

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of the earliest event reported)
November 4, 2021

NL INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

| | | |
|--|---|---|
| New Jersey (State or other jurisdiction of incorporation) | 1-640 (Commission File Number) | 13-5267260 (IRS Employer Identification No.) |
| 5430 LBJ Freeway, Suite 1700, Dallas, Texas (Address of principal executive offices) | | 75240-2620 (Zip Code) |
| Registrant's telephone number, including area code (972) 233-1700 | | |

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---------------------|----------------------|---|
| Common stock | NL | New York Stock Exchange |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition.

The registrant hereby furnishes the information set forth in its press release entitled “NL Reports Third Quarter 2021 Results” issued on November 4, 2021, a copy of which is attached hereto as Exhibit 99.1 and incorporated herein by reference.

The press release the registrant furnishes as Exhibit 99.1 to this current report is not deemed “filed” for purposes of section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section. Registration statements or other documents filed with the U.S. Securities and Exchange Commission shall not incorporate this information by reference, except as otherwise expressly stated in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

| <u>Item No.</u> | <u>Description</u> |
|-----------------|---|
| 99.1 | Press release dated November 4, 2021 entitled “NL Reports Third Quarter 2021 Results” and issued by the registrant. |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NL INDUSTRIES, INC.

(Registrant)

Date: November 4, 2021

By: /s/ Amy A. Samford

*Amy A. Samford, Senior Vice President and
Chief Financial Officer*

News Release



FOR IMMEDIATE RELEASE

NL REPORTS THIRD QUARTER 2021 RESULTS

DALLAS, TEXAS – November 4, 2021 - NL Industries, Inc. (NYSE: NL) today reported net income attributable to NL stockholders of \$10.3 million, or \$.21 per share, in the third quarter of 2021 compared to net income attributable to NL stockholders of \$3.9 million, or \$.08 per share, in the third quarter of 2020. NL results include an unrealized loss of \$1.2 million in the third quarter of 2021 related to the change in value of marketable equity securities compared to a \$3.2 million unrealized gain in the third quarter of 2020. For the first nine months of 2021, NL reported net income attributable to NL stockholders of \$36.3 million, or \$.74 per share, compared to net income of \$10.4 million, or \$.21 per share for the first nine months of 2020. NL results include an unrealized gain of \$9.7 million in the first nine months of 2021 related to the change in value of marketable equity securities compared to an \$11.1 million unrealized loss in the first nine months of 2020.

CompX net sales were \$34.5 million for the third quarter of 2021 compared to \$28.4 million in the third quarter of 2020 and \$106.7 million for the nine months ended September 30, 2021 compared to \$84.5 million for the same prior year period. Income from operations attributable to CompX was \$5.1 million for the third quarter of 2021 compared to \$2.1 million for the third quarter of 2020 and \$16.7 million for the first nine months of 2021 compared to \$9.5 million for the same prior year period. CompX third quarter 2021 net sales increased over the 2020 comparable period primarily due to higher Security Products sales across a variety of markets and to a lesser extent higher Marine Component sales primarily to the towboat market. CompX net sales increased for the first nine months of 2021 compared to the same period in 2020 primarily due to higher sales volumes at both of CompX's reporting units, particularly in the second quarter of 2021, as many of its customers were temporarily closed or reduced production during the second quarter of 2020 due to government ordered closures or reduced demand resulting from the COVID-19 pandemic. CompX income from operations was negatively impacted by the COVID-19 pandemic in the second and third quarters of 2020, which significantly impacts income from operations comparisons for the third quarter and the nine-month comparative periods. Income from operations increased for both comparative periods due to the favorable effect of higher production and sales volumes, partially offset by higher production costs including increased raw materials, shipping, and labor costs.

NL recognized equity in earnings of Kronos of \$10.9 million in the third quarter of 2021 compared to \$2.4 million in the same period of 2020 and \$24.7 million in the first nine months of 2021 compared to \$16.3 million in the same period of 2020. Kronos' net sales of \$499.8 million in the third quarter of 2021 were \$82.9 million, or 20%, higher than in the third quarter of 2020. Kronos' net sales of \$1,443.4 million in the first nine months of 2021 were \$219.5 million, or 18%, higher than in the first nine months of 2020. Kronos' net sales increased in the 2021 periods primarily due to higher sales volumes and higher average TiO₂ selling prices. Kronos' TiO₂ sales volumes were 6% higher in the third quarter of 2021 as compared to the third quarter of 2020 due to higher demand in its European and North American markets and 8% higher in the first nine months of 2021 as compared to the same prior year period due to higher demand in all major markets. Increased demand resulted from continuing improvements in global economic activity in the 2021 periods compared to the negative impact from the COVID-19 pandemic on the same periods in 2020. Kronos' average TiO₂ selling prices were 11% higher in the third quarter of 2021 as compared to the third quarter of 2020 and 4% higher in the first nine months of 2021 as compared to the first nine months of 2020. Kronos' average TiO₂ selling prices at the end of the third quarter of 2021 were 10% higher than its average TiO₂ selling prices at the end of 2020. Fluctuations in currency exchange rates (primarily the euro) also affected net sales comparisons, increasing net sales by approximately \$5 million in the third quarter of 2021 and increasing net sales by approximately \$47 million in the first nine months of 2021, as compared to the same periods in 2020. The table at the end of this press release shows how each of these items impacted Kronos' net sales.

