

Gibraltar

Fourth-Quarter 2009
Earnings Conference Call

February 25, 2010

KEN H.

Thank you Regina, and welcome to Gibraltar's fourth-quarter 2009 conference call.

Before we begin, I want to remind you that this call contains forward-looking statements about future financial results. Our actual results may differ materially, as a result of factors over which Gibraltar has no control. These factors are detailed in the Company's 10-K, which can be viewed on Gibraltar's Web site, at www.gibraltar1.com.

If you did not receive the news release on our fourth-quarter results, you can get a copy on our Web site. A set of the presentation slides that we will be referring to during this call is also available on our Web site.

On our call this morning are Brian Lipke, our Chairman and CEO; Henning Kornbrekke, our President and COO; and Ken Smith, our CFO. Thanks for joining us.

At this point, I'd like to turn the call over to Brian.

BRIAN

Thank you, Ken. Good morning everyone, and thanks for being on our call.

Before I turn the call over to Henning and Ken Smith, I want to recap our continued progress in a few key areas, which has positioned us for improving results as business volumes begin to rebound. I also want to discuss the recent sale of the manufacturing assets in our Processed Metal Products segment. Then, after Ken and Henning have finished their remarks, I'll make a few closing comments before opening the call to your questions.

In 2009, Gibraltar experienced its first annual loss since going public; something we have been working hard to assure won't be repeated in 2010. These results are clearly a result of the unprecedented economic and market slowdowns –

however, as part of our longstanding commitment to be the most efficient global producer in our product lines – we restructured the business, including aggressively cutting costs, lowering our breakeven point, implementing a series of processes to substantially reduce working capital, preserve cash, pay down debt, and strengthen our balance sheet. Our accelerated efforts in 2009 were strategic in nature and built on the substantial progress we had made in recent years to lower our overall cost structure.

Specifically, in the last two years:

Gibraltar has closed 34% of its facilities, the great majority of which were distribution centers, a move which cut costs and protected manufacturing capacity without affecting customer service;

We've reduced employment by 37% and approximately 70% of those reductions are permanent and are related directly to facilities which were closed;

Working capital was reduced by \$164 million, or 47%, through structural efficiency gains driven by the elimination of inventory at closed distribution facilities and tighter controls and processes at continuing operations; and

We also paid down \$230 million, or 47%, of our debt, reducing our debt to its lowest level in nearly 7 years. At December 31, 2009, Gibraltar had total debt of \$257 million, lowering its debt-to-cap ratio to 33%.

Earlier this month, we sold the majority of the manufacturing assets in our non-core Processed Metal Products segment. This sale finalized our exit from steel processing businesses and established us as a manufacturer and distributor of products for the building and industrial markets.

This transition from steel processing included the sale of our steel strapping business in 2006, the 2007 sale of our Hubbell Steel business, and the 2008 sale

of our SCM powdered metal business. It also involved 21 acquisitions in the building and industrial markets over the last 12 years.

I also want to make note of the cash realized from our Processed Metals Segment. As detailed in the news release, the aggregate cash being realized from this business is very important. We extracted cash from the business throughout 2008 and 2009 and, coupled with cash from the sale on February 1, 2010, and the subsequent liquidation of remaining assets, we'll realize cash in excess of \$95 million.

The proceeds from this liquidation have been and will continue to be used to reduce debt. Looking further ahead, we expect to deploy this capital to strengthen our product leadership positions in higher-margin, higher-growth building and industrial businesses, which we believe will generate higher and more consistent returns for our shareholders than processed metals was capable of delivering.

I also want to reiterate that our productive sales capacity following this sale – and prior to any additional acquisition activity – is still in excess of \$1.1 billion following our restructuring activities. With our new substantially reduced cost structure, we estimate our break-even point to be in the range of \$650 million.

We expect 2010 to be a better year, favorable to 2009 and a return to profitability, even with the projected modest improvements in residential construction and repair and remodeling. The vast majority of all restructuring activities and costs are now behind us. And we start 2010 with a stronger balance sheet, improved liquidity, and better alignment between raw material costs and selling prices. Compared to how we entered 2009, slight improvements in end-market activity levels can produce meaningful gains in profitability, as we saw in the middle two quarters of 2009. Modest volume gains will be levered against a much lower cost structure, and as volume increases during 2011 and into the future, we believe we have positioned the

new restructured Gibraltar for record-setting performance.

