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PRESENTATION

Operator

Greetings, and welcome to the Gibraltar Industries Q1 2022 Earnings Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. (Operator Instructions.] As a reminder, this conference is being recorded. I would now like to turn the conference over to your host, Carolyn Capaccio of LHA Investor Relations.

Carolyn Capaccio

Thanks, operator. Good morning, everyone, and thank you for joining us today. With me on the call is Bill Bosway, Gibraltar Industries Chairman, President and Chief Executive Officer and Tim Murphy, Gibraltar's Chief Financial Officer. The earnings press releases that were issued this morning as well as the slide presentation that management will use during the call are both available in the Investors section of the company's website, gibraltar1.com.

As noted in the earnings press release issued today, Gibraltar has reclassified the processing equipment business in the Agtech segment as held for sale with the first quarter 2020 results and has removed the related revenues and expenses from the processing business from its adjusted results. Gibraltar's earnings press release and remarks contain non-GAAP financial measures. Tables of reconciliation of GAAP to adjusted financial measures can be found in the earnings press release that was issued today.

Also, as noted on Slide 2 of the presentation, the earnings press release and slide presentation contain forward-looking statements with respect to future results. These statements are not guarantees of future performance and 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.

Now I will turn the call over to Bill Bosway. Bill?

William T. Bosway - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Good morning, everybody, and thank you for joining today's call. We'll start with an overview of the first quarter results, the current operating environment, and Tim will review our financial performance. We'll then talk to our current trends, some of the key initiatives and guidance for the year, and then we'll open the call for questions. So, let's turn to Slide 3 of our first quarter results.

We got off to a solid start to the year. We delivered double-digit revenue and earnings growth in the quarter, especially given the headwinds from solar panel supply issues, persistent inflation, labor availability and general supply challenges facing our end markets. Revenue reached $316 million, up 10.5% on a reported basis, 11.8% on an adjusted basis, all of which was organic growth. Adjusted operating income grew 17%, adjusted EBITDA grew 12.1% and adjusted EPS grew 11.1% to $0.60 per share.

Customer order activity remained robust with total company backlog reaching $433 million at quarter end, up over 23% versus prior year, driven really by a broad-based end market demand across the world. As mentioned in our Q4 2021 earnings call, 2021 was tremendous, albeit tough learning environment. But the experience really forced us to challenge many of our internal and end market operating paradigms. I think as a result, I believe we are in a much stronger position today to deal with current market dynamics, and we were able to demonstrate some of that strength in the first quarter.

Let me share a few comments about our segments, and we'll start with renewables. In renewables, as I communicated during our Q4 2021 earnings call, we expected a challenging Q1 due to ongoing industry panel supply issues, subsequent field project inefficiencies and additional structural steel inflation. But admittedly, our results were less than favorable or less favorable than we expected. We had a substantial number of projects in process in the Northeast during the quarter, many of which were pushed from Q4 of 2021 due to panel supply, and these projects were further impacted by tough weather conditions in both January and February compounding our challenge with execution. I'll circle back in a few minutes and address the current status of the renewables market and our expectations for our business for 2022.

Let's switch to residential, where revenue grew 28%, the seventh consecutive quarter of double-digit growth. Adjusted operating margin reached 18.8%, up 240 basis points over last year. The residential team has delivered back-to-back strong performance quarters for both revenue and margin, and we have solid momentum moving into the second quarter. Our participation gains in 2021 and the carryover effect of these initiatives, along with additional participation gains in 2022 continue to drive the business. As well as much as I am not a fan of investing in additional inventory to run the business, our strategy to invest in it last year and early this year has been beneficial. First, it bolstered our position to support customer demand starting the year right out of the gate. We're able to use some production capacity in Q1 to start building inventory to meet customer demand in Q2. It created a better price cost alignment while we continue to manage commodity price variability. It also mitigated supply issues of key materials, particularly aluminum. And finally, it helped provide better visibility for our customers, suppliers and our business. Switching to Agtech, Agtech margin improved 160 basis points over last year on 2.9% lower volume while continuing to manage through and overcome inflation and supply challenges.

We continue to gain momentum from the team's work to build and integrate stronger processes and systems for the Thermo Energy acquisition, which if you recall is our main operation serving our produce business. Relative to demand, new bookings continue to accelerate, and backlog for the business was up 18% at the end of the quarter, driven by strength across all three, core greenhouse growing businesses; produce, commercial and cannabis. As a result, we expect revenue to accelerate in 2022 and margin to reap double-digit performance for the year.

Also, as mentioned at the beginning of today's call, we made the decision during the quarter to exit the processing equipment market and we've adjusted our revenues and expenses to account for its reclassification. Despite the cannabis retail market growing over 25% in 2021, the market for processing equipment used to extract oils from cannabis and hemp remained flat. And more importantly, the market is 50% smaller than it was in 2019. The market reduction is driven somewhat by the pandemic and growing pains of being a new market, the latter of which in retrospect contributed to an overbuying of equipment to support hemp processing demand during 2018- 2019 hemp gold rush, which really came to an end in early 2020. And although we expected the hemp gold rush to impact the market, we did not anticipate the magnitude of the oversupply condition. Essentially, we missed it, and I take ownership for that.

In summary, the market has struggled to return to 2019 levels and the current protection for recovery no longer fits our timetable for growth and return generation. So now our Agtech team is putting 100% of its focus on accelerating our core faster growing and more profitable greenhouse solutions that support our growers in the produce, commercial and cannabis markets. The infrastructure team continued to drive strong revenue growth in the quarter, but also continued to fight steel price inflation headwinds, particularly structural and plate steel. As well during the quarter, the team experienced labor inefficiencies with the start-up of the second shift capacity to support increasing demand. Finding people in January and February while COVID was peaking along with general labor availability at that time, added to the challenge.

Let's turn to Slide 4. We'll talk about today's market environment. We remain focused on our people, our supply chain, transportation and the health of our team. And relative to Q4 2021, I think we've made solid progress, but we expect the macro environment to remain very dynamic for the rest of the year. And talking about our people, finding and retaining people continues to be a challenge, but we are in a better position today. In 2021, we accelerated the conversion of temporary employees to full-time positions, which really helped with hiring and retention as we moved into this year. We're also sharing resources across production facilities to help support our businesses with significant demand. Our supply chain teams are managing well overall, yet we continue to deal with ongoing geopolitical issues and general disruption in the market. Our main concern currently is panel supply for the U.S. solar industry, and I'll address this in a little more detail in a couple of slides.

