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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Gibraltar Industries first-quarter 2014 earnings conference call. (Operator Instructions). I would now like to turn the call over to your host for today, Mr. David Calusdian, from the investor relations firm Sharon Merrill. Please proceed.

David Calusdian - *Sharon Merrill - IR*

Good morning, everyone, and thank you for joining us. If you have not received a copy of the earnings press release that was issued this morning, you can find it in the investor info section of the Gibraltar website, Gibraltar1.com. During the prepared remarks today, management will be referring to presentation slides that summarize the Company's first-quarter performance. These slides also are posted to the Company's website.

Please turn to slide number 2 in the presentation. Gibraltar's earnings release and this morning's slide presentation both contain non-GAAP financial measures. Reconciliations of GAAP to adjusted measures have been appended to the earnings release. Additionally, the Company's remarks contain forward-looking statements about future financial results. 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.

On our call this morning are Gibraltar's Chairman and CEO, Brian Lipke, and its Chief Financial Officer, Ken Smith. At this point, I'll turn the call over to Brian.

Brian Lipke - *Gibraltar Industries, Inc.*

Thank you, David. Good morning, everyone, and thanks for joining us on our call today. I'm going to start with some highlights on our business for the first quarter. Ken Smith will then review our financial results and guidance, and then I'll close our prepared remarks with some thoughts on the outlook. And at that point we'll open the call to any questions you may have.

With that, I'll ask you to turn to slide number 3 in our presentation, titled overview. Gibraltar's first quarter was a slower-than-expected start to the year. Revenues and adjusted EPS came in below our most recent guidance and prior-year results. This was mainly due to a prolonged winter season in most parts of the country that delayed orders within the quarter, but also delayed the normal seasonal ramp up we see in our shipping rates towards the end of the quarter as customers prepare for the spring selling season.

However, based on the positive trends expected in the majority of our end markets, we believe the fundamentals remain in place for sales growth and improved profitability in 2014. In addition, we've experienced improving sales order rates in April, particularly for centralized postal and parcel products, and customized fabrication for large products in industrial projects in industrial markets such as mining and petrochemical processing. As a result, we are maintaining our guidance for 2014 despite the shortfall in the first quarter.

Looking at our results for the first quarter, net sales were down 3% from the first quarter of 2013. Our adjusted net loss was $1.7 million, or $0.05 per share, compared with adjusted net income of $1.2 million, or $0.04 per share diluted, in the first quarter of last year. This was a quarter of seasonally lower sales but weaker due to more harsh and prolonged winter weather, which affected residential construction, repair and remodeling in the residential and low-rise commercial building markets, as well as sales of transportation infrastructure products.

On our bottom line, our weaker first-quarter results reflected the weather-driven decline in orders and shipment volumes along with product mix and price adjustments. In the short term, we expect the results for the second quarter of 2014 to be favorable sequentially and year-over-year. In addition to benefiting from seasonally stronger residential construction activities, we expect to book the majority of the orders delayed from the first quarter during the second quarter, as product demand recovers from the unexpectedly harsh conditions we experienced late this winter.

For 2014 as a whole, in addition to the strengths we're seeing and expecting in postal product orders, an anticipated recovery in the residential re-roofing activity should drive demand for our roof-related ventilation and rain dispersion products. And we're seeing an increase in order flow for our industrial products, which will help drive sales in the second half of the year.

And on the bottom line, we expect to benefit from the increased sales volume plus our ongoing efforts to reduce costs and improve efficiencies in other parts of our business. To that end, we have consolidated the one plant and have begun the consolidation of two additional facilities which would further improve our efficiencies and reduce costs. All of which leads us to our continued positive outlook for 2014, despite the slow start.

At this point, I'll turn the call over to Ken for more details on both our first-quarter results and our guidance for the second quarter and full year. Ken, over to you.

Ken Smith - *Gibraltar Industries, Inc.*

Thanks, Brian, and good morning. Now, let's turn to slide 4, titled Gibraltar. First, I'll remind you that I'll be discussing adjusted income and margins excluding special and non-routine transactions. So, starting with the consolidated first-quarter results and comparisons, revenues decreased on the headwind of harsher winter conditions. The 3% decrease in consolidated revenues was comprised of a 2% volume decrease and a 1% pricing decline. Each reporting segment experienced the same proportional effects from the volume and pricing, and I'll provide more color on the relative strength of marketing conditions when I discuss each segment.

