EDITED TRANSCRIPT
Gibraltar Industries (Nasdaq: ROCK) 2015 Investor Day
March 26, 2015
8:30 a.m. to 12:30 p.m.
Nasdaq Marketsite

Welcome
David Calusdian, Investor Relations, Sharon Merrill Associates

David Calusdian: Good morning and welcome to the Gibraltar Industry's 2015 Investor Day. We are really excited to have you here for this inaugural event. I would like to turn your attention to the company Safe Harbor statement on slide 3. Company will be making forward looking statements today, which have inherit risks and uncertainties. Please refer to the SEC filings and a list of risk factors within those filings. Just a few comments about the agenda today. We will be taking a break around 10:00 a.m. and we will be ending the day with a lunch around 12:00 noon outside this room. We will be having Q&A after each of the presenter's presentations and then we will have an opportunity for a full Q&A with the entire management at the end of the program right before lunch. And again, an opportunity to speak with management during an informal lunch right outside the room. So with that, before we turn the floor over to the company's new CEO Frank Heard for an overview of the company's vision and strategy, I would like to direct your attention to the screen and introduce you to Gibraltar Industries.

[Video begins]

"Gibraltar Industries is a global manufacturer comprised of leading companies servicing the industrial, commercial and residential construction markets. Established in 1972, Gibraltar has grown from its original US metal processing business to an international manufacturer of diversified building products with facilities in North America and Europe distributing to customers in over 50 countries. As the largest manufacturer of mailboxes and secured parcel locker equipment in North America, Gibraltar is now capitalizing on the secular growth in centralized package delivery by introducing innovative and technologically advanced products such as the highly configurable Express Locker, a password secured package delivery system with 24 hour accessibility.

In residential construction, Gibraltar produces an array of building products that make construction more efficient, more functional and aesthetically pleasing. With a focus on energy efficiency, Gibraltar's ventilation and air management products are setting the standard. From ridge vent systems to static and solar powered roof louvers, intake products and whole house fans. Gibraltar's advanced materials and proprietary manufacturing process deliver optimized airflow for maximum efficiency and extended roof life. Gibraltar also produces a comprehensive line of metal roofs and roof related rain dispersing products that include both aluminum and steel flashings, gutters and gutter guards. With the growing demand for outdoor leisure product, Gibraltar recently purchased Sunesta premium retractable exterior awnings and sunshade products.

With recent acquisitions, Gibraltar has expanded its industrial product lines to better service the bridge and elevated highway markets with functionally critical components such as cable guard, expansion joints, deck guard and bridge bearing systems. These products are integrated into many prominent products such as the San Francisco Oakland Bay Bridge, the Manhattan Bridge and Boston's Big Dig. A leading producer of processed metal products, Gibraltar's bar grating and expanded and perforated metal products can be found within most of today's heavy industrial settings from stairs and walkways to mezzanines, safety barriers and countless OEM products. Gibraltar's processed metals provide the strength and versatility required for most industrial applications.

The durability and aesthetic appeal of high quality metals has brought a new innovation from Gibraltar Industries in the form of architectural facades now being utilized on some of the most cutting edge building designs of our time including the new Museum of Contemporary Art in New York City. Gibraltar's line of industrial concrete forming products provide an efficient and cost effective alternative in forming tunnels, bridges, roadways and other industrial structures. And where security is paramount, Gibraltar's extensive line of barrier fencing and related security products have become integral to border protection and securing parameters. With an eye on the future, Gibraltar Industries is committed to continuous innovation and producing high quality products to meet the needs of a changing world."

[Video ends]

Overview: Vision and Strategy
Frank Heard, CEO

Frank Heard: Thank you David and good morning everyone. I would like to welcome you to Gibraltar's first ever Investor Day Conference and to thank Mike and his team at NASDAQ for being such gracious hosts. Over the course of the morning, we would like to accomplish three primary objectives. First and foremost, we would like to share with you our perspective as to the current market positioning of our various platforms and businesses in our portfolio, and how we see them performing over the near-term and the respective role that they may play in driving long-term value for our shareholders. Secondly, I think it is important at this time we share with you some additional detail relative to our long-term value generating strategies and how we plan on achieving best in class results. Lastly and most important, we want to use this opportunity to showcase the executive leadership team before you here today, that will ultimately be responsible for delivery on these promises and different types of results going forward.

Before getting started with the formal aspect of our agenda I thought I would take a few minutes and share with you why Gibraltar, from a more personal perspective. As you know, I spent a bulk of my entire career with a large public corporation that allowed me to grow and develop and evolve as a global leader and a contributor to what has become a best in class industrial products conglomerate. And it was certainly a privilege to be a part of that evolving success story that continues to this day. What I see at Gibraltar is a similar type of opportunity. One in which has the same potential to create the type shareholder value that I had learned to expect in a public enterprise. Best-in-class value creation. So from my perspective the choice was obvious. Participate and lead in the ongoing transformation of Gibraltar or remain on the sidelines comfortable in my retirement, overlooking the rolling hills of a vineyard with a glass of wine in hand. And I can tell you, it was not a bad second choice.

However, the opportunity to take my past experiences and learnings and incorporate my own unique leadership style to drive a new and different type of result for you as shareholders was an opportunity that I believe I had been trained for and positioned for throughout my career, and I am mindful of that responsibility and will work hard to earn your respect and trust. That being said, you need five things in order to facilitate the type transformation we are looking for here at Gibraltar. First and foremost, we need attractive end markets in which to participate and I believe we have these at Gibraltar. Secondly, we need a portfolio of businesses, products, customer segments and channel partners in which to work with and we have this at Gibraltar as well. Thirdly, we need a strong balance sheet, one that we can leverage and fund to drive the change required in our existing portfolio and we certainly have this at Gibraltar.

We also need a recognition at all levels of the organization through to the board that our historical performance relative to average shareholder returns could have been better, and that changes required needs to be more transformational than incremental, and I can tell you we have that type of support through all levels of Gibraltar. Lastly and most importantly, we need people. People with the appropriate will, skills, experiences and track record of success that will deliver the types of results that we expect of ourselves and by our shareholders, and I can tell you we have these people at Gibraltar. The right people in the right place at the right time.

I am here today because I feel we have what it takes to deliver on these promises and ultimately be best in class amongst our evolving peer group. Our promised in its simplest form is to make more money each and every year, at a higher rate of return, with a more efficient use of capital. Most important element in any leadership group is the allocation of capital and our commitment to you is that we will be thoughtful about our choices ensuring that each and every dollar we spend will be accretive today and sustainable into the future. We also commit to keeping you abreast of our progress in both a timely and transparent manner. So if you could turn to slide 6 we will get started with the formal aspect of our presentation.

Higher earnings, higher return, lower investment. Transformational change versus incremental change. Achieve best-in-class value creation and shareholder returns twice the revenue, four times the earnings approaching $1 billion of capitalization and ultimately be more relevant to you as shareholders. From a value creating strategy perspective how are we going to achieve this? Four different components that we are going to work on together as opposed to sequentially. Operational excellence to drive margin improvement to the simplification process, innovation in terms of allocating more and new existing capital, and new capital towards the best opportunities in terms of engineered solutions, acquisitions as a strategic accelerator, and portfolio management in terms of better allocation of our capital and our human capital and expenses towards our best opportunities in driving shareholder return.

If you look at our last five year financial trends you can see we did a pretty nice job at the top side from a revenue perspective against a variety of headwinds in the different end markets we participate in. If you look at it from a gross margin perspective, you can see relatively flat through to the end of 2013 just under 20 percent. The 20 percent in itself would suggest that we would need a broader range of innovative products and engineered solutions than what we have in our portfolio today and that is an observation that we would share with you today. The three points drop in 2013 to 2014 is a reflection of some pretty material headwinds in terms of our end market activities and a variety of areas in addition to the challenges and wide swings in our raw material inputs and the different types of channels and customer partners we participate in and our ability to recover that price in a timely way. Certainly some we are focusing on in a more diligent way in 2015.

If you look at what we have done to offset that, Gibraltar historically has done a very nice job resizing and restructuring their businesses to be more appropriate for the end market activity with the existing customers and product solutions they have and you can see that over the trend line from an SG&A perspective down into the 11-12 percent range. My experience in 11-12 percent range from a reinvestment perspective makes it pretty difficult to drive new innovative products and the creation and the entry into new and different types of markets. So to some degree, we have got this level of expense now where we are going to have to reinvest in the business to some degree to help drive and support some of those key initiatives. But we are going to have to be thoughtful about what those initiatives are.

The result year-over-year operating come from five years ago today, not a lot of change resulting in similar types of performances and earnings-per-share, operating margin in terms of a lack of improvement missing some of leverage that we would have hoped for in the topline growth and ultimately relatively flat in return in investor capital. If you look at earnings-per-share 2013 at 2014, this is not the chart that we like to look at, but it is the chart that I look at every day. This is not something we are proud of. This is not where we want to be. This is not what we believe is best-in-class amongst our peer group and we expect to change that going forward.

If you look at what we have accomplished over the course of 2014, I started in May we certainly have gone through what I think everybody believes is a successful transition in the segregation of duties from a CEO and chairman perspective. That is a key initiative obviously, from a corporate governance perspective, but I would suggest to you it is more important from an operational perspective. We have a lot of challenges in front of us. We need the separation of duties in order to allow me to focus on what I think is the best interest of the corporation and the best interest of our shareholders, and I think we have the appropriate fit from a chairman perspective in terms of providing strategic oversight and guidance for me going forward. I think we have also had a successful on boarding of four new directors at the board level that I think are people who bring skills to us, not just for who we are today but who we would like to be in the future and I think that is important. People with international manufacturing experiences and market experiences, new product development experiences and we are looking forward to having their guidance as we move forward.

I started in May I think 14th or 15th and then spent the first hundred days visiting 45 locations primarily in continental United States and Canada and Western Europe going through and touring each plant meeting with each leadership team trying to understand their strategic intent, their operational process and finishing with one-on-one interviews for 15 or 20 minutes with each and every senior functional manager in all 45 locations. And I can tell you it was very insightful listening to those people share their stories about Gibraltar, where they felt their position in the marketplace and what they thought we should do going forward that would ultimately drive new and different types of results. And we did take that input and that was part of our process as we developed a new and different value creating strategy to move forward.

From a leadership perspective, we did realign resources in terms of existing talent and we did bring in new talent and we will talk about that a little bit more in future slides. From and accountability perspective and a compensation perspective, I can tell you we are raising the bar of expectation in terms of results. We want to make more money each and every year at a higher rate of return with a more efficient use of capital and I can tell you there is a clear line of sight in terms of my performance and our senior management's performance all the way through the organization. If that that does not happen we do not get paid.

From a capital perspective, we did preserve our capital on the balance sheet over the course of 2014 and we did increase it and we expect to use it in a more efficient manner. We did have some success stories on the topline and you guys had an opportunity to look at our Postal product space in terms of example of a new and different type of product and that is a key space for us and that drove primarily the topline results you saw in 2014. And we also had some corporate wide initiatives from an overhead reduction in advance of the 80/20 simplification process to the tune of 14 cents a share, which helped preserve our result at 47 cent a share over the course of 2014.

From innovation perspective, we highlighted the Express Locker out there and Steve will talk in more detail about that space. Very exciting space. Lots of changes going on and it is a large space. We have a leadership position in that space and we expect to exploit it going forward. In terms of disappointment in the simplest form, making less money year-over-year on higher revenues and a higher capital spend is not representative of best-in-class. It is not the type trend that we expect going forward. Our capital spending, as you know, went from an average of $15-$16 million to $25-$26 million and for that $10 million we made less money. Now we invested that, which was the right choice. We did not accrue any benefits in 2014, but we expect to see that exponentially going forward in the area that we invested that money.

From a Postal product perspective, we talked about this in our prior earnings calls. That is where we saw some delays in terms of accrued benefits for that investment and we are beginning to see that 2015 and it is escalating as we work your way through the progressive months. $110 million in impairment is not something that we are proud of and happy about looking at the end of 2014, but I can tell you the investments we made relative to those acquisitions specifically in the infrastructure space we would do again. The fact that the funding aspect of that end market dried up after that acquisition, that is still a business after resizing and refocusing in that market, it’s still a double-digit return business with the potential to be back at best in class in the high teens. And we see that progressing in 2015. We have got the right size businesses. We see a growing backlog in that space despite the delay in funding. So we are happy with that acquisition disappointed in the impairment charge.

From a price management perspective, I highlighted the challenges: 16 cents a share was the impact of price management in 2014. Pretty material number, and I can tell you going forward, we track this every month from the back end of the fourth quarter in 2014. We reconcile throughout the corporation the 80 customers and the 80 products that get sold through those 80 customers and trying to zero out the bottom line to make sure that we recovered any raw material increases from the prior month and with the point and the intent of ensuring that we protect margin as well. So certainly are we doing something different in this area to mitigate the risk going forward? Absolutely. From an execution perspective, we rolled up two manufacturing plants and that was the right decision to do. Our implementation of that lacked a little bit in terms of timing, but we are beginning to see those benefits in 2015.

From a portfolio perspective, we made no acquisitions and we made no divestitures. We are going to change that going forward. Just to highlight some of the leadership changes, I mentioned that we did separate the chairman and CEO role and there is two new people in those roles and hopefully I am the right one in this one and I know our chairman is the right one, Bill Montague going forward effective June 1st. I think Kevin Viravec, if you look at the three presidents today they are all in new roles. Two of the three are long-term Gibraltar employees. Kevin Viravec is a new hire from my past life. I think his experience in end market and strategic overviews, the appropriate person to oversee the industrial infrastructure group. Stephen Duffy, part of our business for I think seven or eight years is now responsible for the new platform, Postal products, representing curbside mail, the migration to centralized mail and the large emerging space in parcel delivery. Very important space for us. Certainly something we are going to support going forward.

Chuck Jerasa is now responsible for a focus residential both single-family and multi-family and that is an important space for us from an innovation perspective. We want to participate in the rising tide of that space. Today we are focused primarily on the roof. We want to be focused on the whole house and certainly as a whole house envelope becomes sealed up there is more and more opportunity from an air management perspective where we believe we have some significant advantages and expertise. John Wagner is a long-term employee of Gibraltar. He is now in a dedicated role to drive the 80/20 simplification process throughout our business platforms. He is doing that in partnership with a third-party consulting firm that we engaged with that is made up of people that I know from my past life who have an expertise and a demonstrated track record in driving the 80/20 simplification process through various companies in continental United States.

Paul Plourde represents the new business development role, which is a new role for Gibraltar and one in which it is a dedicated resource to move us from being more opportunistic on the acquisition side to being more proactive in terms of looking for what we think are the needed…are the additional types of platforms and businesses that we think are important to help transform Gibraltar going forward, and ultimately those results. If you look at this, we made a lot of changes from a leadership perspective in terms of skill sets and experiences and from an organization perspective, all with the intent of trying to ensure that we are well-positioned to drive the types of results that you would like to see of us going forward.

We are not doing this with more. We are not doing this with the same. In actual fact ongoing, we are doing this with a less investment than what we spent in the past for similar type of organization. We took out the President and Chief Operating Officer's role and we are using those monies to fund these new positions and these changes. Today in 2015, we will net the same money and as we migrate away from the support of the third-party consulting group we will do this for less money. I think that is a pretty efficient use of our investment in terms of talent to help drive a different type of result.

The opportunity aspect of this in terms of twice the revenue, four times the earnings, $1 billion in capitalization and ultimately trying to be more relevant, you know, it's a nice catchphrase, it's a nice goal, but from an opportunity perspective is it actually achievable? So Ken, myself and others in the team spent an awful lot of time over the past month looking at various model scenarios financially as to whether or not it was achievable. In what order of events from a value creating strategy perspective we would have to execute on, and to what degree in which year. And if we did all that, would we actually have the opportunity to approach $1 billion of capitalization at the type of returns we would want, you would want, representing best-in-class?

This chart is a quick illustration of some of that work that we did. The line across the bottom, blue one stretching out in the past, if you go back to 1995 that does not change very much, is representative of what Gibraltar has returned in terms of average shareholder return and the types of performance in terms of earnings per share. The red line extending is a representation of doing, running the business in a similar way, topline growth of approximately 3 percent making incremental tactical changes to the market and improvements in the business that we would have done in the past. And what you see is not much of a change. You see a slow improvement in terms of earnings per share, but nothing game changing or representative of something best-in-class.

A lot of people have asked me since I joined Gibraltar to both internally and externally and from people like yourself, what would be the impact of the 80/20 simplification process in terms of investment, in terms of return and when are we going to get it? Well, I can tell you it is really about the size and scale of the size of the businesses you are working with. The simpler and less complex, we are going to get it quick, it is going to cost less and we are not going to get much. The broader, the larger they are the more complicated they, it is going to cost us more, we are going to get a bigger return and it is probably going to takes us a little bit longer. My assessment of Gibraltar after us working our way through the real data —and John is going to share that with you later— is that Gibraltar is a wonderful opportunity for the 80/20 simplification process to drive improved returns and in a reasonable period of time. I would say we are in the sweet spot of between 18 and 24 months in terms of getting the maximum benefits and we will begin to see some of those benefits on the backend the 2015. The work streams have started, people are well engaged and we will talk a little bit more about that going forward.

