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Myers Industries, Inc. (MYE)

Q3 2022 Earnings Call

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Steve Barger
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MANAGEMENT DISCUSSION SECTION

Operator: Good morning and a warm welcome to the Myers Industries Third Quarter 2022 Earnings Conference Call. My name is Candice and I will be a moderator for today's call. All lines have been placed on mute during the presentation portion of the call with an opportunity for question-and-answer at the end. [Operator Instructions]

I would now like to pass the conference over to our host, Monica Vinay. Please go ahead.

Monica Vinay
Interim Chief Financial Officer, Vice President-Investor Relations & Treasurer, Myers Industries, Inc.

Thank you, Candice. Good morning and thank you for joining us. I'm Monica Vinay, Interim Chief Financial Officer and Vice President of Investor Relations and Treasurer at Myers Industries. Joining me today is Mike McGaugh, our President and Chief Executive Officer.

Earlier this morning, we issued a press release outlining the financial results for the third quarter of 2022. We have also posted a PowerPoint presentation to accompany today's prepared remarks. If you've not yet received a copy of either the release or the presentation, you can access them on our website at www.myersindustries.com. They are under the Investor Relations tab. This call is also being webcasted on our website and will be archived along with the transcript of the call shortly after this event.

Please turn to slide 2 of the slide presentation for our Safe Harbor disclosures. I would like to remind you that we may make some forward-looking statements during this call. These comments are made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements are based on management's current expectations and involve risks, uncertainties and other factors which may cause results to differ materially from those expressed or implied in these statements.

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Also, please be advised that certain non-GAAP financial measures such as adjusted gross profit, adjusted operating income, adjusted EBITDA and adjusted EPS may be discussed on this call. Further information concerning these risks, uncertainties and other factors is set forth in the company's periodic SEC filings and may be found in the company's 10-K and 10-Q filings.

Now please turn to slide 3 of our presentation, I'm pleased to turn the call over to Mike McGaugh.

Michael P. McGaugh

President, Chief Executive Officer & Director, Myers Industries, Inc.

Thank you, Monica. Good morning, everyone, and welcome to our third quarter 2022 earnings call. I'm excited to report a third consecutive quarter of record top and bottom line results. These results were driven by strong revenue growth, continued year-over-year margin expansion and consistent progress against our 3 Horizon strategy. We saw healthy momentum across the majority of our businesses. We continue to execute and deliver on our self-help initiatives, and we continue to realize the benefit from pricing actions taken by our commercial teams over the past two years. The quarter's results serve as another proof point that our strategy is working and that our businesses are resilient in the face of a challenging macro environment.

In the third quarter, our net sales increased 14% compared to the year ago period, which represents the eighth consecutive quarter of double-digit expansion. On an organic basis, excluding the incremental $19.4 million of net sales from the Trilogy and Mohawk Rubber acquisitions, our revenue grew 4%. Increased sales in our agriculture, auto aftermarket and industrial end markets continued to more than offset the impact of weaker demand in the consumer and recreational vehicle end markets.

We also continue to meaningfully expand our profitability as our adjusted earnings per share increased by 78% or $0.18 per share compared to the year ago period. Additionally, our adjusted EBITDA increased by 57% or nearly $10 million to the year ago period. This bottom line performance represents our third consecutive quarterly record and I'm especially proud that the Myers team was able to accomplish this in the midst of a challenging macroeconomic backdrop. As a result of our strong performance year-to-date, we are raising our earnings guidance for the full year which Monica will review in greater detail momentarily.

Please turn to slide 4, where we have a more detailed outline of the quarter's results. As I mentioned, we experienced another quarter of strong revenue growth driven by sales increases across both of our operating segments with net sales for the company of $228.1 million, up 14% compared to the third quarter of 2021.

Dropping down to EBITDA margin, our goal was a simple one, to expand margin by driving a wedge between cost and price, and we're making good progress against this goal, by driving excellence in purchasing and deploying the tactics I've discussed over the past 2.5 years, we're making meaningful progress on managing our raw material costs.

On the other side of the equation by executing on the commercial excellence and pricing excellence initiatives I've discussed from these past calls, we're moving our prices up. We're having success with our value based pricing initiatives. We're now pricing our products to reflect the value and the high levels of service they bring to our customers and distributors. The success we are having in expanding the gap between price and cost was demonstrated by the 430-basis-point margin improvement versus the same period last year. Our results are exciting.

