

MILLER INDUSTRIES INC /TN/  
Form 10-Q  
November 07, 2012

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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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, 2012

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 site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during

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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 November 1, 2012 was 11,067,731.

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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 2011, 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.

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

MILLER INDUSTRIES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	September 30, 2012 (Unaudited)	December 31, 2011
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and temporary investments	\$43,492	\$ 50,153
Accounts receivable, net of allowance for doubtful accounts of \$1,685 and \$1,691 at September 30, 2012 and December 31, 2011, respectively	62,991	61,085
Inventories	45,159	48,240
Prepaid expenses	1,886	2,219
Current deferred income taxes	4,060	5,144
Total current assets	157,588	166,841
PROPERTY, PLANT, AND EQUIPMENT, net	32,333	33,120
GOODWILL	11,619	11,619
OTHER ASSETS	264	262
	\$201,804	\$ 211,842
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term obligations	\$---	\$ 5
Accounts payable	31,547	39,692
Accrued liabilities	12,516	17,384
Total current liabilities	44,063	57,081
DEFERRED INCOME TAX LIABILITIES	2,110	2,110
<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, 11,067,581 and 11,000,119 outstanding at September 30, 2012 and December 31, 2011, respectively	111	110
Additional paid-in capital	147,849	147,004
Accumulated earnings	8,531	5,400
Accumulated other comprehensive income (loss)	(860 )	137
Total shareholders' equity	155,631	152,651
	\$201,804	\$ 211,842

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		Nine Months Ended	
	September 30		September 30	
	2012	2011	2012	2011
NET SALES	\$77,957	\$96,777	\$260,260	\$303,268
<b>COSTS AND EXPENSES:</b>				
Costs of operations	68,742	81,161	229,596	249,445
Selling, general and administrative expenses	6,681	7,477	20,887	23,323
Interest expense, net	192	174	623	534
Other (income) expense	(97)	(9)	(800)	(18)
Total costs and expenses	75,518	88,803	250,306	273,284
<b>INCOME BEFORE INCOME TAXES</b>	<b>2,439</b>	<b>7,974</b>	<b>9,954</b>	<b>29,984</b>
<b>INCOME TAX PROVISION (BENEFIT)</b>	<b>(451)</b>	<b>3,102</b>	<b>2,508</b>	<b>11,893</b>
<b>NET INCOME</b>	<b>\$2,890</b>	<b>\$4,872</b>	<b>\$7,446</b>	<b>\$18,091</b>
<b>BASIC INCOME PER COMMON SHARE</b>	<b>\$0.26</b>	<b>\$0.42</b>	<b>\$0.67</b>	<b>\$1.54</b>
<b>DILUTED INCOME PER COMMON SHARE</b>	<b>\$0.26</b>	<b>\$0.41</b>	<b>\$0.66</b>	<b>\$1.49</b>
<b>DIVIDENDS PER COMMON SHARE</b>	<b>\$0.13</b>	<b>\$0.12</b>	<b>\$0.39</b>	<b>\$0.36</b>
<b>WEIGHTED AVERAGE SHARES OUTSTANDING:</b>				
Basic	11,067	11,616	11,052	11,756
Diluted	11,258	11,965	11,251	12,175

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	
	2012	2011	2012	2011
Net income	\$2,890	\$4,872	\$7,446	\$18,091
Other comprehensive income:				
Foreign currency translation adjustment	258	156	(997 )	1,856
Total other comprehensive income (loss)	258	156	(997 )	1,856
Total comprehensive income	\$3,148	\$5,028	\$6,449	\$19,947

