

MATERION Corp
Form 10-Q
May 02, 2019
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 March 29, 2019

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 001-15885

MATERION CORPORATION
(Exact name of Registrant as specified in charter)

Ohio 34-1919973
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

6070 Parkland Blvd., Mayfield Heights, Ohio 44124
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code:
216-486-4200

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, a 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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, no par value	MTRN	New York Stock Exchange

Number of Shares of Common Stock, without par value, outstanding at March 29, 2019: 20,354,680.

PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

Materion Corporation and Subsidiaries
Consolidated Statements of Income
(Unaudited)

(Thousands, except per share amounts)	First Quarter Ended	
	March 29, 2019	March 30, 2018
Net sales	\$301,441	\$303,467
Cost of sales	232,129	245,187
Gross margin	69,312	58,280
Selling, general, and administrative expense	40,064	38,462
Research and development expense	3,740	3,643
Other—net	4,121	2,924
Operating profit	21,387	13,251
Interest expense—net	466	730
Other non-operating expense—net	245	442
Income before income taxes	20,676	12,079
Income tax expense	3,770	1,515
Net income	\$16,906	\$10,564
Basic earnings per share:		
Net income per share of common stock	\$0.83	\$0.52
Diluted earnings per share:		
Net income per share of common stock	\$0.82	\$0.51
Weighted-average number of shares of common stock outstanding:		
Basic	20,267	20,135
Diluted	20,606	20,574

See notes to these consolidated financial statements.

Materion Corporation and Subsidiaries
 Consolidated Statements of Comprehensive Income
 (Unaudited)

	First Quarter Ended	
	March 29, 2019	March 30, 2018
(Thousands)		
Net income	\$16,906	\$10,564
Other comprehensive income (loss):		
Foreign currency translation adjustment	(503)	1,113
Derivative and hedging activity, net of tax	927	(675)
Pension and post-employment benefit adjustment, net of tax	540	1,278
Other comprehensive income	964	1,716
Comprehensive income	\$17,870	\$12,280

See notes to these consolidated financial statements.

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Materion Corporation and Subsidiaries
Consolidated Balance Sheets

(Unaudited)

March 29, Dec. 31,
2019 2018

(Thousands)

Assets		
Current assets		
Cash and cash equivalents	\$ 41,864	\$ 70,645
Accounts receivable	144,952	130,538
Inventories, net	224,198	214,871
Prepaid and other current assets	23,832	23,299
Total current assets	434,846	439,353
Deferred income taxes	5,301	5,616
Property, plant, and equipment	908,481	898,251
Less allowances for depreciation, depletion, and amortization	(656,326)	(647,233)
Property, plant, and equipment—net	252,155	251,018
Operating lease, right-of-use asset	28,327	—
Intangible assets	5,808	6,461
Other assets	7,725	7,236
Goodwill	90,600	90,657
Total Assets	\$ 824,762	\$ 800,341
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term debt	\$ 836	\$ 823
Accounts payable	56,586	49,622
Salaries and wages	24,435	47,501
Other liabilities and accrued items	38,228	33,301
Income taxes	5,877	2,615
Unearned revenue	5,194	5,918
Total current liabilities	131,156	139,780
Other long-term liabilities	11,231	14,764
Operating lease liabilities	22,575	—
Finance lease liabilities	18,502	15,221
Retirement and post-employment benefits	37,813	38,853
Unearned income	31,478	32,563