MYERS INDUSTRIES INC
Form 10-K
March 08, 2019

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED December 31, 2018

COMMISSION FILE NUMBER 001-08524

MYERS INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

OHIO	34-0778636
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

1293 S. MAIN STREET, AKRON, OHIO	44301	(330) 253-5592
(Address of Principal Executive Offices)	(Zip Code)	(Telephone Number)

Securities Registered Pursuant to Section 12(b) of the Act:	Name of Each Exchange On which registered:
Common Stock, Without Par Value	New York Stock Exchange
(Title of Class)	

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 the filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-Accelerated filer	Smaller reporting company
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the closing sale price on the New York Stock Exchange as of June 29, 2018: $453,079,680

Indicate the number of shares outstanding of registrant's common stock as of February 28, 2019: 35,376,498 Shares of Common Stock, without par value.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Registrant's Definitive Proxy Statement for its 2019 Annual Meeting of Stockholders are incorporated by reference in Part III of this Form 10-K.

TABLE OF CONTENTS

PART I

ITEM 1. Business
General Development of Business

Myers Industries, Inc. (the "Company") was founded in Akron, Ohio, in 1933. The terms "Myers Industries," "Company," "we," "us," or "our" wherever used herein refer to the Company, unless the context indicates to the contrary. Since its founding, the Company has grown from a small storefront distributing tire service supplies into an international manufacturing and distribution enterprise. In 1971, the Company went public, and the stock is traded on the New York Stock Exchange under the ticker symbol MYE.

Headquartered in Akron, Ohio, the Company manufactures a diverse range of polymer products for industrial, agricultural, automotive, commercial, and consumer markets. Myers Industries is a leader in the manufacturing of plastic reusable material handling containers and pallets, and plastic fuel tanks. Other principal product lines include plastic storage and organization containers, rubber tire repair products and custom plastic and rubber products.

The Company is also the largest distributor of tools, equipment and supplies for the tire, wheel and undervehicle service industry in the United States. The distribution products range from tire balancers and alignment systems to valve caps, tire repair tools and other consumable service supplies.

As of December 31, 2018, the Company operated eight manufacturing facilities, 15 sales offices, four distribution centers and three distribution branches located throughout North and Central America; and had approximately 1,800 employees.

Serving customers around the world, Myers Industries' brands provide safety and efficiency solutions to a wide variety of customers in diverse niche markets. Myers Industries' diverse products and solutions help customers improve shop productivity with point of use inventory, store and transport products more safely and efficiently, improve sustainability through reuse, lower overall material handling costs, improve ergonomics for their labor force, eliminate waste and ultimately increase profitability. Myers Industries' employees think and act like owners, implementing long term improvements both internally and for their customers.

The Company's business strategy is guided by the following key operating principles: 1) niche market focus, 2) flexible operations, and 3) strong cash flow growth. Applying these principles to our business, management emphasizes:

- Customer intimacy - #1 or #2 in each served market;
- Strong brands;
- Process driven, simplified, lean operating principles;
- Manufacturing only value-added components and products;
- An asset light business model; and
- Cash return on investment.

The Company continually reviews its segments and brands for strategic fit and growth potential. The review process is dedicated to furthering innovation and brand leadership in niche markets, building strong customer relationships and positioning the Company for strong financial performance.

Description of Business

The Company conducts its business activities in two distinct business segments, Material Handling and Distribution, consistent with the manner in which the Company's Chief Operating Decision Maker evaluates performance and makes resource allocation decisions.

In our Material Handling Segment, we design, manufacture, and market a variety of plastic and metal products. These range from plastic reusable material handling containers and small parts storage bins to plastic recreational vehicle (“RV”) tanks and parts, marine tanks and parts, portable plastic fuel tanks and water containers, portable marine fuel containers, ammunition containers, storage totes, bulk shipping containers and metal carts and cabinets. The Material Handling Segment conducts operations in the United States and Canada. Markets served include industrial manufacturing, food processing, retail/wholesale products distribution, agriculture, automotive, recreational vehicles, marine vehicles, healthcare, appliance, bakery, electronics, textiles, consumer, and others. Products are sold both directly to end-users and through distributors.

The Distribution Segment is engaged in the distribution of tools, equipment and supplies used for tire, wheel and undervehicle service on passenger, heavy truck and off-road vehicles and the manufacturing of tire repair materials and custom rubber products. The product line includes categories such as tire valves and accessories, lifts and alignment equipment, service equipment and tools, and tire repair/retread supplies. The Distribution Segment operates domestically through its sales offices and four regional distribution centers in the United States, and in certain foreign countries through export sales. In addition, the Distribution Segment operates directly in certain foreign markets, principally Central America, through foreign branch operations. Markets served include retail and truck tire dealers, commercial auto and truck fleets, auto dealers, general service and repair centers, tire retreaders, and government agencies.

Information regarding the revenues of each segment classified as continuing operations is contained in the Industry Segments footnote of the Notes to Consolidated Financial Statements under Item 8 of this report.

In December 2017, the Company approved and completed the sale of its subsidiaries Myers do Brasil Embalagens Plasticas Ltda. and Plasticos Novel do Nordeste Ltda. (collectively, the “Brazil Business”) to allow the Company to focus resources on its core businesses and additional growth opportunities. The Brazil Business designed and manufactured reusable plastic shipping containers, plastic pallets, crates and totes used for closed loop-shipping and storage in Brazil’s automotive, distribution, food, beverage and agriculture industries. The operating results for the Brazil Business are classified as discontinued operations in the Consolidated Statements of Operations under Items 6 and 8 of this report. The Brazil Business was part of the Material Handling Segment.

During the second quarter of 2014, the Company’s Board of Directors approved the commencement of the sale process to divest its Lawn and Garden business to allow it to focus resources on core growth platforms. The divestiture of the Lawn and Garden business was completed in February 2015 and was sold to an entity controlled by Wingate Partners V, L.P. (“L&G Buyer”) and is now named HC Companies, Inc. (“HC”). The Lawn and Garden business served the North American horticulture market with plastic products such as seedling trays, nursery products, hanging baskets, custom print containers as well as decorative resin planters. The operating results for the Lawn and Garden business are classified as discontinued operations in the Consolidated Statements of Operations under Items 6 and 8 of this report.

The following table summarizes the key attributes of the business segments for the year ended December 31, 2018:

Material Handling Segment

Net Sales	Key Product Areas	Product Brands	Key Capabilities & Services	Representative Markets
$417.2 74%	•Plastic Reusable Containers & Pallets •Plastic Storage & Organizational Products •Plastic Carts •Metal Carts •Metal Cabinets •Wooden Dollies •Custom Products	•Akro-Mils™ •Jamco Products •Buckhorn® •Ameri-Kart® •Scepter	•Product Design •Prototyping •Product Testing •Material Formulation •Injection Molding •Structural Foam Molding •Metal Forming •Stainless Steel Forming •Wood Fabrication •Powder Coating •Material Regrind & Recycling •Plastic Blow Molding •Plastic Rotational Molding •Thermoforming •Infrared Welding	•Agriculture •Automotive •Commercial •Food Processing •Food Distribution •Healthcare •Industrial •Manufacturing •Retail Distribution •Wholesale Distribution •Consumer •Recreational Vehicle •Marine •Military •Food & Beverage •Custom

Distribution Segment

Net Sales	Key Product Areas	Product Brands	Key Capabilities & Services	Representative Markets
$149.6 26%	•Tire Valves & Accessories •Tire Changing & Balancing Equipment •Lifts & Alignment Equipment •Service Equipment •Hand Tools •Tire Repair & Retread Equipment & Supplies •Brake, Transmission & Allied Service Equipment & Supplies •Highway Markings •Industrial Rubber •General Shop Supplies •	•Myers Tire Supply® •Myers Tire Supply International™ •Patch Rubber Company® •Elrick •Fleetline •MTS •Phoenix •Seymoure	•Broad Sales Coverage •Local Sales •Four Strategically Placed Distribution Centers •International Distribution •Personalized Service •National Accounts •Product Training •Repair/Service Training •New Products/Services "Speed to Market" •Rubber Mixing •Rubber Compounding •Rubber Calendaring	•Retail Tire Dealers •Truck Tire Dealers •Auto Dealers •Commercial Auto & Truck Fleets •General Repair & Services Facilities •Tire Retreaders •Tire Repair •Governmental Agencies •Telecommunications •Industrial •Road Construction •Mining

Tire Pressure Monitoring System	
	•Tiered Product Offerings

5

Segments Overview

Material Handling Segment

The Material Handling Segment manufactures highly engineered polymer packaging containers, storage and safety products, and specialty molded parts. The brands within this segment include Buckhorn®, Akro-Mils™, Jamco Products, Ameri-Kart®, and Scepter.

Buckhorn's reusable containers and pallets are used in closed-loop supply chain systems to help customers improve product protection, increase handling efficiencies, reduce freight costs and eliminate solid waste and disposal costs. Buckhorn offers products to replace costly single use cardboard boxes, wooden pallets, and steel containers. The product line is among the broadest in the industry and includes injection-molded and structural foam-molded constructions. Buckhorn's product lines include hand-held containers used for inventory control, order management and transportation of retail goods; collapsible and fixed-wall bulk transport containers for light and heavy-duty tasks; intermediate bulk containers for the storage and transport of food, liquid, powder, and granular products; plastic pallets; and specialty boxes designed for storage of items such as seed. Buckhorn also produces a wide variety of specialty products designed for niche applications and custom products designed according to exact customer specifications.

Akro-Mils material handling products provide customers everything they need to store, organize and transport a wide range of goods while increasing overall productivity and profitability. Serving industrial and commercial markets, Akro-Mils products range from AkroBins® — the industry's leading small parts bins — to Super-Size AkroBins, metal panel and bin hanging systems, metal storage cabinet and bin systems, wire shelving systems, plastic and metal transport carts and a wide variety of custom storage and transport products. Akro-Mils products deliver storage and organization solutions in a wide variety of applications, from creating assembly line workstations to organizing medical supplies and retail displays. Emphasis is placed on product bundling and customizing systems to create specific storage and organization configurations for customers' operations.

Jamco Products is well established in industrial and commercial markets with its wide selection of welded steel service carts, platform trucks, mobile work centers, racks and cabinets for plastic bins, safety cabinets, medical cylinder carts and more. Jamco Products' strong product offering, relationships with industrial distributors and reputation for quality and service complements Myers Industries' existing Material Handling businesses.

Ameri-Kart is an industry leading manufacturer and thermoformer of rotational-molded water, fuel and waste handling tanks, plastic trim and interior parts used in the production of seat components, consoles, and other applications throughout the recreational vehicle, marine, and industrial markets. In addition to standard marine parts, Ameri-Kart is well respected within the marine market for its patented Enviro-Fill® overfill prevention system ("OPS") technology and is the industry's only turnkey provider of an integrated, Environmental Protection Agency ("EPA")-compliant marine fuel tank and patented Enviro-Fill diurnal system.

Scepter is a leading producer of portable plastic fuel containers, portable marine fuel tanks and water containers, ammunition containers and storage totes. Scepter was the first provider of Jerry Cans to North America which offer safe, reliable transportation and storage of fuel for the consumer market. Scepter also manufactures a variety of molded products for military applications from high quality containers to safely store and transport large caliber ammunition, to military specified portable fuel and water canisters. Scepter's in-house product engineering and state of the art mold capabilities complements Myers Industries' Material Handling Segment through an increased product offering and global reach.

Distribution Segment

Our Distribution Segment includes the Myers Tire Supply®, Myers Tire Supply International™ and Patch Rubber Company® brands. Within the Distribution Segment we source and manufacture top of the line products for the tire, wheel and undervehicle service industry.

Myers Tire Supply is the largest U.S. distributor and single source for tire, wheel and undervehicle service tools, equipment and supplies. We buy and sell over 10,000 different items — everything that professionals need to service passenger, truck and off-road tires, wheels and related components. Independent tire dealers, mass merchandisers, commercial auto and truck fleets, auto dealerships, tire retreaders and general repair facilities rely on our broad product selection, rapid availability and personal service to be more productive and profitably grow their business. Myers Tire Supply International further distributes these product offerings in Central America, through its branch offices, and to other foreign countries, through its U.S. export business.

While the needs and composition of our distribution markets constantly change, we adapt and deliver new products and services that are crucial to our customers' success. The new product pipeline is driven by a thorough understanding of the market and its customers' needs. Myers Tire Supply in turn works closely with its suppliers to develop innovative products and services to meet these needs.

Patch Rubber Company manufactures one of the most comprehensive lines of tire repair and retreading products in the United States. Service professionals rely on our extensive product selection and quality for safe, cost-effective repairs to passenger, truck and off-road tires. Products include the plug that fills a puncture, the cement that seals the plug, the tire innerliner patch and the final sealing compound. Patch brand repair products maintain a strong position in the tire service markets including sales through the Myers Tire Supply sales network. Patch Rubber also employs its rubber calendering and compounding expertise to create a diverse portfolio of products outside of the tire repair market, such as reflective highway marking tapes. Our rubber-based tape and symbols provide the durability and brightness that construction professionals demand to replace paint for marking road repair, intersections and hazardous areas. Compared with traditional highway paint, the tape stock is easier to apply, more reflective and longer lasting.

Raw Materials & Suppliers

The Company purchases substantially all of its raw materials from a wide range of third-party suppliers. These materials are primarily polyethylene, polypropylene, and polystyrene plastic resins, all used within the Material Handling Segment, as well as synthetic and natural rubber. Most raw materials are commodity products and available from several domestic suppliers. We believe that the loss of any one supplier or group of suppliers would not have a material adverse effect on our business.

Our Distribution Segment purchases substantially all of its components from third-party suppliers and has multiple sources for its products.

Competition

Competition in our Material Handling Segment is substantial and varied in form and size from manufacturers of similar products and of other products which can be substituted for those produced by the Company. In general, most direct competitors with the Company’s brands are private entities. Myers Industries maintains strong brand presence and market positions in the niche sectors of the markets it serves. The Company does not command substantial, overall market presence in the broad market sectors.

Competition in our Distribution Segment is generally comprised of small companies, regional players and national auto parts chains where product offerings may overlap. Within the overall tire, wheel and undervehicle service market, Myers Industries is the largest U.S. distributor of tools, equipment and supplies offered based on national coverage.

Customer Dependence

In 2018, 2017 and 2016, there were no customers that accounted for more than ten percent of total net sales from continuing operations. Myers Industries serves thousands of customers who demand value through product selection, innovation, quality, delivery and responsive personal service. Our brands foster satisfied, loyal customers who have recognized our performance through numerous supplier quality awards.

Employees

As of December 31, 2018, Myers Industries had a total of approximately 1,800 full-time and part-time employees. Of these, approximately 1,240 were employed in the Company’s Material Handling Segment and the Distribution Segment employed approximately 510. The Company’s corporate offices had approximately 50 employees.

As of December 31, 2018, the Company had approximately 140 employees represented by a labor union. The collective bargaining agreement between us and the labor union expires June 2019. We consider our relationship with our employees generally to be satisfactory.

