
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 March 31, 2016

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). 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 April 28, 2016:

Class A: 2,411,107

Class B: 10,000,000

COMPX INTERNATIONAL INC.

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

	December 31, 2015	March 31, 2016 (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 52,347	\$ 48,058
Accounts receivable, net	8,760	11,875
Inventories, net	15,098	14,419
Prepaid expenses and other	704	1,380
Total current assets	<u>76,909</u>	<u>75,732</u>
Other assets:		
Goodwill	23,742	23,742
Other noncurrent	590	590
Total other assets	<u>24,332</u>	<u>24,332</u>
Property and equipment:		
Land	4,928	4,928
Buildings	21,231	21,231
Equipment	63,539	64,233
Construction in progress	1,567	2,116
	<u>91,265</u>	<u>92,508</u>
Less accumulated depreciation	57,714	58,623
Net property and equipment	<u>33,551</u>	<u>33,885</u>
Total assets	<u>\$ 134,792</u>	<u>\$ 133,949</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 11,618	\$ 8,575
Income taxes payable to affiliates	470	1,118
Total current liabilities	<u>12,088</u>	<u>9,693</u>
Noncurrent liabilities -		
Deferred income taxes	5,001	4,973
Stockholders' equity:		
Preferred stock	—	—
Class A common stock	24	24
Class B common stock	100	100
Additional paid-in capital	55,422	55,422
Retained earnings	62,157	63,737
Total stockholders' equity	<u>117,703</u>	<u>119,283</u>
Total liabilities and stockholders' equity	<u>\$ 134,792</u>	<u>\$ 133,949</u>

Commitments and contingencies (Note 1)

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 March 31,	
	2015	2016
	(unaudited)	
Net sales	\$ 27,891	\$ 27,075
Cost of goods sold	19,325	18,870
Gross profit	8,566	8,205
Selling, general and administrative expense	4,866	4,852
Operating income	3,700	3,353
Interest income	9	32
Income before taxes	3,709	3,385
Provision for income taxes	1,295	1,185
Net income	\$ 2,414	\$ 2,200
Basic and diluted net income per common share	\$ 0.19	\$ 0.18
Cash dividends per share	\$ 0.05	\$ 0.05
Basic and diluted weighted average shares outstanding	12,404	12,411

See accompanying Notes to Condensed Consolidated Financial Statements.

COMPX INTERNATIONAL INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Three months ended March 31,	
	2015	2016
	(unaudited)	
Cash flows from operating activities:		
Net income	\$ 2,414	\$ 2,200
Depreciation and amortization	886	909
Deferred income taxes	(101)	(28)
Other, net	80	58
Change in assets and liabilities:		
Accounts receivable, net	(3,427)	(3,121)
Inventories, net	(34)	627
Accounts payable and accrued liabilities	(3,537)	(3,066)
Accounts with affiliates	688	648
Prepays and other, net	26	(675)
Net cash used by operating activities	(3,005)	(2,448)
Cash flows from investing activities -		
Capital expenditures	(790)	(1,221)
Cash flows from financing activities -		
Dividends paid	(620)	(620)
Cash and cash equivalents - net change from:		
Operating, investing and financing activities	(4,415)	(4,289)
Balance at beginning of period	45,570	52,347
Balance at end of period	<u>\$ 41,155</u>	<u>\$ 48,058</u>
Supplemental disclosures - cash paid for:		
Income taxes	\$ 701	\$ 565

See accompanying Notes to Condensed Consolidated Financial Statements.

COMPX INTERNATIONAL INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
Three months ended March 31, 2016
(In thousands)
(unaudited)

	Common stock		Additional	Retained	Total
	Class A	Class B	paid-in	earnings	stockholders'
			capital		equity
Balance at December 31, 2015	\$ 24	\$ 100	\$ 55,422	\$ 62,157	\$ 117,703
Net income	—	—	—	2,200	2,200
Cash dividends	—	—	—	(620)	(620)
Balance at March 31, 2016	\$ 24	\$ 100	\$ 55,422	\$ 63,737	\$ 119,283

See accompanying Notes to Condensed Consolidated Financial Statements.

