MYERS INDUSTRIES INC
Form 10-Q
August 04, 2014
Table of contents

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 10-Q
þ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2014
OR
o Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to
Commission File Number 1-8524
Myers Industries, Inc.
(Exact name of registrant as specified in its charter)

Ohio	34-0778636
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)
1293 South Main Street	
Akron, Ohio	44301
(Address of principal executive offices)	(Zip code)

(330) 253-5592
(Registrant's telephone number, including area code)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o.
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer o Accelerated filer þ Non-accelerated filer o Smaller reporting company o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ.
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of July 31, 2014
Common Stock, without par value	31,714,738 shares

Table of contents

Table of Contents

Table of contents

Part I — Financial Information
Item 1. Financial Statements
Myers Industries, Inc. and Subsidiaries
Condensed Consolidated Statements of Income (Unaudited)
(Dollars in thousands, except per share data)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013 (Adjusted)	2014	2013 (Adjusted)
Net sales	$152,784	$153,623	$303,269	$298,567
Cost of sales	110,252	108,615	218,666	211,474
Gross profit	42,532	45,008	84,603	87,093
Selling, general and administrative expenses	31,246	32,387	64,434	64,360
Operating income	11,286	12,621	20,169	22,733
Interest expense, net	1,667	1,119	3,251	2,196
Income from continuing operations before income taxes	9,619	11,502	16,918	20,537
Income tax expense	3,292	4,097	5,828	7,336
Income from continuing operations	6,327	7,405	11,090	13,201
(Loss) income from discontinued operations, net of income taxes	(578)	907	(4,661)	2,994
Net income	$5,749	$8,312	$6,429	$16,195
Income per common share from continuing operations:				
Basic	$0.20	$0.22	$0.34	$0.39
Diluted	$0.19	$0.22	$0.33	$0.39
(Loss) income per common share from discontinued operations:				
Basic	$(0.02)	$0.03	$(0.14)	$0.09
Diluted	$(0.02)	$0.03	$(0.14)	$0.09
Net income per common share:				
Basic	$0.18	$0.25	$0.20	$0.48
Diluted	$0.17	$0.25	$0.19	$0.48
Dividends declared per share	$0.13	$0.09	$0.26	$0.18

See notes to unaudited condensed consolidated financial statements.

Table of contents

Myers Industries, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income (Unaudited)
(Dollars in thousands)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Net income	$5,749	$8,312	$6,429	$16,195
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	2,804	(4,994)	2,858	(5,845)
Pension liability	—	—	—	(75)
Total other comprehensive income (loss), net of tax	2,804	(4,994)	2,858	(5,920)
Comprehensive income	$8,553	$3,318	$9,287	$10,275

See notes to unaudited condensed consolidated financial statements.

Table of contents

Myers Industries, Inc. and Subsidiaries
Condensed Consolidated Statements of Financial Position (Unaudited)
(Dollars in thousands)

Assets	June 30, 2014	December 31, 2013 (Adjusted)
Current Assets		
Cash	$35,792	$6,539
Accounts receivable-less allowances of $1,404 and $1,314, respectively	86,324	74,932
Inventories		
Finished and in-process products	42,087	34,337
Raw materials and supplies	22,647	18,786
	64,734	53,123
Prepaid expenses	9,037	5,492
Deferred income taxes	2,007	2,064
Assets held for sale	136,698	92,760
Total Current Assets	334,592	234,910
Other Assets		
Goodwill	51,737	51,075
Patents and other intangible assets, net	13,309	14,255
Assets held for sale	—	67,808
Other	3,348	2,959
	68,394	136,097
Property, Plant and Equipment, at Cost		
Land	3,111	3,082
Buildings and leasehold improvements	48,269	48,159
Machinery and equipment	302,692	294,537
	354,072	345,778
Less allowances for depreciation and amortization	(258,415)	(247,328)
Property, plant and equipment, net	95,657	98,450
Total Assets	$498,643	$469,457

See notes to unaudited condensed consolidated financial statements.

