

REFINITIV

DELTA REPORT

10-Q

CIX - COMPX INTERNATIONAL INC

10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS 388

 **CHANGES** 77

 **DELETIONS** 137

 **ADDITIONS** 174

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

FORM 10-Q

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

For the quarter ended **March 31, June 30, 2024**

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 **1-13905**

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

Dallas, Texas 75240-2620

(Address of principal executive offices)

Registrant's telephone number, including area code (972) 448-1400

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock	CIX	NYSE American

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 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 during the preceding 12 months (or for such shorter period that the

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

As of **April 30, 2024** **July 30, 2024**, the registrant had **12,313,757** **12,318,557** shares of Class A common stock, \$.01 par value per share, outstanding.

[Table of Contents](#)

COMPX INTERNATIONAL INC.

Index

	Page
Part I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
Condensed Consolidated Balance Sheets – December 31, 2023 and March 31, 2024 June 30, 2024 (unaudited)	- 3 -
Condensed Consolidated Statements of Income and Comprehensive Income (unaudited) – Three and six months ended March 31, 2023 June 30, 2023 and 2024	- 4 -
Condensed Consolidated Statements of Stockholders' Equity (unaudited) – Three and six months ended March 31, 2023 June 30, 2023 and 2024	- 5 -
Condensed Consolidated Statements of Cash Flows (unaudited) – Three –Six months ended March 31, 2023 June 30, 2023 and 2024	- 6 -
Notes to Condensed Consolidated Financial Statements (unaudited)	- 7 -

		- 11 12
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	-
		- 16 18
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosure About Market Risk</u>	-
		- 16 18
<u>Item 4.</u>	<u>Controls and Procedures</u>	-
Part II.	OTHER INFORMATION	
<u>Item 1.</u>	<u>Legal Proceedings</u>	- 20 -
		- 18 20
<u>Item 1A.</u>	<u>Risk Factors</u>	-
		- 18 20
<u>Item 6.</u>	<u>Exhibits</u>	-

Items 2, 3, 4 and 5 of Part II are omitted because there is no information to report.

- 2 -

[Table of Contents](#)

COMPX INTERNATIONAL INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

ASSETS	December 31,	March 31,	December 31,	June 30,
	2023	2024	2023	2024
Current assets:				
Cash and cash equivalents	\$ 41,393	\$ 51,866	\$ 41,393	\$ 70,172
Marketable securities	35,354	23,701	35,354	11,934
Accounts receivable, net	17,061	17,329	17,061	15,435
Inventories, net	30,712	27,543	30,712	27,363
Prepaid expenses and other	2,110	1,807	2,110	1,768
Total current assets	126,630	122,246	126,630	126,672
Other assets:				

Note receivable from affiliate	10,600	9,800	10,600	9,200
Goodwill	23,742	23,742	23,742	23,742
Other noncurrent assets	769	747	769	723
Total other assets	<u>35,111</u>	<u>34,289</u>	<u>35,111</u>	<u>33,665</u>
Property and equipment:				
Land	5,390	5,390	5,390	5,390
Buildings	23,239	23,262	23,239	23,262
Equipment	74,315	74,650	74,315	74,651
Construction in progress	676	536	676	770
	<u>103,620</u>	<u>103,838</u>	<u>103,620</u>	<u>104,073</u>
Less accumulated depreciation	77,757	78,654	77,757	79,336
Net property and equipment	<u>25,863</u>	<u>25,184</u>	<u>25,863</u>	<u>24,737</u>
Total assets	<u>\$ 187,604</u>	<u>\$ 181,719</u>	<u>\$ 187,604</u>	<u>\$ 185,074</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:				
Accounts payable and accrued liabilities	\$ 15,745	\$ 9,697	\$ 15,745	\$ 13,164
Income taxes payable to affiliate	1,460	1,725	1,460	560
Total current liabilities	<u>17,205</u>	<u>11,422</u>	<u>17,205</u>	<u>13,724</u>
Noncurrent liabilities:				
Deferred income taxes	1,509	1,359	1,509	1,141
Other	41	34	41	26
Total noncurrent liabilities	<u>1,550</u>	<u>1,393</u>	<u>1,550</u>	<u>1,167</u>
Stockholders' equity:				
Preferred stock	—	—	—	—
Class A common stock	123	123	123	123
Additional paid-in capital	53,275	53,275	53,275	53,396
Retained earnings	115,457	115,517	115,457	116,665
Accumulated other comprehensive loss -				
unrealized loss on marketable securities	(6)	(11)	(6)	(1)
Total stockholders' equity	<u>168,849</u>	<u>168,904</u>	<u>168,849</u>	<u>170,183</u>
Total liabilities and stockholders' equity	<u>\$ 187,604</u>	<u>\$ 181,719</u>	<u>\$ 187,604</u>	<u>\$ 185,074</u>

Commitments and contingencies (Note 18)

See accompanying Notes to Condensed Consolidated Financial Statements.

[Table of Contents](#)

COMPX INTERNATIONAL INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(In thousands, except per share data)

	Three months ended			
	March 31,			
	2023	2024	(unaudited)	
Net sales	\$ 41,151	\$ 37,971		
Cost of sales	28,447	28,304		
Gross margin	12,704	9,667		
Selling, general and administrative expense	5,664	5,952		
Operating income	7,040	3,715		
Interest income	947	1,224		
Income before income taxes	7,987	4,939		
Provision for income taxes	1,919	1,185		
Net income	<u>\$ 6,068</u>	<u>\$ 3,754</u>		
Other comprehensive loss, marketable securities adjustment:				
Unrealized loss arising during year, net	(30)	(5)		
Comprehensive income	<u>\$ 6,038</u>	<u>\$ 3,749</u>		
Basic and diluted net income per common share	<u>\$.49</u>	<u>\$.31</u>		
Basic and diluted weighted average shares outstanding	<u>12,307</u>	<u>12,314</u>		
Six months ended				
June 30,				
	2023	2024	2023	2024
	(unaudited)			
Net sales	\$ 36,616	\$ 35,887	\$ 77,767	\$ 73,858
Cost of sales	26,343	24,722	54,790	53,026
Gross margin	10,273	11,165	22,977	20,832
Selling, general and administrative expense	5,906	6,084	11,570	12,036
Operating income	4,367	5,081	11,407	8,796
Interest income	992	1,295	1,939	2,519
Income before income taxes	5,359	6,376	13,346	11,315
Provision for income taxes	1,287	1,532	3,206	2,717
Net income	<u>\$ 4,072</u>	<u>\$ 4,844</u>	<u>\$ 10,140</u>	<u>\$ 8,598</u>
Other comprehensive income (loss), marketable securities adjustment:				
Unrealized income (loss) arising during year, net	(72)	10	(102)	5

Comprehensive income	\$ 4,000	\$ 4,854	\$ 10,038	\$ 8,603
Basic and diluted net income per common share	\$.33	\$.39	\$.82	\$.70
Basic and diluted weighted average shares outstanding	12,310	12,316	12,309	12,315

See accompanying Notes to Condensed Consolidated Financial Statements.

