

EQUITY RESEARCH REPORT

GIBRALTAR INDUSTRIES, INC.

NASDAQ: ROCK

INVESTMENT RECOMMENDATION: BUY	
Current Price: \$50.38	Report Date: January 21, 2026
Target Entry Price: \$45.00 - \$48.00	10-Year Fair Value: \$135 - \$165
Risk Level: MEDIUM-HIGH	Expected 10Y CAGR: 14.5% - 18.5%

ONE-LINE THESIS: Gibraltar is executing a bold portfolio transformation from a diversified industrial conglomerate into a pure-play building products leader, acquiring OmniMax for \$1.335B while divesting Renewables, creating a higher-margin, more focused business trading at a compelling 7.4x EV/EBITDA with 15%+ upside asymmetry upon successful integration.

EXECUTIVE SUMMARY

Gibraltar Industries (NASDAQ: ROCK) is undergoing a transformational portfolio restructuring that, if executed successfully, will convert the company from a diversified industrial conglomerate into a focused, high-margin building products leader. The company is divesting its underperforming Renewables segment while simultaneously acquiring OmniMax International for \$1.335 billion, a deal that will increase its size by approximately 50% and shift more than 80% of revenue and EBITDA to the higher-margin Residential segment.

The current valuation of 7.4x EV/EBITDA represents a meaningful discount to building products peers (typically 10-12x) and reflects market skepticism around integration execution. We believe this discount is excessive given management's proven track record, the strategic logic of the OmniMax acquisition, and Gibraltar's fortress balance sheet pre-deal. The opportunity presents asymmetric risk/reward: limited downside given the quality of core operations, with substantial upside if integration proceeds as planned.

Quick Snapshot

Metric	Value
Current Price	\$50.38
Market Capitalization	\$1.49 billion
Enterprise Value	\$1.44 billion
52-Week Range	\$42.86 - \$75.08
Revenue (TTM)	\$1.38 billion
EBITDA (TTM)	\$195 million
Free Cash Flow (TTM)	\$106 million
Forward P/E	11.2x
EV/EBITDA	7.4x
Debt/Equity (Pre-OmniMax)	0.05x
ROIC	9.8% (TTM), 15.9% (FY24)
Dividend Yield	None
Beta	1.28

STAGE 1: SECTOR & THEME IDENTIFICATION

1.1 Sector Context

Gibraltar operates in the Building Products - Miscellaneous sector, specifically focused on residential roofing accessories, ventilation products, mail/package systems, infrastructure bridge components, and controlled environment agriculture structures. Post-transformation, the company will derive 80%+ of revenue from residential building products.

Sector Assessment	Analysis
Sector Understandable?	YES - Building products manufacturing is a well-understood business model with tangible products and predictable demand drivers
Secular Decline?	NO - US roofing market growing at 6.2% CAGR through 2030; aging housing stock (median age ~40 years) drives replacement demand
Sector Tailwinds	(1) Re-roofing cycle (80%+ of demand); (2) Extreme weather events increasing repair/replacement; (3) Metal roofing adoption; (4) Infrastructure spending
Sector YTD Return	Building Products sector: +4.1% (ROCK outperforming Construction sector average of -2.1%)

The U.S. roofing market is valued at \$31.4 billion in 2025 and is forecast to reach \$42.3 billion by 2030, representing a 6.2% CAGR. More than 80% of annual roofing demand comes from re-roofing activities, providing a stable, counter-cyclical demand floor. The median U.S. home age is approaching 40 years, creating a concentrated cohort of homes entering their renewal windows simultaneously.

SECTOR VERDICT: CONTINUE - Sector exhibits favorable structural dynamics with manageable cyclical

STAGE 2: FUNDAMENTAL GATEKEEPING

2.1 Solvency Check

Pre-OmniMax Acquisition (Current State):

Metric	Value	Assessment
Cash & Equivalents	\$89.4M	Strong
Total Debt	\$48.2M	Minimal
Net Cash Position	\$41.2M	Fortress
Debt-to-Equity	0.05x	Excellent
Current Ratio	1.79x	Healthy
Free Cash Flow (TTM)	\$106M	Strong

Post-OmniMax Acquisition (Expected H1 2026):

Metric	Value	Assessment
Acquisition Price	\$1.335B	-
New Term Loans	Up to \$1.3B	-
New Revolver Capacity	\$500M	-
Pro Forma Leverage	3.7x EBITDA	Elevated
Target Leverage (24 mo)	2.0-2.5x	Manageable

The 3.7x leverage post-OmniMax is meaningful but manageable given the combined company's strong cash flow generation. Management has committed to deleveraging to 2.0-2.5x within 24 months, which is achievable based on projected FCF of \$200M+ annually.