Table of contents

Myers Industries, Inc. and Subsidiaries
Condensed Consolidated Statements of Financial Position (Unaudited)
(Dollars in thousands, except share data)

Liabilities and Shareholders' Equity	June 30, 2014	December 31, 2013 (Adjusted)
Current Liabilities		
Accounts payable	$64,566	$68,897
Accrued expenses		
Employee compensation	13,699	17,413
Income taxes	3,455	5,519
Taxes, other than income taxes	2,753	2,173
Accrued interest	2,491	103
Liabilities held for sale	31,674	40,044
Other	15,353	16,434
Total Current Liabilities	133,991	150,583
Long-term debt, net	137,734	44,347
Liabilities held for sale	—	9,455
Other liabilities	14,982	12,762
Deferred income taxes	16,617	16,803
Shareholders' Equity		
Serial Preferred Shares (authorized 1,000,000 shares; none issued and outstanding)	—	—
Common Shares, without par value (authorized 60,000,000 shares; outstanding 31,712,621 and 33,572,778; net of treasury shares of 6,054,516 and 4,203,179, respectively)	19,190	20,313
Additional paid-in capital	226,484	266,276
Accumulated other comprehensive income	5,285	2,427
Retained deficit	(55,640)	(53,509)
Total Shareholders' Equity	195,319	235,507
Total Liabilities and Shareholders' Equity	$498,643	$469,457

See notes to unaudited condensed consolidated financial statements.

Table of contents

Myers Industries, Inc. and Subsidiaries
Condensed Consolidated Statement of Shareholders' Equity (Unaudited)
(Dollars in thousands, except per share data)

	Common Stock	Additional Paid-In Capital	Accumulative Other Comprehensive Income	Retained Deficit
Balance at January 1, 2014	$20,313	$266,276	$2,427	$(53,509)
Net income	—	—	—	6,429
Net sales under option plans	101	1,961	—	—
Dividend reinvestment plan	2	62	—	—
Restricted stock vested	76	(76)	—	—
Restricted stock and stock option grants, net	9	1,574	—	—
Tax benefit from options	—	658	—	—
Foreign currency translation adjustment	—	—	2,858	—
Purchases for treasury-net	(1,286)	(43,113)	—	—
Stock contributions	6	194	—	—
Shares withheld for employee taxes on equity awards	(31)	(1,052)	—	—
Dividends declared - $.26 per share	—	—	—	(8,560)
Balance at June 30, 2014	$19,190	$226,484	$5,285	$(55,640)

See notes to unaudited condensed consolidated financial statements.

Table of contents

Myers Industries, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)
(Dollars in thousands)

	For the Six Months Ended June 30, 2014	2013 (Adjusted)
Cash Flows from Operating Activities		
Net income	$6,429	$16,195
(Loss) income from discontinued operations, net of income taxes	(4,661)	2,994
Income from continuing operations	11,090	13,201
Adjustments to reconcile income from continuing operations to net cash provided by (used for) operating activities		
Depreciation	11,030	10,185
Amortization	1,461	1,645
Non-cash stock compensation	1,593	1,532
Provision for loss on accounts receivable	550	348
Deferred taxes	(73)	2,437
Other long-term liabilities	1,244	2,053
(Gain) loss from asset disposition	(139)	616
Tax benefit from options	(658)	(50)
Other	200	6
Payments on performance based compensation	(1,293)	(1,718)
Cash flows provided by (used for) working capital:		
Accounts receivable	(10,386)	(7,143)
Inventories	(10,890)	(1,555)
Prepaid expenses	337	(1,361)
Accounts payable and accrued expenses	(10,892)	(6,566)
Net cash (used for) provided by operating activities-continuing operations	(6,826)	13,630
Net cash (used for) provided by operating activities-discontinued operations	(14,200)	16,507
Net cash (used for) provided by operating activities	(21,026)	30,137
Cash Flows from Investing Activities		
Capital expenditures	(6,971)	(7,296)
Acquisition of business, net of cash acquired	—	(600)
Proceeds from sale of property, plant and equipment	85	—
Other	—	(11)
Net cash used for investing activities - continuing operations	(6,886)	(7,907)
Net cash provided by (used for) investing activities - discontinued operations	14,531	(2,920)
Net cash provided by (used for) investing activities	7,645	(10,827)
Cash Flows from Financing Activities		
Proceeds from long-term debt	89,000	—
Net borrowing on credit facility	4,300	5,490
Cash dividends paid	(7,480)	(3,018)
Proceeds from issuance of common stock	2,126	3,261
Tax benefit from options	658	50
Repurchase of common stock	(44,399)	(3,298)

Shares withheld for employee taxes on equity awards	(1,083)	(684)
Deferred financing costs	(538)	—
Net cash provided by financing activities - continuing operations	42,584	1,801
Net cash used for financing activities - discontinued operations	—	(2,317)
Net cash provided by (used for) financing activities	42,584	(516)
Foreign Exchange Rate Effect on Cash	50	(484)
Net increase in cash	29,253	18,310
Cash at January 1	6,539	3,948
Cash at June 30	$35,792	$22,258
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for		
Interest	$767	$971
Income taxes	$10,362	$7,422

See notes to unaudited condensed consolidated financial statements.

