

MYERS INDUSTRIES INC

Form 10-Q

August 03, 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 June 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.

<b>Class</b>	<b>Outstanding as of July 31, 2011</b>
<b>Common Stock, without par value</b>	<b>34,719,392 shares</b>



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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)*

<b>Assets</b>	<b>June 30, 2011 (Unaudited)</b>	<b>December 31, 2010</b>
<b>Current Assets</b>		
Cash	\$ 6,936	\$ 4,705
Accounts receivable-less allowances of \$4,020 and \$2,950, respectively	101,577	98,799
Inventories		
Finished and in-process products	77,148	67,580
Raw materials and supplies	29,547	28,824
	106,695	96,404
Prepaid expenses	7,352	8,158
Deferred income taxes	5,770	5,781
<b>Total Current Assets</b>	<b>228,330</b>	<b>213,847</b>
<b>Other Assets</b>		
Goodwill	41,082	40,892
Patents and other intangible assets	17,653	18,667
Other	6,890	7,174
	65,625	66,733
<b>Property, Plant and Equipment, at Cost</b>		
Land	4,369	4,369
Buildings and leasehold improvements	59,904	59,690
Machinery and equipment	387,753	383,664
	452,026	447,723
Less allowances for depreciation and amortization	(309,714)	(295,908)
Property, plant and equipment, net	142,312	151,815
	\$ 436,267	\$ 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)*

<b>Liabilities and Shareholders Equity</b>	<b>June 30, 2011 (Unaudited)</b>	<b>December 31, 2010</b>
<b>Current Liabilities</b>		
Accounts payable	\$ 53,301	\$ 64,143
Accrued expenses		
Employee compensation	18,562	18,294
Income taxes	6,553	5,891
Taxes, other than income taxes	1,925	1,970
Accrued interest	281	195
Other	14,393	15,533
Current portion of long-term debt	305	305
<b>Total Current Liabilities</b>	<b>95,320</b>	<b>106,331</b>
Long-term debt, less current portion	90,425	83,530
Other liabilities	6,741	5,936
Deferred income taxes	24,943	24,793
<b>Shareholders Equity</b>		
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 34,985,304 and 35,315,732; net of treasury shares of 2,845,753 and 2,592,175, respectively)	21,267	21,486
Additional paid-in capital	279,600	281,376
Accumulated other comprehensive income	12,798	10,164
Retained deficit	(94,827)	(101,221)
	<b>218,838</b>	<b>211,805</b>
	<b>\$ 436,267</b>	<b>\$ 432,395</b>

*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 (Loss) (Unaudited)**  
**For the Three and Six Months Ended June 30, 2011 and 2010**  
*(Dollars in thousands, except share data)*

	<b>For The Three Months Ended</b>		<b>For The Six Months Ended</b>	
	<b>June 30, 2011</b>	<b>June 30, 2010</b>	<b>June 30, 2011</b>	<b>June 30, 2010</b>
Net sales	\$ 176,805	\$ 175,906	\$ 370,246	\$ 362,329
Cost of sales	132,772	141,955	274,188	283,465
Gross profit	44,033	33,951	96,058	78,864
Selling, general and administrative expenses	35,360	33,960	75,016	68,392
Operating income (loss)	8,673	(9)	21,042	10,472
Interest expense, net	1,153	1,851	2,391	3,651
Income (loss) before income taxes	7,520	(1,860)	18,651	6,821
Income taxes (benefit)	2,862	(761)	7,274	2,390
Net income (loss)	\$ 4,658	\$ (1,099)	\$ 11,377	\$ 4,431
Income (loss) per common share:				
Basic and diluted	\$ 0.13	\$ (0.03)	\$ 0.32	\$ 0.13
Dividends per share	\$ 0.070	\$ 0.065	\$ 0.140	\$ 0.130

*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 Six Months Ended June 30, 2011 and 2010**  
*(Dollars in thousands)*

	<b>June 30, 2011</b>	<b>June 30, 2010</b>
<b>Cash Flows From Operating Activities</b>		
Net income	\$ 11,377	\$ 4,431
Items not affecting use of cash		
Depreciation	16,064	15,019
Impairment charges	252	-0-
Amortization of intangible assets	1,474	1,485
Non-cash stock compensation	1,607	1,133
Provision for loss on accounts receivable	1,773	327
Other	50	-0-
Deferred taxes	(70)	(76)
Gain on sale of property, plant and equipment	-0-	(733)
Cash flow provided by (used for) working capital		
Accounts receivable	(4,281)	(3,262)
Inventories	(9,247)	1,154
Prepaid expenses	903	798
Accounts payable and accrued expenses	(11,151)	(22,896)
Net cash provided by (used for) operating activities	8,751	(2,620)
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale of property, plant and equipment	-0-	5,165
Additions to property, plant and equipment	(5,765)	(9,320)
Other	848	73
Net cash used for investing activities	(4,917)	(4,082)
<b>Cash Flows From Financing Activities</b>		
Net borrowing on credit facility	6,552	12,552
Cash dividends paid	(4,715)	(4,611)
Proceeds from issuance of common stock	70	72
Repurchase of common stock	(3,722)	-0-
Net cash (used for) provided by financing activities	(1,815)	8,013
Foreign Exchange Rate Effect on Cash	212	17

