

NL INDUSTRIES INC
Form 10-Q
November 06, 2013

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2013

Commission file number 1-640

NL INDUSTRIES, INC.

(Exact name of Registrant as specified in its charter)

New Jersey 13-5267260
(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification No.)
5430 LBJ Freeway, Suite 1700

Dallas, Texas 75240-2697

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(Address of principal executive offices)

Registrant's telephone number, including area code: (972) 233-1700

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 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 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 (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Number of shares of the Registrant's common stock outstanding on October 31, 2013: 48,673,884.

NL INDUSTRIES, INC. AND SUBSIDIARIES

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 NL INDUSTRIES, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	December 31, 2012	September 30, 2013 (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 77,987	\$ 52,175
Restricted cash and cash equivalents	5,354	3,354
Accounts and other receivables, net	12,049	14,914
Inventories, net	11,223	12,926
Prepaid expenses and other	1,769	838
Deferred income taxes	4,271	4,271
Total current assets	112,653	88,478
Other assets:		
Marketable securities	179,662	286,884
Investment in Kronos Worldwide, Inc.	323,128	280,100
Goodwill	27,156	27,156
Other assets, net	3,854	2,345
Total other assets	533,800	596,485
Property and equipment:		
Land	5,138	5,138
Buildings	20,791	20,791
Equipment	59,010	57,414
Construction in progress	1,442	2,558
	86,381	85,901
Less accumulated depreciation	52,052	51,611
Net property and equipment	34,329	34,290
Total assets	\$ 680,782	\$ 719,253

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In thousands)

	December 31, 2012	September 30, 2013 (unaudited)
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 1,000	\$
Accounts payable	5,363	6,268
Accrued and other current liabilities	12,749	11,471
Accrued environmental remediation and related costs	5,667	4,657
Income taxes	6	6
Total current liabilities	24,785	22,402
Noncurrent liabilities:		
Long-term debt	17,480	
Accrued pension costs	13,747	11,189
Accrued postretirement benefit (OPEB) costs	3,861	3,551
Accrued environmental remediation and related costs	42,339	53,356
Deferred income taxes	171,915	189,547
Other	18,572	18,372
Total noncurrent liabilities	267,914	276,015
Equity:		
NL stockholders' equity:		
Common stock	6,083	6,084
Additional paid-in capital	300,227	300,223
Retained earnings	163,758	123,193
Accumulated other comprehensive loss	(95,253)	(22,184)
Total NL stockholders' equity	374,815	407,316
Noncontrolling interest in subsidiary	13,268	13,520
Total equity	388,083	420,836
Total liabilities and equity	\$ 680,782	\$ 719,253
Commitments and contingencies (Notes 13 and 14)		

See accompanying Notes to Condensed Consolidated Financial Statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2012	2013	2012	2013
	(unaudited)			
Net sales	\$ 21,281	\$ 24,209	\$ 63,856	\$ 69,701
Cost of sales	14,971	16,695	45,025	48,557
Gross margin	6,310	7,514	18,831	21,144
Selling, general and administrative expense	4,270	4,537	13,050	13,790
Other operating income (expense):				
Insurance recoveries	1,197	2,198	2,604	3,774
Litigation settlement gain			14,964	
Other income		9	390	23
Assets held for sale write-down	(405)		(405)	
Corporate expense and other, net	(3,438)	(5,627)	(24,944)	(26,869)
Loss from operations	(606)	(443)	(1,610)	(15,718)
Equity in earnings (loss) of Kronos Worldwide, Inc.	10,715	(9,101)	71,951	(31,891)
Other income (expense):				
Securities transaction gains, net				11
Interest and dividends	829	725	2,371	2,198
Interest expense	(218)	(10)	(720)	(127)
Income (loss) from continuing operations before income taxes	10,720	(8,829)	71,992	(45,527)
Income tax expense (benefit)	2,097	(3,145)	17,426	(23,827)
Income (loss) from continuing operations	8,623	(5,684)	54,566	(21,700)
Income from discontinued operations, net of tax	1,724		3,273	
Net income (loss)	10,347	(5,684)	57,839	(21,700)
Noncontrolling interest in net income of subsidiary	340	256	810	613
Net income (loss) attributable to NL stockholders	\$ 10,007	\$ (5,940)	\$ 57,029	\$ (22,313)

See accompanying Notes to Condensed Consolidated Financial Statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED)

(In thousands, except per share data)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2012	2013	2012	2013
			(unaudited)	
Amounts attributable to NL stockholders:				
Income (loss) from continuing operations	\$ 8,508	\$ (5,940)	\$ 54,182	