

Risk Factors Comparison 2024-03-06 to 2023-03-08 Form: 10-K

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Listed below are certain risk factors associated with us and our businesses. See also certain risk factors discussed in Item 7 – “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates.” In addition to the potential effect of these risk factors, any risk factor which could result in reduced earnings or operating losses, or reduced liquidity, could in turn adversely affect our ability to service our liabilities or pay dividends on our common stock or adversely affect the quoted market prices for our securities. ~~17-~~ **Operational Risk Factors** ~~Demand Factors~~ **Demand** for, and prices of, certain of Kronos’ products are influenced by changing market conditions for its products, which may result in reduced earnings or in operating losses. Kronos’ sales and profitability are largely dependent on the TiO₂ industry. In ~~2022~~ **2023**, ~~92-~~ **approximately 90** % of Kronos’ sales were attributable to sales of TiO₂. TiO₂ is used in many “quality of life” products for which demand historically has been linked to global, regional and local gross domestic product and discretionary spending, which can be negatively impacted by regional and world events or economic conditions. Such events are likely to cause a decrease in demand for Kronos’ products and, as a result, may have an adverse effect on our results of operations and financial condition. Pricing within the global TiO₂ industry over the long term is cyclical and changes in economic conditions worldwide can significantly impact Kronos’ earnings and operating cash flows. Historically, the markets for many of Kronos’ products have experienced alternating periods of increasing and decreasing demand. Relative changes in the selling prices for Kronos’ products are one of the main factors that affect the level of its profitability. In periods of increasing demand, Kronos’ selling prices and profit margins generally will tend to increase, while in periods of decreasing demand Kronos’ selling prices and profit margins generally tend to decrease. In addition, pricing may affect customer inventory levels as customers may from time to time accelerate purchases of TiO₂ in advance of anticipated price increases or defer purchases of TiO₂ in advance of anticipated price decreases. Kronos’ ability to further increase capacity without additional investment in greenfield or brownfield capacity may be limited and as a result, Kronos’ profitability may become even more dependent upon the selling prices of its products. ~~19-~~ The TiO₂ industry is concentrated and highly competitive and Kronos faces price pressures in the markets in which it operates, which may result in reduced earnings or operating losses. The global market in which Kronos operates its business is concentrated, with the top five TiO₂ producers accounting for approximately 52 % of the world’s production capacity and is highly competitive. Competition is based on a number of factors, such as price, product quality and service. **Kronos faces significant competition from international and regional competitors, including TiO₂ producers in China, who have significant sulfate production process capacity. Chinese producers have also continued to develop chloride process technology, and the risk of substitution of Kronos’ products with products made by Chinese producers could increase if Chinese producers increase the use of chloride process technology and improve the quality of their sulfate and chloride products.** Some of Kronos’ competitors may be able to drive down prices for Kronos’ products if their costs are lower than Kronos’ costs, **including its competitors with vertically integrated sources of raw materials for the chloride process who may have a competitive advantage during periods of high or rising raw material costs or who operate in regions with less stringent regulatory requirements.** In addition, some of Kronos’ competitors’ financial, technological and other resources may be greater than its resources and such competitors may be better able to withstand changes in market conditions. Kronos’ competitors may be able to respond more quickly than it can to new or emerging technologies and changes in customer requirements. Further, consolidation of Kronos’ competitors or customers may result in reduced demand for its products or make it more difficult for Kronos to compete with its competitors. The occurrence of any of these events could result in reduced earnings or operating losses. CompX operates in mature and highly competitive markets, resulting in pricing pressure and the need to continuously reduce costs. Many of the markets CompX serves are highly competitive, with a number of competitors offering similar products. CompX focuses its efforts on the middle and high- end segment of the market where it feels that it can compete due to the importance of product design, quality and durability to the customer. However, CompX’s ability to effectively compete is impacted by a number of factors. The occurrence of any of these factors could result in reduced earnings or operating losses. ● Competitors may be able to drive down prices for CompX’s products beyond its ability to adjust costs because their costs are lower than CompX, especially products sourced from Asia. ● Competitors’ financial, technological and other resources may be greater than CompX’s resources, which may enable them to more effectively withstand changes in market conditions. ● Competitors may be able to respond more quickly than CompX can to new or emerging technologies and changes in customer requirements. ● Consolidation of CompX’s competitors or customers in any of the markets in which it competes may result in reduced demand for its products. ● A reduction of CompX’s market share with one or more of its key customers, or a reduction in one or more of its key customers’ market share for their end- use products, may reduce demand for its products. ~~18-~~ ● New competitors could emerge by modifying their existing production facilities