Gibraltar Industries, Inc.
Second Quarter 2026 Financial Results Conference Call
August 5, 2026

Presenters
Caroline Capaccio, Alliance Advisors IR
Bill Bosway, Chairman, President & Chief Executive Officer
Joe Lovechio, Chief Financial Officer

Q&A Participants
Dan Moore - CJS Securities
David S. MacGregor - Longbow Research
Julio Romero - Sidoti & Company
Walt Liptak - Seaport Global

Operator
Greetings, and welcome to the Gibraltar Industries Second Quarter 2026 Financial Results Conference Call.

At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press "*", "0" on your telephone keypad.

As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Carolyn Capaccio of Alliance Advisors IR. Please go ahead.

Carolyn Capaccio
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 Joe Lovechio, Gibraltar's Chief 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, gibraltar1.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 continuing operations exclude net sales and operating results of the Renewables business, which was classified as held for sale and as con -- a discontinued

operation with second quarter 2025 results, the divestiture of which was subsequently completed on July 15, 2026.

The acquisition of OmniMax International closed on February 2, 2026. 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 also be accessed through the company's website.

Now we'll turn over the call over to Bill Bosway. Bill.

Bill Bosway
Thanks, Carolyn. Good morning, everyone, and thank you for joining today's call. Uh, we're going to review our second quarter results, which include our first, uh, full quarter of OmniMax operations. Then we'll review the reporting segments, the balance sheet, and our full year 2026 guidance, which we are reiterating today. And then we'll open the call up for your questions.

Let's start with, uh, turning to Slide 3 and -- and we'll discuss the second quarter. Uh, it's been a very busy time for us, but we delivered solid second quarter results with our residential business delivering strong organic growth and participation gains in a flat to down market. Our Residential and Agtech segments both delivered organic growth and all segments delivered sequential margin expansion, as well.

Our Building Products business grew 12.7%, organically. Now, if you assume we owned OmniMax in Q2 2025, the combined business actually grew 15.5%, showing the strength of this combination in the marketplace. In line with our long-term strategic plan for -- for our Residential business, continues to become a larger part of overall portfolio and represented 83% of our total revenue in the quarter, with segment EBITDA margin improving 340 basis points, sequentially, to 19%.

OmniMax integration continues to accelerate as our leadership team and integration management office drive our top 11 critical work streams and synergy capture.

We're also excited to announce we were recently awarded an additional 630 locations, now making us the supplier of trims and flashings to sell to more than 1,700 locations across the country for one of our key customers, validating our ability to support our customers locally on a national basis with a value proposition that makes sense for them.

We believe the combination of Gibraltar and OmniMax and our product portfolio was instrumental in receiving this award, and I give our team a lot of credit for staying focused on

executing well while, simultaneously, managing through today's dynamic geopolitical situation, as well as an ongoing inflationary environment.

Including a full quarter of OmniMax, total Gibral-Gibraltar net sales increased 64.6% to 510 million on total Gibraltar organic -- organic growth of 5%.

Our Residential segment delivered organic growth of 5% and Agtech delivered organic growth of 8.7%.

Adjusted operating income reached 66 million, adjusted EBITDA increased 59.7% to 88 million, and we delivered adjusted EPS of $1.11, which included a net interest impact of 20.6 million. GAAP results include 5.8 million, or $0.15 per share of OmniMax acquisition, integration, and restructuring cost.

Overall, we managed relatively well through a slow residential market along with inflationary headwinds by executing price actions, generating more participation wins and executing synergy initiatives. And as a result, adjusted EBITDA margin expanded sequentially 350 basis points to 17.3%.

We generated 45 million in operating cash from continuing operations, including acquisition integration and restructuring costs related to OmniMax. And we have now completed the divestiture of the renewables business, including the eBOS sale in Q1 and the Racking Business sale in July.

Now let's turn our attention and we'll review the business segments and Joe will start with Residential.

Joe Lovechio
Thanks, Bill, and good morning, everyone. Let's start with residential on Slide 4. Net sales increased 195.6 million to 425.9 million, which is up 85%, driven by the inclusion of a full quarter of OmniMax results of operations. Uh, OmniMax contributed 182 million. A metal roofing acquisition that we completed in July of last year contributed 2.5 million, and the Residential segment organic growth was 5%.

As Bill mentioned, if you assume we owned OmniMax in Q2 2025, the combined building products business grew 15.5%, driven by price realization and participation gains in the Midwest, Northeast, and Texas, which helped to overcome a flat to down end market.

