

**Titan International, Inc. (TWI)**  
**Transcript of Q3 2024 Earnings Call and Webcast**  
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***Company Participants***

*Alan Snyder – Vice President, Financial Planning & Analysis, and Investor Relations*

*Paul G. Reitz - President and Chief Executive Officer*

*David A. Martin - Senior Vice President and Chief Financial Officer*

***Conference Call Participants***

*Stephen Ferazani - Sidoti & Company, LLC*

*Brian DiRubbio - Baird*

*Brian Lantier – Zack's Investment Research*

*Kirk Ludtke - Imperial Capital*

**Presentation**

**Operator:** Good morning, ladies and gentlemen and welcome to the Titan International, Inc. Third Quarter 2024 Earnings Conference Call. [Operator Instructions]

It is now my pleasure to turn the floor over to Alan Snyder, Vice President, Financial Planning and Investor Relations for Titan. Mr. Snyder, the floor is yours.

**Alan Snyder:** Thank you and Good morning. I'd like to welcome everyone to Titan's third quarter 2024 earnings call. On the call with me today are Paul Reitz, Titan's President and CEO; and David Martin, Titan's Senior Vice President and CFO. 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-Q, which was also filed with the Securities and Exchange Commission yesterday.

As a reminder, during this 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 the reconciliation of the non-GAAP measures to the most comparable GAAP measures. The Q3 earnings release is available on the company's website. A replay of this presentation, a copy of today's transcript and the company's latest quarterly investor presentation will all be available soon after the call on Titan's website.

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

**Paul Reitz:** Thanks, Alan, and good morning, everyone.

The value proposition created by our products and our One Titan operating environment continues to support our third quarter results, which included several bright spots against the backdrop of continued challenging conditions in our end markets. One of the things I really enjoy doing is spending time with customers and end users. I've been doing a lot of that lately. During these visits, I frequently hear how our innovative products bring solutions to our customers that improve their operations and really differentiate us from the competition. For a number of years now, Titan has been using that valuable interaction with customers and the feedback we get to really propel our future innovations has provided a strong path not just for today but also for the future.

I'll talk more about that later, but I want to start off with some context on market conditions. This current cyclical AG bottom is really one of the deepest we've seen in many years. Despite the challenges that poses, we really have been able to maintain gross margins well above levels from prior downturns. I think you can look at our assertive management actions and the cost control that we put in place, along with the balance sheet these days that is much better than it has been in the past. These factors have really enabled us to continue to deliver free cash flow that's above our guided levels. David of course will expand more time on that with the financial discussion later. What I want to do now is, focus on market conditions as we wrap up 2024 and really provide some insights on key drivers for 2025 really especially focused on the initiatives we're going to pursue to drive growth.

Despite these challenging end markets, we do see a number of areas of opportunity that we're excited to share our thoughts on. Everybody's favorite topic when you think about anything at the macroeconomic level is, next week's presidential election. Obviously, that's a significant event, really as it pertains to trade policy. Like most businesses as we manage our operations, what we desire most is a policy direction with some clarity, as that will heavily influence both the import and export of many goods, including a lot of what we do related to agriculture products. Once the rules of the game are known, industry participants can and will adjust their business plans accordingly and we expect that to help underpin improving transparency, when it comes to capital equipment demand and in turn OEM production plans for 2025.

In the near-term, what we're seeing for the fourth quarter is our normal seasonal low. As this year, it's being compounded by the OEMs and the dealers in the markets that continue to slash inventories. The commentary we're hearing from leading OEMs has centered on a desire to enter 2025 with lean inventory in place, thus, they're able to better match their production with demand. We saw initial round of destocking post-pandemic that we've been talking about, but then what we've also now seen is a second round of destocking that has taken place this year as OEMs and dealers work to get goods off their lots. For Titan, we actually think this is a positive, as it will hopefully mark the end of this second stage of destocking and will then be what we see as the low point of the cycle for us.

One thing I really want to be clear with on today's call is, we are by no means standing still why this plays out. In our earnings release, I provided several examples of how we are busy working our ways to drive growth for the present and future. We are attacking a variety of opportunities across our business, again led by our connection to end users, which has developed our highly successful LSW tires, which we have been putting into the marketplace and getting tremendous results for many, many years now.

But, to-date though, that focus of our LSW marketing and sales programs has been primarily on larger tractors and combines, where we see a lot of opportunity in the future is to expand into more of the mid-sized tractors. The bottom line is, and this has been reinforced with our discussions with farmers time and time again, this isn't just me telling you this, is that, LSWs continue to meet and exceed their expectations. The fuel savings is one performance that is readily quantifiable, and we are seeing field results coming in above the 10% to 15% range that we had predicted. This is a very significant impact for farmers and a strong selling point.

