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ROCK.OQ - Q3 2025 Gibraltar Industries Inc Earnings Call

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PRESENTATION

Operator

Greetings and welcome to the Gibraltar Industries third quarter 2025 financial results conference call. (Operator Instructions)

As a reminder, this conference is being recorded. I would now like to turn the conference over to your host Carolyn Capaccio of Alliance Advisors IR. You may begin.

Carolyn Capaccio - *Alliance Advisors - Analyst*

Thanks Kate. Good morning everyone and thank you for joining us today. With me on the call is Bill Bosway, Gibraltar Industries' Chairman, President and Chief Executive Officer, and Joe Lovechio, Gibraltar's Chief Financial Officer. The earnings press release that was issued this morning, as well as a slide presentation that management will use during the call, are both available in the investors section of the company's website, gibraltar1.com. Excuse me, Gibraltar's earnings press release and remarks contain non-GAAP financial measures. Tables of reconciliation of gaps to adjusted financial measures can be found in the earnings press release that was issued today.

Further, please note that continuing operations exclude net sales and operating results of the renewables business, which was classified as held for sale and as a discontinued operation with second quarter 2025 results, and that adjusted results exclude net sales and operating results of the residential electronic locker business, which was sold on December 17, 2024.

Also, as noted on slide 2 of the presentation, the earnings press release and slide presentation contain forward-looking statements with respect to future financial results. These statements are not guarantees of future performance, and the company's actual results may differ materially from the anticipated events, performance, or results expressed or implied by these forward-looking statements. Gibraltar advises you to read the risk factors details in its SEC filings, which can also be accessed through the company's website. Now I'll turn the call over to Bill Bosway.

Bill.

William Bosway - *Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer*

Good morning, everyone, and thanks for joining our call today. We're going to take the third quarter results and then we'll review our guidance for continuous, and then we'll open the call for questions. So let's turn to slide 3, title third quarter 2025 review. I'd say in a relatively dynamic business environment, we've continued to deliver solid performance and stay on track to deliver good revenue margin cash flow performance from continuing ops for the full year.

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In the quarter, we delivered 13% adjusted net sales growth. First and foremost, with our building accessories business delivering 2% growth and a soft residential roofing market, which is down between 5% and 10% depending on the channel. And secondly, from our required metal roofing and structures businesses delivering revenue for their plan.

That being said, the ongoing delay of a large CEA project in Arizona and lower demand in our mail and package business caused revenue for the third quarter to come in below plan, and we'll discuss each of these in more detail as we review the results for each of the segments.

The impact of lower sales and Agtech and mail package created a bit of a business and product mix effect during the quarter, and as a result, adjusted EPS and operating income came in slightly below prior year, down less than 1%, and adjusted EBITDA was flat the prior year.

We did deliver strong cash performance generating $57 million in cash from operations, an increase of 39%, and $49 million in free cash flow, achieving 16% of sales. With respect to portfolio management, the sale process for our renewables business is progressing, and we continue to target its completion by year end, and our newer acquisitions and structures and metal roofing are performing as planned and accelerating through their integration initiatives. And finally, our pipeline of potential additional M&A remains very active, particularly in the building products segment.

So let's jump in the business segments and Joe will get us started with residential.

Joe Lovechio - *Gibraltar Industries Inc - Chief Financial Officer, Vice President*

Thanks Bill. Good morning, everyone. Let's start with residential on slide 4. Adjusted net sales for our residential segment increased by $20.5 million or 9.8%, driven by our metal roofing businesses which were acquired at the end of Q1, as well as growth in our building accessories business.

We continue to gain participation in the US residential roofing market as we grow with customers, expand in more local markets, and benefit from new products recently introduced.

We did experience lower demand in our mail and package business specifically for our centralized mail solutions, which were down 8% in the quarter. Historically, given a centralized mail system is one of the last things installed in a multi-family property, we tend to see revenue materialize approximately one year after a new build has been started.

So to put this in perspective, in 2024, starts for multi-family new construction were reported down over 35%, which resulted in less demand and revenue for us in 2025.

Given our sales were down 8% and our market down over 35%, demonstrates our team's ability to drive significant participation gains in challenging market conditions.

Overall residential segment, organic revenue is down 1%.

