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PRESENTATION

Operator
Greetings and welcome to NCI Building Systems' first-quarter earnings conference call.

(Operator Instructions)

As a reminder, this conference is being recorded. I would now like to turn the conference over to Miss Darcey Matthews, Vice President of Investor Relations. Thank you, Miss Matthews, you may begin.

Darcey Matthews ***NCI Building Systems Inc - VP of IR***
Thank you. Good morning and thank you for your interest in NCI Building Systems. Joining me today for the call are Norm Chambers, our CEO; and Mark Johnson, our CFO. Please be reminded that comments regarding the Company's results and projections may include forward-looking statements which are subject to risks and uncertainties. These risks are described in detail in the Company's SEC filing, earnings release, and supplemental slide presentation. The Company's actual results may differ materially from the anticipated performance or results expressed or implied by these forward-looking statements.

Additionally, management will refer to certain non-GAAP financial measures. You can find a reconciliation of these non-GAAP financial measures and other related information in our earnings release and supplemental presentation located on our website.

As you know, our first-quarter earnings were released last night. On the call this morning, Norm will provide a few strategic highlights about our recent quarter and an overview of what we anticipate for the remainder of 2017. Then he will turn the call over to Mark, who will offer details regarding our first-quarter financial performance and guidance for the second quarter. Finally, Norm will end with some closing remarks. After that, we'll be happy to take your questions. At this time, I'd like to turn the call over to Norm.

Norm Chambers ***NCI Building Systems Inc - CEO***

Thanks, Darcey. Good morning, everyone. Let me start with some key highlights of our first quarter. We are pleased to have generated a 6% year-over-year increase in revenue as a result of increased volumes and price realization. In fact, our total volume increased by 7%, which will likely exceed the expected fully adjusted Dodge non-residential construction growth of 3% to 6%. In addition, our bookings and backlog continue to strengthen, and we see more activity from our industrial and manufacturing end markets. In the buildings group, incoming orders in the first quarter show a 14.7% year-over-year growth. Furthermore, 8 of our 11 regions we track are showing growth, reflecting improved market demand. We are pleased with the market improvement and pace we are seeing.

From a strategic and operational standpoint, it's been several years since we began to implement our structural reorganization in our commercial, supply chain, and manufacturing groups. These efforts continue to pay dividends, and we see additional opportunities to drive further process improvement for each of the next several years. To that point, manufacturing expense as a percentage of revenues declined 80 basis points year over year, highlighting the reduction in our internal cost of quality initiatives. And ESG&A as a percentage of revenue declined 130 basis points, primarily due to our cost reduction initiatives across the organization.

Thanks to the opportunities created by the strong position of our insulated metal panel products, we have been able to gain market share from traditional building materials because of increased demand for energy efficiency and IMP's structural and aesthetic appeal. Additionally, on a year-over-year basis, we've been able to leverage the strength of our internal distribution channels in our buildings and legacy components of businesses to deliver a 100% increase in our IMP incoming order flow. Our IMP business currently represents approximately 25% of our revenues, and 33% of our EBITDA. And we expect to see a continuation of double-digit growth for this higher-margin product during 2017 and beyond.

From a financial standpoint, our capital structure and cash flow position remained very strong our first quarter. We paid down additional debt, repurchased stock, continued to invest in our businesses for future growth. Mark will provide additional details on these activities in his remarks. Overall, we are encouraged by what we see in terms of incoming orders of volume growth and the increasing level of customer confidence in the markets. Mark will now take us through our financials. Mark?

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

As is customary, we have provided a review of our 2017 first-quarter financials in both the earnings press release issued yesterday and the quarterly supplemental presentation posted on our website. I will now take a few minutes to add some additional insight to our result. Overall, the first-quarter results were slightly better than the guidance we provided on December 9, especially at the revenue level.

On our last conference call, we mentioned slower-than-anticipated order activity during the last two months of our fourth quarter, and that continued into the first two weeks of November. We suspect this slowdown related to general market uncertainties leading up to the election. But since then, we are pleased to report that we have seen broad improvement reflected by monthly sequential increases in revenue, EBITDA, and bookings during the first quarter.