Now for more details, I'll turn the call over to Monica to speak to our financial performance for the quarter and walk through our guidance. Monica?

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Monica Vinay

Interim Chief Financial Officer, Vice President-Investor Relations & Treasurer, Myers Industries, Inc.

Thank you, Mike. As Mike mentioned, on slide 4, our net sales were up $28 million or 14% compared to the third quarter of 2021, driven by strong sales on both the Material Handling and Distribution segments. Excluding our recent acquisitions, organic net sales increased 4%. Adjusted gross profit increased $17.5 million or 32%, primarily driven by pricing actions and incremental contributions from the Mohawk Rubber and Trilogy acquisitions and partially offset by a change in sales mix and lower volume.

Adjusted gross margin increased by 430 basis points to 31.5%, compared to 27.2% in the third quarter of 2021. Adjusted operating income increased $9.5 million, or nearly 76% compared to the prior year, driven by the higher gross profit, partially offset by higher SG&A expenses. SG&A expenses increased due to cost inflation, the Mohawk Rubber and Trilogy Plastics acquisitions and higher salaries, incentive compensation costs and variable selling expenses.

As a result, adjusted SG&A as a percentage of sales increased to 21.9%, compared with 21% in the same period last year. Adjusted EBITDA was $27.2 million, an increase of nearly $10 million or 57% compared to the prior year. Adjusted EBITDA margin expanded 330 basis points to 11.9% for the third quarter, compared with 8.6% in the same period last year. Lastly, adjusted EPS was $0.41, an increase of $0.18 or 78%.

Please turn to slide 5 for an overview of our segment performance for the quarter. For the Material Handling segment, net sales increased $6 million or 4% compared to the prior year. Excluding the incremental $2.9 million of sales from the Trilogy Plastics acquisition, organic net sales increased 2%. Organic net sales increases in the agriculture and industrial end markets were partly offset by a decline in sales in the consumer and recreational vehicle end markets.

Adjusted operating income increased $9 million or 59% to $24 million, driven by ongoing benefits from strategic pricing actions and operations excellence initiatives. These were partially offset by a change in sales mix, lower volume and higher SG&A expenses. SG&A expenses were higher, primarily due to cost inflation, the Trilogy Plastics acquisition, higher salaries, benefits and incentive compensation costs and increased variable selling expenses.

Net sales for the Distribution segment increased by $22 million or 44% year-over-year. Excluding the incremental $16.6 million of net sales from the Mohawk Rubber acquisition, organic net sales increased 11% due to favorable volume and price. Adjusted operating income increased 18% to $5.2 million. The contribution from higher pricing and volume was partially offset by an increase in product costs and higher SG&A expenses year-over-year. The higher SG&A expenses were primarily due to cost inflation, the Mohawk Rubber acquisition and higher variable selling and incentive compensation expenses.

Turning to slide 6. Free cash flow was $9.8 million compared to negative free cash flow of $13.8 million for the third quarter of 2021. You may recall that an increase in working capital significantly impacted cash flow during the third quarter of last year. The implementation of sales and operations planning, S&OP processes across our businesses is shortening our cash conversion cycle and as a result, working capital as a percentage of net sales decreased 170 basis points compared to the same period last year.

Capital expenditures were $6.7 million for the quarter, and cash on hand at the end of the quarter was $20.4 million. Our balance sheet is strong with debt-to-adjusted EBITDA at 1 times. Our capital structure provides ample flexibility to support our long-term growth plans. Given our solid execution in the first three quarters of 2022, we

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are reiterating our 2022 sales outlook, with sales growth anticipated to be in the high teens range with approximately 45% of the increase due to the acquisitions of Trilogy Plastics and Mohawk Rubber. Additionally, we are updating and raising our full year 2022 outlook for our adjusted EPS, which we now expect to be between $1.50 to $1.70 compared to the previous range of $1.40 to $1.60.

We continue to expect SG&A expenses to be approximately 22% of net sales, primarily reflecting continued inflation and ongoing investments in our people, processes and operational efficiencies. Other key modeling assumptions include depreciation and amortization expenses of approximately $21 million and CapEx of approximately $25 million to $28 million.

