REFINITIV

DELTA REPORT

10-Q

CIX - COMPX INTERNATIONAL INC

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	482
CHANGES	113
DELETIONS	190
ADDITIONS	179

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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 September 30, 2023 March 31, 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. INC.

(Exact name of Registrant as specified in its charter)

DELAWARE	**57-0981653**
(State or other jurisdiction of incorporation or organization)	**(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 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒.

As of October 26, 2023 April 30, 2024, the registrant had 12,313,757 shares of Class A common stock, $.01 par value per share, outstanding.

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

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COMPX INTERNATIONAL INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

ASSETS	December 31, 2022	September 30, 2023 (unaudited)	December 31, 2023	March 31, 2024 (unaudited)
Current assets:				
Cash and cash equivalents	$ 26,748	**$ 17,595**	$ 41,393	**$ 51,866**
Marketable securities	33,147	**46,774**	35,354	**23,701**
Accounts receivable, net	17,840	**19,735**	17,061	**17,329**
Inventories, net	31,290	**34,282**	30,712	**27,543**
Prepaid expenses and other	2,136	**2,152**	2,110	**1,807**
Total current assets	111,161	**120,538**	126,630	**122,246**
Other assets:				
Note receivable from affiliate	13,200	**12,000**	10,600	**9,800**
Goodwill	23,742	**23,742**	23,742	**23,742**
Other noncurrent assets	590	**738**	769	**747**
Total other assets	37,532	**36,480**	35,111	**34,289**
Property and equipment:				
Land	5,390	**5,390**	5,390	**5,390**
Buildings	23,181	**23,181**	23,239	**23,262**
Equipment	74,113	**74,486**	74,315	**74,650**
Construction in progress	722	**512**	676	**536**
	103,406	**103,569**	103,620	**103,838**
Less accumulated depreciation	74,712	**77,347**	77,757	**78,654**
Net property and equipment	28,694	**26,222**	25,863	**25,184**
Total assets	$ 177,387	**$ 183,240**	$ 187,604	**$ 181,719**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable and accrued liabilities	$ 15,618	**$ 15,047**	$ 15,745	**$ 9,697**

Income taxes payable to affiliate	1,035	**1,351**	1,460	**1,725**
Total current liabilities	16,653	**16,398**	17,205	**11,422**
Noncurrent liabilities:				
Deferred income taxes	2,230	**1,651**	1,509	**1,359**
Other	68	**43**	41	**34**
Total noncurrent liabilities	2,298	**1,694**	1,550	**1,393**
Stockholders' equity:				
Preferred stock	—	**—**	—	**—**
Class A common stock	123	**123**	123	**123**
Additional paid-in capital	53,155	**53,275**	53,275	**53,275**
Retained earnings	105,175	**111,839**	115,457	**115,517**
Accumulated other comprehensive loss - unrealized loss on marketable securities	(17)	**(89)**	(6)	**(11)**
Total stockholders' equity	158,436	**165,148**	168,849	**168,904**
Total liabilities and stockholders' equity	$ 177,387	**$ 183,240**	$ 187,604	**$ 181,719**

Commitments and contingencies (Note 1)

See accompanying Notes to Condensed Consolidated Financial Statements.

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COMPX INTERNATIONAL INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(In thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
	2022	**2023**	**2022**	**2023**	**2023**	**2024**
		(unaudited)			(unaudited)	
Net sales	$ 42,864	**$ 40,355**	$ 126,589	**$ 118,122**	$ 41,151	**$ 37,971**
Cost of sales	30,928	**27,736**	88,944	**82,526**	28,447	**28,304**
Gross margin	11,936	**12,619**	37,645	**35,596**	12,704	**9,667**
Selling, general and administrative expense	6,016	**6,074**	17,674	**17,644**	5,664	**5,952**

Operating income	5,920	**6,545**	19,971	**17,952**	7,040	**3,715**
Interest income	558	**1,064**	1,109	**3,003**	947	**1,224**
Income before income taxes	6,478	**7,609**	21,080	**20,955**	7,987	**4,939**
Provision for income taxes	1,528	**1,852**	4,970	**5,058**	1,919	**1,185**
Net income	$ 4,950	**$ 5,757**	$ 16,110	**$ 15,897**	$ 6,068	**$ 3,754**
Other comprehensive gain (loss), marketable securities adjustment:						
Unrealized gain (loss) arising during year, net	—	30	—	(72)		
Other comprehensive loss, marketable securities adjustment:						
Unrealized loss arising during year, net					(30)	**(5)**
Comprehensive income	$ 4,950	**$ 5,787**	$ 16,110	**$ 15,825**	$ 6,038	**$ 3,749**
Basic and diluted net income per common share	$ .40	**$ .47**	$ 1.30	**$ 1.29**	$ .49	**$ .31**
Basic and diluted weighted average shares outstanding	12,307	**12,314**	12,352	**12,310**	12,307	**12,314**

See accompanying Notes to Condensed Consolidated Financial Statements.

