

PARK OHIO HOLDINGS CORP
Form 10-Q
May 11, 2015
Table of Contents

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, 2015

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: 000-03134

Park-Ohio Holdings Corp.

(Exact name of registrant as specified in its charter)

Ohio

34-1867219

(State or other jurisdiction of incorporation or
organization)

(I.R.S. Employer Identification No.)

6065 Parkland Boulevard, Cleveland, Ohio

44124

(Address of principal executive offices)

(Zip Code)

(440) 947-2000

(Registrant's telephone number, including area code)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

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 twelve 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

No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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 company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a 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

Number of shares outstanding of registrant's Common Stock, par value \$1.00 per share, as of April 30, 2015, 12,494,971 shares of the registrant's common stock, \$1 par value, were outstanding.

The Exhibit Index is located on page 33.

Table of Contents

Park-Ohio Holdings Corp. and Subsidiaries

Index

	Page
<u>Part I. Financial Information</u>	
Item 1. <u>Financial Statements</u>	<u>3</u>
<u>Condensed consolidated balance sheets — March 31, 2015 and December 31, 2014</u>	<u>3</u>
<u>Condensed consolidated statements of income — Three months ended March 31, 2015 and 2014</u>	<u>4</u>
<u>Condensed consolidated statements of comprehensive income (loss) — Three months ended March 31, 2015 and 2014</u>	<u>5</u>
<u>Condensed consolidated statement of shareholders' equity — Three months ended March 31, 2015</u>	<u>6</u>
<u>Condensed consolidated statements of cash flows — Three months ended March 31, 2015 and 2014</u>	<u>7</u>
<u>Notes to unaudited condensed consolidated financial statements — March 31, 2015</u>	<u>8</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>19</u>
Item 3. <u>Quantitative and Qualitative Disclosure About Market Risk</u>	<u>27</u>
Item 4. <u>Controls and Procedures</u>	<u>27</u>
 <u>Part II. Other Information</u>	
Item 1. <u>Legal Proceedings</u>	<u>28</u>
Item 1A. <u>Risk Factors</u>	<u>29</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>30</u>
Item 5. <u>Other Information</u>	<u>30</u>
Item 6. <u>Exhibits</u>	<u>30</u>
<u>Signatures</u>	<u>32</u>
<u>Exhibit Index</u>	<u>33</u>

Table of Contents

Part I. Financial Information

Item 1. Financial Statements

Park-Ohio Holdings Corp. and Subsidiaries

Condensed Consolidated Balance Sheets

	(Unaudited)	
	March 31, 2015	December 31, 2014
	(In millions, except share and per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$46.7	\$58.0
Accounts receivable, less allowances for doubtful accounts of \$3.8 million at March 31, 2015 and \$4.1 million at December 31, 2014	218.0	208.0
Inventories, net	249.5	238.4
Deferred tax assets	28.9	28.9
Unbilled contract revenue	31.9	26.8
Other current assets	18.6	22.1
Total current assets	593.6	582.2
Property, plant and equipment, net	144.3	141.1
Goodwill	86.9	89.5
Intangible assets, net	85.2	88.1
Other long-term assets	76.9	73.3
Total assets	\$986.9	\$974.2
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	\$162.3	\$160.3
Accrued expenses and other	108.0	103.6
Total current liabilities	270.3	263.9
Long-term liabilities, less current portion:		
Debt	435.2	434.4
Deferred tax liabilities	43.8	43.9
Other postretirement benefits and other long-term liabilities	40.8	40.1
Total long-term liabilities	519.8	518.4
Park-Ohio Holdings Corp. and Subsidiaries shareholders' equity:		
Capital stock, par value \$1 a share		
Serial preferred stock: Authorized -- 632,470 shares: Issued and outstanding -- none	—	—
Common stock: Authorized -- 40,000,000 shares; Issued -- 14,528,821 shares in 2015 and 14,513,821 in 2014	14.5	14.5
Additional paid-in capital	91.4	89.8
Retained earnings	135.7	126.5
Treasury stock, at cost, 2,033,248 shares in 2015 and 2,014,692 shares in 2014	(32.3) (31.2
Accumulated other comprehensive loss	(19.1) (14.0
Total Park-Ohio Holdings Corp. and Subsidiaries shareholders' equity	190.2	185.6
Noncontrolling interest	6.6	6.3
Total equity	196.8	191.9
Total liabilities and shareholders' equity	\$986.9	\$974.2

Refer to the accompanying notes to these unaudited condensed consolidated financial statements.

Table of ContentsPark-Ohio Holdings Corp. and Subsidiaries
Condensed Consolidated Statements of Income (Unaudited)

	Three Months Ended March 31,	
	2015	2014
	(In millions, except earnings per share data)	
Net sales	\$374.7	\$317.8
Cost of sales	316.3	261.8
Gross profit	58.4	56.0
Selling, general and administrative expenses	34.1	33.8
Operating income	24.3	22.2
Interest expense	6.8	6.3
Income before income taxes	17.5	15.9
Income tax expense	6.4	5.6
Net income	11.1	10.3
Net income attributable to noncontrolling interest	(0.3) (0.2
Net income attributable to ParkOhio common shareholders	\$10.8	\$10.1
Earnings per common share attributable to ParkOhio common shareholders:		
Basic	\$0.89	\$0.84
Diluted	\$0.87	\$0.82
Weighted-average shares used to compute earnings per share:		
Basic	12.2	12.0
Diluted	12.4	12.3
Dividend per common share	\$0.125	\$—

Refer to the accompanying notes to these unaudited condensed consolidated financial statements.

Table of Contents

Park-Ohio Holdings Corp. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

	Three Months Ended March 31,	
	2015	2014
	(In millions)	
Net income	\$ 11.1	\$