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## PRESENTATION

**Operator**

Greetings and welcome to Gibraltar Industries Fourth Quarter 2023 Financial Results Conference Call. (Operator Instructions) As a reminder, this conference is being recorded.

It is now my pleasure to introduce Carolyn Capaccio, LHA Investor Relations. Thank you. You may begin.

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**Carolyn M. Capaccio** - *LHA Investor Relations - SVP*

Thanks, 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 Tim Murphy, Gibraltar's Chief Financial Officer. The earnings press release that was issued this morning, as well as a slide presentation that management will use during the call, are both available in the Investors section of the company's website, 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. 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 be accessed through the company's website.

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

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**William T. Bosway** - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Thanks, Carolyn. Good morning, everyone, and thank you for joining today's call. We'll start with an overview of fourth quarter and full year 2023 results; then Tim will take you through our financial performance; then I'll walk you through our 2024 outlook; and then we'll open the call for your questions.

So let's turn to Slide 3, titled 2023 Year in Review. We delivered a strong finish to a very good year for Gibraltar, and I like our momentum as we move forward. In 2023, we expanded our market leadership positions. We continued to improve our quality of earnings and generated strong cash flow. Our Residential and Infrastructure businesses delivered solid growth and strong margin expansion, and Renewables delivered excellent margin expansion despite ongoing industry headwinds impacting revenue. For the year, adjusted operating income grew 16%, adjusted EBITDA grew 15%, and adjusted EPS grew 21% on essentially flat sales. Through solid margin expansion and improvement in working capital, we've generated $218 million of operating cash flow and a free cash flow rate to sales of 15%.

In the fourth quarter, all 4 segments contributed to net sales growth, demonstrating solid momentum going forward, and booking strength resulted in the backlog being up 10% as we closed out the year, as well our recent acquisitions in Residential executed to plan, and during the fourth quarter we further optimized our portfolio by divesting our small, nonstrategic solar business located in Japan. In all, we had a very productive year and I'm incredibly proud of our entire organization for staying focused on what matters most, doing things the right way, and building a stronger foundation for the future. We enter the new year with solid end market fundamentals, improving market conditions in Renewables and Agtech end markets, and a more scalable and efficient operating engine, and we look forward to another strong year in 2024.

Let's turn to Slide 4 for an update on the solar market. Although the overall industry has improved, there remains some short-term headwinds that the industry is navigating through. First, the industry is waiting on the Department of Treasury to issue final guidelines on IRA tax credits, specifically the 10% domestic content bonus. The delay of these guidelines, particularly in this high interest rate environment, has caused some customers to pause finalizing and executing projects as they try to pin down project economics and returns, and therefore project financing. The most recent consensus is that the guidelines are expected in the first or second quarter of 2024.

Secondly, permitting delays at the local level are impacting some customer project start dates, though, the situation is improving as local government offices add capacity to support normalized demand levels. For our customers, each permit situation is unique to a location and local government office, and ultimately project schedule changes create a timing impact for revenue. For context, historically we experienced about 10% of our planned revenue to shift from one quarter to the next or to a future quarter. Towards the end of 2022 and for the first 3 quarters of 2023, we experienced a revenue shift of approximately 25%, which is a significant change to historical norms. We started to see the situation improve during the fourth quarter, which is reflected in our business generating positive growth in the quarter.

With respect to module supply, it continues to improve and be less of a headwind for our customers. For the UFLPA, importers continue to move up the enforcement learning curve and there seems to be much more consistency and flow in availability of modules. In regard to the Department of Commerce anti-dumping and countervailing duty case, as of now, 3 of the 8 module suppliers investigated by the DOC are expected to export modules to the U.S. -- are able to export modules to the U.S. without duty, and the executive order from the administration to waive tariffs for 2 years has remained in force and will so until June 2024.

In December, the plaintiff in the original case sued the Department of Commerce and the U.S. Custom and Border Protection Agency for not collecting duties on Southeast Asian imports, claiming the Department of Commerce was not required to follow administration's executive order. The plaintiff has asked the U.S. Court of International Trade to end the tariff waiver and open up the opportunity for retroactive duties on modules imported from Southeast Asia. It is challenging to predict the timing and outcome of the current legal situation, but regardless of where it lands, customers have been preparing for the executive order to end in June, and they have worked hard to develop and implement more flexible and reliable solutions for modules.

With that, I'll turn over to Tim to review our results.