to manufacture products that compete with CompX’s products. ● CompX may not be able to sustain a cost structure that enables it to be competitive. ● Customers may no longer value CompX’s product design, quality or durability over the lower cost products of its competitors. CompX’s development of innovative features for current products is critical to sustaining and growing its sales. Historically, CompX’s ability to provide value- added custom engineered products that address requirements of technology and space utilization has been a key element of its success. CompX spends a significant amount of time and effort to refine, improve and adapt its existing products for new customers and applications. Since expenditures for these types of activities are not considered research and development expense under accounting principles generally accepted in ~~20-~~ the United States of America (“GAAP”), the amount of CompX’s research and development expenditures, which is not

significant, is not indicative of the overall effort involved in the development of new product features. The introduction of new product features requires the coordination of the design, manufacturing and marketing of the new product features with current and potential customers. The ability to coordinate these activities with current and potential customers may be affected by factors beyond CompX' s control. While CompX will continue to emphasize the introduction of innovative new product features that target customer- specific opportunities, ~~we do it does~~ not know if any new product features it introduces will achieve the same degree of success that it has achieved with its existing products. ~~Introduction of~~ **At times CompX works with new and existing customers on specific product features typically requires innovations. Sometimes CompX has to increase production volume on a cost sharing arrangement for development efforts although it may also fully bear the development costs. If a customer were to timely ultimately** ~~reject or abandon custom~~ **product innovation efforts** ~~quality. Manufacturers often encounter difficulties in increasing production volumes, including delays, quality control problems and shortages of qualified personnel or raw materials. As CompX may attempts to introduce new product features in the future, we do not know if it will be able to~~ **recover its development costs increase production volumes without encountering these or other problems, which might negatively impact our financial condition or results of operations.** Higher costs or unavailability of CompX' s raw materials could negatively impact our financial results. Certain raw materials used in CompX' s products are commodities that are subject to significant fluctuations in price in response to world- wide supply and demand as well as speculative investor activity. Zinc and brass are the principal raw materials used in the manufacture of security products. Stainless steel and aluminum are the major raw materials used in the manufacture of marine components. These raw materials are purchased from several suppliers and are generally readily available from numerous sources. CompX occasionally enters into short- term raw material supply arrangements to mitigate the impact of future increases in commodity- related raw material costs and ensure supply. Materials purchased outside of these arrangements are sometimes subject to unanticipated and sudden price increases. Certain components used in CompX' s products are manufactured by foreign suppliers located in China and elsewhere. Global economic and political conditions, including natural disasters, terrorist acts, **transportation disruptions,** global conflicts and public health crises such as pandemics, could prevent CompX' s vendors from being able to supply these components. Should CompX' s vendors not be able to meet their supply obligations or should CompX be otherwise unable to obtain necessary raw materials or components, CompX may incur higher supply costs or may be required to reduce production levels, either of which may decrease our liquidity or negatively impact our financial condition or results of operations as CompX may be unable to offset the higher costs with increases in its selling prices or reductions in other operating costs. Higher costs or limited availability of Kronos' raw materials may reduce its earnings and decrease its liquidity. In addition, many of Kronos' raw material contracts contain fixed quantities it is required to purchase. For Kronos, the number of sources for and availability of certain raw materials is specific to the particular geographical region in which its facilities are located. Titanium- containing feedstocks suitable for use in Kronos' TiO2 facilities are available from a limited number of suppliers around the world. Political and economic instability or increased regulations in the countries from which Kronos purchases or mines its raw material supplies could adversely affect raw material availability. If Kronos or Kronos' worldwide vendors are unable to meet their planned or contractual obligations and Kronos was unable to obtain necessary raw materials, Kronos could incur higher costs for raw materials or may be required to reduce production levels. Kronos experienced increases in feedstock costs in ~~2021 and 2022~~ **2021 and 2022** ~~and Kronos expects feedstock costs to continue to increase in 2023~~ **, for example, which affected its margins** ~~Kronos may has also experience experienced~~ **higher operating costs such as energy costs** ~~. Future variations in the cost of energy~~ **, which could primarily reflect market prices for oil and natural gas, and for raw materials may significantly affect its profitability. operating results and decrease liquidity as** ~~Kronos may not always be able to increase its selling prices to offset the impact of any higher costs or reduced production levels, which could reduce its earnings and decrease its liquidity.~~ ~~19~~ ~~Kronos has supply contracts that provide for its TiO2 feedstock requirements that currently expire in 2023 and one contract that extends through 2026.