In transportation, trucking availability stabilized as more capacity has come online. However, pricing continues to fluctuate with fuel prices and overall demand, which remains pretty solid. And finally, COVID, our infection rates increased in January and February, similar to the general increases experienced across the country, which is somewhat disruptive for suppliers, some of our production facilities and a number of solar projects in the field. And most importantly, our people have recovered relatively well and currently our number of active cases are very low across the company.

Let's turn to Slide 5 for a quick snapshot of what is happening with our core material costs. As a reminder, there are three core materials we use across the company: steel, aluminum and resin. And in Q1, these materials move in different directions driven by some unique circumstances. Hot-rolled coil steel prices began to fall in Q4 2021 from the peak of approximately $2,000 a ton and continued into Q1 with the average price hitting a little over $1,400 a ton at quarter end. But inside Q1, there was quite a bit of price variability of hot-rolled steel, which caused a short-term pause as the industry searched for more clarity on the direction of prices. On the other hand, structural and plate steel used in both our renewables and infrastructure businesses continued to increase setting new highs.

According to April, the April report from IHS Markit, average steel prices are expected to rise to the end of Q3 2022 and then start to level off and/or decline. But I think given today's environment and the unknown going forward will remain agile and flexible as we see steel prices move. Aluminum prices have been very erratic since Q4 of 2021 with prices initially moving downward and then quickly increasing substantially as we enter Q1 2022.

Now the initial price increase was really driven by the European energy crisis; both availability of supply as well as cost, causing some of the aluminum smelting capacity in the region to go offline. Prices then further accelerated when the Russia/Ukraine conflict began given the Russia's role in the global aluminum supply chain. Aluminum prices are expected to increase at least through Q3 and remained high throughout the year. So given that backdrop, here's what we are doing in this environment. Number 1, keeping our price and cost inputs in balance with timely price management actions. Secondly, we're accelerating more 80/20 initiatives, specifically product line and customer simplification to drive more productivity and cost reduction. Third, changing and/or adding terms and conditions to customer contracts in our renewables and Agtech businesses to balance risk and reward, better manage inflation drivers and support the dynamics of today's environment. And fourth, continue our new product introductions that are driving more value for customers while improving our margins and profitability.

Let's move to Slide 6. We'll give you an update on the panels, the supply of panels for the solar industry. Coming into 2021, the solar industry was already dealing with general supply shortages as global demand continued to outpace supply. The industry was also dealing with the impact of COVID across the broad supply chain, specifically in China, where 80% of the key materials and components for panels are produced. To add, early in the fourth quarter of 2020, the industry began to see inflation, which the solar industry had never experienced. In January 2021, inflation began to accelerate at an unprecedented rate, catching the industry by surprise and effectively pressure testing every business process the industry had grown up with.

Two additional major events occurred also occurred in 2021. First, in June, the U.S. Customs and Border Protection issued a withhold release order on silicon-based products made by Hoshine Silicon Industry located in XinJiang Province as a reaction to allegations of companies in the region using forced labor. 80% of global polysilicon comes from China with approximately 50% coming from XinJiang Province. The WRO currently bans any solar panel products containing Hoshine materials from entry in the U.S., but the WRO will allow solar panel products to be imported if the importer can verify Hoshine materials are not contained in the product.

The second major event was a petition filed with the Department of Commerce claiming Chinese solar panel manufacturers were using assembly operations in Cambodia, Malaysia, Thailand and Vietnam to avoid or circumvent duties applied to solar panels imported directly from China. This petition was dismissed in November of 2021, but a second petition was filed in 2022, which the Department of Commerce has since accepted and subsequently launched the anti-circumvention investigation to determine whether Chinese solar cell and module manufacturers in these four countries are avoiding existing antidumping and countervailing tariffs applied to imported solar cells and modules from China.

Approximately 80% of panels used in the U.S. in utility scale projects are shipped from these four countries. If the Department of Commerce finds in favor of the complainant, future panel imports from these four countries can be assessed significant duties up to 250%. And it is possible that the Department of Commerce will make these duties or penalties retroactive to March 22 when the petition was accepted or even earlier. As a result, it makes it difficult today for a developer or utility to move forward with a solar project until there is a ruling from the DOC. A preliminary ruling is expected in late August with the final ruling in January of 2023.

So, what does all this mean for our renewables business in 2022? First, before the DOC decided to accept the latest petition, we have been holding discussions with customers to understand their panel supply situation as we have concerns of panel challenges that we've been seeing over the last three quarters. The recent DOC announcement, we've gone back to our customers for daily weekly discussions to understand their current and future supply situation and their plans going forward. We've had discussions -- we've discussed the situation with 95 of our customers, which represented 83% of our 2021 bookings and are a good proxy for at least 80% of our 2022 bookings. Of these customers, approximately 70% are fairly confident in the current supply situation and are assessing potential project impacts for later in the year. Our largest customer has secured and has in possession 100% of the panels needed for their 2022 projects that is moving forward as planned. There also seems to be other panel sources available to fill near-term supply requirements.

Panels available via safe harbor inventory, panels for sale from developers that do not have projects scheduled in 2022 and there are panel manufacturers willing to mitigate potential retroactive duty risk for customers by sharing the cost of a duty if applied in the future to the panels they supply. Currently, we do not expect an impact to our business in Q2 given the current status of customer projects in process. We've had three projects canceled since the DOC began its investigation, representing approximately $1.3 million of our planned 2022 revenue. We are monitoring the situation with our customers daily and will stay nimble to adjust as necessary and are confident in the strength of Gibraltar's position in the renewables market.

So, what is the potential impact to the industry beyond 2022? And here are my thoughts. I expect today's situation will get resolved in 2022, and the solar industry will have another strong year in 2023. And I also remain very confident with the strength of solar's long-term growth potential. The solar industry is working diligently with the administration to help it understand the immediate and long-term impact of the DOC investigation on the $30 billion industry, which employs over 230,000 people. And as important, the impact to the administration's climate agenda over the next three to five years, if the solar industry is paused and loses significant momentum in the next 12 to 18 months.

Everyone should remember that solar energy production has been the fastest-growing and largest source of renewable energy production in the U.S. over the last five years. And it is really, really important for the U.S. economy going forward. The entire administration is now aware of the recent developments and is working with the industry and other constituents to bring a resolution, and I expect a positive outcome later this year.