Our consolidated revenue increased 6% year over year, to $391.7 million, and our total volumes measured in tons increased approximately 7.4%, which served to mitigate our previous concerns of a slower start to FY17. So, despite a period of rising input costs, key drivers during the first quarter were the continued execution on our cost-reduction initiatives, solid year-over-year gains in total volume led by our Coating segment and inter-segment activity in our insulated panel products, and disciplined pricing across all three segments as input costs move higher.

While we continue to successfully implement our key cost-saving and efficiency initiatives for manufacturing, we did see a 280-basis-point contraction in our consolidated gross margins, to 21.4%, as we had previewed with you in our prior call and guidance range. The contraction related to a combination of product mix shifts and rapidly increasing steel input costs in this year's first quarter, compared to rapidly declining costs in last year's first quarter.

Of these, we estimate that the product mix shifts, particularly in IMP products, accounted for approximately 190 basis points. And the directional divergence in steel input costs accounted for approximately 130 basis points, which were partially offset by the positive impact of process and efficiency improvements. Based on the mix of product and margins in our current backlog, both of these items are temporary in nature and we expect our margins to be stronger in the remainder of FY17.

With respect to the steel input costs, as is typical, this issue is most evident in our Building segment and particularly relevant this quarter due to the fact that the prior-year first quarter exhibited the exact opposite trend. We are and have historically managed our business through complex and volatile steel price movements without materially affecting our consolidated gross margins during any given fiscal year once the full cycle has played out through our three segments. We often refer to this as our natural hedge against steel volatility, and it results from the varying length of sales cycles in the three segments, as well as how our segment margins react to steel volatility in opposing directions.

During the quarter, we took significant steps forward in our planned manufacturing cost-reduction and efficiency initiatives, which target a total cost savings ranging between $15 million and $20 million, of which we anticipate realizing $6.5 million in 2017. We closed both a large buildings manufacturing facility and a medium-size components facility, combining these activities into one existing plant in the Midwest. In addition, as planned, we retooled one of the acquired CENTRIA facilities to support our IMP product growth. These actions represent a significant portion of our manufacturing cost savings expected to be realized in 2017, and consistent with this plan, we recorded special charges related to these activities of approximately $1.3 million.

As Norm mentioned, ESG&A expenses decreased as a percentage of revenue by 130 basis points and came in lower than originally anticipated. The continuing successful execution of our cost-reduction initiatives more than offset incremental costs related to volume increases and wage inflation pressures. We remain on target to achieve our total ESG&A cost-savings goal of between $15 million and 20 million, of which $3.5 million is expected to be realized in FY17. And we remain committed to our longer-term target to reduce our annual ESG&A costs as a percentage of revenues to less than 16% over the next several years.

Our consolidated effective tax rate was higher, at 38.5% in the current year, compared to 29.4% in the prior-year's quarter. As previously disclosed, the prior year's effective rate was unusually low due to the discrete tax benefits from changes in tax law and the inclusion of a non-taxable bargain purchase gain in the prior year. As I've mentioned previously, our seasonally slower periods generally have more volatile effective tax rates due to the lower level of earnings leading to outside impacts on the tax rate from various tax matters.

Now I'll briefly turn to our segment operating results. Our components group delivered another strong quarter of increased demand for our legacy products, as well as increased volumes in insulated metal panel products, led by our own internal inter-segment distribution channel that continued to generate even broader growth opportunities in IMP products. While margins were negatively impacted by a meaningful product mix shift from an increase in lower-margin cold-storage shipments and a decrease in higher-margin, commercial and architectural shipment, these items were offset by leverage gains from the higher volumes and reductions in ESG&A expenses as we integrate our IMP operations.

In our buildings group, total revenue was up 1.5%, entirely driven by improved price realization as total tons were essentially flat year over year, with declines in third-party volume offset by increases in the internal volume. The decline in volume was consistent with the guidance we previously provided, and stemmed from the period of slower bookings prior to the November election, which reversed into growth territory following the election. As a result, backlog in the Building segment at the end of the first quarter increased 12.7% year over year, to $344.3 million, resulting in the highest January backlog since 2008 and reflective of the uptick in activity we noted during the quarter.

