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ROCK - Gibraltar Industries Inc Conference Call to discuss its Acquisition of RBI Solar

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## CORPORATE PARTICIPANTS

**David Calusdian** *Sharon Merrill Associates - IR*

**Frank Heard** *Gibraltar Industries - CEO*

**Ken Smith** *Gibraltar Industries - CFO*

## CONFERENCE CALL PARTICIPANTS

**Ken Zener** *KeyBanc Capital Markets - Analyst*

## PRESENTATION

### Operator

Good day, ladies and gentlemen, and welcome to the Gibraltar Industries conference call. Today's call is being recorded and webcast. My name is LaTonya and I will be your coordinator today.

(Operator Instructions)

I would now like to turn the call over to your host for today, Mr. David Calusdian from the Investor Relations Firm, Sharon Merrill. Please proceed, sir.

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### David Calusdian - Sharon Merrill Associates - IR

Good morning, everyone, and thank you for joining us on short notice. If you have not received a copy of the press release Gibraltar issued this morning, you can find in the investor info section of the Gibraltar website, [www.gibraltar1.com](http://www.gibraltar1.com).

I'd like to remind you that Management's remarks today, as well as the news release, contain forward-looking statements about future financial results. The Company's actual results may differ materially from the anticipated events, performance or results expressed or implied by these forward-looking statements. Gibraltar advises you to read the risk factors detailed in its SEC filing, which can also be accessed through the Company's website. Additionally, Gibraltar's news release and remarks this morning contain non-GAAP financial measures which should not be viewed as a substitute for GAAP results.

On the call this morning are Gibraltar's Chief Executive Officer, Frank Heard; and Chief Financial Officer, Ken Smith. At this point I'll turn the call over to Frank.

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### Frank Heard - Gibraltar Industries - CEO

Thanks, David. Hello, everyone. Our comments this morning will echo the themes for growth that we laid out during investor day we hosted in late March and our first-quarter earnings call last month. On both occasions we talked in detail about our better strategy to deliver sustainable value creation for our shareholders for the long term.

This strategy has four key pillars, the first three being operational improvement, portfolio management and product innovation. Regarding the fourth pillar, acquisitions as a strategic accelerator, our announced purchase of RBI Solar, Rough Brothers Manufacturing, and affiliates, or collectively RBI, is an important step forward in Gibraltar's transformation into a Company with higher rate of growth and best-in-class financial metrics.

First some details on the transaction and its financial implications. Gibraltar has acquired all outstanding shares of RBI for \$130 million subject to adjustments, financed with available cash and proceeds from our revolving credit facility.



Based in Ohio, RBI has been in business for more than 80 years. It's not only the largest greenhouse manufacturer in North America, but during the past five years, RBI has established itself as North America's fastest-growing provider of PV solar racking solutions. RBI's 2014 revenues were \$164 million, two thirds from solar racking sales.

By way of background, the global market for PV solar racking is estimated at \$9.3 billion annually and forecasted to grow at a 14% CAGR for the next four years. North America alone is estimated to be \$1.2 billion market forecasted to grow nearly 10% annually over the next four years.

We expect the acquisition will benefit Gibraltar's financial performance for the second half of 2015 adding incremental revenues of \$115 million to \$120 million and \$0.17 to \$0.21 of non-GAAP adjusted EPS. This adjusted EPS estimate excludes acquisition-related and integration items including transaction costs, amortization of certain intangible assets and the step up to inventory.

As we stated during our Investor Day and on Q1 earnings conference call, our acquisition strategy focuses on six key growth opportunities. Three of these opportunities are in existing platforms and three are new.

The existing platforms include the same areas where we'll be developing innovative products organically, postal and parcel solutions, infrastructure and air management. The new growth platforms include water management, outdoor living and renewable energy.

Within the renewable energy sector, solar racking is still a very fragmented market with about 90 racking companies in the US alone. Adding RBI not only accelerates our entry into this attractive and fast-growing space, but also broadens our portfolio of products serving critical infrastructure markets around the world.

RBI is the leading provider of solar racking solutions for ground mount systems and has begun to penetrate the residential rooftop market leveraging its German-based RenuSol brand. Further RBI has been successful entering the large and fast-growing Japanese market and initiated plans to expand in South America and the Middle East service by its existing operations in Germany, China, Japan and the United States.

What all six of our target growth platforms --existing and new-- have in common is that they are large high-growth markets that are technology rich and offer higher returns on our investment than what we've experienced in the past. As we've stated previously, our intent was to deploy at least \$80 million on strategically vetted acquisitions in 2015 and we're excited with RBI leading Gibraltar into the solar market.

Again, in addition to acquisitions, our value creation four-pillar strategy also focuses on driving transformational versus incremental change through product innovation, operational improvement and portfolio management. This is the lens we look through as we make every decision, operational and strategic, at Gibraltar.

Acquiring RBI creates the potential for exciting synergies in each of these three areas. RBI will provide us with a new array of component products adjacent to our core business, while also enabling us to leverage our global sourcing network and experience in manufacturing and then ultimately taking them to market.

