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CORPORATE PARTICIPANTS

David C. Calusdian *Sharon Merrill Associates, Inc. - President*

Frank G. Heard *Gibraltar Industries, Inc. - CEO, President and Director*

Timothy F. Murphy *Gibraltar Industries, Inc. - CFO and SVP*

CONFERENCE CALL PARTICIPANTS

Daniel Moore *CJS Securities, Inc. - MD of Research*

Kenneth Zener *KeyBanc Capital Markets Inc., Research Division - Director and Equity Research Analyst*

Walter Liptak *Seaport Global Securities LLC, Research Division - MD & Senior Industrials Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Gibraltar Industries' Second Quarter 2017 Earnings Conference Call. Today's call is being recorded and webcasted. My name is Donna, and I will be your conference coordinator today. (Operator Instructions).

I will now turn the call over to David Calusdian from the company's Investor Relations firm, Sharon Merrill Associates. Please proceed.

David C. Calusdian - *Sharon Merrill Associates, Inc. - President*

Good morning, everyone, and thank you for joining us. If you've not received a copy of the earnings press release that was issued this morning, you can find it in the Investor info section of Gibraltar website, gibraltar1.com.

During the prepared remarks today, management will be referring to presentation slides that summarize the company's second quarter performance. These slides are also posted to the company's website. Please turn to Slide 2 in the presentation. The company's earnings press release and slide presentation contain forward-looking statements about future financial results. The company's actual results may differ materially from 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 press release and remarks this morning contain adjusted financial measures. Reconciliation of GAAP to adjusted financial measures have been appended to the earnings release. On our call this morning is Gibraltar's Chief Executive Officer, Frank Heard; and Chief Financial Officer, Tim Murphy.

At this point, I'll turn the call over to Frank, and please turn to Slide 3.

Frank G. Heard - *Gibraltar Industries, Inc. - CEO, President and Director*

Thanks, David. Good morning, everyone, and thank you for joining us today. Gibraltar delivered another quarter of solid results, exceeding both our GAAP and adjusted earnings guidance. This was driven primarily by strong revenues in our residential segment and the continued benefits of our 4-pillar value creation strategy. Consolidated revenues at $248 million were down 7%, essentially in-line with our expectations. The decrease was due mainly to difficult year-over-year comparisons as we sold the European industrial and solar businesses exited the U.S. bar grating market and experienced low activity levels in the Industrial & Infrastructure segment. Despite this, we delivered GAAP earnings of $0.41 and adjusted earnings of $0.43 per share compared to our guidance of GAAP EPS between $0.35 and $0.40 and adjusted EPS between $0.37 and $0.42, respectively.

Our return on invested capital in Q2 on a trailing 12-month basis increased to 11% from 10.7% last year, and our balance sheet continues to improve. During the quarter, we continued to advance our 4-pillar strategy with several notable achievements. This included delivering 150 basis points of operating margin enhancement through our 80/20 operational initiatives, improving our competitive position and financial results by effectively integrating our recent Package Concierge and Nexus acquisitions and advancing our innovation strategy with new product development initiatives across all our segments. In fact, we expect increased activity in revenues in the second half of the year as our innovation efforts begin yielding results across the organization. I will expand on these strategic initiatives in more detail later in the call.

While we're very pleased with our performance so far this year and our ability to execute on our plan, the uncertainty in the steel markets and resulting raw material pricing dynamics are expected to continue to pressure our results. Taken in total, we're maintaining our full year guidance. I will speak more about our guidance and our progress on each pillar after Tim reviews our financials. Tim?

Timothy F. Murphy - *Gibraltar Industries, Inc. - CFO and SVP*

Thank you, Frank, and good morning, everyone. Let's move to Slide 4 on the presentation, entitled Solid Consolidated Results vs Headwinds. We reported a solid second quarter with earnings exceeding our expectations. Strong results in our Residential Products segment and the full benefit of our recent acquisitions offset challenging comp on the top and bottom lines for Industrial & Infrastructure and Renewable Energy & Conservation segments. As we did last quarter, we want to highlight Gibraltar's performance on an apples-to-apples basis. Excluding divestitures and other nonrepeating factors, our base revenues were down 1%, essentially in-line with expectations. In addition to the anticipated lower backlog, our bottom line was negatively affected by uncertainty in the steel markets as Frank noted, which impacted earnings by $0.11 during the quarter. And while our proactive portfolio management actions created difficult year-over-year revenue comparison, we continued to make good progress towards realizing the benefits of our divestitures, including reduced investments in working capital, fixed assets and overhead and an improved total return on capital. We continue to see increased bidding activity and growing backlogs in both our Renewable Energy & Conservation and Industrial & Infrastructure segments, which gives us confidence for the second half of the year.

