



# Beacon Roofing Supply, Inc.

May 10, 2013

## Beacon Roofing Supply Reports Second Quarter 2013 Results

- **Record second quarter net sales up 5% to \$416 million vs. \$395 million.**
- **Second quarter breakeven EPS (\$0.02 adjusted loss) vs. \$0.07 income.**
- **Record first half net sales up 5% to \$930 million vs. \$885 million.**
- **First half EPS of \$0.37 (\$0.35 adjusted) vs. \$0.47 (\$0.45 adjusted).**
- **Nineteen branches acquired in the first half.**

PEABODY, Mass.--(BUSINESS WIRE)-- Beacon Roofing Supply, Inc. (the "Company") (NASDAQ: BECN) announced results today for its second quarter and first half ended March 31, 2013 of the fiscal year ending September 30, 2013 ("fiscal 2013").

Paul Isabella, the Company's President & Chief Executive Officer, stated: "The second quarter of fiscal 2013 was challenging for us as we experienced harsh weather conditions in many of our markets and we were up against a very strong second quarter last year when our existing market sales were up 28%. Our total sales benefited from the positive impact of several acquisitions made since the start of last year and our gross margin continued to improve over the prior year. In addition, the trend of our residential roofing sales was more favorable in the second quarter compared to the first quarter. During the first half, we took advantage of our financial capacity and flexibility to purchase key products ahead of announced industry-wide price increases. We believe we are well positioned for a successful back half of fiscal 2013 and expect to experience a business rebound following the tough Winter and early Spring conditions."

### Second Quarter

Total sales increased 5.3% to \$416.3 million in 2013 from \$395.2 million in 2012. Existing market (organic) sales, which exclude branches acquired after the beginning of last year's second quarter, declined 5.1%. There was one less business day in this year's second quarter. In existing markets, residential and non-residential roofing product sales decreased 1.4% and 11.2%, respectively, while complementary product sales decreased 3.2%. The 2013 sales performance was unfavorably affected by adverse weather conditions this year, especially compared to last year's mild weather that boosted sales during the normal slow Winter period.

The net loss for the second quarter was \$0.2 million compared to net income of \$3.1 million in 2012. The second quarter loss per share was \$0.00 compared to diluted income per share of \$0.07 in 2012. The decline in net income was due to higher operating expenses, including acquired branch expenses, partially offset by the impact from higher gross profit and lower interest expense. The second quarter adjusted loss per share was \$0.02 after consideration of the \$1.3 million credit to interest expense (\$0.8 million net of taxes) resulting from adjustments in the fair values of certain interest rate derivatives.

Earnings before interest, taxes, depreciation and amortization, and stock-based compensation ("Adjusted EBITDA"), which is reconciled to the net income in this press release, was \$11.6 million in 2013 compared to \$17.8 million in 2012, a decrease of 34.6%.

### First Half

Total sales increased 5.1% to \$930.0 million in 2013 from \$885.0 million in 2012. Existing market (organic) sales, which exclude branches acquired after the beginning of last year, declined 4.5%. There was one additional business day in this year's first half. In existing markets, residential and non-residential roofing product sales decreased 3.5% and 8.2%, respectively, while complementary product sales increased 2.0%. The comparison of the 2013 first half sales to 2012 was unfavorably affected by last year's very high level of re-roofing activities, including the beneficial impact from mild weather in 2012 and strong business in several markets in the first quarter of 2012 that experienced significant storms in 2011.

Net income for the first half was \$18.0 million compared to \$22.3 million in 2012, a decrease of 18.9%. First half diluted net income per share was \$0.37 compared to \$0.47 in 2012. The lower net income was due to the same factors mentioned above for the second quarter decline in net income. First half adjusted diluted net income per share was \$0.35 compared to an adjusted \$0.45 in 2012. The first half of this year included a \$2.6 million credit to interest expense (\$1.5 million net of taxes),

\$0.03 per share, resulting from adjustments in the fair values of certain interest rate derivatives, and a \$0.9 million charge (\$0.5 million net of taxes), \$0.01 per share, for termination benefits. Last year's net income included a benefit of \$1.0 million, \$0.02 per share, from a reduction in a liability for contingent consideration related to the acquisition of Enercon Products.

Adjusted EBITDA for the first half was \$53.4 million in 2013 compared to \$58.9 million in 2012, a decrease of 9.3%.

Cash flow from operations was \$20.6 million compared to \$80.3 million in 2012. This comparison in operating cash flows was influenced mostly by less favorable changes in working capital, including additional inventory purchases made in 2013 ahead of announced price increases. Cash on hand decreased by \$154.4 million to \$16.7 million at March 31, 2013 compared to \$171.1 million at March 31, 2012, due primarily to a significant paydown of debt (net of new borrowings) since last year's second quarter and the costs of the acquisitions made since that time.

