



Beacon Roofing Supply, Inc.

Beacon Roofing Supply Reports Second Quarter 2010 Results

- Net sales of \$285 million vs. \$319 million.
- Net loss per share of \$0.14 vs. \$0.05.
- Operating expenses down 8%.
- Cash on hand totals \$90 million.

PEABODY, Mass., May 07, 2010 (BUSINESS WIRE) -- Beacon Roofing Supply, Inc. (the "Company") (NASDAQ: BECN) announced results today for its fiscal 2010 second quarter and six months (first half) ended March 31, 2010.

Robert Buck, the Company's Chairman & Chief Executive Officer, stated: "Our second quarter results fell short of our expectations, although the rate of our sales decline was much less in the second quarter than in the first quarter. We began to see a stronger business trend in most regions late in the quarter and into the third quarter. Severe winter weather conditions in several markets limited the levels of roofing and remodeling activities in the second quarter and put additional pressure on our gross margin. We also faced strong prior year results, which benefitted from storm business. However, we reduced our expenses, made an early payment on our debt, became more active with our acquisition program, and saw some encouraging signs in the economy, all of which should help set us up for a stronger second half."

Second Quarter

Sales declined 10.6% to \$285.4 million in 2010 from \$319.3 million in 2009. Residential roofing sales decreased 17.0% while non-residential roofing and complementary product sales declined 4.4% and 0.6%, respectively. All three major product lines were impacted by tougher winter weather and economic conditions this year and by continued low levels of new construction and remodeling. Residential roofing sales were also up against a 37.2% increase in 2009, which resulted from higher average prices and strong re-roofing activity in storm-affected regions, especially from Hurricane Ike in Texas.

Net loss for the second quarter was \$6.5 million compared to a loss of \$2.4 million in 2009. Net loss per share was \$0.14 compared to \$0.05 in 2009. The higher net loss was due to the decline in sales and a lower gross margin rate, partially offset by lower expenses.

Earnings before interest, taxes, depreciation and amortization, and stock-based compensation or "Adjusted EBITDA," which is reconciled to the net income (loss) in this press release, was \$2.1 million in 2010 compared to \$10.2 million in 2009, a decline of 79.7%.

First Half

Sales declined 16.6% to \$653.1 million in 2010 from \$782.6 million in 2009. Residential roofing sales decreased 22.3% while non-residential roofing and complementary product sales declined 11.3% and 8.1%, respectively. First half 2010 sales were influenced primarily by the same factors discussed above for the second quarter.

Net income for the first half was \$1.4 million compared to \$16.2 million in 2009. Net income per share was \$0.03 compared to \$0.36 in 2009. The lower net income was due to the decline in sales and a lower gross margin rate, partially offset by lower expenses.

Adjusted EBITDA was \$29.1 million in 2010 compared to \$56.8 million in 2009, a decline of 48.7%.

Cash flow from operations was \$25.6 million compared to \$84.8 million in 2009. This year's first half cash flows were influenced by the lower operating profit, an inventory increase and a lower decrease in accounts receivable, partially offset by the benefit from a smaller reduction in accounts payable and accrued expenses, including the impact of less income tax payments. There was \$89.9 million of cash on hand at the end of this year's first half compared to \$98.1 million at March 31, 2009.

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 720-545-0063. 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 177 branches in 37 states in the United States and in three provinces in Eastern Canada.

SOURCE: Beacon Roofing Supply, Inc.

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
Three Months Ended

Unaudited (Dollars in thousands, except per share data)	Three Months Ended				Six Months Ended			
	March 31, 2010	% of Net Sales	March 31, 2009	% of Net Sales	March 31, 2010	% of Net Sales	March 31, 2009	% of Net Sales
Net sales	\$ 285,366	100.0%	\$ 319,303	100.0%	\$ 653,087	100.0%	\$ 782,632	100.0%
Cost of products sold	224,302	78.6%	245,025	76.7%	503,682	77.1%	592,356	75.7%
Gross profit	61,064	21.4%	74,278	23.3%	149,405	22.9%	190,276	24.3%
Operating expenses	67,051	23.5%	72,820	22.8%	136,880	21.0%	151,143	19.3%
Income (loss) from operations	(5,987)	-2.1%	1,458	0.5%	12,525	1.9%	39,133	5.0%
Interest expense	5,499	1.9%	5,589	1.8%	11,086	1.7%	11,738	1.5%
Income (loss) before income taxes	(11,486)	-4.0%	(4,131)	-1.3%	1,439	0.2%	27,395	3.5%
Income tax expense (benefit)	(5,030)	-1.8%	(1,688)	-0.5%	68	0.0%	11,196	1.4%
Net income (loss)	\$ (6,456)	-2.3%	(2,443)	-0.8%	\$ 1,371	0.2%	\$ 16,199	2.1%
Net income (loss) per share:								
Basic	\$ (0.14)		\$ (0.05)		\$ 0.03		\$ 0.36	
Diluted	\$ (0.14)		\$ (0.05)		\$ 0.03		\$ 0.36	
Weighted average shares used in computing net income (loss) per share:								
Basic	45,397,905		44,941,782		45,338,943		44,881,846	
Diluted	45,397,905		44,941,782		45,830,171		45,339,821	

