



Beacon Roofing Supply Reports Third Quarter 2009 Results

- **Strong nine-month cash flows from operations of \$84 million vs. \$29 million.**
- **Third-quarter sales of \$464 million vs. \$515 million.**
- **Operating income of \$33.6 million vs. \$36.9 million.**
- **Income per share of \$0.38 vs. \$0.41.**
- **Lower operating expenses.**

PEABODY, Mass., Aug 07, 2009 (BUSINESS WIRE) -- Beacon Roofing Supply, Inc. (the "Company") (NASDAQ: BECN) announced results today for its fiscal year 2009 third quarter and nine months (year-to-date) ended June 30, 2009 ("2009").

Third Quarter

Sales declined 9.9% to \$463.6 million in 2009 from \$514.6 million in last year's third quarter ended June 30, 2008. Residential roofing sales increased 10.4% while non-residential roofing and complementary product sales declined 25.6% and 25.1%, respectively. Residential roofing sales benefited from higher average year-over-year prices as well as from strong, although diminishing, re-roofing activity in markets that were affected by Hurricane Ike. Non-residential sales continued to slow significantly due to adverse economic conditions. Complementary product sales were negatively impacted by both the slowdown in the economy and lower levels of new construction.

The Company's net income for the third quarter was \$17.2 million compared to \$18.3 million in 2008, a decline of 5.9%. Diluted net income per share decreased to \$0.38 from \$0.41 in the third quarter last year.

Gross profit in the third quarter was \$107.8 million, down \$12.4 million from 2008. The gross margin rate fell slightly to 23.3% from last year's 23.4% due primarily to more competitive market conditions. Those conditions were partially offset by a shift in the Company's sales mix to more residential roofing products, which have substantially higher gross margins than the more competitive non-residential market.

Operating expenses decreased \$9.0 million, or 10.8%, and from 16.2% to 16.0% of net sales, primarily due to reductions in payroll and related costs as well as reductions in other selling expenses, including fuel costs.

The Company realized operating income of \$33.6 million in the third quarter compared to \$36.9 million in 2008, a decline of \$3.3 million. As a percentage of net sales, operating income was unchanged from last year.

Interest expense decreased \$0.4 million, or 6.9%, due to a paydown of debt and lower average interest rates. The income tax provision rate was 38.7% compared to 41.0% last year.

Earnings before interest, taxes, depreciation and amortization, and stock-based compensation, or "Adjusted EBITDA," was \$42.4 million in the third quarter compared to \$46.4 million in 2008. Adjusted EBITDA is reconciled to net income in this press release.

Nine Months

Sales increased 2.4% to \$1.246 billion in 2009 from \$1.217 billion in last year's first nine months. Residential roofing sales increased 31.5% while non-residential roofing and complementary product sales declined 15.3% and 23.0%, respectively. Year-to-date 2009 sales were principally influenced by the same factors as in the third quarter, although the estimated inflation impact was slightly higher and the Hurricane Ike-related business was greater in the year-to-date period.

The Company's net income for the nine months was \$33.4 million compared to \$15.4 million in 2008, an increase of 117%. Diluted net income per share was \$0.74 compared to \$0.34 in 2008, an increase of 118%.

Gross profit was \$298.1 million, up \$17.8 million from 2008. The gross margin rate increased to 23.9% from 23.0% last year primarily due to the sales mix shift to residential roofing products.

Operating expenses declined \$9.1 million to \$225.4 million in 2009. As a percentage of net sales, operating expenses declined to 18.1% from 19.3% due primarily to the same factors as in the third quarter.

The Company realized year-to-date operating income of \$72.7 million compared to \$45.8 million in 2008, a \$26.9 million or 59% improvement. As a percentage of net sales, operating income was 5.8% compared to 3.8% last year.

Interest expense decreased \$2.4 million, or 12.2%, due to the same factors as in the third quarter. The income tax provision rate was 39.8% compared to 41.0% last year.

Adjusted EBITDA was \$99.2 million in the first nine months compared to \$75.3 million in 2008, an increase of 32%.

