

MYERS INDUSTRIES INC.
ITML ACQUISITION
CLOSING ANNOUNCEMENT
01/10/2007
10:00 AM

PARTICIPANTS

John Orr, Myers Industries, President and Chief Executive Officer

Donald Merrill, Myers Industries, Vice President and Chief Financial Officer

Max Barton, Myers Industries, Investor Relations Director

Operator: Greetings, ladies and gentlemen, and welcome to the Myers Industries Inc. ITML Acquisition Closing Announcement conference call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press *0 on your telephone key pad. As a reminder, this conference is being recorded. It is now my pleasure to introduce your host Mr. Max Barton, Investor Relations Director. Thank you Mr. Barton, you may begin.

Max Barton, Investor Relations Director

Thank you. Good morning everyone and welcome to the Myers Industries call to review the strategic details behind our purchase of ITML Horticultural Products. With me today are John Orr, President and Chief Executive Officer and Don Merrill, Vice President and Chief Financial Officer.

Earlier, we issued the news release about the closing of the deal, if you have not yet

received a copy, you may access it from our website at www.myersind.com at the bottom of the home page. This call is also being carried as an audio webcast from our site, and will be archived there along with a transcript within approximately 24 hours.

Before I turn the call over to management for remarks, I need 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 provision of the Securities Reform Act of 1995. Such statements involve risks and uncertainties, which may cause results to differ materially from those set forth in these statements. Among these risks include various economic conditions that influence the Company's markets, the development introductions and customer acceptance of new products, competitive products and price, reliance on key customer relationships, dependence on foreign suppliers, supplier manufacturing constraints, the Company's ability to successfully integrate the acquisition, fluctuation in raw material prices, cancellation or reduction of orders and other risks and uncertainties detailed in from time-to-time in the Company's SEC filings.

Following managements remarks, there will be a brief question-and-answer session with the investment community. I ask everyone to keep their question focused on the acquisition topic, as that is all we are prepared to discuss at this point. Following our release of results for this 2006 fourth quarter and full year, which should be in mid February, there will be a conference call to discuss the Company's overall business performance and progress with our strategic business evolution process.

Now, I will turn the call over to Myers Industries, President and Chief Executive Officer John Orr. John...



John Orr, Myers Industries, President and Chief Executive Officer

Thank you and good morning everyone.

I am pleased to announce today's closing on our strategic acquisition of ITML Horticultural Products. The purpose of this call is to provide investors and others with some color commentary on the strategy surrounding this key acquisition, to review some of the dynamics in our Lawn and Garden markets, and explain why we believe it is an area for Myers to grow.

As we said in the news release, the combination of ITML with Myers' Lawn and Garden Segment represents a major growth opportunity, through expanded product lines, added manufacturing capabilities, and new sales channels and geographies. ITML will significantly increase Myers' market share within the grower and grower distributor markets in Canada and in the southern and western U.S., boosting the Company's presence across the key floriculture and horticulture regions of North America.

This acquisition also represents yet another major step in our growth strategy – the Strategic Business Evolution process we now follow throughout our operations. As part of positioning our business for the future, this process includes the divestiture of non-strategic businesses, as we have done with the European Material Handling Segment, and the acquisition of accretive businesses in our key segments, as we have done with ITML. Their addition to our Lawn and Garden Segment strengthens our brand portfolio, provides value-added capabilities, and deepens relationships with customers. And as we integrate ITML, we'll see long-term, sustainable benefits for all of our stakeholders – customers, employees, and shareholders alike.

Now a little background on ITML. The company has been a strong competitor against two of our other Lawn & Garden brands –Dillen and Pro Cal. ITML was a private company that



started in the late 1960's as a tool and die manufacturer for the agriculture industry. It expanded into plastics molding in the mid-1970's to diversify. Based in Ontario, Canada, ITML today is a leader in the design, manufacturing, and marketing of plastic containers, hanging baskets, trays, and related products for professional floriculture and horticulture grower markets across North America. Just to define that for you, floriculture and horticulture includes growers of everything from trees and shrubs to flowers, herbs, and vegetables.

ITML has more than 800 employees and six facilities located throughout Canada and the U.S. The company uses injection molding, blow molding, co-extrusion, and thermoforming processes to make its more than 1,500 products. ITML will be integrated into Myers Industries' Lawn and Garden Segment and will be a standalone brand within the segment.

