

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

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

For the quarterly period ended September 30, 2019

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-14124

**MILLER INDUSTRIES, INC.**

(Exact name of registrant as specified in its charter)

Tennessee

(State or other jurisdiction of incorporation or organization)

62-1566286

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

8503 Hilltop Drive  
Ooltewah, Tennessee

(Address of principal executive offices)

37363

(Zip Code)

(423) 238-4171

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, par value \$0.01 per share	MLR	New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

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 Exchange Act).

Yes  No

The number of shares outstanding of the registrant's common stock, par value \$.01 per share, as of October 31, 2019 was 11,400,102.



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## FORWARD-LOOKING STATEMENTS

Certain statements in this Quarterly Report on Form 10-Q, including but not limited to statements made in Part I, Item 2—"Management's Discussion and Analysis of Financial Condition and Results of Operations," statements made with respect to future operating results, expectations of future customer orders and the availability of resources necessary for our business may be deemed to be forward-looking statements, as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the use of words such as "may," "will," "should," "could," "continue," "future," "potential," "believe," "project," "plan," "intend," "seek," "estimate," "predict," "expect," "anticipate" and similar expressions, or the negative of such terms, or other comparable terminology. Forward-looking statements also include the assumptions underlying or relating to any of the foregoing statements. Such forward-looking statements are made based on our management's beliefs as well as assumptions made by, and information currently available to, our management. Our actual results may differ materially from the results anticipated in these forward-looking statements due to, among other things: the cyclical nature of our industry and changes in consumer confidence; economic and market conditions; our customers' access to capital and credit to fund purchases; our dependence upon outside suppliers for our raw materials, including aluminum, steel, petroleum-related products and other purchased component parts; changes in price (including as a result of the imposition of tariffs) of aluminum, steel, petroleum-related products and other purchased component parts; delays in receiving supplies of such materials or parts; operational challenges caused by our increased sales volumes; changes in fuel and other transportation costs, insurance costs and weather conditions; changes in government regulation; various political, economic and other uncertainties relating to our international operations, including restrictive taxation and foreign currency fluctuation; failure to comply with domestic and foreign anti-corruption laws; special risks from our sales to U.S. and other governmental entities through prime contractors; our ability to secure new military orders; competition and our ability to attract or retain customers; our ability to develop or acquire proprietary products and technology; assertions against us relating to intellectual property rights; problems hiring or retaining skilled labor; a disruption in, or breach in security of, our information technology systems or any violation of data protection laws; changes in the tax regimes and related government policies and regulations in the countries in which we operate; the effects of regulations relating to conflict minerals; the catastrophic loss of one of our manufacturing facilities; environmental and health and safety liabilities and requirements; loss of the services of our key executives; product warranty or product liability claims in excess of our insurance coverage; potential recalls of components or parts manufactured for us by suppliers or potential recalls of defective products; an inability to acquire insurance at commercially reasonable rates; and those other risks referenced herein, including those risks referred to in Part II, Item 1A—"Risk Factors" in this Quarterly Report on Form 10-Q and those risks discussed in our other filings with the Securities and Exchange Commission, including those risks discussed under the caption "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2018 (as the same may be updated from time to time in subsequent quarterly reports), which discussion is incorporated herein by this reference. Such factors are not exclusive. We do not undertake to update any forward-looking statement that may be made from time to time by, or on behalf of, our company.

**PART I. FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**MILLER INDUSTRIES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands, except share data)

	September 30, 2019 (Unaudited)	December 31, 2018
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and temporary investments	\$ 27,459	\$ 27,037
Accounts receivable, net of allowance for doubtful accounts of \$1,048 and \$1,112 at September 30, 2019 and December 31, 2018, respectively	165,789	149,142
Inventories, net	98,072	93,767
Prepaid expenses	4,745	3,272
Total current assets	<u>296,065</u>	<u>273,218</u>
<b>NONCURRENT ASSETS:</b>		
Property, plant and equipment, net	91,527	82,850
Right-of-use assets - operating leases	1,407	—
Goodwill	11,619	11,619
Other assets	504	497
<b>TOTAL ASSETS</b>	<u>\$ 401,122</u>	<u>\$ 368,184</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 114,871	\$ 98,220
Accrued liabilities	24,792	24,863
Current portion of operating lease obligation	343	—
Current portion of finance lease obligation	21	20
Long-term obligations due within one year	368	285
Total current liabilities	<u>140,395</u>	<u>123,388</u>
<b>NONCURRENT LIABILITIES</b>		
Long-term obligations	10,092	15,475
Noncurrent portion of operating lease obligation	1,061	—
Noncurrent portion of finance lease obligation	42	58
Deferred income tax liabilities	1,765	1,700
Total liabilities	<u>153,355</u>	<u>140,621</u>
<b>COMMITMENTS AND CONTINGENCIES (Notes 6 and 7)</b>		
<b>SHAREHOLDERS' EQUITY:</b>		
Preferred stock, \$0.01 par value; 5,000,000 shares authorized, none issued or outstanding	—	—
Common stock, \$0.01 par value; 100,000,000 shares authorized, 11,400,102 and 11,394,546, outstanding at September 30, 2019 and December 31, 2018, respectively	114	114
Additional paid-in capital	151,055	150,905
Accumulated surplus	102,621	81,354
Accumulated other comprehensive loss	(6,023)	(4,810)
Total shareholders' equity	<u>247,767</u>	<u>227,563</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>\$ 401,122</u>	<u>\$ 368,184</u>