6

Table of Contents

Myers Industries, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements
(Dollar amounts in thousands, except where otherwise indicated)

1. Statement of Accounting Policies
Basis of Presentation
The accompanying unaudited condensed consolidated financial statements include the accounts of Myers Industries, Inc. and all wholly owned subsidiaries (collectively, the “Company”), and have been prepared without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures are adequate to make the information not misleading. These interim financial statements should be read in conjunction with the financial statements and notes thereto included in the Company’s annual report on Form 10-K for the year ended December 31, 2013.
In the opinion of the Company, the accompanying financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of June 30, 2014, and the results of operations and cash flows for the periods presented. The results of operations for the six months ended June 30, 2014 are not necessarily indicative of the results of operations that will occur for the year ending December 31, 2014.
Segment Realignment and Discontinued Operations

During the second quarter of 2014, the Company realigned its reportable segments as a result of organizational changes to better align its resources to support its ongoing business strategy. The realignment is consistent with the manner in which our Chief Operating Decision Maker evaluates performance and makes resource allocation decisions. Historical segment information reflects the effect of this change. Our segment information is more fully described in Note 13. Historical information also reflects discontinued operations presentation for businesses disposed of or meeting the held for sale criteria as described in Note 12. Reclassifications of prior year amounts have been made in conformity with generally accepted accounting principles to conform to current year’s reporting presentation.

Recent Accounting Pronouncements Not Yet Adopted
In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. This guidance states that the disposal of a component of an entity is to be reported in discontinued operations only if the disposal represents a strategic shift that has (or will have) a major effect on an entity’s operations and financial results. The pronouncement also requires additional disclosures regarding individually significant disposals of components that do not meet the criteria to be recognized as a discontinued operation as well as additional and expanded disclosures. The guidance is effective for the Company on January 1, 2015 and is to be applied prospectively. While early adoption is permitted, the Company plans to adopt this guidance on January 1, 2015. The Company is currently evaluating the impact the adoption of this guidance will have on its financial position, results of operations, cash flows and related disclosures.
In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, to clarify the principles used to recognize revenue for all entities. Under ASU 2014-09, a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The new guidance is effective for the Company on January 1, 2017. The Company is currently evaluating the impact the adoption of this guidance will have on its financial position, results of operations, cash flows and related disclosures.
Translation of Foreign Currencies

All asset and liability accounts of consolidated foreign subsidiaries are translated at the current exchange rate as of the end of the accounting period and income statement items are translated monthly at an average currency exchange rate for the period. The resulting translation adjustment is recorded in other comprehensive income (loss) as a separate component of shareholders' equity.

Myers Industries, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements - (Continued)
(Dollar amounts in thousands, except where otherwise indicated)

Fair Value Measurement

The Company follows guidance included in ASC 820, Fair Value Measurements and Disclosures ("ASC 820"), for its financial assets and liabilities, as required. The guidance established a common definition for fair value to be applied to U.S. GAAP requiring the use of fair value, established a framework for measuring fair value, and expanded disclosure requirements about such fair value measurements. The guidance did not require any new fair value measurements, but rather applied to all other accounting pronouncements that require or permit fair value measurements. Under ASC 820, the hierarchy that prioritizes the inputs to valuation techniques used to measure fair value is divided into three levels:

Level 1:	Unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2:	Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active or inputs that are observable either directly or indirectly.
Level 3:	Unobservable inputs for which there is little or no market data or which reflect the entity’s own assumptions.

The fair value of the Company’s cash, accounts receivable, accounts payable and accrued expenses are considered to have a fair value which approximates carrying value due to the nature and relative short maturity of these assets and liabilities.

The fair value of debt under the Company’s Loan Agreement approximates carrying value due to the floating rates and relative short maturity (less than 90 days) of the revolving borrowings under this agreement. The fair value of the Company’s fixed rate senior unsecured notes was estimated using market observable inputs for the Company’s comparable peers with public debt, including quoted prices in active markets and interest rate measurements which are considered level 2 inputs. At June 30, 2014, the fair value of the Company's $100.0 million fixed rate senior unsecured notes were estimated at $103.1 million. At December 31, 2013, the fair value of the Company's $11.0 million fixed rate senior unsecured notes were estimated at $10.8 million.

Revenue Recognition

The Company recognizes revenues from the sale of products, net of actual and estimated returns, at the point of passage of title and risk of loss, which is generally at time of shipment, and collectability of the fixed or determinable sales price is reasonably assured.

