10-Mar-2022

Myers Industries, Inc. (MYE)

Q4 2021 Earnings Call

Copyright © 2001-2022 FactSet CallStreet, LLC

CORPORATE PARTICIPANTS

Monica Vinay
Vice President-Investor Relations & Treasurer, Myers Industries, Inc.

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

Sonal P. Robinson
Executive Vice President & Chief Financial Officer, Myers Industries, Inc.

OTHER PARTICIPANTS

Lance Vitanza
Analyst, Cowen and Company

Kenneth Newman
Analyst, KeyBanc Capital Markets, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Hello, everyone, and welcome to the Myers Industries 2021 Fourth Quarter Earnings Call. My name is Victoria, and I'll be coordinating your call today. [Operator Instructions]

I will now pass over to our host, Monica Vinay, to begin. Please go ahead.

Monica Vinay

Vice President-Investor Relations & Treasurer, Myers Industries, Inc.

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

Earlier this morning, we issued a news release outlining the financial results for the fourth quarter and full year of 2021. If you've not yet received a copy of the release, you can access it on our website at www.myersindustries.com under the Investor Relations tab. This call is also being webcast on our website and will be archived along with the transcript of the call shortly after this event.

Before I turn the call over to Mike, 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. 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.

I am now pleased to turn the call over to Mike McGaugh.

Copyright © 2001-2022 FactSet CallStreet, LLC

Michael P. McGaugh

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

Thank you, Monica. Good morning, everyone, and welcome to our fourth quarter and full year 2021 earnings call. 2021 was an important year for Myers. We made meaningful progress against our Horizon 1 goals, and we continue to build the foundation to ensure we execute against our long-term three-horizon strategy. Specifically, this past year, we revitalized our sales, marketing and operational capabilities by adding a significant amount of new talent. We implemented new processes and systems across the board that are helping the company become great. We announced another acquisition in our Material Handling business, Trilogy Plastics, which has already had a positive impact to both our top and bottom lines. I couldn't be prouder to lead this revitalized company and rejuvenated organization. I want to thank the entire Myers team for their great work in 2021.

Please reference slides 3 and 4 as I share with you details of our performance in 2021. I'm excited to report that we had a record-setting year for top line growth with revenue coming in at $761 million, representing $251 million or 49% increase over 2020. This growth is a testament to the team we've assembled at Myers and the demand for our high-quality products across all of our end markets. Excluding our two recent acquisitions, Elkhart and Trilogy, our organic net sales increased 25% compared to 2020.

In addition to the top line performance, our bottom line improved as well. Adjusted EBITDA increased $6 million or 9% versus the prior year. We generated $45 million of cash flow from continuing operations or $27 million of free cash flow for the year. We continue to have the financial capacity and flexibility to invest in and grow the company, both organically and through M&A. We continue to execute. We continue to make the company stronger and better.

Demand for our products is robust. In 2021, we demonstrated that we have the operational capability to deliver against this demand and exceed our customer expectations. When our customers struggled to get raw material supply, our competitors struggled to get raw material supply or to meet customer orders, Myers was able to prevail and deliver for our customers. We fortified our reputation as a supplier that our customers could count on.

While we run our plants hard and deliver against robust customer demand, we also ensure that we price our products for the value they deliver. In 2021, we built an in-house pricing excellence group that helps our commercial teams identify opportunities to improve price in a way that's constructive with our customers. We focus on creating value with our customers and then sharing in that value created. Everyone wins in this approach.

I'm now entering my third year as CEO of Myers. And quite frankly, everything is right on schedule. In my first year, 2020, we put in place some key people and started to get the foundation of the company reoriented towards growth. In my second year, these key senior leaders continue to build out their teams with excellent talent in the mid-levels of the company, and we continue to install commercial and operational processes borrowed from larger world-class companies. I expect that in my third year, we will hit stride, and all the great things we did in 2020 and 2021 will begin to deliver remarkable results.

