

COMPX INTERNATIONAL INC  
Form 10-Q  
August 02, 2007

**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-Q**

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

**For the quarter ended June 30, 2007**

**Commission file number 1-13905**

**COMPX INTERNATIONAL INC.**  
(Exact name of Registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
Incorporation or organization)

**57-0981653**  
(IRS Employer  
Identification No.)

**5430 LBJ Freeway, Suite 1700,**  
**Three Lincoln Centre, Dallas, Texas**  
(Address of principal executive offices)

**75240-2697**  
(Zip Code)

Registrant's telephone number, including area code

**(972) 448-1400**

**Indicate by checkmark:**

**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 and (2) has been subject to such filing requirements for the past 90 days. Yes  No**

**Whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Large accelerated filer  Accelerated filer  Non-accelerated filer**

**Whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No**

**Number of shares of common stock outstanding on July 24, 2007:**

**Class A: 5,285,280**

**Class B: 10,000,000**

**COMPX INTERNATIONAL INC.**

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Items 1,2,3 and 5 of Part II are omitted because there is no information to report.

**COMPX INTERNATIONAL INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands)

<b>ASSETS</b>	<b>December 31, 2006</b>	<b>June 30, 2007 (unaudited)</b>
Current assets:		
Cash and cash equivalents	\$ 29,688	\$ 27,978
Accounts receivable, net	19,986	21,636
Receivables from affiliates	259	291
Inventories, net	21,733	25,526
Prepaid expenses and other	1,172	689
Deferred income taxes	2,050	2,058
Current portion of note receivable	1,306	1,306
 Total current assets	 76,194	 79,484
Other assets:		
Goodwill	40,759	40,742
Other intangible assets	3,174	2,864
Note receivable	1,567	261
Other	644	696
 Total other assets	 46,144	 44,563
Property and equipment:		
Land	8,826	8,841
Buildings	35,284	36,070
Equipment	114,207	118,609
Construction in progress	2,559	8,302
	160,876	171,822
 Less accumulated depreciation	 91,188	 99,503
 Net property and equipment	 69,688	 72,319
 Total assets	 \$ 192,026	 \$ 196,366

## COMPX INTERNATIONAL INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In thousands)

<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>December 31, 2006</b>	<b>June 30, 2007 (unaudited)</b>
Current liabilities:		
Accounts payable and accrued liabilities	\$ 16,842	\$ 18,940
Income taxes payable to affiliates	136	266
Income taxes	836	573
Total current liabilities	17,814	19,779
Noncurrent liabilities - deferred income taxes	20,522	19,152
Stockholders' equity:		
Preferred stock	-	-
Class A common stock	53	53
Class B common stock	100	100
Additional paid-in capital	110,106	110,418
Retained earnings	35,353	37,241
Accumulated other comprehensive income	8,078	9,623
Total stockholders' equity	153,690	157,435
Total liabilities and stockholders' equity	\$ 192,026	\$ 196,366

Commitments and contingencies (Note 5)

See accompanying Notes to Condensed Consolidated Financial Statements.

## COMPX INTERNATIONAL INC.

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2006	2007	2006	2007
	(unaudited)			
Net sales	\$ 50,143	\$ 45,229	\$ 97,172	\$ 88,780
Cost of goods sold	37,794	33,366	73,195	64,796
Gross margin	12,349	11,863	23,977	23,984
Selling, general and administrative expense	6,441	6,571	13,159	13,237
Other operating expense, net	87	688	202	706
Operating income	5,821	4,604	10,616	10,041
Other non-operating income, net	253	306	574	553
Income from continuing operations before income taxes	6,074	4,910	11,190	10,594
Provision for income taxes	2,284	2,261	4,927	4,927
Income from continuing operations	3,790	2,649	6,263	5,667
Discontinued operations, net of tax	(500)	-	(500)	-
Net income	\$ 3,290	\$ 2,649	\$ 5,763	\$ 5,667
Basic and diluted earnings (loss) per common share:				
Continuing operations	\$ .25	\$ .17	\$ .41	\$ .37
Discontinued operations	(.03)	-	(.03)	-
	.22	.17	.38	.37
Cash dividends per share	\$ .125	\$ .125	\$ .25	\$ .25
Shares used in the calculation of basic and diluted earnings per share	15,250	15,279	15,249	15,284

See accompanying Notes to Condensed Consolidated Financial Statements.