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 719-785-1765. 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 229 branches in 38 states in the United States and across 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**

Unaudited (Dollars in thousands, except per share data)	Three Months Ended				Six Months Ended			
	March 31, 2013	% of Net Sales	March 30, 2012	% of Net Sales	March 31, 2013	% of Net Sales	March 30, 2012	% of Net Sales
Net sales	\$ 416,277	100.0%	\$ 395,161	100.0%	\$ 929,987	100.0%	\$ 885,011	100.0%
Cost of products sold	<u>316,626</u>	<u>76.1%</u>	<u>301,445</u>	<u>76.3%</u>	<u>703,582</u>	<u>75.7%</u>	<u>673,970</u>	<u>76.2%</u>
Gross profit	99,651	23.9%	93,716	23.7%	226,405	24.3%	211,041	23.8%
Operating expenses	<u>97,705</u>	<u>23.5%</u>	<u>83,963</u>	<u>21.2%</u>	<u>192,208</u>	<u>20.7%</u>	<u>166,948</u>	<u>18.9%</u>
Income from operations	1,946	0.5%	9,753	2.5%	34,197	3.7%	44,093	5.0%
Interest expense	<u>1,986</u>	<u>0.5%</u>	<u>3,279</u>	<u>0.8%</u>	<u>3,896</u>	<u>0.4%</u>	<u>6,559</u>	<u>0.7%</u>
Income (loss) before income taxes	(40)	0.0%	6,474	1.6%	30,301	3.3%	37,534	4.2%
Income tax expense	<u>121</u>	<u>0.0%</u>	<u>3,330</u>	<u>0.8%</u>	<u>12,256</u>	<u>1.3%</u>	<u>15,275</u>	<u>1.7%</u>
Net income (loss)	<u>\$ (161)</u>	<u>0.0%</u>	<u>3,144</u>	<u>0.8%</u>	<u>\$ 18,045</u>	<u>1.9%</u>	<u>\$ 22,259</u>	<u>2.5%</u>

Net income (loss) per  
share:

Basic	<u>\$ (0.00)</u>	<u>\$ 0.07</u>	<u>\$ 0.37</u>	<u>\$ 0.48</u>
Diluted	<u>\$ (0.00)</u>	<u>\$ 0.07</u>	<u>\$ 0.37</u>	<u>\$ 0.47</u>
Weighted average shares used in computing				
Basic	<u>48,496,554</u>	<u>46,529,109</u>	<u>48,174,085</u>	<u>46,359,075</u>
Diluted	<u>48,496,554</u>	<u>47,600,215</u>	<u>49,148,923</u>	<u>47,252,547</u>

**BEACON ROOFING SUPPLY, INC**  
**Condensed Consolidated Balance Sheets**

**Unaudited**  
**(Dollars in thousands)**

	<u>March 31, 2013</u>	<u>March 30, 2012</u>	<u>September 30, 2012</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 16,728	\$ 171,129	\$ 40,205
Accounts receivable, net	227,810	210,594	291,456
Inventories	322,939	262,767	222,740
Prepaid expenses and other assets	72,799	81,993	60,287
Deferred income taxes	15,576	14,586	16,087
Total current assets	<u>655,852</u>	<u>741,069</u>	<u>630,775</u>
Property and equipment, net	61,576	51,207	57,376
Goodwill	469,587	401,079	443,161
Income (loss) before income taxes	<u>105,026</u>	<u>58,835</u>	<u>85,670</u>
Total assets	<u>\$ 1,292,041</u>	<u>\$ 1,252,190</u>	<u>\$ 1,216,982</u>
Net income (loss)			
<b>Liabilities &amp; Stockholders' Equity</b>			
Current liabilities:			
Accounts payable	\$ 185,134	\$ 239,080	\$ 167,390
Accrued expenses	68,624	75,813	71,627
Borrowings under revolving lines of credit	61,000	-	41,300
Current portion of long-term obligations	15,171	86,714	15,632
Total current liabilities	<u>329,929</u>	<u>401,607</u>	<u>295,949</u>
Senior notes payable and other obligations, net of current portion	213,994	229,830	220,875
Deferred income taxes	58,005	40,294	48,196
Stockholders' equity:			
Common stock	487	468	477
Additional paid-in capital	302,496	261,857	280,184
Retained earnings	386,720	315,369	368,675
Accumulated other comprehensive income	410	2,765	2,626
Total stockholders' equity	<u>690,113</u>	<u>580,459</u>	<u>651,962</u>
Total liabilities and stockholders' equity	<u>\$ 1,292,041</u>	<u>\$ 1,252,190</u>	<u>\$ 1,216,982</u>