Interest expense is still forecasted to be approximately $6 million, and the effective tax rate is forecasted to be 26%. I'd like to extend a thank you to the entire Myers team for their tireless efforts to deliver another record quarter. With that, I'll turn the call back over to Mike to provide an update on our strategy.

Michael P. McGaugh

President, Chief Executive Officer & Director, Myers Industries, Inc.

Thank you, Monica. Now turn to slide 8. I want to provide an update to our 3 Horizon strategy, which we unveiled a little more than two years ago. Since the launch of our strategy, we've made significant progress against the three elements of Horizon 1, self-help, organic growth and bolt-on M&A. In the first element, self-help, our continued rollout of a robust S&OP process has allowed us to better schedule and better sequence our plants, leading to the identification and unlocking of additional capacity. This hidden factory, as we call it, is providing low cost capacity and will allow us to continue to drive volume and revenue growth in the years to come.

Our injection of new talent continues to have a significant impact in this area as well. These individuals have joined Myers from large, well-run global multinationals and have expertise in running highly efficient and low cost operations. Combining the knowhow of these individuals with the passion and commitment of our legacy associates will continue to be an approach that improves margins and creates shareholder value. It's exciting. We continue to see breakthrough opportunities in Myers performance using this approach that I've described in the past [ph] of bolting (12:30) large cap talent and capability to a small cap company.

In the second element, organic growth, we continue to drive commercial excellence through ongoing training, through the addition of new talent, and through the implementation of proven and disciplined processes, we continue to improve our commercial capabilities. These improvements are lasting and are significant contributor to our record breaking results. The good news is that we are early in our journey and there is still much improvement to be obtained over the next years.

In our third and final element, bolt-on M&A, we've integrated three companies into Myers over the past two years, including Elkhart Plastics, Trilogy Plastics and Mohawk Rubber. We've learned, we've gotten better and we've become sharper and smarter on deal integration. In Horizon 1, we said we'd do a few bolt-on acquisitions to help us build scale, add capabilities and to build our M&A competence. This is exactly what's happened. M&A activity in Horizon 1 has given us scale and prepared us for bigger and more complex acquisitions in Horizon 2. We're now well on our way towards completing Horizon 1, and we're in the planning stages for Horizon 2. We look forward to sharing more information on this in the coming quarters.

Please turn to slide 9, which outlines the strategic pillars of our strategy. Our strategy comes to life and is executed through our four pillar approach. I've discussed these pillars in our progress against their execution at every earnings call. And today's call is no exception. As a reminder, we have annual goals for each pillar, and we

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have a team leader, a single person who is accountable to deliver these goals. We relentlessly track and execute. This approach is simple and it works.

I'd like to take a few minutes to walk through our progress on our four pillars. Please turn to slide 10. Starting with organic growth, our commercial excellence focused on training continues to bear fruit. In the third quarter, we completed comprehensive market plans for 2023 for each market segment. These plans provide a detailed roadmap for how and where we will grow organically. Our sales training also continues to bear fruit. This training, combined with our market plans, has enabled us to gain new business, most notably in the agriculture end market.

Our profitability is growing. Our bottom line margins are expanding year-over-year. These increased margins have allowed us to invest more in our people and in our capabilities. We remain focused on this pillar and believe it's crucial to Myers transformation.

Moving to the second pillar, strategic M&A. In the third quarter, we continued to build out our deal funnel targeting companies that are highly accretive and add complementary products, production capabilities or geographic scope. Additionally, we want to be sure a potential acquisition fits culturally. We've had good success meeting these criteria in Horizon 1, most recently with Mohawk Rubber and Trilogy Plastics. We continue to develop our pipeline and expect that Myers will continue to grow through M&A. Quite frankly, I believe that the next quarters and years will provide many opportunities for Myers to acquire good companies at attractive economics. Myers has an excellent balance sheet, improved core businesses and improved capabilities and M&A. I believe we'll have significant opportunities to grow the company and create shareholder value.

Operational excellence, our third pillar, represents our culture of continuous improvement. We aim to get a little better every day. We're improving how we operate our assets, how we manage our products and our supply chains, and how we reduce our costs. This new capability and approach has been catalyzed by the large cap talent we've added over the past 2.5 years. I've spoken in the past about these capabilities and how they're transforming Myers. We continue to see operational excellence bear fruit.

