

COMPANY DEEP-DIVE

# Vice President at Beldon Roofing Company Sees Rising Material Costs and Highlights Importance of Reputation and Warranty in Industry

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TECTA AMERICA

## Summary

The client spoke with the Vice President at Beldon Roofing Company to gather information about the roofing industry. They discussed the breakdown of Beldon's business, with 98% commercial roofing and 2% residential roofing. They also talked about the factors that differentiate Beldon, such as reputation, warranty, and ability to manage the job. The conversation covered the lifespan of different roofing materials, the need for reroofing, and the relationship between roofing companies and material manufacturers. They also discussed subcontracted jobs, labor supply, building codes, insurance policies, and the suite of services offered by roofing providers. The Vice President mentioned some key players in the industry and the role of the National Roofing Contractors Association. They also discussed the trend of increasing material costs and confirmed that the contract structure is based on time and material.

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EXPERT BIO

# INTERVIEW TRANSCRIPT

Client ▶ 00:00:00

Thanks for talking about the roofing industry. We are just trying to get to understand the underlying market dynamics. Before we get started, we were just wondering if you could just give us a quick background about your role at BELDON Roofing and what you do.

Expert ▶ 00:00:12

I've been with BELDON Roofing Company for 38 years, one of the leadership team. We do 46 states of commercial roofing and about three or four states of residential roofing. We do close to \$80 million a year in revenue.

We do massive amounts of commercial new construction and commercial reroofing. On the residential side, we virtually do 98% reroofing. We also do roof servicing, and we do roof maintenance agreements.

Client ▶ 00:00:39

So you mentioned that your company does 98% commercial, 2% residential. Is there any rationale for that?

Expert ▶ 00:00:45

Well, we started back in '46 exclusively in residential. In the '60s, when the second-generation Beldon came in, he wanted to expand to commercial. We kept the residential and commercial until the early '90s when the BELDON team and I sat down and they said, should we get out of residential?

And I was strongly opposed to it because we do not want to tell a commercial customer, we cannot take care of their homes. So we have kept the residential, and it's been fun. It's just not as profitable as the commercial reroofing. But we don't want to give it up.

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Client ▶ 00:01:17

Could you maybe break down to us the percentage of your business that is in new builds versus reroofing versus maintenance repairs?

Expert ▶ 00:01:23

On the commercial side, about 60% is reroofing, 40% is new construction, except when there's a year when we get a new construction distribution center that skews the new construction heavily in favor of new construction.

Picture a massive warehouse-type distribution center that if you are fortunate to get the new construction roof project, it will skew the percentages for that year. But year after year it's heavily reroofing. And about 8% to 12% is our service work.

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Client ▶ 00:01:50

Can you just elaborate a bit more on this like new construction distribution center? Is that just a distribution center that you set up that's in close proximity to like new property developments? Or what is that exactly?

Expert ▶ 00:02:01

Not necessarily. Many times, it could be an industrial park where these 18 wheelers are coming in from Mexico and looking for a place to drop their goods, and they're building heavily in Arizona, New Mexico, Texas, Oklahoma and those states, we do a lot of business in.

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Client ▶ 00:02:16

So throughout your, I guess, three main lines of business, what percent are your generated leads, inbound or outbound? How does your sales operations work? Do you reach out to potential customers? Or do customers reach out to you? Do you send an RFP? How does that work?

Expert ▶ 00:02:32

They're working about four ways. Let's talk first reroofing. In the reroofing side, approximately 40% to 50% is past customers who want to deal with BELDON Roofing. That's a big chunk. Another 20% are bid work where either an owner is bidding out his reroofing or he's turned it over to either an architect or a roof consultant and roof consultants are a big part of our business.

And most roof consultants are past roofing contractors who decided they'd rather go in the

consulting business and represent an owner who is not versed in roofing, pick up the load for about 10% of the price and select the roofing contractor from a group of two or three he deals with and oversee the project.

The rest of the reroofing might come from architects, or about 10% of it comes on recommendations from the manufacturers, lead from the manufacturers. That's the reroofing side. On the new construction side, it's a lot more consultants and architects and RFPs. But still on the new construction, about 20% to 25% is past customer.