COMPX INTERNATIONAL INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

(unaudited)

Note 1 – Organization and basis of presentation:

Organization. We (NYSE MKT: CIX) are 87% owned by NL Industries, Inc. (NYSE: NL) at March 31, 2016. We manufacture and sell component products (security products and recreational marine components). At March 31, 2016, Valhi, Inc. (NYSE: VHI) owns 83% of NL's outstanding common stock and a wholly-owned subsidiary of Contran Corporation owns 93% of Valhi's outstanding common stock. All of Contran's outstanding voting stock is held by a family trust established for the benefit of Lisa K. Simmons and Serena Simmons Connelly and their children, for which Ms. Simmons and Ms. Connelly are co-trustees, or is held directly by Ms. Simmons and Ms. Connelly or entities related to them. Consequently, Ms. Simmons and Ms. Connelly may be deemed to control 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, 2015 that we filed with the Securities and Exchange Commission ("SEC") on March 3, 2016 (the "2015 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, 2015 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, 2015) 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 ended March 31, 2016 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 2015 Consolidated Financial Statements contained in our 2015 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 March 31 and December 31, as applicable. Unless otherwise indicated, references in this report to "we", "us" or "our" refer to CompX International Inc. and its subsidiaries, taken as a whole.

Note 2 – Business segment information:

	Three months ended March 31,	
	2015	2016
	(In thousands)	
Net sales:		
Security Products	\$ 24,658	\$ 23,414
Marine Components	3,233	3,661
Total net sales	<u>\$ 27,891</u>	<u>\$ 27,075</u>
Operating income (loss):		
Security Products	\$ 4,946	\$ 4,471
Marine Components	259	334
Corporate operating expenses	<u>(1,505)</u>	<u>(1,452)</u>
Total operating income	3,700	3,353
Interest income	9	32
Income before taxes	<u>\$ 3,709</u>	<u>\$ 3,385</u>

Intersegment sales are not material.

Note 3 – Accounts receivable, net:

	December 31, 2015	March 31, 2016
	(In thousands)	
Accounts receivable, net:		
Security Products	\$ 7,995	\$ 10,482
Marine Components	852	1,471
Allowance for doubtful accounts	(87)	(78)
Total accounts receivable, net	<u>\$ 8,760</u>	<u>\$ 11,875</u>

Note 4 – Inventories, net:

	December 31, 2015	March 31, 2016
	(In thousands)	
Raw materials:		
Security Products	\$ 2,426	\$ 2,473
Marine Components	381	367
Total raw materials	<u>2,807</u>	<u>2,840</u>
Work-in-process:		
Security Products	7,732	7,601
Marine Components	1,614	1,445
Total work-in-process	<u>9,346</u>	<u>9,046</u>
Finished goods:		
Security Products	2,041	1,784
Marine Components	904	749
Total finished goods	<u>2,945</u>	<u>2,533</u>
Total inventories, net	<u>\$ 15,098</u>	<u>\$ 14,419</u>

Note 5 – Accounts payable and accrued liabilities:

	December 31, 2015	March 31, 2016
	(In thousands)	
Accounts payable	\$ 2,671	\$ 3,018
Accrued liabilities:		
Employee benefits	7,652	3,951
Taxes other than on income	253	436
Customer tooling	320	325
Professional	75	228
Insurance	244	186
Other	403	431
Total accounts payable and accrued liabilities	<u>\$ 11,618</u>	<u>\$ 8,575</u>

Note 6 – Provision for income taxes:

	Three months ended	
	March 31,	
	2015	2016
	(In thousands)	
Expected tax expense, at the U.S. federal statutory income tax rate of 35%	\$ 1,298	\$ 1,185
Domestic production activities deduction	(120)	(105)
State income taxes	110	98
Other, net	7	7
Total income tax expense	<u>\$ 1,295</u>	<u>\$ 1,185</u>

Note 7 – Financial instruments:

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

	December 31, 2015		March 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	(In thousands)			
Cash and cash equivalents	\$ 52,347	\$ 52,347	\$ 48,058	\$ 48,058
Accounts receivable, net	8,760	8,760	11,875	11,875
Accounts payable	2,671	2,671	3,018	3,018

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

Note 8 – Recent accounting pronouncements not yet adopted:

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard replaces existing revenue recognition guidance, which in many cases was tailored for specific industries, with a uniform accounting standard applicable to all industries and transactions. The new standard, as amended, is currently effective for us beginning with the first quarter of 2018. Entities may elect to adopt ASU No. 2014-09 retrospectively for all periods for all contracts and transactions which occurred during the period (with a few exceptions for practical expediency) or retrospectively with a cumulative effect recognized as of the date of adoption. ASU No. 2014-09 is a fundamental rewriting of existing GAAP with respect to revenue recognition, and we are still evaluating the effect the Standard will have on our consolidated financial statements. We currently expect to adopt the standard in the first quarter of 2018. In addition, we have not yet determined the method we will use to adopt the Standard.

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 electronic cabinet locks and other locking mechanisms used in recreational transportation, postal, office and institutional furniture, cabinetry, tool storage and healthcare applications. We also manufacture stainless steel exhaust systems, gauges, throttle controls and trim tabs 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 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 product features,
- Future litigation,
- 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,
- The impact of current or future government regulations (including employee healthcare benefit related regulations),
- Potential difficulties in upgrading or implementing new manufacturing and accounting software systems,
- General global economic and political conditions that introduce instability into the U.S. economy (such as changes in the level of gross domestic product in various regions of the world),
- Operating interruptions (including, but not limited to labor disputes, hazardous chemical leaks, natural disasters, fires, explosions, unscheduled or unplanned downtime, transportation interruptions and cyber-attacks); 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 the consequences of such development worsen), or should 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.

Operations Overview

We reported operating income of \$3.4 million in the first quarter of 2016 compared to \$3.7 million in the same period of 2015. Our operating income decreased in 2016 primarily due to lower Security Products sales in 2016.

Our product offerings consist of a significantly 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 goods sold and gross profit. In addition, small variations in period-to-period net sales, cost of goods sold and gross profit can result from changes in the relative mix of our products sold.

Results of Operations

	Three months ended March 31,			
	2015	%	2016	%
(Dollars in thousands)				
Net sales	\$ 27,891	100.0%	\$ 27,075	100.0%
Cost of goods sold	19,325	69.3%	18,870	69.7%
Gross profit	8,566	30.7%	8,205	30.3%
Operating costs and expenses	4,866	17.4%	4,852	17.9%
Operating income	\$ 3,700	13.3%	\$ 3,353	12.4%

Net sales. Net sales decreased \$816,000 in the first quarter of 2016 compared to the same period of 2015, primarily due to Security Products sales in the first quarter of 2015 to a government security end-user that, as expected, did not recur in the first quarter of 2016. This decrease in 2016 sales was partially offset by increased sales to another government customer within Security Products as well as increased Marine Components sales resulting from improved demand for products sold to the waterski/wakeboard boat market. Relative changes in selling prices did not have a material impact on net sales comparisons.

Cost of goods sold and gross profit. Cost of goods sold as a percentage of sales increased less than 1% in the first quarter of 2016 compared to the same period in 2015. As a result, gross profit as a percentage of sales decreased slightly over the same period. Gross profit dollars decreased due to lower sales in the Security Products segment. The decrease in gross profit percentage is primarily due to decreased leverage of fixed manufacturing costs as a result of decreased production volumes during the first quarter of 2016 partially offset by improved variable contribution margins attributable to relative changes in customer and product mix in both the Security Products and Marine Components segments.

Operating costs and expenses. Operating costs and expenses consist primarily of sales and administrative related personnel costs, sales commissions and advertising expenses, as well as gains and losses on plant, property and equipment. Operating costs and expenses for the first quarter of 2016 were comparable to the same period in 2015.

Operating income. As a percentage of net sales, operating income for the first quarter of 2016 decreased compared to the same period of 2015 and was primarily impacted by the factors impacting gross profit percentage and operating costs discussed above.

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 6 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.

Segment Results

The key performance indicator for our segments is operating income.

