

MILLER INDUSTRIES INC /TN/
Form 10-K
March 06, 2019

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2018

OR

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

For the transition period from _____ to _____

Commission File No. 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)

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value \$.01 per share	New York Stock Exchange

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

None
(Title of Class)

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 such filing requirements for the past 90 days.

Yes No

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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 and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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, 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 aggregate market value of the voting stock held by non-affiliates of the registrant (which for purposes hereof are all holders other than executive officers, directors and holders of more than 10% of the registrant's Common Stock) as of June 29, 2018 (the last business day of the registrant's most recently completed second fiscal quarter) was \$279,518,789 (based on 10,940,070 shares held by non-affiliates at \$25.55 per share, the last sale price reported on the New York Stock Exchange on June 29, 2018).

At February 28, 2019 there were 11,400,102 shares of the registrant's common stock, par value \$0.01 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information called for by Part III (Items 10, 11, 12, 13 and 14) is incorporated herein by reference to the Registrant's definitive proxy statement for its 2019 Annual Meeting of Shareholders which is to be filed pursuant to Regulation 14A.

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CERTAIN FACTORS AFFECTING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report on Form 10-K, including but not limited to statements made in Part II–Item 7–“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,” 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 this report, in Part I, Item 1A–“Risk Factors” and those risks discussed in our filings with the Securities and Exchange Commission filed after this Annual Report. 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

ITEM 1.

BUSINESS

General

Miller Industries is The World's Largest Manufacturer of Towing and Recovery Equipment®, with executive offices in Ooltewah, Tennessee, domestic manufacturing operations in Tennessee and Pennsylvania, and foreign manufacturing operations in France and the United Kingdom.

In 1990, we began developing or acquiring several of the most well-recognized brands in the towing and recovery equipment manufacturing industry. Our strategy has been to diversify our line of products and increase our presence in the industry by combining internal growth and development with acquisitions of complementary products.

In this Annual Report on Form 10-K, the words "Miller Industries," "the Company," "we," "our," "ours" and "us" refer to Miller Industries, Inc. and its subsidiaries or any of them.

Towing and Recovery Equipment

We offer a broad range of towing and recovery equipment products that meet most customer design, capacity and cost requirements. We manufacture the bodies of wreckers and car carriers, which are installed on truck chassis manufactured by third parties. We frequently purchase the truck chassis for resale to our customers. Wreckers generally are used to recover and tow disabled vehicles and other equipment and range in type from the conventional tow truck to large recovery vehicles with rotating hydraulic booms and up to 75-ton lifting capacities. Car carriers are specialized flatbed vehicles with hydraulic tilt mechanisms that enable a towing operator to drive or winch a vehicle onto the bed for transport. Car carriers transport new or disabled vehicles and other equipment and are particularly effective over longer distances. We also manufacture vehicle transport trailers.

Our products primarily are sold through independent distributors that serve all 50 states, Canada and Mexico, and other foreign markets including Europe, the Pacific Rim, the Middle East, South America and Africa, and through prime contractors to governmental entities. Additionally, as a result of our ownership of Jige International S.A. in France and Boniface Engineering, Ltd. in the United Kingdom, we have substantial distribution capabilities in Europe.

While most of our distributor agreements do not generally contain exclusivity provisions, management believes that approximately 85% of our independent distributors choose to sell our products on an exclusive basis. In addition to selling our products to towing operators, our independent distributors provide them with parts and service. We also utilize sales representatives to inform prospective purchasers about our current product lines in an effort to drive sales to independent distributors. Management believes the strength of our distribution network and the breadth of our product offerings are two key advantages over our competitors.

Product Lines

We manufacture a broad line of wrecker, car carrier and trailer bodies to meet a full range of customer design, capacity and cost requirements.

Wreckers. Wreckers are generally used to recover and tow disabled vehicles and other equipment and range in type from the conventional tow truck to large recovery vehicles with up to 75-ton lifting capacities. Wreckers are available with specialized features, including underlifts, L-arms, crossbars and scoops, which lift disabled vehicles by the tires or front axle to minimize front end damage to the towed vehicles. Certain heavy-duty wrecker models offer rotating booms, which allow heavy-duty wreckers to recover vehicles from any angle, and remote control devices for recovery equipment. In addition, certain light-duty wreckers are equipped with automatic wheellift hookup devices that allow operators to engage a disabled or unattended vehicle without leaving the cab of the wrecker.

Our wreckers range in capacity from 4 to 75 tons, and are classified as either light-duty or heavy-duty, with wreckers of 16-ton or greater capacity being classified as heavy-duty. Light-duty wreckers are used to remove vehicles from accident scenes and vehicles illegally parked, abandoned or disabled, and for general recovery. Heavy-duty wreckers are used in towing and recovery applications including overturned tractor trailers, buses, motor homes and other large vehicles.

Car Carriers. Car carriers are specialized flat-bed vehicles with hydraulic tilt mechanisms that enable a towing operator to drive or winch a vehicle onto the bed for transport. Car carriers are used to transport new or disabled vehicles and other equipment and are particularly effective for transporting vehicles or other equipment over longer distances. In addition to transporting vehicles, car carriers may also be used for other purposes, including transportation of industrial equipment. Most professional towing operators have car carriers in their fleets to complement their towing capabilities.

