NewMarket Corp. (NEU)

Updated March 2nd, 2025, by Tiago Dias

Key Metrics

Current Price:	$570	**5 Year CAGR Estimate:**	-0.3%	**Market Cap:**	$5.7 B
Fair Value Price:	$480	**5 Year Growth Estimate:**	1.0%	**Ex-Dividend Date:**	03/17/2025
% Fair Value:	119%	**5 Year Valuation Multiple Estimate:**	-3.4%	**Dividend Payment Date:**	04/01/2025
Dividend Yield:	1.9%	**5 Year Price Target**	$504	**Years Of Dividend Growth:**	18
Dividend Risk Score:	C	**Retirement Suitability Score:**	D	**Rating:**	Sell

Overview & Current Events

NewMarket Corporation (NEU) is a holding company and is the parent company of Afton Chemical Corporation, Ethyl Corporation, NewMarket Services Corporation, and NewMarket Development Corporation. The company, through its subsidiaries, manufactures and sells petroleum additives, represents the sale of anti-knock compounds, as well as contract manufacturing and services. Founded in 1887 as a paper company, this $5.7 billion market cap company has come a long way from its roots.

NewMarket reported Q4 and full year 2024 earnings on February 3rd, 2025. For the quarter, earnings-per-share equaled $11.56 per share, above the $8.38 per share reported for the same period in 2023. For the full year the company reported earning $48.22 per share in 2024, well above the $40.44 per share earned in the prior year.

Full-year petroleum additives operating profit stood at $592 million with sales of $2.6 billion, and AMPAC sales for 2024 surpassed pre-acquisition expectations. Furthermore, there was a debt reduction of $373 million since the AMPAC acquisition. The increase in operating profit between these periods was primarily due to lower operating costs from the company's efficiency efforts as well as lower raw material costs partially offset by lower selling prices. Shipments were flat in 2024 compared to 2023, with a small increase in lubricant additives shipments offset by a decline in fuel additives shipments.

The company generated strong cash flows during 2024, with $95.9 million in dividends paid, capital expenses for $57.3 million, and repurchased $31.9 million of common stock. As the company looks towards 2025 and beyond, it expects continued strength in both the petroleum additives and specialty materials segments.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$19.45	$20.54	$19.54	$20.34	$22.73	$24.64	$17.71	$27.77	$40.44	$48.22	***$40.00***	***$42.04***
DPS	$5.60	$6.40	$6.85	$7.00	$7.15	$7.60	$7.80	$8.40	$8.85	$10.00	***$11.00***	***$11.56***
Shares	12	12	12	11	11	11	10	10	10	10	***10.0***	***10.0***

NewMarket is a bit of an odd company, just like many other specialty chemicals companies can be. Its revenues are stable, as you would see from any other non-cyclical business in a well-established and mature industry. Part of the reason for this is the relative commoditization of the products they manufacture and sell. While both its topline revenues and its bottom-line earnings haven't really grown much over the past decade and aren't expected to grow much in the foreseeable future, there is still some value in the unusual stability of the industry in general, and NewMarket in particular, as long as you don't overpay for the business.

Within this fully mature industry, we estimate only 1% annual growth over the next 5 years, and estimate earnings of $42.04 per share in 2030, with a dividend per share of $11.56. This is in-line with the company's own expectations, as well as its historical norms and prospects.

The market is currently valuing NewMarket at a much higher future growth rate than its past history or management's projections would suggest. The stock's valuation could compress dramatically in future years.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	20.8	21.9	19.6	22.3	19.6	19.4	16.1	20.1	9.9	11.8	***14.3***	***12.0***
Avg. Yld.	1.2%	1.3%	1.6%	1.6%	1.8%	1.6%	1.9%	2.2%	2.2%	1.8%	***1.9%***	***2.3%***

Over the past decade, NewMarket has traded hands at an average price to earnings ratio of 18x. That's a significant premium considering the company's lackluster growth and prospects. More recently, the company's valuation multiple has shrunk to around 14 times earnings, and we expect that it will fall to a P/E of 12 as the worsening macro climate, rising interest rates and poor growth prospects reduce multiples across the market.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	29%	31%	35%	34%	31%	31%	44%	30%	22%	21%	***28%***	***28%***

The company's stable revenues and earnings, alongside its unusually high margins for what is normally an undifferentiated commodity market, means that the business is capable of withstanding difficult macro climates without too much of an impact on its bottom line.