## COMPX INTERNATIONAL INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Six months ended June 30	
	2006	2007
	(unaudited)	
Cash flows from operating activities:		
Net income	\$ 5,763	\$ 5,667
Depreciation and amortization	5,540	5,480
Deferred income taxes	1,115	(1,537)
Other, net	413	235
Change in assets and liabilities (exclusive of acquisition):		
Accounts receivable, net	(1,173)	(1,106)
Inventories, net	1,050	(3,565)
Accounts payable and accrued liabilities	(303)	246
Accounts with affiliates	405	99
Income taxes	(1,539)	(579)
Other, net	4	400
Net cash provided by operating activities	11,275	5,340
Cash flows from investing activities:		
Capital expenditures	(5,383)	(5,477)
Acquisitions, net of cash acquired	(9,832)	-
Cash collected on note receivable	1,306	1,306
Proceeds from sale of fixed assets	37	42
Net cash used in investing activities	(13,872)	(4,129)
Cash flows from financing activities:		
Principal payments	(1,490)	-
Dividends	(3,809)	(3,820)
Issuance of common stock and other, net	(105)	204
Net cash used in financing activities	(5,404)	(3,616)
Cash and cash equivalents – net change from:		
Operating, investing and financing activities	(8,001)	(2,405)
Currency translation	249	695
Cash and cash equivalents at beginning of period	30,592	29,688
Cash and cash equivalents at end of period	\$ 22,840	\$ 27,978
Supplemental disclosures – cash paid for:		
Interest	\$ 181	\$ 56

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Income taxes, net		4,949	<b>6,938</b>
Non-cash investing activities:			
Accrual for capital expenditures	\$	-	\$ <b>1,232</b>

See accompanying Notes to Condensed Consolidated Financial Statements.

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## COMPX INTERNATIONAL INC.

## CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

Six months ended June 30, 2007

(In thousands)

	Common Stock		Additional	Retained	Accumulated	Total	Comprehensive
	Class A	Class B	paid-in	earnings	other	stockholders'	income
			capital	(unaudited)	comprehensive	equity	
					income-currency		
					translation		
Balance at December 31, 2006	\$ 53	\$ 100	\$ 110,106	\$ 35,353	\$ 8,078	\$ 153,690	
Net income	-	-	-	5,667	-	5,667	\$ 5,667
Other comprehensive income, net	-	-	-	-	1,545	1,545	1,545
Change in accounting principle – FIN No. 48	-	-	-	41	-	41	-
Issuance of common stock and other, net	-	-	312	-	-	312	-
Cash dividends	-	-	-	(3,820)	-	(3,820)	-
Balance at June 30, 2007	\$ 53	\$ 100	\$ 110,418	\$ 37,241	\$ 9,623	\$ 157,435	
Comprehensive income							\$ 7,212

See accompanying Notes to Condensed Consolidated Financial Statements.



**COMPX INTERNATIONAL INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2007**

**(unaudited)**

**Note 1 – Organization and basis of presentation:**

*Organization* - We are a leading manufacturer of component products. CompX Group, Inc., owns 82% of our outstanding common stock at June 30, 2007. CompX Group, Inc. is a majority-owned subsidiary of NL Industries, Inc. (NYSE: NL). NL owns 82% of CompX Group, and Titanium Metals Corporation (NYSE: TIE) (“TIMET”) owns the remaining 18% of CompX Group. At June 30, 2007, (i) NL and TIMET each own an additional 2% and 3%, respectively of us directly, (ii) Valhi, Inc. (NYSE: VHI) holds approximately 83% of NL’s outstanding common stock and (iii) Contran Corporation holds, directly and through subsidiaries, approximately 93% of Valhi's outstanding common stock and approximately 32% of TIMET’s outstanding common stock. Substantially all of Contran's outstanding voting stock is held by trusts established for the benefit of certain children and grandchildren of Harold C. Simmons (for which Mr. Simmons is sole trustee) or is held by Mr. Simmons or persons or other entities related to Mr. Simmons. Consequently, Mr. Simmons may be deemed to control each of our parent companies and us.

