOL”) carryforwards as part of its acquisition of RSG in fiscal year 2016. For the year ended September 30, 2020, the Company utilized \$4.3 million of federal NOLs. As of September 30, 2020, the Company had a total federal NOL carryforward balance of \$27.8 million, portions of which are set to expire at various dates through 2035.

The Company’s non-domestic subsidiary, BRSCC, is treated as a controlled foreign corporation. BRSCC’s taxable income, which reflects all of the Company’s Canadian operations, is being taxed only in Canada and would generally be taxed in the United States only upon an actual or deemed distribution. The Company expects that BRSCC’s earnings will be indefinitely reinvested for the foreseeable future; therefore, no United States deferred tax asset or liability for the differences between the book basis and the tax basis of BRSCC has been recorded as of September 30, 2020.

As of September 30, 2020, the Company’s goodwill balance on its consolidated balance sheet was \$2.49 billion, of which there remains an amortizable tax basis of \$1.25 billion for income tax purposes.

As of September 30, 2020, there were no uncertain tax positions which, if recognized, would affect the Company’s effective tax rate. The Company’s accounting policy is to recognize any interest and penalties related to income tax matters in income tax expense in the consolidated statements of operations.

The Company has operations in 50 U.S. states and 6 provinces in Canada. The Company is currently under audit in certain state and local jurisdictions for various years. These audits may involve complex issues, which may require an extended period of time to resolve. Additional taxes are reasonably possible; however, the amounts cannot be estimated at this time or would not be significant. The Company is no longer subject to U.S. federal income tax examinations for any fiscal years ended on or before September 30, 2016. For the majority of states, the Company is also no longer subject to tax examinations for any fiscal years ended on or before September 30, 2016. In Canada, the Company is no longer subject to tax examinations for any fiscal years ended on or before September 30, 2016. For the Canadian provinces, the Company is no longer subject to tax examinations for any fiscal years ended on or before September 30, 2016.

15. Geographic Data

The following tables summarize certain geographic information for the periods presented (in millions):

	September 30,	
	2020	2019
Long-lived assets:		
U.S.	\$ 985.8	\$ 1,182.5
Canada	9.9	12.4
Total long-lived assets	\$ 995.7	\$ 1,194.9

16. Allowance for Doubtful Accounts

The following table summarizes changes in the valuation of the allowance for doubtful accounts (in millions):

Year Ended September 30,	Beginning Balance	Charged to Operations	Write-offs	Ending Balance
2020	\$ 13.1	\$ 19.2	\$ (13.1)	\$ 19.2
2019	17.6	9.5	(14.0)	13.1
2018	11.8	11.0	(5.2)	17.6

The increase in valuation as of September 30, 2020 is primarily due to the recording of additional allowance in response to certain customer bankruptcies.

17. Fair Value Measurement

As of September 30, 2020, the carrying amount of cash and cash equivalents, accounts receivable, prepaid and other current assets, accounts payable and accrued expenses approximated fair value because of the short-term nature of these instruments. The Company measures its cash equivalents at amortized cost, which approximates fair value based upon quoted market prices (Level 1).

As of September 30, 2020, based upon recent trading prices (Level 2 — market approach), the fair value of the Company's \$300.0 million Senior Notes due in 2026 was \$309.0 million and the fair value of the \$1.30 billion Senior Notes due in 2025 was \$1.28 billion.

As of September 30, 2020, the fair value of the Company's term loan and revolving asset-based line of credit approximated the amount outstanding. The Company estimates the fair value of these financing arrangements by discounting the future cash flows of each instrument using estimated market rates of debt instruments with similar maturities and credit profiles (Level 3).

18. Employee Benefit Plans

The Company maintains defined contribution plans covering all full-time employees of the Company who have 90 days of service and are at least 21 years old. An eligible employee may elect to make a before-tax contribution of between 1% and 100% of his or her compensation through payroll deductions, not to exceed the annual limit set by law. The Company currently matches the first 50% of participant contributions limited to 6% of a participant's gross compensation (maximum Company match is 3%). The combined total expense for this plan and a similar plan for Canadian employees was \$12.1 million, \$11.7 million, and \$11.8 million for the years ended September 30, 2020, 2019, and 2018, respectively.

The Company sponsors an external pension fund for certain of its foreign employees who belong to a local union. Pension contributions are made to government-sponsored social security pension plans in accordance with local legal requirements. Annual contributions were \$1.7 million, \$1.0 million, and \$0.2 million for the years ended September 30, 2020, 2019, and 2018, respectively.

The Company also participates in multi-employer defined benefit plans for which it is not the sponsor. The aggregated expense for these plans was \$2.5 million, \$2.6 million, and \$1.8 million for the years ended September 30, 2020, 2019, and 2018, respectively. Withdrawal from participation in one of these plans requires the Company to make a lump-sum contribution to the plan, and the Company's withdrawal liability depends on the extent of the plan's funding of vested benefits, among other factors. During the year ended September 30, 2020, the Company withdrew from the Central States Pension Fund and Local 408 Pension Fund, both of which were reported to have underfunded liabilities. The Company reached a settlement agreement with each fund, and the lump-sum contributions made to exit the funds did not have a material impact on its results of operations.

19. Financial Derivatives

The Company uses interest rate derivative instruments to manage the risk related to fluctuating cash flows from interest rate changes by converting a portion of its variable-rate borrowings into fixed-rate borrowings.

On September 11, 2019, the Company entered into two interest rate swap agreements to manage the interest rate risk associated with the variable-rate on the 2025 Term Loan. Each swap agreement has a notional amount of \$250 million. One agreement (the “5-year swap”) will expire on August 30, 2024 and swaps the thirty-day LIBOR with a fixed-rate of 1.49%. The second agreement (the “3-year swap”) will expire on August 30, 2022 and swaps the thirty-day LIBOR with a fixed-rate of 1.50%. At the inception of the swap agreements, the Company determined that both swaps qualified for cash flow hedge accounting under ASC 815. Therefore, changes in the fair value of the effective portions of the swaps, net of taxes, will be recognized in other comprehensive income each period, then reclassified into the consolidated statements of operations as a component of interest expense, financing costs, and other in the period in which the hedged transaction affects earnings. Any ineffective portions of the hedges are immediately recognized in earnings as a component of interest expense, financing costs and other.

The effectiveness of the swaps will be assessed qualitatively by the Company during the lives of the hedges by a) comparing the current terms of the hedges with the related hedged debt to assure they continue to coincide and b) through an evaluation of the ability of the counterparty to the hedges to honor their obligations under the hedges. The Company performed a qualitative analysis as of September 30, 2020 and concluded that the swap agreements continue to meet the requirements under ASC 815 to qualify for cash flow hedge accounting. As of September 30, 2020, the fair value of the 3-year and 5-year swaps, net of tax, were \$5.0 million and \$10.0 million, respectively, both in favor of the counterparty. These amounts are included in accrued expenses in the accompanying consolidated balance sheets.

The Company records any differences paid or received on its interest rate hedges to interest expense, financing costs and other. The following table summarizes the combined fair values, net of tax, of the interest rate derivative instruments (in millions):

Instrument	Fair Value Hierarchy	Assets/(Liabilities) as of	
		September 30,	
		2020	2019
Designated interest rate swaps ¹	Level 2	\$ (15.0)	\$ (1.6)

¹ Assets are included on the consolidated balance sheets in prepaid expenses and other current assets, while liabilities are included in accrued expenses.

The fair value of the interest rate swaps is determined through the use of a pricing model, which utilizes verifiable inputs such as market interest rates that are observable at commonly quoted intervals (generally referred to as the “LIBOR Curve”) for the full terms of the hedge agreements. These values reflect a Level 2 measurement under the applicable fair value hierarchy.

The following table summarizes the amounts of gain (loss) on the interest rate derivative instruments recognized in other comprehensive income (in millions):

Instrument	Year Ended September 30,		
	2020	2019	2018
Designated interest rate swaps	\$ (13.4)	\$ (1.6)	\$ —

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

1. Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of September 30, 2020. Based on this evaluation, our chief executive officer and chief financial officer concluded that, as of September 30, 2020, our disclosure controls and procedures were (1) designed to ensure that material information relating to Beacon Roofing Supply, Inc., including its consolidated subsidiaries, is made known to our chief executive officer and chief financial officer by others within those entities, particularly during the period in which this report was being prepared and (2) designed to be effective, and were effective, in that they provide reasonable assurance of achieving their objectives, including that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (a) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (b) accumulated and communicated to management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosures.

2. Internal Control over Financial Reporting

(a) Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the company's principal executive and principal financial officers, and effected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Our internal control system was designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations which may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal controls over financial reporting as of September 30, 2020, using the criteria set forth in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (COSO). Based on our assessment, we believe that, as of September 30, 2020, our internal control over financial reporting is effective at the reasonable assurance level based on those criteria.

Our Independent Registered Public Accounting Firm has issued a report on our internal control over financial reporting. This report appears below.

(b) Attestation Report of the Independent Registered Public Accounting Firm

Report of Independent Registered Public Accounting Firm

The Shareholders and Board of Directors of
Beacon Roofing Supply, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Beacon Roofing Supply, Inc.'s internal control over financial reporting as of September 30, 2020, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Beacon Roofing Supply, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of September 30, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Beacon Roofing Supply, Inc. as of September 30, 2020 and 2019, and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended September 30, 2020, and the related notes and our report dated November 20, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Tysons, Virginia
November 20, 2020

(c) Changes in Internal Control Over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) occurred during the fiscal quarter ended September 30, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

This part of our Form 10-K, which includes Items 10 through 14, is omitted because we will file our definitive proxy statement for our 2021 Annual Meeting of Shareholders pursuant to Regulation 14A with the SEC not later than 120 days after the close of our fiscal year-end, which proxy statement will include the information required by Items 10 through 14 and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1) Financial Statements

The following financial statements of our Company and Report of the Independent Registered Public Accounting Firm are included in Part II, Item 8 of this Report:

- Report of Independent Registered Public Accounting Firm
- Consolidated Balance Sheets as September 30, 2020 and 2019
- Consolidated Statements of Operations for the years ended September 30, 2020, 2019, and 2018
- Consolidated Statements of Comprehensive Income for the years ended September 30, 2020, 2019, and 2018
- Consolidated Statements of Stockholders' Equity for the years ended September 30, 2020, 2019, and 2018
- Consolidated Statements of Cash Flows for the years ended September 30, 2020, 2019, and 2018
- Notes to Consolidated Financial Statements

(2) Financial Statement Schedules

Financial statement schedules have been omitted because they are either not applicable or the required information has been disclosed in the financial statements or notes thereto.

INDEX TO EXHIBITS

Exhibit Number	Description	Incorporated by Reference		
		Form	Exhibit	Filing Date
2.1	Stock Purchase Agreement, dated as of August 24, 2017, by and among Beacon Roofing Supply, Inc., as Buyer, Oldcastle, Inc., as Parent, and Oldcastle Distribution, Inc., as Seller.	8-K	2.1	August 24, 2017
3.1	Second Amended and Restated Certificate of Incorporation of Beacon Roofing Supply, Inc.	10-K	3.1	December 23, 2004
3.2	Amended and Restated By-Laws of Beacon Roofing Supply, Inc.	8-K	3.1	September 24, 2014
3.3	Certificate of Designations, Preferences and Rights of Series A Cumulative Convertible Participating Preferred Stock of Beacon Roofing Supply, Inc.	8-K	3.1	January 5, 2018
4.1	Description of Common Stock	10-K	4.1	November 26, 2019
4.2	Indenture, dated as of October 1, 2015, by and among Beacon Roofing Supply, Inc., the subsidiary guarantors party thereto, and U.S. Bank National Association, as trustee.	8-K	4.1	October 1, 2015
4.3	Supplemental Indenture, dated as of October 1, 2015, by and among Beacon Roofing Supply, Inc. ("Beacon"), certain direct and indirect subsidiaries of Beacon, as additional subsidiary guarantors, and U.S. Bank National Association, as trustee.	8-K	4.2	October 1, 2015
4.4	Second Supplemental Indenture, dated as of January 2, 2018, to the Indenture dated as of October 1, 2015, by and among Beacon Roofing Supply, Inc., certain direct and indirect subsidiaries of Beacon, as additional subsidiary guarantors, and U.S. Bank National Association, as trustee.	8-K	4.3	January 5, 2018
4.5	Form of 6.375% Senior Notes due 2023 (included as Exhibit A to the Indenture incorporated by reference as Exhibit 4.2).	8-K	4.3	October 1, 2015
4.6	Indenture, dated as of October 25, 2017, between Beacon Escrow Corporation and U.S. Bank National Association, as trustee.	8-K	4.1	October 26, 2017
4.7	Supplemental Indenture, dated as of January 2, 2018, to the Indenture dated as of October 25, 2017, by and among Beacon Roofing Supply, Inc., certain direct and indirect subsidiaries of Beacon, as subsidiary guarantors, and U.S. Bank National Association, as trustee.	8-K	4.2	January 5, 2018
4.8	Form of 4.875% Senior Notes due 2025 (included as Exhibit A to the Indenture incorporated by reference as Exhibit 4.6).	8-K	4.2	October 26, 2017
4.9	Indenture, dated as of October 9, 2019, by and among Beacon Roofing Supply, Inc., the subsidiary guarantors party thereto, and U.S. Bank National Association, as trustee and collateral agent.	8-K	4.1	October 9, 2019
4.10	Form of 4.500% Senior Secured Notes due 2026 (included as Exhibit A to the Indenture incorporated by reference as Exhibit 4.9).	8-K	4.2	October 9, 2019
10.1	Term Loan Credit Agreement, dated as of January 2, 2018, by and among Beacon Roofing Supply, Inc., Citibank N.A., as administrative agent, and the lenders and financial institutions party thereto.	8-K	10.1	January 5, 2018
10.2	Amended and Restated Credit Agreement, dated as of January 2, 2018, by and among Beacon Roofing Supply, Inc., Wells Fargo Bank, National Association, as administrative agent, and the US borrowers, Canadian borrower, lenders and financial institutions party thereto.	8-K	10.2	January 5, 2018

