



## Fourth-Quarter and Full-Year 2017 Earnings Call

February 22, 2018

This presentation should be  
viewed in conjunction with  
Gibraltar's February 22, 2018  
earnings press release.

# Safe Harbor Statements

## **Forward Looking Statements**

*Certain information set forth in this presentation, other than historical statements, contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 that are based, in whole or in part, on current expectations, estimates, forecasts, and projections about the Company’s business, and management’s beliefs about future operations, results, and financial position. These statements are not guarantees of future performance and are subject to a number of risk factors, uncertainties, and assumptions. Actual events, performance, or results could differ materially from the anticipated events, performance, or results expressed or implied by such forward-looking statements. Before making any investment decisions regarding our company, we strongly advise you to read the section entitled “Risk Factors” in our most recent annual report on Form 10-K which can be accessed under the “SEC Filings” link of the “Investor Info” page of our website at [www.Gibraltar1.com](http://www.Gibraltar1.com). We undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by applicable law or regulation.*

## **Adjusted Financial Measures**

*To supplement Gibraltar’s consolidated financial statements presented on a GAAP basis, Gibraltar also presented certain adjusted financial data in this presentation. Adjusted financial data excluded special charges consisting of restructuring costs primarily associated with the 80/20 simplification initiative, acquisition-related items, and other reclassifications including the impact of the recent tax reform. These adjustments are shown in the reconciliation of adjusted financial measures excluding special charges provided in the supplemental financial schedules that accompany the earnings news release. The Company believes that the presentation of results excluding special charges provides meaningful supplemental data to investors, as well as management, that are indicative of the Company’s core operating results and facilitates comparison of operating results across reporting periods as well as comparison with other companies. Special charges are excluded since they may not be considered directly related to the Company’s ongoing business operations. These adjusted measures should not be viewed as a substitute for the Company’s GAAP results, and may be different than adjusted measures used by other companies.*

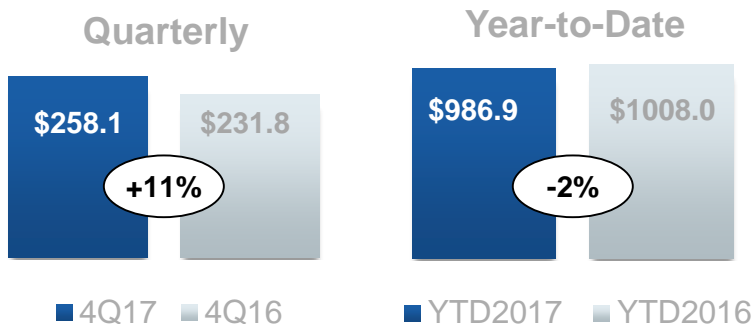
# Revenue and EPS Guidance Beat in 4Q

- GAAP EPS \$0.78, including \$0.39 benefit from new tax reform; vs prior year \$(0.24)
- Adjusted EPS \$0.41 vs prior year \$0.30
- Strong Residential Products and Renewable Energy & Conservation sales drive solid results
- Industrial & Infrastructure segment shows return to growth
- Four-pillar strategy and 80/20 initiatives contribute to bottom line results



# Solid Consolidated Results

## Revenues



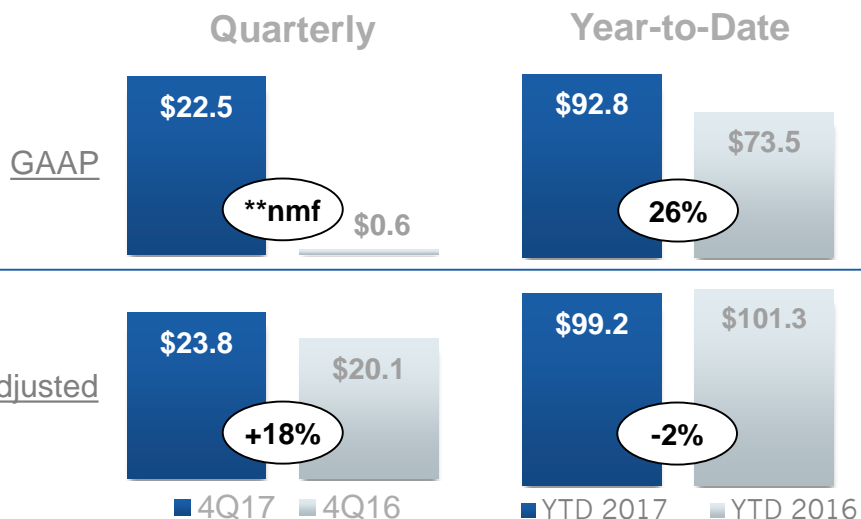
## 4Q17 Revenue Highlights

- Residential and Renewable Energy segments offset lower activity in I&I
- \$(16)M of non-recurring revenues
- Growth in I&I base revenues