Year-over-year operating margins were negatively impacted by the rapid incline in input costs, compared to the rapid decline in the prior year, which we expect will improve in the second quarter. The Coating segment saw volume increases from both internal and external demand, for a combined increase of 19%, which drove a 25% in revenues. While external margins increased, margins for the segment were lower due to the mix of internal work, as we insourced some lower-margin activities that were incremental to the consolidated group and drove incremental internal volumes but at lower margins.

Now I'll take a brief look at some items from our balance sheet. We ended the quarter with a cash balance of $15.8 million, which was down sequentially from $65.4 million at the end of the prior year. Operating cash flow declined $31.9 million during the period, as the result of investing nearly $48 million in working capital through a combination of a deliberate increase in inventory levels, higher input costs and annual reductions in current liabilities. We currently anticipate that our working capital investment will moderate substantially in the second quarter and lead to strong operating cash flow for the second half of the fiscal year.

During the first quarter, we used cash to continue our debt-reduction plan and we paid down $10 million to date in FY17. Our net debt leverage ratio after the end of the first quarter was 2.3 times, as compared to 2 times at the end the fourth quarter and 2.6 times in last year's first quarter. We clearly find ourselves developing a much stronger capital structure compared to a couple of years ago. With respect to our stock repurchase program, we purchased approximately 3.5 million at an average price of $14.18, and have approximately $40 million remaining under our plan.

Turning now to our outlook. The pickup in bookings and backlog since the end of the fourth fiscal quarter supports our view that FY17 will show improvement over FY16, as a result of growth in volumes and our ability to continue executing our operational improvement initiatives. Based on leading indicators, we expect at least a 3% to 6% underlying growth in low-rise non-residential construction starts measured in square feet. We also expect to capitalize on the faster growth opportunities in insulated metal panel products.

We ended the first quarter with a consolidated backlog of $527.1 million, which is up 10.3% from a year ago and is consistent with our latest growth expectations for 2017. We believe the impact of rising steel costs on year-over-year margins will dissipate during the remainder of the year, as we continue to execute on our commercial disciplined processes and the complete cycle plays out through our three segments.

In addition, we continue to execute on our two cost-saving initiatives for manufacturing and ESG&A, driving an incremental savings of $10 million in FY17, which we expect will bring our total cost-initiative achievement to $22 million since these initiatives began. Based on these factors, we believe we will deliver another year of modest growth in underlying volumes with continued year-over-year operating margin expansion, although at a slower place than realized in 2016.

Looking forward in FY17, we reaffirm the guidance we provided in early December, and continue to anticipate that revenue will range between $1.75 billion and $1.85 billion, and adjusted EBITDA will range between $175 million and S205 million. Seasonally speaking, as is typical, revenues will be stronger in the second half of the fiscal year, given the peak construction periods during the summer and fall months. For the second quarter, we currently estimate consolidated revenue will range between $400 million and $425 million, with gross margins improving sequentially to range between 22.5% and 24.5%. As a reminder, we have provided additional financial guidance for the second quarter in the supplemental presentation posted on our website. Now I would like to turn the call back over to Norm for his comments on the remainder of the year.

Norm Chambers ***NCI Building Systems Inc - CEO***

Thanks, Mark. Before we open the call to your questions, I would like to close with some thoughts about 2017. Our overriding objective remains the same: to strengthen our business platform in order for NCI to grow faster than low-rise non-res. We have been successful in achieving this during the last two years, and we anticipate being able to continue delivering better-than-market growth going forward.

Consumer confidence has grown gradually since the end of 2016 in anticipation of economic growth. Our bookings and backlog have trended upwardly, and primarily due to increased levels of non-residential construction, activity enhanced by the strength of our legacy and IMP product lines. As I alluded and Mark spoke to as well, our 2017 performance will be amplified by cost-efficiency initiatives in both manufacturing and ESG&A.

As Mark mentioned, between the two initiatives, we expect to generate approximately $10 million in additional cost saving during 2017. But in addition to the cost-efficiency initiatives I've mentioned, we are in the process of implementing additional product, structural, and operational initiatives designed to deliver a meaningful increase in our profitability between now and FY19. We plan to provide updates of the specific actual plans as milestones are reached.