Backlog

The backlog of orders for our operations is estimated to have been approximately $47 million at December 31, 2018 and approximately $54 million at December 31, 2017. Generally, our lead time between customer order and product delivery is less than 90 days, and thus our estimated backlog is substantially expected to be delivered within the succeeding three months. During periods of shorter lead times, backlog may not be a meaningful indicator of future sales. Accordingly, we do not believe our backlog data and comparisons thereof, as of different dates, reliably indicate future sales or shipments.

Available Information

Filings with the SEC. As a public company, we regularly file reports and proxy statements with the Securities and Exchange Commission ("SEC"), such as:

- annual reports on Form 10-K;
- quarterly reports on Form 10-Q;
- current reports on Form 8-K; and
- proxy statements on Schedule 14A.

The SEC maintains an internet website that contains our reports, proxy and information statements, and our other SEC filings; the address of that site is http://www.sec.gov.

We make our SEC filings available free of charge on our own internet site as soon as reasonably practicable after we have filed with the SEC. Our internet address is http://www.myersindustries.com. The content on the Company's website is available for informational purposes only and is not incorporated by reference into this Form 10-K.

Corporate Governance. We have a Code of Business Conduct for our employees and members of our Board of Directors. A copy of this Code is posted on our website in the section titled "Investor Relations". We will satisfy any disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, any provision of this Code with respect to our executive officers or directors by disclosing the nature of that amendment or waiver.

Our website also contains additional information about our corporate governance policies, including the charters of our standing board committees. Any of these items are available in print to any shareholder who requests them. Requests should be sent to Corporate Secretary, Myers Industries, Inc., 1293 S. Main Street, Akron, Ohio 44301.

ITEM 1A. Risk Factors

This Form 10-K and the information we are incorporating by reference contains "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995, including information regarding the Company's financial outlook, future plans, objectives, business prospects and anticipated financial performance. You can identify forward-looking statements by words such as "will," "believe," "anticipate," "expect," "estimate," "intend," "plan," or variations of these words, or similar expressions. These forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, these statements inherently involve a wide range of inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. The Company's actual actions, results, and financial condition may differ materially from what is expressed or implied by the forward-looking statements. Specific factors that could cause such a difference include those set forth below and other important factors disclosed previously and from time to time in our other filings with the Securities and Exchange Commission. Given these factors, as well as other variables that may affect our operating results, you should not rely on forward-looking statements, assume that past financial performance will be a reliable indicator of future performance, nor use historical trends to anticipate results or trends in future periods. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date thereof. We expressly disclaim any obligation or intention to provide updates to the forward-looking statements and the estimates and assumptions associated with them.

Risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the applicable statements include, but are not limited to:

Any significant increase in the cost of raw materials or disruption in the availability of raw materials could adversely affect our performance.

Our ability to manage our cost structure can be adversely affected by movements in commodity and other raw material prices. Our primary raw materials include plastic resins, colorants and natural and synthetic rubbers. Plastic resins in particular are subject to substantial short term price fluctuations, including those arising from supply shortages and changes in the price of natural gas, crude oil and other petrochemical intermediates from which resins are produced, as well as other factors. Over the past several years, we have at times experienced rapidly increasing resin prices. The Company’s revenue and profitability may be materially and adversely affected by these price fluctuations.

Market conditions may limit our ability to raise selling prices to offset increases in our raw material input costs. If we are unsuccessful in developing ways to mitigate raw material cost increases, we may not be able to improve productivity or realize our ongoing cost reduction programs sufficiently to help offset the impact of these increased raw material costs. As a result, higher raw material costs could result in declining margins and operating results.

Changes in raw material availability may also occur due to events beyond our control, including natural disasters such as floods, tornadoes and hurricanes. Our specific molding technologies and/or product specifications can limit our ability to locate alternative suppliers to produce certain products.

Changes in trade policies could result in new tariffs or other restrictions on products, components or raw materials sourced, directly or indirectly, from foreign countries, which could increase raw material costs and adversely impact profitability. However, as the Company has limited foreign operations and sources the majority of its raw materials domestically, we do not believe any new tariffs would have a material impact on our operations. Additionally, the Company believes that any impact can be mitigated through increases in price or sourcing through an alternate supply chain.

We may incur inherent risks and may not achieve anticipated benefits associated with our strategic growth initiatives.

Our growth initiatives include:

- Internal growth driven by strong brands and new product innovation;
- Development of new, high-growth markets and expansion in existing niche markets;
- Strengthened customer relationships through value-added initiatives and key product partnerships;
- Investments in new technology and processes to reinforce market strength and capabilities in key business groups;
- Consolidation and rationalization activities to further reduce costs and improve productivity within our manufacturing and distribution footprint;
- An opportunistic and disciplined approach to strategic acquisitions to accelerate growth in our market positions; and
- Potential divestitures of businesses with non-strategic products or markets.

While this is a continuous process, all of these activities and initiatives have inherent risks and there remain significant challenges and uncertainties, including economic and general business conditions that could limit our ability to achieve anticipated benefits associated with announced strategic initiatives and affect our financial results. We may not achieve any or all of these goals and are unable to predict whether these initiatives will produce significant revenues or profits.

We may not realize the improved operating results that we anticipate from past acquisitions or from acquisitions we may make in the future and we may experience difficulties in integrating the acquired businesses or may inherit significant liabilities related to such businesses.

We explore opportunities to acquire businesses that we believe are related to the execution of the Company's long-term strategy, with a focus on, among other things, asset light business models, flexible operations, and penetration of niche markets. Some of these acquisitions may be material to us. We expect such acquisitions will produce operating results consistent with our other operations and fit within our strategic goals; however, we may be unable to achieve the benefits expected to be realized from our acquisitions. In addition, we may incur additional costs and our management's attention may be diverted because of unforeseen expenses, difficulties, complications, delays and other risks inherent in acquiring businesses, including the following:

- We may have difficulty integrating the acquired businesses as planned, which may include integration of systems of internal controls over financial reporting and other financial and administrative functions;
- We may have delays in realizing the benefits of our strategies for an acquired business;

- The increasing demands on our operational systems and integration costs, including diversion of management’s time and attention, may be greater than anticipated;
- We may not be able to retain key employees necessary to continue the operations of an acquired business;
- Acquisition costs may be met with cash or debt, increasing the risk that we will be unable to satisfy current financial obligations; and
- Acquired companies may have unknown liabilities that could require us to spend significant amounts of additional capital.

Our results of operations and financial condition could be adversely affected by a downturn in the United States economy or the global markets.

We operate in a wide range of regions, primarily North America and Central America, and, until the divesture of our Brazil Business in the fourth quarter of 2017, South America. Additionally, some of our end markets are cyclical, and some of our products are a capital expense for our customers. Worldwide and regional business and political conditions and overall strength of the worldwide, regional and local economies, including changes in the economic conditions of the broader markets and in our individual niche markets, could have an adverse effect on one or both of our operating segments.

We operate in a very competitive business environment, which could affect our financial condition and results of operations.

Both of our segments participate in markets that are highly competitive. We compete primarily on the basis of product quality, product performance, value, and supply chain competency. Our competitive success also depends on our ability to maintain strong brands, customer relationships and the belief that customers will need our products and services to meet their growth requirements. The development and maintenance of such brands requires continuous investment in brand building, marketing initiatives and advertising. The competition that we face in all of our markets — which varies depending on the particular business segment, product lines and customers — may prevent us from achieving sales, product pricing and income goals, which could affect our financial condition and results of operations.

Our operations depend on our ability to maintain continuous, uninterrupted production at our manufacturing facilities, which are subject to physical and other risks that could disrupt production.

We are subject to inherent risks in our diverse manufacturing and distribution activities, including, but not limited to: product quality, safety, licensing requirements and other regulatory issues, environmental events, loss or impairment of key manufacturing or distribution sites, disruptions in logistics and transportation services, labor disputes and industrial accidents. While we maintain insurance covering our manufacturing and production facilities, including business interruption insurance, a catastrophic loss of the use of all or a portion of our facilities due to accident, fire, explosion, or natural disaster, whether short or long-term, could have a material adverse effect on our business, financial condition and results of operations.

Unexpected failures of our equipment and machinery may also result in production delays, revenue loss and significant repair costs, as well as injuries to our employees. Any interruption in production capability may require us to make large capital expenditures to remedy the situation, which could have a negative impact on our profitability and cash flows. Our business interruption insurance may not be sufficient to offset the lost revenues or increased costs that we may experience during a disruption of our operations. A temporary or long-term business disruption could result in a permanent loss of customers. If this were to occur, our future sales levels, and therefore our profitability, could be materially adversely affected.

We derive a portion of our revenues from direct and indirect sales outside the United States and are subject to the risks of doing business in foreign countries.

We currently operate manufacturing, sales and service facilities outside of the United States, particularly in Canada and Central America. For the year ended December 31, 2018, international net sales accounted for approximately 9% of our total net sales from continuing operations. Accordingly, we are subject to risks associated with operations in foreign countries, including:

- Fluctuations in currency exchange rates;
- Limitations on the remittance of dividends and other payments by foreign subsidiaries;
- Limitations on foreign investment;
- Additional costs of compliance with local regulations; and
- In certain countries, higher rates of inflation than in the United States.

In addition, our operations outside the United States are subject to the risk of new and different legal and regulatory requirements in local jurisdictions, potential difficulties in staffing and managing local operations and potentially adverse tax consequences. The costs related to our international operations could adversely affect our operations and financial results in the future.

Our future performance depends in part on our ability to develop and market new products if there are changes in technology, regulatory requirements or competitive processes.

Changes in technology, regulatory requirements and competitive processes may render certain products obsolete or less attractive. Our performance in the future will depend in part on our ability to develop and market new products that will gain customer acceptance and loyalty, as well as our ability to adapt our product offerings and control our costs to meet changing market conditions. Our operating performance would be adversely affected if we were to incur delays in developing new products or if such products did not gain market acceptance. There can be no assurance that existing or future products will be sufficiently successful to enable us to effectively compete in our markets or, should new product offerings meet with significant customer acceptance, that one or more current or future competitors will not introduce products that render our products noncompetitive.

We may not be successful in protecting our intellectual property rights, including our unpatented proprietary know-how and trade secrets, or in avoiding claims that we infringed on the intellectual property rights of others.

In addition to relying on patent and trademark rights, we rely on unpatented proprietary know-how and trade secrets and employ various methods, including confidentiality agreements with employees and consultants, to protect our know-how and trade secrets. However, these methods and our patents and trademarks may not afford complete protection and there can be no assurance that others will not independently develop the know-how and trade secrets or develop better production methods than us. Further, we may not be able to deter current and former employees, contractors and other parties from breaching confidentiality agreements and misappropriating proprietary information and it is possible that third parties may copy or otherwise obtain and use our information and proprietary technology without authorization or otherwise infringe on our intellectual property rights. Additionally, in the future we may license patents, trademarks, trade secrets and similar proprietary rights to third parties. While we attempt to ensure that our intellectual property and similar proprietary rights are protected when entering into business relationships, third parties may take actions that could materially and adversely affect our rights or the value of our intellectual property, similar proprietary rights or reputation. In the future, we may also rely on litigation to enforce our intellectual property rights and contractual rights and, if not successful, we may not be able to protect the value of our intellectual property. Furthermore, no assurance can be given that we will not be subject to claims asserting the infringement of the intellectual property rights of third parties seeking damages, the payment of royalties or licensing fees and/or injunctions against the sale of our products. Any litigation could be protracted and costly and could have a material adverse effect on our business and results of operations regardless of its outcome.

If we are unable to maintain access to credit financing, our business may be adversely affected.

The Company’s ability to make payments and to refinance our indebtedness, fund planned capital expenditures, finance acquisitions and pay dividends will depend on our ability to generate cash in the future and retain access to credit financing. This, to some extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

We cannot provide assurance that our business will generate sufficient cash flow from operating activities or that future borrowings will be available to us under our credit facilities in amounts sufficient to enable us to service debt, make necessary capital expenditures or fund other liquidity needs. We may need to refinance all or a portion of our indebtedness, on or before maturity. We cannot be sure that we would be able to refinance any of our indebtedness on commercially reasonable terms or at all.

The credit facilities contain restrictive covenants and cross default provisions that require us to maintain specified financial ratios. The Company’s ability to satisfy those financial ratios can be affected by events beyond our control, and we cannot be assured we will satisfy those ratios. A breach of any of those financial ratio covenants or other covenants could result in a default. Upon the occurrence of an event of default, the lenders could elect to declare the applicable outstanding indebtedness due immediately and payable and terminate all commitments to extend further credit. We cannot be sure that our lenders would waive a default or that we could pay the indebtedness in full if it were accelerated.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results. As a result, current and potential shareholders could lose confidence in our financial reporting, which would harm our business and the trading price of our common stock.

Internal control systems are intended to provide reasonable assurance regarding the preparation and fair presentation of published financial statements. Any failure to maintain effective controls or implement required new or improved controls could cause us to fail to meet our periodic reporting obligations or result in material misstatements in our consolidated financial statements, and substantial costs and resources may be required to rectify these internal control deficiencies. If we have an internal control deficiency and our remedial measures are insufficient, material weaknesses or significant deficiencies in our internal control over financial reporting could be discovered or occur in the future, and our consolidated financial statements may contain material misstatements. See Item 9A – Controls and Procedures for further discussion.

We may be subject to risks relating to our information technology systems.

We rely on information technology systems to process, transmit and store electronic information and manage and operate our business. Such systems are vulnerable to damage or interruption from natural disasters, power loss, telecommunication failures, computer viruses, computer denial-of-service attacks, unauthorized intrusion, and other events, any of which could interrupt our business operations. While we have implemented security measures designed to prevent and mitigate the risk of breaches, information security risks have generally increased in recent years because of the proliferation of new technologies and the increased sophistication and activities of perpetrators of cyber-attacks. A failure in or a breach of security could expose us and our customers and suppliers to risks of misuse of confidential information, manipulation and destruction of data, production downtimes and operations disruptions, which in turn could negatively affect our reputation, competitive position, business, results of operations or cash flows. Furthermore, because the techniques used to carry out cyber-attacks change frequently and in many instances are not recognized until after they are used against a target, we may be unable to anticipate these changes or implement adequate preventative measures.

Future claims, litigation and regulatory actions could adversely affect our financial condition and our ability to conduct our business.

The nature of our business exposes us, from time to time, to breach of contract, warranty or recall claims, or claims for negligence, product liability, strict liability, personal injury or property damage claims. While we strive to ensure that our products comply with applicable government regulatory standards and internal requirements and that our products perform effectively and safely, customers from time to time could claim that our products do not meet contractual requirements, and users could be harmed by use or misuse of our products. This could give rise to breach of contract, warranty or recall claims, or claims for negligence, product liability, strict liability, personal injury or property damage. Such claims can be expensive to defend and may divert the attention of management for significant time periods. While we currently maintain what we believe to be a suitable and adequate product liability insurance, product liability insurance coverage may not be available or adequate in all circumstances and such claims may increase the cost of such insurance coverage. In addition, claims may arise related to patent infringement, environmental liabilities, distributor terminations, commercial contracts, antitrust or competition law, employment law and employee benefits issues and other regulatory matters. While we have in place processes and policies to mitigate these risks and to investigate and address such claims as they arise, we cannot predict the underlying costs to defend or resolve such claims.

