REFINITIV STREETEVENTS

EDITED TRANSCRIPT

ROCK.OQ - Q4 2020 Gibraltar Industries Inc Earnings Call

EVENT DATE/TIME: FEBRUARY 25, 2021 / 2:00PM GMT

CORPORATE PARTICIPANTS

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

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

CONFERENCE CALL PARTICIPANTS

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

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

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

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

Carolyn M. Capaccio *LHA Investor Relations - SVP*

PRESENTATION

Operator

Greetings, and welcome to the Gibraltar Industries' Fourth Quarter 2020 Earnings Conference Call. (Operator Instructions) As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Carolyn Capaccio of LHA Investor Relations. Thank you. You may begin.

Carolyn M. Capaccio - *LHA Investor Relations - SVP*

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

The earnings press release that was issued this morning as well as the slide presentation that management will use during the call are both available in the Investor info section of the company's website, gibraltar1.com.

Please note that Gibraltar has classified the industrial business, which was divested on February 23, 2021, as a discontinued operation with fourth quarter 2020 results. Additionally, Gibraltar's earnings press release and remarks contain non-GAAP financial measures. Tables of reconciliation, including GAAP to adjusted financial measures as well as continuing and discontinued operations can be found in the earnings press release that was issued today.

Further, results of TerraSmart, which was acquired at 11:59 p.m. on December 31, 2020, had no impact on operations in 2020 reported results.

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

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

Thanks, Carolyn, and good morning, everybody, and thanks for joining the call this morning. I hope everyone is remaining safe and healthy. And navigating through some of the recent winter weather that we've all experienced.

Let's start with an overview of our 2020 full year and fourth quarter results. And then Tim is going to provide more detail regarding our Q4 financials, and then I'll circle back with you and review our strategic priorities and full year guidance for 2021. And then we'll open the call for your questions.

So let's turn to Slide 3. 2020 results. Overall, we delivered record results in 2020 while remaining very focused on health and well-being of our people, of our operations, our customers and, obviously, the communities we operate in. For the full year, revenue increased 15%. GAAP EPS increased 38% and adjusted EPS increased 18%. And GAAP operating margin improved 140 basis points, and adjusted operating margin improved 40 basis points to 11.3%. And our return on invested capital improved to 17.6%, up over 180 basis points versus 2019.

So despite a challenging and I'd say relatively dynamic environment in 2020, we executed well on our key initiatives. We generated strong cash flow, and we continue to improve our operations. We also invested in our organization, adding talent and accelerated our education initiative. We deployed additional digital and IT systems and tools, and we made 5 acquisitions to strengthen our leadership position and relevance in our key markets.

We acquired Thermo Energy Solutions, a leader in the commercial growing infrastructure market; Delta Separations, the leader in process and extraction equipment; Mailboxes is a leader in high-end mail boxes; and TerraSmart and Sunfig, respective leaders in the solar energy space. And as mentioned at the start of the call, we also announced the sale of our industrial business earlier this week. We classified the business as a discontinued operation with our fourth quarter results. So a lot of important initiatives completed during the year, really focused on supporting our objective of increasing participation in higher growth, higher-margin markets.

Now let's talk about the fourth quarter. We delivered solid results while operating -- what I would say it was probably the most dynamic period of the year for us, the pandemic was starting to peak with a record level of infection rates across the country, key commodity prices began to inflate, start seasonal -- solar panel supply challenges surfacing and a few customers experiencing some permitting delays. And then all this was wrapped up around a pretty abnormal and anxious holiday season for many folks.

Now that all being said, as we emphasize with the team throughout the year, we stayed focused on what we can control and do the best we can. And for the quarter, revenue increased 17.3%, really driven by good growth in our residential products and also from acquisitions made in both mail and package and the growing and processing business. Our Residential Products business really continued its execution momentum, delivering solid margin results consistent with the performance we have seen throughout the year.

GAAP EPS increased 15.2%; adjusted, EPS, 3.5%. But our GAAP operating margin declined 40 basis points, and our adjusted operating margin declined 100 basis points to 9.6%. So let's talk about our margin performance in the quarter, which was really driven or impacted by a couple of market dynamics. One, in our solar energy business and the other in our growing and processing business.

So let me start with the solar business. For some context, in 2020, we shipped and deployed approximately 1.5 gigawatts of solar infrastructure over 1,000 different projects across the U.S., mainly supporting the community and commercial and industrial segments, the small and midsized projects. During the fourth quarter, we had a portion of our then active 325 projects representing between 50-megawatt and 70-megawatt delay due to some solar panel availability and a few local permitting issues. As a result, we had some projects, and therefore, revenue margin move into 2021.