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

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

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
<b>NET SALES</b>	\$ 195,467	\$ 195,690	\$ 615,026	\$ 531,738
<b>COSTS OF OPERATIONS</b>	173,721	174,214	545,470	470,556
<b>GROSS PROFIT</b>	21,746	21,476	69,556	61,182
<b>OPERATING EXPENSES:</b>				
Selling, general and administrative expenses	10,453	9,450	31,636	28,717
<b>NON-OPERATING (INCOME) EXPENSES:</b>				
Interest expense, net	424	525	1,813	1,429
Other (income) expense, net	231	76	542	(212)
Total expense, net	11,108	10,051	33,991	29,934
<b>INCOME BEFORE INCOME TAXES</b>	10,638	11,425	35,565	31,248
<b>INCOME TAX PROVISION</b>	2,562	2,748	8,146	8,301
<b>NET INCOME</b>	<u>\$ 8,076</u>	<u>\$ 8,677</u>	<u>\$ 27,419</u>	<u>\$ 22,947</u>
<b>BASIC INCOME PER COMMON SHARE</b>	<u>\$ 0.71</u>	<u>\$ 0.76</u>	<u>\$ 2.41</u>	<u>\$ 2.02</u>
<b>DILUTED INCOME PER COMMON SHARE</b>	<u>\$ 0.71</u>	<u>\$ 0.76</u>	<u>\$ 2.41</u>	<u>\$ 2.01</u>
<b>CASH DIVIDENDS DECLARED PER COMMON SHARE</b>	<u>\$ 0.18</u>	<u>\$ 0.18</u>	<u>\$ 0.54</u>	<u>\$ 0.54</u>
<b>WEIGHTED AVERAGE SHARES OUTSTANDING:</b>				
Basic	11,400	11,389	11,400	11,386
Diluted	11,400	11,393	11,400	11,393

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

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

(In thousands)  
(Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
<b>NET INCOME</b>	\$ 8,076	\$ 8,677	\$ 27,419	\$ 22,947
<b>OTHER COMPREHENSIVE INCOME:</b>				
Foreign currency translation adjustment	(560)	62	(1,213)	(453)
Total other comprehensive income	(560)	62	(1,213)	(453)
<b>COMPREHENSIVE INCOME</b>	<u>\$ 7,516</u>	<u>\$ 8,739</u>	<u>\$ 26,206</u>	<u>\$ 22,494</u>

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

**MILLER INDUSTRIES, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

(In thousands, except share data)

	Common Stock	Additional Paid-In Capital	Accumulated Surplus	Accumulated Other Comprehensive Loss	Total
<b>BALANCE, December 31, 2017</b>	\$ 114	\$ 150,699	\$ 55,580	\$ (3,293)	\$ 203,100
Cumulative effect adjustment for adoption of ASU 2014-09	—	—	(324)	—	(324)
<b>BALANCE, January 1, 2018</b>	114	150,699	55,256	(3,293)	202,776
Components of comprehensive income:					
Net income	—	—	6,670	—	6,670
Foreign currency translation adjustments	—	—	—	817	817
Total comprehensive income	—	—	6,670	817	7,487
Issuance of common stock to non-employee directors (5,814)	—	150	—	—	150
Dividends paid, \$0.18 per share	—	—	(2,049)	—	(2,049)
<b>BALANCE, March 31, 2018</b>	114	150,849	59,877	(2,476)	208,364
Components of comprehensive income:					
Net income	—	—	7,600	—	7,600
Foreign currency translation adjustments	—	—	—	(1,332)	(1,332)
Total comprehensive income	—	—	7,600	(1,332)	6,268
Dividends paid, \$0.18 per share	—	—	(2,049)	—	(2,049)
<b>BALANCE, June 30, 2018</b>	114	150,849	65,428	(3,808)	212,583
Prior period accounting reclassification	—	—	552	(552)	—
Components of comprehensive income:					
Net income	—	—	8,677	—	8,677
Foreign currency translation adjustments	—	—	—	62	62
Total comprehensive income	—	—	9,229	(490)	8,739
Exercise of stock options (10,250)	—	56	—	—	56
Dividends paid, \$0.18 per share	—	—	(2,051)	—	(2,051)
<b>BALANCE, September 30, 2018</b>	\$ 114	\$ 150,905	\$ 72,606	\$ (4,298)	\$ 219,327

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

**MILLER INDUSTRIES, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY - *Continued***

(In thousands, except share data)

	Common Stock	Additional Paid-In Capital	Accumulated Surplus	Accumulated Other Comprehensive Loss	Total
<b>BALANCE, December 31, 2018</b>	\$ 114	\$ 150,905	\$ 81,354	\$ (4,810)	\$ 227,563
Cumulative effect adjustment for adoption of ASU 2016-02	—	—	4	—	4
<b>BALANCE, January 1, 2019</b>	114	150,905	81,358	(4,810)	227,567
Components of comprehensive income:					
Net income	—	—	8,660	—	8,660
Foreign currency translation adjustments	—	—	—	277	277
Total comprehensive income	—	—	8,660	277	8,937
Issuance of common stock to non-employee directors (5,556)	—	150	—	—	150
Dividends paid, \$0.18 per share	—	—	(2,052)	—	(2,052)
<b>BALANCE, March 31, 2019</b>	114	151,055	87,966	(4,533)	234,602
Components of comprehensive income:					
Net income	—	—	10,683	—	10,683
Foreign currency translation adjustments	—	—	—	(930)	(930)
Total comprehensive income	—	—	10,683	(930)	9,753
Dividends paid, \$0.18 per share	—	—	(2,051)	—	(2,051)
<b>BALANCE, June 30, 2019</b>	114	151,055	96,598	(5,463)	242,304
Components of comprehensive income:					
Net income	—	—	8,076	—	8,076
Foreign currency translation adjustments	—	—	—	(560)	(560)
Total comprehensive income	—	—	8,076	(560)	7,516
Dividends paid, \$0.18 per share	—	—	(2,053)	—	(2,053)
<b>BALANCE, September 30, 2019</b>	\$ 114	\$ 151,055	\$ 102,621	\$ (6,023)	\$ 247,767

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



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

(In thousands)  
(Unaudited)

