

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
Balance at August 31, 2015	9,191,958	\$ 919	\$ 14,296	\$ (7,986)	\$ 147,113	\$ 154,342
Restricted stock grants, net of forfeitures	29,884	3	(3)			-
Amortization of restricted stock grants			472			472
Amortization of stock option grants			140			140
Exercise of stock options	40,608	4	633			637
Common stock received for payment of stock option exercises	(10,455)	(1)	(512)			(513)
Excess tax benefit (expense) from stock based compensation			274			274
Common stock retained to pay taxes on common stock	(7,943)	(1)	(402)			(403)
Cash dividend paid, \$0.65 per share					(5,999)	(5,999)
Change in funded status of pension plan, net of tax \$102				187		187
Foreign currency translation adjustment				(4,010)		(4,010)
Net unrealized gain (loss) on restricted investments, net of tax \$52				(99)		(99)
Net income					14,421	14,421
Balance at February 29, 2016	9,244,052	\$ 924	\$ 14,898	\$ (11,908)	\$ 155,535	\$ 159,449

See accompanying notes to the condensed consolidated financial statements

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CHASE CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

In thousands, except share and per share amounts

	Six Months Ended	
	February 29, 2016	February 28, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 14,421	\$ 11,066
Adjustments to reconcile net income to net cash provided by operating activities		
Loss on write-down of certain assets under construction	365	—
Gain on sale of business	(1,031)	—
Depreciation	2,864	2,812
Amortization	3,836	2,884
Cost of sale of inventory step-up	—	49
Provision (recovery) for allowance for doubtful accounts	(136)	64
Stock based compensation	612	537
Realized gain on restricted investments	(63)	(75)
Decrease in cash surrender value life insurance	90	90
Excess tax expense from stock based compensation	(274)	(730)
Increase (decrease) from changes in assets and liabilities		
Accounts receivable	5,877	(144)
Inventories	1,570	(1,617)
Prepaid expenses & other assets	(488)	(163)
Accounts payable	(3,596)	(1,216)
Accrued compensation and other expenses	(2,477)	(3,824)
Accrued income taxes	(1,893)	(2,029)
Deferred compensation	(34)	85
Net cash provided by operating activities	19,643	7,789
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(734)	(1,142)
Retirements (cost to acquire) intangible assets	15	(10)
Payments for acquisitions	—	(33,285)
Net proceeds from sale of business	1,500	—
Increase in restricted investments	(102)	(58)
Payments for cash surrender value life insurance	(92)	(92)
Net cash provided by (used in) investing activities	587	(34,587)
CASH FLOWS FROM FINANCING ACTIVITIES		

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Borrowings on debt	—	2,000
Payments of principal on debt	(4,200)	(3,500)
Dividend paid	(5,999)	(5,477)
Proceeds from exercise of common stock options	124	—
Payments of taxes on stock options and restricted stock	(403)	(1,182)
Excess tax benefit from stock based compensation	274	730
Payment for acquisition of non-controlling interest	—	(500)
Net cash used in financing activities	(10,204)	(7,929)
INCREASE IN CASH & CASH EQUIVALENTS	10,026	(34,727)
Effect of foreign exchange rates on cash	(2,137)	(1,089)
CASH & CASH EQUIVALENTS, BEGINNING OF PERIOD	43,819	53,222
CASH & CASH EQUIVALENTS, END OF PERIOD	\$ 51,708	\$ 17,406
Non-cash Investing and Financing Activities		
Common stock received for payment of stock option exercises	\$ 513	\$ 1,767
Property, plant & equipment additions included in accounts payable	\$ 6	\$ 23

See accompanying notes to the condensed consolidated financial statements

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CHASE CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

In thousands, except share and per share amounts

Note 1 - Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting and instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Therefore, they do not include all information and footnote disclosure necessary for a complete presentation of Chase Corporation's financial position, results of operations and cash flows, in conformity with generally accepted accounting principles. Chase Corporation (the "Company," "Chase," "we," or "us") filed audited consolidated financial statements, which included all information and notes necessary for such complete presentation for the three years ended August 31, 2015 in conjunction with its 2015 Annual Report on Form 10-K. Certain immaterial reclassifications have been made to the prior year amounts to conform to the current year's presentation.

The results of operations for the interim period ended February 29, 2016 are not necessarily indicative of the results to be expected for any future period or the entire fiscal year. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended August 31, 2015, which are contained in the Company's 2015 Annual Report on Form 10-K.

The accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring items) which are, in the opinion of management, necessary for a fair statement of the Company's financial position as of February 29, 2016, the results of its operations, comprehensive income and cash flows for the interim periods ended February 29, 2016 and February 28, 2015, and changes in equity for the interim period ended February 29, 2016.

The financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. The Company uses the US dollar as the reporting currency for financial reporting. The financial position and results of operations of the Company's UK-based operations are measured using the UK pound sterling as the functional currency. The financial position and results of operations of the Company's operations based in France are measured using the euro as the functional currency. The functional currency for all of our other operations is the US dollar. Foreign currency translation gains and losses are determined using current exchange rates for monetary items and historical exchange rates for other balance sheet items, and are recorded as a change in other comprehensive income. Transaction gains and losses generated from the remeasurement of assets and liabilities denominated in currencies other than the functional currency of our foreign

operations are included in other income / (expense) on the consolidated statements of operations.

