

# Fourth Quarter 2019 Earnings Call

February 28, 2020



## SAFE HARBOR STATEMENTS

### Forward-Looking Statements

Certain information set forth in this presentation, other than historical statements, contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 that are based, in whole or in part, on current expectations, estimates, forecasts, and projections about the Company’s business, and management’s beliefs about future operations, results, and financial position. These statements are not guarantees of future performance and are subject to a number of risk factors, uncertainties, and assumptions. Actual events, performance, or results could differ materially from the anticipated events, performance, or results expressed or implied by such forward-looking statements. Before making any investment decisions regarding our company, we strongly advise you to read the section entitled “Risk Factors” in our most recent annual report on Form 10-K which can be accessed under the “SEC Filings” link of the “Investor Info” page of our website at [www.Gibraltar1.com](http://www.Gibraltar1.com). We undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by applicable law or regulation.

### Adjusted Financial Measures

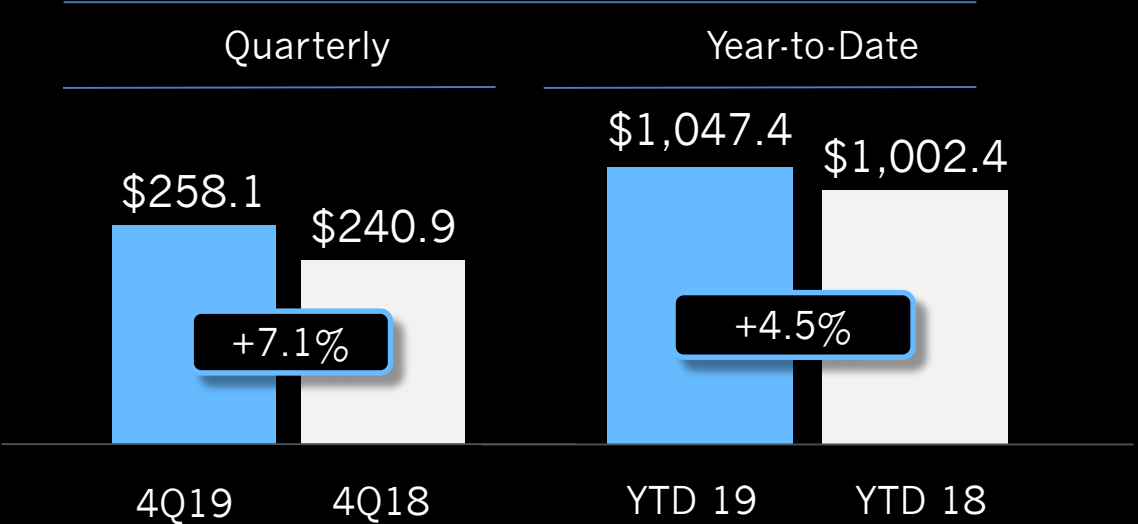
To supplement Gibraltar’s consolidated financial statements presented on a GAAP basis, Gibraltar also presented certain adjusted financial data in this presentation. Adjusted financial data excluded special charges consisting of restructuring costs primarily associated with the 80/20 simplification initiative, senior leadership transition costs, debt repayment costs, and other reclassifications. These adjustments are shown in the reconciliation of adjusted financial measures excluding special charges provided in the supplemental financial schedules that accompany the earnings news release. The Company believes that the presentation of results excluding special charges provides meaningful supplemental data to investors, as well as management, that are indicative of the Company’s core operating results and facilitates comparison of operating results across reporting periods as well as comparison with other companies. Special charges are excluded since they may not be considered directly related to the Company’s ongoing business operations. These adjusted measures should not be viewed as a substitute for the Company’s GAAP results, and may be different than adjusted measures used by other companies.

## Q4 Overview: Momentum Continues

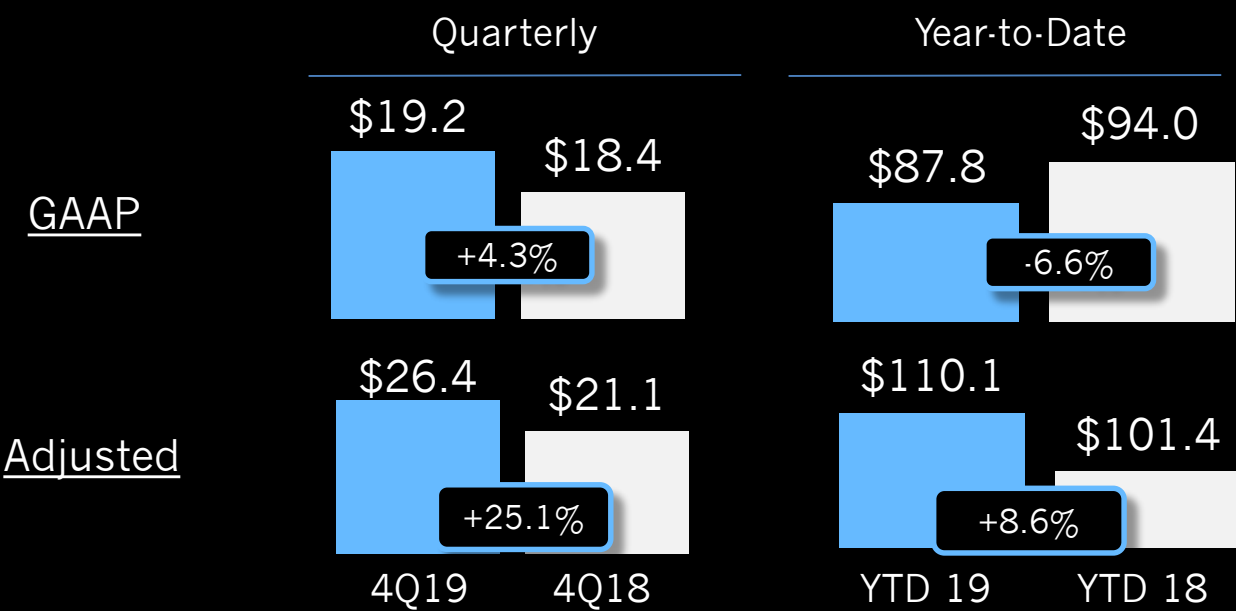
- Q4 revenue up 7.1%: 5.3% from organic growth, 1.8% from acquisitions
- Q4 GAAP EPS +10.0% to \$0.44; Adjusted EPS +31.9% to \$0.62
- Full Year Cash from Operations of \$130 Million driven by working capital improvements
- Backlog at \$218M, up 35% over Q4 2018
- 2019 Revenues +4.5%, GAAP EPS +1.5%, Adjusted EPS +20.6%