Current and future environmental and other governmental laws and requirements could adversely affect our financial condition and our ability to conduct our business.

Our operations are subject to federal, state, local and foreign environmental laws and regulations that impose limitations on the discharge of pollutants into the air and water and establish standards for the handling, use, treatment, storage and disposal of, or exposure to, hazardous wastes and other materials and require clean-up of contaminated sites. Some of these laws and regulations require us to obtain permits, which contain terms and conditions that impose limitations on our ability to emit and discharge hazardous materials into the environment and periodically may be subject to modification, renewal and revocation by issuing authorities. Fines, penalties and other civil or criminal sanctions may be imposed for non-compliance with applicable environmental laws and regulations and the failure to have or to comply with the terms and conditions of required permits. Certain environmental laws in the United States, such as the federal Comprehensive Environmental Response, Compensation and Liability act of 1980, as amended, 42 U.S.C. §§ 9601 et seq. (“CERCLA” or “Superfund law”) and similar state laws, impose liability for the cost of investigation or remediation of contaminated sites upon the current or, in some cases, the former site owners or operators (or their predecessor entities) and upon parties who arranged for the disposal of wastes or transported or sent those wastes to an off-site facility for treatment or disposal, regardless of when the release of hazardous substances occurred or the lawfulness of the activities giving rise to the release. Such liability can be imposed without regard to fault and, under certain circumstances, can be joint and several, resulting in one party being held responsible for the entire obligation.

While we have not been required historically to make significant capital expenditures in order to comply with applicable environmental laws and regulations, we cannot predict with any certainty our future capital expenditure requirements because of continually changing compliance standards and environmental technology. Furthermore, violations or contaminated sites that we do not know about, including contamination caused by prior owners and operators of such sites, or at sites formerly owned or operated by us or our predecessors in connection with discontinued operations, could result in additional compliance or remediation costs or other liabilities, which could be material.

As more fully described in Item 3, “Legal Proceedings” below, we are a potentially responsible party (“PRP”) in an environmental proceeding and remediation matter in which substantial amounts may be involved. It is possible that adjustments to reserved expenses will be necessary as new information is obtained, including after preparation and EPA approval of the work plan for the remedial investigation and feasibility study (“RI/FS”), which is anticipated to occur in the first half of 2019. Estimates of the Company’s liability are based on current facts, laws, regulations and technology. Estimates of the Company’s environmental liabilities are further subject to uncertainties regarding the nature and extent of site contamination, the range of remediation alternatives available, evolving remediation standards, imprecise engineering evaluation and cost estimates, the extent of remedial actions that may be required, the extent of oversight by the EPA, the number and financial condition of other PRPs that may be named as well as the extent of their responsibility for the remediation, and the availability of insurance coverage for these expenses. At this time, we have not accrued for such remediation costs as we are unable to estimate the liability at this time. Additionally, we are party to a consent decree regarding another location pursuant to which we are required to contribute to the costs of the remediation project.

We have limited insurance coverage for potential environmental liabilities associated with historic and current operations and we do not anticipate increasing such coverage in the future. We may also assume significant environmental liabilities in acquisitions. Such costs or liabilities could adversely affect our financial situation and our ability to conduct our business.

Environmental regulations specific to plastic products and containers could adversely affect our ability to conduct our business.

Federal, state, local and foreign governments could enact laws or regulations concerning environmental matters that increase the cost of producing, or otherwise adversely affect the demand for, plastic products. Legislation that would prohibit, tax or restrict the sale or use of certain types of plastic and other containers, and would require diversion of solid wastes such as packaging materials from disposal in landfills, has been or may be introduced in the U.S. Congress, in state legislatures and other legislative bodies. While container legislation has been adopted in a few jurisdictions, similar legislation has been defeated in public referenda in several states, local elections and many state and local legislative sessions. There can be no assurance that future legislation or regulation would not have a material adverse effect on us. Furthermore, a decline in consumer preference for plastic products due to environmental considerations could have a negative effect on our business.

Our insurance coverage may be inadequate to protect against potential hazardous incidents to our business.

We maintain property, business interruption, product liability and casualty insurance coverage, but such insurance may not provide adequate coverage against potential claims, including losses resulting from war risks, terrorist acts or product liability claims relating to products we manufacture. Consistent with market conditions in the insurance industry, premiums and deductibles for some of our insurance policies have been increasing and may continue to increase in the future. In some instances, some types of insurance may become available only for reduced amounts of coverage, if at all. In addition, there can be no assurance that our insurers would not challenge coverage for certain claims. If we were to incur a significant liability for which we were not fully insured or that our insurers disputed, it could have a material adverse effect on our financial position, results of operations or cash flows.

Our business operations could be significantly disrupted if members of our senior management team were to leave.

Our success depends to a significant degree upon the continued contributions of our senior management team. Our senior management team has extensive marketing, sales, manufacturing, finance and engineering experience, and we believe that the depth of our management team is instrumental to our continued success. The loss of any of our key executive officers in the future could significantly impede our ability to successfully implement our business strategy, financial plans, expansion of services, marketing and other objectives.

Unforeseen future events may negatively impact our economic condition.

Future events may occur that would adversely affect the reported value of our assets. Such events may include, but are not limited to, strategic decisions made in response to changes in economic and competitive conditions, the impact of the economic environment on our customer base, a material adverse change in our relationship with significant customers, or natural disasters or other catastrophic events beyond our control. Any of these events may adversely affect our financial condition and results of operations.

Equity Ownership Concentration

Based solely on the Schedule 13D filed on September 13, 2018, by Gabelli Funds, LLC, GAMCO Asset Management Inc., MJG Associates, Inc., Gabelli & Company Investment Advisors, Inc., Teton Advisors, Inc., Gabelli Foundation, Inc., GGCP, Inc., and GAMCO Investors, Inc., (collectively, the “Gamco Group”), for which the Company disclaims any responsibility, beneficially owned 7,162,114 shares of our common stock, which represented approximately 20% of the 35,351,248 shares outstanding as reported in our Form 10-Q for the quarterly period ended September 30, 2018. Combined, these parties may have sufficient voting power to influence actions requiring the approval of our shareholders.

Changes in laws and regulations may have an adverse impact on our operations.

Changes in laws and regulations and approvals and decisions of courts, regulators, and governmental bodies on any legal claims known or unknown, could have an adverse effect on the Company’s financial results. Additionally, changes in tax laws or new guidance issued by the U.S. Treasury Department, the IRS, and other standard-setting bodies could impact our future effective tax rate and may result in a material adverse effect on our business, financial condition, results of operations, or cash flows.

ITEM 1B. Unresolved Staff Comments

None.

ITEM 2. Properties

The following table sets forth certain information with respect to properties owned by the Company as of December 31, 2018:

Location	Approximate Floor Space (Square Feet)	Approximate Land Area (Acres)	Use
	Distribution		
Akron, Ohio	129,000	8	Headquarters and distribution center
Akron, Ohio	67,000	5	Administration and warehousing
Wadsworth, Ohio	125,000	12	Distribution center
	Manufacturing		
Miami, Oklahoma	330,000	16	Manufacturing and distribution
Sandusky, Ohio *	305,000	8	Manufacturing and distribution
Springfield, Missouri	227,000	19	Manufacturing and distribution
Wadsworth, Ohio	197,000	23	Manufacturing and distribution
Bristol, Indiana	185,000	12	Manufacturing and distribution
Roanoke Rapids, North Carolina	172,000	20	Manufacturing and distribution
Scarborough, Ontario	170,000	8	Manufacturing and distribution

* Facility ceased operations in March 2018.

The following table sets forth certain information with respect to facilities leased by the Company as of December 31, 2018:

Location	Approximate Floor Space (Square Feet)	Expiration Date of Lease	Use
	Manufacturing & Distribution		
Cassopolis, Michigan	210,000	October 31, 2023	Manufacturing and distribution
South Beloit, Illinois	160,000	September 30, 2020	Manufacturing and distribution
Springfield, Missouri	70,000	October 31, 2019	Warehousing
Southaven, Mississippi	56,000	September 30, 2023	Distribution center

Salt Lake City, Utah	30,000	October 31, 2023	Distribution center
Milford, Ohio	22,000	Month to Month	Administration and sales
Milford, Ohio	12,000	December 31, 2023	Administration and sales
Pomona, California	18,000	February 28, 2028	Sales and distribution center

The Company also leases facilities for its sales offices and sales branches in the United States and Central America which, in the aggregate, amount to approximately 35,000 square feet of warehouse and office space. All of these locations are used by the Distribution Segment.

The Company believes that all of its properties, machinery and equipment generally are well maintained and adequate for the purposes for which they are used.

ITEM 3. Legal Proceedings

The Company is a defendant in various lawsuits and a party to various other legal proceedings, in the ordinary course of business, some of which are covered in whole or in part by insurance. When a loss arising from these matters is probable and can reasonably be estimated, we record the amount of the estimated loss, or the minimum estimated liability when the loss is estimated using a range, and no point within the range is more probable of occurrence than another. As additional information becomes available, any potential liability related to these matters will be assessed and the estimates will be revised, if necessary.

Based on current available information, management believes that the ultimate outcome of these matters, including those described below, will not have a material adverse effect on our financial position, cash flows or overall trends in our results of operations. However, these matters are subject to inherent uncertainties, and unfavorable rulings could occur. If an unfavorable ruling were to occur, there exists the possibility of a material adverse impact on the financial position and results of operations of the period in which the ruling occurs, or in future periods.

New Idria Mercury Mine

In September 2015, the U.S. Environmental Protection Agency (“EPA”) informed a subsidiary of the Company, Buckhorn, Inc. (“Buckhorn”) via a notice letter and related documents (the “Notice Letter”) that it considers Buckhorn to be a potentially responsible party (“PRP”) in connection with the New Idria Mercury Mine site (“New Idria Mine”). New Idria Mining & Chemical Company (“NIMCC”), which owned and/or operated the New Idria Mine through 1976, was merged into Buckhorn Metal Products Inc. in 1981, which was subsequently acquired by Myers Industries in 1987. As a result of the EPA Notice Letter, Buckhorn and the Company engaged in negotiations with the EPA with respect to a draft Administrative Order of Consent (“AOC”) proposed by the EPA for the Remedial Investigation/Feasibility Study (“RI/FS”) to determine the extent of remediation necessary and the screening of alternatives.

During the fourth quarter of 2018, the Company and the EPA finalized the AOC and related Statement of Work (“SOW”) with regards to the New Idria Mine. The AOC is effective as of November 27, 2018, the date that it was executed by the EPA. The AOC and accompanying SOW document the terms, conditions and procedures for the Company’s performance of the RI/FS. In addition, the AOC requires the Company to provide $2 million of financial assurance to the EPA during the estimated three year life of the RI/FS. In January 2019, the Company provided this assurance as a letter of credit. The AOC also includes provisions for payment by the Company of the EPA’s costs of oversight of the RI/FS, including a prepayment in the amount of $0.2 million, which was paid in January 2019.

Since October 2011, when New Idria was added to the Superfund National Priorities List by the EPA, the Company has recognized $5.9 million of costs, of which approximately $2.5 million has been paid to date. These costs are comprised primarily of negotiation of the AOC, identification of possible insurance resources and other PRPs, estimates to perform the RI/FS, EPA oversight fees, past cost claims made by the EPA, periodic monitoring, and responses to unilateral administrative orders issued by the EPA. Expenses of $0.2 million, $1.3 million, and $1.0 million were recorded in the years ended December 31, 2018, 2017, and 2016, respectively.

As of December 31, 2018, the Company has a total reserve of $3.4 million related to the New Idria Mine.

It is possible that adjustments to the aforementioned reserves will be necessary as new information is obtained, including after preparation and EPA approval of the work plan for the RI/FS, which is anticipated to occur in the first half of 2019. Estimates of the Company’s liability are based on current facts, laws, regulations and technology. Estimates of the Company’s environmental liabilities are further subject to uncertainties regarding the nature and extent of site contamination, the range of remediation alternatives available, evolving remediation standards, imprecise engineering evaluation and cost estimates, the extent of remedial actions that may be required, the extent of oversight by the EPA, the number and financial condition of other PRPs that may be named as well as the extent of their responsibility for the remediation, and the availability of insurance coverage for these expenses.

At this time, we have not accrued for remediation costs in connection with this site as we are unable to estimate the liability, given the circumstances referred to above, including the fact that the final remediation strategy has not yet been determined.

New Almaden Mine (formerly referred to as Guadalupe River Watershed)

A number of parties, including the Company and its subsidiary, Buckhorn (as successor to NIMCC), were alleged by trustee agencies of the United States and the State of California to be responsible for natural resource damages due to environmental contamination of areas comprising the historical New Almaden mercury mines located in the Guadalupe River Watershed region in Santa Clara County, California ("County"). In 2005, Buckhorn and the Company, without admitting liability or chain of ownership of NIMCC, resolved the trustees' claim against them through a consent decree that required them to contribute financially to the implementation by the County of an environmentally beneficial project within the impacted area. Buckhorn and the Company negotiated an agreement with the County, whereby Buckhorn and the Company agreed to reimburse one-half of the County's costs of implementing the project, originally estimated to be approximately $1.6 million. As a result, in 2005, the Company recognized expense of $0.8 million representing its share of the initial estimated project costs, of which approximately $0.5 million has been paid to date. In April 2016, the Company was notified by the County that the original cost estimate may no longer be appropriate due to expanded scope and increased costs of construction, and provided a revised estimate of between $3.3 million and $4.4 million. The Company completed a detailed review of the support provided by the County for their revised estimate, and as a result, recognized additional expense of $1.2 million in 2016. As of December 31, 2018, the Company has a total reserve of $1.5 million related to the New Almaden Mine.

The project has not yet been implemented though significant work on design and planning has been performed. The Company is currently awaiting notice from Santa Clara County on the expected timing of fieldwork to commence. As work on the project occurs, it is possible that adjustments to the aforementioned reserves will be necessary to reflect new information. In addition, the Company may have claims against and defenses to claims by the County under the 2005 agreement that could reduce or offset its obligation for reimbursement of some of these potential additional costs. With the assistance of environmental consultants, the Company will closely monitor this matter and will continue to assess its reserves as additional information becomes available.

Lawn and Garden Indemnification Claim

In connection with the sale of the Lawn and Garden business, as described in Note 5, the Company received Notices of Indemnification Claims in April 2015 and July 2016 (collectively, the "Claims"), alleging breaches of certain representations and warranties under the agreement resulting in alleged losses in the amount of approximately $10 million. As described in Note 5, approximately $8.6 million of the sale proceeds that were placed in escrow were due to be settled in August 2016; however, the release of these funds had been extended pending the resolution of the Claims, which were the subject of a lawsuit in the Delaware Chancery Court.