On January 30, 2015, the Company acquired two product lines from Henkel Corporation (the "Seller") for a purchase price of \$33,285, excluding any acquisition-related costs. As part of this transaction, Chase acquired the Seller's microspheres product line, sold under the Dualite® brand, located in Greenville, SC, and obtained exclusive distribution rights and intellectual property related to the Seller's polyurethane dispersions product line, operating in the Elgin, IL location. We refer to these collectively as our specialty chemical intermediates product line. Under the agreement, Chase entered into a ten-year facility operating lease at the Seller's Greenville, SC location. The Seller will perform certain manufacturing and application services for Chase at the Seller's Elgin, IL location for three years following the acquisition. The purchase was funded entirely with available cash on hand. Since the effective date for this acquisition, the financial results of the specialty chemical intermediates product line have been included in the Company's financial statements within the Company's Industrial Materials operating segment. Purchase accounting was completed in the quarter ended May 31, 2015 (third quarter of fiscal 2015) with no material adjustments made to the initial amounts recorded at the end of the second quarter of fiscal 2015. See Note 14 to the Condensed Consolidated Financial Statements for additional information on the acquisition of the specialty chemical intermediates product line.

On October 31, 2014, the Company purchased the 50% non-controlling membership interest of NEPTCO JV LLC (the "JV") owned by its now-former joint venture partner, an otherwise unrelated party. Because of the Company's

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(UNAUDITED)

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controlling financial interest, the JV's assets, liabilities and results of operations have been consolidated within the Company's consolidated financial statements since June 27, 2012, the date the Company acquired NEPTCO. The Company continues to fully consolidate the assets, liabilities and results of operations of the JV, but no longer records an offsetting amount for a non-controlling interest subsequent to October 31, 2014. The \$95 recorded in the condensed consolidated statement of operations as net income attributable to non-controlling interest for the six month period ended February 28, 2015, represents the now-former joint venture partner's share of the results of operations of the JV for the period from September 1, 2014 through October 31, 2014.

Note 2 — Recent Accounting Policies

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers," which will replace most of the existing revenue recognition guidance under U.S. Generally Accepted Accounting Principles. The core principle of the ASU is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. The ASU requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. The ASU will be effective for the Company beginning September 1, 2018 (fiscal 2019), including interim periods in its fiscal year 2019, and allows for either retrospective or modified retrospective methods of adoption. The Company is in the process of determining the method of adoption and assessing the impact of this ASU on the Company's consolidated financial position, results of operations and cash flows.

In July 2015, the FASB issued ASU No. 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory." Under this accounting guidance, inventory will be measured at the lower of cost and net realizable value, and other options that currently exist for market value will be eliminated. ASU No. 2015-11 defines net realizable value as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. No other changes were made to the current guidance on inventory measurement. This accounting guidance is effective for us in the first quarter of fiscal 2018. Early adoption is permitted. We are currently evaluating the impact of the adoption of this accounting standard update on our consolidated financial position, results of operations and cash flows.

In November 2015, the FASB issued ASU No. 2015-17, “Income Taxes – Balance Sheet Classification of Deferred Taxes.” The purpose of the standard is to simplify the presentation of deferred taxes on a classified balance sheet. Under current GAAP, deferred income tax assets and liabilities are separated into current and noncurrent amounts in the balance sheet. The amendments in ASU 2015-17 require that all deferred tax assets and liabilities be classified as noncurrent in the balance sheet. The ASU will be effective for the Company beginning September 1, 2017 (fiscal 2018), including interim periods in its fiscal year 2018, but with early adoption permitted. The Company does not expect the adoption of ASU 2015-17 to have a material impact on its financial statements or presentation.

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842).” Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (a) a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. Changes were made to align lessor accounting with the lessee accounting model and ASU No. 2014-09, “Revenue from Contracts with Customers.” The new lease guidance simplifies the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. The ASU will be effective for the Company beginning September 1, 2019 (fiscal 2020). Early application is permitted for all public business entities upon issuance. Lessees must apply a modified retrospective transition approach for leases existing at, or

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entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees may not apply a full retrospective transition approach. We are currently evaluating the impact of the application of this accounting standard update on our consolidated financial position, results of operations and cash flows.

Note 3 — Inventories

Inventories consist of the following as of February 29, 2016 and August 31, 2015:

	February 29, 2016	August 31, 2015
Raw materials	\$ 12,603	\$ 12,937
Work in process	6,678	6,539
Finished goods	8,258	10,000
Total Inventories	\$ 27,539	\$ 29,476

Note 4 — Net Income Per Share

The Company has unvested share-based payment awards with a right to receive non-forfeitable dividends which are considered participating securities under ASC Topic 260, "Earnings Per Share." The Company allocates earnings to

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participating securities and computes earnings per share using the two class method. The determination of earnings per share under the two class method is as follows:

	Three Months Ended		Six Months Ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
Basic Earnings per Share				
Net income attributable to Chase Corporation	\$ 6,972	\$ 4,066	\$ 14,421	\$ 10,971
Less: Allocated to participating securities	65	30	128	81
Net income available to common shareholders	\$ 6,907	\$ 4,036	\$ 14,293	\$ 10,890
Basic weighted average shares outstanding	9,155,365	9,065,511	9,148,493	9,057,738
Net income per share - Basic	\$ 0.75	\$ 0.45	\$ 1.56	\$ 1.20
Diluted Earnings per Share				
Net income attributable to Chase Corporation	\$ 6,972	\$ 4,066	\$ 14,421	\$ 10,971
Less: Allocated to participating securities	65	30	128	81
Net income available to common shareholders	\$ 6,907	\$ 4,036	\$ 14,293	\$ 10,890
Basic weighted average shares outstanding	9,155,365	9,065,511	9,148,493	9,057,738
Additional dilutive common stock equivalents	136,859	159,474	138,993	155,693
Diluted weighted average shares outstanding	9,292,224	9,224,985	9,287,486	9,213,431
Net income per share - Diluted	\$ 0.74	\$ 0.44	\$ 1.54	\$ 1.18

For the three and six months ended February 29, 2016, stock options to purchase 21,275 and 26,381 shares of common stock were outstanding, but were not included in the calculation of diluted income per share because their inclusion would be anti-dilutive. For the three and six months ended February 28, 2015, stock options to purchase 22,750 and 27,863 shares of common stock were outstanding, but were not included in the calculation of diluted income per share because their inclusion would be anti-dilutive. Included in the calculation of dilutive common stock equivalents are the unvested portion of restricted stock and stock options.

Note 5 — Stock-Based Compensation

In August 2014, the Board of Directors of the Company approved the fiscal year 2015 Long Term Incentive Plan (“2015 LTIP”) for the executive officers and other members of management. The 2015 LTIP is an equity-based plan with a grant date of September 1, 2014 and contains a performance and service-based restricted stock grant of 6,993 shares in the aggregate, subject to adjustment, with a vesting date of August 31, 2017. Based on the fiscal year 2015 financial

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results, 5,685 additional shares of restricted stock (total of 12,678 shares) were earned and granted subsequent to the end of fiscal year 2015 in accordance with the performance measurement criteria. No further performance-based measurements apply to this award. Compensation expense is being recognized on a ratable basis over the vesting period.

In August 2015, the Board of Directors of the Company approved the fiscal year 2016 Long Term Incentive Plan (“2016 LTIP”) for the executive officers and other members of management. The 2016 LTIP is an equity-based plan with a grant date of September 1, 2015 and contains the following equity components:

Restricted Shares — (a) a performance and service-based restricted stock grant of 6,962 shares in the aggregate, subject to adjustment based on fiscal 2016 results, with a vesting date of August 31, 2018. Compensation expense is recognized on a ratable basis over the vesting period based on quarterly probability assessments; (b) a time-based restricted stock grant of 7,683 shares in the aggregate, with a vesting date of August 31, 2018. Compensation expense is recognized on a ratable basis over the vesting period.

Stock options — options to purchase 21,275 shares of common stock in the aggregate with an exercise price of \$39.50 per share. The options will vest in three equal annual installments beginning on August 31, 2016 and ending on August 31, 2018. The options granted will expire on September 1, 2025. Compensation expense is recognized over the period of the award on an annual basis consistent with the vesting terms.

During the first quarter of fiscal 2016, an additional grant of 5,000 restricted shares was issued to a non-executive member of management with a vesting date of October 20, 2020. Compensation expense is recognized on a ratable basis over the vesting period.

In February 2016, as part of their standard compensation for board service, non-employee members of the Board of Directors received a total grant of 4,554 shares of restricted stock (\$219 grant date value) for service for the period from January 31, 2016 through January 31, 2017. The shares of restricted stock will vest at the conclusion of this service period. Compensation is recognized on a ratable basis over the twelve month vesting period.

Note 6 — Segment Data & Foreign Operations

The Company is organized into two operating segments, an Industrial Materials segment and a Construction Materials segment. The segments are distinguished by the nature of the products 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. Industrial Materials products include insulating and conducting materials for wire and cable manufacturers, moisture protective coatings for electronics, laminated durable papers, laminates for the packaging and industrial laminate markets, pulling and detection tapes used in the installation, measurement and location of fiber optic cables and water and natural gas lines, cover tapes essential to delivering semiconductor components via tape and reel packaging, and composite materials and elements. This segment also includes glass-based strength element products designed to allow fiber optic cables to withstand mechanical and environmental strain and stress and which we operated as a joint venture prior to October 31, 2014. Further, beginning January 30, 2015, the Industrial Materials segment includes microspheres, sold under the Dualite brand, and polyurethane dispersions, both obtained through acquisition, and included in the Company's specialty chemical intermediates product line.

