

MILLER INDUSTRIES INC /TN/  
Form 10-Q  
November 06, 2013

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UNITED STATES  
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, 2013

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 001-14124

MILLER INDUSTRIES, INC.  
(Exact name of registrant as specified in its charter)

Tennessee  
(State or other jurisdiction of incorporation or organization)

62-1566286  
(I.R.S. Employer Identification No.)

8503 Hilltop Drive  
Ooltewah, Tennessee  
(Address of principal executive offices)

37363  
(Zip Code)

(423) 238-4171  
(Registrant's telephone number, including area code)

Not Applicable  
(Former name, former address and former fiscal year, if changed since last report)

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 (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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web

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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:

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

The number of shares outstanding of the registrant's common stock, par value \$.01 per share, as of October 31, 2013 was 11,249,179.

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Certain statements in this Form 10-Q, including but not limited to statements made in Part I, Item 2—"Management's Discussion and Analysis of Financial Condition and Results of Operations," may be deemed to be forward-looking statements, as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the use of words such as "may," "will," "should," "could," "continue," "future," "potential," "believe," "pro," "intend," "seek," "estimate," "predict," "expect," "anticipate" and similar expressions, or the negative of such words, or comparable terminology. Forward-looking statements also include the assumptions underlying or relating to any of the foregoing statements. Such forward-looking statements are made based on our management's beliefs as well as assumptions made by, and information currently available to, our management. These forward-looking statements are subject to a number of risks and uncertainties, including, economic and market conditions; the risks related to the general economic health of our customers; the success and timing of existing and additional export and governmental orders; our customers' access to capital and credit to fund purchases, including the ability of our customers to secure floor plan financing; changes in fuel and other transportation costs; the cyclical nature of our industry; our dependence on outside suppliers of raw materials; changes in the cost of aluminum, steel and related raw materials; and those other risks referenced herein, including those risks referred to in Part II, Item 1A—"Risk Factors" and those risks discussed in our other filings with the Securities and Exchange Commission, including those risks discussed under the caption "Risk Factors" in our Annual Report on Form 10-K for fiscal 2012, which discussion is incorporated herein by this reference. Such factors are not exclusive. We do not undertake to update any forward-looking statement that may be made from time to time by, or on behalf of, our company.

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

MILLER INDUSTRIES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	September 30, 2013 (Unaudited)	December 31, 2012
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and temporary investments	\$ 41,205	\$ 48,591
Accounts receivable, net of allowance for doubtful accounts of \$1,734 and \$1,614 at September 30, 2013 and December 31, 2012, respectively	82,994	59,113
Inventories	53,723	45,045
Prepaid expenses	2,700	1,951
Current deferred income taxes	3,477	3,581
Total current assets	184,099	158,281
PROPERTY, PLANT, AND EQUIPMENT, net	31,415	32,188
GOODWILL	11,619	11,619
OTHER ASSETS	283	263
	\$ 227,416	\$ 202,351
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 51,256	\$ 30,745
Accrued liabilities	14,398	12,358
Total current liabilities	65,654	43,103
DEFERRED INCOME TAX LIABILITIES	1,758	1,758
<b>COMMITMENTS AND CONTINGENCIES (Notes 6 and 8)</b>		
<b>SHAREHOLDERS' EQUITY:</b>		
Preferred stock, \$.01 par value; 5,000,000 shares authorized, none issued or outstanding	---	---
Common stock, \$.01 par value; 100,000,000 shares authorized, 11,249,179 and 11,158,631 outstanding at September 30, 2013 and December 31, 2012, respectively	112	112
Additional paid-in capital	149,419	148,688
Retained earnings	10,894	8,760
Accumulated other comprehensive income (loss)	(114 )	(70 )
Total Miller Industries, Inc. shareholders' equity	160,311	157,490
Noncontrolling interests	(307 )	---
Total Shareholders' equity	160,004	157,490
	\$ 227,416	\$ 202,351

The accompanying notes are an integral part of these financial statements.



MILLER INDUSTRIES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)  
(Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
NET SALES	\$ 105,108	\$ 77,957	\$ 295,892	\$ 260,260
COSTS OF OPERATIONS	94,280	68,742	264,700	229,596
GROSS PROFIT	10,828	9,215	31,192	30,664
OPERATING EXPENSES:				
Selling, general and administrative expenses	6,749	6,681	20,668	20,887
Interest expense, net	102	192	253	623
Other (income) expense	(11 )	(97 )	(16 )	(800 )
Total operating expenses	6,840	6,776	20,905	20,710
INCOME BEFORE INCOME TAXES	3,988	2,439	10,287	9,954
INCOME TAX PROVISION (BENEFIT)	1,464	(451 )	3,767	2,508
NET INCOME	2,524	2,890	6,520	7,446
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	98	---	331	---
NET INCOME ATTRIBUTABLE TO MILLER INDUSTRIES, INC.	\$ 2,622	\$ 2,890	\$ 6,851	\$ 7,446
BASIC INCOME PER COMMON SHARE	\$ 0.23	\$ 0.26	\$ 0.61	\$ 0.67
DILUTED INCOME PER COMMON SHARE	\$ 0.23	\$ 0.26	\$ 0.61	\$ 0.66
CASH DIVIDENDS DECLARED PER COMMON SHARE	\$ 0.14	\$ 0.13	\$ 0.42	\$ 0.39
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic	11,242	11,067	11,225	11,052
Diluted	11,325	11,258	11,320	11,251

The accompanying notes are an integral part of these financial statements.

