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NCS - Q4 2014 NCI Building Systems Inc Earnings Call

EVENT DATE/TIME: DECEMBER 10, 2014 / 02:00PM GMT

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PRESENTATION

Operator

Good morning, ladies and gentlemen. Thank you for standing by. Welcome to the NCI Building Systems Inc. Fourth-Quarter Earnings conference call.

(Operator Instructions)

This conference is being recorded December 10, 2014. I would now like to turn the conference over to Layne de Alvarez, Vice President of Investor Relations.

Please go ahead, ma'am.

Layne de Alvarez *- NCI Building Systems, Inc. - VP of IR*

Thank you.

Good morning, and welcome to NCI Building Systems' call to review the Company's results for the fourth quarter of FY14. To access a taped replay of this call, please dial 1-888-203-1112 and enter the passcode, 5189329, and the pound sign when prompted. The replay will be available approximately two hours after this call and will remain accessible through December 17, 2014.

The Company's fourth-quarter results were issued last night in a press release that was covered by the financial media. In keeping with SEC requirements, I advise that during this call, we will be making forward-looking statements that involve risks and uncertainties. Actual outcomes may differ materially from those expected or implied. For more detailed discussion of the risks and uncertainties that may affect NCI, please review our SEC filings, including the 8-K filed last night.

Forward-looking statements speak only as to the date they are made. We undertake no obligation to update any forward-looking statements beyond what is required by applicable securities law. In addition, our discussion of operating performance will include non-GAAP financial measures. A reconciliation of these measures, with the most directly comparable GAAP measures, is included in the earnings release and the CFO commentary, both of which are available on our website. Additionally, we made available a CENTRIA acquisition supplement posted on our website.

At this time, I would like to turn the call over to NCI's Chairman, President and Chief Executive Officer, Norm Chambers.

Norm Chambers *- NCI Building Systems Inc - Chairman, President & CEO*

Thank you, Layne.

Good morning, everyone, and welcome to our fourth-quarter 2014 conference call. Joining me this morning are Mark Johnson, our Chief Financial Officer; Todd Moore, our General Counsel; and Layne de Alvarez, our Vice President of Investor Relations. I will make some initial comments about our performance and the CENTRIA acquisition, followed by Mark, who will provide some additional color around our financial results. Then we'll open up the call for questions.

I'm very pleased to report that our second-half performance is the best we've achieved since 2008. That puts us on a trajectory to maximize profitability as we continue to optimize our operational and organizational structure. I believe 2014 should be viewed as a tale of two halves. The first half was plagued by extreme weather, supply chain disruptions, stymied economy that resulted in our earnings declining 40% year over year. Despite that challenging start, the men and women of NCI kept their focus on delivering the highest quality products and service to our customers and in the second half, we grew revenue 5.2% and generated over $61 million in adjusted EBITDA, a 30% year-over-year improvement even though the market for buildings five stories and less reported by McGraw-Hill grew only 2% in volume year over year in an historically seasonally stronger second half. Full-year volume growth for five stories and less, as well as two stories and less, our market sweet spot, hovered around 4% year over year, a fairly significant decline from 2013's growth rate of 9.8% for buildings five stories and less.

As we stated many times in the past, we cannot rely entirely on market growth alone to drive the financial performance we are committed to achieving. Beginning with the reorganization of manufacturing in November 2013, we have taken steps to realign our organization to accelerate efficiency and profitability. We achieved significant improvements in manufacturing efficiencies in the buildings group this year that resulted in level-loaded facilities; declining back orders and shop calls; and, most importantly, a meaningful decline in manufacturing costs as a percent of revenue.

We expect to see improvements continue in our components and insulated metal panel plants, as John Kuzdal and his team continue to strip out costs, empower self-directed work teams and optimize our geographic footprint, in order to deliver the highest quality products with the timeliest delivery to our customers across all of our business segments.

As our results-driven plans continue, I am pleased to announce that Don Riley has joined NCI as President of Group Business Segments, a new position created to help our team drive profitable growth across all of our divisions. Don's focus will be on specific brand strategies, sharing best practices, further developing shared services to reduce costs, and bringing best solutions to our varied customer segments. This new structure will enhance our brand leaders' focus on customer relationships, sales and service. Don brings over 20 years of experience of delivering results that have consistently driven top and bottom line growth. I welcome him to the NCI family, and look forward to reporting on his progress over the next year.

It is a fact that as a seasonal industry, we generate the majority of our earnings in the second half, but as was evident in 2014, it is the first half of our fiscal year that determines whether we achieve our plan for the full year. I can assure you that our full-year earnings fell well short of our plan, and the significant achievements of the second half would not be as evident if we were to only compare sequential full-year results. Our second-half year-over-year growth in revenue was up about 10% and in EBITDA up about 40%. To maintain that momentum, we are currently focused on what we are referring to as our “line of sight”.