With that, I'll turn it over to Tim for a detailed review of our results.

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

Thanks, Bill, and good morning, everyone. I'll take you through our consolidated and segment results, starting on Slide 7. As a reminder, my discussion will cover results from continuing operations and also excludes the related revenues and expenses from Agtech segment's processing equipment business, which has been removed from the adjusted results for both 2021 and 2022 as we classified this business as held for sale with this quarter's results. A summary of the 2021 adjusted results recasted to reflect the removal of the results of the processing business is available on the Investor Relations portion of our website at www.gibraltar1.com.

Adjusted first quarter revenue increased 11.8% to $316 million, and this growth was purely organic, was driven by participation gains and price management in the residential segment, partially offset by continued supply chain challenges in the renewables segment. Backlog at quarter end approximated $433 million, up over 23% from first quarter 2021, driven by solid end market demand. Adjusted operating income and adjusted EBITDA increased 17.2% and 12.1%, respectively, in the first quarter with adjusted EPS up 11.1%. Margins in the quarter were driven primarily by profitability expansion in the residential segment through participation gains, price management and 80/20 initiatives and in the Agtech statement segment through 80/20 and lean enterprise initiatives, supply chain optimization activities and favorable business mix. Renewable margins were pressured as we had expected by the carryover supply chain challenges that affected the industry in 2021 and also by the project inefficiencies resulting from severe winter weather in January and February.

Infrastructure margin was impacted by steel inflation, labor availability and second shift start-up inefficiencies to support demand in the fabrication business. Our income tax rate in the first quarter increased over the prior year rate due to lower excess tax benefits from stock compensation and a difference in the allocation of income to states where we generated revenues.

Now let's review each segment, starting with Slide 8, the Renewables segment. Segment revenue decreased 7.8%, all of which was organic. As we communicated on our fourth quarter call, the industry-wide supply chain challenges that affected the solar industry throughout 2021 continue to delay and disrupt project schedules in the first quarter and severe weather in the Northeast in January and February also contributed to project delays and disruptions. These pressures began to abate in March when we saw an improvement in project margins. We continue to work with our customers to ensure panels are in hand before we begin to manufacture racking and mobilize our field installation groups.

Regardless of the revenue decrease, end market demand remained robust, with new bookings up 22% over the first quarter last year, resulting in backlog up 41% compared to the prior year. To date, as Bill mentioned, we have three orders canceled as a result of the anti-circumvention investigation and our team is in constant contact with all customers to ensure panels are secured for projects. We've talked to customers that make up over 80% of our 2022 planned backlog and bookings and the vast majority are not currently anticipating impacts to existing projects. Segment adjusted operating loss was $4.3 million and the EBITDA loss was $1.9 million. Adjusted operating and EBITDA margins contracted to a negative 5.4% and a negative 2.4% on project and field management inefficiencies related to project delays and disruptions, as I described. Again, these factors began to abate in March, and we expect significant sequential margin improvement in the second quarter, driven by stronger revenues as construction season begins, improved field efficiencies as the severe weather impact has ended, and we have less project disruption from customer supply chain issues.

Our integration of the Renewables business remains on track with information systems, supply chain and in-sourcing activities gaining momentum per plan. And as Bill mentioned, we continue to monitor the impact on our solar customers of the Department of Commerce's panel anti-circumvention investigation.

Let's move to Slide 9 to review our Residential segment. Segment revenues increased 28% organically, our seventh consecutive quarter of double-digit growth. Revenue was driven by market price and participation gains in building products and mail and package businesses. We're seeing strong traction in participation gains with new customers, additional product offerings and expanded geographies. There was an impact from the participation gains we achieved in 2021 as well as new wins benefiting first quarter 2022. We expect the momentum in this segment will result in strong growth continuing in the second quarter. Segment adjusted operating income and EBITDA grew 46.5% and 41.4%, respectively. Adjusted operating and EBITDA margins improved 240 and 190 basis points, respectively, as we achieved improved price cost alignment, enjoyed the benefits of favorable business, product and customer mix and as our 80/20 and product redesign initiatives continue to drive year-over-year margin improvement. We continue to work with our supply chain partners to support our customers' needs and are maintaining our focus on price cost management, effective staffing management, simplification, in-lining and automation. As we previously mentioned, finding temporary employees continues to be a challenge, and we took advantage of the seasonally slower first quarter to increase production to ensure we're able to meet our customer demand as we move into the seasonally stronger period of the year for these businesses. We're also making additional investments in information technologies to increase internal efficiency and support our customers' efficiency. We continue -- we expect continued top and bottom line growth for this business this year.

Now let's move to Slide 10 our Agtech segment. As I mentioned earlier in the call, we've classified the processing equipment business, which accounted for 10% of the Agtech segment's 2021 revenue as held for sale with the first quarter 2022 results and remove the related revenues and expenses of this business from adjusted segment results.

Adjusted segment revenue decreased 2.9% through project delays as states and local agencies continued to work their respective permit backlogs and the scheduled timing of projects. Despite near-term project schedules, causing revenue delays, market demand across produce, commercial and cannabis continues to grow, with our order backlog increasing 18% in the quarter.

Segment adjusted operating and EBITDA margin improved 160 and 140 basis points, respectively, on improved business mix, continued execution, 80/20 and lean enterprise initiatives and integration activities. We are investing this year in supply chain optimization projects with a new dedicated supply chain leader, closer relationships with key suppliers, improved material planning management and transportation logistics and schedule. We expect positive margin momentum to continue this year as we convert strong backlog, make additional system improvements and benefit from an improved business mix.

Let's move to Slide 11 to review our Infrastructure segment. Segment revenue increased 13.9% driven by growth in fabricated products. While order backlog declined a few million dollars from last year on timing of orders and revenues, pipeline and bidding activity remains strong. We continue to expect a positive impact of incremental government spending on the infrastructure business towards the end of 2022. Segment adjusted operating and EBITDA margin decreased year-over-year but remained flat sequentially as steel inflation impacted fixed price projects that were booked in 2020 and early 2021.

Margins were also affected by the fabrication business experiencing challenges with labor availability and inefficiencies related to adding second shift capacity to support increased demand. We expect margins to improve through 2022 as incremental capacity becomes more efficient and orders for higher-margin non-fabricated product increase as we move into the construction season.

