

CHASE CORP
Form 10-K
November 27, 2018
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10 K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended August 31, 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)

Securities registered pursuant to section 12(b) of the Act:

Title of Each Class:	Name of Each Exchange on Which Registered
Common Stock	NYSE American
(\$0.10 Par Value)	

Securities registered pursuant to section 12(g) of the Act: None

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Indicate by check mark if the registrant is a well known seasoned issuer (as defined in Rule 405 of the Securities Act). YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. YES NO

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 (§232.405 of this chapter) 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

The aggregate market value of the common stock held by non-affiliates of the registrant, as of February 28, 2018 (the last business day of the registrant's second quarter of fiscal 2018), was approximately \$608,967,000.

As of October 31, 2018, the Company had outstanding 9,402,134 shares of common stock, \$0.10 par value, which is its only class of common stock.

Documents Incorporated By Reference:

Portions of the registrant's definitive proxy statement for the Annual Meeting of Shareholders, which is expected to be filed within 120 days after the registrant's fiscal year ended August 31, 2018, are incorporated by reference into Part III

hereof.

Table of Contents

CHASE CORPORATION

INDEX TO ANNUAL REPORT ON FORM 10-K

For the Year Ended August 31, 2018

	Page No.
Cautionary Note Concerning Forward-Looking Statements	2
 <u>PART I</u>	
<u>Item 1 Business</u>	3
<u>Item 1A Risk Factors</u>	9
<u>Item 1B Unresolved Staff Comments</u>	12
<u>Item 2 Properties</u>	13
<u>Item 3 Legal Proceedings</u>	14
<u>Item 4 Mine Safety Disclosures</u>	14
<u>Item 4A Executive Officers of the Registrant</u>	14
 <u>PART II</u>	
<u>Item 5 Market for the Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	15
<u>Item 6 Selected Financial Data</u>	17
<u>Item 7 Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	18
<u>Item 7A Quantitative and Qualitative Disclosures About Market Risk</u>	36
<u>Item 8 Financial Statements and Supplementary Data</u>	37
<u>Item 9 Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	94
<u>Item 9A Controls and Procedures</u>	94
<u>Item 9B Other Information</u>	95
 <u>PART III</u>	
<u>Item 10 Directors, Executive Officers and Corporate Governance</u>	96
<u>Item 11 Executive Compensation</u>	96
<u>Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	96
<u>Item 13 Certain Relationships and Related Transactions, and Director Independence</u>	96
<u>Item 14 Principal Accountant Fees and Services</u>	96
 <u>PART IV</u>	
<u>Item 15 Exhibits and Financial Statement Schedules</u>	97
<u>Item 16 Form 10-K Summary</u>	100
 <u>SIGNATURES</u>	 101

Table of Contents

Cautionary Note Concerning Forward-Looking Statements

This Annual Report on Form 10-K 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 Annual 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," "targets," "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 Item 1A "Risk Factors" of this Annual Report on Form 10-K.

Table of Contents

PART I

Item 1 – Business

Primary Operating Divisions and Facilities and Industry Segments

Chase Corporation, a global specialty chemicals company founded in 1946, is a leading manufacturer of protective materials for high-reliability applications. Our strategy is to maximize the performance of our core businesses and brands while seeking future opportunities through strategic acquisitions. We are organized into two reportable operating segments, an Industrial Materials segment and a Construction Materials segment. The segments are distinguished by the nature of the products we manufacture and how they are delivered to their respective markets. The Industrial Materials segment includes specified products that are used in, or integrated into, another company's product, with demand typically dependent upon general economic conditions. The Construction Materials segment is principally composed of project-oriented product offerings that are primarily sold and used as "Chase" branded products. Our manufacturing facilities are distinct to their respective segments with the exception of our O'Hara Township, PA and Blawnox, PA facilities, which produce products related to both operating segments. A summary of our operating structure as of August 31, 2018 is as follows:

INDUSTRIAL MATERIALS SEGMENT

Key Products	Primary Manufacturing Locations	Background/History
Specialty tapes and related products for the electronic and telecommunications industries using the brand name Chase & Sons®.	Oxford, MA	In August 2011, we relocated our manufacturing processes that had been previously conducted at our Webster, MA facility to this location.
Insulating and conducting materials for the manufacture of electrical and telephone wire and cable, electrical splicing, and terminating and repair tapes, which are marketed to wire and cable manufacturers selling into energy-oriented and communication markets, and to public utilities.		In December 2012, we relocated the majority of our manufacturing processes that had been previously conducted at our Randolph, MA facility to this location. Our Randolph facility was one of our first operating facilities, and had been producing products for the wire and cable industry for more than fifty years.

We acquired the Paper Tyger, LLC assets in 2003.

PaperTyger®, a trademark for laminated durable papers sold to the envelope converting and commercial printing industries.