On top of the fuel savings, you also get the improved field performance that can -- with LSW being able to handle just about every condition thrown at them, and then of course you get one of the most important things to farmers is the reduced soil compaction. So as we increase our efforts to target more of the mid-sized tractor market, which I want to emphasize is a big market, we're talking about 25,000 tractors roughly, on an annual basis. So if you look at that just tapping into a fraction of that will help move the needle in our sales and EBITDA.

Moving away from LSW, another new innovation we're excited for this quarter is our BPO technology. It's a versatile solution as an alternative to tweel wheels and can operate machinery at various inflation pressures even down to zero PSI. We issued a press release on that several weeks ago highlighting these advantages, and where this technology can be used. It has a variety of end use applications, which really fits well in our consumer segment.

We're also working hard to reclaim our presence in the military market. Going back a number of years, Titan was a meaningful supplier of wheels and tires to the U.S. military. So if you take these technologies I just mentioned with LSW and VPO, we're really optimistic about our potential to restore the sales in this channel and become an important contributor for Titan again.

We continue to focus on these top-line synergies that are stemming from our acquisition of Carlstar earlier this year. Some of these key opportunities include the first Titan branded high speed trailer tire. It's a category where Carlstar performed very well which is their brand in the past. Along with doing that, we're going to be focused on continuing to expand Carlstar products into new geographies, that have been opened up since the Titan acquisition earlier this year, but then also taking the new offerings that the Carlstar team being combined with the Titan team has across the entire consumer tire and wheel business. And so, again, really good opportunities for us to grow, not just in our historical AG sector, but in this consumer business as well.

An important element of our ability to drive improved results through the historically weak part of the cycle is our aftermarket business. Again, this is something that, we've talked about in the past, but I want to highlight the benefits that come from this, as we see this strategy really helping to offset some of the OEM-centric weakness that we've seen in the marketplace. And we expect this to really be a strong attribute through all phases of the economic cycle. So, if you look at it year-to-date inclusive of Carlstar on a pro forma basis, our aftermarket business is down high single digits as compared to a roughly 25% decline in OEM sales. This year aftermarket sales now account for more than 45% of our total revenue and remain accretive to our overall results.

Switching gears and touching briefly now on market conditions. Starting with AG, farmer incomes continue to be under pressure especially in the U.S. At the same time, we are guardedly optimistic that two of the primary headwinds plaguing purchasing activity, the election and interest rates will abate and calm down as we get into 2025. Recent reports we have seen point to finished goods destocking extending into early '25. As we talked about earlier, the sooner that reaches the conclusion, it's a positive for Titan and obviously the better for our sales.

On a positive note, similar to that comment, we do expect tire and wheel orders to lead production of finished goods at OEMs because of the impact of that destocking. So, it's reasonable for us to see some growth resumption before the OEMs would see that.

Secondly, we expect our aftermarket business to remain solid, as farmers continue to use their equipment that's going to drive demand for replacement tires. It also bears noting that, the equipment fleet also continues to age and those machines will ultimately need to be replaced. Additionally, population growth, increase in protein consumption, those are things we've talked about many times in the past, that will support an increase in farmland planting acreage on a global basis. Over the long-term, we still see the structural demand drivers for us are very much intact. You combine that with our one-stop shop strategy, providing our customers from OEMs to farmers a comprehensive product catalog and solution to the OEMs and aftermarket.

In our Consumer segment, the aftermarket portion of the business is also seeing better relative demand as compared to the OEMs. Although interest rates have started to come down, they still remain higher than they have for many years. That does put a dampening effect on things like recreational vehicles and riding mowers, other -- what you would see as consumer type purchases and these consumers are being squeezed by the impact of gas and food prices. So again, these discretionary items are naturally going to suffer in that type of environment. Looking ahead, leading off-road equipment OEMs have noted that a series of further interest rate cuts, would be a positive demand as would a further cooling of inflation.

Switching over to the last segment focusing on EMC, same things we just mentioned, the higher interest rates and higher levels of inventory are primary drivers. In terms of the underlying strength for the EMC market, aside from the impact of destocking, the fundamentals do remain relatively strong in comparison to the other two segments. While construction activity in Europe is fairly stagnant, U.S. non-residential construction continues to grow in '24. Additionally, within the EMC segment is worth pointing out that mining is one key area for growth, especially within the aftermarket channel.

