Beacon Roofing Supply, Inc.

Beacon Roofing Supply Reports Second Quarter 2009 Results

- **Net sales of $319 million, up 5%.**
- **Operating expense rate of 22.8% vs. 24.8%.**
- **Operating income of $1.5 million vs. $6.9 million loss.**
- **Loss per share of $(0.05) vs. $(0.18).**
- **Strong cash flow and lower debt.**

PEABODY, Mass., May 08, 2009 (BUSINESS WIRE) -- Beacon Roofing Supply, Inc. (the "Company") (NASDAQ: BECN) announced results today for its fiscal year 2009 second quarter and six-month period (first half) ended March 31, 2009 ("2009").

Second Quarter

Sales increased 4.9% to $319.3 million in 2009 from $304.3 million in last year's second quarter ended March 31, 2008 ("2008"). Residential roofing sales increased 37.2% while non-residential (commercial) roofing and complementary product sales declined 12.6% and 27.1%, respectively. Residential roofing sales benefited from year-over-year price increases as well as from strong, although diminishing, re-roofing activity in markets that were affected by Hurricane Ike. Non-residential sales slowed due, in part, to adverse 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. In addition, the Company operated eight fewer branches at the end of this period compared to the end of the prior-year second quarter and there was one less business day in the second quarter of this year. On a same-day basis, sales increased 6.6%.

The Company's net loss for the second quarter was $2.4 million compared to $8.1 million in 2008, a 70% improvement. Net loss per share decreased 72% to $0.05 compared to $0.18 in 2008.

Gross profit in the second quarter was $74.3 million, up $5.9 million from 2008. The gross margin rate increased to 23.3% from 22.5% 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.

Operating expenses decreased $2.5 million, or 3.3%, primarily due to reductions in selling expenses and general and administrative expenses, mostly from lower fuel costs and insurance costs, respectively. As a percentage of net sales, operating expenses declined to 22.8% from 24.8% due to tight controls over variable costs and the leveraging of fixed costs over the higher sales.

The Company realized operating income of $1.5 million in the second quarter compared to an operating loss of $6.9 million in 2008, an $8.4 million improvement. As a percentage of net sales, operating income was 0.5% compared to a negative 2.3% last year.

Interest expense decreased $1.1 million, or 16.9%, due primarily to a paydown of debt since 2008 and lower average interest rates. The income tax provision rate was 40.9% compared to 40.5% last year.

Earnings before interest, taxes, depreciation and amortization, and stock-based compensation, or "Adjusted EBITDA," was $10.2 million in the second quarter compared to $2.9 million in 2008. Adjusted EBITDA is reconciled to net income in this press release.

First Half

Sales increased 11.4% to $782.6 million in 2009 from $702.6 million in last year's first half. Residential roofing sales increased 48.7% while non-residential roofing and complementary product sales declined 7.8% and 21.7%, respectively. First-half sales were principally influenced by the same factors as in the second quarter.

The Company's net income for the six months was $16.2 million compared to a net loss of $2.9 million in 2008. Diluted net income per share was $0.36 compared to a net loss per share of $0.07 in 2008.

Gross profit was $190.3 million, up $30.2 million from 2008. The gross margin rate increased to 24.3% from 22.8% last year primarily due to the sales mix shift to more residential roofing products and the first-quarter benefit of having lower weighted-average costs of residential roofing products.

As a percentage of net sales, operating expenses declined to 19.3% from 21.5% due to the same factors as in the second quarter.

The Company realized operating income of $39.1 million in the first half compared to $8.8 million in 2008, a $30.3 million improvement. As a percentage of net sales, operating income was 5.0% compared to 1.3% last year.

Interest expense decreased $2.0 million, or 14.6%, due to the same factors as in the second quarter. The income tax provision rate was 40.9% compared to 41.0% last year.

Adjusted EBITDA was $56.8 million in the first half compared to $28.9 million in 2008.

Cash flow from operations was $84.8 million in 2009 compared to $29.5 million in 2008. This increase was primarily attributable to the increase in operating income, a seasonal decline of accounts receivable and tight control over inventories, partially offset by the impact of higher income tax payments in the first half of the current year. Although there was $98.1 million of cash on hand at the end of the period, some of that build-up was due to temporary seasonal factors.