In closing, NCI's customer-focused operational platform is allowing us to generate both top- and bottom-line growth, as well as annual margin expansion on a more predictable basis, irrespective of market conditions, and I expect 2017 to deliver another strong year. And now we will open the call for your questions.

QUESTIONS AND ANSWERS

Operator

Thank you.

(Operator Instructions)

Bob Wetenhall, RBC Capital Markets.

Bob Wetenhall ***RBC Capital Markets - Analyst***

Good morning. Very, very solid quarter. Wanted to ask Norm, in addition to the formal guidance that Mark is providing for revenues and EBITDA, it sounds like there's a lot of momentum with IMP and your sales were great in the first quarter.

You did not move your full-year range up. I was hoping you could speak a little bit about some of the factors going on right now between IMP and higher steel prices that could impact results given your guidance range, and how much visibility into the year do you have based on your backlog? Do you have enough visibility yet to be very confident about hitting that range, and what could impact that range?

Norm Chambers ***NCI Building Systems Inc - CEO***

Hey, thanks, Bob. So the starting and finishing point is that we like our pipeline of opportunities across our businesses. We like what's occurring in bookings. We like the fact that as you know for almost 18 months before this quarter we would speak about our bookings as being choppy, and that choppiness has certainly changed.

It's less choppy. It's been really remarkably improved in terms of just the flow of activity. And at the end of the day, we are happy with our backlog giving us the kind of visibility at this stage.

So if you remember what Mark had said, that our backlog was in the same range of the backlog we had in January of 2008. And I'll remind you, we generated $200 million EBITDA that particular year. So my view is that there's still a lot to play out here.

We have to continue to perform, continue to see how the markets respond. And my view is that the pace that we are on is a very good pace, and if it continues, that will be a good thing. But it would be also clear that we are currently more confident about our second quarter than we were at the last call. And I think that we still have a lot to execute, but we like where we are. We really do.

So regarding the IMP, all of our businesses continue to do well. As you know from past experience, we find that our coating components group do particular in a rising steel price environment. And there is oftentimes a lag in the buildings group in terms of passing through costs for steel.

But taking that into account, we find that the IMP is far less affected by still prices. Because we are in a situation where most of that market is value priced and isn't as susceptible to steel costs as other parts of our business and our legacy businesses. Did that answer your question, Bob?

Bob Wetenhall ***RBC Capital Markets - Analyst***
No, that was terrific. And I was just hoping talking about the interplay in the different businesses between some of your businesses are more -- have less elasticity on the pricing side and your volumes are very strong. Can you talk about Mark's comment and, Mark, if you want to jump in, you said you were going to experience some margin expansion this year and it's going to be less than it was last year.

How do we think about what the margin outlook is? Can you give some gross margin guidance for 2Q? What is going to impact this?

Is it the fact you're getting price or you're getting operating leverage in the business on stronger volumes? And how do you mitigate the steel cost inflation you are seeing? Just trying to get basically a walk through between now where we are, and how you're thinking about your guidance at year end in terms of profitability on the margin line?

Norm Chambers ***NCI Building Systems Inc - CEO***
So, Bob, let me just start off and Mark will jump in. The whole notion is that we believe that finishing the first half above the first half of last year is the first step. And that is very important to us.

But at the end of the day, we also see with the increased seasonal demand a different dimension in terms of our margins because the volumes are going through our plants and whatnot. Mark, do want to add some color?

Mark Johnson *NCI Building Systems Inc - CFO*
Yes, I would just say that I think we were pretty clear that we do expect to see margin expansion during 2017, and that obviously takes into account that the margin was lower in the first quarter. The margin ranges we're giving you for the second quarter, the midpoint of that is relatively consistent with where we were last year. So I think we're pretty bullish on where our margins go from here.

Bob Wetenhall *RBC Capital Markets - Analyst*
And could you just -- final question, and then I will pass it over. Could you just comment for a second? You are looking at $10 million of incremental ESG&A savings.

What's the opportunity set through 2017 and into 2018 for better cost discipline within the organization? Should we think that you guys are hitting peak margins, or is there more room for improvement as you continue to streamline the business and improve efficiency? Thanks and good luck.