Turning to margin, adjusted EBITDA margins accelerated sequentially 340 basis points to 19%, as our executed price actions offset ongoing commodity and fuel inflation. On a year-over-year basis, adjusted EBITDA margin was down, primarily due to price-cost alignment, business and product mix and some inefficiencies with the integration. Our cost and commercial synergies

through the OmniMax integration started contributing in Q2, and we expect those to continue to ramp, going forward.

So now let's move to Slide 5 and let's talk a little bit about the U.S. residential roofing market. I'd say overall market demand in the quarter versus prior year, based on the ARMA data for shingle shipments to distributors and retailers, was flat. But the story varied greatly by region, with positive growth in shipments to the Northeast, Midwest, and West, while shipments to the Southeast, Southwest, Florida, and Texas were down in the quarter.

Sequentially, shipments total were up 17.6% with just two of the seven regions not experiencing growth, which would be the Southwest and Texas. We do believe Q2 shipments were driven by restocking in the distributive channel and customers buying ahead of shingles manufacturer prices --price increases.

For the first half of -- of the year, ARMA shipments were down 4.7% year-over-year, with similar demand patterns across the regions.

In the retail channel, volume remains soft with point of sale results down anywhere between 8 to 10% in the quarter, as customers remain concerned about the ongoing geopolitical situation impacting consumer sentiment, interest rates, and overall affordability.

POS for the first half were also down roughly 8 to 10% versus prior year. So, based on ARMA and POS data, to date, we believe the actual end market demand for the quarter and the first half was down mid-single digits and will probably remain so for the rest of the year.

Now that we have a broader presence across the U.S., we have more visibility to the market in total and by region, which provides a stronger foundation to build and execute more effective local and national growth initiatives with our customers. And despite today's slower market, we were able to generate positive organic growth in the quarter.

As I mentioned earlier, if you assume we owned OmniMax in Q2 in, uh, 2025, the combined building products business actually grew 15.5% or-organically, with price and mix accounting for 9.7% of that, participation gains, 7.1% of that, and the market being down, 1.3%.

Relative to channel, sales to wholesalers were up 25.1% and sales to retailers were up 8%. By region, the Northeast was up 43.6%, the Midwest was up 54.5%, the Southwest up 17.5% and the West up 1.7%, and the Southeast down 11.1%.Effectively, we were able to outperform the market in each region and our strength in four of the five regions helped offset a slow market in the Southeast.

We do believe that having more presence across the country does provide more leverage to us in managing our business. We have the better -- we have the ability to better align with local

and regional markets, which creates an opportunity to better optimize and align customer and revenue initiatives within market demand situations.

Our playbook is going to remain similar going forward as we expect the market to remain slow, given the ongoing headwinds I mentioned. We will continue to identify and execute participation opportunities to help us in the second half and going into 2027.

And with that, let's turn to Slide 6 to talk about an exciting and big customer win for the team that happened here recently.

So, if you remember, one of the core tenets of our strategy with the addition of OmniMax is to find a way to simplify our customer supply chain and become the easy button for them, while also reducing the cost of doing business with each other. We believe we do this through great service and quality, local capability on a national basis, a harmonized and simplified product offering through 80/20 efforts for each region and location, optimizing our manufacturing and transportation logistics and the ability to simplify and cost reduce transactions with our customers. We have work to do in each of these initiatives, but we are having some initial success just 149 days into the integration of this business.

Just recently, we were awarded our first supply agreement where we will become the supplier of trims and flashings to more than 1,700 locations across the country for one of our key customers. The win adds 630 locations to our existing service footprint, effectively covering all regions of the U.S. And I will say we are grateful for this opportunity and appreciate the confidence our customer has in us to support them, across the country.

Our team did a fantastic job creating a value proposition that makes sense, which really focused on three things. First, finding the best way to support and assist our customers, they focus even more on the pro contractor while leveraging some of our local presence and experience with the distribution channel and contractor market.

Secondly, just really trying to solve the pain point of high freight minimum requirements through better logistics optimization, across our national network. And then third, creating an easy button service capability, while also focusing on lowering the cost of doing business. Now we expect the business to -- to start, um, late in the fourth quarter as, uh, the transition of the incumbent, uh, happens, accordingly.

So I'd say, overall, a good start, uh, but we are still in the very early innings of this type of effort and looking forward to doing more as we go forward.

Now let's move to Slide 7, uh, for an update on our integration efforts. You know, at the end of Q2, as I mentioned earlier, just 149 days post the transaction close, the business continues to evolve from organization transition to capture and driving more synergy opportunities.

Our integration management office, which is a tremendous team, is executing our 11 core work streams, which will continue throughout 2026 and into 2027. During the second quarter, we completed phase 2 of our organization optimization, and we'll continue with more initiatives as we further commonize operating systems and data flow across the business.

