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Knowles Corp
Form 10-Q
October 30, 2017
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, 2017.

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated

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filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

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

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 October 26, 2017 was 89,468,491.

Knowles Corporation
 Form 10-Q
 Table of Contents

	Page
<u>PART I — FINANCIAL INFORMATION</u>	<u>1</u>
<u>Item 1. Financial Statements</u>	<u>1</u>
<u>Consolidated Statements of Earnings (unaudited) for the three and nine months ended September 30, 2017 and 2016</u>	<u>1</u>
<u>Consolidated Statements of Comprehensive Earnings (unaudited) for the three and nine months ended September 30, 2017 and 2016</u>	<u>2</u>
<u>Consolidated Balance Sheets (unaudited) at September 30, 2017 and December 31, 2016</u>	<u>3</u>
<u>Consolidated Statement of Stockholders' Equity (unaudited) for the nine months ended September 30, 2017</u>	<u>4</u>
<u>Consolidated Statements of Cash Flows (unaudited) for the nine months ended September 30, 2017 and 2016</u>	<u>5</u>
<u>Notes to Consolidated Financial Statements (unaudited)</u>	<u>6</u>
<u>Forward-Looking Statements</u>	<u>27</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>28</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>45</u>
<u>Item 4. Controls and Procedures</u>	<u>45</u>
 <u>PART II — OTHER INFORMATION</u>	 <u>45</u>
<u>Item 1. Legal Proceedings</u>	<u>45</u>
<u>Item</u>	
<u>1A. Risk Factors</u>	<u>45</u>
<u>Item 6. Exhibits</u>	<u>46</u>
<u>SIGNATURES</u>	<u>47</u>

Table of Contents

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 September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenues	\$221.7	\$ 243.1	\$605.6	\$ 618.7
Cost of goods sold	138.7	148.2	378.2	382.7
Impairment charges	0.3	—	1.7	—
Restructuring charges - cost of goods sold	0.2	—	3.9	1.4
Gross profit	82.5	94.9	221.8	234.6
Research and development expenses	23.9	23.3	76.8	75.2
Selling and administrative expenses	36.8	43.0	113.6	131.3
Impairment charges	—	—	19.9	—
Restructuring charges	0.9	2.1	4.4	9.3
Operating expenses	61.6	68.4	214.7	215.8
Operating earnings	20.9	26.5	7.1	18.8
Interest expense, net	5.1	5.6	15.4	15.1
Other expense (income), net	—	—	3.8	(1.7)
Earnings (loss) before income taxes and discontinued operations	15.8	20.9	(12.1)	5.4
Provision for income taxes	0.4	—	7.5	3.8
Earnings (loss) from continuing operations	15.4	20.9	(19.6)	1.6
Earnings (loss) from discontinued operations, net	0.3	(28.5)	2.4	(63.2)
Net earnings (loss)	\$15.7	\$ (7.6)	\$(17.2)	\$(61.6)
Earnings (loss) per share from continuing operations:				
Basic	\$0.17	\$ 0.24	\$(0.22)	\$ 0.02
Diluted	\$0.17	\$ 0.24	\$(0.22)	\$ 0.02
Earnings (loss) per share from discontinued operations:				
Basic	\$0.01	\$ (0.32)	\$0.03	\$ (0.71)
Diluted	\$—	\$ (0.32)	\$0.03	\$ (0.71)
Net earnings (loss) per share:				
Basic	\$0.18	\$ (0.08)	\$(0.19)	\$ (0.69)
Diluted	\$0.17	\$ (0.08)	\$(0.19)	\$ (0.69)
Weighted-average common shares outstanding:				
Basic	89,469,986	86,720,888	89,270,108	88,637,001
Diluted	90,373,111			