

MYERS INDUSTRIES INC

Form 10-Q

August 06, 2010

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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, 2010

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 definition 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
(Do not check if a 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	Outstanding as of July 31, 2010
Common Stock, without par value	35,311,701 shares

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Part I Financial Information
Item 1. Financial Statements
Myers Industries, Inc.
Condensed Statements of Consolidated Financial Position
As of June 30, 2010 (Unaudited) and December 31, 2009
(Dollars in thousands)

Assets	June 30, 2010	December 31, 2009
Current Assets		
Cash	\$ 6,055	\$ 4,728
Accounts receivable-less allowances of \$3,451 and \$4,402, respectively	88,879	86,674
Inventories		
Finished and in-process products	60,360	65,522
Raw materials and supplies	30,823	34,679
	91,183	100,201
Prepaid expenses	7,782	8,612
Deferred income taxes	6,330	6,333
Total Current Assets	200,229	206,548
Other Assets		
Goodwill	111,864	111,927
Intangible assets	18,601	20,003
Other	16,379	13,070
	146,844	145,000
Property, Plant and Equipment, at Cost		
Land	3,990	3,989
Buildings and leasehold improvements	53,158	53,283
Machinery and equipment	372,758	370,042
	429,906	427,314
Less allowances for depreciation and amortization	(277,890)	(268,896)
	152,016	158,418
	\$ 499,089	\$ 509,966

See notes to unaudited condensed consolidated financial statements.

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Part I Financial Information
Myers Industries, Inc.
Condensed Statements of Consolidated Financial Position
As of June 30, 2010 (Unaudited) and December 31, 2009
(Dollars in thousands, except share data)

Liabilities and Shareholders Equity	June 30, 2010	December 31, 2009
Current Liabilities		
Accounts payable	\$ 48,014	\$ 63,916
Accrued expenses		
Employee compensation	14,880	14,008
Income taxes	2,377	6,405
Taxes, other than income taxes	1,135	1,187
Accrued interest	409	397
Other	13,514	17,687
Current portion of long-term debt	65,425	65,425
 Total Current Liabilities	 145,754	 169,025
 Long-term debt, less current portion	 51,410	 38,890
Other liabilities	5,714	5,682
Deferred income taxes	38,208	38,371
 Shareholders Equity		
Serial Preferred Shares (authorized 1,000,000 shares)	-0-	-0-
Common Shares, without par value (authorized 60,000,000 shares; outstanding 35,307,873 and 35,286,129 shares, respectively)	21,481	21,474
Additional paid-in capital	280,123	278,894
Accumulated other comprehensive income	5,756	6,777
Retained deficit	(49,357)	(49,147)
	258,003	257,998
	\$ 499,089	\$ 509,966

See notes to unaudited condensed consolidated financial statements.

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Part I Financial Information
Myers Industries, Inc.
Condensed Statements of Consolidated Income (Loss) (Unaudited)
For the Three and Six Months Ended June 30, 2010 and 2009
(Dollars in thousands, except per share data)

	For The Three Months Ended		For The Six Months Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Net sales	\$ 175,906	\$ 165,439	\$ 362,329	\$ 348,128
Cost of sales	141,955	124,134	283,465	251,343
Gross profit	33,951	41,305	78,864	96,785
Selling, general and administrative expenses	33,960	40,510	68,392	82,094
Impairment charges	-0-	891	-0-	2,162
Operating (loss) income	(9)	(96)	10,472	12,529
Interest expense, net	1,851	2,099	3,651	4,500
Income (loss) from continuing operations before income taxes	(1,860)	(2,195)	6,821	8,029
Income tax (benefit) expense	(761)	(1,470)	2,390	2,497
Income (loss) from continuing operations	(1,099)	(725)	4,431	5,532
Income (loss) from discontinued operations, net of tax	-0-	(676)	-0-	(1,831)
Net (loss) income	\$ (1,099)	\$ (1,401)	\$ 4,431	\$ 3,701
Income (loss) per common share				
Basic				
Continuing operations	\$ (.03)	\$ (.02)	\$.13	\$.16
Discontinued	-0-	(.02)	-0-	(.05)
Net (loss) income	\$ (.03)	\$ (.04)	\$.13	\$.10

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Diluted							
Continuing operations	\$	(.03)	\$	(.02)	\$.13	\$.16
Discontinued		-0-		(.02)		-0-	(.05)
Net (loss) income	\$	(.03)	\$	(.04)	\$.13	\$.10

See notes to unaudited condensed consolidated financial statements.