Our focus going into the third quarter is driving additional performance lift, uh, with bringing service reliability to benchmark levels. And for us, that's 95% plus on-time delivery. It's making sure that we're operating in the most safe, uh, way possible and obviously driving a lot of our lean and 80/20 initiatives, but also focused on upgrading commercial, uh, excellence, expanding and expanding margins.

We are also starting 80/20 initiatives in two regions focused on product and SKU harmonization, operations optimization and transaction reduction. These initiatives will begin late in Q4 and early, next year.

Let's now turn to Slide 8 and I'll talk a little bit about our work streams and I will touch on a few accomplishments for the team and then we'll review progress on our cost and commercial sa -- um, savings.

The 11 work streams that are -- are listed on the left side of the slide and the rest of the slide really provides a brief summary of some key wins to date.

I mentioned we have implemented Phase 1 and -- and 2 of our organizational realignment, probably the most important initiative related to creating the right foundation for all our other initiatives.

Today, there are about 65 to 70% of our targeted 2026, uh, exit rate organization savings has been implemented. In general, uh, the other 12 wins span across initiatives in production, supply chain, commercial team development, commercial participation gains, corporate synergies, and the beginning of 80/20 efforts. We will continue to execute across the entire organization, as we strengthen our foundation for the business.

Now let's move to Slide 9 for an update on the 2026 synergy saving targets and realization. So during the quarter, we identified additional synergies to be implemented this year. First, we executed a logistics freight initiative worth 1.2 million annually, of which 600,000 will flow into this year. And secondly, as mentioned earlier, we executed large participation gain was to generate approximately 2 million in annual margin improvement, with 100,000 flowing into this year. And all that's based on timing.

As a result, we are again raising our synergy commitment, now expecting 29.4 million executed in 2026 with 17 million to be realized in 2026. As well, 7 million of synergy commitment has been realized, to date, which will ramp further, uh, in Q3.

Now let's move to Agtech on Slide 10. Our Agtech segment net sales grew 4.7 million, or 8.7%, all of which was organic. This growth was driven by strength in structures and our commercial greenhouse applications. The backlog for this segment stands at a solid 66.2 million, but reflects a 34% decrease from last year with timing of projects in the second half, compared to last year. We are seeing strong quoting activity across end markets and demand at Lane Supply is strong. And remember, our Lane Supply structures business, we have those orders turn much more quickly and are therefore, uh, of shorter duration.

Adjusted operating margin and EBITDA margin improved 450 and 430 points year-over-year, respectively, driven by stronger volumes, favorable business mix, and 80/20 operating initiatives.

We are also excited to bring online our powder coating painting capability, which is expected to drive additional cost productivity for future controlled environment agriculture projects, particularly for berries and lettuce.

Let's quickly move to infrastructure on Slide 11. Segment sales decreased slightly due to the timing of projects. Our backlog grew 2% and our quoting activity remains very strong. Segment adjusted operating and EBITDA margins were impacted by lower volume and product mix.

Let's move to Slide 12 to touch on our balance sheet and cash flow. Gibraltar's policy with respect to cash allocation during the debt pay down period will be to keep a minimum amount of cash on hand, use the revolver as needed to fund seasonal needs, and pay down debt with excess cash flow. During the quarter, Gibraltar generated 44.5 million in operating cash flow from continuing operations and used 40.8 million from discontinued operations. The discontinued operations cash use includes the payment of a settlement agreement regarding warranty claims, as we discussed last quarter.

We generated free cash flow from continuing operations of 39 million, or approximately 8 per -- 8% of sales. We used 8 million for working capital, primarily due to accounts receivable. Capital expenditures were 5 million, or 1% of sales in the quarter. And at quarter end, we had borrowing on our revolver of 21 million, and our cash on hand was 15 million.

At quarter end, our net debt on the balance sheet was 1.2 billion and our net leverage, which includes anticipated synergies as allowed in our credit agreement in the pro forma adjusted EBITDA, was 3.9x. The availability on a revolving credit facility was 470 million, and total available liquidity was 485 million.

Let's review our deleveraging roadmap on Slide 13. Over the next 12 to 18 months, our priority and focus is to deleverage, as quickly as possible. The left side of this slide shows a plan of strong EBITDA delivery and synergy realization, working capital optimization and utilization of cash tax benefits. Our planned uses of cash include capital expenditures at 2%to 3% of sales, interest payments on our debt and special charges related to acquisition, transaction,

integration and restructuring related costs. The special charges we reported today for the second quarter were 6 million. Year-to-date we have recorded 41 million of special charges, which is approximately 80% of the expected amount in 2026.