The first quarter's adjusted operating margin decreased by 240 basis points primarily on a lower gross margin resulting from the weather-driven decrease in sales volume, a less favorable product mix 1Q 2013, pricing adjustments, and the raw material inflation for resins. Regarding the weather, certain winter storms caused short-term closures of multiple facilities which led to, among other effects, inefficiencies in production plus increased fuel costs for transport delays and longer routes.

The EPS comparison from last year's earnings of $0.04 per share to the $0.05 loss this quarter resulted from an $0.08 decline from lower demand for our residential products driven by the prolonged harsher winter weather which depressed reroofing activity through much of the US, plus pricing reductions and increased resin costs which affects certain ventilation and postal products. A $0.06 decline from the industrial and infrastructure product segment, largely attributable to lower volume, including the weather-driven delays at construction sites, causing contractors to postpone certain deliveries beyond the first quarter.

This segment's profitability was also hurt by a less favorable mix of sales in the first quarter last year. And the combined segment's decreases were partially offset by a $0.05 improvement from lower compensation expense. While our previous guidance for the first quarter 2014 is not depicted on slide 4, we were short of our guidance on sales and earnings. After our February 20th earnings call, we extended winter weather weighed down results compared to our guidance. And it's difficult to determine precisely the weather impact on the first quarter, but we did have specific end customers unexpectedly request shipment delays for construction sites not being ready, which were worth nearly $3 million in sales value. Plus, there were lower sell through rates by our distributors, which our distributors attribute to the prolonged winter conditions.

Combining these two factors, I have estimated the weather effect on the first quarter being $6 million to $7 million of sales and $0.05 per share, including the incurrence of cost-related inefficiencies.

Next, I'll talk about each of our two reporting segments, starting with slide number 5, the residential products segment. Its first-quarter sales decreased 3%, 2 percentage points on lower volume and 1 percentage point from pricing. As cited earlier, the winter weather was a major factor but a temporary factor, as we expect underlying demand to come back in subsequent periods. Our roofing-related products, which provide rain dispersion and attic ventilation, were equally affected by lower remodeling and repair activity and to, a lesser extent, recently fluctuating levels of new residential construction.

Our postal storage solutions had equivalent sales volume compared to a very good first-quarter 2013. And, as an aside, we thank snowplow drivers everywhere (laughter). This segment's operating income for the quarter declined, hurt by the nearly equivalent factors of weather-related lower volume, pricing adjustments and raw material inflation for resins.

Now let's turn to slide number 6, our Industrial & Infrastructure products segment. Its first-quarter sales also declined 3 percentage points, reflecting weather-related lower volume and a less favorable product mix in the first quarter a year ago. Among this segment's major product categories and markets served, expansion joints and bridge bearings for the transportation infrastructure market were most affected. We rescheduled certain deliveries to beyond the first quarter this year as requested by contractors whose job sites were affected by winter conditions, and these delivery postponements amount to nearly $3 million of revenue.

This segment also had a less favorable product mix than the first quarter a year ago. And during the first quarter of 2013, this segment shipped its last releases to key bridge and airport projects in California and Florida, as well as higher volume of pavement sealant products. This segment's other industrial products, including grating and expanded metal fabrication, rose compared to last year, driven by volume increases from the street and process manufacturing customers in North America and Europe.

For the two geographies we serve of North America and Europe, sales volume for these products increased year-over-year for the second consecutive quarter. So, we are hopeful that recovery in industrial markets which use our grating and expanded metal products becomes a sustainable trend throughout 2014.

Industrial end markets which provide incremental revenue for our products this quarter included chemical refining, mining in the Western US, as well as exports to South America, plus power generation with cogeneration and hydro plants in the US and wind power in Canada. There was little change from markets of oil and gas production and there was lower volume from coal mining and architectural facades.

This segment's decrease in operating income was disproportionately larger than the decrease in revenue. The most significant effects on margin came from the less favorable product mix, manufacturing and transportation costs for several days due to winter storms and the lower unit volume.

I'll now turn to slide number 7, titled 2014 Financial Guidance. We are reaffirming the full-year guidance that we previously issued on February 20. Despite our miss to the guidance of the first quarter, we continue to expect our results will improve over 2013 in the ranges shown on slide 7. Underscoring our continuing confidence is our belief that residential end markets will lead the 2014 recovery. A stronger recovery for Gibraltar than we expected in our last earnings call based on improving order rates through April.

