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PRESENTATION

Operator

Greetings, and welcome to Gibraltar Industries Fourth Quarter 2019 Earnings Call. (Operator Instructions) Please note this conference is being recorded.

I would now like to 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, operator. Good morning, everyone, and thank you for joining us today. With me on the call is Bill Bosway, Gibraltar Industries 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 Investor Information section of the company's website, gibraltar1.com. As noted on Slide 2 of the presentation, the earnings press 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 earnings press release and remarks contain non-GAAP financial measures. Reconciliations of GAAP to adjusted financial measures have been appended to the earnings release and slides.

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

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

Thanks, Carolyn. Good morning, everybody, and thank you for joining the call this morning. Let me begin with sharing highlights of the quarter, and then we'll have Tim review our overall financial results as well as results from each of our business segments. And then after Tim's review, I'd like to take a few minutes and just preview some initial thoughts regarding our go-forward strategy, which we'll do an in-depth review of our strategy at our Investor Day on March 18 in New York City, and I hope all of you will be able to join us, then I'll finish up with our 2020 guidance and then we'll open the call for your questions.

So let's start with Slide 3. Our fourth quarter results reflected our momentum from the third quarter. We continue to execute our growth and margin plan and delivered solid operating financial results. We finished the fourth quarter consistent with our expectations, with revenue growing just over 7% to $258 million, of which 5.3% of that was generated organically. The remaining 1.8% was generated from our Renewable Energy & Conservation segments, acquisition of Apeks Supercritical, which is our first strategic investment into extraction processing, and we completed that in the third quarter.

You know as well, we delivered solid earnings and cash performance with our GAAP EPS up 10%, adjusted EPS up 32%, and cash from operations of $57 million. Our results reflect more consistent operating performance, better productivity across our operations and supply chain with some obvious solid volume leverage and continued focus on our working capital management performance. We also benefited from market business and product mix during the quarter, and our backlog continued to strengthen in the quarter, up 35% to $218 million as we expanded our participation in renewable energy and conservation as well as infrastructure and residential end markets.

For the year, we delivered solid results as well. Revenue grew 4.5%, of which 2.8% was organic, GAAP EPS grew 2%, adjusted EPS grew 21%, and cash flow from operations grew 33%. So it was a solid year for us. I'm proud of our team for the performance that we delivered in 2019. I'd say we all know we have a lot of work yet to do, but I have confidence with our momentum and that will continue as we enter into 2020.

So now I'll turn the call back over to Tim for a review of the results of each of our segments.

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

Thank you, Bill, and good morning, everyone. Let's move to Slide 4 in the presentation entitled Consolidated Financial Performance. Consolidated revenue increased 7.1%, above the midpoint of our guidance range as Renewable Energy & Conservation segment revenues continued to accelerate, while Industrial & Infrastructure and our Residential Products segment revenues were down slightly. Of the 7.1% increase in revenue, 5.3% was driven by organic growth and 1.8% was driven by our third quarter 2019 acquisition of Apeks Supercritical. As Bill noted, backlog at quarter end was $218 million, up 35% from the prior year, driven primarily by our Renewable Energy & Conservation business. Consolidated GAAP operating rating income was up 4.3% and adjusted operating income increased 25.1% in the fourth quarter. Fourth quarter 2019 operating income include a $3.2 million charge related to our decision during the quarter to exit a multiemployer pension plan at one plant in the Industrial business, a plan that was significantly underfunded. We worked with the union in this business to modify their contract and provide a benefit under our company-wide 401(k) plan.

Consolidated GAAP and adjusted EPS grew 10% and 32%, respectively. Excluding the $0.07 per share related to the Industrial pension plan exit charge, GAAP EPS would have been within the guidance range provided on our third quarter earnings call. Adjusted EPS exceeded our guidance range. The improvement from last year resulted from organic growth in the Renewable Energy & Conservation segment, lower interest expense related to the repayment of our outstanding debt in the first quarter and continuing benefits from 80/20 operational initiatives, partially offset by lower earnings in the Residential Products and Industrial & Infrastructure Products businesses. Included in GAAP results were costs of $7.2 million or $0.18 per share associated with acquisitions, restructuring and senior leadership transition. During the quarter, we achieved $2.8 million in interest savings from the first quarter repayment of our outstanding debt.