	Nine Months Ended September 30	
	2019	2018
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 27,419	\$ 22,947
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	6,612	5,577
(Gain) Loss on disposal of property, plant and equipment	(8)	133
Provision for doubtful accounts	(33)	163
Issuance of non-employee director shares	150	150
Deferred tax provision	59	123
Changes in operating assets and liabilities:		
Accounts receivable	(16,841)	(25,807)
Inventories	(5,063)	(13,846)
Prepaid expenses	(1,483)	656
Other assets	781	(25)
Accounts payable	17,186	21,792
Accrued liabilities	(755)	3,508
Net cash flows from operating activities	<u>28,024</u>	<u>15,371</u>
<b>INVESTING ACTIVITIES:</b>		
Purchases of property, plant and equipment	(15,434)	(12,651)
Proceeds from sale of property, plant and equipment	31	117
Net cash flows from investing activities	<u>(15,403)</u>	<u>(12,534)</u>
<b>FINANCING ACTIVITIES:</b>		
Net payments under credit facility	(5,000)	—
Payments of cash dividends	(6,156)	(6,149)
Net proceeds (payments) on other long-term obligations	(275)	281
Finance lease obligation payments	(15)	—
Proceeds from exercise of stock options	—	56
Net cash flows from financing activities	<u>(11,446)</u>	<u>(5,812)</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND TEMPORARY INVESTMENTS</b>		
	(753)	(255)
<b>NET CHANGE IN CASH AND TEMPORARY INVESTMENTS</b>	<u>422</u>	<u>(3,230)</u>
<b>CASH AND TEMPORARY INVESTMENTS, beginning of period</b>	27,037	21,895
<b>CASH AND TEMPORARY INVESTMENTS, end of period</b>	<u>\$ 27,459</u>	<u>\$ 18,665</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash payments for interest	<u>\$ 2,500</u>	<u>\$ 1,788</u>
Cash payments for income taxes, net of refunds	<u>\$ 9,050</u>	<u>\$ 6,136</u>

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

**MILLER INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(in thousands, except share data and except as otherwise noted)**

**1. BASIS OF PRESENTATION**

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

These condensed consolidated financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2018. The condensed consolidated financial statements include accounts of certain subsidiaries whose fiscal closing dates differ from December 31<sup>st</sup> by 31 days (or less) to facilitate timely reporting.

**2. RECENT ACCOUNTING PRONOUNCEMENTS**

*Recently Issued Standards*

In August 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Updated (“ASU”) 2018-15 Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40) to align the requirements for capitalizing implementation costs incurred in cloud computing arrangements that are service contracts with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The update will be effective for financial statements issued for annual periods, and interim periods within these annual periods, beginning after December 15, 2019, with early adoption permitted. The Company plans to apply the amendments in the update prospectively to all implementation costs incurred after the date of the adoption. The adoption of this update will not have a material impact on the Company’s consolidated financial statements and related disclosures.

*Recently Adopted Standards*

The FASB issued ASU 2016-02 Leases (Topic 842) to improve financial reporting on leasing transactions. The update affects all companies that lease assets. The amendments require lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by lease agreements with terms greater than twelve months. Companies are also required to provide disclosures designed to enable users of financial statements to understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements concerning additional information about the amounts recorded in the financial statements. The Company elected the package of practical expedients permitted by ASC Topic 842. Accordingly, the Company accounted for its existing operating leases as operating leases under the new guidance without reassessing whether the contracts contained a lease under ASC Topic 842 or whether classification of the operating leases would be different in accordance with ASC Topic 842. In the same manner, the company will not reassess the allocation of initial direct costs on existing leases. The Company also elected to not allocate consideration between lease and non-lease components. The amendments were adopted by the Company in the first quarter of 2019 by applying the modified retrospective approach and making a cumulative-effect adjustment to the opening balance of retained earnings at January 1, 2019. The cumulative effect adjustment to the consolidated balance sheets as of January 1, 2019 was as follows:

	Balance at December 31, 2018	Cumulative Effect Adjustment	Balance at January 1, 2019
<b>Assets</b>			
Right-of-use assets - operating leases	\$ —	\$ 2,268	\$ 2,268
<b>Liabilities and Shareholders' Equity</b>			
Current portion of operating lease obligation	—	1,358	1,358
Noncurrent portion of operating lease obligation	—	905	905
Deferred income tax liabilities	1,700	1	1,701
Accumulated surplus	81,354	4	81,358

In August 2018, the SEC issued a final rule to amend certain redundant or outdated disclosure requirements to simplify compliance with financial reporting. In an effort to reduce such duplicative disclosures, many requirements of the SEC were either eliminated or reduced where GAAP had identical or similar disclosure provisions for the notes to financial statements. In other instances, disclosure requirements were enhanced to improve transparency. The Company adopted these amendments in the first quarter of 2019. The adoption did not have a material impact on the Company's consolidated financial statements and related disclosures.

### 3. BASIC AND DILUTED INCOME PER SHARE

Basic income per share is computed by dividing net income by the weighted average number of common shares outstanding. Diluted income per share is calculated by dividing net income by the weighted average number of common and potential dilutive common shares outstanding. Diluted income per share takes into consideration the assumed exercise of outstanding stock options resulting in approximately 5,000 and 7,000 potential dilutive common shares for the three and nine months ended September 30, 2018, respectively. The Company had no outstanding stock options and no potential dilutive common shares for the three and nine months ended September 30, 2019. For the three and nine months ended September 30, 2018, none of the outstanding stock options would have been anti-dilutive.

### 4. REVENUE

Substantially all of our revenue is generated from sales of towing equipment. As such, disaggregation of revenue by product line would not provide useful information because all product lines have substantially similar characteristics. However, revenue streams are tracked by the geographic location of customers. This disaggregated information is presented in the table below.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
<b>Net Sales:</b>				
North America	\$ 174,675	\$ 156,504	\$ 530,321	\$ 430,492
Foreign	20,792	39,186	84,705	101,246
	<u>\$ 195,467</u>	<u>\$ 195,690</u>	<u>\$ 615,026</u>	<u>\$ 531,738</u>

Revenue is recognized when obligations under the terms of a contract with a customer are satisfied. Except for certain extended service contracts on a small percentage of units sold, the Company's performance obligations are satisfied, and sales revenue is recognized when products are shipped from the Company's facilities. From time to time, revenue is recognized under a bill and hold arrangement. Recognition of revenue on bill and hold arrangements occurs when control transfers to the customer. The bill and hold arrangement must be substantive, and the product must be separately identified as belonging to the customer, ready for physical transfer, and unavailable to be used or directed to another customer.