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	
	2012	2011
<b>OPERATING ACTIVITIES:</b>		
Net income	\$7,446	\$18,091
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,782	2,578
Provision for doubtful accounts	199	135
Stock-based compensation	300	299
Excess tax benefit from stock-based compensation	(119)	(556)
Issuance of non-employee director shares	75	100
Deferred income tax provision	1,082	417
Changes in operating assets and liabilities:		
Accounts receivable	(1,982)	(12,420)
Inventories	2,613	(15,268)
Prepaid expenses	328	1,568
Accounts payable	(7,938)	5,109
Accrued liabilities	(4,594)	3,819
Net cash flows from operating activities	192	3,872
<b>INVESTING ACTIVITIES:</b>		
Purchases of property, plant and equipment	(2,036)	(1,444)
Proceeds from sale of property, plant and equipment	20	989
Payments received on notes receivable	12	177
Net cash flows from investing activities	(2,004)	(278)
<b>FINANCING ACTIVITIES:</b>		
Payments on long-term obligations	(5)	(44)
Payments of cash dividends	(4,315)	(4,209)
Proceeds from stock option exercises	352	2,100
Excess tax benefit from stock-based compensation	119	556
Additions to deferred financing activities	(11)	---
Payments for common stock repurchased	---	(13,673)
Net cash flows from financing activities	(3,860)	(15,270)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND TEMPORARY INVESTMENTS</b>		
	(989)	995
<b>NET CHANGE IN CASH AND TEMPORARY INVESTMENTS</b>	(6,661)	(10,681)
CASH AND TEMPORARY INVESTMENTS, beginning of period	50,153	46,334
CASH AND TEMPORARY INVESTMENTS, end of period	\$43,492	\$35,653
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash payments for interest	\$814	\$714
Cash payments for income taxes, net of refunds	\$3,738	\$8,089

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



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

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. 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, 2011. The 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 by the weighted average number of common shares outstanding. Diluted income per share is calculated by dividing net income 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 191,000 and 349,000 potential dilutive common shares for the three months ended September 30, 2012 and 2011, respectively, and 199,000 and 490,000 for the nine months ended September 30, 2012 and 2011, respectively. For the three and nine months ended September 30, 2012 and 2011, 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, 2012 and December 31, 2011 consisted of the following (in thousands):

	September 30, 2012	December 31, 2011
Chassis	\$ 12,533	\$ 12,807
Raw materials	17,876	18,725
Work in process	7,777	8,426
Finished goods	6,973	8,282
	\$ 45,159	\$ 48,240

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.

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.

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6. LONG-TERM OBLIGATIONS

At September 30, 2012, the Company had no long-term obligations. At December 31, 2011, the Company had long-term obligations of \$5,000, which consisted of equipment and other notes payable. Certain equipment was pledged as collateral under the Company's equipment notes payable.

Credit Facility and Other Obligations

At September 30, 2012, the Company had approximately \$0.8 million in non-cancelable operating lease 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"). 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. The Credit Facility is scheduled to expire on March 31, 2014.

At September 30, 2012 and December 31, 2011, 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 1.71% at September 30, 2012). 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, 2012.

7. STOCK-BASED COMPENSATION

Stock compensation expense was \$100,000 for each of the three month periods ended September 30, 2012 and 2011 and \$300,000 for each of the nine months ended September 30, 2012 and 2011. Stock compensation expenses are included in selling, general and administrative expenses in the accompanying consolidated statements of income. The Company did not issue any stock options during the three and nine months ended September 30, 2012. As of September 30, 2012, the Company had \$33,000 of unrecognized compensation expense related to stock options which will be expensed during the remainder of 2012. 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, 2011.

During the three months ended September 30, 2012 and 2011, options were exercised for the purchase of 250 shares of common stock at a weighted-average exercise price of \$5.49 and 49,193 shares of common stock at a weighted-average exercise price of \$6.11, respectively. During the nine months ended September 30, 2012 and 2011, options were exercised for the purchase of 62,725 shares of common stock at a weighted-average exercise price of \$5.61 and 347,845 shares of common stock at a weighted-average exercise price of \$6.04, respectively.

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 \$25.2 million at September 30, 2012, and \$18.1 million at December 31, 2011. 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, 2012, the Company had commitments of approximately \$0.9 million 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

Income taxes for the three months and nine months ended September 30, 2012 include income tax benefits of approximately \$1.4 million. 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.

At September 30, 2012 and December 31, 2011, 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 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 2009 through 2011 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 2009.

