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PRESENTATION

Operator

Greetings. Welcome to the Gibraltar Industries First Quarter 2024 Financial Results Conference Call.

(Operator Instructions)

Please note, this conference is being recorded. I will now turn the conference over to your host, Carolyn Capaccio of LHA Investor Relations. You may begin.

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

Thank you, operator. Good morning, everyone, and thank you for joining us today. With me on the call is Bill Bosway, Gibraltar Industries Chairman, President and Chief Executive Officer; and Tim Murphy, Gibraltar's Chief Financial Officer. The earnings press release that was issued this morning as well as a slide presentation that management will use during the call are both available in the Investors section of the company's website to gibraltar1.com. Gibraltar's earnings press release and remarks contain non-GAAP financial measures. Tables of reconciliation of GAAP to adjusted financial measures can be found in the earnings press release that was issued today. Further, please note that adjusted results exclude the net sales and operating results of the Japan renewables business that was sold on December 1, 2023.

A PDF containing 2023 quarterly and annual consolidated and renewable segment results recast for the sale of the Japan business has been posted to the Investors section of the company's website, gibraltar1.com. Also, as noted on Slide 2 of the presentation, the earnings press release and slide presentation contain forward-looking statements with respect to future financial results. These statements are not guarantees of future performance and the company's actual results may differ materially from the anticipated events, performance or results expressed or implied by these forward-looking statements. Gibraltar advises you to read the risk factors detailed in its SEC filings, which can also be accessed through the company's website. Now I'll turn the call over to Bill Bosway. Bill?

William T. Bosway - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Good morning, everyone, and thank you for joining today's call. We're going to do this a little differently this quarter. We're going to start with an overview of the first quarter results, and then Tim and I are going to take you through our segments, giving you both a financial and operating update, along with a closer look at what's happening now in each of the segments. Then I will walk through our 2024 outlook, and then we'll open the call for questions. So let's turn to Slide 3, our first quarter 2024 review. We had a good first quarter in line with our plan. And on an adjusted basis, net sales increased 1%. Operating income increased 4%, EBITDA increased 6% and EPS increased 13%, all while absorbing a $4 million or $0.10 per share headwind associated with performance-based compensation. We also generated $53 million of operating cash flow through margin expansion and better working capital performance, which resulted in a free cash flow rate to sales of 17%. Overall demand was in line with plan, with net sales up 1% despite renewables being down 10% as planned going into the first quarter.

Residential, agtech and infrastructure businesses collectively generated 4% revenue growth, reflecting solid end market activity as well as additional participation gains. Total backlog for Gibraltar was impacted at quarter end by both agtech and infrastructure businesses. The agtech backlog was down 21% at quarter end, but this does not reflect the current strength of the business. We signed over $40 million of new orders in April, which were previously expected in the first quarter, and we will start these projects in Q2, and they will accelerate in Q3 and Q4. And obviously, we're very excited about our additional pipeline of projects as well.

The infrastructure backlog was impacted by a significant year-over-year comparison, which was driven by a large project signed in late 2022 and started in early 2023. We expect infrastructure backlog to turn positive during the year as bookings in Q1 were up 18% versus Q4. Backlog was up 2.6% versus Q4 and the overall strength of design and quoting activity. So at quarter end, total backlog was down 3% versus last year, but we are confident backlog and sales will grow as planned in 2024. For the full year, our outlook remains positive and unchanged, and we continue to expect all 4 segments to deliver revenue and margin growth as well as strong cash flow performance. Now let's review the segments and Tim will take it from here.

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

Thanks, Bill, and good morning, everyone. Let's start with renewables on Slide 4. As expected, segment net sales, which have been adjusted for the divestiture of our Japanese renewables business decreased 10.1%. The decrease in sales is the result of a delay of revenue as a number of customers started switching their technology preference in late 2023 from fixed tilt racking to our recently launched 1P TerraTrak tracker technology. This transition has created some iterative redesign work and additional time to rescope and finalize projects for customers and, therefore, pushed revenue into the second quarter and second half of the year. We're excited to see the rapid uptake of our 1P tracker, and we're working diligently with suppliers to ramp capacity sooner to support customer demand.

Backlog in the renewables business finished up 8% at the end of the quarter, and we continue to have an active pipeline of projects across our Terrata tracker, fixed tilt, Canopy and EBOS product lines. At the same time, customers continue to experience permitting delays and the industry is still waiting on final domestic content, tax credit guidance from the Department of Treasury. Adjusted operating and EBITDA margins decreased 80 and 40 basis points, respectively, versus the prior year as volumes in the quarter were lower because of the product line mix shift associated with the ramp-up of the 1P tracker product line. We continue to expect momentum to build throughout the year, assuming continued improvement in permitting and relative timeliness in the Department of Treasury guidance on the ITC tax credit. Bill?

