

MYERS INDUSTRIES INC

Form 10-Q

October 28, 2011

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**SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 10-Q**

**Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2011**

OR

**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

*(State or other jurisdiction of
incorporation or organization)*

34-0778636

*(IRS Employer Identification
Number)*

1293 South Main Street

Akron, Ohio

(Address of principal executive offices)

44301

(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 No .

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 No

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

Accelerated filer

Non-accelerated filer

Smaller reporting
company .

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No .

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

**Class
Common Stock, without par value**

**Outstanding as of October 25, 2011
33,370,325 shares**

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EX-101 INSTANCE DOCUMENT

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Part I Financial Information
Item 1. Financial Statements
MYERS INDUSTRIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Financial Position
(Dollars in thousands)

Assets	September 30, 2011 (Unaudited)	December 31, 2010
Current Assets		
Cash	\$ 2,851	\$ 4,705
Accounts receivable-less allowances of \$4,126 and \$2,950, respectively	101,299	98,799
Inventories		
Finished and in-process products	75,099	67,580
Raw materials and supplies	28,596	28,824
	103,695	96,404
Prepaid expenses	5,752	8,158
Deferred income taxes	4,843	5,781
Total Current Assets	218,440	213,847
Other Assets		
Goodwill	44,523	40,892
Patents and other intangible assets	17,725	18,667
Other	7,737	7,174
	69,985	66,733
Property, Plant and Equipment, at Cost		
Land	4,124	4,369
Buildings and leasehold improvements	55,659	59,690
Machinery and equipment	386,724	383,664
	446,507	447,723
Less allowances for depreciation and amortization	(309,010)	(295,908)
Property, plant and equipment, net	137,497	151,815
	\$ 425,922	\$ 432,395

See notes to unaudited condensed consolidated financial statements.

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Part I Financial Information
MYERS INDUSTRIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Financial Position
(Dollars in thousands, except share data)

Liabilities and Shareholders Equity	September 30, 2011 (Unaudited)	December 31, 2010
Current Liabilities		
Accounts payable	\$ 60,947	\$ 64,143
Accrued expenses		
Employee compensation	20,380	18,294
Income taxes	3,462	5,891
Taxes, other than income taxes	2,683	1,970
Accrued interest	844	195
Other	17,088	15,533
Current portion of long-term debt	305	305
Total Current Liabilities	105,709	106,331
Long-term debt, less current portion	79,925	83,530
Other liabilities	13,107	5,936
Deferred income taxes	24,168	24,793
Shareholders Equity		
Serial Preferred Shares (authorized 1,000,000 shares; none issued and outstanding)	-0-	-0-
Common Shares, without par value (authorized 60,000,000 shares; outstanding 33,572,151 and 35,315,732; net of treasury shares of 4,340,506 and 2,592,175, respectively)	20,405	21,486
Additional paid-in capital	266,010	281,376
Accumulated other comprehensive income	6,621	10,164
Retained deficit	(90,023)	(101,221)
	203,013	211,805
	\$ 425,922	\$ 432,395

See notes to unaudited condensed consolidated financial statements.

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Part I Financial Information
MYERS INDUSTRIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Income (Unaudited)
For the Three and Nine Months Ended September 30, 2011 and 2010
(Dollars in thousands, except share data)

	For The Three Months Ended		For The Nine Months Ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Net sales	\$ 190,045	\$ 187,045	\$ 560,291	\$ 549,374
Cost of sales	142,543	145,568	416,732	429,033
Gross profit	47,502	41,477	143,559	120,341
Selling, general and administrative expenses	40,243	35,183	115,258	103,575
Operating income	7,259	6,294	28,301	16,766
Interest expense, net	1,264	1,722	3,655	5,373
Income before income taxes	5,995	4,572	24,646	11,393
Income tax (benefit) expense	(1,219)	1,353	6,055	3,743
Net income	\$ 7,214	\$ 3,219	\$ 18,591	\$ 7,650
Income per common share: Basic and diluted	\$ 0.21	\$ 0.09	\$ 0.53	\$ 0.22
Dividends declared per share	\$ 0.070	\$ 0.065	\$ 0.210	\$ 0.195

See notes to unaudited condensed consolidated financial statements.

