07-May-2018

Myers Industries, Inc. (MYE)

Q1 2018 Earnings Call

CORPORATE PARTICIPANTS

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

R. David Banyard
President, Chief Executive Officer & Director, Myers Industries, Inc.

Matteo Anversa
Executive Vice President, Chief Financial Officer & Corporate Secretary, Myers Industries, Inc.

OTHER PARTICIPANTS

Chris D. Manuel
Analyst, Wells Fargo Securities LLC

Ryan Mills
Analyst, KeyBanc Capital Markets, Inc.

Chris P. McGinnis
Analyst, Sidoti & Co. LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name is Lisa and I will be your conference operator today. At this time, I would like to welcome everyone to the Myers Industries First Quarter 2018 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speaker's remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

Monica Vinay, Vice President Investor Relations and Treasurer, please go ahead.

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

Thank you. Good morning. Welcome to the Myers Industries first quarter 2018 earnings call. Joining me today are Dave Banyard, President and Chief Executive Officer; Matteo Anversa, Executive Vice President, Chief Financial Officer and Corporate Secretary; and Kevin Brackman, Chief Accounting Officer.

Earlier this morning, we issued a news release outlining the financial results for the first quarter of 2018. If you have not yet received a copy of the release, you can access it on our website at www.myersindustries.come under the Investor Relations tab. This call is also being webcast on our website and will be archived there along with the transcript of the call shortly after this event.

Before I turn the call over to management for remarks, I would like to remind you that we may make some forward-looking statements during the course of this call. These comments are made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements are based on management's current expectations and involve risks, uncertainties and other factors, which may cause results to differ materially from those expressed or implied in these statements.

Further information concerning these risks, uncertainties and other factors is set forth in the company's periodic SEC filings and may be found in the company's 10-K filing.

I'm now pleased to turn the call over to Dave Banyard.

R. David Banyard

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

Thanks, Monica, and good morning, everyone. Thank you for joining us. We're going to start on slide 3 with an overview of the first quarter of 2018. It was a straightforward quarter for us. We're pleased with our results, we're seeing continuous improvement in the enterprise in many different areas. Starting on the left of the slide, we generated free cash flow of $11.6 million or 7.6% of sales, and we're on track to exceed our target of over 7% in 2018.

Overall we saw a strong sales in the quarter, up almost 12% organically and that was led by strong performance in our food and beverage markets with, it's our third consecutive quarter of double-digit sales growth. Our pricing action and benefits from the manufacturing footprint realignment that we conducted last year are driving year-over-year margin expansion and sequential margin expansion. And we reduced debt in the quarter by $6.7 million decreasing our leverage ratio to 2.3 times. And overall, we're on track with many of our strategic initiatives that we've outlined in the past.

Did see a few challenges in the quarter within our Distribution segment, we saw some top line challenges particularly driven by the exit that we conducted about a year ago from a lower profitability line in our Patch Rubber business. We still do however in our Myers Tire Supply business have some underperforming territories. And so our focus there is on getting a better sales team in place and on onboarding those reps and training them properly.

A couple of the bright spots within that segment through the quarter, the gross profit of the business did improve and expand year-over-year and we did have a successful product promotion in March, and we are going to continue that type of continuous improvement throughout the year.

With that I'm going to turn it over to Matteo to go through our numbers.

Matteo Anversa

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

Thanks, Dave, and good morning, everyone. Today I will review our first quarter 2018 financial performance, as well as our balance sheet and cash flow. So if we turn to slide 4 of the presentation, I will walk you through an overview of our first quarter operating performance, and as always, all the numbers in the presentation reflect continuing operations.

So starting from the top, net sales increased 11.7% to $152.6 million, compared to a $136.6 million of the first quarter of last year. If we exclude the impact of foreign exchange, the increase in sales year-over-year was 11.4%. The increase was primarily the result of higher sales of niche products to the agricultural end market within Material Handling, partially offset by declines in the Distribution segment.

Gross profit increased $5.4 million year-over-year due to higher sales volume and price, partially offset by unfavorable mix in higher raw material costs. The benefits from the pricing actions mitigated raw material inflation

during the quarter, and the gross profit margin also benefited from the footprint realignment and restructuring actions that we took in the Material Handling segment in 2017.

Adjusted EBITDA increased $1.2 million to $18 million, compared to $16.8 million of the first quarter of last year. The increase in gross profit was partially offset by higher SG&A cost, mostly due to increased variable incentive compensation.

