Risk Factors Comparison 2024-03-07 to 2023-03-09 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 increased 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. Operational Risk Factors Demand for, and prices of, certain of our Chemicals Segment' s products are influenced by changing market conditions for its products, which may result in reduced earnings or operating losses. Our Chemicals Segment' s sales and profitability are largely dependent on the TiO2 industry. In ~~2022~~ **2023** , ~~92~~ **approximately 90** % of our Chemicals Segment' s 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 our 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 our Chemicals Segment' s earnings and operating cash flows. Historically, the markets for many of our Chemicals Segment' s products have experienced alternating periods of increasing and decreasing demand. Relative changes in the selling prices for our Chemicals Segment' s products are one of the main factors that affect the level of our Chemicals Segment' s profitability. In periods of increasing demand, our Chemicals Segment' s selling prices and profit margins generally will tend to increase, while in periods of decreasing demand 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. Our Chemicals Segment' s ability to further increase capacity without additional investment in greenfield- 21- or brownfield capacity may be limited and as a result, our Chemicals Segment' s profitability may become even more dependent upon the selling prices of its products. The TiO2 industry is concentrated and highly competitive and our Chemical Segment faces price pressures in the markets in which it operates, which may result in reduced earnings or operating losses. The global market in which our Chemicals Segment operates 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 **. Our Chemicals Segment 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 our Chemicals Segment' s 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 our Chemicals Segment' s competitors may be able to drive down prices for ~~its~~ **our Chemicals Segment' s** products if their costs are lower than our Chemicals Segment' s 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 our Chemicals Segment' s 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. Our Chemicals Segment' s competitors may be able to respond more quickly than it can to new or emerging technologies and changes in customer requirements. Further, consolidation of our Chemicals Segment' s competitors or customers may result in reduced demand for its products or make it more difficult for it to compete with its competitors. The occurrence of any of these events could result in reduced earnings or operating losses. Many of the markets in which our Component Products Segment operates are mature and highly competitive resulting in pricing pressure and the need to continuously reduce costs. Many of the markets our Component Products Segment serves are highly competitive, with a number of competitors offering similar products. Our Component Products Segment 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, our Component Products Segment' 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 our Component Products Segment' s products beyond its ability to adjust costs because their costs are lower than our Component Products Segment' s, especially products sourced from Asia. ● Competitors' financial, technological ~~,~~ and other resources may be greater than our Component Products Segment' s resources, which may enable them to more effectively withstand changes in market conditions. ● Competitors may be able to respond more quickly than our Component Products Segment can to new or emerging technologies and changes in customer requirements. ● A reduction of our Component Products Segment' 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. ● New competitors could emerge by modifying their existing production facilities to manufacture products that compete with our Component Products Segment' s products. ● Our Component Products Segment may not be able to sustain a cost structure that enables ~~us~~ **it** to be competitive. ● Customers may no longer value our Component Products Segment' s product design, quality ~~,~~ or durability over the lower cost products of its competitors. **- 22-** Our development of innovative features for current products is critical to sustaining and growing our Component Product Segment' s sales. Historically, our Component Products Segment' 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. Our Component Products Segment 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 the United States of America (~~"~~GAAP ~~"~~), the amount of our Component ~~- 22-~~ Products Segment' 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 our Component Products Segment' s control. While our Component Products Segment will continue to emphasize the introduction of innovative new product features that target customer- specific opportunities, we do not know if any new product features our Component Products Segment introduces will achieve the same degree of success that it has achieved with its existing products. **At times** ~~Introduction of new product features typically requires increases in production volume on a timely basis while maintaining product quality. Manufacturers often encounter difficulties in increasing production volumes, including delays, quality control problems and shortages of qualified personnel or raw materials. As~~ our Component Products Segment **works with** ~~attempts to introduce~~ new **and existing customers on specific** product ~~features in the future~~ **innovations. Sometimes it has a cost sharing arrangement for development efforts** , ~~we do~~ **although our Component Products Segment may also fully bear