



Beacon Roofing Supply, Inc.

Beacon Roofing Supply Reports Third-Quarter Results

-- Net sales of \$515 million, up 6% from third quarter 2007

-- EPS of \$0.41, up 58% from third quarter 2007

-- Gross margin of 23.4% compared to 22.2% in third quarter 2007

PEABODY, Mass., Aug 08, 2008 (BUSINESS WIRE) -- Beacon Roofing Supply, Inc. ("Beacon" or the "Company") (NASDAQ: BECN) announced results today for its fiscal 2008 third quarter (three months) and nine months ended June 30, 2008. Third Quarter

Sales increased 6.1% to \$514.6 million in 2008 from \$484.9 million in the third quarter of fiscal 2007, primarily due to a 5.9% increase in organic sales. Residential and non-residential roofing sales increased 12.4% and 7.4%, respectively, while complementary product sales declined 11.3%. Roofing product sales benefited from a rapid rise in prices during the third quarter as well as from strong re-roofing activity in storm-affected regions and continued strength in commercial roofing activity in most markets. Complementary product sales continued to be hampered by the slowdown in new residential construction.

The Company's net income for the third quarter was \$18.3 million compared to \$11.5 million in 2007, an increase of 59%. Diluted net income per share increased 58% to \$0.41 compared to \$0.26 in 2007.

Gross profit in the third quarter was \$120.2 million, up \$12.3 million from 2007. The gross margin rate increased to 23.4% from 22.2% last year. This improvement was due mostly to the Company's ability to pass through increases in residential shingle prices as they were announced by vendors. However, cost of goods sold did not increase at the same time or rate due to favorable buying programs and the lower-cost inventory on hand before the price increases. In addition, there was an increase of residential roofing products in our product sales mix. These products typically have substantially higher gross margins than non-residential roofing products.

Operating expenses increased \$2.1 million, or 2.5%, primarily due to higher selling expenses associated with the higher sales, including much higher fuel costs. Operating expenses in the third quarter included \$3.7 million for the amortization of intangible assets recorded under purchase accounting, compared to \$4.5 million in 2007. As a percentage of net sales, operating expenses declined to 16.2% from 16.7%, mostly due to the leveraging of fixed costs over the higher sales.

The Company realized operating income of \$36.9 million in the third quarter of 2008 compared to \$26.7 million in 2007. As a percentage of net sales, operating income was 7.2% compared to 5.5%.

Interest expense decreased \$1.4 million, or 19.2%, due primarily to a paydown of debt since 2007 and lower average interest rates. The income tax provision rate was 41.0% compared to 40.2% last year.

Earnings before interest, taxes, depreciation and amortization, and stock-based compensation or "Adjusted EBITDA," which is reconciled to net income in this press release, was \$46.4 million in the third quarter of 2008 as compared to \$37.4 million in 2007. Nine Months

Year-to-date sales increased 5.7% to \$1.22 billion in 2008 from \$1.15 billion in 2007, mostly due to the favorable impact of North Coast Commercial Roofing Systems, Inc. acquired on April 1, 2007. The impact from North Coast was partially offset by a decline of 4.7% in existing market sales. The year-to-date existing market sales decline was due primarily to a decline in new residential construction and weaker re-roofing and remodeling activity, partially offset by the positive factors mentioned above for the third quarter sales increase.

The Company's 2008 year-to-date net income was \$15.4 million compared to \$14.0 million in 2007. Diluted net income per share was \$0.34 compared to \$0.31 in 2007.

Gross profit in the nine months was \$280.3 million, up \$14.6 million from 2007. The overall gross margin rate decreased slightly to 23.0% from 23.1% last year. The existing market gross margin rate, however, increased to 24.2% in 2008 from 23.6% in 2007.

Operating expenses increased \$12.3 million, or 5.5%, primarily due to the inclusion of North Coast and higher fuel costs, partially offset by lower payroll and related costs in existing markets and other cost-saving steps. Overall operating expenses remained unchanged as a percentage of net sales. Existing market operating expenses decreased \$7.1 million, or 3.4%, but increased as a percentage of sales from 19.6% to 19.9%.

The Company realized operating income of \$45.8 million in the nine months of 2008 compared to \$43.5 million in 2007. As a percentage of net sales, the operating income rate was 3.8%, unchanged from 2007. The existing market operating income rate was 4.3% compared to 3.9% in 2007.