ITML has a strong management team, which will continue to build the business while working with our Lawn and Garden Segment group to integrate. This group will develop strategies and identify opportunities for gains through shared innovation, expanded product lines, productivity, technology, cost controls, and many other areas.

From a customer standpoint, ITML brings us an excellent reputation and strong customer relationships, which we can build upon in conjunction with the strength of our existing brands in the segment.

In 2005, Myers' Lawn & Garden Segment represented approximately \$170 million in net sales, out of \$903 million in total net sales. As a major competitor in that arena, ITML, with net sales in 2005 of little more than \$150 million, is a natural fit for Myers. It is a strategic move for us to be the consolidator of resources and expand our position in the marketplace to serve customers with the value-added solutions and service they need to grow their businesses!

Now, some of your questions may revolve around how accretive this acquisition will be – how much and how long? We look forward to getting into some of those details as we move through the integration process. At this point, however, I want to send a clear message to the investment community about how excited we are to make this acquisition – doing what we said by divesting a non-strategic business and re-investing in what we count as one of our key business segments. That's been the plan we've discussed throughout our communications, and we have made the point that transactions like these will be to position Myers Industries to profitably grow on a sustainable basis and improve returns to shareholders.

Over the next several months, Myers' Lawn and Garden Segment team will be focused on planning and implementing synergistic initiatives within its brands. We will be aligning our resources to meet the changing needs of the grower industry and to deliver what our customers need to build their businesses.

What I will say right now is – stay tuned! We have identified many cross-functional areas that will be beneficial to each of our brands, our customers, and the marketplace. For example, complementary technology for printing and labeling pots with colorful graphics and plant information – this is one of the main capabilities for branding and merchandising that growers and retailers seek today. ITML will help to build on our programs of in-mold labeling, offset printing, and our exclusive picturePot to push the envelope as the best branding resources in the industry.

Also, we share a strong focus on single-source efficiency for customers – the addition of ITML alongside our Dillen and Pro Cal brands will provide customers with expanded product access as we phase in cross-selling programs. Each brand, with its own strengths, will reinforce the other to ensure customer satisfaction at every point of contact.

ITML produces and uses a major amount of recycled materials for their products. We hope to use their technology and production resources to supply our other Lawn & Garden Segment brands with recycled material to further our low cost production initiatives and allow us to be an even greater value-added supplier to customers – particularly on select, commodity-type items.

Implementation of synergy initiatives will take time, and we are intensely aware of the work that needs to be done. As we move forward with synergy programs, there will be short-term costs involved to achieve the best long-term gains. Using the Strategic Business Evolution process as our guide, our segments and brands are under constant review for streamlining, productivity enhancements, cost reduction, and other programs. That will be the norm as we integrate ITML into our business.

I want to close by briefly turning our attention to a question some of you may have, which is “why ITML now, especially given the third quarter results for Myers’ Lawn and Garden Segment – why is this a strategic move?”

As we discussed in our communications throughout last year, weather played a key factor in our Lawn and Garden Segment results through the first half of 2006. A damp and cold Spring led to a smaller window of time for grower shipments to Big Box retailers, and a shorter window for consumer purchasing and planting before the heat of the summer in most areas. Like it or not, weather is a major factor in this business. Still, participation in gardening continues to grow each year.

The new industry practice of “pay-per-scan” also played a part in changing the market last year. In this practice, growers are not paid by retailers until their plant is sold to the consumer. Since the grower must be responsible for their plant material – keeping it in good shape for sale once it reaches the retailer – this cut into the volume of shipments to retailers. We look at this as an industry correction, where growers will be

more cautious in matching their shipments to retailer needs, and we, as an industry leader, will lead in consolidation and any re-balancing of resources required to serve the multi-billion dollar marketplace.

In addition, during the third quarter we and our competitors, including ITML at that time, experienced another industry change. Many Big Box retailers held off on their forecasts to the growers – our customers – as they decided how to position their Spring 2007 garden center programs. Each wanted to see “who did what” in the marketing positioning and merchandising arena. Many in the grower market did not know what to order for pots. So, due to the delayed retail forecasts, volume was the key detriment in the third quarter last year. We played catch-up with our customers through the just-ended fourth quarter, and will continue to do so through the first and probably second quarters of this year, depending on their needs.

