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ROCK.OQ - Q2 2024 Gibraltar Industries Inc Earnings Call

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## PRESENTATION

### Operator

Greetings, and welcome to the Gibraltar Industries second quarter 2024 financial results conference call. (Operator Instructions) As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Carolyn Capaccio of LHA. Thank you, Carolyn, you may begin.

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### Carolyn Capaccio - LHA Investor Relations - Analyst

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

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

Further, please note that adjusted results exclude the sales -- exclude the net sales and operating results of the Japan renewables business that was sold on December 1, 2023. 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 advise you to read the risk factors detailed in its SEC filings, which can also be accessed through the company's website.

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

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### William Bosway - Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer

Thanks, Carolyn, and good morning, everyone, and thank you for joining today's call. I'll start with an overview of second quarter results, and then Tim and I will take you through each of the segments, and we'll give you a financial and operating update and a closer look at what's happening now on each. Then I'll walk you through our 2024 outlook, and we'll open the call for questions.

So let's turn to slide 3 titled second quarter 2024 review. Our adjusted net sales were down 2%, driven mainly by market headwinds, impacting growth in our residential and renewables businesses in the quarter. The residential market experienced a slower end market and an unexpected channel destocking, which started really in late May and early June.

We offset some of this impact through some participation gains. And these gains actually are going to support us in our residential growth plan in the second half. Although adjusted net sales for renewables were up over 8% versus prior year, it was less than expected as some customers continue to have project delays related to ongoing trade and regulatory issues in the market.

Backlog for the quarter was down 4%, impacted mainly by the timing of project bookings in renewables and a challenging year-over-year comparison related to a large infrastructure project signed in early '23 that was completed in the quarter. Infrastructure bookings improved during the quarter and backlog was up 3% sequentially, and our design and quoting activity remains very strong as well.

Our AgTech bookings surpassed \$90 million in the quarter, driving backlog up 32%, and this supports strong revenue growth in the second half. We increased adjusted net income 2.8% and adjusted EPS 2.6%, while generating \$36 million in operating cash flow. We continue to work toward achieving growth for the year in all four segments as well as drive additional 80/20 and productivity initiatives continue to execute our digital transformation plan and strengthen organization.

Now let's dig into the segments, Tim.

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**Timothy Murphy** - Gibraltar Industries Inc - Chief Financial Officer, Senior Vice President

Thanks, Bill, and good morning, everyone.

Let's start with the residential on slide 4. Residential segment sales decreased 6.1% from last year, driven by a slowing market and channel destocking that began in the second half of the quarter. These factors were partially offset by participation gains with new and existing customers, growth in ventilation, product lines and expansion initiatives in the Rocky Mountain region.

Our recent acquisitions in that region added about 1% to second quarter sales. Adjusted operating EBITDA margin of 20.3% and 21.7%, respectively, expanded 100 basis points and 120 basis points through solid execution, 80/20 initiatives and effective price cost management.

Our Rocky Mountain region acquisition is performing to plan. We continue to expect modest revenue growth with continued margin improvement in the second half of the year as the conversion of recent geographic and market participation gains ramp further contributing to top line and as continued 80/20 and operating efficiencies and the expected improved volumes drive profitability.

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**William Bosway** - Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer

So let's turn to slide 5 and talk a little bit more about the residential market as well as our market expansion initiatives we discussed in our last call.

Let's start with the end market. The market did slow us more during the quarter, which is reflected in lower point-of-sale results. Down approximately 10% in both retail and distribution channels. Point-of-sale results can vary significantly by region by market customer and channel. But in general, we saw a reduction versus Q1 for the overall market.

As well the point-of-sale results correlated with the Q2 shingle shipment market data published by ARMA which reflected the market being down almost 10%. As well, starting in late May and really throughout June, we experienced channel destocking in both retail and distribution channels, with inventory reductions up to three weeks, which reduced channel inventory from about 12 weeks to nine weeks depending on the region, the market area and the customer.