# Consolidated Financial Performance

## Revenue



## Operating Income\*



### 2019 Fourth Quarter Highlights

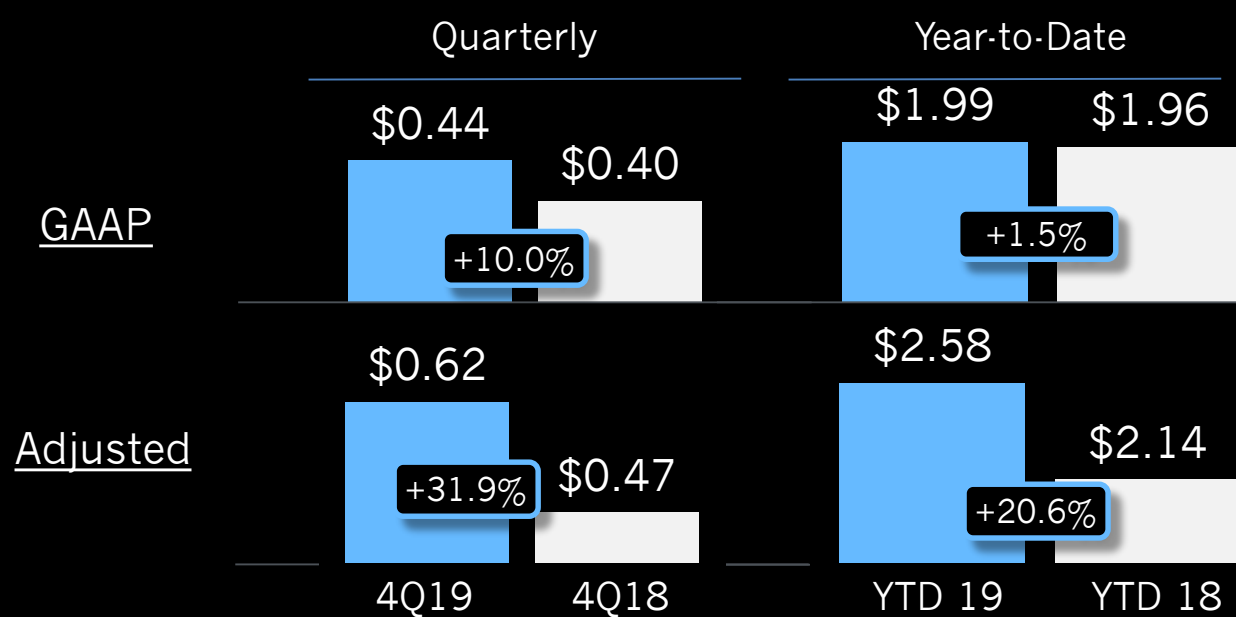
#### Revenue

- Continuing Growth In Renewable Energy & Conservation
- Consistent Trends In Residential And Infrastructure
- Backlog Of \$218M, Up 35% Y-O-Y

#### Operating Income / EPS

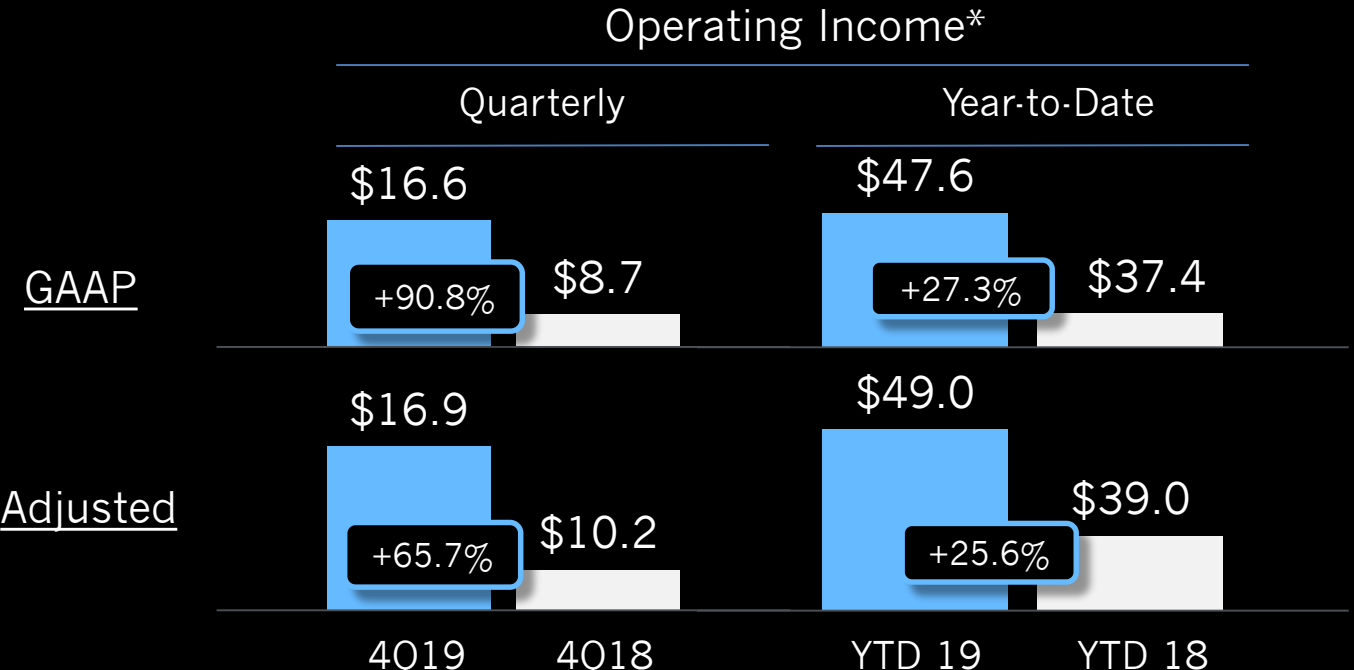
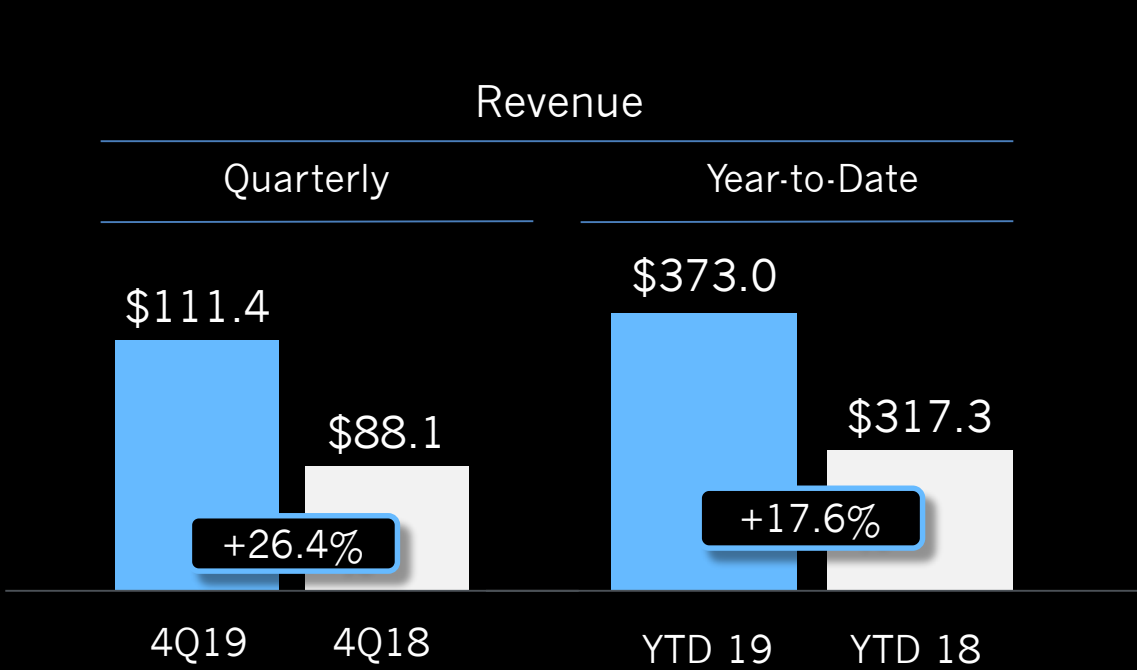
- Impact Of Organic Growth In Renewables & Conservation
- Benefits From Operational Excellence Initiatives & Interest Savings

