

VALHI INC /DE/
Form 10-Q
May 06, 2009

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended March 31, 2009

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 April 30, 2009: 113,599,955.

VALHI, INC. AND SUBSIDIARIES

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VALHI, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)

ASSETS	December 31, 2008	March 31, 2009 (unaudited)
Current assets:		
Cash and cash equivalents	\$ 37.0	\$ 48.0
Restricted cash equivalents	9.4	8.8
Marketable securities	8.8	7.2
Accounts and other receivables, net	205.2	210.2
Inventories, net	408.5	316.2
Prepaid expenses and other	15.4	16.9
Deferred income taxes	12.1	12.0
Total current assets	696.4	619.3
Other assets:		
Marketable securities	275.5	270.3
Investment in affiliates	124.0	125.2
Goodwill	396.8	396.6
Other intangible assets	2.0	1.9
Deferred income taxes	166.4	178.5
Other assets	87.3	87.4
Total other assets	1,052.0	1,059.9
Property and equipment:		
Land	46.4	46.1
Buildings	268.5	270.3
Equipment	1,025.3	1,032.7
Mining properties	30.3	34.4
Construction in progress	58.2	79.5
	1,428.7	1,463.0
Less accumulated depreciation	787.7	821.8
Net property and equipment	641.0	641.2
Total assets	\$ 2,389.4	\$ 2,320.4

VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In millions)

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 2008	March 31, 2009 (unaudited)
Current liabilities:		
Current maturities of long-term debt	\$ 9.4	\$ 89.3
Accounts payable and accrued liabilities	275.2	223.2
Income taxes	4.9	5.5
Deferred income taxes	4.7	4.4
Total current liabilities	294.2	322.4
Noncurrent liabilities:		
Long-term debt	911.0	862.9
Deferred income taxes	346.6	346.4
Accrued pension costs	146.1	138.9
Accrued postretirement benefits costs	29.3	29.2
Accrued environmental costs	41.3	40.0
Other liabilities	78.8	78.5
Total noncurrent liabilities	1,553.1	1,495.9
Stockholders' equity:		
Preferred stock	667.3	667.3
Common stock	1.2	1.2
Additional paid-in capital	-	-
Accumulated deficit	(109.8)	(141.0)
Accumulated other comprehensive loss	(51.0)	(53.9)
Treasury stock	(38.9)	(38.9)
Total Valhi stockholders' equity	468.8	434.7
Noncontrolling interest in subsidiaries	73.3	67.4
Total equity	542.1	502.1
Total liabilities and equity	\$ 2,389.4	\$ 2,320.4

Commitments and contingencies (Notes 11 and 13)

See accompanying Notes to Condensed Consolidated Financial Statements.

VALHI, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share data)

	Three months ended March 31, 2008 2009 (unaudited)	
Revenues and other income:		
Net sales	\$ 373.9	\$ 277.3
Other income, net	5.1	30.2
Total revenues and other income	379.0	307.5
Costs and expenses:		
Cost of sales	310.4	272.7
Selling, general and administrative	58.3	51.4
Interest	17.4	16.0
Total costs and expenses	386.1	340.1
Loss before income taxes	(7.1)	(32.6)
Income tax benefit	(1.3)	(9.2)
Net loss	(5.8)	(23.4)
Noncontrolling interest in net income (loss) of subsidiaries	.1	(3.4)
Net loss attributable to Valhi stockholders	\$ (5.9)	\$ (20.0)
Amounts attributable to Valhi stockholders:		
Basic and diluted net loss per share	\$ (.05)	\$ (.18)
Cash dividends per share	\$.10	\$.10
Basic and diluted weighted average shares outstanding	114.4	114.3

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,	
	2008	2009
	(unaudited)	
Cash flows from operating activities:		
Net loss	\$ (5.8)	\$ (23.4)
Depreciation and amortization	16.7	14.4
Gain on sale of business	-	(6.4)
Defined benefit plan expense less than cash funding requirements	(3.8)	(.9)
Deferred income taxes	(3.5)	(16.4)
Net distributions from (contributions to) Ti02 manufacturing joint venture	1.4	(1.8)
Other, net	2.0	1.2
Change in assets and liabilities:		
Accounts and other receivables, net	(36.5)	(10.6)
Inventories, net	(4.2)	81.3
Accounts payable and accrued liabilities	(3.2)	(54.2)
Accounts with affiliates	6.2	(9.5)
Income taxes	(3.9)	2.2
Other, net	1.0	5.3
Net cash used in operating activities	(33.6)	(18.8)
Cash flows from investing activities:		
Capital expenditures	(18.9)	(19.3)
Capitalized permit costs	(4.4)	.1
Purchases of CompX common stock	(.5)	-
Marketable securities	(1.6)	(3.1)
Proceeds from disposal of marketable securities	2.6	2.2
Proceeds from sale of business	-	6.8
Change in restricted cash equivalents, net	.2	.8
Other, net	.3	(.1)
Net cash used in investing activities	(22.3)	(12.6)

VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(In millions)

	Three months ended March 31, 2008 2009 (unaudited)	
Cash flows from financing activities:		
Indebtedness:		
Borrowings	\$ 103.8	\$ 117.3
Principal payments	(93.6)	(61.6)
Deferred financing costs paid	-	(.1)
Purchases of Kronos common stock	-	(.1)
Valhi cash dividends paid	(11.4)	(11.4)
Distributions to noncontrolling interest in subsidiaries	(1.9)	(1.2)
Issuance of common stock and other	-	.2
Net cash provided by (used in) financing activities	(3.1)	43.1
Cash and cash equivalents – net change from:		
Operating, investing and financing activities	(59.0)	11.7
Currency translation	1.6	(.7)
Cash and cash equivalents at beginning of period	138.3	37.0
Cash and cash equivalents at end of period	\$ 80.9	\$ 48.0
Supplemental disclosures:		
Cash paid for:		
Interest, net of amounts capitalized	\$ 7.9	\$ 7.2
Income taxes, net	-	3.5
Accrual for capital expenditures	4.1	11.4
Accrual for capitalized permit costs	2.0	1.7
Noncash investing activities -		
Note receivable from sale of business	-	.8

See accompanying Notes to Condensed Consolidated Financial Statements.

VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE LOSS

Three months ended March 31, 2009

(In millions)

	Valhi Stockholders' Equity				Accumulated other comprehensive loss	Treasury stock	Non- controlling interest	Total equity	Comprehensive loss
	Preferred stock	Common stock	Additional paid-in capital	Accumulated deficit					
Balance at December 31, 2008	\$ 667.3	\$ 1.2	\$ -	\$ (109.8)	\$ (51.0)	\$ (38.9)	\$ 73.3	\$ 542.1	
Net loss	-	-	-	(20.0)	-	-	(3.4)	(23.4)	\$ (23.4)
Other comprehensive loss, net	-	-	-	-	(2.9)	-	(1.1)	(4.0)	(4.0)
Equity transactions with noncontrolling interest, net	-	-	.2	-	-	-	(.2)	-	-
Cash dividends	-	-	(.2)	(11.2)	-	-	(1.2)	(12.6)	-
Balance at March 31, 2009	\$ 667.3	\$ 1.2	\$ -	\$ (141.0)	\$ (53.9)	\$ (38.9)	\$ 67.4	\$ 502.1	
Comprehensive loss									\$ (27.4)

See accompanying Notes to Condensed Consolidated Financial Statements.

VALHI, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2009

(unaudited)

Note 1 - Organization and basis of presentation:

Organization - We are majority owned by Contran Corporation, which through its subsidiaries owns approximately 94% of our outstanding common stock at March 31, 2009. Substantially all of Contran's outstanding voting stock is held by trusts established for the benefit of certain children and grandchildren of Harold C. Simmons (for which Mr. Simmons is the sole trustee) or is held directly by Mr. Simmons or other persons or entities related to Mr. Simmons. Consequently, Mr. Simmons may be deemed to control Contran and us.

Basis of Presentation - Consolidated in this Quarterly Report are the results of our majority-owned and wholly-owned subsidiaries, including NL Industries, Inc., Kronos Worldwide, Inc., CompX International, Inc., Tremont LLC and Waste Control Specialists LLC ("WCS"). Kronos (NYSE: KRO), NL (NYSE: NL) and CompX (NYSE: CIX) each file periodic reports with the Securities and Exchange Commission ("SEC").

