



Beacon Roofing Supply, Inc.

Beacon Roofing Supply Reports First Quarter 2009 Results

PEABODY, Mass., Feb 06, 2009 (BUSINESS WIRE) -- Beacon Roofing Supply, Inc. (the "Company") (NASDAQ: BECN) announced results today for its fiscal year 2009 first quarter ended December 31, 2008 ("2008").

- **Record first quarter sales and income.**
- **Net sales of \$463 million, up 16%.**
- **EPS of \$0.41, up 242%.**
- **Gross margin of 25.0% vs. 23.0%.**

Sales increased 16.3% to \$463.3 million in 2008 from \$398.4 million in last year's first quarter ended December 31, 2007 ("2007"). Residential roofing sales increased 58.5% while non-residential (commercial) roofing and complementary product sales declined 4.7% and 17.5%, respectively. Residential roofing sales benefited from year-over-year price increases as well as from strong re-roofing activity in markets that were affected by Hurricane Ike. Non-residential sales slowed due, in part, to early winter conditions in the Company's markets that have the largest concentration of commercial business. Complementary product sales continued to be negatively impacted by both the slowdown in the economy and lower levels of new construction.

The Company's net income for the first quarter was \$18.6 million compared to \$5.2 million in 2007, an increase of 256%. Diluted net income per share increased 242% to \$0.41 compared to \$0.12 in 2007.

Gross profit in the first quarter was \$116.0 million, up \$24.3 million from 2007. The gross margin rate increased to 25.0% from 23.0% last year primarily due to the sales mix shift to more residential roofing products, which have substantially higher gross margins than the more competitive non-residential market. In addition, the Company realized a benefit from lower weighted-average costs of residential roofing products in comparison to the price levels of those products in the marketplace.

Operating expenses increased \$2.4 million, or 3.2%, primarily due to an increase in payroll and related costs resulting from higher incentive-based pay accruals and less favorable medical insurance claims experience. As a percentage of net sales, operating expenses declined to 16.9% from 19.1% due to the leveraging of fixed costs over the higher sales.

The Company realized operating income of \$37.7 million in the first quarter compared to \$15.8 million in 2007. As a percentage of net sales, operating income was 8.1% compared to 4.1%.

Interest expense decreased \$0.9 million, or 12.3%, due primarily to a paydown of debt since 2007 and lower average interest rates. The income tax provision rate was 40.9% compared to 40.2% 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 \$46.6 million in the first quarter compared to \$26.0 million in 2007.

Cash flow from operations was \$5.0 million in 2008 compared to \$2.8 million in 2007. This increase was primarily attributable to the increase in operating income, which, in turn, was mostly offset by the impact of income tax payments and early payments to certain vendors in this year's first quarter.

Robert Buck, the Company's Chairman & Chief Executive Officer, stated: "We had an excellent first quarter, which included some short-term benefits and provided a good start to fiscal 2009, during which we expect to continue to face difficult economic conditions. I am proud of our ability to service our customers efficiently and execute our business strategies successfully, including the control of inventories, bad debts and other expenses, which helped yield our strong sales and income growth. We have managed our working capital effectively and continue to pay down our debt, further strengthening our balance sheet. We believe we will be in very good shape once the economy begins to turn."

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 877-874-1571 (international dial-in number 719-325-4820). 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 4897818) (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 171 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

Unaudited (Dollars in thousands, except per share data)	Three Months Ended			December 31,		
	December 31, 2008	% of Net Sales		December 31, 2007	% of Net Sales	
Net sales	\$ 463,329	100.0	%	\$ 398,396	100.0	%
Cost of products sold	347,331	75.0	%	306,702	77.0	%
Gross profit	115,998	25.0	%	91,694	23.0	%
Operating expenses	78,323	16.9	%	75,917	19.1	%
Income from operations	37,675	8.1	%	15,777	4.1	%
Interest expense	6,149	1.3	%	7,009	1.8	%
Income before income taxes	31,526	6.8	%	8,768	2.2	%
Income taxes	12,884	2.8	%	3,527	0.9	%
Net income	\$ 18,642	4.0	%	\$ 5,241	1.3	%
Net income per share:						
Basic	\$ 0.42			\$ 0.12		
Diluted	\$ 0.41			\$ 0.12		
Weighted average shares used in computing net income per share:						
Basic	44,822,561			44,273,312		
Diluted	45,316,255			44,852,748		

BEACON ROOFING SUPPLY, INC
Condensed Consolidated Balance Sheets

Unaudited (Dollars in thousands)	December 31, 2008	December 31, 2007	September 30, 2008
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Assets

