

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2020

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-2451

NATIONAL PRESTO INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Wisconsin

(State or other jurisdiction of
incorporation or organization)

39-0494170

(IRS Employer
Identification Number)

3925 North Hastings Way

Eau Claire, Wisconsin

(Address of principal executive offices)

54703-3703

(Zip Code)

Registrant's telephone number, including area code: (715) 839-2121

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
\$1.00 par value common stock	NPK	New York Stock Exchange

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

NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes
No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes
No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company 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.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 USC 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: \$421,281,573. The number of shares outstanding of each of the registrant's classes of common stock, as of March 1, 2021 was 7,025,943.

The Registrant has incorporated in Part II and Part III of Form 10-K, by reference, portions of its 2020 Annual Report and portions of its Proxy Statement for its 2021 Annual Meeting of Stockholders.

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PART I

ITEM 1. BUSINESS

A. DESCRIPTION OF BUSINESS

The business of National Presto Industries, Inc. (the “Company” or “National Presto”) consists of three business segments. For a further discussion of the Company’s business, the segments in which it operates, and financial information about the segments, please refer to Note L to the Consolidated Financial Statements. The Housewares/Small Appliance segment designs, markets and distributes housewares and small electrical appliances, including pressure cookers and canners, kitchen electrics, and comfort appliances that enrich the lives of consumers by making life easier, more productive and more enjoyable. The Defense segment, which protects the lives of the citizens of our nation, as well as the citizens of our nation’s allies, by providing our warfighters with reliable products, manufactures 40mm ammunition, precision mechanical and electro-mechanical assemblies, medium caliber cartridge cases; performs Load, Assemble and Pack (LAP) operations on ordnance-related products primarily for the U.S. Government and prime contractors; and manufactures detonators, booster pellets, release cartridges, lead azide, and other military energetic devices and materials. The Safety segment, which provides innovative safety technology empowering organizations and individuals to protect what is most important, currently consists of two startup companies. The first is Rusoh, Inc., which designs and markets the Rusoh® Eliminator® fire extinguisher, the first owner-maintained fire extinguisher. The second is OneEvent Technologies, Inc. It offers systems that provide early warning of conditions that could ultimately lead to significant losses. The initial application combines patented machine learning, digital sensors and cloud-based technology to continuously monitor freezers and refrigerators, instantly detecting and alerting users to potential safety issues around pharmaceuticals and food. The OneEvent® system also has the ability to continually measure other factors such as smoke, carbon monoxide, motion, humidity, and moisture.

On January 3, 2017, the Company and its wholly-owned subsidiary, Presto Absorbent Products, Inc. (“PAPI”), entered into an asset purchase agreement wherein substantially all PAPI assets were sold and certain liabilities were assigned to Drylock Technologies, Ltd. (“Drylock”). As a result, the Company classified its results of operations for all periods presented to reflect its Absorbent Products business as a discontinued operation. See Note P for further discussion.

1. Housewares/Small Appliance Segment

Housewares and electrical appliances sold by the Company include pressure cookers and canners; the Presto Control Master® heat control single thermostatic control line of skillets in several sizes, griddles, woks and multi-purpose cookers; slow cookers; deep fryers of various sizes; air fryers; waffle makers; pizza ovens; slicer/shredders; electric heaters; corn poppers (hot air, oil, and microwave); dehydrators; rice cookers; microwave bacon cookers; egg cookers; coffeemakers and coffeemaker accessories; electric tea kettles; electric knife sharpeners; a line of kitchen gadgets; and timers. Pressure cookers and canners are available in various sizes and are fabricated of aluminum and, in the case of cookers, of stainless steel, as well.

For the year ended December 31, 2020, approximately 14% of consolidated net sales were provided by cast products (griddles, waffle makers, die cast deep fryers, skillets and multi-cookers), and approximately 17% by noncast/thermal appliances (stamped cookers and canners, pizza ovens, corn poppers, coffee makers, microwave bacon cookers, dehydrators, rice cookers, egg cookers, slow cookers, tea kettles, electric stainless steel appliances, non-cast fryers, air fryers and heaters). For the year ended December 31, 2019, approximately 14% of consolidated net sales were provided by cast products, and approximately 17% by noncast/thermal appliances. For the year ended December 31, 2018, approximately 11% of consolidated net sales were provided by cast products, and approximately 16% by noncast/thermal appliances. For the years ended December 31, 2020, 2019 and 2018, this segment had one customer which accounted for 10% or more of the Company’s consolidated net sales. That customer was Wal-Mart Stores, Inc., which accounted for 10%, 12%, and 10% of consolidated net sales in the years ended December 31, 2020, 2019, and 2018, respectively. During 2020, Amazon also accounted for 10% of consolidated net sales. The loss of either Wal-Mart Stores or Amazon as a customer would have a material adverse effect on the segment.

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Products are sold primarily in the United States and Canada directly to retailers and also through independent distributors. Although the Company has long established relationships with many of its customers, it does not have long-term supply contracts with them. The loss of, or material reduction in, sales to any of the Company's major customers could adversely affect the Company's business. The majority of the housewares and electrical appliances are sourced from vendors in the Orient. (See Note J to the Consolidated Financial Statements.)