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COMPX INTERNATIONAL INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)

	Three months ended September 30, 2022 and 2023 (unaudited)					
	Class A common stock	**Additional paid-in capital**	**Retained earnings**	**Accumulated other comprehensive loss**	**Treasury stock**	**Total stockholders' equity**
Balance at June 30, 2022	$ 123	$ 53,155	$ 123,155	$ —	$ —	$ 176,433
Net income	—	—	4,950	—	—	4,950
Cash dividends ($2.00 per share)	—	—	(24,614)	—	—	(24,614)
Balance at September 30, 2022	$ 123	$ 53,155	$ 103,491	$ —	$ —	$ 156,769
Balance at June 30, 2023	$ 123	$ 53,275	$ 109,160	$ (119)	$ —	**$ 162,439**
Net income	**—**	**—**	**5,757**	**—**	**—**	**5,757**

	Class A common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Total stockholders' equity
Cash dividends ($.25 per share)	—	—	(3,078)	—	—	(3,078)
Other comprehensive income	—	—	—	30	—	30
Balance at September 30, 2023	$ 123	$ 53,275	$ 111,839	$ (89)	$ —	$ 165,148

	Nine months ended September 30, 2022 and 2023 (unaudited)					
	Class A common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Total stockholders' equity
Balance at December 31, 2021	$ 124	$ 54,780	$ 118,184	$ —	$ —	$ 173,088
Net income	—	—	16,110	—	—	16,110
Issuance of common stock	—	118	—	—	—	118
Treasury stock:						
Acquired	—	—	—	—	(1,744)	(1,744)
Retired	(1)	(1,743)	—	—	1,744	—
Cash dividends ($2.50 per share)	—	—	(30,803)	—	—	(30,803)
Balance at September 30, 2022	$ 123	$ 53,155	$ 103,491	$ —	$ —	$ 156,769
Balance at December 31, 2022	$ 123	$ 53,155	$ 105,175	$ (17)	$ —	$ 158,436
Net income	—	—	15,897	—	—	15,897
Issuance of common stock	—	120	—	—	—	120
Cash dividends ($.75 per share)	—	—	(9,233)	—	—	(9,233)
Other comprehensive loss	—	—	—	(72)	—	(72)
Balance at September 30, 2023	$ 123	$ 53,275	$ 111,839	$ (89)	$ —	$ 165,148

	Three months ended March 31, 2023 and 2024 (unaudited)				
	Class A common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total 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	$ 123	$ 53,155	$ 108,166	$ (47)	$ 161,397
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	$ 123	$ 53,275	$ 115,517	$ (11)	$ 168,904

See accompanying Notes to Condensed Consolidated Financial Statements.

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COMPX INTERNATIONAL INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Nine months ended September 30,		Three months ended March 31,	
	2022	**2023**	**2023**	**2024**
	(unaudited)		**(unaudited)**	
Cash flows from operating activities:				
Net income	$ 16,110	**$ 15,897**	$ 6,068	**$ 3,754**
Depreciation and amortization	2,962	**2,996**	1,010	**926**
Deferred income taxes	(742)	**(556)**	(250)	**(151)**
Noncash interest income	—	**(1,397)**	(380)	**(351)**
Other, net	287	**332**	44	**58**
Change in assets and liabilities:				
Accounts receivable, net	(3,634)	**(1,900)**	(842)	**(264)**
Inventories, net	(7,846)	**(3,199)**	1,012	**3,107**
Accounts payable and accrued liabilities	1,454	**(526)**	(4,543)	**(5,990)**
Accounts with affiliates	(347)	**316**	998	**265**
Prepaids and other, net	(122)	**(194)**	(52)	**318**
Net cash provided by operating activities	8,122	**11,769**	3,065	**1,672**
Cash flows from investing activities:				
Capital expenditures	(3,008)	**(564)**	(270)	**(305)**
Marketable securities:				
Purchases	—	**(36,325)**	(13,479)	**—**
Proceeds from maturities	131	**24,000**	4,000	**12,000**
Note receivable from affiliate:				
Collections	21,100	**21,900**	7,800	**6,000**
Advances	(17,100)	**(20,700)**	(6,800)	**(5,200)**
Net cash provided by (used in) investing activities	1,123	**(11,689)**	(8,749)	**12,495**
Cash flows from financing activities:				
Dividends paid	(30,803)	**(9,233)**	(3,077)	**(3,694)**
Treasury stock acquired	(1,744)	**—**		

Net cash used in financing activities	(32,547)	**(9,233)**		
Cash and cash equivalents - net change from:				
Operating, investing and financing activities	(23,302)	**(9,153)**	(8,761)	**10,473**
Balance at beginning of period	76,579	**26,748**	26,748	**41,393**
Balance at end of period	$ 53,277	**$ 17,595**	$ 17,987	**$ 51,866**
Supplemental disclosures -				
Cash paid for income taxes	$ 6,080	**$ 5,315**	$ 1,171	**$ 1,071**

See accompanying Notes to Condensed Consolidated Financial Statements.

