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Earnings Call

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Call Participants

EXECUTIVES

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President, CEO & Director

Meghan Beringer

Senior Director of Investor Relations

Samantha Rutty

Executive VP & CFO

ANALYSTS

Christian Zyla

*KeyBanc Capital Markets Inc.,
Research Division*

Edward Nakamura

Presentation

Operator

Hello, everyone. Thank you for joining us, and welcome to Myers Industries 2026 First Quarter Results Conference Call. [Operator Instructions] I will now hand the call over to Meghan Beringer, Senior Director of Investor Relations. Meghan, please go ahead.

Meghan Beringer

Senior Director of Investor Relations

Thank you. Good morning, everyone, and welcome to Myers First Quarter 2026 Earnings Review. Joining me today are Aaron Schapper, President and Chief Executive Officer; and Samantha Rutt, Executive Vice President and Chief Financial Officer.

After the prepared remarks, we will host a question-and-answer session. Earlier this morning, we issued a press release outlining our first quarter financial results. In addition, a presentation to accompany today's prepared remarks has been posted.

Those documents are available on the Investor Relations section of our website at myersindustries.com. This call is being webcast live on our website and will be archived along with the transcript of the call shortly after this event.

Please turn to Slide 3 of the 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 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.

Further, information concerning these risks, uncertainties and other factors are set forth in the company's periodic SEC filings. Also, please be advised that certain non-GAAP financial measures such as adjusted gross profit, adjusted operating income, adjusted EBITDA and adjusted earnings per share may be discussed on this call. Finally, all results presented and discussed in today's call are from continuing operations. Now please turn to Slide 4 of our presentation as I turn the call over to Aaron.

Aaron M. Schapper

President, CEO & Director

Thank you, Meghan. Good morning, everyone, and thank you for joining us. I will begin today's call with a review of our first quarter, followed by an update on our focused transformation program.

Sam will then provide a detailed review of the first quarter financials and our outlook for the year. Turning to Slide 5, we began 2026 on a positive trajectory, building on the momentum we created in 2025.

The team performed well, delivering revenue growth, improved earnings and strong cash flow. We are continuing to see benefit from our focused transformation initiatives to improve margins, increase operating efficiency and instill a culture of continuous improvement across the organization.

First quarter adjusted EPS improved 57.1% year-over-year and adjusted EBITDA increased 27%. Free cash flow improved to \$23.9 million, providing additional financial strength and flexibility to fund our growth platforms.

It was a strong quarter to begin the year, and I am proud of the performance of our entire team. I would now like to review the 3 strategic priorities for 2026 of our focused transformation as shown on Slide 6.

Our first priority is to focus on our core markets and customer value we deliver. Our decision to sell MTS is a significant step forward in achieving this objective. When complete, this step will simplify our portfolio

and streamline our path to market by eliminating a fragmented customer base that has limited overlap with other parts of our business.

Further, this step will enhance our ability to deliver customer excellence by focusing our value proposition on areas where we offer differentiated solutions. Beyond the sale of MTS, we continue to take steps to strengthen our end market position by adding new products and customers while strengthening long-standing customer relationships.

Last quarter, new customers accounted for 24% of Infrastructure's revenue. This provides a larger diverse customer base for business vitality and future growth. In addition, Signature's turf protection will be featured throughout the FIFA World Cup at multiple events this summer.

The majority of the 11 venues either already own or will rent our products throughout the event. We are proud to help protect the critical infrastructure supporting the athletes and their fans from around the world.

Our second priority is to drive a culture of high performance by instilling operational excellence and cost leadership across the organization. We have consistently and proactively taken steps to improve efficiencies, reduce costs and expand margins.

One example is increasing our use of recycled materials. We are installing additional regrind equipment that will enable us to bring more of this process in-house in the second half of the year.

This reduced costs, secures our supply chain and decreases waste. Our third priority is to focus on investments that maximize profitable growth. Our continued free cash flow generation enables us to invest in attractive growth platforms such as composite matting and military applications that align with our competitive advantages.

We can accomplish this through capital investments in organic growth as well as more efficient use of our current operating footprint. We are currently in the process of moving a portion of our infrastructure production to optimize our manufacturing footprint, including all stadium products.

This will simplify manufacturing workflows and maximize the output of each facility. It also enables operating efficiencies as the local team can focus their resources on a simplified product portfolio.

This improves output with minimal capital investment and enhances our ability to serve our customers. These strategic priorities are guiding us as we make progress on our focused transformation.

Our core values provide a solid and unifying foundation, empowering our employees to work together as a team to accomplish our goals. By focusing on these activities, we are creating a company that consistently and reliably delivers profitable growth. We have already demonstrated our ability to achieve milestones, and I'm confident we will continue to move forward along the positive trajectory we are on. At this time, I'll turn the call over to Sam for a review of our financial results.