Accumulated Other Comprehensive Income

The balances in the Company’s accumulated other comprehensive income ("AOCI") as of June 30, 2014 and June 30, 2013 are as follows:

	Foreign Currency	Defined Benefit Pension Plans	Total
Balance at January 1, 2013	$12,784	$(2,141)	$10,643
Other comprehensive income before reclassifications	(851)	—	(851)
Amounts reclassified from accumulated other comprehensive income	—	(75)	(75)
Net current-period other comprehensive income	(851)	(75)	(926)
Balance at March 31, 2013	11,933	(2,216)	9,717
Other comprehensive income before reclassifications	(4,994)	—	(4,994)
Balance at June 30, 2013	$6,939	$(2,216)	$4,723

Balance at January 1, 2014	$3,493	$(1,066)	$2,427
Other comprehensive income before reclassifications	54	—	54
Balance at March 31, 2014	3,547	(1,066)	2,481
Other comprehensive income before reclassifications	2,804	—	2,804
Balance at June 30, 2014	$6,351	$(1,066)	$5,285

8

Table of Contents

Myers Industries, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements - (Continued)
(Dollar amounts in thousands, except where otherwise indicated)

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents are stated at cost, which approximates market value. The Company maintains operating cash and reserves for replacement balances in financial institutions which, from time to time, may exceed federally insured limits. The Company periodically assesses the financial condition of these institutions and believes that the risk of loss is minimal.

2. Inventories
Inventories are stated at the lower of cost or market. Approximately forty percent of the Company's inventories use the last-in, first-out (LIFO) method of determining cost. All other inventories are valued at the first-in, first-out ("FIFO") method of determining cost. An actual valuation of inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations must necessarily be based on management's estimates of expected year-end inventory levels and costs. Because these are subject to many factors beyond management's control, estimated interim results, which were immaterial, are subject to change in the final year-end LIFO inventory valuation and therefore, no adjustment was recorded as of June 30, 2014.

3. Other Accrued Expenses

Other accrued expenses consisted of the following:

	June 30, 2014	December 31, 2013
Deposits and amounts due to customers	$4,660	$7,664
Dividends payable	4,255	3,174
Other accrued expenses	6,438	5,596
	$15,353	$16,434

4. Goodwill
The Company is required to test for impairment on at least an annual basis. In addition, the Company tests for impairment whenever events or circumstances indicate that it is more likely than not that the fair value of a reporting unit is below its carrying amount. Such events may include, but are not limited to, significant changes in economic and competitive conditions, the impact of the economic environment on the Company's customer base or its businesses, or a material negative change in its relationships with significant customers. The Company conducts its annual impairment assessment as of October 1. Refer to Note 12 regarding assessment of fair value of our Lawn and Garden Segment as of June 30, 2014.
The carrying amount of goodwill at January 1, 2014 reflects our new reportable segments, more fully described in Note 13. The change in goodwill for the six months ended June 30, 2014 was as follows:

Segment	Balance at January 1, 2014	Foreign Currency Translation	Balance at June 30, 2014
Material Handling	$50,570	$662	$51,232
Distribution	505	—	505
	$51,075	$662	$51,737

Table of Contents

Myers Industries, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements - (Continued)
(Dollar amounts in thousands, except where otherwise indicated)

5. Net Income Per Common Share

Net income per common share, as shown on the Condensed Consolidated Statements of Income (Unaudited), is determined on the basis of the weighted average number of common shares outstanding during the period as follows:

	Three Months Ended June 30,		Six Month Ended June 30,	
	2014	2013	2014	2013
Weighted average common shares outstanding				
Basic	32,425,994	33,559,398	32,892,864	33,529,004
Dilutive effect of stock options and restricted stock	536,796	318,554	494,245	368,958
Weighted average common shares outstanding diluted	32,962,790	33,877,952	33,387,109	33,897,962

Options to purchase 199,500 shares of common stock that were outstanding for both the three and six month periods ended June 30, 2014, were not included in the computation of diluted earnings per share as the exercise prices of these options were greater than the average market price of common shares. Options to purchase 470,000 shares of common stock that were outstanding for both the three and six month periods ended June 30, 2013, were not included in the computation of diluted earnings per share as the exercise prices of these options were greater than the average market price of common shares.

6. Restructuring

The charges related to various restructuring programs implemented by the Company are included in selling, general and administrative ("SG&A") expenses and cost of sales depending on the type of cost incurred. The restructuring charges for the three and six months ended June 30, 2014 and 2013 are presented in the following tables.

