

CSW INDUSTRIALS, INC.
Form 10-K
May 30, 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 March 31, 2018

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

For the transition period from _____ to _____
Commission file number 001-37454
CSW INDUSTRIALS, INC.
(Exact name of registrant as specified in its charter)

Delaware 47-2266942
(state or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

5420 Lyndon B. Johnson Freeway, Suite 500, Dallas, Texas 75240
(Address of principal executive offices) (zip code)
(214) 884-3777

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, par value \$0.01 per share	Nasdaq Stock Market LLC

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

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 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 (or for such shorter period that the registrant was required to file such reports) 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of the 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 check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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

Edgar Filing: CSW INDUSTRIALS, INC. - Form 10-K

(Do not check if smaller
reporting 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. "

Table of Contents

Indicate by check mark 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 registrant's common stock held by non-affiliates, based on the last sale price for the common stock as reported by the Nasdaq Global Select Market on September 29, 2017 the last business day of our most recently completed second fiscal quarter was approximately \$479.8 million.

As of May 24, 2018, the latest practicable date, 15,841,605 shares of the registrant's common stock, par value \$0.01 per share, were issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information contained in the definitive proxy statement for the registrant's Annual Meeting of Stockholders is incorporated by reference into Part III hereof.

Table of Contents

TABLE OF CONTENTS

PART I

ITEM 1: <u>Business</u>	<u>1</u>
ITEM 1A: <u>Risk Factors</u>	<u>8</u>
ITEM 1B: <u>Unresolved Staff Comments</u>	<u>16</u>
ITEM 2: <u>Properties</u>	<u>16</u>
ITEM 3: <u>Legal Proceedings</u>	<u>17</u>
ITEM 4: <u>Mine Safety Disclosures</u>	<u>17</u>

PART II

ITEM 5: <u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>18</u>
ITEM 6: <u>Selected Financial Data</u>	<u>20</u>
ITEM 7: <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>20</u>
ITEM 7A: <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>31</u>
ITEM 8: <u>Financial Statements and Supplementary Data</u>	<u>31</u>
ITEM 9: <u>Changes In and Disagreements With Accountants on Accounting and Financial Disclosure</u>	<u>67</u>
ITEM 9A: <u>Controls and Procedures</u>	<u>67</u>
ITEM 9B: <u>Other Information</u>	

PART III

ITEM 10: <u>Directors, Executive Officers and Corporate Governance</u>	<u>70</u>
ITEM 11: <u>Executive Compensation</u>	<u>70</u>
ITEM 12: <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>70</u>
ITEM 13: <u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>70</u>
ITEM 14: <u>Principal Accounting Fees and Services</u>	<u>70</u>

PART IV

ITEM 15: <u>Exhibits, Financial Statement Schedules</u>	<u>70</u>
<u>SIGNATURES</u>	<u>72</u>

EX-21.1	
EX-23.1	
EX-31.1	
EX-31.2	
EX-32.1	
EX-32.2	
EX-101 XBRL Instance Document	
EX-101 XBRL Taxonomy Extension Schema	
EX-101 XBRL Taxonomy Extension Calculation Linkbase Document	
EX-101 XBRL Taxonomy Extension Definition Linkbase Document	
EX-101 XBRL Taxonomy Extension Label Linkbase Document	
EX-101 XBRL Taxonomy Extension Presentation Linkbase Document	

Table of Contents

PART I

Unless otherwise specified, or the context otherwise requires, the references in this Annual Report on Form 10-K for the fiscal year ended March 31, 2018 ("Annual Report") to "our company," "the Company," "we," "us," "our" or "CSWI" refer to CSW Industrials, Inc. together with our wholly-owned subsidiaries.

ITEM 1: BUSINESS

General

CSWI is a diversified industrial growth company with well-established, scalable platforms and domain expertise across two business segments: Industrial Products and Specialty Chemicals. Our broad portfolio of leading products provides performance optimizing solutions to our customers. Our products include mechanical products for heating, ventilation and air conditioning ("HVAC") and refrigeration applications, sealants and high-performance specialty lubricants. Markets that we serve include HVAC, industrial, rail, plumbing, architecturally-specified building products, energy, mining and other general industrial markets. Our manufacturing operations are concentrated in the United States ("U.S.") and Canada, but we also have distribution operations in Australia, Canada and the United Kingdom ("U.K."), and our products are sold directly or through designated channels in over 100 countries around the world, including: Australia, Brazil, Canada, China, Colombia, the Netherlands, Russia, South Africa, Sweden, the U.K. and the U.S.

Drawing on our innovative and proven technologies, we seek to deliver solutions to our professional customers that require superior performance and reliability. We believe that our industrial brands, such as RectorSeal No. 5® and KOPR-KOTE®, are well known in the specific industries we serve and have a reputation for high quality and reliability. Through organic growth and acquisitions, we believe that we are well positioned to offer our customers an increasingly broad portfolio of performance optimizing solutions. We have a successful record of making accretive acquisitions, and we believe that there are further attractive acquisition opportunities available within the markets in which we operate.

We have a long history of providing high quality specialty chemicals, sealants and other products, accompanied by dependable service and attention to customer satisfaction. For example, our specialty lubricants were used on the excavation equipment for the Panama Canal in the late 1800s. We also have a long history of innovation. We believe that we were the first to develop a method for removing internal acid from air conditioning and refrigeration systems, pioneering the market for acid neutralizers. We partner with our customers to solve specific challenges, such as environment-friendly lubricants, which were specifically developed to provide high performance in rail applications combined with biodegradability and no eco-toxicity and to satisfy strict environmental requirements.

CSWI is a Delaware corporation and was incorporated in 2014 in anticipation of CSWI's separation from Capital Southwest Corporation ("Capital Southwest"), which occurred on September 30, 2015. Since the separation, CSWI has been an independent, publicly-traded company, listed on the Nasdaq Global Select Market. The separation was executed on September 30, 2015 through a pro-rata share distribution of all the then outstanding shares of common stock of CSWI to the holders of common stock of Capital Southwest (the "Share Distribution").

Our Competitive Strengths

We believe we have the following competitive strengths:

Broad Portfolio of Industry Leading Products and Solutions

We have a broad portfolio of products with leading industry positions in the specific end markets in which we operate. We believe our products and solutions are differentiated from those of our competitors by superior performance, quality and total value delivered to customers. For example, our RectorSeal No. 5® product is widely regarded as an industry standard for thread sealants for HVAC, plumbing and electrical configurations. Additionally, we believe our KOPR-KOTE® product is recognized as the anti-seize compound of choice for use in oil and gas drilling operations, where it is requested by name.

Sustainable Organic Revenue Growth and Operating Performance

We focus on end markets with strong growth trends. We also have a loyal customer base that recognizes the performance and quality of our products and solutions, including continuously evaluating the potential uses of existing products to broaden our market penetration. Further, our customer base is diverse: for the fiscal year ended March 31, 2018, no single customer represented 10% or more of our net revenues.

These factors have enabled us to generate strong margin performance. We are focused on improving our profitability through targeted investments to further optimize our manufacturing processes. For example, in both of our reportable segments, we have taken actions to consolidate our manufacturing footprint in order to optimize capacity, improve efficiency and leverage technologies while enhancing product quality. Further, we continually look to refine our manufacturing processes in all of our manufacturing facilities to lower manufacturing costs, increase production capacity and improve product quality.

1

Table of Contents

Stable Platform for Acquisitions with Proven Track Record

We believe that our experience in identifying, completing and integrating acquisitions is one of our core competitive strengths, as evidenced by over 30 acquisitions that we have successfully completed since 1991. Since April 1, 2012, our acquisitions have either (1) added new products designed to service our existing end markets, or (2) provided an entry into new, complementary end markets where we can drive revenue growth and improved profitability.

Historically, our acquisitions have been relatively small, lower-risk acquisitions of a product that we have identified as having the potential to benefit from our extensive distribution network and manufacturing efficiencies.

We did not complete any acquisitions during the fiscal year ended March 31, 2018, and completed one acquisition during the fiscal year ended March 31, 2017. Effective February 28, 2017, we acquired Greco Aluminum Railings, a leading manufacturer of high-quality engineered railing and safety systems for multi-family and commercial structures. Effective October 1, 2015, we acquired substantially all of the assets of Deacon Industries, Inc., a leading manufacturer of high temperature sealants and injectable packings. Effective December 16, 2015, we acquired substantially all of the assets of AC Leak Freeze, a leading manufacturer of original equipment manufacturer-safe air conditioning and refrigerant leak repair solutions.

Culture of Product Enhancement and Customer Centric Solutions

We have a long history of serving our customers with high quality products and solutions. We work closely with our customers, industry experts and research partners to continuously improve our existing products to meet evolving customer and market requirements. Our highly trained and specialized personnel work directly with our current and prospective customers to enhance our product offerings by expanding the use and markets for our existing products. We focus on product enhancements and product line extensions that are designed to meet the specific application needs of our customers. We believe this focus has helped us build strong industrial brands and develop a reputation for high quality, in turn leading us to realize improved customer retention and loyalty. Further, our ability to meet the needs of high-value niche end markets with customized solutions that leverage our existing products has enabled us to differentiate ourselves from our larger competitors that may not have the flexibility or interest in responding quickly to evolving customer demands in these smaller, niche markets.

Diverse Sales and Distribution Channels

Many of our products are sold through service-intensive distribution networks committed to technical support and customer satisfaction. We primarily market through an international network of independent manufacturer representatives and agents calling on our wholesale distributors, contractors and direct customers. The strong, long-term relationships we have developed with our wholesale distribution partners allow us to introduce new products, including both newly developed and acquired products. In addition, our extensive distribution network allows us to reach and serve niche end markets that provide organic growth opportunities and form a key component of our acquisition strategy.