~~ While Kronos believes it will be able to renew these contracts **, as necessary**, Kronos does not know if it will be successful in renewing them or in obtaining long- term extensions to them prior to expiration. Kronos' current agreements ~~(including those entered into through February 2023)~~ require it to purchase certain minimum quantities of feedstock with minimum purchase commitments aggregating approximately \$ ~~583~~ **1.0 billion** ~~million~~ beginning in ~~2023~~ **2024** and extending through 2026. In addition, Kronos has other long- term supply and service contracts that provide for various raw materials and services. These agreements require Kronos to purchase certain minimum quantities or services with minimum purchase commitments aggregating approximately \$ ~~84~~ **72** million at December 31, ~~2022~~ **2023**. Kronos' commitments under these contracts could adversely affect our financial results if Kronos significantly reduces its production and was unable to modify the contractual commitments. **- 21-** Our assets consist primarily of investments in our operating subsidiaries and affiliate, and we are dependent upon distributions from our subsidiaries and affiliate. The majority of our operating cash flows are generated by our operating subsidiaries and affiliate, and our ability to service liabilities and pay dividends on our common stock depends to a large extent upon the cash dividends or other distributions we receive from our subsidiaries and affiliate. Our subsidiaries and affiliate are separate and distinct legal entities and they have no obligation, contingent or otherwise, to pay cash dividends or other distributions to us. In addition, the payment of dividends or other distributions from our subsidiaries and affiliate could be subject to restrictions under applicable law, monetary transfer restrictions, currency exchange regulations in jurisdictions in which our subsidiaries and affiliate operate or any other restrictions imposed by current or future agreements to which our subsidiaries and affiliate may be a party, including debt instruments. Events beyond our control, including changes in general business and economic conditions, could adversely impact the ability of our subsidiaries and affiliate to pay dividends or make other distributions to us. If our subsidiaries and affiliate were to become unable to make sufficient cash dividends or other distributions to us, our ability to service our liabilities and to pay dividends on our common stock could be adversely affected. In addition, a significant portion of our assets consist of ownership interests in our subsidiaries and affiliate. If we were required to liquidate our subsidiaries' and affiliate' s securities in order to generate funds to satisfy our liabilities, we may be required to sell

such securities at a time or times for less than what we believe to be the long- term value of such assets. Kronos' leverage may impair our financial condition. Kronos has a significant amount of debt, primarily related to its Senior **Secured** Notes issued in September 2017 **and February 2024**. As of December 31, **2022-2023**, Kronos' total consolidated debt was approximately \$ **425-441** million. Kronos' level of debt could have important consequences to its stockholders and creditors, including: • making it more difficult for Kronos to satisfy its obligations with respect to its liabilities; • increasing its vulnerability to adverse general economic and industry conditions; • requiring that a portion of its cash flows from operations be used for the payment of interest on its debt, which reduces its ability to use its cash flow to fund working capital, capital expenditures, dividends on its common stock, acquisitions or general corporate requirements; • limiting the ability of Kronos' subsidiaries to pay dividends to it; • limiting Kronos' ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or general corporate requirements; • limiting Kronos' flexibility in planning for, or reacting to, changes in its business and the industry in which it operates; and • placing Kronos at a competitive disadvantage relative to other less leveraged competitors. Indebtedness outstanding under Kronos' global revolving credit facility (**Global Revolver**) accrues interest at variable rates. To the extent market interest rates rise, the cost of Kronos' debt could increase, **even if the amount borrowed remains the same**, adversely affecting its financial condition, results of operations and cash flows. ~~-20-~~In addition to Kronos' indebtedness, Kronos is party to various lease and other agreements (including feedstock purchase contracts and other long- term supply and service contracts, as discussed above) pursuant to which, along with its indebtedness, Kronos is committed to pay approximately \$ **689-543** million in **2023-2024**. Kronos' ability to make payments on and refinance its debt and to fund planned capital expenditures depends on its ability to generate cash flow in the future. To some extent, this is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond its control. In addition, Kronos' ability to borrow funds under its **Global Revolver revolving credit facility** in the future, in some instances, will depend in part on its ability to maintain specified financial ratios and satisfy certain financial covenants contained in the ~~applicable~~ **governing the Global Revolver**. ~~- 22-~~ Kronos' business may not generate cash flows from operating activities sufficient to enable it to pay its debts when they become due and to fund its other liquidity needs. As a result, Kronos may need to refinance all or a portion of its debt before maturity, **as we have done in the past**. Kronos may not be able to refinance any of its debt in a timely manner on favorable terms, if at all, in the current credit markets. Any inability to generate sufficient cash flows or to refinance its debt on favorable terms could have a material adverse effect on its financial condition and impact its ability to pay a dividend to us.