Now the panel supply issue, which has been driven by some shortages of key components, particularly polysilicon but also glass and some silver paste as well as really robust growth and demand across the global solar energy market should improve -- should continue to improve, I would say, in the first half as some of this capacity comes back online.

The second factor, which we have been dealing with over the last 3 quarters is related to our hemp and cannabis markets, where, as you know, we provide greenhouse growing structures and processing equipment for oil extraction. Demand was less than expected in the fourth quarter, but we saw an uptick in customer activity in early December, a similar pace to actually pre pandemic levels as we enter 2021.

And as I mentioned in our Q3 earnings call, we expect this market to recover throughout 2021 and our business to resume growth and deliver better results as well. So despite these 2 challenges in the quarter, we do have strong momentum entering 2021. Our demand profile is very positive, with our overall backlog approximately $300 million, up 50% versus Q4 2019, which includes the acquisition of TerraSmart, but also up 26% without including TerraSmart.

And there are 2 important things I want to make sure that I note regarding our backlog. First, our backlog has always been highly correlated with actual demand across our business. And second, to actually be included in our backlog, we have to have an executed valid commercial contract that's been reviewed internally, approved and signed by both the customer and Gibraltar, and a down payment of up to 50% of the contract value must be received or be in hand. Any other customer activity and/or potential projects that are in our funnel are scoped and they're tracked, but they're not permitted to be included in our backlog without meeting the above criteria.

So let me finish this slide with a couple of comments regarding our recent acquisitions of TerraSmart and Sunfig. We are obviously very excited about adding these businesses, and our integration process with both teams is in full swing. As I discussed during our January call, announcing the deals of TerraSmart and Sunfig. These businesses really help us accelerate 4 key initiatives in our solar business.

First is the strength and help us scale our position in a relatively large market, $4.7 billion domestic solar market, which we see growing at 10% to 15% per year. It really broadens and creates the best portfolio we believe the racking system and foundation technology infrastructure, but also electrical balance of systems and design software solutions. It supports our vision and mission to accelerate making solar energy readily available everywhere. And enhances our revenue growth and margin profile as we build our leadership in faster growing, more profitable markets.

So before I turn it over to Tim, I do want to say a big thank you to everyone across Gibraltar for what the team does each and every day and its support and dedication for each other, their families and their communities we operate in and for the journey we're on. 2020 was a challenging year on so many fronts, and our team responded in a way that honestly makes me incredibly proud to be part of the organization. I'm fairly confident all our stakeholders feel the same way.

So now let's turn to Slide 4, and Tim, take it away.

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

Thanks, Bill, and good morning, everyone. I'll take you through our consolidated and segment results. My discussion covers results from continuing ops as we classify the Industrial business, which was divested on Tuesday as discontinued operation for 2020. I'll also provide more color on this divestiture shortly.

And as a reminder, TerraSmart had no impact on our income statement in 2020 as we acquired the business at the end of the day on December 31. The acquisition of TerraSmart is reflected in our year-end balance sheet and cash flows.

So going to consolidated. Consolidated revenue increased 17.3%, driven by growth in the Residential Products and Renewable Energy & Conservation segments, which offset a revenue decline in the Infrastructure segment. Organic revenue growth of 3.6% was driven by continued execution and very strong demand and participation gains in the Residential Products segment, which was partially offset by organic revenue decrease in Renewable Energy & Conservation and Infrastructure segments. We generated 13.7% growth from our first quarter 2020 acquisition to Thermo Energy and Delta Separations and our fourth quarter 2020 acquisition of Architectural Mailboxes.

Total backlog at quarter end including TerraSmart is approaching $300 million, up 50% from the prior year, driven by continued end market demand in our Renewable Energy & Conservation segment, and to a lesser extent, demand in our Infrastructure segment.

Consolidated GAAP operating income was up 12.4%, and adjusted operating income increased 5.8% in the fourth quarter. Consolidated GAAP and adjusted EPS grew 15.2% and 3.5%, respectively. The increase was a result of organic growth, continued margin expansion in the Residential Products segment, product and services mix, effective price material cost management and ongoing benefits from operational excellence initiatives.

As a result of the Industrial business divestiture included in the fourth quarter 2020 loss from discontinued operations of $26.1 million is a $29.6 million noncash loss related to the disposal of this business.

