

Edgar Filing: KRONOS WORLDWIDE INC - Form 10-Q

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 April 30, 2014: 115,864,598.

KRONOS WORLDWIDE, INC. AND SUBSIDIARIES

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KRONOS WORLDWIDE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)

	December 31, 2013	March 31, 2014 (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 53.8	\$ 179.0
Restricted cash	2.6	2.1
Accounts and other receivables	282.5	331.5
Inventories, net	416.6	405.0
Prepaid expenses and other	9.1	10.9
Deferred income taxes	16.6	9.4
Total current assets	781.2	937.9
Other assets:		
Investment in TiO ₂ manufacturing joint venture	102.3	97.8
Marketable securities	30.4	15.3
Deferred income taxes	148.4	145.2
Other	20.5	25.4
Total other assets	301.6	283.7
Property and equipment:		
Land	46.3	48.3
Buildings	242.7	244.1
Equipment	1,122.8	1,140.9
Mining properties	130.1	131.6
Construction in progress	50.0	30.3
	1,591.9	1,595.2
Less accumulated depreciation and amortization	1,055.6	1,060.8
Net property and equipment	536.3	534.4
Total assets	\$ 1,619.1	\$ 1,756.0

KRONOS WORLDWIDE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In millions)

	December 31, 2013	March 31, 2014 (unaudited)
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 3.1	\$ 3.9
Accounts payable and accrued liabilities	264.0	260.3
Income taxes	8.9	8.7
Deferred income taxes	2.0	2.0
Total current liabilities	278.0	274.9
Noncurrent liabilities:		
Long-term debt	180.4	346.6
Deferred income taxes	19.5	13.9
Accrued pension cost	163.8	158.1
Accrued postretirement benefits cost	7.8	7.6
Other	34.5	34.3
Total noncurrent liabilities	406.0	560.5
Stockholders' equity:		
Common stock	1.2	1.2
Additional paid-in capital	1,398.5	1,398.5
Retained deficit	(312.6)	(315.7)
Accumulated other comprehensive loss	(152.0)	(163.4)
Total stockholders' equity	935.1	920.6
Total liabilities and stockholders' equity	\$ 1,619.1	\$ 1,756.0

Commitments and contingencies (Notes 8 and 12)

See accompanying notes to consolidated financial statements.

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KRONOS WORLDWIDE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share data)

	Three months ended March 31, 2013 2014 (unaudited)	
Net sales	\$463.6	\$420.1
Cost of sales	459.7	339.6
Gross margin	3.9	80.5
Selling, general and administrative expense	49.4	49.1
Other operating income (expense):		
Currency transaction gains (losses), net	1.8	(2.7)
Other operating expense, net	(3.2)	(2.7)
Income (loss) from operations	(46.9)	26.0
Other income (expense):		
Interest and dividend income	.3	.2
Loss on prepayment of debt, net	(6.6)	-
Interest expense	(6.4)	(4.0)
Income (loss) before income taxes	(59.6)	22.2
Income tax expense (benefit)	(18.5)	7.9
Net income (loss)	\$(41.1)	\$14.3
Net income (loss) per basic and diluted share	\$(.35)	\$.12
Cash dividends per share	\$.15	\$.15
Weighted average shares used in the calculation of net income (loss) per share	115.9	115.9

See accompanying notes to consolidated financial statements.

KRONOS WORLDWIDE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In millions)

	Three months ended March 31, 2013 2014 (unaudited)	
Net income (loss)	\$(41.1)	\$14.3
Other comprehensive income (loss), net of tax:		
Marketable securities	3.7	(10.6)
Currency translation	(27.3)	(2.6)
Defined benefit pension plans	2.5	1.9
Other postretirement benefit plans	-	(.1)
Total other comprehensive loss, net	(21.1)	(11.4)
Comprehensive income (loss)	\$(62.2)	\$2.9

See accompanying notes to consolidated financial statements.

KRONOS WORLDWIDE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

Three months ended March 31, 2014

(In millions)

	Common stock (unaudited)	Additional paid-in capital	Retained earnings (deficit)	Accumulated other comprehensive loss	Total
Balance at December 31, 2013	\$1.2	\$ 1,398.5	\$ (312.6)	\$ (152.0)	\$935.1
Net income	-	-	14.3	-	14.3
Other comprehensive loss, net of tax	-	-	-	(11.4)	(11.4)
Dividends paid	-	-	(17.4)	-	(17.4)
Balance at March 31, 2014	\$1.2	\$ 1,398.5	\$ (315.7)	\$ (163.4)	\$920.6

See accompanying notes to consolidated financial statements.

KRONOS WORLDWIDE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	Three months ended March 31, 2013 2014 (unaudited)	
Cash flows from operating activities:		
Net income (loss)	\$(41.1)	\$14.3
Depreciation and amortization	12.6	12.6
Deferred income taxes	(32.7)	9.4
Loss on prepayment of debt, net	6.6	-
Benefit plan expense greater (less) than cash funding:		
Defined benefit plan expense greater (less) than cash funding	1.4	(1.7)
Other postretirement benefit plans	-	(.2)
Distributions from TiO ₂ manufacturing joint venture, net	9.8	4.5
Other, net	2.4	1.4
Change in assets and liabilities:		
Accounts and other receivables	(83.0)	(61.2)
Inventories	93.1	8.6
Prepaid expenses	.5	(1.9)
Accounts payable and accrued liabilities	33.0	3.9
Income taxes	16.4	.4
Accounts with affiliates	(59.7)	7.5
Other, net	1.4	(.1)
Net cash used in operating activities	(39.3)	(2.5)
Cash flows from investing activities:		
Capital expenditures	(19.0)	(16.3)
Change in restricted cash, net	.7	.6
Net cash used in investing activities	(18.3)	(15.7)
Cash flows from financing activities:		
Indebtedness:		
Borrowings	191.8	429.3
Principal payments	(295.3)	(262.3)
Deferred financing fees	-	(6.1)
Dividends paid	(17.4)	(17.4)
Net cash provided by (used in) financing activities	(120.9)	143.5

KRONOS WORLDWIDE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(In millions)

	Three months ended March 31, 2013 2014 (unaudited)	
Cash and cash equivalents - net change from:		
Operating, investing and financing activities	\$(178.5)	\$125.3
Currency translation	(2.0)	(.1)
Balance at beginning of period	282.7	53.8
Balance at end of period	\$102.2	\$179.0