

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)

March 11, 2021

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:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
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.

Item 7.01 Regulation FD Disclosure.

The registrant hereby furnishes the information set forth in its press release issued on March 11, 2021, a copy of which is attached hereto as Exhibit 99.1 and incorporated herein by reference.

The information, including the exhibit, the registrant furnishes in this 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>Exhibit Index</u>
99.1	<u>Press release dated March 11, 2021 issued by the registrant.</u>

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)

Date: March 11, 2021

By: /s/ James W. Brown
James W. Brown,
Executive Vice President and
Chief Financial Officer



PRESS RELEASE

FOR IMMEDIATE RELEASE

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VALHI REPORTS FOURTH QUARTER 2020 RESULTS

DALLAS, TEXAS . . March 11, 2021. Valhi, Inc. (NYSE: VHI) reported net income from continuing operations attributable to Valhi stockholders of \$20.2 million, or \$.71 per diluted share, in the fourth quarter of 2020 compared to net income from continuing operations of \$10.8 million, or \$.38 per diluted share, in the fourth quarter of 2019. For the full year of 2020, Valhi reported net income from continuing operations attributable to Valhi stockholders of \$50.9 million, or \$1.79 per diluted share compared to net income from continuing operations of \$49.2 million, or \$1.73 per diluted share for the full year of 2019. Net income from continuing operations attributable to Valhi stockholders increased in the fourth quarter of 2020 as compared to the fourth quarter of 2019 primarily due to higher operating results from our Real Estate Management and Development Segment. Net income from continuing operations attributable to Valhi stockholders increased for the full year of 2020 due to the net effects higher operating results from our Real Estate Management and Development Segment in 2020 and a litigation settlement charge in 2019 offset by lower operating results from our Chemicals Segment and our Component Products Segment in 2020.

The Chemicals Segment's net sales were \$414.9 million for the fourth quarter of 2020 compared to \$372.7 million in the fourth quarter of 2019 and \$1.6 billion for the full year of 2020 compared to \$1.7 billion for the full year of 2019. The Chemicals Segment's net sales increased in the fourth quarter of 2020 compared to the same period in 2019 primarily due to higher sales volumes partially offset by lower average TiO₂ selling prices. Net sales decreased in the full year of 2020 compared to the full year of 2019 primarily due to lower sales volumes and lower average TiO₂ selling prices. TiO₂ sales volumes were 12% higher in the fourth quarter of 2020 as compared to the fourth quarter of 2019 primarily due to higher demand in European and North American markets and were 6% lower in the full year of 2020 compared to the full year of 2019 due to lower sales volumes in all major markets, primarily resulting from demand contraction related to the COVID-19 pandemic. The Chemicals Segment's average TiO₂ selling prices were 3% lower in the fourth quarter and 2% lower in the full year of 2020 as compared to the same periods in 2019. The Chemicals Segment's average TiO₂ selling prices at the end of 2020 were comparable to average TiO₂ selling prices at the end of the third quarter of 2020 and 3% lower than the beginning of the year. TiO₂ selling prices will increase or decrease generally as a result of competitive market pressures, changes in the relative level of supply and demand as well as changes in raw material and other manufacturing costs. Fluctuations in currency exchange rates (primarily the euro) also affected net sales comparisons, increasing our Chemicals Segment's net sales by approximately \$13 million in the fourth quarter of 2020 and increasing net sales by approximately \$9 million for the full year of 2020 as compared to the same periods in 2019. The table at the end of this press release shows how each of these items impacted net sales.

The Chemicals Segment's operating income in the fourth quarter of 2020 was \$22.2 million as compared to \$20.5 million in the fourth quarter of 2019. The Chemicals Segment's operating income increased in the fourth quarter of 2020 primarily due to the effects of higher sales volumes and lower production costs partially offset by lower average TiO₂ selling prices. The Chemicals Segment's operating income for the full year of 2020 was \$126.5 million compared to \$160.1 million in the full year of 2019. The Chemicals Segment's operating income decreased in 2020 primarily due to the unfavorable effects of lower sales volumes, lower average TiO₂ selling prices and higher raw materials and other production costs. The Chemicals Segment's TiO₂ production volumes were 8% lower in the fourth quarter and 5% lower in the full year of 2020 as compared to same periods of 2019. The Chemicals Segment's production facilities operated at overall average capacity utilization rates of 92% in the full year of 2020 (95%, 96%, 86% and 92% in the first, second, third and fourth quarters of 2020) compared to 98% in 2019 (97% in the first, second and third quarters and at full practical capacity in the fourth quarter of 2019). Early in the third quarter of 2020, the Chemicals Segment decreased production levels to correspond with a temporary decline in market demand, then increased production levels later in the third quarter and into the fourth quarter to align with improved demand and market expectations for the near term. Fluctuations in currency exchange rates also affected operating income comparisons, increasing operating income by approximately \$6 million in the full year of 2020 as compared to the full year of 2019, while fluctuations in currency exchange rates had only a nominal effect on the fourth quarter operating income comparison.