Transport Trailers. Our multi-vehicle transport trailers are specialized auto transport trailers with upper and lower decks and hydraulic ramps for loading vehicles. These trailers are used for moving multiple vehicles for auto auctions, car dealerships, leasing companies and other similar applications. These trailers are easy to load and transport 6 to 7 vehicles. The vehicles can be secured to transport quickly with ratchet and chain tie-downs that are mounted throughout the frame of the transport. Many professional towing operators have added auto transport trailers to their fleets to add to their service offerings.

Brand Names

We manufacture and market our wreckers, car carriers and trailers under ten separate brand names. Although certain brands overlap in terms of features, prices and distributors, each brand has its own distinctive image and customer base.

Century[®]. The Century[®] brand is our “top-of-the-line” brand and represents what management believes to be the broadest product line in the industry. The Century[®] line was started in 1974 and produces wreckers ranging from 8-ton light-duty to 75-ton heavy-duty models, and car carriers in lengths from 20 to 30 feet. Management believes that the Century[®] brand has a reputation as the industry’s leading product innovator.

Vulcan[®]. Our Vulcan[®] product line includes a range of premium light-duty and heavy-duty wreckers, ranging from 8-ton light-duty to 75-ton heavy-duty models, and car carriers.

Challenger[®]. Our Challenger[®] products compete with the Century[®] and Vulcan[®] products and constitute a third premium product line. Challenger[®] products consist of heavy-duty wreckers with capacities ranging from 25 to 75 tons. The Challenger[®] line was started in 1975 and is known for high-performance heavy-duty wreckers and aesthetic design.

Holmes[®]. Our *Holmes*[®] product line includes mid-priced wreckers with 4 to 16-ton capacities, a 16-ton rotator and a detachable towing unit (DTU). The *Holmes*[®] wrecker was first produced in 1916. Historically, the *Holmes*[®] name has been the most well-recognized and leading industry brand both domestically and internationally.

Champion[®]. The *Champion*[®] brand, which was introduced in 1991, includes car carriers which range in length from 19 to 21 feet. The *Champion*[®] product line, which is generally lower-priced, allows us to offer a full line of car carriers at various competitive price points.

Chevron[™]. Our *Chevron*[™] product line is comprised primarily of premium car carriers. *Chevron*[™] produces a range of premium single-car, multi-car and industrial carriers, as well as wreckers ranging from 8-ton to 16-ton models.

Eagle[®]. Our *Eagle*[®] products consist of light-duty wreckers with the “Eagle Claw[®]” hook-up system that allows towing operators to engage a disabled or unattended vehicle without leaving the cab of the tow truck. The “Eagle Claw[®]” hook-up system was originally developed for the repossession market. Since acquiring *Eagle*, we have upgraded the quality and features of the *Eagle*[®] product line and expanded its recovery capability.

Titan[®]. Our *Titan*[®] product line is comprised of premium multi-vehicle transport trailers which can transport up to 7 vehicles depending on configuration.

Jige[™]. Our *Jige*[™] product line is comprised of a broad line of premium light-duty and heavy-duty wreckers and car carriers marketed primarily in Europe. *Jige*[™] is a market leader best known for its innovative designs of car carriers and light-duty wreckers necessary to operate within the narrow confines of European cities, as well as heavy-duty wreckers.

Boniface[™]. Our *Boniface*[™] product line is comprised primarily of premium heavy-duty wreckers marketed primarily in Europe. *Boniface*[™] produces heavy-duty wreckers specializing in the long underlift technology required to tow modern European tour buses.

Product Development and Manufacturing

Our Holmes® and Century® brand names are associated with four of the major innovations in the industry: the rapid reverse winch; the tow sling; the hydraulic lifting mechanism; and the underlift with parallel linkage and L-arms. Our engineering staff, in consultation with manufacturing personnel, uses computer-aided design and stress analysis systems to test new product designs and to integrate various product improvements. In addition to licensing new technologies, we have a continuing emphasis on research and development to achieve product innovations.

We manufacture wreckers, car carriers and trailers at six manufacturing facilities located in the United States, France and the United Kingdom. The manufacturing process for our products consists primarily of cutting and bending sheet steel or aluminum into parts that are welded together to form the wrecker, car carrier body or trailer. In addition, during the past several years, we have also begun to produce wrecker bodies using composites and other non-metallic materials. After the frame is formed, components such as hydraulic cylinders, winches, valves and pumps, which are purchased by us from third-party suppliers, are attached to the frame to form the completed wrecker or car carrier body. The completed body is either installed by us or shipped by common carrier to a distributor where it is then installed on a truck chassis. Generally, the wrecker or car carrier bodies are painted, and towing operators can select customized colors to coordinate with chassis colors or customer fleet colors. To the extent final painting is required before delivery, we either complete such painting or contract with independent paint shops for such services.

We purchase raw materials and component parts from several sources. Although we have no long-term supply contracts, management believes we have good relationships with our primary suppliers. In recent years prices have fluctuated significantly, but we have experienced no significant problems in obtaining adequate supplies of raw materials and component parts to meet the requirements of our production schedules. Management believes that the materials used in the production of our products are available at competitive prices from an adequate number of alternative suppliers. Accordingly, management does not believe that the loss of a single supplier would have a material adverse effect on our business.

