

NL INDUSTRIES INC  
Form 10-Q  
August 04, 2008

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended June 30, 2008  
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 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, 2008: 48,598,634.

NL INDUSTRIES, INC. AND SUBSIDIARIES

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Items 2, 3 and 5 of Part II are omitted because there is no information to report

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NL INDUSTRIES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

ASSETS	December 31, 2007	June 30, 2008 (unaudited)
Current assets:		
Cash and cash equivalents	\$ 41,112	\$ 30,849
Restricted cash and cash equivalents	4,970	9,794
Marketable securities	5,860	5,503
Accounts and other receivables, net	23,492	21,678
Inventories, net	24,277	25,911
Prepaid expenses and other	1,516	2,419
Deferred income taxes	6,474	6,205
Total current assets	107,701	102,359
Other assets:		
Marketable equity securities	113,393	148,598
Investment in Kronos Worldwide, Inc.	147,119	144,120
Pension asset	17,623	19,297
Goodwill	54,719	54,749
Assets held for sale	3,117	2,817
Other assets, net	7,856	8,022
Total other assets	343,827	377,603
Property and equipment:		
Land	12,346	12,785
Buildings	35,963	36,203
Equipment	127,801	127,056
Construction in progress	2,659	3,172
	178,769	179,216
Less accumulated depreciation	105,536	106,510
Net property and equipment	73,233	72,706
Total assets	\$ 524,761	\$ 552,668

## NL INDUSTRIES, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In thousands)

	December 31, 2007	June 30, 2008 (unaudited)
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 8,769	\$ 10,167
Accrued liabilities	27,188	28,405
Accrued environmental costs	11,863	9,527
Income taxes	136	163
Total current liabilities	47,956	48,262
Non-current liabilities:		
Note payable to affiliate	49,730	49,230
Accrued environmental costs	38,467	37,911
Accrued postretirement benefit (OPEB) costs	9,865	9,643
Accrued pension costs	1,665	1,492
Deferred income taxes	91,124	103,144
Other	25,126	25,392
Total non-current liabilities	215,977	226,812
Minority interest	14,366	13,595
Stockholders' equity:		
Common stock	6,073	6,074
Additional paid-in capital	345,338	336,966
Retained deficit	(6,525)	(6,525)
Accumulated other comprehensive loss	(98,424)	(72,516)
Total stockholders' equity	246,462	263,999
Total liabilities, minority interest and stockholders' equity	\$ 524,761	\$ 552,668

Commitments and contingencies (Note 10)

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, 2007		Six months ended June 30, 2007		2008 (unaudited)	
Net sales	\$	45,229	\$	43,708	\$	88,780
Cost of sales		33,368		32,727		64,797
Gross margin		11,861		10,981		23,983
Selling, general and administrative expense		6,571		6,504		13,237
Other operating income (expense):						
Insurance recoveries		109		1,601		2,586
Other expense, net		(732)		(57)		(792)
Corporate expense		(8,515)		(6,960)		(13,444)
Loss from operations		(3,848)		(939)		(904)
Equity in earnings (losses) of Kronos Worldwide, Inc.		(10)		2,085		4,599
Other income (expense):						
Interest and dividends		1,370		5,151		2,469
Securities transactions, net		(47)		20		56
Interest expense		(48)		(504)		(102)
Income (loss) before income taxes and minority interest		(2,583)		5,813		6,118
Provision for income taxes (benefit)		(1,838)		1,563		207
Minority interest in after-tax earnings		785		285		1,675
Net income (loss)	\$	(1,530)	\$	3,965	\$	4,236
Net income (loss) per basic and diluted share	\$	(.03)	\$	.08	\$	.09
Cash dividend per share	\$	.125	\$	.125	\$	.25
Weighted-average shares used in the calculation of net income per share:						
Basic		48,589		48,595		48,587
Dilutive impact of stock options		-		8		9
Diluted		48,589		48,603		48,596

See accompanying Notes to Condensed Consolidated Financial Statements.

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NL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

Six months ended June 30, 2008

(In thousands)

	Common stock	Additional paid-in capital	Retained earnings (deficit)	Accumulated other comprehensive loss (unaudited)	Total stockholders' equity	Comprehensive income
Balance at December 31, 2007	\$ 6,073	\$ 345,338	\$ (6,525)	\$ (98,424)	\$ 246,462	
Net income	-	-	3,675	-	3,675	\$ 3,675
Other comprehensive income, net	-	-	-	25,908	25,908	25,908
Issuance of common stock	1	102	-	-	103	-
Dividends	-	(8,474)	(3,675)	-	(12,149)	-
Balance at June 30, 2008	\$ 6,074	\$ 336,966	\$ (6,525)	\$ (72,516)	\$ 263,999	
Comprehensive income						\$ 29,583

See accompanying Notes to Condensed Consolidated Financial Statements.

## NL INDUSTRIES, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Six months ended June 30, 2007                      2008 (unaudited)	
Cash flows from operating activities:		
Net income	\$ 4,236	\$ 3,675
Depreciation and amortization	5,695	4,770
Deferred income taxes	(1,770)	(1,538)
Minority interest	1,675	501
Equity in earnings of Kronos Worldwide, Inc.	(4,599)	(1,945)
Dividends from Kronos Worldwide, Inc.	8,758	8,758
Benefit plan expense greater (less) than cash funding:		
Defined benefit pension expense	(1,220)	(1,485)
Other postretirement benefit expense	315	238
Other, net	219	572
Change in assets and liabilities:		
Accounts and other receivables, net	(632)	81
Inventories, net	(3,565)	(1,637)
Prepaid expenses and other	524	(876)
Accrued environmental costs	(2,688)	(2,892)
Accounts payable and accrued liabilities	718	1,165
Income taxes	(587)	(5)
Accounts with affiliates	(6,667)	2,120
Other, net	(1,613)	(2,224)
Net cash provided by (used in) operating activities	(1,201)	9,278
Cash flows from investing activities:		&#1