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COMPX INTERNATIONAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 March 31, 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 September 30, 2023 March 31, 2024. At September 30, 2023 March 31, 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, Thomas C. Mr. Connelly (the husband of Ms. Simmons' late sister) and their children and for which Ms. Simmons, Mr. Connelly or Mr. Connelly, 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, he 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 September 30, 2023 March 31, 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, 2022 December 31, 2023 that we filed with the Securities and Exchange Commission ("SEC") on March 1, 2023 February 28, 2024 (the "2022 "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, 2022 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, 2022 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 periods period ended September 30, 2023 March 31, 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 2022 2023 Consolidated Financial Statements contained in our 2022 2023 Annual Report.

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 September 30, 2022 March 31, 2023, December 31, 2022 December 31, 2023 and September 30, 2023 March 31, 2024. The actual dates of our annual and quarterly periods are October 2, 2022 April 2, 2023, January 1, 2023 December 31, 2023 and October 1, 2023 March 31, 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.

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Note 2 – Business segment information:

	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
	2022	**2023**	**2022**	**2023**	**2023**	**2024**
	(In thousands)				(In thousands)	
Net sales:						
Security Products	$ 28,493	**$ 31,376**	$ 86,911	**$ 84,390**	$ 27,342	**$ 29,887**
Marine Components	14,371	**8,979**	39,678	**33,732**	13,809	**8,084**
Total net sales	$ 42,864	**$ 40,355**	$126,589	**$118,122**	$ 41,151	**$ 37,971**
Operating income:						
Security Products	$ 4,904	**$ 6,496**	$ 17,645	**$ 16,009**	$ 5,379	**$ 5,450**
Marine Components	2,716	**1,693**	7,449	**6,953**	3,317	**34**
Corporate operating expenses	(1,700)	**(1,644)**	(5,123)	**(5,010)**	(1,656)	**(1,769)**
Total operating income	5,920	**6,545**	19,971	**17,952**	7,040	**3,715**

Interest income	558	**1,064**	1,109	**3,003**	947	**1,224**
Income before income taxes	$ 6,478	**$ 7,609**	$ 21,080	**$ 20,955**	$ 7,987	**$ 4,939**

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
		(In thousands)				
December 31, 2022:						
					(In thousands)	
December 31, 2023:						
Current assets	$ 33,147	$ 33,164	$ (17)	$ 35,354	$ 35,359	$ (5)
September 30, 2023:						
March 31, 2024:						
Current assets	**$ 46,774**	**$ 46,886**	**$ (112)**	**$ 23,701**	**$ 23,712**	**$ (11)**

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, 2022	September 30, 2023	December 31, 2023	March 31, 2024
	(In thousands)		(In thousands)	

Accounts receivable, net:				
Security Products	$ 13,767	**$ 16,531**	$ 14,950	**$ 14,293**
Marine Components	4,143	**3,274**	2,181	**3,106**
Allowance for doubtful accounts	(70)	**(70)**	(70)	**(70)**
Total accounts receivable, net	$ 17,840	**$ 19,735**	$ 17,061	**$ 17,329**

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Note 5 – Inventories, net:

	December 31, 2022	September 30, 2023	December 31, 2023	March 31, 2024
	(In thousands)		(In thousands)	
Raw materials:				
Security Products	$ 4,172	**$ 3,464**	$ 3,569	**$ 3,352**
Marine Components	2,073	**2,109**	2,169	**1,634**
Total raw materials	6,245	**5,573**	5,738	**4,986**
Work-in-process:				
Security Products	14,193	**17,476**	13,879	**12,969**
Marine Components	5,790	**5,562**	5,163	**4,746**
Total work-in-process	19,983	**23,038**	19,042	**17,715**
Finished goods:				
Security Products	3,163	**3,233**	3,175	**2,712**
Marine Components	1,899	**2,438**	2,757	**2,130**
Total finished goods	5,062	**5,671**	5,932	**4,842**
Total inventories, net	$ 31,290	**$ 34,282**	$ 30,712	**$ 27,543**

Note 6 – Accounts payable and accrued liabilities:

	December 31, 2022		September 30, 2023		December 31, 2023		March 31, 2024
	(In thousands)				(In thousands)		
Accounts payable:							
Security Products	$	2,663	**$**	**3,156**	$	2,514	**$ 2,358**
Marine Components		874		**835**		634	**643**
Corporate						—	**73**
Accrued liabilities:							
Employee benefits		10,489		**8,703**		10,712	**4,819**
Taxes other than on income		279		**489**		285	**453**
Insurance		255		**264**		289	**269**
Deferred revenue		243		**574**		559	**104**
Customer tooling		135		**199**		145	**254**
Advances from customers		298		**440**		267	**162**
Other		382		**387**		340	**562**
Total accounts payable and accrued liabilities	$	15,618	**$**	**15,047**	$	15,745	**$ 9,697**

Note 7 – Provision for income taxes:

	Three months ended September 30, 2022	Three months ended September 30, 2023	Nine months ended September 30, 2022	Nine months ended September 30, 2023	Three months ended March 31, 2023	Three months ended March 31, 2024
	(In thousands)				(In thousands)	
Expected tax expense, at the U.S. federal statutory income tax rate of 21%	$ 1,361	**$ 1,598**	$ 4,427	**$ 4,401**	$ 1,677	**$ 1,037**
State income taxes	194	**230**	633	**631**	240	**145**
FDII benefit	(34)	**(17)**	(106)	**(57)**		
Other, net	7	**41**	16	**83**	2	**3**
Total provision for income taxes	$ 1,528	**$ 1,852**	$ 4,970	**$ 5,058**	$ 1,919	**$ 1,185**
Comprehensive provision for income taxes allocable to:						

Net income	$ 1,528	**$ 1,852**	$ 4,970	**$ 5,058**	$ 1,919	**$ 1,185**
Other comprehensive income (loss) - marketable securities	—	**8**	—	**(23)**		
Other comprehensive loss - marketable securities					(13)	**(1)**
Total	$ 1,528	**$ 1,860**	$ 4,970	**$ 5,035**	$ 1,906	**$ 1,184**

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Note 8 – Stockholders' equity:

Our board of directors has previously authorized the repurchase of our Class A common stock in open market transactions, including block purchases, or in privately-negotiated transactions at unspecified prices and over an unspecified period of time. We may repurchase our common stock from time to time as market conditions permit. The stock repurchase program does not include specific price targets or timetables and may be suspended at any time. Depending on market conditions, we may terminate the program prior to its completion. We use cash on hand to acquire the shares. Repurchased shares are added to our treasury and cancelled.

We made no treasury purchases during the first nine months of 2023. During the second quarter of 2022, we acquired 78,900 shares of our Class A common stock for an aggregate amount of approximately $1.7 million under the prior repurchase authorizations. Of these shares, 70,000 shares were purchased in a market transaction, and 8,900 shares were purchased from two of our affiliates in two separate private transactions that were also approved in advance by our independent directors. At September 30, 2023, 523,647 shares were available for purchase under prior repurchase authorizations.

Note 9 8 – 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, 2022		September 30, 2023		December 31, 2023		March 31, 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	$ 26,748	$ 26,748	**$ 17,595**	**$ 17,595**	$ 41,393	$41,393	**$ 51,866**	**$51,866**
Accounts receivable, net					17,061	17,061	**17,329**	**17,329**
Accounts payable					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 10 9 – 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, 2024 December 31, 2025. Loans made to Valhi at any time under the agreement are at our discretion. At September 30, 2023 March 31, 2024, the outstanding principal balance receivable from Valhi under the promissory note was $12.0 million $9.8 million. Interest income (including unused commitment fees) on our loan to Valhi was $.7 million and $.9 $.3 million for each of the nine three months ended September 30, 2022 March 31, 2023 and 2024, respectively.

Note 10 – Recent Accounting Pronouncements:

In November 2023, respectively. 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.

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 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 or introduce instability into our supply chain, impact our customers' level of reduce demand or our customers' perception regarding 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 such as COVID-19) crises),

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- Operating interruptions (including, but not limited to, labor disputes, hazardous chemical leaks, natural disasters, fires, explosions, unscheduled or unplanned downtime, transportation interruptions, cyber-attacks certain regional and world events or economic conditions and public health crises such as COVID-19) 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 the third first quarter of 2023 2024 operating income increased decreased to $6.6 million $3.7 million compared to $5.9 million in the third quarter of 2022. The increase in operating income in the third quarter of 2023 compared to 2022 is due to higher Security Products sales and improved gross margin percentages at both segments, partially offset by lower Marine Components sales. Operating income for the first nine months of 2023 was $18.0 million compared to $20.0 million $7.0 million in the first nine months quarter of 2022. 2023. The decrease in operating income in the first nine months quarter of 2023 2024 compared to 2022 2023 is primarily due to lower Marine Components sales and to a lesser extent, lower Security Products sales somewhat offset by an improvement in Marine Components gross margin percentage. margin.