NCI's management is committed to taking every action to deliver quarterly results that are consistent with our published mid-cycle recovery expectations of EBITDA levels at 4 or 5 times our 2013 $71 million result. I am pleased to report that this attention to “line of sight” should result in our buildings group achieving a level of profitability in November that surpasses the total earnings of their entire first quarter of 2014. In components, open orders and material margins are trending meaningfully higher than last year and Coaters continues to grow external sales profitably.

While one month does not make a quarter, November is off to a very good start. Bookings for November are up 27%. Each of our segments is positioned to take the necessary steps to meet the performance expectations of our leadership team, our Board of Directors and, most importantly, our shareholders.

Before I comment on the outlook for 2015, I'll say a few words about CENTRIA. And as some of you know, we have been focused on CENTRIA and the opportunity it provides for a number of years. We recently announced an agreement to acquire CENTRIA, the market leading manufacturer for architectural insulated metal panels, and are currently working through the regulatory requirements, with plans to close the transaction at the end of January 2015.

Based on NCI's FY14, the combination would have created a combined IMP business of approximately $381 million in revenue, and $38 million in EBITDA, with leadership positions across all three IMP sectors: Cold Storage, Commercial and Industrial, and High-end Architectural applications. Metl-Span is a market leader in cold storage IMP, as well as commercial and industrial applications and with CENTRIA in our portfolio, we will accelerate our architectural panel expansion initiative, which began in July when we opened our new facility in Richmond, Virginia.

We believe that the insulated metal panels market in North America has the potential to grow faster than the overall nonresidential construction market. We estimate that the North American market remains underpenetrated, at approximately 4%, as compared to Europe, where the penetration is approximately five times the penetration rate in North America. We believe that the market for insulated metal panels will continue to grow because they offer an energy efficient, aesthetically pleasing and sustainable alternative to traditional building materials, all at a competitively attractive total installed cost.

CENTRIA's unique market position complements our current family of businesses because there is little overlap with our existing market segments. In addition, CENTRIA's coil coating business adds complementary proprietary coating capabilities for niche type customers not currently served by NCI. As the market recovers to mid-cycle levels, we expect to achieve normalized EBITDA margins for CENTRIA of 12% to 14% before synergies. The synergistic opportunities to leverage our manufacturing footprint and supply chain are significant, and represent approximately another $6 million in annual cost savings for the combined businesses.

Additionally, the tax structure is highly efficient, creating approximately $200 million in asset step-ups that will be tax deductible as they are amortized. Net of the tax step-up benefit, but before synergies, NCI is paying a 7.8 times multiple for business based on forecasted FY2015 EBITDA. We will fund the acquisition with a bond offering that will increase our net debt leverage ratio from 2.2X to 4.3X, a reasonable level for a company our size.

We remain committed to paying down debt and entering the next business cycle with very little net debt. We are very excited to add CENTRIA to the portfolio of brands, and expect them to be accretive to our earnings by the fourth quarter of FY15.

Now, before Mark dives into the numbers, I'd like to share some thoughts about the upcoming year. I believe we are poised to generate meaningful improvement in our operating performance in the first half that will set the stage for a significant step-up in earnings for FY15. Despite choppiness, the nonresidential market continues to improve. Leading indicators remain positive. Importantly, we have gained traction on the initiatives that we have been working on for the past several quarters.

Our current building backlog is up 9% year over year, and margins remain healthy due to the commercial discipline we have maintained throughout the year. Our new organizational structure will provide additional opportunities to streamline our operations while improving sales and service across all of our brands as we elevate our integration to the next level. Taken together, I'm encouraged that we will maintain the 2014 trajectory of the second half, and achieve the 2015 performance we and our stakeholders expect.

Now Mark will take you through the details of the fourth quarter.

Mark Johnson - ***NCI Building Systems Inc - CFO***

Thanks, Norm.

Good morning to everyone joining us on the call.

We have provided a review of our fiscal fourth-quarter operating results in both the earnings press release and the CFO commentary posted on the website. I'll now take a few minutes to add some additional color to those results. Let me begin by highlighting the significant improvement in our financial and operating results in the second half of our FY14, when compared to the first half.

As you will recall, the first half of the year was negatively impacted by severe winter weather, which generally affected most facets of the domestic economy. During the second half, we achieved year-over-year revenue growth in all of our business segments, despite the fact that 2014 included one less week of operations than 2013. We also experienced substantial gross margin improvement in the second half, which increased 140 basis points over the second half of last year. We attribute these improved results over the past six months to four main items.