Our Growth Strategy

We are focused on creating significant stockholder value over the long term by increasing our revenue, profitability and free cash flow through: (1) expanding the markets and uses for our existing products; and, (2) growing the portfolio of products we manufacture, market and sell through organic growth initiatives and targeted acquisitions. We believe the key drivers of our growth include:

Leveraging Existing Customer Relationships and Products and Solutions

We expect to drive revenue growth by leveraging our reputation for providing high quality products to our long-standing customer base. Our team of sales representatives, engineers and other technical personnel continues to proactively collaborate with our distributors and end users to enhance and adapt existing products and solutions to meet evolving customer needs. In addition, we seek to leverage our existing customer base to cross-sell our products and solutions across our two business segments, thereby driving organic growth.

Product Innovation to Accelerate Organic Growth

Table of Contents

The collaborative relationships and open feedback channels we have with our distributors and end users allow us to add value not only through enhancing and adapting existing products and solutions, but also through efficiently developing new products and solutions to meet existing and future customer needs. Our research and development, sales and marketing personnel work together to identify product opportunities and methodically pursue development of innovative new products. Through developing new products and solutions to both address new markets and complement our product portfolio in markets we currently serve, we create increased opportunities to drive organic growth.

Focused Acquisitions that Leverage our Distribution Channels

While we are focused on new product development, improving our existing products and penetrating new markets with these products, we expect to continue to identify and execute acquisitions that will broaden our portfolio of products and offer attractive risk-adjusted returns. We primarily focus on commercially proven products and solutions that would benefit from a broader distribution network and are attractive to our customers in target end markets. Once acquired, our intent is to utilize our extensive distribution networks to increase revenue by selling those products to our diversified customer base.

Benefits Resulting from the Share Distribution

Historically, our operating companies functioned as independent companies with discrete strategies and capital structures. The Share Distribution has allowed us, as an independent, standalone company, to pursue a strategy focused on rationalizing our organizational structure and management around our two business segments. We expect this strategy to enable us to realize cost and operational synergies, implement best practices across our operations, cross-sell product offerings and, as a result, grow our market share and increase our profitability.

Additionally, we believe our integrated structure allows us to more effectively allocate capital across our two business segments, enabling more efficient financing of operations and planned growth.

Raw Materials and Suppliers

Our products are manufactured using various raw materials, including base oils, copper flake, aluminum, polyvinyl chloride and tetra-hydrofuran. These raw materials are available from numerous sources, and we do not anticipate significant shortages of such materials in the future. We generally purchase these raw materials and components as needed. We do not depend on a single source of supply for any significant raw materials.

Intellectual Property

We own a number of trademarks and patents relating to the names and designs of our products. We consider our trademarks and patents to be valuable assets of our business. In addition, our pool of proprietary information, consisting of know-how and trade secrets related to the design, manufacture and operation of our products, is considered particularly valuable. Accordingly, we take proactive measures to protect such proprietary information. In aggregate, we own the rights to the products that we manufacture and sell and are not materially encumbered by licensing or franchise agreements. Our trademarks can typically be renewed indefinitely as long as they remain in use, whereas our existing patents generally expire 10 to 20 years from the dates they were filed, which has occurred at various times in the past. We do not believe that the expiration of any individual patent will have a material adverse impact on our business, financial condition or results of operations.

Export Regulations

We are subject to export control regulations in countries from which we export products and services. These controls may apply by virtue of the country in which the products are located or by virtue of the origin of the content contained in the products. If the controls of a particular country apply, the level of control generally depends on the nature of the goods and services in question. Where controls apply, the export of our products generally requires an export license or authorization (either on a per-product or per transaction basis) or that the transaction qualify for a license exception or the equivalent, and may also be subject to corresponding reporting requirements. See Note 18 to our consolidated financial statements included in Item 8 of this Annual Report for financial and other information regarding our operations on a geographical basis.

Environmental Regulations

Our operations are subject to certain foreign, federal, state and local regulatory requirements relating to environmental, waste management, labor and health and safety matters. Management believes that our business is

operated in material compliance with all such regulations. To date, the cost of such compliance has not had a material impact on our capital expenditures, earnings or competitive position or that of our operating subsidiaries. Despite the existence of policies, practices and procedures to prevent and mitigate risks, violations may occur in the future as a result of human error, equipment failure or other causes. Further, we cannot predict the nature, scope or effect of environmental legislation or regulatory requirements that could be imposed, or how existing or future laws or regulations will be administered or interpreted. Compliance with more stringent laws or regulations, as

Table of Contents

well as more vigorous enforcement policies of regulatory agencies, could require substantial expenditures by us and could have a material impact on our business, financial condition and results of operations.

Employees

As of March 31, 2018, we employed 730 individuals within our continuing operations. Of these employees, 18 are represented by unions. We believe relations with our employees throughout our operations are generally satisfactory, including those employees represented by unions. No unionized facility accounted for more than 10% of our consolidated revenues for the fiscal year ended March 31, 2018.

Available Information

We maintain an Internet web site at www.cswindustrials.com. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) are made available free of charge through the “Investors” section of our Internet web site as soon as reasonably practicable after we electronically file the reports with, or furnish the reports to, the U.S. Securities and Exchange Commission (“SEC”).

We also make available free of charge on our web site our Corporate Governance Guidelines and Code of Business Conduct and Ethics, as well as the charters of our Audit Committee, our Compensation and Talent Development Committee and our Nominating and Corporate Governance Committee. You may access these documents in the “Corporate Governance” section on the “Investors” page of our website.

Business Segments

We operate in two business segments: Industrial Products and Specialty Chemicals. The table below provides an overview of these business segments. For financial information regarding our segments, see Note 18 to our consolidated financial statements included in Item 8 of this Annual Report.

Business Segment	Principal Product Categories	Key End Use Markets	Representative Industrial Brands
Industrial Products	<ul style="list-style-type: none"> • Specialty mechanical products • Fire and smoke protection products • Architecturally-specified building products • Storage, filtration and application equipment for use with our specialty chemicals and other products for general industrial applications 	<ul style="list-style-type: none"> • Plumbing • HVAC • Refrigeration • Electrical • Commercial construction • Rail car and locomotive • General industrial 	
Specialty Chemicals	<ul style="list-style-type: none"> • Lubricants and greases • Drilling compounds • Anti-seize compounds • Chemical formulations • Degreasers and cleaners • Penetrants • Pipe thread sealants • Firestopping sealants and caulks • Adhesives/solvent cements 	<ul style="list-style-type: none"> • Energy • Drilling and boring • Water well drilling • Mining • Rail • Steel • Power generation • Cement • Aviation • Plumbing • HVAC • Electrical 	

- Oil and gas
- Commercial construction
- General industrial
- Refrigeration

Industrial Products

Our Industrial Products segment consists of: specialty mechanical products; fire and smoke protection products; architecturally-specified building products; and storage, filtration and application equipment for use with our specialty chemicals

4

Table of Contents

and other products for general industrial applications. These industrial products are primarily manufactured internally, although we strategically engage third-party manufacturers for certain products. We ensure the quality of internally- and externally-manufactured products through our stringent quality control review procedures. Our building products are eco-friendly, enabling them to be easily incorporated into the “Green Building” market. Our key product types and brand names are included below:

Product Types	Brand Names
Specialty Mechanical Products	
<ul style="list-style-type: none"> • condensate switches, traps and pans • line set covers • condensate removal pumps and equipment mounting brackets • air diffusers for use by professional air conditioning contractors • tamper resistant locking refrigerant caps • ductless mini-split systems installation support tools • drain waste and vent systems mechanical products • decorative roof drain downspout nozzles • wire pulling head tools • equipment pads 	<ul style="list-style-type: none"> • Airtec® • ArmorPad™ • Clean Check® • EZ Trap® • Fortress® • Goliath® Pans • G-O-N® • Hubsett™ • Magic Vent® • Mighty Bracket™ • Novent® • Safe-T-Switch® • Slim Duct™ • SureSeal® • Titan™ Pans • Wire Grabber™
Fire and Smoke Protection Products	
<ul style="list-style-type: none"> • fire-rated and smoke-rated opening protective systems 	<ul style="list-style-type: none"> • Smoke Guard®
Architecturally-Specified Building Products	
<ul style="list-style-type: none"> • expansion joint covers • fire barriers • specialty silicone seals • stair nosings • partition closure systems • entrance mats and grids • photoluminescent egress markings and signage • trench and access covers • architectural grating • engineered railing 	<ul style="list-style-type: none"> • Balco® • DuraFlex™ • Greco™ • IllumiTread™ • MetaBlock™ • MetaFlex™ • MetaGrate™ • MetaMat™ • Michael Rizza™ • UltraGrid™
Storage, Filtration and Application Equipment	
<ul style="list-style-type: none"> • lubrication application and management systems • storage and filtration devices 	<ul style="list-style-type: none"> • Air Sentry® • Guardian® • Oil Safe® • Whitmore Rail™

New Product Development – Customer experience is a core competency in our Industrial Products segment. We gather "voice of the customer" market research through organized focus groups and online surveys, as well as through less formal channels. Ideas for new products or enhancements to existing products are also generated by our relationships

with end users, independent sales representatives, distributors and our internal sales and marketing team. We also actively monitor the competitive landscape using a variety of methods. We develop new products and modify existing products in our research and development (“R&D”) labs in Houston, Texas; Rockwall, Texas; Boise, Idaho; Wichita, Kansas; and Windsor, Canada.