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 September 30,			
	2022	%	2023	%
	(Dollars in thousands)			
Net sales	$ 42,864	100.0 %	**$ 40,355**	**100.0 %**
Cost of sales	30,928	72.2	**27,736**	**68.7**
Gross margin	11,936	27.8	**12,619**	**31.3**
Operating costs and expenses	6,016	14.0	**6,074**	**15.1**
Operating income	$ 5,920	13.8 %	**$ 6,545**	**16.2 %**

	Nine months ended September 30,				Three months ended March 31,			
	2022	%	2023	%	2023	%	2024	%
	(Dollars in thousands)							

					(Dollars in thousands)			
Net sales	$ 126,589	100.0 %	**$ 118,122**	**100.0 %**	$41,151	100.0 %	**$37,971**	**100.0 %**
Cost of sales	88,944	70.3	**82,526**	**69.9**	28,447	69.1	**28,304**	**74.5**
Gross margin	37,645	29.7	**35,596**	**30.1**	12,704	30.9	**9,667**	**25.5**
Operating costs and expenses	17,674	13.9	**17,644**	**14.9**	5,664	13.8	**5,952**	**15.7**
Operating income	$ 19,971	15.8 %	**$ 17,952**	**15.2 %**	$ 7,040	17.1 %	**$ 3,715**	**9.8 %**

Net sales. Net sales decreased $2.6 million and $8.5 million in the third quarter and $3.2 million in the first nine months quarter of 2023, respectively, 2024 compared to the same periods period in 2022 2023 due to lower Marine Components sales primarily to the towboat market, partially offset by higher Security Products sales in to the third quarter of 2023. government security market. See segment discussion below.

Cost of sales and gross margin. Cost of sales as a percentage of sales decreased 3.5% and .4% increased 5.4% in the third first quarter and for the first nine months of 2023, respectively, 2024 compared to the same periods period in 2022. 2023. As a result, gross margin as a percentage of sales increased decreased over the same periods. period. Gross margin percentage increased decreased in the third first quarter and for the first nine months of 2023 2024 compared to the same periods period in 2022 2023 primarily due to higher lower gross margin percentages at both Security Products and Marine Components for the third quarter of 2023. Higher gross margin percentage at Marine

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Components in the first quarter of 2023 also favorably impacted the nine-month comparative period. and Security Products. 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 third first quarter and for the first nine months of 2023 were comparable 2024 increased $.3 million compared to the same periods period in 2022. 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 third first quarter and the first nine months of 2023 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.

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Operating income. As a percentage of net sales, operating income comparisons for the third first quarter and first nine months of 2024 decreased compared to the same periods period of 2022 were 2023 and was primarily impacted by the factors impacting sales, cost of sales, gross margin and operating costs. costs and expenses. See segment discussion below.

Interest income. Interest income increased $.5 $.3 million and $1.9 million in the third first quarter and for the first nine months of 2023, respectively, 2024 compared to the same periods period in 2022 2023 primarily due to higher average interest rates and increased investment balances, somewhat offset by lower average balances on the revolving promissory note receivable from Valhi. See Notes 3 and 10 9 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 performance indicator for our segments is operating income.

	Three months ended September 30,		**%**	**Nine months ended September 30,**		**%**	**Three months ended March 31,**		**%**
	2022	**2023**	**Change**	**2022**	**2023**	**Change**	**2023**	**2024**	**Change**
	(Dollars in thousands)			**(Dollars in thousands)**			**(Dollars in thousands)**		
Security Products:									
Net sales	$ 28,493	**$ 31,376**	10 %	$ 86,911	**$ 84,390**	(3)%	$ 27,342	**$ 29,887**	9 %
Cost of sales	20,241	**21,347**	5	59,629	**58,475**	(2)	18,875	**21,115**	12
Gross margin	8,252	**10,029**	22	27,282	**25,915**	(5)	8,467	**8,772**	4
Operating costs and expenses	3,348	**3,533**	6	9,637	**9,906**	3	3,088	**3,322**	8
Operating income	$ 4,904	**$ 6,496**	32	$ 17,645	**$ 16,009**	(9)	$ 5,379	**$ 5,450**	1
Gross margin	29.0 %	**32.0 %**		31.4 %	**30.7 %**		31.0 %	**29.4 %**	
Operating income margin	17.2	**20.7**		20.3	**19.0**		19.7	**18.2**	

Security Products. Security Products net sales increased 10% 9% in the third first quarter of 2023 2024 compared to the same period in 2022. Relative last year primarily due to prior year, third quarter $1.8 million higher sales were $3.9 million higher to the government security market, partially offset by $.6 million lower sales to the office furniture market and $.4 million lower sales to the gas station security market. Security Products net sales decreased 3% in the first nine months of 2023 compared to the same period in 2022. Relative to prior year, sales for the first nine months were $1.4 million lower to the office furniture market, $1.1 million lower to the government security market, $.5 million lower to the gas station security market and $.4 million lower to the healthcare market, partially offset by $1.2 million higher sales to distributors.