But you if you look at that yellow line and that yellow line I would argue is a little conservative, that that does not change Gibraltar's portfolio to be best-in-class as a standalone incremental add to our baseline case. We have to do more and the more part is really the allocation of capital towards acquisitions. We need to use our balance sheet in a more effective way and we need to do it in a thoughtful way. It has got to be accretive today, but it has got to be sustainable in the future. It has to have the opportunity to drive…use the 80/20 simplification process. If we buy something with a 5 percent return, we want to be able turn it into 10 or turn a 10 into a 15 and we certainly do not want to buy something that is not accretive today. We want to buy something that is more sustainable. So on the operational excellence side, we want to get a benefit and we want to get a benefit on the share growth side. Not much point buying something at 40 percent market share. Pretty expensive to grow after that usually used price which destroys more wealth than creates wealth.

I think the last little piece of this as we begin to spin that plate in terms of making thoughtful acquisitions and driving complexity out of those acquisitions including our existing portfolio, that will create the opportunity to begin to look at various types of businesses in our portfolio that may not be representative of where we want to be in the future. Do we have a sense of that today? Sure. Do we have the detail to support it in some ways as we work our way through the 80/20 process that is going to validate some of that thinking, but I think it is a little bit too early to suggest that we made some hard choices today.

So if you look at us capturing the opportunity it is about the implementation of this value creating strategy and it is about working our way through these elements in a concurrent way as opposed to sequential. So real quick, a highlight in terms of operational excellence. We will treat the 80 differently than the 20. We will simplify and streamline our businesses and it will drive an increase in profitability in all our business, whether at their 15 percent return range or they are at the other end of the range 0 to 5 percent. All those businesses will get better. But we will grow the topline revenues. There may be a little drop as a result of the 80/20 simplification process, but as we reallocate resources to our biggest customers, our biggest opportunities and support it with the key product we will drive revenue growth on an incremental basis and improve share positions in those spaces.

From an employment perspective in terms of training them and the resulting culture, people in the executive management team cannot execute 80/20 by themselves. It is the people who do the real work, the block and tackling every day at a functional level all the way down to people standing on running machines and shipping our product. And I can tell you my past life, we establish this type culture and we held a meeting, a leadership meeting for 75 to 80 people and Gibraltar I guess three weeks ago now, where we worked our way through this process with their data, their income statements, their balance sheets, their existing models with a third-party partner and John leading this exercise and we did two or three breakouts a day. Probably 10 tables, 8 to 10 people and I can tell you, I have been through over my 30 year career in my past life a lot of these workshop sessions trying to teach and train people for new acquisitions. This was the most engaged group I have ever participated with.

This is a group of people I think that are looking for new opportunity in terms of a strategy. They want to be part of it. They know there is going to be some great decisions that come out of this and there is going to be difficult decisions that come out of this in terms of choices they have to make. But they know this is the best way to go forward. And we had a lot of fun with this and I would say 8 out of 10 people at every table were working, doing the math, playing with their data and at the end of it, what came out of it was champions within each business group with work streams already identified in terms of the opportunities. How much? Where is the benefit? And when are we going to get it?

John is going to talk a little bit about the block and tackling and the implementation schedule as we move forward. It is a data-driven process. It is black and white. There is not a lot of emotion attached to this early in the process and it certainly about focusing on key markets. The 80 customers financial in terms of revenue and gross margins and the key products that support those, and John is going to share some of that detail with you. Ultimately, we are going to reallocate our assets, we are going to in line with best in class factories, automate them and ultimately replenish the product through market rate of demand replenishment system.

So some of the benefits: lower overhead, lower investment, smaller footprint, higher operating income, higher returns, and a higher-level of return invested capital. Those are the financial benefits. The real benefit in this is these have become simple businesses to run. There is not a lot of complexity, it becomes very repeatable, and we do not have it have to have a tremendous amount of people chasing one-time events. This is the repeatable business model. From an innovation perspective, this is about the allocation of new resources…existing resources and the allocation of new resources. I think the first step is making sure we are focusing our existing spend on things that are going to provide us the type of opportunities that drive type of returns that you would like to see. I do not think we are doing out well today, but we will going forward.

It will be about creating differentiating products to help drive that gross margin number to a higher-level. And it is not just about products. There is going to be a migration from products to engineered solutions. Two different approaches from an innovation perspective. And we are going to raise the percent to revenue in terms of the result. That is going to be our key measurement. Our investment and the result in terms of an increasing percent in terms of total revenue. Where is our key focus in terms of the portfolio? It is going to be in the Postal product space, primarily in the package parcel delivery space.

In the residential space, we have tremendous amount of technology in that space through a couple different business platforms and our primary focus there is to try to participate and lead in the whole house air management as we seal up the envelope of the house in order to ultimately drive a zero carbon footprint home, which is the trend and has been my experience in my past life participating in that from a software perspective with the big builders in North America. We have the products and the solutions to help mitigate and maximize the differences in temperature and humidity between the roof space, the living space, and the basement, and Chuck is going to talk a little bit more about that.

In the infrastructure space, I referenced or impairment in that space. The nice thing about bridges and elevated highways is that it is a high risk area. People will pay to mitigate that risk. We have the products, the reputation and the engineered solutions people phone us to solve their problems. They do not just phone us to participate in the bid process. They phone us when it does not go well. They phone D.S. Brown. From an acquisition perspective, Paul is going to talk a little bit more about this. We look at acquisitions as a strategic accelerator. Now to do that you have to have a little bit of an understanding as to where you are trying to get to. Otherwise, it becomes more opportunistic I think in terms of being accretive today, but not knowing the value tomorrow from a financial perspective and not knowing whether or not if you are trying to accelerate into a space, whether or not there is going to be future opportunities to grow incrementally from a share perspective, either through additional acquisitions or Greenfield operations.

So a disciplined process prospecting approach, more proactive than opportunistic. If you look at what we did in 2014, people ask us about our pipeline. We looked at 20 deals from the time I started a Gibraltar. They ranged in size from $15 to $350 million. Out of the 20, we participated in 12 management reviews. Ken, myself and different members of the team depending on the type of opportunity. We put those opportunities through our new filter from a strategic perspective and our supporting financial model and we walked away with one opportunity that we thought would be…all of them were accretive today. All of them would have been probably supported in terms of public markets today. None of them we felt would be accretive in the future for a variety of reasons. The one we were interested in was material, was in one of these targeted spaces, did not end up closing as a byproduct of some due diligence issues that we did not think were appropriate to set aside.

Our target going forward is $80 to $150 million in terms of deal size. We would like to spend the high end of that. We do it in one deal, we do it tow deals. We would by the $25 million technology play that would bring us innovative products in existing space that would help drag our value proposition up into a new and different type space and we certainly would do the $350 million deal. If we found the right transformational deal that we could match up with the right type of divestiture within our portfolio and the timing was right we would do that deal. From a portfolio management perspective, it is really a byproduct of the 80/20 simplification process. It is about validating our initial thinking in terms of our portfolio and we spent a lot of time working on this to date and as we work through that process, the numbers that will flow out of that and some of the work stream results that we get as we work our way through this process will help validate some of our thinking and we think from a timing perspective, somewhere in 2016, 2017 we will have a pretty good view as to what our alternatives should be.

So what did we accomplish in 2014? As I mentioned early, I think we have had a pretty successful transition from a perspective, the CEO and chairman of the Board of Directors roles. We've certainly gone through an assessment of the portfolio and the team and spent some time and energy realigning and trying to get best in class talent in the right place at the right time. We have installed and created a new value generating plan that I think everybody has embraced throughout Gibraltar and we are excited about the implementation and the progress we are already making in the back half of 2014 and some of the results we are already seen in 2015. The new leadership in place has come from top industrial firms, Fortune 150 companies, Fortune 200 companies, who have got a track record of success and are helping spread kind of the word and the history and the credibility around the 80/20 simplification process, in addition to their own personal track records of leading and creating value within the business responsibilities they have had in the past. And we are executing. We have already made progress and we are already seeing benefits early in 2015 for some of the early work that we started.

So how can you measure us going forward? Earnings-per-share 55-65 cents a share for 2015. ROIC of 6 percent. Both increases north of 20 percent. Not best-in-class. We recognize that, but it does fall in the category of making more money each and every year at a higher rate of return, more efficient use of capital, and we expect and commit to you that that will be an ever improving number going forward. Simplification initiatives. We expect to see a reduction somewhere in the 8 to 15 percent right across those categories of overhead, inventory reductions, footprint, fixed assets and John will speak in a little bit more detail with numbers to give you further insights into that area.

Acquisitions I mentioned $80 to $150 million targeted within some platforms that Paul is going to speak to in terms of existing platforms and some new and different types of platforms that we would have an interest in. And capex back to $15 - $16 million a year. We think that is the right number. We assessed projects on that basis in terms of how much does it cost? What are you going to give me? And how long is it going to take? Those projects they go to the top of the list. Okay? And we work our way down and the first filter is, it has got to be in those platforms and businesses that we are going to give more emphasis versus less, relative to where we think we are going to be in three, four, five years in terms of the portfolio.

So in summary, make more money each and every year, higher rate of return, more efficient use of capital. That is our commitment to you. So we have a little bit time to take a couple questions. There is going to be a lot of opportunity over the course of the morning to do that as well. So feel free. Happy to take a couple at this point. Yes.

Investor: What is driving the range of ROIC? What is going to be easiest to fix?

Frank Heard: I think the easiest…what is driving it is our operating income and I think that is going to be the easiest one to fix, both on the operational excellence part in terms of simplification process. We are going to see a big benefit come out of that in a short period of time and I think managing the asset side in a more thoughtful way…the combination of the two will give us a better result going forward.

Investor: Were there a lot of bad acquisitions made in the past?

Frank Heard: I think there is a historical track record with Gibraltar of making acquisitions and I think in all cases at a given point and time they are well-thought-out from a strategic intent perspective and certainly accretive in the short term. I think in the last five-year cycle there has been some headwinds in the end market combined with some acquisitions that did not turn out to be as accretive as they should have been.

Okay, so why don't give John an opportunity to talk in a little bit more detail about the 80/20 simplification process. This is a key element of our strategy going forward and I think it is important to note, this is not a time-based process. This is about changing the culture. This is continuous. This will never stop. Once we go through the process once we will do it again and continue to do it with existing businesses and new businesses. John?

Operational Improvement Initiatives

John Wagner, VP Supply Chain & Business Processes

John Wagner: Thanks Frank. Good morning. I am very excited to be here today to share our operational improvement initiatives with you as part of the leadership team that is transforming Gibraltar. We have engaged powerfully effective time-tested methodologies called the 80/20 process and toolkit, which is the foundation of Gibraltar's operational improvement strategy. We all remember our favorite Italian economist Vilfredo Pareto and the study that he did in a small-town in the early 1900s on the imbalance of wealth, where 20 percent of the people owned 80 percent of the wealth and he did not believe that so he replicated that study through Italy and Europe and eventually around the world and discovered the Pareto analysis, the laws of imbalance. So we will talk about how the 80/20 process applies to the Gibraltar business.

We will look at the financial opportunity that the 80/20 process has already started to deliver. I will show you the project timeline, what we have accomplished since implementing 80/20 or at least starting the implantation process back in January and what is ahead of us in 2015. And I will wrap up my presentation with how he 80/20 process and tool kit is becoming a sustainable business model for Gibraltar. The 80/20 process starts with a quadrant analysis where we analyze our product and customer revenue and margin. When we look at our high-volume customers and our high-volume product those are the 80s, those are the 80 products, the 80 customers. Our low-volume customers and our low-volume products are the 20s. The B customers. So in quadrant 1 we have our high volume customers and our high-volume products that is the 80 percent of the 80s. So normally a company would have 64 percent of the revenue in quad 1, and a majority of their margin dollars.

In quad 2 you have your high-volume customers buying your low-volume products, 80 percent of the 20 or about 16 percent of the revenue. And this is the quad that we call the support quad. We want to support our high-volume customers because those are the As. But over time there has been some complexity that has been added into this quad with low-volume products. At times it can be from our customer coming to us asking us to do variants or different colors from a base product that turns out to be not good volume and it is low-volume so it is actually adding some complexity to our customer as well as our operations. And at times we have gone to our customer trying to grow revenue by adding colors and variants that turned out to be not high-volume products. So we have both shared in adding a little bit of complexity in here and now we are going to go back and try to fix some of that in a strategic way to support our high-volume customers. And there are accessories from time to time that our high-volume customer needs with our base product that are going to be low-volume that we tend to manufacture. So we will look at strategically outsourcing them but still support the high-volume customer to take that complexity out of our operation and simplify.

When go down to quad 3, our low-volume customers buying our high-volume products, this is a quad that we call the conversion quad. We would like to take the low-volume customers that are capable and move them up into quad 1 and make them high-volume customers. And if they are not capable of growing with us to be a high-volume customer we would like to move them to alternate sales channels so we can still enjoy the high-volume that we like to make, but not all that complexity with dealing with taking an order, entering the small customer into our system, processing the order, expediting. Sometimes small customer actually expedite and ask for more than the large customers and chasing receivables. So a lot of complexity down in that quad.

In quad 4 we have our low-volume customers buying our low-volume products and this is the 20 percent of the 20, so normally about 4 percent of our revenue. So it is a small piece, but it is a lot of complexity down in this squad. We tend to try to be…most companies try to be everything to everyone, and this is exactly where all that complexity ends up. So you are doing a lot of low-volume variance that never turn into high-volume products. You are taking on a lot of low-volume customers that never turn into the high-volume customers. So lots of overhead, lots of effort down in that four percent and we will talk a little bit more about how much of the effort and overhead is really down there.

So a few things you take away from the plot analysis, it is that dynamic relationship between products and customers, revenue and margin that you really need to understand before you start making any decisions on what you are going to do and you learn the three most important words in 80/20. Treat them differently. You need to treat the As very different from the Bs. You treat the Bs fair but not equal. That could be lead time, it could be pricing, it could be definitely customer service. Another tool in the 80/20 process is the quartiles. This is an example of a customer quartile with a company that has 200 customers. So in quartile 1 which would be your top revenue moving down towards your lowest revenue. In quartile 1 we have customers 1 through 50. They usually drive 89 percent of the revenue and this is for every company that puts their data into the quartile.

Quartile 2 drops down to 7, quartile 3 is 3 percent of the revenue and your last bottom 25 percent of your customers by revenue drive only 1 percent of your revenue. And this data pretty much holds true for every company: 89, 7, 3, 1. It gets pretty interesting because the effort and overhead to add a customer, to process an order, to expedite, chase a receivable is pretty much the same for every customer. In fact, sometimes it is more for the low-volume customers. So the effort in overhead is pretty much split equal 25 percent through quartiles. So 25 percent of our effort and overhead supports 89 percent of our revenue. Fifty percent in quartiles 3 and 4 as you can see supports 4 percent of our revenue. That is a lot of complexity. It gets better.

Quartile 1 drives 150 percent of the profit. And you will say: ‘John, there is only 100 percent profit right?’ Quartile 2 is breakeven, quartile 3 companies are losing money, and in a quartile 4 companies are losing boatloads of money. So what do we do about that? We focus on that quartile 3 and 4 to refocus that effort in innovation and being best in class in customer service back up into our A. That is where we want to grow, we want to grow profitably and expand. And in some cases we are going to look to reduce and even eliminate that overhead and effort that Frank talked about earlier. When you throw the products and the customers and you look at them together in the quartile analysis you see the exact same 89, 7, 3, 1 on the revenue through the quartiles.

So right away you would look at that and say hey, why don’t we just get rid of quartile 3 of 4 and build our business around 1 and 2 and be done with it? Well, it is not that easy. You cannot…you have got to continue to work through the data because remember, some of our customers that are high-volume customers are buying our low-volume products. You do not want to upset that, you need to do that strategically, and there are tools in the toolkit to do that. And some of our low-volume customers are buying our high-volume products. So we cannot just really quickly just go through and start cutting out quartiles. So you have got to be very careful how we do that. Now we will go back to the quad and look at the quad with the Gibraltar data. So we have 2,700 high-volume parts and we have 24,300 low-volume parts. Now that is a lot of complexity. It is not all bad parts, but it is a lot of complexity.

On our customers we have 1,000 high-volume customers and we have 7,700 low-volume customers. So when we go back and look at quad 1 we have 67 percent of our revenue, which is a little higher than the 80 of the 80/64 that we talked about that a normal company would have here driving 65 percent of our contribution profit dollars, which is good. So remember, this is before. This is what we want to build our business around. We want to grow it profitably and expand with innovation, best-in-class customer service. In quad 2 our high-volume customers are buying our low-volume products, we have 13 percent of our revenue, which is a bit lower than the 80 of the 20 of the 16 percent that is normally in this quad driving 12 percent of our contribution profit. And again, we want to work very carefully and strategically with our high-volume customers to try to take away some of those low-volume colors, variance and products that are not only disrupting their business because they are carrying that inventory, but it is really complexing our business because not only do we have the inventory on the finished goods, but we got all these different color coils and raw material and everything else to try to support that.

In quad 3 we have 13 percent of our revenue and again, usually quad 2 and 3 has the same revenue 80 percent of the 20, but it is a little bit lower and they are the same for us in quad 2 and quad 3 which is what you usually see with a company, 13 percent of the revenue, 15 percent of our contribution profit and again, this is our conversion quad where we want to take the low-volume customers, try to move them up into quad one high-volume customers or if the ones that cannot we want to try to move them to alternate sales channels so we take that complexity out of our business and still maintain that volume.