First, continued growth, albeit slow growth, in new construction starts, estimated to be about 2.2% for low-rise construction, five stories and less, as reported by McGraw-Hill.
Second, expanding margins from commercial discipline, combined with our value pricing strategy and manufacturing reorganization that began in the third quarter of 2013.
Third, the growing impact of our business growth initiatives.
And finally, better internal management of our project scheduling.

Now I'll go over some brief highlights of the fourth quarter 2014, and then we'll quickly review our annual results.

In the fourth quarter, our consolidated revenues fell slightly by 1.9% from the same period last year, but increased 8.5% sequentially. The year-over-year comparison was impacted by the inclusion of an extra week in last year's fourth quarter, based on our 4-4-5 calendar. As you know, every five years, there is a 53-week year, and that catch-up was made in the 2013 fourth quarter. Adjusting for the impact of that extra week, our consolidated revenues increased by approximately 6.2%, led by better pricing across the board from our commercial discipline and value pricing initiatives, as well as external market volume growth in our coater segment, with the addition of new customers and increased marketing efforts.

Gross margin in the 2014 fourth quarter increased 200 basis points from the same period last year, again reflecting our focus on commercial discipline, value-oriented pricing and manufacturing operations. Over the course of this year's earnings conference calls, we have highlighted the margin improvement embedded in our incoming orders. And the results of the past two quarters illustrate those improvements flowing through our shipments. Our manufacturing reorganizations have improved our plant scheduling, load balancing, which has resulted in improved quality and on-time delivery performance, and built the foundation for improved manufacturing efficiency.

Our ESG&A expenses decreased by another 3.8% in the fourth quarter, to $68.4 million, which was at the low end of our guidance range of $68 million to $71 million. As a percentage of revenues, ESG&A declined by approximately 30 basis points, to 17.4%. The ESG&A costs we have been incurring for our growth initiatives have now stabilized, and the initiatives are beginning to contribute top-line and margin growth.

As a result of our revenue growth and margin expansion, our fourth-quarter operating income increased 31. And our adjusted EBITDA grew 21% over the same period last year. Our reported net income in the fourth quarter was $14.3 million, up 72.3% or $0.19 per share, compared to $0.11 per share reported in the 2013 fourth quarter. Both years had nonrecurring items, which are reconciled in our earnings release tables.

The recent quarter included a $3.5 million pretax charge, or a $0.03 per share, for the strategic development costs, which included the acquisition-related costs for CENTRIA. Last year's fourth quarter included gains from insurance recovery and un-reimbursed business charges. On an adjusted non-GAAP basis, our recurring earnings in the 2014 fourth quarter were $0.19, compared to $0.10 in the prior year's fourth quarter.

Also during the 2014 fourth quarter, we recorded a $2.7 million tax benefit related to the reversal of a deferred tax valuation reserve associated with our Canadian subsidiary, Robertson Buildings Systems. This reversal resulted from the trend over the last three years of achieving taxable profits in our Canadian operations. And we determined that the valuation reserve, which had been initially established years ago, was no longer required, based on our expectations of continued taxable earnings in Canada.

Now I'll discuss some highlights from our operating segments. Our Building segment total revenue fell 3.8% from the fourth quarter of 2013. Adjusted for the extra week, however, revenue grew approximately 5.2%.

On a similarly adjusted basis, volumes, measured in tons, were down approximately 3.3%, due to the choppiness in nonresidential activity in our fourth quarter and our commitment to commercial discipline on project pricing. Despite the decline in volumes, our building segment operating income grew by 114% over the prior year. And our operating margin for this segment grew 550 basis points. Our focus on commercial discipline, combined with value-oriented pricing and manufacturing process improvements, has led to expanding margins.

Our bookings for the quarter, in terms of dollars adjusted to a comparable number of days, grew approximately 11.3% over the prior year. Our buildings backlog, at $296 million, finished 9% higher than the year-ago period. And our bookings for November, the first month of our 2015 first quarter, were 27% higher than a year ago. These items, combined with continuing elevated year-over-year order margins, are indicative of a continued favorable earnings trend for the building segment.

Our Coating segment achieved a 5% increase in total sales for the quarter, reflecting a 12% increase in external third-party sales, as we continue to expand our activity level in our Ohio facility, which opened in 2013.

Despite the increase in revenue, the segment operating income decreased by approximately $1.3 million. The decrease relates to several items, including the prior year net $500,000 nonrecurring gain on insurance recoveries; lowered internal margins on coated heavy gauge material to approximate current market prices; and lower external margins from weaker product mix, as we continue to fill our new Ohio facility.