Revenue is measured as the amount of consideration expected to be received in exchange for the transfer of products. Sales and other taxes collected concurrent with revenue-producing activities are excluded from revenue. Warranty related costs are recognized as an expense at the time products are sold and a reserve is established. Depending on the terms of the arrangement, for certain contracts the Company may defer the recognition of a portion of the consideration received because a future obligation has not yet been satisfied, such as an extended service contract. An observable price is used to determine the stand-alone selling price for separate performance obligations or a cost plus margin approach is utilized when one is not available.

Contract assets primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. Contract liabilities primarily relate to performance

obligations to be satisfied in the future. As of September 30, 2019, and December 31, 2018, contract liability balances related to extended service contracts were \$339 and \$331, respectively, and are included in accrued liabilities on the consolidated balance sheets. During the three and nine months ended September 30, 2019, the Company settled \$361 of this liability with a contract credit in lieu of performing these obligations. No revenue related to contract liability balances was recognized during the three and nine months ended September 30, 2019 or 2018. The Company did not have any contract assets at September 30, 2019 or December 31, 2018. Terms on accounts receivable vary and are based on specific terms agreed upon with each customer. Write-offs of accounts receivable were not material during the three and nine months ended September 30, 2019 or during the three and nine months ended September 30, 2018.

Trade accounts receivable are generally diversified due to the number of entities comprising the Company's customer base and their dispersion across many geographic regions. The Company also frequently monitors the creditworthiness of the customers to whom the credit is granted in the normal course of business. At December 31, 2018 the Company had one customer with a trade account receivable balance greater than 10% of total accounts receivable, which account subsequently decreased to less than 10% of the total accounts receivable balance prior to September 30, 2019.

## 5. INVENTORIES

Inventory costs include materials, labor and factory overhead. Inventories are stated at the lower of cost or net realizable value, determined on a first-in, first-out basis. Appropriate consideration is given to obsolescence, valuation and other factors in determining net realizable value. Revisions of these estimates could result in the need for adjustments. Inventories, net of reserves, at September 30, 2019 and December 31, 2018 consisted of the following:

	September 30, 2019	December 31, 2018
Chassis	\$ 7,335	\$ 8,921
Raw materials	40,468	40,021
Work in process	17,468	14,995
Finished goods	32,801	29,830
	<u>\$ 98,072</u>	<u>\$ 93,767</u>

## 6. LONG-TERM OBLIGATIONS

### Credit Facility and Other Long-Term Obligations

#### *Credit Facility*

On December 20, 2018, we amended and restated our loan agreement with First Tennessee Bank National Association, which governs our existing \$50,000 unsecured revolving credit facility, to (i) renew and extend the maturity date to May 31, 2022 and make certain other conforming changes, (ii) reduce the interest rate on outstanding loans from one month LIBOR rate plus 150 basis points to one month LIBOR rate plus an applicable margin of either 1.00% or 1.25% depending on the Company's Leverage Ratio (as such term is defined in the amended and restated master revolving credit note), which margin adjusts periodically from time to time based on changes in such Leverage Ratio, and make certain other changes to the interest rate provisions, (iii) amend the tangible net worth covenant to increase the minimum required compliance level thereunder from \$130,000 to \$160,000 (the Company's tangible net worth at September 30, 2019 was approximately \$236,000) and (iv) modify certain definitions and other terms thereof. The credit facility contains customary representations and warranties, events of default, and financial, affirmative and negative covenants for loan agreements of this kind. Covenants under the credit facility restrict the payment of cash dividends if the Company would be in violation of the minimum tangible net worth test or the leverage ratio test in the current loan agreement as a result of the dividend, among various restrictions. We have been in compliance with these covenants throughout 2018 and during the first three quarters of 2019, and we anticipate that the Company will continue to be in compliance during the remainder of 2019.

In the absence of a default, all borrowings under the current credit facility bear interest at the LIBOR Rate plus 1.00% or 1.25% per annum, depending on the leverage ratio. The Company pays a non-usage fee under the current loan agreement at a rate per annum equal to between 0.15% and 0.35% of the unused amount of the current credit facility, which fee is paid quarterly.

At September 30, 2019 and December 31, 2018, the Company had \$10,000 and \$15,000, respectively, in outstanding borrowings under the credit facility.

## Other Long-Term Obligations

The Company's French subsidiary, Jige International S.A., has an agreement with Banque Européenne du Crédit Mutuel for an unsecured fixed rate loan with a maturity date of September 30, 2020. All borrowings under this loan bear interest at 0.3% per annum. At September 30, 2019, the Company had \$460 in outstanding borrowings under the loan agreement, of which \$92 and \$368 were classified as long-term obligations and long-term obligations due within one year, respectively, on the consolidated balance sheets. At December 31, 2018, the Company had \$760 in outstanding borrowings under the loan agreement, of which \$475 and \$285 were classified as long-term obligations and long-term obligations due within one year, respectively, on the consolidated balance sheets. These borrowings are being used primarily for the purchase of land and making routine repairs to the operating facilities in France. The loan agreement contains no material covenants.

## 7. COMMITMENTS AND CONTINGENCIES

### Leasing Activities

The Company leases certain equipment and facilities under long-term non-cancellable operating and finance lease agreements. The leases expire at various dates through 2026. Certain of the lease agreements contain renewal options. For those leases that have renewal options, the Company included these renewal periods in the lease term if the Company determined it was reasonably certain to exercise the renewal option. Lease payments during such renewal periods were also considered in the calculation of right-of-use assets and lease obligations.

Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease obligations represent the Company's obligation to make lease payments arising from the lease. Lease obligations are recognized at the commencement date based on the present value of lease payments over the lease term. Right-of-use assets are recognized at the commencement date as the initial measurement of the lease liability, plus payments made prior to lease commencement and any initial direct costs. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Expense is recognized on a straight-line basis over the lease term for operating leases. For finance leases, expense is recognized as the expense from straight-line amortization of the right-of-use asset plus the periodic interest expense from the lease obligation. Short-term leases have a lease term of twelve months or less. The Company recognizes short-term leases on a straight-line basis and does not record a related right-of-use asset or lease obligation for such contracts.

Right-of-use assets related to finance leases are included as a component of property, plant and equipment, net on the consolidated balance sheets and had the following values at September 30, 2019.