- 4 -

[Table of Contents](#)

COMPX INTERNATIONAL INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

Three months ended March 31, 2023 and 2024 (unaudited)						
	Accumulated					Total
	Class A common stock	Additional paid-in capital	Retained earnings	other comprehensive loss	stockholders' equity	
Balance at December 31, 2022	\$ 123	\$ 53,155	\$ 105,175	\$ (17)	\$ 158,436	
Net income	—	—	6,068	—	6,068	
Cash dividends (\$.25 per share)	—	—	(3,077)	—	(3,077)	
Other comprehensive loss	—	—	—	(30)	(30)	
Balance at March 31, 2023	<u>\$ 123</u>	<u>\$ 53,155</u>	<u>\$ 108,166</u>	<u>\$ (47)</u>	<u>\$ 161,397</u>	
Balance at December 31, 2023	\$ 123	\$ 53,275	\$ 115,457	\$ (6)	\$ 168,849	
Net income	—	—	3,754	—	3,754	
Cash dividends (\$.30 per share)	—	—	(3,694)	—	(3,694)	
Other comprehensive loss	—	—	—	(5)	(5)	
Balance at March 31, 2024	<u>\$ 123</u>	<u>\$ 53,275</u>	<u>\$ 115,517</u>	<u>\$ (11)</u>	<u>\$ 168,904</u>	
Three months ended June 30, 2023 and 2024 (unaudited)						
	Accumulated					Total
	Class A common stock	Additional paid-in capital	Retained earnings	other comprehensive loss	stockholders' equity	

Balance at March 31, 2023	\$ 123	\$ 53,155	\$ 108,166	\$ (47)	\$ 161,397
Net income	—	—	4,072	—	4,072
Issuance of common stock	—	120	—	—	120
Cash dividends (\$.25 per share)	—	—	(3,078)	—	(3,078)
Other comprehensive loss	—	—	—	(72)	(72)
Balance at June 30, 2023	<u>\$ 123</u>	<u>\$ 53,275</u>	<u>\$ 109,160</u>	<u>\$ (119)</u>	<u>\$ 162,439</u>
Balance at March 31, 2024	\$ 123	\$ 53,275	\$ 115,517	\$ (11)	\$ 168,904
Net income	—	—	4,844	—	4,844
Issuance of common stock	—	121	—	—	121
Cash dividends (\$.30 per share)	—	—	(3,696)	—	(3,696)
Other comprehensive income	—	—	—	10	10
Balance at June 30, 2024	<u>\$ 123</u>	<u>\$ 53,396</u>	<u>\$ 116,665</u>	<u>\$ (1)</u>	<u>\$ 170,183</u>

Six months ended June 30, 2023 and 2024 (unaudited)						
	Class A common stock	Additional paid-in capital	Retained earnings	other comprehensive loss		Accumulated stockholders' equity
Balance at December 31, 2022	\$ 123	\$ 53,155	\$ 105,175	\$ (17)	\$	158,436
Net income	—	—	10,140	—	—	10,140
Issuance of common stock	—	120	—	—	—	120
Cash dividends (\$.50 per share)	—	—	(6,155)	—	—	(6,155)
Other comprehensive loss	—	—	—	(102)	—	(102)
Balance at June 30, 2023	<u>\$ 123</u>	<u>\$ 53,275</u>	<u>\$ 109,160</u>	<u>\$ (119)</u>	<u>\$</u>	<u>162,439</u>
Balance at December 31, 2023	\$ 123	\$ 53,275	\$ 115,457	\$ (6)	\$	168,849
Net income	—	—	8,598	—	—	8,598
Issuance of common stock	—	121	—	—	—	121
Cash dividends (\$.60 per share)	—	—	(7,390)	—	—	(7,390)
Other comprehensive income	—	—	—	5	—	5
Balance at June 30, 2024	<u>\$ 123</u>	<u>\$ 53,396</u>	<u>\$ 116,665</u>	<u>\$ (1)</u>	<u>\$</u>	<u>170,183</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

COMPX INTERNATIONAL INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Three months ended		Six months ended	
	March 31,		June 30,	
	2023	2024	2023	2024
Cash flows from operating activities:			(unaudited)	(unaudited)
Net income	\$ 6,068	\$ 3,754	\$ 10,140	\$ 8,598
Depreciation and amortization	1,010	926	2,009	1,846
Deferred income taxes	(250)	(151)	(421)	(370)
Noncash interest income	(380)	(351)	(855)	(574)
Other, net	44	58	232	267
Change in assets and liabilities:				
Accounts receivable, net	(842)	(264)	2,794	1,628
Inventories, net	1,012	3,107	(2,585)	3,201
Accounts payable and accrued liabilities	(4,543)	(5,990)	(1,619)	(2,586)
Accounts with affiliates	998	265	(208)	(900)
Prepays and other, net	(52)	318	281	389
Net cash provided by operating activities	3,065	1,672	9,768	11,499
Cash flows from investing activities:				
Capital expenditures	(270)	(305)	(478)	(730)
Marketable securities:				
Purchases	(13,479)	—	(24,925)	—
Proceeds from maturities	4,000	12,000	12,000	24,000
Note receivable from affiliate:				
Collections	7,800	6,000	14,700	13,400
Advances	(6,800)	(5,200)	(13,700)	(12,000)
Net cash provided by (used in) investing activities	(8,749)	12,495	(12,403)	24,670
Cash flows from financing activities:				
Cash flows from financing activities -				
Dividends paid	(3,077)	(3,694)	(6,155)	(7,390)
Cash and cash equivalents - net change from:				
Operating, investing and financing activities	(8,761)	10,473	(8,790)	28,779

Balance at beginning of period	26,748	41,393	26,748	41,393
Balance at end of period	<u>\$ 17,987</u>	<u>\$ 51,866</u>	<u>\$ 17,958</u>	<u>\$ 70,172</u>
Supplemental disclosures -				
Cash paid for income taxes	\$ 1,171	\$ 1,071	\$ 3,847	\$ 4,006

See accompanying Notes to Condensed Consolidated Financial Statements.

- 6 -

[Table of Contents](#)

COMPX INTERNATIONAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, June 30, 2024

(unaudited)

Note 1 – Organization and basis of presentation:

Organization. We (NYSE American: CIX) were approximately 87% owned by NL Industries, Inc. (NYSE: NL) at **March 31, 2024** **June 30, 2024**. At **March 31, 2024** **June 30, 2024**, Valhi, Inc. (NYSE: VHI) owned approximately 83% of NL's outstanding common stock and a wholly-owned subsidiary of Contran Corporation owned approximately 91% of Valhi's outstanding common stock. A majority of Contran's outstanding voting stock is held directly by Lisa K. Simmons, Thomas C. Connelly (the husband of Ms. Simmons' late sister) and various family trusts established for the benefit of Ms. Simmons, Mr. Connelly and their children and for which Ms. Simmons, Mr. Connelly or Mr. Connelly's sister, as applicable, serve as trustee (collectively, the "Other Trusts"). With respect to the Other Trusts for which Mr. Connelly or his sister serves as trustee, the trustee is required to vote the shares of Contran voting stock held in such trusts in the same manner as Ms. Simmons. Such voting rights of Ms. Simmons last through April 22, 2030 and are personal to Ms. Simmons. The remainder of Contran's outstanding voting stock is held by another trust (the "Family Trust"), which was established for the benefit of Ms. Simmons and her late sister and their children and for which a third-party financial institution serves as trustee. Consequently, at **March 31, 2024** **June 30, 2024** Ms. Simmons and the Family Trust may be deemed to control Contran, and therefore may be deemed to indirectly control the wholly-owned subsidiary of Contran, Valhi, NL and us.