Legal, Compliance and Regulatory Risk FactorsWe could incur significant costs related to legal and environmental matters. We formerly manufactured lead pigments for use in paint. We and others have been named as defendants in various legal proceedings seeking damages for personal injury, property damage and governmental expenditures allegedly caused by the use of lead- based paints. These lawsuits seek recovery under a variety of theories, including public and private nuisance, negligent product design, negligent failure to warn, strict liability, breach of warranty, conspiracy / concert of action, aiding and abetting, enterprise liability, market share or risk contribution liability, intentional tort, fraud and misrepresentation, violations of state consumer protection statutes, supplier negligence and similar claims. The plaintiffs in these actions generally seek to impose on the defendants responsibility for lead paint abatement and health concerns associated with the use of lead- based paints, including damages for personal injury, contribution and / or indemnification for medical expenses, medical monitoring expenses and costs for educational programs. We entered into a legal settlement in one public- nuisance lead pigment case and have recognized a material liability related to the settlement. Any additional liability we might incur in the future for these matters could be material. See also Item 3- " Legal Proceedings- Lead pigment litigation. " Certain properties and facilities used in our former operations are the subject of litigation, administrative proceedings or investigations arising under various environmental laws. These proceedings seek cleanup costs, personal injury or property damages and / or damages for injury to natural resources. Some of these proceedings involve claims for substantial amounts. Environmental obligations are difficult to assess and estimate for numerous reasons, and we may incur costs for environmental remediation in the future in excess of amounts currently estimated. Any liability we might incur in the future could be material. See also Item 3- " Legal Proceedings- Environmental matters and litigation. " If **some or all of Kronos' or CompX' s intellectual property** were to be declared invalid, **held to be unenforceable** or copied by **competitors**, or **some or all of Kronos' or CompX' s confidential information** become known to competitors, or if Kronos' or CompX' s competitors were to develop similar or superior intellectual property or technology, their ability to compete could be adversely impacted. Protection of intellectual property rights, including patents, **copyrights**, trade secrets, confidential information, trademarks and tradenames, is important to Kronos' and CompX' s businesses and their competitive positions. Kronos and CompX endeavor to protect their intellectual property rights in key jurisdictions in which their products are produced, **sold** or used and in jurisdictions into which their products are imported. However, Kronos and CompX may be unable to obtain protection for their intellectual property in key jurisdictions. Although Kronos and CompX have applied for numerous patents and trademarks throughout the world, they may have to **rely on engage in** judicial enforcement **of in order to protect** their **patents- patent rights** and other proprietary rights. Kronos' and CompX' s patents and other intellectual property rights may be challenged, invalidated, circumvented and, rendered unenforceable or otherwise compromised. A failure to protect, defend or enforce intellectual property could have an adverse effect on our financial condition and results of operations. Similarly, third parties may assert claims against Kronos and CompX and their customers and distributors alleging their products infringe upon third- party intellectual property rights. **In the event that any such third party prevails against Kronos or CompX on such claims, there could be an adverse effect on our financial condition and results of operations.** Although it is the practice of Kronos to enter into confidentiality agreements with its employees and third parties to protect its proprietary expertise and other trade secrets, these agreements may not provide sufficient protection for its ~~-21-~~trade secrets or proprietary know- how, or adequate remedies for breaches of such agreements may not be available in the event of an unauthorized use or disclosure of such trade secrets and know- how. Kronos also may not be able to readily detect breaches of such agreements. The failure of Kronos' ~~patents or~~ confidentiality agreements to protect its