Now let's review each of our 3 reporting segments starting with Slide 5, the Renewable Energy & Conservation segment. Segment revenues increased 26.4%, driven by organic growth of 21.4% and 5% growth from the third quarter acquisition of Apeks Supercritical. Organic growth was primarily driven by strong demand for our commercial greenhouse growing solutions, including design, structures, system integration, field project management and general contracting services. Operating margins expanded over last year as we continue to execute well and through volume leverage as well as favorable product and vertical market mix. With respect to our initial tracker installations, field modifications are substantially complete. Approximately 25% of the sites are not yet turned on as our customers finalize work outside our project scope. The performance of the modified systems is meeting our expectations. We entered Q1 with strong backlog across the segment, up in excess of 50% from the prior year, as we gained further participation and see strong customer demand in both end markets. Backlog from conservation is up 60%, and renewables is up 43% from the prior year quarter.

Let's move to Slide 6 in our Residential Products segment. Residential Products revenues decreased 1.1% from last year as modest increases in volume were offset by market pricing. Our teams work with their retail and wholesale customers to ensure these customers are able to offer market competitive pricing to the ultimate user of our products. Adjusted operating margin declined 30 basis points as a result of unfavorable product mix, partially offset by improved material cost alignment and 80/20 simplification initiatives. Looking ahead, we expect market demand in 2020 to be consistent with 2019 and operating margins to improve based on continuing operational excellence initiatives and better execution.

Let's move to Slide 7 to review our Industrial & Infrastructure Products segment. Segment revenues decreased 9.9% in the industrial and infrastructure business, driven by lower industrial revenue as lower demand for core products resulted from customers delaying purchases to optimize their inventories and a declining steel price environment. The infrastructure business was consistent with the prior year fourth quarter. GAAP operating margin was down 690 basis points. This decline was caused by the $3.2 million charge related to our decision to withdraw from a multiemployer pension plan. Without this charge, GAAP operating margin would have increased 10 basis points. Adjusted operating margins increased 30 basis points through a more favorable mix of higher-margin products and continued execution on 80/20 profit improvement initiatives. As we enter the first quarter, we expect to see solid margin performance continue.

Let's move to Slide 8, titled Our Balance Sheet Supports Investment & Growth Plans, to discuss our liquidity position. During 2019, we generated cash from operations of $130 million, up 33% over the prior year, driven by better inventory management and improved payment terms. We used net cash of $11.2 million for the purchase of equipment and $8.6 million for acquisitions. And during the first quarter, we used used $212 million to repay all of our outstanding debt. At December 31, we had cash on hand of $191 million and an undrawn revolving credit facility of $400 million. Our untapped liquidity supports the execution of both organic and inorganic growth strategies.

Now I'll turn the call back to Bill.

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

Thanks, Tim. So let's move to Slide 9. I want to talk a little bit about how we're accelerating our transformation. Our fundamental strategy is to improve the growth and margin profile of the company and accelerate returns by being as well positioned as possible in attractive end markets, where we can actually solve customer problems and also help shape the industries that we operate in. I believe we have a clear view of our markets. We -- I think we understand the inherent growth landscape, the profit share of the entire value chain, the role we play today and how well we play it, and the expected role we have or the expanded role we have the opportunity to play in and what is required to play it well. So Slide 9 really outlines our market assessment rubric. It's a disciplined thought process we use to assess market attractiveness and our ability to generate value in that market or in those markets, not only just for our customers but also for our shareholders.

So the first assessment step is about market attractiveness and what good really looks like. So we force ourselves through a series of questions like, does the market have a strong outlook based on sustainable growth, margins and returns? Is the demand profile stable and predictable? Is the market structures based on a solid foundation? The second assessment step is about our ability to create sustainable value in these markets that we are in. So it's important we build leading relevant positions in our markets, such that we do solve customer problems and create opportunities for them better than anyone else can. And this really does require us to have a direct connection and relationship with our customers and deliver innovation, not just through new products and services, but broader solutions and business models. So our rubric thought process is foundational to how we approach all our opportunities, how we're prioritizing our key initiatives, how we're deploying our capital, our time, our talent, our energy and manage everything about our business and executing our plans.

