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PRESENTATION

Operator

Greetings, and welcome to the Gibraltar Industries Second Quarter 2023 Financial Results Call. (Operator Instructions) As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Carolyn Capaccio with LHA. Please go ahead.

Carolyn M. Capaccio - *LHA Investor Relations - SVP*

Thank you, operator. Good morning, everyone, and thank you for joining us today. With me on the call is Bill Bosway, Gibraltar Industries Chairman, President and Chief Executive Officer; and Tim Murphy, Gibraltar's financial Officer.

The earnings press release that was issued this morning as well as the slide presentation that management will use during the call are both available in the Investors section of the company's website to gibraltar1.com. Gibraltar earnings press release and remarks contain non-GAAP financial measures. Tables of reconciliation of GAAP to adjusted financial measures can be found in the earnings press release that was issued today.

Also as noted on Slide 2 of the presentation, the earnings press release and slide presentation contain forward-looking statements with respect to future financial results. These statements are not guarantees of future performance and the company's actual results may differ materially from the anticipated events, performance or results expressed or implied by these forward-looking statements. Gibraltar advises you to read the risk factors detailed in its SEC filings, which can be accessed through the company's website.

Now I'll turn over to -- turn the call over to Bill Bosway. Bill?

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

Thank you, Carolyn. Good morning, everyone, and thank you for joining today's call. We'll start with an overview of our second quarter results. Tim will then take you through our financial performance, and I'll walk you through our 2023 outlook, and then we'll open the call up for some questions.

So let's start on Slide 3, titled Second Quarter 2023 Results. We executed well in the quarter and building on solid performance momentum we created coming out of the first quarter. New bookings continued to improve and our backlog increased 15% sequentially and also turned positive versus prior year, up 1% at the end of the quarter.

For the quarter, on an adjusted basis, operating income increased 18%, EPS increased 23% and free cash flow reached 20% of net sales. We continue to improve execution across the business as we accelerate more 80/20 and productivity initiatives, improve our service levels, launch new products, manage our price cost and optimize working capital.

Our full year revenue plan for modest growth remains intact. And as mentioned in our last earnings call, assumes revenue increasing in the second half. Our end markets have also evolved as expected and, in general, have solid momentum going into the second half. And here's just the current situation for each end market segment. Let me start with renewables.

Customer demand and project development activity continue to be strong. The industry is making steady progress with solar module importing through the UFLPA, and we expect this to continue in the second half as well. The industry still requires more module manufacturers to demonstrate consistency and success importing their panels. And our revenue plan assumes our customers will continue to see improvement with module supply.

Customers have also been recently dealing with the permitting approval process. This seems to be mostly related to local government offices needing to ramp up capacity to support increasing project demand activity, and we expect this to improve in the second half and beyond as well. In our residential market, channel inventory rebalanced as expected and demand started to improve as seasonality for the market returned and normalized and customers began their restocking process. As anticipated, end market demand slowed significantly versus prior year but remained positive in the quarter. We continue to see positive point-of-sale results for our products with end customers and expect this to continue.

On a macro basis, we expect the ongoing demand supply and balance for housing, single-family and multifamily as well as interest rates and the current U.S. economic outlook to continue playing an important role in the strength of the residential market in 2023 and beyond.

Switching to Agtech. The order pipeline and clothing activity remains very active for the produce market as long-standing commercial growers look to expand capacity to meet consumer demand for indoor grown produce. Growers are also focused on supporting increasing demand for additional varieties of fruits and vegetables, which tend to be developed and grown indoor as well.

We signed a large $30 million produce project in the quarter, which we will start designing and building in the second half. This $30 million project represents Phase 1 of the overall project, and it is the smaller of 2 phases. Once completed, we expect the second phase to begin shortly thereafter. The produce market activity is currently offsetting a slower commercial market, particularly in the retail and car wash structures businesses. We expect these businesses to start improving later in the year as customers have adjusted to the current interest rate environment and more clarity on their financing solutions and overall project returns and are seeing relatively positive end market demand.

And finally, infrastructure. The infrastructure investment and Jobs Act continues to provide a strong tailwind for the market as well as good spending support visibility for state DOTs over the next 3 to 4 years. There is strong demand for our expansion joint systems and structural bearing solutions used for bridge applications and compression joint sealants and coatings for payment applications. Management expects end market demand to keep pace for the rest of 2023 and continue beyond this year.