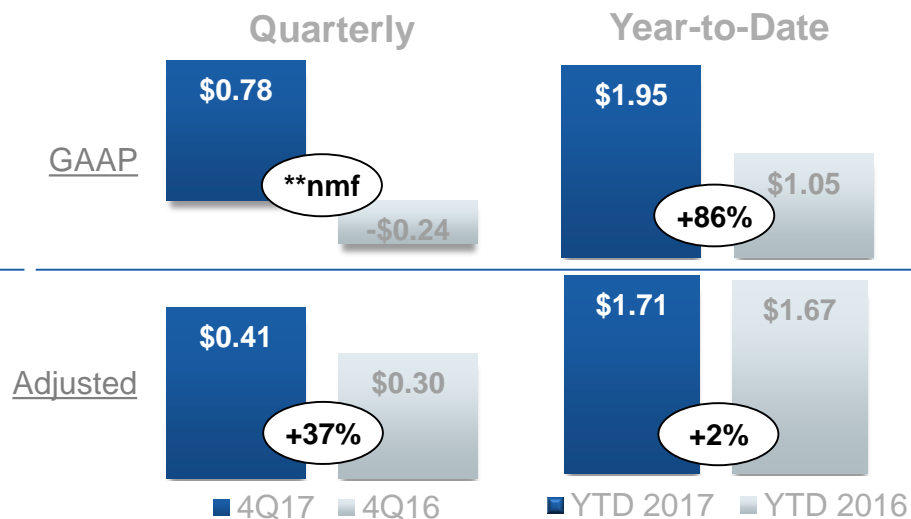
## 4Q17 Operating Income / EPS Highlights

- 80/20 initiatives contribute ~ 130 bps
- Tax benefit of \$12.5M or \$0.39 per share
- Reduction in performance-based comp

## Operating Income\*



## Diluted EPS\*



# Tax Reform Impact

## Company Profile

- Domestically focused
- Current foreign operations - nominal

## 2017 Impact

- Benefit from re-measurement of deferred tax liability \$16.2M
- Charge for repatriation foreign earnings \$3.7M
- Net benefit of \$12.5M or \$0.39 / share

## Expected Rate

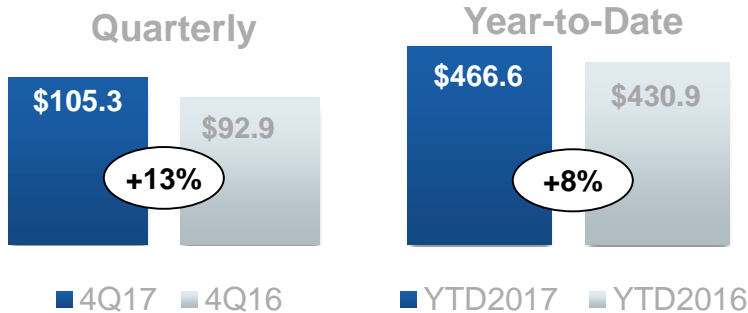
- Expected tax rate of 28% for 2018, a reduction of 740bp from 2017 effective tax rate before Tax Reform of 35.4%

## 2017 @ 2018 Estimated Tax Rate of 28% \*

2017	Reported EPS	Less: Transition	Subtotal	Estimated Tax Δ	Proforma EPS
GAAP	\$1.95	\$(0.39)	\$1.56	\$0.18	\$1.74
Adjusted	\$1.71	---	\$1.71	\$0.17	\$1.88

# Residential Products Segment

## Revenues



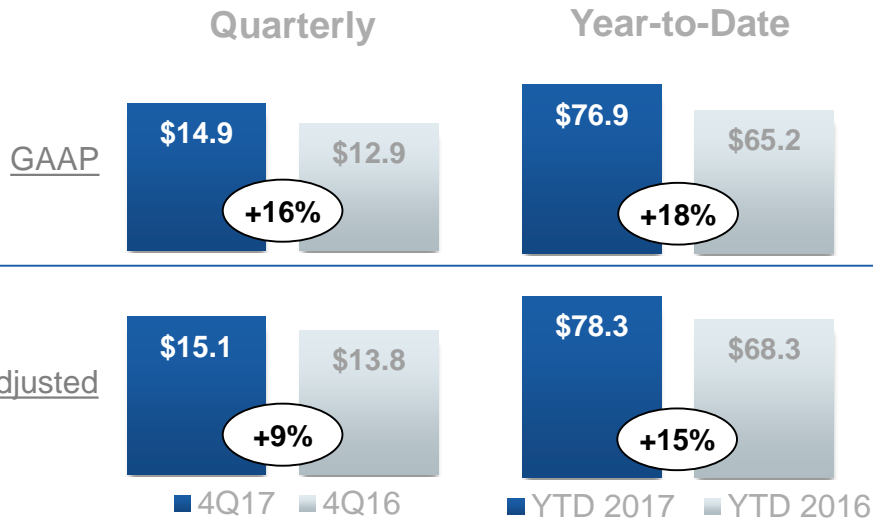
## 4Q17 Revenues

- Demand from continuing improvement in repair & remodel and new housing markets
- Demand for centralized mail systems and electronic package solutions
- Full contribution from recently acquired Package Concierge