MILLER INDUSTRIES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2013	2012	2013	2012
NET INCOME	\$2,524	\$2,890	\$6,520	\$7,446
OTHER COMPREHENSIVE INCOME (LOSS):				
Foreign currency translation adjustment	551	258	186	(997 )
Derivative instrument and hedging activities	(373 )	---	(234 )	--
Total other comprehensive income (loss)	178	258	(48 )	(997 )
COMPREHENSIVE INCOME	2,702	3,148	6,472	6,449
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	98	---	331	--
COMPREHENSIVE INCOME ATTRIBUTABLE TO MILLER INDUSTRIES, INC.	\$2,800	\$3,148	\$6,803	\$6,449

The accompanying notes are an integral part of these financial statements.



MILLER INDUSTRIES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)  
(Unaudited)

	Nine Months Ended September 30	
	2013	2012
<b>OPERATING ACTIVITIES:</b>		
Net income	\$6,520	\$7,446
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,802	2,782
Gain on disposal of equipment	(2 )	---
Provision for doubtful accounts	135	199
Stock-based compensation	---	300
Excess tax benefit from stock-based compensation	(148 )	(119 )
Issuance of non-employee director shares	75	75
Deferred income tax provision	104	1,082
Changes in operating assets and liabilities:		
Accounts receivable	(24,424 )	(1,982 )
Inventories	(8,607 )	2,613
Prepaid expenses	(696 )	328
Accounts payable	20,521	(7,938 )
Accrued liabilities	2,141	(4,594 )
Net cash flows from operating activities	(1,579 )	192
<b>INVESTING ACTIVITIES:</b>		
Purchases of property, plant and equipment	(2,072 )	(2,036 )
Proceeds from sale of property, plant and equipment	3	20
Payments received on notes receivable	71	12
Net cash flows from investing activities	(1,998 )	(2,004 )
<b>FINANCING ACTIVITIES:</b>		
Payments on long-term obligations	---	(5 )
Payments of cash dividends	(4,717 )	(4,315 )
Proceeds from stock option exercises	509	352
Excess tax benefit from stock-based compensation	148	119
Additions to deferred financing activities	---	(11 )
Net cash flows from financing activities	(4,060 )	(3,860 )
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND TEMPORARY INVESTMENTS</b>		
	251	(989 )
<b>NET CHANGE IN CASH AND TEMPORARY INVESTMENTS</b>	(7,386 )	(6,661 )
CASH AND TEMPORARY INVESTMENTS, beginning of period	48,591	50,153
CASH AND TEMPORARY INVESTMENTS, end of period	\$41,205	\$43,492
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash payments for interest	\$665	\$814
Cash payments for income taxes, net of refunds	\$1,274	\$3,738

The accompanying notes are an integral part of these financial statements.

MILLER INDUSTRIES, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

(in thousands, except share data and except as otherwise noted)

1. BASIS OF PRESENTATION

The condensed consolidated financial statements of Miller Industries, Inc. and subsidiaries (the “Company”) included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. Nevertheless, the Company believes that the disclosures are adequate to make the financial information presented not misleading. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, which are of a normal recurring nature, to present fairly the Company’s financial position, results of operations and cash flows at the dates and for the periods presented. Cost of goods sold for interim periods for certain entities is determined based on estimated gross profit rates. Interim results of operations are not necessarily indicative of results to be expected for the fiscal year. Net income (loss) attributable to noncontrolling interests represents the portion of the earnings or losses from the operations of the Company’s consolidated subsidiaries attributable to the interests of unrelated third party equity owners. Net income (loss) attributable to noncontrolling interests is deducted from net income to arrive at net income attributable to Miller Industries, Inc.

These condensed consolidated financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2012. The condensed consolidated financial statements include accounts of certain subsidiaries whose fiscal closing dates differ from December 31st by 31 days (or less) to facilitate timely reporting. Certain prior year amounts have been reclassified to conform to current year presentation, with no impact on previously reported shareholders’ equity. The Company evaluated subsequent events through the date the financial statements were issued.

2. BASIC AND DILUTED INCOME PER SHARE

Basic income per share is computed by dividing net income attributable to Miller Industries, Inc. by the weighted average number of common shares outstanding. Diluted income per share is calculated by dividing net income attributable to Miller Industries, Inc. by the weighted average number of common and potential dilutive common shares outstanding. Diluted income per share takes into consideration the assumed exercise of outstanding stock options resulting in approximately 83,000 and 191,000 potential dilutive common shares for the three months ended September 30, 2013 and 2012, and 95,000 and 199,000 for the nine months ended September 30, 2013 and 2012, respectively. For the three months and nine months ended September 30, 2013 and 2012, none of the outstanding stock options would have been anti-dilutive.