Let me kind of start closing off things here, and I'm going to do that by talking about an important initiative underway at Titan, which is to expand our tire and wheel product portfolio via strategic supplier partnerships. Until now, Titan has primarily positioned itself as a manufacturer and supplier of premium larger size products. As we continue to strengthen and expand the one-stop model that we've really brought on from the Carlstar acquisition, we now recognize that, many of our customers also buy products in many different size ranges in product categories. Therefore, we are really seeing some good opportunities ahead to leverage our brand, our strong distribution platform, and extend that product base and ultimately command more wallet share. Our ability to identify and partner with top suppliers in more segments of the market will benefit our customers and of course in turn that will benefit Titan and its shareholders.

In summary, although macroeconomic conditions are continuing to be difficult, I'm really proud of the work of the Titan team. It's positioned us well to get through the downturn and not just do it by controlling costs, but set the stage via product development for future growth. With that, I would now like to turn the call over to David.

**David Martin:** Thank you, Paul, and good morning and thanks to everyone listening in today.

Revenues in the third quarter were \$448 million with adjusted EBITDA of \$20 million and free cash flow of \$42 million. Relative to our guidance for the quarter, free cash flow was obviously a bright spot driven by our focus on managing working capital to appropriate levels for the down cycle. On the other hand, customer demand was even weaker than we anticipated in our Q3 guidance, which also weighed on our bottom-line due to the impact of reduced fixed cost absorption.

Stepping back, I want to reiterate a theme that Paul touched on, which is the relative success that we've had in navigating through what has turned out to be a very unusual deep cyclical bottom. 2022 was a similarly unusual year for us on the positive side of the ledger and while some reversion to the mean was expected, the downside we've seen has been rather unprecedented in recent memory. We took advantage of those excellent conditions in 2022 by aggressively paying down debt and growing our cash levels, while also continuing to invest in our product development, which has enabled us to enter this downturn with a net debt to leverage ratio of approximately 1x adjusted EBITDA. That resulting flexibility was a critical asset allowing us to acquire Carlstar while still maintaining a relatively modest interest expense level, and the key thing is our balance sheet remains solid.

Carlstar has brought an important diversification to our business in the form of significant aftermarket business, which Paul touched on, and a larger consumer segment. Over the mid-to-long term, we expect those larger aftermarket and consumer segment contributions to be less cyclical than the legacy AG business. On top of this, we are driving product innovation and are focusing on significant growth opportunities across all aspects of our business despite the current conditions.

Turning back to the results for the third quarter, our adjusted gross margin was 13.3% compared to 16.4% a year ago. On a segment basis, AG segment margins were 9.6%, EMC was at 8.6%, and Consumer adjusted gross margin was 22.9%. Now this disparity isn't normal. Our margins in the EMC and the AG sectors are normally much higher, but our volume in our plants across the world were very low, which contributed to the lower margins that we saw this quarter.

Our SG&A expense for the third quarter was \$50 million or 11.1% of sales compared to last year at \$34 million. This increase in SG&A can be entirely attributed to the Carlstar acquisition, particularly the distribution centers that are an integral part of the operating model for Carlstar. Our global management teams have watched spending very closely and have taken appropriate actions to reduce costs in the midst of a continuing inflationary environment. We have synergy opportunities going on that we're going to go into next year and we're already on track with those synergies.

R&D expenses were \$4.2 million in the third quarter, compared to \$3.2 million a year ago. A portion of this also relates to the investments we're making in R&D and Carlstar. Our operating income was \$2.8 million for the quarter and our operating cash flow was \$60 million. As I said earlier, we continue to drive strong working capital management, particularly receivables and inventory with both contributing

positively to cash generation in the quarter. Again, this is a strong focus for our management teams and it is a discipline that's inherent in our culture.

We also used our cash to fund our share repurchase program buying back a little over 1 million shares for a total of \$8.3 million for the quarter. Subsequent to quarter end, we also repurchased 8 million shares from our long-time equity holder, MHR. We think this was an excellent opportunity to drive value for our shareholders on a long-term basis. We will continue to have some flexibility to initiate open-market stock repurchases in the future, while we will use some discretion in the near-term, as we manage cash flow. Net debt at the quarter end was \$291 million or 1.9x trailing 12 month adjusted EBITDA, compared to \$370 million or 2x trailing 12 month adjusted EBITDA on March 31st, which was right after we did the acquisition of Carlstar.