Now turning to margins, adjusted operating EBITDA margins decreased 200 basis points and 130 basis points respectively, driven by business and product mix and accelerating systems, supply chain, and customer integration initiatives across our metal roofing businesses. We also remain on track to complete business system conversions to a single system across the residential segment by the end of 2026.

William Bosway - *Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer*

I thought we'd take a little time and talk about the US roofing market, so let's turn to slide 5 for an update. What you see on the left is data from ARMA. So according to shingle shipments reported by ARMA, Q3 shipments were down 10% in the quarter and are down 5.4% year-to-date, as well, the top 10 states for shingle shipments, which represent 54% of the total shipments in the US were down 12.1% in Q3 and 3.3% year-to-date.

Interestingly enough, Texas's largest market for shingles was down 25.2% in the quarter and 12.5% for the year.

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Another data point to think about is retailer point of sale results were also down in the quarter by approximately 4.5%. In general, there seems to be a few reasons for a few reasons driving the market today. First, we do see inventory right sizing happening in both the wholesale and retail channels, which we expect to continue in Q4 and maybe into early Q1, 2026.

Secondly, I think weather events in 2024, like California rains and Texas hailstorms, etc. Really haven't occurred at the same level of frequency in 2025. Specifically in the third quarter and third, labor availability may be becoming a challenge for general contractors operating in certain states like Texas, California, Arizona, and Florida.

So as the roofing market continues to be less active than we prefer, our building accessories team has found ways to outperform the market and deliver organic growth, which we did in the quarter of 2%, and have done for the first nine months of 2025, up 2.5%. And despite today's market situation, we still believe there's more opportunity to grow, and we will maintain our playbook going forward.

Now I want to move to slide 6 and I'll give you an update on our expansion initiatives that we execute in the quarter.

First, we had a capability in both Denver and Boise to support local retailers in these areas. And in an effort to provide better service and support for retailers in the greater Salt Lake City area, we redeployed manufacturing capability from our other facilities to our Salt Lake City operation.

In late July, we also acquired Gideon Steel supply, panel supply based in Oklahoma City.

Gideon's last 12 months of revenue, about $12 million $10 million of the margins, approximately 20%. And Gideon is a leading provider of metal roofing systems and roofing accessories in the OC market.

So in 2025 we entered 9 MSAs through either organic or M&A Investment and we expect to expand further with additional operations coming soon in the western region.

So let's switch gears and let's move to Agtech.

Joe Lovechio - *Gibraltar Industries Inc - Chief Financial Officer, Vice President*

So turning to slide 7, Agtech net sales grew $16.1 million or 38.8%, driven by the acquisition of lane supply, which continues to see solid demand. The strength that lane helps offset the impact of the delay of a larger CEA project which we highlighted in our Q2 earnings call. Demand remains strong with bookings and backlog continuing to grow substantially.

Adjusted operating margin decreased 440 basis points driven by the lower volume in the corridor and the impact of accelerating integration activities for lane supply.

Adjusted EBITDA margin decreased 280 basis points as it excludes the impact of higher amortization resulting from the acquisition of lane and its related intangible assets.

William Bosway - *Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer*

So if we move to slide 8, I want to give you an update on a couple of the CEA projects we shared with you in our Q2 earnings call Houwelings Arizona, which we've already referenced once, and the, and Poma Farms.

So on the left, let's start with the Howlings project. Phase one of the project, the design engineering work has been completed and maintenance services continue to support existing growing operations and product shipments for retail customers.

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Phase two of the project, the retrofit portion of the project remains on hold as the team awaits final approval of its USDA loan. And this phase of the project is currently expected to start in December, effectively a six month delay from its original schedule.

For Poma Farms on the right, there were two projects representing approximately $14 million in contract value. The greenhouse lift project is nearing completion, and the phase two, 18 acre bell pepper expansion project has recently been started. Both projects experienced initial delays related to water rights permitting, but we are pleased they are now active and moving forward.

Now I want to move to slide 9. Let's talk a little bit about bookings and backlog acceleration. Bookings and backlog continue to accelerate and grow as we expand our customer base and increase our win rate with customers. Total bookings on a year-to-date basis are up 121%, with organic bookings up 44%.

Our average backlog is up 110% over prior year with our organic backlog up 70%. Our effort to broaden our customer base over the last 12 to 18 months is also gaining traction as we have secured business with 15 new CEA growers, 24 commercial classic growers, and 20 customers focused on institutional operations like Ag-research and Botanical Gardens.