The key takeaway that I'd ask you to consider is that in spite of significant headwinds on labor and on raw material costs and scarcity, Myers prevailed. We had a great year on revenue growth. We secured raw materials at a competitive cost, and we worked on our pricing. We turned the corner in fourth quarter on margin as we reduce the amount of compression we experienced in prior quarters. I'm excited about the momentum we're bringing to 2022.

Copyright © 2001-2022 FactSet CallStreet, LLC

Before I update you on the execution of our strategy, I will turn the call over to Sonal Robinson, our Chief Financial Officer, to provide details on our fourth quarter financial results and full 2022 outlook.

Sonal P. Robinson

Executive Vice President & Chief Financial Officer, Myers Industries, Inc.

Thank you, Mike, and good morning, everyone. Beginning with a recap of our fourth quarter results on slide 5. Sales were up significantly, an increase of $62 million or 45%.Excluding the impact of the Elkhart and Trilogy acquisitions, organic net sales increased 28%, driven by price, which contributed 19%. Higher volume mix contributed 9%. Sales increased in all key end markets in both the Material Handling and Distribution segments. Adjusted gross profit increased 31% or $12.4 million, driven by higher price, higher volume mix and the Elkhart and Trilogy acquisitions.

As expected, our price-to-cost relationship on raw materials flipped to a favorable position in the fourth quarter and contributed to the gross profit increase. However, inflationary pressures from increases in labor and manufacturing costs continue to unfavorably impact our results and partially offset gross profit growth. Note that while we continue to experience gross margin compression in the quarter, the magnitude of the compression significantly improved on a sequential basis as gross margin was down 300 basis points year-over-year in Q4 compared to 840 basis points year-over-year in Q3.

Adjusted operating income was $12.5 million, an increase of $6.1 million, driven by higher gross profit, partially offset by higher SG&A expenses. SG&A expenses increased due to the addition of Elkhart and Trilogy, higher incentive compensation costs and professional fees. Yet adjusted SG&A as a percentage of sales decreased to 20.2% in the fourth quarter compared to 24.7% in the prior year, benefiting from our larger scale.

Adjusted EBITDA was $17.6 million, an increase of $6.3 million or 55% compared to the prior year. Adjusted EBITDA margin was 8.8% for the fourth quarter compared to 8.2% in the prior year. Lastly, adjusted EPS was $0.23, an increase of $0.12, more than doubling last year's fourth quarter EPS.

Turning now to slide 6 for an overview on segment performance for the quarter. Beginning with Material Handling, net sales increased $55 million or 60%, including the Elkhart and Trilogy acquisitions. On an organic basis, Material Handling net sales increase approximately 34%, driven by favorable price of 25%. Strong volume mix contributed another 9%. Organic net sales increased in the vehicle, industrial, food and beverage, and consumer end markets. Material Handling adjusted operating income increased $4.1 million or 46% to $13.2 million.

Higher prices more than offset higher raw materials in the quarter and, along with the benefits of acquisitions and volume, drove the increase in operating income. Inflationary pressures related to labor and other manufacturing costs partially offset these benefits, along with an unfavorable sales mix. SG&A expenses increased primarily due to the Elkhart and Trilogy acquisitions and higher compensation costs.

Turning now to the Distribution segment. Sales increased $7 million or 16%. Solid demand across both equipment and supplies contributed to an 8% volume mix increase. Price contributed another 8% as well. Distribution's adjusted operating income increased $1.8 million or 51% to $5.4 million, a favorable price to cost relationship, and increased volume more than offset higher SG&A expenses.

Turning to slide 7. We generated strong free cash flow during the quarter. Free cash flow was $27.8 million compared to $10.7 million for the fourth quarter of 2020. Cash from operations increased in the quarter, primarily driven by favorable working capital, along with income growth. Capital expenditures were $3.6 million for the quarter, and cash on hand at quarter end was $17.7 million. Overall, our balance sheet remains strong with

Copyright © 2001-2022 FactSet CallStreet, LLC

leverage at 1.4 times. Our capital structure continues to provide us with the flexibility needed to execute our long-term growth strategy.