	Three Months Ended June 30,					
	2014			2013		
Segment	Cost of sales	Selling, general and administrative	Total	Cost of sales	Selling, general and administrative	Total
Distribution	$—	$268	$268	$—	$18	$18
Material Handling	77	30	107	15	—	15
Total	$77	$298	$375	$15	$18	$33

	Six Months Ended June 30,					
	2014			2013		
Segment	Cost of sales	Selling, general and administrative	Total	Cost of sales	Selling, general and administrative	Total
Distribution	$—	$760	$760	$—	$92	$92
Material Handling	77	30	107	177	48	225
Corporate	—	—	—	—	17	17
Total	$77	$790	$867	$177	$157	$334

10

Table of Contents

Myers Industries, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements - (Continued)
(Dollar amounts in thousands, except where otherwise indicated)

The accrued liability balance for severance and other exit costs associated with restructuring are presented in the following table.

	Severance and Personnel	Other Exit Costs	Total
Balance at January 1, 2013	$318	$—	$318
Provision	259	75	334
Less: Payments	(577)	(75)	(652)
Balance at June 30, 2013	$—	$—	$—
Balance at January 1, 2014	$—	$—	$—
Provision	797	70	867
Less: Payments	(797)	(70)	(867)
Balance at June 30, 2014	$—	$—	$—

In January 2014, the Distribution Segment announced the closing of its Canadian branches which operated under the name Myers Tire Supply International. The restructuring actions included closure, lease cancellation and employee related costs. The aggregate restructuring charges related to this plan through June 30, 2014 were approximately $0.8 million. Restructuring actions under the plan were substantially complete at June 30, 2014.

7. Stock Compensation

The Company's 2008 Incentive Stock Plan (the "2008 Plan") authorizes the Compensation Committee of the Board of Directors to issue up to 3,000,000 shares of various types of stock based awards including stock options, restricted stock and stock appreciation rights to key employees and directors. In general, options granted and outstanding vest over a three year period and expire ten years from the date of grant.

Stock compensation expense reduced income from continuing operations before taxes approximately $0.8 million and $1.1 million for the three months ended June 30, 2014 and 2013, respectively. Stock compensation expense reduced income from continuing operations before taxes approximately $1.6 million and $1.5 million for the six months ended June 30, 2014 and 2013, respectively. These expenses are included in SG&A expenses in the accompanying Condensed Consolidated Statements of Income (Unaudited). Total unrecognized compensation cost related to non-vested share based compensation arrangements at June 30, 2014 was approximately $5.7 million which will be recognized over the next three years, as such compensation is earned.

On March 7, 2014, stock options for 209,500 shares were granted with a three year vesting period. The fair value of options granted is estimated using a binomial lattice option pricing model based on assumptions set forth in the following table. The Company uses historical data to estimate employee exercise and departure behavior. The risk free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant and through the expected term. The dividend yield rate is based on the Company's historical dividend yield. The expected volatility is derived from historical volatility of the Company's shares and those of similar companies measured against the market as a whole.

Model	
Risk free interest rate	2.80%
Expected dividend yield	2.50%
Expected life of award (years)	7.0
Expected volatility	50.00%
Fair value per option share	$7.05

Myers Industries, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements - (Continued)
(Dollar amounts in thousands, except where otherwise indicated)

The following table provides a summary of stock option activity for the period ended June 30, 2014:

	Shares	Average Exercise Price	Weighted Average Life
Outstanding at January 1, 2014	1,574,572	$12.14	
Options granted	209,500	20.93	
Options exercised	(167,333)	12.24	
Canceled or forfeited	(33,785)	15.39	
Outstanding at June 30, 2014	1,582,954	$13.22	6.14 years
Exercisable at June 30, 2014	1,131,117	$11.65	5.02 years

The intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price of the option. The total intrinsic value of all stock options exercised during the three months ended June 30, 2014 and 2013 was approximately $0.2 million and $0.8 million, respectively. The total intrinsic value of all stock options exercised during both the six month periods ended June 30, 2014 and 2013 was approximately $1.4 million.

On March 7, 2014, 104,100 Restricted Stock Unit ("RSU") Awards were granted with a three year vesting period. The RSUs had a grant date fair value of $20.93 per share, which was the closing price of the common stock on the date of grant.

The following table provides a summary of combined RSU and restricted stock activity for the period ended June 30, 2014:

	Awards	Average Grant-Date Fair Value
Unvested at January 1, 2014	275,525	
Granted	104,100	$20.93
Released	(123,829)	11.75
Canceled or forfeited	(16,300)	17.22
Unvested at June 30, 2014	239,496	$16.80

Restricted stock units are rights to receive shares of common stock, subject to forfeiture and other restrictions, which vest over a three year period. Restricted shares are considered to be non-vested shares under the accounting guidance for share-based payment and are not reflected as issued and outstanding shares until the restrictions lapse. At that time, the shares are released to the grantee and the Company records the issuance of the shares. Restricted stock awards are valued based on the market price of the underlying shares on the grant date. Compensation expense is recognized on a straight-line basis over the requisite service period. At June 30, 2014, restricted stock awards had vesting periods up through March 2017.

