



NewMarket Corp. (NEU)

Updated May 14th, 2025, by Ian Bezek

Key Metrics

Current Price:	\$634	5 Year CAGR Estimate:	11.4%	Market Cap:	\$6.0 B
Fair Value Price:	\$804	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	06/16/2025
% Fair Value:	79%	5 Year Valuation Multiple Estimate:	4.9%	Dividend Payment Date:	07/01/2025
Dividend Yield:	1.7%	5 Year Price Target	\$1,026	Years Of Dividend Growth:	18
Dividend Risk Score:	B	Sector:	Industrials	Rating:	Hold

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 \$6 billion market cap company has come a long way from its roots.

NewMarket reported its Q1 earnings on April 23rd, 2025. For the quarter, the company earned \$13.26 per share, up nicely from the \$11.23 reported for the same period of 2024. The earnings increase was driven by sharply higher profit margins rather than strong unit volumes, as the company's revenues were up less than 1% year-over-year to \$701 million. Leading the charge, NewMarket's revenues within its higher-margin specialty business improved and that operation returned to a robust operating profit after losing money in the same period of 2024.

In April, NewMarket announced a capital investment of up to \$100 million at the company's AMPAC facility in Cedar City, Utah, to expand ammonium perchlorate production capacity by more than 50%. This is a plant which produces key materials for the U.S. military and space force.

While Q1 results were quite strong, we have an ambivalent outlook toward the full year due to tariff impacts and a potential economic slowdown. We are modeling a 4% increase in earnings this year, which is significantly below NewMarket's performance in recent times.

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	\$50.25	\$64.13
DPS	\$5.60	\$6.40	\$6.85	\$7.00	\$7.15	\$7.60	\$7.80	\$8.40	\$8.85	\$10.00	\$11.00	\$14.04
Shares	12	12	12	11	11	11	10	10	10	10	10.0	10.0

NewMarket has quite a unique mix of businesses and its segment-by-segment results can be quite volatile. Overall, however, the company is seemingly greater than the sum of its parts, as its mix of specialty and commodity businesses have delivered outsized growth. NewMarket has grown its EPS at a 10.6% annualized since 2015 and at more than 15% a year over the past five years. We believe that NewMarket's dramatic growth over the past three years in particular is not sustainable, however, and forecast a more modest 5% annualized EPS growth rate going forward. There is room for upside here if new investments or M&A add to the firm's growth trajectory.

The company has grown its dividend at 6.7% annualized over the long-term, though this has accelerated in recent years. NewMarket's most recent dividend increase was in February, when it hiked its quarterly payment from \$2.50 to \$2.75, giving shareholders a 10 percent raise for the year.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	20.8	21.9	19.6	22.3	19.6	19.4	16.1	20.1	9.9	11.8	12.6	16.0
Avg. Yld.	1.2%	1.3%	1.6%	1.6%	1.8%	1.6%	1.9%	2.2%	2.2%	1.8%	1.7%	1.4%

Over the past decade, NewMarket has averaged an 18x P/E ratio, with that slipping to 15.5x over the past five years. We think that’s a fair range for the company given its historical performance and business profile; we forecast a 16x P/E ratio over the long-term. Shares seem to be a fair bit undervalued at today’s price. The stock’s current 1.7% yield is in-line with its historical average.

Safety, Quality, Competitive Advantage, & Recession Resiliency

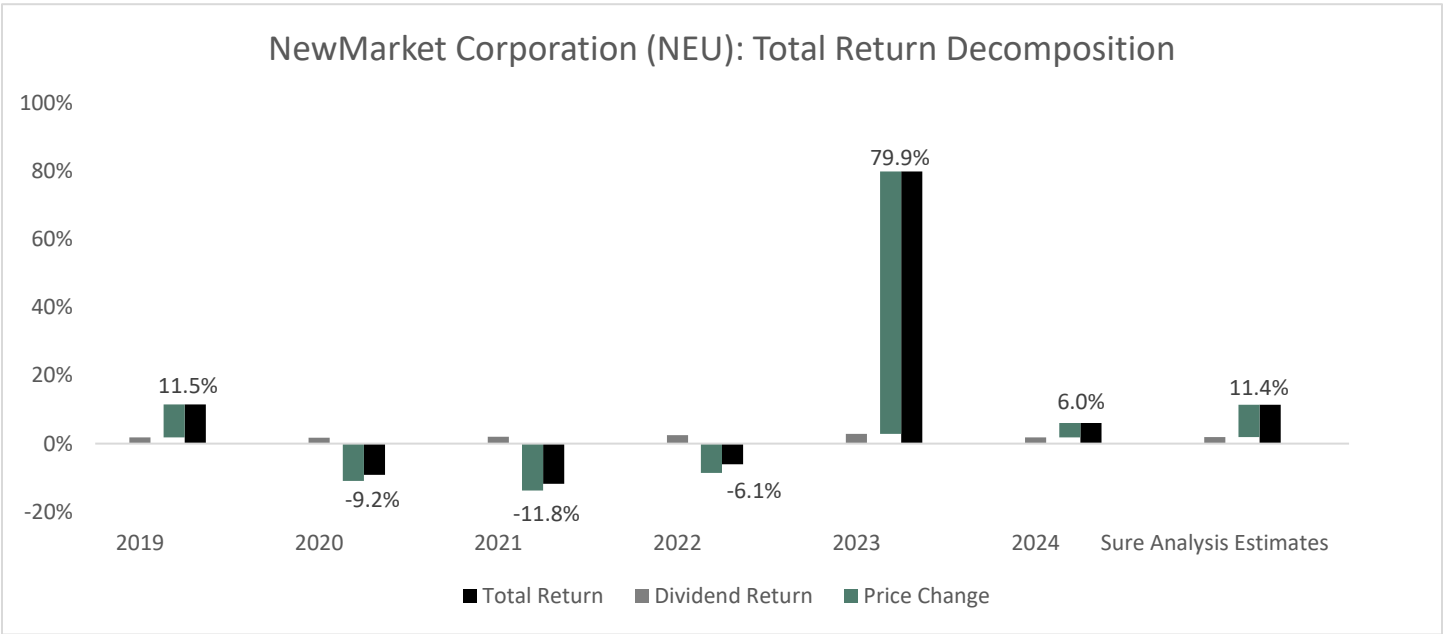
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	29%	31%	35%	34%	31%	31%	44%	30%	22%	21%	22%	22%

