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ROCK.OQ - Gibraltar Industries Inc, Sunfig, TerraSmart LLC Solar Energy Acquisitions Conference Call

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PRESENTATION

Operator

Greetings, and welcome to Gibraltar Industries Solar Energy Acquisition's Conference Call. (Operator Instructions)

Please note, this conference is being recorded. I will now turn the conference over to Carolyn Capaccio, Senior Vice President of LHA. Thank you. You may begin.

Carolyn M. Capaccio - LHA Investor Relations - SVP

Thank you. Good morning, everyone, and thank you for joining us today on short notice. With me on the call is Bill Bosway, Gibraltar Industries' President and Chief Executive Officer; and Tim Murphy, Gibraltar's Chief Financial Officer.

The 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 Investor Info section of the company's website, gibraltar1.com.

As noted on Slide 2 of the presentation, the press release and slide presentation contain forward-looking statements with respect to future financial results, these statements are not guarantees of future performance, and the company's actual results may differ materially from the anticipated events, performance or results expressed or implied by these forward-looking statements.

Gibraltar advises you to read the risk factors detailed in its SEC filings, which can also be accessed through the company's website.

Additionally, Gibraltar's press release and remarks contain non-GAAP financial measures.

Now I will turn the call over to Bill Bosway. Bill?

William T. Bosway - Gibraltar Industries, Inc. - President, CEO & Director

Good morning, everybody, and thank you for joining us this morning. We announced 2 important investments, the acquisitions of Sunfig and TerraSmart. They really help us expand our presence in the solar energy market, really accelerates our vision and ability to make solar energy readily available everywhere and improves the growth and margin profile of Gibraltar.

Today, we're going to review a number of slides, summarizing our solar energy strategy and how both Sunfig and TerraSmart fit into our plans.

As Carolyn said, if you're unable to view our slides, right now, or at this time, you can also find them on our website. But let's start with Slide 3. I just want to revisit our core pillars. We do remain very focused on our 3 core pillars: our business system; optimizing our portfolio; and making sure we build the best organization to deliver our plans.

And today's announcement represents another step in optimizing our portfolio as we continue to move into faster-growing and more profitable markets as well.

These 2 investments further expand our leadership position in overall relevance in the solar market, which puts us in a better position to make solar energy more viable for many communities and also helps us shape the future of the market.

We're also excited to have 2 very talented teams joined Gibraltar, which is important, as we continue to scale our organization to support the fast-growing solar market.

Let's move on to Slide 4. Really just talk about our -- how we built our leadership in relevance in this space. We entered the solar energy market in 2015 with the acquisition of RBI Solar, really establishing our presence as a turnkey solutions provider of pile-driven, ground-mount solar racking technology for fixed tilt arrays, serving mainly the community and commercial and industrial market segments.

These 2 segments are really focused on small or medium-sized solar field projects, typically between 1 megawatt and up to 25-megawatt installations. We then added Solar Bos' electrical balance and systems capabilities in 2018. And then we have grown our solar platform at a compounded annual growth rate faster than markets since 2015.

So Sunfig and TerraSmart are important additions to this existing solar energy portfolio. As we continue to broaden our technology and services and start to scale the business. Sunfig is a provider of upstream design, performance and financial modeling software solutions, really to help customers optimize solar energy investments and increase project returns.

And TerraSmart is a turnkey solutions provider of screw-based ground-mount racking technology, supporting both fixed tilt and single-axis tracker systems as well as in-house design, project management, construction and installation services, and they serve the community, the commercial and industrial and utility solar markets.

On a pro forma basis, the combination of RBI Solar, Solar Bos, TerraSmart and SunFig will generate approximately \$400 million in revenue in 2020.

So we're going to focus most of our discussion today on TerraSmart, given the size of the transaction, but we'll also illustrate how Sunfig fits into our solar energy solutions suite. So let's turn to Slide 5 to first review the TerraSmart transaction.

So on December 31, last Thursday, Gibraltar paid \$220 million for TerraSmart, subject to working capital adjustments, using a draw of \$85 million on our revolving credit facility, the assumption of \$600,000 of debt, with the remainder from cash on hand. There are no earn-outs as part of the transaction. This purchase price represents a multiple of between 7.9 and 8.5x projected 2020 adjusted EBITDA.

