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Myers Industries, Inc. (MYE)

Q4 2020 Earnings Call

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Timothy Ronald Wojs
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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by and welcome to the Myers Industries' 2020 Fourth Quarter Earnings Conference Call. At this time, all participants are in listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions] Please be advised that today's conference is being recorded. [Operator Instructions]

I would now like to hand the conference over to Ms. Monica Vinay. Please go ahead.

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

Thank you. Good morning and welcome to Myers Industries' fourth 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; Sonal Robinson, Executive Vice President, Finance; and Dan Hoehn, Interim Chief Financial Officer.

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

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 am now pleased to turn the call over to Mike McGaugh.

Michael McGaugh

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

Good morning. Thank you for joining us. I'd like to start the call by expressing my sincere appreciation to our entire Myers team for all their efforts in 2020. I'm especially proud of how well they faced the challenges that were presented throughout the year due to the COVID-19 pandemic. As a result of the resilience and hard work, we're able to continue to produce and deliver essential products to our customers. We delivered strong bottom line results for the year, increasing adjusted earnings per share 9% from $0.78 to $0.85. Thank you Myers teammates for a job well done over the course of a challenging year.

Before we begin with our business update, I want to welcome Sonal Robinson who joined us as Executive Vice president of Finance in February and will assume the CFO role next week. Sonal brings a proven track record of providing strong leadership in transformational environments, along with considerable experience in capital markets, mergers and acquisitions and investor relations. I look forward to partnering with her as we continue to drive and execute our One Myers strategy.

I also want to thank Dan Hoehn for his leadership as Interim CFO during the past six months. He did a great job helping us lay a strong foundation and we will continue to benefit from Dan's contribution as he returns to his role as Vice President and Corporate Controller.

Please turn to slide 3. Before I discuss our performance, I'd like to review with you our long-term vision, the strategic pillars that we have in place to drive execution and the progress we've made against those pillars. I introduced the strategy and vision in our October 2020 earnings call and we are successfully executing against it.

To review, we're currently in Horizon 1, which consists of three elements: self-help, organic growth and bolt on M&A. Self-help focuses on purchasing, pricing and SG&A optimization and you're going to hear about a number of strategic steps we've recently implemented along these lines in our discussion today.

In terms of organic growth, we are strengthening our commercial capabilities, which includes going to market as one company, One Myers.

Our third element, bolt-on M&A is primarily focused on growing our plastics businesses by acquiring companies that build out our three technology platforms within the Material Handling Segment. We will continue to focus on companies that manufacture durable, sustainable and/or reusable end products.

Once the foundational drivers of Horizon 1 are in place, we will move to Horizon 2 where we will execute larger enterprise-level acquisitions. Our long-term vision culminates with Horizon 3, which is focused on growing the company globally. Our long-term vision is ambitious, but it's well-grounded and focused on building out the technologies in markets that we know well. Granted it's in the early innings, but we are making solid progress.

Please turn to slide four, which outlines the four pillars that will drive the execution of our strategy, which is to transform our Material Handling Segment into a high-growth, customer-centric innovator of engineered plastic solutions while we also continue to optimize and grow our Distribution Segment. The first pillar focuses on organic growth and addresses four critical areas: sales and commercial excellence, innovation and new product development, sustainability and e-commerce.

Our second pillar, strategic M&A is geared around bolt-on M&A opportunities that build out our plastics platforms. You've already seen us execute one exciting acquisition in Elkhart Plastics during the fourth quarter and our pipeline of opportunities continues to grow. Core to this effort is our integration playbook that will ensure a world-class approach to acquisition integration.

The third pillar, operational excellence continues the work we've done around continuous improvement while also building on our capabilities in what we call self-help, doing a world-class job in pricing, in purchasing and in internal integration, which is the process of transforming into a single company, Our One Myers approach. As a part of this journey, we will also optimize SG&A. Redeploying our dollars into investments in sales, engineering, and manufacturing resources.

The final pillar is the heart of our company, our people. We are on our way to building a high-performance culture, focused on developing our employees and promoting from within. Having a culture that's focused on employee safety and having an inclusive work environment in a culture of servant leadership. We continue to build out our values focusing on integrity, customer focus, optimism all with a can-do attitude. Our transformation opportunities through our culture are very exciting to me.

