GIBRALTAR INDUSTRIES, INC.
Form 10-K
February 22, 2013
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES ACT OF 1934**
For The Fiscal Year Ended December 31, 2012

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _________ to _________

Commission File Number 0-22462

GIBRALTAR INDUSTRIES, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**16-1445150**
(State or other jurisdiction of incorporation organization)	**(I.R.S. Employer Identification No.)**

3556 Lake Shore Road, P.O. Box 2028

Buffalo, New York	**14219-0228**
(address of principal executive offices)	**(zip code)**

Registrant s telephone number, including area code: (716) 826-6500

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 par value	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by checkmark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x.

Indicate by checkmark if the registrant is not required to file report pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to this Form 10-K. x

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of large accelerated filer , accelerated filer , and small reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer x

Non-accelerated filer ¨ Smaller reporting company ¨

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No x

The aggregate market value of the Common Stock outstanding and held by non-affiliates (as defined in Rule 405 under the Securities Act of 1933) of the registrant based upon the closing sale price of the Common Stock on the NASDAQ Global Select Market on June 30, 2012, the last business day of the registrant s most recently completed second quarter, was approximately $298.0 million.

As of February 18, 2013, the number of common shares outstanding was: 31,039,715

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant s Definitive Proxy Statement for the Annual Meeting of Shareholders

(2012 Proxy Statement) are incorporated by reference into Part III of this report.

Exhibit Index begins on Page 87

Table of Contents

Form 10-K Index

Table of Contents

Safe Harbor Statement

Certain information set forth herein includes statements that express our opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results and therefore are, or may be deemed to be, forward-looking statements. These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms believes, estimates, anticipates, expects, estimates, seeks, projects, intends, plans, may, will or should or, in each case, their negative or other vari comparable terminology. These forward-looking statements include all matters that are not historical facts. They include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, competition, strategies and the industry in which we operate. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We believe that these risks and uncertainties include, but are not limited to, those described in Item 1A Risk Factors. Those factors should not be construed as exhaustive and should be read with the other cautionary statements in Item 1A Risk Factors. Although we base these forward-looking statements on assumptions that we believe are reasonable when made, we caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained herein. In addition, even if our results of operations, financial condition and liquidity and the development of the industry in which we operate are consistent with the forward-looking statements contained in this offering memorandum, those results or developments may not be indicative of results or developments in subsequent periods. Given these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements. Any forward-looking statements that we make herein speak only as of the date of those statements, and we undertake no obligation to update those statements or to publicly announce the results of any revisions to any of those statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

PART I

Item 1. *Business*

The Company

Gibraltar is a leading manufacturer and distributor of products for the building and industrial markets. Our products provide structural and architectural enhancements for residential homes, low-rise retail, other commercial and professional buildings, industrial plants, bridges and a wide variety of other structures. These products include ventilation products, mail storage solutions including mailboxes and package delivery products, rain dispersion products and accessories, bar grating, expanded metal, metal lath and expansion joints and structural bearings. We believe Gibraltar has strong brand recognition in these product categories which provides us with product leadership positions. We serve customers throughout North America, Europe, Asia, and Central and South America including major home improvement retailers, distributors and contractors. As of December 31, 2012, we operated 44 facilities in 21 states, Canada, England and Germany, giving us a broad platform for just-in-time delivery and support to our customers. Our common stock is trading on the NASDAQ under the ticker symbol ROCK.

Our customers principally serve the home improvement; residential, commercial and industrial construction; highway construction; building materials; and architectural industries. Major customers include The Home Depot, other big box retailers, national building products wholesalers, industrial equipment manufacturers and contractors.

We believe that we have established a reputation as an industry leader in quality, service and innovation and have achieved strong competitive positions in our markets. We attribute our standing in the market primarily to the following competitive strengths:

Leading market share. We have a leading market position in many of the products and services we offer, and we estimate that a majority of our net sales for the year ended December 31, 2012 were derived from the sale of products in which we had one of the leading U.S. market shares. We believe we have leading market shares in six distinct product families.

Diversified product mix and manufacturing base. We manufacture an extensive variety of products that are sold through building material wholesalers, buying groups, discount and major retail home centers, roofing distributors, residential, industrial, commercial, and transportation contractors and industrial manufacturers.

Table of Contents

We operate 34 manufacturing facilities and eight distribution centers throughout the United States, Canada, England and Germany, giving us a base of operations to provide customer support, delivery, service and quality to a number of regional and national customers and providing us with manufacturing and distribution efficiencies in North America, as well as a presence in the European market. Despite our global reach, our capital expenditures have remained low. During each of the last three years, our capital expenditures have averaged 1.5% or less of net sales. The following table outlines our key products sold to both residential and non-residential end markets:

Product	**End market**
	Residential end markets
Roof & foundation ventilation products	New build; repair and remodel
Mail storage (single and cluster)	New build; repair and remodel
Rain dispersion, flashing, soffits and trim, metal lath	New build; repair and remodel
	Non-residential end markets
Bar grating	Oil, gas and mining; industrial; wastewater and water treatment; leisure and sports parks
Expanded metal and perforated metal	Mining; steel mills; transportation; petro-chemical; architectural facades; security
Engineered public infrastructure products	Bridge construction; highway construction; airport runways

Provider of value-added products and services. We increasingly focus on value-added products and services, such as mail storage solutions, infrastructure products, and ventilation products, to improve our margins and profitability. We use complex and demanding production and treatment processes that require advanced production equipment, sophisticated technology and exacting quality control measures. We have also targeted our acquisition strategy on producers of value-added products, including, but not limited to, our prior year acquisitions of The D.S. Brown Company (D.S. Brown), the largest U.S. manufacturer of specialty components for the transportation infrastructure industry, Pacific Award Metals, Inc. (Award Metals), a leading regional manufacturer of roof ventilation, roof trims, flashing and rain ware, drywall trims and specialty clips and connectors for concrete forms used in the new construction and repair and remodel markets. The Company also acquired the following companies in 2012:

- Metal grating products for the oil sands region of Western Canada;
- Function-critical components for public infrastructure construction and maintenance;
- Perforated metal products for industrial applications; and
- Sun protection products for new residential construction and home remodeling.

These acquisitions have increased our portfolio of value-added products. We also strive to develop and launch new products, expand our geographic market coverage and penetrate new end markets to strengthen our product leadership positions.

Strength in non-residential end markets. Since 2007, we have sought to bolster our presence in non-residential end markets through both strategic acquisitions and organic growth, and we estimate that sales from these markets now account for approximately half of the net sales for the company. Our presence in this diverse end market, which serves industries such as oil & gas, mining, transportation and industrial, complements our residential end markets business and provides additional stability.

Solid relationships with blue-chip customers. We have strong relationships with many of the largest customers in the markets we serve, including the building and construction, machinery and general manufacturing industries. Through acquisitions, we have gained new longstanding relationships, and we have maintained and developed those relationships by offering an increasing range of products and providing quality customer support. We have long-standing relationships with many large market leaders such as The Home Depot, other big box retailers, national building products wholesalers, industrial equipment manufacturers and contractors.

Commitment to quality. We place great importance on providing our customers with high quality products for use in critical construction applications. We carefully select our raw material vendors and use inspection and analysis to maintain our quality standards so our products meet critical customer specifications. To meet customer specifications, we use documented procedures utilizing statistical process control systems linked directly to processing equipment to monitor many stages of production. A number of our facilities quality systems are registered under ISO 9001, an internationally recognized set of quality-assurance standards, and other industry standards.

History of substantial debt reduction and strong liquidity profile. Since 2007, we have been committed to debt reduction and have used cash generated from operations, as well as certain proceeds of asset sales, to make significant repayments against our outstanding debt. Our total debt declined from $487.5 million at December 31, 2007 to $207.8 million as of December 31, 2012. We had no borrowings under our revolving credit facility during the year ended December 31, 2012, and our liquidity as of December 31, 2012 was $165 million, including $48 million of cash and $117 million of availability under our revolving credit facility. We believe that our low leverage and substantial liquidity allows us to successfully manage our business, meet the demands of our customers and weather the cyclicality of certain end markets.

Proven acquisition track record. Over the last eight years, we have successfully acquired and integrated over fifteen businesses, including D.S. Brown, Florence Manufacturing and Alabama Metal Industries Corporation. These acquisitions have helped to diversify our products and customers while growing our net sales and earnings.

Experienced management team. Brian Lipke has been our Chief Executive Officer since 1987, the Chairman of our Board since 1992 and a director since our formation. Henning Kornbrekke, President and Chief Operating Officer, has been with us for nine years and has extensive experience in manufacturing, marketing and distribution from his previous employment at Rexam, PLC and The Stanley Works. Kenneth Smith, our Chief Financial Officer, joined our company in 2008 with extensive operational and public markets experience at Circor International, North Safety Products and Digital Equipment Corporation. Our executive management team is supported by a talented and experienced divisional management team. Overall, our management team has broad experience in operational excellence, quality and merchandising gained over multiple business cycles.

Operational excellence. Our strategy is to position Gibraltar as a low-cost provider and a market share leader in product areas that offer the opportunity for sales growth and margin enhancement over the long-term. We focus on operational excellence, including lean initiatives throughout the company to position Gibraltar as our customers low-cost provider of the products we offer. We continuously seek to improve our on-time delivery, quality and service to position Gibraltar as a preferred supplier to our customers. During recent years, Gibraltar invested in new enterprise resource planning (ERP) systems which, among other things, have enabled us to more effectively manage our inventory, forecast customer orders, improve supply chain management and respond more timely to volatile raw material costs. At the same time, we have significantly reduced our working capital levels while maintaining a high level of customer service.

Recent Developments

On January 31, 2013, the Company issued $210 million of 6.25% Senior Subordinated Notes (6.25% Notes) due February 1, 2021. In connection with the issuance of the 6.25% Notes on January 16, 2013, the Company initiated a tender offer to purchase the outstanding $204 million of 8% Senior Subordinated Notes (8% Notes) due 2015. Simultaneously with the closing of the sale of the 6.25% Notes on January 31, 2013, the Company purchased the tendered 8% Notes. The 8% Notes that were not tendered and purchased were called for redemption. In connection with the purchase and subsequent redemption, the Company satisfied and discharged its obligations under the 8% Notes as of January 31, 2013. Refer to Note 20 of the consolidated financial statements in Item 8 for more information regarding the issuance of the 6.25% Notes and redemption of the 8% Notes.

During 2012, Gibraltar purchased the assets of four businesses in separate transactions, three of which were acquired in November and December 2012. The acquired product lines complement and expand the Company s product portfolio and customer base in four key U.S. and Canadian markets:

- Metal grating products for the oil sands region of Western Canada;
- Function-critical components for public infrastructure construction and maintenance;
- Perforated metal products for industrial and automotive applications; and
- Sun protection products for new residential construction and home remodeling.

Gibraltar funded the aggregate investment of $43 million from existing cash on hand. Gibraltar s results from operations include all 2012 acquisitions from their respective dates of acquisition.

Economic Trends

End markets served by our business are subject to economic conditions which include but are not limited to interest rates, commodity costs, demand for residential construction, the level of non-residential construction and infrastructure projects, and demand within repair and remodel markets. In 2012, the United States construction markets continued an uneven recovery from an unprecedented recession that began in 2008. In addition, tightened credit markets over the same period may have limited the ability of the end users of our products to obtain financing for construction projects. While the U.S. economy has grown modestly since the recession, the construction markets have only recovered modestly from the recession and many economic indicators remain at levels well below long-term historical averages. As an example, the table below shows housing starts in the United States continued to remain significantly below the long-term historical average of 1.5 million starts per year:

	2012	2011	2010
Residential Housing Starts	767,000	607,000	585,000

The decrease in residential housing starts and non-residential construction had a significant impact on the operations of our business by contributing to decreased sales volume and profitability. To respond to current economic conditions facing Gibraltar, including weakened end market conditions and volatile commodity costs, we continue to focus on providing a high level of customer service along with maintaining our position as a market share leader and low-cost provider of our products. As a result, we have closed or consolidated 11 facilities over the past three years, including two during 2012. We have also aggressively reduced operating costs throughout the Company to maximize cash flows generated from operating activities. As a result of these restructuring activities, our break-even point has decreased significantly since 2008.