As was the case last quarter, the third quarter was also included significant increase in our effective tax rate compared to our normal levels. I discussed this last quarter, but I'll hit it again, since it had a significant impact on net income and EPS this quarter. It is important to help to frame the drivers of the higher effective rate, which relates to foreign tax expense without benefit in the U.S. due to a lack of domestic income along with significant limitations on interest expense deductibility. We're working on a number of tax initiatives right now to drive more favorable tax rates in the future, heading into 2025. And so, I expect to see more normalized tax rates in the future. It is important to note, we have paid approximately \$16 million in cash taxes through the first three quarters, primarily related to foreign income, and we anticipate that we'll pay approximately \$22 million for the full year of 2024. So for the first nine months, our cash tax rate was approximately 42%, which is much more normal, but still higher than the normalized rates that I've talked about in the past, due to the mix of foreign versus domestic income.

Moving to our financial guidance for Q4, Paul and I both noted the fourth quarter will continue to be pressured due to the OEMs and dealer destocking we have discussed. It's normal to see a seasonal drop in Q4 and it's exacerbated by the near-term market impacts this year. So, our guidance ranges for Q4 revenues of \$375 million to \$425 million with adjusted EBITDA of \$0 million to \$10 million. Our free cash flow is approximately breakeven, but we're really focusing hard on still driving free cash flow.

It's important to have perspectives on our cyclical in our business and we have deep experience managing these cycles. We are diligently managing through this trough, while keeping our eye on recovery when it happens. Our financial condition continues to be solid and we're putting ourselves in a position to accelerate future performance.

So, thank you for your time this morning. Now I'd like to turn the call back over to the operator for our Q&A session.

### **Question-and-Answer Session**

**Operator:** Thank you. [Operator Instructions] Our first question comes from Steve Ferazani of Sidoti. Steve, your line is now open.

**Steve Ferazani:** Good morning, Paul. Dave, appreciate the detail on the call. I'd like to start by asking about the significant variability in the performance of the three segments pointing to the healthier margins in the Consumer segment. I mean, I know I'm not comparing it year-over-year, but if I compare it sequentially, I know it was down 10% sequentially, but your margins improved. Is there something different going on with the Consumer segment than the other segments? Can you help me with that?

**David Martin:** Yes. As we saw, the AG margins obviously heavily weighed by the volume that are going through our global AG plants, including and EMC is also weighed down by that, similar plant levels there. But we had a really healthy mix of aftermarket business in the consumer segment and that did hold very well through the quarter.

**Steve Ferazani:** Is there significantly different seasonality in the Consumer business versus your other two?

**David Martin:** It's more even than what we see in AG and EMC, keeping in mind EMC is a little different than AG too, as we've talked about in the past. But their Q4 is very similar in terms of low volumes as they prepare to go into the spring cycle. So seasonally, Q4 is the weakest, but the variability is less.

**Steve Ferazani:** Okay. That's helpful. You talked about various catalysts to get the AG market going again. Ultimately, Paul, is it going to be crop prices that brings this market back? Do we have to wait for that, or is there any near-term drivers in your opinion, being haven't been through these cycles before?

**Paul Reitz:** Yes. I mean that's the heaviest driver. I mean we all think at this point understand that there is a strong correlation between farmer income and then the pull through of purchases of equipment. And so, I really think the focus because well, let me say this. You're right on one of the comment you made. Titan has been through a lot of cycles. And so, we do have a tremendous amount of experience and we've seen this and we don't overreact. But where we are reacting in a favorable way going beyond just cost control and the measures that need to be done is really making sure that, we're putting the right changes in place with product development and how we're doing that is really two pronged.

There's the internal development of things that I've mentioned, which are either new products going in a different direction or extension of existing products. But we're really also looking at again the possibilities of what we can do to expand our portfolio. That can be done via our joint ventures, our strategic partnerships, our own plants, looking at how we can move into underserved geographies.

If you look at the legacy Titan business and how we see the world now with Carlstar and Titan coming together. The one-stop shop model has again really opened our eyes and there's opportunities in markets that currently, or I should say previously, we just did not have exposure to and couldn't gain that exposure. And so, I think we're using this time, Steve, instead of waiting for crop prices to come up, which is going to require some catalyst. It could be interest rates, could be the presidential election, it could be a sandstorm that wipes out crops somewhere. I have no idea, but waiting for that to happen just isn't the right answer for us and we are we know how to take all the actions needed in the downturn, but we're going beyond that and taking the actions that set us up well for the future.