We did see some restocking occur at the beginning of July, which I suspect was in response to a bit of an overcorrection during Q2. We're able to partially offset the full impact of the slow market through participation gains and customer conversions, which resulted in our business being down less than market. These wins and others starting in the second half should also help us continue to outpace the overall market going forward.

On the right side of chart, the geographic expansion initiatives continue to move forward. And as a reminder, we are serving only 40% of the top 32 markets in the US. Increasing our participation in these markets is important to us and we have identified our next eight markets with at least three of those locations planned to be up and running the next two to three quarters. There are plenty of additional markets beyond the 32 we are currently addressing as well. And as I've said previously, we will execute our plan through both organic investment and acquisitions.

So with that, let's see move to renewables. Tim?

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**Timothy Murphy** - *Gibraltar Industries Inc - Chief Financial Officer, Senior Vice President*

Let's turn to slide 6. Adjusted net sales increased 8.2% from last year and 54% from last quarter, driven by strong demand from new and existing customers for the new 1P tracker product. Despite solid growth in the quarter, our revenue and bookings were lower than expected as some customers continued to experience trade and regulatory issues disrupting the timing of signing of their contracts and or locking in their schedules.

As a result, second quarter backlog was down 10% while the pipeline of late-stage and early-stage projects, remains positive. Adjusted operating EBITDA margins decreased 270 basis points and 290 basis points, respectively, driven by a mix shift to our new 1P tracker product and the related new product ramp learning curve.

Our supply chain and engineering teams are making progress and satisfying this accelerated demand. We expect segment net sales to increase for the full year with sequential improvement in 3Q profitability as 1P tractor supply chain continues to mature and the field installation process becomes more efficient.

Let's move to slide 7 for a quick update on our 1P tracker app. Since the fourth quarter of 2023, we booked over 300 megawatts across 58 projects with 15 different customers. We booked about 70 megawatts across 13 projects in this last quarter. We're pleased with the ongoing uptake of our 1P technology and are laser focused on executing a controlled launch of new projects we have signed.

At the same time, new and existing customers are inviting us to pursue a pipeline of over 1.2 gigawatts in the US distributed generation solar market. The photos on this slide show 10 1P tracker projects. We recently completed the one on the top right of the page is the Wedge Farm and one on the bottom is Allis Hill. Bill?

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**William Bosway** - *Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer*

I apologize. Let's start again. As referencing the industry continues to work through a variety of trade and regulatory challenges. And since our last earnings call, I wanted to highlight some of the changes and/or movement to four of them, which are highlighted on the dotted line boxes on the slide.

Let's start with the first three items, which are related to module supply. First, the presidential proclamation waiving tariffs, while the Department of Commerce investigated the first AD/CVD complaint expired on June 6, 2024. So for modules, imported without an exemption from the manufacturers that were under investigation during the proclamation period. Customers have until December 2024 to install these modules in service or antidumping duties of 240% and countervailing duties of 15% can be applied to projects.

Secondly, a second AD/CVD complaint was filed with the US International Trade Commission and the Department of Commerce on April 24, alleging illegal trade practices by Cambodia, Malaysia, Thailand and Vietnam, and is asking both government agencies to apply new tariffs, both antidumping and countervailing duties to imported solar cells and modules imported from these countries.

The ITC launched a preliminary investigation in April 24, and the DOC initiated investigation on May 14. Given the complexity of the case, the DOC is expected to issue preliminary determination for the countervailing duty complaint by September 23, and for the anti-dumping complaint by November 20. Final determinations for both aspects of the complaint are expected by April 4, 2025.

And third on June 26, the Section 201 bifacial exemption was removed for bifacial solar panels. These are panels which have solar cells on both sides and can significantly improve energy production efficiency. Industry has been given a 90-day grace period before the tariff takes effect and to avoid a tariff, customers must be able to verify these contract -- their contracts were signed on or before May 17, 2024 and these panels must be delivered by September 24, 2024.