Now let's review each of the 3 reporting segments starting with Slide 5, the Renewable Energy & Conservation segment. Segment revenue increased 11.8%, driven by our recent acquisitions. Organic revenue slowed 11% during the quarter, driven by a few market factors. Solar energy customers experienced unanticipated delays for their existing projects related to solar panel supply challenges and building permit delays, pushing projects scheduled for the fourth quarter into 2021.

In the Growing & Processing business, the slow market for greenhouse structures and processing extraction equipment serving cannabis and hemp markets that we've seen over the past 2 quarters persisted, but these markets are improving. The Renewable Energy business's margin performance was impacted in the quarter by the reduction of solar volume as the existing projects moved into 2020. Again, we expect the solar panel supply challenges to subside in the first half.

On the conservation side, margins were impacted by COVID-19-related delay to our integration plan of Thermo Energy due to mandated visitation and travel restrictions between the U.S. and Canada where Thermo is located. Current market conditions for greenhouse structures and processing equipment for cannabis and hemp also negatively impacted margins in the quarter.

Total segment backlog continued to grow, increasing 55% including TerraSmart, with a core growth of 22%, pretty equally split between the Solar and Growing & Processing, driven by continued strength in both end markets, with TerraSmart accounting for the remaining 33%.

In early December 2020, the existing industry federal investment tax credit, which was slated to step down from 26% to 22%, was extended through the end of 2022, which is positive for the business. Pipeline of projects, and these are projects in the sales funnel but not yet signed at the contract stage, for both the Solar and Growing & Processing businesses heading into 2020 is very strong.

Let's move to Slide 6 to review our most recent acquisition. As expected, TerraSmart generated 2020 revenues of $157 million and adjusted EBITDA of $26 million. Again, TerraSmart's results did not impact our Q4 reported results. The inclusion of TerraSmart brings the Renewable Energy & Conservation segment to approximately 51% of Gibraltar's total consolidated 2020 revenues on a pro forma basis.

And as we discussed in January, on the left side of this chart, we show the historical pro forma and anticipated progression of our solar energy business, which sits in the Renewable Energy & Conservation segment. On a pro forma basis for 2020, our solar energy business had a revenue run rate of roughly $400 million, with adjusted operating income margins in excess of 12%. Over the next 5 years, we expect this business to continue to grow at a significant pace and expand its profitability, driven by the backdrop of expected annual market growth in the range of 10% to 15%. Gibraltar's increasing participation in community and utility solar through the broadest industry offering available and commercial and operational integration to provide scalability and maximize growth synergies.

From a consolidated perspective, we ended 2020 with just over $1 billion in revenue and adjusted operating margin of 11.3%. And on a pro forma basis, we exit 2020 with a revenue run rate of just under $1.2 billion and adjusted operating margins in excess of 11.5%.

Let's move to Slide 7 to review our Residential Products segment. Segment revenues increased 26.7% from last year, with the residential market strength driven by ongoing housing fundamentals and strong demand and participation gains across all channels. Organic revenue grew 21.4% and the acquired Architectural Mailboxes business contributed 5.3% to the growth.

GAAP and adjusted operating margins increased 280 basis points with consistent execution, volume leverage, price cost management and continued benefits from 80/20 initiatives. The organizational changes we made in 2019 continue to benefit these businesses, and we continue to improve processes and develop the organization.

Let's move to Slide 8 to review our Infrastructure Products segment. As mentioned earlier, my comments covering the results from continuing operations and the results of the Industrial business are included as discontinued operations. Segment revenue decreased 7.5% as the pandemic continued to impact existing and new product -- project schedules, especially with our airport runway maintenance customers, where customers have delayed spending. Infrastructure backlog improved modestly, and bidding activity is approaching record levels in 2021. Adjusted operating margin was up 60 basis points through strong execution in our fabricated product lines, which offset the decline in our higher-margin nonfabricated product lines.

Let's move to Slide 9 to discuss the Industrial business divestiture. First, I'd like to thank the team at these businesses for all their efforts over the past 15 years of our ownership and to wish them continued success. This team did a great job embracing 80/20, optimizing their operations and focusing their efforts on higher-margin opportunities.

This divestiture is a direct result of the portfolio management pillar of our strategy, and committed to a plan to sell these businesses during the fourth quarter, and therefore, report them as discontinued operations in our 2020 results. We completed the sale on Tuesday, receiving net proceeds of approximately $38 million, approximately $25 million in cash and a $13 million note that's secured by real estate. We recorded a noncash loss of $29.6 million at December 31 to reduce the book value of the net assets to estimated realizable value.

And the Industrial business for a full year and fourth quarter, prior to recording of a noncash loss, generated revenues of $129.9 million and $30.8 million and adjusted operating profit of $13.9 million and $4.1 million, respectively.