Competition – Our competition in the Industrial Products segment is varied. Competitors range from small entrepreneurial companies with a single product, to large multinational original equipment manufacturers (“OEMs”). In the specialty mechanical products category, we compete with Diversitech, Supco, Little Giant, Mitsubishi, Cherne, Mainline and JR Smith. Most of our

Table of Contents

products are sold through distribution channels, and we compete based on breadth of product line, customer service and pricing. In the fire and smoke protection category we compete with Won Door, Stoebich, McKeon and others, typically on the basis of product innovation, knowledge of building codes and customer service. In the architecturally-specified building products category, we compete primarily with Emseal, Inpro, and MM Systems on the basis of product innovation, price and driving architectural specifications. In the lubricant storage, filtration and transfer space, we compete with Des-Case, Hy-Pro, IFH and others on the basis of superior performance, brand strength and breadth of product line.

Customers – Our primary customers for specialty mechanical products are HVAC, plumbing and electrical wholesalers and distributors. Some of these are local single location distributors, but many are regional or national in scope with hundreds of locations. The majority of these products are sold domestically; however, a small portion is sold internationally through similar channels, and a small number of OEMs purchase these products directly. Fire and smoke protection products are sold through local building products distributors who also perform installations and service. Architecturally-specified building products are sold primarily through a network of distributors. Storage, filtration and application products are marketed and sold worldwide through a service-intensive distribution network. **Seasonality** – A significant portion of our products are sold into the HVAC market, which is seasonal by nature. While products are sold throughout the year, sales tend to peak during summer months.

Specialty Chemicals

Our Specialty Chemicals segment manufactures and supplies highly specialized consumables that impart or enhance properties such as lubricity, anti-seize qualities, friction, sealing properties and heat control. In addition, the segment includes penetrants, pipe thread sealants, firestopping sealants and caulks and adhesives/solvent cements, which are primarily manufactured internally. These materials are typically used in harsh operating conditions, including extreme heat and pressure and chemical exposure, where commodity products would fail. These products protect and extend the working life of large capital equipment such as cranes, rail systems, mining equipment, oil rigs and rotating and grinding equipment found in various industrial segments such as steel mills, canning and bottling, mining and cement. Additionally, our Specialty Chemicals segment manufactures and supplies specialty products used in the HVAC, building and refrigeration market. These products enhance, repair or condition the internal working systems of both industrial and residential systems and are critical to ensuring safe, efficient and effective long-term operational integrity. The Specialty Chemicals segment also supplies products and services into the water well treatment space, which includes testing services and diagnosis of current conditions, coupled with consumable solutions to resolve any problems that have been defined. Our key product types and brand names are included below:

Table of Contents

Product Types

- railroad track lubricants, conditioners and positive friction consumables
- oil field anti-seize products for drilling and conveyance piping
- open gear specialty lubricants for heavy equipment
- specialty lubricants for various industrial applications
- water well treatment products and services
- chemical sealants to stop air-conditioning refrigerant leaks
- engineered specialty thread sealants designed to seal and secure metal
- specialty sealants for high temperature applications
- solvent cements and fire stop caulks

Brand Names

- AC Leak Freeze®
- Bio Fireshield™
- BioRail®
- Deacon®
- Decathlon™
- Envirolube®
- Gearmate®
- KATS® Coatings
- KOPR-KOTE®
- Medallion™
- Metacaulk®
- Paragon™
- Rail Armor®
- RectorSeal No. 5®
- Run-N-Seal®
- Sterilene™
- Surtac®
- T Plus 2®
- TOR Armor®
- Tru-Blu™
- Unacid™
- Well-Guard®
- Whitcam®

New Product Development – We develop relationships with end-users and channel partners to understand existing and new operating conditions where technical innovation or enhancement is needed. For example, these relationships have generated innovation in the areas of modifying existing lubrication products to operate in arctic conditions or modifying an existing product for use in an application where salt water may be present. The development teams located in Rockwall, Texas and Houston, Texas are also actively defining new end markets for product use and penetration.

Competition – In general, our products are specialty products, rather than commodity, competitors tend to be varied and include global, regional and local companies that may be large or small. The product sales cycle is often long when compared to many commodity consumables, resulting in verifiable and repeatable product performance being the key driver of choice, rather than price. As these products protect and enhance the operation of large capital equipment, qualification is based on the proof of value in application, resulting in a high changeover risk barrier. Typical competitors include Shell, Castrol, Fuchs and Exxon-Mobil. Competitors of our sealants and adhesives products include Dow Corning Corporation, Henkel, 3M Company, Specified Technologies Inc. and Hilti. We compete primarily on the basis of product differentiation, superior performance, quality and customer-centric service.

Customers – Specialty Chemicals products are primarily sold through value-added distribution partners, as well as maintenance and repair operations or catalog channels. Specialty Chemicals provides both market-specific and product line-specific training to both the distribution partners and potential end users. Our specialists often visit end users with our distribution partners to advise on critical application issues, which enhances our ability to both “pull” demand from the end-user and “push” demand to the distributor partner. Specialty Chemicals customers include petrochemical facilities, industrial manufacturers, construction, utilities, plant maintenance customers, building

contractors and repair service companies.

Discontinued Operations and Segment Realignment

During the third quarter of fiscal year ended March 31, 2018, we committed to a plan to divest our Strathmore Products business (the "Coatings business"). This determination resulted in the reclassification of the assets comprising that business to

7

Table of Contents

assets held-for-sale, and a corresponding adjustment to our consolidated statements of operations to reflect discontinued operations for all periods presented.

Additionally, as a result of our determination to divest the Coatings business, we have realigned our reportable segments to better align our resources to support our ongoing business strategy. We retained our Industrial Products Segment and combined the remaining non-coatings business lines of our historical Coatings, Sealants & Adhesives Segment into the Specialty Chemicals Segment. The reportable segment realignment is consistent with the manner in which we evaluate performance and make resource allocation decisions, subsequent to the decision to divest the Coatings business. Historical segment information has been retrospectively adjusted to reflect the effect of this change. Our segment information is more fully disclosed in Note 18 to our consolidated financial statements included in Item 8 of this Annual Report. Historical information also reflects discontinued operations presentation for the portion of our business meeting the held-for-sale criteria as described in Note 3 to our consolidated financial statements included in Item 8 of this Annual Report.

ITEM 1A: RISK FACTORS

Consider carefully the following risk factors, which we believe are the principal risks that we face and of which we are currently aware, and the other information in this Annual Report, including our consolidated financial statements and related notes to those financial statements. If any of the risks described below occur, our business, financial results, financial condition and stock price could be materially adversely affected. While we believe the risks disclosed below are the principal risks we face and of which we are currently aware, additional risks and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our business operations.

The industries in which we operate are highly competitive, and many of our products are in highly competitive markets, particularly certain specialty chemicals products. We may lose market share to producers of other products that can be substituted for our products.

The industries in which we operate are highly competitive, and we face significant competition from both large international competitors and from smaller regional competitors. Our competitors may improve their competitive position in our core markets by successfully introducing new or substitute products, improving their manufacturing processes or expanding their capacity or manufacturing facilities. Further, some of our competitors benefit from advantageous cost positions that could make it increasingly difficult for us to compete in markets for less-differentiated applications. If we are unable to keep pace with our competitors' products and manufacturing process innovations or cost position, our financial condition and results of operations could be materially adversely affected.

In addition, competition among producers of certain specialty chemicals products is intense. Increased competition from existing or newly-developed chemical products may reduce demand for our products in the future, and our customers may decide on alternate sources to meet their requirements. If we are unable to successfully compete with other producers or if other products can be successfully substituted for our products, our sales may decline. Challenging and volatile conditions in the overall global economy, particularly in the U.S., including the capital, credit and commodities markets, could materially adversely affect our financial position, results of operations and cash flows.

Our financial position, results of operations and cash flows could be materially adversely affected by difficult economic conditions and significant volatility in the capital, credit and commodities markets and in the overall economy. Challenging and volatile conditions in the U.S. and globally could affect our business in a number of ways. For example:

- weak economic conditions, especially in our key end markets, could reduce demand for our products, impacting our revenues and margins;
- as a result of volatility in commodity prices, we may encounter difficulty in achieving sustained market acceptance of past or future price increases, which could have a material adverse effect on our financial position, results of operations and cash flows;
- under difficult market conditions, there can be no assurance that access to credit or the capital markets would be available or sufficient, and in such a case, we may not be able to successfully obtain additional financing on reasonable terms, or at all; and

challenging market conditions could result in our key customers experiencing financial difficulties and/or electing to limit spending, which in turn could result in decreased sales and earnings for us.

Our attempts to address evolving customer needs requires that we continually enhance our products. Our efforts to enhance our products may not be commercially viable and failure to develop commercially successful products or keep pace with our competitors could harm our business and results of operations.

A failure to develop commercially successful products or product enhancements or to identify product extensions could materially adversely affect our financial results. If our attempts to develop or enhance products is unsuccessful, we may be unable

Table of Contents

to recover our development costs, which could have an adverse effect on our business and results of operations. In addition, our inability to enhance or develop products that are able to meet the evolving needs of our customers, including a failure to do so that results in our products lagging those of new or existing competitors, could reduce demand for our products and may have a material adverse effect on our business and results of operations. The cyclical nature of certain end markets that our business serves can cause significant fluctuations in our results of operations and cash flows.

