



**GIBRALTAR**  
**INDUSTRIES**

**2020 Annual Report**

## Company Profile

Gibraltar is a leading manufacturer and provider of products and services for the renewable energy, conservation, residential, and infrastructure markets. These products and services include the design, engineering, manufacturing and installation of racking, foundation, and electrical systems for photovoltaic (PV) solar systems, commercial growing greenhouses and processing extraction technology for biologically grown food, cannabis, and other plants; roof-related ventilation to support healthy home environments; postal and parcel storage for home and retail sites; and structural bearings and expansion joints for bridges and other transportation structures. We serve customers primarily in North America including renewable energy (solar) developers, institutional and commercial growers of food and plants, home improvement retailers, wholesalers, distributors, and contractors. As part of our continuing operations at December 31, 2020, we operated 38 facilities, comprised of 27 manufacturing facilities, two distribution centers, and nine offices, which are located in 17 states, Canada, China, and Japan. Our operational infrastructure provides the necessary scale to support local, regional, and national customers in each of our markets. Our common stock is trading on the NASDAQ under the ticker symbol "ROCK".

## Selected Financial Highlights

### GAAP

	Years Ended December 31,		
	2020	2019	2018
Net sales	\$ 1,032,578	\$ 898,233	\$ 837,097
Intangible asset impairment	\$ -----	\$ -----	\$ 1,552
Depreciation	\$ 11,252	\$ 10,666	\$ 10,249
Amortization	\$ 9,663	\$ 6,891	\$ 7,190
Income from operations	\$ 107,190	\$ 80,812	\$ 81,141
Interest expense, net	\$ 703	\$ 2,323	\$ 10,709
Income before taxes	\$ 107,759	\$ 78,081	\$ 67,123
Provision for income taxes	\$ 24,468	\$ 18,153	\$ 13,011
Income from continuing operations	\$ 83,291	\$ 59,928	\$ 54,112
Income per share from continuing operations	\$ 2.53	\$ 1.83	\$ 1.66
Weighted average shares outstanding – Diluted	32,918	32,722	32,534

### Adjusted Financial Measures

	Years Ended December 31,		
	2020	2019	2018
Income from operations	\$ 116,774	\$ 98,048	\$ 88,501
Income before income taxes	\$ 115,462	\$ 96,396	\$ 77,543
Provision for income taxes	\$ 25,710	\$ 20,848	\$ 17,242
Income from continuing operations	\$ 89,752	\$ 75,548	\$ 60,301
Income per share from continuing operations	\$ 2.73	\$ 2.31	\$ 1.85
Weighted average shares outstanding – Diluted	32,918	32,722	32,534
Adjusted operating margin	11.3%	10.9%	10.6%
ROIC	17.6%	15.8%	14.6%

### Balance Sheet

	Years Ended December 31,		
	2020	2019	2018
Current assets	\$ 348,022	\$ 406,174	\$ 503,533
Current liabilities	\$ 252,945	\$ 206,823	\$ 370,859
Total assets	\$ 1,135,056	\$ 891,596	\$ 965,517
Total debt	\$ 85,636	\$ -----	\$ 1,600
Total shareholders' equity	\$ 743,805	\$ 673,964	\$ 596,693
Capital expenditures	\$ 13,068	\$ 8,776	\$ 10,368

Note: Adjusted financial measures are shown in the reconciliation of adjusted financial measures excluding special charges provided in the supplemental financial schedules that accompany our earnings release issued for the twelve months ended December 31, 2020 on February 25, 2021.



## Dear Shareholders:

The last twelve months have been incredibly challenging for everyone – with health, social and economic concerns at the forefront – disrupting many of our norms and paradigms in the most unanticipated ways. It has been a year unlike many have ever experienced, and the need for tremendous resilience and perseverance has never been greater. Yes, 2020 was a very difficult year, but it also created an opportunity for learning and understanding, more education on critical issues, and for individuals and companies to step up and take a leadership role in solving some of society's most pressing problems.

## The Year In Review

Our top priority during 2020 was the health and well-being of our people, our customers, and our suppliers. This focus enabled us to operate consistently throughout the year and deliver record results in 2020. We reported revenue of \$1.03 billion, up 15%, adjusted earnings per share of \$2.73, up 18%, and return on invested capital improved to 17.6%, up over 180 bps versus 2019. These results support our fundamental strategy to improve the growth and margin profile of the Company, and accelerate returns by being well-positioned in attractive end markets where we can help solve industry and customer challenges.

During 2020, it was very important to us, despite a challenging market environment, to continue to improve the business and focus on strengthening our three strategic pillars. We made additional investments in our **Business System** pillar, upgrading our operating and customer-facing systems while also implementing an effective and secure remote work environment for our organization. We also implemented our pandemic operating playbook and continued our 80/20 and productivity initiatives across our operations. Our **Portfolio Management** pillar remained active and we made five (5) acquisitions that strengthened our leadership positions in key markets. We acquired Thermo Energy Solutions, a leader in commercial growing infrastructure, Delta Separations, a leader in processing extraction equipment, Architectural Mailboxes, a leader in high-end design mailboxes, and TerraSmart and Sunfig, respective leaders in the Solar energy space. We also made good progress with our **Organization Development** pillar. We added talent to the team with over 50% of our additions classified as diverse, accelerated our education initiative with over 20,000 hours of education implemented, and we continue to implement better processes, systems, and development tools to help scale our organization to support our growth plans. Furthermore, we appointed two new directors to our Board of Directors to continue to ensure that our Board composition reflects an appropriately diverse and essential mix of skills and experience that are important to help us advance our vision of creating meaningful value for our people, our communities and our stakeholders.

## Looking Forward

As we enter 2021, we are well-positioned to execute our plans with an excellent portfolio of businesses, a stronger team, and a strong balance sheet to make additional investments and accelerate performance. We will continue to execute our operating playbook, maintain a safe environment for our people, work closely with our suppliers, and support our customers. We will also continue to conduct business in the right and responsible way by driving our environmentally-sound solutions, invest in our communities where our people live and work, and create the best environment for our people to have success.

Finally, we would like to express appreciation to our entire team who come to work every day knowing what they do each day makes us a better company, and truly matters to our customers, shareholders, other stakeholders, and our communities where we operate. We are looking forward to delivering on our commitments again in 2021.

Sincerely,

A handwritten signature in black ink that reads "William P. Montague".

William P. Montague  
Chairman

A handwritten signature in black ink that reads "William T. Bosway".

William T. Bosway  
Chief Executive Officer

April 2, 2021

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549



**FORM 10-K**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES ACT OF 1934

For the fiscal year ended December 31, 2020

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number 0-22462

**GIBRALTAR INDUSTRIES, INC.**

Delaware

(State or incorporation )

16-1445150

(I.R.S. Employer Identification No.)

3556 Lake Shore Road P.O. Box 2028 Buffalo , New York

14219-0228

(Address of principal executive offices)

**Registrant's telephone number, including area code: (716) 826-6500**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	ROCK	NASDAQ Stock Market

**Securities registered pursuant to Section 12(g) of the Act: NONE**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file report pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definition of "large accelerated filer", "accelerated filer", "small reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Emerging growth company

Non-accelerated filer

Smaller reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

Aggregate market value of voting Common Stock held by non-affiliates of the registrant as of June 30, 2020 was: \$1.5 billion.

As of February 24, 2021, the number of common shares outstanding was: 32,570,961.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's Definitive Proxy Statement to be filed for its 2021 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

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## *Safe Harbor Statement*

Certain information set forth herein includes statements that express our opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results and, therefore, are, or may be deemed to be, "forward-looking statements." These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms "believes," "estimates," "anticipates," "expects," "seeks," "projects," "intends," "plans," "may," "will" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, competition, strategies and the industries in which we operate. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We believe that these risks and uncertainties include, but are not limited to, those described in Item 1A "Risk Factors." Those factors should not be construed as exhaustive and should be read with the other cautionary statements in Item 1A "Risk Factors." Although we base these forward-looking statements on assumptions that we believe are reasonable when made, we caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity and the development of the industries in which we operate may differ materially from those made in or suggested by the forward-looking statements contained herein. In addition, even if our results of operations, financial condition and liquidity and the development of the industries in which we operate are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. Given these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements. Any forward-looking statements that we make herein speak only as of the date of those statements, and we undertake no obligation to update those statements or to publicly announce the results of any revisions to any of those statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

## PART I

### **Item 1. Business**

#### **The Company**

Gibraltar Industries, Inc. (the "Company") is a leading manufacturer and provider of products and services for the renewable energy, conservation, residential and infrastructure markets. Gibraltar's mission is to create compounding and sustainable value for our shareholders and stakeholders with strong and relevant leadership positions in higher growth, profitable end markets focused on addressing some of the world's most challenging opportunities. The foundation of the Company's strategy is built on three core pillars: Business System, Portfolio Management, and Organization Development.

1. Business System reflects the necessary systems, processes, and management tools required to deliver consistent and continuous performance improvement, every day. Our business system is a critical enabler to grow, scale, and deliver our plans. Our business system is focused on deploying effective tools to drive growth, improve operating performance, and develop the organization. Our Business System challenges existing paradigms, drives day-to-day performance, forces prioritization of resources, challenges our business models, and brings focus to new product and services development and innovation.
2. Portfolio Management is focused on optimizing the Company's business portfolio and ensures our financial capital and human resources are effectively and efficiently deployed to deliver sustainable, profitable growth while increasing our relevance with customers and shaping our markets. In 2020, the Company transacted the following acquisitions:
  - Thermo Energy Systems ("Thermo") - January 2020,
  - Delta Separations ("Delta") - February 2020
  - Architectural Mailboxes - October 2020
  - Sunfig Corporation - December 2020
  - TerraSmart LLC ("TerraSmart") - December 2020

During the fourth quarter of 2020, the Company made the decision to classify its Industrial business as held for sale and report its results as discontinued operations.

3. Organization Development drives the Company’s continuous focus on strengthening and scaling the organization to execute the Company’s plans and meet commitments. The Company aspires to make our place of work the "Best Place to Work", where we focus on creating an environment for our people to have the best opportunity for success, continue to develop, grow, and learn. At core of this pillar is the Company’s development process focused on helping employees reach their potential, improve performance, develop career roadmaps, identify ongoing education requirements, and respective succession plans. We believe doing so helps us attract and retain the best people so we can execute our business plans.

**COVID-19 Update**

While the Company continues to encounter challenges and uncertainty associated with COVID-19, the pandemic did not have a material adverse effect on our reported results during 2020. While most of our operations have been considered essential businesses and all have remained open during the pandemic outside of a few days, the decision to keep our team intact despite some initial market softness for certain businesses put us in a position to deliver revenue and earnings growth throughout 2020. Our top priority continues to be focused on our organization - keeping our team and their families as safe as possible, our supply chain operating well, and providing a high level of responsiveness to customer needs. We will continue to proactively execute our pandemic “playbook” as we enter 2021 and make adjustments to our operating protocols as navigate forward. The extent to which our operations will be impacted by the outbreak will largely depend on future developments, which remain uncertain and challenging to predict, including new requirements or regulations mandated by government authorities. Refer to the Company's Outlook section in this management discussion and analysis for consideration relative to future periods.

The Company serves customers primarily in North America including renewable energy (solar) developers, institutional and commercial growers of food and plants, home improvement retailers, wholesalers, distributors, and contractors. As part of our continuing operations at December 31, 2020, we operated 38 facilities, comprised of 27 manufacturing facilities, two distribution centers, and nine offices, which are located in 17 states, Canada, China, and Japan. Our operational infrastructure provides the necessary scale to support local, regional, and national customers in each of our markets.

The Company operates and reports its results in the following three reporting segments:

- Renewable Energy and Conservation;
- Residential Products;
- Infrastructure Products.

The following table summarizes the primary products, applications, and end markets for each segment:

**Renewable Energy and Conservation Segment**

<b><u>Products &amp; Services</u></b>	<b><u>Applications</u></b>	<b><u>End Users</u></b>
Renewable Energy: Design, engineering, manufacturing and installation of solar racking and electrical balance of systems	Commercial & distributed generation scale commercial solar installations on any type of terrain	Solar developers; power companies; solar energy EPC contractors
Conservation: Provide growing and processing solutions including the designing, engineering, manufacturing and installation of greenhouses, and botanical extraction systems	Retail, vegetable, flowers, cannabis, commercial, institutional and conservatories, car wash tunnels, botanical oil extraction	Organic produce growers; retail garden centers; conservatories and botanical gardens; floriculture growers; agricultural research; botanical oil processors



## Residential Products Segment

<u>Product</u>	<u>Applications</u>	<u>End Market</u>
Roof and foundation ventilation products	Ventilation and whole-house air flow	Residential: new construction and repair and remodeling
Centralized mail systems and electronic package solutions	Secure storage for mail and package deliveries	
Retractable awnings & gutter guards	Sun protection; gutter protection	
Rain dispersion, trims and flashings, other accessories	Water & protection from natural elements	

## Infrastructure Products Segment

<u>Product</u>	<u>Applications</u>	<u>End Market</u>
Structural bearings, expansion joints and pavement sealant for bridges, airport runways and roadways, elastomeric concrete, bridge cable protection systems	Preserve functionality under varying weight, wind, temperature and seismic conditions	Bridge and elevated highway construction, airport pavements

The Company's operating businesses have established leadership positions in attractive end markets by building core capabilities in innovation, new products and services, manufacturing and field operations, business systems, quality performance, along with a healthy balance sheet and the strength of our people. We will continue our focus of time, talent, and energy on strengthening our position in each market we serve.

**Attractive End Markets.** Our markets are focused on solving global challenges as it relates to accelerating renewable energy generation, growing food and plants more environmentally-friendly and efficient way maintaining healthy home environments, supporting postal and parcel home delivery, and improving our country's transportation infrastructure and ways of transporting people.

**Value-Added Products and Services.** We provide industry-best solutions to our customers: racking, foundation, and electrical systems for photovoltaic (PV) solar systems, commercial growing greenhouses and processing extraction technology for biologically grown food, cannabis, and other plants; roof-related ventilation to support healthy home environments; postal and parcel storage for home and retail sites; and structural bearings and expansion joints for bridges and other transportation structures. Our products and services are highly engineered, supported with intellectual property, and driven by effective business systems and IT infrastructure.

**Commitment to Customer & Quality.** We strive to be connected directly with our end customers, where we receive unfiltered feedback on performance, insight on customer problems and opportunities, and cooperation on ideas for new products, services, and business model optimization. The percentage of our total business supported directly with end users of our products and services was approximately 54% and we expect this to grow in future years. Our commitment to quality is a core operating tenet for the Company, and our quality management systems are designed to ensure we deliver to customer and stakeholder expectations while meeting statutory and regulatory requirements related to our products and services.

**Strong liquidity profile.** We strive to manage our cash resources to ensure sufficient liquidity to fund growth initiatives, support the seasonality of our businesses, manage effectively through economic cycles. As of December 31, 2020, our liquidity was \$341 million, including \$32 million of cash and \$309 million of availability under our revolving credit facility. We believe our low leverage and ample borrowing capacity, along with enhanced flexibility in our Senior Credit Agreement, provides us with the financial capacity to fund our ongoing business requirements, strategic initiatives, and acquisition opportunities.

## Recent developments

During 2020, the Company transacted the following acquisitions:

Business Acquired	Date of Acquisition in 2020	Preliminary purchase price (in millions) <sup>1</sup>	Description
TerraSmart LLC	December 31	\$ 228.0	Provider of screw-based, ground-mount solar racking technology, particularly used for solar projects installed on challenging terrain
Sunfig Corporation	December 11	\$ 4.0	Provider of software solutions that optimize solar energy investments through upstream design, performance and financial modeling
Architectural Mailboxes	October 15	\$ 27.0	Provider, designer, and developer of decorative residential mailboxes and related products
Delta Separations	February 13	\$ 46.0	Provider of ethanol-based extraction systems manufacturer and training and laboratory design and operations consultative partner
Thermo Energy Systems	January 15	\$ 7.0	Provider of commercial greenhouse solutions in North America supporting the biologically grown organic food market

Note 1: Except for TerraSmart, which was financed through a combination of cash on hand and borrowings under the Company's revolving credit facility, all of the above 2020 acquisitions were funded from cash on hand.

During the fourth quarter of 2020, the Company committed to a plan to dispose its Industrial business as a result of its portfolio management strategy to focus on participation in higher value and faster growing markets. The Industrial business, previously reported in the Company's Industrial and Infrastructure Products segment, has been classified as held for sale.

## Customers and Products

Our customers are located primarily throughout North America. One customer, a home improvement retailer which purchases from both the Residential Products segment and Renewable Energy and Conservation segment, represented 14% of our consolidated net sales for each of the three years ended December 31, 2020, 2019, and 2018. No other customer in any segment or segments accounted for more than 10% of our consolidated net sales.

Our products are primarily distributed to our customers using common carriers. We maintain distribution centers that complement our manufacturing plants from which we ship products and ensure on-time delivery while maintaining efficiency within our distribution system. Our customers and product offerings by segment are described below.

## Renewable Energy and Conservation

The Renewable Energy and Conservation segment is primarily a designer and manufacturer of fully-engineered solutions for solar mounting systems, greenhouse structures and botanical oil extraction systems. This segment offers a fully integrated approach to the design, engineering, manufacturing and installation of solar racking systems, including electrical balance of systems, and commercial, institutional, and retail greenhouse structures servicing customers, such as community solar owners and developers, organic produce growers, retail garden centers, conservatories and botanical gardens, floriculture growers, agricultural research, and botanical oil processors. With the recently announced acquisitions of TerraSmart and Sunfig, we have 13 manufacturing facilities and 2 distribution centers and operate in the United States, China and Japan.

An integral part of solar racking and greenhouse projects is the fabrication of specifically designed metal structures for highly-engineered applications including: racking and foundation for ground-mounted solar arrays on any type of terrain; single-axis solar tracker solutions; carports that integrate solar PV panels; as well as commercial-scale greenhouses and other glass structures. Both the solar racking and greenhouse projects involve securing glass and plastic to metal and use the same raw materials including steel and aluminum. Most of our production is completed using computer numerical control machines, roll forming machines, laser cutters and other fabrication tools. The structural metal components are designed, engineered, fabricated and installed in accordance with applicable building codes.

We strive to improve our offerings of products by introducing new products, enhancing existing products, adjusting product specifications to respond to commercial building codes and regulatory changes, and providing solutions to contractors and end users. New products introduced in recent years include screw-based racking solutions, software solutions to optimize solar energy investments, botanical oil extraction systems, single-axis tracker systems, metal framed structures for car washes, and solar racking systems for carports and canopies. Our screw-based racking solutions offer rapid installation on any terrain. Our new software solution enables our team to optimize solar project design, utilizing solar irradiance data and topography analysis to quickly and automatically generate multiple potential layouts for complex projects. Our botanical oil extraction systems provide equipment for extracting plant oils for hemp, cannabis, and nutraceutical processors. The single-axis tracker systems within our solar mounting solutions group provide flexibility to adapt to a variety of site conditions that impact tracker site designs when using other solutions in the market and can vastly reduce the costs associated with civil work on projects. The patented design eliminates complexities incorporated in the traditional systems, simplifying the operations and maintenance of the system, along with streamlining the installation process. Our car washes serve a market preference for light- transparent structures. Solar racking systems for carports serve as protection for cars from the effects of the sun and intense heat while providing a renewable energy source. Similarly, solar racking systems installed on idle land, such as solid waste landfills, or on challenging, rocky terrain, converts such land into a useful property by providing clean renewable power generating capabilities.

## Residential Products

Our Residential Products segment services the residential repair and remodeling and to a lesser extent the new housing construction markets in North America with products including roof and foundation ventilation products, centralized mail systems and electronic package solutions, outdoor living products (retractable sun-shades), rain dispersion products and other construction accessories. Our residential product offerings are sold through a number of sales channels including major retail home centers, building material wholesalers, building product distributors, buying groups, roofing distributors, residential contractors, property management companies and postal services distributors and providers. This segment operates 12 manufacturing facilities throughout the United States, giving it a base of operations to provide manufacturing capability of high quality products, customer service, delivery and technical support to a broad network of regional and national customers across North America.

Our roof and foundation ventilation products and accessories include solar powered units. Our centralized mail and electronic package solutions include single mailboxes, cluster style mail and parcel boxes for single and multi-family housing and electronic package locker systems. Our remaining residential product offerings consist of roof edging and flashing, soffits and trim, drywall corner bead, metal roofing and accessories, rain dispersion products, including gutters and accessories, and exterior retractable awnings. Each of these product offerings can be sold separately or as part of a system solution.

Within our Residential Products businesses, we are constantly striving to improve our product/solution offerings by introducing new products, enhancing existing products, adapting to building code and regulatory changes, and providing new and innovative solutions to homeowners and contractors. New products introduced in recent years include electronic parcel lockers, roof top safety kits, chimney caps, heat trace coils, exterior, remote-controlled

deck awnings for sun protection, and high-efficiency and solar-powered ventilation products. Our electronic parcel lockers and parcel room systems provide residents in multi-family communities a secure storage receptacle to handle both package deliveries and receipt of other delivered goods, along with aiding retail businesses and their customers to transact via buy on line, pick up in store ("BOPUS") transactions. Our ventilation and roof flashing products provide protection and extend the life of structures while providing a safer, healthier environment for residents. Our cluster box mail delivery products provide delivery cost savings to the postal service while offering secure storage for delivered mail and packages. Our building products are manufactured primarily from galvanized and painted steel, anodized and painted aluminum, and various resins.

Within our manufacturing facilities, we leverage significant production capabilities which allow us to both assemble and process a wide range of metals and plastics for our residential products. Most of our production is completed using automatic roll forming machines, stamping presses, welding, paint lines, and injection molding equipment. We maintain our equipment according to a thorough preventive maintenance program allowing us to meet the demanding quality and delivery requirements of our customers. In some cases, the Company sources products from third-party vendors to optimize cost and quality in order to provide the very best and affordable solution for our customers.

### Infrastructure Products

Our Infrastructure Products segment primarily serves end markets such as highway and bridge construction and airports through commercial and transportation contractors. Our infrastructure product offerings include expansion joints, structural bearings, rubber pre-formed seals and other sealants, elastomeric concrete, and bridge cable protection systems. We operate two manufacturing facilities in the United States giving us a base of operations to provide customer support, delivery, service, and quality to a number of regional and national customers, and providing us with manufacturing and distribution efficiencies in North America.

We strive to improve our offerings of infrastructure products by introducing new products, enhancing existing products, adjusting product specifications to respond to regulatory changes, and providing additional solutions to contractors. New products have been introduced in recent years by extending our transportation infrastructure products into new markets. For example, our long-lasting pavement sealants for roadways are now being installed on airport runways internationally, our structural bearings for elevated highways and bridges have been installed on an offshore oil production platform, and our corrosion-protection products for cable-suspension bridges are now marketed and sold internationally.

### **Engineering and Technical Services**

Our business segments employ engineers and other technical personnel to perform a variety of key tasks which include the identification and implementation of improvements to our manufacturing process, redesign of our products for better performance, the development of new products and identification and execution of cost reduction activities. In addition, our engineering staff employs a range of drafting software to design highly specialized and technically precise products. In our Renewable Energy and Conservation and Infrastructure Products segments, drawings are approved and stamped by state licensed professional engineers. Technical service personnel also work in conjunction with our sales force in the new product development process to determine the types of products and services that suit the particular needs of our customers.

### **Suppliers and Raw Materials**

Our business is required to maintain sufficient quantities of raw material inventory in order to accommodate our customers' short lead times. Accordingly, we plan our purchases to maintain raw materials at sufficient levels to satisfy the anticipated needs of our customers. We have implemented enterprise resource planning systems along with a corporate wide SIOP (Sales, Inventory, Operations Planning process) to better manage our inventory, forecast customer orders, enable efficient supply chain management, and allow for more timely counter-measures to changing customer demand and market conditions.

The primary raw materials we purchase are flat-rolled and plate steel, aluminum coil and extrusions, and resins. We purchase flat-rolled and plate steel and aluminum at regular intervals on an as-needed basis, primarily from the major North American mills, as well as, a limited amount from domestic service centers and foreign steel importers. Substantially all of our resins are purchased from domestic vendors, primarily through distributors, with a small amount purchased directly from manufacturers. Supply has historically been adequate from these sources to fulfill our needs. Because of our strategy to develop longstanding relationships in our supply chain, we have been able to

adjust our deliveries of raw materials to match our required inventory positions to support our on-time deliveries to customers while allowing us to manage our investment in inventory and working capital. Management continually evaluates improvements in our purchasing practices across our geographically dispersed facilities in order to streamline purchasing across similar commodities.

We purchase natural gas and electricity from suppliers in proximity to our operations.

### **Intellectual Property**

We actively protect our proprietary rights by the use of trademark, copyright, and patent registrations. While we do not believe that any individual item of our intellectual property is material, we believe our trademarks, copyrights, and patents provide us with a competitive advantage when marketing our products to customers. We also believe our brands are well recognized in the markets we serve and we believe they stand for high-quality manufactured goods at a competitive price. These trademarks, copyrights, and patent registrations help us maintain product leadership positions for the goods we offer. In 2020, 8% of our annual revenues were generated from patented products.

### **Sales and Marketing**

In 2020, approximately 54% of our revenues were generated from products and services that were sold directly to the end user, with the remainder of revenues generated through retailers, wholesalers and distributors, slightly up from 53% in 2019. Continual communication with our customers allows us to understand their challenges and provides us with the opportunity to identify solutions that will meet their needs. We have organized sales teams to focus on specific customers and national accounts through which we provide enhanced solutions and improve our ability to increase the relevance of products and services that we sell. Our sales regularly involve competitive bidding processes, and our reputation for meeting delivery requirements and strict specifications make us a preferred provider for many customers.

Our sales staff works with certain retail customers to optimize shelf space for our products which is expected to increase sales at these locations. Our retail customers are provided with point-of-sale marketing aids to encourage consumer spending on our products in their stores. We focus on providing our customers with industry leading customer service. We are able to meet our customers' demand requirements due to our efficient manufacturing processes and extensive distribution network.

### **Backlog**

Backlog represents the value of the total confirmed orders at a point in time for which performance obligations have not yet been satisfied. This metric is useful as it represents the aggregate amount we expect to recognize as revenue in the future.

While the majority of our products have short lead time order cycles, we had aggregated approximately \$297 million of backlog from continuing operations at December 31, 2020 compared to \$198 million at December 31, 2019. The backlog primarily relates to certain business units in our Renewable Energy and Conservation and our Infrastructure segments. We believe that the majority of our backlog will be shipped, completed and installed during 2021.

### **Competition**

The Company operates in highly competitive markets. We compete against several competitors in all three of our segments with different competitors in each major product category. We compete with competitors based on the range of products offered, quality, price, and delivery, as well as serving as a full service provider for project management in certain segments. Although some of our competitors are large companies, the majority are small to medium-sized and do not offer the large range of products that we offer.

We believe our broad range of products, high quality, and sustained ability to meet exacting customer delivery requirements gives us a competitive advantage over many of our competitors. We also believe that execution of our business strategy further differentiates us from many of our competitors and allows us to capitalize on those areas that give us a competitive advantage over many of our competitors.

## **Seasonality**

The Company's business has historically been subjected to seasonal influences, with higher sales typically realized in the second and third quarters. General economic forces, such as tax credit expirations and imposed tariffs, along with changes in the Company's products and customer mix have shifted traditional seasonal fluctuations in revenue over the past few years.

