Mueller Water Products, Inc.
Form 8-K
July 31, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT PURSUANT
TO SECTION 13 or 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT (Date of earliest event reported): July 31, 2015

MUELLER WATER PRODUCTS, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	0001-32892	20-3547095
(State or Other Jurisdiction of Incorporation or Organization)	(Commission File Number)	(I.R.S. Employer Identification Number)

1200 Abernathy Road, Suite 1200
Atlanta, Georgia 30328
(Address of Principal Executive Offices)

(770) 206-4200
(Registrant's telephone number, including area code)

Not applicable.
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240-14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240-13e-4(c))

Item 7.01. Regulation FD Disclosure.

On July 31, 2015, Mueller Water Products, Inc. (the "Company") held an investor conference call regarding its third quarter fiscal 2015 financial results. A copy of management's prepared remarks is attached and furnished as Exhibit 99.1 to this current report on Form 8-K and is incorporated herein by reference. The furnishing of the remarks is not intended to constitute a representation that such furnishing is required by Regulation FD or that the remarks include material investor information that is not otherwise publicly available. In addition, the Company does not assume any obligation to update such information in the future.

The information provided pursuant to this Item 7.01, including Exhibit 99.1 in Item 9.01, is "furnished" and shall not be deemed to be "filed" with the Securities and Exchange Commission or incorporated by reference in any filing under the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in any such filings.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

99.1 Management's Presentation, Conference Call Remarks - 3rd Quarter Fiscal 2015 (July 31, 2015)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: July 31, 2015

MUELLER WATER PRODUCTS, INC.

By: /s/ Evan L. Hart
Evan L. Hart
Senior Vice President and Chief Financial Officer

t;font-size:10pt;">$0.8 million to $12.9 million in the second quarter of 2014, compared to $12.1 million in the same period of 2013, due to the reasons described above.

Loss from Discontinued Operations:

In September 2013, the Company sold all of the outstanding equity interests of a non-core business unit in the Supply Technologies segment for $8.5 million in cash. The loss from discontinued operations of $0.1 million for the second quarter of 2013 is comprised of the operating losses, net of tax, of the business unit sold. As a result of the sale, this business unit has been removed from the Supply Technologies segment and presented as a discontinued operation for all of the periods presented.

22

Table of Contents

Net Income:

Net income increased $0.9 million to $12.9 million for the second quarter of 2014, compared to $12.0 million in the same period of 2013, due to the reasons described above.

Net Income Attributable to Noncontrolling Interest:

As a result of the sale of the 25% equity interest in a small forging business in the third quarter of 2013, the income of $0.5 million for the second quarter of 2014 attributable to the noncontrolling interest was deducted from net income to derive net income attributable to ParkOhio common shareholders.

Net Income Attributable to ParkOhio Common Shareholders:

Net income attributable to ParkOhio common shareholders increased $0.4 million to $12.4 million in the second quarter of 2014, compared to $12.0 million in the same period of 2013, due to the reasons described above.

Table of Contents

Six Months Ended June 30, 2014 Compared with Six Months Ended June 30, 2013

	Six Months Ended June 30,			
	2014	Adjusted 2013	$ Change	% Change
	(Dollars in millions, except per share data)			
Net sales	$661.1	$590.3	$70.8	12.0 %
Cost of sales	544.1	481.2	62.9	13.1 %
Gross profit	117.0	109.1	7.9	7.2 %
Gross profit as a percentage of net sales	17.7 %	18.5 %		
Selling, general and administrative expenses	67.8	60.9	6.9	11.3 %
SG&A as a percentage of net sales	10.3 %	10.3 %		
Operating income	49.2	48.2	1.0	2.1 %
Interest expense	13.8	13.1	0.7	5.3 %
Income from continuing operations before income taxes	35.4	35.1	0.3	0.9 %
Income tax expense	12.2	12.3	(0.1)	(0.8)%
Net income from continuing operations	23.2	22.8	0.4	1.8 %
Loss from discontinued operations, net of taxes	—	(0.5)	0.5	*
Net income	23.2	22.3	0.9	4.0 %
Net income attributable to noncontrolling interest	(0.7)	—	(0.7)	*
Net income attributable to ParkOhio common shareholders	$22.5	$22.3	$0.2	0.9 %
Earnings (loss) per common share attributable to ParkOhio common shareholders - Basic:				
Continuing operations	$1.86	$1.93	$(0.07)	(3.6)%
Discontinued operations	—	(0.04)	0.04	*
Total	$1.86	$1.89	$(0.03)	(1.6)%
Earnings (loss) per common share attributable to ParkOhio common shareholders - Diluted:				
Continuing operations	$1.82	$1.88	$(0.06)	(3.2)%
Discontinued operations	—	(0.04)	0.04	*
Total	$1.82	$1.84	$(0.02)	(1.1)%

* Calculation not meaningful

Net Sales:

Net sales increased $70.8 million, or 12.0%, to $661.1 million in the first six months of 2014, compared to $590.3 million in the same period in 2013, mainly due to the incremental sales from acquisitions of $36.3 million and volume increases from our Supply Technologies and Assembly Components segments, partially offset by decreases in our Engineered Products segment. Organic net sales growth was $34.5 million, or 5.8%, compared to the same period in 2013.