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**Timothy F. Murphy** - *Gibraltar Industries, Inc. - Senior VP & CFO*

Thanks, Bill, and good morning, everyone. I'll take you through our consolidated and segment results, starting on Slide 5. Adjusted fourth quarter sales increased 5% to $329 million. All segments contributed to the growth in the quarter as Renewables and the Agtech businesses converted backlog to sales at higher rates than in previous quarters, and we grew market participation. These drivers were partially offset by pricing adjustments related to prior year commodity deflation in the Residential business.

Backlog at quarter end was $330 million, up approximately 10% versus the fourth quarter of 2022. Demand and order flow remained strong heading into the first quarter of 2024. Adjusted operating income and adjusted EBITDA dollars increased 10% and 9%, respectively, in the fourth quarter, with adjusted EPS up 18%. A recent acquisition in the Residential segment added about $0.01 to adjusted EPS. Margin improvement in the quarter was driven by solid execution, price/cost management, higher volumes, operational improvements, and additional 80/20 benefits. Weighted average shares outstanding decreased 1.7% from the fourth quarter of 2022 to 30.7 million shares in the fourth quarter of 2023, and there were no share repurchases in the quarter.

Now let's review each segment, starting with Slide 6, the Renewables segment. Segment net sales increased 1.9%, with backlog converting to sales at higher rates than in the previous quarters as customers continue to work through scheduling challenges related to permitting delays and await final tax credit guidance for the Inflation Reduction Act. Module availability continues to improve as module importers advance up the UFLPA enforcement learning curve and permitting delays are gradually improving at the local level. Bookings of new orders were robust, with year-over-year growth again accelerating to 20.9% versus last year. And as Bill mentioned, while some customers are waiting to sign contracts until the Department of Treasury issues Inflation Reduction Act tax credit guidance, our pipeline remains very strong. And as a reminder, our backlog consists only of signed contracts with deposits. We do not include purchase orders without a signed contract and deposit, MSAs without specific work orders, or verbal agreements with customers in our new bookings or backlog.

Adjusted operating and EBITDA margins decreased 210 basis points versus the prior year. The strong execution across the business was offset by warranty cost incurred during the quarter for a project completed in 2022. The cost relates to a project where we were delayed in installing after materials were delivered to the job site according to our agreement. As we've discussed, we've changed our contract terms and conditions and our internal processes to ensure our customers are ready for us when we arrive on site according to the agreed upon schedule. Before this charge, segment profitability improved in the fourth quarter of 2023. We expect full year 2024 growth and continued margin expansion in the Renewables business, assuming industry constraints continue to ease with continued improvement in module importation, IRA guidance issuance, and the additional recovery in local permitting. We do expect a slower first quarter as more of our backlog is for our new 1P tracker and this product has longer lead time than some of our other offerings.

Let's move to Slide 7 to review our Residential segment. Segment sales increased 4.3% from last year. Organic growth was 3.1% and the recent acquisitions added 1.2%. Organic growth was driven by participation gains of volume and partially offset by pricing adjustments related to prior year commodity deflation. We continue to benefit from increased participation with new and existing customers and from having expanded into new regions. We've seen our customer demand continue to follow historical seasonal demand patterns and our most recent acquisition is performing to our expectations. Adjusted operating and EBITDA margin of 17.5% and 19.2%, respectively, both expanded 410 basis points through higher volume, improved price/cost alignment versus prior year's quarter, and 80/20 initiatives. And this year, we plan to move additional locations to our common ERP systems and expect to begin to leverage the IT investments made to date in the Residential business. In 2024, we expect modest revenue growth with continued improvement in margins as our increased market participation gains and contribution from acquisitions support the top line and continued 80/20 and operational efficiencies drive margins.

Let's move to Slide 8 to review our Agtech segment. Adjusted net sales increased 12.8% as our team executed well, converting new orders, including a large project into sales. Backlog at quarter end was down 4.2% as some customers continue to undergo project redesigns and our pipeline of project remains very strong. Segment adjusted operating and EBITDA margins decreased to negative levels because of the inclusion in our operating results of a $3.5 million charge related to a receivable associated with a distressed cannabis customer. We determined during the fourth quarter that the likelihood of recovery was sufficiently low and wrote it down. Before the charge, adjusted operating margin was approximately 5%, an increase of 40 basis points from last year, driven by higher volume, strong customer and product mix, and benefits from 80/20 initiatives. We expect sales growth and margin expansion in 2024 as the headwinds affecting our customers shift to tailwinds and expected upcoming orders from our strong pipeline reflect improving industry demand.