Interest expense declined \$0.4 million or 2.0%. The year-to-date income tax provision rate was 41.0% compared to 40.2% last year.

Adjusted EBITDA was \$75.3 million in the first nine months of 2008 as compared to \$70.8 million in 2007.

Cash flow from operations was \$29.2 million in the first nine months of 2008 compared to \$52.3 million in 2007. This decline was primarily attributable to a larger build-up of inventory this year ahead of announced price increases, partially offset by a lower increase in accounts receivable.

Robert Buck, the Company's Chairman & Chief Executive Officer, stated: "I am proud of the strong third-quarter results our employees achieved during these still difficult economic times. I also am pleased to see growth in residential roofing sales after a prolonged period of softness in that market. We also were able to keep costs well controlled despite substantial increases in fuel costs. We remain focused on our business fundamentals and exceptional customer service and are optimistic that we can continue our success in the fourth quarter."

There will be a conference call to discuss the third-quarter and nine-month results this morning at 10 a.m. EDT. The dial-in number is 877-340-7913 (international dial-in number 719-325-4845). To assure timely access, participants should call in before 10:00 a.m.

Within two hours after the call, a webcast of the call will be available on the "Events & Presentations" page of the "Investor Relations" section of the Company's web site at <http://www.beaconroofingsupply.com>. A replay of the conference call will also be available at 888-203-1112 (participant passcode 2400295) (international dial-in number 719-457-0820 with same passcode) for a week following the call.

Beacon Roofing Supply, Inc. is a leading distributor of roofing materials and complementary building products operating 176 branches in 35 states in the United States and Eastern Canada.

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	Third Quarter Ended			
(Dollars in thousands, except per share data)	June 30, 2008	% of Net Sales	June 30, 2007	% of Net Sales
Net sales	\$ 514,647	100.0%	\$ 484,870	100.0%

Cost of products sold	394,474	76.6%	377,036	77.8%
Gross profit	120,173	23.4%	107,834	22.2%
Operating expenses	83,240	16.2%	81,183	16.7%
Income from operations	36,933	7.2%	26,651	5.5%
Interest expense	5,977	1.2%	7,401	1.5%
Income before income taxes	30,956	6.0%	19,250	4.0%
Income taxes	12,692	2.5%	7,745	1.6%
Net income	\$ 18,264	3.5%	11,505	2.4%

Net income per share:

Basic	\$ 0.41	\$ 0.26
Diluted	\$ 0.41	\$ 0.26

Weighted average shares used in computing net income per share:

Basic	44,291,478	44,263,602
Diluted	45,059,653	45,017,314

Unaudited

Nine Months Ended

(Dollars in thousands, except per share data)

	June 30, 2008	% of Net Sales	June 30, 2007	% of Net Sales
Net sales	\$ 1,217,294	100.0%	\$ 1,152,024	100.0%
Cost of products sold	937,035	77.0%	886,288	76.9%
Gross profit	280,259	23.0%	265,736	23.1%
Operating expenses	234,489	19.3%	222,249	19.3%
Income from operations	45,770	3.8%	43,487	3.8%
Interest expense	19,714	1.6%	20,110	1.7%
Income before income taxes	26,056	2.1%	23,377	2.0%
Income taxes	10,683	0.9%	9,406	0.8%
Net income	\$ 15,373	1.3%	\$ 13,971	1.2%

Net income per share:

Basic	\$	0.35	\$	0.32
		=====		=====
Diluted	\$	0.34	\$	0.31
		=====		=====

Weighted average shares used in
computing
net income per share:

Basic	44,281,768	44,020,089
	=====	=====
Diluted	44,818,107	44,938,812
	=====	=====

BEACON ROOFING SUPPLY, INC
Condensed Consolidated Balance Sheets

Unaudited

(Dollars in thousands)

June 30, June 30, September
2008 2007 30, 2007

Assets

Current assets:

Cash and cash equivalents	\$	11,503	\$	7,232	\$	6,469
Accounts receivable, net		276,857		263,688		267,563
Inventories		203,101		192,735		165,848
Prepaid expenses and other assets		38,121		40,452		34,509
Deferred income taxes		17,601		13,578		13,196

Total current assets		547,183		517,685		487,585
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Property and equipment, net		58,119		74,010		69,753
Goodwill		354,813		353,781		355,155
Other assets, net		78,465		98,310		94,167

