



# Mergers & Acquisitions (M&A) In Chemical Industry

Executive Summary Report

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**Report**

PREPARED BY  
**Pukka Partners**

# ABOUT PUKKA PARTNERS



Pukka Partners provide customized intelligence solutions to C-suite executives and functional growth leaders, with sound expertise in business research, strategy consulting, advisory, business intelligence, and data analytics.

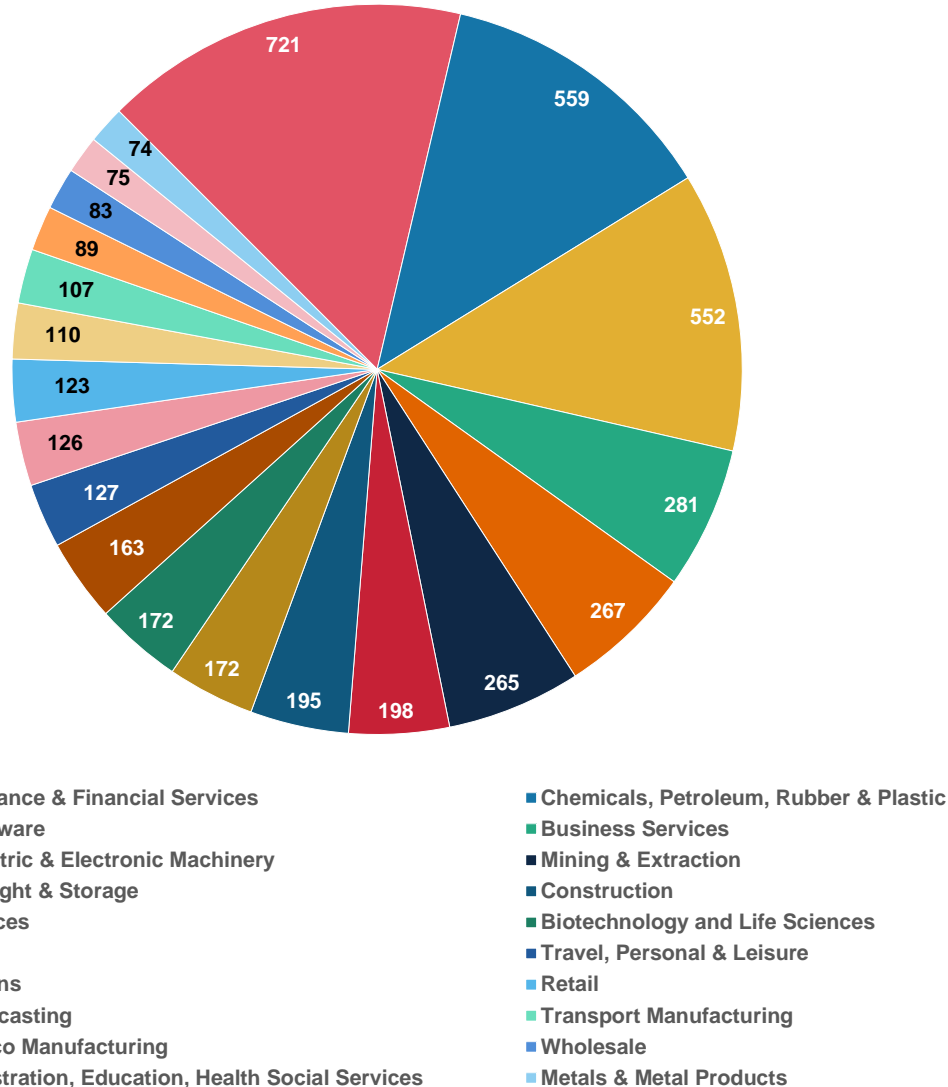
We offer advisory and actionable insights around public policies, investment tracking along with the obstacles faced by investors, innovation and strategy impact monitoring, identification of industry potential, and technology mapping through comprehensive and standardized research methodology and tools.

We deploy our solutions to solve prioritized and critical business challenges by leveraging our in-house expertise as well as continuous engagement with industry thought leaders in the business ecosystem.

In a short span of time, our consultants have had the opportunity to engage and deliver domain & sector specific tailor-made strategic projects to top executives and functional growth leaders, empowering them to make informed business decisions.

Our success is directly linked to our client's growth, and we ensure to exceed it every time we engage with our existing clients and future prospects. We aim to be a knowledge partner for our customers and gradually become their trusted intelligence provider.