	September 30, 2019
Finance lease right-of-use assets	\$ 78
Accumulated amortization	(15)
Finance lease right-of-use assets, net	<u>\$ 63</u>

A maturity analysis of the undiscounted cash flows of operating and finance lease obligations is as follows:

	Operating Lease Obligation	Finance Lease Obligation
<b>Remaining lease payments to be paid during the year ended December 31,</b>		
2019	\$ 108	\$ 6
2020	368	23
2021	277	23
2022	260	15
2023	220	—
Thereafter	464	—
<b>Total lease payments</b>	<u>1,697</u>	<u>67</u>
Less Imputed Interest	(293)	(4)
<b>Lease obligation at September 30, 2019</b>	<u>\$ 1,404</u>	<u>\$ 63</u>

The lease cost and certain other information during the three and nine months ended September 30, 2019 is as follows:

	<u>Three Months Ended</u> <u>September 30</u> <u>2019</u>	<u>Nine Months Ended</u> <u>September 30</u> <u>2019</u>
<b>Lease Cost</b>		
Finance lease cost:		
Amortization of right-of-use assets	\$ 4	\$ 15
Interest on lease obligation	—	1
Total finance lease cost	4	16
Total operating lease cost	110	495
Short-term lease cost	479	1,049
Total lease cost	<u>\$ 593</u>	<u>\$ 1,560</u>

#### Other Information

Cash paid for amounts included in the measurement of lease obligation:

Operating cash flows from operating leases	\$ 107	\$ 492
Financing cash flows from finance leases	5	15

Right-of-use assets obtained in exchange for new finance lease obligations	—	—
Right-of-use assets obtained in exchange for new operating lease obligations	117	117

The weighted average remaining lease term for operating leases and finance leases at September 30, 2019 was 5.6 years and 2.9 years, respectively. The weighted average discount rate for operating leases and finance leases at September 30, 2019 was 3.5% and 4.0%, respectively. The Company's subsidiary in the United Kingdom leased facilities used for manufacturing and office space from a related party with related lease costs during the three months ended September 30, 2019 and 2018 of \$53 and \$55, respectively, and related lease costs during the nine months ended September 30, 2019 and 2018 of \$170 and \$164, respectively. The Company's French subsidiary leased a fleet of vehicles from a related party with related lease costs during the three months ended September 30, 2019 and 2018 of \$26 and \$32, respectively, and related lease costs during the nine months ended September 30, 2019 and 2018 of \$95 and \$105, respectively.

#### Other Commitments

At September 30, 2019 and December 31, 2018, the Company had commitments of approximately \$3,891 and \$7,053 for construction and acquisition of property, plant and equipment. The Company is also migrating its enterprise resource planning (ERP) system to a multi-tenant cloud environment which includes global ERP, human capital management, data analytics and the use of artificial intelligence. This migration and upgrade of the existing ERP system will be done in three phases over the next three years. Related to this project, at September 30, 2019, the Company had commitments of approximately \$8,869 in software license fees payable in installments through 2025.

#### Contingencies

The Company has entered into arrangements with third-party lenders where it has agreed, in the event of default by a distributor within the independent distributor network, to repurchase from the third-party lender company products repossessed from the independent distributor customer. These arrangements are typically subject to a maximum repurchase amount. The maximum amount of collateral that the Company could be required to purchase was approximately \$73,754 at September 30, 2019, and \$49,694 at December 31, 2018, as distributors increased usage of floor plan financing. The Company's risk under these arrangements is mitigated by the value of the products that would be repurchased as part of the transaction. The Company considered the fair value at inception of its liability under these arrangements and concluded that the liability associated with these potential repurchase obligations was not probable and thus not material at September 30, 2019 or December 31, 2018.

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

## **8. INCOME TAXES**

The Tax Cuts and Jobs Act (TCJA), among other changes, reduced the corporate tax rate from a top rate of 35% to a flat rate of 21%, beginning in 2018.

As of September 30, 2019, the Company had no federal or state operating loss carryforwards.

## **9. SUBSEQUENT EVENTS**

### **Dividends**

On November 4, 2019, the Company's Board of Directors declared a quarterly cash dividend of \$0.18 per share. The dividend is payable December 16, 2019 to shareholders of record as of December 9, 2019.

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

The following discussion of our results of operations and financial condition should be read in conjunction with the condensed consolidated financial statements and the notes thereto. Unless the context indicates otherwise, all dollar amounts in this Management's Discussion and Analysis of Financial Condition and Results of Operations are in thousands.

### Executive Overview

Miller Industries, Inc. is The World's Largest Manufacturer of Towing and Recovery Equipment<sup>®</sup>, with domestic manufacturing subsidiaries in Tennessee and Pennsylvania, and foreign manufacturing subsidiaries in France and the United Kingdom. We offer a broad range of equipment to meet our customers' design, capacity and cost requirements under our Century<sup>®</sup>, Vulcan<sup>®</sup>, Challenger<sup>®</sup>, Holmes<sup>®</sup>, Champion<sup>®</sup>, Chevron<sup>™</sup>, Eagle<sup>®</sup>, Titan<sup>®</sup>, Jige<sup>™</sup> and Boniface<sup>™</sup> brand names. In this Item 2 – "Management's Discussion and Analysis of Financial Condition and Results of Operations," the words "Miller Industries," "the Company," "we," "our," "ours" and "us" refer to Miller Industries, Inc. and its subsidiaries or any of them.

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

We derive revenues primarily from product sales made through our network of domestic and foreign independent distributors. Our revenues are sensitive to a variety of factors including general economic conditions as well as demand for, and price of, our products, our technological competitiveness, our reputation for providing quality products and reliable service, competition within our industry, and the cost of raw materials (including aluminum, steel and petroleum-related products). Our history of innovation in the towing and recovery industry has been an important factor behind our growth over the last decade and we believe that our continued emphasis on research and development will be a key factor in our future growth.

Our industry is cyclical in nature. In recent years, the overall demand for our products and resulting revenues have been positively affected by favorable economic conditions and positive consumer sentiment in our industry. However, historically, the overall demand for our products and our resulting revenues have at times been negatively affected by:

- wavering levels of consumer confidence;
- volatility and disruption in domestic and international capital and credit markets and the resulting decrease in the availability of financing, including floor plan financing, for our customers and towing operators;
- significant periodic increases in fuel and insurance costs and their negative effect on the ability of our customers to purchase towing and related equipment; and
- the overall effects of global economic conditions.