So to summarize, we delivered a strong second quarter and first half by executing our key initiatives and staying focused on delivering for our customers. Given our performance to date and our assumption, end markets will evolve as expected, we are raising our earnings guidance for the year, which we'll discuss in a few moments.

Now let's turn to Slide 4, and I'll give you an update on the solar module supply. As I mentioned, the solar panel supply is improving as more module suppliers gradually come up the UFLPA enforcement learning curve. Additional panel suppliers beyond the Tier 1 suppliers are now fully engaged with the U.S. Customs and Border Protection Agency learning the necessary requirements and steps for consistent importation success. However, the industry needs to see more progress with this process to effectively support current and future demand in the U.S. market. We believe the flow of imported panels will improve and be more consistent for our customers in the second half and generate positive momentum as we enter 2024.

As well, the industry continues to watch for the Department of Commerce's final ruling on antidumping and countervailing duties, which is now expected sometime in August. It is important to note that the DOC's preliminary ruling found 4 of the 8 panel suppliers based in Southeast Asia were not circumventing duties or dumping, and these suppliers can continue to export to the U.S. without penalty. Also, module suppliers with non-China wafer supply are not subject to duty either. The administration's executive order instructing the DOC to waive tariffs on all modules exported from Southeast Asia for 2 years will continue through June 2024 and may be reevaluated at that time.

With that, let me turn it over to Tim for a review of our financial results.

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

Thanks, bill, and good morning, everyone. I'll take you through our consolidated and segment results, starting on Slide 5. Adjusted net sales were flat at $364 million, with organic growth in residential and infrastructure and the acquisition of Quality Aluminum Products, offsetting slower sales in the renewables and Agtech segments. Overall, sales were in line with expectations going into the quarter and our first half sales results are also consistent with full year sales plan.

Backlog at quarter end was $412 million, up 1% versus the second quarter of 2022 and up 15% sequentially as the pace of business accelerated through the first half of the year as expected. Adjusted operating income and adjusted EBITDA dollars each increased 18% second quarter with adjusted EPS up 23%. Margin improvement in the quarter was driven by strong execution, price cost alignment in all segments, solid field operations, implementation of additional 80/20 initiatives, along with favorable business and product mix. Weighted average shares outstanding decreased 6% for the second quarter of 2022 to 30.7 million shares in the second quarter of 2022. I'll review our share repurchase program in a moment.

Now let's read each segment starting with Slide 6, the Renewable segment. The decline in sales was driven by schedule changes, which impacted the timing of revenue recognition of active projects during the quarter. Scheduled changes were mainly related to module supply and local permitting delays. The permitting process is expected to improve as local government offices ramp capacity to meet increasing demand. The pace of new order and contracting activity continued to accelerate and new bookings more than doubled in the quarter. As a result, backlog increased 17% sequentially and is up 6% year-over-year.

As a reminder, our backlog consists only as signed contracts with deposits. We do not include purchase orders without a signed contract and deposit, MSAs without specific work orders or global agreements with customers in our new bookings or backlog. Segment profitability improved with adjusted operating and EBITDA margins of 11.7% and 14.8%, respectively, increasing 470 and 550 basis points versus prior year. Team executed well across the business, improving supply chain, material cost reduction, field operations and price cost alignment. Sequential margin improved 790 and 700 basis points, respectively. We expect to deliver improved sales and margin performance in the second half of the year, assuming modules supply improved further and permitting process capacity continues to accelerate.

Lets move to Slide 7 to review our Residential segment. Segment sales increased 14% versus prior year with organic contributing over 1% and the acquisition of Quality Aluminum Products providing the remainder. Organic growth was driven by participation gains across the business and contributions for new customers, which more than offset the impact of prior quarter's market price adjustments in response to decreasing commodity prices and some remaining channel inventory right size.

Quality aluminum products performance delivered to our expectations. The residential end markets having returned to normal seasonality are building expected volumes in the second and third quarters. Channel inventory destocking appears to be complete and demand remains solid in our end markets. We continue to see opportunity to successfully gain additional market participation in 2023 as we have in recent years.