Commodity raw material prices for materials such as steel, aluminum, and resins, have also fluctuated significantly during the past three years. These fluctuations impact the cost of raw materials we purchase and the pricing we offer to our customers. Commodity prices fell precipitously during the fourth quarter of 2008 and continued to fall during the first two quarters of 2009. The rapid decrease in commodity prices led to lower sales prices offered to customers and falling margins on our product sales during much of 2009. Commodity prices rose in 2010 and are somewhat less volatile since such time. We believe our investment in ERP systems and decreased inventory requirements allow us to react better to these fluctuations and have improved our margins.

As a result of the steps we have taken throughout the economic downturn, we have increased liquidity to a strong level. Using cash generated from operations, we have made significant repayments against our outstanding debt and did not have any amounts outstanding against our revolving credit facility during 2012. Our liquidity as of December 31, 2012 was $165 million including $48 million of cash and $117 million of availability under our revolving credit facility.

Industry Overview

Our business occupies an intermediate market between the primary steel, aluminum, resin, and other basic material producers and the wholesale, retail building supply, industrial manufacturing, and highway construction markets. The primary producers typically focus on producing high volumes of their product. We purchase raw materials from these producers and, through various production processes, convert these raw materials into specialized products for use in the construction or repair and remodel of residential and commercial buildings, industrial and transportation structures, and other products. We primarily distribute our products through wholesale distributors, retailers, and contractors.

Products

Gibraltar is primarily, but not exclusively, a manufacturer of metal products used in the residential and commercial building, industrial manufacturing, and highway construction markets. We operate 34 manufacturing facilities and eight distribution centers throughout the United States, Canada, England, and Germany, giving us a base of operations to provide customer support, delivery, service, and quality to a number of regional and national customers, and providing us with manufacturing and distribution efficiencies in North America, as well as a presence in the European market.

We manufacture an extensive variety of products that are sold through a number of sales channels including building material wholesalers, buying groups, discount and major retail home centers, roofing distributors, residential, industrial, commercial and transportation contractors, and industrial manufacturers.

Our product offerings include a full line of bar grating and safety plank grating used in walkways, stairs, platforms, safety barriers, drainage covers, and ventilation grates; expanded and perforated metal used in walkways, catwalks, shelving, fencing, barriers, patio furniture, and other applications where both visibility and security are necessary; metal lath products used in exterior stucco, stone, and tile projects; fiberglass grating used in areas where high strength, light weight, low maintenance, and corrosion resistance are required; expansion joint systems, bearing assemblies, and pavement sealing systems used in bridge and elevated highway infrastructure construction; roof and foundation ventilation products and accessories; mail storage solutions, including single mailboxes and cluster boxes for multi-unit housing; roof edging, underlayment, and flashing; soffits and trim; drywall corner bead; coated coil stock; metal roofing and accessories; steel framing; and rain dispersion products, including gutters and accessories;, each of which can be sold separately or as an integral part of a package or program sale.

We improve our offerings of building products by introducing new products, enhancing existing products, adjusting product specifications to respond to building code and regulatory changes, and providing additional solutions to homeowners and contractors. New products introduced in recent years that we sell for residential applications include roof top safety kits, chimney caps, heat trace coils and exterior, and remote-controlled deck awnings for sun protection. We have expanded our offerings of non-residential products including customized perforated and expanded metal to penetrate a range of new markets such as architectural facades for buildings (museums, sports stadiums and retail outlets); front grilles for a major truck tractor manufacturer; interior ceilings and lighting fixtures; and outdoor railings and balustrades. Our expanded grating fabrication capabilities have been successfully serving new applications such as wind towers and our newly developed manufacturing process of aluminum-swaged grating has extended our sales penetration into the water and waste water markets. In addition, we have extended the public infrastructure products of D.S. Brown, a business we acquired in 2011, into new markets. For example, D.S. Brown s long-lasting pavement sealants for roadways are now being installed on airport runways; structural bearings for elevated highways and bridges were recently installed on an offshore oil production platform; and corrosion-protection products for cable-suspension bridges are now marketed and sold into Europe and China.

Many of our building products are used by home owners and builders to provide structural and architectural enhancements for residential, commercial, and industrial building projects, including projects in geographic locations subject to severe weather or seismic activity, and facilitate compliance with increasingly stringent building codes and insurance requirements. Our building products are manufactured primarily from galvanized and painted steel, anodized and painted aluminum, copper, brass, zinc, and various resins.

Gibraltar focuses on operational excellence by making our production process as efficient as possible without compromising the quality our customers expect from our business units. Our focus on efficiency relies upon continuous improvement at our plants and distribution centers where we have continued lean manufacturing practices. Additionally, we have implemented ERP systems that allow for just-in-time delivery of materials, efficient production planning, and eliminate manual efforts in the manufacturing process. Improvements in our manufacturing process have enabled Gibraltar to better control manufacturing costs while focusing on new product development and quality. Continued focus on operational excellence will remain a significant initiative as Gibraltar strives to be the low-cost manufacturer of our products.

Our production capabilities allow us to process a wide range of metals and plastics necessary for manufacturing building products. Most of our production is completed using automatic roll forming machines, stamping presses, computer numerical control CNC machines, shears, slitters, press brakes, paint lines, milling, welding, injection molding, and numerous automated assembly machines. We maintain our equipment with a thorough preventive maintenance program, including in-house tool and die shops, allowing us to meet the demanding service requirements of many of our customers. Gibraltar also sources some products from third-party vendors when cost savings can be generated.

Quality Assurance

We place great importance on providing our customers with high-quality products for use in critical construction applications. We carefully select our raw material vendors and use inspection and analysis to maintain our quality standards so our products meet critical customer specifications. To meet customer specifications, we use documented procedures utilizing statistical process control systems linked directly to processing equipment to monitor many stages of production. A number of our facilities quality systems are registered under ISO 9001, an internationally recognized set of quality-assurance standards, and other industry standards. Gibraltar believes ISO registration is important as the disciplines it promotes help ensure the high quality products our customers expect.

Technical Services

We employ a staff of engineers and other technical personnel and maintain fully-equipped, modern laboratories to support our operations. These laboratories enable us to verify, analyze, and document the physical, chemical, metallurgical, and mechanical properties of our raw materials and products. In addition, our engineering staff employs a range of drafting software to design highly specialized and technically precise products. Technical service personnel also work in conjunction with our sales force to determine the types of products and services required for the particular needs of our customers.

Suppliers and Raw Materials

Our business is required to maintain sufficient quantities of raw material inventory in order to accommodate our customers short lead times and just-in-time delivery requirements. Accordingly, we plan our purchases to maintain raw materials at sufficient levels to satisfy the anticipated needs of our customers. We use recently implemented ERP systems to better manage our inventory, forecast customer orders, enable efficient supply chain management, and allow for more timely counter-measures to changing customer demand and market conditions.

The primary raw materials we purchase are flat-rolled steel, aluminum, and resins. We purchase flat-rolled steel and aluminum at regular intervals on an as-needed basis, primarily from the major North American mills, as well as a limited amount from domestic service centers and foreign steel importers. Substantially all of our resins are purchased from domestic vendors, primarily through distributors with a small amount direct from manufacturers. Supply has been adequate from these sources to fulfill our needs. Because of our strategy to develop longstanding relationships in our supply chain, we have been able to adjust our deliveries of raw materials to match our required inventory positions to support our on-time deliveries to customers while allowing us to manage our investment in inventory and working capital.

The cost of our raw material purchases of steel, aluminum, and resins are significantly linked to commodity markets. The markets for commodities are highly cyclical and the costs of purchasing these raw materials can be volatile due to a number of factors including general economic conditions, domestic and worldwide demand, labor costs, competition, import duties, tariffs, and currency exchange rates. Changes in commodity costs not only impact the cost of our raw materials but also influence the prices we offer our customers. Gibraltar has not used hedge contracts to mitigate changes in commodity costs, instead we manage fluctuations in the market by maintaining lean inventory levels and increasing the efficiency of our manufacturing processes.

We purchase natural gas and electricity from suppliers in proximity to our operations.

We have no long-term contractual commitments with our suppliers. Management continually examines and improves our purchasing practices across our geographically dispersed facilities in order to streamline purchasing across similar commodities.

Intellectual Property

We actively protect our proprietary rights throughout North America and Europe by the use of trademark, copyright, and patent registrations and use our intellectual property in the business activities of each business unit. While no individual item of our intellectual property is considered material, we believe our trademarks, copyrights, and patents provide us with a competitive advantage when marketing our products to customers. Our brands are well recognized in the markets we serve and we believe they stand for high-quality manufactured goods at a competitive price. These trademarks and trade names allow us to maintain product leadership positions for the goods we offer.

Sales and Marketing

Our products and services are sold primarily by channel partners who are called on by our sales personnel and outside sales representatives located throughout the United States, Canada, Mexico, and Europe. We have organized sales teams to focus on specific customers and national accounts through which we provide enhanced supply solutions and improve our ability to increase the number of products that we sell. Our sales staff works with certain retail customers to optimize shelf space for our products which is expected to increase sales at these locations.

We focus on providing our customers with industry leading customer service. Our business units generate numerous publications, catalogs, and other printed materials to facilitate the ordering process. In addition, we provide our retail customers with point-of-sale marketing aids to encourage consumer spending on our products in their stores. Continual communication with our customers allows us to understand their concerns and provides us with the capability to identify solutions that will meet our customers needs. We offer our customers prompt service and short lead times because we have the ability to successfully meet short deadlines. Gibraltar is able to meet our customers demand requirements due to our efficient manufacturing process and extensive distribution network.

Customers and Distribution

Our customers are located throughout the United States, Canada, Europe, Asia, and Central and South America, principally in the home improvement; new residential, low-rise commercial; bridge and highway construction; and a variety of industrial markets. A majority of our products are sold through sales channels. Major customers include home improvement retailers, building product distributors, and commercial, residential, and transportation contractors. The Home Depot represented 12%, 13%, and 14% of our consolidated net sales for 2012, 2011, and 2010, respectively. No other customer accounted for more than 10% of our net sales.

Table of Contents

Our products are distributed to our customers using common carriers and our own fleet of trucks. We maintain a network of distribution centers that complement our manufacturing plants from which we ship products and ensure on-time delivery while maintaining efficiency within our distribution process. During the past three years, we have consolidated a number of distribution centers and reduced the number of distribution centers from fifteen as of December 31, 2008 to eight today. Increased efficiency within our distribution network allowed us to eliminate costs from our business while continuing to provide excellent service to our customers.

Backlog

Because of the nature of our products and the short lead time order cycle, backlog is not a significant factor in most of our business units. We believe that substantially all of our firm orders existing on December 31, 2012 will be shipped during 2013.

Competition

Gibraltar operates in the highly competitive building products market with several North American suppliers and, in the case of European operations, some international suppliers. A few of our competitors may be larger, have greater financial resources, or have less financial leverage than we do. As a result, these competitors may be better positioned to respond to any downward pricing pressure or other adverse economic or industry conditions or to identify and acquire companies or product lines compatible with their business.

We compete with numerous suppliers of building products based on the range of products offered, quality, price, and delivery. Although some of these competing suppliers are large companies, the majority are small to medium-sized and do not offer the large range of building products we do.

The prices for raw materials used in our operations, primarily steel, aluminum, and resins, are volatile due to a number of factors beyond our control, including but not limited to supply shortages, general industry and economic conditions, labor costs, import duties, tariffs, and currency exchange rates. Although we have strategies to deal with volatility in raw material costs, such as reducing inventory levels, our competitors who do not have to maintain inventories as large as ours may be better able to mitigate the effects of this volatility and thereby compete effectively against us on product price.

We believe our broad range of products, high quality, and sustained ability to meet exacting customer delivery requirements gives us a competitive advantage over many of our competitors.

