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EDITED TRANSCRIPT

ROCK - Q1 2018 Gibraltar Industries Inc Earnings Call

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to Gibraltar Industries' First-Quarter 2018 Earnings Conference Call. (Operator Instructions) Today's call is being recorded and webcasted. My name is Devon and I will be your coordinator for today. (Operator Instructions)

I would now like to turn the call over to David Calusdian from the Company's investor relations firm, Sharon Merrill Associates. Please proceed.

David Calusdian - *Sharon Merrill Associates, Inc. - President*

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 2 in the presentation. The Company's earnings press 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 press release and remarks this morning contain adjusted financial measures. Reconciliation of GAAP to adjusted financial measures have been appended to the earnings release and slides. On our call this morning are Gibraltar's Chief Executive Officer Frank Heard and Chief Financial Officer Tim Murphy.

At this point, I will turn the call over to Frank and please turn to slide 3.

Frank Heard - *Gibraltar Industries, Inc. - Chief Executive Officer, President & Director*

Thanks, David. Good morning, everyone, and thank you for joining us on our call today. We began the year with a strong first-quarter performance. We achieved financial results in line with our expectations and continue to benefit from the success of our four-pillar strategy.

Our first-quarter revenues of $215 million were up 4% year over year. We achieved GAAP earnings of $0.26, exceeding our guidance and more than double the earnings from our first quarter 2017. Our adjusted earnings were also $0.26, at the upper end of our guidance range and 30% higher than prior year.

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The steel and aluminum tariffs that took effect during the quarter created uncertainty in the market and impacted material costs across our segments, as expected. Market prices for steel and aluminum were up 40% and 30%, respectively, versus prior year.

That said, we are having success in mitigating the impact of these cost increases from tariffs through pricing actions by market, by segment, and by customer type. And at the same time, we continue to work collaboratively with our customers on this issue to ensure that they remain competitive as well.

From an end market perspective, we achieved a 10% increase in sales in our Renewable Energy & Conservation segment and an 8% increase in our Industrial & Infrastructure Products segment, giving us confidence that this segment has truly turned the corner. Revenues in our Residential Products segment were essentially flat year over year, as weather conditions impacted demand for our roofing-related ventilation products.

During the quarter, we continued to execute on our four-pillar strategy and benefited from our operational excellence programs and our innovative product initiatives. In short, in the first quarter we achieved the financial and operational results we had laid out at the beginning of the year. At this early point in 2018, we are on track to deliver our annual commitment to make more money at a higher rate of return with a more efficient use of capital.

I will speak more about our progress on each of our strategic pillars and provide guidance after Tim reviews our financials. Tim?

Tim Murphy - *Gibraltar Industries, Inc. - CFO and SVP*

Thank you, Frank, and good morning, everyone. Let's move to slide 4 in the presentation, entitled "Solid Consolidated Results". Overall, we delivered a solid first quarter with top and bottom lines within our guidance. Revenues were driven by growth in our Renewables and Conservation and Industrial & Infrastructure segments and by our innovative product initiatives.

And while the first quarter is typically the seasonally slowest quarter of the year, we are encouraged by the domestic market demand we see across all of our segments. Sales growth of 4% was driven by both volume and price increases, with volume having the greater impact.

As Frank mentioned, the steel and aluminum tariffs announced in March impacted material costs across our segments. Our teams have been working with our customers to substantially offset the increases in commodity costs through pricing actions.

While we have been working through the pricing changes, we did see material costs increase earlier than prices during the quarter, which had a modest impact on margins. In addition, issues related to the effect of tariffs, including which countries and products they will apply to, have caused increased volatility in material cost over the past few months. We will continue to monitor the impact of tariffs on our raw materials and work with our customers to fairly allocate cost changes.

On the bottom line, our consolidated earnings benefited from growth in our Industrial & Infrastructure Products segment, reduced corporate expenses due to lower equity-based incentive compensation, 80/20 simplification initiatives that continue to provide benefits, and lower income taxes due to tax reform. We anticipate our corporate expenses reverting to more normal levels for the remainder of the year.

Now let's review each of our three reporting segments, starting with slide 5, the Residential Products segment. Our top-line results were essentially flat from last year. Strong sales of rain management and roofing accessory products and continued demand for our electronic parcel lockers were offset by lower demand for ventilation-related products due to inclement weather across the country. With enhanced service levels resulting from 80/20 initiatives, we continue to increase market share in rain management and roofing accessories.