Knowing that the market fundamentals are strong, the end market is growing, and with those new industry dynamics in mind, this acquisition presents good potential for our growth.

Our focus now will be to align our resources with whatever the market – and our customers – demand. ITML joining with our existing brands puts us in a much better place to do so, and continue to provide customers with the innovation, service, and value they expect. We will have the products, technology, experienced people, and ideas to raise the bar and set the standard for service in the horticultural container industry!

Thank you. I'll now turn it back over to Max for the Q&A phase.

Max Barton, Investor Relations Director

Thanks John, and I'll through it back to the operator. We will now take questions from the investment community. Again, please stay focused on the acquisition topic. Operator, go

ahead and get the questions queued up.

Operator: Ladies and gentlemen, at this time, we will be conducting a question-and-answer session. If you would like to ask a question, please press *1, on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press *2, if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset, before pressing the * keys.

Our first question comes from Chris Manuel with Key Bank Capital Markets. Please state your question.

<Q>: Good morning gentlemen.

<A>: Good morning Chris.

<Q>: A couple of questions for you. First , congratulations, it sounds like a fabulous opportunity here for you.

<A>: Thank you, it is.

<Q>: Now that you have ITML in-house, it sounds like you will almost double your revenues. What marketshare do you estimate you will have in this segment now?

<A>: Chris, as you know, a lot of our competitors in this business are private companies. So it is very hard for us to determine what the marketshare is, but I can assure you that we are the big mamoo so to speak in this business now by far.

<Q>: So something probably north of 50% then you guess?

<A>: I would guess that, yeah.

<Q>: Okay. You indicated that it was about 150 million in revenue. Can you tell us, are margins similar to your existing lawn and garden business? What sort of multiple did you pay for the business trailing you, just all that type of stuff?

<A>: Chris, I can tell you that yeah, the revenues for the trailing 12 months period are closer to 170 million. You know, margins are similar to what we are experiencing today before we take into account any synergies related to the acquisition.

<Q>: Okay. So I should assume probably a similar EBITDA to what you have today in that

business?

<A>: N/A

<Q>: Typically, when companies do acquisitions, I think Don you went through 3 or 4 or 5 things that you are looking at for opportunities as far as synergies go, but I'm sure there is stuff on sourcing and other types of.... Typically 3-5% isn't unusual. Would there be anything that would make me feel differently or make us thing differently about this acquisition?

<A>: No, absolutely not Chris. I think you guy's you hit it right on the head there. We know what the opportunities are, there are opportunities that we've done with other acquisitions we've made, and I think you are right on.

<Q>: Okay, thank you gentlemen.

<A>: Thanks Chris.

Operator:

Our next question comes from Sam Nichols with Quillen Securities. Please state your question.

<Q>: Good morning.

<A>: Good morning.

<Q>: Could you share with us possibly how you paid for the acquisition? Cash and stock?

<A>: Yeah, this was an all cash transaction for us.

<Q>: Okay. What were the additional transaction costs beyond the acquisition price? Banking fees?

<A>: There were the normal fees associated with the transaction. I would rather not go into all the numbers at the moment.

<Q>: Okay. You mentioned that it should deepen relationships with customers? So there was some customer overlap?

<A>: Well yeah, there is quite a bit of customer overlap, especially with larger customers.

But, it really becomes important for those customers to understand that what we are going to try to do is to help them run their businesses better, more efficiently. Give them a longer lead time on product and so on. We think it is just nothing but a home run actually out in the marketplace for the customer.

<Q>: Okay. Would you be able to share with us any costs above the acquisition in terms of perhaps you know integration costs, severance, etc.?

<A>: I can't at this time, but like I said in the discussion, there will be some short-term costs as we move forward for the long-term gain. Possibly some closing of facilities, reduction of manpower, you know those type of things that normally take place in the synergistic activity. As we move down the line and we have a better handle on those, we can give you that information.

<Q>: Okay, great. Two more quick questions if I could? You've already been moving recycled slate to some extent, you act as though this is going to allow you to use more. Why is that, there is clearly some technological differences there.

<A>: Well they do it. We probably use, in our current business, about 30% recycled and 70% virgin. They are just about the opposite, they've been using about 70% recycled and about 30% virgin. So we see it as a huge opportunity for our lawn and garden brands to be able to utilize that, especially in commodity products. In addition to that, there is another synergy that goes along, we will be able to use their technology on that reprocessing in our other businesses as well. They do onsite recycling in 4 of their operations. That's just a huge, huge synergy for us.