Lastly, with respect to the 10% domestic content bonus in May, in an effort to avoid forcing commercial taxpayers to disclose their direct costs. The IRS created a new elective Safe Harbor. This allows manufacturers to determine a project's domestic content percentage based on additive fixed percentages for specifically identified US manufactured components or subcomponents.

This avoids developers and sponsors of energy projects, having to track down all manufacturing costs and helps manufacturers avoid having to share confidential cost information for the business. This is a positive development for the industry, and we anticipate final guidelines from treasury to be issued before the end of the year.

So let's move on now to AgTech. Tim?

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**Timothy Murphy** - *Gibraltar Industries Inc - Chief Financial Officer, Senior Vice President*

Moving to slide 9, Agtech's adjusted net sales increased 0.6%, but were lower than we expected as new projects started later than planned in the quarter. In June, sales were up over 30% from May sales so it was just a later in the quarter ramp up. Second quarter backlog increased 32% over last year and 95% from last quarter as new bookings materialized as planned. We remain very active with additional projects and expect positive booking momentum to continue into the second half.

Segment adjusted operating income declined roughly \$1 million, impacted by lower volumes in April and May and business and product line mix. This is partially offset by strong execution, particularly on produce projects, and we expect to deliver improved margin performance on stronger growth in the second half of the year. bill?

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**William Bosway** - *Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer*

So on slide 10, let's move to slide 10. We are pleased that our AgTech business is beginning to accelerate and grow as we expand our customer base and really help the industry add capacity to bring locally grown high-quality, fresh fruits and vegetables to end consumers provided by both food retailers and foodservice operators.

Our business momentum is robust with revenue and bookings accelerating month to month during Q2. We secured over \$90 million in new orders during the quarter, which is a record for the business. Most of these projects started in June and are launching now, which supports our second half outlook. As well we have a number of additional projects currently in design phase expected to support any continued strength in bookings. We look for AgTech business to deliver both revenue and margin growth in 2024 given our demand momentum and broad customer base and a healthy pipeline of new projects under design.

Let's now move on to our infrastructure business.

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**Timothy Murphy** - *Gibraltar Industries Inc - Chief Financial Officer, Senior Vice President*

Let's move to slide 11. The infrastructure segment sales increased 2.5%, reflecting timing of projects, continued strong execution and market participation gains. Backlog decreased 12% as a very large project booked last year reached its final stages. Bookings increased 3% sequentially,

reflecting strong customer activity. Design work and quoting activity remains strong. Segment adjusted operating EBITDA margins improved 170 basis points respectively, driven by price-cost alignment, solid execution, 80/20 productivity and improving product mix. We continue to expect sales growth and margin expansion in 2024.

Let's move to slide 12 to discuss our balance sheet and cash flow. For June 30, we had cash on hand of \$179 million and \$395 million available on our revolver. During the quarter, we generated \$36 million in cash from operations through strong contribution from operating income and a more modest than average seasonal investment of \$7 million in working capital.

Our free cash flow generation for the quarter was 9.1% of sales, and our objective for free cash flow, approximately 10% for the year is unchanged. There were no share repurchases in the quarter, and we remain debt-free. We expect to continue to generate strong cash flow and our capital allocation priorities for 2024 are to continue to invest in our organic growth and operating systems for scale.

We expect capital expenditures between 1% and 2% of sales. Our pipeline of high-quality M&A opportunities is active. We have many discussions in process and our strong balance sheet provides flexibility. We think there's a higher probability in the near term to the residential segment and in the medium and long term in other segments.

Finally, we will opportunistically return value to shareholders through the remaining \$89 million authorized under our share repurchase program, funded by cash generated from operations and the use of our revolver depending on the timing of any M&A or repurchases. Now I'll turn the call back to, Bill.

