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ROCK - Q3 2015 Gibraltar Industries Inc Earnings Call

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PRESENTATION

Operator

Good day ladies and gentlemen and welcome to the Gibraltar Industries third-quarter 2015 earnings conference call. Today's call is being recorded and webcast.

(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. Thank you, sir, please proceed.

David Calusdian - *Sharon Merrill Associates - 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 third-quarter performance. These slides are posted to the Company's website.

Please turn to slide 2 in the presentation. The Company's earnings release and slide presentation 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.

Additionally Gibraltar's earnings release and remarks this morning contain non-GAAP financial measures. Reconciliations of GAAP to adjusted measures have been appended to the earnings release.

On our call this morning are Gibraltar's Chief Executive Officer Frank Heard and Chief Financial Officer Ken Smith. At this point I will turn the call over to Frank.

Frank Heard - *Gibraltar Industries, Inc. - CEO*

Thanks, David. Good morning everyone and thank you for joining us on our call today.

As you've read this morning Gibraltar is reporting another quarter of earnings improvement combined with top-line revenue growth. We're very pleased with the quarter and our progress thus far towards transforming Gibraltar. Our higher year-over-year results plus expectations for the fourth quarter have led us to raising our guidance for full-year 2015 and contrast favorably to last year.

In 2014 we turned in an unsatisfactory year earning $0.47, adjusted on an increase of revenues of only 4%. For 2015 we now expect adjusted earnings to be between $0.90 to $0.95 adjusted on revenue growth of 15% reaching close to revenues of $1 billion this year. We feel our 2015 results provide solid indication that our four pillar strategy is beginning to take hold and will lead to a fundamental transformation for Gibraltar, including increasing earning higher returns with more efficient use of capital.

At this point the long-term goals of this strategy are to double our revenue, grow Gibraltar's market capitalization to $1 billion and achieve best-in-class returns for our shareholders. After Ken reviews our financial results I'll talk about the business in more detail, including the progress we're making strategically and close with our updated 2015 guidance.

So with that I will turn the call over to Ken.

Ken Smith - *Gibraltar Industries, Inc. - SVP & CFO*

Thank you, Frank, and good morning everyone. I will start by referring to slide 3 in the presentation.

The strong third quarter was headlined by significant double-digit revenue growth with an even larger increase in adjusted earnings. 3Q adjusted EPS was $0.50 compared to $0.30 a share last year. The strong revenue growth was driven by the incremental revenues of RBI and solar racking and a commercial greenhouse businesses.

And RBI contributed meaningfully with accretive earnings to Gibraltar's bottom line this quarter. And also very satisfying was the continued earnings improvement from our base businesses. Our base businesses earned more money than last year despite the net revenues being lower than last year.

The increased earnings were the direct result of two key elements of our four pillar value creation strategy. First, accretion from strategic acquisitions and specifically RBI and second, operational excellence driven by the implementation of 80/20 simplification.

As an aside we've previously described the implementation of 80/20 simplification within Gibraltar. Over three to five years it is expected to raise our operating margins by 200 to 300 basis points which in dollar terms is a benefit of $25 million in pretax income or $0.50 a share. Plus there will be corresponding benefits to the balance sheet as operational assets are reduced relating to inventories, facilities and equipment.

Let's next turn to slide 4 entitled strong consolidated results. As noted on the slide the 30% revenue increase this quarter was largely from the acquired RBI business which is performing very well even above its 2015 expectations. And as important our profits increased 67%, the net effect of improvements by our base businesses plus RBI's contribution.

Impressively, our base businesses improved their net earnings compared to 3Q 2014 without the benefit of more revenues. Of the 67 percentage points increase in adjusted EPS this quarter, 13 percentage points of the increase came from our base businesses which improved on a number of operational fronts: first, the incremental benefit from margin improvement actions taken during 2014 which included a facility closure as well as sales channel adjustments; second, new cost-reduction actions this year; and third, the initial beneficial results from simplifying our base businesses.

RBI's adjusted earnings which were worth $0.16 a share reflected a particularly strong third quarter for key solar projects as well as its greenhouse businesses which serves multiple agribusiness sectors. And compared to prior-year periods RBI is growing very well.

My summary punchline for this slide number 4, we had excellent improvement in adjusted earnings this quarter compared to last year on nearly equivalent revenues in our base business, again driven by controllable internal operational initiatives complemented by the earnings from the acquired RBI. Our year-to-date improvement plus higher earnings expected for 4Q will yield stronger favorable results compared to the last year and Frank will be providing more detail later regarding our raised guidance.