We have also been rebalancing the business across and markets in between new construction and retrofit and service.

And all of which will provide positive impact for the business going forward.

Now, finally, let's move to slide 10. I just want to share a couple of customer wins in the commercial institutional business. We were recently awarded a design and build contract to retrofit the Franklin Park Conservatory and Botanical Gardens in Columbus, Ohio, which we expect to begin in Q1 2026 and we are equally excited with our recent win for the Kaplan Orchid Conservatory and Research facility, a design build contract to build a new conservatory and also a separate research facility in Norfolk, Virginia. These projects are expected to be in Q2 2026.

So it's a lot of positive customer and demand activity happening across Agtech business and as more projects come into the pipeline.

And our operations cay and smooth as a result we're looking forward to generating more consistent predictable performance accordingly.

So let's now move on to infrastructure.

Joe Lovechio - *Gibraltar Industries Inc - Chief Financial Officer, Vice President*

Let's move to slide 11. So infrastructure net sales decreased $0.1 million or less than 1% as a result of a now resolved supplier transition that shifted revenue from September into the fourth quarter. Backlog decreased 2% in the quarter, but strong order inflows are being booked in October.

Both segment, adjusted operating and EBITDA margins decreased 740 basis points driven by lower volume and inefficiency related to the now resolved supplier transition.

Let's now move to slide 12, as we are excited to share a new patented technology that D.S. Brown recently launched to protect telecom fiber optic cables installed in shallow depth trenches in asphalt pavement and roadways.

Shallow depth trenching for fiber optic installation with our seal provides significant benefits in the expansion of fiber optic networks. It improves installation speed, minimizes roadway closures, creates less traffic disruption, while providing a more durable seal solution.

Since late Q2 2024, we have sold 350 miles of seal to support fiber optic installation projects in 13 different states, and we are excited to see this product solution ramp and grow as cities, states, and the US continue to build and strengthen fiber optic infrastructure.

So now let's move to slide 13 to discuss our balance sheet and cash flow.

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At September 30, we had cash on hand at $89 million and $394 million available on our revolver. During the quarter, we generated approximately $57 million in cash from operations from net income and cash generated from working capital.

Free cash flow generation -- again expanded on a sequential basis to about 16% of sales as expected, and we are on track to hit our 2025 target of approximately 10% of sales.

Our revolving credit facility remains untapped and we remain debt free.

We expect to continue to generate strong cash flow in 2025 and in the coming years. Our capital allocation priorities for 2025 are to continue to invest in our organic growth in operating systems for scale with capital expend expenditures at approximately 3% to 4% of sales for the year.

We continue to explore inorganic growth opportunities with a focus in our current residential and markets and have an active pipeline of high-quality M&A.

Our strong balance sheet supports this effort and provides optionality and flexibility. Lastly, we plan to continue to deploy capital for value creation through opportunistic share repurchases and have $200 million remaining under our stock purchase authorization.

Now I'll turn the call back to Bill.

William Bosway - *Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer*

So now let's move to slide14 and we will review our guidance for the rest of the year. Let's start with our assumptions for in markets. In residential, we expect current market conditions to persist and adjust for normal seasonality in Q4.

We assume interest rates will become a bit more attractive, affordability will improve slightly in certain regions, and inventory right sizing will continue in the channel.

We will continue to drive participation opportunities in both our building accessories and mailing package businesses.

In Agtech, we have solid backlog and expect to add more bookings in Q4 with some impact from these projects in the fourth quarter while also setting us up for a good start in 2026. We also expect demand in our lane supply business.

To continue as the team supports new store and retrofit initiatives across its core customer base.

Finally, we expect infrastructure margins to return to normal levels in Q4, accelerate bookings in the quarter, and build backlog as we exit the year.

So with that, let's review our 2025 guidance from continuing ops. We expect net sales to range between $1.15 billion and $1.175 billion up approximately 15%. Just an operating margin to range between 14.1% and 14.2%, just EBITDA margin to range between 17.1% and 17.2%. GAAP EPS to be in the range of $3.67 to $3.77 down from last year. But driven primarily by the gain on sale from the company's electronic locker business that we execute at the end of 2024.