## Diluted EPS\*



\* In \$M except for per share data. Refer to appendix for adjusted measures reconciliations.

# Renewables & Conservation Segment



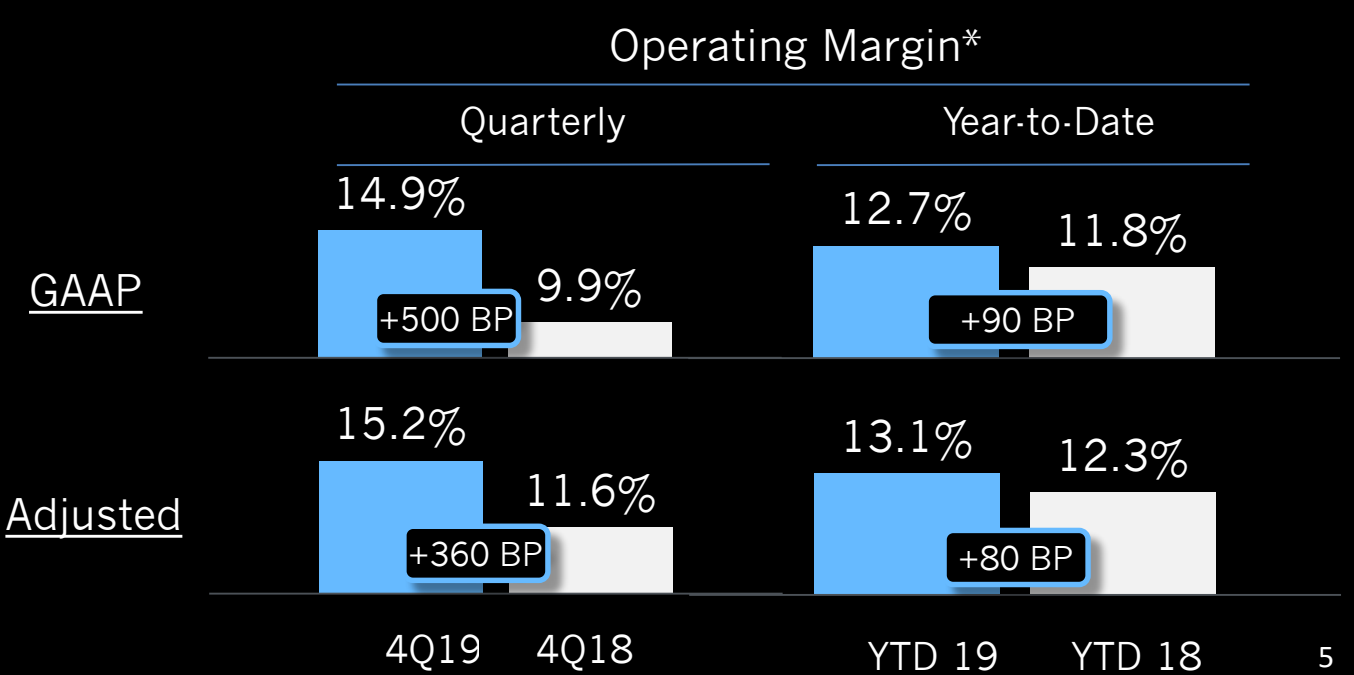
**2019 Fourth Quarter Highlights**

**Revenue**

- Strong Organic Demand + 21%
- Acquisitions Contributed Additional 5%
- Backlog Continues To Grow, Up 51%

