

Myers Industries, Inc. NYSE:MYE

FQ1 2021 Earnings Call Transcript

Call Participants

EXECUTIVES

Michael P. McGaugh
President, CEO & Director

Monica Vinay
VP of Investor Relations & Treasurer

Sonal P. Robinson
Executive VP & CFO

ANALYSTS

Robert Stephen Barger
*KeyBanc Capital Markets Inc.,
Research Division*

Lance Vitanza
Cowen & Company

Presentation

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Myers Industries 2021 First Quarter Earnings Conference Call. [Operator Instructions]

I'd now like to hand the conference over to Ms. Monica Vinay, Vice President of Investor Relations and Treasurer. Please go ahead.

Monica Vinay

VP of Investor Relations & Treasurer

Thank you. Good morning, and welcome to Myers Industries First Quarter 2021 Earnings Call. Joining me today are Mike McGaugh, President and Chief Executive Officer; and Sonal Robinson, Executive Vice President and Chief Financial Officer.

Earlier this morning, we issued a news release outlining the financial results for the first quarter of 2021. If you've not yet received a copy of the release, you can access it on our website at www.myersindustries.com. It's under the Investor Relations tab. This call is also being webcast on our website and will be archived along with the transcript of this call shortly after the event.

Before I turn the call over to Mike, I would like to remind you that we may make some forward-looking statements during this call. These comments are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements are based on management's current expectations and involve risks, uncertainties and other factors which may cause results to differ materially from those expressed or implied in these statements. Further information concerning these risks, uncertainties and other factors are set forth in the company's periodic SEC filings 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 P. McGaugh

President, CEO & Director

Thank you, Monica. Good morning. Today, I'm excited to report strong volume growth resulting from robust end-market demand. Sales were up 43% year-over-year, and this is the strongest growth Myers has obtained in over a decade. This demand appears to be sustainable. Strong end markets, a reengineered commercial organization and a new go-to-market model are delivering results.

Our new strategy, combined with successful execution of our self-help initiatives, set the stage for a solid 2021 and beyond. I'm entering my second year at Myers, and I continue to see significant opportunities in our functions, businesses and end markets. It continues to be the most exciting opportunity I've seen in my career.

Without further delay, let's get into the details. Please turn to Slide 3. As I mentioned, sales were up 43% year-over-year, driven by strong growth in both the Material Handling and Distribution Segments and a meaningful contribution from the Elkhart acquisition. All end markets experienced healthy growth. Specifically, sales were up significantly in our vehicle end market as a result of continued momentum in the RV and marine markets. Wholesale RV shipments were up 79% in March and are projected to reach a record high in 2021.

We also saw increased demand and double-digit growth in the auto aftermarket, food and beverage, consumer and industrial end markets. On an organic basis, sales were up 21%.

Despite strong volume growth in -- volume and revenue growth, gross margins were impacted by higher raw material costs in the quarter. In response to the significant increases in raw material costs, partly due to Winter Storm Uri, we announced an 8% price increase across a broad portfolio of our products effective March 1. Then in response to continued raw material pressure and a tight supply chain, we announced a second price increase of 9% to 12% effective April 1. With these increases, we aim to protect, and in some cases, enhance our margins.

Due to the top line momentum we are seeing and robust demand and the additional pricing actions we announced since our last call, we continue to be optimistic in our ability to manage through this dynamic environment. As a result, we are raising our full year sales guidance and now expect to be at the higher end of our previously provided earnings guidance. Sonal will provide the details during our financial summary. And after our comments, I will provide an update on the actions we've taken to execute our strategy.

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

Sonal P. Robinson
Executive VP & CFO

Thank you, Mike, and good morning, everyone. Starting with the first quarter financial summary on Slide 4. Net sales were up \$52 million, an increase of 43%. Excluding the impact of the Elkhart acquisition, organic net sales increased 21% due to volume mix. Sales increased in both material handling and distribution segments as well as all key end markets and contributed to the strong organic growth. Price and FX accounted for 1% of the net sales growth.

Adjusted gross profit was up \$7.9 million, while gross margin decreased from 34.8% in the prior year to 28.9% in the quarter. Margin was negatively impacted by an unfavorable price-to-cost relationship, unfavorable sales mix and higher manufacturing costs during the quarter. The addition of Elkhart benefited profit but contributed to the unfavorable sales mix impacting gross margin. As a reminder, we are targeting \$4 million to \$6 million in annual cost synergies over the course of the upcoming 2 years. Additionally, we are encouraged by the growth synergies we have started to realize as we operate as One Myers.