Adjusted EPS to be in the range of $4.20 to $4.30 up approximately 10% to 12%, and free cash flow is a percent net sales of 10%.

So in summary, we're on track to deliver a solid year in 2025. We will continue to navigate through a sluggish residential market, execute on growing bookings and backlog and Agtech, and stay on course to complete the cell renewables business by year end.

Transforming our portfolio and focusing more on residential and structured businesses will drive improved performance for our shareholders and customers. I'm really proud of the work our team is doing to execute in this environment each day while simultaneously transforming the company for the future.

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

QUESTIONS AND ANSWERS

Operator

Thank you. We will now be conducting a question-and-answer session. (Operator Instructions)

Walter Liptak, Seaport Research.

Walter Liptak - *Seaport Research - Analyst*

Hey good morning everyone. Well wanted to ask first about the guidance for this year and the lower EBITDA margin, that you're forecasting. Is it related largely to the lower margin this quarter?

And if it is -- it's largely probably in the Agtech segment and then kind of the same thing for the fourth quarter is the fourth quarter, is the margin overall coming down because of the Agtech, outlook.

William Bosway - *Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah, well I think.

Joe Lovechio - *Gibraltar Industries Inc - Chief Financial Officer, Vice President*

You know there's probably two things there. One we referenced the lower volume in Agtech and so you sell that particularly in in the third quarter and then the second part is kind of the impact of the business and product mix, particularly in the residential segment. So I'd say those are the two drivers that you're seeing, impact the margins, for the balance of this year.

Walter Liptak - *Seaport Research - Analyst*

Okay great and just to drill into the excuse me, the Agtech segment, you referenced some new customer wins and that's great I wonder if you can provide us with some details about, the sizes of these new projects, sort of the implied margins, and, what the future margins for Agtech could look like.

William Bosway - *Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah, it's a -- no, it's a variety of customers, as I mentioned, whether it's a CEA, so the things that you've seen Walt in person, or institutional commercial, it's been a pretty broad increase. But in CEA as an example, we've really broadened out and it's a combination of new and retrofit type projects in the US as well as in Canada, and the margin profiles vary a little bit depending on the scope and size, of the project itself, but we still feel really good about moving this business towards 15% operating income, maybe a little bit higher, even the margins in a relatively near term.

Our US, when you get into commercial institutional, the reason that's important is because those margins are even, a little bit higher for us because of the uniqueness and the customization around some of the things we do there. So the more we can mix our business between, types of business.

Individual channels or markets, geographic markets, and then scope range makes a difference in how we drive our margins up. So broadening the base is great from the standpoint of getting the cadence around operating cadence, and secondly, mixing our business is also really important.

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And the one thing about construction that we all know, and the frustration about it sometimes when you depend on one or two large projects and they move.

Your costs don't, they're not as variable as you'd like them to be like in a manufacturing building ship type environment. So we're trying to emphasize to everybody and broaden our customer base and broaden the number of projects we have, it does smooth out that, but it also helps keep your cost more in line as you go through the course of the year in the course of various projects. So I'm excited about the fact that we're adding more because that's the balance that I think will give us more predictability.

Not just for you but for us and everybody else that's interested in the business but I'm pretty excited about how that's evolving. That's why I wanted to share with you guys what's happening in the bookings in the backlog and the customer expansion. It matters a lot going forward with margins.

Walter Liptak - *Seaport Research - Analyst*

Okay, is there a change now in the sizes of these projects? Are there, is it more diverse, smaller projects that inherently have less risk? Is that where you're, commenting on?

William Bosway - *Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah, I think so. If you, in our organic business, yes, commercial and institutional inherently are smaller than they than they are the largest CEA. They're smaller in scope and therefore take less time. So you stack up more of those, and we inherently do more of those in a given year than we would CEA just because of the size of CEA, and then Lane is a little bit different in the sense that their average project is 7 to 10, maybe a week to two weeks depending on. How intricate it is.

So the cadence they bring to the segment is helpful in that front as well. So think of lane as probably your fastest flip and turn on projects, size and turn, commercial institutional in the middle and CEA is your bigger and larger and longer projects. And so mixing that is important to us, relative to driving the cadence.

Walter Liptak - *Seaport Research - Analyst*

Okay great and then I think he called out that Lane supply had some one time cost this quarter. I wonder if you can quantify those for us.