On slide 8, turning now to our outlook for fiscal year 2022. Net sales are anticipated to increase in the high single-digit to low double-digit range, which includes an incremental seven months of sales related to the Trilogy acquisition. As a reminder, Trilogy's annual net sales at the time of acquisition were approximately $35 million. Significant pricing actions taken throughout 2021, combined with healthy underlying demand across most of our end markets, are expected to drive growth in 2022.

Keep in mind, we began to see the impact of pricing actions more heavily weighted in Q3 and Q4 of 2021. As such, when you consider the impact of these actions in 2022, we expect to see a larger year-over-year benefit in the first half of 2022, both from a top and bottom line standpoint.

While resin costs have somewhat moderated coming into 2022, labor and manufacturing costs are expected to be higher. The pricing actions taken to date, along with our ability to continue to take price in this highly inflationary environment, are driving our expectations of approximately 200 basis points of gross margin expansion in 2022.

SG&A expenses are expected to approximate 22% of net sales, primarily reflecting investments we're making in our people, processes and operational efficiencies. Below operating income, we are projecting approximately $5.5 million of interest expense and effective tax rate of 26% for the year.

Our guidance reflects a weighted average share count of 36.5 million shares. Taking these assumptions into account, we expect an adjusted EPS range of $1.20 to $1.40 per share. At the midpoint of our range, this reflects more than a 30% increase over our 2021 adjusted EPS.

2022 has started off very strong. We are seeing healthy demand in core customer segments, including our seed business and continued momentum as we proceed through our first quarter. Other key assumptions impacting EBITDA and cash flow include depreciation and amortization expenses of approximately $23 million and capital expenditures in the range of $25 million to $28 million.

CapEx is expected to trend higher than past years as we continue to invest in growth capabilities and drive operational flexibility and efficiencies. We expect higher earnings to translate to increased free cash flow despite increased CapEx, and we expect to see benefits from initiatives we've launched around payment terms and the sales and operations planning process to continue to benefit working capital.

As I wrap up my comments, I'd like to thank our team for their tireless efforts on delivering a strong fourth quarter and for the momentum going into 2022. I'm encouraged by the foundation that has been laid to successfully execute our plan in 2022 and the solid strategy that allows us to continue to accelerate sustainable long-term growth.

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, Sonal. I appreciate it. Let's turn to slide 9. As I previewed in my earlier remarks, our long-term vision, the One Myers strategy, has proven to be the right path for our organization. We made significant progress towards our Horizon 1 goal of being at a run rate of $1 billion in revenue with 15% EBITDA by the end of 2023.

Copyright © 2001-2022 FactSet CallStreet, LLC

We will maintain consistency and continue to stick with our long-term strategy. It's clear. It's straightforward. Our people can understand it and execute it. And it will create significant shareholder value.

We continue to drive execution of the strategy through three elements: self-help, which provides the funds to invest in the next two elements, organic growth and bolt-on M&A. In the area of self-help, I'm especially pleased with our operational improvements in 2021. We've improved our capabilities in sales and operations planning, S&OP, which has allowed us to get more volume out of our plants and better fulfill our customer orders. We've made asset management and product management cornerstones of our business practice. These changes are driving results.

In the area of organic growth, over the course of 2021, we revitalized our sales force. Our teams are now focused on growing, on cross-selling and on price realization. We have provided robust training and new tools to help our sales professionals better identify and meet customer needs. We are seeing the results of our sales revitalization.

In addition, our new turbocharged approach to e-commerce is showing promise, growing sales and bringing efficiencies and capabilities to fulfill more e-commerce sales orders at higher margins. Remember, we look at e-commerce as a flywheel to help us maximize margin and balance our plans. In 2021, we actually passed on some demand because it didn't help us achieve one or both of those objectives. We're learning more about e-commerce, and I'm glad we jumped in with both feet.

Regarding bolt-on M&A, we are pleased with the contributions of our two acquisitions. They both had a positive impact to our bottom line and strengthened our foothold in the rotational molding space. Our Horizon 1 strategy, as it relates to M&A, is playing out as expected. We're executing small bolt-ons that give us capability, technologies and market access. And these smaller deals are helping us sharpen our skills and hone our capabilities in negotiating, executing and integrating acquisitions. We continue to use Horizon 1 M&A to help us build our capability and to thoroughly prepare our playbooks and processes to ensure the successful execution of Horizon 2 transactions in the coming years.