Adjusted operating income increased slightly to \$11.9 million. The increase in gross profit was mostly offset by higher SG&A expenses, driven by the addition of Elkhart and higher incentive compensation costs, legal and professional fees and selling expenses. Adjusted EBITDA was \$17 million, a decline of \$400,000 compared to the prior year. Adjusted EBITDA margin was 9.8%. And lastly, adjusted EPS was \$0.22, flat compared to the prior year.

Turning now to Slide 5 for an overview of segment performance. Beginning with Material Handling, net sales increased \$46 million or 55%, including the Elkhart acquisition. On an organic basis, sales were up 22%, driven by strong volume mix. Price and FX accounted for 1% of the growth. Excluding Elkhart, sales were up double digits in the vehicle, food and beverage, consumer and industrial markets, driven by increased demand. Material Handling adjusted operating income increased 12% to \$16.9 million, driven by higher sales volume and the addition of Elkhart, which were mostly offset by an unfavorable price-to-cost relationship, unfavorable sales mix and higher manufacturing expenses, incentive compensation costs and legal and professional fees.

In the Distribution Segment, sales increased \$6 million or 17%, driven by both equipment and consumable sales. Distribution's adjusted operating income increased 5% to \$2 million, primarily as a result of higher sales volume, partially offset by an unfavorable sales mix and unfavorable price-to-cost relationship and higher incentive compensation costs.

Turning to Slide 6. Cash provided by operating activities was \$6.6 million, an increase of \$1.6 million over the prior year, reflecting the benefit of working capital. Free cash flow decreased \$1.1 million to \$1.4 million, reflecting an increase in capital expenditures year-over-year.

Our balance sheet remains strong. Cash on hand at quarter end was \$16.6 million. Based on our trailing 12-month adjusted EBITDA of \$66 million, leverage was 1.2x. In mid-March, we amended and extended our credit facility, upsizing our borrowing capacity from \$200 million to \$250 million and extending the maturity date to March 2024, ultimately providing greater flexibility in our capital structure.

Turning to Slide 7. Let me now provide information on our revised outlook for fiscal 2021. Reported net sales are anticipated to increase in the high 30% range, including an incremental 10.5 months of sales related to the Elkhart acquisition. As a reminder, Elkhart's net sales at the time of acquisition were approximately \$100 million. The increase in net sales from our previous guidance, which was mid- to high 20% sales growth, incorporates the strength experienced in the first quarter, along with continued sales momentum expected throughout the year. Additionally, the outlook includes the anticipated impact of the second price increase effective April 1 taken in response to continued increases in resin and steel costs.

From a quarterly cadence, recall that our prior year second quarter sales were significantly impacted by the slowdown due to COVID-19, particularly impacting our industrial and distribution businesses. Given this comp, we expect strong sales growth in Q2 on a quarter-over-quarter basis.

With respect to margins, our price increases generally take a quarter or so to start flowing through our results. Given this lag in price realization, we will continue to experience higher cost versus price in the first half of the year, but expect that relationship to turn favorable in the second half of the year as raw material costs flatten and eventually decline. As demonstrated, our teams will continue to take pricing actions as necessary to mitigate the impact of cost increases.

SG&A expenses are now expected to approximate 23% of net sales benefiting from larger scale and the increase in our sales outlook. Below 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 are reaffirming our 2021 outlook for adjusted EPS of \$0.90 to \$1.05 per share with growing confidence of achieving the higher end of the range. 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 with our renewed focus on investing in our facilities.

In closing, let me reiterate that we are encouraged by the sustainability of economic rebound and the impact on our business. With that, let me turn it over to Mike to provide an update on our strategy.

Michael P. McGaugh
President, CEO & Director

Thank you, Sonal. Please turn to Slide 8. Every time I talk about Myers, I highlight 2 documents: our long-term road map for the company, and the execution plan to make it a reality. And today is no exception.

On our long-term road map, we're currently in Horizon 1, which is based on 3 elements: self-help, organic growth and bolt-on M&A. These 3 elements go well together. I've used this approach many times over the past 20 years to kick-start and deliver business transformations.

Self-help consists of meaningful improvements in purchasing, pricing and SG&A optimization. Self-help is important

because it typically has a sizable financial impact, and I like it because it's largely within our control. Self-help generates the cash and the returns that will be used to fund the 2 growth components, organic and M&A.

