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 June 30, 2021

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

For the transition period from _________ to _________

Commission file number 1-13905

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

Delaware (State or other jurisdiction of Incorporation or organization)	**57-0981653** (IRS Employer Identification No.)
5430 LBJ Freeway, Suite 1700, Three Lincoln Centre, Dallas, Texas (Address of principal executive offices)	**75240-2620** (Zip Code)

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 July 29, 2021, the registrant had 12,405,657 shares of Class A common stock, $.01 par value per share, outstanding.

Index

Items 2, 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)

	December 31, 2020	June 30, 2021
ASSETS		**(unaudited)**
Current assets:		
Cash and cash equivalents	$ 70,637	**$ 70,374**
Accounts receivable, net	10,731	**16,642**
Inventories, net	18,337	**19,948**
Prepaid expenses and other	1,541	**1,886**
Total current assets	101,246	**108,850**
Other assets:		
Note receivable from affiliate	29,500	**26,000**
Goodwill	23,742	**23,742**
Other noncurrent	607	**598**
Total other assets	53,849	**50,340**
Property and equipment:		
Land	4,940	**4,940**
Buildings	23,146	**23,146**
Equipment	68,227	**69,317**
Construction in progress	1,010	**1,246**
	97,323	**98,649**
Less accumulated depreciation	68,373	**69,940**
Net property and equipment	28,950	**28,709**
Total assets	$ 184,045	**$ 187,899**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 12,198	**$ 11,874**
Income taxes payable to affiliate	952	**980**
Total current liabilities	13,150	**12,854**
Noncurrent liabilities -		
Deferred income taxes	3,239	**3,706**
Stockholders' equity:		
Preferred stock	—	**—**
Class A common stock	124	**124**
Additional paid-in capital	55,987	**55,336**
Retained earnings	111,545	**115,879**
Total stockholders' equity	167,656	**171,339**
Total liabilities and stockholders’ equity	$ 184,045	**$ 187,899**

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 June 30,		Six months ended June 30,	
	2020	**2021**	**2020**	**2021**
		(unaudited)		
Net sales	$ 23,800	**$ 36,253**	$ 56,111	**$ 72,177**
Cost of sales	16,434	**24,947**	38,314	**49,836**
Gross margin	7,366	**11,306**	17,797	**22,341**
Selling, general and administrative expense	4,997	**5,548**	10,408	**10,766**
Operating income	2,369	**5,758**	7,389	**11,575**
Interest income	370	**318**	977	**656**
Income before income taxes	2,739	**6,076**	8,366	**12,231**
Provision for income taxes	674	**1,456**	2,030	**2,926**
Net income	$ 2,065	**$ 4,620**	$ 6,336	**$ 9,305**
Basic and diluted net income per common share	$ 0.17	**$ 0.37**	$ 0.51	**$ 0.75**
Basic and diluted weighted average shares outstanding	12,446	**12,403**	12,445	**12,423**

See accompanying Notes to Condensed Consolidated Financial Statements.

COMPX INTERNATIONAL INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)

	Three months ended June 30, 2020 and 2021 (unaudited)				
	Class A common stock	**Additional paid-in capital**	**Retained earnings**	**Treasury stock**	**Total stockholders' equity**
Balance at March 31, 2020	$ 124	$ 55,869	$ 109,229	$ —	$ 165,222
Net income	—	—	2,065	—	2,065
Issuance of common stock	—	118	—	—	118
Cash dividends ($0.10 per share)	—		(1,245)	—	(1,245)
Balance at June 30, 2020	$ 124	$ 55,987	$ 110,049	$ —	$ 166,160
Balance at March 31, 2021	$ 124	$ 55,232	$ 113,740	$ —	$ 169,096
Net income	—	—	4,620	—	4,620
Issuance of common stock	—	104	—	—	104
Cash dividends ($0.20 per share)	—	—	(2,481)		(2,481)
Balance at June 30, 2021	**$ 124**	**$ 55,336**	**$ 115,879**	$ —	**$ 171,339**