Now in quad 4 we have 7 percent of our revenue and if you remember that normally it is 20 percent of the 24 percent here. So we have got a lot more in quad four than an average company would. So a lot of opportunity for us to aggressively try to simplify quad 4. Again, customer service, lead time pricing, but more importantly, using those product simplification teams that we formed, the customer simplification teams and the pricing teams to really try to attack quad 4 quickly. So again, treat them differently. Treat your As differently than your Bs. The 80/20 process has already started to identify significant financial opportunity for Gibraltar. And you can see by this graph that by implementing 80/20 the incremental benefit for earnings per share versus maintaining current state.

When we look at our data in the fourth quarter internally we came up with some savings that we thought the 80/20 process would deliver. We validated that with our strategic partner in January and February and they recut the data several different ways in the quartiles and the quadrants and did a very detailed executive report for us to validate the savings that we had identified. And we also spent a lot of time with detailed discussions with a significant number of companies that have implemented 80/20, and have already gone through the process of identifying the savings and actually implementing them and what they saw over the first 3 to 5 years. So we are very, very comfortable that over 5 years the incremental benefit that we will drive with 80/20 is 50 cents earnings per share, $25 million incremental and pre-tax income and over the first 3 years where you get a lot of that benefit from quad, we will drive 200 to 300 basis points of operating margin improvement. Now these are some of the financial metrics that we will track on our monthly dashboard with the steering committees at each location where we have our work stream teams and we'll measure that against the success of our 80/20 implementation.

So when you look at the balance sheet and some of the benefits of the balance sheet, if you look at our return on investment capital at the end of 2014 and compare that to what Gibraltar would look like if we only look like quad 1. Everybody would like to look like quad 1. We would have a 360 basis point improvement today if that is all we looked like. Now of course we have got a lot of work to do to get there, but you saw how we are going to move those quads 4, 2 and 3 up into a quad 1 area. Now over the next 5 years we are going got focus on the 80s and we are going to reduce the allocated resources or eliminate that we are giving to the 20s today and that is going to drive overhead an effort out of the business.

We are going to go through the four step process simplifying, segmenting, resource and streamlining our business to drive 20 percent cost savings and we will talk a little bit more about that in the next slide. We are going to reduce our SKUs in the first year by over 3,000 items and reduce our inventory by $12 million and that is all in year one. Because you get those benefits quad 4 right away. I mean, it is not going to happen in the next two or three months we just started our work stream teams, so as Frank said it will be towards the end of 2015 but certainly on a 12 to 18 month basis. And over the 5 years, we will reduce our machinery and equipment by 10 to 20 percent and our distribution and manufacturing footprint by over 25 percent. So again, these are additional financial metrics that we will track monthly in our dashboard so that we track with success of our 80/20 implementation against that.

Back in the fourth quarter when we made the decision to implement 80/20 we realized that we did not have a significant amount of 80/20 experts running around Gibraltar that did not have their plates full already like Frank and Kevin and Paul. So we looked at…we had a lot of detailed discussions, we did a lot of due diligence with companies that had used third parties. Frank mentioned, we ended up settling on some…a company, a strategic partner that Frank had some experience with, knew the people that were there were the 80/20 experts and we engaged them in January and hit the ground running because we had already gathered our internal data on our products and customers.

So they were able to start that data analysis on the quartiles and quadrants right away. We actually took them out to the Gibraltar plants so they could do detailed plant tours to better understand our manufacturing process and our products. We actually had them do one-on-one interviews, so they got a better feel for the business, what opportunities were there, what barriers were there with the general managers and presidents' direct reports. And from that information, the data analysis, they were able to put together a very detailed executive report for each Gibraltar company on where those savings would come from. Whether it would be product simplification, customer simplification, segmentation, pricing and target selling.

In phase two Frank talk about we rolled out the training, very detailed training on the 80/20 process and toolkit to the entire cross functional leadership team at Gibraltar. And in March of this…earlier this month we went back out and visited all the Gibraltar locations and started to implement phase three where we identified the work stream teams, their charters, the team leaders, did more training with people lower in the organization that are going to be team members on some of those work stream teams and then started the implementation process starting with simplifying that quad 4 products and customer simplification and pricing. Once we get through that towards the end of this year we will start segmenting the business. Actually, probably in three or four months we will start segmenting the business where we 'Zero Up', we focus on high-volume customers or uniquely different high-volume product categories where we basically start with a clean sheet. We use a tool called 'Zero Up' where you only put the resources back in that are necessary to run that, so you look at that as a separate P&L.

Then finally in 2016, we will start looking at streamlining our businesses and our business process with in-lining market rate of demand. In-lining is really looking at your A parts or high-volume automated production, were it fits. And market rate of demand is more of a combined two bin system or eventually getting to 'we will make today what we sold yesterday'. The 80/20 process and toolkit applies to all the Gibraltar companies. It removes complexity from our operation by focusing on the As and taking that extra effort and overhead and applying that to quad 1. Our work process is becoming standard business process for not only the five Gibraltar companies that represent 80 percent of our revenue that our strategic partner is implementing 80/20 with, but also the smaller Gibraltar companies that make up the other 20 percent of our revenue. They have also been trained in 80/20 and are implementing that at the local level with support from the leadership team and especially me.

The ultimate goal with 80/20 is to drive profitable growth and expansion for Gibraltar. This is a journey, it is not a destination. We have very good organizational talent cross functionally across Gibraltar as Frank had mentioned. Along with our strategic partner we will be able to accelerate the implementation of 80/20. There is a buzz around 80/20 and it is growing louder. People are walking with a hop in their step. They are energized and excited about the opportunity. We now have a data-driven process that will drive clear and actual strategies to enable Gibraltar to grow profitably and expand. I worked for two Fortune 150 companies for several years before joining Gibraltar and I know they both would have benefited greatly from 80/20. I believe the 80/20 process and its proven methodologies is the missing link and I know after you see our financial performance improve over the next five years, you will believe that as well. Thank you very much. So I think we have a little time for questions if anyone has anyone has any questions?

Investor: Is kind of net net, all else being equal revenue based probably down a little bit but then overhead kind of down a significant amount. Is that kind of the right way to think about the effect?

John Wagner: I think that you always could have a little bit of decrease in revenue as you are starting out with 80/20, but with the growth strategy that we have in place with how we are implementing and refocusing the innovation and the investment class in customer service, I think it will be a very short time period where our revenue may actually come down where our operating margin goes up but then we are going to grow profitably. I do not know Frank if you want to…

Investor: Thank you John. The operating leverage that is describe in 80/20 is very impressive potentially. What are the constraints when you think about…you talked about moving people into channel, how does that impact your actual products ability to go through, because between your gutters, the mailbox, I mean, you have a complex portfolio that distribution could matter and how could that impact obviously, the competitive landscape that your competitors view your commitment to a certain customer as being less? Although, it could enhance your profitability. And what are the kind of constraints you have within the businesses because they are not equal?

John Wagner: That is a great question and that is going to be different by the different businesses obviously is to how they go to market and what channels that they use. But I think…we are not going to just get rid of business to get rid of business right? So if people are paying the right margin for that business…again, a lot of our complexity that we have developed in that quad 4 was…and most companies do this, they try to be everything to everyone so sometimes they are getting the same pricing, the same lead time, the same customer service. I think when you really realize and you 'Zero Up' and understand your true costs and price that accordingly, most of the customers do not go away or they will go to alternate channels to buy your same products. And some of that can be on the internet. What better way to have a low-volume customer buy your product than a B2B transaction with a credit card. I do not have to do a credit check, we do not have to chase receivables, they probably get a better lead time. So whether it is through us B2 B or maybe one of our channel partners. I do not know if that answers your question but it is a case-by-case basis.

Investor: Are you finding that certain of your segments are falling out differently between 80/20?

John Wagner: Absolutely.

Investor: Which would be in the 20? Which would be in the 80?

John Wagner: We are just starting the first process of segmenting, but we know that we are going to see…are you talk about profitability of different segments or segments that we might say we want to get out of? I am not sure I understand your question.

Investor: Yeah, I mean, I suppose certain segments to the extent that they are more heavily weighted in one of the quadrants would sort of guide the portfolio.

John Wagner: Well, our first…if we had a segment that was not profitable for us, we would try to move it to a profitable portion of our portfolio, and I think if you cannot do that then eventually I guess that would fall out. I do not Frank if you want to…

Frank Heard: I think in the early assessment of all our businesses and platforms sometimes you would like to expect to see bigger opportunities in some businesses and platforms than others and I can tell you in Gibraltar, the data is exactly the same across all businesses in terms of some of the ratios that John shared with you. So in my experience that is not unusual to be quite honest. I kind of hope for a different outcome, because it allows you to become…you can maybe move a little bit faster, but the exact same numbers are represented right across the Gibraltar platforms. So I kind of looked at as kind of a kid in a candy store. Okay, so how do you focus your time and where should you focus? And that was the pause to be quite honest for me at the back end sometime in the third quarter was, so how are going to get this done? We cannot do it just with a new executive leadership team and getting some new and different types of resources that have experience in it. We are going to have to get some outside help that has a track record of success that I am comfortable with and experienced with that we can kind of throw at this project.

So same ratios in terms of quadrants big and small businesses. The opportunity difference is the size and scope. You definitely want to execute on the bigger ones, the more complex ones because that is where really all the money is. Whether it be an improvement in margin or enhancement in terms of the balance sheet. So John has done a nice job in partnership with our outside firm at prioritizing those top five opportunities. Does not mean that we are not going to chase the other ones, because proportionally they have the same potential to improve their business. So nice thing is we have got engagement from the people in that 20 space in terms of those businesses and they are often running just as fast as the ones that are kind of getting that extra help.

Investor: When you evaluate acquisitions to what degree will you use this analytical framework and in the typical acquisition is this information even available in this level of detail?

Frank Heard: Absolutely. I think very much so going forward. Part of our filtering on the financial side will be, we certainly do not want to buy the 40 percent market share business, we want to buy some technology. We want them well placed in the market in terms of share and potential. But having 40 percent market share becomes difficult to grow profitably in terms of…without using pricing and giving away wealth. So lower market share sweet spot 22, 28, 30 percent on the revenue side and the shared perspective. On the operating side we certainly want to be able leverage this toolbox. So not much point in buying a 15 percent return in business even though a 15 percent return business today would be pretty accretive to Gibraltar in terms of short-term.

The problem with that if they are a 15 percent business return in a 13 percent market that most of the pain points have already been solved from an innovation perspective through the value chain. Our chance of leveraging both the top line and the bottom line in terms of gaining that three to five points of improvement. How do you turn a 15 percent business into a 20 when the market dynamics is 13? So we would rather buy something four or five points south of the market and be able to use this and drive operating returns year-over-year through simplification process and have that be a multiplier effect with share gain. To your second point is can we get that data? My experience is in my past life we bought 45, 55 companies a year, you did not have to see the data. It was there every single time. There was always an opportunity. The mistake was made as to whether or not we bought some too high a share or already above the operating returns of market opportunity. That is when it did not play out. But generally, if you are thoughtful about that, the data was always there and you saw it in the due diligence process.

John Wagner: Okay, I would like to introduce Kevin Viravec the President of our Industrial and Infrastructure business segment.

Industrial and Infrastructure Products Segment
Kevin Viravec, President

Kevin Viravec: Thank you John for that introduction and thank you to all of you for joining us today. This is a really exciting time in Gibraltar's history and I am thrilled to have the opportunity to share with you the transformation plans that we are beginning to implement in the industrial products and infrastructure segment. I joined Gibraltar just over 90 days ago and I cannot think really of a more dynamic time to be entering the organization. In my first 90 days I focused on visiting our facilities, meeting our people, listening to our customers and suppliers in order to make an assessment of the work that needs to be done to transform this segment. What I can tell you is that we have got a great foundation in terms of all of our businesses enjoying positions of market leadership. But I would also tell you we have got a lot of complexity in the business that we need to simplify to drive improvement.

Our 2014 financial results for this segment, clearly disappointing. We are not happy with them. However, as we enter 2015 we do see a strengthening backlog in the infrastructure products piece of the business. It's a platform that I am very excited about the potential there. The industrial products piece of the segment continues to be challenged by market headwinds, declining steel prices, declining oil prices, but our focused there is not going to be about waiting for the market to get better, rather it is going to be about focusing on those opportunities within our control to improve performance. And that is going to be about simplifying the business through 80/20. Applying portfolio management and outside innovation.

So what I would like to do in my time today is walk you through a profile of the segment as well as share with you the roadmap for how this transformation is going to take place. So moving to the next slide. A profile on the industrial products and infrastructure segment. In terms of our revenue mix, industrial products drive 80 percent of the revenue stream. This is bar grating, expanded metal and it is manufactured primarily by our AMICO US and AMICO Canada businesses. Infrastructure products, bridges and elevated highways, make up the remaining 20 percent of the mix. This is a platform that we expect to grow over time. In terms of our demand profile across the segment, 70 percent new, 30 percent replacement. The industrial business drives the new, the infrastructure business is primarily replacement.

In 2014 revenue was $431 million and it is growing at a compound annual rate of 10 percent over the last five years. Now that growth has really been driven by acquisitions in the infrastructure space. D.S. Brown was purchased in 2011, and S.E.P. another infrastructure business was purchased in 2012, and the revenue streams for both of these businesses benefited from the stimulus spending that was occurring in both 2011 and 2012. In 2013 and 2014 however, those same businesses have seen declines in revenue as there has been uncertainty around funding for transportation infrastructure. So you look at adjusted operating margin, it has fallen to 4.2 percent in 2014 and that is a trend that we are focused on reversing. This decline has in part been driven by a lower mix of higher-margin infrastructure revenue as there has been uncertainty around the funding in that space. But I would tell you that it is also been driven by declining returns in the industrial business and that is about front-end and back-end complexity that we need to simplify in order to drive improvement.

We start from a good position however, with all of the key businesses enjoying positions of market leadership. In bar grating we have number one market share. These products are typically used in walkways, stairways, platforms, ventilation services and the oil and gas chemical processing and general industrial verticals. Expanded and perforated metals we enjoy number two share in that segment today. These products are made from metal sheets and are expanded and pierced to form holes of uniform size and thickness. Common applications there would be security barriers, architectural facades and filtration. Finally, in engineered bearings and joints, we enjoy number one market share in the space and this is the D.S. Brown business that is the platform for infrastructure. Elastomeric bearings is one of the main products. You find those at bridge abutments. Expansion joints is another one. Those are found in between bridge sections.

In terms of our end markets, it is generally a really well diversified mix, 23 percent comes from general industrial. Oil and gas and chemical processing are regionally concentrated in the gulf states and collectively make up 33 percent of the mix. Twenty percent is from infrastructure products. As I mentioned earlier, we expect that to continue to grow, especially in light of the growing backlog of our bridges and highways that need to be repaired or replaced. Products get to market through a multitude of channels. In industrial it is really distribution, which are often steel service centers or fabricators that might be selling directly to an end-user. With respect to infrastructure, it is typically the general contractor who is responsible for building that bridge or elevated highway. So we are going to be focused on what we can control despite market headwinds and there are a few that I want to comment on.

So declining steel prices are unfavorably affecting the top line, particularly in the industrial business. Last year in Q1 hot rolled coil, which is a key input as well as an important pricing barometer for our business was at about $650 per ton. As we talk here today, it is just under $475 per ton. That is more than a 25 percent decline year-over-year. Oil prices have also declined as well from around $100 a barrel in the middle of last year to just under $50 a barrel today. This is having the effect of expenditures in the oil sector being very carefully scrutinized, and in some cases we are seeing either reduction or deferral on projects. With respect to infrastructure, there continues to be uncertainty around government funding. All of the rhetoric in Washington is around the importance of investing in our nation's infrastructure, but what form that investment is going to take continues to be a subject of debate.

Whether to increase the gasoline tax, introduce a tax on repatriated profits, put out a long-term solution, a short-term solution. That discussion continues. I can tell you one thing though that is clear to us, is the long-term fundamentals for the infrastructure space are strong. Twenty-four percent of the nation's bridges are structurally deficient. Of that 24 percent about 50 percent of those are over 50 years old. The typical design life of a bridge. And if you were to look at the backlog that exist for bridges that need to be repaired or replaced, at current spending levels, it would take through almost 2040 to work through that backlog. So while these market headwinds exist, we are going to be focused on those opportunities we can control and that is going to be about 80/20 to simplify the business, portfolio management to reallocate capital and innovation, targeted at the end-user to help us grow those customers that we have today as well as help us expand organically in adjacencies.

So what I would like to do is spend a little bit more time starting to talk through the details of each of those initiatives. So why is this a rich environment for simplification? So from my experience, implementing 80/20 there are a couple key indicators that we want to look at. The first one is, do we have a high number of customers and products? In this segment today we have over 10,000 products and nearly 5,000 customers. Another key indicator is, what percent of our sales are generated by the bottom 50 percent of customers? Anything less than two percent indicates an opportunity for simplification. Today our bottom 50 percent make up just over one percent of sales. So that tells me that there is an opportunity for simplification here and an opportunity to serve our best customers even better by reallocating resources. With respect to portfolio management in terms of the platforms that we have today, we are talking about a zero-based approach to how we think about those platforms so we can really hone in on where the profits are actually generated in the business. And what is different about this is it is really getting into the detail of where our human capital and physical capital are actually dedicated in terms of where the time gets spent. Yes, we have financial systems that allocate things but this is about understanding exactly where things are assigned and once we get to that point, we can then reallocate the capital to the best businesses with the best opportunities for return.