Employees

At December 31, 2012 and 2011, we employed 2,306 and 2,221 employees, respectively. The 4% increase in employment from the prior year was primarily attributable to the four acquisitions made during 2012.

Approximately 17% of our workforce was represented by unions through various collective bargaining agreements (CBAs) as of December 31, 2012. One CBA, representing 1% of our workforce, expired and is currently being re-negotiated. One of the four acquisitions made during 2012 was party to a CBA; the Company recognized the union upon acquisition, but not their contract. Another CBA, representing less than 1% of our workforce, will expire during 2013. Our other CBAs expire between January 1, 2014 and April 1, 2016. We historically have had good relationships with our unions. We expect the current and future negotiations with our unions to result in contracts that provide benefits that are consistent with those provided in our current agreements.

Seasonality

Our net sales and income are generally lower in the first and fourth quarters compared to the second and third quarters primarily due to the seasonality of construction activity. Our sales volume is driven by residential renovation and other construction activities which typically peaks with warmer weather and is reduced due to colder and more inclement weather in the winter months. Operating margins are impacted by this seasonality because Gibraltar s operating costs have fixed cost components.

Governmental Regulation

Our manufacturing facilities and distribution centers are subject to many federal, state, and local requirements relating to the protection of the environment. Our production processes use some environmentally sensitive materials. For example, we lubricate our machines with oil and use oil baths to treat some of our products. We believe that we operate our business in material compliance with all environmental laws and regulations, do not anticipate any material expenditures to continue to meet environmental requirements, and do not believe that future compliance with such laws and regulations will have a material adverse effect on our financial condition or results of operations. However, we could incur operating costs or capital expenditures in complying with new or more stringent environmental requirements in the future or with current requirements if they are applied to our facilities in a way we do not anticipate. In addition, new or more stringent regulation of our energy suppliers could cause them to increase the price of energy they supply us.

Table of Contents

Our operations are also governed by many other laws and regulations covering our labor relationships, the zoning of our facilities, our general business practices, and other matters. We believe that we are in material compliance with these laws and regulations and do not believe that future compliance with such laws and regulations will have a material adverse effect on our financial condition or results of operations.

Internet Information

Copies of the Company s Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge through the Company s website (www.gibraltar1.com) as soon as reasonably practicable after the Company electronically files the material with, or furnishes it to, the Securities and Exchange Commission.

Item 1A. ***Risk Factors***

Uncertainty and market volatility within the United States and worldwide capital and credit markets have and could continue to negatively impact the Company s business.

The economic conditions experienced since the recession began in 2008 have caused market prices of many stocks to fluctuate substantially, the spreads on prospective debt financings to widen considerably, and have materially impacted liquidity in the financial markets, making terms for certain financings less attractive, and in some cases have resulted in the unavailability of financing. Continued uncertainty in the capital and credit markets may negatively impact our business, including our ability to access additional financing at reasonable terms, which may negatively affect our ability to make future acquisitions. A prolonged downturn in the financial markets may cause us to seek alternative sources of potentially less attractive financing, and may require us to further adjust our business plan accordingly. These events may also make it more difficult or costly for us to raise capital through the issuance of our equity securities and could reduce our net income by increasing our interest expense and other costs of capital. The disruptions in the financial markets may have a material adverse effect on the market value of our common stock.

The diminished availability of credit and other capital is also affecting end users in the key markets we serve. There is continued uncertainty as to sustainability of the recovery of the worldwide capital and credit markets and the impact this uncertainty and volatility will continue to have on our key end markets. Further volatility in the worldwide capital and credit markets may continue to significantly impact the key end markets we serve and could result in further reductions in sales volume, increased credit and collection risks, and may have other adverse effects on our business.

Our amount of indebtedness could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, and prevent us from meeting our obligations.

We had total indebtedness of $207.8 million as of December 31, 2012. The following chart shows our level of indebtedness and certain other information as of December 31, 2012 (dollars in thousands):

Senior subordinated notes	$ 202,702
Other debt	5,101
Total debt	$ 207,803
Shareholders equity	$ 476,822
Ratio of earnings to fixed charges[1]	2.23x

[1] For purposes of calculating the ratio of earnings to fixed charges, earnings consist of income before taxes minus capitalized interest plus intangible asset impairment charges plus fixed charges. Fixed charges include interest expense (including amortization of debt issuance costs), capitalized interest, the portion of operating rental expense that management believes is representative of the interest component of rent expense, and the interest on uncertain tax positions.

We may not be able to generate sufficient cash flow from operating results and other sources to service all of our indebtedness, including the Senior Subordinated Notes, and may be forced to take other actions to satisfy our obligations under our debt agreements, which may not be successful.

Our ability to make scheduled debt service payments or to refinance our debt obligations, depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

Table of Contents

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures, or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness. We may not be able to affect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our scheduled debt service obligations. The credit agreement governing the revolving credit facility and the indenture that govern the notes restricts our ability to dispose of assets and use the proceeds from those dispositions and may also restrict our ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

If we cannot make scheduled payments on our debt, we will be in default and, as a result:

- our debt holders could declare all outstanding principal and interest to be due and payable;
- the lenders under the revolving credit facility could terminate their commitments to loan money, and foreclose against the assets securing their borrowings; and
- we could be forced into bankruptcy or liquidation.

Relative to current indebtedness levels, we may still be able to incur substantially more debt. This could further exacerbate the risks described above.

Subsequent to December 31, 2012, the Company issued $210.0 million of 6.25% Senior Subordinated Notes (6.25% Notes) due February 1, 2021. In connection with the issuance of the 6.25% Notes, on January 16, 2013 the Company initiated a tender offer to purchase the outstanding $204.0 million of 8% Senior Subordinated Notes (8% Notes) due in 2015. Simultaneously with the closing of the sale of the 6.25% Notes on January 31, 2013, the Company purchased the tendered 8% Notes. The 8% Notes that were not tendered and purchased were called for redemption. In connection with the purchase and subsequent redemption, the Company satisfied and discharged its obligations under the 8% Notes as of January 31, 2013. The terms of the indenture for our 6.25% Notes do not fully prohibit us or our subsidiaries from incurring additional debt.

Additionally, the Senior Credit Agreement provides us with a revolving credit facility commitment up to $200 million with borrowings limited to the lesser of (i) $200 million or (ii) a borrowing base determined by reference to the trade receivables, inventories, and property, plant, and equipment of our significant domestic subsidiaries. At December 31, 2012, we had $116.8 million of availability under our revolving credit facility. Under the terms of our Senior Credit Agreement, we are required to repay all amounts outstanding under the revolving credit facility by October 10, 2016. Our principal operating subsidiary, Gibraltar Steel Corporation of New York, is also a borrower under the Senior Credit Agreement and the full amount of our commitments under the revolving credit facility may be borrowed by that subsidiary.

In addition, our substantial degree of indebtedness could have other important consequences, including the following:

- it may limit our ability to obtain additional debt or equity financing for working capital, capital expenditures, product development, debt service requirements, acquisitions, and general corporate or other purposes;
- a substantial portion of our cash flows from operations have been and are expected to be dedicated to the payment of principal and interest on our indebtedness and may not be available for other purposes, including our operations, capital expenditures, and future business opportunities;
- certain of our borrowings, including borrowings under the Senior Credit Agreement, are at variable rates of interest, exposing us to the risk of increased interest rates; and

it may limit our ability to adjust to changing market conditions and place us at a competitive disadvantage compared to our competitors that have less debt.

Restrictive covenants may adversely affect our operations.

The Senior Credit Agreement and the indenture governing our 6.25% Notes contain various covenants that limit our ability to, among other things:

incur additional debt or provide guarantees in respect of obligations of other persons;

pay dividends or distributions or redeem or repurchase capital stock;

prepay, redeem, or repurchase debt;

make loans, investments including acquisitions, and capital expenditures;

Table of Contents

- incur debt that is senior to our 6.25% Notes but junior to our indebtedness under the Senior Credit Agreement and other senior indebtedness;
- incur liens;
- receive distributions from our subsidiaries;
- sell assets and capital stock of our subsidiaries;
- consolidate or merge with or into, or sell substantially all of our assets to, another person; and
- enter into new lines of business.

In addition, the restrictive covenants in the Senior Credit Agreement include a single financial covenant that requires the Company to maintain a minimum fixed charge coverage ratio of 1.25 to 1.00. Our ability to meet the restrictive covenants in the future can be affected by events beyond our control and we cannot assure you that we will meet the financial ratio. A breach of any of these covenants would result in a default under the Senior Credit Agreement. Upon the occurrence of an event of default under the Senior Credit Agreement, we would attempt to receive a waiver from our lenders, which could result in us incurring additional financing fees that would be costly and adversely affect our profitability and cash flows. If a waiver was not provided, the lenders could elect to declare all amounts outstanding under such facility to be immediately due and payable and terminate all commitments to extend further credit. If such event of default and election occurs, the lenders under the Senior Credit Agreement would be entitled to be paid before current 6.25% Note holders receive any payment under our notes. In addition, if we were unable to repay those amounts, the lenders under the Senior Credit Agreement could proceed against the collateral granted to them to secure that indebtedness. We have pledged substantially all our assets as collateral under the Senior Credit Agreement. If the lenders under the Senior Credit Agreement accelerate the repayment of borrowings, we cannot assure you that we will have sufficient assets to repay debt outstanding under the Senior Credit Agreement and our other indebtedness, including our 6.25% Notes, or borrow sufficient funds to refinance such indebtedness. An acceleration of the amounts outstanding under the Senior Credit Agreement would result in an event of default under the 6.25% Notes which would then entitle the holders thereof to accelerate and demand repayment of the notes as well. Even if we are able to obtain new financing to pay the amounts due under the Senior Credit Agreement and 6.25% Notes, it may not be on commercially reasonable terms, or terms that are acceptable to us. A breach of any of our covenants would have an adverse effect on our business, results of operations, and cash flow.

Variable rate indebtedness subjects us to interest rate risk which could cause our debt service obligations to increase significantly.

Certain of our borrowings, primarily borrowings under the Senior Credit Agreement, are, and are expected to continue to be, at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase on any amounts outstanding under the Senior Credit Agreement, and our net income would decrease. Assuming all revolving loans were fully drawn or funded on December 31, 2012, as applicable, each 25 basis point change in interest rates would result in a $0.5 million change in annual interest expense on debt outstanding under the Senior Credit Agreement.

The residential building as well as the repair and remodel markets account for a significant portion of our sales, and any substantial reduction in demand from these markets is likely to adversely affect our profitability and cash flow.

The residential building market in North America experienced a significant decline in volume during a recession that began in 2008 which has recently shown signs of modest recovery. Similar trends were noted in the other end markets we serve, including various commercial and industrial markets.

Our largest customers are retail home improvement centers and wholesale distributors who serve our key end markets. The Home Depot accounted for approximately 12%, 13%, and 14% of our net sales during 2012, 2011, and 2010, respectively.

A loss of sales due to decreased demand from the residential building market, the repair and remodel market, the specified customer, or any of the other industries we serve, or a decrease in the prices that we can realize from sales of our products to customers in any of these markets could adversely affect our profitability and cash flows. The end markets we serve have been and are expected to continue to be cyclical, with product demand based on numerous factors such as availability of credit, interest rates, general economic conditions, consumer confidence, unemployment levels, and other factors beyond our control. The economic conditions experienced in the earlier years of the recession negatively affected all of these factors. Modest recovery in the past two years has demonstrated improvement in these factors and in our profitability and cash flow.

Table of Contents

We rely on a few customers for a significant portion of our net sales. The loss of those customers would adversely affect our business.