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**William Bosway** - Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer

Let's turn to slide 13. We'll talk a little bit about our priorities for 2024, which really remain unchanged. And the three pillars are foundational for what we do in our playbook is consistent. And regardless of recent market movements, we remain very focused on those five initiatives.

So just as a reminder, number one, continuing to look to drive growth, quality of earnings, cash performance and focus on M&A. Secondly, execute our 80/20 initiatives, expanding our participation and expanding margin. Three continuing to digitally transform to scale and optimize our operating systems. Fourth, strengthen the organization. And fifth, as important as anything is conducting business in the right way every day.

Let's turn to slide 14, and we'll talk about 2024 guidance. We are making a slight adjustment to revenue and profitability measures while maintaining our outlook for EPS and delivering full year sales growth and significant profitability improvement. We look for participation gains and operational improvements to support solid second half and full year margin expansion and cash flow generation.

Consolidated net sales are now expected to range between \$1.38 billion and \$1.42 billion compared to \$1.36 billion on an adjusted basis in 2023, representing 2% to 4% growth. GAAP operating margin is expected to range between 11.8% and 12.1% up between 90 basis points and 120 basis points. And adjusted operating margin is expected to range between 13.3% and 13.6%, up between 60 basis points and 90 basis points.

Adjusted EBITDA margin is expected to range between 15.9% and 16.2%, up between 50 basis points and 80 basis points. EPS expectations are unchanged with GAAP between \$4.04 and \$4.29 compared to \$3.59 in 2023, up between 12% and 20% and adjusted between \$4.57 and \$4.82 compared to \$4.09 in 2023, up between 12% and 18%. And we continue to expect 2024 free cash flow of approximately 10% of sales.

So to summarize, our execution performance has been solid, and we feel good about our second half plan and full year outlook. I also want to thank our team for their agility and responsiveness in each of the markets that we serve and their focus on delivering performance for our shareholders. And as I said earlier, most importantly, doing it the right way.

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

## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions)

Dan Moore, CJS Securities.

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### Dan Moore - CJS Securities Inc - Analyst

Thank you. Good morning, Bill. Good morning, Tim. Let me start with residential, the it sounds like July you started to see a little bit of restock, but has the destocking you saw in May and June is this do you think that's run its course? And what are your expectations for market growth, not necessarily Gibraltar growth, but market growth embedded in your for the remainder of the year embedded in your revised full year guidance?

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### William Bosway - Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer

Yeah, so Dan I think we believe we're going to grow this year in residential for the year. It's difficult to predict exactly where the stocking destocking is landing, but we feel like it has settled in, and that's what we've assumed going forward in the second half, Q1 off to a decent start, Q2 is a bit of a correction. If you look at, as I mentioned earlier, the point of sale in the ARMA data.

But you really need that let that flow out over some period of time because it really comes down to state by state and how well you're positioned in state. See the true impact of what that's going to mean for the market and how you relate in how you're positioned in each of those states and therefore the market.

So yeah, we've gone through that in, I think great depth by state, and we've built an outlook for the year that we think is still positive year over year. And with our participation gains that we referenced and the ones that are in flight now we have we feel pretty good about how the plan is rolling out for the second half.

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### Dan Moore - CJS Securities Inc - Analyst

Helpful. And then shifting gears on renewables, and I certainly appreciate the update as you give every quarter on kind of market conditions, obviously a ton of crosscurrents. So what's the punchline do we still expect 2025 to be the year when revenue starts to ramp meaningfully? Or is that more uncertain now in your view?

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### William Bosway - Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer

I think the slide that we showed will get less complex over time as some of these things come off the table. And so we've listed five things around module supply as an example.

Well, when you look at that slide, you say well you have UFLPA number one on that slide that's going to come off as the industry has gotten used to dealing with that, right? So it's really, I think what you're going to find going forward is more around permitting and interconnectivity and transmission, which is still out there that people are dealing with.