RBI's leadership and 300 employees are highly regarded for innovation and delivering high quality and superior customer service as well as their ability to generate profitable growth in a rapidly expanding and evolving sector. On behalf of all of us at Gibraltar, I would like to extend a warm welcome to the entire RBI team.

We look forward to their joining Gibraltar in helping us to execute our transformational strategy and achieve long-term value creation goals. Those goals are to double our revenue, quadruple our earnings, roll our market capitalization to \$1 billion and achieve best-in-class shareholder returns. At this point, I'd be happy to answer any of your questions.



## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions)

Our first question comes from Ken Zener, KeyBanc.

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### Ken Zener - KeyBanc Capital Markets - Analyst

Frank, I wonder if you could walk us through how you -- I know you identified this as a space that you'd be interested in, at your Analyst Day, but how did we end up I guess in Europe versus the US? And was the focus on Europe for any particular reason, given a company like SolarCity, which has done purchasing of solar installers or racks already? If you could give us a little understanding of how you came to this process.

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### Frank Heard - Gibraltar Industries - CEO

Yes, I think, just to put some things in perspective, the lion's share of the revenue base that we have here in this acquisition is North American-driven, with some growth opportunities being explored and supported through some customer expansions as they move into new and different types of markets.

So, the European aspect of it is strategically important to RBI. The revenue profile is somewhat -- quite a bit smaller. So, really, it's a technology play to allow us to move into the core North American residential market, rooftop market, versus their historical and rapid growth in ground mount.

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### Ken Smith - Gibraltar Industries - CFO

And I would say, to the other point, as we looked at why -- I guess getting back to last year when we took an evaluation of markets and product platforms which had strong growth, even if we did not participate in them, renewable energies came across from those discussions and evaluations and research. And as we evaluated further and more deeply in renewable energy, we saw solar, which is fast becoming a source of energy of choice in many geographies, including the US.

We saw our existing capabilities in manufacturing aligning with the componentry and racking portion of the value chain for solar arrays, whether it be utility installations that feed the grid or on rooftops, whether it be commercial or residential rooftops. So, we started at the high level on identifying renewable energies, and then linking our competencies to particularly the fast-growing sub-segment of solar-generated electricity and our capabilities that could essentially help RBI in leveraging its procurement and manufacturing and other cost of sales-related systems to be accretive for us, and accelerate their growth as well as ours.

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### Frank Heard - Gibraltar Industries - CEO

Yes, and Ken, I think I'd also like to just put in context, we did the same type of vetting and work in two other primary verticals that, one being the postal parcel platform and one being in our core infrastructure business as it relates to bridgework and highway work. As we work through those three core -- three targeted verticals out of the total of six -- we obviously then look for attractive opportunities that not only fit strategically, but also fell into our financial profile of what we thought would be a reasonable valuation that would provide us the opportunity to drive the type of returns our shareholder would like to see, not only on the short-term basis of being accretive today, but also something that we felt we could drive some long-term value going forward.

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### Ken Zener - KeyBanc Capital Markets - Analyst

Appreciate that.



In terms of the guidance that you've given for both sales, call it, \$115 million, \$120 million -- \$0.17 to \$0.21 EPS -- the revenue range that you gave us, first their FY14 sales of \$164 million, I believe, is that the normal seasonality of the business? Or what are you thinking they're doing this year? Are they growing that fast? Is the business normally that back-half weighted?

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**Ken Smith** - *Gibraltar Industries - CFO*

There's a two-part answer to that, Ken. First off, there is a greater proportion of seasonality that benefits RBI's end of Q2 and certainly Q3, beginning of Q4. So, there is increase order streams and shipments during that period.

And part B of the answer is, they are growing rapidly. And I'd say it's not inconsistent, or rather I should say it is consistent with the CAGR growth rates that we provided in the press release; that they're participating certainly in the US in a meaningful way. They're in the top five here of suppliers who are racking in the US. But they have some meaningful and more rapidly growing penetration in some international jurisdictions.

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**Ken Zener** - *KeyBanc Capital Markets - Analyst*

For reference, and I appreciate you guys fielding these questions -- you said in the top five supplier. Could you tell us the market share, as well as the second-half sales comp that we're comping against? Thank you very much.

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**Ken Smith** - *Gibraltar Industries - CFO*

They have approximately 5.5% share of the US share of the solar racking, and continue to expand on that, since they essentially came from zero, five years ago, to their credit, with a strong management team here. And their comp to the second half of 2014, we will be providing in our second-quarter earnings call when we get more prescriptive on our Q3 and second-half outlook.

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**Ken Zener** - *KeyBanc Capital Markets - Analyst*

Thank you much, gentlemen; congratulations.

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**Frank Heard** - *Gibraltar Industries - CEO*

Thank you, Ken; appreciate it.

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**Operator**

(Operator Instructions)

At this time, there are no further questions in queue. I would like to turn the call back over to Mr. Heard for closing comments.

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**Frank Heard** - *Gibraltar Industries - CEO*

Thanks, operator, and thank you, everyone, for joining us today. As a reminder, we expect to issue our second-quarter results and conduct an investor call on Thursday, August 6. We look forward to speaking with you then. Thank you again; this concludes our call today.

**Operator**

Thank you. This concludes today's teleconference. You may disconnect your lines at this time, and have a great day.

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