Mark Johnson *NCI Building Systems Inc - CFO*
Sure. So first of all, with the ESG&A comment, the guidance we are giving for FY17 is to achieve $3.5 million of that target during 2017, not the $10 million. The $10 million is the total that we expect to achieve for both our manufacturing and our ESG&A initiatives. We took some pretty significant steps, as I outlined in my earlier comments with respect to those initiatives, and you're starting to see the results in both our manufacturing cost efficiency as well as our ESG&A costs.

Now, those are the guidance ranges we provided for 2017. Our view is longer than that, obviously, and we've provided a broader range of between $15 million and $20 million for each of our manufacturing and ESG&A initiatives.

So in total, they would be between $30 million and $40 million. Quite a bit of the ESG&A activity happens in our outer years, so we've got lots of opportunities still in front of us.

Norm Chambers *NCI Building Systems Inc - CEO*
Yes, and the other thing is, Bob, what Don Riley and John Kuzdal are working on with their teams is a really, really great continuous improvement move, which is not part of the initiatives we spoke about. But is actually dealing with really avoiding the unforced errors, and the team is focused on that and reducing the leakage that we would historically have from those kinds of activities.

Operator
Lee Jagoda, CJS Securities.

Lee Jagoda *CJS Securities - Analyst*
Hello, good morning.

Norm Chambers ***NCI Building Systems Inc - CEO***
Good morning, Lee.

Lee Jagoda ***CJS Securities - Analyst***
So a quick one for you, Mark. What steel price increase assumption is in the guidance range?

Mark Johnson ***NCI Building Systems Inc - CFO***
We anticipate that, in total, steel prices for 2017 relative to 2016 will be somewhere between 15% and 20% higher than they were in 2016.

Lee Jagoda ***CJS Securities - Analyst***
And just remind us, steel or -- steel as a percentage of your revenue is how much these days?

Mark Johnson ***NCI Building Systems Inc - CFO***
It's approaching 70%. It is probably in the 40% to 50%.

Lee Jagoda ***CJS Securities - Analyst***
That's helpful. And then just switching gears, looking at insulated metal panels piece of the business. At least in Q1, you highlighted mix toward cold storage as a negative to margin. Do we expect that to change in Q2, and if not, can you give us a look at the mix of product being quoted and booked currently?

Norm Chambers ***NCI Building Systems Inc - CEO***
Yes, I think it is clear to us that we are seeing an increase in bookings of higher-margin work. As you'll recall, we generally have three channels. We have the high-end architectural, which has the highest margins, we have the industrial, commercial and institutional, which has very good margins, and we have the cold storage, which has good margins but less margins. It's more of a utility product.

So it just so happened during this period of time, and it's happened to us before as well, where this time of year we see a lot of cold storage flowing out. Because it's used for both external and internal walls in cold storage applications, and it is literally just a mix. This had happened to us a couple years ago as well.

Lee Jagoda ***CJS Securities - Analyst***
And then one more higher-level question regarding insulated metal panels. You've talked a lot about the fact that those products are more and more getting specked into projects by builders and architects. I guess what part of that is just education on the part of the industry or some other either an environmental mandate, or something like that, that encourages that? And then the follow up to that would be what is necessary in the US market to close the gap versus other markets like Europe in terms of the adoption of insulated metal panels?

Norm Chambers ***NCI Building Systems Inc - CEO***
Well I tell you, the first thing is that the ICI, the Industrial Commercial Institution, is the big opportunity. And each of our brands, particularly the metal brand, has a very good focus on that and their salesforce is very good. One of the things, as you know, that we really have thought was an opportunity for us was leveraging the distribution channels that we have that would have taken us 30 years to put in place in our components and buildings group.

And when we talk about Don's team is just doing cracker of a job, just knocking the ball out of the park. They are up 100%, and that is in large part education. But it's also driven in part by the energy codes in 27 states.

And it's driven by anybody that's going to build a manufacturing assembly plant, a high-end distribution plant, is going to be owning that plant and looks at the lifecycle and cost of energy. And insulated metal panels provide a solution set that is superior to most. In fact, that is where we are seeing a displacement where we are gaining share in terms of the more traditional materials for construction.

Lee Jagoda ***CJS Securities - Analyst***
Great. Very helpful. Thank you.