	Six months ended June 30, 2020 and 2021 (unaudited)				
	Class A common stock	**Additional paid-in capital**	**Retained earnings**	**Treasury stock**	**Total stockholders' equity**
Balance at December 31, 2019	$ 124	$ 55,869	$ 106,202	$ —	$ 162,195
Net income	—	—	6,336	—	6,336
Issuance of common stock	—	118	—	—	118
Cash dividends ($0.20 per share)	—	—	(2,489)	—	(2,489)
Balance at June 30, 2020	$ 124	$ 55,987	$ 110,049	$ —	$ 166,160
Balance at December 31, 2020	$ 124	$ 55,987	$ 111,545	$ —	$ 167,656
Net income	—	—	9,305	—	9,305
Issuance of common stock	—	104	—	—	104
Cash dividends ($0.40 per share)	—	—	(4,971)	—	(4,971)
Treasury stock:					—
Acquired	—	—	—	(755)	(755)
Retired	—	(755)	—	755	—
Balance at June 30, 2021	**$ 124**	**$ 55,336**	**$ 115,879**	**$ -**	**$ 171,339**

See accompanying Notes to Condensed Consolidated Financial Statements.

COMPX INTERNATIONAL INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Six months ended June 30, 2020	Six months ended June 30, 2021
	(unaudited)	
Cash flows from operating activities:		
Net income	$ 6,336	$ **9,305**
Depreciation and amortization	1,912	**1,900**
Deferred income taxes	60	**467**
Other, net	207	**185**
Change in assets and liabilities:		
Accounts receivable, net	529	**(5,910)**
Inventories, net	(3,555)	**(1,691)**
Accounts payable and accrued liabilities	(2,415)	**(393)**
Accounts with affiliates	1,674	**112**
Prepaids and other, net	197	**(414)**
Net cash provided by operating activities	4,945	**3,561**
Cash flows from investing activities:		
Capital expenditures	(861)	**(1,598)**
Note receivable from affiliate:		
Collections	20,628	**22,200**
Advances	(23,028)	**(18,700)**
Net cash provided by (used in) investing activities	(3,261)	**1,902**
Cash flows from financing activities:		
Dividends paid	(2,489)	**(4,971)**
Treasury stock acquired	—	**(755)**
Net cash used in financing activities	(2,489)	**(5,726)**
Cash and cash equivalents - net change from:		
Operating, investing and financing activities	(805)	**(263)**
Balance at beginning of period	63,255	**70,637**
Balance at end of period	$ 62,450	$ **70,374**
Supplemental disclosures -		
Cash paid for income taxes	$ 850	$ **2,439**

See accompanying Notes to Condensed Consolidated Financial Statements.

Note 1 – Organization and basis of presentation:

Organization. We (NYSE American: CIX) were approximately 87% owned by NL Industries, Inc. (NYSE: NL) at June 30, 2021. We manufacture and sell component products (security products and recreational marine components). At June 30, 2021, Valhi, Inc. (NYSE: VHI) owned approximately 83% of NL's outstanding common stock and a wholly-owned subsidiary of Contran Corporation owned approximately 92% of Valhi's outstanding common stock. A majority of Contran's outstanding voting stock is held directly by Lisa K. Simmons and various family trusts established for the benefit of Ms. Simmons, Thomas C. Connelly (the husband of Ms. Simmons' late sister) and their children and for which Ms. Simmons or Mr. Connelly, as applicable, serve as trustee (collectively, the "Other Trusts"). With respect to the Other Trusts for which Mr. Connelly serves as trustee, he 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 June 30, 2021 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, 2020 that we filed with the Securities and Exchange Commission ("SEC") on March 3, 2021 (the "2020 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, 2020 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, 2020) 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 ended June 30, 2021 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 2020 Consolidated Financial Statements contained in our 2020 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 June 30, 2020, December 31, 2020 and June 30, 2021. The actual dates of our annual and quarterly periods are June 28, 2020, January 3, 2021 and July 4, 2021, 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.