In terms of organic growth at Myers, we are driving change and delivering results. We are strengthening our commercial processes, talent and capabilities. We are investing in e-commerce. We're changing how we go to market.

Under the One Myers approach, we now go to market as a single company instead of several disconnected independent businesses. This scale brings strength. We are one of the only companies that has expertise in the 4 major plastic molding technologies: rotational molding, injection molding, blow molding and thermoforming. We now bring all of these solutions to our customers. The approach delivers value to our customers and growth for Myers.

Our third element, bolt-on M&A, is focused on growing our businesses by acquiring companies that build out our current technologies, build on our competitive strengths or shore up our gaps. We believe significant shareholder value can be unlocked when consolidating fragmented industries, like plastics molding and auto aftermarket distribution. Myers will be a consolidator in these fragmented industries. Consolidation should allow us to better serve our customers, provide better opportunities for our employees and better returns for our shareholders.

Once the key elements of Horizon 1 are in place, we'll move to Horizon 2, where we will execute larger enterprise-level acquisitions. We continue to expect that when we are ready for Horizon 2, several ideal targets will be coming to market so the timing should work well.

Our long-term vision culminates with Horizon 3, which is focused on growing the company globally. In order to maximize our potential as a company, we will need to expand globally at scale. During Horizon 1 or 2, we will consider global acquisitions if they have the right strategic fit and are executable, though it will likely be Horizon 3 before we acquire internationally at scale.

Our long-term vision is ambitious but well grounded and focused on building on technologies and markets that we know well. We still have a lot of work to do, but we have an experienced team, and we are making solid progress.

Please turn to Slide 9, which outlines the 4 pillars that will drive the execution of our strategy. I won't spend time today reviewing each pillar. However, I will say that each pillar has well-defined key performance indicators and an individual owner to drive results. We have a robust internal integration, PMO or program management office, that ensures that KPIs are met.

Please turn to Slide 10, which outlines our progress since we last spoke. In the organic growth pillar, we see significant opportunity to grow Myers faster. We are in the process of implementing an improved commercial structure that standardizes and strengthens our capabilities in sales, marketing and asset and product management. We recently reorganized our sales structure and launched the new sales training process focused on helping our teams improve their ability to cross-sell and bring all of the Myers solutions to our customers.

In addition, we continue to focus on growing our e-commerce channel. In order to turbocharge this initiative, we held a summit to refine our strategy and approach to capitalize on the trends in digital and online. We're investing in our talent pool, and we'll continue to build out our e-commerce team. As a reminder, our goal for this channel is to be approximately 10% of sales by the end of 2023, and you can expect to hear more about our progress as we proceed through the year.

Moving on to M&A. We are well underway having strengthened our portfolio with the acquisition of LCAR Plastics last year. The Elkhart acquisition has exceeded our expectations so far and has been instrumental in helping us further advance our integration playbook and our deal flow. We continue to build a robust funnel of potential acquisitions and

believe that we have a strong opportunity to acquire complementary businesses in the near term.

Now onto our accomplishments in the third pillar, operational excellence. Operational excellence involves multiple facets of how we work together to improve our performance every day. One example is our focus on procurement on lowering costs and on securing supply.

Over the past months, supply scarcity has been an issue in the plastics value chain. Our newly centralized procurement team was able to leverage our scale and their individual relationships to ensure consistent raw material supply. I have several anecdotes where our purchasing professionals were able to work together, draw upon their individual areas of expertise to ensure Myers receive raw materials even in markets where product was very tight.

On the pricing side, we worked with our customers on a fair and constructive approach to pricing, announcing and implementing our March 1 and April 1 price increases. We will continue to migrate to a value-based pricing approach where we will price to the value our products create with our customers. We anticipate this approach will deliver margins that will allow us to continue innovating and to continue delivering a high level of service and supply reliability to our customer base.

Moving to the last of our 4 pillars culture. In order to execute and achieve breakthrough performance, we need to have a high-performing culture. Over the past several weeks, we took a significant step forward by holding company-wide talent reviews across the organization, so we can build a strong succession planning road map that supports our aggressive growth strategy while developing our employees.

We are seeding our employee base with various experts and leaders from outside the company. This approach is a catalyst and is accelerating our company's transformation. At the same time, we're also actively developing our employees and promoting from within. We have a lot of talent in-house as well.

Part of having a high-performance culture is to have a culture focused on employee safety. To that end, this spring, we launched a robust company-wide safety training curriculum, which includes live and online classes to ensure that we keep safety top of mind and work towards decreasing our incident rate on a year-over-year basis.