Before I describe each segment's performance I wanted to describe our base business performance. In the aggregate excluding the acquired RBI using slide 5 titled out-performance in the base businesses, our base businesses had nearly equivalent revenues compared to last year as growth in residential products was offset by a decline in revenues from products sold into industrial and infrastructure markets.

Impressively their combined efforts on margin improvement initiatives improved manufacturing and operational efficiencies plus initial benefits from simplification have resulted in the strong profit improvement shown on slide 5. And this quarter's improvement combined with the improvement in Qs 1 and 2 this year summed to the 39% rise in adjusted EPS for the nine-month period, again with no change in revenues in the base business.

Next I will talk about each of our two historical reporting segments. And to be clear the RBI acquisition has not been reported in either of these two reporting segments, rather RBI is being reported separately.

On slide 6 the 3Q residential highlights, it had a very good quarter for revenues led by continuing growth in demand for postal and parcel storage products as postal authorities continue to strive to have more mail delivered to centralized receptacles rather than door-to-door. The segment's revenue from roofing-related ventilation and accessory products decreased slightly on lower reroofing activity plus 80/20 simplification decisions that affected SKUs with lower sales volume.

Turning to slide 7, the residential products segment P&L performance, the net revenue increase provided operating profit leverage, plus the adjusted operating income and adjusted operating margin increased nicely with margin expansion of 50 basis points. The significant growth in earnings also included operational improvement in manufacturing efficiencies, tighter management of supply chain and order fulfillment processes as well as the beginning benefits of 80/20 simplification. And this segment's year-to-date margin has benefited by 90 basis points in my estimation on our calculations from the initial 80/20 initiatives that it's enacting.

Now turning to slide 8, the 3Q industrial and infrastructure highlights. As expected third-quarter revenues decreased affected by significant end-market headwinds, lower unit volume resulted from the effects of low prices for oil and other commodities which lessened this segment's order rates. And this segment historically has derived 15% to 20% of its revenues from North American oil and gas end markets.

Additionally weaker foreign currencies in Canada and Europe where this segment has operations has translated into fewest US dollars of revenue. These factors have led to the segment's 14% decline in revenues compared to 3Q last year.

Concerning the segment's revenue exposure to the US transportation market, current US federal funding for transportation remains a constraint particularly for states planning larger projects. And as a consequence our new orders continue to be smaller in dollar size and our 3Q revenues from the transportation infrastructure market were nearly equivalent to 3Q 2014.

Despite the unfavorable top line for this segment its profitability increased a lot. And we'll turn to slide 9 and the industrial and infrastructure product segments profitability. This segment's management teams continue to do a fine job limiting margin compression amid a significant decrease in order volume. Mitigating actions have been taken that include but were not limited to improving manufacturing efficiencies, deeper management of raw materials and supply chain costs plus an initial simplification initiatives.

At this point Frank will provide an update on the Company's strategies and our raised guidance for 2015.

Frank Heard - *Gibraltar Industries, Inc. - CEO*

Thank you, Ken. And now for an update on the business and our updated guidance.

Turning to slide 10 titled continued progress on value creation strategy. As we said previously we're executing on a four pillar strategy to drive transformational change in our portfolio and our financial results.

The first of these pillars is operational excellence. Since the fourth quarter of 2014 we've been working to reduce overhead, price our products more strategically to better support our partners, consolidate facilities, improve our raw materials sourcing and increase efficiency across the business.

As a result of these initiatives our third-quarter adjusted EPS grew at nearly twice the rate of revenue growth despite the decline in organic sales. The majority of this improvement continues to be driven by the 80/20 simplification process. We are better aligning our property priorities with the relatively small set of customers who bring in the vast majority of our revenue and profits while working to raise other customers' sales and margin profile in a fair and responsible manner to better reflect our customers' needs and commitment. At the same time we're focusing our resources on high-volume products to provide us and our customers with the greatest return.

Our stronger margin leverage on sales largely reflects the power of the 80/20 process. Within our residential segment our postal and parcel delivery group continues to make progress driving increased levels of customer service as we improve operation and its operations and efficiencies resulting in several consecutive quarters of double-digit growth.

As we enter 2016, we will be facing tougher year-over-year comparisons and we expect that further adoption of centralized postal delivery is likely to be a step process rather than completely linear over multiple five-year cycles. This step process will begin to smooth as we gain momentum with new product introductions in the rapidly expanding parcel delivery space.

Elsewhere in the residential segment the recent West Coast facilities consolidations in our roof-related businesses are driving higher utilization, efficiency and operating margin compared with a year ago with significant contributions of our improving EPS performance. And we expect it to continue into 2016.