Note 2 – Business segment information:

	Three months ended June 30,		Six months ended June 30,	
	2020	2021	2020	2021
	(In thousands)			
Net sales:				
Security Products	$ 18,573	**$ 27,587**	$ 44,042	**$ 53,472**
Marine Components	5,227	**8,666**	12,069	**18,705**
Total net sales	$ 23,800	**$ 36,253**	$ 56,111	**$ 72,177**
Operating income (loss):				
Security Products	$ 3,361	**$ 5,845**	$ 9,074	**$ 11,335**
Marine Components	799	**1,598**	1,881	**3,541**
Corporate operating expenses	(1,791)	**(1,685)**	(3,566)	**(3,301)**
Total operating income	2,369	**5,758**	7,389	**11,575**
Interest income	370	**318**	977	**656**
Income before income taxes	$ 2,739	**$ 6,076**	$ 8,366	**$ 12,231**

Intersegment sales are not material.

Note 3 – Accounts receivable, net:

	December 31, 2020	June 30, 2021
	(In thousands)	
Accounts receivable, net:		
Security Products	$ 8,797	**$ 13,731**
Marine Components	2,004	**2,981**
Allowance for doubtful accounts	(70)	**(70)**
Total accounts receivable, net	$ 10,731	**$ 16,642**

Note 4 – Inventories, net:

	December 31, 2020	June 30, 2021
	(In thousands)	
Raw materials:		
Security Products	$ 2,318	**$ 3,470**
Marine Components	902	**940**
Total raw materials	3,220	**4,410**
Work-in-process:		
Security Products	9,214	**9,282**
Marine Components	2,454	**3,122**
Total work-in-process	11,668	**12,404**
Finished goods:		
Security Products	2,235	**1,908**
Marine Components	1,214	**1,226**
Total finished goods	3,449	**3,134**
Total inventories, net	$ 18,337	**$ 19,948**

Note 5 – Accounts payable and accrued liabilities:

	December 31, 2020	June 30, 2021
	(In thousands)	
Accounts payable:		
Security Products	$ 1,859	**$ 2,645**
Marine Components	773	**1,109**
Accrued liabilities:		
Employee benefits	8,431	**6,806**
Taxes other than on income	301	**406**
Customer tooling	393	**266**
Other	441	**642**
Total accounts payable and accrued liabilities	$ 12,198	**$ 11,874**

Note 6 – Provision for income taxes:

	Three months ended June 30,		Six months ended June 30,	
	2020	2021	2020	2021
	(In thousands)			
Expected tax expense, at the U.S. federal statutory income tax rate of 21%	$ 575	**$ 1,276**	$ 1,757	**$ 2,569**
State income taxes	97	**200**	294	**400**
FDII benefit	(4)	**(17)**	(32)	**(40)**
Other, net	6	**(3)**	11	**(3)**
Total provision for income taxes	$ 674	**$ 1,456**	$ 2,030	**$ 2,926**

Note 7 – 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 will use cash on hand to acquire the shares. Repurchased shares will be added to our treasury and cancelled.

During the first quarter of 2021, we purchased 50,000 shares of our Class A common stock in a market transaction for approximately $755,000. We cancelled these treasury shares and allocated their cost to common stock at par value and additional paid-in capital. At June 30, 2021, 627,547 shares were available for purchase under prior repurchase authorizations.

Note 8 – Financial instruments:

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

	December 31, 2020		June 30, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
	(In thousands)			
Cash and cash equivalents	$ 70,637	$ 70,637	**$ 70,374**	**$ 70,374**
Accounts receivable, net	10,731	10,731	**16,642**	**16,642**
Accounts payable	2,632	2,632	**3,754**	**3,754**

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

Note 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 whereby we agreed to loan Valhi up to $40 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, 2022. Loans made to Valhi at any time under the agreement are at our discretion. At June 30, 2021, the outstanding principal balance receivable from Valhi under the promissory note was $26.0 million. Interest income (including unused commitment fees) on our loan to Valhi was $0.8 million and $0.6 million for the six months ended June 30, 2020 and 2021, respectively.