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Client ▶ 00:03:33

And so for reroofing, you mentioned the use of roofing consultants. Can you give us a ballpark estimate of what percentage of roofing consultants are involved in the decision-making process of subcontracting a roofer?

Expert ▶ 00:03:44

I would say of the projects that go on in the U.S., it's grown from less than 5% to closer to 15% of major projects are now done through a consultant company. And it used to be the Roof Consultants Institute. Now if you need to research further, it's called IIBEC, the International Institute of Building Enclosure Consultants, and it would be a good site for you to check to get some detailed information of what these people do.

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Client ▶ 00:04:07

And so from your perspective, when you're dealing with a roofing consultant, does that alter how you enter the bidding process in any way or just alter your behavior? Like how do roofing consultants change the transaction?

Expert ▶ 00:04:18

No, we're in favor of them. We're in favor of them because they will not turn to the riff-raffs of roofing contractors. We know when a roof consultant is looking to represent an owner and bid a job, they're dealing with the BELDONs of the U.S., and it's extremely rare that we see an invitee, an invited bidder who we don't know, extremely rare.

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Client ▶ 00:04:36

That's good to know. So I guess moving on to the bidding process. Is there a substantial difference in how, like I guess you did touch upon the marketing sales aspect of it. But I'm just wondering, when it comes to new build versus reroofing versus maintenance, is there a difference in the competitors you come up against across each lines of service?

Expert ▶ 00:04:53

Yes. There are two national roll-up companies that are the big daddies in roofing. One called Tecta America, and another one called CentiMark. They dominate the roofing industry. It's a series of



bought out roofing companies like BELDON, bought out under the umbrella, and they will go around the country, bidding for new construction work and reroofing. So we run into them quite a bit, and then we run into the big ones in each region that we're going to see time and time again, that we run up against.

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Client ▶ 00:05:21

So when you run up against them, I guess, other than maybe price, what is your value-add proposition to customers versus these large competitors?

Expert ▶ 00:05:29

Three things. One is your reputation. Two is your warranty. Three is your ability to man the job properly, and that means either timely or with the right crew force. Fourth would be previous work. And then you almost have to add in price towards the end.

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Client ▶ 00:05:44

The pricing towards the end?

Expert ▶ 00:05:46

Yes. Price is not a biggie, price is not a driver.

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Client ▶ 00:05:49

What do you mean by that? To what extent would the price of a particular job differ across competitors?

Expert ▶ 00:05:54

If five people are bidding and you throw out the top and the bottom, the middle three are probably within just a couple of percent of each other. And there's a top, because the top might be one who either has a lot of work going and puts in a bid that's on the high side. And if he gets it, his profit margin is high.

At the bottom would be somebody who's hungry and needs a particular job coming up at a certain time, and he really wants to go after it because all of us know that the BELDON-type roofing companies, if they want to go after a job and take it, they can get it.

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Client ▶ 00:06:23

And so why do you say that?

Expert ▶ 00:06:25

I say that because all the ones invited would be companies that would probably be selected by the owner or else they wouldn't have been invited. And it just depends on the backlog and your backlog of work and when the job that you're looking to bid is planned to start, you may be hungry for it.

You may have multiple crews coming off a big project, and you need to find them work because all of us, in this level of roofing, we don't want our backlog to shrink anything less than about eight weeks. We get nervous when we see it less than eight weeks out.

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Client ▶ 00:06:53

Interesting. So we've spoken to like a few HOAs and property development managers, and they speak about this idea of multi-sourcing different subcontracts for different kinds of jobs. Is that something that you see with your business? Or you consider yourselves as like generalists, sort of roofing subcontractors that can do all kinds of jobs?

I know you're mostly focused on commercial, but even within commercial, when it comes to different types of services or different types of roofs, are there multiple provider that specialize in one thing? Or is it like a generalist kind of deal?

Expert ▶ 00:07:22

No, more generalists. There are very few major roofing companies that cannot handle any type of roofing system with the exception of sprayed-on foam.

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Client ▶ 00:07:31

Why is that?

Expert ▶ 00:07:32

Because sprayed-on foam has proved it doesn't work.

