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Earnings Call

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Call Participants

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Presentation

Operator

Ladies and gentlemen, thank you for joining us, and welcome to the Myers 2025 Fourth Quarter and Full Year Results Call. [Operator Instructions]

I will now hand the conference 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 Fourth Quarter 2025 Earnings Review. Joining me today are Aaron Schapper, President and Chief Executive Officer; and Sam Ruddy, 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 fourth 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.

Now 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 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. 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.

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 fourth quarter, then I will review full year 2025, which was a clear inflection point in Myers' history with both the Focus transformation program and the significant decision to sell Myers Tire Supply. Overall, we believe these actions will unlock substantial value, enhancing the company's long-term growth profile. Following my comments, Sam will provide a detailed review of fourth quarter and full year financials and our outlook for the year.

Turning to Slide 5. Fourth quarter sales were essentially flat year-over-year. Excluding the impact from our decision to exit low-margin products with the idling of 2 rotational molding facilities, sales would have been up 3% as infrastructure, industrial and food and beverage growth was partially offset by soft consumer and vehicle demand.

We expanded margins in the fourth quarter, demonstrating our ability to improve profitability as we grow the business in high-margin applications and align our operating footprint with customer needs. Both gross and operating margins improved with adjusted operating margins expanding 230 basis points. SG&A was lower as we are benefiting from our focused transformation objectives. As a result, fourth quarter adjusted EPS improved 63% year-over-year.

Looking at full year 2025, Material Handling sales increased while distribution demand declined. With Material Handling, growth in industrial and infrastructure markets was offset by lower consumer and

vehicle demand. We achieved higher profitability with operating and net income increasing on both a reported and adjusted basis. We're encouraged by the improved earnings as it demonstrates the ability of our team to control what we can control and achieve good results in a challenging demand environment.

In addition to improved earnings, we increased cash flow in 2025 with free cash flow up 23%, further strengthening our balance sheet. We invested in growth, reduced debt and returned cash to shareholders, all while increasing our cash balance. This is a testament to the performance of our team and gives me confidence that we are well on our way to achieving our long-term strategic goals. It has been 1 year since my first earnings call as CEO. While I had only been in the role for about 3 months, that initial period confirmed for me the great team and potential at Myers. I was confident that we could create a company that delivers consistent and reliable results by building on our strong foundation. We launched a focused transformation to energize our team and accelerate our progress.

After meeting and engaging with our leadership team and many employees, I knew we were up for the challenge. Over the last year, we have taken actions to improve business performance and drive shareholder value. It's still early days, and we have a lot of work to do, but I'm encouraged by the progress we have made.

In our first year, our Focus transformation program was formed around 4 objectives shown on Slide 6. Our first objective was to establish a culture of execution and accountability to drive performance. We revised our core values, adding a focus on delivering results and continuous improvement. We aligned our incentive plans to drive business unit performance and create accountability across the organization to ensure we generate long-term shareholder value. We emphasized lean principles to drive clear and efficient processes. These actions are helping us to build a culture that consistently outperforms.

Second was to create clear strategies to improve the profitability of our entire portfolio. We engaged with a broad group of employees, including our executive management team to dive deep into each of our businesses, understand their value propositions and create action plans. We developed strategic plans and implemented KPIs to drive organic growth, expand margins, track progress and create accountability.

One significant outcome of this activity was the completion of a strategic review of MTS, resulting in the decision to sell the business. Once complete, this will result in a portfolio that is focused on growth platforms that drive improved margin profiles. Our third objective was to deliver consistent and reliable results across the organization by effectively controlling what we can control.

In 2025, we delivered annualized cost savings of \$20 million, primarily in SG&A, structurally reducing expenses while also optimizing organizational efficiency. We exited low-margin products and idled 2 of our 9 rotational molding facilities to improve utilization and reduce costs. We formalized and launched a strategic deployment tool to drive disciplined planning and empower businesses to convert long-term goals into annual objectives. This tool is being implemented across all levels of the organization, and we are beginning to see results.

Finally, we have deployed a disciplined capital allocation framework, allowing us to invest in growth while returning cash to shareholders. We grew free cash flow 23% through improved earnings and prudent cash management, providing additional flexibility to fund our organic investments. We continue to invest in growth, targeting CapEx of 3% of sales, focusing on high-growth opportunities with superior returns, and we returned \$23 million to the shareholders to enhance their total return.

Sam will expand on our capital allocation framework later in the call. To summarize, in 2025, we moved Myers forward with purpose and urgency, made significant progress on our transformation and deliver results with a continuous improvement mindset, providing a strong catalyst for 2026. Looking ahead, I would now like to discuss how focused transformation approach is shifting in 2026 as our strategy evolves as shown on Slide 7.

