



Beacon Roofing Supply, Inc.

February 8, 2013

Beacon Roofing Supply Reports First Quarter 2013 Results

- **Record first quarter net sales up 5% to \$514 million vs. \$490 million.**
- **First quarter EPS of \$0.37 vs. \$0.41 (\$0.39 adjusted).**
- **Nineteen branches acquired in the first quarter.**

PEABODY, Mass.--(BUSINESS WIRE)-- Beacon Roofing Supply, Inc. (the "Company") (NASDAQ: BECN) announced results today for its first quarter ended December 31, 2012 ("2013") of the fiscal year ending September 30, 2013 ("fiscal 2013").

Paul Isabella, the Company's President & Chief Executive Officer, stated: "We began fiscal 2013 with a solid first quarter performance despite being up against a very strong quarter last year when our existing market sales were up 17%. 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. The trend of our complementary product sales has been encouraging, considering the more discretionary nature of those products. Towards the end of the first quarter, we took advantage of our financial capacity and flexibility to purchase key products ahead of announced industry-wide price increases scheduled mostly for February and April. We believe we are well positioned for a successful fiscal 2013 and expect to continue our steady growth. We continue aggressively to seek quality companies that fit our target acquisition profile, such as McClure-Johnston and Ford Wholesale, which we acquired in the first quarter."

Total sales increased 4.9% to \$513.7 million in 2013 from \$489.9 million in 2012. Existing market (organic) sales, which exclude branches acquired after the beginning of last year's first quarter, declined 4.6% (7.7% based on the same number of business days). In existing markets, residential and non-residential roofing product sales decreased 5.4% and 6.1%, respectively, while complementary product sales increased 2.9%. The 2013 sales performance was unfavorably affected by the comparison to last year's very high level of re-roofing activities, including the beneficial impact from mild weather in December 2011 and strong business in several markets that experienced significant storms in 2011, and lower average residential roofing selling prices this year.

Net income for the first quarter was \$18.2 million compared to \$19.1 million in 2012, a decrease of 4.8%. 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. First quarter diluted net income per share was \$0.37 compared to an adjusted \$0.39 in 2012. The lower net income was primarily due to higher operating expenses, including acquired branch expenses, mostly offset by the impact from higher gross profit and lower interest expense.

Earnings before interest, taxes, depreciation and amortization, and stock-based compensation ("Adjusted EBITDA"), which are reconciled to the net income in this press release, were \$41.8 million in 2013 compared to \$41.1 million in 2012, an increase of 1.7%.

Cash flow from operations was \$47.3 million compared to \$59.0 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 \$121.2 million to \$34.0 million at December 31, 2012 compared to \$155.2 million at December 31, 2011, due primarily to a significant paydown of debt (net of new borrowings) since last year's first 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 719-325-2452. 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 228 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.

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BEACON ROOFING SUPPLY, INC
Condensed Consolidated Statements of Operations

Unaudited (Dollars in thousands, except per share data)	Three Months Ended			
	December 31, 2012	% of Net Sales	December 31, 2011	% of Net Sales
Net sales	\$ 513,710	100.0%	\$ 489,850	100.0%
Cost of products sold	386,956	75.3%	372,525	76.0%
Gross profit	126,754	24.7%	117,325	24.0%
Operating expenses	94,503	18.4%	82,985	16.9%
Income from operations	32,251	6.3%	34,340	7.0%
Interest expense	1,910	0.4%	3,280	0.7%
Income before income taxes	30,341	5.9%	31,060	6.3%
Income tax expense	12,135	2.4%	11,945	2.4%
Net income	<u>\$ 18,206</u>	<u>3.5%</u>	<u>19,115</u>	<u>3.9%</u>
Net income per share:				
Basic	<u>\$ 0.38</u>		<u>\$ 0.41</u>	
Diluted	<u>\$ 0.37</u>		<u>\$ 0.41</u>	
Weighted average shares used in computing net income per share:				
Basic	<u>47,858,626</u>		<u>46,190,888</u>	
Diluted	<u>48,865,099</u>		<u>46,830,178</u>	

BEACON ROOFING SUPPLY, INC
Condensed Consolidated Balance Sheets

Unaudited (Dollars in thousands)	December 31, 2012	December 31, 2011	September 30, 2012
Assets			

Current assets:			
Cash and cash equivalents	\$ 34,025	\$ 155,171	\$ 40,205
Accounts receivable, net	231,500	221,665	291,456
Inventories	270,363	193,020	222,740
Prepaid expenses and other assets	94,605	57,083	60,287
Deferred income taxes	15,793	14,881	16,087
Total current assets	<u>646,286</u>	<u>641,820</u>	<u>630,775</u>
Property and equipment, net	58,246	48,537	57,376
Goodwill	468,757	400,140	443,161
Other assets, net	<u>113,739</u>	<u>61,008</u>	<u>85,670</u>
Total assets	<u>\$ 1,287,028</u>	<u>\$ 1,151,505</u>	<u>\$ 1,216,982</u>
Liabilities and stockholders' equity			
Current liabilities:			
Accounts payable	\$ 176,322	\$ 149,699	\$ 167,390
Accrued expenses	84,519	73,101	71,627
Borrowings under revolving lines of credit	47,400	-	41,300
Current portion of long-term obligations	15,430	15,201	15,632
Total current liabilities	<u>323,671</u>	<u>238,001</u>	<u>295,949</u>
Senior notes payable and other obligations, net of current portion	221,122	309,632	220,875
Deferred income taxes	58,037	39,145	48,196
Stockholders' equity:			
Common stock	483	463	477
Additional paid-in capital	294,507	251,623	280,184
Retained earnings	386,881	312,225	368,675
Accumulated other comprehensive income	2,327	416	2,626
Total stockholders' equity	<u>684,198</u>	<u>564,727</u>	<u>651,962</u>
Total liabilities and stockholders' equity	<u>\$ 1,287,028</u>	<u>\$ 1,151,505</u>	<u>\$ 1,216,982</u>