We expect the transaction to be immediately accretive to earnings and on a pro forma basis for 2020, add \$150 million to \$155 million of revenue and \$26 million to \$28 million of EBITDA.

The combination of RBI Solar and TerraSmart will accelerate the scaling of our solar platform. And it will also generate synergy savings, mainly across procurement, field operations and business systems. The addition of TerraSmart along with Sunfig also creates a foundation for future recurring revenue streams from intelligent software solutions.

On a pro forma post-transaction leverage ratio -- I'm sorry, our pro forma post-transaction leverage ratio is estimated to be less than 0.5x. And we expect to fully repay the revolver within 12 months using cash generated from operations.

Let's move to Slide 6. And I want to talk a little bit about the key strategic benefits of these 2 transactions. And really, TerraSmart and Sunfig support 4 initiatives for us in this space: #1, they both help us really strengthen the scale Gibraltar's position in the \$4.7 billion domestic solar market, which we see growing at an annual rate of 10% to 15%; secondly, they help us create the best portfolio of racking system and foundation technology infrastructure as well as electrical balance of systems and design software solutions; third, they support our vision to accelerate making solar energy readily available everywhere; and fourth, really enhance our revenue growth and margin profile, as we build our leadership in a fast-growing and profitable market.

Let's move to Slide 7 and to review the TerraSmart business. So TerraSmart was founded in 2010, and currently has 260 employees with field service facilities in Las Vegas, Nevada, in Selkirk, New York and manufactured in Columbus, Ohio.

TerraSmart is the industry leader of screw-based ground-mount racking technology and its GLIDE screw technology is the best solution in the industry, particularly for challenging solar installations where you have rocky terrain, underlying grades and tough soil conditions.

In fact, without TerraSmart's GLIDE screw technology, it's virtually impossible to install solar sites on difficult terrain using traditional pile-driven mounting systems.

And this is important as much of the U.S. population resides in parts of the U.S., where the terrain is very challenging. Yet demand for solar energy continues to increase.

TerraSmart's offering also includes tracker technology, the TerraTrak, a 2-panel single-axis self powered intelligence solution with integrated automation, electronics and software.

The TerraTrak along with our existing sunflower technology creates the broadest portfolio of tracker technology available in the market, capable of supporting any tracker installation.

And lastly, TerraSmart also provides turnkey solutions, full-service in-house design, project management, construction, installation services and when integrated with RBI Solar creates the clear industry leader in turnkey solutions, which are really critical in supporting community and commercial and industrial solar energy installations.

TerraSmart has installed more than 3.2 gigawatt of solar power generation capacity with a broad base of customers across more than 740 installations in every region in the U.S.

Now let's move to Slide 8. I just want to share with you a couple of the solar projects that TerraSmart has installed. The 3 installations shown here represent from left to right, different size and scale installations.

The first one on left, a very large utility-scale project. One in the middle is more of a commercial industrial, medium-sized. And the one on the right, is really a smaller-sized community project.

And this really reflects TerraSmart's ability to support all sizes of projects across the U.S. You can also see there's some unique terrains in each of these 3 examples.

The one on left, it's installation in the desert. The one in the middle is actually installation over rolling hills on a retired golf course. And the one on the right is really a rocky terrain, where you have, obviously, undulating grade as well. So those are the 3 types of projects that you can see.

Okay. Let's move on now to Slide 9. I want to talk about the Sunfig offering. On December 11, 2020, Gibraltar paid \$3.75 million in cash for Sunfig, a provider of upstream design, performance and financial modeling software solutions.

Sunfig was started in 2017 and really focuses on services in 3 areas. First, design optimization, really through the Sunfig Instant Feasibility Tool called SIFT, which is a web-based software solution that optimizes solar project design for the maximum financial return in real-time using data and analytics.

Secondly, development services that analyze and optimize increasingly complex contract and project requirements. As an example, Sunfig's software enables customers to analyze with speed and accuracy 10,000-plus project configurations for a given project site compared to the traditional industry norm between 5 and 50 configurations, Sunfig really creates a much more value-add experience for developers and investors.

