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Myers Industries, Inc. (MYE)

Q1 2020 Earnings Call

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Michael Valentino
Group President-Material Handling, Myers Industries, Inc.

Chris DuPaul
Group President-Distribution, Myers Industries, Inc.

OTHER PARTICIPANTS

Tyler J. Langton
Analyst, JPMorgan Securities LLC

Joshua K. Chan
Analyst, Robert W. Baird & Co., Inc.

Christopher Sinnott
Analyst, Cowen & Co. LLC

MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by and welcome to the Myers Industries 2020 First Quarter Earnings Conference Call. At this time, all participants are in a listen-only mode. After the speaker presentation, there will be a question-and-answer session. [Operator Instructions]

I would now like to hand the conference over to your speaker today, Monica Vinay. Thank you. Please go ahead, ma'am.

Monica Vinay

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

Thank you. Good morning, and welcome to Myers Industries' first quarter 2020 earnings call. I'm Monica Vinay, Vice President of Investor Relations and Treasurer at Myers Industries. Joining me today are Mike McGaugh, President and Chief Executive Officer; and Kevin Brackman, Executive Vice President and Chief Financial Officer. Also joining us on the call today and available to answer questions are Mike Valentino, Group President, Material Handling; and Chris DuPaul, Group President, Distribution.

Earlier this morning, we issued a news release outlining the financial results for the first quarter of 2020. If you've not yet received a copy of the release, you can access it on our website at www.myersindustries.com. It's the under the Investor Relations tab. This call is also being webcast on our website and will be archived along with the transcript of the call shortly after this event.

Before I turn the call over to Mike, I would like to remind you that we may make some forward-looking statements during 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 and 10-Q filings.

I'm now pleased to turn the call over to Mike McGaugh.

Mike McGaugh

President & Chief Executive Officer, Myers Industries, Inc.

Good morning and thank you for joining us. I'm privileged to be with you today for my first earnings call as the CEO of Myers Industries. Before we go into our first quarter overview, I want to thank Andrean Horton for her leadership, as Interim President and CEO during the transition period. We will continue to benefit from Andrean's contributions to our team as she returns to her role as Executive Vice President, Chief Legal Officer and Secretary. I also want to thank the leadership team and our employees for keeping the company moving forward during this interim phase, which had additional and unexpected challenges related to COVID-19. Well done, team.

I'd like to spend a few minutes to tell you about my background and what attracted me to Myers. I was fortunate to have had nearly 25 years with The Dow Chemical Company, with significant experience in polymers and plastics. I had the opportunity to lead several business units and functions around the world and spent significant time leading business portfolios focused on growth and on innovation. Also at Dow, I worked extensively in M&A and in integration. These experiences will be helpful as Myers executes on a strategy which includes organic growth and bolt-on M&A.

Most recently, I spent two years as Chief Operating Officer at BMC Stock Holdings, a manufacturer and distributor of building products focused on growth and innovation, continuous improvement, bolt-on M&A, and gaining a competitive advantage through its people centric culture. The strategic pillars at BMC aligned very well with the initiatives we have underway at Myers. I was attracted to Myers because it's a solid, well-operated company with significant opportunities and a strong balance sheet. We have high quality products, leading market share positions, and exciting potential for long term growth.

Since arriving, I've also been impressed with the talent and commitment in our organization. Throughout the COVID crisis, our employees have remained dedicated to serving our customers while ensuring their own safety. Our people are our most important asset and we are leading the company accordingly.

Now, if you turn to slide 3 of the presentation, we'll share an overview of first quarter 2020. Demand in some of our end markets was soft for much of the first quarter. We had anticipated weakness in food and beverage and vehicle end markets, but have not anticipated that the auto aftermarket and industrial end markets would be as soft. During the month of March, our businesses were impacted by the COVID-19 pandemic. On the negative side, we saw demand further decline in the auto aftermarket and industrial distribution end markets. On the positive side demand, increase in our consumer end market as customers began buying more fuel containers. The combination of all these factors led to a 12% decline in sales for the quarter.

As we noted in our earnings release, despite the current challenges and demand environment I just outlined, our team continued to deliver gross margin expansion. Adjusted gross profit margin increased from 32.9% a year ago to 34.8% for the first quarter of 2020. This is due to solid operational execution and the overall favorable margin expansion which more than offsets the lower sales volume during the quarter. Adjusted income from continuing operations was $0.22 per diluted share, compared with $0.23 for the first quarter 2019.