Some of our customers are material to our business and results of operations. Our ten largest customers accounted for approximately 36%, 31%, and 34% of our net sales during 2012, 2011, and 2010, respectively. Our percentage of net sales to our major customers may increase if we are successful in executing our strategy of broadening the range of products we sell to existing customers. In such as event, or in the event of any consolidation of our customers, our net sales may be increasingly sensitive to deterioration in the financial condition of, or other adverse developments with, one or more of our largest customers. These customers are also able to exert pricing and other influences on us, requiring us to market, deliver, and promote our products in a manner that may be more costly to us. Moreover, we generally do not have long-term contracts with our customers. As a result, although our customers periodically provide indications of their product needs and purchases, they generally purchase our products on an order-by-order basis, and the relationship, as well as particular orders, can be terminated at any time. The loss, bankruptcy, or significant decrease in business from any of our major customers would have a material adverse effect on our business, results of operations, and cash flow.

Our business is highly competitive and increased competition could reduce our gross profit, net income, and cash flow.

The principal markets that we serve are highly competitive. Competition is based primarily on quality, price, raw material and inventory availability, and the ability to meet delivery schedules dictated by customers. We compete in our principal markets with companies of various sizes, some of which have greater financial and other resources than we do and some of which have better established brand names in the markets we serve. Increased competition could force us to lower our prices or to offer additional services or enhanced products at a higher cost to us, which could reduce our gross profit, net income, and cash flow and cause us to lose market share.

Our future operating results may be affected by fluctuations in raw material costs. We may not be able to pass on increased raw material costs to our customers.

Our principal raw materials are commodity products consisting of steel, aluminum, and resins, which we purchase from multiple primary suppliers. The commodity market as a whole is cyclical, and at times availability and pricing can be volatile due to a number of factors beyond our control, including general economic conditions, domestic and worldwide demand, labor costs, competition, import duties, tariffs, and currency exchange rates. This volatility can significantly affect our raw material costs.

Global consolidation of the primary steel producers and increased demand from other nations such as China and India continue to put upward pressure on market prices for steel and other commodities. Additionally, we are required to maintain moderate to high levels of inventories to accommodate the short lead times and just-in-time delivery requirements of our customers. Accordingly, we purchase raw materials on a regular basis in an effort to maintain our inventory at levels that we believe are sufficient to satisfy the anticipated needs of our customers based upon expected buying practices and market conditions. In an environment of increasing raw material prices, competitive conditions will impact how much of the steel price increases we can pass on to our customers. To the extent we are unable to pass on price increases in our raw materials to our customers, the profitability of our business and resulting cash flows could be adversely affected. In the event of rapidly decreasing raw material prices, we may be left to absorb the cost of higher cost inventory as customers receive reduced pricing related to decreases in raw material costs. To the extent we are unable to match our costs to purchase raw materials to prices given to our customers, the profitability of our business and resulting cash flows could be adversely affected.

Lead time and the cost of our products could increase if we were to lose one of our primary suppliers.

If, for any reason, our primary suppliers of steel, aluminum, resins, or other materials should curtail or discontinue deliveries to us in quantities we need and at prices that are competitive, our business could suffer. The number of available suppliers has been reduced in recent years due to industry consolidation and bankruptcies affecting steel and metal producers and this trend may continue. Our top ten suppliers accounted for 30% of our purchases during 2012. We could be significantly and adversely affected if delivery were disrupted from a major supplier or several suppliers. In addition, we do not have long-term contracts with any of our suppliers. If, in the future, we were unable to obtain sufficient amounts of the necessary metals at competitive prices and on a timely basis from our traditional suppliers, we may not be able to obtain such metals from alternative sources at competitive prices to meet our delivery schedules, which would have a material adverse effect on our results, profitability, and cash flow.

Table of Contents

Increases in energy and freight prices would increase our operating costs and we may be unable to pass all these increases on to our customers in the form of higher prices for our products. We use energy to manufacture and transport our products. In particular, our plants use considerable amounts of electricity and our freight expenses include the cost of fuel to operate trucks. Our operating costs increase if energy costs rise. Although we do not believe we have experienced materially higher energy costs as a result of new or more stringent environmental regulations of our energy suppliers, such regulations could increase the cost of generating energy that is passed on to us. We do not hedge our exposure to higher prices via energy futures contracts. During periods of higher freight and energy costs, we may not be able to recover our operating cost increases through price increases without reducing demand for our products. Increases in energy prices may reduce our profitability and cash flows if we are unable to pass all the increases on to our customers through higher selling prices.

We may not be able to identify, manage, and integrate future acquisitions successfully and if we are unable to do so, we are unlikely to sustain growth in net sales or profitability and our ability to repay our outstanding indebtedness may decline.

Historically, we have grown through a combination of internal growth plus external expansion through acquisitions such as the recent acquisitions made in 2011 and 2012. Although we intend to actively pursue our growth strategy in the future, we cannot provide any assurance that we will be able to identify appropriate acquisition candidates or, if we do, that we will be able to negotiate successfully the terms of an acquisition, finance the acquisition, or integrate the acquired business profitably into our existing operations. Integration of an acquired business could disrupt our business by diverting management away from day-to-day operations and could result in liabilities that were not anticipated. Further, failure to integrate any acquisition successfully may cause significant operating inefficiencies and could adversely affect our profitability and our ability to repay our outstanding indebtedness. Consummating an acquisition could require us to raise additional funds through additional equity or debt financing. Additional debt financing would increase our interest expense and reduce our cash flow otherwise available to reinvest in our business and neither debt nor equity financing may be available on satisfactory terms when required.

We are subject to information system security risks and systems integration issues could disrupt our internal operations.

We are dependent upon information technology for the distribution of information internally and also to our customers and suppliers. This information technology is subject to theft, damage, or interruption from a variety of sources, including but not limited to malicious computer code, such as worms, viruses and Trojan horses, security breaches, and defects in design. The implementation of new information technology solutions could lead to interruptions of information flow internally and to our customers and suppliers while the implementation project is being completed. We implemented new systems during the past three years at several business units. Various measures have been taken to manage our risks related to information system and network disruptions, but a security breach, system failure, or failure to implement new systems properly could negatively impact our operations and financial results.

Our principal stockholders have the ability to exert significant influence in matters requiring a stockholder vote and could delay, deter, or prevent a change in control of the Company.

Approximately 8% of our outstanding common stock, including shares of common stock issuable under options and similar compensatory instruments granted which are exercisable, or which vested or will vest within 60 days, are owned by Brian J. Lipke, the Chairman of the Board and Chief Executive Officer of the Company, Eric R. Lipke, Neil E. Lipke, Meredith A. Lipke, and the estate of Curtis W. Lipke, all of whom are siblings, and certain trusts for the benefit of each of them and their families. As a result, the Lipke family has influence over all actions requiring stockholder approval, including the election of our board of directors. In deciding how to vote on such matters, the Lipke family may be influenced by interests that conflict with the interests of other shareholders.

We depend on our senior management team, and the loss of any member could adversely affect our operations.

Our success is dependent on the management and leadership skills of our senior management team. The loss of any of these individuals or an inability to attract, retain, and maintain additional personnel could prevent us from successfully executing our business strategy. We cannot assure you that we will be able to retain our existing senior management personnel or to attract additional qualified personnel when needed. We have not entered into employment agreements with any of our senior management personnel other than Brian J. Lipke, our Chairman of the Board and Chief Executive Officer, and Henning N. Kornbrekke, our President and Chief Operating Officer.

Table of Contents

We could incur substantial costs in order to comply with, or to address any violations of, environmental laws.

Our operations and facilities are subject to a variety of federal, state, local, and foreign laws and regulations relating to the protection of the environment and human health and safety. Compliance with these laws and regulations sometimes involves substantial operating costs and capital expenditures, and any failure to maintain or achieve compliance with these laws and regulations or with the permits required for our operations could result in fines and civil or criminal sanctions, third-party claims for property damage or personal injury, cleanup costs or temporary or permanent discontinuance of operations including claims arising from the businesses and facilities that we have sold. We sometimes use hazardous and regulated substances such as petroleum products, hydraulic fluids, and solvents in our operations and are responsible for the proper handling, storage and disposal of hazardous materials and wastes. We have also acquired and continue to acquire, businesses and facilities to add to our operations. Certain facilities of ours have been in operation for many years and we may be liable for remediation of any contamination at our current or former facilities, or at off-site locations where wastes have been sent for disposal, regardless of fault or whether we, our predecessors or others are responsible for such contamination. We have been responsible for remediation of contamination at some of our locations and, while such costs have not been material so far, the cost of remediation of any newly-discovered contamination cannot be quantified, and we cannot assure you that it will not materially affect our profits or cash flows. Changes in environmental laws, regulations or enforcement policies, including without limitation new or more stringent regulations affecting greenhouse gas emissions, could have a material adverse effect on our business, financial condition, or results of operations.

Labor disruptions at any of our major customers or at our own manufacturing facilities could adversely affect our results of operations and cash flow.

Many of our customers have unionized workforces and could experience labor disruptions such as work stoppages, slow-downs, and strikes. A labor disruption at one or more of our customers could interrupt production or sales by that customer and cause the customer to halt or limit orders for our products and services. Any such reduction in the demand for our products and services would adversely affect our net sales, results of operations, and cash flow.

In addition, approximately 17% of our own employees are represented by unions through various collective bargaining agreements. Our collective bargaining agreements are scheduled to expire between January 1, 2013 and April 1, 2016. We also have recognized a union at one of the businesses we acquired during the fourth quarter of 2012, and are in the process of negotiating an initial agreement with this union. It is likely that our unionized employees would seek an increase in wages and benefits at the expiration of these agreements, and we may be unable to negotiate new agreements without labor disruption or on terms favorable to us. In addition, labor organizing activities could occur at any of our facilities. If any labor disruption were to occur at our facilities, we could lose sales due to interruptions in production and could incur additional costs, which would adversely affect our net sales, results of operations, and cash flow.

Our operations are subject to seasonal fluctuations that may impact our cash flow.

Our net sales are generally lower in the first and fourth quarters primarily due to reduced activity in the building industry due to colder, more inclement weather. In addition, quarterly results may be affected by the timing of shipments of large customer orders. Therefore, our cash flow from operations may vary from quarter to quarter. If, as a result of any such fluctuation, our quarterly cash flows were significantly reduced, we may not be able to service our indebtedness or maintain covenant compliance. A default under any of our indebtedness could prevent us from borrowing additional funds and limit our ability to pay interest or principal, and allow our senior secured lenders to enforce their liens against our assets securing our indebtedness to these senior secured lenders.

Economic, political, and other risks associated with foreign operations could adversely affect our financial results.

Although the large majority of our business activity takes place in the United States, we derive a portion of our revenues and earnings from operations in foreign countries, and are subject to risks associated with doing business internationally. Our sales originating outside the United States represented approximately 12% of our consolidated net sales during the year ended December 31, 2012. We have facilities in Canada, England, and Germany. We believe that our business activities outside of the United States involve a higher degree of risk than our domestic activities. The risks of doing business in foreign countries include deterioration of foreign economic conditions, uncertainty over the stability of the Eurozone, the potential for adverse changes in the local political climate, in diplomatic relations between foreign countries and the United States or in governmental policies, laws or regulations, terrorist activity that may cause social disruption, logistical and communications challenges, costs of complying with a variety of laws and regulations, difficulty in staffing and managing geographically diverse operations, deterioration of foreign economic conditions, currency rate fluctuations, foreign exchange restrictions, differing local business practices and cultural considerations, restrictions on imports and exports or sources of supply, and changes in duties or taxes. Adverse changes in any of these risks could adversely affect our net sales, results of operations, and cash flows.

Disruptions to our business or the business of our customers or suppliers could adversely impact our operations and financial results.

Business disruptions, including increased costs for or interruptions in the supply of energy or raw materials, resulting from severe weather events such as hurricanes, floods, blizzards, from casualty events, such as fires or material equipment breakdown, from acts of terrorism, from epidemic or pandemic disease, from labor disruptions, or from other events such as required maintenance shutdowns, could cause interruptions to our businesses as well as the operations of our customers and suppliers. Such interruptions could have an adverse effect on our operations and financial results.

The nature of our business exposes us to product liability, product warranty and other claims and other legal proceedings.

