LubriTec LUBRICATION TECHNOLOGIES

INTERNATIONAL EDITION

OEM/Lube News

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ITALMATCH to Acquire Afton Chemical's MWF Business

Genoa, Italy-headquartered Italmatch Chemicals, a global specialty chemical group leader in the production and marketing of industrial lubricants, performance additives for water & process treatment, oil & gas and plastics, entered into an agreement with Afton Chemical for the acquisition of Afton's metalworking fluid business (former Polartech). Afton Chemical acquired UK-based Polartech in March 2010. In particular, the deal includes: the acquisition of the entire business and assets relating to metalworking fluid carried out in Bedford Park (Illinois, USA) and Manchester (UK, Europe) sites, the know-how, technology and business in India and China, with production carried out from Hyderabad plant and in China. The company said this transaction further strengthens Italmatch Chemicals Group's position in the industrial lubricants and MWF business, integrating the current production range with a series of fluid additives for high-performance metal processing thanks to the application of advanced technologies. Sergio Iorio, CEO of Italmatch Chemicals Group, stated: "This acquisition represents for Italmatch Chemicals a significant step forward in the strategy of expanding its market position in the industrial lubricants market – The agreement strategically follows the recent acquisition of Elco Corporation in the USA, still in industrial lubricants business, allowing an important development of our current production range, through the introduction of new and advanced technologies mainly dedicated to water MWF and permitting to count on new sites in the USA, in Europe and India. In the recent years we have heavily invested in this field and we are proud to be considered today a leading international player." Maurizio Turci, CFO, Corporate Affairs and HR Director of Italmatch Chemicals Group said: "The transaction falls into Italmatch Chemicals Group's growth strategy and follows the recent acquisitions in Latin America, in the USA and in Asia-Pacific and proves the Group's aim to keep growing also through external lines and global coverages. From an industrial point of view, this acquisition presents strong components of innovation, research and technology and with the launch of significant entrepreneurial and commercial synergies, it can have a positive impact on medium/ long-term sustainability for the results of the industrial lubricants Business Unit. " The transaction is expected to close by the end of May 2018.

Afton Chemical's 1Q 2018 Sales Up, Profit Falls

Sales for the Afton Chemical (NewMarket Corp petroleum additives segment) for the first quarter of 2018 were $586.908 million, up 8.7% versus the same period last year. Petroleum additives operating profit for the first quarter of 2018 was $84.1 million, an 11.8% decrease over first quarter operating profit last year of $95.4 million. The decrease was due mainly to higher raw material and conversion costs, partially offset by changes in selling prices, and product and regional mix. The company said that during the quarter, the segment continued to see raw material prices increase as they have over the past several quarters. NewMarket Corporation Chairman and Chief Executive Officer, Thomas E. Gottwald said "While we have made progress toward adjusting our selling prices to offset the effects of those higher costs, we have been unable to adjust often and fast enough to compensate for the pace of cost increases we have seen". Petroleum additives saw record shipments in the first quarter of 2018, with a slight improvement over the same period last year, which was its prior record for quarterly shipments. The increase was primarily due to increases in lubricant additives shipments partially offset by decreases in fuel additives shipments. Latin America and Asia Pacific were the main regions contributing to higher lubricant additives shipments. Europe and Asia Pacific were the primary drivers for the decrease in fuel additives shipments, partially offset by an increase in Latin America, the company said. "Throughout the rest of 2018, we expect to see solid sales and shipments in our petroleum additives business. Margin improvement will remain our top priority throughout the rest of this year, as we are committed to reversing the effects of the margin compression we have seen over the past several quarters, primarily due to rising raw material costs. This will remain a priority until we begin to see raw material prices stabilize." Gottwald said. Parent NewMarket Corp's net income for the first quarter of 2018 was $60.6 million, a decrease of 5.3% compared to net income of $63.9 million for the first quarter of 2017. Sales for the first quarter were $589.245 million compared to $542.818 million in the first quarter of 2017.