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Part I Financial Information
MYERS INDUSTRIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (Unaudited)
For the Nine Months Ended September 30, 2011 and 2010
(Dollars in thousands)

	September 30, 2011	September 30, 2010
Cash Flows From Operating Activities		
Net income	\$ 18,591	\$ 7,650
Items not affecting use of cash:		
Depreciation	24,102	22,482
Impairment charges and asset write-offs	814	-0-
Amortization of intangible assets	2,210	2,217
Non-cash stock compensation	2,151	1,796
Provision for loss on accounts receivable	1,179	557
Deferred taxes	635	(930)
Other long-term liabilities	3,015	51
Gain on sale of property, plant and equipment	(591)	(733)
Other	50	-0-
Cash flow provided by (used for) working capital:		
Accounts receivable	(5,024)	(18,374)
Inventories	(8,759)	5,014
Prepaid expenses	2,294	1,442
Accounts payable and accrued expenses	(422)	(6,634)
Net cash provided by operating activities	40,245	14,538
Cash Flows From Investing Activities		
Additions to property, plant and equipment	(13,337)	(14,508)
Acquisition of business, net of cash acquired	(1,100)	(411)
Proceeds from sale of property, plant and equipment	1,082	5,213
Other	(92)	209
Net cash used for investing activities	(13,447)	(9,497)
Cash Flows From Financing Activities		
Net (repayment) borrowing on credit facility	(3,212)	2,700
Cash dividends paid	(7,163)	(6,915)
Proceeds from issuance of common stock	173	103
Repurchase of common stock	(18,821)	-0-
Net cash used for financing activities	(29,023)	(4,112)
Foreign Exchange Rate Effect on Cash	371	163

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Net (decrease) increase in cash	(1,854)	1,092
Cash at January 1	4,705	4,728
Cash at September 30	\$ 2,851	\$ 5,820

See notes to unaudited condensed consolidated financial statements.

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Part I Financial Information
MYERS INDUSTRIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statement of Shareholders' Equity (Unaudited)
For the Nine Months Ended September 30, 2011
(Dollars in thousands, except per share data)

	Common Stock	Additional Paid-In Capital	Accumulative Other Comprehensive Income	Retained Income (Deficit)
Balance at January 1, 2011	\$ 21,486	\$ 281,376	\$ 10,164	\$ (101,221)
Net income	-0-	-0-	-0-	18,591
Foreign currency translation adjustment	-0-	-0-	(3,543)	-0-
Purchases for treasury	(1,095)	(17,726)	-0-	-0-
Common stock issued	14	209	-0-	-0-
Stock based compensation	-0-	2,151	-0-	-0-
Dividends declared \$0.21 per share	-0-	-0-	-0-	(7,393)
Balance at September 30, 2011	\$ 20,405	\$ 266,010	\$ 6,621	\$ (90,023)

See notes to unaudited condensed consolidated financial statements.

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

Statement of Accounting Policy

The accompanying 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 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. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in the Company's latest annual report on Form 10-K.

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 September 30, 2011, and the results of operations and cash flows for the periods presented. The results of operations for the three and nine months ended September 30, 2011 are not necessarily indicative of the results of operations that will occur for the year ending December 31, 2011.

Reclassification

Certain prior year amounts in the accompanying condensed consolidated financial statements have been restated in conformity with generally accepted accounting principles to conform to the current year's presentation.

Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Updated (ASU) No. 2011-05, *Comprehensive Income (Topic 220) Presentation of Comprehensive Income*. The new accounting standard will require companies to present the components of net income and other comprehensive income either as one continuous statement or two separate but consecutive statements. The update eliminates the option to report other comprehensive income and its components in the statement of changes in equity. The Company plans to adopt this guidance beginning in the first quarter of 2012. The Company does not believe the adoption of this guidance will have a material impact on the Company's consolidated financial statements, as this guidance modifies presentation of other comprehensive income already disclosed in the financial statements.

In September 2011, the FASB issued ASU No. 2011-08, *Intangibles - Goodwill and Other (Topic 350)*. The update gives companies the option to perform a qualitative assessment that may enable them to forgo the annual two-step test for impairment. ASU No. 2011-08 allows a qualitative assessment to first be performed to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If a company concludes that this is the case, it must perform the two-step test. Otherwise a company does not have to perform the two-step test. The ASU also includes a revised list of events and circumstances to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The ASU is effective for fiscal years beginning after December 15, 2011 with early adoption permitted. The Company conducts its annual impairment assessment as of October 1, which will include adoption of this guidance.

Fair Value Measurement

The Company follows guidance included in ASC 820, *Fair Value Measurements and Disclosures*, 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:

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- 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.

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(Dollar amounts in thousands, except where otherwise indicated)
(Unaudited)

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 Credit Agreement approximates carrying value due to the floating interest rates and relative short maturity (less than 90 days) of the revolving borrowings under this agreement. The fair value of the Company's \$35 million fixed rate senior notes was estimated at \$38.7 million at September 30, 2011 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.

