Titan International, Inc. (TWI)
Transcript of Q1 2022 Earnings Call and Webcast
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Company Participants

Todd Shoot - Senior Vice President, Investor Relations and Treasurer
Paul G. Reitz - President and Chief Executive Officer
David A. Martin - Senior Vice President and Chief Financial Officer

Conference Call Participants

Larry De Maria - William Blair
Steve Ferazani - Sidoti & Company
Komal Patel - Goldman Sachs
Kirk Ludtke - Imperial Capital

Presentation

Operator: Good morning, ladies and gentlemen, and welcome to Titan International, Inc. First Quarter 2022 Earnings Call and Webcast. [Operator Instructions] It is now my pleasure to turn the floor over to Todd Shoot, Senior Vice President, Investor Relations and Treasurer for Titan. Mr. Shoot, the floor is yours.

Todd Shoot: Thank you, Sam. Good morning and welcome everyone to our first quarter 2022 earnings call. On the call today, we also have Titan's President and CEO, Paul Reitz; and Titan's Senior Vice President and CFO, David Martin. I will begin with a reminder that the results we are about to review were presented in the earnings release issued yesterday, along with our Form 10-K which - I'm sorry, 10-Q, which was also filed with the Securities and Exchange Commission yesterday.

As a reminder, during the call, we will be discussing certain forward-looking information, including the company's plans and projections for the future that involve risks, uncertainties and assumptions that could cause our actual results to differ materially from the forward-looking information. Additional information concerning factors that either individually or, in the aggregate, could cause actual results to differ materially from these forward-looking statements can be found within the Safe Harbor statement included in the earnings release, attached to the company's Form 8-K filed earlier, as well as, our latest Form 10-K and Forms 10-Q, all of which have been filed with the SEC. In addition, today's remarks may refer to non-GAAP financial measures, which are intended to supplement but not be a substitute for the most directly comparable GAAP measures. The earnings release, which accompanies today's call contains financial and other quantitative information to be discussed today, as well as, a reconciliation of the non-GAAP measures to the most comparable GAAP measures. Q1 earnings release is available on the company's website within the Investor Relations section under News and Events. Please note a replay of this presentation will be available soon after the call, within the Investor Relations section on the company's website and a copy of today's call transcript will be made available on our website as well. In addition, our latest quarterly investor presentation is available on our website currently.

I would now like to turn the call over to Paul.

Paul Reitz: Thanks, Todd. And good morning everyone. A couple of months ago in early March, we released strong results and expectations for 2022 that really illustrated the progress we have made of the company in recent years. I have to start off today's call by saying, our 1st quarter took that ball and ran with it hard, as our results were excellent this quarter and really a good way to start 2022. We posted Q1 revenue of $556 million which was our highest for a quarter since early 2013. The topline growth was

well supported with strong flow through to operating gains, as our gross margins improved to 15.6%. That led to our Q1 adjusted EBITDA coming in at $57 million, up over $30 million from last year. Our adjusted EPS came in at $0.44 a share, compared to seven last year. Again it was a very good first quarter for the Titan team. David will share more financial information, and I'm now going to switch gears over to the market landscape.

