



Beacon Roofing Supply, Inc.

Beacon Roofing Supply Reports Third Quarter 2010 Results

- **Net sales of \$474 million vs. \$464 million.**
- **Net diluted income per share of \$0.35 vs. \$0.38.**
- **Existing market operating expenses down 3%.**
- **Cash remains at \$82 million after acquisitions and debt reduction.**

PEABODY, Mass., Aug 05, 2010 (BUSINESS WIRE) -- Beacon Roofing Supply, Inc. (the "Company") (NASDAQ: BECN) announced results today for its fiscal 2010 third quarter and nine months (year-to-date) ended June 30, 2010.

Robert Buck, the Company's Chairman & Chief Executive Officer, stated: "Our third quarter results fell short of our expectations as market conditions did not improve to the extent anticipated and this continued to put unusual pressure on our gross margin. However, our total sales increased as we were active with our acquisition program and our non-residential roofing and complementary product sales were up sharply. We also reduced our existing market operating expenses. We believe we are well positioned to leverage a future pick-up in our residential roofing business, and we started to see gains in a few of our regions that had been hit especially hard by the economic downturn."

Third Quarter

Sales increased 2.3% to \$474.3 million in 2010 from \$463.6 million in 2009, while existing market (organic) sales declined 0.1%. There were eight additional branches in operation at the end of this year's third quarter compared to June 30, 2009. Non-residential roofing and complementary product sales in existing markets increased 10.9% and 19.3%, respectively, while residential roofing sales decreased 11.8%. Residential roofing sales were up against a 10.4% increase in 2009.

Net income for the third quarter was \$16.3 million compared to \$17.2 million in 2009, a decline of 5.2%. Net diluted income per share was \$0.35 compared to \$0.38 in 2009, a decline of 7.9%. The lower net income was primarily due to a lower gross margin rate, partially offset by lower interest expense.

Earnings before interest, taxes, depreciation and amortization, and stock-based compensation or "Adjusted EBITDA," which is reconciled to the net income in this press release, was \$38.2 million in 2010 compared to \$42.4 million in 2009, a decline of 9.7%.

Nine Months

Year-to-date sales declined 9.5% to \$1.13 billion in 2010 from \$1.25 billion in 2009, while existing market sales decreased 10.6%. Residential roofing and non-residential roofing sales in existing markets decreased 18.5% and 3.2%, respectively, while complementary product sales increased 1.6%. Year-to-date residential roofing sales were up against a 31.5% increase in 2009, which resulted from higher average prices and re-roofing activity in storm-affected regions, especially in the areas affected by Hurricane Ike in the first half of fiscal year 2009.

Year-to-date net income was \$17.7 million compared to \$33.4 million in 2009. Diluted net income per share was \$0.38 compared to \$0.74 in 2009. The lower net income was due to the decline in sales and a lower gross margin rate, partially offset by lower expenses.

Year-to-date adjusted EBITDA was \$67.4 million in 2010 compared to \$99.2 million in 2009, a decline of 32.1%.

Cash flow from operations was \$26.5 million compared to \$84.3 million in 2009. This year's cash flows were influenced mostly by the lower operating profit and inventory and accounts receivable increases, partially offset by the benefit from an increase rather than a decrease in accounts payable and accrued expenses (combined), including the impact of lower income tax payments. The Company spent \$12.6 million on acquisitions this year and continued to pay down debt. There was \$82.1 million of cash on hand at the end of this year's third quarter compared to \$83.0 million at June 30, 2009.

The Company will host a webcast and conference call today at 10:00 a.m. ET to discuss these results. The live webcast of the call, along with a webcast replay after the call, can be accessed at <http://ir.beaconroofingsupply.com/events.cfm> (the "Events & Presentations" page of the "Investor Relations" section of the Company's web site). There will be a slide presentation of the

results available on that page of the website as well. For those unable to connect to the Internet or who may wish to ask questions, the conference call dial-in number is 720-545-0063. To assure timely access, call participants should call in before 10:00 a.m.

Beacon Roofing Supply, Inc. is a leading distributor of roofing materials and complementary building products, operating 179 branches in 37 states in the United States and in three provinces in Eastern Canada.

SOURCE: Beacon Roofing Supply, Inc.