During the second year post-transaction close, we continue to expect strong EBITDA margin, the realization of additional synergies, benefits from continued working capital optimization, and cash taxes, lower interest payments as our debt level is reduced and a reduced amount of special charges. These factors are expected to increase our free cash flow, year-over-year, and facilitate continued reduction in our net debt level.

Also in line with our long-term strategic plan, we are also evaluating other non-core asset divestitures that could create additional liquidity for debt reduction. Our deleverage path targets the net leverage ratio of approximately two and a half times adjusted EBITDA in 24 months ended first quarter of 2028. Again, during this two-year period, our capital allocation will be focused on funding the growth of our business through capital expenditures and on debt reduction.

Let's move to Slide 14, where we are reiterating our 2026 guidance. For continuing operations, our guidance remains consolidated net sales between $1.76 billion and $1.83 billion, compared to $1.14 billion in 2025.

Adjusted operating income between 222 million and 238 million, compared to 151 million. Adjusted EBITDA between 310 million and 326 million, compared to 185 million for 2025. GAAP EPS between $2.40 and $2.80, compared to $3.25 in 2025, which the 2026 number includes the expected impact of special charges related to the acquisition, transaction integration and restructuring rela-related costs. Adjusted EPS between $3.65 and $4.05, compared to $3.92 in 2025, and free cash flow of approximately 8% of sales for continuing operations.

Some key assumptions in our 2026 plan include total depreciation, amortization and stock compensation expense of approximately 90 million for the year, which includes an approximately $40 million annual assumption for non-cash amortization related to intangibles due to the OmniMax acquisition.

We anticipate approximately 50 million in special charges related to acquisition, transaction integration and restructuring costs, of which approximately 80%, uh, has already occurred in the first half. We would expect the remaining to occur -- to occur throughout Q3 and Q4, this year.

We expect over 70 million in interest expense financing and commitment fees, which will be dependent on the timing of our debt repayments and interest rates, CapEx of approximately 2% of sales, and finally, a 26% tax rate.

Now let me turn it over to Bill.

Bill Bosway
Thanks, Joe. Uh, we delivered solid first half 2026 results and made good progress in execution, uh, integration initiatives, synergy capture and further simplifying the portfolio. We expect the current macro environment to remain dynamic and the residential market to remain unchanged, relative to the first half of the year. And our playbook for residential remain focused on execution, integration, synergy capture, and participation gains as we drive towards residential representing an even larger part of our portfolio.

Our Agtech and Infrastructure businesses are focused on building backlog and executing existing contracts. And finally, our capital allocation strategy is to remain laser focused on cash performance and debt reduction.

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

Operator
Thank you. We will now be conducing a question-and-answer session. If you would like to ask a question, please press “*”, “1” on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press “*”, “2” if you would like to remove our question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset, before pressing the star keys. One moment please while we poll for questions.

Thank you. Our first question comes from the line of Daniel Moore with CJS Securities. Please proceed with your question.

Dan Moore
Bill, Joe, thanks for the color, taking questions.

Bill Bosway
Good morning, Dan.

Joe Lovechio
Good morning, Dan.

Dan Moore
I'll start with just the participation gains. You know, just talk to the sustainability of the gains that you achieved in Q1, particularly in building products, where you're seeing the greatest impact from cross-selling, be it, you know, product, geography, um, obviously, you know, increased penetration within the existing customer account, as well. But you know, any additional color of, uh, where that's coming from and -- and how we kind of thinking about the back half of the year?

Bill Bosway

Yeah, so, um, we mentioned that if you looked at where our sales growth was, you saw the Northeast, Midwest, uh, which reflected not just participation gains, which were -- were good in those areas but also, that's where a lot of storm activity occurred, but good participation gains there, also in Texas.

Uh, you know, the flip side of that is you have some really down, uh, regions, particularly the Southeast, and that's driven by Florida still, uh, you know, which hasn't had the storm activity the last two or three years. But I'd say, in general, the participation gains have been around, you know, team doing a great job getting out, you know, knocking on doors, explaining our value proposition, everything we had talked about. And, you know, uh. we're going to continue down that path.

You know, there's more work to be done. There's more opportunity out there, uh, for us to go after, over time. Uh, it's hard work. You know, the market's not robust right now, so, you know, your value proposition has to be, uh, of value for a customer, and they're unique to each customer, uh, as you might expect, and they're somewhat unique by region and locale, as well.

So, you know, the -- the ground game doesn't, uh, change. We're going to continue to, you know, fight for more of those things. And then as you think about what are the types of things, so yes, it's geographic, uh, it -- it's also potential cross-selling opportunities. Uh, we've done a little bit of that. Uh, there's -- there's potentially more to come. Uh, there's other things around 80/20 and rationalization and harmonization of product lines that can matter relative to the value proposition. So, a lot of -- a lot of levers to pull as we think about how to, uh, go win more business, uh, and we're going to continue to do so.