8. Contingencies

The Company is a defendant in various lawsuits and a party to various other legal proceedings, in the ordinary course of business, some of which are covered in whole or in part by insurance.

New Idria Mercury Mine

Effective October 2011, the U.S. Environmental Protection Agency (“EPA”) added the New Idria Mercury Mine site located near Hollister, California to the Superfund National Priorities List because of alleged contaminants discharged to California waterways. The New Idria Quicksilver Mining Company, founded in 1936, and later renamed the New

Idria Mining & Chemical Company ("NIMCC") owned and/or operated the New Idria Mine through 1976. In 1981 NIMCC was merged into Buckhorn Metal Products Inc. and subsequently acquired by Myers Industries in 1987. The EPA contends that past mining operations have resulted in mercury contamination and acid mine drainage at the mine site, in the San Carlos Creek, Silver Creek and a portion of Panoche Creek and that other downstream locations may also be impacted.

Table of Contents

Myers Industries, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements - (Continued)
(Dollar amounts in thousands, except where otherwise indicated)

As of the date of this disclosure, no formal claim or allegation relating to the New Idria Mine Site against the Company or its subsidiary Buckhorn, Inc. ("Buckhorn") has been received. However, since Buckhorn may be a potentially responsible party ("PRP") at the New Idria Mercury Mine, the Company recognized an expense of $1.9 million, on an undiscounted basis, in 2011 related to performing a remedial investigation and feasibility study to determine the extent of remediation and the screening of alternatives. Payments of approximately $0.6 million have been incurred and charged against the reserve classified in Other Liabilities on the Condensed Consolidated Statements of Financial Position as of June 30, 2014. As investigation and remediation proceed, it is likely that adjustments to the reserved expense will be necessary to reflect new information. Estimates of the Company's liability are based on current facts, laws, regulations and technology. Estimates of the Company's environmental liabilities are further subject to uncertainties regarding the nature and extent of site contamination, the range of remediation alternatives available, evolving remediation standards, imprecise engineering evaluation and cost estimates, the extent of corrective actions that may be required, the number and financial condition of other PRPs as well as the extent of their responsibility for the remediation, and the availability of insurance coverage for these expenses. At this time, further remediation cost estimates are not known and have not been prepared.

In November 2011 the EPA completed an interim removal project at the New Idria Mercury Mine site. It is expected this removal action will be part of the final remediation strategy for the site. According to informal reports, EPA's interim removal project costs were approximately $0.5 million. It is possible that at some future date the EPA will seek recovery of the costs of this work from PRPs.

California Regional Water Quality Control Board

A number of parties, including the Company and its subsidiary, Buckhorn, were identified in a planning document adopted in October 2008 by the California Regional Water Quality Control Board, San Francisco Bay Region ("RWQCB"). The planning document relates to the presence of mercury, including amounts contained in mining wastes, in and around the Guadalupe River Watershed ("Watershed") region in Santa Clara County, California. Buckhorn has been alleged to be a successor in interest to NIMCC which owned property and performed mining operations in a portion of the Watershed area. The Company has not been contacted by the RWQCB or by other parties who have been involved in Watershed clean-up efforts that have been initiated as a result of the adoption of this planning document. Although assertion of a claim by the RWQCB or another party involved in this clean up effort is reasonably possible, it is not possible at this time to estimate the amount of any obligation the Company may incur for these cleanup efforts within the Watershed region, or whether such cost would be material to the Company's financial statements.

Other

Buckhorn and Schoeller Arca Systems, Inc. ("SAS") were plaintiffs in a patent infringement lawsuit against Orbis Material Handling, Inc. ("Orbis") for alleged breach by Orbis of an exclusive patent license agreement sold by SAS to Buckhorn. SAS is an affiliate of Schoeller Alibert, a global company that manufactures and sells plastic returnable packaging systems for material handling. In the course of the litigation, it was discovered that SAS had given a patent license agreement to a predecessor of Orbis that pre-dated the one that SAS sold to Buckhorn. As a result, judgment was entered in favor of Orbis, and the court awarded attorney fees and costs to Orbis in the amount of $3.1 million, plus interest. In May 2014, Orbis made demand to SAS that SAS pay the judgment in full, and subsequently in July 2014, Orbis made the same demand to Buckhorn. Although the range of exposure is $0 - $3.1 million, plus interest, Buckhorn's responsibility as co-obligor is not specified. Buckhorn believes it is not responsible for any of the legal fee award because it is not a party to the Orbis license and therefore has not recognized an expense as of June 30, 2014 as no point within the above range of exposure is more probable of occurrence than another.