In April 2018, the Company reached agreement on the material terms of a settlement, and as a result, recorded a pre-tax charge of $1.225 million to discontinued operations in 2018. The settlement agreement was finalized in May 2018, and the settlement amount was funded from the escrow account. In addition, upon settlement and release of any further obligation on behalf of the Company, the remaining $7.4 million was released from escrow to the Company.

Patent Infringement

On December 11, 2018, No Spill Inc. filed suit against Scepter Manufacturing LLC and Scepter Corporation (collectively "Scepter") in the United States District Court for the District of Kansas asserting infringement of two patents, breach of contract, and trade dress claims in relation to plastic gasoline containers Scepter manufactures and sells in the United States. On December 31, 2018, the parties filed a waiver of service and extension of time to file a response to the complaint. The response to the complaint is due on March 28, 2019. A schedule in the case has not yet issued. Scepter intends to defend itself vigorously in this matter. Due to the inherent uncertainties of litigation, the Company cannot accurately predict the ultimate outcome of this matter, and is unable at this time to determine whether the outcome of the litigation will have a material impact on its results of operations, financial condition, or cash flows. Accordingly, the Company has not currently recorded any reserves for this matter.

EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below is certain information concerning the executive officers of the Registrant as of December 31, 2018. Executive officers are appointed annually by the Board of Directors.

Name	Age	Title
R. David Banyard	50	President and Chief Executive Officer
Kevin L. Brackman	46	Executive Vice President and Chief Financial Officer
Andrean R. Horton	44	Executive Vice President, Chief Legal Officer and Secretary

Mr. Banyard, President and Chief Executive Officer, was appointed to his current position on December 7, 2015. Formerly, Mr. Banyard served as the Group President, Fluid Handling Technologies at Roper Technologies where he led a diverse portfolio of companies serving a wide array of end markets. Prior to that, Mr. Banyard was with Danaher Corporation, where he held successive leadership roles during his six year tenure culminating with his leadership of the Vehicle Systems business unit of Kollmorgen, based in Stockholm, Sweden.

Mr. Brackman, Executive Vice President and Chief Financial Officer, was appointed to his current position on December 11, 2018. Previously, he served as Vice President and Chief Accounting Officer since March 2, 2017 and prior to that served as Vice President, Corporate Controller, since joining the Company in March 2015; he also acted as Interim Chief Financial Officer and Corporate Secretary from March 18, 2016 until December 1, 2016. Prior to that, Mr. Brackman was with Ingersoll-Rand, where he held various finance leadership roles.

Ms. Horton, Executive Vice President, Chief Legal Officer and Secretary, was appointed to her current position on October 8, 2018. Previously, Ms. Horton was with A. Schulman, Inc., where she held various legal positions, including Executive Vice President, Chief Legal Officer and Secretary. Prior to that, Ms. Horton held various leadership roles, including Vice President, Legal & Regulatory Compliance, with YRC Worldwide, Inc. and General Counsel & Corporate Secretary, at The Bartech Group, Inc.

PART II

ITEM 5. Market for Registrant's Common Stock and Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company's common stock is traded on the New York Stock Exchange under the symbol MYE. The approximate number of shareholders of record at December 31, 2018 was 1,010. Dividends for the last two years were:

Quarter Ended	2018	2017
March 31	$0.135	$0.135
June 30	0.135	0.135
September 30	0.135	0.135
December 31	0.135	0.135

Purchases of equity securities by the issuer

The following table presents information regarding the Company's stock repurchase plan during the three months ended December 31, 2018.

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of the Publicly Announced Plans or Programs	Maximum number of Shares that may yet be Purchased Under the Plans or Programs (1)
10/1/18 to 10/31/18	—	$ —	5,547,665	2,452,335
11/1/18 to 11/30/18	—	—	5,547,665	2,452,335
12/1/18 to 12/31/18	—	—	5,547,665	2,452,335

(1) On July 11, 2013, the Board authorized the repurchase of up to an additional five million shares of the Company's common stock. This authorization was in addition to the 2011 Board authorized repurchase of up to five million shares. The Company completed the repurchase of approximately 2.0 million shares in 2011 pursuant to Rule 10b5-1 plans, which were adopted pursuant to the 2011 authorized share repurchase.

See Item 12 of this Form 10-K for the Equity Compensation Plan Information Table which is incorporated herein by reference.

Comparison of 5 Year Cumulative Total Return

Assumes Initial Investment of $100

December 31, 2018

The chart below compares the Company's cumulative total shareholder return for the five years ended December 31, 2018, to that of the Standard & Poor's 500 Index – Total Return and the Russell 2000 Index. In all cases, the information is presented on a dividend-reinvested basis and assumes investment of $100 on December 31, 2013.

	2013	2014	2015	2016	2017	2018
Myers Industries Inc.						
Annual Return %		(14.36)	(21.65)	11.74	40.72	(20.39)
Cum $	100.00	85.64	67.10	74.98	105.51	84.00
S&P 500 Index - Total Return						
Annual Return %		13.69	1.38	11.96	21.83	(4.38)
Cum $	100.00	113.69	115.26	129.05	157.22	150.33
Russell 2000 Index						
Annual Return %		4.89	(4.41)	21.31	14.65	(11.01)
Cum $	100.00	104.89	100.26	121.63	139.44	124.09

ITEM 6. Selected Financial Data
Thousands of Dollars, Except Per Share Data

	2018	2017	2016	2015	2014
Operations for the Year					
Net sales	$566,735	$547,043	$534,379	$571,020	$576,759
Cost of sales	387,442	389,590	372,481	395,158	419,575
Selling expenses	59,503	56,614	58,782	58,456	56,097
General and administrative expenses	79,832	78,889	73,797	82,333	73,938
(Gain) loss on disposal of fixed assets	(8)	(3,482)	628	556	(20)
Impairment charges	308	544	1,329	—	—
Other expenses	33,331	—	—	—	—
Loss on extinguishment of debt	—	1,888	—	—	—
Interest, net	4,938	7,292	8,643	9,009	8,570
Total costs and expenses	565,346	531,335	515,660	545,512	558,160
Income from continuing operations before income taxes	1,389	15,708	18,719	25,508	18,599
Income tax expense	3,037	4,864	7,395	8,037	5,680
Income (loss) from continuing operations	$(1,648)	$10,844	$11,324	$17,471	$12,919
Income (loss) from discontinued operations, net of tax	$(1,701)	$(20,733)	$(10,267)	$291	$(21,600)
Net income (loss)	$(3,349)	$(9,889)	$1,057	$17,762	$(8,681)
Net income (loss) per basic share from continuing operations	$(0.05)	$0.36	$0.38	$0.57	$0.40
Net income (loss) per diluted share from continuing operations	$(0.05)	$0.35	$0.38	$0.56	$0.40
Net income (loss) per basic share from discontinued operations	$(0.05)	$(0.69)	$(0.35)	$0.01	$(0.67)
Net income (loss) per diluted share from discontinued operations	$(0.05)	$(0.68)	$(0.35)	$0.01	$(0.67)
Net income (loss) per basic share	$(0.10)	$(0.33)	$0.03	$0.58	$(0.27)
Net income (loss) per diluted share	$(0.10)	$(0.33)	$0.03	$0.57	$(0.27)
Financial Position — At Year End					
Total assets(1)	$348,645	$355,942	$381,684	$429,024	$563,433
Current assets	182,855	150,012	141,151	154,541	285,441
Current liabilities	97,423	98,653	79,312	117,045	153,814
Working capital	85,432	51,359	61,839	37,496	131,627
Other assets(1)	95,060	122,026	134,267	151,982	154,365
Property, plant and equipment, net	65,460	83,904	106,266	122,501	123,627
Deferred income taxes(2)	5,270	—	—	—	—
Less:					

Long-term debt, less current portion(1)	76,790	151,036	189,522	191,881	235,029
Other long-term liabilities	19,794	8,236	9,452	13,543	15,851
Deferred income taxes(2)	—	4,265	10,365	8,852	12,168
Shareholders' Equity	154,638	93,752	93,033	97,703	146,571
Common Shares Outstanding	35,374,121	30,495,737	30,019,561	29,521,566	31,162,962
Book Value Per Common Share	$4.37	$3.07	$3.10	$3.31	$4.70
Other Data					
Dividends paid	$17,862	$16,341	$16,221	$16,675	$15,707
Dividends declared per Common Share	$0.54	$0.54	$0.54	$0.54	$0.52
Average Basic Common Shares Outstanding during the year	33,426,855	30,222,289	29,750,378	30,616,485	32,232,965

(1) Balances for 2014 and 2015 reflect the retrospective change to the balance sheet presentation of unamortized debt issuance costs in conjunction with the adoption of ASU 2015-03 in 2016. Under this guidance, unamortized debt issuance costs are to be presented as a reduction of the corresponding debt liability rather than a separate asset.

(2) Balances as of December 31, 2015 reflect the prospective change to the balance sheet presentation of deferred taxes in conjunction with the adoption of ASU 2015-17. Under this guidance, all deferred tax assets and liabilities are classified as long-term.

(3) Historical information has been adjusted to reflect discontinued operations presentation. See Note 5 to the consolidated financial statements.

ITEM 7. Management's Discussion and Analysis of Results of Operations and Financial Condition
Executive Overview

The Company conducts its business activities in two distinct segments: The Material Handling Segment and the Distribution Segment. The Brazil Business, which was sold in December 2017, and the Lawn and Garden business, which was sold in February 2015, are classified as discontinued operations in all periods presented.

The Company designs, manufactures, and markets a variety of plastic and rubber products. Our Material Handling Segment manufactures products that range from plastic reusable material handling containers and small parts storage bins to plastic OEM parts, custom plastic products, consumer fuel containers, military water containers as well as ammunition packaging and shipping containers. Our Distribution Segment is engaged in the distribution of tools, equipment and supplies used for tire, wheel and under vehicle service on passenger, heavy truck and off-road vehicles, as well as the manufacturing of tire repair and retreading products.

Results of Operations: 2018 Compared with 2017

Net Sales:

(dollars in millions)	Year Ended December 31,			
Segment	2018	2017	Change	% Change
Material Handling	$417.2	$391.3	$ 25.9	7 %
Distribution	149.6	156.4	(6.8)	(4)%
Inter-company elimination	(0.1)	(0.7)	0.6	
Total net sales	$566.7	$547.0	$ 19.7	4 %

Net sales for the year ended December 31, 2018 were $566.7 million, an increase of $19.7 million or 4% compared to the prior year. Net sales were positively impacted by higher pricing of approximately $17.2 million and higher sales volume of $2.6 million, offset by the effect of unfavorable foreign currency translation of approximately $0.1 million.

Net sales in the Material Handling Segment increased $25.9 million or 7% for the year ended December 31, 2018 compared to the prior year. The increase in net sales was due to higher pricing of $14.6 million and higher sales volume of $11.4 million, driven primarily by demand in the food and beverage market, and offset by the effect of unfavorable foreign currency translation of $0.1 million.

Net sales in the Distribution Segment decreased $6.8 million or 4% in the year ended December 31, 2018 compared to the prior year primarily the result of lower sales volume of approximately $9.4 million offset by higher pricing of $2.6 million. A portion of this volume decline resulted from the strategic decision to exit a low margin product line with a customer in early 2017, as well as lower overall demand levels, particularly in the equipment category.

Cost of Sales & Gross Profit:

(dollars in millions)	Year Ended December 31, 2018	2017	Change	% Change
Cost of sales	$387.4	$389.6	$(2.2)	(1)%
Gross profit	$179.3	$157.5	$21.8	14%
Gross profit as a percentage of sales	31.6%	28.8%		

Gross profit margin increased to 31.6% for the year ended December 31, 2018 compared to 28.8% for the same period in 2017, primarily due to higher pricing of $17.2 million and cost savings realized in the current year as a result of the restructuring plan within the Material Handling Segment, as well as non-recurring restructuring costs of $7.5 million incurred in the prior year. This was partially offset by higher raw material costs and unfavorable mix within the higher sales volumes noted above.

Selling, General and Administrative Expenses:

(dollars in millions)	Year Ended December 31, 2018	2017	Change	% Change
SG&A expenses	$139.3	$135.5	$ 3.8	3 %
SG&A expenses as a percentage of sales	24.6 %	24.8 %		

Selling, general and administrative ("SG&A") expenses for the year ended December 31, 2018 were $139.3 million, an increase of $3.8 million or 3% compared to the prior year. SG&A expenses in 2018 were primarily impacted by higher incentive compensation and other employee-related costs of $2.1 million, higher freight costs of $1.5 million, and higher legal and professional fees of $0.7 million. The current year expenses also include costs to engage outside resources to assist with the planning and assessment of transformation initiatives for the Distribution Segment of $1.4 million. These costs were partially offset by lower environmental costs of $1.1 million and non-recurring restructuring-related costs of $1.2 million incurred in the prior year.

Restructuring:

As discussed in Note 7 to the consolidated financial statements, the Company initiated a restructuring plan (the "Plan") in the first quarter of 2017 to improve the Company's organizational structure and operational efficiency within the Material Handling Segment. The Plan is completed. The Company has incurred a total of $0.1 million and $7.6 million of restructuring costs in connection with the Plan during the years ended December 31, 2018 and 2017, respectively. The Company also recorded $0.2 million and $3.9 million in net gains on asset dispositions in connection with the facility closures under the Plan during the years ended December 31, 2018 and 2017, respectively.

(Gain) Loss on Disposal of Fixed Assets:

The gains on disposal of fixed assets for the year ended December 31, 2017 were $3.5 million and were primarily due to asset dispositions in connection with the planned facility closures associated with the restructuring Plan within the Material Handling Segment.

Other Expenses:

During the year ended December 31, 2018, the Company recorded a provision for expected loss of $23.0 million as a result of the uncertainty regarding the ability to collect on the notes receivable and corresponding accrued interest from the sale of the Lawn and Garden business, as discussed in Note 5 to the consolidated financial statements. The Company also recorded a charge during 2018 of $10.3 million related to the Company's estimate of its potential obligation under the lease guarantee on one of HC's facilities, as discussed in Note 11 to the consolidated financial statements.

Net Interest Expense:

(dollars in millions)	Year Ended December 31, 2018	2017	Change	% Change
Net interest expense	$4.9	$7.3	$(2.4)	(33)%
Average outstanding borrowings, net	$107.1	$175.2	$(68.1)	(39)%
Weighted-average borrowing rate	5.75 %	4.94 %		

Net interest expense for the year ended December 31, 2018 was $4.9 million compared to $7.3 million during 2017. The decrease in net interest expense is due to a decrease in average outstanding borrowings during the year ended December 31, 2018 compared to the prior year.

Loss on Extinguishment of Debt:

During the year ended December 31, 2017, the Company recorded a loss on extinguishment of debt of approximately $1.9 million related to the purchase of a portion of the outstanding Senior Unsecured Notes in 2017, as discussed in Note 12 to the consolidated financial statements.