Looking at the performance of our Components division, reported revenues were down 2%, to $197.3 million. The 6% increase in our internal sales was offset by a 3% decline in third-party sales. Adjusted to a comparable number of days, total revenue grew by approximately 5%, and external revenue grew 4.8%. Operating income for the components segment declined by $2.7 million, and operating margin fell 120 basis points during the quarter.

In addition to the effect of lower volumes, driven by fewer operating days, the decline in operating income resulted from approximately $1.1 million in incremental costs associated with the ramp-up of our new architectural panel facility. We expect these incremental costs to decline with the successful acquisition of CENTRIA, as we integrate our operations and the new facility's utilization increases.

Lastly, we have seen sequential improvement in our product mix and margins in our IMP business, which, as you know, have been challenging earlier in the year. But while improved, the margins and mix were still less favorable than the prior year for our fourth quarter. Based on our incoming orders and backlog for IMP products, we expect to see continued improvement in both the mix and margins in early 2015.

Now, I will turn to some key highlights for our FY14. Annual consolidated revenues reported for FY14 increased by 4.8% over the prior year. Adjusted to a comparable number of days, the year-over-year increase in sales was approximately 7.3%.

During the same period, McGraw-Hill reports new construction starts measured in square feet to have grown 7.6%. Within that, low-rise construction, five stories and less, grew 4%. Gross margin for the year grew slightly to 21.3%, from 21.1% last year. This reflects the net impact of the challenging first half, where margins had declined 130 basis points from the prior year, and then rebounded in the second half, with year-over-year margins growing 140 basis points, driven by commercial discipline, value pricing and manufacturing improvements.

Operating income included unusual nonrecurring and non-operational items in both years. These items included a gain on insurance recovery, costs associated with the secondary offering, and strategic development costs, including acquisition-related costs. Our adjusted operating income for the year, excluding the identified unusual and nonrecurring items, grew by $10.9 million, or 58.2%. All of this improvement occurred in the second half of the year, and primarily resulted from the expanding gross margins.

Our reported net income for FY14 was $11.2 million, or $0.15 per diluted share, compared to a reported net loss of $12.9 million, or $0.29 per diluted share, last year. Adjusted for the previously mentioned non-GAAP items in both years, the net income for FY14 was $11.9 million, or $0.16 per share, compared to a virtual breakeven in the prior year. Turning to our balance sheet and liquidity, we ended the year with $66.7 million in cash and equivalents, compared to $77.4 million at the end of 2013. And our $150 million ABL credit facility remains undrawn at the end of the year.

Cash flow generated from operating activities in 2014 was $33.6 million, compared to $64.1 million last year. This decline is primarily related to an increase in working capital, particularly a decrease in accounts payable. As we commented last year, the prior-year accounts payable balance was elevated, due to unusual timing of inventory receipts and vendor payments. Our capital expenditures were $18 million, which was well below our guidance of $22 million to $25 million, as several of the items planned for the fourth quarter were deferred into 2015.

As you already know, we will most likely be financing our acquisition of CENTRIA with approximately $250 million of new senior unsecured notes, which will increase our debt levels. We expect our combined net debt leverage ratio to be approximately 4.3 times after completing the transaction. Following the acquisition, our annual objectives will include reducing our debt levels from utilizing our growing combined free cash flow. We expect that, over the next few years, our net debt leverage ratio will decline to a level at or below the current 2.2 times.

Now before I turn the call over to questions, I wanted to remind you that in the CFO commentary, available on our website and filed as an 8-K, I have provided some supplemental commentary on our performance and guidance on certain financial items.

Now, Operator, I'll turn the call back over to you for questions.

QUESTION AND ANSWER

Operator

Thank you, sir.

(Operator Instructions)

Winnie Clark, UBS.

Winnie Clark *- UBS - Analyst*

Good morning.

Norm Chambers *- NCI Building Systems Inc - Chairman, President & CEO*

Good morning.

Winnie Clark - ***UBS - Analyst***

So while your initiatives offset the impact, it seems like the demand recovery in the second half of the year was slightly slower than you anticipated going into the year. Can you talk a bit about how the non-res market trended through the second half of 2014? And then, what your expectations are for the low rise construction market next year?

Norm Chambers - ***NCI Building Systems Inc - Chairman, President & CEO***

Yes, so to really, I think, get the real picture. So what we actually shipped in the fourth quarter was largely booked in the first half of the year. So we're seeing the results. And frankly, some of the indications earlier of the leading indicators pointing to, there may be some headwind in the second half of our fiscal year, okay? In terms of -- I'm sorry, in terms of our shipments, okay? So we -- that was the result of the weaker market in the first part of the year, in terms of bidding activity.

