

COMPX INTERNATIONAL INC
Form 10-Q
August 04, 2008

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarter ended June 30, 2008

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 (or for such a shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Number of shares of common stock outstanding on July 30, 2008:

Class A: 2,361,307

Class B: 10,000,000

COMPX INTERNATIONAL INC.

Index

Part I.FINANCIAL INFORMATION	Page
Item 1.Financial Statements	
Condensed Consolidated Balance Sheets – December 31, 2007 – June 30, 2008 (unaudited)	3
Condensed Consolidated Statements of Income - Three and six months ended June 30, 2007 and 2008 (unaudited)	5
Condensed Consolidated Statements of Cash Flows - Six months ended June 30, 2007 and 2008 (unaudited)	6
Condensed Consolidated Statement of Stockholders' Equity and Comprehensive Income – Six months ended June 30, 2008 (unaudited)	7
Notes to Condensed Consolidated Financial Statements (unaudited)	8
Item 2.Management's Discussion and Analysis of Financial Condition and Results of Operations	12
Item 3.Quantitative and Qualitative Disclosure About Market Risk	20
Item 4.Controls and Procedures	20
 Part II. OTHER INFORMATION	
Item 1A. Risk Factors	21
Item 2. Unregistered Sale of Equity Securities and Use of Proceeds; Share Repurchases	21
Item 4. Submission of Matters to a Vote of Security Holders	21
Item 6. Exhibits	21

Items 1, 3 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, 2007	June 30, 2008 (unaudited)
Current assets:		
Cash and cash equivalents	\$ 18,399	\$ 18,181
Accounts receivable, net	20,447	20,162
Receivables from affiliates	223	318
Inventories, net	24,277	25,911
Prepaid expenses and other	1,392	2,234
Deferred income taxes	2,123	2,124
Current portion of note receivable	1,306	934
Total current assets	68,167	69,864
Other assets:		
Goodwill	40,784	41,147
Other intangible assets	2,569	2,284
Note receivable	261	-
Assets held for sale	3,117	2,817
Other assets	666	81
Total other assets	47,397	46,329
Property and equipment:		
Land	11,612	12,051
Buildings	38,990	39,538
Equipment	124,238	123,141
Construction in progress	2,659	3,172
	177,499	177,902
Less accumulated depreciation	105,348	106,296
Net property and equipment	72,151	71,606
Total assets	\$ 187,715	\$ 187,799

COMPX INTERNATIONAL INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In thousands)

	December 31, 2007	June 30, 2008 (unaudited)
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of note payable to affiliate	\$ 250	\$ 750
Accounts payable and accrued liabilities	17,652	17,931
Interest payable to affiliate	559	451
Income taxes payable to affiliates	282	297
Income taxes	170	161
 Total current liabilities	 18,913	 19,590
Noncurrent liabilities:		
Note payable to affiliate	49,730	49,230
Deferred income taxes and other	14,969	14,400
 Total noncurrent liabilities	 64,699	 63,630
Stockholders' equity:		
Preferred stock	-	-
Class A common stock	25	24
Class B common stock	100	100
Additional paid-in capital	55,824	54,873
Retained earnings	37,080	37,664
Accumulated other comprehensive income	11,074	11,918
 Total stockholders' equity	 104,103	 104,579
 Total liabilities and stockholders' equity	 \$ 187,715	 \$ 187,799

Commitments and contingencies (Notes 1 and 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 June 30,		Six months ended June 30,	
	2007	2008	2007	2008
	(unaudited)			
Net sales	\$ 45,229	\$ 43,708	\$ 88,780	\$ 84,228
Cost of goods sold	33,366	32,726	64,796	63,305
Gross margin	11,863	10,982	23,984	20,923
Selling, general and administrative expense	6,571	6,504	13,237	12,908
Other operating expense, net	688	11	706	19
Operating income	4,604	4,467	10,041	7,996
Other non-operating income, net	354	24	655	141
Interest expense	(48)	(504)	(102)	(1,266)
Income before income taxes	4,910	3,987	10,594	6,871
Provision for income taxes	2,261	1,863	4,927	3,186
Net income	\$ 2,649	\$ 2,124	\$ 5,667	\$ 3,685
Basic and diluted earnings per common share	\$.17	\$.17	\$.37	\$.30
Cash dividends per share	\$.125	\$.125	\$.25	\$.25
Shares used in the calculation of basic and diluted earnings per share	15,279	12,374	15,284	12,410

See accompanying Notes to Condensed Consolidated Financial Statements.

COMPX INTERNATIONAL INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Six months ended June 30,	
	2007	2008
	(unaudited)	
Cash flows from operating activities:		
Net income	\$ 5,667	\$ 3,685
Depreciation and amortization	5,480	4,677
Deferred income taxes	(1,537)	(647)
Other, net	235	496
Change in assets and liabilities:		
Accounts receivable, net	(1,106)	180
Inventories, net	(3,565)	(2,137)
Accounts payable and accrued liabilities	246	84
Accounts with affiliates	99	(80)
Income taxes	(579)	(5)
Other, net	400	(895)
Net cash provided by operating activities	5,340	5,358
Cash flows from investing activities:		
Capital expenditures	(5,477)	(3,431)
Cash collected on note receivable	1,306	1,306
Proceeds on disposal of asset held for sale and other, net	42	250
Net cash used in investing activities	(4,129)	(1,875)
Cash flows from financing activities:		
Dividends paid	(3,820)	(3,101)
Treasury stock acquired	-	(1,006)
Issuance of common stock and other, net	204	(56)
Net cash used in financing activities	(3,616)	(4,163)
Cash and cash equivalents – net change from:		
Operating, investing and financing activities	(2,405)	(680)
Currency translation	695	462
Cash and cash equivalents at beginning of period	29,688	18,399
Cash and cash equivalents at end of period	\$ 27,978	\$ 18,181
Supplemental disclosures – cash paid for:		
Interest	\$ 56	\$ 1,305

Edgar Filing: COMPX INTERNATIONAL INC - Form 10-Q

Income taxes, net		6,938		4,096	
Non-cash investing activities:					
Accrual for capital expenditures		\$	1,232	\$	293

See accompanying Notes to Condensed Consolidated Financial Statements.

- 6 -

COMPX INTERNATIONAL INC.

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

Six months ended June 30, 2008

(In thousands)

(unaudited)

	Common stock Class		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income-currency translation	Treasury stock	Total stockholders' equity	Comprehensive income
	A	Class B						
Balance at December 31, 2007	\$ 25	\$ 100	\$ 55,824	\$ 37,080	\$ 11,074	\$ -	\$ 104,103	
Net income	-	-	-	3,685	-	-	3,685	\$ 3,685
Other comprehensive income, net	-	-	-	-	844	-	844	844
Issuance of common stock and other, net	-	-	54	-	-	-	54	-
Treasury stock:								
Acquired	-	-	-	-	-	(1,006)	(1,006)	-
Retired	(1)	-	(1,005)	-	-	1,006	-	-