Sales, Distribution and Marketing

The industry categorizes the towing and recovery market into three general product types: light-duty wreckers; heavy-duty wreckers; and car carriers. The light-duty wrecker market consists primarily of professional wrecker operators, repossession towing services, local and national governmental entities and repair shop or salvage company owners. The heavy-duty market includes professional wrecker operators serving the needs of commercial vehicle operators as well as governmental entities. The car carrier market has expanded to include equipment rental companies that offer delivery service and professional towing operators who desire to complement their existing towing capabilities.

We have developed a diverse network of independent distributors, consisting of approximately 80 distributors in North America, who serve all 50 states, Canada and Mexico, and numerous distributors that serve other foreign markets. In 2018, no single distributor accounted for more than 10% of our sales. Management believes our broad and diverse network of distributors provides us with the flexibility to adapt to market changes, lessens our dependence on particular distributors and reduces the impact of regional economic factors.

We engage sales representatives who provide sales support to our entire network of independent distributors. Sales representatives receive commissions on direct sales based on product type and brand and generally are assigned specific territories in which to promote sales of our products and to maintain customer relationships. To support sales and marketing efforts, we produce demonstrator models that are used by our sales representatives and independent distributors. In addition to providing services to our network of independent distributors, our sales representatives sell our products to various governmental entities, including the U.S. federal government and foreign governments, through prime contractors.

We routinely respond to requests for proposals or bid invitations in consultation with our local distributors. Our products have been selected by the United States General Services Administration as an approved source for certain federal and defense agencies. We intend to continue to pursue U.S. government and foreign government contracting opportunities.

The towing and recovery equipment industry places heavy marketing emphasis on product exhibitions at national, regional and international trade shows. To focus our marketing efforts and to control marketing costs, we concentrate our efforts on the major trade shows each year, and we work with our network of independent distributors to concentrate on various regional shows.

Product Warranties and Insurance

We generally offer a 12-month limited manufacturer's product and service warranty on our wrecker and car carrier products. Our warranty generally provides for repair or replacement of failed parts or components. Our independent distributor customers regularly perform any needed warranty repair work themselves, rather than shipping products back to us, and then invoice us for the cost of the parts and labor. Management believes that we maintain adequate general liability and product liability insurance.

Backlog

We produce virtually all of our products to order. Our backlog is based upon customer purchase orders that we believe are firm. The level of backlog at any particular time, however, may not be an appropriate indicator of our future operating performance. Certain purchase orders may be subject to cancellation by the customer upon notification. Given our production and delivery schedules, management generally believes that the current backlog represents approximately five months of production.

Competition

The towing and recovery equipment manufacturing industry is highly competitive for sales to distributors and towing operators. Management believes that competition in this industry focuses on product quality and innovation, reputation, technology, customer service, product availability and price. We compete on the basis of each of these criteria, with an emphasis on product quality and innovation and customer service. Management also believes that a manufacturer's relationship with distributors is a key component of success in the industry. Accordingly, we have invested substantial resources and management time in building and maintaining strong relationships with distributors. Management also believes that our products are regarded as high quality within their particular price points. Our marketing strategy is to continue to compete primarily on the basis of quality and reputation rather than solely on the basis of price, and to continue to target the growing group of professional towing operators who as end-users recognize the quality of our products.

Traditionally, the capital requirements for entry into the towing and recovery manufacturing industry have been relatively low. Management believes a manufacturer's capital resources and access to technological improvements have become a more integral component of success in recent years. Certain of our competitors may have greater financial and other resources and may provide more attractive dealer and retail customer financing alternatives than we do.

Employees

We employed approximately 1,240 people as of December 31, 2018. None of our employees are covered by a collective bargaining agreement, though our employees in France and the United Kingdom have certain similar rights provided by their respective government's employment regulations. We consider our employee relations to be good.

Intellectual Property Rights

Our development of the underlift parallel linkage and L-arms was at the time considered one of the most innovative developments in the wrecker industry. This technology continues to be significant primarily because it allows the damage-free towing of aerodynamic vehicles made of lighter weight materials. This technology, particularly the L-arms, is still used in a majority of commercial wreckers today. Our patents on the L-arm have expired, but we hold a number of utility and design patents for our products. We have also obtained the rights to use and develop certain technologies owned or patented by others. Management believes that, during the life of our patents on our technology, utilizing our patented technology without a license would be an infringement of such patents.

Our trademarks "Century®," "Holmes®," "Champion®," "Challenger®," "Pro Star®," "Street Runner®," "Vulcan®," "Right Approach®" and "Extreme Angle®," among others, are registered with the United States Patent and Trademark Office. Management believes that our trademarks are well-recognized by dealers, distributors and end-users in their respective markets and are associated with a high level of quality and value.

Government Regulations and Environmental Matters

Our operations are subject to federal, state and local laws and regulations relating to the generation, storage, handling, emission, transportation and discharge of materials into the environment. Management believes that we are in substantial compliance with all applicable federal, state and local provisions relating to the protection of the environment. The costs of complying with environmental protection laws and regulations have not had a material adverse impact on our financial condition or results of operations in the past.