**Steve Ferazani:** Understood. Appreciate that response. I'm going to combine a couple of questions. One from a couple of weeks ago when you guys announced the share repurchase, Mr. Taylor, your Chairman, mentioned the potential of a large U.S. Army contract. I wanted to see if you could comment on that. I want to combine that with, Paul, you talked about expanding potentially into smaller wheels, smaller tire markets. I just want to understand your thinking on that, because I would think those markets typically you would think of them as being more competitive, resulting in lower margins, which I'm sure is not the goal here. So if you could expand on those comments as well?

**Paul Reitz:** Yes. I think, Morry's comment was really, if you look at back his legacy with Titan, military used to be a more substantial part of our sales base. I would say, going back 15 years ago, that base was lost. And so, this is an opportunity that is all accretive to Titan's current shareholders is gaining back those military sales. And so, what we're doing is, combining the knowledge of the past with the present where we have some really good product innovation like we talked about in the call with LSWs, with the VPO, with our improved manufacturing base that we can go small all the way up to large.

We can do wheels, we can do tires, we can do it globally and we're looking at the military now from a different angle and saying, let's go figure out how to go capture this again. And so, this is not in any way a negative meaning it's a risk for current shareholders. It's all accretive, all upside. And I think that's where Morry's comments in the press release are expressing that excitement, because it's something he remembers and saw in the past. And we now see ways we can get it back currently. There's been some changes of how we go to the military market that we've been doing recently and that's why we started talking about it. We're getting into more doors. We're getting at these opportunities. But I think the point to make clear to everybody, Steve is, this is all accretive and that's why we're talking about it. It's an opportunity for us to grow regardless of where the markets go, because military sales are again something that was lost 15 years ago and now we see a good path to get some of that back.

And then your next question on the smaller tires and wheels, I think, I would say, 2024 has been a really good year of learning for us as we bring Titan and Carlstar together to understand the realm of the possibility. And our expertise with legacy Titan would be on larger products. I would say, Carlstar's would be on smaller and when you bring the two of them together, we're looking at it and saying, "Wow, this fits really well together." It provides diversification across the product base, across aftermarket OEM as we highlighted, but it also creates these opportunities that to answer your question specifically, in these product ranges that we're talking about, there's similar or less competition not more.

And that's where Carlstar and now Titan, when you have a strong brand, you combine that with strong distribution, you find a platform that looks really attractive and it does actually have, again, it has similar or less competition not more when we talk about some of these smaller tires and wheels that we're referencing as growth opportunities. It may be -- there may be more competition on the surface, but again a lot of purchases that come down to brand and distribution and that universe where companies can offer the strength of backing the product with both a brand support, strong distribution and service that can take care of the customer, that's what I'm talking about when I say there's similar or less competition, when you look at some of these smaller tires and wheels.

**Steve Ferazani:** So you're talking about that like with Carlstar, this very specific niche markets, not the very broad consumer market?

**Paul Reitz:** You got it. Yes. The stuff that's in our universe -- again expanding into little prongs along those pathways, but you're right, not looking at all of a sudden every small tire and wheel that exists out there. It's -- and when I say small, it's relative. I mean, when I talk about a Carlstar trailer tire, when we talk about some of these turf tires, they're still pretty damn big. It's just small compared to a 1250 LSW.

**Operator:** Thank you. Our next question comes from Brian DiRubbio of Baird. Brian, your line is now open.

**Brian DiRubbio:** Good morning, gentlemen. A couple of questions for you. Dave, I think you mentioned, or maybe we'll shoot Paul that, volumes were down much lower-than-expected. So two parts on that. What was the operating rate impact on margins? And how has the increase in rubber and butadiene costs also hurt you in the last couple of quarters?

**Paul Reitz:** Yes. Great question. If you look at where our margins were a year ago, that's pretty much the change. That's really the volume that's really killing us. You are seeing some pressure on the cost like you just suggested, and perhaps a little bit of pressure not enabling us to pass it on to customers at this point. So there's a little bit of, call it, price or cost increases that impacted our operating leverage, but it's mostly volume.

**Brian DiRubbio:** Got it. Could you provide it ever sort of what the operating rate of the plants are at any point and specifically what they could be today?

**David Martin:** No. We don't typically talk about each of the plants or anything like that. Obviously, we talk about our segments and the differences between AG and EMC, AG being global and then a lot of our EMC plants are in Europe. So you have a little different operating leverage at each of these plants and the impact of material cost and steel volatility and those kinds of things. But, if you look -- if you go back to '22 and '23, the average margins we saw in that level at, call it, a mid cycle peak, those are the margins that we expect to be able to deliver. And now we're sitting at levels well below that, that's the pressure we're seeing now. But so there's no reason why we -- if we as we seek recovery that we can't get that operating leverage back.