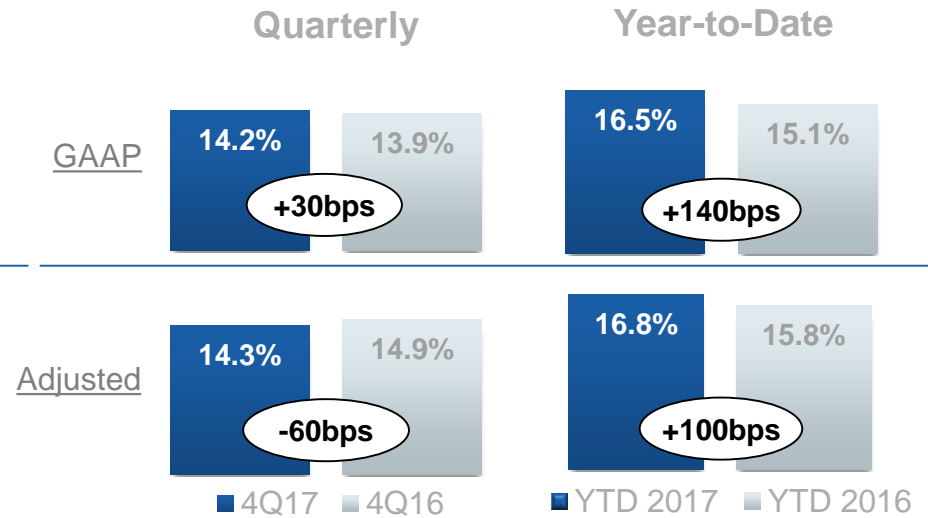
## 4Q17 Operating Income / Margin

- Continuing 80/20 simplification contribution
- Lower Y/Y Adjusted OI margin due to product mix

## Operating Income\*



## Operating Margin\*



\*All adjusted amounts reported represent continuing operations before special charges. See adjusted measures reconciliations in earnings press release.

# Industrial & Infrastructure Products Segment

## Revenues



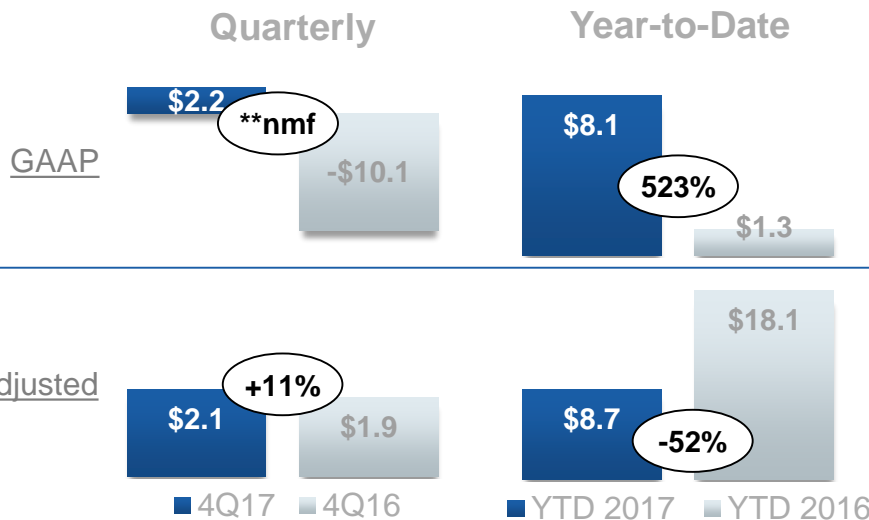
## 4Q17 Revenues

- 23% reduction from divested US bar grating line
- Partially offset by organic growth
- Improving Infrastructure backlog