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 recreational transportation, postal, office and institutional furniture, cabinetry, tool storage and healthcare applications. We also manufacture stainless steel exhaust systems, gauges, throttle controls, wake enhancement systems, 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,
- The impact of current or future government regulations (including employee healthcare benefit related regulations),
- General global economic and political conditions that disrupt or introduce instability into our supply chain, impact our customers' level of demand or our customers' perception regarding demand 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),
- Operating interruptions (including, but not limited to labor disputes, hazardous chemical leaks, natural disasters, fires, explosions, unscheduled or unplanned downtime, transportation interruptions, cyber-attacks and public health crises such as COVID-19); 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 second quarter of 2021 operating income increased to $5.8 million compared to $2.4 million in the second quarter of 2020. Operating income for the first six months of 2021 was $11.6 million compared to $7.4 million in the first six months of 2020. The increase in operating income in the second quarter and first six months of 2021 compared to the same periods in 2020 primarily resulted from higher sales at both of our business segments. We sustained the greatest negative operating impact from COVID-19 in the second quarter of 2020 which significantly impacts operating income comparisons across both periods. Beginning in the third quarter of 2020 and continuing through the second quarter of 2021, Marine Components sales exceeded pre-pandemic levels. Security Products sales generally improved sequentially since the third quarter of 2020, but did not recover to pre-pandemic levels until the second quarter of 2021 when sales improved in markets that had been slower to recover from the COVID-19 pandemic, particularly sales to distributors and the office furniture market.

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 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 June 30,			
	2020	**%**	**2021**	**%**
	(Dollars in thousands)			
Net sales	$ 23,800	100.0%	**$ 36,253**	**100.0%**
Cost of sales	16,434	69.1	**24,947**	**68.8**
Gross margin	7,366	30.9	**11,306**	**31.2**
Operating costs and expenses	4,997	20.9	**5,548**	**15.3**
Operating income	$ 2,369	10.0	**$ 5,758**	**15.9**

	Six months ended June 30,			
	2020	**%**	**2021**	**%**
	(Dollars in thousands)			
Net sales	$ 56,111	100.0%	**$ 72,177**	**100.0%**
Cost of sales	38,314	68.3	**49,836**	**69.0**
Gross margin	17,797	31.7	**22,341**	**31.0**
Operating costs and expenses	10,408	18.5	**10,766**	**15.0**
Operating income	$ 7,389	13.2	**$ 11,575**	**16.0**

Net sales. Net sales increased $12.5 million and $16.1 million in the second quarter and for the first six months of 2021, respectively, compared to the same periods in 2020. The significant increase in sales is primarily due to higher sales volumes at both of our segments in the second quarter of 2021 as many of our customers were temporarily closed or reduced production during the second quarter of 2020 due to government ordered closures or reduced demand resulting from the COVID-19 pandemic. Relative changes in selling prices did not have a material impact on net sales comparisons.

Cost of sales and gross margin. Cost of sales and gross margin as a percentage of sales for the second quarter of 2021 were comparable to the same period in 2020. Cost of sales as a percentage of net sales for the first six months of 2021 was higher than the same period in 2020. As a result, gross margin as a percentage of sales decreased over the same period. The decrease in gross margin percentage in the first six months of 2021 is primarily due to the decline in the Security Products gross margin percentage in the first quarter of 2021, partially offset by a slight increase in the Marine Components gross margin percentage for the first six months of 2021. 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 gains and losses on property and equipment. Operating costs and expenses for the second quarter and first six months of 2021 were higher than the same periods last year. The increase was predominantly due to higher salary and benefit costs which increased by $0.5 million for each of the second quarter and first six months compared to the same prior year periods. Operating costs and expenses as a percentage of net sales decreased in both periods as a result of higher sales.