3. INVENTORIES

Inventory costs include materials, labor and factory overhead. Inventories are stated at the lower of cost or market (net realizable value), determined on a first-in, first-out basis. Appropriate consideration is given to obsolescence, valuation and other factors in determining net realizable value. Revisions of these estimates could result in the need for adjustments. Inventories, net of reserves, at September 30, 2013 and December 31, 2012 consisted of the following:

	September 30, 2013	December 31, 2012
Chassis	\$ 9,129	\$ 9,952
Raw materials	23,819	18,856
Work in process	10,676	7,961
Finished goods	10,099	8,276
	\$ 53,723	\$ 45,045

#### 4. LONG-LIVED ASSETS

The Company periodically reviews the carrying amount of its long-lived assets to determine if those assets may be recoverable based upon the future operating cash flows expected to be generated by those assets. Management believes that its long-lived assets are appropriately valued.

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5. GOODWILL

Goodwill consists of the excess of cost of acquired entities over the sum of the amounts assigned to identifiable assets acquired less liabilities assumed. Goodwill is not amortized. However, the Company evaluates the carrying value of goodwill for impairment at least annually or if an event or circumstance occurs that would indicate that the carrying amount had been impaired. The Company reviews goodwill for impairment utilizing a qualitative assessment or a two-step process. If we choose to perform a qualitative analysis of goodwill and determine that the fair value more likely than not exceeds the carrying value, no further testing is needed. If we choose the two-step approach, the first step identifies potential impairment by comparing the fair value of the reporting unit with its carrying value. If the fair value exceeds the carrying value the second step is not necessary. If the carrying value is more than the fair value, the second step of testing is performed to compare the fair value of the goodwill with its carrying value. An impairment loss would be recognized to the extent that the carrying value of the goodwill exceeds its fair value.

6. LONG-TERM OBLIGATIONS

Credit Facility and Other Long-Term Obligations

Credit Facility

On April 6, 2010, the Company entered into a Loan Agreement with First Tennessee Bank National Association for a \$20.0 million unsecured revolving credit facility and on December 21, 2011 the credit facility was renewed and our unsecured revolving credit facility was increased to \$25.0 million (the "Credit Facility"). On December 10, 2012, the Credit Facility was further renewed to extend the maturity to March 31, 2015. The Credit Facility contains customary representations and warranties, events of default, and financial, affirmative and negative covenants for loan agreements of this kind. Covenants under the Credit Facility restrict the payment of cash dividends if the Company would be in violation of the minimum tangible net worth test or the leverage ratio test in the current loan agreement as a result of the dividends, among various other restrictions.

In the absence of a default, all borrowings under the Credit Facility bear interest at the LIBOR Rate plus 1.50% per annum. The Company will pay a non-usage fee under the current loan agreement in an annual amount between 0.15% and 0.35% of the unused amount of the Credit Facility, which fee shall be paid quarterly.

At September 30, 2013 and December 31, 2012, the Company had no outstanding borrowings under the Credit Facility.

Interest Rate Risk

Changes in interest rates affect the interest paid on indebtedness under the Credit Facility because outstanding amounts of indebtedness under the Credit Facility are subject to variable interest rates. Under the Credit Facility, the non-default rate of interest was equal to the LIBOR Market Index Rate plus 1.50% per annum (for a rate of interest of 1.68% at September 30, 2013). Because there were no amounts outstanding under the Credit Facility, a one percent change in the interest rate on our variable-rate debt would not have a material impact on our financial position, results of operations or cash flows for the three-month period ended September 30, 2013.

Other Long-Term Obligations

At September 30, 2013, the Company had approximately \$1,195 in non-cancelable operating lease obligations.

7. STOCK-BASED COMPENSATION

Stock compensation expense was \$-0- for the three and nine months ended September 30, 2013; and \$100 and \$300 for the three and nine months ended September 30, 2012, respectively. Stock compensation expenses were included in selling, general and administrative expenses in the accompanying condensed consolidated statements of income. The Company did not issue any stock options during the three and nine months ended September 30, 2013. For additional disclosures related to the Company's stock-based compensation refer to Notes 2 and 4 of the Notes to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

During the three months ended September 30, 2013 and 2012, options were exercised for the purchase of 14,750 shares of common stock at a weighted-average exercise price of \$6.40 and 250 shares of common stock at a weighted-average exercise price of \$5.49, respectively. During the nine months ended September 30, 2013 and 2012, options were exercised for the purchase of 85,814 shares of common stock at a weighted-average exercise price of \$5.93 and 62,725 shares of common stock at a weighted average exercise price of \$5.61, respectively.

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8. COMMITMENTS AND CONTINGENCIES

Commitments

The Company has entered into arrangements with third-party lenders where it has agreed, in the event of default by a customer, to repurchase from the third-party lender Company products repossessed from the customer. These arrangements are typically subject to a maximum repurchase amount. The maximum amount of collateral that the Company could be required to purchase was approximately \$29,123 at September 30, 2013, and \$22,035 at December 31, 2012. However, the Company's risk under these arrangements is mitigated by the value of the products that would be repurchased as part of the transaction. The Company considered the fair value at inception of its liability under these arrangements and concluded that the liability associated with these potential repurchase obligations is not material.

At September 30, 2013, the Company had commitments of approximately \$325 for construction and acquisition of property, plant and equipment.

Contingencies

The Company is, from time to time, a party to litigation arising in the normal course of its business. Litigation is subject to various inherent uncertainties, and it is possible that some of these matters could be resolved unfavorably to the Company, which could result in substantial damages against the Company. The Company has established accruals for matters that are probable and reasonably estimable and maintains product liability and other insurance that management believes to be adequate. Management believes that any liability that may ultimately result from the resolution of these matters in excess of available insurance coverage and accruals will not have a material adverse effect on the consolidated financial position or results of operations of the Company.