the development costs. If a customer were to ultimately reject or abandon custom product innovation efforts, our Component Products Segment may** 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 limited availability of our raw materials may reduce our earnings and decrease our liquidity. In addition, many of our raw material contracts contain fixed quantities we are required to purchase. For our Chemicals Segment, the number of sources for and availability of certain raw materials is specific to the particular geographical region in which our facilities are located. Titanium- containing feedstocks suitable for use in our Chemicals Segment' s 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 our Chemicals Segment purchases or mines its raw material supplies could adversely affect raw material availability. If our Chemicals Segment or its worldwide vendors are unable to meet their planned or contractual obligations and our Chemicals Segment is unable to obtain necessary raw materials, it could incur higher costs for raw materials or may be required to reduce production levels. Our Chemicals Segment experienced increases in feedstock costs in ~~2021 and~~ 2022 ~~,~~ and ~~we expect feedstock costs to continue to increase in~~ 2023 **, for example, which affected its margins** . Our Chemicals Segment ~~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. Our~~ **operating results and decrease liquidity as our** Chemicals Segment 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 earnings and decrease liquidity~~ . Our Chemicals Segment has supply contracts that provide for its TiO2 feedstock requirements ~~that currently expire in 2023, and one contract that extends through 2026~~ . While our Chemicals Segment believes it will be able to renew these contracts, **as necessary,** we do not know if our Chemicals Segment will be successful in renewing them or in obtaining long- term extensions to them prior to expiration. Our Chemicals Segment' s 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, our Chemicals Segment has other long- term supply and service contracts that provide for various raw materials and services. These agreements require it to purchase certain minimum quantities or services with minimum purchase commitments aggregating approximately $ ~~84~~ **72** million at December 31, ~~2022~~ **2023** . Our Chemicals Segment' s commitments under these contracts could adversely affect our financial results if it significantly reduces its production and is unable to modify the contractual commitments. Certain raw materials used in our Component Products Segment' 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. Our Component Products Segment occasionally enters into short- term raw material supply arrangements to mitigate the impact of future increases in commodity- related **- 23-** 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 our Component Products Segment' 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 conflict ~~,~~ and public health crises such as **pandemics** ~~COVID- 19~~ , could prevent our Component Products Segment' s vendors from being able to supply these components. Should our Component Products Segment' s vendors not be able to meet their ~~- 23-~~ supply obligations or should it be otherwise unable to obtain necessary raw materials or components, it 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 our Component Products Segment may be unable to offset the higher costs with increases in its selling prices or reductions in other operating costs. Our Real Estate Management and Development Segment has significant development obligations related to a residential / planned community in Henderson, Nevada. Increases in labor or construction costs related to the completion of such development obligations may reduce our earnings and decrease our liquidity. A substantial portion of the revenues and assets associated with our Real Estate Management and Development Segment relates to certain land under development in Henderson, Nevada, including approximately 2, 100 acres zoned for residential / planned community purposes. A substantial majority of the land in the residential / planned community was sold prior to 2023. We generally recognize revenue from these land sales over time using cost- based inputs because we receive substantially all cash payment at the time of sale but significant development obligations still exist. We currently estimate development obligations are **approximately** $ ~~140~~ **107** million and will take approximately three to ~~five~~ **four** years to complete. Our estimates of our development obligations include certain assumptions about future labor and construction costs. If actual costs were significantly above our estimates, revenue, profits and liquidity in our Real Estate Management and Development Segment may be significantly and negatively affected. Financial Risk FactorsOur assets consist primarily of investments in our operating subsidiaries, and we are dependent upon distributions from our subsidiaries to service our liabilities. The majority of our operating cash flows are generated by our operating subsidiaries, 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. Our subsidiaries 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 could be subject to restrictions under applicable law, monetary transfer restrictions, currency exchange regulations in jurisdictions in which our subsidiaries operate or any other restrictions imposed by current or future agreements to which our subsidiaries 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 to pay dividends or make other distributions to us. If our subsidiaries 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. If we were required to liquidate our subsidiaries' 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. Our