But as these AD/CVD investigations kind of worked through the system. What it's doing right now is just causing some people to pause its choppiness as we have seen, I think that's going to work itself out as we get through this last investigation and some of these things start coming off the table. You had a positive development on our IRA to the bottom of that chart two of those three things are in place and up and running for this domestic content bonus getting close.

Now that we have this new elective Safe Harbor that was put in place by the IRS, that's a big deal. So if we can get that across the finish line, that comes off the chart, those three things are easy to track and use as an industry. So I think you'll see a narrowing of some of these items. The hope is over time. That doesn't mean there won't be some things in 2025 particularly around permitting and as I said, interconnectivity and transmission.

But we feel like it's moving in the right direction. But in the interim, it's still causing probably 20% of our customers to have a little bit of a challenge with specific projects. So hopefully, we'll see that start to be minimized in the second half a bit as we roll into next year. That's how I'd characterize it today.

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**Dan Moore** - *CJS Securities Inc - Analyst*

And then lastly for me and I'll jump back in queue, just talking about margins. So it still continues to be obviously kind of a tale of two cities really performing extremely well in a tough environment, and Renewables and Agtech still well below your longer-term goals. So what are the keys to generating consistent double-digit margins in those two segments. And it appears that's what's likely embedded in your ability to maintain the EPS guide. So just talk about how do we get there and when you're confident and that margin uplift in the back half of the year?

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**William Bosway** - *Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah. Second half for AgTech is obviously driven around the bookings that we generate during the quarter, which has now started to materialize into sales and profitability. So you pick up that volume and the quality of those projects, we feel they're going to contribute nicely in the second half to both top and bottom line. And sequentially, we believe renewables will obviously continue to improve now ramping up the 1P tracker in a short period of time as we're working through now and just getting suppliers from kind of temporary tool to permanent tool world and then getting these components into the field and getting our teams ramped up production in a controlled launch.

Just it takes a little bit time to do that, and that's part of it will get better and better that in the second half. So sequentially, I think you'll see renewables deliver improved margin and you'll see AgTech the same architecture that driven by the volume that is now in the business in a much bigger way than it was before.

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**Dan Moore** - *CJS Securities Inc - Analyst*

All right. I'll jump back in follow-ups. Thank you.

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**Operator**

Julio Romero, Sidoti & Company.

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**Alex Thompson** - *Sidoti & Company - Analyst*

Yes, hi, good morning. This is Alex on for Julio. Yeah, so very nice to see AgTech new bookings up significantly this quarter. I saw in the release, you noted strong support for revenue growth in the second half. Can you just walk us through the confidence you have around the timing of AgTech sales kind of ramping up in the near term in a meaningful way?

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**William Bosway** - *Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah. So Alex, when you sign these projects, they tend not to be signed in the AgTech world until you have most, if not all your ducks in a row, particularly around permitting because your things like gas water, it's better for the town or city that you're in is a big deal because these are massive structures. So usually when you sign, it's close to go time on getting started.



So the projects that we have signed, they're already active. They started becoming active in June. So you saw that impact with the business being up 30% over April & May. And that momentum will continue based on actual projects that are in flight. We'll continue to add more projects that will help us build a backlog, not just for some portion of revenue that will come into this year.

But it will start building out for next year as well. So that's the consistency that we're looking for that cadence around the projects that we're bringing on path. And if you look at you take \$90 million that were signed in the quarter and you were to annualize that, you'd say, well, that would roll out to \$360 million, \$370 million around there.

I'm not suggesting that we'll have \$90 million every quarter. But as you get that cadence being built, they stack on each other, and they bring that revenue and profitability comes with it in a much more predictable way. So they tend to start pretty soon actually are signed. So we're active on a number of the projects that are in the \$90 million. And that's why our confidence level starting in Q3 is pretty strong for the second half.

