

Knowles Corp
Form 10-Q
May 05, 2016
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: 001-36102

Knowles Corporation
(Exact name of registrant as specified in its charter)

Delaware 90-1002689
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

1151 Maplewood Drive
Itasca, Illinois 60143
(Address of principal executive offices) (Zip Code)

(630) 250-5100
(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 ☒

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if smaller reporting company)

Smaller

reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

The number of shares outstanding of the registrant’s common stock as of May 2, 2016 was 88,586,128.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

KNOWLES CORPORATION

CONSOLIDATED STATEMENTS OF EARNINGS

(in millions, except share and per share amounts)

(unaudited)

	Three Months Ended March 31,	
	2016	2015
Revenues	\$185.3	\$ 186.6
Cost of goods sold	117.3	124.8
Restructuring charges - cost of goods sold	1.2	(0.7)
Gross profit	66.8	62.5
Research and development expenses	26.1	16.3
Selling and administrative expenses	43.1	35.9
Restructuring charges	3.5	—
Operating expenses	72.7	52.2
Operating (loss) earnings	(5.9)	10.3
Interest expense, net	3.7	2.4
Other expense (income), net	0.5	(1.8)
(Loss) earnings before income taxes and discontinued operations	(10.1)	9.7
Provision for income taxes	2.4	4.7
(Loss) earnings from continuing operations	(12.5)	5.0
Loss from discontinued operations, net	(16.9)	(20.8)
Net loss	\$(29.4)	\$ (15.8)
(Loss) earnings per share from continuing operations:		
Basic	\$(0.14)	\$ 0.06
Diluted	\$(0.14)	\$ 0.06
Loss per share from discontinued operations:		
Basic	\$(0.19)	\$ (0.25)
Diluted	\$(0.19)	\$ (0.25)
Net loss per share:		
Basic	\$(0.33)	\$ (0.19)
Diluted	\$(0.33)	\$ (0.19)
Weighted average common shares outstanding:		
Basic	88,536,745	85,107,579
Diluted	88,536,745	85,284,375

See accompanying Notes to Consolidated Financial Statements

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KNOWLES CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS
(in millions)
(unaudited)

	Three Months Ended March 31,	
	2016	2015
Net loss	\$(29.4)	\$(15.8)
Other comprehensive loss, net of tax		
Foreign currency translation	13.9	(51.4)
Employee benefit plans:		
Amortization or settlement of actuarial losses included in net periodic pension cost	—	0.1
Net change in employee benefit plans	—	0.1
Changes in fair value of cash flow hedges:		
Unrealized net gains (losses) arising during period	1.7	(0.7)
Net losses reclassified into earnings	(0.1)	—
Total cash flow hedges	1.6	(0.7)
Other comprehensive income (loss), net of tax	15.5	(52.0)
Comprehensive loss	\$(13.9)	\$(67.8)

See accompanying Notes to Consolidated Financial Statements

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KNOWLES CORPORATION
CONSOLIDATED BALANCE SHEETS
(in millions, except share and per share amounts)
(unaudited)

	March 31, December 31,	
	2016	2015
Current assets:		
Cash and cash equivalents	\$ 44.2	\$ 63.3
Receivables, net of allowances of \$1.5 and \$1.8	127.0	145.2
Inventories, net	127.2	118.4
Prepaid and other current assets	15.5	9.2
Total current assets	313.9	336.1
Property, plant and equipment, net	212.4	215.3
Goodwill	933.9	925.8
Intangible assets, net	91.4	97.0
Other assets and deferred charges	27.9	29.3
Assets of discontinued operations	57.3	93.0
Total assets	\$ 1,636.8	\$ 1,696.5