The Company has a sales force of 7 employees that sell to and service most customers. A few selected accounts are handled by manufacturers' representatives who may also sell other product lines. Sales promotional activities have been conducted primarily through the use of newspaper advertising, in store promotions, and digital advertising. The business is seasonal, with the normal peak sales period occurring in the fourth quarter of the year prior to the holiday season. This segment operates in a highly competitive and extremely price sensitive environment. Increased costs that cannot be fully absorbed into the price of products or passed along in the form of price increases to the retail customer can have a significant adverse impact on operating results. Several companies compete for sales of housewares and small electrical appliances, some of which are larger than the Company's segment and others which are smaller. In addition, some customers maintain their own private label, as well as purchase brokered product directly from the Orient. Product competition extends to special product features, product pricing, product quality, marketing programs, warranty provisions, service policies and other factors. New product introductions are an important part of the Company's sales to offset the morbidity rate of other products and/or the effect of lowered acceptance of seasonal products due to weather conditions. New products entail unusual risks. Engineering and tooling costs are increasingly expensive, as are finished goods that may not have a ready market or achieve widespread consumer acceptance. High-cost advertising commitments which may accompany such new products or may be required to maintain sales of existing products may not be fully absorbed by ultimate product sales. Initial production schedules, set in advance of introduction, carry the possibility of excess unsold inventories. New product introductions are further subject to delivery delays from supply sources, which can impact availability during the Company's most active selling periods.

Research and development costs related to new product development for the years 2020, 2019, and 2018 were expensed in operations of these years and were not a material element in the aggregate costs incurred by the Company.

Products are generally warranted to the original owner to be free from defects in material and workmanship for a period of one to twelve years from date of purchase, depending on the product. The Company allows a sixty-day over-the-counter initial return privilege through cooperating dealers. Products are serviced through a corporate service repair operation. The Company's service and warranty programs are competitive with those offered by other manufacturers in the industry.

The Company primarily warehouses and distributes its products from distribution centers located in Canton and Jackson, Mississippi. Selective use is made of leased tractors and trailers.

The Company invests funds not currently required for business activities (see Note A(5) to the Consolidated Financial Statements). Income from invested funds is included in Other Income in the accompanying Consolidated Statements of Comprehensive Income.

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Earnings from investments may vary significantly from year to year depending on interest yields on instruments meeting the Company's investment criteria, and the extent to which funds may be needed for internal growth, acquisitions, newly identified business activities, and reacquisition of Company stock.

2. Defense Segment

AMTEC Corporation was acquired on February 24, 2001, and manufactures 40mm ammunition, and precision mechanical and electro-mechanical products for the U.S. Department of Defense (DOD) and DOD prime contractors. AMTEC's 106,000 square foot manufacturing facility located in Janesville, Wisconsin, is focused on producing niche market ordnance products (such as training ammunition, fuzes, firing devices, and initiators). AMTEC is also the prime contractor for the 40mm ammunition system to the DOD (more fully described below).

Spectra Technologies LLC, a subsidiary of AMTEC, was acquired on July 31, 2003, and is engaged in the manufacture and delivery of munitions and ordnance-related products for the DOD and DOD prime contractors. Spectra maintains 364,000 square feet of space located in East Camden, Arkansas, dedicated primarily to Load, Assemble and Pack (LAP) type work.

Amron, a division of AMTEC, holds the assets that were purchased from Amron LLC on January 30, 2006. Amron manufactures cartridge cases used in medium caliber ammunition (20mm, 25mm, 30mm, 40mm, and 50mm) primarily for the DOD and DOD prime contractors, which includes the 40mm systems program previously mentioned and referenced below. The Amron manufacturing facility is 208,000 square feet and is located in Antigo, Wisconsin.

Tech Ord, a division of AMTEC, holds the assets formerly owned by Chemring Energetic Devices, Inc.'s business located in Clear Lake, South Dakota and all of the real property previously owned by Technical Ordnance Realty, LLC. These assets were acquired on January 24, 2014. The division manufactures in its 88,000 square foot Clear Lake facility detonators, booster pellets, release cartridges, lead azide, and other military energetic devices and materials. Its major customers include US and foreign government agencies, AMTEC Corporation, and other defense contractors.

AMTEC Less Lethal Systems, Inc., a former subsidiary of AMTEC Corporation, held the assets that were purchased from ALS Technologies, Inc, a small Arkansas manufacturer of less lethal ammunition, on November 1, 2011. The subsidiary's products included smoke and tear gas grenades, specialty impact munitions, diversionary devices and stun munitions, support accessories like launchers and gas masks, as well as training for the use of its products. The subsidiary's state-of-the-art less lethal ammunition manufacturing and training facility, which was completed in 2013, was 54,000 square feet and was located in Perry, Florida. In October of 2018, the Company divested itself of the less lethal business. See Note Q to the Consolidated Financial Statements.

The Defense segment competes for its business primarily on the basis of technical competence, product quality, manufacturing experience, and price. This segment operates in a highly competitive environment with many other organizations, some of which are larger and others that are smaller.

