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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Gibraltar Industries' second-quarter 2014 earnings conference call. At this time, all participants are in a listen-only mode. We will be conducting a question-and-answer session towards the end of today's conference. I will now turn the call over to your host for today, Mr. David Calusdian, of the Investor Relations firm, Sharon Merrill. Please proceed.

David Calusdian - *Sharon Merrill Associates - IR Consultant*

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

Please turn to slide number 2 in the presentation. The Company's earnings release and slide presentation contain forward-looking statements about future financial results. The Company's actual results may differ materially from the anticipated events, performance, or results expressed or implied by these forward-looking statements. Gibraltar advises you to read the risk factors detailed in its SEC filings, which can also be accessed through the Company's website. Additionally, Gibraltar's earnings release and remarks this morning contain non-GAAP financial measures. Reconciliations of GAAP to adjusted measures have been appended to the earnings release.

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

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

Thank you, David. Good morning, everyone, and thanks for joining us on our call this morning. I'm going to start with some introductory comments on the second quarter, and then I'll introduce our new President, Frank Heard, who will share some observations on his two months with Gibraltar, followed by Ken Smith who will review our financial results in detail. Then, I'll close our prepared remarks with some thoughts on the outlook. And at that point, we'll open the call to any questions that any of you may have.

With that, I'll ask you to turn to slide number 3 in our presentation titled "overview". After a long cold winter that drove soft Q1 results, end market demand in Q2 did not rebound as strongly as expected. Our second-quarter revenues and adjusted EPS were in line with the estimates we pre-announced on June 27, but were unfavorable compared to the prior year. Demand for roofing-related products remained unexpectedly weak throughout the quarter, and well below demand anticipated by many industry observers.

This contributed to slower than anticipated revenue growth in our Residential Products segment, as improvement in customer orders experienced at the end of March and April did not increase during the remainder of the second quarter. As a result, net sales in our Residential Products segment were up only 6% on the second quarter of 2013 compared to our expectations for 20% growth. The residential growth we did experience reflected strong demand for our postal storage products.

The other parts of our business performed as expected. Sales growth for the second quarter in our Industrial and Infrastructure Products segment was 3%, in line with our guidance of 1% year-over-year. Sales in this segment reflected improving volume from industrial markets, while shipments to the transportation infrastructure market were lower, as expected. Overall, Gibraltar's consolidated revenues for the second quarter were $235 million, up 5% year-over-year.

On the bottom line, our results for the second quarter of 2014 came in above our recent updated guidance but below prior-year results. This was due to a combination of unfavorable product mix, increased commodity costs, and reduced pricing. We also experienced unexpectedly high costs on key margin improvement initiatives, which dampened our second-quarter results. But these initiatives are well along and our third quarter will benefit, which Ken will explain. Moreover, for the second quarter last year, our bottom-line benefited from a stronger product mix sold by our Industrial and Infrastructure Products segment.

Adjusted net income for the second quarter was $6.1 million or $0.19 per share compared with $0.26 in the second quarter last year. Looking forward, the fundamentals remain in place for improved profitability in the second half of the year, driven by our newly developed cost reduction initiatives, as well as improved manufacturing efficiency, as we ramp up production of our new Postal Products Solutions product line and benefit from the lower manufacturing costs gained by combining two of our residential ventilation products plants, and the resulting elimination of overhead and sale of the eliminated facility.

I'll have more to say about the outlook after you hear from Frank and Ken. So now I'd like to introduce our new President and Chief Operating Officer, Frank Heard. Frank brings a skill set to Gibraltar which he learned and spent many years utilizing at Illinois Tool Works, while most recently running its Building Components division. Frank brings a different perspective to Gibraltar's value creation model.

In the past, we focused on taking large chunks of cost out of our structure. With Frank onboard, we expect to be more strategic in driving product and business unit profitability, enhancing organic growth, and creating value through acquisitions that improve existing businesses or broaden our markets. Our facilities elimination and consolidation activities over the last several years sets the stage for these strategic initiatives.

With that, Frank, I'll turn it over to you.

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

Thank you, Brian. Good morning, everyone. I'm very happy to be here at Gibraltar, and I'm looking forward to meeting as many of you as possible in the months and quarters ahead. I started with the Company in mid-May, and since then, I've had the chance to visit most of our businesses and production facilities, spending the bulk of my time meeting with many of our employees and various leadership teams.