Basis of presentation. Consolidated in this Quarterly Report are the results of CompX International Inc. and its 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 included in our Annual Report on Form 10-K for the year ended December 31, 2023 that we filed with the Securities and Exchange Commission ("SEC") on February 28, 2024 (the "2023 Annual Report"). 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, 2023 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, 2023) 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 period periods ended **March 31, 2024** **June 30, 2024** 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 2023 Consolidated Financial Statements contained in our 2023 Annual Report.

On August 6, 2024 our board of directors declared a special cash dividend of \$2.00 per share on our Class A common stock payable on August 28, 2024 to stockholders of record at the close of business on August 19, 2024.

Our operations are reported on a 52 or 53-week year. For presentation purposes, annual and quarterly information in the Condensed Consolidated Financial Statements and accompanying notes are presented as ended **March 31, 2023** **June 30, 2023**, December 31, 2023 and **March 31, 2024** **June 30, 2024**. The actual dates of our annual and quarterly periods are **April 2, 2023** **July 2, 2023**, December 31, 2023 and **March 31, 2024** **June 30, 2024**, respectively. Unless otherwise indicated, references in this report to "we", "us" or "our" refer to CompX International Inc. and its subsidiaries, taken as a whole.

- 7 -

[Table of Contents](#)

Note 2 – Business segment information:

	Three months ended March 31,		Three months ended June 30,		Six months ended June 30,	
	2023	2024	2023	2024	2023	2024

	(In thousands)			(In thousands)		
Net sales:						
Security Products	\$ 27,342	\$ 29,887	\$ 25,672	\$ 28,213	\$ 53,014	\$ 58,100
Marine Components	13,809	8,084	10,944	7,674	24,753	15,758
Total net sales	<u>\$ 41,151</u>	<u>\$ 37,971</u>	<u>\$ 36,616</u>	<u>\$ 35,887</u>	<u>\$ 77,767</u>	<u>\$ 73,858</u>
Operating income:						
Security Products	\$ 5,379	\$ 5,450	\$ 4,134	\$ 5,442	\$ 9,513	\$ 10,892
Marine Components	3,317	34	1,943	1,387	5,260	1,421
Corporate operating expenses	(1,656)	(1,769)	(1,710)	(1,748)	(3,366)	(3,517)
Total operating income	<u>7,040</u>	<u>3,715</u>	<u>4,367</u>	<u>5,081</u>	<u>11,407</u>	<u>8,796</u>
Interest income	947	1,224	992	1,295	1,939	2,519
Income before income taxes	<u>\$ 7,987</u>	<u>\$ 4,939</u>	<u>\$ 5,359</u>	<u>\$ 6,376</u>	<u>\$ 13,346</u>	<u>\$ 11,315</u>

Intersegment sales are not material.

Note 3 – Marketable securities:

Market value	Amortized cost basis	Unrealized loss, net	Market value	Amortized cost basis	Unrealized loss, net
			Market value	Amortized cost basis	Unrealized loss, net

	(In thousands)			(In thousands)		
December 31, 2023:						
Current assets	\$ 35,354	\$ 35,359	\$ (5)	\$ 35,354	\$ 35,359	\$ (5)
March 31, 2024:						
June 30, 2024:						
Current assets	<u>\$ 23,701</u>	<u>\$ 23,712</u>	<u>\$ (11)</u>	<u>\$ 11,934</u>	<u>\$ 11,935</u>	<u>\$ (1)</u>

Our marketable securities consist of investments in debt securities, currently U.S. government treasuries. We classify our marketable securities as available-for-sale. The fair value of our marketable securities is generally determined using Level 2 inputs because although these securities are traded, in many cases the market is not active and the quarter-end valuation is generally based on the last trade of the quarter, which may be several days prior to quarter end. We accumulate unrealized gains and losses on marketable debt securities as part of accumulated other comprehensive income (loss), net of related deferred income taxes.

Note 4 – Accounts receivable, net:

	December 31, 2023	March 31, 2024	December 31, 2023	June 30, 2024
(In thousands)				
Accounts receivable, net:				
Security Products	\$ 14,950	\$ 14,293	\$ 14,950	\$ 12,596
Marine Components	2,181	3,106	2,181	2,909
Allowance for doubtful accounts	(70)	(70)	(70)	(70)
Total accounts receivable, net	\$ 17,061	\$ 17,329	\$ 17,061	\$ 15,435

- 8 -

[Table of Contents](#)

Note 5 – Inventories, net:

	December 31, 2023	March 31, 2024	December 31, 2023	June 30, 2024
--	----------------------	-------------------	----------------------	------------------

	(In thousands)			(In thousands)		
Raw materials:						
Security Products	\$ 3,569	\$ 3,352		\$ 3,569	\$ 3,658	
Marine Components	2,169	1,634		2,169	1,596	
Total raw materials	5,738	4,986		5,738	5,254	
Work-in-process:						
Security Products	13,879	12,969		13,879	12,213	
Marine Components	5,163	4,746		5,163	4,858	
Total work-in-process	19,042	17,715		19,042	17,071	
Finished goods:						
Security Products	3,175	2,712		3,175	2,825	
Marine Components	2,757	2,130		2,757	2,213	
Total finished goods	5,932	4,842		5,932	5,038	
Total inventories, net	\$ 30,712	\$ 27,543		\$ 30,712	\$ 27,363	

Note 6 – Accounts payable and accrued liabilities:

	December 31, 2023	March 31, 2024	December 31, 2023	June 30, 2024
Accounts payable:	(In thousands)			(In thousands)
Security Products	\$ 2,514	\$ 2,358	\$ 2,514	\$ 3,103
Marine Components	634	643	634	680
Corporate	—	73	—	8
Accrued liabilities:				
Employee benefits	10,712	4,819	10,712	6,862
Deferred revenue			559	461
Insurance			289	334
Taxes other than on income	285	453	285	344
Insurance	289	269		
Deferred revenue	559	104		

Advances from customers			267	133
Customer tooling	145	254	145	347
Advances from customers	267	162		
Professional services			—	533
Other	340	562	340	359
Total accounts payable and accrued liabilities	\$ 15,745	\$ 9,697	\$ 15,745	\$ 13,164