The cyclical nature of the supply and demand balance of certain end markets that we serve, including the energy and mining industries, poses risks to us that are beyond our control and can affect our operating results. These markets are highly competitive; are driven to a large extent by end-use markets; and may experience overcapacity, all of which may affect demand for and pricing of our products and result in volatile operating results and cash flows over our business cycle. Future growth in product demand may not be sufficient to utilize current or future capacity. Excess industry capacity may continue to depress our volumes and margins on some products. Our operating results, accordingly, may be volatile as a result of excess industry capacity, as well as from rising energy and raw materials costs.

Our acquisition and integration of businesses could negatively impact our financial results.

Acquiring businesses involves a number of financial, accounting, managerial, operational, legal, compliance and other risks and challenges, including the following, any of which could adversely affect our financial statements:

any acquired business, technology, service or product could under-perform relative to our expectations and the price that we paid for it, not achieve cost savings or other synergies in accordance with our anticipated timetable or require us to take an impairment related to the acquired business;

we may decide to divest businesses, technologies, services or products for financial, strategic or other reasons, which may require significant financial and managerial resources and may result in unfavorable accounting treatment;

we may incur or assume significant debt in connection with our acquisitions, which would increase our leverage and interest expense, thereby reducing funds available to us for purposes such as working capital, capital expenditures, research and development and other general corporate purposes;

pre-closing and post-closing earnings and charges could adversely impact operating results in any given period, and the impact may be substantially different from period to period;

the process of integrating acquired operations may create operating difficulties and may require significant financial and managerial resources that would otherwise be available for existing operations;

we could experience difficulty in integrating financial and other controls and systems;

we may lose key employees or customers of the acquired company;

we may assume liabilities that are unknown or for which our indemnification rights are insufficient, or known or contingent liabilities may be greater than anticipated; and

conforming the acquired company's standards, process, procedures and controls, including accounting systems and controls, with our operations could cause internal control deficiencies related to our internal control over financial reporting or exposure to regulatory sanctions resulting from the acquired company's activities.

Weakness in the energy industry may adversely affect certain segments of our end market customers and reduce our sales and results of operations.

Some of our customers are impacted by a weakness in the energy industry. This means our operations and earnings may be significantly affected by changes in oil, gas and petrochemical prices and drilling activities. Oil, gas, petrochemical and product prices and margins in turn depend on local, regional and global events or conditions that affect supply and demand for the relevant commodity.

Loss of key suppliers, the inability to secure raw materials on a timely basis, or our inability to pass commodity price increases on to customers could have an adverse effect on our business.

Materials used in our manufacturing operations are generally available on the open market from multiple sources. However, some of the raw materials we use are only available from a limited number of sources; accordingly, any disruptions to a critical suppliers' operations could have a material adverse effect on our business and results of operations. Prices paid for raw materials could be affected by the energy industry and other commodity prices; tariffs and duties on imported materials; foreign currency exchange rates; and phases of the general business cycle and global

demand. We may be unable to pass along price increases to our customers, which could have a material adverse effect on our business and results of operations.

9

Table of Contents

If we are not able to successfully execute and realize the expected financial benefits from strategic restructuring and other integration and cost-saving initiatives, our business could be adversely affected.

From time to time, our business has engaged in strategic restructuring activities and cost savings initiatives, and such activities may occur in the future. These efforts have included consolidating certain manufacturing facilities in a broader effort to streamline and rationalize our manufacturing processes as we further integrate our operations. While we expect meaningful financial benefits from our strategic restructuring and other cost-saving initiatives, we may not realize the full benefits expected within the anticipated time frame. Adverse effects from restructuring activities could interfere with our realization of anticipated synergies, customer service improvements and cost savings from these strategic initiatives. Additionally, our ability to fully realize the benefits and implement restructuring programs may be limited by certain contractual commitments. Moreover, because such expenses are difficult to predict, we may incur substantial expenses in connection with the execution of restructuring plans in excess of what is forecasted. Further, restructuring activities are a complex and time-consuming process that can place substantial demands on management, which could divert attention from other business priorities or disrupt our daily operations. Any of these failures could, in turn, materially adversely affect our business, financial condition, results of operations and cash flows, which could constrain our liquidity.

If these measures are not successful or sustainable, we may undertake additional restructuring and cost reduction efforts, which could result in future charges. Moreover, our ability to achieve our other strategic goals and business plans may be adversely affected, and we could experience business disruptions with customers and elsewhere if our past or future restructuring efforts prove ineffective.

We rely on independent distributors as a channel to market for many of our products. Termination of a substantial number of our distributor relationships or an increase in a distributor's sales of our competitors' products could have a material adverse effect on our business, financial condition, results of operations or cash flows.

We depend on the services of domestic and international independent distributors to sell our products and, in many cases, provide service and aftermarket support to end users of our products. Rather than serving as passive conduits for delivery of products, our distributors play a significant role in determining which of our products are available for purchase by contractors to service end users. While the use of distributors expands the reach and customer base for our products, the maintenance and administration of distributor relationships is costly and time consuming. The loss of a substantial number of our distributors could have a material adverse effect on our business, financial condition, results of operations or cash flows. In certain international jurisdictions, distributors are conferred certain legal rights that could limit our ability to modify or terminate distribution relationships.

Many of the distributors with whom we transact business also offer competitors' products and services to our customers. An increase in the distributors' sales of our competitors' products to our customers, or a decrease in the number of our products the distributor makes available for purchase, could have a material adverse effect on our business, financial condition, results of operations or cash flows.

Growth of our business will depend in part on market awareness of our industrial brands, and any failure to develop, maintain, protect or enhance our industrial brands would hurt our ability to retain or attract customers.

We believe that building and maintaining market awareness, brand recognition and goodwill is critical to our success. This will depend largely on our ability to continue to provide high-quality products, and we may not be able to do so effectively. Our efforts in developing our industrial brands may be affected by the marketing efforts of our competitors and our reliance on our independent dealers, distributors and strategic partners to promote our industrial brands effectively. If we are unable to cost-effectively maintain and increase positive awareness of our industrial brands, our businesses, results of operations and financial condition could be harmed.

We are dependent on contract manufacturers for manufacturing of certain products that we sell.

We use third parties to manufacture certain of our products. To the extent that we rely on third parties to perform these functions, we will not be able to directly control product delivery schedules and quality assurance. This lack of control may result in product shortages or quality assurance problems that could delay shipments of products, increase manufacturing, assembly, testing or other costs or diminish our brand recognition or relationships with our customers. If a contract manufacturer experiences capacity constraints or financial difficulties, suffers damage to its facilities, experiences power outages, natural disasters, labor shortages or labor strikes, or any other disruption of assembly or

testing capacity, we may not be able to obtain alternative manufacturing in a timely manner or on commercially acceptable terms.

We may not be able to consummate acquisitions at our historical rate and at appropriate valuations, which could negatively impact our growth rate and stock price.

10

Table of Contents

As part of our business strategy, we acquire businesses in the ordinary course, some of which may be material; please see “Item 1. Business” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in this Annual Report for additional information. Our ability to grow revenues, earnings and cash flow at or above our historic rates depends in part upon our ability to identify, successfully acquire and integrate businesses at accretive valuations and realize anticipated synergies. Our inability to do so could adversely impact our growth rate and our stock price. Our ability to implement our inorganic growth strategy will be limited by our ability to identify appropriate acquisition candidates, which are difficult to identify for a number of reasons, including high valuations and competition among prospective buyers. Covenants in our credit agreement and our financial resources, including available cash and borrowing capacity, will also limit our ability to consummate acquisitions, which may require additional debt financing, resulting in higher leverage and an increase in interest expense. Changes in accounting or regulatory requirements could also adversely impact our ability to consummate acquisitions.

Our relationships with our employees could deteriorate, which could adversely affect our operations.

As a manufacturing company, we rely on a positive relationship with our employees to produce our products and maintain our production processes and productivity. As of March 31, 2018, we had 730 full-time employees in our continuing operations, of which 18 were subject to collective bargaining agreements. If our workers were to engage in a strike, work stoppage or other slowdown, our operations could be disrupted, or we could experience higher labor costs. In addition, if significant portions of our employees were to become unionized, we could experience significant operating disruptions and higher ongoing labor costs, which could adversely affect our business, financial condition and results of operations.

Loss of key personnel or our inability to attract and retain new qualified personnel could hurt our business and inhibit our ability to operate and grow successfully.

Our success in the highly competitive end markets in which we operate will continue to depend to a significant extent on our key employees, and we are dependent on the expertise of our executive officers and other key employees. Loss of the services of any of these individuals could have an adverse effect on our business. Further, we may not be able to retain or recruit qualified individuals to join our company. The loss of executive officers or other key employees could result in high transition costs and could disrupt our operations.

Chemical processing is inherently hazardous, which could result in accidents that disrupt our operations or expose us to significant losses or liabilities.

Hazards associated with chemical processing and the related storage and transportation of raw materials, products and wastes exist in our operations and the operations of other occupants with whom we share manufacturing sites. These hazards could lead to an interruption or suspension of operations and have an adverse effect on the productivity and profitability of a particular manufacturing facility or on us as a whole. These potential risks include, but are not necessarily limited to chemical spills and other discharges or releases of toxic or hazardous substances or gases, pipeline and storage tank leaks and ruptures, explosions and fires and mechanical failure. These hazards may result in personal injury and loss of life, damage to property and contamination of the environment, which may result in a suspension of operations and the imposition of civil or criminal penalties, including governmental fines, expenses for remediation and claims brought by governmental entities or third parties. The loss or shutdown of operations over an extended period at any of our major operating facilities could have a material adverse effect on our financial condition and results of operations. Our property, business interruption and casualty insurance may not fully insure us against all potential hazards incidental to our business.