Gross margin as a percentage of net sales increased decreased for the third first quarter of 2023 2024 compared to the same period in 2022 2023 primarily due to increased sales volumes and lower the relative changes in fixed costs allocated to cost of sales percentage as during the quarter. Additionally, a result of lower raw materials, shipping less favorable customer and overtime costs. Operating income as a percentage of net sales increased product mix in the third first quarter of 2023 compared to the same period in 2022 due to the factors impacting 2024 negatively impacted gross margin, partially offset by increased operating costs and expenses, including higher employee salaries and benefits of $.2 million. Gross margin as a percentage of net sales for over the first nine months of 2023 decreased as compared to the same period in 2022 primarily due to effects of lower sales and decreased coverage of fixed costs as a result of lower sales, partially offset by the favorable increase in gross margin during

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the third quarter as discussed above. comparable period. Operating income as a percentage of net sales decreased in the first nine months quarter of 2023 2024 compared to the same period in 2022 2023 due to the factors impacting gross margin, as well as increased operating costs and expenses, including higher employee salaries and benefits of $.2 million noted above. million.

	Three months ended September 30,		%	Nine months ended September 30,		%	Three months ended March 31,		%
	2022	**2023**	**Change**	**2022**	**2023**	**Change**	**2023**	**2024**	**Change**
	(Dollars in thousands)			**(Dollars in thousands)**			**(Dollars in thousands)**		
Marine Components:									
Net sales	$ 14,371	**$ 8,979**	(38)%	$ 39,678	**$ 33,732**	(15)%	$ 13,809	**$ 8,084**	(41)%
Cost of sales	10,687	**6,389**	(40)	29,315	**24,051**	(18)	9,572	**7,189**	(25)
Gross margin	3,684	**2,590**	(30)	10,363	**9,681**	(7)	4,237	**895**	(79)

Operating costs and expenses	968	**897**	(7)	2,914	**2,728**	(6)	920	**861**	(6)
Operating income	$ 2,716	**$ 1,693**	(38)	$ 7,449	**$ 6,953**	(7)	$ 3,317	**$ 34**	(99)
Gross margin	25.6 %	**28.8 %**		26.1 %	**28.7 %**		30.7 %	**11.1 %**	
Operating income margin	18.9	**18.9**		18.8	**20.6**		24.0	**.4**	

Marine Components. Marine Components net sales decreased 38% 41% in the third first quarter of 2023 2024 compared to the same period last year primarily due to the decline in 2022. sales to the towboat market. Relative to prior year, third the first quarter of 2023, sales

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were $4.8 million $4.3 million lower to the towboat market, and $.5 $.7 million lower to the industrial market, $.3 million lower to the engine builder market partially offset by $.4 million higher sales to the center console boat market. Marine Components net sales decreased 15% in the first nine months of 2023 compared to the same period in 2022. Relative to prior year, sales for the first nine months were $7.7 million lower to the towboat market and $.8 $.3 million lower to the engine builder market, partially offset by $1.4 million higher sales to the industrial market, $.6 million higher sales to marine dealers and distributors and $.4 million higher sales to the center console boat market.

distributors. Gross margin as a percentage of net sales increased decreased in the third first quarter and for the first nine months of 2023 2024 compared to the same period in 2022 last year primarily due to lower raw material costs (primarily stainless steel higher cost inventory produced during the fourth quarter of 2023 and aluminum), lower shipping rates and lower labor costs from reduced employee overtime sold in the first quarter of 2024. Marine Components inventory produced during the fourth quarter of 2023 had a higher carrying value due to lower sales, partially offset by decreased coverage of fixed costs higher production cost per unit as a result of lower sales. Higher production volumes. Additionally, gross margin and operating income margin were unfavorably impacted by decreased coverage of production costs, operating costs and expenses on lower sales.

Outlook. In the first quarter of 2024, Security Products benefitted from increased sales of mechanical locks to the government security market while the other markets we serve were relatively flat compared to the same period of 2023. 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 also favorably impacted the nine-month comparative period. Operating income as a percentage of net sales in the third quarter of 2023 was comparable to the same period in 2022. Operating income as a percentage of net sales increased in the first nine months of 2023 compared to the same period in 2022 due to the factors impacting gross margin as well as reduced operating costs has continued. We are focused on aligning our resources with current demand levels, and expenses, including lower employee related administrative expenses of $.2 million.