Regarding our balance sheet, it remains strong, and we have liquidity to support our operations in our growth initiatives, including $73.2 million in cash and $194.2 million available under our revolving credit facility as of March 31, 2020. Looking forward, we will continue our focus on executing our strategy to deliver profitable revenue growth. We have the plans and investments in place to capitalize on our competitive advantages.

In the short term, our priorities are to ensure the ongoing safety of our employees as we continue to manufacture and distribute the essential products our customers require, including Material Handling containers for food processing and healthcare facilities, portable fuel containers for consumers, and tire repair products for truck fleet companies. To accomplish this, we have implemented a pandemic preparedness and response plan that includes working remotely where possible, social distancing, increased cleaning protocols, and a pay program for employees being tested or quarantined. We are developing and refining contingency plans to help mitigate potential risks to the business and to capitalize on opportunities as we move through the next few months. And as we look forward, we will be implementing a return to work plan to ensure the continued safety of our employees, our communities, and our customers.

Our entire team is dedicated to staying safe as we are confident that our company has the financial strength, the high quality products, and the right growth strategies to emerge stronger when the crisis subsides.

Now, I'll turn the call over to Kevin for more details on our first quarter financial results and a discussion of our outlook on sales trends.

Kevin L. Brackman

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

Thanks, Mike, and good morning, everyone. Today, I'll review our 2020 first quarter financial performance, as well as our updated sales outlook and full year guidance. Please note that all numbers in the presentation reflect continuing operations.

Please turn to slide 4. Net sales for the first quarter were $122 million, a decrease of 12% compared with the first quarter of 2019. The increase we saw from the Tuffy acquisition in the Distribution Segment was more than offset by a sales decline in the Material Handling Segment. Adjusted gross profit margin increased a 190 basis points to 34.8%. This was primarily due to favorable price-cost margin. Our adjusted operating income decreased 4% to $11.7 million for the quarter. However, the adjusted operating income margin increased 80 basis points to 9.6% despite the lower sales volume. This was the result of the higher gross profit margin as well as a decrease in adjusted SG&A year-over-year due primarily to lower variable compensation costs and savings from the Distribution Segment's transformation initiatives. Adjusted diluted earnings per share were $0.22 compared to $0.23 for the first quarter of 2019.

Now, let's turn to slide 5 for an overview of our performance by business segment in the first quarter. In the Material Handling Segment, net sales decreased by 18.3% as sales declines in the food and beverage, vehicle, and industrial and markets were only partially offset by a sales increase in the consumer end market. However, the overall – lower overall sales volume was partially offset by favorable price-cost margin and lower variable incentive compensation costs. The segment's adjusted operating income margin increased to 18% compared with 16.8% for the first quarter of last year.

In the Distribution Segment, the August 2019 acquisition of Tuffy Manufacturing led to a 5.6% increase in 2020 first quarter net sales over last year. As Mike mentioned earlier, sales have dropped off significantly in this market since the middle of March. Adjusted operating income increased to $1.9 million for the first quarter of this year compared with $1.1 million a year ago, as our transformation actions continued to deliver cost savings. The segment's adjusted operating income margin was 4.9%, compared with 3.1% for the first quarter of 2019.

Turning to slide 6, I'll review our balance sheet and cash flow. For the first quarter of 2020, we generated free cash flow of $2.5 million, compared with $2.4 million last year. Working capital as a percent of sales at the end of the first quarter was 7.9%, which was higher than previous quarters. The increase in working capital was primarily due to higher inventory and accounts receivable balances. Cash on the balance sheet at the end of the first quarter with $73 million, and our debt to adjusted EBITDA ratio was 1.2 times.

Now, let's turn to slide 7 for our updated 2020 and market outlook. Based on current and projected market conditions and our best estimation at this time of the potential impacts of COVID-19, around which there is a lot of uncertainty, we now anticipate that sales will decline approximately 10% year-over-year in 2020. We also anticipate that sales in the second quarter will decline approximately 20%, with 60% of the decline coming from the Material Handling and the remainder from Distribution.