With our year-end results, we stated that we believe there were numerous positive aspects going for our business and end markets that we're lining up well for 2022 and beyond that. We continue to believe that is the case in our first quarter results and 2022 order book provide support, along with a number of other market factors that I'd like to point out. Let's start off by looking at commodity prices that remained at high levels, and are well supported with global supply-demand dynamics that bodes well for future prices. The strong commodity prices, combined with supportive government programs has positioned balance sheet for the global farmer in a really good place. These economic factors, combined with an aged fleet, along with continually low historically well equipment inventory levels, especially for used equipment at large AG really create a robust demand environment for the foreseeable future. So elaborating further on that, these market forces combined with delays, in order deliveries from the OEMs, as they work through some production challenges, really provide support and momentum for a multi-year demand cycle. I've spoken previously about surveys related to the AG sector and I'm sure a lot of you follow them as well. So I want to take just a quick minute and comment on some of those recent surveys that have shown a drop in farmer sentiment. I want to state that I believe those surveys should not be viewed as a reduction in the overall demand levels at this time, but rather they should be seen as a result of OEMs pushing out end users orders and also the spike in farmer input costs such as fertilizers. If you look at the factors I've mentioned previously that provide strong longer-term support that really those surveys are not necessarily designed to catch as they're really grabbing the short-term noise in the responders' mindset at that moment, they're given the responses. So looking at the OEM market, we do believe that we're really in a good position with our order book and really where things are trending for again 2022 and beyond. So if you now switch over to the aftermarket, we are still reflecting a strong demand environment for replacement tires amidst the shortages that you're seeing in available equipment along with really the strength of our LSW products. We've mentioned that many times, but LSW can make existing equipment perform better. So if you look further down the road, it still does not appear likely that 2022 OEM production levels are going to put much of a dent in the low dealer inventories, especially in large AG. So you're looking at 2023 before meaningful inventory replenishment could take place, an unmet 2022 retail demand we'll just keep carrying forward into future years. Again, the point being with that there are a good number of positive forces in the AG sector and appears this positive AG wave is going to keep flowing.

And while we can be viewed as an AG-driven company, let we switch gears over to earthmoving and construction, it represents 35% of our sales. And of course, it's where our undercarriage business is a major global player. We stated last quarter and still believe that our EMC segment continues to look promising, as you have the expected infrastructure investments that will kick into gear this year, next year and further down the road. There we will continue to provide support, further support to the demand levels that remain strong at current times. We continue to see demand and orders are at really good levels. But similar to the AG OEM there is production pressure to meet those current orders. So I think we sit in a very good position where that demand cycle, will just have a longer tail to it. We discussed in the EMC segment, we often speak about our IT and undercarriage business and its strength of the company. I do want to take a second though to touch base on our Bryan Ohio plant. In the plant - in the past this plant was nearly 100% EMC, and we have previously stated that we have shifted away from producing super giant tires accept in some low-risk cases, where we know the customer and the application are appropriate. And over the past few years, our team has really worked hard to transform Bryan strong production capabilities into a mix of construction earthmoving and now AG. In fact, in recent months,

Bryan's plant production has been right around the 50% AG level. It's driven by the continuing growth of our large LSW products and the launch of our new AgraEDGE line. Now, this transformation with Bryan has ushered in a solid improvement in their financial performance, along with the continued investments, we will make to increase our LSW capacity in North America. We are also investing to improve our efficiencies and construction and forestry to ensure that our Bryan Ohio plant keeps moving forward in a positive direction.

Our 10-Q provides an update on Titan's Russian operations. I would like to state here that Titan understands the gravity of the crisis in Ukraine and contributed to organizations supporting those humanitarian needs. We also understand the struggle that millions around the world are facing from escalating food cost and food shortages and we are doing our part in the AG world to help with that troubling situation.

So wrapping things up here on a global basis, our Titan team will continue to be there to meet our customers growing expectations. We have an impressive, an extensive global production footprint that is staffed, exceptional people that day in and day out, are producing quality innovative products. Based on the strength of our Q1 performance and really the solid market landscape that we see, we have now increased our 2022 expectations and are expecting full-year net sales to be above $2.1 billion with adjusted EBITDA to be around $200 million. I also want to add that improved expectations have driven an expected increase in our free cash flow to the range of $55 million to $65 million. This updated outlook is a nice increase over our previous expectations. But I do want to say that we do put a lot of effort in our forecasting process, these positive updates are not because our finance team is just guessing or sandbagging with the forecast, but it really reflects the tremendous job our Titan team is doing battling through whatever challenges are put in front of us and our ability to keep moving forward to improve our business and really be there to take care of our customers and end-users' needs. I do want to add that these are things - there is a lot of things that we've done through the years that put us in a position where we can raise expectations. In our recent years, we've made structural changes to our company by improving or eliminating underperforming businesses. We have restructured our product portfolio to remove inefficient and negative margin products while continuing to introduce market-leading innovative products that connect us to the end-user and, like I've said many times, make equipment perform better with our LSW. We have implemented intelligence into our pricing models that are able to handle a constantly changing landscape and overall, our plants and our production teams have consistently implemented changes that improved our efficiencies and really our overall quality rates. But perhaps, most importantly, our one Titan team has been exceptional time and time again in dealing with the challenges while we continue to move our business forward.