As a result, the GAAP diluted earnings per share were $0.25 compared to $0.11 in the first quarter of last year. And adjusted diluted earnings per share were $0.24 compared to $0.14 in the first quarter of last year.

If we turn to slide 5, I will give you an overview of the performance of each of the segments. If we start from the top, Material Handling, sales increased by 18.6%, the increase in sales was driven primarily by the double-digit growth in our food and beverage end market, due to improved demand in agriculture.

Sales growth combined with pricing actions in our [indiscernible] (00:06:04) business which serves the RV and marine market also contributed to the increase in sales year-over-year. Our consumer end market was down double digits due to timing of orders that are expected to be delivered in the second quarter of this year versus the first quarter of last year.

Adjusted EBITDA in the segment increased $2.1 million to $23 million. The increase was primarily the result of higher sales volume partially offset by unfavorable mix, pricing actions partially offset the increased raw material cost during the quarter. And additionally the footprint realignment and the restructuring actions that we took in the segment last year are driving the operating flexibility and the margin expansions that we aimed for. The cost savings from these actions are expected to be $8 million in 2018.

Moving to Distribution, net sales declined by 7.2%. The decrease in net seals was partially the result of the deliberate exit of a low margin product line in our Patch Rubber business. Net sales in the Myers Tire Supply business was also down year-over-year as sales continue to be impacted by the sales team turnover in open territories. The sales volume decline was partially offset by higher pricing resulting for a new pricing structure that we put into place at the beginning of the third quarter of last year.

Adjusted EBITDA in the segment declined by $0.5 million compared to last year, positive price, and favorable sales mix only partially offset the negative impact of the low sales volumes. Higher compensation cost driven by investment in head count also contributed to the decline in EBITDA year-over-year in Distribution.

If we turn to slide 6, I will give you an overview of the balance sheet and the cash flow performance. So as Dave mentioned earlier, we generated strong free cash flow of $11.6 million for the quarter, which was only slightly below our free cash flow generation during the first quarter of last year. As you may recall that free cash flow in the first quarter of 2017 included some large non-repeating past due collections of account receivable.

We reduced our debt by $6.7 million during the quarter, partially due to the higher EBITDA and also partially as a result of a sales leaseback transaction that we completed for our distribution center in Pomona, California. And the net purchase price of the transaction was $2.3 million. As a result, our net debt-to-adjusted EBITDA ratio decreased to $2.3 million at the end of the quarter.

Working capital as a percent of sale in the first quarter was 6%, and working capital has been overall consistent in the last several quarters. And finally the capital expenditures in the quarter were $1.2 million compared to $0.5 million in the first quarter of 2017.

With that, I'll turn the call back to Dave, who will review the 2018 outlook.

R. David Banyard

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

Thanks, Matteo. And I just want to highlight something before we move on to our outlook and around the cash flow and I think the highlight of our cash flow has been the consistency over the past several quarters and that's what we aim for. As I've said many times before we believe that cash is the best measure of performance and we're very pleased with the results of a very consistent cash flow performance over the past year-and-a-half.

Switching to slide 7, I'll start with the going through the 2018 outlook and we're going to – we're reaffirming our sales outlook of low- to mid-single digit growth for the year, and I'll break up the discussion into three buckets. At the top our consumer, our consumer food and beverage have been strong performers over the past several quarters. We expect that in the second-half, we're going to have some challenges mainly based off of some difficult one-time comps from 2017. So consumer, we're expecting to remain flat. Given the comp, there will be some growth in share gain in that market.

And then, on the food and beverage side, we've already had as we highlighted earlier some solid growth in the first quarter, but we do have a more difficult comp in the second-half due to the performance that we had in the fourth quarter.

Second bucket I'll talk about is the [ph] vehicle (00:10:25) segment. We're seeing continued strength there and particularly, in the RV markets. I'd say the auto manufacturing market is steady. It's had a strong growth over the past few years and that's steadied out.

And then, last third, I'll talk about here are the industrial and the auto aftermarket. We're expecting industrial to be flat and auto aftermarket, we're expecting our performance to be up low single digits. And I think, we've underperformed in those markets in the past. I think we're seeing steady demand in both of those two markets. So we're expecting an improvement in performance as we look forward in both of those.

With that, we'll open up to questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question comes from the line of Chris Manuel from Wells Fargo. Your line is open.