9. INCOME TAXES

At September 30, 2013 and December 31, 2012, the Company had no unrecognized income tax positions recorded. The Company does not expect its unrecognized tax positions to change significantly in the next twelve months. If unrecognized tax positions existed, the interest and penalties related to the unrecognized tax positions would be recorded as income tax expense in the condensed consolidated statements of income.

The Company is subject to United States federal income taxes, as well as income taxes in various states and foreign jurisdictions. The Company's tax years 2010 through 2012 remain open to examination for U.S. federal income taxes. With few exceptions, the Company is no longer subject to state or non-U.S. income tax examinations prior to 2010.

10. SHAREHOLDERS EQUITY

Dividends

Prior to March 2010, we had never declared cash dividends on our common stock. On March 8, 2010, our board of directors adopted a dividend policy to consider and pay annual cash dividends subject to our ability to satisfy all applicable statutory and regulatory requirements and our continued financial strength. On May 10, 2011, the Company's board of directors approved a dividend policy to consider and pay quarterly dividends on its common stock subject to the Company's ability to satisfy all applicable statutory requirements and the Company's continued financial strength, replacing the previous policy of paying annual cash dividends. Dividend payments made for 2013, 2012 and

2011, were as follows:

Payment	Record Date	Payment Date	Dividend (per share)	Amount
Q1 2011	March 17, 2011	March 24, 2011	\$ 0.12	\$ 1,415
Q2 2011	May 23, 2011	May 31, 2011	0.12	1,429
Q3 2011	August 19, 2011	August 26, 2011	0.12	1,365
Q4 2011	December 5, 2011	December 19, 2011	0.12	1,336
Total for 2011			\$ 0.48	\$ 5,545
Q1 2012	March 19, 2012	March 26, 2012	\$ 0.13	\$ 1,437
Q2 2012	June 18, 2012	June 25, 2012	0.13	1,439
Q3 2012	September 17, 2012	September 24, 2012	0.13	1,439
Q4 2012	December 10, 2012	December 17, 2012	0.13	1,447
Total for 2012			\$ 0.52	\$ 5,762
Q1 2013	March 18, 2013	March 25, 2013	\$ 0.14	\$ 1,569
Q2 2013	June 17, 2013	June 24, 2013	0.14	1,573
Q3 2013	September 16, 2013	September 23, 2013	0.14	1,575
Total for 2013			\$ 0.42	\$ 4,717

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On November 4, 2013, the Company's Board of Directors declared a quarterly cash dividend of \$0.14 per share. The dividend is payable December 16, 2013 to shareholders of record as of December 9, 2013.

#### 11. GEOGRAPHIC INFORMATION

Net sales and long-lived assets (property, plant and equipment and goodwill and intangible assets) by region were as follows (revenue is attributed to regions based on the locations of customers):

	For the Three Months Ended September 30		For the Nine Months ended September 30	
	2013	2012	2013	2012
Net Sales:				
North America	\$ 86,173	\$ 63,423	\$ 246,797	\$ 213,690
Foreign	18,935	14,534	49,095	46,570
	\$ 105,108	\$ 77,957	\$ 295,892	\$ 260,260

	September 30,	December
	2013	31, 2012
Long Lived Assets:		
North America	\$ 40,410	\$ 40,965
Foreign	2,648	2,842
	\$ 43,058	\$ 43,807

#### 12. CUSTOMER INFORMATION

No single customer accounted for 10% or more of consolidated net sales for the three and nine months ended September 30, 2013 and 2012.

#### 13. FAIR VALUE OF FINANCIAL INSTRUMENTS

For assets and liabilities measured at fair value on a recurring and nonrecurring basis, a three-level hierarchy of measurements based upon observable and unobservable inputs is used to arrive at fair value. Observable inputs are developed based on market data obtained from independent sources, while unobservable inputs reflect our assumptions about valuation based on the best information available in the circumstances. Depending on the inputs, we classify each fair value measurement as follows:

Level 1—based upon quoted prices for identical instruments in active markets,

Level 2—based upon quoted prices for similar instruments, prices for identical or similar instruments in markets that are not active, or model-derived valuations, all of whose significant inputs are observable, and

Level 3—based upon one or more significant unobservable inputs.

The carrying values of cash and temporary investments, accounts receivable, accounts payable and accrued liabilities are reasonable estimates of their fair values because of the short maturity of these financial instruments.

The fair value of derivative assets and liabilities are measured assuming that the unit of account is an individual derivative transaction and that each derivative could be sold or transferred on a stand-alone basis. We classify within Level 2 our forward foreign currency exchange contracts based upon quoted prices for similar instruments that are actively traded. For more information regarding derivatives, see Note 14, Derivative Financial Instruments.