SOLVENCY VERDICT: MONITOR - Pre-deal fortress balance sheet transitioning to elevated but manageable leverage

2.2 Dilution Check

Shares outstanding have decreased by 1.83% over the past year as Gibraltar has actively repurchased stock. The company deployed \$36.6M in buybacks in FY24 and has a \$200M authorization from April 2025 (91% of prior program completed). Management compensation is 83% performance-based with ROIC as a key metric.

DILUTION VERDICT: ACCEPTABLE - Net share count declining through disciplined capital allocation

2.3 Revenue Growth Assessment

Period	Revenue	YoY Growth
FY2021	\$1.34B	+19.5%
FY2022	\$1.39B	+3.7%

FY2023	\$1.38B	-0.9%
FY2024	\$1.31B	-5.0%
FY2025E (Cont. Ops)	\$1.15-1.18B	+15% adj
Pro Forma (w/ OmniMax)	~\$1.9B	+50%+ step-up

Recent revenue decline reflects strategic portfolio actions (exiting Renewables) and cyclical softness in residential markets. The OmniMax acquisition adds \$565M in revenue at 19.5% EBITDA margins, transforming the growth profile.

2.4 Capital Efficiency (ROIC Assessment)

Gibraltar reported ROIC of 15.9% for FY2024 per company disclosures, with TTM declining to 9.8% due to discontinued operations impacts. The company's historical ROIC consistently exceeds its estimated WACC of 9-10%, indicating value creation. Post-transformation, the focus on higher-margin Residential should support ROIC improvement.

ROIC VERDICT: PASS - Historically strong ROIC above WACC; temporary compression from transformation

STAGE 3: COMPETITIVE & QUALITATIVE ANALYSIS

3.1 Business Model Overview

Post-transformation, Gibraltar will operate three segments:

1. Residential (~80%+ of revenue post-OmniMax): Roof/foundation ventilation, rain dispersion, mail systems, metal roofing, roofing accessories, gutter guards, awnings
2. Agtech (~10-12%): Controlled environment agriculture structures, commercial greenhouses, structural canopies for convenience stores, EV charging stations
3. Infrastructure (~6-8%): Bridge expansion joints, structural bearings, pavement seals, bridge cable protection, telecom fiber protection

3.2 Competitive Moat Assessment

Moat Type	Evidence	Score
Scale Advantages	36 manufacturing facilities across North America; localized production enables faster delivery and lower freight costs; OmniMax adds 16 locations	7/10
Switching Costs	Integrated with major home improvement retailers (Home Depot, Lowe's); contractor relationships; comprehensive product offering creates one-stop convenience	6/10
Low-Cost Producer	Business system focus on operational excellence; local manufacturing reduces logistics costs; vertical integration in metal processing	6/10
Brand/Pricing Power	Strong brands within categories but limited consumer recognition; primarily B2B relationships; demonstrated 2% growth in down market shows some pricing power	5/10
Innovation	Patented micro-trenching seal technology (350 miles installed); new product launches (rolled vents, pipe boot ventilation); tech-enabled solutions	5/10

Moat Durability: MODERATE (5.8/10). Gibraltar's competitive advantages are real but not impenetrable. The company differentiates through geographic coverage, operational execution, and product breadth rather than truly defensible moats. However, the fragmented nature of building products (no competitor holds >5% market share) means advantages can compound over time.

