FERRO CORP
Form 10-Q
November 08, 2018
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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 September 30, 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 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 every Interactive Data File required to be submitted 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 such files).

YES NO

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 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 October 31, 2018, there were 83,262,093 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 September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(Dollars in thousands, except per share amounts)			
Net sales	$ 395,163	$ 350,012	$ 1,216,934	$ 1,019,199
Cost of sales	289,676	246,396	866,116	708,447
Gross profit	105,487	103,616	350,818	310,752
Selling, general and administrative expenses	64,344	65,941	207,560	188,368
Restructuring and impairment charges	2,561	1,471	10,435	7,713
Other expense (income):				
Interest expense	8,553	7,248	24,715	19,921
Interest earned	(110)	(201)	(497)	(556)
Foreign currency losses, net	2,554	1,021	7,054	5,575
Loss on extinguishment of debt	—	—	3,226	3,905
Miscellaneous expense (income), net	74	(2,182)	(523)	(3,675)
Income before income taxes	27,511	30,318	98,848	89,501
Income tax expense	11,368	7,353	29,246	23,186
Net income	16,143	22,965	69,602	66,315
Less: Net income attributable to noncontrolling interests	85	148	485	575
Net income attributable to Ferro Corporation common shareholders	$ 16,058	$ 22,817	$ 69,117	$ 65,740
Earnings per share attributable to Ferro Corporation common shareholders:				
Basic earnings per share	$ 0.19	$ 0.27	$ 0.82	$ 0.79
Diluted earnings per share	$ 0.19	$ 0.27	$ 0.81	$ 0.77

See accompanying notes to condensed consolidated financial statements.

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Ferro Corporation and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(Dollars in thousands)			
Net income	$ 16,143	$ 22,965	$ 69,602	$ 66,315
Other comprehensive income, net of income tax:				
Foreign currency translation (loss) income	(5,380)	(2,996)	(29,908)	18,081
Cash flow hedging instruments, unrealized gain	3,610	104	3,588	104
Postretirement benefit liabilities (loss) income	—	(33)	17	(21)
Other comprehensive (loss) income, net of income tax	(1,770)	(2,925)	(26,303)	18,164
Total comprehensive income	14,373	20,040	43,299	84,479
Less: Comprehensive (loss) income attributable to noncontrolling interests	(115)	294	106	837
Comprehensive income attributable to Ferro Corporation	$ 14,488	$ 19,746	$ 43,193	$ 83,642

See accompanying notes to condensed consolidated financial statements.

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Ferro Corporation and Subsidiaries

Condensed Consolidated Balance Sheets

	September 30, 2018	December 31, 2017
	(Dollars in thousands)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 126,278	$ 63,551
Accounts receivable, net	381,435	354,416
Inventories	377,555	324,180
Other receivables	70,261	67,137
Other current assets	27,084	16,448
Total current assets	982,613	825,732
Other assets		
Property, plant and equipment, net	353,878	321,742
Goodwill	214,750	195,369
Intangible assets, net	189,689	187,616
Deferred income taxes	102,606	108,025
Other non-current assets	38,423	43,718
Total assets	$ 1,881,959	$ 1,682,202
LIABILITIES AND EQUITY		
Current liabilities		
Loans payable and current portion of long-term debt	$ 9,637	$ 25,136
Accounts payable	217,266	211,711
Accrued payrolls	38,855	48,201
Accrued expenses and other current liabilities	78,809	70,151
Total current liabilities	344,567	355,199
Other liabilities		
Long-term debt, less current portion	923,640	726,491
Postretirement and pension liabilities	159,895	166,680
Other non-current liabilities	65,856	77,152
Total liabilities	1,493,958	1,325,522
Equity		
Ferro Corporation shareholders' equity:		
Common stock, par value $1 per share; 300.0 million shares authorized; 93.4 million shares issued; 83.7 million and 84.0 million shares outstanding at September 30, 2018, and December 31, 2017, respectively	93,436	93,436
Paid-in capital	296,069	302,158
Retained earnings	245,002	171,744
Accumulated other comprehensive loss	(101,392)	(75,468)