Let's move to Slide 9 to review our Infrastructure segment. Segment sales increased 12.1%, driven by solid end market demand and market participation gains. Backlog increased 3% year over year. Segment adjusted operating and EBITDA margins improved 490 and 460 basis points, respectively, driven by strong execution, 80/20 productivity, and favorable product and customer mix. This segment reported a strong year of growth and expanding profitability, and we expect continued sales growth and margin expansion in 2024.

Now let's move to Slide 10 to discuss our balance sheet and cash flow. At December 31, we had cash on hand of $99 million and $396 million available on our revolver. During the year, we generated $218 million in cash from operations through a combination of margin improvement and $41 million generated from working capital as we reversed the impact from the prior 2 years' increased working capital investments as we managed through pandemic era supply chain challenges. As a result, our free cash flow generation for 2023 was very strong at 15% of sales. There were no share repurchases in the quarter, and we entered 2024 debt free. We expect to continue to generate strong cash flow driven by revenue growth and margin expansion in 2024 and beyond. This year our priorities in capital allocation are on continuing to invest in our organic growth and operating systems for scale. We might spend more than we historically have on capital expenditures this year as we see a number of opportunities to insource manufacturing to improve profitability. We've historically spent less than 2% of sales. We could invest approximately 3% of sales this year, if we're able to prove out the cost savings we anticipate. We also remain focused on high-quality M&A. We're equipped with a strong balance sheet to pursue opportunities realistically in the Residential segment in the near-term and in other segments in the medium to long term, and we'll opportunistically return value through the remaining $89 million authorization under our share repurchase program. And we'll fund these investments through generated cash, supplemented as needed by the use of our revolver, depending on the timing of any M&A or repurchases.

Now I'll turn the call back to Bill.

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**William T. Bosway** - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Thanks, Tim. Let's move to Slide 11 to review our 2024 strategy and key priorities. There are really 5 core initiatives we continue to focus on as we enter 2024: first, drive growth, margin improvement, strong cash performance, and execute M&A to expand our leadership positions across our core businesses; secondly, execute our 80/20 initiatives, expand our participation, and drive service levels higher with speed and agility; third, continue to invest in our digital transformation to scale our businesses, connect with our customers, suppliers in our organization, and optimize their operating systems; fourth, continue to strengthen the team, add the right experience and competency, drive diversity of thought across the businesses, and optimize our structure to drive focus, scalability, and accountability; and finally, as always, conduct business in the right way every day.

Let's move to Slides 12 and 13, and we'll review expectations for each of our segments as we move into 2024. On Slide 12, we'll start with Renewables and current market conditions. The industry is expecting final Treasury IRA guidelines on tax credits in the first half of 2024, which, as mentioned earlier, should have a positive effect for customers. We expect module supply to be more consistent, reliable, and we also expect local permitting challenges to improve. We are excited with our new products in the market. We launched our 1P tracker in 2023 and along with our 2P Tracker technology launched in 2022, customer reception has been very positive and new bookings are helping build our order backlog. As well in 2023, we experienced significant growth in our SolarBos solution for utility-scale applications and our combined and optimized offering of racking and eBOS is gaining momentum with more and more customers. We are the only company in the world that manufactures and offers racking foundations and eBOS, and our ability to create specific solutions for solar installations is really starting to create value-added differentiation for us. Renewables is positioned to perform well in 2024. We have momentum in our backlog and order flow, and we expect sales and margin to grow as the business is positioned to scale and support our growing customer base.

Let's move to Residential. The supply of existing and new homes relative to inherent demand continues to create a tailwind for the industry. And despite the higher interest rate environment and demand for new homes and/or repair projects like roofing remain relatively consistent in 2023, as well there are regions in the U.S. and different types of new home construction that continue to experience solid demand, and we expect these trends to continue in 2024. From a product perspective, we have a number of new products in development or coming to market in the near future, our new shingle vent roll, our new line of pipe flashings, our next-generation mailboxes, and our wireless valance drop offering in our home improvement business. We continue to expand our presence in key product categories and geographies, both organically and through our recent acquisitions. As well, we will continue to roll out our ERP and digital initiatives to additional facilities across the business. These business systems initiatives are driving customer connectivity and really helping us to improve productivity and drive our speed and agility.