When management believes that a loss arising from these matters is probable and can reasonably be estimated, we record the amount of the estimated loss, or the minimum estimated liability when the loss is estimated using a range, and no point within the range is more probable of occurrence than another. As additional information becomes available, any potential liability related to these matters will be assessed and the estimates will be revised, if necessary.

Based on current available information, management believes that the ultimate outcome of these matters will not have a material adverse effect on our financial position, cash flows or overall trends in our results of operations. However, these matters are subject to inherent uncertainties, and unfavorable rulings could occur. If an unfavorable ruling were to occur, there exists the possibility of a material adverse impact on the financial position and results of operations of the period in which the ruling occurs, or in future periods.

Table of Contents

Myers Industries, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements - (Continued)
(Dollar amounts in thousands, except where otherwise indicated)

9. Long-Term Debt and Loan Agreement
Long-term debt consisted of the following:

	June 30, 2014	December 31, 2013
Loan Agreement	$38,500	$34,200
4.67% Senior Unsecured Notes due 2021	40,000	—
5.25% Senior Unsecured Notes due 2024	11,000	11,000
5.30% Senior Unsecured Notes due 2024	29,000	—
5.45% Senior Unsecured Notes due 2026	20,000	—
	138,500	45,200
Less unamortized deferred financing fees	766	853
	$137,734	$44,347

On May 30, 2014, the Company entered into a First Amendment to the Fourth Amended and Restated Loan Agreement (the "Loan Amendment"). The Loan Amendment increased the senior revolving credit facility from $200 million to $300 million through December 2018 and provides for an additional subsidiary of the Company as a borrower and another subsidiary of the Company as a guarantor of the credit facility. As of June 30, 2014, the Company had $256.9 million available, reduced for letters of credit issued, under the Loan Agreement. The Company also had $4.6 million of letters of credit issued related to insurance and other financing contracts in the ordinary course of business at June 30, 2014.
Long term debt at June 30, 2014 and December 31, 2013 includes $0.8 million and $0.9 million, respectively, of unamortized deferred financing costs, which are accounted for as debt valuation accounts.
On October 22, 2013, the Company entered into a note purchase agreement for the private placement of Senior Unsecured Notes totaling $100.0 million with a group of investors. The four series of notes are payable semiannually. Proceeds of $11.0 million under the note purchase agreement were received in December 2013, and the remaining proceeds of $89.0 million were received in January 2014.

10. Retirement Plans
The Company and certain of its subsidiaries have pension and profit sharing plans covering substantially all of their employees. The Company’s frozen defined benefit pension plan ("The Pension Agreement between Akro-Mils and United Steelworkers of America Local No. 1761-02") provides benefits primarily based upon a fixed amount for each year of service as of the date the plan was frozen.
Net periodic pension cost are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Interest cost	$70	$65	$140	$130
Expected return on assets	(93)	(83)	(185)	(166)
Amortization of actuarial net loss	11	28	22	56
Net periodic pension (benefit) cost	$(12)	$10	$(23)	$20
Company contributions	$72	$80	$152	$203

The Company anticipates contributions totaling $0.3 million to its pension plan for the full year of 2014.

14

Table of contents

Myers Industries, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements - (Continued)
(Dollar amounts in thousands, except where otherwise indicated)

11. Income Taxes
The total amount of gross unrecognized tax benefit that would reduce the Company's effective tax rates at June 30, 2014 and June 30, 2013, was $1.5 million and $1.2 million, respectively. Accrued interest expense included within accrued income taxes in the Company's Condensed Consolidated Statements of Financial Position was approximately $0.1 million at both June 30, 2014 and December 31, 2013. The June 30, 2014 balance of unrecognized tax benefits includes approximately $0.4 million of unrecognized tax benefits for which it is reasonably possible that they will be recognized within the next twelve months.

As of June 30, 2014, the Company is no longer subject to U.S. Federal examination by tax authorities for tax years before 2010. The Company is subject to state and local examinations for tax years of 2009 through 2013. In addition, the Company is subject to non-U.S. income tax examinations for tax years of 2008 through 2013.

12. Discontinued Operations

During the quarter ended June 30, 2014, the Company’s Board of Directors approved the commencement of the sale process to divest its Lawn and Garden Segment to allow it to focus resources on its core growth platforms. The Lawn and Garden Segment serves the North American horticulture market with plastic products such as seedling trays, nursery products, hanging baskets, custom print containers as well as decorative resin planters. The business is available for sale in its present condition and it is anticipated that a sale will be completed within the next twelve months.

