

NL INDUSTRIES INC  
Form 10-Q  
August 07, 2014

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, 2014

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 75240-2697

(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 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 July 31, 2014: 48,682,884.

NL INDUSTRIES, INC. AND SUBSIDIARIES

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## NL INDUSTRIES, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	December 31, 2013	June 30, 2014 (unaudited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 52,609	\$ 57,943
Restricted cash and cash equivalents	3,343	3,186
Accounts and other receivables, net	10,632	12,859
Inventories, net	13,235	15,875
Prepaid expenses and other	809	595
Deferred income taxes	3,786	3,786
<b>Total current assets</b>	<b>84,414</b>	<b>94,244</b>
Other assets:		
Marketable securities	252,677	92,274
Investment in Kronos Worldwide, Inc.	284,523	283,375
Goodwill	27,156	27,156
Other assets, net	2,707	2,960
Deferred income taxes	19	19
<b>Total other assets</b>	<b>567,082</b>	<b>405,784</b>
Property and equipment:		
Land	5,138	5,138
Buildings	20,793	20,984
Equipment	58,195	61,519
Construction in progress	2,588	598
	86,714	88,239
Less accumulated depreciation	52,385	54,138
<b>Net property and equipment</b>	<b>34,329</b>	<b>34,101</b>
<b>Total assets</b>	<b>\$ 685,825</b>	<b>\$ 534,129</b>



## NL INDUSTRIES, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In thousands)

	December 31, 2013	June 30, 2014 (unaudited)
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 3,006	\$ 5,195
Accrued and other current liabilities	11,199	9,386
Accrued environmental remediation and related costs	4,859	12,457
Income taxes	6	8
<b>Total current liabilities</b>	<b>19,070</b>	<b>27,046</b>
<b>Noncurrent liabilities:</b>		
Accrued pension costs	5,453	4,550
Accrued postretirement benefit (OPEB) costs	3,268	3,052
Accrued environmental remediation and related costs	108,777	105,774
Deferred income taxes	161,933	104,021
Other	18,329	18,335
<b>Total noncurrent liabilities</b>	<b>297,760</b>	<b>235,732</b>
<b>Equity:</b>		
<b>NL stockholders' equity:</b>		
Common stock	6,084	6,085
Additional paid-in capital	300,223	300,388
Retained earnings	84,089	93,316
Accumulated other comprehensive loss	(35,016 )	(142,512 )
<b>Total NL stockholders' equity</b>	<b>355,380</b>	<b>257,277</b>
<b>Noncontrolling interest in subsidiary</b>	<b>13,615</b>	<b>14,074</b>
<b>Total equity</b>	<b>368,995</b>	<b>271,351</b>
<b>Total liabilities and equity</b>	<b>\$ 685,825</b>	<b>\$ 534,129</b>

Commitments and contingencies (Notes 12 and 13)

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 June 30, 2013      2014 (unaudited)		Six months ended June 30, 2013      2014	
Net sales	\$24,039	\$26,848	\$45,492	\$52,629
Cost of sales	16,429	18,235	31,862	36,267
Gross margin	7,610	8,613	13,630	16,362
Selling, general and administrative expense	4,667	4,701	9,253	9,162
Other operating income (expense):				
Insurance recoveries	946	411	1,576	1,198
Other income	14	-	14	131
Corporate expense and other, net	(16,325)	(9,008)	(21,242)	(13,278)
Loss from operations	(12,422)	(4,685)	(15,275)	(4,749)
Equity in earnings (loss) of Kronos Worldwide, Inc.	(10,303)	10,069	(22,790)	14,412
Other income (expense):				
Interest and dividends	741	297	1,484	1,022
Interest expense	(58)	-	(117)	-
Income (loss) before income taxes	(22,042)	5,681	(36,698)	10,685
Income tax expense (benefit)	(8,024)	(125)	(20,682)	845
Net income (loss)	(14,018)	5,806	(16,016)	9,840
Noncontrolling interest in net income of subsidiary	237	334	357	613