In a short period of time, we've made respectable progress against our strategic initiatives. These work tracks and KPIs will ensure that our strategy comes to life and is delivered.

I will close out today by reinforcing my optimism for Myer's future. I'm encouraged by the economic recovery we're seeing across all of our end markets. The demand is there, and it looks to be lasting. Myers' transformation is underway, and I anticipate it will create significant long-term value for our customers, our employees, our communities and our shareholders.

And with that, let me turn the call over to the operator for questions.

Question and Answer

Operator

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

Robert Stephen Barger

KeyBanc Capital Markets Inc., Research Division

It's great to see you being so proactive on price increases to offset input costs. Just obviously a robust demand environment. Can you talk about what customers are saying or any effects that you're seeing on demand relative to price?

Michael P. McGaugh

President, CEO & Director

Yes, Steve, sure. Really, the questions that were in the discussions we're having are more along the lines of obtaining supply. It's less of a discussion around what's your price. We're seeing a lot of traction in the end markets from a volume and demand standpoint. The March increase was successful. The April increase is in process, but appears to be successful. But we're just seeing a lot of traction on the demand side, and that gives us the confidence to move forward on our price, particularly on the products and segment, Steve, that are value added.

Robert Stephen Barger

KeyBanc Capital Markets Inc., Research Division

Yes. Well, I guess, to that point, you cited unfavorable mix in both segments. What's going on there with the mix? And is there anything you can do to influence that?

Michael P. McGaugh

President, CEO & Director

Yes. A good bit of that is the acquisition of Elkhart. Remember our model is we're acquiring a lot of these founder-owned, employee -- founder-owned businesses that have a lower EBITDA profile. And our objective is, through cost synergies and growth synergies, to bring those EBITDA profiles up.

Elkhart moved a lot of revenue and a lot of product, and -- but ultimately had a dilutive effect overall in our EBITDA percent for the company. But all that is -- it's in process of being addressed, and it was all part of the game plan. So Elkhart had a lot of volume. Unfortunately, it wasn't at the same margin as gas cans.

Robert Stephen Barger

KeyBanc Capital Markets Inc., Research Division

Got it. Well -- and you talked about preserving and ultimately expanding margins. So I think that was more in relation to price. I guess, first, do you need more price actions? And what's the timing of getting on the positive side of price, cost?

Michael P. McGaugh

President, CEO & Director

Yes. I'll give my insight, and then I'll turn it over to Sonal for some of hers. Really, it's -- in the first half of the year, you're going to have some compression. I think that's no different than any other converter out there. We do believe the second half, it will turn. It will have some easing of our raw material costs. And at the same time, our pricing will be, I'd say, fully implemented, largely implemented, and we should see that margin expansion on the back half of the year.

Additional pricing actions, we don't see any at this point. However, a lot of it is involved in let's make sure the April increase counts, and we are seeing receptivity from our customers on exactly that happening. But Sonal, any additional color from you?

Sonal P. Robinson
Executive VP & CFO

No, no. I think, Mike, that's entirely correct. So as we think about the -- it's a front-half, back-half story. Cost and price turning in the back half is a story for us. And just keep in mind once again that pricing generally takes a quarter or so in terms of a lag in terms of when we're going to see that flow through our income statements.

Michael P. McGaugh
President, CEO & Director

Yes. What's most encouraging, Steve, is just the underlying demand. I mean that's definitely a bright spot.

Robert Stephen Barger
KeyBanc Capital Markets Inc., Research Division

So I guess, to the volume versus price versus cost, is price realization enough right now to get gross margin back into the low 30% range in 2Q? Or is that more back half?

Sonal P. Robinson
Executive VP & CFO

So Steve, I think the way I'd leave that is Q2, we're going to expect some nice volume growth, as we indicated, due to the year-over-year comp that we experienced last year. We will continue in the front half of the year to still be unfavorable from a price-cost relationship standpoint. We're not guiding to, obviously, quarterly gross margin numbers, but what we would expect is over the long term, as we continue throughout the year, that we would see those gross margins continue to increase over time.

Operator

[Operator Instructions] Next question comes from Lance Vitanza with Cowen and Company.

Unknown Analyst

This is [Jonathan] filling in for Lance. First, just want to say congratulations on the quarter. And my question -- I have 2. The first one is regarding the M&A. From your perspective, how are you seeing the current environment regarding access to capital, just suitable potential targets and your realistic price objectives, also the ability to integrate. How are you looking at that at the moment?