Let's review our current outlook for each of our end markets. Starting with our consumer end market, during the first quarter, we saw an increase in end market demand that was further boosted by COVID-19 and, as a result, we continue to expect for the full year this market will be up low-single digits. We remain optimistic about our food and beverage end market despite a sales decline in the first quarter and an the expected decline in the second quarter as well. For the year, we now anticipate sales will be up mid-single digits, which is down slightly from our previous outlook of up high-single digits. Because last year's demand was unfavorably impacted by a late spring season and customer consolidations, we anticipate increased demand for seed boxes in the upcoming seed season which, as a reminder, occurs Q4 2020 to Q1 2021.

Turning to our vehicle and market, while sales to RV customers were up during the first couple months of the year, they started to decline in March and have continued to decline during the second quarter. As expected, sales to automotive OEMs decreased during the first quarter, this was due to a weaker global vehicle environment and the impact of COVID-19. We expect the weaker environment to continue. We also expect there will be fewer new model launches this year. As a result of the anticipated full year decline in both RV and automotive customer sales, we now expect vehicle end market sales will be down double-digits in 2020 compared with our previous outlook of down low-single digits.

In our industrial end market, sales to our industrial manufacturing customers were soft during the entire first quarter, while sales to our industrial distribution customers, including e-commerce sales, softened towards the end of March as a result of COVID-19 and a shift in demand to health and safety products. We expect the soft demand environment in industrial manufacturing will continue throughout 2020, and as a result, have updated our industrial end market outlook to be down low-teens compared with our previous outlook of up low-single digits.

Finally, in our auto aftermarket, we are now forecasting sales to be down high-single digits versus our previous outlook of up low-teens. Demand in this market was soft most of the first quarter but really dropped off the last two weeks of March. We expect this weakness to continue and more than offset the incremental sales from the August 2018 Tuffy acquisition.

Turning to slide 8, you can see our guidance for 2020. As noted in our press release, due to the uncertainty related to the duration and extent of the potential impacts from COVID-19, we have withdrawn our EPS guidance. As I just discussed, we anticipate sales for the full year of 2020 will be down approximately 10%. We also anticipate that sales in the second quarter will be – will decline approximately 20%, with 60% of the decline coming from Material Handling and the remainder from Distribution. We continue to expect depreciation and amortization will be approximately $21 million, and capital expenditures will be roughly $15 million. Lastly, we anticipate an effective tax rate of 27% and a diluted share count of 36 million shares.

With that, we will now open the line to questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from the line of Tyler Langton with JPMorgan.

Tyler J. Langton
Analyst, JPMorgan Securities LLC

Q

Yeah. Good morning, Mike, Kevin, and Monica. I hope you're all staying well, and thanks for taking my question. I guess, the first off is part of the revenue guidance [ph] for down 10% for the (00:15:59), I guess, you expect consumer and food and beverage to be up a little bit and there's obviously some benefit from easier year-over-year comps. But, I guess, can you just talk a little bit about how much visibility you have just on that demand that you expect for the year?

Mike McGaugh
President & Chief Executive Officer, Myers Industries, Inc.

A

Tyler, hi. Mike McGaugh here. Good to meet you over the telephone. As we [indiscernible] (00:16:23)...

Tyler J. Langton
Analyst, JPMorgan Securities LLC

Q

Likewise.

Mike McGaugh
President & Chief Executive Officer, Myers Industries, Inc.

A

[indiscernible] (00:16:25)

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

A

Go ahead.

Mike McGaugh
President & Chief Executive Officer, Myers Industries, Inc.

A

Oh, I'm sorry. Yeah. I've been here for about a month now. I'm actually finding my way and learning of our business, listening, meeting a lot of our associates. Unfortunately, because of the pandemic, that slowed up some of the opportunity to visit our facilities and meet our customers, meet our suppliers that's – that would be [ph] in the way since possible (00:16:46). So, with that question, I do have my Mike Valentino here who is the Group President of that segment. So, let me pass it over to Mike.

Michael Valentino
Group President-Material Handling, Myers Industries, Inc.

A

Thanks, Mike. Good morning, Tyler.

Tyler J. Langton
Analyst, JPMorgan Securities LLC

Q

Good morning.

Michael Valentino
Group President-Material Handling, Myers Industries, Inc.

A

So, as you know, and we've talked about this in the past. We tend to get visibility into the upcoming ag season in the third quarter. And the upcoming ag season is a fourth quarter, first quarter business. So we anticipate having greater visibility into that, I'd say mid to late third quarter of this year. And we're, as Kevin mentioned I think in his comments, we're somewhat optimistic based on the fact that we're coming out of a soft season last year due to late planning and the wet spring weather.