And thirdly, API integration directly into existing software tools and processes for customers. APIs include automated layout for ground mount and commercial rooftops, DC and AC coupled storage modeling, performance and financial modeling and topography analysis.

The other decision-making process for solar energy investments has historically been complicated, slow and frankly, cumbersome as each solar site is unique.

Sunfig has developed a set of intelligent software tools built on effective data collection, and analytics that bring speed, accuracy and efficiency, upfront, in the overall planning process.

Now our commercial team will have the Sunfig suite of software tools to help customers select the best solar solutions for their respective needs and hopefully, create a differentiated, more valuable engagement process at the same time.

So let's move to Slide 10 and discuss the U.S. solar market. So the U.S. solar market in 2020 is estimated to be \$14.3 billion, and it's made up of 9 products and services categories, supporting all 3 solar segments, community solar, commercial and industrial solar and utility solar.

Of the 9 products and services categories, Gibraltar is really focused on participating before. And we'll refer to these 4 as our addressable market. So the racking mounting systems and foundation technologies, there's electrical balance of systems, often times referred as eBos, design software and operations and maintenance services.

In 2020, these 4 segments are estimated to represent a market of \$4.7 billion, which is expected to grow at a compounded annual growth rate of 10% to 15% increase in the market to \$8.6 billion by 2025. Now we remain very excited about the solar energy market, and there are really strong fundamentals supporting the ongoing development and growth in 4 areas.

One, there continues to be a really good momentum across the U.S. and throughout the world for more environmentally friendly energy production and solar energy continues to be the fastest-growing renewable energy solution.

Secondly, the performance liability and cost of solar energy production is fast approaching fossil fuel energy production and the continuous innovation in next-generation products and services will further accelerate the benefits of solar.

Three, the financial returns on solar energy continue to improve, as the market continues to scale and becomes more efficient.

And finally, the government investment tax credit

program is expected to continue.

Currently, investors in community, commercial and industrial and utility solar energy projects are eligible for a 26% investment tax credit. Now the 26% benefit was scheduled to be lower than 22% at the end of 2020. But recently, the government approved maintaining 26% through the end of 2022 before reducing that benefit to 22% in 2023, regardless of 10% ITC benefit will remain in place after 2023. And at this time, there is no defined into the ITC program. So a good market.

Let's move to Slide 11, and I want to share with you now how we believe, we can address a broader set of market and customer needs. So the first thing to understand about the U.S. solar market is that every solar project is unique and does require a specific solution. Now the uniqueness challenge is driven by a number of variables, differences in topography, terrain, soil conditions, weather patterns, exposure to the sun, axis to the grid, local state and federal regulations and combinations thereof.

As an example, the benefits of installing a fixed tilt racking system or a tracker racking system depends on which area of the country the investment will be made.

The color code of U.S. map on the left side of this slide illustrates the cost benefit attractiveness for each racking option for each region. As well, when we factor in site-specific variables, the foundations for racking systems, whether fixed tilt, tracker or canopy racking can be either pile driven or screw-based technology. This is illustrated on the right side of the slide.

So given solar energy is expanding into every region in the U.S. and each project has a unique set of variables associated with it, it's important, really important, we have the best and broadest portfolio of the key technologies and service to help customers have success with each of their solar investments.

So let's now turn to Slide 12 and take a look at our solar portfolio, which I believe truly is the best in the market. So reading left to right, our offering is focused on delivering the best solution set in 4 areas: project development; infrastructure, including racking, mounting solutions, foundation technologies and electrical balance of systems; installation, and then O&M services.

So let's start with project development. As mentioned earlier, the Sunfig software suite will provide faster and more accurate decision-making support for our customers using data, analytics, and financial modeling, really earlier in the project development and planning process.

We will also bring needed processing speed, iterative design capability and solution development to help solve complex investment scenarios and also help select the best technologies and services. Our infrastructure suite of technologies is really the most comprehensive in the industry and can support any scope of solar project in the market.

So our racking system technologies include fixed tilt, which positions solar panels in both portrait and landscape, tracker technology, both single panel and 2-panel systems and canopy systems.

And our foundation technologies include both pile driven and screw based. What makes our infrastructure suite special and differentiates us from the rest of the market, is our ability to design, interchange and combine our various racking system and foundation technologies.