One thing that remains the same is our resolve and commitment to achieve real transformation. We are continuing our deliberate process to create a transformed organization focused on delivering consistent and reliable, profitable growth. To do this, we are shifting our priorities to reflect the progress and evolution of our strategy. With this new approach, we have established 3 strategic priorities or focus areas

that will guide us in 2026. Within each focus area, we have identified transformation objectives to drive performance.

Our first priority is to focus on our core markets and the customer value we deliver. We will invest to gain a deeper understanding of our markets and customers, informing our value proposition and positioning us to lead in our categories. This knowledge is gained through commercial excellence skills that strengthen customer relationships and deepen market insight. We are simplifying our portfolio to intentionally focus on serving prioritized markets that align with our competitive advantages as we provide products that protect.

Our second priority is to focus on instilling operational excellence and cost leadership across the organization to drive a culture of high performance. We delivered measurable progress against this priority last year. For 2026, we want to make sure that we do not lose ground by standardizing the improvements we made in workflows. We want to work smarter and ensure our processes are repeatable year after year. When needed, we will make changes to refine our organizational structure and optimize our operating footprint.

Last year, we put this into practice with the idling of facilities and changes in the organization to ensure that we have the right talent. The culture of continuous improvement will continue to be fostered across the organization. Our third priority is to focus on investments that maximize profitable growth. This is a disciplined capital allocation approach to invest in growth platforms where returns are highest. As we align with markets where we add the greatest value, we can invest in innovation and pursue business development activities that enhance and strengthen our ability to provide differentiated solutions for our customers' challenges.

We believe that these focus areas and the related transformation objectives will drive desired strategic outcomes such as deliver revenue growth, EBITDA margin expansion, free cash flow conversion and the acceleration of Myers to a company that achieves world-class performance. This is all built upon our foundational set of core values that dictate how we operate and what unites us.

At this time, I'll turn the call over to Sam for a review of our financial results.

Samantha Ritty
Executive VP & CFO

Thank you, Aaron, and good morning, everyone. Let me start by reviewing our fourth quarter and full year results and then wrap up with the outlook by end market for the year. Please turn to Slide 9. Fourth quarter net sales were \$204 million, essentially flat year-over-year due to our decision to exit low-margin products with the idling of 2 rotational molding facilities. Excluding this, sales would have been up 3%. Adjusted gross margin increased 140 basis points to 33.6% due to favorable mix and higher volume, partially offset by unfavorable price.

Adjusted operating margin improved 230 basis points to 11% as SG&A was lower year-over-year, driven by focused transformation savings. As Aaron mentioned, we achieved \$20 million in annualized cost savings, primarily in SG&A, improving our margins in 2025 and positioning us well for 2026. Going forward, we will continue to focus on cost reductions and operating efficiencies to drive sustainable improvement in profitability.

Turning to segment results on Slide 10. Material Handling net sales decreased \$0.4 million. Excluding the impact of idling our rotational molding facilities, sales increased 3.4%. By end market, food and beverage, infrastructure and industrial growth was offset by soft consumer and vehicle demand. Adjusted EBITDA margin was 25.6%, expanding 290 basis points with the benefit of our focused transformation savings plus improved mix and higher volume, partially offset by unfavorable pricing. Distribution net sales increased 0.9% and adjusted EBITDA margin improved 160 basis points.

Turning to Slide 11. Full year 2025 net sales was \$825.7 million, down 1.3% year-over-year. Excluding the impact from idling our 2 rotational molding facilities, sales decreased 0.6%. Material Handling growth was offset by distribution softness. Within Material Handling, sales in Industrial and Infrastructure increased while consumer and vehicle sales were lower. Adjusted gross margin increased 30 basis points to 33.7%

due to lower material costs, favorable cost productivity and favorable mix. Adjusted operating margin improved 30 basis points to 10.3% due to benefits from our focused transformation program.

Turning to Slide 12. Fourth quarter operating cash flow was \$22.6 million and CapEx was \$3.6 million, resulting in free cash flow of \$18.9 million. For the full year, free cash flow improved 23% to \$67.2 million. We reduced net debt by \$44.2 million in 2025, resulting in net leverage ratio of 2.4x within our target ratio of 1.5x to 2.5x. We plan to further reduce debt in 2026, bringing our net leverage ratio closer to the midpoint of our target range. We ended the year with a cash balance of \$45.1 million and total liquidity at \$289.8 million, providing us with ample flexibility to support our capital allocation priorities.

Working capital as a percentage of sales increased slightly, primarily due to higher receivables from infrastructure project delivery timing, partially offset by lower inventory. We continue to focus on working capital management as a priority.