Operating income. As a percentage of net sales, operating income for the second quarter and first six months of 2021 increased compared to the same periods of 2020 and was primarily impacted by the factors impacting cost of goods sold, gross margin and operating costs. See segment discussion below.

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 and applicable state taxes.

Segment Results

The key performance indicator for our segments is operating income.

	Three months ended June 30,			Six months ended June 30,		
	2020	**2021**	% Change	**2020**	**2021**	% Change
			(Dollars in thousands)			
Security Products:						
Net sales	$ 18,573	**$ 27,587**	**49%**	$ 44,042	**$ 53,472**	**21%**
Cost of sales	12,679	**18,738**	**48**	29,590	**36,390**	**23**
Gross margin	5,894	**8,849**	**50**	14,452	**17,082**	**18**
Operating costs and expenses	2,533	**3,004**	**19**	5,378	**5,747**	**7**
Operating income	$ 3,361	**$ 5,845**	**74**	$ 9,074	**$ 11,335**	**25**
Gross margin	31.7%	**32.1%**		32.8%	**31.9%**	
Operating income margin	18.1	**21.2**		20.6	**21.2**	

Security Products. Security Products net sales in the second quarter of 2021 increased 49% compared to the same period in 2020 when it experienced reduced demand attributed to COVID-19 as discussed above. Relative to prior year, second quarter sales were $3.0 million higher to the government security market, $2.5 million higher to the transportation market, and $1.7 million higher to distribution customers during the quarter. Gross margin as a percentage of net sales increased for the second quarter of 2021 due to increased coverage of fixed costs from higher production and sales volumes, partially offset by higher production costs including higher labor and shipping costs. Operating income as a percentage of net sales increased in the second quarter of 2021 as compared to the second quarter of 2020 primarily due to increased coverage of operating costs and expenses on higher sales as well as the factors impacting gross margin for the second quarter.

Security Products net sales increased 21% in the first six months of 2021 compared to the same period last year primarily due to the higher second quarter 2021 sales as compared to the second quarter 2020 sales. Gross margin as a percentage of net sales for the first six months of 2021 declined as compared to the same period last year due to less favorable customer and product mix and higher production costs including increased labor and shipping costs, partially offset by increased fixed cost coverage from higher production and sales volumes. Operating income as a percentage of net sales for the first six months of 2021 increased compared to the same period of 2020 due to increased coverage of operating costs and expenses on higher sales, partially offset by the factors impacting gross margin.

	Three months ended June 30,			Six months ended June 30,		
	2020	**2021**	% Change	**2020**	**2021**	% Change
			(Dollars in thousands)			
Marine Components:						
Net sales	$ 5,227	**$ 8,666**	**66%**	$ 12,069	**$ 18,705**	**55%**
Cost of sales	3,755	**6,209**	**65**	8,724	**13,446**	**54**
Gross margin	1,472	**2,457**	**67**	3,345	**5,259**	**57**
Operating costs and expenses	673	**859**	**28**	1,464	**1,718**	**17**
Operating income	$ 799	**$ 1,598**	**100**	$ 1,881	**$ 3,541**	**88**
Gross margin	28.2%	**28.4%**		27.7%	**28.1%**	
Operating income margin	15.3	**18.4**		15.6	**18.9**	

Marine Components. Marine Components net sales in the second quarter and first six months of 2021 increased 66% and 55%, respectively, compared to the same periods in 2020 due to the reduced demand in 2020 related to COVID-19 as discussed above. Sales to the towboat market were $2.4 million higher for the second quarter and $5.1 million higher for the first six months of 2021 compared to the same periods in 2020. As a percentage of net sales, gross margin for the second quarter of 2021 was comparable to the same period in 2020. Operating income as a percentage of net sales increased in the second quarter of 2021 compared to the same period in 2020 primarily due to increased coverage of operating costs and expenses on higher sales. For the first six months of 2021, gross margin and operating income as a percentage of net sales increased compared to the same period in 2020 due to increased coverage of fixed costs and operating costs and expenses from higher production and sales volumes, partially offset by higher production costs.

