

NL INDUSTRIES INC
Form 10-Q
August 07, 2013
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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 June 30, 2013

Commission file number 1-640

NL INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

New Jersey
(State or other jurisdiction of
incorporation or organization)

13-5267260
(IRS Employer Identification No.)

5430 LBJ Freeway, Suite 1700

Dallas, Texas 75240-2697

(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).

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Large accelerated filer Accelerated filer x
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 x

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

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NL INDUSTRIES, INC. AND SUBSIDIARIES

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NL INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	December 31, 2012	June 30, 2013 (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 77,987	\$ 71,735
Restricted cash and cash equivalents	5,354	4,339
Accounts and other receivables, net	12,049	13,883
Inventories, net	11,223	12,257
Prepaid expenses and other	1,769	706
Deferred income taxes	4,271	4,271
Total current assets	112,653	107,191
Other assets:		
Marketable securities	179,662	197,485
Investment in Kronos Worldwide, Inc.	323,128	285,099
Goodwill	27,156	27,156
Other assets, net	3,854	2,255
Total other assets	533,800	511,995
Property and equipment:		
Land	5,138	5,138
Buildings	20,791	20,791
Equipment	59,010	57,184
Construction in progress	1,442	2,003
	86,381	85,116
Less accumulated depreciation	52,052	51,015
Net property and equipment	34,329	34,101
Total assets	\$ 680,782	\$ 653,287

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NL INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In thousands)

	December 31, 2012	June 30, 2013 (unaudited)
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 1,000	\$ 1,000
Accounts payable	5,363	3,630
Accrued and other current liabilities	12,749	10,763
Accrued environmental remediation and related costs	5,667	4,754
Income taxes	6	5
Total current liabilities	24,785	20,152
Noncurrent liabilities:		
Long-term debt	17,480	16,980
Accrued pension costs	13,747	12,260
Accrued postretirement benefit (OPEB) costs	3,861	3,631
Accrued environmental remediation and related costs	42,339	55,037
Deferred income taxes	171,915	158,400
Other	18,572	18,415
Total noncurrent liabilities	267,914	264,723
Equity:		
NL stockholders' equity:		
Common stock	6,083	6,084
Additional paid-in capital	300,227	300,368
Retained earnings	163,758	135,217
Accumulated other comprehensive loss	(95,253)	(86,603)
Total NL stockholders' equity	374,815	355,066
Noncontrolling interest in subsidiary	13,268	13,346
Total equity	388,083	368,412
Total liabilities and equity	\$ 680,782	\$ 653,287
Commitments and contingencies (Notes 13 and 14)		

See accompanying Notes to Condensed Consolidated Financial Statements.

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NL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	Three months ended		Six months ended	
	June 30, 2012	2013 (unaudited)	June 30, 2012	2013
Net sales	\$ 22,147	\$ 24,039	\$ 42,575	\$ 45,492
Cost of sales	15,638	16,429	30,054	31,862
Gross margin	6,509	7,610	12,521	13,630
Selling, general and administrative expense	4,351	4,667	8,780	9,253
Other operating income (expense):				
Insurance recoveries	282	946	1,407	1,576
Litigation settlement gain	14,964		14,964	
Other income	170	14	390	14
Corporate expense and other, net	(5,119)	(16,325)	(21,506)	(21,242)
Income (loss) from operations	12,455	(12,422)	(1,004)	(15,275)
Equity in earnings (loss) of Kronos Worldwide, Inc.	19,624	(10,303)	61,236	(22,790)
Other income (expense):				
Securities transaction gains, net		6		11
Interest and dividends	831	735	1,542	1,473
Interest expense	(219)	(58)	(502)	(117)
Income (loss) from continuing operations before income taxes	32,691	(22,042)	61,272	(36,698)
Income tax expense (benefit)	7,335	(8,024)	15,329	(20,682)
Income (loss) from continuing operations	25,356	(14,018)	45,943	(16,016)
Income from discontinued operations, net of tax	889		1,549	
Net income (loss)	26,245	(14,018)	47,492	(16,016)
Noncontrolling interest in net income of subsidiary	272	237	470	357
Net income (loss) attributable to NL stockholders	\$ 25,973	\$ (14,255)	\$ 47,022	\$ (16,373)

See accompanying Notes to Condensed Consolidated Financial Statements.

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NL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED)

(In thousands, except per share data)

	Three months ended		Six months ended	
	June 30, 2012	2013	June 30, 2012	2013
			(unaudited)	
Amounts attributable to NL stockholders:				
Income (loss) from continuing operations	\$ 25,199	\$ (14,255)	\$ 45,674	\$ (16,373)
Income from discontinued operations	774		1,348	
Net income (loss) attributable to NL stockholders	\$ 25,973	\$ (14,255)	\$ 47,022	\$ (16,373)
Net income (loss) per share:				
Continuing operations	\$.51	\$ (.29)	\$.94	