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Client ▶ 00:07:35

So if you're thinking about these reroofing and new build, how often are you going in and actually having to reroof, call it, the commercial building and a residential building on average, would you say?

Expert ▶ 00:07:44

Residential building in the Southern Tier of the U.S., if it's composition shingle, asphalt shingle, it's going to last maybe 18 to 20 years. If you get into the more temperate cooler climates, you can go 20, 25, 28 years. In the Southern Tier, if you're using tile, standing seam metal, slate, it could be lifetime, well over 50 years.

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Client ▶ 00:08:05

And that's the same up North, I assume, if you're using a slate or something else?

Expert ▶ 00:08:09

Yes, if you're using tile, metal, anything other than asphalt shingle, you get lifetime, which is generally 50-plus years. And even then, it's not your tile that wears out. It's the waterproofing underneath it. So you're called in to do what's known as a tile relay. You take off all the tiles, put new waterproofing down and relay the tile and replace any broken ones.

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Client ▶ 00:08:30

And then also in addition to doing servicing on those, so I don't know whether that's an explicit contract where you go out each year or if it's something more ad hoc. But I guess, what is the interval as to when you would expect to need to give a some sort of a roof some sort of servicing. And you could split it out in any way you see fit?

Expert ▶ 00:08:46

Before I answer that, let me answer the other part of your question about the wearing out of the residential and commercial roofing. Because a good commercial roof put down properly over a good decking, good installation and a good roofing membrane, you can go 30-plus years on that roof. Now all of our roofing maintenance agreements come with us visiting the roof twice a year and then providing service on an as-needed basis.

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Client ▶ 00:09:08

And that's both commercial and residential?

Expert ▶ 00:09:10

We do almost no residential maintenance program. We find owners don't want to do that. We do a lot of commercial maintenance program.

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Client ▶ 00:09:19

And then earlier, you mentioned warranties. So we've heard about the two different types of warranties, one being the installer warranty or I assume that's the provider's warranty and then

one being the material warranty. Are those both active warranties that are in the space? Or have I messed up some information there?

Expert ▶ 00:09:35

In the single pie work, the installer, the contractor is fully responsible for the first two years of the warranty, labor and material. After the two years, the manufacturer picks up the labor and material, whether it's for another 18 years, 23 years, 28 years or longer. So first two years is the contractor. After that, it's the manufacturer.

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Client ▶ 00:09:55

And so in fact, if it was under the manufacturer's warranty, call it, 15 years in, so they're paying for the material or providing materials and then they're paying for the labor? Is that accurate? Or are they also not paying for the labor?

Expert ▶ 00:10:08

No, they're paying for labor, too.

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Client ▶ 00:10:10

Do they get to decide who is performing the work as well? Or how does that work?

Expert ▶ 00:10:14

Suppose, we, BELDON, put down a Carlisle TPO roof, TPO is a membrane, a type of a whitish plasticized roofing membrane that is one layer thick over the installation, and that is your waterproofing. BELDON puts down a Carlisle TPO membrane or Carlisle PVC membrane. BELDON is responsible, labor and material for two years. Suppose nine years in on a 20-year warranty, some leaks are reported to Carlisle.

Carlisle will always turn to the installer first, but they do not have to. They can have any contractor that's aligned with Carlisle, go out, evaluate and perform the work. As a manufacturer, they always will turn to the installer and give them the right to go out and see what may have been wrong, labor or material, but they don't have to.

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Client ▶ 00:10:57

What is Carlisle again?

Expert ▶ 00:10:58

Carlisle is the material manufacturer.

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Client ▶ 00:11:01

Okay. So the material manufacturer is the one going out and figuring out who they want performing the work?

Expert ▶ 00:11:06

That's correct.

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Client ▶ 00:11:07

So your company has efforts to make sure you have relationships with the manufacturers themselves, that you make sure to get that work? Is that how most roofing works, most roofing contracts are established?

Expert ▶ 00:11:17

Yes. You have relationships with either the manufacturer or the distributor or both.

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Client ▶ 00:11:23

So out of all of your reroofing projects, what percent do you think the insurance or the provider of the company or the provider of the materials?