The factors explaining the changes in segment revenues for the six months ended June 30, 2014 compared to the prior year comparable period are contained within the "Segment Analysis" section.

Table of Contents

Cost of Sales & Gross Profit:

Cost of sales increased $62.9 million to $544.1 million in the first six months of 2014, compared to $481.2 million in the same period in 2013. The increase in cost of sales was primarily due to incremental cost of sales from acquisitions of $31.6 million and the increase in net sales volumes.

The gross profit margin percentage was 17.7% in the first six months of 2014 compared to 18.5% in the same period in 2013. The decrease in gross margin percentage of 80 basis points is largely due to a 4% increase in the sales mix of Supply Technologies and Assembly Components net sales as a percentage of consolidated net sales for the first six months of 2014 compared to the same period in 2013, which carry a lower gross margin percentage.

SG&A Expenses:

Consolidated SG&A expenses increased 11.3% to $67.8 million in the first six months of 2014 compared to $60.9 million for the same period in 2013, and SG&A expenses as a percent of sales remained flat year over year. SG&A expenses increased in the first six months of 2014 compared to the same period in 2013 primarily due to $3.2 million of incremental expense associated with the acquisitions, increased professional service fees of $1.0 million and increased salary and wage expenses partially offset by pension income.

Interest Expense:

	Six Months Ended June 30,			
	2014	2013	$ Change	% Change
	(Dollars in millions)			
Interest expense	$13.8	$13.1	$0.7	5.3 %
Average outstanding borrowings	$385.7	$382.2	$3.5	0.9 %
Average borrowing rate	7.16 %	6.86 %		

Interest expense increased $0.7 million in the first six months of 2014 compared to the same period in 2013, primarily due to the earn-out provisions of the recent acquisitions. We expect additional earn-out provisions related to the Apollo acquisition through the second quarter of 2016. Average borrowings in the first six months of 2014 were higher when compared to the same period in 2013 due to additional borrowings to fund the acquisitions. The higher average borrowing rate in the first six months of 2014 was primarily due to the earn-out provisions of the recent acquisitions.

Income Tax Expense:

The provision for income taxes was $12.2 million, at a 34.5% effective income tax rate, in the first six months of 2014. This was comparable to income taxes of $12.3 million, at a 35.0% effective income tax rate, in the corresponding period of 2013.

Net Income from Continuing Operations:

Net income from continuing operations increased $0.4 million to $23.2 million in the first six months of 2014, compared to $22.8 million in the same period of 2013, due to the reasons described above.

Loss from Discontinued Operations:

In September 2013, the Company sold all of the outstanding equity interests of a non-core business unit in the Supply Technologies segment for $8.5 million in cash. The loss from discontinued operations of $0.5 million for the first six months of 2013 is comprised of the operating losses, net of tax, of the business unit sold. As a result of the sale, this business unit has been removed from the Supply Technologies segment and presented as a discontinued operation for all of the periods presented.

25

Table of Contents

Net Income:

Net income increased $0.9 million to $23.2 million for the first six months of 2014, compared to $22.3 million for the first six months of 2013, due to the reasons described above.

Net Income Attributable to Noncontrolling Interest:

As a result of the sale of the 25% equity interest in a small forging business in the third quarter of 2013, the income of $0.7 million for the first six months of 2014 attributable to the noncontrolling interest was deducted from net income to derive net income attributable to ParkOhio common shareholders.

Net Income Attributable to ParkOhio Common Shareholders:

Net income attributable to ParkOhio common shareholders increased $0.2 million to $22.5 million in the first six months of 2014, compared to $22.3 million in the same period of 2013, due to the reasons described above.

SEGMENT ANALYSIS

We primarily evaluate performance and allocate resources based on segment operating income as well as projected future performance. Segment operating income is defined as revenues less expenses identifiable to the business units and product lines included within each segment. Segment operating income will reconcile to consolidated income from continuing operations before income taxes by deducting corporate costs that are not attributable to the segments and net interest expense.

The proportion of consolidated revenues and segment operating income attributed to each segment was as follows:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013	% Change	2014	2013	% Change
Revenues:						
Supply Technologies	41 %	40 %	1 %	42 %	40 %	2 %
Assembly Components	36 %	34 %	2 %	35 %	33 %	2 %
Engineered Products	23 %	26 %	(3)%	23 %	27 %	(4)%
Segment Operating Income:						
Supply Technologies	32 %	31 %	1 %	34 %	32 %	2 %
Assembly Components	36 %	35 %	1 %	32 %	30 %	2 %
Engineered Products	32 %	34 %	(2)%	34 %	38 %	(4)%

