

CHASE CORP
Form 10-Q
July 17, 2006

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 May 31, 2006

Commission File Number: 1-9852

CHASE CORPORATION

(Exact name of registrant as specified in its charter)

Massachusetts

(State or other jurisdiction of
incorporation of organization)

11-1797126

(I.R.S. Employer
Identification No.)

26 Summer Street, Bridgewater, Massachusetts 02324

(Address of Principal Executive Offices, Including Zip Code)

(508) 279-1789

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

Large accelerated filer Accelerated filer Non-accelerated filer

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 June 30, 2006 was 3,896,135.

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For the Quarter Ended May 31, 2006

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Part 1 FINANCIAL INFORMATION**Item 1 Unaudited Financial Statements**

CHASE CORPORATION
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	May 31, 2006	August 31, 2005
ASSETS		
Current Assets:		
Cash	\$ 1,861,337	\$ 847,001
Accounts receivable, less allowance for doubtful accounts of \$564,872 and \$345,709	14,985,300	12,816,464
Inventories	16,590,694	13,889,339
Prepaid expenses and other current assets	746,956	1,389,981
Deferred income taxes	349,241	349,241
Total current assets	34,533,528	29,292,026
Property, plant and equipment, net	18,738,819	18,589,482
Other Assets		
Goodwill	10,918,330	8,178,373
Intangible assets, less accumulated amortization of \$1,905,293 and \$1,414,680	5,900,206	1,351,959
Cash surrender value of life insurance	3,653,215	4,907,590
Investment in joint venture	78,222	79,797
Restricted investments	1,361,828	1,325,457
Other assets	230,321	202,669
	\$ 75,414,469	\$ 63,927,353
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities		
Accounts payable	\$ 7,084,695	\$ 5,492,470
Accrued payroll and other compensation	1,680,299	1,673,000
Accrued expenses	2,814,038	1,802,765
Accrued pension expense - current	982,000	354,531
Current portion of long-term debt	2,949,413	2,030,068
Total current liabilities	15,510,445	11,352,834
Long-term debt, less current portion	13,778,711	9,568,750
Deferred compensation	2,316,226	1,325,457
Accrued pension expense	1,803,990	2,343,397
Deferred income taxes		496,980
Commitments and Contingencies (Note 8)		
Stockholders Equity		
First Serial Preferred Stock, \$1.00 par value: Authorized 100,000 shares; none issued		
Common stock, \$.10 par value: Authorized 10,000,000 shares; 3,896,135 in 2006 and 3,818,665 in 2005 issued and outstanding		
	389,613	381,866
Additional paid-in capital	1,299,279	180,435
Accumulated other comprehensive loss	(433,675)	(489,043)
Retained earnings	40,749,880	38,766,677
Total stockholders equity	42,005,097	38,839,935
Total liabilities and stockholders equity	\$ 75,414,469	\$ 63,927,353

See accompanying notes to the consolidated financial statements

CHASE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended May 31, 2006	May 31, 2005	Nine Months Ended May 31, 2006	May 31, 2005
Revenue				
Sales	\$ 27,592,791	\$ 23,203,143	\$ 76,356,384	\$ 64,958,401
Royalty and commissions	420,806	347,747	847,074	846,581
	28,013,597	23,550,890	77,203,458	65,804,982
Costs and Expenses				
Cost of products and services sold	20,220,960	17,223,563	55,684,131	48,282,633
Selling, general and administrative expenses	4,706,814	4,012,028	13,513,543	12,312,175
Stock based compensation expense	122,584		1,642,657	
Loss on impairment of goodwill	457,000		457,000	
Deferred compensation expense, net			814,034	
Legal settlement		520,000		520,000
Operating income	2,506,239	1,795,299	5,092,093	4,690,174
Interest expense	(270,575)	(136,917)	(760,847)	(344,044)
Misc. (expense)/income	48,090	43,287	137,551	120,173
Income before income taxes and minority interest	2,283,754	1,701,669	4,468,797	4,466,303
Income taxes	913,880	591,613	1,127,344	1,628,313
Income before minority interest	1,369,874	1,110,056	3,341,453	2,837,990
Loss on impairment of unconsolidated joint venture		(83,218)		(83,218)
Income from unconsolidated joint venture				22,487
Net income	\$ 1,369,874	\$ 1,026,838	\$ 3,341,453	\$ 2,777,259
Net income per common and common equivalent share				
Basic	\$ 0.35	\$ 0.27	\$ 0.86	\$ 0.74
Diluted	\$ 0.34	\$ 0.26	\$ 0.84	\$ 0.71
Weighted average shares outstanding				
Basic	3,896,135	3,821,098	3,877,125	3,775,142
Diluted	3,984,997	3,918,003	3,967,063	3,918,862

See accompanying notes to the consolidated financial statements

CHASE CORPORATION
CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY
NINE MONTHS ENDED MAY 31, 2006
(UNAUDITED)

	Common Stock Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (loss)	Retained Earnings	Total Stockholders Equity	Comprehensive Income
Balance at August 31, 2005	3,818,665	\$ 381,866	\$ 180,435	\$ (489,043)	\$ 38,766,677	\$ 38,839,935	
Management stock grant	98,520	9,852	1,417,703			1,427,555	
Exercise of stock options	23,339	2,334	242,726			245,060	
Common stock received for payment of stock option exercise	(11,697)	(1,170)	(171,356)			(172,526)	
Common stock received to pay statutory minimum withholding taxes on common stock	(38,819)	(3,882)	(559,068)			(562,950)	
Board of Directors stock grant	6,127	613	91,905			92,518	
Tax benefit from exercise of stock options			96,934			96,934	
Cash dividend paid, \$0.35 per share					(1,358,250)	(1,358,250)	
Foreign currency translation adjustment				66,039		66,039	66,039
Net realized gain on marketable securities, net of tax				(10,671)		(10,671)	