Income Taxes:

(dollars in millions)	Year Ended December 31, 2018	2017
Income from continuing operations before income taxes	$1.4	$15.7
Income tax expense	$3.0	$4.9
Effective tax rate	218.7%	31.0%

The effective tax rate was 218.7% for the year ended December 31, 2018 compared to 31.0% in the prior year. The unusually high rate in 2018 was the result of a lower tax rate on the $33.3 million of charges in Other Expenses than the rate on other pre-tax earnings. Additionally, the tax rate was impacted by non-deductible expense (primarily compensation related), additional tax expense of $0.6 million related to an uncertain tax position associated with the U.S. Tax Cuts and Jobs Act ("Tax Act"), and additional tax expense of $0.6 million associated with the unremitted earnings of certain foreign subsidiaries which are no longer deemed to be permanently reinvested.

In 2017, the U.S. enacted the Tax Act, which reduced the U.S. federal corporate income tax rate from 35% to 21%. As a result of the Tax Act, the Company recognized provisional net benefits of $1.2 million in 2017 to reflect certain changes in the tax law impacting the Company. The Company's accounting for the Tax Act was completed in the fourth quarter of 2018, and included a tax benefit of $0.3 million related to amounts previously accounted for as provisional. Refer to Note 13 in the consolidated financial statements.

Discontinued Operations:

Loss from discontinued operations, net of income taxes was $1.7 million for the year ended December 31, 2018 compared to loss of $20.7 million for the year ended December 31, 2017. In 2018, this result included a charge of $0.9 million, net of tax of $0.3 million, as a result of a settlement with the L&G Buyer related to the indemnification claims discussed in Note 11 to the consolidated financial statements.

In 2017, this result included a loss on sale of the Brazil Business of $35.0 million (pre-tax), offset primarily by a tax benefit of $15 million, which was generated as a result of a worthless stock deduction for the Brazil Business. As a result of the Company's U.S. Federal income tax filings in 2018, the Company reduced this estimated tax benefit by $0.7 million and recognized this adjustment within net loss from discontinued operations.

Results of Operations: 2017 Compared with 2016

Net Sales:

(dollars in millions) Segment	Year Ended December 31, 2017	2016	Change	% Change
Material Handling	$391.3	$363.9	$27.4	8 %
Distribution	156.4	170.7	(14.3)	(8)%

Inter-company elimination	(0.7)	(0.2)	(0.5)	
Total net sales	$547.0	$534.4	$12.6	2 %

Net sales for the year ended December 31, 2017 were $547.0 million, an increase of $12.6 million or 2% compared to the prior year. Net sales were positively impacted by higher sales volumes of approximately $4.0 million, higher pricing of $7.5 million and the effect of favorable foreign currency translation of approximately $1.1 million.

Net sales in the Material Handling Segment increased $27.4 million or 8% for the year ended December 31, 2017 compared to the prior year. The increase in net sales was due to higher sales volume of $19.9 million, mainly due to increased demand in the Company's consumer and food and beverage markets, higher pricing of $6.4 million, and the effect of favorable foreign currency translation of $1.1 million.

Net sales in the Distribution Segment decreased $14.3 million or 8% in the year ended December 31, 2017 compared to the prior year primarily due to lower volume. A significant portion of this volume decline resulted from a strategic decision to exit a low margin product line with a customer in early 2017, which contributed to overall gross margin improvement in this segment. The remainder of the decrease in volume was across all product lines and regions, including our export and international channels; however, the Company saw most of this decline early in 2017, as both demand and pricing improved throughout the second half of the year.

Cost of Sales & Gross Profit:

(dollars in millions)	Year Ended December 31, 2017	2016	Change	% Change
Cost of sales	$389.6	$372.5	$ 17.1	5 %
Gross profit	$157.5	$161.9	$ (4.4)	(3)%
Gross profit as a percentage of sales	28.8 %	30.3 %		

Gross profit margin decreased to 28.8% for the year ended December 31, 2017 compared to 30.3% for the same period in 2016, primarily due to higher raw material costs and operating inefficiencies, as well as restructuring and related costs of $7.5 million within the Material Handling Segment. These impacts were partially offset by higher pricing and a favorable sales mix.

Selling, General and Administrative Expenses:

(dollars in millions)	Year Ended December 31, 2017	2016	Change	% Change
SG&A expenses	$135.5	$132.6	$ 2.9	2 %
SG&A expenses as a percentage of sales	24.8 %	24.8 %		

SG&A expenses for the year ended December 31, 2017 were $135.5 million, an increase of $2.9 million or 2% compared to the prior year. SG&A expenses in 2017 were unfavorably impacted by higher legal and professional fees of $1.0 million, costs associated with the restructuring within the Material Handling Segment of $1.2 million, and the non-recurring reversal of a long-term liability of approximately $2.3 million recognized in 2016, partially offset by lower expenses related to the environmental contingencies of approximately $0.8 million, which is described in Note 11 to the consolidated financial statements.

Restructuring:

As further discussed in Note 7 to the consolidated financial statements, the Company initiated a restructuring plan (the “Plan”) in the first quarter of 2017 to improve the Company’s organizational structure and operational efficiency within the Material Handling Segment. The Company incurred a total of $7.6 million of restructuring costs in connection with the Plan during 2017. The Company also recorded $3.9 million in net gains on sales of assets in 2017, primarily related to the closure and sale of the Bluffton, Indiana facility and certain equipment. All actions under the Plan were substantially completed by the end of 2017.

(Gain) Loss on Disposal of Fixed Assets:

The gain on disposal of fixed assets for the year ended December 31, 2017 was $3.5 million compared to a loss of $0.6 million in the prior year. The gains in 2017 were primarily due to the sale of the Bluffton facility and certain equipment associated with the restructuring Plan within the Material Handling Segment, as discussed in Note 7 to the consolidated financial statements.

Impairment Charges:

During the year ended December 31, 2017, the Company recorded an impairment charge of $0.5 million related to a building classified as assets held for sale as discussed in Note 3 to the consolidated financial statements. The building was sold in December 2017.

The Company recorded $1.3 million of non-cash impairment charges, primarily related to long-lived assets associated with the exit of a non-strategic product line in the Material Handling Segment during the year ended December 31, 2016, as discussed in Note 3 to the consolidated financial statements.

Net Interest Expense:

(dollars in millions)	Year Ended December 31, 2017	2016	Change	% Change
Net interest expense	$7.3	$8.6	$(1.3)	(15)%
Average outstanding borrowings, net	$175.2	$212.1	$(36.9)	(17)%
Weighted-average borrowing rate	4.94 %	4.69 %		

Net interest expense for the year ended December 31, 2017 was $7.3 million compared to $8.6 million during 2016. The decrease in net interest expense is due to a decrease in average borrowings during the year ended December 31, 2017 compared to the prior year, partially offset by a slightly higher borrowing rate.

Loss on Extinguishment of Debt:

During the year ended December 31, 2017, the Company recorded a loss on extinguishment of debt of approximately $1.9 million related to the purchase of a portion of the outstanding Senior Unsecured Notes in 2017, as discussed in Note 12 to the consolidated financial statements.

Income Taxes:

(dollars in millions)	Year Ended December 31, 2017	2016
Income from continuing operations before taxes	$15.7	$18.7
Income tax expense	$4.9	$7.4
Effective tax rate	31.0%	39.5%

The effective tax rate was 31.0% for the year ended December 31, 2017 compared to 39.5% in the prior year. The 2017 effective tax rate is lower than our statutory rate and the effective tax rate for the same period in 2016, primarily due to the enactment of the Tax Act in December 2017, which reduces the U.S. federal corporate income tax rate from 35% to 21%, effective January 1, 2018. As a result the Company revalued its U.S. deferred tax assets and liabilities to reflect the lower U.S. corporate rates, which resulted in a tax benefit of $3.0 million in 2017. This was partially offset by a $1.8 million provision for one-time transition tax expense under the Tax Act related to certain foreign earnings previously not taxed in the U.S.

Discontinued Operations:

Loss from discontinued operations, net of income taxes was $20.7 million for the year ended December 31, 2017 compared to loss of $10.3 million for the year ended December 31, 2016. In 2017, this result included a loss on sale of the Brazil Business of $35.0 million (pre-tax), offset primarily by a tax benefit of $15 million, which was generated as a result of a worthless stock deduction for the Brazil Business.

Financial Condition & Liquidity and Capital Resources

The Company's primary sources of liquidity are cash generated from its operating and financing activities. The cash flows from operating activities are driven primarily by its operating results and changes in its working capital requirements which is supplemented by the Company's utilization of its current credit facilities. In addition, the Company completed a public equity offering in the second quarter of 2018 that generated $79.5 million of net proceeds. The Company used a portion of the net proceeds received from the offering to repay a portion of its outstanding indebtedness during the second quarter of 2018 and intends to use the remaining proceeds to fund the growth of the business, including selective acquisitions, and for other general corporate purposes.

The Company believes that cash flows from operations and available borrowing under its Loan Agreement will be sufficient to meet expected business requirements including capital expenditures, dividends, working capital, debt service, and to fund future growth.

Operating Activities

Cash provided by operating activities from continuing operations was $60.4 million, $49.1 million and $34.0 million for the years ended December 31, 2018, 2017 and 2016, respectively.

The increase in cash provided by continuing operations of $11.3 million during the year ended December 31, 2018 compared to 2017 was driven by improvements in income from continuing operations, after considering the non-cash charges of $33.3 million related to the HC matters described in Note 5 and Note 11 to the consolidated financial statements, partially offset by changes in working capital of $3.5 million driven by higher volume in 2018.

The increase in cash provided by continuing operations of $15.1 million during the year ended December 31, 2017 compared to 2016 was mainly due to an increase in cash provided by working capital of $23.4 million, which was driven by a significant increase in accounts payable in 2017. This increase in accounts payable occurred primarily in the Material Handling Segment as a result of higher demand near year-end, as well as strategic initiatives from the 2017 restructuring Plan. These initiatives included outsourcing production of certain product lines after the closure of the Bluffton facility, which results in increased payables to these strategic partners. Income from continuing operations was $10.8 million for the year ended December 31, 2017 compared to $11.3 million for the same period in 2016. Income from continuing operations in 2017 includes gains on sale of assets of $3.5 million and non-cash deferred tax benefits of $5.7 million.

Investing Activities

Capital expenditures were $5.1 million, $5.8 million and $12.5 million for the years ended December 31, 2018, 2017 and 2016, respectively. Higher capital spending in 2016 compared to 2018 and 2017 was due to additional investments that were made for new manufacturing focused on growth and productivity improvements in addition to higher spending at Scepter. The Company received proceeds of $2.6 million in 2018 from the sale of fixed assets, a significant portion of which was derived from the sale and leaseback of the distribution center in Pomona, California. The Company received proceeds of $11.1 million in 2017 from the sale of fixed assets, which were primarily due to asset dispositions in connection with the planned facility closures associated with the restructuring Plan with the Material Handling Segment. The Company paid a final working capital adjustment to the buyer of the Lawn and Garden business of approximately $4.0 million in the first quarter of 2016 as described in Note 5 to the consolidated financial statements.

Financing Activities

The Company received net proceeds of $79.5 million from the public offering of common stock in the current year. Net repayments on the credit facility were $74.6 million for the year ended December 31, 2018 compared to net repayments of $16.5 million for the year ended December 31, 2017. The Company used cash of $23.8 million to purchase a portion of the outstanding Senior Unsecured Notes in 2017, as discussed in Note 12 to the consolidated financial statements. The Company used cash to pay dividends of $17.9 million, $16.3 million and $16.2 million for the years 2018, 2017 and 2016, respectively.

Credit Sources

In March 2017, the Company entered into a Fifth Amended and Restated Loan Agreement (the “Loan Agreement”). The Loan Agreement replaced the pre-existing $300 million senior revolving credit facility with a $200 million facility and extended the term from December 2018 to March 2022. Borrowings under the Loan Agreement bear interest at the LIBOR rate, prime rate, federal funds effective rate, the Canadian deposit offered rate, or the eurocurrency reference rate depending on the type of loan requested by the Company, in each case plus the applicable margin as set forth in the Loan Agreement.

The Company also has outstanding Senior Unsecured Notes totaling $78 million with a group of investors pursuant to a note purchase agreement. The series of four notes range in face value from $11 million to $40 million, with interest rates ranging from 4.67% to 5.45%, payable semiannually, and maturing between 2021 and 2026.

Total debt outstanding at December 31, 2018 was $76.8 million, net of deferred financing costs of $1.2 million, compared with $151.0 million at December 31, 2017. The Company’s Loan Agreement provides available borrowing up to $200 million, reduced for letters of credit issued. As of December 31, 2018, there was $195.6 million available under our Loan Agreement. As of December 31, 2018, the Company had $4.4 million of letters of credit issued related to insurance and other financing contracts in the ordinary course of business. In addition, as described in Note 11, the Company issued an additional letter of credit of $2 million in January 2019.

As of December 31, 2018, the Company was in compliance with all its debt covenants. The most restrictive financial covenants for all of the Company's debt are an interest coverage ratio (defined as earnings before interest, taxes, depreciation and amortization, as adjusted, divided by interest expense) and a leverage ratio (defined as total debt divided by earnings before interest, taxes, depreciation and amortization, as adjusted). The ratios as of and for the period ended December 31, 2018 are shown in the following table:

	Required Level	Actual Level
Interest Coverage Ratio	3.00 to 1 (minimum)	11.60
Leverage Ratio	3.25 to 1 (maximum)	1.15

Contractual Obligations

The following summarizes the Company's estimated future cash outflows from financial contracts and commitments reflecting our current debt structure:

	Less than 1 Year	2-3 Years	4-5 Years	Thereafter	Total
		(Amounts in Thousands)			
Principal payments on debt	$—	$40,000	$—	$ 38,000	$78,000
Interest	3,895	5,999	4,053	1,392	15,339
Lease payments	2,492	2,721	1,807	811	7,831
Retirement obligations and other benefits	476	812	662	973	2,923
Total	$6,863	$49,532	$6,522	$ 41,176	$104,093

Uncertain tax position liabilities are also excluded from the contractual obligations table because a reasonably reliable estimate of the period of cash settlement with the respective tax authority cannot be made.

Critical Accounting Policies

The discussion and analysis of the Company's financial condition and results of operations are based on the accompanying consolidated financial statements, which are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). As indicated in the Summary of Significant Accounting Policies included in the Notes to Consolidated Financial Statements (included in Item 8 of this report), the amount of assets, liabilities, revenue and expenses reported are affected by estimates and judgments that are necessary to comply with U.S. GAAP. The Company bases its estimates on prior experience and other assumptions that they consider reasonable to their circumstances. The Company believes the following matters may involve a high degree of judgment and complexity.

Inventory — Inventories are valued at the lower of cost or market for last-in, first-out ("LIFO") inventory and lower of cost or net realizable value for first-in, first-out ("FIFO") inventory. Cost is determined by the LIFO method for approximately 30 percent of the Company's inventories and the FIFO method for all other inventories. Where appropriate, standard cost systems are utilized and appropriate variances are evaluated for purposes of determining cost; the standards are adjusted as necessary to ensure they approximate actual costs. Estimates of lower of cost or net realizable value of inventory are determined based upon current economic conditions, historical sales quantities and patterns and, in some cases, the specific risk of loss on specifically identified inventories.