I want to take a moment just to share the fact that we recently published our first comprehensive sustainability report. It's now available on our website. We have been on our own ESG journey for some time now. It is important to share our progress. We have a strong commitment to continuous improvement at Titan and we fully understand our impact on the world when it comes to not only the environment, but also our workplaces and the communities within where we operate.

With that, I would now like to turn the call over to David.

David Martin: Thanks, Paul and good morning. Our performance this quarter truly demonstrates how far Titan has come as a company and we believe that we have many exciting things ahead for us. Let's start with our biggest highlights for the quarter, Q1 represents the seventh quarter of sequential sales growth and net sales grew 14% sequentially from Q4 and 38% from last year in the first quarter, our gross profit grew 63% from last year and our margin reached 15.6% which is the highest we have seen in almost a decade. Adjusted EBITDA for the quarter was $57 million, increasing $21 million from last quarter and $31 million from Q1 last year. Our cash balances were stable again this quarter at $98 million

even with growth in working capital that came on continued sales growth. Last but not least, our net debt leverage fell to 2.6 times adjusted EBITDA on a trailing 12-month basis, which is down from 2.9 times at year-end.

Paul already updated you on where we see the year going now which, is tremendous performance with growing momentum in the business.

I will update you on a few other key metrics for the year in a little bit, but here are a few important points relative to the segment performance in the quarter, starting with AG. Agricultural segment's net sales accounted for 56% of total sales this quarter and were 310 million, an increase of 101 million from Q1 last year and was up sequentially from Q4, by almost $45 million representing 17% sequential growth. We had strong growth from both aftermarket and OE this quarter with a healthy production balance. We also had good balance between growth in volume and the impact of higher pricing reflecting cost of raw materials and all the other inflationary cost impacting the business. Each of our major global regional businesses experienced growth in the segment year-over-year and currency devaluation impacted sales in the quarter by almost 6% relative to Q1 last year. The agricultural segment gross profit for the first quarter was $48 million up from $30 million last year, representing 61% improvement.

The gross margins were 15.5% for AG up from 14.3% last year in the first quarter and 14.2% in Q4 last year. Our growth in gross profit margin was impressive in the quarter, driven largely by improved profitability across all of our production facilities and the efficiencies we were able to drive with more seasoned workforce after adding labor capacity last year.

Our Earthmoving and Construction segment experienced strong quarter as well. Overall net sales for the EMC grew by $36.5 million or 22% from last year in Q1. It's also compares favorably to the fourth quarter 2021 levels with sequential growth of $18 million or 10%. Again, all the major geographies experienced year-over-year growth during the quarter, with the largest growth coming from ITMs, undercarriage business, which grew 25% from first quarter of last year. Growth for the segment was driven by increased pricing related to higher raw material costs and other cost inflation during the quarter as well as healthy volume increases across all of our operations and partially offset by currency devaluation of 3%,

Gross profit within the EMC segment for the first quarter was $31.4 million, which represents an improvement of almost $12 million or 59% from gross profit last year in the first quarter. Our gross profit margin in the EMC segment was significantly better at 15.6% versus 12% last year. Again, the largest driver, the increased profitability, came from the increase in sales in ITM while growth occurred across all of our businesses and geographies across the globe, a year-over-year.

Lastly, the Consumer segment's Q1 net sales were up 51% or 15 million compared to last year. Many pieces came together for the quarter with certain specialty products that are sold in various parts of the world, including our custom mixing of rubber stock in the US. We also had a small increase in sales of utility truck tires in Latin America, which had seen a few quarters of lighter activity.

The segment's gross profit for the first quarter was 7.4 million, a $3.7 million increase from Q1 last year and the gross margins were strong at 16.5%, improved from Q1, 2021 margins reflecting the positive mix of products and solid pricing.

