

KRONOS WORLDWIDE INC
Form 10-Q
May 07, 2015

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 March 31, 2015

Commission file number 1-31763

KRONOS WORLDWIDE, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

76-0294959
(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

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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 April 30, 2015: 115,872,598.

KRONOS WORLDWIDE, INC. AND SUBSIDIARIES

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KRONOS WORLDWIDE, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)

	December 31, 2014	March 31, 2015 (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 167.7	\$ 121.4
Restricted cash	2.2	1.5
Accounts and other receivables	278.2	286.3
Inventories, net	423.6	394.0
Prepaid expenses and other	8.2	7.7
Deferred income taxes	6.3	6.2
Total current assets	886.2	817.1
Other assets:		
Investment in TiO ₂ manufacturing joint venture	89.0	77.8
Marketable securities	11.1	10.8
Deferred income taxes	165.4	159.4
Other	11.1	9.3
Total other assets	276.6	257.3
Property and equipment:		
Land	42.6	38.3
Buildings	220.6	199.3
Equipment	1,035.6	936.7
Mining properties	116.7	110.8
Construction in progress	24.4	23.8
	1,439.9	1,308.9
Less accumulated depreciation and amortization	960.2	878.8
Net property and equipment	479.7	430.1
Total assets	\$ 1,642.5	\$ 1,504.5

KRONOS WORLDWIDE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In millions)

	December 31, 2014	March 31, 2015 (unaudited)
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 3.9	\$ 3.9
Accounts payable and accrued liabilities	222.5	178.2
Income taxes	7.8	8.4
Deferred income taxes	3.7	3.3
Total current liabilities	237.9	193.8
Noncurrent liabilities:		
Long-term debt	344.7	344.7
Deferred income taxes	6.8	6.5
Accrued pension cost	237.1	208.7
Accrued postretirement benefits cost	8.1	7.6
Other	26.8	24.7
Total noncurrent liabilities	623.5	592.2
Stockholders' equity:		
Common stock	1.2	1.2
Additional paid-in capital	1,398.6	1,398.6
Retained deficit	(282.9)	(281.9)
Accumulated other comprehensive loss	(335.8)	(399.4)
Total stockholders' equity	781.1	718.5
Total liabilities and stockholders' equity	\$ 1,642.5	\$ 1,504.5

Commitments and contingencies (Notes 8 and 12)

See accompanying notes to Condensed Consolidated Financial Statements.

KRONOS WORLDWIDE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In millions, except per share data)

	Three months ended March 31, 2014 2015 (unaudited)	
Net sales	\$420.1	\$365.1
Cost of sales	339.6	287.7
Gross margin	80.5	77.4
Selling, general and administrative expense	49.1	43.4
Other operating income (expense):		
Currency transaction gains (losses), net	(2.7)	1.6
Other operating expense, net	(2.7)	(3.4)
Income from operations	26.0	32.2
Other income (expense):		
Interest and dividend income	.2	.2
Interest expense	(4.0)	(4.6)
Income before income taxes	22.2	27.8
Income tax expense	7.9	9.4
Net income	\$14.3	\$18.4
Net income per basic and diluted share	\$.12	\$.16
Cash dividends per share	\$.15	\$.15
Weighted average shares used in the calculation of net income per share	115.9	115.9

See accompanying notes to Condensed Consolidated Financial Statements.

KRONOS WORLDWIDE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In millions)

	Three months ended March 31, 2014 2015 (unaudited)	
Net income	\$14.3	\$18.4
Other comprehensive income (loss), net of tax:		
Marketable securities	(10.6)	(.5)
Currency translation	(2.6)	(65.6)
Defined benefit pension plans	1.9	2.6
Other postretirement benefit plans	(.1)	(.1)
Total other comprehensive loss, net	(11.4)	(63.6)
Comprehensive income (loss)	\$2.9	\$(45.2)

See accompanying notes to Condensed Consolidated Financial Statements.

KRONOS WORLDWIDE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

Three months ended March 31, 2015

(In millions)

	Common	Additional	Retained	Accumulated	
	stock	paid-in	earnings	other	Total
	(unaudited)	capital	(deficit)	comprehensive	
				loss	
Balance at December 31, 2014	\$1.2	\$ 1,398.6	\$ (282.9)	\$ (335.8)	\$ 781.1
Net income	-	-	18.4	-	18.4
Other comprehensive loss, net of tax	-	-	-	(63.6)	(63.6)
Dividends paid	-	-	(17.4)	-	(17.4)
Balance at March 31, 2015	\$1.2	\$ 1,398.6	\$ (281.9)	\$ (399.4)	\$ 718.5

See accompanying notes to Condensed Consolidated Financial Statements.

KRONOS WORLDWIDE, 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	\$14.3	\$18.4
Depreciation and amortization	12.6	11.0
Deferred income taxes	9.4	2.3
Benefit plan expense greater (less) than cash funding	(1.9)	-
Distributions from TiO ₂ manufacturing joint venture, net	4.5	11.2
Other, net	1.4	3.3
Change in assets and liabilities:		
Accounts and other receivables	(61.2)	(40.3)
Inventories	8.6	(8.3)
Prepaid expenses	(1.9)	(.3)
Accounts payable and accrued liabilities	3.9	(18.6)
Income taxes	.4	(2.1)
Accounts with affiliates	7.5	13.3
Other, net	(.1)	.1
Net cash used in operating activities	(2.5)	(10.0)