Common shares in treasury, at cost	(154,086)	(147,056)
Total Ferro Corporation shareholders’ equity	379,029	344,814
Noncontrolling interests	8,972	11,866
Total equity	388,001	356,680
Total liabilities and equity	$ 1,881,959	$ 1,682,202

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							
	Shares	Amount	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Non-controlling Interests	Total Equity
	(In thousands)							
Balances at December 31, 2016	9,996	$ (160,936)	$ 93,436	$ 306,566	$ 114,690	$ (106,643)	$ 7,919	$ 255,032
Net income	—	—	—	—	65,740	—	575	66,315
Other comprehensive income	—	—	—	—	—	17,902	262	18,164
Stock-based compensation transactions	(359)	9,036	—	(3,138)	—	—	—	5,898
Change in ownership interests	—	—	—	—	—	—	2,178	2,178
Distributions to noncontrolling interests	—	—	—	—	—	—	(474)	(474)
Balances at September 30, 2017	9,637	(151,900)	93,436	303,428	180,430	(88,741)	10,460	347,113
Balances at December 31, 2017	9,386	(147,056)	93,436	302,158	171,744	(75,468)	11,866	356,680
Net income	—	—	—	—	69,117	—	485	69,602
Other comprehensive loss	—	—	—	—	—	(25,924)	(379)	(26,303)
Purchase of treasury stock	807	(16,999)	—	—	—	—	—	(16,999)
Stock-based compensation transactions	(415)	9,969	—	(6,878)	—	—	—	3,091
	—	—	—	789	—	—	(2,228)	(1,439)

Change in ownership interest								
Distributions to noncontrolling interests	—	—	—	—	—	—	(772)	(772)
Adjustment for accounting standards update 2016-16	—	—	—	—	4,141	—	—	4,141
Balances at September 30, 2018	9,778	$ (154,086)	$ 93,436	$ 296,069	$ 245,002	$ (101,392)	$ 8,972	$ 388,001

See accompanying notes to condensed consolidated financial statements.

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Ferro Corporation and Subsidiaries

Condensed Consolidated Statements of Cash Flows

	Nine Months Ended September 30,	
	2018	2017
	(Dollars in thousands)	
Cash flows from operating activities		
Net cash provided by operating activities	$ 35,686	$ 34,691
Cash flows from investing activities		
Capital expenditures for property, plant and equipment and other long lived assets	(64,154)	(30,134)
Proceeds from sale of equity method investment	—	2,268
Business acquisitions, net of cash acquired	(47,802)	(71,930)
Other investing activities	37	551
Net cash used in investing activities	(111,919)	(99,245)
Cash flows from financing activities		
Net (repayments) under loans payable	(17,182)	(10,803)
Proceeds from revolving credit facility - 2014 Credit Facility	—	15,628
Principal payments on revolving credit facility - 2014 Credit Facility	—	(327,183)
Proceeds from term loan facility - Credit Facility	—	623,827
Principal payments on term loan facility - 2014 Credit Facility	—	(243,250)
Principal payments on term loan facility - Credit Facility	(304,060)	(3,232)
Principal payments on term loan facility - Amended Credit Facility	(4,100)	—
Proceeds from term loan facility - Amended Credit Facility	466,075	—
Proceeds from revolving credit facility - Credit Facility	134,950	69,787
Principal payments on revolving credit facility - Credit Facility	(212,950)	(42,400)
Proceeds from revolving credit facility - Amended Credit Facility	168,023	—
Principal payments on revolving credit facility - Amended Credit Facility	(56,090)	—
Proceeds from other long-term debt	—	2,700
Principal payments on other long-term debt	—	(2,978)
Payment of debt issuance costs	(3,466)	(12,927)
Acquisition-related contingent consideration payment	(9,464)	(1,315)
Purchase of treasury stock	(16,999)	—
Other financing activities	(3,516)	182
Net cash provided by financing activities	141,221	68,036
Effect of exchange rate changes on cash and cash equivalents	(2,261)	3,147
Increase in cash and cash equivalents	62,727	6,629
Cash and cash equivalents at beginning of period	63,551	45,582
Cash and cash equivalents at end of period	$ 126,278	$ 52,211
Cash paid during the period for:		
Interest	$ 24,857	$ 20,594
Income taxes	$ 17,577	$ 16,619

See accompanying notes to condensed consolidated financial statements.