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Net increase in cash	2,231	1,328
Cash at January 1	4,705	4,728
Cash at June 30	\$ 6,936	\$ 6,055

*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 Six Months Ended June 30, 2011**  
*(Dollars in thousands, except per share data)*

	Common Stock	Additional Paid-In Capital	Accumulative Other Comprehensive Income	Retained Income (Deficit)
<b>Balance at January 1, 2011</b>	\$ 21,486	\$ 281,376	\$ 10,164	\$ (101,221)
Net income	-0-	-0-	-0-	11,377
Foreign currency translation adjustment	-0-	-0-	2,634	-0-
Purchases for treasury	(227)	(3,495)	-0-	-0-
Common stock issued	8	112	-0-	-0-
Stock based compensation	-0-	1,607	-0-	-0-
Dividends \$ .14 per share	-0-	-0-	-0-	(4,983)
<b>Balance at June 30, 2011</b>	\$ 21,267	\$ 279,600	\$ 12,798	\$ (94,827)

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

**Recent Accounting Pronouncements**

In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Updated 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.

**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:

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 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 \$38.4 million at June 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.

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**Inventories**

Approximately 27 percent 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 at June 30, 2011.

**Acquisitions**

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 change in goodwill for the six months ended June 30, 2011 was as follows:

(Amount in thousands)	Balance at January 1, 2011	Acquisitions	Foreign Currency Translation	Impairment	Balance at June 30, 2011
Segment					
Distribution	\$ 214	\$ -0-	\$ -0-	\$ -0-	\$ 214
Engineered Products	707	-0-	-0-	-0-	707
Material Handling North America	30,383	-0-	-0-	-0-	30,383
Lawn and Garden	9,588	-0-	190	-0-	9,778
Total	\$ 40,892	\$ -0-	\$ 190	\$ -0-	\$ 41,082

**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.

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**(Unaudited)**

**Net Income (Loss) Per Common Share**

Net income (loss) per common share, as shown on the Condensed Consolidated Statements of Income (Loss), 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 Months Ended June 30,	
	2011	2010	2011	2010
Weighted average common shares outstanding				
Basic	35,249,616	35,303,727	35,279,504	35,297,283
Dilutive effect of stock options and restricted stock	-0-	-0-	156,608	116,860
Weighted average common shares outstanding diluted	35,249,616	35,303,727	35,436,112	35,414,143

Options to purchase 1,172,729 and 1,757,404 shares of common stock that were outstanding at June 30, 2011 were not included in the computation of diluted earnings per share for the three months and six months ended June 30, 2011, respectively, 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 1,584,830 that were outstanding at June 30, 2010 were not included in the computation of diluted earnings per share for the three and six months ended June 30, 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. In addition, 119,232 dilutive common shares were excluded from the computation of the loss per common share in the three months ended June 30, 2010 due to the Company's net loss position.

**Supplemental Disclosure of Cash Flow Information**

The Company's cash payments for interest and income taxes for the three and six months ended June 30, 2011 and 2010 are as follows:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Interest	\$ 1,548	\$ 3,288	\$ 2,057	\$ 3,389
Income taxes	\$ 6,304	\$ 5,974	\$ 6,373	\$ 7,637

**Comprehensive Income**

A summary of comprehensive income for the three and six months ended June 30, 2011 and 2010 is as follows:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net income (loss)	\$ 4,658	\$ (1,099)	\$ 11,377	\$ 4,431
Other comprehensive income:				
Foreign currency translation adjustment	824	(2,861)	2,634	(1,021)
Comprehensive income (loss)	\$ 5,482	\$ (3,960)	\$ 14,011	\$ 3,410



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**(Unaudited)**

**Accumulated Other Comprehensive Income**

As of June 30, 2011 and December 31, 2010, the balance in the Company's accumulated other comprehensive income is comprised of the following:

(In thousands)	<b>June 30, 2011</b>	<b>December 31, 2010</b>
Foreign currency translation adjustments		