The Construction Materials segment is composed of typically project-oriented product offerings that are primarily sold and used as "Chase" branded products. Construction Materials products include protective coatings for pipeline applications, coating and lining systems for use in liquid storage and containment applications, adhesives and sealants

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(UNAUDITED)

In thousands, except share and per share amounts

used in architectural and building envelope waterproofing applications, high-performance polymeric asphalt additives, and expansion and control joint systems for use in the transportation and architectural markets. The following tables summarize information about the Company's reportable segments:

	Three Months Ended		Six Months Ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
Revenue				
Industrial Materials	\$ 43,769	\$ 40,330	\$ 87,068	\$ 82,725
Construction Materials	11,155	11,974	25,334	25,512
Total	\$ 54,924	\$ 52,304	\$ 112,402	\$ 108,237
Income before taxes				
Industrial Materials	\$ 13,271	\$ 10,213 (b)	\$ 26,200 (d)	\$ 22,828 (b)
Construction Materials	3,668	2,592	9,123	6,465
Total for reportable segments	16,939	12,805	35,323	29,293
Corporate and common costs	(6,186)(a)	(6,549)(c)	(12,934)(a)	(12,268)(c)
Total	\$ 10,753	\$ 6,256	\$ 22,389	\$ 17,025
Includes the following costs by segment:				
Industrial Materials				
Interest	\$ 195	\$ 225	\$ 382	\$ 455
Depreciation	954	976	1,945	1,953
Amortization	1,569	1,283	3,129	2,053
Construction Materials				
Interest	\$ 65	\$ 45	\$ 128	\$ 89
Depreciation	260	280	524	569
Amortization	351	418	707	831

(a) Includes Randolph, MA facility exit and demolition costs of \$209 incurred during the period

(b) Includes \$49 of expenses related to inventory step-up in fair value related to the January 2015 acquisition of the specialty chemical intermediates product line

(c) Includes \$584 in expenses related to the January 2015 acquisition of the specialty chemical intermediates product line

- (d) Includes both a \$1,031 gain on sale of our RodPack® wind energy business contained within our structural composites product line and a \$365 write-down on certain other structural composites assets based on usage constraints following the sale, both recognized in November 2015

The Company's products are sold worldwide. For the quarters ended February 29, 2016 and February 28, 2015, sales from its operations located in the United Kingdom accounted for 11% and 14% of total Company revenue, respectively. In the current fiscal year-to-date period, sales from its operations located in the United Kingdom accounted for 10% of total Company revenue compared to 12% in the same period in fiscal 2015. No other foreign geographic area accounted for more than 10% of consolidated revenue for the three or six month periods ended February 29, 2016 and February 28, 2015.

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(UNAUDITED)

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Total assets for the Company's reportable segments as of February 29, 2016 and August 31, 2015:

	February 29, 2016	August 31, 2015
Total assets		
Industrial Materials	\$ 139,566	\$ 146,870
Construction Materials	39,868	48,016
Total for reportable segments	179,434	194,886
Corporate and common assets	70,366	63,011
Total	\$ 249,800	\$ 257,897

As of February 29, 2016 and August 31, 2015, the Company had long-lived assets (that provide future economic benefit beyond the current year or operating period, including buildings, equipment and leasehold improvements) of \$3,423 and \$3,947, respectively, located in the United Kingdom. These balances exclude goodwill and intangibles of \$7,047 and \$8,266, as of February 29, 2016 and August 31, 2015, respectively, associated with its operations in the United Kingdom.

Note 7 — Goodwill and Other Intangibles

The changes in the carrying value of goodwill are as follows:

	Industrial Materials	Construction Materials	Consolidated
Balance at August 31, 2015	\$ 33,390	\$ 10,733	\$ 44,123
Foreign currency translation adjustment	(430)	(25)	(455)
Balance at February 29, 2016	\$ 32,960	\$ 10,708	\$ 43,668

The Company's goodwill is allocated to each reporting unit based on the nature of the products manufactured by the respective business combinations that originally created the goodwill. The Company has identified ten reporting units within its two operating segments that are used to evaluate the possible impairment of goodwill. Goodwill impairment exists when the carrying value of goodwill exceeds its fair value. Assessments of possible impairment of goodwill are made when events or changes in circumstances indicate that the carrying value of the asset may not be recoverable through future operations. Additionally, testing for possible impairment of recorded goodwill and certain intangible asset balances is required annually. The amount and timing of any impairment charges based on these assessments require the estimation of future cash flows and the fair market value of the related assets based on management's best estimates of certain key factors, including future selling prices and volumes; operating, raw material and energy costs; and various other projected operating and economic factors. When testing, fair values of the reporting units and the related implied fair values of their respective goodwill are established using public company analysis and discounted cash flows.

The Company evaluates the possible impairment of goodwill annually each fourth quarter and whenever events or circumstances indicate the carrying value of goodwill may not be recoverable.