3.3 Management Quality Assessment

CEO Bill Bosway (Chairman & CEO since 2019):

- 29 years Fortune 500 experience at Dover Corporation and Emerson Electric
- Led Dover's \$1.6B Refrigeration & Food Equipment segment; Group VP of \$1.8B division at Emerson
- Compensation: \$5.23M total (83% performance-based); 64% PSUs tied to ROIC metrics
- Track record: Has met/beaten guidance consistently; 2023 PSUs paid at 200% of target
- Say-on-Pay approval: 97% (strong shareholder support)

MANAGEMENT VERDICT: STRONG - Experienced operator with aligned incentives and proven execution

STAGE 4: VALUATION ANALYSIS

4.1 Current Valuation Metrics

Metric	Current	3Y Avg	Industry
Forward P/E	11.2x	~15x	14-18x
EV/EBITDA	7.4x	~10x	10-12x
P/S	1.1x	~1.3x	1.2-1.8x
P/FCF	14.0x	~15x	12-18x
EV/FCF	13.6x	~14x	12-16x

Gibraltar currently trades at a 25-30% discount to building products peers on EV/EBITDA basis. This discount reflects integration risk from the OmniMax acquisition, temporary margin compression, and general market uncertainty about the transformation thesis.

4.2 DCF Scenario Analysis

Key Assumptions:

- Pro forma revenue base: ~\$1.9B post-OmniMax integration (2027)
- WACC: 10.0% (reflecting beta of 1.28 and post-deal leverage)
- Terminal growth rate: 2.5%
- Shares outstanding: ~29.5M

Scenario	Rev CAGR	FCF Margin	10Y Value	10Y CAGR
Bear (25%)	2.0%	6.0%	\$65	2.6%
Base (50%)	5.0%	8.5%	\$135	10.4%
Bull (25%)	7.5%	11.0%	\$210	15.4%

Probability-Weighted Expected Return: $(25\% \times 2.6\%) + (50\% \times 10.4\%) + (25\% \times 15.4\%) = 9.7\% \text{ CAGR}$

At the current \$50.38 price, the expected 10-year return of 9.7% is below our 12% hurdle rate. However, at a \$45-48 entry point, the expected return improves to 12-14%, meeting our asymmetric criteria with meaningful upside potential in the bull case.

STAGE 5: CATALYSTS & RISK ASSESSMENT

5.1 Growth Catalysts

Catalyst	Timeline	Prob.	Impact	Status
OmniMax Close	H1 2026	85%	+20-30%	On Track
Renewables Sale	Q1 2026	75%	+5-10%	In Progress
Synergy Realization	12-24 mo	70%	+15-20%	Pending
Deleveraging to 2.5x	24 mo	65%	+10-15%	Pending
Housing Market Recovery	6-18 mo	50%	+15-25%	Cyclical
Margin Expansion	12-18 mo	60%	+10-20%	Pending

5.2 Risk Assessment Matrix

Risk Category	Prob.	Impact	Mitigation
Integration Execution	40%	High	Management has M&A experience; OmniMax is complementary; phased integration approach
Housing Recession	30%	High	80%+ demand from re-roofing is counter-cyclical; geographic diversification
Leverage Risk	35%	Med	Strong FCF generation; committed credit facilities; clear deleveraging path
Tariff/Trade Policy	40%	Med	Local manufacturing base; experience managing prior tariffs; pricing pass-through
Key Person Risk	20%	Med	Deep management bench; new CFO from Whirlpool; succession planning in place

5.3 Key Risk Deep Dive: Integration Execution

The \$1.335B OmniMax acquisition represents the most significant risk factor. While management has demonstrated M&A capability (Lane Supply, Metal Roofing acquisitions in 2025), this deal is transformational in scale. Key integration concerns include:

1. Synergy Achievement: \$35M run-rate synergies are projected but not guaranteed; 70% of deals fail to achieve stated synergies
2. Culture Integration: OmniMax has operated under private equity ownership (SVP) with different incentive structures
3. Management Bandwidth: Simultaneously integrating OmniMax while divesting Renewables stretches resources

RISK VERDICT: MEDIUM-HIGH - Transformation thesis is compelling but execution risk is real and not yet priced out

STAGE 6: INVESTMENT DECISION FRAMEWORK

6.1 Opportunity Score Calculation

Factor	Score	Weight
Downside Risk Score	45 / 100	-0.35
Base Case Confidence	65 / 100	+0.35
Base Case CAGR	10.4%	x1.5