We are involved in product liability, product warranty and other claims relating to the products we manufacture and distribute that, if adversely determined, could adversely affect our financial condition, operating results, and cash flows. In addition, we are exposed to potential claims arising from parties, such as customers, for which we may be contractually liable. Although we currently maintain what we believe to be suitable and adequate insurance in excess of our self-insured amounts, there can be no assurance that we will be able to maintain such insurance on acceptable terms or that such insurance will provide adequate protection against potential liabilities. Product liability claims can be expensive to defend and can divert the attention of management and other personnel for significant periods, regardless of the ultimate outcome. Claims of this nature could also have a negative impact on customer confidence in our products and our company. We cannot assure you that any current or future claims will not adversely affect our financial condition, operating results, and cash flows.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

Our principal executive office and headquarters is located in Buffalo, New York, in a leased facility. As of December 31, 2012, we owned or leased 37 facilities in the U.S., five in Canada, and two in Europe of which 26 were leased and 18 were owned. We believe the facilities we operate and their equipment are effectively utilized, well maintained, in good condition, and will be able to accommodate our capacity needs to meet current levels of demand. Our broad North American and European network is well maintained and our sites are located to optimize customer service, market requirements, distribution capability and freight costs. We continuously review our anticipated requirements for facilities and, on the basis of that review, may from time to time acquire additional facilities and/or dispose of existing facilities.

Item 3. ***Legal Proceedings***

From time to time, the Company is named a defendant in legal actions arising out of the normal course of business. The Company is not a party to any pending legal proceedings that management believes will have a material adverse effect on the Company s results of operations or financial condition. The Company is also not a party to any other pending legal proceedings other than ordinary, routine litigation incidental to its business. The Company maintains liability insurance against risks arising out of the normal course of business.

Item 4. ***Mine Safety Disclosures***

Not applicable.

Table of Contents

PART II

Item 5. ***Market for Common Equity and Related Stockholder Matters***

As of December 31, 2012 there were 131 shareholders of record of the Company s common stock. However, the Company believes that it has a significantly higher number of shareholders because of the number of shares that are held by nominees.

The Company s common stock is traded in the over-the-counter market and quoted on the NASDAQ Global Select Market (NASDAQ) under the symbol ROCK. The following table sets forth the high and low sale prices per share for the Company s common stock for each quarter of 2012 and 2011 as reported on the NASDAQ Stock Exchange.

	2012		2011	
	High	Low	High	Low
Fourth Quarter	$ 16.00	$ 11.96	$ 14.77	$ 7.40
Third Quarter	$ 13.78	$ 9.03	$ 11.66	$ 7.35
Second Quarter	$ 15.75	$ 9.10	$ 14.12	$ 10.51
First Quarter	$ 17.44	$ 13.08	$ 14.48	$ 10.13

The Company did not declare cash dividends during the years ended December 31, 2012 and 2011. Cash dividends are declared at the discretion of the Company s Board of Directors. The Board of Directors determines to pay dividends based upon such factors as the Company s earnings, financial condition, capital requirements, debt covenant requirements, and other relevant conditions.

Equity Compensation Plan Information

The following table summarizes information as of December 31, 2012 concerning securities authorized for issuance under the Company s stock option plans:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options	Weighted-Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans [1]
Equity Compensation Plans Approved by Security Holders	711,624	$ 14.97	726,461
Total	711,624	$ 14.97	726,461

1 Consists of the Gibraltar Industries, Inc. 2005 Equity Incentive Plan (the Plan). Note 11 of the Company s audited consolidated financial statements included in Item 8 of this Annual Report on Form 10-K provides additional information regarding the Plan and securities issuable upon exercise of options. All currently effective equity compensation plans have been approved by the Company s shareholders.

Table of Contents

Performance Graph

The following information in this Item of the Annual Report on Form 10-K is not deemed to be soliciting material or to be filed with the Securities and Exchange Commission or subject to Regulation 14A or 14C under the Securities Exchange Act of 1934, as amended (the Exchange Act), or to the liabilities of Section 18 of the Exchange Act, and will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that we specifically incorporate such information into such a filing.

The performance graph shown below compares the cumulative total shareholder return on the Company s common stock, based on the market price of the common stock, with the total return of the S&P SmallCap 600 Index and the S&P SmallCap 600 Industrials Index for the five-year period ended December 31, 2012. The comparison of total return assumes that a fixed investment of $100 was invested on December 31, 2007 in common stock and in each of the foregoing indices and further assumes the reinvestment of dividends. The stock price performance shown on the graph is not necessarily indicative of future price performance.

Table of Contents

Item 6. ***Selected Financial Data***

(in thousands, except per share data)

The following selected historical consolidated financial data for each of the five years in the period ended December 31, 2012 have been derived from the Company s audited financial statements as restated for discontinued operations. The selected historical consolidated financial data presented in Item 6 are qualified in their entirety by, and should be read in conjunction with, the Company s audited consolidated financial statements and notes thereto contained in Item 8 and Management s Discussion and Analysis of Financial Condition and Results of Operations set forth in Item 7 of this Annual Report on Form 10-K.

	Year Ended December 31,				
	2012	2011	2010	2009	2008
Net sales	$ 790,058	$ 766,607	$ 637,454	$ 639,076	$ 917,476
Intangible asset impairment	$ 4,628	$	$ 76,964	$ 60,098	$
Income (loss) from operations	$ 40,261	$ 36,158	$ (72,642)	$ (37,061)	$ 62,341
Interest expense	$ 18,582	$ 19,363	$ 19,714	$ 21,433	$ 23,820
Income (loss) before taxes	$ 22,167	$ 16,885	$ (92,279)	$ (58,183)	$ 39,245
Provision for (benefit of) income taxes	$ 9,517	$ 7,669	$ (16,923)	$ (18,611)	$ 14,723
Income (loss) from continuing operations	$ 12,650	$ 9,216	$ (75,356)	$ (39,572)	$ 24,522
Income (loss) from continuing operations per share Basic	$ 0.41	$ 0.30	$ (2.49)	$ (1.31)	$ 0.82
Weighted average shares outstanding Basic	30,752	30,507	30,303	30,135	29,981
Income (loss) from continuing operations per share Diluted	$ 0.41	$ 0.30	$ (2.49)	$ (1.31)	$ 0.81
Weighted average shares outstanding Diluted	30,857	30,650	30,303	30,135	30,193
Cash dividends declared per common share	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.20
Current assets	$ 267,238	$ 268,854	$ 242,377	$ 252,125	$ 348,229
Current liabilities	$ 117,585	$ 128,424	$ 100,118	$ 109,016	$ 125,201
Total assets	$ 883,674	$ 872,055	$ 810,890	$ 974,942	$ 1,146,359
Total debt	$ 207,803	$ 207,163	$ 207,197	$ 257,282	$ 356,372
Shareholders equity	$ 476,822	$ 459,936	$ 440,853	$ 528,226	$ 568,487
Capital expenditures	$ 11,351	$ 11,552	$ 8,362	$ 9,791	$ 17,639
Depreciation	$ 19,673	$ 19,872	$ 18,797	$ 18,034	$ 17,971
Amortization	$ 6,671	$ 6,309	$ 5,167	$ 5,187	$ 5,550

Table of Contents

Item 7. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

The following Management s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Company s risk factors and its consolidated financial statements and notes thereto included in Item 1A and Item 8, respectively, of this Annual Report on Form 10-K. Certain information set forth herein Item 7 constitutes forward-looking statements as that term is used in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based, in whole or in part, on management s beliefs, estimates, assumptions, and currently available information. For a more detailed discussion of what constitutes a forward-looking statement and of some of the factors that could cause actual results to differ materially from such forward-looking statements, please refer to the Safe Harbor Statement on page 2 of this Annual Report on Form 10-K.

Company Overview

Gibraltar is a leading manufacturer and distributor of products for the building and industrial markets. Our products provide structural and architectural enhancements for residential homes, low-rise retail, other commercial and professional buildings, industrial plants, bridges and a wide variety of other structures. These products include ventilation products, mail storage solutions including mailboxes and package delivery products, rain dispersion products and accessories, bar grating, expanded metal, metal lath and expansion joints and structural bearings. We believe Gibraltar has strong brand recognition in these product categories which provides us with product leadership positions. We serve customers throughout North America, Europe, Asia, and Central and South America including major home improvement retailers, distributors and contractors. As of December 31, 2012, we operated 44 facilities in 21 states, Canada, England and Germany, giving us a broad platform for just-in-time delivery and support to our customers. Our common stock is trading on the NASDAQ stock market under the ticker symbol ROCK.

Our customers principally serve the home improvement; new residential, low-rise commercial; bridge and highway construction and a variety of industrial markets. A majority of our products are sold through sales channels. Major customers include The Home Depot, other big box retailers, national building products wholesalers, industrial equipment manufacturers and contractors.

We believe that we have established a reputation as an industry leader in quality, service and innovation and have achieved strong competitive positions in our markets. We attribute our standing in the market primarily to the following competitive strengths:

Leading market share. We have a leading market position in many of the products and services we offer, and we estimate that a majority of our net sales for the year ended December 31, 2012 were derived from the sale of products in which we had one of the leading U.S. market shares. We believe we have leading market shares in six distinct product families.

Diversified product mix and manufacturing base. We manufacture an extensive variety of products that are sold through building material wholesalers, buying groups, discount and major retail home centers, roofing distributors, residential, industrial, commercial, and transportation contractors and industrial manufacturers. We operate 34 manufacturing facilities and eight distribution centers throughout the United States, Canada, England and Germany, giving us a base of operations to provide customer support, delivery, service and quality to a number of regional and national customers and providing us with manufacturing and distribution efficiencies in North America, as well as a presence in the European market. Despite our global reach, our capital expenditures have remained low. During each of the last three years, our capital expenditures have averaged 1.5% or less of net sales. The following table outlines many of our key products sold to both residential and non-residential end markets:

Product	**End market**
	Residential end markets
Roof & foundation ventilation products	New build; repair and remodel
Mail storage (single and cluster)	New build; repair and remodel
Rain dispersion, flashing, soffits and trim, metal lath	New build; repair and remodel
	Non-residential end markets
Bar grating	Oil, gas and mining; industrial; wastewater and water treatment; leisure and sports parks
Expanded metal and perforated metal	Mining; steel mills; transportation; petro-chemical; architectural facades; security

Engineered public infrastructure products	Bridge construction; highway construction; airport runways

Table of Contents

Provider of value-added products and services. We increasingly focus on value-added products and services, such as mail storage solutions, infrastructure products, and ventilation products, to improve our margins and profitability. We use complex and demanding production and treatment processes that require advanced production equipment, sophisticated technology and exacting quality control measures. We have also targeted our acquisition strategy on producers of value-added products, including, but not limited to, our recent acquisitions of The D.S. Brown Company (D.S. Brown), the largest U.S. manufacturer of specialty components for the transportation infrastructure industry, Pacific Award Metals, Inc. (Award Metals), a leading regional manufacturer of roof ventilation, roof trims, flashing and rain ware, drywall trims and specialty clips and connectors for concrete forms used in the new construction and repair and remodel markets. The Company also acquired the assets of four businesses in 2012:

- Metal grating products for the oil sands region of Western Canada;
- Function-critical components for public infrastructure construction and maintenance;
- Perforated metal products for industrial applications; and
- Sun protection products for new residential construction and home remodeling.

These acquisitions have increased our portfolio of value-added products. We also strive to develop and launch new products, expand our geographic market coverage and penetrate new end markets to strengthen our product leadership positions.

Strength in non-residential end markets. Since 2007, we have sought to bolster our presence in non-residential end markets through both strategic acquisitions and organic growth, and we estimate that sales from these markets now account for approximately half of the net sales for the company. Our presence in this diverse end market, which serves industries such as oil & gas, mining, transportation and industrial, complements our residential end markets business and provides additional stability.

Solid relationships with blue-chip customers. We have strong relationships with many of the largest customers in the markets we serve, including the building and construction, machinery and general manufacturing industries. Through acquisitions, we have gained new longstanding relationships and we have maintained and developed those relationships by offering an increasing range of products and providing quality customer support. We have long-standing relationships with many large market leaders such as The Home Depot, other big box retailers, national building products wholesalers, industrial equipment manufacturers and contractors.