Dan Moore
And then just maybe talk to the incremental revenue opportunity from the 600 plus store expansion, you know, beyond fiscal '26 and -- and conversations you're having with other national retailers, um, you know, uh, uh, uh, in -- in kind of how we're thinking about, uh, um, that opportunity continuing to grow?

Bill Bosway
Yeah, so it's a -- it's a -- it's a big one for the team. And you know, we have six really large customers and we have a host of others that are also very important to us. And so, whether it's distribution or -- or, uh, uh, on a national level or regional or if it's retail on a national level or regional, uh, I think there's, uh, going to be more an opportunity for us to engage.

And again, every value proposition is going to be a little bit different in terms of where the starting point is and what their pain points are, what they're trying to -- to, uh, realize. But it's a big oppor -- it's a big win for us. The majority of that, if not all of that, up know, I said it's going to start late this year, but it really is a 2027 impactful thing, but it's -- it's sizable and we're excited about it.

Dan Moore
Maybe one more and I'll jump back. But, um, just in terms of what you're seeing in Agtech, 9% growth, you know, certainly impressive. Just break it down between volume and price. And then with backlog -- backlog declining to some degree, um, you know, can you talk to order rates and your expectations for backlog a-as we move through the back of the year? Thanks, again.

Bill Bosway
Yeah, I think on the Agtech side it's as much volume as anything else. These are actual projects that are flowing through. Uh, Lane, as Joe mentioned, is, uh, a much quicker turn in -- in a lot of projects. And then, you know, on the CEA side, we're growing fruits and vegetables. Those are larger projects that don't turn near as quickly.

So it's a -- it's really two different types of businesses, but they're effectively, you know, volume associated with projects that are, that, uh, you know, people are starting to construct on. There's a lot of activity out there right now that we're working through engineering and design and bidding with, uh, with both businesses.

Uh, and so, we're excited about those opportunities. And on the larger projects, those are projects that may help you this -- this year, but also setting up for 2027. And then on the Lane side, it's -- it's really, um, just a lot of activity across our core customer base as they expand and invest more in their, uh, different retail sites.

Operator
Does that complete your question.

Dan Moore
Yes, I'll back and all. Thank you. Appreciate it.

Operator
Thankyou.

Bill Bosway
Thanks, Dan.

Operator
Our next question comes from the line of David MacGregor with Longbow Research. Please proceed with your question.

David MacGregor
Yes, good morning, uh, thanks for taking my questions and, uh, congratulations on the progress, to date. I guess I wanted to ask about the, uh, synergies, uh, 29.4 million, just to clarify, that's a

2026 year-end run rate. Um, and are -- are we pulling forward, uh, from a timing standpoint or are we finding, uh, new opportunities?

Bill Bosway
Yeah, I would characterize it more as finding new opportunities. So, yeah, it's one of those things where you get into this, uh, the team has really done a nice job finding, uh, across every functional area or every aspect of the business, just more opportunities. Some of them were coming sooner than we thought, but on top of that, you know, we're identifying more, uh, at the same time.

And I had said early on that, um, you know, you -- you tend not to go to the street with a number, uh, assuming that's all you had, and we thought there might be more out there, and I think, you know, some of that is happening as, uh, we had expected, and probably maybe a little bit sooner than we had expected. So, um, yeah, it's really, uh, finding more and -- and some of it just happening a little bit sooner.

But to your original question, yeah, the 29.4 is what we think will get implemented this year. And then you'll start to see a run rate of that impact, next year.

David MacGregor
So, should we be adding to the 35 million, which was the -- the articulated target in total, or how should we be thinking about the total?

Bill Bosway
Well, think, like I said, there's -- there's potential to do, to find more than that.

David MacGregor
Yeah.

Bill Bosway
And, uh, you know, we're going to work hard to do so. Um, uh, and as we, uh, go in time here, we'll -- we'll talk more about some of those other potential opportunities and -- and -- and make those adjustments to the plan, accordingly. But, u, you know, right now, we're running pretty strong ahead, you know, maybe close to a year ahead of where we thought we would be and, you know, hopefully, we'll continue to, uh, to accelerate on that as we go forward and that would result in identifying more. Uh, but yeah, I'd say in general there's more out there, um, and as we quantify more we'll share more of that with -- with you, as we get a little bit closer.

David MacGregor
Okay. And then just again on the synergies, Bill, you made passing reference to commercial opportunities or -- or revenue synergies. Can you dig in a little further on that and just give us a sense of what you're seeing, so far, and maybe what you've learned from this big win and -- and just how to dimension that, uh, that opportunity?