Next, let's talk about each of our 3 reporting segments. Starting with Slide 5, the Residential Products segment. The continued improvement in new housing construction and repair and remodeling activity and growing demand for commercial package solutions drove the increase in sales for the quarter. We continued to make very positive progress in centralized mailboxes and electronic package lockers, and the integration of Package Concierge contributed to incremental revenues. On the bottom line, we benefited from increased revenues from growing demand for repair and remodeling, new-build housing and electronic parcel lockers along with operational efficiencies from our 80/20 initiatives.

Turning to Slide 6, the Industrial & Infrastructure Products segment. On a year-over-year basis, segment revenues reflect our exit from the U.S. bar grating and European industrial businesses, accounting for $18 million of the $21 million decline in this segment. The remainder of the decline is a result of reduced sales at our infrastructure business. During the quarter, an increase in bidding in our infrastructure business translated into a higher level of bookings and another quarter of sequential backlog growth. The infrastructure team is also expanding its geographical reach within the U.S. and continues to focus on 80/20 initiatives. With increased availability of matching funds in some of our key states, we expect this business to continue to build its backlog as the year progresses.

On the bottom line, industrial margins continued to be pressured by increases in raw material costs, and we expect material prices to continue to impact earnings. However, with 80/20 projects continuing to show good results and the continued traction of our innovative perimeter security solutions, we expect improved profitability for this segment in the second half of 2017.

Now turning to Slide 7, the Renewable Energy & Conservation segment. Our top line was affected by a decline in international revenues and a difficult comparison due to our exit from the European solar racking business, partially offset by the benefits of the Nexus acquisition. Higher material costs and pricing actions, along with product development costs and a few field installation issues, impacted our bottom line results. We had anticipated an incremental improvement in adjusted operating margins from the first quarter. Our adjusted operating margin of 8.1% is 40 basis points below the adjusted operating margin of 8.5% that we had realized in the first quarter. We encountered some unusual field installation issues related to ground conditions varying widely throughout a few specific job sites, and these challenges resulted in 100 basis point reduction in our second quarter margins.

We expect improved profitability in the second half of the year from this segment. We're heading into the seasonally strongest part of the year with higher backlog than a year ago and continuing levels of bidding activity that are higher. In addition, while we expect to continue to be affected by pricing actions and material costs, the benefits from volume leverage and continued simplification efforts will provide a significant improvement in segment operating margins as we make our way through the remainder of the year. As a reminder, our solar business is a leading manufacturer and installer of fixed-tilt solar racking with the leading market share domestically. Our solar business's distinct advantage is in smaller-scale community solar and commercial projects under 10-megawatts due to its unique position as the only provider offering fully integrated solutions of site layout, racking design, structural engineering, manufacturing and installation. While the large-scale utility market is challenged in 2017, the small-scale projects we participate in continue to show steady, albeit, lower single-digit growth particularly in the Southeast and Northeast where we have higher market participation. And with our new product development initiatives, we have entered in an adjacent market as Frank will detail later in the call. Finally, for this segment, our greenhouse business continues to take advantage of the rising organic foods trend and growth of medical marijuana markets. As more states finalize policies and procedures, we're poised to capitalize on increased activity in this market during the second half of the year.

Please turn to Slide 8. Capturing the Opportunity. We continue to have low leverage and high liquidity, which allows us to execute on our acquisition strategy and target larger size companies. Cash increased $12 million from $170 million at December 31, 2016, to $182 million at the end of the second quarter of 2017. As we've said previously, we've been targeting companies with EBITDA from $25 million, up to $100 million. While we would still consider smaller acquisitions that can benefit us from a technology standpoint, we continue to work on targets that will be material to our performance. For the second half of 2017, the financial priorities will be to accelerate sales through innovative products, seek value-added acquisitions in attractive end markets, continue to advance our 80/20 initiatives and effectively manage higher raw material costs.

At this point, I'll turn it back to Frank who'll review our progress on our 4-pillar strategy and our guidance going forward. Please turn to Slide 9, 4 Pillars Driving Value Creation. Frank?