William T. Bosway - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Staying with renewables, let's take a closer look at TerraSmart's TerraTrak technology on Slide 5. TerraSmart introduced our 2P tracker product in late 2021 and really to provide our C&I customers an additional technology option to meet growing demand in existing as well as new parts of the country. Then in late 2023, we further expanded our tracker offering with the introduction of our TerraTrak 1P tracker product line. And like our 2P technology, our IP can be applied to different foundations, making it adaptable for use in any terrain. And it's also controlled and managed through our peak yield operating system.

Our peak yield continuously manages yield and uptime and also boost energy production with backtracking guided by machine learning and employees on-site smart weather stations and weather forecasting and does all this in a very secure way. Effectively, the addition of the TerraTrak tracker platform provides customers with a broader suite of options to ensure project performance and returns regardless of the terrain, the topography, soil conditions, weather environment and other local variables. And to date, we have installed over 500 megawatts of tracker, both 2P and 1P with 18 C&I customers across 84 projects.

While our average project size has been around between 6 and 7 megawatts, we have larger projects in our backlog with the largest to date be 97 megawatts. In regards to the size of the project, we typically have the opportunity to provide turnkey design, engineering, manufacturing and field installation services for foundations, racking systems and EBOS systems. On the left side of the slide are a couple of pictures of what we refer to as a Solitude 2 project located in Illinois. This is a 3-megawatt community solar project, where we installed our screw foundations, the 1P tracker and modules. More and more developers continue to view Illinois as a key growth market, given its consistent runway of new capacity blocks, i.e., land and favorable incentives through the state's primary incentive program called Illinois Shine, and we look forward to doing many more projects in the state. Let's turn to Slide 6, and I'll give you an update on the overall solar market, and we'll start with the status of the 10% domestic content tax credit. The industry continues to wait for final guidelines from the Department of Treasury.

And given the additional 10% can greatly influence project returns and financing, obviously, the delay continues to cause customers to pause and or delay moving forward on some of their new projects. The industry continues to expect guidelines to be finalized at any time. Jumping to permitting, customers continue to experience delays, and we are working closely with them to effectively improve planning and scheduling. So revenue recognition expectations are better matched with project execution schedules. As well, earlier this month, the Solar Energy Industry Association referred to as SEIA sent a letter on behalf of 200 companies to the House and Senate leadership asking Congress to step in and resolve challenges with permitting, siting, transmission and public land access for solar. I think the industry is very hopeful congressional leadership will respond and accelerate the necessary changes to resolve these core issues facing the industry. There has been a new development in the U.S. solar industry. There is a second antidumping countervailing duty complaint that was filed on April 24.

A new petition was filed with the U.S. International Trade Commission and the U.S. Department of Commerce, alleging potentially illegal trade practices by Cambodia, Malaysia, Thailand and Vietnam and asking them to apply new tariffs, both antidumping and countervailing duties to imported solar cells and modules from these countries. The language in the new petition excludes products covered by the China CBD orders in the actin case to avoid doubling tariffs on an import. The DOC now has 20 days from April 24 to decide whether to open an investigation. While this complaint is new, the industry has been anticipating it for some time and in discussing the situation with customers, many are much better prepared to manage their business in the event another investigation takes place. For example, we have a number of customers who have established panel supplies outside of China and Southeast Asia. We're going to continue to assess the situation. But as of now, we do not expect a new DSC investigation had a significant impact on industry in 2024. Let's move on to residential.

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

Residential segment sales increased 3.1% from last year. Organic growth was 2.4%, and our recent acquisition added 0.7%. Organic growth was driven by participation gains with new and existing customers and through additional geographic expansion in the Rocky Mountain region. Customer demand continues to follow historical seasonality, and our most recent acquisitions are performing to our expectations. Adjusted operating EBITDA margins of 18.5% and 20.1%, respectively, both expanded 200 basis points through solid execution, effective price/cost management versus last year's quarter and leverage of higher volume. We're on plan to move additional locations to our common ERP system this year, and we expect to continue to leverage our investments made to date. And we continue to expect modest revenue growth with continued improvement in margins this year as increasing market participation gains and recent acquisitions contributions to the top line, along with continuing 80/20 and operating efficiencies drive profitability. Bill?