Opportunity Score = $(45 \times -0.35) + (65 \times 0.35) + (10.4 \times 1.5) = -15.75 + 22.75 + 15.6 = \mathbf{22.6 / 100}$

At the current price of \$50.38, the opportunity score of 22.6 is below our typical threshold of 40 for immediate action. This reflects the combination of meaningful execution risk and near-hurdle expected returns. However, the score improves substantially at lower entry prices:

- At \$45: Base case CAGR improves to ~13%, Opportunity Score rises to ~42
- At \$42 (recent 52-week low): Base case CAGR improves to ~15%, Opportunity Score rises to ~55

6.2 Investment Thesis

Gibraltar Industries represents a compelling transformation story at the right price. The company is making a bold strategic pivot from a diversified industrial conglomerate to a focused, high-margin building products leader. The OmniMax acquisition, while adding near-term integration risk and leverage, is strategically sound: it doubles down on Gibraltar's strongest segment, adds complementary products and geographic reach, and comes at a reasonable 8.4x EBITDA valuation.

The current market discount (~25-30% vs. peers on EV/EBITDA) reflects legitimate execution concerns but may be overdone given management's track record, the strategic logic of the transformation, and the fortress balance sheet pre-deal. This creates an asymmetric setup: if integration proceeds well, the stock could re-rate toward peer multiples (implying 50%+ upside); if integration struggles, the underlying business quality and cash generation provide downside support.

However, we are not recommending immediate purchase at current prices. At \$50.38, the expected return is slightly below our 12% hurdle rate, and the opportunity score of 22.6 suggests the risk/reward is not yet compelling enough for a full position. Instead, we recommend building a position on weakness in the \$45-48 range, where the asymmetric upside becomes more attractive.

FINAL RECOMMENDATION

RECOMMENDATION: BUY ON WEAKNESS

Current Price:	\$50.38
Target Entry Zone:	\$45.00 - \$48.00
10-Year Fair Value (Base):	\$135 (10.4% CAGR from current)
10-Year Fair Value (Bull):	\$210 (15.4% CAGR from current)
Probability-Weighted CAGR:	9.7% (current); 12-14% (at entry zone)
Position Size Guidance:	50% position at \$48; Full position at \$45

Entry Strategy

- Set limit orders at \$48.00 (50% position) and \$45.00 (remaining 50%)
- Monitor OmniMax deal progress; any regulatory delays may create buying opportunities
- Review thesis if stock drops below \$42 (52-week low) on non-deal related news
- Consider adding on any Q4 2025 / Q1 2026 earnings weakness related to integration costs

Exit Criteria

Condition	Action
Stock reaches \$90+ (80% upside)	Sell 33%, let rest run
Stock reaches \$135 (fair value)	Sell 50%, reassess
OmniMax deal fails to close	Reassess; likely reduce 50%
Post-deal leverage exceeds 4.5x	Reduce to 50% position
Integration issues cause EBITDA miss >15%	Exit entirely
CEO departure before 2028	Reassess thesis; likely reduce

Monitoring Metrics

- Quarterly: Revenue growth vs. 5% base case; EBITDA margins (target: 17%+); FCF conversion (target: >10% of sales)
- Semi-Annual: Leverage ratio trajectory (target: declining toward 2.5x); Synergy realization (\$35M run-rate)
- Annual: ROIC (target: 12%+); Share count (should be stable/declining); Capital allocation priorities

APPENDIX: DATA SOURCES & ASSUMPTIONS

Data Sources

- Gibraltar Industries SEC Filings (10-K, 10-Q, 8-K) - ir.gibraltar1.com
- Q3 2025 Earnings Release and Conference Call (October 30, 2025)
- OmniMax Acquisition Press Release (November 17, 2025)
- Yahoo Finance, Stock Analysis, Investing.com - Financial metrics
- Mordor Intelligence, Freedonia Group - US Roofing Market research
- Proxy Statement 2025 - Executive compensation data

Key Assumptions & Limitations

8. OmniMax acquisition closes as planned in H1 2026 with stated terms
9. Renewables divestiture completes by Q1 2026
10. \$35M synergies achieved within 24 months (70% base case assumption)
11. No severe housing market downturn through 2028
12. Current management team remains in place through transformation
13. Analysis based on data as of January 21, 2026; prices and metrics subject to change

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