

FERRO CORP
Form 10-Q
October 27, 2014
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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, 2014

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

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

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company

(Do not check if a 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 September 30, 2014, there were 86,985,899 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,	
	2014	2013	2014	2013
	(Dollars in thousands, except per share amounts)			
Net sales	\$ 275,754	\$ 298,083	\$ 850,698	\$ 912,738
Cost of sales	202,950	225,980	624,487	701,740
Gross profit	72,804	72,103	226,211	210,998
Selling, general and administrative expenses	51,716	52,589	152,345	165,471
Restructuring and impairment charges	1,521	3,562	7,829	26,086
Other expense (income):				
Interest expense	3,635	5,039	12,819	15,343
Interest earned	(23)	(48)	(52)	(171)
Loss on extinguishment of debt	14,352	—	14,352	—
Foreign currency (gains) losses, net	(330)	1,305	1,043	4,086
Miscellaneous (income) expense, net	(180)	(470)	4,038	(10,178)
Income before income taxes	2,113	10,126	33,837	10,361
Income tax expense	4,680	312	12,347	3,559
(Loss) income from continuing operations	(2,567)	9,814	21,490	6,802
Income from discontinued operations, net of taxes	50,124	3,230	53,188	4,780
Net income	47,557	13,044	74,678	11,582
Less: Net income attributable to noncontrolling interests	92	392	49	177
Net income attributable to Ferro Corporation common shareholders	\$ 47,465	\$ 12,652	\$ 74,629	\$ 11,405
(Loss) earnings per share attributable to Ferro Corporation common shareholders:				
Basic (loss) earnings:				
Continuing operations	\$ (0.03)	\$ 0.11	\$ 0.25	\$ 0.08
Discontinued operations	0.58	0.04	0.61	0.06
	\$ 0.55	\$ 0.15	\$ 0.86	\$ 0.14
Diluted (loss) earnings:				
Continuing operations	\$ (0.03)	\$ 0.11	\$ 0.24	\$ 0.08

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Discontinued operations	0.58	0.04	0.60	0.05
	\$ 0.55	\$ 0.15	\$ 0.84	\$ 0.13

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,	
	2014	2013	2014	2013
	(Dollars in thousands)			
Net income	\$ 47,557	\$ 13,044	\$ 74,678	\$ 11,582
Other comprehensive (loss) income, net of tax:				
Foreign currency translation (loss) gain	(12,242)	4,226	(12,732)	(3,820)
Postretirement benefit liabilities loss	(44)	(34)	(94)	(171)
Other comprehensive (loss) income, net of tax	(12,286)	4,192	(12,826)	(3,991)
Total comprehensive income	35,271	17,236	61,852	7,591
Less: Comprehensive income (loss) attributable to noncontrolling interests	159	415	(391)	323
Comprehensive income attributable to Ferro Corporation	\$ 35,112	\$ 16,821	\$ 62,243	\$ 7,268

See accompanying notes to condensed consolidated financial statements.

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Ferro Corporation and Subsidiaries

Condensed Consolidated Balance Sheets

	September 30, 2014	December 31, 2013
	(Dollars in thousands)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 95,286	\$ 28,328
Accounts receivable, net	229,942	238,278
Inventories	157,764	144,780
Deferred income taxes	6,775	6,511
Other receivables	20,600	19,963
Other current assets	22,527	16,214
Current assets held-for-sale	86,480	101,315
Total current assets	619,374	555,389
Other assets		
Property, plant and equipment, net	201,820	225,255
Goodwill	62,443	63,473
Amortizable intangible assets, net	17,710	13,027
Deferred income taxes	17,793	19,283
Other non-current assets	61,139	59,663
Non-current assets held-for-sale	54,530	72,102
Total assets	\$ 1,034,809	\$ 1,008,192
LIABILITIES AND EQUITY		
Current liabilities		
Loans payable and current portion of long-term debt	\$ 8,402	\$ 44,729
Accounts payable	134,937	120,641
Accrued payrolls	34,313	42,320
Accrued expenses and other current liabilities	66,504	66,026
Current liabilities held-for-sale	30,303	40,015
Total current liabilities	274,459	313,731
Other liabilities		
Long-term debt, less current portion	300,772	267,469
Postretirement and pension liabilities	85,174	119,600
Other non-current liabilities	30,393	30,656
Non-current liabilities held-for-sale	2,863	2,893
Total liabilities	693,661	734,349
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; 86.9 million and 86.7 million shares outstanding at September 30, 2014, and December 31, 2013, respectively

Paid-in capital	316,133	318,055
Retained earnings (deficit)	59,965	(14,664)
Accumulated other comprehensive (loss) income	(3,893)	8,493
Common shares in treasury, at cost	(136,221)	(143,802)
Total Ferro Corporation shareholders' equity	329,420	261,518
Noncontrolling interests	11,728	12,325
Total equity	341,148	273,843
Total liabilities and equity	\$ 1,034,809	\$ 1,008,192

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

Accumulated

in

Treasury

Retained