

CHASE CORP
Form 10-Q
April 08, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended February 29, 2016

Commission File Number: 1-9852

CHASE CORPORATION

(Exact name of registrant as specified in its charter)

Massachusetts	11-1797126
(State or other jurisdiction of incorporation of organization)	(I.R.S. Employer Identification No.)

26 Summer Street, Bridgewater, Massachusetts 02324

(Address of Principal Executive Offices, Including Zip Code)

(508) 819-4200

(Registrant's Telephone Number, Including Area Code)

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 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

The number of shares of Common Stock outstanding as of March 31, 2016 was 9,244,052.

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Item 1 — Unaudited Condensed Consolidated Financial Statements

CHASE CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

In thousands, except share and per share amounts

	February 29, 2016	August 31, 2015
ASSETS		
Current Assets		
Cash & cash equivalents	\$ 51,708	\$ 43,819
Accounts receivable, less allowance for doubtful accounts of \$551 and \$705	32,918	39,488
Inventories	27,539	29,476
Prepaid expenses and other current assets	2,620	2,174
Due from sale of business	457	—
Assets held for sale	604	1,089
Deferred income taxes	2,255	2,255
Total current assets	118,101	118,301
Property, plant and equipment, net	37,397	40,921
Other Assets		
Goodwill	43,668	44,123
Intangible assets, less accumulated amortization of \$31,724 and \$28,882	40,662	44,852
Cash surrender value of life insurance	7,140	7,133
Restricted investments	1,421	1,410
Funded pension plan	708	634
Deferred income taxes	365	390
Other assets	338	133
	\$ 249,800	\$ 257,897
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of long-term debt	\$ 8,400	\$ 8,400
Accounts payable	11,739	15,599
Accrued payroll and other compensation	3,842	6,286
Accrued expenses	3,945	4,448
Accrued income taxes	449	2,783
Total current liabilities	28,375	37,516

Long-term debt, less current portion	39,200	43,400
Deferred compensation	2,196	2,230
Accumulated pension obligation	13,067	12,901
Other liabilities	77	85
Accrued income taxes	1,249	1,249
Deferred income taxes	6,187	6,174

Commitments and Contingencies (Note 10)

Equity

First Serial Preferred Stock, \$1.00 par value: Authorized 100,000 shares; none issued

Common stock, \$.10 par value: Authorized 20,000,000 shares; 9,244,052 shares at February 29, 2016 and 9,191,958 shares at August 31, 2015 issued and outstanding

Common stock, \$.10 par value: Authorized 20,000,000 shares; 9,244,052 shares at February 29, 2016 and 9,191,958 shares at August 31, 2015 issued and outstanding	924	919
Additional paid-in capital	14,898	14,296
Accumulated other comprehensive loss	(11,908)	(7,986)
Retained earnings	155,535	147,113
Total equity	159,449	154,342
Total liabilities and equity	\$ 249,800	\$ 257,897

See accompanying notes to the condensed consolidated financial statements

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CHASE CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

In thousands, except share and per share amounts

	Three Months Ended		Six Months Ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
Revenue				
Sales	\$ 53,706	\$ 51,380	\$ 110,452	\$ 106,670
Royalties and commissions	1,218	924	1,950	1,567
	54,924	52,304	112,402	108,237
Costs and Expenses				
Cost of products and services sold	34,895	34,235	69,612	68,715
Selling, general and administrative expenses	10,226	11,340	21,736	22,135
Exit costs related to idle facility (Note 15)	209	—	209	—
Write-down of certain assets under construction (Note 8)	—	—	365	—
Acquisition-related costs (Note 14)	—	584	—	584
Operating income	9,594	6,145	20,480	16,803
Interest expense	(260)	(270)	(510)	(544)
Gain on sale of business (Note 8)	—	—	1,031	—
Other income (expense)	1,419	381	1,388	766
Income before income taxes	10,753	6,256	22,389	17,025
Income taxes	3,781	2,190	7,968	5,959
Net income	\$ 6,972	\$ 4,066	\$ 14,421	\$ 11,066
Add: net income attributable to non-controlling interest	—	—	—	(95)
Net income attributable to Chase Corporation	\$ 6,972	\$ 4,066	\$ 14,421	\$ 10,971
Net income available to common shareholders, per common and common equivalent share				
Basic	\$ 0.75	\$ 0.45	\$ 1.56	\$ 1.20

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Diluted	\$ 0.74	\$ 0.44	\$ 1.54	\$ 1.18
Weighted average shares outstanding				
Basic	9,155,365	9,065,511	9,148,493	9,057,738
Diluted	9,292,224	9,224,985	9,287,486	9,213,431
Annual cash dividends declared per share			\$ 0.65	\$ 0.60

See accompanying notes to the condensed consolidated financial statements

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CHASE CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

In thousands, except share and per share amounts

	Three Months Ended		Six Months Ended	
	February	February	February	February
	29, 2016	28, 2015	29, 2016	28, 2015
Net income	\$ 6,972	\$ 4,066	\$ 14,421	\$ 11,066
Other comprehensive income:				
Net unrealized gain (loss) on restricted investments, net of tax	(127)	(20)	(99)	(8)
Change in funded status of pension plans, net of tax	93	109	187	219
Foreign currency translation adjustment	(2,995)	(818)	(4,010)	(2,909)
Total other comprehensive income (loss)	(3,029)	(729)	(3,922)	(2,698)
Comprehensive income	3,943	3,337	10,499	8,368
Comprehensive income attributable to non-controlling interest	—	—	—	(95)
Comprehensive income attributable to Chase Corporation	\$ 3,943	\$ 3,337	\$ 10,499	\$ 8,273

See accompanying notes to the condensed consolidated financial statements

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CHASE CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF EQUITY

SIX MONTHS ENDED FEBRUARY 29, 2016

(UNAUDITED)

In thousands, except share and per share amounts

	Common Stock		Additional	Accumulated	Retained	Total
	Shares	Amount	Paid-In	Other	Earnings	Stockholders'
			Capital	Comprehensive		Equity
				Income (loss)		
Balance at August 31, 2015	9,191,958	\$ 919	\$ 14,296	\$ (7,986)	\$ 147,113	