## **Governmental Regulation**

Our production processes involve the use of environmentally regulated materials. We believe that we operate our business in material compliance with all federal, state and local environmental laws and regulations, and do not anticipate any material adverse effect on our financial condition or results of operations to maintain compliance with such laws and regulations. However, we could incur operating costs or capital expenditures in complying with new or more stringent environmental requirements in the future or with current requirements if they are applied to our manufacturing facilities or distribution centers in a way we do not anticipate. In addition, new or more stringent regulation of our energy suppliers could cause them to increase the price of energy.

Our operations are also governed by many other laws and regulations covering our labor relationships, the import and export of goods, the zoning of our facilities, taxes, our general business practices, and other matters. We believe that we are in material compliance with these laws and regulations and do not believe that future compliance with such laws and regulations will have a material adverse effect on our financial condition or results of operations.

## **Human Capital - Organization Development**

Gibraltar is built on three strategic pillars – a strong business system, the optimization of our portfolio of businesses, and continuous organizational development. Advancing each pillar is critical to ensuring we deliver our commitments to our people, our shareholders, our stakeholders, and our communities. The foundation for organizational development is built on two fundamental beliefs:

1. Our ability to perform and deliver shareholder value is dependent on our people, and
2. We strive to create an environment where our people can have the best chance for success and we refer to this internally as creating the "Best Place to Work."

Our "Best Place to Work" initiative is built on the following six tenets, and involves our entire organization:

1. Health and Safety
2. Education and Development
3. Diversity, Equality and Inclusion
4. Corporate Social Responsibility
5. Compensation and Employee Benefits
6. Communication and Employee Engagement

We employed 2,319 full-time employees and 18 part-time employees as of December 31, 2020. Of our 2,337 total employees, 939 were classified as salary and 1,398 classified as hourly. We also employed approximately 619 full-time equivalent temporary agency employees.

### Health and Safety

We expect each member of Gibraltar to follow our safety standards and practices, support our key safety initiatives, be accountable to each other, and always be part of the solution. We believe all accidents and near-misses are preventable. Additionally, we measure and review our safety results continuously in each location.

We have a disciplined safety management and reporting process. Our CEO reviews safety performance, including recordable incidents, near misses, and first aid cases monthly with all business and human resource leaders. In addition, safety performance and best practices are also reviewed quarterly with the entire organization during our organization-wide Town Hall live virtual meetings. Additionally, as part of our annual budget and capital planning

process, our businesses identify additional safety investments required for training, education, equipment, and processes.

Our safety performance improved in 2020, and we remain focused on continuing positive progress in 2021. We measure safety performance on three metrics - Total Recordable Incident Rate (TRIR), Near Misses, and First Aid events.

- TRIR is defined as the number of work-related injuries or illness serious enough to require treatment beyond first aid, per 200,000 hours worked.
- Near Misses are defined as an incident in which no personal injury occurred, but personal injury could have occurred but for a slight circumstantial shift.
- First Aid events are defined as medical attention that is administered immediately after an injury or sudden illness occurs and at the location where it occurred.

In 2020, we worked 4,874,000 hours, an increase of an 548,000 workforce hours, or 12.7% increase versus 2019. Increase in workforce hour is primarily due to our acquisitions of Thermo, Delta Separation, Architectural Mailboxes and Apeks, as well as an overall increase in our workforce from 2019. Our TRIR rate improved 37% from 3.7 TRIR to 2.3 TRIR, with recordable incidents down 29% and first-aid events up 18%, respectively. In addition, we did not have any work-related fatalities in 2020, nor any in recent years.

Operating during the COVID-19 pandemic required focus, discipline, and diligence from our entire organization to maintain our COVID health and safety protocols—while at work, home, and in the communities where we live and work. Beginning in March 2020 and to date, we implemented:

- All Centers for Disease Control and Prevention (CDC), World Health Organization (WHO), and U.S. Department of Health and Human Services (DHS) recommendations and educational initiatives. Additionally, we proactively tracked and implemented all state and local mandates and made modifications in compliance with changes throughout the year.
- Travel restrictions and leveraging of digital tools as much as possible.
- Operating protocols in our offices and production facilities including mandatory PPE (face masks / shields, and sanitizer stations), social distancing requirements, zone management, shift management, temperature checks, visitor restrictions, and sanitization management with outside contractors.
- Business continuity protocols for our remote-working team with focus on reliable, consistent, and continuous connectivity along with additional cyber-security protection and a new centralized Help Desk.
- Temporary conversions of two manufacturing facilities to produce face masks and shields for all Gibraltar employees and their family members. We also produced hand sanitizer for all Gibraltar locations and healthcare facilities and first responders in our local communities.
- 160 hours of additional pay for our production employees to be used at their discretion during the year to support them, and their families, in the event the pandemic caused personal hardship. In December 2020, we paid a cash bonus to each production employee for the unused portion of their remaining 160 hours. For non-production employees, who positions were generally able to be performed remotely, we provided salary continuation for time needed to deal with personal matters arising from the pandemic.
- Daily, weekly, and monthly communications to keep our team informed as the pandemic and our business situation evolved throughout the year. In 2020, the CEO hosted 18 live "Town Hall" virtual meetings connecting with as many as 650 people to provide updates and address any concerns from the team. The executive leadership team, business leaders, and human resource leaders met daily and weekly to modify and implement changes to our operating protocols.
- Processes to track COVID-19 cases across Gibraltar by location and for our employees working remotely. The leadership team reviewed our status every 24 to 48 hours. We also tracked the recovery process for all employees and our "active" cases throughout the year.

## Education and Development

We support our employees in realizing their full potential with meaningful career development opportunities. Our focus is to build the best organization and an environment where our employees learn, are challenged, and have the tools to grow. We are also focused on building the most effective systems, tools and processes to enable the organization to continue to advance. With these initiatives, along with our formal education and development program, we will build competencies, drive more diversity of thought, challenge internal paradigms, and drive improved and consistent performance.

The development of our organization starts with consistent education and training. At the core of this effort is making sure our people have a foundation based in Ethics and Compliance, which is summarized as follows:

- Our commitment to high ethical standards is the best way to serve our people, customers, suppliers, and investors;
- We are all responsible to follow and uphold strong ethical principles;
- Ethical behavior is more than a policy and compliance with the law is mandatory—it is our responsibility to do business in the right and responsible way.

Our commitment to living our values includes providing education and training for everyone, and as part of our continued commitment, we have updated our Code of Ethics and expanded our ethics training curriculum.

In 2019, we developed a comprehensive education curriculum including Ethics – “Doing the Right Thing,” Compliance – “Doing It the Right and Responsible Way,” and Cyber Security. Our curriculum is administered online and every employee and member of the Board of Directors is required to complete a minimum of 12.5 hours per year in an assigned timeframe. In 2020, we invested approximately 20,000 hours in education and training and our goal on a full-year basis is to invest at least 25,000 hours. Our education program, completed annually by all employees, is a condition of employment, and our CEO reviews the quarterly progress for all employees. The base curriculum is summarized below.

<b>Ethics</b>	<b>Compliance</b>	<b>Cyber Security</b>
<p><i>“Do the Right Thing”</i></p> <ul style="list-style-type: none"> <li>• Ethics and Ethical Behavior</li> <li>• Harassment and Discrimination</li> <li>• Diversity, Equity and Inclusion               <ul style="list-style-type: none"> <li>– Unconscious and Implicit Bias</li> <li>– Micro-Aggressions</li> <li>– Respect in the Workplace</li> <li>– Cultural Competency</li> </ul> </li> <li>• Corporate Social Responsibility</li> <li>• Conflict of Interest</li> </ul>	<p><i>“Do It the Right and Responsible Way”</i></p> <ul style="list-style-type: none"> <li>• Insider Trading</li> <li>• Intellectual Property</li> <li>• Anti-Trust and Fair Competition</li> <li>• Government Relations</li> <li>• Improper Payments and Gifts</li> <li>• Data Privacy and Protection</li> <li>• International Business Ethics</li> <li>• U.S. Employment Law for Supervisors</li> </ul>	<ul style="list-style-type: none"> <li>• Business Continuity</li> <li>• Security Awareness</li> <li>• Internet Security When Working from Home</li> <li>• Social Engineering, Phishing, and Ransomware</li> <li>• Mobile Security</li> <li>• Stop and Stop the Spread of Disinformation</li> <li>• Identity Theft</li> </ul>

We also developed and launched Gibraltar University in 2019, which is designed to develop our leadership across Gibraltar. The program is a two-year initiative utilizing classroom education, ongoing continuous learning, and team project implementation prior to graduation. The curriculum covers Finance, Human Resources, Marketing, Operations, Innovation, Legal, Strategy Development and Deployment, and Mergers & Acquisitions, and is taught by Gibraltar’s leadership team. In January 2020, our first class of 40 participants, nominated by our business leaders, started the program and will graduate in December 2021. Our second class will be selected in June 2021 and will start the program in January 2022.

In 2019, we piloted our Organization Planning and Talent Review process, and subsequently implemented it across Gibraltar in 2020. The annual process integrates discussions and metrics on organization design/structure, career development, diversity, equality and inclusion, performance and potential assessment, and succession planning. Each business unit reviews their organizational development plans with our CEO and executive leadership team and follows with monthly reviews to ensure implementation of organization plans. On an annual basis, our CEO reviews the organizational development plan and performance results with the Board of Directors including



performance of the executive team, succession planning progress, key organizational priorities and results, education and training initiatives, and all key organizational design and structure.

This annual process helps our organization scale and manage the future of the company. The process reinforces the development requirements and opportunities for our people, and ensures we are addressing organization gaps/opportunities and succession planning in a continuous and timely manner. It also drives our annual hiring, recruiting, and retention initiatives, and in 2020, it was instrumental as we added significant talent across our organization.

Recruiting is an important aspect of our business strategy and is guided by our desire to find the best talent to drive our business and build our “Best Place to Work” vision. It starts with understanding our organizational needs and developing diverse candidate “slates” for the positions we plan to hire. Our search process is based on personal engagement, and utilizes digital tools and channels, intelligent software and analytics, and competency assessment tools.

Recruiting is also about telling our story better – communicating our “Best Place to Work” vision using social media to reach a broader audience, and strengthening our partnerships with selected professional recruiters, labor agencies, universities, and trade schools. Our apprentice, co-op and internship programs continue to grow and this creates an opportunity for potential candidates to assess the fit and opportunity within our organization over time.

### Diversity, Equality and Inclusion

We support and encourage a culture where diversity of thought flourishes, and all employees feel appreciated, included, and know they have an equal opportunity to develop, grow, and succeed based on their performance. We believe demonstrating respect for our people and valuing them for who they are, their perspectives, and their contributions is critical to creating the best environment for our team to have success. This is foundational for our “Best Place to Work.”

Below are key demographics of our workforce.

### **2020 Workforce Composition (Gender and Age)**

Employee Age Groups	Female	Male	Total by Age Group	% by Age Group
< 30 years of age	65	286	351	15.0%
30 - 49 years of age	251	775	1,026	43.9%
50+ years of age	258	702	960	41.1%
<b>Total</b>	<b>574</b>	<b>1,763</b>	<b>2,337</b>	
<i>As a percentage</i>	24.6%	75.4%		

### **Number of 2020 Employees by Employment Type (by Gender)**

Employee Type	Female	Male	Total by Type	% by Type
Salary	289	650	939	40.2%
Hourly	285	1,113	1,398	59.8%
<b>Total</b>	<b>574</b>	<b>1,763</b>	<b>2,337</b>	

**2020 Ethnic Background of Employees**

Ethnic Background	% of Employees
White	60.2%
Black or African American	15.7%
Hispanic or Latino	13.1%
Not Specified	5.3%
Asian	4.8%
American Indian/Alaska Native	0.6%
Two or More Races	0.3%

In 2020, over 50% of our employees hired were classified as diverse. We are building a team with people who bring diversity of thought, experience, and perspective to our organization. We recognize our organization and the communities we operate in will continue to evolve and grow, which will require we remain focused on the following initiatives:

- Continue our mandatory and annual education and development program for the entire Company, including the Board of Directors, and evolve the curriculum as needed;
- Continue to “map” our organization with the communities we operate in to ensure the make-up of our team is reasonably representative of the community itself;
- Implement and upgrade business systems across the Company to give us the capability to gather and analyze data, derive conclusions, and develop action plans for implementation;
- Communicate our progress utilizing monthly business reviews with the leadership teams, and through quarterly communications with our teams, and quarterly reviews with the Board of Directors;
- Build the most effective recruitment framework to attract the best talent with the following objectives:
  1. Build diversity of thought requirements into our recruiting process with our partner recruitment firms and labor agencies, universities and trade schools, and ensure they deliver diverse slates of candidates for our hiring needs; and
  2. Strengthen our outreach effort to build and broaden our opportunity for diverse talent--to include academic institutions, industry associations, local businesses, and affinity groups
- Be proactive with our customers and supply chain partners to find ways to work together in promoting positive social development.

Corporate Social Responsibility

The Board of Directors and the entire Gibraltar team are committed to improving and positively impacting the global environment, social development, and business governance. We believe in doing business the right and most responsible way is foundational in executing and accelerating our vision and strategy. Our efforts continue to focus on our People, our Communities, and the World.

<b>Our People</b>	<b>Our Communities</b>	<b>The World</b>
To be sustainable and responsible through the advancement of our health and welfare programs; putting the safety and well-being of our people before anything else; supporting professional growth and developing our future leaders; and supporting diversity and inclusion.	By contributing to communities where we do business and where our people live and work; supporting these communities through charitable donations; and sponsoring volunteerism.	Operating responsibly in the world by focusing on measuring, managing and reducing our environmental footprint, and promoting responsibility across our value chain.

There are three strategic tenets that drive our focus on corporate social responsibility:

1. Center our business portfolio on industries that are solving some of the world’s most important challenges – energy production, growing food, and home efficiency;
2. Invest and commit to improving our own operations – reducing greenhouse emissions through effective and efficient energy technologies, improving our energy efficiency, and sourcing more renewable energy for our power requirements; and
3. Invest in the communities where our people live and work.

Gibraltar continues to transition its portfolio to focus on markets and businesses that are positioned to solve some of our world’s most critical challenges. As of December 31, 2020, over 50% of our businesses were focused on driving environmentally-sound solutions in energy production, growing food, and home efficiency. A representative example of this day-to-day effort is reflected in the Renewables and Conservation business.

- Since 2015, our Renewables business has installed over 2,500 solar energy fields across the U.S., offsetting more than 4 million metric tons of CO<sup>2</sup> equivalent. We acquired TerraSmart on December 31, 2020, a leading solar technology business, to help us accelerate our vision to make solar energy the best overall energy solution to power the future. In 2021, we plan to install Gibraltar’s first solar field to provide 100% of the electricity requirements of a key manufacturing facility.
- Our Conservation business is the largest North American based commercial greenhouse solutions provider, with over 3,000 acres of controlled-environment commercial growing installed in North America. The business is focused on localizing the growing of fruits and vegetables, cannabis, flowers, and plants in a controlled environment utilizing natural sunlight, optimal water supply, and without pesticides. We enable improved crop yield, food quality, and the overall health of consumers.

Across Gibraltar, we remain focused on contributing to the reduction of greenhouse emissions by deploying more effective and efficient ways in managing our operations, reducing the amount of power we consume, and identifying opportunities to source renewable energy for our power requirements. We have partnered with the U.S. Department of Energy’s Better Plants Program to improve energy efficiency and competitiveness at our operations and have also partnered with a global energy company to help us automate the identification and collection our emissions data. These efforts will help us develop first company-wide sustainability report and establish a scientific-based carbon reduction plan and commitment for the future.

The health and well-being of the communities we operate in is important to everyone across our organization. We continue to support many local charities with funding, time and talent, with a focus on improving the health and education of children. In 2019, we launched our first employee giving program and employee donations made to St. Jude’s Children’s Hospital, the Ronald MacDonald House, or Habitat for Humanity were supported with a 100% match from the company. In 2020, we expanded our giving program to include food banks located in our communities. Our employees donated over 3.3 million meals, approximately 85,000 meals for each food bank. Gibraltar continues to be an advocate and supporter of our Veterans, the Make-A-Wish Foundation, and the United Way.

### Compensation and Employee Benefits

Our compensation and benefits package is a key factor in recruiting and retaining the best talent in our industry. Our employee health and welfare benefits program is designed to promote the overall health of our workforce. While specific benefits vary worldwide and are based on regional practices, listed below are some common features offered to our United States based employees, which at December 31, 2020 comprised approximately 91% of our employees:

• Medical, dental and vision benefits for employee, spouse and dependents	• Wellness incentives for employees
• Flexible spending accounts for both healthcare and dependent care	• Life insurance benefits
• 401(k) retirement savings program with company matching contributions	• Employee assistance program
• Paid vacation and holidays	• Parental leave
• Short-term and long-term disability benefits	

In addition, all salaried employees receive a written performance appraisal on an annual basis. We review compensation at least annually for all employees and adjust it to ensure we reward exceptional performance and remain competitive in the market. We also offer a target-based incentive plan that provides for annual bonus opportunity when certain company financial metrics are met.

### Communication and Employee Engagement

Gibraltar recognizes the importance of engaging employees through consistent and continuous communication such that the team clearly understands the Company's vision, strategy, and key priorities. Every quarter, our CEO conducts a live "Town Hall" meeting for the entire organization with a standard agenda reviewing ethics and compliance, safety performance, business performance, community service initiatives, employee recognition, and concludes with a live Questions & Answers session. After each Town Hall meeting, our team is surveyed for feedback on ways to improve the meeting. As well, each Gibraltar business leader is required to develop and execute a similar communication plan for their business. In 2020, we also conducted an employee engagement survey to solicit input about our brand, company reputation, and culture. The results of the survey will contribute to Gibraltar's brand assessment initiative as well as further strengthen our internal communication process. Ultimately, creating a "Best Place to Work" environment requires continuous and effective engagement and communication with our employees, and it also creates a strong foundation for attracting and retaining our team.

### **Information About Executive Officers**

Our senior management team is composed of talented and experienced managers possessing broad experience in operational excellence, new product development, and driving profitable growth gained over multiple business cycles:

William Bosway - President, Chief Executive Officer (CEO) and a member of the Board of Directors. Mr. Bosway was appointed President, Chief Executive Office and a member of the Board of Directors effective January 2, 2019. Mr. Bosway joined our Company with extensive experience in global manufacturing industries, driving organic growth, acquisitions, lean manufacturing and continuous improvement techniques.

Patrick Burns - Chief Operating Officer (COO). Mr. Burns was appointed COO of the Company on March 18, 2019. Mr. Burns joined with Company with significant experience in key leadership and operational strategy roles at various multi-industrial companies over his career.

Timothy Murphy - Chief Financial Officer (CFO) and Senior Vice President (SVP). Mr. Murphy was appointed CFO and SVP of the Company on April 1, 2017. Mr. Murphy joined the Company in 2004 as Director of Financial Reporting, and subsequently served as the Company's Vice President, Treasurer and Secretary.

Cherri Syvrud - SVP of Human Resources and Organizational Development. Ms. Syvrud was appointed SVP of Human Resources and Organizational Development on April 1, 2016. Ms. Syvrud joined the Company with significant experience in human resources and organization development, including 25 years of employment at Illinois Tool Works, Inc.

Jeffrey Watorek - Vice President, Treasurer and Secretary. Mr. Watorek was appointed as Vice President, Treasurer and Secretary on April 1, 2017. Mr. Watorek joined the Company in 2008 as Manager of Financial Reporting, and subsequently served as the Company's Director of Financial Planning and Analysis.

### **Internet Information**

Copies of the Company's Proxy Statements on Schedule 14A filed pursuant to Section 14 of the Securities Exchange Act of 1934 and Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge through the Company's website ([www.gibraltar1.com](http://www.gibraltar1.com)) as soon as reasonably practicable after the Company electronically files the material with, or furnishes it to, the Securities and Exchange Commission.

## **Item 1A. Risk Factors**

Our business, financial condition and results of operations, and the market price for the Company's common shares are subject to numerous risks, many of which are driven by factors that cannot be controlled or predicted. The following discussion, as well as other sections of this Annual Report on Form 10-K, including "Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations," describe certain business and other risks affecting the Company. In conjunction with reviewing the forward-looking statements and other information contained in this Annual Report on Form 10-K, consideration should be given to the risk factors described below as well as those in the Safe Harbor Statement at the beginning of this Annual Report on Form 10-K. These risks are not the only risks we face. Our business operations and the market for our securities could also be adversely affected by additional factors that are not presently known to us, or that we currently consider to be immaterial in our operations.

### **Risks Related to Our Business Operations**

***We apply judgments and make estimates in accounting for certain customer contracts, and changes in these judgments or estimates may have significant impacts on our earnings.***

Changes in judgments or required estimates and any subsequent adjustments to those judgments or estimates (such as performance incentives, penalties, contract claims and contract modifications) could have a material effect on sales and profits. Due to the substantial judgments applied and estimations involved with our accounting for customer contracts, our actual results could differ materially or could be settled unfavorably from our estimates. Revenue representing 40%, 41% and 38% of 2020, 2019 and 2018 consolidated net sales, respectively, were recognized over time under the cost-to-cost method. Refer to "Critical Accounting Estimates" within Item 7 of this Form 10-K for more detail of how our financial statements can be affected by accounting for revenue from contracts with customers.

***A significant portion of our net sales are concentrated with a few customers. The loss of any of those customers would adversely affect our business, results of operations, and cash flows.***

A loss of sales, whether due to decreased demand from the end markets we serve or from the loss of any significant customer in these markets, a decrease in the prices that we can realize from sales of our products to customers in these markets, or a loss, bankruptcy, or significant decrease in business from any of our major customers, could have a significant adverse effect on our profitability and cash flows. Our ten largest customers accounted for approximately 35%, 34%, and 46% of our net sales during 2020, 2019, and 2018, respectively, with our largest customer, a retail home improvement center, accounting for approximately 14% of our consolidated net sales during each of the years 2020, 2019 and 2018.

***A portion of our business is dependent on laws and regulations pertaining to the cannabis industry, and this industry faces significant opposition that could adversely affect this portion of our business.***

One of our businesses makes and sells greenhouses and botanical extraction and processing equipment which may be sold to companies that cultivate, process and sell cannabis products for recreational and medicinal use. This business is dependent on state laws and regulations pertaining to the cannabis industry that legalize and regulate cannabis use. While several states have legalized cannabis for medical or recreational purposes, it remains illegal under federal law. Even in those states in which cannabis use has been legalized, its use remains a violation of federal criminal law, which preempts state laws that legalize its use. Strict enforcement of federal law regarding cannabis would likely have an adverse impact on our customers, and correspondingly, may adversely impact our gross profit, net income and cash flows.

The cultivation, processing and distribution of cannabis in states where it has been legalized is subject to significant regulatory requirements. If our customers who purchase greenhouses and extraction and processing equipment are unable to obtain and maintain the licenses, permits, authorizations or accreditations required to comply with state and local regulations, we may experience the aforementioned adverse effects on our business and results of operations.

Our business that engages in the sale of greenhouses and botanical extraction equipment is dependent, in part, on increasing legalization and market acceptance of medical and recreational cannabis use. We cannot predict the

future increase in state legalization or the future market potential of legalized cannabis use. Other well-established business sectors with powerful economic influence may take action that could adversely impact the cannabis market. The failure of further legalization or market acceptance, or the adverse action by competing well-established business sectors, may suppress our customers' demand for our products and thereby reduce our gross profit and net income.

***Our business is highly competitive and increased competition could reduce our gross profit, net income, and cash flow.***

The principal markets that we serve are highly competitive. Competition is based primarily on product functionality, quality, price, raw material and inventory availability, and the ability to meet delivery schedules dictated by customers. We compete in our principal markets with companies of various sizes, some of which have greater financial and other resources than we do, and some of which have better established brand names in the markets we serve. Increased competition could force us to lower our prices or to offer additional services or enhanced products at a higher cost to us, which could reduce our gross profit, net income, and cash flow and cause us to lose market share.

***If the subcontractors and suppliers we rely upon do not perform their contractual obligations, our revenues and cash flows would be adversely affected.***

Some of our construction contracts with customers involve subcontracts with other companies that perform a portion of the services or provide systems that are integral to the end product that we provide to our customers. There is a risk that our subcontractors may not perform their contractual obligations, and therefore may cause disputes regarding the quality and timeliness of work performed by our subcontractors or other customer concerns with the subcontractor. Any such disputes or concerns could materially and adversely impact our ability to perform our obligations as the prime contractor. Similarly, the failure by our suppliers to deliver raw materials, components or equipment parts according to schedule, or at all, may affect our ability to meet our customers' needs and may have an adverse effect upon our profitability. Failure of our raw materials or components to conform to our specification could also result in delays in our ability to timely deliver, and may have an adverse impact on our relationships with our customers, and our ability to fully realize the revenue expected from sales to those customers.

***Our operations are subject to seasonal fluctuations that may impact our cash flow.***

Our net sales are generally lower in the first and fourth quarters primarily as a result of reduced activity in the building industry due to inclement weather. Therefore, our cash flow from operations may vary from quarter to quarter. If, as a result of any such fluctuation, our quarterly cash flows were significantly reduced, we may not be able to service our indebtedness or maintain covenant compliance.

***The expiration, elimination or reduction of solar rebates, credits and incentives may adversely impact our business.***

A variety of federal, state and local government agencies provide incentives to promote electricity generation from renewable sources such as solar power. These incentives are in the form of rebates, tax credits and other financial incentives which help to motivate end users, distributors, system integrators and others to install solar powered generating systems. Any changes to reduce, shorten or eliminate the scope and availability of these incentive programs could materially and adversely impact the demand for our related products, our financial condition and results of operations.

***The nature of our business exposes us to product liability, product warranty and other claims, and other legal proceedings.***

We are involved in product liability, product warranty and other claims relating to the products we manufacture and distribute. Although we currently maintain what we believe to be suitable and adequate insurance in excess of our self-insured amounts for product liability and other claims, there can be no assurance that we will be able to maintain such insurance on acceptable terms or that such insurance will provide adequate protection against potential liabilities. Product liability claims can be expensive to defend and can divert the attention of management and other personnel for significant periods, regardless of the ultimate outcome. Claims of this nature could also have a negative impact on customer confidence in our products and our Company. We cannot assure you that any current or future claims will not adversely affect our reputation, financial condition, operating results, and cash flows.

***We depend on our senior management team and other key employees, and the unexpected loss of any member could adversely affect our operations.***

Our success is dependent on the management and leadership skills of our senior executive and divisional management teams. The unexpected loss of any of these individuals or our inability to attract and retain additional personnel could prevent us from successfully executing our business strategy. We cannot assure you that we will be able to retain our existing senior management personnel or to attract additional qualified personnel when needed. We have not entered into employment agreements with any of our senior management personnel.

### **Risks Related to Information Technology**

***Our business and financial performance may be adversely affected by cybersecurity attacks, information systems interruptions, equipment failures, and technology integration.***

Our business may be impacted by disruptions to our own or third-party information technology (“IT”) infrastructure, which could result from (among other causes) cyber-attacks on, or failures of, such infrastructure or compromises to its physical security, as well as from damaging weather or other acts of nature. Cyber-based risks, in particular, are evolving and include, but are not limited to, both attacks on our IT infrastructure and attacks on the IT infrastructure of third parties (both on premises and in the cloud) attempting to gain unauthorized access to our confidential or other proprietary information, classified information, or information relating to our employees, customers and other third parties.

