

NL INDUSTRIES INC
Form 10-Q
May 08, 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 March 31, 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 May 1, 2018: 48,714,884.

NL INDUSTRIES, INC. AND SUBSIDIARIES

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NL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	December 31, 2017	March 31, 2018 (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$98,316	\$ 99,948
Restricted cash and cash equivalents	3,370	3,277
Accounts and other receivables, net	10,670	12,888
Inventories, net	15,382	16,328
Receivable from affiliate	1,767	1,899
Prepaid expenses and other	1,162	1,980
Total current assets	130,667	136,320
Other assets:		
Notes receivable from affiliate	38,200	38,000
Marketable securities	88,681	87,100
Investment in Kronos Worldwide, Inc.	229,543	249,028
Goodwill	27,156	27,156
Other assets, net	4,843	5,153
Total other assets	388,423	406,437
Property and equipment:		
Land	5,146	5,146
Buildings	23,044	22,780
Equipment	67,926	68,154
Construction in progress	569	850
	96,685	96,930
Less accumulated depreciation	64,159	64,818
Net property and equipment	32,526	32,112
Total assets	\$551,616	\$ 574,869

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In thousands)

	December 31, 2017	March 31, 2018 (unaudited)
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$4,116	\$ 3,921
Accrued and other current liabilities	9,707	7,090
Accrued environmental remediation and related costs	5,302	18,252
Payable to affiliates	429	429
Income taxes	30	46
Total current liabilities	19,584	29,738
Noncurrent liabilities:		
Long-term debt from affiliate	500	500
Accrued pension costs	12,194	11,970
Accrued postretirement benefits (OPEB) costs	1,846	1,777
Accrued environmental remediation and related costs	106,607	97,506
Deferred income taxes	49,315	53,661
Other	8,492	8,486
Total noncurrent liabilities	178,954	173,900
Equity:		
NL stockholders' equity:		
Common stock	6,089	6,089
Additional paid-in capital	300,866	300,866
Retained earnings	220,104	280,421
Accumulated other comprehensive loss	(191,737)	(234,305)
Total NL stockholders' equity	335,322	353,071
Noncontrolling interest in subsidiary	17,756	18,160
Total equity	353,078	371,231
Total liabilities and equity	\$551,616	\$ 574,869

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 INCOME

(In thousands, except per share data)

	Three months ended March 31, 2017 2018 (unaudited)	
Net sales	\$29,948	\$28,413
Cost of sales	20,262	18,910
Gross margin	9,686	9,503
Selling, general and administrative expense	5,162	5,130
Other operating income (expense):		
Insurance recoveries	50	163
Other income, net	—	619
Corporate expense	(5,320)	(7,953)
Loss from operations	(746)	(2,798)
Equity in earnings of Kronos Worldwide, Inc.	11,175	21,479
Other income (expense):		
Securities transactions, net	—	(1,581)
Other components of net periodic pension and OPEB cost	(177)	(99)
Interest and dividend income	696	1,072
Interest expense	(7)	(8)
Income before income taxes	10,941	18,065
Income tax expense	2,179	3,330
Net income	8,762	14,735
Noncontrolling interest in net income of subsidiary	412	487
Net income attributable to NL stockholders	\$8,350	\$14,248
Amounts attributable to NL stockholders:		
Basic and diluted net income per share	\$.17	\$.29
Weighted average shares used in the calculation	48,706	48,715

of net income per share

See accompanying notes to Condensed Consolidated Financial Statements.

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NL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	Three months ended March 31, 2017 2018 (unaudited)	
Net income	\$8,762	\$14,735
Other comprehensive income (loss), net of tax:		
Marketable securities	(1,722)	—
Currency translation	1,771	2,591
Interest rate swap	112	—
Defined benefit pension plans	867	983
Other postretirement benefit plans	(48)	(73)
Total other comprehensive income, net	980	3,501
Comprehensive income	9,742	18,236
Comprehensive income attributable to noncontrolling interest	412	487
Comprehensive income attributable to NL stockholders	\$9,330	\$17,749

See accompanying notes to Condensed Consolidated Financial Statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF EQUITY

Three months ended March 31, 2018

(In thousands)

	Common stock (unaudited)	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Noncontrolling interest in subsidiary	Total equity
Balance at December 31, 2017	\$6,089	\$ 300,866	\$220,104	\$ (191,737)	\$ 17,756	\$353,078