Expert ▶ 00:11:29

The material provider helps us get the job, and no more than about 15% to 20% of the jobs.

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Client ▶ 00:11:35

So call it 20% of your reroofing jobs could be because they're still under warranty, the other 80% are not under warranty?

Expert ▶ 00:11:42

No. It's due to the influence and the name recognition of Carlisle that we're brought in to look at either a new construction job or reroofing.

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Client ▶ 00:11:50

And could you just clarify, I think I'm just a bit confused about how the materials producer just sort of factors into this process generally. Can you just like provide a high-level overview of how that relationship works?

Expert ▶ 00:12:00

We, BELDON Roofing Company do a lot of work using Carlisle materials, but we also use Manville materials. We also use Sika, we also use much smaller specialty products. And when we are doing a generic work for an owner where we're writing the specifications, we can choose amongst any

of the manufacturers because the owner is relying on BELDON to put down a quality work and a quality roof that BELDON and the manufacturer can provide the warranty on.

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Client ▶ 00:12:26

I see. So it's like a mutually beneficial relationship in that you are using Carlisle, for example, to provide the materials and then throughout the warranty, Carlisle will contract you presumably for like the reroofing and the repairs?

Expert ▶ 00:12:37

That's correct. Not for the reroofing.

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Client ▶ 00:12:40

And so what about the instances in which you're doing a reroof job that is not through the materials provider? And what instance would that happen?

Expert ▶ 00:12:47

There are a lot of those. There are a lot of them, and we pick whose materials we want to use. And many times, it's based on the availability of the material. Does the manufacturer's material match the need of the particular roof?

An example, restaurants spew out on their rooftop a lot of oil and grease. You don't want to put down a roofing membrane that cannot protect against oil and grease. So we would turn to roofing manufacturers who have membranes that are specifically made for resistance to oil and grease.

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Client ▶ 00:13:16

So I guess trying to circle back to my earlier question, which I don't think I phrased very well. I'm trying to understand is, out of all the projects, who the key decision maker is in the different circumstances? So if I'm understanding this correctly, the decision-maker for what provider to be used is the roofing materials person, while it's under warranty, and while it's not under warranty, it is the, call it, the property manager or whoever owns the actual business?

Expert ▶ 00:13:39

That's correct.

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Client ▶ 00:13:40

And so I guess, what percent of reroofing projects are done while it's under warranty from the building or from the material manufacturer versus what percent are done while it's not under warranty?

Expert ▶ 00:13:50

If it's under warranty, the material manufacturer who has that warranty is going to use that material. If it's Carlisle, if it is Manville, that material is going to be used while the building stays under warranty.

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Client ▶ 00:14:01

And so from all the projects that you guys do, what percent of your reroofing project is from one of those reroofing projects that is under warranty versus what percent are ones that are not under warranty?

Expert ▶ 00:14:10

Very few reroofings are done, extremely few when the building is under warranty. The only time, it would be an insurance claim.

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Client ▶ 00:14:18

So it's a very small percentage are actually from the material manufacturer?

Expert ▶ 00:14:21

Correct.

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Client ▶ 00:14:22

Can you give us a number?

Expert ▶ 00:14:23

In this day and age, less than 2% are roofing failures due to material.

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Client ▶ 00:14:28

That makes a lot of sense, because I was sitting here thinking, man, if these are all getting replaced under warranty, this warranty seems like a really bad deal for the materials manufacturer.

Expert ▶ 00:14:37

Oh, no. Very few are getting replaced.

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Client ▶ 00:14:40

But when you say that you compete on warranty, then what does that mean?

Expert ▶ 00:14:43

We compete on upholding the warranty and servicing the warranty for the first two years, because when is the roof going to show signs of leakage? During the first two years that it's installed is when it's going to show a labor issue, an install issue. There's going to be a storm to test that roof sometime during the first two years.

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Client ▶ 00:15:01

So this is a, how strong is your warranty, and that is what you compete on?

Expert ▶ 00:15:05

Exactly. Or if it's not a single pie roof system, if it's what's known as a built-up roof system.

Before single pie came into vogue in the '90s, it was only the built-up roof. The built-up roof used to be referred to as the tar-and-gravel roof.