Shell to Sell Its Downstream Business in Argentina to Raízen

Shell reported last week it has signed an agreement to sell its Downstream business in Argentina to Raízen for US$0.95 billion in cash proceeds at completion, subject to customary closing conditions. The sale includes the Buenos Aires Refinery and associated lube base oil plant, around 645 retail stations, liquefied petroleum gas, marine fuels, aviation fuels, bitumen, chemicals and lubricants businesses, as well as supply and distribution activities in the country. Additionally, after the transaction closes, the businesses acquired by Raízen will continue their relationships with Shell through various commercial agreements, which represent an estimated value of US$0.3 billion. São Paulo, Brazil-headquartered Raízen, a joint venture set up in 2011 between Shell and Cosan, is a leading biofuels producer and fuels distributor in Brazil, where it already manages more than 6,000 Shell service stations. “We plan to continue thriving in Argentina’s downstream market through Raízen,” John Abbott, Shell Downstream Director, said. “Raízen has already delivered significant value for us in Brazil and we will remain an important fuel supplier to Argentina under this deal.” Shell has been in Argentina for more than 100 years. The Shell brand will remain prominent through a licensing agreement with Raízen. Customers in Argentina will continue to enjoy access to high-quality, Shell-branded products and services. Shell said the agreement is consistent with its strategy to simplify its portfolio through a US$30 billion divestment program, and follows a strategic review of Shell’s Downstream business in Argentina that began in August 2016. The agreement with Raízen is the result of a competitive bidding process and the sale is expected to complete later this year. It offers the opportunity to consolidate a regional partnership between Shell and Cosan. Shell officials said the sales agreement calls for it to continue carrying Shell products. The sale does not include Shell’s Upstream interests in the Vaca Muerta shale formation. Shell sees substantial long-term growth potential in Argentina’s shale resources. Shell's lube base oil plant at it's refinery in Buenos Aires has the capacity to produce 1,500 barrels per day of API Group I base oil; it is one of the nation’s two base oil plants. The other being YPF's plant in La Plata which has a capacity to produce up to 4,700 bpd of Group I base oil. Shell said the deal follows a strategic review of its downstream business in Argentina that began in August 2016. The agreement with Raizen is expected to complete later this year. Raízen's bid topped rival offers by Argentina’s YPF SA, Chile’s Quinenco SA and China’s Petrochina Co. George Morvey, Industry Manager Energy, Parsippany, NJ-based Kline consultancy told OEM/Lube News "Brazil is the leading country market in South America accounting for 42% of regional demand and the 6th largest globally at 3% of overall global demand. Argentina is #2 in South America at 11% regional demand and #26 at 1% globally. The top 5 finished lubricants suppliers overall in Argentina are YPF, Shell, followed closely by Total, then ExxonMobil, and Petrobras for a combined market share of over 90%." Raízen is a joint venture between Shell (50%) and Cosan (50%). Raízen is the leading producer of sugar, ethanol and bioenergy in Brazil, with 26 production units and 860,000 hectares of cultivated agricultural land, a network of more than 6,000 Shell stations, 950 Shell Select convenience stores and more than 2,500 business customers. In Brazil, Raízen is present in 68 airport supply bases and in 68 fuel distribution terminals, and sells approximately 25 billion litres of fuel for the transportation, industrial and retail segments. Raízen’s current turnover is around US$24 billion per year.