Kronos' income from operations in the third quarter of 2021 was \$57.3 million as compared to \$19.3 million in the third quarter of 2020. For the year-to-date period, Kronos' income from operations was \$135.1 million as compared to \$95.8 million in the first nine months of 2020. Kronos' income from operations increased in the 2021 periods primarily due to higher average TiO₂ selling prices and higher sales volumes, partially offset by higher manufacturing and other production costs, including higher costs for raw materials and energy. Kronos' TiO₂ production volumes were 13% higher in the third quarter of 2021 as compared to the third quarter of 2020 and 4% higher in the year-to-date period. Kronos decreased production levels in 2020 (primarily in the third quarter) to correspond to the temporary decline in demand resulting from the COVID-19 pandemic. Kronos operated its production facilities at overall average capacity utilization rates of 99% in the first nine months of 2021 (97%, 100% and 100% in the first, second and third quarters of 2021, respectively) compared to 92% in 2020 (95%, 96% and 86% in the first, second and third quarters of 2020, respectively). Fluctuations in currency exchange rates (primarily the euro) increased income from operations approximately \$2 million in the third quarter of 2021 as compared to the third quarter of 2020. Fluctuations in currency exchange rates (primarily the Canadian dollar) also affected Kronos' year-to-date income from operations comparison, which decreased income from operations by approximately \$15 million in the year-to-date 2021 period as compared to the same period of 2020.

Corporate expenses increased \$.5 million in the third quarter of 2021 compared to the third quarter of 2020 primarily due to higher environmental remediation and related costs and higher litigation fees and related costs in 2021. Corporate expenses increased \$.3 million in the first nine months of 2021 compared to the same period of 2020 primarily due to higher environmental remediation and related costs partially offset by lower administrative expenses. Interest and dividend income was comparable in the third quarter and decreased \$.8 million in the first nine months of 2021 compared to the prior year periods primarily due to lower dividend income and lower interest income related to lower average interest rates on invested balances, and lower average outstanding balances under CompX's revolving promissory note receivable from Valhi. Marketable equity securities represent the change in unrealized gains (losses) on our investment in Valhi common stock during the periods.

The statements in this release relating to matters that are not historical facts are forward-looking statements that represent management's beliefs and assumptions based on currently available information. Although we believe the expectations reflected in such forward-looking statements are reasonable, we cannot give any assurances that these expectations will prove to be correct. Such statements by their nature involve substantial risks and uncertainties that could significantly impact expected results, and actual future results could differ materially from those described in such forward-looking statements. While it is not possible to identify all factors, we continue to face many risks and uncertainties. Factors that could cause actual future results to differ materially include, but are not limited to:

- Future supply and demand for our products
- The extent of the dependence of certain of our businesses on certain market sectors
- The cyclical nature of our businesses (such as Kronos' TiO₂ operations)
- Customer and producer inventory levels
- Unexpected or earlier-than-expected industry capacity expansion (such as the TiO₂ industry)
- Changes in raw material and other operating costs (such as energy, ore, zinc, aluminum, steel and brass costs) and our ability to pass those costs on to our customers or offset them with reductions in other operating costs
- Changes in the availability of raw material (such as ore)
- General global economic and political conditions that harm the worldwide economy, disrupt our supply chain, increase material costs or reduce demand or perceived demand for Kronos' TiO₂ and our products or impair our ability to operate our facilities (including changes in the level of gross domestic product in various regions of the world, natural disasters, terrorist acts, global conflicts and public health crises such as COVID-19)
- Competitive products and substitute products
- Price and product competition from low-cost manufacturing sources (such as China)
- Customer and competitor strategies
- Potential consolidation of Kronos' competitors
- Potential consolidation of Kronos' customers
- The impact of pricing and production decisions
- Competitive technology positions
- Our ability to protect or defend intellectual property rights
- Potential difficulties in integrating future acquisitions
- Potential difficulties in upgrading or implementing accounting and manufacturing software systems
- The introduction of trade barriers or trade disputes