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**Alex Thompson** - *Sidoti & Company - Analyst*

Great color on the cadence. Thank you. And then one follow up from us. You're still very strong free cash flow in the quarter and the cash on the balance sheet continues to build. So could you speak to plans to deploy some of that?

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**William Bosway** - *Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah. So right now, we are in a number of active discussions on an M&A front. Tim referenced that a bit. I think you'll see there's probably more that near term focused in residential that we're involved in. It's not exclusive to residential, but our intent is to deploy in M&A. We don't spend a lot a 1% to 2% to run the business. So it doesn't absorb a lot. We have a bit of a buyback.

We still have \$89 million of buyback approved in our plan which we make and move on as well. So but really our focus is moving forward with M&A, and it's just a matter of timing on that front. It is more active in the market today than it was a year ago, not by our choice per se, but just in general. And so that's what has driven some of the activity that we're currently in the middle of.

So I would expect to see us deploy more of that going forward. And the timing of that will depend on each individual case, right. It's a process between a buyer and a seller, and we'll see how that plays out. But we're excited about what the opportunities are that exist and the ones that come up we're in a great position to act pretty quickly.

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**Alex Thompson** - *Sidoti & Company - Analyst*

Great. Thank you. Appreciate the color there. That's all from me.

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**Operator**

Walt Liptak, Seaport Research.

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**Walt Liptak** - *Seaport Research Partners - Analyst*

Hey, good morning, guys. Thanks a lot for the answers so far just helpful. I wonder if we could just trying quantify a couple of things like in AgTech. Can you help us understand how much revenues is going to ramp in the second half of the year? Like how much of that \$90 million shift in the second half of the year versus 2025? And what could the revenue look like for the full year?

**William Bosway** - Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer

Yeah. So what the way I would think about it is you saw what June looked like relative to May. And so you're going to have a pretty big upshot relative to what we've seen in the first half is the way I'd characterize it for the business. So with the projects in hand, the projects active, you can do the math that way. If you're thinking about modeling the second half would look like it's, we saw June up 30%. And I think that's directionally the way I would think about the second half for this business based on that the backlog that we now have.

**Walt Liptak** - Seaport Research Partners - Analyst

Okay, great. And then appreciate the prior question comment about profitability in AgTech, but with these projects sometimes are percentage of completion that you don't book profits until the things almost done. You to talk about what the second half could look like and the flow through for profit.

**William Bosway** - Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer

Yeah. No, I think we'll have a nice improvement there as well. We because it's percentage of complete recognizing sales are recognizing profitability hand-in-hand as we go. So there's not a lot of this that is recognized at the end of the project, both top and bottom line, they kind of go hand-in-hand as you go through the project. So again, as that volume starts to materialize in the second half you should see an impact on both top and bottom line accordingly.

**Walt Liptak** - Seaport Research Partners - Analyst

Okay, great. Switching over to renewables. Can you quantify for us the amount of orders that got pushed out due to the regulatory environment, like where the orders down year over year, how much were they down? Can we get some idea of the magnitude here?

**William Bosway** - Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer

Are you talking about the orders that were pushed what --

**Walt Liptak** - Seaport Research Partners - Analyst

Yeah, exactly --

**William Bosway** - Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer

Yeah, I would say about 20% of our business continues to be impacted and think about that as we have we serve over 200 different customers. So you've got a chunk of your customer base that's getting with a variety of projects that are moving around it. And that's been pretty consistent over the last year or two. But I would say that it's impacted about 20% of our orders, and that's part of the reason our bookings and therefore, orders and that's part of the reason that we said, look, we were up 8.2%.

We were up 54% sequentially, but we weren't up as much as we thought we wanted to be or expected to be just because of some of that movement kind of push. So I mean, I guess you could back into it, you kind of thought about it that way, we should have been up more if we wouldn't have that kind of movement. But each quarter to those different group of customers and number of projects but I would say 20% of the business has been impacted shifting around. So that gives you an idea.