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Intangible assets subject to amortization consist of the following as of February 29, 2016 and August 31, 2015:

	Weighted-Average Amortization Period		Gross Carrying Value	Accumulated Amortization	Net Carrying Value
February 29, 2016					
Patents and agreements	12.6	years	\$ 2,483	\$ 2,259	\$ 224
Formulas and technology	8.4	years	8,305	3,887	4,418
Trade names	5.9	years	7,185	4,475	2,710
Customer lists and relationships	9.3	years	54,413	21,103	33,310
			\$ 72,386	\$ 31,724	\$ 40,662
August 31, 2015					
Patents and agreements	12.5	years	\$ 2,568	\$ 2,267	\$ 301
Formulas and technology	8.4	years	8,415	3,513	4,902
Trade names	5.9	years	7,278	4,088	3,190
Customer lists and relationships	9.3	years	55,473	19,014	36,459
			\$ 73,734	\$ 28,882	\$ 44,852

Aggregate amortization expense related to intangible assets for the six months ended February 29, 2016 and February 28, 2015 was \$3,836 and \$2,884, respectively. Estimated amortization expense for the remainder of fiscal year 2016 and for the next five years is as follows:

Years ending August 31,	
2016 (remaining 6 months)	\$ 3,854
2017	7,246
2018	7,041
2019	6,348
2020	5,481
2021	5,219

Note 8 — Sale of RodPack Business

In November 2015 (the first quarter of fiscal 2016), the Company sold its RodPack wind energy business, contained within its structural composites product line, to an otherwise unrelated party (“Buyer”) for proceeds of \$2,186. The Company’s structural composites product line is a part of the Company’s Industrial Materials segment. The Company is not restricted in its use of the net proceeds from the sale. At August 31, 2015, the related RodPack assets were recorded as assets held for sale on the consolidated balance sheet.

The following table summarizes information about the RodPack assets sold as of November 10, 2015 (the date of the sale) and August 31, 2015:

	November 10, 2015	August 31, 2015
RodPack - Property, plant and equipment	\$ 846	\$ 773
RodPack - Patents and other intangible assets	309	316
Total	\$ 1,155	\$ 1,089

The sale resulted in a pre-tax book gain of \$1,031 (approximately \$660 after-tax gain), which was recorded within the consolidated statement of operations as gain on sale of business in the six month period ended February 29, 2016. The Company received \$1,500 of the proceeds in the first quarter of fiscal 2016 and will receive the remaining balance in

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three equal installments of \$229 at six month intervals, with the final payment due 18 months after the date of the sale. The \$457 current portion of the amount due has been recorded as a current asset (Due from sale of business) as of February 29, 2016, while the portion due 18 months from the sale has been included in other long-term assets. The payment of these owed amounts is not subject to any further contingency or deliverable. Further, the Company will provide ongoing development support to the Buyer for which it will receive additional consideration upon the completion of services.

The sale of this business prompted the Company to perform a review of other long-lived assets within the structural composites product line, as the sale of the related intangible assets resulted in a limitation of the Company's capacity to sell certain other goods produced by the product line. This review resulted in the identification of construction in progress assets with a net book value of \$365, which the Company fully wrote down. This charge was recorded within the condensed consolidated statement of operations as write-down of certain assets under construction during the first quarter of fiscal 2016.

Note 9 — Joint Venture

On October 31, 2014, the Company purchased the 50% non-controlling membership interest of NEPTCO JV LLC (the "JV") that had been owned by its joint venture partner, an otherwise unrelated party. The purchase consideration is subject to certain contingent adjustments based on certain future events related to the JV. The purchase price, including these contingent adjustments, was not, nor will be, material to the Company. Because of the Company's controlling financial interest, the JV's assets, liabilities, and results of operations have been consolidated within the Company's consolidated financial statements since June 27, 2012, the date the Company acquired NEPTCO. The Company continues to fully consolidate the assets, liabilities and results of operations of the JV, but no longer records an offsetting amount for a non-controlling interest. The \$95 recorded in the consolidated statement of operations as net income attributable to non-controlling interest for the six months ended February 28, 2015, represents the now-former joint venture partner's share of the results of operations of the JV for the period from September 1, 2014 through October 31, 2014.

The Company accounted for the joint venture partner's non-controlling interest in the JV under ASC Topic 810 "Consolidations" ("ASC 810"). Based on the criteria in ASC 810, the Company had determined that the JV qualified as a variable interest entity ("VIE").

Under the JV agreement, which terminated with the Company's October 2014 acquisition of the 50% outstanding non-controlling membership interest in the JV, the JV had agreed to purchase a minimum of 80% of its total glass fiber requirements from the now-former joint venture partner. Additionally, the JV had agreed to purchase private-label products exclusively from an affiliate of the now-former joint venture partner; however, the JV was not subject to a minimum purchase requirement on private-label products. Purchases from the now-former joint venture partner totaled \$332 for the period from September 1, 2014 through October 31, 2014.

Note 10 — Commitments and Contingencies

The Company is involved from time to time in litigation incidental to the conduct of its business. Although the Company does not expect that the outcome in any of these matters, individually or collectively, will have a material adverse effect on its financial condition, results of operations or cash flows, litigation is inherently unpredictable. Therefore, judgments could be rendered or settlements entered, that could adversely affect the Company's operating results or cash flows in a particular period. The Company routinely assesses all of its litigation and threatened litigation as to the probability of ultimately incurring a liability, and records its best forecast of the ultimate loss in situations where the Company assesses the likelihood of loss as probable.