Based on the success to date in the Greater Salt Lake City region, we will also expand our local asset-light service model into new markets and are currently launching in the greater Denver, Colorado market, leveraging an existing Gibraltar facility to do so.

Now on Slide 13, let's discuss Agtech and Infrastructure. For Agtech, we are seeing strong end market tailwinds, which started to pick up pace last year in Q4. We see them continuing throughout 2024 with significant project investment for controlled environment produce growing in both U.S. and Canada. Controlled environment growers are accelerating investment capacity to serve growing demand from both food retailers and food service operators. Providing high-quality produce while localizing the supply chain and minimizing risk related to climate events is resonating well with retailers and end customers alike. Additionally, the commercial end markets remain steady with solid demand in retail garden centers, flower growers, institutional and research facilities, and our car wash customers.

Gibraltar is the largest provider in North America of large-scale controlled environment growing facilities, commercial greenhouses, and cultivation structures offering design and engineering, field project management, and construction management services. We deliver turnkey services including the design, manufacturing, and construction of structures; developing, integrating, and operating subsystems; and refurbishment and optimization services for existing growing facilities. And in 2024, we're well positioned to support U.S. and Canadian growers having invested in the right resources and systems to support execution to scale more effectively. We expect solid growth this year and margin expansion will be driven by the investments we made in design and engineering, project and construction management, and supply chain productivity.

In our Infrastructure segment, Infrastructure investment in JOBS Act continues to create good visibility of available federal funding for state DOTs as they plan for their respective projects. This has enabled states to remain focused on multiyear projects as well as planning for future projects. End demand remains robust and this is reflected in the growing number of projects we are designing, quoting, bidding, and winning. In general, state DOT funding remains healthy and airport runway resurfacing investment is expected to grow as well. We are also excited with our newer products in the market as well as the products currently in development. Our Pavesaver and Delpatch Reformulations will help us grow our coatings business further and our extensive line of bearings designed for highway bridges, rail line bridges, stadiums and buildings are well received. And there's more coming in our modular joint product line. We are well positioned across the core industry product categories and, as important, we are well positioned with our partner customers in the states where there's significant investment being made, and we look forward to another good year in this business.

Now, let's move to Slide 14 to review our 2024 guidance. For the year, we expect strong performance in all 4 segments, with Renewables and Agtech returning to top line growth and Residential and Infrastructure positioned for continued performance. We remain focused on our 5 key priorities, and we will leverage our operating engine to drive revenue growth, expand margin, and deliver strong cash flow performance.

Here's our guidance for earnings for the full year 2024. Consolidated revenue is expected to range between $1.43 billion to $1.48 billion compared to $1.37 billion in 2023, up between 4% and 9%. GAAP operating margin is expected to range between 12.1% and 12.4%, up between 120 and 150 basis points and adjusted operating margin is expected to range between 13.5% and 13.7%, up between 80 and 100 basis points. Adjusted EBITDA margin is expected to range between 16% and 16.3%, up between 60 and 90 basis points. GAAP EPS is expected to range between $4.04 and $4.29 compared to $3.59 in 2023, up between 12% and 19%. And adjusted EPS is expected to range between $4.57 and $4.82 compared to $4.11 in 2023, up between 11% and 17%, respectively. And we expect free cash flow of approximately 10% of sales for the year.

Our team delivered terrific results in 2023. I think we executed well with focus and flexibility, and we continued to invest and improve in each of our businesses. I am really proud of and grateful for our team's work and accomplishments, the entire organization's commitment to what we do, and frankly, how we do it. We're looking forward to another good year in 2024, and expect a solid start to the year and the first quarter. And finally, as you may have seen in a separate press release this morning, Tim Murphy, our Senior Vice President and Chief Financial Officer, has announced he will retire from the company in early 2025. Tim is going to continue in his current role until the successor is named, and then he will lead the onboarding and transition process accordingly. I think back over Tim's 20-year tenure with Gibraltar, he's played an incredibly crucial role in transforming Gibraltar into the business it is today. He's been a tremendous partner for me, and he has been incredibly instrumental in driving change across the organization. And I think of his skill and integrity and commitment and judgment have just been greatly appreciated. And I'm excited for Tim as he enters this new phase of his journey. But I'll also say, in the meantime, given we're going to have Tim for another year, we have a lot of work to do, and I know he's excited to deliver our plans in 2024.