#### 10. SHAREHOLDERS EQUITY

##### Dividends

On March 7, 2011, the Company's board of directors declared an annual cash dividend of \$0.12 per share. The dividend of \$1,415,000 was paid on March 24, 2011 to shareholders of record as of March 17, 2011.

On May 10, 2011, the Company's board of directors approved a dividend policy to consider and pay quarterly cash dividends on its common stock subject to the Company's ability to satisfy all applicable statutory requirements and the Company's current financial strength, replacing the previous policy of paying annual cash dividends. In conjunction with this new policy the board of directors declared the first such quarterly cash dividend of \$0.12 per share. The dividend of \$1,429,206 was paid on May 31, 2011 to shareholders of record as of May 23, 2011.

On August 5, 2011, the Company's board of directors declared a quarterly cash dividend of \$0.12 per share. The dividend of \$1,364,963 was paid on August 26, 2011 to shareholders of record as of August 19, 2011.

On November 7, 2011, the Company's board of directors declared a quarterly cash dividend of \$0.12 per share. The dividend of \$1,336,687 was paid on December 19, 2011 to shareholders of record as of December 5, 2011.

On March 5, 2012, the Company's board of directors declared a quarterly cash dividend of \$0.13 per share. The dividend of \$1,437,200 was paid on March 26, 2012 to shareholders of record as of March 19, 2012.

On May 7, 2012, the Company's board of directors declared a quarterly cash dividend of \$0.13 per share. The dividend of \$1,438,753 was paid on June 25, 2012 to shareholders of record as of June 18, 2012.

On August 6, 2012, the Company's board of directors declared a quarterly cash dividend of \$0.13 per share. The dividend of \$1,438,785 was paid on September 24, 2012 to shareholders of record as of September 17, 2012.

#### Stock Repurchase Program

In May 2011, the Company's board of directors authorized the repurchase of up to \$20.0 million of shares of its common stock. The repurchase program was completed in December 2011. A total of 1,184,200 shares were repurchased for \$20.0 million during 2011.

## 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) (in thousands):

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2012	2011	2012	2011
Net Sales:				
North America	\$ 63,423	\$ 84,344	\$ 213,690	\$ 262,545
Foreign	14,534	12,433	46,570	40,723
	\$ 77,957	\$ 96,777	\$ 260,260	\$ 303,268

	September 30, 2012	December 31, 2011
Long Lived Assets:		
North America	\$ 41,088	\$ 42,147
Foreign	2,864	2,592
	\$ 43,952	\$ 44,739

## 12. CUSTOMER INFORMATION

No single customer accounted for 10% or more of consolidated net sales for the three and nine months ended September 30, 2012. The Company's largest customer accounted for 22.3% of consolidated net sales for the three months ended September 30, 2011, and 29.2% of consolidated net sales for the nine months ended September 30, 2011. This customer represented 7.2% of accounts receivable at December 31, 2011.

## 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 carrying values of long-term obligations are reasonable estimates of their fair values based on the rates available for obligations with similar terms and maturities.

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 (in thousands):

	September 30, 2012			Total
	Level 1	Level 2	Level 3	
Current Assets				
Derivative financial instruments				
Foreign currency contracts	\$—	\$135	\$—	\$135
Total assets	\$—	\$135	\$—	\$135
Current Liabilities				
Derivative financial instruments				
Foreign currency contracts	\$—	\$135	\$—	\$135
Total liabilities	\$—	\$135	\$—	\$135
	December 31, 2011			Total
	Level 1	Level 2	Level 3	
Current Assets				
Derivative financial instruments				
Foreign currency contracts	\$—	\$43	\$—	\$43
Total assets	\$—	\$43	\$—	\$43
Current Liabilities				
Derivative financial instruments				
Foreign currency contracts	\$—	\$—	\$—	\$—
Total liabilities	\$—	\$—	\$—	\$—