26

Table of Contents

Supply Technologies Segment

Three Months Ended June 30, 2014 Compared with Three Months Ended June 30, 2013

	Three Months Ended June 30,			
	2014	2013	$ Change	% Change
	(Dollars in millions)			
Net sales	$142.4	$121.5	$20.9	17 %
Segment operating income	$10.6	$9.3	$1.3	14 %
Segment operating income margin	7.4 %	7.7 %		

Net Sales: Approximately half of the revenue increase in the second quarter of 2014, compared to the same period in 2013, is directly attributable to the acquisitions of Henry Halstead, QEF and Apollo. The other half of our growth in the second quarter of 2014 was organic growth in our diversified markets. This growth was driven by the power sports and recreational equipment market, which increased 25%; the heavy-duty truck market, which was up 9%; and the semiconductor market, which was up 48%. In addition, our fastener manufacturing division generated sales increases of 6% in the second quarter of 2014.

Segment Operating Income: With increases in net sales, segment operating income increased $1.3 million, or 14%, to $10.6 million. Segment operating income margin was 7.4%, which was a 30 basis points reduction compared to the prior year's second quarter segment operating income margin of 7.7%. The reduction in margin is primarily attributable to increased professional services fees and overall customer product mix swings in the second quarter of 2014, slightly offset by increased operational leverage as a result of our three recent acquisitions.

Six Months Ended June 30, 2014 Compared with Six Months Ended June 30, 2013

	Six Months Ended June 30,			
	2014	2013	$ Change	% Change
	(Dollars in millions)			
Net sales	$276.8	$233.3	$43.5	19 %
Segment operating income	$21.4	$18.7	$2.7	14 %
Segment operating income margin	7.7 %	8.0 %		

Net Sales: Almost half of the revenue increase in the first six months of 2014, compared to the same period in 2013, is directly attributable to the acquisitions of Henry Halstead, QEF and Apollo. The majority of our growth in the first six months of 2014 was organic growth in our diversified markets. This growth was driven by the heavy-duty truck market, which was up 29%; the power sports and recreational equipment market, which increased 18%; and the semiconductor market, which was up 55%. In addition, our fastener manufacturing division generated sales increases of 12% in the first six months of 2014.

Segment Operating Income: With increases in net sales, segment operating income increased $2.7 million, or 14%, to $21.4 million. Segment operating income margin was 7.7%, which was a 30 basis points reduction compared to the prior year's first six months segment operating income margin of 8.0%. The reduction in margin is primarily attributable to increased professional services fees and overall customer product mix swings in the first six months of 2014, slightly offset by increased operational leverage as a result of our three recent acquisitions.

27

Table of Contents

Assembly Components Segment

Three Months Ended June 30, 2014 Compared with Three Months Ended June 30, 2013

	Three Months Ended June 30,			
	2014	2013	$ Change	% Change
	(Dollars in millions)			
Net sales	$122.0	$105.6	$16.4	16 %
Segment operating income	$12.2	$10.8	$1.4	13 %
Segment operating income margin	10.0 %	10.2 %		

Net Sales: The significant increase in net sales is primarily due to incremental sales from new programs with our automotive customers in our aluminum business. The aluminum business revenues increased 55%. In addition, net sales benefited by $4.0 million from one more month of incremental net sales from the Bates acquisition in late April 2013, but this favorable net sales growth was offset by the expected reduced volumes in the fuel filler business of Fluid Routing Solutions as programs completed their life cycles in the second half of 2013.

Segment Operating Income: On the strength of the aluminum business' incremental contribution from the new program launches with our automotive customers, segment operating income increased 13% in the second quarter of 2014 compared to the same period in 2013. Furthermore, our segment operating income margin remained relatively flat.

Six Months Ended June 30, 2014 Compared with Six Months Ended June 30, 2013

	Six Months Ended June 30,			
	2014	2013	$ Change	% Change
	(Dollars in millions)			
Net sales	$230.1	$197.8	$32.3	16 %
Segment operating income	$20.3	$17.6	$2.7	15 %
Segment operating income margin	8.8 %	8.9 %		

Net Sales: The significant increase in net sales is primarily due to incremental sales from new programs with our automotive customers in our aluminum business. The aluminum business revenues increased 41%. Also contributing to the overall increase in net sales was the incremental revenues in 2014 associated with the acquisition of Bates of approximately $15.5 million. These revenue increases were slightly offset by the expected reduced volumes in the fuel filler business of Fluid Routing Solutions as programs completed their life cycles in the second half of 2013.

Segment Operating Income: On the strength of the aluminum business' incremental contribution from the new program launches with our automotive customers in 2013 and the Bates acquisition, segment operating income increased 15% in the first six months of 2014 compared to the same period in 2013. Furthermore, our segment operating income margin has remained relatively flat.