Operator
Matthew Bouley, Barclays.

Matthew Bouley ***Barclays Capital - Analyst***
Good morning, thank you for taking my questions. I wanted to start out with a question just on the cadence of margins as we look to the second half.

Just since the quarterly margin progression last year was a little unusual given the steel volatility, how do you see the second half this year playing out? So really should the progression look more as it has in the past as you ramp sales through the end of the year, or should it look similar to last year? Thanks.

Mark Johnson ***NCI Building Systems Inc - CFO***
Sure, one of the factors that is obviously in play here is the seasonality of the business. I think it's been the case in just about every year that the second half of our fiscal year is much stronger than the first half in terms of volumes. So margins in general are always higher in the second half.

And it does create the situation where you can have more volatility in margins in the first two quarters of the year, first and second quarter being fairly significantly different. That's what we're guiding to this year.

Norm Chambers ***NCI Building Systems Inc - CEO***
But one of the things that's very different from the last cyclical recovery we experienced after 2003 up to 2008, is that our supply chain and our manufacturing are adding value. And our belief is that, that is an

opportunity that continues, that enhances the pricing we can get as well. So it's not just a pricing model, it's very much the integration of our supply chain and our manufacturing that enhances our performance.

Matthew Bouley ***Barclays Capital - Analyst***
Got it, thank you for that. Second question, I wanted to ask about the second-quarter revenue guidance. So was wondering first if you could just comment on trends into February?

And then what it would take to get to the high end or low end of the revenue range at this point? And then as part of that, are there any weather-related issues that we should be thinking about? Thanks.

Norm Chambers ***NCI Building Systems Inc - CEO***
Yes, so the trends were reasonable in February and March. We are clearly still very positive about how our bookings and how our pipeline of opportunities are flowing through. We will always have some weeks where we are comping back against a particularly high number the year before, but on balance we like the direction and the pace.

Mark Johnson ***NCI Building Systems Inc - CFO***
I was just going to add to that. It may be noted that we provided a slightly wider range for revenue in the second quarter than we provided for the first quarter, and that takes into consideration the normal opportunity for weather variation. Very good weather in April would tend to want to put us more towards the higher end of that range, bad weather in April could put us more towards the lower end of that range.

Norm Chambers ***NCI Building Systems Inc - CEO***
And as people have known, we find in the second quarter that our April month is pretty critical. But we like where we are in the quarter so far.

Matthew Bouley ***Barclays Capital - Analyst***
Perfect, thank you very much.

Operator
Brent Thielman, DA Davidson.

Brent Thielman ***D.A. Davidson & Co. - Analyst***
Hey, thanks. Good morning.

Norm Chambers ***NCI Building Systems Inc - CEO***
Morning.

Brent Thielman ***D.A. Davidson & Co. - Analyst***
Mark, just a clarification on the components business for the quarter. If you didn't have the cold storage

sales width, would your margins have been higher? I guess in other words, were you able to push through those higher steel costs for that segment?

Mark Johnson ***NCI Building Systems Inc - CFO***
Yes, we were. And that business definitely benefited from the incremental volume from the cold storage, but was offset by the declines in the higher-margin products.

Brent Thielman ***D.A. Davidson & Co. - Analyst***
Okay, great. And then, Norm, on insulated metal panels, setting aside the penetration story. When you look around the various sectors that they are exposed to in the construction side, which of those markets give you the best opportunity to grow IMP just from a cyclical perspective?

Norm Chambers ***NCI Building Systems Inc - CEO***
Sure, so I think that the energy codes in 27 states are fundamentally non-cyclical. They are there and they have to be dealt with, so that's a good thing for us and our competitors.

I will say that the thing that has been less obvious to me until recently is just how important people who are going to own the manufacturing and the assembly, the cloud storage, the things where energy costs are meaningful. And those owners are specking insulated metal panels, they may not be ours, but they are specking insulated metal panels. So that's an additional opportunity that goes with the ownership of the facility and the lifecycle costs that can be better managed with insulated metal panels.

Brent Thielman ***D.A. Davidson & Co. - Analyst***
Okay. And then on the second-quarter gross margin outlook, is the big variable here being to the low to the high end whether or not that buildings group can catch up at the higher steel costs as you look at that?