Inventories

Approximately one quarter of the Company's inventories use the last in first out (LIFO) 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 are subject to change in the final year-end LIFO inventory valuation and therefore, no adjustment was recorded as of an interim period.

Acquisitions

On July 20, 2011, the Company acquired tooling assets and intellectual property from Material Improvements L.P. for a new reusable plastic container used in producing, shipping and processing bulk natural cheese. The total purchase price was \$5.7 million, comprised of a \$1.1 million cash payment and \$4.6 million contingent consideration. The preliminary allocation of purchase price included \$0.3 million of property, plant and equipment, amortizable intangible assets, which included \$1.2 million in technology and \$0.2 million for trade name, and \$3.9 million in goodwill. These assets and assumed liabilities were recorded at estimated fair value as of the date of the acquisition using primarily level 3 inputs. The operating results of the business acquired are included in our Material Handling Segment; however, no sales have been recorded during the third quarter related to the acquisition. The Company is awaiting final valuation studies to complete the purchase price allocation.

On July 21, 2010, the Company acquired the assets of Enviro-Fill, Inc., a developer of a new fuel overfill prevention and fuel vapor capture system. The total purchase price was approximately \$1.5 million, including contingent liabilities for additional future consideration. The allocation of purchase price includes \$0.8 million of amortizable intangible assets and \$0.7 million of goodwill. These assets were recorded at fair value as of the date of acquisition using primarily level 2 and 3 inputs. The Enviro-Fill business is included in the Company's Engineered Products Segment.

Goodwill

The following table presents the net carrying amount of goodwill allocated by reporting unit, and changes for the nine months ended September 30, 2011:

(In thousands)	Balance at January 1, 2011	Acquisitions	Foreign Currency Translation	Impairment	Balance at September 30, 2011
Distribution	\$ 214	\$ -0-	\$ -0-	\$ -0-	\$ 214
Engineered Products	707	-0-	-0-	-0-	707
Material Handling	30,383	3,896	-0-	-0-	34,279
Lawn and Garden	9,588	-0-	(265)	-0-	9,323

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Total	\$	40,892	\$	3,896	\$	(265)	\$	-0-	\$	44,523
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(Dollar amounts in thousands, except where otherwise indicated)
(Unaudited)

Discontinued Operations

On February 1, 2007, the Company sold its former Material Handling Europe business segment. On November 10, 2010, the French Tax Authorities issued a notice of assessment to the buyer, and current owner, of these businesses. The assessment related to business taxes for the years 2006, 2007 and 2008, and totaled 1.5 million euros. As part of the sale agreement, the Company provided indemnification to the current owner for any taxes, interest, penalties and reasonable costs related to these businesses for periods through the date of sale. On January 13, 2011, the Company filed a Notice of Claim to protest the assessment with the French Tax Authorities. The Company and its French legal counsel believe that the basis for the assessment is not valid, and accordingly, will continue to appeal the claim through all available means. Accordingly, no amounts have been recognized in the financial statements related to this matter.

Net Income Per Common Share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Weighted average common shares outstanding				
Basic	34,354,210	35,310,744	34,938,806	35,301,608
Dilutive effect of stock options and restricted stock	106,742	71,667	89,607	59,131
Weighted average common shares outstanding diluted	34,460,952	35,382,411	35,028,413	35,360,739

Options to purchase 692,810 and 1,159,679 shares of common stock that were outstanding for the three months and nine months ended September 30, 2011, respectively, were not included in the computation of diluted earnings per share for these respective periods as the exercise price of these options was greater than the average market price of common shares, and their effect would be anti-dilutive. Options to purchase 1,570,196 that were outstanding at September 30, 2010 were not included in the computation of diluted earnings per share amounts in 2010 as the exercise price of these options was greater than the average market price of common shares, and their effect would be anti-dilutive.

Supplemental Disclosure of Cash Flow Information

The Company's cash payments for interest and income taxes for the three and nine month periods ended September 30, 2011 and 2010 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2011	2010	2011	2010
Interest paid	\$ 441	\$ 116	\$ 2,498	\$ 3,505
Income taxes paid	\$ 1,576	\$ 89	\$ 7,855	\$ 7,726

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(Dollar amounts in thousands, except where otherwise indicated)
(Unaudited)

Comprehensive Income

A summary of comprehensive income for the three and nine month periods ended September 30, 2011 and 2010 is as follows:

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Net income	\$ 7,214	\$ 3,219	\$ 18,591	\$ 7,650
Other comprehensive income:	&			