**BEACON ROOFING SUPPLY, INC**  
**Condensed Consolidated Statements of Cash Flows**

Unaudited (In thousands)	Six Months Ended	
	March 31, 2013	March 30, 2012
<b>Operating activities:</b>		
Net income	\$ 18,045	\$ 22,259
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	14,595	12,034
Stock-based compensation	4,656	3,777
Adjustment of liability for contingent consideration	-	(1,000)
Certain interest expense and other financing costs	(2,169)	-
Gain on sale of assets	(576)	(702)
Deferred income taxes	527	(921)
Changes in assets and liabilities, net of the effects of businesses acquired:		
Accounts receivable	78,951	82,802
Inventories	(87,308)	(48,675)
Prepaid expenses and other assets	(2,095)	(43,976)
Accounts payable and accrued expenses	(4,035)	54,683
Net cash provided by operating activities	<u>20,591</u>	<u>80,281</u>
<b>Investing activities:</b>		
Purchases of property and equipment	(10,778)	(8,603)
Acquisition of businesses	(64,484)	(44,370)
Proceeds from sales of assets	687	788
Net cash used by investing activities	<u>(74,575)</u>	<u>(52,185)</u>
<b>Financing activities:</b>		
Borrowings under revolving lines of credit, net	19,700	1
Repayments under senior notes payable and other, net	(8,042)	(10,645)
Proceeds from exercises of options	15,123	8,958
Income tax benefit from stock-based compensation deductions in excess of the associated compensation costs	3,151	868
Net cash provided (used) by financing activities	<u>29,932</u>	<u>(818)</u>
Effect of exchange rate changes on cash	575	824
Net increase (decrease) in cash and cash equivalents	<u>(23,477)</u>	<u>28,102</u>
Cash and cash equivalents at beginning of period	40,205	143,027
Cash and cash equivalents at end of period	<u>\$ 16,728</u>	<u>\$ 171,129</u>

### BEACON ROOFING SUPPLY, INC

Unaudited  
(dollars in millions)

#### Consolidated Sales by Product Line

	Three Months Ended					
	March 31, 2013		March 30, 2012		Change	
	Net Sales	Mix %	Net Sales	Mix %		
Residential roofing products	\$ 212.8	51.1%	\$ 199.8	50.6%	\$ 13.0	6.5%
Non-residential roofing products	139.8	33.6%	140.1	35.5%	(0.3)	-0.2%
Complementary building products	63.7	15.3%	55.3	14.0%	8.4	15.1%
	<u>\$ 416.3</u>	<u>100.0%</u>	<u>\$ 395.2</u>	<u>100.0%</u>	<u>\$ 21.1</u>	<u>5.3%</u>

**Consolidated Sales by Product Line for Existing Markets\***

**Three Months Ended**

	March 31, 2013		March 30, 2012		Change	
	Net Sales	Mix %	Net Sales	Mix %		
Residential roofing products	\$ 197.0	52.5%	\$ 199.8	50.6%	\$ (2.8)	-1.4%
Non-residential roofing products	124.4	33.2%	140.1	35.5%	(15.7)	-11.2%
Complementary building products	53.6	14.3%	55.3	14.0%	(1.7)	-3.2%
	<u>\$ 375.0</u>	<u>100.0%</u>	<u>\$ 395.2</u>	<u>100.0%</u>	<u>\$ (20.2)</u>	<u>-5.1%</u>

**Existing Market Sales By Business Day\*\***

**Three Months Ended**

	March 31, 2013		March 30, 2012		Change	
	Net Sales	Mix %	Net Sales	Mix %		
Residential roofing products	\$ 3.127	52.5%	\$ 3.122	50.6%	\$ 0.0	0.2%
Non-residential roofing products	1.975	33.2%	2.189	35.5%	(0.2)	-9.8%
Complementary building products	0.851	14.3%	0.864	14.0%	(0.0)	-1.5%
	<u>\$ 5.952</u>	<u>100.0%</u>	<u>\$ 6.175</u>	<u>100.0%</u>	<u>\$ (0.2)</u>	<u>-3.6%</u>

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

\*Excludes branches acquired during the four quarters prior to the start of the second quarter of fiscal 2013.

\*\*There were 63 business days in this year's second quarter compared to 64 business days in last year's second quarter.