Finally, on outside-in innovation, strategic marketing and product management, to focus on the end-user and solve their pain points. Putting innovation through this type of filter can eliminate complexity before it even starts, because we are focused on only those things that have relevance to the end-user and are differentiated and we have got a great opportunity to do this given that our customer base is B2B and those customers typically have a vested stake in engaging with you around developing solutions. So on slide 36 what is this going to mean from a financial perspective to this segment? Well, in 2014 our operating margin was 4.2 percent. We expect over a five-year period ending in 2019 that operating margin will grow to 11.2 percent. That transformation is going to start with 80/20 and I can tell you that the teams are already formed and started to work through this process and they are excited about the opportunities that they can see it is going to provide, and we expect 80/20 alone can generate 300 basis points of operating margin improvement.

The other two initiatives: portfolio management and outside-in innovation will be done concurrent with 80/20. Each of those will generate 300 basis points and 100 basis points of operating property margin improvement. Overall, that is 700 basis points of improvement that we expect to drive in this segment through those initiatives. Let's talk a little bit more about exactly how 80/20 is going to simplify the operations in this segment. 80/20 is really founded on the premise as John outlined for us, that our top 20 percent of our customers and products drive 80 percent of the revenue and profits. The other 80 percent of customers and products are only driving 20 percent of the revenue and profit, but they often consume the vast majority of resources in an organization. So resources are not being optimally aligned and as a result we are not growing as well as we could with our key customers. So we are going to work through this by applying the quadrant analysis that you see on the right and it is about treating them differently. With the 80 in that upper left-hand corner, that is about treating them differently to grow.

So how do we align our resources in a focused way around those key customers such that we give them the best service that is available anywhere? Targeted innovation, differentiated products, guaranteed availability, on time delivery. If we do that we can grow share. Now on the flipside of that, it is also about treating the 20 differently and that is about simplifying how we treat the 20 and there are certain strategic approaches that we will use here. That may be outsourcing production of noncritical items. It might be leveraging distribution for certain segments of the customer base. And frankly, in certain instances it might mean stopping non-value-added activity. But it is clear to me that we have got a great opportunity here to simplify the business. Over 10,000 products and nearly 5,000 customers.

Portfolio management as we touched on, also going to be used to further accelerate improvement. So we will be using this to look at not only our current but also our existing platforms and thinking about them in terms of market attractiveness from low to high, competitive position from strong to weak and categorizing the platforms into a couple of categories: grow, defend, harvest, exit. So the must-have characteristics that we are going to be looking for in businesses that we want to grow are strong competitive position, market leadership, excellent brand reputation, sustainable differentiation in the form of unique products that uniquely solve a pain point. And attractive end markets. Ones that have significant size as well as ones that we expect to grow at above average rates.

So if we do this and put the business through this filter both for current and existing platforms, it is going to drive several key benefits. First, something that I like to call addition through subtraction. By reallocating capital away from those businesses that are 'harvest' or 'exit' and toward those businesses that are 'grow', 'defend', it has the simple but powerful effect of raising returns by giving capital to the businesses that have the best opportunity to grow and drive good returns. We are also going to use it to focus on accretive acquisition targets. Those that have differentiation, those that we expected to grow at above average rates. And finally, applying the 80/20 model as Frank touched on to those acquisition targets. During the due diligence process, making sure that a business or platform if were to become part of the Gibraltar family, that it is going to lend itself well to the 80/20 principles so we can drive that margin improvement.

The last piece of the strategy outside in innovation focused on the end-user slide 39. This is about innovation targeted at solving known problems. Not innovation looking for a problem. Starting with the customer and working back into the organization. How do we bring our existing competencies to bear to solve a problem that they may have? And it is the 80 that we want to focus on. Understand their pain points, create solutions that are differentiated. And that is an important distinction: differentiated solutions. Different from 'me-to' components that do not stand out. If we cannot sustainably differentiate and solve a pain point in a unique way we are not going to invest. That is how we will approach innovation going forward. So in summary the transformation process is already underway in this segment. We are beginning the rollout 80/20 and the teams are embracing it. We are focused on improving what we can control. Yes, there are market headwinds, but we believe through 80/20 that we can actually improve the profitability of the business despite the current market headwinds.

I have successfully led 80/20 implementations before, and the key indicators I talked about over 10,000 products 5,000 customers, it tells that me have got an opportunity to simplify and improve profitability. And I am taking my past experience and using that to work with the teams to not only accelerate our progress but also do the implementation in a thoughtful and strategic way. So we are starting from a good base where we have got market leadership in many of our key businesses, especially infrastructure and the long-term fundamentals there are good. It is not a question of if, but when. So as we emerge from this we are going to be a simplified organization that is not only well positioned to grow the top line, but also and most importantly, positioned well to grow the bottom line. So with that, I would like to answer whatever questions you may have.

Investor: I got a couple of questions. First, on the revenue pie, what do you see that changing? Infrastructure is 20 percent, industrial is 80. With everything going on what does that look like down the road or what is your anticipation?

Kevin Viravec: Well, I think if we look at infrastructure… that is going to be a platform that we look to expand organically and through acquisitions. So see we expect to see that 20 percent move north of that over time. I think in terms of exactly what that percent is going to be and then when that is going to happen, I think it is early in the process to say what an exact number would be, but we expect that to move and be weighted more toward the infrastructure side.

Investor: Maybe it is not a fair person, but I will ask it. Today, what percentage of your products are manufactured internally? We have talked about an outsourcing opportunity. This is just more of a factoid.

Kevin Viravec: Directionally because I do not have an exact number. It would have to be a very high percentage of what we make today. Our strategy historically has been to manufacture most everything that we participated in from end market standpoint. But we will be looking through the 80/20 process obviously, and portfolio management to think about where it makes sense to do that differently. That is one of the key premises basically of 80/20. So I think you will see a change in that as we go forward.

Frank Heard: I think just to expand on that. That would be representative across Gibraltar's whole portfolio businesses. Historically, there has been an approach on the demand side to try to be all things to all people, and the other side is that we are manufactures and we like to make it all, and there is this inherent belief that if we can make a higher level of quality, better service and a lower cost than necessarily outsourcing the 20 third-party partner. So tremendous opportunity there. That is not historically the business model in terms of best-in-class approach that we have taken in the past and I think there is a real application here for Gibraltar.

Investor: And then finally in terms of going to market, are the infrastructure customers contracted in terms of the projects maybe one or two year duration and so there is visibility on order? Just more a question on how that business operates.

Kevin Viravec: Yeah, typically we have…projects will be led and go to contract and we have got visibility to about 6 to 12 sometimes even 18 months out from when a project will be starting. So it is typically a long lead time versus something that is book and turn in a very short window.

Frank Heard: I think one of the additional points in the infrastructure space, despite the ongoing challenges from a funding perspective, we are seeing a growing backlog in 2015. So I think we've right-sized those businesses in that space and they are starting to deliver the type of returns they have been known for historically even in a lower end market activity environment and even in that lower environment we are starting to see a disproportional amount of shares start to come our way and we are seeing that reflected in a growing backlog. So I think we have hit the trough, we are starting to run across the bottom and we are well positioned to make year-over-year profits at a higher rate of return in that space.

Investor: What IT spending or upgrades will be needed to better evaluate your customer data in this 80/20 process?

Kevin Viravec: The comment I would make there…so coming into the organization one of things that I have done is evaluated the IT systems, and I can tell you that the IT systems we have are best-in-class. So I do not see us needing to make incremental investment to do that evaluation. We have got very good information with which to work from, and have been able to gather this data very quickly to start that process of analyzing it.

Investor: Just in terms of the market assessment modeling, where would you put the infrastructure business kind of in terms of the market attractiveness just based on good long-term fundamentals is kind of slow right now but higher margin where would you put it?

Kevin Viravec: It is ‘grow’. If you look at where we sit today with D.S. Brown, that business is the base for the platform. It has got a very strong competitive position and market leadership in its space, excellent engineering reputation, and is just viewed as the clear leader. On the customer calls that I have made it is really impressive to see how well thought of that company is in the marketplace.

Frank Heard: I think in both the infrastructure space and the Postal space…I will make an additional comment. These are two very attractive growth spaces for us in terms of top-line revenue and also the type of operating margins and returns we would expect. They are also the two spaces…we are primarily North American-based corporation today, my experience is more over the last 10 years has been more global and Kevin’s as well. These would be the two spaces that we would step out of continental North America, and entertain acquisitions in Western Europe, Australia, those types of markets that if we thought would add to the portfolio and fit strategically... It is not our primary objective, but we would not rule those out in those two spaces. So we think a lot of the infrastructure space as it relates to the bridge, owning the bridge. Not in the form of structural steel or concrete and rebar, but there is a lot of pain points within that bridge that we would like to participate in.

Investor: Approximately, what percentage of spend on a bridge or highway…elevated highway would be on types of products that D.S. Brown produces?

Kevin Viravec: When you look at the overall spend on a bridge or highway it is typically less than 5 percent that goes into these products.

David Calusdian: At this point we are going to go to about a 10 minute break. When we come back we are going to hear from the two business leaders from the residential segment and then the company’s growth and portfolio plans from Paul Plourde who is in the newly created position of VP of Business Development, and we will end the day with CFO Ken Smith on more detail on the company’s financial outlook. With that see you back in 10 minutes.

[Break]

David Calusdian: Okay, we are going to start up again, if everyone wouldn't mind taking their seats.

Residential – Ventilation and Air Management
Charles Jerasa, President

Charles (Chuck) Jerasa: Okay, are we ready? Well, welcome back everyone. I hope you had a good break. It is my pleasure to be here with you today. My name is Chuck Jerasa and I am responsible for a portion of our residential segment. I am going to talk to you a little bit about that for the next few minutes. So with that we will get started. I have been with Gibraltar for about 5 years. Been around building products for…as I was counting them up, it is amazing, over 30 years. Scary. And I find it exciting. We have…as we look at this segment and we break it out, we have about 65 percent of the segment is in the building products group, a large piece of which is our ventilation and air management business which I will talking to you about today. I am responsible for that and my partner Steve Duffy who will be up here next, manages our Postal product business. A business that is 35 percent of the segment, but catching up very fast, a lot of exciting things happening over there. If we looked a few years ago there were only about 25 percent. So they are moving very quickly. A lot of great things happening there as well.

If you look at the macro segment as a whole and this would be both businesses combined, about 70 percent of the business is driven by the 'repair and remodel' segment. About 30 percent from new construction. We will talk more about that more specifically in both businesses and there is some slight differences there as we look into the businesses. If you look at the entire groups since 2010, CAGR about 6 percent plus, nice growth, good growth, a couple small acquisitions in there (Slide 42). Some great products that we have introduced in the last couple years. Some that I will talk to you about here and of course Steve will talk about the Postal products.

Looking at the operating margin not so good. Very spotty, not what we want to see. Area for a lot of opportunity and improving at and each of us will talk about that. Okay, so now focusing in a little bit more on the building products category and specific to that, the ventilation and air management piece. We are manufacturers and distributors as Frank said earlier of the products that we produce and in this segment, about 85 percent of all the business that falls within this area, is on the roof in one form or fashion. There is ventilation, there is metal roofing, rain dispersion and water management products, and then a host of other building products we shall talk about. Our distribution is nationwide so we are represented across United States.

The trends that drive the business as I mentioned earlier, housing starts and renovation. Again, housing starts being the smaller piece, renovation being the bigger piece and again, as it relates to the roofing industry I am going to take a few minutes and talk to you a little bit about the roofing business and was has been happening in the last few years and I know a number of you have been in and around this segment for a long time in the building material trades. This is not going to be a surprised you, but I will talk a little bit deeper about what is happening there. And then raw material cost volatility has affected the business in some cases negatively, some cases positively. How we have been managing that I will talk a little bit about that as well.

Okay, so looking at, again, this group of businesses we segment them into three groups. The roofing and foundation ventilation business is…if you look at the overall piece again 85 percent of it is roofing. A little more than half of it fits into this category and what we have here is a photograph of one of our products, our Ridge Vent product which is representative of our plastic products which I will talk about a little more detail in future slides. But this particular product carries the strongest brand and we have the highest share in this segment across all North America as it relates to ventilation. If you look at the channels that we participate in, a little less than half is the retail trades and you are all familiar with the large big box retailers. We are represented in most of those, and then the large wholesale distributors represent about 55 percent of our channel distribution.

If you were to look at this business several years ago, you would have seen this pie reversed. It has been a gradual trend towards the professional distributor. A little less business on the retail side and you have seen those kinds of discussions even from some of the large retailers as they have refocused their efforts in some other areas. We see that trend probably continuing, although both classes of customers are very important to us. When we take a look at the middle, we are talking about the rain dispersion, trims and flashings, other products that are on the roof. In particular, and I will focus on the photograph there, which you see is a picture of a gutter and we are large producers of gutters. In fact, we are the second largest player in the country, and we also produce a product called Gutter Helmet, which is a retrofit product. And again, that businesses is also largely remodel-replace versus new construction.

Then the last category about 15 percent of our business in this group are all the products, and there is a host of them. One of the most interesting one is the outdoor comfort. We purchased as you saw from the film a company by the name of Sunesta several years ago. Retractable sunshades. Exciting high-margin, high growth business, unique style and approach to the marketplace has allowed us to capture higher-margins than we normally see in a lot of these businesses. And if you will notice, this pie type chart when we talked about the difference between the overall and this one, residential remodel and replacement is about 80 percent of the demand picture. New construction is only about 20.

So let’s talk a little bit about the roofing business because it does affect the segment at it is today and what you see in the upper left hand corner is a depiction over the years 2009 to 2014. A five year picture and this is information that you get from the National Weather Service, NOAA. And this is a chart graphing severe weather events. Severe weather events are events like hail storms, significant hail storms, tornadoes, hurricanes, high wind events. You can see that they have been declining over the last several years (Slide 45). Coincidentally, as you look to the right, this is a graph that charts residential shingle sales from all manufacturers in North America over that same timeframe. Very close correlation to that. Not a big surprise. If you look to the lower left you can see our performance in that timeframe. Again, most of our business has been tied to that segment historically but what we see now is that we are starting to move away from and some of the growth you are seeing now is coming from some innovation and new products that I will talk about later on, moving forward.

Another thing I want to point out to you is when we talk about our products and some of the winners in the marketplace there has been a gradual shift in the mix of product sales within the segment and these products here are representative of some of those unique products. The Ridge Vent product is a plastic product that goes on the roof. It is for the exhaust of the roof. You see a picture of our Hip/Ridge Vent which is a unique product that we developed a few years. Again, these are all patent protect products. Unique. They give us a unique number one share position in the market. And then the last product at the bottom of the screen is our Edge Vent product. And what is unique about this, is that this provides an ‘intake’ vent and typically when a home is built Events are installed in many cases, and they are typically installed at the time the home is constructed by the siding applicator.

In the case of a re-roof and again, re-roof is about 80 percent of the business. That is not an opportunity for the roofer to do. They do not typically go and remove those vents. In many cases what happens, those vents get covered. Those E-vents get covered with insulation and other materials. They become less efficient and that can create an unbalanced system and it is important to have a balanced system in order to have proper ventilation in your attic. This unique product that we launched a couple of years ago allows the roofer, during the re-roofing process, to install under the first course of shingles an 'intake' vent. It is an entirely new product, a new segment of an area of our business that has been growing, and one that we are very excited about.

These are some of the more traditional products. You see a power vent in your upper left hand corner. You will see a similar product with an innovation that has been added to that product that I will talk about in a little bit that. You see the static vents. That is a particular metal vent. We make plastic versions of those. As part of this portfolio of products, we see this shrinking. This has been gradually getting smaller as the industry has getting smaller at the expense or to the benefit of those other products that I mentioned: the Ridge Vent, the Hip Vent and the Edge Vent that we had on the first slide. Over my tenure here we have seen a move of not quite 10 percent, but we have seen a shift occurring. A very meaningful shift. These are products again that are unique to us that allow us to enjoy a greater portion of the business by virtue of the edge vent and have been very profitable for us.

Again, rain water management this is what that looks like. Metal roofing. And then the Trims and Flashings depiction just shows you how many opportunities there are to install those products on the roof. Okay, so given what I have said, what are we doing with regard to our strategic direction knowing these things about our business? One of the things Frank talked about earlier was one of the disappointment that we had in 2014 and that was with regard to a consolidation that we were working through. We had made a decision to combine one of our metal ventilation plants in the Midwest with a larger metal ventilation and power ventilation plant in Texas. We ran into some challenges and we worked through that. It was the right thing to do. We are finally seeing the benefits of that. Over the last several months we have started to see the efficiencies and the savings that we are realizing from a standpoint of not having to ship products inter-company as much. So we are saving freight and improving efficiencies and we have worked through some of the challenges.

In addition to that, we have added some capacity in our plastic ventilation category, the products I talked about earlier. So we have been adjusting our manufacturing approach to align with the future market demand of business. The next steps we are going to proceed to execute will be the 80/20 methodology. And I was talking to a few of the guys in the back during a break and 80/20 is relatively new to me. I have had some experience with Six Sigma in a prior life, another company I worked for. Had heard about 80/20, did not really fully understand it until we went to the training and one of the first things that I thought is when I saw that quadrant analysis and I saw the 150 percent in the upper right-hand corner on the top quartile, I said "Well, fortunately that is not my business, that could not be the case". I will tell you exactly the businesses that we are in.

