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Earnings Call

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Call Participants

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Presentation

Operator

Hello, everyone, and welcome to the Myers Industries Inc. Quarter 3 2023 Earnings Call. My name is Carla, and I will be your operator for today's call. Following today's prepared remarks, there will be a Q&A session.

[Operator Instructions] I will now hand over to your host, Grant Fitz, Executive Vice President and Chief Financial Officer of Myers Industries, to begin.

Grant E. Fitz
Executive VP & CFO

Joining me today is Mike McGaugh, our President and Chief Executive Officer. We are both here in Las Vegas at the SEMA Auto Aftermarket Show, meeting with customers and suppliers and in a very exciting industry. Earlier this morning, we issued a press release outlining the financial results for the third quarter of 2023.

We have also posted a presentation to accompany today's prepared remarks. If you have not yet received a copy of either the release or the PowerPoint, you can access them 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.

Please turn to Slide 2 of that PowerPoint 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. Also, please be advised that certain non-GAAP financial measures, such as adjusted gross profit, adjusted operating income, adjusted EBITDA, 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. Please turn to Slide 3 of our presentation. I'm now pleased to turn the call over to Mike McGaugh.

Michael P. McGaugh
President, CEO & Director

The quarter's results are a testament to our focus on operational and commercial excellence. These efforts have helped us offset near-term macroeconomic headwinds. As a result, I'm pleased to report that we have delivered our seventh consecutive quarter of adjusted gross margin expansion on a year-over-year basis.

In addition, adjusted EBITDA margin also expanded this quarter. Our gross margin and EBITDA margin resilience is a result of several operational excellence initiatives, including proactive cost containment efforts, manufacturing optimization and improved sales and operations planning.

These initiatives continue to generate results. While our third quarter's top line was impacted by softer demand, particularly in end markets that are more consumer oriented, we continue to believe that there are significant organic growth opportunities ahead. In addition to our operational and commercial improvements, we have continued to build upon an already strong balance sheet by improving free cash flow and paying down debt, allowing us to reach historically low leverage ratios.

Due to our balance sheet, we remain proactively engaged in evaluating inorganic growth opportunities that can accelerate our financial and strategic objectives. We continue to evaluate M&A opportunities with discipline, ensuring that a potential acquisition fits our strategy and is the right move for our shareholders.

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While embracing this disciplined approach, we continue to refine our M&A process, strengthen our deal flow, ensure that target criteria are met and capture the learnings of our recent bolt-on acquisitions. We are well positioned with strong capabilities, good cash flow and a price balance sheet just as more targets come to market at reasonable valuation.

As I've said before, we will be disciplined and patient. We will have the capability to act and we will do so when the time is right and the deal structure is right. Now I will pass the call back to Grant to walk through our financial results for the quarter.

Grant E. Fitz
Executive VP & CFO

Please turn to Slide 4 for a summary of our third quarter results. Our third quarter net sales were down $30.3 million or 13.3% compared to the third quarter of 2022. This was primarily due to lower sales across both segments with the Material Handling segment experiencing lower demand levels within RV, marine and consumer-facing verticals in addition to a calmer hurricane season.

Despite the sales decline, our adjusted gross margin for the quarter increased 20 basis points to 30.7% compared with 31.5% in the third quarter of 2022. This marked the seventh consecutive quarter with year-over-year adjusted gross margin expansion and is, as Mike said, a testament to the power of our Myers business system.

Our quarterly adjusted gross profit decreased $9.2 million or 12.8% as price increases in the distribution segment and cost containment efforts were not enough to offset volume decreases in both segments due to the challenging macroeconomic and inflationary environment.

SG&A expenses decreased $8.1 million year-over-year and SG&A as a percentage of sales decreased 60 basis points to 22.1% compared with 22.7% in the same period last year. The decrease is a result of lower incentive compensation, labor and facility costs, which were part of our strategic cost containment efforts.

Third quarter adjusted operating income decreased $2 million or 9% compared to the prior year as a result of lower gross profit, not fully offset by the SG&A reductions. Adjusted EBITDA was $25.6 million in the third quarter, a decrease of $1.6 million or 5.6% compared to the prior year period.