Let's move to Slide 10 to discuss our liquidity position. Our free cash flow of $76 million in 2020 was negatively impacted by our planned investment in Thermo Energy working capital of $42.4 million. On the M&A front, as previously reported, in October, we paid $27 million for Architectural Mailboxes. And in December, we paid $3.75 million for Sunfig and $228.2 million for TerraSmart. TerraSmart consideration included an $85 million draw on our revolver and the assumption of $0.6 million of debt, with the remainder financed through cash on hand.

At December 31, we had $309 million available on our revolver cash, on hand of $32 million, and our leverage was approximately 0.5 turn. We continue to expect to repay our revolver within a year using cash flow generated from operations and the proceeds of the industrial sale. And with respect to the industrial divestiture, we used net cash received approximately $25 million to reduce outstanding debt, a $13 million note secured by real estate matures in 5 years.

Given our strong operating cash flow and relatively modest capital expenditures, we continue to have ample liquidity to invest in our operational excellence, growth initiatives, the development of our organization and the repayment of debt. We remain active in M&A discussions and continue to remain focused on managing our working capital.

Now I'll turn the call back over to Bill.

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

Thanks, Tim. Let's turn to Slide 11, and I'll give you an update on the recent actions supporting our 3 strategic pillars. First, let's discuss our business system. Our focus on executing our pandemic playbook continues and will remain throughout 2021. We obviously must maintain the best and safest work environment for our team so we can execute consistently and continue to support our customers.

In 2020, we invested more in digital IT systems, including ERP projects, CRM implementations, remote management capability and cybersecurity to protect how we do business, and we will continue to invest in 2021. The raw material inflation and availability environment will continue to be dynamic throughout in 2021. Our businesses have been implementing actions to minimize and offset this headwind through supply chain planning, price management, productivity initiatives and 80/20 projects.

Our second portfolio -- our second pillar portfolio management. In 2020, we built stronger positions in our Solar Energy, Growing & Processing and Residential Products businesses with 5 acquisitions. We made significant progress integrating our new companies even with pandemic-related restrictions, and our progress will continue in 2021. We also divested, as we mentioned, our Industrial business, enabling us to allocate more time, talent and energy to our faster-growing and more profitable businesses.

And third, organization development. In 2020, we added significant talent to the team, upgrading filling gaps in sales, marketing, human resources, engineering, in digital, IT and cybersecurity. We execute our digital education initiative, covering ethics compliance and diversity. The quality of inclusion in cybersecurity with approximately 20,000 hours of employee training, and we expect to complete another 25,000 hours of training in 2021. We are really building a diversity of thought, mentality into our organization, building a team and creating an environment for our people to grow and have success. And in 2020, 50% of our management new hires were classified as diverse.

Let's now walk through our 2021 priorities. I want to start with a quick summary for each business, and we'll start with our Renewables & Conservation segment. So let's turn to Slide 12 and talk about our Solar Energy priorities. The U.S. solar market is expected to remain robust and has several positive drivers supporting its long-term growth. Since 2015, our solar business has grown 17% to 18% per year. And with the acquisition of TerraSmart and Sunfig, as Tim presented earlier, we really expect to drive significant performance improvement in this business over the next 2 to 3 years.

Obviously, it starts in 2021 with successfully integrating TerraSmart and Sunfig and scaling our processes and systems and the organization to support increasing demand. We're also excited to have a strong portfolio with intellectual property, including tracker and canopy solutions. And I expect us to remain very active in further broadening our platform with additional investments in technology, software and services.

Let's turn to Slide 13 and review our Growing & Processing, like key priorities. The market for growing food, cannabis and flowers in an environmentally friendly way without the use of pesticides, 12 months a year in any region of the country continues to gain momentum. I'd say demand for commercial growing structure square footage is increasing 6% to 7% per year, and we see additional investments supporting this market going forward as well.

Consumer demand for healthy food, cannabis-based -- and cannabis-based products to drive health and well-being, both physical and mental is growing at an impressive rate. Like our solar business, our key priorities are a complete integration of our recent acquisitions, Thermo Energy, Delta Separations and Apeks Supercritical and scale the business and deliver growth and margin expansion. In 2020, we added strong leadership to the team, implemented a scalable organization structure and started implementation of ERP and CRM systems. In 2021, we'll continue these efforts and further build out our project field management capability to deliver the best customer experience in the industry.

Let's move to Slide 14 to discuss our priorities for the Residential business. We expect the residential market to remain relatively strong in 2021, both in new construction and our repair to model segments, and we participate well in both. The fundamental market drivers, supply demand, interest rates, other incentives continue to be favorable that are expected to offset, I believe, potential price inflation headwinds during the year.