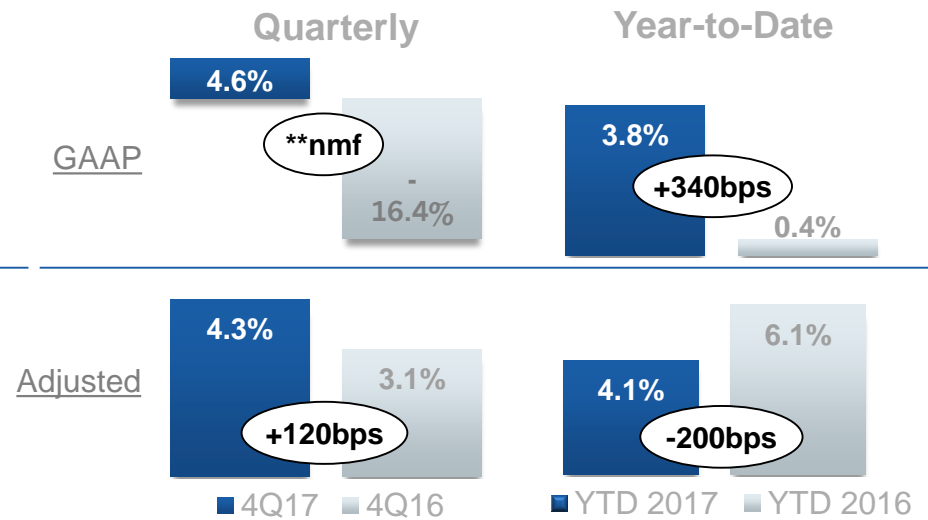
## 4Q17 Operating Income / Margin

- Reflects operational efficiencies from 80/20 strategic initiatives

## Operating Income\*

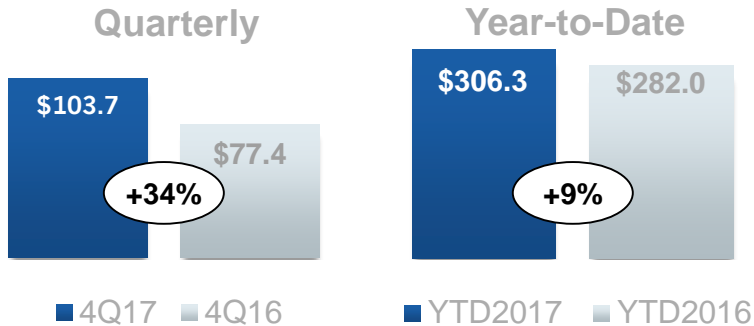


## Operating Margin\*



# Renewable Energy & Conservation Segment

## Revenues



## 4Q17 Revenues

- Strong domestic demand
- European Solar divestiture \$(2)M
- Backlog continues to improve

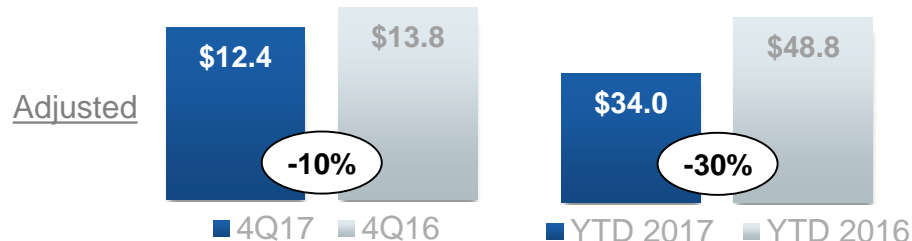
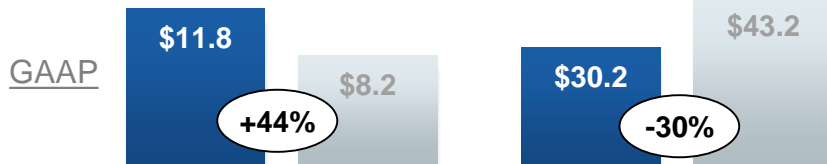
## 4Q17 Operating Income / Margin

- Less favorable alignment of material costs to pricing
- Partially offset by operational improvements from 80/20 strategic initiatives

## Operating Income\*

### Quarterly

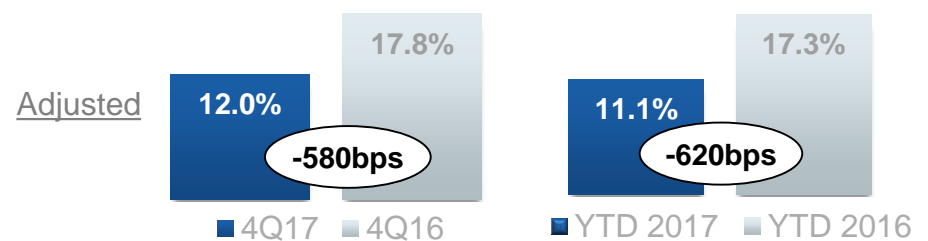
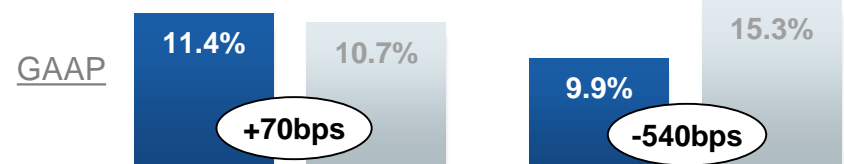
### Year-to-Date