**BEACON ROOFING SUPPLY, INC**

**Unaudited**  
**(dollars in millions)**

**Consolidated Sales by Product Line**

**Six Months Ended**

	March 31, 2013		March 30, 2012		Change	
	Net Sales	Mix %	Net Sales	Mix %		
Residential roofing products	\$ 455.2	49.0%	\$ 433.3	49.0%	\$ 21.9	5.1%
Non-residential roofing products	336.3	36.2%	334.8	37.8%	1.5	0.4%
Complementary building products	138.3	14.9%	116.8	13.2%	21.5	18.4%
	<u>\$ 929.8</u>	<u>100.0%</u>	<u>\$ 884.9</u>	<u>100.0%</u>	<u>\$ 44.9</u>	<u>5.1%</u>

**Consolidated Sales by Product Line for Existing Markets\***

**Six Months Ended**

	March 31, 2013		March 30, 2012		Change	
	Net Sales	Mix %	Net Sales	Mix %		
Residential roofing products	\$ 407.8	49.2%	\$ 422.1	48.7%	\$ (14.3)	-3.5%
Non-residential roofing products	303.7	36.7%	330.9	38.1%	(27.2)	-8.2%
Complementary building products	116.7	14.1%	114.5	13.2%	2.3	2.0%

\$ 828.2 100.0% \$ 867.5 100.0% \$ (39.2) -4.5%

**Existing Market Sales By Business Day\*\***

**Six Months Ended**

	<b>March 31, 2013</b>		<b>March 30, 2012</b>		<b>Change</b>	
	<b>Net Sales</b>	<b>Mix %</b>	<b>Net Sales</b>	<b>Mix %</b>		
Residential roofing products	\$ 3.263	49.2%	\$ 3.405	48.7%	\$ (0.142)	-4.2%
Non-residential roofing products	2.430	36.7%	2.668	38.1%	(0.238)	-8.9%
Complementary building products	0.933	14.1%	0.923	13.2%	0.010	1.1%
	<u>\$ 6.626</u>	<u>100.0%</u>	<u>\$ 6.996</u>	<u>100.0%</u>	<u>\$ (0.370)</u>	<u>-5.3%</u>

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

\*Excludes branches acquired during the four quarters prior to the start of fiscal 2013.

\*\*There were 125 business days in this year's first half compared to 124 business days in last year's first half.

**BEACON ROOFING SUPPLY, INC.**

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

**Unaudited**

**(Dollars in thousands)**

	<b>Three Months Ended March 31,</b>		<b>Six Months Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Net income (loss)	\$ (161)	\$ 3,144	\$ 18,045	\$ 22,259
Interest expense and other financing costs	1,986	3,279	3,896	6,559
Income taxes	121	3,330	12,256	15,275
Depreciation and amortization	7,538	5,979	14,595	12,034
Adjustment of liability for contingent consideration	-	-	-	(1,000)
Stock-based compensation	2,132	2,030	4,656	3,777
Adjusted EBITDA (1)	<u>\$ 11,616</u>	<u>\$ 17,762</u>	<u>\$ 53,448</u>	<u>\$ 58,904</u>

(1) Adjusted EBITDA is defined as net income plus interest expense and other financing costs (net of interest income), income taxes, depreciation and amortization, adjustments to contingent consideration, and stock-based compensation. 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 other financing costs 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 make stock awards 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.

## BEACON ROOFING SUPPLY INC

### Adjusted Net Loss/Diluted Net Income per Share ("Adjusted Earnings per Share")

Unaudited

(Dollars in thousands except per share amounts)

	Three Months Ended March 31,				Six Months Ended March 31,			
	2013	EPS	2012	EPS	2013	EPS	2012	EPS
Net income (loss)	\$ (161)	\$(0.00)	\$3,144	\$0.07	\$18,045	\$ 0.37	\$22,259	\$ 0.47
Fair value of certain interest rate derivatives	(767)	(0.02)	-	-	(1,536)	(0.03)	-	-
Termination benefits	-	-	-	-	542	0.01	-	-
Adjustment of Liability for Contingent Consideration*	-	-	-	-	-	-	(1,000)	(0.02)
Net income (loss) per share:	<u>\$ (928)</u>	<u>\$(0.02)</u>	<u>\$3,144</u>	<u>\$0.07</u>	<u>\$17,051</u>	<u>\$ 0.35</u>	<u>\$21,259</u>	<u>\$ 0.45</u>

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

\* This adjustment was not considered to be taxable and was recorded as a permanent difference for income tax reporting purposes.

Note: The Company's management believes that "Adjusted Earnings per Share," which excludes certain events such as the recognition of the fair value of certain interest rate derivatives in interest expense and other financing costs, termination benefits, and the decrease in the liability for consideration due for the Enercon acquisition, is useful to investors because it permits investors to better understand year-over-year changes in underlying operating performance. The above termination benefits are associated with the retirement of our former CFO. While management believes Adjusted Earnings per Share (EPS) is a useful measure for investors, it is not a measurement presented in accordance with United States generally accepted accounting principles (GAAP). You should not consider Adjusted Earnings per Share in isolation or as a substitute for net loss per share or diluted earnings per share calculated in accordance with GAAP.

BECN-F

Beacon Roofing Supply, Inc.  
Joseph Nowicki, 571-323-3940  
Executive Vice President & CFO  
[JNowicki@beaconroofingsupply.com](mailto:JNowicki@beaconroofingsupply.com)

Source: Beacon Roofing Supply, Inc.

News Provided by Acquire Media