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SK Withdraws Lubricants IPO

South Korea's SK Innovation withdrew what would have been the largest Korean initial public offering for this year after book-building for its wholly-owned entity SK Lubricants proved to be disappointing. The company disclosed last Friday that it filed for cancellation of the listing procedure with the Financial Supervisory Service after the two-day book building session on April 25 and 26 failed to meet pricing expectations. SK Lubricants offered a total of 12,765,957 shares - 2,553,191 in new shares and 10,212,766 in existing shares held by SK Innovation. hopes to secure up to 1.56 trillion won (US$1.48 billion) that could have placed a heavyweight stock of a market cap of maximum 5.2 trillion won. This was not the first time SK offered an IPO for SK Lubricants and withdrew it. SK Innovation previously considered IPOs for SK Lubricants in 2012 and again in 2015 but nixed the idea both times, stating the time was not right stating its financial health had improved. SK Lubricants said it will now carry out global projects such as improving lube base oil processing at its JV plants in Spain and Indonesia where it is already operating two overseas plants in addition to its plant in the port city of Ulsan, 414 kilometers southeast of Seoul. Also, Seoul based Yonhap News reported yesterday that SK Lubricants is seeking to beef up its overseas presence through joint ventures with global refiners and is eying JVs with global players to build plants in North American, as well as in China, sources said. SK Lubricants operates a lube base oil plant in Ulsan, South Korea with a capacity to produce up to 14,000 barrels per day of API Group II and 26,000 bpd of Group III base oils. It also has a JV plant with Spain's Repsol in Cartagena with a capacity to produce 3,700 bpd Group II and 9,200 bpd Group III base oil and a JV plant with Pertamina in Dumai, Indonesia with a capacity to produce 10,000 bpd Group III base oils, as referenced above. SK Lubricants, one of the world's leading producers of API Group III base oil, marketed under the Yubase brand name, also manufactures and markets finished lubricants, under the ZIC brand. SK Innovation is part of Seoul-based conglomerate SK Group.

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Major Oil Companies Report Improved 1Q Earnings

Last week, Shell, ExxonMobil and Chevron all reported increased first quarter earnings. Royal Dutch Shell last Thursday reported a 42% rise in profits in the first quarter of 2018, its highest in over three years. Net income attributable to shareholders in the first quarter, based on a current cost of supplies (CCS) and excluding identified items, rose to $5.322 billion compared with $3.754 billion a year ago. Shell posted revenue of $91.11 billion in the quarter. Upstream earnings in the first quarter were up at $1.551 billion compared with $540 million in the 2017 first quarter. Downstream earnings in the first quarter were down at $1.687 billion compared with $2.489 billion in the 2017 first quarter. Shell's cash flow from operations in the first three months of 2018 was $9.43 billion but that was still slightly weaker than $9.5 billion a year earlier. Free cash flow was little changed at $5.178 billion. ExxonMobil last Friday announced estimated first quarter 2018 net income of $4.65 billion compared with $4.01 billion a year earlier. Cash flow from operations and asset sales was $10 billion, including proceeds associated with asset sales of $1.4 billion. ExxonMobil's revenue reported in the first quarter of 2018 was $68.21 billion up 16% from revenue reported by the company in the first quarter of the prior year of $58.67 billion. Profit jumped more than 50 percent in the company's upstream division. Total upstream earnings for the first quarter of the year was $3.50 billion, up from its total upstream earnings of $2.52 billion reported in the first quarter of the previous year. However, profits in Exxon's downstream business slumped nearly 16 percent to $940 million from the $1,116 million it recorded during the same period last year. The company attributed the performance to its international business, where it saw higher expenses, lower profit margins and weaker gains from sales of assets. The company's chemicals business also slumped, with profits falling about 14 percent from last year. Chevron last Friday reported earnings of $3.6 billion for first quarter 2018, compared with $2.7 billion in the first quarter of 2017. Foreign currency effects increased earnings in the 2018 first quarter by $129 million, compared with a decrease of $241 million a year earlier. Sales and other operating revenues in first quarter 2018 were $36 billion, compared to $32 billion in the year-ago period. U.S. upstream operations earned $648 million in first quarter 2018, compared with $80 million from a year earlier while International upstream operations earned $2.70 billion in first quarter 2018, compared with $1.44 billion a year ago. U.S. downstream operations earned $442 million in first quarter 2018, compared with earnings of $469 million a year earlier while International downstream operations earned $286 million in first quarter 2018, compared with $457 million a year earlier. Cash flow from operations in the first three months of 2018 was $5.0 billion, compared with $3.8 billion in the corresponding 2017 period. Excluding working capital effects, cash flow from operations in first quarter 2018 was $7.1 billion, compared with $4.8 billion in the corresponding 2017 period. Refiner and marketer Phillips 66 announced first-quarter 2018 earnings of $524 million and adjusted earnings of $512 million compared with fourth-quarter 2017 earnings of $3.2 billion and adjusted earnings of $548 million. Fourth-quarter 2017 earnings included a $2.7 billion benefit from U.S. tax reform. Phillips 66 posted revenues of $24,046 million compared with the year-ago number of $23,712 million. The Chemicals segment, which reflects Phillips 66's equity investment in Chevron Phillips Chemical Company, first-quarter net income was $232 million compared with $27 million in the fourth quarter of 2017. Chemicals net income in the fourth quarter of 2017 included hurricane-related costs of $75 million and an asset impairment of $19 million. Refining first-quarter net income was $91 million, compared with $371 million in the fourth quarter of 2017. Refining results in the first quarter included biodiesel tax credits of $2 million. Prior-quarter net income included favorable U.K. tax credits of $23 million, partially offset by hurricane-related costs of $7 million and pension settlement expense of $3 million. Refining adjusted net income was $89 million in the first quarter of 2018, compared with $358 million in the fourth quarter of 2017. Marketing and Specialties first-quarter net income was $184 million, compared with $123 million in the fourth quarter of 2017. M&S first-quarter net income included biodiesel tax credits of $10 million. Adjusted net income for Marketing and Other was $129 million in the first quarter of 2018, an increase of $42 million from the prior quarter. During the first quarter, Phillips 66 generated $488 million in cash from operations. Excluding working capital impacts, operating cash flow was $1.3 billion. BP is scheduled to report its most recent quarterly results tomorrow.