leverage may impair our financial condition or limit our ability to operate our businesses. We have a significant amount of debt, primarily related to Kronos' Senior **Secured** Notes **issued in September 2017 and February 2024** , **Kronos' and** our ~~loan~~ **loans** from Contran Corporation ~~,~~ and the LandWell bank note. As of December **- 24-** 31, ~~2022~~ **2023** , our total consolidated debt was approximately $ ~~560~~ **547** million. Our level of debt could have important consequences to our stockholders and creditors, including: ● making it more difficult for us to satisfy our obligations with respect to our liabilities; ● increasing our vulnerability to adverse general economic and industry conditions; ● requiring that a portion of our cash flows from operations be used for the payment of interest on our debt, which reduces our ability to use our cash flow to fund working capital, capital expenditures, dividends on our common stock, acquisitions or general corporate requirements; ● limiting the ability of our subsidiaries to pay dividends to us; ~~- 24-~~ ● limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or general corporate requirements; ● limiting our flexibility in planning for, or reacting to, changes in our businesses and the industries in which we operate; and ● placing us at a competitive disadvantage relative to other less leveraged competitors. Indebtedness outstanding under our loan from Contran and Kronos' global revolving credit facility **(Global Revolver)** accrues interest at variable rates. To the extent market interest rates rise, the cost of our debt could increase **, even if the amount borrowed remains the same** , adversely affecting financial condition, results of operations and cash flows. In addition to our indebtedness, we are 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 our indebtedness, we are committed to pay approximately $ ~~790~~ **632** million in ~~2023~~ **2024** . Our ability to make payments on and refinance our debt and to fund planned capital expenditures depends on our 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 our control. In addition, our ability to borrow funds under certain of our revolving credit facilities in the future, in some instances, will depend in part on these subsidiaries' ability to maintain specified financial ratios and satisfy certain financial covenants contained in the applicable credit agreement. Our businesses may not generate cash flows from operating activities sufficient to enable us to pay our debts when they become due and to fund our other liquidity needs. As a result, we may need to refinance all or a portion of our debt before maturity **, as we have done in the past** . We may not be able to refinance any of our 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 our debt on favorable terms could have a material adverse effect on our financial condition. Changes in currency exchange rates and interest rates can adversely affect our net sales, profits, and cash flows. We operate our businesses in several different countries and sell our products worldwide. For example, during 2022 ~~,~~ **and 2023 approximately** 45 % **and 44 %, respectively,** of our Chemicals Segment' s sales volumes were sold into European markets. The majority (but not all) of our sales from our Chemicals Segment' s operations outside the United States are denominated in currencies other than the United States dollar, primarily the euro, other major European currencies and the Canadian dollar. Therefore, we are exposed to risks related to the need to convert currencies we receive from the sale of our products into the currencies required to pay for certain of our operating costs and expenses and other liabilities (including indebtedness), all of which could result in future losses depending on fluctuations in currency exchange rates and affect the comparability of our results of operations between periods. **- 25-** Legal, Compliance and Regulatory Risk FactorsWe could incur significant costs related to legal and environmental remediation matters. NL formerly manufactured lead pigments for use in paint. NL 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.

NL entered into a legal settlement in one public- nuisance lead pigment case and has recognized a material liability related to the settlement. Any additional liability NL might incur in the future for these matters could be material. See also Item 3- " Legal Proceedings- Lead pigment litigation- NL. " ~~- 25-~~ Certain properties and facilities used in NL' s 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. " Environmental, health and safety laws and regulations may result in increased regulatory scrutiny which could decrease demand for our products, increase our manufacturing and compliance costs or obligations and result in unanticipated losses which could negatively impact our financial results or limit our ability to operate our Chemicals Segment' s business. From time to time, new environmental, health and safety regulations are passed or proposed in the countries in which we operate or sell our products, seeking to regulate our 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 our 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 our future financial results through increased costs of production, or reduced sales which may decrease our liquidity, operating income and results of operations. If **some or all of** our intellectual property were to be declared invalid, **held to be unenforceable** or copied by **competitors or some or all of** ~~or~~ **our confidential information** become known to competitors, or if our competitors were to develop similar or superior intellectual property or technology, our ability to compete could be adversely impacted. Protection of our intellectual property