

FERRO CORP  
Form DEFA14A  
March 20, 2013

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the**

**Securities Exchange Act of 1934**

**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

**FERRO CORPORATION**

**(Name of registrant as specified in its charter)**

**(Name of person(s) filing proxy statement, if other than the registrant)**

Payment of Filing Fee (Check the appropriate box):

- No fee required
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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.. Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:



Ferro Corporation  
Our Plan to Create Value  
Investor Presentation  
March 2013

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Safe Harbor

Cautionary Note on Forward-Looking Statements

Certain statements in this presentation may constitute forward-looking statements within the meaning of Federal securities laws and are subject to a variety of uncertainties, unknown risks and other factors concerning the Company's operations and business environment. Actual results could differ materially from those suggested by these forward-looking statements and that could adversely affect the Company's financial performance include the following: demand in the industries into which Ferro sells its products may be unpredictable; changes in demand by consumer spending; Ferro's ability to successfully implement its value creation strategy; Ferro's ability to successfully implement cost saving initiatives, including its restructuring programs, and produce the desired results, including projected savings; restrictive covenants in credit facilities could affect its strategic initiatives and liquidity; Ferro's ability to access capital markets, borrowings, or financing; and the Company's efforts to improve operating margins through sales growth, price increases, productivity gains, and improve

availability of reliable sources of energy and raw materials at a reasonable cost; currency conversion rates and economic, social and political conditions around the world; Ferro's presence in certain geographic regions, including Latin America and Asia-Pacific, where operations are conducted in a lawful manner; increasingly aggressive domestic and foreign governmental regulations on hazardous materials and regulations affecting the environment; Ferro's ability to successfully introduce new products or enter into new growth markets; sale of products into highly competitive markets; or no redundancy for certain of the Company's manufacturing facilities and possible interruption of operations at those facilities; future acquisitions or dispositions, or successfully integrate future acquisitions; competitive factors, including intense price competition; the ability to protect its intellectual property or to successfully resolve claims of infringement brought against the Company; management of operating and administrative expenses; Ferro's multi-jurisdictional tax structure; the impact of the Company's performance on its ability to raise capital; assets; the effectiveness of strategies to increase Ferro's return on capital; the impact of operating hazards and investments made in the environment, health and safety regulations; stringent labor and employment laws and relationships with the Company's employees; requirements to fund employee benefit costs, especially post-retirement costs; implementation of new business processes and information systems; impact of interruption, damage to, failure, or compromise of the Company's information systems; manufacture and sale of products in a competitive industry; exposure to lawsuits in the normal course of business; risks and uncertainties associated with intangible assets, including goodwill impairment and other charges described in this press release; Ferro's borrowing costs could be affected adversely by interest rate fluctuations; the Company's assets by its lenders affect its ability to dispose of property and businesses; Ferro may not pay dividends on its common stock in the future; and other factors affecting the Company's business that are beyond its control, including disasters, accidents, and government actions. The risks and uncertainties identified above are not the only risks the Company faces. Additional risks and uncertainties not presently known or that it currently believes to be immaterial also may adversely affect the Company. Should any known or unknown risks and uncertainties or actual events, these developments could have material adverse effects on our business, financial condition and results of operations. This presentation contains time-sensitive information that reflects management's best analysis only as of the date of this release. We do not undertake any obligation to publicly update or revise any forward-looking statements to reflect future events, information or circumstances after the date of this presentation. Additional information regarding these risks can be found in our Annual Report on Form 10-K for the year ended December 31, 2012.