**Brian DiRubbio:** Understood. As we look at the balance sheet, you mentioned some of the trade working capital that you reduced in the quarter. How low -- how much more of opportunity you have to squeeze out more trade working capital out of the balance sheet?

**David Martin:** Yes, inventory is a key. Obviously, the key component there. We have really good control of our AR and then how we pay our suppliers. That's really a balance. But inventory levels, yes, there is always opportunity and we watch it very closely. As a percent of sales in the current environment, it's heavier than what you want it to be. But, it's also with the mindset towards what the next 90 days, 120 days of production will be or the demand levels that we will see as well. So we're -- I would say, we're relentlessly pursuing optimal inventory levels in any given period of time. So I'm never satisfied, right? But at the end of the day, we have managed it well. But, as you go into '25 and you expect to see an improvement in profitability, we will continue to pursue working capital optimization. So that can still be a contributing factor to our cash flow. Again, it all plays together in driving a healthy balance sheet.

**Brian DiRubbio:** Understood. And just switching maybe to the cash balances. Obviously, you drew just a portion of cash to repurchase the shares post quarter end, and you drew on the revolver for the rest. Good to assume that, most of that cash is overseas? Sorry, I didn't dig into the Q that closely today.

**David Martin:** Yes. Traditionally, we've carried the majority of our cash offshore. We have some, call it, limited opportunities to bring cash, move cash around without any tax impact, and we'll continue to do that. We did that earlier in 2024 and we'll continue to do that and replace cash that we use for the transaction, or pay down debt as well. So we're looking at those opportunities right now and expect to see some things happen over the next 60 days.

**Brian DiRubbio:** Got it. And the last question for me, it hasn't been mentioned in a while, but from time-to-time over the last bunch of years, it's been discussion about potential sale of the Titan tractor business. Is that something that you guys still consider as a possibility these days or is that more a core business within Titan Wheel going forward, Titan International, sorry?

**Paul Reitz:** From a management perspective, we view it as a core business. I mean, it's a business that we've invested well into. So they've had a good growth and margin profile in recent years. It performs at a very good level, does a great job with a strong brand and taking care of our customers, which fits the Titan profile of the core business. But as you mentioned in the past, we've been approached with discussions pertaining to divesting ITM. And I would just say, on behalf of the Board, if approached, we always, not always, but in the case of ITM, we feel like that's the right thing for our shareholders to engage in those discussions. And then, if they reach a point where we have to talk about them publicly, then we do. I would say, our position really hasn't changed. If approached, I think our Board would engage in those discussions. But how David and I see it from a management standpoint, along with the management team at ITM which is Cecilia and Oscar, is that, it's a core business and we treat it as such. In fact, Dave and I will be there next week talking about 2025 strategic plans with them.

**Operator:** Our next question comes from Brian Lantier of Zacks Research. Brian, your line is now open.

**Brian Lantier:** Good morning. It's Brian Lantier subbing for Tom Kerr this morning. I think you've touched on a couple of these already, but I just wanted to ask for a little bit more color. If you have any feedback from recent trade shows in the AG market specifically, do you feel like, there's a tipping point in interest rates potentially, where it could jump start the market?

And, is there any talk or was there any talk at these trade shows about potential for demand pull forward related to the prospect of new tariffs being implemented after the elections?

**Paul Reitz:** Yes. I mean, I think interest rates in a lot of industries, folks are waiting for them to give, come down and drive activity in a meaningful way. In our business, what we hear is, I mean, interest rate is impacting their purchasing decisions and then also the amount of inventory they want to keep in the channel. I would say, at this point, I mean, the trade show discussions haven't been meaningful different from January through currently and pertaining to the market. I think what I would highlight though and what we're seeing in our particular business, when you talk about wheel tires is that impact of destocking.

What we believe has taken place with this destocking again partly due to interest rates, partly due to the post-pandemic effect wearing off is that, in our business we think the destocking has over had a larger burden on us relative to the market. And so as the OEMs get their production and their inventory back in line, we see 2025 having some positive uplift in our sector, because you're going to get back to just inventory our purchase our sales being in line more with what's going on in the marketplace. We've been overly impacted this year by the inventory destocking.

And so, I think that is an effect that is positive for us in 2025, regardless of where the market goes. I mean, I would say this in relation to the market, the catalyst is out there and it's going to happen and in times when things are this bad, have a tendency to extrapolate too far that, it pierces through the trough, it just keeps going. I do feel like, we're at the bottom of the trough. I do think there's going to be a catalyst out there. I think the election being done, whatever direction it goes, will provide at least certainty and clarity towards future pass. And so, I do think we are at a point, where you can start seeing things break through at some point in 2025. But again, I think for us the key thing is, we do think the destocking subsiding in 2025 will have a positive impact in catalyst for us in 2025.