Chris D. Manuel
Analyst, Wells Fargo Securities LLC

Q

Good morning everyone. Just a handful of questions here. I mean, first, if I could start with the Distribution side, it came in a touch below expectations. So could you maybe talk to us a little bit about the promotional activities you did? The best you can kind of characterize them. You mentioned they're going to be ongoing. Was that a source of improvement in the top-line? Was it a source of maybe challenge from the profit side as you were, how should we think about that point one within there. But then also I think – I heard you mentioned, Matteo that head count was up and that was part of why EBITDA was down. But yet I also heard about staffing shortfalls in sales. So maybe kind of help me put those two comments together if they can be put together? It's been – you know a bit since you started the sales initiative, so I wanted to get a sense of when you began to – or would think that that would begin to pick back up and come through?

R. David Banyard
President, Chief Executive Officer & Director, Myers Industries, Inc.

A

Sure. Okay. So let me break – make sure I get your questions, Chris because there were a number in there. I'll talk a little bit about the promotion that we did, then we'll talk a little bit about the SG&A investments. I think that's probably a better way to describe what Matteo's was talking about here and how that relates to the sales force turnover.

So let's start with the promotion. As I think we've highlighted to you all before when we do things strategically we try to do them as cross-functionally as possible and so one of the initiatives that Chris put it together when he first arrived was to build a cross-functional team around certain areas. And so this was a combination of effort from our marketing team, our product team, our sales team and frankly our operations team as well to deliver and to go out and really push the sales force to find new customers with a targeted promotion and do it in a cross-functional way, so that there was a good coordination across all functions.

I think they did a great job at that really, actually out-delivered our expectations on it. These types of things obviously do require some sort of either spiff or some sort of discount. But I think if you look at our – I look at gross margins to understand how we're doing from a pricing power standpoint and we did well in the first quarter in that. So I think overall it was a success and it was a – it's – I would call it the next set of actions we're taking.

Our Distribution has had several years of underinvestment, we've been pushing a number of different investments last year, and I think we're on to the next set of investments. We've seen some good results from the investments we made last year, but not across the board. So now we're continuing to invest in new things to continue to improve the performance of that team. Those investments also include some additional people we've had – we have had some turnover, additional turnover and that's been a problem that we've had in the past as well.

And really if you think about it, it's around the certain underperforming territories and when we brought in new folks I think we haven't done as good of a job over the past year or two of getting those new sales people up to speed. And that leaves some frustration with those folks in the field. So, our strong sales professionals have really

performed well as we've given them new tools. Some of our newer salespeople have not. And that has led to some additional turnover that we experienced later last year.

And so those are additional head count that we're adding, it's really not a net add but its replacing folks that have that have left. And so but there's a gap there and there's a learning curve there. So we're altering our approach here in 2018 to how we're onboarding the sales force. So I met with about 20 sales reps about three weeks ago one-on-one as or not one-on-one, but them in a room with me and Chris to talk about what we're trying to accomplish here at Myers Tire. And they spent a week training here in Akron and we think things like that, different approaches that we're taking this year will help us.

Chris D. Manuel
Analyst, Wells Fargo Securities LLC

Q

Okay. So, maybe just maybe help me kind of tie it all together, what's the path in this business, I mean is this – if I put this all together can this business get back to upper single-digit margins, I mean the revenue trajectory has been relatively steady, but can you get back to upper single-digit margins or do we just have some new processes and some new tools and some new components but this is kind of the new normal, how should I think about that?

R. David Banyard
President, Chief Executive Officer & Director, Myers Industries, Inc.

A

Yeah, that's a fair question. I did – I mean, our goal is to certainly – we know what we've been able to accomplish historically, so we know what kind of profitability results we can get if we can grow this business. And so that's the goal. And it – I think I talked about this last quarter on the conference call, certain businesses you have a fixed cost problem. We just – we have the right base of people and investments in this business, we have to grow the top line now. We've done – the organization has done a nice job of expanding the gross margin. So when we grow, that will flow to the bottom line, and it should be a nice benefit for us. So we got to get the trajectory of the top line going in the right direction.

As you know from talking to me, Chris, that's not always my focus with everyone that you know top line at all costs and it's not the case here either. But this is a top line challenge that we have, and we're not willing to at this point, you know just willy-nilly cut costs here. We have some targeted investments in this fixed cost that we're really trying to help grow the top line and when that starts going up, we should see that flow to the bottom line.