William Bosway - *Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah, well, I -- a reference there is we're trying to accelerate a little bit faster on the integration, so we're doing, incremental systems work to pull that up, faster than we had originally thought. So getting them on the Gibraltar systems, not just for financial reporting, but other systems like our HRIS system, supply chain and things of that nature and so we're just putting a lot of effort to accelerate that at a faster pace than we originally planned and that's the bulk of it in terms of quantifying that, in the quarter I don't have a solid number for you, but it's a decent amount of effort.

Walter Liptak - *Seaport Research - Analyst*

Okay, thanks. I'll get back in the que.

Operator

Daniel Moore, CJS Securities.

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Daniel Moore - *CJS Securities Inc - Analyst*

Good Morning Bill. Morning Joe. Thanks for taking the questions. Maybe talk about just backlog up 50%. What was that? Was that organic? I know you referenced 70% or organic growth in Agtech just one of the pace that out a little bit.

William Bosway - *Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer*

Better. The backlog I showed you on the one page is all Agtech and so. The organic was up average backlog got 70% year over year. Yeah, you got to do an average because it's every quarter changes your backlog, but the bookings is probably more indicative that was up 44%. That's all organic, just flat year over year, and that's just a combination of adding more customers and winning more projects or having a better win rate.

So we've had a concerted effort in the last couple of years to work that hard, not just in CEA but also in commercial institutional and it's exciting to see it it's starting to happen and, I didn't reference a whole lot of what's in front of us the projects we're working on, but there's a lot of instant activity in front of us as well.

So, yeah, it's starting to pay off for us and that's part of that whole intent of how do you drive more cadence consistency quarter to quarter. You got to stack the projects and you need more of them and we're starting to see that build for us so. Decide about what that's going to do in four but also as it as we go into 2026.

Daniel Moore - *CJS Securities Inc - Analyst*

That's helpful. Can you remind us of kind of roughly what percent of your Agtech revenue runs through backlog? Just trying to get a sense for, how meaningful, I mean it's very significant up, step up in order rates how meaningful that is in terms of translating the growth next year and in terms of lead times when we should start to see that translate to faster revenue growth.

William Bosway - *Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah, so, a very high percentage of our revenue comes from our backlog, if you will, in Agtech. There's a little bit where we'll do some repair maintenance, type stuff that turns and flips that doesn't really go in the backlog, but the bulk of what we do, goes in the backlog and then translates into sales. So I'd say probably 90% of our revenue comes from and it's driven by the backlog that is in front of it.

And so as we stack these projects, as I mentioned in the call, we're -- we'll start to see impact some of that in Q4 and then those projects depend on the mix between commercial, institutional, and CEA and lane.

I have a different time element around it. So if you look, if you the two I showed you guys in commercial institutional, those will start in Q1 and Q2 as an example. We'll turn and flip those in, three to four months. CEA projects can be up to a year.

Lane will be 10 days to 2 weeks and so it's that mix that we think will get us off to a good start in in in in the first quarter, but it's going to be helpful in in Q4 as well so. What I probably need to provide you a better view of, Dan, honestly is, breaking the backlog down into those various groups so you get an idea of churn, which I didn't do for today, but we can follow-up with you on that as well.

Daniel Moore - *CJS Securities Inc - Analyst*

Makes sense. Appreciate it. We don't talk as frequently these days about mail and packaging. It's been a few years of obviously slow housing turnover. What's your updated outlook for growth for that business and margin profile and opportunity over the next few years?

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William Bosway - *Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah, well, the one thing about mail and package is different than our building accessories. So building accessories, 80% repair. And so that's a different, a little bit different world than obviously new start construction, which is what mail and package is typically driven off of.

And so it starts have been down in the last two years, the business has been navigating through that. So we've worked really hard to outperform a down market, but it really is starts driven. So as you start to see Interest rates and affordability kind of come in line a little bit better than it has been, and you'll start to see starts pick up, you'll start to see then that drive into our business.

So there's a lot of activity out there where our dealers are quoting on developments, but those developments are the things that need to actually start kicking in.

So, we see a lot where civil’s been done, but the new construction guys are holding off that, and I'm talking about the larger neighborhood, whether it's multi-family or single family because we put them in both.