10.3*	Amendment No. 2 to Amended and Restated Credit Agreement, dated as of July 28, 2020, by and among Beacon Roofing Supply, Inc., Wells Fargo Bank, National Association, as administrative agent, and the US borrowers, Canadian borrower, and lenders party thereto.			
10.4	Investment Agreement, dated as of August 24, 2017, by and among Beacon Roofing Supply, Inc., CD&R Boulder Holdings, L.P. and Clayton, Dubilier & Rice Fund IX, L.P. (solely for purposes of Sections 4.13 and 4.14 thereof), including the form of Certificate of Designations and Registration Rights Agreement attached as Exhibits A and B thereto, respectively.	8-K	10.1	August 24, 2017
10.5	Letter Agreement, dated as of November 20, 2018, by and among Beacon Roofing Supply, Inc., CD&R Boulder Holdings, L.P. and Clayton, Dubilier & Rice Fund IX, L.P. (solely for the purposes described therein)	8-K	10.1	November 21, 2018
10.6	Letter Agreement, dated February 13, 2019, by and among Beacon Roofing Supply, Inc., CD&R Boulder Holdings, L.P. and Clayton, Dubilier & Rice Fund IX, L.P. (solely for the purposes described therein)	10-Q	10.1	May 8, 2019
10.7	Registration Rights Agreement, dated as of January 2, 2018, by and between Beacon Roofing Supply, Inc. and CD&R Boulder Holdings, L.P.	8-K	10.4	January 5, 2018
10.8	Amendment and Restatement of Section 2(a) of the Registration Rights Agreement, dated June 11, 2019	10-Q	10.1	August 7, 2019
10.9	Executive Securities Agreement dated as of October 20, 2003 by and between Beacon Roofing Supply, Inc., Robert Buck and Code, Hennessy & Simmons III, L.P.	S-1	10.5	May 28, 2004
10.10+	Description of Executive Annual Incentive Plan	10-Q	10.2	February 4, 2020
10.11+	Beacon Roofing Supply, Inc. Amended and Restated 2004 Stock Plan	DEF 14A	Appendix A	January 7, 2011
10.12+	First Amendment dated as of October 31, 2011 to the Beacon Roofing Supply, Inc. 2004 Stock Plan	10-K	10.10	November 29, 2011
10.13+	Beacon Roofing Supply, Inc. Second Amended and Restated 2014 Stock Plan	DEF 14A	Appendix A	January 9, 2020
10.14+	Form of Beacon Roofing Supply, Inc. Second Amended and Restated 2014 Stock Plan Restricted Stock Unit Award Agreement for Non-Employee Directors (Settle at Retirement)	10-Q	10.2	May 8, 2020
10.15+	Form of Beacon Roofing Supply, Inc. Second Amended and Restated 2014 Stock Plan Restricted Stock Unit Award Agreement for Non-Employee Directors (Settle at Vest)	10-Q	10.3	May 8, 2020
10.16+	Form of Beacon Roofing Supply, Inc. Second Amended and Restated 2014 Stock Plan Performance-Based Restricted Stock Unit Award Agreement for Employees	10-Q	10.4	May 8, 2020
10.17+	Form of Beacon Roofing Supply, Inc. Second Amended and Restated 2014 Stock Plan Time-Based Restricted Stock Unit Award Agreement for Employees	10-Q	10.5	May 8, 2020
10.18+	Form of Beacon Roofing Supply, Inc. Second Amended and Restated 2014 Stock Plan Stock Option Agreement	10-Q	10.6	May 8, 2020
10.19*+	Executive Severance and Restrictive Covenant Agreement, dated as of September 10, 2020, between Beacon Roofing Supply, Inc., Beacon Sales Acquisition, Inc. and Julian G. Francis.			
10.20*+	Form of Executive Severance and Restrictive Covenant Agreement between Beacon Roofing Supply, Inc., Beacon Sales Acquisition, Inc. and executive officers and certain senior management.			
10.21+	Separation Agreement, dated as of November 24, 2019, between Beacon Roofing Supply, Inc. and Joseph Nowicki	10-Q	10.1	February 4, 2020
21*	Subsidiaries of Beacon Roofing Supply, Inc.			

- 23.1* [Consent of Independent Registered Public Accounting Firm](#)
- 31.1* [CEO certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 31.2* [CFO certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 32.1* [CEO certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 32.2* [CFO certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 101* 101.INS XBRL Instance—the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH XBRL Taxonomy Extension Schema
101.CAL XBRL Taxonomy Extension Calculation
101.PRE XBRL Taxonomy Extension Presentation
101.LAB XBRL Taxonomy Extension Labels
101.DEF XBRL Taxonomy Extension Definition
- 104* Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

+ Management contract or compensatory plan/arrangement

* Filed herewith

ITEM 16. 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BEACON ROOFING SUPPLY, INC. (REGISTRANT)

By: /s/ FRANK A. LONEGRO

Frank A. Lonegro

Executive Vice President and Chief Financial Officer

Date: November 20, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>SIGNATURE</u>	<u>TITLE</u>	<u>DATE</u>
<u>/s/ PHILIP W. KNISELY</u> Philip W. Knisely	Chairman	November 20, 2020
<u>/s/ JULIAN G. FRANCIS</u> Julian G. Francis	President and Chief Executive Officer	November 20, 2020
<u>/s/ FRANK A. LONEGRO</u> Frank A. Lonegro	Executive Vice President and Chief Financial Officer	November 20, 2020
<u>/s/ SAMUEL M. GUZMAN</u> Samuel M. Guzman	Vice President and Chief Accounting Officer	November 20, 2020
<u>/s/ CARL T. BERQUIST</u> Carl T. Berquist	Director	November 20, 2020
<u>/s/ ROBERT R. BUCK</u> Robert R. Buck	Director	November 20, 2020
<u>/s/ BARBARA G. FAST</u> Barbara G. Fast	Director	November 20, 2020
<u>/s/ RICHARD W. FROST</u> Richard W. Frost	Director	November 20, 2020
<u>/s/ ALAN GERSHENHORN</u> Alan Gershenhorn	Director	November 20, 2020
<u>/s/ ROBERT M. MCLAUGHLIN</u> Robert M. McLaughlin	Director	November 20, 2020
<u>/s/ NEIL S. NOVICH</u> Neil S. Novich	Director	November 20, 2020
<u>/s/ STUART A. RANDLE</u> Stuart A. Randle	Director	November 20, 2020
<u>/s/ NATHAN K. SLEEPER</u> Nathan K. Sleeper	Director	November 20, 2020
<u>/s/ DOUGLAS L. YOUNG</u> Douglas L. Young	Director	November 20, 2020

[Execution]

AMENDMENT NO. 2 TO AMENDED AND RESTATED CREDIT AGREEMENT

AMENDMENT NO. 2 TO AMENDED AND RESTATED CREDIT AGREEMENT, dated as of July 28, 2020 (this "Amendment No. 2"), is by and among Wells Fargo Bank, National Association, a national banking association, in its capacity as administrative agent and collateral agent (in such capacity, together with its successors and assigns, "Administrative Agent") pursuant to the Credit Agreement (as defined below), the parties to the Credit Agreement from time to time as lenders (individually, each a "Lender" and collectively, "Lenders"), Beacon Roofing Supply, Inc., a Delaware corporation ("Holdings"), Beacon Sales Acquisition, Inc., a Delaware corporation ("Beacon Sales" and together with any other person that may become a US Borrower under the Credit Agreement, individually, each a "US Borrower" and collectively, "US Borrowers"), Beacon Roofing Supply Canada Company, an unlimited liability company organized under the laws of Nova Scotia ("Beacon Canada" and together with any other person that may become a Canadian Borrower under the Credit Agreement, individually, a "Canadian Borrower" and collectively, "Canadian Borrowers"), and together with US Borrowers, individually a "Borrower" and collectively, "Borrowers").

WITNESSETH:

WHEREAS, Administrative Agent, Lenders and certain other parties have entered into a senior secured revolving credit facility pursuant to which Administrative Agent and Lenders have made, and may make, loans and advances and provide other financial accommodations to Borrowers as set forth in the Amended and Restated Credit Agreement, dated as of January 2, 2018, by and among Borrowers, Wells Fargo Bank, National Association, Citigroup Capital Markets Inc., Bank of America, N.A., J.P. Morgan Securities LLC, and Suntrust Robinson Humphrey, Inc., each as a Joint Lead Arranger and Joint Bookrunner, Wells Fargo Bank, N.A., as Issuing Bank, Wells Fargo Bank, N.A., as Swingline Lender, Administrative Agent and Lenders, as amended by Amendment No. 1 to Amended and Restated Credit Agreement, dated as of December 20, 2018 (as the same now exists or may hereafter be further amended, amended and restated, modified, supplemented, extended, renewed, restated or replaced, the "Credit Agreement"), and the other Loan Documents (as defined in the Credit Agreement);

WHEREAS, in connection with such arrangements and other matters, Borrowers and Guarantors have requested that Administrative Agent and Lenders agree to certain amendments to the Credit Agreement, and Administrative Agent and Lenders are willing to agree to such amendments, subject to the terms and conditions contained herein; and

WHEREAS, by this Amendment No. 2, Administrative Agent, Lenders, Borrowers and Guarantors intend to evidence such amendments;

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions.

1.1. Additional Definitions. The Credit Agreement and the other Loan Documents shall be deemed and are hereby amended to include, in addition and not in limitation, the following defined terms:

"Affected Financial Institution" means (a) any EEA Financial Institution or (b) any UK Financial Institution.

“Amendment No. 2” means Amendment No. 2 to Amended and Restated Credit Agreement by and among Administrative Agent, Lenders, and Credit Parties, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

“Amendment No. 2 Effective Date” means the first date on which the conditions precedent set forth in Section 4 of Amendment No. 2 are satisfied as set forth in the notice from Administrative Agent to Borrower Representative provided for in Section 4 of Amendment No. 2.

“Benchmark Replacement” means the sum of: (a) the alternate benchmark rate (which may include Term SOFR) that has been selected by Administrative Agent and Borrower Representative giving due consideration to (i) any selection or recommendation of a replacement rate or the mechanism for determining such a rate by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a rate of interest as a replacement to the LIBOR Rate for United States dollar-denominated syndicated credit facilities and (b) the Benchmark Replacement Adjustment; provided that, if the Benchmark Replacement as so determined would be less than zero, the Benchmark Replacement shall be deemed to be zero for the purposes of this Agreement.

“Benchmark Replacement Adjustment” means, with respect to any replacement of the LIBOR Rate with an Unadjusted Benchmark Replacement for each applicable Interest Period, the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by Administrative Agent and Borrower Representative giving due consideration to (i) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the LIBOR Rate with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the LIBOR Rate with the applicable Unadjusted Benchmark Replacement for United States dollar-denominated syndicated credit facilities at such time.

“Benchmark Replacement Conforming Changes” means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of “Base Rate”, the definition of “Interest Period”, timing and frequency of determining rates and making payments of interest and other administrative matters) that Administrative Agent decides in its reasonable discretion (in consultation with the Borrower Representative) may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by Administrative Agent in a manner substantially consistent with market practice (or, if Administrative Agent decides that adoption of any portion of such market practice is not administratively feasible or if Administrative Agent determines that no market practice for the administration of the Benchmark Replacement exists, in such other manner of administration as Administrative Agent decides (in consultation with the Borrower Representative) is reasonably necessary in connection with the administration of this Agreement).

“Benchmark Replacement Date” means the earlier to occur of the following events with respect to the LIBOR Rate:

(a) in the case of clause (a) or (b) of the definition of “Benchmark Transition Event,” the later of (i) the date of the public statement or publication of information referenced therein and (ii) the date on which the administrator of the LIBOR Rate permanently or indefinitely ceases to

provide the LIBOR Rate; or

(b) in the case of clause (c) of the definition of “Benchmark Transition Event,” the date of the public statement or publication of information referenced therein.

“Benchmark Transition Event” means the occurrence of one or more of the following events with respect to the LIBOR Rate:

(a) a public statement or publication of information by or on behalf of the administrator of the LIBOR Rate announcing that such administrator has ceased or will cease to provide the LIBOR Rate, permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the LIBOR Rate;

(b) a public statement or publication of information by the regulatory supervisor for the administrator of the LIBOR Rate, the Federal Reserve System of the United States (or any successor), an insolvency official with jurisdiction over the administrator for the LIBOR Rate, a resolution authority with jurisdiction over the administrator for the LIBOR Rate or a court or an entity with similar insolvency or resolution authority over the administrator for the LIBOR Rate, which states that the administrator of the LIBOR Rate has ceased or will cease to provide the LIBOR Rate permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the LIBOR Rate; or

(c) a public statement or publication of information by the regulatory supervisor for the administrator of the LIBOR Rate announcing that the LIBOR Rate is no longer representative.

“Benchmark Transition Start Date” means (a) in the case of a Benchmark Transition Event, the earlier of (i) the applicable Benchmark Replacement Date and (ii) if such Benchmark Transition Event is a public statement or publication of information of a prospective event, the 90th day prior to the expected date of such event as of such public statement or publication of information (or if the expected date of such prospective event is fewer than 90 days after such statement or publication, the date of such statement or publication) and (b) in the case of an Early Opt-in Election, the date specified by Administrative Agent or the Required Lenders, as applicable, by notice to Borrower Representative, Administrative Agent (in the case of such notice by the Required Lenders) and the Lenders.

“Benchmark Unavailability Period” means, if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the LIBOR Rate and solely to the extent that the LIBOR Rate has not been replaced with a Benchmark Replacement, the period (x) beginning at the time that such Benchmark Replacement Date has occurred if, at such time, no Benchmark Replacement has replaced the LIBOR Rate for all purposes hereunder in accordance with Section 6.1(f) and (y) ending at the time that a Benchmark Replacement has replaced the LIBOR Rate for all purposes hereunder pursuant to Section 6.1(f).

“BHC Act Affiliate” of a person means an “affiliate” (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such person.

“Covered Entity” means any of the following: (a) a “covered entity” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b); (b) a “covered bank” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or (c) a “covered FSI” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

“Covered Party” has the meaning assigned thereto in Section 13.24.

“Default Right” has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

“Early Opt-in Election” means the occurrence of:

(a) (i) a determination by Administrative Agent or (ii) a notification by the Required Lenders to Administrative Agent (with a copy to Borrower Representative) that the Required Lenders have determined that United States dollar-denominated syndicated credit facilities being executed at such time, or that include language similar to that contained in Section 6.1(f) are being executed or amended, as applicable, to incorporate or adopt a new benchmark interest rate to replace the LIBOR Rate, and

(b) (i) the election by Administrative Agent or (ii) the election by the Required Lenders to declare that an Early Opt-in Election has occurred and the provision, as applicable, by Administrative Agent of written notice of such election to Borrower Representative and the Lenders or by the Required Lenders of written notice of such election to Administrative Agent.

“Hedging Agreement” means a “swap agreement” as that term is defined in Section 101(53B)(A) of the Bankruptcy Code.

“QFC” has the meaning assigned to the term “qualified financial contract” in, and shall be interpreted in accordance with, 12 U.S.C. § 5390(c)(8)(D).

“QFC Credit Support” has the meaning assigned thereto in Section 13.24.

“Relevant Governmental Body” means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto.

“Resolution Authority” means an EEA Resolution Authority or, with respect to any UK Financial Institution, a UK Resolution Authority.

“SOFR” with respect to any day means the secured overnight financing rate published for such day by the Federal Reserve Bank of New York, as the administrator of the benchmark, (or a successor administrator) on the Federal Reserve Bank of New York’s Website.

“Supported QFC” has the meaning assigned thereto in Section 13.24.

“Term SOFR” means the forward-looking term rate based on SOFR that has been selected or recommended by the Relevant Governmental Body.

“UK Financial Institution” means any BRRD Undertaking (as such term is defined under the PRA Rulebook (as amended from time to time) promulgated by the United Kingdom Prudential Regulation Authority) or any person falling within IFPRU 11.6 of the FCA Handbook (as amended from time to time) promulgated by the United Kingdom Financial Conduct Authority, which includes certain credit institutions and investment firms, and certain affiliates of such credit institutions or investment firms.

“UK Resolution Authority” means the Bank of England or any other public

administrative authority having responsibility for the resolution of any UK Financial Institution.

“U.S. Special Resolution Regimes” has the meaning assigned thereto in Section 13.24.

“Unadjusted Benchmark Replacement” means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

1.2. Amendments to Definitions.

(a) The definition of the term “Bail-In Action” set forth in Section 1.1 of the Credit Agreement is hereby deleted in its entirety and replaced with the following:

“Bail-In Action” means the exercise of any Write-Down and Conversion Powers by the applicable Resolution Authority in respect of any liability of an Affected Financial Institution.

(b) The definition of the term “Bail-In Legislation” set forth in Section 1.1 of the Credit Agreement is hereby deleted in its entirety and replaced with the following:

“Bail-In Legislation” means (a) with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law, regulation, rule or requirement for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule and (b) with respect to the United Kingdom, Part 1 of the United Kingdom Banking Act 2009 (as amended from time to time) and any other law, regulation or rule applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (other than through liquidation, administration or other insolvency proceedings).

