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Call Participants

EXECUTIVES

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William Joseph Dezellem
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Presentation

Operator

Hello, everyone. Thank you for joining us and welcome to the Myers' Second Quarter 2026 Earnings Results Conference Call. [Operator Instructions]

I will now hand the conference over to Meghan Beringer, Senior Director of Investor Relations. Please go ahead.

Meghan Beringer
Senior Director of Investor Relations

Thank you. Good morning, everyone, and welcome to Myers' second quarter 2026 earnings review. Joining me today are Aaron Schapper, President and Chief Executive Officer; and Samantha Rutty, 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 second quarter financial results. In addition, a presentation to accompany today's prepared remarks has been posted. Both documents are available on the Investor Relations section of our website at myersindustries.com. This call is being webcast live on our website and will be archived along with the transcript of the call shortly after this event.

Please turn to Slide 3 of the presentation for our safe harbor disclosures. I would like to remind you that we may make some forward-looking statements during this call. These comments are 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 are set forth in the company's periodic SEC filings.

Also, please be advised that certain non-GAAP financial measures such as adjusted gross profit, adjusted operating income, adjusted EBITDA and adjusted earnings per share may be discussed on this call. Finally, all results presented and discussed in today's call are from continuing operations.

Now please turn to Slide 4 of our presentation as I turn the call over to Aaron.

Aaron M. Schapper
President, CEO & Director

Thank you, Meghan. Good morning, everyone, and thank you for joining us. I will begin today's call with a review of our second quarter followed by an update on our focused transformation program and a deep dive into one of our growth platforms. Sam will then provide a detailed review of the second quarter financials and our outlook for the year.

Turning to Slide 5. Our second quarter results reflect continued execution of our focused transformation and the meaningful progress we've made to strengthen the business. Second quarter revenue growth was 9.8% year-over-year supported by strength in infrastructure and food and beverage. Infrastructure revenue improved 52% as we continue to see market growth driven by strong ongoing spend for utility projects to support data center buildouts as well as large construction projects that are converting from wood to composite for ground protection.

As a reminder, composite ground matting is one of the best ways to create a safe and stable environment during construction and helps mitigate environmental remediation costs post construction. In addition, Signature's turf protection was featured throughout the FIFA World Cup at multiple events, increasing global awareness of our product's ability to protect playing surfaces. Food and beverage was up 48% on strong demand for seed boxes and intermediate bulk containers. The team delivered an exceptional performance driving margin expansion by managing cost, taking price actions and implementing operational excellence initiatives.

Adjusted EPS improved 60.6% year-over-year and adjusted EBITDA increased 30.6%. We continue to have strong cash flow conversion of EBITDA with free cash flow improving 10.5% during the quarter to $26.5 million, providing additional financial strength and flexibility to fund our growth platforms. I'm pleased with our second quarter performance and the actions we have taken to improve margins, enhance efficiency and simplify the organization. We are delivering great results while positioning the business for sustainable growth.

I'd now like to review the 3 strategic priorities guiding our 2026 focused transformation as shown on Slide 6. Our focused transformation is designed to create long-term shareholder value by delivering consistent and reliable results and effectively controlling what we can control. The results that we have delivered over the last several quarters demonstrate the progress we have made. While I'm pleased with how far we have come, I know there's still much more for us to accomplish. In 2026, our strategy is centered on 3 priorities.

First, we are delivering differentiated products that protect, creating greater customer value through deep customer relationships and enhanced commercial excellence. Second, we are advancing operational excellence and cost leadership by implementing standardized processes that improve consistency, productivity and execution across the organization. Third, we are investing in growth platforms that offer the greatest opportunity to generate attractive returns and accelerate profitable growth. These priorities are strengthening our business, improving profitability and positioning Myers to deliver sustainable value to our shareholders.

Turning to Slide 7 and diving deeper on our priority to improve how we operate as a company. A key part of this effort has been simplifying the business, making a unified Myers organization built to move faster, operate smarter and accelerate growth. Historically, we operated as a collection of siloed businesses with fragmented operating systems and decision-making. Today, we're bringing the organization together under enterprise leaders with accountability across the company. To support this evolution, we strengthened our executive leadership team with 2 new appointments during the quarter.