Commitment to quality. We place great importance on providing our customers with high quality products for use in critical construction applications. We carefully select our raw material vendors and use inspection and analysis to maintain our quality standards so our products meet critical customer specifications. To meet customer specifications, we use documented procedures utilizing statistical process control systems linked directly to processing equipment to monitor many stages of production. A number of our facilities quality systems are registered under ISO 9001, an internationally recognized set of quality-assurance standards, and other industry standards.

History of substantial debt reduction and strong liquidity profile. Since 2007, we have been committed to debt reduction and used cash generated from operations, as well as certain proceeds of asset sales, to make significant repayments against our outstanding debt. Our total debt declined from $487.5 million at December 31, 2007 to $207.8 million as of December 31, 2012. We had no borrowings under our revolving credit facility during the year ended December 31, 2012, and our liquidity as of December 31, 2012 was $165 million, including $48 million of cash and $117 million of availability under our revolving credit facility. We believe that our low leverage and substantial liquidity allows us to successfully manage our business, meet the demands of our customers and weather the cyclicality of certain end markets.

Proven acquisition track record. Over the last eight years, we have successfully acquired and integrated over fifteen businesses, including D.S. Brown, Florence Manufacturing and Alabama Metal Industries Corporation. These acquisitions have helped to diversify our products and customers while growing our net sales and earnings.

Experienced management team. Brian J. Lipke has been our Chief Executive Officer since 1987, the Chairman of our Board since 1992 and a director since our formation. Henning N. Kornbrekke, President and Chief Operating Officer, has been with us for nine years and has extensive experience in manufacturing, marketing and distribution from his previous employment at Rexam, PLC and The Stanley Works. Kenneth W.

Smith, our Chief Financial Officer, joined our company in 2008 with extensive experience at Circor International, North Safety Products and Digital Equipment Corporation. Our executive management team is supported by a talented and experienced divisional management team. Overall, our management team has broad experience in operational excellence, quality and merchandising gained over multiple business cycles.

Table of Contents

Operational excellence. Our strategy is to position Gibraltar as a low-cost provider and a market share leader in product areas that offer the opportunity for sales growth and margin enhancement over the long-term. We focus on operational excellence, including lean initiatives throughout the company to position Gibraltar as our customers low-cost provider of the products we offer. We continuously seek to improve our on-time delivery, quality and service to position Gibraltar as a preferred supplier to our customers. During recent years, Gibraltar invested in new enterprise resource planning (ERP) systems which, among other things, have enabled us to more effectively manage our inventory, forecast customer orders, improve supply chain management and respond more timely to volatile raw material costs. At the same time, we have significantly reduced our working capital levels while maintaining a high level of customer service.

Acquisitions

During 2012, Gibraltar purchased the assets of four businesses in separate transactions. The acquired product lines complement and expand the Company s product portfolio and customer base in four key U.S. and Canadian markets:

Metal grating products for the oil sands region of Western Canada ;

Function-critical components for public infrastructure construction and maintenance;

Perforated metal products for industrial applications; and

Sun protection products for new residential construction and home remodeling.

Gibraltar funded the aggregate investment of $43 million from existing cash on hand.

Gibraltar acquired D.S. Brown on April 1, 2011 for $98 million. D.S. Brown is the largest U.S. manufacturer of specialty components for the transportation infrastructure industry and has established a leading market position for many of the products offered. Products manufactured and distributed by D.S. Brown include expansion joint systems, structural bearing assemblies, pavement sealing systems, and other specialty components for bridges, highways, and other infrastructure projects.

On June 3, 2011, the Company acquired Award Metals for $13 million. Award Metals is a leading regional manufacturer of roof ventilation, roof trims, flashing and rain ware, drywall trims, and specialty clips and connectors for concrete forms used in the new construction and repair and remodel markets.

The D.S. Brown and Award Metals acquisitions were financed through cash on hand and debt available under our revolving credit facility. Gibraltar s results from operations included acquisitions from the respective dates of acquisition.

Divestitures

Gibraltar sold its United Steel Products subsidiary (USP) in March 2011 for $59 million. The sale of USP, along with the acquisitions completed in 2011 and 2012 provide Gibraltar with a broader product offering to construction markets and greater potential for revenue and earnings growth. These transactions are consistent with management s strategy to position Gibraltar as a market leader in the product areas offered by our business and to expand our offering of value-added products.

On February 1, 2010, Gibraltar completed the sale of the majority of the assets of the Processed Metal Products business. This transaction finalized our exit from steel processing. This strategic initiative began in 2005 and included the 2006 sale of our steel strapping business, the 2007 sale of the Hubbell Steel business, and the 2008 sale of the SCM powdered metal business. These divestitures were an ongoing part of our objective to build a company with optimal operating characteristics and improve shareholder value. We now are focused on the manufacture and distribution of building products where the Company has historically generated its highest operating margins. The divestitures described above were recognized as components of discontinued operations in the Company s consolidated financial statements and notes thereto.

Economic Trends

The end markets served by our business are subject to economic conditions influenced by outside factors which include but are not limited to interest rates, commodity costs, demand for residential construction, the level of non-residential construction and infrastructure projects, and demand within the repair and remodel market. The United States construction markets continued an uneven recovery from an unprecedented recession that began in 2008 and led to reduced demand for the products we manufacture and distribute. In addition, tightened credit markets over the same period may have limited the ability of the end users of our products to obtain financing for construction projects. While the U.S. economy has grown since the recession, the construction markets continue to face significant challenges. Construction markets have only recovered modestly from the recession and many economic indicators remain at levels well below long-term averages. As an example, the table below shows housing starts in the United States continued to remain significantly below the long-term average of 1.5 million starts per year:

	2012	2011	2010
Residential Housing Starts	767,000	607,000	585,000

Table of Contents

The decrease in residential housing starts and non-residential construction had a significant impact on the operations of our business by contributing to decreased sales volume and profitability. To respond to current economic conditions facing Gibraltar, including weakened end market conditions and volatile commodity costs, we continue to focus on providing a high level of customer service along with maintaining our position as a market share leader and low-cost provider of our products. We strive for operational excellence through lean initiatives and the consolidation of facilities to reduce costs. As a result, we have closed or consolidated 11 facilities over the past three years, including two during 2012. We have also aggressively reduced operating costs throughout the Company to maximize cash flows generated from operating activities. As a result of these restructuring activities, our break-even point has decreased significantly since 2008.

As noted above, commodity raw material prices for materials such as steel, aluminum, and resins, have also fluctuated significantly during the past three years. These fluctuations impact the cost of raw materials we purchase and the pricing we offer to our customers. Commodity prices fell precipitously during the fourth quarter of 2008 and continued to fall during the first two quarters of 2009. The rapid decrease in commodity prices led to lower sales prices offered to customers and falling margins on our product sales during much of 2009. Commodity prices rose in 2010 and have somewhat stabilized since such time. We believe our investment in ERP systems and decreased inventory requirements allow us to react better to these fluctuations and have improved our margins.

As a result of the steps we have taken throughout the economic downturn, we have increased liquidity to a strong position. Using cash generated from operations, we have made significant repayments against our outstanding debt and no longer have any amounts outstanding against our revolving credit facility as of year-end. Our liquidity as of December 31, 2012 was $165 million including $48 million of cash and $117 million of availability under our revolving credit facility.

Additionally, the steps taken since the economic downturn in 2008 allowed us to return to and sustain profitability for the past two years. We believe our reduced cost structure and lean manufacturing process will allow us to continue growing our revenue and profitability as the economy continues to improve.

Results of Operations

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

The following table sets forth selected results of operations data (in thousands) and its percentages of net sales for the years ended December 31:

	2012		2011	
Net sales	$ 790,058	100.0%	$ 766,607	100.0%
Cost of sales	640,498	81.1%	621,492	81.1%
Gross profit	149,560	18.9%	145,115	18.9%
Selling, general, and administrative expense	104,671	13.2%	108,957	14.2%
Intangible asset impairment	4,628	0.6%		0.0%
Income from operations	40,261	5.1%	36,158	4.7%
Interest expense	18,582	2.4%	19,363	2.5%
Other income	(488)	-0.1%	(90)	0.0%
Income before taxes	22,167	2.8%	16,885	2.2%
Provision for income taxes	9,517	1.2%	7,669	1.0%
Income from continuing operations	12,650	1.6%	9,216	1.2%
(Loss) income from discontinued operations	(5)	0.0%	7,307	1.0%
Net income	$ 12,645	1.6%	$ 16,523	2.2%

The following table sets forth the impact of the Company s acquisitions on net sales and operating income for the year ended December 31 (in thousands):

			Total	Change Due To	
	2012	2011	Change	Acquisitions	Operations
Net sales	$ 790,058	$ 766,607	$ 23,451	$ 29,106	$ (5,655)
Operating income	$ 40,261	$ 36,158	$ 4,103	$ 600	$ 3,503

Net sales increased by $23.5 million, or 3.1%, to $790.1 million for 2012 from net sales of $766.6 million for 2011. The increase from prior year was primarily the result of incremental sales generated by the two acquisitions completed in the second quarter of 2011 which contributed $25.0 million or 3.3% of the increase in net sales for 2012. Acquisitions completed in 2012 contributed additional net sales of $4.1 million or an increase of 0.5%. Net sales from businesses operating in both periods decreased 0.7% or $5.7 million, the result of a 1.4% decrease in pricing to customers offset by a 0.7% increase in volume. While volume increased modestly compared to 2011 for our products sold into the majority of our geographic markets, this increase was net of declines in volume sold in the West Coast residential market and European market. Lower demand for roofing materials resulting from unusually dry weather this year contributed to the lower volumes in the West Coast residential market, while weak economic conditions in Europe suppressed demand for our industrial and vehicle filtration products. The lower selling prices were primarily the result of a decline in commodity costs for steel and aluminum and meeting selective competitive situations.

Despite our increase in net sales, our gross margin remained unchanged at 18.9% for both 2012 and 2011. As we continue consolidating certain of our West Coast locations with similar products and market characteristics, we have incurred costs related to this consolidation in 2012. We believe completing the initiatives to restructure the West Coast locations will lead to improved gross margins in future periods. The impact to our gross margin from these consolidation costs was offset equally by a more favorable alignment of material costs to customer selling prices and cost reductions.

Selling, general, and administrative (SG&A) expenses decreased by $4.3 million, or 3.9%, to $104.7 million for 2012 from $109.0 million for 2011. The $4.3 million decrease was the net result of a $3.3 million decrease in equity compensation, $2.7 million in cost reductions due to consolidation of facilities, a $1 million decrease in other variable incentive compensation and in restructuring and acquisition related costs from 2011. The decreases were partially offset by an increase of $4.5 million in SG&A expense as a result of businesses acquired in 2012 and from having a full year of SG&A expenses from business acquired in 2011. SG&A expenses as a percentage of net sales decreased to 13.2% for 2012 compared to 14.2% for 2011.

During 2012, due to changes in the estimated fair value of a certain reporting unit resulting from a decrease in sales projections, along with continued underperformance in the operations of that reporting unit, we recognized intangible asset impairment charges of $4.6 million. No impairment charges were recognized for 2011.

Interest expense decreased $0.8 million, or 4.0%, to $18.6 million for 2012 from $19.4 million for 2011. The interest expense incurred in both periods primarily relates to our $204.0 million of Senior Subordinated 8% Notes. Net interest expense for 2011 was higher due to funds borrowed under our revolving credit facility to finance the acquisitions of D.S. Brown and Award Metals along with a $0.3 million charge to write-off deferred financing fees in 2011. These expenses were partially offset by $0.7 million of interest income earned on the $8.5 million note held resulting from the sale of SCM Metal Products in 2008. This note receivable was collected in full during November 2011. No amounts were outstanding under our revolving credit facility during 2012.