Frank G. Heard - *Gibraltar Industries, Inc. - CEO, President and Director*

Thanks, Tim. Our 4-pillar value creation strategy continues to gain traction and deliver results. Our first pillar of operational excellence is focused on reducing complexity, adjusting costs and simplifying our product offering through our 80/20 initiatives across the organization. As I noted earlier, in Q2, our 80/20 projects contributed to 150 basis points of operating margin improvement. And as a result, we now have delivered savings of $7 million or $0.14 per share from simplification projects through the first half of this year. And we're well on our way to delivering the expected $0.23 per share increase from these projects in 2017. We're currently finalizing our plans for in-lining activities and have begun to take advantage of opportunities to outsource our B products. Training new teams in 80/20 presents further opportunity to enhance our margins. Most recently, we trained the teams for our newly acquired Nexus and Package Concierge businesses on the 80/20 process. Package Concierge has historically focused on one segment of the multifamily residential end market, and it has not developed significant complexities. So the opportunity there is in using the trade focus and target selling tools and using the other tools to avoid complexity as they grow. Nexus business provides an opportunity to apply the complete tool kit, and the team is focusing on data analysis in identifying projects that would provide meaningful improvement to its results.

Our portfolio management pillar is focused on evaluating product lines, customers and end markets to best allocate leadership time and resources to the highest potential platforms and businesses. In 2016, we exited two industrial platforms as well as our European solar racking business, servicing residential rooftop market. At this point, the industrial asset sale is complete, and the European solar operations are closed. We'll continue to evaluate end markets and related businesses as part of our portfolio management initiative. Our third pillar is innovation, and we define innovative products as those with patent production driven by internal product development or acquired product lines. We generated 6% of our sales from patented products in 2007 to date -- 2017 to date, up 5% -- up from 5% in 2016. And we're making exciting progress with new product development across all our businesses.

In the Residential segment, we officially launched our new extended parcel delivery solution during the quarter at the 2017 National Apartment Association Education Conference & Exposition in Atlanta. In combination with our Express Locker, this product will allow us to target larger properties in the high-density multifamily residential market. One customer commented that they're happy that we have another product offered that is more affordable for their B assets and third-party developments. And another stated, "The Express system looks great and the quality really shows." Also in our

Residential segment, our new metal roofing installation system that can withstand hurricane-forced winds is gaining traction, and we're now finalizing our broader and more aggressive market launch in partnership with a dedicated dealer/ installer network.

In our Industrial segment, we continue to advance our perimeter security products initiative, capitalizing on increasing demand for solutions that protect high-value physical assets. We now have a dedicated sales team for this solution, and our pipeline of opportunities is actively building. We continue to expect our perimeter security products to contribute to both top and bottom line growth in 2017 and beyond.

In our Renewable Energy & Conservation segment, we're excited to announce that we have introduced a new and innovative solar tracking solution to a few current customers in advance of a general market launch. Its unique technology allows us to enter our largest adjacent space relative to the fixed-tilt space we participate in today. The economics of tracker versus fixed-tilt is very site specific and will determine which solution any customer chooses to implement. Combined with RBIs unique value proposition and our current customer partnerships, this exciting new tracking solution should allow us to gain incremental revenues from projects that we had not been able to participate in historically. GTM Research estimates that the U.S. tracker market will grow approximately 10% annually between 2018 and 2022. We installed our first system during the second quarter, and we expect to install a handful more during the remainder of the year.

Our fourth pillar is growth through acquisitions, and we continue to make very good progress in this area. During the quarter, we completed the integration of Package Concierge in our Residential Products segment, and we're already seeing the benefits of combining Package Concierge's proprietary software solution and deep understanding of the multifamily market with our Express Locker product capabilities. With an expanded suite of integrated solutions, we can grow a new market and deliver more value to our existing customers and shareholders.

In our Renewable Energy & Conservation segment, we continued to see the benefits from our recent Nexus acquisition, which, as a reminder, has been accretive since the date of acquisition. In concert with our Rough Brothers business, Nexus is accelerating our growth in the conservation markets particularly as it relates to the commercial greenhouse segment and the rapidly growing medical marijuana market. We continue to evaluate M&A prospects that present opportunities to enhance our market share, drive operational improvements and long-term shareholder value. We're focused on candidates with attractive end markets and unique technologies that solve real end-user problems with meaningful prospects for the balance of 2017.

Turning to Slide 10, 2017 Guidance. As I mentioned earlier, we're maintaining our full year 2017 guidance. We continue to expect generally favorable market conditions for our Residential segment and increased bidding activity and continued backlog growth in our Industrial & Infrastructure, and Renewable Energy & Conservation segments.

