



Beacon Roofing Supply, Inc.

Beacon Roofing Supply Reports Record First Quarter 2007 Sales

PEABODY, Mass.--(BUSINESS WIRE)--Feb. 8, 2007--Beacon Roofing Supply, Inc. ("Beacon" or the "Company") (Nasdaq: BECN) announced results today for its fiscal year 2007 first quarter ended December 31, 2006 ("2007").

Sales increased 11.9% to a record \$380.2 million in 2007 from \$339.9 million in fiscal year 2006 that ended December 31, 2005 ("2006"), reflecting acquisitions made during fiscal year 2006, partially offset by the negative impact from having five fewer business days in 2007. Internal ("existing market") sales declined 5.5% in 2007 but increased 2.3% when calculated on a per business day basis. This existing market growth rate was still below the high pace of recent quarters and can possibly be attributed, at least in part, to a significant slowdown in new residential construction, a flattening of inflation and the prior-year extensive re-roofing and reconstruction activities in some of the Company's markets following Hurricanes Katrina and Rita. A negative sales trend continued into the first month of the second quarter of this year, which may not be reflective of the entire quarter's sales results due to the seasonality of our second quarter.

Existing markets exclude branches acquired in the four quarters prior to the start of the reporting period. During fiscal year 2006, Beacon made several major acquisitions, including the purchase of Shelter Distribution, Inc. which currently operates 58 branches, and opened six new branches. In 2007, Beacon opened two new branches and closed two branches.

Gross profit in the first quarter increased 9.6% to \$91.7 million from \$83.7 million a year ago, while the overall gross margin rate was 24.1% compared to 24.6% last year. The existing market gross margin rate declined to 23.8% in 2007 from 24.4% in 2006. The declines in the gross margin rates were caused partly by a product mix shift towards more non-residential roofing products, which generally have lower gross margins, and also by an increase in general competitive conditions in certain markets. The overall gross margin rate was beneficially impacted by the influence of the acquired companies' higher gross margins.

Operating expenses increased \$12.7 million, or 21.9%, compared to last year, due primarily to the fiscal year 2006 acquisitions. As a percentage of net sales, overall operating expenses increased to 18.6% from 17.0%, as the acquired companies had higher expenses as a rate of their sales, including amortization expense that increased approximately \$1.2 million resulting from the amortization of the intangible assets recorded for acquired companies' customer relationships.

Existing market operating expenses decreased \$1.9 million, or 4.6%, due primarily to reductions in bad debt and group insurance expenses, along with lower payroll and related costs that resulted from having one less payroll week in 2007 than in 2006. These factors were partially offset by increased salary expense for new corporate and regional support positions to help manage the Company's rapid growth and increased warehouse expenses principally from five new branches opened in existing markets since last year's first quarter. Stock-based compensation (option) expense also increased \$0.7 million in 2007 from 2006. As a percentage of net sales, existing market operating expenses increased slightly to 16.1% from 16.0% due primarily to the lower sales.

Operating income declined 18.1% to \$21.1 million in 2007 compared to \$25.7 million in 2006 due to all of the factors mentioned above. As a percentage of net sales, operating income declined to 5.5% in 2007 from 7.6% in 2006. Existing market operating income decreased to 7.7% from 8.4% of net sales.

Interest expense increased \$2.3 million due primarily to the additional borrowings associated with the acquisitions in fiscal year 2006. In addition, the Company refinanced its credit facilities in 2007, which also increased its debt level while providing additional funds for future acquisitions and working capital requirements. The new credit facility provides the Company with lower interest rates than the prior credit facilities.

The Company's net income for the first quarter was \$8.8 million compared to \$12.9 million in 2006. Diluted net income per share was \$0.20 in 2007 compared to \$0.31 in 2006, a decrease of 35%.

Cash flow from operations was \$3.6 million in 2007 compared to \$19.6 million in 2006. This decline mostly resulted from the decline of \$4.6 million in operating income and a \$51.0 million decrease in accounts payable and accrued expenses, due, in part, to early payment discounts offered to the Company in 2007 and seasonal changes in purchase volume. Partially offsetting these factors was a decrease of \$42.5 million in accounts receivable in 2007, mostly due to seasonal changes in our sales volume and an improvement in the number of days outstanding.