Based on what I've seen and experienced over the past 2.5 months, I can say with confidence that Gibraltar has assembled a solid team of talented and motivated people. It's due to their hard work that Gibraltar has been able to resize and restructure its existing businesses in line with new patterns of market demand, and further position itself for profitable growth.

I'm enthusiastically looking forward to working with such an experienced team during this pivotal time in the Company's history. This is my first opportunity to speak with many of you, so before I discuss the quarter, I would like to tell you briefly about where I come from and the experience that I bring to Gibraltar.

I started my career as a manufacturing engineer at ITW Canada Inc. with a background in mechanical engineering, working within the Automotive OEM group. My professional focus since then has been with ITW's global Construction group and a succession of increasingly responsible leadership roles, most recently leading its Building Components group. As its President, I've had global responsibility for the strategic, operational and financial results for 25 businesses in 18 country markets, including emerging markets. These businesses served a wide range of industry segments, including residential and commercial construction, retail, and component manufacturing.

During this time, I came to appreciate the importance of focusing on select end markets, understanding the value chain, its pain points from the end-user's perspective, and ultimately building of a sustainable value proposition that have the ability to drive superior long-term value for our shareholders. I've also come to deeply appreciate the importance of technology and innovation, not only in product development but as a means of differentiation in adding value for end-use customers and supporting channel partners. We supported these activities with best-in-class manufacturing and distribution facilities based on various simplification techniques, such as 80/20, and lean methodologies in order to drive complexity and cost from our businesses across the global enterprise.

The Gibraltar team has shown impressive results in several of these areas. And I'm confident that we can accomplish even more in the quarters and years ahead. I think we have significant upside in terms of driving higher returns on capital versus what we've done historically. The next chapter that I see emerging for the Company will be aimed at this goal, and will essentially consist of two phases. First, we'll focus more deeply on operational excellence -- that is looking for ways to drive complexity out of our existing businesses while adding to their capacity for innovation.

This will set the stage for Phase 2 -- thinking differently about how we allocate people and capital, both inside and beyond our existing business portfolio. I think it's fair to say, as we go forward, we'll be viewing acquisitions from this perspective of strategic accelerators to penetrate more profitable spaces, ensuring that we are buying businesses within those spaces that cannot only enhance our short-term returns by improving our mix, but also open doors for Gibraltar into higher-growth, more profitable markets.

Again, I'm thrilled to have this opportunity, and I'm hoping to get to know you as we go forward. With that, I'll turn the call over to Ken for details on our second-quarter results. Ken?

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

Thanks, Frank, and good morning, everyone. Before describing the 2Q results compared to the prior year, I will describe more of our 2Q results compared to our prior guidance.

On May 2, guidance for the second quarter was weighted on a significant rise in demand from residential markets, particularly repair and remodeling activity, coming off a very weak first quarter, depressed by prolonged winter weather, covering a large portion of the US. But in May and June, we did not get any snapback in order rates from residential repair and remodeling activity. And as a result, which Brian noted, sales in our Residential Products segment were up only 6% year-over-year compared to our expectations for 20% growth over 2Q last year.

And adjusted EPS for the second quarter also came in below May 2 guidance; half of the shortcoming coming from the lower sales to the residential markets, and the other half due to the three profit improvement initiatives, which, unexpectedly and temporarily, incurred higher costs and longer times to complete. And I'll describe these three initiatives in the coming slides.

The other parts of our business performed as expected to guidance, and I'd now like to turn to slide number 4 titled Consolidated Results. Starting with the second quarter, revenues rose 5% despite the weakness in residential repair and remodeling demand, and the expected weakness in the transportation infrastructure market. Lower volumes in those two markets were more than offset by the combined volume increases that we experienced in the residential postal products and in energy-related industrial markets.

Of the 5 percentage points rise in sales, over 4 percentage points came from net higher volumes led by double-digit growth of cluster mailboxes for centralized mail deliveries plus low-single-digit growth in industrial markets. And I'll provide more color when I discuss each segment's results.

The second quarter's lower adjusted operating income was the net result of leverage from the sales volume, diminished by reduced pricing, raw material cost inflation, and less favorable product mix, and temporary inefficiencies in the quarter. As a result of all these dynamics, adjusted EPS for 2Q 2014 were $0.19, up substantially from the $0.05 loss in the first quarter this year, but below the same quarter last year by $0.07 per share.