Chris D. Manuel
Analyst, Wells Fargo Securities LLC

Q

What I mean is, okay so just as I think of a path then, is this something that maybe coming out of 2018 into 2019, you think you can solve? Is this a multi-year sort of thing?

R. David Banyard
President, Chief Executive Officer & Director, Myers Industries, Inc.

A

Well, it's – I think if you look at our outlook here on slide 7, we're expecting to grow this business this year and that's our target that's our goal.

Chris D. Manuel
Analyst, Wells Fargo Securities LLC

Q

Okay, fair enough, that helps. Okay, if I could maybe switch gears then for a second, in the Material Handling component, as a whole you did better than we expected so, after look I don't think our modeling is right, it's probably we had stuff misallocated between components, but if you kind of walk through these pieces, sounds like

food and bev is doing well, expected to continue to do we'll, the industrial side, it sounds like if I'm rehearing your outlook component doing some 80/20.

So when you give us this outlook, you're mainly talking about on the revenue side. Are you seeing, in fact, I guess, my real question comes back to – are you seeing pickup in industrial manufacturing and other components coming back to the U.S. and how do you feel you're positioned to monetize those over the next one, two, three years. So is this a business that perhaps is flat this year, but the next several years should be a GDP plus sort of an endeavor or how would we think about that?

R. David Banyard
President, Chief Executive Officer & Director, Myers Industries, Inc.

A

Well, I think, it's – so look, let me break it into two parts there. There's – the first part is the environment you're playing in, the industrial environment and it's steady now. It's – I don't see any signs that it's going one way or the other. We've had good increase in activity in that market. And I'm talking in general here macro, not Myers specific. I think, the U.S. manufacturing world has improved over the past two years and it's that – it's nice and steady right now and you're seeing that in a number of indicators; industrial production, capacity utilization, ISM type metrics.

Within our business, we're in the phase of 80/20 where we're trying to figure out or we're figuring out where we are strong and where we're going to really emphasize our opportunities for growth. 80/20 is a growth tool, but when you start it, you're simplifying it first, and so simplification often drives a little bit of consolidation. And so, we're in that phase right now. The portions of our business – and this is not just one or two P&Ls, there's a number of different businesses that fit into this category. Some of those are growth areas and some of them aren't for us. And so we're going to – in some cases, [ph] ride (00:19:33) whatever the industrial economy is doing and in other cases, we want to take share, and right now, what we have not done is take share because we're trying to isolate where exactly we think our strengths are in that – in the niches that we want to play in within the industrial economy in general.

Chris D. Manuel
Analyst, Wells Fargo Securities LLC

Q

Okay. That's helpful. Just one last question, I'll turn it over. Can you maybe talk to us about the – how you're feeling in the M&A pipeline. I'm sure you're looking at lots of things, but give us a sense of there's things you're finding that valuations are coming more in line with some of the recent volatility we had, have tax changes helped accelerate and bring things out of the woodwork, perhaps kind of where you are in the process and how you're feeling about it.

R. David Banyard
President, Chief Executive Officer & Director, Myers Industries, Inc.

A

Sure. Where we are in the processes it's – we've done a lot of – I think the team has done a great job over the past 18 months building relationships, building deal activity. So we're seeing deals. I think pricing is still high in general across the market and that takes a little longer than a couple of quarters in some market, some public market volatility had changed. So I think expectations are still high on the – it is a seller's market still and that just means you have to find the right property to go after, you can't be. But that's always the case, so it's really – I don't treat it any differently per se, but it's just I think certain businesses sell at a higher multiple than they deserve and we just exit those processes quicker because we don't see that stuff.

Chris D. Manuel
Analyst, Wells Fargo Securities LLC

Q

Okay. Thank you. Good luck in the quarter.

R. David Banyard
President, Chief Executive Officer & Director, Myers Industries, Inc.

A

Thanks, Chris.

Matteo Anversa
Executive Vice President, Chief Financial Officer & Corporate Secretary, Myers Industries, Inc.

A

Thanks, Chris.

Operator: [Operator Instructions] Our next question comes from the line of Steve Barger from KeyBanc Capital Markets. Your line is open.

Ryan Mills
Analyst, KeyBanc Capital Markets, Inc.

Q

Good morning, guys. This is Ryan Mills on for Steve.