Cash flow from operations was \$84.3 million in year-to-date 2009 compared to \$29.2 million in year-to-date 2008. This increase was primarily attributable to the increase in operating income and a large decline in accounts receivable, partially offset by the impact of some early payments made on accounts payable to certain vendors for discounted terms and higher income tax payments in the first nine months of the current year. There was \$83.0 million of cash on hand at the end of the period.

Robert Buck, the Company's Chairman & Chief Executive Officer, stated: "We are pleased with our financial performance in this challenging economic environment, particularly our ability to generate significant cash flow. Despite the sales decline in the quarter when compared to last year's very strong third quarter, our regional leadership did a terrific job in controlling variable costs. Our focus in these areas and our typical high level of customer service have produced these solid year-to-date results. I am proud of our people who have achieved higher sales and significantly higher profits in the first nine months of our fiscal year. Our balance sheet and liquidity remain strong, which positions us well for future growth opportunities."

There will be a conference call to discuss the third-quarter and nine-month results this morning at 10 a.m. EDT. The dial-in number is 888-395-3241 (international dial-in number 719-457-2734). 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 (international dial-in number 719-457-0820) with participant passcode 6939494 for a week following the call.

Beacon Roofing Supply, Inc. is a leading distributor of roofing materials and complementary building products operating 169 branches in 35 states in the United States and in three provinces in 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				Nine Months Ended			
	% of Net Sales		% of Net Sales		% of Net Sales		% of Net Sales	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Net sales	\$ 463,586	100.0%	\$ 514,647	100.0%	\$ 1,246,218	100.0%	\$ 1,217,294	100.0%
Cost of products sold	355,761	76.7%	394,474	76.6%	948,117	76.1%	937,035	77.0%
Gross profit	107,825	23.3%	120,173	23.4%	298,101	23.9%	280,259	23.0%
Operating expenses	74,239	16.0%	83,240	16.2%	225,382	18.1%	234,489	19.3%
Income from operations	33,586	7.2%	36,933	7.2%	72,719	5.8%	45,770	3.9%
Interest expense	5,566	1.2%	5,977	1.2%	17,304	1.4%	19,714	1.6%
Income before income taxes	28,020	6.0%	30,956	6.0%	55,415	4.4%	26,056	2.1%
Income tax expense	10,833	2.3%	12,692	2.5%	22,029	1.8%	10,683	0.9%
Net income	\$ 17,187	3.7%	18,264	3.5%	\$ 33,386	2.7%	\$ 15,373	1.3%
Net income per share:								
Basic	\$ 0.38		\$ 0.41		\$ 0.74		\$ 0.35	
Diluted	\$ 0.38		\$ 0.41		\$ 0.74		\$ 0.34	
Weighted average shares used in computing net income per share:								
Basic	45,100,853		44,291,478		44,954,582		44,281,768	
Diluted	45,541,415		45,059,653		45,417,863		44,818,107	

BEACON ROOFING SUPPLY, INC
Condensed Consolidated Balance Sheets

Unaudited (Dollars in thousands)	June 30, 2009	June 30, 2008	September 30, 2008
Assets			
Current assets:			
Cash and cash equivalents	\$ 83,037	\$ 11,503	\$ 26,038
Accounts receivable, net	226,741	276,857	283,652
Inventories	216,341	203,101	209,255
Prepaid expenses and other assets	39,582	38,121	45,799
Deferred income taxes	20,860	17,601	18,126
Total current assets	586,561	547,183	582,870

Property and equipment, net	53,883	58,119	56,712
Goodwill	353,209	354,813	354,269
Other assets, net	64,016	78,465	73,965
Total assets	<u>\$ 1,057,669</u>	<u>\$ 1,038,580</u>	<u>\$ 1,067,816</u>
Liabilities and stockholders' equity			
Current liabilities:			
Accounts payable	\$ 180,085	\$ 191,975	\$ 198,429
Accrued expenses	82,332	87,830	89,755
Current portion of long-term obligations	8,160	16,674	19,926
Total current liabilities	270,577	296,479	308,110
Senior notes payable and other obligations, net of current portion	351,723	366,956	357,643
Deferred income taxes	34,516	36,516	35,362
Stockholders' equity:			
Common stock	451	443	448
Additional paid-in capital	224,500	215,407	219,669
Retained earnings	180,332	122,013	146,946
Accumulated other comprehensive income (loss)	(4,430)	766	(362)
Total stockholders' equity	400,853	338,629	366,701
Total liabilities and stockholders' equity	<u>\$ 1,057,669</u>	<u>\$ 1,038,580</u>	<u>\$ 1,067,816</u>

