
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 earliest event reported)

March 9, 2023

VALHI, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

1-5467
(Commission
File Number)

87-0110150
(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:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common stock	VHI	NYSE

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 “Valhi Reports Fourth Quarter 2022 Results” issued on March 9, 2023, 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

Item No.	Description
99.1	Press release dated March 9, 2023 entitled “Valhi Reports Fourth Quarter 2022 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.

VALHI, INC.
(Registrant)

By: /s/ Amy A. Samford

Amy A. Samford

Executive Vice President and Chief Financial Officer

Date: March 9, 2023



VALHI REPORTS FOURTH QUARTER 2022 RESULTS

DALLAS, TEXAS . . March 9, 2023. Valhi, Inc. (NYSE: VHI) reported a net loss attributable to Valhi stockholders of \$9.4 million, or \$.33 per share, in the fourth quarter of 2022 compared to net income of \$52.0 million, or \$1.83 per share, in the fourth quarter of 2021. For the full year of 2022, Valhi reported net income attributable to Valhi stockholders of \$90.2 million, or \$3.16 per share compared to net income of \$127.2 million, or \$4.46 per share for the full year of 2021. Net income attributable to Valhi stockholders decreased in the fourth quarter of 2022 and the full year of 2022 compared to the same periods in 2021 primarily due to the effects of lower operating results from our Chemicals Segment and our Real Estate Management and Development Segment further discussed below.

The Chemicals Segment's net sales were \$342.4 million in the fourth quarter of 2022 compared to \$496.0 million in the fourth quarter of 2021. The Chemicals Segment's net sales of \$1.9 billion for the full year of 2022 were consistent with the net sales for the full year of 2021. The Chemicals Segment's net sales comparisons for both periods were impacted by the net effects of lower sales volumes in all markets, partially offset by higher average TiO₂ selling prices. The Chemicals Segment's TiO₂ sales volumes were 40% lower in the fourth quarter of 2022 as compared to the fourth quarter of 2021, and its sales volumes for the full year of 2022 were 15% lower than in the full year of 2021. The Chemicals Segment's TiO₂ sales volumes in the fourth quarter and full year of 2022 compared to the same periods in 2021 were impacted by weakening customer demand in its European and export markets which began late in the third quarter and continued throughout the fourth quarter. The Chemicals Segment's average TiO₂ selling prices were 15% higher in the fourth quarter of 2022 as compared to the fourth quarter of 2021 and 21% higher in the full year of 2022 as compared to the full year of 2021. The Chemicals Segment's average TiO₂ selling prices at the end of the fourth quarter of 2022 were 16% higher than the end of 2021. Fluctuations in currency exchange rates (primarily the euro) also affected net sales comparisons, decreasing our Chemicals Segment's net sales by approximately \$23 million in the fourth quarter of 2022 and approximately \$106 million in the full year of 2022 as compared to the same periods in 2021. The table at the end of this press release shows how each of these items impacted our Chemical Segment's net sales.

The Chemicals Segment's operating loss in the fourth quarter of 2022 was \$15.3 million as compared to operating income of \$55.4 million in the fourth quarter of 2021. The Chemicals Segment's operating income for the full year of 2022 was \$174.6 million as compared to \$200.8 million for the full year of 2021. The Chemicals Segment's operating income decreased in both the fourth quarter and full year of 2022 compared to the same periods in 2021 primarily due to the net effect of lower sales volumes, higher production costs (primarily raw material and energy costs), and higher average TiO₂ selling prices. In addition, the Chemicals Segment's cost of sales in 2022 includes unabsorbed fixed production and other manufacturing costs of approximately \$26 million associated with production curtailments at certain of its European facilities during the fourth quarter as the Chemicals Segment reduced TiO₂ production volumes to align inventory levels with lower demand. The Chemicals Segment's TiO₂ production volumes were 35% lower in the fourth quarter of 2022 compared to the fourth quarter of 2021 and 10% lower in the full year of 2022 compared to the full year of 2021. As a result of fourth quarter curtailments, the Chemicals Segment operated its production facilities at 89% of practical capacity utilization in 2022 (100%, 95%, 93% and 65% in the first, second, third and fourth quarters of 2022, respectively) compared to full practical capacity in 2021 (97%, 100%, 100% and 100% in the first, second, third and fourth quarters of 2021, respectively). Fluctuations in currency exchange rates (primarily the euro) increased operating income approximately \$2 million in the fourth quarter of 2022 and approximately \$23 million in the full year of 2022 as compared to the same periods in 2021.

The Chemicals Segment's operating income in 2022 includes a third quarter insurance settlement gain of \$2.7 million related to a 2020 business interruption insurance claim.