<Q>: Absolutely, it sounds like a fabulous opportunity.

<A>: Absolutely.

<Q>: I was wondering, with that, you combine that with the increased market concentration. I was wondering if that might change your pricing strategy going forward?

<A>: Well I can't really get into that obviously. Certainly as we speak, there are synergy meetings going on to review where we are in the marketplace with all of these brands, and how we are going to go to the market with those brands. I'm sure that during those discussions there are always thoughts around making sure that we give the customer the best possible value that the customer deserves.

<Q>: Okay, wonderful. Well that sounds like a very exciting acquisition. Thank you.

<A>: Thank you.

Operator:

Our next question comes from Bob Goldberg with Scopus Asset Management. Please state your question.

<Q>: Good morning.

<A>: Good morning Bob.

<Q>: One point of clarification, you mentioned that the profitability of the ITML business is similar to your existing lawn and garden business, but I'm just wondering, are you talking about the run-rate from '05 and through the first-half of '06? Because for the 9-months, you were down because of the third quarter short fall. I'm just trying to understand what kind of numbers we are talking about?

<A>: That is a very good point of clarification. The profitability that we all suffered in the third quarter is due to the reasons that John spoke about in the conference call, but if you looked at the run-rates for 2005 or early 2006, those the kinds of profitability numbers we are talking about here.

<A>: Our expectation is to continue that.

<Q>: Okay. So the profit before tax is in the low teens I guess, 10-11% rate something in that magnitude?

<A>: Correct.

<Q>: Okay, great. In terms of, I know you don't want to talk about levels of accretion at this point, but is it at least fair to say that acquisition will be accretive out of the box?

<A>: It will be accretive in the next 12-month period. If you look at it in that term, it will be accretive, absolutely.

<Q>: Is there a step-up of inventory that has to take place so that it doesn't accrete right away in the first quarter possibly?

<A>: There won't be a step-up in inventory, but as John alluded to, any time that you start working on integration and synergies, there are costs associated with that. I think we will be in a better position certainly at the end of the first quarter to talk about that.

<Q>: Lastly, I apologize if I missed this, but have you closed on the divestiture of the European material handling business?

<A>: We have not closed on that, we're waiting for a few of the conditions. . . the regulatory issues to get closed up. We anticipate that happening in the very, very near future.

<A>: We are very close.

<Q>: Okay. So for the time being, how is this being financed?

<A>: It is being financed out of our syndication loan. We had plenty of headroom to make this acquisition.

<Q>: Okay, great. Then just in terms of broader M&A activity from here, where would you be looking to focus your attention now that you have completed this acquisition?

<A>: We'll be focusing in all 4 of our segments. Actually, our lawn and garden group will continue to look at that. Our North America material handling, our distribution business and our automotive and custom group. By far the lawn and garden and material handling North America probably are the priorities at this point in time and then distribution, then automotive and then custom. But we'll continue.

<Q>: Great, thanks for the help. I appreciate it.

Operator:

Our next question comes from David Leiberwitz with Burnham. Please state your question.

<Q>: Good morning.

<A>: Good morning David.

<Q>: A few question if I may, all unrelated I apologize. First, could you give us some sense of a recasting of your balance sheet, presuming we close Europe on the terms discussed and todays transaction? In terms of long-term debt and shareholders equity.

<A>: We talked a little bit about the last piece of that, you know as we look at its debt capitalization, we'll be on the short-term prospective probably pushing the 58% range, and then dropping very, very quickly obviously when we get the funding from Europe.

<Q>: Well when you get the funding from Europe, does that push you back to a 55% equity, 45% debt?

<A>: You know, I don't have those numbers in front of me, but that sounds pretty close.

<Q>: Okay, a second question. Are you taking debt, assuming any debt from the acquisition? From the Company itself?

<A>: There was debt in the company, we've paid all of that off. Now basically the debt now exists in our vault.

<Q>: In terms of their brands, most companies like to have good, better and best, will you work that, and which labels go where in the good, better and best hierarchy if you are going forward that way.