Michael P. McGaugh
President, CEO & Director

Yes, that's a good question. We continue to want to be, and we're shaping ourselves to be the acquirer of choice for

many of these founder-owned businesses, largely on the plastics side, but I'd even include on the distribution side. And as I talked about, there's a lot of shareholder value to be created in consolidation of these fragmented industries.

We are seeing interest. I believe the Elkhart acquisition was a catalyst in that. We're seeing increased inbound calls from smaller companies and founder-owned businesses, founder-owned companies they want to sell. There is concern about potential tax law changes, and how would that impact these founder-owned businesses. And so I believe there's ample opportunities. I believe that there is some sense of urgency, even on the part of the sellers, to conclude transactions more in the near term.

From a valuation standpoint, clearly, there is some capital in the market from a private equity -- on the private equity side that we bump into. But generally speaking, the businesses that we seek to acquire that have a strategic fit and even more importantly, a cultural fit. A lot of those businesses want to stay with the strategic. A lot of those businesses prefer to align with our vision for what we're trying to create. And I continue to believe that we'll be able to acquire companies at the stated multiples we've discussed in the past.

Unknown Analyst

Got it. And just the last question for me before I get back to the queue. So I understand on the EPS guidance -- where you're guiding towards the higher end now. It just goes right on. But my question is, what are the factors that are most at play when you're determining the range, if you will? Like is it perhaps additional cost pressure, the ability to price -- to pass on the price increase or perhaps other determinants?

Michael P. McGaugh
President, CEO & Director

It's a good question. I'll ask Sonal to add some color to that question.

Sonal P. Robinson
Executive VP & CFO

[Jonathan], thank you for that question. So just clearly, we have not changed the overall range that we provided guidance on. We've guided to the higher end of that range. If you look at that compared to where we were, compared to the mid of the range, an increase of anywhere from 6% to 8% there.

So the factors impacting that, we took our top line guidance up clearly. So previously, we were guiding to that mid_ to high 20% in sales. With that 30% or so increase in sales, the way you should think about that breakout is 19% or 20% or so related to the acquisition, which then leaves probably a low double-digit volume growth in our -- included in our estimate, which is increased from where we were as we started the year. And then the balance on price.

So we've got a benefit of some volume actions going in there. Obviously, pricing that's giving us a little more confidence as we're recovering some of the increased commodity inflation that we've seen. And so those factors are coming into play there.

Operator

[Operator Instructions] Next question comes from Steve Barger with KeyBanc Capital Markets.

Robert Stephen Barger
KeyBanc Capital Markets Inc., Research Division

Just going to some of the pillars. For the commercial excellence program, is this training done? And can you talk about any specific wins to give us an example of how the cross-selling is going?

Michael P. McGaugh

President, CEO & Director

Yes. For sure, Steve. The training is in process. We've got approximately 60 salespeople. We're about 1/3 through with that training. It's actually -- it's not a 1-day training. It's actually a month-long process. It's very robust. I used it at a prior company. It was very effective. So I'd say, Steve, we're probably 30% complete, give or take, on the training and development.

But part of it also is we just launched what we call Myers university, which is an in-house employee development tool designed to, really, to attract and retain all functions in all of our employees, both labor-oriented and professional. And so this will fold into -- the commercial excellence piece will ultimately fold into Myers university.

A lot of it is the standardizations of roles, moving away from the OpCo approach that we've had for the last 5 years and moving into a consolidated approach, where we have standardized roles on market management, product management, asset management, sales, sales management for Myers, particularly separating material handling from distribution.

There's probably I'd say 8 to 10 meaningful cross-selling opportunities. I don't know if I specifically want to mention the names. But there are several accounts where often, we're seeing it that they're rotational molding account that also purchases blow molded or thermoformed product.

And because of supply issues, we're actually seeing some of our competitors in the market, some of the smaller converters having supply interruptions from the resin side. And we've been able to step in -- or they have supply interruptions because of labor. And we've been able to step in and pick up business with a high quality from a product standpoint and a high service level and we're not having to buy the business. And those customers are indicating they're going to stay with us, particularly after we've gotten them through a tough spot.

There's probably 8 to 10 of those examples, totaling \$10 million to \$15 million on an annualized basis. That's part of what we're seeing on the positive outlook. This cross-selling is playing a big role there.

