

QUAKER CHEMICAL CORP
Form 10-Q
July 27, 2011

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, 2011

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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(State or other jurisdiction of
incorporation or organization)

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

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

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
Outstanding on June 30, 2011

12,823,294

QUAKER CHEMICAL CORPORATION AND CONSOLIDATED SUBSIDIARIES

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FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited).

Quaker Chemical Corporation

Condensed Consolidated Balance Sheet

	Unaudited (Dollars in thousands, except par value and share amounts)	
	June 30, 2011	December 31, 2010*
ASSETS		
Current assets		
Cash and cash equivalents	\$ 23,541	\$ 25,766
Accounts receivable, net	137,402	116,266
Inventories		
Raw materials and supplies	43,580	31,909
Work-in-process and finished goods	33,119	28,932
Prepaid expenses and other current assets	16,032	12,609
Total current assets	253,674	215,482
Property, plant and equipment, at cost	218,119	205,359
Less accumulated depreciation	(138,414)	(128,824)
Net property, plant and equipment	79,705	76,535
Goodwill	55,282	52,758
Other intangible assets, net	23,127	24,030
Investments in associated companies	9,407	9,218
Deferred income taxes	25,784	28,846
Other assets	43,840	42,561
Total assets	\$ 490,819	\$ 449,430
LIABILITIES AND EQUITY		
Current liabilities		
Short-term borrowings and current portion of long-term debt	\$ 836	\$ 890
Accounts and other payables	79,465	63,893
Accrued compensation	11,026	17,140
Other current liabilities	19,808	19,268
Total current liabilities	111,135	101,191
Long-term debt	33,628	73,855
Deferred income taxes	6,817	6,108
Other non-current liabilities	77,534	81,177
Total liabilities	229,114	262,331
Equity		
Common stock \$1 par value; authorized 30,000,000 shares; issued and outstanding		

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2011 – 12,823,294 shares; 2010 – 11,492,142 shares	12,823	11,492
Capital in excess of par value	87,249	38,275
Retained earnings	158,998	144,347
Accumulated other comprehensive loss	(5,507)	(13,736)
Total Quaker shareholders' equity	253,563	180,378
Noncontrolling interest	8,142	6,721
Total equity	261,705	187,099
Total liabilities and equity	\$ 490,819	\$ 449,430

* Condensed from audited
financial statements

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

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Quaker Chemical Corporation

Condensed Consolidated Statement of Income

	Unaudited (Dollars in thousands, except per share and share amounts) Three Months Ended June 30,		Unaudited (Dollars in thousands, except per share and share amounts) Six Months Ended June 30,	
	2011	2010	2011	2010
Net sales	\$167,792	\$135,991	\$327,657	\$264,311
Cost of goods sold	114,026	87,460	221,157	168,440
Gross profit	53,766	48,531	106,500	95,871
Selling, general and administrative expenses	38,825	35,118	77,459	68,787
Operating income	14,941	13,413	29,041	27,084
Other income, net	791	1,123	1,330	1,886
Interest expense	(1,200)	(1,386)	(2,418)	(2,697)
Interest income	271	343	543	527
Income before taxes and equity in net income of associated companies	14,803	13,493	28,496	26,800
Taxes on income before equity in net income of associated companies	4,499	4,143	7,321	7,324
Income before equity in net income of associated companies	10,304	9,350	21,175	19,476
Equity in net income of associated companies	251	384	610	295
Net income	10,555	9,734	21,785	19,771
Less: Net income attributable to noncontrolling interest	714	581	1,344	1,199
Net income attributable to Quaker Chemical Corporation	\$9,841	\$9,153	\$20,441	\$18,572
Per share data:				
Net income attributable to Quaker Chemical Corporation Common				
Shareholders – basic	\$0.80	\$0.82	\$1.72	\$1.66
Net income attributable to Quaker Chemical Corporation Common				
Shareholders – diluted	\$0.79	\$0.80	\$1.69	\$1.64
Dividends declared	\$0.24	\$0.235	\$0.475	\$0.465

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

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Quaker Chemical Corporation

Condensed Consolidated Statement of Cash Flows

	Unaudited (Dollars in thousands) For the Six Months Ended June 30,	
	2011	2010
Cash flows from operating activities		
Net income	\$21,785	\$19,771
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5,405	5,068
Amortization	973	462
Equity in undistributed earnings of associated companies, net of dividends	(32)	(233)
Deferred compensation and other, net	4,162	(357)
Stock-based compensation	1,854	1,663
Gain on disposal of property, plant and equipment	(78)	(22)
Insurance settlement realized	(864)	(772)
Pension and other postretirement benefits	(4,168)	(2,227)
Increase (decrease) in cash from changes in current assets and current liabilities, net of acquisitions:		
Accounts receivable	(17,392)	(10,645)
Inventories	(13,986)	(7,181)
Prepaid expenses and other current assets	(4,029)	(1,641)
Accounts payable and accrued liabilities	6,537	6,409
Net cash provided by operating activities	167	10,295
Cash flows from investing activities		
Investments in property, plant and equipment	(6,641)	(3,468)
Proceeds from disposition of assets	221	59
Payments related to acquisitions, net of cash acquired	(717)	—
Insurance settlement received and interest earned	42	5,070
Change in restricted cash, net	822	(1,940)
Net cash used in investing activities	(6,273)	(279)
Cash flows from financing activities		
Net increase in short-term borrowings	—	1,263
Repayment of long-term debt	(40,402)	(2,614)
Dividends paid	(5,413)	(5,119)
Stock options exercised, other	146	1,663
Excess tax benefit related to stock option exercises	162	1,236
Proceeds from sale of common stock, net of related expenses	48,143	—
Net cash provided by (used in) financing activities	2,636	(3,571)
Effect of exchange rate changes on cash	1,245	(3,890)
Net (decrease) increase in cash and cash equivalents	(2,225)	2,555
Cash and cash equivalents at beginning of period	25,766	25,051
Cash and cash equivalents at end of period	\$23,541	\$27,606

Supplemental cash flow disclosures:

Non-cash activities:

Excess tax benefit related to stock option exercises	\$—	\$882
Restricted insurance receivable (See also Note 13 of Notes to Condensed Consolidated Financial Statements)		