First, we welcome Gustavo Oberto as our President of Commercial & Strategy. This newly created role reflects our commitment to building a unified commercial organization and positioning Myers for our next growth phase. Gustavo brings over 25 years of global leadership experience and will lead our commercial strategy by listening closely to our customers and accelerating customer-informed product innovation that addresses their evolving market needs. Gustavo will lead us as we strengthen customer relationships while driving internal synergies and expanding multi-brand sales opportunities.

Second, Jeff Condino has been appointed the President of Operations with responsibility for safety, supply chain and manufacturing operations across Myers. Jeff has over 30 years of manufacturing experience and joined Myers in 2024 with the Signature acquisition. Jeff has already begun extending many operational best practices across the broader organization. In his new role, Jeff will continue to identify and execute additional productivity opportunities across manufacturing and procurement while driving margin expansion and customer satisfaction.

Turning to Slide 8. We are making strategic investments to maximize profitable growth. Today, we are highlighting sector products for military applications. We see meaningful opportunities to expand our product portfolio and grow our military business by applying our material conversion expertise across a broad range of ammunition packaging. We supply military packaging products, including ammunition containers to defense customers across the United States and NATO allied nations with products qualified for use by military customers in those markets.

Our highly engineered solutions improve logistics, reduce weight by up to 40% and lower life cycle costs compared to historical wood and steel products. These advantages result in lower transportation costs and improved soldier safety while also reducing replacement and maintenance requirements. We are leveraging our portfolio to accelerate adoption within existing programs and expand into adjacent categories.

Turning to Slide 9. We are making targeted investments to support a broader range of ammunition programs globally. Specifically, we have launched production of military ammunition containers in Europe through Scepter International Poland, expanding our European reach to strengthen alignment with key programs, improve speed to market and support expected NATO growth. Our military growth story is also about leveraging our existing platforms more effectively. A great example of the flexibility within our manufacturing platform is our new 120-millimeter tank container.

While this is a new product, it leverages the same mold base as our established 155-millimeter C-137 artillery container, allowing us to expand our offering with minimal incremental capital investment and accelerating time to market. Rather than funding an entirely new tooling platform, we can introduce new products at a fraction of the cost while utilizing existing manufacturing capabilities. Beyond the direct revenue opportunity, this success has strengthened our relationships with key decision-makers across NATO allied nations and U.S. defense customers, creating opportunities to participate in additional programs in the years ahead.

Myers ammo packaging revenue increased from $20 million in 2024 to $49 million in 2025 and we see a path to continued growth with a serviceable market of approximately $300 million. We expect our ammo packaging revenues to grow at a 10% to 15% CAGR through 2028. Our investments will position us to support new military programs and help customers develop new products for equipment modernization and the introduction of new weapon systems. This category creation opportunity is one of several organic growth platforms and we are excited to share more with you as we execute on our strategy.

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

Samantha Rutty
Executive VP & CFO

Thank you, Aaron, and good morning, everyone. Now please turn to Slide 11 for a review of our second quarter results. Net sales increased 9.8% year-over-year. Excluding the impact of our decision in the fourth quarter of 2025 to exit low margin products with the idling of 2 rotational molding facilities, net sales would have increased 13% year-over-year. Strong infrastructure and food and beverage growth was partially offset by soft vehicle and consumer demand.

Adjusted gross margin increased 310 basis points to 34.6% driven by volume, mix, price and lower manufacturing costs despite rising resin costs. Adjusted operating margin improved to 16.7%, up 410 basis points over last year. Adjusted EBITDA margin improved to 21.8%, up 350 basis points over last year with improved gross margin as well as improving our cost structure and reaping the benefits from our focused transformation. Adjusted EPS was $0.53, up 60.6% year-over-year.

Please turn to Slide 12. We ended the quarter with a cash balance of $47.6 million and a total liquidity of $292.3 million providing us with ample flexibility to support our capital allocation priorities. We reduced net debt by $21.2 million during the second quarter resulting in a net leverage ratio of 1.9x, well within our target ratio of 1.5 to 2.5x and down significantly from last year when it was 2.8x. We plan to further reduce debt in 2026 as we continue to fortify our balance sheet.