For the residential products segment, the latest industry indices, such as the National Association of Home Builders' Housing Market Index, Harvard's Joint Center for Housing Studies' Leading Indicator of Remodeling Activity, as well as the latest Census Bureau reports on housing starts and sales still points toward a gradually improving market for new construction and remodeling in 2014, despite the weak first quarter. While reroofing demand correlates to repair and remodeling activity, that is also expected to provide not a single digit growth for all of 2014.

With seasonally favorable weather approaching, we expect demand to return as well as recover the weather-related order delays from the first quarter. Additionally, we have customer programs incremental to last year that have produced initial success. And, most importantly, as cited in our earnings press release, we've had notable improvements in incoming order rates. The stronger upside for our residential products this year could offset any unexpected weakness in the second half demand for our industrial infrastructure products.

And continuing with residential products, our expectations are for this segment to grow in 2014 by 10%. And this 10% sales growth is based on sustained residential new construction, modest growth in residential remodeling activity, plus the rising demand for our postal and parcel products.

Regarding the notable increase in order rates through April, a large proportion was for postal and parcel delivery products. We believe these higher order rates result from a range of customer initiatives, including the promotion of centralized mail delivery. Because centralized mail delivery is the most cost-effective, efficient and secure method of delivering mail and packages to postal customers, the demand for centralized delivery equipment continues to grow.

And our Florence Manufacturing business, a recognized leader in the design and manufacture of secure, multi-compartment mail and package receptacles for centralized deliveries, has been developing new product initiatives to serve this growing demand. It has a very long history of serving the U.S. Postal Service as well as private owners of residential and commercial property and converting single-point deliveries to centralized delivery. And Florence's new product initiatives involve mail and package delivery receptacles targeted to lower the cost of delivery, increase security for the contents, and benefit customers' greater convenience. And we expect 2014 to benefit from higher sales of these parcel and postal delivery products.

In our Industrial & Infrastructure products segment, we saw less volatility in industrial demand and pricing during the first quarter than we experienced in prior quarters. Although certain macros such as the ABI fell below 50 in March, other indicators such as the PMI Index increased in March. And economic forecasts for Europe, which we also have penetration for industrial products, points to GDP growth after recent periods of contraction. After a slow start to 2014, we are expecting modest growth for our products serving industrial end markets.

As previously cited, we expect growth from end markets such as manufacturing, mining, and power generation. Oil and gas projects involving terminals, including pipelines, are also expected to increase this year driven by intensifying horizontal drilling. Supporting our expectation for growth for industrial products is our improving quotation volume for applications of grating and expanded and perforated metal, which increased 50% in Q1 over Q4, as well as higher quoting as well as incoming order rates in April.

The general feeling among our industrial distributors is that 2014 will be better than last year with weighting in the second half, and improved demand from industrial markets should help ease some of the pricing pressure. These qualitative factors lead us to expect modest industrial-related revenue growth in the low single digits for 2014 as a whole.

Also, this segment sells products to the transportation infrastructure market, and this market is affected by the current uncertainty for federal government spending on transportation. The current two-year federal transportation appropriation expires this coming September 30. While there's growing dialogue regarding a new Bill at the federal level, including how to raise new sources of revenue, state and local governments are embracing the idea of coming up with funding sources of their own, and several have.

In the meantime, the narrowing window of current federal funding for new projects has led to products of shorter duration and smaller dollar amounts, and has contributed to our lower backlog of transportation projects currently. As a result, our first-half 2014 revenues and profits for transportation infrastructure products are expected to be unfavorable compared to the strong first half of 2013. We are focused on capturing our share of bids and growing our backlog. This should position us for a stronger second half of 2014, with the potential for upside when Congress approves a new appropriation bill for transportation spending and states continue to generate and allocate the projects based on funding they've generated locally.

Regarding our unallocated corporate expenses for the full year 2014, we expect it to approximate $18 million or 2% of sales, and adjusted net interest expense is likely to approximate $15 million for the year, with an adjusted tax rate for the Company of about 38%. As a result, we continue to expect Gibraltar to deliver sales growth between 4% and 7% this year led by momentum in residential demand, while increases in demand for our industrial and infrastructure products are expected to be weighted toward the second half of the year and be in modest single-digit growth for the full year.

And regarding expected adjusted earnings for 2014, we expect to be the range of $0.76 to $0.90 per share, which compares to the $0.69 adjusted for 2013. Longer-term, Gibraltar is well-positioned to deliver more significant improvement on both the top and bottom lines as a more broad-based end market recovery occurs.