Due to the increasing number and sophistication of attempted intrusions and attacks on Company networks, cyber-based attacks will continue and we will likely experience increasing numbers of them going forward. We continue to make investments and adopt measures designed to enhance our protection, detection, response, and recovery capabilities, and to mitigate potential risks to our technology, products, services and operations from potential cyber-attacks. However, given the unpredictability, sophistication and scope of cyber-attacks, it is possible that potential vulnerabilities could go undetected for an extended period. We could potentially be subject to production downtimes, operational delays, other detrimental impacts on our operations or ability to provide products and services to our customers, the theft of confidential or otherwise protected information, misappropriation of assets, destruction or corruption of data, security breaches, other manipulation or improper use of our or third-party systems, networks or products, financial losses from remedial actions, loss of business or potential liability, and/or damage to our reputation. Due to the evolving nature of such risks, the impact of any potential incident cannot be predicted, but under certain circumstances could materially and adversely affect our competitive position, results of operations and cash flows.

### **Risks Related to Acquisitions**

***Our strategy depends, in part, on identification, management and successful business and system integration of future acquisitions.***

Historically, we have grown through a combination of internal growth plus external expansion through acquisitions. We intend to continue to seek additional acquisition opportunities in accordance with our business strategy. However, we cannot provide any assurance that the following risks involved in completing acquisitions will not occur nor adversely impact our operations and financial results:

- Failure to identify appropriate acquisition candidates, or, if we do, failure to successfully negotiate the terms of an acquisition;
- Diversion of senior management’s attention from existing business activities;
- Failure to integrate any acquisition into our operations successfully that may result in incurring unforeseen obligations, loss of key customers, suppliers, and employees of the acquired businesses, or loss of existing customers and suppliers;
- Difficulties or delays in integrating and assimilating information and systems that may require significant unforeseen upgrades or replacement of our primary information technology systems across significant parts of our businesses and operations to successfully integrate acquisitions. The implementation of new information technology solutions could lead to interruptions of information flow internally and to our customers and suppliers while the implementation project is being completed. Any failure to integrate legacy systems of acquisitions or to implement new systems properly could negatively impact our operations and financial results.

- Consummating a large acquisition could require us to raise additional funds through additional equity or debt financing, which could be dilutive to shareholder value, increase our interest expense and reduce our cash flows and available funds.
- Adverse impact on overall profitability if the acquired business does not achieve the return on investment projected at the time of acquisition.

***We have not completed an assessment of the internal controls over financial reporting for our 2020 acquisitions, and therefore, significant deficiencies or material weaknesses may exist.***

Under current SEC guidelines, the period in which management may omit an assessment of an acquired business's internal control over financial reporting from its assessment of the registrant's internal control may not extend beyond one year from the date of acquisition, nor may such assessment be omitted from more than one annual management report on internal control over financial reporting.

Pursuant to this guidance, we have excluded our 2020 acquisitions from the scope of management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2020. However, we will be required to include these acquisitions in the scope of our assessment beginning in 2021. In connection with our 2021 assessment, "significant deficiencies" or "material weaknesses" in internal control over financial reporting may be detected in 2020 acquired companies. To the extent that such deficiencies are identified, we may incur costs associated with our efforts to address these deficiencies that could negatively affect our financial condition and operating results. Furthermore, if we are unable to correct such deficiencies in a timely manner, our ability to record, process, summarize and report financial data may be adversely affected, which may result in a material misstatement in our financial statements. Such failure could materially and adversely impact our business and subject us to potential investigations, liability and penalties.

#### **General Risks Related to Investment in Our Securities**

***The COVID-19 pandemic has significantly impacted worldwide economic conditions and could have a material adverse effect on our business, results of operations, financial condition, and cash flows.***

The COVID-19 pandemic began to impact our operations late in the first quarter of 2020 as government authorities imposed mandatory closures, work from home orders and social distancing protocols. While vaccinations against COVID-19 have been developed, they are not yet widely available. In addition new strains of the COVID-19 virus have been identified which may be resistant to vaccines or have higher morbidity rates than the initially identified strain of the virus. As a result, we cannot predict when the impact of COVID-19 on our business will end. We have adjusted our work environments to improve airflow and implement required social distancing protocols. COVID-19 may further impact our operations by causing delays in our receipt of raw materials and other product components due to disruptions in our supply chain, limiting access to our distribution channels, reducing the availability of our workforce and subcontractors through government mandated closures or work from home orders and increasing the frequency of cyber attacks on our information technology infrastructure. The unpredictable changes in our supply chain or our production capacity and customer demand resulting from the COVID-19 pandemic may pose material risk to our results of operations, financial condition, and cash flows. We are continuously monitoring the impact of COVID-19 on our business and operations and taking action to mitigate the risks involved. However, prolonged disruption to the economy and the end markets we serve may have a material adverse impact our business, results of operations, financial condition, and cash flows.

***Macroeconomic factors outside of our control may adversely affect our business, our industry, and the businesses and industries of many of our customer and suppliers.***

Macroeconomic factors have a significant impact on our business, customer demand and the availability of credit and other capital, affecting our ability to generate profitable margins. Our operations are subject to the effects of domestic and international economic conditions including government monetary and trade policies, tax laws and regulations, as well as, the relative debt levels of the U.S. and the other countries in which we sell our products. Tariffs placed on imported products used by our customers could impact cost and availability of these products to our customers which could impact the demand for our products or services. In addition, fluctuations in the U.S. dollar impact the prices we charge and costs we incur to export and import products.



We are unable to predict the impact on our business of changes in domestic and international economic conditions. The markets in which we operate have been challenging in the past, and the possibility remains that the domestic or global economies, or certain industry sectors of those economies that are key to our sales, may deteriorate, which could result in a corresponding decrease in demand for our products and negatively impact our results of operations and financial condition.

***If events occur or indicators of impairment are present that may cause the carrying value of long-lived and indefinite-lived assets to no longer be recoverable or to exceed the fair value of the asset, or that may lead to a reduction in the fair value of the asset, significant non-cash impairment charges to earnings may be taken that may have a material adverse impact on our results of operations.***

In prior years, we have recorded significant non-cash impairment charges for goodwill and other intangible assets as a result of reductions in the estimated fair values of certain businesses. It is possible that we will be required to record additional non-cash impairment charges to our earnings in the future, which could be significant and have a material adverse impact on our results of operations. Refer to “Critical Accounting Estimates” within Item 7 of this Form 10-K for more detail of how our financial statements can be affected by asset impairment.

***Increases in future levels of leverage and size of debt service obligations could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry and prevent us from meeting our obligations.***

As of December 31, 2020, we had \$85.0 million outstanding indebtedness. We may need to incur additional debt in the future to fund strategic acquisitions, investments or for other purposes, which debt could have significant adverse consequences to our business. Our Senior Credit Agreement entered into on January 24, 2019 contains several financial and other restrictive covenants. A significant decline in our operating income along with increased levels of debt could cause us to violate these covenants which could result in our incurring of additional financing fees that would be costly and adversely affect our profitability and cash flows. We may also use our Senior Credit Agreement or otherwise incur additional debt for acquisitions, operations and capital expenditures that could adversely impact our ability to meet these covenants.

***We could incur substantial costs in order to comply with, or to address any changes in or violations of, environmental, health and safety laws.***

Our operations and facilities are subject to a variety of stringent federal, state, local, and foreign laws and regulations relating to the protection of the environment and human health and safety. Compliance with these laws and regulations sometimes involves substantial operating costs and capital expenditures, and failure to maintain or achieve compliance with these laws and regulations or with the permits required for our operations could result in substantial costs and liabilities, such as fines and civil or criminal sanctions, third-party claims for property damage or personal injury, cleanup costs or temporary or permanent discontinuance of operations, including claims arising from the businesses and facilities that we have sold. For certain businesses we have divested, we have provided limited indemnifications for environmental contamination to the successor owners. We have also acquired and continue to acquire businesses and facilities to add to our operations. While we sometimes receive indemnification for pre-existing environmental contamination, the party providing the indemnification may not have sufficient resources to cover the cost of any required measures. Certain facilities of ours have been in operation for many years and we may be liable for remediation of any contamination at our current or former facilities; or at off-site locations where wastes have been sent for disposal, regardless of fault or whether we, our predecessors or others are responsible for such contamination. We have been responsible for remediation of contamination at some of our locations, and while such costs have not been material to date, the cost of remediation of any of these and any newly-discovered contamination cannot be quantified, and we cannot assure you that it will not materially affect our profits or cash flows. Changes in environmental laws, regulations or enforcement policies, including without limitation new or additional regulations affecting disposal of hazardous substances and waste, greenhouse gas emissions or use of fossil fuels, could have a material adverse effect on our business, financial condition, or results of operations.

***The volatility of the commodity market on the cost of our principal raw materials, and the highly competitive market environment in which we do business could significantly impact our gross profit, net income, and cash flow.***

Our principal raw materials are commodity products consisting of steel, aluminum, and resins, for which, at times, availability and pricing can be volatile due to a number of factors beyond our control, including general economic conditions, domestic and worldwide demand, labor costs, competition, import duties, tariffs, and currency exchange rates. Commodity price fluctuations and increased competition could force us to lower our prices or to offer additional services or enhanced products at a higher cost to us, which could reduce our gross profit, net income, and cash flow and cause us to lose market share.

***Climate change and climate change legislation or regulations may adversely affect our business.***

Legislative and regulatory changes in response to the potential effects of climate change may require additional costs and investment for compliance, including but not limited to, an increase in the cost of purchased energy and electricity. Physical effects of climate change, such as disruption in production and product distribution as a result of major storm events and shifts in regional weather patterns and intensities, may also significantly affect our operations and financial results.

***Economic, political, and other risks associated with foreign operations could adversely affect our financial results and cash flows.***

Although the significant majority of our business activity takes place in the United States, we derive a portion of our revenues and earnings from operations in Canada, China and Japan, and are subject to risks associated with doing business internationally. Our sales originating outside the United States represented approximately 7% of our consolidated net sales during the year ended December 31, 2020. We believe that our business activities outside of the United States involve a higher degree of risk than our domestic activities, such as the possibility of unfavorable circumstances arising from host country laws or regulations, changes in tariff and trade barriers and import or export licensing requirements. In addition, any local or global health issue or uncertain political climates, international hostilities, natural disasters, or any terrorist activities could adversely affect customer demand, our operations and our ability to source and deliver products and services to our customers.

***Future terror attacks, war, natural disasters or other catastrophic events beyond our control could negatively impact our operations and financial results.***

Terror attacks, war, or other civil disturbances, natural disasters, other catastrophic events or public health crises, such as the coronavirus, could lead to economic instability, decreased capacity to produce our products and decreased demand for our products. From time to time, terrorist attacks worldwide have caused instability in global financial markets. Concerns over global climate changes and environmental sustainability over time or a pandemic disease outbreak may influence the Company's strategic direction, supply chain, or delivery channels. Also, our facilities could be subject to damage from fires, floods, earthquakes or other natural or man-made disasters. Such interruptions could have an adverse effect on our operations, cash flows and financial results.

***Imposed tariffs and potential future tariffs may result in increased costs and could adversely affect our results of operations.***

In 2018, the United States imposed Section 232 tariffs on certain steel (25%) and aluminum (10%) products imported into the U.S. These tariffs have created volatility in the market and have increased the costs of these inputs. Increased costs for imported steel and aluminum products have led domestic sellers to respond with market-based increases to prices for such inputs as well. The new tariffs, along with any additional tariffs or trade restrictions that may be implemented by the U.S. or other countries, could result in further increased costs, shifting in competitive positions and a decreased available supply of steel, resins and aluminum as well as additional imported components and inputs. We may not be able to pass price increases on to our customers and may not be able to secure adequate alternative sources of steel, resins and aluminum on a timely basis. While retaliatory tariffs imposed by other countries on U.S. goods have not yet had a significant impact, we cannot predict further developments. The tariffs could adversely affect the income from operations for some of our businesses and customer demand for some of our products which could have a material adverse effect on our consolidated results of operations, financial position and cash flows.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

We lease our principal executive office and corporate headquarters in Buffalo, New York. The number, type, location and classification of the properties used by our continuing operations by segment and corporate as of December 31, 2020, are as follows:

	<b>Number and type of properties</b>			
	<b>Plant</b>	<b>Distribution Center</b>	<b>Office</b>	<b>Total</b>
Renewable Energy and Conservation	13	2	5	20
Residential Products	12	—	2	14
Infrastructure Products	2	—	—	2
Corporate	—	—	2	2
<b>Total</b>	<b>27</b>	<b>2</b>	<b>9</b>	<b>38</b>

	<b>Location of properties</b>		<b>Classification of properties</b>	
	<b>Domestic</b>	<b>Foreign</b>	<b>Owned</b>	<b>Leased</b>
Renewable Energy and Conservation	16	4	2	18
Residential Products	14	—	5	9
Infrastructure Products	2	—	2	—
Corporate	2	—	—	2
<b>Total</b>	<b>34</b>	<b>4</b>	<b>9</b>	<b>29</b>

We believe that our properties are effectively utilized, well maintained, in good condition, and will be able to accommodate our capacity needs to meet current levels of demand. In addition we believe that our properties are located to optimize customer service, market requirements, distribution capability and freight costs.

**Item 3. Legal Proceedings**

From time to time, the Company is named a defendant in legal actions arising out of the normal course of business. The Company is not a party to any material pending legal proceedings. The Company is also not a party to any other pending legal proceedings other than ordinary, routine litigation incidental to its business. The Company maintains liability insurance against risks arising out of the normal course of business.

**Item 4. Mine Safety Disclosures**

Not applicable.

**PART II**

**Item 5. Market for Common Equity and Related Stockholder Matters**

The Company's common stock is traded on the NASDAQ Global Select Market ("NASDAQ") under the symbol "ROCK."

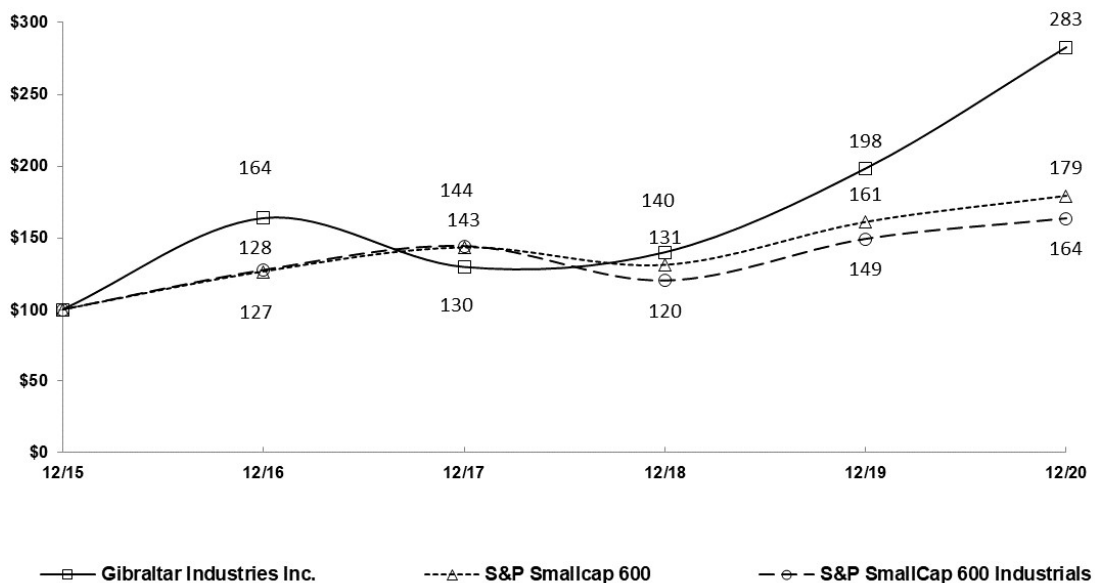
As of February 24, 2021, there were 39 shareholders of record of the Company's common stock. However, the Company believes that it has a significantly higher number of beneficial owners because of the number of shares that are held by banks, brokers, and other financial institutions.

The Company did not declare any cash dividends during the years ended December 31, 2020 and 2019. The Company intends to use cash generated by operations to reinvest in the businesses and to fund acquisitions. The Company's disclosure in Item 7 of this Annual Report on Form 10-K regarding Liquidity and Capital Resources and disclosures in Note 9 of the Company's audited consolidated financial statements included in Item 8 of this Annual Report on Form 10-K provide additional information regarding restrictions on potential dividends.

**Performance Graph**

The performance graph shown below compares the cumulative total shareholder return on the Company's common stock, based on the market price of the common stock, with the total return of the S&P SmallCap 600 Index and the S&P SmallCap 600 Industrials Index for the five-year period ended December 31, 2020. The comparison of total return assumes that a fixed investment of \$100 was invested on December 31, 2015 in common stock and in each of the foregoing indices and further assumes the reinvestment of dividends. The stock price performance shown on the graph is based on historical results and is not necessarily indicative of future price performance.

**COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\***  
Among Gibraltar Industries Inc., the S&P Smallcap 600 Index,  
and S&P SmallCap 600 Industrials



\*\$100 invested on 12/31/15 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

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**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Company's risk factors and its consolidated financial statements and notes thereto included in Item 1A and Item 8, respectively, of this Annual Report on Form 10-K. Certain information set forth in this Item 7 constitutes "forward-looking statements" as that term is used in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based, in whole or in part, on management's beliefs, estimates, assumptions, and currently available information. For a more detailed discussion of what constitutes a forward-looking statement and of some of the factors that could cause actual results to differ materially from such forward-looking statements, please refer to the "Safe Harbor Statement" on page 3 of this Annual Report on Form 10-K.

We use certain operating performance measures, specifically consolidated gross margin, operating margin by segment and consolidated operating margin, to manage our businesses, set operational goals, and establish performance targets for incentive compensation for our employees. We define consolidated gross margin as a percentage of total consolidated gross profit to total consolidated net sales. We define operating margin by segment as a percentage of total income from operations by segment to total net sales by segment and consolidated operating margin as a percentage of total consolidated income from operations to total consolidated net sales. We believe gross margin and operating margin may be useful to investors in evaluating the profitability of our segments and Company on a consolidated basis.

**Company Overview**

The Company serves customers primarily in North America including renewable energy (solar) developers, institutional and commercial growers of food and plants, home improvement retailers, wholesalers, distributors, and contractors. Our operational infrastructure provides the necessary scale to support local, regional, and national customers in each of our markets.

The Company operates and reports its results in the following three reporting segments:

- Renewable Energy and Conservation;
- Residential Products; and
- Infrastructure Products.

The segments and end markets our businesses serve are subject to economic conditions that are influenced by various factors. These factors include but are not limited to changes in general economic conditions, interest rates, exchange rates, commodity costs, demand for residential construction, demand for repair and remodeling, governmental policies and funding, tax policies and incentives, tariffs, trade policies, the level of non-residential construction and infrastructure projects, the need for protection of high value assets, demand for renewable energy sources, and climate change. We believe the key elements of our strategy outlined in Item 1. Business will allow us to respond timely to these factors.

## Results of Operations

### Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

The following table sets forth selected results of operations data (in thousands) and its percentages of net sales for the years ended December 31:

	2020		2019	
Net sales	\$ 1,032,578	100.0 %	\$ 898,233	100.0 %
Cost of sales	776,235	75.2 %	678,336	75.5 %
Gross profit	256,343	24.8 %	219,897	24.5 %
Selling, general, and administrative expense	149,153	14.4 %	139,085	15.5 %
Income from operations	107,190	10.4 %	80,812	9.0 %
Interest expense	703	0.1 %	2,323	0.3 %
Other (income) expense	(1,272)	(0.1)%	408	— %
Income before taxes	107,759	10.4 %	78,081	8.7 %
Provision for income taxes	24,468	2.3 %	18,153	2.0 %
Income from continuing operations	83,291	8.1 %	59,928	6.7 %
(Loss) income from discontinued operations	(18,725)	(1.8)%	5,163	0.5 %
Net income	\$ 64,566	6.3 %	\$ 65,091	7.2 %

The following table sets forth the Company's net sales by reportable segment for the years ended December 31 (in thousands):

	2020	2019	Total Change	Change due to	
				Acquisitions	Operations
Net sales:					
Renewable Energy and Conservation	\$ 447,567	\$ 373,023	\$ 74,544	\$ 84,598	\$ (10,054)
Residential Products	522,814	461,630	61,184	5,315	55,869
Infrastructure Products	62,197	63,580	(1,383)	—	(1,383)
Consolidated	\$ 1,032,578	\$ 898,233	\$ 134,345	\$ 89,913	\$ 44,432

Consolidated net sales increased by \$134.3 million, or 15.0%, for 2020 compared to 2019. The 15.0% increase in revenue was driven by the Renewable Energy and Conservation and Residential Products segments. Sales generated from our 2020 acquisitions of Thermo, Delta Separations and Architectural Mailboxes, and the prior year acquisition of Apeks, contributed 10.0% or \$89.9 million to the growth from the prior year. Organic growth of 4.9%, or \$44.4 million was a result of increased volume in our Residential Products segment, which more than offset the organic volume declines in both our Renewable Energy and Conservation and our Infrastructure Products segments.

Net sales in our Renewable Energy and Conservation segment increased 20.0%, or \$74.5 million, to \$447.6 million in 2020 compared to \$373.0 million in 2019. Sales generated by the current year acquisitions of Thermo and Delta Separations, along with the prior year acquisition of Apeks, contributed \$84.6 million, or 22.7%, to the increase in the current year. Organic revenue decline of \$10.1 million partially offset this increase, the result of continued weakness in cannabis and hemp markets more than offsetting participation gains in our renewable energy related business. Backlog improved 22% year over year for this segment, driven by strength in the fruit and vegetable market and strong end market demand in renewable energy.

Net sales in our Residential Products segment increased 13.3%, or \$61.2 million, to \$522.8 million in 2020 compared to \$461.6 million in 2019. The increase from the prior year was the result of continued solid activity in the repair and remodel market, participation gains across our various distribution channels along with \$5.3 million of sales generated by our 2020 acquisition of Architectural Mailboxes.

Net sales in our Infrastructure Products segment decreased 2.2%, or \$1.4 million, to \$62.2 million in 2020 compared to \$63.6 million in 2019. Volume declined as the pandemic continued to impact existing and new project schedules, especially in segments like airport runway maintenance, where customers have delayed spending. The volume decline was partially offset by an increase in pricing to customers. Ending backlog improved slightly from the prior year.

Our consolidated gross margin increased to 24.8% for 2020 compared to 24.5% for 2019. This increase was due to improved operating execution in all of our core businesses the result of effective price and material cost management, benefits from our 80/20 simplification initiatives, and incremental costs for design refinement and field improvements for our solar tracking solution incurred in the prior year. Partially offsetting the above improvements were lower gross margins generated from our recent acquisitions.

Selling, general, and administrative ("SG&A") expenses increased by \$10.1 million, or 7.2%, to \$149.2 million for 2020 from \$139.1 million for 2019. The \$10.1 million increase was primarily due to \$13.8 million of incremental SG&A expenses recorded year over year for our recent acquisitions and transaction costs to complete those acquisitions closed during the year, along with investments in the development of our organization and safety of our team by reallocating SG&A spending, primarily travel related expenditures. Partially offsetting these increases was decreased spending for exit activity costs of approximately \$4.0 million. SG&A expenses as a percentage of net sales decreased to 14.4% for 2020 compared to 15.5% for 2019.

The following table sets forth the Company's income from operations and income from operations as a percentage of net sales by reportable segment for the years ended December 31 (in thousands):

	2020		2019		Total Change
Income from operations:					
Renewable Energy and Conservation	\$ 40,738	9.1 %	\$ 47,558	12.7 %	\$ (6,820)
Residential Products	94,430	18.1 %	63,047	13.7 %	31,383
Infrastructure Products	7,233	11.6 %	6,428	10.1 %	805
Unallocated Corporate Expenses	(35,211)	(3.4)%	(36,221)	(4.0)%	1,010
Consolidated income from operations	<u>\$ 107,190</u>	<u>10.4 %</u>	<u>\$ 80,812</u>	<u>9.0 %</u>	<u>\$ 26,378</u>

The Renewable Energy and Conservation segment generated an operating margin of 9.1% in 2020 compared to 12.7% in 2019. The decrease in operating margin was the net result of expected lower margins generated by our recent acquisitions as we continue to integrate them operationally, offset by favorable product and services mix and strong execution in our renewable energy business, as well as the absence of incremental costs incurred during the prior year for design refinement and field improvements for our solar tracking solution.

Our Residential Products segment operating margin increased to 18.1% in 2020 compared to 13.7% in 2019. The increase in operating margin was largely the result of volume leverage, effective price and material cost management and continued benefits from 80/20 simplification initiatives, along with a \$3.1 million decrease in exit activity costs compared to the prior year.

Our Infrastructure Products segment operating margin increased to 11.6% in 2020 compared to 10.1% in 2019. The increase in operating margin year over year was the result of strong execution to compensate for volume declines in non-fabricated products, mainly from our airport customers along with favorable alignment of material costs to customer selling prices.

Unallocated corporate expenses decreased \$1.0 million, or 2.8%, for 2020 from \$36.2 million for 2019 to \$35.2 million for 2020. The decrease in expense was the result of lower performance-based compensation expenses partially offset by transaction costs to complete those acquisitions closed during the year.

Interest expense decreased \$1.6 million to \$0.7 million for 2020 from \$2.3 million for 2019. The decrease in expense resulted from the redemption of the Company's outstanding \$210 million of 6.25% Senior Subordinated Notes during the first quarter of 2019. At December 31, 2020, the Company had \$85.0 million outstanding on its revolving credit facility, the result of funds borrowed to help finance the acquisition of TerraSmart in December 2020. During 2019, no amounts were outstanding under our revolving credit facility.

The Company recorded other income of \$1.3 million in 2020 and other expense of \$0.4 million in 2019, respectively. The change from the prior year was the result of the \$1.9 million pre-tax gain on the sale of the Company's self-guided apartment tour application business within the Residential Products segment.

We recognized a provision for income taxes of \$24.5 million, an effective tax rate of 22.7%, for 2020 compared with a provision for income taxes of \$18.2 million, an effective tax rate of 23.2%, for 2019. The effective tax rates for 2020 and 2019 exceeded the U.S. federal statutory rate of 21% due to state taxes and nondeductible permanent differences partially offset by favorable discrete items.

## Outlook

For 2021, we enter the year with confidence in our end markets but remain cautious about the ongoing pandemic landscape, the recovery of the U.S. and global economy, availability and input cost of key materials, as well as recent operating disruptions related to severe weather across the U.S. We will continue executing our current operating playbook, maintaining a safe environment for our people, and supporting our customers. As in 2020, we will continue working on the business and investing to strengthen our businesses and uphold our commitments to our stakeholders.

The Company is providing its guidance for revenues and earnings for the full year 2021. Gibraltar expects 2021 consolidated revenues to be in the range of \$1.30 billion and \$1.35 billion, up from \$1.03 billion for 2020. GAAP EPS for full year 2021 is expected to be between \$2.78 and \$2.95, compared with \$2.53 in 2020.

## Liquidity and Capital Resources

Our principal capital requirements are to fund our operations' working capital and capital improvements and to provide capital for acquisitions. We will continue to invest in growth opportunities as appropriate while focusing on working capital efficiency and profit improvement opportunities to minimize the cash invested to operate our business. The following table sets forth our liquidity position as of:

<i>(in thousands)</i>	December 31, 2020	December 31, 2019
Cash and cash equivalents	\$ 32,054	\$ 191,363
Availability on revolving credit facility	309,175	393,991
	\$ 341,229	\$ 585,354

We believe that our cash on hand and available borrowing capacity provided under our Sixth Amended and Restated Credit Agreement (the "Senior Credit Agreement") provide us with ample liquidity and capital resources to weather the economic impacts of the COVID-19 pandemic while continuing to invest in operational excellence, growth initiatives and the development of our organization. After pausing earlier in the year as the pandemic unfolded, we continued with our strategic initiatives to invest in opportunities that strengthen our business platforms for the markets we serve through the acquisitions of Architectural Mailboxes, Sunfig and TerraSmart in the fourth quarter of 2020. We continue to remain focused on managing our working capital, which may include adjusting scheduled deliveries of inventory to match current demand levels, closely monitoring customer credit and collection activities, and working to extend payment terms. We believe our liquidity, together with the cash expected to be generated from operations, should be sufficient to fund working capital needs and growth initiatives.