- The impact of current or future government regulations (including employee healthcare benefit related regulations)
- Fluctuations in currency exchange rates (such as changes in the exchange rate between the U.S. dollar and each of the euro, the Norwegian krone and the Canadian dollar and between the euro and the Norwegian krone), or possible disruptions to our business resulting from uncertainties associated with the euro or other currencies
- Operating interruptions (including, but not limited to, labor disputes, leaks, natural disasters, fires, explosions, unscheduled or unplanned downtime, transportation interruptions, cyber-attacks and public health crises such as COVID-19)
- Decisions to sell operating assets other than in the ordinary course of business
- Kronos' ability to renew or refinance credit facilities
- Our ability to maintain sufficient liquidity
- The timing and amounts of insurance recoveries
- The ability of our subsidiaries or affiliates to pay us dividends
- Uncertainties associated with CompX's development of new products and product features
- The ultimate outcome of income tax audits, tax settlement initiatives or other tax matters, including future tax reform
- Our ability to utilize income tax attributes or changes in income tax rates related to such attributes, the benefits of which may or may not have been recognized under the more-likely-than-not recognition criteria
- Environmental matters (such as those requiring compliance with emission and discharge standards for existing and new facilities or new developments regarding environmental remediation at sites related to our former operations)
- Government laws and regulations and possible changes therein (such as changes in government regulations which might impose various obligations on former manufacturers of lead pigment and lead-based paint, including us, with respect to asserted health concerns associated with the use of such products), including new environmental health and safety regulations such as those seeking to limit or classify TiO₂ or its use
- The ultimate resolution of pending litigation (such as our lead pigment and environmental matters)
- Possible future litigation.

Should one or more of these risks materialize (or the consequences of such a development worsen), or should the underlying assumptions prove incorrect, actual results could differ materially from those currently forecasted or expected. We disclaim any intention or obligation to update or revise any forward-looking statement whether as a result of changes in information, future events or otherwise.

NL Industries, Inc. is engaged in component products (security products and recreational marine components) and chemicals (TiO₂) businesses.

NL INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In millions, except earnings per share)
(unaudited)

| | Three months ended September | | Nine months ended September | |
|--|---------------------------------|----------------|--------------------------------|----------------|
| | 2020 | 2021 | 2020 | 2021 |
| Net sales | \$ 28.4 | \$ 34.5 | \$ 84.5 | \$ 106.7 |
| Cost of sales | 21.1 | 23.6 | 59.4 | 73.4 |
| Gross margin | 7.3 | 10.9 | 25.1 | 33.3 |
| Selling, general and administrative expense | 5.2 | 5.8 | 15.6 | 16.6 |
| Other operating income (expense): | | | | |
| Insurance recoveries | - | - | .1 | .1 |
| Corporate expense | (2.4) | (2.9) | (7.4) | (7.7) |
| Income (loss) from operations | (.3) | 2.2 | 2.2 | 9.1 |
| Equity in earnings of Kronos Worldwide, Inc. | 2.4 | 10.9 | 16.3 | 24.7 |
| Other income (expense): | | | | |
| Interest and dividend income | .5 | .4 | 2.1 | 1.3 |
| Marketable equity securities | 3.2 | (1.2) | (11.1) | 9.7 |
| Other components of net periodic pension and OPEB cost | (.2) | (.1) | (.6) | (.4) |
| Interest expense | (.3) | (.3) | (1.0) | (.9) |
| Income before income taxes | 5.3 | 11.9 | 7.9 | 43.5 |
| Income tax expense (benefit) | 1.2 | 1.1 | (3.6) | 5.5 |
| Net income | 4.1 | 10.8 | 11.5 | 38.0 |
| Noncontrolling interest in net income of subsidiary | .2 | .5 | 1.1 | 1.7 |
| Net income attributable to NL stockholders | <u>\$ 3.9</u> | <u>\$ 10.3</u> | <u>\$ 10.4</u> | <u>\$ 36.3</u> |
| Net income per share attributable to NL stockholders | <u>\$.08</u> | <u>\$.21</u> | <u>\$.21</u> | <u>\$.74</u> |
| Weighted average shares used in the calculation of net income per share | 48.8 | 48.8 | 48.8 | 48.8 |

NL INDUSTRIES, INC.
COMPONENTS OF INCOME (LOSS) FROM OPERATIONS
(In millions)
(unaudited)

| | Three months ended September 30, | | Nine months ended September 30, | |
|--------------------------------------|-------------------------------------|---------------|------------------------------------|---------------|
| | 2020 | 2021 | 2020 | 2021 |
| CompX - component products | \$ 2.1 | \$ 5.1 | \$ 9.5 | \$ 16.7 |
| Insurance recoveries | - | - | .1 | .1 |
| Corporate expense | (2.4) | (2.9) | (7.4) | (7.7) |
| Income (loss) from operations | \$ (.3) | \$ 2.2 | \$ 2.2 | \$ 9.1 |

CHANGE IN KRONOS' TiO₂ SALES
(unaudited)

| | Three months ended September 30, 2021 vs. 2020 | Nine months ended September 30, 2021 vs. 2020 |
|------------------------------------|--|---|
| | Percentage change in net sales: | |
| TiO ₂ sales volume | 6 % | 8 % |
| TiO ₂ product pricing | 11 | 4 |
| TiO ₂ product mix/other | 2 | 2 |
| Changes in currency exchange rates | 1 | 4 |
| Total | 20 % | 18 % |