(BW)(MA-BEACON-ROOFING-SUPPLY)(BECN) Beacon Roofing Supply Reports

PEABODY, Mass.--(BUSINESS WIRE)--May 8, 2007--Beacon Roofing Supply, Inc. ("Beacon" or the "Company") (Nasdaq: BECN) announced results today for its fiscal 2007 second quarter and six months(first half) ended March 31, 2007.

Second Quarter

Sales declined 11.0% to $286.9 million in 2007 from $322.4 million in the second quarter of last year that ended March 31, 2006, reflecting a decline of 13.9% in internal ("existing market") sales. This decline was partially offset by the positive impact from acquisitions made since the second quarter of last year. Declines occurred across all three major product lines, residential, non-residential and complementary products, although complementary product sales declined only 5.1%. The existing market sales decline can be attributed to harsher winter conditions this year in the Northeast, Midwest and Canada, reduced new home construction activity in certain markets, and a flattening of inflation. In addition, there has been a significant slowdown in reconstruction and reroofing activities in the markets that experienced damages from Hurricanes Katrina and Rita.

Existing markets include new branches opened in existing markets but exclude branches acquired in the four quarters prior to the start of the reporting period. During the fiscal year ended September 30, 2006, Beacon made several major acquisitions, including the October 2005 purchase of Shelter Distribution, Inc. ("Shelter"), which currently operates 57 branches. In the second quarter of 2007, Beacon opened two new branches and has opened seven new branches since the second quarter of 2006. Shelter is included in existing markets for the second quarter but in acquired markets for the first half.

Gross profit in the second quarter decreased 14.9% to $66.2 million from $77.8 million a year ago, while the gross margin rate was 23.1% compared to 24.1% last year. The existing market gross margin rate declined to 23.0% in 2007 from 24.2% in 2006. The declines in the gross margin rates were primarily caused by an increase in competitive conditions due to the business slowdown in the industry. The overall gross margin rate was also impacted by a slightly higher gross margin rate in acquired markets compared to existing markets.

Operating expenses increased $5.0 million, or 7.6%, compared to last year's second quarter, due to the impact of the 2006 acquired companies, partially offset by the impact of the lower sales on expenses (e.g. lower transportation and overtime costs) and cost-saving steps implemented as a result of the sales slowdown. As a percentage of net sales, overall operating expenses increased to 24.5% from 20.3%, mostly due to the lower sales and the relatively fixed nature of the Company's expenses. In addition, the acquired markets had higher expenses as a rate of their sales.

Existing market operating expenses increased $0.2 million, or 0.3%, due primarily to increases in bad debt and warehouse expenses, mostly offset by lower payroll and related costs and lower other general & administrative and selling expenses, despite the seven new branches. Stock-based compensation (option) expense increased $0.5 million in 2007 from 2006. As a percentage of net sales, existing market operating expenses increased to 23.7% from 20.4% due primarily to the lower sales and the relatively fixed nature of the Company's expenses.

The Company incurred an operating loss of $4.2 million in 2007 compared to an operating income of $12.4 million in 2006 due to all of the factors mentioned above. As a percentage of net sales, the operating loss was 1.5% compared to the prior-year operating income rate of 3.8%. The existing market operating loss was 0.7% of net sales compared to an operating income rate of 3.8% in 2006.

Interest expense increased $2.1 million due primarily to the additional borrowings associated with the acquisitions. In addition,the Company refinanced its credit facilities in fiscal 2007, which also increased its debt level while providing additional funds for future acquisitions and working capital requirements. The new credit facility also provides the Company with lower interest rates than the prior credit facilities.

The Company's net loss for the second quarter was $6.3 million compared to net income of $4.8 million in 2006. The net loss per share was $0.14 compared to a diluted net income per share of $0.11 in 2006. An income tax benefit of $4.3 million, reflecting an effective tax rate of 40.2%, was recorded in the second quarter of 2007 compared to an income tax expense of $3.3 million, an effective income tax rate of 40.8%, last year.

First Half

Year-to-date (first-half) sales increased 0.7% to $667.2 million in 2007 from $662.3 million in 2006, reflecting the positive impact from acquisitions, mostly offset by a decline of 8.8% in existing market sales, with especially large decreases in residential roofing and complementary building product sales. The existing market sales decline in the first half can be attributed to the same factors mentioned above for the second-quarter decline along with five fewer business days in the first quarter of 2007. When calculated on a per business day basis, first-half existing market sales declined 5.1% in 2007 from 2006.