## Operating Margin\*

### Quarterly

### Year-to-Date

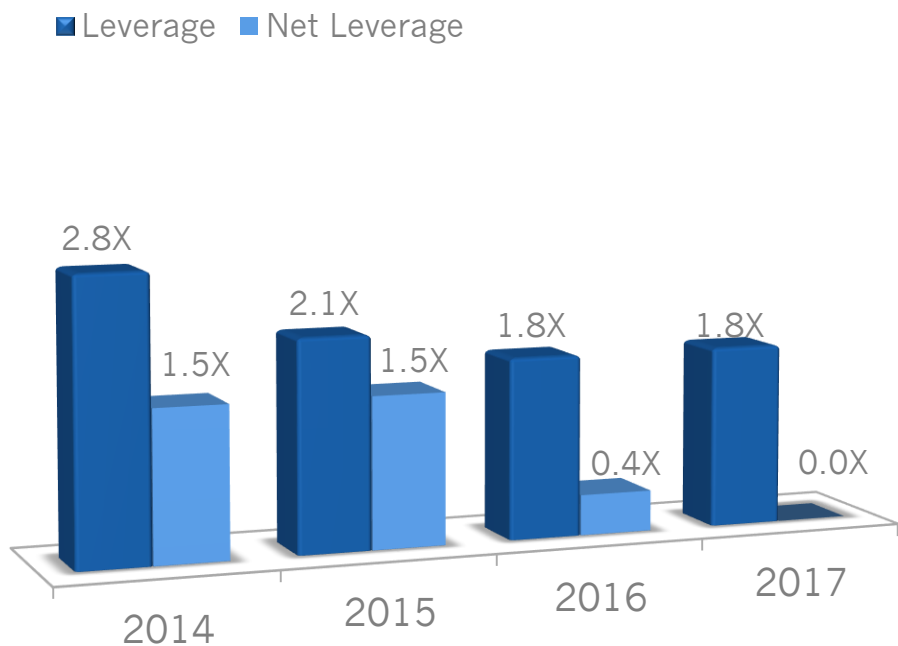




# Capturing the Opportunity

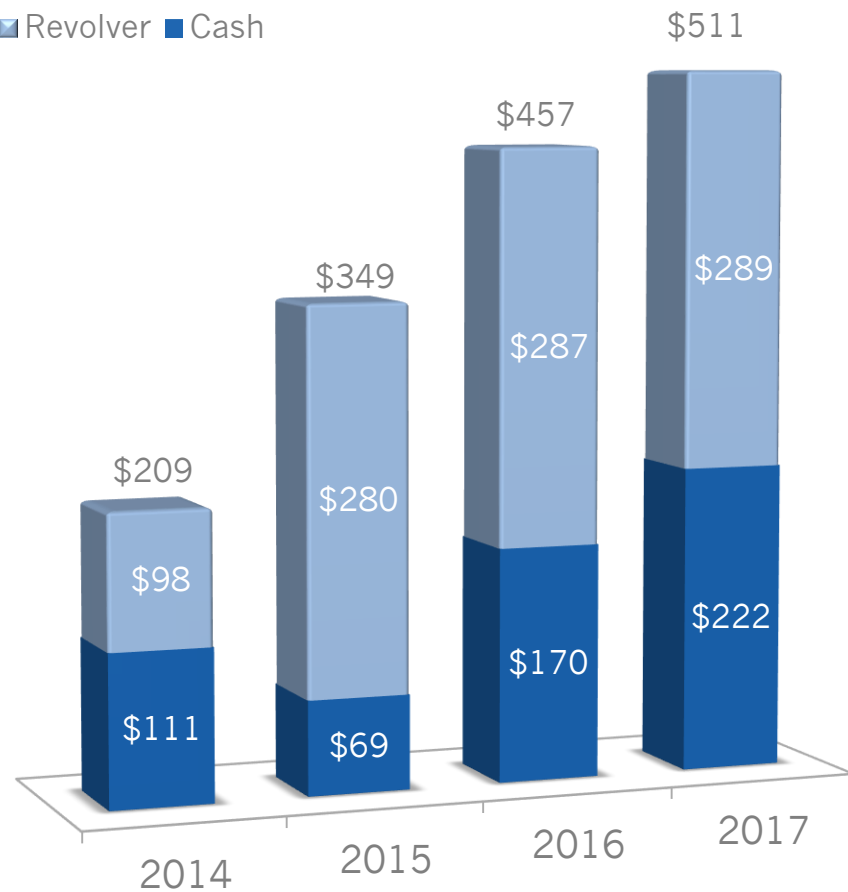
## Acquisitions as Strategic Accelerator

### Leverage



### Liquidity (\$M)

■ Revolver ■ Cash



# 4 Pillars Driving Value Creation

## *Driving Transformational Change in Portfolio and Financial Results*

### 1. Operational Excellence

- +130 bps margin improvement in 4Q
- Key in-lining, MRD, outsourcing projects across segments
- Increasing trade focus selling and marketing initiatives

### 2. Portfolio Management

- Supporting current portfolio
- Continuous process; remains important part of strategy