The unaudited Condensed Consolidated Financial Statements contained in this Quarterly Report have been prepared on the same basis as the audited Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2008 that we filed with the SEC on March 12, 2009 (the "2008 Annual Report"), except as disclosed in Note 15. In our opinion, we have made all necessary adjustments (which include only normal recurring adjustments) in order to state fairly, in all material respects, our consolidated financial position, results of operations and cash flows as of the dates and for the periods presented. We have condensed the Consolidated Balance Sheet at December 31, 2008 contained in this Quarterly Report as compared to our audited Consolidated Financial Statements at that date, and we have omitted certain information and footnote disclosures (including those related to the Consolidated Balance Sheet at December 31, 2008) normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Certain reclassifications have been made to conform the prior year's Consolidated Financial Statements to the current year's classifications. Our results of operations for the interim period ended March 31, 2009 may not be indicative of our operating results for the full year. The Condensed Consolidated Financial Statements contained in this Quarterly Report should be read in conjunction with our 2008 Consolidated Financial Statements contained in our 2008 Annual Report.

Unless otherwise indicated, references in this report to "we," "us" or "our" refer to Valhi, Inc and its subsidiaries (NYSE: VHI), taken as a whole.

Note 2 - Business segment information:

Business segment	Entity	% owned at March 31, 2009
Chemicals	Kronos	95%
Component products	CompX	87%
Waste management	WCS	100%

Our ownership of Kronos includes 59% we hold directly and 36% held directly by NL. We own 83% of NL. Our ownership of CompX is through NL.

	Three months ended March 31,	
	2008	2009
Net sales:		
Chemicals	\$ 332.5	\$ 248.0
Component products	40.5	28.5
Waste management	.9	.8
Total net sales	\$ 373.9	\$ 277.3
Cost of sales:		
Chemicals	\$ 276.0	\$ 244.4
Component products	31.1	23.7
Waste management	3.3	4.6
Total cost of sales	\$ 310.4	\$ 272.7
Gross margin:		
Chemicals	\$ 56.5	\$ 3.6
Component products	9.4	4.8
Waste management	(2.4)	(3.8)
Total gross margin	\$ 63.5	\$ 4.6
Operating income (loss):		
Chemicals	\$ 11.0	\$ (25.5)
Component products	3.0	(1.0)
Waste management	(4.4)	(6.5)
Total operating income (loss)	9.6	(33.0)
Equity in losses of investee	(.4)	(.7)
General corporate items:		
Securities earnings	6.6	6.4
Insurance recoveries	.1	.7

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Gain on litigation settlement	-	11.9
Gain on sale of business	-	6.4
General expenses, net	(5.6)	(8.3)
Interest expense	(17.4)	(16.0)
Loss before income taxes	\$ (7.1)	\$ (32.6)

Segment results we report may differ from amounts separately reported by our various subsidiaries and affiliates due to purchase accounting adjustments and related amortization or differences in the way we define operating income. Intersegment sales are not material.

Note 3 – Accounts and other receivables, net:

	December 31, 2008	March 31, 2009
	(In millions)	
Accounts receivable	\$ 194.9	\$ 208.5
Refundable income taxes	1.6	.2
Receivable from affiliates	.1	-
Other receivables	11.3	4.5
Allowance for doubtful accounts	(2.7)	(3.0)
Total	\$ 205.2	\$ 210.2

Note 4 - Inventories, net:

	December 31, 2008	March 31, 2009
	(In millions)	
Raw materials:		
Chemicals	\$ 67.1	\$ 48.1
Component products	7.5	7.3
Total raw materials	74.6	55.4
Work in process:		
Chemicals	19.8	18.2
Component products	8.2	7.2
Total in-process products	28.0	25.4
Finished products:		
Chemicals	243.8	173.0
Component products	6.9	6.3
Total finished products	250.7	179.3
Supplies (primarily chemicals)	55.2	56.1
Total	\$ 408.5	\$ 316.2

Note 5 - Other noncurrent assets:

	December 31, 2008	March 31, 2009
	(In millions)	
Marketable securities:		
The Amalgamated Sugar Company LLC	\$ 250.0	\$ 250.0
Titanium Metals Corporation ("TIMET")	20.1	12.5
Other	5.4	7.8
Total	\$ 275.5	\$ 270.3
Investment in affiliates:		
TiO2 manufacturing joint venture	\$ 105.6	\$ 107.4
Other	18.4	17.8
Total	\$ 124.0	\$ 125.2
Other assets:		
Waste disposal site operating permits, net	\$ 43.7	\$ 45.1
Deferred financing costs	7.1	6.4
IBNR receivables	7.5	7.7
NL note receivable	15.0	15.0
Other	14.0	13.2
Total	\$ 87.3	\$ 87.4

Our noncurrent marketable securities are carried at fair value using quoted market prices, primaril