Adjusted EBITDA margin increased 110 basis points to 13% for the third quarter compared with 11.9% in the same period last year. Lastly, adjusted EPS was $0.38 compared to $0.41 in the same period last year. Next, please turn to Slide 5 for an overview of our segment's performance for the third quarter.

For the Material Handling segment, net sales decreased $23.2 million or 14.9% compared to the prior year. The decrease was a result of softer demand in the RV, marine and consumer-facing end markets, as I mentioned earlier. Material Handling's adjusted EBITDA decreased $3.3 million or 11.6% to $25.1 million, but adjusted EBITDA margin increased to 19% or 70 basis points compared to the year ago period.

The margin increase was driven by self-help initiatives, partially offset by lower sales volume. Net sales for the Distribution segment decreased $7.1 million or 9.8% year-over-year, primarily due to lower sales volumes. Given the actions to improve the distribution business model through improved pricing and lower cost structure, distributions adjusted EBITDA increased year-over-year $0.6 million or 9.4% to $6.6 million in spite of the year-over-year revenue decline.

Along with the improved pricing, SG&A expenses were lower year-over-year as a result of lower labor costs, largely due to improving our go-to-market and back-office organizational structures through our self-help initiatives. Turning to Slide 6. Free cash flow for the third quarter of 2023 was $18.1 million compared to $9.8 million for the third quarter of 2022.

The increase in cash flow was primarily the result of lower working capital. Working capital as a percent of net sales decreased 50 basis points compared to the same period last year, primarily due to stronger cash collections. Capital expenditures for the third quarter of 2023 were $4.1 million and cash on hand at the quarter end totaled $24.8 million.

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Our balance sheet remains strong and continues to support our Horizon strategy with the debt to adjusted EBITDA of 0.7x. Now please turn to Slide 7 for an update on our outlook for the fiscal year 2023. Given the continued macro challenges and the softer demand we've seen across several end markets, we revised our top line guidance to now decline between mid- to high single digits.

As a result of this, we are also lowering our bottom line guidance to $1.20 to $1.28 per diluted EPS and $1.35 to $1.40 for adjusted diluted EPS. We continue to retain a strong balance sheet, which is supported by consistent free cash generation. For the full year, we expect capital expenditures to be in the range of $25 million to $30 million and an effective tax rate to approximate 25%.

We are seeing tangible improvements from our efforts to run the business more efficiently through our Myers business system and remain focused on optimizing operations to combat the current macroeconomic headwinds. We are creating critical capabilities that support significant value, support significant future growth and bottom line expansion. Now I will turn the call back to Mike.

Michael P. McGaugh
President, CEO & Director

Please turn to Slide 8, where we reference our long-term 3-Horizon strategy, highlighting the key areas of focus for each Horizon. Slide 9 provides a view of the 4 strategic pillars we use to drive alignment and execution. As highlighted on the slide, the strategic objective of the first Horizon is to deliver a target revenue of $1 billion at an EBITDA margin of 15%.

I continue to believe this performance is within the organization's reach. However, near-term end market weakness, coupled with our decision to not acquire companies that were either off-strategy or too expensive, has delayed our realization of this Horizon One target.

I continue to believe that we can achieve this performance target in the near term. Before shifting to our progress against these pillars, I want to reiterate the importance of Horizon One. The strategic, operational and financial actions we take in this First Horizon are building the foundation of Myers and are critical to successfully reaching the milestones of Horizon Two and Three.

Turning to Slide 10. I would like to provide more color on what we've accomplished in the recent quarter against our Horizon One Objectives. Starting with organic growth. We still see meaningful runway for both revenue and margin expansion across our segments in lieu of challenging market conditions.

Within the Material Handling segment, our military-related products continue to experience strengthening demand levels due to increased artillery production and rearmament of militaries worldwide. We have recently received a meaningful new purchase order and expect to receive more shortly.

We expect military growth to bridge the gap caused by the multiyear reduction in the size of the fuel can market due to electrification. We expect the gas can market to reduce in size, 3% to 5% per year over the next 5 to 7 years. I expect our military shell casing growth to cover this EBITDA gap and then some.