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On April 25, 2005, AMTEC Corporation was awarded the high volume, five-year prime contract for management and production of the Army's 40mm Ammunition System. The Army selected AMTEC as one of two prime contractors responsible for supplying all requirements for 40mm practice and tactical ammunition for a period of five years. Deliveries under the contract exceeded \$671,000,000, with final deliveries completed in 2013. On February 18, 2010, the Army awarded AMTEC a second five-year contract for the management and production of the 40mm Ammunition System. As in the original five-year contract, AMTEC was awarded the majority share of the 40mm requirement. Deliveries under this contract exceeded \$566,000,000, with the final deliveries completed in 2018. In addition, as part of an acquisition of a group of assets from DSE, Inc, a 40mm competitor, which was completed on November 7, 2013, AMTEC acquired through a novation agreement an additional \$188,000,000, representing the remaining undelivered portion of the award that had been given to AMTEC's competitor under the second five-year contract mentioned above. Total deliveries for the systems program under the novated DSE 40mm contract were completed in 2018. The Company submitted its bid for a third contract, and although the FY15 (Army's fiscal year beginning October 1, 2014) bid request was subsequently cancelled, the 40mm program requirements remained and were subsequently awarded to AMTEC as the Army's FY16 40mm requirements in a single award valued at \$84,750,000. Final deliveries for the FY16 contract were completed in 2019. On August 30, 2017, the Army awarded AMTEC, as the sole prime contractor, a third five-year 40mm system contract covering FY17-21 requirements. The value of awards to date is approximately \$300,000,000 for FY17 through FY21, with deliveries scheduled to continue into 2022. The actual annual and cumulative dollar volume with the Army over the balance of the contract will be dependent upon military requirements and funding, as well as government procurement regulations and other factors controlled by the Army and the Department of Defense.

During 2020, almost all of the work performed by this segment directly or indirectly for the DOD was performed on a fixed-price basis. Under fixed-price contracts, the price paid to the contractor is usually awarded based on competition at the outset of the contract and therefore is generally not subject to adjustments reflecting the actual costs incurred by the contractor, with the exception of some limited escalation clauses, which on the 2017 contract applied to only three materials – steel, aluminum and zinc. The Defense segment's contracts and subcontracts contain the customary provision permitting termination at any time for the convenience of the government, with payment for any work completed, associated profit and inventory/work in progress at the time of termination. The segment's business does not tend to be seasonal.

3. Safety Segment

The Safety segment was formed in the third quarter of 2019 with the purchase of substantially all of the assets of OneEvent Technologies, Inc. on July 23, 2019. The segment is comprised of OneEvent Technologies, Inc. and Rusoh, Inc., which was previously included in the Company's Housewares/ Small Appliance segment.

OneEvent Technologies, Inc. leases 7,000 square feet in Mount Horeb, Wisconsin. Established in 2014, OneEvent's cloud-based learning and analytics engine utilizes a series of sensing devices integrated with a cellular gateway to predict and alert in a timely fashion so that the customer has an opportunity to prevent a loss. Sensors measure a variety of environmental data including temperature, smoke, carbon monoxide, humidity, water, motion, and more. The initial application combines patented machine learning, digital sensors and cloud-based technology to continuously monitor freezers and refrigerators, instantly detecting and alerting users to potential mechanical issues which can in turn affect the maintenance of critical temperatures for the safe storage of pharmaceuticals and food. The system detects anomalies in defrost and refrigeration cycles, enabling it to provide notice days or even weeks in advance of a potential malfunction. With these alerts, customers can act proactively to correct the situation and prevent the loss or deterioration of valuable pharmaceuticals or foods well in advance of an equipment failure.

Rusoh, Inc. rents 8,000 square feet of office space located in the Company's Eau Claire, Wisconsin facility. Formed in 2012, Rusoh designs and markets the Rusoh® Eliminator® fire extinguisher. The fire extinguisher is an owner-maintained, multipurpose, reloadable, dry chemical fire extinguisher and is the first portable owner-maintained fire extinguisher.

The operations of both of the businesses that comprise the Safety segment are startup in nature and have resulted in limited revenues. The segment has a sales force of 4 employees that sell to and service most customers. Product competition extends to product features, product pricing, product quality, marketing programs, service policies and other factors. New product introductions are an important part of the segment's sales to enhance its product offerings. New products entail unusual risks. Engineering and tooling costs are increasingly expensive, as are finished goods that may not have a ready market or achieve widespread consumer acceptance. Securing Underwriters Laboratories (UL) certification is a prerequisite to sales, and the process for securing certification is both expensive and time consuming. It typically takes in excess of a year. Fully tooled products are required prior to the performance of most tests. High-cost advertising commitments which may accompany such products may not be fully absorbed by ultimate product sales. Initial production

schedules, set in advance of introduction, carry the possibility of excess unsold inventories. New product introductions are further subject to delivery delays from supply sources, which can impact availability to meet commitments.

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Research and development costs related to new product development for the years 2020, 2019, and 2018 were expensed in operations of these years.

The segment primarily warehouses and distributes its products from Mount Horeb as well as distribution centers located in Canton and Jackson, Mississippi. Selective use is made of leased tractors and trailers.

B. OTHER COMMENTS

1. Sources and Availability of Materials

See Note J to the Consolidated Financial Statements.

2. Patents, Trademarks, and Licenses

Patents, trademarks and know-how are important to the Company's segments. Although the Company's current and future success does not materially depend upon the judicial protection of its intellectual property rights (patents, trademarks, trade dress copyrights and trade secrets), removal of that protection would expose the Company to competitors who seek to take advantage of the Company's innovations and proprietary rights. The Company's segments hold numerous patents and trademarks registered in the United States and foreign countries related to various products and methods. The Company believes its business is not dependent upon any individual patent, copyright or license, but that the Presto® trademark is material to its business.

3. Effects of Compliance with Environmental and Other Regulations

In May 1986, the Company's Eau Claire, Wisconsin site was placed on the United States Environmental Protection Agency's (EPA) National Priorities List (NPL) under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA) because of hazardous waste deposited on the property. At year end 1998, all remediation projects at the Eau Claire, Wisconsin site had been installed, were fully operational, and restoration activities had been completed.