Outlook. Beginning in the second half of 2020, our sales began to recover from the historically low levels we experienced during the second quarter of 2020, with sales steadily improving for the remainder of last year. Throughout the first half of 2021, we have experienced strong demand, particularly at our Marine Components segment. During the second quarter of 2021, our Security Products segment began to see improved demand from distributors and the office furniture market that had been slower to recover. In the first half of 2021, our manufacturing facilities operated at elevated production rates in-line with improved demand, although labor markets are tight in each of the regions in which we operate and, as a result, we are facing challenges maintaining staffing levels aligned with current and forecasted demand, particularly at our Marine Components segment.

Based on current market conditions, we expect demand levels to remain strong for the remainder of 2021 and we expect to report increased sales and operating income in 2021 compared to 2020. Our supply chains remain intact, although the current global and domestic supply chain disruptions have resulted in challenges in sourcing certain raw materials due to increased lead times along with availability shortages and transportation and logistics delays. Thus far our operations team has been able to manage through these disruptions with minimal impact on our operations. In addition, we are experiencing increased production costs including higher labor and shipping costs and increasing costs on many of the raw materials we use. In response, we began implementing price increases in the second quarter of 2021; however, the extent to which the price increases will mitigate the rising costs is uncertain and we expect increasing production costs will continue to challenge gross margins for the remainder of the year. Our operations teams meet frequently to ensure we are taking appropriate actions to maintain a safe working environment for all our employees, minimize material or supply related operational disruptions, manage inventory levels and improve operating margins.

Our expectations for our operations and the markets we serve are based on a number of factors outside our control, including the ongoing economic effects of the COVID-19 pandemic. As noted above, there are global and domestic supply chain challenges and any future impacts of COVID-19 on our operations will depend on, among other things, any future disruption in our operations or our suppliers' operations, demand for our products and the timing and effectiveness of the global measures deployed to fight COVID-19, all of which remain uncertain and cannot be predicted. The success and timing of these mitigating actions depends in part on continued deployment of effective tools to fight COVID-19, including effective treatments and vaccine distribution. In this regard, we encouraged our employees to receive a COVID-19 vaccine and offered paid time off to hourly employees to facilitate participation.

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.

Our net cash provided by operating activities for the first six months of 2021 decreased by $1.4 million as compared to the first six months of 2020. The decrease is primarily due to the net effects of:

- A $4.2 million increase in operating income in 2021,
- A higher amount of net cash used by relative changes in our inventories, receivables, prepaids, payables and non-tax related accruals of approximately $3.2 million in 2021,
- A $1.6 million increase in cash paid for taxes in 2021 due to higher operating income and the relative timing of payments, and
- A $0.9 million decrease in interest received in 2021 due to the relative timing of interest received and to a lesser extent a lower average affiliate receivable balance.

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, 2020 to June 30, 2021 varied by segment, primarily as a result of relative changes in the timing of collections but is in line with prior year on a consolidated basis. For comparative purposes, we have provided December 31, 2019 and June 31, 2020 numbers below.

Days Sales Outstanding:	December 31, 2019	June 30, 2020	December 31, 2020	June 30, 2021
Security Products	38 Days	44 Days	35 Days	45 Days
Marine Components	27 Days	40 Days	24 Days	31 Days
Consolidated CompX	36 Days	43 Days	33 Days	42 Days

Our average number of days in inventory at June 30, 2021 is not comparable to prior year due to the record high inventory balances at June 30, 2020 resulting from a temporary pandemic related inventory build but is in-line with December 31, 2020 on a consolidated basis. For comparative purposes, we have provided December 31, 2019 and June 31, 2020 numbers below.