On the bottom line, operating income was impacted by mix as weather kept our ventilation customers out of the field. And at the same time, we continued to expand our presence in rain management and roofing accessory markets. In addition to mix, increased material costs net of pricing actions negatively impacted the segment's margins. As the spring season has arrived across the country, we have seen demand for our ventilation products return to normal levels.

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Turning to slide 6, the Industrial & Infrastructure Products segment. Revenue growth in this segment was driven by demand for industrial products and contributions from our new perimeter security solutions. We continue to be encouraged by the increasing activity in the infrastructure market and backlog continued to grow versus prior year for both businesses. Bottom-line growth in the first quarter reflected increased demand for industrial products, including our perimeter security solutions, and the impact of operational excellence initiatives.

After three years of restructuring and difficult year-over-year comparisons, this segment has begun to rebound. We expect increased activity in infrastructure and perimeter security solutions to contribute to profitable growth in this segment during the year.

Now turning to slide 7, Renewable Energy & Conservation segment. Solid demand in the domestic market for both renewable and conservation businesses drove a 10% increase in revenues for the quarter. In our renewables business, where we focused on smaller-scale community solar and commercial projects under 10 megawatts, we continue to see strong domestic demand in the fixed tilt market.

We are also experiencing increasing customer demand for our new solar tracker solution. And we will continue to work with select customers to complete additional installations over the next few quarters.

Renewable and conservation margins for the quarter were negatively impacted by product mix and to a lesser extent higher material costs net of pricing actions. Given our current backlog and the pricing actions we have taken, we do not see the same factors carrying forward into the second quarter. Therefore, we expect margins to improve as we move throughout the year.

The recent imposition of solar panel tariffs has not had a significant impact on demand due to the nature of the products we participate in and our value proposition, which provides an integrated solution of site layout, racking design, structural engineering, manufacturing, and installation.

Please turn to slide 8, "Capturing the Opportunity". During the quarter, we used $22 million of cash from operations, primarily towards payments under our performance-based compensation plans related to 2015, the first year of our transformation, and deferred compensation plans. We expect strong operating cash flows for the remainder of the year.

With just under $500 million available at the end of the quarter, our low leverage and high liquidity positions us well to execute on our acquisition strategy. We continue to be focused on targets with EBITDA of $25 million up to $100 million that would be material to our performance, although we will consider smaller acquisitions that can benefit us from a technology standpoint.

At this point, I will turn it back to Frank, who will review the progress in our four-pillar strategy and our guidance for the quarter. Please turn to slide 9, "4 Pillars Driving Value Creation". Frank?

Frank Heard - *Gibraltar Industries, Inc. - Chief Executive Officer, President & Director*

Thank you, Tim. During the first quarter, our four-pillar strategy continued to gain traction and deliver results. In "Operational Excellence", our first pillar, we focus on reducing complexity, adjusting costs, and simplifying our product offering through the 80/20 initiatives across the organization.

We continued to advance key projects during the quarter. These include in-lining and market rate of demand replenishment initiatives that will improve our operating conditions as well as outsourcing initiatives for our "B" products across our businesses. We continue to expect to realize the benefit from these projects in the latter half of 2018.

Our next step in operational excellence is to focus on trade focus selling and marketing strategies. The trade focus process was the focus of our recently completed leadership meeting where we brought together approximately 90 leaders from across our businesses to refine the use of these tools.

Our teams are kicking off targeted projects throughout our segments to drive organic growth by developing new and innovative products that respond to our customers' pain points. Our goal is to grow market share with our existing products or to enter new markets by developing innovative products with our existing engineering and manufacturing capabilities.

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This leads me to our second pillar: "Innovation", where we focus on products with patent protection developed internally or through acquired product lines. During the quarter, we continued to invest and benefit from the innovative product initiatives in our segments.

In our Residential Products segment, we see continued demand for our electronic parcel lockers. With the acquisition of Package Concierge, we've introduced new solutions that supply safe, secure storage to new types of properties in the multi-family residential, commercial, and retail markets.

In our Industrial & Infrastructure Products segment, our perimeter security products capitalize on the increasing demand for solutions that protect high-value physical assets. During the first quarter, our perimeter security revenues were double what we achieved in the first quarter of 2017, and we continue to expect these innovative products will contribute to both top- and bottom-line growth in 2018. In April, I attended the International Security Conference in Las Vegas where I heard customers providing very positive feedback about our solutions, a great sign that we are on the right track from a development perspective.