For the third quarter, we expect revenues between $275 million and $280 million, up approximately 5% from Q3 2016 on a base revenue basis. We expect consolidated GAAP EPS between $0.51 and $0.58 per diluted share or between $0.58 and $0.65 on an adjusted basis. For full year 2017, we continue to expect sales in the range of $970 million to $980 million, up 2 to 3 percentage points in base revenues with GAAP EPS between $1.37 and $1.50 per diluted share, up from $1.05 prior year or $1.57 to $1.70 on an adjusted basis.

Please turn to Slide 11. And you can see a detailed bridge from our 2016 adjusted EPS to our guidance for 2017. Given the market uncertainties, raw material costs did not decline as we expected at the end of the first quarter. We have provided an updated bridge, which includes an additional $0.20 in material costs in the second half of the year. The resulting reduction in net income will be offset by lower variable compensation. Our performance compensation programs are designed to reward making more money at a higher rate of return with a more efficient use of capital. We expect earnings to be relatively flat with return on invested capital improving modestly on a year-over-year basis. In conclusion, we expect to deliver another consecutive year of solid financial improvement on a GAAP basis in terms of absolute profit dollars, returns and cash flow. We're confident that our 4-pillar strategy and our ability to continue to execute against it will build sustainable long-term value for our shareholders.

At this point, we'll open the call up for any questions that you may have.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question will be coming from Ken Zener of KeyBanc Capital Markets.

Kenneth Zener - *KeyBanc Capital Markets Inc., Research Division - Director and Equity Research Analyst*

This might be more than a two-part question, so I apologize in advance. Just on the first thing, as it relates to the guidance, it seems as though the corporate line declined quite a bit. Could you go into that? It's obviously not what we had expected, so maybe we're bad modelers, but could you go why that declined sequentially and what the bogey is for the full year on that line item?

Timothy F. Murphy - *Gibraltar Industries, Inc. - CFO and SVP*

Yes. Ken, if you think about -- we talked about performance comp going down, not all of that, but a fair amount of it will come through the corporate lines. So full year, we're seeing $0.20; most of that's going to show up in corporate.

Kenneth Zener - *KeyBanc Capital Markets Inc., Research Division - Director and Equity Research Analyst*

When you say $0.20...

Timothy F. Murphy - *Gibraltar Industries, Inc. - CFO and SVP*

That would equate to about -- that's worth about $10 million.

Kenneth Zener - *KeyBanc Capital Markets Inc., Research Division - Director and Equity Research Analyst*

Okay. So lower than last year's, what you're saying on a delta basis?

Timothy F. Murphy - *Gibraltar Industries, Inc. - CFO and SVP*

Yes.

Kenneth Zener - *KeyBanc Capital Markets Inc., Research Division - Director and Equity Research Analyst*

And then how -- could you give us sensitivity effects? I expect the performance comp, is that related to the equity price? And then what's the sensitivity there for whatever $3 change, if that's the case?

Timothy F. Murphy - *Gibraltar Industries, Inc. - CFO and SVP*

So it's -- there's components to it, right. So you've got a piece of it that's related to our current year performance against targets and another piece that is current year ROIC generated against the targets we set. And last year and the year before that, as we came out of sort of our historical low levels of performance, we saw significant improvements in operating results and ROIC each year. And we set aggressive targets each year, and we were able to exceed those. This year, we set aggressive targets again, and we're really coming in at the bottom end of those ranges. And so there's not a lot of performance comp coming through and that's probably half of the cost. And then the other half is share price appreciation. Again, last year, significant share price appreciation, this year, it looks like it's flattening out.

Kenneth Zener - *KeyBanc Capital Markets Inc., Research Division - Director and Equity Research Analyst*

Okay, that's interesting. Taking a step up then in the income statement because there's an offset of roughly $10 million. Could you kind of give us, I guess, that -- and I apologize if I missed that. I thought I was looking in the slide. But because there's $10 million less in corporate, could you kind of give us the new bogey for EBIT? And most of my questions, again, revolve around solar. So segment EBIT for the year, just so we can get a sense of the first, second half cadence? Because that $10 million lower in corporate, it seems like it would be impacting your segment EBIT expectation. So if you could clarify that, that would be useful.