Our SG&A and R&D expenses for Q1 were $39 million representing 7% of net sales for the quarter. Again, like recent quarters, our expenses include variable spending and compensation reflecting significant increase in sales and profitability during the period, along with some provisions we made in the quarter relative to managing risk with our operations in Europe and in Russia, which accounted for

approximately $1.3 million of the increase year-over-year. As a percent of sales, our operating costs dropped 210 basis points year-over-year. Our reported taxes on income in the first quarter were $8.7 million, which is reflective of our increased taxable income in the quarter.

As a percent of pre-tax profits the effective tax rate was 26.1%. My expectation is that our income tax expense for the full year will still approximate 20 million, which principally represents our cash taxes for the year as well.

Now let's check in on our cash flow. Our cash balances remained stable at $98 million this quarter, our operating cash flow was negative in the quarter, which was driven by the increase in working capital from the sharp increase in sales, again in the quarter. We controlled our capital spending in the first quarter as well at 7.6 million dollars which is slightly lower than what we spent in Q1 last year. I continue to expect that the full-year capital expenditure target would be $45 to $50 million, while we will continue to monitor cash flow relative to ensuring we are investing in our growth initiatives, and then also ensuring the maintenance of our production facilities and making sure that we have robust operations especially as our volumes are very high.

As we reported, a few weeks ago, we sold our wheel operation in Australia at the end of the first quarter and we were able to generate approximately $17 million between gross proceeds from the sale and the cash to be repatriated. Approximately $5 million of the total cash flow from the transaction remained outstanding from the buyer at the end of the quarter, which were subject to post closing review of the accounts. The majority of this amount was paid by the buyer in the last few days prior to this call.

As we have discussed on previous calls, we remain very focused on managing working capital across the business, especially in this high growth era. At the end of the first quarter, our liquid working capital as a percent of annualized sales based on the most recent quarter was 19%, which is stable with year-end, but better than a year ago at this time at 21%. We also measure this in terms of days outstanding or the cash conversion cycle, which was 75 days at the end of Q1 compared to 81 days a year ago. The discipline that we have created is intact and, in fact, there are initiatives underway to further improve our practices and which is expected to be realized over the course of 2022.

I mentioned it at the outset that our debt leverage at the end of March improved to 2.6 times trailing 12 months adjusted EBITDA, down from 2.9 times at year-end. I remain confident that we can improve our leverage position over the course of the year based on our expected financial performance and we are in a strong and stable position for the future at this level of leverage.

Our financial performance in the first quarter showed the power of the business and the collective decisions that we have made to position the company for a stronger market backdrop. Paul discussed it earlier, but our full-year outlook has improved based on our first quarter performance and our improved visibility over the next several quarters, with our customer order decks, our forecast and improving production capabilities. With sales expectations of $2.1 billion and the EBITDA target of $200 million, we expect that our cash flow for the full year will also improve from the guidance we stated last quarter. We believe we can generate between $55 and $65 million in free cash flow in 2022. This is based on the latest profitability working capital and CapEx forecast. We expect that we will gain momentum in free cash flow generation, as we progress through the year and this follows our traditional seasonality and lower working capital requirements during the second half of the year. It is a paramount target for our management team to generate the forecasted free cash flow as it gives us further flexibility to balance growth initiatives and to create further stability for Titan's future.

So in conclusion, Titan's story continues to build, it's a great story and it is exciting to share, what's going on. Now I'd like to turn over the call back to Sam for any questions that you have today. Thank you very much.

Question-and-Answer Session

Operator: [Operator Instructions] We'll now take our first question from Larry De Maria of William Blair. Larry, your line is open.

Larry De Maria: Hi, thanks, good morning everybody and thanks for today. A couple of questions, first, I think we're over 18% top line growth now. Can you delineate let's say between price and volume now in the outlook?

Paul Reitz: At this point, I think what we're going to see going forward is similar to what we've seen in the past, it's a good mix of price and volume. We're making productive progress in increasing our production levels with the labor and the hiring that we brought on, we're getting that labor more experienced and trained. So they're productive rates have gone up. We've implemented some new incentive programs in our North American union agreements that we've mentioned and we've seen a nice uptick from that and so we will continue to see in our forecast and our updated guidance that we gave increases in volume that are very similar to what we've seen in the past, along with price mix being relatively similar to the past as well.