Please turn to slide 5, which speaks to our accomplishments so far. In the organic growth pillar, we made significant progress in the second half of 2020, in particular, in the area of sales and commercial excellence in e-commerce. Our Vice President of Sales and Commercial Excellence, Jim Gurnee, launched our new commercial structure that standardized and strengthened our focus in sales, marketing, and product management. These elements will become critical parts of how we run our business. Jim also launched a new sales training curriculum focused on growth. This program will help our team improve their ability in cross-selling and in growing the new One Myers approach.

One of the more meaningful parts of today's discussion is the new and more aggressive approach Myers Industry (sic) [Myers Industries] (00:08:04) is taking to e-commerce. We believe that e-commerce will be a compelling channel for the future and we believe that Myers is well-suited to capitalize on this trend. Just last year in 2020, e-commerce sales grew more than 30% from our 2019 base.

We achieved this growth with what was largely a skunk-works-type project. In order to turbocharge e-commerce at Myers, we've now stood up an independent, focused organization to spearhead this channel in the market. The e-commerce business will be led by Chad Collins, who was previously the president of our Akro-Mils and Jamco business units. Chad also helped develop our original relationship with Amazon for that business.

Sales in the e commerce channel for 2020 approached 5% of our total revenue. Our goal is to double that by the end of 2023. This is an ambitious target, but one that we believe is attainable. As I noted earlier, we're well underway with our strategic M&A pillar having strengthen our portfolio with the acquisition of Elkhart Plastics in November. As a bolt-on acquisition within rotational molding, Elkhart fits perfectly into our strategy and our developing culture.

Through this combination, we welcomed 460 new members to our team, seven US-based manufacturing facilities and approximately $100 million of annualized revenues. The integration of Elkhart has gone smoothly. It has been instrumental and help us further advanced our integration playbook and our deal flow. We continue to build out a healthy funnel of potential acquisitions.

Next, I'd like to talk about our accomplishments in the third pillar, operational excellence. Last month, we announced that we've consolidated our Material Handling businesses into three distinct technology platforms: injection molding, rotational molding and blow molding. We believe that we are unique in having strength in all three of this core molding technology. We've strengthened our injection molding capabilities by combining Akro-Mils, Jamco and Buckhorn into one collective team. We've done the same in rotational molding by merging Ameri-Kart with our recent acquisition Elkhart Plastics.

Our third technology platform, blow molding, is currently comprised of our Scepter business. This platform has tremendous opportunity for both, organic and inorganic growth. By combining Akro-Mils, Jamco and Buckhorn into a single platform and by combining Ameri-Kart and Elkhart Plastics into a single platform, we will be able to streamline our SG&A investments and overhead and redeploy these dollars into sales, engineering and manufacturing.

As larger units with more scale and reach, these platforms will be more robust and we'll be able to deliver more innovation and more value to our customers. We're excited about this change in approach and believe it moves us forward in Horizon 1, enabling growth while also managing costs.

One last piece I'll mention on pillar three is that we consolidated our purchasing function and created a single centralized purchasing team across the company. This new approach allows us to aggregate our purchases and become an easier company to do business with. Longer term, this should help us negotiate a more secure supply position and a more competitive cost position.

Moving to the last of our four pillars. In order to execute and achieve breakthrough performance, we need to have a high-performing culture. One of our noteworthy achievements this year is goal alignment. In order to ensure that we are collectively focused on achieving company-wide success and fully executing our One Myers strategy, we replace multiple legacy bonus plans with a single plan centered on one performance metric adjusted EBITDA. We believe this new one team approach will drive alignment, unity and will help us deliver solid results in the future.

We also added talent in a number of leadership positions in our business. Most recently, on Tuesday we announced the addition of Paul Johnson to lead our Distribution Segment. Paul brings 30 years of leadership in the automotive and auto aftermarket industry, which includes a recent role as the President of International Brake Industries and prior leadership positions with Federal-Mogul and General Motors. I believe Paul is the right leader to build, grow and take this business forward.

I'd also like to thank Chris DuPaul for his hard work and successfully running the segment over the last three-and-a-half years. Chris did an excellent job of leading the recent transformation of the Distribution Segment, which led to sales growth and improved profitability. I'd like to wish Chris well as he pursues the next chapter of his career is returning back to his roots in healthcare.

Finally, two dynamic leaders with significant transformation and growth experience joined our board in February, Yvette Bright and Jeff Kramer. I've already had a chance to see both in action this quarter and look forward to their ongoing counsel and leadership.