Timothy F. Murphy - *Gibraltar Industries, Inc. - CFO and SVP*

So I think it'll mainly impact the Industrial & Infrastructure and the Renewables business. And it'll be relatively spread across those two based on revenues. And it's not a -- there's some offset within there because of a little bit of that performance comp shows up in the business units.

Kenneth Zener - *KeyBanc Capital Markets Inc., Research Division - Director and Equity Research Analyst*

Okay. So, again, driving right into solar then, I think this remains the biggest element that people are trying to understand. It's not -- I know you guys hosted a very nice sellside event for solar. But because of that not all that stuff was necessarily out there in the public domain from you all. I wonder if you might be able to help us? Because your execution of 80/20 and your portfolio management, I think everything is very good there. So given some comments that have been made around solar in general, it remains complex. So I wonder if you might be able to bookmark a few points just so people can be clear. I don't know if you want to talk about last year's megawatts installed. And the reason I say that is that there's certainly in calls that I've fielded, point to you guys being some rather large projects. So I don't know if you can kind of bookend, your top 10 projects is that 20% of your megawatts or 30%? Because some people are under the impression let's say your top 10 projects would be a very large percentage of your portfolio, not just the 1 to 2-megawatt installations.

Timothy F. Murphy - *Gibraltar Industries, Inc. - CFO and SVP*

Ken, I would say that, that's inconsistent with our historical distribution of revenues and profits. We have consistently stated that we're really focused on the small end of the market. It's not that we don't have any, but it's not where we focus our business. It is a small percentage.

Kenneth Zener - *KeyBanc Capital Markets Inc., Research Division - Director and Equity Research Analyst*

Okay. So under 20%, I mean, just from a magnitude, is that a fair bookmark?

Timothy F. Murphy - *Gibraltar Industries, Inc. - CFO and SVP*

I'm not going to give a specific percentage of revenues but that's directionally correct.

Kenneth Zener - *KeyBanc Capital Markets Inc., Research Division - Director and Equity Research Analyst*

Good. I'm not trying to put you guys on the spot here. I'm just trying to -- it's hard for me to respond to investors' comments. So I just kind of want you guys to directionally, not specifically. And then the next thing is, with that change in corporate, could you kind of talk about the margins you're seeing right now into3Q? And I realize there has been backlog shift. But the backlog -- generally you guys talked about that being about a quarter out. So if that is the case, what is 3Q kind of looking at? I know when we talked about 2Q versus 1Q, you said it was going to be up. And it was down and you kind of highlighted these installation issues. So could you give us a sense of what the cadence looks like 3Q? And what you are thinking about 4Q, because this is, obviously, where there's a bit of tug of war as well around where are you going to be normalizing?

Timothy F. Murphy - *Gibraltar Industries, Inc. - CFO and SVP*

Yes. So I'm not sure if this will answer it, but why don't I walk you from -- try to walk through 2Q to 3Q on the company. And I think we've got a pretty big increase in earnings quarter-to-quarter. And so I would describe that as mainly driven by volume as we head into the seasonally stronger period for Renewables & Conservation. Their third quarter and fourth quarter are significantly higher, both because the greenhouse side of the business is really a second-half business seasonality wise. And the solar business maybe to a lesser extent than the greenhouse side, but still picks up more in the second half and we see that. On our Industrial & Infrastructure business, the industrial is coming out of -- you know they went through a process domestically where the exited half of their business at the end of the year, first quarter. And there was some disruption in that business and distraction that it is now behind us, and our sales teams are refocused on customers. And then I will say some of that noise is the system is gone. And so we're seeing improving order rates as we move through the year. We're seeing that now. So I would say those two are the big volume drivers. The Residential business, second, third quarter are peaking there. So we don't really expect to drop off there, but the other 2 are going to come up with volume for seasonality, so we see incremental improvement.

Frank G. Heard - *Gibraltar Industries, Inc. - CEO, President and Director*

Yes, and Ken, it's Frank. The only thing I would add to that comment is that the growing backlog that we experienced in the second quarter is reflective of how that would translate into real work and revenue opportunities that's built into our guidance in the third, as it relates to businesses like renewable energy and specifically solar. So when you reference, kind of, the 90 days or so one quarter out, that's consistent with what we've seen in our backlog rising as it compares to prior year comparables as well. So that's just good to come back to your question on renewables.

Kenneth Zener - *KeyBanc Capital Markets Inc., Research Division - Director and Equity Research Analyst*

Right. And I guess and then I'll be quite. Basically, it sounds like that $10 million lower corporate is coming out, obviously of segment income, given that your annual EBIT, your annual earning estimates do not change. Is that...

