



Beacon Roofing Supply, Inc.

Beacon Roofing Supply Reports Fourth-Quarter and Annual 2008 Results

Fourth-quarter net sales of \$567 million, up 15% from 2007. Fourth-quarter EPS of \$0.55, up 120% from 2007. Fourth-quarter gross margin of 24.6% vs. 21.9% in 2007. Annual sales and EPS up 8% and 61% from 2007.

PEABODY, Mass., Dec 02, 2008 (BUSINESS WIRE) --

Beacon Roofing Supply, Inc. ("Beacon" or the "Company") (NASDAQ: BECN) announced results today for its fourth quarter and fiscal year ended September 30, 2008.

Fourth Quarter

Sales increased 14.9% to \$567.2 million in 2008 from \$493.8 million in the fourth quarter of 2007. Residential and non-residential roofing sales increased 36.8% and 6.6%, respectively, while complementary product sales declined 11.8%. Roofing product sales benefited from an unusually large rise in prices during the fourth quarter, mostly from the pass-through of manufacturer price increases in residential shingles, 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 negatively impacted by both the slowdown in the economy and lower levels of new residential construction.

The Company's net income for the fourth quarter was \$24.9 million compared to \$11.3 million in 2007, an increase of 120%. Diluted net income per share also increased 120% to \$0.55 compared to \$0.25 in 2007.

Gross profit in the fourth quarter was \$139.7 million, up \$31.6 million from 2007. The gross margin rate increased to 24.6% from 21.9% last year. This improvement was due, in part, to the Company's ability to pass through increases in residential shingle prices as they were announced by vendors. In addition, fourth-quarter gross margin improved by a greater extent in the storm-affected regions as a result of stronger demand.

Operating expenses increased \$8.9 million, or 10.9%, primarily due to higher selling expenses associated with the higher sales, including higher fuel costs, and a larger provision for bad debts. As a percentage of net sales, operating expenses declined to 16.0% from 16.6%, mostly due to the leveraging of fixed costs over the higher sales.

The Company realized operating income of \$48.9 million in the fourth quarter of 2008 compared to \$26.3 million in 2007. As a percentage of net sales, operating income was 8.6% compared to 5.3%.

Interest expense decreased \$1.1 million, or 15.5%, due primarily to a paydown of debt since 2007 and lower average interest rates. The income tax provision rate was 41.7% compared to 40.5% 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 \$58.5 million in the fourth quarter of 2008 as compared to \$36.9 million in 2007.

Fiscal Year

Annual sales increased 8.4% to \$1.78 billion in 2008 from \$1.65 billion in 2007, due to the favorable impact of acquisitions and an increase of 1.3% in existing-market sales. The existing-market sales improvement was mostly due to the same factors mentioned above for the fourth quarter.

The Company's 2008 net income was \$40.3 million compared to \$25.3 million in 2007. Diluted net income per share was \$0.90 compared to \$0.56 in 2007.

Gross profit for the year was \$420.0 million, up \$46.1 million from 2007. The overall gross margin rate increased to 23.5% from 22.7% last year. The existing-market gross margin rate increased to 24.8% in 2008 from 23.5% in 2007. These increases resulted primarily from the same factors mentioned above for the fourth quarter along with higher calendar year-end 2007

vendor rebates.

Operating expenses increased \$21.2 million, or 7.0%, primarily due to the inclusion of North Coast, higher fuel costs and an increase in bad debts, partially offset by lower payroll and related costs in existing markets and other cost-saving steps and reduced depreciation and amortization expense. Overall operating expenses declined to 18.2% from 18.5% of net sales. Existing-market operating expenses were relatively unchanged, while decreasing from 19.0% to 18.8% of net sales.

The Company realized operating income of \$94.7 million in 2008 compared to \$69.8 million in 2007. As a percentage of net sales, the operating income rate was 5.3%, compared to 4.2% in 2007. The existing-market operating income rate was 6.0% compared to 4.5% in 2007.

Interest expense declined \$1.5 million or 5.6%. The annual income tax provision rate was 41.4% compared to 40.3% last year.

Adjusted EBITDA was \$133.8 million in 2008 compared to \$107.7 million in 2007.

Cash flow from operations was \$49.6 million in 2008 compared to \$63.8 million in 2007. This decline was primarily attributable to a build-up of inventory this year ahead of announced price increases and for the storm-affected regions.

Robert Buck, the Company's Chairman & Chief Executive Officer, stated: "We had a very good fourth quarter and a successful fiscal year 2008 during a difficult economic period. Although our 2008 results benefited from an unusual rise in prices, which is not expected to re-occur in the near future, our employees' performance was nonetheless exceptional. They executed our business strategies, including providing outstanding customer service, and kept costs well-controlled despite substantial increases in average fuel costs. We managed our working capital and other resources effectively in 2008, paid down our debt and increased our invested cash, further strengthening our Company's financial position and ability to grow."