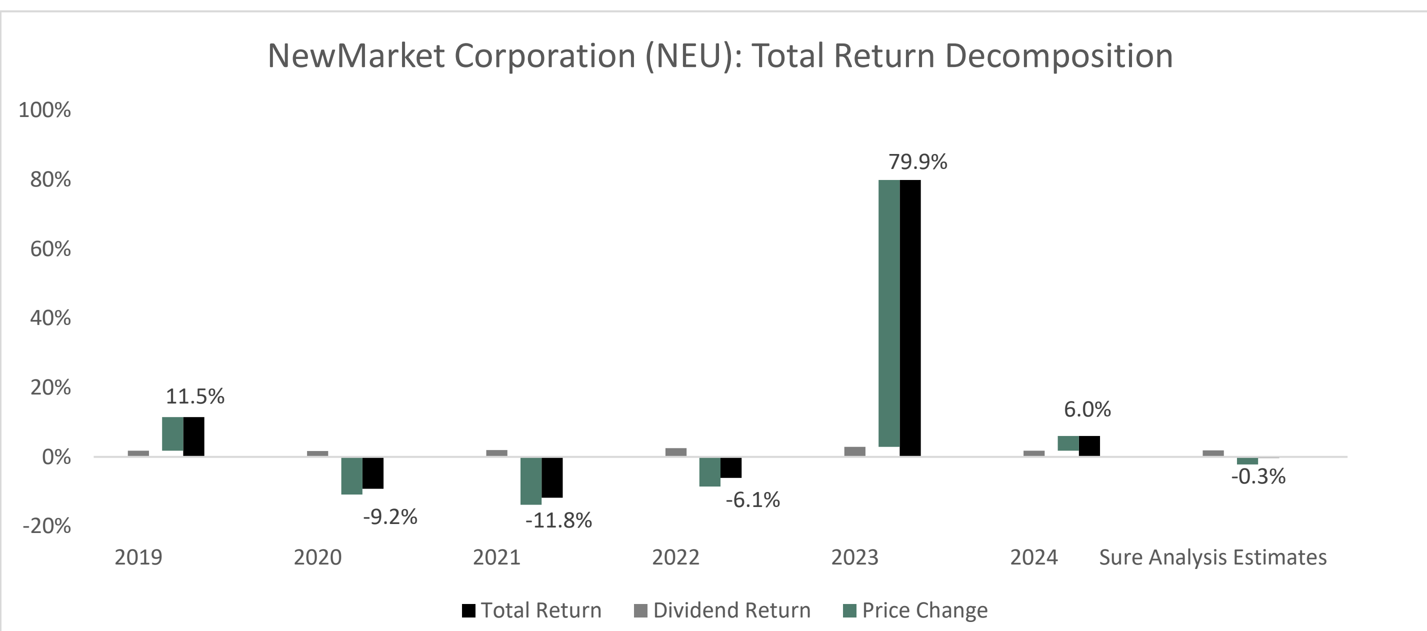
The dividend is well covered and given the stability of its earnings it's unlikely that it will be cut during a recession, though the company has already shown that they are willing to freeze it when it is in the event of poor performance, like we saw in 2018.

With worldwide operations, a clear corporate identity and focus on a market niche that they can service in a cost-effective manner, NewMarket is able to provide stability to investors' portfolios, while spitting out a steady stream of dividends.

Final Thoughts & Recommendation

With a 1.9% dividend yield, only 1% earnings growth over the foreseeable future, as well as a re-rating downward we are forecasting a total return potential of -0.3% per annum. As a result, the company's shares earn a sell rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	2,335	2,141	2,049	2,198	2,290	2,190	2,011	2,356	2,765	2,698
Gross Profit	665	679	677	636	585	630	595	548	640	773
Gross Margin	28.5%	31.7%	33.0%	28.9%	25.6%	28.8%	29.6%	23.2%	23.1%	28.7%
SG&A Exp.	164	164	162	168	152	148	143	146	145	151
D&A Exp.	42	42	45	55	72	88	84	84	82	78
Operating Profit	363	357	355	323	293	337	312	258	355	483
Op. Margin	15.5%	16.7%	17.3%	14.7%	12.8%	15.4%	15.5%	10.9%	12.8%	17.9%
Net Profit	233	239	243	191	235	254	271	191	280	389
Net Margin	10.0%	11.1%	11.9%	8.7%	10.3%	11.6%	13.5%	8.1%	10.1%	14.4%
Free Cash Flow	175	142	211	94	123	278	191	86	52	529
Income Tax	106	100	100	125	56	77	61	57	68	100

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	1,232	1,286	1,416	1,712	1,697	1,885	1,934	2,558	2,407	2,309
Cash & Equivalents	103	93	192	84	73	144	125	83	69	112
Acc. Receivable	275	253	266	311	277	290	285	317	385	368
Inventories	348	352	312	383	396	366	401	499	631	456
Goodwill & Int.	17	11	10	144	136	132	130	128	126	124
Total Liabilities	811	899	933	1,111	1,207	1,202	1,174	1,796	1,644	1,232
Accounts Payable	138	129	142	159	152	179	190	246	273	231
Long-Term Debt	364	491	503	597	766	643	599	1,139	1,004	644
Total Equity	421	388	483	602	490	683	760	762	762	1077
LTD/E Ratio	0.86	1.27	1.04	0.99	1.56	0.94	0.79	1.49	1.32	0.59

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	18.2%	19.0%	18.0%	12.2%	13.8%	14.2%	14.2%	8.5%	11.3%	16.4%
Return on Equity	47.0%	59.0%	55.9%	35.1%	43.0%	43.4%	37.5%	25.1%	36.7%	42.3%
ROIC	27.3%	28.7%	26.1%	17.4%	19.1%	19.7%	20.2%	11.7%	15.2%	22.3%
Shares Out.	12	12	12	12	11	11	11	10	10	10
Revenue/Share	184.31	174.89	173.27	185.93	198.84	196.16	183.46	219.05	275.52	281.58
FCF/Share	13.83	11.56	17.80	7.96	10.71	24.88	17.41	8.03	5.23	55.15

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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