While we're also capitalizing on the power of 80/20 to offset the downside of lower volumes in our industrial and infrastructure businesses, in this case through strategic pricing and realignment of overhead we believe that we've increased our market share at a time when demand in both sectors has been bouncing along the bottom at best. We particularly like the fundamentals in infrastructure and we'll continue to invest in this space organically and through acquisitions.

That said, we're doing a better job of aligning our pricing with raw material costs, most notably steel, while deemphasizing less profitable industrial and infrastructure business. As a consequence we're reducing overhead and simplifying our backend operations in this segment leading to the margin expansion in this quarter that Ken described.

From an EPS perspective executing on the first pillar of our strategy and 80/20 specifically resulted in a $0.10 improvement in our residential business while at the same time preventing a $0.20 negative impact from lower industrial and infrastructure volumes.

Given the important role it played this quarter I'll talk a little bit more about strategic pricing which for us means far more than simply trying to recover raw material costs. It means being smart about customer segmentation and using the 80/20 process to make sure that we have the right pricing in each of the four quadrants, ensuring that we're supporting our customers as we strive to grow our mutual share positions and profitability.

The goals of this segmentation are twofold: first to nurture our most strategic long-term customer relationships in concert with customer support programs and second to improve our trading relationships with customers and less strategic sectors and markets. With that as background on the first pillar in our strategy I will quickly touch on the other three, starting with portfolio management. Leveraging the work we're doing at 80/20 we're taking a more strategic look at our customers and end markets as we continue to evaluate our portfolio in terms of best use of our financial and human capital.

We've refined our initial thinking on the portfolio and it's clear we can't get from where we started to the kind of long-term shareholder returns we're targeting without making some changes in our capital allocation. We remain on track towards developing a portfolio management action plan by the end of 2015 with an eye towards implementation in 2016 and beyond.

We also made progress this quarter on the third pillar of our strategy, product innovation. We've identified three key areas of opportunity: centralized mail and parcel delivery, residential air management and transportation infrastructure and we're allocating new and existing development resources to the first two. Innovative products defined as products with patent protection introduced within the past three years represent 4% of revenue for the nine months ended September 30, 2015. Our objective is to approach 10% of revenues by 2020 driven by a acquired product lines as well as internal product development.

Our fourth strategic pillar is acquisitions. We're focused on making strategic acquisitions in five key markets, three of which are served by existing platforms within the Company and two are new. The existing platforms include the same areas we are targeting the development of innovative products: postal and parcel solutions, residential air management and transportation structure.

The two new platforms are water management and renewable energy. What these growth platforms all have in common existing and new is that they are all large, high-growth markets that are technology rich and offer higher returns on investment than we've realized in the past.

Under the leadership of our Vice President of corporate development we have a strong team pursuing opportunities together with effective processes for assessing potential deals. The best evidence is RBI which substantially outperformed our revenue expectations in the third quarter. Looking forward we'll remain focused on deals that drive shareholder value creation in both the short and long term and the quality of our pipeline continues to improve.

Let's now turn to slide 11 which summarizes our revised 2015 guidance which we're again raising. We're confident that Gibraltar will achieve the three goals we set for 2015. First, increasing adjusted earnings; second, making more efficient use of capital; and third, delivering higher shareholder returns than we did in 2014.

With that less than three months remaining in the year, our assumptions about end-market conditions have not changed. However, we're raising both our revenue and adjusted EPS guidance for 2015. This reflects our third-quarter out-performance on goal as well as continued momentum in the business as we begin the fourth quarter.

For the fourth-quarter revenues and adjusted EPS we are expected to be up substantially compared with the fourth quarter of 2014 benefiting from the accretive income from RBI acquisition and our profit improvement initiatives.

Looking at our assumptions for 2015 as a whole, we continue to expect 2% overall based business revenues year over year with single-digit growth in residential segment sales being more than offset by lower industrial and infrastructure sales. However, we now expect RBI to add incremental revenues in the range of $155 million to $160 million in 2015 including the $89.8 million reported through September 30. As a result, 2015 consolidated revenues are expected to range from $990 million to $1 billion, up approximately 15% from the $862 million of sales reported in 2014.

Looking at the segment specifically for the reasons discussed earlier, we expect 2015 industrial and infrastructure product segment revenue to be down nearly 12% year over year. Residential product segment revenue is expected to be up approximately 7% driven by postal products lines.

In terms of profitability given the progress we're making on operational excellence or pillar number one we now expect to report base business adjusted earnings per diluted share for 2015 of $0.66 to $0.69. This EPS guidance includes about $0.19 per share of negative impact related to higher performance based compensation and 2015 compared to 2014. Including the accretion from RBI we now expect total adjusted earnings per diluted share for 2015 in the range of $0.90 to $0.95, up substantially from the $0.47 reported for 2014.

