

VALHI INC /DE/
Form 10-Q
August 05, 2010

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 June 30, 2010

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 75240-2697
(Address of principal executive offices) (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

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

* The registrant has not yet been phased into the interactive data requirements.

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 Smaller reporting company

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Whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No X .

Number of shares of the Registrant's common stock outstanding on July 30, 2010: 113,607,955.

VALHI, INC. AND SUBSIDIARIES

INDEX

	Page number
Part I. FINANCIAL INFORMATION	
Item 1. Financial Statements.	
Condensed Consolidated Balance Sheets – December 31, 2009 and June 30, 2010 (unaudited)	3
Condensed Consolidated Statements of Operations (unaudited) – Three and six months ended June 30, 2009 and 2010	5
Condensed Consolidated Statements of Cash Flows (unaudited) – Six months ended June 30, 2009 and 2010	6
Condensed Consolidated Statement of Equity and Comprehensive Income – Six months ended June 30, 2010 (unaudited)	8
Notes to Condensed Consolidated Financial Statements (unaudited)	9
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.	29
Item 3. Quantitative and Qualitative Disclosures About Market Risk	50
Item 4. Controls and Procedures	51
Part II. OTHER INFORMATION	
Item 1. Legal Proceedings.	52
Item 1A. Risk Factors.	53
Item 6. Exhibits.	53

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)

ASSETS	December 31, 2009	June 30, 2010 (unaudited)
Current assets:		
Cash and cash equivalents	\$68.7	\$46.2
Restricted cash equivalents	8.9	9.6
Marketable securities	6.1	1.6
Accounts and other receivables, net	222.9	269.6
Inventories, net	312.0	258.3
Prepaid expenses and other	17.7	14.9
Deferred income taxes	11.9	11.9
Total current assets	648.2	612.1
Other assets:		
Marketable securities	279.5	295.3
Investment in affiliates	116.1	114.6
Goodwill	396.9	396.9
Deferred income taxes	185.5	183.6
Other assets	103.5	102.2
Total other assets	1,081.5	1,092.6
Property and equipment:		
Land	56.3	51.4
Buildings	293.8	269.1
Equipment	1,176.1	1,085.4
Mining properties	68.4	59.4
Construction in progress	20.7	21.4
	1,615.3	1,486.7
Less accumulated depreciation	934.7	878.4
Net property and equipment	680.6	608.3
Total assets	\$2,410.3	\$2,313.0

VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In millions)

LIABILITIES AND EQUITY	December 31, 2009	June 30, 2010 (unaudited)
Current liabilities:		
Current maturities of long-term debt	\$2.5	\$23.6
Accounts payable and accrued liabilities	288.1	240.5
Income taxes	3.9	3.9
Deferred income taxes	4.7	3.8
Total current liabilities	299.2	271.8
Noncurrent liabilities:		
Long-term debt	988.4	953.8
Deferred income taxes	360.7	363.8
Accrued pension costs	130.5	111.8
Accrued environmental costs	37.9	37.2
Accrued postretirement benefits costs	25.5	25.7
Other liabilities	69.7	62.6
Total noncurrent liabilities	1,612.7	1,554.9
Equity:		
Valhi stockholders' equity:		
Preferred stock	667.3	667.3
Common stock	1.2	1.2
Additional paid-in capital	-	-
Accumulated deficit	(197.7)	(204.1)
Accumulated other comprehensive loss	(3.2)	(8.3)
Treasury stock	(38.9)	(38.9)
Total Valhi stockholders' equity	428.7	417.2
Noncontrolling interest in subsidiaries	69.7	69.1
Total equity	498.4	486.3
Total liabilities and equity	\$2,410.3	\$2,313.0

Commitments and contingencies (Notes 10 and 12)

See accompanying Notes to Condensed Consolidated Financial Statements.

- 4 -

VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2009	2010	2009	2010
	(unaudited)			
Revenues and other income:				
Net sales	\$312.1	\$415.7	\$589.4	\$772.5
Other income, net	20.8	3.9	51.0	31.9
Total revenues and other income	332.9	419.6	640.4	804.4
Costs and expenses:				
Cost of sales	295.9	326.3	568.6	617.0
Selling, general and administrative	53.9	58.1	105.3	116.4
Litigation settlement and contract termination	-	-	-	33.3
Assets held for sale write-down	.7	-	.7	-
Interest	16.7	17.0	32.7	34.4
Total costs and expenses	367.2	401.4	707.3	801.1
Income (loss) before income taxes	(34.3)	18.2	(66.9)	3.3
Provision for income taxes (benefit)	(13.7)	11.8	(22.9)	(18.2)
Net income (loss)	(20.6)	6.4	(44.0)	21.5
Noncontrolling interest in net income (loss) of subsidiaries	(1.6)	1.9	(5.0)	3.4
Net income (loss) attributable to Valhi stockholders	\$(19.0)	\$4.5	\$(39.0)	\$18.1
Amounts attributable to Valhi stockholders:				
Basic and diluted net income (loss) per share	\$(.16)	\$.04	\$(.34)	\$.14
Cash dividends per share	\$.10	\$.10	\$.20	\$.20
Basic and diluted weighted average shares Outstanding	114.3	114.3	114.3	114.3

See accompanying Notes to Condensed Consolidated Financial Statements.

VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	Six months ended June 30,	
	2009	2010
	(unaudited)	
Cash flows from operating activities:		
Net income (loss)	\$(44.0)	\$21.5
Depreciation and amortization	29.2	31.6
Gain on sale of business	(6.3)	-
Gain on litigation settlement	(11.1)	-
Accrued litigation settlement and contract termination	-	33.3
Litigation settlement payments	-	(19.0)
Assets held for sale write-down	.7	-
Benefit plan expense greater (less) than cash funding requirements:		
Defined benefit pension expense	(2.4)	1.1
Other postretirement benefit expense	.1	.1
Deferred income taxes	(30.6)	(24.2)
Net distributions from TiO2 manufacturing joint venture	4.6	1.5
Other, net	2.8	2.7
Change in assets and liabilities:		
Accounts and other receivables, net	(23.6)	(89.3)
Inventories, net	139.0	26.2
Accounts payable and accrued liabilities	(20.3)	(21.7)
Accounts with affiliates	(2.5)	19.5
Income taxes	1.8	1.1
Other, net	5.3	4.5
Net cash provided by (used in) operating activities	42.7	(11.1)
Cash flows from investing activities:		
Capital expenditures	(38.4)	(18.6)
Capitalized permit costs	(4.2)	(1.2)
Purchases of marketable securities	(4.1)	(7.5)
Proceeds from:		
Disposal of marketable securities	3.5	2.6
Disposal of restricted marketable securities	-	5.2
Sale of business	6.7	.5
Real estate-related litigation settlement	11.8	-
Change in restricted cash equivalents, net	.4	(.7)
Other, net	.3	(.1)

Net cash used in investing activities	(24.0)	(19.8)
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- 6 -

VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(In millions)

	Six months ended June 30,	
	2009	2010
	(unaudited)	
Cash flows from financing activities:		
Indebtedness:		
Borrowings	\$210.0	\$251.1
Principal payments	(142.7)	(207.6)
Deferred financing costs paid	(.1)	-
Purchases of Kronos common stock	(.1)	-
Valhi cash dividends paid	(22.7)	(22.7)
Distributions to noncontrolling interest in subsidiaries	(2.5)	(2.5)
Purchase of noncontrolling interest in subsidiary	-	(7.0)
Issuance of common stock and other	.1	-
Net cash provided by financing activities	42.0	11.3
Cash and cash equivalents – net change from:		
Operating, investing and financing activities	60.7	(19.6)
Currency translation	2.3	(2.9)
Cash and cash equivalents at beginning of period	37.0	68.7
Cash and cash equivalents at end of period	\$100.0	\$46.2
Supplemental disclosures:		
Cash paid for:		
Interest, net of amounts capitalized	\$32.4	\$32.4
Income taxes paid (refunded), net	4.0	(12.2)
Noncash investing activities:		
Note receivable from sale of business	.7	-
Accrual for capital expenditures	10.5	4.7
Accrual for capitalized permit costs	1.6	2.2
Noncash financing activities:		
Promissory notes payable incurred in connection with litigation settlements and contract termination	-	30.0

See accompanying Notes to Condensed Consolidated Financial Statements.

- 7 -

VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF EQUITY AND COMPREHENSIVE INCOME

Six months ended June 30, 2010

(In millions)

	Valhi Stockholders' Equity								Total equity	Comprehensive income (loss)
	Preferred stock	Common stock	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss (unaudited)	Treasury Stock	Non-controlling Interest			
Balance at December 31, 2009	\$667.3	\$1.2	\$-	\$ (197.7)	\$ (3.2)	\$ (38.9)	\$ 69.7	\$498.4		
Net income	-	-	-	18.1	-	-	3.4	21.5	\$ 21.5	
Other comprehensive loss, net	-	-	-	-	(5.1)	-	(1.1)	(6.2)	(6.2)	
Equity transaction with noncontrolling interest	-	-	.2	-	-	-	.1	.3	-	
Cash dividends	-	-	(.3)	(22.4)	-	-	(2.5)	(25.2)	-	
Other	-	-	.1	(2.1)	-	-	(.5)	(2.5)	-	
Balance at June 30, 2010	\$667.3	\$1.2	\$-	\$ (204.1)	\$ (8.3)	\$ (38.9)	\$ 69.1	\$486.3		
Comprehensive income									\$ 15.3	