Timothy F. Murphy - *Gibraltar Industries, Inc. - CFO and SVP*

Correct. Ken, maybe if you go to the bridge on the slides, we increased the material cost component by the same amount as we see the performance comp coming down. We think they are just going to offset each other.

Operator

Our next question is coming from Daniel Moore of CJS securities.

Daniel Moore - *CJS Securities, Inc. - MD of Research*

Just sort of follow up on some of those themes. But in renewables, last quarter you mentioned, customers pushing out projects activity was there, but things were just getting stretched a bit. Backlogs and activity up once again. Just provide a little bit more color on your confidence? What you're seeing into this far in July in terms of bidding activity actually translating into more installs, any changes in the landscape there, you can describe would be really helpful.

Timothy F. Murphy - *Gibraltar Industries, Inc. - CFO and SVP*

I would say that at the end of the year, we knew the first quarter was going to be below the prior year. At the end of the first quarter, we expected the second quarter domestically equal the prior year with growth in the back half. And in the second quarter, our domestic business was essentially equal to what we were last year. And with our higher backlog and forecasting, our expectation is growth in the second half.

Frank G. Heard - *Gibraltar Industries, Inc. - CEO, President and Director*

And Dan, growth in the second half and maybe an incremental tailwind with the new product launch that will gain traction as we see that over the balance of the year.

Daniel Moore - *CJS Securities, Inc. - MD of Research*

Got it. And any additional color you mentioned the unusual field conditions, maybe just kind of the first time we've heard about that. Just any color you might add there? And confidence that, that was sort of a one-off?

Timothy F. Murphy - *Gibraltar Industries, Inc. - CFO and SVP*

Yes. So it's a project-based business. And each site is different. And as you know, we go out to the site, and we do testing beforehand and in a few specific projects this quarter, and it was unusual form and when they were doing install they ran into unexpected subsurface conditions around areas of the site. And so it drives up labor cost and sometimes you have to switch out components, to have something work where maybe there's rocks underneath where you didn't expect them.

Frank G. Heard - *Gibraltar Industries, Inc. - CEO, President and Director*

We've always -- over the two years, we've learned that there's always these types of things in terms of puts and takes and they tend to be offsetting. Some projects come through with lower installation labor cost because of advantages on site conditions and other times they come in the other way around. Overtime, they tend to offset. It's the view of our management team in that business that these particular examples were quite unusual in terms of their history in the market, and they don't see it repeating.

Daniel Moore - *CJS Securities, Inc. - MD of Research*

Got it. Helpful. And then switching gears to Industrial, an area where you talked about some incremental activity and backlog growth as well. Just remind us what percentage of segment is tied specifically to highway bridge repair, et cetera? And what are your expectations? Obviously, it's early to give '18 guidance. But given the highway bill, expectations for the potential for incremental growth as we look out to '18 and beyond?

Timothy F. Murphy - *Gibraltar Industries, Inc. - CFO and SVP*

Dan, so it's about 1/4 of the segment is the Infrastructure side, and we're seeing rolling backlog in there. We're seeing activity. Some of our key states that we participate in historically fixed funding activity in the last 6 to 8 months. So FAST Act put federal matching funds available, but the states didn't necessarily have the funds to match. That seems to be generally behind them. There's mechanisms in place now to put funding in place, and so they're doing -- the bidding activity is going on. There are letting contracts, and we're seeing that in our bidding activity in the contracts. But because our products go in at the end of the bridge being rebuilt or built, we have longer lead time share. So what we see coming in now is going to ship into -- in '18 and '19, so too early to give guidance. But our indications from what we see today is that revenues will grow in that business as we move forward over the next few years.

Frank G. Heard - *Gibraltar Industries, Inc. - CEO, President and Director*

Yes. And I think Tim's commentary represents sort of a consistent theme over the last year or two as we have been referencing this market and this related business within it. I think, the one thing that has really encouraged us that's different is that all the talk about funding, the matching, some of those things being resolved has not only translated into more bidding activity, which has kind of been a historical storyline, we're actually starting to see us win more -- jobs are being crystallized, not just the bidding aspect of it. And we're winning our fair share, which, for the first time, we're starting to see arriving backlog in the business, which is a real positive trend because that's going to drive our future revenues and, ultimately, some pretty significant leverage in terms of profitability because, obviously, over the last couple of years, we've taken a lot of costs out of the business through the 80/20 process. So incremental revenues are going to be very attractive to this business going forward.