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Ferro Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Ferro Corporation (“Ferro,” “we,” “us” or “the Company”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information, the instructions to Form 10-Q, and Article 10 of Regulation S-X. These statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the periods presented. The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2017.

We produce our products primarily in the Europe, Middle East and Africa (“EMEA”) region, the United States, the Asia Pacific region, and Latin America.

Operating results for the three and nine months ended September 30, 2018, are not necessarily indicative of the results expected in subsequent quarters or for the full year ending December 31, 2018.

2. Recent Accounting Pronouncements

Recently Adopted Accounting Standards

On April 1, 2018, we adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. ASU 2017-12 provides guidance to better align an entity’s risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The adoption of this ASU did not have an impact to the opening balance of Retained earnings. We will apply the guidance of this ASU to applicable future transactions.

On April 1, 2018, we adopted FASB ASU 2018-03, Technical Corrections and Improvements to Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. ASU 2018-03 provides targeted improvements to address certain aspects of recognition, measurement presentation, and disclosure of financial instruments. The adoption of ASU 2018-03 did not have a material impact on the Company’s condensed consolidated financial statements.

On January 1, 2018, we adopted FASB ASU 2017-09, Compensation – Stock Compensation: (Topic 718): Scope of Modification Accounting. ASU 2017-09 provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. This new guidance would only impact our consolidated financial statements if, in the future, we modified the terms of any of our share-based awards. We will apply the guidance of this ASU to applicable future transactions. The adoption of ASU 2017-09 did not have a material impact on the Company’s condensed consolidated financial statements.

On January 1, 2018, we adopted FASB ASU 2017-07, Compensation – Retirement Benefits: (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Costs. ASU 2017-07 requires that an employer report the service cost component in the same line item as other compensation costs arising from services rendered during the period. The other components of net benefit costs are to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations. This ASU also allows only the service cost component of net benefit costs to be eligible for capitalization. We adopted this ASU using the retrospective approach for the presentation of the service cost component and the other components of the net periodic pension (credit) cost and net periodic postretirement benefit cost in the income statement. This resulted in the reclassification of income of $0.5 million and $1.4 million from Selling, general and administrative expenses to Other income, expense in our condensed consolidated statement of operations for the three and nine months ended September 30, 2018, respectively. The Company used a practical expedient where the amount disclosed in our Retirement Benefits footnote for the prior

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year comparative period was the basis for the estimation for applying the retrospective presentation requirements. Other than this reclassification, the adoption of ASU 2017-07 did not have an impact on the Company's condensed consolidated financial statements.

On January 1, 2018, we adopted FASB ASU 2017-01, Business Combinations: (Topic 805): Clarifying the Definition of a Business. ASU 2017-01 is intended to clarify the definition of a business with the objective of adding guidance to assist entities in evaluating whether transactions should be accounted for as acquisitions (or dispositions) of assets or businesses. We will apply the guidance of this ASU to applicable future transactions. The adoption of ASU 2017-01 did not have a material impact on the Company's condensed consolidated financial statements.

On January 1, 2018, we adopted FASB ASU 2016-16, Income Taxes: (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory. ASU 2016-16 is intended to improve the accounting for the income tax consequences of intra-entity transfers of assets other than inventory and requires the recognition of the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. We adopted this ASU using the modified retrospective method. The impact of adopting this guidance on the Company's condensed consolidated financial statements resulted in an increase to Retained earnings of $4.1 million and Deferred income taxes of $4.7 million and a decrease to Other receivables of $0.6 million on January 1, 2018.

On January 1, 2018, we adopted FASB ASU 2016-15, Statement of Cash Flow: (Topic 230): Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 is intended to address eight specific cash flow issues with the objective of reducing the existing diversity in practice. Adoption of ASU 2016-15 did not have a material effect on our condensed consolidated financial statements.

On January 1, 2018, we adopted FASB ASU 2014-09, Revenue from Contracts with Customers: (Topic 606) ("ASC 606"). This ASU replaces nearly all existing U.S. GAAP guidance on revenue recognition. The standard prescribes a five-step model for recognizing revenue, the application of which require significant judgment. We have completed our assessment and review of specific contracts and have adopted this ASU using the modified retrospective method with no impact to the opening Retained earnings balance. We expect the impact of the adoption of this ASU will not have a material effect on our consolidated financial statements on an ongoing basis.

