Beacon Roofing Supply, Inc.

Beacon Roofing Supply Reports Fourth-Quarter Sales of $494 Million and EPS of $0.25

PEABODY, Mass., Nov 28, 2007 (BUSINESS WIRE) -- Beacon Roofing Supply, Inc. ("Beacon" or the "Company") (NASDAQ: BECN) announced results today for its fiscal 2007 fourth quarter and twelve months ended September 30, 2007. Fourth Quarter

Sales increased 14.5% to $493.8 million in 2007 from $431.3 million in the fourth quarter of last year that ended September 30, 2006. This increase was due to the acquisitions completed since last year's fourth quarter, including North Coast Commercial Roofing Systems ("North Coast") acquired at the start of this year's third quarter. The positive impact from the acquisitions was partially offset by a decline of 8.3% in internal ("existing market") sales that was primarily caused by a 16.4% decline in residential roofing sales, with non-residential (commercial) roofing and complementary product sales in existing markets unchanged and down only 1.6%, respectively. On a per business day basis, existing market sales were off 9.7% compared to last year's fourth quarter, which had one less business day. Existing market sales grew 14.3% in last year's fourth quarter. There have been continued lower levels of new home construction activities in most markets this year and flat-to-declining material prices. In addition, there has been a significant slowdown in reconstruction and reroofing activities in the markets that experienced damages from Hurricanes Katrina and Rita. Six new branches helped to offset a portion of these negative influences on sales.

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. In addition to the 2007 acquisition of North Coast, Beacon made several major acquisitions during the fiscal year ended September 30, 2006, including the October 2005 purchase of Shelter Distribution, Inc. ("Shelter"), which operated 57 branches at the end of 2007. Shelter is included in existing markets for the fourth-quarter comparisons but in acquired markets for the annual comparisons. Six new branches were opened in existing markets and two new branches were opened and two closed in acquired markets since September 30, 2006. In the fourth quarter of 2007, Beacon opened one new branch.

Gross profit in the fourth quarter increased 5.7% to $108.2 million from $102.4 million a year ago due to the acquisitions and the new branches, while the gross margin rate decreased to 21.9% from 23.7% last year. The existing market gross margin rate declined to 23.0% in 2007 from 23.7% in 2006. The declines in the gross margin rates were caused primarily by an increase in competitive conditions due to the business slowdown in the industry and a higher mix of non-residential roofing sales, which traditionally have lower gross margin rates. The overall gross margin rate was also impacted by a lower gross margin rate in acquired markets, primarily North Coast, compared to existing markets. North Coast's product mix is comprised of over 95% non-residential roofing products. The fourth quarter of 2006 included some unfavorable physical inventory adjustments.

Operating expenses increased $9.3 million, or 12.7%, due to the impact of the companies acquired since last year's fourth quarter and the new branches, partially offset by lower payroll costs and other cost-saving steps implemented as a result of the sales slowdown. Operating expenses in 2007 included $4.6 million for the amortization of intangible assets recorded under purchase accounting compared to $2.7 million in 2006. As a percentage of net sales, overall operating expenses decreased to 16.6% from 16.8%, mostly due to lower operating costs as a percentage of sales at North Coast, partially offset by the impact of the lower existing market sales and the relatively fixed nature of the Company's expenses.

Existing market operating expenses dropped $4.6 million but increased as a percentage of sales by 0.4% due primarily to the new branches and lower existing market sales. These factors were partially offset by lower bad debts, favorable insurance claims experience, expense reduction efforts and an increased allocation of expenses to acquired markets.

The Company realized operating income of $26.3 million in 2007 compared to $29.8 million in 2006, reflecting the higher expenses partially offset by the higher gross profit. As a percentage of net sales, operating income was 5.3% compared to the prior-year rate of 6.9%. The existing market operating income was 5.9% of net sales compared to an operating income rate of 6.9% in 2006.

Interest expense increased $1.0 million due primarily to the additional borrowings associated with the acquisitions. In addition, the Company refinanced its credit facilities in the first quarter of 2007, which also increased the 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 income for the fourth quarter was $11.3 million compared to net income of $14.6 million in 2006. Diluted net income per share was $0.25 compared to $0.32 in 2006. Income tax expense was $7.7 million in the fourth quarter of 2007, an effective tax rate of 40.5%, compared to $8.9 million last year, an effective tax rate of 37.9%. Last year's fourth quarter included a reversal of an income tax reserve related to previously filed tax returns. Annual

Fiscal 2007 sales increased 9.7% to $1.65 billion in 2007 from $1.50 billion in 2006, reflecting the positive impact from the acquisitions, partially offset by a decline of 4.8% in existing market sales, with decreases in residential roofing and complementary building product sales. Existing market non-residential sales increased 2.7%. The existing market sales decline can be attributed to the same factors mentioned above for the fourth-quarter decline along with harsher winter conditions in some of our markets and four fewer business days in 2007, partially offset by the new branch sales. When calculated on a per business day basis, existing market sales declined 3.3% in 2007 from 2006.