Newmarket has generally run a dividend payout ratio around 30% over the years. The current payout ratio is down to just 22%, as earnings have increased more quickly than the dividend. This increases the firm’s dividend safety and we see a long runway for meaningful hikes going forward. NewMarket’s long-term debtload has crept up in recent years but remains just under \$1.0 billion which is a manageable figure compared to its market capitalization and profitability. Chemical companies tend to be quite cyclical and prone to underperformance during recessions. However, NewMarket has many specialty products with more stable demand pictures when compared to commodity products. NewMarket’s sales to the government and defense applications should be particularly durable regardless of economic stress.

Final Thoughts & Recommendation

We are forecasting 11.4% annualized total returns from here, driven primarily by the firm’s earnings growth along with the chance for significant multiple expansion. Shares have rallied since our last update and are near new 52-week-highs. The stock earns a hold rating for now, but could easily move into the buy territory on any meaningful correction.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	2,141	2,049	2,198	2,290	2,190	2,011	2,356	2,765	2,698	2,787
Gross Profit	679	677	636	585	630	595	548	640	773	886
Gross Margin	31.7%	33.0%	28.9%	25.6%	28.8%	29.6%	23.2%	23.1%	28.7%	31.8%
SG&A Exp.	164	162	168	152	148	143	146	145	151	171
D&A Exp.	42	45	55	72	88	84	84	82	78	117
Operating Profit	357	355	323	293	337	312	258	355	483	590
Op. Margin	16.7%	17.3%	14.7%	12.8%	15.4%	15.5%	10.9%	12.8%	17.9%	21.2%
Net Profit	239	243	191	235	254	271	191	280	389	462
Net Margin	11.1%	11.9%	8.7%	10.3%	11.6%	13.5%	8.1%	10.1%	14.4%	16.6%
Free Cash Flow	142	211	94	123	278	191	86	52	529	462
Income Tax	100	100	125	56	77	61	57	68	100	122

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	1,286	1,416	1,712	1,697	1,885	1,934	2,558	2,407	2,309	3,130
Cash & Equivalents	93	192	84	73	144	125	83	69	112	77
Acc. Receivable	253	266	311	277	290	285	317	385	368	346
Inventories	352	312	383	396	366	401	499	631	456	505
Goodwill & Int.	11	10	144	136	132	130	128	126	124	750
Total Liabilities	899	933	1,111	1,207	1,202	1,174	1,796	1,644	1,232	1,668
Accounts Payable	129	142	159	152	179	190	246	273	231	226
Long-Term Debt	491	503	597	766	643	599	1,139	1,004	644	971
Total Equity	388	483	602	490	683	760	762	762	1077	1,462
LTD/E Ratio	1.27	1.04	0.99	1.56	0.94	0.79	1.49	1.32	0.59	0.66

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	19.0%	18.0%	12.2%	13.8%	14.2%	14.2%	8.5%	11.3%	16.4%	17.0%
Return on Equity	59.0%	55.9%	35.1%	43.0%	43.4%	37.5%	25.1%	36.7%	42.3%	36.4%
ROIC	28.7%	26.1%	17.4%	19.1%	19.7%	20.2%	11.7%	15.2%	22.3%	22.3%
Shares Out.	12	12	12	11	11	11	10	10	10	9.6
Revenue/Share	174.89	173.27	185.93	198.84	196.16	183.46	219.05	275.52	281.58	291.6
FCF/Share	11.56	17.80	7.96	10.71	24.88	17.41	8.03	5.23	55.15	48.38

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

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