Now I'd like to turn to slide number 8, titled the second-quarter 2014 preview. The second quarter is historically one of the two quarters each year with the highest order volume and revenues as warm weather and construction activity gets into full swing. As previously stated, April order rates are encouraging for both segments, and residential products that help April's incoming order rates is expected to contribute to the segment's sales growth shown on this slide.

In our Infrastructure & Industrial products segment, its April order rates for larger size, fabricated projects using bar grating and expanded metal, nearly doubled the monthly average. While however, their scheduled delivery dates are weighted until the latter part of 2014 and early part of 2015. Concerning adjusted earnings, we expect the second quarter of 2014 to be between $0.29 and $0.32, benefiting from delayed orders from Q1, seasonal demand from residential construction activity and industrial markets, and the incremental shipments of postal products.

And at this point, I'll turn the call back to Brian.

Brian Lipke - *Gibraltar Industries, Inc.*

Thanks, Ken. Before we open the call to your questions, let me offer a summary as outlined on slide number 9. As Ken discussed, we expect 2014 to be Gibraltar's fourth straight year of improved performance on the top and bottom lines, driven primarily by growth momentum for our residential products.

Despite the slow first quarter, we believe the US housing market will continue its long-term recovery as 2014 progresses. We not only anticipate booking orders that were deferred in the first quarter, but we also believe sales of our residential products should benefit from an uptick in repair and remodeling activity as the nation recovers from the harsh and damaging winter and recent tornado damage in the central portion of the US.

Equally important, we are encouraged by the progress we're making on our internal growth initiatives. As evidenced by the success of our postal and parcel storage product line, we believe these initiatives will enable us to continue driving sales regardless of the ebb and flow in the underlying end market activity. The leading indicators for new housing construction and repair and remodeling point to a year of favorable end market conditions, including an increase in residential reroofing as household balance sheets continue to improve.

In our Industrial & Infrastructure products segment, the first quarter marked our second consecutive quarter of year-over-year growth in industrial products sales in North America and Europe. Nonetheless, industrial demand remains more choppy and inconsistent than we would like. We believe some of this is related to weather impacts on manufacturing and industrial facilities construction over the past few months, but some is due to cyclical conditions as well.

In our transportation infrastructure business, federal funding for the nation's much-needed bridge and highway repair and upgrade priorities will remain in limbo for the most part until federal transportation funding is renewed. In the meantime, a number of states are working to create new dedicated revenue streams to fund their infrastructure and construction projects, but the benefits for us will be longer-term.

The signals we're getting from customers and distributors in our Industrial & Infrastructure markets continues to indicate stronger performance in our businesses that serve these markets weighted to the second half of the year. As a result, we continue to expect that a continuation of the stronger demand for our residential products experienced in the first quarter and improving demand in industrial the second half, will lead to higher organic sales for Gibraltar in 2014.

On the bottom line, in 2014 we will continue to reduce costs and enhance operational efficiencies across the business. Already this year we've consolidated one plant and are beginning to consolidate two additional facilities, which when completed, will reduce expenses by $1.5 million and create ongoing efficiencies. In addition to these improvements, we have available manufacturing capacity to support incremental sales growth of approximately $200 million to $300 million. As a result, we expect 2014 to be a stronger year for Gibraltar than 2013 in terms of both sales and profitability.

At the same time, our strong balance sheet, improved liquidity, and positive cash flow generation position us to continue participating in the acquisition arena. We plan to stay aggressive in looking for acquisitions that meet the disciplined criteria that we've developed. Our goals are to accelerate revenue and earnings growth, which will also contribute to improving our return on invested capital over the midterm. Our focus is to acquire companies that build on our existing product leadership positions where possible, as we've done in our four most recent acquisitions.

We look forward to reporting further progress on our conference call next quarter. In the meantime, please keep in mind that we're presenting at KeyBanc's Industrial Conference in Boston on May 29. We hope to see you there. At this point, we will open the call to any questions that any of you may have.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Ken Zener, KeyBanc Capital Markets.

Ken Zener - *KeyBanc Capital Markets - Analyst*

The 2Q guidance, very much appreciated it. The 20% year-over-year growth in residential, could you guys kind of break that down between the roofing and mailbox contribution so we can get a sense of how much of it is the mailbox versus the roofing coming back in? Thank you.

Ken Smith - *Gibraltar Industries, Inc.*

It's probably a split of two-thirds, one-third. The weighting of two-thirds coming from the market acceptance of our parcel and postal delivery products, and the one-third coming from seasonal growth and overhang from the first quarter on roofing-related products.