Table of Contents

Engineered Products Segment

Three Months Ended June 30, 2014 Compared with Three Months Ended June 30, 2013

	Three Months Ended June 30,			
	2014	2013	$ Change	% Change
	(Dollars in millions)			
Net sales	$78.9	$80.2	$(1.3)	(2)%
Segment operating income	$10.7	$10.4	$0.3	3%
Segment operating income margin	13.6%	13.0%		

Net Sales: Our forging business improved slightly in the second quarter of 2014 compared to the second quarter of 2013, after coming off the unfavorable impact of the extreme weather conditions that impacted the first quarter of 2014 and reduced demand for some of its aircraft forging products. Overall revenues in our forging business were up 4% in the second quarter of 2014 compared to the same period in 2013. Our industrial equipment business net sales declined in the second quarter of 2014 by 3%. This business unit can experience volatility in the timing of completed jobs and the associated revenue recognition related to percentage of completion accounting based on the jobs' complexity and size. Our aftermarket business reflected 3% net sales growth in the second quarter of 2014 compared to the second quarter of 2013.

Segment Operating Income: Even though net sales in 2014 decreased, segment operating income increased 3% in the second quarter of 2014. In addition, segment operating income margin increased 60 basis points to 13.6% in the second quarter of 2014 compared to 13.0% in the second quarter of 2013. The operating income margin improvement was primarily due to a favorable mix change in our business.

Six Months Ended June 30, 2014 Compared with Six Months Ended June 30, 2013

	Six Months Ended June 30,			
	2014	2013	$ Change	% Change
	(Dollars in millions)			
Net sales	$154.2	$159.2	$(5.0)	(3)%
Segment operating income	$21.3	$22.7	$(1.4)	(6)%
Segment operating income margin	13.8%	14.3%		

Net Sales: Both of our primary business units in this segment experienced declines in the first six months of 2014 compared to the same period in 2013. Our industrial equipment business net sales declined in the first six months of 2014 by 3%. This business unit can experience volatility in the timing of completed jobs and the associated revenue recognition related to percentage of completion accounting based on the jobs' complexity and size. However, our aftermarket business increased 3% in the first six months of 2014 compared to the first six months of 2013. Our forging business was unfavorably impacted by extreme weather conditions and reduced demand for some of its aircraft forging products during the first quarter of 2014, which was only partially offset by the improvement in the second quarter of 2014. Overall revenues in our forging business were down 3% year over year.

Table of Contents

Segment Operating Income: Given the decrease in net sales in 2014, segment operating income also decreased 6% in the first six months of 2014. In addition, segment operating income margin declined 50 basis points to 13.8% in the first six months of 2014 compared to 14.3% in the first six months of 2013. Our forging business experienced operational difficulties due to the extreme weather during the first quarter of 2014, which resulted in delayed orders, additional maintenance and premium natural gas costs that were only partially offset by the results of operations in the second quarter of 2014. We estimate the impact of these extreme weather-related factors on segment operating income was approximately $1.2 million in the first three months of 2014.

Liquidity and Sources of Capital

The Company is a party to a credit and security agreement, dated November 5, 2003, as amended and restated (the "Credit Agreement"), with a group of banks, under which it may borrow or issue standby letters of credit or commercial letters of credit. As of June 30, 2014, we had $126.7 million outstanding and approximately $71.1 million of unused borrowing availability under the revolving credit facility provided by the Credit Agreement. Also, as of June 30, 2014, we had cash and cash equivalents of $57.4 million.

Our liquidity needs are primarily for working capital and capital expenditures. Our primary sources of liquidity have been funds provided by operations and funds available from existing bank credit arrangements and the sale of our debt securities. On April 7, 2011, we completed the sale of $250.0 million aggregate principal amount of 8.125% Senior Notes due 2021 (the "Senior Notes"). The Senior Notes bear an interest rate of 8.125% per annum payable semi-annually in arrears on April 1 and October 1 of each year. The Senior Notes mature on April 1, 2021.

Pursuant to the Credit Agreement, we may borrow or issue standby letters of credit or commercial letters of credit. On March 23, 2012, the Credit Agreement was amended and restated to, among other things, increase the revolving loan commitment from $200 million to $220 million, and provide a term loan for $25 million that is secured by certain real estate and machinery and equipment. Amounts borrowed under the revolving credit facility may be borrowed at either (i) LIBOR plus 1.75% to 2.75% or (ii) the bank's prime lending rate minus 0.25% to 1.00%, at the Company's election. The interest rate is dependent on the Company's debt service coverage ratio, as defined in the Credit Agreement. Under the Credit Agreement, a detailed borrowing base formula provides borrowing availability to the Company based on percentages of eligible accounts receivable and inventory. On April 3, 2013, the Credit Agreement was amended to increase the advance rate on eligible accounts receivable and inventory. Interest on the term loan is at either (i) LIBOR plus 2.75% or (ii) the bank's prime lending rate plus 0.25%, at the Company's election. The term loan is amortized based on a seven-year schedule with the balance due at maturity (April 7, 2016).