This capability is critical, given the uniqueness associated with each solar installation. And adding to this solution set is our electrical balance of systems capabilities, again, a differentiated part of our offering, relative to the rest of the industry.

RBI Solar and TerraSmart have historically provided turnkey project management installation services. Really a necessary offering when supporting community and commercial and industrial solar segment. A combination and integration of these 2 engines will help us scale at a faster rate and do it more effectively.

And finally, O&M services. Our newest area of focus and one where we are just starting. There are a couple of key dynamics in flight that kind of make this area of interest for us.

First, the solar -- as the solar market matures, developer and consumer expectations for consistent performance and reliability will rise, which means the installed base of solar infrastructure must be well maintained, especially as it ages.

Secondly, ongoing innovation is creating next-generation technology for both new and existing solar installations, and this will create new services opportunities in the market as well.

Today, we are focused on tracker management as TerraSmart, through its TerraTrak technology brings this capability to us. We will integrate the same capability into our existing tracker technology Sunflower in the near future as well.

Our next priority is developing remote management and asset management capability. And to do this well, we still need to broaden our solar energy production domain knowledge in a couple of key areas.

So I'll stop there. Now I'll turn the call over to Tim and let him discuss the long-term outlook of our Solar Energy business. Tim?

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

Thanks, Bill, and good morning, everyone. I'd just like to point out that the inclusion of TerraSmart and to a lesser degree, Sunfig, brings the renewable energy and conservation segment to approximately 45% of Gibraltar's total consolidated 2020 revenue on a pro forma basis.

This slide shows a historical pro forma and anticipated progression of our Solar Energy business, which sits in the Renewable Energy and Conservation segment.

And on a pro forma basis for 2020, Solar Energy business has a revenue run rate of roughly \$400 million with adjusted operating income margins in excess of 12%. And over the next 5 years, we expect this business to continue to grow at a significant pace and expand its profitability, driven by the backdrop of expected annual market growth rate in the range of 10% to 15%, Gibraltar's increasing participation in community and utility solar to the broadest industry offering available, an opportunity to establish and accelerate a contribution from recurring revenue through remote field management and optimization services that Bill just discussed, continued focus on innovation and intellectual property development for products and services.

And as Bill noted previously, the integration of this acquisition and our existing Solar business is expected to generate both cost savings, as we optimize our combined operations, and the ability to scale to profitably manage expected growth. Bill?

William T. Bosway - *Gibraltar Industries, Inc. - President, CEO & Director*

Thanks, Tim. So let's move to Slide 14. I just -- to close our discussion today, and we've thrown a lot at you. I just want to reiterate the benefits of us building out our solar platform.

Really, the combination of RBI Solar, Solar Bos, TerraSmart and Sunfig, really strengthen and scale our position in what I think to be a very attractive, fast-growing market.

We've created the broadest technology in turnkey solutions, services portfolio to support the solar industry going forward. I think this really accelerates and further enables our vision of bringing thought leadership and environmentally responsible and cost-effective solar energy production to consumers.

And finally, I really believe we're enhancing our revenue growth and margin profile as we increase our participation in higher value, faster-growing markets.

So we threw a lot at you today. I just want to thank you for participating in our call and listening a bit to our story. And at this stage, we're happy to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Our first question is from Daniel Moore with CJS Securities.

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

Start with a little bit more financial detail. You gave a lot of detail on the strategy and the strategic rationale. But TerraSmart, in particular, what's their revenue CAGR look like over the last 3 to 5 years?

And margin profile, obviously, very attractive at 17%. What -- just talk about that in contrast to your own RBI's margin profile?

And what types of margins do you see as achievable over the next 3 to 5 years during that revenue projection time frame that you gave?

William T. Bosway - Gibraltar Industries, Inc. - President, CEO & Director

Yes. So Dan, if you look over the last really 5 years, TerraSmart had a good experience on the top and bottom line and as solar has become more and more propelled in various parts of the country where there's more challenging terrain is kind of I mentioned, it's really propelled them well.

And they've had, I'd say, very, very strong growth rates, stronger than ours. So we've been in the high double-digit growth rates. As I mentioned earlier, as into market since we got into the industry.

