



## Beacon Roofing Supply, Inc.

### Beacon Roofing Supply Reports Second Quarter Results

- **Second quarter net sales of \$296 million vs. \$285 million.**
- **Second quarter net loss per share of \$0.13 vs. \$0.14.**
- **First half existing market sales up 3.8%.**
- **Cash on hand builds to \$178 million.**

PEABODY, Mass.--(BUSINESS WIRE)-- Beacon Roofing Supply, Inc. (the "Company") (NASDAQ: BECN) announced results today for its fiscal 2011 second quarter and first half ended March 31, 2011.

Paul Isabella, the Company's President & Chief Executive Officer, stated: "Despite an even harsher winter in most of the northern U.S., we managed to beat last year's results. Our second quarter 2011 results did fall short of our expectations, but our first half results tracked close to our fiscal year 2011 plan and also ahead of last year's first half. We are encouraged because our gross margin continues to improve from last year and we again increased our cash holdings. Our commercial and complementary businesses continued to perform well but most of our regions experienced declines in their residential re-roofing businesses, which included the negative impact of a drop in average shingle prices. In addition, our operating income was unfavorably affected by an increase in our bad debt provision and by higher operating losses in our acquired markets. We feel we are well-positioned to benefit from an expected pick-up in volume and price increases in the second half of our fiscal year, and we remain comfortable with our full year expectations."

#### Second Quarter

Total sales increased 3.8% to \$296.3 million in 2011 from \$285.4 million in 2010, while existing market (organic) sales increased 0.2%. Existing market results exclude seven branches acquired subsequent to the beginning of last year's second quarter. In existing markets, non-residential roofing and complementary product sales increased 13.7% and 6.9%, respectively, while residential roofing sales decreased 11.1%. Residential roofing sales continued to be especially weak in markets affected by storms in 2009 and were also affected by continued historically low levels of new home construction.

The net loss for the second quarter was \$6.2 million compared to \$6.5 million in 2010, an improvement of 4.3%. Net loss per share was \$0.13 compared to \$0.14 in 2010. The lower net loss was due to the higher sales and gross margin rate and lower interest expense, partially offset by the impact from higher operating expenses and a lower income tax benefit.

Earnings before interest, taxes, depreciation and amortization, and stock-based compensation ("Adjusted EBITDA"), which are reconciled to the net loss and income in this press release, were \$0.9 million in 2011 compared to \$2.1 million in 2010, a decline of 58%.

#### First Half

Total sales increased 7.4% to \$701.1 million in 2011 from \$653.1 million in 2010, while existing market (organic) sales increased 3.8%. Existing market results exclude eight branches acquired subsequent to the start of fiscal year 2010. In existing markets, non-residential roofing and complementary product sales increased 13.5% and 10.1%, respectively, while residential roofing sales decreased 5.5%.

Net income for the first half was \$3.9 million compared to \$1.4 million in 2010, an improvement of 183%. Diluted net income per share was \$0.08 compared to \$0.03 in 2010. The higher net income was due to the higher sales and lower interest expense, partially offset by the impact from higher operating expenses and a higher income tax provision.

Adjusted EBITDA was \$28.6 million in 2011 compared to \$29.1 million in 2010, a decline of 2%.

Cash flow from operations was \$68.8 million compared to \$25.3 million in 2010. This year's cash flows were influenced mostly by a lower reduction in accounts payable and accrued expenses compared to last year, partially offset by an unfavorable impact from a larger increase in inventories this year. Cash on hand increased by \$61.3 million to \$178.4 million at March 31, 2011 compared to \$117.1 million at September 30, 2010.

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 179 branches in 37 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				Six Months Ended			
	March 31, 2011	% of Net Sales	March 31, 2010	% of Net Sales	March 31, 2011	% of Net Sales	March 31, 2010	% of Net Sales
Net sales	\$ 296,321	100.0%	\$ 285,366	100.0%	\$ 701,114	100.0%	\$ 653,087	100.0%
Cost of products sold	231,094	78.0%	224,302	78.6%	541,077	77.2%	503,682	77.1%
Gross profit	65,227	22.0%	61,064	21.4%	160,037	22.8%	149,405	22.9%
Operating expenses	72,059	24.3%	67,051	23.5%	147,029	21.0%	136,880	21.0%
Income (loss) from operations	(6,832)	-2.3%	(5,987)	-2.1%	13,008	1.9%	12,525	2.0%
Interest expense	3,186	1.1%	5,499	1.9%	6,655	0.9%	11,086	1.7%
Income (loss) before income taxes	(10,018)	-3.4%	(11,486)	-4.0%	6,353	0.9%	1,439	0.2%
Income tax expense	(3,841)	-1.3%	(5,030)	-1.8%	2,478	0.4%	68	0.0%
Net income (loss)	<u>\$ (6,177)</u>	<u>-2.1%</u>	<u>(6,456)</u>	<u>-2.3%</u>	<u>\$ 3,875</u>	<u>0.6%</u>	<u>\$ 1,371</u>	<u>0.2%</u>
Net income (loss) per share:								
Basic	<u>\$ (0.13)</u>		<u>\$ (0.14)</u>		<u>\$ 0.08</u>		<u>\$ 0.03</u>	
Diluted	<u>\$ (0.13)</u>		<u>\$ (0.14)</u>		<u>\$ 0.08</u>		<u>\$ 0.03</u>	