Based on factors known as of December 31, 2020, it is believed that the Company's environmental liability reserve will be adequate to satisfy on-going remediation operations and monitoring activities; however, should environmental agencies require additional studies or remediation projects, it is possible the existing accrual could be inadequate.

Management believes that in the absence of any unforeseen future developments, known environmental matters will not have any material effect on the results of operations or financial condition of the Company.

Like other manufacturers, the Company is subject to a broad range of federal, state, local and foreign laws and requirements, including those concerning air emissions, discharges into waterways, and the generation, handling, storage, transportation, treatment and disposal of hazardous substances and waste materials, as well as the remediation of contamination associated with releases of hazardous substances at the Company's facilities and off-site disposal locations, workplace safety and equal employment opportunities. These laws and regulations are constantly changing, and it is impossible to predict with accuracy the effect that changes to such laws and regulations may have on the Company in the future. Like other industrial concerns, the Company's manufacturing operations entail the risk of noncompliance, and there can be no assurance that the Company will not incur material costs or other liabilities as a result thereof.

The Company is also subject to various other federal, state, and local laws affecting its business, as well as a variety of regulations relating to such matters as working conditions, equal employment opportunities, and product safety. These regulations stem from regulatory bodies or laws such as the US Consumer Product Safety Commission, the US Food and Drug Administration, California's Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65), the US Department of Transportation, and authorities having jurisdiction for fire safety and refrigeration equipment. The Company believes it is currently in material compliance with all such applicable laws and regulations.

In addition, U.S. Government contractors are subject to extensive laws and regulations specific to the defense industry, several of which are delineated in Item 1A Risk Factors under the heading "U.S. Government contractors are subject to extensive laws and regulations applicable to the defense industry and the Company could be adversely affected by changes in and compliance with such laws and regulations, or any negative findings by the U.S. government regarding the Company's compliance with them."

4. Human Capital

As of December 31, 2020, the Company and its subsidiaries had 955 employees compared to 919 employees at the end of December 2019.

Approximately 231 employees of Amron are members of the United Steel Workers union. The most recent contract between Amron and the union is effective through February 28, 2025.

The Company provides its employees with competitive salaries and bonuses, opportunities for equity ownership, opportunities for continued learning and growth and a robust employment package that promotes well-being across all aspects of their lives, including health care, retirement planning and paid time off.

5. Industry Practices Related to Working Capital Requirements

The major portion of the Company's sales are made with terms of 60 days or shorter.

For the Housewares/Small Appliance segment, inventory levels increase in advance of the selling period for products that are seasonal, such as pressure canners, heaters, and major new product introductions. Inventory build-up also occurs to create stock levels required to support the higher sales that occur in the latter half of each year or to provide a means to delay the impact of potential tariffs. Buying practices of the Company's customers require "just-in-time" delivery, necessitating that the Company carry large finished goods inventories.

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The ability to meet U.S. Department of Defense demands also necessitates the carrying of large inventories in the Defense segment.

Inventory build-up also occurs in the Safety segment to meet potential demand of customers that require delivery with shorter lead times.

6. Order Backlog

Shipment of most of the Company's Housewares/Small Appliance products occurs within a relatively short time after receipt of the order and, therefore, there is usually no substantial order backlog. New product introductions may result in order backlogs that vary from product to product and as to timing of introduction.

The contract backlog of the Defense segment was approximately \$320,214,000, \$310,385,000, and \$333,592,000 at December 31, 2020, 2019, and 2018, respectively. Backlog is defined as the value of orders from the customer less the amount of sales recognized against the orders. It is anticipated that the backlog will be produced and shipped during an 18 to 24-month period, after December 31, 2020.

Shipments in the Safety segment typically occur within a relatively short time after receipt of an order, and thus there is usually no substantial long term backlog of orders.

C. AVAILABLE INFORMATION

The Company has a web site at www.gopresto.com. The contents of the Company's web site are not part of, nor are they incorporated by reference into, this annual report.

The Company makes available on its web site its annual reports on Form 10-K or 10-K/A and, beginning with its second quarter filing in 2011, quarterly reports on Form 10-Q or 10-Q/A. It does not provide its current reports on Form 8-K or amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act on its web site. The Company does not do so because these and all other reports it files with the SEC are readily available to the public on the SEC web site at www.sec.gov and can be located with ease using the link provided on the Company's web site. The Company provides paper copies of its annual report free of charge upon request.

ITEM 1A. RISK FACTORS

The Company's three business segments described above are all subject to a number of risk factors, the occurrence of any one or more of which could have a significant adverse impact on the business, financial condition, or results of operations of the Company as a whole.

Housewares/Small Appliance Segment:

Increases in the costs for raw materials, energy, transportation and other necessary supplies could adversely affect the results of the Company's operations.

The Company's suppliers purchase significant amounts of metals, plastics, and energy to manufacture the Company's products. Also, the cost of fuel has a major impact on transportation costs. Any increased costs that cannot be fully absorbed or passed along in the form of price increases to the retail customer can have a material adverse impact on the Company's operating results.

Reliance on third-party suppliers in Asia makes this segment vulnerable to supply interruptions and foreign business risks.

The majority of the housewares/small appliance products are manufactured by a handful of third-party suppliers in Asia, primarily in the People's Republic of China. The Company's ability to continue to select and develop relationships with reliable vendors who provide timely deliveries of quality parts and products will impact its success in meeting customer demand. Most products are procured on a "purchase order" basis. As a result, the Company may be subject to unexpected changes in pricing or supply of products. There is no assurance that it could quickly or effectively replace any of its vendors if the need arose. Any significant failure to obtain products on a timely basis at an affordable cost or any significant delays or interruptions of supply may disrupt customer relationships and have a material adverse effect on the Company's business.