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Part I Financial Information
Myers Industries, Inc.
Condensed Statements of Consolidated Cash Flows (Unaudited)
For the Six Months Ended June 30, 2010 and 2009
(Dollars in thousands)

	June 30, 2010	June 30, 2009
Cash Flows From Operating Activities		
Net income	\$ 4,431	\$ 3,701
Net loss from discontinued operations	-0-	1,831
Items not affecting use of cash		
Depreciation	15,019	17,067
Impairment charges	-0-	2,162
Amortization of other intangible assets	1,485	1,494
Non cash stock compensation	1,133	1,131
Deferred taxes	(76)	(62)
Gain on sale of property, plant and equipment	(733)	-0-
Cash flow provided by (used for) working capital		
Accounts receivable	(2,934)	5,612
Inventories	1,154	13,700
Prepaid expenses	798	(317)
Accounts payable and accrued expenses	(22,896)	(16,633)
Net cash provided by (used for) operating activities of continuing operations	(2,620)	29,686
Net cash provided by operating activities of discontinued operations	-0-	643
Net cash provided by (used for) operating activities	(2,620)	30,329
Cash Flows From Investing Activities		
Proceeds from sale of property, plant and equipment	5,165	727
Additions to property, plant and equipment	(9,320)	(3,864)
Other	73	353
Net cash used for investing activities	(4,082)	(2,784)
Cash Flows From Financing Activities		
Net borrowing (repayment) of credit facility	12,552	(11,729)
Cash dividends paid	(4,611)	(4,231)
Proceeds from issuance of common stock	72	213
Net cash (used for) provided by financing activities	8,013	(15,747)
Foreign Exchange Rate Effect on Cash	17	603
Net increase in cash	1,328	12,401
Cash at January 1	4,728	10,417
	\$ 6,055	\$ 22,818

See notes to unaudited condensed consolidated financial statements.

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Part I Financial Information
Myers Industries, Inc.
Condensed Statement of Consolidated Shareholders Equity (Unaudited)
For the Six Months Ended June 30, 2010
(Dollars in thousands)

	Common Stock	Additional Paid-In Capital	Accumulative Other Comprehensive Income (Loss)	Retained Deficit
December 31, 2009	\$ 21,474	\$ 278,894	\$ 6,777	\$ (49,147)
Net income	-0-	-0-	-0-	4,431
Foreign currency translation adjustment	-0-	-0-	(1,021)	-0-
Common Stock issued	7	96	-0-	-0-
Stock based compensation	-0-	1,133	-0-	-0-
Dividends \$.13 per share	-0-	-0-	-0-	(4,641)
June 30, 2010	\$ 21,481	\$ 280,123	\$ 5,756	\$ (49,357)

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
Unaudited

Statement of Accounting Policy

The accompanying financial statements include the accounts of Myers Industries, Inc. and 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, 2010, and the results of operations and cash flows for the six months ended June 30, 2010 and 2009. The results of operations for the six months ended June 30, 2010 are not necessarily indicative of the results of operations that will occur for the year ending December 31, 2010.

Recent Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2010-06, *Improving Disclosures about Fair Value Measurements (Topic 820) Fair Value Measurements and Disclosures*, to add additional disclosures about the different classes of assets and liabilities measured at fair value, the valuation techniques and inputs used, the activity in Level 3 fair value measurements, and the transfers between Levels 1, 2 and 3. The Company adopted this guidance in January 2010 and adoption did not have a material impact on the Company's consolidated financial statements. The portion of guidance relating to disclosures about purchases, sales, issuances and settlements in the Level 3 reconciliations are not effective until fiscal years beginning after December 15, 2010. The Company does not expect that the portion of this guidance not yet adopted will have a material impact on the Company's consolidated financial statements.