Now let's move to Slide 12 to discuss our balance sheet and cash flow. At March 31, we had $352 million available on our revolver, cash on hand of $16 million, and our net leverage is approximately 0.2x. We used $7.8 million in cash from continuing operations in the quarter, primarily in working capital investments. Receivables, as is typical in first quarters, were affected by a seasonal timing of revenue during the quarter with strongest revenues in March. The investment in receivables normally reverses in the second half of the year as revenues peak and begin their seasonal decline. And as Bill mentioned, we invested in inventory to ensure strong customer support during a challenging supply chain and inflationary environment and shifted some production into the first quarter from later in the year in anticipation of the possibility of temporary employee challenges during the seasonal peak.

We don't typically like inventory builds, and we've been heavily invested over the past few quarters to allow us to navigate through the current tough supply chain environment. We have been able to gain participation precisely because of having products. We are winning business because, among other reasons, we've maintained the ability to deliver at high levels. We're also carrying more finished goods during the seasonally slower first quarter as we built more to avoid having to hire as many temporary employees to ramp production as we have historically.

Payables were affected by timing of inventory purchases, both in Q4 and Q1 and the growth in other liabilities was driven by an increase in billings in excess of cost, which is a result of timing of billing based on contractual project billing schedules. If you look back in time, our free cash flow as a percentage of revenues has typically run in the high single digits, and we expect to return to more normal levels of positive free cash flow during 2022, with a target of generating approximately 10% in 2022 on improved profitability and lower working capital investment. We expect to use generated cash flow to fund repayments on our revolver, investments in growth, including opportunistic M&A and on our newly announced stock repurchase authorization, with the latter two items supplemented by opportunistic use of our revolver depending on the timing of any M&A or repurchases during the year.

Now let's move to Slide 13 to discuss our new share repurchase program. Our operating plan anticipates that we'll generate significant cash flow this year and through 2025, and we have an unlevered balance sheet. As we believe Gibraltar's intrinsic value is not properly reflected in the current valuation and that we will have sufficient cash to deploy into operations to both strengthen our leadership position in our markets and offer incremental returns to shareholders, we asked our Board of Directors to authorize a stock repurchase program for the first time in Gibraltar's history. Our Board approved a $200 million common stock share repurchase plan ending May 2, 2025. And the amount and timing of any share repurchases will depend on market conditions, and we may make limited use of the revolver to capture opportunities to generate incremental returns for shareholders.

Now I'll turn the call back to Bill.

William T. Bosway - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Thanks, Tim. Let's turn to Slide 14 for an update on key trends as well as our initiatives for each of the businesses. We'll start with renewables. Despite the current challenges facing the solar industry, our customers remain very active. New bookings are on plan and backlog increased 41% by quarter end. We have four key initiatives for the business. First, as discussed, we're working diligently with customers on panel availability and project execution plans. Secondly, we're upgrading our operating systems and processes to support growth and improve execution performance. Third, we're supporting the ramp-up of the TerraTrak tracker platform as well as the development of our new 1P product line for launch in Q4. And fourth, we're implementing the TerraSmart acquisition, in-sourcing and supply chain cost synergies originally planned for 2022 in both Q3 and Q4.

Switching to residential. The market remains relatively strong, both the remodel and repair as well as new construction. Demand for single-family homes continues to outpace supply, and there is a large inventory of existing homes that are aging out and in need of repair and upgrades. While we expect multiple interest rate increases to have some impact going forward, we've not seen a material impact to date. We also continue to gain participation, a focused initiative we've had success with over the last five quarters. We delivered strong revenue and margin performance in Q1. Customer backlog and order activity are solid as we entered the second quarter, and our outlook is positive for growth and margin expansion in 2022.

Our four initiatives for the residential business also remain on track. One, expanding participation gains further through new products and services, key customer expansion and geographic expansion. Secondly, continue our price management discipline and proactively partner with customers as market dynamics evolve. Third, execute our ERP implementation and system upgrades and fourth, accelerate 80/20 in automation projects to help offset labor and supply chain disruption, especially in our peak season quarters, Q2 and Q3.

Let's move to Slide 15. In Agtech, our commercial segment continues to see solid growth across all businesses with research facilities, retail and carwash leading the charge. We also see solid investment in the produce growing segment that should drive market growth of 7% to 8%, similar to the annual growth rate over the last five years. And we expect the cannabis growing segment demand to accelerate as licensing approvals are implemented for states that legalized in 2020.

Our four initiatives in Agtech business are Number 1, execute our order backlog - on our order backlog with higher-margin produce projects and deliver margin improvement as planned. Execute well on participation gains with our new retail customer and scale and support accelerated expansion plans with our carwash partner. Strengthen our supply chain for roofing structures and glass to eliminate and or minimize project disruption in the field and finally exit the processing equipment business by year-end. In our infrastructure business, we see state and federal department transportation budget funding becoming more consistent and providing a more predictable cadence. This cadence is driving solid investment in bridges as well as surface protection for bridges, run ways and structures. We also expect the implementation of the infrastructure bill to drive additional demand starting later in the year.

Our four initiatives for the infrastructure business are, one, mitigate structural and plate steel inflation through 80/20 and price management initiatives. Secondly, expand our engineering design capacity to support accelerating demand. Third, add and optimize production capacity to support demand and, four continue process and system upgrades for manufacturing operations.

Now let's move to Slide 16, and we'll review our 2022 guidance. We reaffirm both revenue and earnings guidance for the full year 2022. Consolidated revenue is expected to range between $1.38 billion and $1.43 billion compared to $1.32 billion in 2021. GAAP EPS is expected to range between $2.80 and $3 compared to $2.25 in 2021. And adjusted EPS is expected to range between $3.20 and $3.40 compared to $2.86 in 2021 -- sorry, 2021. Given our solid start in the first quarter, current demand and outlook across Gibraltar, we are confident in our revenue and margin guidance for the year. Renewables is on track to improve in the second quarter, and we have taken into consideration the industry panel supply situation and our current outlook for the year. As well, we see strength and momentum in the residential business with good performance continuing. Agtech performance improving, delivering solid growth and double-digit margin for the year, and Infrastructure having a solid year of favorable business mix, good volume and improved operating efficiencies. The broad strength of Gibraltar is absolutely helping us navigate through the current solar industry headwinds in a relatively effective way.

With that, I want to thank everyone on the Gibraltar team for their continued effort, agility and resiliency in this environment. We are executing well in 2022, and are focused on delivering a great year. So now let's open up the call and we'll take your questions.