Second, in our injection molding and structural phone business, we expect new sales growth in our industrial, food and automotive Buckhorn boxes to supplement any decline in seed box sales, its agriculture equipment sales cool going into 2024 and 2025. Third, e-commerce will be a substantial organic growth driver, ensuring that our material handling and distribution businesses grow at above market rates in the near and intermediate term.

Myer's significant diversification of its segments, end markets and products ensure that the company's financial performance is resilient. We're seeing this in real time throughout 2023. In our Distribution segment, we grew third quarter EBITDA year-over-year, and we are putting in place the building blocks to have an even stronger distribution business going forward.

We're excited about this business because we see significant opportunity for the segment due to the electric vehicle megatrend, which will increase demand for tire repairs as heavier electric vehicles require more frequent tire maintenance and replacement. In addition, the average age of cars on the road

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continues to increase and this aging auto fleet is driving an increase in tire and other repairs, both of which are good for Myers tire supply.

It's important to highlight that we have a high-quality, industry-leading distribution business embedded in our company. The distribution business, along with the acquisitions of Tuffy and Mohawk now has the size, scale and strategy and is beginning to deliver the performance we expect and have communicated in the past.

We anticipate that this business will become even more attractive for Myers in the future. Across both segments, we remain dedicated to supporting organic growth opportunities with investments in sales and innovation. Shifting to strategic M&A. Our strong cash flow generation and flexible balance sheet provides us the ability to evaluate many inorganic growth opportunities. Myers has executed 4 bolt-on acquisitions over the past 5 years.

Along with providing revenue and EBITDA growth, these acquisitions have delivered scale and geographic expansion, while helping us learn and improve our processes and capabilities. As we enter into Horizon Two, we will focus on larger or more impactful acquisitions.

Based on our learnings and experience obtained in Horizon One, I'm confident in the company's ability to acquire the right companies, the right capabilities at the right valuation. Moving on to the third pillar, operational excellence. We are keenly focused on this pillar during these times of choppy demand.

These self-help measures are largely within our control and enable us to protect margins and profitability. Most notably, our efforts to build out the Myers business system. Please turn to Slide 11. The Myers Business System delivered meaningful results, driving operational improvements in supply chain and in procurement as well as other cost reduction initiatives. As I mentioned before, institutionalizing our best practices and ensuring they are lasting in a part of Myer's DNA is a vital component of delivering sustainable EPS growth and driving Myers transformation into a world-class diversified industrial company.

Moving on to our last and one of our most important pillars, our high-performing culture. We continue to punch above our weight in the caliber of talent we have at Myers. This includes legacy performers who are focused on making Myers world-class as well as new additions who want to meaningfully grow the size and value of the company.

Our model to hire and employ individuals at the capstone of their careers has proven to be a breakthrough. This model allows us to have access to a higher level of talent than most small cap companies traditionally have access to. In closing, I'm proud of how the company has operated in its ability to produce solid results in 2023 in spite of uneven and challenged end market demand. I'd like to thank all of our Myers leaders and associates for living our values and for delivering for our customers, our shareholders and our communities.
We are well positioned to capitalize on future organic and inorganic growth opportunities, which will ultimately deliver attractive shareholder returns. With that, I'd like to turn the call over to the operator for questions.

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Question and Answer

Operator

[Operator Instructions] Our first question is from Lance Vitanza from Cowen.

Lance William Vitanza
TD Cowen, Research Division

Let's start off with the tough stuff, the revenue outlook. The trends over the first 3 quarters, year-over-year revenue declines, have gotten worse, not better. Given that, I guess I'm surprised by how wide the range is for full year revenue guidance and really what you're seeing or thinking for the fourth quarter, although, I guess, given the narrowness of the EPS range, I guess that answers the question. We should be thinking about sales in the fourth quarter down 8%, 9%, 10%, I would imagine. Is that fair?

I guess, just more broadly, is there anything that you can point to specifically that would suggest the trends improve in fourth quarter? Or is it simply they can't keep getting or us forever.