We act as a subcontractor for certain U.S. and other government programs. As a result, we are subject to extensive regulations and requirements of the U.S. and other government agencies and entities that govern these programs, including with respect to the award, administration and performance of contracts under such programs.

We are also subject to the additional diligence and disclosure requirements adopted by the Securities and Exchange Commission (the "SEC") in 2012 related to certain minerals sourced from the Democratic Republic of Congo or adjoining countries in connection with the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). The SEC rules impose these obligations with respect to "conflict minerals," defined as tin, tantalum, tungsten and gold, which are necessary to the functionality of a product manufactured, or contracted to be manufactured, by an SEC reporting company. If any "conflict minerals" that are necessary to the functionality of a product manufactured by an SEC reporting company originated in the Democratic Republic of Congo or an adjoining country, the rules require the issuer to prepare and file a report addressing its efforts to exercise due diligence on the source of such "conflict minerals" and their chain of custody.

We are also subject to the Magnuson-Moss Warranty Federal Trade Commission Improvement Act which regulates the description of warranties on products. The description and substance of our warranties are also subject to a variety of federal and state laws and regulations applicable to the manufacturing of vehicle components. Management believes that continued compliance with various government regulations will not materially affect our operations.

Executive Officers of the Registrant

Information relating to our current executive officers is set forth below. William G. Miller, II is the son of William G. Miller. Other than Messrs. Miller and Miller II, there are no family relationships among the executive officers, directors or nominees for director, nor are there any arrangements or understandings between any of the executive officers and any other persons pursuant to which they were selected as executive officers.

Name	Age	Position
William G. Miller	72	Chairman of the Board
Jeffrey I. Badgley	66	Co-Chief Executive Officer
William G. Miller, II	40	President and Co-Chief Executive Officer
Frank Madonia	70	Executive Vice President, Secretary and General Counsel
Deborah Whitmire	53	Executive Vice President, Chief Financial Officer and Treasurer
Josias W. Reyneke	62	Chief Information Officer

William G. Miller has served as Chairman of the Board since April 1994. Mr. Miller served as President and Chief Executive Officer from 1994 to 1996 and as Chief Executive Officer from 1996 to 1997. Mr. Miller also served as Co-Chief Executive Officer from October 2003 to March 2011. Mr. Miller served as Chairman and President of Miller Group from 1990 to 1993 and as Chairman and CEO of Miller Group from 1993 to 1994. Prior to 1987, Mr. Miller served in various management positions for Bendix Corporation, Neptune International Corporation, Wheelabrator-Frye, Inc. and The Signal Companies, Inc.

Jeffrey I. Badgley has served as our Co-Chief Executive Officer since December 2013. Prior to serving as Co-Chief Executive officer, Mr. Badgley served in various executive positions, including Vice President (1994 – 1996), President (1996 – 2011), Chief Executive Officer (1997 – 2003; 2011 – 2013), and Co-Chief Executive Officer (2003 – 2011). In addition, Mr. Badgley served as a director from 1996 to 2014 and as Vice Chairman of the Board from 2011 to 2014. Mr. Badgley also served as Vice President to Miller Industries Towing from 1988 to 1996 and has been their President since 1996.

William G. Miller, II has served as a director since May 2014, our Co-Chief Executive Officer since December 2013 and President since March 2011, after serving as a Regional Vice President of Sales of Miller Industries Towing Equipment Inc. from November 2009 to February 2011. Mr. Miller II served as Vice President of Strategic Planning of the Company from October 2007 until November 2009. Mr. Miller II served as Light-Duty General Manager from November 2004 to October 2007 and as a Sales Representative of Miller Industries Towing Equipment Inc. from 2002 to 2004.

Frank Madonia has served as our Executive Vice President, Secretary and General Counsel since September 1998. From April 1994 to September 1998 Mr. Madonia served as our Vice President, General Counsel and Secretary. Mr. Madonia served as Secretary and General Counsel to Miller Industries Towing Equipment Inc. since its acquisition by Miller Group in 1990. From July 1987 through April 1994, Mr. Madonia served as Vice President, General Counsel and Secretary of Flow Measurement. Prior to 1987, Mr. Madonia served in various legal and management positions for United States Steel Corporation, Neptune International Corporation, Wheelabrator-Frye, Inc. and The Signal Companies, Inc.

Deborah Whitmire has served as our Executive Vice President, Chief Financial Officer and Treasurer since January 2017, after serving as our Vice President and Corporate Controller from January 2014 to December 2016 and Corporate Controller to Miller Industries Towing Equipment Inc. from March 2005 to January 2014. From April 2000 to March 2005, she also served as Director of Finance – Manufacturing to Miller Industries Towing Equipment Inc. In addition, she served as Controller to Miller Industries Towing Equipment Inc. from October 1997 to April 2000 and Accounting Manager to Miller Industries Towing Equipment Inc. from October 1996 to October 1997.

Josias W. Reyneke has served as our Chief Information Officer since January 2017, after serving as our Vice President of Operations to Miller Industries Towing Equipment Inc. from July 2011 to December 2016. From 2002 to 2011, Mr. Reyneke served as Director of Management Information Systems and Materials of Miller Industries Towing Equipment Inc. Mr. Reyneke joined Miller Industries Towing Equipment Inc. as a consultant in 1997 to assist with the implementation of an enterprise resource planning system and was subsequently offered the position of Director of Management Information Systems in 1998, a position he held until 2002. Prior to 1998, Mr. Reyneke also served in various management positions for SE Technologies, Wheels of Africa and Toyota South Africa.