Larry De Maria: Okay. And then obviously one of your customers having a strike. Can you talk to us about how that plays out in your guidance? How you thinking about that, how would the expectations around that are?

Paul Reitz: Yes, I'll answer that from both perspectives. The first from the CNH side and having spent time with their CEO, I mean he is a strong experienced leader. I know his focus when he came into the role was to really work hard on their supply chain, their production with his background and his experience I know CNH is moving in a good direction in relation to that. So from CNH's aside, it's day two, it's difficult to predict at this point what happened, but I certainly hope them the best to work out that situation as quickly as possible. But again I can say personally, I have a lot of confidence in CNH's leadership but from Titan side, you look at where we sit, where we have a strong order book. The demand we have for tires, we can adjust our deliveries really at this point I don't see us adjusting our production schedules that really adjusting our allocations in our delivery schedules as CNH works through their situation if needed. At this point, I'm not going to draw conclusions again day two but if needed, we can adjust. I don't see that having a significant impact from how we continue to operate day-to-day. On the wheel side of the business, it's the same, a lot of the wheels are similar just different colors. And so we just need time to run through our production schedules and adjust but at this point I'm not going to make any predictions on where that's situation goes, I know they are working very hard on both sides of the fence to get things in a good productive solution. But from our side of Titan, I believe will continue to operate as we have been and again, I do have a lot of confidence in CNH's leadership that they really, as a company, will continue to move in a good direction.

Larry De Maria: So essentially your guidance doesn't contemplate any changes there based on the idea that you can probably move the production around if need be. Is that fair to say.

Paul Reitz: Yes, that is fair to say.

Larry De Maria: Ok, thanks Paul, Good luck

Operator: Thank you, Larry. Next question is from Steve Ferazani of Sidoti. Steve, your line is open.

Steve Ferazani: Good morning, everyone. Wanted to start by asking about the very substantial sequential growth in revenue off of 4Q. I'm trying to get a sense of how much of that was beginning of the year price hikes or was that - what drove or alternatively what drove so much volume improvement sequentially?

Paul Reitz: Well, I think you had a couple of things. Our pricing is evolving. And it's a constant process, and we've talked about that, not just in response to the inflationary cycle we're in now, but as a company, I'll point back to 2017 where we really put a lot of emphasis, improving our intelligence around our pricing models and how we approach the value proposition of our products. And so, pricing is a 12-month a year project that is constantly evolving. So there's not a January 1 change that necessarily it drives everything. So I think that, along with as you look forward into the quarter, you got to remember, Q4 - Q1, I should say, and look forward into Q2, don't think that the wrong way. But if you compare Q4 to Q1, Q4, we do have holidays we have plant shutdowns, we have maintenance. So there's a lot of production challenges that you don't have in Q1, I mean Q1, you get the opportunity to really just run all out. Similar with Q2, and so we talked about that in the past for Q3, Q4 it's not the seasonality necessarily within our order flow, but it's the maintenance of the plants, it's the production schedules, as you get more vacation and holidays. So, Q1 is a clean period for us. The workdays in the off-time is minimal, compared to Q4 and we're really able to run quite effectively and, again, I have to take any scheduled off day. So very, very productive period for our team, and again, just as you look forward to Q3 and Q4, do keep in mind that you do have some plant maintenance that is required that we do take.

Steve Ferazani: Q1 typically turns into a slightly stronger Q2 and then decline in Q3, Q4 that see you're looking for more typical seasonality in that fashion?

Paul Reitz: Yes, I think so at this point that historical pattern, but then we feel good about our labor levels. So last year we did a really good job hiring. And we're continuing to work hard on the retention piece. And we're up - I want to say, we're up like 2.5% globally right now. So we feel like we're in a pretty good position with our headcount. We do balance the fluctuation of production schedules, with how we manage it through with overtime. So really what you normally look at that is in Q3, Q4, you just have you have weeks that you have to take out of the scheduled for maintenance and especially in an era wherein right now, we're running as hard as we are. So I know in prior years, you've seen kind of Q3 and Q4 tends to be a little bit different, but the way I see things right now, we're very comfortable labor where we sit kind of let that labor continue to flow. We are hiring where we need in certain specific cases, but again, I think, we'll just keep things running, assuming a steady-state with the labor, you'll have a Q3, Q4, seasonality driven by some holidays and plant shutdowns.