### 3. Product Innovation

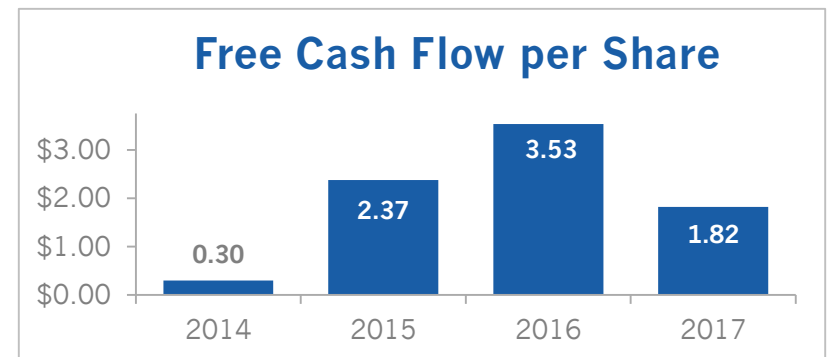
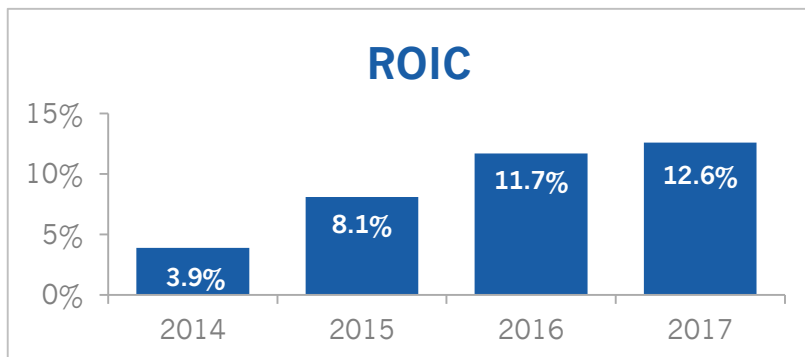
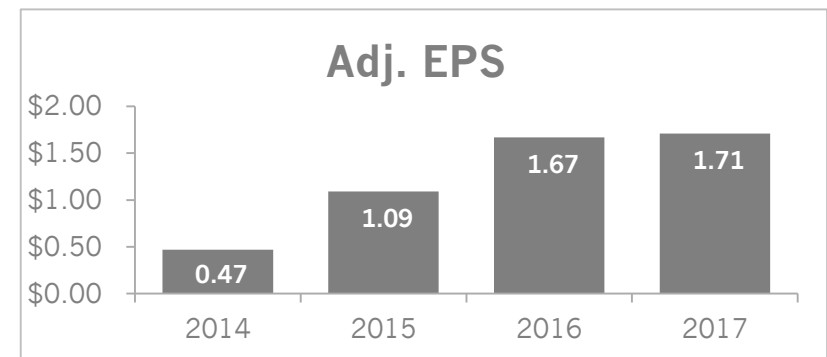
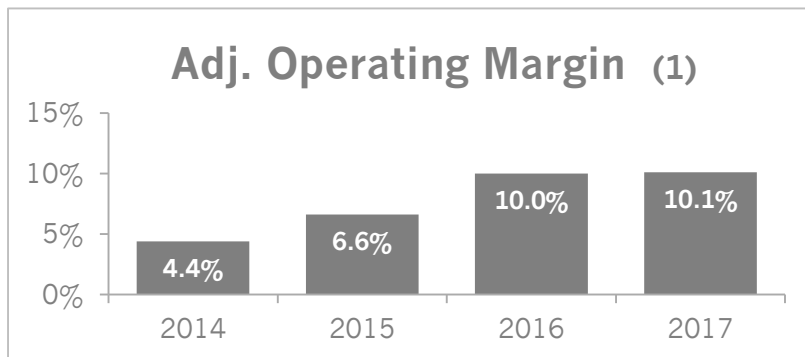
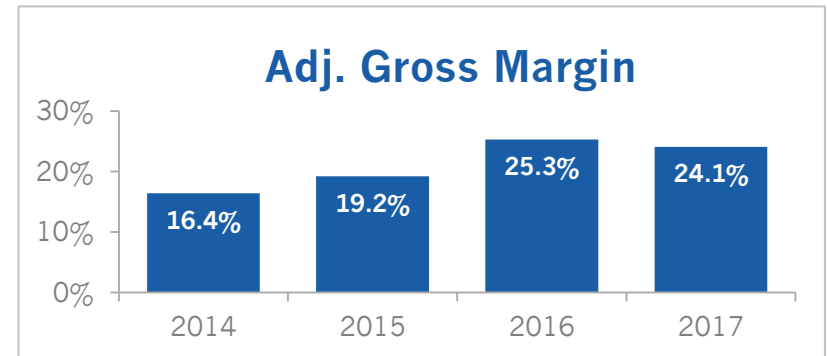
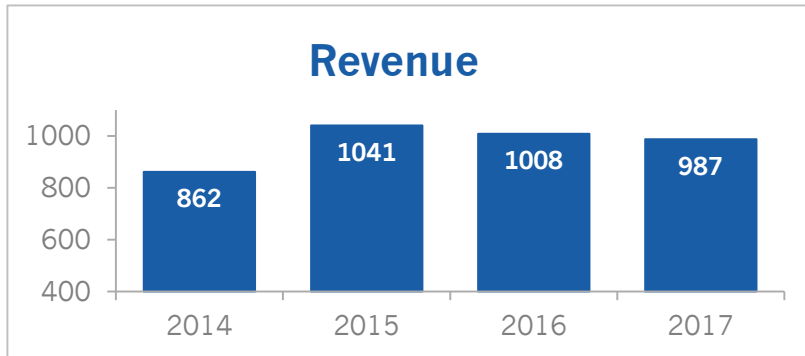
- Engineered solutions: 2017 revenues include \$19M from new products; 7% from patented products (5% in 2016)
- New products gaining traction and contributing to revenues