In our Renewable Energy & Conservation segment, our solar tracking solution is an exciting new disruptive technology that allows us to participate in a larger adjacent space relative to our fixed tilt solutions. Demand is up and we continue to work with a select group of our customers on new installations, a sign that our service and technology is achieving the benefits that we originally promised. We continue to expect that our solar tracking solution will contribute to top- and bottom-line growth for this segment moving forward.

At the close of the first quarter, innovative product revenues represented 6% of our sales, which is consistent with the first quarter of 2017. We expect innovative products will make up a larger percentage of sales for full-year 2018 than the 7% they accounted for in 2017. We are encouraged that these initiatives will continue to advance Gibraltar's transformation from a commodities-based portfolio company to an engineered solutions and products based portfolio company.

"Portfolio Management" is our next pillar, where we focus on evaluating product lines, customers, and end markets to best allocate leadership time and resources to the highest potential platforms and businesses. We view portfolio management as a continuous process that will remain an important part of our strategy as we look to improve Gibraltar's long-term financial performance. We are currently supporting all of the businesses in our portfolio today.

Our fourth pillar is growth through "Acquisitions", which we consider an important part of Gibraltar's transformation. And as Tim mentioned, our low debt leverage and high liquidity allows us to consider larger acquisition targets. Our executive team continues to invest time and energy in the prospecting and vetting process, but we remain committed to only making an acquisition if it's the right one that will contribute long-term value to Gibraltar and its shareholders. We continue to seek M&A prospects in attractive end markets with unique value propositions with patented products or technologies. Our target markets are postal and parcel solutions, residential building products, perimeter security, infrastructure, renewable energy, and conservation.

Please turn to slide 10 for "2018 Guidance". We continue to be optimistic about the year ahead. Our innovative products across all our markets are gaining traction, including our perimeter security solution and solar tracking solution, and we are encouraged by the initial signs of a turnaround in the infrastructure market.

We are maintaining our full-year guidance of sales in excess of $1 billion and GAAP EPS between $1.75 and $1.87 per diluted share or between $1.96 to $2.08 on an adjusted basis. Our goals for the remainder of 2018 are to drive sustainable organic growth through the acceleration of new product development initiatives, to implement 80/20 simplification projects, and to seek value-added acquisitions in attractive end markets.

For the second quarter of 2018, we expect revenues of between $257 million and $267 million, up from $248 million in Q2 2017. We expect consolidated GAAP EPS between $0.48 and $0.53 per diluted share and on an adjusted basis, we expect earnings per share between $0.52 and $0.57.

In closing, with the continued execution of our four-pillar strategy during the first quarter, we achieved the financial and operational results we discussed at the beginning of the year. 2018 is shaping up to be another great year. We are encouraged by the traction that our innovative products are gaining across our segments and we look forward to continuing to build long-term value for our shareholders.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Daniel Moore, CJS Securities.

Daniel Moore - *CJS Securities - Analyst*

Good morning. Wanted to -- Frank, Tim, wanted to start with maybe your comments on the call regarding rising commodity costs. Obviously working through those pretty well.

Can you quantify how much of an impact rising steel and aluminum had on Renewable as well as Residential margins in the quarter? And with those prices still going up, your outlook for margins in those as we think about Q2. And a quick follow-up.

Tim Murphy - *Gibraltar Industries, Inc. - CFO and SVP*

You know, not a huge impact in either. A little bit more material in Residential. But of the 250 basis points, maybe 1% on material (costs) in Residential. And in Renewables, we're off 80 basis points as prices increased, closer to 30 bps on price-material.

And as we think about it going forward, we continue to work with our customers to mitigate the impact. So we feel like we are in good shape to mitigate those impacts as we move forward.

Frank Heard - *Gibraltar Industries, Inc. - Chief Executive Officer, President & Director*

I think overall, Dan, the information I've seen from our supply chain group across the portfolio is that they expect to fully recover all cost increases over the course of the year. And so far after the first quarter, are well along that path. And to be quite honest, don't get a lot of pushback from the marketplace as it's a common problem across all segments and all customers and all end markets.

So it's really just a question of the implementation schedules with the various segments, and our people are doing a nice job with it. So don't see it as -- it's something we have to manage, as everybody does, but it's -- we are well along that path. And we don't expect it to have a significant impact from an earnings perspective.