Earlier this week, we restructured our debt with a new $250 million revolving credit facility and a $250 million term loan. This does not change our total debt, but does extend our maturity to 2031. Second quarter operating cash flow was $32.1 million and CapEx was $5.6 million, resulting in free cash flow of $26.5 million, up 10.5% compared with the first quarter. Working capital as a percent of trailing 12-month sales was down sequentially and year-over-year primarily due to an improved cash conversion cycle even while we're growing the business. We continue to prioritize working capital management to improve both metrics.

Please turn to Slide 13. Our capital allocation framework balances investing in growth while returning cash to shareholders. CapEx was approximately 3.1% of sales for Q2. For the full year, we expect CapEx to be 3.5% of sales with investments in organic growth, productivity and infrastructure projects. Our 2026 projects include a European military production launch, capacity expansion in infrastructure, new automation to drive productivity and mold and press replacements to sustain our core operations.

Turning to Slide 14. We are modestly updating our 2026 outlook by raising our food and beverage end market outlook from slightly down to moderate growth while reaffirming our outlook for all other end markets. As a reminder, our market outlook excludes the impact from exiting low margin products and idling 2 rotational molding facilities in Alliance, Ohio that occurred in Q4 of 2025. This represents approximately $5 million in revenue per quarter, primarily industrial and consumer markets, with favorable impact to earnings.

For industrial, we expect moderate growth. Overall, we see momentum building in capital spending trends from our industrial customers. As discussed, we have launched production of military ammunition containers in Europe through Scepter International Poland. Production began earlier this year with initial customer shipments in April 2026. In infrastructure, we expect strong growth as both the first and second quarters set consecutive sales records. Second quarter performance was primarily driven by strong demand for our MegaDeck and turf protection products.

As these products continue to support U.S. market expansion fueled by sustained investment in transmission and distribution related utility projects, data centers and large-scale construction; we expect strong growth to continue. With the World Cup now concluded, we anticipate ongoing demand for turf protection products although at more moderate pace than in the second quarter. As the summer months start to draw to a close, we expect the third quarter to slow slightly given the drier ground conditions and typical seasonality. We expect the vehicle end markets to be stable overall with mixed demand indicators.

Through the first half of the year, the U.S. RV industry experienced meaningful year-over-year decline driven by higher interest rates and fuel prices as well as weak consumer confidence amid economic uncertainty. We expect this trend to continue through the second half of the year. On the other hand, we expect strong growth in marine and commercial vehicle demand. Finally, for automotive OEMs, program launches over the next 2 years should drive increased demand for new component packaging beginning in the second half of the year.

In consumer, we anticipate stable sales. Demand in this end market is dependent upon weather-related events that drive fuel container sales. We still expect average storm activity this year. We now expect our food and beverage end market to achieve moderate growth. Sales are expected to be higher than last year given recent quoting trends and existing backlog. This growth was primarily driven by integrated bulk container sales. We expect seed to remain flat to prior year. We continue to weigh both risks and opportunities for our end markets as we monitor geopolitical conditions, including energy markets, tariffs or other factors that may influence demand trends.

The conflict in the Middle East continues to drive volatility in global resin pricing. While availability has remained stable due to our secure resin supply, higher input costs have increased material expenses. We have taken selective and contractual pricing actions to help offset these increases although there is typically a lag between higher costs and price recovery. As a result, we expect continued pressure on margins in the third quarter given the ongoing uncertainty in resin markets. Our team will continue to be disciplined in looking for ways to mitigate resin cost in the third quarter.

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. The Myers team has performed very well through the first half of 2026; growing revenue, expanding margins, improving cash flow and making strategic investments to maximize profitable growth. We continue to make meaningful progress on our focused transformation, taking actions to improve margins and increase operating efficiency as we instill a continuous improvement culture and mindset across the organization.

We are simplifying our portfolio, streamlining our path to market and improving our margin profile supported by a capital allocation framework that balances growth investments and returning cash to shareholders. Combined, all these initiatives are enabling us to focus resources and investments on opportunities that maximize profitable growth and deliver products that protect.
With that, I'd like to turn the call over to the operator for questions. Operator?

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Bill Dezellem from Tieton Capital Management.

William Joseph Dezellem
Tieton Capital Management, LLC

Two questions. First of all, would you give more details on the European expansion? And maybe start with the point of do you currently have any manufacturing outside of the U.S. and how you kind of led to this expansion? And to what degree you had contracts lined up versus the proverbial field of dreams?