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Note 11 — Pensions and Other Post-Retirement Benefits

The components of net periodic benefit cost for the three and six months ended February 29, 2016 and February 28, 2015 are as follows:

	Three Months		Six Months Ended	
	Ended February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
Components of net periodic benefit cost				
Service cost	\$ 74	\$ 91	\$ 148	\$ 181
Interest cost	182	170	364	339
Expected return on plan assets	(129)	(153)	(258)	(306)
Amortization of prior service cost	1	1	2	2
Amortization of accumulated loss	143	167	286	335
Net periodic benefit cost	\$ 271	\$ 276	\$ 542	\$ 551

When funding is required, the Company's policy is to contribute amounts that are deductible for federal income tax purposes. As of February 29, 2016, the Company has made contributions of \$154 in the current fiscal year to fund its obligations under its pension plans, and plans to make the necessary contributions over the remainder of fiscal 2016 to ensure the qualified plan continues to be adequately funded given the current market conditions. The Company made contributions of \$115 in the first six months of the prior year.

Note 12 — Fair Value Measurements

The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. The Company uses a three-tier fair value hierarchy, which classifies the inputs used in measuring fair values. These tiers include: Level 1, defined as

observable inputs such as quoted prices for identical instruments in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The Company utilizes the best available information in measuring fair value. Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The financial assets classified as Level 1 and Level 2 as of February 29, 2016 and August 31, 2015 represent investments that are restricted for use in a nonqualified retirement savings plan for certain key employees and directors.

The following table sets forth the Company's financial assets that were accounted for at fair value on a recurring basis as of February 29, 2016 and August 31, 2015:

	Fair value measurement date	Total	Fair value measurement category		
			Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:					
Restricted investments	February 29, 2016	\$ 1,421	\$ 1,382	39	—
Restricted investments	August 31, 2015	\$ 1,410	\$ 1,394	16	—

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The following table presents the fair value of the Company's long-term debt as of February 29, 2016 and August 31, 2015, which is recorded at its carrying value:

	Fair value measurement date	Total	Fair value measurement category		
			Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities:					
Long-term debt	February 29, 2016	\$ 47,600	\$ —	47,600	—
Long-term debt	August 31, 2015	\$ 51,800	\$ —	51,800	—

The carrying value of the long-term debt approximates its fair value, as the monthly interest rate is set based on the movement of the underlying market rates.

Note 13 — Accumulated Other Comprehensive Income

The changes in accumulated other comprehensive income (loss), net of tax, were as follows:

Restricted Investments	Change in Funded Status of	Foreign Currency Translation Adjustment	Total
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		Pension Plan		
Balance at August 31, 2015	\$ 47	\$ (5,934)	\$ (2,099)	\$ (7,986)
Other comprehensive gains (losses) before reclassifications (1)	(58)	—	(4,010)	(4,068)
Reclassifications to net income of previously deferred (gains) losses (2)	(41)	187	—	146
Other comprehensive income (loss)	(99)	187	(4,010)	(3,922)
Balance at February 29, 2016	\$ (52)	\$ (5,747)	\$ (6,109)	\$ (11,908)

(1) Net of tax expense of \$30, \$0, \$0, respectively.

(2) Net of tax expense of \$22, tax benefit of \$102, \$0, respectively.

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The following table summarizes the reclassifications from accumulated other comprehensive income (loss) to the unaudited condensed consolidated statements of income:

	Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income				Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income
	Three Months Ended February 29, 2016	February 28, 2015	Six Months Ended February 29, 2016	February 28, 2015	
Gains on Restricted Investments: Realized gain on sale of restricted investments	\$ (61)	\$ (75)	\$ (63)	\$ (76)	Selling, general and administrative expenses
Tax expense (benefit)	21	26	22	27	
Gain net of tax	\$ (40)	\$ (48)	\$ (41)	\$ (48)	
Loss on Funded Pension Plan adjustments: Amortization of prior pension service costs and unrecognized losses	\$ 6	\$ 5	\$ 12	\$ 10	Cost of products and services sold

Amortization of prior pension service costs and unrecognized losses	138	\$ 163	277	\$ 326	Selling, general and administrative expenses
Tax expense (benefit)	(51)	(59)	(102)	(118)	
Loss net of tax	\$ 93	\$ 109	\$ 187	\$ 219	
Total net loss reclassified for the period	\$ 53	\$ 62	\$ 146	\$ 171	

Note: Gains on Restricted Investments and losses on funded pension plan adjustments may not sum for the quarter end or year-to-date period due to rounding.

Note 14 — Acquisition of Specialty Chemical Intermediates Product Line

On January 30, 2015, the Company acquired two product lines from Henkel Corporation (the “Seller”) for a purchase price of \$33,285, after working capital adjustments and excluding any acquisition-related costs. As part of this transaction, Chase acquired the Seller’s microspheres product line, sold under the Dualite brand, located in Greenville, SC, and obtained exclusive distribution rights and intellectual property related to the Seller’s polyurethane dispersions product line, operating in the Elgin, IL location. Under the agreement, Chase entered into a ten-year facility operating lease at the Seller’s Greenville, SC location. The Seller will perform certain manufacturing and application services for Chase at the Seller’s Elgin, IL location for three years. The purchase was funded entirely with available cash on hand.

Since the effective date for this acquisition, January 30, 2015, the financial results of the specialty chemical intermediates product line have been included in the Company’s financial statements within the Industrial Materials operating segment. The acquisition was accounted for as a business combination under ASC Topic 805, “Business Combinations.” In accordance with this accounting standard, the Company expensed \$584 of acquisition-related costs during both the three and six month periods ended February 28, 2015 to acquisition-related costs.