### 4. Acquisitions as a Strategic Accelerator

- Continue to seek meaningful acquisitions
- Primary focus for capital allocation



# YEAR 3 : Continued Progress



(1) 2015 includes non-operating gains from hedging programs.

*All amounts reported represent continuing operations before special charges. See reconciliations of Adjusted Financial Measures in earnings press release.*

# 2018 Guidance

	2017	2018	2018 Assumptions
Revenues	\$986.9M	\$1,010M - \$1,030M 2% - 4%	<p><b>Residential:</b> Growing demand for electronic package solutions; Modest growth in building products</p> <p><b>Industrial &amp; Infrastructure:</b> Growth Infrastructure end markets; perimeter security gaining traction</p> <p><b>Renewable Energy &amp; Conservation:</b> Continued domestic growth; Continued progress with new products</p>
Op. Income*			Continued operational improvements
GAAP	\$92.8M	\$93M to \$99M	
Adjusted	\$99.2M	\$103M to \$109M	
Op. Margin			
GAAP	9.4%	~9.2 – 9.6%	
Adjusted	10.1%	~10.2 – 10.6%	
GAAP EPS	\$1.95	\$1.75 to \$1.87	Expected tax rate of ~ 28% in 2018
Adjusted EPS	\$1.71	\$1.96 to \$2.08	
Free Cash Flow/ Sales	+5.9%	~6–7%	Forecasting \$21M of CAPEX in 2018



Q&A

# Appendix - Ongoing Base Revenues

	<u>Residential</u>	<u>Industrial &amp; Infrastruct.</u>	<u>Renewable Energy</u>	<u>Consolid.</u>		
<b>Q4 2016</b>						
<b>Revenue as reported</b>	\$ 93	\$ 61	\$ 77	\$ 231		
<i>Acquisitions</i>						
Acquisition	\$ -	\$ -	\$ -	\$ -		
<b>Proforma</b>	<b>\$ 93</b>	<b>\$ 61</b>	<b>\$ 77</b>	<b>\$ 231</b>		
<i>Business Changes</i>						
EXIT bar grating in U.S.	-	(14)	-	(14)		
EXIT Renusol-GERMANY	-	-	(2)	(2)		
<b>Ongoing Base revenues</b>	<b>93</b>	<b>47</b>	<b>75</b>	<b>215</b>		
<b>Q4 2017</b>						
<b>Revenue as reported</b>	\$ 105	\$ 49	\$ 104	\$ 258		
<i>Acquisitions</i>						
Acquisition	\$ -	\$ -	\$ -	\$ -		
<b>Proforma</b>	<b>\$ 105</b>	<b>\$ 49</b>	<b>\$ 104</b>	<b>\$ 258</b>		
<i>Business Changes</i>						
None	\$ -	\$ -	\$ -	\$ -		
<b>Ongoing Base revenues</b>	<b>105</b>	<b>49</b>	<b>104</b>	<b>258</b>	<b>13%</b>	<b>20%</b>

# Appendix – FY Ongoing Base Revenues

	<u>Residential</u>	<u>Industrial &amp; Infrastruct.</u>	<u>Renewable Energy</u>	<u>Consolid.</u>
<b>2016</b>				
Revenue as reported	\$ 431	\$ 295	\$ 282	\$ 1,008
<i>Acquisitions</i>				
Acquisition	\$ 1	\$ -	\$ 22	\$ 23
<b>Proforma</b>	<b>\$ 432</b>	<b>\$ 295</b>	<b>\$ 304</b>	<b>\$ 1,031</b>
<i>Business Changes</i>				
EXIT EMC (Industrial in Europe)	-	(11)	-	(11)
EXIT bar grating in U.S.	-	(63)	-	(63)
EXIT Renusol-GERMANY	-	-	(9)	(9)
<b>Ongoing Base revenues</b>	<b>432</b>	<b>221</b>	<b>295</b>	<b>948</b>
<b>2017</b>				
Revenue as reported	\$ 467	\$ 214	\$ 306	\$ 987
<i>Acquisitions</i>				
Acquisition	\$ 1	\$ -	\$ -	\$ 1
<b>Proforma</b>	<b>\$ 468</b>	<b>\$ 214</b>	<b>\$ 306</b>	<b>\$ 988</b>
<i>Business Changes</i>				
EXIT Renusol-GERMANY	-	-	(1)	(1)
<b>Ongoing Base revenues</b>	<b>468</b> 8%	<b>214</b> -3%	<b>305</b> 3%	<b>987</b> 4%