Finally, we expect capital expenditures in 2015 to be in the range of $12 million to $15 million.

In summary Gibraltar is well on track for a strong 2015. And we're fully committed to achieving best-in-class sustainable value creation for our shareholders over the long term.

At this point we will open the call for any questions you may have.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Ken Zener, KeyBanc.

Ken Zener - *KeyBanc Capital Markets - Analyst*

Good morning, gentlemen. So with the upward revision obviously industrial is still facing a very difficult time yet you've done a nice job expanding those margins there.

If you could maybe isolate, Frank or Ken, how much business are you walking away from that increases it as opposed to the repricing? Or is it all, I mean I'm just trying to understand how in such a difficult headwind you're able to expand the margins these couple hundred basis points.

Are you just walking away from business? Is it equal parts walking away, repricing and new processes?

Ken Smith - *Gibraltar Industries, Inc. - SVP & CFO*

I think the team has done an excellent job in identifying its key customers and focusing on the primary relationships across all of its customers that it's trying to improve on and overserve. And at the same time it has trimmed some of its very small volume products and migrated some of the smaller size of volume order streams into other channel partners that it uses.

So probably an estimate of what that transition has meant is maybe it's 3 to 4 percentage points of business that we no longer serve directly. At the same time it's done a very good job managing the relationship because we've got raw material costs that are changing by the day and week and trying to deliver value for all its key trading partners and customers.

So it's hard to get overly numerical on all the pieces that have affected the 14%. But it's certainly the lion's share has been just end-market activity being down.

Ken Zener - *KeyBanc Capital Markets - Analyst*

Yes, okay, that's helpful. I mean what a surprising result. So congratulations.

I wonder if with RBI it seems like it came in a bit higher and a bit richer perhaps than you guys were thinking. Now that you guys have, Rich has been there and you guys are seeing the business operate here now for a little bit longer, can you talk about why that upside occurred, was it visible, were you guys been cautious, how is the cadence of that business in terms of your guys ability to understand that revenue considering it just did better than you guys thought?

Frank Heard - *Gibraltar Industries, Inc. - CEO*

You know, Ken, to be quite honest I think it was a bit of all of the above. A new space for us, I think we did a lot of research prior to entering this space and ultimately choosing RBI to enter it. And as you know as we've gone through the early ownership period with RBI we spent a lot more time within the business but also in the industry itself at various shows and looking at other opportunities.

So I think we've become a little bit smarter about the end-market activity and its upward potential and feel obviously very good about our initial decision to enter it. Then as we begin to get to know RBI a little bit better and their history of growing share our early expectations in terms of our outlook for RBI was we'd ride the wave of expanding market and maintain their share. But I think one of the things that happening is they continue to grow share which we discounted a fair bit.

So pleasant surprise for us and we're doing obviously everything we can do to support them and accelerate that process going forward through 2016 to 2017. Ken, I don't know if you have something to add to that.

Ken Zener - *KeyBanc Capital Markets - Analyst*

That was good. If I could ask one more question. Frank, you mentioned postal being a step versus linear as you look into 2016.

Given that you have postal service, could you give us a little clarity in terms of how we could understand your words step versus linear? It sounds like it will be flattening here in the back half because you're comping last year.

That should continue I assume into the first half of the year. But were you referring to the back half of FY16 on that postal product (multiple speakers) give us a little sense of that please. Thank you.

Frank Heard - *Gibraltar Industries, Inc. - CEO*

I think the challenge with centralized mail is you know there's three segments. There's the single-family home door to door which is the legacy piece. There is the centralized piece where any new home construction on both sides of the border is already being centralized.

And then there's parcel delivery which is an emerging space. And as the postal services try to manage declining mail in door to door on a fixed cost base they try to now start to convert the more legacy homes into centralized mail. And we look at North America as splitting up in eight regions and early days one is partway through a conversion and to some degree we're getting some benefit of that.

But these are governments, we have no control over at what rate they're going to migrate towards centralized mail on some of their legacy delivery programs. Obviously the losses are significant in both organization, so I think they are well motivated.

But as we work our way through contracts at some point they are going to flatten out in terms of year-over-year comparables. And then we have to -- we'd like to see one or two come on as an overlapping opportunity but we don't control the timing of that. And so we're trying to be conservative and we think it's going to be more of a step program.

And to be quite honest I think it's probably going to be by the time the whole North American market gets converted it's probably going to be somewhere between five and 10 years. So I think as we work backwards into our planning process we're trying to be relatively conservative in making any kind of assumptions around ever increasing comparables on a year-over-year basis.

Ken Zener - *KeyBanc Capital Markets - Analyst*

Thank you very much. Congratulations.

Operator

Daniel Moore, CJS Securities.