Daniel Moore - *CJS Securities - Analyst*

Very helpful. And then switching gears, on the solar side of the business, I want to talk about maybe a little bit more about the tracker market opportunity or the tracker product opportunity. There seems to be some discussion or assumptions out there on -- some of the things I've seen written that either it will be very difficult for you to penetrate or that it's somehow cannibalistic to your existing fixed tilt.

Just help us understand the factors that determine when a customer chooses tracker versus fixed tilt and what the incremental opportunity is. And I will jump back in queue. Thanks.

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Frank Heard - *Gibraltar Industries, Inc. - Chief Executive Officer, President & Director*

Yes, I will give a couple high-level comments. And then if Tim wants to jump in. The migration -- the overall -- number one, we participate in the small-end community solar, both whether it is fixed tilt or whether it is tracker.

There is a general perception that at the large scale or larger scale side that there is a rapid migration from fixed tilt to tracker that's -- we would probably support that. We don't see that at the smaller scale. And at the smaller scale, it is very much site-specific.

It's where it's located from a sun exposure perspective, ground conditions, wind load, snow loads as to whether or not the smaller scale opportunities really drive the economic returns for the increased cost of the more complicated tracker installation. And obviously it has ongoing OEM costs, more material than a fixed tilt solution.

So we don't see that manifest itself in demand. I think Tim would say later that our demand for fixed tilt is similar to prior years. And we have a select group of people we continue to work with as we work and launch our tracker solution and vet out some of the refinements of engineering and installation that the guys are working through. So it's been incremental.

From a market activity perspective relative to tariffs, and now they are debating about reversing that if they have the opportunity because Suniva basically is being sold off as parts now. So at the top end, there may be a reduction in market opportunity in large-scale utility because of that.

We don't participate in that, so any new sale in the small-scale community solar piece that may relate to the tracker is new and different revenue and share for us. So at this point, all that commentary, right Tim, manifests itself into various backlogs that show our business growing.

Tim Murphy - *Gibraltar Industries, Inc. - CFO and SVP*

Yes, I mean, we are in strong demand for fixed tilt. We have increasing customer interest in our tracker. So while we hear those comments, we don't see it across our customer base. So it may be relevant to a larger market and to the larger utility scale space, but that's not where we participate. So we are not seeing that movement.

Frank Heard - *Gibraltar Industries, Inc. - Chief Executive Officer, President & Director*

And I'd say, Dan, when Tim says a rising interest, it's not just a rising interest. It's an increase in actual booked orders and backlog. So that's where we are from a factual perspective on those related issues, I guess.

Daniel Moore - *CJS Securities - Analyst*

Appreciate the color. I will jump back. Thanks.

Operator

Ken Zener, KeyBanc Capital Markets.

Ken Zener - *KeyBanc Capital Markets - Analyst*

Good morning, gentlemen. Rarely say this, but very impressive that you are holding your guidance in the face of all these input costs. I just want to start on the top line, though.

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Your guidance of 2% to 4% -- I wonder. I am looking at your 2018 assumptions. But I am asking by segment, obviously, but in first quarter, you did 4%, the higher end of your range, despite tough weather comps in Residential.

So as we look out to your second-quarter growth, which at the midpoint I believe is 6%, could you comment on which segments are growing higher, if it's going to be similar to 1Q. So Solar leading, then followed by Industrial and Residential. As well as if we could infer the first half of 2018's growth rate, which is above your 4% for the year, suggests some degree of conservatism. And if so, why?

Tim Murphy - *Gibraltar Industries, Inc. - CFO and SVP*

So let me address the seasonality first. I think if you look last year in the fourth quarter, we were surprised on the upside. We guided down and we actually came in a lot (higher). We don't expect that to recur. We don't --

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Ken Zener - *KeyBanc Capital Markets - Analyst*

Tied to Solar?

Tim Murphy - *Gibraltar Industries, Inc. - CFO and SVP*

Yes, I think the solar business and the residential business, both -- the building season got extended. So we overachieved in both those from our expectations in the fourth quarter from when we gave guidance. So we think we got a benefit from some of that in the fourth, which we didn't build into our model, into our forecasts.

Frank Heard - *Gibraltar Industries, Inc. - Chief Executive Officer, President & Director*

And Ken, I think it's important to highlight Tim's point there. It was really that the construction season got extended as opposed to particular tactical strategic issues within either one of those segments. I mean, both those businesses -- if the season gets extended and contractors get in on site, whether they are installing a solar racking system, fixed, or tracker is no different than whether or not a roofer wants to work in four feet of snow or not.