Total assets		\$1,038,580		\$1,043,786		\$1,006,660
		=====		=====		=====

Liabilities and stockholders' equity

Current liabilities:

Accounts payable	\$	191,975	\$	198,115	\$	183,257
Accrued expenses		87,830		79,373		54,020
Current portion of long-term obligations		16,674		51,225		34,773

Total current liabilities		296,479		328,713		272,050
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Senior notes payable and other obligations, net of current portion		366,956		367,771		374,270
Deferred income taxes		36,516		32,651		36,490

Stockholders' equity:

Common stock		443		443		443
Additional paid-in capital		215,407		210,333		211,567
Retained earnings		122,013		95,332		106,640
Accumulated other comprehensive income		766		8,543		5,200

Total stockholders' equity		338,629		314,651		323,850
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Total liabilities and stockholders' equity	\$1,038,580	\$1,043,786	\$1,006,660
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BEACON ROOFING SUPPLY, INC
Condensed Consolidated Statements of Cash Flows

Unaudited	Nine Months Ended		
	June 30, 2008	June 30, 2007	
(In thousands)			
Operating activities:			
Net income	\$ 15,373	\$	13,971
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	25,755	23,321	
Stock-based compensation	3,772	3,943	
Deferred income taxes	(1,470)	(1,183)	
Changes in assets and liabilities, net of the adjustments of acquisitions:			
Accounts receivable	(9,798)	(19,626)	
Inventories	(37,495)	(13,875)	
Prepaid expenses and other assets	(1,878)	2,756	
Accounts payable and accrued expenses	34,926	43,030	
Net cash provided by operating activities	29,185	52,337	
Investing activities:			
Purchases of property and equipment	(2,321)	(21,470)	
Acquisition of businesses, net of cash acquired	-	(120,154)	
Net cash used in investing activities	(2,321)	(141,624)	
Financing activities:			
Repayments under revolving lines of credit, net	(17,157)	(185,181)	
Net borrowings (repayments) under senior notes payable and other	(4,472)	279,742	
Proceeds from exercise of options	47	1,115	
Payment of deferred financing costs		(3,047)	
Income tax benefit from stock-based compensation deductions in excess of the associated compensation costs	21	2,040	
Net cash provided (used) by financing activities	(21,561)	94,669	
Effect of exchange rate changes on cash	(269)	3	
Net increase in cash and cash equivalents	5,034	5,385	
Cash and cash equivalents at beginning of period	6,469	1,847	
Cash and cash equivalents at end of period	\$ 11,503	\$	7,232

Residential roofing products	\$ 495.3	40.7%	\$ 501.7	43.6%	\$ (6.4)	-1.3%
Non-residential roofing products	500.7	41.1%	394.4	34.2%	106.3	27.0%
Complementary building products	221.3	18.2%	255.9	22.2%	(34.6)	-13.5%
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	\$1,217.3	100.0%	\$1,152.0	100.0%	\$ 65.3	5.7%
	=====	=====	=====	=====	=====	=====

Consolidated Sales by Product Line for Existing Markets(A)

For the Nine Months Ended:

(dollars in millions)	June 30, 2008		June 30, 2007		Change	
	Net Sales	Mix %	Net Sales	Mix %		
Residential roofing products	\$ 481.0	46.7%	\$ 499.0	46.1%	\$(18.0)	-3.6%
Non-residential roofing products	335.0	32.5%	330.0	30.5%	5.0	1.5%
Complementary building products	215.0	20.9%	252.6	23.4%	(37.6)	-14.9%
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	\$1,031.0	100.0%	\$1,081.6	100.0%	\$(50.6)	-4.7%
	=====	=====	=====	=====	=====	=====

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

(A)Excludes branches, mostly the North Coast branches, acquired during fiscal 2007.

BEACON ROOFING SUPPLY, INC

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

Unaudited

(Dollars in thousands, except per share data)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2008	2007	2008	2007
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Net income	\$18,264	\$11,505	\$15,373	\$13,971
Interest expense	5,977	7,401	19,714	20,110
Income taxes	12,692	7,745	10,683	9,406
Depreciation and amortization	8,267	9,443	25,755	23,321
Stock-based compensation	1,182	1,338	3,772	3,943
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Adjusted EBITDA (1)	\$46,382	\$37,432	\$75,297	\$70,751
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(1) Adjusted EBITDA is defined as net income 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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