

MYERS INDUSTRIES INC

FORM 10-Q (Quarterly Report)

Filed 11/13/00 for the Period Ending 09/30/00

Address	1293 S MAIN ST AKRON, OH 44301
Telephone	330-253-5592
CIK	0000069488
Symbol	MYE
SIC Code	3089 - Plastics Products, Not Elsewhere Classified
Industry	Fabricated Plastic & Rubber
Sector	Basic Materials
Fiscal Year	12/31

MYERS INDUSTRIES INC

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Filed 11/13/2000 For Period Ending 9/30/2000

Address	1293 S MAIN ST AKRON, Ohio 44301
Telephone	330-253-5592
CIK	0000069488
Industry	Containers & Packaging
Sector	Basic Materials
Fiscal Year	12/31

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2000

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 I-8524

MYERS INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

OHIO

#34-0778636

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

1293 SOUTH MAIN STREET, AKRON, OHIO

44301

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (330) 253-5592

Indicate 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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x.
No ____.

Applicable Only to Issuers Involved in Bankruptcy
Proceedings During the Preceding Five Years

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes _____. No _____.

As of October 31, 2000, the number of shares outstanding of the issuer's Common Stock was:

21,588,136

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PART 1 — FINANCIAL INFORMATION

MYERS INDUSTRIES, INC.

CONDENSED STATEMENT OF CONSOLIDATED FINANCIAL POSITION
AS OF SEPTEMBER 30, 2000 AND DECEMBER 31, 1999

ASSETS	September 30, 2000	December 31, 1999
<hr/>		
CURRENT ASSETS		
Cash and temporary cash investments	\$ 6,013,935	\$ 1,094,300
Accounts receivable-less allowances of \$3,572,200 and \$3,707,000, respectively	116,672,667	115,754,304
Inventories		
Finished and in-process products	67,772,307	65,145,885
Raw materials and supplies	20,299,546	19,275,065
	<hr/>	<hr/>
	88,071,853	84,420,950
Prepaid expenses	1,595,680	5,721,436
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	212,354,135	206,990,990
OTHER ASSETS		
Excess of cost over fair value of net assets of companies acquired	178,918,399	196,694,408
Patents and other intangible assets	2,813,393	2,725,345
Other	4,008,643	4,503,381
	<hr/>	<hr/>
	185,740,435	203,923,134
PROPERTY, PLANT & EQUIPMENT, AT COST		
Land	6,453,690	6,841,222
Buildings and leasehold improvements	63,144,227	62,982,807
Machinery and equipment	250,601,747	238,240,041
	<hr/>	<hr/>
	320,199,664	308,064,070
Less allowances for depreciation and amortization	138,469,304	118,568,562
	<hr/>	<hr/>
	181,730,360	189,495,508
	<hr/>	<hr/>
	\$579,824,930	\$600,409,632

PART I — FINANCIAL INFORMATION

MYERS INDUSTRIES, INC.

CONDENSED STATEMENT OF CONSOLIDATED FINANCIAL POSITION
AS OF SEPTEMBER 30, 2000 AND DECEMBER 31, 1999

LIABILITIES AND SHAREHOLDERS' EQUITY	September 30, 2000	December 31, 1999
CURRENT LIABILITIES		
Accounts payable	\$ 42,907,203	\$ 39,620,814
Accrued expenses		
Employee compensation	23,858,687	26,963,274
Taxes, other than income taxes	2,799,756	2,086,045
Income taxes	(2,960,438)	1,326,344
Other	18,271,634	19,773,861
Current portion of long-term debt	14,115,182	12,474,081
TOTAL CURRENT LIABILITIES	98,992,024	102,244,419
LONG-TERM DEBT, less current portion	267,872,452	280,103,906
DEFERRED INCOME TAXES	9,983,938	10,314,490
SHAREHOLDERS' EQUITY		
Serial Preferred Shares (authorized 1,000,000)	0	0
Common Shares, without par value (authorized 60,000,000 shares; outstanding 21,575,452 and 21,986,191, respectively)	13,225,950	12,256,209
Additional paid-in capital	189,618,936	169,508,024
Accumulated other comprehensive income	(34,741,059)	(19,013,675)
Retained income	34,872,689	44,996,259
	202,976,516	207,746,817
	\$579,824,930	\$600,409,632

MYERS INDUSTRIES, INC.

