

NEWMARKET CORP
Form 10-Q
July 31, 2008
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2008

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 1-32190

NEWMARKET CORPORATION

(Exact name of registrant as specified in its charter)

VIRGINIA
(State or other jurisdiction of
incorporation or organization)

20-0812170
(I.R.S. Employer
Identification No.)

330 SOUTH FOURTH STREET

RICHMOND, VIRGINIA
(Address of principal executive offices)

23218-2189
(Zip Code)

Registrant's telephone number, including area code - (804) 788-5000

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

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule

12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes

No

Number of shares of common stock, without par value, outstanding as of June 30, 2008: 15,494,370.

Table of Contents

NEWMARKET CORPORATION

INDEX

	Page Number
PART I. FINANCIAL INFORMATION	
<u>ITEM 1. Financial Statements (unaudited)</u>	
<u>Consolidated Statements of Income – Second Quarter and Six Months Ended June 30, 2008 and June 30, 2007</u>	3
<u>Consolidated Balance Sheets – June 30, 2008 and December 31, 2007</u>	4
<u>Consolidated Statements of Cash Flows – Six Months Ended June 30, 2008 and June 30, 2007</u>	5
<u>Notes to Consolidated Financial Statements</u>	6 -27
<u>ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	28 38
<u>ITEM 3. Quantitative and Qualitative Disclosures About Market Risk</u>	38
<u>ITEM 4. Controls and Procedures</u>	39
PART II. OTHER INFORMATION	
<u>ITEM 1. Legal Proceedings</u>	40
<u>ITEM 4. Submission of Matters to a Vote of Security Holders</u>	40
<u>ITEM 6. Exhibits</u>	41
<u>SIGNATURES</u>	42

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. Financial Statements****NEWMARKET CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME**

(In thousands, except per-share amounts)

(Unaudited)

	Second Quarter Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Net sales	\$ 425,882	\$ 344,013	\$ 808,232	\$ 653,809
Cost of goods sold	343,689	268,495	644,436	508,862
Gross profit	82,193	75,518	163,796	144,947
Selling, general, and administrative expenses	30,499	27,046	59,272	53,801
Research, development, and testing expenses	21,879	19,100	42,108	37,911
Operating profit	29,815	29,372	62,416	53,235
Interest and financing expenses, net	2,873	2,827	5,888	5,789
Other income, net	300	757	679	1,147
Income from continuing operations before income taxes	27,242	27,302	57,207	48,593
Income tax expense	9,618	9,863	19,811	17,129
Income from continuing operations	17,624	17,439	37,396	31,464
Discontinued operations:				
Gain on settlement of discontinued business (net of tax)		13,487		13,487
Income from operations of discontinued business (net of tax)				2,217
Net income	\$ 17,624	\$ 30,926	\$ 37,396	\$ 47,168
Basic earnings per share				
Income from continuing operations	\$ 1.14	\$ 1.01	\$ 2.42	\$ 1.82
Discontinued operations		0.78		0.91
	\$ 1.14	\$ 1.79	\$ 2.42	\$ 2.73
Diluted earnings per share				
Income from continuing operations	\$ 1.13	\$ 1.00	\$ 2.40	\$ 1.81
Discontinued operations		0.78		0.90
	\$ 1.13	\$ 1.78	\$ 2.40	\$ 2.71
Shares used to compute basic earnings per share	15,488	17,296	15,473	17,295
Shares used to compute diluted earnings per share	15,556	17,411	15,557	17,411

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Cash dividends declared per common share	\$	0.20	\$	0.125	\$	0.40	\$	0.250
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See accompanying notes to the consolidated financial statements.