(c) The definition of the term “Write-Down and Conversion Powers” set forth in Section 1.1 of the Credit Agreement is hereby deleted in its entirety and replaced with the following:

“Write-Down and Conversion Powers” means, (a) with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule, and (b) with respect to the United Kingdom, any powers of the applicable Resolution Authority under the Bail-In Legislation to cancel, reduce, modify or change the form of a liability of any UK Financial Institution or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers.

1.3. Interpretation. For purposes of this Amendment No. 2, all terms used herein which are not otherwise defined herein, including but not limited to, those terms used in the recitals hereto, shall have the respective meanings assigned thereto in the Credit Agreement as amended by this Amendment No. 2.

2. Amendments to Credit Agreement.

2.1. Applicable Margin. The definition of the term Applicable Margin in the Credit

Agreement is hereby amended to add the following sentence at the end thereof:

Notwithstanding anything to the contrary in this definition, the Applicable Margin shall be based on the applicable percentage set forth in Tier 3 of the chart above for the period from and including the date of the receipt by Administrative Agent of the Borrowing Base Certificate setting forth the calculation of the Borrowing Base as of September 30, 2020 through and including the date of the receipt by Administrative Agent of the Borrowing Base Certificate setting forth the calculation of the Borrowing Base as of March 31, 2021, without regard to the amount of Excess Availability that might otherwise determine the Tier to be used for purposes of the determination of the Applicable Margin, but subject in all cases to clause (iv) above and Section 6.1(c).

2.2. Eligible Accounts. Clause (a) of the definition of “Eligible Accounts” in the Credit Agreement is hereby deleted in its entirety and replaced with the following:

(a) Accounts which either are sixty (60) days or more past due or are unpaid more than one hundred twenty (120) days after the original invoice date, except, that, for the period from and including the date of the receipt by Administrative Agent of the Borrowing Base Certificate setting forth the calculation of the Borrowing Base as of September 30, 2020 through and including March 31, 2021 (and including for this purpose the Borrowing Base Certificate with the outstanding Eligible Accounts as of such date), Accounts which either are ninety (90) days or more past due or are unpaid more than one hundred fifty (150) days after the original invoice date, provided, that, the aggregate amount of such Accounts that may be included as Eligible Accounts at any time during such period set forth in this exception shall not exceed \$150,000,000;

2.3. Reallocation of Loan Limits. Section 2.4 of the Credit Agreement is hereby deleted in its entirety and replaced with the following:

(a) Subject to the terms and conditions of this Section 2.4, Borrower Representative shall have the right (i) to decrease the US Loan Limit and contemporaneously increase the Canadian Loan Limit by the same amount (provided, that, in no event shall the Canadian Loan Limit be greater than the US Dollar Equivalent of \$125,000,000) so that upon any such decrease in the US Loan Limit there shall be a dollar-for-dollar increase in the Canadian Loan Limit and (ii) to decrease the Canadian Loan Limit and contemporaneously increase the US Loan Limit by the same amount so that upon any such decrease in the Canadian Loan Limit there shall be a dollar-for-dollar increase in the US Loan Limit.

(b) Any decrease in the US Loan Limit and corresponding increase in the Canadian Loan Limit pursuant to Section 2.4(a) (i) above shall be subject to the following conditions: (i) the Borrower Representative shall have provided to Administrative Agent a written notice at least ten (10) Business Days prior to the requested effective date therefor setting forth the proposed amount of such decrease, (ii) after giving effect to any such decrease, the amount of the US Outstandings shall not be more than the amount equal to ninety percent (90%) of the US Loan Limit as so decreased, (iii) no more than one (1) such decrease may be requested in any twelve (12) consecutive month period, (iv) as of the date of any such decrease in the US Loan Limit (and corresponding increase in the Canadian Loan Limit) and after giving effect thereto, the Canadian Loan Limit shall not be greater than the US Dollar Equivalent of \$125,000,000, and (v) as of the date of any such decrease in the US Loan Limit (and corresponding increase in the Canadian Loan Limit), no Default or Event of Default shall exist or have occurred and be continuing. Each such decrease in the US Loan Limit shall be allocated between each US Lender based on its US

Commitment Percentage and corresponding increase in the Canadian Loan Limit shall be allocated between each Canadian Lender based on its Canadian Commitment Percentage.

(c) Any decrease in the Canadian Loan Limit and corresponding increase in the US Loan Limit pursuant to Section 2.4(a) (ii) above shall be subject to the following conditions: (i) the Borrower Representative shall have provided to Administrative Agent a written notice at least ten (10) Business Days prior to the requested effective date therefor setting forth the proposed amount of such decrease, (ii) after giving effect to any such decrease, the amount of the Canadian Outstandings shall not be more than the amount equal to ninety percent (90%) of the Canadian Loan Limit as so decreased, (iii) no more than one (1) such decrease may be requested in any twelve (12) consecutive month period, and (iv) as of the date of any such decrease in the Canadian Loan Limit (and corresponding increase in the US Loan Limit), no Default or Event of Default shall exist or have occurred and be continuing. Each such decrease in the Canadian Loan Limit shall be allocated between each Canadian Lender based on its Canadian Commitment Percentage and corresponding increase in the US Loan Limit shall be allocated to the US Commitment of each US Lender that is also a Canadian Lender in the amount of the decrease in such Lender's Canadian Commitment.

(d) The outstanding Revolving Loans and Commitment Percentages of Swingline Loans and LC Obligations will be reallocated by Administrative Agent on the effectiveness of such decrease in the US Loan Limit and increase in the Canadian Loan Limit, or decrease in the Canadian Loan Limit and increase in the US Loan Limit, as the case may be, and the Lenders agree to make all payments and adjustments necessary to effect such reallocation and Borrower Representative shall pay any and all costs required in connection with such reallocation. Administrative Agent may, without the consent of any other Lenders, effect such amendments to this Agreement and the other Loan Documents as may be necessary or appropriate, in the opinion of Administrative Agent, to effect the provisions of this Section 2.4 and Administrative Agent is authorized to amend Schedule 1.1(a) to reflect the new US Commitments and Canadian Commitments without the consent of any Lender or other Person.

(e) As of the Amendment No. 2 Effective Date, Borrower Representative has exercised its right pursuant to Section 2.4(c) above to decrease the Canadian Loan Limit to \$50,000,000 with a corresponding increase in the US Loan Limit to \$1,250,000,000. Schedule 1.1(a) of the Credit Agreement is replaced and superseded in its entirety by Exhibit A attached to this Amendment No. 2.

2.4. Acknowledgement and Consent to Bail-In of Affected Financial Institutions. Section 13.23 of the Credit Agreement is hereby deleted in its entirety and replaced with the following:

13.23 Acknowledgement and Consent to Bail-In of Affected Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Affected Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of the applicable Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by the applicable Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an Affected Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such Affected Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of the applicable Resolution Authority.

2.5. Supported QFC's. Article XIII of the Credit Agreement is hereby amended by inserting the following new Section 13.24 at the end of such Article:

“13.24 Acknowledgement Regarding Any Supported QFCs. To the extent that the Loan Documents provide support through a guarantee or otherwise, for Hedging Agreements or any other agreement or instrument that is a QFC (such support, “QFC Credit Support”, and each such QFC, a “Supported QFC”), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the “U.S. Special Resolution Regimes”) in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Loan Documents and any Supported QFC may in fact be stated to be governed by the laws of the State of New York and/or of the United States or any other state of the United States): In the event a Covered Entity that is party to a Supported QFC (each, a “Covered Party”) becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the laws of the United States or a state of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Loan Documents that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Loan Documents were governed by the laws of the United States or a state of the United States. Without limitation of the foregoing, it is understood and agreed that rights and remedies of the parties with respect to a Defaulting Lender shall in no event affect the rights of any Covered Party with respect to a Supported QFC or any QFC Credit Support.”

2.6. LIBOR Replacement. Section 6.1 of the Credit Agreement is hereby amended by inserting the following new clause (f) at the end of such Section:

“(f) Effect of Benchmark Transition Event.

(A) Benchmark Replacement. Notwithstanding anything to the contrary herein or in any other Loan Document, upon the occurrence of a Benchmark Transition Event or

an Early Opt-in Election, as applicable, Administrative Agent and Borrower Representative may amend this Agreement to replace the LIBOR Rate with a Benchmark Replacement. Any such amendment with respect to a Benchmark Transition Event or an Early Opt-in Election will become effective at 5:00 p.m. on the fifth (5th) Business Day after Administrative Agent has posted such proposed amendment to all Lenders and Borrower Representative so long as Administrative Agent has not received, by such time, written notice of objection to such amendment from Lenders comprising the Required Lenders. No replacement of the LIBOR Rate with a Benchmark Replacement pursuant to this Section 6.1(f) will occur prior to the applicable Benchmark Transition Start Date.

(B) Benchmark Replacement Conforming Changes. In connection with the implementation of a Benchmark Replacement, Administrative Agent will have the right to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of any other party to this Agreement.

(C) Notices; Standards for Decisions and Determinations. Administrative Agent will promptly notify Borrower Representative and the Lenders of (1) any occurrence of a Benchmark Transition Event or an Early Opt-in Election, as applicable, and its related Benchmark Replacement Date and Benchmark Transition Start Date, (2) the implementation of any Benchmark Replacement, (3) the effectiveness of any Benchmark Replacement Conforming Changes and (4) the commencement or conclusion of any Benchmark Unavailability Period. Any determination, decision or election that may be made by Administrative Agent or Lenders pursuant to this Section 6.1(f) including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action, will be conclusive and binding absent manifest error and may be made in its or their sole discretion and without consent from any other party hereto, except, in each case, as expressly required pursuant to this Section 6.1(f).

(D) Benchmark Unavailability Period. Upon Borrower Representative's receipt of notice of the commencement of a Benchmark Unavailability Period, Borrower Representative may revoke any request for a Borrowing of or conversion to or continuation of LIBOR Rate Loans to be made, converted or continued during any Benchmark Unavailability Period and, failing that, Borrower Representative will be deemed to have converted any such request into a request for a Borrowing of or conversion to Base Rate Loans. During any Benchmark Unavailability Period, the component of Base Rate based upon the LIBOR Rate will not be used in any determination of the Base Rate."

3. Representations and Warranties. Each of the Credit Parties, jointly and severally, represents and warrants with and to Secured Parties as follows, which representations and warranties shall survive the execution and delivery hereof:

3.1. As of the Amendment No. 2 Effective Date, no Default or Event of Default exists or has occurred and is continuing.

3.2. This Amendment No. 2 has been duly authorized, executed and delivered by all necessary corporate or limited liability company action, as applicable, on the part of each Credit Party which is a party hereto and, if necessary, their respective equity holders and is in full force and effect as of the date hereof, as the case may be, and the agreements and obligations of each Credit Party, as the case may be, contained herein constitute legal, valid and binding obligations of each Credit Party,

enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

3.3. All of the representations and warranties of the Credit Parties set forth herein and in each of the other Loan Documents shall be true and correct in all material respects (or, in the case of any representations and warranties qualified by materiality or Material Adverse Effect, in all respects) on and as of the Amendment No. 2 Effective Date before and after giving effect to the effectiveness of this Amendment No. 2 and the transactions contemplated hereby with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties shall be true and correct in all material respects (or, in the case of any representations and warranties qualified by materiality or Material Adverse Effect, in all respects) as of such earlier date).

4. Conditions Precedent. The amendments contained herein shall only be effective upon the receipt by Administrative Agent of each of the following:

4.1. Administrative Agent shall have received an executed original or executed original counterparts of this Amendment No. 2, duly authorized, executed and delivered by the Supermajority Lenders, Borrowers and Guarantors;

4.2. Administrative Agent shall have received payment of all fees and expenses due and payable in connection with this Amendment No. 2; and

4.3. after giving effect to the amendments contemplated by this Amendment No. 2, no Default or Event of Default shall exist or have occurred and be continuing.

Administrative Agent shall notify Borrower Representative of the Amendment No. 2 Effective Date and such notice shall be conclusive and binding (and in the case of Section 4.2, based on the representation set forth in Section 3.1 above).

5. Effect of Amendment No. 2. Except as expressly set forth herein, no other amendments, changes or modifications to the Loan Documents are intended or implied, and in all other respects the Loan Documents are hereby specifically ratified and confirmed by all parties hereto as of the effective date hereof and the Credit Parties shall not be entitled to any other or further amendment by virtue of the provisions of this Amendment No. 2 or with respect to the subject matter of this Amendment No. 2. To the extent of conflict between the terms of this Amendment No. 2 and the other Loan Documents, the terms of this Amendment No. 2 shall control. The Credit Agreement and this Amendment No. 2 shall be read and construed as one agreement. This Amendment No. 2 is a Loan Document.

6. Governing Law. The validity, interpretation and enforcement of this Amendment No. 2 and any dispute arising out of the relationship between the parties hereto whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of New York but excluding any principles of conflicts of law or other rule of law that would cause the application of the law of any jurisdiction other than the laws of the State of New York.

7. Jury Trial Waiver. CREDIT PARTIES, ADMINISTRATIVE AGENT AND LENDERS EACH HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER THIS AMENDMENT NO. 2 OR ANY OF THE OTHER LOAN DOCUMENTS OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO IN RESPECT OF THIS

AMENDMENT NO. 2 OR ANY OF THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS RELATED HERETO OR THERETO IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY OR OTHERWISE. CREDIT PARTIES, ADMINISTRATIVE AGENT AND LENDERS EACH HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT CREDIT PARTIES, ADMINISTRATIVE AGENT OR ANY LENDER MAY FILE AN ORIGINAL COUNTERPART OF A COPY OF THIS AMENDMENT NO. 2 WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

8. Binding Effect. This Amendment No. 2 shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and assigns.

9. Waiver, Modification, Etc. No provision or term of this Amendment No. 2 may be modified, altered, waived, discharged or terminated orally or by course of conduct, except in accordance with the terms of the Credit Agreement.

10. Further Assurances. Credit Parties shall execute and deliver such additional documents and take such additional action as may be reasonably requested by Administrative Agent to effectuate the provisions and purposes of this Amendment No. 2.

11. Entire Agreement. This Amendment No. 2 represents the entire agreement and understanding concerning the subject matter hereof among the parties hereto, and supersedes all other prior agreements, understandings, negotiations and discussions, representations, warranties, commitments, proposals, offers and contracts concerning the subject matter hereof, whether oral or written.

12. Headings. The headings listed herein are for convenience only and do not constitute matters to be construed in interpreting this Amendment No. 2.

13. Counterparts; Electronic Signatures. This Amendment No. 2 may be executed by means of (a) an electronic signature that complies with the federal Electronic Signatures in Global and National Commerce Act, state enactments of the Uniform Electronic Transactions Act, or any other relevant and applicable electronic signatures law; (b) an original manual signature; or (c) a faxed, scanned, or photocopied manual signature. Each electronic signature or faxed, scanned, or photocopied manual signature shall for all purposes have the same validity, legal effect, and admissibility in evidence as an original manual signature. Administrative Agent reserves the right, in its sole discretion, to accept, deny, or condition acceptance of any electronic signature on this Amendment No. 2. This Amendment No. 2 may be executed in any number of counterparts, each of which shall be deemed to be an original, but such counterparts shall, together, constitute only one instrument. Delivery of an executed counterpart of a signature page of this Amendment No. 2 will be as effective as delivery of a manually executed counterpart of the Amendment No. 2. Any party delivering an executed counterpart of this Amendment No. 2 by telefacsimile or other electronic method of transmission shall also deliver an original executed counterpart of this Amendment No. 2, but the failure to do so shall not affect the validity, enforceability, and binding effect of this Amendment No. 2.