We recognized a provision for income taxes of $9.5 million for 2012, an effective tax rate of 42.9%, compared with a provision for income taxes of $7.7 million, an effective tax rate of 45.4% for 2011. The effective tax rate for 2012 was reduced by 9.3 percentage points from the 2011 rate largely due to lower non-deductible expenses incurred during 2012. This reduction was partially offset by an increase of 6.8 percentage points over 2011 due to the effect of intangible asset impairment charges, the majority of which was not deductible for tax purposes. The effective tax rate for 2012 and 2011 exceeded the U.S. federal statutory rate due to state taxes and non-deductible permanent differences.

Table of Contents

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

The following table sets forth selected results of operations data (in thousands) and its percentages of net sales for the years ended December 31:

	2011		2010	
Net sales	$ 766,607	100.0%	$ 637,454	100.0%
Cost of sales	621,492	81.1%	533,586	83.7%
Gross profit	145,115	18.9%	103,868	16.3%
Selling, general, and administrative expense	108,957	14.2%	99,546	15.6%
Intangible asset impairment		0.0%	76,964	12.1%
Income (loss) from operations	36,158	4.7%	(72,642)	-11.4%
Interest expense	19,363	2.5%	19,714	3.1%
Other income	(90)	0.0%	(77)	0.0%
Income (loss) before taxes	16,885	2.2%	(92,279)	-14.5%
Provision for (benefit of) income taxes	7,669	1.0%	(16,923)	-2.7%
Income (loss) from continuing operations	9,216	1.2%	(75,356)	-11.8%
Income (loss) from discontinued operations	7,307	1.0%	(15,712)	-2.5%
Net income (loss)	$ 16,523	2.2%	$ (91,068)	-14.3%

			Total	Change Due To	
	2011	2010	Change	Acquisitions	Operations
Net sales	$ 766,607	$ 637,454	$ 129,153	$ 71,422	$ 57,731
Operating income (loss)	$ 36,158	$ (72,642)	$ 108,800	$ 5,462	$ 103,338

Net sales increased by $129.1 million, or 20.3%, to $766.6 million for 2011 from net sales of $637.5 million for 2010. The most significant portion of the increase in net sales was from two acquisitions in 2011 which provided an additional $71.4 million of net sales for 2011. The remaining increase in net sales was impacted by an 8.0% increase in the pricing offered to customers and a 1.1% increase in volume. Our selling prices increased from the prior year as a result of the higher costs we paid for steel, aluminum, and resins which impacted the selling prices offered to our customers. Sales volume improved from the previous year as a result of repairs for spring storm damage and some improved macroeconomic conditions in the industrial construction markets which offset the uneven recovery in the new build housing and commercial construction markets.

Our gross margin also increased to 18.9% for 2011 compared to 16.3% for 2010. The improvement in gross margin was primarily due to a better alignment of material costs with customer selling prices and the impact of our 2011 acquisitions which contributed sales of products with higher gross margins. Cost reductions, increased volume, and a $2.4 million reduction in restructuring costs also contributed to our improved gross margin.

Selling, general, and administrative (SG&A) expenses increased by $9.4 million, or 9.4%, to $108.9 million for 2011 from $99.5 million for 2010. The $9.4 million increase was the net result of $9.7 million of additional expense from acquired businesses, increased cost of variable incentive compensation from improved operating results, $1.0 million of acquisition-related costs, and a $0.9 million charge recognized as a result of time-based equity awards surrendered by Gibraltar s Chief Executive Officer partially offset by our cost reduction efforts that resulted in decreased spending on professional services, rent, and other operating expenses. Despite the increased costs, SG&A expenses as a percentage of net sales decreased to 14.2% for 2011 compared to 15.6% for 2010.

Due to changes in the estimated fair value of certain reporting units resulting from a significant decrease in sales projections, we recognized intangible asset impairment charges of $77.0 million for 2010. No impairment charges were recognized for 2011.

Interest expense decreased $0.3 million, or 1.5%, to $19.4 million for 2011 from $19.7 million for 2010. The reduction in interest expense was a result of incurring a $1.4 million charge in 2010 related to an ineffective interest rate swap. The reduction was offset by incurring a $0.3 million charge to write-off deferred financing fees in 2011 and having slightly higher levels of debt outstanding during 2011 compared to 2010. In the first quarter of 2010, we repaid $50 million of debt, which constituted all outstanding debt under our revolving credit facility. Subsequently, we borrowed funds under our revolving credit facility to finance the acquisitions of D.S. Brown and Award Metals during the second quarter of 2011 which were repaid in full during the third quarter of 2011.

Table of Contents

We recognized a provision for income taxes of $7.7 million for 2011, an effective tax rate of 45.4%. The effective tax rate for 2011 exceeded the U.S. federal statutory tax rate of 35% due to state taxes and the impact of non-deductible permanent differences. During 2010, we recognized a tax benefit of $16.9 million, an effective tax rate of 18.3%. The effective tax rate differed from the statutory rate due to the effect of non-deductible permanent differences, a large portion of which related to the intangible asset impairment charges that were not deductible for tax purposes. In addition, we recognized a $2.4 million valuation allowance against deferred tax assets in 2010 for certain state net operating loss carryforwards which further reduced the effective tax rate.

Outlook

For the first quarter of 2012, we expect revenues to increase approximately 3% primarily from incremental revenues of our most recent acquisitions. We believe the continued recovery in the residential and non-residential construction markets will provide stronger growth opportunities in the second half of 2013. We expect the first quarter gross margin to approximate 19% as our cost reductions offset the margin impact of lower sales volume in a seasonally weak quarter. For 2013, we expect SG&A expense to approximate $29 million per quarter, or 13% of full year revenue. Our expectations for other financial measures for our continuing operations, excluding refinancing charges, include net interest at a run rate of $4 million per quarter, a full year effective tax rate of 37% and capital expenditures of $20 million for the year.

Over the long-term, we believe that the fundamentals of the building and industrial markets are positive and the aggressive actions taken to streamline and improve the efficiency of our business have reduced our break-even point and positioned Gibraltar to generate marked improvements in profitability when economic and market conditions return toward historical levels.

Liquidity and Capital Resources

General

Our principal capital requirements are to fund our operations with working capital, the purchase of capital improvements for our business and facilities, and to fund acquisitions. We will continue to invest in growth opportunities as appropriate while continuing to focus on working capital efficiency and profit improvement opportunities to minimize the cash invested to grow our business. We have successfully generated positive cash flows from operating activities during the past three years to fund our capital requirements and assist in the funding of our 2011 and 2012 acquisitions as noted below in the Cash Flows section of Item 7 of this Annual Report on Form 10-K. We generated positive operating cash flows during these periods despite the continued challenging economic conditions our business faced. In the future, we expect to continue profitable growth and sustain strong working capital management to continue to generate positive operating cash flow.

On October 11, 2011, we entered into the Senior Credit Agreement which includes a $200 million revolving credit facility and provides Gibraltar with access to capital and improved financial flexibility. As of December 31, 2012, our liquidity of $164.8 million consisted of $48.0 million of cash and $116.8 million of availability under our revolving credit facility as compared to liquidity of $169.7 million as of December 31, 2011. We believe that availability of funds under our Senior Credit Agreement together with the cash generated from operations should be sufficient to provide the Company with the liquidity and capital resources necessary to support our principal capital requirements during the next twelve months.

Our Senior Credit Agreement provides the Company with liquidity and capital resources for use by our U.S. operations. Historically, our foreign operations have generated cash flow from operations sufficient to invest in working capital and fund their capital improvements. As of December 31, 2012, our foreign subsidiaries held $21.9 million of cash. We believe cash held by our foreign subsidiaries provides our foreign operations with the necessary liquidity to meet future obligations and allows the foreign business units to reinvest in their operations. These cash resources could eventually be used to grow our business internationally through transactions similar to our 2012 acquisition of the Western Canadian bar grating business.

Over the long-term, we expect that future obligations, including strategic business opportunities such as acquisitions, may be financed through a number of sources, including internally available cash, availability under our revolving credit facility, new debt financing, the issuance of equity securities, or any combination of the above. Potential acquisitions are evaluated on the basis of our ability to enhance our existing products, operations, or capabilities, as well as provide access to new products, markets, and customers and improve shareholder value. Our 2012 acquisitions were funded by cash on hand, while the 2011 acquisitions of D.S. Brown and Award Metals were financed through the use of cash on hand and debt available under our revolving credit facility.

Table of Contents

Cash Flows

The following table sets forth selected cash flow data for the years ended December 31 (in millions):

	2012	2011
Cash provided by (used in):		
Operating activities of continuing operations	$ 50,232	$ 49,828
Investing activities of continuing operations	(55,763)	(52,295)
Financing activities of continuing operations	(1,173)	(2,775)
Discontinued operations	(151)	(1,044)
Effect of exchange rate changes	766	(463)
Net decrease in cash and cash equivalents	$ (6,089)	$ (6,749)

During the year ended December 31, 2012, net cash provided by continuing operations totaled $50.2 million, primarily driven by income from continuing operations of $12.7 million and non-cash charges totaling $40.8 million that included depreciation, amortization, deferred income taxes, stock compensation, and an intangible asset impairment. Net cash provided by continuing operations for 2011 was $49.8 million and was primarily driven by income from continuing operations of $9.2 million and $41.5 million from non-cash charges including depreciation, amortization, deferred income taxes, and stock compensation.

During the year ended December 31, 2012, the Company modestly increased its investment in working capital and other net assets from December 31, 2011 resulting in $3.3 million of cash outflow. Cash flow invested in working capital and other net assets included $6.3 million decrease in accounts receivable, partially offset by a $1.0 million increase in inventory and $3.8 million and $7.1 million decreases in accounts payable and accrued liabilities. The decrease in accounts receivable was a result of reduced net sales in the fourth quarter of 2012 compared to 2011 as customer pricing decreased year over year. Inventory levels saw a minor increase due to the timing of our receipts near year-end. Accounts payable decreased due to the timing of vendor payments made near year-end. The decrease in accrued liabilities of $7.1 million was largely due to performance-based variable compensation awards earned in 2009 and 2011 that were paid during 2012, partially offset by accruals for long term incentive plans earned during 2012.

Net cash used in investing activities of continuing operations for 2012 of $55.8 million consisted primarily of $45.1 million of acquisitions and capital expenditures of $11.4 million. Net cash used in investing activities of continuing operations for 2011 of $52.3 million consisted primarily of $109.2 million of acquisitions and capital expenditures of $11.6 million offset by $67.5 million of proceeds from the sale of our USP business unit and the collection of a note receivable related to the 2008 sale of our SCM business unit.

Net cash used in financing activities for 2012 of $1.2 million primarily consisted of $1.0 million of treasury stock repurchases related to the net settlement of vested stock awards and repayments of $0.5 million on long-term debt. Net cash used in financing activities for 2011 of $2.8 million primarily consisted of $1.6 million of deferred financing fees related to the Senior Credit Agreement, $0.8 million of treasury stock repurchases related to the net settlement of vested stock awards, and net repayments of $0.4 million on long-term debt.

Cash used for discontinued operations was $0.2 million for the year ended December 31, 2012 compared to cash used for discontinued operations of $1.0 million for 2011. The 2011 cash flows related primarily to the USP business that was divested in 2011.

Senior Credit Agreement and Senior Subordinated Notes

Borrowings under the Senior Credit Agreement are secured by the trade receivables, inventory, personal property and equipment, and certain real property of the Company s significant domestic subsidiaries. The Senior Credit Agreement provides for a revolving credit facility and letters of credit in an aggregate amount that does not exceed the lesser of (i) $200 million or (ii) a borrowing base determined by reference to the trade receivables, inventories, and property, plant, and equipment of the Company s significant domestic subsidiaries. The Senior Credit Agreement provides Gibraltar with flexibility by allowing us to request additional financing from the lenders to increase the revolving credit facility to $250 million. The Senior Credit Agreement also provided Gibraltar with a commitment to enter into a term loan subject to conditions that subsequently the Company decided not to satisfy. The Senior Credit Agreement is committed through October 10, 2016.