We remain concerned about the continuing effects of these factors on the towing and recovery industry, and we continue to monitor our overall cost structure to see that it remains in line with business conditions. We also remain focused on efforts to secure new orders that would replace several of our substantial military projects that are scheduled to be completed over the course of this year.

In addition, we have been and will continue to be affected by changes in the prices that we pay for raw materials, particularly aluminum, steel, petroleum-related products and other raw materials, which represent a substantial part of our total cost of operations. For example, in 2018 the U.S. government imposed import tariffs of 25% on steel products and 10% on aluminum products, as well as quantitative restrictions on imports of steel and aluminum products from various countries, which resulted in increases in the prices we paid for these materials. In September of 2018, we implemented price increases on our products to offset price increases in the raw materials that we use. We also developed alternatives to some of the components used in our production process that incorporate these raw materials, and our suppliers have implemented these alternatives in the production of our component parts. We continue to monitor raw material prices and availability in order to more favorably position the Company in this dynamic market.

We also remain concerned about the potential negative impact of the United Kingdom's expected exit from the European Union, commonly referred to as "Brexit," on European and worldwide economic conditions, and on our international sales. The terms of the United Kingdom's withdrawal remain uncertain and, of course, a no-deal Brexit cannot be ruled out.



At September 30, 2019 and December 31, 2018, the Company had \$10,000 and \$15,000, respectively, in outstanding borrowings under its credit facility.

### **Critical Accounting Policies**

Our condensed consolidated financial statements are prepared in accordance with GAAP, which require us to make estimates. Certain accounting policies are deemed “critical,” as they require management’s highest degree of judgment, estimations and assumptions. The accounting policies deemed to be most critical to our financial position and results of operations are those related to accounts receivable, inventory, long-lived assets, warranty reserves, revenues, and income taxes. Other than changes to leasing activities, which are discussed in detail in Notes 2 and 7 to the “Notes to Consolidated Financial Statements” in Item 1, there have been no significant changes in our critical accounting policies during the first nine months of 2019.

For additional information, refer to our summary of significant accounting policies in Note 2 of the "Notes to Consolidated Financial Statements" in Part IV, Item 15 and "Critical Accounting Policies" in Part II, Item 7 of our annual report on Form 10-K for the year ended December 31, 2018.

### **Results of Operations – Three Months Ended September 30, 2019 Compared to Three Months Ended September 30, 2018**

Net sales for the three months ended September 30, 2019 decreased 0.1% to \$195,467 from \$195,690 for the comparable period in 2018. The stability in our revenue stream was primarily attributable to continued strong demand in our domestic market and realization of increased domestic production capacity despite supply chain challenges that delayed deliveries of chassis to our plants and our distributors, which are not expected to impact the fourth quarter. Net domestic sales increased during the three-month period ended September 30, 2019 to \$174,675 from \$156,504 for the comparable period in 2018, while net foreign sales decreased to \$20,792 from \$39,186 during the same three-month period. The increase in domestic sales in response to continued strong demand was facilitated by the production capabilities gained from our capital projects completed in recent years at all of our domestic facilities. The decrease in foreign sales was primarily due to a shift in production and deliveries from military and other foreign customers to domestic customers due to the timing of customer requirements.

Costs of operations for the three months ended September 30, 2019 decreased 0.3% to \$173,721 from \$174,214 for the comparable period in 2018. Costs of operations decreased as a percentage of sales to 88.9%, compared to 89.0% for the comparable period in 2018, which reflects our continued efforts to increase production efficiency.

Selling, general and administrative expenses for the three months ended September 30, 2019 increased to \$10,453 from \$9,450 for the three months ended September 30, 2018, primarily due to increases in software licensing fees, marketing expenses, and other professional fees. As a percentage of sales, selling, general and administrative expenses for the three months ended September 30, 2019 increased to 5.5% from 4.8% in the comparable period in 2018.

Interest expense, net decreased to \$424 from \$525 for the three months ended September 30, 2019 as compared to the prior year period. Decreases in interest expense were primarily due to increases in interest income on distributor receivables.

When the Company has transactions that are denominated in a currency other than its functional currency, the Company is exposed to foreign currency transaction risk and must record gains and losses through other (income) expense when the related balance sheet items are remeasured in the functional currency of the Company. Other (income) expense, net is composed primarily of these foreign currency exchange gains and losses, with the remainder being composed of gains and losses on disposals of equipment. For the three months ended September 30, 2019, the Company experienced a net foreign currency exchange loss of \$235, compared to a net loss of \$76 for the three months ended September 30, 2018.

The provision for income taxes for each of the three months ended September 30, 2019 and 2018 reflects a combined effective U.S. federal, state and foreign tax rate of 24.1%. The principal differences between the federal statutory tax rate and the effective tax rate consist primarily of state taxes, domestic tax credits, and tax differences on foreign earnings.

### **Results of Operations –Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018**

Net sales for the nine months ended September 30, 2019 increased 15.7% to \$615,026 from \$531,738 for the comparable period in 2018. This increase was primarily attributable to continued strong demand in our domestic market and realization of increased domestic production capacity. Net domestic sales increased during the nine months ended September 30, 2019 to \$530,321 from \$430,492 for the comparable period in 2018, and net foreign sales decreased to \$84,705 from \$101,246 during the same nine-month period. The increase in domestic sales

in response to continued strong demand was enhanced by the production capabilities gained from our capital projects completed in recent years at all of our domestic facilities. The decrease in foreign sales was primarily due to a shift in production and deliveries from military and other foreign customers to domestic customers due to the timing of customer requirements.

Costs of operations for the nine months ended September 30, 2019 increased 15.9% to \$545,470 from \$470,556 for the comparable period in 2018. Overall, costs of operations increased as a percentage of sales to 88.7%, compared to 88.5% for the comparable period in 2018, primarily resulting from material cost increases.