Note 7 – Provision for income taxes:

	Three months ended			
	March 31,			
	2023	2024	(In thousands)	
Expected tax expense, at the U.S. federal statutory income tax rate of 21%	\$ 1,677	\$ 1,037		
State income taxes	240	145		
Other, net	2	3		
Total provision for income taxes	\$ 1,919	\$ 1,185		
Comprehensive provision for income taxes allocable to:				
Net income	\$ 1,919	\$ 1,185		
Other comprehensive loss - marketable securities	(13)	(1)		
Total	\$ 1,906	\$ 1,184		

	Three months ended				Six months ended	
	June 30,		June 30,			
	2023	2024	2023	2024	(In thousands)	
Expected tax expense, at the U.S. federal statutory income tax rate of 21%	\$ 1,126	\$ 1,339	\$ 2,803	\$ 2,376		
State income taxes	161	188	401	333		
Other, net	—	5	2	8		
Total provision for income taxes	\$ 1,287	\$ 1,532	\$ 3,206	\$ 2,717		
Comprehensive provision for income taxes allocable to:						
Net income	\$ 1,287	\$ 1,532	\$ 3,206	\$ 2,717		
Other comprehensive income (loss) - marketable securities	(18)	1	(31)	—		
Total	\$ 1,269	\$ 1,533	\$ 3,175	\$ 2,717		

[Table of Contents](#)

Note 8 – Commitments and contingencies:

From time to time, we may be involved in various environmental, contractual, product liability, patent (or intellectual property), employment and other claims and disputes incidental to our business. At least quarterly our management discusses and evaluates the status of any pending litigation to which we are a party. The factors considered in such evaluation include, among other things, the nature of such pending cases, the status of such pending cases, the advice of legal counsel and our experience in similar cases (if any). Based on such evaluation, we make a determination as to whether we believe (i) it is probable a loss has been incurred, and if so if the amount of such loss (or a range of loss) is reasonably estimable, or (ii) it is reasonably possible but not probable a loss has been incurred, and if so if the amount of such loss (or a range of loss) is reasonably estimable, or (iii) the probability a loss has been incurred is remote. We have not accrued any amounts for litigation matters because it is not reasonably possible we have incurred a loss that would be material to our consolidated financial statements, results of operations or liquidity.

Note 89 – Financial instruments:

See Note 3 for information on how we determine the fair value of our marketable securities.

The following table presents the financial instruments that are not carried at fair value but which require fair value disclosure:

December 31, 2023		March 31, 2024		December 31, 2023		June 30, 2024	
Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
(In thousands)				(In thousands)			

Cash and cash equivalents	\$ 41,393	\$ 41,393	\$ 51,866	\$ 51,866	\$ 41,393	\$41,393	\$70,172	\$70,172
Accounts receivable, net								
Accounts payable	17,061	17,061	17,329	17,329				
	3,148	3,148	3,074	3,074				

Due to their near-term maturities, the carrying amounts of accounts receivable and accounts payable are considered equivalent to fair value.

Note 910 – Related party transactions:

From time to time, we may have loans and advances outstanding between us and various related parties pursuant to term and demand notes. We generally enter into these loans and advances for cash management purposes. When we loan funds to related parties, we are generally able to earn a higher rate of return on the loan than we would earn if we invested the funds in other instruments, and when we borrow from related parties, we are generally able to pay a lower rate of interest than we would pay if we had incurred third-party indebtedness. While certain of these loans to affiliates may be of a lesser credit quality than cash equivalent instruments otherwise available to us, we believe we have considered the credit risks in the terms of the applicable loans. In this regard, we have an unsecured revolving demand promissory note with Valhi under which, as amended, we agreed to loan Valhi up to \$25 million. Our loan to Valhi, as amended, bears interest at prime plus 1.00%, payable quarterly, with all principal due on demand, but in any event no earlier than December 31, 2025. Loans made to Valhi at any time under the agreement are at our discretion. At **March 31, 2024** **June 30, 2024**, the outstanding principal balance receivable from Valhi under the promissory note was **\$9.8 million** **\$9.2 million**. Interest income (including unused commitment fees) on our loan to Valhi was **\$3.6 million** and **\$5 million** for each of the **three** **six** months ended **March 31, 2023** **June 30, 2023** and 2024, respectively.

Note 1011 – Recent Accounting Pronouncements:

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-07, Segment Reporting (Topic 280): *Improvements to Reportable Segment Disclosures*. The ASU requires public companies to disclose significant segment expenses and other segment items on an annual and interim basis. The ASU also mandates public companies to provide all annual segment disclosures currently required annually in interim periods. Public companies will also be required to disclose the title and position of the chief operating decision maker ("CODM") and explain how the CODM uses the reported measure of segment profit or loss in assessing segment performance and allocation of resources. The ASU is effective for us beginning with our 2024 Annual Report, and for interim reporting, in the first quarter of 2025, with retrospective application required. We are in the process of evaluating the additional disclosure requirements across all segments.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): *Improvements to Income Tax Disclosures*. The ASU requires additional annual disclosure and disaggregation for the rate reconciliation, income taxes paid and income tax expense by federal, state and foreign tax jurisdictions. In addition, the standard increases the disclosure requirements for items included in the rate reconciliation that meet a quantitative threshold. The ASU is effective for us beginning with our 2025 Annual Report. The ASU may be applied prospectively; however, entities have the option to apply it retrospectively. We are in the process of evaluating the additional disclosure requirements.

- 1011 -

[Table of Contents](#)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Business Overview

We are a leading manufacturer of engineered components utilized in a variety of applications and industries. Through our Security Products segment we manufacture mechanical and electrical cabinet locks and other locking mechanisms used in postal, recreational transportation, office and institutional furniture, cabinetry, tool storage and healthcare applications. We also manufacture wake enhancement systems, stainless steel exhaust systems, gauges, throttle controls, trim tabs and related hardware and accessories for the recreational marine and other industries through our Marine Components segment.

General

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. Statements in this Quarterly Report that are not historical facts are forward-looking in nature and represent management's beliefs and assumptions based on currently available information. In some cases, you can identify forward-looking statements by the use of words such as "believes," "intends," "may," "should," "could," "anticipates," "expects" or comparable terminology, or by discussions of strategies or trends. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we do not know if these expectations will be correct. Such statements by their nature involve substantial risks and uncertainties that could significantly impact expected results. Actual future results could differ materially from those predicted. The factors that could cause actual future results to differ materially from those described herein are the risks and uncertainties discussed in this Quarterly Report and those described from time to time in our other filings with the SEC and include, but are not limited to, the following:

- Future demand for our products,
- Changes in our raw material and other operating costs (such as zinc, brass, aluminum, steel and energy costs) and our ability to pass those costs on to our customers or offset them with reductions in other operating costs,
- Price and product competition from low-cost manufacturing sources (such as China),