So with that, let's move to Slide 10, I want to talk about 2 of our recent acquisitions. In January, we acquired assets of Thermo Energy Systems. It's a $75 million full-service provider of commercial greenhouse solutions, directly serving the commercial growers in North America. So really, Thermal expands our leadership position in the design manufacture installation and systems integration for organic growing food market, which is really important to us. This is a very attractive market, it's a $1 billion North American commercial growing market for fruits and vegetables. We believe it's very attractive, and we think it fits our rubric thought process quite well. The market is growing mid-to-high single digits, supported by rising consumer demand for healthier food, grown in an environmentally friendly way, and the market has an attractive and sustainable return profile as well. We're excited about the Thermal team. They bring us great experience and domain knowledge in commercial growing, and they've designed and enabled over 600 acres of growing space in the past 10 years alone. So we're excited to have them join our team and expect this business to be accretive in 2020.

Let's move to Slide 11, and we'll talk about our second recent acquisition Delta Separations, which just occurred a few weeks ago. So with Delta, we expanded our suite of extraction solutions for plant-based biomass processing. With the acquisition of Delta's assets, a $46 million engineering manufacturing company, also an industry leader in centrifugal ethanol based extraction systems, so this is our second acquisition in the extraction processing market. And combined with Apeks Supercritical, the industry leader in CO2 extraction processing, we feel we've really broadened our leadership position in this space. This market is also emerging. It's very attractive and it's also growing mid-to-high single digits, with strong end consumer demand for emerging product categories, whether it's medicinal, nutraceuticals, oil extracts, cosmetics, beverages and even edibles. Delta sells directly to processors of biomass, hemp and cannabis, focused on the production of botanical oil extracts and also provides on-site service and education. I would say that Delta team truly does lead this space with commitment and passion. We really look forward to further building and scaling our extraction processing platform. We also expect Delta to be accretive in 2020.

So let's move to Slide 12. Now that we've talked about our recent acquisitions, I'm going to talk briefly about how we're optimizing our portfolio and some of those key initiatives as we move into 2020. So our portfolio does continue to evolve, with the relative position of our 3 platforms changing as we move into 2020. Renewables & Conservation becomes our largest platform, increasing its percentage of our total revenue by 10 points versus 2019, and it's our fastest-growing business in the company. As some of you may know, the platform is made up of solar racking systems, which represents our renewable side of the business, and also our commercial growing and processing businesses, which represent our conservation side of the business. We started the solar business with the acquisition of RBI Solar in 2015 and subsequently acquired SolarBos in 2018. The solar market continues to experience very solid growth as the economics of solar energy continue to become more attractive.

Our commercial growing and processing business started with the acquisition of RBI's Commercial Greenhouse business in 2015. We then acquired Nexus, a commercial greenhouse manufacturer specialized in serving the cannabis market in 2017. And recently, as I just mentioned, Thermo Energy Systems has been added to the team.

In parallel to the acquisitions, we've also expanded our customer offering to include not just the design and build of commercial growing structures, but also the selection and integration of key operating systems for each growing site as well as general management oversight for site build out and start-up for our customers. In 2019, we also made our first investment in the extraction processing market with the acquisition of Apeks Supercritical. And again, as I just recently mentioned, we added Delta Separations expertise in ethanol-based extraction just a few weeks ago.

We're excited about our other 2 platforms as well, Residential Products and Industrial & Infrastructure, and we're well positioned in these markets. Our Residential Products platform is made up of 4 businesses; mail and parcel, home ventilation, roofing accessories and home improvement. And our Industrial & Infrastructure platform consist of 2 businesses, supporting a variety of industrial transportation and infrastructure markets. All 3 platforms play an important role for us in accelerating our growth and returns, and we allocate our support for each of these businesses, capital, time, talent and energy accordingly. And we'll provide -- I'm going to provide a lot more insight -- our team will about our business overall during our upcoming Investor Day.

So let's move to Slide 13. I want to talk a little bit about our operating foundation. So we began our journey 5 years ago, building our operating foundation on 4 pillars; operational excellence, innovation, portfolio management and M&A. And our 4 pillars continue and they're important to our business. But we're going to consolidate those into 2 operating pillars: First, we are consolidating operational excellence and innovation into pillar number one, we're going to call that our Business System. Now our Business System includes disciplined focused on a number of things; business model optimization, 80/20, productivity, supply chain management, innovation, new product development, IT and digital systems; second, we're going to consolidate Portfolio Management and M&A into pillar number two, which we're going to call Portfolio Management. Our Portfolio Management is focused on optimizing our existing assets, but also allocating and prioritizing our capital on the right initiatives to execute our plans. We're also adding a third pillar called Organization Development, which really focuses on talent development, the design and structure of our organization and creating the best place to work for our team. I think we have good alignment amongst our pillars. And I think we're providing the necessary systems and processes as well as tools, and we're building our organization skills to help develop our plans.