So, compared to last year's second quarter, $0.26 to the $0.19 this year, that change was driven by a $0.05 net decline related to our residential products, primarily related to production and efficiencies, pricing reduction, and increased raw material costs; a $0.04 decline from the industrial and infrastructure products segment, largely attributable to a less profitable mix on sales on lower volumes sold to the transportation infrastructure market, offset by a $0.02 improvement from lower compensation expenses at the corporate office.

Regarding the first six months results, the small revenue rise takes into account the unfavorable first quarter that was down 3%, affected largely by weather, and the first six months revenue was helped by double-digit volume growth in residential postal products, low-single-digit volume growth in sales of industrial products, again with partial offsets by unfavorable volume with residential roof-related accessories, and the transportation infrastructure market. Year-to-date adjusted operating income was the net result of similar factors, positive leverage from the sales volume, lowered by reduced pricing, raw material cost inflation, and inefficiencies, plus the less favorable product mix.

Adjusted EPS for the six months ended June 2014 were $0.14 per share, down substantially from the $0.30 that we had in the first six months of 2013. That change was -- and EPS was driven by a $0.14 decline related to our residential products, primarily related to the weak re-roofing activity throughout much of the US, plus production inefficiencies, pricing reductions and increased raw material costs. This net decline also included a $0.05 improvement coming from the higher sales volume of postal storage products.

We also had a $0.11 decline from the other segment, Industrial and Infrastructure Products, attributable to the less profitable mix on lower sales volumes to the transportation infrastructure market. But we also had a $0.09 improvement from lower compensation expenses and, to a lesser degree, a lower interest expense in 2014.

Next, I'd like to talk about each of our two reporting segments, starting with slide number 5, the Residential Products segment. This segment's second-quarter sales increased 6%, all from volume growth of our postal products. Postal storage products comprises approximately one-third of this segment's revenues, and this product category grew 20% compared to the second quarter of 2013.

The larger portion of this segment's revenues come from sales of roof-related accessories; ventilation and rain dispersion products, which experienced modestly lower volume, affected by slow residential remodeling and repair activity, as well as disappointing levels of new residential construction. The residential segment's second-quarter operating income was down to net effect of the positive leverage from the added volume, more than offset by the combined effects of raw material costs, pricing on selected products, and temporary higher costs on profit improvement actions.

As Brian mentioned, in the second quarter, we had instituted specific profit improvement actions. And those were, first, a Midwest manufacturing plant closure and moving its production to an affiliate plant, where we were challenged with recruiting reliable employees in a region of already high employment. Second, the elimination of a layer of distribution for a certain product category, which took longer to conclude. And third, an efficient ramp-up of production to fulfill the growing demand for postal products. Again, we were challenged with recruiting reliable skilled employees in the new location. The higher-than-planned costs for these three initiatives are temporary and largely born in the second quarter.

Now for the first six months performance. First-half revenues were up 2%, with postal products volume gains providing the segment's revenue rise, with a partial offset by the small decline in residential repair and remodeling activity. This segment's first-half adjusted operating margin was down, the net result of the same factors which shaped this segment's second-quarter profits.

Now I'll turn to slide 6, our Industrial Infrastructure Products segment. This segment's second-quarter sales increased 3%, in line with our expectations. The sales increase was net of an expected volume decline for transportation infrastructure products, while recording improving single-digit growth from industrial-related end markets. In 2Q 2014, the industrial markets experiencing volume growth were primarily energy-related, oil and gas production and transmission, chemical refining and processing, and power generation, where coal to natural gas conversions are occurring.

Steady gradual rising volume also came from discrete manufacturing customers in North America and Europe. The other principal end markets served by this segment is primarily the public transportation infrastructure market, where our products are critical components to bridges and elevated roadways. As we expected, this was another weak quarter of demand in this end market. Although federal appropriation and funding have now been approved by the House and Senate, it would extend federal funding temporarily for eight months more through May 2015.

So this industry continues to operate in an environment of funding uncertainty. With the previous two-year federal transportation bill scheduled to expire in September 30, projects with federal funding tend to be relatively shorter in duration and smaller in dollar amounts. And thus we entered the second quarter with a lower backlog of transportation projects as a result.

Although several state and local governments are raising funding on their own to partially fill the federal gap, the current temporary funding scenario is less than ideal. And as a result, we face continued headwinds for new and large size projects in this market through the balance of this year, with unfavorable comparisons to 2013. Nonetheless, we remain focused on capturing an increasing share of available bids and growing our infrastructure backlog.