Fair Value Measurement

In January 2008, the Company adopted 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. In January 2009, the Company adopted updated guidance included in ASC 820 with respect to non-financial assets and liabilities that are measured at fair value on a non-recurring basis. The adoption of this updated guidance did not have a material impact on the consolidated financial statements. 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 \$100 million fixed rate senior notes was estimated at \$102 million at June 30, 2010 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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Part I Financial Information
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Notes to Condensed Consolidated Financial Statements
Unaudited

Discontinued Operations

On October 30, 2009, the Company sold substantially all of the assets of its Michigan Rubber Products, Inc. (MRP) and Buckhorn Rubber Products Inc. (BRP) businesses to Zhongding Sealing Parts (USA), Inc. In accordance with U.S. generally accepted accounting principles, the operating results related to those businesses have been included in the results of discontinued operations. For the three months and six months ended June 30, 2009, the MRP and BRP discontinued operations had the following operating results:

(Amounts in thousands)	Three months ended June 30, 2009	Six months ended June 30, 2009
Net Sales	\$ 7,711	\$ 15,122
Loss before income taxes	(1,134)	(3,047)
Income tax benefit	(458)	(1,216)
Net loss	\$ (676)	\$ (1,831)

Goodwill

The change in goodwill for the six months ended June 30, 2010 was as follows:

(Amount in thousands)

Segment	Balance at January 1, 2010	Acquisitions	Foreign Currency Translation	Impairment	Balance at June 30, 2010
Distribution	\$ 214	\$ -0-	\$ -0-	\$ -0-	\$ 214
Material Handling North America	30,383	-0-	-0-	-0-	30,383
Lawn and Garden	81,330	-0-	(63)	-0-	81,267
Total	\$ 111,927	\$ -0-	\$ (63)	\$ -0-	\$ 111,864

Net Income (Loss) Per Share

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

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Part I Financial Information
Myers Industries, Inc.
Notes to Condensed Consolidated Financial Statements
Unaudited

(In thousands)	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
Weighted average common shares outstanding				
Basic	35,304	35,266	35,297	35,257
Dilutive effect of stock options	-0-	-0-	117	-0-
Weighted average common shares outstanding diluted	35,304	35,266	35,414	35,257

Options to purchase 1,584,830 and 1,440,573 shares of common stock that were outstanding at June 30, 2010 and 2009, respectively, were not included in the computation of diluted earnings per share as the exercise prices of these options was greater than the average market price of common shares. 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 made cash payments for interest of \$3.3 million and \$3.7 million for the three months ended June 30, 2010 and 2009, respectively. Cash payments for interest totaled \$3.4 million and \$4.6 million for the six months ended June 30, 2010 and 2009, respectively. Cash payments for income taxes were \$6.0 million and \$3.6 million for the three months ended June 30, 2010 and 2009, respectively. Cash payments for income taxes were \$7.6 million and \$3.9 million for the six months ended June 30, 2010 and 2009, respectively.

Comprehensive Income (Loss)

A summary of comprehensive income (loss) for the three and six months ended June 30, 2010 and 2009 is as follows:

(In thousands)	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
Net income (loss)	\$ (1,099)	\$ (1,401)	\$ 4,431	\$ 3,701
Other comprehensive income (loss):				
Foreign currency translation adjustment	(2,861)	5,505	(1,021)	3,755
Comprehensive income (loss)	\$ (3,960)	\$ 4,104	\$ 3,410	\$ 7,456

Accumulated Other Comprehensive Income

As of June 30, 2010 and December 31, 2009, the balance in the Company's accumulated other comprehensive income is comprised of the following:

(In thousands)	June 30, 2010	December 31, 2009
Foreign currency translation adjustments	\$ 7,800	\$ 8,821
Pension adjustments	(2,044)	(2,044)