In other words, you had a decking, and above that decking was a layer of fiberglass felt, mopped down in hot asphalt, layer upon layer upon layer, until you had three or four layers of asphalt and roofing felt, asphalt and roofing felt, asphalt and roofing felt, and then a flood coat of asphalt and a surfacing.

That was the BELDON traditional roof put down from the '40s until into the '90s. That took a BELDON 20-year warranty. No manufacturer's warranty necessarily. When single pie came into vogue, the manufacturer picked up the warranty after two years.

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Client ▶ 00:15:53

That is very helpful. So I think we're going to shift gears here to staffing and labor supply and all that good stuff. I guess we've been hearing a lot from other providers that the past three to five years has been hard to find a skilled labor to do a good job. Have you found sort of the same thing?

Expert ▶ 00:16:08

We found it more difficult in '18 and '19 and then in '21, but it's stabilized now to where the crews are available. We find we have multigenerational families doing our work. In the area that we do primary business, it's heavily Hispanic labor, uncle, cousins, relatives that bring in the next-generation. Dirty work, yes, cleaner now that they're single pie. They're not having to use hot asphalt, which is a pleasure for them. And it's a good living.

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Client ▶ 00:16:35

And do you guys do a lot of workers that are on staff or like a W-2 or do you guys prefer to subcontract employees?



Expert ▶ 00:16:40

Over 80% of ours are W-2.

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Client ▶ 00:16:43

Okay. And then the 20% that are subcontracted or contracted out, I guess, what types of jobs are you more likely to contract out?

Expert ▶ 00:16:50

The same type of a job, but we use them for our surges because you can never monthly plan for how many crews do you need on a given month. It fluctuates so badly, you don't know when you're going to have a big job that might need two or three crews or if you're coming off of the big job, that three crews are finishing, do you have three separate jobs to put all three crews on one at a time?

So it's very cyclical. What happens when a heavy rain storm hits, and all of a sudden, you've got massive reroofing to do? What about if a distribution center comes online? So with that in mind, every quality roofing company has to have their own staff and then the availability of tapping key trained crews that could work for BELDON.

Or could work for our competitors, depending who has the work at a given time. But they have to go through our training program and perform to our standards, which may be a little different than our competitor.

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Client ▶ 00:17:40

I see. So I'm just a bit curious because people that we talked to lamented that like the number one problem that they've been facing is finding these crews, but that doesn't seem to be a problem with you. Do you know why that is?

Expert ▶ 00:17:51

Yes, we pay top dollar. And we provide health benefits and 401(k) programs.

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Client ▶ 00:17:56

So how much have you guys been able to move up your wages over the last several years to kind of continue to be able to retain that talent?

Expert ▶ 00:18:02

The wages for our lead people have doubled from '18 to '23. Our profit margins have shrunk.

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Client ▶ 00:18:08

So you had to increase wages at faster rate than everyone.

Expert ▶ 00:18:11

Correct. We used to go into a reroofing job and anticipate about a 35% gross profit. Now we're down closer to 30%, 31%. The missing percent has gone to our labor.

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Client ▶ 00:18:23

And then I guess in the next three to five years, do you think that they're going to continue to rise? Or would you say that you've been able to make that adjustment, and you think that it's in a good spot now, you will not have to make that adjustment anymore?

Expert ▶ 00:18:34

No, I think the labor is still going to be demanding increases every year because it's still a tight labor market, even though it's loosened, but it's still tight.

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Client ▶ 00:18:43

One other thing we've heard mentioned, but haven't really been able to get a lot of information on, I still don't even know necessarily what the right questions to ask, but what sort of regulating bodies come into play? So aside from warranty, just regulating bodies come into play with the roofing industry and what roles do they play?

Expert ▶ 00:18:59

Number one, individual municipalities have building code. And that's where your regulations come in. Each state licenses its contractors separately. So we're working in 45 commercial states. We have to be licensed in every state separately. That's one. Number two, every municipality has their own building code. We must comply with the building code of that municipality.

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Client ▶ 00:19:22

And how difficult is it to figure out what the building codes are within a municipality?

Expert ▶ 00:19:26

Very easy.

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Client ▶ 00:19:27

Are they similar across the state?