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International manufacturing is subject to significant risks, including, among others, labor unrest, adverse social, political and economic conditions, interruptions in international shipments, tariffs and other trade barriers, legal and regulatory constraints and fluctuations in currency exchange rates.

Although China currently enjoys “most favored nation” trading status with the United States, the U.S. Government has in the past proposed to revoke that status and to impose higher tariffs on products imported from China, which could have a material adverse effect on the Company’s business. Currently, it has imposed penalty tariffs on some imports and has threatened to impose a tariff on all products. The latter, if imposed, would have a material adverse effect on the Company’s business.

The Housewares/Small Appliance segment is dependent on key customers, and any significant decline in business from one or more of its key customers could adversely affect the segment’s operating results.

Although the Company has a long-established relationship with its major customers, it does not have any long-term supply agreements or guaranties of minimum purchases. As a result, the customers may fail to place anticipated orders, change planned quantities, delay purchases, or change product assortments for reasons beyond the Company’s control, which could prove detrimental to the segment’s operating results.

The sales for this segment are highly seasonal and dependent upon the United States retail markets and consumer spending.

Traditionally, this segment has recognized a substantial portion of its sales during the Holiday selling season. Any downturn in the general economy, shift in consumer spending away from its housewares/small appliances, or further deterioration in the financial health of its customer base could adversely affect sales and operating results.

The Company may not be successful in developing and introducing new and improved consumer products.

The development and introduction of new housewares/small appliance products is very important to the Company’s long-term success. The ability to develop new products is affected by, among other things, whether the Company can develop and fund technological innovations and successfully anticipate consumer needs and preferences, as well as the intellectual property rights of others. The introduction of new products may require substantial expenditures for advertising and marketing to gain marketplace recognition or to license intellectual property. There is no guarantee that the Company will be aware of all relevant intellectual property in the industry and may be subject to claims of infringement, which could preclude it from producing and selling a product. Likewise, there is no guarantee that the Company will be successful in developing products necessary to compete effectively in the industry or that it will be successful in advertising, marketing and selling any new products.

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Product recalls or lawsuits relating to defective products could have an adverse effect on the Company, as could the imposition of industry sustainability standards.

As distributors of consumer products in the United States, the Company is subject to the Consumer Products Safety Act, which empowers the U.S. Consumer Products Safety Commission to exclude from the market products that are found to be unsafe or hazardous. Under certain circumstances, the U.S. Consumer Products Safety Commission could require the Company to repair, replace or refund the purchase price of one or more of its products, or the Company may voluntarily do so. Any repurchase or recall of products could be costly and damage the Company's reputation, as well as subject it to a sizable penalty that the Commission is empowered to impose. If the Company removed products from the market, its reputation or brands could be tarnished and it might have large quantities of finished products that could not be sold.

The Company could also face exposure to product liability claims if one of its products were alleged to have caused property damage, bodily injury or other adverse effects. It is self-insured to specified levels of those claims and maintains product liability insurance for claims above the self-insured levels. The Company may not be able to maintain such insurance on acceptable terms, if at all, in the future. In addition, product liability claims may exceed the amount of insurance coverage. Moreover, many states do not allow insurance companies to provide coverage of punitive damages, in the event such damages were imposed. Additionally, the Company does not maintain product recall insurance. As a result, product recalls or product liability claims could have a material adverse effect on the Company's business, results of operations and financial condition.

The portable appliance and floor care companies' industry association is in the process of trying to promulgate sustainability standards for the industry. It has passed an outline for a standard but has not yet developed specific guidelines for implementation. The Sustainability Consortium (TSC) under the auspices of a Retail Industry Leaders Association (RILA) is trying to develop standards for all consumer products. If either the association or TSC is successful in developing enforceable standards, the standards are expected to ultimately become mandatory. The standards as drafted will do nothing for the environment, but will entail the addition of significant bureaucracy and outside certification fees. As such, compliance will be burdensome and expensive.

The housewares/small appliance industry continues to consolidate, which could ultimately impede the Company's ability to secure product placement at key customers.

Over the past decade, the housewares/small appliance industry has undergone significant consolidation, and, as a result, the industry primarily consists of a limited number of larger companies. Larger companies do enjoy a competitive advantage in terms of the ability to offer a larger assortment of product to any one customer. As a result, the Company may find it more difficult or lose the ability to place its products with its customers.

Defense Segment:

The Company relies primarily on sales to U.S. Government entities, and the failure to procure or the loss of a significant contract or contracts could have a material adverse effect on its results of operations.

As the Company's sales in the Defense segment are primarily to the U.S. Government and its prime contractors, it depends heavily on the contracts underlying these programs. The loss or significant reduction of a major program in which the Company participates could have a material adverse effect on the results of operations.

A decline in or a redirection of the U.S. defense budget could result in a material decrease in the Defense segment sales and earnings.

Government contracts are primarily dependent upon the U.S. defense budget. During recent years, the Company's sales were augmented by increased defense spending, including supplemental appropriations for operations in Iraq and Afghanistan. However, future defense budgets could be negatively affected by several factors, including U.S. Government budget deficits, administration priorities, U.S. national security strategies, a change in spending priorities, and the reduction of military operations around the world. Any significant decline or redirection of U.S. military expenditures could result in a decrease to the Company's sales and earnings.