proprietary technology, ~~-23-~~ know-how or trade secrets could result in a material loss of its competitive position, which could lead to significantly lower revenues, reduced profit margins or loss of market share. CompX relies on patent, trademark and trade secret laws in the United States and similar laws in other countries to establish and maintain intellectual property rights in its technology and designs. Despite these measures, any of CompX's intellectual property rights could be challenged, invalidated, circumvented or misappropriated. ~~Others~~ **Third parties** may independently discover CompX's trade secrets and proprietary information, and in such cases CompX could not assert any trade secret rights against such parties. Further, CompX does not know if any of its pending trademark or patent applications will be approved. Costly and time-consuming litigation could be necessary to enforce and determine the scope of intellectual property rights. In addition, the laws of certain countries do not protect intellectual property rights to the same extent as the laws of the United States. Therefore, in certain jurisdictions, CompX may be unable to protect its technology and designs adequately against unauthorized third-party use, which could adversely affect its competitive position. Third parties may claim that CompX or its customers are infringing upon their intellectual property rights. Even if CompX believes such claims are without merit, they can be time-consuming and costly to defend and distract management's and technical staff's attention and resources. Claims of intellectual property infringement also might require CompX to redesign affected technology, enter into costly settlement or license agreements or pay costly damage awards, or face a temporary or permanent injunction prohibiting CompX from marketing or selling certain technology. If CompX cannot or does not license the infringed technology on reasonable pricing terms or at all, or substitute similar technology from another source, our business could be adversely impacted. If Kronos or CompX must take legal action to protect, defend or enforce intellectual property rights, any suits or proceedings could result in significant costs, **including attorney's fees** and diversion of resources and management's attention, and Kronos or CompX may not prevail in any such suits or proceedings. ~~A failure to protect, defend or enforce intellectual property rights could have an adverse effect on our financial condition and results of operations.~~ Environmental, health and safety laws and regulations, particularly as they relate to Kronos, may result in increased regulatory scrutiny which could decrease demand for Kronos' products, increase Kronos' manufacturing and compliance costs or obligations and result in unanticipated losses which could negatively impact its financial results or limit its ability to operate its business. From time to time, new environmental, health and safety regulations are passed or proposed in the countries in which Kronos operates or sells its products, seeking to regulate its operations or to restrict, limit or classify TiO₂, or its use. Increased regulatory scrutiny could affect consumer perception of TiO₂ or limit the marketability and demand for TiO₂ or products containing TiO₂ ~~and or~~ **increase** Kronos' manufacturing and regulatory compliance obligations and costs. Increased compliance obligations and costs or restrictions on operations, raw materials and certain TiO₂ applications could negatively impact Kronos' future financial results through increased costs of production, or reduced sales which may decrease its liquidity, operating income and results of operations, which could in turn negatively impact our investment in Kronos. Global climate change laws and regulations could negatively impact our financial results or limit Kronos' and CompX's ability to operate their businesses. CompX operates production facilities in the United States and Kronos operates production facilities in North America and Europe. Many of Kronos' and CompX's facilities require large amounts of energy, including electricity and natural gas, in order to conduct operations. The U. S. government and various non-U. S. governmental agencies of countries in which Kronos and CompX operate have determined the consumption of energy derived from fossil fuels is a major contributor to climate change and have ~~introduced~~ **adopted** or are contemplating regulatory changes in response to the potential impact of climate change, including laws and regulations requiring enhanced reporting (such as the Corporate Social Responsibility Directive adopted by the European Union on November 28, 2022) as well as legislation regarding carbon emission costs, GHG emissions and renewable energy targets. International treaties or agreements may also result in increasing regulation of GHG emissions, including emissions permits and / or energy taxes or the introduction of carbon emissions trading mechanisms. To date, the existing GHG laws and regulations in effect in the various countries in which ~~-22-~~ Kronos or CompX operates have not had a material adverse effect on financial results. Until the timing, scope and extent ~~-24-~~ of any new or future regulation becomes known, we cannot predict the effect on Kronos' or CompX's business, results of operations or financial condition. However, if further GHG laws and regulations