Univar to Distribute Boss Lubricants in Western Canada

Univar Canada Ltd., a subsidiary of Univar Inc., a global chemical and ingredient distributor and provider of value-added services, along with Boss Lubricants, announced an energy and mining markets distribution agreement last week for Western Canada. Boss Lubricants is one of Canada's largest independent lubricant manufacturers and wholesale suppliers of lubricants, glycols and greases. Peter Gupta, Univar's vice president for Western Canada and Oil & Gas, said, "The Boss Lubricants line correlates to our strategy to expand and complements our current product and service offering. We also see tremendous synergies in our infrastructure and sales force to expand and offer our customers additional value." While the agreement will expand Univar's footprint into the Western Canada lubricants market, Univar has a vast global distribution network that serves its customers locally, it said. This agreement offers customers Univar's technical expertise, expansive distribution capabilities and a comprehensive product portfolio. Jarrett Flegel, president and chief operating officer at Boss Lubricants commented, "Boss Lubricants is proud to enter this strategic distribution agreement with Univar to market our oil and gas, mining, and manufacturing lubricant products in Western Canada. The addition of lubricants will complement Univar's broad portfolio of chemicals and ingredients while extending the availability of Boss Lubricants' products to Univar's extensive customer base. Our business philosophies, strategies and corporate cultures align very well, so we are pleased to grow our future businesses together." Founded in 1924, Univar is a global chemical and ingredient distributor and provider of value-added services, working with leading suppliers worldwide. Univar operates hundreds of distribution facilities throughout North America, Western Europe, Asia-Pacific and Latin America. Headquartered in Calgary, Alberta, and founded in 1922, Boss Lubricants has 10 warehouse distribution centers and manufactures and supplies premium engine and transmission lubricants, natural gas engine and compressor oils, grease, glycols and similar products in over 400 varieties to industrial and commercial businesses throughout Canada and the northwestern United States. BOSS is an acronym for Bulk Oil Sales and Service.

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