Robert Buck, the Company's Chairman & Chief Executive Officer, stated: "We are very pleased with our financial performance in this challenging economic environment, including our ability to generate significant cash flow. We continue to emphasize customer service and tight controls over expenses and inventories. Our focus in these areas resulted in a solid second quarter and a favorable start to the fiscal year. We also are pleased that our balance sheet has strengthened further in 2009, which should position us to take advantage of future growth opportunities."

There will be a conference call to discuss the second-quarter and first-half results this morning at 10 a.m. EDT. The dial-in number is 877-719-9795 (international dial-in number 719-325-4756). 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 7614623) (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 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	**Second Quarter Ended**				**Six Months Ended**			
(Dollars in thousands, except per share data)	**March 31, 2009**	**% of Net Sales**	**March 31, 2008**	**% of Net Sales**	**March 31, 2009**	**% of Net Sales**	**March 31, 2008**	**% of Net Sales**

Net sales	$ 319,303	100.0%	$ 304,251	100.0%	$ 782,632	100.0%	$ 702,647	100.0%
Cost of products sold	245,025	76.7%	235,859	77.5%	592,356	75.7%	542,561	77.2%
Gross profit	74,278	23.3%	68,392	22.5%	190,276	24.3%	160,086	22.8%
Operating expenses	72,820	22.8%	75,332	24.8%	151,143	19.3%	151,249	21.5%
Income (loss) from operations	1,458	0.5%	(6,940)	-2.3%	39,133	5.0%	8,837	1.3%
Interest expense	5,589	1.8%	6,728	2.2%	11,738	1.5%	13,737	2.0%
Income (loss) before income taxes	(4,131)	-1.3%	(13,668)	-4.5%	27,395	3.5%	(4,900)	-0.7%
Income tax expense (benefit)	(1,688)	-0.5%	(5,536)	-1.8%	11,196	1.4%	(2,009)	-0.3%
Net income (loss)	$ (2,443)	-0.8%	(8,132)	-2.7%	$ 16,199	2.1%	$ (2,891)	-0.4%
Net income (loss) per share:								
Basic	$ (0.05)		$ (0.18)		$ 0.36		$ (0.07)	
Diluted	$ (0.05)		$ (0.18)		$ 0.36		$ (0.07)	
Weighted average shares used in computing net income (loss) per share:								
Basic	44,941,782		44,280,600		44,881,846		44,276,916	
Diluted	44,941,782		44,280,600		45,339,821		44,276,916	

BEACON ROOFING SUPPLY, INC
Condensed Consolidated Balance Sheets

(Dollars in thousands)	Unaudited March 31, 2009	Unaudited March 31, 2008	September 30, 2008
Assets			
Current assets:			
Cash and cash equivalents	$ 98,106	$ 10,574	$ 26,038
Accounts receivable, net	166,939	173,039	283,652
Inventories	207,042	194,551	209,255
Prepaid expenses and other assets	38,195	26,545	45,799
Deferred income taxes	22,664	19,276	18,126
Total current assets	532,946	423,985	582,870
Property and equipment, net	51,850	61,384	56,712
Goodwill	352,319	354,727	354,269
Other assets, net	67,093	85,886	73,965

Total assets	$ 1,004,208	$ 925,982	$ 1,067,816
Liabilities and stockholders' equity			
Current liabilities:			
Accounts payable	$ 158,166	$ 128,386	$ 198,429
Accrued expenses	63,376	60,262	89,755
Current portion of long-term obligations	15,066	12,828	19,926
Total current liabilities	236,608	201,476	308,110
Senior notes payable and other obligations, net of current portion	353,674	372,051	357,643
Deferred income taxes	34,858	36,450	35,362
Stockholders' equity:			
Common stock	451	443	448
Additional paid-in capital	222,982	214,188	219,669
Retained earnings	163,145	103,749	146,946
Accumulated other comprehensive loss	(7,510)	(2,375)	(362)
Total stockholders' equity	379,068	316,005	366,701
Total liabilities and stockholders' equity	$ 1,004,208	$ 925,982	$ 1,067,816