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 2 to be duly executed and delivered by their authorized officers as of the day and year first above written.

BEACON ROOFING SUPPLY, INC.,
as Holdings

By: /s/ FRANK A. LONEGRO
Name: Frank A. Lonegro
Title: *Executive Vice President and Chief Financial Officer*

BEACON SALES ACQUISITION, INC.,
as a US Borrower

By: /s/ FRANK A. LONEGRO
Name: Frank A. Lonegro
Title: *Executive Vice President and Chief Financial Officer*

**BEACON ROOFING SUPPLY CANADA
COMPANY,** as Canadian Borrower

By: /s/ FRANK A. LONEGRO
Name: Frank A. Lonegro
Title: *Executive Vice President and Chief Financial Officer*

AGENTS AND LENDERS:

WELLS FARGO BANK, NATIONAL ASSOCIATION, as
Administrative Agent, Swingline Lender, Issuing Bank and Lender

By: /s/ MARC J. BREIER
Name: Marc J. Breier
Title: Authorized Signatory

WELLS FARGO CAPITAL FINANCE CORPORATION CANADA, as
Lender

By: /s/ RAYMOND EGHOBAMIEN
Name: Raymond Eghobamien
Title: Vice President

TRUIST BANK (formerly known as Branch Banking and Trust Company
and as successor by merger to SunTrust Bank), as a Lender

By: /s/ STEVE METTS
Name: Steve Metts
Title: Director

Citibank, N.A., as a Lender

By: /s/ CHRISTOPHER MARINO
Name: Christopher Marino
Title: Director & Vice President

BANK OF AMERICA, N.A., as a Lender

By: /s/ MATTHEW T. O'KEEFE
Name: Matthew T. O'Keefe
Title: Senior Vice President

BANK OF AMERICA, N.A.,
(acting through its Canada Branch)

By: /s/ MEDINA SALES DE ANDRADE
Name: Medina Sales de Andrade
Title: Vice President

JPMORGAN CHASE BANK, N.A., as a Lender

By: /s/ ANTHONY GALEA
Name: Anthony Galea
Title: Executive Director

JPMorgan Chase Bank, N.A., TORONTO BRANCH, as Lender

By: /s/ AUGGIE MARCHETTI
Name: Auggie Marchetti
Title: Authorized Officer

U.S. Bank National Association, as a Lender

By: /s/ ROD SWENSON
Name: Rod Swenson
Title: Vice President

TD Bank, N.A., as a US Lender

By: /s/ STEPHEN A. CAFFREY
Name: Stephen A. Caffrey
Title: Vice President

The Toronto-Dominion Bank, as a Lender

By: /s/ COREY DUFORT
Name: Corey Dufort
Title: Senior Analyst - ABL

By: /s/ CHAZ LOUISY
Name: Chaz Louisy
Title: MCC - Asset Based Lending

PNC Bank, N.A., as a Lender

By: /s/ LIAM BRICKLEY
Name: Liam Brickley
Title: Vice President

Capital One, National Association, as a Lender

By: /s/ JULIANNE LOW
Name: Julianne Low
Title: Senior Director

KEYBANK NATIONAL ASSOCIATION, as a Lender

By: /s/ NADINE EAMES
Name: Nadine Eames
Title: Vice President

EXHIBIT A
TO
AMENDMENT NO. 2 TO AMENDED AND RESTATED CREDIT AGREEMENT

SCHEDULE 1.1(a)
COMMITMENTS

<u>Lender</u>	<u>US</u> <u>Commitment</u>	<u>Canadian</u> <u>Commitment</u>	<u>Total</u> <u>Commitment</u>
WELLS FARGO BANK, NATIONAL ASSOCIATION	\$287,500,000	\$0	\$287,500,000
TRUIST BANK (f/k/a Branch Banking and Trust Company)	\$215,000,000	\$0	\$215,000,000
CITIBANK, N.A.	\$172,500,000	\$0	\$172,500,000
BANK OF AMERICA, N.A.	\$107,500,000	\$0	\$107,500,000
JPMORGAN CHASE BANK, N.A.	\$107,500,000	\$0	\$107,500,000
U.S. BANK NATIONAL ASSOCIATION	\$115,000,000	\$0	\$115,000,000
TD BANK, N.A.	\$90,000,000	\$0	\$90,000,000
PNC BANK, N.A.	\$70,000,000	\$0	\$70,000,000
CAPITAL ONE, NATIONAL ASSOCIATION	\$50,000,000	\$0	\$50,000,000
KEYBANK NATIONAL ASSOCIATION	\$35,000,000	\$0	\$35,000,000
WELLS FARGO CAPITAL FINANCE CORPORATION CANADA	\$0	\$17,500,000	\$17,500,000
CITIBANK, N.A., CANADIAN BRANCH	\$0	\$7,500,000	\$7,500,000
BANK OF AMERICA, N.A. (acting through its Canada Branch)	\$0	\$7,500,000	\$7,500,000
JPMORGAN CHASE BANK, N.A., TORONTO BRANCH	\$0	\$7,500,000	\$7,500,000
THE TORONTO-DOMINION BANK	\$0	\$10,000,000	\$10,000,000
Total	<u>\$1,250,000,000</u>	<u>\$50,000,000</u>	<u>\$1,300,000,000</u>

EXECUTIVE SEVERANCE AND RESTRICTIVE COVENANT AGREEMENT

This Executive Severance and Restrictive Covenant Agreement (“Agreement”) is made as of September 10, 2020 by and between Beacon Roofing Supply, Inc. and Beacon Sales Acquisition, Inc., both Delaware corporations (collectively, “Beacon”) and Julian G. Francis (“Executive”).

RECITALS

- A. Executive is an officer of Beacon and heretofore has not had any entitlement to severance or other benefits in the event of termination from employment while also not being bound by any restrictive covenants in the event of a termination from employment by Beacon without specified cause. Executive presently is bound by certain restrictive covenants in the event Executive resigns employment or is terminated for specified cause. The purpose of this Agreement is to provide Executive with an entitlement to severance and other valuable benefits if Executive’s employment is terminated by Beacon under circumstances as set forth herein in exchange for which Executive agrees to be bound by certain restrictive covenants notwithstanding the reason for Executive’s separation from employment.
- B. Beacon is engaged in the business of the sale and distribution of building materials including: (i) residential and/or commercial roofing, including but not limited to shingles (all types including but not limited to asphalt, wood, synthetic), built-up, modified, EPDM, TPO/PVC, low-slope commercial, (ii) siding, (iii) windows, (iv) skylights, (v) doors, (vi) decking and railings, (vii) waterproofing, (viii) building insulation (rigid, foam, rolled), (ix) asphalt, (x) roof coatings and adhesives specially designed for and marketed to the roofing contractor industry, (xi) metal roofing, (xii) plywood, (xiii) millwork, (xiv) synthetic stone and stucco, (xv) drywall, (xvi) lumber, (xvii) moldings, (xviii) barriers and barrier systems, (xix) drainage materials, (xx) tiling, including acoustical tile, (xxi) gutters and gutter coils, (xxii) solar paneling, solar inverters and solar panels mounting hardware, and (xxiii) tools, equipment and other accessories related to the above (the “Business”).
- C. As an officer of Beacon, Executive has knowledge of trade secrets and other non-public confidential business information regarding the entirety of the Business.

AGREEMENTS

Therefore, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Adoption of Recitals. The parties hereto adopt the foregoing Recitals and agree and affirm that construction of this Agreement shall be guided thereby.
 2. Definitions. The following terms shall have the meanings herein specified:
 - (a) “Affiliate” of any Person means another Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such first Person or with which such first Person is a joint venturer or in which such first Person owns an equity interest. As used herein, “control” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities or equity interests, by contract or otherwise.
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- (b) “Beacon Group” means Beacon and their respective Affiliates, but shall not include any shareholder of Beacon Roofing Supply, Inc.
- (c) “Business Associate” means any employee, contractor, subcontractor, representative, consultant or agent of the Beacon Group who has acted in such capacity at any time within the twelve (12) month period immediately preceding the date of hire, recruitment, solicitation, or retention.
- (d) “Cause” means: (i) Executive’s gross negligence or willful misconduct in the performance of Executive’s duties, (ii) Executive’s refusal to perform Executive’s duties as reasonably and lawfully directed by Executive’s supervisor or the board of directors of Beacon (after notice to Executive and a period of fifteen (15) days to cure such refusal), (iii) any act of fraud or embezzlement by Executive against the Beacon Group, other wrongful taking by Executive of money or other assets of the Beacon Group for Executive’s personal use, or self-dealing by Executive directly or indirectly involving the Beacon Group, (iv) Executive’s conviction for (or plea of guilty or nolo contendere or the like with respect to) any felony or any lesser crime involving moral turpitude that reasonably would be expected to materially damage the Beacon Group from a financial or reputational perspective, (v) Executive’s material failure to comply with any material written policy of the Beacon Group that has been made available to Executive (after notice to Executive and a period of fifteen (15) days to cure such failure) or (vi) Executive’s (A) use of any illegal drug or (B) abuse or misuse of alcohol and/or prescription drugs which (A or B as this case may be) materially adversely affects the performance of Executive’s duties to the Beacon Group, or (vii) Executive’s dissemination of Confidential Information in violation of Section 4 and/or Executive’s breach of the restrictive covenants in Section 3 (excluding any unintentional and de minimis violations that are promptly cured).
- (e) “Competing Products” means any product or service, in existence or under development, which is of the same type as, which competes with, or which is intended to compete with or displace in the market, any of the products or services provided or sold (or contemplated to be provided or sold) by the Beacon Group, including any of the following products: (i) residential and/or commercial roofing, including but not limited to shingles (all types including but not limited to asphalt, wood, synthetic), built-up, modified, EPDM, TPO/PVC, low-slope commercial, (ii) siding, (iii) windows, (iv) skylights, (v) doors, (vi) decking and railings, (vii) waterproofing, (viii) building insulation (rigid, foam, rolled), (ix) asphalt, (x) roof coatings and adhesives specially designed for and marketed to the roofing contractor industry, (xi) metal roofing, (xii) plywood, (xiii) millwork, (xiv) synthetic stone and stucco, (xv) drywall, (xvi) lumber, (xvii) moldings, (xviii) barriers and barrier systems, (xix) drainage materials, (xx) tiling, including acoustical tile, (xxi) gutters and gutter coils, (xxii) solar paneling, solar inverters and solar panels mounting hardware, and (xxiii) tools, equipment and other accessories related to the above
- (f) “Confidential Information” means information regarding the Business or the Beacon Group that has not been disclosed by Beacon to the public and is not known to the general public, and which shall include, but not be limited to, the following with respect to the Business or the Beacon Group: (i) information regarding operations, assets, liabilities or financial condition; (ii) information regarding bidding, quotations, price, sales, merchandising, marketing and promotions
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(including marketing strategies and concepts), advertising campaigns, capital expenditures, costs, joint ventures, business alliances, products, services or purchasing; (iii) information regarding the terms, conditions and employment relationship Beacon has with employees, including, non-public information regarding their monetary compensation, benefits and employee personnel files; (iv) information regarding the terms, conditions and relationship Beacon has with Business Associates (other than employees), including their identities, responsibilities, qualifications, benefits, compensation and files; (v) customer lists, databases and other information related to current or prospective customers, including information regarding their identities, contact persons and purchasing patterns; (vi) information regarding current or prospective vendors, suppliers, distributors or other business partners; (vii) forecasts, projections, budgets and business plans; (viii) information regarding the planned or pending acquisitions, divestitures or other business combinations; (ix) technical information, models, know-how, protocols, discoveries, techniques, processes, business methods, trade secrets and proprietary information; and (x) contemplated website designs, website content, domain names, data bases, internet hyperlinks, internet banners and internet search engine listings. Notwithstanding the foregoing, Confidential Information shall be treated as such under this Agreement unless and until it becomes generally known to the public through no act or fault of Executive, is independently developed without reference to the Confidential Information or is disclosed by someone who is not in breach of any duty of confidentiality.

- (g) “Customer” means any Person who is a customer of the Beacon Group during the Restriction Period or has been a customer of the Beacon Group or any predecessor of the Beacon Group within the twelve (12) months immediately prior to the beginning of the Restriction Period.
- (h) To “engage” in a business means (i) to render services in (or with respect to) the Territory for that business, or (ii) to own, manage, operate or control (or participate in the ownership, management, operation or control of) an enterprise engaged in that business in (or with respect to) the Territory.
- (i) “Good Reason” means, without Executive’s consent, (a) a material reduction in the authority, duties, or responsibilities of Executive from those in effect immediately prior to such change (other than during a period of physical or mental incapacity); (b) a greater than ten percent (10%) reduction in Executive’s base salary (on an annualized basis), *other than* as part of an across-the-board reduction affecting similarly situated Beacon executives of not greater than twenty percent (20%) on an annualized basis and not in excess of 12 months; (c) a relocation of Executive’s primary work location to a distance of more than 50 miles from its location as of immediately prior to such change (and not closer to Executive’s then primary residence); or (d) a material breach by the Executive’s employer of any employment agreement between such employer and Executive provided, however, in all cases, Executive must (i) give Beacon written notice of the circumstances giving rise to the Good Reason event and thirty (30) days to cure such circumstance, and (ii) resign from employment within thirty (30) days following the end of such cure period.

- (j) “Person” means any individual, trustee, firm, corporation, partnership, limited liability company, joint venture, bank, government entity, trust or other organization or entity.
 - (k) “Restricted Person” means each of the Persons listed on Exhibit A, or any Affiliate of or successor in interest to such Persons. Beacon reserves the right to update the list of Restricted Persons on Exhibit A upon 30 days’ written notice to Executive to add any other Person that is engaged in any aspect of the Business, so long as the number of Restricted Persons does not increase, Beacon makes such changes with respect to all executives subject to substantially similar restrictive covenants and Beacon has not received notice that Executive intends to become employed by any such newly added Restricted Person(s).
 - (l) “Restriction Period” means (a) if Beacon terminates Executive’s employment for Cause or Executive terminates Executive’s employment without Good Reason, twelve (12) months, or (b) if Beacon terminates Executive’s employment without Cause or Executive terminates Executive’s employment for Good Reason, thirty-six (36) months.
 - (m) “Solicit” means to encourage or induce, or to take any action that is intended or calculated to encourage or induce, which has the effect of encouraging or inducing, or which is reasonably likely to result in encouragement or inducement.
 - (n) “Termination Date” means the date on which Executive’s employment with Beacon is terminated, by either Executive or Beacon, for any reason.
 - (o) “Territory” means any state in the United States of America and any province in Canada where the Beacon Group conducts business.
3. Restrictive Covenants. Executive agrees that, from and after the date hereof and continuing through the Restriction Period, Executive shall not, and shall cause its Affiliates to not, do any one or more of the following, directly or indirectly:
- (a) engage, participate or prepare to engage or participate, anywhere in the Territory, as an employee, partner, member, shareholder, independent contractor, employee, consultant, agent, lender, lessor, advisor or (without limitation by the specific enumeration of the foregoing) otherwise in the Business; provided, however, that if Executive’s applicable Restriction Period is thirty-six (36) months, the restriction in this Section 3(a) shall only apply with respect to Restricted Persons.
 - (b) Solicit, attempt to Solicit, or assist anyone else to Solicit, any Person who is or has been a Customer to (i) cease doing business with any member of the Beacon Group, (ii) alter or limit its business relationship with any member of the Beacon Group, or (iii) purchase, other than from a member of the Beacon Group, any Competing Products;
 - (c) Solicit, attempt to Solicit, or assist anyone else to Solicit, any Person who is or has been a supplier, contractor, subcontractor, dealer, distributor, licensor, licensee, lessor or any other business relation of the Beacon Group or any subsidiary or predecessor of the Beacon Group within the twelve (12) months immediately prior

to the date hereof to (i) cease doing business with any member of the Beacon Group or (ii) alter or limit its business relationship with any member of the Beacon Group;

- (d) market, promote, sell, offer to sell, or provide any Competing Products to any Customer, or prepare to or assist anyone else to do so;
- (e) Solicit, attempt to Solicit, or assist anyone else to Solicit any Business Associate to terminate, restrict or hinder his, her or its association with any member of the Beacon Group; or
- (f) recruit, interview, Solicit, hire or otherwise retain the services of any Business Associate, whether on a full-time basis, part-time basis or otherwise and whether as an employee, officer, director, independent contractor, consultant, advisor, agent or in another capacity, or assist anyone else to do so if such action would restrict, hinder or terminate such Business Associate's activities for and on behalf of any member of the Beacon Group.