Outlook. During the third quarter, we benefited from increased sales to a customer in the government security market while demand in many of the other markets Security Products serves remained sluggish. At particularly at Marine Components, softening we are adjusting inventory levels, operating expenses and labor resources to align with current demand experienced in the first half of the year continued in the third quarter, primarily due while also preserving our ability to continued weakness in the towboat market. Labor markets have largely become favorable in each of the regions we operate, and respond quickly when demand increases. Generally, raw material prices have either stabilized, or, in the case of certain commodity raw materials, started to decline slightly. Our our supply chains are stable and transportation and logistical delays are minimal, and the long lead times related to certain electronic and specialty components we previously experienced have begun to ease. minimal. We have adjusted our labor force and production rates at our facilities order patterns in response to reflect the stability of our raw material supplies and near-term demand levels. supplies.

We expect Security Products sales in 2024 will continue be lower than 2023 as the sluggishness we have experienced across a variety of the markets Security Products serves has continued through the first quarter of 2024 with customers continuing to express uncertainty regarding sustained consumer demand levels. In addition, we do not expect 2024 sales to benefit from increased sales the pilot project to the a government security market for the remainder of the year. We are in close contact with our key customers and believe reduced order rates will continue through the end of the year in many of the other Security Products markets. Overall, customer we expect the improved gross margins experienced by Security Products during the third quarter will continue 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 raw material a percentage of sales to decline due to our limited pricing power along with reduced coverage of selling, general and administrative costs have stabilized and higher cost inventory has worked its way through cost as a result of lower expected sales. We expect Marine Components net sales for the remainder full year of the year will continue 2024 to be challenged lower as compared to 2022, particularly 2023 because we believe demand in the towboat market as will further decline. The recreational marine demand 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 reductions to reduced production schedules for the remainder of 2023. We have been able to somewhat offset the towboat market sales declines with increased sales to industrial customers, but we do not expect increases in sales to the industrial market will fully offset weakened towboat demand. 2024. Overall, we expect Marine Components gross margin as a percentage of net sales for the full year of 2023 2024 to be slightly favorable lower than 2023 due to 2022 primarily lower coverage of fixed overhead as a result of lower raw material costs. Despite increased sales to the government security market and higher gross margin percentage at both segments, due to broader market reduced demand, we expect

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to report slightly lower consolidated expected sales, and operating income as a percentage of net sales will 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 2023 compared to 2022. On aligning our Marine Components inventory balances with current demand in the strength first quarter of higher interest income, we 2024 and expect net income for the full year 2023 this alignment to be comparable to prior year. We are focused on managing inventory levels to align with anticipated near-term demand. With raw materials and other components more readily available, we believe we will be able to achieve additional operating efficiencies during the remainder of the year although the extent and impact of such efficiencies is not yet known. complete by mid-year 2024.

Our expectations for our operations and the markets we serve are based on a number of factors outside our control. As noted above, we We have experienced some 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.

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Our net cash provided by operating activities for the first nine three months of 2023 increased 2024 decreased by $3.6 million $1.4 million as compared to the first nine three months of 2022. 2023. The increase decrease in net cash provided is primarily due to the net effects of:

- A $4.3 million $3.3 million decrease in operating income in 2024,
- A $1.6 million decrease in the amount of net cash used by relative changes in our inventories, receivables, prepaids, payables and non-tax related accruals in 2023,
- A $2.0 million decrease in operating income in 2023,
- A $.8 million decrease in cash paid for taxes in 2023 due to lower earnings and the relative timing of payments, 2024, and
- A $.5 $.3 million increase in interest received in 2023 2024 due to higher interest rates and increased investment balances, partially offset by lower average balances on our loan to an affiliate.

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, 2022 December 31, 2023 to September 30, 2023 March 31, 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, 2021 December 31, 2022 and September 30, 2022 March 31, 2023 numbers below.

Days Sales Outstanding:	December 31, 2021	September 30, 2022	December 31, 2022	September 30, 2023	December 31, 2022	March 31, 2023	December 31, 2023	March 202
Security Products	46 Days	45 Days	45 Days	48 Days	45 Days	44 Days	37 Days	43 Da
Marine Components	30 Days	32 Days	30 Days	33 Days	30 Days	36 Days	31 Days	35 Da
Consolidated CompX	42 Days	41 Days	41 Days	45 Days	41 Days	41 Days	36 Days	42 Da

Our average number of days in inventory increased decreased from December 31, 2022 December 31, 2023 to September 30, 2023 March 31, 2024 primarily due to the increase decrease at Marine Components due as a result of higher sales in the first quarter of 2024 compared to lower sales the fourth quarter of 2023 and increased decreased inventory balances as a result of prior ordersa planned reduction of certain raw materials that hadwith previously longer lead times that were delivered during the second and third quarters of 2023. Daysas discussed in inventory for Security Products increased slightly due to the planned inventory build during the second quarter at Security Products to fulfill a purchase order that began shipping during the third quarter and is expected to continue shipping through the end of the year. Absent this order, Security Products inventory balances would have declined at the end of the third quarter in line with current demand.*Outlook* above. For comparative purposes, we have provided December 31, 2021December 31, 2022 and September 30, 2022March 31, 2023 numbers below.