New Accounting Standards

In August 2018, the FASB issued ASU 2018-14, Compensation-Retirement Benefits-Defined Benefit Plans-General (Subtopic 715-20): Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans. ASU 2018-14 modifies disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. This pronouncement is effective for fiscal years beginning after December 15, 2020. The Company is in the process of assessing the impact that the adoption of this ASU will have on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement. ASU 2018-13 modifies the disclosure requirements on fair value measurements. This pronouncement is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. The Company is in the process of assessing the impact that the adoption of this ASU will have on our consolidated financial statements.

In February 2018, the FASB issued ASU 2018-02, Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. ASU 2018-02 allows a reclassification from Accumulated Other Comprehensive (Loss) Income to Retained Earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act and requires certain disclosures about stranded tax effects. This pronouncement is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted, including adoption in any interim period. The Company is in the process of assessing the impact that the adoption of this ASU will have on our consolidated financial statements.

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In January 2017, the FASB issued ASU 2017-04, Intangibles – Goodwill and Other: (Topic 350): Simplifying the Test for Goodwill Impairment. ASU 2017-04 is intended to simplify the subsequent measurement of goodwill by eliminating Step 2 from the current goodwill impairment test. This pronouncement is effective for the annual or any interim goodwill impairment tests conducted in fiscal years beginning after December 15, 2019. The Company is in the process of assessing the impact that the adoption of this ASU will have on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases: (Topic 842). ASU 2016-02 requires companies to recognize a lease liability and asset on the balance sheet for operating leases with a term greater than one year. In July 2018, the FASB issued ASU 2018-11, Targeted Improvements. This ASU provides an additional transition method to adopt the new leasing standard. Under this new transition method, an entity initially applies the new leasing standard using a cumulative-effect adjustment to the opening balance of retained earnings but will continue to report comparative periods under existing guidance in accordance with ASC 840, Leases. The amendments in ASU 2018-11 are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company has elected to adopt ASU 2016-02 using this new transition method. The Company is in the process of assessing the impact the adoption of this ASU will have on our consolidated financial statements.

No other new accounting pronouncements issued had, or are expected to have, a material impact on the Company's consolidated financial statements.

3. Revenue

Revenue Recognition

Under ASC 606, revenues are recognized when control of the promised goods is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods. In order to achieve that core principle, the Company applies the following five-step approach: 1) identify the contract with a customer, 2) identify the performance obligations, 3) determine the transaction price, 4) allocate the transaction price to the performance obligations in the contract, and 5) recognize revenue when a performance obligation is satisfied.

The Company considers confirmed customer purchase orders, which in some cases are governed by master sales agreements, to be the contracts, from an accounting perspective, with customers. Under our standard contracts, the only performance obligation is the delivery of manufactured goods and the performance obligation is satisfied at a point in time, when the Company transfers control of the manufactured goods. The Company may receive orders for products to be delivered over multiple dates that may extend across several reporting periods. The Company invoices for each order and recognizes revenue for each distinct product upon shipment, once transfer of control has occurred. Payment terms are standard for the industry and jurisdiction in which we operate. In determining the transaction price, the Company evaluates whether the price is subject to refund or adjustment, to determine the net consideration to which the Company expects to be entitled. Discounts or rebates are specifically stated in customer contracts or invoices, and are recorded as a reduction of revenue in the period the related revenue is recognized. The product price as specified on the customer confirmed orders is considered the standalone selling price. The Company allocates the transaction price to each distinct product based on its relative standalone selling price. Revenue is recognized when control of the product is transferred to the customer (i.e., when the Company’s performance obligation is satisfied), which generally occurs at shipment. We review material contracts to determine transfer of control based upon the business practices and legal requirements of each country.

The amount of shipping and handling fees invoiced to our customers at the time our product is shipped is included in net sales as we are the principal in those activities. Sales, valued-added and other taxes collected from our customers and remitted to governmental authorities are excluded from net sales.

There were no changes in amounts previously reported in the Company’s condensed consolidated financial statements due to adopting ASC 606.