4. Protection of Confidential Information.

- (a) Executive agrees that at all times hereafter (i) Executive shall (and shall cause Executive's Affiliates to) maintain all Confidential Information in strict confidence, (ii) Executive shall not (and shall cause Executive's Affiliates not to) disclose any Confidential Information to anyone outside of the Beacon Group, and (iii) Executive shall not (and shall cause Executive's Affiliates not to) use any Confidential Information for Executive's own benefit or the benefit of any third party.
- (b) Notwithstanding the foregoing, if any given item(s) of Confidential Information would be entitled to protection against misappropriation, use, disclosure or other conduct for a period of time longer than the Restriction Period under any applicable trade secrets statute or other applicable law, then the protections hereunder shall, as to such item(s) of Confidential Information, extend for such longer period of time pursuant to applicable law, and the foregoing provisions shall not be deemed in any way to reduce, limit or waive any such protections that may be applicable to such Confidential Information under applicable law.
- (c) Nothing in this Agreement, however, shall prohibit any Person from using or disclosing Confidential Information to the extent required by law or as reasonably required in connection with a dispute concerning the terms of this Agreement. If Executive is required by law to disclose any Confidential Information, then Executive shall (i) except as provided below, provide Beacon with prompt notice before such disclosure in order that Beacon may attempt to obtain a protective order or other assurance that confidential treatment will be accorded such information and (ii) cooperate with Beacon in attempting to obtain such order or assurance. Nothing herein shall prohibit Executive from using or disclosing any Confidential Information while employed by any member of the Beacon Group (or otherwise retained to provide services for any member of the Beacon Group) in furtherance of Executive's duties to the Beacon Group. Nothing contained herein limits Executive's ability to, in good faith, report possible violations of law or regulation to, or file a charge or complaint with, the Securities and Exchange Commission, the Equal Employment Opportunity Commission, the Department of

Justice, the Congress, any Inspector General, or any other federal, state or local governmental agency or commission (“Government Agencies”). Executive further understands that this Agreement does not limit Executive’s ability to communicate in good faith with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to Beacon.

5. Non-Disparagement. During the Restriction Period, Executive shall not, directly or indirectly, make (or cause to be made) to any Person any disparaging, derogatory or other negative or false statement about any member of the Beacon Group (including its products, services, policies, practices, operations, employees, sales representatives, agents, officers, members, managers, partners or directors).
6. Non-Endorsement. During the Restriction Period, without Beacon’s consent or in the course of duties for Beacon, Executive shall not, directly or indirectly, make (or cause to be made) to any Person any endorsement or other commercially supportive statement about any Person engaged in whole or in part in the Business (including any such Person’s products, services, equipment, suppliers, policies, practices, operations, employees, sales representatives, independent contractors, licensees, advisors, agents, officers, directors, shareholders, members, managers, partners, subsidiaries or other Affiliates), including any endorsement or statement made in support of a Competing Product.
7. Payments Upon Certain Terminations: In consideration of Executive’s acceptance of this Agreement and Executive’s continued employment through the Termination Date, if Beacon terminates Executive’s employment without Cause or Executive terminates Executive’s employment for Good Reason, Beacon shall provide to Executive the following benefits:
 - (a) Twenty-four (24) months of Executive’s annual base salary as in effect on the Termination Date, which shall be paid in equal periodic installments on Beacon’s regular payroll dates, beginning no later than the second payroll date following the date on which the Release (as defined below) becomes irrevocable;
 - (b) Executive’s cash incentive in an amount equal to (i) 200% of Executive’s target annual cash incentive opportunity under Beacon’s annual cash incentive plan, which shall be paid in equal periodic installments on Beacon’s regular payroll dates consistent with the payment schedule set forth in section (a) above and (ii) the annual cash incentive that would otherwise be payable to Executive with respect to any fiscal year which has been completed prior to the Termination Date but has not been paid as of the Termination Date, which shall be paid in a lump sum on the date such annual cash incentive is paid to other executives of Beacon in accordance with Beacon’s annual cash incentive plan, provided that the Release has become irrevocable by such date, and if the Release has not become irrevocable by such date, to be paid in a lump sum no later than the second payroll date following the date on which the Release becomes irrevocable;
 - (c) to the extent Executive elects health benefit continuation under the Consolidated Omnibus Budget Reconciliation Act of 1985 (“COBRA”), continued participation in Beacon’s health plans at the same rates provided to similarly situated active employees for a period ending on the earlier of (i) the 18 month anniversary of the Termination Date, and (ii) the date Executive becomes eligible

for such coverage from a subsequent employer; provided, however, that (x) Executive's cost of such coverage shall be deducted from the periodic installments described in Section 7(a) and (y) Beacon's cost of providing the COBRA benefit less Executive's contribution, shall be treated as taxable income to the Executive and reported accordingly;

- (d) all unvested restricted stock units and stock options held by Executive under the Beacon Roofing Supply, Inc. Amended and Restated 2014 Stock Plan (together with any successor or other plan pursuant to which Executive receives restricted stock units or stock options, the "Plan") at the Termination Date that are scheduled to vest within the twelve (12) month period following the Termination Date in accordance with the applicable vesting schedule (including any such restricted stock units and stock options that, pursuant to an applicable award agreement, would vest in connection with Executive's termination of employment without "cause" following a "change in control" or similar event, all determined pursuant to such award agreement) shall vest, or in the case of such awards that are subject to performance-based vesting conditions, shall remain eligible to vest, on the date on which such restrictive stock units and stock options would have otherwise vested had Executive remained employed through such twelve (12) month period. All unvested restricted stock units and stock options held by Executive under the Plan that are scheduled to vest after the twelve (12) month anniversary of the Termination Date shall be forfeited by Executive as of the Termination Date.

Beacon may withhold from any amounts payable under this Agreement such federal, state or local deductions and taxes as shall be required to be withheld pursuant to any applicable law or regulation.

Executive's receipt of the payments and benefits described in this Section 7 is expressly conditioned upon the Executive, within forty-five (45) calendar days (or such shorter period determined by Beacon) after the Termination Date, executing and delivering to Beacon a waiver and release of claims in favor of the Beacon Group and their respective directors, officers and employees in the form attached hereto as Exhibit (a "Release"), and not thereafter revoking the Release.

For the avoidance of doubt, Executive's termination of employment by reason of death, disability or retirement (each as defined in the applicable award agreement under the Plan) shall not be deemed a termination "without Cause" under this Agreement. Accordingly, in case of such death, disability or retirement, the treatment of Executive's outstanding equity awards shall be governed by the terms of the applicable equity award agreement and Executive shall not additionally be eligible for the cash severance benefits hereunder.

8. Passive Investments. Nothing contained in this Agreement shall restrict Executive from, directly or indirectly, owning, as a passive investment, two percent (2%) or less of the equity securities of any Person in competition with a member of the Beacon Group, which securities are listed on any national securities exchange or authorized for quotation on the Automated Quotations System of the National Association of Securities Dealers, Inc., as long as Executive has no other business relationship, direct or indirect, with the issuer of such securities.
9. Scope of Covenants. Executive is entering into this Agreement in connection with the receipt of consideration to which Executive is not otherwise entitled, and Executive hereby

acknowledges and agrees that the foregoing covenants and the territorial, time and activity limitations set forth herein are commercially reasonable and are properly required to protect Beacon, its Affiliates and their respective businesses, and to accord them the benefit of their bargain. If any such territorial, time or activity limitation is determined to be unreasonable by a court or other tribunal, the parties agree to the modification and/or reduction of such territorial, time or activity limitations (including the imposition of such a limitation if it is missing) to such an area, period or scope of activity as said court or tribunal shall deem reasonable under the circumstances. Also, if Beacon seeks partial enforcement of Sections 3-6 as to a lesser territory, time or scope of activity, then Beacon shall be entitled to such reasonable partial enforcement. If such reduction or (if Beacon seeks partial enforcement) such partial enforcement is not possible, then the unenforceable provision or portion thereof shall be severed as provided in Section 10.

10. Severability. Subject to Section 9, if any provision of this Agreement or portion thereof is determined by a court or other tribunal to be wholly or partially unenforceable in any jurisdiction, then (for purposes of such jurisdiction) such provision or portion thereof shall be struck from the remainder of this Agreement, which shall remain in full force and effect. Without limitation of the foregoing: (a) any one or more of clauses (a), (b), (c), (d), (e), or (f) of Section 3 may be so severed from the remainder of this Agreement; (b) any one or more of Sections 3-6 may be so severed from the remainder of this Agreement; (c) the Territory shall be construed as if each state therein and each county within each such state were listed in a separate clause which may be so severed; and (d) the Restriction Period shall be construed as if each month therein were listed in a separate clause which may be so severed. In the event Executive violates any obligation contained in this Agreement, the time period provided for with respect to such obligation shall be tolled (i.e., shall not run) as to Executive for so long as he is in breach thereof. This Agreement shall be construed so as not to conflict with federal, state or local law ("Law"), provided that if any aspect of any Law prohibits the Company from making payments or providing other benefits that will be paid to Executive hereunder in an amount materially less than required hereunder, Executive may elect to terminate this Agreement on written notice to the Company within three business days of termination while nevertheless remaining bound by the Confidentiality provisions of Section 4 hereunder (and for avoidance of doubt, in the case of resignation or termination for cause, in which no benefits are to be paid, the 12-month Restrictive Covenants of Section 3 will continue to apply). Notwithstanding anything to the contrary in this Agreement, Executive expressly agrees that if the payments and benefits provided for in this Agreement or any other payments and benefits which Executive has the right to receive from the Beacon Group (collectively, the "Payments"), would constitute a "parachute payment" (as defined in Section 280G(b)(2) of the Code), then the Payments shall be either (a) reduced (but not below zero) so that the present value of the Payments will be one dollar (\$1.00) less than three times Executive's "base amount" (as defined in Section 280G(b)(3) of the Code) and so that no portion of the Payments received by Executive shall be subject to the excise tax imposed by Section 4999 of the Code or (b) paid in full, whichever produces the better net after-tax position to Executive. The reduction of Payments, if any, shall be made by reducing first any Payments that are exempt from Section 409A of the Code and then reducing any Payments subject to Section 409A of the Code in the reverse order in which such Payments would be paid or provided (beginning with such payment or benefit that would be made last in time and continuing, to the extent necessary, through to such payment or benefit that would be made first in time). The determination as to whether any such reduction in the Payments is necessary and which Payments to reduce shall be made by Beacon in its sole discretion.

11. Remedies. The remedies of each party hereunder shall be cumulative and concurrent, and may be pursued singularly, successively, or together, in such party's sole discretion. Executive agrees that any violation of Sections 3-6 would cause irreparable harm to Beacon and its Affiliates (without proof of actual damages). Without limitation of the generality of the foregoing, if Executive violates any provision of Sections 3-6, then Beacon shall be entitled, in addition to any other remedies that it may have, to specific, injunctive or other equitable relief (without the requirement of posting of a bond or other security) in order to enforce such provision.
12. Notices. All notices required or permitted to be given hereunder shall be in writing and may be delivered by hand, by nationally recognized private courier, or by United States mail. Notices delivered by mail shall be treated as given three (3) business days after being deposited in the United States mail, postage prepaid, registered or certified mail. Notices delivered by hand, or by nationally recognized private carrier shall be treated as given on the date of receipt; except that a notice delivered by facsimile shall only be effective if such notice is also given by hand or by private carrier, or deposited in the United States mail, postage prepaid, registered or certified mail, on or before two (2) business days following its delivery by facsimile. All notices shall be addressed as follows: (a) if to Executive, addressed to the address Beacon has on file for Executive within their employee records, and (b) if to Beacon, addressed to Beacon Roofing Supply, Inc., 5244 River Road, Second Floor, Bethesda, Maryland 20816, Attention: General Counsel; or (c) to such other respective addresses or addressees as may be designated by notice given in accordance with the provisions of this Section 12.
13. Entire Agreement. This Agreement represents the entire understanding and agreement of the parties hereto with respect to the subject matter hereof, supersedes all prior negotiations between such parties, including any and all prior Restrictive Covenant Agreements to Accompany Special Restricted Stock Unit Awards entered into between Beacon and Executive, and cannot be amended, supplemented or changed orally but only as provided in Section 20 or by an agreement in writing signed by the party or parties against whom enforcement is sought and making specific reference to this Agreement.
14. Waiver. Except as otherwise provided in this Agreement, any failure of any party to comply with any obligation, covenant, agreement or condition herein may be waived by the party entitled to the benefits thereof only by a written instrument signed by the party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition will not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.
15. Governing Law; Venue. The interpretation and construction of this Agreement, and all matters relating hereto, will be governed by the laws of the State of Virginia applicable to contracts made and to be performed entirely within the State of Virginia without giving effect to any conflict of law provisions thereof. Each party hereby irrevocably submits to the jurisdiction of the courts of the State of Virginia for the County of Fairfax and the United States District Court for the Eastern District of Virginia, Alexandria Division, solely in respect of the interpretation and enforcement of the provisions of this Agreement and in respect of the transactions contemplated hereby.
16. WAIVER OF JURY TRIAL. THE PARTIES HERETO HEREBY IRREVOCABLY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, COUNTERCLAIM OR CROSS-COMPLAINT IN ANY ACTION

OR OTHER PROCEEDING BROUGHT BY ANY PARTY HERETO AGAINST ANY OTHER PARTY OR PARTIES HERETO WITH RESPECT TO ANY MATTER ARISING OUT OF, OR IN ANY WAY CONNECTED WITH OR RELATED TO, THIS AGREEMENT OR ANY PORTION THEREOF, WHETHER BASED UPON CONTRACTUAL, STATUTORY, TORTIOUS OR OTHER THEORIES OF LIABILITY. EACH PARTY REPRESENTS THAT IT HAS CONSULTED WITH COUNSEL REGARDING THE MEANING AND EFFECT OF THE FOREGOING WAIVER OF ITS RIGHT TO A JURY TRIAL.