Samantha Rutty
Executive VP & CFO

Thank you, Aaron, and good morning, everyone. Before I begin my review, I would like to discuss changes in our reporting framework. MTS is now being reported as discontinued operations and all results we are presenting today are continuing operations only.

For assistance in modeling and comparison with previous periods, we have included a slide in the appendix of our earnings deck that shows our income statement for the last 5 quarters adjusted for this reporting change.

In addition to the reporting of discontinued operations, we have made changes to our reporting of revenue by end market, most notably, the removal of automotive aftermarket. Discontinued operations includes most but not all of our previous distribution segment.

The remaining business is now reported across the vehicle, industrial, and infrastructure end markets. We are also enhancing our financial disclosures in response to investor feedback with a focus on improving transparency and comparability with our peers.

While we plan to report enhanced disclosures throughout the year, this quarter, we are introducing 2 of these improvements. First, we have reclassified approximately \$5 million per quarter of shipping and handling costs from SG&A into cost of sales.

This reclassification has no impact on operating income. Second, we are updating our non-GAAP EPS to exclude intangible asset amortization expense to better reflect our current operating performance.

Now please turn to Slide 8 for a review of our first quarter results. Net sales increased 1.8% year-over-year. Excluding the impact of our decision in the fourth quarter of 2025 to exit low-margin products with the idling of 2 rotational molding facilities, net sales would have increased 5% year-over-year.

Strong infrastructure, military and consumer growth was partially offset by soft vehicle and food and beverage demand. Adjusted gross margin increased to 34.7% due to favorable mix, lower material costs and lower manufacturing costs.

Adjusted operating margin improved to 15.7% and adjusted EBITDA margin improved to 21.3%, up 420 basis points over last year as we made significant progress towards improving our cost structure and reaping the benefits from our focused transformation.

Adjusted EPS was \$0.44, up 57.1% year-over-year. Please turn to Slide 9. We ended the quarter with a cash balance of \$44.6 million and total liquidity of \$289.3 million, providing us with ample flexibility to support our capital allocation priorities.

We reduced net debt by \$18.3 million during the first quarter, resulting in net leverage ratio of 2.2x within our target ratio of 1.5 to 2.5. We plan to further reduce debt in 2026 as we continue to fortify our balance sheet.

First quarter operating cash flow was \$26.7 million and CapEx was \$2.8 million, resulting in free cash flow of \$23.9 million, significantly higher than last year and up 28.5% compared to the fourth quarter.

Working capital as a percent of trailing 12-month sales was down sequentially and year-over-year, primarily due to the timing of receivables. We continue to prioritize working capital management to improve both metrics.

Please turn to Slide 10. Our capital allocation framework balances investing in growth with returning cash to shareholders. CapEx was \$2.8 million in the first quarter, approximately 1.7% of sales.

For the full year, we expect CapEx spend to be 3.5% of sales with plans to invest in organic growth, productivity and infrastructure projects. Our 2026 projects include capacity expansion in infrastructure, new automation to support consumer end markets, molds and press replacements to sustain our core operations.

Turning to Slide 11. We are reaffirming the 2026 outlook that we provided on March 5. As a reminder, our market outlook excludes the impact from exiting low-margin products and idling 2 rotational molding facilities in Alliance, Ohio that occurred in Q4 2025.

This represents approximately \$5 million in revenue per quarter, primarily industrial and consumer markets with favorable impact to earnings. For Industrial, we expect moderate growth as we are seeing modest recovery in manufacturing capital expenditure trends from our industrial customers.

Militaries around the world are replenishing their inventories and demand for military products continues to increase. Further, we are diversifying our product lines within current military customers.

In infrastructure, we are seeing U.S. market expansion driven by strong ongoing spend for data centers-related utilities projects and large construction, supported by conversion from wood to composite matting.

Further, orders for our MegaDeck product are up over 130% compared to this point last year, giving us confidence in our 2026 outlook. Finally, we are projecting an increase in the turf protection products sold in stadiums.

We expect the vehicle end market to be stable overall with mixed demand indicators. For RV and marine, we expect flat sales as consumer sentiment is soft. For commercial vehicles, we expect recovery starting in the second half of 2026.

For automotive OEMs, the volume of new and updated vehicle program launches over the next 36 months is expected to improve demand for the new component packaging starting in the second half of the year.

In consumer, we anticipate stable sales. Demand in the first quarter was strong following winter storms across most of the U.S. Spring sales continue to be strong as the lawn and garden season is at its height, and spring storms continue to drive demand across the country.