Annual gross profit increased 2.7% to $373.9 million in 2007 from $364.1 million in 2006 due to the acquisitions, partially offset by a decline in existing market gross profit. Gross margin declined from 24.3% to 22.7%, while gross margin in existing markets declined from 24.2% to 23.4%. These declines were due primarily to an increase in competitive conditions, an increased mix of non-residential roofing sales, and the inclusion of North Coast's lower gross margin rate in the overall gross profit beginning in this year's third quarter.

Annual operating expenses increased $40.3 million, or 15.3%, reflecting an increase of $44.5 million from the acquired companies, partially offset by a decrease of $4.2 million or 2.6% in existing markets. Amortization of intangible assets recorded under purchase accounting increased $5.3 million. Stock option expense increased $1.8 million. The existing market decrease was primarily due to lower payroll costs and other cost-saving steps associated with the sales decline, favorable insurance claims experience and an increased allocation of expenses to acquired markets, partially offset by expenses at the new branches. Existing market depreciation and amortization expense increased $1.4 million.

As a percentage of net sales, operating expenses increased to 18.5% from 17.6% due primarily to the lower existing market sales and a higher expense rate from the acquired companies, including the increase in amortization of intangible assets recorded under purchase accounting. The operating expense rate in existing markets increased to 16.3% from 15.9% due to the lower sales, partially offset by the expense reductions.

Annual operating income decreased 30.4% to $69.8 million in 2007 from $100.3 million in 2006. As a percentage of net sales, operating income declined to 4.2% from 6.7%, reflecting the lower gross margin rate and higher expense rate. Existing market operating margin fell to 7.1% from 8.3%.

Annual interest expense increased $8.0 million to $27.4 million in 2007 due primarily to the additional borrowings associated with the acquisitions. Income tax expense of $17.1 million was recorded in 2007 compared to $31.5 million in 2006. The Company's effective tax rate is 40.3% for 2007 compared to a rate of 39.0% for 2006 that included reversals of certain income tax reserves related to previously filed tax returns.

Fiscal 2007 net income was $25.3 million in 2007, down from $49.3 million in 2006, a decrease of 48.7%. Diluted net income per share for the year was $0.56 in 2007 compared to $1.12 per share in 2006, a decline of 50.0%.

Cash flow from operations was $63.8 million in 2007 compared to $82.8 million in 2006. This decrease was primarily due to the lower net income, partially offset by higher non-cash charges for depreciation and amortization and stock option expenses. Also impacting the decline in cash from operations was a larger increase in accounts receivable and a small decrease in accounts payable and accrued expenses, mostly offset by reductions in inventories and prepaid expenses and other assets this year. These changes in assets and liabilities exclude the effects of businesses acquired.

Robert Buck, the Company's Chairman & Chief Executive Officer, stated: "Fiscal 2007 was a challenging year for us after several years of strong sales and profit growth and we are disappointed in our overall financial results, although we did achieve higher levels of sales from our acquisitions and newly opened branches. The continuing decline of new residential construction in most of our markets has had an adverse impact on both demand and profitability for our residential roofing and complementary building products, as have the significant and continuing slowdowns in the markets affected by Hurricanes Katrina and Rita. Our commercial business, however, was stronger and helped to offset some of the negative residential impact."

"One of the highlights of fiscal 2007 was our third-quarter acquisition of North Coast, which added both new geography and strengthened our position as a leader in the commercial roofing supply industry. In addition, Paul Isabella recently joined Beacon as our new President and Chief Operating Officer and we're excited about the improvements he can bring to our Company as we seek to improve our profitability, especially in our acquired markets, and better position ourselves for future growth. Although fiscal 2008 may also present a challenging environment for us, we remain confident in our business model and optimistic about our future."

There will be a conference call this morning at 10:00 a.m. EST to discuss these results. The conference call dial-in number is

888-221-9542 (international dial-in number 913-312-1393). 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 2493293) (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 178 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.