BEACON ROOFING SUPPLY, INC
Condensed Consolidated Statements of Cash Flows

Unaudited (In thousands)	Nine Months Ended	
	June 30, 2009	June 29, 2008
Operating activities:		
Net income	\$ 33,386	\$ 15,373
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	22,835	25,755
Stock-based compensation	3,626	3,772
Deferred income taxes	(735)	(1,470)
Changes in assets and liabilities:		
Accounts receivable	55,086	(9,798)
Inventories	(8,143)	(37,495)
Prepaid expenses and other assets	2,622	(1,878)
Accounts payable and accrued expenses	(24,375)	34,926
Net cash provided by operating activities	<u>84,302</u>	<u>29,185</u>
Investing activities:		
Purchases of property and equipment	(10,691)	(2,321)
Net cash used in investing activities	<u>(10,691)</u>	<u>(2,321)</u>
Financing activities:		
Repayments under revolving lines of credit, net	(4,743)	(17,157)
Net repayments under senior notes payable and other	(13,087)	(4,472)
Proceeds from exercise of options	1,100	47
Income tax benefit from stock-based compensation deductions in excess of the associated compensation costs	108	21
Net cash used by financing activities	(16,622)	(21,561)
Effect of exchange rate changes on cash	10	(269)
Net increase in cash and cash equivalents	56,999	5,034
Cash and cash equivalents at beginning of period	26,038	6,469
Cash and cash equivalents at end of period	<u>\$ 83,037</u>	<u>\$ 11,503</u>

BEACON ROOFING SUPPLY, INC
Consolidated Sales by Product Line

Unaudited

For the Three Months Ended:

(dollars in millions)	June 30, 2009		June 30, 2008		Change
	Net Sales	Mix %	Net Sales	Mix %	
Residential roofing products	\$ 245.9	53.1%	\$ 222.8	43.3%	\$ 23.1 10.4%
Non-residential roofing products	156.8	33.8%	210.6	40.9%	(53.8)-25.6%
Complementary building products	60.9	13.1%	81.3	15.8%	(20.4)-25.1%
	<u>\$ 463.6</u>	<u>100.0%</u>	<u>\$ 514.6</u>	<u>100.0%</u>	<u>\$ (51.1) -9.9%</u>

For the Nine Months Ended:

(dollars in millions)	June 30, 2009		June 30, 2008		Change
	Net Sales	Mix %	Net Sales	Mix %	

Residential roofing products	\$	652.6	52.4%	\$	496.2	40.8%	\$156.3	31.5%
Non-residential roofing products		422.8	33.9%		499.2	41.0%	(76.4)	-15.3%
Complementary building products		170.9	13.7%		221.8	18.2%	(51.0)	-23.0%
	\$	<u>1,246.2</u>	<u>100.0%</u>	\$	<u>1,217.3</u>	<u>100.0%</u>	<u>\$ 28.9</u>	<u>2.4%</u>

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

Unaudited

(Dollars in thousands, except per share data)

	Three Months Ended June 30,		Nine Months Ended June 30,					
	2009	2008	2009	2008				
Net income (loss)	\$	17,187	\$	18,264	\$	33,386	\$	15,373
Interest expense		5,566		5,977		17,304		19,714
Income taxes		10,833		12,692		22,029		10,683
Depreciation and amortization		7,524		8,267		22,835		25,755
Stock-based compensation		1,241		1,182		3,626		3,772
Adjusted EBITDA (1)	\$	<u>42,351</u>	\$	<u>46,382</u>	\$	<u>99,180</u>	\$	<u>75,297</u>

(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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