Our Senior Credit Agreement provides the Company with liquidity and capital resources for use by our U.S. operations. Historically, our foreign operations have generated cash flow from operations sufficient to invest in working capital and fund their capital improvements. As of December 31, 2020, our foreign subsidiaries held \$21.8 million of cash in U.S. dollars.

During 2020, we opted to defer remittance of the employer portion of Social Security tax as provided in the Coronavirus, Aid, Relief and Economic Security Act ("CARES Act"), which allowed us to retain \$4.4 million in cash during 2020 that would have otherwise been remitted to the federal government. The deferred tax payments will be repaid equally in 2021 and 2022. The CARES Act, along with other foreign government initiatives, also provides for job retention programs, which have allowed some of our businesses to receive payroll tax credits or subsidies during 2020.



Over the long-term, we expect that future investments, including strategic business opportunities such as acquisitions, may be financed through a number of sources, including internally available cash, availability under our revolving credit facility, new debt financing, the issuance of equity securities, or any combination of the above. All potential acquisitions are evaluated based on our acquisition strategy, which includes the enhancement of our existing products, operations, or capabilities, expanding our access to new products, markets, and customers, with the goal of creating compounding and sustainable shareholder value.

These expectations are forward-looking statements based upon currently available information and may change if conditions in the credit and equity markets deteriorate or other circumstances change. To the extent that operating cash flows are lower than current levels, or sources of financing are not available or not available at acceptable terms, our future liquidity may be adversely affected.

### **Cash Flows**

The following table sets forth selected cash flow data for the years ended December 31 (in thousands):

	2020	2019
Cash provided by (used in):		
Operating activities of continuing operations	\$ 73,016	\$ 112,536
Investing activities of continuing operations	(324,677)	(17,279)
Financing activities of continuing operations	79,463	(217,050)
Discontinued operations	14,055	15,005
Effect of exchange rate changes	(1,166)	1,145
Net decrease in cash and cash equivalents	\$ (159,309)	\$ (105,643)

### *Operating Activities*

Net cash provided by operating activities of continuing operations for 2020 of \$73.0 million consisted of income from continuing operations of \$83.3 million, non-cash net charges totaling \$33.4 million, which include depreciation, amortization, gain on sale of business, stock compensation, and other non-cash charges, offset by a net investment in working capital and other net assets of \$43.7 million. The investment in working capital and other net assets was largely by an investment of \$42.4 million in Thermo, one of our recent acquisitions, which was undercapitalized at purchase, along with a decrease in accrued expenses and other non-current liabilities correlated to the timing of customer billings and payments.

Net cash provided by operating activities of continuing operations for 2019 of \$112.5 million consisted of income from continuing operations of \$59.9 million, non-cash net charges totaling \$40.0 million, which include depreciation, amortization, stock compensation, and other non-cash charges, and a decrease in working capital and other net assets of \$12.6 million. The decrease in net working capital and other net assets was largely the result of planned inventory management reduction initiatives along with more favorable timing of customer payments on contracts, partially offset by an increase in accounts receivable resulting from increased sales volume in our Renewable Energy and Conservation segment.

### *Investing Activities*

Net cash used in investing activities of continuing operations for 2020 of \$324.7 million consisted of net cash paid of \$313.7 million for the acquisitions of five businesses in 2020 and capital expenditures of \$13.1 million, partially offset by net proceeds of \$2.0 million from the sale of a business within the Residential Products segment and proceeds of \$0.1 million from the sale of property and equipment.

Net cash used in investing activities of continuing operations for 2019 of \$17.3 million consisted of capital expenditures of \$8.8 million and net cash paid for the acquisition of Apeks LLC of \$8.6 million, partially offset by net proceeds of \$0.1 million from the sale of property and equipment.

## Financing Activities

Net cash provided by financing activities for 2020 of \$79.5 million was primarily driven by proceeds from a draw on our revolving credit facility of \$85 million, as well as the \$1.1 million in net proceeds from stock option exercises, offset by \$6.6 million in purchases of treasury stock related to the net settlement of tax obligations for participants in the Company's equity incentive plans.

Net cash used in financing activities for 2019 of \$217.1 million was primarily driven by the \$212.0 million repayment of our 6.25% Notes and other debt, as well as the \$4.3 million purchase of treasury stock related to the net settlement of tax obligations for participants in the Company's equity incentive plans, and the \$1.2 million payment of debt issuance costs, all which were slightly offset by \$0.5 million in net proceeds from stock option exercises.

See Note 9 to the Company's consolidated financial statements in Part II, Item 8, Financial Statements and Supplementary Data, of this Form 10-K for further information on the Company's Senior Credit Agreement.

## Off Balance Sheet Arrangements

As of December 31, 2020, the Company did not have any off balance sheet arrangements that had or were reasonably likely to have a current or future material effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources.

## Contractual Obligations

The following table summarizes by category our Company's expected future cash outflows associated with contractual obligations in effect at December 31, 2020 (in thousands):

<u>Contractual Obligation</u>	Payments Due by Period				
	Total	Less than One Year	One to Three Years	Three to Five Years	More Than Five Years
Operating lease obligations	28,271	9,139	14,118	4,341	673
Post-retirement payments	4,186	435	907	934	1,910
Management stock purchase plan (1)	6,738	3,510	2,720	370	138
Purchase obligations (2)	220,321	208,647	9,589	2,085	—
Total	<u>\$ 259,516</u>	<u>\$ 221,731</u>	<u>\$ 27,334</u>	<u>\$ 7,730</u>	<u>\$ 2,721</u>

(1) Includes amounts due to retired participants of the Management Stock Purchase Plan (MSPP). Excludes the future payments due to active participants of the MSPP who have not notified the Company of their intended retirement date, which represents a liability of \$12.8 million as of December 31, 2020. The timing of future payments to active participants cannot be accurately estimated as we are uncertain of when active participants' service to the Company will terminate. Our policy does not recognize the contractual obligation until the participant has officially retired.

(2) The purchase obligations are primarily comprised of purchase orders issued in the normal course of business for inventory, minimum quantities of certain raw materials. Also included in is a contractual obligation related to cloud services agreement.

## Critical Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make decisions based upon estimates, assumptions, and factors it considers relevant to the circumstances. Such decisions include the selection of applicable principles and the use of judgment in their application, the results of which could differ from those anticipated.

A summary of the Company's significant accounting policies are described in Note 1 of the Company's consolidated financial statements included in Part II, Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K.

Our most critical accounting estimates that require the most difficult, subjective and complex judgments include:

- revenue recognition on contracts;
- the assessment of recoverability of goodwill and other indefinite-lived intangible assets; and
- the estimation of fair value for acquired assets and liabilities assumed in business combination transactions.

Management reviews these estimates on a regular basis and makes adjustments based on historical experience, current conditions, and future expectations. Management believes these estimates are reasonable, but actual results could differ from these estimates.

### ***Revenue Recognition on Contracts***

The vast majority of our sales contracts are for standard products with revenue recognized at the point in time we transfer control to the customer. The point in time we transfer control is based on when we determine the customer has legal title, significant risks and rewards of ownership of the asset, and we have a present right to payment for the product. However, revenue representing 40%, 41% and 38% of our 2020, 2019 and 2018 consolidated net sales, respectively, was recognized over time under the cost-to-cost method as we satisfied our performance obligations. This method of revenue recognition pertains to activities within the Renewable Energy and Conservation and the Infrastructure Products segments.

Revenue recognized on contracts over time using the cost-to-cost method for measuring progress is recognized as work progresses toward completion based on the ratio of cumulative costs incurred to date to estimated total contract costs at completion. Revenues are recognized proportionally as costs are incurred under this method. Estimates of the total costs at completion for the performance obligations involve subjective judgment and estimation to determine total costs expected to be incurred by the time the performance obligation has been completed and accepted by the customer. The estimates of total costs to be incurred at completion of each contract are sensitive to significant judgments and assumptions, such as the expected costs to complete installation, which are affected by customer site-specific conditions as well as availability and cost of third-party contractors to complete the installation process. These estimates, judgments and assumptions impact the timing and amount of net sales and cost of sales recognized on in-progress performance obligations with customers. We continuously review our estimates and the progress and performance of the performance obligation for substantially all contracts that we recognize revenue over time under the cost-to-cost method. Any adjustments or changes in these estimates affecting sales, costs and profits are recognized in the period in which the change becomes known using the cumulative catch-up method of accounting, resulting in the cumulative effect of changes reflected in the period. A significant change in an estimate on one or more contracts could have a material effect on our results of operations.

Contract costs include all direct costs related to contract performance. Selling and administrative expenses are charged to operations as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Because of inherent uncertainties in estimating costs, it is reasonably possible that changes in performance could result in revisions to cost and revenue, which are recognized in the period when the revisions are determined.

### ***Goodwill and Other Indefinite-lived Intangible Asset Impairment Testing***

Our goodwill and indefinite-lived intangible asset balances of \$514.3 million and \$56.6 million, respectively, which in aggregate represent 47% of total assets as of December 31, 2020, are subject to impairment testing. We test goodwill and indefinite-lived intangible assets for impairment on an annual basis as of October 31 and at interim dates when indicators of impairment are present. Indicators of impairment could include a significant long-term adverse change in business climate, poor indicators of operating performance, or a sale or disposition of a significant portion of a reporting unit.

We test goodwill for impairment at the reporting unit level. We identify our reporting units by assessing whether the components of our Company constitute businesses for which discrete financial information is available and segment

management regularly reviews the operating results of those components. We have ten reporting units, nine of which have goodwill.

During interim periods, we evaluate the potential for goodwill impairment using a qualitative assessment by considering factors such as, but not limited to, macroeconomic conditions, industry conditions, the competitive environment, changes in the market for our products and services, regulatory and political developments, entity specific factors such as strategy, changes in key personnel, and overall financial performance. If, after completing this assessment, it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value, we proceed to a quantitative impairment test. During 2020, the Company considered the current and future macroeconomic and market conditions, along with its current market capitalization, projected cash flows and internal and external forecasts, and projections relating to the impact of the COVID-19 pandemic on each of its reporting units. The Company determined that a triggering event has not occurred which would require an interim impairment test to be performed. During the interim periods of 2020, we concluded that no indicators of impairment existed at interim dates and did not perform any quantitative interim impairment tests related to goodwill and indefinite-lived intangible assets.

The Company conducts its annual impairment test on all ten reporting units as of October 31, during which we test goodwill and other indefinite-lived intangible assets for impairment. On an annual basis, the quantitative goodwill impairment test consists of comparing the fair value of a reporting unit with the carrying amount of the reporting unit including goodwill. If the carrying amount of the reporting unit exceeds the reporting unit's fair value, an impairment loss is recognized in the amount by which the carrying value of the reporting unit exceeds the fair value of the reporting unit.

The annual quantitative goodwill impairment test requires subjective and complex judgment due to the significant estimation required in determining the fair value of the reporting units and the fair value of indefinite-lived intangible assets. Reporting unit fair value estimates include significant assumptions such as: revenue growth rates, operating margins, company-specific risk premiums used in the weighted-average cost of capital, and EBITDA multiples, which are affected by expectations about future market or economic conditions. The fair value estimates for indefinite-lived intangible assets include significant assumptions such as revenue growth rates and estimated royalty rates, which are affected by the market for comparable intellectual property licensing arrangements and expectations about future market or economic conditions. The Company performs sensitivity analysis on significant assumptions to evaluate how changes in the estimated fair values of reporting units and indefinite-lived intangible assets respond to changes in assumptions, specifically the revenue growth rates and the weighted-average cost of capital.

As a result of our quantitative testing, none of the reporting units with goodwill as of our testing date had carrying values in excess of their fair values, nor were any of the reporting units "at-risk" of impairment. The Company quantitatively defines "at risk" as a percentage of the excess of the reporting unit's fair value over its carrying amount that is less than 10%. An "at risk" reporting unit qualitatively represents a reporting unit with a higher degree of uncertainty of the reporting unit's ability to meet its forecasted cash flows based upon revenue growth rate and operating margin assumptions relied upon in the estimation of its fair value. There were no impairment charges against goodwill recorded during the years ended December 31, 2020, 2019, and 2018.

#### Indefinite-Lived Intangibles

We test our indefinite-lived intangible assets for impairment by comparing the fair value of the indefinite-lived intangible asset, determined using a discounted cash flow model, with its carrying amount. Each reporting period, we perform an evaluation of the remaining useful life of our indefinite-lived intangible assets to determine whether events and circumstances continue to support an indefinite useful life. If an indefinite-lived intangible asset is subsequently determined to have a finite useful life, the asset is tested for impairment and then amortized prospectively over its estimated remaining useful life, and accounted for in the same manner as other intangible assets that are subject to amortization.

The assumptions used to determine the fair value of our indefinite-lived intangible assets are consistent with the assumptions employed in the determination of the fair values of our reporting units. An impairment loss would be recognized for the carrying amount in excess of its fair value. The fair values of the impaired trademarks were determined using an income approach consisting of the relief-from-royalty method. The Company did not recognize any impairment charges on our indefinite-lived intangible assets in 2020 and 2019. During 2018, the Company recognized \$1.2 million of impairment charges on our indefinite-lived intangible assets.

## **Accounting for Acquired Assets and Liabilities**

When we acquire a business, we allocate the purchase price to the assets acquired and liabilities assumed in the transaction at their respective estimated fair values. We record any premium over the fair value of net assets acquired as goodwill. Significant judgment is necessary to determine the fair value of the purchase price. The allocation of the purchase price involves judgments and estimates both in characterizing the assets and in determining their fair value. The way we characterize the assets has important implications, as long-lived assets with definitive lives, for example, are depreciated or amortized, whereas goodwill is tested annually for impairment, as explained above.

With respect to determining the fair value of assets, the most subjective estimates involve valuations of long-lived assets, such as identified intangible assets and property, plant, and equipment. We use all available information to make these fair value determinations and engage independent valuation specialists to assist in the fair value determination of the acquired long-lived assets. The fair values of long-lived assets are determined using valuation techniques that use discounted cash flow methods, independent market appraisals, and other acceptable valuation techniques. The significant assumptions used to estimate the value of the intangible assets included discount rates, customer attrition, and certain assumptions that form the basis of the forecasted results (e.g., revenue growth rates and operating profit margin). The significant assumptions related to estimating the fair value of the intangible assets above are forward looking and could be affected by future economic market conditions.

## **Recent Accounting Pronouncements**

See Note 1 to the Company's consolidated financial statements in Part II, Item 8, Financial Statements and Supplementary Data, of this Form 10-K for further information on recent accounting pronouncements in accordance with U.S. generally accepted accounting principles.

## *Other Topics Adopted*

The U.S. Securities and Exchange Commission ("SEC") issued a final rule in May 2020 that amends the financial statement requirements for acquisitions and dispositions of businesses. The amendments primarily relate to disclosures required by Rule 3-05 and Article 11 of Regulation S-X and modifies the tests provided in Rule 1-02(w) of Regulation S-X used to determine whether a subsidiary or an acquired or disposed business is significant and modifies the number of years of audited financial statements required for acquisitions with significance levels greater than specified percentages. The amendments are effective for annual periods beginning after January 1, 2021 with early adoption permitted. We have elected to early adopt these amendments during the fourth quarter of 2020.

In August 2020, the SEC issued a final rule about the Modernization of Regulation S-K Items 101, 103 and 105, which became effective on November 9, 2020. The rule is intended to streamline disclosures about the business, legal proceeding and risk factors, and it adds new disclosure requirements about human capital resource.

In November 2020, the SEC issued a final rule about Management's Discussion and Analysis, Selected Financial Data, and Supplementary Financial Information, which became effective on February 10, 2021. The rule is intended to eliminate duplicate disclosures and to improve and simplify the disclosures within Management's Discussion and Analysis Items 301, 302 and 303. Early adoption is permitted on an Item-by-Item basis, provided that the Company complies fully with all areas of that Item. We have elected to early adopt the amendments of Item 301 for this Form 10-K for the year ended December 31, 2020 and expect adoption of Items 302 and 303 in our Form 10-K for the year ended December 31, 2021.

## **Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

In the ordinary course of business, the Company is exposed to various market risk factors, including changes in general economic conditions, competition, and raw materials pricing and availability. In addition, the Company is exposed to other financial market risks, primarily related to its long-term debt and foreign operations.

## **Raw Material Pricing Risk**

We are subject to market risk exposure related to volatility in the price of steel, aluminum and resins. A significant amount of our cost of sales relates to material costs. Our business is heavily dependent on the price and supply of our raw materials. The commodity market, which includes the steel, aluminum, and resin industries, is highly cyclical in nature, and commodity costs have been volatile in recent years, and may become more volatile in the future. Commodity costs are influenced by numerous factors beyond our control, including general economic conditions, the availability of raw materials, competition, labor costs, freight and transportation costs, production costs, import duties and other trade restrictions.

The Company principally manages its exposures to the market fluctuations in the steel and resins industries through management of its core business activities. Although we have the ability to purchase steel from a number of suppliers, a production cutback by one or more of our current suppliers could create challenges in meeting delivery schedules to our customers. The prices we offer to our customers are also impacted by changes in commodity costs. We manage the alignment of the cost of our raw materials and prices offered to customers and attempt to pass changes to raw material costs through to our customers. To improve our management of commodity costs, we attempt to maintain inventory levels not in excess of our production requirements.

We have not entered into long-term contractual commitments for the purchase of raw materials however, from time to time, we may purchase raw materials in advance of commodity cost increases.

We rely on major suppliers for our supply of raw materials. During 2020, we purchased our raw materials from domestic and foreign suppliers in an effort to purchase the lowest cost, high quality material possible while maintaining acceptable service levels.

We cannot accurately calculate the pre-tax impact a one percent change in the commodity costs would have on our 2020 operating results as the change in commodity costs would both impact the cost to purchase materials and the selling prices we offer our customers. The impact to our operating results would significantly depend on the competitive environment and the costs of other alternative products, which could impact our ability to pass commodity costs to our customers.

## **Interest Rate Risk**

To manage interest rate risk, the Company uses both variable and fixed interest rate debt. As of December 31, 2020, our variable rate debt consists of borrowings under our revolving credit facility of \$85.0 million and was the only significant debt that remains outstanding at year end. In order to manage interest rate risk, the Company will continue to monitor changes in its debt levels and access to capital ensuring interest rate risk is appropriately managed.

At December 31, 2020, our available variable rate debt consisted primarily of the revolving credit facility under the Company's Sixth Amended and Restated Credit Agreement, of which \$85 million was outstanding on the revolving credit facility as of December 31, 2020. Borrowings under the revolving credit facility bore interest at a variable interest rate based upon the LIBOR plus an additional margin. A hypothetical 1% increase or decrease in interest rates would have changed the 2020 interest expense by \$0.2 million.

## **Foreign Exchange Risk**

The Company has foreign exchange risk due to our international operations, primarily in Canada and Asia, and through sales to and purchases from foreign customers and vendors. Changes in the values of currencies of foreign countries affect our financial position and cash flows when translated into U.S. dollars. The Company principally manages its exposures to many of these foreign exchange rate risks solely through management of its core business activities. We cannot accurately calculate the pre-tax impact that a one percent change in the exchange rates of foreign currencies would have on our 2020 operating results as the changes in exchange rates would impact the cost of materials, the U.S. dollar revenue equivalents, and potentially the prices offered to our overseas customers.

**Item 8. Financial Statements and Supplementary Data**

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## Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Gibraltar Industries, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Gibraltar Industries, Inc. (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 25, 2021 expressed an unqualified opinion thereon.

### Adoption of New Accounting Standards

As discussed in Note 1 to the consolidated financial statements, the Company changed its method for accounting for leases as a result of the adoption of Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842), and the amendments in ASU 2018-11, effective January 1, 2019. As discussed in Note 1 to the consolidated financial statements, the Company changed its method for calculating expected credit losses as a result of the adoption of ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326), effective January 1, 2020.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.



*Description of the Matter*

**Revenue Recognition on Contracts**

During the year ended December 31, 2020, the amount of revenue recognized over time was \$415.8 million. As discussed in Note 1 to the consolidated financial statements, the Company's revenue on contracts is accounted for based on the cost-to-cost input measure of progress, whereby the extent of progress toward completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation.

Auditing management's estimates to complete for certain components is especially subjective due to significant judgment required in estimating the remaining costs to complete. Factors inherent in the estimation process include direct labor hours, direct material costs, and other direct costs. Due to uncertainties attributed to such factors, a significant change in an estimate on one or more contracts could have a material effect on the Company's results of operations.

*How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls that address the risks of material misstatement relating to the measurement and valuation of the Company's review of estimated costs to complete, including the determination of the underlying significant assumptions and the completeness and accuracy of the open contracts reviewed. For example, we tested controls over management's quarterly review of the cost estimates, monthly review of open contracts and completed contracts, and review over the cost estimates used to develop initial cost estimates on projects.

To test the amount of revenue recognized from contracts, our audit procedures included, among others, assessing whether the performance obligations identified were appropriately recognized on an over time basis through inspection of the contract and inquiry from program management regarding the nature and scope of work and testing the completeness and accuracy of the data underlying the determination of the amount of revenue recognized in the current period. To assess the over time revenue recognition, we tested that the actual costs incurred on the project are complete and accurate through agreement to supporting evidence. Our testing of the assumptions included a combination of confirmation of contract terms, billings, and project status directly with customers, inquiries of the program management and financial personnel, inspection of evidence to support future estimated costs, performance of an analysis of actual gross margin on completed contracts compared to prior estimates, evaluation of subsequent year-end expenses incurred on projects, and assessment of the historical accuracy of management's estimates by analyzing changes in project gross margins during project lifecycles and determining if those changes were driven by cost factors that should have been known or could have been reasonably estimated at project inception.

*Description of the Matter*

**Valuation of Goodwill**

At December 31, 2020, the Company's goodwill was \$536.8 million. As discussed in Notes 1 and 7 of the consolidated financial statements, the Company tests goodwill for impairment at the reporting unit level on an annual basis or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The Company may elect to perform a qualitative assessment or a quantitative test for impairment. In its quantitative tests the Company used the discounted cash flow method to estimate the fair value of its reporting units. The discounted cash flow method incorporates various assumptions, the most significant being projected revenue growth rates and the weighted-average cost of capital. If the carrying value of the reporting unit exceeds its fair value, goodwill impairment is measured as the amount by which the reporting unit's carrying value exceeds its fair value, not to exceed the carrying value of goodwill.

Auditing management's annual goodwill impairment test was especially subjective due to the significant estimation required to determine the fair value of certain reporting units tested using the quantitative assessment. The fair value estimates for certain reporting units were sensitive to significant assumptions inherent in the Company's discounted estimated future cash flows, such as changes in the weighted average cost of capital, revenue growth rate, operating margin, working capital and terminal value, which are affected by expectations about future market or economic conditions.

*How We  
Addressed the  
Matter in Our  
Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's goodwill impairment review process, including controls over management's review of the significant assumptions described above.

To test the estimated fair value of the Company's reporting units that applied a quantitative assessment, we performed audit procedures with the assistance of our valuation professionals that included, among others, assessing the methodology used and testing the significant assumptions discussed above and the underlying data used in the impairment analysis. We compared the significant assumptions used by management to current industry and economic trends and evaluated whether changes to the Company's business model, customer base or product mix and other factors would affect the significant assumptions. We assessed the historical accuracy of management's estimates and performed sensitivity analyses of significant assumptions to evaluate the changes in the aggregate fair value of the reporting units that would result from changes in the assumptions. We considered the relationship between the fair value of the Company's reporting units to the market capitalization of the Company as of the annual impairment testing date.

**Accounting for Acquisitions**

*Description of  
the Matter*

As discussed in Note 6 of the consolidated financial statements, during 2020, the Company completed five acquisitions in separate transactions, for which the aggregate consideration was \$313.3 million. All five transactions were accounted for as business combinations.

Auditing the Company's accounting for its acquisitions was complex due to the significant estimation uncertainty in the Company's preliminary determination of the fair values of the acquired intangible assets aggregating \$90.0 million. The Company used discounted cash flow methods and independent market appraisals to estimate the preliminary fair value of acquired intangible assets. The significant assumptions used to estimate the value of the intangible assets included discount rates, customer attrition, and certain assumptions that form the basis of the forecasted results (e.g., revenue growth rates and operating profit margin). The significant assumptions related to estimating the fair value of the intangible assets above are forward looking and could be affected by future economic market conditions.

*How We  
Addressed the  
Matter in Our  
Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's accounting for acquisitions. For example, we tested controls over the recognition and measurement of consideration transferred and acquired intangible assets, including the valuation models and underlying assumptions used to develop such estimates.

To test the fair value of the estimated preliminary fair value of the acquired intangible assets, we performed audit procedures that included, among others, evaluating the Company's selection of the valuation methodology, evaluating the methods and significant assumptions used by the Company's valuation specialists and evaluating the completeness and accuracy of the underlying data. For example, we compared the significant assumptions to current industry, market and economic trends, to the assumptions used to value similar assets in other acquisitions, to the historical results of the acquired business and to other guidelines used by companies within the same industry. We involved our valuation specialists to assist in our evaluation of the methodology used by the Company and significant assumptions and to assist with reconciling the prospective financial information with other prospective financial information prepared by the Company.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2005.

Boston, Massachusetts  
February 25, 2021

GIBRALTAR INDUSTRIES, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(in thousands, except per share data)

	Years Ended December 31,		
	2020	2019	2018
Net sales	\$ 1,032,578	\$ 898,233	\$ 837,097
Cost of sales	776,235	678,336	626,171
Gross profit	256,343	219,897	210,926
Selling, general, and administrative expense	149,153	139,085	128,233
Intangible asset impairment	—	—	1,552
Income from operations	107,190	80,812	81,141
Interest expense, net	703	2,323	10,709
Other (income) expense	(1,272)	408	3,309
Income before taxes	107,759	78,081	67,123
Provision for income taxes	24,468	18,153	13,011
Income from continuing operations	83,291	59,928	54,112
Discontinued operations:			
(Loss) income before taxes	(16,602)	6,682	12,822
Provision for income taxes	2,123	1,519	3,125
(Loss) income from discontinued operations	(18,725)	5,163	9,697
Net income	<u>\$ 64,566</u>	<u>\$ 65,091</u>	<u>\$ 63,809</u>
Net earnings per share – Basic:			
Income from continuing operations	\$ 2.55	\$ 1.85	\$ 1.69
(Loss) income from discontinued operations	(0.57)	0.16	0.31
Net income	<u>\$ 1.98</u>	<u>\$ 2.01</u>	<u>\$ 2.00</u>
Weighted average shares outstanding – Basic	<u>32,664</u>	<u>32,389</u>	<u>31,979</u>
Net earnings per share – Diluted:			
Income from continuing operations	\$ 2.53	\$ 1.83	\$ 1.66
(Loss) income from discontinued operations	(0.57)	0.16	0.30
Net income	<u>\$ 1.96</u>	<u>\$ 1.99</u>	<u>\$ 1.96</u>
Weighted average shares outstanding – Diluted	<u>32,918</u>	<u>32,722</u>	<u>32,534</u>

See accompanying notes to consolidated financial statements.

GIBRALTAR INDUSTRIES, INC.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)  
(in thousands)

	Years Ended December 31,		
	2020	2019	2018
Net income	\$ 64,566	\$ 65,091	\$ 63,809
Other comprehensive income (loss):			
Foreign currency translation adjustment	3,301	1,766	(3,241)
Cumulative effect of accounting change	—	—	(350)
Adjustment to pension and post-retirement benefit liability, net of tax	(371)	77	723
Other comprehensive income (loss)	2,930	1,843	(2,868)
Total comprehensive income	\$ 67,496	\$ 66,934	\$ 60,941

See accompanying notes to consolidated financial statements.