The Component Products Segment's net sales were \$40.0 million in the fourth quarter of 2022 compared to \$34.1 million in the fourth quarter of 2021 and \$166.6 million for the full year of 2022 compared to \$140.8 million for the full year of 2021. The Component Products Segment's net sales increased in the fourth quarter and for the full year of 2022 compared to the same periods in 2021 primarily due to higher marine components sales, predominantly to the towboat market, and to a lesser extent higher security products sales across a variety of markets. Operating income attributable to the Component Products Segment was \$5.4 million in the fourth quarter of 2022 compared to \$3.8 million in the fourth quarter of 2021 and \$25.4 million for the full year of 2022 compared to \$20.5 million for the full year of 2021. The Component Products Segment's operating income increased for both comparative periods largely due to the strong performance of its marine components reporting unit, partially offset by increased production costs, particularly at its security products reporting unit as price increases and surcharges did not fully offset higher cost inventory sold in the latter half of the year.

The Real Estate Management and Development Segment had sales of \$20.2 million in the fourth quarter of 2022, including \$20.0 million in revenue on sales of land held for development, compared to sales of \$153.1 million in the fourth quarter of 2021, including \$150.8 million in revenue on sales of land held for development. For the full year of 2022 the Real Estate Management and Development Segment had sales of \$125.7 million, including \$120.9 million in revenue on sales of land held for development, compared to sales of \$216.2 million, including \$207.8 million in sales of land held for development for the full year of 2021. Land sales revenue is generally recognized over time based on cost inputs, and land sales revenues are dependent on spending for development activities. Land sales revenues are also impacted by the relative timing of when new land parcel sales are closed. Land sales revenue decreased substantially in both the fourth quarter and full year of 2022 compared to the same periods in 2021 primarily due to two land parcels with no post-closing obligations that closed during the fourth quarter of 2021 for \$70 million which were immediately recognized as revenue, as compared to no such revenue recognized in the fourth quarter of 2022. Recognition of tax increment infrastructure reimbursement of \$15.2 million (\$7.9 million, or \$.28 per share, net of income taxes and noncontrolling interest) in the full year of 2022 and \$15.3 million (\$8.0 million, or \$.28 per share, net of income taxes and noncontrolling interest) in the full year of 2021 are included in the determination of operating income.

Due to historically low levels at Lake Mead, Nevada, at the end of the second quarter of 2022, our Real Estate Management and Development Segment's subsidiary Basic Water Company ("BWC") ceased operations at its water intake facility and on September 10, 2022 BWC and its subsidiaries voluntarily filed for Chapter 11 bankruptcy protection in the United States Bankruptcy Court for the District of Nevada. Our Real Estate Management and Development Segment recognized aggregate charges of \$19.7 million related to BWC during 2022, including \$16.4 million (\$8.2 million, or \$.29 per share, net of income taxes and noncontrolling interest), primarily in the second quarter, related to the impairment of the water delivery system fixed assets and, as a result of the bankruptcy filing of BWC in the third quarter, a \$2.0 million (\$1.0 million, or \$.04 per share, net of income taxes and noncontrolling interest) loss on the deconsolidation of BWC and bad debt expense of \$1.3 million (\$.6 million, or \$.02 per share, net of income taxes and noncontrolling interest) related to an intercompany receivable with BWC. These charges are all included in the determination of our Real Estate Management and Development Segment's operating income.

Corporate expenses were 8% higher in the fourth quarter of 2022 and 5% higher in the full year of 2022 compared to the same periods of 2021. Corporate expenses increased in both periods due to higher litigation and related costs in 2022 compared to 2021. In 2021 we sold excess property not used in our operations for net proceeds of approximately \$23.4 million and recognized a pre-tax gain of \$16.0 million (\$12.3 million, or \$.43 per share, net of income taxes and noncontrolling interest). Interest expense of \$7.0 million in the fourth quarter of 2022 and \$27.9 million for the full year of 2022 decreased compared to the same prior year periods primarily due to lower average debt levels and the effects of changes in currency exchange rates somewhat offset by higher interest rates on variable-rate indebtedness in 2022.

