Q1 2019 Gibraltar Industries Inc Earnings Call

BUFFALO Jul 26, 2019 (Thomson StreetEvents) -- Edited Transcript of Gibraltar Industries Inc earnings conference call or presentation Friday, May 3, 2019 at 1:00:00pm GMT

CORPORATE PARTICIPANTS

Timothy F. Murphy, Gibraltar Industries, Inc. - Senior VP & CFO
William T. Bosway, Gibraltar Industries, Inc. - President, CEO & Director

CONFERENCE CALL PARTICIPANTS

Julio Alberto Romero, Sidoti & Company, LLC - Equity Analyst
Kenneth Robinson Zener, KeyBanc Capital Markets Inc., Research Division - Director and Equity Research Analyst
Michael K. Hagan, CJS Securities, Inc. - Director of Institutional Equity Sales
David C. Calusdian, Sharon Merrill Associates, Inc. - President

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Gibraltar Industries First Quarter 2019 Earnings Conference Call. Today's call is being recorded and webcasted. My name is Sherrine, and I will be your coordinator today. (Operator Instructions)

I will now turn the call over to David Calusdian from the company's Investor Relations firm, Sharon Merrill Associates. Please proceed.

David C. Calusdian, Sharon Merrill Associates, Inc. - President

Good morning, everyone, and thank you for joining us. If you have not received a copy of the earnings press release that was issued this morning, you can find it in the Investor Info section of the Gibraltar website, gibraltar1.com. During the prepared remarks today, management will be referring to presentation slides that summarize the company's first quarter performance. These slides are also posted to the company's website.

Please turn to Slide 2 in the presentation. The company's earnings press release and slide presentation contain forward-looking statements about future financial results. The company's actual results may differ materially from the anticipated events, performance or results expressed or implied by these forward-looking statements. Gibraltar advises you to read the risk factors detailed in its SEC filings, which can also be accessed through the company's website. Additionally, Gibraltar's earnings press release and remarks this morning contain adjusted financial measures. Reconciliations of GAAP to adjusted financial measures have been appended to the earnings release and slides.

On our call this morning are Gibraltar's President and Chief Executive Officer, Bill Bosway; and Chief Financial Officer, Tim Murphy.

At this point, I'll turn the call over to Bill. And please turn to Slide 3.

William T. Bosway, Gibraltar Industries, Inc. - President, CEO & Director

Thanks, David. Good morning, everybody, and thank you for joining us today. So let's get started. We delivered solid performance across our business in the first quarter, with revenues exceeding our guidance and earnings in line with our expectations. We continue to drive our 4-pillar strategy, execute the commercialization of our new higher margin innovative solutions and improve the performance of our Industrial & Infrastructure segment. As well, we deployed the cash we continue to generate to repay our outstanding debt, lowering our interest costs in the quarter.

Our Revenue in Q1 increased 6% over prior year to $227 million, driven by strong demand for our solar tracker and perimeter security solutions, as well as increased activity in our infrastructure business.

Our GAAP earnings of $0.19 and non-GAAP earnings of $0.28 were in line with our guidance and, as we'll discuss in more detail, would have been stronger if not for the unanticipated costs related to the launch of our new tracker solution.

During Q1, we also announced the appointment of Pat Burns, our Chief Operating Officer. Pat brings a wealth of operating business development and strategy experience to our team, and we're excited to have him join the team. He's intimately familiar with 80/20 as well as laying new product development and a number of tools and processes required for us to drive perfect execution across our business.

After Tim reviews our financial performance, I'm going to provide an update on the acceleration of our key initiatives supporting our 4-pillar strategy.

So with that, I'll turn it over to Tim.

Timothy F. Murphy, Gibraltar Industries, Inc. - Senior VP & CFO

Thank you, Bill, and good morning, everyone. Let's move to Slide 4 in the presentation entitled solid consolidated results. Our 5.6% increase in consolidated revenues exceeded our expectations and was driven by higher demand for innovative products in our Industrial & Infrastructure and Renewable Energy & Conservation segments and increased activity in our infrastructure business.