R. David Banyard
President, Chief Executive Officer & Director, Myers Industries, Inc.

A

Hi, Ryan.

Ryan Mills
Analyst, KeyBanc Capital Markets, Inc.

Q

Hey, Congrats on the quarter.

R. David Banyard
President, Chief Executive Officer & Director, Myers Industries, Inc.

A

Thank you.

Ryan Mills
Analyst, KeyBanc Capital Markets, Inc.

Q

Yeah I just wanted – first question, could we talk about the pricing environment, and particularly in Material Handling. It sounds like price cost was a headwind for the segment this quarter. Can you maybe talk a little bit more about your ability to push price in that segment. And are conversations with customers getting easier in regard to price and do you have any contracts with customers that don't allow you to push raw material price increases in?

R. David Banyard
President, Chief Executive Officer & Director, Myers Industries, Inc.

A

Okay. So a couple of different questions there. I'll go backwards. The first is, no. We can...

Ryan Mills
Analyst, KeyBanc Capital Markets, Inc.

Q

Okay.

R. David Banyard
President, Chief Executive Officer & Director, Myers Industries, Inc.

A

We have pricing ability everywhere, some of them, I will say, some of our contracts are indexed. So those are – the mechanism is fixed but that still allows for pricing. I'd characterize it this way, it's improved. We have a bit of a lag and we have spent a lot of time over the past three or four months as inflation has been – become more steady to improve upon our pricing processes. I'd say as we highlighted in our previous call a month or so ago that we tend to be able to capture cost increases but not capture margin. And so we're working on that and you're seeing a little bit of that in the first quarter but still, we're overcoming cost inflation but not completely with, so you get a little bit of margin compression when that happens.

So that's how you should look at them and that takes a little time to get those additional processes in place, you have starting backlog that you can't always re-price, customers negotiate a timing for certain price increases, et cetera. The last part of your question was about the environment. I think that inflation is coming back. It does – there are probably some purchasing people in some of our customers that have never seen inflation. So they're not used to it but it's – so there's a little bit of inertia there and – but inflation is coming back a little bit and it's normal. I think this is normal stuff, this isn't – I think we are in a fairly abnormal environment for several years with deflation. So this doesn't surprise us. We're improving on our processes, we're dealing with it. And I think our customers are understanding that.

And it's – when you go in with facts and you explain the facts to your customer, there's – and you have a good relationship with your customer, those outcomes usually end up pretty well. And our business model of being – of having strong customer intimacy in our niche markets drives that level of frankness with our customers. And so, I think we are in a good position there.

Ryan Mills
Analyst, KeyBanc Capital Markets, Inc.

Q

Okay. Good color. And then, just looking at the business historically, gross margins are down sequentially in 2Q from 1Q. You have some favorable price and mix and distribution, and then the pricing processes you talked about in Material Handling. Should we expect that trend to continue or do you think you could maybe keep gross margins kind of stabilize as the quarter progresses?

R. David Banyard
President, Chief Executive Officer & Director, Myers Industries, Inc.

A

You know, we don't really forecast our profitability or earnings, Ryan, so I'm going to...

Matteo Anversa
Executive Vice President, Chief Financial Officer & Corporate Secretary, Myers Industries, Inc.

A

I would say, Ryan, just to give you a couple of color here, particularly in Material Handling right now, the – what you saw in the first quarter in terms of competitors in 1Q 2018 versus 1Q 2017, the cost of resin obviously was higher. The cost of resin right now is stabilized, so the exit rate compared to where we are at the end of the year, pretty much confirmed in the first quarter, actually was a little lower. So I would say that we did the pricing actions

that we implemented and Dave talked about would allow us in – for the continuation of the year to have some positive value gap.

Ryan Mills
Analyst, KeyBanc Capital Markets, Inc.

Q

Okay. And then, just a couple more for me. I want to go back to Distribution. Can you give an update on the sales force effect – the effectiveness initiatives you've taken and – not looking for guidance or anything but when do you think you'll be able to return to growth in that segment?

R. David Banyard
President, Chief Executive Officer & Director, Myers Industries, Inc.

A

Right. So I think that our goal is to get – to growth by the second half. That's what we're indicating here in our outlook. And I'd say from a status standpoint we – I'll break it up similarly to how I broke up our five macro markets here. There are really three groups of territories, we have territories that are very strong and those territories are performing very well now and they're performing better than they were before the tools that we implemented. And so that tells me that the tools work in the hands of a great sales team. And we're working on building a great sales team everywhere.