Daniel Moore - *CJS Securities - Analyst*

Good morning. I did want to dig in just a little further on the last question or two. In terms of RBI you mentioned greenhouse is doing well.

Maybe just break out areas where you saw better, stronger revenue than expected. And then you kind of highlighted tough comps as we look into fiscal 2016 in postal but didn't do so in RBI. So just want to get a sense of reconfirm your confidence in the sustainability and continued growth in RBI business as we look out to 2016 and beyond.

Ken Smith - *Gibraltar Industries, Inc. - SVP & CFO*

Well, we'll provide our 2016 guidance with segments detailed when we report our fourth-quarter earnings in mid February, Dan. But qualitative remarks today on that business I would say they continue to be as Frank cited a very impressive management team and fulsome organization as they've built out both their legacy platforms serving agribusinesses with their commercial size and very sophisticated greenhouse from design to implementation and construction and completion.

And I guess surprising to me that it did have it has had double-digit, low double-digit but double-digit growing market at least for RBI's participation in it this year. So they're doing a really fine job across serving the subsectors that they target their greenhouse business.

Then on their solar business they have had and I think will continue to have strong double-digit growth for their solar racking. Of course as you know it primarily serves ground mounted utility arrays. But they are increasingly taking that set of services and skills into carports and other structures such that complementing what they're gaining in market share just in ground mounted utilities.

So both pieces and in total RBI it's an impressive organization from head to toe. And they are doing some really fine revenue strength that I think will have certainly expected growth going into next year.

But before we get too far ahead of us on what 2016 may look like compared to 2015 we'll say we're pleased about where they are thus far. And we'll give more numerical detail when we give our full-year 2016 guidance in about 90 days.

Frank Heard - *Gibraltar Industries, Inc. - CEO*

Yes, you know, Dan, just to add a couple of comments to that and relative to that leadership team this is a group of people that under Rich's leadership that are not depending on a rising market so to speak. They've got strong tactical plans on how to grow from commercial ground mount into the other three segments whether it be utility, residential rooftop or commercial rooftop, in addition to share gain plans for the space they are in today in terms of commercial ground mount.

I think over and above that they have similar type of tactical strategies in various elements of their greenhouse business and they are quite aggressive about it. So they are not about growing revenue, they are about growing profitable share.

And then the other element in this is that they have got an expanding rest of the world growth strategy that's rolling out quite nicely in Japan and China, Eastern Europe and early days in South America. So all things would suggest that this is a business that's going to thrive in 2016 on a comparable basis to 2015 as well.

So we're not at that stage in terms of validating that going through year-end budget processes. But the nice thing about sitting in front of these guys they are not short of any ideas and they certainly have the skill sets and the track record to execute on them. So we're looking forward to that process.

Daniel Moore - *CJS Securities - Analyst*

That's great color. Thank you. Just shifting gears to infrastructure, can you quantify the degree of impact on a year-over-year basis that energy or oil and gas related had on revenue as well as FX?

Ken Smith - *Gibraltar Industries, Inc. - SVP & CFO*

It's probably a segment question rather than a subsector of that segment which is our transportation infrastructure, Dan. Because our bridge bearings and expansion joints product set is probably 25% of the revenues for that industrial and infrastructure segment. So I'm just going to answer your question as if you asked about the segment.

Daniel Moore - *CJS Securities - Analyst*

Yes

Ken Smith - *Gibraltar Industries, Inc. - SVP & CFO*

But currency effects on the revenue for the third quarter was a negative 3% factor on revenues and the balance of that 40% revenue decline for the quarter was largely volume.

Daniel Moore - *CJS Securities - Analyst*

Got it, helpful. And then you mentioned obviously the key pillar being M&A generated a lot of cash balance, balance sheet is still in good shape. Talk about the acquisition pipeline and your confidence in finding the next RBI seller or opportunity in a reasonable timeframe.

Frank Heard - *Gibraltar Industries, Inc. - CEO*

Yes, I think as I pointed out in our call we have a growing pipeline. And it's not in terms of the numbers but I think it's in terms of the quality and certainly in the spaces that we're interested in.

So I think expanding opportunities in the space we just entered in terms of the solar space. And I also like to point out we entered that space and we find it because of its attractiveness but we also like the greenhouse space for a variety of reasons. And we don't discount that in terms of acquiring businesses in that space as well to enhance our leadership position and round out our proposition.

So that in itself is an area that we're looking strongly at. The infrastructure piece of the industrial infrastructure segment reporting group, bridges, roads and dams type solutions as it relates to testing and as it relates to bearing work and different forms of cabling. In an effort to own the bridge on a domestic and international basis is something that we're interested in.