While we continue to focus on bolt-on acquisitions in our Material Handling segment, we're also exploring smart add-ons in the Distribution segment as well. Stay tuned as we continue to execute on our M&A strategy.

Slide 10 covers the four strategic pillars that support our One Myers vision for Horizon 1. While all the pillars are critical, today, I will focus on the rightmost pillar, the one that covers our high-performing culture, Pillar 4. The key difference maker in Myers' transformation has been our overhaul on talent and capability. To be clear and direct, Myers is not a situation where you had an undermanned small company that brings in a new CEO and two to three managers and remains an undermanaged small company. That's not what we have going on here.

Over the last two years, I've worked – my team has worked to bring in approximately 30 new leaders into Myers. These new additions have fit well with the existing talented leaders already in place. These new leaders are being added to all functions at all levels of the organization. Most of these leaders we know, we've worked with before. We know what we're getting, and the recruits know what they're getting. Going with this approach, recruiting who we know, our hit rate and our success rate is higher. We're having more success and fewer misses.

We found success in recruiting recent retirees from large established firms who have more to give, want to help transform a public company and maybe were retired too early by their employer. This is a trend we've found and we're capitalizing on it. In addition, we're having success with early and mid-career leaders who want to be a part of a public company that's going to double, triple or even quadruple in size. For the right person, this growth mindset is more fulfilling than being at a large cap firm that might be more focused on optimizing.

Copyright © 2001-2022 FactSet CallStreet, LLC

We have a flat organization, an entrepreneurial culture, and these new leaders typically have more ability to have a greater impact and make more meaningful decisions than as their prior employer. It's working. We target low ego, highly capable women and men who have been developed and trained for a decade or two or three at world-class global multinationals. These leaders know what great looks like and can bring it to Myers. They buy into the vision and have a passion to turn this company into something remarkable.

I know it's working because the friends of these new recruits are now asking how they can join Myers and be a part of something exciting. I think it's a clear opportunity of a lifetime, and I speak in detail about this in my shareholder letter in the annual report.

When I compare Myers to other small caps or other small mid-caps, what we have that they often don't is the dozens of world-class, highly capable leaders. It's making a difference in every aspect of Myers. Our performance is improving, and we are able to exploit opportunities more quickly and thoroughly. And we're able to manage issues and problems more successfully. As an example, when I look at the world conflicts that will be prominent in 2022 and the macro trends out there, I have comfort that our experienced teams in procurement, in commercial, in supply chain and in operations will navigate the challenges and will find solutions. We saw this in 2021 with the Texas freeze.

We navigated this potential calamity with the level of success that would not have been possible at the Myers of a few years ago. I believe we will navigate the issues that 2022 throws at us with the same poise and success. It is all about the people, and I believe this is becoming the key differentiator with Myers.

As I wrap up my prepared remarks, please remember this point. We expect 2022 to show the results of all the reinvention, all the improvement and all the hard work that's been done at Myers in 2020, in 2021. And I expect it to be a great year and the beginning of many more to come.

With that, we'll now turn the call over for questions. Operator, if you'd open the line.

Copyright © 2001-2022 FactSet CallStreet, LLC

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now start our Q&A session. [Operator Instructions] And our first question comes from Lance Vitanza from Cowen and Co. Please go ahead. Your line is open.

Lance Vitanza
Analyst, Cowen and Company

Q

Hi, guys. Thanks for taking the questions. Congratulations on the quarter. I actually have a couple, if that's okay. And maybe, Mike, I wanted to start with you on the Elkhart and Trilogy acquisitions. I think you mentioned in the release that both of those acquisitions had been going basically better than expectations. And I was wondering if you could elaborate on what exactly that means and what sort of are the metrics. Are they kind of qualitative and quantitative? But in what way are those sort of performing better than you guys had hoped? And then I'll just jump back. I have a couple of more granular questions.