Regarding operating income, the Industrial and Infrastructure Products segment's second-quarter adjusted results were down, the net effect of our less favorable product mix and raw material cost inflation, both of which offset the positive leverage from the added volume of industrial products. For the first half, revenues were unchanged, with industrial product volume gains offset by the decline in transportation, infrastructure and product revenue. In this segment's first half, adjusted margins were down, the net result of positive leverage, but also offset by the unfavorable mix, as it had proportionally less sales of our transportation infrastructure products.

Before turning to the next slide, I want to discuss lifting Gibraltar's profitability. As we just reported and explained, our second-quarter and first-half profitability were very disappointing. But we remain focused on reestablishing a higher level of profitability, and we believe we will report much higher profitability in the third quarter, as well as for the second-half of 2014 compared to the most recent six-month period ended June 2014.

Our expected profit lift will come from actions we can control, and without any meaningful improvement in current end market conditions. And our controllable actions include already-started profit improvement initiatives, three of which I described a few minutes ago.

With that, let's turn to slide number 7 entitled EPS Growth in 3Q, where I'll describe in more detail the actions and corresponding to profit improvements for the sequential profit rise from the second quarter. Moving left to right across the chart on slide 7, starting with the Residential Products segment, the three profit improvement initiatives carrying over from the second quarter are: the manufacturing plant closure and consolidation to an affiliate plant. Secondly, the elimination of a layer of channel distribution for a certain product category is concluded at this point. And third, the ramp-up of production rates to fulfill the growing demand for postal products.

The higher-than-planned costs for these three initiatives were largely born in the second quarter, and their completion during the third quarter plus newly enacted staffing adjustments will contribute $0.03 of improvement sequentially.

Next, in the Industrial Infrastructure Products segment, it begins the third quarter with lower-cost inventory plus lower fixed cost. And in July, it enacted staffing adjustments which, all combined, will yield $0.04 improvement in our sequential EPS. Next in the Residential Products segment, we have existing customer orders for sequentially higher volumes of postal products, with scheduled deliveries in the third quarter. And the leverage from those incremental shipments would add nearly $0.03 per share.

And lastly, within the Industrial Infrastructure Products segment, we expect lower volume than the second quarter. And therefore, a lower profit contribution, which could be $0.04 per share. So to summarize slide 7 -- on lower consolidated revenue, we expect sequential earnings to rise to an approximate midpoint of the range, $0.25 per share, compared to the $0.19 in the second quarter, largely from actions already set in motion.

Now to slide number 8 titled 3Q 2014 Preview. The third quarter is historically one of the two quarters each year with the highest order volume and revenues, as warm weather construction activity continues a seasonal peak. Our expectations for the quarter reflected on this slide incorporate the sequential profit improvement action that I highlighted on the preceding slide. The other sequential adjusted EPS will rise to a midpoint of the range, $0.25 for the third quarter. And the $0.25 will not match the third quarter 2013 EPS of $0.31.

So, why not matching last year's $0.31 when revenues increased 6%? The answers are: in both segments, we are absorbing cost inflation and selected pricing adjustments to maintain our share with key customers in submarkets, in the face of historically lower levels of demand and capacity utilization among competitors, the combined effects of which, for now, offset the leverage gain and volume increases, such as from our postal products.

Regarding future price realization and margin expansion, our businesses do continue to be focused on market opportunities where product and service value from us can yield improvements in margin. Additionally, I believe Frank's new leadership here at the Company, as it takes deeper root, will, particularly with its return-focused approach to our businesses, it will yield higher value over the future quarters.

I'll now discuss slide number 9 titled 2014 Financial Guidance, which resets and lowers the full-year guidance we previously issued on May 2. End market conditions thus far this year have been weaker than we expected, and our current assumption is for this to continue in the second half, particularly for residential repair and remodeling activity. We no longer expect to recover the first-half of 2014 revenue and earnings shortfalls. We now project end market conditions experienced in the first-half to continue for the balance of 2014, complemented by improved backlog in some key product categories, including postal products.

In residential products continued to grow from our revenue for higher demand for postal storage solutions. We'll be focused on the centralized mail delivery products, which is the most cost-effective and efficient and secure method for delivering mail and postal packages to customers. And demand for these products continues to grow.