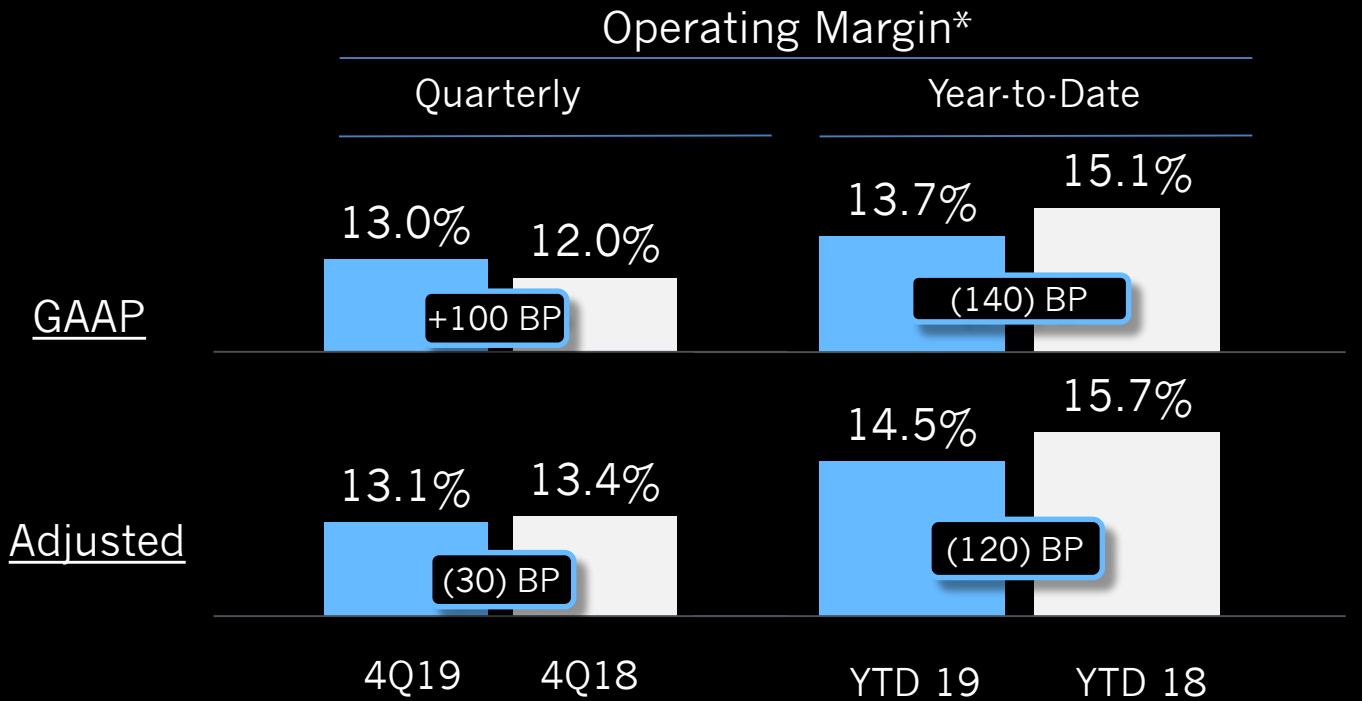
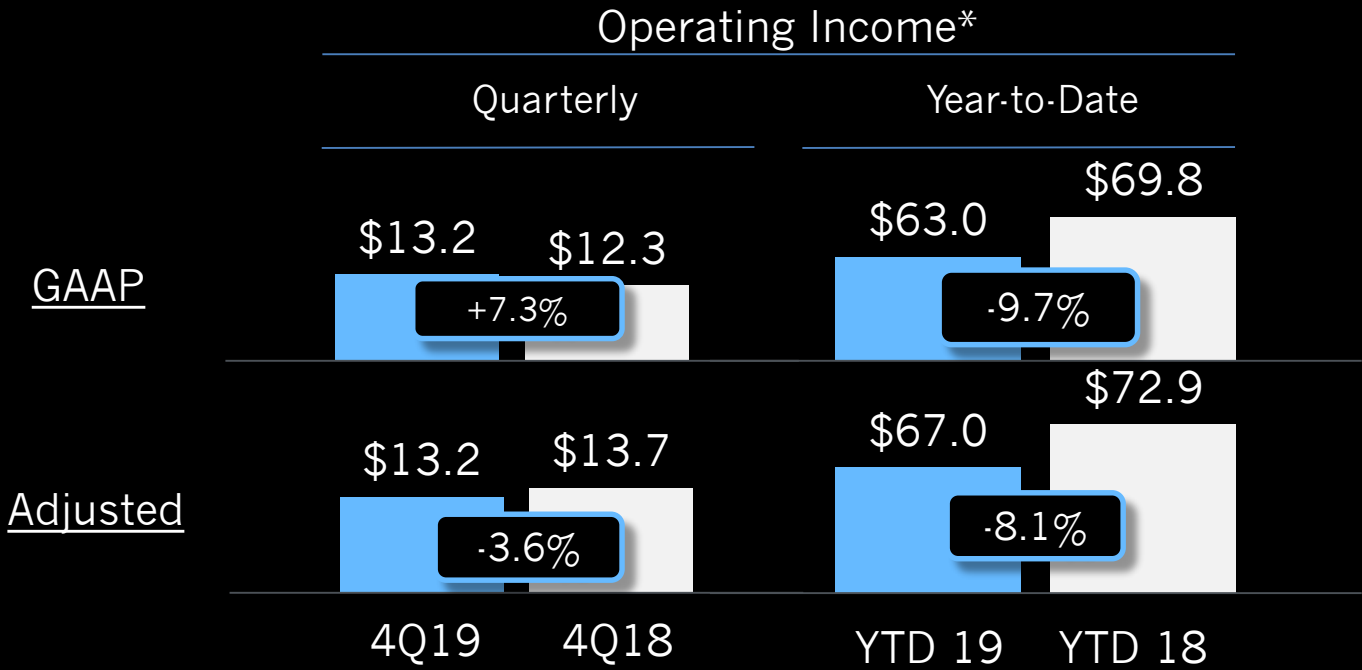
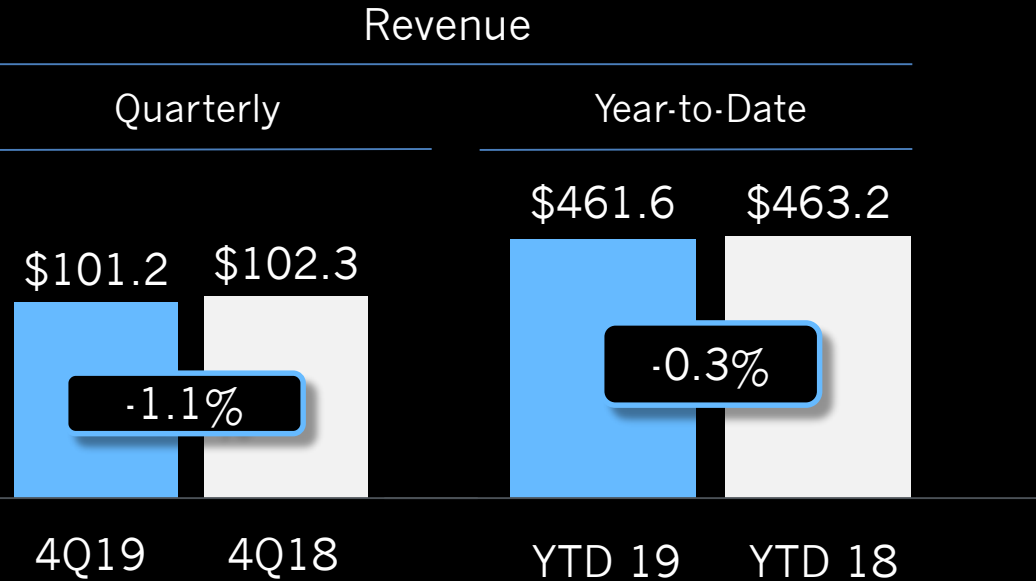
**Operating Income / Margin**

- Continued Strong Operational Execution
- Volume Leverage
- Favorable Product / Services Mix, Vertical Market Mix



\* Amounts in \$M. Refer to appendix for adjusted measures reconciliations.