Steve Ferazani: Okay, that's fair. I wanted to ask a question about consumer it's probably the smaller segments by the one, we talk about the lease to the one I ask you about the lease but significant growth there again year-over-year and sequential and a really strong gross margin this quarter. Can you give a little bit of color what's going on in the consumer business? That might be different than the other two.

David Martin: Yes, Steve, this is David. There are variety of factors that played into that we had a little bit of growth that coming out of our utility truck tire business in Latin America, but one important component of it was, we do third-party custom mixing rubber in one of our US plants and we've made some strategic moves to grow that third-party piece. And we saw some pretty healthy growth in the first quarter and we have call it healthy margins relative to that part of our business. And that was a nice component of it. And plus we have a little bit of a mix, if you will, between some of our smaller tires that go to a variety different areas of the world that gets classified as consumers. So, all those three pieces put

together, it led to a pretty, pretty strong quarter. By the way, Steve, no reason to believe that that that goes back from here, so.

Steve Ferazani: So you expect that third party business to be sustainable at least over the next few quarters.

David Martin: Yes.

Steve Ferazani: Okay, fantastic. And then, just Paul, I think you did a nice job, at the beginning, talking about the sustainability of the multiyear replacement cycle. But it clearly, it's the focus of a lot of investors right now. So just want to follow up with my last question just on given higher food prices in the potential for any kind of demand destruction given that inflationary pressures on farmers just your confidence that we're looking at multi-year given the key issues and higher interest rates given the multitude of issues that are potentially out there. Your confidence on a multi-year cycle.

Paul Reitz: Yes, no, I think it's a good question, Steve, I must start at the top of the pyramid, where all of us are going to continue to eat, as well *(inaudible)* you're going to see the retail and consumer inflation or pricing is going to have a much bigger impact on retail and consumer, then it would on food. You know all of us, the last thing what you go home to our kids and so I guess what we're having or have oatmeal tonight instead of chicken or beef. So, I think where we're in a good position where we sit, when you just look at the top of the pyramid that inflation has less of an impact on our industry than others and then you look at the impact on inflation with farmers input costs. The way I look at it is the supply-demand dynamics are so strong for agriculture, that there is no way that the inflation will destroy those supply-demand dynamics. So again, where you see inflation have a bit impact is when commodity prices are low, but demand is high. We know the struggle that's going on with large grains around the world that crop output and just look at the planning cycle right now in the US, because of Mother Nature has been quite wet for the last month. I think we're like a third right now where we were last year at this time.

So I look at the supply demand environments. Steve, as overriding anything to do with inflation especially good it's tied to food and so I think you start at the top of the pyramid and kind of work your way down. What I feel good about is when you look at some of the metrics that are out there I mean, they're talking about production impacting OEMs. But really the impact has been from what I see it has been about 2%. So you're still at a very healthy growth environment. Now people may look at that and go oh my god, the trend is going down, but it's going down by such a small level that from my perspective as a supplier into the agriculture construction markets I think that's a very good thing. It allows us the ability to manage our labor, as I mentioned earlier, we feel good about our labor. The last thing you want to do is have the cycle that run so high and wild and then low and destructive. And so I think we're in a really good position for our industry compared to history because you're seeing that growth be somewhat moderated by production issues, but there is still going up. There is still positive. And so I like where we sit as a company where we can manage our labor and our efficiencies better. I like the fact that demand is still strong in our sectors but then kind of go into the other layer the pyramid, Steve. The customers I've met with just recently last week, inventory levels are low. Inventory levels are very low. So the way you can moderate any fluctuations you have with inflation with production issues. The end of the day, we got to keep producing just because the dealers, got to get more inventory on to under their lots. And what I'm hearing from our upper management with our customers is, don't worry about where we are exactly production or demand goes because we have to absolutely continue to fill inventory in the way you look at it. They're not going to get much of the inventory filled in this year and that's where you start to see that carry forward into next year. So when we talk about a multi-year cycle, you got strong supply demand, high commodity prices., strong balance sheets, low inventory, I think we're in a really good position, not just for this year, but next year as well.