In the third quarter, we continued to invest in digital tools for production and supply chain. We now have better data and as a result, we're making better decisions and we're increasing our service levels to our customers, all while incurring less wear and tear on our employees, which increases retention and yields better profits.

Finally, the fourth pillar, which is building a high performing culture at Myers, is critical to our transformation. The One Myers culture and approach continues to gain traction in the organization. Our core values, our focus on servant leadership is improving morale, job satisfaction in business results. As we reach the end of Horizon 1, I'm pleased with how our employees have transitioned to the One Myers culture, moving from a holding company to an integrated one.

Before we open for questions, I want to reiterate that the new Myers is resilient. I believe that our products, our markets and our simple, clear and consistent strategy will continue to allow Myers to perform well despite potential economic headwinds. I'm encouraged with the pace we are advancing through our 3 Horizon strategy. Our transformation is well underway and we continue to be in the early innings of what's possible with Myers. We have a long runway, and we expect to create significant shareholder value over the next years.

With that, we'll now turn the call over for questions.

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Monica Vinay
Interim Chief Financial Officer, Vice President-Investor Relations & Treasurer, Myers Industries, Inc.

Thank you Mike. Operator?

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] So our first question comes from the line of Lance Vitanza of Cowen. Your line is now open. Please go ahead.

Lance Vitanza
Analyst, Cowen and Company

Q

Hi. Thanks, guys. Thanks for taking the questions. I've got a couple if that's okay. And Mike I thought I'd actually start on slide 8, and the long-term vision. You talked a lot about M&A and I guess I'm curious. I think you mentioned that you – we should expect to hear more about Horizon 2 in the coming quarters. I think that's what you said. And so my question there is, I mean I think as I read this slide, Horizon 2 is more squarely focused on global expansion as opposed to bolt-ons within the North American market.

So I just want to make sure are you suggesting that we're going to hear more about overseas expansion in coming quarters? And then part of Horizon 2 is enterprise level M&A with North America. So I guess I'm just wondering if that is also – are you suggesting that you're going to be doing a transformative type of a transaction, is that sort of the next phase for you?

Michael P. McGaugh
President, Chief Executive Officer & Director, Myers Industries, Inc.

A

Yeah. Hey, Lance, I appreciate the question. We [ph] looked at (19:42) Horizon 1 was self-help to improve our profitability that funds organic growth and bolt-on M&A, which gives us some scale and gets us comfortable for potential transformational deals that I think would move the needle more in terms of shareholder value creation. Horizon 2 was to focus more on largely domestic, but still potentially transformational deals, and then Horizon 3 was more global in nature.

We continue to talk about it in [Technical Difficulty] (20:10) focus on durable plastics in adjacencies, really focused on those products with competitive moats and that are typically going to be large format or large size products, because that just has greater barriers to entry, I think allows itself for more profitability.

So if you look at Horizon 2, as I've outlined on slide 8, we do talk about Horizon 1 kind of sun-setting through the year 2023 and Horizon 2 beginning in the year 2023. And I really believe, Lance, we're right on schedule. What's most exciting is that our company continues to hit stride on the self-help piece and on the operational excellence, on organic growth and commercial excellence. I think we'll continue to see Myers hit stride just as some of the macro factors start to potentially have a more negative impact on potential acquisition targets. And so on a relative basis, I'm excited. I think we're going to be hitting stride over the next 12 to 18 months – 12 to 24 months, and that's going to put us in a great position to acquire good companies at attractive economics.

Lance Vitanza
Analyst, Cowen and Company

Q

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Okay. Thank you for clarifying that. So then back to the sort of the near-term, the revenue performance that you reported, 4% organic growth. It's better than we were expecting and quite good. But it is a big slowdown from the trends that we were seeing earlier in the year as we expected. But could you just remind me why we are having this big slowdown in the year-on-year organic growth versus the rates that we saw in the first half of the year. And then just, how does that generally make – how does that leave us as we think about the setup for 2023?

Michael P. McGaugh
President, Chief Executive Officer & Director, Myers Industries, Inc.
A

Yeah. Lance, great question. I believe we've published our segment results in – when we file at the end of the day, today or later today, part of that is the consumer market was down 27% year-over-year. And some of that is the portable fuel container business, notwithstanding Hurricane Ian at the end of the quarter, it was a pretty calm and quiet hurricane season, and so we saw that.

