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Ken Zener  
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**PRESENTATION**

Operator

Good day, ladies and gentlemen, and welcome to the Gibraltar Industries third-quarter 2014 earnings conference call. (Operator Instructions).

I would like to now turn the call over to your host for today, Mr. David Calusdian from the investor relations firm Sharon Merrill. Please proceed.

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David Calusdian  
*Sharon Merrill Associates - IR*

Good morning, everyone, and thank you for joining us.

If you have not received a copy of the earnings press release that was issued this morning, you can find it in the investor info section of the Gibraltar website, www.gibraltar1.com. During the prepared remarks today, management will be referring to presentation slides that summarize the Company's third-quarter performance. These slides also are posted to the Company's website.

Please turn to slide 2 in the presentation. The Company's earnings release and slide presentation 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 filings, which can also be accessed through the Company's website.

Additionally, Gibraltar's earnings release and remarks this morning contain non-GAAP financial measures. Reconciliations of GAAP to adjusted measures have been appended to the earnings release.

On our call this morning are Gibraltar's Chairman and CEO, Brian Lipke; President and Chief Operating Officer Frank Heard; and Chief Financial Officer Ken Smith. At this point, I will turn the call over to Brian.

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Brian Lipke  
*Gibraltar Industries, Inc. - Chairman, CEO*

Thank you, David. Good morning, everyone, and thanks for joining us on our call today.

As usual, I am going to start with some introductory comments on the quarter, and then Frank will discuss each segment's performance and related market conditions and Ken will provide more financial details. I will then close our prepared remarks with some thoughts on the outlook, and at that point, we will open the call to any questions that any of you may have.
This morning, in addition to our normal quarterly earnings release, we also issued an additional press release announcing two leadership changes, each of which bodes well for Gibraltar’s future. Our first announcement related to our succession planning process and stated that Frank Heard will be taking over as CEO on January 1 and I will remain in the position of Chairman.

Frank's hiring earlier this year was part of a strategic succession plan developed by the Board and myself almost two years ago. Frank was hired back on May 1 of this year because he had the right experience and skills necessary to drive improvements in operating performance and accelerate our strategy for improving shareholder value.

Frank's years of experience in the building products market with ITW allowed him to hit the ground running upon joining Gibraltar. In the six months Frank has been on board, he has visited each of our 45 facilities, interacted with the business unit leaders and their management teams, gained an understanding of the strategic positioning of the Company and has met with many of Gibraltar’s shareholders.

More specifically, he has begun to help each business unit become more focused on driving products and business unit profitability and he has initiated processes that will help the business units sharpen their focus on capturing strategic growth opportunities. In addition, his past acquisition experience has been put to good use in evaluating strategic acquisition candidates.

All of these activities and the responses from various constituent groups that he has interacted with provide clear evidence of his capabilities and readiness to assume the role of President and CEO on January 1, 2015. Frank is the right choice to become the next CEO of Gibraltar and I look forward to working with him to deliver improving shareholder value.

We also announced changes to the Board of Directors this morning. These changes in Board composition are intended to blend of the existing institutional knowledge of the Board with the knowledge and experience of the new directors to provide new and different insights to the Board. Vinod Khilnani will replace Arthur Russ, Jr., who has decided not to stand for re-election and will retire immediately prior to the 2015 annual meeting in May. Craig Hindman will replace Gerald Lippes, who, as we previously announced, will retire at year-end.

On a personal note, I’d like to thank Arthur and Gerald, plus the retiring David Campbell, for their invaluable service to the Company, its shareholders, and me over these years.

With that, I will ask you to turn to slide 3 in our presentation, titled overview. Gibraltar's third-quarter top-line growth was better than our previously-provided guidance. Net sales were up 8% year-over-year and about equal to the second quarter. This growth was driven by accelerating demand for our new postal products and, to a lesser extent, higher sales volume in our residential roof ventilation businesses.

Net sales were also up year-over-year in our industrial businesses, due to favorable volume and pricing in a number of product applications. We were able to deliver these results without any significant lift from our end markets as demand continues to be generally soft and in spite of having to overcome some operational issues. The strategic moves that we’ve made and continue to make are putting us in a stronger position to control our own destiny largely independent of underlying market trends, such as housing starts.