17. Binding Effect. This Agreement shall inure to the benefit of and be binding upon the parties hereto, and their successors and permitted assigns. Nothing in this Agreement, express or implied, is intended to confer on any Person other than the parties hereto, and their respective successors and permitted assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement.
18. Assignment. This Agreement may not be transferred, assigned, pledged or hypothecated by any party without the prior written consent of the other party, except that Beacon may assign all or a portion of its rights and obligations under this Agreement, to (a) one or more Affiliates, (b) any subsequent buyer of Beacon or any material portion of its assets (whether such sale is structured as a sale of stock, a sale of assets, a merger or otherwise) and (c) any lender providing financing to Beacon or any of its Affiliates and any such lender may exercise all of the rights and remedies of Beacon hereunder; provided, however, that no such assignment shall relieve Beacon of its obligations under this Agreement.
19. Section 409A. This Agreement is intended to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and shall be interpreted and construed consistently with such intent. All references in this Agreement to Executive's termination of employment (including within the definition of "Termination Date") shall, to the extent used in a manner that affects the potential timing of amounts that are subject to Section 409A of the Code, mean Executive's separation from service within the meaning of Section 409A of the Code. Payments provided herein are intended to be exempt from Section 409A of the Code to the maximum extent possible, under either the separation pay exemption pursuant to Treasury regulation §1.409A-1(b)(9)(iii) or as short-term deferrals pursuant to Treasury regulation §1.409A-1(b)(4). Each payment and benefit hereunder shall constitute a "separately identified" amount within the meaning of Treasury regulation §1.409A-2(b)(2). Any payment that is deferred compensation subject to Section 409A of the Code which is conditioned upon Executive's execution of the Release and which is to be paid during a designated period that begins in one taxable year and ends in a second taxable year shall be paid in the second taxable year. Notwithstanding any other provision in this Agreement, if Executive is a "specified employee," as defined in Section 409A of the Code, as of the Termination Date, then to the extent any amount payable under this Agreement (i) constitutes the payment of nonqualified deferred compensation, within the meaning of Section 409A of the Code, (ii) is payable upon Executive's separation from service, and (iii) would be payable prior to the six (6) month anniversary of Executive's separation from service, then payment of such amount shall be delayed until the earlier to occur of (a) the six (6) month anniversary of the date of such separation from service or (b) the date of Executive's death. In the event the terms of this Agreement would subject Executive to taxes or penalties under Section 409A of the Code ("409A Penalties"), Beacon and Executive shall cooperate diligently to amend the terms of the Agreement to avoid such 409A Penalties, to the extent possible; provided that in no event shall any member of the Beacon Group be responsible for any 409A Penalties that

arise in connection with any amounts payable under this Agreement. Any amount of expenses eligible for reimbursement, or in-kind benefit provided, during a calendar year shall not affect the amount of expenses eligible for reimbursement, or in-kind benefit to be provided, during any other calendar year. Any reimbursement shall be made no later than the last day of the calendar year following the calendar year in which the expenses to be reimbursed were incurred. The right to any reimbursement or in-kind benefit pursuant to this Agreement shall not be subject to liquidation or exchange for any other benefit.

20. Amendments. This Agreement shall not be modified or amended except pursuant to an instrument in writing executed and delivered on behalf of each of the parties hereto.
21. Section Headings. The Section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.
22. Counterparts; Electronic Signatures. This Agreement may be executed in separate counterparts, each of which is deemed to be an original, and all of which taken together constitute one and the same agreement. Execution and delivery of this Agreement by electronic exchange bearing the copies of a party's signature shall constitute a valid and binding execution and delivery of this Agreement by such party. Such electronic copies shall constitute enforceable original documents.
23. Fees. In any action to enforce the terms of this Agreement or arising out of this Agreement, the prevailing party shall be entitled to recover its fees and costs, including reasonable attorney fees.
24. Interpretation. The words "hereof," "herein" and "herewith" and words of similar import will, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section references are to the Sections of this Agreement unless otherwise specified. Whenever the words "include," "includes," "including" or similar expressions are used in this Agreement, they will be understood to be followed by the words "without limitation." The words describing the singular number will include the plural and vice versa, and words denoting any gender will include all genders. The parties have participated jointly in the negotiation and drafting of this Agreement. In the event of an ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the parties and no presumption or burden of proof will arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Executive Severance and Restrictive Covenant Agreement on the date first above written.

EXECUTIVE:

/s/ JULIAN G. FRANCIS

Julian G. Francis

President and Chief Executive Officer

BEACON:

BEACON ROOFING SUPPLY INC.

BEACON SALES ACQUISITION, INC.

By: /s/ ROSS D. COOPER

Name: Ross D. Cooper

Title: *Executive Vice President and General Counsel*

September 10, 2020

Exhibit A

Restricted Persons

1. American Builders & Contractors Supply Co., Inc. (doing business as ABC Supply or any other name)
2. L & W Supply Corporation (doing business as L&W Supply or any other name)
3. SRS Distribution, Inc. (doing business as SRS Distribution or any other name)
4. Gulfside Supply, Inc. (doing business as Gulfeagle Supply or any other name)
5. Mel Stevenson & Associates, Inc. (doing business as Spec Building Materials or any other name)
6. Elite Roofing Supply, LLC (doing business as Elite Roofing Supply or any other name)
7. Pacific Source, Inc. (doing business as Pacific Source or any other name)
8. Richards Building Supply Co. (doing business as Richards Building Supply or any other name)
9. Cameron Ashley Building Products, Inc. (doing business as Cameron Ashley Building Products or any other name)
10. Primesource Building Products, Inc. (doing business as Primesource Building Products or any other name)
11. GMS Inc. (doing business as GMS or any other name)
12. Foundation Building Materials, LLC (doing business as Foundation Building Materials or any other name)
13. Service Partners, LLC (doing business as Service Partners or any other name)
14. US LBM Holdings, LLC (doing business as USLBM or any other name)
15. Atlas Roofing Corporation
16. CertainTeed Corporation
17. GAF Materials
18. IKO Industries
19. Johns Manville
20. Malarkey Roofing Products
21. Owens Corning
22. PABCO Roofing Products
23. TAMKO Building Products

Exhibit B

Release¹

In consideration of the payments and benefits provided to you above, to which you are not otherwise entitled and the sufficiency of which you acknowledge, you do, on behalf of yourself and your heirs, administrators, executors and assigns, hereby fully, finally and unconditionally release and forever discharge Beacon and its parent, subsidiary and affiliated entities and all their former and present officers, directors, shareholders, employees, trustees, fiduciaries, administrators, attorneys, consultants, agents, and other representatives, and all their respective predecessors, successors and assigns (collectively "Released Parties"), in their corporate, personal and representative capacities, from any and all obligations, claims, damages, costs, attorneys' fees, suits and demands, of any and every kind, nature and character, known or unknown, liquidated or unliquidated, absolute or contingent, in law and in equity, enforceable under any local, state or federal common law, constitution, statute or ordinance, which arise from or relate to your past employment with Beacon or the termination thereof, or any past actions or omissions of Beacon or any of the Released Parties, including without limitation, rights and claims arising under the Family and Medical Leave Act, Title VII of the Civil Rights Act, the Americans with Disabilities Act of 1990, the Age Discrimination in Employment Act, the Older Worker Benefits Protection Act, the Worker's Adjustment and Retraining Notification Act, the Employee Retirement Income Security Act, or any other federal, state or local law or regulation. Subject to applicable law, you also warrant that you have not filed or sued and will not sue or file any actions against Beacon or any of the Released Parties with respect to claims covered by this release.

You recognize and understand that the foregoing is a general release by which you are giving up the opportunity to obtain compensation, damages, and other forms of relief for yourself. This Agreement, however, is not intended to and does not interfere with the right of any governmental agency to enforce laws or to seek relief that may benefit the general public, or your right to assist with or participate in that process. By signing this Agreement, however, you waive any right to personally recover against the Released Parties, and you give up the opportunity to obtain compensation, damages or other forms of relief for you other than that provided in this Agreement. You represent that you are not aware of any facts on which a claim under the Fair Labor Standards Act, the Attorney Fees in Wage Action Act, or under applicable state minimum wage, wage payment or leave laws, could be brought.

Nothing contained in this Release limits Executive's ability to, in good faith, report possible violations of law or regulation to, or file a charge or complaint with, the Securities and Exchange Commission, the Equal Employment Opportunity Commission, the Department of Justice, the Congress, any Inspector General, or any other federal, state or local governmental agency or commission ("Government Agencies"). Executive further understands that this Release does not limit Executive's ability to communicate in good faith with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted

¹ Note to Draft: Beacon reserves the right to update this form for developments in law and circumstances regarding employment and termination (including based on where Executive provided services).

by any Government Agency, including providing documents or other information, without notice to Beacon.

Please note that you are subject to ongoing confidentiality and other restrictive covenants pursuant to the terms of the Executive Severance and Restrictive Covenant Agreement and any other agreements with the Company to which you are a party.

If you accept the terms of this Release, please date and sign below and return it to Ross Cooper. Once you execute this Release, you have seven (7) days in which to revoke in writing your acceptance by providing the same to me, and such revocation will render this Release null and void. If you do not revoke your acceptance in writing and provide it to me by midnight on the seventh day, this Release shall be effective the day after the seven-day revocation period has elapsed.

Sincerely,

BEACON ROOFING SUPPLY, INC.

By: _____
Name:
Title:

By signing this letter, I represent and warrant that I have not been the victim of age or other discrimination or wrongful treatment in my employment and the termination thereof. I further acknowledge that Beacon advised me in writing to consult with an attorney, that I had twenty-one (21) days, or until _____ to consider this Agreement, that I received all information necessary to make an informed decision and I had the opportunity to request and receive additional information, that I understand and agree to the terms of this Agreement, that I have seven (7) days in which to revoke my acceptance of this Agreement, and that I am signing this Agreement voluntarily with full knowledge and understanding of its contents.

Dated: _____

Signature: _____
[Executive]

EXECUTIVE SEVERANCE AND RESTRICTIVE COVENANT AGREEMENT

This Executive Severance and Restrictive Covenant Agreement (“Agreement”) is made as of _____, 20__ by and between Beacon Roofing Supply, Inc. and Beacon Sales Acquisition, Inc., both Delaware corporations (collectively, “Beacon”) and [_____] (“Executive”).

RECITALS

- A. Executive is an officer of Beacon and heretofore has not had any entitlement to severance or other benefits in the event of termination from employment while also not being bound by any restrictive covenants in the event of a termination from employment by Beacon without specified cause. Executive presently is bound by certain restrictive covenants in the event Executive resigns employment or is terminated for specified cause. The purpose of this Agreement is to provide Executive with an entitlement to severance and other valuable benefits if Executive’s employment is terminated by Beacon under circumstances as set forth herein in exchange for which Executive agrees to be bound by certain restrictive covenants notwithstanding the reason for Executive’s separation from employment.
- B. Beacon is engaged in the business of the sale and distribution of building materials including: (i) residential and/or commercial roofing, including but not limited to shingles (all types including but not limited to asphalt, wood, synthetic), built-up, modified, EPDM, TPO/PVC, low-slope commercial, (ii) siding, (iii) windows, (iv) skylights, (v) doors, (vi) decking and railings, (vii) waterproofing, (viii) building insulation (rigid, foam, rolled), (ix) asphalt, (x) roof coatings and adhesives specially designed for and marketed to the roofing contractor industry, (xi) metal roofing, (xii) plywood, (xiii) millwork, (xiv) synthetic stone and stucco, (xv) drywall, (xvi) lumber, (xvii) moldings, (xviii) barriers and barrier systems, (xix) drainage materials, (xx) tiling, including acoustical tile, (xxi) gutters and gutter coils, (xxii) solar paneling, solar inverters and solar panels mounting hardware, and (xxiii) tools, equipment and other accessories related to the above (the “Business”).
- C. As an officer of Beacon, Executive has knowledge of trade secrets and other non-public confidential business information regarding the entirety of the Business.

AGREEMENTS

Therefore, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Adoption of Recitals. The parties hereto adopt the foregoing Recitals and agree and affirm that construction of this Agreement shall be guided thereby.
 2. Definitions. The following terms shall have the meanings herein specified:
 - (a) “Affiliate” of any Person means another Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such first Person or with which such first Person is a joint venturer or in which such first Person owns an equity interest. As used herein, “control” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities or equity interests, by contract or otherwise.
 - (b) “Beacon Group” means Beacon and their respective Affiliates, but shall not include any shareholder of Beacon Roofing Supply, Inc.
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- (c) “Business Associate” means any employee, contractor, subcontractor, representative, consultant or agent of the Beacon Group who has acted in such capacity at any time within the twelve (12) month period immediately preceding the date of hire, recruitment, solicitation, or retention.
- (d) “Cause” means: (i) Executive’s gross negligence or willful misconduct in the performance of Executive’s duties, (ii) Executive’s refusal to perform Executive’s duties as reasonably and lawfully directed by Executive’s supervisor or the board of directors of Beacon (after notice to Executive and a period of fifteen (15) days to cure such refusal), (iii) any act of fraud or embezzlement by Executive against the Beacon Group, other wrongful taking by Executive of money or other assets of the Beacon Group for Executive’s personal use, or self-dealing by Executive directly or indirectly involving the Beacon Group, (iv) Executive’s conviction for (or plea of guilty or nolo contendere or the like with respect to) any felony or any lesser crime involving moral turpitude that reasonably would be expected to materially damage the Beacon Group from a financial or reputational perspective, (v) Executive’s material failure to comply with any material written policy of the Beacon Group that has been made available to Executive (after notice to Executive and a period of fifteen (15) days to cure such failure) or (vi) Executive’s (A) use of any illegal drug or (B) abuse or misuse of alcohol and/or prescription drugs which (A or B as this case may be) materially adversely affects the performance of Executive’s duties to the Beacon Group, or (vii) Executive’s dissemination of Confidential Information in violation of Section 4 and/or Executive’s breach of the restrictive covenants in Section 3 (excluding any unintentional and de minimis violations that are promptly cured).
- (e) “Competing Products” means any product or service, in existence or under development, which is of the same type as, which competes with, or which is intended to compete with or displace in the market, any of the products or services provided or sold (or contemplated to be provided or sold) by the Beacon Group, including any of the following products: (i) residential and/or commercial roofing, including but not limited to shingles (all types including but not limited to asphalt, wood, synthetic), built-up, modified, EPDM, TPO/PVC, low-slope commercial, (ii) siding, (iii) windows, (iv) skylights, (v) doors, (vi) decking and railings, (vii) waterproofing, (viii) building insulation (rigid, foam, rolled), (ix) asphalt, (x) roof coatings and adhesives specially designed for and marketed to the roofing contractor industry, (xi) metal roofing, (xii) plywood, (xiii) millwork, (xiv) synthetic stone and stucco, (xv) drywall, (xvi) lumber, (xvii) moldings, (xviii) barriers and barrier systems, (xix) drainage materials, (xx) tiling, including acoustical tile, (xxi) gutters and gutter coils, (xxii) solar paneling, solar inverters and solar panels mounting hardware, and (xxiii) tools, equipment and other accessories related to the above
- (f) “Confidential Information” means information regarding the Business or the Beacon Group that has not been disclosed by Beacon to the public and is not known to the general public, and which shall include, but not be limited to, the following with respect to the Business or the Beacon Group: (i) information regarding operations, assets, liabilities or financial condition; (ii) information regarding bidding, quotations, price, sales, merchandising, marketing and promotions (including marketing strategies and concepts), advertising campaigns, capital expenditures, costs, joint ventures, business alliances, products, services or

purchasing; (iii) information regarding the terms, conditions and employment relationship Beacon has with employees, including, non-public information regarding their monetary compensation, benefits and employee personnel files; (iv) information regarding the terms, conditions and relationship Beacon has with Business Associates (other than employees), including their identities, responsibilities, qualifications, benefits, compensation and files; (v) customer lists, databases and other information related to current or prospective customers, including information regarding their identities, contact persons and purchasing patterns; (vi) information regarding current or prospective vendors, suppliers, distributors or other business partners; (vii) forecasts, projections, budgets and business plans; (viii) information regarding the planned or pending acquisitions, divestitures or other business combinations; (ix) technical information, models, know-how, protocols, discoveries, techniques, processes, business methods, trade secrets and proprietary information; and (x) contemplated website designs, website content, domain names, data bases, internet hyperlinks, internet banners and internet search engine listings. Notwithstanding the foregoing, Confidential Information shall be treated as such under this Agreement unless and until it becomes generally known to the public through no act or fault of Executive, is independently developed without reference to the Confidential Information or is disclosed by someone who is not in breach of any duty of confidentiality.