On July 31, 2014, the Company entered into a sixth amendment and restatement of the credit agreement (the "Amended Credit Agreement"). The Amended Credit Agreement, among other things, increases the revolving credit facility to $230.0 million, provides a term loan for $16.1 million and extends the maturity date of the borrowings under the Amended Credit Agreement to July 31, 2019. The revolving credit facility includes a Canadian sub-limit of $15.0 million and a European sub-limit of $10.0 million (which may be increased to $25.0 million) for borrowings in those locations. Domestic amounts under the revolving credit facility may be borrowed at either (i) LIBOR plus 1.50% to 2.50% or (ii) the bank's prime lending rate minus 0.25% to 1.25%, at the Company's election. Amounts borrowed under the term loan may be borrowed at either (i) LIBOR plus 2.0% to 3.0% or (ii) the bank's prime lending rate minus 0.75% to plus 0.25%, at the Company's election. The LIBOR-based interest rate is dependent on the Company's debt service coverage ratio, as defined in the Amended Credit Agreement. Amounts borrowed under the Canadian revolving credit facility provided by the Amended Credit Agreement may be borrowed at either (i) the Canadian deposit offered rate plus 1.50% to 2.50%, (ii) the Canadian prime lending rate plus 0.0% to 1.00% or (iii) the US base rate plus 0.0% to 1.0%. Under the Amended Credit Agreement, a detailed borrowing base formula provides borrowing availability to the Company based on percentages of eligible accounts receivable and inventory. The term loan is amortized based on a seven-year schedule with the balance due at maturity. The Amended Credit

Agreement also reduced the commitment fee for the revolving credit facility. Additionally, the Company has the option, pursuant to the Amended Credit Agreement, to increase the availability under the revolving credit facility by $50.0 million.

Current financial resources (working capital and available bank borrowing arrangements) and anticipated funds from operations are expected to be adequate to meet current cash requirements for at least the next twelve months, including but not

Table of Contents

limited to, our ability to maintain current operations and capital expenditure requirements, service our debt, pay dividends, pursue acquisitions, and repurchase shares. The future availability of bank borrowings under the revolving credit facility provided by the Credit Agreement and the Amended Credit Agreement are based on our ability to meet a debt service ratio covenant, which could be materially impacted by negative economic trends. Failure to meet the debt service ratio could materially impact the availability and interest rate of future borrowings.

The Company had cash and cash equivalents held by foreign subsidiaries of $39.0 million at June 30, 2014 and $40.0 million at December 31, 2013. For each of our foreign subsidiaries, we make a determination regarding the amount of earnings intended for permanent reinvestment, with the balance, if any, available to be repatriated to the United States. The cash held by foreign subsidiaries for permanent reinvestment is generally used to finance the foreign subsidiaries' operational activities and/or future foreign investments. At June 30, 2014, management believed that sufficient liquidity was available in the United States, and it is our current intention to permanently reinvest undistributed earnings of our foreign subsidiaries outside of the United States. Although we have no intention to repatriate the approximately $95.1 million of undistributed earnings of our foreign subsidiaries, as of June 30, 2014, if we were to repatriate these earnings, there would potentially be an adverse tax impact.

At June 30, 2014, our debt service coverage ratio was 2.0, and, therefore, we were in compliance with the debt service coverage ratio covenant contained in the revolving credit facility provided by the Credit Agreement. We were also in compliance with the other covenants contained in the revolving credit facility as of June 30, 2014. The debt service coverage ratio is calculated at the end of each fiscal quarter and is based on the most recently ended four fiscal quarters of consolidated EBITDA minus cash taxes paid, minus unfunded capital expenditures, plus cash tax refunds to consolidated debt charges that are consolidated cash interest expense plus scheduled principal payments on indebtedness plus scheduled reductions in our term debt as defined in the Credit Agreement. The debt service coverage ratio must be greater than 1.0 and not less than 1.1 for any two consecutive fiscal quarters. While we expect to remain in compliance throughout 2014, declines in sales volumes in 2014 could adversely impact our ability to remain in compliance with certain of these financial covenants. Additionally, to the extent our customers are adversely affected by declines in the economy in general, they may not be able to pay their accounts payable to us on a timely basis or at all, which would make the accounts receivable ineligible for purposes of the revolving credit facility and could reduce our borrowing base and our ability to borrow under such facility.

The ratio of current assets to current liabilities was 2.54 at June 30, 2014, compared to 2.51 at December 31, 2013. Working capital increased by $29.5 million to $327.8 million at June 30, 2014, from $298.3 million at December 31, 2013. Accounts receivable increased $31.0 million to $196.7 million at June 30, 2014, from $165.7 million at December 31, 2013, primarily resulting from sales volume increases at the end of the respective quarters and $2.3 million associated with the acquisition of Apollo. Inventory increased by $8.8 million at June 30, 2014, to $230.2 million from $221.4 million at December 31, 2013, primarily resulting from increases in customer demand and $3.4 million associated with the acquisition of Apollo. Accounts payable increased $14.6 million to $126.6 million at June 30, 2014, from $112.0 million at December 31, 2013, primarily as a result of the timing of payments and $2.0 million associated with the acquisition of Apollo at June 30, 2014. Accrued expenses remained relatively flat and only slightly decreased by $0.1 million to $79.8 million at June 30, 2014, from $79.9 million at December 31, 2013.

