Beacon Roofing Supply, Inc.

Beacon Roofing Supply Reports Second-Quarter Results

PEABODY, Mass., May 09, 2008 (BUSINESS WIRE) -- Beacon Roofing Supply, Inc. ("Beacon" or the "Company") (NASDAQ: BECN) announced results today for its fiscal 2008 second quarter (three months) and first half ended March 31, 2008. Second Quarter

Sales increased 6.0% to $304.3 million in 2008 from $286.9 million in the second quarter of fiscal 2007. This increase was due to $36.4 million in sales primarily from North Coast Commercial Roofing Systems ("North Coast"), acquired at the start of last year's third quarter, and sales from four new branches opened since last year's second quarter. The positive impact from acquisitions was mostly offset by a decline of 6.7% in organic sales. There was a continued decline in residential construction activities in most markets and, to a lesser extent, lower levels of residential remodeling and reroofing in some of our markets in the second quarter.

The Company's net loss for the second quarter was $8.1 million compared to a net loss of $6.3 million in 2007. The net loss per share was $0.18 compared to $0.14 in 2007. The tax rate was 40.5% compared to 40.2% last year.

Gross profit in the second quarter was $68.4 million, up $2.2 million from 2007. The overall gross margin rate decreased to 22.5% from 23.1% last year. The existing market gross margin rate, however, increased to 23.2% in 2008 from 23.1% in 2007. Overall, there was a higher mix of non-residential roofing sales in the second quarter, which traditionally have lower gross margin rates, mostly from North Coast's product mix that is comprised primarily of non-residential roofing products. This negative factor on gross margin was more than offset in existing markets by favorable buying programs offered by some vendors and improving invoiced gross margins on sales of residential roofing products.

Operating expenses increased $4.9 million, or 7.0%, primarily due to the inclusion of North Coast, but were partially offset by lower payroll and related costs and other cost-saving steps implemented as a result of the business slowdown. Operating expenses in the second quarter included $3.7 million for the amortization of intangible assets recorded under purchase accounting, compared to $2.5 million in 2007. As a percentage of net sales, overall operating expenses increased to 24.8% from 24.5%, mostly due to a higher operating expense rate at North Coast during the Winter and the relatively fixed nature of the Company's expenses.

Existing market operating expenses declined $4.7 million, or 6.7%, but remained constant as a percentage of net sales. The decline in existing market expenses was primarily due to expense reduction efforts in many areas, including reduced headcount, as well as to reduced depreciation and amortization expense in existing markets and the allocation of expenses to acquired markets. These positive factors were partially offset by less favorable medical insurance claims experience and expenses at the four new branches.

The Company incurred an operating loss of $6.9 million in 2008 compared to an operating loss of $4.2 million in 2007. As a percentage of net sales, the operating loss was 2.3% compared to the prior-year rate of 1.5%. The existing market operating loss was 1.4% of net sales compared to an operating loss rate of 1.5% in 2007.

Interest expense increased $0.3 million, or 5.4%, due primarily to the additional borrowings associated with the acquisitions. First Half

Sales increased 5.3% to $702.6 million in 2008 from $667.2 million in the first half of fiscal 2007. This increase was mostly due to the acquisition of North Coast. The positive impact from the acquisitions was mostly offset by a decline of 9.8% in existing market sales. The first half existing market sales decline was due primarily to the same factors mentioned above for the second quarter.

The Company's net loss for the first half was $2.9 million compared to net income of $2.5 million in 2007. The net loss per share was $0.07 compared to diluted net income per share of $0.05 in 2007. The tax rate was 41.0% compared to 40.2% last year.

Gross profit in the first half was $160.1 million, up $2.2 million from 2007. The overall gross margin rate decreased to 22.8% from 23.7% last year. The existing market gross margin rate, however, increased to 23.8% in 2008 from 23.7% in 2007.

Operating expenses increased $10.2 million, or 7.2%, primarily due to the inclusion of North Coast, but were offset partially by lower payroll and related costs and other cost-saving steps implemented as a result of the business slowdown. Overall operating expenses increased to 21.5% from 21.1%. Existing market operating expenses decreased $9.0 million, or 6.4%, but increased as a percentage of sales from 21.1% to 22.0%.

The Company realized operating income of $8.8 million in the first half of 2008 compared to operating income of $16.8 million in 2007. As a percentage of net sales, the operating income rate was 1.3% compared to the prior-year rate of 2.5%. The existing market operating income was 1.9% of net sales compared to 2.5% in 2007.

Interest expense increased $1.0 million, or 8.1%, due primarily to the additional borrowings associated with the acquisitions.

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 $28.9 million in the first half of 2008 as compared to $33.3 million in 2007.