Aaron M. Schapper
President, CEO & Director

Bill, thanks for the question. We appreciate it. We've always -- our military business really started on the NATO side in the earlier days. So we've always exported to Europe. And as we looked at the changing geopolitical situation in Europe, it really was a priority for our customers to be building closer to home. And so for us was, both Sam and our background on the international side, we really looked at what is the most optimal structure for us to really get our products closer to our customer and decided that's really kind of working a new footprint there with a Poland partner, it was the best way to do it.

Where we would then supply the raw materials, we would supply the tooling, we supply our engineering expertise and, more importantly, the specifications to those NATO customers and they would help us produce there. So with minimal capital outlay from the get-go, we were able to really maximize our footprint in Europe and really get what our customers needed was that quick local supply. And our first local shipments shipping from our Poland partner was in April. So we were very happy with the quick actions that our team made. And once again, a big compliment to our Scepter team to react quickly to our customer needs and the setup of that supply there in Europe. So we're very happy with what they've done and the results that they posted.

William Joseph Dezellem
Tieton Capital Management, LLC

Congratulations. And then relative to your commentary about the automotive market and the new models ultimately benefiting your business, would you talk through the timing of when you anticipate to see those benefits flowing through?

Aaron M. Schapper
President, CEO & Director

Yes. I mean so automotive has been tough, right? So it's kind of a tale of 2 industries right now. The commercial side is doing better. There's always a lot of tariff noise and what's happening with parts and everything else. So that noise continues between North America, Canada, Mexico, those kind of things. And so the new program launches have already -- have been announced and we are seeing some good signs of life from our automotive partners on the normal consumer vehicle side. That being said, our heavy-duty vehicles, more of the commercial vehicles is doing much better.

So you kind of see a little bit of 2 stories going on in that market right now. So we're hoping for signs of life in the back half of the year, more specifically in Q4, on our automotive side to see a little bit of revival in that business. And then if we can get -- there's some tariff understanding that we still all have to work through to understand the impacts of the tariffs for our partners that are doing a lot of parts back and forth to Canada. So there's a few little pieces that still have to be worked out. And as we all know, there was some new tariff information the last few weeks that everyone is working through.

William Joseph Dezellem
Tieton Capital Management, LLC

Great. And Aaron, just to be clear that I understood what you said that the fourth quarter is when you would expect the passenger automobile business to show some improvement. You're already seeing respectable activity in the commercial vehicles. Did we hear that correctly?

Aaron M. Schapper
President, CEO & Director

That is correct.

William Joseph Dezellem
Tieton Capital Management, LLC

Thank you and congratulations on a great quarter.

Operator

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

Christian Zyla
KeyBanc Capital Markets Inc., Research Division

Really amazing results this morning. I know you don't give formal guidance, but can you just help us figure out the shape of the year? Like are there first half dynamics -- first half, second half dynamics to think about or any pull forward in the quarter? Just like based on the prepared remarks and your materials, it sounds like a lot of this performance was structural. So just looking for any color of how we should think about the full year and maybe the quarters and then like just the shape not specifically like what you're expecting and then ultimately how it impacts the future?

Samantha Rutty
Executive VP & CFO

Yes. Thanks, Christian, for the question. Yes, we see Q2 was really strong. We came into the quarter with a particularly strong backlog in Signature for the infrastructure business. We still have a very strong backlog going into Q3 although it's a little bit down to Q2 for Signature just because we had that significant demand for the FIFA World Cup and a real spike in demand. And Q2 tends to be one of their highest quarters for that business if you look at their history. So we do expect Q3 to be a little softer in the infrastructure business than what we saw in Q2, but still a really strong backlog comparative to last year going into Q3.

We saw maybe a little bit of pull-through with some customers I think trying to get ahead of resin price increases early in Q2, but a little bit in the seed side, but we're anticipating that is just more of a pull forward right now. Now that could result if Q4 from a seed perspective ends up being unusually higher. But right now, we're anticipating seed full year to be flat and that was more of just a pull forward. So a little bit of those dynamics. Those are the 2 things I would say that are a little different about Q2 than what we're anticipating from our normal business cycles in the second half.

Christian Zyla
KeyBanc Capital Markets Inc., Research Division

Got it. That's helpful. And maybe just to clarify. So we shouldn't expect like a significant step down like 1 half to 2 half like sure, there's some normal seasonality in your business, but you're not seeing anything that would suggest that there's a big step down 1 half to 2 half. Is that correct?