rights, including patents, **copyrights,** trade secrets, confidential information, trademarks and tradenames, is important to our businesses and our competitive positions. We endeavor to protect our intellectual property rights in key jurisdictions in which our products are produced **, sold** or used and in jurisdictions into which our products are imported. However, we may be unable to obtain protection for our intellectual property in key jurisdictions. Although we own and have applied for numerous patents and trademarks throughout the world, we may have to ~~rely on~~ **engage in** judicial enforcement ~~of~~ **in order to protect** our ~~patents~~ - **patent rights** and other proprietary rights. Our patents and other intellectual property rights may be challenged, invalidated, circumvented ~~and~~ **,** rendered unenforceable or otherwise compromised. A failure to protect, defend or enforce our intellectual property could have an adverse effect on our financial condition and results of operations. Similarly, third parties may assert claims against us and our customers and distributors alleging our products infringe upon third- party intellectual property rights. **In the event that any such third- party prevails against us on such claims, there could be an adverse effect on our financial condition and results of operations.- 26-** Although it is the practice of our Chemicals Segment 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 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. Our Chemicals Segment also may not be able to readily detect breaches of such agreements. The failure of our Chemicals Segment' s ~~patents or~~ confidentiality agreements to protect its proprietary technology, 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. Our Component Products Segment relies on patent, trademark and trade secret laws in the United States and similar laws in other countries to establish and maintain our intellectual property rights in our technology and designs. Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented ~~,~~ or misappropriated. ~~Others~~ **Third parties** may independently discover our trade secrets and proprietary information, and in such cases our Component Products Segment could not assert any trade secret rights against such parties. Further, we do not know if any of our Component Products Segment' s pending trademark or patent applications will be approved. Costly and time- consuming litigation could be necessary to enforce and determine the scope of our 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, we may be unable to protect our technology and designs adequately against unauthorized third- party use, which could adversely affect our competitive position. ~~- 26-~~ Third parties may claim that we or our customers are infringing upon their intellectual property rights. Even if we believe that such claims are without merit, they can be time- consuming and costly to defend and distract our management' s and technical staff' s attention and resources. Claims of intellectual property infringement also might require us to redesign affected technology, enter into costly settlement or license agreements or pay costly damage awards, or face a temporary or permanent injunction prohibiting us from marketing or selling certain of our technology. If we cannot or do 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 we must take legal action to protect, defend or enforce our 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 we may not prevail in any such suits or proceedings ~~. A failure to protect, defend or enforce our intellectual property rights could have an adverse effect on our financial condition and results of operations~~ . Global climate change laws and regulations could negatively impact our financial results or limit our ability to operate our businesses. We operate production facilities in several countries and many of our 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 we 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 we operate have not had a material adverse effect on our financial results. Until the timing, scope and extent of any new or future regulation ~~becomes~~ - **become** known, we cannot predict the effect on our 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 our future results of operations through increased costs of production, particularly as it relates to our energy requirements or our need to obtain emissions permits. If such increased costs of production were to materialize, we may be unable to pass price increases on to our customers to compensate for increased production costs, which may decrease our 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 our ability (or that of our customers and suppliers) to compete with companies situated in areas not subject to such laws and regulations. ~~General Risk FactorsOperating as a global business presents risks associated with global and regional economic, political, and regulatory environments. We have significant international operations which, along with our 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, terrorism, armed conflict (such as the current conflict between Russia and Ukraine), health crises (such as COVID- 19) and political conditions. We 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 our results of operations and financial condition. Technology failures or cybersecurity breaches could have a material adverse effect on our operations. Our businesses rely on integrated information technology systems to manage, process and analyze data, including to facilitate the manufacture and distribution of products to and from our plants, receive, process and ship orders, manage the billing of and collections from customers and manage payments to vendors. Although we have systems and procedures~~