First-half gross profit decreased 2.2% to $157.9 million in 2007 from $161.5 million in 2006. Gross margin declined from 24.4% to 23.7%, due primarily to an increase in competitive conditions. The Company's gross margin in existing markets declined from 24.2% to 23.6% for the same reason.

First-half operating expenses increased $17.7 million, or 14.3%, reflecting an increase of $20.0 million from the acquired companies, partially offset by a decrease of $2.3 million, or 2.8%, in existing markets. The existing market decrease was primarily due to lower payroll and related costs, lower transportation costs, and lower other general & administrative expenses associated with the sales decline and cost-saving steps. Stock option expense increased $1.3 million.

As a percentage of net sales, operating expenses increased to 21.1% from 18.6% due primarily to the lower sales and a higher expense rate from the acquired companies. The operating expense rate in existing markets increased to 18.1% from 17.0% due to the lower sales, partially offset by cost-saving measures.

First-half operating income fell 55.8% to $16.8 million in 2007 from $38.1 million in 2006. As a percentage of net sales, operating income declined to 2.5% from 5.8%, reflecting the lower gross margin rate and higher expense rate, especially from the acquired companies.Existing market operating margin fell to 5.5% from 7.2%.

First-half interest expense increased $4.4 million to $12.7 million in 2007 due primarily to the additional borrowings associated with the acquisitions made during fiscal 2006.

The first-half net income was $2.5 million in 2007, down from $17.7 million in 2006, a decrease of 86.1%. Diluted net income per share for the first half was $0.05 in 2007 compared to $0.41 per share in 2006, a drop of 87.8%. An income tax expense of $1.7 million was recorded in the first half of 2007 compared to $12.1 million in 2006. The Company has estimated an annual income tax rate of 40.2% for 2007 compared to a rate of 40.6% estimated last year for 2006.

Cash flow from operations was $10.1 million in the first half of 2007 compared to $35.7 million in 2006. This decrease was primarily due to the lower operating income and a decrease in accounts payable and accrued expenses, mostly resulting from curtailed purchases due to the sales slowdown, early payment discounts offered to the Company in 2007, and expense reductions. A larger drop in accounts receivable in 2007 partly offset these factors.

Robert Buck, the Company's President & Chief Executive Officer, stated, "Although we experienced slightly higher total sales in the first half of 2007, we are disappointed that we could not achieve better results for our shareholders to this point in our fiscal year. Our performance was adversely affected by the severe winter conditions, substantially reduced new home construction activity in certain markets, a flattening of inflation, and the slowdown in activity in the markets that experienced damages from Hurricanes Katrina and Rita. The winter is now behind us and our existing market sales for April essentially equaled those of last April, which was an improvement in our sales trend compared to the first half of this year. We will work hard to continue this improvement and we are confident that we will achieve our long-term growth and profit objectives."

The Company will be hosting a conference call this morning at 10:00 a.m. (EDT) to discuss its earnings results for the second quarter and first half. The conference call dial-in-number is 866-791-6252 (international dial-in-number 913-643-4242). To assure timely access, participants should call in before 10:00.

Within two hours after the call, a replay of the conference call will be available at 888-203-1112 (participant passcode 2352347) (international dial-in-number 719-457-0820) for a week following the call. Within two days following the call, a recording will be available on the "Events & Presentations" page of the "Investors" section of the Company's web site at www.beaconroofingsupply.com.

About Beacon Roofing Supply, Inc.:

Beacon Roofing Supply, Inc. is a leading distributor of roofing materials and complementary building products operating 174 branches in 34 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.

BEACON ROOFING SUPPLY, INC
Condensed Consolidated Statements of Operations

(Dollars in thousands, except per share data)	Second Quarter Ended March 31, 2007	% of Net Sales	March 31, 2006	% of Net Sales
Net sales	$ 286,945	100.0%	$ 322,396	100.0%
Cost of products sold	220,777	76.9%	244,637	75.9%
Gross profit	66,168	23.1%	77,759	24.1%
Operating expenses	70,394	24.5%	65,403	20.2%
Income (loss) from operations	(4,226)	-1.5%	12,356	3.8%
Interest expense	6,381	2.1%	4,294	1.3%
Income (loss) before income taxes	(10,607)	-3.7%	8,062	2.5%
Income taxes	(4,268)	-1.5%	3,286	1.0%
Net income (loss)	$ (6,339)	-2.2%	4,776	1.5%
Net income (loss) per share:				
Basic	$ (0.14)		$ 0.11	
Diluted	$ (0.14)		$ 0.11	
Weighted average shares used in computing net income (loss) per share:				
Basic	43,927,745		43,580,814	
Diluted	43,927,745		44,809,777	