BEACON ROOFING SUPPLY, INC
Condensed Consolidated Statements of Cash Flows

Unaudited **(In thousands)**	**Six Months Ended** **March 31, 2009**	**March 31, 2008**
Operating activities:		
Net income (loss)	$ 16,199	$ (2,891)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	15,311	17,488
Stock-based compensation	2,385	2,590
Deferred income taxes	(317)	(1,049)
Changes in assets and liabilities, net of the adjustments of acquisitions:		
Accounts receivable	113,356	93,889
Inventories	269	(29,008)
Prepaid expenses and other assets	7,255	6,075
Accounts payable and accrued expenses	(69,613)	(57,609)
Net cash provided by operating activities	84,845	29,485
Investing activities:		
Purchases of property and equipment	(4,761)	(1,214)
Net cash used in investing activities	(4,761)	(1,214)
Financing activities:		
Repayments under revolving lines of credit, net	(4,627)	(21,053)
Net repayments under senior notes payable and other	(4,188)	(2,898)
Proceeds from exercise of options	845	15
Income tax benefit from stock-based compensation deductions		

in excess of the associated compensation costs	86	16
Net cash used by financing activities	(7,884)	(23,920)
Effect of exchange rate changes on cash	(132)	(246)
Net increase in cash and cash equivalents	72,068	4,105
Cash and cash equivalents at beginning of period	26,038	6,469
Cash and cash equivalents at end of period	$ 98,106	$ 10,574

BEACON ROOFING SUPPLY, INC
Consolidated Sales by Product Line

Unaudited

For the Three Months Ended:

(dollars in millions)	March 31, 2009 Net Sales	Mix %	March 31, 2008 Net Sales	Mix %	Change	
Residential roofing products	$ 172.2	53.9%	$ 125.5	41.2%	$ 46.7	37.2%
Non-residential roofing products	101.3	31.7%	115.9	38.1%	(14.6)	-12.6%
Complementary building products	45.8	14.4%	62.9	20.7%	(17.0)	-27.1%
	$ 319.3	100.0%	$ 304.3	100.0%	$ 15.1	4.9%

For the Six Months Ended:

(dollars in millions)	March 31, 2009 Net Sales	Mix %	March 31, 2008 Net Sales	Mix %	Change	
Residential roofing products	$ 406.6	52.0%	$ 273.5	38.9%	$ 133.1	48.7%
Non-residential roofing products	266.0	34.0%	288.6	41.1%	(22.6)	-7.8%
Complementary building products	110.0	14.1%	140.5	20.0%	(30.5)	-21.7%
	$ 782.6	100.0%	$ 702.6	100.0%	$ 80.0	11.4%

Sales By Business Day during the Three Months Ended:

(dollars in millions)	March 31, 2009 Net Sales	Mix %	March 31, 2008 Net Sales	Mix %	Change	
Residential roofing products	$ 2.733	53.9%	$ 1.961	41.2%	$ 0.772	39.4%
Non-residential roofing products	1.608	31.7%	1.811	38.1%	(0.203)	-11.2%
Complementary building products	0.728	14.4%	0.982	20.7%	(0.254)	-25.9%
	$ 5.069	100.0%	$ 4.754	100.0%	$ 0.315	6.6%

Note: The six-month periods had the same number of business days. Some totals above may not foot due to rounding.

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

Unaudited

(Dollars in thousands, except per share data)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2009	**2008**	**2009**	**2008**
Net income (loss)	$ (2,443)	$ (8,132)	$ 16,199	$ (2,891)
Interest expense	5,589	6,728	11,738	13,737
Income tax expense (benefit)	(1,688)	(5,536)	11,196	(2,009)
Depreciation and amortization	7,589	8,597	15,311	17,488
Stock-based compensation	1,190	1,225	2,385	2,590
Adjusted EBITDA (1)	$ 10,237	$ 2,882	$ 56,829	$ 28,915

(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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