

FERRO CORP  
Form 10-Q  
April 26, 2016  
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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 March 31, 2016

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 March 31, 2016, there were 83,181,350 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 March 31,	
	2016	2015
	(Dollars in thousands, except per share amounts)	
Net sales	\$ 277,451	\$ 262,772
Cost of sales	193,222	192,137
Gross profit	84,229	70,635
Selling, general and administrative expenses	52,646	49,456
Restructuring and impairment charges	881	509
Other expense (income):		
Interest expense	4,847	3,150
Interest earned	(85)	(37)
Foreign currency losses, net	1,611	1,728
Miscellaneous (income) expense, net	(3,453)	399
Income before income taxes	27,782	15,430
Income tax expense	8,018	2,459
Income from continuing operations	19,764	12,971
Loss from discontinued operations, net of income taxes	(29,494)	(3,956)
Net (loss) income	(9,730)	9,015
Less: Net income (loss) attributable to noncontrolling interests	236	(1,955)
Net (loss) income attributable to Ferro Corporation common shareholders	\$ (9,966)	\$ 10,970
Earnings (loss) per share attributable to Ferro Corporation common shareholders:		
Basic earnings (loss):		
Continuing operations	\$ 0.23	\$ 0.17
Discontinued operations	(0.35)	(0.05)
	\$ (0.12)	\$ 0.12
Diluted earnings (loss):		
Continuing operations	\$ 0.23	\$ 0.17
Discontinued operations	(0.35)	(0.04)

\$ (0.12)    \$ 0.13

See accompanying notes to condensed consolidated financial statements.

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Ferro Corporation and Subsidiaries

Condensed Consolidated Statements of Comprehensive (Loss)

	Three Months Ended	
	March 31,	
	2016	2015
	(Dollars in thousands)	
Net (loss) income	\$ (9,730)	\$ 9,015
Other comprehensive loss, net of income tax:		
Foreign currency translation (loss)	(1,678)	(37,796)
Postretirement benefit liabilities gain	268	16
Other comprehensive (loss), net of income tax	(1,410)	(37,780)
Total comprehensive (loss)	(11,140)	(28,765)
Less: Comprehensive income (loss) attributable to noncontrolling interests	268	(3,093)
Comprehensive (loss) attributable to Ferro Corporation	\$ (11,408)	\$ (25,672)

See accompanying notes to condensed consolidated financial statements.

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## Ferro Corporation and Subsidiaries

## Condensed Consolidated Balance Sheets

	March 31, 2016	December 31, 2015
	(Dollars in thousands)	
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 55,865	\$ 58,380
Accounts receivable, net	261,435	231,970
Inventories	195,416	184,854
Deferred income taxes	11,964	12,088
Other receivables	33,247	34,088
Other current assets	10,613	15,695
Current assets held-for-sale	19,973	16,215
Total current assets	588,513	553,290
Other assets		
Property, plant and equipment, net	258,752	260,429
Goodwill	150,564	145,669
Intangible assets, net	111,429	106,633
Deferred income taxes	88,995	87,385
Other non-current assets	48,298	48,767
Non-current assets held-for-sale	226	23,178
Total assets	\$ 1,246,777	\$ 1,225,351
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Loans payable and current portion of long-term debt	\$ 11,148	\$ 7,446
Accounts payable	130,444	120,380
Accrued payrolls	24,922	28,584
Accrued expenses and other current liabilities	59,917	54,664
Current liabilities held-for-sale	6,968	7,156
Total current liabilities	233,399	218,230
Other liabilities		
Long-term debt, less current portion	493,212	466,108
Postretirement and pension liabilities	150,123	148,249
Other non-current liabilities	64,911	66,990
Non-current liabilities held-for-sale	1,592	1,493
Total liabilities	943,237	901,070
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; 83.2 million and 84.0 million shares outstanding at March 31, 2016, and December 31, 2015, respectively

Paid-in capital	306,824	314,854
Retained earnings	125,541	135,507
Accumulated other comprehensive loss	(62,760)	(61,318)
Common shares in treasury, at cost	(167,591)	(166,020)
Total Ferro Corporation shareholders' equity	295,450	316,459
Noncontrolling interests	8,090	7,822
Total equity	303,540	324,281
Total liabilities and equity	\$ 1,246,777	\$ 1,225,351

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		Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Non- controlling Interests	Total Equity
	Shares	Amount						
Balances at December 31, 2014	6,445	\$ (136,058)	\$ 93,436	\$ 317,404	\$ 71,407	\$ (21,805)	\$ 11,632	\$ 336,016
Net income (loss)	—	—	—	—	10,970	—	(1,955)	9,015
Other comprehensive (loss)	—	—	—	—	—	(36,642)	(1,138)	(37,780)
Stock-based compensation transactions	(269)	7,559	—	(5,516)	—	—	—	2,043
Balances at March 31, 2015	6,176	(128,499)	93,436	311,888	82,377	(58,447)	8,539	309,294
Balances at December 31, 2015	9,431	(166,020)	93,436	314,854	135,507	(61,318)	7,822	324,281
Net (loss) income	—	—	—	—	(9,966)	—	236	(9,730)
Other comprehensive (loss) income	—	—	—	—	—	(1,442)	32	(1,410)
Purchase of treasury stock	1,175	(11,429)	—	—	—	—	—	(11,429)
Stock-based compensation transactions	(352)	9,858	—	—	—	—	—	—