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

## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions) Our first question comes from the line of Dan Moore with CJS Securities.

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**Peter Kirk Lukas** - *CJS Securities, Inc. - Former Analyst*

It's Pete Lukas for Dan. First, congratulations, Tim. And then would just like to see if you could drill down a little bit more on your guidance for '24, in terms of what that implies from a segment perspective. What are your expectations for organic growth and margins across Residential, Renewables, and Agtech, and what's the cadence? Do you expect growth to be stronger in the first or second half, or do you think relatively uniform across the year?

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**William T. Bosway** - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Yes, Pete, this is Bill. I would say for Residential in particular, as Tim had mentioned in his comments, we are back to our normal seasonality. So you'll see, first and foremost, the business will build -- with the slowest quarter being in Q1, it builds in Q2 and Q3, and then Q4 is always a little bit of a question mark, depending on weather patterns, but I would think that would be consistent with what you saw in 2023 in total. I think overall, we're expecting growth in the business. It's consistent with last year. In terms of end market demand, I think it's going to be pretty consistent. I think our growth hopefully be a little bit faster than end market demand through our participation opportunities and some of the things we're working on. And we expect margins to improve accordingly, as we do every year, across each of the businesses. So that's overall the general plan with Q2 and Q3 being the strongest of the 4 quarters.

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**Peter Kirk Lukas** - *CJS Securities, Inc. - Former Analyst*

And then I guess going to Renewables. Can you talk a little bit about your 2-year outlook today relative to where you started the year previously? In previous years, how much of impediment the tax credit, you did touch on that, uncertainty is in the near term? And really just trying to get a sense for your confidence in the growth over the next few years compared to where it's been over the last 2 or 3 years. Any major changes?

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**William T. Bosway** - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Yes, a couple of things play into that. Obviously, we have some of the end market stuff that we've been dealing with the last couple of years that is improving. The last leg of the stool on the IRA ITC credits has to do with, as I mentioned earlier, domestic content bonus, which is substantial. It's 10%. So I do think customers are -- it'll free up some projects and they'll create some demand going forward than what we've seen in the past. I just think that's been one of the issues with customers pulling the trigger. I do think the permitting has gotten a little bit better, but again, that gets down to each individual project for a particular customer, depending on where they are in the country. Modules, I don't think, are as near a big issue, at least that's what we hear from our customers. So I would say that the ability to grow going forward should be getting back on pace with what we saw prior to a lot of this happening. And that was at a pretty good clip before a lot of this stuff hit the industry. So we are excited with what we see evolving in 2024, our backlog being up 21% in the quarter is a good indication of that. That's the kind of pace that I think would be something that's a little bit better than we've seen in the last 1.5 year. So based on that, that's where we see growth starting to pick back up. So we'll see how things evolve over the next quarter or 2 with getting the final IRA piece of the puzzle in place. But assuming that happens, we expect the next couple of years to be back on the growth train as we had seen before.

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**Peter Kirk Lukas** - *CJS Securities, Inc. - Former Analyst*

And the last one for me. Can you just drill down a little bit more into the landscape for Agtech, where you're seeing the biggest opportunity and where is funding coming for these projects and how interest rate sensitive are they? And also just who are you competing with? Really just trying to get a sense for whether the space is becoming more competitive or remaining stable.

**William T. Bosway** - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Yes. From a market perspective, we're really the only ones in North America, particularly in the produce space, which is a big piece of what we do. All the folks that participate in this industry tend to be European, and so it's really our home turf versus the rest of the world, if you will. That's the competitive landscape. The funding for many of our commercial growers is consistent with their sources that they've been using for the last 30, 40 years. And I think that's what most people may not understand is this industry has been around for a long, long time. What's actually starting to accelerate it is the success that growers have had the last 5 or 6 years with introducing new, what they call, varieties, so different types, colors, sizes, et cetera, of a variety of not just vegetables, but now it's fruits. So strawberries as an example, now raspberries is the next nut to crack, so to speak, cantaloupe, et cetera. All of that stuff is starting to move more in an indoor environment where, again, for what I said earlier, you're eliminating all this risk associated with outdoor farming.