Adjusted operating EBITDA margins of 19.3% and 20.5%, respectively, expanded 80 and 90 basis points as volume improved from last year, price cost was better aligned, we implemented additional 80/20 initiatives and product line mix is favorable. We expect these items to drive continued strength in segment margins during the second half of the year. QAPs market performance was in line with expectations and continues to improve profitability towards Gibraltar levels as the integration proceeds. And additionally, after quarter end, we completed the acquisition of a small $8.5 million revenue Utah based building accessories, manufacturing distributor for $10.4 million, a little less than 6x 2022 EBITDA. And this business will improve our market coverage and service levels in the North or West region, reduced logistics costs supporting the region and utilize an asset-light operating model, which we may also deploy to drive participation in other adjacent markets. We also continue to invest in and implement the common ERP system for the Residential segment. Common system will provide operating efficiency, speed and agility and scalability for more profitable growth.

Let's move to Slide 8 to review our AgTech segment. Adjusted net sales decreased 16.1% as the commercial business experience and customer delays and project starts. New orders in the Produce business helped increase backlog 16.2% sequentially, which is expected to drive improving sales in the second half of 2023. The project pipeline and [clothing] activity in this business remains robust. Segment adjusted operating EBITDA margin of 9.5% and 12.9%, respectively, an improvement of 280 and 350 basis points were driven by 80/20 actions, supply chain optimization initiatives and improvements in project management systems. We continue to expect margins to strengthen as volume improve . The exit of the processing equipment business resulted in a GAAP operating loss in the segment during the quarter and liquidation is essentially complete with only nominal costs remaining.

Let's move to Slide 9 is our Infrastructure segment. Segment sales increased 12.6% driven by strong demand, participation gains and the positive impact of the infrastructure investment and [Jobs Act]. Momentum on orders continues with backlog increasing 46% year-over-year with state departments of transportation access federal funding and strong demand persists in both fabricated and nonfabricated product lines. This business performed very well during the first half of the year, and we expect continued strength for the remainder of the year.

Second, adjusted operating income doubled and adjusted operating and EBITDA margins of 24.1% and 27.6%, respectively, improved 1,070 and 1,030 basis points driven by execution, 80/20 productivity, supply chain efficiency and product line mix. This team is executing very well, and we expect continued strength and profitability for the remainder of the year.

Let's move to Slide 10 to discuss our balance sheet and cash flow. At June 30, we had $384 million available on our revolver and cash on hand of $19 million. During the quarter, we generated $76 million in cash from operations through a combination of margin improvement and $33 million generated from reductions in working capital. We collected cash from inventory reductions and benefited from increases in accounts payable as purchase activity normalize and other liabilities as project-related deposits and billings accelerated with accounts receivable rising on increased sales. As a result, our free cash flow generation during the second quarter was an exceptionally strong 20% of sales.

Free cash flow in the first half of the year benefited from an approximately $40 million reduction in our investment in working capital. While we expect continued contribution of cash flow from margin expansion, the impact of working capital improvements is not expected to be significant in the second half of the year. We used cash generated, along with cash on hand to pay down $40 million on our revolver during the quarter. At quarter end, we had $12 million outstanding on our revolver and net leverage is $0.

As I mentioned earlier, at the beginning of July, we invested approximately $10 million in Utah-based building accessories business. Given our results to date, we're confident we can drive continued strength in our operating cash generation on stronger profitability in 2023 with careful working capital management and continue to target free cash flow in excess of 10% of sales for the year. We continue to expect to use generated cash flow to repay outstanding borrowings, fund investments in organic and inorganic growth along with our opportunistic stock repurchases, supplemented is needed by use of our revolver depending on the timing of any M&A or repurchases.

Let's move to Slide 11 to update you on our share repurchase program. During the second quarter, we repurchased approximately 368,000 shares with a market value of $17.8 million or an average price of $48.40. We funded this repurchase through operating cash flow. From the inception of the buyback to the end of the second quarter, we expended approximately 56% of our $200 million authorization. At quarter end, we had 30.4 million shares outstanding with the weighted average shares outstanding of $30.7 million during the second quarter.

I'll turn the call back to Bill.

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

Thanks, Tim. Let's move to Slide 12 to review our 2023 strategy and priorities. At the midpoint of this -- of the year, we have better clarity in regard to our end markets. I think we're executing relatively well, and we are confident in raising our outlook for 2023. Our priorities and focus are unchanged and we will continue with our 5 key initiatives. First, drive growth, quality of earnings and margin improvement and strong cash performance; secondly, execute 80/20 initiatives and accelerate our participation initiatives. Third, stay the course of our investments in our digital transformation. Fourth, continued to strengthen the organization, add experience and competency and also continue to optimize the operating structure. And fifth conduct business in the right and responsible way with discipline and focus.