2015 and we've been, I think, in that 18%, 19% range per year and TerraSmart's been north of that. Really, the last 3 or 4 years have had really good success as you've seen in solar expand in parts of the country where it's just more challenging types of terrain and their technology fits very well. So that's one of the reasons for bringing them on board.

Yes, I think the margin profile, collectively going forward, is going to -- I think, as we've discussed, land us, our target is to get to 15% and then build off of that over time.

And we're pretty confident we can get there. And it's really a combination of scaling appropriately to keep up with the marketplace and hopefully, grow faster than the market and really combining some of our strengths in areas where we think are really meaningful on both the top and bottom line.

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

Fair to assume there, TerraSmart's backlog has been growing, if not the growth, the overall level, it's kind of similar to what you've experienced over the last couple of quarters as well?

William T. Bosway - Gibraltar Industries, Inc. - President, CEO & Director

Yes. I would suggest they're at record backlogs. And as we discussed in our last earnings release, we were at record backlog. So we see, again, a very vibrant demand continuing in both businesses. And I would say the experience have been very similar for both groups.

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

Very helpful. And I guess the pro forma 8x plus or minus the acquisition multiple clearly seems very attractive. Just wondering if it was a -- maybe more detail about the process?

And were there any other -- any factors that maybe made them a little bit more of a winning seller -- a willing seller?

William T. Bosway - *Gibraltar Industries, Inc. - President, CEO & Director*

Yes. Well, we've always talked about our approach, which is trying to -- as we build relevance in an industry, and this sounds a little bit motherhood and apple pie, but I think there's a fit element here that's really important to us.

And the owners of TerraSmart, we've known for quite a while, our RBI Solar team, and they have known each other for over a decade. And one, they're just great people. It's a really good organization. And I think it's one that sees a great fit with us. And I think part of selling is making sure that you land in a spot that you can continue to realize your vision.

And continue to grow the business. And the leadership teams are staying together, and they're coming together as one team.

So as I've told you in the past and others, we don't like to buy companies where the leadership team is exiting. And so in this case, the team is staying together, and that's awesome for us. But we're really combining, I think, really 2 solid teams that had a similar vision.

And I think that was important to TerraSmart in terms of selling. So it's a good fit. And we have very common objectives, and we're pretty fired up about, collectively, where to take the business and what we're trying to accomplish, not just top and bottom line, but what we're trying to do with solar becoming a more important part of energy production in the U.S. and down the road and around the world as well.

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

Perfect. And last for me, and I'll jump out. The 2020 results that you described for TerraSmart. Any COVID-related impact, good or bad in those numbers? #1 and #2, any meaningful cost synergies. I know the team is staying intact. So anything to speak of from a synergy perspective?

William T. Bosway - *Gibraltar Industries, Inc. - President, CEO & Director*

Yes. On the COVID side of things, I think they had a very similar experience to us. We had stops and starts, and it's a business that requires you to be in the field, and we both have turnkey offerings as part of serving community in commercial and industrial.

And they do more -- they do some utility work as well, but I would say nothing extraordinary or out of the norm that we have seen in COVID.

So we've been able to weather that storm relatively well. So have they. On the synergy side, as I mentioned, really kind of 3 buckets that you'll see there. Our focus right now, frankly, is how do we combine the organization so we can support the growth in a more effective way and scale up in a quicker way.

We will have some synergies, particularly around procurement, buying steel and processing some in-sourcing opportunities, et cetera. And it's -- I wouldn't say it's a gigantic number by any means, but it will be very helpful as we continue to improve the margin profile of the business.

But it's really to -- this isn't one of those scenarios, Dan, where we're buying 2 companies and crunching it and taking out a bunch of resources. It's actually buying 2 companies, combining processes and hopefully, give us a better chance to support pretty fast growth and leverage the competencies accordingly, and then we'll pick up some synergies associated with, as I said earlier, procurement, in particular, business systems where we combine and integrate around 1 system versus 2, those are things like CRMs, et cetera. So that's how I'd characterize that.

Operator

(Operator Instructions)

Our next question is from Walter Liptak with Seaport Global.

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

Congratulations.