Now what occurred is that in the second half, we actually saw a pickup, particularly in the fourth quarter, a pickup in activity, in terms of the jobs, the scope, the scope of the jobs, across both our buildings group and our components group. And fortunately, in our insulated metal panel piece, as well. So the actual bidding in forward-looking aspects of the fourth quarter, meaning the work we're bidding to do in the future, really did improve, and was reflected in the buildings group, 27% bookings. So it is the case that we shipped a bit less than we expected to ship in some of our businesses. But at the end of the day, we saw activity levels that really portend quite well for the future.

Winnie Clark - ***UBS - Analyst***

Okay, great. That's helpful. And then price mix and commercial discipline added a pretty impressive number to EBITDA in the quarter. Was anything unusual that magnified the tailwind? Or is this some type of level of contribution we can expect from these initiatives going forward?

Norm Chambers - ***NCI Building Systems Inc - Chairman, President & CEO***

We certainly expect to continue to perform well. I would say that we had 15 of our 18 brands show really nice year-over-year improvement in the second half, and 3 of those brands did not. So we still have work to do, in terms of improving our performance.

But I would say that we certainly saw very good improvement, was very obvious in the numbers in the buildings group. That was -- it was very clear.

But in actual fact, the -- one of the best performers was our legacy components group. They had a really good fourth quarter, and in fact, were the most profitable part of our business, in fact, for the entire year.

Winnie Clark - ***UBS - Analyst***

Great. And I guess that's positive for the outlook, as I guess that's a good leading indicator. So thanks so much.

Norm Chambers - ***NCI Building Systems Inc - Chairman, President & CEO***

Yes. Thank you.

Operator

Lee Jagoda, CJS.

Lee Jagoda - ***CJS Securities - Analyst***

Hi, good morning.

Norm Chambers - ***NCI Building Systems Inc - Chairman, President & CEO***

Good morning.

Lee Jagoda - ***CJS Securities - Analyst***

Norm, can you just touch a little bit more on the sustainability of the operating margin improvement in buildings? Maybe talk about utilization rates?

And then discuss whether or not you are at the point where you can walk away from some lower-margin opportunities? And did that contribute to some of the volume headwinds in the second half?

Norm Chambers - ***NCI Building Systems Inc - Chairman, President & CEO***

Yes, so I think that the commercial discipline is very much a -- both a process, as well as a behavioral kind of thing, right? So what I mean by that is that we clearly, from August of 2013 on, really made a concerted effort to put our prices across all of our businesses.

And we're very successful in the buildings group. Really quite successful in the components group, with the exception of insulated metal panels, which had a backlog that we had to work our way through. And started to see improvement in the AG business in the components group. So that was all good.

But I will tell you that there are any given moments in time where there is the -- I won't say the pressure, but the desire to win more work in a certain area. And so we always have to manage the competitive approach to wanting to win more work, while still trying to maintain a level of discipline. So the bottom line of all of this is that we will continue to be disciplined, in terms of valuing price more than volume.

And going into the year, we were prepared to lose market share as a result of that, and have found, during the course of the year, that we probably didn't lose maybe even a percentage point of share. So we're pleased with the results, in terms of what we were able to achieve.

Lee Jagoda - ***CJS Securities - Analyst***

And then, can you just touch on the utilization rates in buildings, and how it compares to, let's say, a year ago?

Norm Chambers - ***NCI Building Systems Inc - Chairman, President & CEO***

Yes, so Mark will pull the numbers out on that. And I'll say that there's one really clear aspect of utilization, and that is that the manufacturing team are hard at work at looking at ways that we can improve our utilization by looking more closely at our supply chain management and our footprint in manufacturing plants. And so there's some nice opportunities there. Mark, do you want to --

Mark Johnson - ***NCI Building Systems Inc - CFO***

Sure. So the capacity utilization up-ticks very slightly from year to year. In our fourth quarter, our utilization was about 1 percentage point higher than last year, at about 39% for the buildings group. And for the components group, we ended the year at about 45% utilization in the fourth quarter. And in our coatings operation, about 51% utilization.

Norm Chambers - ***NCI Building Systems Inc - Chairman, President & CEO***

So balanced across the whole piece?

Mark Johnson - ***NCI Building Systems Inc - CFO***

Balanced across the whole piece, we're in the mid 30%s.

Norm Chambers - ***NCI Building Systems Inc - Chairman, President & CEO***

Yes. So you can see we still have a lot to do. And what the drives is a consideration about consolidation of our activities and consolidation of our plants, which is a great opportunity to make a step change in our cost basis, going forward.