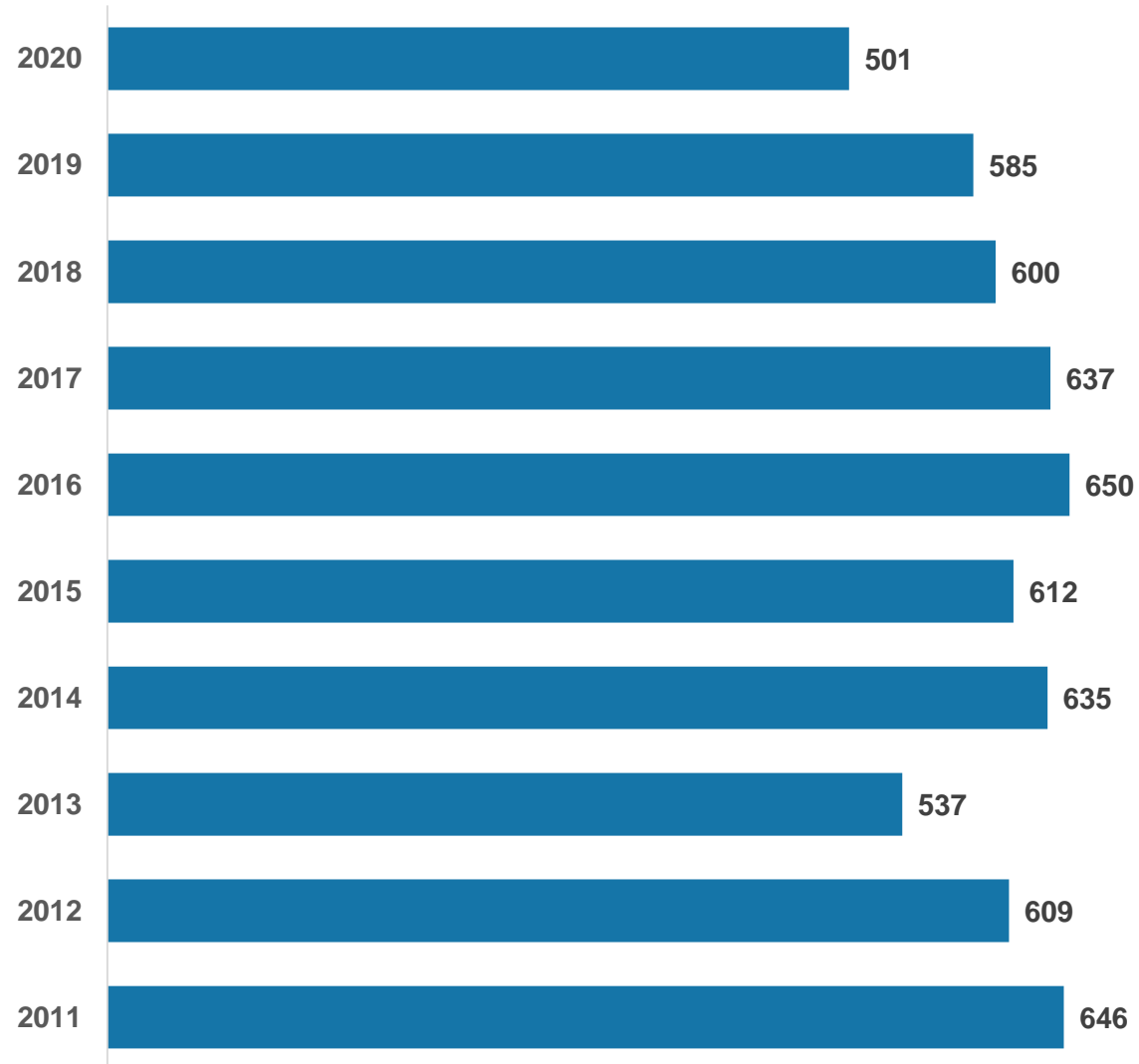
Value of M&A deals worldwide in 2019, by sector (USD Bn)