Please turn to Slide 13. Our capital allocation framework balances investing in growth while returning cash to shareholders. In 2025, we spent \$19.6 million in CapEx, approximately 2.4% of sales. In 2026, we expect to be close to our target of 3% of sales as we continue to invest in organic growth platforms. We are also open to opportunistic acquisitions with a disciplined approach to support our growth platforms, now that our leverage ratio is within our target range. We returned \$23 million to shareholders in 2025 through the combination of dividends and share repurchases. Returning cash to shareholders is an important element of our objective to create value for our shareholders.

Turning to Slide 14. We are providing our market outlook for 2026. Due to the planned divestiture of MTS, we are not providing an outlook for automotive aftermarket. Related to that, MTS is expected to qualify for discontinued operations accounting treatment beginning in the first quarter. We still see both risks and opportunities for our end markets as we continue to monitor geopolitical conditions, including energy markets, tariffs or other factors that may influence demand trends.

Also, our market outlook excludes the impact from exiting low-margin products and idling 2 rotational molding facilities in Alliance, Ohio that occurred in Q4. This represents approximately \$5 million in revenue per quarter, primarily industrial and consumer markets with a favorable impact to earnings. Let me review our expectations by market. 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.

In Infrastructure, strong ongoing spend for large construction and utility projects supported by conversion from wood to composite matting should continue to drive strong growth. The current backlog for matting products is now the largest in the history of this business, giving us confidence in our 2026 outlook. 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 stabilizing. 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 12 to 18 months is expected to drive demand for new component packaging. In consumer, we now anticipate sales to be stable. Strong winter storms across most of the U.S. at the start of 2026 created a sharp increase in demand for fuel containers. While this event drove demand in Q1, it is still early to determine full year storm impact. However, 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, reflecting the agricultural market position at the low end of its cycle. I would now like to turn the call back to Aaron for some closing comments before we take your questions. Aaron?

Aaron M. Schapper
President, CEO & Director

Thank you, Sam. In closing, I'm pleased with the meaningful progress we are making on our focused transformation to become a company that consistently delivers reliable financial results. There is still room for improvement, but our overall trajectory is encouraging. Margins are improving and cash flow is increasing as we begin to see early benefits from focused transformation. Supporting this is our capital

allocation framework that balances investment in growth and returning cash to shareholders to create sustainable value. And as we invest, grow and simplify our portfolio, we are aligning our operations with markets that are growing and offer higher returns as we 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 with KeyBanc Capital Markets.

Christian Zyla

KeyBanc Capital Markets Inc., Research Division

Congratulations on the quarter and the full year. My first question is on broader end market sentiment. Industrial production has been strong for the last 14 months. PMI has been strong to start 2026 and sentiment on the industrial side seems to be improving after a few years of weakness. With your opening remarks, it sounds like you're seeing something similar. I know your outlook is moderate growth for your industrial bucket, but can you help break that down between the subcategories like Akro-Mils, Buckhorn sector, et cetera? Just kind of what you're seeing across those lines.

Aaron M. Schapper

President, CEO & Director

Sure. Yes. So in general, if you look at the PMI, it's a broad spectrum, right, across manufacturing here in the U.S. So yes, that helps, right? So if you're looking at some of our products that specifically supply to those larger industrials such as Akro-Mils, then yes, that tracks closely. So as you see that strength, it does translate over. Then there's other product lines that are a little more specific to the end markets in those industries, automotive and what Buckhorn will do for automotive. There's also then if you look at the -- basically construction and a lot of utility and kind of data center mega build-outs, those track strongly to what we do with our ground protection product at Signature.

So although PMI gives us kind of a broad based scope, you kind of look at -- we look at each of the end markets and say, okay, well, how is the construction industry, data centers, utility, kind of the AI investing of infrastructure pulls along Signature. Automotive pulls along Buckhorn. Agriculture will pull along of seed box business. And right now, agriculture is still at a cyclical low [indiscernible]. And so those are kind of -- that's where you get some of that mix. So the moderate growth story is there, but you have to look into some of the end markets to understand what our application is in those end markets. Sam, do you have anything to add?

Samantha Rutty

Executive VP & CFO

Yes. Yes, overall, I think you made the right comments there. I mean, obviously, militaries as well, as we commented earlier in the pre-read is a big driver as well on the industrial side.

Aaron M. Schapper

President, CEO & Director

Yes. I think, Christian, we've talked about that. And obviously, with new geopolitical issues coming out, it's becoming -- I think it has been an important focal point for the last year. It certainly will continue to do so. So as we look at militaries that are looking to rearm and make sure that they have the stockpiles they need to go the distance in any conflict.