So now let's move to Slide 14, and I want to talk a little bit about our 2020 guidance. So in 2020, we expect to deliver another solid year performance with organic and acquired revenue up between $160 million to $180 million, or 15% to 17%, reaching $1.21 billion up to $1.23 billion; GAAP EPS will improve between 30% and 38%, reaching $2.58 up to $2.75; and adjusted EPS will improve between 14% and 21%, reaching $2.95 to $3.12.

For the first quarter, we expect revenue in the range of $246 million to $256 million, that's up 8% to 13% versus last year; GAAP EPS for the first quarter is expected to be $0.27 to $0.33; and adjusted EPS between $0.37 and $0.43.

We're confident in our 2020 plan and the opportunity to deliver increasing returns. We are better positioned in faster-growing markets, and we continue to build on our solid and growing backlog. Our new products and services are resonating well. And we are strengthening our positions with our ongoing investments across our businesses.

So I mentioned in the beginning of today's call, we are hosting our Investor Day in New York on Wednesday, March 18. I hope all of you will be able to attend. We do plan to provide much more insight on some of today's thoughts I shared with you. And our leadership team, which will be there, is looking forward to spending some time with you. Again, I hope you have time to join us, and we look forward to seeing you on 18th.

At this point, now we'll open the call for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question is from Daniel Moore with CJS Securities.

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

Just quickly, Frank, if you're listening, congrats on your success. Thank you for all your help, and best of luck in the future. I wanted to start with, Bill, you gave a lot of great detail on the recent acquisitions, Apeks and Delta. If you wouldn't mind, maybe talk a little bit more about how they fit together as far as the extraction market is concerned. How much additional opportunity you see for consolidation? What that could look like? Just ultimately, what's the market size opportunity and kind of margin profile you expect for this business?

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

Yes. So Dan, one, we're excited about these 2 companies, in particular, when we looked at this market months ago, we did a pretty detailed assessment of all the players and our strategy has revolved around as much finding the right people, the founders and the right leaders in these businesses than anything else. So that was kind of step number one. And that's important when you start bringing these companies together, how they operate going forward really is people dependent with strong leadership and systems and process as well as technology and products. So those are 2 companies that we thought were important to have on the team. We're spending a lot of time with the team together today laying out our road map of how we're going to approach this market. As I mentioned earlier, we want to continue to build and scale this platform. We think there's runway here. I think it's a solid market, as I think I referenced earlier. And there are -- it brings us 2 of the 3 core technologies that the market deploys today. So I guess, maybe answering your question, there's still some work to do and looking at maybe adding a third technology that would build out the platform further. But good businesses, good end markets, and we're excited to have them.

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

All right. And look forward to, hopefully, more to come at the Analyst Day there. Tim, guidance for 2020 implies some really healthy continued margin expansion, 50 to 90 bps adjusted operating margin uplift. Maybe can you break that out or rank order mix versus continued operating efficiency gains versus any favorability in raw materials or any other assumptions there?

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

Yes. As I go through that, I would say that Building products did a lot of restructuring, 80/20 work throughout 2019, and you get some carryover impact. And to a lesser extent, that's also in the Industrial & Infrastructure segment, plus the new projects they have planned and modest growth. So that's how I think about those 2 segments. And then you got Renewable & Conservation, which has -- we did a lot of -- a fair amount of revenue from acquisitions, right, 75% of the revenue growth, we think, will see us from the acquisitions of Apeks at the end of '19 or the back half and then the 2 we did January, February. Those will come in, Dan, probably a little lower margin year 1 that that core group with the expectation that as we integrate and apply, our business systems will improve those above so that will help pull up in the future. You also have -- from an adjusted basis, we did have tracker field retrofits, which we're calling out, it's about $7.5 million full year, and we think that's behind us and won't recur, so you get margin expansion from that. And then I would say, in the renewables business, there's both operational efficiencies, there's volume leverage. Material hasn't really been an issue either way for us in the past. I think we've been doing a good job of just keeping that somewhat neutral. And you will see we're going to generate earnings from all those things. We are investing more in the business as you'll see SG&A go up a little bit because we've got some investments we want to make to drive future growth. And so we've made some of those already in people and in systems, and we will continue to invest a little bit of our incremental earnings and making sure we can drive growth going forward.