Certainly trying to look at our residential group in a manner that today a big part of our business most of our business is tied to the roof. We don't have a lot of direct linkages to get new home construction and as we look to expand that group, we're looking for acquisitions that would tie us more directly to new home construction which would give us a nice balance between the roof aspect of that market which is tied primarily to renovation and new home construction.

So over and above that those two comments certainly if we could find and we continue to look and we feel pretty good about our prospects, looking to accelerate our leadership position in the emerging parcel delivery space of the postal group that would be another area. So from a timing perspective we've got several opportunities we are reviewing and earlier would be better than later I guess is where we stand today.

Daniel Moore - *CJS Securities - Analyst*

Very good. Thank you for the color and congrats on a great quarter once again.

Operator

Al Kaschalk, Wedbush Securities.

Al Kaschalk - *Wedbush Securities - Analyst*

Good morning guys can you hear me okay?

Frank Heard - *Gibraltar Industries, Inc. - CEO*

Yes, we can Al. Good morning.

Al Kaschalk - *Wedbush Securities - Analyst*

Great, I wanted to focus on two areas. One of the things we're struggling with on our end is trying to appreciate the nature of the RBI business from the standpoint of the sell-in versus sell-through. And maybe there is a concept of backlog to give us comfort on maybe your near-term visibility let alone the multiyear plan that this new platform provides you. Could you add a little bit of color to that, Frank?

Frank Heard - *Gibraltar Industries, Inc. - CEO*

I'm going to let Ken start, Al, if you don't mind.

Al Kaschalk - *Wedbush Securities - Analyst*

No problem, no problem.

Ken Smith - *Gibraltar Industries, Inc. - SVP & CFO*

They do operate off of a backlog for both businesses because these are particularly for new installations that this is a great deal of engineering and design work and site preparation, particularly for ground mounted utility installations. So there is a lot of effort that RBI applies to its customers and essentially for the design through actually installation on the ground.

So those projects I'd say their backlog probably for solar is an estimated five-year window -- five-month, sorry five-month window into the future of what their revenue streams would likely to be. And greenhouses are particularly for new installations the more complex they are, particularly for internal systems that regulate temperature and humidity in any rotation of locations of inside inventory will probably have the same kind of timeframe of what the backlog will be predictive of for future revenue.

Frank Heard - *Gibraltar Industries, Inc. - CEO*

So Al, not too dissimilar I guess from our D.S. Brown infrastructure business. It's something we're familiar with operating off a backlog project-based leadtimes in the area, the shortest probably being three months in some cases projects that would go out multiple years to completion.

So the difference obviously so we're familiar with that. We have a degree of comfort with that from a planning and a forecasting perspective. And RBI in both its components operate in a similar manner.

What's different from us obviously as we get closer to this business is getting comfortable and getting a more knowledgeable base from a forecasting perspective as it relates to a new and different type of end market and the dynamics that are going on in that versus a fairly steady end market that is in bridge infrastructure repair. So I think that's where we are. We are gaining additional confidence as we move along and the closer we get to it.

So it's not something that we're not spending time on. And Ken and his team have spent a lot of time with the new RBI group on this. And I think they're getting a fair amount of confidence in how we can forecast the future and feel good about it.

Ken Smith - *Gibraltar Industries, Inc. - SVP & CFO*

I don't think we lost Al. He's probably writing notes.

Operator

Gentlemen it seems the line has disconnected. We will move on to the next questioner. Michael Conti, Sidoti & Company.

Michael Conti - *Sidoti & Company - Analyst*

Hey, good morning. Yes just a question with RBI. Can you just talk a bit more about the increase in your sales projection?

Is that more of a result of a big project coming on in the fourth quarter being you just mentioned your backlog? Or are you starting to maybe see a pull forward effect from US customers ahead of the tax credit stepdown?

Ken Smith - *Gibraltar Industries, Inc. - SVP & CFO*

There are a variety of sizes of revenue dollars across their projects in their backlog but there's no $20 million or $30 million individual projects in there. So they have a very nice dispersion of project variety across key developers who put these ground mounted installations in place. So they've got a nice diversity across their base.

The other aspect of your question, Mike, was the ITC, it's hard to say. Certainly if you're a financier and developer you'd like to take advantage of the maximum available credits. But it's hard to say who's trying to move from Q1 of 2016 into Q4 or even the third quarter that we've just finished.

It's becoming and is becoming rapidly a almost comparable priced source of generating electricity without incentives. And particularly for customers who would like to get away from fossil fuel and the environmental impacts that that brings and getting to a clean energy source that also is independent of what financial incentives are available.

So there's independent of the incentives and what may step down or change in 2017 that's yet to be considered in Congress for extension. There's a lot of positives that are driving conversion over to solar independent of incentives.