On the bottom line, our consolidated GAAP earnings were in line with guidance, but down year-over-year. The decrease reflects costs incurred in the field to improve the durability and ensure the performance of our recently launched solar tracker solution, senior leadership transition costs and costs related to the recent repayment of our subordinated notes.

Consolidated adjusted earnings were up 7.7% year-over-year, in line with our guidance. The increase was due to strong demand for higher-margin innovative products, increased activity in the infrastructure business, continued benefits from the 80/20 simplification initiatives and interest savings from the recent repayment of our notes, partially offset by costs incurred to improve the tracker solution.

During the quarter, we achieved $2.2 million interest savings from the recent repayment of our senior subordinated 6.25% notes. We continue to anticipate annualized savings of $13 million in interest payments or a benefit of $0.22 to diluted earnings per share for the full year 2019.

Now let's review each of our 3 reporting segments starting with Slide 5, the Residential Products segment. Revenues in the Residential segment were essentially flat year-over-year, as lower demand for building products due to difficult weather conditions were largely offset by increased selling prices. On the bottom line, operating margin declined due to unfavorable product mix and volume leverage. These factors were partially offset by benefits from 80/20 simplification initiatives.

Looking ahead, we expect increased end-market activities as we move into the seasonally stronger period of the year.

Turning to Slide 6, the Industrial & Infrastructure Products segment. Revenues were up 1% year-over-year as increased activity in the infrastructure business and demand for innovative products were partially offset by the impact of lower demand for a more commoditized industrial products. A 95% increase in operating income resulted from favorable higher-margin product mix, volume leverage in our infrastructure business and, importantly, from the benefit of 80/20 simplification initiatives. Looking ahead, we expect the segment to continue to benefit from higher backlogs and increased bidding activity in the infrastructure business, growing demand for our innovative products and continued benefits from prior and ongoing 80/20 simplification activities.

Now turning to Slide 7, the Renewable Energy & Conservation segment. Revenues in this segment increased 21%, primarily driven by a strong demand for innovative tracker solution and, to a lesser extent, the impact of a prior year acquisition of SolarBos.

During the quarter, we incurred incremental costs related to our new solar tracker system that we've been piloting. We had a significant ramp in the installation of our product in the third and fourth quarter of 2018, with approximately 75% of our projects for the year during those quarters. During the learning curve associated with the installation and commissioning of these new projects, in the first quarter of 2019, we identified a few operational issues that led us to proactively perform in-field enhancements to the systems already installed. These activities improved the durability and ensured our tracker system meets our performance expectations. Based on our proactive and timely response, customer feedback has been positive. The lower GAAP and adjusted margins for the segment were due to these additional tracker-related costs, which offset the benefits of increased volumes and 80/20 simplification initiatives.

I will highlight that excluding tracker-related costs, which were mainly for additional in-field service labor and approximated $3.4 million during the quarter, operating income for this segment was increased from the prior year. We believe the bulk of these additional tracker-related costs are behind us and expect margins on these products to move towards our target as we progress through 2019.

In addition to our renewables business, we're encouraged by activities on the conservation front, seeing increased activity in the cannabis space, along with strong customer demand in the other end markets, including retail, institutional and structures. Backlog is up compared to the prior year for this segment, and we're enthusiastic about continued opportunities in the end markets we serve.

Please turn to Slide 8, capturing the opportunity. As we previously announced, during the quarter, we repaid $210 million of senior subordinated notes and refinanced and upsized our revolving credit facility to provide the company with $400 million of capacity. With $394 million available to us at the end of the quarter and our new revolving credit agreement providing enhanced flexibility for capital allocation, we're well positioned to execute on our acquisition strategy.

As you know, we're focusing on targets of EBITDA of $25 million up to $100 million that would be material to our performance, although we would consider smaller acquisitions that can benefit us from the technology standpoint.

With that, I'll turn it over to Bill. Please turn to Slide 9, 4 Pillars Driving Value Creation.

