

FERRO CORP
Form 10-Q
July 29, 2015
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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, 2015

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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company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Accelerated filer
Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES NO

At June 30, 2015, there were 87,269,707 shares of Ferro Common Stock, par value \$1.00, outstanding.

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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,	
	2015	2014	2015	2014
	(Dollars in thousands, except per share amounts)			
Net sales	\$ 268,214	\$ 294,217	\$ 530,986	\$ 574,944
Cost of sales	190,574	215,763	382,711	421,537
Gross profit	77,640	78,454	148,275	153,407
Selling, general and administrative expenses	52,695	49,260	102,151	100,629
Restructuring and impairment charges	1,116	1,958	1,625	6,308
Other expense (income):				
Interest expense	3,110	4,673	6,260	9,184
Interest earned	(57)	(14)	(94)	(29)
Foreign currency losses, net	2,827	27	4,555	1,373
Miscellaneous (income) expense, net	(161)	3,456	238	4,218
Income before income taxes	18,110	19,094	33,540	31,724
Income tax expense	5,679	5,186	8,138	7,667
Income from continuing operations	12,431	13,908	25,402	24,057
(Loss) income from discontinued operations, net of income taxes	(5,646)	(3,520)	(9,602)	3,064
Net income	6,785	10,388	15,800	27,121
Less: Net income (loss) attributable to noncontrolling interests	186	429	(1,769)	(43)
Net income attributable to Ferro Corporation common shareholders	\$ 6,599	\$ 9,959	\$ 17,569	\$ 27,164
Earnings (loss) per share attributable to Ferro Corporation common shareholders:				
Basic earnings (loss):				
Continuing operations	\$ 0.14	\$ 0.15	\$ 0.31	\$ 0.28
Discontinued operations	(0.06)	(0.04)	(0.11)	0.03
	\$ 0.08	\$ 0.11	\$ 0.20	\$ 0.31
Diluted earnings (loss):				
Continuing operations	\$ 0.14	\$ 0.15	\$ 0.31	\$ 0.27
Discontinued operations	(0.06)	(0.04)	(0.11)	0.04
	\$ 0.08	\$ 0.11	\$ 0.20	\$ 0.31

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,	
	2015	2014	2015	2014
	(Dollars in thousands)			
Net income	\$ 6,785	\$ 10,388	\$ 15,800	\$ 27,121
Other comprehensive income (loss), net of income tax:				
Foreign currency translation income (loss)	9,407	(140)	(28,389)	(490)
Postretirement benefit liabilities loss	(18)	(14)	(2)	(50)
Other comprehensive income (loss), net of income tax	9,389	(154)	(28,391)	(540)
Total comprehensive income (loss)	16,174	10,234	(12,591)	26,581
Less: Comprehensive income (loss) attributable to noncontrolling interests	185	102	(2,908)	(550)
Comprehensive income (loss) attributable to Ferro Corporation	\$ 15,989	\$ 10,132	\$ (9,683)	\$ 27,131

See accompanying notes to condensed consolidated financial statements.

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Ferro Corporation and Subsidiaries

Condensed Consolidated Balance Sheets

	June 30, 2015	December 31, 2014
	(Dollars in thousands)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 211,413	\$ 140,500
Accounts receivable, net	242,482	236,749
Inventories	158,030	158,368
Deferred income taxes	6,508	7,532
Other receivables	26,753	25,635
Other current assets	14,424	17,912
Current assets held-for-sale	17,570	27,087
Total current assets	677,180	613,783
Other assets		
Property, plant and equipment, net	194,459	212,642
Goodwill	92,976	93,733
Intangible assets, net	56,973	57,309
Deferred income taxes	36,186	39,712
Other non-current assets	63,863	60,982
Non-current assets held-for-sale	32,892	18,737
Total assets	\$ 1,154,529	\$ 1,096,898
LIABILITIES AND EQUITY		
Current liabilities		
Loans payable and current portion of long-term debt	\$ 7,332	\$ 8,382
Accounts payable	125,838	129,236
Accrued payrolls	25,048	36,051
Accrued expenses and other current liabilities	47,842	53,133
Current liabilities held-for-sale	6,841	10,016
Total current liabilities	212,901	236,818
Other liabilities		
Long-term debt, less current portion	406,331	303,629
Postretirement and pension liabilities	157,924	167,772
Other non-current liabilities	47,087	50,359
Non-current liabilities held-for-sale	2,168	2,304
Total liabilities	826,411	760,882
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; 87.3 million and 87.0 million shares outstanding at June 30, 2015, and December 31, 2014, respectively

Paid-in capital	314,094	317,404
Retained earnings	88,976	71,407
Accumulated other comprehensive loss	(49,057)	(21,805)
Common shares in treasury, at cost	(128,055)	(136,058)
Total Ferro Corporation shareholders' equity	319,394	324,384
Noncontrolling interests	8,724	11,632
Total equity	328,118	336,016
Total liabilities and equity	\$ 1,154,529	\$ 1,096,898

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				Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Non- controlling Interests	Total Equity
			Common	Paid-in				
	Shares	Amount	Stock	Capital				
	(Dollars in thousands)							
Balances at December 31, 2013	6,730	\$ (143,802)	\$ 93,436	\$ 318,055	\$ (14,664)	\$ 8,493	\$ 12,325	\$ 273,843
Net income (loss)	—	—	—	—	27,164	—	(43)	27,121
Other comprehensive loss	—	—	—	—	—	(33)	(507)	(540)
Stock-based compensation transactions	(268)	7,154	—	(2,516)	—	—	—	4,638
Distributions to noncontrolling interests	—	—	—	—	—	—	(206)	(206)
Balances at June 30, 2014	6,462	(136,648)	93,436	315,539	12,500	8,460	11,569	304,856
Balances at December 31, 2014	6,445	(136,058)	93,436	317,404	71,407	(21,805)	11,632	336,016
Net income (loss)	—	—	—	—	17,569	—	(1,769)	15,800
Other comprehensive loss	—	—	—	—	—	(27,252)	(1,139)	(28,391)
Stock-based compensation transactions	(280)	8,003	—	(3,310)	—	—	—	4,693
Balances at June 30, 2015	6,165	\$ (128,055)	\$ 93,436	\$ 314,094	\$ 88,976	\$ (49,057)	\$ 8,724	\$ 328,118

See accompanying notes to condensed consolidated financial statements.

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Ferro Corporation and Subsidiaries

Condensed Consolidated Statements of Cash Flows

	Six Months Ended June 30,	
	2015	2014
	(Dollars in thousands)	
Cash flows from operating activities		
Net cash provided by operating activities	\$ 3,934	\$ 2,670
Cash flows from investing activities		
Capital expenditures for property, plant and equipment and other long lived assets	(26,554)	(32,805)
Proceeds from sale of assets	125	5,755
Acquisition of TherMark	(5,479)	—
Net cash used in investing activities	 nbsp;nbsp;	