#### Non-GAAP Financial Measures

This presentation includes certain non-U.S. GAAP financial measures. The calculation of these measures, and a reconciliation of these non-comparable measures calculated in accordance with U.S. generally accepted accounting principles (GAAP), can be found on the

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Redefining Ferro's Strategy to Deliver Value  
to Shareholders  
Where We Were  
2007  
2012  
Where We Are  
2013  
Where We Are Going  
2014 & Beyond  
Strategy centered on

Solar & EMS

Increased level of  
capital investment  
Strategy redefined and  
implemented  
Period of transition and  
opportunity  
Build around Ferro's  
core competencies  
Capitalize on high-return  
investments  
Deterioration in Solar  
and EMS markets  
Higher cost structure  
Margins compressed  
Increased earnings  
volatility  
Rationalizing  
infrastructure investment  
Streamlining operations  
Increasing efficiency  
Improving profitability  
and accountability  
Deliver consistent growth  
in earnings  
Maximize cash flow  
Enhance ROIC  
Drive growth in  
shareholder value  
Early Stages of Value Strategy Delivering Results



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Ferro's Strategic Framework

Differentiation

Strategic

Objective

Strategic

Pillars

Strategy

Drive Profitability and Cash Flow by Cultivating New Business Development Across Geographies and Delivering Higher Value Applications in Target End Markets

Strengthen

Leadership Position  
in Core Businesses  
Achieve  
Continuous  
Operational  
Improvement  
Expand into  
Attractive Adjacent  
Markets  
Deliver Consistent,  
Predictable Growth in  
Shareholder Value  
Capitalize on Ferro's  
Core Competencies

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Focus on Ferro's Core  
Leadership positions in  
attractive niche markets  
Global presence and  
broad geographic reach  
Strong customer and  
channel relationships  
Breadth of technology  
and application expertise  
Reputation for quality and

consistency  
History of innovation  
Core  
Strengths  
Technical  
Expertise  
Organization  
Forms the Building Blocks for Shareholder Value Creation  
Particle Engineering  
Color and glass science  
Formulation and  
optimization  
Surface application  
technology  
Polymer science  
Organic synthesis  
Dedicated and motivated  
management team  
Global workforce with  
common core values  
Ability to think globally and  
act locally  
Regional R&D and  
technical centers  
Physical  
proximity  
to  
our  
customers

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Ferro Today  
Performance

Materials

2012 Sales: \$ 1,059M

Performance

Chemicals

2012 Sales: \$ 515M

Current Organization Structure

Performance

Coatings

Performance Colors  
and Glass

Pigments, Metal

Powders and Oxides

Polymer Additives

Specialty Plastics

Pharmaceuticals

Sales by End Markets

Sales by Region<sup>1</sup>

Ferro is a Leading, Global Supplier of Performance  
Materials and Chemicals

(1) Not pro forma for sale of Solar Paste

2012 Sales: Value added sales, excluding solar pastes

Building &

Renovation

45%

Appliances &

Household

18%

Transportation

12%

Other

11%

Electronics

8%

Containers / Packaging

6%

Europe / ME

/ Africa

35%

United States

33%

Asia /

Pacific

20%

Latin

America

12%

6

7

Tile Coatings

Digital Inks

Porcelain Enamel

Glass Enamels

Conductive Pastes

Forehearth Colors

Performance Materials

Conductive

Powders & Flakes

Inorganic Colored

Pigments

Sales by End Markets

Sales by Region<sup>1</sup>

Key Products

Select Applications

(1) Not pro forma for sale of Solar Paste



8  
PVC Additives  
Antibacterial agents  
Water treatment,  
oilfield additives  
Engineered  
Specialty Plastics  
Gelcoats  
Liquid colors  
Performance Chemicals

Active ingredients

High-purity

carbohydrates

Sales by End Markets

Sales by Region<sup>1</sup>

Key Products

Select Applications

(1) Not pro forma for sale of Solar Paste

Building &

Renovation

37%

Appliances

and Household

10%

Other

24%

Containers /

Packaging

10%

Electronics

1%

North

America

75%

Europe

22%

Latin America

2%

Asia Pacific

<1%

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Ferro's Strategy in Action: Current Focus  
Divest Non-Core Businesses  
Streamline Operations and Reduce Operating Costs  
Pursue High-Return Growth Investment

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Solar Pastes

October 2012: Announced exploration of strategic options

February 2013: Completed sale to Heraeus

Provides significant immediate benefits:

»

Cash proceeds of approximately \$11 million

»

Reduced precious metal leases by approximately \$12 million

»