Six Months Ended

(Dollars in thousands, except per share data)	March 31, 2007 (a)	% of Net Sales	March 31, 2006	% of Net Sales
Net sales	$ 667,154	100.0%	$ 662,282	100.0%
Cost of products sold	509,252	76.3%	500,815	75.6%
Gross profit	157,902	23.7%	161,467	24.4%
Operating expenses	141,066	21.1%	123,399	18.6%
Income (loss) from operations	16,836	2.5%	38,068	5.8%
Interest expense	12,709	1.9%	8,312	1.3%
Income (loss) before income taxes	4,127	0.6%	29,756	4.5%
Income taxes	1,661	0.2%	12,071	1.8%
Net income (loss)	2,466	0.4%	17,685	2.7%
Net income (loss) per share:				
Basic	$ 0.06		$ 0.42	
Diluted	$ 0.05		$ 0.41	
Weighted average shares used in computing net income (loss) per share:				
Basic	43,898,332		42,017,658	
Diluted	44,874,694		43,386,520	

(a) The first half of fiscal year 2007 had five fewer business days as compared to the first half of fiscal year 2006.
Note: All share and per share data reflect the June 2006 three-for-two stock split.

BEACON ROOFING SUPPLY, INC
Condensed Consolidated Balance Sheets

(Dollars in thousands)	March 31, 2007	March 31, 2006	September 30, 2006
Assets			

Current assets:			
Cash and cash equivalents	$ 43,315	$ -	$ 1,847
Accounts receivable, net	152,318	160,807	210,676
Inventories	178,804	178,494	164,285
Prepaid expenses and other assets	32,034	35,346	38,133
Deferred income taxes	12,046	10,983	10,704
Total current assets	418,517	385,630	425,645
Property and equipment, net	68,211	52,862	59,291
Goodwill	288,816	258,445	289,282
Other assets, net	60,887	61,298	65,672
Total assets	$836,431	$758,235	$ 839,890

Liabilities and stockholders' equity			
Current liabilities:			
Cash overdraft	$ -	$ 1,257	$ -
Accounts payable	106,925	135,789	154,878
Accrued expenses	47,920	48,467	58,719
Current portion of long-term obligations	6,454	28,370	6,657
Total current liabilities	161,299	213,883	220,254
Borrowings under revolving lines of credit	-	208,605	229,752
Senior notes payable and other obligations, net of current portion	358,528	59,510	79,892
Deferred income taxes	19,009	20,473	18,823
Stockholders' equity:			
Common stock	442	441	439
Additional paid-in capital	208,914	201,221	203,433
Treasury stock	-	(515)	-
Retained earnings	83,827	49,735	81,361
Accumulated other comprehensive income	4,412	4,882	5,936
Total stockholders' equity	297,595	255,764	291,169
Total liabilities and stockholders' equity	$836,431	$758,235	$ 839,890

BEACON ROOFING SUPPLY, INC

Condensed Consolidated Statements of Cash Flows

	Six Months Ended	
(In thousands)	March 31, 2007	March 31, 2006

Operating activities:		
Net income	$ 2,466	$ 17,685
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13,878	10,816
Stock-based compensation	2,605	1,333
Unrealized (gain) loss on interest rate collars	-	(286)
Deferred income taxes	(860)	289
Changes in assets and liabilities, net of the effects of acquisitions:		
Accounts receivable	57,769	24,099
Inventories	(14,864)	(32,768)
Prepaid expenses and other assets	7,995	(1,130)
Accounts payable and accrued expenses	(58,887)	15,666
Net cash provided by operating activities	10,102	35,704
Investing activities:		
Purchases of property and equipment	(17,319)	(7,678)
Acquisition of businesses, net of cash acquired	86	(279,588)
Net cash used in investing activities	(17,233)	(287,266)
Financing activities:		
Borrowings (repayments) under revolving lines of credit	(229,752)	144,825
Borrowings under senior notes & other	278,641	55,813
Net proceeds from sale of common stock	-	51,576
Proceeds from exercise of options	1,034	1,421
Deferred financing costs	(2,954)	(2,167)
Income tax benefit from stock-based compensation deductions in excess of the associated recognized compensation cost	1,845	4,890
Net cash provided by financing activities	48,814	256,358
Effect of exchange rate changes on cash	(215)	54
Net increase in cash and cash equivalents	41,468	4,850
Cash and cash equivalents (overdraft) at beginning of period	1,847	(6,107)
Cash and cash equivalents (overdraft) at end of period	$ 43,315	$ (1,257)
Non-cash financing and investing activities:		
Conversion of senior notes payable to new senior notes	$ 66,839	$ 25,160