CONDENSED STATEMENT OF CONSOLIDATED INCOME

	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
	Sept. 30, 2000	Sept. 30, 1999	Sept. 30, 2000	Sept. 30, 1999
Net sales	\$153,542,047	\$139,768,838	\$481,368,864	\$414,158,294
Costs of Sales	105,726,403	91,513,996	319,464,820	264,524,814
Gross Profit	47,815,644	48,254,842	161,904,044	149,633,480
Operating Expenses	36,830,601	36,113,558	111,765,543	101,338,599
Operating Income	10,985,043	12,141,284	50,138,501	48,294,881
Interest Expense	5,580,634	4,482,515	16,477,357	10,239,130
Income Before Income Taxes	5,404,409	7,658,769	33,661,144	38,055,751
Income Taxes	2,255,000	3,692,000	14,121,000	16,654,000
Net Income	\$ 3,149,409	\$ 3,966,769	\$ 19,540,144	\$ 21,401,751
Net income per Common Share*	\$.15	\$.18	\$.90	\$.96
Dividends per Common Share*	\$.06	\$.055	\$.17	\$.155
Weighted average number of Common Shares outstanding*	21,586,543	22,267,296	21,724,589	22,239,280

* Adjusted for a ten percent stock dividend in August, 2000.

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MYERS INDUSTRIES, INC.

STATEMENTS OF CONSOLIDATED CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000 AND 1999

	Sept. 30, 2000	Sept. 30, 1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 19,540,144	\$ 21,401,751
Items not affecting use of cash		
Depreciation	25,955,460	22,580,451
Amortization of excess of cost over fair value of net assets of companies acquired	6,495,338	4,848,285
Amortization of other intangible assets	583,084	564,265
Cash flow provided by (used for) working capital		
Accounts receivable	(6,681,771)	(6,742,146)
Inventories	(6,147,712)	(3,516,617)
Prepaid expenses	4,071,817	815,065
Accounts payable and accrued expenses	(81,255)	(5,019,109)
Net cash provided by operating activities	43,735,105	34,931,945
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of business, net of cash acquired	(404,137)	(207,002,970)
Additions to property, plant and equipment, net	(22,686,658)	(18,516,824)
Other	(946,660)	364,261
Net cash used for investing activities	(24,037,455)	(225,155,533)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term debt proceeds (repayment)	(6,000,000)	75,000,000
Net borrowing (repayment) of credit facility	(203,631)	90,709,869
Cash dividends paid	(3,674,475)	(3,420,119)
Proceeds from issuance of common stock	631,589	1,014,748
Repurchase of common stock	(5,531,498)	0
Net cash provided by financing activities	(14,778,015)	163,304,498
(DECREASE) INCREASE IN CASH AND TEMPORARY CASH INVESTMENTS	4,919,635	(26,919,090)
CASH AND TEMPORARY CASH INVESTMENTS JANUARY 1	1,094,300	34,832,151
CASH AND TEMPORARY CASH INVESTMENTS SEPTEMBER 30	\$ 6,013,935	\$ 7,913,061

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	Comprehensive Income	Common Stock	Additional Paid-In Capital	Accumulative Other Comprehensive Income	Retained Income
December 31, 1999		\$12,256,209	\$169,508,024	(\$19,013,675)	\$ 44,996,259
Net Income	\$ 19,540,144				19,540,144
Foreign Currency Translation Adjustment	(15,727,384)			(15,727,384)	
Comprehensive Income	<u>\$ 3,812,760</u>				
Common Stock Issued		34,191	597,398		
Purchases for Treasury		(260,620)	(5,270,878)		
10% Stock Dividend		1,196,170	24,784,392		(25,989,239)
Dividends					(3,674,475)
September 30, 2000		<u>\$13,225,950</u>	<u>\$189,618,936</u>	<u>(\$34,741,059)</u>	<u>\$ 34,872,689</u>

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PART I — FINANCIAL INFORMATION

MYERS INDUSTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Statement of Accounting Policy

The accompanying financial statements include the accounts of Myers Industries, Inc. and subsidiaries (Company), and have been prepared without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with 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, 2000, and the results of operations and cash flows for the nine months ended September 30, 2000 and 1999.

(2) Acquisitions

On February 4, 1999, the Company acquired all of the shares of the entities comprising Allibert Equipement, the material handling division of Sommer Allibert S.A. and acquired Allibert-Contico, LLC, a joint venture between Sommer Allibert and Contico International, Inc. for a total purchase price of approximately \$150 million. The acquired businesses have five manufacturing facilities in Europe and one in North America.

In August 1999, the Company acquired substantially all of the assets of the Dillen Products Companies of Middlefield, Ohio for

approximately \$50 million and all of the outstanding shares of Listo Products, Ltd. of Canada for approximately \$15 million. Dillen and Listo are leading manufacturers of plastic horticultural containers including pots, trays, saucers and decorative planters for customers including greenhouses and nurseries as well as retail garden centers and mass merchandisers.