In addition, on June 20, 2014, the Company completed the sale of the assets and associated liabilities of its wholly-owned subsidiaries WEK Industries, Inc. and Whiteridge Plastics LLC (collectively “WEK”) for approximately $19.9 million, which includes a working capital adjustment of approximately $0.4 million based on the estimated level of working capital as of the closing date of the sale. Proceeds from the sale of WEK of approximately $1.0 million are held in escrow to be received in December 2015. The Company recorded a gain on the sale of WEK of approximately $2.4 million, net of tax of $1.3 million. WEK is a premier blow molder of custom engineered plastic components for the heavy truck, recreational vehicle, marine, appliance and consumer products industries. WEK was previously reported as part of our former Engineered Products Segment.

The Lawn and Garden Segment meets the held-for sale criteria under the requirements of ASC 360. The Company performed a fair value assessment in accordance with ASC 820, for its financial assets and liabilities included in discontinued operations. The Company’s assessment focused on whether it is more likely than not that the fair value of the Lawn and Garden Segment at June 30, 2014 was less than its carrying value. The Company used a combination of valuation techniques primarily using discounted cash flows to determine the fair value of its Lawn and Garden Segment and market based multiples as supporting evidence. The variables and assumptions used, all of which are level 3 fair value inputs, included the projections of future revenues and expenses, working capital, terminal values, discount rates and long term growth rates. The market multiples observed in sale transactions were determined separately based on the weighted average cost of capital determined for the Company's Lawn and Garden Segment. In addition, we made certain judgments about the selection of comparable companies used in determining market multiples in valuing our Lawn and Garden Segment, as well as certain assumptions to allocate shared assets and liabilities to calculate values for that business. The underlying assumptions used were based on historical actual experience and future expectations that are consistent with those used in the Company's strategic plan. The Company compared the fair value of the Lawn and Garden Segment to its respective carrying value, including related goodwill. Our estimate of the fair value of the Lawn and Garden Segment could change over time based on a variety of factors, including actual operating performance of the underlying businesses or the impact of future events on the cost of capital and the related discount rates used. Since the estimated fair value less cost to sell for the Lawn and Garden Segment exceeded its carrying value as of June 30, 2014, no adjustments were made to its carrying value.

The Company has classified and accounted for the assets and liabilities of the Lawn and Garden Segment and WEK, for periods prior to the sale, as held for sale in the accompanying Condensed Consolidated Statements of Financial Position and their operating results, net of tax, as discontinued operations in the accompanying Condensed Consolidated Statements of Income (Unaudited) for all periods presented.

Table of contents

Myers Industries, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements - (Continued)
(Dollar amounts in thousands, except where otherwise indicated)

Summarized selected financial information for the Lawn and Garden Segment and WEK for the three and six months ended June 30, 2014 and 2013, are presented in the following table.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net sales	$46,372	$50,401	$104,677	$120,437
Income (loss) from discontinued operations before income taxes	$(4,427)	$500	$(10,666)	$3,618
Income tax expense (benefit)	(1,421)	(407)	(3,577)	624
Income (loss) from discontinued operations	(3,006)	907	(7,089)	2,994
Net gain (loss) on sale of discontinued operations, net of tax of $1.3 million	2,428	—	2,428	—
(Loss) income from discontinued operations	$(578)	$907	$(4,661)	$2,994

The assets and liabilities of discontinued operations are stated separately as of June 30, 2014 and December 31, 2013, in the Condensed Consolidated Statements of Financial Position (Unaudited) and are comprised of the following items:

	June 30, 2014	December 31, 2013
Assets		
Accounts receivable-net	$23,260	$37,527
Inventories	58,256	53,401
Prepaid expenses	1,820	1,682
Goodwill	9,361	9,567
Patents and other intangible assets, net	6,553	6,860
Property, plant and equipment, net	36,975	51,028
Other	473	503
Total Assets Held for Sale	$136,698	$160,568
Liabilities		
Accounts payable	$21,570	$29,366
Accrued expenses and other liabilities	10,104	20,133
Total Liabilities Held for Sale	$31,674	$49,499

The Lawn and Garden Segment restructuring plan, announced in July 2013, detailed the closure of two manufacturing plants: one in Brantford, Ontario and the second in Waco, Texas. The restructuring actions include closure, relocation and employee related costs. Through June 30, 2014, the Lawn and Garden Segment has incurred approximately $13 million of charges under its restructuring plan. Restructuring actions under the plan were substantially completed at June 30, 2014.

Table of contents

Myers Industries, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements - (Continued)
(Dollar amounts in thousands, except where otherwise indicated)

Restructuring charges related to discontinued operations for the three and six months ended June 30, 2014 and 2013 are presented in the following table:

Three Months Ended June 30,		Six Months Ended June 30,
2014	2013	