# Residential Products Segment



**2019 Fourth Quarter Highlights**

**Revenue**

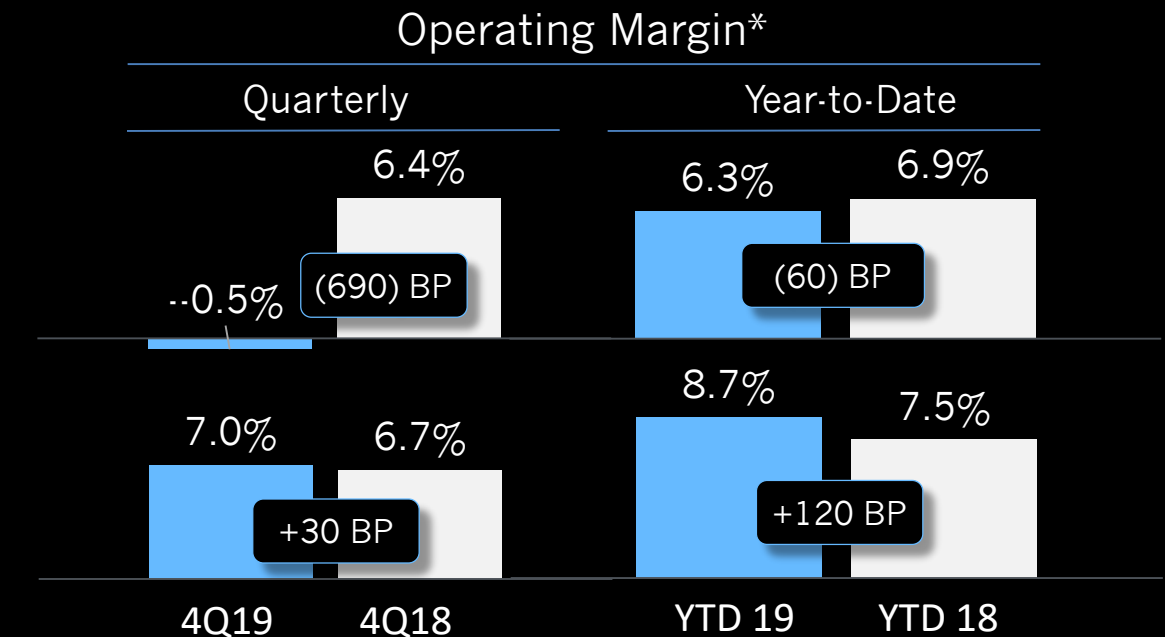
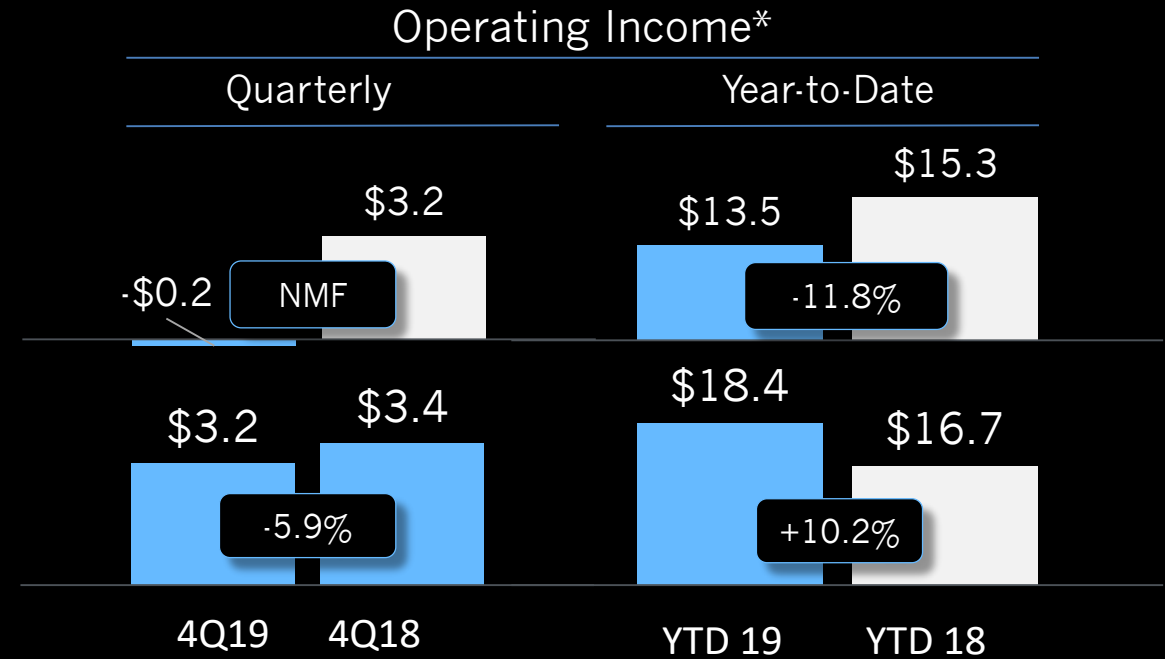
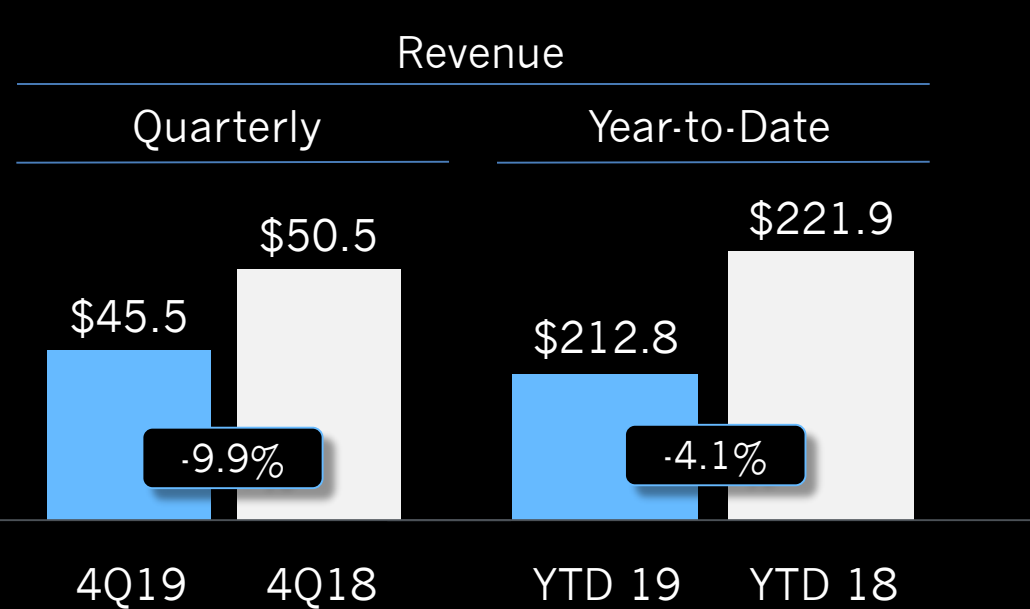
- Modest Volume Increase
- Offset By Market Pricing