Christian Zyla

KeyBanc Capital Markets Inc., Research Division

Yes. Got it. That actually goes nicely into my next question. I remember at the Investor Day a few years ago, your team highlighted U.S. qualification for your defense products along with NATO orders. Are you selling to the U.S. now? And are you anticipating or seeing a pickup in demand from your programs given just what's unfortunately happening across the world? It just seems like your product is a great

complement of consumables in the end market. So just any broad thoughts there and kind of how you see that shaping up through the year and maybe how you size that full business?

Aaron M. Schapper

President, CEO & Director

Yes. So if we look at kind of the arc of that business, really we split it into kind of 2 sides. So one, we do sell directly to the U.S. military, and that's kind of one of our customer sets. And the other one is the NATO customer set, which is going to obviously be more European-based and more internationally based. So we sell to both sides on that. NATO has made it a more of a strategic priority to have a supply chain that's independent -- more independent of the U.S. in the past. And so as a result, that's given a great opportunity for us. As you know, we have Canadian operations that dovetail well with the needs of NATO. And then we also have operations here in the U.S. for injection molding to meet the needs of the U.S. government.

So what we plan on doing is we use both our supply chain in both Canada and the U.S., and we're looking for opportunities globally. As NATO grows, we want to grow with that business. So we're always happy to look for those opportunities internationally. For us, look, the product dovetails very well with what's needed. As you know, we focus on the ammunition side. So as they bring up these complex weapon systems, the ammunition was really shown during the conflict in Europe between Ukraine and Russian war, how quickly ammunitions go -- get consumed in a near-peer conflict.

So as a result, that's really helped drive not only business for the last year, business this year, but also real solid plans on growth in the future and making sure -- so from our side, on the Myers side, we just want to make sure that our capital follows those growth vectors and that we make sure that we have great organic growth opportunities, and we have the capital spent to service our customer as they grow. So we're bullish on that business in the future, and we remain confident that we'll do well, and we're positioned well in the future.

Christian Zyla

KeyBanc Capital Markets Inc., Research Division

That's great. If I could sneak one last one in. Just a very nice result in Material Handling margins really for the full year, given the changes that you've made throughout 2025. Was there anything unusual in the fourth quarter and then assuming volume absorption benefits and maybe some uptick in your end markets and volume absorption, just given all the changes you've made with your capacity, is there any reason why this new 18% level can't be the new baseline? Just kind of like puts and takes there.

Samantha Rutty

Executive VP & CFO

Yes. I mean, yes, a really great quarter for Material Handling. A lot of what we've been doing around focused transformation. I mean, we've talked a lot about the idling of the roto facilities, right? But that was when we started to see the real benefit of those actions there. But as said, we're not done around focused transformation. There is more to be done. There's a lot of focus on continuous improvement broadly across our businesses. And so I would say good mix helped some in Q4. That's always a factor, right?

We're seeing, as Aaron mentioned, good strong backlog around our matting products as well as some of the good tailwinds at the end of the year, even, I would say, a slight pickup in the fourth quarter for volumes on the roto side as well, which helped after our restructuring activities.

And obviously, we continue to see the impact of our SG&A reductions as well, which helped a lot as well, and that continue as we've made that structural change in our cost base. So there's no reason to suggest that it wouldn't continue, although obviously, with recent activities in the world, we'll be continuing to look at risk and material costs as we think about resin prices and things like that, we'll have to continue to adapt.

Operator

[Operator Instructions]

Your next question comes from the line of Bill Dezellem with Tieton Capital Management.

William Joseph Dezellem

Tieton Capital Management, LLC

Congratulations on meeting your \$20 million cost reduction goal in '25. How much of that \$20 million is going to be incremental to '26 because you did not have it all as of January 1, '25?

Samantha Ruty

Executive VP & CFO

Yes. I mean there will be some incremental. We've obviously got things that was a factor of some of those savings were within our distribution business and obviously, dependent upon the sale of that business, it's going to impact how much of that carries forward within the RemainCo. But again, as we mentioned, we're not done, and we'll continue to look for more opportunities within Material Handling and build upon those in 2026.

William Joseph Dezellem

Tieton Capital Management, LLC

And Sam, would you please put some numbers behind both that incremental that flows through in '26 and the additional target that you're looking at for this year?

Samantha Ruty

Executive VP & CFO

I don't think we're at a place that we can talk about a specific target for 2026. And we've got actions and work to do depending upon the timing of that sale as we -- as that business splits off.

Operator

There are no further questions at this time. I will now turn the call back to Meghan Beringer for closing remarks.

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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