The Company has also performed better on the bottom line. Our third-quarter adjusted EPS exceeded the high end of our guidance and was equivalent to prior-year results. As we expected, the Company's profitability improved substantially on a sequential basis, which Frank will detail during his comments.

Looking ahead near term, we continue to expect end-market demand levels in the remainder of 2014 to be seasonally slower. As a result, we anticipate reporting fourth-quarter adjusted earnings per share around the breakeven point, as higher costs and a less favorable mix in our industrial and infrastructure segment will weigh on our results.

So despite our over-performance in the third quarter, our fourth-quarter and full-year results will be slightly below previous guidance, although there are a number of factors that bode well for 2015. A number of economic indicators suggest a strengthening in demand for building products compared with conditions in 2014. With the operational enhancements that we've implemented this past year, plus reaching the expected...
efficiencies from the build out of production, we are better positioned to capitalize on end-market growth and deliver improved financial results in the year ahead.

Most importantly, we have established Gibraltar as a market leader in key applications in the residential and transportation infrastructure markets, where growth drivers have the potential to outweigh cyclical factors in the economy over the next three to five years.

On the profitability side, the business simplification and product cost reduction initiatives that Frank is leading should enable us to significantly, although gradually, improve the margin leverage in our business.

There are several factors that will improve as we move into 2015, and in addition, we are going to be making a series of changes inside the Company designed to generate improved performance in 2015 and beyond, which you will hear about during Frank’s remarks.

I will have more to say about the outlook after you hear from Frank and Ken, so with that, Frank, I will turn the call over to you.

Frank Heard - Gibraltar Industries, Inc. - President, COO

Thank you, Brian, and good morning, everyone.

I am certainly looking forward to taking over as CEO at the beginning of the year. My focus will be on accelerating our growth strategy and driving higher returns on capital. As we discussed on our last call, this will be accomplished in two phases.

First, we will focus more deeply on operational excellence by seeking ways to drive complexity out of our existing businesses, while adding to our capacity for innovation. Second, we will think differently about how we allocate people and capital both inside and beyond our existing business portfolio.

I look forward to working with Brian, the Board, and the entire Gibraltar team to drive long-term profitable growth and enhance shareholder value.

Let’s now turn to a discussion of our operations during the third quarter. Please turn to slide 4. I will start with the residential products segment, where third-quarter revenues grew 13% year over year. This growth was driven by an uptick in sales of roofing-related products and, most importantly, continued acceleration in shipment volumes for our new line of postal storage products.

On our call last quarter, we predicted a slight improvement in re-roofing demand during the second half of 2014. We did, in fact, see modestly higher sales in the third quarter for our roof-related products of ventilation and rain dispersion.

Overall, residential, remodeling, and repair activity, as well as new construction, remained generally steady.

The majority of our growth this quarter came from market size expansion, which bodes well for the quarters ahead. The majority of this quarter’s residential growth came from sales of postal and parcel storage products, which were up 20% from third quarter last year and now comprise about one-third of our residential products segment revenues.

Gibraltar is a long-standing leader in single-family mailboxes where we have a major presence with all the big-box home improvement retailers in North America. In addition to this solid base business, the secular growth opportunity Brian described relates to the underlying shift in this market from door-to-door mail delivery to more centralized mail delivery. This shift is being driven by postal authority cost-saving initiatives in North America.

We have worked hard to develop innovative product lines that capitalize on this strategic shift, and we hold the number one share position in centralized mail storage market in North America and have a long history of providing the U.S. Postal Service, as well as private property owners, with secure, multi-compartment mail storage solutions that enable the conversion of single-point delivery to centralized delivery.
The next phase of this secular shift is centralization in storage and delivery of packages and parcels. Our innovation capabilities in design and manufacturing put us at the leading edge of this transition. Our newest products take centralized storage to the next level with packages and parcels, further reducing delivery costs, enhancing storage security, and providing greater convenience for both the end user and property owner. They’re also larger and more complex, and, as a result, much higher in value than the traditional postal storage products.

Regarding the residential product segment’s third-quarter operating income, it was up year-over-year, reflecting the net effect of volume leverage, largely from postal products, and operational cost-reduction initiatives.

