

KRONOS WORLDWIDE INC  
Form 10-Q  
November 03, 2011  
[Table of Contents](#)

**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 September 30, 2011

Commission file number 1-31763

**KRONOS WORLDWIDE, INC.**

(Exact name of Registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction of

76-0294959  
(IRS Employer

Edgar Filing: KRONOS WORLDWIDE INC - Form 10-Q

incorporation or organization)

5430 LBJ Freeway, Suite 1700

Identification No.)

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 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 October 31, 2011: 115,902,098.

**Table of Contents**

**KRONOS WORLDWIDE, INC. AND SUBSIDIARIES**

**INDEX**

	<b>Page number</b>
<b>Part I. FINANCIAL INFORMATION</b>	
Item 1. Financial Statements	
<u>Condensed Consolidated Balance Sheets December 31, 2010; September 30, 2011 (Unaudited)</u>	3
<u>Condensed Consolidated Statements of Income (Unaudited) Three and nine months ended September 30, 2010 and 2011</u>	5
<u>Condensed Consolidated Statement of Stockholders Equity and Comprehensive Income (Unaudited) Nine months ended September 30, 2011</u>	6
<u>Condensed Consolidated Statements of Cash Flows (Unaudited) Nine months ended September 30, 2010 and 2011</u>	7
<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>	19
Item 3. <u>Quantitative and Qualitative Disclosure About Market Risk</u>	31
Item 4. <u>Controls and Procedures</u>	31
<b>Part II. OTHER INFORMATION</b>	
Item 1. <u>Legal Proceedings</u>	33
Item 1A. <u>Risk Factors</u>	33
Item 6. <u>Exhibits</u>	33
Items 2, 3, 4 and 5 of Part II are omitted because there is no information to report.	

**Table of Contents**

**KRONOS WORLDWIDE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(In millions)

	December 31, 2010	September 30, 2011 (Unaudited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 304.7	\$ 112.1
Restricted cash	1.9	1.5
Marketable securities		44.5
Accounts and other receivables	231.2	333.4
Inventories	275.8	336.7
Prepaid expenses and other	6.1	7.4
Deferred income taxes	4.6	4.8
Total current assets	824.3	840.4
Other assets:		
Investment in TiO <sub>2</sub> manufacturing joint venture	96.2	94.1
Note receivable from Valhi	61.9	103.3
Marketable securities	49.7	94.8
Deferred income taxes	192.0	154.5
Other	9.9	10.8
Total other assets	409.7	457.5
Property and equipment:		
Land	44.3	45.2
Buildings	227.4	230.0
Equipment	1,008.6	1,026.4
Mining properties	115.9	120.5
Construction in progress	11.9	33.3
	1,408.1	1,455.4
Less accumulated depreciation and amortization	934.5	976.6
Net property and equipment	473.6	478.8
Total assets	\$ 1,707.6	\$ 1,776.7

**Table of Contents**

**KRONOS WORLDWIDE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)**

(In millions)

	December 31, 2010	September 30, 2011 (Unaudited)
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 2.2	\$ 2.2
Accounts payable and accrued liabilities	206.2	263.6
Income taxes	7.0	24.2
Deferred income taxes	4.7	4.8
<b>Total current liabilities</b>	<b>220.1</b>	<b>294.8</b>
Noncurrent liabilities:		
Long-term debt	537.4	400.7
Deferred income taxes	33.2	39.6
Accrued pension cost	119.5	115.0
Accrued postretirement benefit cost	10.6	10.6
Other	25.6	27.0
<b>Total noncurrent liabilities</b>	<b>726.3</b>	<b>592.9</b>
Stockholders' equity:		
Common stock	1.2	1.2
Additional paid-in capital	1,398.8	1,399.0
Retained deficit	(486.5)	(358.5)
Accumulated other comprehensive loss	(152.3)	(152.7)
<b>Total stockholders' equity</b>	<b>761.2</b>	<b>889.0</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,707.6</b>	<b>\$ 1,776.7</b>

Commitments and contingencies (Notes 8 and 11)

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents**KRONOS WORLDWIDE, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(In millions, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2010	2011	2010	2011
	(Unaudited)			
Net sales	\$ 376.6	\$ 548.0	\$ 1,076.4	\$ 1,505.9
Cost of sales	280.4	337.1	834.5	951.6
Gross margin	96.2	210.9	241.9	554.3
Selling, general and administrative expense	41.9	49.9	123.3	144.7
Currency transaction gains (losses), net	5.2	(1.9)	4.8	.4
Other operating expense, net	(2.5)	(2.5)	(5.9)	(6.8)
Income from operations	57.0	156.6	117.5	403.2
Other income (expense):				
Interest and dividend income		1.1	.1	4.5
Gain (loss) on prepayment of debt, net		.1		(3.2)
Interest expense	(9.0)	(8.1)	(29.2)	(26.2)
Income before income taxes	48.0	149.7	88.4	378.3
Income tax expense (benefit)	15.9	63.8	(5.7)	143.1
Net income	\$ 32.1	\$ 85.9	\$ 94.1	\$ 235.2
Net income per basic and diluted share	\$ .33	\$ .74	\$ .96	\$ 2.03
Cash dividends per share	\$	\$ .15	\$	\$ .925
Basic and diluted weighted-average shares used in the calculation of net income per share	97.9	115.9	97.9	115.9

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents**KRONOS WORLDWIDE, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY AND COMPREHENSIVE INCOME**

Nine months ended September 30, 2011

(In millions)

	Common stock	Additional paid-in capital	Retained deficit	Accumulated other comprehensive loss (unaudited)	Total stockholders equity	Comprehensive income
Balance at December 31, 2010	\$ 1.2	\$ 1,398.8	\$ (486.5)	\$ (152.3)	\$ 761.2	
Net income			235.2		235.2	\$ 235.2
Other comprehensive loss, net				(.4)	(.4)	(.4)
Issuance of common stock		.2			.2	
Dividends paid						