Lee Jagoda - ***CJS Securities - Analyst***

Great. And two quick questions regarding CENTRIA. You touched on $6 million of potential cost synergies. In terms of where those cost synergies are coming from, whether it's cost of goods or SG&A, and a timeline for when you expect to achieve those?

And just as a follow-up, it looks like in the deck, that CENTRIA appeared to have peaked about 12 months after your core business did. When was the trough in their cycle? And how did profitability settle out at the bottom?

Norm Chambers - ***NCI Building Systems Inc - Chairman, President & CEO***

Profitability settled at the bottom pretty much at that 10% EBITDA margin, okay? Which we talk about in our trailing 12. One of the things is that their cycle is slightly different to ours, and primarily driven by the high-end architectural. And the backlog that they have built is quite large and long. So from that perspective, I think that that is the best way we can look at it.

I will tell you that the synergies are largely around the purchasing of steel, transportation and the opportunity to spread some costs over a wider group of assets.

Mark Johnson - ***NCI Building Systems Inc - CFO***

So it's mostly in the cost of goods sold area.

Norm Chambers - ***NCI Building Systems Inc - Chairman, President & CEO***

Thank you.

Lee Jagoda - ***CJS Securities - Analyst***

And then from a sales perspective, from a purchase perspective, was this an auction or was it privately negotiated?

Norm Chambers - ***NCI Building Systems Inc - Chairman, President & CEO***

It was a very competitive deal, and we were competing to win it. And I will tell you that the seller of this particular asset is a fine man, and did a great job. But we're happy with where we ended up, and certainly thrilled to have CENTRIA part of the family.

Lee Jagoda - ***CJS Securities - Analyst***

Terrific. I will hop back in the queue.

Norm Chambers - ***NCI Building Systems Inc - Chairman, President & CEO***

Thank you.

Operator

Trey Grooms, Stephens Inc.

Trey Grooms - ***Stephens Inc. - Analyst***

Good morning.

Norm Chambers - ***NCI Building Systems Inc - Chairman, President & CEO***

Good morning, sir.

Trey Grooms - ***Stephens Inc. - Analyst***

First off, Norm, I guess it was on the fourth quarter call last year, you talked about your expectation for in-market demand as you looked into FY14. Do you think you could give us your thoughts, or take a stab at your expectations for in-market demand as you are looking into next year?

Norm Chambers - ***NCI Building Systems Inc - Chairman, President & CEO***

Yes, I will tell you, Trey, we still see very strong growth in manufacturing across the country. Maybe a bit more South of the Mason-Dixon Line, but really, very good manufacturing growth.

Assembly, maintenance facilities, again continue to look good for rail, road and air. We see -- really still, and this surprises folks, a lot of movement in chains, particularly in grocery stores. We are seeing opportunities there. We're seeing opportunities in terms of assembly and distribution plants.

So the bottom line is that, as time has moved on, we continue to see a broadening of the recovery. And it has been quite slow from a volume perspective, but it continues to blossom and to fill out. And that's encouraging for us. We -- and I want to say that one of the things that we have been benefiting from is oil and gas, which I think we have said before is less than about 5% or so -- about 5% of our revenue. And that continues.

We have interrogated our backlog, which is only about less than $10 million, and the jobs that we have are solid, and our shipping. We have canceled a little work, but it's on the order of $1.3 million. So the potential headwind that might occur, in terms of oil and gas, shouldn't have much of an effect on us.

Trey Grooms - ***Stephens Inc. - Analyst***

Okay, that's all very helpful. And then I guess as a follow-up, just more housekeeping. Mark, on -- with the CENTRIA deal, you're definitely going to have a tax benefit, or a positive tax benefit. Could you give us a little bit of color on how to think about both book taxes and cash taxes, as we look into 2015?

Mark Johnson - ***NCI Building Systems Inc - CFO***

Sure. So from an effective tax rate as we would report it on our income statement, it will be somewhere between 37% and 40%. Where the advantage will come in is the actual taxes that get paid. We will be benefiting from the amortization of nearly $200 million of step-up in assets and intangibles that, for our tax purposes, will be deductible.

So that's an advantage to the structure under which we are able to purchase CENTRIA, and it will significantly decrease the amount of cash that we're using to pay taxes over the next 15 years, really. And some of that, quite a bit of that, will be accelerated. So I don't know how to describe that any better to you, other than to say it was a significant component of our valuation considerations.