GIBRALTAR INDUSTRIES, INC.  
CONSOLIDATED BALANCE SHEETS  
(in thousands)

	December 31, 2020	December 31, 2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 32,054	\$ 191,363
Accounts receivable, net of allowance of \$3,529 and \$5,951	197,990	133,895
Inventories, net	98,307	61,957
Prepaid expenses and other current assets	19,671	18,959
Assets of discontinued operations	77,438	30,928
Total current assets	425,460	437,102
Property, plant, and equipment, net	89,562	78,152
Operating lease assets	25,229	21,201
Goodwill	514,279	307,355
Acquired intangibles	156,365	76,734
Other assets	1,599	1,980
Assets of discontinued operations	—	61,926
	\$ 1,212,494	\$ 984,450
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 134,738	\$ 72,628
Accrued expenses	83,505	86,597
Billings in excess of cost	34,702	47,598
Liabilities of discontinued operations	49,295	22,374
Total current liabilities	302,240	229,197
Long-term debt	85,636	—
Deferred income taxes	39,057	35,404
Non-current operating lease liabilities	17,730	14,943
Other non-current liabilities	24,026	21,272
Liabilities of discontinued operations	—	9,670
Shareholders' equity:		
Preferred stock, \$0.01 par value; authorized 10,000 shares; none outstanding	—	—
Common stock, \$0.01 par value; authorized 50,000 shares; 33,568 and 33,192 shares issued in 2020 and 2019	336	332
Additional paid-in capital	304,870	295,582
Retained earnings	469,943	405,668
Accumulated other comprehensive loss	(2,461)	(5,391)
Cost of 1,028 and 906 common shares held in treasury in 2020 and 2019	(28,883)	(22,227)
Total shareholders' equity	743,805	673,964
	\$ 1,212,494	\$ 984,450

See accompanying notes to consolidated financial statements.

GIBRALTAR INDUSTRIES, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands)

	Years Ended December 31,		
	2020	2019	2018
<b>Cash Flows from Operating Activities</b>			
Net income	\$ 64,566	\$ 65,091	\$ 63,809
(Loss) income from discontinued operations	(18,725)	5,163	9,697
Income from continuing operations	83,291	59,928	54,112
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	20,915	17,557	17,439
Intangible asset impairment	—	—	1,552
Gain on sale of business	(1,881)	—	—
Stock compensation expense	8,173	12,570	9,189
Exit activity costs, non-cash	493	408	1,344
Provision for deferred income taxes	3,786	4,120	4,725
Other, net	1,944	5,399	1,759
Changes in operating assets and liabilities (excluding the effects of acquisitions):			
Accounts receivable	2,277	(11,256)	9,665
Inventories	(5,719)	14,272	(12,322)
Other current assets and other assets	5,467	(9,306)	38
Accounts payable	(1,160)	4,804	(5,491)
Accrued expenses and other non-current liabilities	(44,570)	14,040	2,351
Net cash provided by operating activities of continuing operations	73,016	112,536	84,361
Net cash provided by operating activities of discontinued operations	16,088	17,399	13,184
Net cash provided by operating activities	89,104	129,935	97,545
<b>Cash Flows from Investing Activities</b>			
Purchases of property, plant, and equipment	(13,068)	(8,776)	(10,368)
Acquisitions, net of cash acquired	(313,686)	(8,595)	(5,241)
Net proceeds from sale of property and equipment	77	92	348
Net proceeds from sale of business	2,000	—	—
Net cash used in investing activities of continuing operations	(324,677)	(17,279)	(15,261)
Net cash (used in) provided by investing activities of discontinued operations	(2,033)	(2,394)	712
Net cash used in investing activities	(326,710)	(19,673)	(14,549)
<b>Cash Flows from Financing Activities</b>			
Long-term debt payments	—	(212,000)	(400)
Proceeds from long-term debt	85,000	—	—
Payment of debt issuance costs	—	(1,235)	—
Purchase of treasury stock at market prices	(6,656)	(4,305)	(7,165)
Net proceeds from issuance of common stock	1,119	490	1,385
Net cash provided by (used in) financing activities	79,463	(217,050)	(6,180)
Effect of exchange rate changes on cash	(1,166)	1,145	(2,090)
Net (decrease) increase in cash and cash equivalents	(159,309)	(105,643)	74,726
Cash and cash equivalents at beginning of year	191,363	297,006	222,280
Cash and cash equivalents at end of year	\$ 32,054	\$ 191,363	\$ 297,006

See accompanying notes to consolidated financial statements.

GIBRALTAR INDUSTRIES, INC.  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
(in thousands)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total Shareholders' Equity
	Shares	Amount				Shares	Amount	
Balance at December 31,	32,332	\$ 323	\$271,957	\$274,562	\$ (4,366)	615	\$(10,757)	\$ 531,719
Net income	—	—	—	63,809	—	—	—	63,809
Foreign currency translation adjustment	—	—	—	—	(3,241)	—	—	(3,241)
Minimum pension and post retirement benefit plan adjustments, net of taxes of \$225	—	—	—	—	723	—	—	723
Stock compensation expense	—	—	9,189	—	—	—	—	9,189
Cumulative effect of accounting change	—	—	—	624	(350)	—	—	274
Net settlement of restricted stock units	460	5	(5)	—	—	181	(7,165)	(7,165)
Issuance of restricted stock	7	—	—	—	—	—	—	—
Stock options exercised	88	1	1,384	—	—	—	—	1,385
Balance at December 31,	<u>32,887</u>	<u>\$ 329</u>	<u>\$282,525</u>	<u>\$338,995</u>	<u>\$ (7,234)</u>	<u>796</u>	<u>\$(17,922)</u>	<u>\$ 596,693</u>
Net income	—	—	—	65,091	—	—	—	65,091
Foreign currency translation adjustment	—	—	—	—	1,766	—	—	1,766
Minimum post retirement benefit plan adjustments, net of	—	—	—	—	77	—	—	77
Stock compensation	—	—	12,570	—	—	—	—	12,570
Cumulative effect of accounting change	—	—	—	1,582	—	—	—	1,582
Net settlement of restricted stock units	255	3	(3)	—	—	110	(4,305)	(4,305)
Issuance of restricted stock	8	—	—	—	—	—	—	—
Stock options exercised	42	—	490	—	—	—	—	490
Balance at December 31,	<u>33,192</u>	<u>\$ 332</u>	<u>\$295,582</u>	<u>\$405,668</u>	<u>\$ (5,391)</u>	<u>906</u>	<u>\$(22,227)</u>	<u>\$ 673,964</u>
Net income	—	—	—	64,566	—	—	—	64,566
Foreign currency translation adjustment	—	—	—	—	3,301	—	—	3,301
Minimum post retirement benefit plan adjustments, net of	—	—	—	—	(371)	—	—	(371)
Stock compensation	—	—	8,173	—	—	—	—	8,173
Cumulative effect of accounting change (see Note 1)	—	—	—	(291)	—	—	—	(291)
Net settlement of restricted stock units	296	4	(4)	—	—	122	(6,656)	(6,656)
Issuance of restricted stock	4	—	—	—	—	—	—	—
Stock options exercised	76	—	1,119	—	—	—	—	1,119
Balance at December 31,	<u>33,568</u>	<u>\$ 336</u>	<u>\$304,870</u>	<u>\$469,943</u>	<u>\$ (2,461)</u>	<u>1,028</u>	<u>\$(28,883)</u>	<u>\$ 743,805</u>

See accompanying notes to consolidated financial statements.

GIBRALTAR INDUSTRIES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Principles of consolidation

The consolidated financial statements include the accounts of Gibraltar Industries, Inc. and subsidiaries (the "Company"). All intercompany accounts and transactions have been eliminated in consolidation.

Use of estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue recognition

Revenue is recognized when, or as, the Company transfers control of promised products or service to a customer in an amount that reflects the consideration the Company expects to be entitled in exchange for transferring those products or service.

*Performance obligations satisfied at a point in time and significant judgments*

The majority of the Company's revenue from contracts with customers is recognized when the Company transfers control of the promised product at a point in time, which is determined when the customer has legal title and the significant risks and rewards of ownership of the asset, and the Company has a present right to payment for the product. These contracts with customers include promised products, which are generally capable of being distinct and accounted for as separate performance obligations. Accordingly, the Company allocates the transaction price, which is generally the quoted price per terms of the contract and the consideration the Company expects to receive, to each performance obligation in an amount based on an observable price of the products as the Company frequently sells these products separately in similar circumstances and to similar customers. These products are generally sold with rights of return and these contracts may provide other credits or incentives, which are accounted for as variable consideration. Variable consideration is estimated at the most likely amount to predict the consideration to which the Company will be entitled, and only to the extent it is probable that a subsequent change in estimate will not result in a significant revenue reversal when estimating the amount of revenue to recognize. Sales returns, allowances, and customer incentives, including rebates, are treated as reductions to the sales transaction price and based largely on an assessment of all information (i.e., historical, current and forecasted) that is reasonably available to the Company, and estimated at contract inception and updated at the end of each reporting period as additional information becomes available.

*Performance obligations satisfied over time and significant judgments*

For a contract to construct an asset that the customer controls as it is being created or enhanced, or a promise to provide a product that has no alternative use to the Company and the Company has enforceable rights to payment, the Company recognizes revenue over time. For the contracts to construct a certain asset, the Company determines that the customer controls the asset while it is being constructed. For the contracts for products that have no alternative use and for which the Company has an enforceable right to payment, the Company identifies these products as products that are not a standard inventory item or the Company cannot readily direct the product to another customer for use without incurring a significant economic loss, or significant costs to rework the product.

When the promised products and services are to construct a certain asset that the customer controls, the entire contract is accounted for as one performance obligation. The Company determines the transaction price for each contract based on the consideration the Company expects to receive for the promised products and services under the entire contract, which is generally the stated contract price based on an expected cost plus a margin.

When the promised products do not have an alternative use to the Company, and the Company has enforceable rights to payment, the transaction price is determined for each contract based on the consideration the Company expects to receive for the promised products under the contract and is generally the stated contract price based on



an expected cost plus a margin for each performance obligation. These promised products are generally capable of being distinct and accounted for as separate performance obligations.

For the above contracts with customers with respect to which the Company satisfies a performance obligation over time, the Company recognizes revenue based on the extent of progress towards completion of the performance obligation. The cost-to-cost measure of progress best depicts the transfer of control to the customer which occurs as the Company incurs costs on the contract as the incurred costs are proportionate to the Company's progress in satisfying the performance obligation. Under the cost-to-cost measure of progress, the extent of progress toward completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenues are recognized proportionally as costs are incurred. Costs to fulfill a contract include all direct costs related to contract performance. Selling and administrative expenses are charged to operations as incurred. Provision for loss on an uncompleted performance obligation is recognized in the period in which such loss is determined.

The Company regularly reviews the progress and performance of the performance obligation recognized over time under the cost-to-cost method. Any adjustments to net sales, cost of sales, and the related impact to operating income are recognized as necessary in the period they become known. Changes in estimates of net sales, cost of sales, and the related impact to operating income are recognized on a cumulative catch-up basis, which recognizes in the current period the cumulative effect of the changes on current or prior periods based on a performance obligation's cost-to-cost measure of progress.

The Company also recognizes revenues from services contracts over time. For these contracts, the transaction price is determined for each contract based on the consideration the Company expects to receive for the promised service under the contract, which generally is the stated contract price. In order to estimate the standalone selling price of the performance obligation, the Company evaluates the market in which the promised service is sold and estimates the price that customers in the market would be willing to pay. Further, the Company recognizes revenue over time during the term of the agreement as the customer is simultaneously receiving and consuming the benefits provided throughout the Company's performance. Therefore due to control transferring over time, the Company recognizes revenue on a straight-line basis throughout the contract period.

#### *Contract assets and contract liabilities*

Costs in excess of billings includes unbilled amounts resulting from revenues under contracts with customers that are satisfied over time and when the cost-to-cost measurement method of revenue recognition is utilized and revenue recognized exceeds the amount billed to the customer, and right to payment is not just subject to the passage of time. Amounts do not exceed their net realizable value. Costs in excess of billings are classified as current assets and are reported net of contract billings on a contract-by-contract basis at the end of each reporting period.

Billings in excess of cost includes billings in excess of revenue recognized and deferred revenue, which includes advanced payments, up-front payments, and progress billing payments. Billings in excess of cost are reported net of contract cost on a contract-by-contract basis at the end of each reporting period and are classified as current liabilities. To determine the revenue recognized in the period from the beginning balance of billings in excess of cost, the contract liability as of the beginning of the period is recognized as revenue on a contract by contract basis when the Company incurs costs to satisfy the performance obligation related to the individual contract. Once the beginning contract liability balance for an individual contract has been fully recognized as revenue, any additional payments received in the period are recognized as revenue once the related costs have been incurred.

Unearned revenue relates to payments received in advance of performance under the contract and is recognized when the Company performs under the contract. Unearned revenue is presented within accrued expenses in the Company's consolidated balance sheets.

#### *Costs to obtain a contract with a customer*

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if the Company expects the benefit of those costs to be longer than one year. If the amortization period of the asset is one year or less, the Company recognizes the incremental costs of obtaining a contract as an expense when incurred. These incremental costs include, but are not limited to, sales commissions incurred to obtain a contract with a customer.

### Cash and cash equivalents

All highly liquid investments with a maturity of three months or less are considered cash equivalents.

### Accounts receivable and allowance for doubtful accounts and contract assets

Accounts receivable are composed of trade and contract receivables recorded at either the invoiced amount or costs in excess of billings, are expected to be collected within one year, and do not bear interest.

The Company's expected loss allowance methodology for accounts receivable and costs in excess of billings (collectively "accounts receivable") is developed using historical collection experience, current and future economic and market conditions, and a review of the current status of customers' accounts receivables. The Company is exposed to credit losses through sales of products and services. Due to the short-term nature of such accounts receivable, the estimated amount of accounts receivable that may not be collected is based on aging of the accounts receivable balances. Additionally, specific allowance amounts are established to record the appropriate provision for customers that no longer share risk characteristics similar with other accounts receivable. The Company's monitoring activities include timely account reconciliation, dispute resolution, payment confirmation, consideration of customers' financial condition and macroeconomic conditions. Balances are written off when determined to be uncollectible after all means of collection have been exhausted and the potential for recovery is considered remote.

Estimates are used to determine the allowance. These estimates are based on assessment of anticipated payment and all other historical, current and future information that is reasonably available.

The following table summarizes activity recorded within the allowance for doubtful accounts and contract assets balances for the years ended December 31 (in thousands):

	2020	2019	2018
Beginning balance	\$ 5,951	\$ 6,170	\$ 5,599
Adoption of ASU 2016-13, cumulative-effect adjustment to retained earnings at January 1, 2020	385	—	—
Bad debt expense, net of recoveries	1,321	2,577	1,308
Accounts written off against allowance and other adjustments	(4,128)	(2,796)	(737)
Ending balance	<u>\$ 3,529</u>	<u>\$ 5,951</u>	<u>\$ 6,170</u>

Concentrations of credit risk in accounts receivable are limited to those from significant customers that are believed to be financially sound. As of December 31, 2020 and 2019, the Company's most significant customer is a home improvement retailer. The home improvement retailer purchases from the Residential Products and the Renewable Energy and Conservation segments. Accounts receivable as a percentage of consolidated accounts receivable from the home improvement retailer was 11% and 15% as of December 31, 2020 and 2019, respectively.

Net sales to the home improvement retailer as a percentage of consolidated net sales were 14% in each of the years ended December 31, 2020, 2019 and 2018, with the majority of those sales within the Company's Residential Products segment.

### Inventories

Inventories are valued at the lower of cost, determined using the first-in, first-out method, or net realizable value. Shipping and handling costs are recognized as a component of cost of sales.

### Property, plant, and equipment

Property, plant, and equipment are stated at cost and depreciated over their estimated useful lives using the straight-line method. Interest is capitalized in connection with construction of qualified assets. Expenditures that exceed an established dollar threshold and that extend the useful lives of assets are capitalized, while repair and maintenance costs are expensed as incurred. The estimated useful lives of land improvements, buildings, and building improvements are 15 to 40 years, while the estimated useful lives for machinery and equipment are 3 to 20 years.

The table below sets forth the depreciation expense recognized during the years ended December 31 (in thousands):

	2020	2019	2018
Depreciation expense	\$ 11,252	\$ 10,666	\$ 10,249

#### Acquisition related assets and liabilities

Accounting for the acquisition of a business as a purchase transaction requires an allocation of the purchase price to the assets acquired and the liabilities assumed in the transaction at their respective estimated fair values. The most complex estimations of individual fair values are those involving long-lived assets, such as property, plant, and equipment and intangible assets. The Company uses all available information to make these fair value determinations and engages independent valuation specialists to assist in the fair value determination of the acquired long-lived assets.

#### Goodwill and other intangible assets

The Company tests goodwill for impairment at the reporting unit level on an annual basis at October 31, or more frequently if an event occurs, or circumstances change, that indicate that the fair value of a reporting unit could be below its carrying value. The reporting units are at the component level, or one level below the operating segment level. Goodwill is assigned to each reporting unit as of the date the reporting unit is acquired and based upon the expected synergies of the acquisition.

The Company may elect to perform a qualitative assessment that considers economic, industry and company-specific factors for some or all of our selected reporting units. If, after completing the assessment, it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value, the Company proceeds to a quantitative test. The Company may also elect to perform a quantitative test instead of a qualitative test for any or all of the Company's reporting units.

The quantitative impairment test consists of comparing the fair value of a reporting unit, determined using two valuation techniques, to its carrying value. If the carrying value of the reporting unit exceeds its fair value, goodwill is considered impaired, and a loss measured by the excess of the carrying value of the reporting unit over the fair value of the reporting unit must be recorded.

The Company also tests its indefinite-lived intangible assets for impairment on an annual basis as of October 31, or more frequently if an event occurs, or circumstances change, that indicate that the fair value of an indefinite-lived intangible asset could be below its carrying value. The impairment test consists of comparing the fair value of the indefinite-lived intangible asset, determined using discounted cash flows on a relief-from-royalty basis, with its carrying amount. An impairment loss would be recognized for the carrying amount in excess of its fair value. Acquired identifiable intangible assets are recorded at cost. Identifiable intangible assets with finite useful lives are amortized over their estimated useful lives.

#### Impairment of long-lived assets

Long-lived assets, including acquired identifiable intangible assets with finite useful lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable. In specific situations, when the Company has selected individual assets to be sold or scrapped, the Company obtains market value data for those specific assets and measures and records the impairment loss based on such data. Otherwise, the Company uses undiscounted cash flows to determine whether impairment exists and measures any impairment loss by approximating fair value using acceptable valuation techniques, including discounted cash flow models and third-party appraisals. While the Company did not recognize any impairment charges related to intangible assets and other long-lived assets during the years ended December 31, 2020 and 2019, impairment charges related to intangible assets and other long-lived assets were recognized during the year ended December 31, 2018. Several of these impairment charges related to exit activities during the year ended December 31, 2018, as described in Note 15 of the consolidated financial statements.

#### Leases

The Company determines if an agreement is, or contains, a lease at the inception of the agreement. At lease commencement, the Company recognizes a right-of-use asset and a lease liability for leases with terms greater than twelve months. The initial lease liability is recognized at the present value of remaining lease payments over the lease term. Leases with an initial term of twelve months or less are not recorded on the Company's

consolidated balance sheet. The Company recognizes lease expense for operating leases on a straight-line basis over the lease term. The Company combines lease and non-lease components, such as common area maintenance costs, in calculating the related asset and lease liabilities for all underlying asset groups. Operating lease cost is included in income from operations and includes short-term leases and variable lease costs which are immaterial.

#### Deferred charges

Deferred charges associated with initial costs incurred to enter into new debt arrangements are included in other assets and are amortized as a part of interest expense over the terms of the associated debt agreements.

#### Advertising

The Company expenses advertising costs as incurred. For the years ended December 31, 2020, 2019 and 2018, advertising costs were \$7.2 million, \$5.7 million, and \$5.0 million, respectively.

#### Foreign currency transactions and translation

The assets and liabilities of the Company's foreign subsidiaries are translated into U.S. dollars at the rate of exchange in effect at the balance sheet date. Income and expense items are translated at the average exchange rates prevailing during the period.

#### Income taxes

The provision for income taxes is determined using the asset and liability approach. Under this approach, deferred income taxes represent the expected future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities. The Company records a valuation allowance to reduce deferred tax assets when uncertainty exists regarding their realization.

#### Equity-based compensation

The Company measures the cost of equity-based compensation based on grant date fair value and recognizes the cost over the period in which the employee is required to provide service in exchange for the award reduced by forfeitures. Equity-based compensation consists of grants of stock options, deferred stock units, common stock, restricted stock units, and performance stock units. Equity-based compensation expense is included as a component of selling, general, and administrative expenses.

## Recent accounting pronouncements

### *Recent Accounting Pronouncements Adopted*

<b>Standard</b>	<b>Description</b>	<b>Financial Statement Effect or Other Significant Matters</b>
ASU No. 2016-13 <i>Financial Instruments</i> - <i>Credit Losses</i> ( <i>Topic 326</i> )	The objective of this standard is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit, including trade receivables, held by an entity at each reporting date. The amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.	The standard is effective for the Company as of January 1, 2020. The Company adopted the amendments in this update using the modified retrospective approach through a cumulative-effect adjustment to retained earnings of \$291,000, net of \$96,000 of income taxes, on the opening consolidated balance sheet as of January 1, 2020. The Company's financial assets that are in the scope of the standard are contract assets and accounts receivables which are short-term in nature. Additionally, the Company has identified and implemented appropriate changes to the Company's business processes, policies and internal controls to support reporting and disclosures.
		Date of adoption: Q1 2020
ASU 2018-15 <i>Intangibles - Goodwill and Other - Internal-Use Software</i> ( <i>Subtopic 350-40</i> ), <i>Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract</i>	The amendments in this update require an entity to apply the same requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract as the entity would for implementation costs incurred to develop or obtain internal-use software. The accounting for the service element is not affected by the amendments in this update.	The standard is effective for the Company as of January 1, 2020. The Company adopted the amendments in this update using the prospective method of adoption, and the adoption did not have a material impact to the Company's financial statements.
		Date of adoption: Q1 2020

Recent Accounting Pronouncements Not Yet Adopted

Standard	Description	Financial Statement Effect or Other Significant Matters
ASU No. 2019-12 <i>Income Taxes (Topic 740), Simplifying the Accounting for Income Taxes</i>	The amendments in this update simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and improve consistent application by clarifying and amending existing guidance. The amendments of this standard are effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. Early adoption is permitted, including adoption in any interim period for which financial statements have not been issued, with the amendments to be applied on a respective, modified retrospective or prospective basis, depending on the specific amendment.	The Company is currently evaluating the requirements of this standard. The standard is not expected to have a material impact on the Company's financial statements.

Planned date of adoption: Q1 2021

The Company considers the applicability and impact of all ASUs. ASUs not listed above were assessed and determined to be either not applicable, or had or are expected to have minimal impact on our financial statements and related disclosures.

**(2) ACCOUNTS RECEIVABLE, NET**

Accounts receivable at December 31 consisted of the following (in thousands):

	2020	2019
Trade accounts receivable	\$ 174,604	\$ 119,239
Costs in excess of billings	26,915	20,607
Total accounts receivables	201,519	139,846
Less allowance for doubtful accounts	(3,529)	(5,951)
Accounts receivable, net	\$ 197,990	\$ 133,895

Refer to Note 3 "Revenue" concerning the Company's costs in excess of billings. The Company's accounts receivable balance as of December 31, 2020 primarily increased from December 31, 2019 due to acquired receivables of approximately \$62 million during 2020. Refer to Note 6 "Acquisitions" for additional information concerning the Company's acquisitions.

The Company considered the current and expected future economic and market conditions surrounding the COVID-19 pandemic and determined that the estimate of credit losses was not significantly impacted as of December 31, 2020.

**(3) REVENUE**

Sales includes revenue from contracts with customers for designing, engineering, manufacturing and installation of solar racking systems and greenhouse structures; extraction systems; roof and foundation ventilation products; centralized mail systems and electronic package solutions; rain dispersion products and roofing accessories; expansion joints and structural bearings.

Refer to Note 20 "Segment Information" for additional information related to revenue recognized by timing of transfer of control by reportable segment.

Payment terms and conditions vary by contract, although terms generally include a requirement of payment within a range from 30 to 60 days, or in certain cases, up front deposits. In circumstances where the timing of revenue recognition differs from the timing of invoicing, the Company has determined that the Company's contracts generally do not include a significant financing component. Taxes collected from customers, which are subsequently remitted to governmental authorities, are excluded from sales.

As of December 31, 2020, the Company's remaining performance obligations are part of contracts that have an original expected duration of one year or less. Additionally, as of December 31, 2020 and 2019, there were no assets recognized related to incremental costs of obtaining a contract with a customer as the benefits of these costs are not expected to exceed one year.

Contract assets consist of costs in excess of billings. Contract liabilities consist of billings in excess of cost and unearned revenue, respectively. The following table presents the ending and beginning balances of costs in excess of billings, billings in excess of cost and unearned revenue, respectively, as of December 31, (in thousands):

	2020	2019	2018
Costs in excess of billings	\$ 26,915	\$ 20,607	\$ 22,634
Billings in excess of cost	(34,702)	(47,598)	(17,857)
Unearned revenue	(21,325)	(15,389)	(10,847)

Revenue recognized that was included in billings in excess of cost and unearned revenue at the beginning of the periods, respectively, during the years ended December 31, (in thousands):

	2020	2019	2018
Revenue recognized in the period from:			
Amounts included in billings in excess of cost at the beginning of the period	\$ 45,536	\$ 17,371	\$ 10,097
Amounts included in unearned revenue at the beginning of the period	\$ 12,229	\$ 10,090	\$ 2,988

At December 31, 2020, costs in excess of billings, billings in excess of cost, and unearned revenue included approximately \$6.8 million, \$12.4 million and \$9.0 million, respectively, from acquisitions during the year ended December 31, 2020. The increase in contract liabilities as of December 31, 2019 compared to December 31, 2018 was primarily due to the timing of significant advanced and up-fronts payments in the Renewable Energy and Conservation segment near the end of December 31, 2019 from contracts with customers for which the performance obligations had not been satisfied.

#### (4) INVENTORIES

Inventories at December 31 consisted of the following (in thousands):

	2020	2019
Raw material	\$ 66,018	\$ 42,030
Work-in-process	5,382	5,023
Finished goods	31,205	18,460
Gross inventory	\$ 102,605	\$ 65,513
Less reserves	(4,298)	(3,556)
Total inventories	\$ 98,307	\$ 61,957

The Company's gross inventory balances are reduced by reserves for excess, obsolete and slow moving inventory and estimates for determining net realizable value of the inventory that are reported on a net basis on the Company's consolidated balance sheet.

The Company's total inventory balance as of December 31, 2020 increased from December 31, 2019 largely due to acquired inventory of approximately \$30 million during 2020. Refer to Note 6 "Acquisitions" for additional information concerning the Company's acquisitions.