**Brian Lantier:** Great. Great. And the military option?

**Paul Reitz:** The trade shows, I got to -- just add one more comment, where we have fun as a team is just talking about our innovations. I mean, if you were at the Titan Booth at the Farm Progress Show, man, the environment and the energy is just as good this year as it has been in the past. I mean, we have tremendous energy around what we're doing and where we're going, not just making that up or saying it. I think there's enough eyewitnesses that would support that comment.

So, again I think in downtimes like this, your innovation can stand out more, because people aren't just looking to replace what they currently have. They're looking for ways to get better, and we have innovations that can clearly do that. And so, this is really the time we start telling them about the fuel efficiency, the savings we can bring to their bottom-line. We can make their equipment perform better. We can help their soil compaction. The new VPO technology, if you can run out, and do your job on a golf course and not have to worry about going flat, that's pretty awesome stuff. I think the energy around the innovations actually gets a little bit stronger during the downturn. So I'll stop. I think I've said enough.

**Brian Lantier:** That's great. I guess to sort of piggyback on that, when you work with the and you go to into the military market, is it -- this the sales pitch the same? Is it typically, those increased efficiencies that they're looking for? Is it more a performance driver that, sparks those conversations?

**Paul Reitz:** Yes. It's both, but it is different. I think that's why I keep highlighting military, as a great opportunity because we've done all this innovation. We brought it into our core segments. And like I said earlier, we've lost this military sales, but yet we have this great technology and I think we can combine the two. So we do need to have the right contacts in order to do that. And I think, where you're seeing Morry's excitement come through, as we him and I and now getting our team involved, we're seeing these contacts start to open up and then we get in there and we start talking about our technology, and what we can do different than the competition.

But to be honest with you, just being candid with you, it's just -- it's a part of our business that has really for a number of different reasons, changes within the military, and then obviously changes here within Titan where we lost some of our key sales people in military through the years, just weren't able to

replace them with the same experience, the same knowledge. We tried to put some folks in there. In military, you do need those that deep experience and knowledge. And so for me, that's where I think our team being able to bring Morry into the fold and use his experience and knowledge is what we're doing. That's what he's excited about because he's like, holy cow, this used to be a really nice part of Titan, let's go get it back. But again, the sales were lost 15 years ago. It's not like we're talking about it because these were lost two years ago. This is something that, again, a change that took place a while ago, but now we see some avenues where we can go get it back. And again, it would be all accretive to future earnings.

**Brian Lantier:** Great. And just a housekeeping one for the model. Do you guys provide any guidance on where you think share count maybe at the end of the year?

**David Martin:** I can certainly give that to you. I don't want to quote-off the top of my head on that, but it's in the \$63 million range because of the recent repurchase.

**Operator:** Our next question comes from Kirk Ludtke with Imperial Capital. Kirk, your line is now open.

**Kirk Ludtke:** Hello, Paul, David, Alan. Thank you. Thank you for the call. I am sorry. I had to drop off for a couple minutes, and so I apologize in advance, if these are repeats. But, you mentioned synergies with Carlstar. I was curious. Have you -- are you able to share the, the magnitude of the either the cross sell, the top-line opportunity, or the cost saves or anything on that front?

**David Martin:** We haven't put it all together at this point for 2025. We're still in the midst of all of our planning sessions with all our teams. And I can tell you, it's pretty exciting to see what's happening and coming together. At the same time, we're -- I don't want to commit to the specific numbers yet until we coalesce everything together. But again, we talked about the expectations for synergies earlier in the year. For this year, we had -- it was 4 to 6 range, I think, for this year and we're right on track with that, meaning mostly cost driven. Through September, we had the 4 million which means we're right on track.

But from an overall commercial and growth perspective, we had suggested \$25 million to \$30 million as a conservative number. I believe we're right. We're going to be right on it. I think we're going to be able to deliver that. It's not necessarily all \$25 million, but as we start embarking on some of these things and actually executing on it, we're going to be right there.

**Kirk Ludtke:** Thank you. On the low-end, \$25 million and you think I guess, that you thought maybe \$5 million this year and the rest would be '25?

**David Martin:** Yes. That's the math. Just really that was the long-term opportunity. I think as we've continued to drive harder in the business, there's no reason that that's still not true, if not better.