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U.S. Government contracts are also dependent on the continuing availability of Congressional appropriations. Congress usually appropriates funds for a given program on a fiscal year basis even though contract performance may take more than one year. As a result, at the outset of a major program, the contract is usually incrementally funded, and additional monies are normally committed to the contract by the procuring agency only as Congress makes appropriations for future fiscal years. In addition, most U.S. Government contracts are subject to modification if funding is changed. Any failure by Congress to appropriate additional funds to any program in which the Company participates, or any contract modification as a result of funding changes, could materially delay or terminate the program. This could have a material adverse effect on the results of the Company's operations.

The Company may not be able to react to increases in its costs due to the nature of its U.S. Government contracts.

Substantially all of the Company's U.S. Government contracts are fixed-price. Under fixed-price contracts, the Company agrees to perform the work for a fixed price, subject to limited escalation provisions on specified raw materials. Thus it bears the risk that any increases or unexpected costs may reduce profits or potentially cause losses on the contract, which could have a material adverse effect on results of operations and financial condition. That risk is potentially compounded by the political actions under consideration by federal and state governments, including climate change and labor regulations, which could have an impact if enacted or promulgated on the availability of affordable labor, energy and ultimately, materials, as the effects of the legislation/regulation ripple throughout the economy. In addition, products are accepted by test firing samples from a production lot. Lots typically constitute a sizable amount of product. Should a sample not fire as required by the specifications, the cost to rework or scrap the entire lot could be substantial.

The Company's U.S. Government contracts are subject to termination.

All of the Company's U.S. Government contracts can be terminated by the U.S. Government either for its convenience or if the Company defaults by failing to perform under the contract. Performance failure can occur from a myriad of factors, which include late shipments due to the inability to secure requisite raw materials or components or strikes or other labor unrest, equipment failures or quality issues, which result in products that do not meet specifications, etc. Termination for convenience provisions provide only for recovery of costs incurred and profit on the work completed prior to termination. Termination for default provisions provide for the contractor to be liable for excess costs incurred by the U.S. Government in procuring undelivered items from another source. If a termination provision is exercised, it could have a material adverse effect on the Company's business, results of operations and financial condition.

Failure of the Company's subcontractors to perform their contractual obligations could materially and adversely impact contract performance.

Key components and services are provided by third party subcontractors, several of which the segment is required to work with by government edict. Under the contract, the segment is responsible for the performance of those subcontractors, many of which it does not control. There is a risk that the Company may have disputes with its subcontractors, including disputes regarding the quality and timeliness of work performed by subcontractors. A failure by one or more of the Company's subcontractors to satisfactorily provide on a timely basis the agreed-upon supplies or perform the agreed-upon services may materially and adversely impact the Company's ability to perform its obligations as the prime contractor.

U.S. Government contractors are subject to extensive laws and regulations applicable to the defense industry and the Company could be adversely affected by changes in and compliance with such laws and regulations, or any negative findings by the U.S. government regarding the Company's compliance with them.

U.S. government contractors must comply with numerous significant procurement regulations and specific legal requirements, including a vast array of federal, state, and local laws, regulations, contract terms and requirements related to the defense industry and the Company's products and businesses. These laws and regulations include, but are not limited to, the Federal Acquisition Regulation (FAR) and Department of Defense FAR Supplement, Truthful Cost or Pricing Data Act, International Traffic in Arms Regulations/Arms Export Control Act, DOD 4145.26-M, and Bureau of Alcohol, Tobacco, Firearms and Explosives orders, rules and regulations. Although customary in government contracting, these regulations and legal requirements increase the Company's performance and compliance costs and risks. New laws, regulations or procurement requirements or changes to current ones (for example, regulations related to cybersecurity and related certification requirements, specialty metals, and conflict minerals) can significantly increase the Company's costs and risks and reduce profitability. Non-compliance with the laws, regulations, contract terms and processes to which the Company is subject could affect its ability to compete and have a material adverse effect on the Company's financial position, results of operations and/or cash flows.

Safety Segment:

The Safety segment is comprised of businesses that are startup in nature.

The operations that comprise the Safety segment are startup in nature, and like most startups may not ultimately have the potential to be successful.

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Increases in the costs for raw materials, energy, transportation and other necessary supplies could adversely affect the results of the Company's operations.

The Company's suppliers purchase significant amounts of metals, plastics, chemicals, and energy to manufacture the Company's products. Also, the cost of fuel has a major impact on transportation costs. Any increased costs that cannot be fully absorbed or passed along in the form of price increases to the customer can have a material adverse impact on the Company's operating results.

Reliance on third-party suppliers in Asia makes this segment vulnerable to supply interruptions and foreign business risks.

The major portion of the safety products are manufactured by a handful of third-party suppliers in Asia, primarily in the People's Republic of China. The Company's ability to continue to select and develop relationships with reliable vendors who provide timely deliveries of quality parts and products will impact its success in meeting customer demand. Most products are procured on a "purchase order" basis. As a result, the Company may be subject to unexpected changes in pricing or supply of products. There is no assurance that it could quickly or effectively replace any of its vendors if the need arose. Any significant failure to obtain products on a timely basis at an affordable cost or any significant delays or interruptions of supply may disrupt customer relationships and have a material adverse effect on the Company's business.