The other piece is just having senior managers and sales directors that have a very regimented approach to how they go-to-market. That's a big change. We're seeing that on the injection molding side, particularly with Buckhorn, also with Akro. That's where a lot of the demand is coming back. And it's because of a more concerted, I'd say, professional and regimented approach to sales.

Robert Stephen Barger

KeyBanc Capital Markets Inc., Research Division

Got it. And that's -- I guess, for that \$10 million to \$15 million in conquest sales, is the -- do you have the team in place from a purchasing standpoint to make sure there are no concerns about availability? Or why are you less prone to disruptions?

Michael P. McGaugh

President, CEO & Director

Yes, a lot of that. As you remember, we brought in Jeff Baker, who was a career Dow guy, who's got a tremendous amount of connectivity in the industry on polyethylene, polypropylene. He since brought in 2 lieutenants who also have deep connections in that industry. And I think times like this, when you have high-season shortages, personal

relationships are very beneficial. And so we've managed to secure supply when anecdotally, we hear some other competitors in the channel have struggled more. Yes. I'd say, Steve, that's probably one of the areas that we're most proud of is what we've been able to do in a very short amount of time on purchasing and ultimately, supply chain.

Robert Stephen Barger

KeyBanc Capital Markets Inc., Research Division

Right. E-commerce, with demand as strong as it is, is that becoming bigger, faster than you expected?

Michael P. McGaugh

President, CEO & Director

Yes. I mean it's good business. It's good margin business. We're trying to study it so that we sell the right products into the right end markets without exacerbating channel conflict with some of our industrial distributors. We're trying to thread the needle there so that we are a good supplier and customer to our industrial distributors. But then also, we have a direct approach with some of our own product.

I think we're striking that right balance. We have -- we are fortifying that team. We discussed that before. Chad Collins now leads that team. We've actually had 2 good adds on e-commerce leaders who have done this and developed this at other industrial companies.

The answer there is we look at it as a flywheel. It is a high profit margin flywheel. And really, the constraint, Steve, is on having enough labor in our plants to make enough product, get that product out the door, but there's plenty of demand on the e-commerce side. And remarkably, it's quality business. It's good business.

Robert Stephen Barger

KeyBanc Capital Markets Inc., Research Division

Even with the kind of inflation-led increase in revenue that you're currently seeing, are you still going to track to the 10% e-commerce by 2023? Any change to that?

Michael P. McGaugh

President, CEO & Director

No, no, no. So yes, we will track to that. And no, there's no change to it. There's a lot there.

Robert Stephen Barger

KeyBanc Capital Markets Inc., Research Division

Got it. Just a couple of modeling questions for Sonal. Do you -- easy comps, obviously, for 2Q. Do you expect sequential increases in revenue in both segments in 2Q from 1Q?

Sonal P. Robinson

Executive VP & CFO

Yes.

Robert Stephen Barger

KeyBanc Capital Markets Inc., Research Division

And then do you expect the second half revenue will be above first half? Just trying to get a sense for cadence for the

year.

Sonal P. Robinson
Executive VP & CFO

Well, so keep in mind, in the second half of the year, we had a couple of things going on in the prior year. One being Elkhart joined us with 1.5 months of results on the top line in Q4, so we'll be comping some of those. And then also, we had some strong performance within our commercial business with some more gas cans and some of the business related to storms last year. So the first half obviously, seeing strong sales growth, will continue momentum, but be probably more front half.

Michael P. McGaugh
President, CEO & Director

Yes. One thing, Steve, to look at is if you look at our -- well, we call it the consumer market, but a lot of that is the gas cans. If you look at how Polaris, as an example, is tracking on selling their powersports products, the side-by-sides, the dirt bikes, the quads, all that sort of stuff. With the push from COVID to go outdoors and go camping, you have a lot of those recreational products, companies, the pontoon boat companies, all that, they're up markedly. And I'm optimistic -- we're optimistic on that our gas cans will see some of that tailwind.

Robert Stephen Barger
KeyBanc Capital Markets Inc., Research Division

Yes. And previously, you had expected SG&A in the 24% range for the year. What happens to that now with the revenue increase?

Sonal P. Robinson
Executive VP & CFO

Yes. So Steve, we're guiding to 23% now on SG&A.

Operator

[Operator Instructions] And we do not have any telephone questions at this time. Ms. Vinay, I will turn the call over to you.

Monica Vinay
VP of Investor Relations & Treasurer

Thank you. Thank you for joining us today and for your interest in Myers Industries. As a reminder, a transcript of this call will be available on our website shortly after this event. Thanks, and have a great day.

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

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