Ken Zener - *KeyBanc Capital Markets - Analyst*

Good. That's impressive and very much needed guidance. Thank you.

When you look at the industrial components, and again it's good that you're breaking out these two segments, could you talk about the kind of product mix drag you're going to have from the transportation product? It sounds like projects that didn't get finished in 1Q are actually going to be extended for more than three months. If you could talk about that dynamic a little bit, since it's -- it seems to be impacting you.

Ken Smith - *Gibraltar Industries, Inc.*

Well, that customer-requested delay of that nearly $3 million of project equipment is going to shift largely in the second quarter, so that's merely a shift in quarters. But we entered -- but we also said in our remarks that the first half of 2014 is unfavorable to a very strong first half of last year. And that's a reflection of diminished funding. And we entered the year of this year with a bit lower backlog, of the influence because there's less certainty in a shorter window at that point for federal funding.

So, planning by states on particularly larger-size products became diminished, leading to smaller orders, shorter durations, smaller backlog. And we've -- I think some of the states that have been most notable in raising funds from their state residents like Pennsylvania, where we have good penetration, that's beginning to affect the planning and release of orders going forward.

So, as it happened, you don't raise $1 billion in Harrisburg and then immediately apply it for construction spending the following quarter. So those appropriations raised by states are going to have a delay of anywhere from a few quarters to several years as the -- for the lag of drawing our products onto those projects.

Brian Lipke - *Gibraltar Industries, Inc.*

I think, Ken, a little more color on that. Federal funding flows from the federal government in Washington back to the states, but the issues about bridges being out and roads not being repaired really rests on the shoulder of the state and local elected officials. And, as those people who vote for them have delays because bridges aren't serviced properly or roads aren't functional, that has a direct impact on how voters vote in those local communities.

So as a result of that, that's why states are now saying, boy, we just can't hope the federal government is going to give us more money. We've got to come up with dedicated revenue sources so that we can shoulder some of the burden ourselves, or more of the burden ourselves, going forward. So, it's a recognition of a need to spend more money that is driving the states to look for additional, dedicated revenue sources for supporting bridge and road construction and repair. So I'm glad there's focus coming there. As Ken said, it won't necessarily be immediate, but long-term it bodes very well.

Ken Zener - *KeyBanc Capital Markets - Analyst*

Understood. And I guess there's one follow-up on the mail that I forgot to ask. How long do you expect this acceptance to be a strong or outsized contributor versus the long-term trend? And then if you could also update us on management searches; if you could comment on that. Thank you very much, gentlemen.

Brian Lipke - *Gibraltar Industries, Inc.*

Relative to the postal products portion of our business, we've got a number of initiatives going on, some of which relate to parcel delivery and secure parcel delivery for homes, as well as for commercial buildings, office buildings, condominiums, hotels and facilities like that, where they are seeing an increase in packages arriving at their doorstep. And they are looking for ways to deal with a secure and convenient way for people in those facilities to know that their packages are being securely stored and yet giving them access to them 24 hours a day, which is a key component of what our solutions provide.

We've had a number of products out in the marketplace for a period of time now, and the feedback that we are getting is they're working well and we're getting feedback that, could we consider modifying the design a little bit and having a longer, narrower box which could be used for delivery of dry cleaning and such. And we're also hearing that, in major metropolitan areas where food stores deliver, that there's talk that maybe we should look at building a refrigerated storage unit so that groceries could be delivered, people can come home from work, and the groceries in their box taken upstairs and cooked dinner without having to stop at the supermarket on the way home to cook dinner.

Those are just two examples of the kind of opportunities that we see developing for this product line going forward. So we think that this is not a short-term; this is a longer-term opportunity for us. It will involve some creative thinking and some creative design work, but we're very optimistic that we see long-term trends in this product category that will provide growth and enhanced profitability as we go down the road.

Relative to the search, it is continuing and ongoing. We are narrowing the field, and we're ambitiously and aggressively looking for as close to the perfect candidate as we can possibly find. And that's probably why it's taking a little bit longer than we thought, but in the final analysis our effort is focused on getting the best possible person for the job, and we're closing in on that.

Ken Zener - *KeyBanc Capital Markets - Analyst*

Thank you.

Operator

Robert Kelly, Sidoti & Company.

Robert Kelly - *Sidoti & Company - Analyst*

A question on the quarter just ended. It seems like you had a pretty good handle on weather being an adverse headwind in your fourth-quarter report. What happened in the time since? Was it all related to the industrial side of the business?