For the next 2 quarters, demand will be dependent on future storm activity. We are planning for the average of 3 landed storms in the Continental U.S. this year. Our food and beverage end market is forecasted to be slightly down for the year.

With the agricultural market, seed demand is projected to be flat while farm input costs are being impacted by the supply challenges. Based upon recent quoting trends and existing backlog, we maintain cautiously optimistic outlook for continued growth in integrated bulk container production through the second half of the year.

We continue to weigh both risks and opportunities for our end markets as we monitor geopolitical conditions, including energy markets, tariffs or other factors that may influence demand trends.

The conflict in the Middle East has affected global resin supply and pricing. While availability has not been an issue for us due to secure resin supply, we are experiencing higher material costs as global prices have increased.

To mitigate this impact, we are focusing on what we can control, including working with customers and taking selective or contractual pricing actions where appropriate. As there is a typical lag between cost increases and price recovery, we expect some pressure on second quarter gross margins.

Beyond pricing, we are pursuing additional actions to offset cost increases. One example mentioned earlier is our investment in additional equipment to increase our use of recycled materials, which lowers costs and strengthens supply security. We expect to mitigate these cost pressures and expand margins in the second half of the year through a combination of contract structure, pricing actions and cost reductions. I would now like to turn the call back over to Aaron for some closing comments before we take your questions. Aaron?

Aaron M. Schapper
President, CEO & Director

Thank you, Sam. We are off to a strong start to the year. We're making meaningful progress on our focused transformation, taking actions to improve margins and increase operating efficiency as we instill a continuous improvement culture and mindset across the organization.

The decision to sell MTS will simplify our portfolio, streamline our path to market and improve our margin profile. Supported by a capital allocation framework that balances growth investments and returning cash to shareholders, we are on a clear path to creating sustainable value. Combined, all these initiatives are enabling us to focus resources and investments on opportunities that maximize profitable growth and deliver products that protect. With that, I'd like to turn the call over to the operator for questions. Operator?

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Christian Zyla from KeyBanc Capital Markets.

Christian Zyla

KeyBanc Capital Markets Inc., Research Division

First question, really nice growth in your infrastructure end market even with the reclass. So how are you guys thinking about your current capacity levels along with pricing for Signature? And then looking at your last 6 months or so of sales, you guys are run rating just above \$140 million. I know the business can be lumpy at times, but is this a fair annual estimate? Or just how are you thinking about it in the context of the strong growth that you guys guide to?

Aaron M. Schapper

President, CEO & Director

Well, let me -- let's start with the capacity question. And so as you can see in our remarks that we talked about, I mean, the great thing about Myers is because we are in the business of thermoplastics, we have a lot of opportunity to look across our manufacturing footprint.

And so what you can see what we've done is taken the Signature product and some of the product lines and then making sure that we use our footprint to make sure the product lines are more specialized to each plant.

So you see we talked about basically moving the stadium products so that our Orlando facility could concentrate on the MegaDeck product. So what we can do is with some limited capital expenditures is really increase our capacity by utilizing our footprint better.

So from a footprint discussion, that's really our first plan. And secondly, Sam mentioned a lot of the capital expenditures will be going to our growth businesses. And obviously, Signature is not only going to get the capital it needs to continue to grow at this rate, but it's also going to get a lot of attention from our operations group to make sure that we don't run into those bottlenecks.

Samantha Rutty

Executive VP & CFO

Yes. And we're also -- we have -- I mentioned also we're adding actual capacity in Orlando as well. And so that will be coming on board early next year, Q1 as well.

Aaron M. Schapper

President, CEO & Director

Yes. We've accelerated that a little bit.

Christian Zyla

KeyBanc Capital Markets Inc., Research Division

Sorry. Go ahead.

Samantha Rutty

Executive VP & CFO

But we're not concerned on capacity for the year being a factor for our demand. And we expect to continue to grow each quarter the rest of the year.

Christian Zyla

KeyBanc Capital Markets Inc., Research Division

Got it. And then I guess, on the run rate questions, so with your comments that expecting to grow each quarter for the rest of the year, is that year-over-year or sequentially? Just how should we think about -- like I'm just trying to gauge in the context of strong growth.

Samantha Rutty
Executive VP & CFO

Year-over-year. Year-over-year.

Christian Zyla
KeyBanc Capital Markets Inc., Research Division

Got it. Thanks. And then my second question, and then I'll hop back in the queue. You alluded to some of this in your prepared remarks, Sam. But it looks like HD polyethylene prices have been basically going parabolic over the last month or so.

And looking at some of your domestic suppliers, they've been raising prices pretty drastically. Can you maybe quantify the price cost impact in the near term? And I know you guys are pretty good at strategically increasing inventory and materials. But conceptually, how much supply do you have relative to your internal sales forecast? Thanks.