Steve Ferazani: Thanks Paul. Thanks David

David Martin: Thanks Steve

Operator: Next question is from Komal Patel of Goldman Sachs. Komal, your line is open.

Komal Patel: Hi, good morning, thanks for all the helpful color so far it's been really great. Maybe just one question following up on the CNH conversation earlier. The press release from late March that announced the long-term agreement with the company $400 million across three years. I wanted to ask how is this compared to the business that you've already been doing with CNH and is there scope more business or this amount to grow from here?

Paul Reitz: Yes, I know there is certainly is the way we approach those long-term agreements is we want to develop consistency with a long-term agreement and give us then the ability to increase in scope as you move forward within the contract. So our customer base is really strong. We deal both AG and construction with a global customer base around the world and we feel very good about our customer base. And so when you structure an LTA, you want to do it with the mindset that it's got to be a win-win for both sides and what we look for is consistency and commitment and then with them what they look for is that we can flex and adjust upwards as their situation changes and they may require more from us, but we can't be sitting around waiting for that demand just to come falling in if we don't have a good consistent baseline, we won't have the labor, we won't have won't be trained, we won't have the scheduling process in place to be able to support them. So the way I see it as it's a win-win, because again we get that consistency that allows us to schedule, have labor, raw materials etcetera available to produce for them at a baseline but it's a lot easier to flex upwards from there, if needed. So again that's how I structure the LTA from our perspective, I'm not sure how CNH looks at it, but I think they're looking at it a similar perspective.

Komal Patel: Got it. That's helpful. And then second question, just given the strength of the business recently and the positive trends persisting in the near term. Is there any major CapEx or sort of CapEx projects or other uses of cash that you could expect?

David Martin: We're working under a multi-year cycle of investments that we need to make within our facilities and our plans to for capacity for efficiency and productivity across the plants as well. And so I feel pretty comfortable that we can maintain that kind of range that we're in and with the programs that we have in place. We can flex up or down based on some opportunities that we see for the market, but from a pure CapEx standpoint, we're in a good place.

Komal Patel: Got it. And last one maybe just following the divestiture of the Australian wheel business. Are there any other businesses that could be considered non-core anything that you're sort of thinking through just again, especially since performance is so robust in the core businesses?

Paul Reitz: Yes, I mean, we've talked in the past about our tire recycling business, we've done a good job with that business as far as we can take it. That's something that I do believe there could be some opportunities to either partner or divest of that business, especially, as there is momentum, growing in the recycle carbon black arena and there is more and more players that are looking to get into that sector. So I think something we would be looking down the road again it maybe not a full divestiture but a partnership to help get that business on for us. I guess help get that business more involved with the environmental-friendly landscape that it can really provide to the right customer base. We just, we just aren't the right person to be able to utilize that full capacity they have up there into our production. You know, so I think a partnership would be really good where, again, it's a very environmental-friendly

process and with the right partner I think they could do a lot of good for the industry. But at this point that's probably the only thing that I would say is still on the table is the potential divestiture.

Komal Patel: Got it. And do the challenges in Russia and sort of the higher carbon black cost change the sort of fundamentals are growth prospects of that business just given everything that's happening?

Paul Reitz: Well, I think as there is in place I would agree with your comment, because one of the challenges we've had, we get into the proper position within the market is, is the cost of virgin carbon black compared to the cost of processing recycle carbon black. So I do think it's the way of the future. And again, there's been a couple of announcements in the last few months that are positive in that direction, and I think Komil, it's a good point you bring up it's partly being driven by the fact that the virgin carbon black is going up in price, which gives you more room to bring that into the market at a reasonable price and I do think it will happen, I do think it will move in that direction. And certainly, we want to be a part of it with what we got up at TTRC but time will kind of tell which direction that ultimately goes.

Komal Patel: Perfect. That's really helpful. Thanks so much.