Michael Conti - *Sidoti & Company - Analyst*

Okay. Then transitioning to infrastructure I know you mentioned smaller orders but can you just talk about the bidding activity there, has that stepped back at all? And then maybe can you just give us an idea on how that trend in backlog now compares to maybe the trend in backlog during the last series of highway extensions?

Ken Smith - *Gibraltar Industries, Inc. - SVP & CFO*

Man, it's been a long time, Mike, since we've had an appropriation of the Congress for a long time window. It's probably going back a couple of years when its longest for a two-year period and we've just been in a series over the last year of months. Of course the current [lives] has got another 24 hours to go.

So it's hard to say. But what's been remarkable about our transportation and infrastructure management teams is that they've been able to capture their fair share of available projects, their backlogs have remained very steady over the last 24 months and although there has been some modest dip in quotations coming out over the last say four or five months because of the uncertainty of when there'd be an extension beyond October 29 of 2015 by Congress.

Certainly there's a lot of rhetoric coming out of Washington that there's going to be an extension beyond tomorrow night. But our business has done a nice job in being able to keep its backlog steady and its revenue steady through these uncertain times of short appropriation windows.

Michael Conti - *Sidoti & Company - Analyst*

Sure, okay. And then my last question just in regards to your updated guidance it's a pretty tight range there, so what's going to move us from one side to another?

Ken Smith - *Gibraltar Industries, Inc. - SVP & CFO*

I don't know. We used just a little bit of a chronology. We used the $0.10 range when we were back in March and February for a whole year and now we know three quarters of the answer for 2015, the year-to-date results for September.

It felt in my brain that a narrower range because we've only got 90 days of performance left. Our business units are I think are getting really good at predicting the revenue streams and their operating results. And probably what would move us from one side of that $0.05 range to another would be the degree of overperformance by RBI.

Frank Heard - *Gibraltar Industries, Inc. - CEO*

I think that's really the key in this is the range I would suggest is the lion's share of that nickel would be to your earlier point we've owned RBI for relatively short period of time. It's in a new end-market space that we're picking up our understanding of it as quickly as possible.

And they operate in an environment where they have large projects. And it's really a percent to completion and the lion's share of that industry they do a lot of their work in the backend and certainly the fourth quarter is a meaningful quarter.

So depending on what's in the door and what's on December 31 and what isn't maybe we'll shift that EPS a little bit within that range. I think our legacy businesses we don't expect to see any surprises but in RBI I would think that the 80 of that range could move around because of how they close out for the year.

Michael Conti - *Sidoti & Company - Analyst*

Great. Thanks for taking my questions.

Operator

(Operator Instructions) Walter Liptak, Seaport Global.

Walter Liptak - *Global Hunter Securities, LLC - Analyst*

Hi, thanks, good morning guys and good quarter. So Frank, I wanted to ask about your experience now with the Company and the 80/20 process. And specifically what inning do you think we're in and as you've been going through and doing the 80/20 work is there anything that's gone better than you expected?

Frank Heard - *Gibraltar Industries, Inc. - CEO*

Yes. Sort of on the financial metrics side I'm quite pleased with our progress as it relates to our short- and long-term goals as it relates to the contributions to a rising EPS. I mean I think that's gone well.

2016 we'll start to see more significant gains in terms of trimming out our balance sheet. But I think the pleasant surprise based on my previous experiences is how quickly we've got a cultural shift right across Gibraltar as a corporation.

Our top 200 functional managers who really kind of lead the teams and are doing the work, we've got a very engaged group of people who really see this as a means to get their businesses to a better place. And I think we've seen a tremendous amount of pride as they begin to get some traction on some of the project work and are starting to see some returns.

So my experience is in my past life was typically we got the benefits first and the cultural shift kind of lagged a little bit as people needed to see the numbers. But we've really got our key people driving this and I think that's a big part of our early successes. And I would suggest that we're ahead of the curve in terms of where I expect it to be.

Walter Liptak - *Global Hunter Securities, LLC - Analyst*

You called out pricing early in your commentary and I wonder how important at this point is pricing? Have you been trying to implement new pricing strategies within RBI? And if that's one of the more difficult things to implement to get the culture change?

Frank Heard - *Gibraltar Industries, Inc. - CEO*

I would say on the toolbox overall relative to the 80/20 we have not even started that process with RBI. We've got kind of a scheduled date for that, it's part of our integration and some of the things we bring to the party in terms of enhancing that business' operating margins there is that aspect.

There is make versus buy decisions. There's sourcing of raw materials and freight and all those kinds of things that I think we do well at Gibraltar that as we work our way through the process of sharing with RBI I think we can get some gains and 80/20 will be part of that.