	Three months ended		
	March 31,		
	2015	2016	% Change
	(Dollars in thousands)		
Net sales:			
Security Products	\$ 24,658	\$ 23,414	-5%
Marine Components	3,233	3,661	13%
Total net sales	<u>\$ 27,891</u>	<u>\$ 27,075</u>	-3%
Gross profit:			
Security Products	\$ 7,771	\$ 7,286	-6%
Marine Components	795	919	16%
Total gross profit	<u>\$ 8,566</u>	<u>\$ 8,205</u>	-4%
Operating income:			
Security Products	\$ 4,946	\$ 4,471	-10%
Marine Components	259	334	29%
Corporate operating expenses	(1,505)	(1,452)	4%
Total operating income	<u>\$ 3,700</u>	<u>\$ 3,353</u>	-9%
Gross profit margin:			
Security Products	31.5%	31.1%	
Marine Components	24.6%	25.1%	
Total gross profit margin	30.7%	30.3%	
Operating income margin:			
Security Products	20.1%	19.1%	
Marine Components	8.0%	9.1%	
Total operating income margin	13.3%	12.4%	

Security Products. Security Products net sales decreased 5% in the first quarter of 2016 compared to the same period last year. The decrease in sales is primarily due to a decrease of approximately \$1.6 million in sales of products for a government security end-user that did not recur in the first quarter of 2016. This decrease in sales for the first quarter of 2016 was offset by increased sales to another government customer of approximately \$366,000. Gross profit margin and operating income as a percentage of sales in 2016 decreased compared to the same period in 2015 primarily due to decreased leverage of fixed costs and operating costs and expenses as a result of decreased production volumes, partially offset by improved variable contribution margins attributable to relative changes in customer and product mix.

Marine Components. Marine Components net sales increased 13% in the first quarter of 2016 as compared to the same period last year. The increase in sales is primarily due to improved demand for products sold to the waterski/wakeboard boat market. Gross profit and operating income as a percentage of net sales improved in the first quarter of 2016 compared to the first quarter of 2015 primarily due to improved variable contribution margins attributable to relative changes in customer and product mix.

Outlook. First quarter sales reflect continued strong demand for our products, including demand from our large existing customers serving government security applications and recreational transportation markets. With the exception of over \$5 million in sales in 2015 for a single government security end-user which are not expected to recur in 2016, and in the absence of any anticipated catalyst to grow and improve general economic conditions, current year sales are expected to remain relatively comparable to prior year. We continue to experience the benefit of innovation and diversification in our product offerings, particularly with respect to the recreational boat markets served by our growing Marine Components segment.

As in prior periods, we will continue to monitor general economic conditions and sales order rates and respond to fluctuations in customer demand through continuous evaluation of staffing levels and consistent execution of our lean manufacturing and cost improvement initiatives. Additionally, we continue to seek opportunities to gain market share in markets we currently serve, to expand into new markets and to develop new product features in order to mitigate the impact of changes in demand as well as broaden our sales base.

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.

We generally report a net use of cash from operating activities in the first three months of each year due to seasonal changes in the level of our working capital. Our net cash used by operating activities for the first three months of 2016 decreased by \$557,000 as compared to the first three months of 2015. The decrease is primarily due to the favorable effects of lower net cash used by relative changes in our inventories, receivables, payables and non-tax related accruals attributable to our operations of approximately \$1.4 million in 2016, offset in part by lower operating income in 2016.

Relative 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, 2015 to March 31, 2016 varied by segment. Generally, we expect our average days sales outstanding to increase from December to March as the result of a seasonal increase in sales during the first quarter as compared to the fourth quarter. Overall, our March 31, 2016 days sales outstanding compared to December 31, 2015 is in line with our expectations. For comparative purposes, we have provided December 31, 2014 and March 31, 2015 numbers below.

Days Sales Outstanding:	December 31, 2014	March 31, 2015	December 31, 2015	March 31, 2016
Security Products	32 Days	40 Days	32 Days	41 Days
Marine Components	32 Days	36 Days	26 Days	36 Days
Consolidated CompX	32 Days	40 Days	31 Days	40 Days

As expected, our total average number of days in inventory decreased from December 31, 2015 to March 31, 2016 primarily as a result of the seasonal increase in sales during the first quarter 2016 as compared to the fourth quarter 2015. The variability in days in inventory among our segments primarily relates to the differences in the complexity of the production processes and therefore the length of time it takes to produce end-products. For comparative purposes, we have provided December 31, 2014 and March 31, 2015 numbers below.