- (g) “Customer” means any Person who is a customer of the Beacon Group during the Restriction Period or has been a customer of the Beacon Group or any predecessor of the Beacon Group within the twelve (12) months immediately prior to the beginning of the Restriction Period.
- (h) To “engage” in a business means (i) to render services in (or with respect to) the Territory for that business, or (ii) to own, manage, operate or control (or participate in the ownership, management, operation or control of) an enterprise engaged in that business in (or with respect to) the Territory.
- (i) “Good Reason” means, without Executive’s consent, (a) a material reduction in the authority, duties, or responsibilities of Executive from those in effect immediately prior to such change (other than during a period of physical or mental incapacity); (b) a greater than ten percent (10%) reduction in Executive’s base salary (on an annualized basis), *other than* as part of an across-the-board reduction affecting similarly situated Beacon executives of not greater than twenty percent (20%) on an annualized basis and not in excess of 12 months; (c) a relocation of Executive’s primary work location to a distance of more than 50 miles from its location as of immediately prior to such change (and not closer to Executive’s then primary residence); or (d) a material breach by the Executive’s employer of any employment agreement between such employer and Executive provided, however, in all cases, Executive must (i) give Beacon written notice of the circumstances giving rise to the Good Reason event and thirty (30) days to cure such circumstance, and (ii) resign from employment within thirty (30) days following the end of such cure period.
- (j) “Person” means any individual, trustee, firm, corporation, partnership, limited liability company, joint venture, bank, government entity, trust or other organization or entity.

- (k) “Restricted Person” means each of the Persons listed on Exhibit A, or any Affiliate of or successor in interest to such Persons. Beacon reserves the right to update the list of Restricted Persons on Exhibit A upon 30 days’ written notice to Executive to add any other Person that is engaged in any aspect of the Business, so long as the number of Restricted Persons does not increase, Beacon makes such changes with respect to all executives subject to substantially similar restrictive covenants and Beacon has not received notice that Executive intends to become employed by any such newly added Restricted Person(s).
 - (l) “Restriction Period” means (a) if Beacon terminates Executive’s employment for Cause or Executive terminates Executive’s employment without Good Reason, twelve (12) months, or (b) if Beacon terminates Executive’s employment without Cause or Executive terminates Executive’s employment for Good Reason, twenty-four (24) months.
 - (m) “Solicit” means to encourage or induce, or to take any action that is intended or calculated to encourage or induce, which has the effect of encouraging or inducing, or which is reasonably likely to result in encouragement or inducement.
 - (n) “Termination Date” means the date on which Executive’s employment with Beacon is terminated, by either Executive or Beacon, for any reason.
 - (o) “Territory” means any state in the United States of America and any province in Canada where the Beacon Group conducts business.
3. Restrictive Covenants. Executive agrees that, from and after the date hereof and continuing through the Restriction Period, Executive shall not, and shall cause its Affiliates to not, do any one or more of the following, directly or indirectly:
- (a) engage, participate or prepare to engage or participate, anywhere in the Territory, as an employee, partner, member, shareholder, independent contractor, employee, consultant, agent, lender, lessor, advisor or (without limitation by the specific enumeration of the foregoing) otherwise in the Business; provided, however, that if Executive’s applicable Restriction Period is twenty-four (24) months, the restriction in this Section 3(a) shall only apply with respect to Restricted Persons.
 - (b) Solicit, attempt to Solicit, or assist anyone else to Solicit, any Person who is or has been a Customer to (i) cease doing business with any member of the Beacon Group, (ii) alter or limit its business relationship with any member of the Beacon Group, or (iii) purchase, other than from a member of the Beacon Group, any Competing Products;
 - (c) Solicit, attempt to Solicit, or assist anyone else to Solicit, any Person who is or has been a supplier, contractor, subcontractor, dealer, distributor, licensor, licensee, lessor or any other business relation of the Beacon Group or any subsidiary or predecessor of the Beacon Group within the twelve (12) months immediately prior to the date hereof to (i) cease doing business with any member of the Beacon Group or (ii) alter or limit its business relationship with any member of the Beacon Group;

- (d) market, promote, sell, offer to sell, or provide any Competing Products to any Customer, or prepare to or assist anyone else to do so;
- (e) Solicit, attempt to Solicit, or assist anyone else to Solicit any Business Associate to terminate, restrict or hinder his, her or its association with any member of the Beacon Group; or
- (f) recruit, interview, Solicit, hire or otherwise retain the services of any Business Associate, whether on a full-time basis, part-time basis or otherwise and whether as an employee, officer, director, independent contractor, consultant, advisor, agent or in another capacity, or assist anyone else to do so if such action would restrict, hinder or terminate such Business Associate's activities for and on behalf of any member of the Beacon Group.

4. Protection of Confidential Information.

- (a) Executive agrees that at all times hereafter (i) Executive shall (and shall cause Executive's Affiliates to) maintain all Confidential Information in strict confidence, (ii) Executive shall not (and shall cause Executive's Affiliates not to) disclose any Confidential Information to anyone outside of the Beacon Group, and (iii) Executive shall not (and shall cause Executive's Affiliates not to) use any Confidential Information for Executive's own benefit or the benefit of any third party.
- (b) Notwithstanding the foregoing, if any given item(s) of Confidential Information would be entitled to protection against misappropriation, use, disclosure or other conduct for a period of time longer than the Restriction Period under any applicable trade secrets statute or other applicable law, then the protections hereunder shall, as to such item(s) of Confidential Information, extend for such longer period of time pursuant to applicable law, and the foregoing provisions shall not be deemed in any way to reduce, limit or waive any such protections that may be applicable to such Confidential Information under applicable law.
- (c) Nothing in this Agreement, however, shall prohibit any Person from using or disclosing Confidential Information to the extent required by law or as reasonably required in connection with a dispute concerning the terms of this Agreement. If Executive is required by law to disclose any Confidential Information, then Executive shall (i) except as provided below, provide Beacon with prompt notice before such disclosure in order that Beacon may attempt to obtain a protective order or other assurance that confidential treatment will be accorded such information and (ii) cooperate with Beacon in attempting to obtain such order or assurance. Nothing herein shall prohibit Executive from using or disclosing any Confidential Information while employed by any member of the Beacon Group (or otherwise retained to provide services for any member of the Beacon Group) in furtherance of Executive's duties to the Beacon Group. Nothing contained herein limits Executive's ability to, in good faith, report possible violations of law or regulation to, or file a charge or complaint with, the Securities and Exchange Commission, the Equal Employment Opportunity Commission, the Department of Justice, the Congress, any Inspector General, or any other federal, state or local governmental agency or commission ("Government Agencies"). Executive further understands that this Agreement does not limit Executive's ability to communicate

in good faith with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to Beacon.

5. Non-Disparagement. During the Restriction Period, Executive shall not, directly or indirectly, make (or cause to be made) to any Person any disparaging, derogatory or other negative or false statement about any member of the Beacon Group (including its products, services, policies, practices, operations, employees, sales representatives, agents, officers, members, managers, partners or directors).
6. Non-Endorsement. During the Restriction Period, without Beacon's consent or in the course of duties for Beacon, Executive shall not, directly or indirectly, make (or cause to be made) to any Person any endorsement or other commercially supportive statement about any Person engaged in whole or in part in the Business (including any such Person's products, services, equipment, suppliers, policies, practices, operations, employees, sales representatives, independent contractors, licensees, advisors, agents, officers, directors, shareholders, members, managers, partners, subsidiaries or other Affiliates), including any endorsement or statement made in support of a Competing Product.
7. Payments Upon Certain Terminations: In consideration of Executive's acceptance of this Agreement and Executive's continued employment through the Termination Date, if Beacon terminates Executive's employment without Cause or Executive terminates Executive's employment for Good Reason, Beacon shall provide to Executive the following benefits:
 - (a) eighteen (18) months of Executive's annual base salary as in effect on the Termination Date, which shall be paid in equal periodic installments on Beacon's regular payroll dates, beginning no later than the second payroll date following the date on which the Release (as defined below) becomes irrevocable;
 - (b) Executive's cash incentive in an amount equal to (i) 150% of Executive's target annual cash incentive opportunity under Beacon's annual cash incentive plan, which shall be paid in equal periodic installments on Beacon's regular payroll dates consistent with the payment schedule set forth in section (a) above and (ii) the annual cash incentive that would otherwise be payable to Executive with respect to any fiscal year which has been completed prior to the Termination Date but has not been paid as of the Termination Date, which shall be paid in a lump sum on the date such annual cash incentive is paid to other executives of Beacon in accordance with Beacon's annual cash incentive plan, provided that the Release has become irrevocable by such date, and if the Release has not become irrevocable by such date, to be paid in a lump sum no later than the second payroll date following the date on which the Release becomes irrevocable;
 - (c) to the extent Executive elects health benefit continuation under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), continued participation in Beacon's health plans at the same rates provided to similarly situated active employees for a period ending on the earlier of (i) the 12 month anniversary of the Termination Date, and (ii) the date Executive becomes eligible for such coverage from a subsequent employer; provided, however, that (x) Executive's cost of such coverage shall be deducted from the periodic installments described in Section 7(a) and (y) Beacon's cost of providing the COBRA benefit

less Executive's contribution, shall be treated as taxable income to the Executive and reported accordingly;

- (d) all unvested restricted stock units and stock options held by Executive under the Beacon Roofing Supply, Inc. Amended and Restated 2014 Stock Plan (together with any successor or other plan pursuant to which Executive receives restricted stock units or stock options, the "Plan") at the Termination Date that are scheduled to vest within the twelve (12) month period following the Termination Date in accordance with the applicable vesting schedule (including any such restricted stock units and stock options that, pursuant to an applicable award agreement, would vest in connection with Executive's termination of employment without "cause" following a "change in control" or similar event, all determined pursuant to such award agreement) shall vest, or in the case of such awards that are subject to performance-based vesting conditions, shall remain eligible to vest, on the date on which such restrictive stock units and stock options would have otherwise vested had Executive remained employed through such twelve (12) month period. All unvested restricted stock units and stock options held by Executive under the Plan that are scheduled to vest after the twelve (12) month anniversary of the Termination Date shall be forfeited by Executive as of the Termination Date.

Beacon may withhold from any amounts payable under this Agreement such federal, state or local deductions and taxes as shall be required to be withheld pursuant to any applicable law or regulation.

Executive's receipt of the payments and benefits described in this Section 7 is expressly conditioned upon the Executive, within forty-five (45) calendar days (or such shorter period determined by Beacon) after the Termination Date, executing and delivering to Beacon a waiver and release of claims in favor of the Beacon Group and their respective directors, officers and employees in the form attached hereto as Exhibit (a "Release"), and not thereafter revoking the Release.

For the avoidance of doubt, Executive's termination of employment by reason of death, disability or retirement (each as defined in the applicable award agreement under the Plan) shall not be deemed a termination "without Cause" under this Agreement. Accordingly, in case of such death, disability or retirement, the treatment of Executive's outstanding equity awards shall be governed by the terms of the applicable equity award agreement and Executive shall not additionally be eligible for the cash severance benefits hereunder.

8. Passive Investments. Nothing contained in this Agreement shall restrict Executive from, directly or indirectly, owning, as a passive investment, two percent (2%) or less of the equity securities of any Person in competition with a member of the Beacon Group, which securities are listed on any national securities exchange or authorized for quotation on the Automated Quotations System of the National Association of Securities Dealers, Inc., as long as Executive has no other business relationship, direct or indirect, with the issuer of such securities.
9. Scope of Covenants. Executive is entering into this Agreement in connection with the receipt of consideration to which Executive is not otherwise entitled, and Executive hereby acknowledges and agrees that the foregoing covenants and the territorial, time and activity limitations set forth herein are commercially reasonable and are properly required to protect Beacon, its Affiliates and their respective businesses, and to accord them the benefit

of their bargain. If any such territorial, time or activity limitation is determined to be unreasonable by a court or other tribunal, the parties agree to the modification and/or reduction of such territorial, time or activity limitations (including the imposition of such a limitation if it is missing) to such an area, period or scope of activity as said court or tribunal shall deem reasonable under the circumstances. Also, if Beacon seeks partial enforcement of Sections 3-6 as to a lesser territory, time or scope of activity, then Beacon shall be entitled to such reasonable partial enforcement. If such reduction or (if Beacon seeks partial enforcement) such partial enforcement is not possible, then the unenforceable provision or portion thereof shall be severed as provided in Section 10.

10. Severability. Subject to Section 9, if any provision of this Agreement or portion thereof is determined by a court or other tribunal to be wholly or partially unenforceable in any jurisdiction, then (for purposes of such jurisdiction) such provision or portion thereof shall be struck from the remainder of this Agreement, which shall remain in full force and effect. Without limitation of the foregoing: (a) any one or more of clauses (a), (b), (c), (d), (e), or (f) of Section 3 may be so severed from the remainder of this Agreement; (b) any one or more of Sections 3-6 may be so severed from the remainder of this Agreement; (c) the Territory shall be construed as if each state therein and each county within each such state were listed in a separate clause which may be so severed; and (d) the Restriction Period shall be construed as if each month therein were listed in a separate clause which may be so severed. In the event Executive violates any obligation contained in this Agreement, the time period provided for with respect to such obligation shall be tolled (i.e., shall not run) as to Executive for so long as he is in breach thereof. This Agreement shall be construed so as not to conflict with federal, state or local law ("Law"), provided that if any aspect of any Law prohibits the Company from making payments or providing other benefits that will be paid to Executive hereunder in an amount materially less than required hereunder, Executive may elect to terminate this Agreement on written notice to the Company within three business days of termination while nevertheless remaining bound by the Confidentiality provisions of Section 4 hereunder (and for avoidance of doubt, in the case of resignation or termination for cause, in which no benefits are to be paid, the 12-month Restrictive Covenants of Section 3 will continue to apply). Notwithstanding anything to the contrary in this Agreement, Executive expressly agrees that if the payments and benefits provided for in this Agreement or any other payments and benefits which Executive has the right to receive from the Beacon Group (collectively, the "Payments"), would constitute a "parachute payment" (as defined in Section 280G(b)(2) of the Code), then the Payments shall be either (a) reduced (but not below zero) so that the present value of the Payments will be one dollar (\$1.00) less than three times Executive's "base amount" (as defined in Section 280G(b)(3) of the Code) and so that no portion of the Payments received by Executive shall be subject to the excise tax imposed by Section 4999 of the Code or (b) paid in full, whichever produces the better net after-tax position to Executive. The reduction of Payments, if any, shall be made by reducing first any Payments that are exempt from Section 409A of the Code and then reducing any Payments subject to Section 409A of the Code in the reverse order in which such Payments would be paid or provided (beginning with such payment or benefit that would be made last in time and continuing, to the extent necessary, through to such payment or benefit that would be made first in time). The determination as to whether any such reduction in the Payments is necessary and which Payments to reduce shall be made by Beacon in its sole discretion.

11. Remedies. The remedies of each party hereunder shall be cumulative and concurrent, and may be pursued singularly, successively, or together, in such party's sole discretion. Executive agrees that any violation of Sections 3-6 would cause irreparable harm to Beacon

and its Affiliates (without proof of actual damages). Without limitation of the generality of the foregoing, if Executive violates any provision of Sections 3-6, then Beacon shall be entitled, in addition to any other remedies that it may have, to specific, injunctive or other equitable relief (without the requirement of posting of a bond or other security) in order to enforce such provision.