QUESTIONS AND ANSWERS

Operator

Ladies and gentlemen, we will now be contacting a question-and-answer session. (Operator Instructions.] One moment, please, while we poll for questions. Our first question is from Daniel Moore with CJS Securities.

Daniel Joseph Moore - *CJS Securities, Inc. - MD of Research*

Start with renewables. You mentioned, obviously, you expect significant sequential margin improvement in Q2. Can you provide a little more specificity or maybe a range you're targeting? And maybe a bridge of the key factors that are changing or abating giving you that confidence, whether it's revenue less how much from what less severe weather, supply chain customer, supply chain disruptions, just sort of how does the math add up and what does it add up to from your perspective?

William T. Bosway - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Yes. Thanks, Dan. If you remember going into the year, we have a plan for renewables to run double-digit margin. And we still feel solid about that plan despite the start of Q1. And a lot of it has to do with our confidence in what we started to see in March as things abated. But this DOC investigation is actually driven everyone to be much more in-depth -- have much better in-depth understanding of what panels are available, which ones are not. And that actually provides a benefit in terms of having a little bit more straightforward planning associated with how we execute our projects.

So, as tough as the investigation has been on the industry in the short-term for a lot of folks. For us, it's actually creating more visibility as to what we do and do not have such that we don't deploy in an inefficient way, if you will. So, we expect and see pretty good momentum going into Q2 and significant improvement based off what we saw in March and what we're seeing now, and we think that will continue to accelerate into Q3 and Q4 as well.

Daniel Joseph Moore - *CJS Securities, Inc. - MD of Research*

And so not to get too precise, but should we think about double-digit margins in the back half of the year versus sort of the full year relative to what we saw in Q1?

William T. Bosway - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Yes. We're still planning on, and we still have a target to hit double-digit margins for the year, which implies that Q2, 3 and 4, obviously, we have improvement that we're expecting to bleed through.

Daniel Joseph Moore - *CJS Securities, Inc. - MD of Research*

Got it. So overall, the guide obviously hasn't changed. And so, what I'm hearing is coming out of Q1, I would have expected maybe a little bit more strength out of resi in the plan and a little less out of renewables. But that -- it doesn't sound like that's the right takeaway from what you're saying.

William T. Bosway - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Well, it's -- on the renewable side, it's kind of interesting now because, as I mentioned, we've had three projects that have been delayed that customers are telling us about. It's a little over a million dollars impact. And I think a lot of our customers, as we talked about, we talk to 95-plus customers and said, look, what are you seeing? What do you have on hand in possession? And there's a very large percentage of those that feel pretty good about the projects they have planned for 2022. If you think about it, if you're in a project right now, you have to have a panel in Q2, right? I mean that panel had to be here some time ago, you would think. So, I think as you get further out in the year, there may be some news. But at the same time, I think the administration and the DOC and everybody involved in this will bring those things to a conclusion one way or the other. And that will be helpful as well. But right now, our outlook for the business hasn't changed a whole lot relative to the DOC investigation. We do think there'll be some impact. And what we've done is in thinking about our guide for the year, taking that into consideration that there are some scenarios that could occur, and we feel pretty strongly we can offset the different scenarios accordingly and still deliver a full year through the strength of the rest of the business, residential, Agtech and infrastructure.

Daniel Joseph Moore - *CJS Securities, Inc. - MD of Research*

That's helpful. Maybe one more and I'll jump back in queue. You -- in terms of participation gains, which seems to have been accelerating through the back half of last year, you talk about specific product solutions where you've kind of taken the most share? And what your confidence that those gains are permanent versus temporary over the longer term?

William T. Bosway - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Yes. Well, market share gains are as permanent as you prove them to be, right? I mean it's based on our performing and satisfying in delivering value to customers, we don't get a chance to lose them. But in general, I think they're pretty sticky as long as we continue to perform and the proof of that is the fact that they continue to grow. But in terms of what types of gains, I'll give you a couple of different examples. It's a variety of things, whether it's been through geographic expansion. We've had some new products that have come out, we've actually broadened our base with existing customers. And frankly, a lot of that is related -- we've earned that right to have that conversation because we've been able to deliver in a pretty tough 2021 supply chain environment.

In fact, just last week, we were awarded a significant amount of business because we stepped up in 2021, and that was verbalized in front of a large team from our customers. So, it's those types of things that I think are really important. I think the other thing that we've invested a lot in is digitizing the front end connectivity with our customers. So, taking out that cost of doing business with us, not talking about pricing of the product, but taking out the business cost or lowering that business cost has been pretty impactful, and that's why we've been serious about investing in our IT systems to kind of change the game in this traditional more commodity-like marketplace.

So, those investments we started making in early 2020 and on continue, I think they're also paying off, on top of the other things I mentioned.

Operator

Our next question comes from Julio Romero with Sidoti & Company.

Unidentified Analyst

This is Noah on for Julio. I had one on Agtech. Could you speak to how you view the Agtech business going forward and talk about some of the organic and inorganic opportunities for the segment?

William T. Bosway - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Yes. On the organic side, if you think about the process equipment coming out of the portfolio, we're kind of back focused on the roots we've been in for 80 years and over the last couple of years, we've added more emphasis on produce in particular, which is a relatively fast-growing end market with a lot of investments going in, in North America, particularly in the U.S. here in the last year, but continues in Canada as well. And we're in a really good position to take advantage of that. And we made an acquisition to put ourselves in that position, that was the Thermo acquisition a couple of years ago that we have since integrated -- and the demand profile, that business continues to grow. The number of projects in flight, the backlog, etc. So, we're really excited about the investment dollars going in the end market to build out these structures. We feel like we're in a much better position to support that today and going forward. So, we're very bullish about that with the trends going on in market all the way through our ability to now support that in a pretty significant way.

Our commercial business, which actually is our historical business, Today is actually our biggest segment. So, if you look at our three segments, commercial is Number 1 and produce is a close second and then cannabis is our smallest but an important segment as well. But that commercial segment covers everything from flora culture to retail, to research facilities with universities to carwash initiatives, botanical gardens and so forth. Surprisingly, that business remains very strong and very active, and there's a lot more funding flowing there as well. And so, we're quite excited about that, and that's a business that has historically performed very well, both top and bottom line.

And if you go back to our 2019 results for Agtech when that was our core focus, which is what we're now back to, we were running margins in excess of 15%. So, we know that how to do this and do it well. And now the top line the backlog continues to build, we feel really good about the demand in the commercial and the produce segments continuing to accelerate.