William T. Bosway, Gibraltar Industries, Inc. - President, CEO & Director

Thanks, Tim. So guys, during the quarter, I've had an -- I've had the opportunity to visit the vast majority of our locations and spent quite a bit of time with our folks on our team. It's been exciting to continue to see the enthusiasm and passion that our folks have for the business. Obviously, the progress we've made in the number of opportunities in front of us, both from a growth and margin perspective. And as I mentioned, during our call in February, we are in year 5 of our transformation, and we are focused on building sustainable profitable growth through really 4 key initiatives: one, acceleration of our 80/20 operating cadence; secondly, increasing our speed in the use of trade focus, I would say; three, innovation and new product development; and four, identifying acquisitions that really enhance our growth and margin profile and also create more presence and relevance for us in the end markets we serve.

So let me start with acceleration of 80/20. As I mentioned, Pat Burns joined us in early March and has really hit the ground running, working directly with all of our businesses. We are accelerating our operational efforts as we continue to reduce our business complexity, simplify our product lines and drive additional productivity initiatives, and improve our working capital performance.

We continue and have advanced our in-lining, market-rate-of-demand and outsourcing initiatives, and have, I think, more opportunity in front of us. And during the first quarter, we achieved 130 basis points improvement from these activities. Again, I think good progress, but we have much more to do.

In parallel to our operating environment initiatives, we're also accessing our manufacturing footprint and supply chain to optimize our entire quote to cash process and our capacity to better serve our customers, and to do it in the most cost-effective way. So when I think about perfect execution, whether it's service, quality or responsiveness, if we do that with speed, we believe we'll create much more value for our customers, but also differentiation for Gibraltar and be in a position to accelerate and enhance our growth and margin performance.

So let me now discuss our efforts with innovation, which really encompasses how we think about our business models, our products and our services as well as our use of trade focus to understand our end customers. And as we discussed on our last call, it really is critical for us to make sure our customers have real authentic demand for what we do, both our products and our services. And what this means is we have to better understand our customers' problems, their actual motivations and their opportunities as well as the robustness of the channels that they operate in. And to do so, we have to continue to strengthen and invest in our trade focus and new product development capability as well as prioritize our marketing and engineering resources on the opportunities that we think are most commercially viable.

So we're making progress in this area. During the quarter, our new patented solutions grew at a faster rate than our core products, with our patented products representing 15% of our sales that's up from 6% in the first quarter of 2018.

So it's a substantial positive trend that we expect to continue. In addition to tracking the sales of our patented products, we're willing to begin tracking also our new product sales as a percent of our total sales and a percent of our sales that are direct to end customers. And tracking these additional metrics is really important as we strengthen and evolve our innovation engine.

I do want to comment further on our new solar tracker solution. As Tim mentioned, we absorbed unanticipated costs in Q1. Our team has been very proactive in working closely with our customers to minimize any disruption we can to their operations. We have visited almost all of our sites that have installed our new tracker. And, frankly, when an underperforming tracker has been identified, we have implemented the changes to that system accordingly. Our changes are working as planned, both from a durability and performance standpoint. And I would like to express our appreciation for our customers' support as well as our patience as we work through this issue. It's always important that our customers know with confidence we stand behind our products and services. And we've done so in this situation.

So we are collectively moving forward, and it's good to see the continued demand for our tracker system.

So carrying on, I just want to reemphasize, we're going to continue to fund our trade focus, innovation, new product development initiatives, building a stronger competency in each of these, along with more robust engineering and marketing processes. We are redeploying resources to support this initiative. We have plenty more to do, and we will continue to update you on our progress throughout the year.

Also as I mentioned earlier, we will plan -- we're planning to further strengthen our key platforms, really, focused on enhancing the growth of margin profiles and become more connected with our end customers, channels and markets through acquisitions. Our simple goal really has 3 tenets: one, become increasingly more relevant to our customers in the industries we serve; secondly, be the go-to or leading organization in the industry that solves real problems; and three, provide the most valued technology products, services and support the market. And during the quarter, we've been relatively active with our business development activities, reviewing a number of prospects and approaches that support this goal.

Finally, our portfolio management efforts continue, and we continue to focus on evaluating our product lines, customers and end markets, so we can best allocate our leadership time and resources. At this time, I'm excited about the opportunity we have to create more value in each of our businesses, and we plan to continue to do so accordingly.