Weighted average  
shares used in  
computing  
net income (loss) per  
share:

Basic	<u>45,855,777</u>	<u>45,397,905</u>	<u>45,777,187</u>	<u>45,338,943</u>
Diluted	<u>45,855,777</u>	<u>45,397,905</u>	<u>46,402,586</u>	<u>45,830,171</u>

**BEACON ROOFING SUPPLY, INC**  
**Condensed Consolidated Balance Sheets**

<b>Unaudited</b> <b>(Dollars in thousands)</b>	<u>March 31, 2011</u>	<u>March 31, 2010</u>	<u>September 30, 2010</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 178,422	\$ 89,869	\$ 117,136
Accounts receivable, net	177,825	162,080	241,341
Inventories	209,569	220,163	158,774
Prepaid expenses and other assets	52,248	55,835	43,115
Deferred income taxes	15,200	16,342	17,178
Total current assets	<u>633,264</u>	<u>544,289</u>	<u>577,544</u>
Property and equipment, net	44,097	48,329	47,751
Goodwill	366,117	358,749	365,061
Other assets, net	<u>46,513</u>	<u>52,350</u>	<u>51,833</u>
Total assets	<u>\$ 1,089,991</u>	<u>\$ 1,003,717</u>	<u>\$ 1,042,189</u>
<b>Liabilities and stockholders' equity</b>			
Current liabilities:			
Accounts payable	\$ 171,343	\$ 130,012	\$ 144,064
Accrued expenses	65,800	60,750	50,132
Current portion of long-term obligations	9,048	8,639	15,734
Total current liabilities	<u>246,191</u>	<u>199,401</u>	<u>209,930</u>
Senior notes payable and other obligations, net of current portion	321,407	333,826	323,681
Deferred income taxes	39,696	36,034	39,734
Stockholders' equity:			
Common stock	459	455	457
Additional paid-in capital	242,285	231,690	236,136
Retained earnings	237,765	200,735	233,890
Accumulated other comprehensive income (loss)	2,188	1,576	(1,639)
Total stockholders' equity	<u>482,697</u>	<u>434,456</u>	<u>468,844</u>
Total liabilities and stockholders' equity	<u>\$ 1,089,991</u>	<u>\$ 1,003,717</u>	<u>\$ 1,042,189</u>

**BEACON ROOFING SUPPLY, INC**  
**Condensed Consolidated Statements of Cash Flows**

<b>Unaudited</b> <b>(In thousands)</b>	<u>Six Months Ended</u>	
	<u>March 31, 2011</u>	<u>March 31, 2010</u>
<b>Operating activities:</b>		
Net income	\$ 3,875	\$ 1,371
Adjustments to reconcile net income		

to net cash provided by operating activities:		
Depreciation and amortization	12,636	14,015
Stock-based compensation	2,969	2,607
Gain on sale of assets	(490)	(244)
Deferred income taxes	(1,057)	(406)
Changes in assets and liabilities, net of the effects of businesses acquired:		
Accounts receivable	64,529	66,904
Inventories	(50,444)	(23,469)
Prepaid expenses and other assets	(8,077)	(2,657)
Accounts payable and accrued expenses	44,902	(32,795)
Net cash provided by operating activities	<u>68,843</u>	<u>25,326</u>
<b>Investing activities:</b>		
Purchases of property and equipment	(4,063)	(3,362)
Acquisition of businesses	-	(6,618)
Proceeds from sale of assets	1,195	342
Net cash used in investing activities	<u>(2,868)</u>	<u>(9,638)</u>
<b>Financing activities:</b>		
Repayments under revolving lines of credit, net	(59)	64
Repayments under senior notes payable and other, net	(8,070)	(11,063)
Proceeds from exercises of options	2,804	1,812
Income tax benefit from stock-based compensation deductions in excess of the associated compensation costs	379	480
Net cash used by financing activities	<u>(4,946)</u>	<u>(8,707)</u>
Effect of exchange rate changes on cash	257	146
Net increase in cash and cash equivalents	61,286	7,127
Cash and cash equivalents at beginning of period	117,136	82,742
Cash and cash equivalents at end of period	<u>\$ 178,422</u>	<u>\$ 89,869</u>

## BEACON ROOFING SUPPLY, INC

Unaudited

### Consolidated Sales by Product Line

For the Second Quarter Ended:

(dollars in millions)	March 31, 2011		March 30, 2010		Change	
	Net Sales	Mix %	Net Sales	Mix %		
Residential roofing products	\$ 129.9	43.8%	\$ 143.2	50.2%	\$ (13.3)	-9.3%
Non-residential roofing products	117.3	39.6%	96.9	34.0%	20.4	21.1%
Complementary building products	49.1	16.6%	45.3	15.9%	3.8	8.4%
	<u>\$ 296.3</u>	<u>100.0%</u>	<u>\$ 285.4</u>	<u>100.0%</u>	<u>\$ 10.9</u>	<u>3.8%</u>

### Consolidated Sales by Product Line for Existing Markets\*

For the Second Quarter Ended:

(dollars in millions)	March 31, 2011		March 30, 2010		Change	
	Net Sales	Mix %	Net Sales	Mix %		
Residential roofing products	\$ 126.4	44.4%	\$ 142.1	50.0%	\$ (15.7)	-11.0%
Non-residential roofing products	109.8	38.6%	96.6	34.0%	13.2	13.7%
Complementary building products	48.4	17.0%	45.3	16.0%	3.1	6.8%

\$ 284.7 100.0% \$ 284.0 100.0% \$ 0.6 0.2%

**Sales By Business Day by Product Line for Existing Markets\***

**For the Second Quarter Ended:**

(dollars in millions)	Net Sales		Net Sales		Change	
	Net Sales	Mix %	Net Sales	Mix %		
Residential roofing products	\$ 1.975	44.4%	\$ 2.256	50.0%	\$ (0.281)	-12.5%
Non-residential roofing products	1.716	38.6%	1.533	34.0%	0.183	11.9%
Complementary building products	0.757	17.0%	0.719	15.9%	0.038	5.3%
	<u>\$ 4.448</u>	<u>100.0%</u>	<u>\$ 4.508</u>	<u>100.0%</u>	<u>\$ (0.060)</u>	<u>-1.3%</u>

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 2011.

**BEACON ROOFING SUPPLY, INC**

**Unaudited**

**Consolidated Sales by Product Line**

**For the Six Months Ended:**

(dollars in millions)	March 31, 2011		March 31, 2010		Change	
	Net Sales	Mix %	Net Sales	Mix %		
Residential roofing products	\$ 305.3	43.5%	\$ 316.7	48.5%	\$ (11.4)	-3.6%
Non-residential roofing products	284.2	40.5%	236.1	36.2%	48.1	20.4%
Complementary building products	111.6	15.9%	100.3	15.4%	11.3	11.3%
	<u>\$ 701.1</u>	<u>100.0%</u>	<u>\$ 653.1</u>	<u>100.0%</u>	<u>\$ 48.0</u>	<u>7.3%</u>

**Consolidated Sales by Product Line for Existing Markets\***

**For the Six Months Ended:**

(dollars in millions)	March 31, 2011		March 31, 2010		Change	
	Net Sales	Mix %	Net Sales	Mix %		
Residential roofing products	\$ 298.0	44.1%	\$ 315.5	48.4%	\$ (17.5)	-5.4%
Non-residential roofing products	267.7	39.6%	235.8	36.2%	31.9	13.5%
Complementary building products	110.4	16.3%	100.3	15.4%	10.2	10.1%
	<u>\$ 676.1</u>	<u>100.0%</u>	<u>\$ 651.6</u>	<u>100.0%</u>	<u>\$ 24.6</u>	<u>3.8%</u>

**Sales By Business Day by Product Line for Existing Markets\***

**For the Six Months Ended:**

(dollars in millions)	March 31, 2011		March 31, 2010		Change	
	Net Sales	Mix %	Net Sales	Mix %		
Residential roofing products	\$ 2.365	44.1%	\$ 2.524	48.4%	\$(0.159)	-6.3%
Non-residential roofing products	2.125	39.6%	1.886	36.2%	0.239	12.7%

Complementary building products	<u>0.877</u>	<u>16.3%</u>	<u>0.802</u>	<u>15.4%</u>	<u>0.075</u>	<u>9.4%</u>
	<u>\$ 5.367</u>	<u>100.0%</u>	<u>\$ 5.212</u>	<u>100.0%</u>	<u>\$ 0.155</u>	<u>3.0%</u>

\*Excludes branches acquired during the four quarters prior to the start of fiscal year 2011.

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,	
	2011	2010	2011	2010
Net income (loss)	\$ (6,177)	\$ (6,456)	\$ 3,875	\$ 1,371
Interest expense	3,186	5,499	6,655	11,086
Income taxes	(3,841)	(5,030)	2,478	68
Depreciation and amortization	6,183	6,886	12,636	14,015
Stock-based compensation	1,523	1,180	2,969	2,607
Adjusted EBITDA (1)	<u>\$ 874</u>	<u>\$ 2,079</u>	<u>\$ 28,613</u>	<u>\$ 29,147</u>

(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 awards 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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