BEACON ROOFING SUPPLY, INC
Condensed Consolidated Statements of Cash Flows

Unaudited (In thousands)	Three Months Ended	
	December 31, 2012	December 31, 2011
Operating activities:		
Net income	\$ 18,206	\$ 19,115
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,057	6,055
Stock-based compensation	2,524	1,747
Adjustment of liability for contingent consideration	-	(1,000)
Certain interest expense and other financing costs	(1,051)	-
Gain on sale of assets	(226)	(209)
Deferred income taxes	(133)	(662)
Changes in assets and liabilities, net of the effects of businesses acquired:		
Accounts receivable	76,209	71,446

Inventories	(34,257)	20,805
Prepaid expenses and other assets	(28,370)	(19,126)
Accounts payable and accrued expenses	7,326	(39,195)
Net cash provided by operating activities	<u>47,285</u>	<u>58,976</u>
Investing activities:		
Purchases of property and equipment	(3,092)	(2,434)
Acquisition of business	(64,484)	(44,396)
Proceeds from sales of assets	291	223
Net cash used by investing activities	<u>(67,285)</u>	<u>(46,607)</u>
Financing activities:		
Borrowings (repayments) under revolving lines of credit, net	6,100	(13)
Repayments under senior notes payable and other, net	(3,807)	(2,315)
Proceeds from exercises of options	9,915	1,534
Income tax benefit from stock-based compensation deductions in excess of the associated compensation costs	1,755	82
Net cash provided (used) by financing activities	<u>13,963</u>	<u>(712)</u>
Effect of exchange rate changes on cash	(143)	487
Net increase (decrease) in cash and cash equivalents	(6,180)	12,144
Cash and cash equivalents at beginning of period	40,205	143,027
Cash and cash equivalents at end of period	<u>\$ 34,025</u>	<u>\$ 155,171</u>

BEACON ROOFING SUPPLY, INC

Unaudited

Consolidated Sales by Product Line

Three Months Ended

(dollars in millions)	December 31, 2012		December 31, 2011		Change	
	Net Sales	Mix %	Net Sales	Mix %		
Residential roofing products	\$ 242.4	47.2%	\$ 233.0	47.6%	\$ 9.4	4.0%
Non-residential roofing products	196.4	38.2%	193.9	39.6%	2.5	1.3%
Complementary building products	74.9	14.6%	63.0	12.9%	11.9	18.8%
	<u>\$ 513.7</u>	<u>100.0%</u>	<u>\$ 489.9</u>	<u>100.0%</u>	<u>\$ 23.8</u>	<u>4.9%</u>

Consolidated Sales by Product Line for Existing Markets*

Three Months Ended

(dollars in millions)	December 31, 2012		December 31, 2011		Change	
	Net Sales	Mix %	Net Sales	Mix %		
Residential roofing products	\$ 215.5	46.8%	\$ 227.7	47.2%	\$ (12.2)	-5.4%
Non-residential roofing products	181.1	39.3%	192.8	40.0%	(11.7)	-6.1%
Complementary building products	63.8	13.9%	62.0	12.8%	1.8	2.9%
	<u>\$ 460.4</u>	<u>100.0%</u>	<u>\$ 482.5</u>	<u>100.0%</u>	<u>\$ (22.1)</u>	<u>-4.6%</u>

Existing Market Sales by Business Day**

(dollars in millions)

(dollars in millions)	December 31, 2012		December 31, 2011		Change	
	Net Sales	Mix %	Net Sales	Mix %		
Residential roofing products	\$ 3.476	46.8%	\$ 3.795	47.2%	\$ (0.3)	-8.4%

Non-residential roofing products	2.921	39.3%	3.213	40.0%	(0.3)	-9.1%
Complementary building products	<u>1.029</u>	<u>13.9%</u>	<u>1.033</u>	<u>12.8%</u>	<u>(0.0)</u>	<u>-0.4%</u>
	<u>\$ 7.426</u>	<u>100.0%</u>	<u>\$ 8.042</u>	<u>100.0%</u>	<u>\$ (0.6)</u>	<u>-7.7%</u>

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

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

**There were 62 business days in this year's first quarter compared to 60 business days in last year's first quarter.

BEACON ROOFING SUPPLY, INC.

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

Unaudited

(Dollars in thousands)

	Three Months Ended December 31,	
	2012	2011
Net income	\$ 18,206	\$ 19,115
Interest expense and other financing costs	1,910	3,280
Income taxes	12,135	11,945
Depreciation and amortization	7,057	6,055
Adjustment of liability for contingent consideration	-	(1,000)
Stock-based compensation	<u>2,524</u>	<u>1,747</u>
Adjusted EBITDA (1)	<u>\$ 41,832</u>	<u>\$ 41,142</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 of 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 Diluted Net Income per Share ("Adjusted Earnings per Share")
Unaudited
(Dollars in thousands except per share amounts)

	Three Months Ended December 31,			
	2012	EPS	2011	EPS
Net income	\$ 18,206	\$ 0.37	\$ 19,115	\$ 0.41
Company adjustments, net of income taxes:				
Fair value of certain interest rate derivatives	(769)	(0.02)	-	-
Termination benefits	542	0.01	-	-
Decrease in liability for purchase consideration*	-	-	(1,000)	(0.02)
Adjusted net income	<u>\$ 17,979</u>	<u>\$ 0.37</u>	<u>\$ 18,115</u>	<u>\$ 0.39</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 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 diluted earnings per share calculated in accordance with GAAP.

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