

QUAKER CHEMICAL CORP
Form 10-Q
October 26, 2010
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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 September 30, 2010

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 001-12019

QUAKER CHEMICAL CORPORATION

(Exact name of Registrant as specified in its charter)

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Pennsylvania
(State or other jurisdiction of
incorporation or organization)

23-0993790
(I.R.S. Employer
Identification No.)

One Quaker Park, 901 E. Hector Street,
Conshohocken, Pennsylvania
(Address of principal executive offices)

19428 2380
(Zip Code)

Registrant's telephone number, including area code: 610-832-4000

Not Applicable

Former name, former address and former fiscal year, if changed since last report.

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

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if smaller reporting company) 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Number of Shares of Common Stock 11,376,232

Outstanding on September 30, 2010

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QUAKER CHEMICAL CORPORATION AND CONSOLIDATED SUBSIDIARIES

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Table of Contents**PART I****FINANCIAL INFORMATION****Item 1. Financial Statements (Unaudited).****Quaker Chemical Corporation****Condensed Consolidated Balance Sheet**

	Unaudited (Dollars in thousands, except par value and share amounts)	
	September 30, 2010	December 31, 2009*
ASSETS		
Current assets		
Cash and cash equivalents	\$ 27,149	\$ 25,051
Construction fund (restricted cash)		2,358
Accounts receivable, net	117,238	108,793
Inventories		
Raw materials and supplies	30,437	23,495
Work-in-process and finished goods	28,370	26,545
Prepaid expenses and other current assets	13,831	12,656
Total current assets	217,025	198,898
Property, plant and equipment, at cost		
Less accumulated depreciation	(127,602)	(123,554)
Net property, plant and equipment	65,586	67,426
Goodwill	49,493	46,515
Other intangible assets, net	7,175	5,579
Investments in associated companies	9,995	8,824
Deferred income taxes	31,953	31,692
Other assets	47,288	39,537
Total assets	\$ 428,515	\$ 398,471
LIABILITIES AND EQUITY		
Current liabilities		
Short-term borrowings and current portion of long-term debt	\$ 939	\$ 2,431
Accounts and other payables	59,854	60,939
Accrued compensation	16,939	16,656
Accrued pension and postretirement benefits	1,628	4,717
Other current liabilities	19,865	15,224
Total current liabilities	99,225	99,967

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Long-term debt	58,445	63,685
Deferred income taxes	9,268	8,605
Accrued pension and postretirement benefits	26,678	27,602
Other non-current liabilities	48,477	42,317
Total liabilities	242,093	242,176
Equity		
Common stock \$1 par value; authorized 30,000,000 shares; issued 2010 11,376,232; 2009 11,085,549 shares	11,376	11,086
Capital in excess of par value	35,731	27,527
Retained earnings	140,161	123,140
Accumulated other comprehensive loss	(7,919)	(10,439)
Total Quaker shareholders' equity	179,349	151,314
Noncontrolling interest	7,073	4,981
Total equity	186,422	156,295
Total liabilities and equity	\$ 428,515	\$ 398,471

* Condensed from audited financial statements

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**Quaker Chemical Corporation****Condensed Consolidated Statement of Income**

	Unaudited			
	(Dollars in thousands, except per share amounts)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net sales	\$ 137,669	\$ 118,922	\$ 401,980	\$ 319,764
Cost of goods sold	88,641	74,450	257,081	210,541
Gross profit	49,028	44,472	144,899	109,223
Selling, general and administrative expenses	34,699	34,646	103,486	90,393
Contingencies charge (See Note 15 - Commitments and Contingencies)	3,581		3,581	
CEO transition costs	1,317	1,250	1,317	2,443
Restructuring and related activities				2,289
Operating income	9,431	8,576	36,515	14,098
Other (expense) income, net	(320)	217	1,566	2,027
Interest expense	(1,345)	(1,356)	(4,042)	(4,136)
Interest income	313	178	840	551
Income before taxes and equity in net income of associated companies	8,079	7,615	34,879	12,540
Taxes on income before equity in net income of associated companies	1,661	2,747	8,985	4,063
Income before equity in net income of associated companies	6,418	4,868	25,894	8,477
Equity in net income of associated companies	439	555	734	640
Net income	6,857	5,423	26,628	9,117
Less: Net income attributable to noncontrolling interest	517	371	1,716	829
Net income attributable to Quaker Chemical Corporation	\$ 6,340	\$ 5,052	\$ 24,912	\$ 8,288
Per share data:				
Net income attributable to Quaker Chemical Corporation Common Shareholders basic	\$ 0.56	\$ 0.46	\$ 2.22	\$ 0.76
Net income attributable to Quaker Chemical Corporation Common Shareholders diluted	\$ 0.55	\$ 0.45	\$ 2.19	\$ 0.75
Dividends declared	\$ 0.235	\$ 0.23	\$ 0.70	\$ 0.69

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**Quaker Chemical Corporation****Condensed Consolidated Statement of Cash Flows**

	Unaudited	
	(Dollars in thousands)	
	For the Nine Months Ended	
	September 30,	
	2010	2009
Cash flows from operating activities		
Net income	\$ 26,628	\$ 9,117
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	7,448	6,948
Amortization	736	797
Equity in undistributed earnings of associated companies, net of dividends	(523)	(610)
Deferred compensation and other, net	1,559	(30)
Stock-based compensation	2,371	1,585
Restructuring and related activities		2,289
Gain on disposal of property, plant and equipment	(24)	(1,194)
Insurance settlement realized	(1,225)	(1,104)
Pension and other postretirement benefits	(3,184)	(5,877)
Increase (decrease) in cash from changes in current assets and current liabilities, net of acquisitions:		
Accounts receivable	(7,982)	951
Inventories	(8,645)	12,547
Prepaid expenses and other current assets	(2,656)	3,283
Accounts payable and accrued liabilities	5,007	10,273
Change in restructuring liabilities		(4,240)
Net cash provided by operating activities	19,510	34,735
Cash flows from investing activities		
Investments in property, plant and equipment	(6,259)	(9,811)
Payments related to acquisitions	(6,862)	