Borrowings under the Senior Credit Agreement bear interest at a variable interest rate based upon the London Interbank Offered Rate (LIBOR) plus an additional margin of 2.0% to 2.5%, based on the amount of borrowings available to Gibraltar. The Senior Credit Agreement also carries an annual facility fee of 0.375% on the undrawn portion of the facility and fees on outstanding letters of credit which are payable quarterly.

As of December 31, 2012, we had $116.8 million of availability under the Senior Credit Agreement and outstanding letters of credit of $13.6 million. Only one financial covenant is contained within the Senior Credit Agreement, which requires us to maintain a fixed charge ratio (as defined in the agreement) of 1.25 to 1.00 or higher on a trailing four-quarter basis at the end of each quarter. As of December 31, 2012, we were in compliance with the minimum fixed charge coverage ratio covenant. Management expects to be in compliance with the fixed coverage ratio covenant throughout the next twelve months.

To help finance the $109.2 million for the 2011 acquisitions of D.S. Brown and Award Metals in the second quarter of 2011, we borrowed $43.0 million under the revolving credit facility which was subsequently repaid during the third quarter of 2011. No amounts were outstanding under our revolving credit facility during 2012.

At December 31, 2012, the Company had $204.0 million of Senior Subordinate 8% Notes (8% Notes) outstanding which were issued in December 2005 at a discount to yield 8.25% and were due December 1, 2015.

Subsequent to December 31, 2012, the Company issued $210.0 million of 6.25% Senior Subordinated Notes (6.25% Notes) due February 1, 2021. In connection with the issuance of the 6.25% Notes, on January 16, 2013 the Company initiated a tender offer to purchase the outstanding 8% Notes. Simultaneously with the closing of the sale of the 6.25% Notes on January 31, 2013, the Company purchased the tendered 8% Notes. The 8% Notes that were not tendered and purchased were called for redemption. In connection with the purchase and subsequent redemption, the Company satisfied and discharged its obligations under the 8% Notes. Refer to Note 20 in the consolidated financial statements in Item 8 for more information regarding the issuance of the 6.25% Notes and redemption of the 8% Notes.

The provisions of the 6.25% Notes include, without limitation, restrictions on indebtedness, liens, and distributions from restricted subsidiaries, asset sales, affiliate transactions, dividends, and other restricted payments. Dividend payments are subject to annual limits of the greater of $0.25 per share or $25 million. The 6.25% Notes are redeemable at the option of the Company, in whole or in part, at any time on or after February 1, 2017, at the redemption price (as defined in the Senior Subordinated 6.25% Notes Indenture). The redemption prices will be 103.13%, and 101.56% of the principal amount thereof if the redemption occurs during the 12-month periods beginning February 1, of the years 2017 and 2018, respectively, and 100% of the principal amount thereof on and after February 1, 2019, in each case plus accrued and unpaid interest to the applicable redemption date. In addition, prior to February 1, 2016, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of certain equity offerings by the Company at a redemption price of 106.25% of the principal amount thereof, plus accrued and unpaid interest to the redemption date. In the event of a Change in Control (as defined in the Senior Subordinated 6.25% Notes Indenture), each holder of the 6.25% Notes may require the Company to repurchase all or a portion of such holder s 6.25% Notes at a purchase price equal to 101% of the principal amount thereof.

Each of our significant domestic subsidiaries has guaranteed the obligations under the Senior Credit Agreement. The Senior Credit Agreement contains other provisions and events of default that are customary for similar agreements and may limit our ability to take various actions. The Senior Subordinate 6.25% Notes Indenture also contains provisions that limit additional borrowings based on the Company s consolidated coverage ratio.

Off Balance Sheet Arrangements

The Company does not have any off balance sheet arrangements, other than operating leases, that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources.

Table of Contents

Contractual Obligations

The following table summarizes by category our Company s expected future cash outflows associated with contractual obligations in effect at December 31, 2012 (in thousands):

		Payments Due by Period			
Contractual Obligation	Total	Less than One Year	One to Three Years	Three to Five Years	More Than Five Years
Fixed rate debt[1]	$ 203,395	$ 389	$ 202,939	$ 67	$
Interest on fixed rate debt	47,664	16,355	31,305	4	
Variable rate debt	4,408	408	800	800	2,400
Interest on variable rate debt [2]	51	9	15	12	15
Operating lease obligations	35,221	11,031	13,692	6,261	4,237
Performance stock unit awards	1,639		1,639		
Pension and other post- retirement payments	8,933	742	1,484	1,438	5,269
Management stock purchase plan [3]	1,046	530	488	28	
Total [4]	$ 302,357	$ 29,464	$ 252,362	$ 8,610	$ 11,921

1 8% Notes were re-financed subsequent to December 31, 2012. See Note 20

2 Calculated using the interest rate in effect at December 31, 2012.

3 Includes amounts due to retired participants of the Management Stock Purchase Plan (MSPP). Excludes the future payments due to active participants of the MSPP, which represents a liability of approximately $9.2 million as of December 31, 2012. Future payments to active participants cannot be accurately estimated as we are uncertain of when active participants service to the Company will terminate.

Critical Accounting Policies

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make decisions based upon estimates, assumptions, and factors it considers relevant to the circumstances. Such decisions include the selection of applicable principles and the use of judgment in their application, the results of which could differ from those anticipated.

A summary of the Company s significant accounting policies are described in Note 1 of the Company s consolidated financial statements included in Item 8 of this Annual Report on Form 10-K.

Our most critical accounting policies include:

valuation of accounts receivable, which impacts selling, general, and administrative expense;

valuation of inventory, which impacts cost of sales and gross margin;

the allocation of the purchase price of acquisitions to the fair value of acquired assets and liabilities, which impacts our depreciation and amortization costs;

the assessment of recoverability of depreciable and amortizable long-lived assets, which impacts the impairment of long-lived assets;

the assessment of recoverability of goodwill and other indefinite-lived intangible assets, which impacts the impairment of goodwill and intangible assets; and

accounting for income taxes and deferred tax assets and liabilities, which impact the provision for income taxes.

Management reviews these estimates, including the allowance for doubtful accounts and inventory reserves, on a regular basis and makes adjustments based on historical experience, current conditions, and future expectations. Management believes these estimates are reasonable, but actual results could differ from these estimates.

Table of Contents

Valuation of Accounts Receivable

Our accounts receivable represent those amounts that have been billed to our customers but not yet collected. As of December 31, 2012 and 2011, allowances for doubtful accounts of $4.5 million and $4.6 million were recorded, respectively, or approximately 5% of gross accounts receivable for both periods. We record an allowance for doubtful accounts based on the portion of those accounts receivable that we believe are potentially uncollectible based on various factors, including experience, creditworthiness of customers, and current market and economic conditions. If the financial condition of customers were to deteriorate, resulting in impairment of their ability to make payments, additional allowances may be required. Changes in judgments on these factors could impact the timing of costs recognized.

Valuation of Inventories

We state our inventories at the lower of cost or market. We determine the cost basis of our inventory on a first-in, first-out basis using a standard cost methodology that approximates actual cost. On a regular basis, we calculate an estimated market value of our inventory, considered to be the prevailing selling price for the inventory less the cost to complete and sell the product. We compare the current carrying value of our inventory to the estimated market value to determine whether a reserve to value inventory at the lower of cost or market is necessary. We recorded insignificant charges during the three year period ended December 31, 2012 to value our inventory at the lower of cost or market.

We regularly review inventory on hand and record provisions for excess, obsolete, and slow-moving inventory based on historical and current sales trends. We recorded reserves for excess, obsolete, and slow-moving inventory of $4.9 million and $4.1 million as of December 31, 2012 and 2011, respectively, or approximately 4% of gross inventories for both periods. Changes in product demand and our customer base may affect the value of inventory on hand, which may require higher provisions for obsolete inventory.

Accounting for Acquired Assets and Liabilities

When we acquire a business, we allocate the purchase price to the assets acquired and liabilities assumed in the transaction at their respective estimated fair values. We record any premium over the fair value of net assets acquired as goodwill. The allocation of the purchase price involves judgments and estimates both in characterizing the assets and in determining their fair value. The way we characterize the assets has important implications, as long-lived assets with definitive lives, for example, are depreciated or amortized, whereas goodwill is tested annually for impairment, as explained below.

With respect to determining the fair value of assets, the most subjective estimates involve valuations of long-lived assets, such as property, plant, and equipment as well as identified intangible assets. We use all available information to make these fair value determinations and engage independent valuation specialists to assist in the fair value determination of the acquired long-lived assets. The fair values of long-lived assets are determined using valuation techniques that use discounted cash flow methods, independent market appraisals, and other acceptable valuation techniques.

The following summarizes the amount of purchase price allocated to property, plant, and equipment, identifiable intangible assets, and goodwill for the acquisitions completed in 2012 (in millions):

Initial Purchase Price	Property, Plant, and Equipment	Identified Intangible Assets	Goodwill	Other Net Assets
$ 43.1	$ 9.9	$ 10.2	$ 15.0	$ 8.0

Due to the subjectivity inherent in determining the fair value of long-lived assets and the significant number of acquisitions we have completed, we believe the allocation of purchase price to acquired assets and liabilities is a critical accounting policy.

Impairment of Depreciable and Amortizable Long-lived Assets

We test long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable and exceed their fair value. The following summarizes the value of long-lived assets subject to impairment testing when events or circumstances indicate potential impairment as of December 31, 2012 (in millions):

Property, plant, and equipment, net	$ 151.6
Acquired intangibles with useful lives	$ 50.0
Other assets	$ 6.2

Table of Contents

Impairment exists if the carrying amount of the asset in question exceeds the sum of the undiscounted cash flows expected to result from the use of the asset. The impairment loss would be measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value as determined by discounted cash flow method, an independent market appraisal of the asset, or another acceptable valuation technique. We recognized impairment charges for property, plant, and equipment as a result of restructuring activities during the years ended December 31, 2012, 2011 and 2010.

Goodwill and Other Indefinite-lived Intangible Asset Impairment Testing

Our goodwill and indefinite-lived intangible asset balances of $359.9 million and $48.8 million as of December 31, 2012, respectively, are subject to impairment testing. We test goodwill and indefinite-lived intangible assets for impairment on an annual basis as of October 31 and at interim dates when indicators of impairment are present. Indicators of impairment could include a significant long-term adverse change in business climate, poor indicators of operating performance, or a sale or disposition of a significant portion of a reporting unit.

During 2012, we concluded that no indicators of impairment existed at interim dates and did not perform any interim impairment tests related to goodwill and indefinite-lived intangible assets. We tested goodwill and other indefinite-lived intangible assets for impairment during the fourth quarter of 2012 at the annual test date. As a result of the October 31, 2012 impairment test, the Company recognized an intangible asset impairment charge of $4.6 million for the year ended December 31, 2012. No impairment charges were recognized for the year ended December 31, 2011. However, the Company recognized intangible asset impairment charges of $77.0 million for the year ended December 31, 2010.

We test goodwill for impairment at the reporting unit level. We identify our reporting units by assessing whether the components of our company constitute businesses for which discrete financial information is available and management regularly reviews the operating results of those components. As of the October 31, 2012 impairment test, we identified ten reporting units in total, of which all have goodwill. The number of reporting units declined from eleven to ten in the current year as we consolidated two reporting units due to restructuring activities that consolidated their operating activities.

The goodwill impairment test consists of comparing the fair value of a reporting unit with its carrying amount including goodwill. If the carrying amount of the reporting unit exceeds the reporting unit s fair value, the implied fair value of goodwill is compared to the carrying amount of goodwill. An impairment loss is recognized for the amount by which the carrying amount of goodwill exceeds the implied fair value of goodwill.

The following table sets forth the amount of goodwill allocated to each reporting unit tested for goodwill impairment and the percentage by which the estimated fair value of each reporting unit exceeded its carrying value as of the October 31, 2012 goodwill impairment test (in thousands):

Reporting Unit	Goodwill Allocated to Reporting Unit Before Impairment Charges	Percentage By Which Estimated Fair Value Exceeds Carrying Value	Goodwill Impairment Charges	Goodwill Allocated To