In our previous call, we outlined some higher-than-planned costs that we incurred during the second-quarter 2014 for three profitability improvement initiatives. These initiatives included eliminating a distribution channel step for a certain product category, closing a manufacturing plant in the Midwest, and ramping up production capacity so that we can meet future demand for postal products.

The incremental costs in the second quarter of 2014 largely stem from challenges related to recruiting reliable, skilled employees, and we describe these costs as being largely temporary in nature.

We did, in fact, put the costs related to distribution streamlining and plant closure behind us in the third quarter, and a third-quarter action to reduce staffing in the Company all contributed to margin improvement in residential products segment for the quarter.

Historically, postal product margins were above the residential products segment’s average and we have confidence that once we get past the production ramp-up phase, which is expected to be in the first quarter of 2015, we will again begin to deliver margins equivalent or better than historical results.

We believe the current lower return levels are for a short period of time, with the increased production capabilities positioning us to better serve the secular-growth potential for postal products at higher returns.

At the same time in this segment, we are working to capitalize on new strategic opportunities in roof-related products category. Recognizing the importance of green building innovation and energy efficiency in the home, we are shifting our development efforts beyond ventilating the attic spaces to air management through the whole house. Our new product lines in this area will leverage our existing and proven technologies in roof ventilation into new applications elsewhere in the home.

I will now turn to slide 5. Our industrial and infrastructure products segment revenues increased 3%, which was the net result of 5% growth in the industrial products category, partially offset by a decline in sales to transportation infrastructure market. The majority of our industrial growth in the third quarter was driven by stronger demand for our bar grating and expanded metal products for North American customers in manufacturing, including petrochemical refining and processing.

A modest rebound in demand from manufacturing customers in Europe also contributed to growth in this segment during the quarter.

Another important end market we serve in this segment is transportation and infrastructure, where Gibraltar’s products are critical design components in bridges and elevated highways. Demand in this market is dependent on governmental funding, and federal and states’ transportation agencies continue to grapple with the highly uncertain funding environment.

The most recent federal transportation appropriation extended funding by only eight months, through May 2015. As a result, federally-funded projects that do move forward tend to be relatively short in duration and smaller in terms of dollars.

We’re working hard to win our share of the available projects, but at least for the near term, our infrastructure order rates, backlog, and revenues continue to reflect this challenging reality.

Looking further ahead, we’re fundamentally optimistic about the long-term growth of the transportation infrastructure market. There is nearly universal awareness that the condition of our bridges and highways in this country has fallen below the design capabilities, as current estimates
cite 25% of US bridges are functionally deficient or structurally obsolete. At some point, these deficiencies will be remedied and Gibraltar is very well positioned as this occurs.

Third quarter was a challenging quarter for this segment’s profitability. The industrial and infrastructure products segment adjusted operating income and margins improved sequentially by 70 basis points, but were down from third quarter last year, reflecting the net effect of less favorable product mix on lower volumes sold to the transportation infrastructure market.

We’re also feeling the effects of raw material cost inflation generally. Today’s environment of global excess capacity makes it exceedingly difficult to recover higher material costs. These factors more than offset the positive leverage from our industrial products volume growth in the quarter.

I will now talk about slide 6, sequential earnings-per-share growth. As Brian cited, we remain committed to re-establishing a higher level of profitability. In our last earnings call, we projected higher adjusted operating income and earnings per share in the second half of 2014, compared with the first half, in fact, more than double.

The third quarter marked a step in this direction. Slide 6 identifies the actions taken that resulted in a sequential profit improvement. Moving from left to right, the residential products segment completed three improved -- profit-improvement actions, including one manufacturing plant closure and the elimination of a channel of distribution for a select product category, plus staffing reductions and various support functions.

In the industrial and infrastructure products segment, cost reductions included lower cost inventory plus lower employee costs. Next, in the residential products segment, we delivered higher quantities of postal products and roof-related products, and the leverage from those incremental shipments added $0.03 per share. Lastly within the industrial and infrastructure products segment, we expected and had lower volumes sold to the infrastructure market and therefore the lower profit contribution of $0.02 per share.

To summarize slide 6, on equivalent consolidated third-quarter earnings rose by nearly 60% and a bit more than we guided as a result of these actions that we controlled.