As you can see, we've made a lot of good progress against those strategic initiatives. We still have a lot of work to do, but I'm pleased with what we've been able to accomplish in the short time. Now, turning to our fourth quarter performance, which starts on slide 6. I'm pleased with our results for the fourth quarter. All things considered.

In spite of several manufacturing plants being impacted by the COVID surge, in mid-November and December, we are still able to finish the quarter with sales up 8% on an organic basis and 18% including contributions from the Elkhart acquisition.

Top line organic growth was driven by continued momentum in the RV, auto aftermarket, and consumer end markets. We also saw demand improvement in our industrial and automotive markets which gives me confidence that an economic recovery post-pandemic is on the horizon.

During the quarter, we experienced rising raw material costs and an unfavorable sales mix, which impacted our gross margin. The raw material increases that began towards the end of 2020 have continued and accelerated into 2021. Specifically, we have seen significant increases in resin prices as a result of tightening supply on the US Gulf Coast. In response, we announced an 8% price increase across a broad portfolio of our products, primarily in the Material Handling Segment, which was effective March 1, 2021. Please note, we will continue to be vigilant about managing our pricing actions throughout the year to offset these unprecedented cost increases.

In addition to cost being a headwind, the recent freeze on the Gulf Coast has had a significant impact on the short-term supply of polyethylene and polypropylene. Certain grades of resin continued to be tight, and we are working closely with our suppliers to secure materials to ensure that we can continue to meet the needs of our valued customers.

As we enter 2021, we have solid top line momentum balanced with near-term headwinds I just spoke to. While a majority of our top line growth will come from the Elkhart acquisition, both volume growth and pricing will also contribute. We expect organic sales growth across most of our end markets as a result of the continuation of the demand trends in select end markets and our enhanced focus on our sales capability and e-commerce. Sonal will provide more detail regarding our annual outlook, which includes both sales and EPS guidance.

Before I turn it over to her, I'd like to reiterate that our One Myers strategy is working. We are rapidly driving significant change in our organization and our capabilities to ensure that we execute our Horizon 1 of our long-term strategy and create and deliver long-term shareholder value.

With that, I'll turn it over to Sonal.

Sonal P. Robinson

Executive Vice President - Finance, Myers Industries, Inc.

Thank you, Mike, and good morning, everyone. Let me begin by saying I'm delighted to be joining Myers at this inflection point in the company's history. And I look forward to working with the team to drive and execute our long-term strategy.

Turning to fourth quarter results on slide 7, net sales were up $21 million, an increase of 18%. On an organic basis, net sales increased 8% excluding the impact of the Elkhart acquisition. Increased sales in both Material Handling and Distribution Segments contributed to growth. Adjusted gross profit was up $1.2 million, while gross margin decreased from 33.6% in the prior year to 29.4% in the quarter. Margin was negatively impacted by an unfavorable price-to-cost relationship, repairs and maintenance, employee benefit cost and an unfavorable product mix. The addition of Elkhart benefited profit, but impacted gross margin unfavorably due to product mix sold.

As a reminder, we are targeting $4 million to $6 million in annual cost synergies over the course of the upcoming two years. Adjusted operating income decreased $700,000. The increase in gross profit was more than offset by higher SG&A expenses mostly due to the addition of Elkhart. Adjusted EBITDA was $11.3 million, a decline of $1.6 million compared to the prior year. Adjusted EBITDA margin was 8.2%. Lastly, adjusted EPS was $0.11 versus $0.12 in the prior year.

Turning now to slide 8 for an overview of segment profit performance in the quarter. Beginning with Material Handling, net sales increased 26% or 10% on an organic basis. Excluding Elkhart, sales in the food and beverage and vehicle markets were up double digits, driven by increased sales in seed boxes and in the RV, marine and automotive end markets. Organic sales in the Consumer market were up high single-digit due to fuel container sales, while the industrial market was flat.

Material Handling adjusted operating income was essentially flat at $9.1 million as the impact of higher sales was offset by unfavorable price to cost relationship, repairs and maintenance, employee benefit cost and an unfavorable product mix.

In the Distribution Segment, sales increased 4%, driven by increased sales of equipment and consumables, partially offset by lower sales of tire repair products and advanced traffic marking tapes. Distribution's adjusted operating income increased 13% to $3.6 million, primarily as a result of higher sales.