12. Notices. All notices required or permitted to be given hereunder shall be in writing and may be delivered by hand, by nationally recognized private courier, or by United States mail. Notices delivered by mail shall be treated as given three (3) business days after being deposited in the United States mail, postage prepaid, registered or certified mail. Notices delivered by hand, or by nationally recognized private carrier shall be treated as given on the date of receipt; except that a notice delivered by facsimile shall only be effective if such notice is also given by hand or by private carrier, or deposited in the United States mail, postage prepaid, registered or certified mail, on or before two (2) business days following its delivery by facsimile. All notices shall be addressed as follows: (a) if to Executive, addressed to the address Beacon has on file for Executive within their employee records, and (b) if to Beacon, addressed to Beacon Roofing Supply, Inc., 5244 River Road, Second Floor, Bethesda, Maryland 20816, Attention: General Counsel; or (c) to such other respective addresses or addressees as may be designated by notice given in accordance with the provisions of this Section 12.
13. Entire Agreement. This Agreement represents the entire understanding and agreement of the parties hereto with respect to the subject matter hereof, supersedes all prior negotiations between such parties, including any and all prior Restrictive Covenant Agreements to Accompany Special Restricted Stock Unit Awards entered into between Beacon and Executive, and cannot be amended, supplemented or changed orally but only as provided in Section 20 or by an agreement in writing signed by the party or parties against whom enforcement is sought and making specific reference to this Agreement.
14. Waiver. Except as otherwise provided in this Agreement, any failure of any party to comply with any obligation, covenant, agreement or condition herein may be waived by the party entitled to the benefits thereof only by a written instrument signed by the party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition will not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.
15. Governing Law; Venue. The interpretation and construction of this Agreement, and all matters relating hereto, will be governed by the laws of the State of Virginia applicable to contracts made and to be performed entirely within the State of Virginia without giving effect to any conflict of law provisions thereof. Each party hereby irrevocably submits to the jurisdiction of the courts of the State of Virginia for the County of Fairfax and the United States District Court for the Eastern District of Virginia, Alexandria Division, solely in respect of the interpretation and enforcement of the provisions of this Agreement and in respect of the transactions contemplated hereby.
16. WAIVER OF JURY TRIAL. THE PARTIES HERETO HEREBY IRREVOCABLY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, COUNTERCLAIM OR CROSS-COMPLAINT IN ANY ACTION OR OTHER PROCEEDING BROUGHT BY ANY PARTY HERETO AGAINST ANY OTHER PARTY OR PARTIES HERETO WITH RESPECT TO ANY MATTER ARISING OUT OF, OR IN ANY WAY CONNECTED WITH OR RELATED TO, THIS

AGREEMENT OR ANY PORTION THEREOF, WHETHER BASED UPON CONTRACTUAL, STATUTORY, TORTIOUS OR OTHER THEORIES OF LIABILITY. EACH PARTY REPRESENTS THAT IT HAS CONSULTED WITH COUNSEL REGARDING THE MEANING AND EFFECT OF THE FOREGOING WAIVER OF ITS RIGHT TO A JURY TRIAL.

17. Binding Effect. This Agreement shall inure to the benefit of and be binding upon the parties hereto, and their successors and permitted assigns. Nothing in this Agreement, express or implied, is intended to confer on any Person other than the parties hereto, and their respective successors and permitted assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement.
18. Assignment. This Agreement may not be transferred, assigned, pledged or hypothecated by any party without the prior written consent of the other party, except that Beacon may assign all or a portion of its rights and obligations under this Agreement, to (a) one or more Affiliates, (b) any subsequent buyer of Beacon or any material portion of its assets (whether such sale is structured as a sale of stock, a sale of assets, a merger or otherwise) and (c) any lender providing financing to Beacon or any of its Affiliates and any such lender may exercise all of the rights and remedies of Beacon hereunder; provided, however, that no such assignment shall relieve Beacon of its obligations under this Agreement.
19. Section 409A. This Agreement is intended to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and shall be interpreted and construed consistently with such intent. All references in this Agreement to Executive's termination of employment (including within the definition of "Termination Date") shall, to the extent used in a manner that affects the potential timing of amounts that are subject to Section 409A of the Code, mean Executive's separation from service within the meaning of Section 409A of the Code. Payments provided herein are intended to be exempt from Section 409A of the Code to the maximum extent possible, under either the separation pay exemption pursuant to Treasury regulation §1.409A-1(b)(9)(iii) or as short-term deferrals pursuant to Treasury regulation §1.409A-1(b)(4). Each payment and benefit hereunder shall constitute a "separately identified" amount within the meaning of Treasury regulation §1.409A-2(b)(2). Any payment that is deferred compensation subject to Section 409A of the Code which is conditioned upon Executive's execution of the Release and which is to be paid during a designated period that begins in one taxable year and ends in a second taxable year shall be paid in the second taxable year. Notwithstanding any other provision in this Agreement, if Executive is a "specified employee," as defined in Section 409A of the Code, as of the Termination Date, then to the extent any amount payable under this Agreement (i) constitutes the payment of nonqualified deferred compensation, within the meaning of Section 409A of the Code, (ii) is payable upon Executive's separation from service, and (iii) would be payable prior to the six (6) month anniversary of Executive's separation from service, then payment of such amount shall be delayed until the earlier to occur of (a) the six (6) month anniversary of the date of such separation from service or (b) the date of Executive's death. In the event the terms of this Agreement would subject Executive to taxes or penalties under Section 409A of the Code ("409A Penalties"), Beacon and Executive shall cooperate diligently to amend the terms of the Agreement to avoid such 409A Penalties, to the extent possible; provided that in no event shall any member of the Beacon Group be responsible for any 409A Penalties that arise in connection with any amounts payable under this Agreement. Any amount of expenses eligible for reimbursement, or in-kind benefit provided, during a calendar year shall not affect the amount of expenses eligible for reimbursement, or in-kind benefit to be

provided, during any other calendar year. Any reimbursement shall be made no later than the last day of the calendar year following the calendar year in which the expenses to be reimbursed were incurred. The right to any reimbursement or in-kind benefit pursuant to this Agreement shall not be subject to liquidation or exchange for any other benefit.

20. Amendments. This Agreement shall not be modified or amended except pursuant to an instrument in writing executed and delivered on behalf of each of the parties hereto.
21. Section Headings. The Section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.
22. Counterparts; Electronic Signatures. This Agreement may be executed in separate counterparts, each of which is deemed to be an original, and all of which taken together constitute one and the same agreement. Execution and delivery of this Agreement by electronic exchange bearing the copies of a party's signature shall constitute a valid and binding execution and delivery of this Agreement by such party. Such electronic copies shall constitute enforceable original documents.
23. Fees. In any action to enforce the terms of this Agreement or arising out of this Agreement, the prevailing party shall be entitled to recover its fees and costs, including reasonable attorney fees.
24. Interpretation. The words "hereof," "herein" and "herewith" and words of similar import will, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section references are to the Sections of this Agreement unless otherwise specified. Whenever the words "include," "includes," "including" or similar expressions are used in this Agreement, they will be understood be followed by the words "without limitation." The words describing the singular number will include the plural and vice versa, and words denoting any gender will include all genders. The parties have participated jointly in the negotiation and drafting of this Agreement. In the event of an ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the parties and no presumption or burden of proof will arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Executive Severance and Restrictive Covenant Agreement on the date first above written.

EXECUTIVE:

BEACON:

**BEACON ROOFING SUPPLY INC.
BEACON SALES ACQUISITION, INC.**

By: _____
Name: Ross D. Cooper
Title: Executive Vice President and General Counsel

Exhibit A

Restricted Persons

1. American Builders & Contractors Supply Co., Inc. (doing business as ABC Supply or any other name)
 2. L & W Supply Corporation (doing business as L&W Supply or any other name)
 3. SRS Distribution, Inc. (doing business as SRS Distribution or any other name)
 4. Gulfside Supply, Inc. (doing business as Gulfeagle Supply or any other name)
 5. Mel Stevenson & Associates, Inc. (doing business as Spec Building Materials or any other name)
 6. Elite Roofing Supply, LLC (doing business as Elite Roofing Supply or any other name)
 7. Pacific Source, Inc. (doing business as Pacific Source or any other name)
 8. Richards Building Supply Co. (doing business as Richards Building Supply or any other name)
 9. Cameron Ashley Building Products, Inc. (doing business as Cameron Ashley Building Products or any other name)
 10. Primesource Building Products, Inc. (doing business as Primesource Building Products or any other name)
 11. GMS Inc. (doing business as GMS or any other name)
 12. Foundation Building Materials, LLC (doing business as Foundation Building Materials or any other name)
 13. Service Partners, LLC (doing business as Service Partners or any other name)
 14. US LBM Holdings, LLC (doing business as USLBM or any other name)
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Exhibit B

Release¹

In consideration of the payments and benefits provided to you above, to which you are not otherwise entitled and the sufficiency of which you acknowledge, you do, on behalf of yourself and your heirs, administrators, executors and assigns, hereby fully, finally and unconditionally release and forever discharge Beacon and its parent, subsidiary and affiliated entities and all their former and present officers, directors, shareholders, employees, trustees, fiduciaries, administrators, attorneys, consultants, agents, and other representatives, and all their respective predecessors, successors and assigns (collectively "Released Parties"), in their corporate, personal and representative capacities, from any and all obligations, claims, damages, costs, attorneys' fees, suits and demands, of any and every kind, nature and character, known or unknown, liquidated or unliquidated, absolute or contingent, in law and in equity, enforceable under any local, state or federal common law, constitution, statute or ordinance, which arise from or relate to your past employment with Beacon or the termination thereof, or any past actions or omissions of Beacon or any of the Released Parties, including without limitation, rights and claims arising under the Family and Medical Leave Act, Title VII of the Civil Rights Act, the Americans with Disabilities Act of 1990, the Age Discrimination in Employment Act, the Older Worker Benefits Protection Act, the Worker's Adjustment and Retraining Notification Act, the Employee Retirement Income Security Act, or any other federal, state or local law or regulation. Subject to applicable law, you also warrant that you have not filed or sued and will not sue or file any actions against Beacon or any of the Released Parties with respect to claims covered by this release.

You recognize and understand that the foregoing is a general release by which you are giving up the opportunity to obtain compensation, damages, and other forms of relief for yourself. This Agreement, however, is not intended to and does not interfere with the right of any governmental agency to enforce laws or to seek relief that may benefit the general public, or your right to assist with or participate in that process. By signing this Agreement, however, you waive any right to personally recover against the Released Parties, and you give up the opportunity to obtain compensation, damages or other forms of relief for you other than that provided in this Agreement. You represent that you are not aware of any facts on which a claim under the Fair Labor Standards Act, the Attorney Fees in Wage Action Act, or under applicable state minimum wage, wage payment or leave laws, could be brought.

Nothing contained in this Release limits Executive's ability to, in good faith, report possible violations of law or regulation to, or file a charge or complaint with, the Securities and Exchange Commission, the Equal Employment Opportunity Commission, the Department of Justice, the Congress, any Inspector General, or any other federal, state or local governmental agency or commission ("Government Agencies"). Executive further understands that this Release does not limit Executive's ability to communicate in good faith with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted

¹ Note to Draft: Beacon reserves the right to update this form for developments in law and circumstances regarding employment and termination (including based on where Executive provided services).

by any Government Agency, including providing documents or other information, without notice to Beacon.

Please note that you are subject to ongoing confidentiality and other restrictive covenants pursuant to the terms of the Executive Severance and Restrictive Covenant Agreement and any other agreements with the Company to which you are a party.

If you accept the terms of this Release, please date and sign below and return it to Ross Cooper. Once you execute this Release, you have seven (7) days in which to revoke in writing your acceptance by providing the same to me, and such revocation will render this Release null and void. If you do not revoke your acceptance in writing and provide it to me by midnight on the seventh day, this Release shall be effective the day after the seven-day revocation period has elapsed.

Sincerely,

BEACON ROOFING SUPPLY, INC.

By: _____

Name:

Title:

By signing this letter, I represent and warrant that I have not been the victim of age or other discrimination or wrongful treatment in my employment and the termination thereof. I further acknowledge that Beacon advised me in writing to consult with an attorney, that I had twenty-one (21) days, or until _____ to consider this Agreement, that I received all information necessary to make an informed decision and I had the opportunity to request and receive additional information, that I understand and agree to the terms of this Agreement, that I have seven (7) days in which to revoke my acceptance of this Agreement, and that I am signing this Agreement voluntarily with full knowledge and understanding of its contents.

Dated: _____

Signature: _____
[Executive]

REGISTRANT'S SUBSIDIARIES

The following table sets forth, as of September 30, 2020, the Registrant's significant operating subsidiaries and other associated companies and their respective incorporation jurisdictions. The Registrant owns 100% of the voting securities of each of the subsidiaries listed below. There are no subsidiaries not listed in the table, which would, in the aggregate, be considered significant.

Active Subsidiaries	State of Incorporation
Beacon Sales Acquisition, Inc.	Delaware
Beacon Roofing Supply Canada Company	Nova Scotia

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. 333-242402) pertaining to the Beacon Roofing Supply, Inc. Second Amended and Restated 2014 Stock Plan;
- 2) Registration Statement (Form S-8 No. 333-210416) pertaining to the Beacon Roofing Supply, Inc. Amended and Restated 2014 Stock Plan;
- 3) Registration Statement (Form S-8 No. 333-193904) pertaining to the Beacon Roofing Supply, Inc. 2014 Stock Plan;
- 4) Registration Statement (Form S-8 No. 333-172142) pertaining to the Beacon Roofing Supply, Inc. 2004 Stock Plan (As Amended and Restated Effective February 8, 2011);
- 5) 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);
- 6) Registration Statement (Form S-8 No. 333-128379) pertaining to the Beacon Sales Acquisition, Inc. 401(k) Profit Sharing Plan;
- 7) Registration Statement (Form S-8 No. 333-119747) pertaining to the Beacon Roofing Supply, Inc. 1998 Stock Option Plan and 2004 Stock Plan; and
- 8) Registration Statement (Form S-3 No. 333-220506) of Beacon Roofing Supply, Inc.

of our reports dated November 20, 2020 with respect to the consolidated financial statements of Beacon Roofing Supply, Inc. and the effectiveness of internal control over financial reporting of Beacon Roofing Supply, Inc., included in this Annual Report (Form 10-K) of Beacon Roofing Supply, Inc. for the year ended September 30, 2020.

/s/ Ernst & Young LLP

Tysons, Virginia
November 20, 2020

CERTIFICATION

I, Julian G. Francis, certify that

1. I have reviewed this annual report on Form 10-K of Beacon Roofing Supply, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 20, 2020

/s/ JULIAN G. FRANCIS

Julian G. Francis

President and Chief Executive Officer

CERTIFICATION

I, Frank A. Lonegro, certify that:

1. I have reviewed this annual report on Form 10-K of Beacon Roofing Supply, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 20, 2020

/s/ FRANK A. LONEGRO

Frank A. Lonegro

Executive Vice President and Chief Financial Officer

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Beacon Roofing Supply, Inc. (the "Company") on Form 10-K for the year ended September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Julian G. Francis, the Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JULIAN G. FRANCIS

Julian G. Francis

President and Chief Executive Officer

November 20, 2020

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Beacon Roofing Supply, Inc. and will be retained by Beacon Roofing Supply, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Beacon Roofing Supply, Inc. (the "Company") on Form 10-K for the year ended September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Frank A. Lonegro, the Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ FRANK A. LONEGRO

Frank A. Lonegro

Executive Vice President and Chief Financial Officer

November 20, 2020

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Beacon Roofing Supply, Inc. and will be retained by Beacon Roofing Supply, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.