Robert Buck, the Company's President & Chief Executive Officer, stated, "Although below our expectations, we had another record quarter for sales despite five fewer business days this year and comparisons to unusually strong sales in the first quarter of fiscal 2006. The prior-year quarter benefited from hurricane business in some of our markets, higher inflation rates and an elevated level of new residential construction that has slowed considerably since that time. I am proud of the fact that we were able to reduce our existing market operating expenses in 2007 under challenging circumstances. We recently also successfully converted the remaining region of Shelter on to our enterprise-wide resource planning (ERP) computer system, which we regard as a competitive advantage. In addition, the first-quarter refinancing has provided us with available cash and borrowing capacity to continue our aggressive pursuit of acquisitions."

The Company will be holding its investor conference call today, February 8, 2007, at 10:00 a.m. Eastern Time. The dial-in-number is 866.202.4683 (participant passcode 96330772) (international dial-in-number 617.213.8846). Please call five to ten minutes prior to the scheduled start-time to assure timely access to the call.

About Beacon Roofing Supply, Inc.

Beacon Roofing Supply, Inc. is a leading distributor of roofing materials and complementary building products, operating 157 branches in 31 states in the United States and 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
First Quarter Ended

(Dollars in thousands, except per share data)	December 31, 2006 (a)	% of Net Sales	December 31, 2005	% of Net Sales
Net sales	\$ 380,209	100.0%	\$ 339,885	100.0%
Cost of products sold	288,475	75.9%	256,178	75.4%
Gross profit	91,734	24.1%	83,707	24.6%
Operating expenses	70,672	18.6%	57,995	17.0%
Income from operations	21,062	5.5%	25,712	7.6%
Interest expense	6,328	1.6%	4,019	1.2%
Income before income taxes	14,734	3.9%	21,693	6.4%
Income taxes	5,929	1.6%	8,785	2.6%
Net income	\$ 8,805	2.3%	\$ 12,908	3.8%
Net income per share:				
Basic	\$ 0.20		\$ 0.32	
Diluted	\$ 0.20		\$ 0.31	
Weighted average shares used in computing net income per share:				
Basic	43,869,559		40,582,107	

Diluted 45,088,380 41,921,325

=====

(a) The first quarter of fiscal year 2007 had five fewer business days as compared to the first quarter of fiscal year 2006.

Note: All share and per share data reflect the June 2006 three-for-two stock split.

BEACON ROOFING SUPPLY, INC
Condensed Consolidated Balance Sheets

(Dollars in thousands)	December 31, 2006	December 31, 2005	September 30, 2006

Assets			
Current assets:			
Cash and cash equivalents	\$ 42,576	\$ 4,006	\$ 1,847
Accounts receivable, net	167,338	155,414	210,676
Inventories	165,036	152,376	164,285
Prepaid expenses and other assets	41,161	38,623	38,133
Deferred income taxes	11,238	10,686	10,704

Total current assets	427,349	361,105	425,645
Property and equipment, net	66,530	48,826	59,291
Goodwill	288,667	182,333	289,282
Other assets, net	65,676	42,242	65,672

Total assets	\$ 848,222	\$ 634,506	\$ 839,890
=====			
Liabilities and stockholders' equity			
Current liabilities:			
Accounts payable	\$ 98,024	\$ 109,541	\$ 154,878
Accrued expenses	63,906	54,013	58,719
Current portion of long-term obligations	6,564	24,823	6,657

Total current liabilities	168,494	188,377	220,254
Borrowings under revolving lines of credit	-	118,981	229,752
Senior notes payable and other obligations, net of current portion	360,996	60,501	79,892
Deferred income taxes	18,801	20,149	18,823
Stockholders' equity:			
Common stock	439	437	439
Additional paid-in capital	204,842	196,662	203,433
Treasury stock	-	(515)	-
Retained earnings	90,166	44,958	81,361
Accumulated other comprehensive income	4,484	4,956	5,936

Total stockholders' equity	299,931	246,498	291,169

Total liabilities and stockholders' equity	\$ 848,222	\$ 634,506	\$ 839,890
=====			

BEACON ROOFING SUPPLY, INC
Condensed Consolidated Statements of Cash Flows
First Quarter Ended

