

COMPX INTERNATIONAL INC
Form 10-Q
November 02, 2007

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarter ended September 30, 2007

Commission file number 1-13905

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

Delaware
(State or other jurisdiction of
Incorporation or organization)

57-0981653
(IRS Employer
Identification No.)

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

75240-2697
(Zip Code)

Registrant's telephone number, including area code

(972) 448-1400

Indicate by checkmark:

Whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Number of shares of common stock outstanding on October 24, 2007:

Class A: 5,226,380

Class B: 10,000,000

COMPX INTERNATIONAL INC.

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Items 1, 3, 4 and 5 of Part II are omitted because there is no information to report.

COMPX INTERNATIONAL INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

ASSETS	December 31, 2006	September 30, 2007 (unaudited)
Current assets:		
Cash and cash equivalents	\$ 29,688	\$ 25,158
Accounts receivable, net	19,986	20,366
Receivables from affiliates	259	212
Inventories, net	21,733	26,646
Prepaid expenses and other	1,172	1,630
Deferred income taxes	2,050	2,065
Current portion of note receivable	1,306	1,306
Total current assets	76,194	77,383
Other assets:		
Goodwill	40,759	40,720
Other intangible assets	3,174	2,711
Note receivable	1,567	261
Other	644	708
Total other assets	46,144	44,400
Property and equipment:		
Land	8,826	8,831
Buildings	35,284	36,777
Equipment	114,207	122,500
Construction in progress	2,559	11,823
	160,876	179,931
Less accumulated depreciation	91,188	105,102
Net property and equipment	69,688	74,829
Total assets	\$ 192,026	\$ 196,612

COMPX INTERNATIONAL INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 2006	September 30, 2007 (unaudited)
Current liabilities:		
Accounts payable and accrued liabilities	\$ 16,842	\$ 20,586
Income taxes payable to affiliates	136	210
Income taxes	836	29
Total current liabilities	17,814	20,825
Noncurrent liabilities - deferred income taxes	20,522	17,392
Stockholders' equity:		
Preferred stock	-	-
Class A common stock	53	52
Class B common stock	100	100
Additional paid-in capital	110,106	109,468
Retained earnings	35,353	38,151
Accumulated other comprehensive income	8,078	10,624
Total stockholders' equity	153,690	158,395
Total liabilities and stockholders' equity	\$ 192,026	\$ 196,612

Commitments and contingencies (Note 1, 6)

See accompanying Notes to Condensed Consolidated Financial Statements.

COMPX INTERNATIONAL INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

	Three months ended September 30, 2006		Nine months ended September 30, 2006	
	2007	2007	2006	2007
	(unaudited)			
Net sales	\$ 48,812	\$ 46,389	\$ 145,984	\$ 135,169
Cost of goods sold	35,955	35,124	109,150	99,921
Gross margin	12,857	11,265	36,834	35,248
Selling, general and administrative expense	6,673	6,596	19,832	19,833
Other operating income (expense), net	28	(399)	(174)	(1,106)
Operating income	6,212	4,270	16,828	14,309
Other non-operating income, net	268	223	843	778
Income from continuing operations before income taxes	6,480	4,493	17,671	15,087
Provision for income taxes	2,675	1,677	7,603	6,604
Income from continuing operations	3,805	2,816	10,068	8,483
Discontinued operations, net of tax	-	-	(500)	-
Net income	\$ 3,805	\$ 2,816	\$ 9,568	\$ 8,483
Basic and diluted earnings (loss) per common share:				
Continuing operations	\$.25	\$.18	\$.66	\$.56
Discontinued operations	-	-	(.03)	--
	.25	.18	.63	.56
Cash dividends per share	\$.125	\$.125	\$.375	\$.375
Shares used in the calculation of basic and diluted earnings (loss) per share	15,260	15,277	15,253	15,281

See accompanying Notes to Condensed Consolidated Financial Statements.

COMPX INTERNATIONAL INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Nine months ended September 30, 2006 2007 (unaudited)	
Cash flows from operating activities:		
Net income	\$ 9,568	\$ 8,483
Depreciation and amortization	8,326	8,227
Deferred income taxes	1,574	(3,769)
Other, net	877	353
Change in assets and liabilities (exclusive of acquisition):		
Accounts receivable, net	(1,490)	561
Inventories, net	536	(4,390)
Accounts payable and accrued liabilities	748	1,598
Accounts with affiliates	(166)	121
Income taxes	(322)	(1,129)
Other, net	87	(552)
Net cash provided by operating activities	19,738	9,503
Cash flows from investing activities:		
Capital expenditures	(9,070)	(9,836)
Acquisitions, net of cash acquired	(9,832)	-
Cash collected on note receivable	1,306	1,306
Proceeds from sale of fixed assets	45	48
Net cash used in investing activities	(17,551)	(8,482)
Cash flows from financing activities:		
Principal payments	(1,516)	-
Dividends paid	(5,715)	(5,726)
Common stock reacquired	-	(2,194)
Issuance of common stock and other, net	(1)	1,445
Net cash used in financing activities	(7,232)	(6,475)
Cash and cash equivalents – net change from:		
Operating, investing and financing activities	(5,045)	(5,454)
Currency translation	225	924
Cash and cash equivalents at beginning of period	30,592	29,688
Cash and cash equivalents at end of period	\$ 25,772	\$ 25,158
Supplemental disclosures – cash paid for:		

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Interest	\$	105	\$	82
Income taxes, net		6,524		11,308
Non-cash investing activities:				
Accrual for capital expenditures	\$	-	\$	1,195

See accompanying Notes to Condensed Consolidated Financial Statements.

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COMPX INTERNATIONAL INC.

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

Nine months ended September 30, 2007

(In thousands)

	Common stock		Additional	Retained	Accumulated	Treasurystockholders	Total	Comprehensive
	Class	Class	paid-in	earnings	other	stock	equity	income
	A	B	capital	(unaudited)	comprehensive			
					income-current			
Balance at								
December 31, 2006	\$ 53	\$ 100	\$ 110,106	\$ 35,353	\$ 8,078	\$ -	\$ 153,690	
Net income	-	-	-	8,483	-	-	8,483	\$ 8,483
Other comprehensive income, net	-	-	-	-	2,546	-	2,546	2,546
Change in accounting principle – FIN No. 48	-	-	-	41	-	-	41	-