The other piece is, we make high-end consumer discretionary goods in the roto-molding business as an example. I've talked about that in the past. Some of these high end planters, household decorative moldings, lawn and garden covers, mailbox covers that are really high end. We're seeing the warehouses for some of those products get full at the retail big boxes. And that's slowing down. I think we're seeing inflation pinch consumers buying habits on high end consumer discretionary and that's why our consumer segment is off 27%.

Lance Vitanza
Analyst, Cowen and Company
Q

Okay. I understand. Thank you. And then...

Michael P. McGaugh
President, Chief Executive Officer & Director, Myers Industries, Inc.
A

[indiscernible] (23:09)...

Lance Vitanza
Analyst, Cowen and Company
Q

And then on the margin side, I just – the gross margin trend into fourth quarter, I'm wondering if you were to hit the same sort of level of revenues that you were – that you hit in the third quarter. As you think about, you have a lot of different puts and takes. There's inflationary pressures. You've got the cost increases – or the price increases that are flowing through. Do you think that that gross margin of 3Q is that sustainable or is that biased? Should we think about that as biased to the downside or upside as we think about the rest of the year and into next year?

Michael P. McGaugh
President, Chief Executive Officer & Director, Myers Industries, Inc.
A

Let me ask Monica to address that?

Monica Vinay
Interim Chief Financial Officer, Vice President-Investor Relations & Treasurer, Myers Industries, Inc.
A

Sure. Thanks. Lance, you started the question with at the same sales level, I would say at the same sales level, that margin would be sustainable. But based on the midpoint of our guidance and our revenue outlook, obviously sales in Q4 are going to be down sequentially. We still expect margin expansion year-over-year to be up, the plus 400 basis points we saw in Q3. But again, we expect lower top line. So it will – the lower volume will have an impact on overall margins.

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Michael P. McGaugh
President, Chief Executive Officer & Director, Myers Industries, Inc.
A

Yeah. Lance, if I can just talking about the overall sales volume for fourth quarter as we look into 2023 and beyond, I think ag is going to still be healthy, construction is going to be healthy, industrial is going to be healthy, industrial infrastructure will be healthy. I think consumer is still going to be problematic. I think RV is going to continue to be problematic. And as those things kind of balance themselves, you do see more muted sales growth in spite of having three or four segments that are really good and two or three segments that are significantly off.

Lance Vitanza
Analyst, Cowen and Company
Q

Okay. Thanks for that clarification, Mike. I appreciate it. Why don't I get back into the queue, I will hand the baton to the next person. Thank you.

Monica Vinay
Interim Chief Financial Officer, Vice President-Investor Relations & Treasurer, Myers Industries, Inc.
A

Thanks, Lance.

Operator: Thank you. [Operator Instructions] Our next question comes from the line of Steve Barger of KeyBanc. Your line is now open. Please go ahead.

Steve Barger
Analyst, KeyBanc Capital Markets, Inc.
Q

Hey. Good morning. Thanks.

Michael P. McGaugh
President, Chief Executive Officer & Director, Myers Industries, Inc.
A

Hey, Steve.

Steve Barger
Analyst, KeyBanc Capital Markets, Inc.
Q

Mike. No question your team has done a great job of managing price/cost from both sides of the equation, as some input costs come down, yet you see other areas that are still high. How are you thinking about your ability to hold price? And maybe can you compare auto, ag and industrial versus the weakness you're seeing in consumer?

Michael P. McGaugh
President, Chief Executive Officer & Director, Myers Industries, Inc.
A

Well, I'd say in general, Steve, we've taken a – through commercial excellence, through the training we really take this pricing our products for the value they bring to our customer, we really take that seriously. I believe that's going to provide a durable expansion of margin. I believe it's going to allow us to continue to hold price directionally. And there'll be areas where we may have to moderate based upon competitive pressures. But in general, I think we're going to be able to hang on to the price. I think we are.

So, as I look into the next quarters and years, I think what we will be able to hold and expand margin, even if volumes are down a bit. Now across what – our asset base, Steve, is not extremely high cost capital. So we're not having to run the plants to cover a big fixed cost basis. We can throttle these plants up and down based upon

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need. I talked in the past, we actually had a labor force for these facilities. Some of that is contract deliberately, so we can throttle that down as well. There's a lot of ability to vary down our plants in our labor as needed.