Grant E. Fitz
Executive VP & CFO

I think you've hit it on the head in terms of what we're looking at. What I would say is just in general, maybe to level set a little bit is this is really my first quarter to start to get my hands around the business. I've been at Myers now for about 6 months. My tenancy within guidance is to probably be a little bit more conservative to be very open. I feel that we need to be transparent on where we're at.

Certainly, I don't want to have a situation where we aren't able to meet the objectives that we set out for the company. From that standpoint, I think we continue to see headwinds in the RV and marine markets. Those are big markets for us. The big question in that area is when will those markets start to recover. If you look at the analysts that we've had, that we've been looking at over the last next couple of months, they are projecting to start to see some of that picking up in 2024.

We are probably being a little bit more conservative that we would see that continuing through the fourth quarter, and then we'll see how that goes in '24. I would expect that we'll still probably be flat on the RV and marine segments as we go into next year. The other piece is that we did have some pretty strong impacts of a calmer hurricane season.

In Q3, typically, on a full year basis, hurricane activity will generate about $0.08 of earnings per share. We really don't see a significant impact for hurricanes this year. Certainly, things could change as something were to pick up in the fourth quarter. Then also, we did have some expectation that our military orders with the shell casing that I talked about, we're going to start in the third and fourth quarter.

We do now have a firm commitment, which is a very positive news on this. We do have some firm orders, but those aren't going to be starting until the first quarter of next year. Essentially, we're in a situation where we've got just a timing issue with the military orders that have come into play as well, too.

The rest of the business, I'll let Mike comment on it. I think it's pretty stable overall in terms of our other end markets that we have. Certainly, there will be some ups and downs. What I really am excited about is our distribution business. has put in what I would say are some of the foundational blocks, building blocks are really starting to take their EBITDA margin up to a higher level than what we've seen this year.

Certainly, I think Q3 is starting to give some indication of that. We've done just a really nice job on working the overall cost structure, and I think that's set up really quite well as we look to the future. Mike, I don't know if you have some other comments?

Michael P. McGaugh
President, CEO & Director

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We talked last quarter about being on the lower end of the prior guidance range, caveating that with having a traditional hurricane season, which didn't materialize. We also had a bit of a timing shift on some of the military orders. That is going to be a very good business for us. In a positive note, the orders have been confirmed, and we've got firm orders that will begin next year.

We also, one other point I would add on to Grant was we did have a couple of mold repair issues in our Buckhorn Seabox business that has shifted some of the revenue as well out of third quarter into fourth and into first next year. That's another factor. That's it.

Lance William Vitanza
TD Cowen, Research Division

My follow-up, first follow-up, better news, the margin performance and just really outstanding in the third quarter across the board, both segments. I guess the question there is, is there a risk that Myers is leaving itself with all of these aggressive actions, is it impairing Myer's ability in any way to participate as end markets eventually recover.

We know they're going to. We don't know when, but we know they will. Are you still going to be able to participate fully to the upside? Or have you been putting yourself behind the APA, so to speak?

Michael P. McGaugh
President, CEO & Director

This is something we try to find the right balance with on a daily basis. We are preserving that growth upside and optionality. We talked in the past about the hidden factory and how we do S&OP better, how we run our plants, better schedule our plants better, that's getting more output of our existing assets.

If we're making a few decisions on the rotomolding business, for example, to consolidate some of the footprint, that's taking cost out, but it's not impacting our volume and capacity. On the sales and marketing side, we continue to go great guns on innovation, new product development. That's an area that continues to be well resourced.

We actually have consolidated our marketing and commercial function into Milford, Ohio. I think I mentioned that before, that's across the material handling business. It's actually catalyzing the innovation and collaboration between each of the molding technologies and we're already seeing that bear fruit. An example is, look, if seed box sales potentially cool in '24 or '25, we've got some innovation efforts that are already bearing fruit on, as I mentioned, food, industrial and then also automotive boxes coming out of that Buckhorn business. Just a lot of good opportunity in general on the organic side.

Lance William Vitanza
TD Cowen, Research Division

Then the last follow-up for me is just on the free cash flow, it was certainly stronger than we had expected, very surprising given the revenue performance. It does appear to me that the free cash flow strength was mostly just working capital and CapEx related and not to dismiss those. I mean they are all important, but they don't feel necessarily durable to me in the face of continued sales weakness.