- The impact of pricing and production decisions,
- Customer and competitor strategies including substitute products,
- Uncertainties associated with the development of new products and product features,
- Future Pending or possible future litigation,
- Our ability to protect or defend our intellectual property rights,
- Potential difficulties in integrating future acquisitions,
- Decisions to sell operating assets other than in the ordinary course of business,
- Environmental matters (such as those requiring emission and discharge standards for existing and new facilities),
- The ultimate outcome of income tax audits, tax settlement initiatives or other tax matters, including future tax reform,
- Government laws and regulations and possible changes therein, including new environmental, health and safety, sustainability or other regulations,
- General global economic and political conditions that disrupt our supply chain, reduce demand or perceived demand for component products or impair our ability to operate our facilities (including changes in the level of gross domestic product in various regions of the world, natural disasters, terrorist acts, global conflicts and public health crises),

- 11 12 -

[Table of Contents](#)

- Operating interruptions (including, but not limited to, labor disputes, leaks, natural disasters, fires, explosions, unscheduled or unplanned downtime, transportation interruptions, certain regional and world events or economic conditions and public health crises);
- Technology related disruptions (including, but not limited to, cyber attacks; software implementation, upgrades or improvements; technology processing failures; or other events) related to our technology infrastructure that could impact our ability to continue operations, or at key vendors which could impact our supply chain, or at key customers which could impact their operations and cause them to curtail or pause orders; and
- Possible disruption of our business or increases in the cost of doing business resulting from terrorist activities or global conflicts.

Should one or more of these risks materialize or if the consequences worsen, or if 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.

Operating Income Overview

In Operating income in the first second quarter of 2024 was \$5.1 million compared to \$4.4 million in the second quarter of 2023. The increase in operating income decreased to \$3.7 million in the second quarter of 2024 compared to \$7.0 million 2023 is due to higher Security Products sales and gross margin which more than offset lower Marine Components sales and gross margin. Operating income for the first six months of 2024 was \$8.8 million compared to

\$11.4 million in the first quarter six months of 2023. The decrease in operating income in the first quarter six months of 2024 compared to 2023 is primarily due to lower Marine Components sales and gross margin. margin partially offset by higher Security Products sales and higher Security Products gross margin in the second quarter of 2024 compared to the second quarter of 2023.

We sell a large number of products that have a wide variation in selling price and manufacturing cost, which results in certain practical limitations on our ability to quantify the impact of changes in individual product sales quantities and selling prices on our net sales, cost of sales and gross margin. In addition, small variations in period-to-period net sales, cost of sales and gross margin can result from changes in the relative mix of our products sold.

Results of Operations

	Three months ended				Three months ended			
	March 31,		June 30,					
	2023	%	2024	%	2023	%	2024	%
(Dollars in thousands)								
Net sales	\$ 41,151	100.0 %	\$ 37,971	100.0 %	\$36,616	100.0 %	\$35,887	100.0 %
Cost of sales	28,447	69.1	28,304	74.5	26,343	71.9	24,722	68.9
Gross margin	12,704	30.9	9,667	25.5	10,273	28.1	11,165	31.1
Operating costs and expenses	5,664	13.8	5,952	15.7	5,906	16.1	6,084	17.0
Operating income	<u>\$ 7,040</u>	<u>17.1 %</u>	<u>\$ 3,715</u>	<u>9.8 %</u>	<u>\$ 4,367</u>	<u>12.0 %</u>	<u>\$ 5,081</u>	<u>14.1 %</u>
Six months ended								
June 30,								
		2023	%	2024	%			
		(Dollars in thousands)						
Net sales		\$ 77,767	100.0 %	\$ 73,858	100.0 %			
Cost of sales		54,790	70.5	53,026	71.8			
Gross margin		22,977	29.5	20,832	28.2			
Operating costs and expenses		11,570	14.8	12,036	16.3			
Operating income		<u>\$ 11,407</u>	<u>14.7 %</u>	<u>\$ 8,796</u>	<u>11.9 %</u>			

Net sales. Net sales decreased \$3.2 million \$0.7 million and \$3.9 million in the second quarter and for the first quarter six months of 2024, respectively, compared to the same period periods in 2023 due to lower Marine Components sales primarily to the towboat

[Table of Contents](#)

market, partially offset by higher Security Products sales to the government security market. See segment discussion below.

Cost of sales and gross margin. Cost of sales as a percentage of sales increased 5.4% improved 3.0% in the first second quarter of 2024 compared to the same period in 2023. As a result, gross margin as a percentage of sales decreased increased over the same period. Gross margin percentage decreased increased in the first second quarter of 2024 compared to the same period in 2023 primarily due to higher Security Products gross margin percentage and, to a lesser extent, higher gross margin percentage at Marine Components. Cost of sales as a percentage of sales increased 1.3% for the first six months of 2024 compared to the same period in 2023. As a result, gross margin as a percentage of sales declined over the same period. The decline in gross margin percentage for the six-month comparative period is primarily due to lower gross margin percentages percentage at both Marine Components, and particularly in the first quarter of 2024, partially offset by higher gross margin percentage at Security Products. Products in the second quarter of 2024. See segment discussion below.

Operating costs and expenses. Operating costs and expenses consist primarily of sales and administrative-related personnel costs, sales commissions and advertising expenses directly related to product sales and administrative costs relating to business unit and corporate management activities, as well as any gains and losses on property and equipment. Operating costs and expenses for the second quarter and for the first quarter six months of 2024 increased \$3.2 million and \$5 million, respectively, compared to the same period periods in 2023 primarily due to higher employee salaries and benefits at Security Products. Operating costs and expenses as a percentage of net sales increased for the second quarter and for the first quarter six months of 2024 due to the increased operating costs and expenses mentioned above and decreased coverage of operating costs and expenses as a result of lower sales.

[Table of Contents](#)

Operating income. As a percentage of net sales, operating income for the second quarter and the first quarter six months of 2024 decreased compared to the same period periods of 2023 and was primarily impacted by the factors impacting affecting sales, cost of sales, gross margin and operating costs and expenses. See segment discussion below.

Interest income. Interest income increased \$3 million and \$6 million in the second quarter and for the first quarter six months of 2024, respectively, compared to the same period periods in 2023 primarily due to higher average

interest rates and **increased** **higher average** investment balances, somewhat offset by lower average balances on the revolving promissory note receivable from Valhi. See Notes 3 and **9** **10** to our Condensed Consolidated Financial Statements.

Provision for income taxes. A tabular reconciliation of our actual tax provision to the U.S. federal statutory income tax rate is included in Note 7 to the Condensed Consolidated Financial Statements. Our operations are wholly within the U.S. and therefore our effective income tax rate is primarily reflective of the U.S. federal statutory rate and applicable state taxes.

Segment Results

The key **Key performance indicator** **indicators** for our segments **is** **are** gross margin and operating income.