So when that season got extended, people were able to build longer. And that was kind of, I guess, the overachievement in that quarter versus any particular tactical product or customer issue that took place in those quarters.

Ken Zener - *KeyBanc Capital Markets - Analyst*

Okay. So it sounds like the growth we are seeing in the first half good, facing a particularly tough fourth quarter comp is what you are suggesting?

Frank Heard - *Gibraltar Industries, Inc. - Chief Executive Officer, President & Director*

I think that's how you've got it laid out for the year to date.

Tim Murphy - *Gibraltar Industries, Inc. - CFO and SVP*

Yes, that's what we are guiding. So that's not fair to say up 4, up more, continue on. We don't look at it that way.

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Ken Zener - *KeyBanc Capital Markets - Analyst*

Okay. Do appreciate that. Two-thirds of your COGS are steel, right? Is that right?

Tim Murphy - *Gibraltar Industries, Inc. - CFO and SVP*

Less than 50% of our sales represents material costs. In that, there are components. There's purchased products that make up a component of that. But of the raw material we buy, about 70% is steel.

But it's not 70% of 50%; it would be bad math. But for competitive reasons, Ken, I can't give you --

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Ken Zener - *KeyBanc Capital Markets - Analyst*

No, that's fine. That's fine. I just want to focus on how well you did managing this. And I had spoken to another building product company and they said 'look, we are facing a lot of steel costs, but so do our competitors'. Therefore, the end customers really need to kind of accept these prices because there is no alternative to our product more or less or our competitors. Is that why you were able to recover so much of your inflation?

Frank Heard - *Gibraltar Industries, Inc. - Chief Executive Officer, President & Director*

I think unlike prior years, people looked at this year as 'boy, this is really going to be difficult'. The years -- every year in business you deal with raw material inputs, price recovery, and some people look at it from a margin recovery (perspective). And the most difficult times (are) when you get rapid material changes in a short period of time, whether they go up or they go down.

I think the most challenging environments are when it's unique to you. In this case, it is not unique to us or (our competitors) -- it affects everybody. So when you go to customers, customers understand that the world has changed across the board.

And whether we are in first in line or we are number 26 in line, there are 26 people knocking on everybody's door and saying 'listen, you know what?' The value of products all the way through the price waterfall from the user to the channel to the manufacturer, these have to go up because the cost inputs are material and significant and nobody in that anywhere in the waterfall can uniquely absorb them.

So to your opening point is the market is a lot more receptive to dealing with it and dealing with it in a timely and efficient manner. Because it really references not just the profitability, but the sustainability of the whole supply chain all the way to the end user who is going to swing the hammer.

So I think that's been a big part. Nobody out in the industry is an outlier asking for price increases for whatever they have done for in the past. And then we've got a fairly sophisticated sales and marketing group that is close to their customers and I think they've done an exceptional job. And to be quite honest, have in the past. And we are out in front of a lot of this. These conversations, some can take place and be enacted on the next day, some take 120 days because of relationship contracts and things like that, in various forms. I would say that we've got a little bit -- 30 to a quarter -- a 90-day head start on the year to make sure we are well positioned, as we said in our prior calls.

So I think to date, we feel as we go through the details of that math by product, by customer type, we feel pretty confident as we rolled up and re-forecasted Q2 and maintained our guidance for full year.

Ken Zener - *KeyBanc Capital Markets - Analyst*

Good. If I may --

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Frank Heard - *Gibraltar Industries, Inc. - Chief Executive Officer, President & Director*

Now, the other side of that is you don't know what you don't know. As everybody knows, it's been tremendously volatile, but we think we've captured the bulk of that volatility that would be expected going forward.

Ken Zener - *KeyBanc Capital Markets - Analyst*

Thank you very much. I will do one more question. We had spoken about Industrial last quarter and perimeter. It's been a word that has been coming up more as water disappeared from the conversation track.

But if I look at your industrial business, which is basically -- and I know there has been obviously some divestitures. But in 2014, you had $430 million; today, you have $215 million as of FY17. And the first quarter is up.

So can you talk to this perimeter? And as I was looking at your website, I mean, it does have a tab called border fence, amongst other things: crowd protection, highways, barriers. Can you expand on this a little bit? Because when we spoke, I really got the impression that this could be really one of the upside drivers to where your current guidance is. And just expand on that.