The Component Products Segment's net sales were \$30.0 million for the fourth quarter of 2020 compared to \$29.6 million in the fourth quarter of 2019 and \$114.5 million for the full year of 2020 compared to \$124.2 million for the full year of 2019. Net sales increased in the fourth quarter of 2020 compared to the same period in 2019 as lower sales of security products were more than offset by increased sales of marine components, with the towboat market representing most of the increase in marine sales. Net sales decreased for the full year of 2020 compared to the full year of 2019 due to lower sales of security products primarily resulting from reduced demand as certain markets were slower to recover from the COVID-19 pandemic, somewhat offset by higher sales of marine components. Operating income attributable to the Component Products Segment was \$2.3 million for the fourth quarter of 2020 compared to \$3.5 million for the fourth quarter of 2019 and \$11.8 million for the full year of 2020 compared to \$17.8 million for the full year of 2019. The Component Products Segment's operating income for the fourth quarter and the full year of 2020 compared to the same periods in 2019 was negatively impacted by higher fixed cost per unit of production as the result of lower production volumes in the second and third quarters which increased the cost of inventory produced in these quarters and sold in the second half of 2020. Additionally, operating income for the full year of 2020 compared to prior year was negatively impacted by increased medical costs. In the second half of 2020, the Component Products Segment's sales began to recover from the historically low levels experienced during the second quarter, with sales steadily improving for the remainder of the year. In the second half of the year, manufacturing operations returned to more normal production rates as demand from customers began to return, although security products operations did not recover to pre-pandemic levels.

The Real Estate Management and Development Segment had sales of \$71.9 million in the fourth quarter of 2020, including \$70.2 million in revenue on sales of land held for development, compared to sales of \$11.8 million in the fourth quarter of 2019, including \$9.2 million in sales of land held for development. For the full year of 2020 the Real Estate Management and Development Segment had sales of \$96.4 million, including \$87.0 million in revenue on sales of land held for development, compared to sales of \$42.1 million, including \$33.5 million in sales of land held for development in the full year of 2019. During the fourth quarter of 2020 our Real Estate Management and Development Segment closed on a single parcel for proceeds of approximately \$55 million. The contract for this parcel contained no post-closing obligations therefore we recognized the full \$55 million in revenue in 2020. Excluding the fourth quarter 2020 land sale, land sales revenues declined slightly in 2020 as compared to 2019 primarily due to lower land development spending. Land sales revenue is generally recognized over time based on cost inputs, and land sales revenues are dependent on spending for development activities as we balance development requirements with home builder output during the year. As a result of the COVID-19 pandemic, in the second quarter of 2020 we reduced infrastructure development spending to only those expenditures necessary to fulfill our contractual obligations and we returned to more normalized infrastructure development spending late in the year. The Real Estate Management and Development Segment had operating income in the fourth quarter of 2020 of \$22.4 million compared to operating income of \$1.0 million in the fourth quarter of 2019 and operating income of \$47.8 million for the full year of 2020 compared to \$14.8 million for the same period of 2019. Operating income in the full year of 2020 includes income related to the recognition of tax increment reimbursement note receivables of \$19.1 million (\$9.9 million, or \$.35 per diluted share, net of income taxes and noncontrolling interest) compared to \$8.8 million (\$4.6 million, or \$.16 per diluted share, net of income taxes and noncontrolling interest) of such income recognized in 2019. Operating income in 2020 also includes \$4.0 million (\$2.0 million, or \$.07 per diluted share, net of income taxes and noncontrolling interest) of income related to proceeds BMI received associated with a prior land sale.

Corporate expenses were 12% lower in the fourth quarter and 9% lower for the full year of 2020 as compared to the same periods in 2019 primarily due to lower litigation and related costs. The full year of 2019 includes a litigation settlement charge of \$19.3 million mostly recognized in the second quarter (\$12.6 million, or \$.44 per diluted share, net of income taxes and noncontrolling interest) for a settlement agreement at NL that was approved by the court in July 2019. Insurance recoveries aggregated \$7.7 million (\$4.5 million, or \$.16 per diluted share, net of income taxes and noncontrolling interest) in the full year of 2019 and substantially all of the insurance recoveries we recognized in 2019 relate to a settlement NL reached with a single insurance carrier that agreed to reimburse NL for a portion of its past and future litigation defense costs. In the first quarter of 2020, Kronos recognized a \$1.5 million insurance settlement gain (\$.8 million, or \$.03 per diluted share, net of income taxes and noncontrolling interest) related to a property damage claim. In the third quarter of 2019, NL recognized a \$4.4 million gain (\$2.9 million, or \$.10 per diluted share, net of income taxes and noncontrolling interest) related to the sale of excess property. Income from discontinued operations in the fourth quarter and full year of 2020 was \$4.3 million, or \$.15 per diluted share, and relates to proceeds received in the fourth quarter of 2020 in final settlement of an earn-out provision related to the 2018 sale of our former Waste Management Segment.