So pretty much a program that's just early days in terms of conversations and workshops and we'll accelerate that through 2016 and expect to get some pretty material benefits out of it. In terms of the rest of the corporation, as much as pricing is part of the 80/20 toolkit what we're really trying to do, the longer term value of that is if we get the pricing right in our various customer segments we're going to end up with stronger partnerships. And that's what we're trying to do.

We're trying to improve the value proposition we bring to our key customers with our key products, strengthen the value proposition in terms of price, service and quality. And I think as we get focused in my history as we get focused on those customers with the right products that are meaningful to them in terms of their end-users their business will improve and so will ours.

And I think our history here is that we've tried to be a little bit more all things to all people and to some degree some of our what should have been our key customer segments have suffered a little bit. So we're trying to rectify that as quickly as possible and it's early days but I think we're starting to see some success stories as some of our big guys are getting bigger. So that's our intent.

Walter Liptak - *Global Hunter Securities, LLC - Analyst*

All right, good. And I wonder if I could just ask Ken one if we can switch gears to the residential comment that you made about roofing that it was down. And I think you mentioned that it was down because of the market and because of PLS and I wonder if you can provide some more color, how much of the decline in roofing is from each of those buckets?

Ken Smith - *Gibraltar Industries, Inc. - SVP & CFO*

I would say they reroof. Now year to date, I will start off by answering the year-to-date reroofing activity and our service to it has actually increased. They've had an increase in revenues on a year-to-date basis.

So volumes through nine months is a net positive for our roofing related ventilation and other accessory products that are largely installed under the eaves and up onto the roof. And that's up collectively about 7% and virtually all of that is volume again on a year-to-date basis.

But within the quarter, just the third quarter we had a modest I think 1 or 2 points of a volume decrease from roofing-related products, so de minimis. For the full year we're not expecting any notable favorable increase in the fourth quarter given that we're getting to the seasonal part of the year.

We did have a decently strong comp last year in the fourth quarter for this product set in the residential segment. So it's done a really good job in an end market that's been flat to modestly down with our personal year-to-date ability being able to increase revenues to it.

That said, there are some initial 80/20 initiatives within this actually both things but in this one in particular that you're asking about. There are some very low-volume products, I'll give you a couple of examples that we sell well under, I mean it's in the six digits hundreds of thousands of dollars that we sell up through on an annual basis such as stone coated metal roofing or our outdoor water and waste receptacles, metal-based waste receptacles and water troughs that you might find on a farm. So the majority of the revenue drop has been market related and just a very small degree on our trimming of really low-volume products.

Walter Liptak - *Global Hunter Securities, LLC - Analyst*

Okay. I appreciate the color on that and I wonder if you can tell us maybe more broadly like the product line simplification. Have we seen much PLS yet year to date and how much do you think that may impact the revenue growth like over the next 12 months?

Ken Smith - *Gibraltar Industries, Inc. - SVP & CFO*

I think that's relatively small thus far this year. For the nine months and probably through the 12 months all of 2015 it will be a small degree.

I do think we'd see more traction next year as actions that we're deciding on here in the second half of 2015 actually take effect in the new calendar year. But not much thus far.

Walter Liptak - *Global Hunter Securities, LLC - Analyst*

Okay, all right. Thank you.

Operator

Daniel Moore, CJS Securities.

Daniel Moore - *CJS Securities - Analyst*

Thank you again. Most of my follow-ups were covered. Ken just wondering if you could break out the nonrecurring items between cost of goods sold and SG&A? And if not quickly we can take it off-line.

Ken Smith - *Gibraltar Industries, Inc. - SVP & CFO*

I think one of the schedules that we attached to the earnings press release Dan back on pages 8, 9, 10 and 11, they certainly aggregate the restructuring. For example most of the RBI, the $2.7 million is SG&A related.

The restructuring costs this quarter of about $757,000 in restructuring and residential, that's largely all cost of goods sold. And the senior leadership transition costs which were $308,000 to the quarter are SG&A related.

Daniel Moore - *CJS Securities - Analyst*

Very good. Thank you again.

Operator

Thank you. Ladies and gentlemen, at this time we have reached the end of the Q&A session. I would now like to turn the call back over to Mr. Heard for any closing or additional remarks.

Frank Heard - *Gibraltar Industries, Inc. - CEO*

Thanks, operator and thank you everyone for joining us today. We look forward to talking with you again in mid-February where we expect to report our fourth-quarter results.

Thank you again. This concludes our call.

Operator

Ladies and gentlemen, thank you very much for your participation in today's conference call. You may now disconnect your lines at this time and have a wonderful day.