Samantha Rutty
Executive VP & CFO

No, not on the top line from a volume plus revenue perspective from first half to second half. That's typical seasonality, yes.

Christian Zyla
KeyBanc Capital Markets Inc., Research Division

Got it. Understood. And then just my second question, maybe piggybacking off the answer to the first one. So you guys have been shifting around some capacity between a few of your facilities namely in infrastructure and food and bev. I guess conceptually how much of the strong performance in 2Q was driven by market dynamics of like price and volume versus how much was driven by unlocking some of that throughput from the capacity shift? And then do you have any more plans on future iterations of how that capacity unlock helps the business? Are there other parts of the business where you can kind of make those quick nice little adjustments?

Samantha Rutty
Executive VP & CFO

Yes. I mean I do think Q2 having the ability to make that capacity move between food and beverage side for Buckhorn and our Signature brand did help us, I would say, accelerate faster and we'll continue to look for opportunities. We are seeing some other businesses that are seeing volumes grow at a little faster pace than anticipated. And that's what's great about our business is we have injection molding capacity at multiple sites. And so where we see that, we'll consistently look for those opportunities to maximize our footprint and our capital. So nothing to formally say right now, but we're definitely always looking for that. And with the new structure with Jeff Condino being across all of operations, he will consistently look for those opportunities so that we can satisfy our customer demand when those spikes in demand occur.

Aaron M. Schapper
President, CEO & Director

And Christian, we'll have more to come on this. But once again, the leadership change is critical to make sure we keep capturing those opportunities.

Christian Zyla
KeyBanc Capital Markets Inc., Research Division

Great to hear. Congrats on a really strong quarter.

Operator

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

Edward Nakamura

Great results especially on the Signature side. Just wondering if you can somewhat parse out what some of the onetime effects were in the quarter from the World Cup and any other onetime orders?

Samantha Rutty
Executive VP & CFO

Yes. I wouldn't say we're giving a specific number around the World Cup. A lot of our performance, I would say, on the bottom line is due to the volume and mix. It was a really strong throughput to Christian's question there around being able to leverage our footprint to really accelerate that volume. I wouldn't say there was any other particular onetimers other than a little bit of pull forward, as I mentioned, in the seed. But from the rest of the P&L perspective, there was very little in terms of unusual onetime activity. It's really a factor of business mix and their volume.

Edward Nakamura

Got it. And then just if you have any quick updates on the sale of MTS, that would be great.

Aaron M. Schapper
President, CEO & Director

Yes. This is Aaron. I'll take that one. So we're working the internal schedules and the project plan on it and we're working diligently to get the sales process to move as fast as possible. As you know, I can't offer any definitive timelines at this stage, but we are acting with urgency. We are acting to push it forward as quickly as possible. And we'll keep you updated as we're able to as news comes along, but rest assured, it is one of our project plans that is moving along.

Operator

At this time, there are no further questions -- apologies. Your next question comes from the line of Christian Zyla from KeyBanc Capital Markets.

Christian Zyla
KeyBanc Capital Markets Inc., Research Division

Really last second, I can get it in. Just the updated guide on the food and beverage side like how much is that driven by kind of the 2Q performance versus like just orders and kind of conversations you're having with customers? Like do you feel like we're kind of getting out of that trough that we've been in the last year or 1.5 years or is the guidance raise really primarily predicated on the 2Q performance?

Samantha Rutty
Executive VP & CFO

I'd say it's a combination of both. I think Q2 obviously was really strong in that business as well. But quoting activity and backlog have given us confidence that we're seeing that go forward. Obviously there's always risk with everything going on right now. But right now based upon quote activity, we felt like it was a go-forward raise as well as the Q2, probably not to that level, but consistent growth for the second half.

Aaron M. Schapper
President, CEO & Director

Yes. I mean Chris, we mentioned the IBC growth on that side because really it's seed and IBC really drive that section of the business. And we're very proud of our Buckhorn team and the work they're doing with IBCs and driving that forward. It's good to see that kind of growth in the IBC side and we're proud of the team for doing what they've done last quarter and really just building that business for the future.

Operator

At this time, there are no further questions. 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 the 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 all for attending. You may now disconnect.