Despite the drop in operating income, cash flow from operations increased $19.4 million to $29.5 million in the first half of 2008 compared to $10.1 million in 2007. This increase was primarily due to a larger decrease in accounts receivable this year, partially offset by the negative impact from this year's first half net loss and a larger increase in inventory. Inventories were built-up beyond the normal seasonal increase, especially in residential asphalt shingles, ahead of announced price increases. Also impacting the change in cash from operations were higher non-cash charges for depreciation and amortization this year.

Robert Buck, the Company's Chairman & Chief Executive Officer, stated: "Our second quarter sales and profits remained below our goals and we certainly are disappointed with the first half net loss. However, gross margins in our existing markets appear to be stabilizing and we are seeing additional benefits from our cost containment measures. We continuously evaluate the performance and projections of every one of our branches and regions as we look to improve or close unprofitable branches. We will also seek additional expense reduction opportunities. However, as we progress into our seasonally stronger period for sales, we are cautiously optimistic about the second half of our 2008 fiscal year."

There will be a conference call to discuss our second quarter and first half results this morning at 10:00 a.m. EDT. The dial-in number is 877-545-1415 (international dial-in number 719-325-4866). 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 7187947) (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 177 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	Second Quarter Ended			
(Dollars in thousands, except per share data)	March 31, 2008	% of Net Sales	March 31, 2007	% of Net Sales
Net sales	$ 304,251	100.0%	$ 286,945	100.0%
Cost of products sold	235,859	77.5%	220,777	76.9%

Gross profit	68,392	22.5%	66,168	23.1%
Operating expenses	75,332	24.8%	70,394	24.5%
Income (loss) from operations	(6,940)	-2.3%	(4,226)	-1.5%
Interest expense	6,728	2.2%	6,381	2.2%
Income (loss) before income taxes	(13,668)	-4.5%	(10,607)	-3.7%
Income taxes	(5,536)	-1.8%	(4,268)	-1.5%
Net income (loss)	$ (8,132)	-2.7%	(6,339)	-2.2%
Net income (loss) per share:				
Basic	$ (0.18)		$ (0.14)	
Diluted	$ (0.18)		$ (0.14)	
Weighted average shares used in computing net income (loss) per share:				
Basic	44,280,600		43,927,745	
Diluted	44,280,600		43,927,745	

Unaudited	Six Months Ended			
(Dollars in thousands, except per share data)	March 31, 2008	% of Net Sales	March 31, 2007	% of Net Sales
Net sales	$ 702,647	100.0%	$ 667,154	100.0%
Cost of products sold	542,561	77.2%	509,252	76.3%
Gross profit	160,086	22.8%	157,902	23.7%
Operating expenses	151,249	21.5%	141,066	21.1%
Income (loss) from operations	8,837	1.3%	16,836	2.5%
Interest expense	13,737	2.0%	12,709	1.9%
Income (loss) before income taxes	(4,900)	-0.7%	4,127	0.6%
Income taxes	(2,009)	-0.3%	1,661	0.2%
Net income (loss)	$ (2,891)	-0.4%	$ 2,466	0.4%

Net income (loss) per share:		
Basic	$ (0.07)	$ 0.06
Diluted	$ (0.07)	$ 0.05
Weighted average shares used in computing net income (loss) per share:		
Basic	44,276,916	43,898,332
Diluted	44,276,916	44,874,694

BEACON ROOFING SUPPLY, INC
Condensed Consolidated Balance Sheets

Unaudited

(Dollars in thousands)	March 31, 2008	March 31, 2007	September 30, 2007
Assets			
Current assets:			
Cash and cash equivalents	$ 10,574	$ 43,315	$ 6,469
Accounts receivable, net	173,039	152,318	267,563
Inventories	194,551	178,804	165,848
Prepaid expenses and other assets	26,545	32,034	34,509
Deferred income taxes	19,276	12,046	13,196
Total current assets	423,985	418,517	487,585
Property and equipment, net	61,384	68,211	69,753
Goodwill	354,727	288,816	355,155
Other assets, net	85,886	60,887	94,167
Total assets	$ 925,982	$ 836,431	$ 1,006,660
Liabilities and stockholders' equity			
Current liabilities:			
Accounts payable	$ 128,386	$ 106,925	$ 183,257
Accrued expenses	60,262	47,920	54,020
Current portion of long-term obligations	12,828	6,454	34,773
Total current liabilities	201,476	161,299	272,050
Senior notes payable and other obligations, net of current portion	372,051	358,528	374,270
Deferred income taxes	36,450	19,009	36,490
Stockholders' equity:			
Common stock	443	442	443
Additional paid-in capital	214,188	208,914	211,567

Retained earnings	103,749	83,827	106,640
Accumulated other comprehensive income (loss)	(2,375)	4,412	5,200
Total stockholders' equity	316,005	297,595	323,850
Total liabilities and stockholders' equity	$ 925,982	$ 836,431	$ 1,006,660