## Key Highlights

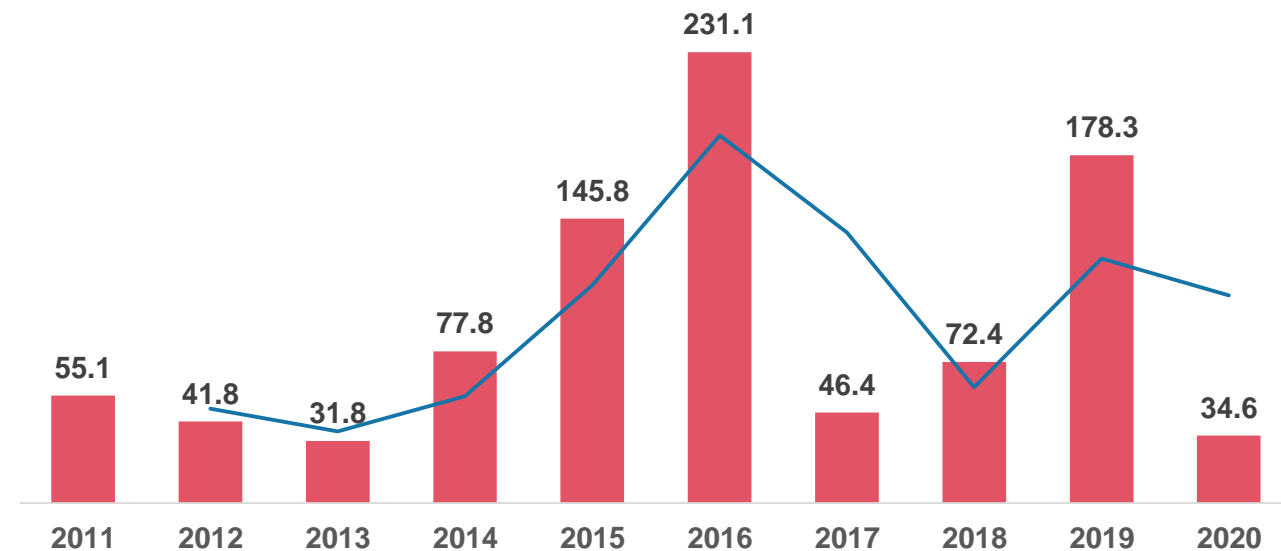
- Global trade disputes, tightening environmental regulations and structural challenges in key end markets, such as automotive, have challenged the chemicals industry in recent years. Subsectors, such as paints and coatings and plastics manufacturing, have lost profitability and continued to increase debts. Chemical's businesses have to deal with cost pressure and uncertainty, both amplified by the COVID-19 pandemic.
- Value of M&A in chemicals in 2019 was among the highest of all times. In 2019, the value of M&A deals in the banking, insurance and financial services the highest, amounted to \$ 721.32 billion U.S. dollars and the M&A deals in the chemical, petrochemical and plastic sector served second highest, amounted to USD \$ 559.21 billion.
- Chemicals-related M&A seems to provide attractive opportunities despite complex deal surroundings. Financial distress is historically a major M&A driver due to relatively attractive company valuations. In addition, companies intend to recapture lost market shares and margins.

## M&A Deals By Volume from 2010 - 2020



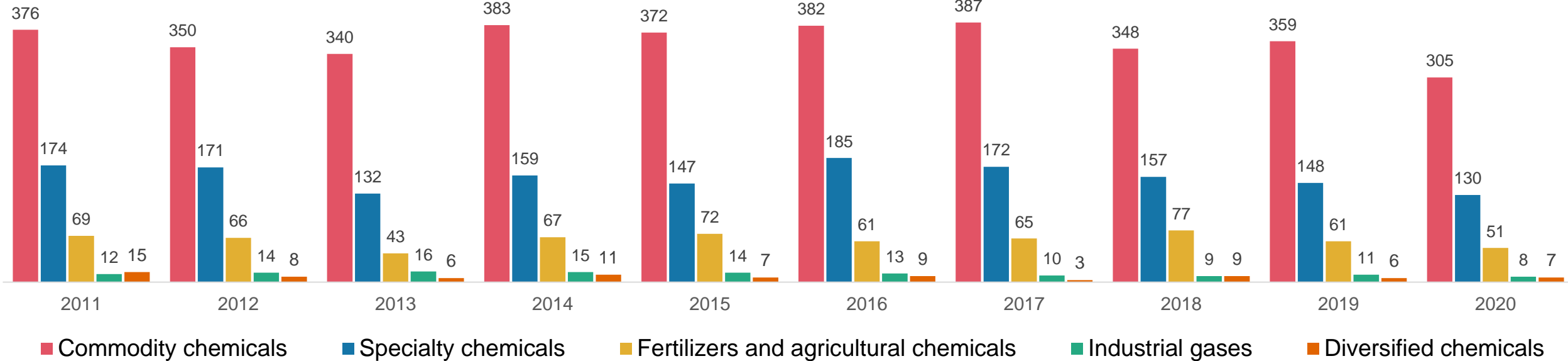
- 2020 marks the fourth year of global M&A volume declines in chemicals, with overall global volumes down 14.4 percent compared to 2019.
- The global pandemic brought with it some unique challenges that caused chemicals companies to rightfully focus inward, putting M&A transactions on pause. Despite that 2020 still finished with solid M&A activity in the industry, with over 500 transactions.
- In 2020, there were a total of 8 deals in the global chemicals market that were worth more than 1 billion USD, this represented a decrease compared with 14 deals in 2019, 16 deals in 2018, 13 deal in 2017, and 12 deals in 2016.