So that brings you to cannabis and cannabis from a growing structures perspective, we've actually been in since 2018 when we acquired a company called Nexus. Nexus is based in the Denver area. And they were really one of the first folks that learned how to build structures appropriately to help grow cannabis in an indoor setting, a controlled environment. We had a very strong year in 2019 and all the things we talked about relative to permitting and expansion in the last two years for that industry has slowed but, boy, we've really started to see activity pick up and our backlog has grown in there as well. So, you'll see a stronger year in cannabis growing structures this year for us as well. That's why our confidence in Agtech this year as we continue to make progress, starting last year, we said sequentially we're going to get better every quarter on margin, and we have, not as fast as I would have liked, but we've continued to improve. And you'll see us generate double-digit margin performance for the year in the Agtech business this year, and you'll see us grow as well. And that's one of the carries of the strength of the team that helps us this year, particularly if there is something that happens in the solar industry that we're not anticipating today.

So, I would -- it's a long answer to your question about the Agtech business relative to are there bolt-on opportunities? Yes, there are. Our key value proposition, though, has a lot to do with our domain expertise with all the systems that we help customers select and integrate as we design and build and construct the facilities that we do across our growing sites.

Unidentified Analyst

Okay. Perfect. And I just had one more circling back around to renewables. You kind of touched on a little bit some of the challenges you had in the quarter. Would you say that weather, supply chain was a bigger factor? And do you see supply chain getting better or worse?

William T. Bosway - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Well, weather was a big impact in January and February. I mean, we -- we have a -- if you think about the population in the U.S. and you think about where C&I solar installations are heavily oriented, traditionally, it's been in Northeast which is highly populated and, unfortunately, the projects that were supposed to be done in Q4 of 2021 because of panel supply and other supply chains got pushed into January, February timeframe, and then we got into some unfortunate weather and that was a problem. And that can be very impactful if we haven't priced for that. And typically, projects that go into heavy weather months like that are priced differently than they would be for those that we know are going to land in other quarters where the weather isn't so extreme, and we just didn't have that advantage because of delayed projects. So, we kind of got double-whammy there, if you will.

So, I think that was a big incremental impact in Q1 that was unfortunate. The supply chain relative to panels, which has been an issue for three quarters now, has gotten a little bit better, but I don't think it's because it just gotten better. I think it's because, frankly, there's been so much emphasis on it that we as well as I'm sure others have really had to sit down with customers and talk through what they actually have in hand in possession versus what they think they may be able to get. And that's been a challenge in the last few quarters.

Now that we have this new development in the industry with the DOC investigation, it's actually forced us and our customers for every project that's in flight or in plan to understand what is already in hand because if you have -- if you don't have your panel before March 22, then depending on the outcome of the investigation, if it goes in favor of the complainant and you bought your panel after March 22, you have risk of these retroactive duties.

So, everybody in the industry in the last four weeks is really trying to hone into what they have. And that makes it actually easier for us to execute around knowing what is there, versus what may or may not be there. And that's really been the last three quarters in a lot of ways in the industry that we're dealing with. And we're not unique to that, but that's kind of more of an industry situation. So, we're actually a little more confident knowing what's out there than we were in the last three quarters despite the supply chain for panels not actually being a whole lot better if that makes some sense.

Operator

Our next question comes from Ken Zener with KeyBanc Capital Markets.

Kenneth Robinson Zener - *KeyBanc Capital Markets Inc., Research Division - Director & Equity Research Analyst*

Good morning. Quite the quarter. So, I have some broad questions just to put the actions of the quarter and the choices you're making kind of within the context or a bridge from the Analyst Day, if that's okay with you just to kind of see how these things are shifting given the landscape. So just looking at Agtech, in your Analyst Day presentation, cannabis was kind of about 30%. It was supposed to grow to about 30%. You mentioned it's about 10% of sales that you're divesting today, but that was a large piece of that growth platform when you think about the 2022 targets. Could you maybe just give us a little sense of how this decision kind of impacts the 2025 goals that you laid out, just so we could have a better interpretation of that presentation?

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

Yes. So, Ken, good question. It was 10% of 2021 sales. So, call that $19 million. What you saw in the Investor Day was still heavily oriented on cannabis with growing was the structures piece. That's the bigger piece that always has been of that business. So, we don't really see that impactful in 2025. And the other thing I'd say is the produce business is just, over the last six months, we're seeing accelerated at a faster clip than we probably thought then and will more than offset the $19 million that we're talking about today.

Kenneth Robinson Zener - *KeyBanc Capital Markets Inc., Research Division - Director & Equity Research Analyst*

Good. And let me just keep drilling down, I apologize. I just think it's -- this is actually a very interesting quarter for you guys to highlight the details of your business which are not easily understood. That vegetable in last quarter, this came up in conversations I had. I had really had prior to last quarter approval of vegetables, right, the greenhouse. Could you go into that whole approval process? Because on the residential side that I cover, we hear about approvals and that type of stuff. But can you -- last quarter was really the first time I heard about delays due to approvals and stuff. Could you give us a little more understanding of that given the increasing importance of this business given the divestiture?

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

Yes. Ken, a lot of permit delays that we're seeing, it's in one region just across the border, and it's around water rights. There's an area in Canada where a lot of these greenhouses go. They have a significant amount of water committed to people who apply for the right to use water and aren't using them using that water. And so, the locality is working on saying, hey, use it or lose it. And we have customers that need water and/or need to move, so they're a little bit in a different location where they have access to water. And so that that's been going on for probably three quarter-ish.

And so, it's being fixed. It's just -- it moves at a slower pace. And then I think the other impact on sort of scheduling permits is really still around the states that legalized cannabis, like New York State. So, New York State in the last, I'm going to say, month, but it's pretty recent, allowed, I think, 46 people who had a license to do, that might have been hemp to grow cannabis for the recreational market. They still haven't selected the licensees for dispensary side, nor have any of the licenses that they just granted been permanent. They're sort of -- for a year, I think it goes through next December. So, still some of that legislation delay from the states that legalize. It's starting to move, but it's just a little slower. So, we've got some projects that are -- people won't invest until they have a permanent license. And New York State being an example, it could be another three to six months before we see some activity there.