#### 14. DERIVATIVE FINANCIAL INSTRUMENTS

The Company periodically enters into certain forward foreign currency exchange contracts that are designed to mitigate foreign currency risk. These contracts are not designated as hedging instruments. At December 31, 2011, the Company had foreign currency exchange contracts (Euros to Dollars) with notional values aggregating \$0.6 million maturing in April 2012. The fair value of the contracts is presented in accounts receivable in our consolidated balance sheet at December 31, 2011. In January 2012, the Company entered into additional foreign currency exchange contracts maturing in the fourth quarter of 2013. Due to the volatility of the Euro, in August 2012 the Company entered into foreign currency exchange contracts which have the impact of directly offsetting the notional values and fair values of all open foreign currency exchange contracts at September 30, 2012. Changes in the fair value of the foreign currency exchange contracts are recognized each period in other income and expense in our consolidated statements of income. A gain of \$83,000 was recognized for the three months ended September 30, 2012 and a gain of \$4,000 was recognized for the nine months ended September 30, 2012.

15.

## RECENT ACCOUNTING PRONOUNCEMENTS

### Recently Adopted Standards

In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2011-05, "Presentation of Comprehensive Income" (ASU 2011-05). This standard amends guidance on the presentation of other comprehensive income in financial statements to improve the comparability, consistency and transparency and to increase the prominence of items that are recorded in other comprehensive income. Under ASU 2011-05, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The provisions under ASU 2011-05 were effective for fiscal years beginning after December 15, 2011. We elected to adopt the two separate but consecutive statement presentation, and the adoption of this standard did not have a significant impact on our consolidated financial statements.

In September 2011, the FASB issued ASU 2011-08, "Testing Goodwill for Impairment", which simplifies how an entity tests for goodwill impairment. After assessment of certain qualitative factors, if it is determined to be more likely than not that the fair value of a reporting unit is less than its carrying amount, entities must perform the quantitative analysis of the goodwill impairment test. Otherwise, the quantitative test(s) become optional. The provisions under ASU 2011-08 were effective for annual and interim goodwill impairment testing for fiscal years beginning after December 15, 2011. The adoption of this standard did not have an impact on our 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 and 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 have continued certain steps implemented to lower costs in response to these uncertainties. These steps included headcount reductions for certain non-production personnel and reductions in certain administrative expenses. 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, 2012.

#### Critical Accounting Policies

Our 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. If unrecognized tax positions exist, we record interest and penalties related to the unrecognized tax positions as income tax expense in our 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 consolidated statements of income.

## Results of Operations—Three Months Ended September 30, 2012 Compared to Three Months Ended September 30, 2011

Net sales for the three months ended September 30, 2012 decreased 19.4% to \$78.0 million from \$96.8 million for the comparable period in 2011. The decrease in revenue was attributable to the absence of revenues in 2012 from follow-on orders from a prime contractor for government-related sales offset partially by increased activity from our commercial customers.

Costs of operations for the three months ended September 30, 2012 decreased 15.3% to \$68.7 million from \$81.2 million for the comparable period in 2011, which was attributable to the decrease in governmental sales described above. Overall, costs of operations increased as a percentage of sales from 83.9% to 88.2%, 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, 2012 decreased to \$6.7 million from \$7.5 million for the three months ended September 30, 2011. This decrease was attributable to the lower sales levels during the period, as well as decreased sales commissions and incentives. As a percentage of sales, selling, general, and administrative expenses increased to 8.6% for the three months ended September 30, 2012 from 7.7% for the three months ended September 30, 2011 due to the fixed nature of certain of these expenses.

Total interest expense remained constant at \$0.2 million for the three months ended September 30, 2012 and 2011.

Other income and expense relate to foreign currency transaction gains and losses. During the three months ended September 30, 2012, the gain was \$97,000 compared to a \$9,000 gain for the prior year period.

The provision for income taxes for the three months ended September 30, 2012 and 2011 reflects a combined effective U.S. federal, state and foreign tax rate of (18.5%) and 38.9%, respectively. Income taxes for the three months

September 30, 2012 include income tax benefits of approximately \$1.4 million. 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, 2012 Compared to Nine Months Ended September 30, 2011

Net sales for the nine months ended September 30, 2012 decreased 14.2% to \$260.3 million from \$303.3 million for the comparable period in 2011. The decrease in revenue was attributable to the absence of revenues in 2012 from follow-on orders from a prime contractor for government-related sales offset partially by increased activity from our commercial customers.