Available Information

We file annual, quarterly and current reports and other information with the SEC. The SEC maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Our Internet website address is www.millerind.com. We make available free of charge through our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to those reports, as soon as reasonably practicable after we file them with, or furnish them to, the Securities and Exchange Commission. Information contained on our website is not part of this Annual Report on Form 10-K or our other filings with the SEC.

Our Corporate Governance Guidelines, Code of Business Conduct and Ethics and the charters of the Audit, Compensation and Nominating Committees of the Board of Directors are also available on our website.

ITEM 1A.

RISK FACTORS

There are many factors that affect our business and the results of our operations, some of which are beyond our control. The following is a description of all known material risks that may cause the actual results of our operations in future periods to differ materially from those currently expected or desired. We encourage you to read this section carefully.

Our business is subject to the cyclical nature of our industry and changes in consumer confidence and in economic conditions in general. Adverse changes or continued uncertainty with respect to these factors may lead to a downturn in our business.

The towing and recovery industry is cyclical in nature. In recent years, the overall demand for our products and resulting revenues have been positively affected by recovering economic conditions and improving consumer sentiment. 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 for our customers and towing operators and the overall effects of global economic conditions. We remain concerned about the potential 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. A prolonged economic downturn, and slow or negative growth in the domestic and global economy, could have a material adverse effect on our business, financial condition and results of operations for the foreseeable future.

Demand from our customers and towing operators is affected by the availability of capital and access to credit.

The ability of our customers and of towing operators to purchase our products is affected by the availability of capital and credit to them. Our independent distributor customers rely on floor plan financing in connection with the purchase of our products, and the availability of that financing on acceptable terms has a direct effect on the volume of their purchases. Additionally, in many cases, a towing operator's decision to purchase our products from one of our distributors is dependent upon their ability to obtain financing upon acceptable terms. Volatility and disruption in the capital and credit markets, principally in the U.S. and Europe, in the past has decreased the availability of capital to, and credit capacity of, our customers and towing operators. In addition, in the past, certain providers of floor plan financing have exited the market, which made floor plan financing increasingly difficult for our independent distributor customers to secure at those times. This reduced availability of capital and credit has negatively affected the ability and capacity of our customers and of towing operators to purchase towing and related equipment. This, in turn, has negatively impacted sales of our products. If customers are unable to access capital or credit, it could materially and adversely affect our ability to sell our products, and as a result, could negatively affect our business and operating results.

Our dependence upon outside suppliers for our raw materials, including aluminum, steel, petroleum-related products and other purchased component parts, leaves us subject to changes in price (including as a result of the imposition of tariffs) and delays in receiving supplies of such materials or parts.

We are dependent upon outside suppliers for our raw material needs and other purchased component parts, and events beyond our control could have an adverse effect on the cost or availability of raw materials and component parts. Steel, aluminum, fuel and other commodity prices have historically experienced high volatility depending on market conditions and global demand. Price increases or changes in payment terms from our suppliers of raw materials or component parts could impact our ability to secure necessary raw materials or component parts, or to secure such materials and parts at favorable prices. In addition, government actions related to tariffs on imports and trade policies have impacted, and have the potential to further impact, pricing of raw materials, such as steel and aluminum. For example, in 2018 the United States 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. The Company uses a substantial amount of imported steel and aluminum in its products and experienced increases in costs for these materials as a result of the tariffs and import quotas. To partially offset price increases for raw materials and component parts, we have, from time to time, implemented general price increases and cost surcharges. While we have attempted to pass these increased costs (including as a result of tariffs and import quotas) on to our customers, there can be no assurance that we will be able to continue to do so. Any further price increases for these or any other materials that we use would require a long lead time to implement while the higher material costs would be felt much sooner. In the future, if we experience increased prices or shortages for key materials that are essential to our manufacturing operations, such as steel and aluminum (including as a result of tariffs or import quotas), there is a substantial risk that the Company's financial performance and competitive position could be materially adversely impacted.

Demand for our products also could be negatively affected by supply delays of truck chassis and other component parts used in our products. Our third party suppliers' ability to supply us with truck chassis and component parts is limited by their available capacity to manufacture the component parts we require. We have experienced supply delays and limitations for component parts as our production levels have substantially increased over the last several years. If these delays continue or worsen, our customers may reduce their purchase levels with us and/or seek alternative solutions to meet their demand. At this time, we believe that sources of our raw materials and component parts will continue to be adequate to meet our requirements and that alternative sources are available. However, shortages, price increases or delays in shipments of our raw materials and component parts could have a material adverse effect on our financial performance, competitive position and reputation.

Operational challenges caused by our increased sales volumes could result in material delays, increased costs and loss of business opportunities, which could negatively impact our operating results and financial condition.