The Company paid dividends of $1.6 million during the six months ended June 30, 2014. In July 2014, our Board of Directors declared a dividend of $0.125 per common share payable on September 2, 2014 to our common shareholders of record as of August 15, 2014, which will result in a cash outlay of approximately $1.6 million in the third quarter of 2014. Although we currently intend to pay a quarterly dividend on an ongoing basis, all future dividend declarations will be at the discretion of our Board of Directors and dependent upon the then-existing conditions, including our operating results and financial condition, capital requirements, contractual restrictions, business prospects and other factors that our Board of Directors may deem relevant.

31

Table of Contents

The following table summarizes the major components of cash flow:

	Three Months Ended June 30,		
	2014	2013	$ Change
Net cash provided (used) by:	(In millions)		
Operating activities	$14.7	$33.8	$(19.1)
Investing activities	(17.7)	(33.7)	16.0
Financing activities	6.0	12.6	(6.6)
Effect of exchange rate changes on cash	(0.8)	(0.9)	0.1
Increase in cash and cash equivalents	$2.2	$11.8	$(9.6)

Operating Activities

Cash provided by operating activities decreased $19.1 million to $14.7 million in the first six months of 2014 compared to $33.8 million in the first six months of 2013. The decrease in operating cash flows was primarily the result of increases in working capital used to support the growth of our results of operations.

Investing Activities

Our unfunded purchases of property, plant and equipment were $12.3 million in the first six months of 2014 compared to $12.9 million in the first six months of 2013. The decreases in capital expenditure spending for the first six months of 2014 compared to the same period in 2013 were primarily associated with a reduction in capital spending in our aluminum business of the Assembly Components segment as the programs initiated in 2013 were completed and capital spending has declined.

Financing Activities

Cash provided by financing activities of $6.0 million and $12.6 million in the first six months of 2014 and 2013, respectively, primarily consisted of net borrowings on debt instruments.

We do not have off-balance sheet arrangements, financing or other relationships with unconsolidated entities or other persons. There are occasions whereupon we enter into forward contracts on foreign currencies, purely for the purpose of hedging exposure to changes in the value of accounts receivable in those currencies against the U.S. dollar. At June 30, 2014, none were outstanding. We currently have no other derivative instruments.

Seasonality; Variability of Operating Results

The timing of orders placed by our customers has varied with, among other factors, orders for customers' finished goods, customer production schedules, competitive conditions and general economic conditions. The variability of the level and timing of orders has, from time to time, resulted in significant periodic and quarterly fluctuations in the operations of our business units. Such variability is particularly evident at the capital equipment business unit, included in the Engineered Products segment, which typically ships a few large systems per year.

Critical Accounting Policies

Our critical accounting policies are described in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, and in the notes to our Consolidated Financial Statements for the year ended December 31, 2013 contained in our 2013 Annual Report on Form 10-K. There were no new accounting policies or updates to existing accounting policies as a result of new accounting pronouncements discussed in the notes to our condensed consolidated financial statements in this Quarterly Report on Form 10-Q. The application of our critical accounting policies may require management to make judgments and estimates about the amounts reflected in the Condensed Consolidated Financial Statements. Management uses historical experience and all available information to make these estimates and judgments, and different amounts could be reported using different assumptions and estimates.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains certain statements that are "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. The words "believes", "anticipates", "plans", "expects", "intends", "estimates" and similar expressions are intended to identify forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance and achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors include, but are not limited to the following: our substantial indebtedness; the uncertainty of the global economic environment; general business conditions and competitive factors, including pricing pressures and product innovation; demand for our products and services; raw material availability and pricing; fluctuations in energy costs; component part availability and pricing; changes in our relationships with customers and suppliers; the financial condition of our customers, including the impact of any bankruptcies; our ability to successfully integrate recent and future acquisitions into existing operations; the amounts and timing, if any, of purchases of our common stock; changes in general domestic economic conditions such as inflation rates, interest rates, tax rates, unemployment rates, higher labor and healthcare costs, recessions and changing government policies, laws and regulations, including the uncertainties related to the current global financial crises; adverse impacts to us, our suppliers and customers from acts of terrorism or hostilities; our ability to meet various covenants, including financial covenants, contained in the agreements governing our indebtedness; disruptions, uncertainties or volatility in the credit markets that may limit our access to capital; potential disruption due to a partial or complete reconfiguration of the European Union; increasingly stringent domestic and foreign governmental regulations, including those affecting the environment; inherent uncertainties involved in assessing our potential liability for environmental remediation-related activities; the outcome of pending and future litigation and other claims and disputes with customers; the outcome of the investigation being conducted by the special committee of our Board of Directors; our dependence on the automotive and heavy-duty truck industries, which are highly cyclical; the dependence of the automotive industry on consumer spending, which could be lower due to the effects of the recent financial crises; our ability to continue to pay cash dividends; our ability to negotiate contracts with labor unions; our dependence on key management; our dependence on information systems; and the other factors we describe under the "Item 1A. Risk Factors" included in the Company's annual report on Form 10-K for the year ended December 31, 2013. Any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law. In light of these and other uncertainties, the inclusion of a forward-looking statement herein should not be regarded as a representation by us that our plans and objectives will be achieved.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

We are exposed to market risk, including changes in interest rates. We are subject to interest rate risk on borrowings under the floating rate revolving credit facility and term loan provided by our Credit Agreement, which consisted of borrowings of $143.7 million at June 30, 2014. A 100-basis-point increase in the interest rate would have resulted in an increase in interest expense of approximately $0.7 million during the six-month period ended June 30, 2014.

