

NEWMARKET CORP  
Form 10-Q  
April 29, 2009  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D. C. 20549

**FORM 10-Q**

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**  
For the quarterly period ended March 31, 2009

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)

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**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

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

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 March 31, 2009: 15,204,207.

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**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)

	<b>Three Months Ended March 31</b>	
	<b>2009</b>	<b>2008</b>
Net sales	\$ 337,128	\$ 382,350
Cost of goods sold	246,054	300,747
<b>Gross profit</b>	<b>91,074</b>	<b>81,603</b>
Selling, general, and administrative expenses	26,267	28,773
Research, development, and testing expenses	18,754	20,229
<b>Operating profit</b>	<b>46,053</b>	<b>32,601</b>
Interest and financing expenses	2,936	3,015
Other (expense) income, net	(80)	379
<b>Income before income tax expense</b>	<b>43,037</b>	<b>29,965</b>
Income tax expense	14,349	10,193
<b>Net income</b>	<b>\$ 28,688</b>	<b>\$ 19,772</b>
Basic earnings per share	\$ 1.89	\$ 1.28
Diluted earnings per share	\$ 1.88	\$ 1.27
Shares used to compute basic earnings per share	15,203	15,459
Shares used to compute diluted earnings per share	15,241	15,558
Cash dividends declared per common share	\$ 0.20	\$ 0.20

See accompanying notes to the consolidated financial statements.

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

(In thousands, except share amounts)

(Unaudited)

	<b>March 31 2009</b>	<b>December 31 2008</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 59,510	\$ 21,761
Trade and other accounts receivable, less allowance for doubtful accounts (\$1,141 in 2009 and 2008)	193,830	203,551
Inventories:		
Finished goods	126,751	158,325
Raw materials	25,103	34,657
Stores, supplies and other	7,903	8,090
	159,757	201,072
Deferred income taxes	13,561	14,090
Prepaid expenses and other current assets	8,797	5,704
Total current assets	435,455	446,178
Property, plant and equipment, at cost	859,249	848,011
Less accumulated depreciation and amortization	605,924	606,275
Net property, plant and equipment	253,325	241,736
Prepaid pension cost	21	159
Deferred income taxes	39,704	37,744
Other assets and deferred charges	35,948	31,566
Intangibles, net of amortization and goodwill	51,688	54,069
<b>Total assets</b>	<b>\$ 816,141</b>	<b>\$ 811,452</b>

**LIABILITIES AND SHAREHOLDERS EQUITY**

Current liabilities:		
Accounts payable	\$ 80,636	\$ 60,505
Accrued expenses	55,733	63,715
Dividends payable	2,740	2,646
Book overdraft	2,526	999
Long-term debt, current portion	796	784
Income taxes payable	12,280	7,264
Total current liabilities	154,711	135,913

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Long-term debt	200,820	236,378
Other noncurrent liabilities	146,942	148,038
Commitments and contingencies (Note 8)		
Shareholders' equity:		
Common stock and paid-in capital (without par value) Issued 15,204,207 in 2009 and 15,199,207 in 2008	137	115
Accumulated other comprehensive loss	(98,874)	(95,750)
Retained earnings	412,405	386,758
	313,668	291,123
<b>Total liabilities and shareholders' equity</b>	<b>\$ 816,141</b>	<b>\$ 811,452</b>

See accompanying notes to the consolidated financial statements.

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

(In thousands)

(Unaudited)