Our key priorities reflect continuation of our focus that we had in 2020. We're going to expand our participation gains in different channels and geographies, deploy our digital systems for better customer experience, connectivity and reducing channel costs and closely managing pricing, material cost inflation and driving additional 80/20 productivity initiatives.

Let's move to Slide 15, we'll discuss priorities for the Infrastructure business. We do expect the infrastructure market to benefit from a federal infrastructure spending bill anticipated from the Biden administration as I should provide more clarity around funding and support for state department transportation groups on existing and new projects, as well a federal bill will accelerate private-public partnership initiatives as it has in the past.

Our priorities with or without a spending bill are to support our existing and new high-speed rail projects with our new IP bearing technology, continue our operations and supply chain improvement, efforts to drive growth and margin and expand our high-margin sealant/coating business at airport runways, parking garages and other infrastructure markets as they start to recover in the second half of 2021.

So let's turn to Slide 16. Just for a quick recap of our 2021 priorities. First, scale and improving our Renewables & Conservation business. It's about integrating our acquisitions per our plan. Executing our record level of backlog flawlessly, continue to build organization capabilities, add tools and processes and systems and strengthen the portfolio further with technology, IP, software and services.

Secondly, just improving overall execution across Gibraltar around health and safety, 80/20, productivity, quality and new product development. Third, really proactively managing and optimizing our supply chain around today's material inflation environment and supply challenges. And then fourth, continue to conduct business in the right and responsible way by driving our environmentally sound solutions, investing in our communities where our people live and work. And obviously trying to create the best environment for our people who have success.

So with that, let's move to Slide 17 and discuss our outlook for 2021. So although we are dealing with some short-term market challenges, we enter 2021 with good momentum across our businesses. We have confidence in our end markets and a strong backlog that supports and correlates with real demand. We will continue to execute our operating playbook. We're going to maintain a safe environment for our people. Obviously, work closely with our suppliers and support our customers. As a result, I am confident we will deliver our full year growth and margin expansion in 2021. And our full year guidance is summarized as follows.

Consolidated revenue is expected to range between $1.3 billion and $1.35 billion. GAAP EPS is expected to range between $2.78 and $2.95 compared to $2.53 in 2020. And adjusted EPS is expected to range between $3.30 and $3.47 million compared to $2.73 in 2020. So while we are returning to providing full year guidance, at this time, we are not providing an outlook for the first quarter as we have done in the past. As I discussed, we expect the overall environment and some of our specific supply challenges to remain somewhat unpredictable in the first half of the year, but clarity increasing as we move through the year. Regards to the quarter-to-quarter cadence, we have confidence in overall 2021 outlook, and we will remain focused on executing our plans and delivering our full year plan.

So with that, let's open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Daniel Moore with CJS Securities.

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

Bill, want to go ahead. I want to start with renewables on the solar side. Is it possible to estimate the revenue and margin impact of the customer supply chain shortages in Q4, how much lingering impact is likely in Q1?

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

Yes. It's -- what I would say, Dan, it was significant. That's why I want to call it out today and talk through it. It's over a few projects. We don't have complete clarity on the exact amount outside of it being significant. And the reason I say that is each of the projects were in different stages. In terms of when they flow into 2021, that's -- we're monitoring that. It may be Q1, it may be Q2. It just -- it varies project-by-project and it's case by case. Each project is a little different scenario.

In some cases where our customers had a panel availability issue, they may switch to a different panel module. But when they do that, it causes redesign with racking systems, all the things that we do, and that causes a certain type of delay.

In other cases, if a customer just says, "Hey, I don't have my panel, and I'm going to delay." They'll work through supply chains to try to get those panels in, and that will be a different type of delay. So in terms of when it actually flows through, those projects are existing, they're out there. They're in process, but it's going to be a combination of flowing into Q1 and some into Q2.

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

That's helpful. And maybe if you could just elaborate on the permitting challenges that you mentioned and where are those? And what is the likelihood that those challenges linger beyond a quarter or 2 yes.

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

I think those are more -- I think that the supply of solar panels is a temporary situation, but it's driven by some specific things that are being rectified. And we just -- we didn't really see much of that when you see -- we have 1,000 different projects in flight and 350 going on at one time.

What we're really dealing with is 300 different -- 350 different supply chains managed by individual developers and customers, right? So same with permitting, we deal with permitting issues all the time. And so it wasn't -- I wouldn't say it was a big surprise that we would experience it. I think it's where it happened and what projects it had happened on that was impactful to us in the quarter. And they came late and they happen to be on some relatively larger projects.