Eliminates 2012 segment loss of \$16 million  
Remaining Portfolio  
Actively manage and evaluate Ferro portfolio  
Exit underperforming businesses and product lines  
Divest Non-Core Businesses  
1

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Streamline Operations and Reduce  
Operating Costs

2

Reduced the number of business units from 8 to 5  
Created one Performance Materials manufacturing group  
Restructured Tile Coating and PE manufacturing  
infrastructure in Southern Europe

Reduced the global commercial management structure of  
Color & Glass and EMS  
Creating One Ferro  
procurement and supply chain groups  
Over \$6  
million of cost savings realized to date

12

Expected run-rate annual savings > \$50 million

Transitioning functional support to regional / global structure

Implementing global shared service model for select administrative activities

Rationalizing Ferro's real estate and lease portfolio

Approximately \$14 million of cost savings realized to date

Streamline Operations and Reduce



Operating Costs

2

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Higher Value Applications

Tile: Digital Inks and Glazes

Polymer Additives: Nonphthalate Product Offerings

Specialty Plastics: Color Concentrates and Nanoclay Products

Porcelain

Enamel:

AquaRealEase

Color and Glass: Digital and Organic Inks

Pigments: UV Absorbing and Camouflage Pigments

Geographic Expansion to High Growth Areas

Northern Africa / Egypt

Eastern Europe / Turkey

Asia

Bolt-on Acquisition Opportunities

3

Pursue High-Return Growth Investments

®

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2013 Guidance

Adjusted earnings per share for 2013 are expected to be in the range of \$0.25 to \$0.30 per diluted share

We expect the first quarter of 2013 to be the lowest earnings quarter (\$0.02 -

\$0.05/share) due to the timing

of the cost savings programs rollout

Adjusting for the impact of the Solar Pastes transaction and foreign currencies, sales growth is expected to be approximately 2%

For the year, cash flow is expected to be neutral

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2015 Targets

Top line sales growth 4% per annum

Gross profit as percent of sales > 21%

SG&A expense as percent of sales < 13%

EBITDA margin of approximately 11%

Maintenance CAPEX of \$25 million

EPS of \$0.75 -

\$0.85

Note: Sales = value added sales

Appendix

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Ferro Q4 2012 Financial Overview

Sales decline driven by EMS, primarily solar  
pastes and metal powders and flakes

Value added sales declined in all segments

Weakness in Europe adversely impacted

Coatings and Color & Glass

SG&A includes pension mark-to-market  
adjustments of \$27M and \$52M in 2012 and

2011

Excluding pension, SG&A reduced partially due



to lower variable selling costs, reduced  
compensation expenses and lower professional  
fees

Increase in net debt by \$5M during Q4

(a)

Non-GAAP measure; see reconciliation in the appendix.

Q4 2012

Q4 2011

Net Sales

\$ 406

\$ 443

Net Value-Added Sales

366

392

Gross Margin

59

74

% of VA Sales

16.2%

18.8%

Pre-tax Income

\$(68)

\$(74)

Net Income

(64)

(61)

EBITDA (a)

\$ 12

\$ 14

Adjusted EPS

\$(0.07)

\$(0.06)

18

Ferro FY 2012 Financial Overview

Sales decline driven by EMS, primarily solar pastes, metal powders and flakes and continued weakness in Europe

Precious metal sales fell by over 55%

Change in FX reduced sales by approximately 2%

SG&A includes pension mark-to-market adjustments of \$27M and \$52M in 2012 and 2011

Impairments of nearly \$215M, primarily EMS  
goodwill and assets; Restructuring of \$11M  
Tax expense primarily related to nearly \$190M  
charge associated with increase in valuation  
allowances

Increase in net debt of \$31M for year

(a)

Non-GAAP measure; see reconciliation in the appendix.