**Walt Liptak** - *Seaport Research Partners - Analyst*

Okay. And just so I understand the slide that you had up on renewables with the regulatory. I think what I heard you saying is that this pause will remain in place probably until September of this year. Is that right?

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**William Bosway** - *Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer*

There's a lot of moving parts. And the point of that is on a module supply, it's just causing a pause right now depending on individual projects situation. So you can have a number of different examples here. But as an example, if you had panels in your inventory, if you had panels that you had availability to, and they were not brought it on an exemption from during the first AD/CVD investigation. And then you have until December to get those things installed or they could be subjected to both AD and CVD penalties.

So on one hand, you've got a lot of folks are trying to stay laser focused on existing projects to get these panels up onto their foundations and racking systems that either have been installed or maybe haven't been installed, but you have a deadline. Otherwise you can be subject to some very large penalties potentially. So you've got customers laser focused on that right now.

They're saying, look, I need to get this done. And so what they're finding through are things like well, I've got to get make sure I get all my permitting, right? So I can actually part of panels on. So I don't have these penalties. And so it is a bit of a multi-varied equation for each city or each project for a customer, depending on where their situation is going forward.

And that's at 20% of business that I think we have customers dealing with. 80% of business folks have kind of navigating through this. So but for us, because our timelines are so short between when you sign a contract and you execute something like this with immediate grace periods of 90 days or 120 days, really changes focus on projects that are in-flight right now for customers versus what are they going to do next. So it's a little bit you give us a little things already right now for the industry, but it will work itself through once this.

Yeah, I think this last or the second investigation finishes up and the IRA stuff clears off the table, I guess people are more clarity what's going on. But yeah, we are seeing I think the second half is still going to be a challenge in that, but we're going to grow sequentially in both top and bottom line as we get through the next quarter. We'll see how this evolves as it relates to planning for 2025.

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**Walt Liptak** - *Seaport Research Partners - Analyst*

Okay, great. And the sequential improvement that you're thinking about for next quarter, that's usually the third quarter is a seasonally stronger period, right? That's why important for moving up orders.

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**William Bosway** - *Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer*

Correct. Third and fourth quarter are traditionally our strongest quarters for renewables. We've got bookings now that are pretty solid relative to covering 2024 in terms of revenue, again, because we have a relatively short timeline. So we still have the ability to take an order in the third quarter and execute that yet in the fourth quarter. So we got good coverage for sales in the second half. We got a little bit more work to do there. But inherently Q3 and Q4 are the biggest quarters for the business. And that's why sequentially you'll see a better second half and a better Q3 than Q2.

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**Walt Liptak** - *Seaport Research Partners - Analyst*

Okay. But in terms of orders, it sounds like third quarter fourth quarter might still be weaker?

**William Bosway** - Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer

Maybe not, you know, let's say again, it's comes down to individual projects and folks getting across the finish line. So if you've got this 20% where people are having some success with what they're going to do and getting on with it then.

Yeah, the focus can turn pretty quickly towards getting some of these other projects pulled up and across the finish line and contracted. So we have a lot of these projects in our late stage, which we have a seven stage process, but we've got them in late stage. But yeah, that's there. They're sitting there now until they're on some of our customers are sitting in there until they work through the next 90 days on some of these things are there you're dealing with.

**Walt Liptak** - Seaport Research Partners - Analyst

Okay. Great. Okay. Thanks much.

**Operator**

Thank you. There are no further questions at this time. I'd like to hand the floor back over to Mr. Bill Bosway for any closing comments.

**William Bosway** - Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer

So again, I want to thank everyone for joining us today. We are planning on to present at the Seaport annual summer investor conference as well as Sidoti September conference, and we've got a number of other investor events. So I want to thank you again for your ongoing support of us and Gibraltar and look forward to speaking to you again after our third quarter report. Have a good day.

**Operator**

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

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