And then from our history, we've always been in that more of the community solar space, which is kind of 5 megawatt or 3 megawatt and smaller. Our strategy the last couple of years is to move up into some of the bigger projects. And so our -- the makeup of our 350 projects in the quarter, still very heavily weighted towards smaller size but we do have more larger projects. And some of those were part of that 50 to 70-megawatt group that got moved. And when you move 2 or 3 of those, it's pretty impactful.

So we've got a list of each project that moved, and it's a different story for each of the delays. There'll be -- those permits will come through, and they'll get back on track. It's just a story for each one is the way it actually works.

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

Helpful. One more for me, maybe a longer-term question. On the longer-term outlook for Renewables, I think you stated pro forma margins in 2020 above 12%. And would improve as volume grows. What adjusted operating margin range is associated with the $700 million revenue target for '25? And do we think of that as sort of straight-line improvement, step function? Just any thoughts there?

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

Yes. Well, I will say, in general, and I'll let Tim comment here too, but I would say this, there's a combination of things that will drive our margin enhancement. Obviously, volume helps. But when you think about how we integrate and scale the business, there will be some step function improvement based on processes and systems, both in our facilities, with our supply chain and in the field. So it's going to be a combination of things that are going to drive our margin enhancement. Go ahead, Tim.

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

Yes. And Dan, the 2025, we said we'd be 15% plus is our expectation.

Operator

Our next question comes from the line of Ken Zener with KeyBanc Capital Markets.

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

What a year '20 was for your company. So many moving parts. First, I think you guys did a very good job opening up your portfolio and how you're thinking about it because there is a lot that's happened at your company, to say the least. I guess, let me start with the legacy piece because that's going to be the easiest here. Residential, doing quite well. I don't know, Tim, if you want to kind of just talk about end market demand there and perhaps a first versus second half sense of where the market is? Home Depot earlier this week just said, no guidance. So I mean, I get it. It's a tough end market to figure. But if you could just shed some color in terms of revenue, mix, margin trajectory, anything like that?

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

I would say, generally, we think housing is -- remains pretty strong. The repair remodel, which is going to be the driver, the bulk of our business. No indication that, that's going to change. So we expect -- we've got participation gains last year, and we didn't have them all year. So we expect revenue growth from that.

Ken, look, it's not going to expand like it did '19 to '20. I wouldn't expect us to repeat '20 to '21. Growth or margin expansion, but our goal is to grow our businesses and make more money every year. So...

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

Do you think the back half -- I mean, not to put you guys on the spot, but a large supplier like Stanley Works talked about high growth in the front half of '21, but actually being negative in the back half of 2021. Is that a possibility given the 20%? Because I know we talked about your real share gains that you had because you guys didn't shut down operations like other people, so you gained share.

Could you maybe qualify how much of that 12% growth you had this year might have come from share gains or just some way to think about how you improved your position because your operations are better first peers as opposed to just a macro tailwind?

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

Yes. I mean it's a combination of all 3, right? We started working on the businesses back in '19. And started going after some additional customer opportunities once we sort of fix some of the things in the background. So it's hard to say how much is specifically incremental stores versus same-store volumes. It's a mix of that. And then the operations are better structured for higher returns.

So Ken, is it -- without giving guidance other than for the full year and not by segment, I don't want to go too far. But we think it's a good market. We're not seeing -- we don't -- we're not predicting a slowdown in what's there today.

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

Ken. Just the one thing that we heard -- and you may hear this from other folks as well. The second half of the year kind of may correlate a little bit with how the pandemic starts to subside over the next, arguably 6 months or whatever time frame it's actually going to happen. But the access to having labor to drive the residential construction market last year was plentiful because you had so many people coming out of the service industry when it was really hampered by the pandemic and moving into the residential construction industry where you can -- there's a ton of lower -- less skilled jobs available in the residential construction market. And so there was a huge labor supply going into that, which I think is what also helped keep the pace of residential going.

And I think that's true going into the first half because of where we are on a global -- on an economic or broad economy basis in the U.S. As those restaurants and some of the service industries start to pick back up, I do -- we have heard and people are concerned a little bit, will we still have labor availability to continue to support the growth that's expected and inherent demand for residential?

So yes there's some nuances like that to consider in the second half that maybe what people are pointing a little bit to or concerned with. But from our perspective, we see decent momentum starting out the year and we're going to continue to do the things we talked about. So we'll see how that evolves in the second half.