(In thousands) December 31, 2006 December 31, 2005

Operating activities:

Net income	\$	8,805	\$	12,908
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization		6,795		4,708
Stock-based compensation		1,330		598
Unrealized (gain) loss on interest rate collars		(106)		244
Deferred income taxes		(516)		258
Changes in assets and liabilities, net of the effects of acquisitions:				
Accounts receivable		42,548		18,558
Inventories		(1,192)		(15,591)
Prepaid expenses and other assets		(3,084)		(8,063)
Accounts payable and accrued expenses		(50,982)		6,004

Net cash provided by operating activities		3,598		19,624

Investing activities:				
Purchases of property and equipment		(11,390)		(3,435)
Acquisition of businesses, net of cash acquired		129		(173,130)

Net cash used in investing activities		(11,261)		(176,565)

Financing activities:				
Borrowings (repayments) under revolving lines of credit		(229,752)		55,182
Borrowings under senior notes & other		287,208		57,947
Repayments of senior notes payable		(5,943)		(835)
Net proceeds from sale of common stock		-		51,569
Proceeds from exercise of options		79		754
Deferred financing costs		(2,954)		(1,856)
Income tax benefit from stock-based compensation deductions in excess of the associated recognized compensation cost		-		1,736

Net cash provided by financing activities		48,638		164,497
Effect of exchange rate changes on cash		(246)		7

Net increase in cash and cash equivalents		40,729		7,563
Cash and cash equivalents (overdraft) at beginning of period		1,847		(3,557)

Cash and cash equivalents at end of period	\$	42,576	\$	4,006
		=====		

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
For the First Quarter Ended:
December 31, December 31,
2006 (a) 2005

(dollars in millions)	Net		Net		Change	
	Sales	Mix %	Sales	Mix %		
Residential roofing products	\$179.2	47.1%	\$161.4	47.5%	\$ 17.8	11.0%
Non-residential roofing products	120.4	31.7%	98.0	28.8%	22.4	22.9%
Complementary building products	80.6	21.2%	80.5	23.7%	0.1	0.1%
	-----	-----	-----	-----	-----	-----
	\$380.2	100.0%	\$339.9	100.0%	\$ 40.3	11.9%
	=====	=====	=====	=====	=====	=====

Consolidated Sales by Product Line for Existing Markets*

For the First Quarter Ended:
December 31, December 31,
2006 (a) 2005

(dollars in millions)	Net		Net		Change	
	Sales	Mix %	Sales	Mix %		
Residential roofing products	\$ 99.7	40.5%	\$111.5	42.8%	\$(11.8)	-10.6%
Non-residential roofing products	94.1	38.2%	91.0	34.9%	3.1	3.4%
Complementary building products	52.4	21.3%	58.0	22.3%	(5.6)	-9.7%
	-----	-----	-----	-----	-----	-----
	\$246.2	100.0%	\$260.5	100.0%	\$(14.3)	-5.5%
	=====	=====	=====	=====	=====	=====

Existing Market Sales By Business Day (b) during the First Quarter Ended:

December 31, December 31,
2006 2005

(dollars in millions)	Net		Net		Change	
	Sales	Mix %	Sales	Mix %		
Residential roofing products	\$1.635	40.5%	\$1.689	42.8%	\$(0.05)	-3.2%
Non-residential roofing products	1.543	38.2%	1.379	34.9%	0.16	11.9%
Complementary building products	0.859	21.3%	0.878	22.3%	(0.02)	-2.2%
	-----	-----	-----	-----	-----	-----
	\$4.037	100.0%	\$3.946	100.0%	\$ 0.09	2.3%
	=====	=====	=====	=====	=====	=====

*Excludes branches, such as Shelter branches, acquired during fiscal 2006.

(a) The first quarter of fiscal year 2007 had five fewer business days as compared to the first quarter of fiscal year 2006.

(b) Calculated by dividing the total first-quarter existing market sales above by the number of business days in the respective quarter. This table is being presented since there was a significant difference in the number of business days between this year and last year's first quarter and we therefore believe this information may be useful to investors.

CONTACT:

Beacon Roofing Supply, Inc.

Dave Grace

978-535-7668 x14

CFO

SOURCE:

Beacon Roofing Supply, Inc.