Kenneth Robinson Zener - *KeyBanc Capital Markets Inc., Research Division - Director & Equity Research Analyst*

I appreciate it. So, the vegetable related to the water in Canada, why do you see that as a perhaps near-term cycle issue as opposed to a secular issue you given something else if it wasn't anticipated?

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

Yes. It's one region where we operate. If you go get land 15 miles away, you're not stuck with that. Or if you're close enough to the lake where you have water rights directly from the lake and you're not dependent on the municipality. So, what we've seen is growers that we work with shifting their location a little bit. You need 30, 40 acres or whatever you're going to need, land is available, but it just is the process yes. So, it's not -- it's a very specific.

William T. Bosway - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

I think that it's important to remember, too, is our expansion in produce, the vegetable fruit side has traditionally been inside that region we talked about. A lot of our growth and backlog going forward is expansion into the U.S. where there's a lot of investment going in as well. So, we're not as dependent on a single pillar foundation or the industry is not as expanding in the U.S. where you don't have some of those stipulations or challenges.

Kenneth Robinson Zener - *KeyBanc Capital Markets Inc., Research Division - Director & Equity Research Analyst*

Really appreciate that detail because that was below surface. Second, and Bill, this is more for you, and I guess, discussions with the Board, given you're making a call on the divestiture. Obviously, that was -- we'll have to see how that clears out. But at least that's a clear decision that you've made. But given the buyback in conjunction with that, given the right you're in high-growth industries as opposed to the residential look, there's a lot of hiccups that you've been facing. Maybe some have been self-created but more so just exogenous events. And it seems as though the broader goals that you might have discussed at the Analyst Day as well, given the activities challenges you're facing, how has that shifted? It seems like you're much more comfortable saying, look, we have a lot of cash, we have an un-levered balance sheet. We're going to put some of this capital back to work in the company. You've created these growth platforms, which you invested in, some worked out, some haven't so far. Really just this idea of organic growth and share buybacks. Has that -- because you have a platform now that seems to offer sufficient activity. Does that really reflect a shift in terms of your discussions with the Board about what you control and what you guys know as your organic platform is so strong now that you just think you can be spinning out the cash as you execute around these 2025 goals?

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

No, I don't think it's that ? I don't want to say black and white. I don't think it's that black and white, and I would suggest that you think about we're going to generate a lot of cash this year as well as the next -- up through 2025 for the plan. You got in industry in solar right now that's working through some big issues.

So, in the short term, we want to have flexibility to try to drive equitable returns for our investors, while we're waiting to see how some of these industries are going to evolve in the near term because of some of these unique circumstances. They're going to get cleared out, they're going to get dealt with. But I don't want -- we have an opportunity here to help our shareholders, and so we want to have that flexibility to do that. And it doesn't mean that our plan overall has changed. We feel like we're going to put money to work over the next three years and a combination of M&A like we have to build out the platforms further. We've got organic growth. As you saw this first quarter that grew double digits. That's going to continue to drive the platforms, and I think we have some other opportunities for capital in the near term as well.

So, I don't think it's a wholesale change by any way by any means. I just think it's demonstrating some flexibility on behalf of our shareholders to react to a situation in a couple of more markets that we want to take advantage of in the near term as much as anything else.

Operator

[Operator Instructions.] Our next question is from Walt Liptak with Seaport.

Walter Scott Liptak - *Seaport Research Partners - MD & Senior Industrials Analyst*

I wanted to ask about the processing divestiture. What do you envision for the timing? And I think you said it was $19 million of sales. What should we be thinking about for cash inflow from it? Or is it immaterial?

William T. Bosway - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Yes. I would say, Walt, both timing and value are a little bit TBD, right? Where we've publicly announced today, we've had some conversations, and we're going to continue that. So, we'll keep you updated as it moves. It's not going to be years, but I don't think it's also a month, right? So, it's somewhere between those two brackets and more to come.

Walter Scott Liptak - *Seaport Research Partners - MD & Senior Industrials Analyst*

Okay. When you were thinking about that divestiture, I understand that some of the growth came out of it. But I had thought about all the cannabis businesses as sort of a complete package like a system and having a broad range of products. Why keep the grow part of the business? Why not put them all together as one business and exit that one completely. Because certainly, there's -- that one seems to be one that's been lumpy in terms of timing on revenue and fits, etc.

William T. Bosway - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Yes. So, Walt, I'll clarify for everybody just a little bit. When you get into the growing business, we fundamentally -- it is fundamentally one business. If you think about our history, -- we've been in these growing structures, and they serve so many different end applications. From a go-to-market perspective, as we talk to customers, what we found these segments a little bit different. But if you look at the back end of how you support a cannabis growing site, a tomato-growing site, our carwash side, a retail site. The business has very common processes across the back end from estimating to design, to manufacturing, to stick them in the ground and field execution.

So, it's -- I would characterize this move is getting back to our growing structures core that we've been in for 80 years. We just now have an opportunity where there's some market segments that evolve that have unique customer sets. So, it's kind of come out of one group. It's just selling to the three or four different buckets. If I give you the commercial market as an example, there's six or seven segments that have always been there. So, think about this as a commercial growing structures business with nine segments instead of seven, produce being one and cannabis being one. And so, we've been in the cannabis growing business for three or four years, that was the Nexus acquisition. But Nexus also makes structures for flora culture and other types of greenhouse structures. It just happened that they were -- had more domain experience in how to do a structure for cannabis. That's all. They do other stuff as well.

So, it's not as separated in the back end as maybe we kind of ?

Walter Scott Liptak - *Seaport Research Partners - MD & Senior Industrials Analyst*

Okay. All right. Fair enough. Yes. Okay. Great. And then I want to try and drill down a little bit about the solar comments. And I understand that your customers are telling you that, hey, we got the panels for the second quarter, so these projects should be on track. I wonder if you could tell us how deep did you go down into the conversations? Can you talk to ? were you able to audit it? I mean were you able to physically see or -- because we've heard some of the stuff before where customers were saying, hey, we had our permits or we're going to be able to get these panels and then they weren't there. How deep did you drill down with some of your top customers to understand that they were going to be able to get these projects moving in the second quarter?