*Basis of presentation* - Consolidated in this Quarterly Report are the results of CompX International Inc. and subsidiaries. The unaudited Condensed Consolidated Financial Statements contained in this Quarterly Report have been prepared on the same basis as the audited Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2006 that we filed with the Securities and Exchange Commission (“SEC”) on March 1, 2007 (the “2006 Annual Report”), except as disclosed in Note 7. In our opinion, we have made all necessary adjustments (which include only normal recurring adjustments) in order to state fairly, in all material respects, our consolidated financial position, results of operations and cash flows as of the dates and for the periods presented. We have condensed the Consolidated Balance Sheet at December 31, 2006 contained in this Quarterly Report as compared to our audited Consolidated Financial Statements at that date, and we have omitted certain information and footnote disclosures (including those related to the Consolidated Balance Sheet at December 31, 2006) normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Our results of operations for the interim periods ended June 30, 2007 may not be indicative of our operating results for the full year. The Condensed Consolidated Financial Statements contained in this Quarterly Report should be read in conjunction with our 2006 Consolidated Financial Statements contained in our 2006 Annual Report.

Refer to our 2006 Annual Report for a discussion of commitments and contingencies.

Unless otherwise indicated, references in this report to “we”, “us” or “our” refer to CompX International Inc. and its subsidiaries (NYSE: CIX), taken as a whole.

**Note 2 – Business segment information:**

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>
	<b>(In thousands)</b>			
Net sales:				
Security Products	\$ 20,448	\$ <b>20,169</b>	\$ 40,866	\$ <b>39,947</b>
Furniture Components	24,285	<b>19,861</b>	48,029	<b>39,295</b>
Marine Components	5,410	<b>5,199</b>	8,277	<b>9,538</b>
Total net sales	\$ 50,143	\$ <b>45,229</b>	\$ 97,172	\$ <b>88,780</b>
Operating income:				
Security Products	\$ 3,724	\$ <b>3,899</b>	\$ 7,582	\$ <b>8,010</b>
Furniture Components	2,348	<b>1,680</b>	4,542	<b>3,943</b>
Marine Components	873	<b>722</b>	1,219	<b>1,117</b>
Corporate operating expense	(1,124)	<b>(1,697)</b>	(2,727)	<b>(3,029)</b>
Total operating income	5,821	<b>4,604</b>	10,616	<b>10,041</b>
Other non-operating income, net	253	<b>306</b>	574	<b>553</b>
Income from continuing operations before income taxes	\$ 6,074	\$ <b>4,910</b>	\$ 11,190	\$ <b>10,594</b>

**Note 3 – Inventories, net:**

	<b>December</b>	
	<b>31, 2006</b>	<b>June 30, 2007</b>
	<b>(In thousands)</b>	
Raw materials	\$ 5,892	\$ <b>7,330</b>
Work in progress	8,744	<b>10,471</b>
Finished products	7,097	<b>7,725</b>
Total	\$ 21,733	\$ <b>25,526</b>

**Note 4 – Accounts payable and accrued liabilities:**

<b>December</b>	
<b>31, 2006</b>	<b>June 30, 2007</b>
<b>(In thousands)</b>	

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Accounts payable	\$	6,151	\$	<b>7,884</b>
Accrued liabilities:				
Employee benefits		7,549		<b>7,151</b>
Customer tooling		617		<b>749</b>
Insurance		621		<b>622</b>
Taxes other than on income		302		<b>581</b>
Professional fees		334		<b>378</b>
Reserve for uncertain tax positions		-		<b>345</b>
Other		1,268		<b>1,230</b>