**Operating Income / Margin**

- Unfavorable Product Mix
- Partially Offset By Favorable Material Cost Alignment
- Continued 80/20 Benefits

\* Amounts in \$M. Refer to appendix for adjusted measures reconciliations.

# Industrial & Infrastructure Products Segment



**2019 Fourth Quarter Highlights**

**Revenue:**

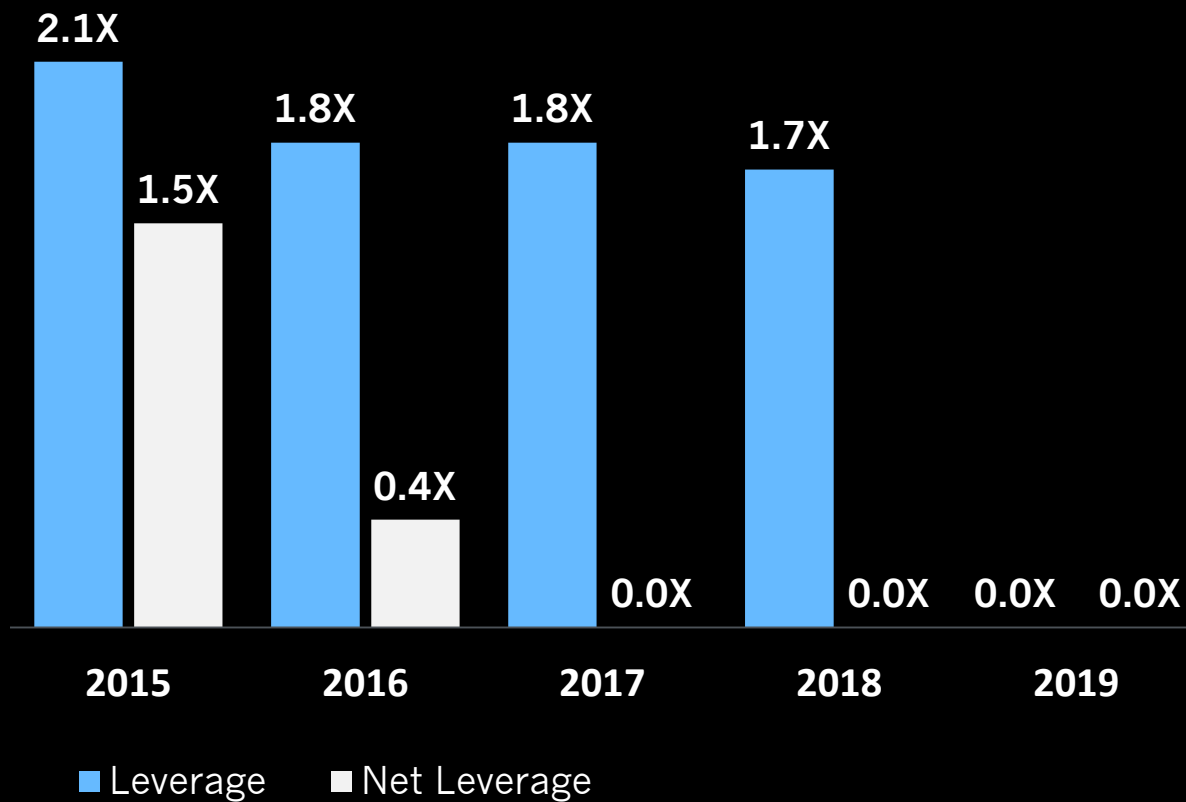
- Lower Demand In Industrial As Customers Optimized Inventory In Declining Price Environment
- Infrastructure Demand Flat After A Solid Q1 – Q3

**Operating Income / Margin**

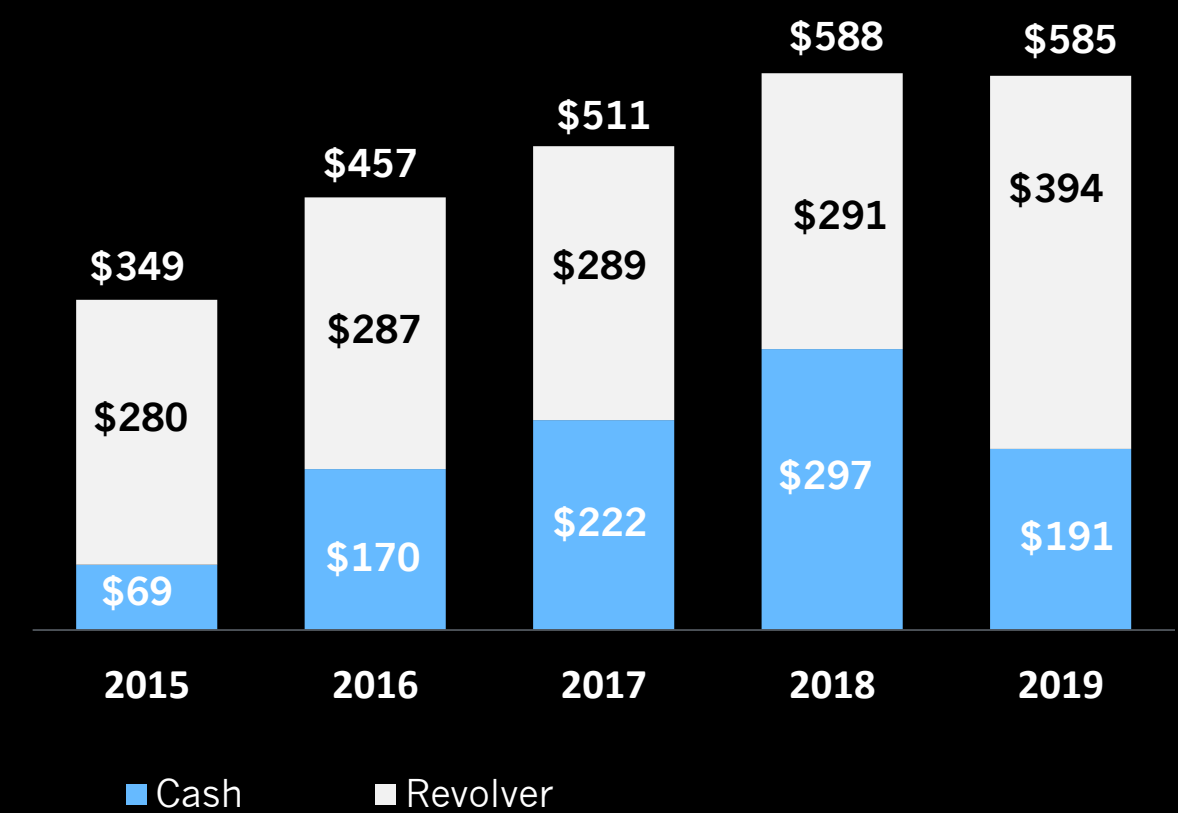
- GAAP Includes \$3.2M Charge For Exit Of Multiemployer Pension Plan
- Favorable Mix Of Higher Margin Products
- Continued Execution On 80/20 Initiatives