Goodwill — Goodwill is subject to annual impairment testing, unless significant changes in circumstances indicate a potential impairment may have occurred sooner. The Company conducts its annual impairment assessment as of October 1. Such assessment can be done on a qualitative or quantitative basis. When conducting a qualitative assessment, the Company considers relevant events and circumstances that affect the fair value or carrying amount of the reporting unit. A quantitative test is required only if the Company concludes that it is more likely than not (defined as a likelihood of more than 50%) that a reporting unit's fair value is less than its carrying amount. If under the quantitative assessment the fair value of a reporting unit is less than its carrying amount, then the amount of the impairment loss, if any, must be recorded.

At October 1, 2018, after considering changes to assumptions used in the most recent quantitative annual testing for each reporting unit, including macroeconomic conditions, industry and market considerations, overall financial performance, the magnitude of the excess of fair value over the carrying amount of each reporting unit as determined in the most recent quantitative annual testing, and other factors, management concluded that it was not more likely than not that the fair values of the reporting units were less than their respective carrying values and, therefore, did not perform a quantitative analysis.

Contingencies — In the ordinary course of business, the Company is involved in various legal proceedings and contingencies. The Company has recorded liabilities for these matters in accordance with FASB ASC 450, Contingencies (“ASC 450”). ASC 450 requires a liability to be recorded based on our estimate of the probable cost of the resolution of a contingency. When management believes that a loss arising from these matters is probable and can reasonably be estimated, they record the amount of the estimated loss, or the minimum estimated liability when the loss is estimated using a range, and no point within the range is more probable of occurrence than another. As additional information becomes available, any potential liability related to these matters will be assessed and the estimates will be revised, if necessary. The actual resolution of these contingencies may differ from our estimates. If a contingency were settled for an amount greater than our estimate, a future charge to income would result. Likewise, if a contingency were settled for an amount that is less than our estimate, a future credit to income would result.

Revenue Recognition — Revenue is recognized when obligations under the terms of a contract with customers are satisfied. In both the Distribution and Material Handling segments, this generally occurs with the transfer of control of the Company's products. This transfer of control may occur at either the time of shipment from a Company facility, or at the time of delivery to a designated customer location. Obligations under contracts with customers are typically fulfilled within 90 days of receiving a purchase order from a customer, and generally no other future obligations are required to be performed. The Company does not enter into any long-term contracts with customers greater than one year. Based on the nature of the Company's products and customer contracts, the Company has not recorded any deferred revenue, with the exception of cash advances or deposits received from customers prior to transfer of control of the product. These advances are typically fulfilled within the 90 day time frame mentioned above.

Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring the products. Certain contracts with customers include variable consideration, such as rebates or discounts. The Company recognizes estimates of this variable consideration each period, primarily based on the most likely level of consideration to be paid to the customer under the specific terms of the underlying programs. While the Company's contracts with customers do not generally include explicit rights to return product, the Company will in practice allow returns in the normal course of business and as part of the customer relationship. Thus, the Company estimates the expected returns each period based on an analysis of historical experience. For certain businesses where physical recovery of the product from returns occurs, the Company records an estimated right to return asset from such recovery, based on the approximate cost of the product.

Income Taxes — Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those differences are expected to be received or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period the change is enacted.

ASC 740, Income Taxes ("ASC 740") requires that deferred tax assets be reduced by a valuation allowance, if based on all available evidence, it is more likely than not that the deferred tax asset will not be realized. The Company evaluates the recovery of its deferred tax assets by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income inherently rely heavily on estimates.

Significant judgement is required in determining the Company's tax expense and in evaluating its tax positions, including evaluating uncertainties under ASC 740. ASC 740 provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements. Income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized under ASC 740. The Company recognizes potential accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have, or are reasonable to have, a current or future effect on financial condition, changes in financial condition, revenues of operations, liquidity, capital expenditures or capital resources that are material.

Recent Accounting Pronouncements

Information regarding the recent accounting pronouncements is contained in the Summary of Significant Accounting Policies footnote of the Notes to Consolidated Financial Statements under Item 8 of this report.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk
Market Risk and Derivative Financial Instruments

Interest Rate Risk

The Company has certain financing arrangements that require interest payments based on floating interest rates. The Company's financial results are subject to changes in the market rate of interest. At present, the Company has not entered into any interest rate swaps or other derivative instruments to fix the interest rate on any portion of its financing arrangements with floating rates. As of December 31, 2018, the Company has no borrowings outstanding under its floating rate debt.

Foreign Currency Exchange Risk

Some of the Company's subsidiaries operate in foreign countries and their financial results are subject to exchange rate movements. The Company has operations in Canada with foreign currency exposure, primarily due to sales made from businesses in Canada to customers in the United States ("U.S."). These sales are denominated in U.S. dollars. The Company has a systematic program to limit its exposure to fluctuations in exchange rates related to certain assets and liabilities of its operations in Canada that are denominated in U.S. dollars. The net exposure generally ranges from $1 million to $3 million. The foreign currency contracts and arrangements created under this program are not designated as hedged items under Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") 815, Derivatives and Hedging, and accordingly, the changes in the fair value of the foreign currency arrangements, which have been immaterial, are recorded in the income statement. The Company's foreign currency arrangements are typically three months or less and are settled before the end of a reporting period. At December 31, 2018, the Company had no foreign currency arrangements or contracts in place.

Commodity Price Risk

The Company uses certain commodities, primarily plastic resins and natural rubber, in its manufacturing processes. The cost of operations can be affected as the market for these commodities changes. The Company currently has no derivative contracts to hedge this risk; however, the Company also has no significant obligations to purchase fixed quantities of such commodities in future periods. Significant future increases in the cost of these commodities or other adverse changes in the general economic environment could have a material adverse impact on the Company's financial position, results of operations or cash flows.

ITEM 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Myers Industries, Inc. and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Myers Industries, Inc. and Subsidiaries (the Company) as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2018 and 2017, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 8, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2011.

Akron, Ohio

March 8, 2019

30

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

For the Years Ended December 31, 2018, 2017, and 2016

(Dollars in thousands, except per share data)

	For the Year Ended December 31,		
	2018	2017	2016
Net sales	$566,735	$547,043	$534,379
Cost of sales	387,442	389,590	372,481
Gross profit	179,293	157,453	161,898
Selling expenses	59,503	56,614	58,782
General and administrative expenses	79,832	78,889	73,797
	139,335	135,503	132,579
(Gain) loss on disposal of fixed assets	(8)	(3,482)	628
Impairment charges	308	544	1,329
Other expenses	33,331	—	—
Operating income	6,327	24,888	27,362
Interest			
Income	(1,221)	(1,361)	(1,262)
Expense	6,159	8,653	9,905
Interest expense, net	4,938	7,292	8,643
Loss on extinguishment of debt	—	1,888	—
Income from continuing operations before income taxes	1,389	15,708	18,719
Income tax expense	3,037	4,864	7,395
Income (loss) from continuing operations	(1,648)	10,844	11,324
Income (loss) from discontinued operations, net of income tax	(1,701)	(20,733)	(10,267)
Net income (loss)	$(3,349)	$(9,889)	$1,057
Income (loss) per common share from continuing operations:			
Basic	$(0.05)	$0.36	$0.38
Diluted	$(0.05)	$0.35	$0.38
Income (loss) per common share from discontinued operations:			
Basic	$(0.05)	$(0.69)	$(0.35)
Diluted	$(0.05)	$(0.68)	$(0.35)
Net income (loss) per common share:			
Basic	$(0.10)	$(0.33)	$0.03
Diluted	$(0.10)	$(0.33)	$0.03
Dividends declared per share	$0.54	$0.54	$0.54

The accompanying notes are an integral part of these statements.

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

For the Years Ended December 31, 2018, 2017, and 2016

(Dollars in thousands)

	For the Year Ended December 31,		
	2018	2017	2016
Net income (loss)	$(3,349)	$(9,889)	$1,057
Other comprehensive income (loss)			
Adoption of ASU 2018-02	(315)	—	—
Foreign currency translation adjustment	(3,501)	2,391	5,105
Reclassification adjustment for foreign currency translation included in net income (loss)	—	17,201	—
Pension liability, net of tax expense (benefit) of $25 in 2018, $14 in 2017, and ($95) in 2016	77	41	(169)
Total other comprehensive income (loss)	(3,739)	19,633	4,936
Comprehensive income (loss)	$(7,088)	$9,744	$5,993

The accompanying notes are an integral part of these statements.

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position

As of December 31, 2018 and 2017

(Dollars in thousands)

	December 31, 2018	December 31, 2017
Assets		
Current Assets		
Cash	$ 58,894	$ 2,520
Restricted cash	—	8,659
Accounts receivable, less allowances of $2,259 and $1,777, respectively	72,939	76,650
Income tax receivable	4,892	12,954
Inventories, net	43,596	47,025
Prepaid expenses and other current assets	2,534	2,204
Total Current Assets	182,855	150,012
Other Assets		
Property, plant, and equipment, net	65,460	83,904
Goodwill	59,068	59,971
Intangible assets, net	30,280	39,049
Deferred income taxes	5,270	120
Notes receivable	—	18,737
Other	5,712	4,149
Total Assets	$ 348,645	$ 355,942
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	$ 60,849	$ 63,581
Accrued expenses		
Employee compensation	16,531	15,544
Taxes, other than income taxes	1,403	1,664
Accrued interest	1,939	2,392
Other current liabilities	16,701	15,472
Total Current Liabilities	97,423	98,653
Long-term debt	76,790	151,036
Other liabilities	19,794	8,236
Deferred income taxes	—	4,265
Shareholders' Equity		
Serial Preferred Shares (authorized 1,000,000 shares; none issued and outstanding)	—	—
Common Shares, without par value (authorized 60,000,000 shares; outstanding 35,374,121 and 30,495,737; net of treasury shares of 7,178,336 and 7,456,720, respectively)	21,547	18,547

Additional paid-in capital	292,558	209,253
Accumulated other comprehensive loss	(18,280)	(14,541)
Retained deficit	(141,187)	(119,507)
Total Shareholders’ Equity	154,638	93,752
Total Liabilities and Shareholders’ Equity	$ 348,645	$ 355,942

The accompanying notes are an integral part of these statements.

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Consolidated Statements of Shareholders' Equity

For the Years Ended December 31, 2018, 2017 and 2016

(Dollars in thousands, except per share data)

	Common Shares Number	Common Shares Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Deficit	Total Shareholders' Equity
Balance at January 1, 2016	29,521,566	$17,895	$196,743	$(39,110)	$(77,825)	$97,703
Net income	—	—	—	—	1,057	1,057
Issuances under option plans	374,958	205	3,030	—	—	3,235
Dividend reinvestment plan	10,520	6	133	—	—	139
Restricted stock vested	169,929	104	(104)	—	—	—
Stock compensation expense	—	24	3,333	—	—	3,357
Tax benefit from options	—	—	64	—	—	64
Foreign currency translation adjustment	—	—	—	5,105	—	5,105
Shares withheld for employee taxes on equity awards	(57,412)	—	(1,166)	—	—	(1,166)
Declared dividends - $0.54 per share	—	—	—	—	(16,292)	(16,292)
Pension liability, net of tax of $95	—	—	—	(169)	—	(169)
Balance at December 31, 2016	30,019,561	18,234	202,033	(34,174)	(93,060)	93,033
Net loss	—	—	—	—	(9,889)	(9,889)
Issuances under option plans	375,292	229	4,167	—	—	4,396
Dividend reinvestment plan	7,625	5	126	—	—	131
Restricted stock vested	130,036	79	(79)	—	—	—
Stock compensation expense	—	—	3,626	—	—	3,626
Foreign currency translation adjustment	—	—	—	2,391	—	2,391
Shares withheld for employee taxes on equity awards	(36,777)	—	(620)	—	—	(620)
Declared dividends - $0.54 per share	—	—	—	—	(16,558)	(16,558)
Pension liability, net of tax of $14	—	—	—	41	—	41
Reclassification adjustment for foreign	—	—	—	17,201	—	17,201

currency translation included in net loss						
Balance at December 31, 2017	30,495,737	18,547	209,253	(14,541)	(119,507)	93,752
Net loss	—	—	—	—	(3,349)	(3,349)
Adoption of ASU 2018-02	—	—	—	(315)	315	—
Issuances under option plans	191,169	117	2,618	—	—	2,735
Dividend reinvestment plan	5,712	4	114	—	—	118
Restricted stock vested	120,142	73	(73)	—	—	—
Stock compensation expense	—	—	4,644	—	—	4,644
Foreign currency translation adjustment	—	—	—	(3,501)	—	(3,501)
Shares withheld for employee taxes on equity awards	(38,639)	—	(714)	—	—	(714)
Declared dividends - $0.54 per share	—	—	—	—	(18,646)	(18,646)
Pension liability, net of tax of $25	—	—	—	77	—	77
Shares issued in public offering, net of equity issuance costs	4,600,000	2,806	76,716	—	—	79,522
Balance at December 31, 2018	35,374,121	$ 21,547	$ 292,558	$ (18,280)	$ (141,187)	$ 154,638

The accompanying notes are an integral part of these statements.