were to be enacted in one or more countries, it could negatively impact Kronos or CompX future results of operations through increased costs of production, particularly as it relates to their energy requirements or their need to obtain emissions permits. If such increased costs of production were to materialize, Kronos or CompX may be unable to pass price increases on to their customers to compensate for increased production costs, which may decrease their liquidity, operating income and results of operations. In addition, any adopted future laws and regulations focused on climate change and / or GHG emissions could negatively impact Kronos' or CompX's ability (or that of its customers and suppliers) to compete with companies situated in areas not subject to such laws and regulations. General Risk Factors Kronos' operating as a global business presents risks associated with global and regional economic, political, and regulatory environments. Kronos has significant international operations which, along with its customers and suppliers, could be substantially affected by a number of risks arising from operating a multi-national business, including trade barriers, tariffs, economic sanctions, exchange controls, global and regional economic downturns, ~~natural disasters,~~ **natural disasters, pandemics or other** ~~conflict~~ **conflicts** between Russia and Ukraine **and Israel and Hamas**), **natural disasters, pandemics or other** health crises (such as COVID-19) and political conditions. Kronos may encounter difficulties enforcing agreements or other legal rights and the effective tax rate may fluctuate based on the variability of geographic earnings and statutory tax rates. TiO₂ production requires significant energy input, and economic sanctions or supply disruptions resulting from armed conflict could lead to additional volatility in global energy prices and energy supply disruptions. These risks, individually or in the aggregate, could have an adverse effect on Kronos' results of operations and financial condition. Technology failures or cybersecurity breaches could have a material adverse effect on our operations. Kronos and CompX rely on integrated information technology systems to manage, process and analyze data, including to facilitate the manufacture and distribution of their products to and from their ~~plants~~ **facilities**, receive, process and ship orders, manage the billing of and collections from

their customers and manage payments to vendors. Although Kronos and CompX have systems and procedures in place to protect information technology systems, there can be no assurance that such systems and procedures would be sufficiently effective. Therefore, any of Kronos' and CompX' s information technology systems may be susceptible to outages, disruptions or destruction from power outages, telecommunications failures, employee error, cybersecurity breaches or attacks and other similar events. This could result in a disruption of Kronos' or CompX' s business operations, injury to people, harm to the environment or their assets, and / or the inability to access their information technology systems and could adversely affect our results of operations and financial condition. Kronos and CompX have in the past experienced, and expect to continue to experience, cyber- attacks, including phishing and other attempts to breach or gain unauthorized access to, their systems, and vulnerabilities introduced into their systems by trusted third- party vendors who have experienced cyber- attacks. To date Kronos and CompX have not suffered breaches in their systems, either directly or through a trusted third- party vendor, which have led to material losses. Due to the increase in global cybersecurity incidents it has become increasingly difficult to obtain insurance coverage on reasonable pricing terms to mitigate some risks associated with technology failures or cybersecurity breaches, and Kronos and CompX are experiencing such difficulties in obtaining insurance coverage. Physical impacts of climate change could have a material adverse effect on Kronos' or CompX' s costs and operations. Climate change may increase both the frequency and severity of extreme weather conditions and natural disasters, such as hurricanes, thunderstorms, tornadoes, drought and snow or ice storms. Extreme weather conditions may increase our costs or cause damage to Kronos' or CompX' s facilities, and any damage resulting from extreme weather may not be fully insured. Climate change has also been associated with rising sea levels and many of Kronos' facilities are located near coastal areas or waterways where rising sea levels or flooding could disrupt its operations or adversely impact its facilities. Furthermore, periods of extended inclement weather or associated droughts or flooding may inhibit Kronos' or CompX' s facility operations and delay or hinder shipments of products to customers. Any such events could have a material adverse effect on Kronos' or CompX' s costs or results of operations. - 23-25 -