Overall, we are finishing the year with a strong sense of optimism for 2015. We are making solid progress in all three dimensions of our strategic plan, with an eye towards driving high returns on capital than what we have done historically. We have targeted high-growth sectors of the market with outstanding new products. We will be driving complexity out of our existing businesses, while adding to their capacity for innovation, and we are taking a fundamentally different approach to allocating people and capital, both inside and beyond our existing business portfolio.

With that, I will turn the call over to Ken for additional financial details. Ken?
As Frank discussed, our most significant volume growth this quarter was led by a double-digit increase in sales of postal products, and we also had the single-digit growth in industrial markets and sales of roofing-related products. This combined unit growth more than offset the lower volumes shipped to transportation infrastructure projects.

The third quarter’s adjusted operating income was equivalent to last year, the net result of factors described in slide 7's comment box and as previously mentioned. As a result of all these factors, adjusted earnings per share for the third quarter of 2014 were equivalent to the same quarter last year. While not shown on slide 7, but equally important, was a sequential earnings improvement. Adjusted operating margin increased 180 basis points in the third quarter versus the second quarter on little change in revenue and adjusted EPS increased sequentially nearly 60%.

Next, I will talk about each of our two reporting segments, starting with slide 8, the Residential Products segment. This segment’s third-quarter sales increased by double digits, virtually all organic unit volume growth. The residential segment’s third-quarter operating income was up 14% from the prior-year period, a net effect of the positive leverage from the added volume, partially offset by the combined effects of raw material costs, pricing on some certain products, and temporary higher build-out costs for the production of postal products.

Again, while not shown on slide 8, the sequential margin improvement increased 220 basis points over the second quarter on a 4% increase in revenue. The nearly 30% sequential increase in adjusted operating income was led by cost-reduction actions, as described by Frank.

Now turning to slide 9, our Industrial and Infrastructure Products segment, this segment’s third-quarter sales increased in line with our expectation. The 3 percentage points increase was the net result of equal improvements in unit volume and pricing, and within the volume increase, shipments to industrial end markets more than offset the volume decline in sales to the transportation infrastructure market.

Regarding its operating income, the industrial and infrastructure products segment’s third-quarter adjusted operating income was down 19%, the net effect of a less favorable product mix and raw material cost inflation, exceeding the positive leverage from the added volume and modestly higher pricing of industrial products.

Not shown on slide 9 is sequential improvement. Adjusted operating margin increased 70 basis points over the second quarter on a 5% decrease in revenue, as cost-reduction actions contributed significantly.

Now slide 10, titled the fourth quarter of 2014 preview. Historically, the fourth quarter has the seasonally lowest demand levels in the calendar year and we expect 4Q of 2014 to be no different, with the lone exception of our residential products segment sales of postal products.

In this residential products segment, we anticipate another successive quarter with year-over-year volume increases, driven by existing orders for postal products, yet this segment’s 4Q margin is not expected to expand, due to the combined effects of higher raw material costs, lower pricing on certain products, and the continued but temporary higher build-out costs of production of postal products.

As Frank cited, we anticipate these temporarily higher build-out costs to subside and reach historically higher levels of production efficiency by the time we finish the first-quarter 2015.

In our Industrial and Infrastructure Products segment, the shortening time window remaining for federal highway funding will result in an unfavorable revenue comparison for 4Q 2014, while this segment also absorbs cost inflation in the current environment of lower capacity utilization amongst the competitors, both of which contribute to the compression of this segment’s 4Q margin.

For consolidated results, the combination of the two segments, plus corporate expenses in 4Q, are expected to result in earnings per share below that of 4Q 2013.

I will now highlight points on slide 11, titled 2014 financial guidance. For the full-year 2014, we expect adjusted EPS of $0.42 to $0.47, which is lower than our previous guidance of $0.50 to $0.55 per share. The decrease from previous guidance results from higher expected raw material costs, including steel and aluminum; lower revenues from the transportation infrastructure market; and delayed improvement in the temporary
build-out cost of production of our postal products. The combination of these factors, along with an inability to pass on raw material increases, results in our lower guidance.