**Kirk Ludtke:** Got it. That's just on the cost side?

**David Martin:** The \$25 million to \$30 million is mostly cost and efficiencies, productivity, those types of things, with some commercial opportunity. I think we've been pretty conservative on that. What I'm suggesting is that, that commercial opportunity is even more. On top of the things that Paul even mentioned this morning, some of these growth opportunities are not just synergies with Carlstar, but just the continued initiatives that we have on growth that are pretty exciting.

**Kirk Ludtke:** Got it. Thank you. If I remember correctly, Carlstar has a facility in China. Is that, where you're planning on sourcing the smaller tires?

**David Martin:** Yes. We continue to drive the efficiencies in that plant. We have opportunities across the entire business. We have a lot of flexibility. We're already starting to see some production from, call it, cross pollination perspective, starting to build some tires there that we previously may have produced here.

**Kirk Ludtke:** Got it. I know you've talked about the fourth quarter guidance, you gave us a tax number, and I missed what you might have said about working capital and CapEx for the fourth quarter?

**David Martin:** Yes. CapEx is kind of the same general direction that we have seen in the past, probably a little bit lower in Q4. We're being very pragmatic about that. As far as working capital, that will continue to be a good driver for our cash flow in Q4. The tax rate, it's a real challenging one to put a hard number on, but we've seen that elevated level from a book tax perspective. I think, as we -- given the low levels of profitability, it's going to be an interesting number. Let's just say, it's in the same range as what we've seen year-to-date.

**Kirk Ludtke:** Got it. I appreciate it.

**David Martin:** Just real quick before I move on, we are looking at a lot of initiatives to try to reduce those our exposures to some of these challenges that we faced in '24 and expect to see better rates in '25.

**Kirk Ludtke:** Got it. Thank you. And then, in terms of AG prices, and I know this is tough to forecast, seems like, it's mostly demand driven. Supply doesn't change that much. Is that the way to look at it, is we're just really focused on the demand side from offshore demand. Is that what we're looking for?

**Paul Reitz:** Crop prices do you mean?

**Kirk Ludtke:** Yes.

**Paul Reitz:** I mean, it the other thing is, the crops have been relatively good around the world for a number of years in a row. You know, so the supply I think is being impacted by just repeated years of good crops. And you look at the U.S. this year, very little disruption to the size of the crop, Maybe a little bit kind of in the northern part of the farm belt. But generally speaking, I mean, crops have been good, which is a repeat of recent years. And so, I think you have -- you do have some supply impact there where, the crops have been good, the grain has been able to be put into storage.

And so the drivers of demand, you're right, probably shifted with exports with Brazil playing a bigger role in exporting grains to the Far East than the U.S. used to, but, those things can change overnight, to be honest with you. So I think you got to assume that those equations are going to work out over the long run, because a couple of things. One, protein consumption is too important to people's diets, not just today, but for the future. That's going to continue to pull through demand for grains. But then also governments got to be aware of what's going on in the farm sector. You can't just let it go basically what direction the wind is blowing and, one day you're exporting here, importing there. I mean, you got to control your food sources within your government structure of your society. And I think, over the long

run that's going to balance itself out. And so again, I don't think it's things are going to go negative in a direction so long that all of a sudden what we're seeing today just can be extrapolated into the future.

Again, I think protein consumption, people are going to continue to eat well or better, I should say, in the future. I think governments are going to make the right decision for the long run regardless of the short run, on making sure that, they're taking care of their food production and their sources in relation to having a peaceful, satisfied society. So again I think over the long run the prices will improve. For whatever reason it may be, there's catalysts out there that are going to happen, whether it's interest rates, politics, but farm is not something that you can constantly just have year-after-year decline prices. That won't continue.

**Operator:** We currently have no further questions. So I'd like to hand back to Mr. Reitz for any closing remarks.

**Paul Reitz:** Yes. Thank you everybody for joining the call today. I do want to conclude by talking about a few things we have going on the Investor Relations front. Certainly, we enjoy the opportunity to get out there and meet with all of you. We have some conferences we'll be attending over the next couple of months. We'll be at the Baird Conference, their industrial event on November 13th, Three Part Advisors, Southwest Conference on November 20; the BofA Leveraged Finance Conference on December 3rd; Noble Capital has an event that we'll be attending on November 4rd, and then we got couple of virtual events that are going to be really good ones. Oppenheimer on December 12th and Northland on December 12th as well.

Again, just want to highlight some opportunities for us to get out there and interact with all of you and look forward to doing that and appreciate your attendance on today's call. Thank you.

**Operator:** Thank you. As we conclude today's call, we thank everyone for joining. You may now disconnect your lines.