Daniel Moore - *CJS Securities, Inc. - MD of Research*

Got it. Perfect. And lastly and I'll jump out, just in terms of the new product development, maybe any updates -- updated comments around perimeter security and any other, obviously, you mentioned the tracker. I guess too early to tell what percentage of your renewables or of your solar revenue that might turn into, but any thoughts around that would be helpful.

Timothy F. Murphy - *Gibraltar Industries, Inc. - CFO and SVP*

Yes. It's early days with the product. I think what we really see with the product is that we have customers today that do both fixed tilt and tracking solutions. And we don't have a product, historically, we didn't have a product to participate on the tracking side. Tracking market is a big market. We're entering with zero shares, so we think there's opportunity for incremental revenue growth from the market that we don't participate in today.

Frank G. Heard - *Gibraltar Industries, Inc. - CEO, President and Director*

And I think just a little bit more color on that. I mean, this has been -- we have strong relationships with the fixed tilt in the space we participate within fixed tilt. And this has been a product that many of our customers have asked for over the last few years because a lot of times, depending on the -- this is all site specific as to whether or not use fixed tilt or tracker, and site specific not just in terms of the land and the geography and where it is positioned relative to the sun, but it's also which state and what power purchase agreement the particular job is attached to that drives the particular choice by the developer or the utilities. So not having both choices has restricted our addressable market, so the guys have resolved that and they tried to resolve it with an approach from a solutions' perspective that would provide a little bit more flexibility as to how the product could be applied to a given set of circumstances geographically. And it's a very cost-effective solution. So I think sometimes you have a great idea, you can develop a great product, solve a lot of problems. But if you don't have a channel to the market, it's just a great idea siting on a shelf. In this particular case, they have an established route to market with long-term relationships. So I think that gives us some optimism as to, maybe, they can move into the space with similar kinds of progress that they did 6 or 7 years ago when they moved from greenhouse space into the initial fixed-tilt space. So we will see, we're trying to be conservative in terms of our approach, get the product right, work with select group of customers. And so far we're quite pleased with the progress, and we wouldn't work on any of these initiatives unless we felt that over the 3-year period that they would be a meaningful contribution in terms of Gibraltar's moving a needle for Gibraltar's operating income going forward. So they certainly -- this project certainly falls in that -- through that filter. And we're pleased with their progress. So I think when you look at the other projects, Tim, we have perimeter security and the metal roofing. Certainly, the purchase of Package Concierge to accelerate our Express Locker placement in the multifamily space is very quickly proving to be the right decision in terms of that acquisition. I went down and participated in that show in Atlanta. I don't know how many thousands of people came through from that industry segment, but this was a large show. And Package Concierge, in partnership with Florence with Express Locker, certainly was a featured booth. And the large property owners across the country -- Package Concierge's leadership team certainly demonstrated that they have close relationships and partnerships with them. And now with the expanded product line allowing them to -- they've always focused on class A properties, which is kind of the high-end 20% of the multifamily market. The new product launch that they did, at that show allows them to chase kind of the 80% of those rental properties that the same owners hold but didn't have a product solution for. So -- and since that launch, they're making some tremendous progress in terms of doing larger portfolio deals instead of selling the ones and twos. They're selling blocks of sites now. So we're quite enthusiastic about the progress they're making.

Tim, you want to comment on mental roofing in Residential, maybe perimeter security?

Timothy F. Murphy - *Gibraltar Industries, Inc. - CFO and SVP*

Yes, the metal roofing initiative, our team is doing some trade focus and doing some training with certified installers in one state to really launch throughout the year. I think it'll probably take -- because of the channel to market for this, it will take a little bit longer to get any significant growth out of it. And I think we'll really see volume in that area in the second -- in 2018 and beyond.And perimeter security more of course. There's longer lead times on those projects, it's is not a product sale. So you're bidding and it gets re-bid a couple of times before contracts get let but were encouraged by the activity we see and the interest that our customers are demonstrating.

Operator

Our next question is coming from Walter Liptak of Seaport Global Securities.

Walter Liptak - *Seaport Global Securities LLC, Research Division - MD & Senior Industrials Analyst*

I'm just going to circle up on some questions that have already been asked. And hope to get a little bit more color on the answers. But raw material costs, you called it out as a headwind. I wonder, and you said they are going to be working on projects in the back half of the year to improve margins. I understand the bonus compensation getting cut is an offset, but are there other things that you can do on pricing or in supply chain that can mitigate some of that price cost or raw material cost problem that you're having?