Bill Bosway
Yeah, you know, I think, um we talked a little bit about the value proposition of the team, uh, kind of brought to the table. Every customer has a little different scenario that they're dealing with and so, the starting point, uh, obviously, is different. And you know, I think ultimately, at the end of the day, the fundamentals around what we're trying to do are really trying to lower the cost of doing business, uh, with us and -- and the -- and the the rest of the supply chain that our customers have had to grow up with.

And so, uh, again, the starting point is different for everybody, but, um that's everything from things like, uh, you know, are you -- are you local enough to where you can really optimize on behalf of your customer, things like, uh, minimum, uh, freight minimums, logistics costs, transportation costs.

But there's also transaction costs and things of that nature when we simplify the -- the product portfolio, uh, is it making it that much easier for our -- our customers to, uh, order from us, and therefore, does it make it easier for us to serve them that much better?

So it's a combination of things, and I think, uh, whether it's distribution or retail or national or local, it still comes down to the fundamentals of you have to have great service. You know, the table stakes are great service, quality, as I mentioned earlier. But bringing these other things to the table I think will matter, over time. And fust having the opportunity to -- to prove ourselves to folks on a broader basis is -- is a good first step. And you know, now we have to go out and execute accordingly and do it really well.

But uh, yeah, we're -- we're, uh, going into this with the combination of business. You know, we said, early on, we're not, you know, a -- a combined business, we're -- we're not 90% market participation. There's a lot of runway in our swim lanes that we can actually go build the business organically, if we just execute well and differentiate ourselves. Whether the market's robust or not, there's opportunity for us to go win a bigger piece of the pie.

But there are certain things that we have to do better than everybody else and that is -- those are things we're focused on. And I think they resonate pretty well, regardless of the type of customer or what channel you're talking about, but everyone has a little different starting point and pain point that we're trying to go resolve.

But fundamentally, we are actually trying to become that easy button, trying to lower the cost of doing business with the supply chain on behalf of our customers. And there's a lot of ways to attack that. And that's where our focus is going to remain, going forward.

David MacGregor
Yeah, very encouraging. Uh,, last question for me is just on price-cost and, you know, how you're seeing that play out, uh, how we should be thinking about that in the second half of the year?

Bill Bosway
Yeah, well, um, if, uh, someone can tell me what's going to happen in the Middle East, um, and guarantee it, I would give them a better picture, but in all seriousness, you know, it's, uh, it's been a little bit of a roller coaster. We still are -- are dealing with, uh, things like fuel surcharges and -- and we'll see how things play out, uh, but it has been quite of a roll --quite a bit of an up and down, uh, environment to -- to manage through.

Same with on -- on commodities, um, you know, swinging a little bit up and down. So, um, right now, uh, there's still work to be done to overcome some of those incremental costs that are out there. And as we've talked in the past, when we see inflation, uh, we have a pretty good track record of, uh, executing price with our customers and working with them through that and vice versa.

Um, but as long as things continue to go up, you're always chasing because of the price process that you have to go through, right? So it's hard to -- to balance until that commodity, whatever that you're trying to overcome, stabilizes. So, we'll see how the second half works with some of these commodities and what happens with things like fuel, fuel surcharges, overall transportation costs, aluminum, steel, etc.

It's -- it's a handful of things that we have to deal with but, um, uh, we -- we -- we're continuously focused on that, but there's still work to be done to -- to, uh, to address some of the inflationary pressures that are out there. And that's baked into our plan.

David MacGregor
Thanks, got it. Thanks and good luck.

Bill Bosway
Thanks.

Operator
Our next question comes from the line of Julio Romero with Sidoti. Please proceed with your question.

Julio Romero
Thanks, hey, good morning, Bill and Joe.

Bill Bosway
Hey, Julio.

Julio Romero
Um, hey, good morning. You mentioned, um, the -- the OmniMax, uh, synergies began to con-contribute in the second quarter. Um, that's obviously a -- a, you know big step and congratulations on that, that 7 million realized, I believe. Um, and then you broke out 17

realization for the full year. Can you help us understand the cadence of the remaining 10 million and realization expected over the course of 3Q and 4Q?

Bill Bosway
Yeah, I think they're going to be split somewhat evenly, uh, based on the type of synergies they actually are. So it may vary 60-40, but you'll -- you'll see, uh, a chunk of that flow through in -- in -- in Q3 and then Q4, but I think of them maybe, uh, you know, splitting that 10 in that way, whether it be 50-50 or 60-40, somewhere in that range.

