

NL INDUSTRIES INC
Form 10-Q
August 07, 2018

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 quarter ended June 30, 2018

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 Identification No.)

incorporation or organization)

5430 LBJ Freeway, Suite 1700

Dallas, Texas 75240-2620

(Address of principal executive offices)

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

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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, a smaller reporting company, or an emerging growth 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 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 7(a)(2)(B) of the Securities Act).

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 August 1, 2018: 48,727,884.

NL INDUSTRIES, INC. AND SUBSIDIARIES

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NL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	December 31, 2017	June 30, 2018 (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$98,316	\$ 111,140
Restricted cash and cash equivalents	3,370	3,445
Accounts and other receivables, net	10,670	29,079
Inventories, net	15,382	16,579
Receivable from affiliate	1,767	-
Prepaid expenses and other	1,162	938
Total current assets	130,667	161,181
Other assets:		
Notes receivable from affiliate	38,200	37,600
Marketable securities	88,681	68,415
Investment in Kronos Worldwide, Inc.	229,543	259,752
Goodwill	27,156	27,156
Other assets, net	4,843	5,027
Total other assets	388,423	397,950
Property and equipment:		
Land	5,146	5,141
Buildings	23,044	22,910
Equipment	67,926	68,447
Construction in progress	569	1,013
	96,685	97,511
Less accumulated depreciation	64,159	65,563
Net property and equipment	32,526	31,948
Total assets	\$551,616	\$ 591,079

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In thousands)

	December 31, 2017	June 30, 2018 (unaudited)
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$4,116	\$3,684
Accrued and other current liabilities	9,707	68,445
Accrued environmental remediation and related costs	5,302	18,253
Payable to affiliates	429	461
Income taxes	30	46
Total current liabilities	19,584	90,889
Noncurrent liabilities:		
Long-term debt from affiliate	500	500
Accrued pension costs	12,194	11,490
Accrued postretirement benefits (OPEB) costs	1,846	1,737
Accrued environmental remediation and related costs	106,607	97,208
Deferred income taxes	49,315	39,563
Other	8,492	25,413
Total noncurrent liabilities	178,954	175,911
Equity:		
NL stockholders' equity:		
Common stock	6,089	6,090
Additional paid-in capital	300,866	301,139
Retained earnings	220,104	237,807
Accumulated other comprehensive loss	(191,737)	(239,504)
Total NL stockholders' equity	335,322	305,532
Noncontrolling interest in subsidiary	17,756	18,747
Total equity	353,078	324,279
Total liabilities and equity	\$551,616	\$591,079

Commitments and contingencies (Note 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 June 30, 2017		Six months ended June 30, 2017	
	2018	2018	2018	2018
	(unaudited)			
Net sales	\$30,002	\$32,385	\$59,950	\$60,798
Cost of sales	20,494	21,151	40,757	40,061
Gross margin	9,508	11,234	19,193	20,737
Selling, general and administrative expense	4,907	5,251	10,066	10,380
Other operating income (expense):				
Insurance recoveries	66	200	116	363
Other income, net	-	8	-	627
Litigation settlement expense, net	-	(62,000)	-	(62,000)
Corporate expense	(3,233)	(4,816)	(8,555)	(12,769)
Income (loss) from operations	1,434	(60,625)	688	(63,422)
Equity in earnings of Kronos Worldwide, Inc.	59,745	23,645	70,920	45,124
Other income (expense):				
Marketable equity securities	-	(18,685)	-	(20,266)
Other components of net periodic pension and OPEB cost	(177)	(99)	(354)	(198)
Interest and dividend income	881	1,222	1,577	2,294
Interest expense	(7)	(8)	(14)	(16)
Income (loss) before income taxes	61,876	(54,550)	72,817	(36,484)
Income tax expense (benefit)	20,278	(12,588)	22,457	(9,258)
Net income (loss)	41,598	(41,962)	50,360	(27,226)
Noncontrolling interest in net income of subsidiary	431	653	843	1,140
Net income (loss) attributable to NL stockholders	\$41,167	\$(42,615)	\$49,517	\$(28,366)
Amounts attributable to NL stockholders:				
Basic and diluted net income (loss) per share	\$.85			