And how much is perimeter of Industrial in general. And I'm looking at your presentation decks and I can't exactly discern. So if you could give us any further color on that since that seems to be a real new item for you guys. Thank you.

Tim Murphy - *Gibraltar Industries, Inc. - CFO and SVP*

So the perimeter security initiative is we've described it as really probably the path forward for our industrial group. It's an attractive end market domestically; it's probably a $1-billion-plus opportunity.

And we are hardly participating in it today. We are increasing our participation. We think that over a two- or three-year period, it could transform that business and incrementally, as we move through that process. We've historically, going back 15 years, sold product that is on the existing border fences. I think somewhere around 50-plus miles around a couple border cities.

So it could provide upside this year, but we don't view it as something that will go from $0 to $50 million in a 3-month period. We think that it is a two- to three-year period to penetrate the market to really build a business that is a full product line/business of meaningful size to the Corporation around it.

But it's really what we are trying to grow. We have all the assets in place to manufacture. We spent last year doing development work, patented systems, and started getting out in the marketplace building a pipeline of projects that we could bid on. And that's translating into a growing backlog.

And now sort of at the end of the fourth quarter or throughout the fourth quarter, we actually saw the activity levels increase and we saw that continue in the first quarter. So we are encouraged by growth. But it is small today, but it carries a different margin profile because it's really an engineered solution sale.

We are not selling a truckload of material to a steel wholesaler. We are selling a finished perimeter security system either to a property owner, whether that's a transportation authority, a train depot, an electric utility. Or we are selling it to the contractor who has got the project -- who has the work to expand and do some work at one of those facilities.

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Frank Heard - *Gibraltar Industries, Inc. - Chief Executive Officer, President & Director*

Yes. And I would say as we continue to demonstrate traction in the area, the perimeter security, the fencing piece, for a lack of a better term, is one component of that $1 billion opportunity. There are associated products that go into an installation, whether they be bollards or gates, primarily as sort of hard materials. And then there is monitoring equipment, detection equipment, surveillance equipment that also gets all wrapped up into a high-end security installation from a hardening-up perspective.

So we play in one piece of that value proposition today on a more direct basis than we've ever done before. And as we continue to demonstrate traction with this new product, which is being very well received by both the buyers, the developers of the project, the electrical utility companies, and some of the other examples Tim gave. But more importantly, the ease of installation by the contractors who have to do the work. Whether it's the replacing of the poles and the fencing and the integrated wiring systems, we've designed our installation to take time out from a contractor's perspective because we saw that that was where all the pain was.

And as I highlighted in my recent -- in our call, I did visit a couple shows. One at the end of last year, late December in the South and then a Vegas show just recently. And in both cases, I spent time talking to about a dozen contractors, half of who had already done installations.

And the feedback was is that 'boy, if I used to spend two weeks doing this, I'm spending less than half my time doing this (now). I can get on and off the site in a lot more timely way'.

So for the fencing piece, which is what we are focused in on, we think we've got the right type of solution. We will see where it goes over the course of the year as to whether or not there's a way we can accelerate it from an acquisition perspective.

Operator

Walter Liptak, Seaport Global Securities.

Walter Liptak - *Seaport Global Securities - Analyst*

Thanks. Good morning, guys. I will say congratulations, too, on the work you did on price-cost. But I'd like to -- and maybe you started answering this in the first one or it was asked. But the gross margin was under pressure and I wonder if you could break that out on mix versus price-cost versus volume. How much of a hit was price-cost in the quarter?

Frank Heard - *Gibraltar Industries, Inc. - Chief Executive Officer, President & Director*

Yes. Let me start and I will let Tim give you the numbers. I would say that mix was a key issue. If you look at where we landed, we probably did a little less in the Residential Building Products group as it related to ventilation products and the Postal group versus the prior year. And they tend to carry high rates of return and high margins.

And they were offset by the Renewable Energy & Conservation group and the Industrial & Infrastructure group. And not necessarily because they carry -- they do carry on an annualized basis lower margins, but just by historical seasonality perspective, their worst time of year on a margin profile perspective just on a volume-related basis tends to be the first quarter. So when you put those two together, that was probably the number one.

The lag in price-raw material was probably, Tim, number two behind that?

Tim Murphy - *Gibraltar Industries, Inc. - CFO and SVP*

Yes. And I would say, Walt, it's like two-thirds mix, one-third price.