On the consumer end market side, I think Mike McGaugh mentioned this in his comments, I mean, we saw a pretty good impact tied to COVID-19 for revenue related to those markets, and then we're benefiting from an earlier start to the spring season this year and, as you know, again, that market was impacted by the slow start and wet spring last year as well. So, right now, we've got pretty fair visibility into the consumer end market and we'll have better visibility in the food and beverage side in mid to late Q3.

Tyler J. Langton
Analyst, JPMorgan Securities LLC

Q

Great. [ph] Noted (00:18:05), that's helpful. And then, just with price-cost, I guess, especially sort of in Material Handling it was a benefit last year, seems like to be a benefit this quarter. I guess, could you talk a little bit about what drove it this quarter [ph] since (00:18:19) I think some of the benefits were supposed to tail off this year. And then, I guess, given where resins are, is there any initial thoughts on what that type of benefit it could be for the year?

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

A

Yeah. I mean, it was a – it was primarily driven by lower raw material costs. And we do expect the benefit the year-over-year benefit to start to tail off, so it – we received a significant year-over-year benefit from price-cost margin in 2019, and again in Q1. We expect that the favorability to continue, but at a declining rate. It won't be as significant as it was in Q1 for the remainder of 2020.

Tyler J. Langton
Analyst, JPMorgan Securities LLC

Q

Okay. And then, just as a final question. I think, Mike, you mentioned in your opening remarks, I think you're sort of looking at sort of bolt-on M&A and that potential. I mean, is that something – should we expect that to maybe sort of be put on hold for a little bit just as sort of as you obviously deal with all the uncertainties from COVID-19, or is that something that you're sort of – you're kind of looking at sort of currently?

Mike McGaugh
President & Chief Executive Officer, Myers Industries, Inc.

A

Hey, sure, Tyler. It remains part of our strategy, it remains part of our focus. We continue to be active in the market. We continue evaluate our opportunities and anticipate over the next quarter or two more opportunities may emerge. But it's got to be the right deal, right time, and of course at the right price.

Tyler J. Langton
Analyst, JPMorgan Securities LLC
Q

Got you. Perfect. Thanks so much. I appreciate it.

Mike McGaugh
President & Chief Executive Officer, Myers Industries, Inc.
A

Thank you.

Operator: Your next question comes from the line of Josh Chan with Baird.

Joshua K. Chan
Analyst, Robert W. Baird & Co., Inc.
Q

Hi. Good morning, everyone, and welcome, Mike McGaugh.

Mike McGaugh
President & Chief Executive Officer, Myers Industries, Inc.
A

Thank you.

Joshua K. Chan
Analyst, Robert W. Baird & Co., Inc.
Q

Yeah. Maybe stepping back from the current environment for a minute here. Mike, you mentioned in your remarks some opportunities that you see Myers. Could you talk a little bit about what those are? I know you mentioned M&A just a minute ago, but – and maybe elaborate on little on that and how are you sort of balancing sort of the longer-term vision with sort of the near-term environment here?

Mike McGaugh
President & Chief Executive Officer, Myers Industries, Inc.
A

Yeah, Josh. Yes, I'm happy to answer that. What I found at Myers so far is our business units are well operated and operated with a lot of discipline. So that's a positive. What I'd like to do is help us find a way organically to grow more, in addition to the bolt-on M&A. And so, there's a number of processes that we have in – have underway. I hope to bring in some additional focus on growth, organic growth. And my perspective, being here for a month, the company's well-poised for that. Our businesses have great market share. We have good leaders running them, they're well disciplined. And now, I'd like to find a way to turbocharge that growth and I'm working with the unit leaders to do that. So, a lot of process is underway and I think there's just more to come there.

Joshua K. Chan
Analyst, Robert W. Baird & Co., Inc.
Q

All right. That's good to hear. So, appreciating that you didn't give EPS guidance for the year, I guess, could you maybe walk through some of the moving pieces in terms of how we should think about margins maybe in Material Handling? What's the typical volume decremental you'd expect from the business and how does raw material and kind of cost control initiatives kind of factor into that?

