

VALHI INC /DE/
Form 10-Q
May 08, 2015

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, 2015

Commission file number 1-5467

VALHI, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

87-0110150
(IRS Employer
Identification No.)

5430 LBJ Freeway, Suite 1700, Dallas, Texas
(Address of principal executive offices)

75240-2697
(Zip Code)

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 (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Edgar Filing: VALHI INC /DE/ - Form 10-Q

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

Whether the Registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer or a smaller reporting company (as defined in Rule 12b-2 of the Act).

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
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, 2015: 339,132,449

VALHI, INC. AND SUBSIDIARIES

INDEX

	Page number
Part I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
<u>Condensed Consolidated Balance Sheets – December 31, 2014 and March 31, 2015 (unaudited)</u>	3
<u>Condensed Consolidated Statements of Income (unaudited) – Three months ended March 31, 2014 and 2015</u>	5
<u>Condensed Consolidated Statements of Comprehensive Income (Loss) (unaudited) – Three months ended March 31, 2014 and 2015</u>	6
<u>Condensed Consolidated Statements of Cash Flows (unaudited) – Three months ended March 31, 2014 and 2015</u>	7
<u>Condensed Consolidated Statement of Equity (unaudited) – Three months ended March 31, 2015</u>	8
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	9
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations.</u>	25
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	41
Item 4. <u>Controls and Procedures</u>	41
Part II. <u>OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	43
Item 1A. <u>Risk Factors</u>	43
Item 6. <u>Exhibits</u>	44
Items 2, 3, 4 and 5 of Part II are omitted because there is no information to report.	

VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)

	December 31, 2014	March 31, 2015 (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 255.8	\$ 199.5
Restricted cash equivalents	10.6	9.4
Marketable securities	2.7	.9
Accounts and other receivables, net	303.9	322.6
Inventories, net	443.0	413.8
Land held for development	15.0	10.6
Other current assets	17.6	14.4
Deferred income taxes	13.4	13.4
Total current assets	1,062.0	984.6
Other assets:		
Marketable securities	255.6	255.6
Investment in affiliates	89.0	77.8
Goodwill	379.7	379.7
Deferred income taxes	164.4	159.2
Other noncurrent assets	282.9	282.5
Total other assets	1,171.6	1,154.8
Property and equipment:		
Land	49.1	45.9
Buildings	263.1	240.1
Treatment, storage and disposal facility	159.9	159.9
Equipment	1,139.9	1,051.2
Mining properties	52.0	41.7
Construction in progress	26.2	25.9
	1,690.2	1,564.7
Less accumulated depreciation	956.6	887.8
Net property and equipment	733.6	676.9
Total assets	\$ 2,967.2	\$ 2,816.3

VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In millions)

	December 31, 2014	March 31, 2015 (unaudited)
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 9.3	\$ 9.2
Accounts payable and accrued liabilities	310.2	253.0
Income taxes	7.8	8.4
Deferred income taxes	3.9	3.5
Total current liabilities	331.2	274.1
Noncurrent liabilities:		
Long-term debt	924.8	928.9
Deferred income taxes	412.8	409.0
Accrued pension costs	249.4	220.5
Accrued environmental remediation and related costs	108.3	108.0
Accrued postretirement benefits costs	14.1	13.3
Other liabilities	112.7	107.3
Total noncurrent liabilities	1,822.1	1,787.0
Equity:		
Valhi stockholders' equity:		
Preferred stock	667.3	667.3
Common stock	3.6	3.6
Additional paid-in capital	—	—
Retained earnings	4.9	10.0
Accumulated other comprehensive loss	(148.6)	(199.1)
Treasury stock	(49.6)	(49.6)
Total Valhi stockholders' equity	477.6	432.2
Noncontrolling interest in subsidiaries	336.3	323.0
Total equity	813.9	755.2
Total liabilities and equity	\$ 2,967.2	\$ 2,816.3

Commitments and contingencies (Notes 12 and 15)

See accompanying Notes to Condensed Consolidated Financial Statements.

VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In millions, except per share data)

	Three months ended March 31, 2014 2015 (unaudited)	
Revenues and other income:		
Net sales	\$462.4	\$416.1
Other income, net	5.1	12.1
Total revenues and other income	467.5	428.2
Costs and expenses:		
Cost of sales	376.6	326.8
Selling, general and administrative	68.8	65.2
Interest	13.7	14.6
Total costs and expenses	459.1	406.6
Income before income taxes	8.4	21.6
Income tax expense	3.8	4.3
Net income	4.6	17.3
Noncontrolling interest in net income of subsidiaries	3.8	5.4
Net income attributable to Valhi stockholders	\$.8	\$ 11.9
Amounts attributable to Valhi stockholders:		
Basic and diluted net income per share	\$—	\$.04
Cash dividends per share	\$.05	\$.02
Basic and diluted weighted average shares outstanding	342.0	342.0

See accompanying Notes to Condensed Consolidated Financial Statements.

VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In millions)

	Three months ended March 31, 2014 2015 (unaudited)	
Net income	\$4.6	\$17.3
Other comprehensive income (loss), net of tax:		
Currency translation	(2.7)	(67.6)
Marketable securities	(17.1)	(.6)
Defined benefit pension plans	2.1	2.8
Other postretirement benefit plans	(.4)	(.3)
Total other comprehensive loss, net	(18.1)	(65.7)
Comprehensive loss	(13.5)	(48.4)
Comprehensive loss attributable to noncontrolling interest	(12.7)	(9.8)
Comprehensive loss attributable to Valhi stockholders	\$(.8)	\$(38.6)

See accompanying Notes to Condensed Consolidated Financial Statements.

VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	Three months ended March 31, 2014 2015 (unaudited)	
Cash flows from operating activities:		
Net income	\$4.6	\$17.3
Depreciation and amortization	19.5	18.3
Benefit plan expense less than cash funding	(2.3)	(.8)
Deferred income taxes	(3.4)	(1.0)
Distributions from TiO ₂ manufacturing joint venture, net	4.5	11.2
Other, net	1.6	3.3
Change in assets and liabilities:		
Accounts and other receivables, net	(61.6)	(50.5)
Inventories, net	6.6	(8.8)
Land held for development, net	(1.8)	2.0
Accounts payable and accrued liabilities	11.4	(30.8)
Accounts with affiliates	11.8	13.5
Income taxes	1.1	(1.8)
Other, net	2.2	(2.1)
Net cash used in operating activities	(5.8)	(30.2)
Cash flows from investing activities:		
Capital expenditures	(19.9)	(13.3)
Capitalized permit costs	(.2)	(.1)
Purchases of marketable securities	(4.2)	(5.2)
Disposal of marketable securities	1.7	7.2
Change in restricted cash equivalents, net	(2.1)	(.2)
Other, net	(.3)	—
Net cash used in investing activities	(25.0)	(11.6)
Cash flows from financing activities:		
Indebtedness:		
Borrowings	457.6	19.2
Principal payments	(281.8)	(14.9)
Deferred financing costs paid	(6.0)	—
Valhi cash dividends paid	(17.0)	(6.8)
Distributions to noncontrolling interest in subsidiaries	(8.5)	(3.8)
Net cash provided by (used in) financing activities	144.3	(6.3)
Cash and cash equivalents – net change from:		
Operating, investing and financing activities	113.5	(48.1)
Effect of exchange rate on cash	(.1)	(8.2)

Edgar Filing: VALHI INC /DE/ - Form 10-Q

Cash and cash equivalents at beginning of period	142.8	255.8
Cash and cash equivalents at end of period	\$256.2	\$199.5
Supplemental disclosures:		
Cash paid for:		
Interest, net of capitalized interest	\$12.7	\$14.2
Income taxes, net	5.7	9.1
Noncash investing activities:		
Change in accruals for capital expenditures	4.5	1.8

See accompanying Notes to Condensed Consolidated Financial Statements.

VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF EQUITY

Three months ended March 31, 2015

(In millions)

(unaudited)

Valhi Stockholders' Equity

Preferred stock	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Non-controlling interest	Total equity
-----------------	--------------	----------------------------	-------------------	--------------------------------------	----------------	--------------------------	--------------