Could you talk about the outlook for, what should we be thinking about not just for the fourth quarter, but just conceptually, where CapEx goes and how you think about working capital as either a source or use of cash in 2024? With working capital, is it really just a function of sales continue to be weak, you're going to continue to get cash from working capital. When sales eventually pick up, then we should expect some reversal there and you'll grow your working capital?

Michael P. McGaugh
President, CEO & Director

Yes. Lance, just contextually, I'll handle and then I'll pass it over to Grant. We are putting a significant amount of time and effort and discipline around how we manage accounts receivable collections, particularly in choppy times. Similarly, on how we manage the other aspects of working capital. It is a focus. We review it on a daily and weekly basis.

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Ultimately, that's what's helped catalyze the results that you see. I think those results will continue. I think Myers will continue to be a good cash flow generator. Grant, do you want to build on that?

Grant E. Fitz
Executive VP & CFO

Yes. One of the things that I've been pleasantly surprised about, Lance, as I've joined the company, is that the organization across the board is very cash focused. They manage their costs receivable very well and continue to keep that front center their inventory levels as well, too. From that standpoint, I would say to Mike's comment that we will continue to see some good free cash flow for the business.

I think our working capital as a percent of TTM sales is probably going to be pretty consistent from what it's been historically. We did get the benefit of a larger payment in Q3 that did help that some. Certainly, I think the overall hydraulics, as I like to call out of the business are very strong in terms of how the company manages its cash and works its cash.

Operator

[Operator Instructions] We will now take our next question from Steve Barger from KeyBanc.

Christian Zyla
KeyBanc Capital Markets Inc., Research Division

This is actually Christian Zyla on for Steve Barger. My first question is just with revenue growth slowing, are you starting to retrench and focus on cost controls? Or do you continue to invest in internal infrastructure and try to accelerate that M&A process?

Michael P. McGaugh
President, CEO & Director

Well, of course, we focus on cost, and we talk about this, this is one area I think I brought to the company over the last 3.5 years is this reliance on self-help. We've talked about that is in cost and productivity. That's part of the Myers business system. That gives us the latitude and the ability to invest even in choppy times. That investment is what we talked about with Lance, the commercial, the sales and marketing, but also that investment is pursuing M&A opportunities. We are continuing to maintain our focus and discipline to acquire companies that are on strategy and move us forward.

We talk a lot about this. You are what you eat. We want to acquire accretive EBITDA companies that we can make better that have a more attractive EBITDA profile than we do today. There's a number of companies out there that we could acquire that are not as attractive or not as solid or is off strategy. We don't want to do that. I would rather do fewer but higher-quality acquisitions. Again, the valuation comes into question. We are now starting to see valuations come back into focus. I think over the last 12 to 24 months, they were still high.

Our belief is we've got a great balance sheet. We've got great operations. We've got great cash flow generation. We think the next 12 to 24 months, we're going to be advantaged and we are going to be in an environment where we can acquire more attractive, more valuable companies on target at fair valuations. That last piece, Christian is what's been missing over the last year. Grant?

Grant E. Fitz
Executive VP & CFO

Yes. I'll just reiterate what Mike said, Christian, the Myers business system, that is a fundamental part of our business. Coming from the automotive, having spent some time in the automotive industry. I equated to what is often called the Toyota Production System. It's just our version of how do we standardize, simplify, make things more efficient and just drive continuous cost improvement.

That, I think, is going to be part of the core DNA that will continue going forward within the Myers team. Additionally, we are always looking at trying to determine what's the right size of our production capacity because what we don't want to do is we don't want to get in a situation where we get to a level of capacity

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that we're at when the markets are low and then when they come back, we're not able to meet the market demand.

We like to have a good balance with that. Our ops team does a really good job on just managing through that. To Mike's comment about M&A. I do think that the market is going to start to pick up overall. As you know, the M&A activity has slowed down pretty dramatically from where it was maybe a year or so plus ago.

I do think that a lot of private equity firms are sitting on the sidelines. We need to see how things will develop. We are getting to some degree, a buildup of companies that will probably be coming to the market over the next 1 to 2 years at a higher pace than what may have been in the past.