Trey Grooms - ***Stephens Inc. - Analyst***

Okay. And if I could just sneak one more in on the CAPEX. You mentioned earlier that you were looking for a range of $22 million to $25 million this year, but there was some deferral there. So what kind of range should we be expecting for 2015, Mark, if you could give us a little color there?

Mark Johnson - ***NCI Building Systems Inc - CFO***

Yes, I do have it in my CFO piece, as well, but I gave a guidance range for 2015 of $22 million to $26 million.

Trey Grooms - ***Stephens Inc. - Analyst***

Okay, sorry about that. I overlooked it. Thanks, guys, and good luck.

Mark Johnson - ***NCI Building Systems Inc - CFO***

No problem, Trey.

Operator

Alex Rygiel, FBR Capital Markets.

Alex Rygiel - ***FBR Capital Markets - Analyst***

Thank you. First off, could you give us a little bit better color on the time line for synergies with CENTRIA? And then secondly, maybe go into a little bit more detail on the strength that you saw in November? Any particular geographies or product lines or anything like that?

Norm Chambers - ***NCI Building Systems Inc - Chairman, President & CEO***

So I'll start with the last question first. We certainly have continued to see the manufacturing and assembly and distribution sector working quite well, which many speak about in terms of the warehousing. We have seen a pickup in activity in maintenance facilities, and things of that nature. And those are spread across the country pretty evenly, with a slight bent in the distribution to South of the Mason-Dixon Line and right to work states.

I will tell you that one of the areas that I think speaks a little bit better of the consumer and the retail side is that we continue to see private storage units recover at a rate that is more reflective of the recovery of 2004 to 2008. And that gives us some sense that the consumer is beginning to improve their position. And we see that again reflected in some retail operations that we build, particularly in the food industry. So those are pretty good.

I think the geographic spread is pretty interesting. It -- we probably saw a little slowness start to improve in the West Coast, but I think the East Coast continues to look pretty good. And again, we're talking relative to what has been a really struggling six years, but we are seeing improvement across the whole country.

Mark Johnson - ***NCI Building Systems Inc - CFO***

On the synergies question, we would expect to build up to that $6 million over a couple of years. By the end of the first year, we would be at a run rate equal to half of that $6 million. And then by the end of the second year, we'd be at a run rate equal to the first $6 million.

Norm Chambers - ***NCI Building Systems Inc - Chairman, President & CEO***

And I will say this, before we actually start to work with the business. I'm not suggesting that my colleague is being conservative, but I am saying that we have opportunities, and we'll be looking for all kinds of ways of improving profitability.

Alex Rygiel - FBR Capital Markets - Analyst

And I know you provided some color on your exposure to the oil and gas market. But could you enhance that a little bit more, with regards to your view on, directionally, where demand goes?

Norm Chambers - ***NCI Building Systems Inc - Chairman, President & CEO***

Yes, so having grown up in oil and gas, I will tell you that I am still incredibly bullish in terms of what the opportunities are for NCI, in terms of supplying buildings for upstream, midstream and downstream. But I also know, having been in it, that the cycle that oil and gas follows is different than the economic cycle. And there's no industry better, in terms of starting to spend money or stopping to spend money, than the oil and gas industry.

So when we see ourselves in a situation where we look specifically at that, I would expect to see some slowness. Now whether that slowness means that it's 2.5% of our revenue that would be fine. My point is that, on the longer haul, we still expect to see good growth over many, many years.

But when you boil it all down to not just oil and gas, we are still expecting to see mid-single-digit growth in volumes in non-res. And to the extent it's better than that, fantastic. That will be a problem we can deal with. But we're trying to manage our business as if it will be mid-single-digit.

Alex Rygiel - FBR Capital Markets - Analyst

That's very helpful. Thank you. Nice quarter.

Operator

Will Randow, Citi.

Scott Schrier - ***Citigroup - Analyst***

This is actually Scott Schrier in for Will. First question, I noticed on the coating side, on the sequential basis, it seemed like your revenues increased more than they typically do. Did you see -- were there any trends or anything there that were driving that?

Norm Chambers - ***NCI Building Systems Inc - Chairman, President & CEO***

Yes, so we had a situation there where we had the opportunity to approach our ramping up of Middletown in a way where we actually moved some opportunities from Georgia to Middletown. If you actually look at the margins of Middletown, they really were quite good. Georgia suffered a little bit as a result of that.

And I would say that it's in -- we're in the process of ramping up to not only the volumes of activities in coaters, but the kind of work that we really want to have. Coaters is in a unique position to benefit from the internal demand that our components and buildings group provide. Therefore, we expect that team to be focused on value and pricing. And I think we all have that message very clearly now. So we were happy to see some growth, but what we want to see is growth to the bottom line.