	Three months ended			Three months ended			Six months ended		
	March 31,		%	June 30,		%	June 30,		%
	2023	2024	Change	2023	2024	Change	2023	2024	Change

	(Dollars in thousands)			(Dollars in thousands)			(Dollars in thousands)		
	Security	Products:		Cost	of	sales	Gross	margin	Operating
Net sales	\$ 27,342	\$ 29,887	9 %	\$ 25,672	\$ 28,213	10 %	\$ 53,014	\$ 58,100	10 %
Cost of sales	18,875	21,115	12	18,253	19,261	6	37,128	40,376	9
Gross margin	8,467	8,772	4	7,419	8,952	21	15,886	17,724	12
Operating costs and expenses	3,088	3,322	8	3,285	3,510	7	6,373	6,832	7
Operating income	\$ 5,379	\$ 5,450	1	\$ 4,134	\$ 5,442	32	\$ 9,513	\$ 10,892	14

Gross margin	31.0 %	29.4 %	28.9 %	31.7 %	30.0 %	30.5 %
Operating income margin	19.7	18.2	16.1	19.3	17.9	18.7

Security Products. Security Products net sales increased 9%^{10%} in each of the second quarter and first quarter six months of 2024 compared to the same period last periods in 2023. Relative to prior year, the increase in second quarter sales was primarily due to \$1.8 million^{\$2.8 million} higher sales to the government security market, market partially offset by \$.4 million lower sales to distributors.

- 14 -

[Table of Contents](#)

Relative to prior year, the increase in sales for the first six months was primarily due to \$4.6 million higher sales to the government security market partially offset by \$.5 million lower sales to distributors.

Gross margin and operating income as a percentage of net sales decreased for the second quarter and the first quarter six months of 2024 increased as compared to the same period periods in 2023 primarily due to the relative changes in effects of higher sales and increased coverage of fixed costs allocated to cost and operating costs and expenses as a result of higher sales, during the quarter. Additionally, partially offset by a less favorable customer and product mix in the first quarter of 2024 negatively impacted gross margin as a percentage of net sales over the comparable period. Operating income as a percentage of net sales decreased in the first quarter of 2024 compared to the same period in 2023 due to the factors impacting gross margin, as well as and increased operating costs and expenses including related to higher employee salaries and benefits of \$.2 million. benefits.

Three months ended			Three months ended			Six months ended		
March 31,		%	June 30,		%	June 30,		%
2023	2024	Change	2023	2024	Change	2023	2024	Change

		(Dollars in thousands)			(Dollars in thousands)			(Dollars in thousands)		
Marine	Components:									
Net sales		\$ 13,809	\$ 8,084	(41)%	\$ 10,944	\$ 7,674	(30)%	\$ 24,753	\$ 15,758	(36)%
Cost of sales		9,572	7,189	(25)	8,090	5,461	(32)	17,662	12,650	(28)
Gross margin		4,237	895	(79)	2,854	2,213	(22)	7,091	3,108	(56)
Operating costs and expenses		920	861	(6)	911	826	(9)	1,831	1,687	(8)
Operating income		\$ 3,317	\$ 34	(99)	\$ 1,943	\$ 1,387	(29)	\$ 5,260	\$ 1,421	(73)
Gross margin		30.7 %	11.1 %		26.1 %	28.8 %		28.6 %	19.7 %	
Operating income margin		24.0	.4		17.8	18.1		21.2	9.0	

Marine Components. Marine Components net sales decreased 41% 30% in the first second quarter of 2024 compared to the same period last in 2023. Relative to prior year, the decrease in second quarter sales was primarily due to the decline in \$3.1 million lower sales to the towboat market. Marine Components net sales decreased 36% in the first six months of 2024 compared to the same period in 2023. Relative to prior year, the decrease in sales for the first quarter of 2023, six months was primarily due to \$7.4 million lower sales

- 13 -

[Table of Contents](#)

were \$4.3 million lower to the towboat market, \$.7 \$6 million lower sales to the industrial market, \$.3 million lower to each of the engine builder market and \$.3 industrial markets, and \$.5 million lower sales to distributors.

Gross margin and operating income as a percentage of net sales improved in the second quarter of 2024 compared to the same period in 2023. Gross margin as a percentage of net sales increased primarily due to a favorable customer and product mix, partially offset by decreased coverage of fixed costs as a result of lower sales. Operating income as a percentage of net sales increased in the first second quarter of 2024 compared to the same period last year in 2023 due to the factors impacting gross margin as well as slightly reduced operating costs and expenses, including lower employee salaries and benefits of approximately \$.1 million, partially offset by decreased coverage of operating costs and expenses on lower sales. For the first six months of 2024, gross margin as a

percentage of net sales declined compared to the same period in 2023 primarily due to higher cost inventory produced during the fourth quarter of 2023 and sold in the first quarter of 2024. Marine Components inventory produced during the fourth quarter 2024 and decreased coverage of 2023 had a higher carrying value due to higher production cost per unit fixed costs as a result of lower production volumes. Additionally, sales, partially offset by a more favorable customer and product mix in the second quarter of 2024. Operating income as a percentage of net sales decreased in the first six months of 2024 compared to the same period in 2023 due to the factors impacting gross margin and operating income margin were unfavorably impacted by as well as decreased coverage of production costs, operating costs and expenses on lower sales, sales, partially offset by reduced operating costs and expenses, including lower employee salaries and benefits of \$.1 million.

Outlook. In the first quarter six months of 2024, Security Products benefitted from a general increase in sales across many markets and particularly increased sales of mechanical locks to the government security market while market; however some of the other markets we serve were relatively flat compared to the same period of 2023. overall demand improvement was offset by lower demand from distributors as noted above. At Marine Components, the decline in sales to the towboat market as a result of the contraction in the recreational marine industry that began late in the first quarter of 2023 has continued. We are focused on aligning our resources with current demand levels, and particularly at Marine Components, we are adjusting inventory levels, operating expenses and labor resources to align with current demand while also preserving our ability to respond quickly when demand increases. Generally, raw material prices have stabilized, our supply chains are stable and transportation and logistical delays are minimal. We have adjusted our order patterns in response to the stability of our raw material supplies.

We expect Security Products, net sales in 2024 will to be lower than 2023 as the sluggishness increase in demand experienced in the first half of 2024 is expected to be more than offset by lower comparative government security sales in the second half of the year as sales from the 2023 pilot project will not repeat. Additionally, we have experienced are unsure if current demand levels across a the variety of the markets Security Products serves has continued through the first quarter of 2024 with are sustainable as our customers continuing continue to express uncertainty

- 15 -

[Table of Contents](#)

regarding sustained consumer demand levels. In addition, we do not expect 2024 sales to benefit from the pilot project to a government security customer we completed largely in the fourth quarter of 2023. After implementing aggressive price increases over the last several years to maintain operating margins, we expect only modest price increases in 2024. Overall, we expect Security Products gross margin will be comparable to 2023, although we expect operating income as a percentage of sales to decline due to our limited pricing power along with reduced coverage of selling, general and administrative costs as a result of lower expected sales. We expect Marine Components net sales for the full year of 2024 to will be lower as compared to 2023 because we believe demand in the towboat market will further decline. The recreational marine industry faces strong headwinds due to higher interest rates and broader market weakness. Several original equipment boat manufacturers, including certain of our customers, have publicly announced reduced further reductions to their 2024 production schedules for 2024, schedules. Overall, we expect Marine Components gross margin as a percentage of net sales for 2024 to be lower than 2023 due to lower coverage

of fixed overhead as a result of lower expected sales, and operating income as a percentage of net sales will to be similarly be lower as a result of reduced coverage of selling, general and administrative expenses due to lower expected sales. We ended 2023 with elevated inventory balances at our Marine Components segment as a result of increased orders of certain raw materials due to previously long lead times coupled with the rapidly changing towboat demand which created a misalignment of our raw materials with near term demand. We made significant progress in aligning our Marine Components inventory balances with current demand in the first quarter half of 2024 and expect this alignment to be complete by mid-year continue over the remainder of 2024.