Substantially increased sales of our products over the last five years have caused a variety of operating challenges, including supply chain constraints and production capacity limitations. The recent major additions and renovations to all our domestic production facilities have allowed us to effectively address these challenges, but they have nevertheless caused increased production costs and delayed deliveries to customers in some instances. These factors could in the future result in delay or termination of orders, the loss of sales and a negative impact on our reputation with our customers, all of which could materially adversely affect our business, financial condition and results of operations. In addition, our recent major additions and renovations to all our domestic facilities may not achieve our intended objectives of lowering costs, improving manufacturing efficiencies and increasing productivity, which could adversely affect our operating results and financial condition.

Overall demand from our customers may be affected by increases in their fuel and insurance costs and changes in weather conditions.

In the past, our customers have experienced substantial increases in fuel and other transportation costs, and in the cost of insurance. Our customers also have, from time to time, been subject to unpredictable and varying weather conditions which could, among other things, impact the cost and availability of fuel and other materials. Any of these factors could negatively affect our customers' capacity for purchasing towing and related equipment, and, consequently, have a material negative effect upon our business and operating results.

Our international operations are subject to various political, economic and other uncertainties that could adversely affect our business results, including by restrictive taxation or other government regulation and by foreign currency fluctuation.

Historically, a portion of our net sales occur outside the United States, primarily in Europe. In addition, we have manufacturing operations at two facilities located in the Lorraine region of France and manufacturing operations in Norfolk, England. As a result, our operations are subject to various political, economic and other uncertainties, including risks of restrictive taxation policies, changing political conditions and governmental regulations and trade policies. This includes the uncertainty surrounding the United Kingdom's expected exit from the European Union, commonly referred to as "Brexit," which is currently scheduled to occur on March 29, 2019. The United Kingdom and the European Union have had ongoing negotiations with respect to the United Kingdom's withdrawal terms; however, there is continued uncertainty surrounding their future relationship and whether a transition plan will be agreed. Brexit could adversely affect European or worldwide political, regulatory, economic or market conditions and could contribute to instability in political institutions and regulatory agencies. Brexit could also have the effect of disrupting the free movement of goods, services, and people between the United Kingdom, the European Union and elsewhere.

In addition, a portion of our net sales derived outside the United States, as well as salaries of employees located outside the United States and certain other expenses, are denominated in foreign currencies, including the British pound and the Euro. We are, therefore, subject to risk of financial loss resulting from fluctuations in exchange rates of these currencies against the U.S. dollar. Brexit has caused, and may continue to result in, significant volatility in global stock markets and currency exchange rate fluctuations of the U.S. dollar relative to other foreign currencies in which we conduct business. In addition, political unrest, terrorist acts, military conflict and disease outbreaks have increased the risks of doing business abroad in general.

Our sales to U.S. and other governmental entities through prime contractors are subject to special risks.

We act as a subcontractor for certain U.S. and other government programs. As a result, we are subject to extensive regulations and requirements of the U.S. and other government agencies and entities that govern these programs, including with respect to the award, administration and performance of contracts under such programs. Our U.S. and other government business is subject to the following risks, among others: (i) this business is susceptible to changes in government spending, which may reduce future revenues; (ii) most of our contracts with governmental entities through prime contractors are fixed-price contracts, and our actual costs on any of these contracts could exceed our projected costs, (iii) competition for the award of these contracts is intense, and we may not be successful in bidding on future contracts, and (iv) the products we sell to governmental entities are subject to highly technical requirements, and any failure to comply with these requirements could result in unanticipated retrofit costs, delayed acceptance of products, late or reduced payment or cancellation of the contract. Our inability to address any of the foregoing concerns could seriously harm our business, financial condition and results of operations.

In addition, several of our substantial military projects are scheduled to be completed over the course of the next year. We are continually seeking to secure new military orders, but these orders have long and complex approval processes so the success and timing of any such efforts is difficult to predict. Our inability to replace sales generated from military orders as they are completed would result in lower sales and have an adverse effect on our business, results of operations and financial condition.

Failure to comply with domestic and foreign anti-corruption laws could have an adverse effect on our business.

Our international operations require us to comply with a number of U.S. and international laws and regulations, including those involving anti-bribery and anti-corruption. Failure to comply with the Foreign Corrupt Practices Act (“FCPA”), the U.K. Bribery Act, and other foreign anti-bribery laws could have an adverse effect on our business. Violations of these laws, or allegations of such violations, could result in our incurring significant fees and having fines and criminal sanctions imposed on us or our employees, and could adversely impact our business with government entities.

Our competitors could impede our ability to attract or retain customers.

The towing and recovery equipment manufacturing industry is highly competitive. Capital requirements for entry into the towing and recovery manufacturing industry have been relatively low, which could result in an increase in the number of competitors entering the industry. Competition for sales exists domestically and internationally at the manufacturer, distributor and towing-operator levels and is based primarily on product quality and innovation, reputation, technology, customer service, product availability and price. Competition for sales also comes from the market for used towing and recovery equipment. Certain of our competitors may have substantially greater financial and other resources and may provide more attractive dealer and retail customer financing alternatives than us. If these competitors are able to make it more difficult for us to attract or retain customers, it could have a negative impact on our sales, revenue and financial performance.

Our future success depends upon our ability to develop or acquire proprietary products and technology and assertions against us relating to intellectual property rights could harm our business.