The actions taken since 2007 were not simply a reaction to prevailing economic conditions, although these actions did cut costs, but were focused on restructuring the Company to generate improved returns for our shareholders over the longer term.

Finally, as our end markets begin to show more signs of a sustainable recovery, an operating environment that we hope will solidify later this year; we will begin to step back into the acquisition arena.

With that as a back drop, I will turn the call over to Ken Smith.

KEN S.

Thanks, Brian.

I'll begin with Slide # 3 listing significant results from the actions taken and noted earlier by Brian.

The cash generated has positioned Gibraltar with very good capitalization and, equally important, ample liquidity, which is \$100 million as of today.

Turning next to Slide # 4, depicting our fourth-quarter and 2009 results in more detail:

Regarding the numbers on this slide, they do include the Processed Metal Products segment as part of continuing operations for 2009 and prior periods. The majority of this segment was sold subsequent to year end, as announced on February 1.

Regarding revenues, fourth-quarter demand was sluggish, and unit volumes fell with weaker-than-expected business conditions in the building and

industrial markets, together with lower price realization on certain product lines.

In spite of significantly lower revenue, we reported a substantial improvement in fourth-quarter operating income and EPS compared to Q4 2008, which was largely the result of our aggressive cost-reduction actions and greater stability with commodity pricing.

For the full year operating income, much lower unit volumes, coupled with the sale of higher-priced inventory, more than offset our significant cost-reductions.

And, free cash flow was exceptionally strong again in both the fourth quarter – and the year – with the largest source of cash coming from the reduction of working capital.

Moving ahead to Slide # 5, titled “Net Income & EPS,” Henning will review the performance of both segments in a couple of minutes, so I’ll discuss the other significant P&L differences.

Our Corporate Expenses for the full year decreased. The largest reductions were in annual bonus compensation, a 50 percent reduction in staffing at our Corporate Office, and spending reductions in discretionary programs.

Net interest expense also decreased. As mentioned earlier, the aggressive spending reductions and outstanding Free Cash Flow contributed to continuous debt reduction during these periods; and, therefore, lower interest expense.

Regarding the lower Income Tax expense for the 2009 periods, the principal driver has been the much reduced level of profitability this year.

The Effective Tax Rate for 2009 was 33%, down from 37% in 2008. The nearly 400 basis points decrease was largely due to a portion of the intangible impairment not being deductible for tax purposes.

Let's turn to Slide # 6, free cash flow. It was an outstanding 2009 with free cash flow at 14% of revenues. With lower customer demand in 2009, our need for working capital went down, and you can see the nearly \$100 million generated from that. We also reduced in 2009 our capex and suspended the cash dividend early in the year.

By Q4 2009, we lowered our quarter's net working capital days to 69 days from 97 days for Q4 2008. So, faster turns also occurred, particularly with inventories.

Turning to Slide # 7, we reduced our borrowings significantly in 2009; and ended the year with a reduced and very manageable debt-to-cap relationship.

Although we do not show the debt levels at the end of September 2009, at that date we had paid off our revolver and total borrowings included \$200 million of sub-debt, and 58 million on a term loan.

During Q4 2009, we decided to borrow against the Revolver and fully pay off the term note, since the Revolver has a lower interest rate.

As of December 31, 2009, total debt included \$50 million outstanding on our revolver, with \$70 million of availability.

Our outstanding borrowings against the Revolver are now lower than Y/E. Today, we have \$15 million borrowed on the Revolver. The reduction since year-end was principally due to use of proceeds from the February 1 sale of the Processed Metal business. All of which contributes to the Company currently having \$100 million of liquidity.

Now, Henning will review our segments' results and discuss the current operating environment.

Henning...

HENNING

Thanks, Ken.

Even though our sales in the fourth quarter were down 25% compared to the prior-year period, a result of the economic and end-market conditions that Brian and Ken have described, we were able to increase our consolidated gross margin to 20%, primarily due to the efficiency gains we made in 2009. As a result of our much-improved gross profit, we generated income from operations in the fourth quarter of 2009, compared to a loss in the prior year.

Looking first at our building and industrial products segment on Slide # 8, you can see that fourth-quarter sales were down 28%, a result of reduced year-end buying patterns by customers looking to reduce inventory by year end, weakening conditions in the industrial and international markets, and adverse weather conditions across much of the country, compared to the fourth quarter of 2008.

In spite of significantly lower activity levels, the 2009 fourth-quarter gross margin increased to 20.2%, up 790 basis points, and the operating margin improved by 340 basis points to 4.0% compared to the fourth quarter of 2008.