"We remain focused on our business fundamentals and exceptional customer service, which we believe sets us apart from our competition, and growing the Company organically and through opportunistic acquisitions. We're looking forward to gaining market share and further improving our results in 2009 despite expected challenging conditions."

There will be a conference call to discuss the fourth-quarter and annual results this morning at 10 a.m. EDT. The dial-in number is 877-857-6177 (international dial-in number 719-325-4772). 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 9299194) (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 175 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

(Dollars in thousands, except per share data)

	Three Months Ended			Fiscal Year Ended				
	September 30, 2008 (a)	% of Net Sales	September 30, 2007	% of Net Sales	September 30, 2008 (a)	% of Net Sales	September 30, 2007	% of Net Sales
Net sales	\$ 567,201	100.0 %	\$ 493,761	100.0 %	\$ 1,784,495	100.0 %	\$ 1,645,785	100.0 %
Cost of products sold	427,452	75.4 %	385,580	78.1 %	1,364,487	76.5 %	1,271,868	77.3 %

Gross profit	139,749	24.6	%	108,181	21.9	%	420,008	23.5	%	373,917	22.7	%
Operating expenses	90,809	16.0	%	81,860	16.6	%	325,298	18.2	%	304,109	18.5	%
Income from operations	48,940	8.6	%	26,321	5.3	%	94,710	5.3	%	69,808	4.2	%
Interest expense	6,190	1.1	%	7,324	1.5	%	25,904	1.5	%	27,434	1.7	%
Income before provision for income taxes	42,750	7.5	%	18,997	3.8	%	68,806	3.9	%	42,374	2.6	%
Provision for income taxes	17,817	3.1	%	7,689	1.6	%	28,500	1.6	%	17,095	1.0	%
Net income	\$ 24,933	4.4	%	\$ 11,308	2.3	%	\$ 40,306	2.3	%	\$ 25,279	1.5	%
Net income per share:												
Basic	\$ 0.56			\$ 0.26			\$ 0.91			\$ 0.57		
Diluted	\$ 0.55			\$ 0.25			\$ 0.90			\$ 0.56		
Weighted average shares used in computing net income per share:												
Basic	44,346,293			44,273,312			44,346,293			44,083,915		
Diluted	44,959,357			45,040,670			44,959,357			44,971,932		

(a) The fiscal 2008 fourth quarter and year contain one additional business day compared to 2007.

BEACON ROOFING SUPPLY, INC
Condensed Consolidated Balance Sheets
(In thousands)

September 30, 2008 September 30, 2007

Assets

Current assets:

Cash and cash equivalents	\$ 26,038	\$ 6,469
Accounts receivable, net	283,652	267,563
Inventories	209,255	165,848
Prepaid expenses and other assets	45,799	34,509
Deferred income taxes	18,126	13,196
Total current assets	582,870	487,585
Property and equipment, net	56,712	69,753
Goodwill	354,269	355,155
Other assets, net	73,965	94,167
Total assets	\$ 1,067,816	\$ 1,006,660

Liabilities and stockholders' equity

Current liabilities:

Accounts payable	\$ 198,429	\$ 183,257
Accrued expenses	89,755	54,020
Current portion of long-term obligations	19,926	34,773
Total current liabilities	308,110	272,050
Senior notes payable and other obligations, net of current portion	357,643	374,270
Deferred income taxes	35,362	36,490
Common stock	448	443
Additional paid-in capital	219,669	211,567
Retained earnings	146,946	106,640
Accumulated other comprehensive income (loss)	(362)	) 5,200
Total stockholders' equity	366,701	323,850
Total liabilities and stockholders' equity	\$ 1,067,816	\$ 1,006,660

BEACON ROOFING SUPPLY, INC
Condensed Consolidated Statements of Cash Flows

Fiscal Year Ended

(In thousands)	September 30, 2008	September 30, 2007
Operating activities:		
Net income	\$ 40,306	\$ 25,279
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	34,240	32,863
Stock-based compensation	4,861	4,983
Deferred income taxes	(2,838)	) 2,022
Changes in assets and liabilities, net of the effects of acquisitions:		
Accounts receivable	(17,434)	) (22,048)
Inventories	(44,050)	) 13,815
Prepaid expenses and other assets	(9,645)	) 7,008
Accounts payable and accrued expenses	44,127	(107)
Net cash provided by operating activities	49,567	63,815
Investing activities:		
Purchases of property and equipment	(5,739)	) (23,132)
Acquisition of businesses, net of cash acquired	-	(120,154)
Net cash used in investing activities	(5,739)	) (143,286)
Financing activities:		
Repayments under revolving lines of credit	(20,899)	) (203,684)
Borrowings (repayments) under senior notes & other	(6,131)	) 287,355
Proceeds from exercise of options	1,302	1,115
Payment of deferred financing costs	-	(3,087)
Income tax benefit from stock-based compensation deductions in excess of the associated compensation cost	1,944	2,040
Net cash provided (used) by financing activities	(23,784)	) 83,739
Effect of exchange rate changes on cash	(475)	) 354
Net increase in cash and cash equivalents	19,569	4,622
Cash and cash equivalents at beginning of period	6,469	1,847
Cash and cash equivalents at end of period	\$ 26,038	\$ 6,469
Non-cash financing and investing activities:		
Conversion of senior notes payable to new senior notes	\$ -	\$ 66,839