Current assets:

Cash and cash equivalents	\$ 22,059	\$ 7,321	\$ 26,038
Accounts receivable, net	196,773	189,186	283,652
Inventories	188,462	173,020	209,255
Prepaid expenses and other assets	46,812	38,543	45,799
Deferred income taxes	22,824	15,394	18,126
Total current assets	476,930	423,464	582,870

Property and equipment, net	53,681	65,706	56,712
Goodwill	352,693	355,176	354,269
Other assets, net	70,368	89,804	73,965

Total assets	\$ 953,672	\$ 934,150	\$ 1,067,816
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Liabilities and stockholders' equity

Current liabilities:

Accounts payable	\$ 100,084	\$ 106,667	\$ 198,429
Accrued expenses	67,685	55,728	89,755
Current portion of long-term obligations	15,028	34,112	19,926
Total current liabilities	182,797	196,507	308,110

Senior notes payable and other obligations, net of current portion	355,657	373,057	357,643
Deferred income taxes	35,093	36,499	35,362

Stockholders' equity:

Common stock	448	443	448
Additional paid-in capital	221,008	212,932	219,669
Retained earnings	165,588	111,881	146,946
Accumulated other comprehensive income (loss)	(6,919)	2,831	(362)
Total stockholders' equity	380,125	328,087	366,701

Total liabilities and stockholders' equity	\$ 953,672	\$ 934,150	\$ 1,067,816
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BEACON ROOFING SUPPLY, INC**Condensed Consolidated Statements of Cash Flows**

Unaudited (In thousands)	Three Months Ended	
	December 31, 2008	December 31, 2007
Operating activities:		
Net income	\$ 18,642	\$ 5,241
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,722	8,891
Stock-based compensation	1,195	1,365
Deferred income taxes	(2,531)	(552)
Changes in assets and liabilities:		
Accounts receivable	84,166	78,025
Inventories	19,222	(7,340)
Prepaid expenses and other assets	(1,305)	(5,877)
Accounts payable and accrued expenses	(122,090)	(76,940)
Net cash provided by operating activities	5,021	2,813
Investing activities:		

Purchases of property and equipment	(2,033)	(1,084)
Net cash used in investing activities	(2,033)	(1,084)
Financing activities:				
Repayments under revolving lines of credit, net	(4,662)	(657)
Net repayments under senior notes payable and other	(2,287)	(971)
Proceeds from exercise of options	138		-	
Income tax benefit from stock-based compensation deductions in excess of the associated compensation costs	6		-	
Net cash used by financing activities	(6,805)	(1,628)
Effect of exchange rate changes on cash	(162)	751	
Net (decrease) in cash and cash equivalents	(3,979)	852	
Cash and cash equivalents at beginning of period	26,038		6,469	
Cash and cash equivalents at end of period	\$ 22,059		\$ 7,321	

BEACON ROOFING SUPPLY, INC
Consolidated Sales by Product Line

Unaudited

For the Three Months Ended:

(dollars in millions)	December 31, 2008			December 31, 2007			Change	
	Net Sales	Mix %		Net Sales	Mix %			
Residential roofing products	\$ 234.6	50.6	%	\$ 148.0	37.1	%	\$ 86.6	58.5 %
Non-residential roofing products	164.7	35.5	%	172.8	43.4	%	(8.1)	-4.7 %
Complementary building products	64.0	13.8	%	77.6	19.5	%	(13.6)	-17.5 %
	\$ 463.3	100.0	%	\$ 398.4	100.0	%	\$ 64.9	16.3 %

Sales By Business Day During the Three Months Ended:

(dollars in millions)	December 31, 2008			December 31, 2007			Change	
	Net Sales	Mix %		Net Sales	Mix %			
Residential roofing products	\$ 3.782	50.6	%	\$ 2.427	37.2	%	\$ 1.355	55.8 %
Non-residential roofing products	2.657	35.6	%	2.833	43.4	%	(0.176)	-6.2 %
Complementary building products	1.034	13.8	%	1.272	19.5	%	(0.238)	-18.7 %
	\$ 7.473	100.0	%	\$ 6.532	100.0	%	\$ 0.941	14.4 %

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

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 December 31,	
	2008	2007
Net income	\$ 18,642	\$ 5,241
Interest expense	6,149	7,009
Income taxes	12,884	3,527
Depreciation and amortization	7,722	8,891

Stock-based compensation	1,195	1,365
Adjusted EBITDA (1)	\$ 46,592	\$ 26,033

(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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