Purchase accounting was completed in the quarter ended May 31, 2015 (third quarter of fiscal 2015) with no material adjustments made to the initial amounts recorded at the end of the second fiscal quarter. The purchase price has been

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allocated to the acquired tangible and identifiable intangible assets assumed, based on their fair values as of the date of the acquisition:

Assets & Liabilities	Amount
Inventory	\$ 610
Property, plant & equipment	1,064
Goodwill	6,371
Intangible assets	25,240
Total purchase price	\$ 33,285

The excess of the purchase price over the net tangible and intangible assets acquired resulted in goodwill of \$6,371 that is largely attributable to the synergies and economies of scale from combining the operations and technologies of Chase and the two product lines, particularly as it pertains to the expansion of the Company's product and service offerings, the established workforce, and marketing efforts. This goodwill is not deductible for income tax purposes.

All assets, including goodwill, acquired as part of the specialty chemical intermediates product line are included in the Industrial Materials operating segment. Identifiable intangible assets purchased with this transaction are as follows:

Intangible Asset	Amount	Useful life
Customer relationships	\$ 21,300	8 years
Technology	2,700	7 years
Trade name	910	7 years
Backlog	330	2 months
Total intangible assets	\$ 25,240	

Supplemental Pro Forma Data

The following table presents the pro forma results of the Company for the three and six month periods ended February 28, 2015 as though the specialty chemical intermediates product line acquisition described above occurred on September 1, 2013 (the first day of fiscal 2014). The actual revenue and expenses for the specialty chemical intermediates product line acquisition are included in the Company's fiscal 2016 and 2015 consolidated results beginning on January 30, 2015. The pro forma results include adjustments for the estimated amortization of intangibles, acquisition-related costs, sale of inventory step-up cost and the income tax impact of the pro forma adjustments at the statutory rate of 35%. The following pro forma information is not necessarily indicative of the results that would have been achieved if the acquisition had been effective on September 1, 2013 (the first day of fiscal 2014).

	Three Months Ended February 28, 2015	Six Months Ended February 28, 2015
Revenue	\$ 55,873	\$ 116,766
Net income	4,955	12,329
Net income attributable to Chase Corporation	4,955	12,234
Net income available to common shareholders, per common and common equivalent share		
Basic earnings per share	\$ 0.54	\$ 1.34
Diluted earnings per share	\$ 0.53	\$ 1.32

Note 15 – Exit Costs Related to Idle Facility

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In the quarter ended February 29, 2016, the Company recognized \$209 in expenses to raze its Randolph, MA facility, which has been idle with regard to production for several years. Additionally, the Company began marketing the site for sale and reclassified the net book value of the facility to assets held for sale at February 29, 2016. These actions were taken as part of the Company's on-going facility consolidation and rationalization initiative. The Company anticipates an additional \$800 in expenses associated with completing the project, and expects the demolition work to be completed during the third fiscal quarter, with the sale of the property to follow. See Note 16 to the condensed consolidated financial statements for additional information on assets held for sale.

Note 16 – Assets Held for Sale

The Company periodically reviews long-lived assets against its plans to retain or ultimately dispose of these assets. If the Company decides to dispose of an asset and commits to a plan to actively market and sell the asset, it will be moved to assets held for sale. The Company analyzes market conditions each reporting period and, if applicable, records additional impairments due to declines in market values of like assets. The fair value of the asset is determined by observable inputs such as appraisals and prices of comparable assets in active markets for assets like the Company's. Gains are not recognized until the assets are sold.

In the second quarter of fiscal 2016, the Company, as part of its on-going facility consolidation and rationalization initiative, committed to a plan to actively market for sale its Paterson, NJ property. Chase owns the building and leases the land from the landowner. Currently, the building is being leased to a tenant and the land is being sub-leased. Upon commitment to this plan, the Company reclassified the net book value of the related assets to assets held for sale.

Assets held for sale as of February 29, 2016 and August 31, 2015:

	February 29, 2016	August 31, 2015
Paterson, NJ - Building and leasehold improvements	\$ 590	\$ —
Randolph, MA - Property, plant and equipment (a)	14	—
RodPack - Property, plant and equipment (b)	—	773
RodPack - Patents and other intangible assets (b)	—	316
Total	\$ 604	\$ 1,089

- (a) See Note 15 to the condensed consolidated financial statements for additional information on Randolph, MA location assets held for sale as of February 29, 2016.
- (b) See Note 8 to the condensed consolidated financial statements for additional information on RodPack assets held for sale as of August 31, 2015.

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Item 2 — Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion provides an analysis of the Company’s financial condition and results of operations and should be read in conjunction with the Condensed Consolidated Financial Statements and notes thereto included in Item 1 of Part I of this Quarterly Report on Form 10-Q and with the Company’s Annual Report on Form 10-K filed for the fiscal year ended August 31, 2015.