Days in Inventory:	December 31, 2019	June 30, 2020	December 31, 2020	June 30, 2021
Security Products	76 Days	120 Days	75 Days	71 Days
Marine Components	100 Days	125 Days	75 Days	78 Days
Consolidated CompX	81 Days	121 Days	75 Days	73 Days

Investing activities. Our capital expenditures were $1.6 million in the first six months of 2021 compared to $0.9 million in the first six months of 2020. We limited expenditures in 2020 to those required to meet our expected customer demand and those required to properly maintain our facilities and technology infrastructure as a result of the COVID-19 pandemic. Our capital expenditures in the first six months of 2021 are in line with pre-pandemic levels. During the first six months of 2021, Valhi repaid a net $3.5 million under the promissory note ($18.7 million of gross borrowings and $22.2 million of gross repayments). During the first six months of 2020, Valhi borrowed a net $2.4 million under the promissory note ($23.0 million of gross borrowings and $20.6 million of gross repayments). See Note 9 to the Condensed Consolidated Financial Statements.

Financing activities. In March 2021, our board of directors increased our regular quarterly dividend from $.10 per share to $.20 per share beginning in the first quarter of 2021. The declaration and payment of future dividends and the amount thereof, if any, is discretionary and is dependent upon our results of operations, financial condition, cash requirements for our businesses, contractual requirements and restrictions and other factors deemed relevant by our board of directors. The amount and timing of past dividends is not necessarily indicative of the amount or timing of any future dividends which we might pay.

In addition, during the first quarter of 2021, we acquired 50,000 shares of our Class A common stock in a market transaction for $0.8 million.

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.

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

We believe that cash generated from operations together with cash on hand, as well as our ability to obtain external financing, will be sufficient to meet our liquidity needs for working capital, capital expenditures, debt service, dividends (if declared) and any amounts we might loan from time to time under the terms of our revolving loan to Valhi discussed in Note 9 to our Condensed Consolidated Financial Statements (which loans would be solely at our discretion) for both the next 12 months and five years. To the extent that our actual operating results or other developments differ from our expectations, our liquidity could be adversely affected.

All of our $70.4 million aggregate cash and cash equivalents at June 30, 2021 were held in the U.S.

Capital expenditures. Firm purchase commitments for capital projects in process at June 30, 2021 totaled $0.8 million. Our 2021 capital investments are primarily expenditures to meet our expected customer demand, improve efficiency and properly maintain our facilities and technology infrastructure.

Stock repurchase program. During the first quarter of 2021, we purchased 50,000 shares of our Class A common stock in a market transaction. At June 30, 2021, we have 627,547 shares available for repurchase under a stock repurchase program authorized by our board of directors. See Note 7 to our Condensed Consolidated Financial Statements.

Commitments and contingencies. There have been no material changes in our contractual obligations since we filed our 2020 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.

Recent accounting pronouncements –

None.

Critical accounting policies –

There have been no changes in the first six months of 2021 with respect to our critical accounting policies presented in Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2020 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 2020 Annual Report, and we refer you to Part I, Item 7A – "Quantitative and Qualitative Disclosure About Market Risk" in our 2020 Annual Report. See also Note 8 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 Scott C. James, our President and Chief Executive Officer, and Michael S. Simmons, our Senior Vice President and Chief Financial Officer, has evaluated the design and operating effectiveness of our disclosure controls and procedures as of June 30, 2021. 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 June 30, 2021 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 2020 Annual Report for a discussion of risk factors related to our businesses.

ITEM 6. Exhibits.

Item No.	Exhibit Index
31.1	Certification
31.2	Certification
32.1	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)

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: August 3, 2021

By: /s/ Michael S. Simmons
Michael S. Simmons
Senior 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: August 3, 2021

By: /s/ Scott C. James
Scott C. James
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Michael S. Simmons, 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: August 3, 2021

By: /s/ Michael S. Simmons
Michael S. Simmons
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

In connection with the Quarterly Report of CompX International Inc. (the Company) on Form 10-Q for the period ending June 30, 2021, 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, Michael S. Simmons, Senior 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/ Michael S. Simmons
Michael S. Simmons
Senior Vice President and Chief Financial Officer

Date: August 3, 2021

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.