# Our Balance Sheet Supports Investment & Growth Plans

## Leverage



## Liquidity (\$M)





# Accelerating our Transformation: Thorough Assessment of our Markets & Our Position In Each

	Market Attractiveness			Gibraltar's Ability to Extract Value			
	Market Outlook	Demand Profile	Market Structure	Market Leadership	Market Insight	Fit to Gibraltar Capability	Growth Runway
<b>What Good Looks Like</b>	<b>Growing And Sustaining High Margins And ROIC</b>	<b>Stable And Predictable Market</b>	<b>Business Model / Limited Disruption</b>	<b>Defensible With Minimum Disruption</b>	<b>Deep Understanding Of Customer And Industry</b>	<b>Play To Gibraltar's Strengths</b>	<b>Significant Opportunity For Capital Deployment</b>

## Market Attractiveness

- Market Outlook
- Demand Profile
- Market Structure

## Ability To Extract And Create Value

- Market Leadership
- Market Insight
- Fit To Gibraltar Capability
- Growth Runway

# Thermo Energy Systems Acquisition – Expanding Leadership Position in Commercial Growing Market



## Business Rationale

- Founded In 2005, Owned And Managed By Henry Froese Located In Kingsville Ontario CA
- Good North American Market With 7% CAGR Growth With ~1K Acres Built Per Year (\$1B+)
  - Continued Strength In Organic Food Growing And Consumption (Grow Anywhere, Anytime)
- Greenhouse Manufacturer & Full Service Turnkey Site Provider – Built 600+ Acres Of Growing Sites Since 2005
  - Provides Integrated Heating And Cooling Systems, Irrigation Systems, CO<sub>2</sub> Systems, Hot Water Storage Tanks, Boiler Install And Service, Greenhouse Carts, Custom Stainless Steel Kitchens In Bunkhouses
- Establishes Gibraltar N.A. Market Leader In Organics, Fruits & Vegetables

## Product & Services



GIBRALTAR

**\$75M Revenue Run Rate, \$7M Purch. Price  
+ \$25M Working Capital Investment**

# Delta Separations Acquisition – Expanding Leadership Position in Extraction Processing Market




## Business Rationale


- Founded By Ben Stephens In 2015, HQ In Santa Rosa, California; – ~45 Full Time Employees
- Market / Products: Cannabis And Hemp / Closed-loop Ethanol Extraction Systems, Evaporation And Distillation Equipment & Service - UL Certification Across All Products
- Key Customers: >60% Sold To The Cannabis Industry – Top 10 Customers Make Up <40% Of Total Sales
- Channel: “Direct” To End Customer
- Strong R&D Developing NextGen Extraction Technology
- Provides Teaching And On-site Service As Additional Service Generating Incremental Revenue/Profit
- Complements Apeks CO2 Technology & Strengthens Our Leadership Position