Regarding the capacity build-out costs for postal products, we have had successive quarters of steep year-over-year unit volume increases. Frank cited the principal challenge that we face being the recruitment and retention of skilled, reliable, productive workers.

While we believe production capabilities are becoming properly sized, we have more refinement and efficiencies to achieve by the end of the first quarter.

Regarding 2015, we are in the midst of our 2015 planning and specific numerical guidance will be forthcoming when we report fourth-quarter 2014 results. But we do anticipate 2015 guidance to reflect improved margins, returns, earnings, and cash flow compared to 2014.

Now Brian will conclude our prepared remarks.

Brian Lipke - Gibraltar Industries, Inc. - Chairman, CEO

Thank you, Ken.

Before we open the call to your questions, I will conclude our prepared remarks with some thoughts on Q4 and the quarters ahead.

Despite the generally flat demand environment in our end markets, we are continuing to focus on driving organic growth and improving Gibraltar’s profitability.

In the Residential Products segment, our goal is to outgrow the overall market and we’re making good progress there. We believe the US housing market will continue its long-term recovery. Near term, the latest industry indices, such as the National Association of Home Builders Housing Market Index, Harvard’s Leading Indicator of Remodeling Activity, as well as the latest Census Bureau reports on housing sales and starts, all pointed to a continued, modest level of growth through the balance of the year and into 2015.

In terms of residential repair and remodeling, our outlook remains unchanged. There continues to be a great deal of uncertainty in the sector. As a result, we continue to expect re-roofing demand will be modestly unfavorable for full-year 2014, but slightly improved in the second half, compared with the first half. The modest increase in roofing-related product demand that we experienced in the third quarter reinforces this forecast.

Our sense of optimism about the residential outlook is stronger than it was a year ago. We are seeing good success with our new postal storage products, while making progress in launching new residential ventilation products that expand our presence from the roof to the basement and the entire house.

These organic-growth initiatives are beginning to create strategic distance between our residential products sales and the underlying trends in the housing starts and residential improvement spending.

In terms of our fourth-quarter performance in the Industrial and Infrastructure segment, industry statistics, such as the ABI and the PMI, are signaling further steady improvement in commercial construction and manufacturing activity and we expect continued modest demand for our products in manufacturing and petrochemical product applications.

However, demand for our transportation infrastructure products is likely to remain weak in the near term. Longer term, however, the underlying need to repair and upgrade the nation’s aging bridges and highways is more apparent than ever. So it is not a matter of if for the transportation infrastructure business, but a matter of when.

Taking these factors together on a consolidated basis, as Ken said, we are expecting Gibraltar’s fourth-quarter revenues to be up approximately 4% from Q4 2013, leading to a higher second half compared to the first half of 2014 and single-digit top line growth for 2014 as a whole.
On the bottom line, we expect that our recently completed and ongoing margin improvement initiatives, combined with lower variable compensation and benefits expense, will help us manage the continued raw material cost inflation and product mix challenges that we anticipate for the fourth quarter.

At the same time, we expect to conclude 2014 and begin 2015 with a healthy balance sheet. This will position us to continue pursuing opportunities to grow our business through acquisitions. We will continue to prioritize acquisitions that have the potential to serve us as strategic accelerators, ensuring that we are buying businesses in adjacent spaces that not only enhance our short-term returns by improving our mix, but also open doors for Gibraltar into higher-growth, more profitable markets.

We're looking forward to finishing 2014 as strongly as possible and improving Gibraltar's performance in 2015.

At this point, we will open the call to any questions that any of you may have.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Ken Zener, KeyBanc.

Ken Zener - KeyBanc Capital Markets - Analyst

Brian, congratulations on your success and tenure, and Frank, to you on your new role.

Brian Lipke - Gibraltar Industries, Inc. - Chairman, CEO

Thank you, Ken.

Frank Heard - Gibraltar Industries, Inc. - President, COO

Thank you, Ken.

Ken Zener - KeyBanc Capital Markets - Analyst

Given the beat in 3Q, I just want to drill in -- I realize you guys operate different businesses, but can you discuss the visibility you have on that postal business, which obviously continues to grow well, but where does that volatility come from? How does that impact the cost side or how you are buying in material?

I guess related to that is, how long do you think these challenges will exist in terms of staffing up or the costs for that growth? Thank you.