Overview

The Company achieved growth over the prior year in revenue, operating income and net income attributable to Chase Corporation for both the quarter and year-to-date periods ended February 29, 2016. The specialty chemical intermediates product line, acquired in the second quarter of the prior year, continued to contribute to the Company’s revenue growth, as well as prove accretive to earnings, for both the quarter and year-to-date periods. Our pulling and detection, electronic coatings, coating and lining systems, and bridge and highway products all delivered higher sales volume and corresponding margin contribution for both the quarter and year-to-date periods, as compared to the prior year. Additionally, our electronic coatings product line results benefited from both a quarterly and year-to-date increase in royalty revenue generated on higher sales volumes obtained by our licensed manufacturer in Asia. Net income attributable to Chase Corporation further benefited in the six month period ended February 29, 2016 from the sale of our RodPack wind energy business during the first quarter of our fiscal year.

Second quarter and year-to-date revenue from our Industrial Materials segment increased over the prior year as a result of continued high demand for our pulling and detection, electronic coatings and specialty chemical intermediates products. All three product lines have proved strong contributors to both top and bottom line growth for fiscal 2016, and demonstrate Chase’s ability to grow profits through both existing and newly acquired product offerings. These increases in sales were partially offset by a reduction in demand for wire and cable and fiber optic cable components products.

Revenue for our Construction Materials segment decreased for both the current quarter and current year-to-date periods, as compared to the same periods in the prior year. Quarter-over-quarter and year-to-date sales volume decreases in our pipeline coatings product line resulted in the overall segment dip. Demand continued for pipeline coatings products produced at our Rye, UK facility for water infrastructure projects in the Middle East, but at a lower volume than achieved in the prior year periods. Our domestically produced pipeline coatings products, which sell predominantly into North American oil and gas markets, had a year-to-date increase in sales volume, but was down for the current quarter as compared to the second quarter of the prior year. Our domestically produced pipeline coatings products are more focused on maintenance and repair, and as such, have not been as heavily impacted by the dynamics in the markets into which they are sold. Our coating and lining systems products saw increased demand for both the quarter-over-quarter and year-to-date periods, as did our bridge and highway products, which partially offset the net results of the pipeline coatings product line.

Historically, the Company has experienced its most favorable financial operating results in its third and fourth fiscal quarters. Our results, especially the domestic sales in our Construction Materials segment, benefit from seasonal building, roadwork and infrastructure repair and maintenance trends in the second half of our fiscal year. These same trends result in historically lower overall results during our second quarter, when many of the markets into which we sell are negatively affected by winter-weather conditions. During the remainder of fiscal 2016, we will continue to focus on our core strategies: generating organic growth, by building upon our core businesses and leveraging those technologies to new markets; maintaining an active M&A program, with an emphasis on identifying potential acquisition targets to further facilitate strategic growth; and controlling operating costs, by leveraging our existing resources and further streamlining our processes.

Our balance sheet remains strong, with cash on hand of \$51,708,000 and a current ratio of 4.2. Our \$15,000,000 line of credit is fully available, while the balance of our term debt is \$47,600,000.

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We have two reportable segments as summarized below:

Segment	Product Lines	Manufacturing Focus and Products
Industrial Materials	Wire and Cable	Protective coatings and tape products, including insulating and conducting materials for wire and cable manufacturers; moisture protective coatings for electronics; laminated durable papers, packaging and industrial laminate products; pulling and detection tapes used in the installation, measurement and location of fiber optic cables and water and natural gas lines; cover tapes essential to delivering semiconductor components via tape and reel packaging; composite materials elements; glass-based strength elements designed to allow fiber optic cables to withstand mechanical and environmental strain and stress; Dualite brand microspheres; and polyurethane dispersions.
	Electronic Coatings	
	Specialty Products	
	Pulling and Detection	
	Electronic Materials	
	Structural Composites	
	Fiber Optic Cable Components (1)	
Construction Materials	Specialty Chemical Intermediates	Protective coatings and tape products, including coating and lining systems for use in liquid storage and containment applications; protective coatings for pipeline and general construction applications; adhesives and sealants used in architectural and building envelope waterproofing applications; high-performance polymeric asphalt additives; and expansion and control joint systems for use in the transportation and architectural markets.
	Pipeline	
	Bridge and Highway	
	Coating and Lining Systems	
	Building Envelope	

(1) 50% owned joint venture until October 31, 2014, when we purchased the remaining 50% non-controlling interest.

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Results of Operations

Revenue and Operating Profit by Segment are as follows (dollars in thousands):

	Three Months Ended February 29, 2016	% of Total Revenue		Three Months Ended February 28, 2015	% of Total Revenue		Six Months Ended February 29, 2016	% of Total Revenue		Six Months Ended February 28, 2015	% of Total Revenue	
Revenue												
Industrial Materials	\$ 43,769	80	%	\$ 40,330	77	%	\$ 87,068	77	%	\$ 82,725	76	%
Construction Materials	11,155	20	%	11,974	23	%	25,334	23	%	25,512	24	%
Total	\$ 54,924			\$ 52,304			\$ 112,402			\$ 108,237		
	Three Months Ended February 29, 2016	% of Segment Revenue		Three Months Ended February 28, 2015	% of Segment Revenue		Six Months Ended February 29, 2016	% of Segment Revenue		Six Months Ended February 28, 2015	% of Segment Revenue	
Income before income taxes												