Doesn't mean outdoor farming is going to go away. But if you think about the simplicity of being able to grow something local, do it more than one time a year and get it to your stores without having to use lengthy supply chains, all the other things you need when you have a lengthy supply chain, like chemicals to keep things ripe, picking things when they're unripe, and hoping that they end up being ripe at the right time, all that stuff starts to go away. And I think retailers, as an example -- to give you one example, the strawberry production that's going on from an indoor grow perspective is literally sold out and has been for the last couple of years. So we have a lot of growers that are how do we expand and how do we add that capacity and their business models are such that getting funding, I think, is relatively consistent for them, and the interest rate environment, because these guys have been around so long, they've dealt in the world of double-digit interest rates and they've been in the world of 2%. So they understand how to manage through that. And I think anytime you see an interest rate change, there's always a pause. We saw that the last year, hoping to see if it comes down or not. But now that people understand that, hey, it's elevated, it's probably going to stay here for a while, then people are starting to move forward accordingly. So I don't expect that to be a deterrent here going forward based on all the things that we're actually designing right now.

**Operator**

Our next question comes from the line of Julio Romero with Sidoti & Company.

**Julio Alberto Romero** - *Sidoti & Company, LLC - Equity Analyst*

So maybe to start on Renewables, when the Department of Treasury does finally issue final guidance for the IRA tax credit, how do you expect orders to trend as that bottleneck is lifted? Would it look more like a shorter-term surge with folks just waiting to sign on the dotted line? Or would you expect a more gradual uptick at that point?

**William T. Bosway** - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Julio, it's a good question. It's probably going to be a bit of a combination of both. So we've got projects that are probably right on the finish line, that'll come through, get signed. How they actually get convert and put into the ground will be driven by, A, customer schedule itself now that they have something finished; and B, if there's any permitting challenge at that time. But I think what you'll find is more of a gradual pickup, which is preferred, if you will, I think, for the industry, just because you've got to line up the delivery base, if you will. So I don't think it'll be a flash in the pan overnight, all of a sudden, you get a big slug of orders, as much as it'll be, not trickling out, but I think it'll pick up demand. But I think that'll really manifest itself over the next 6, 9, 12 months. It won't all come in, in a short period of time.

**Julio Alberto Romero** - *Sidoti & Company, LLC - Equity Analyst*

Got it. That's helpful there. And then you said you started to see the permitting situation improve a bit in the fourth quarter. Have you continued to see that improve throughout the first few months of the first quarter?

**William T. Bosway** - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Yes. As we've talked in the past, it really comes down to there's not a permitting issue for the country. There's a permitting issue for each individual project that happens to be in the country. So it really comes down to where you're putting your field, and what's going on in that local community in terms of backlog and how they're processing and any other issues they're dealing with. So if you're positioned with customers that aren't seeing those problems, then you can see that become less of an issue. And we started to see that in Q4 of last year, where that became less of an issue than it was the last 3 quarters prior to that. So we believe it's going to continue to get a little bit better. As I mentioned in my comments, the amount of revenue shifting from one quarter to the next is tightening up, which is something good to see. And then the other thing that ultimately at the end of the day is, look, if you've experienced a shift in revenue consistent in the year before, you should be able to plan on that going forward, right, so you don't get surprised. So unless it shifts well beyond 25%, where it did this year, fundamentally, that shouldn't be new news. So, therefore, your plan should be reflective of what you thought going in the quarter, just because you're going off of a different base. So there's a number of things that I think are going to play into that. But in general, I think permitting is getting better and that's what we're hearing from customers and hopefully, that will continue.

**Julio Alberto Romero** - *Sidoti & Company, LLC - Equity Analyst*

Got it. That's helpful. And you talked about that new 1P tracker that's making up a larger portion of your Renewables backlog. Can you maybe give us some flavor as to the margin profile of that? And is the backlog you called out for manufactured orders or also installation of the tracker?

**William T. Bosway** - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Both. The backlog reflects both. We're in the ramp up phase, so we're going to have a margin mix, the challenge initially, as you always do when you ramp up something. But we expect the margin profile based on the cost reduction efforts that are going in, ramping up our supply chain, that'll land where we're happy with the margin profile that we expect. The good news here is the uptake of this product came quicker than we originally thought. So we thought it would be more of 2024 when it started building momentum in the second half of the year. We had 30 or so developers down in Florida at our main location there and showed them a lot of this technology last year, and I just think it's resonated and the uptake has been quicker than we had thought. So we've had to move quite quickly to get our supply chain ramped up sooner. That's caused -- Tim mentioned, hey, we're going to be off -- we'll be a little slower in the first quarter. That's nothing more than lead times are a little bit longer because of the ramp that we're going through as we speak, but it'll catch up as we start building the base.