If you look at the businesses that we have there is about 10 of them in this group. Every one of them fall within a few percent of that model that John went through and Frank talked about. So we have great opportunity to simplify our business with about 50 percent of our overhead an effort falling in less than five percent of our business. So we are very convinced and excited about that and we have to of or companies, our two largest, working on that now with the assistance of the outside resources. We have already assigned work streams and the other smaller companies are moving forward quickly as well. The third rung of our strategic approach for this segment is to try to expand what we have already been doing with regard to innovative product offerings.

We have been venturing into the solar space a little bit more, a couple of years ago we bought a company by the name of US Sunlight. They brought with us some unique technology. We have a sample of that product in the back. That product has brought some incremental customers to us. Customers we considered to be strategic. Strategic because they are large players that have been growing at others expense therefore, giving us growth but also because they are new. We discovered a class of customers that we are calling 'Energy Conservation Specialists'. A number of these customers are in the west. We been able to sell millions of dollars to them over the last couple of years with some of the technology that we have seen, and some of the ideas quite frankly, that it has a suggested to us. The product that we have in the back is a product connected with what they call a solar controller. It is a power vent with a solar panel, which is not all that unique for the industry. But what is different is that the solar controller is a computer system that sits within the attic with a remote control within the house and what it does is it moderates or it monitors the temperature in the attic as well as the humidity in attic. It will then operate to moderate that within an acceptable level to manage the ventilation in the attic. Then, when the sun goes down and the solar power is no longer available, it switches to an alternate current which is the house current. It switches from DC to AC automatically, so it continue to operate in an efficient way to remove that extra excess heat and humidity from the attic until it reaches the right temperature.

So our guys began working on some smart vents and we are planning to launch a few in the next couple of years. One that we are working on for this year is a product that will have that technology, that on boarding of the computer systems in the product in a cleaner way, that will allow us to use that on board logic to create vents that will work more effectively based on changes in the natural environment within the attic of the home. We have also launched some products that fall within the underside of the home. We've for years participated in providing foundation ventilation for the home. Recently, in cases where we had to…we were installing foundation ventilation in many cases an electrician had to be hired because of the wiring that would be involved in doing that. We have come up with a low-voltage foundation vent that is more effective and easier to install. It allows the residential energy conservation company to go in there and do this, we have discovered some new customers through that. We have gotten into even the pest-control business that has allowed us to sell some products that pest-control companies use when they are underneath the home in parts of the country where there is high humidity that then causes and attracts pests. They can install this type of ventilation in one easy step that allows them to provide a solution to the homeowner that quite honestly, would have required them to go through the trouble of hiring an electrician.

In addition to that, we are now also looking at a whole house fan system. Whole house fans have been around for a long time. They are popular in the west. There is some demand in the east. But what we are trying to do is manage the entire envelope more effectively and in that we have tapped into a foundation technology, which is called 'Energy Harvesting'.

The first time I looked at an 'Energy Harvesting' product was surprising to me. It is a wireless system that uses the natural effort that you would expend to flip a switch on to create a current to turn on a fan. And it works in an easy-to-install solution. No wires, very simple, low-cost and an easy solution. So we are taking that technology and we are working to marry that up to the smart vent technology that I talked about earlier to create an envelope of products that will provide a balanced system for the home. So we will management the temperature and humidity in the attic. We will manage underneath the home in a crawl space application. And then we will manage the temperature and the comfort within the house through whole house fan applications and all of this without using or interrupting the AC unit. So this would be a smart energy conservation solution that provides comfort for the home in a way that it also extends the life of the roofing products because it reduces humidity and eliminates issues with mold both in the attic space as well as underneath the home.

An exciting opportunity for us. We have been taking a look at the market. What we have represented here is an opportunity that we think we can capture. We have looked at several different resources. We think that over the next 5 years this is an opportunity we can make a significant dent in to grow our business in a profitable way with a new set of customers that we are already beginning to see results with. So as we look at those opportunities over the next few years, again, just evaluating the opportunity to improve our profitability from a manufacturing perspective we are looking at an improvement of 350 basis points to our relative operating margin, the simplification to 80/20 another 330 basis points, and then the strategic growth that we expect to see through some of these innovative new products and improvement of 310 or more basis points to our current business.

In summary, I talked a little about our current market conditions, a declining market. I should mention to you that the roofing industry has been declining for the last 3 years. For those of you that have been in the industry for quite some time it shrunk by a little over 3 percent 3 years ago, 6 percent 2 years ago, and another 4.3 percent last year. We see that, that trend will likely continue this year. Flat is probably a good year for 2015, but the belief and the understanding within the industry is that there is an ample opportunity for growth within that segment. So we still see it as a very good business opportunity for us long-term. Those that have been in the industry for a long time see the same opportunity. The reality is there is an awful lot of homes out there that will eventually need to have their roofs replaced, which will give us some additional organic growth over the long term.

Again, I talked a little bit about the margin improvement we will see through consolidation, as well as a simple application process, and lastly growth through innovation and some alignment with some of our strategic customers. Some of who I talked about today. So that is what we have for you today. With that I will take any questions.

Investor: Chuck, could you talk about to what extent building codes play in influence in putting in both below ground and roofing vents or is it just simply best practices by roofers?

Chuck Jerasa: Jim, building codes do have a have an impact on the amount of ventilation. What we are talking about here though, is also the effectiveness of the ventilation. So in cases of the re-roof opportunity and the case with the Edge Vent and the solutions that we can provide through some of these patent protected products, we give our customers, who the roofers buy through, a better solution that allows them to provide the entire envelope in one installation compliant with building codes though.

Investor: Hello. Same question I was asking John earlier about customer concentration and channels and distribution. Obviously, I think retail home centers we can assume that is a fairly concentrated customer base. For the distributors given that we are talking about the ventilation products, the roofing specialty distribution channels it is reasonably concentrated. I mean, there is some public distributors for example and some large private ones that people know about. Can you talk about how that 80/20 to your customer segmentation works when the actual distribution channel…because I assume you are selling to the specialty distributors to put the vents on when they are distributing shingles as well, so how do you actually do that customer segmentation or is it really just more around "Look, we are not going to do this many SKUs".

Chuck Jerasa: Okay, for instance, if I understand your question correctly. A roofing oriented distributor, a large well-known one and I am sure we can all name several of them. They buy a lot of what we would call our 'A' products, those high running products. But they also buy some 'B' products, some smaller products. We see opportunities to transfer some of those sales to 'A' products because they are very similar to products that we already make. It is amazing the proliferation of SKUs that have occurred within this business, really in an effort to be all things to all people, much like Frank said. We are no different than any of the other businesses.

So we really had not examined ourselves that closely, so I see that opportunity. But there will be cases where there will be some products that they absolutely want and for strategic reasons, we will have to probably produce those products. There is an opportunity though to perhaps outsource some of those products because they are relatively low runners. So we are going to have to make those decisions on a case-by-case basis. Does that answer your question?

Okay. With that I will introduce Steve Duffy to talk about Postal products.

Residential – Postal and Parcel Solutions
Stephen Duffy, President

Stephen (Steve) Duffy: Thank you Chuck. Good morning everybody. It is really great to be here today to talk to you about the Postal and Parcel Solutions group. My name is Steve Duffy and I have been a member of the senior leadership team here now at Gibraltar for starting my seventh year next month. This group of businesses is starting a strong growth in the industry because we are taking advantage of key market drivers and some new trends that are taking place in the marketplace today. So my mission today is to shed a little more light on this area of Gibraltar for you to convey to you the potential of that these end markets have to offer Gibraltar as well as our position to take advantage of them going forward in the future.

So let's start by talking about these businesses. I am going to classify them into three major product categories. The first one being single unit mailboxes that I think we are all familiar with today. The customer base for this are single-family homeowners typically, that purchase their products through the big-box retail channel where today we are the leading market share at great partners like Walmart, Menards, Lowe's and Home Depot. This business is in a growth mode as we sit here today, because single-family homes are starting to come back to normal levels. But it is also important to know that the largest volume contributor to the single unit mailboxes are the need for replacement units because of environmental deterioration, snowplow damage and the occasional kid with a baseball bat and it happens more than you think.

The second group of products that we are going to talk about here are centralized mailboxes and for some of you that know this business already, these are also called 'Cluster Box Units' or CBUs. This is a highly engineered type of product and the end markets for these products are business developers, property owners and builders where today, architectural specification in engineering determines the configuration of the products that goes into these properties and often times the competitor who is going to the supply the product to those properties. Today, Gibraltar has the highest specification rate in the industry of any of our competitors and we also have the largest national dealer network of expertly trained dealers to support and supply our customers in this industry.

When you look at these two products together, they are what really define the $220 mailbox market. There are strong barriers to entry when you look at these products collectively. For example, you cannot deliver mail to a postal receptacle, a mailbox if it is not approved by the Postal Service. And the time that it takes to get that approval can be one to two years for a single mailbox and even longer for CBU. So when you look at a competitive position in the sales channel, you look at the level of specification that Gibraltar has, as well as that time that it takes and the capital that is involved in building these type of products. There is a pretty strong moat around this industry from a competitive position for us. Along the bottom of the page here you see several pie charts that kind of define quantitatively what this market is. The most important one is the one in the lower right-hand corner, which indicates that Gibraltar today occupies two thirds of this $220 million marketplace.

The third product that I am going to talk about today are Electronic Parcel Lockers. With the advent of e-commerce, the number of packages that are starting to pile up on porches and in the lobbies of condos and apartments is growing very quickly and it is creating pain points that I will talk about a little bit later for the carriers themselves as well as theft if you have been seeing in media all the reports of theft of packages. It is creating pain points as well for the consumers, the e-retailers and at the same time, for the large property owners, especially, who have to figure out what to do with all these packages. To a little bit of a lesser degree you will see some of the same concerns starting to materialize in the institutional commercial marketplaces, but residential is really where the pain points are developing the fastest and where we see the biggest potential for growth and the largest market opportunity going forward and I will talk about that a little more as we go forward.

So before I start getting into some of the detail, let me talk about a little different level of detail here in terms of annual potential revenue growth for this group of businesses. We finished 2012 at $97 million and since that time, we have been growing at 25 percent rate and finished annual sales in 2014 a little more than $150 million for this group of products. We expect to see that trend continue because of ongoing geographical expansion that we are experiencing today, as well as some key market drivers that I am going to talk about on the next page. So by the time we get out three years from now, we are looking at potentially to grow this business to $200 million. Another 33 percent growth over that period of time. In addition to that, some of the new products that we are launching in the marketplace today are taking advantage of some of those new trends that are out there.

So in multi-family and single-family Parcel Locker business we expect to see another $25 to $40 million worth of growth in that area concluding with an organic growth over the next 5 years upwards of $230 to $240 million range. In addition, I think you heard Frank talk about acquisitions as a strategic accelerator, this is one of those platforms that we are looking at to accelerate our business. It is reasonable to assume we could require a couple hundred million dollars' worth of businesses in this territory. So now we are talking about not only an organic growth to $200 to $240 million additional growth that could take this group of businesses and additional businesses that require to somewhere in the neighborhood of $400 million.

So let's start digging in a little bit of the details starting with some of the market drivers that are driving that geographical growth and driving the overall organic growth in our business. Delivery costs are continuing to rise for the carriers. The Postal Service reports that the cost to deliver to a door-to-door mailbox today is $380 on average per address out there. To deliver to a curbside mailbox it is $240 per address. And deliver to centralized mail system like our CBUs it is $170. So I think you can see why with postal authorities centralized mail is very popular because it reduces their operational cost and their cost of delivery. At the same time new family home construction is coming back and today it is about 50 percent of its peak that it was in 2005 at just over 2 million housing starts.

But inside that number if you follow this market at all, you probably know that key socioeconomic trends like immigration, urbanization and the fact that millennial's are finally starting to move out of their parent's basements, it is driving multi-family so strongly that today multi-family has already recovered to the peak that we saw in 2005. At the same time postal authorities are working to convert new construction to centralized mail products like we have today. And at the same time some of the postal authorities in certain geographic areas are actually converting existing mail delivery modes door-to-door, curbside, to a centralized mail system like our CBU that they are popping down on a street corner some place.

So when you look at these first four market drivers all combined together, it is doing a couple of things for us. It is driving the number of new addresses that are being added on every year, and the postal authority tells us that there is 1 million new residential addresses that have been coming on board on average each year for the last decade. And it is important to note that our business is not based upon the number of letters that are actually delivered each year across the country. It is based upon the number of new addresses…partly based upon the number of new addresses that are added each year, because each one of those new addresses needs a mail point, and we provide that mail point. At the same time the drive towards having a higher percentage of centralized mail, there's an advantage to us as well because there's a higher revenue multiple per opening for us for each one of those centralized mail point that goes in today.
So you kind of get a really good flavor now of why the organic growth is going to continue for our business. At the same time, the last bullet under market drivers in the last bullet under benefits speaks to the growth in package volume that we are seeing today, which is leading us to develop new businesses. Let me talk a little bit about package growth at this point. I think everybody probably to some degree follows the e-commerce business out there, and probably a lot of us would agree it is a great platform for growth going forward. We are choosing to participate in this area in terms of package deliveries in that last mile of the delivery system, because that is where some of the greatest pain points are growing in this industry.

The number of packages are growing proportionally with the online retail sales that we are seeing today. In fact, on the largest day following this past Cyber Monday over the holiday season, UPS delivered a record number 35 million packages in 1 day. FedEx and the Postal Service also delivered records. I mean, I am trying to think how many drones that would be to deliver that many packages in one day, right? So it is going to be delivered by ground-based carriers this kind of volume, it just has to be at least for the foreseeable future and we are tied into these guys because we have to understand what their pain points are.

At this point I mentioned cost to some degree here. There was a recent article in the Wall Street Journal where they interviewed the CEO of UPS. Mr. Abney was quoted as saying, that for every average mile that is added onto a route each day, it costs…sorry. Every average mile that they save each day, saves them $50 million. Well, this trend is not reducing the number of miles, it is increasing the number of miles that these carriers are driving. So you can imagine the cost that is starting to go up for them. And that is a significant pain point for these carriers, because the growth in packages is in residential, and that is where the cost is growing the most. At the same time, these packages are literally starting a pile up on porches and in the lobbies of apartment complexes and with the open availability, in a lot of cases, with these packages, package theft is becoming a real issue.

If you saw the news media over the past holiday season, there was security camera footage of thieves coming in the lobbies, scooping up packages and running out the door. There were also reports of thieves following carrier trucks and when the truck would leave and nobody would open the door to pick that package up after they rang the doorbell, they would run up, grab the package and then go back and try and find that truck again do it again. So it is a real concern, a pain point for the retailer as well as the consumer because they have to figure out how to replace that stolen property. As I mentioned for the large condo owners and the large apartment owners: where are they going to put all of these packages? They do not have the room for these things. The pileup as you see a picture here.

So the pain points are growing for all the people that are in this sales channel. The retailer, the consumer, the carrier and the residential community as well. So how do we solve that? Gibraltar is in the process today of developing a whole series of products designed at this group of pain points today. ‘Express Locker’ is one such product that we have launched. It is the first complete product out there today that offers 24-hour availability. It is carrier and retailer neutral, and I will talk about that in a minute. And it also solve the problem at the high density residential multi-family property of what to do, how to store, and how to provide access to your residents. So the process starts…and if you have not seen this process you should go to the back of the room and take a look at that Express Locker system that is there today. Because it will give you an idea of how this works.

But the process starts when the resident of one of the communities that owns a parcel locker system goes online, orders a product from any retailer, picks any of the major carriers to deliver to this locker system, a carrier brings it into the lobby, scans the package into the system, a door pops open, puts the package into the locker and then close the door. At that point in time, a text or an email is sent off to the resident, the person that bought the package that you have a package delivery there now and is ready to be picked up at your home at your convenience. So there is a pin or some sort of access code or in some cases some of the residence communities use key fobs to access the system. You should go back and take a look at it. It is very interesting.

So I mentioned that it was carrier neutral. If you look along the bottom of this slide you see pictures of UPS, FedEx and the Postal Service all delivering to this kiosk. It is pretty hard to do to get all of these services combined together and working with a solution like this. Because it does help eliminate their pain points. At the same time I mentioned that it is retailer neutral. So today you can go online and order from Amazon.com, you can order from Macy’s, Blue Nile or an expanding global marketplace, you can order from Alibaba and have it delivered to this parcel unit. I cannot say that everybody else can do that today. So obviously it provides security and convenience in terms of when you decide to pick up the package and it is located at your residence. So today, as we sit here, we have delivered and installed nearly 60 installations and we launched this product just last year and we have a very strong backlog and a growing pipeline of new opportunities.

As Frank mentioned, our next annual expectation is that we are going to have 250 installations of these coming up within the next 12 months. Hopefully within this year. The system is taking root, there is no doubt about it. So let’s put some numbers onto this space because we talk about all the benefits and stuff. Let's put some real numbers onto this. This is a survey that was done by the National Multi-family Homeowners Association (Slide 59), actually Housing Council, and it is a survey that talks about the distribution of apartments over the different sizes of properties. Let me focus your attention on the blue lines first cross page and if you concentrate in the right hand column and in the center column of the page, you will see that 48 percent of the apartments are focused in only 3 percent of the properties. These are the high density properties that today have the volume density and the physical space to accommodate this type of product.