William T. Bosway - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

All right. Let's switch to Slide 8. We have 2 important residential initiatives I want to share with you, expanding our market presence and the launch of 2 new product lines. And let's start with expanding our market presence. From 2019 to 2020, '23, the residential business has grown over 15% per year with revenue increasing over $350 million to more than $800 million in 2023. Also during the same period, operating margins increased 370 basis points. Our performance has been driven by 80/20, more consistent execution, better overall service and participation gains. And what's most interesting is we accomplished this despite only serving 40% of the top 32 markets in the U.S., which provides even more opportunity for expansion and growth going forward. So in 2023, we continued our expansion initiatives by coming more local in the Denver market, where we are leveraging an existing Gibraltar facility and are now supporting wholesalers serving this market. As well, we acquired a company based in Salt Lake City serving wholesalers in this market and surrounding region.

Both of these locations provide us with very flexible and cost-effective operations supporting the 80s of demand with a goal to serve customers within 24-hour lead times. We will continue to expand into the 32 major U.S. markets and drive growth participation and higher margins accordingly. We're also launching new products in the third quarter of 2024, which I referred to during our Q4 call. Our new shingle vent role, which we have applied for design, utility and process patents, creates a simpler and more cost-effective installation process for contractors versus the 4-foot steak ventilation products traditionally used in roof installation. We will also launch our next-generation patented mailbox recently approved by the U.S. Postal Service. This is the first of its kind to market. It is consumer assembled and the packaging for this product has been reduced by 60%, eliminating waste and helping optimize shelf space for our customers. And given the packaging footprint, freight cost for this mailbox will be lower by up to 50% versus standard factory assembled mailboxes. Let's move on to agtech.

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

If we move to Slide 9, agtech's adjusted net sales increased 2.1%, and as mentioned, new bookings accelerated significantly in April with over $40 million of new projects signed. Have these projects been signed in Q1 as originally planned, quarter-end segment backlog would have increased over 30%. The increase in bookings was mainly driven by demand in produce projects, but we also had some good order activity in our commercial business. We'll start these new projects this quarter and then accelerate execution in the third and fourth quarters. We're engaged in additional design-build contracts and expect bookings to increase further in the coming months. Segment margin was impacted as adjusted operating and EBITDA income decreased less than $1 million due to start delays of some higher-margin refurbishment service work and market mix across the business. We expect volume leverage on stronger sales growth as we move through 2024. Bill?

William T. Bosway - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

So let's move to Slide 10. I'd like to provide some background on our Hi-Tech CEA business, which stands for controlled environment agriculture and why we are so enthusiastic about our position in this market and our future going forward. As mentioned in our last call, we are experiencing good demand momentum driven by accelerating investment for CEA growing capacity in both the U.S. and Canada. CEA growers continue to expand capacity to meet retailer and consumer demand. And we also see outdoor growers moving additional production indoor environments. Our growers are mostly focused on growing high-quality fruits and vegetables, localizing the supply chain for end consumers, minimizing the potential impact of disruptive climate-related events on production and doing this in a much smaller and efficient footprint versus outdoor farming. For example shown here is Boem Berry Farms, which is quickly becoming the largest high-tech strawberry farm in North America. And with our customer, we have completed 4 phases of design and construction, covering 80 acres of strawberry growing production.

We're currently building an additional 40 acres and with the final 55-acre phase planned for 2025 and 2026, a total of 175 acres will be producing 100,000 pounds per acre or 17.5 million pounds of strawberries per year by 2026. If you think about what we do in this market, we are the leading turnkey provider in North America of large-scale controlled environment growing facilities, commercial greenhouses and cultivation structures. We oversee every aspect of structure and systems design and engineering. We manufacture structures and systems. We integrate systems, both manufactured and sourced and we construct and install the entire facility. Our strength is based in our organization. We have significant growing experience and expertise and strong domain knowledge in design, engineering, manufacturing, integration and construction management. But our current demand momentum as well as our design activity across a broadened customer base, we expect to deliver both revenue margin growth in 2024. Now for our infrastructure business.

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

Let's move to Slide 11. Infrastructure segment sales increased 17.1% on strong execution, continued solid end market demand and market participation gains. Backlog decreased 10%, which was expected due to our continued progress on a large project that was booked in mid-2022 when we began to work on in 2023. Driven by strong funding for infrastructure product projects, demand, project design and quoting activity remains strong, and we expect order foot to increase progressively over the course of the year. Segment adjusted operating and EBITDA margins improved 790 and 710 basis points, respectively, driven by volume, price cost alignment, ongoing strong execution, 80/20 productivity and improving product mix. We expect continued sales growth and margin expansion in 2024. Let's move to Slide 12 to discuss our balance sheet and cash flow. At March 31, we had cash on hand of $147 million and $396 million available on our revolver. During the quarter, we generated $53 million in cash from operations through a combination of margin improvement and counter seasonal generation of about $17 million from working capital.