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Frank Heard - *Gibraltar Industries, Inc. - Chief Executive Officer, President & Director*

Is that the math?

Tim Murphy - *Gibraltar Industries, Inc. - CFO and SVP*

That's about the math, yes.

Walter Liptak - *Seaport Global Securities - Analyst*

Okay. So as you think about the second quarter and the guide that you put in, are you expecting both of those to improve? And will you capture and make up for what was lost on price in the first quarter? Or is that based on --

Frank Heard - *Gibraltar Industries, Inc. - Chief Executive Officer, President & Director*

I think on both points, mix becomes more normalized. And I think obviously we begin to -- the issue of price, if there is a lag, that obviously becomes minimized as well as we go forward. And that's how we arrived at our Q2 guidance, is making sure that we see that traction and we do.

Walter Liptak - *Seaport Global Securities - Analyst*

Okay, good. And just thinking about your guidance for the year, the 2% to 4% revenue growth. I wonder if you could break out what you think the volume growth is in that 2% to 4%. Or is it all volume growth. And how much of that revenue growth is price?

Tim Murphy - *Gibraltar Industries, Inc. - CFO and SVP*

You know, so between 2% and 4%, there is not a lot of growth. But you know -- and we are early in the year. But right now, I would say probably we are looking at it half volume, half price. And it's going to vary by customer and product and project and everything else. So there's probably going to be different businesses that have a different mix, but I think in total, we think it's about half and half as we roll through the year.

Frank Heard - *Gibraltar Industries, Inc. - Chief Executive Officer, President & Director*

And if you look at that and you say, well, that math would suggest you are only going to be up if it was up -- if you were going to be up 4% on organic growth unit volume, you know, and half of that is price, then really what you are seeing is coming into the lower end of your guidance on the growth side for the core business in the absence of price. I think that would be -- you could view that as conservative, I guess, because that would be the lower end of what we said.

Tim Murphy - *Gibraltar Industries, Inc. - CFO and SVP*

But we had some pricing. I mean, so I just think --

Frank Heard - *Gibraltar Industries, Inc. - Chief Executive Officer, President & Director*

You had price in your original guidance.

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Tim Murphy - *Gibraltar Industries, Inc. - CFO and SVP*

So I just look at it as it's still early in the year, we came out of a strong first quarter, we like the way the second quarter and rest of the year looks, but we just finished April.

Frank Heard - *Gibraltar Industries, Inc. - Chief Executive Officer, President & Director*

Yes. And I think to our earlier comment -- I can't remember if it was Ken or Dan -- we are certainly not counting on the same extended season in the fourth quarter. We are kind of forecasting a more typical fourth quarter in terms of how long the season lasts.

If that repeats itself, like 2017, then obviously we will have an opportunity to sell more product to more people before the close of the year. But we haven't counted on that in our current guidance.

Walter Liptak - *Seaport Global Securities - Analyst*

Okay, understood. Just thinking about Residential, and you called out the weather disruptions in the first quarter. How is the underlying tone for some of the higher-margin products, ventilation and roofing, going into the second quarter? Does it feel like a good market to you? What does the inventory in the channel look like?

Tim Murphy - *Gibraltar Industries, Inc. - CFO and SVP*

It seems good to us, Walt. We saw order volumes return to more normalized level in April. And it really -- so if you think about the weather pattern in the country, it was sort of cold and rainy in the South and the West, and maybe mid-March that started to clear.

And so we saw those regions pick up first, which normally might've been a month and a half, a month earlier. And then now, I mean, we even have spring in Buffalo today. So as the year progresses, we think that maybe that, call it a longer or late winter, hopefully is behind us and we are seeing the activity levels return to normal.

So we feel pretty good about that. Demand from customers has been strong. I think the thing that I think about on the ventilation and the roofing accessories side is always the unknown of labor. We think there is a lot of demand out there for repair and remodel. The question will be how much and how quickly can it be addressed, given the lack of labor maybe in some markets.

Walter Liptak - *Seaport Global Securities - Analyst*

Okay, fair enough. Thank you.

Operator

At this time, we have reached the end of the question-and-answer session. I would like to turn the call back over to Mr. Heard for any closing remarks.

Frank Heard - *Gibraltar Industries, Inc. - Chief Executive Officer, President & Director*

Thank you for participating in the call. We look forward to catching up to you next quarter. Thank you.

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Operator

Ladies and gentlemen, thank you for your participation on today's conference. You may now disconnect. Have a wonderful day.

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