Mark Johnson ***NCI Building Systems Inc - CFO***
That's one of the pieces, but I would say a bigger piece is which end of the range we are on for volume shipments. I think the higher volumes would better leverage our facilities and the lower lines would not.

Norm Chambers ***NCI Building Systems Inc - CEO***
Yes, and again, that gets back to the comment on weather. A disruption where someone can't take a project because the ground is wet or the snow is one of those things that isn't -- that's April phenomenon.

Mark Johnson ***NCI Building Systems Inc - CFO***
It's a timing issue. Because obviously if the site is ready and they need to move it into May, you're just talking about moving it a month. But it does fall out of a quarter.

Norm Chambers ***NCI Building Systems Inc - CEO***
But I will say this, Don, John, and their teams have provided us with much better visibility and line of

sight than we have ever had before. We really are in a much better position to manage that than really any time in the past.

Brent Thielman ***D.A. Davidson & Co. - Analyst***
Okay. All right. Thanks, guys.

Operator
Blake Hirschman, Stephens.

Blake Hirschman ***Stephens Inc. - Analyst***
Yes, good morning, Norm and Mark. Congrats on a good quarter.

Norm Chambers ***NCI Building Systems Inc - CEO***
Thank you.

Mark Johnson ***NCI Building Systems Inc - CFO***
Thank you.

Blake Hirschman ***Stephens Inc. - Analyst***
Some of the leading indicators look like they've been picking up, the Dodge Momentum Index has been positive. Your backlogs are good. As you look across your end markets, can you touch on where you are seeing some of the relative strength and the weakness across those?

Norm Chambers ***NCI Building Systems Inc - CEO***
Yes, we still find that the manufacturing assembly plants are still a big part of what we sell and provide, but we clearly are just at the early stages of seeing recovery there. I think we spoke, there were 8 of the 11 regions that we monitor were in growth mode, which I think may be the first time in a couple years we have seen that. And the only region that was noticeably down was Canada.

And at the end of the day, the opportunities that we see are also really interesting in the amount of money that's going to be spent in onshore oil and gas in upstream, midstream and downstream. That is going to be an exciting opportunity for we and the industry. That's going to be interesting to see how that plays out over the next year or so.

Blake Hirschman ***Stephens Inc. - Analyst***
Got it, thanks for that just. Then just one more for me. When you look at the low-rise non-res market that you participate in, it was slow to the recovery party versus other types of non-res, at least in the earlier innings of the cycle.

It seems like the low-rise activity is picking up, and then maybe some of the high-rise activity is back to if not above normal demand levels in some of the markets. So my question is, how do you think about where we are at the cycle for low rise versus maybe some other areas of non-res? And what areas of low rise do you think have the most legs left, and where do you see low rise just maybe not really coming back or needing to come back at a material pace from the levels here?

Norm Chambers *NCI Building Systems Inc - CEO*
Sure, so our leading indicators point to 3% to 6% range in volumetric growth and what we refer to as -- I'm sorry, Dodge new construction starts fully adjusted.

Mark Johnson *NCI Building Systems Inc - CFO*
For low rise.

Norm Chambers *NCI Building Systems Inc - CEO*
For low rise, five stories and less. We clearly see that the opportunity remains that we're still some 20% below the historical average troughs for 50 years. So whether one is terribly bullish on the US economy, partially bullish on -- we think that this recovery for low rise, given that it's been incredibly slow since the bottom, which was 2010, is actually showing signs that it may be picking up more pace in that growth. I can tell you that we have factored nothing into our view of the year that is contingent on the current administration's pro-business approach.

But there's also clear that the level of confidence that we are seeing in our marketplace and in the people that we do business with has clearly picked up since the election. And we think that's a good indication that -- we don't think it's going to be an overnight, we don't think it's going to be a switch that flips. But there's no question that we see more opportunities in the market than we would otherwise have seen.

Blake Hirschman *Stephens Inc. - Analyst*
I got it. Thanks for the color, guys.

Norm Chambers *NCI Building Systems Inc - CEO*
Yes.

Operator
(Operator Instructions)

Matt McCall, Seaport Global.