Regulation of our employees’ exposure to certain chemicals or other hazardous products could require material expenditures or changes in our operations.

Certain chemicals that we use in the manufacture of our products may have adverse health effects. The Occupational Safety and Health Administration limits the permissible employee exposure to some of those chemicals. Future studies on the health effects of certain chemicals may result in additional or new regulations that further restrict or prohibit the use of, and exposure to, certain chemicals. Additional regulation of certain chemicals could require us to change our operations, and these changes could affect the quality of our products and materially increase our costs. Regulatory and statutory changes applicable to us or our customers could adversely affect our financial condition and results of operations.

We and many of our customers are subject to various national, state and local laws, rules and regulations. Changes in any of these areas could result in additional compliance costs, seizures, confiscations, recall or monetary fines, any of which could prevent or inhibit the development, distribution and sale of our products.

In addition, we benefit from certain regulations, including building code regulations, which require the use of products that we and other manufacturers sell. For example, certain environmental regulations may encourage the use of more environmentally

Table of Contents

friendly products, such as some of the lubricants and greases that we manufacture. If these regulations were to change, demand for our products could be reduced and our results of operations could be adversely affected.

Compliance with extensive environmental, health and safety laws could require material expenditures, changes in our operations or site remediation.

Our operations and properties are subject to regulation under environmental laws, which can impose substantial sanctions for violations. We must conform our operations to applicable regulatory requirements and adapt to changes in such requirements in all jurisdictions in which we operate. Certain materials we use in the manufacture of our products can represent potentially significant health and safety concerns. We use large quantities of hazardous substances and generate hazardous wastes in certain of our manufacturing operations. Consequently, our operations are subject to extensive environmental, health and safety laws and regulations at the international, national, state and local level in multiple jurisdictions. These laws and regulations govern, among other things, air emissions, wastewater discharges, solid and hazardous waste management, site remediation programs and chemical use and management. Many of these laws and regulations have become more stringent over time, and the costs of compliance with these requirements may increase, including costs associated with any necessary capital investments. In addition, our production facilities require operating permits that are subject to renewal and, in some circumstances, revocation. The necessary permits may not be issued or continue in effect, and renewals of any issued permits may contain significant new requirements or restrictions. The nature of the chemical industry exposes us to risks of liability due to the use, production, management, storage, transportation and sale of materials that may be hazardous and can cause contamination or personal injury or damage if released into the environment.

Compliance with environmental laws and regulations generally increases the costs of transportation and storage of raw materials and finished products, as well as the costs of storage and disposal of wastes. We may incur substantial costs, including fines, damages, criminal or civil sanctions and remediation costs, or experience interruptions in our operations for violations arising under environmental laws, regulations or permit requirements.

Our permits, licenses, registrations or authorizations and those of our customers or distributors may be modified, suspended, terminated or revoked before their expiration or we and/or they may be unable to renew them upon their expiration. We may bear liability for failure to obtain, maintain or comply with required authorizations.

We are required to obtain and maintain, and may be required to obtain and maintain in the future, various permits, licenses, registrations and authorizations for the ownership or operation of our business, including the manufacturing, distribution, sale and marketing of our products and importing of raw materials. These permits, licenses, registrations and authorizations could be modified, suspended, terminated or revoked or we may be unable to renew them upon their expiration for various reasons, including for non-compliance. These permits, licenses, registrations and authorizations can be difficult, costly and time consuming to obtain and could contain conditions that limit our operations. Our failure to obtain, maintain and comply with necessary permits, licenses, registrations or authorizations for the conduct of our business could result in fines or penalties, which may be significant. Additionally, any such failure could restrict or otherwise prohibit certain aspects of our operations, which could have a material adverse effect on our business, financial condition and results of operations.

Many of our customers and distributors require similar permits, licenses, registrations and authorizations to operate. If a significant customer, distributor or group thereof were to have an important permit, license, registration or authorization revoked or such permit, license, registration or authorization was not renewed, forcing them to cease or reduce their business, our sales could decrease, which would have a material adverse effect on our business, financial condition and results of operations.

Failure to maintain effective disclosure controls and procedures and internal controls over financial reporting could have a material adverse effect on our business and stock price.

Effective internal controls are necessary for us to provide reliable financial reports, effectively prevent fraud and operate successfully as a public company. If we cannot provide reliable financial reports or effectively prevent fraud, our reputation and operating results could be harmed. If we are unable to maintain effective disclosure controls and procedures and internal controls over financial reporting, we may not be able to provide reliable financial reports, which in turn could affect our operating results or cause us to fail to meet our reporting obligations. Ineffective internal controls could also cause investors to lose confidence in reported financial information, which could

negatively affect our stock price, limit our ability to access capital markets in the future, and require additional costs to improve internal control systems and procedures.

Our insurance policies may not cover, or fully cover, us against natural disasters, global conflicts or environmental risk.

We currently have insurance policies for certain operating risks, which include certain property damage, including certain aspects of business interruption for certain sites, operational and product liability, transit, directors' and officers' liability, industrial accident insurance and other risks customary in the industries in which we operate. However, we may become subject to liability (including in relation to pollution, occupational illnesses, injury resulting from tampering, product contamination or degeneration or other hazards) against which we have not insured or cannot fully insure.

Table of Contents

For example, hurricanes may affect our facilities or the failure of our information systems as a result of breakdown, malicious attacks, unauthorized access, viruses or other factors could severely impair several aspects of operations, including, but not limited to, logistics, sales, customer service and administration. In addition, in the event that a product liability or third-party liability claim is brought against us, we may be required to recall our products in certain jurisdictions if they fail to meet relevant quality or safety standards, and we cannot guarantee that we will be successful in making an insurance claim under our policies or that the claimed proceeds will be sufficient to compensate the actual damages suffered.

Should we suffer a major uninsured loss, a product liability judgment against us or a product recall, future earnings could be materially adversely affected. We could be required to increase our debt or divert resources from other investments in our business to discharge product related claims. In addition, adverse publicity in relation to our products could have a significant effect on future sales, and insurance may not continue to be available at economically acceptable premiums. As a result, our insurance coverage may not cover the full scope and extent of claims against us or losses that we incur, including, but not limited to, claims for environmental or industrial accidents, occupational illnesses, pollution and product liability and business interruption.

We have a complex tax structure, and changes in effective tax rates or adverse outcomes resulting from examination of our income tax returns could adversely affect our results.

We have a complex tax structure and our future effective tax rates could be adversely affected by changes in tax laws, regulations, accounting principles or interpretations thereof. In addition, we are also subject to periodic examination of our income tax returns by the Internal Revenue Service (the "IRS") and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. There can be no assurance that the outcomes from these examinations will not have a material adverse effect on our business, financial condition and results of operations.

We are also exposed to changes in tax law which can impact our current and future year's tax provision. We continue to assess the impact of the recently enacted H.R.1, commonly referred to as the Tax Cuts and Jobs Act, and the Finance (No. 2) Act 2017 in the U.K. (together, the "New Tax Laws"), as well as any future regulations implementing the New Tax Laws and any interpretations of the New Tax Laws. The effect of those regulations and interpretations, as well as any additional tax reform legislation in the U.S., U.K. or elsewhere, could have a material adverse effect on our business, financial condition and results of operations.

Our business relies heavily on trademarks, trade secrets, other intellectual property and proprietary information, and our failure or inability to protect our rights could harm our competitive position with respect to the manufacturing and sale of some of our products.

Our ability to protect and preserve our trademarks, trade secrets and other intellectual property and proprietary information relating to our business is an important factor to our success. However, we may be unable to prevent third parties from using our intellectual property and other proprietary information without our authorization or from independently developing intellectual property and other proprietary information that is similar to ours, particularly in those countries where the laws do not protect our proprietary rights to the same degree as in the U.S. In addition, because certain of our products are manufactured by third parties, we have shared some of our intellectual property with those third parties. There can be no guarantee that those third parties, some of whom are located in jurisdictions where intellectual property risks may be more pronounced, will comply with contractual commitments to preserve and protect our intellectual property.

The use of our intellectual property and other proprietary information by others could reduce or eliminate any competitive advantage we have developed, potentially causing us to lose sales or otherwise harm our business. If it becomes necessary for us to litigate to protect these rights, any proceedings could be burdensome and costly, and we may not prevail.

Our intellectual property may not provide us with any competitive advantage and may be challenged by third parties. Moreover, our competitors may already hold or in the future may hold intellectual property rights in the U.S. or abroad that, if enforced or issued, could possibly prevail over our rights or otherwise limit our ability to manufacture or sell one or more of our products in the U.S. or internationally. Despite our efforts, we may be sued for infringing on the intellectual property rights of others. This litigation is costly and, even if we prevail, the costs of such litigation

could adversely affect our financial condition.

Adequate remedies may not be available in the event of an unauthorized use or disclosure of our trade secrets and manufacturing expertise. The loss of employees who have specialized knowledge and expertise could harm our competitive position and cause our sales and operating results to decline as a result of increased competition. In addition, others may obtain knowledge of our trade secrets through independent development or other access by legal means.

The failure to protect our intellectual property and other proprietary information, including our processes, apparatuses, technology, trade secrets, trade names and proprietary manufacturing expertise, methods and compounds, could have a material adverse effect on our businesses and results of operations.

Table of Contents

Security breaches and other disruptions to our information technology systems could compromise our information, disrupt our operations, and expose us to liability, which may adversely impact our operations.