Our aggressive cost-reduction initiatives, improved operating efficiencies, favorable product mix, and better alignment between inventory costs and product pricing were the key drivers of the margin improvements.

Moving to Slide # 9, the Processed Metal Products segment had a sales decrease of 14% in the fourth quarter compared to Q4 of 2008, but turned in higher gross and operating margins in Q4 2009 as the North American auto production strengthened in the final three months of 2009 and selling prices came into better alignment with raw material costs later in the year. Despite its steady improvement through 2009, this business turned in a full-year loss.

Now let's turn to Slide # 10: We sold the majority of the Processed Metal Products business on February 1, 2010. And beginning thereafter, that business will be reported as a Discontinued Operation in Gibraltar's future financial statements.

We thought it important, though, to show you a pro forma presentation of our 2009 results, both fourth quarter and full year, with only our building and industrial businesses remaining in continuing operations.

The steps we have taken to restructure our Gibraltar portfolio allows us to focus our resources and capital on those areas which we believe will produce the highest returns for our shareholders, our building and industrial products businesses.

We have a number of continuing initiatives to improve the operational efficiency and profitability of our building and industrial products businesses where more than 80% of our sales come from. Products having leading market shares – which

position us for higher levels of performance as end-market demand begins to rebound.

At this point, I'll offer a few comments on current business conditions, with Slide # 11 as a backdrop.

In spite of unexpected weakness in the fourth quarter, we believe that the economy and our end markets are on the front end of a recovery. We see the first quarter reflecting a similar environment and challenges to what we faced during the fourth quarter. Sales will improve in the first quarter with improvement continuing throughout the year.

Some of our businesses are experiencing increasing sales in the repair and remodeling market. Coupled with expected seasonal increases in demand, we are anticipating a return to profitability in the second and third quarters and for the full year.

Based on market studies we have seen, we are expecting a 2010 increase in housing starts, as a gradual recovery begins from the historic – and

unsustainably low – levels reached last year. Continued population growth and other demographics continue to present favorable long-term trends. Because we have lowered the cost structures of all of our businesses that sell into this market, even slight increases in demand are expected to translate into significant performance improvements.

We anticipate that the non-residential building, industrial, and architectural markets, which remained strong until late in 2008, will continue to contract in 2010, but the slowdown will lessen in the year ahead. Our category-leading product positions – and our participation in markets that are faring better in the downturn, like energy and infrastructure – will help offset the impact of lower demand.

We will also benefit from greater stability in material pricing in the year ahead, and the permanent structural changes we have embedded throughout Gibraltar will keep inventory levels low. Our remaining businesses, where raw material costs as a

percentage of selling price are significantly lower, further reduces our exposure to large swings in material pricing.

While the structural changes to our business are helping in the short run – even though many of our efficiency gains have been masked by the unprecedented volume declines in our end markets – more importantly they are part of our long-term strategy to position Gibraltar as the low-cost provider and market-share leader in product areas that individually or collectively offer the opportunity for margin enhancement and sales growth over time.

At this point, I'll turn the call back over to Brian.

BRIAN

Thanks, Henning.

In spite of the worst economic and market conditions in decades, although not visible on the bottom line, Gibraltar did make measurable performance progress in 2009. We carefully restructured our business, aggressively cut costs, and significantly lowered our breakeven point. We implemented a number of actions to substantially strengthen our balance sheet and improve the performance characteristics and growth profile of our company. And now after the recent sale of the Processed Metal Products segment, we are a single-focused company.

We end the most difficult year in our history stronger and better positioned than we began it. I want to thank and acknowledge the people on the Gibraltar Team for generating progressive improvements in all of our businesses and setting in place a firm foundation for new levels of

performance and success, while working under very difficult conditions.

We believe our current manufacturing capacity will support \$1.1 billion of sales, which provides ample opportunity to grow as the markets we serve continue to improve. We are continuing to find ways to optimize the efficiency and output of our current operations. And while our focus is still on preserving cash, closely managing expenses, and delevering the balance sheet, we will reenter the acquisition marketplace as our end markets continue to show more signs of a sustainable recovery.

We believe our strategy is sound and will deliver solid operating performance improvements and growth in shareholder value as the economy strengthens in 2010 and future years.

With that, we'll open the call to any questions that any of you may have.

Q & A Session

Thank you all for your continued support, and we look forward to talking with you again in three months.