But that we need to start seeing that activity move forward for that to translate into business for us, we're the leader in that space, we're not, we haven't fallen down as much as everyone else has. It doesn't make us feel any better, but it really is a starts thing and, I would say a lot of our dealers are.

They're pretty optimistic, but we need those starts that start picking up for the business to start picking up. I don't think, we'll see a dramatic fall going forward per se. I think we're bottoming out, but I think we're going to mirror what you see in the new construction from the builders.

That's traditionally what's going on in the business, particularly our centralized mail.

Daniel Moore - *CJS Securities Inc - Analyst*

Got it and margins, pretty, steady state where we're kind of on a run rate basis, not necessarily this quarter, but fiscal '24.

William Bosway - *Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah, yeah, the, particularly in mail and package, but I'd say in residential, we've done a pretty good job of, you think about a sluggish market whether it's repair or new, some of the tariffs we've all been dealing with, we've made it somewhat of a non-issue, but you still got to go execute things like pricing, cost reduction, 80/20 initiatives, and I think the team's been done a pretty good job of neutralizing as much as they can in that macro environment, and delivered pretty solid performance relative to the rest of the world, but Again, it doesn't make us feel great. It just, it gives us some confidence that we can plow through what's in front of us and as the market recovers and we should be in a good.

Good position to accelerate maybe a little bit quicker than everybody else.

Daniel Moore - *CJS Securities Inc - Analyst*

Helpful last for me, adjusted, looking at the [quick] guidance adjusted pro forma operating margins kind of 14% for the overall business implied by your fiscal '25 guidance.

It, we just talked about some of the pieces here, but in terms of opportunity for '26 and beyond, not looking at, guidance per se, but where do you see the biggest opportunities, to improve that and, what should that look like, given the new portfolio of businesses if we look out say two to three years. Thank you again.

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William Bosway - *Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah, no, good question. So believe it or not, we're starting our budgeting process and our three year outlook process next week, but, I'd say in general from a 20,000 ft view, we would expect things in the residential space to get better from an in-market perspective. We're in our third, maybe fourth year of a depressed market. At some point in time that's going to turn back and.

I think from a growth top and bottom line that's going to contribute nicely as we get bigger in that space, either building accessories, metal roofing, mail and package, all of those things I think are going to, we're in a good position to drive better performance.

The other big one for us is obviously Agtech. So this backlog and the bookings rate that we've been demonstrating here recently, I think it's going to matter a lot relative to contribution over the next couple of years. That business is going to contribute a lot more in the top-line, but as we get the cadence going, the mix of projects as I described, you're going to see a margin improvement that's going to be a nice contribution to overall Gibraltar. And lastly, although it's a relatively small business, what's interesting about the new technology Joe referenced.

That's an interesting technology that's patented, and unique, and we're just getting started, but that'd be a nice a nice growth engine for us if it continues to accelerate and at a minimum, support the margin profile of the business today and maybe help us a little bit more on that front too going forward so we got, I think we have a lot of good things in in front of us.

And I think we're doing a pretty good job right now in this environment, but, as some of these markets turn for us, some of the new products really take off for us, we're pretty excited about what we can what we can do in the next two to three years for sure.

And let's not forget we're going to continue to put our balance sheet to work, whether it's through, opportunistic buybacks, but there's some really interesting M&A opportunities that I think are going to help us position in our existing swim lanes.

Even to be even a stronger position we are today, so we're working that pretty hard more to come on that, so we got, I'd say, three or four cylinders kind of clicking, just not showing up as well as we'd like just yet, but they will and they're starting to, we're starting to see that.

Daniel Moore - *CJS Securities Inc - Analyst*

Very helpful. My last one I'll jump out. Sounds like still expect the sale to go through between now and year end, anything that may be, delaying that just maybe I guess the question is to your confidence around that timing, relative to where we stood maybe 90 days ago. Thanks again.

William Bosway - *Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah, I'd say pretty good, now we're moving forward. So, these processes have stages and, if I'll use my baseball now if it's a nine inning game we're in the later innings, not the early innings. So, we still feel good about that and like to get that done, that's important to us for a lot of reasons as well, so good progress.

Daniel Moore - *CJS Securities Inc - Analyst*

Very good. Thank you again.

Operator

Julio Romero, Sidoti & Company.