Historically, we have been able to develop or acquire patented and other proprietary product innovations which have allowed us to produce what management believes to be technologically advanced products relative to most of our competition. While we are continuing to develop new technology and apply for patents, if we are unable to develop or acquire new products and technology in the future, our ability to maintain market share, and, consequently, our revenues and operating results, may be negatively affected .

Third parties may claim that our products infringe their patents or other intellectual property rights. If a competitor were to challenge our patents, or assert that our products or processes infringe its patent or other intellectual property rights, we could incur substantial litigation costs, be forced to design around their patents, pay substantial damages or even be forced to cease our operations, any of which could be expensive and/or have an adverse effect on our operating results. Third party infringement claims, regardless of their outcome, would not only consume our financial resources, but also would divert the time and effort of our management and could result in our customers or potential customers deferring or limiting their purchase or use of the affected products or services until resolution of the litigation.

We depend upon skilled labor to manufacture our products, and if we experience problems hiring and retaining skilled labor, our business may be negatively affected.

The timely manufacture and delivery of our products requires an adequate supply of skilled labor, and the operating costs of our manufacturing facilities can be adversely affected by high turnover in skilled positions. Accordingly, our ability to increase sales, productivity and net earnings will be limited to a degree by our ability to employ the skilled laborers necessary to meet our requirements. We must attract, train and retain skilled employees while controlling related labor costs and maintaining our core values. Our ability to control labor costs is subject to numerous external factors, including prevailing wage rates and increases in healthcare and other insurance costs. There can be no assurance that we will be able to maintain an adequate skilled labor force necessary to efficiently operate our facilities. In addition, while our employees are not currently members of a union, there can be no assurance that the employees at any of our facilities will not choose to become unionized in the future.

A disruption in, or breach in security of, our information technology ("IT") systems or any violation of data protection laws could adversely impact our business and operations.

We rely on the accuracy, capacity and security of our IT systems and our ability to update these systems in response to the changing needs of our business. We use our IT systems to collect and store confidential and sensitive data, including information about our business, our customers, our suppliers and our employees. We rely on IT systems to protect this information and to keep financial records, process orders, manage inventory, coordinate shipments to customers, and operate other critical functions. Our IT systems may be disrupted or fail for a number of reasons, including natural disasters, such as fires; power loss; software "bugs", hardware defects or human error or malfeasance; or security breaches caused by hacking, computer viruses, malware, ransomware or other cyber-attacks.

As technology continues to evolve, we anticipate that we will collect and store even more data in the future and that our systems will increasingly use remote communication features that are susceptible to both willful and unintentional security breaches. We have incurred costs and expect to incur significant additional costs in order to implement security measures that we feel are appropriate to protect our IT systems. Despite these efforts, future attacks could result in our systems or data being breached and/or damaged by computer viruses or unauthorized physical or electronic access. Such a breach could result in theft of our intellectual property or trade secrets and/or unauthorized access to controlled data and personal information stored in connection with our human resources function. In the event of a breach in security that allows third parties access to personal information, we are subject to a variety of ever-changing laws on a global basis that may require us to provide notification to the data owners, and that may subject us to lawsuits, fines and other means of regulatory enforcement or harm employee morale.

Any disruption, outage or breach of our IT systems could result in interruption of our business operations, damage to our reputation and a loss of confidence in our security measures, all of which could adversely affect our business. In addition, if our systems are improperly implemented, breached, damaged or cease to function properly, we may have to make significant investments to fix or replace them. To the extent that any data is lost or destroyed or any confidential information is inappropriately disclosed or used, it could adversely affect our competitive position or customer relationships, harm our business and possibly lead to significant claims, liability, or fines based upon alleged breaches of contract or applicable laws. Regulators globally are also imposing greater monetary fines for privacy violations. For example, in 2016, the European Union adopted a new law governing data practices and privacy called the General Data Protection Regulation (“GDPR”), which became effective in May 2018. The law establishes new requirements regarding the handling of personal data, and non-compliance with the GDPR may result in monetary penalties of up to 4% of worldwide revenue. The GDPR and other changes in laws or regulations associated with the enhanced protection of certain types of sensitive data, such as healthcare data or other personal information, could increase our cost of providing our products and services.

Changes in the tax regimes and related government policies and regulations in the countries in which we operate could adversely affect our results and our effective tax rate.

As a result of our international operations, we are subject to various taxes in both U.S. and non-U.S. jurisdictions. Due to economic and political conditions, tax laws, regulations and rates in these various jurisdictions may be subject to significant change. Our future effective income tax rate could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets or changes in tax laws or their interpretation. Changes to long-standing tax principles in the countries in which we operate could adversely affect our effective tax rate or result in higher cash tax liabilities. Increases in our effective tax rate or tax liabilities could have a material adverse effect on us.

The catastrophic loss of one of our manufacturing facilities could harm our business, financial condition and results of operations.

While we manufacture our products in several facilities and maintain insurance covering our facilities, including business interruption insurance to mitigate losses resulting from any production interruption or shutdown caused by an insured loss, a catastrophic loss of the use of all or a portion of any one of our manufacturing facilities due to accident, labor issues, weather conditions, natural disaster, civil unrest or otherwise, whether short or long-term, could materially harm our business, financial condition and results of operations. Any recovery under our insurance policies may not offset the lost sales or increased costs that may be experienced during the disruption of operations.

The effects of regulations relating to conflict minerals may adversely affect our business.