In the ordinary course of our business, we store sensitive data, including our proprietary business information and that of our customers, suppliers and business partners, and personally identifiable information of our employees in our information technology systems, including in our data centers and on our networks. The secure processing, maintenance and transmission of this data is critical to our operations. Despite our efforts to secure our information systems from cyber-security attacks or breaches our information technology systems may be vulnerable to attacks by hackers or breached or disrupted due to employee error, malfeasance or other disruptions. Any such attack, breach or disruption could compromise our information technology systems and the information stored in them could be accessed, publicly disclosed, lost or stolen and our business operations could be disrupted. Additionally, any significant disruption or slowdown of our systems could cause customers to cancel orders or cause standard business processes to become inefficient or ineffective, which could adversely affect our financial position, results of operations or cash flows. Any such access, disclosure or other loss of information or business disruption could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, and damage to our reputation, which could adversely impact our operations.

We are subject to the U.S. Foreign Corrupt Practices Act and other anti-corruption laws, as well as other laws governing our operations. If we fail to comply with these laws, we could be subject to civil or criminal penalties, other remedial measures, and legal expenses, which could adversely affect our business, financial condition and results of operations.

Our operations are subject to anti-corruption laws, including the U.S. Foreign Corrupt Practices Act (“FCPA”), and other anti-corruption laws that apply in countries where we do business. The FCPA and these other laws generally prohibit us and our employees and intermediaries from bribing, being bribed or making other prohibited payments to government officials or other persons to obtain or retain business or gain some other business advantage. We conduct business in a number of jurisdictions that pose a high risk of potential FCPA violations, and we participate in relationships with third parties whose actions could potentially subject us to liability under the FCPA or other anti-corruption laws. In addition, we cannot predict the nature, scope or effect of future regulatory requirements to which our international operations might be subject or the manner in which existing laws might be administered or interpreted.

We are also subject to other laws and regulations governing our international operations, including regulations administered by the U.S. Department of Commerce’s Bureau of Industry and Security, the U.S. Department of Treasury’s Office of Foreign Asset Control and various non-U.S. government entities, including applicable export control regulations, economic sanctions on countries and persons, customs requirements, currency exchange regulations and transfer pricing regulations (collectively, “Trade Control Laws”).

We have and maintain a compliance program with policies, procedures and employee training to help ensure compliance with applicable anti-corruption laws and the Trade Control Laws. However, despite our compliance programs, there is no assurance that we will be completely effective in ensuring our compliance with all applicable anti-corruption laws, including the FCPA or other legal requirements, or Trade Control Laws. If we are not in compliance with the FCPA and other anti-corruption laws or Trade Control Laws, we may be subject to criminal and civil penalties, disgorgement and other sanctions and remedial measures, and legal expenses, which could have an adverse impact on our business, financial condition, results of operations and liquidity.

Likewise, any investigation of any potential violations of the FCPA, other anti-corruption laws or Trade Control Laws by the U.S. or foreign authorities could also have an adverse impact on our reputation, business, financial condition and results of operations.

Our outstanding indebtedness and the restrictive covenants in the agreements governing our indebtedness limit our operating and financial flexibility.

We are required to make scheduled repayments and, under certain events of default, mandatory repayments on our outstanding indebtedness, which may require us to dedicate a substantial portion of our cash flows from operations to payments on our indebtedness, thereby reducing the availability of our cash flows to fund working capital, capital expenditures, R&D efforts and other general corporate purposes, and could generally limit our flexibility in planning

for, or reacting to, changes in our business and industry.

In addition, the agreements governing our indebtedness impose certain operating and financial restrictions on us and somewhat limit management's discretion in operating our businesses. These agreements limit or restrict our ability, among other things, to: incur additional debt; pay dividends and make other distributions; make investments and other restricted payments; create liens; sell assets; and enter into transactions with affiliates.

We are also required to comply with leverage and interest coverage financial covenants and deliver to our lenders audited annual and unaudited quarterly financial statements. Our ability to comply with these covenants may be affected by events beyond

Table of Contents

our control. Failure to comply with these covenants could result in an event of default which, if not cured or waived, may have a material adverse effect on our business, financial condition, results of operations and cash flows. If the Share Distribution were to fail to qualify as a tax-free transaction for U.S. federal income tax purposes, then we and our stockholders could incur significant U.S. federal income tax liabilities.

In connection with the Share Distribution, Capital Southwest received an opinion from a nationally recognized accounting firm to the effect that the Share Distribution should qualify as tax free under Sections 355 and 368(a)(1)(D) of the Internal Revenue Code (“the Code”), except with respect to any cash received in lieu of fractional shares of CSWI common stock. An opinion of an accounting firm is not binding on the IRS. Accordingly, the IRS may reach conclusions with respect to the Share Distribution that are different from the conclusions reached in the opinion. The opinion relied on certain facts, assumptions, representations and undertakings from Capital Southwest and us regarding the past and future conduct of the companies’ respective businesses and other matters, which, if incomplete, incorrect or not satisfied, could alter that accounting firm’s conclusions.

As part of the Share Distribution, we agreed to not take certain actions that would be inconsistent with the qualification of the Share Distribution as tax free under the Code, and we agreed to indemnify Capital Southwest for any tax liabilities resulting from such actions we take. If the Share Distribution ultimately is determined to be taxable, it could expose Capital Southwest and its shareholders to significant U.S. federal income tax liabilities for which we may be liable, which may have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may acquire various structured financial instruments for purposes of hedging or reducing our risks, which may be costly and ineffective.

We may seek to hedge against commodity price fluctuations and credit risk by using structured financial instruments such as futures, options, swaps and forward contracts. Use of structured financial instruments for hedging purposes may present significant risks, including the risk of loss of the amounts invested. Defaults by the other party to a hedging transaction can result in losses in the hedging transaction. Hedging activities also involve the risk of an imperfect correlation between the hedging instrument and the asset being hedged, which could result in losses both on the hedging transaction and on the instrument being hedged. Use of hedging activities may not prevent significant losses and could increase our losses.

Fluctuations in currency exchange rates may significantly impact our results of operations and may significantly affect the comparability of our results between financial periods.

Our operations are conducted in many countries. The results of the operations and the financial position of these subsidiaries are reported in the relevant foreign currencies and then translated into U.S. dollars at the applicable exchange rates for inclusion in our consolidated financial statements. The main currencies to which we are exposed, besides the U.S. dollar, are primarily the Canadian dollar, the British pound and the Australian dollar. The exchange rates between these currencies and the U.S. dollar in recent years have fluctuated significantly and may continue to do so in the future. A depreciation of these currencies against the U.S. dollar will decrease the U.S. dollar equivalent of the amounts derived from these operations reported in our consolidated financial statements, and an appreciation of these currencies will result in a corresponding increase in such amounts. Because many of our raw material costs are determined with respect to the U.S. dollar rather than these currencies, depreciation of these currencies may have an adverse effect on our profit margins or our reported results of operations. Conversely, to the extent that we are required to pay for goods or services in foreign currencies, the appreciation of such currencies against the U.S. dollar will tend to negatively impact our results of operations. In addition, currency fluctuations may affect the comparability of our results of operations between financial periods.

We incur currency transaction risk whenever we enter into either a purchase or sale transaction using a currency other than the local currency of the transacting entity. Given the volatility of exchange rates, there can be no assurance that we will be able to effectively manage our currency transaction risks, that our hedging activities will be effective or that any volatility in currency exchange rates will not have a material adverse effect on our financial condition or results of operations.

Forward-Looking Statements

This Annual Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements reflect the current views of our senior management with respect to future events and our financial performance. These statements include forward-looking statements with respect to our business and industry in general. Statements that include the words “may,” “expects,” “plans,” “anticipates,” “estimates,” “believes,” “potential,” “projects,” “forecasts,” “intends,” or the negative thereof or other comparable terminology and similar statements of a future or forward-looking nature identify forward-looking statements for purposes of the federal securities laws or otherwise.

Forward-looking statements include, but are not limited to, statements that relate to, or statements that are subject to risks, contingencies or uncertainties that relate to:

• our business strategy;

Table of Contents

future levels of revenues, operating margins, income from operations, net income or earnings per share;
 anticipated levels of demand for our products and services;
 future levels of research and development, capital, environmental or maintenance expenditures;
 our beliefs regarding the timing and effects on our business of health and safety, tax, environmental or other legislation, rules and regulations;
 the success or timing of completion of ongoing or anticipated capital, restructuring or maintenance projects;
 expectations regarding the acquisition or divestiture of assets and businesses;
 our ability to obtain appropriate insurance and indemnities;
 the potential effects of judicial or other proceedings, including tax audits, on our business, financial condition, results of operations and cash flows;
 the anticipated effects of actions of third parties such as competitors, or federal, foreign, state or local regulatory authorities, or plaintiffs in litigation;
 the expected impact of accounting pronouncements; and
 the other factors listed above under “Risk Factors.”

Although we believe that the expectations reflected in the forward-looking statements are reasonable based on our current knowledge of our business and operations, we cannot guarantee future results, levels of activity, performance or achievements. The foregoing factors should not be construed as exhaustive. If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from what we anticipate. Any forward-looking statements you read in this Annual Report reflect our views as of the date of this Annual Report with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategy and liquidity. You should not place undue reliance on these forward-looking statements and you should carefully consider all of the factors identified in this Annual Report that could cause actual results to differ. We assume no obligation to update these forward-looking statements, except as required by law.

ITEM 1B: UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2: PROPERTIES

Properties

Our principal executive offices are located at 5420 Lyndon B. Johnson Freeway, Suite 500, Dallas, Texas 75240. Our headquarters is a leased facility, which we began to occupy on March 7, 2016. The lease term expires August 31, 2026.