The acquisitions have been accounted for under the purchase method of accounting and, accordingly, the results of operations have been included in the Company's consolidated financial statements since the dates of acquisition, and the acquisition costs have been allocated to the assets acquired and liabilities assumed based upon their estimated fair values. The purchase price allocations have been based on estimates with the excess of purchase price over fair value of net assets acquired of approximately \$166 million being amortized over lives of 15 to 40 years.

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PART I — FINANCIAL INFORMATION

MYERS INDUSTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

(2) Acquisitions (Con't)

The following unaudited pro-forma information presents a summary of consolidated results of operations of the Company and the acquired businesses as if the acquisitions had occurred January 1, 1999.

(In thousands, except per share)	Three Months Ended September 30, 1999	Nine Months Ended September 30, 1999
Sales	\$143,219	\$458,805
Net Income	3,367	21,985
Net Income Per Share	.15	.99

These unaudited pro-forma results have been prepared for comparative purposes only and may not be indicative of results of operations which actually would have resulted had the combination been in effect on January 1, 1999, or of future results.

(3) Supplemental Disclosure of Cash Flow Information

The Company made cash payments for interest expense of \$5,846,000 and \$4,290,000 for the three months ended September 30, 2000 and 1999, respectively. Cash payments for interest were \$16,005,000 and \$9,370,000 for the nine months ended September 30, 2000 and 1999. Cash payments for income taxes totaled \$4,365,000 and \$8,330,000 for the three months ended September 30, 2000 and 1999. Cash payments for income taxes were \$14,938,000 and \$23,803,000 for the nine months ended September 30, 2000 and 1999.

4) Segment Information

The Company's business units have separate management teams and offer different products and services. Using the criteria of FASB No. 131, these business units have been aggregated into two reportable segments; Distribution of after-market repair products and services and Manufacturing of polymer products. The aggregation of business units is based on management by the chief operating decision maker for the segment as well as similarities of production processes, distribution methods and economic characteristics (e.g. average gross margin and the impact of economic conditions on long-term financial performance).

The Company's Distribution segment is engaged in the distribution of equipment, tools and supplies used for tire servicing and automotive underbody repair. The Distribution segment operates domestically through 42 branches located in major cities throughout the United States and in foreign countries through export and businesses in which the Company holds an equity interest.

PART I — FINANCIAL INFORMATION

MYERS INDUSTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

(4) Segment Information (Con't)

The Company's manufacturing segment designs, manufactures and markets a variety of polymer based plastic and rubber products. These products are manufactured primarily through the molding process in facilities throughout the United States and Europe.

Operating income for each segment is based on net sales less cost of products sold, and the related selling, administrative and general expenses. In computing segment operating income general corporate overhead expenses and interest expenses are not included.

(In Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
Net Sales				
Distribution of aftermarket repair products and services	\$ 41,737	\$ 41,759	\$116,267	\$118,570
Manufacturing of polymer products	115,311	101,620	375,288	305,806
Intra-segment elimination	(3,506)	(3,610)	(10,186)	(10,218)
	<u>\$153,542</u>	<u>\$139,769</u>	<u>\$481,369</u>	<u>\$414,158</u>
Income Before Income Taxes				
Distribution of aftermarket repair products and services	\$ 4,276	\$ 4,237	\$ 10,726	\$ 11,656
Manufacturing of polymer products	9,152	9,160	46,909	42,691
Corporate	(2,443)	(1,256)	(7,497)	(6,052)
Interest expense-net	(5,581)	(4,482)	(16,477)	(10,239)
	<u>\$ 5,404</u>	<u>\$ 7,659</u>	<u>\$ 33,661</u>	<u>\$ 38,056</u>

PART I — FINANCIAL INFORMATION

MYERS INDUSTRIES, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Net sales for the quarter ended September 30, 2000 increased \$13.8 million or 10 percent on the strength of increased sales in the Manufacturing segment while sales in the Distribution segment were virtually unchanged. Sales in the Manufacturing segment increased \$13.7 million or 13 percent primarily as a result of increased volume combined with the impact of acquired companies not included in the prior year period. Excluding the contribution of these acquisitions, Manufacturing sales increased 9 percent for the quarter and total net sales increased 7 percent. For the nine months ended September 30, 2000, net sales increased \$67.2 million or 16 percent compared with the same period in 1999. On a segment basis, sales in the Distribution segment are down 2 percent for the nine month period while sales in the Manufacturing segment increased \$69.5 million or 23 percent based on an increase of 6 percent for existing business units combined with impact of acquired companies.