Our expectations for our operations and the markets we serve are based on a number of factors outside our control. We have experienced global and domestic supply chain challenges, and any future impacts on our operations will depend on, among other things, any future disruption in our operations or our suppliers' operations, the impact of economic conditions and geopolitical events on demand for our products or our customers' and suppliers' operations, all of which remain uncertain and cannot be predicted.

Liquidity and Capital Resources

Consolidated cash flows –

Operating activities. Trends in cash flows from operating activities, excluding changes in assets and liabilities, have generally been similar to the trends in operating earnings. Changes in assets and liabilities result primarily from the timing of production, sales and purchases. Changes in assets and liabilities generally tend to even out over time. However, period-to-period relative changes in assets and liabilities can significantly affect the comparability of cash flows from operating activities.

- 14 -

Table of Contents

Our net cash provided by operating activities for the first three six months of 2024 decreased increased by \$1.4 million \$1.7 million as compared to the first three six months of 2023. The decrease increase in net cash provided is primarily due to the net effects of:

- A \$3.3 million decrease in operating income in 2024;
- A \$1.6 million decrease \$3.8 million increase in the amount of net cash used provided by relative changes in our inventories, receivables, prepaids, payables and non-tax related accruals in 2024, and 2024;
- A \$3 \$2.6 million decrease in operating income in 2024;
- A \$.7 million increase in interest received in 2024 due to higher interest rates and increased investment balances, partially offset by lower average balances on our loan to an affiliate. affiliate; and
- A \$.2 million increase in cash paid for taxes in 2024 due to the relative timing of payments.

Changes in working capital can have a significant effect on cash flows from operating activities. As shown below, the change in our average days sales outstanding from December 31, 2023 to March 31, 2024 June 30, 2024 varied by segment primarily as a result of relative changes in the timing of sales and collections relative to the end of

the quarter. For comparative purposes, we have provided December 31, 2022 and **March 31, 2023** **June 30, 2023** numbers below.

Days Sales Outstanding:	December 31,	March 31,	December 31,	March 31,	December 31,	June 30,	December 31,	June 31
	2022	2023	2023	2024	2022	2023	2023	2024
Security								
Products	45 Days	44 Days	37 Days	43 Days	45 Days	40 Days	37 Days	40 Days
Marine								
Components	30 Days	36 Days	31 Days	35 Days	30 Days	30 Days	31 Days	34 Days
Consolidated								
CompX	41 Days	41 Days	36 Days	42 Days	41 Days	37 Days	36 Days	39 Days

Our average number of days in inventory **decreased** **increased** from December 31, 2023 to **March 31, 2024** **June 30, 2024** primarily due to the **decrease** **increase** at Security Products somewhat offset by the decline at Marine Components as Components. Security Products days in inventory at December 31, 2023 is lower than usual due to the fulfillment and shipping of a **result of** higher sales in the first quarter of 2024 compared to significant order during the fourth quarter of 2023 and **decreased** **June 30, 2024** is more favorable to June 30, 2023 balances due to planned inventory **balances** **reductions**.

- 16 -

[Table of Contents](#)

The average number of days in inventory for Marine Components declined from December 31, 2023 to June 30, 2024 as a result of a **planned** **reduction** of certain raw materials with previously longer lead times as discussed in *Outlook* above. **inventory** **reductions**. For comparative purposes, we have provided December 31, 2022 and **March 31, 2023** **June 30, 2023** numbers below.

Days in Inventory:	December 31,	March 31,	December 31,	March 31,	December 31,	June 30,	December 31,	June 31
	2022	2023	2023	2024	2022	2023	2023	2024
Security								
Products	101 Days	102 Days	77 Days	82 Days	101 Days	119 Days	77 Days	88 Days
Marine								
Components	95 Days	87 Days	175 Days	108 Days	95 Days	111 Days	175 Days	144 Days
Consolidated								
CompX	99 Days	97 Days	95 Days	89 Days	99 Days	117 Days	95 Days	101 Days

Investing activities. Our capital expenditures were **\$3.7** million and **\$5** million in each of the first **three** six months of 2024 and 2023, respectively. During the first **three** **six** months of 2024, Valhi repaid a net **\$8** million **\$1.4** million under the promissory note (**\$5.2** **12.0** million of gross borrowings and **\$6.0** million **\$13.4** million of gross repayments). During the first **three** **six** months of 2023, Valhi repaid a net **\$1.0** million under the promissory note

(\$6.8 **13.7** million of gross borrowings and **\$7.8 million** **\$14.7 million** of gross repayments). See Note 9 **10** to our Condensed Consolidated Financial Statements.

During the first **three** **six** months of 2024, we received gross proceeds totaling **\$12.0 million** **\$24.0 million** related to U.S. treasury bill maturities. During the first **three** **six** months of 2023, we had gross purchases of U.S. treasury marketable securities aggregating **\$13.5 million** **\$24.9 million** and received gross proceeds totaling **\$4.0 million** **\$12.0 million** related to U.S. treasury bill maturities. See Note 3 to our Condensed Consolidated Financial Statements.

Financing activities. Financing activities consisted only of quarterly cash dividends. In February 2024, our board of directors increased our regular quarterly dividend from \$.25 per share to \$.30 per share beginning in the first quarter of 2024. **During the first six months of 2024 and 2023, we paid aggregate quarterly dividends to CompX stockholders of \$7.4 million and \$6.2 million, respectively.** The declaration and payment of future dividends and the amount thereof, if any, is discretionary and is dependent upon our results of operations, financial condition, cash requirements for our businesses, contractual requirements and restrictions and other factors deemed relevant by our board of directors. The amount and timing of past dividends is not necessarily indicative of the amount or timing of any future dividends which we might pay. In this regard, in August 2024, our board of directors declared a special dividend of \$2.00 per share on our Class A common stock, par value \$.01 per share. The special dividend is payable on August 28, 2024 to stockholders of record at the close of business on August 19, 2024.

Future cash requirements –

Liquidity. Our primary source of liquidity on an ongoing basis is our cash flow from operating activities, which is generally used to (i) fund capital expenditures, (ii) repay short-term or long-term indebtedness incurred primarily for capital expenditures, investment activities or reducing our outstanding stock, (iii) provide for the payment of dividends (if declared), and (iv) lend to affiliates. From time-to-time, we will incur indebtedness, primarily to fund capital expenditures or business combinations.

