

FERRO CORP
Form 10-Q
July 26, 2017
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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, 2017

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 (I.R.S. Employer Identification No.)
incorporation or organization)

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

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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	(Do not check if a smaller reporting company)	Smaller reporting company
		Emerging growth company

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

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

At June 30, 2017, there were 83,694,147 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,	
	2017	2016	2017	2016
	(Dollars in thousands, except per share amounts)			
Net sales	\$ 348,632	\$ 297,977	\$ 669,187	\$ 575,428
Cost of sales	240,290	199,604	462,051	392,826
Gross profit	108,342	98,373	207,136	182,602
Selling, general and administrative expenses	62,514	57,871	121,472	110,517
Restructuring and impairment charges	3,224	787	6,242	1,668
Other expense (income):				
Interest expense	6,449	5,428	12,673	10,275
Interest earned	(175)	(115)	(355)	(200)
Foreign currency losses, net	4,868	389	4,554	2,000
Loss on extinguishment of debt	—	—	3,905	—
Miscellaneous expense (income), net	1,538	669	(538)	(2,784)
Income before income taxes	29,924	33,344	59,183	61,126
Income tax expense	8,695	8,484	15,833	16,502
Income from continuing operations	21,229	24,860	43,350	44,624
Loss from discontinued operations, net of income taxes	—	(5,748)	—	(35,242)
Net income	21,229	19,112	43,350	9,382
Less: Net income attributable to noncontrolling interests	204	143	427	379
Net income attributable to Ferro Corporation common shareholders	\$ 21,025	\$ 18,969	\$ 42,923	\$ 9,003
Earnings (loss) per share attributable to Ferro Corporation common shareholders:				
Basic earnings (loss):				
Continuing operations	\$ 0.25	\$ 0.30	\$ 0.51	\$ 0.53
Discontinued operations	—	(0.07)	—	(0.42)
	\$ 0.25	\$ 0.23	\$ 0.51	\$ 0.11
Diluted earnings (loss):				
Continuing operations	\$ 0.25	\$ 0.29	\$ 0.50	\$ 0.53
Discontinued operations	—	(0.07)	—	(0.42)

\$ 0.25 \$ 0.22 \$ 0.50 \$ 0.11

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,	
	2017	2016	2017	2016
	(Dollars in thousands)			
Net income	\$ 21,229	\$ 19,112	\$ 43,350	\$ 9,382
Other comprehensive income (loss), net of income tax:				
Foreign currency translation income (loss)	13,866	(3,269)	21,077	(4,947)
Postretirement benefit liabilities gain	16	27	12	295
Other comprehensive income (loss), net of income tax	13,882	(3,242)	21,089	(4,652)
Total comprehensive income	35,111	15,870	64,439	4,730
Less: Comprehensive income (loss) attributable to noncontrolling interests	280	(9)	543	259
Comprehensive income attributable to Ferro Corporation	\$ 34,831	\$ 15,879	\$ 63,896	\$ 4,471

See accompanying notes to condensed consolidated financial statements.

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Ferro Corporation and Subsidiaries

Condensed Consolidated Balance Sheets

	June 30, 2017	December 31, 2016
(Dollars in thousands)		
ASSETS		
Current assets		
Cash and cash equivalents	\$ 78,866	\$ 45,582
Accounts receivable, net	330,461	259,687
Inventories		