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2018, 2017 and 2016

(Dollars in thousands)

	For the Year Ended December 31,		
	2018	2017	2016
Cash Flows From Operating Activities			
Net income (loss)	$(3,349)	$(9,889)	$1,057
Income (loss) from discontinued operations, net of income taxes	(1,701)	(20,733)	(10,267)
Income (loss) from continuing operations	(1,648)	10,844	11,324
Adjustments to reconcile income (loss) from continuing operations to net cash provided by (used for) operating activities			
Depreciation	17,638	19,952	22,049
Amortization	8,485	8,886	9,743
Accelerated depreciation associated with restructuring activities	16	1,993	—
Non-cash stock-based compensation expense	4,257	3,626	3,357
(Gain) loss on disposal of fixed assets	(8)	(3,482)	628
Provision for loss on note receivable	23,008	—	—
Lease guarantee contingency	10,323	—	—
Loss on extinguishment of debt	—	1,888	—
Deferred taxes	(9,450)	(5,663)	555
Interest income received (accrued) on note receivable	(361)	(1,384)	(1,276)
Impairment charges	308	544	1,329
Other	457	256	155
Payments on performance based compensation	(1,249)	(1,010)	(1,794)
Other long-term liabilities	180	723	(592)
Cash flows provided by (used for) working capital			
Accounts receivable	4,927	(6,709)	6,427
Inventories	3,151	(1,876)	8,603
Prepaid expenses and other current assets	(353)	2,209	1,047
Accounts payable and accrued expenses	713	18,299	(27,594)
Net cash provided by (used for) operating activities - continuing operations	60,394	49,096	33,961
Net cash provided by (used for) operating activities - discontinued operations	858	(4,633)	(232)
Net cash provided by (used for) operating activities	61,252	44,463	33,729
Cash Flows From Investing Activities			
Capital expenditures	(5,123)	(5,814)	(12,489)
Proceeds from sale of property, plant and equipment	2,633	11,058	450
Proceeds (payments) related to sale of business	—	—	(4,034)
Net cash provided by (used for) investing activities - continuing operations	(2,490)	5,244	(16,073)
Net cash provided by (used for) investing activities - discontinued operations	—	(1,107)	(16)

Net cash provided by (used for) investing activities	(2,490)	4,137	(16,089)
Cash Flows From Financing Activities			
Net borrowings (repayments) on credit facility	(74,557)	(16,474)	(3,804)
Repayments of senior unsecured notes	—	(23,798)	—
Cash dividends paid	(17,862)	(16,341)	(16,221)
Proceeds from issuance of common stock	2,853	4,527	3,374
Excess tax benefit from stock-based compensation	—	—	64
Proceeds from public offering of common stock, net of equity issuance costs	79,522	—	—
Shares withheld for employee taxes on equity awards	(714)	(620)	(1,166)
Deferred financing costs	—	(1,030)	—
Net cash provided by (used for) financing activities - continuing operations	(10,758)	(53,736)	(17,753)
Net cash provided by (used for) financing activities - discontinued operations	—	—	—
Net cash provided by (used for) financing activities	(10,758)	(53,736)	(17,753)
Foreign exchange rate effect on cash	(289)	(208)	665
Less: Net increase (decrease) in cash classified within discontinued operations	—	(5,484)	493
Net increase in cash and restricted cash	47,715	140	59
Cash and restricted cash at January 1	11,179	11,039	10,980
Cash and restricted cash at December 31	$58,894	$11,179	$11,039
Supplemental Disclosures of Cash Flow Information			
Cash paid during the year for			
Interest	$6,236	$8,913	$8,917
Income taxes	$5,539	$5,651	$8,136

The accompanying notes are an integral part of these statements.

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Dollars in thousands, except where otherwise indicated)

1. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Myers Industries, Inc. and all wholly owned subsidiaries (collectively, the "Company"). All intercompany accounts and transactions have been eliminated in consolidation. All subsidiaries that are not wholly owned and are not included in the consolidated operating results of the Company are immaterial investments which have been accounted for under the equity or cost method. The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the timing and amount of assets, liabilities, equity, revenues, and expenses recorded and disclosed. Actual results could differ from those estimates.

During the fourth quarter of 2017, the Company completed the sale of certain subsidiaries in Brazil. As further discussed in Note 5, the results of operations and cash flows of these subsidiaries have been classified as discontinued operations in the consolidated financial statements for all periods presented.

Accounting Standards Adopted

In March 2018, the FASB issued ASU 2018-05, Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118, which allowed SEC registrants to record provisional amounts in earnings for the year ended December 31, 2017 due to the complexities involved in accounting for the enactment of the Tax Cuts and Jobs Act. The Company recognized the estimated income tax effects of the Tax Cuts and Jobs Act in its 2017 consolidated financial statements in accordance with SEC Staff Accounting Bulletin No. 118. The Company finalized its accounting in 2018. Refer to Note 13 for further information regarding the provisional amounts recorded by the Company.

In February 2018, the FASB issued ASU 2018-02, Income Statement – Reporting Comprehensive Income (Topic 220). This ASU allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. The new standard also requires certain disclosures about stranded tax effects. This ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption permitted. The ASU should be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act of 2017 (as further discussed in Note 13) is recognized. The Company early adopted this standard effective January 1, 2018 and as a result of adopting this standard, $0.3 million of stranded tax effects were reclassified from accumulated other comprehensive income to retained earnings in the first quarter of 2018.

In March 2017, the FASB issued ASU 2017-07, Compensation – Retirement Benefits (Topic 715) – Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. This ASU requires that an employer report the service cost component in the same line item(s) as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. The ASU also allows only the service cost component to be eligible for capitalization when applicable. The ASU is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. The ASU should be applied retrospectively for the presentation of the service cost component and the other components of net periodic pension cost and net periodic postretirement benefit cost in the income statement and prospectively, on and after the effective date, for the capitalization of the service cost component of net periodic pension cost and net periodic postretirement benefit in assets. The Company adopted this standard effective January 1, 2018 and the adoption did not have a material impact on its consolidated financial statements as the pension plan is frozen.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230) - Restricted Cash. This ASU requires that companies include amounts generally described as restricted cash and restricted cash equivalents, along with cash and cash equivalents, when reconciling the beginning-of-period and end-of-period amounts shown on the statement of cash flows. The ASU should be applied using a retrospective transition method to each period presented and is effective for annual reporting periods beginning after December 15, 2017 and interim periods within those annual periods. The Company adopted this standard effective January 1, 2018. At adoption, the inclusion of restricted cash with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts presented on the consolidated statements of cash flows did not have a material impact on the Company's net cash flows in prior years.

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

(Dollars in thousands, except where otherwise indicated)

In October 2016, the FASB issued ASU 2016-16, Accounting for Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory (Topic 740). This ASU requires immediate recognition of the income tax consequences of intercompany asset transfers other than inventory. The ASU is effective for annual reporting periods beginning after December 15, 2017 and interim periods within those annual periods. The Company adopted this standard effective January 1, 2018, and the adoption of this standard did not have a material impact on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, to clarify the principles used to recognize revenue for all entities. Under ASU 2014-09, an entity recognizes revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services. Additional disclosures are also required to help users of financial statements understand the nature, amount, and timing of revenue and cash flows arising from contracts. The Company adopted the new guidance effective January 1, 2018 using the modified retrospective approach and applied the new guidance to all open contracts at the date of adoption. Adoption of the new standard resulted in changes to the Company’s accounting policy and disclosures related to revenue recognition (refer to Note 2). The impact of adopting this standard on the Company’s consolidated financial statements was not material, and there was no cumulative transition adjustment required.

Accounting Standards Not Yet Adopted

In August 2018, the FASB issued ASU 2018-15, Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40). This ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The ASU is effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods. Early adoption is permitted and this ASU should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company is currently evaluating the impact the adoption of this standard will have on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-14, Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20). This ASU modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The ASU is effective for annual periods ending after December 15, 2020, with early adoption permitted and should be applied on a retrospective basis to all periods presented. The Company is currently evaluating the impact the adoption of this standard will have on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement. This ASU modifies the disclosure requirements on fair value measurements by removing, modifying, or adding certain disclosures. This guidance is effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods. Early adoption is permitted. Certain disclosures in this ASU are required to be applied on a retrospective basis and others on a prospective basis. The Company is currently evaluating the impact the adoption of this standard will have on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other (Topic 350) - Simplifying the Test for Goodwill Impairment. This ASU eliminates Step 2 of the goodwill impairment test and requires goodwill impairment to be measured as the amount by which a reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of its goodwill. The ASU is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. The guidance allows for early adoption for impairment testing dates after January 1, 2017. While the Company has elected not to early adopt this guidance and will continue to evaluate the timing of adoption, it does not believe that the adoption of this guidance will have a material impact on its consolidated financial statements unless a goodwill impairment were to occur.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments, which introduces new guidance for the accounting for credit losses on instruments. The new guidance introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments. This ASU is effective for fiscal years beginning after December 15, 2019 including interim periods within that reporting period, with early adoption permitted for fiscal years beginning after December 15, 2018. The Company is currently evaluating the impact the adoption of this standard will have on its consolidated financial statements.

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

(Dollars in thousands, except where otherwise indicated)

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). Under ASU 2016-02, an entity will be required to recognize right-of-use assets and lease liabilities on its balance sheet, and disclose key information about the amount, timing and uncertainty of cash flows arising from leasing arrangements. The new standard is effective for the Company beginning January 1, 2019, and must be adopted using either the modified retrospective approach, which requires application of the new guidance at the beginning of the earliest comparative period presented or the optional transition approach, which requires application of the new guidance at the standard's effective date. The Company will adopt the new guidance effective January 1, 2019 using the optional transition method. The Company is substantially complete with its implementation of the new standard, which included designing and implementing changes to processes, controls and systems, where necessary, to address the requirements of the new standard. Upon adoption, the Company expects to recognize right-of-use assets and lease liabilities in the range of $5.7 million to $6.7 million for substantially all of its operating leases. The remaining undiscounted minimum lease commitments as of December 31, 2018 are summarized in Note 15, Leases. It is not expected that the adoption of this standard will have a material impact on the consolidated results of operations or cash flows. The Company will also record a cumulative-effect adjustment to retained earnings upon adoption to recognize the remaining deferred gain on the sale-leaseback transaction that occurred prior to the date of initial application. Additionally, the standard requires new disclosures related to leases, which the Company is in the process of finalizing.

Translation of Foreign Currencies

All asset and liability accounts of consolidated foreign subsidiaries are translated at the current exchange rate as of the end of the accounting period and income statement items are translated monthly at an average currency exchange rate for the period. The resulting translation adjustment is recorded in other comprehensive income (loss) as a separate component of shareholders' equity.

Fair Value Measurement

The Company follows guidance included in Accounting Standards Codification ("ASC") 820, Fair Value Measurements and Disclosures, for its financial assets and liabilities, as required. The guidance established a common definition for fair value to be applied under U.S. GAAP requiring the use of fair value, established a framework for measuring fair value, and expanded disclosure requirements about such fair value measurements. The guidance did not require any new fair value measurements, but rather applied to all other accounting pronouncements that require or permit fair value measurements. Under ASC 820, the hierarchy that prioritizes the inputs to valuation techniques used to measure fair value is divided into three levels:

Level 1:	Unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2:	Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical similar assets or liabilities in markets that are not active or inputs that are observable either directly or indirectly.
Level 3:	Unobservable inputs for which there is little or no market data or which reflect the entity's own assumptions.

Financial assets that are measured at net asset value, which is a practical expedient to estimating fair value, are not classified in the fair value hierarchy.

The Company has financial instruments, including cash, accounts receivable, accounts payable and accrued expenses. The fair value of these financial instruments approximate carrying value due to the nature and relative short maturity of these assets and liabilities.

The fair value of debt under the Company's Loan Agreement, as defined in Note 12, approximates carrying value due to the floating rates and relative short maturity (less than 90 days) of the revolving borrowings under this agreement. The fair value of the Company's fixed rate senior unsecured notes was estimated using market observable inputs for the Company's comparable peers with public debt, including quoted prices in active markets and interest rate measurements which are considered Level 2 inputs. At December 31, 2018 and 2017, the aggregate fair value of the Company's outstanding fixed rate senior unsecured notes was estimated at $76.8 million and $78.0 million, respectively.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk primarily consist of trade accounts receivable. The concentration of accounts receivable credit risk is generally limited based on the Company's diversified operations, with customers spread across many industries and countries. In 2018, there were no customers that accounted for more than ten percent of net sales. Outside of the United States, only customers located in Canada, which account for approximately 4.1% of net sales, are significant to the Company's operations. In addition, management has established certain requirements that customers must

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

(Dollars in thousands, except where otherwise indicated)

meet before credit is extended. The financial condition of customers is continually monitored and collateral is usually not required. The Company evaluates the collectability of accounts receivable based on a combination of factors. In circumstances where the Company is aware of a specific customer's inability to meet its financial obligations, a specific allowance for doubtful accounts is recorded against amounts due to reduce the net recognized receivable to the amount the Company reasonably believes will be collected. Additionally, the Company also reviews historical trends for collectability in determining an estimate for its allowance for doubtful accounts. If economic circumstances change substantially, estimates of the recoverability of amounts due the Company could be reduced by a material amount. Expense related to bad debts was approximately $0.7 million, $0.7 million and $0.8 million for 2018, 2017 and 2016, respectively, and is recorded within selling expenses in the Consolidated Statements of Operations. Deductions from the allowance for doubtful accounts, net of recoveries, were approximately $0.5 million, $0.7 million and $0.4 million for 2018, 2017 and 2016, respectively.

Inventories

Inventories are valued at the lower of cost or market for last-in, first-out ("LIFO") inventory and lower of cost or net realizable value for first-in, first-out ("FIFO") inventory. Approximately 30 percent of our inventories are valued using the LIFO method of determining cost. All other inventories are valued at the FIFO method of determining cost.

Inventories at December 31 consist of the following:

	December 31, 2018	December 31, 2017
Finished and in-process products	$ 27,960	$ 30,874
Raw materials and supplies	15,636	16,151
	$ 43,596	$ 47,025

If the FIFO method of inventory cost valuation had been used exclusively by the Company, inventories would have been $5.1 million and $5.6 million higher than reported at December 31, 2018 and 2017, respectively. Cost of sales decreased by $0.5 million and $0.1 million in 2018 and 2017, respectively, as a result of the liquidation of LIFO inventories. Cost of sales increased by $0.1 million in 2016 as a result of the liquidation of LIFO inventories.

Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and amortization. The Company provides for depreciation and amortization on the basis of the straight-line method over the estimated useful lives of the assets as follows:

Buildings	20 to 40 years
Machinery and Equipment	3 to 10 years
Leasehold Improvements	5 to 10 years

The Company’s property, plant and equipment by major asset class at December 31 consists of:

	December 31, 2018	December 31, 2017
Land	$ 7,017	$ 7,815
Buildings and leasehold improvements	53,821	59,730
Machinery and equipment	253,785	260,880
	314,623	328,425
Less allowances for depreciation and amortization	(249,163)	(244,521)
	$ 65,460	$ 83,904

At December 31, 2018 and 2017, the Company had approximately $6.8 million and $6.9 million, respectively, of capitalized software costs included in machinery and equipment. Amortization expense related to capitalized software costs was approximately $0.5 million, $1.0 million and $0.6 million in 2018, 2017 and 2016, respectively.

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

(Dollars in thousands, except where otherwise indicated)

Long-Lived Assets

The Company reviews its long-lived assets and identifiable intangible assets with finite lives for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Determination of potential impairment related to assets to be held and used is based upon undiscounted future cash flows resulting from the use and ultimate disposition of the asset and related asset group. For assets held for sale, the amount of potential impairment may be based upon appraisal of the asset, estimated market value of similar assets or estimated cash flow from the disposition of the asset. Refer to Note 3 for discussion of the impairment charges.

Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) were as follows:

	Foreign Currency	Defined Benefit Pension Plans	Total
Balance at January 1, 2016	$(37,447)	$(1,663)	$(39,110)
Other comprehensive income (loss) before reclassifications	5,105	(222)	4,883
Amounts reclassified from accumulated other comprehensive income, net of tax of ($30) (1)	—	53	53
Net current-period other comprehensive income (loss)	5,105	(169)	4,936
Balance at December 31, 2016	(32,342)	(1,832)	(34,174)
Other comprehensive income (loss) before reclassifications	2,391	(31)	2,360
Amounts reclassified from accumulated other comprehensive income, net of tax of ($24) (1) (2)	17,201	72	17,273
Net current-period other comprehensive income (loss)	19,592	41	19,633
Balance at December 31, 2017	(12,750)	(1,791)	(14,541)
Other comprehensive income (loss) before reclassifications	(3,501)	14	(3,487)
Amounts reclassified from accumulated other comprehensive income, net of tax of ($21) (1)	—	63	63
Reclassification of stranded tax effects to retained earnings(3)	—	(315)	(315)
Net current-period other comprehensive income (loss)	(3,501)	(238)	(3,739)
Balance at December 31, 2018	$(16,251)	$(2,029)	$(18,280)

(1)

The accumulated other comprehensive income (loss) components related to defined benefit pension plans are included in the computation of net periodic pension cost. See Note 14, Retirement Plans for additional details.