As a result, our free cash flow generation for the quarter was very strong at 16.7% of sales. And our objective for free cash flow of approximately 10% for the year is unchanged. There were no share repurchases in the quarter, and we remain debt free. We continue to expect to generate strong cash flow driven by revenue growth and margin expansion in '24 and beyond. Our priorities in capital allocation this year are to continue to invest in our organic growth and operating systems for scale, with capital expenditures plan between 2% to 3% of sales. At the higher end, assuming we're able to prove out cost savings, we anticipate on a number of opportunities to in-source manufacturing to improve profitability.

We also remain focused on high-quality M&A. We're equipped with a strong balance sheet to pursue opportunities with a higher probability in the near term in the residential segment and the medium to long term and other segments. And we'll opportunistically return value to shareholders through the remaining $89 million authorized under our repurchase program, but by cash generated from operations and supplemented as needed by the use of our revolver depending on the timing of any M&A and repurchases. Now I'll turn the call back to Bill.

William T. Bosway - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Thanks, Tim. Let's move to Slide 13, and we'll talk about our 2024 priorities. Our 5 core areas of focus for 2024 really are unchanged, and they've been pretty consistent over the last year or 2. #1, just continue to focus on driving growth, margin improvement, strong cash performance. Secondly, continue to focus on our 80/20 initiatives, expand our participation and our presence in the marketplace and just continue to drive service levels higher with speed and agility. We're going to continue to invest in digital transformation to scale the business, connect better with our customers, suppliers and our organization and optimize our operating systems.

Obviously, we're going to continue to focus on strengthening the team, adding the right experience and competency and finally, just conduct business the right way and do it every day. Now let's turn to Slide 14, and we're going to review our 2024 guidance. Our first quarter results and momentum to date validate our full year expectation for positive performance in all 4 segments, and we are reiterating our 2024 outlook. Consolidated revenue is expected to range between $1.43 billion and $1.48 billion compared to $1.37 billion in 2023, up between 4% and 9%.

GAAP operating margin is expected to range between 12.1% and 12.4%, up between 120 and 150 basis points, and adjusted operating margin is expected to range between 13.5% and 13.7%, up between 80 and 100 basis points. Adjusted EBITDA margin is expected to range between 16% and 16.3%, up between 60 and 90 basis points. GAAP EPS is expected to range between $4.04 and $4.29 compared to $3.59 in 2023, up between 12% and 20%. And adjusted EPS is expected to range between $4.57 and $4.82 compared to $4.09 in 2023, up between 12% and 18%.

And we expect free cash flow of approximately 10% of sales for the year. 2024 is off to a good start with our first quarter performance and current momentum supporting our full year expectations. We look for renewables and ad tech to accelerate top line growth during the year in all 4 businesses improving revenue, expanding margins and delivering strong cash flow performance in 2024. Our performance, frankly, is just simply a resolved a great team effort and the ownership our people take each and every day for making things happen. And our team knows each day truly does matter. So I want to say a big thank you to everyone in our organization. So now let's open the call up, and we'll take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

And our first question comes from the line of Daniel Moore with CJS Securities.

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

Obviously, congrats on a solid start to the year. Maybe start with RASM. We've heard a little bit of incremental choppiness from some other building products companies. Clearly, you're more tied to R&R, but just curious if you're seeing any change in order patterns or demand over the last, call it, 90 days. And then perhaps more importantly, when we think about the expansion into the Rockies area and you're quoting only serving 40% of the top 32 markets today. How much incremental TAM is there to go after both with this initial initiative and then kind of longer term from a geographic perspective?

William T. Bosway - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Yes. Dan, thanks. On the last part of your question, obviously, we'd like to see ourselves at 80% of those top 32 markets. So theoretically, if you're you can take your business and do something pretty significant with it, I guess, is the answer. We're learning every day as we expand into a number of these markets that we haven't been in what the possibilities are. So I think Salt Lake and Denver were really eye opening opportunities for us. We were trying to serve those markets from afar. And the more local we became the more success we had on both top and bottom line, serving wholesalers in particular with quick service. So you'll see us continue to expand this year in a number of other locations. And that will be -- could be a combination both organic and inorganic efforts, but we have a pretty good road map as to where we want to go and how we're going to go about doing that. So more to come on that front. As it relates to just demand, we're in the lowest period of time, as you know, seasonality wise for the industry.