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Revenues disaggregated by geography and reportable segment for the three months ended September 30, 2018, follow:

	EMEA	United States	Asia Pacific	Latin America	Total
	(Dollars in thousands)				
Performance Coatings	$ 110,261	$ 12,170	$ 27,914	$ 25,594	$ 175,939
Performance Colors and Glass	55,782	43,087	18,564	5,844	123,277
Color Solutions	33,276	43,699	10,136	8,836	95,947
Total net sales	$ 199,319	$ 98,956	$ 56,614	$ 40,274	$ 395,163

Revenues disaggregated by geography and reportable segment for the three months ended September 30, 2017, follow:

	EMEA	United States	Asia Pacific	Latin America	Total
	(Dollars in thousands)				
Performance Coatings	$ 83,910	$ 11,365	$ 24,264	$ 26,699	$ 146,238
Performance Colors and Glass	52,408	35,836	16,663	5,671	110,578
Color Solutions	33,400	41,190	9,937	8,669	93,196
Total net sales	$ 169,718	$ 88,391	$ 50,864	$ 41,039	$ 350,012

Revenues disaggregated by geography and reportable segment for the nine months ended September 30, 2018, follow:

	EMEA	United States	Asia Pacific	Latin America	Total
	(Dollars in thousands)				
Performance Coatings	$ 355,510	$ 36,704	$ 82,990	$ 78,832	$ 554,036
Performance Colors and Glass	180,801	118,682	53,142	17,184	369,809
Color Solutions	109,985	126,598	30,606	25,900	293,089
Total net sales	$ 646,296	$ 281,984	$ 166,738	$ 121,916	$ 1,216,934

Revenues disaggregated by geography and reportable segment for the nine months ended September 30, 2017, follow:

	EMEA	United States	Asia Pacific	Latin America	Total
	(Dollars in thousands)				
Performance Coatings	$ 241,884	$ 33,727	$ 68,670	$ 80,268	$ 424,549
Performance Colors and Glass	144,586	112,772	47,091	16,284	320,733
Color Solutions	103,538	118,886	26,971	24,522	273,917
Total net sales	$ 490,008	$ 265,385	$ 142,732	$ 121,074	$ 1,019,199

Practical Expedients and Exemptions

All material contracts have an original duration of one year or less and, as such, the Company uses the practical expedient applicable to such contracts, and has not disclosed the transaction price for the remaining performance obligations as of the end of each reporting period, or when the Company expects to recognize this revenue.

When the period of time between the transfer of control of the goods and the time the customer pays for the goods is one year or less, the Company uses the practical expedient allowed by ASC 606 that provides relief from adjusting the amount of promised consideration for the effects of a financing component.

We generally expense sales commissions when incurred because the amortization period is one year or less. These costs are recorded within Selling, general and administrative expenses.

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4. Acquisitions

UWiZ Technology Co., Ltd.

On September 25, 2018, the Company acquired 100% of the equity interests of UWiZ Technology Co., Ltd. ("UWiZ") for TWD823.4 million (approximately $26.9 million) in cash. The information included herein has been prepared based on the preliminary allocation of the purchase price using estimates of the fair value and useful lives of the assets acquired and liabilities assumed, which were determined with the assistance of third parties who performed independent valuations using discounted cash flow and comparative market approaches, and estimates made by management. As of September 30, 2018, the purchase price allocation is subject to further adjustment until all information is fully evaluated by the Company. The Company preliminarily recorded $12.5 million of net working capital, $7.1 million of goodwill, $6.6 million of amortizable intangible assets, $2.4 million of personal and real property and $1.7 million of deferred tax liability on the condensed consolidated balance sheet.

Ernst Diegel GmbH

On August 31, 2018, the Company acquired 100% of the equity interests of Ernst Diegel GmbH ("Diegel"), including the real property of a related party, for €12.1 million (approximately $14.0 million) in cash. The information included herein has been prepared based on the preliminary allocation of the purchase price using estimates of the fair value and useful lives of the assets acquired and liabilities assumed, which were determined with the assistance of third parties who performed independent valuations using discounted cash flow and comparative market approaches, and estimates made by management. As of September 30, 2018, the purchase price allocation is subject to further adjustment until all information is fully evaluated by the Company. The Company preliminarily recorded $7.0 million of personal and real property, $4.8 million of net working capital, $2.8 million of goodwill, $2.6 million of deferred tax liability and $2.0 million of amortizable intangible assets on the condensed consolidated balance sheet.