**Julio Alberto Romero** - *Sidoti & Company, LLC - Equity Analyst*

Understood. And then just last one for me would be just on the guidance. Would it be fair to say that the puts and takes of the $50 million sales range of the guidance is largely dependent on what Renewables does this year?

**William T. Bosway** - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Well, I think it's a combination of all 4, but our plan going into this year, obviously, with Renewables and Agtech, where they landed, they have to be positive, right? They have to show growth this year. So I'd say both need to contribute more than they did last year, and we expect that to happen based on: A, backlog that we're seeing in the businesses; and all the design work we're doing on projects. So we feel pretty confident in those 2 segments driving more on the top line than they did last year.

**Julio Alberto Romero** - *Sidoti & Company, LLC - Equity Analyst*

Very helpful. I'll pass it on. And congratulations again to Tim.

**Operator**

(Operator Instructions) Our next question comes from the line of Walt Liptak with Seaport Global Securities.

**Walter Scott Liptak** - *Seaport Research Partners - MD & Senior Industrials Analyst*

And congratulations to Tim. Wanted to ask first about the Renewables backlog, up 21%. Is it up because of delays in shipping in the fourth quarter, or is it up because the orders are starting to come in a little bit better?

**William T. Bosway** - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

We were up in the fourth quarter on sales. Our orders have increased. So that's what's driving the backlog.

**Walter Scott Liptak** - *Seaport Research Partners - MD & Senior Industrials Analyst*

Okay. Can you give us an idea of the magnitude? How much were orders up for Renewables in the fourth quarter?

**William T. Bosway** - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

I don't have off the top of my head.

**Timothy F. Murphy** - *Gibraltar Industries, Inc. - Senior VP & CFO*

I'm guessing, well, without having it in front of me, they had to be directionally similar to the backlog growth because revenue was up, right?

**William T. Bosway** - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

It's got to be in that range. It's double digit. We'll circle back with that number for you, but it has to be because, like Tim said, revenue was up.

**Walter Scott Liptak** - *Seaport Research Partners - MD & Senior Industrials Analyst*

Okay. All right. That sounds good.

**Timothy F. Murphy** - *Gibraltar Industries, Inc. - Senior VP & CFO*

Orders were up double digit.

**Walter Scott Liptak** - *Seaport Research Partners - MD & Senior Industrials Analyst*

Okay. All right. Fair enough. And then just wanted to check in on a couple of the charges in the quarter. So the Renewables charge goes back to 2022. It sounds like that's one timing. Was that just 1 customer, 1 project? How should we think about this happening again in the future?

**William T. Bosway** - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Yes. So, Tim talked about this, but effectively, when you have all this disruption in the end market, the timing of how projects flow and all that, we've effectively delivered material to a customer, to a site per schedule. In that particular case, other things happen, permitting, et cetera, for that customer. There was rust that formed on the material that we put out there, which can happen if it's out there exposed. And in the way our contracts historically have been written, that was on us. And so going forward, we've made those changes in our Ts and Cs a year ago or so because that contract was actually from 2021. And so that will be eliminated going forward, and we have a much better process working with our customers to ensure that when we deliver, it's when they're ready to roll, so we don't have collectively materials sitting out on site. That's why it's a onetime kind of situation.

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**Walter Scott Liptak** - *Seaport Research Partners - MD & Senior Industrials Analyst*

Okay, great. And then on the Resi side, you said there was a price adjustment. I don't remember hearing about those. Maybe these have been more behind the scenes. But I wonder if you could just talk about the Resi price adjustment that happened.

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**Timothy F. Murphy** - *Gibraltar Industries, Inc. - Senior VP & CFO*

Yes, late '22, early '23 is when there were some pricing adjustments. But we're lapping it now, right? So there's just a mix of some of the price adjustments went out in the fourth quarter, first quarter, and I think a little bit in the second quarter. If you'll recall, commodity price on steel really started dropping pretty significantly in the third quarter of '22. So when we look at the end of '23 sales against the end of '22 sales, on average, prices were higher at the end of '22 than they are at the end of '23.