You also typically find your more fluent user sometimes in this area as well too. So you can kind of see why we are concentrating in this area because it is very tightly focused. Ten million of the apartments of the 21 million apartments on this slide are concentrated just in that area of business. So we have a very concise target market. If you look at the top four lines that are on this page in gray, that is 97 percent of the apartments that there…I am sorry. It is 52 percent of the apartments there that are focused and spread out over 97 percent of the properties. Those customers who are going to have the same pain points, those are really going to be serviced by different type of technology. So let me talk about that a little bit here to.

Across the top of the page you see various commercial style lockers and commercial lockers are potentially one of those solutions that is going to address that other part of the customer base that we are not addressing with Express Lockers. The picture that is on the far left hand side is a picture of a 'Go Post' that was developed by the United States Postal Service along with Gibraltar Industries and today we have delivered 25 systems are out there in the marketplace operating. If you want to see one of those very close to here go up to 45th and Lexington, a couple of blocks away, in the Post Office there one of these units is sitting there today operating. There is some headwinds with this type of product though that I need to be clear about with you all. For example, if you go around the city of New York here you will see that there are lots of drop boxes for UPS, FedEx, the Postal Service. But sometimes there are two each all clustered together on a street corner. Could you see three or four of these parcel delivery systems all co-located together on a street corner in Manhattan? It would be a traffic jam.

At the same time, these lockers are not necessarily environmentally protected. So many things we order off the internet, you do not want to subject to high heat or low temperatures like medications or wine or chocolate. Lastly, from a convenience standpoint, if you have got to try and commute your way home in a snowstorm like we had here last Friday or that Boston seems to have had all year long, now you are trying to make your way home in a longer day than necessary, and you have got to divert to a commercial center someplace to get your package out of a locker and then lug it at all way home and sometimes you have more than one and sometimes they are heavy. Or worse yet, go back out at night and have to go get your packages. Compare that to an Express Locker system for example, that is typically based in an environmentally controlled area and your packages are conveniently waiting for you when you get home and you make your way home after that long commute.

So there is some comparisons. I think this is going to be a good market going forward, but I think there is something that have to iron out. But the point here is, we are well-positioned with a business entity, UPS, who probably has the largest amount of real estate in the country where you can place these parcel lockers when this business begins to grow. So let me finish my presentation by putting some actual dollars onto these numbers as well too. At the bottom of this page (Slide 60) if you look at the centralized mail column that is there, the Postal Service tells us that there is over 21 million addresses out there today utilizing centralized mail. Most of those are multi-family today. From our experience and research in the marketplace, we think conservatively that 25 percent of this multi-family centralized mail population will take advantage of these systems.

From our experience with Express Locker we think an average of two addresses will share some of these lockers. Because one of the questions I got was, how you handle peak periods, and of course there is low periods like vacation times. So you have got to kind of find the right average and there are experiences that is about two address per locker. So when you equate that with an average selling price of about $300 per locker, the total market for centralized mail if we owned it all over the next many years would be $800 million of which we are pretty sure that the Express Locker portion, that high density residential market is about a $500 million of that $800 million. At the same time we cannot ignore curbside, because they have the same pain points as well to.

The Postal Service tells us there is 53 million addresses out there today for just curbside mail. This does not even include door-to-door applications and we are trying to be conservative in these numbers so I am only using curbside here as well as a 5 percent saturation rate. We have surveys that tells us that the saturation rate is going to be well into the double digit side. But when you use…if you use a number bigger than 5 percent these numbers start to get really big. So we are using 5 percent here. Logically, it is one locker that will sit on a front porch per single-family address and an average selling price of about $200 per locker. That is $530 million additionally. So when you add up the $800 million from the centralized and the $500 million you get a total potential market conservatively of about $1.3 billion if we owned it all over the next 10 years. That is a great opportunity for Gibraltar.

So let me summarize by saying, our growth in the industry is being fueled organically by some real key market drivers that we are primarily positioned to take advantage of going forward today. At the same time, we are looking at the pain points associated with online retailing and last mile package delivery to develop a great line of products for a real need that is out there in the marketplace today and is developing in other markets as well too. At Gibraltar we are in a primary position to take advantage of those trends going forward. So with that I will open it up to any questions that you might have.

Investor: How much have you sold so far?

Steve Duffy: If you include the Express Locker we have got nearly 60 installations already in place today. We just launched it last year. We have actually sold more than that. Our backlog is growing and our pipeline for leads is getting fuller and fuller. If you add to that the 25 systems that we are working with the Postal Service on, we are going to be approaching 100 here very quickly in the marketplace.

Investor: Can you give a dollar amount?

Steve Duffy: I do not think we are going to go into exact dollars specifically for this. We are talking to you about the market potential. You can kind of make some inferences there.

Investor: Hi. What is the cost to say a large apartment owner or manager to install one of these systems and are you looking to have more of a laser razor blade model or is it just pure ‘you sold it and it is done’?

Steve Duffy: So let me answer the second part of that first. Today we are finding plenty of leads for people that are willing to buy these systems. At some point and time some of the smaller residences may be looking for some sort of a lease or rental type situation, we are exploring that possibility but it is open to us on how we want to approach those folks in the marketplace. The average cost for one of these systems is around $20 thousand a locker system. Some are smaller, so it will be less. Some are larger so it will be more.

Investor: How much is that per locker, or per mailbox?

Steve Duffy: $300 hundred was the number per locker.

Investor: Does Express Locker have applications outside of North America? I mean, could you now…perhaps Europe other places? Can you expand beyond the current market share that you enjoy in North America through this product?

Steve Duffy: I think yes, but in studying the European marketplace, they have a completely different model of mail and parcel delivery over there and the locker system is actually pretty popular. In some cases it is with independent locker owners. In some cases it is with postal carriers. But they are commercially based locations for a lot of these. So if there are high density residential areas that have the physical space for something like this, I could see this potentially being utilized over there as well.

Investor: I know you did not want to mention numbers, but if you have 60 systems installed at $20,000 per system and you have $140 million of revenue in this segment, should we assume the balance is in single units?

Steve Duffy: Centralized mail as well to.

Investor: So let me ask you a different way. What percent of your $140 million of revenue is in single units?

Steve Duffy: If you look at one of the charts that is at the bottom of that page right there. Centralized mail versus single delivery about two thirds of the $220 million market is centralized mail leaving the other percent towards single unit mailboxes.

Investor: And within that what customer concentration? Do you have discloseable clients with Home Depot or Lowe's?

Steve Duffy: Well, they are individual single-family homeowners who will purchase their product from the big-box retail stores, whereas for the centralized products it is typically more architecturally specified, and we have a dealer network nationally that supports and sells to those customers.

Investor: What's your profile in centralized?

Steve Duffy: We are not going to get into margins in this presentation. We kind of went into the volume side of it. We are going to stay away from the margin for today.

Investor: So I guess without talking about where you are today, you mentioned the $25 million incremental from Express Locker and kind of the long-term revenue opportunity. What is kind of the annual installed rate there, that you have to get to compared to the 250 you plan for this year?

Steve Duffy: I do not know about the rate but to get to that number it is a…we are figuring a 10 year span and Gibraltar owning 50 percent of that market share over that period of time. So if you take the $500 thousand that we think that the market potential is over 10 years at 50 percent market share that is how we get to the $25 million for Express Locker on an annual basis.

Investor: And what kind of sale cycle…I mean, when you anticipate 250 installations in 2015, how much of that is kind of sales that are already in the backlog or already in the middle? I guess what does the sale cycle look like in general?

Steve Duffy: Well, sale cycle looks like having a property owner acknowledge a need for this type of process, vetting us out because we are really about the only ones that are working in this. There is a lot people experimenting today with different solutions, but we are by far the industry leader in this high density marketplace. So they kind of have to vet us out a little but when they find out we are Gibraltar, a large public company and not a small fly-by-night type of company, it is usually gives them a lot more confidence to purchase this product from a well-known company. So the sale is made and the installation takes place, the training for all of the residents in the property as well as the carriers who are going to be delivering to that. And as I said, all of the carriers have decided to use this system, they like it. So our pipeline I will not go into exact numbers, but we do have a pretty good backlog for this and the pipeline of opportunities is continuing to grow.

Thank you very much. Let me introduce to you Paul Plourde who will talk to us about our acquisition activities.

Growth and Portfolio Plans
Paul Plourde, Vice President, Business Development

Paul Plourde: Thank you very much Steve. Good morning everyone. Great venue here at NASDAQ so welcome, and I would also like to welcome folks joining us via conference call today. It is my privilege today to share with you our growth and portfolio strategy and as my own job, a new job that Frank showed you that we created at Gibraltar. The responsibility in this business development capacity is really to drive one quarter of our earnings growth via acquisitions. My apologies. There we are. The acquisition activities that we want to drive at Gibraltar, we are no strangers the acquisition process having completed 34 acquisitions in our history.

That said, we do want to be more purposeful and more thoughtful about how we are going to approach acquisitions going forward because we are kind of taking our lens off of that creating a one-time growth opportunity to including acquisitions in our portfolio that are going to drive long-term returns. We had dedicated —Frank spoke to this— about $80 to $150 million this year. That is our target. We would like to attract one or two acquisitions to accomplish that in 2015 and going forward investing that same amount of money.

We think that the methodologies that we are using…that we have used in the past where obviously strong ones and have yielded some good results and companies like D.S Brown that we will talk about a little bit more as we go forward. But definitely the methodologies that we will share with you going forward I hope will resonate with you. We worked at identifying some new markets of where we want to play. It is important for us as we think about strategically rebalancing our portfolio. A lot of the businesses that we have today are operating in very challenging markets. They markets they participate in today have either stagnant or low growth projections, and also offer low opportunities to drive high average returns or margins. So our job is really to find acquisitions that are operating in more promising end markets with higher growth projections and a better opportunity to have high average margins. We have six markets that we are going to talk to you about today and three of them are existing platforms that meet that criteria and then we also had three new ones as well.

So we learned a little bit through Steve's presentation here about Postal and Parcel so we have a very large core growth opportunity within that platform for sure and we definitely see this as our number one priority from an existing platform perspective, an area where we want to invest in, and it is going to be in that parcel delivery area. We had a great example with Steve's presentation around what we did in that multi-family area and our focus going forward from an acquisition standpoint will be centered around identifying like opportunities and like solutions but in different verticals. So I will get into that in more detail in a few slides. Infrastructure, again, we have a great business there, number one market share position. And in the seismic isolation space, we have a high degree of respect in that market space and really, we are going to look for new technology that we can bolt on to our basket of goods that we bring to that engineer of record or that general contractor looking after that project. In the air management building on the theme that Chuck was talking about that whole home air management. I will get into that in a little bit more detail as well.

New platforms and admittedly this first one might appear at first glance as one that is a little far away from our core, in solar. We kind of got there by casting a wide net and thinking about renewables in general and thinking this is a very fast-growing market space and kind of white sheeting it. How is it possible for us to participate here? Working our way down we have identified solar racking and enclosures as a marketspace where we think we can participate and make a difference. Number one, this is still a very fragmented marketspace. Lots of players, about 90 racking companies in the US today. It's a business that is about $2.1 billion, so there is lots to go after. Lots of pain in this particular segment and I will touch on that a little bit later. We definitely see some strong leverage there and possibilities for us. We can exploit some of the things we do really well in manufacturing, global sourcing and project management to make a difference in this space.

Building on the infrastructure theme and the businesses that we have, there is a nice growth platform here in water infrastructure. So from an infrastructure point-of-view, managing our water infrastructure in the United States is definitely something that has been underfunded and therefore we do believe there is some good growth opportunities there and some really nice technologies around making things last longer, making repairs more easily or less costly and we will touch on some of those as we move forward to the presentation. There is also a residential opportunity with water management that is a nice adjacency to our water discursion platform. So as we are dispersing water from the home it is not that big of a step for us to think of systems to reclaim that water, keep it and then we reuse it in a nice way. And you could even include filtration through there as well and those technologies will build on our bar grating capabilities and our Seasafe product line.

Outdoor living we see there is two opportunities for us to explore in outdoor living. The first builds on the trend of the conversion of flat roofs that we find on high rise buildings or commercial buildings. Converting those roofs over to green roofs, just in 2012 alone there was just shy of 4 million square feet of roofing space that was converted in the United States and that was at 24 percent increase over previous year. And 2013 had another 25 percent growth in that area. So this is a trend that we think we can build on and we will get into how as we move forward. On residential, it is really building on the trend of people extending their living space out into their backyard in single family homes. So looking at this a little more closely from the Postal and Parcel solutions, so if we reference back to what Steven shared with you around how we went about developing our solution for that particular vertical, which was the property management area.

I think it begins really with figuring out who the participants are in that value chain and we did a job of identifying that early on and then understanding the marketplace to find…I would take a step back and say segmenting that market space in an intelligent way so you can focus your efforts with the highest probability of success, and they did that because of that segmentation of identifying where the concentration was. So that is going to be important as we go forward because as we in new verticals we cannot expect that exactly what we did for apartment is going to work in different verticals.

If I break this down I think about the Express Locker product that we have, is a nice integrated locker and that is important. As we look at other verticals we have to have that product has got to be able to be installed indoors or outdoors depending on which vertical we're in. It also has to be electronically controllable which it is today. It needs a software interface to communicate with the participants in that value chain. And for this Express Locker platform we partnered with a third-party supplier who had a very successful software platform that communicated with the property management system that was in place. Without that critical piece our product alone would not have the penetration rates or the probabilities that it has today. So in any of these vertical that we are looking at, and from an acquisition standpoint we are looking to identify those software platforms that we can integrate into our product line and obviously solve some problems and some pain points within these verticals. So want something that is integratable, so if you think of a…if it is an indoor application the locker system has to be standalone capable. If you are doing a retrofit it has to be a product that can be integrated if it is new construction. If it is an outdoor application then again, it has got to last the test of time. We have a reputation that we have built over a long period of time and we definitely want to maintain that going forward.

In infrastructure Kevin touched on the fact that there is 13…my apologies. There is 33 percent of the bridges in the continental United States today according to the American Society of Civil Engineers that are either structurally deficient or functionally obsolete. That is a pretty staggering number. Current spending levels are estimated to be just shy of $13 billion this year and next year and really what is required is $20.5 billion, and that is just to bring things back to acceptable levels. We know there is a $79 billion gap to bring all that infrastructure up to code, and we can only ignore things as critical as bridges and water infrastructure for so long before it becomes unwise. The net result of this is that when you underfund scheduled maintenance, you usually wind up with more unplanned repairs and those tend to be more costly and more urgent. As Frank alluded to earlier in his presentation, when that happens the phone usually rings at D.S. Brown. They do have an amazing reputation as being the solution provider in that market space and that is because they have excellence in design, they have a fantastic engineering, and they also got really deep roots working at both the federal and state levels for these types of large projects.

The products they bring to market have industry-leading reliability, and best-in-class manufacturing. So those are skills and competencies that we are going to leverage and we are going to apply to some new market spaces that we are attacking. For this particular segment if you think of the bridge and all of its components, we want to focus on the high-value, non-commodity portion of the bridge. So not so much the structural steel, the rebar, or the concrete but very much the other ancillary systems that are engineered and that extend the life of the bridge, that make it more structurally integral, that can speed up repairs or in fact prevent them in the future, and certainly continue to drive our leadership in this very exciting space.

An interesting fact about this business as I looked into it is that a very small portion of its products have patent protection, and yet the majority of the products in the portfolio garner premium pricing. They are high at high-margins and the reason for that is I think, when Frank spoke in his earlier comments about risk, there is a lot of risk in a bridge. And people know that when D.S. Brown brings a product to a bridge it is going to do what it was designed to do and that is something that they have earned over the many years they have been participating in that area. So definitely risk mitigation, there are premiums to be made there.

From air management, really this is…Chuck did a great job explaining this, and I will touch on this very quickly. Really what we are trying to do is through the use of diagnostics and censoring equipment and our venting capability is we are really looking to use the air that is trapped here in your attic, so warm dry air, cool damp air below and is there a way for us to monitor that and to repurpose that air and bring it back to your living space before you have to engage the mechanics in your home, the mechanical systems. So really we are looking to lower the load on those mechanical systems driving a more energy efficient use of air flow through that home.

In solar. Why solar? Solar because there is a lot of really nice synergies with what our core capabilities are. The first of which is that the racking systems…so you see here are essentially pretty easy for us to manufacturer. We definitely feel we can do as good a job as industry leaders there today. We could leverage our global sourcing for steel products as well, and all the components that go there. We have a lot of experience in a variety of our businesses, especially in the infrastructure business working on these types and scales of projects. In many cases, some of our products are already there in the form of expanded metal, whether that is in the perimeter fencing that is there, or any of the catwalks, etcetera that would be used.

So we like those synergies and we love the space and I think we can really make a difference here. This is really a two-step process for us from an entrance point-of-view. We want to enter a space that is highly fragmented, which the racking space is, and we want to enter at the beginning or at the start of that value chain. As new participants here we want to…it is easier for us to be the beginning of the chain than somewhere in the middle where the other two sides of the chain are acting on us. So I think this is a good first step for us to take as we continue to look for targets here. We have identified a number of interesting targets in this space and we are going to be aggressive chasing that down and entering that market soon.

The second phase once we get our feet wet and understand the space a little bit better, then it would be to move onto the enclosures space for many of the same reasons. But that is further downstream and would follow after we participate in the first step. So really focusing on structural members, connections and enclosures and really the pain in this space is centered around there is usually someone that designs the racking system, and someone else delivers it to the job site, and someone else is installing it. From a general contractor's point of view that is a lot to manage, and a lot gets lost in translation. To put this in perspective, one lost day on a large project is worth a very significant amount of money. So there is a lot of pain there and it is a high degree…they are willing to look at solutions that could be a little bit more integrated here, I think could make a big difference. So that is why we are saying we would like to bundle this perhaps with technology or services and have a more holistic approach to solve that pain problem that is there today.