## Key Product Offering



Extraction

**98%** Botanical Compound Removal 


**97%** Alcohol Removal 


**-40° C** Low Temp Rating 



Evaporation

**1** Operator 

**60** Gallons/Hour 

**85-95%** Separation Efficiency 



Distillation

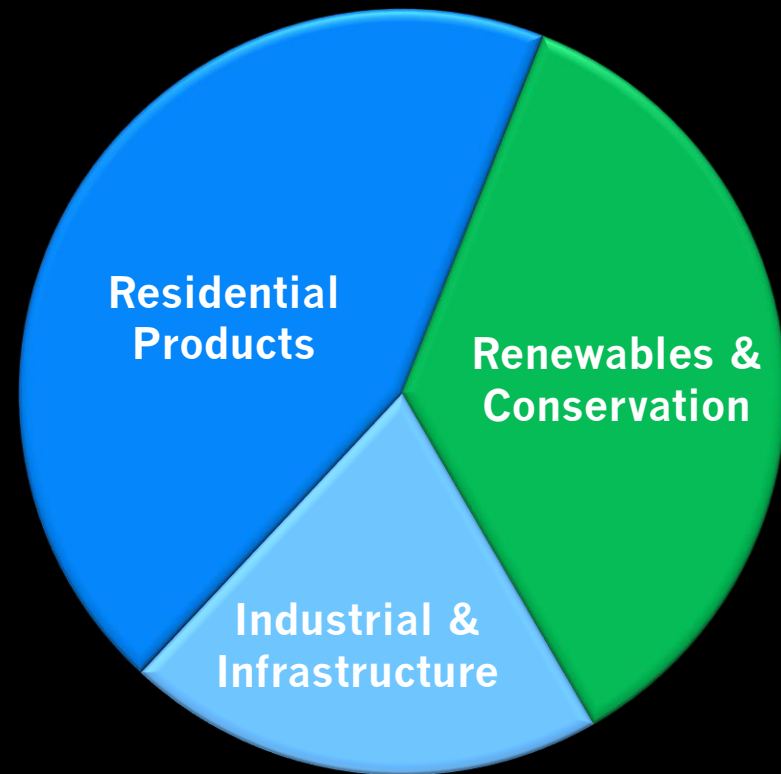
**92%** Botanical Compound Removal 

**95%** Target Purity 

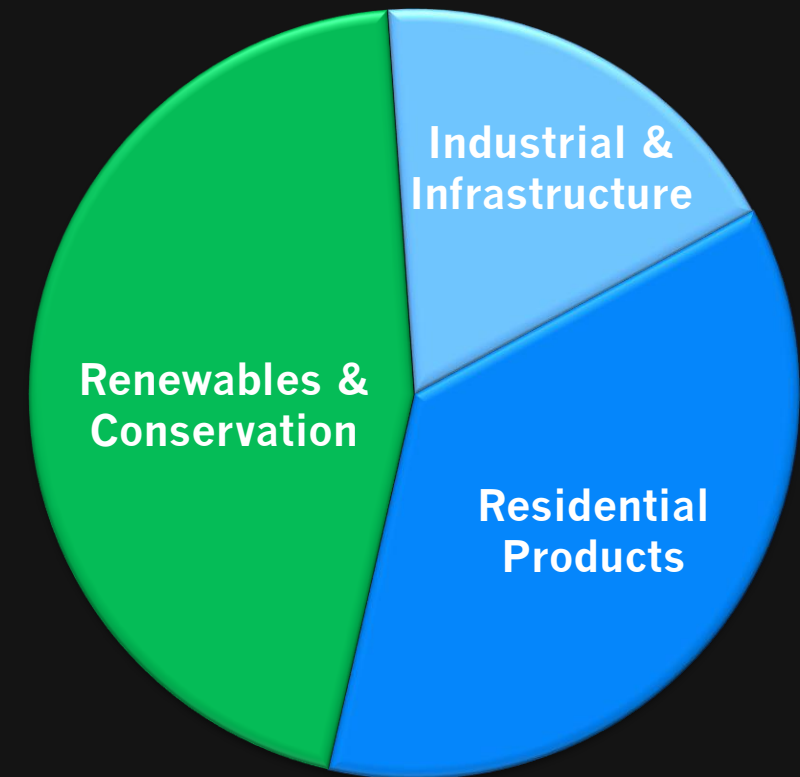
Liquid Nitrogen Cold Trap 

# Accelerating our Transformation: Improving Growth Profile Through Portfolio Optimization

2019 Revenue



2020 Revenue



**Sources of Growth**  
 25% Core / Organic  
 75% Acquisitions  
 • Apeks  
 • Thermo Energy  
 • Delta Separations

**REVENUE (\$M)**

2019

\$1.047

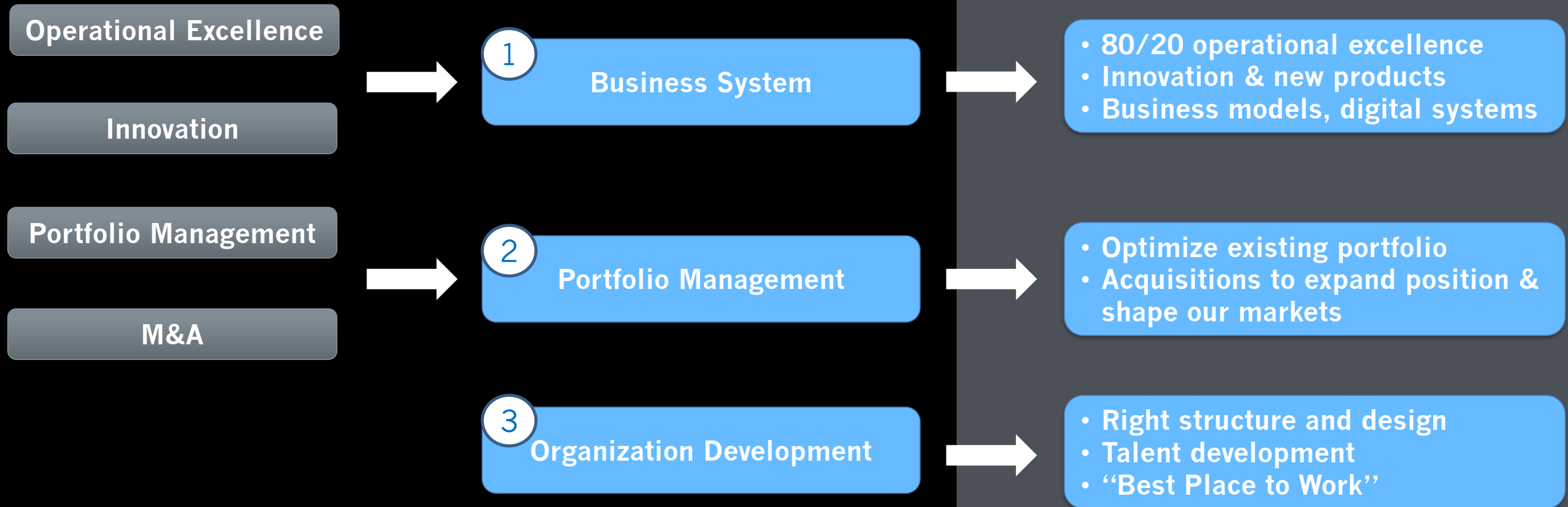
2020

\$1.210 - \$1.230

Δ vs.2019

15.5% - 17.4%

# Accelerating our Transformation: Three Core Pillars To Support and Drive Business



# Accelerating our Transformation: 2020 Guidance - Improving Growth & Margin Profile

	<u>2019</u>	<u>2020</u>	<u>2020 Assumptions</u>
<b>Revenue</b>	\$1.047B	\$1.210–1.230B  15-17%  25% Organic 75% Acquired	<p><b>Renewable Energy &amp; Conservation:</b> Strong end market and participation gains via expanded offering, and investment in processing solutions; impact of acquisitions</p> <p><b>Residential:</b> Markets consistent with 2019. Growth driven by new products (i.e. Package Concierge lockers) and customer participation gains</p> <p><b>Industrial &amp; Infrastructure:</b> Solid performance driven by new products (i.e. perimeter security, bearings) and market growth in Infrastructure, offset by steel market pricing in Industrial</p>
<b>Op. Income*</b>			Improving operational execution and business system optimization, portfolio management, product line mix shift to new products and services, and completion of senior leadership transition
GAAP	\$ 87.8M	\$118–126M	
Adjusted	\$110.1M	\$133–141M	
<b>Op. Margin</b>			
GAAP	8.4%	~ 9.8–10.2%	
Adjusted	10.5%	~11.0–11.4%	
<b>GAAP EPS</b>	\$1.99	\$2.58–2.75	
<b>Adjusted EPS</b>	\$2.58	\$2.95–3.12	
<b>Free Cash Flow / Sales</b>	+11.3%	~ 10%	Forecasting of CAPEX of < 2% of revenue in 2020



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INDUSTRIES