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BEACON ROOFING SUPPLY, INC
Condensed Consolidated Statements of Operations
(Dollars in thousands, except per share data)

	Fourth Quarter Ended			
	September 30, 2007	% of Net Sales	September 30, 2006	% of Net Sales
Net sales	$ 493,761	100.0%	$ 431,253	100.0%
Cost of products sold	385,580	78.1%	328,891	76.3%
Gross profit	108,181	21.9%	102,362	23.7%
Operating expenses	81,860	16.6%	72,608	16.8%
Income from operations	26,321	5.3%	29,754	6.9%
Interest expense	7,324	1.4%	6,304	1.5%
Income before income taxes	18,997	3.8%	23,450	5.4%
Income taxes	7,689	1.6%	8,878	2.1%
Net income	$ 11,308	2.3%	$ 14,572	3.4%
Net income per share:				
Basic	$ 0.26		$ 0.33	
Diluted	$ 0.25		$ 0.32	

Weighted average shares used in computing net income per share:		
Basic	44,273,312	43,826,560
Diluted	45,040,670	44,930,593

	Fiscal Year Ended			
	September 30, 2007 (a)	% of Net Sales	September 30, 2006	% of Net Sales
Net sales	$ 1,645,785	100.0%	$ 1,500,637	100.0%
Cost of products sold	1,271,868	77.3%	1,136,500	75.7%
Gross profit	373,917	22.7%	364,137	24.3%
Operating expenses	304,109	18.5%	263,836	17.6%
Income from operations	69,808	4.2%	100,301	6.8%
Interest expense	27,434	1.7%	19,461	1.3%
Income before income taxes	42,374	2.6%	80,840	5.4%
Income taxes	17,095	1.0%	31,529	2.1%
Net income	$ 25,279	1.5%	$ 49,311	3.3%
Net income per share:				
Basic	$ 0.57		$ 1.15	
Diluted	$ 0.56		$ 1.12	
Weighted average shares used in computing net income per share:				
Basic	44,083,915		42,903,279	
Diluted	44,971,932		44,044,769	

(a) Fiscal year 2007 had four fewer business days as compared to fiscal year 2006.
Note: Certain additions of the percentages of net sales may not foot due to rounding. All share and per share data reflect the June 2006 three-for-two stock split.

BEACON ROOFING SUPPLY, INC
Condensed Consolidated Balance Sheets

(In thousands) September September

	30, 2007	30, 2006
Assets		
Current assets:		
Cash and cash equivalents	$ 6,469	$ 1,847
Accounts receivable, net	267,563	210,676
Inventories	165,848	164,285
Prepaid expenses and other assets	34,509	38,133
Deferred income taxes	13,196	10,704
Total current assets	487,585	425,645
Property and equipment, net	69,753	59,291
Goodwill	355,155	289,282
Other assets, net	94,167	65,672
Total assets	$1,006,660	$839,890
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 183,257	$154,878
Accrued expenses	54,020	58,719
Current portion of long-term obligations	34,773	6,657
Total current liabilities	272,050	220,254
Borrowings under revolving lines of credit, net of current portion	-	229,752
Senior notes payable and other obligations, net of current portion	374,270	79,892
Deferred income taxes	36,490	18,823
Stockholders' equity:		
Common stock	443	439
Additional paid-in capital	211,567	203,433
Retained earnings	106,640	81,361
Accumulated other comprehensive income	5,200	5,936
Total stockholders' equity	323,850	291,169
Total liabilities and stockholders' equity	$1,006,660	$839,890

BEACON ROOFING SUPPLY, INC
Condensed Consolidated Statements of Cash Flows

	Fiscal Years Ended	
(In thousands)	September 30, 2007	September 30, 2006
Operating activities:		
Net income	$ 25,279	$ 49,311
Adjustments to reconcile net income to net cash provided by operating activities:		

Depreciation and amortization	32,863	23,792
Stock-based compensation	4,983	3,222
Unrealized (gain) loss on interest rate collars	-	(33)
Deferred income taxes	2,022	(1,504)
Changes in assets and liabilities, net of the effects of acquisitions:		
Accounts receivable	(22,048)	(15,630)
Inventories	13,815	(9,120)
Prepaid expenses and other assets	7,008	(4,798)
Accounts payable and accrued expenses	(107)	37,564
Net cash provided by operating activities	63,815	82,804
Investing activities:		
Purchases of property and equipment	(23,132)	(19,063)
Acquisition of businesses, net of cash acquired	(120,154)	(336,274)
Net cash used in investing activities	(143,286)	(355,337)
Financing activities:		
Borrowings (repayments) under revolving lines of credit, net	(203,684)	165,776
Borrowings under senior notes & other	287,355	58,362
Net proceeds from sale of common stock	-	51,576
Proceeds from exercise of options	1,115	1,551
Deferred financing costs	(3,087)	(2,228)
Income tax benefit from stock-based compensation deductions in excess of the associated recognized compensation cost	2,040	5,596
Net cash provided by financing activities	83,739	280,633
Effect of exchange rate changes on cash	354	(146)
Net increase in cash and cash equivalents	4,622	7,954
Cash and cash equivalents (overdraft) at beginning of period	1,847	(6,107)
Cash and cash equivalents (overdraft) at end of period	$ 6,469	$ 1,847
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-Unaudited