I would say if you look at like POS sales that we see from some of our big box guys, it's slower now than it was a year ago. We actually grew during the same time period in the first quarter. And I think that goes back to, as you know, our playbook has a lot to do with how do we drive participation. So when I talk about, as an example, Salt Lake and Denver, that's participation gains, right, in existing marketplace. So even if those 2 cities were down a bit or those 2 markets were down. For us, it's new and for us, it's share gains. So we're going to continue to drive that path. And our plan going into this year was built on assuming the market would not be robust. It was going to be, again, more of the playbook of driving participation. So that's how we have seen the first quarter materialize and that's the game plan going forward.

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

Very helpful. I might jump around a bit. So forgive me but moving to renewables. Just remind us of any delta, any meaningful delta in price and/or margin for the 1P tracker line? And what does kind of eBOS attachment rate look like for that line relative to the prior tracker line and/or fixed tilt before that?

William T. Bosway - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Yes. So on the second part of that, I'll circle back, we're taking eBOS with all of our racking opportunities regards to its fixed tilt, it could be canopy or it could be tracker, it could be 1 or 2 -- so getting our eBOS business, which we've talked about in the last couple of years in a position where it can actually support a customer base that's made up of a lot of opportunities, a lot of projects per week. That's really working on the design, the estimating, the manufacturing, getting that capability in place. So now that we feel we're in a better position to do that. We're actually out talking with customers more and more about that. We're getting more and more uptake. So it's still in the early stages, but we're getting more of that success, which is helpful.

But it's not really tied to one of our racking technologies more than the other. It's actually a customer initiative. The biggest challenge that we've been dealing with is actually customers to buy from us differently because since the inception of the industry, they only had 1 option was to buy from a separate company. racking and EBOS solutions. So they're incented that way to buy that way. They're structured that way. And now we have some of our larger customers that we're working with and are now starting to look at that collectively, and that's been very helpful for us. So I think you'll see more and more of that happen. From a margin perspective, we're in the ramp-up of 1 piece. So we're going to have a bit of that ramp in margin that's going to take place over time. But effectively, when you get to the ramped-up state, our margin profile is not going to be too dissimilar than what we see in our core business, whether it's fixed tilt or otherwise.

And the reason is, remember, we're not selling the technology per se. We're selling a return on that project. And we do have projects that will take a combo of different racking technologies on the same land or we could be doing multiple projects with the same developer that are using different technologies based on the location. So it all comes down to return profile for us effectively. And the more that we can package in with that. all the way through field services. Remember, we're quoting an entire package of stuff, not necessarily just the technology. So our intent is to drive our margin profile that is similar to what we've been experiencing and hopefully be able to springboard off of that in the future as we continue to grow and build the base.

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

Very good. Maybe one more, I'll jump back in queue. But on the ad tech side, if you look at a project like Berry Farms, how do we think about kind of the upfront revenue opportunity of a project of that size and scale? And what does ongoing maintenance and repair opportunity look like relative to the initial investment?

William T. Bosway - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Yes. Good question. So when we sign a contract, there are some on renewals, we'll get a deposit front. And once we get that deposit, we will start issuing POs simultaneously. And that will then trigger the flow of revenue pretty quickly thereafter. So these projects, as long as they're permitted and ready to go, can start pretty soon after they come into the books. And for the ones we have signed recently, we are ramping up pretty quickly on, and you'll start to see some flow in Q2, but it's really going to ramp up in Q3 and Q4, but they're ready to roll. So that's what's exciting about the 40 that's come in so far. We also have started about probably 9 months, and the team has done a fabulous job of getting into this refurbishment aspect of the business where we're going in and helping people either convert or fix or optimize something that was designed and built for them some time ago. And we're able to do that with a couple of customers that has subsequently led to some new design deal contracts for new facilities that are yet to come into the pipeline in terms of backlog that we're actively working on.

And those, obviously, for us are -- can be better margin, but that's where we're going in and again, doing refurbishments. So I wouldn't call it necessarily recurring revenue per se, but it's a different type of business that we're executing. It's a different source, but it's actually helped us broaden our customer versus where we were 3 or 4 years ago. The number of customers we're serving now and the end that we took to get there is a lot to do with this refurbishment initiative that has really taken hold, and that's been now starting to result in some of these new projects that are being signed. So we have some new customers that are part of the $40 million. We have some existing customers that are part of the $40 million. And if I think about what's in the pipeline, which arguably is even more so than what we just talked about signing, there's just a lot of really positive momentum right now.