On the water management, really I touched on the residential opportunities. The grey water management opportunity for us, building on our rain dispersion. The US is still relatively early in this market space. We think there is a lot of international markets we could use as benchmarks as we build a potential offering in this space. From an infrastructure standpoint, it is no different than what we described in the bridge area. There has been a substantial amount of underfunding in this space. We see a lot of press dedicated to the kind of crumbling infrastructure, especially around water and last year alone 240 thousand water mains completely failed in the US. That is water coming out of the city or in this case a crumbling bridge as a result. So these are very serious problems and are very expensive to fix and we think there is a better way. The net result of those water mains breaking is a loss of over 1 trillion gallons of water. That is a staggering number, so we have high attention here. We think there is really nice technology that we have already identified that really appealed to us and we feel that could really help in this space and we definitely want to participate here.

Lastly, on the new platforms, is on the outdoor living and building on his green roof trend that we talked about is an interesting opportunity. This does marry well with the water management program, especially on the residential side. They have to manage water to do this obviously. Also the arrival of geo-synthetics in this market space have really accelerated the growth and potential for growth in this market space and that is where we are going to focus our attention from an acquisition standpoint. Outdoor living, we do have a product line in the Sunesta product line that we participate here, and if you really think about extending your living space if you are in a single-family environment, you want that living space to be integrated. And in many cases I think we would want it to be on demand in a form of if you are outside sometimes you just want to be in the outdoors. But if it starts to rain or what have you, or if it is too sunny you want that on demand shading or roofing system and you also want on demand screening for that area if you need it. So those are two areas we are looking at as well as the security or perimeter screening system to protect valuables that are there. So those are the three areas around single-family residential outdoor living.

So we are going to focus our acquisition activity on these six core markets and when opportunities present themselves and we are seeing more and more of them, we are going to apply a filter to make sure that we have got the strategic lengths and that we can deliver the synergies long-term. We do not want to kid ourselves. We have looked at over 20 deals already and have consciously walked away from them. I would argue some of those deals in the past we would have closed them. We would have taken on that business, we would have driven a one year pick up and would have been very challenging for us to deliver growth beyond that.

This filter that we see here is really looking at making sure…and we have already done the first step which is we have identified markets that are high-growth and that are large enough so that even if we take a small portion of those marketplaces, it is going to move the needle at Gibraltar. We are looking for companies that have unique value proposition, and that can look in the form of a patented product versus a more commoditized product that drives share via price, etcetera. We are looking for something that is more sustainable long-term and looking for share leaders. That does not necessarily mean the number one share player, but certainly in the top three or four. And looking for companies that have the ability to command premiums. That is important in our analysis and we measure that really by the gross margin that they are able to extract. So if they are above the industry or if they are below that is important to us.

And last but not least, I would say two things, so one the leadership team has to come with the deal. We definitely want a capable leadership team and that is because we do not want to dilute the existing team that is here. We want to make sure that, especially when we are stepping into new market spaces that we have as much of that existing team that built that business with us as we as continue to penetrate into that new market space. From a simplification point-of-view this is probably the one that is the most counterintuitive and I think Frank did a good job touching on it earlier. We are looking for something that we can improve. I mean, if we want growth and additional returns beyond that first year we have to be able to put our touch on it and that business has to be improvable. We are looking drive 3 to 5 percent in those first five years.

To put that in numbers, 20 percent market share player at 10 percent would be a real nice business. They are not all that neat and perfect but then we could apply and grow to 15 percent. I had a telephone call just two days ago, a nice business size at about $35, $40 million. Number one player in their market space and they were operating at 22 percent operating income. Say yes and get a great pick up year one, but where are you going to take that business? You can grow it perhaps a little bit in the top line, but improving those returns is going to be a real challenge for us going forward. So that one I spent a little more time on just because it is a little counterintuitive but it is important for us because we want to honor the commitment we are making of driving that long-term growth.

Any good process needs a control and so we have implemented two audits in our post integration phase and that is really just…at six months to really take a good look at the leadership team that we got, the customer base. Are things playing out the way we had modeled? At 12 months a really thorough full audit there looking at the financial model comparing that to the valuation model we used and comparing the synergies that we built into the model and making sure that those synergies are playing out. Because that is the part that really drives those returns long-term. So we want to know in that first year are those playing out the way that we thought they were and if they were not we are going to dedicate some resources to make sure that they do.

So in closing, I say remind that we are looking for $80 to $150 million of acquisition this year and going forward as well. We have been very active communicating this profile I guess of acquisitions to the investment banking community. Started in the latter end of Q4 in 2014 and we have continued that pace throughout the first quarter and we are going to stay on path there. We want to make sure that we continue to communicate to the outside world to leverage those external networks and make sure that our pipeline is growing both in quantity and in quality. The valuation and integration tools that we are putting forward are really singularly focused on driving long-term value creation. That is the whole purpose of the activity and we are very committed to this. We have been transparent across our business and across our communications as well to the external community and we sincerely hope that this resonates with you all as much as it does with us. We feel good about the markets that we have picked, and our chances of being successful there. On that I will say thank you for your attention and answer any questions that you might have.

Frank Heard: Maybe I can just add one qualifier to Paul’s presentation. We have three very strong market opportunities internally and that is our primary objective is to try to leverage our positions in those spaces today through trying to expand our positions through acquisitions. Fifty percent of Paul’s time is in the Postal product space, half of his time. Every day he comes to work or wherever he is spending…trying to understand that value chain and trying to find the next strategic opportunity for us to accelerate our entry into that space whether it be in centralized mail or the parcel delivery and certainly in parcel delivery is a big part of that slant. I would say right behind that is probably in that infrastructure space, primarily in trying to own the bridge. The last 25 percent of his personal time would be research-based trying to qualify those new and different types of markets and putting some sort of priority to them in terms of what the opportunities are.

So just to give you some perspective in terms of how we rank those opportunities. They are not ranked equally. There is a knowledge base, there is some research to be done and to be quite honest, Paul has not been here for last 10 years. So he is just getting started from a timing perspective. If you look at the rest of the team, I would say about half of my time personally is focused on the acquisition side of what we are trying to do in our value creating strategy and I would suggest that half of Mr. Smith's time as a CFO is spent in this area as well. If you look at the three presidents that you just met, I would say somewhere in the third to half of their time is spent. If you look at Kevin for example, he has got this large industrial piece where some pretty significant headwinds, so he has got some operational challenges that he is really trying to manage, but he also has that infrastructure piece which he is working in partnership with Paul on from an acquisition perspective.

Chuck in the Residential space, I would say a big part of his day is looking at that. He has got some operational challenges in terms of simplification process but a big part of his time is on the acquisition side. Certainly you can imagine where Steve…we created that position for one reason. Not to help our GMs help run the business day-to-day as the businesses coming to us in either curbside mail, centralized or the Postal Product or the Parcel delivery space. His primary objective is to grow in this space not to shadow manage, the existing management group in those three businesses. So this is an important part of our value generating strategy and we are try to put the appropriate amount of talent applied to it at the right level with the right type of focus. Good.

Investor: I am just curious given that a lot of it is looking at acquisitions. Would you be interested in buying something where the talent can turn around some of the operations? I am trying to understand what kind of valuation you would pay for some of these things because you indicated you did not want to pay up for margins that probably cannot go any higher. So I am just trying to get a little more under the thought process.

Frank Heard: Yeah, absolutely. If there is not the opportunity to both grow from a market share perspective in a measurable way that is one criteria. The other criteria is that we certainly want the opportunity to apply the toolbox. If we get both those opportunities we are prepared to pay a premium for that opportunity because we believe we can deliver on it from a return on invested capital perspective at a premium rate. We will not buy at the other end of that extreme is we are not going to buy it without the topline opportunity and we are not going to buy it without the margin enhancement opportunity. Even though strategically, it might be a nice adjacency from a competitor perspective and maybe there is some short-term wins in terms of this historical belief about buying up competitors. Maybe I can control the price in the market to some degree and get some incremental change. By and large my experience is that generally does not happen. So that would be the two extremes I guess.

Paul Plourde: So with that I think we can turn it over…the presentation over to our CFO Mr. Ken Smith.

Frank Heard: We are happy to entertain more questions in this area as well because I know there is a couple outstanding ones. And for our finish we are going to have a general Q&A period to follow up on any of the presenter's comments or topics that we present this morning.

Financial Outlook
Kenneth Smith, CFO

Kenneth (Ken) Smith: So thank you Paul. Good morning everyone. My role and my desire is to convey the future financial outlook for the company. I am certainly going to touch on the 2015 period because we commented on that just 30 days ago when we had our fourth quarter earnings call and provided guidance for 2015. But the predominance of my remarks will extend to the mid and longer-term opportunity and what I believe can be captured by Gibraltar and its financial outcomes over the next five years. Before I do that I would like to offer my personal perspective. I started with this company seven years ago and have gone through the recessionary periods and the financial practices and approaches that we have used in driving operations during that period.

Add a little color to that, I have also seen the leadership transition that is occurring…started to occur in the spring of 2014 with the hiring of Frank and the injection of new senior leadership. Not only at the senior leadership team, the folks that you have met this morning, but also at the Board level which is equally important. I have a view and appreciation of the programs that we have talked about and innovation certainly 80/20 and acquisitions of portfolio management that underpin simply the four pillars of how to grow this company going forward. But to digress a little bit, when I joined the company in the spring of 2008, it was on pace to have its best year ever. Even though steel was rising and it was costing over $1 thousand a ton, margins were pretty remarkable even in Kevin's industrial business. Although, he did not manage it at the time we were in double-digit operating earnings, not even EBITDA margins, that was EBIT margins.

The other platforms that we were taking to the market at that time in that period were also doing remarkably well. Of course then September, October, November and December of 2008 unfolded and a lot of constriction for a lot industries, let alone building products in the industrial markets where we participated in. So the ensuing years of 2009, 2010 and 2011 certainly and many of which are continued were how do we preserve cash? How do we preserve liquidity? And I think the company did a really good job during that period. We ended up with a balance sheet that I am going to talk a little bit about here in a few slides. We took working capital days down by a third from essentially 100 days down to 65 days. We cut in half the number of facilities from 80 some to 40 some. A lot of the cash generation that came out of those and other initiatives delevered us from well over five times down to three times on a gross basis today and we paid back nearly $350 million of cash back to some supporting lenders, some of whom are represented in this room today.

So that being said, the balance sheet got into really good shape under duress and operationally though, we consciously kept certain capacities of manufacturing and distribution. The thinking was well, we got the beginning of 2010 we were such a trough. Markets have got to be rebounding. We need capacity particularly in machine and equipment and footprint and distribution and warehousing to support that growth. Well, 2010 goes by, we are at the beginning 2011; that really did not rebound in 2010, so well it has got to come back in 2011. Well, 2011 we all know and 2012 both of those periods even 2013 went by without much rebounding. Even 2014 that we just concluded, we are still not back to historical lows and many of the key markets that we service what our housing starts projected to be by a lot of prognosticators this year about a million one on the average at least was a prognosticators I read. Historical levers are a million and five starts a year.

So we are still not back to robust markets. So not only keeping some of our manufacturing and distribution capabilities, albeit underutilized for these recent years, in addition to that, we have also tried to take as much product and new product and innovative product as properly as we can through channels and customers, many of which are probably profiled today in the data analysis of John in quads two, three and four. So part of me has got a foot back in the most recent time periods and performances and methodologies and philosophies of the company, particularly financially fueled. And I have got another foot kind of straddled over this new period led by new management certainly at the top of the house, but as John cited, there is a pretty cool buzz in the other folks that have been exposed to these methodologies. Many of whom have been just recently exposed. We would like to be more successful. We as a management team have 3,000 colleagues who would like to deliver more, particularly in profits and cash flow.

Independent of what you as the either current or potential investors may feel, we like to generate more cash. Our on employees would like to and we would like to beat the competition more severely because we have got greater, innovative and more differentiated products. So when John talked thought about a buzz there…my right foot which is in the new period and kind of straddling where we are today this first quarter, because we are going through a great deal of training to educate our folks on how to execute on these data and these quadrant results. It is exciting and for me I am very excited about what can be delivered by the 3,000 colleagues that we have in the company.

So I wanted to offer that perspective because I have been able to live through the most recent times of how we have gone to market and how successfully we have been. We have probably generally been more successful on the balance sheet than we have on the P&L and certainly the case for 2014 where we and certainly myself, feel very disappointed we could not deliver more. But I am really excited about what we can do going forward on each of these four pillars that we have individually talked about in the preceding speakers. So that backdrop let me move particularly for those who are on the Internet and watching these slides online, I would like to go to slide 76. So I have got a couple slides on 2015 and actually I have got three or four slides 2015, but I will be brief on those because we are essentially affirming guidance that we gave out 30 days ago on February 20th our earnings call. But this slide touches on market conditions.

This year in 2015 I am expecting and we as a business leadership team are expecting that our residential product segment will be favorable in revenues on the topline compared to 2014 largely led by innovative and organic growth out of the Postal and Parcel products. Also complemented by in Chuck's case and his business set of products that he takes to market, there was some new customer wins last year and they were not across the full year of 2014, so there will be incremental benefits from that. So even while the underlying markets for starts, new permits existing home sales are ticking up gradually, I think we could be in mid-single-digit growth on this segment in 2015 over last year.

That said, on the other segment I am looking for…we are expecting a mid to small single-digit on favorable comparison 2015 of 2014. Why is that? Well, in the 20 percent of Kevin's business, the infrastructure business, a lot of state and federal funding is still uncertain and certainly the case of the federal government. Beyond May 31st still remains a question mark not only for us and suppliers to those projects here in the US, but also for states who are trying to plan the contribution that comes from federal financing for their state projects. Over on the industrial product sets, Kevin cited he has got a 16 percent revenue exposure that is coming from oil and gas. With the price of oil below $50 a barrel, there is not a lot of service companies or production companies that are actively trying to build out production and sell more. In fact, they are doing the exact opposite. And as we all read probably many of you do the Baker stats. Rig counts are down dramatically compared to a year ago and will probably stay down compared to 2014 if barrel price of oil stays comparably in the same neighborhood of where it is today.

Lastly, we do have about 10 percent of our consolidated revenues for the company denominated in other functional currencies, predominantly Canadian dollar and the euro and sterling and of course with the strength in the US dollar we are actually translating into smaller US dollars this year. So all three of those really affect Kevin’s business and lead to my expectation that we will have small single-digit revenue decline this year compared to 2014. Nonetheless, I am about to give you the numerics on the next slide. We have controllable actions now inside the company were we believe we can grow our earnings independent of these market situations that I have just described. Both segments have cost opportunities, some of which we are already started and initiated and in some cases completed last year such as the facility consolidation that Chuck spoke to. Others where we will have an outsized savings that will really accrue to 2015’s P&L that we did not get even though we may not have captured as much in 2014 as we anticipated but the full capture rate will accrue this year.

So let me go to the next slide where we quantify all of these numbers on this slide 77 are identical to what we provided to the investor and analyst call that we held back in February 20th. Although I added the final row here, but all the numbers you see down the center two columns are exactly a match from 30 days ago. I did add the bottom row because this company generates cash and although last year at 30 cents we had a spike in one year capex to fund a build out of capacity to fuel the huge ramp up in backlog for Postal products and that took us in 2014 to a capex spend that was about five million over depreciation settling back into a more consistent outlook of capex spending of $16, $15, $16 million a year which will be about $5 or $6 million below depreciation expense. That lower capex spending in relation to depreciation plus the increased profitability coming of the P&L, I am expecting will translate into free cash flow per share, 31 million shares outstanding for those of you doing the math. Yield a $1.30. Even that does not get back to even recent years of cash flow generation per share that this company has delivered.

So as 80/20 takes hold of the P&L and results start amplifying and expanding the margins on the P&L, continuing the kind of capex in relation to depreciation being lower than appreciation spending each and every year, I believe this kind of free cash flow per share being greater than even the adjusted let alone gap EPS can be outsized and really compelling as to what this company is able to deliver in value and returns. I am going to get through this slide and just merely summarize that these four topics, these are the four pillars that Frank spoke about that underpin the strategy of growing this company more valuably in the future. Each of the presidents and predecessors that spoke before me this morning have talked about examples and added colors and how these particular pillars and programs can affect their business, so I will not spend a lot of time to it. Except on portfolio management. I would like to add a little color in that even though were not in…we have not determined that there will be a divestiture in 2015.

I am certainly keen along with the other leaders in this room from Gibraltar to see how 80/20 can improve even our lowest performing margin businesses and platforms during this year and the beginning of 2016. Because if we ever took a decision to deal with a business differently and not keep it in our core going forward, we would like to certainly improve its valuation and cash flows before taking such a decision. So this is an important year even for our lesser strategic…currently thought of lesser strategic platforms.

Next slide 79. Both segments have common initiatives for each of them not only in the 80/20 programs and following through with their respective work teams, but each have other cost reduction opportunities that some of which were started last year, some of which are underway the beginning of this year. And a little different in the residential where we really have an outsized opportunity to grow organically the top line with the new products that Steve and Paul Plourde spoke of. I want to repeat this slide because…this was in Johnson's presentation about 80/20 impact. While there is a text box at the bottom of the graph that talks about 200 to 300 basis points improvement, battle scarred folks who applied this in their previous careers as well as others have commented that they have experienced greater impact.