Turning to slide 9, fourth quarter free cash flow was $10.7 million, an increase of $7.8 million, reflecting an increase in cash provided by operating activities, including the benefit of working capital, net of deferred taxes. During the quarter, the company utilized approximately $63 million in cash to fund the Elkhart acquisition. Cash on hand at year end was $28 million. Based on our trailing 12-month adjusted EBITDA of $66.4 million, leverage was 1.2 times.

Let me conclude my comments with additional color on our outlook for 2021. Turning to slide 10. Net sales are expected to increase by mid-to-high 20% including an incremental 10.5 months of sales related to the Elkhart acquisition and the expected impact of the March 1 price increase. As a reminder, Elkhart's annual net sales at the time of acquisition were approximately $100 million.

Continued momentum in RV and marine business, along with a rebound in industrial and automotive-related revenues are expected to drive growth. As a reminder, fuel container sales in 2020 were unusually strong due to one of the most active hurricane seasons on record. Overall, commodity costs are projected to be higher driven by increases and rising costs.

As Mike mentioned, the company announced an 8% price increase primarily across Material Handling Segment effective March 1. Higher cost versus price realization is expected to compress margins in the first half of 2021. Our teams continue to stay close to the changing market dynamics including the need for additional pricing actions. SG&A expenses are expected to approximate 24% of net sales benefiting from larger scale.

The low-operating income we are projecting approximately $4 million of interest expense and an effective tax rate of 26%. Our guidance reflects a weighted average share count of 36.5 million shares. Taking all of these assumptions into account, we expect adjusted EPS to be in the range of $0.90 to $1.05 per share. Other key assumptions impacting EBITDA and cash flow include depreciation and amortization expenses of approximately $23 million and CapEx of approximately $15 million. CapEx is expected to trend higher than past years given our renewed focus on investing in our facilities.

In closing, let me reiterate that our One Myers vision is gaining momentum as we continue to execute against our strategy and strengthen the building blocks to drive long-term growth.

With that, let me turn the call over to the operator for questions. Thank you.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] The first question comes from Steve Barger with KeyBanc Capital Markets.

Robert Stephen Barger
Analyst, KeyBanc Capital Markets, Inc. Q

Good morning, everybody.

Michael McGaugh
President and Chief Executive Officer & Director, Myers Industries, Inc. A

Good morning.

Sonal P. Robinson
Executive Vice President - Finance, Myers Industries, Inc. A

Good morning.

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

Good morning.

Robert Stephen Barger
Analyst, KeyBanc Capital Markets, Inc. Q

Just I'll start with a sales growth. Sonal, as you mentioned, $100 million run rate. So, if that translates into a high-$80 million in 2021, it seems like organic growth will be high-single-digit. Can you talk about that across the segments? Do you expect higher organic in Material Handling given the easier comps and the price increase?

Sonal P. Robinson
Executive Vice President - Finance, Myers Industries, Inc. A

Yes. Absolutely. So you're going to see organic growth across both of the segments. To your point, the – let me just maybe parse out the top line growth. So as we think about the 25% to high-20% growth, approximately 18% or so if you annualize the Elkhart sales would be due to the acquisition leaves you with a high-single-digit growth on the organic side of that. Approximately half of that would be organic volume and pricing-related, a little bit higher skewed toward volume on the higher end of the range. And so that would translate to both, Material Handling and growth and Distribution non-pricing-related.

Robert Stephen Barger
Analyst, KeyBanc Capital Markets, Inc. Q

But you would expect higher organic and Material Handling. Is that correct?

Sonal P. Robinson
Executive Vice President - Finance, Myers Industries, Inc. A

Correct.

Robert Stephen Barger
Analyst, KeyBanc Capital Markets, Inc.

Q

Okay. Got it. And just based on the guide, the incremental margin for the year seems to be single digit despite what's obviously a nice revenue increase. First off, is that primarily, because of price cost or why won't you get better pull-through? And then just the second part of that question, what do you think this model should generate for incremental margin over time?

Michael McGaugh
President and Chief Executive Officer & Director, Myers Industries, Inc.