And for consolidated revenues, we now expect that Gibraltar will deliver sales growth for this year between 3% and 4%. On the bottom line in light of our cost reduction, margin improvement initiatives, we expect to see modest margin expansion on full-year consolidated sales growth. With first-half 2014 adjusted EPS being $0.14, plus at second-half, adjusted EPS approximating $0.37 to $0.40, the full-year 2014 adjusted EPS would range between $0.50 and $0.55 comparing to the $0.69 we reported for last year.

And now Brian will conclude our prepared remarks.

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

Thank you, Ken. Before we open the call to your questions, let me offer a summary as outlined on slide number 10. We are taking a conservative view that the weakness in end markets we serve will continue. And therefore, as Ken cited, we no longer expect to recover the first-half 2014 shortfall compared with the prior-year period. We now project general demand in the second-half of the year to be comparable to demand levels experienced in the first-half of this year.

Based on our cost reduction initiatives, and continuing strong demand for postal and package products, adjusted earnings in the second-half of 2014 should be up significantly from the first-half, and be approximately equivalent to adjusted earnings for the second-half of 2013. Although the first and second quarters were weaker than anticipated, we believe the US housing market will continue its long-term recovery. The latest industry indices, such as the National Association of Homebuilders Housing Market Index, Harvard's leading indicator of remodeling activity, as well as the latest Census Bureau reports on housing, sales, and starts, all signal improvement from the first half, albeit not at the levels widely expected coming into the year.

Residential repair and remodeling activity remains uncertain. And therefore, we believe it's prudent to expect reroofing demand will be modestly unfavorable for full-year 2014, but slightly improved in the second half over the first half of 2014. Most importantly, we are continuing to see accelerating rates for our postal and parcel delivery products. We believe this is due both to customer programs, as well as the underlying trend towards centralized mail delivery, driven in large part by cost savings initiatives within postal authorities.

Our Florence manufacturing business is the recognized leader in this market. It has a long history of serving the US Postal Service and private owners of residential and commercial property, and converting single-point deliveries to centralized delivery. Leveraging its expertise in the design and manufacture of secure multi-compartment mail and package receptacles, Florence is continuing to develop new products to capitalize on this growing demand. These new products reduce mail delivery costs, enhance storage capacity, and provide greater convenience for both the end-user and the property owner.

In the Industrial and Infrastructure Products segment, demand remains more choppy and inconsistent. However, macros such as the ABI have improved since the spring, and other indicators such as the PMI are on an upward trend that suggests industrial demand will continue a gradual improvement. While transportation infrastructure will be unfavorable in the near-term, affected by federal funding issues, while the need to repair our nation's bridges remains very high, with over 25% of the nation's 600,000 bridges being classified as structurally deficient or functionally obsolete.

In addition, we are expecting to see a positive impact on our profitability in the second-half of this year and into 2015, based on the controllable actions that Ken described, plus increasing implementation of the business simplification and product profitability initiatives, which Frank will lead. In addition, the strength of our balance sheet positions us well to continue to seek out acquisitions, which will help improve our profitability and returns on capital.

We are continuing to find a strong deal flow that we are applying our strategic focus to, as we select which opportunities to pursue. We look forward to reporting further progress on our conference call next quarter. At this point, we'll open the call to any questions that any of you may have.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Ken Zener, KeyBanc Capital Markets.

Ken Zener - *KeyBanc Capital Markets - Analyst*

Frank, welcome.

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

Thank you.

Ken Zener - *KeyBanc Capital Markets - Analyst*

I'm going to focus mostly on residential here. And I appreciate the greater commentary on volume and price. So, in postal, it sounded like, Ken, I think you said postal was up 20%, yet you commented on 7% volume. If you could just affirm that the rest would be price mix there. And then in roofing, I guess the volumes were kind of down 1% or 2%. Could you please talk about how much your volumes compare to what you saw at point-of-sale at your customers? So did they draw down inventory and you actually had better growth there? Thank you.

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

Well, if I remember all of the parts of your question, Ken, let me start to answer them. And then if I have left any answers off, let me know. The predominant increase in postal products growth of 20% was virtually all volume. The figure of [$0.07] -- I'm looking through my notes; I'm not sure where that came, although we did have $0.07 per share, the difference between the quarters. But the postal products increase was all volume-driven.

And the other portion of your questions dealt with POS sales. And those were unfavorable across -- if I aggregated the major DIY partners that we sell to, those are unfavorable in our product categories.