We consider the many offices, manufacturing and R&D facilities, warehouses and other properties that we own or lease to be in good condition and generally suitable for the purposes for which they are used. The following table presents our principal manufacturing locations by segment and excludes facilities classified as discontinued operations.

Location	Use	Segment	Square Footage	Owned/Leased
Boise, Idaho	Manufacturing, Office and R&D	Industrial Products	40,800	Leased
Fall River, Massachusetts	Manufacturing and Office	Both	140,200	Leased
Houston, Texas	Manufacturing, Office, R&D and Warehouse	Both	253,900	Owned
Rockwall, Texas	Manufacturing, Office, R&D and Warehouse	Both	227,600	Owned
Wichita, Kansas	Manufacturing and Office	Industrial Products	42,800	Owned
Windsor, Ontario, Canada	Manufacturing, Office and R&D	Industrial Products	42,000	Leased

We believe that our facilities are adequate for our current operations. We may endeavor to selectively reduce or expand our existing lease commitments as circumstances warrant. See Note 8 to our consolidated financial statements included in Item 8 of this Annual Report for additional information regarding our operating lease obligations.

Table of Contents

ITEM 3: LEGAL PROCEEDINGS

We may, from time to time, be involved in litigation arising out of our operations in the normal course of business or otherwise. Furthermore, third parties may try to seek to impose liability on us in connection with the activities of our operating companies. We are not currently a party to any legal proceedings that, individually or in the aggregate, are expected to have a material effect on our business, financial condition, results of operations or financial statements, taken as a whole.

ITEM 4: MINE SAFETY DISCLOSURES

Not applicable.

Table of Contents

PART II

ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common shares are listed on the Nasdaq Global Select Market. The following table sets forth, for the periods indicated, the high and low sales prices of our common stock, as reported by Nasdaq:

	High	Low
Fiscal year ended March 31, 2017:		
First quarter (April 1, 2016 – June 30, 2016)	\$35.96	\$30.03
Second quarter (July 1, 2016 – September 30, 2016)	34.86	30.76
Third quarter (October 1, 2016 – December 31, 2016)	39.25	29.25
Fourth quarter (January 1, 2017 – March 31, 2017)	41.85	34.59

Fiscal year ended March 31, 2018:

First quarter (April 1, 2017 – June 30, 2017)	\$40.80	\$34.05
Second quarter (July 1, 2017 – September 30, 2017)	45.20	37.80
Third quarter (October 1, 2017 – December 31, 2017)	50.00	44.30
Fourth quarter (January 1, 2018 – March 31, 2018)	49.31	41.70

Holders

As of May 24, 2018, there were approximately 500 holders of record of our common stock. The number of holders of record is based upon the actual numbers of holders registered at such date and does not include holders of shares in “street name” or persons, partnerships, associates, corporations or other entities in security position listings maintained by depositories.

Dividend Policy

We do not currently pay dividends on our common stock. Any future payment of dividends will be at the discretion of our Board of Directors and will depend upon various factors then existing, including earnings, financial condition, results of operations, capital requirements, level of indebtedness, any contractual restrictions with respect to payment of dividends, restrictions imposed by applicable law, general business conditions and other factors that our Board of Directors may deem relevant.

Issuer Purchases of Equity Securities

Note 11 to our consolidated financial statements included in Item 8 of this Annual Report includes a discussion of our share repurchase program. The following table represents the number of shares repurchased through March 31, 2018.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares (or Approximate Dollar Value) That May Yet Be Purchased Under the Program (a) (in millions)
January 1 - 31	206	(b)\$45.90	—	\$ 34.9
February 1 - 28	17,938	(c)44.29	15,811	34.2
March 1 - 31	9,765	(d)45.04	9,512	33.8
	27,909		25,323	

(a) On November 11, 2016, we announced that our Board of Directors authorized us to repurchase shares of our common stock up to an aggregate market value of \$35.0 million during a two-year period. The program may be limited or terminated at any time. As of March 31, 2018, 26,544 shares have been repurchased for an aggregate of

\$1.2 million.

(b) Represents shares tendered by employees to satisfy minimum tax withholding amounts for restricted share vesting.

18

Table of Contents

- (c) Includes 2,127 shares tendered by employees to satisfy minimum tax withholding amounts for restricted share vesting at an average price per share of \$45.85.
- (d) Includes 253 shares tendered by employees to satisfy minimum tax withholding amounts for restricted share vesting at an average price per share of \$45.77.

Stock Performance Chart

The following graph compares the cumulative total shareholder return on our common stock from October 1, 2015 (the date on which our common shares began "regular way" trading on the Nasdaq Global Select Market) through March 31, 2018 compared with the Russell 2000 Index and a composite custom peer group, selected on an industry basis. The graph assumes that \$100 was invested at the market close on October 1, 2015 and that all dividends were reinvested. The stock price performance of the following graph is not necessarily indicative of future stock price performance. The custom peer group consists of the following:

Astec Industries	Futurefuel Corp.	Landec Corp	Omnova Solutions
Chase Corp.	Gorman-Rupp Company	Littelfuse, Inc.	Orbotech Ltd.
Columbus McKinnon Corp	Innospec Inc.	LSB Industries	Quaker Chemical
CTS Corp.	Koppers Holdings	Methode Electronics, Inc.	Tredegar Corp.
Flotek Industries, Inc.	Kraton Performance Polymers	NN, Inc.	WD-40 Company

This graph is furnished and not filed with the SEC. Notwithstanding anything to the contrary set forth in any of our previous filings made under the Securities Act of 1933 or the Exchange Act that incorporate future filings made by us under those statutes, the stock performance graph below is not to be incorporated by reference in any prior filings, nor shall it be incorporated by reference into any future filings made by us under those statutes.

Table of Contents

ITEM 6: SELECTED FINANCIAL DATA

(Amounts in thousands, except per share data)	Fiscal Years Ended March 31,				
	2018	2017	2016	2015	2014
RESULTS OF OPERATIONS (a)	(b)	(c)	(d) (e)	(e)	(e)
Revenues, net	\$326,222	\$287,460	\$266,917	\$261,834	\$231,713
Gross profit	147,916	128,931	134,667	126,425	112,086
Operating expenses	(97,202)	(95,805)	(88,472)	(82,391)	(74,173)
Operating income	50,714	33,126	46,195	44,034	37,913
Interest expense, net	(2,317)	(2,695)	(3,036)	(611)	(131)
Provision for income taxes	(15,565)	(14,360)	(19,166)	(15,223)	(12,794)
Income from continuing operations	32,682	17,800	23,807	29,705	24,732
Diluted earnings per share for continuing operations	2.09	1.12	1.52	1.90	1.58

FINANCIAL CONDITION

Working capital	\$82,713	\$108,547	\$123,958	\$93,774	\$90,884
Total assets	340,816	398,427	392,671	286,521	277,820
Total debt	24,020	73,207	89,682	26,704	45,097
Retirement obligations and other liabilities	6,738	14,844	13,566	30,255	12,233
Total equity	265,765	272,438	258,010	204,601	196,186

Results of operations have been adjusted retrospectively for all periods presented to reflect discontinued operations.

(a) For additional information see Note 3 to our consolidated financial statements included in Item 8 of this Annual Report.

(b) Results of operations in the fiscal year ended March 31, 2018 included costs of \$1.4 million resulting from restructuring and realignment initiatives, resulting in a reduction of after tax net earnings of \$0.9 million.

(c) Results of operations in the fiscal year ended March 31, 2017 included costs of \$6.6 million resulting from restructuring and realignment initiatives, resulting in a reduction of after tax net earnings of \$4.3 million.

(d) Results of operations in the fiscal year ended March 31, 2016 included a curtailment gain of \$8.0 million resulting from freezing our qualified pension plan, resulting in an increase of after tax net earnings of \$5.2 million.

(e) We began operations on September 30, 2015 as a result of the Share Distribution discussed in Note 1 to our consolidated financial statements included in Item 8 of this Annual Report. The financial position, results of operations and cash flows for periods prior to September 30, 2015 represent the combined financial information of our wholly-owned subsidiaries contributed to us as a result of the Share Distribution. The financial statements for periods prior to the Share Distribution may not include all of the expenses that would have been incurred had our wholly-owned subsidiaries been operating as separate, publicly-traded (“standalone”) companies during those periods and may not reflect the consolidated results of operations, financial position, and cash flows as a standalone company during all periods presented.

Table of Contents

ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is provided to increase the understanding of, and should be read in conjunction with, the accompanying consolidated financial statements and notes. See "Item 1A. Risk Factors" and the "Forward-Looking Statements" included in this Annual Report on Form 10-K for the fiscal year ended March 31, 2018 ("Annual Report") for a discussion of the risks, uncertainties and assumptions associated with these statements. Unless otherwise noted, all amounts discussed herein are consolidated.

EXECUTIVE OVERVIEW

Our Company

We are a diversified industrial growth company with well-established, scalable platforms and domain expertise across two segments: Industrial Products and Specialty Chemicals. Our broad portfolio of leading products provides performance optimizing solutions to our customers. CSWI delivers products and systems that help contractors do their jobs better, faster and easier; make buildings safer and more aesthetically pleasing; protect valuable assets from corrosion; and improve the reliability of mission critical equipment. Our products include mechanical products for heating, ventilation and air conditioning ("HVAC") and refrigeration applications, sealants and high-performance specialty lubricants. Markets that we serve include HVAC, architecturally-specified building products, industrial, plumbing, energy, rail, mining and other general industrial markets. Our manufacturing operations are concentrated in the United States ("U.S.") and Canada, and we have distribution operations in Australia, Canada and the United Kingdom ("U.K."). Our products are sold directly or through designated channels both domestically and internationally.