A

So, Steve, I'll take the first part and have Sonal take the second part of that. It is. It's price cost. I mean, the demand is there for the product. We could see the economy recovering, which is a good sign. Across the board, we're in a number of markets that are experiencing good demand. The curve ball is, as the economy started to heal, a lot of the resin producers either delay turnarounds during the pandemic and they had to catch up on that or with the economy healed, you saw the snapback in the resin pricing in fourth quarter and that's continued in the first quarter which we could have weathered it quite well. The exception being is when the freeze hit and you had many of those producers went on force majeure and allocation, it just exacerbated it. So for sure, the drop-through or the lack of drop-through is not where we would want it to be steady state. But it's all price cost. It's all price cost. And it's a short-term discrete issue down the Texas Gulf Coast.

Robert Stephen Barger
Analyst, KeyBanc Capital Markets, Inc.

Q

And the longer-term incremental that you expect?

Michael McGaugh
President and Chief Executive Officer & Director, Myers Industries, Inc.

A

Sonal, [indiscernible] (00:25:05)

Sonal P. Robinson
Executive Vice President - Finance, Myers Industries, Inc.

A

So longer term, I mean, at this point in time clearly, we're focused on recovering those costs. We'll continue to see volume contribute to margins, but we haven't guided to a long-term margin at this point.

Robert Stephen Barger
Analyst, KeyBanc Capital Markets, Inc.

Q

No. I understand that, but you have a pretty aggressive goal out there to get to $1 billion in revenue by 2023. And a lot of that, of course, will come from acquisitions and that can skew the incrementals around. But could you just give us a general idea of, as you enter into this longer term, organic versus M&A growth paradigm, just how do you think this model should flex?

Sonal P. Robinson
Executive Vice President - Finance, Myers Industries, Inc.

A

Yeah.

Michael McGaugh
President and Chief Executive Officer & Director, Myers Industries, Inc.
A

So, Steve, the overall target on EBITDA is 15% on that $1 billion base. What I'll also do is, look to see if Dan wants to add any color. Dan's in the room as well.

Dan Hoehn
Interim Chief Financial Officer, Myers Industries, Inc.
A

Yeah, I mean...

Robert Stephen Barger
Analyst, KeyBanc Capital Markets, Inc.
Q

Okay.

Dan Hoehn
Interim Chief Financial Officer, Myers Industries, Inc.
A

Certainly short-term there is going to be some uncertainty around the resin pricing and how we get to that $1 billion [indiscernible] (00:26:07) the timing of when we achieve that 15%, but that's the long-term goal.

Robert Stephen Barger
Analyst, KeyBanc Capital Markets, Inc.
Q

Okay. 48% price increase, is that strictly based on the input costs or is there some value pricing component in there? I just ask because I know that improving your pricing strategy has been a big focus of the early pillars.

Michael McGaugh
President and Chief Executive Officer & Director, Myers Industries, Inc.
A

Yes, Steve, good question. I would say our expectations is [indiscernible] (00:26:36) increase and if the opportunity presents itself to expand margins obviously we'll capitalize on that. My belief is that we need to watch how this resin market unfolds. Polypropylene has gone from $0.40 to $1.35. We need to watch how the market unfolds and figure out do we need to go back move price subsequent times. That's what I referenced in my comments. We're watching it day-by-day to determine what additional pricing actions we need to take. And as we as we identify those, Steve, we will move very swiftly.

Robert Stephen Barger
Analyst, KeyBanc Capital Markets, Inc.
Q

Understood. Thanks.

Michael McGaugh
President and Chief Executive Officer & Director, Myers Industries, Inc.
A

Thank you.

Operator: [Operator Instructions] Next question comes from Tim Wojs with Baird.

Timothy Ronald Wojs
Analyst, Robert W. Baird & Co., Inc.
Q

Hey, everybody, good morning and welcome, Sonal.

Sonal P. Robinson
Executive Vice President - Finance, Myers Industries, Inc.
A

Thank you.

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

Good morning, Tim.

Timothy Ronald Wojs
Analyst, Robert W. Baird & Co., Inc.
Q

Maybe just kind of starting back on the pricing side of things, just the increase that you put out into the marketplace. Could you just remind us how we should think of that in terms of just kind of the ultimate realization of the 8% and how that kind of phases into the model through the course of the year?

Michael McGaugh
President and Chief Executive Officer & Director, Myers Industries, Inc.
A

Yeah. So in general, we're seeing strong acceptance of the price increase, Tim. We're seeing strong acceptance of the price increase. Our customers are watching what's happening on the resin side. They understand it. They're supportive. So I'm comfortable with the 8%. And then clearly, do you get all of it everywhere? No. But directionally, it's a solid increase.