Ken Zener - *KeyBanc Capital Markets - Analyst*

Okay. So not an inventory drawdown. And then your guidance, that I appreciate how you broke out the 3Q preview on slide 8 -- given your guidance, it seems that in the fourth quarter implied margins are actually moving to an up year-over-year position versus the down year-over-year we are seeing in your 3Q guidance. Is that an accurate interpretation of your guidance and --?

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

Yes. Yes, it is, Ken.

Ken Zener - *KeyBanc Capital Markets - Analyst*

Okay. I mean, what is your corporate expense line that you are looking for, for the dollars, just --?

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

Well, for the full-year, I'm expecting it's going to be in the $15 million range.

Ken Zener - *KeyBanc Capital Markets - Analyst*

And do you have a breakout? Is it going to be kind of similar in each 3Q and 4Q? Is there more of a weighting?

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

No, no. It's fairly equivalent. And that $15 million for the year equates to last year's 2013 of a little over $20 million. So we've had a notable reduction in that category this year.

Ken Zener - *KeyBanc Capital Markets - Analyst*

Thank you very much.

Operator

(Operator Instructions) Seth Yeager, Jefferies.

Seth Yeager - *Jefferies & Company - Analyst*

On the roofing impact, just to -- and I apologize if it was just mentioned -- that was 1% to 2% that you saw down during the quarter? And how does demand look subsequent to that? Maybe as a follow-up, Owens Corning and yourselves and a number of guys have come onto a slowdown in reroofing activity, which has historically been pretty stable. Any thoughts on just what's driving that trend year-to-date? Is it storm activity or just overall thoughts there maybe?

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

Yes. The reroofing industry has been fairly stable over the years, although in 2013, it was a lower year than 2012, which led to a lot of optimism coming into 2014 that it would be a stronger year than 2013. Unfortunately, as you've stated, other companies who are heavily involved in the roofing industry have come out and said that that higher level of demand and expectation has not been materialized.

I think part of it is due to storm-related issues and that storm activity has not been as intense. And also, consumers are trying to wait as long as they possibly can before doing major repairs to a home. If the roof isn't leaking, basically they are putting off repairing it as long as they possibly can. As I think -- and those are the two big reasons that the demand expectation levels have not -- or have exceeded the actual demand. (multiple speakers) But at some point in time, roofs wear out. And it's never going to go away. So, it's, I think, to a large extent, it's a matter of timing.

Seth Yeager - *Jefferies & Company - Analyst*

Right. Now are you guys having issues with the channel being -- with some of the optimism coming into the year, really loading up on inventories of your products? Is that as much of an issue as it is on the shingles side for you guys?

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

Not so much this year. Last year, we did see a first-quarter ramp-up of inventory build by many of our distributor customers, and even some of the retail customers, that that did not happen this year. And as the bad weather continued through the first quarter and into the second quarter, we have not seen a restocking or a raise in the level of inventories that our major customers are having. So we haven't benefited from that this year.

Seth Yeager - *Jefferies & Company - Analyst*

Okay. All right, thank you. And then just on raw materials, I don't believe you -- the guidance for 3Q is very helpful, but I don't think you netted out margin compression from raw materials that you mentioned out of the cost savings. Can you maybe just talk about trends and steel prices going into the second-half?

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

Well, for steel prices, we expect them to stay where they are today, what we had in the second quarter, which for us is around $680 a ton. And while there's some reason to believe that demand could pull that downwards, we are not expecting that improvement in cost to develop. So we've not forecasted the improvement or easing of raw material costs in our third-quarter guidance.

Seth Yeager - *Jefferies & Company - Analyst*

Okay. And then just last one for me. Your guidance implies about $25 million of free cash flow. Just by my calcs, it's about a $40 million second-half swing. When we look at working capital, do you expect to end the year with that as a meaningful source or use of cash for you guys? Thank you.

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

Oh, this fourth-quarter will be a larger use or a less of a source, whichever way you want to define it, than prior years, because we are expecting higher revenues in the fourth quarter, as we fulfill current orders for -- in backlog for postal products. So we have a continued secular revenue growth for that product category. That's going to raise our -- I think our receivables in the fourth quarter. So while the overall capital will be a source in the fourth quarter, just not to the degree it was, say, in the last couple years.

Seth Yeager - *Jefferies & Company - Analyst*

Okay. Great. Good luck. Thanks a lot, guys.

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

Thank you, Seth.

Operator

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

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

Thank you all for joining us on our call today. We look forward to speaking with you about our third-quarter 2014 earnings results on October 28th. And we look forward to talking to you at that point in time. Thank you.

Operator

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