The following table presents the financial instruments measured at fair value on a recurring basis:

	September 30, 2013			Total
	Level 1	Level 2	Level 3	
<b>Current Assets</b>				
Derivative financial instruments				
Foreign currency contracts	\$ —	\$ 126	\$ —	\$ 126
Total assets	\$ —	\$ 126	\$ —	\$ 126
<b>Current Liabilities</b>				
Derivative financial instruments				
Foreign currency contracts	\$ —	\$ 360	\$ —	\$ 360
Total liabilities	\$ —	\$ 360	\$ —	\$ 360

	December 31, 2012			Total
	Level 1	Level 2	Level 3	
<b>Current Assets</b>				
Derivative financial instruments				
Foreign currency contracts	\$ —	\$ 326	\$ —	\$ 326
Total assets	\$ —	\$ 326	\$ —	\$ 326
<b>Current Liabilities</b>				
Derivative financial instruments				
Foreign currency contracts	\$ —	\$ 326	\$ —	\$ 326
Total liabilities	\$ —	\$ 326	\$ —	\$ 326

#### 14. DERIVATIVE FINANCIAL INSTRUMENTS

The Company periodically enters into foreign currency exchange contracts designed to mitigate the impact of foreign currency risk. Prior to November 2012, the Company had not instituted a formal foreign currency exchange policy. All contracts entered into prior to this date are accounted for as undesignated hedges and, therefore, changes in fair value are recognized each period in other (income) expense in our condensed consolidated statements of income. The fair value of the contracts is presented in accounts receivable in our condensed consolidated balance sheets. At September 30, 2013, the Company had undesignated foreign currency exchange contracts with notional amounts of \$4,658 which were directly offset by corresponding foreign currency exchange contracts. These contracts expire over a period from September to November 2013. The gains or losses were directly offset at September 30, 2013.

In November 2012, the Company adopted a formal foreign currency exchange policy. Under this policy, for those foreign currency exchange contracts that qualify for hedge accounting treatment, changes in the fair value of such instruments are included in accumulated other comprehensive income (loss). The Company also assesses, both at inception and on an ongoing basis, whether the derivatives that are used in the hedging transaction are highly effective in offsetting changes in cash flows of the hedged items. For those foreign currency exchange contracts that do not qualify for hedge accounting treatment, changes in the fair value of such instruments are recognized each period in other (income) expense in our condensed consolidated statements of income. In December 2012, the Company entered into foreign exchange currency contracts with notional values of \$10,448 at September 30, 2013 and \$12,950

at December 31, 2012 maturing from September 2013 to October 2014 that were considered cash flow hedges. Changes in fair value of such cash flow hedges are recorded in accumulated other comprehensive income (loss) to the extent that the hedges are considered effective. At September 30, 2013 and December 31, 2012, the net fair value of foreign currency exchange contracts was (\$234) and \$-0-, respectively, which is included in accounts receivable or accounts payable in our condensed consolidated balance sheets, depending on the asset or liability position of the derivative.

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## RECENT ACCOUNTING PRONOUNCEMENTS

### Recently Adopted Standards

In February 2013, the FASB issued Accounting Standards Update No. 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (FASB ASU 2013-02). The amendment in this update requires an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under U.S. generally accepted accounting principles to be reclassified in its entirety to net income. The provisions of FASB ASU 2013-02 are effective for annual and interim periods beginning after December 15, 2012. The adoption of the provisions of FASB ASU 2013-02 did not have a material impact on the Company's consolidated financial statements.

In December 2011, the FASB issued Accounting Standards Update No. 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities (FASB ASU 2011-11). The amendments in this update will require an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. The intention is to enhance required disclosures by improving information about financial instruments and derivative instruments that are either offset in accordance with FASB guidance or are subject to an enforceable master netting arrangement, irrespective of whether they are offset in accordance with FASB guidance. The provisions of FASB ASU 2011-11 are effective for annual and interim reporting periods beginning on or after January 1, 2013. The adoption of the provisions of FASB ASU 2011-11 did not have a material impact on the Company's consolidated financial statements.

### Recently Issued Standards

There are no recently issued accounting standards for which the Company expects a material impact on our financial statements.

## ITEM 2.MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Executive Overview

Miller Industries, Inc. is the world's largest manufacturer of vehicle towing and recovery equipment, with domestic manufacturing subsidiaries in Tennessee and Pennsylvania, and foreign manufacturing subsidiaries in France and the United Kingdom. We offer a broad range of equipment to meet our customers' design, capacity and cost requirements under our Century®, Vulcan®, Challenger®, Holmes®, Champion®, Chevron™, Eagle®, Titan®, Jige™ and Boniface™ brand names. In this Item 2 – “Management's Discussion and Analysis of Financial Condition and Results of Operations,” the words “Miller Industries,” “the Company,” “we,” “our,” “ours” and “us” refer to Miller Industries, Inc. and its subsidiaries or any of them.

Our management focuses on a variety of key indicators to monitor our overall operating and financial performance. These indicators include measurements of revenue, operating income, gross margin, earnings per share, capital expenditures and cash flow.

We derive revenues primarily from product sales made through our network of domestic and foreign independent distributors. Our revenues are sensitive to a variety of factors including general economic conditions as well as

demand for, and price of, our products, our technological competitiveness, our reputation for providing quality products and reliable service, competition within our industry, and the cost of raw materials (including aluminum, steel and petroleum-related products).

Our industry is cyclical in nature and in recent years the overall demand for our products and our resulting revenues continued to be negatively affected by:

wavering levels of consumer confidence;

volatility and disruption in domestic and international capital and credit markets and the resulting decrease in the availability of financing, including floor plan financing, for our customers and towing operators;

significant periodic increases in fuel and insurance costs and their negative effect on the ability of our customers to purchase towing and related equipment;

the overall effects of the global economic downturn; and

currently, the slow economic recovery.