Expert ▶ 00:19:28

No, they're not similar across the state. When you get near the coast of the U.S., you have much more severe construction codes because of wind uplift. So your roofing systems have to be fastened with far more fasteners if it's being put down mechanically fastened.

If it's being adhered with adhesives, there have to be multiple layers at the edges and perimeters. So the building codes vary, one, as you get closer to the wind uplift area; and two, as you get closer to the mountainous areas where you get your Chinook winds trying to uplift the roof.

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Client ▶ 00:19:58

So is that considered, sort of these regulations that vary municipality by municipality, is that considered a barrier to entry when trying to enter like a new market in roofing?

Expert ▶ 00:20:07

Yes. When you want to search for a new market, you better be sure that, one, the proper insurance on your people, that's one. Number two, you have to be able to install a material manufacturers in that area. Number three, you have to understand the building codes in that area, and you have to be licensed to work in that area.

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Client ▶ 00:20:26

Interesting. So just for a bit of context, we're sort of focusing primarily on the greater Southeast region. Is there anything about the Southeast, maybe in particular, Florida and its surrounding states that strike you as unique when it comes to roofing, like the roofing market?

Expert ▶ 00:20:40

Yes. Florida is very protective of its elderly citizens when you talk about the residential side, very protective so that they don't get taken by fly-by-nights coming in and trying to abscond with money and giving them nothing in return. And we applaud that. And Florida has very high insurance requirements for doing commercial work. And Florida also has very high requirements for putting down installation, rooftop installation.

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Client ▶ 00:21:05

Is there like the greater likelihood of extreme weather events affecting the coast and the Southeast more generally? Does that sort of make the market more attractive from a roofing providers perspective?

Expert ▶ 00:21:14

Absolutely. That's why we're heavily working from Texas to Florida and on up to Virginia. I mean, that's the storm belt other than tornado alley, which goes from about Albuquerque New Mexico, across the metroplex of Dallas through Tulsa and then a banana shape on up to Indiana and

Illinois. That's tornadic. That is more destructive, but it's a narrower band. Your hurricanes are less destructive but a much wider band.

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Client ▶ 00:21:39

Have there been any changes, I guess, to insurance policies or insurance coverages, which has impacted the roofing market in particular?

Expert ▶ 00:21:46

Yes. The biggest one would be the deductibles. Insurance companies are pushing for either much higher premiums or the owner taking on the responsibility for higher deductible.

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Client ▶ 00:21:56

I guess what overall impact would you see on the bottom line of your business with those changes?

Expert ▶ 00:22:00

When we do insurance work, our margins are going to be tighter.

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Client ▶ 00:22:03

So in a way, if coverage gets worse, so insurance coverage is worse, my mind would go to, okay, then you're doing less work that is insurance works, so your margins are better. So my question was, is it actually beneficial for your company for insurance coverage to get worse? Or am I missing something?

Expert ▶ 00:22:21

No, we want insurances to be better. We want the people and the buildings protected. We want insurance companies stepping up and not trying to squeeze an owner into doing repairs when a building has been destroyed, and the membrane is no longer serviceable. And we dislike it when a roofing inspector comes out representing the insurance company and tries to tell the owner that if you make major repairs at the edges where the roof membrane has been uplifted, you should be in good shape.

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Client ▶ 00:22:46

So are your margins the same on insurance jobs as not insurance jobs?

Expert ▶ 00:22:49

I mentioned, they're tighter on insurance, probably about 2% to 3%.

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Client ▶ 00:22:54

So the margins are worse on the insurance, but you would still rather the insurance be covered? And it's literally a better business model. So I guess could you walk me through that line?

Expert ▶ 00:23:03

The model we don't want is to be just an insurance provider and chase insurance storms around the country.

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Client ▶ 00:23:08

So if it's not covered under insurance, then it might be covered under your warranty, which should be the negative side of that.

Expert ▶ 00:23:14

That's correct.

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Client ▶ 00:23:15

On the competitive landscape portion, you mentioned that Tecta and CentiMark are the key players in roofing. I know you can speak to Florida, but are there any providers that serve like Florida or that greater Southeastern region that you're aware of or come across?