Samantha Rutty
Executive VP & CFO

Yes. So from a cost increase, yes, you alluded, we've seen a very significant short-term increase, and what that's going to do over time, obviously, we're monitoring that weekly, daily very carefully.

And so Q2, we are expecting some pressure on our gross margins. We have gone out quite quickly. We had to because of how significant those increases were. So we took action already in Q2, but we do have contracts to abide by, and there is a time lag in terms of index reporting and when that will take effect. So there will be some impact in Q2, but no impact on supply. We've had a steady source within the U.S. from a materials perspective. And then we see recovery to our margins in the second half of the year.

Operator

Your next question comes from the line of Edward Nakamura from Gabelli Funds.

Edward Nakamura

Given that you've moved MTS to a discontinued operations, can you just give us an update on the process there, and what that would mean for the business?

Samantha Rutty
Executive VP & CFO

I think there was -- it was breaking up a little bit, but I think I heard an update on the process of the sales for MTS. Is that correct?

Edward Nakamura

Yes, correct.

Samantha Rutty
Executive VP & CFO

Okay. Yes. I mean, obviously, we can't really give any specifics, but we had a calendar. We're pleased with the general process and the progress that the team is making.

Aaron M. Schapper
President, CEO & Director

And Ed, just like any acquisition, divestitures of the same situation are hard to time exactly when these things are going to close. So rest assured, we're working on it and working through the process with the team, and we'll update you at the appropriate time.

Edward Nakamura

Perfect. Thank you. And then the portion of the distribution business that's getting added to the rest of the material, I know that's the Patch Rubber business, just to be clear.

Samantha Rutty
Executive VP & CFO

Yes.

Operator

Your next question comes from the line of Christian Zyla from KeyBanc Capital Markets.

Christian Zyla
KeyBanc Capital Markets Inc., Research Division

Great. Thanks for taking the follow-up. Just quickly on free cash flow, solid free cash flow quarter. How do you rank your deployment between debt paydown versus opportunistic M&A that I think you guys highlighted in the slide deck. Just kind of can you conceptually just frame out like what the current thought process is? Thank you.

Aaron M. Schapper
President, CEO & Director

Yes. So when we look at our uses of cash, obviously, we're working on debt first. As you can see, we've made steady progress throughout the year last year, and then we'll continue to get debt down.

We're opportunistic. I mean that's our first priority, get debt down. The second priority, though, is really to make sure we invest in ourselves. And the one thing I've always said I love about Myers is a great organic growth opportunities within this business.

And we're going to make sure our capital gets back to those businesses that have great organic growth opportunities. And so beyond that, our free cash flow will go back to investing in those great growth opportunities.

And then third, we'll look at opportunistic M&A. And these once again, timing these things is always difficult. But when we look at M&A, we always have to bring more than money to our M&A acquisitions.

We have to bring something that really can -- we can bring value to. So when M&A opportunities come up, we look at our growth vectors, our opportunities and the businesses in our Signature and sector businesses specifically.

And if an opportunistic M&A comes in there, then we can talk about deploying that capital there. So that's kind of our priorities haven't changed on that. We've been fairly consistent. And so kind of our priority 1, 2 and 3 are laid out that way. And then behind that, of course, is then looking at any opportunities to return other cash to shareholders. So...

Christian Zyla
KeyBanc Capital Markets Inc., Research Division

That's great. Super helpful. Maybe if I could just follow up on the M&A, and thanks for taking the follow-up again. Is there an end market or a category that you'd be interested in? Or is it really just leveraging your footprint and your capabilities in plastics? Just any thoughts on which end market or yes.

Aaron M. Schapper
President, CEO & Director

Yes. So end markets we're most interested in is ones with growth, obviously. So if we look at kind of the Signature and Scepter footprint, the Signature's ground protection, any -- when we look at kind of the utility expansion in thermoplastics and what they're doing for ground protection construction, that area, of course, we're interested in those growth areas for M&A. But any other opportunities that come and strengthen our other brands such as Scepter and Buckhorn and pieces on the military side to continue to expand our growth opportunities to the -- I mean, our product lineup to our customers is great. So we'll look at a number of things as they come across. But once again, it's opportunistic. It's not our first priority for use of cash.

Operator

There are no further questions. At this time, I will now turn the call back to Meghan Beringer for closing remarks. Meghan, please go ahead.

Meghan Beringer

Senior Director of Investor Relations

Thank you for joining us today. If you'd like to continue the conversation, my contact information can be found on the final slide of this presentation. We look forward to staying in touch. With that, we'll conclude the call. Have a good day.

Operator

This concludes today's call. Thank you for attending. You may now disconnect.

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