Mike McGaugh
President & Chief Executive Officer, Myers Industries, Inc.
A

Yeah. If I can – Kevin covered a bit on the residence side and, again, I hope that – I expect that that will be a benefit that I could bring to the company as well as the years I had in that space. Clearly, we're going to continue to work the procurement side aggressively, and hope to hold on to that margin as much as we can. But on the specific nuances of beyond the resins side, let me ask Kevin to step in and comment there?

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

A

Yes. So, when I think about margin [ph] in 2019 (00:22:36), we had a 9% decline in revenue but we were still able to expand our operating margin. And I'm talking across the company because my comments will apply to both segments. The reason we were able to do that, there were three significant year-over-year benefits in 2019. One was price-cost margin that I talked about; a second was incentive compensation; and a third was a restructuring action that we completed in March of 2019 in our Distribution business, and so we received or realized three quarters of year-over-year benefits in 2019.

When I look at 2020, all three of those items should continue to be favorable year-over-year but not nearly as significant as they were in 2019. So, that's true both of price-cost margin and incentive compensation. And then, the restructuring actions, obviously, we realize three quarters in 2019, which only leaves one quarter which was the first quarter of this year, as far as year-over-year benefit. And so that – for that reason, I think our ability to expand or even maintain operating margin is going to be a lot more challenging in 2020 with another 10% revenue decline that we're currently forecasting. So, that's how I'm looking at margin and why we've been able to consistently expand margin despite lower revenue in the past. But I think that's going to start to become a lot more challenging over the remainder of 2020.

Joshua K. Chan
Analyst, Robert W. Baird & Co., Inc.

Q

Okay, yeah. That's very helpful color. Thank you. And then, my last question, I think it's just sort of regarding your outlook for the year in, I guess, in both businesses. Basically, is there any kind of verticals where you're expecting a return to growth in the second half? I know you mentioned food and beverage, and that makes sense, but sort of how are you thinking about the trajectory in the other businesses?

Mike McGaugh
President & Chief Executive Officer, Myers Industries, Inc.

A

Josh, good question. And there's just a lot of uncertainty. I'm sure you've heard that time and again over the course of these calls. We're doing our plans. We're putting together and building off of our growth strategies, growth tactics, customer by customer. We're looking to, if we can, gain share, use our financial strength, use the horse power that we've got that I just described to come out of this and play offense. But there's just so much uncertainty business by business, we talked about some upside in consumer, I think that's valid. The others, it's just – it's too difficult. But I'll look to see if Kevin has any additional color, or Mike Valentino.

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

A

No I don't have anything to add to that.

Michael Valentino
Group President-Material Handling, Myers Industries, Inc.

A

Yeah

Joshua K. Chan
Analyst, Robert W. Baird & Co., Inc.

Q

All right. Great. Yeah, thanks for the color and thanks for your time.

Mike McGaugh
President & Chief Executive Officer, Myers Industries, Inc.

A

Thank you

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

A

Thank you

Operator: Your next question comes from the line of Chris Sinnott with Cowen

Christopher Sinnott
Analyst, Cowen & Co. LLC

Q

Good morning, everyone. Thanks for taking my call. A couple of questions from me. First off, just generally, are your employees back to work or are where are we in that process? And if that's delayed or sped up versus your estimates, how might that affect the actual new revenue guide?

And then, in terms of all the different segments in which you've taken down the sales outlook, is there any portion of that that's attributable not simply to overall reduced economic activity or lower customer orders, but specifically somewhere where you're having an issue with the supply chain and you can't meet demand because of something lower down the supply chain or something like that?

Mike McGaugh
President & Chief Executive Officer, Myers Industries, Inc.

A

Yeah, Chris let me – this is Mike. I'll take a shot at that. With regard to our facilities, we only have one plant that we had to take down about a month ago and that was our facility in Ameri-Kart in Southern Michigan. All of our other factories have been deemed essential, and they're operating. From a business unit standpoint and a corporate staff standpoint, just like everyone else, we've been operating virtually out of our homes using the Zoom tools more than we ever thought we would.

But what we found is that that's actually proven to be remarkably effective. You miss the human element and human contact, but we've been able to get business done. As we talk about it here, make product, ship product, sell product. And so, we're getting that done. The weakness and softness and uncertainty is just more on the customers' side. So, staff well – operating well with the exception of one plant that we're in the process of bringing back up as the demand comes back.

What was the – and what was the [ph] back (00:27:39) – the second question, Chris?

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

A

It – the question was, is it market driven or is it supply chain, the reason for the revenue outlook drop?