Many of our products are used to protect the capital assets of our customers that are expensive to repair or replace and are critical to their operations. The maintenance, repair and overhaul and consumable nature of many of our products is a source of recurring revenue for us. We also provide some custom and semi-custom products that enhance our customer relationships. The reputation of our product portfolio is built on more than 100 well-respected brand names, such as RectorSeal No. 5, Kopr Kote, KATS Coatings, Jet-Lube Extreme, Smoke Guard, Safe-T-Switch, Mighty Bracket, Balco, Whitmore, Air Sentry, Oil Safe, Deacon, AC Leak Freeze and Greco Aluminum Railings.

Prior to the Share Distribution on September 30, 2015 (see discussion below), our operating companies operated as separate businesses. The consolidated financial statements included in this Annual Report include all revenues, costs, assets and liabilities directly attributable to the businesses discussed above. However, the combined financial statements for periods prior to the Share Distribution may not include all of the expenses that would have been incurred had the businesses been operating as separate publicly traded ("standalone") companies during those periods. We believe that our broad portfolio of products and markets served and our brand recognition will continue to provide opportunities; however, we face ongoing challenges affecting many companies, such as environmental and other regulatory compliance and overall global economic uncertainty. During the fiscal year ended March 31, 2018, we continued to experience strong sales growth in key end markets such as HVAC and plumbing, where our innovative chemical and mechanical products have increased market penetration. We also continue to benefit from a robust commercial construction cycle. During the fiscal year ended March 31, 2018, we also experienced decreased spending by many of our customers in the mining and rail end markets as customers adjusted to weakened demand in response to lower market prices for coal and other natural resources. These market conditions also indirectly impacted general industrial end markets that we serve. We expect that the current environment will persist into the next fiscal year, impacting primarily the rail and mining markets.

In February 2018, we announced a strategic repositioning to enhance our operating results, simplify our operating structure, and better align our resources to support our ongoing business strategy. This strategic repositioning included several key actions, including:

We initiated a plan to divest Strathmore Products (the "Coatings" business) in the third quarter of the fiscal year ended March 31, 2018, the revenues of which were approximately one-third of the former Coatings, Sealants & Adhesives ("CS&A") segment. In connection with this plan, the Coatings business was classified as assets held for sale and presented as discontinued operations.

We condensed our three reportable segments into two: Industrial Products and Specialty Chemicals. As a result, the Sealants and Adhesives businesses, which were part of the former CS&A segment, were integrated into the Specialty Chemicals segment.

We flattened our operational leadership structure, resulting in the departure of our President and Chief Operating Officer, and our operational leadership reporting directly to our Chairman and Chief Executive Officer.

Table of Contents

For additional information regarding discontinued operations and our segment realignment, see Note 1 to our consolidated financial statements included in "Item 8. Financial Statements and Supplementary Data" ("Item 8") of this Annual Report.

The Share Distribution

On September 30, 2015, Capital Southwest Corporation ("Capital Southwest") spun-off certain of its industrial products, coatings, sealants and adhesives and specialty chemicals businesses by means of a distribution of the outstanding shares of common stock of CSWI on a pro rata basis to holders of Capital Southwest common stock (the "Share Distribution"). CSWI became an independent, publicly-traded company on October 1, 2015 following the Share Distribution.

Following the Share Distribution, we incurred capital costs in the process of integrating our operations, including the consolidation of some of our manufacturing facilities and operational improvement initiatives. Through these efforts, we expect to continue to generate sales synergies through greater cross-selling opportunities and expansion of product line applications, and to generate cost synergies through operating more efficiently and effectively. We have also incurred additional costs as a result of being a public company, such as additional employee-related costs, costs to build out certain standalone corporate functions, information systems costs and other organizational-related costs. While we believe the majority of these expected post-Share Distribution costs have been incurred to date, we may incur additional costs in the future as we seek to further optimize our organization and operations.

Markets and Outlook

Looking ahead, fiscal year 2019 should be a transitional year as we expect to complete the disposition of the Coatings business, which is reflected in our discontinued operations. We expect this strategic repositioning to allow us to focus on a faster growing, more profitable and streamlined group of businesses and the underlying products, as we have simplified our reporting segments to Industrial Products and Specialty Chemicals. Our diverse product portfolio in those segments serve attractive end markets that should continue to benefit from growth, primarily in North America, but we anticipate continued growth in key international regions primarily for our specialty chemical product portfolio, such as Asia, Latin America, South America and the Middle East. We anticipate revenue growth in our key end markets during fiscal year ending March 31, 2019 due to our innovative technologies, new product introductions, product differentiation and favorable industry trends.

In fiscal year 2019, we expect capital expenditures to be approximately \$5 to \$7 million. Capital expenditures will be focused on maintenance and replacement, continuous improvement and revenue growth.

We were pleased with our most recent acquisition, Greco, as it outperformed in all respects from our acquisition model, driving revenue growth of 5.7% and \$2.8 million of our operating profit growth in the fiscal year ended March 31, 2018. We will continue to pursue bolt-on acquisitions in our key end markets and channels in fiscal year 2019, but we will remain disciplined in our approach, including but not limited to our assessment of valuation, prospective synergies, diligence, cultural fit, integration, etc.

HVAC

The HVAC market is our largest market served and it represented approximately 30% of our net sales in both fiscal years ended March 31, 2018 and 2017. We provide an extensive array of products for installation, repair and maintenance of HVAC systems that includes our largest product family, consisting of condensate switches, as well as condensate pans, air diffusers, condensate pumps, refrigerant caps, line set covers and other chemical and mechanical products. The industry is driven by new construction projects, as well as replacement and repair of existing HVAC systems. New HVAC systems are heavily influenced by macro trends in building construction. The HVAC market tends to be seasonal with the peak sales season beginning in March and continuing through August. Construction and repair is typically performed by contractors, and we utilize our global distribution network to drive sales of our brands to such contractors. For the fiscal year ending March 31, 2019, we anticipate growth in the HVAC market to be stronger than the gross domestic product.

Architecturally-Specified Building Products

Architecturally-specified building products represented approximately 28% and 24% of our net sales in the fiscal years ended March 31, 2018 and 2017, respectively. We manufacture and sell products such as engineered railings,

smoke and fire protection systems, expansion joints and stair edge nosings for large commercial buildings and parking facilities. Sales of these products are driven by architectural specifications and safety codes, and the sales process is typically long as these are multi-year construction projects. International expansion is driving revenues in this end market as larger buildings are being designed and built, as well as refurbished and retrofitted. The construction market is a key driver for sales of architecturally-specified building products. Our outlook for growth in new construction is slightly stronger than the growth expected in the U.S. gross domestic product in the fiscal year ending March 31, 2019 due to continued share expansion in our engineered railing products and technologies.

Table of Contents

Industrial

The industrial end market represented approximately 15% and 17% of our net sales in the fiscal years ended March 31, 2018 and 2017, respectively. The industrial end market includes customers who manufacture chemicals, steel equipment and a wide variety of materials. We include sales of lubricants and breathers, as well as various other industrial products in the industrial end market. We serve this market primarily through a network of industrial distributors. We expect our sales into this market in the fiscal year ending March 31, 2019 to grow in line with the gross domestic product.

Plumbing

The plumbing market represented approximately 11% and 12% of our net sales in the fiscal years ended March 31, 2018 and 2017, respectively. We provide many products to the plumbing industry including thread sealants, solvent cements, fire-stopping products, condensate switches and trap guards, as well as other mechanical products. Installation is typically performed by contractors, and we utilize our global distribution network to drive sales of our brands to contractors. We are not anticipating any significant changes in the overall plumbing market in the fiscal year ending March 31, 2019.

Energy

The energy market represented approximately 7% and 6% of our net sales in the fiscal years ended March 31, 2018 and 2017, respectively. We provide market-leading lubricants and anti-seize compounds, as well as greases, for use in maintenance of oilfield drilling equipment. The outlook for the energy industry is heavily dependent on the demand growth from both mature markets and developing geographies. We saw robust growth in the energy market in the fiscal year ended March 31, 2018 due in large part to increased drilling driven by increased global rig count activity and market share gains. We do not expect a similar expansion in drilling activity in the fiscal year ending March 31, 2019.

Rail

The rail market represented approximately 4% and 5% of our net sales in the fiscal years ended March 31, 2018 and 2017, respectively. We provide an array of products into the rail industry, including lubricants and lubricating devices for rail lines, which increase efficiency and reduce noise for and extend the life of rail cars. We leverage our technical expertise to build relationships with key decision-makers to ensure that our products meet required specifications. For the fiscal year ending March 31, 2019, we anticipate ongoing challenges in the rail industry as it continues to be impacted by the mining and energy markets. The reduction in North American coal consumption and transport coupled with the increased use of pipelines for transport of gas and oil is expected to continue to adversely impact the class 1 rail providers' operating margins, which tends to drive cost containment activity that limits the use of maintenance consumables.

Mining

The mining market represented approximately 4% of our net sales in both fiscal years ended March 31, 2018 and 2017. We provide market-leading lubricants to open gears used in large mining excavation equipment, primarily through our distribution network. The North American mining industry has experienced headwinds due to continued low coal demand, which is caused by lower oil and gas prices and increased regulations. We are not anticipating a significant improvement in the coal or non-coal related (e.g. iron, diamond, etc.) mining market conditions within North A