Days in Inventory:	December 31, 2014	March 31, 2015	December 31, 2015	March 31, 2016
Security Products	85 Days	75 Days	70 Days	67 Days
Marine Components	125 Days	108 Days	120 Days	85 Days
Consolidated CompX	90 Days	79 Days	76 Days	70 Days

Investing activities. Our capital expenditures were \$1.2 million in the first three months of 2016 compared to \$790,000 in the first three months of 2015. Capital expenditures for 2016 include approximately \$910,000 related to the expansion of our Grayslake facility which was completed in April 2016.

Financing activities. Financing activities consisted only of quarterly cash dividends (\$0.05 per share) and were comparable for the noted periods.

Future cash requirements –

Liquidity. Our primary source of liquidity on an on-going 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 and (iii) provide for the payment of dividends (if declared). From time-to-time, we will incur indebtedness, primarily to fund capital expenditures or business combinations. In addition, from time-to-time, we may also sell assets outside the ordinary course of business, the proceeds of which are generally used to repay indebtedness (including indebtedness which may have been collateralized by the assets sold) or to fund capital expenditures or business combinations.

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 and dividends (if declared) 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 \$48.1 million aggregate cash and cash equivalents at March 31, 2016 were held in the U.S.

Capital Expenditures. Firm purchase commitments for capital projects in process at March 31, 2016 totaled \$217,000. Our 2016 capital investments are limited to those expenditures required to meet our expected customer demand and those required to properly maintain our facilities and technology infrastructure.

Commitments and Contingencies. There have been no material changes in our contractual obligations since we filed our 2015 Annual Report and we refer you to that report for a complete description of these commitments.

Off-balance sheet financing arrangements –

We do not have any off-balance sheet financing agreements other than the operating leases discussed in our 2015 Annual Report.

Recent accounting pronouncements –

See Note 8 to our Condensed Consolidated Financial Statements.

Critical accounting policies –

There have been no changes in the first three months of 2016 with respect to our critical accounting policies presented in Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2015 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 2015 Annual Report, and we refer you to Part I, Item 7A – "Quantitative and Qualitative Disclosure About Market Risk" in our 2015 Annual Report. See also Note 7 to the 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 David A. Bowers, our Vice Chairman of the Board and Chief Executive Officer, and James W. Brown, our Vice President, Chief Financial Officer and Controller, has evaluated the design and operating effectiveness of our disclosure controls and procedures as of March 31, 2016. 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 March 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. OTHER INFORMATION

ITEM 1A. Risk Factors.

Reference is made to the 2015 Annual Report for a discussion of the risk factors related to our businesses. There have been no material changes in such risk factors during the first three months of 2016.

ITEM 6. Exhibits.

<u>Item No.</u>	<u>Exhibit Index</u>
31.1	Certification
31.2	Certification
32.1	Certification
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

We have retained a signed original of any of the above exhibits that contains signatures, and we will provide such exhibit to the Commission or its staff upon request. We will also furnish, without charge, a copy of our Code of Business Conduct and Ethics, and Audit Committee Charter, each as adopted by our board of directors on June 3, 2015, upon request. Such requests should be directed to the attention of our Corporate Secretary at our corporate offices located at 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240.

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 4, 2016

By: /s/ James W. Brown
James W. Brown
Vice President, Chief Financial Officer and Controller

CERTIFICATION

I, David A. Bowers, 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 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 4, 2016

By: /s/ David A. Bowers
David A. Bowers
Vice Chairman of the Board and
Chief Executive Officer

CERTIFICATION

I, James W. Brown, 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 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 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 4, 2016

By: /s/ James W. Brown
James W. Brown
Vice President, Chief Financial Officer
and Controller
(Principal Accounting and Financial Officer)

**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, 2016 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, David A. Bowers, Vice Chairman of the Board and Chief Executive Officer of the Company and I, James W. Brown, Vice President, Chief Financial Officer and Controller 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/ David A. Bowers
David A. Bowers
Vice Chairman of the Board and
Chief Executive Officer

By: /s/ James W. Brown
James W. Brown
Vice President, Chief Financial Officer and Controller

Date: May 4, 2016

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.