BEACON ROOFING SUPPLY, INC
Condensed Consolidated Statements of Cash Flows

Unaudited (In thousands)	Six Months Ended March 31, 2008	Six Months Ended March 31, 2007
Operating activities:		
Net income	$ (2,891)	$ 2,466
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	17,488	13,878
Stock-based compensation	2,590	2,605
Deferred income taxes	(1,049)	(860)
Changes in assets and liabilities, net of the adjustments of acquisitions:		
Accounts receivable	93,889	57,769
Inventories	(29,008)	(14,864)
Prepaid expenses and other assets	6,075	7,995
Accounts payable and accrued expenses	(57,609)	(58,887)
Net cash provided by operating activities	29,485	10,102
Investing activities:		
Purchases of property and equipment	(1,214)	(17,233)
Net cash used in investing activities	(1,214)	(17,233)
Financing activities:		
Repayments under revolving lines of credit, net	(21,053)	(229,752)
Net borrowings (repayments) under senior notes payable and other	(2,898)	278,641
Proceeds from exercise of options	15	1,034
Payment of deferred financing costs		(2,954)
Income tax benefit from stock-based compensation deductions in excess of the associated compensation costs	16	1,845
Net cash provided (used) by financing activities	(23,920)	48,814
Effect of exchange rate changes on cash	(246)	(215)
Net increase in cash and cash equivalents	4,105	41,468

Cash and cash equivalents at beginning of period	6,469	1,847
Cash and cash equivalents at end of period	$ 10,574	$ 43,315
Non-cash financing and investing activities:		
Conversion of senior notes payable to new senior notes	$ -	$ 66,839

BEACON ROOFING SUPPLY, INC
Consolidated Sales by Product Line

Unaudited

(dollars in millions)	For the Second Quarter Ended: March 31, 2008 Net Sales	Mix %	March 31, 2007 Net Sales	Mix %	Change	
Residential roofing products	$124.5	40.9%	$134.6	46.9%	$(10.1)	-7.5%
Non-residential roofing products	116.8	38.4%	82.2	28.7%	34.6	42.1%
Complementary building products	63.0	20.7%	70.1	24.4%	(7.1)	-10.1%
	$304.3	100.0%	$286.9	100.0%	$17.4	6.0%

Consolidated Sales by Product Line for Existing Markets*

(dollars in millions)	For the Second Quarter Ended: March 31, 2008 Net Sales	Mix %	March 31, 2007 Net Sales	Mix %	Change	
Residential roofing products	$120.6	45.0%	$134.6	46.9%	$(14.0)	-10.5%
Non-residential roofing products	85.6	32.0%	82.2	28.7%	3.4	4.2%
Complementary building products	61.6	23.0%	70.1	24.4%	(8.5)	-12.1%
	$267.8	100.0%	$286.9	100.0%	$(19.1)	-6.7%

Note: Some totals above may not foot due to rounding.
*Excludes branches acquired during the four quarters prior to the start of the second quarter of fiscal 2008.

BEACON ROOFING SUPPLY, INC
Consolidated Sales by Product Line

Unaudited

For the Six Months Ended:

(dollars in millions)	March 31, 2008 Net Sales	Mix %	March 31, 2007 Net Sales	Mix %	Change	
Residential roofing products	$272.4	38.8%	$311.2	46.6%	$(38.8)	-12.5%
Non-residential roofing products	289.8	41.2%	199.9	30.0%	89.9	45.0%
Complementary building products	140.4	20.0%	156.1	23.4%	(15.7)	-10.1%
	$702.6	100.0%	$667.2	100.0%	$ 35.4	5.3%

Consolidated Sales by Product Line for Existing Markets*

For the Six Months Ended:

(dollars in millions)	March 31, 2008 Net Sales	Mix %	March 31, 2007 Net Sales	Mix %	Change	
Residential roofing products	$264.1	43.9%	$311.2	46.6%	$(47.1)	-15.1%
Non-residential roofing products	200.6	33.3%	199.9	30.0%	0.7	0.4%
Complementary building products	136.8	22.7%	156.1	23.4%	(19.3)	-12.4%
	$601.5	100.0%	$667.2	100.0%	$(65.6)	-9.8%

Note: Some totals above may not foot due to rounding.
*Excludes branches, mostly the North Coast branches, acquired during fiscal 2007.

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,

	2008	2007	2008	2007
Net income	$ (8,132)	$ (6,339)	$ (2,891)	$ 2,466
Interest expense	6,728	6,381	13,737	12,709
Income taxes	(5,536)	(4,268)	(2,009)	1,661
Depreciation and amortization	8,597	7,083	17,488	13,878
Stock-based compensation	1,225	1,275	2,590	2,605
Adjusted EBITDA (1)	$ 2,882	$ 4,132	$ 28,915	$33,319

(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.

BECN-F

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