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Julio Romero - *Sidoti & Company LLC - Analyst*

Thanks. Hey, good morning, Bill and Joe. On residential, you talked about some of the trends in that segment across the different business units outperforming some of the in markets and building accessories and also in centralized mail.

Talked about retail point of sale down 4.5%. I was hoping you could talk about trends by geography a bit and just call out any areas of strength and weakness that you saw in the quarter and heading into the fourth quarter.

William Bosway - *Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer*

Well, from a market perspective, that army is kind of interesting because you think about the largest markets between Texas, Florida, California, all being down, that's where, you've had in the recent years a lot of migration and or build happen or just sheer size of those respective states.

I think Texas is which is important to us, but I wouldn't say that's a place that we're incredibly well positioned. We've been making strides there, but I think, that's a location where I'd say a region that and generally the Southeast, is probably going to see some recovery in the next year or so and the reason I think that is a Florida's coming off came off of a very strong set of series of storms.

We saw a big reduction last year in your year over year type of performance, and I think it's now normalized and what now you're starting to see is, I think they're positive for the year or year-to-date so far. I think you'll start to see that settle in and be a little bit more positive growth. We're pretty well positioned there, but we're coming off of a year or two where it was once we got past hurricanes, it was really depressed. So we'll see how that evolve.

I think the Southeast in general, states like Georgia are still pretty strong, Alabama and that whole area, the Carolinas are pretty strong. We, we've been expanding into the Carolinas if you saw the dots on the map through metal roofing, but now we're actually running some of our building accessories through those metal roofing locations because those are areas, those, that region is that mid-Atlantic or Carolina region is, underserved, so we're seeing some opportunity there.

So it really is somewhat surgical for us, but I would say, how do you continue to do well in Florida? How do you expand in the Southeast, get the Carolina going, and we'll continue to expand our presence in Texas.

We've been doing a lot in the Rocky Mountain region, as you see with the Colorado, Idaho, Montana area, and we still think that is, got some pockets. Salt Lake has been pretty good for us. We've done some things in Boise, which seem to be a pretty decent market.

So, yeah, really, the places we've gone, Julio are places we think a, are underserved and b, have decent markets and I can't tell you specifically that every MSA is going to do in the next two years, but I feel like our coverage today is better than it was two years ago.

And we're in more places than we would have been otherwise. And so as these regions return, I think that's important. And I think the other thing to think about is it's not just the region, it's being with the right channel in the region.

And so part of our localization effort is to be stronger with wholesalers, where 80% of what contractors need they typically buy through, but there's also cases where we want to be in certain regions where we're doing really well with retailers and wholesalers.

So there's a lot more under the curtain if you will, in terms of how we're trying to drive our participation, but I think all of that's kind of working for us right now. We have more work to do, but that's a long answer to your question, but we're trying to skate to where the puck's going to be right now with the market it's a little challenging to figure out exactly where the puck's going to be.

But we think about it more than just the next year or the next quarter we're trying to figure out migration patterns where investments are going, where the new construction guys are going, as well as the inventory stock that's out there so it's a combination of a lot of things, but sorry for the long answer hopefully that helped a little bit.

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Julio Romero - *Sidoti & Company LLC - Analyst*

Yeah, very helpful. Thank you.

And just thinking about the residential segment, adjusted operating margin and residentially, but the margin trended down a bit year over year and sequentially here, can you kind of help us unpack the drivers of the decline and just, help us think about is that primarily from the increased noise from the acquisitions and metal roofing or is the noise, or is there some noise in there from inventory right sizing and less weather related etc. -- activity, etc.

William Bosway - *Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah, I think it's -- we talked earlier about our revenue being less than planned in the core. There's a little bit of that in our, in outside of mail package in our core building accessories. Yeah, we were up 2%, but we went into it thinking that we would grow a little bit more.

We did not anticipate the right sizing, and I think after Labor Day, that's when we started to see it and we're hearing that consistently from wholesalers and the big box guys trying to get that right.

You think about going into the third quarter, that's usually the biggest quarter, didn't materialize as people thought. So I don't think the market's down, inherently structurally down 10% to 12%. I think it's more like the 4% or 5% that I referenced because that's the point of sale that reflects what's actually being sold.

But I do think that created some noise for us and the building accessories that contribute to a little bit of the margins, impact, mail, mail and package, obviously being down impacted, the margin compression. Metal roofing is really more of a short-term issue as we're trying to accelerate faster than we plan.