Selling, general and administrative expenses for the nine months ended September 30, 2019 increased to \$31,636 from \$28,717 for the nine months ended September 30, 2018, primarily due to increases in marketing and sales-related expenses, software licensing fees, and other professional fees. However, as a percentage of sales, selling, general and administrative expenses for the nine months ended September 30, 2019 decreased to 5.1% from 5.4% in the comparable period in 2018.

Interest expense, net increased to \$1,813 from \$1,429 for the nine months ended September 30, 2019 as compared to the prior year period. Increases in interest expense were primarily due to increases in interest on distributor floor planning, higher average credit facility balances, and higher chassis interest expense.

When the Company has transactions that are denominated in a currency other than its functional currency, the Company is exposed to foreign currency transaction risk and must record gains and losses through other (income) expense when the related balance sheet items are remeasured in the functional currency of the Company. Other (income) expense, net is composed primarily of these foreign currency exchange gains and losses, with the remainder being composed of gains and losses on disposals of equipment. For the nine months ended September 30, 2019, the Company experienced a net foreign currency exchange loss of \$550, compared to a net gain of \$345 for the nine months ended September 30, 2018.

The provision for income taxes for the nine months ended September 30, 2019 and 2018 reflects a combined effective U.S. federal, state and foreign tax rate of 22.9% and 26.6%, respectively. The principal differences between the federal statutory tax rate and the effective tax rate consist primarily of state taxes, domestic tax credits, and tax differences on foreign earnings.

## **Liquidity and Capital Resources**

Cash provided by operating activities was \$28,024 for the nine months ended September 30, 2019, compared to \$15,371 in the comparable period in 2018. Cash provided by operating activities is generally attributable to the receipt of payments from our customers as settlement of their contractual obligation once we have fulfilled all performance obligations related to our contracts with them. These cash receipts are netted with payments for purchases of inventory, materials used in manufacturing, and other expenses that are necessary in the ordinary course of our operations, such as utilities and taxes. Cash provided by operating activities during the nine months ended September 30, 2019 was favorably impacted when compared to prior year due primarily to the increases in revenue growth resulting from our incremental increases in production capacities and favorable changes in working capital.

Cash used in investing activities was \$15,403 for the nine months ended September 30, 2019 compared to \$12,534 for the comparable period in 2018. The cash used in investing activities for the nine months ended September 30, 2019 was primarily for purchases of property, plant and equipment.

Cash used in financing activities was \$11,446 for the nine months ended September 30, 2019, compared to \$5,812 for the comparable period in 2018. The cash used in financing activities for the nine months ended September 30, 2019 resulted primarily from the payment of cash dividends of \$6,156, net payments on the credit facility of \$5,000, payments on our French subsidiary's loan of \$275, and an immaterial amount of payments on finance lease obligations.

As of September 30, 2019, we had cash and cash equivalents of \$27,459. Our primary cash requirements include working capital, capital expenditures, the funding of any declared cash dividends and principal and interest payments on indebtedness. At September 30, 2019, the Company had commitments of approximately \$3,891 for the acquisition of property and equipment and approximately \$8,869 in software license fees. We expect our primary sources of cash to be cash flows from operations, cash and cash equivalents on hand at September 30, 2019, and additional borrowings under our credit facility as needed. We expect these sources to be sufficient to satisfy our cash needs during the remainder of 2019 and for the next several years. However, our ability to satisfy our cash needs will substantially depend upon several factors, including our future operating performance, taking into account the economic and other factors discussed above and elsewhere in this Quarterly Report, as well as financial, business and other factors, many of which are beyond our control.

As of September 30, 2019 and December 31, 2018, \$18,712 and \$15,815, respectively, of the Company's cash and temporary investments were held by foreign subsidiaries and their holdings are generally based in the local currency.

## **Credit Facilities and Other Obligations**

### ***Credit Facility***

On December 20, 2018, we amended and restated our loan agreement with First Tennessee Bank National Association, which governs our existing \$50,000 unsecured revolving credit facility, to (i) renew and extend the maturity date to May 31, 2022 and make certain other conforming changes, (ii) reduce the interest rate on outstanding loans from one month LIBOR rate plus 150 basis points to one month LIBOR rate plus an applicable margin of either 1.00% or 1.25% depending on the Company's Leverage Ratio (as such term is defined in the amended and restated master revolving credit note), which margin adjusts periodically from time to time based on changes in such Leverage Ratio, and make certain other changes to the interest rate provisions, (iii) amend the tangible net worth covenant to increase the minimum required compliance level thereunder from \$130,000 to \$160,000 (the Company's tangible net worth at September 30, 2019 was approximately \$236,000) and (iv) modify certain definitions and other terms thereof. The credit facility contains customary representations and warranties, events of default, and financial, affirmative and negative covenants for loan agreements of this kind. Covenants under the credit facility restrict the payment of cash dividends if the Company would be in violation of the minimum tangible net worth test or the leverage ratio test in the current loan agreement as a result of the dividend, among various restrictions. We have been in compliance with these covenants throughout 2018 and during the first three quarters of 2019 and anticipate that we will continue to be in compliance during the remainder of 2019.

In the absence of a default, all borrowings under the credit facility bear interest at the LIBOR Rate plus 1.00% or 1.25% per annum, depending on the leverage ratio. The Company pays a non-usage fee under the current loan agreement at a rate per annum equal to between 0.15% and 0.35% of the unused amount of the credit facility, which fee is paid quarterly.

At September 30, 2019 and December 31, 2018, the Company had \$10,000 and \$15,000, respectively, in outstanding borrowings under the credit facility.

### ***Other Long-Term Obligations***

At September 30, 2019 and December 31, 2018, we had approximately \$1,697 and \$2,658 in non-cancelable operating lease obligations, and \$67 and \$78 in non-cancelable finance lease obligations, respectively.