Matt McCall *Seaport Global - Analyst*
Thanks. Good morning, everybody.

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

Matt McCall *Seaport Global - Analyst*

So maybe Norm would go back to that last question. I think at the midpoint of your guidance range you've got 6% revenue growth. We know Q1, we have got the Q2 guide. I think, Mark, you said steel now expected to be up 6% to 10%, your market is going to be up 3% to 6%.

I'm looking at the numbers and it seems like the growth rate in the back half needs to be much lower than the growth rate in the front half. So I'm just trying to understand all those components. Steel prices up, market growth up, you've been outperforming, you've got IMP. So how is -- how are you arriving at the 6% midpoint with all those factors?

Norm Chambers ***NCI Building Systems Inc - CEO***
So as you know, that those factors are leading indicators of what actually happens. So we have not adjusted our model based on the current indications of our three leading indicators, which is residential, single-family starts, the ABI Mixed Practices Index and the leading economic indicator. Were we to see changes in those indicators, then we would change our view of the year.

I'd tell you, the most important thing, leaving aside all of that, is what's going on in bookings and backlog? What's occurring in the open day orders and in our legacy businesses and the components group? How is the product mix occurring in insulated metal panels? All those things we much more tangible and that's where our focus is, and frankly that's where our confidence is derived from.

But we want to see it play out in a longer time. We're early into the year, let's just take the next quarter, see where we are and then we can have a conversation about what we're seeing for the second half.

Matt McCall ***Seaport Global - Analyst***
And, Mark, I think you said margins. Were you referencing gross margins that could be up on a year-over-year basis, and can you talk about any benefit you are assuming from the buy ahead of steel you referenced in the release?

Mark Johnson ***NCI Building Systems Inc - CFO***
Yes, so I was specifically referring to operating margins as a whole, because we're focused on managing the entire cost structure including ESG&A. And yes, as we typically do when steel prices are rising rapidly, we do make some investments in steel ahead of that, and we did do that again this year, as can be evident on our balance sheet, and we expect those margin improvements to bear out in the se cond and third quarter.

Matt McCall ***Seaport Global - Analyst***
Okay. No quantification?

Mark Johnson ***NCI Building Systems Inc - CFO***
No, I don't think it would be appropriate to do that. I think that is just a natural function of our business.

Matt McCall ***Seaport Global - Analyst***

Got it, okay. Then the last question I had, Norm, it was interesting you brought up the $200 million in EBITDA back in 2008. I think about the differences in the business since then, you've made acquisitions. You have taken costs out.

So are there any other offsets? I'm thinking mix might be one. But are there any other offsets to those pluses to that 2008 EBITDA level that could offset some of the benefits that you've pursued?

Norm Chambers ***NCI Building Systems Inc - CEO***
We're clearly talking about apples and oranges in terms of the Company now. When I think back to 2007, 2008, I almost shake my head because the improvements we have. The acquisition that has given us such a great strong position, insulated metal panels.

The leveraging of our distribution channel to sell that product. The work that the teams have done on improving our manufacturing, our supply chain. The talent that we've recruited in to be with the incredibly experienced and solid team we have here.

All that makes the comparison in terms of who we are very different than who we were. And for us to achieve a level that we are guiding to for the year in a marketplace that is still vastly lower than the marketplace in 2008, which was 1.6 billion square feet. And to be at the levels of performance, I realize and I admit it's apples and oranges. But I'm glad I've got these oranges.

Matt McCall ***Seaport Global - Analyst***
All right, I am too. Have a good day. Thank you.

Darcey Matthews ***NCI Building Systems Inc - VP of IR***
Thank you, Matt.

Operator
Thank you. We have no further questions in queue at this time. I would like to turn the conference back over to management for closing remarks.

Darcey Matthews ***NCI Building Systems Inc - VP of IR***
Manny, thank you. We appreciate everyone's time today on the call, and just wanted to let everybody know that we are planning on attending the Stephens conference next week on the 16th, and on the following week on the 23rd we will be attending the Seaport conference. So we look forward to seeing everybody there. Thank you for your interest in NCI.

Operator
Thank you. Ladies and gentlemen, this does conclude today's teleconference. You may disconnect your lines at this time, and thank you for your participation.