The timing in the phases, it's urgent. We're moving fast on the pricing increases. We took all our prices up effective March 1, [ph] unless contracts prevented (00:28:36) that. But prices moved up. The key issue is what we don't know and why we're cautious and possibly even conservative is the Gulf supply situation is still unfolding. There's still producers who are trying to bring their units back up. What does that do to the supply demand balance in the short-term? We're still trying to sort that out. But I'll turn over to Sonal.

And by the way, having been here for a little over a month, Sonal has done a very quick study. So, I'm very pleased and impressed with how dialed in she is to our current situation. So, Sonal, please go ahead.

Sonal P. Robinson
Executive Vice President - Finance, Myers Industries, Inc.
A

Thank you, Mike. So, Tim, maybe to add a little more color to that commentary. As I indicated, as you think about our high-single digit top line organic growth, about half of that coming from pricing that kind of gives you a sense for what we would expect as of now in terms of top line growth.

In terms of the cadence throughout the year, clearly, we announced that March 1. So, there is sometimes a delay as you see that starting to flow through our orders and what we're going to recognize. And so you're going to see, I would say, a larger impact as we go into Q2, Q3 and Q4 related to the pricing actions rather than what you may see coming through Q1 just given obviously timing and flow through.

Timothy Ronald Wojs
Analyst, Robert W. Baird & Co., Inc.
Q

Okay. Okay. That's helpful. And then on the M&A pipeline, Mike, could you just talk a little bit about the opportunities and maybe how that's built over the last six months since you've outlined that strategy and just kind of the internal capacity for incremental M&A at this point?

Michael McGaugh
President and Chief Executive Officer & Director, Myers Industries, Inc.
A

Yeah. Absolutely. Tim, it's similar to what we discussed in the past. We want differentiated products, not commodity products, ideally products that are reusable, durable and sustainable or we can put a high percent of post-consumer resin in there. I think that aligns out with our direction from a sustainability standpoint.

I will say the Elkhart acquisition has been successful. The targets that we've got line of sight into, we believe solidly that they're going to pan out. Because that's gone well, I think it's also improved a little bit of the buzz in the market. There were a – we are indeed or will become the acquirer of choice in some of these businesses particularly your founder-owned businesses. And what that means, Tim, is our inbound calls are increasing. Not only are we still doing a lot of outbound, but our inbound are increasing as well.

Pipeline is really solid. There's a lot of founder-owned businesses that are quality businesses out there that are multiples similar to what we transacted Elkhart at that are accretive on day one. And we're going to continue to do these bolt-ons for specific technologies and specific markets and really to get our – become a well-oiled machine on how we integrate. And then about that time, we'll be ready to move into some more transformational deals. And we'll have the balance sheet and the income statement to support that and the cash flow to support that, but that's 24 to 36 months out.

Timothy Ronald Wojs
Analyst, Robert W. Baird & Co., Inc.
Q

Okay. Okay. That sounds great. And then you just mentioned your last comment, but this is my last question. How are you kind of thinking about the overall debt structure going forward? Because I know you have [ph] 2021 (00:31:57) notes that are due this year. And so how are you kind of thinking about addressing those, but then also potentially addressing kind of the longer-term capital structure and availability?

Michael McGaugh
President and Chief Executive Officer & Director, Myers Industries, Inc.
A

Tim, what I'll do is I'll ask Sonal to respond to that.

Sonal P. Robinson
Executive Vice President - Finance, Myers Industries, Inc.
A

Yeah. So Tim, clearly, in terms of supporting our long-term growth strategy, the vision, getting that capital structure right and flexible, quite frankly, to support that need is one of the key priorities. But specifically, near end, in terms of the notes that came due here in January, we did pay those off with a combination of cash on hand and the revolver. And so that is behind us as we think about that. Currently, the team continues to be very focused on what that capital structure looks like as we look at the capacity under a revolver and also future activities.

Timothy Ronald Wojs
Analyst, Robert W. Baird & Co., Inc.
Q

Okay. Okay. Sounds good.

Sonal P. Robinson
Executive Vice President - Finance, Myers Industries, Inc.
A

Okay.

Timothy Ronald Wojs
Analyst, Robert W. Baird & Co., Inc.

Q

Thanks for all the color and good luck on your [indiscernible] (00:32:54).

Operator: [Operator Instructions] And we do not have any further questions at this time. And this does conclude today's call. You may now disconnect.