Ken Smith - Gibraltar Industries, Inc. - SVP, CFO

Our visibility extends multiple quarters, including the fourth quarter, and procurement of supplies are timed to coincide with the lead times necessary to produce and deliver the products on time.

Regarding our ramp-up in wringing out efficiencies from our expanded capability to deliver and produce such product, we have cited in our prepared remarks that we expect that to subside and be behind us by the time we finish up the first quarter.
Ken Zener - KeyBanc Capital Markets - Analyst

I guess if the -- where did the beat come? With the visibility, though, is it a timing of orders and it's just -- because you guys obviously did better than you initially expected in the third quarter, right, on -- tied to res?

Brian Lipke - Gibraltar Industries, Inc. - Chairman, CEO

Tied to res, but that over performance on the third quarter compared to guidance, anyway, was related to the roof-related residential products, where higher volume came in.

Ken Zener - KeyBanc Capital Markets - Analyst

Correct, and then I guess -- that was my fault. Thank you for clarifying that.

Frank, you outlined two longer-term ideas in terms of the next phases of the Company -- operational excellence, less capacity, and then how you're going to allocate people and capital. Is there any -- you have had more time to travel throughout the Company and country, I assume. Are there thoughts about how we might be able to broadly frame that philosophy in terms of the businesses you have today, the businesses you will be interested in, or some of their characteristics? Thank you.

Frank Heard - Gibraltar Industries, Inc. - President, COO

Certainly from an operational-excellence perspective, I think that the time spent from our last call to today, I traveled through most of the 45 operations now looking at -- to validate the opportunity from a simplification perspective using the 80/20 principles that I have utilized in the past. Certainly, I have seen that.

I think I said in the past call that I saw the opportunity for some incremental improvements in terms of the existing portfolio, in terms of returns, and certainly that's been validated and I am quite optimistic that we are going to be able to apply those types of approaches and drive some incremental returns in a very material way throughout the portfolio. Not isolated to certain types of businesses, but I think we have a tremendous amount of complexity in some of our existing businesses, and I think our leadership team has embraced the approach and we're working our way through the process.

On that basis, I think we can take what we have and we can deliver higher results in a measurable period of time as we work through that in 2015.

From a strategic -- from a portfolio perspective moving forward, certainly we have a strong interest in the dynamics going on in the postal centralized -- centralization of -- in the postal area moving from single-family delivery to centralized delivery, I think, but more importantly on the parcel delivery side as well with some of the changing dynamics going on in how people buy and have products delivered to their homes and businesses.

A big part of our focus there will be trying to expand that, while at the same time looking at the infrastructure segment as well with bridges, roads, and dams where we see some real long-term prospects moving forward.

Now both of those are supported by a strong residential platform, where today we primarily participate in the roof. My background has been in that residential building products segment, and I think there is some very attractive businesses and product opportunities in that area as well, all supported by a very strong industrial base of businesses that I think we can enhance from a return perspective.

A big part of allocating capital and people will be in those three areas, while at the same time trying to identify future growth themes outside the existing portfolio. We will resource the people appropriately that we have internally, but also seek out new and different talents outside the corporation to support those initiatives.
Seth Yeager - Jefferies & Company - Analyst

Is steel, is that the product that’s given you the most trouble over the last couple of quarters in terms of raw material inflation, and what are the mills doing right now? What is your visibility around price increases there and continued inflation going into the fourth quarter?

Ken Smith - Gibraltar Industries, Inc. - SVP, CFO

Seth, steel, it approximates a little over 80% to 85% of our raw material purchases, so yes, changes in that basic material is a big influence on our cost of sales.

But we have also experienced recent rises in aluminum costs going to several of our products, particularly in residential product set. And we have a multiplicity, diversity, of contracts with a wide variety of suppliers to manage the best supply, available supply at the lowest cost that we can over time.

But the visibility in varying degrees varies over the types of contracts that we have in place, but we do have enough visibility to predict pretty accurately what our fourth-quarter cost of sales will be, which will be a delivery of product using raw materials that we bought essentially in the second half of Q3 and the early part of the fourth quarter.