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

A

Yeah, sure. For sure. So on the qualitative, the cultures are meshing really well. We're a Midwestern-focused company and we've acquired companies that have similar values. And that's really what we seek when we go to acquire companies. Do they match us on terms of our beliefs and values? And because that really frees up and allows everything else to go more smoothly, because that box is checked well with Elkhart as well as with the Trilogy, the synergies that rolled through, particularly in Elkhart. The synergies have exceeded what we anticipated on the growth side as well as the cost side.

We do have scale on the resin purchasing piece, which allows us to do get some synergies on the cost side. But also just optimizing the grid, the plants, taking the technologies, the capabilities that a lot of these rotomolders have and then rolling that across our base business has just proven to be quite successful. So the degree of difficulty has been very manageable and the resulting output has been greater than we expected, qualitative and quantitative with both of those.

Lance Vitanza
Analyst, Cowen and Company

Q

Thanks, Mike. And then maybe, Sonal, a couple questions for you, if I could. The first – both of these are on the outlook for 2022. On the revenue side, it looks like if I adjust for Trilogy, you are expecting mid to high single-digit organic sales growth in 2022. Is that right? And in any case, could you talk a little bit about how much of the sales growth that you are guiding to, how much of that do you expect will be volume-driven? Or is it mostly just a reflection of the inflation-based price increases that presumably you're trying to pass on as best as you can?

Sonal P. Robinson
Executive Vice President & Chief Financial Officer, Myers Industries, Inc.

A

Yes. Good morning, Lance. Great question. So as you think about that top line guidance that we've provided, to your point, high single digit to low double digit, approximately a quarter of that is driven by Trilogy. So the remaining part of that, essentially the way to think about it is of our overall guidance, more than half is inflationary driven by price, and then the balance of that would be the volume mix piece of it.

Copyright © 2001-2022 FactSet CallStreet, LLC

Lance Vitanza
Analyst, Cowen and Company

Q

Okay, thanks. And then lastly, for me, on the margin front. And Sonal, I think you said 200 basis points of margin expansion in 2022. Was that on the adjusted gross margin line? Or is that on the adjusted operating profit line?

Sonal P. Robinson
Executive Vice President & Chief Financial Officer, Myers Industries, Inc.

A

Yeah. The adjusted gross margin line.

Q – [07GJFD-E Lance Vitanza]>: Great. And then – so to what extent is that – I mean that's a relatively optimistic outlook, at least, from my standpoint. And I'm wondering, is it based to some extent on a presumption that just inflationary pressures, supply chain issues, do these just begin to just generally ease? Is that kind of why you see this? Or I guess I'm just trying to understand the sensitivity to potentially being wrong on that because we wind up with supply chain pressures and inflationary pressures persisting throughout the course of the year.

Sonal P. Robinson
Executive Vice President & Chief Financial Officer, Myers Industries, Inc.

A

Yeah, Lance. So let me start here. So price is a key driver of our expectation around margin expansion. You'll recall the margin compression that we saw on the Material Handling side in 2021, so we would expect a lot of that to come back on the Material Handling piece of it. And so as you think about price being a key driver, Distribution will see some growth. Keep in mind, they had a strong 2021. Part of our consideration here is my commentary around our strong start to Q1 as well. We're seeing a strong start to the quarter. We've got a good mix of business with the seed business results and the expectations we have there in the quarter. And so pricing is a key driver of that.

I think as you kind of think about the cost component of that, Mike's commentary around our ability to price, the capabilities that we've built on pricing give us comfort that as we continue to see other inflationary factors, that we will take proactive actions in order to come back to that as we go throughout the year.

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

A

Yeah. And Lance, if I can build on that. I mean you look at Myers historically, again, I would argue that it's good products, good company, good people but under managed. And so we're arguably starting from a pretty low base. So what we're talking about doing, whether it's 15% EBITDA or the guidance that Sonal has given on the 200 basis points in gross profit, it's achievable. We've brought in some world-class folks on the pricing and pricing excellence side, the procurement and cost management side. We've revitalized the sales force, so now they can actually sell the value of product spring rather than going into a cost-based formula. I'm optimistic. There is some uncertainty on the back end due to the war. However, what Sonal has given in guidance, we stand behind.