The following table summarizes activity recorded within the reserve for excess, obsolete and slow moving inventory for the years ended December 31 (in thousands):

	2020	2019	2018
Beginning balance	\$ 3,463	\$ 2,971	\$ 2,852
Excess, obsolete and slow moving inventory expense	355	1,134	363
Scrapped inventory and other adjustments	343	(642)	(244)
Ending balance	<u>\$ 4,161</u>	<u>\$ 3,463</u>	<u>\$ 2,971</u>

## (5) PROPERTY, PLANT, AND EQUIPMENT

Components of property, plant, and equipment at December 31 consisted of the following (in thousands):

	2020	2019
Land and land improvements	\$ 4,605	\$ 4,583
Building and improvements	41,164	39,901
Machinery and equipment	188,853	174,058
Construction in progress	10,458	5,131
Property, plant, and equipment, gross	<u>245,080</u>	<u>223,673</u>
Less: accumulated depreciation	<u>(155,518)</u>	<u>(145,521)</u>
Property, plant, and equipment, net	<u>\$ 89,562</u>	<u>\$ 78,152</u>

## (6) ACQUISITIONS

### 2020 Acquisitions

During the year ended December 31, 2020, the Company acquired five businesses in separate transactions, four of which are included within our Renewable Energy and Conservation and one in our Residential Products segments. The total preliminary purchase consideration was \$313.3 million, and the preliminary allocation of purchase consideration for each acquisition was allocated to the assets acquired and liabilities assumed based upon their respective fair values.

On December 31, 2020, the Company purchased all the outstanding stock of TerraSmart LLC ("TerraSmart"), the leading provider of screw-based, ground-mount solar racking technology, particularly used for solar projects installed on challenging terrain. The results of TerraSmart have been included in the Company's consolidated financial results since the date of acquisition within the Company's Renewable Energy and Conservation segment. The preliminary purchase consideration for the acquisition of TerraSmart was \$228.2 million, which includes a preliminary working capital adjustment and certain other adjustments provided for in the stock purchase agreement.

The purchase price for the acquisition was preliminarily allocated to the assets acquired and liabilities assumed based upon their respective fair values estimated as of the date of acquisition. The Company has commenced the process to confirm existence, condition and completeness of assets acquired and liabilities assumed to obtain fair values of the assets acquired and liabilities assumed to determine the amount of goodwill to be recognized as of the date of acquisition. Due to the timing of the acquisition, we continue to gather information supporting the acquired assets and liabilities. Accordingly, all amounts recorded were provisional. These provisional amounts are subject to change if new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. The final determination of



the fair value of certain assets and liabilities will be completed within the measurement period of up to one year from the date of acquisition. The final values may also result in changes to depreciation and amortization expense related to certain assets such as property, plant and equipment and acquired intangible assets. The excess consideration was recorded as goodwill and approximated \$143.2 million, all of which is deductible for tax purposes. Goodwill represents future economic benefits arising from other assets acquired that could not be individually identified including workforce additions, growth opportunities, and increased presence in the domestic solar energy market. The final purchase price allocation will be completed no later than December 31, 2021.

The preliminary allocation of the purchase consideration to the estimated fair value of the assets acquired and liabilities assumed is as follows as of the date of the acquisition (in thousands):

Cash	\$	1,712
Working capital		23,833
Property, plant and equipment		8,345
Acquired intangible assets		51,700
Other assets		1,478
Other liabilities		(2,081)
Goodwill		143,245
Fair value of purchase consideration	<u>\$</u>	<u>228,232</u>

The intangible assets acquired in this acquisition consisted of the following (in thousands):

	Fair Value	Weighted-Average Amortization Period
Trademarks	\$ 16,400	Indefinite
Trademarks	300	7 years
Technology	2,500	15 years
Customer relationships	24,000	10 years
Non-compete agreements	2,200	5 years
Backlog	6,300	Less than 1 year
Total	<u>\$ 51,700</u>	

On December 11, 2020, the Company purchased all the outstanding stock of Sunfig Corporation ("Sunfig"), a provider of software solutions that optimize solar energy investments through upstream design, performance and financial modeling, for a preliminary purchase consideration of \$3.8 million, which includes a preliminary working capital adjustment and certain other adjustments provided for in the stock purchase agreement. The results of Sunfig have been included in the Company's consolidated financial results since the date of acquisition within the Company's Renewable Energy and Conservation segment. The excess consideration was recorded as goodwill and approximated \$3.2 million, all of which is deductible for tax purposes.

On October 15, 2020, the Company purchased substantially all of the assets of Architectural Mailboxes LLC ("Architectural Mailboxes"), a complementary addition to Gibraltar's existing mail and package solutions business within the Residential Products segment, for a preliminary purchase consideration of \$26.9 million, which includes a working capital adjustment and certain other adjustments provided for in the asset purchase agreement. The results of Architectural Mailboxes have been included in the Company's consolidated financial results since the date of acquisition within the Company's Residential Products segment. The excess consideration was recorded as goodwill and approximated \$7.4 million, all of which is deductible for tax purposes.

On February 13, 2020, the Company purchased substantially all of the assets of Delta Separations, LLC, a California limited liability company, and Teaching Tech, LLC, a California limited liability company (collectively, "Delta Separations") for a preliminary purchase consideration of \$47.1 million, which includes a working capital adjustment and certain other adjustments provided for in the asset purchase agreement. Delta Separations was a privately-held engineering company primarily engaged in the assembly and sale of centrifugal ethanol-based extraction

systems. The results of Delta Separations have been included in the Company's consolidated financial results since the date of acquisition within the Company's Renewable Energy and Conservation segment. The excess consideration was recorded as goodwill and approximated \$32.2 million, all of which is deductible for tax purposes.

On January 15, 2020, the Company purchased substantially all of the assets of Thermo Energy Systems Inc. ("Thermo"), a Canadian-based, privately held provider of commercial greenhouse solutions in North America providing growing infrastructure for the plant based organic food market, for a preliminary purchase consideration of \$7.3 million. The results of Thermo have been included in the Company's consolidated financial results since the date of acquisition within the Company's Renewable Energy and Conservation segment. Goodwill of approximately \$18.7 million was recorded, all of which is deductible for tax purposes.

The preliminary allocation of the purchase price of the four 2020 acquisitions noted above - Sunfig, Architectural Mailboxes, Delta Separations, and Thermo - is subject to adjustments during the measurement period as third-party valuations are finalized. The preliminary allocation of the purchase consideration to the estimated fair value of the assets acquired and liabilities assumed in these four acquisitions is as follows as of the respective date of the acquisition (in thousands):

Cash	\$	145
Working capital		(14,930)
Property, plant and equipment		1,740
Acquired intangible assets		38,296
Other current assets		1,528
Other assets		2,381
Other liabilities		(5,508)
Goodwill		61,436
Fair value of purchase consideration	<u>\$</u>	<u>85,088</u>

Goodwill represents future economic benefits arising from other assets acquired that could not be individually identified including workforce additions, growth opportunities, and increased presence in the respective markets.

The intangible assets acquired in the four acquisitions noted above consisted of the following (in thousands):

	<u>Fair Value</u>	<u>Weighted-Average Amortization Period</u>
Trademarks	\$ 8,200	Indefinite
Trademarks	1,177	3 years
Technology	8,175	7 - 15 years
Customer relationships	18,780	5 - 13 years
Non-compete agreements	1,036	5 years
Backlog	928	Less than 1 year
Total	<u>\$ 38,296</u>	

#### 2019 Acquisition

On August 30, 2019, the Company acquired all of the outstanding membership interests of Apeks LLC ("Apeks"), a designer and manufacturer of botanical oil extraction systems and equipment. The results of Apeks have been included in the Company's consolidated financial results since the date of acquisition within the Company's Renewable Energy and Conservation segment. The aggregate purchase consideration for the acquisition of Apeks was \$12.6 million, which includes a working capital adjustment and certain other adjustments provided for in the membership interest purchase agreement.

The purchase price for the acquisition was allocated to the assets acquired and liabilities assumed based upon their respective fair values. The excess consideration was recorded as goodwill and approximated \$6.4 million, all of

which is deductible for tax purposes. Goodwill represents future economic benefits arising from other assets acquired that could not be individually identified including workforce additions, growth opportunities, and presence in the extraction processing markets.

The allocation of the purchase consideration to the fair value of the assets acquired and liabilities assumed is as follows as of the date of the acquisition (in thousands):

Cash	\$	4,154
Working capital		(1,515)
Property, plant and equipment		1,059
Acquired intangible assets		3,000
Other assets		508
Other liabilities		(1,081)
Goodwill		6,436
Fair value of purchase consideration	<u>\$</u>	<u>12,561</u>

The intangible assets acquired in this acquisition consisted of the following (in thousands):

	Fair Value	Weighted-Average Amortization Period
Trademarks	\$ 1,400	Indefinite
Technology	900	7 years
Customer relationships	700	6 years
Total	<u>\$ 3,000</u>	

### 2018 Acquisition

On August 21, 2018, the Company acquired all of the outstanding stock of SolarBOS. SolarBOS is a provider of electrical balance of systems products, which consists of electrical components such as wiring, switches, and combiner boxes that support photovoltaic systems, for the U.S. renewable energy market. The Company expects the acquisition of SolarBOS to enable the Company to provide complementary product offerings to its existing customers and strengthen its position in the renewable energy market. The results of SolarBOS have been included in the Company's consolidated financial results since the date of acquisition (within the Company's Renewable Energy and Conservation segment). The aggregate purchase consideration for the acquisition of SolarBOS was \$6.4 million, which includes a working capital adjustment and certain other adjustments provided for in the stock purchase agreement.

The purchase price for the acquisition was allocated to the assets acquired and liabilities assumed based upon their respective fair values. The excess consideration was recorded as goodwill and approximated \$2.9 million, all of which is deductible for tax purposes. Goodwill represents future economic benefits arising from other assets acquired that could not be individually identified including workforce additions, growth opportunities, and increased presence in the renewable energy markets.

The allocation of the purchase consideration to the fair value of the assets acquired and liabilities assumed is as follows as of the date of the acquisition (in thousands):

Cash	\$	915
Working capital		680
Property, plant and equipment		483
Acquired intangible assets		1,450
Other assets		13
Other liabilities		(51)
Goodwill		2,879
Fair value of purchase consideration	<u>\$</u>	<u>6,369</u>

The intangible assets acquired in this acquisition consisted of the following (in thousands):

	Fair Value	Weighted-Average Amortization Period
Trademarks	\$ 300	3 years
Technology	450	9 years
Customer relationships	700	9 years
Total	<u>\$ 1,450</u>	

The acquisition of TerraSmart was financed through a combination of cash on hand and borrowings under the Company's revolving credit facility. The acquisitions of Sunfig, Architectural Mailboxes, Delta Separations, Thermo, Apeks and SolarBOS were funded from cash on hand.

The Company incurred certain acquisition-related costs composed of legal and consulting fees, and these costs were recognized as a component of selling, general, and administrative expenses in the consolidated statements of operations. The Company also recognized costs related to the sale of inventory at fair value as a result of allocating the purchase price of recent acquisitions.

All acquisition related costs consisted of the following for the years ended December 31 (in thousands):

	2020	2019	2018
Cost of sales	\$ 634	\$ 401	\$ —
Selling, general and administrative costs	3,230	1,517	497
Total acquisition related costs	<u>\$ 3,864</u>	<u>\$ 1,918</u>	<u>\$ 497</u>

## (7) GOODWILL AND RELATED INTANGIBLE ASSETS

### Goodwill

The changes in the carrying amount of goodwill for the years ended December 31 were as follows (in thousands):

	Renewable Energy & Conservation	Residential Products	Infrastructure Products	Total
Balance at December 31, 2018	\$ 71,827	\$ 198,075	\$ 31,678	\$ 301,580
Acquired goodwill	5,857	—	—	5,857
Adjustments to prior year acquisitions	(172)	—	—	(172)
Foreign currency translation	90	—	—	90
Balance at December 31, 2019	<u>\$ 77,602</u>	<u>\$ 198,075</u>	<u>31,678</u>	<u>\$ 307,355</u>
Acquired goodwill	197,866	7,377	—	205,243
Adjustments to prior year acquisitions	578	—	—	578
Foreign currency translation	1,103	—	—	1,103
Balance at December 31, 2020	<u>\$ 277,149</u>	<u>\$ 205,452</u>	<u>31,678</u>	<u>\$ 514,279</u>

Goodwill is recognized net of accumulated impairment losses of \$133.2 million as of December 31, 2020 and 2019, respectively. No goodwill impairment charges were recognized by the Company during 2020 or 2019.

### Annual Impairment Testing

The Company performed its annual goodwill impairment test as of October 31, 2020, 2019, and 2018.

During the October 31, 2020 impairment test, the Company conducted a quantitative analysis for all ten of the Company's reporting units. The quantitative impairment test consists of comparing the fair value of a reporting unit with its carrying value including goodwill. The fair value of each reporting unit evaluated under the quantitative test was determined using two valuation techniques: an income approach and a market approach. Each valuation approach relies on significant assumptions including a weighted average cost of capital ("WACC") based upon the capital structure of market participants in the Company's peer groups, projected revenue growth, forecasted cash flows, and earnings multiples based on the market value of the Company and market participants within its peer groups.

As a result of our annual testing for 2020, 2019 and 2018, none of the reporting units with goodwill as of our testing date had carrying values in excess of their fair values.

#### Interim Impairment Testing

The Company tests goodwill and indefinite-lived intangible assets for impairment on an annual basis as of October 31 and at interim dates when indicators of impairment are present. The Company considered the current and future macroeconomic and market conditions, along with its current market capitalization, projected cash flows and internal and external forecasts, and projections relating to the impact of the COVID-19 pandemic on each of its reporting units during the interim periods. The Company determined that no triggering events had occurred which would require an interim impairment test to be performed. In 2020, 2019 and 2018, no indicators of impairment were identified as of interim dates; therefore, no interim tests were performed.

#### Acquired Intangible Assets

Acquired intangible assets consist of the following (in thousands):

	December 31, 2020		December 31, 2019	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Indefinite-lived intangible assets:				
Trademarks	\$ 56,570	\$ —	\$ 32,570	\$ —
Finite-lived intangible assets:				
Trademarks	5,818	3,385	4,340	2,680
Unpatented technology	38,752	17,765	28,177	15,196
Customer relationships	98,500	31,580	55,401	26,028
Non-compete agreements	4,885	1,747	1,649	1,499
Backlog	7,228	911	—	—
	<u>155,183</u>	<u>55,388</u>	<u>89,567</u>	<u>45,403</u>
Total acquired intangible assets	<u>\$ 211,753</u>	<u>\$ 55,388</u>	<u>\$ 122,137</u>	<u>\$ 45,403</u>

The Company did not recognize impairment charges related to indefinite-lived trademark intangible assets for the years ended December 31, 2020 and 2019. During the year ended December 31, 2018, the Company recognized impairment charges of \$1.2 million related to indefinite-lived trademark intangible assets. The Company also recognized impairment charges of \$0.3 million related to finite-lived intangible assets for the year ended December 31, 2018.

The Company recognized amortization expense related to the definite-lived intangible assets. The following table summarizes amortization expense for the years ended December 31 (in thousands):

	2020	2019	2018
Amortization expense	\$ 9,663	\$ 6,891	\$ 7,190

Amortization expense related to acquired intangible assets for the next five years ended December 31 is estimated as follows (in thousands):

	2021	2022	2023	2024	2025
Amortization expense	\$ 18,362	\$ 11,584	\$ 10,721	\$ 10,611	\$ 10,382

## (8) ACCRUED EXPENSES

Accrued expenses at December 31 consist of the following (in thousands):

	2020	2019
Compensation	\$ 18,131	\$ 13,509
Current portion of cash-settled share-based liabilities	3,504	14,817
Interest and taxes	1,850	3,569
Customer rebates	11,575	10,266
Insurance	6,915	8,353
Current operating lease liability	8,034	6,487
Unearned revenue	21,325	15,389
Other	12,171	14,207
Total accrued expenses	<u>\$ 83,505</u>	<u>\$ 86,597</u>

Accrued expenses for insurance are primarily for general liability, workers' compensation and employee healthcare policies for which the Company is self-insured up to certain per-occurrence and aggregate limits. The amounts accrued represent the Company's best estimates of the probable amount of claims to be paid. Differences between the amounts accrued and the amount that may be reasonably possible of payment are not material. Accrued expenses for unearned revenue primarily relate to up-front customer deposits received on contracts for goods and services to be provided by the Company as further discussed in Note 3 "Revenue". The current portion of share-based liabilities represents the Company's equity-based awards that are settled in cash, further described in Note 12 "Equity-Based Compensation".

## (9) DEBT

The Company's long-term debt outstanding at December 31, 2020 was \$85.6 million, consisting of \$85.0 million of borrowings under the revolving credit facility and \$0.6 million of other debt. As of December 31, 2019, the Company had no outstanding debt.

### *Senior Credit Agreement*

On January 24, 2019, the Company entered into the Sixth Amended and Restated Credit Agreement ("Senior Credit Agreement"), which amended and restated the Company's Fifth Amended and Restated Credit Agreement dated December 9, 2015, and provided a revolving credit facility and letters of credit in an aggregate amount equal to \$400 million. The Company can request additional financing to increase the revolving credit facility to \$700 million or enter into a term loan of up to \$300 million subject to conditions set forth in the Senior Credit Agreement. The Senior Credit Agreement contains three financial covenants. As of December 31, 2020, the Company was in compliance with all three covenants.

Interest rates on the revolving credit facility are based on LIBOR plus an additional margin that ranges from 1.125% to 2.00%. In addition, the revolving credit facility is subject to an undrawn commitment fee ranging between 0.15% and 0.25% based on the Total Leverage Ratio and the daily average undrawn balance. The Senior Credit Agreement terminates on January 23, 2024.

Borrowings under the Senior Credit Agreement are secured by the trade receivables, inventory, personal property, equipment, and general intangibles of the Company's significant domestic subsidiaries.

Standby letters of credit of \$5.8 million have been issued under the Senior Credit Agreement to third parties on behalf of the Company as of December 31, 2020. These letters of credit reduce the amount otherwise available under the revolving credit facility. The Company had \$309.2 million and \$394.0 million of availability under the revolving credit facility as of December 31, 2020 and 2019, respectively.

Total cash paid for interest in the years ended December 31 was (in thousands):

	2020	2019	2018
Interest expense, net	\$ 703	\$ 2,323	\$ 10,709
Interest income	276	764	2,156
Other non-cash adjustments	(345)	(380)	(529)
Cash paid for interest	<u>\$ 634</u>	<u>\$ 2,707</u>	<u>\$ 12,336</u>

## (10) PENSION AND OTHER POSTRETIREMENT BENEFITS

The Company has a 401(k) plan which all employees of U.S. subsidiaries are eligible to participate.

The Company contributes to a multiemployer defined benefit pension plan under the terms of a collective-bargaining agreement that covers union-represented employees.

The Company has an unfunded postretirement healthcare plan which provides health insurance to certain employees and their spouses upon retirement. This plan has been frozen and no additional participants will be added to the plan in the future.

Total expense for all retirement plans for the years ended December 31 was (in thousands):

	2020	2019	2018
401(k) plan	\$ 2,403	\$ 2,031	\$ 1,876
Multiemployer and other defined benefit and pension plans	70	195	239
Postretirement healthcare plan	351	346	427
Total retirement plan expense	<u>\$ 2,824</u>	<u>\$ 2,572</u>	<u>\$ 2,542</u>

The Company's one multiemployer plan is underfunded and has a rehabilitation plan in place. The rehabilitation plan requires minimum contributions from the Company. Given the status of this plan, it is reasonably possible that future contributions to the plan will increase although the Company cannot reasonably estimate a possible range of increased contributions as of December 31, 2020.

The following table presents the changes in the accumulated postretirement benefit obligation related to the Company's unfunded postretirement healthcare benefits at December 31 (in thousands):

	2020	2019
Projected benefit obligation at January 1	\$ 6,024	\$ 6,135
Service cost	10	17
Interest cost	172	234
Actuarial gain	580	(52)
Benefits paid, net of contributions	(343)	(310)
Projected benefit obligation at December 31	<u>6,443</u>	<u>6,024</u>
Fair value of plan assets	<u>—</u>	<u>—</u>
Under funded status	(6,443)	(6,024)
Unamortized prior service cost	294	338
Unrecognized actuarial loss	1,843	1,328
Net amount recognized	<u>\$ (4,306)</u>	<u>\$ (4,358)</u>

Amounts recognized in the consolidated financial statements consisted of (in thousands):

	2020	2019
Accrued postretirement benefit liability		
Current portion	\$ 335	\$ 330
Long term portion	6,108	5,694
Pre-tax accumulated other comprehensive loss – unamortized post-retirement healthcare costs	(2,137)	(1,666)
Net amount recognized	<u>\$ 4,306</u>	<u>\$ 4,358</u>

The measurement date used to determine postretirement benefit obligation measures was December 31.

Components of net periodic postretirement benefit cost charged to expense for the years ended December 31 were as follows (in thousands):

	2020	2019	2018
Service cost	\$ 10	\$ 17	\$ 18
Interest cost	172	234	233
Amortization of unrecognized prior service cost	44	44	44
Loss amortization (2)	64	51	132
Net periodic benefit cost	<u>\$ 290</u>	<u>\$ 346</u>	<u>\$ 427</u>
Assumptions used to calculate the benefit obligation:			
Discount rate	2.0 %	2.9 %	4.1 %
Annual rate of increase in the per capita cost of:			
Medical costs before age 65 (1)	7.0 %	6.8 %	7.0 %
Medical costs after age 65 (1)	4.5 %	4.5 %	5.0 %
Prescription drug costs (1)	7.0 %	7.0 %	9.5 %

(1) It was assumed that these rates would gradually decline to 3.8% by 2075.

(2) Actuarial (gains)/losses are amortized utilizing the corridor approach. Differences between actual experience and the actuarial assumptions are reflected in (gain)/loss. If the total net (gain) or loss exceeds 10 percent of the greater of the accumulated postretirement benefit obligation or plan assets, this excess must be amortized over the average remaining service period of the active plan participants. If most of the plan participants are inactive, the amortization period is the expected future lifetime of inactive plan participants.

Expected benefit payments from the plan for the years ended December 31 are as follows (in thousands):

	2021	2022	2023	2024	2025	Years 2026 - 2030
Expected benefit payments	\$ 335	\$ 349	\$ 358	\$ 366	\$ 376	\$ 1,910



## (11) ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

The cumulative balance of each component of accumulated other comprehensive (loss) income is as follows (in thousands):

	Foreign Currency Translation Adjustment	Minimum post retirement benefit plan adjustments	Total Pre- Tax Amount	Tax (Benefit) Expense	Accumulated Other Comprehensive (Loss) Income
Balance at December 31, 2018	\$ (5,939)	\$ (2,040)	\$ (7,979)	\$ (745)	\$ (7,234)
Minimum post retirement benefit plan adjustments	—	101	101	24	77
Foreign currency translation adjustment	1,766	—	1,766	—	1,766
Balance at December 31, 2019	\$ (4,173)	\$ (1,939)	\$ (6,112)	\$ (721)	\$ (5,391)
Minimum post retirement benefit plan adjustments	—	(487)	(487)	(116)	(371)
Foreign currency translation adjustment	3,301	—	3,301	—	3,301
Balance at December 31, 2020	\$ (872)	\$ (2,426)	\$ (3,298)	\$ (837)	\$ (2,461)

The realized adjustments relating to the Company's minimum post retirement health care costs were reclassified from accumulated other comprehensive loss and included in other expense in the consolidated statements of operations.

## (12) EQUITY-BASED COMPENSATION

The Company awards equity-based compensation to employees and directors, which is recognized in the statements of operations based on the grant-date fair value of the award. The Company uses the straight-line method for recording compensation expense over a vesting period generally up to four years with either graded or cliff vesting. Stock compensation expense recognized during the period is based on the value of the portion of equity-based awards that is ultimately expected to vest during the period reduced by the expense on unvested awards forfeited during the period.

On May 4, 2018, the shareholders of the Company approved the adoption of the Gibraltar Industries, Inc. 2018 Equity Incentive Plan (the "2018 Plan"). The 2018 Plan provides for the issuance of up to 1,000,000 shares of common stock and supplements the remaining shares available for issuance under the existing Gibraltar Industries, Inc. 2015 Equity Incentive Plan (the "2015 Plan"). The Company's 2005 Equity Incentive Plan (the "Prior Plan") was amended in 2015 to terminate issuance of further awards from the Prior Plan.

Both the 2018 Plan and the 2015 Plan allow the Company to grant equity-based incentive compensation awards, in the form of non-qualified options, restricted shares, restricted stock units, performance shares, performance stock units, and stock rights to eligible participants.

In 2016, the shareholders of the Company approved the adoption of the Gibraltar Industries, Inc. 2016 Stock Plan for Non-Employee Directors ("Non-Employee Directors Plan") which allows the Company to grant awards of shares of the Company's common stock to non-employee Directors of the Company and permits the Directors to defer receipt of such shares pursuant to the terms of the Non-Employee Directors Plan.

At December 31, 2020, 513,000 and 136,000 shares were available for issuance under the 2018 Plan and 2015 Plan, respectively, as incentive stock options or other stock awards, and 29,000 shares were available for issuance under the Non-Employee Directors Plan as awards of shares of the Company's common stock.

The Company recognized the following compensation expense in connection with awards that vested under the 2018 Plan, the 2015 Plan, the Prior Plan, and the Non-Employee Directors Plan along with the related tax benefits recognized during the years ended December 31 (in thousands):

	2020	2019	2018
Expense recognized under the Prior Plan	\$ 40	\$ 192	\$ 569
Expense recognized under the 2015 Plan	1,932	5,077	7,988
Expense recognized under the 2018 Plan	5,441	6,731	188
Expense recognized under the Non-Employee Directors Plan	760	570	444
Total stock compensation expense	<u>\$ 8,173</u>	<u>\$ 12,570</u>	<u>\$ 9,189</u>
Tax benefits recognized related to stock compensation expense	<u>\$ 2,272</u>	<u>\$ 3,136</u>	<u>\$ 2,509</u>

Equity Based Awards - Settled in Stock

The following table provides the number of stock options, stock units, and common stock granted during the years ended December 31, along with the weighted-average grant-date fair value of each award:

Awards	2020		2019		2018	
	Number of Awards	Weighted Average Grant Date Fair Value	Number of Awards	Weighted Average Grant Date Fair Value	Number of Awards	Weighted Average Grant Date Fair Value
Deferred stock units	12,402	\$ 45.98	7,509	\$ 37.95	10,255	\$ 35.96
Common stock	4,134	\$ 45.98	7,509	\$ 37.95	2,113	\$ 35.50
Restricted stock units	81,397	\$ 56.81	152,472	\$ 39.73	116,174	\$ 36.61
Performance stock units	160,426	\$ 55.98	183,908	\$ 40.49	135,929	\$ 33.63

Stock Options

No options were granted in 2020, 2019 and 2018. The Company determines the fair value of stock options granted based on the Black-Scholes option pricing model on the date of grant, and the expected stock volatility is based on volatility of the Company's stock price using a historical period commensurate with the expected life of the options.

The following table summarizes the ranges of outstanding and exercisable options at December 31, 2020:

Range of Exercise Prices	Options Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
\$8.00 – \$10.00	16,500	0.7	\$ 9.74	16,500	\$ 9.74
\$10.01 – \$39.00	—	0	\$ —	—	\$ —
\$39.01 – \$44.00	25,000	1.4	\$ 42.35	25,000	\$ 42.35
	<u>41,500</u>			<u>41,500</u>	

The following table summarizes information about stock option transactions:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Balance at January 1, 2018	247,666	\$ 17.01		
Exercised	(87,907)	15.75		
Balance at December 31, 2018	159,759	\$ 17.70		
Exercised	(42,350)	11.57		
Balance at December 31, 2019	117,409	\$ 19.91		
Exercised	(75,909)	14.73		
Balance at December 31, 2020	41,500	\$ 29.38	1.13	\$ 1,766,000

The aggregate intrinsic value in the preceding table represents the total pre-tax intrinsic value, based on the \$71.94 per share market price of the Company's common stock as of December 31, 2020, which would have been received by the option holders had all option holders with an exercise price below the per share market price on December 31, 2020, exercised their options as of that date.