(2) Cumulative translation adjustment associated with the sale of the Brazil Business, as further discussed in Note 5, was included in the carrying value of assets disposed of.

(3) Reclassification of stranded tax effects resulting from the Tax Cuts and Jobs Act to retained earnings due to the adoption of ASU 2018-02 during the first quarter of 2018.

Stock Based Compensation

The Company has stock incentive plans that provide for the granting of stock-based compensation to employees and to non-employee directors. Shares issued for option exercises or restricted stock units may be either from authorized but unissued shares or treasury shares. The Company records the costs of the plan under the provisions of ASC 718, Compensation — Stock Compensation. For transactions in which the Company obtains employee services in exchange for an award of equity instruments, the Company measures the cost of the services based on the grant date fair value of the award. The Company recognizes the cost over the period during which an employee is required to provide services in exchange for the award, referred to as the requisite service period (usually the vesting period).

Income Taxes

Income taxes are accounted for under the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those differences are expected to be received or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period the change is enacted.

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

(Dollars in thousands, except where otherwise indicated)

ASC 740, Income Taxes ("ASC 740") requires that deferred tax assets be reduced by a valuation allowance, if based on all available evidence, it is more likely than not that the deferred tax asset will not be realized. The Company evaluates the recovery of its deferred tax assets by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income inherently rely heavily on estimates.

The Company evaluates its tax positions in accordance with ASC 740, which provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements. Income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized under ASC 740. The Company recognizes potential accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents are stated at cost, which approximates market value. The Company maintains operating cash and reserves for replacement balances in financial institutions which, from time to time, may exceed federally insured limits. The Company periodically assesses the financial condition of these institutions and believes that the risk of loss is minimal.

Cash flows used in investing activities excluded $1.1 million, $0.6 million and $0.1 million of accrued capital expenditures in 2018, 2017 and 2016, respectively.

2. Revenue Recognition

The following table disaggregates the Company's revenue by major market:

	For the Year Ended December 31, 2018			
	Material Handling	Distribution	Inter-company	Consolidated
Consumer	$78,174	$ —	$ —	$ 78,174
Vehicle	95,247	—	—	95,247
Food and beverage	101,610	—	—	101,610
Industrial	142,168	—	(100)	142,068
Auto aftermarket	—	149,636	—	149,636
Total net sales	$417,199	$ 149,636	$ (100)	$ 566,735

Revenue is recognized when obligations under the terms of a contract with customers are satisfied. In both the Distribution and Material Handling segments, this generally occurs with the transfer of control of the Company's products. This transfer of control may occur at either the time of shipment from a Company facility, or at the time of delivery to a designated customer location. Obligations under contracts with customers are typically fulfilled within 90 days of receiving a purchase order from a customer, and generally no other future obligations are required to be performed. The Company does not enter into any long-term contracts with customers greater than one year. Based on the nature of the Company's products and customer contracts, the Company has not recorded any deferred revenue, with the exception of cash advances or deposits received from customers prior to transfer of control of the product. These advances are typically fulfilled within the 90 day time frame mentioned above.

Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring the products. Certain contracts with customers include variable consideration, such as rebates or discounts. The Company recognizes estimates of this variable consideration each period, primarily based on the most likely level of consideration to be paid to the customer under the specific terms of the underlying programs. While the Company's contracts with customers do not generally include explicit rights to return product, the Company will in practice allow returns in the normal course of business and as part of the customer relationship. Thus, the Company estimates the expected returns each period based on an analysis of historical experience. For certain businesses where physical recovery of the product from returns occurs, the Company records an estimated right to return asset from such recovery, based on the approximate cost of the product.

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

(Dollars in thousands, except where otherwise indicated)

Amounts included in the Consolidated Statements of Financial Position related to revenue recognition include:

	December 31, 2018	December 31, 2017	Statement of Financial Position Classification
Returns, discounts and other allowances	$ (1,169)	$ (853)	Accounts receivable
Right of return asset	535	292	Inventories, net
Customer deposits	(806)	(140)	Other current liabilities
Accrued rebates	(2,559)	(2,962)	Other current liabilities

Sales, value added, and other taxes the Company collects concurrent with revenue from customers are excluded from net sales. The Company has elected to recognize the cost for shipments to customers when control over products has transferred to the customer. Costs for shipments to customers are classified as selling expenses for the Company's manufacturing businesses and as cost of sales for the Company's distribution business in the accompanying Consolidated Statements of Operations. The Company incurred costs for shipments to customers of approximately $9.7 million, $8.2 million and $8.9 million in selling expenses for the years ended December 31, 2018, 2017 and 2016, respectively, and $5.7 million, $6.0 million, and $6.1 million in cost of sales for the years ended December 31, 2018, 2017 and 2016, respectively. All other internal distribution costs are recorded in selling expenses.

Based on the short term nature of contracts described above, the Company does not incur significant contract acquisition costs. These costs, as well as other incidental items that are immaterial in the context of the contract, are recognized as expense as incurred.

3. Impairment Charges

As part of its ongoing strategy, the Company has been evaluating its various real estate holdings over the past two years. As a result of these initiatives, certain buildings have been reclassified as held for sale in 2017 and 2018. Based on the estimated fair value of these buildings (using primarily third party offers considered to be Level 2 inputs), less estimated costs to sell, the Company recorded impairment charges of $0.3 million and $0.5 million during the years ended December 31, 2018 and 2017, respectively. As of December 31, 2018 and 2017, the Company had classified $4.4 million and $0.3 million for buildings as held for sale, in Other Assets in the Consolidated Statements of Financial Position. During 2018 and 2017, the Company sold certain buildings previously held for sale for net proceeds of $2.3 million and $3.1 million, respectively.

During 2016, the Company recorded impairment charges of $1.3 million, primarily related to long-lived assets associated with the exit of a non-strategic product line in the Material Handling Segment.

4. Goodwill and Intangible Assets

The Company tests for impairment of goodwill and indefinite-lived intangible assets on at least an annual basis, unless significant changes in circumstances indicate a potential impairment may have occurred sooner. Such changes in circumstances may include, but are not limited to, significant changes in economic and competitive conditions, the impact of the economic environment on the Company's customer base or its businesses, or a material negative change in its relationships with significant customers.

The Company conducted its annual goodwill impairment assessment as of October 1 for all of its reporting units, noting no impairment in continuing operations in 2018, 2017 or 2016.

During the 2018 annual review of goodwill, management performed a qualitative assessment for all of its reporting units. After considering changes to assumptions used in the most recent quantitative annual testing for each reporting unit, including macroeconomic conditions, industry and market considerations, overall financial performance, the magnitude of the excess of fair value over the carrying amount of each reporting unit as determined in the most recent quantitative annual testing, and other factors, management concluded that it was not more likely than not that the fair values of the reporting units were less than their respective carrying values and, therefore, did not perform a quantitative analysis in 2018. A qualitative analysis was also performed at October 31, 2017 and a quantitative analysis was performed at October 1, 2016.

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

(Dollars in thousands, except where otherwise indicated)

The changes in the carrying amount of goodwill for the years ended December 31, 2018 and 2017 were as follows:

	Distribution	Material Handling	Total
January 1, 2017	$ 505	$ 58,714	$ 59,219
Foreign currency translation	—	752	752
December 31, 2017	$ 505	$ 59,466	$ 59,971
Foreign currency translation	—	(903)	(903)
December 31, 2018	$ 505	$ 58,563	$ 59,068

Intangible assets other than goodwill primarily consist of trade names, customer relationships, patents, and technology assets established in connection with acquisitions. These intangible assets, other than certain trade names, are amortized over their estimated useful lives. The Company performs an annual impairment assessment for the indefinite lived trade names which had a carrying value of $9,782 and $9,972 at December 31, 2018 and 2017, respectively. In performing this assessment the Company uses an income approach, based primarily on Level 3 inputs, to estimate the fair value of the trade name. The Company records an impairment charge if the carrying value of the trade name exceeds the estimated fair value at the date of assessment.

Intangible assets at December 31, 2018 and 2017 consisted of the following:

	2018				2017		
	Weighted Average Remaining Useful Life (years)	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Trade Names - Indefinite Lived		$9,782	$ —	$9,782	$9,972	$ —	$9,972
Trade Names	6.5	80	(45)	35	80	(40)	40
Customer Relationships	1.5	39,521	(31,896)	7,625	41,043	(27,396)	13,647
Technology	5.2	24,980	(12,142)	12,838	24,980	(9,590)	15,390
Patents	0.0	11,730	(11,730)	—	11,730	(11,730)	—
		$86,093	$ (55,813)	$30,280	$87,805	$ (48,756)	$39,049

Intangible amortization expense was $8,099, $8,378 and $9,277 in 2018, 2017 and 2016, respectively. Estimated annual amortization expense for intangible assets with finite lives for the next five years is: $7,571 in 2019; $4,819 in

2020; $2,278 in 2021; $2,278 in 2022 and $2,278 in 2023.

5. Disposal of Businesses

On December 18, 2017, the Company, collectively with its wholly owned subsidiary, Myers Holdings Brasil, Ltda. (“Holdings”), completed the sale of its subsidiaries, Myers do Brasil Embalagens Plasticas Ltda. and Plasticos Novel do Nordeste Ltda. (collectively, the “Brazil Business”), to Novel Holdings – Eireli (“Buyer”), an entity controlled by a member of the Brazil Business’ management team. The divestiture of the Brazil Business will allow the Company to focus resources on its core businesses and additional growth opportunities. The Brazil Business is a leading designer and manufacturer of reusable plastic shipping containers, plastic pallets, crates and totes used for closed-loop shipping and storage in Brazil’s automotive, distribution, food, beverage and agriculture industries. The sale of the Brazil Business included manufacturing facilities and offices located in Lauro de Freitas City, Bahia, Brazil; Ibipora, Parana, Brazil; and Jaguarinuna, Brazil. The Brazil Business was part of the Company’s Material Handling Segment.

Pursuant to the terms of the Quota Purchase Agreement by and among the Company, Holdings and Buyer (the “Purchase Agreement”), the Buyer paid a purchase price of one U.S. Dollar to the Company and has assumed all liabilities and obligations of the Brazil Business, whether arising prior to or after the closing of the transaction. There are no additional amounts due, or to be settled, under the terms of the Purchase Agreement with the Buyer. The Company recorded a loss on the sale of the Brazil Business during the fourth quarter of 2017 of $35.0 million, which included $1.2 million of cash held by the Brazil Business and approximately $0.3 million of costs to sell. In addition, the Company recorded a U.S. tax benefit of approximately $15 million as a result of a worthless stock deduction related to the Company’s investment in the Brazil Business. As a result of the Company’s U.S. Federal income tax filings in 2018, the Company reduced this estimated tax benefit by $0.7 million and recognized this adjustment within net loss from discontinued operations.

MYERS INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

(Dollars in thousands, except where otherwise indicated)

The Company has agreed to be the guarantor under a factoring arrangement between the Buyer and Banco Alfa de Investimento S.A. until December 31, 2019 for up to $7 million, in the event the Buyer is unable to meet its obligations under this arrangement. The Company also holds a first lien against certain machinery and equipment, exercisable only upon default by the Buyer under the guaranty. Based on the nature of the guaranty, as well as the existence of the lien, the Company believes the fair value of the guaranty is immaterial (based primarily on Level 3 inputs), and thus has recorded no liability related to this guaranty in the Consolidated Statement of Financial Position. This guaranty also creates a variable interest to the Company in the Brazil Business. Based on the terms of the transaction and the fact that the Company has no management involvement or voting interests in the Brazil Business following the sale, the Company does not have any power to direct the significant activities of the Brazil Business, and is thus not the primary beneficiary.

During the second quarter of 2014, the Company’s Board of Directors approved the commencement of the sale process to divest its Lawn and Garden business to allow it to focus resources on its core growth platforms. The business was sold February 17, 2015 to an entity controlled by Wingate Partners V, L.P. (“L&G Buyer”), a private equity firm, for $110 million, subject to a working capital adjustment of approximately $4.0 million paid to the L&G Buyer in 2016. The terms of the agreement included a $90 million cash payment and promissory notes totaling $20 million that mature in August 2020 with a 6% interest rate, with approximately $8.6 million placed in escrow that was due to be settled by August 2016. The release of these funds had been extended pending the resolution of indemnification claims, as further described in Note 11. In April 2018, the Company reached agreement on the material terms of a settlement, and, as a result, recorded a pre-tax charge of $1.225 million to discontinued operations in 2018. The settlement was finalized and paid in May 2018, and upon settlement and release of any further obligation on behalf of the Company, the remaining $7.4 million was released from escrow to the Company.

During the third quarter of 2018, management of the Lawn and Garden business, now named HC Companies, Inc. (“HC”), requested an extension to the maturity of the notes as part of an effort to restructure their debt. The Company believes there is uncertainty about the ability to collect on the notes and corresponding accrued interest. The fair market value of the notes at the date of the sale was $17.8 million. The fair value of the notes receivable was calculated using Level 2 inputs as defined in Note 1. The carrying value of the notes as of December 31, 2018 and 2017 was $19.1 million and $18.7 million, respectively, which represents the fair value at the date of sale plus accretion. As a result of the uncertainty regarding the ability to collect on the notes and corresponding accrued interest, the Company recorded a provision for expected loss of $23.0 million within continuing operations to Other Expenses in the Consolidated Statements of Operations during the third quarter of 2018 based on the carrying value of the notes and corresponding accrued interest. Interest income on the notes receivable was $1.0 million, $1.3 million, and $1.3 million during the years ended December 31, 2018, 2017 and 2016 and was recognized based on the stated interest rate above. The Company ceased recognizing interest income following the recording of the provision noted above.

In connection with the financial risk described above with HC, the Company further assessed its potential obligations under a lease guarantee granted as part of the sale of the Lawn and Garden business. Refer to Note 11 for further information with regards to this obligation.

Summarized selected financial information for discontinued operations for the years ended December 31, 2018, 2017 and 2016 are presented in the following table:

	For the Year Ended December 31,		
	2018	2017*	2016
Net sales	$—	$29,976	$23,683
Cost of sales	—	25,359	20,941
Selling, general, and administrative	1,348	6,748	5,438
(Gain) loss on disposal of assets	—	(32)	226
Impairment charges	—	—	8,545
Interest income, net	—	(286)	(469)
Gain (loss) on the disposal of the discontinued operations	—	(34,956)	—
Loss from discontinued operations before income tax	(1,348		