In 2012, the SEC adopted rules under the Dodd-Frank Wall Street Reform and Consumer Protection Act to improve transparency and accountability concerning the supply of certain minerals, known as “conflict minerals”, originating from the Democratic Republic of Congo and adjoining countries. These rules could adversely affect the sourcing, availability and pricing of such minerals if they are found to be used in the manufacture of our products, as the number of suppliers who provide conflict-free minerals may be limited. In addition, we have incurred and expect to incur additional costs to comply with the disclosure requirements, including costs related to determining the source of any of the relevant minerals and metals used in our products. The Company's supply chain is complex. As a result, we have encountered and continue to expect significant difficulty in determining the country of origin or the source and chain of custody for all “conflict minerals” used in our products and disclosing that our products are “conflict free” (meaning that they do not contain “conflict minerals” that directly or indirectly finance or benefit armed groups in the Democratic Republic of the Congo or an adjoining country). We may face reputational challenges from customers, investors or others if we are unable to verify the origins for all “conflict minerals” used in our products. In such event, we may also face difficulties in satisfying customers who may require that all of the components of our products be certified as conflict mineral free.

Environmental and health and safety liabilities and requirements could require us to incur material costs.

We are subject to various U.S. and foreign laws and regulations relating to environmental protection and worker health and safety, including those governing discharges of pollutants into the ground, air and water; the generation, handling, use, storage, transportation, treatment and disposal of hazardous substances and waste materials; and the investigation and cleanup of contaminated properties. In certain cases, these regulatory requirements may limit the productive capacity of our operations.

Environmental and health-related requirements are complex, subject to change and have tended to become more and more stringent. Future developments could cause us to incur various expenditures and could also subject us to fines or sanctions, obligations to investigate or remediate contamination or restore natural resources, liability for third party property damage or personal injury claims and the imposition of new permitting requirements and/or the modification or revocation of our existing operating permits, among other effects. These and other developments could materially harm our business, financial condition and results of operation.

Any loss of the services of our key executives could have a material adverse impact on our operations.

Our success is highly dependent on the continued services of our management team. The loss of services of one or more key members of our senior management team could have a material adverse effect on us.

A product warranty or product liability claim in excess of our insurance coverage, or an inability to acquire or maintain insurance at commercially reasonable rates, could have a material adverse effect upon our business.

We are subject to various claims, including product warranty and product liability claims arising in the ordinary course of business, and may at times be a party to various legal proceedings incidental to our business. We maintain reserves and liability insurance coverage at levels based upon commercial norms and our historical claims experience. If we manufacture poor quality products or receive defective materials, we may incur unforeseen costs in excess of what we have reserved in our financial statements. A successful product warranty, product liability or other claim brought against us in excess of our insurance coverage, or the inability of us to acquire or maintain insurance at commercially reasonable rates, could have a material adverse effect upon our business, operating results and financial condition. In addition, we are subject to potential recalls of components or parts manufactured by suppliers which we purchase and incorporate into our towing and recovery equipment products, as well as potential recalls of our products from customers to cure manufacturing defects or in the event of a failure to comply with applicable regulatory standards or customers' order specifications. Moreover, the adverse publicity that may result from a product liability claim, perceived or actual defect with our products or a product recall could have a material adverse effect on our

ability to market our products successfully.

Our stock price may fluctuate greatly as a result of the general volatility of the stock market.

From time to time, there may be significant volatility in the market price for our common stock. Our quarterly operating results, changes in earnings estimated by analysts, if any, changes in general conditions in our industry or the economy or the financial markets or other developments affecting us, including our ability to pay dividends, could cause the market price of our common stock to fluctuate substantially.

Our charter and bylaws contain anti-takeover provisions that may make it more difficult or expensive to acquire us in the future or may negatively affect our stock price.

Our charter and bylaws contain restrictions that may discourage other persons from attempting to acquire control of us, including, without limitation, prohibitions on shareholder action by written consent and advance notice requirements regarding amendments to certain provisions of our charter and bylaws. In addition, our charter authorizes the issuance of up to 5,000,000 shares of preferred stock. The rights and preferences for any series of preferred stock may be set by the board of directors, in its sole discretion and without shareholder approval, and the rights and preferences of any such preferred stock may be superior to those of common stock and thus may adversely affect the rights of holders of common stock.

Our current credit facility could restrict our ability to operate our business and failure to comply with its terms could adversely affect our business; our obligations to repurchase products from third-party lenders to our distributors could adversely impact our future revenues and financial condition.

Our current credit facility contains customary representations and warranties, events of default, and financial, affirmative and negative covenants for loan agreements of this kind. In addition, covenants under our current credit facility restrict our ability to pay 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 anticipate that we will continue to be in compliance during 2019. If we fail to comply with the requirements of our current credit facility, such non-compliance would result in an event of default. If not waived by the bank, such event of default would result in the acceleration of any amounts due under the current credit facility. The borrowings under the credit facility in 2018 were primarily used to finance working capital and various capital expenditure projects.

We also have certain obligations to repurchase our products from third-party lenders if our distributors should default in their obligations to those lenders. Such repurchases could result in reduced net revenue in future periods as we resell such products and, if we are unable to sell the products, could adversely impact our financial condition.