2012

2011

Net Sales

\$ 1,769

\$ 2,156

Net Value-Added Sales

1,596

1,757

Gross Margin

298

412

% of VA Sales

18.7%

23.5%

Pre-tax Income

\$(264)

\$ 24

Net Income

(374)

4

EBITDA (a)

\$ 94

\$ 191

Adjusted EPS

\$ 0.09

\$ 0.80

19  
Non-GAAP Reconciliations  
EBITDA Reconciliation (\$M)  
2012  
4Q2012  
Net income as reported (GAAP)  
\$(373)  
\$(63)  
Add -  
Income tax as reported  
\$

109  
\$(4)  
Charges (excluding income tax)  
277  
59  
Depreciation and amortization as reported  
57  
16  
Interest expense as reported  
28  
7  
Other  
(4)  
(3)  
EBITDA  
\$  
94  
\$  
12

20

Reconciliation of Reported Loss to Adjusted

Loss

(1)

Pension and other postretirement benefits mark-to-market adjustment of the related net liabilities.

(2)

Includes certain severance costs, impairments, ongoing costs at facilities that have been idled, loss/gain on divestitures, and certain business development activities.

(3)

Adjustment of reported earnings and of special items to a normalized 36% rate for 2012 and 32% for 2011.

(Dollars in thousands, except per share amounts)

Three months ended December 31, 2012

Cost of sales  
 Selling,  
 general and  
 administrative  
 expenses  
 Restructuring  
 and  
 impairment  
 charges  
 Other expense,  
 net  
 Income tax  
 (benefit)  
 expense  
 Net (loss)  
 income  
 attributable to  
 common  
 shareholders  
 Diluted (loss)  
 earnings per  
 share  
 As reported  
 \$  
 346,541  
 \$  
 96,352  
 \$  
 21,990  
 \$  
 8,618  
 \$(4,133)  
 \$(63,876)  
 \$(0.74)  
 Special items:  
 Impairments  
 -  
 -  
 \$(16,403)  
 -  
 \$  
 5,905  
 \$  
 10,498  
 \$  
 0.12  
 Restructuring  
 -  
 -

(5,587)  
-  
2,011  
3,576  
0.04  
Pension  
1  
\$(3,758)  
\$(23,480)  
-  
-  
9,806  
17,432  
0.20  
Other  
2  
(1,861)  
(8,222)  
-  
-  
3,630  
6,453  
0.08  
Taxes  
3  
-  
-  
-  
-  
(20,205)  
20,205  
0.23  
Total special items  
\$(5,619)  
\$(31,702)  
\$(21,990)  
\$  
0  
\$  
1,147  
\$  
58,164  
\$  
0.67  
As adjusted  
\$  
340,922  
\$  
64,650  
\$



0  
 \$  
 8,618  
 \$(2,986)  
 \$(5,712)  
 \$(0.07)  
 Three months ended December 31, 2011  
 As reported  
 \$  
 368,946  
 \$  
 125,158  
 \$  
 12,986  
 \$  
 9,897  
 \$(13,487)  
 \$(60,962)  
 \$(0.71)  
 Special items:  
 Impairments  
 -  
 -  
 \$(12,129)  
 -  
 \$  
 3,881  
 \$  
 8,248  
 \$  
 0.09  
 Restructuring  
 -  
 -  
 (857)  
 -  
 274  
 583  
 0.01  
 Pension  
 1  
 \$(968)  
 \$(50,792)  
 -  
 -  
 16,563  
 35,197  
 0.41  
 Other  
 2

(1,137)  
(760)  
-  
\$(397)  
734  
1,560  
0.02  
Taxes  
3  
-  
-  
-  
-  
(10,286)  
10,286  
0.12  
Total special items  
\$(2,105)  
\$(51,552)  
\$  
12,986  
\$(397)  
\$  
11,166  
\$  
55,874  
\$  
0.65  
As adjusted  
\$  
366,841  
\$  
73,606  
\$  
0  
\$  
9,500  
\$(2,321)  
\$(5,088)  
\$(0.06)

21

Reconciliation of Reported Loss (Income) to  
Adjusted Income

(1)

Pension and other postretirement benefits mark-to-market adjustment of the related net liabilities.

(2)

Includes certain severance costs, impairments, ongoing costs at facilities that have been idled, loss/gain on divestitures, and certain business development activities.

(3)

Adjustment of reported earnings and of special items to a normalized 36% rate for 2012 and 32% for 2011.