Expert ▶ 00:23:27

There's one called Sutter, they're very big in Florida. Baker, Flynn, BELDON. Actually, I should have mentioned them first.

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Client ▶ 00:23:35

I was just taking a look at your screener questions. And you mentioned that some of the other services outside of roof that you offer includes insulation and waterproofing, gutters and service work. Are those suite of offerings typical under a roofing provider?

Expert ▶ 00:23:47

Yes. Very few of the top 50 roofing companies in the U.S., very few of them would be missing providing something. And the top some things are new construction and reroofing, single pie work and built-up work, guttering work, whether they own their own sheet metal shop or they contract it, maintenance work and service work, penetration work. Everyone of your top tier are going to offer that.

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Client ▶ 00:24:10

And so which of those services do you find are most, I guess, commonly bundled together for your end customers? Like which ones are they most actively seeking to use you and hand them for?

Expert ▶ 00:24:19

They want a turnkey. They want the ability to put in new installation, new roofing membrane, new edge detail or flashing detail, new wall waterproofing.

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Client ▶ 00:24:28

And are these general contractors in this case being the end user or being the customer?

Expert ▶ 00:24:33

General contractors invariably turn to a roofing contractor to do the work on a bid that the general contractor has secured. General contractors don't have their own roofing crews.

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Client ▶ 00:24:43

So I guess what I'm trying to understand is, we've had some conversations and numerous times, we've heard that customers, in these cases, they've been property managers and general contractors who are hiring up for roofing contractors. And some of their sentiments have been that they prefer somebody that is just focused on roofing because that's just what they need them for. We want a roofing contractor and that's it.

But now I'm hearing from you that it sounds like there's some other offerings that they're often not interested, and I guess we haven't talked to enough people maybe and that might just be it, but I'm just trying to understand where that disconnect is.

Expert ▶ 00:25:13

The only thing some roofing companies don't do is the waterproofing part. The building envelope waterproofing. They do the top side of the roof, but they may not do the masonry waterproofing or even the below-grade waterproofing. Fewer roofing companies do that than don't do.

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Client ▶ 00:25:29

Got you. And it seems like you guys are primarily focused on the commercial side. I guess, if you were to get a gauge of the share of core business that's comprised of commercial versus residential, I guess, what would that look like?

Expert ▶ 00:25:41

Year in and year out, our commercial is a good 80% to 85% and our residential is about 12%, and our service work is the remainder.

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Client ▶ 00:25:50

And then what role does the National Roofing Contractors Association kind of in the entire, maybe even during the bidding process, or during any time line along the process, do they play a role at all?

Expert ▶ 00:26:00

They play a great role. If a need arises for an owner, if they turn to somebody in the roofing industry who is not a member of the nation's oldest trade organization, my question would be why would an owner turn to somebody who is not a member of NRCA when that is the trade association that sets standards, that oversees, protects, encourages, does all the things that you in the business would want? So there, it plays an even bigger role of sharing ideas and thoughts and protecting the industry.

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Client ▶ 00:26:27

Have you seen input cost trend in a particular direction within the past few years?

Expert ▶ 00:26:31

Material?

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Client ▶ 00:26:32

Yes.

Expert ▶ 00:26:32

Yes, it goes up. Normally, the announcement comes out about November, December that, hey, folks, we're going to have a few percent increase in certain materials. These are the materials that we offer, and these are the percentage increases. And then the other manufacturers are aware that one company, let's say, Manville has announced it. They'll say, yes, I think we'll announce that also. And then the others all fall in line.

And then the contractors will say, wait a minute, wait a minute, wait a minute. And the battle goes back and forth until it stabilizes by about early January, and there's almost, across the board, a flattening or a few percent increase of certain materials. Say the installation goes up 3%, the membrane goes up 1.5%. And then you've got to plan for that, for the duration of the period. And many times, when you're purchasing your material, you have to purchase knowing when you anticipate delivery.

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Client ▶ 00:27:26

And are contract structure, when you're putting them in, just time and material so you're passing through the material cost. Is that correct?

Expert  00:27:33  
Correct.

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Client  00:27:34  
That's very helpful. I really appreciate the time. Enjoy the rest of your day.