We remain concerned about the continuing effects of these factors on the towing and recovery industry, and we continue to monitor our overall cost structure to see that it remains in line with business conditions.

In addition, we have been and will continue to be affected by changes in the prices that we pay for raw materials, particularly aluminum, steel, petroleum-related products and other raw materials, which represent a substantial part of our total costs of operations. In the past, as we have determined necessary, we have implemented price increases to offset these higher costs. We also developed alternatives to some of the components used in our production process that incorporate these raw materials, and our suppliers have implemented these alternatives in the production of our component parts. We continue to monitor raw material prices and availability in order to more favorably position the Company in this dynamic market.

There were no borrowings under the credit facility at September 30, 2013.

#### Critical Accounting Policies

Our condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which require us to make estimates. Certain accounting policies are deemed “critical,” as they require management’s highest degree of judgment, estimates and assumptions. A discussion of critical accounting policies, the judgments and uncertainties affecting their application and the likelihood that materially different amounts would be reported under different conditions or using different assumptions follows:

##### Accounts receivable

We extend credit to customers in the normal course of business. Collections from customers are continuously monitored and an allowance for doubtful accounts is maintained based on historical experience and any specific customer collection issues. While such bad debt expenses have historically been within expectations and the allowance established, there can be no assurance that we will continue to experience the same credit loss rates as in the past.

##### Inventory

Inventory costs include materials, labor and factory overhead. Inventories are stated at the lower of cost or market (net realizable value), determined on a first-in, first-out basis. Appropriate consideration is given to obsolescence, valuation and other factors in determining net realizable value. Revisions of these estimates could result in the need for adjustments.

##### Long-lived assets

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of these assets may not be fully recoverable. When a determination has been made that the carrying amount of long-lived assets may not be fully recovered, the amount of impairment is measured by comparing an asset’s estimated fair value to its carrying value. The determination of fair value is based on projected future cash flows discounted at a rate determined by management or, if available, independent appraisals or sales price negotiations. The estimation of fair value includes significant judgment regarding assumptions of revenue, operating costs, interest rates, property and equipment additions, and industry competition and general economic and business conditions among other factors. We believe that these estimates are reasonable, however, changes in any of these factors could affect these evaluations. Based on these estimations, we believe that our long-lived assets are appropriately valued.

##### Goodwill

Goodwill is tested for impairment annually or if an event or circumstance occurs that would more likely than not reduce the fair value of the reporting unit below the carrying amount. We review goodwill for impairment utilizing a qualitative assessment or a two-step approach. If we choose to perform a qualitative analysis of goodwill and determine that the fair value more likely than not exceeds the carrying value, no further testing is needed. If we choose the two-step approach, the first step identifies potential impairment by comparing the fair value of the reporting unit with its carrying value. If the fair value exceeds the carrying value the second step is not necessary. If the carrying value is more than the fair value, the second step of testing is performed to compare the fair value of the goodwill with its carrying value. An impairment loss would be recognized to the extent that the carrying value of the goodwill exceeds its fair value. We cannot predict the occurrence of certain events or changes in circumstances that might adversely affect the carrying value of goodwill. Such events might include, but are not limited to, the impact of the economic environment or a material change in a relationship with significant customers.

#### Warranty reserves

We estimate expense for product warranty claims at the time products are sold. These estimates are established using historical information about the nature, frequency, and average cost of warranty claims. We review trends of warranty claims and take actions to improve product quality and minimize warranty claims. We believe the warranty reserve is adequate; however, actual claims incurred could differ from the original estimates, requiring adjustments to the accrual.



## Income taxes

We recognize deferred tax assets and liabilities based on differences between the financial statement carrying amounts and the tax bases of assets and liabilities. We consider the need to record a valuation allowance to reduce deferred tax assets to the amount that is more likely than not to be realized. We consider tax loss carryforwards, reversal of deferred tax liabilities, tax planning and estimates of future taxable income in assessing the need for a valuation allowance. If unrecognized tax positions exist, we record interest and penalties related to the unrecognized tax positions as income tax expense in our condensed consolidated statement of income.

## Revenues

Under our accounting policies, revenues are recorded when the risk of ownership for products has transferred to independent distributors or other customers, which generally occurs on shipment. From time to time, revenue is recognized under a bill and hold arrangement. Recognition of revenue on bill and hold arrangements occurs when risk of ownership has passed to the customer, a fixed written commitment has been provided by the customer, the goods are complete and ready for shipment, the goods are segregated from inventory, no performance obligation remains, and a schedule for delivery has been established. While we manufacture only the bodies of wreckers, which are installed on truck chassis manufactured by third parties, we frequently purchase the truck chassis for resale to our customers. Sales of company-purchased truck chassis are included in net sales. Margins are substantially lower on completed recovery vehicles containing company-purchased chassis because the markup over the cost of the chassis is nominal.

## Foreign Currency Translation

The functional currency for our foreign operations is the applicable local currency. The translation from the applicable foreign currencies to U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date, historical rates for equity and the weighted average exchange rate during the period for revenue and expense accounts. Foreign currency translation adjustments are included in shareholders' equity. Intercompany debt denominated in a currency other than the functional currency is remeasured into the functional currency. Gains and losses resulting from foreign currency transactions are included in other income and expense in our condensed consolidated statements of income.