Now let's move to Slide 13 to review our revised 2023 guidance. Given our first half results and current outlook for our end markets, we expect to deliver a strong second half of the year. And as a result, we are increasing our full year guidance as follows: Consolidated net sales ranged between $1.36 billion to $1.41 billion, compared to $1.38 billion in 2022. This is unchanged from our prior outlook. GAAP operating margin will expand to between 11.1% and 11.3%, up approximately 12% versus prior guide. And adjusted operating margin expansion will range between 12.3% and 12.5%, up approximately 11% versus prior guide. GAAP EPS will range between $3.46 and $3.66, up approximately 13% versus prior guide and adjusted EPS will range between $3.90 and $4.10, up approximately 12% versus prior guide. Free cash flow as a percent of net sales will remain in excess of 10% compared to 6% in 2022. We delivered a relatively strong first half, and we look forward to a good second half as well. Our team is focused on the things that matter most. And coupled with ongoing execution and 80/20 momentum, we are confident we will continue to deliver positive results.

Finally, I am grateful to everyone on the Gibraltar team for the progress that we've made and also the opportunities we've identified going forward.

Now let's open the call up and we'll take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Dan Moore with CJS Securities.

Peter Kirk Lukas - *CJS Securities, Inc. - Former Analyst*

It's Pete Lukas for Dan. Congratulations on a great quarter. Just wanted to start with Residential. You touched on it in your prepared remarks, talking about volumes improving and margins improving in the second half. Just, I guess, in terms of remodel and repair, how is that holding up more broadly? And what are your expectations for continued participation gains over the next 12 to 24 months? Kind of how do you think about that? And also, you mentioned M&A in the space. How do you think about that going forward?

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

Okay. Pete, we'll break that down a little bit. So first and foremost, the industry has gone through -- this change getting back to seasonality. So that is playing out like we thought. So Q2 and Q3 is back to the highest quarters. And so the volume is increasing commensurate with that. I think the other thing that was interesting when you started [hear] rumblings of recession back last year, a lot of folks in the industry started to slowdown in short balance sheets and probably overcorrected relative to what end market demand was really doing. And so we started to see a little bit of that restocking come back into play as we got into the season as well. So I think that's going to continue carrying forward both of those as we move into the rest of the year.

And on the front of -- when you think about remodel repair, we're really more repair as opposed to less on the remodel piece with what we do in residential, and that's been relatively steady from our point of sale results where we see every week, what our products are selling out to end customers. That really has stayed positive. It came down, as I mentioned in our reamarks (inaudible) versus the previous year as the industry shifted down, and you had a couple of headwinds with market pricing coming down. But in general, demand has stayed relatively solid, and we expect that to continue going forward this year.

And as it relates to participation gains, it's just something that we've employed as a strategy the last 4 years of just trying to increase our service levels and be agile and responsive to our customers, expand into some geographies that we traditionally haven't been in as well as invest in resources where we didn't have presence. And as a result, it's just continue to chip away and those opportunities continue to present themselves. And as they do, we're trying to act swiftly and be that supplier of choice. So we still feel really good about the opportunities in front of us on a participation front.

Peter Kirk Lukas - *CJS Securities, Inc. - Former Analyst*

And then shifting to Agtech. You kind of touched on -- you did touch on it in the prepared remarks. And sorry, if I missed some of it here. But in terms of when would you expect recent growth in the pipeline backlog to translate into faster growth just over the next, call it, 12 months. I know you talked about improving sales in the second half and some projects coming on then in terms of the first phase. But how do we think about that?

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

Yes. So the project I referenced in the remarks that we just signed will actually start generating revenue in the third -- late in the third and into the fourth quarter and carry into next year. And it really depends on the size of these projects. This is a relatively large one. So once they are signed, they tend to start having an impact for us relatively soon, typically the next quarter or so as things ramp up. So I think as the backlog continues to build, you'll start seeing more of a steady stream of growth come from that backlog on a consistent basis in subsequent quarters that are in front of us. .

Peter Kirk Lukas - *CJS Securities, Inc. - Former Analyst*

And last one for me on renewables. Margins have historically been quite lumpy. What are the keys to driving margin expansion going forward? Is it the module of supply? Or how do we kind of think about that?