#### Stock Units and Common Stock

The following table summarizes information about non-vested restricted stock units, performance stock units (that will convert to shares upon vesting) and common stock:

	Restricted Stock Units	Weighted Average Grant Date Fair Value	Common Stock	Weighted Average Grant Date Fair Value	Performance Stock Units (1) (2)	Weighted Average Grant Date Fair Value	Deferred Stock Units (3)	Weighted Average Grant Date Fair Value
Balance at December 31, 2019	374,432	\$ 33.74	—	\$ —	329,257	\$ 38.53	34,752	\$ 34.21
Granted	82,328	\$ 56.81	4,134	\$ 45.98	160,426	\$ 55.98	12,402	\$ 45.98
Adjustments	—	\$ —	—	\$ —	27,528	\$ 40.98	—	\$ —
Vested	(213,448)	\$ 34.14	(4,134)	\$ 45.98	(81,366)	\$ 40.77	—	\$ —
Forfeited	(5,870)	\$ 40.92	—	\$ —	(28,556)	\$ 40.27	—	\$ —
Balance at December 31, 2020	237,442	\$ 41.15	—	\$ —	407,289	\$ 45.00	47,154	\$ 37.30

(1) The Company's performance stock units ("PSUs") represent shares granted for which the final number of shares earned depends on financial performance or market conditions. The number of shares to be issued may vary between 0% and 200% of the number of performance stock units granted depending on the relative achievement to targeted thresholds. The Company's PSUs with a financial performance condition are based on either the Company's return on invested capital ("ROIC") over a one-year period performance period or revenue, gross profit, and operating profit thresholds over a two-year or three-year performance period. The Company's PSUs with a market condition are based on the ranking of the Company's total shareholder return ("TSR") performance, on a percentile basis, over a three year performance period compared to the S&P Small Cap Industrial sector, over the same three year performance period.

(2) The Company's PSU adjustments during 2020 represent additional shares granted for achievement in excess of targeted thresholds at the end of the performance period. The Company's PSUs with a financial performance condition, based on the Company's ROIC, granted in 2019 accounted for 23,628 units of the total adjustments at a final achievement ratio of 116%. The Company's PSUs with a market condition, based on the relative ranking of the Company's TSR performance, granted in 2017 accounted for the remaining 3,900 units at final achievement ratio of 115.6%.

(3) Vested and issued upon termination from service as a member of the Company's Board of Directors.

The fair value of the common stock, restricted stock units, and deferred stock units, as well as the performance stock units with a financial performance condition granted during the three years ended December 31, 2020 was based on the Company stock price at grant date of the award. The fair value of the performance stock units with a market condition granted during the three years ended December 31, 2020 were determined using a Monte Carlo simulation as of the grant date of the award. The Company granted performance units with a market condition during 2020, however, no such awards were granted in 2019 and 2018.

The following table sets forth the aggregate intrinsic value of options exercised and aggregate fair value of restricted stock units and restricted shares that vested during the years ended December 31 (in thousands):

	2020	2019	2018
Aggregate intrinsic value of options exercised	\$ 3,812	\$ 1,371	\$ 2,128
Aggregate fair value of vested restricted stock units	\$ 11,851	\$ 10,017	\$ 5,307
Aggregate fair value of vested common and restricted shares	\$ 190	\$ 285	\$ 149
Aggregate fair value of vested deferred stock units	\$ 570	\$ 285	\$ 369

As of December 31, 2020, there was \$14.1 million of total unrecognized compensation cost related to non-vested options, restricted shares, and restricted stock units. That cost is expected to be recognized over a weighted average period of 2.3 years.

#### Equity Based Awards - Settled in Cash

As of December 31, 2020, the Company's total share-based liabilities recorded on the consolidated balance sheet was \$18.2 million, of which \$3.5 million was included in current accrued expenses and \$14.7 million was included in non-current liabilities. Total share-based liabilities as of December 31, 2019 were \$28.0 million, of which \$13.2 million was included in non-current liabilities. At December 31, 2020, the Company's equity based awards that are settled in cash are the awards under the management stock purchase plan.

#### *Management Stock Purchase Plan*

The Management Stock Purchase Plan ("MSPP") provides participants the ability to defer a portion of their compensation, convertible to unrestricted investments, restricted stock units, or a combination of both, or defer a portion of their Directors' fees, convertible to restricted stock units. Employees eligible to defer a portion of their compensation also receive a company-matching award in restricted stock units equal to a percentage of their deferred compensation.

The deferrals and related company match are credited to an account that represents a share-based liability. The portion of the account deferred to unrestricted investments is measured at fair market value of the unrestricted investments, and the portion of the account deferred to restricted stock units and company-matching restricted stock units is measured at a 200-day average of the Company stock price. The account will be converted to and settled in cash payable to participants upon retirement or a termination of their service to the Company.

The following table provides the number of restricted stock units credited to active participant accounts, balance of vested and unvested restricted stock units within active participant accounts, payments made with respect to restricted stock units issued under the MSPP, and MSPP expense during years ended December 31:

	2020	2019	2018
Restricted stock units credited	57,046	61,369	66,843
Restricted stock units balance, vested and unvested	231,343	415,760	387,870
Share-based liabilities paid, in thousands	\$ 15,401	\$ 6,543	\$ 5,232
MSPP expense, in thousands	\$ 4,518	\$ 2,699	\$ 4,809

### **(13) FAIR VALUE MEASUREMENTS**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Depending on the nature of the asset or liability, various techniques and assumptions can be used to estimate fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs other than quoted prices in active markets for similar assets and liabilities.
- Level 3 - Inputs that are unobservable inputs for the asset or liability.

The Company had no financial assets or liabilities measured at fair value on a recurring basis and did not have any financial instruments for which carrying value differed from its fair value at December 31, 2020 and 2019. As of December 31, 2020, the Company had \$85 million outstanding on its revolving credit facility under its Senior Credit Agreement. The Company determined the carrying value of the outstanding balance on its revolving credit facility approximates fair value due to the variable market interest rate terms of the credit facility. The Company had no balance outstanding on its revolving credit facility as of December 31, 2019.

The Company's other financial instruments primarily consist of cash and cash equivalents, accounts receivable, notes receivable, and accounts payable. The carrying values for these financial instruments approximate fair value. The Company did not have any other material assets or liabilities carried at fair value and measured on a recurring basis as of December 31, 2020 and 2019.

#### **Other non-recurring fair value measurements**

While the Company did not recognize any impairment changes related to certain intangible assets and property, plant, and equipment during the year ended December 31, 2019, the Company did recognize impairment of property, plant, and equipment during the year ended December 31, 2020 and impairment of certain intangible assets and property, plant, and equipment during the year ended December 31, 2018. The Company uses unobservable inputs, classified as Level 3 inputs, in determining the fair value of these assets. See Note 7 "Goodwill and Related Intangible Assets" and Note 15 "Exit Activity Costs and Asset Impairments" for more disclosure regarding the impairment of certain intangible assets and property, plant, and equipment, respectively.

The Company also applied fair value principles for the goodwill impairment tests performed during 2020, 2019, and 2018. The Company used two valuation models to estimate the fair values of its reporting units, both of which primarily use Level 3 inputs. See Note 7 of the consolidated financial statements for the results of the Company's goodwill impairment tests.

Additionally, the Company's recent acquisition activity, as described in Note 6 "Acquisitions", used Level 3 inputs to estimate fair values allocated to the assets acquired and liabilities assumed.

### **(14) DISCONTINUED OPERATIONS**

During the fourth quarter of 2020, the Company committed to a plan to dispose its Industrial business as a result of its portfolio management strategy to focus on participation in higher value and faster growing markets. The Industrial business, previously reported in the Company's Industrial and Infrastructure Products segment, has been classified as held for sale. Accordingly, the results of operations and financial position of the held for sale Industrial business have been presented as a discontinued operation in the Company's consolidated financial statements for all periods presented. The assets and liabilities of discontinued operations held for sale are presented as current respectively at December 31, 2020 as it is probable that the disposal by sale will occur and proceeds will be collected within one year.

The Company allocates interest to its discontinued operations in accordance with ASC Subtopic 205-20, "Presentation of Financial Statements – Discontinued Operations." Interest was allocated based on the amount of net assets held by the discontinued operation in comparison to consolidated net assets.

The following carrying amounts of the major classes of assets and liabilities included in discontinued operations related to the Industrial business has been segregated from the Company's continuing operations and are reported

as assets and liabilities of discontinued operations held for sale. respectively, in the consolidated balance sheets at December 31, (in thousands):

	2020	2019
<b>Assets</b>		
Accounts receivable, net	\$ 11,261	\$ 13,620
Inventories, net	13,041	16,519
Prepaid expenses and other current assets	21,310	789
Total current assets (1)	45,612	30,928
Property, plant, and equipment, net	16,999	17,257
Operating lease assets	6,470	6,461
Goodwill	22,475	22,350
Acquired intangibles	15,482	15,858
Loss recognized on classification as held for sale	(29,600)	—
Total noncurrent assets (1)	31,826	61,926
Total assets classified as held for sale	\$ 77,438	\$ 92,854
<b>Liabilities</b>		
Accounts payable	\$ 10,708	\$ 10,508
Accrued expenses	9,274	11,866
Total current liabilities (1)	19,982	22,374
Deferred income taxes	24,657	4,930
Non-current operating lease liabilities	4,639	4,726
Other non-current liabilities	17	14
Total noncurrent liabilities (1)	29,313	9,670
Total liabilities classified as held for sale	\$ 49,295	\$ 32,044

(1) The assets and liabilities of the disposal group classified as held for sale are classified as current on the December 31, 2020 consolidated balance sheet because it is probable that the sale will occur and proceeds will be collected within one year.

Components of the (loss) income from discontinued operations before taxes, including the interest allocated to discontinued operations, for the years ended December 31 were as follows (in thousands):

	2020	2019	2018
Net sales	\$ 128,915	\$ 150,225	\$ 166,378
Operating expenses	115,822	143,335	151,924
Loss on classification as held for sale	29,600	—	—
Interest expense allocation	95	208	1,632
(Loss) income from discontinued operations before taxes	\$ (16,602)	\$ 6,682	\$ 12,822

## (15) EXIT ACTIVITY COSTS AND ASSET IMPAIRMENTS

The Company has incurred exit activity costs and asset impairment charges as a result of its 80/20 simplification and portfolio management initiatives. These initiatives have resulted in the identification of low-volume, low margin, internally-produced products which have been or will be outsourced or discontinued, the simplification of processes, in the sale and exiting of less profitable businesses or products lines, and the reduction in our manufacturing footprint.

Exit activity costs were incurred during 2020 related to moving and closing costs, severance and contract terminations incurred as a result of process simplification initiatives. In conjunction with these initiatives, in 2020, the Company closed two facilities and, separately, sold a facility closed in 2017. The Company closed and consolidated one facility during 2019. In 2018, the Company sold and leased back a facility which resulted in a gain, and closed four other facilities. These closures resulted in asset impairment charges and exit activity costs.

The following table sets forth the asset impairment charges and exit activity costs incurred by segment during the years ended December 31 related to the restructuring activities described above (in thousands):

	2020			2019			2018		
	Inventory write-downs &/or asset impairment charges	Exit activity costs	Total	Inventory write-downs &/or asset impairment (recoveries) charges, net	Exit activity costs	Total	Inventory write-downs &/or asset impairment charges	Exit activity (recoveries) costs, net	Total
Renewable Energy & Conservation	\$ 72	\$ 875	\$ 947	\$ (9)	\$ 66	\$ 57	\$ 105	\$ (33)	\$ 72
Residential Products	9	731	740	417	3,440	3,857	1,586	1,321	2,907
Infrastructure Products	—	226	226	—	—	—	227	1,075	1,302
Corporate	—	375	375	—	1,660	1,660	—	438	438
Total exit activity costs & asset impairments	\$ 81	\$ 2,207	\$2,288	\$ 408	\$ 5,166	\$5,574	\$ 1,918	\$ 2,801	\$4,719

The following table provides a summary of where the above exit activity costs and asset impairments are recorded in the consolidated statements of operations for the years ended December 31 (in thousands):

	2020	2019	2018
Cost of sales	\$ 1,059	\$ 767	\$ 1,320
Selling, general, and administrative expense	1,229	4,807	3,399
Total exit activity costs and asset impairments	\$ 2,288	\$ 5,574	\$ 4,719

The following table reconciles the beginning and ending liability for exit activity costs relating to the Company's facility consolidation efforts (in thousands):

	2020	2019
Balance as of January 1	\$ 2,083	\$ 1,865
Exit activity costs recognized	2,207	5,166
Cash payments	(3,260)	(3,799)
Non-cash charges	—	(1,149)
Balance as of December 31	\$ 1,030	\$ 2,083

On June 30, 2020, the Company sold its self-guided apartment tour application business to a third party from its Residential Products segment. The \$2.0 million net proceeds from the sale resulted in pre-tax net gain of \$1.9 million and has been presented within other (income) expense in the consolidated statements of income. This divestiture does not meet the criteria to be reported as a discontinued operation nor will it have a major effect on the Company's operations.

## (16) INCOME TAXES

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse.

The components of income (loss) before taxes from continuing operations consisted of the following for the years ended December 31 (in thousands):

	2020	2019	2018
Domestic	\$ 108,930	\$ 78,351	\$ 70,783
Foreign	(1,171)	(270)	(3,660)
Income before taxes from continuing operations	<u>\$ 107,759</u>	<u>\$ 78,081</u>	<u>\$ 67,123</u>

The provision for (benefit of) income taxes from continuing operations for the years ended December 31 consisted of the following (in thousands):

	2020	2019	2018
Current:			
U.S. Federal	\$ 16,505	\$ 10,394	\$ 8,316
State	4,071	3,547	2,942
Foreign	106	92	(2,972)
Total current	<u>20,682</u>	<u>14,033</u>	<u>8,286</u>
Deferred:			
U.S. Federal	3,620	3,740	4,253
State	672	486	853
Foreign	(506)	(106)	(381)
Total deferred	<u>3,786</u>	<u>4,120</u>	<u>4,725</u>
Provision for income taxes	<u>\$ 24,468</u>	<u>\$ 18,153</u>	<u>\$ 13,011</u>

The provision for (benefit of) income taxes from discontinued operations for the years ended December 31 consisted of the following (in thousands):

	2020	2019	2018
Current:			
U.S. Federal	\$ 1,345	\$ 885	\$ 1,086
State	57	4	202
Foreign	1,725	1,447	1,781
Total current	<u>3,127</u>	<u>2,336</u>	<u>3,069</u>
Deferred:			
U.S. Federal	(876)	(823)	(95)
State	10	23	194
Foreign	(138)	(17)	(43)
Total deferred	<u>(1,004)</u>	<u>(817)</u>	<u>56</u>
Provision for income taxes	<u>\$ 2,123</u>	<u>\$ 1,519</u>	<u>\$ 3,125</u>



The provision for income taxes from continuing operations differs from the federal statutory rate of 21% due to the following (in thousands) for the years ended December 31:

	2020		2019		2018	
Statutory rate	22,629	21.0 %	16,397	21.0 %	14,096	21.0 %
State taxes, less federal effect	3,650	3.4 %	3,194	4.1 %	2,901	4.3 %
Federal tax credits	(1,064)	(1.0)%	(1,621)	(2.1)%	(742)	(1.1)%
Excess tax benefit on stock based compensation	(1,674)	(1.6)%	(871)	(1.1)%	(2,224)	(3.3)%
Uncertain tax positions	—	— %	(260)	(0.3)%	(3,051)	(4.5)%
Executive compensation	1,114	1.0 %	1,132	1.4 %	1,369	2.0 %
Change in valuation allowance	(130)	(0.1)%	88	0.1 %	(1,694)	(2.5)%
Net operating loss (NOL) write	—	— %	—	— %	1,640	2.4 %
Change in Indemnification Asset	—	— %	—	— %	643	1.0 %
Other	(57)	— %	94	0.1 %	73	0.1 %
	<u>\$ 24,468</u>	<u>22.7 %</u>	<u>\$ 18,153</u>	<u>23.2 %</u>	<u>\$ 13,011</u>	<u>19.4 %</u>

Deferred tax liabilities (assets) at December 31 consist of the following (in thousands):

	2020	2019
Depreciation	\$ 7,697	\$ 7,556
Goodwill	41,842	38,610
Intangible assets	5,632	6,171
Other	6,878	6,158
Gross deferred tax liabilities	62,049	58,495
Equity compensation	(7,496)	(9,530)
Other	(15,682)	(13,939)
Gross deferred tax assets	(23,178)	(23,469)
Valuation allowances	111	298
Deferred tax assets, net of valuation allowances	(23,067)	(23,171)
Net deferred tax liabilities	<u>\$ 38,982</u>	<u>\$ 35,324</u>

At December 31, 2020, the Company had total net operating loss carry forwards of \$14.7 million, which included \$0.5 million for federal, \$10.2 million for state, and \$4.0 million for foreign income tax purposes. The federal and state net operating loss carry forwards expire between 2021 and 2040. The foreign net operating loss carry forwards expire between 2022 and 2040. The Company recognized a total of \$1.5 million of deferred tax assets, net of the federal tax benefit, related to these net operating losses prior to any valuation allowances, which included \$0.1 million of federal and \$0.3 million of state deferred tax assets and \$1.1 million of foreign deferred tax assets.

Deferred taxes include net deferred tax assets relating to certain state and foreign tax jurisdictions. A reduction of the carrying amount of deferred tax assets by a valuation allowance is required if it is more likely than not that such assets will not be realized. The Company derecognized net operating loss carry forwards, and the corresponding valuation allowances of \$1.7 million in Germany and Brazil since it exited both markets in 2018. In 2019, a valuation allowance was recorded in China. In 2020, the valuation allowance in China was reversed and a tax attribute valuation allowance was also reversed as the Company expects to utilize the attribute. The following sets forth a reconciliation of the beginning and ending amount of the Company's valuation allowance (in thousands):

	2020	2019	2018
Balance as of January 1	\$ 298	\$ 206	\$ 2,002
Cost charged to the tax provision	70	100	45
Reductions	(248)	(10)	(1,747)
Currency translation	(9)	2	(94)
Balance as of December 31	<u>\$ 111</u>	<u>\$ 298</u>	<u>\$ 206</u>

Interest (net of federal tax benefit) and penalties recognized during the years ended December 31 were (in thousands):

	2020	2019	2018
Interest and penalties recognized as income	—	—	13

The Company made net payments for income taxes for the following amounts for the years ended December 31 (in thousands):

	2020	2019	2018
Payments made for income taxes, net	\$ 21,351	\$ 16,744	\$ 14,128

At December 31, 2020, the Company had approximately \$0.2 million of undistributed earnings of foreign subsidiaries. The Company continues to maintain its assertion that all remaining foreign earnings will be indefinitely reinvested. Any excess earnings could be used to grow the Company's foreign operations through launches of new capital projects or additional acquisitions. Determination of the amount of unrecognized deferred U.S. income tax liability related to our remaining unremitted foreign earnings is not practicable due to the complexities associated with its hypothetical calculation.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

	2020	2019	2018
Balance as of January 1	\$ —	\$ 329	\$ 3,536
Additions for tax positions of the current year	—	—	15
Additions for tax positions of prior years	—	—	—
Reductions for tax positions of prior years for:			
Settlements and changes in judgment	—	—	—
Lapses of applicable statute of limitations	—	(329)	(3,060)
Divestitures and foreign currency translation	—	—	(162)
Balance as of December 31	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 329</u>

In 2020, the Company did not have any unrecognized tax benefits. In 2019, unrecognized tax benefit of \$0.3 million was reversed as a result of the lapse of the statute of limitations. In 2018, the corresponding indemnification asset was also reversed in pretax income. The Company classifies accrued interest and penalties related to unrecognized tax benefits in income tax expense.

The Company and its U.S. subsidiaries file a U.S. federal consolidated income tax return. Foreign and U.S. state jurisdictions have statute of limitations generally ranging from four to ten years. The Company's U.S. federal consolidated income tax return is under examination for 2015 through 2018.

## (17) EARNINGS PER SHARE

Basic earnings per share is based on the weighted average number of common shares outstanding. Diluted earnings per share is based on the weighted average number of common shares outstanding, as well as dilutive common shares which include shares issuable under the equity compensation plans described in Note 12 of the consolidated financial statements. The weighted average number of diluted shares does not include potential anti-dilutive common shares aggregating 13,000, 30,000 and 303,000 at December 31, 2020, 2019 and 2018, respectively. The treasury stock method is used to calculate dilutive shares, which reduces the gross number of dilutive shares by the number of shares purchasable from the proceeds of the options assumed to be exercised and the unrecognized expense related to the options, restricted shares, restricted stock units, and performance stock units assumed to have vested.

Weighted average shares outstanding for basic and diluted earnings are as follows for the years ended December 31 (in thousands):

	2020	2019	2018
Numerator:			
Income from continuing operations	\$ 83,291	\$ 59,928	\$ 54,112
(Loss) income from discontinued operations	(18,725)	5,163	9,697
Net income available to common shareholders	<u>\$ 64,566</u>	<u>\$ 65,091</u>	<u>\$ 63,809</u>
Denominator for basic earnings per share:			
Weighted average shares outstanding	32,664	32,389	31,979
Denominator for diluted earnings per share:			
Common stock options and stock units	254	333	555
Weighted average shares and conversions	<u>32,918</u>	<u>32,722</u>	<u>32,534</u>

## (18) LEASES

The Company's leases are classified as operating leases and consist of manufacturing facilities, distribution centers, office space, vehicles and equipment.

Most of the Company's leases include one or more options to renew, with renewal terms that can extend the respective lease term from one month to fifteen years. The exercise of lease renewal options is at the Company's sole discretion. As of December 31, 2020, the Company's renewal options are not part of the Company's operating lease assets and operating lease liabilities. Certain leases also include options to purchase at fair value the underlying leased asset at the Company's sole discretion.

Amounts recognized in the Company's consolidated balance sheet at December 31 were as follows (in thousands):

		2020	2019
<b>Assets</b>	Operating lease assets	<u>\$ 25,229</u>	<u>\$ 21,201</u>
<b>Liabilities</b>			
Current	Accrued expenses	\$ 8,034	\$ 6,487
Non-current	Non-current operating lease liabilities	17,730	14,943
		<u>\$ 25,764</u>	<u>\$ 21,430</u>

Lease costs and other lease information for the year ended December 31 were as follows (in thousands):

	2020	2019
Operating lease cost	\$ 11,001	\$ 10,441
Cash paid for amounts included in the measurement of operating liabilities	\$ 9,502	\$ 9,238
Right-of-use assets obtained in exchange for new lease liabilities	\$ 12,745	\$ 6,364

<b>Lease Term and Discount Rate</b>	December 31, 2020	December 31, 2019
Weighted-average remaining lease term - operating leases	3.6 years	3.8 years
Weighted-average discount rate - operating leases	5.2 %	5.7 %

<b>Maturity of lease liabilities</b>	(In thousands)
2021	\$ 9,139
2022	7,635
2023	6,483
2024	3,298
2025	1,043
After 2025	673
Total lease payments	28,271
Less: present value discount	(2,507)
Present value of lease liabilities	<u>\$ 25,764</u>

The Company uses the its incremental borrowing rate based on information available at the commencement date of a lease in determining the present value of lease payments as the rates implicit in most of the Company's leases are not readily determinable.

Upon adoption of ASU 2016-02 on January 1, 2019, an unrecognized deferred gain of \$1.6 million related to sale-leaseback transactions was recorded as a cumulative-effect adjustment to increase retained earnings, net of related income tax effects.

Rent expense under operating leases aggregated to \$9.7 million for the year ended December 31, 2018.

## **(19) COMMITMENTS AND CONTINGENCIES**

The Company is a party to certain claims and legal actions generally incidental to its business. For certain divestiture transactions completed in prior years, the Company has agreed to indemnify the buyer for various liabilities that may arise after the disposal date. The Company is a party to certain claims made under these indemnification provisions. As of December 31, 2020, the Company has a contingent liability recorded for such provisions related to discontinued operations. Management does not believe that the outcome of this claim, or other claims which are not clearly determinable at the present time, would significantly affect the Company's financial condition or results of operation.

## **(20) SEGMENT INFORMATION**

The Company is organized into three reportable segments on the basis of the production processes, products and services provided by each segment, identified as follows:

- (i) Renewable Energy and Conservation, which primarily includes designing, engineering, manufacturing and installation of solar racking, electrical balance of systems, extraction systems and greenhouse structures;
- (ii) Residential Products, which primarily includes roof and foundation ventilation products, rain dispersion products and roofing accessories, centralized mail systems and electronic package solutions; and

- (iii) Infrastructure Products, which primarily includes expansion joints, structural bearings, rubber pre-formed seals and other sealants, elastomeric concrete, and bridge cable protection systems.

When determining the reportable segments, the Company aggregated operating segments based on their similar economic and operating characteristics.