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**Walter Scott Liptak** - *Seaport Research Partners - MD & Senior Industrials Analyst*

Okay, great. And then maybe a last one for me is just, Tim, you talked about the slow start to the year. I wonder if you can give us directionally from the fourth quarter year over year or maybe as a percentage of sales, how are you thinking the first quarter sales are going to look?

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**Timothy F. Murphy** - *Gibraltar Industries, Inc. - Senior VP & CFO*

Well, it's Renewables specifically that I called out.

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**Walter Scott Liptak** - *Seaport Research Partners - MD & Senior Industrials Analyst*

Okay.

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**Timothy F. Murphy** - *Gibraltar Industries, Inc. - Senior VP & CFO*

And we're still working supply chain, but we expect a slower start than we would have seen than what we saw last quarter just because of the time it takes to get material available to even go out into the field and do an install versus some of our other products where we could take an order and be in production within 30 days and be in the field in 45 days. The tracker product right now is more than 12 weeks. So orders that were taken at the end of last year, we just can't get started in the quarter at all. And some of the stuff that came in a little earlier will get started a bit later in the quarter.

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**Walter Scott Liptak** - *Seaport Research Partners - MD & Senior Industrials Analyst*

Okay. So are we thinking Renewables will be down from the fourth quarter?

**Timothy F. Murphy** - *Gibraltar Industries, Inc. - Senior VP & CFO*

Yes. It's year over year. I didn't look at quarter over quarter, but we'll be down against last year's first quarter is really what that comment was.

**William T. Bosway** - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

But, Walt, just to clarify, Gibraltar, we're not expecting that.

**Walter Scott Liptak** - *Seaport Research Partners - MD & Senior Industrials Analyst*

Okay, got it.

**Timothy F. Murphy** - *Gibraltar Industries, Inc. - Senior VP & CFO*

It's just the Renewables.

**William T. Bosway** - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Yes. That's a Renewables situation. Total Gibraltar, we're not expecting that.

**Operator**

Our next question is a follow up question from the line of Julio Romero.

**Julio Alberto Romero** - *Sidoti & Company, LLC - Equity Analyst*

Just on the CapEx. Can you maybe expand on some of the opportunities to insource some manufacturing, just any color on product lines or segments that it's targeted towards?

**William T. Bosway** - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Yes, it's really Renewables. Yes, Tim, go ahead.

**Timothy F. Murphy** - *Gibraltar Industries, Inc. - Senior VP & CFO*

Yes, I was going to say it's not any one segment that we've got opportunities in, but additional opportunities probably are around Renewables, depending on how some of that IRA guidance comes out for domestic manufacturing and for domestic content. We've identified opportunities to do things, and sometimes we're down to the math of does it make sense and can we do it? In others, it's, hey, when this guidance comes out, here's 5 ideas, but we've got to wait till the guidance before to make the investment.

**Julio Alberto Romero** - *Sidoti & Company, LLC - Equity Analyst*

Okay. Got it.

**Timothy F. Murphy** - *Gibraltar Industries, Inc. - Senior VP & CFO*

If you think about our CapEx, call it, $15 million to $20 million over the past few years, we could be in the high 20s. So it's not huge dollars, but I wanted to call it out because it would be a little different than what you guys are used to.

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**Julio Alberto Romero** - *Sidoti & Company, LLC - Equity Analyst*

Yes, for sure. And you have a very nice balance sheet at this point. And you talked a little bit about M&A pipeline, some short-term ops in Resi. But beyond that are maybe some of the challenges with regards to M&A more about valuation or a lack of available opportunities at this point.

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**William T. Bosway** - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

I think it's timing, Julio, just when these opportunities are going to present themselves. There's more activity today than there was a year ago and even 6 months ago. So we're starting to see that percolate. So it's more of a timing issue, and we'll be engaged and involved as a few of these opportunities get a little bit more clarity around them. But we're ready to roll. It's just a matter of when the processes start.

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**Operator**

There are no further questions. I'd like to hand it back to Mr. Bosway for closing remarks.

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**William T. Bosway** - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Great. Thank you. And again, thank you, everybody, for joining us today. Coming up, we are presenting tomorrow at the Gabelli 34th Annual Pump, Valve & Water Symposium, and in March at the BofA Power, Utilities, Clean Energy Leaders Conference, the Sidoti Spring Conference, and the ROTH MKM Annual Growth Conference, in addition to a number of other marketing activities. So thank you again for your ongoing support of Gibraltar and have a great day and a great rest of the week.

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**Operator**

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

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