	<b>Three Months Ended March 31</b>	
	<b>2009</b>	<b>2008</b>
<b>Cash and cash equivalents at beginning of year</b>	\$ 21,761	\$ 71,872
<b>Cash flows from operating activities:</b>		
Net income	28,688	19,772
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and other amortization	7,763	6,749
Amortization of deferred financing costs	280	250
Noncash environmental remediation and dismantling	1,953	1,015
Noncash pension benefits expense	3,462	2,801
Noncash postretirement benefits expense	705	879
Noncash foreign exchange impact on the Consolidated Statements of Income	(488)	1,559
Deferred income tax benefit	(35)	(31)
Gain on legal settlement		(3,179)
Working capital changes	50,935	(38,522)
Excess tax benefits from stock-based payment arrangements		(686)
Cash pension benefits contributions	(4,261)	(2,597)
Cash postretirement benefits contributions	(384)	(513)
Proceeds from legal settlement		3,179
Foreign exchange impact on intercompany transactions	8,031	99
Other, net	20	(19)
Cash provided from (used in) operating activities	96,669	(9,244)
<b>Cash flows from investing activities:</b>		
Capital expenditures	(8,194)	(5,496)
Foundry Park I capital expenditures	(7,111)	(4,666)
Deposit for interest rate lock agreement	(4,000)	
Proceeds from interest rate lock agreement		1,050
Cash used in investing activities	(19,305)	(9,112)
<b>Cash flows from financing activities:</b>		
Draws on Foundry Park I construction loan	6,545	5,347
Net repayments under revolving credit agreement	(41,900)	
Repurchases of common stock		(6,811)
Dividends	(3,041)	(3,154)
Change in book overdraft, net	1,527	(1,913)
Payment for financed intangible asset	(250)	(250)
Debt issuance costs	(303)	
Proceeds from exercise of stock options	22	178
Excess tax benefits from stock-based payment arrangements		686
Payments on the capital lease	(191)	(181)

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Cash used in financing activities	(37,591)	(6,098)
Effect of foreign exchange on cash and cash equivalents	(2,024)	612
<b>Increase (decrease) in cash and cash equivalents</b>	<b>37,749</b>	<b>(23,842)</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 59,510</b>	<b>\$ 48,030</b>

See accompanying notes to the consolidated financial statements.



**Table of Contents****NEWMARKET CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

**1. Financial Statement Presentation**

In the opinion of management, the accompanying consolidated financial statements of NewMarket Corporation and its subsidiaries contain all necessary adjustments for the fair presentation of, in all material respects, our consolidated financial position as of March 31, 2009, as well as our consolidated results of operations and our consolidated cash flows for the three months ended March 31, 2009 and March 31, 2008. All adjustments are of a normal, recurring nature, unless otherwise disclosed. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in the NewMarket Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2008 (2008 Annual Report), as filed with the Securities and Exchange Commission (SEC). The results of operations for the three month period ended March 31, 2009 are not necessarily indicative of the results to be expected for the full year ending December 31, 2009. The December 31, 2008 consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

Unless the context otherwise requires, all references to we, us, our, the Company and NewMarket are to NewMarket Corporation and its consolidated subsidiaries.

At both March 31, 2009 and December 31, 2008, we had a book overdraft for some of our disbursement cash accounts. A book overdraft represents transactions that have not cleared the bank accounts at the end of the reporting period. There are no agreements with the same banks to offset the presented balance. We transfer cash on an as-needed basis to fund these items as they clear the bank in subsequent periods.

Cash dividends totaling 20 cents per share for both the three months ended March 31, 2009 and March 31, 2008 were declared and paid as shown in the table below.

<b>Year</b>	<b>Date Declared</b>	<b>Date Paid</b>	<b>Per Share Amount</b>
2009	February 19, 2009	April 1, 2009	20 cents
2008	February 28, 2008	April 1, 2008	20 cents

During the three months ended March 31, 2009, we had noncash investing activity of \$9.1 million related to capital expenditures incurred, but not paid, for the construction of the office building by Foundry Park I, LLC (Foundry Park I), as well as other capital projects of Afton Chemical Corporation (Afton).

**2. Asset Retirement Obligations**

The following table illustrates the activity associated with our asset retirement obligations for the three months ended March 31, 2009 and March 31, 2008.

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	2009	2008
	<i>(in thousands)</i>	
Asset retirement obligations, January 1	\$ 3,009	\$ 5,048
Accretion expense	58	85
Liabilities settled	(851)	(461)
Changes in expected cash flows and timing	272	(352)
Foreign currency impact		(16)
Asset retirement obligations, March 31	\$ 2,488	\$ 4,304

3. **Segment Information**

The tables below show our consolidated segment net sales, operating profit (including a reconciliation of segment operating profit to income before income taxes), and depreciation and amortization.

The All other category includes the continuing operations of the TEL business (primarily sales of TEL in North America), certain contract manufacturing Ethyl provides to Afton and to third parties, as well as the real estate development activities.

**Segment Net Sales**

*(in millions)*

	<b>Three Months Ended March 31</b>	
	<b>2009</b>	<b>2008</b>
Petroleum additives	\$ 334.8	\$ 380.6
All other	2.3	1.7
Consolidated net sales	&nbsp;	