Table of Contents

Our foreign subsidiaries generally conduct business in local currencies. During the first six months of 2014, we recorded a favorable foreign currency translation adjustment of $1.0 million related to net assets located outside the United States. This foreign currency translation adjustment resulted primarily from the weakening of the U.S. dollar. Our foreign operations are also subject to other customary risks of operating in a global environment, such as unstable political situations, the effect of local laws and taxes, tariff increases and regulations and requirements for export licenses, the potential imposition of trade or foreign exchange restrictions and transportation delays.

The Company periodically enters into forward contracts on foreign currencies, primarily the euro and the British pound sterling, purely for the purpose of hedging exposure to changes in the value of accounts receivable in those currencies against the U.S. dollar. We currently use no other derivative instruments. At June 30, 2014, there were no such currency hedge contracts outstanding.

Item 4. Controls and Procedures

Under the supervision of and with the participation of our management, including our chief executive officer and chief financial officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15(d)-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this Quarterly Report. Based on that evaluation, our chief executive officer and chief financial officer have concluded that, as of the end of the period covered by this Quarterly Report, our disclosure controls and procedures were effective. The Company acquired Apollo in June 2014 and has not yet included Apollo in its assessment of the effectiveness of internal control over financial reporting. Accordingly, pursuant to the SEC’s general guidance that an assessment of a recently acquired business may be omitted from the scope of an assessment in the year of acquisition, the scope of the Company’s assessment of the effectiveness of our disclosure controls and procedures does not include Apollo. Apollo had insignificant revenues and net income from the date acquired through the end of the period covered by this Quarterly Report.

There have been no changes in our internal control over financial reporting that occurred during the second quarter of 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

Part II. Other Information

Item 1. Legal Proceedings

We are subject to various pending and threatened lawsuits in which claims for monetary damages are asserted in the ordinary course of business. While any litigation involves an element of uncertainty, in the opinion of management, liabilities, if any, arising from currently pending or threatened litigation are not expected to have a material adverse effect on our financial condition, liquidity or results of operations.

In addition to the routine lawsuits and asserted claims noted above, we were a party to the lawsuits and legal proceedings described below as of June 30, 2014:

We were a co-defendant in approximately 269 cases asserting claims on behalf of approximately 612 plaintiffs alleging personal injury as a result of exposure to asbestos. These asbestos cases generally relate to production and sale of asbestos-containing products and allege various theories of liability, including negligence, gross negligence and strict liability, and seek compensatory and, in some cases, punitive damages.

In every asbestos case in which we are named as a party, the complaints are filed against multiple named defendants. In substantially all of the asbestos cases, the plaintiffs either claim damages in excess of a specified amount, typically a minimum amount sufficient to establish jurisdiction of the court in which the case was filed (jurisdictional minimums generally range from $25,000 to $75,000), or do not specify the monetary damages sought. To the extent that any specific amount of damages is sought, the amount applies to claims against all named defendants.

There are only seven asbestos cases, involving 26 plaintiffs, that plead specified damages. In each of the seven cases, the plaintiff is seeking compensatory and punitive damages based on a variety of potentially alternative causes of action. In three cases, the plaintiff has alleged compensatory damages in the amount of $3.0 million for four separate causes of action and $1.0 million for another cause of action and punitive damages in the amount of $10.0 million. In the fourth case, the plaintiff has alleged against each named defendant, compensatory and punitive damages, each in the amount of $10.0 million, for seven separate causes of action. In the fifth case, the plaintiff has alleged compensatory damages in the amount of $20.0 million for three separate causes of action and $5.0 million for another cause of action and punitive damages in the amount of $20.0 million. In the sixth case, plaintiffs have alleged compensatory and punitive damages in the amount of $10.0 million for each of the five counts and one count of $5.0 million for the sixth count. In the remaining case, the plaintiff has alleged against each named defendant compensatory and punitive damages, each in the amount of $50.0 million, for four separate causes of action.