Operator

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

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

Bill and Tim, I appreciate the updated slides. Maybe to start on renewables, anything in the first quarter that kind of changes the way you're thinking about the cadence of renewal sales growth momentum expected throughout 2024?

William T. Bosway - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

No. I think we came into the year -- we knew Q1 was going to be slower just because of this transition. Just to remind everyone that transition isn't -- what caused a bit of a delay in push is a lot of our key customers were thinking fixed -- they moved to tracker, and that was somewhat correlated with moving to different states where tracker they felt more comfortable with as weather patterns and different environment versus what they either grew up with or were used to using safe favor in the Northeast. And that's why Illinois, as an example I used, so important. That was our first

1P job that we did that we finished here recently, and that was with one of our customers, we kind of grew up with in the Northeast, but they grew up mainly with fixed tilt because of the weather conditions. So as we move more towards places like Illinois and you have different land mass, different weather patterns.

And they saw incentives from Illinois chimes becoming more attractive, where permitting was less challenging, the siding or zoning was less challenging. They migrated there pretty quickly. And then as a result, that switched pretty quickly to tracker where they can take advantage of that. So that -- it's a combination of things that really cause what we're referring to as this delay of sales. And so the bookings are there, it's just a matter of when you change from fixed to tracker, you can imagine you go back through and rehash your designs and everything that you do because you're generating more power and that just drives a lot of different things, right? So -- and how you attach that to the foundation is different than if you do fixed hill. So it's a good news story, but at the same time, it's a short term, a bit of a delay for us, but we'll take it just because the uptake has been so rapid much more than we thought.

We just had 30 developers in Florida at our tracker engineering location to look at the technology for 2 days back in March. And typically, things take a little bit longer. But I think there's just been a combination of things that have helped customers move a little bit quicker, and that caught us a little bit off guard. So we're ramping up as quickly as we can with our supply chain. We'll get good arms around it, but that's really pushed more of the revenue into the second half related to that and some of that Q1 into Q2 as well.

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

Yes, good color and good reminder that, that 1P tracker and the longer lead times kind of caused that expected dynamic in the first quarter. Just on that point, how much revenue do you expect from 1P tracker in the second quarter and maybe for the full year?

William T. Bosway - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Yes, it's hard -- I don't have an exact number for you. Our backlog on 1P is up significantly. No, it's coming off a very small base. So it's still going to come down to just like any other racking system we use, those projects flowing, given permits and all that good stuff. But it's becoming -- it will be a bigger piece of what we're doing this year than it has been, obviously, because it's new, but the acceleration is going to make it -- I can't give you an exact number right now just on where everything is going to flow, but it's going to be a bigger piece of what we're doing. Once we get this base year behind us, I think it will be better -- it will be easier for us to figure out where the mix is going to be going forward between fixed, Canopy and tracker and then Insight Tracker 1P and 2P. And we're kind of looking at all 5 and how they're moving, but it is accelerating for sure. Now just to clarify 1 thing, it's not the lead time from the supply chain that is the problem.

It's the fact that we switched from one tech to the other tech in a short period of time. If we would have known that we were going to transition to 1P, we would have brought inventory in much sooner to help with the start-up. That's where we got caught. So it's not the -- the push in sales is, I would say, is more of a onetime event. It's not because we have 12-week lead times or 8 weeks or 10 versus our traditional 4. We'll get there eventually, but it's because we didn't have the inventory plan for the launch because it happened unexpectedly sooner than we thought. So that will work itself out, I guess, is my point. And we have ways to do that, such that the lead time of supply chain does not become an issue in the future. Does that make sense?

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

It does. And that's helpful. And maybe just last one for me is you had a really good cash flow quarter. You talked a little bit about the M&A pipeline, and I think you said better probability of the near-term deployment towards some inorganic growth in some residential tuck-ins. Is that a function of valuations more than anything? And would those residential tuck-ins be more inclined to focus towards either of your initiatives of either geographical expansion or new product.

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William T. Bosway - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Yes. When I was talking about the expansion, we have, as an example, I mentioned in Denver, we're leveraging an existing Gibraltar facility to actually get into the wholesale market, which traditionally we were not. And so we have opportunities like that, that exists for us, and that would be more of an organic play. There are parts of the country where we're just not, and there are companies that are similar to what we just described that are serving, say, Denver and Salt Lake that may be available to bring into the fray as well. So those are the tuck-ins, I think that would help us with our expansion initiative, where we're really focused on driving the wholesale business. And that's really critical because that's all 24-hour kind of service.