## Results of Operations—Three Months Ended September 30, 2013 Compared to Three Months Ended September 30, 2012

Net sales for the three months ended September 30, 2013 increased 34.8% to \$105,108 from \$77,957 for the comparable period in 2012. The increase in revenue was primarily attributable to increased demand levels from our commercial customers and corresponding increases in production levels based on recovering economic conditions and improving consumer sentiment.

Costs of operations for the three months ended September 30, 2013 increased 37.2% to \$94,280 from \$68,742 for the comparable period in 2012, which was attributable to the higher sales volumes as described above. Overall, costs of operations increased as a percentage of sales from 88.2% to 89.7%, primarily due to product mix during the quarter consisting of a higher percentage of lower margin chassis sales.

Selling, general, and administrative expenses for the three months ended September 30, 2013 increased slightly to \$6,749 from \$6,681 for the three months ended September 30, 2012. As a percentage of sales, selling, general, and

administrative expenses decreased to 6.4% for the three months ended September 30, 2013 from 8.6% for the three months ended September 30, 2012 due to the fixed nature of certain of these expenses. Additionally, decreases in selling, general and administrative expenses as a percentage of sales resulted from lower sales-related expenses due to product mix during the quarter, as well as our continued focus on cost control.

Total interest expense decreased to \$102 from \$192 for the three months ended September 30, 2013 as compared to the prior year period.

Other (income) expense relate to foreign currency transaction gains and losses. During the three months ended September 30, 2013, the gain was \$11 compared to a \$97 gain for the prior year period.

The provision for income taxes for the three months ended September 30, 2013 and 2012 reflects a combined effective U.S. federal, state and foreign tax rate of 36.7% and (18.5)%, respectively. Income taxes for the three months ended September 30, 2012 included income tax benefits of approximately \$1,361. The benefits resulted primarily from Federal Domestic Production Activity Deductions as well as from Federal Research and Development and other tax credits recognized in the period.

#### Results of Operations—Nine Months Ended September 30, 2013 Compared to Nine Months Ended September 30, 2012

Net sales for the nine months ended September 30, 2013 increased 13.7% to \$295,892 from \$260,260 for the comparable period in 2012. The increase in revenue was primarily attributable to increased demand levels from our commercial customers and corresponding increases in production levels based on recovering economic conditions and improving consumer sentiment.

Costs of operations for the nine months ended September 30, 2013 increased 15.3% to \$264,700 from \$229,596 for the comparable period in 2012, which was attributable to the higher sales volumes as described above. Overall, costs of operations increased as a percentage of sales from 88.2% to 89.5%, primarily due to product mix during the period consisting of a higher percentage of lower margin chassis sales.

Selling, general, and administrative expenses for the nine months ended September 30, 2013 decreased slightly to \$20,668 from \$20,887 for the nine months ended September 30, 2012. As a percentage of sales, selling, general, and administrative expenses decreased to 7.0% for the nine months ended September 30, 2013 from 8.0% for the nine months ended September 30, 2012 due to the fixed nature of certain of these expenses, as well as our continued focus on cost control.

Total interest expense decreased to \$253 from \$623 for the nine months ended September 30, 2013 as compared to the prior year period.

Other (income) expense relate to foreign currency transaction gains and losses. During the nine months ended September 30, 2013, the gain was \$16 compared to a \$800 gain for the prior year period.

The provision for income taxes for the nine months ended September 30, 2013 and 2012 reflects a combined effective U.S. federal, state and foreign tax rate of 36.6% and 25.2%, respectively. Income taxes for the nine months ended September 30, 2012 included income tax benefits of approximately \$1,361. The benefits resulted primarily from Federal Domestic Production Activity Deductions as well as from Federal Research and Development and other tax credits recognized in the period.

#### Liquidity and Capital Resources

Cash used in operating activities was \$1,579 for the nine months ended September 30, 2013, compared to cash provided by operating activities of \$192 for the comparable period in 2012. The cash used in operating activities for the 2013 period was attributable to increases in accounts receivable and inventories. These increases were offset by increases in accounts payable and accrued liabilities. Certain components of accounts receivable and accounts payable have extended collection and payment terms.

Cash used in investing activities was \$1,998 for the nine months ended September 30, 2013 compared to \$2,004 for the comparable period in 2012. The cash used in investing activities for the 2013 period was primarily for the purchase of property, plant and equipment.

Cash used in financing activities was \$4,060 for the nine months ended September 30, 2013, compared to \$3,860 for the comparable period in 2012. The cash used in financing activities for the 2013 period was primarily to pay cash dividends, slightly offset by proceeds from the exercise of stock options.

As of September 30, 2013, we had cash and cash equivalents of \$41,205, exclusive of unused availability under our credit facility. Our primary cash requirements include working capital, capital expenditures, the funding of any declared cash dividends and interest and principal payments on indebtedness, if any, under our credit facility. At September 30, 2013, the Company had commitments of approximately \$325 for construction and acquisition of property and equipment. We expect our primary sources of cash to be cash flow from operations and cash and cash equivalents on hand at September 30, 2013, with borrowings under our credit facility being available if needed. We expect these sources to be sufficient to satisfy our cash needs during 2013 and for the next several years. However, our ability to satisfy our cash needs will substantially depend upon a number of factors including our future operating performance, taking into account the economic and other factors discussed above and elsewhere in this Quarterly Report, as well as financial, business and other factors, many of which are beyond our control.