The following table illustrates certain measurements used by management to assess the performance of the segments described above as of and for the years ended December 31 (in thousands):

	2020	2019	2018
Net sales:			
Renewable Energy and Conservation	\$ 447,567	\$ 373,023	\$ 317,253
Residential Products	522,814	461,630	463,216
Infrastructure Products	62,197	63,580	56,628
Total consolidated net sales	<u>\$ 1,032,578</u>	<u>\$ 898,233</u>	<u>\$ 837,097</u>
Income from operations:			
Renewable Energy and Conservation	\$ 40,738	\$ 47,558	\$ 37,423
Residential Products	94,430	63,047	69,838
Infrastructure Products	7,233	6,428	2,509
Segments income from operations	<u>142,401</u>	<u>117,033</u>	<u>109,770</u>
Unallocated corporate expenses	(35,211)	(36,221)	(28,629)
Total income from operations	<u>\$ 107,190</u>	<u>\$ 80,812</u>	<u>\$ 81,141</u>
Depreciation and Amortization			
Renewable Energy and Conservation	\$ 9,445	\$ 6,132	\$ 5,790
Residential Products	8,110	7,906	8,217
Infrastructure Products	3,060	3,129	3,100
Unallocated corporate expenses	300	390	332
	<u>\$ 20,915</u>	<u>\$ 17,557</u>	<u>\$ 17,439</u>
Total assets			
Renewable Energy and Conservation	\$ 619,071	\$ 246,853	\$ 218,048
Residential Products	407,132	359,657	361,499
Infrastructure Products	80,796	110,611	114,354
Unallocated corporate assets	28,057	174,475	271,616
Assets of discontinued operations	77,438	92,854	96,128
	<u>\$ 1,212,494</u>	<u>\$ 984,450</u>	<u>\$ 1,061,645</u>
Capital expenditures			
Renewable Energy and Conservation	\$ 1,143	\$ 2,199	\$ 1,345
Residential Products	3,313	4,968	7,921
Infrastructure Products	1,511	1,028	927
Unallocated corporate expenditures	7,101	581	175
	<u>\$ 13,068</u>	<u>\$ 8,776</u>	<u>\$ 10,368</u>

The following tables illustrate revenue disaggregated by timing of transfer of control to the customer for the years ended December 31 (in thousands):

2020				
	Renewable Energy and Conservation	Residential Products	Infrastructure Products	Total
Net sales:				
Point in Time	\$ 75,727	\$ 518,281	\$ 22,781	\$ 616,789
Over Time	371,840	4,533	39,416	415,789
Total	<u>\$ 447,567</u>	<u>\$ 522,814</u>	<u>\$ 62,197</u>	<u>\$ 1,032,578</u>
2019				
	Renewable Energy and Conservation	Residential Products	Infrastructure Products	Total
Net sales:				
Point in Time	\$ 42,596	\$ 458,006	\$ 26,490	\$ 527,092
Over Time	330,427	3,624	37,090	371,141
Total	<u>\$ 373,023</u>	<u>\$ 461,630</u>	<u>\$ 63,580</u>	<u>\$ 898,233</u>
2018				
	Renewable Energy and Conservation	Residential Products	Infrastructure Products	Total
Net sales:				
Point in Time	\$ 33,427	\$ 460,513	\$ 22,806	\$ 516,746
Over Time	283,826	2,703	33,822	320,351
Total	<u>\$ 317,253</u>	<u>\$ 463,216</u>	<u>\$ 56,628</u>	<u>\$ 837,097</u>

Net sales by region or origin and long-lived assets by region of domicile for the years ended and as of December 31 are as follows (in thousands):

	2020	2019	2018
Net sales			
North America	\$ 1,018,406	\$ 881,432	\$ 825,497
Asia	14,172	16,801	11,600
Total	<u>\$ 1,032,578</u>	<u>\$ 898,233</u>	<u>\$ 837,097</u>
Long-lived assets			
North America	\$ 90,685	\$ 79,590	\$ 79,544
Asia	476	542	704
Total	<u>\$ 91,161</u>	<u>\$ 80,132</u>	<u>\$ 80,248</u>

**(21) QUARTERLY UNAUDITED FINANCIAL DATA**

GIBRALTAR INDUSTRIES, INC.  
 QUARTERLY UNAUDITED FINANCIAL DATA  
 (in thousands, except per share data)

	2020 Quarters Ended				
	March 31	June 30	September 30	December 31	Total
Net sales	\$ 215,401	\$ 255,184	\$ 296,792	\$ 265,201	\$ 1,032,578
Gross profit	\$ 49,861	\$ 65,561	\$ 78,495	\$ 62,426	\$ 256,343
Income from continuing operations	\$ 12,777	\$ 30,748	\$ 40,943	\$ 22,722	\$ 107,190
Interest expense	\$ 44	\$ 222	\$ 217	\$ 220	\$ 703
Net income from continuing operations	\$ 9,902	\$ 24,457	\$ 31,334	\$ 17,598	\$ 83,291
Net income (loss) from discontinued operations	\$ 2,157	\$ 2,835	\$ 2,426	\$ (26,143)	\$ (18,725)
Total net income (loss)	\$ 12,059	\$ 27,292	\$ 33,760	\$ (8,545)	\$ 64,566
Income per share from continuing operations:					
Basic	\$ 0.30	\$ 0.75	\$ 0.96	\$ 0.54	\$ 2.55
Diluted	\$ 0.30	\$ 0.74	\$ 0.95	\$ 0.53	\$ 2.53
Income (loss) per share from discontinued operations:					
Basic	\$ 0.07	\$ 0.09	\$ 0.07	\$ (0.80)	\$ (0.57)
Diluted	\$ 0.07	\$ 0.09	\$ 0.07	\$ (0.79)	\$ (0.57)

	2019 Quarters Ended				
	March 31	June 30	September 30	December 31	Total
Net sales	\$ 187,160	\$ 224,255	\$ 260,784	\$ 226,034	\$ 898,233
Gross profit	\$ 37,259	\$ 56,468	\$ 68,744	\$ 57,426	\$ 219,897
Income from continuing operations	\$ 7,192	\$ 25,073	\$ 28,314	\$ 20,233	\$ 80,812
Interest expense (income)	\$ 2,000	\$ 249	\$ 79	\$ (5)	\$ 2,323
Net income from continuing operations	\$ 4,131	\$ 18,803	\$ 21,951	\$ 15,043	\$ 59,928
Net income (loss) from discontinued operations	\$ 2,214	\$ 1,110	\$ 2,525	\$ (686)	\$ 5,163
Total net income	\$ 6,345	\$ 19,913	\$ 24,476	\$ 14,357	\$ 65,091
Income per share from continuing operations:					
Basic	\$ 0.13	\$ 0.58	\$ 0.68	\$ 0.46	\$ 1.85
Diluted	\$ 0.13	\$ 0.58	\$ 0.67	\$ 0.46	\$ 1.83
Income (loss) per share from discontinued operations:					
Basic	\$ 0.07	\$ 0.04	\$ 0.07	\$ (0.02)	\$ 0.16
Diluted	\$ 0.06	\$ 0.03	\$ 0.08	\$ (0.02)	\$ 0.16

## **(22) SUBSEQUENT EVENTS**

On February 23, 2021, the Company sold the stock of its Industrial business for net proceeds of approximately \$38 million, consisting of \$25 million in cash and a \$13 million seller note, subject to working capital adjustments. The Industrial business was classified as held for sale and reported as discontinued operations in the Company's consolidated financial statements on this Form 10-K for the year ended December 31, 2020. The estimated loss on the sale of this business is \$29.6 million.

### **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

Not applicable.

### **Item 9A. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

The Company maintains a system of disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). The Company's Chief Executive Officer and the Chief Financial Officer evaluated the effectiveness of the Company's disclosure controls as of the end of the period covered in this report. Based upon that evaluation and the definition of disclosure controls and procedures contained in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, the Company's Chief Executive Officer, and Chief Financial Officer have concluded that as of the end of such period the Company's disclosure controls and procedures were effective.

#### **Management's Annual Report on Internal Control Over Financial Reporting**

The management of Gibraltar Industries, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Under the supervision and with the participation of management, including the Company's Chief Executive Officer and the Chief Financial Officer, the Company conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (*2013 framework*). Based on the Company's evaluation, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2020.

The Company completed five acquisitions in 2020, which were excluded from management's annual report on internal control over financial reporting as of December 31, 2020. The Company acquired Thermo Energy Systems Inc. ("Thermo") on January 15, 2020, Delta Separations, LLC and Teaching Tech, LLC (collectively, "Delta Separations") on February 13, 2020, Architectural Mailboxes LLC ("Architectural Mailboxes") on October 15, 2020, Sunfig Corporation ("Sunfig") on December 11, 2020, and TerraSmart LLC ("TerraSmart") on December 31, 2020. The results of these acquired businesses are included in our 2020 consolidated financial statements and collectively constituted \$420.1 million and \$332.4 million of total and net assets, respectively, as of December 31, 2020 and \$82.3 million and \$(4.5) million of net sales and net losses, respectively, for the year then ended.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2020 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included below in this Item 9A of this Annual Report on Form 10-K.

#### **Changes in Internal Control over Financial Reporting**

There have been no changes in the Company's internal control over financial reporting (as defined by Rule 13a-15(f)) that occurred during the three months ended December 31, 2020 that have materially affected the Company's internal control over financial reporting.



## **Report of Independent Registered Public Accounting Firm**

To the Shareholders and Board of Directors of Gibraltar Industries, Inc.

### **Opinion on Internal Control over Financial Reporting**

We have audited Gibraltar Industries, Inc.'s internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control–Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Gibraltar Industries, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

As indicated in the accompanying Management's Annual Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Thermo Energy Systems Inc. ("Thermo"), Delta Separations, LLC and Teaching Tech, LLC (collectively "Delta Separations"), Architectural Mailboxes LLC ("Architectural Mailboxes"), Sunfig Corporation ("Sunfig"), and TerraSmart LLC ("TerraSmart"), which are included in the 2020 consolidated financial statements of the Company and constituted 34.6% and 44.7% of total and net assets, respectively, as of December 31, 2020 and 8.0% and (7.0%) of net income, respectively, for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of Thermo, Delta Separations, Architectural Mailboxes, Sunfig, and TerraSmart.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2020 consolidated balance sheets of the Company as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and our report dated February 25, 2021 expressed an unqualified opinion thereon.

### **Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### **Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Boston, Massachusetts  
February 25, 2021

### **PART III**

#### **Item 10. Directors, Executive Officers, and Corporate Governance**

Information regarding directors and executive officers of the Company, as well as the required disclosures with respect to the Company's audit committee financial expert, is incorporated herein by reference to the information included in the Company's 2021 Proxy Statement which will be filed with the Commission within 120 days after the end of the Company's 2020 fiscal year.

The Company has adopted a Code of Ethics that applies to all of our directors, officers, employees and representatives. The complete text of this Code of Ethics is available in the corporate governance section of our website at [www.gibraltar1.com](http://www.gibraltar1.com). The Company does not intend to incorporate the contents of our website into this Annual Report on Form 10-K.

#### **Item 11. Executive Compensation**

Information regarding executive compensation is incorporated herein by reference to the information included in the Company's 2021 Proxy Statement which will be filed with the Commission within 120 days after the end of the Company's 2020 fiscal year.

#### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

Information regarding security ownership of certain beneficial owners and management and the Company's equity compensation plans are incorporated herein by reference to the information included in the Company's 2021 Proxy Statement which will be filed with the Commission within 120 days after the end of the Company's 2020 fiscal year.

#### **Item 13. Certain Relationships and Related Transactions and Director Independence**

Information regarding certain relationships and related transactions is incorporated herein by reference to the information included in the Company's 2021 Proxy Statement which will be filed with the Commission within 120 days after the end of the Company's 2020 fiscal year.

#### **Item 14. Principal Accounting Fees and Services**

Information regarding principal accounting fees and services is incorporated herein by reference to the information included in the Company's 2021 Proxy Statement which will be filed with the Commission within 120 days after the end of the Company's 2020 fiscal year.

## PART IV

### **Item 15. Exhibits and Financial Statement Schedules**

(a) The following documents are filed as part of this Annual Report on Form 10K:

(1) Consolidated Financial Statements:

- (i) Report of Independent Registered Public Accounting Firm
- (ii) Consolidated Statements of Operations for the Years Ended December 31, 2020, 2019, and 2018
- (iii) Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2020, 2019, and 2018
- (iv) Consolidated Balance Sheets as of December 31, 2020 and 2019
- (v) Consolidated Statements of Cash Flows for the Years Ended December 31, 2020, 2019, and 2018
- (vi) Consolidated Statements of Shareholders' Equity and Comprehensive Income for the Years Ended December 31, 2020, 2019, and 2018
- (vii) Notes to Consolidated Financial Statements

(2) Financial Statement Schedule:

- (i) Quarterly Unaudited Financial Data (included in notes to consolidated financial statements)

Schedules other than those listed above are omitted because they are not required, or because the required information is provided in the consolidated financial statements, including the notes thereto.

(3) Exhibits Required by Item 601 of Regulation S-K: The list of exhibits to this Annual Report on Form 10-K is set forth on the attached Exhibit Index. Each management contract or compensatory plan or arrangement is identified as such in the Exhibit Index.

(b) Exhibits:

The documents listed in the Exhibit Index are filed or furnished with this Annual Report on Form 10-K or incorporated by reference into this Annual Report on Form 10-K.

(c) Financial Statement Schedule:

The financial statement schedule listed in Item 15(a)(2) above is filed with this Annual Report on Form 10-K.

## Exhibit Index

<u>No.</u>	<u>Exhibit</u>
3.1	Certificate of Incorporation of Gibraltar Industries, Inc., as amended by: (i) Certificate of Amendment of Certificate of Incorporation of Gibraltar Industries, Inc. filed October 27, 2004, (ii) Certificate of Change of Registered Agent and Registered Office of Gibraltar Industries, Inc. filed May 11, 2005, (iii) Certificate of Amendment of Certificate of Incorporation of Gibraltar Industries, Inc. executed May 22, 2012, and (iv) Certificate of Amendment of Certificate of Incorporation of Gibraltar Industries, Inc. executed May 11, 2015
3.2	Amended and Restated By Laws of Gibraltar Industries, Inc. effective January 1, 2015 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on January 5, 2015)
4.1	Specimen Common Share Certificate (incorporated by reference number to Exhibit 4.1 to the Company's Registration Statement on Form S-1 (Registration No. 33-69304))
4.2	Description of Registrant's Securities (incorporated by reference number to Exhibit 4.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2019)
10.1*	Correspondence dated December 17, 2018, from William P. Montague to William T. Bosway (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed January 7, 2019)
10.2*	Restrictive Covenants and Severance Agreement by and between Gibraltar Industries, Inc. and William T. Bosway, dated December 17, 2018 and effective January 2, 2019 (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed January 7, 2019)
10.3*	Change in Control Agreement between the Company and William T. Bosway dated December 17, 2018 and effective January 2, 2019 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed January 7, 2019)
10.4*	Correspondence dated March 8, 2019, from William T. Bosway to Patrick M. Burns (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed March 19, 2019)
10.5*	Change in Control Agreement between the Company and Patrick M. Burns dated March 15, 2019 and effective March 18, 2019 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed March 19, 2019)
10.6*	Change in Control Agreement between the Company and Timothy F. Murphy (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed May 5, 2017)
10.7*	Gibraltar 401(k) Plan Amendment and Restatement Effective October 1, 2004 as amended by the First, Second, and Third Amendments to the Amendment and Restatement Effective October 1, 2004 (incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004)
10.8*	Gibraltar Deferred Compensation Plan Amended and Restated, effective January 1, 2009 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed February 24, 2009)
10.9*	Amended and Restated Gibraltar Industries, Inc. 2005 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed December 21, 2006), as amended by Second Amendment to Third Amendment and Restatement of Equity Incentive Plan, dated May 7, 2015 (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed May 12, 2015)
10.10*	Gibraltar Industries, Inc. Omnibus Code Section 409A Compliance Policy, dated December 30, 2008 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed January 6, 2009)
10.11*	Summary Description of Annual Management Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed February 24, 2009)
10.12	Sixth Amendment and Restatement Credit Agreement dated January 24, 2019 among Gibraltar Industries, Inc. and Gibraltar Steel Corporation of New York, as borrowers, the lenders parties named therein, KeyBank National Association, as administrative agent, swing line lender and issuing lender, KeyBanc Capital Markets Inc. as joint lead arranger and joint book runner, Bank of America, N.A. and Citizens Bank, N.A. as joint lead arrangers, joint book runners and co-syndication agents and Branch Banking and Trust Company, BMO Harris Bank, N.A., M&T Bank and PNC Bank, National Association, as co-documentation agents (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed January 25, 2019)

<u>No.</u>	<u>Exhibit</u>
10.13*	Gibraltar Industries, Inc. 2015 Equity Incentive Plan dated December 31, 2015 (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed January 7, 2016), and as amended by Gibraltar Industries, Inc. 2015 Equity Incentive Plan First Amendment dated May 5, 2017 (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed May 9, 2017)
10.14*	Gibraltar Industries, Inc. 2015 Management Stock Purchase Plan dated May 7, 2015 (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed May 12, 2015), as amended by Management Stock Purchase Plan dated December 31, 2015 (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed January 7, 2016), and further amended by the Gibraltar Industries, Inc. Management Stock Purchase Plan Second Amendment dated January 28, 2016 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed January 28, 2016)
10.15*	Gibraltar Industries, Inc. 2018 Equity Incentive Plan dated May 4, 2018 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed May 7, 2018)
10.16*	Gibraltar Industries, Inc. 2018 Management Stock Purchase Plan dated November 1, 2018 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed November 1, 2018)
10.17*	Gibraltar Industries, Inc. 2015 Equity Incentive Plan Form of Award of Restricted Stock dated May 7, 2015 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed May 12, 2015)
10.18*	Gibraltar Industries, Inc. 2015 Equity Incentive Plan Form of Award of Performance Units dated December 31, 2015 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed February 3, 2017)
10.19*	Gibraltar Industries, Inc. 2015 Equity Incentive Plan Form of Award of Non-Qualified Options dated December 31, 2015 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed January 7, 2016)
10.20*	Gibraltar Industries, Inc. 2015 Equity Incentive Plan Form of Award of Restricted Units dated December 31, 2015 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed February 5, 2016)
10.21*	Gibraltar Industries, Inc. 2015 Equity Incentive Plan Form of Award of Restricted Units dated December 31, 2015 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed February 5, 2016)
10.22*	Gibraltar Industries, Inc. 2016 Stock Plan for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed May 10, 2016)
10.23*	Gibraltar Industries, Inc. Non-Employee Director Stock Deferral Plan (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed May 10, 2016)
10.24*	Gibraltar Industries, Inc. 2018 Equity Incentive Plan Form of Award of Performance Units dated May 4, 2018 (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 8-K for the year ended December 31, 2018 filed February 27, 2019)
10.25*	Gibraltar Industries, Inc. 2018 Equity Incentive Plan Form of Award of Restricted Units dated May 4, 2018 (incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 8-K for the year ended December 31, 2018 filed February 27, 2019)
10.26*	Gibraltar Industries, Inc. 2018 Equity Incentive Plan Form of Award of Restricted Units dated May 4, 2018 (incorporated by reference to Exhibit 10.24 to the Company's Annual Report on Form 8-K for the year ended December 31, 2018 filed February 27, 2019)
10.27*	Gibraltar Industries, Inc. 2018 Equity Incentive Plan Form of Award of Restricted Units dated May 4, 2018 (incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 8-K for the year ended December 31, 2018 filed February 27, 2019)
10.28*	Gibraltar Industries, Inc. 2018 Equity Incentive Plan Form of Award of Restricted Units dated May 4, 2018 (incorporated by reference to Exhibit 10.26 to the Company's Annual Report on Form 8-K for the year ended December 31, 2018 filed February 27, 2019)
21	Subsidiaries of the Registrant

<u>No.</u>	<u>Exhibit</u>
23.1	Consent of Independent Registered Public Accounting Firm
31.1	Certification of President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Senior Vice President and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of President and Chief Executive Officer pursuant to Title 18, United States Code, Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Senior Vice President and Chief Financial Officer pursuant to Title 18, United States Code, Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document **
101.SCH	XBRL Taxonomy Extension Schema Document**
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document**
101.LAB	XBRL Taxonomy Extension Label Linkbase Document **
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document **
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document **

\* Document is a management contract or compensatory plan or agreement.

\*\* Submitted electronically with this Annual Report on Form 10-K.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GIBRALTAR INDUSTRIES, INC.

By: /s/ William T. Bosway

William T. Bosway  
President and  
Chief Executive Officer

Dated: February 25, 2021

In accordance with the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>SIGNATURE</u>	<u>TITLE</u>	<u>DATE</u>
<u>/s/ William T. Bosway</u> William T. Bosway	President, Chief Executive Officer (principal executive officer) and Director	February 25, 2021
<u>/s/ Timothy F. Murphy</u> Timothy F. Murphy	Senior Vice President and Chief Financial Officer (principal financial and accounting officer)	February 25, 2021
<u>/s/ William P. Montague</u> William P. Montague	Chairman of the Board	February 25, 2021
<u>/s/ Mark G. Barberio</u> Mark G. Barberio	Director	February 25, 2021
<u>/s/ Sharon M. Brady</u> Sharon M. Brady	Director	February 25, 2021
<u>/s/ Craig A. Hindman</u> Craig A. Hindman	Director	February 25, 2021
<u>/s/ Vinod M. Khilnani</u> Vinod M. Khilnani	Director	February 25, 2021
<u>/s/ Linda K. Myers</u> Linda K. Myers	Director	February 25, 2021
<u>/s/ James B. Nish</u> James B. Nish	Director	February 25, 2021
<u>/s/ Atlee Valentine Pope</u> Atlee Valentine Pope	Director	February 25, 2021



## SUBSIDIARIES

The following is a list of the subsidiaries of Gibraltar Industries, Inc. as of December 31, 2020. The names of indirectly owned subsidiaries are indented under the names of their respective parent corporations:

AMICO Holding Company, Inc.	Delaware
Alabama Metal Industries Corporation	Delaware
Diamond Perforated Metals, Inc.	California
AMICO Canada, Inc.	Canada
Appleton Supply Company, Inc.	Delaware
D.S.B. Holding Corp.	Delaware
The D.S. Brown Company	Ohio
Florence Corporation	Illinois
Florence Corporation of Kansas	Kansas
Gibraltar Industries Holding Company (UK) Limited	United Kingdom
Renusol GmbH	Germany
Rough Brothers Greenhouse Manufacturing (Shanghai) Co., Ltd	China
RBI Solar KK	Japan
Gibraltar Steel Corporation of New York	New York
Southeastern Metals Manufacturing Company, Inc.	Florida
Pacific Awards Metals, Inc.	California
Noll/Norwesco, LLC	Delaware
Air Vent Inc.	Delaware
Nexus Corporation	Colorado
Package Concierge, Inc.	Delaware
Rough Brothers Holding Co., Inc.	Ohio
RBI Solar, Inc.	Ohio
Renusol America, Inc.	Delaware
SolarBOS	California
TerraSmart, LLC	Florida
Rough Brothers Manufacturing, Inc.	Ohio
Rough Brothers, Inc.	Ohio
Apeks, LLC	Ohio
Thermo Energy Solutions, Inc.	Canada
Solar Group, Inc.	Delaware
Architectural Mailboxes, LLC	Ohio

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 033-87034) pertaining to the 401(k) Plan of Gibraltar Steel Corporation and Profit Sharing and Retirement Plan of Gibraltar Strip Steel, Inc.,
- (2) Registration Statement (Form S-8 No. 333-143582) pertaining to the Gibraltar Industries, Inc. 2005 Equity Incentive Plan,
- (3) Registration Statement (Form S-8 No. 333-147117) pertaining to the registration of 437,911 shares of its common stock related to the Gibraltar Industries, Inc. 2005 Equity Incentive Plan,
- (4) Registration Statement (Form S-8 No. 333-172588) pertaining to the registration of 750,000 shares of its common stock related to the Gibraltar Industries, Inc. 2005 Equity Incentive Plan,
- (5) Amendment No. 3 to the Registration Statement (Form S-8 No. 333-143582) and Amendment No. 3 to the Registration Statement (Form S-8 No. 333-172588) pertaining to the Gibraltar Industries, Inc. 2005 Equity Incentive Plan,
- (6) Registration Statement (Form S-8 No. 333-204415) pertaining to the Gibraltar Industries, Inc. 2015 Equity Incentive Plan,
- (7) Amendment No. 2 to the Registration Statement (Form S-8 No. 333-204415) pertaining to the Gibraltar Industries, Inc. 2015 Equity Incentive Plan,
- (8) Registration Statement (Form S-8 No. 333-211347) pertaining to the Gibraltar Industries, Inc. 2016 Stock Plan for Non-Employee Directors,
- (9) Amendment No. 1 to the Registration Statement (Form S-8 No. 333-211347) pertaining to the Gibraltar Industries, Inc. 2016 Stock Plan for Non-Employee Directors,
- (10) Amendment No. 4 to the Registration Statement (Form S-8 No. 333-204415) pertaining to the Gibraltar Industries, Inc. 2015 Equity Incentive Plan,
- (11) Amendment No. 3 to the Registration Statement (Form S-8 No. 333-211347) pertaining to the Gibraltar Industries, Inc. 2016 Stock Plan for Non-Employee Directors, and
- (12) Amendment No. 1 to the Registration Statement (Form S-8 No. 333-224877) pertaining to the Gibraltar Industries, Inc. 2018 Equity Incentive Plan;

of our reports dated February 25, 2021, with respect to the consolidated financial statements of Gibraltar Industries, Inc. and the effectiveness of internal control over financial reporting of Gibraltar Industries, Inc. included in this Annual Report (Form 10-K) for the year ended December 31, 2020.

/s/ Ernst & Young LLP

Boston, Massachusetts  
February 25, 2021

CERTIFICATIONS

I, William T. Bosway, certify that:

1. I have reviewed this report on Form 10-K of Gibraltar Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2021

/s/ William T. Bosway

William T. Bosway

President and Chief Executive Officer

CERTIFICATIONS

I, Timothy F. Murphy, certify that:

1. I have reviewed this report on Form 10-K of Gibraltar Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2021

/s/ Timothy F. Murphy

Timothy F. Murphy  
Senior Vice President and  
Chief Financial Officer

CERTIFICATION OF PRESIDENT AND CHIEF EXECUTIVE OFFICER  
PURSUANT TO TITLE 18, UNITED STATES CODE, SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, William T. Bosway, President and Chief Executive Officer, of Gibraltar Industries, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

The Annual Report on Form 10-K of the Company for the year ended December 31, 2020 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ William T. Bosway

William T. Bosway

President and Chief Executive Officer

February 25, 2021

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION OF SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER  
PURSUANT TO TITLE 18, UNITED STATES CODE, SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Timothy F. Murphy, Senior Vice President and Chief Financial Officer, of Gibraltar Industries, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

The Annual Report on Form 10-K of the Company for the year ended December 31, 2020 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Timothy F. Murphy

Timothy F. Murphy

Senior Vice President and Chief Financial Officer

February 25, 2021

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

## Safe Harbor Statement

Certain information set forth herein includes statements that express our opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results and, therefore, are, or may be deemed to be, "forward-looking statements." These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms "believes," "estimates," "anticipates," "expects," "seeks," "projects," "intends," "plans," "may," "will" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, competition, strategies and the industries in which we operate. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We believe that these risks and uncertainties include, but are not limited to, those described in Item 1A "Risk Factors." Those factors should not be construed as exhaustive and should be read with the other cautionary statements in Item 1A "Risk Factors." Although we base these forward-looking statements on assumptions that we believe are reasonable when made, we caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity and the development of the industries in which we operate may differ materially from those made in or suggested by the forward-looking statements contained herein. In addition, even if our results of operations, financial condition and liquidity and the development of the industries in which we operate are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. Given these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements. Any forward-looking statements that we make herein speak only as of the date of those statements, and we undertake no obligation to update those statements or to publicly announce the results of any revisions to any of those statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

## Trading information

Gibraltar's stock trades on The NASDAQ Stock Market under the symbol "ROCK."

## Quarterly Stock Price Data

The following table represents the high, low, and closing prices of Gibraltar's common stock and average daily trading volume during each quarter of 2020.

2020	High	Low	Close	Average Daily Volume
Q1	\$56.58	\$30.60	\$42.92	264,000
Q2	\$53.45	\$36.39	\$48.01	211,000
Q3	\$69.64	\$45.82	\$65.14	186,000
Q4	\$74.00	\$56.97	\$71.94	190,000

## Shareholders

As of March 19, 2021, there were 39 shareholders of record of the Company's stock. The Company believes it has a significantly higher number of stockholders because of the number of shares held by nominees.

## Form 10-K and Other Information

In addition to the Company's Web site, information may be requested by writing or calling:

Timothy F. Murphy  
3556 Lake Shore Road  
PO Box 2028  
Buffalo, NY 14219-0228  
716.826.6500 ext. 3277  
tfmurphy@gibraltar1.com

## Transfer Agent

Please direct questions about lost certificates, changes of address, and consolidation of accounts to the Company's transfer agent and registrar:

American Stock Transfer and Trust LLC  
6201 15<sup>th</sup> Avenue  
Brooklyn, NY 11219  
718.921.8300

Shareholder Inquiries  
1.800.937.5449  
[www.amstock.com](http://www.amstock.com)

## Independent Auditors

Ernst & Young LLP  
1500 Key Tower  
50 Fountain Plaza  
Buffalo, NY 14202

## Annual Meeting

May 5, 2021, 11:00 a.m. E.T.  
Virtual meeting format  
[www.virtualshareholdermeeting.com/ROCK2021](http://www.virtualshareholdermeeting.com/ROCK2021)

## Company Information on the Internet

Gibraltar maintains a Corporate Web site, which can be accessed at [www.gibraltar1.com](http://www.gibraltar1.com)



**Gibraltar Industries, Inc.**  
3556 Lake Shore Road  
P O Box 2028  
Buffalo, NY 14219-0228  
716-826-6500  
[www.gibraltar1.com](http://www.gibraltar1.com)