Ken Smith - *Gibraltar Industries, Inc.*

Well, certainly, we didn't expect that $3 million of revenue delay for contractors that unexpectedly came to us in March. That affected the industrial infrastructure segments and transportation products specifically. But also we didn't expect and didn't factor in ice, and particularly ice storms and the snowstorms to extend so far and so long into March. So we had continuing delays. And we had some channel partners that took a wait-and-see mode to, say, instead of putting in seasonal orders and taking seasonal receipts of our product in March, they took a wait-and-see mode to see how end-user pull-through through their stores and inventories were going to behave. So we didn't get any what we thought were going to be some seasonal upticks for March deliveries as a consequence.

Robert Kelly - *Sidoti & Company - Analyst*

I'm just trying to reconcile the March-April demand improvement or order improvement versus the fact that things didn't really play out for the last six weeks of the quarter the way you would of thought. So it's just a matter of timing is what you're saying, as far as the orders?

Brian Lipke - *Gibraltar Industries, Inc.*

Well, certainly timing is a factor and certainly we expect to pick up some of the volume in the second quarter that we didn't get in the first quarter. But I think, more importantly, we are actually seeing an order rate increase in the industrial area and in our retail area, as well as in the postal products area. An actual order rate increase has clearly distinguished itself in April compared to what we were booking in the first quarter month by month.

Robert Kelly - *Sidoti & Company - Analyst*

Great, that's encouraging to hear. Now, just as far as it applies to the second quarter, good revenue growth, particularly on the res product side. Yet no margin expansion. Can you just help us understand that?

Ken Smith - *Gibraltar Industries, Inc.*

Well, I'm going to put some color to the remarks in the assumption column for slide -- I guess it's slide 8 -- across from margins. With that 20% volume growth that would normally draw with a 30% contribution margin, it would raise the -- it would normally be expected to be an operating margin for that segment in the second quarter of about 15%. Which would've been an improvement over last year's second quarter, which was about 12.5%. But the headwinds, as cited in those remarks' comments section, is that we got some pre-agreed pricing reductions that we made last year after the second quarter of last year for certain residential products that were pulled down 1 percentage point.

We also have some ramp-up of variable production expenses for meeting the growing shipment delivery schedule for these postal products. We've got to train workers and hire workers and get in other capabilities in place. And we still have some continuing raw material inflation for resins that's worth about 0.5 point. So, that's how I would reconcile last year's margin, plus the contribution from the increased volume, and then back down about 2.5 points to the flat expectation.

Robert Kelly - *Sidoti & Company - Analyst*

Okay. So.

Ken Smith - *Gibraltar Industries, Inc.*

However, and I would say as a follow-on, we are expecting -- once we get into our third quarter, we will see continued strong quarter-over-quarter, Q3 over Q3 last year, sales growth in this segment, as well as a more significant or notable margin expansion.

Robert Kelly - *Sidoti & Company - Analyst*

So, the incremental margin should normalize in the second half of the year for res because you'll get the variable expense? Does the mix issue go away? No, right? And then the variable expenses you get under control, and do you recover raw material inflation? I'm just trying to figure out why, if revenue growth even accelerates -- I'm sorry. If your revenue growth is positive in 3Q/4Q for res products, why those three issues won't be a drag on the incremental margin in the second half?

Ken Smith - *Gibraltar Industries, Inc.*

We are anticipating that we may take pricing action on resin-based products, plus we'll get full production and volume over the initially installed variable cost for producing larger and larger quantities of (multiple speakers).

Robert Kelly - *Sidoti & Company - Analyst*

Got it, so you absorb some hits in 2Q that should even out in 3Q, got it.

Ken Smith - *Gibraltar Industries, Inc.*

Exactly.

Robert Kelly - *Sidoti & Company - Analyst*

The industrial processing improvement order flow, I think I heard you say 50% quarter over quarter for bar and metal grating as a result of quoting activity and projects moving forward in the -- I believe you said industrial processing arena? Is that right?

Ken Smith - *Gibraltar Industries, Inc.*

Yes.

Robert Kelly - *Sidoti & Company - Analyst*

Is that a higher mix product for you? Is that going to be beneficial to the second half of the year for industrial? The fact that those orders will then ship?

Ken Smith - *Gibraltar Industries, Inc.*

Well, the quoting activity extended to not only, let's say standard size grating and sheets of expanded metal, but also to generally more higher value-add and margin fabricated set of projects on the quoting activity. We saw actual (multiple speakers).