So, if you will, please turn to Slide 10, titled 2019 guidance. So let's talk about Q2 and the full year. We remain confident in our end markets based on the macroeconomic and market information we have today, and we will continue to execute on the 4 pillars as discussed. As well, we believe our solar tracker challenges are mainly behind us, and we do not expect any additional costs to have a material impact in Q2 or beyond.

We are reiterating our full year 2019 guidance, expecting sales in the range of $1,030 million, to $1,050 million. We expect GAAP EPS between $1.95 to $2.10 per diluted share compared to $1.96 on a GAAP basis or between $2.40 and $2.55 on an adjusted basis, up from $2.14.

For the second quarter, we expect revenues between $268 million and $274 million, up between 1% and 3% over second quarter 2018, and we expect consolidated GAAP EPS between $0.60 and $0.65 per diluted share, or between $0.72 and $0.77 on an adjusted basis.

In closing, our team continues to make good progress with our 4-pillar strategy, and we delivered solid performance in Q1 while addressing our solar tracker issue. At the same time, our new patented product growth continues to outpace our core product growth, and we expect this trend to continue.

Our teams have identified additional operational improvement opportunities, and I will ensure you we're laser-focused on execution throughout the rest of the year. And I think with solid end-market activity across the portfolio, we look forward to another year driving profitable growth and making more money at a higher rate of return with a more efficient use of capital.

So at this point, we'll open the call up for any questions you may have.

QUESTIONS AND ANSWERS

Answer – Operator: (Operator Instructions) Our first question is from Kenneth Zener with KeyBanc Capital Markets.

Analyst: Kenneth Robinson Zener, KeyBanc Capital Markets Inc., Research Division - Director and Equity Research Analyst

Question – Kenneth Robinson Zener: I have a couple of questions here, but starting just in the roofing. It seems like you're flat did actually quite better than ARMA shipments and roofing distributors and manufacturers that we've heard from. Could you address if that strength was due to anything in particular, considering we saw the end markets down somewhere between 5 and high single digits. You guys were flat. It's quite good

Answer – Timothy F. Murphy: Ken, really what it is, is volumes were down, but as you recall last year with all the tariffs that went into place, prices increased. And so pricing is higher on a SKU volume generally, on a SKU unit generally than it was last year. So that was really the difference...

Question – Kenneth Robinson Zener: Right. So I mean, you're saying it could have been -- you can give a specific answer if you want about the pricing. But volumes were down 5%, you got 5% pricing is what you're suggesting. What was -- that your margins -- is that why the margins were down basically that you had the volume absorption was absent?

Answer – Timothy F. Murphy: Without volume. And there's mix too, right. We have different products within -- in that business, and so we sold more of one versus the other.

Question – Kenneth Robinson Zener: Okay. Bill, obviously, within this type of forum, I'm sensitive to how you'll choose to answer this. But to the extent you're saying the charges you outlined in solar tracker are largely behind you. Can you make some general comments around perhaps how this issue was recognized? It sounds like it was resolved within all the -- most of the sites that were -- it was deployed to?

Answer – William T. Bosway: Yes. So first and foremost, we found it ourselves and proactively went out and talked with our customers and subsequently went out and visited basically all of our sites to ensure that those issues were being dealt with appropriately and in a timely fashion. Every one of our sites didn't incur all these or didn't experience all these issues, but we felt important to go out to each of the sites to ensure that. So we recognized it working with a couple of customers and proactively went out and made the changes accordingly and did that in a relatively short period of time. And so we believe that it's mainly behind us, as I mentioned, and feel the fixes in place are working as planned. And so that's kind of where we are. But as I mentioned earlier also, I'm very appreciative of the support we've gotten from our customers working with us hand-in-hand to work through this quickly, get things up and rectify it in a timely fashion and move forward.

Question – Kenneth Robinson Zener: I appreciate that. I just -- Tim, you'd mentioned a number -- or Bill you'd mentioned it, 75% of sales were tracker-related. I'm not sure I heard that right. Could you put that into a proper context?

Answer – Timothy F. Murphy: Yes. What I said was that we incurred this cost in the first quarter, and it's really related to projects that mainly were done in the second half of last year. The 75% was of the tracker work we did last year. 75% of it fell in the third and fourth quarter. And then if you think about that, we go out and install the system, but then panels get put on, electrical gets put on. When it starts to move is when we saw some of the things -- when it's sitting in the field mounted, it's not operating yet. And so we had to wait till project started to commission to do our inspections.