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

Yes. I think the industry has been really lumpy the last 2.5 years with all these trade issues that we've been dealing with. I think as some of this settles in to a consistent pattern, it gives everybody a chance to operate in a much more consistent way. And from our perspective, as volume gets a little bit more predictable, that's always helpful. But really where we've been focused is trying to find ways to improve and challenge some of the paradigms around how we traditionally operate the business. And I think that's what's paying off for us now.

So for us to generate EBITDA margins close to 15% on down volume gives you some indication of some of the operating performance changes that we've been able to make. And so we don't want to be volume dependent, obviously, on margins, we will like that to be incremental as the volume comes back. So I think as panel supply becomes a little more consistent, that's really the thing that matters most. That will help us be more consistent as well and continue to grow our margins. The permitting process, we mentioned is really more, we think, related to just the increasing demand that's come back online for a lot of local government offices now has created a backlog of permits that have to be flushed through the system after a 2-year sort of a hiatus of much slower demand. So it's just flexing that muscle, building that muscle again. But it's not a structural issue per se as much as it is just ramping back up.

Operator

Our next question comes from the line of [Alex Hanneman] with Sidoti & Company.

Unidentified Analyst

This is [Alex Hanneman] on for [Julio Romero]. Congrats on a nice quarter. First question -- yes, of course. My first question is on renewables. Could you speak to the pace of activity and bookings you saw during the quarter? And was that trending upward as you ended the quarter?

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

Yes. Good question. So if you recall from our last quarter, our bookings coming out in Q1 were substantially better than we thought they would be going into the quarter. So we were up sequentially almost 100% and getting close to getting our bookings and backlog ahead of actual last year. In the second quarter, we were up off of that strong quarter, up another 17%. And with our sequential bookings. And that actually put us over the top on a year-over-year basis, which was, from our perspective, really positive because it's -- I think what it has demonstrated is maybe the industry has kind of hit that bottom and now starting to recover, and now we're in that second quarter where you're starting to see year-over-year backlog and therefore, I think that will translate into growth getting back on plan for the industry as well as for our business. So -- and we see that momentum turning into the third quarter as well.

Unidentified Analyst

Very helpful. I have 2 more questions. The second on residential. Could you talk about where we are in terms of price costs? Would you say that's complete or close to complete?

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

Yes, I think it is. We had said, if I state it back, Q3 of last year, that Q4 and Q1 of this year would be correction quarters for the industry as commodity prices came down swiftly. There was a lot of inventory on hand for everybody in the industry because the supply chain challenges the previous 2 years, and it's taken -- would take about 2 quarters for that inventory to flush itself out and therefore, a price of -- new pricing to be aligned with better input costs. And I think we've done a good job managing that, and we said we would flip the tide in Q2, and we would generate better margins year-over-year in Q2, and that's kind of what happened. And I wouldn't say it's 100%, but we've done a good job of getting ourselves in a much better position in Q2 and leading into the rest of the year and onwards. So a lot of hard work, but the team has done a great job getting us in this position.

Unidentified Analyst

Got it. And last question from me is on infrastructure. The margin that you posted there was pretty impressive. And in the press release, you noted execution 80-20 productivity, supply chain and product mix as being the main drivers. Could you help rank those or kind of help us understand which is the most significant there?

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

Yes. Honestly, it's really relatively equivalent across the board, and it's not something new, per se. The team has been making progress on the margin front and the growth front, really over the last 3 years. And the build has really -- we said last year that the build would start to be impactful towards the end of '22 and help us start accelerating into 2023, which has really been the case on the top line, which is -- we're pleased with the backlog increasing significantly, et cetera. But really, the margin story has been a combination of 80/20, done a lot of work on product line simplification, customer simplification. And we've made investments in some of our process and equipment, I think, has just made us much more productive and lower our cost.

And then on top of that, we've had -- as we've broken into some new opportunities, we've been able to mix to higher-margin products and top of making those products higher margin through all the 80/20 work and productivity initiatives. So it really has been a multifaceted front towards getting the business where it is today, and it's really been a journey over the last 3 years. So I wouldn't say it was anything unique those 4 or 5 items in the quarter, I'd say it's pretty consistent with the work that's been going on for some time.

Unidentified Analyst

And 1 quick follow-up. How do you expect that margin to trend into the third and fourth quarters?

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

Well, the business has performed well. I think like some of our other businesses, you'll see some differences as we get into the later parts of the year, there's a little bit of seasonality there, but we continue to expects to see strong margin performance.

Operator

(Operator Instructions) Our next question comes from the line of Walter Liptak with Seaport Global Securities.