Costs of operations for the nine months ended September 30, 2012 decreased 8.0% to \$229.6 million from \$249.4 million for the comparable period in 2011, which was attributable to the decrease in governmental sales described above. Overall, costs of operations increased as a percentage of sales from 82.3% to 88.2%, 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, 2012 decreased to \$20.9 million from \$23.3 million for the nine months ended September 30, 2011. This decrease was attributable to the lower sales levels during the period, as well as decreased sales commissions and incentives. As a percentage of sales, selling, general, and administrative expenses increased slightly to 8.0% for the nine months ended September 30, 2012 from 7.7% for the nine months ended September 30, 2011 due to the fixed nature of certain of these expenses.

Total interest expense increased to \$0.6 million from \$0.5 million for the nine months ended September 30, 2012 as compared to the comparable period in 2011. Increases in interest expense were primarily from higher floor plan interest resulting from higher domestic commercial sales levels during the period.

Other income and expense relate to foreign currency transaction gains and losses. During the nine months ended September 30, 2012, the gain was \$0.8 million compared to a \$18,000 gain for the prior year period.

The provision for income taxes for the nine months ended September 30, 2012 and 2011 reflects a combined effective U.S. federal, state and foreign tax rate of 25.2% and 39.7%, respectively. Income taxes for the nine months ended September 30, 2012 include income tax benefits of approximately \$1.4 million. 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 provided by operating activities was \$0.2 million for the nine months ended September 30, 2012, compared to \$3.9 million provided by operating activities for the comparable period in 2011. The cash provided by operating activities for 2012 was attributable to net income for the period as well as decreases in inventory and prepaid expenses. These decreases were offset by increases in accounts receivable and decreases in accounts payable and accrued liabilities. Changes in operating assets and liabilities were primarily attributable to increased activity from our commercial customers including increased chassis purchases and sales.

Cash used in investing activities was \$2.0 million for the nine months ended September 30, 2012 compared to \$0.3 million for the comparable period in 2011. The cash used in investing activities for the 2012 period was primarily for the purchase of property, plant and equipment.

Cash used in financing activities was \$3.9 million for the nine months ended September 30, 2012, compared to \$15.3 million for the comparable period in 2011. The cash used in financing activities for the 2012 period was primarily to pay cash dividends, slightly offset by proceeds from the exercise of stock options.

As of September 30, 2012, we had cash and cash equivalents of \$43.5 million, 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, 2012, the Company had commitments of approximately \$0.9 million 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, 2012, with borrowings under our credit facility being available if needed. We expect these sources to be sufficient to satisfy our cash needs during 2012 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"). 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. The Credit Facility is scheduled to expire on March 31, 2014.

At September 30, 2012 and December 31, 2011, the Company had no outstanding borrowings under the Credit Facility.

#### Other Long-Term Obligations

At September 30, 2012, we had approximately \$0.8 million 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 1.71% at September 30, 2012). 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, 2012.

#### 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 that are not designated as a hedging instrument in order to mitigate our foreign currency exchange risk. 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, 2012, we recognized a \$1.0 million decrease in our foreign currency translation adjustment account compared with December 31, 2011 because of fluctuations of the U.S. dollar against certain foreign currencies. During the three months ended September 30, 2012 and 2011, the impact of foreign currency exchange rate changes on our results of operations and cash flows was a gain of \$97,000 and \$9,000, respectively. For the nine months ended September 30, 2012 and 2011, the impact of foreign currency exchange rate changes on the results of operations and cash flows was a gain of \$0.8 million and \$18,000, 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 13a14(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, 2011.

## 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, 2012 formatted in Extensible Business Reporting Language (XBRL): (i) Condensed Consolidated Balance Sheets – September 30, 2012 and December 31, 2011; (ii) Condensed Consolidated Statements of Income for the Three and Nine Months Ended September 30, 2012 and 2011; (iii) Condensed Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2012 and 2011; (iv) Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2012 and 2011; 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 7, 2012

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