Total sales and Manufacturing segment sales were also negatively impacted by the translation effect of weaker foreign currencies, particularly the Euro, on sales of foreign businesses. As a result, total sales and Manufacturing segment sales were reduced \$5.1 million for the quarter and \$13.1 million for the nine month period ended September 30, 2000. Without the translation effect and excluding the impact of acquired businesses, total sales would have increased 10 percent for the quarter and 7 percent for the nine months, and Manufacturing segment sales would have increased 14 percent for the quarter and 10 percent for the nine months.

Cost of sales increased \$14.2 million or 15 percent for the quarter ended September 30, 2000 and \$54.9 million or 21 percent for the nine month period. Expressed as a percentage of sales, gross profit fell to 31.1 percent in the quarter and 33.6 percent for the nine months ended September 30, 2000 compared with 34.5 percent for the quarter and 36.1 percent for the nine month period in 1999. For both the quarter and year-to-date periods this reduction in gross margin was the result of significantly higher raw material costs, primarily plastic resins, used in the Company's Manufacturing businesses.

Total operating expenses increased \$0.7 million or 2 percent for the quarter and \$10.4 million or 10 percent for the nine months ended September 30, 2000 compared with the same periods in 1999. These increases primarily reflect the additional operating costs of acquired companies. Operating expenses, expressed as a percentage of sales, declined to 24.0 percent in the quarter and 23.2 percent for the nine months ended September 30, 2000 compared to 25.8 percent for the quarter and 24.5 percent for the nine month period last year. This improvement in operating leverage is principally due to on-going cost control programs and improved fixed expense coverage from increased sales.

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PART I — FINANCIAL INFORMATION

MYERS INDUSTRIES, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations (Con't)

Net interest expense increased \$1.1 million or 24 percent for the quarter and \$6.2 million or 61 percent for the nine months ended September 30, 2000. The increased interest expense is primarily due to higher borrowing levels resulting from business acquisitions combined with higher average interest rates in the current year.

Income taxes as a percent of income before taxes was 41.7 percent for the quarter and 42 percent for the nine months ended September 30,

2000 compared with 48.9 percent for the quarter and 43.7 percent in the nine month period in 1999. The higher tax rate in 1999 is attributable to the impact of non-deductible amortization expense combined with foreign tax rate differences.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities was \$43.7 million for the nine months ended September 30, 2000 compared with \$34.9 million for same period in the prior year. Long-term debt at September 30, 2000 was reduced \$12.2 million from December 31, 1999 and debt as a percentage of total capitalization was 58 percent at September 30, 2000. Working capital increased from \$104.7 million at December 31, 1999 to \$113.4 million at September 30, 2000.

Capital expenditures for the nine months ended September 30, 2000 were \$22.7 million and are anticipated to be in the range of \$35 million to \$40 million for the full year. Management believes that anticipated cash flows from operations and available credit facilities will be sufficient to meet expected business requirements including capital expenditures, dividends, working capital and debt service.

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PART II — OTHER INFORMATION

MYERS INDUSTRIES, INC.

- Item 6.
- Exhibits and Reports on Form 8-K

(a)

Exhibits

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Financial Data Schedule

(c)

Form 8-K

No Reports on Form 8-K were filed during the quarter

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MYERS INDUSTRIES, INC.

11/13/00

Date

By: /s/ Gregory J. Stodnick

Gregory J. Stodnick
Vice President-Finance
Financial Officer (Duly Authorized
Officer and Principal Financial
and Accounting Officer)

ARTICLE 5

PERIOD TYPE	YEAR
FISCAL YEAR END	DEC 31 2000
PERIOD START	JAN 01 2000
PERIOD END	SEP 30 2000
CASH	6,013,935
SECURITIES	0
RECEIVABLES	117,029,867
ALLOWANCES	3,572,200

INVENTORY	88,071,853
CURRENT ASSETS	212,354,135
PP&E	320,199,664
DEPRECIATION	138,469,304
TOTAL ASSETS	579,824,930
CURRENT LIABILITIES	98,992,024
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	13,225,950
OTHER SE	189,750,566
TOTAL LIABILITY AND EQUITY	579,824,930
SALES	481,368,864
TOTAL REVENUES	481,368,864
CGS	319,464,828
TOTAL COSTS	31,946,482
OTHER EXPENSES	128,242,900
LOSS PROVISION	3,572,200
INTEREST EXPENSE	16,477,357
INCOME PRETAX	33,661,144
INCOME TAX	14,121,000
INCOME CONTINUING	19,540,144
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	19,540,144
EPS BASIC	0.90
EPS DILUTED	0.90

End of Filing

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