	For the Fourth Quarter Ended:				
	September 30,(a) 2007		September 30, 2006		
(dollars in millions)	Net Sales	Mix %	Net Sales	Mix %	Change
Residential roofing					

products	$191.0	38.7%	$207.8	48.2%	$(16.8)	-8.1%
Non-residential roofing products	211.0	42.7%	135.5	31.4%	75.5	55.7%
Complementary building products	91.8	18.6%	88.0	20.4%	3.8	4.3%
	$493.8	100.0%	$431.3	100.0%	$ 62.5	14.5%

Consolidated Sales by Product Line for Existing Markets(1)

For the Fourth Quarter Ended:

(dollars in millions)	September 30,(a) 2007 Net Sales	Mix %	September 30, 2006 Net Sales	Mix %	Change		% Change Based On Average Sales Per Business Day (b)
Residential roofing products	$171.8	44.3%	$205.5	48.7%	$(33.7)	-16.4%	-17.7%
Non-residential roofing products	129.2	33.4%	129.1	30.6%	0.1	0.1%	-1.5%
Complementary building products	86.4	22.3%	87.8	20.8%	(1.4)	-1.6%	-3.1%
	$387.4	100.0%	$422.4	100.0%	$(35.0)	-8.3%	-9.7%

(1) Excludes branches acquired during the four quarters prior to the start of the fourth quarter of fiscal 2007.
(a) The fourth quarter of fiscal 2007 had one additional business day compared to the fourth quarter of fiscal 2006.
(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, 2007 (a) Net Sales	Mix %	September 30, 2006 Net Sales	Mix %	Change	
Residential roofing products	$ 699.3	42.5%	$ 731.7	48.8%	$ (32.4)	-4.4%

Non-residential roofing products	591.9	36.0%	448.0	29.9%	143.9	32.1%
Complementary building products	354.6	21.5%	320.9	21.4%	33.7	10.5%
	$1,645.8	100.0%	$1,500.6	100.0%	$ 145.2	9.7%

Consolidated Sales by Product Line for Existing Markets(1)

For the Fiscal Years Ended:

(dollars in millions)	September 30, 2007 (a) Net Sales	Mix %	September 30, 2006 Net Sales	Mix %	Change	
Residential roofing products	$ 399.3	41.1%	$ 435.1	42.7%	$ (35.8)	-8.2%
Non-residential roofing products	365.7	37.7%	356.1	34.9%	9.6	2.7%
Complementary building products	205.5	21.2%	228.7	22.4%	(23.2)	-10.1%
	$ 970.5	100.0%	$1,019.9	100.0%	$ (49.4)	-4.8%

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

(dollars in millions)	September 30, 2007 Net Sales	Mix %	September 30, 2006 Net Sales	Mix %	Change	
Residential roofing products	$ 1.585	41.1%	$ 1.700	42.7%	$(0.115)	-6.8%
Non-residential roofing products	1.451	37.7%	1.391	34.9%	0.060	4.3%
Complementary building products	0.815	21.2%	0.893	22.4%	(0.078)	-8.7%
	$ 3.851	100.0%	$ 3.984	100.0%	$(0.133)	-3.3%

(1) Excludes branches acquired during fiscal 2006, including Shelter branches, and branches acquired during fiscal 2007, including North Coast branches.
(a) Fiscal 2007 had four fewer business days as compared to fiscal 2006.
(b) Calculated by dividing the total annual existing market sales above by the number of business days.

BEACON ROOFING SUPPLY, INC
Results by Market-Unaudited

For the Three Months Ended (in thousands)	Existing Markets(1) September 30, 2007	2006	Acquired Markets September 30, 2007	2006	Consolidated September 30, 2007	2006
Net Sales	$387,407	$422,760	$106,354	$8,493	$493,761	$431,253
Gross Profit	89,265	100,072	18,916	2,290	108,181	102,362
Gross Margin	23.0%	23.7%	17.8%	27.0%	21.9%	23.7%
Operating Expenses	66,479	71,049	15,381	1,559	81,860	72,608
Operating Expenses as a % of net sales	17.2%	16.8%	14.5%	18.4%	16.6%	16.8%
Operating Income	$ 22,786	$ 29,023	$ 3,535	$ 731	$ 26,321	$ 29,754
Operating Margin	5.9%	6.9%	3.3%	8.6%	5.3%	6.9%

(1) Excludes branches acquired during the four quarters prior to the start of the fourth quarter of 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 September 30, 2007	2006	Fiscal Year Ended September 30, 2007	2006
Net income	$ 11,308	$ 14,572	$ 25,279	$ 49,311
Interest expense, net	7,324	6,304	27,434	19,461
Income taxes	7,689	8,878	17,095	31,529
Depreciation and amortization	9,542	6,649	32,863	23,792
Stock-based compensation	1,040	1,066	4,983	3,222
Adjusted EBITDA (1)	$ 36,903	$ 37,469	$107,654	$127,315

(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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