

FERRO CORP
Form 10-Q
July 27, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2016

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 Number 1-584

FERRO CORPORATION

(Exact name of registrant as specified in its charter)

Ohio	34-0217820
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
6060 Parkland Boulevard	44124
Suite 250	(Zip Code)
Mayfield Heights, OH	
(Address of principal executive offices)	
216-875-5600	
(Registrant's telephone number, including area code)	

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

Ferro Corporation and Subsidiaries

Condensed Consolidated Statements of Operations

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(Dollars in thousands, except per share amounts)			
Net sales	\$ 297,977	\$ 268,214	\$ 575,428	\$ 530,986
Cost of sales	199,604	190,574	392,826	382,711
Gross profit	98,373	77,640	182,602	148,275
Selling, general and administrative expenses	57,871	52,695	110,517	102,151
Restructuring and impairment charges	787	1,116	1,668	1,625
Other expense (income):				
Interest expense	5,428	3,110	10,275	6,260
Interest earned	(115)	(57)	(200)	(94)
Foreign currency losses, net	389	2,827	2,000	4,555
Miscellaneous expense (income), net	669	(161)	(2,784)	238
Income before income taxes	33,344	18,110	61,126	33,540
Income tax expense	8,484	5,679	16,502	8,138
Income from continuing operations	24,860	12,431	44,624	25,402
(Loss) from discontinued operations, net of income taxes	(5,748)	(5,646)	(35,242)	(9,602)
Net income	19,112	6,785	9,382	15,800
Less: Net income (loss) attributable to noncontrolling interests	143	186	379	(1,769)
Net income attributable to Ferro Corporation common shareholders	\$ 18,969	\$ 6,599	\$ 9,003	\$ 17,569
Earnings (loss) per share attributable to Ferro Corporation common shareholders:				
Basic earnings (loss):				
Continuing operations	\$ 0.30	\$ 0.14	\$ 0.53	\$ 0.31
Discontinued operations	(0.07)	(0.06)	(0.42)	(0.11)
	\$ 0.23	\$ 0.08	\$ 0.11	\$ 0.20
Diluted earnings (loss):				
Continuing operations	\$ 0.29	\$ 0.14	\$ 0.53	\$ 0.31
Discontinued operations	(0.07)	(0.06)	(0.42)	(0.11)
	\$ 0.22	\$ 0.08	\$ 0.11	\$ 0.20

See accompanying notes to condensed consolidated financial statements.

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Ferro Corporation and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income (Loss)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(Dollars in thousands)			
Net income	\$ 19,112	\$ 6,785	\$ 9,382	\$ 15,800
Other comprehensive income (loss), net of income tax:				
Foreign currency translation (loss) income	(3,269)	9,407	(4,947)	(28,389)
Postretirement benefit liabilities gain (loss)	27	(18)	295	(2)
Other comprehensive (loss) income, net of income tax	(3,242)	9,389	(4,652)	(28,391)
Total comprehensive income (loss)	15,870	16,174	4,730	(12,591)
Less: Comprehensive (loss) income attributable to noncontrolling interests	(9)	185	259	(2,908)
Comprehensive income (loss) attributable to Ferro Corporation	\$ 15,879	\$ 15,989	\$ 4,471	\$ (9,683)

See accompanying notes to condensed consolidated financial statements.

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Ferro Corporation and Subsidiaries

Condensed Consolidated Balance Sheets

	June 30, 2016	December 31, 2015
	(Dollars in thousands)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 49,416	\$ 58,380
Accounts receivable, net	278,931	231,970
Inventories	207,299	184,854
Deferred income taxes	—	12,088
Other receivables	32,008	34,088
Other current assets	15,479	15,695
Current assets held-for-sale	18,648	16,215
Total current assets	601,781	553,290
Other assets		
Property, plant and equipment, net	252,548	260,429
Goodwill	141,162	145,669
Intangible assets, net	110,493	106,633
Deferred income taxes	100,126	87,385
Other non-current assets	48,206	48,767
Non-current assets held-for-sale	370	23,178
Total assets	\$ 1,254,686	\$ 1,225,351
LIABILITIES AND EQUITY		
Current liabilities		
Loans payable and current portion of long-term debt	\$ 10,451	\$ 7,446
Accounts payable	129,946	120,380
Accrued payrolls	28,713	28,584
Accrued expenses and other current liabilities	60,525	54,664
Current liabilities held-for-sale	4,165	7,156
Total current liabilities	233,800	218,230
Other liabilities		
Long-term debt, less current portion	485,436	466,108
Postretirement and pension liabilities	147,820	148,249
Other non-current liabilities	65,080	66,990
Non-current liabilities held-for-sale	1,643	1,493
Total liabilities	933,779	901,070
Equity		
Ferro Corporation shareholders' equity:	93,436	93,436

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Common stock, par value \$1 per share; 300.0 million shares authorized; 93.4 million shares issued; 83.2 million and 84.0 million shares outstanding at June 30, 2016, and December 31, 2015, respectively

Paid-in capital	307,059	314,854
Retained earnings	144,510	135,507
Accumulated other comprehensive loss	(65,850)	(61,318)
Common shares in treasury, at cost	(166,329)	(166,020)
Total Ferro Corporation shareholders' equity	312,826	316,459
Noncontrolling interests	8,081	7,822
Total equity	320,907	324,281
Total liabilities and equity	\$ 1,254,686	\$ 1,225,351

See accompanying notes to condensed consolidated financial statements.

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Ferro Corporation and Subsidiaries

Condensed Consolidated Statements of Equity

	Ferro Corporation Shareholders Common Shares in Treasury		Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Non- controlling Interests	Total Equity
	Shares	Amount						
	(Dollars in thousands)							
Balances at December 31, 2014	6,445	\$ (136,058)	\$ 93,436					