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

Now focusing on renewable, I mean just amazing how far that business has come from where RBI was originally. And I'm just thinking about communications. I think you guys are doing a very good job trying to illuminate your end markets that might not be so obvious to people. Do you think -- so I understand FY '21 guidance. I understand uncertainty around 1Q. Clearly, solar, vegetable, cannabis, all these markets seem to be in secular growth mode.

Is there a way -- do you think the inability to -- or to give guidance, is there something structural about those businesses that we should really just think about your ability to offer quarterly guidance is not so much a function of concern or business uncertainty as it is the nature of those businesses? Because I think investors are going to have to grapple with the fact like we always want the quarterly guidance or we want you to know what's happening to the penny.

Is that something we should just accept because those markets move on such different cadences from backlog to -- I don't know, I'm just interested in your thoughts because I think that's going to be one of the things that I certainly would struggle with relative to your older businesses is clarity, lumpiness, not the growth rates and structure, but just how we think about that. I appreciate it. Sorry about that. Broad question.

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

No, it's a really good question, and I appreciate you asking it. Clearly, the makeup of the business is evolving to where we've got half our business now focused in these markets and they're project-based businesses. And there's potential movement from one quarter to the next. And we see that every now and then. And it's a little less predictable.

You think over time, as you grow in the space and you become more mature, you get a pattern and so the onetime events or some disruptions here and there eventually start to wash themselves out. They do during the course of the year, but as you get a little bit bigger, which we obviously intend to do, I think you'll see less and less concern about that quarter-to-quarter. But the next couple of years, yes, I think there's going to be some of that challenge.

The reason -- but that's not the reason we're not guiding right now by quarter. We're actually continue to deal with, just like everybody else, infection rate is still pretty high. There's still a lot of supply chain challenges out there not related to those 2 markets. This huge weather system that just disrupted the U.S. has been a challenge for a lot of different companies where people were mandated to be shut down for 8 or 10 days, if you operate anywhere near Texas or Kansas and all that good stuff.

So we just have a number of things that I think are kind of unique things that are still out there. That's more of our guidance concern by quarter right now is just we need some of that stuff to settle. But inherently, we think it will. And if you think about it this way, last year -- at this time last year, we started to see and hear a lot more about the pandemic. So going into -- you're at the begin of the year, you're going into the year, you're thinking, "Oh, my gosh, what's going to happen." We feel like we're coming in the opposite direction now where we're coming out of that and things are getting a little better. They're still challenging, but you have to -- we have to believe and we do believe that things are going to get a little more clear as we go forward. The economy should get stronger. The vaccinations are coming -- rolling out, the infection rate's come down. And that's going to have, I think, a big impact on just cadence and consistency around being able to predict some things that, for the last 12 months, it's been a bit of a challenge.

So it's a combination of things, but I do appreciate the question. I think as we build out our solar and growing and processing business, yes, we'll have a little less predictability quarter-to-quarter. And eventually, that will have a cadence that's more consistent, but we will experience that in interim, I'm sure.

Operator

(Operator Instructions) Our next question comes from the line of Walter Liptak with Seaport Global.

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

I wanted to ask an industrial question and make sure that I'm understanding the numbers that -- of the business that you sold. So it looks like it was a profitable business that you sold. Is that right?

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

Yes.

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

What was the EBITDA level on it?

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

Well, so we gave you adjusted operating profit, there's probably $1.5 million to $2 million of depreciation in there on top of that.

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

So $16 million. And then the sale price, I want to make sure I understand this, that was $38 million with some ties to a real estate transaction?

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

Yes.

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

Okay. Okay. So the multiple looks fairly low. Was this done under auction? Or how did you -- how was that decision made to divest it?

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

Yes. So Walt, what's not reflected in those numbers that you just looked at was the way we've been really managing that business for the last few years, which was using it to generate cash and not necessarily reinvesting. So it's capital intensive. And there is some deferred capital expenditures that need to be made. So when you look at the EBITDA that we generated, you have to sort of recognize that there's deferred CapEx. So it was an auction, wide. And we went through that and really picked the best buyer.

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

Okay. And which businesses are you keeping?

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

Well, what's left is the Infrastructure business that does expansion joints, bearings and sealants for the highway and airport parking room type market.

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

Okay, right.

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

Then D.S. Brown. Well, yes, that's what's left.

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

Okay. Okay. So this was the perimeter fencing and the architectural metals that was sold.

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

Yes.

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

Okay. Okay. All right. And I want to go back to an earlier question about the renewables. And I wasn't sure I heard the answer about the project delays, what -- I think you said it was significant. I don't know if you gave a dollar amount or a ballpark of how much revenue and profit shifted from fourth quarter into next year?