We certainly are looking at not overpaying. I think there has been some differences between what buyers have wanted versus what sellers are willing to pay. Those are starting to tighten and we will be very opportunistic. Without question, we will buy companies that we think are going to be very strong for our profile and accretive to the business. We're not going to just buy companies just to check the box that we've hit some acquisitions.

Christian Zyla
KeyBanc Capital Markets Inc., Research Division

I know you don't want to look too far forward in terms of guidance. When you think about the first half of 2024, can you just give high-level comments on organic growth expectations? What do you think the segments look like over the next few quarters? I guess ultimately just looking for maybe an expectation reset just because if we look over the next few quarters, seem to be running ahead of the 2023 quarterly run rate. Just any thoughts on expectations maybe in '24?

Michael P. McGaugh
President, CEO & Director

Consumer discretionary, as you recall, we make a lot of $100, $200 decorative flower pots, planters, mailbox. That business is going to continue to, I think, stay soft as inflation just takes the share of wallet away from the consumer. RV and marine, some pontoon boats and RVs, I think, are going to continue to be down, but it may be up off of the bottom of 2023.

The auto aftermarket piece, we're very intrigued about. We are excited about that. That's why we're doing the call from Las Vegas at five in the morning at the SEMA Show. There's good attendance here. This business seems to be getting some lift, the drive to electric vehicles as well as the auto, the aging autos on the road. Those are big trends for us. We're a little bit off right now on distribution revenue, quite frankly, because of still some consequences of the merger of Mohawk into Myers Tire supply.

There's some choppiness there, accounts got sorted out between sales reps and you have some turnover of your sales reps, which temporarily will depress that revenue. Again, the strategy we've got with that business, focusing on large national customers, large national tire shops is the right strategy because there's consolidation going on there, and we are the best prepared to service those national accounts.

I'm optimistic about where distribution is going to go from a revenue and volume standpoint next year and then the following year. I think that's a real opportunity. Just overall on the, you call it the hydraulics, Grant on the revenue outlook for '24, what else would you add?

Grant E. Fitz
Executive VP & CFO

Yes. I mean I think we talked about it a little bit earlier, but the big question Mark on what's going to happen with RV and Marine is still out there, a lot of different views on that. I think we're going to tend to probably be a little bit conservative that it's going to stay in the trial that we're in right now for at least the first part of next year. Overall, again, I'll use the term hydraulics. The fundamentals of the business are really quite strong and compelling within Myers.

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I think we've got good cost structure. We're trying to become more variable in our cost so that we can ebb and flow with the market trends. Overall, Myers does have a history over the last few years of having both organic and inorganic growth. I think we're going to continue to stay very focused on driving organic growth as part of our strategy.

Michael P. McGaugh
President, CEO & Director

Christian, just to firm that up a little bit. The big growth spot for us are going to be auto aftermarket. I talked about that e-commerce, we actually are getting a lot of traction there. That continues to be a bright spot, and we're resourcing it accordingly. Then the military artillery shell casings. As you may recall, we sold those casings to militaries around the world, but not in the United States.

That business was actually doing well. In fact, it had doubled over the last two, three years. Now that we're qualified and we can supply the U.S. and those orders have shown up the purchase orders. Given the conflict in the Ukraine, the conflict in the Middle East, we continue to get some volume projections that are quite significant. How and when those materialize, we don't know, but I feel very confident in the trend that the military and the artillery shell casings and the rearmament is going to be good for our company.

Christian Zyla
KeyBanc Capital Markets Inc., Research Division

Sticking with auto aftermarket. Can you just talk about the margin improvement that we're seeing in distribution? Is that largely a function of those cost initiatives that you guys are talking about? Or is that some kind of price flow-through that we should be thinking about? Just where do you see the ceilings for the margin in that segment given your optimism on the auto aftermarket repair and tire repair talents?

Grant E. Fitz
Executive VP & CFO

It's really a mix of both price and and cost improvement. Jim Gurnee who's been put in as the new leader, Mike talked about that last quarter. He is really a person that has some significant go-to-market expertise. He's basically has looked at how do we best optimize the cost structure of our business while still getting, generating good sales opportunities within probably a little bit more of a focus on some of the larger corporate accounts as we see some real opportunities there.