Days in Inventory:	December 31, 2021	September 30, 2022	December 31, 2022	September 30, 2023
Security Products	95 Days	103 Days	101 Days	103 Days
Marine Components	97 Days	89 Days	95 Days	144 Days
Consolidated CompX	96 Days	98 Days	99 Days	112 Days

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

Investing activities. Our capital expenditures were $.6$.3 million and $3.0 million in each of the first ninethree months of 20232024 and 2022, 2023, respectively. During the first ninethree months of 2024, Valhi repaid a net $.8 million under the promissory note ($5.2 million of gross borrowings and $6.0 million of gross repayments). During the first three months of 2023, Valhi repaid a net $1.2 million$1.0 million under the promissory note ($20.76.8 million of gross borrowings and $21.9 million of gross repayments). During the first nine months of 2022, Valhi repaid a net $4.0 million under the promissory note ($17.1 million of gross borrowings and $21.1 million$7.8 million of gross repayments). See Note 109 to our Condensed Consolidated Financial Statements.

During the first ninethree months of 2024, we received gross proceeds totaling $12.0 million related to U.S. treasury bill maturities. During the first three months of 2023, we had gross purchases of U.S. treasury marketable securities aggregating $36.3 million$13.5 million and received gross proceeds totaling $24.0 million$4.0 million related to U.S. treasury bill maturities. See Note 3 to our Condensed Consolidated Financial Statements.

Financing activities. During the first nine monthsFinancing activities consisted only of 2023 and 2022, we paid aggregate quarterly dividends to CompX stockholders of $.75 per share. Additionally, in August 2022cash dividends.In February 2024, our board of directors declared a specialincreased our regular quarterly dividend on our Class A common stock of $1.75from $.25 per share ($21.5 million).to $.30 per share beginning in the first quarter of 2024. 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.

During the second quarter of 2022, we acquired 78,900 shares of our Class A common stock (8,900 shares from affiliates and 70,000 shares in a single market transaction) for an aggregate purchase price of $1.7 million. See Note 8 to our

Condensed Consolidated Financial Statements.

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.

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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 10 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.

All of our $64.4 million $75.6 million aggregate cash, cash equivalents and marketable securities at September 30, 2023 March 31, 2024 were held in the U.S.

Capital expenditures. Firm purchase commitments for capital projects in process at September 30, 2023 March 31, 2024 totaled $.2 $.4 million. We expect our capital expenditures for 2023 2024 will be approximately $2.0 million $2.8 million primarily to meet our existing customer demand and those required to properly maintain our facilities and technology infrastructure.

Stock repurchase program. At September 30, 2023 March 31, 2024, we have 523,647 shares available for repurchase under a stock repurchase program authorized by our board of directors. See Note 8 to our Condensed Consolidated Financial Statements.

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Commitments and contingencies. There have been no material changes in our contractual obligations since we filed our 2022 2023 Annual Report and we refer you to that report for a complete description of these commitments.

Recent accounting pronouncements –

None. See Note 10 to our Condensed Consolidated Financial Statements.

Critical accounting policies –

There have been no changes in the first nine three months of 2023 2024 with respect to our critical accounting policies presented in Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2022 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 2022 2023 Annual Report, and we refer you to Part I, Item 7A – "Quantitative and Qualitative Disclosure About Market Risk" in our 2022 2023 Annual Report. See also Note 9 8 to the 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

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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 September 30, 2023 March 31, 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,

- 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 September 30, 2023 March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Part II. OTHER INFORMATION

ITEM 1A. Risk Factors.

Reference is made to the 2022 2023 Annual Report for a discussion of risk factors related to our businesses.

ITEM 6. Exhibits.

Item No.	Exhibit Index
3.1	Amended and Restated Bylaws of CompX International Inc. (effective November 1, 2023) – incorporated by reference to Exhibit 3.1 of our Current Report on Form 8-K filed on November 1, 2023.
31.1	Certification
31.2	Certification
32.1	Certification
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)

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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: November 1, 2023 May 7, 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: November 1, 2023 May 7, 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: November 1, 2023 May 7, 2024

By: /s/ Amy A. Samford

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

/div>

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 September 30, 2023 March 31, 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: November 1, 2023 May 7, 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

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