Julio Romero
Okay, that -- that's helpful. And then, uh, you know, staying on Residential, the -- the -- the, uh, operating margins and the EBITDA margins were impressive. Um, definitely growth, sequentially. Um, I guess just given that this is the first full quarter of OmniMax contribution, is there any way to kind of bracket out how much -- how much Legacy -- Legacy Rock's, um, residential operating margin and EBITDA margin, um, performed, or maybe asked another way, did Legacy Rock Residential margins expand on a year-over-year basis?

Bill Bosway
Yeah, um, I would say, uh, I want to say yes. Um, it's getting harder for us to carve that out, to be honest, uh, because we're starting to share facilities and materials and, uh, you know, the organization is one. So we're not necessarily tracking it that way, uh, Julio, if you think about it. Um, but it is getting a little bit more, uh, gray in terms of how to do that because the way that we're supporting customers, the way we're running the business, uh, John Krause is running this business, he's got A team and they're, uh, they're operating as one.

And -- and, uh, so we're starting to do things in that light, if you will. Um, so I -- I would say, you know, both are contributing, uh, accordingly, um, and that's an important thing to see. But if you think about it, it's really down to, uh, each business in each location relative to how the market's doing in each lo -- each region, et cetera. But in general, both are contributing towards the success, towards the improvement we had in Q2.

Julio Romero
Excellent. That's helpful. I appreciate the thought exercise, Bill. Um, I'll pass it on. Thanks very much.

Bill Bosway
Yep.

Operator
As a reminder, if you would like to ask a question, press "*", "1" on your telephone keypad. Our next question comes from the line of Walt Liptak with Seaport Global. Please proceed with your question.

Walt Liptak
Hi, uh, thanks. Morning Bill and Joe.

Bill Bosway
Good morning, Walt.

Walt Liptak
I wanted, uh, I to ask, um, about the channel inventories. Uh, I think last time we did, uh, an earnings call, you guys talked about, uh, how the -- there was some channel fill that was starting to happen with Residential distributors. I wonder if you could talk about, you know, how inventory levels are now in the channel.

Bill Bosway
Yeah, a good question, Walt. I think it differs a little bit by channel. Uh, retail may be -- if you -- uh, as I was talking, you know, the POS results for retail were down 8 to 10%. That's sales out, right? So we -- we get a chance to see that and then therefore, we see the inventory, uh, because we know what we sell in.

So, I would say, uh, that probably feels a little different than maybe distribution because they've, uh, they've probably turned a little bit more. Uh, but we don't get data on that. It's -- it's really, uh, drill into every customer, have a conversation, and -- and -- and, uh, and so we have a directional view, I think, on -- on channel inventory. But I would say it's, uh, you know, it was restocked, I think it varied by channel. Um, and I think there's, as I mentioned in my comments, there's probably more -- more caution, uh, with the retail, uh, channel and probably the distribution channel as it relates to, uh, how the market is moving.

And I think it also depends on where you are in the region, right. If you're sitting in Florida, the market is still down significantly, so those stores and, uh, those, uh, locations probably are managing inventory a little differently than maybe where there's growth, uh, where we had more storm activity, say in the Midwest and parts of the Northeast.

So it's -- it's, uh, I wouldn't give a blanket statement about how it -- it -- it's looking, but I would say in general, uh, you know, inventory is -- is -- uh, is -- was built up, uh, accordingly for the season and you know, I think people are managing through that now as they go into Q3, which is partly why we say we don't, you know, we don't think the market's going to really change a whole lot from Q2 to Q3.

Uh, it's going to remain kind of paced at the same, uh, same level that we've been seeing, but you're just not going to have the restocking go on -- going on like you did in Q2, and, uh, and, uh, we'll see how end demand kind of flushes that out as we go, and then you go into Q-Q4, and that's, you know, the slower part of the year.

So more to come on that, but I think, you know, decent shape, but, um. I think it varies a little bit by channel and it varies a lot by region.

Walt Liptak
Okay, great. And yeah and thinking about the third quarter, so are you saying that you think that the growth rate should be similar in the third quarter, or are you saying that the absolute dollars of revenue for residential would be about the same?

Bill Bosway
No, what I'm saying is the market itself, the end market demand itself, we think is going to be very similar to what we've been seeing in the second quarter, which was down mid-single digits. We don't think that's going to change. The only thing that would probably drive that to be different in a short period of time is some, you know, major weather events that occur.

Outside of that, I think you're going to see a consistent market in the second half of what you saw in Q2, which isn't necessarily reflective of ARMA. It's more reflective of a combination of ARMA and POS results, which we would say the market is probably down mid-single digits, which, um. we expect that to continue. And so, we have the performance, you know, as we --as we have tried in the, in Q2, we're going to continue the same playbook, as we go forward.