BEACON ROOFING SUPPLY, INC

Consolidated Sales by Product Line-Unaudited

Consolidated Sales by Product Line for Existing Markets*

**For the Fourth Quarter
Ended:**

(dollars in millions)	September 30, 2008 (a)		September 30, 2007			% Change Based On Average Sales Per Business Day (b)					
	Net Sales	Mix %	Net Sales	Mix %	Change						
Residential roofing products	\$ 261.7	46.1	%	\$ 191.3	38.7	%	\$ 70.4	36.8	%	34.7	%
Non-residential roofing products	224.4	39.6	%	210.5	42.6	%	13.9	6.6	%	4.9	%
Complementary building products	81.1	14.3	%	92.0	18.6	%	(10.9)	-11.8	%	-13.2	%
	\$ 567.2	100.0	%	\$ 493.8	100.0	%	\$ 73.4	14.9	%	13.1	%

Note: Totals may not foot due to rounding.

*Same as total sales as there were no branches acquired during the four quarters prior to the start of the fourth quarter of fiscal 2008.

(a) The fourth quarter of fiscal 2008 had one additional business day compared to the fourth quarter of fiscal 2007.

(b) Calculated by dividing the existing market sales by the number of business days in the period.

BEACON ROOFING SUPPLY, INC

Consolidated Sales by Product Line-Unaudited

For the Fiscal Years Ended:

(dollars in millions)	September 30, 2008 (a)			September 30, 2007			Change	
	Net Sales	Mix %		Net Sales	Mix %			
Residential roofing products	\$ 756.3	42.4	%	\$ 691.7	42.0	%	\$ 64.6	9.3 %
Non-residential roofing products	725.9	40.7	%	605.9	36.8	%	120.0	19.8 %
Complementary building products	302.3	16.9	%	348.2	21.2	%	(45.9)	-13.2 %
	\$ 1,784.5	100.0	%	\$ 1,645.8	100.0	%	\$ 138.7	8.4 %

Consolidated Sales by Product Line for Existing Markets*

For the Fiscal Years Ended:

(dollars in millions)	September 30, 2008 (a)			September 30, 2007			Change	
	Net Sales	Mix %		Net Sales	Mix %			
Residential roofing products	\$ 736.1	48.8	%	\$ 684.5	46.0	%	\$ 51.6	7.5 %
Non-residential roofing products	479.4	31.8	%	463.1	31.1	%	16.3	3.5 %
Complementary building products	293.1	19.4	%	341.7	22.9	%	(48.6)	-14.2 %
	\$ 1,508.6	100.0	%	\$ 1,489.3	100.0	%	\$ 19.3	1.3 %

Existing Market Sales By Business Day (b) During the Fiscal Years Ended:

(dollars in millions)	September 30, 2008 (a)			September 30, 2007			Change	
	Net Sales	Mix %		Net Sales	Mix %			
Residential roofing products	\$ 2.909	48.8	%	\$ 2.716	46.0	%	\$ 0.193	7.1 %
Non-residential roofing products	1.895	31.8	%	1.838	31.1	%	0.057	3.1 %
Complementary building products	1.158	19.4	%	1.356	22.9	%	(0.197)	-14.6 %
	\$ 5.963	100.0	%	\$ 5.910	100.0	%	\$ 0.053	0.9 %

Note: Totals may not foot due to rounding.

* Excludes branches acquired in the four quarters prior to the start of fiscal 2008.

(a) Fiscal 2008 had one additional business day as compared to fiscal 2007.

(b) Calculated by dividing the total annual existing market sales above by the number of business days.

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 September 30,		Fiscal Year Ended September 30,	
	2008	2007	2008	2007
Net income	\$ 24,933	\$ 11,308	\$ 40,306	\$ 25,279
Interest expense, net	6,190	7,324	25,904	27,434
Provision for income taxes	17,817	7,689	28,500	17,095
Depreciation and amortization	8,486	9,542	34,240	32,863
Stock-based compensation	1,089	1,040	4,861	4,983
Adjusted EBITDA (1)	\$ 58,515	\$ 36,903	\$ 133,811	\$ 107,654

(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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