

CHASE CORP
Form 10-Q
January 08, 2019
Table of Contents

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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 November 30, 2018

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.)

295 University Avenue, Westwood, Massachusetts 02090

(Address of Principal Executive Offices, Including Zip Code)

(781) 332-0700

(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 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, a smaller reporting company, or an emerging growth company. See the 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 7(a)(2)(B) of the Securities Act.

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 December 31, 2018 was 9,402,706

Table of Contents

CHASE CORPORATION

INDEX TO FORM 10-Q

For the Quarter Ended November 30, 2018

Ca	
<u>Cautionary Note Concerning Forward-Looking Statements</u>	3
Part I - FINANCIAL INFORMATION	
<u>Item 1 – Unaudited Condensed Consolidated Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets as of November 30, 2018 and August 31, 2018</u>	4
<u>Condensed Consolidated Statements of Operations for the three months ended November 30, 2018 and 2017</u>	5
<u>Condensed Consolidated Statements of Comprehensive Income for the three months ended November 30, 2018 and 2017</u>	6
<u>Condensed Consolidated Statement of Equity for the three months ended November 30, 2018 and 2017</u>	7
<u>Condensed Consolidated Statements of Cash Flows for the three months ended November 30, 2018 and 2017</u>	8
<u>Notes to Condensed Consolidated Financial Statements</u>	9
<u>Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	31
<u>Item 3 – Quantitative and Qualitative Disclosures About Market Risk</u>	41
<u>Item 4 – Controls and Procedures</u>	42
Part II – OTHER INFORMATION	
<u>Item 1 – Legal Proceedings</u>	43
<u>Item 1A – Risk Factors</u>	43
<u>Item 6 – Exhibits</u>	44
<u>SIGNATURES</u>	45

Table of Contents

Cautionary Note Concerning Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements, including without limitation forward-looking statements made under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations," involve risks and uncertainties. Any statements contained in this Quarterly Report that are not statements of historical fact may be deemed to be forward-looking statements. Forward-looking statements include, without limitation, statements as to our future operating results; seasonality expectations; plans for the development, utilization or disposal of manufacturing facilities; future economic conditions; our expectations as to legal proceedings; the effect of our market and product development efforts; and expectations or plans relating to the implementation or realization of our strategic goals and future growth, including through potential future acquisitions. Forward-looking statements may also include, among other things, statements relating to future sales, earnings, cash flow, results of operations, use of cash and other measures of financial performance, as well as statements relating to future dividend payments. Other forward-looking statements may be identified through the use of words such as "believes," "anticipates," "may," "should," "will," "plans," "projects," "expects," "expectations," "estimates," "predicts," "target," "strategy," and other words of similar meaning in connection with the discussion of future operating or financial performance. These statements are based on current expectations, estimates and projections about the industries in which we operate, and the beliefs and assumptions made by management. Because forward-looking statements relate to the future, they are subject to inherent risks, uncertainties and changes in circumstances that are difficult to predict. Accordingly, the Company's actual results may differ materially from those contemplated by the forward-looking statements. Investors, therefore, are cautioned against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. Readers should refer to the discussions under "Risk Factors" contained in our Annual Report on Form 10-K for the fiscal year ended August 31, 2018 concerning certain factors that could cause our actual results to differ materially from the results anticipated in such forward-looking statements. These Risk Factors are hereby incorporated by reference into this Quarterly Report.

Table of Contents

Item 1 — Unaudited Condensed Consolidated Financial Statements

CHASE CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

In thousands, except share and per share amounts

	November 30, 2018	August 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 35,520	\$ 34,828
Accounts receivable, less allowance for doubtful accounts of \$588 and \$559	42,998	44,610
Inventory	43,335	39,699
Prepaid expenses and other current assets	3,701	2,595
Due from sale of businesses	—	400
Prepaid income taxes	1,327	4,100
Total current assets	126,881	126,232
Property, plant and equipment, less accumulated depreciation of \$50,124 and \$49,212	32,215	32,845
Other Assets		
Goodwill	84,605	84,696
Intangible assets, less accumulated amortization of \$56,991 and \$54,039	62,206	65,330
Cash surrender value of life insurance	4,530	4,530
Restricted investments	1,083	1,090
Funded pension plan	272	301
Deferred income taxes	1,218	1,347
Other assets	87	98
Total assets	\$ 313,097	\$ 316,469
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 17,877	\$ 17,810
Accrued payroll and other compensation	4,903	6,639
Accrued expenses	4,211	4,486
Dividend payable	7,522	—
Total current liabilities	34,513	28,935

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Long-term debt	15,000	25,000
Deferred compensation	1,097	1,105
Accumulated pension obligation	10,453	10,736
Other liabilities	329	283
Accrued income taxes	3,512	3,654
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; 9,402,706 shares at November 30, 2018 and 9,396,947 shares at August 31, 2018 issued and outstanding	940	939
Additional paid-in capital	13,608	13,104
Accumulated other comprehensive loss	(12,727)	(12,336)
Retained earnings	246,372	245,049
Total equity	248,193	246,756
Total liabilities and equity	\$ 313,097	\$ 316,469

See accompanying notes to the condensed consolidated financial statements

Table of Contents

CHASE CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

In thousands, except share and per share amounts

	Three Months Ended November 30,	
	2018	2017
Revenue		
Sales	\$ 71,364	\$ 60,577
Royalties and commissions	1,139	1,340
	72,503	61,917
Costs and Expenses		
Cost of products and services sold	46,575	36,895
Selling, general and administrative expenses	13,362	11,896
Exit costs related to idle facility (Note 15)	260	—
Operating income	12,306	13,126
Interest expense	(204)	(45)
Other income (expense)	(294)	(482)
Income before income taxes	11,808	12,599
Income taxes (Note 18)	2,985	4,284
Net income	\$ 8,823	\$ 8,315
Net income available to common shareholders, per common and common equivalent share (Note 4)		
Basic	\$ 0.94	\$ 0.89
Diluted	\$ 0.93	\$ 0.88
Weighted average shares outstanding		
Basic	9,329,570	9,281,877
Diluted	9,381,303	9,384,426

Annual cash dividends declared per share	\$ 0.80	\$ 0.80
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See accompanying notes to the condensed consolidated financial statements

5

Table of Contents

CHASE CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

In thousands, except share and per share amounts

	Three Months Ended November 30,	
	2018	2017
Net income	\$ 8,823	\$ 8,315
Other comprehensive income (loss):		
Net unrealized (loss) gain on restricted investments, net of tax	(21)	31
Change in funded status of pension plans, net of tax	236	80
Foreign currency translation adjustment	(606)	1,570
Total other comprehensive income (loss)	(391)	1,681
Comprehensive income	\$ 8,432	\$ 9,996

See accompanying notes to the condensed consolidated financial statements

Table of Contents

CHASE CORPORATION