Robert Kelly - *Sidoti & Company - Analyst*

I'm sorry. (Multiple speakers) Were the fabricated products also up 50% quarter-over-quarter, or was that just the standard?

Ken Smith - *Gibraltar Industries, Inc.*

That was part of the improvement in quotation activity, yes.

Robert Kelly - *Sidoti & Company - Analyst*

Okay, so that's a combined number. All right, so you're finally seeing some movement in that area of the economy after being pretty weak for a long time?

Ken Smith - *Gibraltar Industries, Inc.*

Yes, and then what's positive about the actual incoming order rates is that that had greater weighting to orders for fabricated products. So, yes, higher margins come with that. However, that's got a longer delivery schedule to it. Hence it doesn't benefit the first half, but should benefit our second half in 2014.

Robert Kelly - *Sidoti & Company - Analyst*

And then 2015 as well?

Ken Smith - *Gibraltar Industries, Inc.*

Yes.

Robert Kelly - *Sidoti & Company - Analyst*

Right, okay. Just as far as the full-year guidance, you have on the slide a segment margin of 8.3% to 8.8%. That doesn't include I guess corporate expense?

Ken Smith - *Gibraltar Industries, Inc.*

Correct.

Robert Kelly - *Sidoti & Company - Analyst*

Where do you expect corporate to be for the year? And then can you give it just like a quarterly run rate as well for 2014?

Ken Smith - *Gibraltar Industries, Inc.*

Our remarks said that corporate expense for the year would be about $18 million, which rivals I think close to 2% of sales.

Robert Kelly - *Sidoti & Company - Analyst*

Okay. And then will it be fairly even throughout 2Q, 3Q, 4Q as far as the spend? Will it be similar to 1Q's spend rate for corporate?

Ken Smith - *Gibraltar Industries, Inc.*

Yes.

Robert Kelly - *Sidoti & Company - Analyst*

Okay, okay. Great. And then one final one. I understand the puts and takes of the order inflow and the potential margin expansion, but what's the difference between hitting the low-end and the high-end of your full year EPS guidance range? Is it price mix? Is it volume as well? Can you just talk about what needs to go right for you to hit the higher end of the range?

Ken Smith - *Gibraltar Industries, Inc.*

To hit the higher end of the range, you've got some pricing improvement anticipated in the second half for our industrial and infrastructure market. As volume and market restoration occurs, and we have suspicions based on April rates that may be underway. So we've anticipated some pricing improvements in the second half.

We are also expecting that our efforts on infrastructure transportation projects that we're going to capture an increasing degree of orders that would call for delivery in the second half. And over on residential products, we have anticipation that the repair and remodel activity is going to be -- for the full year, is going to be in the mid-single-digits. And should that be short of that for some reason, that homeowners generally don't undertake such projects, then we could maybe have some softness in that assumption.

Brian Lipke - *Gibraltar Industries, Inc.*

I think, Robert, the key thing here is we look at both the information we're getting directly from our various customers and various distribution channels, and we couple that to the prognostications that come from the various industry groups. And there are five or six of those that relate to different portions of our -- of the end markets that we serve. And we try to correlate between what we're hearing directly from our salespeople and directly from our customers with what those prognosticators are saying about the balance of the year.

As we all know, it's been difficult in the last six or seven years for any of these organizations that do the forecasting to get it exactly right every time. So we try to fine-tune what they're saying based on information that we're getting directly from our customers through our sales department. And that's why we give the range that we give. And it probably sounds a little bit strange to say this, but we try to be conservative because we'd rather overperform than underperform, even though we didn't do such a good job in the first quarter. But there nobody took into consideration the unknown of an extremely long and difficult winter season. So we try to give a very realistic and achievable range based on the best information that we can synthesize.

Robert Kelly - *Sidoti & Company - Analyst*

Sure, sure, I understand that. Well, it sounds like the optimism from your end customers is improved quite a bit, so that's encouraging. One quick one if I could sneak it in --.

Brian Lipke - *Gibraltar Industries, Inc.*

It is encouraging, and we've been waiting for that for a long time, as you know.

Robert Kelly - *Sidoti & Company - Analyst*

Right. As far as the plant consolidation, what part of the business was that? And what was the impetus to do that now in 2014?

Brian Lipke - *Gibraltar Industries, Inc.*

These are projects that we plan a long time in advance, and --. Both are in the residential --.

Ken Smith - *Gibraltar Industries, Inc.*

All three are in the residential segment.