Historically, we have been dismissed from asbestos cases on the basis that the plaintiff incorrectly sued one of our subsidiaries or because the plaintiff failed to identify any asbestos-containing product manufactured or sold by us or our subsidiaries. We intend to vigorously defend these asbestos cases, and believe we will continue to be successful in being dismissed from such cases. However, it is not possible to predict the ultimate outcome of asbestos-related lawsuits, claims and proceedings due to the unpredictable nature of personal injury litigation. Despite this uncertainty, and although our results of operations and cash flows for a particular period could be adversely affected by asbestos-related lawsuits, claims and proceedings, management believes that the ultimate resolution of these matters will not have a material adverse effect on our financial condition, liquidity or results of operations. Among the factors management considered in reaching this conclusion were: (a) our historical success in being dismissed from these types of lawsuits on the bases mentioned above; (b) many cases have been improperly filed against one of our subsidiaries; (c) in many cases the plaintiffs have been unable to establish any causal relationship to us or our products or premises; (d) in many cases, the plaintiffs have been unable to demonstrate that they have suffered any identifiable injury or compensable loss at all or that any injuries that they have incurred did in fact result from alleged exposure to asbestos; and (e) the complaints assert claims against multiple defendants and, in most cases, the damages alleged are not attributed to individual defendants. Additionally, we do not believe that the amounts claimed in any of the asbestos cases are meaningful indicators of our potential exposure because the amounts claimed typically bear no relation to the extent of the plaintiff's injury, if any.

Table of Contents

Our cost of defending these lawsuits has not been material to date and, based upon available information, our management does not expect its future costs for asbestos-related lawsuits to have a material adverse effect on our results of operations, liquidity or financial position.

ATM was the defendant in a lawsuit in the United States District Court for the Eastern District of Arkansas. The plaintiff is IPSCO Tubulars Inc. d/b/a TMK IPSCO. The complaint alleged claims for breach of contract, gross negligence and constructive fraud, and TMK IPSCO sought approximately $6.0 million in direct and $4.0 million in consequential damages as well as an unspecified amount of punitive damages. ATM denies the allegations against it, believes it has a number of meritorious defenses and vigorously defended the lawsuit. A motion for partial summary judgment filed by ATM that, among other things, denied the plaintiff's fraud claims was granted by the district court. The remaining claims were the subject of a bench trial in May 2013. At the close of TMK IPSCO's case, the court entered partial judgment in favor of ATM, dismissing the gross negligence claim, dismissing a portion of the breach of contract claim, and dismissing any claim for punitive damages. The trial proceeded with respect to the remainder of TMK IPSCO's claim for damages and, in September 2013, the district court awarded TMK IPSCO damages of approximately $5.2 million, which the Company recorded. ATM is appealing the court’s decision. TMK IPSCO is also appealing the decision and, additionally, it has asked for $3.8 million in attorney's fees.

In August 2013, the Company received a subpoena from the staff of the SEC in connection with the staff’s investigation of a third party. At that time, the Company also learned that the Department of Justice (“DOJ”) is conducting a criminal investigation of the third party. In connection with responding to the staff’s subpoena, the Company disclosed to the staff of the SEC that, in November 2007, the third party participated in a payment on behalf of the Company to a foreign tax official that implicates the Foreign Corrupt Practices Act.

The Board of Directors of the Company has formed a special committee to review the Company’s transactions with the third party and to make any recommendations to the Board of Directors with respect thereto.

The Company intends to cooperate fully with the SEC and the DOJ in connection with their investigations of the third party and with the SEC in light of the Company’s disclosure. The Company is unable to predict the outcome or impact of the special committee’s investigation or the length, scope or results of the SEC’s review or the impact on its results of operations.

Item 1A. Risk Factors

There have been no material changes in the risk factors previously disclosed in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Table of Contents

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Set forth below is information regarding our repurchases of our common stock during the quarter ended June 30, 2014.

Period	Total Number of Shares Purchased		Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans (1)	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Program (1)
April 1 — April 30, 2014	535	(2)	$59.58	—	988,334
May 1 — May 31, 2014	19,524	(2)	51.66	—	988,334
June 1 — June 30, 2014	25,526	(2)	56.74	4,300	984,034
Total	45,585		$54.60	4,300	984,034

(1) On March 4, 2013, we announced a share repurchase program whereby we may repurchase up to 1.0 million shares of our outstanding common stock. During June 2014, 4,300 shares were purchased as part of this program.

(2) Consists of 535, 19,524 and 21,226 shares of common stock we acquired from recipients of restricted stock awards at the time of vesting of such awards in order to settle recipient minimum withholding tax liabilities in April, May and June, respectively.

Item 6. Exhibits

The following exhibits are included herein:

31.1 Principal Executive Officer's Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Principal Financial Officer's Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32 Certification requirement under Section 906 of the Sarbanes-Oxley Act of 2002

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PARK-OHIO HOLDINGS CORP.
(Registrant)

By:	/s/ W. Scott Emerick
Name:	W. Scott Emerick
Title:	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

Date: August 11, 2014

Table of Contents

Exhibit Index
Quarterly Report on Form 10-Q
Park-Ohio Holdings Corp. and Subsidiaries
For the Quarter Ended June 30, 2014

Exhibit	
31.1	Principal Executive Officer's Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Principal Financial Officer's Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification requirement under Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document