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

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BEACON ROOFING SUPPLY, INC
Condensed Consolidated Statements of Operations

Unaudited (Dollars in thousands, except per share data)	Three Months Ended				Nine Months Ended			
	% of Net		% of Net		% of Net		% of Net	
	June 30, 2010	Sales	June 30, 2009	Sales	June 30, 2010	Sales	June 30, 2009	Sales
Net sales	\$ 474,279	100.0%	\$ 463,586	100.0%	\$ 1,127,366	100.0%	\$ 1,246,218	100.0%
Cost of products sold	369,991	78.0%	355,761	76.7%	873,673	77.5%	948,117	76.1%
Gross profit	104,288	22.0%	107,825	23.3%	253,693	22.5%	298,101	23.9%
Operating expenses	74,056	15.6%	74,239	16.0%	210,936	18.7%	225,382	18.1%
Income from operations	30,232	6.4%	33,586	7.2%	42,757	3.8%	72,719	5.8%
Interest expense	3,596	0.8%	5,566	1.2%	14,682	1.3%	17,304	1.4%
Income before income taxes	26,636	5.6%	28,020	6.0%	28,075	2.5%	55,415	4.4%
Income tax expense	10,345	2.2%	10,833	2.3%	10,413	0.9%	22,029	1.8%
Net income	\$ 16,291	3.4%	\$ 17,187	3.7%	\$ 17,662	1.6%	\$ 33,386	2.7%
Net income per share:								
Basic	\$ 0.36		\$ 0.38		\$ 0.39		\$ 0.74	
Diluted	\$ 0.35		\$ 0.38		\$ 0.38		\$ 0.74	
Weighted average shares used in computing net income per share:								
Basic	45,588,778		45,100,853		45,422,222		44,954,582	
Diluted	46,289,811		45,541,415		46,012,172		45,417,863	

BEACON ROOFING SUPPLY, INC
Condensed Consolidated Balance Sheets

Unaudited (Dollars in thousands)	June 30, 2010	June 30, 2009	September 30, 2009
Assets			
Current assets:			
Cash and cash equivalents	\$ 82,077	\$ 83,037	\$ 82,742
Accounts receivable, net	234,789	226,741	227,379
Inventories	223,458	216,341	195,011
Prepaid expenses and other assets	45,865	39,582	52,714

Deferred income taxes	18,021	20,860	19,323
Total current assets	604,210	586,561	577,169
Property and equipment, net	46,793	53,883	52,965
Goodwill	360,094	353,209	354,193
Other assets, net	50,594	64,016	56,459
Total assets	\$ 1,061,691	\$ 1,057,669	\$ 1,040,786
Liabilities and stockholders' equity			
Current liabilities:			
Accounts payable	\$ 168,227	\$ 180,085	\$ 151,683
Accrued expenses	66,295	82,332	75,536
Current portion of long-term obligations	8,641	8,160	15,092
Total current liabilities	243,163	270,577	242,311
Senior notes payable and other obligations, net of current portion	331,673	351,723	338,347
Deferred income taxes	35,864	34,516	36,555
Stockholders' equity:			
Common stock	456	451	452
Additional paid-in capital	234,772	224,500	226,793
Retained earnings	217,026	180,332	199,364
Accumulated other comprehensive loss	(1,263)	(4,430)	(3,036)
Total stockholders' equity	450,991	400,853	423,573
Total liabilities and stockholders' equity	\$ 1,061,691	\$ 1,057,669	\$ 1,040,786

BEACON ROOFING SUPPLY, INC
Condensed Consolidated Statements of Cash Flows
Nine Months Ended

Unaudited (In thousands)	June 30, 2010	June 30, 2009
Operating activities:		
Net income	\$ 17,662	\$ 33,386
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	20,827	22,835
Stock-based compensation	3,799	3,626
Deferred income taxes	(1,421)	(735)
Changes in assets and liabilities, net of the effects of businesses acquired:		
Accounts receivable	(1,574)	55,086
Inventories	(24,643)	(8,143)
Prepaid expenses and other assets	7,765	2,622
Accounts payable and accrued expenses	4,057	(24,375)
Net cash provided by operating activities	26,472	84,302
Investing activities:		
Purchases of property and equipment	(5,364)	(10,691)
Acquisition of businesses	(12,613)	-
Net cash used in investing activities	(17,977)	(10,691)
Financing activities:		
Repayments under revolving lines of credit, net	(10)	(4,743)
Repayments under senior notes payable and other, net	(13,137)	(13,087)
Proceeds from exercise of options	3,420	1,100
Income tax benefit from stock-based compensation deductions in excess of the associated compensation costs	763	108
Net cash used by financing activities	(8,964)	(16,622)
Effect of exchange rate changes on cash	(196)	10
Net increase (decrease) in cash and cash equivalents	(665)	56,999