Answer – Operator: Our next question is from Dan Moore with CJS Securities.

Answer – Michael K. Hagan: It's actually Mike Hagan on behalf of Dan Moore here. And I did want to piggyback on Ken's question with regards to residential products. Obviously, it was a challenging Q1 in terms of volumes, but what are you seeing thus far in Q2? Any pickup in general activity?

Answer – Timothy F. Murphy: I think it's coming across the country. I think April still had challenging weather in some markets. But our outlook for the year hasn't changed. Our conversations with customers -- our roofing market is expected to be effectively flat. You hear -- we're still hearing it's 3% up or it's 3% down depending on who you talk to, which means flat to us. So normal seasonal trends. I don't think we have any different view than we did.

Answer – Michael K. Hagan: Okay. Excellent. On the industrial side of the business, we saw a nice uptick in margins, presumably aided by mix. Are those margins sustainable? And ultimately, where do you see them trending in that segment over the next couple of years?

Answer – Timothy F. Murphy: Our goal for that segment, and I don't know if it's -- it's, I'll call it, the interim goal, is to get the segment to 10%, and they're doing everything they can to do that. They've done a lot of restructuring, and we've taken a lot of pieces out of that segment. The pieces that are left are focused on more attractive end markets. They're having good success with their innovative products. There's a little bit of a mix issue in this quarter and that there's still some commoditized products in there and the volume on those was off a little bit. So that mix helps volume. But if you've looked over the last few years with that margin improving year-over-year, we expect to continue to see that happen as we move forward.

Answer – Michael K. Hagan: Okay. Fair enough. One last one for Bill. In terms of M&A in the past, Gibraltar has emphasized expanding innovative products with more engineering design components. So as you look at your businesses, what are the areas you're most focused on expanding organically and inorganically?

Answer – William T. Bosway: Are you talking -- are you asking -- Mike, you're asking across the businesses or within? Or...

Answer – Michael K. Hagan: Yes, I guess across the businesses. Yes, both residential and industrial.

Answer – William T. Bosway: I'd say, in general, there is really solid activity with new products coming on in each of our businesses. So I mentioned earlier that our patented products were up in the first quarter representing 15% of our sales. It's actually come from -- the contribution of that or to that has come from each of our businesses. So we have a pretty good footprint across the group right now in terms of current activity. I would say that our focus right now is building out our capability to drive more speed in each of our businesses, which is down to investing in additional resources in that area or redeploying resources to that area and enhancing our processes to support that. But each of our groups has pretty good list of really creative new ideas. It's a matter of working solid processes into each of the businesses to take advantage of that.

Answer – Michael K. Hagan: That's helpful. And obviously, you guys have such an excellent capital redeployment model. Are we seeing any easing yet in acquisition multiples out in the market?

Answer – Timothy F. Murphy: I guess, I would clarify, we haven't not done acquisitions because of pricing. It's really been around the quality and trying to find something that we believe enhances our portfolio and adds value for the long term. And so we've been patient. And so market multiples haven't been a hindrance yet, so we haven't been fighting price.

Answer – Michael K. Hagan: And then just one last one. Outside of M&A, the priorities for capital deployment?

Answer – Timothy F. Murphy: Today, it's M&A. We do have regular conversations with our board around other uses. But I think where we are and what we're trying to do with the portfolio, we see the greatest value coming from M&A and, obviously, at some point, if we can't find the right things to invest in, we'll have to do something else. And we talk about those options regularly, but nothing else is on a list yet.

Answer – Operator: Our next question is from Julio Romero with Sidoti & Company.

Analyst: Julio Alberto Romero, Sidoti & Company, LLC - Equity Analyst

Question – Julio Alberto Romero: So I wanted to drill down a little deeper on that patented products commentary. Could you maybe cite some examples of the more successful patented products and the margin profile of those products maybe now, and would you see them 3 to 5 years from now?