MRA Laboratories, Inc.

On July 12, 2018, the Company acquired 100% of the equity interests of MRA Laboratories, Inc. ("MRA") for $15.7 million in cash. The information included herein has been prepared based on the preliminary allocation of the purchase price using estimates of the fair value and useful lives of the assets acquired and liabilities assumed, which were determined with the assistance of third parties who performed independent valuations using discounted cash flow and comparative market approaches, and estimates made by management. As of September 30, 2018, the purchase price allocation is subject to further adjustment until all information is fully evaluated by the Company. The Company preliminarily recorded $6.9 million of goodwill, $6.7 million of amortizable intangible assets, $3.4 million of net working capital, $1.6 million of deferred tax liability and $0.3 million of personal and real property on the condensed consolidated balance sheet.

PT Ferro Materials Utama

On June 29, 2018, the Company acquired 66% of the equity interests of PT Ferro Materials Utama ("FMU") for $2.7 million in cash, in addition to the forgiveness of debt of $9.2 million, bringing our total ownership to 100%. The Company previously recorded its investment in FMU as an equity method investment, and following this transaction, the Company fully consolidates FMU. Due to the change of control that occurred, the Company recorded a gain on purchase of $2.6 million, which is recorded in Miscellaneous expense (income), net, related to the difference between the Company's carrying value and fair value of the previously held equity method investment during the second quarter of 2018.

Endeka Group

On November 1, 2017, the Company acquired 100% of the equity interests of Endeka Group (“Endeka”), a global producer of high-value coatings and key raw materials for the ceramic tile market, for €72.8 million (approximately $84.8 million), including the assumption of debt of €13.1 million (approximately $15.3 million). The Company incurred acquisition costs for the nine months ended September 30, 2018, of $0.5 million, which is included in Selling, general and administrative expenses in our condensed consolidated statements of operations. The acquired business contributed net sales of $25.6 million and $86.8 million for the three and nine months ended September 30, 2018, respectively, and net income attributable to Ferro Corporation of $0.6 million and $9.4 million for the three and nine months ended September 30, 2018, respectively.

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The information included herein has been prepared based on the preliminary allocation of the purchase price using estimates of the fair value and useful lives of the assets acquired and liabilities assumed, which were determined with the assistance of third parties who performed independent valuations using discounted cash flow and comparative market approaches, and estimates made by management. During the first half of 2018, the Company adjusted the net working capital on the opening balance sheet and as such, the carrying amount of the personal and real property decreased $4.1 million. As of September 30, 2018, the purchase price allocation is subject to further adjustment until all information is fully evaluated by the Company. The Company preliminarily recorded $44.1 million of net working capital, $24.1 million of deferred tax assets, $17.7 million of personal and real property and $1.1 million of noncontrolling interest on the condensed consolidated balance sheet.

Gardenia Quimica S.A.

On August 3, 2017, the Company acquired a majority interest of Gardenia Quimica S.A. (“Gardenia”) for $3.0 million. The Company previously owned 46% of Gardenia and recorded it as an equity method investment. Following this transaction, the Company owned 83.5% and fully consolidates Gardenia. Due to the change of control that occurred, the Company recorded a gain on purchase of $2.6 million related to the difference between the Company’s carrying value and fair value of the previously held equity method investment during the third quarter of 2017. On March 1, 2018, the Company acquired the remaining equity interest in Gardenia for $1.4 million.

Dip Tech Ltd.

On August 2, 2017, the Company acquired 100% of the equity interests of Dip Tech Ltd. (“Dip-Tech”), a leading provider of digital printing solutions for glass coatings, for $77.0 million. Dip-Tech is headquartered in Kfar Saba, Israel. The purchase price consideration consisted of cash paid at closing of $60.1 million, net of the net working capital adjustment, and contingent consideration of $16.9 million. The Company incurred acquisition costs of $0.1 million and $2.1 million for the nine