- 15 -

[Table of Contents](#)

Periodically, we evaluate liquidity requirements, alternative uses of capital, capital needs and available resources in view of, among other things, our capital expenditure requirements, dividend policy and estimated future operating cash flows. As a result of this process, we have in the past and may in the future seek to raise additional capital, refinance or restructure indebtedness, issue additional securities, modify our dividend policy or take a combination of such steps to manage our liquidity and capital resources. In the normal course of business, we may review opportunities for acquisitions, joint ventures or other business combinations in the component products industry. In the event of any such transaction, we may consider using available cash, issuing additional equity securities or increasing our indebtedness or that of our subsidiaries.

We believe that cash generated from operations together with cash on hand, as well as our ability to obtain external financing, will be sufficient to meet our liquidity needs for working capital, capital expenditures, debt service, dividends (if declared) and any amounts we might loan from time to time under the terms of our revolving loan to Valhi

discussed in Note 9 to our Condensed Consolidated Financial Statements (which loans would be solely at our discretion) for both the next 12 months and five years. To the extent that our actual operating results or other developments differ from our expectations, our liquidity could be adversely affected.

- 17 -

[Table of Contents](#)

All of our \$75.6 million \$82.1 million aggregate cash, cash equivalents and marketable securities at March 31, 2024 June 30, 2024 were held in the U.S.

Capital expenditures. Firm purchase commitments for capital projects in process at March 31, 2024 June 30, 2024 totaled \$.4 \$.6 million. We expect our capital expenditures for 2024 will be approximately \$2.8 million \$2.2 million primarily to meet our existing customer demand and those required to properly maintain our facilities and technology infrastructure.

Stock repurchase program. At March 31, 2024 June 30, 2024, we have 523,647 shares available for repurchase under a stock repurchase program authorized by our board of directors.

Commitments and contingencies. There have been no material changes contingencies –

We are subject to certain commitments and contingencies, as more fully described in our contractual obligations since we filed our 2023 Annual Report, and we refer you or in Note 8 to that our Condensed Consolidated Financial Statements or in Part II, Item 1 of this report, for a complete description of these commitments, including certain legal proceedings.

Recent accounting pronouncements –

See Note 10 to our Condensed Consolidated Financial Statements.

Critical accounting policies –

There have been no changes in the first three six months of 2024 with respect to our critical accounting policies presented in Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2023 Annual Report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are exposed to market risk from changes in interest rates and raw material prices. There have been no material changes in these market risks since we filed our 2023 Annual Report, and we refer you to Part I, Item 7A – "Quantitative and Qualitative Disclosure About Market Risk" in our 2023 Annual Report. See also Note 8 to our Condensed Consolidated Financial Statements.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures. We maintain disclosure controls and procedures which, as defined in Exchange Act Rule 13a-15(e), means controls and other procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit to the SEC under the Securities Exchange Act of 1934, as amended (the "Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information we are required to disclose in the reports that we file or submit to the SEC under the Act is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions to be made regarding required disclosure. Our management with the participation of Scott C. James, our President and Chief Executive Officer, and Amy

- 16 -

[Table of Contents](#)

A. Samford, our Executive Vice President and Chief Financial Officer, has evaluated the design and operating effectiveness of our disclosure controls and procedures as of March 31, 2024 June 30, 2024. Based upon their evaluation, these executive officers have concluded that our disclosure controls and procedures are effective as of the date of such evaluation.

Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting which, as defined in Exchange Act Rule 13a-15(f), means a process designed by, or under the supervision of, our principal executive and principal financial officers, or persons performing similar functions, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets,

- 18 -

[Table of Contents](#)

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors, and

- Provide reasonable assurance regarding prevention or timely detection of an unauthorized acquisition, use or disposition of our assets that could have a material effect on our Condensed Consolidated Financial Statements.

Changes in Internal Control Over Financial Reporting. There have been no changes in our internal control over financial reporting during the quarter ended **March 31, 2024** **June 30, 2024** that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

- 1719 -

[Table of Contents](#)

Part II. OTHER INFORMATION

ITEM 1. Legal Proceedings

In addition to the matter discussed below, refer to Note 8 to our Condensed Consolidated Financial Statements and our 2023 Annual Report for descriptions of certain legal proceedings.

In June 2024, we were served in *City of Columbia d/b/a Columbia Water v. 3M Company, Inc., et al.* (Court of Common Pleas, Richland County, South Carolina, No. 2024-CP-40-03392). This is a lawsuit brought by a municipal water agency against the manufacturers of perfluoroalkyl and polyfluoroalkyl substances (known as “PFAS”), as well as dozens of companies that allegedly used PFAS-containing products in their manufacturing processes. The water agency asserts that it must incur costs to remove PFAS from its water supply. The complaint alleges that CompX used products containing PFAS in its manufacturing facility in Mauldin, South Carolina, and that at least some PFAS attributable to CompX operations has traveled more than 90 miles to plaintiff’s water treatment facility in Columbia, South Carolina. Plaintiff does not allege that CompX has failed to comply with, or has violated, any regulation, permit or statute. Plaintiff instead asserts claims under common law theories of negligence, nuisance and trespass. We intend to deny liability and will defend vigorously against all claims.

ITEM 1A. Risk Factors.

Reference is made to the 2023 Annual Report for a discussion of risk factors related to our businesses.

ITEM 6. Exhibits.

Item No. **Exhibit Index**

31.1 [Certification](#)

31.2 [Certification](#)

32.1	<u>Certification</u>
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

- 18 20 -

[Table of Contents](#)

SIGNATURES

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 thereunto duly authorized.

COMPX INTERNATIONAL INC.
(Registrant)

Date: **May 7, 2024** **August 6, 2024**

By: /s/ Amy A. Samford

Amy A. Samford

Executive Vice President and Chief Financial Officer

By: /s/ Amy E. Ruf

Amy E. Ruf

Vice President and Controller

Exhibit 31.1

CERTIFICATION

I, Scott C. James, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of CompX International Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2024 August 6, 2024

By: /s/ Scott C. James

Scott C. James

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Amy A. Samford, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of CompX International Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 13d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **May 7, 2024** **August 6, 2024**

By: /s/ Amy A. Samford

Amy A. Samford
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of CompX International Inc. (the Company) on Form 10-Q for the period ending **March 31, 2024** **June 30, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Scott C. James, President and Chief Executive Officer of the Company and I, Amy A. Samford, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ Scott C. James

Scott C. James
President and Chief Executive Officer

By: /s/ Amy A. Samford

Amy A. Samford
Executive Vice President and Chief Financial Officer

Date: **May 7, 2024** **August 6, 2024**

Note: The certification the registrant furnishes in this exhibit 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 Securities and Exchange Commission shall not incorporate this exhibit by reference, except as otherwise expressly stated in such filing.

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2024, Refinitiv. All rights reserved. Patents Pending.