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

And nice work on the margins. Congratulations. So that last question, which segment were you guys referring to? I missed that.

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

Infrastructure. The combination of all that has been driving the journey of margin improvement and in this case, growth as well.

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

Yes, that's great. Okay. Yes. So maybe in a similar way, renewables with the margin improvement, are these sustainable, you think, in the back half of the year with a better kind of fundamental supply chain...

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

Yes. We think so. And I would encourage reference Q3 and Q4 of last year on down volume, we ran margins very similar to what we just posted in the second quarter -- actually maybe a little bit stronger. So as the volume returns starts to be more consistent, I think we should expect these margins to continue and improve as well.

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

Okay. All right. Great. And maybe just a couple of follow-ups here. The -- I thought I heard you say that you're going to do an ERP system in Resi.

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

Yes. We actually started on that journey a 4 year ago. So just for context, 4 years ago we started this journey with our renewables business as we integrated across the businesses, we got to a single ERP business. Then we did the same thing for Agtech business. And then we started a year ago with our residential business. So we got our first one in a year ago. We're in the process of putting our second one in (inaudible) , and then we'll hopefully get the group finished up by the end of next year. And so each of our large -- and our infrastructure has already been on a common system on time. So we'll have all 4 of our segments operating on ERP systems that are latest and greatest and will -- in the case where we have multiple locations, get everybody on the same operating system. So that's the journey we've been on now for 4 years.

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

Okay. Great. I don't remember that there's any disruption. So you guys must be good at it.

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

Yes, we've been pretty -- been walking, I want to say, slow walking. This requires a lot of change management, involves a lot of people, obviously, and effectively, which is mapping every process and every piece of data flow you can think of that impacts your business from quote to cash. And so it takes time, you got to get that right. If you get that right, then the implementation when you turn a switch on inherently a much easier and much more effective. So we're walking through the process, trying not to be disruptive and frankly, trying to do all this in the middle of the pretty chaotic macro environment the last 4 years. But for us, we thought it was really critical for us to be able to scale and to get to the next level of performance to have these systems in place. So it's really been a necessary investment over the last 4 years, and we'll continue to drive that.

This foundation, by the way, that we're just talking about will allow us to the next level. When you start thinking about -- and I don't throw AI out because everyone wants to talk about it, but the fundamentals of how you take system integration and engage your business going forward, I think we'll be in a much better position to do that than we would have otherwise.

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

Okay. Great. And then maybe the last 1 for me is, I wonder if you could just give us some more details about the deal that you got in AgTech. I think you said it was $40 million, and it was relatively small. That sounds like a pretty good deal to me. I wonder how much bigger is the Phase II portion to it. And is this something where you can grow -- keep growing with that customer? How should we think about future orders?

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

Yes. This is one of our long-standing customers to start with. So they're expanding, adding capacity around this particular product that they're growing, which they've been growing in other facilities that we've built for them in the past. So as that demand continues from -- think about all the demand for produce in your supermarket space, this is where a lot of that is impacting end consumers. So typically, this is going to be a large site. And when it's all said and done, it's -- I don't know the exact number of acres, but it's 50-plus acres under roof growing different types of fruits and/or vegetables.

So projects tend to be done in phases. So you'll do the civil for the entire thing, you do the first phase and then you'll do the second phase. The second phase in this case is actually a little bit bigger than the first. And as we get done with the first phase, that second one will come into final design, and then we'll get moving on that. And that should be very helpful going into next year, depending on the completion of the first phase and when that gets done. But there tends to be a little bit overlap between when you finish a phase and you send a contract for the next phase that comes with it. And that's I would say it's typical in a sense when you have a multiphase project. That's how it works, but none of your project is multiphase. It depends on the size that you have, the water rights that you secured, the bunch of permitting things that go with it. So in this case, it's going to be a relatively large production facility that will be done between now and the end of next year.

Operator

Thank you. Ladies and gentlemen, that concludes our question-and-answer session. I'll turn the floor back to Mr. Bosway for any final comments.

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

Well, I want to thank everyone again for joining us today. Coming up, we expect to present at the Seaport Global Summer Conference in August and the Sidoti Fall Conference in September as well as a number of other marketing activities. Look forward to updating you on our progress when we report our third quarter results as well. So thank you, and have a great day.

Operator

Thank you. This concludes today's conference call. You may disconnect your lines at this time. Thank you for your participation.