Operator: Thank you Komal. Our final question goes to Kirk Ludtke of Imperial Capital. Kirk, please proceed.

Kirk Ludtke: Hello guys, Thanks for the presentation. Congratulations on the quarter. Just a couple of follow-ups. One topic would be steps that you're taking to, while the environment strong steps you're taking to improve the business through the cycle. That's one topic. And then, and then the other is capital allocation. With respect to the improving the business, the commercial arrangements that you're pursuing, do they provide any kind of floor on volumes when the industry recedes.

Paul Reitz: Yes, Kirk. That's a good question. So I'm improving our business. I'll start with that last piece you just highlighted. Going back to what I said earlier, that's where we approach these LTA's from a win-win perspective where we that consistency, which is really a floor and volumes. Again, as we bring in a workforce. They are highly skilled that we get them trained, we need to have that consistency. So those LTA's are very important for us from that perspective, but it also just strengthens that relationship with them with our customers, our large customers from a risk mitigation perspective. So I think the landscape over the last two years is Titan has proven throughout this cycle that we're in that we can be there as a trusted partner and the value proposition of the products that we produce. We work hard to do it efficiently we put leading-edge technology into the marketplace and we focus hard on producing quality products. So with all the investments that we put into our business that risk mitigation that we bring to the marketplace, I think is the value that is being reflected in these LTA's as well and obviously as globalization becomes regionalization, I do think Titan is very well positioned with our plants. Our production capabilities to be there to serve our customers and again those LTA a reflection of that. So to answer your question, yes we do look to pursue that consistency through floors and volume commitments, but then that also gives you the upside to overproduce or increase not overproduce is the wrong word, but increased production well above those floors that are in that agreement as well. As far as the business improvements going back to the first part of your question, I'll turn it over to David for the second one, I really look at what's going on at Titan is a reflection of what our team has accomplished and what we're capable of doing and we've seen that over the last couple of years, but I also want to just make sure that it's clear, it's deeper than that. We didn't just wake up in January of 2022 and all these things is fell into place. We've been working hard to make a lot of structural changes to the company and pretty much all facets of the business, and I give all of us the credit for doing that. It's been hard. We've been in some down cycles. But during those down cycles we kept improving and we kept improving in very significant ways and it's great to see it all come together and I do think what we posted here in 2022 what we

accomplished in 21 is really, and the updated guidance we provided for this year, again as a reflection of a multi-year effort and not something that is just again something that just happened quickly and abruptly, so I want to give the entire team credit for what we've accomplished over many years to put us position where we are today.

Kirk Ludtke: That's better. Helpful. Thank you.

David Martin: Yes. The second part of your question was regarding capital allocation. I don't know. Let me, let me try to take a stab at what you're after there. Nothing has really changed with respect to the comments that we made last quarter. We believe the improved cash flow, the leverage point that we sit at today, we're in a much better position and all of this gives us optionality, the flexibility to look after growth initiatives that we have in the company, investments we need to make in the business and ultimately providing the best return to shareholders as we possibly can as well as all of our constituents. And so, we're in a really good position and will continue to maintain a conservative posture that we have on leverage and we believe we have some good options in front of us and we will take all those opportunities and in lockstep with our board and make the right decisions for everybody.

Kirk Ludtke: Great. I appreciate it. Thank you. Could you remind us what you're authorized to buyback?

David Martin: In terms of share buyback? Yes. We had an authorization from the Board a couple of years ago that we put in place, it was $25 million.

Kirk Ludtke: So you've exhausted that in the first quarter?

David Martin: Well, that was a special authorization for that specific purpose that was authorized by the board. So that $25 million remains outstanding as know you could buyback.

Kirk Ludtke: So you could buy that another $25 million. Okay, that's - I appreciate that.

Operator: Thank you, Kirk. That concludes our Q&A session. So it's my pleasure to turn the call back over to Mr. Reitz for closing remarks.

Paul Reitz: I appreciate everybody's participation in our Q1 call today and look forward to touching base with you on our second-quarter results. Take care. Have a good day.

Operator: That concludes the Titan International, Inc. first quarter 2022 earnings call and webcast. Thank you all for your participation, you may now disconnect your lines.