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Chase BLH2OCK®, a water-blocking compound sold to the wire and cable industry.	Blawnox, PA	In September 2012, we relocated our Chase BLH2OCK® manufacturing processes that had been previously conducted at our Randolph, MA facility to this location.
Protective conformal coatings under the brand name HumiSeal®, moisture protective electronic coatings sold to the electronics industry including circuitry used in automobiles, industrial controls and home appliances.	O'Hara Township, PA	The HumiSeal business and product lines were acquired in the early 1970's.
Advanced adhesives, sealants, and coatings for automotive and industrial applications that require specialized bonding, encapsulating, environmental protection, or thermal management functionality.	Woburn, MA Newark, CA	In September 2016, we acquired certain assets and the operations of Resin Designs, LLC, and entered leases in their existing manufacturing facilities in Massachusetts and California.
Laminated film foils for the electronics and cable industries and cover tapes essential to delivering semiconductor components via tape and reel packaging.	Pawtucket, RI Lenoir, NC	In June 2012, we acquired all of the capital stock of NEPTCO Incorporated, which operated facilities in Rhode Island, North Carolina and China.
Pulling and detection tapes used in the installation, measurement and location of fiber optic cables, and water and natural gas lines.	Granite Falls, NC	In October 2013, we moved the majority of our manufacturing processes that had been conducted at our Taylorsville, NC facility to our Lenoir, NC location.
Cover tapes essential to delivering semiconductor components via tape and reel packaging.	Suzhou, China	

Table of Contents

<p>Key Products & Services Protective conformal coatings under the brand name HumiSeal®, moisture protective electronic coatings sold to the electronics industry including circuitry used in automobiles, industrial controls and home appliances.</p>	<p>Primary Manufacturing Locations Winnersh, Wokingham, England</p>	<p>Background/History In October 2005, we acquired all of the capital stock of Concoat Holdings Ltd. and its subsidiaries. In 2006 Concoat was renamed HumiSeal Europe.</p> <p>In March 2007, we expanded our international presence with the formation of HumiSeal Europe SARL in France. HumiSeal Europe SARL operates a sales/technical service office and warehouse near Paris, France. This business works closely with the HumiSeal operation in Winnersh, Wokingham, England allowing direct sales and service to the French market.</p> <p>In June 2016, we further expanded our international presence through the purchase of Spray Products (India) Private Limited, located in Pune, India. This business enhances the Company’s ability to provide technical, sales, manufacturing, chemical handling and packaging services in the region and works closely with our HumiSeal manufacturing operation in Winnersh, Wokingham, England. In December 2016, Spray Products (India) Private Limited was renamed HumiSeal India Private Limited.</p>
<p>Polymeric microspheres, sold under the Dualite® brand, which are utilized for weight and density reduction and sound dampening across varied industries.</p>	<p>Greenville, SC</p>	<p>In January 2015, we acquired two product lines from Henkel Corporation. They, along with the Superabsorbents business acquired in December 2017, comprise our specialty chemical intermediates product line.</p> <p>The Company currently contracts with manufacturing partners to produce its water-based polyurethane dispersions.</p>
<p>Water-based polyurethane dispersions utilized for various coating products. Superabsorbent polymers, sold through our Zappa Stewart division, which are utilized for water and liquid management, remediation and</p>	<p>Hickory, NC McLeansville, NC</p>	<p>In December 2017, we acquired Stewart Superabsorbents, LLC ("SSA, LLC") and its Zappa-Tec business (collectively "Zappa Stewart").</p>

protection in diverse markets
including wire and cable, medical,
environmental, infrastructure,
energy and consumer products.

4

Table of Contents

CONSTRUCTION MATERIALS SEGMENT

<p>Key Products Protective pipe coating tapes and other protectants for valves, regulators, casings, joints, metals, concrete, and wood which are sold under the brand name Royston®, to oil companies, gas utilities and pipeline companies.</p>	<p>Primary Manufacturing Locations Blawnox, PA</p>	<p>Background/History The Royston business was acquired in the early 1970's.</p>
<p>Rosphalt50® is a polymer additive that provides long-term cost-effective solutions in many applications such as waterproofing of approaches and bridges, ramps, race tracks, airports and specialty road applications.</p>		
<p>Waterproofing sealants, expansion joints and accessories for the transportation, industrial and architectural markets.</p>	<p>O'Hara Township, PA</p>	<p>In April 2005, we acquired certain assets of E-Poxy Engineered Materials. Additionally, in September 2006, we acquired all of the capital stock of Capital Services Joint Systems. Both of these acquisitions were combined to form the expansion joints business.</p>
<p>Technologically advanced products, including the brand Tapecoat®, for demanding anti-corrosion applications in the gas, oil and marine pipeline market segments, as well as tapes and membranes for roofing and other construction-related applications.</p>	<p>Evanston, IL</p>	<p>In November 2001, we acquired substantially all of the assets of Tapecoat, previously a division of T.C. Manufacturing Inc.</p>
<p>Specialized high-performance coating and lining systems used worldwide in liquid storage and containment applications.</p>	<p>Houston, TX</p>	<p>In September 2009, we acquired all of the outstanding capital stock of C.I.M. Industries I</p>