Brian Lipke - Gibraltar Industries, Inc. - Chairman, CEO

Seth, this is Brian Lipke. Separate from what we are doing about this, what we see from a pricing perspective from the steel mills today is during the fourth quarter, pricing for hot rolled may come down some, but we are expecting for next year that raw material costs will go back up.

We've got a number of different initiatives that we’ve had in place to help us deal with those situations, but as strange as this may sound, in a substantial portion of our business, increasing raw material costs are a good thing for us because we generally have the ability to pass those on as -- once the price increases have been put into effect. So that's our outlook relative to what the steel mills' pricing is going to look like over the near term.

Seth Yeager - Jefferies & Company - Analyst

Got it, okay, that's helpful. Just when you look at the landscape of competitors, are you seeing some guys out there -- I mean, obviously, you have had some nice improvement in volumes that are essentially trying to pick up some share and are being a bit more competitive on the pricing side. Is that part of the issue as far as passing that through?
You hit the nail on the head, Seth, particularly in our industrial and infrastructure products area. Particularly in the industrial part of that, there is more capacity than demand at the present time, which has made it difficult during this year to do what we have historically done, being able to pass raw material cost increases on as soon as or prior to them actually being inserted into our inventory.

A little bit stronger demand will certainly change all of that, but right now what you have is too much demand chasing -- or too much supply chasing too little demand.

Seth, this is Frank, just to flesh this out a little bit more. We have passed along some prices increases on various products throughout the portfolio.

To your earlier point, we are trying to do that in a strategic way where we can. In some cases, we have not done that in order to defend share in certain types of businesses, maybe in more the heavily steel processing businesses that we have. And in some cases, we haven’t, strictly because we are in a better position to grow share against some competitors in certain market segments and this is the opportunity to do it.

Where we have passed on price, and in some cases, we have recovered the cost of the material rise, but also the margin, that’s not flowing through from a results perspective because some of it is timing based and we will begin to see that in future quarters.

Got it, okay, thank you very much. That’s helpful. It sounds like on the industrial side, you guys had some -- a little bit of a pickup. Can you just remind us your exposure to energy-related end markets and have you seen -- I guess just given the drop in energy prices over the last month or so, have you seen any slowdown in activity there?

There is a meaningful proportion of our grating and expanded metal products that do go into energy-related projects, whether that be methane plants or fertilizer plants or new chemical distilling or processing plants in the Gulf Coast, even over in the border to Mexico. That has been -- that was an element of the uptick in volume we had in the third quarter.

Having said that, there are some recent phone calls about delaying some timed deliveries that would have been in the fourth quarter and early part of Q1 to a couple months later, and that could be a reflection of some recent drops in those commodity costs, but I can’t directly attribute it and tie it to it. But it could well be.

Got it (multiple speakers)

But it’s nonetheless -- nonetheless in 2014, we expect in 2015 that particular sector of the industrial base in the US, we continue to -- it has been strong and I think it is going to get stronger.
Sure, okay. Just last one for me, you had mentioned the expectation of improved cash flows in 2015. Just as you look towards the budget on CapEx, you have had somewhat of an elevated CapEx over the last year with some, I think, discrete projects. Any initial thoughts on what the budget may look like going into next year?

Ken Smith - Gibraltar Industries, Inc. - SVP, CFO

Yes, we have initial thoughts on it. It is probably going to be in the mid to high teens millions of dollars. Depreciation runs about $20 million a year for us. Amortization is another $6 million or $7 million, but on the depreciation element of those two pieces, we expect that 2015’s CapEx will probably be below depreciation, in the $16 million, $17 million, $18 million range.

Seth Yeager - Jefferies & Company - Analyst

Okay, thanks a lot. Good luck, guys.

Operator

(Operator Instructions). At this time, we have reached the end of our question-and-answer session. I will now turn the conference back over to Mr. Lipke for any closing or additional remarks.

Brian Lipke - Gibraltar Industries, Inc. - Chairman, CEO

Thanks, Operator, and thanks to all of you for joining us on our call today. Our fourth-quarter 2014 earnings results conference call will be on February 19 and we look forward to talking with you at that time. This concludes our call today. Thank you.

Operator

Ladies and gentlemen, thank you very much for participation in today’s conference call. You may now disconnect and have a wonderful day.