#### Credit Facilities and Other Obligations

### Credit Facility

On April 6, 2010, the Company entered into a Loan Agreement with First Tennessee Bank National Association for a \$20.0 million unsecured revolving credit facility and on December 21, 2011 the credit facility was renewed and our unsecured revolving credit facility was increased to \$25.0 million (the "Credit Facility"). On December 10, 2012, the Credit Facility was further renewed to extend the maturity to March 31, 2015. The Credit Facility contains customary representations and warranties, events of default, and financial, affirmative and negative covenants for loan agreements of this kind. Covenants under the Credit Facility restrict the payment of cash dividends if the Company would be in violation of the minimum tangible net worth test or the leverage ratio test in the current loan agreement as a result of the dividends, among various other restrictions.

In the absence of a default, all borrowings under the Credit Facility bear interest at the LIBOR Rate plus 1.50% per annum. The Company will pay a non-usage fee under the current loan agreement in an amount between 0.15% and 0.35% of the unused amount of the Credit Facility, which fee shall be paid quarterly.

At September 30, 2013 and December 31, 2012, the Company had no outstanding borrowings under the Credit Facility.

### Other Long-Term Obligations

At September 30, 2013, we had approximately \$1,195 in non-cancelable operating lease obligations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of our business, we are exposed to market risk from changes in interest rates and foreign currency exchange rates that could impact our results of operations and financial position.

Interest Rate Risk

Changes in interest rates affect the interest paid on indebtedness under our Credit Facility because the outstanding amounts of indebtedness under our Credit Facility are subject to variable interest rates. Under our Credit Facility, the non-default rate of interest was equal to the LIBOR Market Index Rate plus 1.50% per annum (for a rate of interest of 1.68% at September 30, 2013). Because there were no amounts outstanding under the Credit Facility, a one percent change in the interest rate on our variable-rate debt would not have materially impacted our financial position, results of operations or cash flows for the quarter ended September 30, 2013.

Foreign Currency Exchange Rate Risk

We are subject to risk arising from changes in foreign currency exchange rates related to our international operations in Europe. We manage our exposure to our foreign currency exchange rate risk through our regular operating and financing activities. Additionally, from time to time, we enter into certain forward foreign currency exchange contracts. Because we report in U.S. dollars on a consolidated basis, foreign currency exchange fluctuations could have a translation impact on our financial position. At September 30, 2013, we recognized a \$186 increase in our foreign currency translation adjustment account compared with December 31, 2012 because of fluctuations of the U.S. dollar against certain foreign currencies compared to a \$997 decrease for the prior year period. For the three months ended September 30, 2013 and 2012, the impact of foreign currency exchange rate changes on our results of operations and cash flows was a gain of \$11 and \$97, respectively. For the nine months ended September 30, 2013 and 2012, the impact of foreign currency exchange rate changes on the results of operations and cash flows was a gain of \$16 and \$800, respectively.

ITEM 4. CONTROLS AND PROCEDURES

Within 90 days prior to the filing date of this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-14(c) under the Securities Exchange Act of 1934. Based upon this evaluation, our CEO and CFO have concluded that the disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

There were no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to the date of this evaluation.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are, from time to time, a party to litigation arising in the normal course of our business. Litigation is subject to various inherent uncertainties, and it is possible that some of these matters could be resolved unfavorably to us, which

could result in substantial damages against us. We have established accruals for matters that are probable and reasonably estimable and maintain product liability and other insurance that management believes to be adequate. Management believes that any liability that may ultimately result from the resolution of these matters in excess of available insurance coverage and accruals will not have a material adverse effect on our consolidated financial position or results of operations.

ITEM 1A.

#### RISK FACTORS

There have been no material changes to the Risk Factors included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

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## ITEM 6.

## EXHIBITS

Description	Incorporated by Reference to Registration File Number	Form or Report	Date of Report	Exhibit Number in Report
31.1 Certification Pursuant to Rules 13a-14(a)/15d-14(a) by Chief Executive Officer*				
31.2 Certification Pursuant to Rules 13a-14(a)/15d-14(a) by Chief Financial Officer*				
32.1 Certification Pursuant to Section 1350 of Chapter 63 of Title 18 of United States Code by Chief Executive Officer*				
32.2 Certification Pursuant to Section 1350 of Chapter 63 of Title 18 of United States Code by Chief Financial Officer*				
101 The following information from the Company's quarterly report on Form 10-Q for the quarterly period ended September 30, 2013 formatted in Extensible Business Reporting Language (XBRL): (i) Condensed Consolidated Balance Sheets – September 30, 2013 and December 31, 2012; (ii) Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2013 and 2012; (iii) Condensed Consolidated Statements of Comprehensive Income for the three months and nine months ended September 30, 2013 and 2012; (iv) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2013 and 2012; and (v) Notes to Condensed Consolidated Financial Statements.*				

\*Filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Miller Industries, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MILLER INDUSTRIES, INC.

By: */s/ J. Vincent Mish*  
J. Vincent Mish  
Executive Vice President and Chief Financial  
Officer

Date: November 6, 2013