Our French subsidiary, Jige International S.A., has an agreement with Banque Européenne du Crédit Mutuel for an unsecured fixed rate loan with a maturity date of September 30, 2020. All borrowings under this loan bear interest at 0.3% per annum. At September 30, 2019, the Company had \$460 in outstanding borrowings under the loan agreement, of which \$92 and \$368 were classified as long-term obligations and long-term obligations due within one year, respectively, on the consolidated balance sheets. At December 31, 2018, the Company had \$760 in outstanding borrowings under the loan agreement, of which \$475 and \$285 were classified as long-term obligations and long-term obligations due within one year, respectively, on the consolidated balance sheets. These borrowings are being used primarily for the purchase of land and routine repairs to the operating facilities in France. The loan agreement contains no material covenants.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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

### **Interest Rate Risk**

Changes in interest rates affect the interest paid on indebtedness under the credit facility because outstanding amounts of indebtedness under the credit facility are subject to variable interest rates. Under the credit facility, the non-default rate of interest is equal to the LIBOR Market Index Rate plus 1.00% or 1.25% per annum, depending on the leverage ratio, for a rate of interest 3.02% at September 30, 2019. A one percent change in the interest rate on our variable-rate debt would not have materially impacted our financial position, results of operations or cash flows for the three and nine months ended September 30, 2019.

## **Foreign Currency Exchange Rate Risk**

We are subject to risk arising from changes in foreign currency exchange rates related to our international operations in Europe. We manage our exposure to our foreign currency exchange rate risk through our regular operating and financing activities. Additionally, from time to time, we enter into certain forward foreign currency exchange contracts.

Because we report in U.S. dollars on a consolidated basis, foreign currency exchange fluctuations could have a translation impact on our financial position. During the three months ended September 30, 2019, we recognized a \$560 decrease in our foreign currency translation adjustment account because of the fluctuations of the U.S. dollar against certain foreign currencies, compared to a \$62 increase for the prior year period. During the nine months ended September 30, 2019, we recognized a \$1,213 decrease, compared to a \$453 decrease for the prior year period. These amounts were recognized as unrealized losses in accumulated other comprehensive loss on the consolidated balance sheets.

For the three months ended September 30, 2019 and 2018, the impacts of foreign currency exchange rate changes on our results of operations and cash flows were a net loss of \$235 and a net loss of \$76, respectively. For the nine months ended September 30, 2019 and 2018, the impacts of foreign currency exchange rate changes on our results of operations and cash flows were a net loss of \$550 and a net gain of \$345, respectively.

## **ITEM 4. CONTROLS AND PROCEDURES**

### **Disclosure Controls and Procedures**

We carried out an evaluation, as of the end of the period covered by this report on Form 10-Q, under the supervision and with the participation of our management, including our co-Chief Executive Officers (CEOs) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-14(c) under the Securities Exchange Act of 1934. Based upon this evaluation, our CEOs and CFO have concluded that the disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

### **Changes in Internal Control over Financial Reporting**

There were no significant changes in our internal controls over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

## **ITEM 1. LEGAL PROCEEDINGS**

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

## **ITEM 1A. RISK FACTORS**

There have been no material changes to the Risk Factors included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

## **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

**ITEM 3.      DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4.      MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5.      OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

	<u>Description</u>	<u>Incorporated by Reference to Registration File Number</u>	<u>Form or Report</u>	<u>Date of Report</u>	<u>Exhibit Number in Report</u>
31.1	Certification Pursuant to Rules 13a-14(a)/15d-14(a) by Co-Chief Executive Officer*				
31.2	Certification Pursuant to Rules 13a-14(a)/15d-14(a) by Co-Chief Executive Officer*				
31.3	Certification Pursuant to Rules 13a-14(a)/15d-14(a) by Chief Financial Officer*				
32.1	Certification Pursuant to Section 1350 of Chapter 63 of Title 18 of United States Code by Co-Chief Executive Officer±				
32.2	Certification Pursuant to Section 1350 of Chapter 63 of Title 18 of United States Code by Co-Chief Executive Officer±				
32.3	Certification Pursuant to Section 1350 of Chapter 63 of Title 18 of United States Code by Chief Financial Officer±				
101	The following information from the Company’s quarterly report on Form 10-Q for the quarterly period ended September 30, 2019 formatted in Extensible Business Reporting Language (XBRL): (i) Condensed Consolidated Balance Sheets – September 30, 2019 and December 31, 2018; (ii) Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2019 and 2018; (iii) Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2019 and 2018; (iv) Condensed Consolidated Statements of Shareholders’ Equity for the nine months ended September 30, 2019 and 2018; (v) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2019 and 2018; and (vi) Notes to Condensed Consolidated Financial Statements.*				

\* Filed herewith

± Exhibit is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subjected to the liabilities of that Section. This exhibit shall not be incorporated by reference into any given registration statement or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such a filing.

**SIGNATURES**

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

MILLER INDUSTRIES, INC.

By: /s/ Deborah L. Whitmire

\_\_\_\_\_  
Deborah L. Whitmire

Executive Vice President, Chief Financial Officer and Treasurer

Date: November 6, 2019

**CERTIFICATIONS**

I, Jeffrey I. Badgley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Miller Industries, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2019

/s/ Jeffrey I. Badgley  
Jeffrey I. Badgley  
Co-Chief Executive Officer



**CERTIFICATIONS**

I, William G. Miller II, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Miller Industries, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2019

/s/ William G. Miller II

William G. Miller II

President and Co-Chief Executive Officer

CERTIFICATIONS

I, Deborah L. Whitmire, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Miller Industries, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2019

/s/ Deborah L. Whitmire

Deborah L. Whitmire

Executive Vice President, Chief Financial Officer and Treasurer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350**

I, Jeffrey I. Badgley, Co-Chief Executive Officer of Miller Industries, Inc. (the "Company"), certify, pursuant to 18 U.S.C. § 1350 as adopted by § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 6, 2019

/s/ Jeffrey I. Badgley  
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Jeffrey I. Badgley  
Co-Chief Executive Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350**

I, William G. Miller II, President and Co-Chief Executive Officer of Miller Industries, Inc. (the "Company"), certify, pursuant to 18 U.S.C. § 1350 as adopted by § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 6, 2019

/s/ William G. Miller II

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William G. Miller II

President and Co-Chief Executive Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350**

I, Deborah L. Whitmire, Executive Vice President, Chief Financial Officer and Treasurer of Miller Industries, Inc. (the “Company”), certify, pursuant to 18 U.S.C. § 1350 as adopted by § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 6, 2019

/s/ Deborah L. Whitmire

Deborah L. Whitmire

Executive Vice President, Chief Financial Officer and Treasurer