Table of Contents**NEWMARKET CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(In thousands, except share amounts)

(Unaudited)

	June 30 2008	December 31 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 39,792	\$ 71,872
Trade and other accounts receivable, less allowance for doubtful accounts (\$909 - 2008; \$1,059 - 2007)	254,539	207,190
Inventories:		
Finished goods	168,928	158,286
Raw materials	37,739	27,749
Stores, supplies and other	7,877	7,659
	214,544	193,694
Deferred income taxes	15,006	18,727
Prepaid expenses and other current assets	4,874	3,558
Total current assets	528,755	495,041
Property, plant and equipment, at cost	823,922	789,634
Less accumulated depreciation and amortization	615,149	606,072
Net property, plant and equipment	208,773	183,562
Prepaid pension cost	5,205	2,616
Deferred income taxes	23,125	21,396
Other assets and deferred charges	22,291	22,764
Intangibles, net of amortization	42,479	45,555
Total assets	\$ 830,628	\$ 770,934
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 127,590	\$ 104,636
Accrued expenses	51,933	57,043
Dividends payable	2,807	3,154
Book overdraft	4,040	6,249
Long-term debt, current portion	759	736
Income taxes payable	3,209	5,843
Total current liabilities	190,338	177,661
Long-term debt	172,522	157,061
Other noncurrent liabilities	120,615	119,205
Commitments and contingencies (Note 9)		
Shareholders' equity:		
Common stock and paid-in capital (without par value) Issued - 15,494,370 in 2008 and 15,566,225 in 2007	1,131	5,235

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Accumulated other comprehensive loss	(29,735)	(34,360)
Retained earnings	375,757	346,132
	347,153	317,007
Total liabilities and shareholders equity	\$ 830,628	\$ 770,934

See accompanying notes to the consolidated financial statements.

Table of Contents**NEWMARKET CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

(Unaudited)

	Six Months Ended June 30	
	2008	2007
Cash and cash equivalents at beginning of year	\$ 71,872	\$ 60,300
Cash flows from operating activities:		
Net income	37,396	47,168
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and other amortization	13,618	14,288
Amortization of deferred financing costs	499	497
Noncash environmental remediation and dismantling	473	2,883
Noncash pension benefits expense	5,617	5,336
Noncash postretirement benefits expense	1,758	1,913
Noncash foreign exchange impact	2,342	1,709
Deferred income tax (benefit) expense	(223)	2,681
Gain on settlement and termination of TEL marketing agreements		(21,174)
Gain on legal settlement	(3,227)	
Working capital changes	(56,479)	(8,761)
Excess tax benefits from stock-based payment arrangements	(900)	
Cash pension benefits contributions	(6,814)	(8,878)
Cash postretirement benefits contributions	(741)	(1,020)
Proceeds from legal settlement	3,227	
Long-term receivable - TEL marketing agreements		11,983
Other, net	587	(2,715)
Cash (used in) provided from operating activities	(2,867)	45,910
Cash flows from investing activities:		
Capital expenditures	(13,198)	(19,731)
Foundry Park I capital expenditures	(18,798)	(2,169)
Foundry Park I deferred leasing costs		(3,599)
Proceeds from settlement and termination of TEL marketing agreements		28,000
Proceeds from (payment for) interest rate lock agreement	1,050	(1,110)
Payment for acquisition of intangible asset		(2,400)
Other, net		(504)
Cash used in investing activities	(30,946)	(1,513)
Cash flows from financing activities:		
Draws on Foundry Park I construction loan	15,847	
Draws on Foundry Park I bridge loan		5,595
Repayment of 8.875% senior notes		(250)
Repurchases of common stock	(6,811)	
Dividends	(6,247)	(2,345)
Change in book overdraft, net	(2,209)	511
Payment for financed intangible asset	(500)	

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Debt issuance costs		(129)
Proceeds from exercise of stock options	231	27
Excess tax benefits from stock-based payment arrangements	900	
Payments on the capital lease	(363)	(340)
Cash provided from financing activities	848	3,069
Effect of foreign exchange on cash and cash equivalents	885	599
(Decrease) increase in cash and cash equivalents	(32,080)	48,065