So we are making investments in that now, to get things integrated at a faster pace than we originally thought. And that's really around systems. It's just supply chain things that we're doing, and I think that's all good stuff, but those investments need to be made and we're making those as we go. So we're in a stronger position as we go forward in 2026.

And the reason we're doing that now, you might say, well, why? well, if you have other ones that you want to bolt on, having that system structure in place makes a difference on bringing the next one or two or three into the into the family a little bit more efficiently than you would have otherwise. So we've got to get that going and that's part of the investments we're making.

Julio Romero - *Sidoti & Company LLC - Analyst*

Perfect. And that kind of segues into my follow-up here is just, and this is kind of a piggyback to what Dan was asking earlier, but more focused on residential in particular as you continue these expansion initiatives and you invest near term into systems and integration here in the near term, how should we think about how residential margins on an operating margin and even to margin basis trend over the next few quarters and into '26. To the extent that you can talk about that, at a high level.

William Bosway - *Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah, I, we expect them to improve. I mean, we, like I said, we're offsetting some business and product mix simultaneously why we're integrating the things we just bought all in the same space, and we're dealing with a relatively sluggish market.

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So if we can get the market to cooperate just a little bit, more than it has the last three years, I think that's a big deal, so we're not chasing a falling sword, for all of 2026 and we can't control that. I get it, but I think. You know there's some movement that we've been tracking that does you know have we hit the bottom?

I can't tell you for sure or not, but I feel like getting that piece a little bit more stable makes a difference as we execute our base plan. What we can control, yeah.

Things like how we drive participation or 80/20 product mix, new products, things that we've been doing, I think will matter towards contribution and I think as you think about some of these new locations in our strategy around, getting closer to wholesalers on some local basis those inherently are higher margin operations than what we traditionally would have done trying to serve them from distances. So there's a lot of things I think that will contribute to margin.

Improvement in the space, going forward, the addition of better roofing is going to matter. That's why we got into it in the first place. But I think there's a lot of things that will start contributing as we get into '26 and '27. The thing that we haven't talked a lot about and I won't be able to quantify it for you yet today, but this systems integration.

Inherently there's a lot of frictional costs when you don't have any of those systems in place for the respective teams to leverage, and we've been working on this for quite a while, but by the end of '26, we'll have the entire residential business on a system, one system, so we've got a few more locations to do, but that's going to matter as we think about scaling up using technology, of leveraging our cost structure in a much different way than we have in the past. So we still have things like that so I think we're going to make a difference for us going forward on margin as we move forward.

Julio Romero - *Sidoti & Company LLC - Analyst*

Very exciting. The last one for me here would just be if you could talk a little bit about the M&A pipeline for residential in regards to your expansion initiatives and kind of where M&A multiples are going for in the residential space.

William Bosway - *Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah, that, and I'm not trying to avoid the question. I say all over the map on multiples, but what's, yeah, as we talked before, the thing that we're trying to do is stay in our swim lane when you think about residential. So we swim in certain lanes, our M&A focuses on staying in those and building on our presence because the synergy opportunities around that tend to be better.

And secondly, the return profile, on the investment you make and something that you do every day tends to be, better and less risky than if you're doing something on an adjacency basis or something that's adjacent to your core.

So I'd say the pipeline number one is pretty robust right now in our swim lanes, whether that's, core building accessories type stuff, metal roofing is quite interesting right now as well. And those are the two areas that we're, I'd say, effectively 100% focused on right now relative to M&A for all of Gibraltar.

And so we'll continue to drive that but yes, we are engaged and involved in a couple of interesting things and we'll see how those things play out in the relatively near term.

Julio Romero - *Sidoti & Company LLC - Analyst*

Very helpful, thanks very much.

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Operator

This now concludes our question-and-answer session. I would now like to turn the floor back over to Mr. Bosway for closing comments.

William Bosway - *Gibraltar Industries Inc - Chairman of the Board, President, Chief Executive Officer*

Well guys, hey, thanks again for joining us today, and I appreciate the support, appreciate all the questions. It's an interesting time.

I think we're doing a pretty good job of navigating through some things, and, looking forward to catching back up with you guys next quarter, and we know we'll do some one on ones here shortly as well. So thanks again and hope you have a good day.

Operator

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

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