Walter Liptak
Okay, maybe, um, uh, just one more on this. You mentioned that there was some pre-buy that might be in the ARMA data.

Bill Bosway
Yeah.

Walter Liptak
Uh, I wonder, do you -- do you think that you had a pre-buy in the quarter?

Bill Bosway
Uh, well, anytime you have price increases, so we executed price increases, and I'd say for any component or product in this space, when you announce a price increase, there's always a pre-buy, if you will, to get ahead of that, right?

So as it relates to ARMA, uh, same thing there, you have shingle manufacturers that were putting out price increase just like all of us to offset, uh, the inflationary pressures and there's a pre-buy associated with that. That probably pulled some sales into Q2, as it relates to ARMA, uh, data showing, you know, flat year-over-year and sequentially up the way it was up. It probably doesn't necessarily reflect a pure end-demand or out-sale to the same degree as, uh, as it shows up on -- in the data.

And the reason we think that is because the POS data, which is reflective out sales as well at the retail level, was down 8 to 10%. So you kind of, uh, again, there's no industry data published across the board, if you will, outside of ARMA, but when you think of all that, across the various product lines that are sold into this roofing space, you know, we think the market was down mid-single digits. Uh, not flat, not down 10, somewhere in between.

Walt Liptak
Okay, great. Yeah, very impressive for your Residential business. Uh, and maybe just the last one for me, um, uh, and just thinking about, you know, also the improvement in the integration benefits, and you called out, uh, some regional work, uh, doing 80/20. Uh, I wonder if you could just unpack that for us a little bit. You know, it's great to see that you're, uh, you've got plans that are -- are coming together -- together for that, but, uh I wonder if you can help us understand, you know, uh, you know, what the plan might look like.

Bill Bosway
Yeah, so good question. There's a couple different aspects to this. One, there's, uh, a product line that we are, uh, looking to get out of, so we'll 80/20 out of that, um, that we don't think makes sense to have in a portfolio. That's something smaller, but it's important. Uh, it's part of, uh, it's actually a subset of what we're doing in -- in one of the regions I mentioned.

And then the other aspect of what we're doing in that region is really attacking our SKUs that we're selling to that region, uh, from a couple different facilities, uh, that exist, today. And so, we're looking to actually reduce our, uh, SKUs by a significant amount, whether that's, you know, 20, 30, 40%. And the idea behind that, obviously, it simplifies a lot of things that we do, but it -- we think it attacks, uh, an opportunity to simplify, for our customer's perspective, transactions and everything they have to buy.

So, we're doing that through product harmonization. So we have, uh, uh, if you guys recall, I -- I don't know if it was last call or one before, but we have a, uh, a VP of Engineering and Innovation that is, uh, part of the organization. We've never had that before, either OmniMax or Gibraltar, and now we do, and she's an incredibly bright lady that is attacking this, uh, in a -- in a very positive way.

And I think as we're, as we do more of this, uh, you're not going to do this across the board, day one. You're going to find places where you have unique situations where you want to go in and do that and use that as your pilot, which then becomes a proxy for maybe how to do it in other regions. But because you're starting with a different bucket of SKUs in every region, you know, you have to do it that way.

And so, uh, we're going to start that way and -- and, uh, she and her team are doing a great job of quantifying what the opportunities are. And when you think about that, you've got to drill into, from a bottoms up, uh, every design that we have for every component that is being produced and sold in that area and then you start this harmonization process around codes,

and specs and how do we bring colors and widths and material and all that into, uh, uh, consideration, as we think about simplify-simplifying the business.

So, uh, and then there's a customer aspect to that. Obviously, you have to work closely with your customers to make sure that you're supporting them and it fits their needs at the same time. So, it's a good first step for us, um, and we're excited about that. And more to come, uh, as we get into that. But a lot of prep work has -- has been started in earnest and, uh, very, very strong cross-functional team that'll be attacking this over the -- over the next few months, for sure. And then we'll see implementation towards the end of this year, early next year.

Walt Liptak
Okay, all right, sounds great. Thank you.

Bill Bosway
Yep.

Operator
Thank you. We have no further questions at this time. Mr. Bosway, I'd like to turn the floor back over to you for closing comments.

Bill Bosway
Okay, thank you. I -- I just, uh, want to thank everyone for joining us today and -- and, uh, obviously, your support for us. We are going to be at the Seaport Annual Summer Investor Conference on August 18 and the Sidoti Small Cap Conference in September. Um, and we'll speak to you again after the third quarter. So have a great rest of your summer and I appreciate you guys calling in today and, uh, appreciate your support. Thank you.

Operator
Ladies and gentlemen, this does conclude today's teleconference. You may disconnect your lines at this time. Thank you for your participation and have a wonderful day.