William T. Bosway - *Gibraltar Industries, Inc. - President, CEO & Director*

Walt, thanks. Happy New Year, Walt.

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

Some view. I wonder if you could help us with the 2021 view. I guess off that \$400 million base, where do you think that the revenue could go for 2021 based on current backlogs and your own internal forecast?

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

Yes, Walt, we have not yet provided any guidance for 2021. So I think the best I can point you to is on Slide 13, where we we indicated, we think that over the 5 years, we'll add about \$300 million of revenue in this segment organically.

So reasonable expectation would be to take the first fifth of that. I think that math is -- it's somewhere between that 10% and 15% growth rate. I think it's just -- I think it's right around 12% is what we modeled in.

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

Okay. Okay. I guess, maybe looking at that 10% to 15% CAGR. Given the current environment for solar, you think that it will be pretty consistent at that 10% to 15% range? Or do you think you have a faster growth rate in the early years? And then as the market matures, towards the lower end. How do you see that 10% to 15% working out? I'm sure it's not going to be a straight line for the next 5 years?

William T. Bosway - *Gibraltar Industries, Inc. - President, CEO & Director*

Yes. So we've modeled it as a straight line, well, just because there's a lot of things in flight right now. That we get a lot of questions around, well, what the administration going to do and you can already see there's a push more towards supporting solar to go faster.

So I don't think in the 5-year planning period, we're showing here today that there's going to be a trail off necessarily. Even with the ITC benefits coming down a little bit, they've been extended 2 years. So I think we're going to have -- continue to have great support there.

And there's a lot of innovation going on right now in solar that's going to make it even more attractive, as we go forward. And so just a lot of good fundamentals in the marketplace.

So I think it's going to be pretty solid growth, well, we have -- could it be higher as a market share? It may be. I would not anticipate it falling down below 10% in the planning period, at least the way we see it today, and I think it will have inherent fundamental support going forward over the next 5 years to make that happen.

So of course, our hope is that the market grows really well. And of course, our intention is to grow faster than market. So we'll keep fighting a good fight and hopefully, be able to maintain those kind of growth rates for the next 5 years.

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

Okay. Yes, certainly, it's a good growth rate. I wonder, part of your success has been the 80/20 process. And I wonder if you plan on implementing or going through a key chain of 80/20 with TerraSmart?

William T. Bosway - *Gibraltar Industries, Inc. - President, CEO & Director*

Yes. Absolutely. Great question. It's kind of foundational to our business system. And when I talk about synergies, as I referenced earlier, those kind of right in the middle of 80/20 for us. So you think about supply chain, you think about business systems, that's kind of gets at the bulk of where we spend a lot of our time on 80/20. So yes, the answer to that is yes.

Everything that we've been implementing with any of our acquisitions to date, we'll do the same with TerraSmart. And as I mentioned earlier, the other thing to think about in this regard, Walt, is we've got to get -- make sure, as we integrate these businesses that we're selecting the best processes so we can grow off of.

So growing at 10%, 15-plus percent in and of itself is a great challenge. So how do we do that in the most effective way to drive a margin performance associated with it? That's where a lot of our focus is going to be the next year or 2, is making sure we build that capability out.

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

That sounds great. Okay. And then maybe a last one for me is realizing, it's early, but have you had an estimate on goodwill and intangibles yet had related to the deal?

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

Yes. I don't have the model in front of me, Walt. But I will tell you that our amortization, depreciation is probably around \$6 million.

So obviously, not all of the goodwill and intangibles get amortized. But it's not super asset heavy, right? None of our businesses are. So there'll be significant portion.

Operator

Our next question is from Julio Romero with Sidoti & Company.

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

So congrats on the deal. I'm not sure if you covered this, but I was looking at Slide 11 and the geographic breakout of both RBI Solar and TerraSmart.

Did you call out any customer overlap or any kind of cannibalization of customers on either side?

William T. Bosway - Gibraltar Industries, Inc. - President, CEO & Director

No. And part of the reason is we have -- and going through our diligence process, I think of our -- collectively, we had somewhere between 60 and 70 customers that we have been dealing with, and there were 2 that we've had some overlap with.