Answer – William T. Bosway: So Julio, I would say that in general the patented products and/or, we'll call it, new products that we've come out recently are higher margin as you would expect, as we would expect, versus our core product line. That's the intent. I would tell you, there's really 3 or 4 main drivers of that engine right now. Our intent is to expand that beyond 4. And as I mentioned earlier in my earlier comments, there's a number of new things in the cooker, if you will, across each of our businesses. So broadening some kind of 4, 5 main ones driving the numbers that you see today to something larger is where our focus is right now. But I would tell you in every scenario or every case, the margin profile associated with that is better than what we're doing today, which I would expect everyone to expect from us. So that's how I'd characterize that.

Question – Julio Alberto Romero: Okay. And what percent of sales did patented products make up in the prior year quarter?

Answer – William T. Bosway: In the prior quarter, roughly 6%, if you look at Q1, 2018. We're 15% this year. So you look at that on a full year basis. We'd like to look at that. It's a point-in-time metric, but our hope is that -- we finished last year around 11%, and going into the rest of the year, our intent is to beat that number. So we look at it year-over-year and you look at it sequentially. We're progressing in the direction we'd like to be going in.

Answer – Timothy F. Murphy: And Julio, I think it's important to recognize that there are patents around the tracker system, and that is currently not performing, obviously, with a charge at a margin level that we anticipate when we get that product fully commercialized.

Question – Julio Alberto Romero: Okay. That's helpful. And just last one for me here is, Bill, you've had a couple of months of Gibraltar under your belt. Maybe you can speak to what's new that you've learned over the last couple of months after having visited the facilities as you mentioned.

Answer – William T. Bosway: Yes. I touched on this a little bit. I wouldn't say I've learned anything that has surprised me from a -- and I think that -- which is very positive. So what I thought I would see, I saw, but I think what was exciting for me to see was, I mentioned earlier, this enthusiasm and passion. I don't want to underestimate that. It's a really important aspect of the culture here because of what we're trying to do in terms of our fifth and sixth and seventh year as we continue our transformation. So I would say, first and foremost, that's been very positive. The second thing that kind of goes along with that, this organization has done a lot in the last 4 years, as you guys have seen. And you kind of wonder going into this sometimes, boy, is there more runway. And what has been exciting to see is the runway probably is longer than what I -- even I anticipate. So the team is not only enthusiastic and passionate about what they've done, they continue to bring more opportunities and ideas to us at a relatively fast rate. So I am excited about that, and that's why I mentioned earlier, accelerating our 80/20 initiatives is really -- is something we want to do, but it's being pulled by much of our organization. So to me, that's probably been the single most positive thing I have seen, really haven't had -- or seen anything negative or anything I didn't anticipate.

Answer – Operator: We now have a follow-up question from Kenneth Zener with KeyBanc.

Analyst: Kenneth Robinson Zener, KeyBanc Capital Markets Inc., Research Division - Director and Equity Research Analyst

Question – Kenneth Robinson Zener: Gentleman, had a little more coffee, and Tim, Bill, if you guys could bear with these questions. But the guidance you gave for 2Q of $0.60, $0.65, that would equate to about 45% of the midpoint of your guidance -- or excuse me, 37% of the midpoint. I just did the math. So for context, last year, your first half was about 45% of sales, and first half of '17, 37%. My question is, is that -- EPS percentage, is that the same like from -- if you were to give EBITDA, is that about the same weighting? And it would appear to make it a little more back half weighted than last year. Was that your initial expectations? Or is there something happening that is perhaps shifting that a little more to the back half versus where we and consensus were for the second quarter?

Answer – Timothy F. Murphy: I think it's in line with the way we looked at the year when we laid out our year. And I would agree that if you've done the math and it says that we're 37% of earnings in the first half and more in the second half, then that's the way we view the year. I don't know that there's any significant driver of that, that I point to today.

Question – Kenneth Robinson Zener: Okay. And then on this renewable, I mean felt like an area that was so volatile. You guys, obviously, did an acquisition that was priced in for the tax rebates going away, had a lot of growth, this tracker business. Could you comment on just the general industry because it is the one category that I'm least familiar with, day in and day out. Bill or Tim, if you guys can provide just a little backdrop for a separate from your execution around the solar tracking business. Could you kind of just comment on what is happening in that end market in terms of demand in the key categories that you are serving?