## 2017 Proforma GAAP Tax Reconciliation

(unaudited) / (in thousands)

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>2017</u>
GAAP income before taxes	\$ 6,049	\$ 21,027	\$ 31,803	\$ 19,029	\$ 77,908
Income tax at 28%	<u>1,694</u>	<u>5,888</u>	<u>8,905</u>	<u>5,328</u>	<u>21,814</u>
Proforma GAAP net income	\$ 4,355	\$ 15,139	\$ 22,898	\$ 13,701	\$ 56,094
Average diluted shares outstanding	<u>32,254</u>	<u>32,183</u>	<u>32,210</u>	<u>32,420</u>	<u>32,250</u>
Proforma GAAP diluted EPS	<u>\$ 0.14</u>	<u>\$ 0.47</u>	<u>\$ 0.71</u>	<u>\$ 0.42</u>	<u>\$ 1.74</u>

## 2017 Proforma Adjusted Tax Reconciliation

(unaudited) / (in thousands)

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>2017</u>
Adjusted income before taxes	\$ 9,500	\$ 21,571	\$ 32,899	\$ 20,284	\$ 84,254
Income tax at 28%	<u>2,660</u>	<u>6,040</u>	<u>9,212</u>	<u>5,680</u>	<u>23,591</u>
Proforma adjusted net income	\$ 6,840	\$ 15,531	\$ 23,687	\$ 14,604	\$ 60,663
Average diluted shares outstanding	<u>32,254</u>	<u>32,183</u>	<u>32,210</u>	<u>32,420</u>	<u>32,250</u>
Proforma adjusted diluted EPS	<u>\$ 0.21</u>	<u>\$ 0.48</u>	<u>\$ 0.74</u>	<u>\$ 0.45</u>	<u>\$ 1.88</u>



## Free Cash Flow Reconciliation

(unaudited) / (in thousands)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Net cash provided by operating activities	\$ 32,542	\$ 87,221	\$ 123,987	\$ 70,070
Capital expenditures	<u>(23,291)</u>	<u>(12,373)</u>	<u>(10,779)</u>	<u>(11,399)</u>
Free cash flow	\$ 9,251	\$ 74,848	\$ 113,208	\$ 58,671
Average diluted shares outstanding	<u>31,066</u>	<u>31,545</u>	<u>32,069</u>	<u>32,250</u>
Free cash flow per share	<u>\$ 0.30</u>	<u>\$ 2.37</u>	<u>\$ 3.53</u>	<u>\$ 1.82</u>

## Adjusted Gross Margin Reconciliation

(unaudited) / (in thousands)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
GAAP gross profit	\$ 140,045	\$ 186,976	\$ 244,762	\$ 236,544
Restructuring, acquisition & other special charges	<u>1,049</u>	<u>12,867</u>	<u>10,003</u>	<u>911</u>
Adjusted gross profit	<u>\$ 141,094</u>	<u>\$ 199,843</u>	<u>\$ 254,765</u>	<u>\$ 237,455</u>
Net sales	<u>\$ 862,087</u>	<u>\$ 1,040,873</u>	<u>\$ 1,007,981</u>	<u>\$ 986,918</u>
Adjusted gross margin	<u>16.4%</u>	<u>19.2%</u>	<u>25.3%</u>	<u>24.1%</u>

# ROIC Calculation Reconciliation

(unaudited) / (in thousands)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Net(Loss) /Income - GAAP	\$ (81,792)	\$ 23,476	\$ 33,719	\$ 62,965
Intangible asset impairment, net of taxes	96,159	3,429	-	-
Restructuring, acquisition & other special charges, net of taxes	200	7,488	19,922	4,876
Tax reform transition adjustment	-	-	-	(12,535)
Adjusted Net Income	<u>\$ 14,567</u>	<u>\$ 34,393</u>	<u>\$ 53,641</u>	<u>\$ 55,306</u>
Tax effected interest expense	<u>8,938</u>	<u>9,493</u>	<u>9,032</u>	<u>9,205</u>
Adjusted net income before interest	<u>\$ 23,505</u>	<u>\$ 43,886</u>	<u>\$ 62,673</u>	<u>\$ 64,511</u>
Average adjusted invested capital (1)	<u>\$ 600,962</u>	<u>\$ 541,176</u>	<u>\$ 534,030</u>	<u>\$ 511,112</u>
Return on invested capital	3.9%	8.1%	11.7%	12.6%

(1) Average adjusted invested capital was based on the 13-month average of total stockholders' equity adjusted for special charges plus net debt for the period ended December 31.