So it really is kind of a 1 plus 1 equals 3 kind of thing, as we're broadening our customer base in the same process. So it's a good fit from that perspective as well.

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

Got it. And I know the previous question was on kind of early estimate for goodwill and amortization. But any thoughts on incremental CapEx run rate with TerasSmart?

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

I know that we...

William T. Bosway - Gibraltar Industries, Inc. - President, CEO & Director

Go ahead, Tim.

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

Yes, I was going to say, I know just because of the growth and the installation, and we see this in our Solar business, too. There's just equipment in the field that you need to scale for the growth.

So I'd expect them to be, I don't know, if we spent \$8 million to \$10 million next year -- this year, actually, 2021 in Capex, that probably allows us to bring some manufacturing in-house, if we choose to, and to make sure we can meet our customers' needs in the field. I wouldn't be surprised if it's not in that range. And then dropping down to more normalized, as we catch up with the growth.

Operator

And we now have a follow-up question from Dan Moore with CJS Securities.

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

Just on capital allocation going forward, are there other TerraSmarts out there, similar size opportunities in the renewable side? Or would you expect further capital deployment to perhaps be more out -- more on the conservation side as we think about 2021.

William T. Bosway - Gibraltar Industries, Inc. - President, CEO & Director

I would suggest that there is more opportunity in the solar energy space for us. The timing of when that happens, I'm not sure when that will be, whether it's 2021 or early 2022. It really depends on when -- how things evolve.

But yes, there's more work for us to do, and there's more opportunity for us on that side of things.

It doesn't mean that we don't have other opportunities in processing or growing in processing. But to your question, yes, there are more opportunities in solar as well.

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

Got it. And then the last one, we spent a lot of time on TerraSmart, given the size, obviously, the financial impact, but Sunfig, I guess, maybe just another couple of seconds. Where do they fit in the decision-making process for your existing targeted customer base?

Is this something that you would -- is likely to enable you to grow share or kind of an add-on service? Just a little -- any more detail there would be really helpful.

William T. Bosway - *Gibraltar Industries, Inc. - President, CEO & Director*

Yes. So you think about -- early in the process of deciding where -- they get a decision on the solar investment. There's a lot -- it is a very complex process and for a lot of reasons. And it goes back to a little bit of this uniqueness around where you're going to put it?

And is there a set of economics that make sense for you as an investor to do that or a developer. Yes, so the way it's been done in the past, as you go through and try to configure a couple of different scenarios. You look at -- gather as much of that as you can. And it's been more of a -- I mean there's software that's out there, that's been out there. It's just been a little bit -- I won't say, cumbersome, but it's probably not as thorough in helping you make those decisions.

We've known Sunfig for some -- the last 3 years. We worked with them directly on being part of this development of their SIFT initiative, which is really a cool web-based software program.

But it really does now bring the ability to efficiently collect all the data input that you need around a location, iterate through in a very expedient way and give you a number of configurations to consider and do it very quickly.

And where you win or lose in these investments, oftentimes is decisions you make upfront in the process. And what we're trying to help customers avoid, is making any potential mistakes or making sure that they don't miss any key assumptions or making sure that all the variables that they need to be thinking about, they have thought about and bringing that to them early in the process is a really important, I think, service that our commercial team can help them with.

So what it's going to do for us, I think, is help us win more projects.

There is a software suite that we can also sell to developers, and there will be a little bit of revenue that will come from that. But really, what we're trying to do is create a different experience for our customers. And just engage them in a way, and hopefully, that translates into more top line opportunity and bottom line opportunity on the projects themselves that they decide to move forward with. And hopefully, we win more and more of those.

Operator

We have reached the end of our question-and-answer session. I would like to turn the conference back over to Mr. Bosway for closing remarks.

William T. Bosway - Gibraltar Industries, Inc. - President, CEO & Director

Well, again, thank you, everybody, for participating today and listening to the story. We did share a lot with you today, and I know we'll do a number of follow-up calls with folks, add more discussion. But we're going to wish everybody a very prosperous 2021, and I hope everyone stays safe and healthy and looking forward to seeing you in the future. So take care, and have a great day and a great week. Thank you.

Operator

Thank you. This does conclude today's conference. You may disconnect your lines at this time. And thank you for your participation.

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