

NL INDUSTRIES INC
Form 10-Q
November 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 September 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 every Interactive Data File required to be submitted 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 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 November 2, 2018: 48,727,484.

NL INDUSTRIES, INC. AND SUBSIDIARIES

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NL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	December 31, 2017	September 30, 2018 (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$98,316	\$ 123,028
Restricted cash and cash equivalents	3,370	4,254
Accounts and other receivables, net	10,670	28,869
Inventories, net	15,382	17,159
Receivable from affiliate	1,767	-
Prepaid expenses and other	1,162	1,052
Total current assets	130,667	174,362
Other assets:		
Notes receivable from affiliate	38,200	33,000
Marketable securities	88,681	32,770
Investment in Kronos Worldwide, Inc.	229,543	265,776
Goodwill	27,156	27,156
Other assets, net	4,843	5,137
Total other assets	388,423	363,839
Property and equipment:		
Land	5,146	5,151
Buildings	23,044	22,704
Equipment	67,926	66,118
Construction in progress	569	994
	96,685	94,967
Less accumulated depreciation	64,159	63,209
Net property and equipment	32,526	31,758
Total assets	\$551,616	\$ 569,959

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In thousands)

	December 31, 2017	September 30, 2018 (unaudited)
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$4,116	\$ 5,833
Accrued and other current liabilities	9,707	70,050
Accrued environmental remediation and related costs	5,302	17,762
Payable to affiliates	429	1,600
Income taxes	30	46
Total current liabilities	19,584	95,291
Noncurrent liabilities:		
Long-term debt from affiliate	500	500
Accrued pension costs	12,194	9,242
Accrued postretirement benefits (OPEB) costs	1,846	1,709
Accrued environmental remediation and related costs	106,607	93,720
Deferred income taxes	49,315	32,781
Other	8,492	25,396
Total noncurrent liabilities	178,954	163,348
Equity:		
NL stockholders' equity:		
Common stock	6,089	6,090
Additional paid-in capital	300,866	301,139
Retained earnings	220,104	222,421
Accumulated other comprehensive loss	(191,737)	(237,507)
Total NL stockholders' equity	335,322	292,143
Noncontrolling interest in subsidiary	17,756	19,177
Total equity	353,078	311,320
Total liabilities and equity	\$551,616	\$ 569,959

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 September 30, 2017 2018 (unaudited)		Nine months ended September 30, 2017 2018	
Net sales	\$26,993	\$30,029	\$86,943	\$90,827
Cost of sales	18,795	20,433	59,552	60,494
Gross margin	8,198	9,596	27,391	30,333
Selling, general and administrative expense	4,829	5,075	14,895	15,455
Other operating income (expense):				
Insurance recoveries	103	526	219	889
Other income, net	140	18	140	645
Litigation settlement expense, net	-	-	-	(62,000)
Corporate expense	(2,575)	(1,583)	(11,130)	(14,352)
Income (loss) from operations	1,037	3,482	1,725	(59,940)