And so we don't have to – we're not in a position where we have a big high cost, fixed cost asset that we've got to run. And in order to run it, we've got to drop price if demand slows. Fortunately, we're just not in that situation. And so – and remember most of our niche markets we're the leader or we're in the top one or two and we make great high quality products and our service levels, most of the time are really good and that allows us to have confidence in our stickiness of the pricing.

Steve Barger
Analyst, KeyBanc Capital Markets, Inc.

Q

It's great color. And as, to the point on the plants you're running call it $230 million per quarter this year. Where are utilization rates on the plants and is the footprint where you want it to be? Do you need to close anything or shift anything or spend money just to rationalize?

Michael P. McGaugh
President, Chief Executive Officer & Director, Myers Industries, Inc.

A

Yeah. That's a good question. We're doing some of that, Steve, as far as trying to figure out, over the next two to three years, we actually have brought in some really good capital planning and personnel that have really helped us dial that in. Directionally, I think we could have more assets in the South and the Southeast. And we're looking – quite frankly, we're looking at if there's a potential recession, does that provide us with the opportunity to go expand at attractive price points into the south or the southeast. An overall rationalization – I think our footprint is a good footprint.

There may be a few asset consolidations Steve that we may need to do, but it's not driven necessarily by a decrease in demand but it's more of an outlook of – we need more exposure in the south, southern United States, more exposure into the southeastern United States. I'm really pleased with the personnel we've brought in to help us on capital planning, capital discipline, and we're seeing really good results from that.

Steve Barger
Analyst, KeyBanc Capital Markets, Inc.

Q

That's great. Shifting to end markets a little bit. Do you expect – and I think you already said you expect continued strength in auto and industrial. Any pockets of weakness there or is that remaining pretty firm as you go into yearend?

Michael P. McGaugh
President, Chief Executive Officer & Director, Myers Industries, Inc.

A

Auto still seems to hang in there. Industrial still seems to hang in there. If there's any industrial that has more exposure to infrastructure, we're seeing good uptake there. Construction still seems to be strong as well, any sorts of tanks or plastic parts that we make for some of the big construction equipment companies, that's going well.

In fact, I think a lot of those companies will still take all the product we can make for them, just the consumer discretionary is where we see the weakness. And if the customer is spending so much money putting food in the shopping cart or putting gas into their car, they don't have a lot left over for something that's a nice to have particularly if it's a premium good. We're seeing some of that weakness. But let me – Monica, any additional color?

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Monica Vinay
Interim Chief Financial Officer, Vice President-Investor Relations & Treasurer, Myers Industries, Inc.
A

No. I think that covers it. One other comment too is just that ag will continue to be strong.

Michael P. McGaugh
President, Chief Executive Officer & Director, Myers Industries, Inc.
A

Yeah, that's for sure.

Steve Barger
Analyst, KeyBanc Capital Markets, Inc.
Q

Yeah.

Michael P. McGaugh
President, Chief Executive Officer & Director, Myers Industries, Inc.
A

For sure, ag, that's true.

Steve Barger
Analyst, KeyBanc Capital Markets, Inc.
Q

And then in the press release, you talked about looking to – you're thinking about adjacencies with moats, and I'm just trying to define what that moat means. Is that a hard to replicate manufacturing process? Is that a patent? Is it a relationship? What do you – how do you see that playing out?

Michael P. McGaugh
President, Chief Executive Officer & Director, Myers Industries, Inc.
A

Yeah. Steve, good question, and maybe I should have teased out a little bit more. We always talk about is what's our sweet spot with this company? So we have all these plastics technologies and we're actually reasonably good at executing them and we're getting better. And so we look at it and say, can we get large format products because they're difficult to ship from a low cost geography like China or Southeast Asia. So it gives us a bit of a competitive moat because we're competing against US only companies. Now I'll tell you that also benefits from the trend we're seeing of onshoring. I think Myers is well positioned to capitalize on this pro-USA manufacturing push. So that's a good thing.