Lance Vitanza
Analyst, Cowen and Company

Q

Thanks, guys. Thanks very much. Appreciate it.

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

A

Thank you. Appreciate it.

Copyright © 2001-2022 FactSet CallStreet, LLC

Sonal P. Robinson
Executive Vice President & Chief Financial Officer, Myers Industries, Inc.

A

Thanks, Lance.

Operator: Thank you so much for your question, Lance. Our next question comes from Ken Newman from KeyBanc Capital Markets. Please go ahead. Your line is open.

Kenneth Newman
Analyst, KeyBanc Capital Markets, Inc.

Q

Hey, good morning, everybody.

Sonal P. Robinson
Executive Vice President & Chief Financial Officer, Myers Industries, Inc.

A

Good morning.

Kenneth Newman
Analyst, KeyBanc Capital Markets, Inc.

Q

Good morning. It's Ken Newman on for Steve Barger. Mike, I wanted to follow up on the margins question asked. I mean I'm curious if you can just talk to the guardrails for margins that are implied in the guidance because at the midpoint, I think it implies incremental margins in the mid-20% range. And I'm curious just how you think about what risks there are that maybe potentially gets pushed to the right, given the higher energy in resin prices that we're seeing in today's environment.

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

A

Yeah. I appreciate the question. This is Mike. Just again echoing what I just mentioned to Lance as well, there's a lot of upside on either side, price or cost management. Yes, there is some uncertainty with the issues we're seeing roll out in the macro environment. What I'll do is – let me hand it over to Sonal, see if she can elaborate a little bit more. I want to be sure I don't repeat versus what we just said with Lance.

Sonal P. Robinson
Executive Vice President & Chief Financial Officer, Myers Industries, Inc.

A

Yeah, sure. So to Mike's point, we do have a number of factors, obviously, that come into play within our guidance. Obviously, underlying end market demand would impact the top line piece of it. The price cost relationship as we continue to move throughout the year would impact both top and bottom line. And then once again, the strength that we are seeing as we start off fiscal year 2022 gives us comfort as we start the new year off on a strong foot here.

Kenneth Newman
Analyst, KeyBanc Capital Markets, Inc.

Q

Right. And I guess just as a follow-up to that, I mean, can you remind us what is typically the lag, if any, in terms of catching up on price cost when you put in – when you increase pricing actions today?

Sonal P. Robinson
Executive Vice President & Chief Financial Officer, Myers Industries, Inc.

A

Copyright © 2001-2022 FactSet CallStreet, LLC

I would say, generally speaking, about a quarter we've experienced, give or take within the portfolio.

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

That's right, that's right. But right now, I mean, we're seeing – if you look at polyethylene, polypropylene, that big ramp that occurred last year, we're seeing some decline or flattening. Now again, look, there's uncertainty in the back half of the year due to some macro trends. But that's why we're pretty confident in our margin expansion as we were pushing price throughout the year and we just couldn't catch up. We were able – we started to see that trend change in fourth quarter, and we're seeing it continue through and that's what we're projecting is that will continue through 2022. And quite frankly, as I talk about 2023 and beyond, our ability to hold and expand that margin is there. And that's the reason I continue to reiterate those Horizon 1 targets.

Sonal P. Robinson
Executive Vice President & Chief Financial Officer, Myers Industries, Inc.
A

And maybe just one other thought to that. Keep in mind, last year, we saw almost no incremental benefit of pricing actions in Q1. So once again, as you think about the lapping impact, they'll be fairly large on the front half of the year.

Kenneth Newman
Analyst, KeyBanc Capital Markets, Inc.
Q

Right, okay. Just a few more for me. I'm curious if you could just build out – I mean you talked a little bit about healthy demand in the first quarter to date. I know you mentioned the seed business seeing some strong orders. Maybe can you help us build that comment out a little bit? How are orders, if you can quantify it to a certain extent, just trending so far? And what are you hearing from your customers about their inventory needs?