And if you can do that consistently, then you can grow and the margin profile of that business is different than it would otherwise be. So that's my comment on that. There is other M&A activity. I think Tim mentioned in his comments around I'd say there's more activity that we're seeing develop in the residential space, as an example, than there has been in the last year or 2. So that would be separate from the initiatives I just talked about necessarily. So yes, we're in a good position to act on some of the opportunities. There is more activity. We're engaging, and we'll see how things evolve as the year moves on, but I think you'll see hopefully some opportunities there for us to bring cross the finish line.

Operator

(Operator Instructions)

Our next question comes from the line of Walter Liptak with Seaport Global Securities.

Walter Scott Liptak - *Seaport Research Partners - MD & Senior Industrials Analyst*

Good quarter. And so I wanted to ask about the bookings in the renewable segment. How are bookings looking? And how is the funnel looking? I know you kind of went into it in the last question a little bit, but I wonder if you can just provide a little bit more detail.

William T. Bosway - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Yes, I would say despite -- I've mentioned this new AD/CVD potential investigation, we still have these ongoing permitting things that we're working through as an industry. It's as active now as it has been -- nothing's changed on that front. I think the industry has been relatively resilient despite not having extra 10%. I would say you get to a point when you -- like in this 10% domestic content credit, where it shows up is you engage -- you get to, say, Stage 3 or Stage 4 on the 7-stage process with a customer, then thinking that, hey, they may get this may not, and then they pause and then they'll either move forward or they won't. But I would say the activity across the 7 gates that we measure in our sales process, it's pretty filled up, probably as much as it ever has been, if not the most.

Some of that's related to just a lot of activity coming with 1P and 2P as it's come out here recently. And some of the larger projects that I mentioned, we have one we brought across finish 97 megawatts. Those take a little bit longer in the design cycle versus our traditional 6 to 7 megawatts. So we've got a lot of things going on inside under the hood, if you will, around demand profiles, mixes of the different aspects of the business, customer activity, but it's all pointing towards, I'd say, pretty interesting pipeline of things that are out there in front of us. So I know that's not a very specific answer, but it's -- there's a lot of moving parts, but it seems to us to be relatively positive despite some of the macro things that continue to be in the industry.

Walter Scott Liptak - *Seaport Research Partners - MD & Senior Industrials Analyst*

Okay. And then I wonder if we could just talk about the 1P tracker versus some of those macro things like from the IRA tax credits, what do you think will be the bigger catalyst for future orders? Is it getting the 1P tracker just ramping that with your customers? Or is it getting this tax credit thing behind us?

William T. Bosway - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

I think just ramping with our customers. Everyone has been waiting for the tax credit for 2.5 years. And I think people are anticipating it's coming. And it will be helpful. I mean you think about how things are financed. A large chunk of these projects are financed through tax equity. So cash flow associated with an extra 10% of the total project is a big deal, right? So absolutely, it will be helpful, but I don't think it's holding up necessarily what we're seeing in 1P. I think it's just more of a -- we're ramping up accordingly as we've talked about. Our order board continues to grow in that space. So I would say it that way, Walt. And once the 10% comes, then I guess that just -- I don't know if that will ramp things up quicker, but it may prevent some of the iterative pauses that have been going on. It may give our developers just a better sense of confidence that they can get more in the pipeline and work with themselves, we'll see. But that's how we characterize.

Walter Scott Liptak - *Seaport Research Partners - MD & Senior Industrials Analyst*

Okay. Great. And then just switching gears to just the corporate expense. It ran a little bit higher than I was thinking of. In the first quarter last year, you were lower, and you were at sort of a $10 million a quarter run rate. Was there something in the corporate expenses that was onetime in nature? And what do you think corporate expenses will be for the full year?

William T. Bosway - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

So not really onetime, well, but our performance-based comp was -- we called it up about $4 million or $0.10 a share in the first quarter. And I think it's more probably timing than a lot of difference. But Part of it is driven by stock price and our deferred comp plans. Part of it is driven by -- we had really good performance last year and so some of that cost gets spread over a period. And I think last year, we had 1 tranche of some of the equity that we heard a few years ago, we didn't earn anything. So we sort of probably normalize that. So I think you'll see that lessen as we move through the year, but this quarter, it was pretty noticeable.

Operator

Our next question comes from the line of Daniel Moore with CJS Securities.