In addition, international manufacturing is subject to significant risks, including, among others, labor unrest, adverse social, political and economic conditions, interruptions in international shipments, tariffs and other trade barriers, legal and regulatory constraints and fluctuations in currency exchange rates. Although China currently enjoys "most favored nation" trading status with the United States, the U.S. Government has in the past proposed to revoke that status and to impose higher tariffs on products imported from China, which could have a material adverse effect on the Company's business. Currently, it has imposed a penalty tariff on some imports and has threatened to impose a tariff on all products. The latter, if imposed, would have a material adverse effect on the Company's business.

Regulatory constraints and authorities having jurisdiction has impeded and may continue to impede sales of certain of the segment's products.

The commercial sales of certain of the Safety segment's products are dependent on the approval of officials that oversee fire safety at state and local levels for use of the products in areas under their jurisdiction. The inability to obtain the approval of these officials has had and may continue to have an adverse impact on the segment's operating results.

Various products in the Safety segment are reliant upon up-to-date software, hardware, and the wireless communications infrastructure.

The effective operation of various products in the Safety segment depend on software that utilizes data obtained wirelessly via telecommunication network infrastructure. The inability of the Company to maintain software and hardware that can connect to the wireless infrastructure, failure of the wireless infrastructure, or the availability of cloud based data storage, could have a material adverse effect on the efficacy of the segment's products and in turn on its operating results.

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The segment may not be successful in developing and introducing new and improved products.

The development and introduction of new products is very important to the Company's long-term success. The ability to develop new products is affected by, among other things, whether the Company can develop and fund technological innovations and successfully anticipate customer needs and preferences, meet Underwriters Laboratories requirements and avoid infringing on the intellectual property rights of others. The introduction of new products may require substantial expenditures for advertising and marketing to gain marketplace recognition or to license intellectual property. There is no guarantee that the Company will be aware of all relevant intellectual property in the industry and may be subject to claims of infringement, which could preclude it from producing and selling a product. Likewise, there is no guarantee that the Company will be successful in developing products necessary to compete effectively in the industry or that it will be successful in advertising, marketing and selling any new products.

Acquisition Risks:

The Company may pursue acquisitions of new product lines or businesses. It may not be able to identify suitable acquisition candidates or, if suitable candidates are identified, it may not be able to complete the acquisition on commercially acceptable terms. Even if the Company is able to consummate an acquisition, the transaction would present many risks, including, among others: failing to achieve anticipated benefits or cost savings; difficulty incorporating and integrating the acquired technologies, services or products; coordinating, establishing or expanding sales, distribution and marketing functions, as necessary; diversion of management's attention from other business concerns; being exposed to unanticipated or contingent liabilities or incurring the impairment of goodwill; the loss of key employees, customers, or distribution partners; and difficulties implementing and maintaining sufficient controls, policies and procedures over the systems, products and processes of the acquired company. If the Company does not achieve the anticipated benefits of its acquisitions as rapidly or to the extent anticipated by management, or if others do not perceive the same benefits of the acquisition as the Company does, there could be a material, adverse effect on the Company's business, financial condition or results of operations.

Information Technology System Failure or Security Breach Risks:

The Company relies on its information technology systems to effectively manage its business data, communications, supply chain, logistics, accounting, and other business processes. While the Company endeavors to build and sustain an appropriate technology environment, information technology systems are vulnerable to damage or interruption from circumstances beyond the Company's control, including systems failures, viruses, security breaches or cyber incidents such as intentional cyber attacks aimed at theft of sensitive data, or inadvertent cyber-security compromises. A security breach of such systems could result in interruptions of the Company's operations, negatively impact relations with customers or employees, and expose the Company to liability and litigation, any one of which could have a negative impact on the Company's business, results of operations or financial condition. The Company's insurance coverage may not be adequate to cover all the costs related to cyber security attacks or disruptions. Some of the Company's systems have recently experienced security breaches, and, although to the best of the Company's knowledge as of the date of this filing, the breaches did not have a material adverse effect on its operating results or financial condition, there can be no assurance the Company will not experience material effects from security breaches in the future.

COVID-19 or Other Pandemics, Epidemics, or Similar Public Health Crises Risks:

The Company may be negatively impacted by the fear of exposure to, or actual effects of, pandemics and epidemics or similar public health crises. In response to a public health crisis, national, state and local authorities have implemented a variety of measures intended to limit the spread of a disease, such as travel restrictions, social distancing or imposing quarantine and isolation measures on the population. They may implement other measures. The impacts of a public health crisis may include, but are not limited to:

Significant reductions in demand or significant volatility in demand for the Company's products, which may be caused by, among other things, the temporary inability of consumers to purchase the products due to illness, self-quarantine, travel restrictions, financial hardship, restrictions that limit access to or close customer stores, shifts in demand away from one or more of the Company's more discretionary or higher priced products to lower priced products, or the inability to meet heightened demand stemming from programs like the CARES Act that provide substantial additional purchasing power to consumers;

Inability to meet the Company's customers' needs and achieve cost targets due to disruptions in distribution capabilities or the supply chain caused by the loss or disruption of essential manufacturing and supply elements such as raw materials or other finished products or

components, restricted transportation or increased freight costs, reduced workforce, or other manufacturing sources and distribution processes;

Failure of third parties on which the Company relies, including suppliers, customers, distributors, commercial banks, and external business partners, to meet their obligations to the Company, or significant disruptions in their ability to do so, which may be caused by their own financial or operational difficulties and may adversely impact the Company's operations;