So why we would like to under promise and over deliver, we have only modeled and what we are showing you kind of an upward to 300 basis point improvement, most of which is captured here in the first three years. So by 2017 we believe a large portion of the 300 basis points is captured. Geez well, Ken why does that blue line continue to go up in 2017 and 2018 and 2019? Well, that is because some of our smaller business units who may not be as active I think will kick in then. We have got I think some latency on some of our balance sheet improvements that come out of the 80/20 program such as real estate square footage that I am going to talk about shortly. I think they will start to melt away from our cost structure in years three, four even five. So the security utilities, property insurance, those related real estate costs will start to melt away and continue to drive the earnings-per-share that you see here on this back…on the left side vertical axis. But all this is baked on the assumption that I think we can along with their business teams and the leadership team that is here before you. We think this can be the minimum that we can deliver over these next two to five years.

There is a balance sheet affect much of which was represented in this slide John spoke about, but it is not just the P&L performance that comes to accrue to the benefit of the company, there is also a reduction in the investment that sits on the balance sheet. I think it would be meaningful to not only improving our returns but also the cash flows that we can continue to generate and invest in acquisitions and other growth initiatives. This is a little more colorful slide Paul than what you had. I put a couple extra percentages on this. But for this audience this is a pie that we would like to make bigger and spend faster as we view how we can incrementally make one year's profitability and returns greater than the prior year.

So a quarter of that incremental year-over-year earnings growth is going to come from the lower quartile where we are taking our core business with repeated applications of 80/20 and the other methodologies that are attendant to the management toolbox that John described, we think we can generate 25 percent of our incremental absolute dollars of earnings improvement coming out of our core business. Another 25 percent coming out of new acquisitions that we are able to close on in that new year, represented by that upper right pie slice. And a full half of the earnings improvement over the prior year will be coming from 80/20 adaptation and data analysis and decision-making and results taking of those decisions and improving the earnings of previous year's acquisitions. So as we continue to move forward here year after year, I do believe that this pie chart is going to spend faster and get bigger in terms of absolute dollars.

Slide 83 for those on the viewing internet for this webcast, but for those of you in front of us, a lot of bars and a lot of numbers on this slide to underpin my remark that we have the balance sheet to support and the funding and liquidity to support the growth initiatives we have whether it be operating expenses, new capex acquisitions. By some measure we are under levered and a good deal of cash as we exited 2014. And I am going to tell you that as of two days ago that amount of cash on the right side of the chart represented by the dark blue $111 million actually increased by $25 million because two days ago we monetized and owned real estate…piece of real estate that we have out on the west and resale leaseback and sold that business…or sold that property for $25 million. So it was confirmed by one of our banks that, that was in our bank account at the end of Tuesday night. So we continue to look for ways to monetize existing assets and it just adds to our liquidity for which our number one priority for deploying new capital will be acquisitions and underscored by the remarks that have come from our three division presidents as well as Paul's description of the growth platforms that we intend to pursue.

My second to last slide and it is one that Frank had at the beginning of his presentation. I want to put an underscore on some of these because they are important. There are two types of rows…two types of lines on this slide. They are solid lines. One is the red line that just merely reflects if we take our existing operations and carry them forward using reasonable current practices, independent and not utilizing 80/20 and we think we could squeak out another 50 basis points a year on operating margin, takes our earnings-per-share up to around 90 cents a share. Kind of business as usual but striving to still compete competitively in the marketplace. The yellow line represents what we think can be the merely, the only 300 basis point improvement off of the 80/20 programs and the other attendant methodologies that complement that. The green line represent if we do not take 80/20 into account but merely add acquisitions which over this time period of 2015 to 2019 is inaggregate of about $650 million of new revenues from acquisitions that are layered in each and every year over these five years that are projected on this slide.

The blue line kind of the trifecta for those racing fans here in the audience is if we can apply 80/20 successfully, which I believe we will, find the right strategic assets that we can grow after we close on them and I have factored in one divestiture of a size of $200 million of our lesser performing profile, all of which can amplify and contribute to an aggregate EPS performance. It gets up into the range that is depicted on that right vertical. With the return on invested capital depicted on the left vertical. So I feel very confident today along with my colleagues that are here in front of you that have spoken prior to me to being able to deliver this under these four pillars of the programs or the growth strategy that we have talked about. I am going to end by talking about the goal of kind of the yardstick we are going to measure ourselves by and will hold ourselves accountable to you, the investors, to deliver on.

I might offer one other…I know I am going over my time... I had a hard time getting my brain around this one. I saw a really nice quadrant and quartile analysis from John. I saw that in a multi-day training session about three weeks ago and I had seen it, had been explained to it several times before that starting back I think in August when Frank started to layer in this theme and this direction of where we were going. And like maybe some of you, those quadrants analyses and quartile analyses that are back on slides 25 or 26 that are back on John's presentation, I am having a hard time figuring out how this translates into these kinds of basis point improvement. Then it dawned on me maybe a couple weeks ago, even before that because we have not baked this into the 2015 guidance that we are affirming.

On one of John's slides quad four –the smallest customers buying the lowest volume product– there is 7 percent of our revenues coming out of that quadrant. Seven percent of our revenues against 2014's revenues of 860 round up is $60 million of revenue in that quartile company-wide. Our fixed costs consolidated in 2014, we had 110 million in SG&A, we had $90 million of fixed cost up in cost of goods sold. Everything else is largely variable costs up in the cost of goods sold section. So there is $110 of SG&A, there is $90 of fixed cost and cost of goods sold, there is $200 million of fixed cost in the company 2014. Well, if we are uniformly and I do believe this to be true, we are applying equally our efforts across all of our customers 25 percent is going to quad four and supporting those lower volume customers and products. So 25 percent of $200 million of fixed cost is $50 million. So how do I apply that $50 million to this quad four of $60 million in revenue? Well, in that $60 million of revenue, half of the cost that goes in supporting and delivering that is raw material. Whether it is steel, resins, aluminums, etcetera.

So if I am yielding $60 million of cash from customers in quad four, but I just paid out $30 million to my suppliers I have got $30 million of essentially variable profit left. Oh, by the way, I have got $50 million of fixed cost: customer service, accounting, engineering, warehousing, insurance programs, distribution footprints. That is an unprofitable comparison as we all can recognize, but for me that was the simplistic "I can understand it" realization that, that kind of profile…and that is just quad four let alone quads two or three or how we can even expand our quad one profits for the customers and products in the first quad. So for me it put a real punch point on the achievability of not only 300 basis points on this slide, but likely something even more significant than that.

So that is the end of my prepared remarks. We do have time for general Q&A and we would like to open the floor for those questions.

Investor: I have a question on the quad four. Are those customers persistent over time or do they move in and out of other quadrants?

Ken Smith: Many questions as whether those customers are repeatable and yes many of them are.

Investor: No, I mean are those the same customers every year, every quarter that wind up in Q4.

Ken Smith: For many of the businesses yes.

Investor: Thank you.

Ken Smith: Other questions?

Investor: So relative to your guidance for FY15 in slide 12 or slide 84 which has…if you go back to your color lines if you would. Are you giving an FY16 target for earnings and then I want to go…because it certainly seems like you are. I mean, I think we can read the numbers pretty clearly here. So you are saying your 60 cents at FY15 if you achieve these 80/20 targets in the back half of the year, which is the yellow line. You are not at 60 cents, you are something higher. If you do M&A, the preponderance if you look at FY16 you are talking about transformational 2015 but the numbers are really large here. And it seems to me that, if you are going to form a 60 cents current guidance to something closer to 80 and you are actually pointing to a $1.80 next year, 25 cents of that or a quarter would come from 80/20. The remainder is what you were highlighting in terms of M&A. So help us think about your confidence level as well as what leverage that would bring your company to X this $200 million rev assumption of divestitures that you talked about. Because these are really large deltas from what you are issuing guidance for and I just need to have some of the few sell-side analysts to better understand really what you are communicating to people here today.

Ken Smith: I will start answering that question Ken. First off, that was the timeline in John's presentation of what we took on in January, what we took on in February in this process of getting 80/20 injected into the company. And in March, really the beginning of March, although we have generated our own data on the quadrants it has been rigorously re-crunched by our simplification partner that is working with John in trying to accelerate this across the company verified our own results with our own data. We have we trained about 75 to 80 people of our key next level of managers who can go to thoughtful project team analyses and recommendations for keying up decisions to be made.

But those work streams and these work teams probably need the second quarter of 2015 to…I see the numbers but what customers are we really talk about in quad three and quad four? And what products are they really buying? And how do they marry up with other family members in our product family? So we will be halfway through 2015 reasonably so before we actually have a teed up set of decisions to make. Then we have got to implement those. The long-winded answer to the first part of your question is, while we may have some benefit in 2015, I think the majority of what these initial decisions, those benefits will accrue the 2016 year.

Frank Heard: I think to add Ken's comments, if you look at 80/20 process…I will just echo his comments there and I think we are early in the game, we are confident and we have got a track record and sort of prior lives delivering on those types of results and then we are off to a good start. So we feel pretty good about the benefits accruing over the course of the balance end of 2015 and really picking up in 2016. I think the more difficult areas from a confidence perspective the acquisition side which as you point out Ken is a big number. That is about the pipeline and that is about developing a better quality pipeline than maybe the 20 deals we looked at in 2014 and I think we are making tremendous progress engaging new and different types of resources and since that process started late in the fourth quarter we are starting to see better opportunities.

Now they are coming to us sequentially one at a time. They are not coming to us in large blocks where we get to choose the best fit at the best time and we are working our way through to be quite honest some multiple opportunities as we speak. Are they going to ultimately play out to the filters that we have highlighted here? Early days. But certainly our expectation is in 2015 we are going to hit our target. It is early days. If you ask me the question in October I would probably hedge my bets a little bit, but it is early in the year, we have got lots of time to focus and deliver on that particular aspect of the promise. I think the other areas that would suggest that we would pause a little bit within our….sort of supporting our existing guidance is Kevin's group. The industrial infrastructure group. We have got some pretty new headwinds that are manifesting themselves in sort of a stronger rate from 2014 even into 2015 as it relates to the oil and gas market where we have a pretty significant business as it relates to the fabrication business which happens to be higher-margin than our industrial distribution part. And we still have some uncertainty despite sort of a growing backlog in share position in the infrastructure side. We still have this thing out at the end of May that says the funding is…we have no idea where that is going. Whether or not someone is going to kick the can down the road and allows us to continue to run along the bottom or they are going to take some more aggressive approaches in terms of reinstating funding. So we may execute extremely well in the context of our new value creating strategy, but Kevin's group is not a $25 million group. It represents more than half the revenue. So with those types of headwinds in that group we have to be conscious of not being out too far out over our skis from a guidance perspective…too optimistic in our first year. So we are trying to be thoughtful about it. We trying to be reasonable about it and hopefully under promise and over deliver for 2015.

Ken Smith: Other questions. Yes.

Investor: Can you discuss the compensation targets?

Ken Smith: We changed our variable comp programs for 2015. It is still what is consistent with recent years. At least under our annual bonus and I am going to talk about two programs. There is an annual bonus program and then there is a longer-term equity award and I am going to talk about both. But both have been and continue to be performance-based. The annual bonus program we changed for 2015 what we had and continue to have our three financial factors. What was new in 2015 we dropped one. We dropped sales growth and we added a second profitability factor. So the three factors that affect and bind all the seven speakers here this morning and others that lead the company is that we have an adjusted EPS factor that is targeted at 60 cents a share for 2015. We have an EBIT margin statistic that correlates to that 60 cents a share.

Both of those are weighted 75 percent of the total and the other 25 percent weighting is for days of working capital. Maintaining and improving on our existing…I think it is 63 days that we actually had result for 2014. So we got rid of a sales measure and put most of the weighting on driving profitability, which mirrors up exactly with the mantra of let's earn more at a higher-margin at less of an investment. So we have aligned more directly the 2015 bonus. Over on the second program of the variable equity program, it has been in recent year's ROIC achievement, an improvement. The target for ROIC, if I get 100 percent on my, and the rest of us, our equity award for 2015, is if we hit six percentage points, 600 basis point of ROIC for 2015. Which is an improvement by almost 50 percent over the very unremarkable 4 percent that we had for 2014.

Frank Heard: If you look at the context of that incentive program to put it in context, the changes I mentioned earlier we kind of raised the bar of expectation and accountability and tried get a better series of alignment in terms of making more money each and every year at a higher rate of return and more efficient use of capital. And Ken just described how we did that. If you took our 2014 results and put it from compensation payout perspective and rolled it through the 2015 program, we would get paid half the amount of what we got paid on the old program. Just to put it in context that we expect to get paid when our shareholders see value. We do not expect to get paid in any way shape or form for effort just results.

Investor: (Inaudible question)

Ken Smith: Well, we are looking for Irish or Luxembourg partners and building products, but we have not found them… Not in the near-term. Yes.

Investor: Just a question on acquisitions. I mean, you have targeted a very large objective for the number of overall size of acquisitions. Most companies we talked to given lower interest rates and people might having money in a while should in making acquisitions, whether it is private companies, public companies. It just tends to be a lot competition that broadly be speaking for companies trying to buy other companies and more often than not we tried. We did not find things we liked. Or the big one is it go too expensive for us. I guess my question is, what is your level of confidence given everything you see given the number of competitors and building products looking to do the same thing that you can find things you want at the prices you want, at the size you are targeting?

Ken Smith: We are still trying to solve…so when solve for a purchase price that we hope is winnable attractive asset. We are flexing future cash flows for different business scenarios without overloading it with optimism on 80/20 or other programs that we can bring synergies to and still feel on targeted opportunities we can be successful on. We are trying to avoid the auction processes.

We are trying to be through as Paul describe initiatives to be proactive in reaching out to either existing owners of assets that we would be interested in or through other channels to preempt the auctions. Because one of the attractions of Gibraltar being a buyer, particularly the privately owned firms is we are probably not going to do a slash and burn through an existing business. We are going to try to be thoughtful and rational in trying to improve their businesses as you saw on the triangle of criteria on Paul's slide. We would like to retain the current management at least for some period of time so they are successful knowledge transfer under our ownership.

What has been highly attractive for management teams of companies that we have bought, is that there is a greater degree of trust and chemistry and alignment of how to grow a business going forward that is appreciated by the seller. So we are trying to be preemptive in those platforms that Paul described about, and appeal to how we go about a rigorous and value improving integration, but they often appreciate the chemistry and the style by which we go about it. Frank, I do not know if you want supplement that answer.

Frank Heard: Yeah, I think that over the course of 2014 I sat through 12 different management presentations and I would say other than the one in all cases we chose to step away. I would say half of those the management teams and really resonated with what we were as Gibraltar and where they saw us going. And we had opportunities in the area of $25 to $350 million primarily private businesses that really looked at us as being maybe a preferred choice for their business to stand up and for their people to end up. And by in large at the end of it people would even say to us that we get a little bit of a discount in terms of what price that would ultimately…that we would have to pay versus some of the other types of purchasers out there. I think in more recent past, we worked through three or four different management reviews with a very similar perspective and I think in a couple cases we would have stepped away and did step away just based on price simply because the premium from the other channels were just too far out from what we would consider the right place.

So we do not want to fall into that trap of getting so emotionally tied to the deal that ultimately we are going to pay a price. That is a danger. Paying too much is something you can never fix and certainly we have seen a couple opportunities like that. But by and large we are very confident of being able to…despite the fact is there is some premiums of there right now in this space and there is a lot of competition, there is a real preference for the private businesses in the sweet spot that we are looking for to sell it to someone like a Gibraltar. So we are confident that we are going to be able to deliver on that promise. The question is not just to… get a little bit more robust pipeline. We have close to 10… 8 to 10 different types of relationships we have partnered with now to help drive that pipeline over the coming months and we have got opportunities as we speak. So it is early days, good news it is March, late March it is not October and we have got quite a bit of the time to work on this process. So we are feeling pretty good about it today.

Ken Smith: Yet to play out as recently as today's journal banking regulators are putting pressure on banks to not lend to at lease transactions where there is greater than six times leverage. And there has been public filings by certain of the PE firms that have actually cited that the potential kind of regulation that could dampen returns or selections or what they pursue in their purchase program. So that is yet to playout, but that could be another feature that kinds of benefits a strategic like us and the values that actually get transacted.

David Calusdian: Good. Got time for one more question.

Investor: With the M&A environment, what are you comfortable with from a leveraged standpoint? I know you have got a pretty liquid balance sheet today, but as you look at this M&A, what leverage threshold are you comfortable with?

Ken Smith: In that second to last slide that was on the screen of my section as I layered in multiple hundred million dollars a year in acquisitions and at no time did our leverage get even in the high threes. So it was always under four and certainly once we…if we were to have proceeds from a divestiture along at five your journey in front of us, it certainly keeps it around…essentially around the three times neighborhood excluding the cash that is on the balance sheet.

Frank Heard: So just in closing, I hope you can see the kind of excitement that we feel as a leadership team. We are very inspired by what we think is a tremendous opportunity to transform Gibraltar going forward. And I can tell you to finish on a personal note, coming out of retirement the only way this could be better is if I owned Gibraltar, which I do not. Apparently you do. But our commitment to you is we will still treat it like it is our own money. Alright. We appreciate you taking the time to come out this morning. Thank you.