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

Got it. And then lastly, if I'm paying attention to what I heard so far just as far as the organic piece of revenue growth guide, renewables, mid-to-high single somewhere continued solid growth; industrial, positive, but lower single and kind of flattish on resi, is it the right kind of way to think about it?

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

Yes, we'll have modest growth in resi, I would say.

Operator

Our next question is from Julio Romero with Sidoti.

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

I wanted to ask on patented products. Can you talk about the earnings contribution in the fourth quarter and maybe what you expect there for 2020?

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

Our patented product portfolio tends to have a higher gross margin than our regular product portfolio. So I think year-over-year, there wasn't a huge difference in what we sold from our patented portfolio. And what I would say is, as we look at it, patented is a piece of it, but probably a broader view of just new products and services. And so certainly, Renewable and Infrastructure -- I'm sorry, Renewable Energy & Conservation segment, we've expanded the scope of work we do, where we're doing more full-service for our customers, and that certainly helps from just a volume leveraging perspective that helps our margins.

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

Got it. And just a housekeeping one here. I don't know if you called out an expectation for tax rate in 2020 at all.

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

I think that in the press release, it works out to be about 27% on an adjusted basis and about 28% on a GAAP basis.

Operator

Our next question is from Walter Liptak with Seaport Global.

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

Congratulations on the great end to the year. I wanted to ask one of the questions that's already been asked, but in a different way. You talked about the M&A as being lower margin in 2020. So I guess, a little bit dilutive to the margin, but over time, that will start coming out. So I guess the question is, what's the timing of, I guess, 80/20 improvements on the M&A that you've done? And just as a single point, in 2020, what's the EPS accretion that you're expecting from M&A?

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

So I would say that, that integration process, which includes a whole host of processes and opportunities for improvement, including 80/20 and some other tools, will be -- it's part of our planned earnings for 2020 and beyond. Well, when we do acquisition, we usually target sort of a 3-year run rate to get to what, we think, is maybe a view of the longer term margin profile. It doesn't mean it won't get better every year, but teh incremental improvements might slow after 3 years if we do the first 3 years of work right. So from an expectation, they should be providing some incremental revenues and margins over the next couple of years. And your other question, Walt, at the end, I missed that one.

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

Okay. Well, just -- maybe just for the finer point on this. So for 2020, the EPS accretion, it sounds like it's going to be modest from these M&A deals because of some integration investment.

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

Yes. I mean, it's probably around $0.30 on a stand-alone basis, if you just run out their earnings.

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

Okay. Okay, great. And then if I can ask one about the renewables. The change that happened to the tax incentive was -- I wonder if maybe explain to us how that impacted the order trends and the backlog for 2020?

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

So well, I guess my first reaction is not -- it wasn't much on the high side, I think as the industry thought it might be. And any time you have this, of course, you have this last minute rush. And so up until December 31, we had a lot of customer conversations, but it did not -- it was not a windfall for us, and I don't think it was for the industry either as much as maybe some people anticipated. So I would say as a contribution to overall backlog, it was relatively minor. I mean, we got something out of it, but nothing in Q4, nothing impacted Q4. And the stuff that you get from that will be spread out throughout 2020 as well.

Operator

Our next question is from Ken Zener with KeyBanc Capital Markets.

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

Well, I see you have a new slide deck here. So I'm excited to see all this stuff, Bill, if we could go through -- well, beside it. First, the $0.30 was in reference to what Tim, just for me to be clear?

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

So that's probably the -- and it's approximate, but that's about the contribution we'd expect from the acquisitions that we completed end of last year and then the ones we did at the beginning of this year.

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

With -- so just to be clear, I think revenue of $45 million in your deck, $75 million and was it 17% approximately?

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

Yes. But if you wanted to do it in a different way, we called out the growth being 75% from acquisitions, so...

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

Right, it's about $130 million.

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

To that ballpark, yes.