Mike McGaugh
President & Chief Executive Officer, Myers Industries, Inc.

A

So, I'll share my thoughts there as well. It's market driven. The supply chain, where we've had a long lead time products, we've actually or proactively built that into our inventories. Our raw material inventories are in good shape. It's just more of a demand issue, but we've made some forward buys on some products that we thought may be tough to get.

Christopher Sinnott
Analyst, Cowen & Co. LLC

Q

Okay, that's helpful. Then, just finally, I don't think you – the CapEx guidance of $15 million was changed. I'd have to double check it, but I think it's the same as the last time you reported. So, am I reading in too much into that in the sense that not changing CapEx [ph] it's like that you're (00:28:29) really not concerned from a liquidity standpoint or with the long-term effects of COVID-19 are going to be, like all the plans you had before the end of 2019, you're still spending and executing on that?

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

A

Yeah. So, you're correct, we did not change our CapEx outlook, it's still $15 million. Remember, first of all, on the CapEx side, about half of that is maintenance CapEx, so we want to continue to do that spending. And then, the other half is growth in productivity projects. There may be some flexibility with that second half to defer some of that if it becomes necessary, but we did not include that in the outlook for the time being.

Your comments about liquidity are right on the money. We have a strong balance sheet, we finished the first quarter with $73 million of cash, and we think our liquidity position really gives us the flexibility to deal with the uncertainty that this situation presents, and so we feel good about that. So, we'll continue to assess it. There may be opportunities to defer some CapEx spending, we'll assess that, But we haven't updated our outlook at this time.

Christopher Sinnott
Analyst, Cowen & Co. LLC

Q

All right. That's really helpful. I appreciate it, everyone. Thanks.

Operator: [Operator Instructions] Your next question comes from the line of Josh Chan with Baird.

Joshua K. Chan
Analyst, Robert W. Baird & Co., Inc.

Q

Hi. Yes. Thanks for taking my follow-up question. Just going along with the point that Kevin just made, [ph] so then (00:30:18) you have a very strong balance sheet. So, there shouldn't be any expectation to adjust the dividend given the downturn in any way, right, just wanted to confirm that?

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

A

Our plan is to maintain the dividend. Yeah, I think we've reviewed a number of different downturn scenarios for the remainder of 2020. And I think there are a number of other measures and actions we would pursue first before we would look to change the dividends. Our plan and preference is to maintain the dividend at current levels.

Joshua K. Chan
Analyst, Robert W. Baird & Co., Inc.

Q

That's great. Thank you.

Operator: Your next question comes from the line of [ph] Carl Chen (00:31:04).

Q

Hi. Good morning.

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

A

Good morning.

Q

[ph] Maybe (00:31:13) just one question on the Distribution side. I know you said sales dropped off that last couple of weeks in March. Just curious maybe if you were to talk from an organic growth perspective, excluding the Tuffy acquisition, kind of how sales progressed maybe in the first couple weeks in the month and then into April?

Mike McGaugh
President & Chief Executive Officer, Myers Industries, Inc.

A

[ph] Carl (00:31:13), this is Mike McGaugh. Again, just as I passed the question off to Mike Valentino on Material Handling, I'll ask Chris DuPaul to comment on that, who's our Group President.

Chris DuPaul
Group President-Distribution, Myers Industries, Inc.

A

Yeah. Thank you for the question. So, the quarter start off a little bit soft. That softness was in line with what we're seeing in the market more broadly. We think we continued to [indiscernible] (00:32:02) gain share in the first part of the quarter, but we were just seeing overall lower volumes, lower average order sizes and some delays in some large orders that came later in the quarter. The real shift for the segment came in the back part of March, where we saw a significant drop off particularly in the passenger light vehicle side of the business, and that softness or that shutdown in demand has continued into Q2 which is what's driving our revenue guidance for the segment around Q2.

Q

Great. Thanks.

Mike McGaugh
President & Chief Executive Officer, Myers Industries, Inc.

A

[indiscernible] (00:32:40) If I may build on that, a similar discussion that we've had as well. Chris' teams are focused on using the financial strength, using the strength of the company to gain share to play offense and to grow as we come out of this.

Q

Great. Thank you. That's all I had.

Mike McGaugh

President & Chief Executive Officer, Myers Industries, Inc.

A

Thank you.

Operator: You have no further questions at this time.

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 and have a great day.

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