Brian Lipke - *Gibraltar Industries, Inc.*

And we are doing them because we see ways to reduce our footprints, reduce costs through moving operations from one facility into another, eliminating the overhead that goes along with the facility that's been closed, but also to get operation and shipping efficiencies. If we're shipping the same customer from two different facilities, the freight costs are going to be higher that way than if we produce it in one plant and ship it to that same customer from that single plant location. And those are the kind of things that we're constantly looking for.

Robert Kelly - *Sidoti & Company - Analyst*

Okay, so what type of product does it make? The real question was (multiple speakers).

Brian Lipke - *Gibraltar Industries, Inc.*

These are roofing related products.

Robert Kelly - *Sidoti & Company - Analyst*

Roofing related products. And then you guys have done a ton of consolidation over the past couple of years. I'm just curious as to why in 2014 you're taking out capacity. This was manufacturing capacity, right?

Brian Lipke - *Gibraltar Industries, Inc.*

No, no, no, no. We're not taking out capacity at all. We have had success, continuing success with lean manufacturing techniques; applying those methodologies has enabled us to free up space in existing, larger facilities, manufacturing facilities that can accommodate the incoming production capabilities from these smaller locations that we are consolidating.

Robert Kelly - *Sidoti & Company - Analyst*

Okay, so how --.

Brian Lipke - *Gibraltar Industries, Inc.*

This was about efficiency, not about capacity reduction at all. And in fact, in the consolidation that is taking place, we've actually expanded our capacity by doing this. Faster throughput, more efficiency, yes.

Robert Kelly - *Sidoti & Company - Analyst*

You're more productive in the existing plant? Got it.

Brian Lipke - *Gibraltar Industries, Inc.*

More productive, yes.

Robert Kelly - *Sidoti & Company - Analyst*

Got it. So, how many more are on the board as far as potential cost savings over the next, maybe year or two?

Brian Lipke - *Gibraltar Industries, Inc.*

It's to be determined as we review the ongoing successes of lean manufacturing efforts that all of our plants have undertaken and do undertake every year. So we'll see how those progress and how much space becomes available and how throughput rates improve.

Ken Smith - *Gibraltar Industries, Inc.*

And we do not anticipate taking any earnings charge for this consolidation effort. We are absorbing it through normal operating expenses.

Robert Kelly - *Sidoti & Company - Analyst*

Excellent. Thank you, guys.

Operator

(Operator Instructions). Yilma Abebe, JPMorgan.

Andrew West - *JPMorgan Chase & Co. - Analyst*

Hi, this is Andrew West for Yilma. I just was looking for a little bit more color around M&A. Maybe what segments you're looking at adding to, and what kind of multiples you're seeing in the market right now? Thanks.

Brian Lipke - *Gibraltar Industries, Inc.*

Actually, at this point in time, we have the most robust list of acquisition opportunities that we have had in quite a while, and we are happy to see that. We are looking pretty much across the total spectrum of our product line, although our focus is on looking for businesses that generate higher operating margins and returns than our targeted 10% operating margin. We're looking for businesses that can add to our existing product leadership positions or broaden the base of products that we are taking to specific markets.

The size of the company and the margins that the business -- the acquisition generates play a role in dictating what the P/E multiple for that business will be. The bigger the company, the bigger the operating margin, obviously, the higher the P/E would be. But we're seeing businesses now looking for 7.5 to 8 to 8.5 times P/E multiples.

Andrew West - *JPMorgan Chase & Co. - Analyst*

Okay, great. Thank you, and any color you could provide on what kind of leverage you'd be comfortable with for any of these acquisitions?

Brian Lipke - *Gibraltar Industries, Inc.*

We've been pretty consistent in delineating our comfort level with multiple -- or leverage, and we would like to stay 3, 3.5 times even after having made acquisitions. Although it may be slightly higher immediately after making the acquisition, but we focus on paying the debt down before we lever it up beyond that.

Andrew West - *JPMorgan Chase & Co. - Analyst*

Okay, great, thanks. That's all I had.

Operator

Thank you. At this time, we have reached the end of the Q&A session. I will now turn the conference back over to Mr. Lipke for any additional or concluding remarks.

Brian Lipke - *Gibraltar Industries, Inc.*

Thanks, operator. And thanks, everyone, for being on the call today. We look forward to speaking to you about our second-quarter 2014 earnings results on August 5 of this year. Thanks again for your time, and this concludes our call.

Operator

Thank you, ladies and gentlemen. Thank you very much for your participants in today's conference call. You may now disconnect and have a wonderful day.

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