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

Yes. I didn't give a dollar amount. It was significant for us, 50 to 70 megawatts is a pretty significant number. But I didn't give a dollar amount because I'm not sure exactly where it's going to land, it's going to be to Q1, Q2. And -- but it was, I would say, significant relative to the results on Q4 for the solar business.

And it really comes down to 4 or 5 projects that were of decent-sized projects, bigger than what we traditionally have done or would have been able to support, which has been part of our strategy to get into some of those mid-sized projects. And a couple of those were delayed because of panels. It just didn't show up, and then we had 2 of them that were delayed just on a permitting issue. So that will all be worked out. It's not a demand -- we definitely don't have a demand issue. It's just a timing element. We're quite, quite busy right now.

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

Okay, great. And then as you do ship these whatever in the first or second quarter, it sounds like there might be -- the delays may cause some cost-related issues, some reengineering. I wonder what you're thinking about with these 4 to 5 big projects being pushed out? Is there an impact on the margins?

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

No, not really. Actually, oftentimes it can help us. We don't -- we hope our customers don't have to go through that and incur extra cost, but it's not a burden on us. If it's a redesign, it's almost like a new project, and that's just a decision they make, and they look at that relative to the returns they can get on taking that path, either I redesign around a different panel or I wait for my panel that I currently have designed.

And that's a big decision for them to make. And I think it's, again, it's developer that do -- developer and size of project that's where you are, it's their set of economics they put into their investment thesis in the first place. So for us, it's not a cost burden or incremental cost, it's like getting another project.

Operator

Our next question comes from the line of Julio Romero with Sidoti.

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

So apologies as I joined your call a little bit late here, but I just wanted to ask about your exposure to Texas. Would you see any short-term negative effects or on the other hand, has that kind of super storm increase the appetite for increased capital investment in solar and kind of grid reliability more broadly?

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

Well, first of all, we have some operations in Texas really supporting our residential business. And so we experienced some delays over the last 1.5 weeks, like a lot of others. And any suppliers over in that area, we were mandated to be shut down. We couldn't use natural gas to run the -- didn't have electricity. So we're up and running now.

But -- so we've got some catch-up work to do, but there's a bit of a -- I think there's going to be a bit of a lag in some of the supply chains to catch back up as it relates to at least the first 3 months of the year. But again, the demand is robust. So we'll keep working that.

As it relates to solar, et cetera, I don't see any impact there. We haven't seen an immediate impact there one way or the other. We'll see what happens as Texas comes out of this and maybe reassesses our infrastructure and things of that nature and what they may want to do, but it's probably too early to say on that front. But from an existing workload perspective, it was not hugely impactful to our solar business at least, if that's what you're asking.

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

Okay. Just turning to your residential side. Can you maybe speak to the integration of your recent Mailbox acquisition?

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

Yes. I would say it's gone pretty well. We've got a full-time team on it and making progress as we had expected. It's not a huge business, and it's not a large organization. And if you recall, most of what they do is outsourced. So there's not a lot of manufacturing back in, but there are some supply chain things that we've been working pretty hard. There's some in-sourcing opportunities.

A lot of 80/20 initiatives around PLS and CLS, and we're in the midst of all that. And I think that's resonating pretty well internally, but also making it a lot simpler for some of our key customers. Because we had a bit of a product overlap in some areas. So yes, I would say, overall, it's on schedule and going as planned.

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

Got it. And then just last one for me is, I guess, would the tax rate be in line with what you did in 2020 be kind of appropriate for '21 and beyond?

REFINITIV

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

Yes. Julio, if you look at our guidance in the press release, we've got about 28% in our GAAP and about 27% in our adjusted. And the variance year-to-year is really discrete items that are pretty hard to really estimate as we're at the beginning of the year. A lot of variables that impact us.

Operator

Mr. Bosway, we have no further questions at this time. I would now like to turn the floor back over to you for closing comments.

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

Great. Well, listen, we want to thank everybody again for joining us today. Looking forward, so connecting back with everybody, talk about the first quarter in early May. I think May 5, May 6 time frame. And one other point, I think we are going to try to have an Investor Day later in the year if everything is safe and we have the ability to do that, we'd like to do that in person. So we'll circle back with everybody on when that gets scheduled. And I hope everyone stays safe and healthy, and have a good rest of the week. Thank you.

Operator

Ladies and gentlemen, this does conclude today's teleconference. You may disconnect your lines at this time. Thank you for your participation, and have a wonderful day.