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

Just wanted to touch a little on infrastructure, which you doesn't get as quite as much attention, but certainly a bright spot and 22% might be a record margin after the look back. What drove that? And how sustainable is it near term? And talk about just pipeline as well as reasonable kind of longer-term expectation ranges for as far as margin is concerned.

William T. Bosway - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Yes. We've been on this trajectory for a bit of time, Dan. I think it's -- we've got a good ground game going now. We've got our supply chain linked with the business in a much stronger way. If you recall, way back -- go back 3 years when -- or 2 years, whenever it was, it's hard to imagine these days. But when supply chain really took off this business, at the same time, like renewables and anything else when steel is really going haywire. This was also a business that we weren't necessarily linked closely with contracts and supply chain locking that in. So our input costs were aligned with our pricing. And arguably, you could say in this business, it's even more of a challenge because you may sign projects 2, 3 years previous to a change, right?

And so we work through all that and subsequently have come back and change the way we manage a lot of our TCs with this business. So I think that's helped take some of the variability out and some of the surprises on the business, and it then has allowed us to focus on really doing a lot of more 80/20. We've been investing in quarterly in 80/20, but also some new automation in this business. And I think that's really helped in the margin profile. We've also 80-20from a customer perspective, look at our product lines, to see where we were and where we're not making money and then really honed in on how do we actually generate better margins. And then we just got good top line opportunities that we're able to take advantage of. Arguably, some of those, we wouldn't have touched 3 or 4 years ago because we weren't in the position to make the type of money we wanted to and now we are. So that's facilitating more growth. Obviously, you have the infrastructure bill that has given our customers more visibility beyond the year with federal funding.

So I think that's helped -- and I just think we've gained more business than we were in the past. So as I mentioned in my comments, bookings were up 18% sequentially. We're trying to overcome arguably the largest job we ever had we signed in late 2022 or started in early 2023. So that's why backlog was a little wonky for the quarter, but the reality is that will correct itself just with the momentum we have. So we don't see the end market slowing down a whole lot right now. We've got some other products that we're working on as well. I think will help us down the road. And we still have another couple of years of the infrastructure bill that I think will support the industry. So right now, it's a pretty solid outlook for the end market, and we feel good about the type of performance that we've achieved, and we think we can maintain.

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

If you look sequentially last year, our second quarter margins were a lot higher than our first last year. And so we'll see improvement, but I wouldn't expect 800 basis points off of what we did last year for the remainder of the year just to be set that expectation.

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

Yes. That makes sense. Last for me, just going back to M&A, it sounds like near-term resi is more likely. And it sounds like the dialogues are picking back up. Is that simply a function of availability or strategic as well as you look to build out some of your geographic penetration.

William T. Bosway - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Well, I mean, I think I would characterize it mainly as strategic, #1. Again, I think there's going to be an organic and inorganic play as we expand into the markets I mentioned earlier. And then there's some other opportunities that we are finding pretty interesting as well that we've been engaged with and been engaged with for some time. And I think I mentioned in previous calls, where we're in processes that stopped that have -- that look to be restarting. So we will -- hopefully, we'll see those things happen as we expect, and as they do, we'll participate and we'll see which those that make most sense for us when we get gross baseline. But there's definitely more activity now than more potential now than there was the last 12, 18, 24 months. And it's mainly residential. And I'd say that, Dan, probably as much of a function of what ag tech and renewables as an industry are going through, right?

It's not a robust M&A environment necessarily in renewables just because there's a lot of moving parts, and I think sellers and buyers are kind of holding patterns tile work through some of these things as we've all discussed in the last couple of years. And valuations have changed dramatically in the last 2 or 3 years. So there's a lot of nuances there that I think, in the renewal space. And I think agtech's some similar things going on yet a little bit different. So we've said and we said a couple of years ago, we've got to get those 2 businesses running, get them generating the type of performance that we expect. And then we'll focus on additional opportunities maybe to bolt on or build them out. But we got our first responsibilities making sure they get up and running. And that's really 90 percentage of alstria there, right? So that's the way we continue to look at it.

Operator

And we have reached the end of the question-and-answer session. I'll now turn the call back over to Bill Bosway for closing remarks.

William T. Bosway - *Gibraltar Industries, Inc. - Chairman of the Board, President & CEO*

Great. Again, thank you, everyone, for joining us today. Coming up, we do plan to present at the Seaport Third Annual Growth Discovery Conference and the CJS Summer conference. So thanks again for your ongoing support of Gibraltar, and I hope you guys have a great day and good rest of the week. Thank you.

Operator

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