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

Yeah. I'll give a high level and then maybe Sonal can provide any more data. But right now, the question is can we supply demand? The demand from – in almost all markets are strong. The demand on our plants is strong across the board, whether it's auto aftermarket in Distribution, whether it's fuel containers, whether it's IBCs, whether it tanks from our rotor business. I'll tell you, Ken, it's just demand is robust. Demand is healthy. I don't see it backing off. Most of these products that we have in front of us for the next year or two, I think there's going to continue to be uptake. Sonal can maybe quantify it a bit more. But the guidance we gave on high single to low double, that's about right. That's the best numbers we have at this point.

Sonal P. Robinson
Executive Vice President & Chief Financial Officer, Myers Industries, Inc.
A

Mike, that's right. I mean I think, just once again, front-half loaded versus back-half loaded. Recall, once again, Trilogy was bought at the end of July last year, so we'll get seven additional months of that in the front half of this year. The pricing actions once again benefited us in Q3 and Q4, more so last year than this year. So once again, that lapping impact. And that's essentially the key factors here.

Kenneth Newman
Analyst, KeyBanc Capital Markets, Inc.
Q

Yeah. Just one more for me. Obviously, you've been very acquisitive this year. You feel that you can still be or maintain that acquisitive nature in coming years. But maybe just talk a little bit about the M&A pipeline. What are

Copyright © 2001-2022 FactSet CallStreet, LLC

you seeing coming across your desk from a multiple and target size perspective? And does all the uncertainty in the macro environment make it harder to do deals? Or if not, why is that?

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

Yeah, Ken. What I'll tell you is – so up until, let's say, the Ukraine invasion and the reset there, let's say the reset over the past couple of months just in the overall stock market in general, I think we were more at the top of the cycle. I felt things were a bit expensive. I want to be real careful that we don't overpay. The types of companies we're looking at is we're buying a capability, a technology or market access that we can leverage across all of our business. And that's true, whether that's from the Distribution side or whether the Material Handling side. What we're doing, as we stated in our strategy, is buying typically private companies that are in that size of the bolt-on range, $50 million to $100 million, $150 million in revenue. We're finding that most of the time, there's a bit of a lift to do with those companies. But we're able to buy them for an attractive price, work on the pricing, work on the commercial, which is what we know how to do. And they turn out to be really, really positive from a return standpoint.

All that being said is we're going through these iterations, as I mentioned in my comments, to bring in bolt-on capabilities that we can digest, given our size today. But we're also really cognizant of building processes in a playbook and discipline around how we acquire, how we integrate, how we get the synergies. So that when it's time to click into those Horizon 2 deals, which are more enterprise level, that we're ready to go, and that we have a good plan. And we get the synergies as aggressively as we've been able to get from Elkhart primarily and Trilogy secondarily.

So I think the market is there. The issue is prices were getting pretty frothy, and we have a lot of discipline. I want our shareholders to understand that. I mean we have a lot of discipline. We're not going to overpay. We've got a lot of organic opportunities and capital investment opportunities as well. So we've got a number of levers to create shareholder value, and we're going to continue to work those and be smart about it. Sonal, any points to add?

Sonal P. Robinson
Executive Vice President & Chief Financial Officer, Myers Industries, Inc.
A

That's great.

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

But that's a good question, Ken. That's a good question. The prices are – I think the prices might come down just a touch here over the next a little bit with this uncertainty. And that's a great opportunity for us with a great balance sheet and having a few deals under our belt to go and continue to acquire and hopefully acquire even at more favorable terms than maybe what we could have six months ago.

Kenneth Newman
Analyst, KeyBanc Capital Markets, Inc.
Q

Yes. No, that makes tons of sense. Thanks for the color.

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

Yeah, sure. Thank you.

Copyright © 2001-2022 FactSet CallStreet, LLC

Operator: Thank you so much, Ken, for your question. At this time, there are no further questions. And I would like to thank everybody for joining today's call. You may now disconnect your lines.

Disclaimer
The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2022 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.