We don't have that yet. But I think we've brought in some – I was very impressed with the group that I met with as I highlighted earlier. I think we're starting to recruit higher level of talent, we're bringing in strong people and we're training them better. That's been a big – I think we missed that, I'll be the first to tell you when I think we missed something, that's one I think we missed. We didn't train our new people well enough. So we're focusing on that this year.

There's a middle group that has done a good job of using the tools and every organization has a middle group and that's fine. What we're really focused on is how do we get the territories that have underperformed back-up to a growth level, because that's really what's pulling down the top line for the entire group.

So it really does breakout that way, the underperforming territories as you would imagine given our results are just underperforming by a lot more than are our top performing territories that are over-delivering. So we've got to change that equation and I think we're on the right path here, with things like bringing in and training our people better, things like promotions that give a new sales person a reason to walk in the door with a new customer that they've maybe not had in the past, things like that.

Ryan Mills
Analyst, KeyBanc Capital Markets, Inc.

Q

Okay. And then my last one over the last three quarters of growth, the incrementals have been pretty solid, averaging about 20%. Just thinking about your guide and tougher comps in the back half, how should we think about incrementals in maybe a low-single digit growth environment?

R. David Banyard
President, Chief Executive Officer & Director, Myers Industries, Inc.

A

Yeah. I'd frame it to you this way again I – that's an important metric to us. We look at that and we look at gross margin and how that should improve over time. Those are things that we really hold our team accountable to. I'm not going to give you any specifics on it, but that's an – that's an area that to us is a very important metric and how we judge our performance when we're comparing period-over-period.

And so, we aim to continue to improve that as we go forward. That's our goal, again I mean, it's a lot of different moving parts in here with particularly cost inflation that does compress that a little bit, but I think when you do things like large cost take-outs like we did last year, we expect to see that come through in incremental gross margin.

Ryan Mills
Analyst, KeyBanc Capital Markets, Inc.
Q

Awesome. Congrats on the quarter and thank you for taking my questions.

R. David Banyard
President, Chief Executive Officer & Director, Myers Industries, Inc.
A

Sure.

Matteo Anversa
Executive Vice President, Chief Financial Officer & Corporate Secretary, Myers Industries, Inc.
A

Thanks, Ryan.

R. David Banyard
President, Chief Executive Officer & Director, Myers Industries, Inc.
A

Thanks, Ryan.

Operator: Our next question comes from the line of Chris McGinnis from Sidoti and Company. Your line is open.

Chris P. McGinnis
Analyst, Sidoti & Co. LLC
Q

Good morning. Thanks for taking my questions, a nice quarter.

R. David Banyard
President, Chief Executive Officer & Director, Myers Industries, Inc.
A

Thank you, Chris.

Chris P. McGinnis
Analyst, Sidoti & Co. LLC
Q

I guess, can you just maybe comment on the one-time waters that you had last year and the likelihood of them not recurring this year? And was that weather related I know, there was a lot of issues around U.S. last year? Thanks.

R. David Banyard
President, Chief Executive Officer & Director, Myers Industries, Inc.
A

Right, I think there are two dynamics at play that are, what I can call extraordinary. One was the storm activity, weather related. We hope frankly to not see that again, that's – that's an abnormal environment, I think they're – generally you can say, there is probably going to be a storm but we really saw an outsized demand there from the storm activity last year. We don't expect that to repeat.

And then on the ag – I'd say on the food and beverage side, primarily in the ag, there was – I think there was a bit of pent-up demand from a couple of years of a lower market, as well as the M&A activity that was occurring at our customers. They tend to shutoff capital spending during those periods, large scale M&A. So these are extended timeframes for combining and so, throughout that period they tend to not have the kind of resources that they would normally have. So those two combinations drove I think, a second-half last year that had some one-times in it that I don't think we'll see again.

Chris P. McGinnis
Analyst, Sidoti & Co. LLC

Q

Okay. And then, lastly just quickly on the RV outlook, obviously, it seems pretty strong. Can you just maybe comment on how strong relative it is now versus maybe even last year or how you expect it to perform throughout the year in terms of, was it stronger at one point than the other? Thanks.