William T. Bosway - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Yes. So, the second quarter projects, obviously, we're in flight. Remember, we're kind of POC accounting. So those projects were starting in Q1. We're getting some of that revenue, etc., flowing through Q2. So, sitting down with every customer, a lot of it has been face-to-face, obviously, lots been on the phone. But being able to audit warehouses and things of that nature for these folks, I think that we've not been able to do per se. But the difference is this, our incentive before was we need to understand if you have panels or not. And if the answer was yes, the answer could be couched around the perspective of, yes, we have the panels on order, they're coming and they'll be here in the next 30 days. We've submitted a PO form. Now it's different. Now you physically have to have the panel in hand because if we don't or if we haven't bought it, now you have this risk, it's a huge risk. So, I think the mentality of the industry, us, including our customers, when we talk about you have panels, physically do you have your hand on panels? It's in their best interest to verify that a much different way than it was just five weeks ago. And that's the difference. And that's why you hear -- if you're listening to the press or you're seeing a lot of information flow in this, there's some -- there's a lot of disruption right now because people are having to go back in and see what they physically have and to verify to determine whether or not they can move the project forward because that's going to deteriorate if they have the business the next nine months. And so, it's a much different set of circumstances than it was over the last three quarters in terms of verification of the panels. And I'm not saying industry is perfect. Look, we're four weeks into this, it's a shock to the industry. And but over the last four weeks, we've talked to a lot of customers face-to-face, and that's the difference.

So right now, we're out in the field and we see the panels in the projects that we're involved in. I think the question's going to be, what does Q3, late Q3, Q4 look like? And that's what a lot of -- I think the customers are trying to figure out at this stage. But like I said earlier, we factored in some disruption in the second half relative to our full year performance guide and looked at a couple of different scenarios. But yes, it's going to be an ongoing situation for sure. And I think we feel good about Q2 and we're working on everything for Q3 and Q4 as we speak.

Walter Scott Liptak - *Seaport Research Partners - MD & Senior Industrials Analyst*

Okay. Really appreciate that explanation. Maybe one last one on solar. The loss that you did this quarter of $7 million. I wonder if you could help us understand where -- was that under absorption of your installation teams? Or why was that loss there? Was there extra costs in the quarter related to some of these project delays -- and how -- I guess I'm looking for some confidence that the first quarter is a onetime thing and there's not kind of lingering costs that are going to significantly impact second quarter or the full year?

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

Yes. Well, it's -- the GAAP loss is 7% adjusted is $4.3 million, just to be clear. Yes. So, look, the big two things in the quarter or the costs, let's say. It's not necessarily a huge fixed-cost issue. It's more of project and efficiencies. So, we have people -- when we talk about the severe winter weather, imagine going and putting foundations in the ground that's the first step of a field. And then weather comes through and you get ice on the ground and you have teams in the field chipping ice away from the foundations so that you can attach the racking system to that. We thought that work was going to be done in October, November, December, and you don't run into that. Normally, we don't schedule nearly as much work in the Northeast in the middle of the winter. And when we do, there's a different cost to our customers to account for this kind of stuff. That was tough. I mean that drove a fair amount of our loss. A little volume, right, impacted it. And then always some material cost alignment, less impactful, but it's there. I would do those three things.

So, the weather's gone because of this DOC, but also because for the last two quarters, we've been working with our customers before we start full forming a racking system and schedule our projects in the field, we make sure we know what panels are going to show up and when because it can't really manufacture the racking system efficiently until you know what panel is going to be on that job. And if we manufacture for one panel and a different panel shows up, we have to charge our customers to drill holes on each early in the field. So, it's just -- we don't want to ever have to do that because of all the delays we went into last year, our process got tighter around ensuring we knew what it was before it goes to production.

William T. Bosway - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Walt, one other thing I'll mention, what's different today versus just five weeks ago, the financial risk for a customer developer in the field by not knowing what's going on with the panels is much greater today than it was. They cannot afford to take the risk of buying something they don't have. If they don't have it, and they know they can't get it right now without taking that risk. So, when you get down to the conversation, do you have it in possession yester now and was it bought before March 22, yes or no? It's in their best interest and they're telling us that, and that makes sense, right?

So that just kind of -- it forces a different discussion than over the last three quarters on panel supply. -- because the risk has shifted significantly to them on the potential penalties that come with doing the wrong thing. So, if you don't have it, you're not doing a project. If you have it, you need to verify it before we actually move forward with each other. And they're not going to move forward unless they know they have -- they bought and in-hand and bought prior to the DOC investigation beginning.

Walter Scott Liptak - *Seaport Research Partners - MD & Senior Industrials Analyst*

Okay. Great. That makes a lot of sense. I appreciate those answers. And so, the three solar projects that got canceled, small amount, but it sounds like that was the reason that they didn't want it. Is that fair that they didn't want to take on that risk?

William T. Bosway - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Yes. They didn't have the panels and the panels they had on order, they're not going to take the risk of receiving those and putting them in the field because the risk of potential retroactive penalties. So that's the challenge with this DOC case is the penalties. If the decision is not made until August, the penalties are said to be retroactive back to March. So, between March and August, it kind of stymies folks that don't have panels. And if you've got a potential penalty of 250%, the economics that you assumed on your developments and the bank ability that you want to get your financing on absolutely could be much different if you get charged extra 250% on panels nine months later. So, the returns, it's just not worth the risk. And frankly, your financing is not going to line up with you until you have clarity on what your true investment thesis is, right?

So that's the dilemma that I think a lot of those don't have panels are dealing with, and that's the point that we're trying to make to the administration is, you got 230,000 people in the U.S. who work in this industry. We generate over $30 million a year. And effectively, this thing puts a large portion of the industry on pause if they don't have panels. And more importantly, it puts the climate agenda that the administration has in serious jeopardy for the commitments that we've made. And then finally, I don't think people even realize that solar has been the fastest growing and makes up for the most renewable energy that's been put in the last five years is solar.

So, it's going to get resolved. It's just right now, it's got a lot of people on edge, obviously, because of the DOC investigation, the way that those things work. So that's a forcing function right now. Do you have a panel yes or no? That's different than the last three quarters. Absolutely.

Operator

Thank you. Ladies and gentlemen, this does conclude the question-and-answer session. I'd like to turn the call back to Mr. Bosway for any closing remarks.

William T. Bosway - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Well, again, everyone, thanks again for joining us today. We will be presenting at the KeyBanc conference in Boston in June and the CJS Summer Ideas Conference in July as well as holding a few non-deal road shows. We'll speak to you again in a few months, and look forward to follow-up conversations and look forward to talking to you at the end of the second quarter as well. Thanks, and have a great day.

Operator

Thank you. This does conclude today's conference. Thank you for your participation. You may now disconnect.