BEACON ROOFING SUPPLY, INC
Condensed Consolidated Balance Sheets

Unaudited (Dollars in thousands)	March 31, 2010			March 31, 2009			September 30, 2009		
Assets									
Current assets:									
Cash and cash equivalents	\$	89,869	\$	98,106	\$	82,742			
Accounts receivable, net		162,080		166,939		227,379			
Inventories		220,163		207,042		195,011			
Prepaid expenses and other assets		55,835		45,045		52,714			
Deferred income taxes		16,342		22,664		19,323			
Total current assets		544,289		539,796		577,169			
Property and equipment, net		48,329		51,850		52,965			
Goodwill		358,749		352,319		354,193			
Other assets, net		52,350		67,093		56,459			
Total assets	\$	1,003,717	\$	1,011,058	\$	1,040,786			
Liabilities and stockholders' equity									
Current liabilities:									
Accounts payable	\$	130,012	\$	158,166	\$	151,683			
Accrued expenses		60,750		70,226		75,536			
Current portion of long-term obligations		8,639		15,066		15,092			
Total current liabilities		199,401		243,458		242,311			
Senior notes payable and other obligations, net of current portion		333,826		353,674		338,347			
Deferred income taxes		36,034		34,858		36,555			
Stockholders' equity:									
Common stock		455		451		452			
Additional paid-in capital		231,690		222,982		226,793			
Retained earnings		200,735		163,145		199,364			
Accumulated other comprehensive income (loss)		1,576		(7,510)		(3,036)			

Total stockholders' equity	434,456	379,068	423,573
Total liabilities and stockholders' equity	\$ 1,003,717	\$ 1,011,058	\$ 1,040,786

BEACON ROOFING SUPPLY, INC
Condensed Consolidated Statements of Cash Flows

Unaudited (In thousands)	Six Months Ended	
	March 31, 2010	March 31, 2009
Operating activities:		
Net income	\$ 1,371	\$ 16,199
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	14,015	15,311
Stock-based compensation	2,607	2,385
Deferred income taxes	(406)	(317)
Changes in assets and liabilities:		
Accounts receivable	66,904	113,356
Inventories	(23,469)	269
Prepaid expenses and other assets	(2,657)	405
Accounts payable and accrued expenses	(32,795)	(62,763)
Net cash provided by operating activities	25,570	84,845
Investing activities:		
Purchases of property and equipment	(3,264)	(4,761)
Acquisition of businesses	(6,618)	-
Net cash used in investing activities	(9,882)	(4,761)
Financing activities:		
Advances (repayments) under revolving lines of credit, net	64	(4,627)
Repayments under senior notes payable and other, net	(11,063)	(4,188)
Proceeds from exercise of options	1,812	845
Income tax benefit from stock-based compensation deductions in excess of the associated compensation costs	480	86
Net cash used by financing activities	(8,707)	(7,884)
Effect of exchange rate changes on cash	146	(132)
Net increase in cash and cash equivalents	7,127	72,068
Cash and cash equivalents at beginning of period	82,742	26,038
Cash and cash equivalents at end of period	\$ 89,869	\$ 98,106

BEACON ROOFING SUPPLY, INC
Consolidated Sales by Product Line

Unaudited (dollars in millions)	For the Three Months Ended:					
	March 31, 2010		March 31, 2009		Change	
	Net Sales	Mix %	Net Sales	Mix %		
Residential roofing products	\$ 143.0	50.1%	\$ 172.2	53.9%	\$ (29.2)	-17.0%
Non-residential roofing products	96.8	33.9%	101.2	31.7%	(4.4)	-4.4%
Complementary building products	45.6	16.0%	45.9	14.4%	(0.3)	-0.6%
	\$ 285.4	100.0%	\$ 319.3	100.0%	\$ (33.9)	-10.6%
	For the Six Months Ended:					
	March 31, 2010		March 31, 2009		Change	
	Net Sales	Mix %	Net Sales	Mix %		
Residential roofing products	\$ 316.3	48.4%	\$ 406.9	52.0%	\$ (90.6)	-22.3%
Non-residential roofing products	236.0	36.1%	266.0	34.0%	(30.0)	-11.3%
Complementary building products	100.8	15.4%	109.7	14.0%	(8.9)	-8.1%
	\$ 653.1	100.0%	\$ 782.6	100.0%	\$ (129.5)	-16.5%

Note: 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)

Three Months Ended March 31,

Six Months Ended March 31,

	2010		2009		2010		2009	
Net income (loss)	\$	(6,456)	\$	(2,443)	\$	1,371	\$	16,199
Interest expense		5,499		5,589		11,086		11,738
Income taxes		(5,030)		(1,688)		68		11,196
Depreciation and amortization		6,886		7,589		14,015		15,311
Stock-based compensation		1,180		1,190		2,607		2,385
Adjusted EBITDA (1)	\$	2,079	\$	10,237	\$	29,147	\$	56,829

(1) Adjusted EBITDA is defined as net income (loss) 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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