Significant changes in the political environment in which the Company manufactures, sells, or distributes products, including quarantines, governmental authority actions, closures or other restrictions that limit or close operating and manufacturing or distribution facilities, restrict employees' ability to travel or perform necessary business functions, or otherwise prevent external business partners, suppliers, or customers from sufficiently staffing operations, including operations necessary for the production, distribution, sale, and support of the Company's products, which could adversely impact the Company's results;

Massive government indebtedness resulting from its injection of money into the economy that could result in spiraling inflation, which could in turn affect the Company's liquidity, and could also result in decreases in U.S. and foreign defense budgets, which in turn could have a negative impact on the Company's sales and earnings;

Delays or limits in the ability of the U.S. Government and other customers to perform, including making timely payments and awards to the Company, negotiating contracts and agreeing to appropriate costs for recovery, performing quality inspections, supporting testing, accepting delivery, approving security clearances (for individuals and facilities), and providing necessary personnel, equipment and facilities; or

A prolonged period of generating lower cash from operations that could adversely affect both the Company's financial condition and the achievement of its strategic objectives.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES (Owned Except Where Indicated)

The Company's Eau Claire facility is approximately 522,000 square feet, of which approximately 354,000 square feet was formerly occupied by Presto Absorbent Products, Inc. and subsequently, beginning on January 3, 2017, is leased to Drylock Technologies, Ltd mentioned in Item 1 of this Form 10-K. Rusoh, Inc. rents approximately 8,000 square feet of the Eau Claire facility. The Company's corporate office occupies the balance of the space in Eau Claire. During 2018, the Company completed construction of a 30,000 square foot office building adjacent to its Eau Claire facility, which it also leases to Drylock Technologies, Ltd.

The Company has Defense segment manufacturing facilities located in Janesville and Antigo, Wisconsin; East Camden, Arkansas; and Clear Lake, South Dakota. The Janesville, Wisconsin facility is comprised of approximately 106,000 square feet, which includes the Company's 2016 construction of 31,000 square feet of manufacturing space. The Antigo, Wisconsin facility is comprised of approximately 208,000 square feet, the East Camden, Arkansas operation leases approximately 364,000 square feet, and the Clear Lake, South Dakota facility is comprised of approximately 88,000 square feet.

OneEvent, included in the Company's Safety segment, leases approximately 7,000 square feet for its operations in Mount Horeb.

There are two warehousing facilities located in Jackson and Canton, Mississippi used in the Housewares/ Small Appliance and Safety segments. The Jackson facility contains 252,000 square feet. The Company also leases a 255,000 square foot building in Canton which is used primarily for warehousing and distribution and some activities for product service functions. An additional 72,000 square feet has been leased in adjacent Canton buildings for warehousing.

The facilities in use for each of the Company's business segments are believed to be adequate for their ongoing business needs.

ITEM 3. LEGAL PROCEEDINGS

See Note I to the Company's Consolidated Financial Statements.

See Item 1-B-3 of this Form 10-K and Note K to the Consolidated Financial Statements for information regarding certain environmental matters.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Record of Purchases of Equity Securities

Month	Total Shares Purchased	Average Price Paid per Share	Shares Purchased as Part of Publicly Announced Plan or Program	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
Feb. 24 - Mar. 29, 2020	344 *	\$ 79.10	N/A	N/A
Total	<u>344</u>	<u>\$ 79.10</u>		

* Under the Incentive Compensation Plan approved by stockholders on May 18, 2010 and the 2017 Incentive Compensation Plan approved by shareholders on May 16, 2017, the Company has the right to withhold shares from vested restricted stock grants to be delivered to grantees to satisfy all or a portion of federal, state, local, or foreign tax withholding requirements.

On February 19, 2021, the Company's Board of Directors announced a regular dividend of \$1.00 per share, plus an extra dividend of \$5.25. The dividend will be payable on March 12, 2021 to the stockholders of record as of March 1, 2021.

The common stock of National Presto Industries, Inc. is traded on the New York Stock Exchange under the symbol "NPK". As of March 1, 2021, there were 240 holders of record of the Company's common stock. This number does not reflect stockholders who hold their shares in the name of broker dealers or other nominees. During the fourth quarter of 2020, the Company did not purchase any of its equity securities.

The information under the heading "Equity Compensation Plan Information," in the Company's Proxy Statement for its 2021 Annual Meeting of Stockholders, is incorporated by reference.

The line graph and related information set forth under the heading "Performance Graph" in the Company's 2020 Annual Report is incorporated by reference.

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For the years ended December 31,	(In thousands except per share data)				
	2020	2019	2018	2017	2016
Net sales	\$ 352,627	\$ 308,510	\$ 323,317	\$ 333,633	\$ 341,905
Earnings from continuing operations	\$ 46,958	\$ 40,540	\$ 39,889	\$ 43,314	\$ 41,915
Earnings from discontinued operations, net of tax	-	1,680	51	9,645	2,649
Net earnings	46,958	42,220	39,940	52,959	44,564
Earnings per share - basic and diluted					
From continuing operations	\$ 6.67	\$ 5.78	\$ 5.69	\$ 6.20	\$ 6.01
From discontinued operations, net of tax	-	0.24	0.01	1.38	0.38
Net earnings per share	6.67	6.02	5.70	7.58	6.39
Total assets	\$ 433,170	\$ 410,253	\$ 413,618	\$ 411,873	\$ 417,594
Dividends paid per common share applicable to current year					
Regular	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Extra	5.00	5.00	5.00	4.50	4.05
Total	\$ 6.00	\$ 6.00	\$ 6.00	\$ 5.50	\$ 5.05