Cash and cash equivalents at beginning of period		82,742		26,038
Cash and cash equivalents at end of period	\$	82,077	\$	83,037

BEACON ROOFING SUPPLY, INC
Consolidated Sales by Product Line-Existing Markets*

Unaudited

For the Three Months Ended:

(dollars in millions)	June 30, 2010		June 30, 2009		Change	
	Net Sales	Mix %	Net Sales	Mix %		
Residential roofing products	\$ 217.2	46.9%	\$ 246.4	53.1%	\$ (29.2)	-11.8%
Non-residential roofing products	173.5	37.5%	156.5	33.8%	17.0	10.9%
Complementary building products	72.4	15.6%	60.7	13.1%	11.7	19.3%
	\$ 463.1	100.0%	\$ 463.6	100.0%	\$ (0.5)	-0.1%

For the Nine Months Ended:

(dollars in millions)	June 30, 2010		June 30, 2009		Change	
	Net Sales	Mix %	Net Sales	Mix %		
Residential roofing products	\$ 532.5	47.8%	\$ 653.5	52.4%	\$ (121.0)	-18.5%
Non-residential roofing products	409.1	36.7%	422.4	33.9%	(13.3)	-3.2%
Complementary building products	173.1	15.5%	170.3	13.7%	2.8	1.6%
	\$ 1,114.7	100.0%	\$ 1,246.2	100.0%	\$ (131.5)	-10.6%

*Excludes branches acquired during the four quarters prior to the start of the third quarter of fiscal 2010.

Note: Some totals above may not foot due to rounding.

Earnings Before Interest, Taxes, Depreciation and Amortization and Stock-Based Compensation ("Adjusted EBITDA")

Unaudited

(Dollars in thousands)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2010	2009	2010	2009
Net income	\$ 16,291	\$ 17,187	\$ 17,662	\$ 33,386
Interest expense	3,596	5,566	14,682	17,304
Income taxes	10,345	10,833	10,413	22,029
Depreciation and amortization	6,812	7,524	20,827	22,835
Stock-based compensation	1,192	1,241	3,799	3,626
Adjusted EBITDA (1)	\$ 38,236	\$ 42,351	\$ 67,383	\$ 99,180

(1) Adjusted EBITDA is defined as net income (loss) plus interest expense (net of interest income), income taxes, depreciation and amortization and stock-based compensation (i.e. stock option expense). EBITDA is a measure commonly used in the distribution industry, and we present Adjusted EBITDA to enhance your understanding of our operating performance. Adjusted EBITDA is used in our bank covenants and we use Adjusted EBITDA as an internal performance measurement and as one criterion for evaluating our performance relative to that of our peers. We believe that Adjusted EBITDA is an operating performance measure that provides investors and analysts with a measure of operating results unaffected by differences in capital structures, capital investment cycles, and ages of related assets among otherwise comparable companies. Further, we believe that Adjusted EBITDA is a useful measure because it improves comparability of results of operations, since purchase accounting used for acquisitions can render depreciation and amortization non-comparable between periods. Management uses these supplemental measures to evaluate performance period over period and to analyze the underlying trends in the Company's business and to establish operational goals and forecasts that are used in allocating resources. We expect to compute our non-GAAP financial measures using the same consistent method from quarter to quarter and year to year. While we believe Adjusted EBITDA is a useful measure for investors, it is not a measurement presented in accordance with United States generally accepted accounting principles, or GAAP. You should not consider Adjusted EBITDA in isolation or as a substitute for net income, cash flows from operations, or any other items calculated in accordance with GAAP. In addition, Adjusted EBITDA has inherent material limitations as a performance measure. It does not include interest expense and, because we have borrowed money, interest expense is a necessary element of our costs. In addition, Adjusted EBITDA does not include depreciation and amortization expense. Because we have capital and intangible assets, depreciation and amortization expense is a necessary element of our costs. Adjusted EBITDA also does not include stock-based compensation, which is a necessary element of our costs since we provide stock options to key members of management as an important

incentive to maximize overall company performance and as a benefit. Moreover, Adjusted EBITDA does not include taxes, and payment of taxes is a necessary element of our operations. Accordingly, since Adjusted EBITDA excludes these items, it has material limitations as a performance measure. The Company's management separately monitors capital expenditures, which impact depreciation expense, as well as amortization expense, interest expense, and income tax expense. Because not all companies use identical calculations, our presentation of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies.

SOURCE: Beacon Roofing Supply, Inc.

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