The other, I'll talk about is, on the technology and difficulty standpoint, I like the larger products, because they're more difficult to make. The molds are more expensive. The knowhow is greater. And so as a result, the competitive moat is CapEx in knowledge and a little bit of the difficulty to make the parts and just naturally that falls out that you have three or four competitors rather than 10 or 12. And so we just want to stay in that spaces. We know how to do it. It's what we do well.

But can we look beyond Material Handling potentially? And that's our core large format Material Handling. But can we look beyond that? And I really believe we're getting a lot of inbounds in the last few months. I think that's going to continue. There's a lot of companies, particularly private companies that I think are going to have some challenges. And I think it's going to present some opportunities with us with a great balance sheet.

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And over the last three years, we've really worked to get our capabilities dialed in on how to run plants and make money. And I think it's going to present us with some great opportunities to create value for our shareholders over the next couple years.

Steve Barger
Analyst, KeyBanc Capital Markets, Inc.

Q

One last one from me. It's interesting that you brought up the niche near shoring. We're asking this question about of a lot of industrial companies. Do you think that's a real trend. Are you getting requests for quotes for things that people want to resource from other countries?

Michael P. McGaugh
President, Chief Executive Officer & Director, Myers Industries, Inc.

A

We are, because it's just – I think the supply chain issues spooked some customers that we saw over the last two or three years. And if you can make it in the Quad Cities as an example versus somewhere in southern China, even if the costs are a little bit higher on labor, the ability to have rapid feedback and rapid delivery, it means something to our customers, particularly those construction and ag customers that are oversold. And so, a reliable supplier that's 300 miles away, we're seeing the quotes versus a supply chain that's 8,000 miles away.

Steve Barger
Analyst, KeyBanc Capital Markets, Inc.

Q

Yeah. Perfect. Thanks.

Michael P. McGaugh
President, Chief Executive Officer & Director, Myers Industries, Inc.

A

Awesome. Thanks, Steve.

Monica Vinay
Interim Chief Financial Officer, Vice President-Investor Relations & Treasurer, Myers Industries, Inc.

A

Thank, Steve.

Operator: Thank you. We have a follow-up question from Lance Vitanza of Cowen. Your line is now open. Please go ahead.

Lance Vitanza
Analyst, Cowen and Company

Q

Thanks, guys. I did want to just ask you about the adjusted EPS guidance, which I believe suggests the fourth quarter will be coming in between $0.14 and $0.34. That range is wide, and it's wider than I would have expected. And I'm wondering if that's representative of real variability or volatility that you are seeing over the last couple of months of the year or if there's something else there and what maybe if you could talk a little bit, Mike, about what sort of circumstances could lead the EPS to come in closer to the $0.14 versus closer to the $0.34 of that range? Thanks.

Michael P. McGaugh
President, Chief Executive Officer & Director, Myers Industries, Inc.

A

Yeah. That's fair, Lance. I mean, we put that guidance out. I mean, just to keep it simple, we just raised it by $0.10. But you raise a good point of the spread between $0.14 and $0.34. Mathematically, that's correct. I just

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think that lower end is a very low probability, I don't see that happening realistically. So we just raised it a $0.10. But Monica do you have any color to that?

Monica Vinay
Interim Chief Financial Officer, Vice President-Investor Relations & Treasurer, Myers Industries, Inc.

A

No, I would just say that I think, while there is some uncertainty, we feel pretty confident about the midpoint of the range and we've raised it to $0.10 to continue [ph] have an (35:14) size that we think will be around the midpoint of the range.

Michael P. McGaugh
President, Chief Executive Officer & Director, Myers Industries, Inc.

A

Yeah, Lance. I was focused more on the midpoint and I kept it a $0.10 on either side, maybe I should have tightened it up just late in the year.

Lance Vitanza
Analyst, Cowen and Company

Q

Thanks, guys. Appreciate it.

Michael P. McGaugh
President, Chief Executive Officer & Director, Myers Industries, Inc.

A

Thank you.

Operator: Thank you. As there are no more questions registered at this time, I'd like to hand the conference call back over to the management team for closing remarks.

Monica Vinay
Interim Chief Financial Officer, Vice President-Investor Relations & Treasurer, Myers Industries, Inc.

Thank you. Thanks to everyone for your time today and your interest in Myers Industries. Have a wonderful day.

Operator: Ladies and gentlemen, this now concludes today's conference call. You may now disconnect your lines.

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