(Dollars in thousands, except per share amounts)

Twelve months ended December 31, 2012

Cost of sales  
 Selling,  
 general and  
 administrative  
 expenses  
 Restructuring  
 and  
 impairment  
 charges  
 Other expense,  
 net  
 Income tax  
 expense  
 (benefit)  
 Net (loss)  
 income  
 attributable to  
 common  
 shareholders  
 Diluted (loss)  
 earnings per  
 share  
 As reported  
 \$  
 1,470,769  
 \$  
 302,658  
 \$  
 225,819  
 \$  
 32,934  
 \$  
 109,485  
 \$(374,268)  
 \$(4.34)  
 Special items:  
 Impairments  
 -  
 -  
 \$(215,279)  
 -  
 \$  
 77,500  
 \$  
 137,779  
 \$  
 1.60  
 Restructuring  
 -

-  
(10,540)  
-  
3,794  
6,746  
0.08  
Pension  
1  
\$(3,758)  
\$(23,480)  
-  
-  
9,806  
17,432  
0.20  
Other  
2  
(9,065)  
(14,191)  
-  
\$(808)  
8,663  
15,401  
0.18  
Taxes  
3  
-  
-  
-  
-  
(204,363)  
204,363  
2.37  
Total special items  
\$(12,823)  
\$(37,671)  
\$(225,819)  
\$  
808  
\$(104,600)  
\$  
381,721  
\$  
4.43  
As adjusted  
\$  
1,457,946  
\$  
264,987  
\$

0  
\$  
32,126  
\$  
4,885  
\$  
7,453  
\$  
0.09  
Twelve months ended December 31, 2011  
As reported  
\$  
1,743,560  
\$  
335,311  
\$  
17,030  
\$  
35,419  
\$  
19,338  
\$  
4,239  
\$  
0.05  
Special items:  
Impairments  
-  
-  
\$(12,132)  
-  
\$  
3,882  
\$  
8,250  
\$  
0.10  
Restructuring  
-  
-  
(4,898)  
-  
1,567  
3,331  
0.04  
Pension  
1  
\$(968)  
\$(50,792)  
-

-  
16,563  
35,197  
0.41  
Other  
2  
(4,761)  
(4,100)  
-  
\$(397)  
2,963  
6,295  
0.07  
Taxes  
3  
-  
-  
-  
-  
\$(11,507)  
11,507  
0.13  
Total special items  
\$(5,729)  
\$(54,892)  
\$(17,030)  
\$  
397  
\$  
13,468  
\$  
64,580  
\$  
0.75  
As adjusted  
\$  
1,737,831  
\$  
280,419  
\$  
0  
\$  
35,022  
\$  
32,806  
\$  
68,819  
\$  
0.80

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Disclaimers

Additional Information

In connection with its 2013 Annual Meeting of Shareholders, the Company will file a proxy statement and other documents regarding the 2013 Annual Meeting with the SEC and will mail the definitive proxy statement and a proxy card to each shareholder of record entitled to vote at the 2013 Annual Meeting. **SHAREHOLDERS ARE ENCOURAGED TO READ THE PROXY STATEMENT AND ANY OTHER RELEVANT DOCUMENTS FILED WITH THE SEC WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.** The final proxy statement will be mailed to shareholders. Investors and security holders will be able to obtain the documents free of charge at the SEC's website,



www.sec.gov, from Ferro at its website, www.ferro.com, or by contacting the Company at 6060 Parkland Boulevard, Mayfield Heights, Ohio 44124, Attention: Corporate Secretary.

Participants in Solicitation

The Company and its directors and executive officers may be deemed to be participants in the solicitation of proxies in connection with the 2013 Annual Meeting. Information concerning the Company's participants is set forth in the proxy statement, dated March 28, 2012, for its 2012 Annual Meeting of Shareholders as filed with the SEC on Schedule 14A.

Additional information regarding the interests of participants of the Company in the solicitation

of

proxies

in

respect

of

the

2013

Annual

Meeting

of

Shareholders

and

other

relevant materials will be filed with the SEC when they become available.