Answer – Timothy F. Murphy: I'll take a whack at it and then I'll let Bill add if he wants to. So demand is strong across all of the pieces that we serve. So the fixed-tilt, both the sort of classic ground mount plus the canopy, we're seeing a lot of activity, a lot of opportunities. Tracker, we took a little bit of a pause during the first quarter as we were identifying and going out in the field and adjusting systems. We wanted to make sure that we had it right before we signed up to do more projects. So if the demand is there, customers are lining up, and we've been -- we turned that spigot back on, so that is building again and the end-market demand and interest is there. And then if I think about the cannabis side of the -- the conservation side of that business, cannabis demand continues to be strong. We continue to find there's permitting and zoning and everything else. So the projects always delay a little bit longer than initial plan, but we've been dealing with that long enough that the ones that got delayed comes through, the ones we thought were going to happen get pushed, but it's becoming a much more reasonable run rate. And the other parts of that business, the retail business we serve, the institutional, even structures business are all strong.

Answer – William T. Bosway: Two other comments I'd add. One is to kind of add to what Tim said on the retail side of things. We've got this broad level of activity from an end-market perspective that is pretty active right now. On the cannabis side, it's hard to predict exactly what's going to happen. And what we can tell you, there is the general activity is up in the marketplace significantly, versus probably the last year or 2. Is that ahead of where we thought it might be? Or it's one of those things we're learning month-to-month. But from an end-activity perspective, that's pretty solid. If you go back to the solar world, I think we do have a change in the incentive at the end of this year in the marketplace. We don't inherently think that's going to slow things down as we move forward. There are still a good set of economics for doing this with the incentive beyond this year. Will it impact people wanting to move quicker this year towards the end of the year, yet to be seen. We haven't -- we're not planning on that, haven't factored that in, per se, but we'll see how that happens. But in general, really solid end-market activity on both aspects of our -- of this segment's business. It's been interesting to watch. You saw from our first quarter numbers in this segment, it's up versus last year. So hopefully, that trend continues.

Question – Kenneth Robinson Zener: So what were the issues when you had that high growth in the past with competitive pressure? It doesn't sound like that is the issue you're facing. In fact, it seems as each year goes by, you face fewer competitors because they're not as profitable as you. Is that a fair characterization?

Answer – William T. Bosway: Yes. It's -- listen, it's a relatively new industry. So you have a number of people that jumped in early on, and there are folks that just did not have the model and the capability to execute accordingly and have since fallen out. Hard to make money, whatever their reasons are, but one thing that we're really good at, there's a number of things we're good at, but one we're really known for and what we're really good at is our ability to do what we say we're going to do on time. And anytime you have a direct-to-end-customer business that is project-based, there's a huge differentiation in value story created around your ability to execute. And our team has done a tremendous job. And that's on both sides. Whether we're building a cannabis growing infrastructure or basic greenhouse or a solar field, we are well known and differentiated from our customers to be able to actually deliver. And when you can do that well, one, you do it much more cost effectively and operationally you have to excel. And we do that quite well. And customers really appreciate that because if you're not on time -- and we're not talking about missing a project by a week, we're talking about a lot of folks that struggle with a month or 2 delays. Well, there are penalties associated with that for our end customers, and we don't want that, obviously, to occur. And so I think the team from the day we started this business, 6 or 7 years ago, has been laser-focused on making sure that that's a differentiator. So outside of the new technology that we're bringing to the market, some of which is patented and our ability to execute, I think that's why we continue to grow and see progress. And I feel like there's a good margin profile for this business in a market that, frankly, we think has a good rising tide beyond this year and many years to come. So that's probably more than you are looking for, but that's kind of how at least I view the marketplace.

Answer – Operator: We have reached the end of our question-and-answer session. I would like to turn the conference back over to Mr. Bosway for closing remarks.

Answer – William T. Bosway: So again, thank you, everybody, for joining us today. We look forward to seeing many of you at the KeyBanc Conference in Boston, I think, on May 30th and looking forward to having additional discussion with you then. So thanks again.

Answer – Operator: This concludes today's conference. Thank you very much for your participation today. You may now disconnect, and have a wonderful day.