Our results of operations for the full year of 2020 were significantly impacted by the COVID-19 pandemic, primarily in the second and third quarters. The extent of the impact of the COVID-19 pandemic on our future operations will depend on the time period and degree to which the COVID-19 pandemic persists in the global economy, including the timing and extent to which our customers' operations continue to be impacted, our customers' perception as to when consumer demand for their products will return to pre-pandemic levels and on any future disruptions in our operations or our suppliers' operations, all of which are difficult to predict.

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 cyclicity 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 costs, reduce demand or perceived demand for TiO₂, component products and land held for sale 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;
 - 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;
 - The impact of current or future government regulations (including employee healthcare benefit related regulations);
 - Uncertainties associated with new product development and the development of new product features;
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- 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) 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;
- The timing and amounts of insurance recoveries;
- Our ability to renew, amend, refinance or establish credit facilities;
- 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 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 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;
- Water levels in Lake Mead; 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 titanium dioxide pigments, component products (security products and high performance marine components) and real estate management and development industries.

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

	Three months ended December 31,		Year ended December 31,	
	2019	2020	2019	2020
	(unaudited)			
Net sales				
Chemicals	\$ 372.7	\$ 414.9	\$ 1,731.2	\$ 1,638.8
Component products	29.6	30.0	124.2	114.5
Real estate management and development	11.8	71.9	42.1	96.4
Total net sales	\$ 414.1	\$ 516.8	\$ 1,897.5	\$ 1,849.7
Operating income				
Chemicals	\$ 20.5	\$ 22.2	\$ 160.1	\$ 126.5
Component products	3.5	2.3	17.8	11.8
Real estate management and development	1.0	22.4	14.8	47.8
Total operating income	25.0	46.9	192.7	186.1
General corporate items:				
Securities earnings	2.3	1.2	11.2	4.7
Insurance recoveries	2.6	-	7.7	1.6
Gain on sale of business	3.0	-	3.0	-
Gain on land sales	-	-	4.4	.5
Other components of net periodic pension and OPEB expense	(4.2)	(5.2)	(16.5)	(20.1)
Changes in market value of Valhi common stock held by subsidiaries	(.1)	.5	(.2)	(1.7)
Litigation settlement expense, net	-	-	(19.3)	-
General expenses, net	(9.4)	(8.3)	(37.5)	(34.3)
Interest expense	(10.1)	(8.8)	(40.8)	(36.2)
Income from continuing operations before income taxes	9.1	26.3	104.7	100.6
Income tax expense (benefit)	(5.3)	(5.3)	26.5	15.9
Net income from continuing operations	14.4	31.6	78.2	84.7
Income from discontinued operations	-	4.3	-	4.3
Net income	14.4	35.9	78.2	89.0
Noncontrolling interest in net income of subsidiaries				
	3.6	11.4	29.0	33.8
Net income attributable to Valhi stockholders	\$ 10.8	\$ 24.5	\$ 49.2	\$ 55.2

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

	Three months ended December 31,		Year ended December 31,	
	2019	2020	2019	2020
	(unaudited)			
Amounts attributable to Valhi stockholders:				
Income from continuing operations	\$ 10.8	\$ 20.2	\$ 49.2	\$ 50.9
Income from discontinued operations	-	4.3	-	4.3
Net income attributable to Valhi stockholders	\$ 10.8	\$ 24.5	\$ 49.2	\$ 55.2
Basic and diluted net income per share				
Income from continuing operations	\$.38	\$.71	\$ 1.73	\$ 1.79
Income from discontinued operations	-	.15	-	.15
Net income attributable to Valhi stockholders	\$.38	\$.86	\$ 1.73	\$ 1.94
Basic and diluted weighted average shares outstanding	28.5	28.5	28.5	28.5

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

	Three months ended December 31, 2020 vs. 2019	Year ended December 31, 2020 vs. 2019
Percentage change in TiO ₂ net sales :		
TiO ₂ product pricing	(3)%	(2)%
TiO ₂ sales volumes	12	(6)
TiO ₂ product mix/other	(2)	2
Changes in currency exchange rates	4	1
Total	11%	(5)%

Page 7 of 7