Timothy F. Murphy - *Gibraltar Industries, Inc. - CFO and SVP*

Yes. We're certainly working on a number of actions. But as we sit here today, having gone through another quarter in this environment, our current outlook reflects what we know today. So there are certainly actions when you look at your customers all the time to try to fairly allocate cost and value. There's just a lot of uncertainty in the raw material markets on what the future holds and so that's holding material prices higher than we would have otherwise anticipated.

Walter Liptak - *Seaport Global Securities LLC, Research Division - MD & Senior Industrials Analyst*

Okay. Have you gone to the market with any price increases during the quarter? And can you talk about any success or push back you've gotten?

Timothy F. Murphy - *Gibraltar Industries, Inc. - CFO and SVP*

I would say yes. And we've had some success. If we would have had complete success, we wouldn't have this cost there, right, so every customer conversation is unique.

Walter Liptak - *Seaport Global Securities LLC, Research Division - MD & Senior Industrials Analyst*

Okay. Fair. Just going into the Renewable segment. Can you tell us about your comments, I think you mentioned that there was a larger job with the new product that you worked on during the second quarter, if I heard that right. Or there was one maybe that you were going to be working on in the second half. So I wonder about the size now of these new product jobs, the tracker jobs, and maybe if there is anything that's factored into the 2017 revenue guidance for the renewables.

Timothy F. Murphy - *Gibraltar Industries, Inc. - CFO and SVP*

I will say we did a small job, the first one that we did in the second quarter was a small job. We have got a handful of other. Certainly, calling them small jobs, theynot larger than what we would normally been doing in our fixed tilt space anyway. And the jobs that are in backlog are in our forecast. But we have some anticipated opportunity for growth.

Walter Liptak - *Seaport Global Securities LLC, Research Division - MD & Senior Industrials Analyst*

Okay. Fair enough. And then I think it was on the last quarter's conference call you talked about mid-teens margins for the Renewable segment and the language changed a little, you said a 'significant improvement in margins.' And I wonder if you could talk about just where you think - are the mid-teens for the full year margins, it that still something that's doable? Or is it with the second quarter margin where it is that it's going to be a step back from your previous thoughts?

Timothy F. Murphy - *Gibraltar Industries, Inc. - CFO and SVP*

So what we had anticipated was margins approaching the mid-teens as we move through the year. So we expected them in the second half. And this material costs impact on this business has reduced those, I don't know, 1.5%, 2% from our previous expectations, depending on how the rest of the year plays out.

Walter Liptak - *Seaport Global Securities LLC, Research Division - MD & Senior Industrials Analyst*

Okay. And then the last one for me is, Page 13 in the slide has the acquisitions, I guess the revenue contribution from Package Concierge and Nexus. And is there -- and I wonder about the seasonality of the revenue -- so for Package Concierge, what are you expecting for contribution in the second half if it's $2 million for the quarter? And for Nexus, too. It looks like $4 million for the quarter. What do you expect for the back half?

Timothy F. Murphy - *Gibraltar Industries, Inc. - CFO and SVP*

Yes. So I would say Package Concierge was a very small business when we bought it, and we're growing. I don't know that there's seasonality in that business as much as just growth. But I think, first half, second half, isn't wildly different in that business other than just incremental growth in the business. And on the Nexus side, this we've got -- we bought it in the fourth quarter of last year at the beginning of the fourth quarter, mid-fourth quarter. So third quarter incremental sales and there is some seasonality there, so expect a bump from that.

Walter Liptak - *Seaport Global Securities LLC, Research Division - MD & Senior Industrials Analyst*

Okay. And was there any purchase accounting that rolled into the quarter that was not part of the non-GAAP? Any purchase accounting that remained in the expense line on the quarter?

Timothy F. Murphy - *Gibraltar Industries, Inc. - CFO and SVP*

No expense. We trued up a couple of the balance sheet accounts as we finalized valuations, but no unusual expenses came through.

Operator

At this time, I would like to turn the floor back over to management for any additional or closing comments.

Frank G. Heard - *Gibraltar Industries, Inc. - CEO, President and Director*

Thank you, everyone, for joining us on our call today, and we look forward to talking to you next quarter.

Operator

Ladies and gentlemen, thank you for your participation. This concludes today's conference. You may disconnect your lines at this time, and have a wonderful day.