<A>: It is very possible that we will. It is one of the things that is being reviewed as we speak with the synergies teams from the sales and marketing side. Now we feel that in some cases that the Dillen brand could be positioned as best, the ITML as better, but in some cases and in some products the ITML brand might be positioned best and Dillen or Pro Cal brand as better. So I can't give you an exact answer, but I'm sure that there will be positioning David.

<Q>: Okay. Is there any goodwill going on to the balance sheet because of this transaction?

<A>: There is going to be a limited amount of good will.

<Q>: Let me see, 2 other questions here. In terms of the widened number of customer overlap, will they be willing to accept more than one brand or are you going to be stuck with trying to increase based on the single brand?

<A>: I think in a lot of cases, the customers because of the overlap, they will like having both brands, especially the people that self-service and so on. They like to be able to sell the Dillen brand or the Pro Cal brand or the ITML brand. I think in essence they're going to be very pleased with that. That is kind of what we have heard so far.

<Q>: What about private label business? Is that something you are now better equipped to handle or would you still stay away from that because it is not enough market?

<A>: We do that, we do some private label stuff for people like Proven Winners and so on.

That is very much a part of this business and very much has been a part of the ITML business. That may even increase.

<Q>: The last thing. In terms of the cost to create the synergies you want and getting rid of redundancies etc. Will those costs be so great in any given quarter, that they will exceed the synergies and positive accretion to earnings you're anticipating?

<A>: No, I don't believe so.

<Q>: Well that the accretion in each quarter will be greater than you expenses in each quarter having to do with the deal?

<A>: Well I think if we look at it as part of this deal, but encased in a particular quarter where there is some additional synergy activity for maybe another segment of something that is all put together under the Myers umbrella, that could be an issue. As far as this deal goes, I don't believe that is going to be a problem.

<Q>: Great, just one last question. Which is stepping off from here, but it was already discussed. Are there other acquisitions you are looking at, at this time, that you would hope to be able to tell us about in the next few months.

<A>: Yeah, as you know, we are always looking David. I kind of just paraphrase what I said in the early discussion is stay tuned okay.

<Q>: Okay, thank you.

<A>: Alright, thanks David.

Operator:

Thank you. Just a reminder, to ask a question please press *1 on your touch tone keypad. To remove yourself from the queue, please press *2. We will pause for a moment to poll for questions.

Our next question comes from Chris Manuel with Key Bank Capital Markets. Please state your question.

<Q>: Hello again gentlemen, just a quick follow up. When we think about you know following David's question about the balance sheet, so you will probably be levered at... You know after you get both of the European piece sold and this piece added on, it looks like it will be a net somewhere between 10-15 million of debt that will be added on the

balance sheet. So you may be levered about 3 times on a debt EBITDA basis. John, you are talking about some extra acquisition or some other areas you are looking. At what levels would you feel comfortable with where the balance sheet is. . . . should we assume that there may be other divestitures or swaps as well if you don't want to extend the balance sheet much more?

<A>: I'm going to let Don talk about that. Well Chris as you know, we have a very strong balance sheet. Right now, as we look at continuing acquisitions, we plan to continue to do that with debt, right now specifically given the fact where our borrowings are. I think I have answered his question.

<Q>: Well let me ask you this in a little different way. Where would you be comfortable taking the balance sheet to? Four times levered, or from a direction, or debt to cap, where would you think about it?

<A>: You know what, if you look at debt to cap right now at about 58%, we are pretty comfortable right there. I don't have any issues with that, but as you know, we are going to be paying it down pretty quickly. I wouldn't want to go over 60 for the time being, but you know it depends on the acquisition, and the right acquisition at the right time, could cause us to go above that. Right now, we're comfortable where we are.

<Q>: Okay, thank you.

Operator:

Our next question comes from Sam Nicholls with Quillen Securities. Please state your question.

<Q>: Hi again, with ITML using far more recycled slate than your division.. I was curious if that implies that there SG&A expense as a percent of revenue is higher than yours? Given that your margins are about the same?

<A>: They're SG&A expenses are just a little bit higher than where we are as a Company.

<Q>: Okay, great. Thank you very much.

Operator:

Ladies and gentlemen, there are no further questions at this time. I will now turn the conference back over to management, to conclude.

John Orr, President,CEO

Okay, there being no further questions, we thank you all for being with us and have a pleasant afternoon. This concludes it.

Operator:

Thank you. This concludes today conference, thank you all for your participation. All parties may disconnect now.