The statements in this press 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 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 predicted. While it is not possible to identify all factors, we continue to face many risks and uncertainties. Among the factors that could cause our actual future results to differ materially include, but are not limited to, the following:

- 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 certain 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 ore, zinc, brass, aluminum, steel and energy costs);
- Changes in the availability of raw materials (such as ore);
- General global economic and political conditions that harm the worldwide economy, disrupt our supply chain, increase material and energy costs, reduce demand or perceived demand for TiO₂ component products and land held for development 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);
- Operating interruptions (including, but not limited to, labor disputes, leaks, natural disasters, fires, explosions, unscheduled or unplanned downtime such as disruptions in energy supplies, transportation interruptions, cyber-attacks and public health crises such as COVID-19);
- Competitive products and substitute products;
- Customer and competitor strategies;
- Potential difficulties in integrating future acquisitions;
- Potential difficulties in upgrading or implementing accounting and manufacturing software systems;
- Potential consolidation of our competitors;
- Potential consolidation of our customers;
- The impact of pricing and production decisions;
- Competitive technology positions;
- Our ability to protect or defend intellectual property rights;
- The introduction of trade barriers or trade disputes;
- The ability of our subsidiaries to pay us dividends;
- Uncertainties associated with new product development and the development of new product features;
- 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;
- Decisions to sell operating assets other than in the ordinary course of business;
- The timing and amounts of insurance recoveries;
- Our ability to renew, amend, refinance or establish credit facilities;
- Increases in interest rates;
- Our ability to maintain sufficient liquidity;
- 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, 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 or decommissioning obligations 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 NL, with respect to asserted health concerns associated with the use of such products) including new environmental health and safety or other regulations such as those seeking to limit or classify TiO₂ or its use;

- The ultimate resolution of pending litigation (such as NL's lead pigment and environmental matters);
- Our ability to comply with covenants contained in our revolving bank credit facilities;
- Our ability to complete and comply with the conditions of our licenses and permits;
- Changes in real estate values and construction costs in Henderson, Nevada; and
- Possible future litigation.

Should one or more of these risks materialize (or the consequences of such 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.

Valhi, Inc. is engaged in the chemicals (TiO₂), component products (security products and recreational marine components) and real estate management and development industries.

Investor Relations Contact

Bryan A. Hanley
Senior Vice President and Treasurer
Tel. 972-233-1700

VALHI, INC. AND SUBSIDIARIES
CONDENSED SUMMARY OF OPERATIONS
(In millions, except earnings per share)

	Three months ended December 31,		Year ended December 31,	
	2021	2022	2021	2022
	(unaudited)			
Net sales				
Chemicals	\$ 496.0	\$ 342.4	\$ 1,939.4	\$ 1,930.2
Component products	34.1	40.0	140.8	166.6
Real estate management and development	153.1	20.2	216.2	125.7
<i>Total net sales</i>	<u>\$ 683.2</u>	<u>\$ 402.6</u>	<u>\$ 2,296.4</u>	<u>\$ 2,222.5</u>
Operating income (loss)				
Chemicals	\$ 55.4	\$ (15.3)	\$ 200.8	\$ 174.6
Component products	3.8	5.4	20.5	25.4
Real estate management and development	71.3	7.3	97.3	39.4
<i>Total operating income (loss)</i>	130.5	(2.6)	318.6	239.4
General corporate items:				
Interest income and other	1.1	4.8	4.0	10.4
Insurance recoveries	.1	.1	.1	.1
Gain on land sales	—	—	16.0	—
Changes in market value of Valhi common stock held by subsidiaries	1.3	(.7)	3.3	(1.6)
Other components of net periodic pension and OPEB expense	(3.8)	(4.1)	(17.0)	(13.9)
General expenses, net	(8.6)	(9.3)	(34.7)	(36.6)
Interest expense	(7.3)	(7.0)	(32.5)	(27.9)
<i>Income (loss) before income taxes</i>	113.3	(18.8)	257.8	169.9
Income tax expense (benefit)	24.9	(8.3)	60.1	33.8
<i>Net income (loss)</i>	88.4	(10.5)	197.7	136.1
Noncontrolling interest in net income (loss) of subsidiaries	36.4	(1.1)	70.5	45.9
<i>Net income (loss) attributable to Valhi stockholders</i>	<u>\$ 52.0</u>	<u>\$ (9.4)</u>	<u>\$ 127.2</u>	<u>\$ 90.2</u>
Amounts attributable to Valhi stockholders:				
Basic and diluted net income (loss) per share	\$ 1.83	\$ (.33)	\$ 4.46	\$ 3.16
Basic and diluted weighted average shares outstanding	28.5	28.5	28.5	28.5

VALHI, INC. AND SUBSIDIARIES
IMPACT OF PERCENTAGE CHANGE IN CHEMICAL SEGMENT'S NET SALES
(unaudited)

	Three months ended December 31, 2022 vs. 2021	Year ended December 31, 2022 vs. 2021
Percentage change in TiO ₂ net sales:		
TiO ₂ product pricing	15 %	21 %
TiO ₂ sales volumes	(40)	(15)
TiO ₂ product mix/other	(1)	(1)
Changes in currency exchange rates	(5)	(5)
Total	<u>(31)%</u>	<u>— %</u>