R. David Banyard
President, Chief Executive Officer & Director, Myers Industries, Inc.

A

Sure. I think that RV has a pretty strong correlation to consumer sentiment. I will say again, I think that industry as a whole has done a wonderful job of not only marketing, but designing products that people want and are using. But they've been – experienced historic growth and I think that any reasonable person would look at that and say, that at some point starts to taper off even if they continue to deliver the same volume that they're doing every year. They've geared up for it. All of our customers have done a really nice job of expanding and managing through a strong growth rate, which is hard to do. It's almost as hard or harder sometimes than the other way. But I think you've got to keep an eye on consumer sentiment and I think this year continues to – we continue to see good demand. But I think at some point, it just has to kind of taper off a little bit. So we're expecting that and we're preparing for that.

Chris P. McGinnis
Analyst, Sidoti & Co. LLC

Q

Great. Thanks and good luck in Q2.

R. David Banyard
President, Chief Executive Officer & Director, Myers Industries, Inc.

A

Thanks, Chris.

Matteo Anversa
Executive Vice President, Chief Financial Officer & Corporate Secretary, Myers Industries, Inc.

A

Thanks.

Operator: Our next question comes from the line of Chris Manuel from Wells Fargo. Your line is open.

Chris D. Manuel
Analyst, Wells Fargo Securities LLC

Q

Hi, guys. Just one follow-up that I wanted to ask Dave. As you look at – I know part of – you've talked in the past about doing a revamp and preparing the business for e-commerce and some things of that nature but perhaps if you could address it both in – mainly in Distribution but also across the rest of your business. How have you changed, altered, adjusted for your business to better accommodate what seems to be a preference both whether it's individuals, whether it's companies or different ways of e-commerce and in particular when I think of the

Distribution unit how you've handled, is it different way for folks to order whether it's via the vending machine solution that you come in and refill or what have you, but how you've been able to accommodate that and use that to your advantage? Thanks.

R. David Banyard
President, Chief Executive Officer & Director, Myers Industries, Inc.

A

Sure. I'd say there are three things that we've have done and I'll will be the first to admit we're not – I think an example to be held up is as some new economy-type company, we're are a manufacturer and a distributor and many of our products are sold business to business and direct. And so there's a very human element to a lot of it which is good. We like that. However, I will highlight a couple of things that I think are changes that we've made there, some of them are subtle but they're important. First of all, we sell through online quite a bit in some of our – through some of our channels. So particularly in the industrial distribution as an example, that's an area where we are as robust in e-commerce through our customers, if you will, as any other product out there. So that – we – and we do see a decent amount of demand that comes through channels like Amazon but, also our customers like Grainger. So we do take advantage in that sense of the platform that our customers have.

The second piece, I'll highlight is that the – the e-commerce is really an information flow, more than anything. It's a channel that's as transparent as you can get and that's one of the innovations of it. It's nice in that way, it also can be difficult in that way. But we get – you get feedback from your customers with these online reviews. The people critique you and that's good. We want to hear from people and in some ways, we've been able to particularly in situations where we don't have that direct link to the customer because we sell through either a retail – large retail channel or through an industrial distribution channel. We don't necessarily know how our end users like or dislike our product and we've been paying more attention to that because it's important and people are actually spending the time to give us that feedback. So you want to get it.

And then lastly, to your point specifically on the Distribution side, we do have an e-commerce platform there. It's not the most robust. It's something that we're looking to improve. It's a starting point for us and we want to learn. Before we really invest heavily in that, we want to learn exactly what our customers want from that type of platform. And again, I kind of go back, to me, e-commerce is an information management type of play. It's an ease of access to some extent, but it's also how can we learn from what we're seeing because there's a lot of data that comes from these kind of things. And we're not specifically geared up yet to deal with that but it's – we're aware of it and it's something that we're starting to pay attention to more.

Chris D. Manuel
Analyst, Wells Fargo Securities LLC

Q

Okay. Thank you.

R. David Banyard
President, Chief Executive Officer & Director, Myers Industries, Inc.

A

Thank you, Chris.

Operator: We have no further questions in queue. I'll turn the call back to the presenters for closing remarks.

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

Thank you. We thank all of you for your interest in Myers Industries and your time and participation today. As a reminder, a transcript of this call will be available on our website within approximately 24 hours. A replay will be immediately available via webcast or call. Details can be found on the Myers Industries website under the Investor Relations tab. Thanks. Have a great day.

Operator: This concludes today's conference call. You may now disconnect.