Scott Schrier - ***Citigroup - Analyst***

Got it. On the CENTRIA acquisition, I noticed in the deck, it mentioned that it provides some opportunities in the mid- to high-rise space. Do you see yourselves attacking those opportunities through the CENTRIA acquisition? Or possibly using that to get into some other mid- to high-rise applications, as well?

Norm Chambers - ***NCI Building Systems Inc - Chairman, President & CEO***

So we were really fascinated by the high-end architectural, and have been for gee, probably the -- almost the last 10 years. But could not really get our heads around how we were going to break into an industry that was really higher-end architectural. And so we were -- have looked, as I said earlier, a number of times if we could acquire -- I know CENTRIA.

But at the end of the day, we actually started an initiative about a year ago, which culminated in the opening of a plant in Richmond, Virginia. So my point is that the acquisition of CENTRIA really does provide us with an opportunity that they have, that they are expert in, in terms of the higher-end architectural, which is not just for low-rise, but for mid-rise and high-rise, as well. So we're really happy about that.

Scott Schrier - ***Citigroup - Analyst***

Great. Thank you, Norm.

Operator

(Operator Instructions)

Brent Thielman, D.A. Davidson.

Brent Thielman - ***D.A. Davidson & Company - Analyst***

Good morning. Sorry to beat on this, but just want to understand how you guys flushed out the potential risk on the oil and gas side? And I know the piece that you break out there is pretty small for you, specifically, the oil and gas piece.

But is there a risk in the manufacturing and warehouse building areas you serve? I'm thinking about those type of buildings around oil and gas infrastructure applications? Or is that fully included in the oil and gas piece you break out?

Norm Chambers - ***NCI Building Systems Inc - Chairman, President & CEO***

So that's fully included. One of the things we look at is, we have certain brands, and their positioning, that they supply small buildings or buildings to third and fourth tier suppliers, okay? So we clearly have seen that would have probably a disproportionate effect on that particular brand, which is one of our 20, okay?

But when you roll it all together and consolidate it, we're really spread and diversified across all aspects of the economy. And I must say, I'm all in favor of getting more oil and gas work. But I also appreciate very deeply how that works, in terms of, if there's a change, a systemic change in price, the oil and gas company is going to spend a lot less.

Brent Thielman - ***D.A. Davidson & Company - Analyst***

Okay. And then -- I appreciate the commentary on the improvement in bookings and backlog in November. That's helpful. But can you frame what you are seeing in the same month last year? Were bookings, backlog up or down? Or any aberrations, just to get a better idea of the comparison?

Norm Chambers - ***NCI Building Systems Inc - Chairman, President & CEO***

Sure. So Mark will do his best to pull that together in a second here. But I will just say that when you think about what we were doing this time last year, we were coming through our first price increase, which started in August of 2013.

We were beginning to see some benefit from that. And that benefit was more prevalent in the buildings group, a little less so in the components group, and slower in the coating group. So as we went through that to the period that we were at this time last year, we still hadn't gotten probably two-thirds of the benefit from pricing.

So what you see now is not only an improvement in volume, but an improvement in dollar values and the margins there, right? And that, in and of itself, is really good. But I'll tell you, one of the things that we're watching very carefully is that our components group, which is just-in-time delivery, very much short of lead times, are really on the legacy part of our business and a bit more on the agriculture side, are seeing some nice movements in daily sales and weekly sales.

And we're encouraged by that. And that goes hand-in-hand with the position that the buildings group are in. That's why we're trying not to get over our skis. But it is different than it has been for the last three years.

Mark Johnson *- NCI Building Systems Inc - CFO*

Looking back at last November, the bookings in November of 2013 grew 5% year over year. So I think the fact that this year's November grew 27% is definitely a good indicator. It indicates continued growth.

Bookings are choppy. They do come in in blocks. So I don't think you should read into that that we expect 27% growth in revenue in the first quarter, but it certainly is a good indicator.

Norm Chambers *- NCI Building Systems Inc - Chairman, President & CEO*

Yes.

Brent Thielman *- D.A. Davidson & Company - Analyst*

That's helpful. Thanks, guys.

Norm Chambers *- NCI Building Systems Inc - Chairman, President & CEO*

Okay. Thank you.

Operator

Management, there are no further questions at this time. Please continue.

Norm Chambers *- NCI Building Systems Inc - Chairman, President & CEO*

Thank you very much for joining us for the call, and we look forward to reporting on the first-quarter call. Thank you.

Operator

Ladies and gentlemen, this concludes the NCI Building Systems Inc fourth-quarter earnings conference call. The conference center would like to thank you for your participation. You may now disconnect.