Part of what he's brought is also the discipline on pricing. Value-based pricing is something that we've seen. Then additionally, just on the cost side, we have worked significantly on just working down the cost within the business and getting ourselves in a good position from a competitive basis.

I would see the margin overall, we're targeting to get to the to the low double digits within that business. That's going to probably take a little bit of time to work up to that. I think certainly, Q3 is a good indication of how you can start to see that, the EBITDA growth in spite of the revenue decline that we had through the quarter.

Operator

We will now take our next question from William Dezellem from Titan Capital Management.

William Dezellem

Relative to the artillery casing business, are you displacing an incumbent? Or is the military simply expanding suppliers?

Michael P. McGaugh
President, CEO & Director

It's the latter. There's just so much demand. There's so much demand. We are evaluating capital investment to meet that demand. We're trying to ensure that we balance our capital investments with our ramp and the demand that's put upon us. It's not, you're replacing metal and wood. Those are entrenched

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incumbents, but our product is lighter and stronger and easier to recycle and easier to return from the battlefield.

It's preferred by the user. What we found is the conflicts have been a catalyst to drive to a new material. Obviously, wood and metal are still dominant and still the leaders in that space. Injection molded plastic in the model that we have that it's been working effectively with other militaries outside the U.S., have been good proof points, and we found a receptive audience. Mostly that's driven just because of the significant demand level.

Grant E. Fitz
Executive VP & CFO

The other thing I would add, William, just with that is that is an engineered product that it's not the easiest to meet the standards that the military has. We've been working with the military on that. It's taken some time over the last years to just get up to the point where we are now a supplier, and I think it's just been a great testament to the team that we do now have secured orders coming in and really working on getting ready to start to fulfill some of that demand.

William Dezellem

Are you finding that the incumbent wood and metal suppliers are also creating plastic options? Or are you the sole source for low weight plastic alternatives?

Michael P. McGaugh
President, CEO & Director

The metal and wood guys, to my knowledge, are not creating a plastic part. William this is the situation. We are actually reasonably good at, I'll call it, moderately difficult technologies for plastic parts, big complicated parts. That's where we excelled. Quite frankly, that's where we like to be because your competitive intensity is lower, your barriers to entry are higher. We always talk about branded products with a moderate level of technology difficulty and engineering difficulty, and that's really our sweet spot.

This fits in it. It's quite a difficult part to manufacture. We've been making these for about a decade for other militaries. We continue to improve with each year and each cycle in terms of durability and design. As a result, that's allowed us to get the qualification with the U.S. That's quite -- part of the reason why I don't mind talking about it in a public forum like this, it's a difficult part to make, and we actually do a pretty good job at it. I feel that those sales will be durable for our company.

William Dezellem

If, in fact, the wooden metal guys do not move to plastic and plastic is going to be lighter weight and therefore, more desirable, does this ultimately could create a very large opportunity for you all? Or would you expect at some point there will be competition that will come in.

Michael P. McGaugh
President, CEO & Director

Yes. I think any sort of environment, if this becomes such a significant opportunity, inevitably more competition will flow in, and hey, that's a good thing. It makes us better. It makes -- I think competition is always a good thing. For the short term, short to intermediate term, I feel good about our position. I still think all technologies and old habits die hard. If metal and wood are the incumbents and they're fully suitable product, you could argue that this is a very significant opportunity for Myers, but at this point, I want to take it one step at a time.

Well, one thing to point is that's really a lot of our business. We sell a premium product at a premium price that has a greater payback for our customers, but it's a more durable or sustainable product. As an example, our structural phone Buckhorn boxes sell against corrugate. Over time, the value prop to the customer is compelling, but there's more initial upfront investment.

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We are -- that's our will health. It's selling a higher engineered longer-lasting product that's at a higher price point, but it's better for the user. That's why we feel confident that we'll continue to have success in the military. You're right, it could be a meaningful opportunity. I'll follow suit with grant and be more conservative early on. I'd rather underpromise and overdeliver.

Operator
We have no further questions registered today. With that, we can conclude today's call.

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