BEACON ROOFING SUPPLY, INC

Consolidated Sales by Product Line

For the Second Quarter Ended:

(dollars in millions)	March 31, 2007 Net Sales	Mix %	March 31, 2006 Net Sales	Mix %	Change	
Residential roofing products	$ 134.8	47.0%	$ 157.9	49.0%	$(23.1)	-14.6%
Non-residential roofing products	82.1	28.6%	91.4	28.3%	(9.3)	-10.2%
Complementary building products	70.0	24.4%	73.1	22.7%	(3.1)	-4.2%
	$ 286.9	100.0%	$ 322.4	100.0%	$(35.5)	-11.0%

Consolidated Sales by Product Line for Existing Markets(1)

For the Second Quarter Ended:

(dollars in millions)	March 31, 2007 Net Sales	Mix %	March 31, 2006 Net Sales	Mix %	Change	
Residential roofing products	$ 118.3	45.8%	$ 144.0	48.0%	$(25.7)	-17.8%
Non-residential roofing products	73.6	28.5%	85.9	28.6%	(12.3)	-14.3%
Complementary building products	66.6	25.8%	70.2	23.4%	(3.6)	-5.1%
	$ 258.5	100.0%	$ 300.1	100.0%	$(41.6)	-13.9%

(1) Excludes branches acquired during the four quarters prior to the start of the second quarter of fiscal 2007.

BEACON ROOFING SUPPLY, INC

Consolidated Sales by Product Line

For the Six Months Ended:

(dollars in millions)	March 31, 2007 (a) Net Sales	Mix %	March 31, 2006 Net Sales	Mix %	Change	
Residential roofing products	$ 313.8	47.0%	$ 317.6	48.0%	$ (3.8)	-1.2%
Non-residential roofing products	202.5	30.4%	199.0	30.0%	3.5	1.8%
Complementary building products	150.9	22.6%	145.7	22.0%	5.2	3.6%

	$ 667.2	100.0%	$ 662.3	100.0%	$ 4.9	0.7%

Consolidated Sales by Product Line for Existing Markets(1)

For the Six Months Ended:

(dollars in millions)	March 31, 2007 (a) Net Sales	Mix %	March 31, 2006 Net Sales	Mix %	Change	
Residential roofing products	$ 183.2	42.0%	$ 207.7	43.5%	$ (24.5)	-11.8%
Non-residential roofing products	156.3	35.9%	159.4	33.4%	(3.1)	-1.9%
Complementary building products	96.2	22.1%	110.5	23.1%	(14.3)	-12.9%
	$ 435.7	100.0%	$ 477.6	100.0%	$ (41.9)	-8.8%

Existing Market Sales By Business Day (b) during the Six Months Ended:

(dollars in millions)	March 31, 2007 Net Sales	Mix %	March 31, 2006 Net Sales	Mix %	Change	
Residential roofing products	$ 1.466	42.1%	$ 1.598	43.5%	$(0.132)	-8.3%
Non-residential roofing products	1.251	35.9%	1.226	33.4%	0.025	2.0%
Complementary building products	0.769	22.1%	0.850	23.1%	(0.081)	-9.5%
	$ 3.486	100.0%	$ 3.674	100.0%	$(0.188)	-5.1%

(1) Excludes branches, such as Shelter branches, acquired during fiscal 2006.
(a) The first half of fiscal year 2007 had five fewer business days as compared to the first half of fiscal year 2006.
(b) Calculated by dividing the total first-half existing market sales above by the number of business days in the respective six months. This table is being presented since there was a significant difference in the number of business days between this year and last year's first half and we therefore believe this information may be useful to investors.

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