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

Okay. So I'm going to -- so the reason I'm asking this is, right, so it's about 10% margin. Okay. Slide, I believe, 10 for Thermo Energy, and I really look forward to your Analyst Day as you educate around this, but $75 million of revenue, is that $7 million purchase price and $25 million working capital investment, and that's what's in your box there. But can you kind of talk about what that means about the industry? And it looks like you got the revenue very cheap, you needed a lot of working capital. How should we think about what that implies for? What that means? It seems like a different profile than we're used to.

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

Yes. I guess, I would say that it was probably nothing to do really with the industry other than the growth, and it was more a specific situation. So Thermo experienced some pretty explosive growth. And it's a smaller team, so they got a little bit behind on how they'd like to perform, how they had historically performed. They created a situation where with our -- we have a little bit larger scale from our greenhouse, just the size of our team and the processes we use. So it made a lot of sense for them to join us. The leader of that business is incredibly respected in that organic fruits and vegetables. We've always -- it's quite honestly, one of those competitors that you lose work to because they're really good. So we're really excited to join the team. And we paid a fair price in total, but instead of all of it being purchase price, some of it was just investment back into the business.

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

Now, as I look at these pictures and read your language, this is more -- I mean, this is the type of greenhouse that you're building, or is it the systems in terms of vertical integration -- the full-service turnkey site provider? Is it similar to what you do? And what's -- who is the leader in this market?

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

Yes, Ken, it is both of those things. So it's a full-service from design of the structure itself all the way through specifying, integrating and installing the systems and getting it up and running, very similar to what we do. So it's really a mirror image of what we do. It's just they have been really focused in organics and that's been a pretty explosive growth market the last 10 years. And so these are quite complex and very technology-driven sites, if you will. So it's a nice complement to what we do, but it looks very similar. We're just able to leverage our scale with their front end. And I think operationally, we're excited about what we can do with this going forward, particularly given the end market it's in.

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

It does look very attractive, I agree with you. Tim, if I could clarify, the $7.5 million that you had from the solar retrofit, is what I assume the $7.5 million was referring to, that's about 200 basis points of drag in FY '19. Could one assume that in terms of the margin in Renewable, I mean, all else equal, it would go up 200 basis points because of that $7 million lacking, but you have growth, right, growth from acquisitions, which is at about 10%. Are there any other factors that we should put into the margin expectation for FY '20, in the Renewable segment? It seems like those were the 2 big puts, right, minus $7.5 million and EPS contribution you just highlighted.

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

Yes. I mean, I think that when you -- and both of the -- both sides of the business continue to grow at a decent rate, too. So I'd say it is those I think.

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

And interest expense for the year? I'm sorry if I missed it, Tim.

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

Effectively, nothing, right? We're -- we paid off our debt at the beginning of the year. We don't have any debt as we said. So I hope to have some interest expense to report to you, if we can complete some of our strategic work that we're working on, but nothing in the plan.

Operator

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

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

Again, if you gave this and I missed it, I apologize. Just the backlog on an organic basis, what would that have looked like on year-over-year?

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

We did not give it, but give me a second, let me take a quick look. We bake it into the beginning, Dan. So I don't have it in front of me. I'm looking what I have is summarized. But I know when we do our backlog numbers, we do sort of pro forma, and I'm sure that the acquisitions have some backlog increase. But it shouldn't be...

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

A year, they weren't in it.

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

It's okay. We can talk offline, that's fine. And then one other quickly, just perimeter security, one of the drivers -- yes, go ahead.

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

Yes, 33%.

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

Up 33%. Got it. Okay. Very helpful. And then, perimeter security, just can you give us a sense of the size of that business, the run rate basis coming out of 2019? And you mentioned it as -- called it out as one of the potential drivers for 2020, what kind of growth are we looking at?

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

So it's small. It had in excess of 20% growth last year, and we expect that same kind of growth level, but sort of single -- I'm sorry, double...

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

Mid-double digits.

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

Mid-double digits, not teens and not 50%, but it should be in between there and it is margin accretive. It's been really helping along with a bunch of other work. That team has done great work over the last 2 or 3 years, you can see it in their margins, and they have continued plans to improve.

Operator

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

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

Well, again, thanks for calling in today. And hopefully, you'll be able to join us March 18 in New York City at our Investor Day. And we're looking forward to seeing you then. So have a great day. And again, thanks again.

Operator

Thank you. This concludes today's conference. You may disconnect your lines at this time, and thank you for your participation.