## M&A Deals By Value from 2011 - 2020 (In USD Billion)



# Global Chemical Mergers & Acquisitions By Application

M&A (# of Deals)



Commodity chemicals	Specialty chemicals	Agro chemicals	Industrial Gases	Diversified Chemicals
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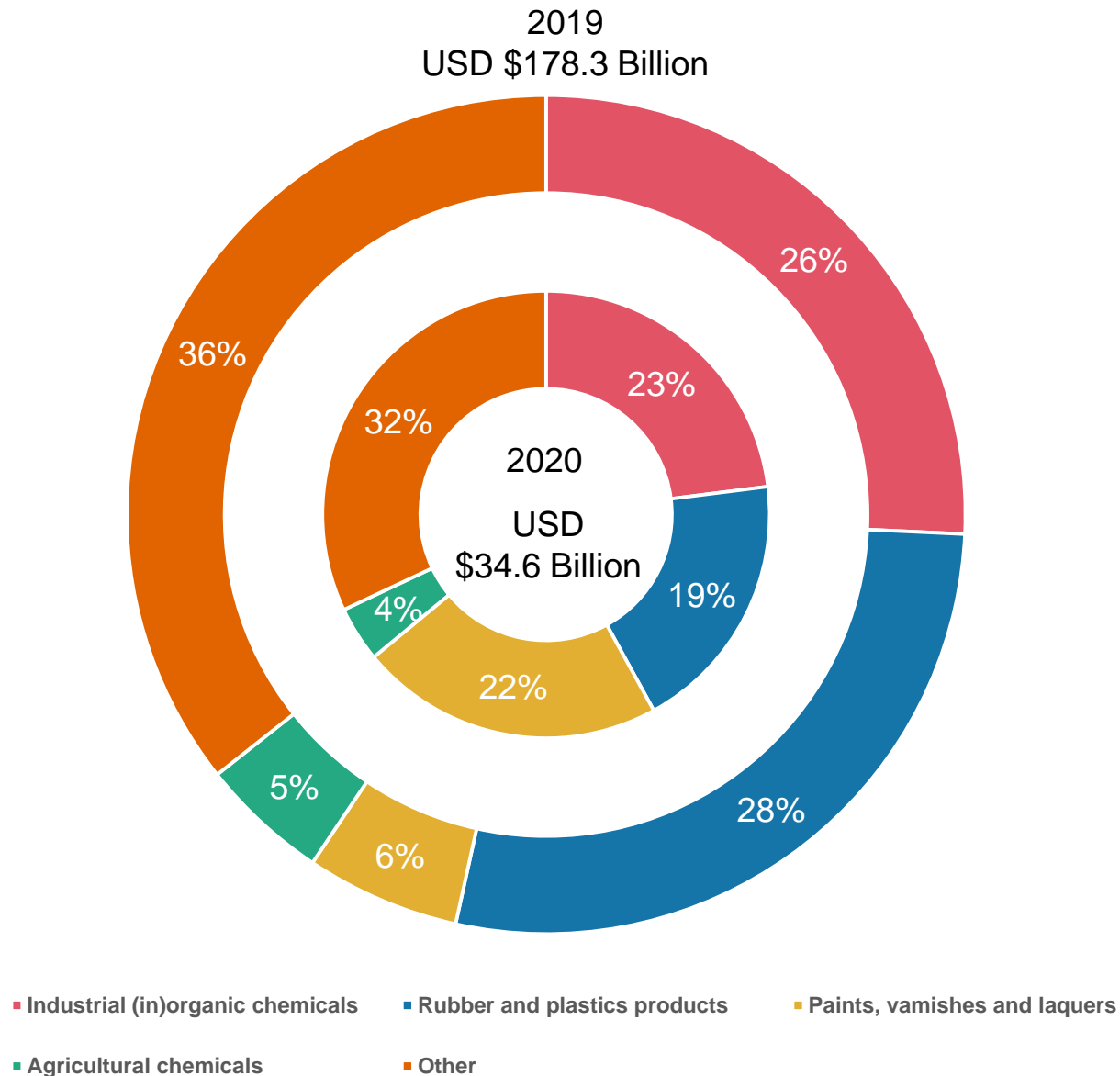
Reshaping portfolios while restructuring in a pandemic and low-price environment will continue to fuel transaction activity in commodity chemicals

Despite the overall M&A slowdown in the sector in 2020, deal volumes in specialty chemicals is expected to rebound in 2021, driven by attractive growth rate

The strong rebound in agricultural commodity prices in late 2020 and early 2021 will drive demand for agro chemicals to help drive yields.

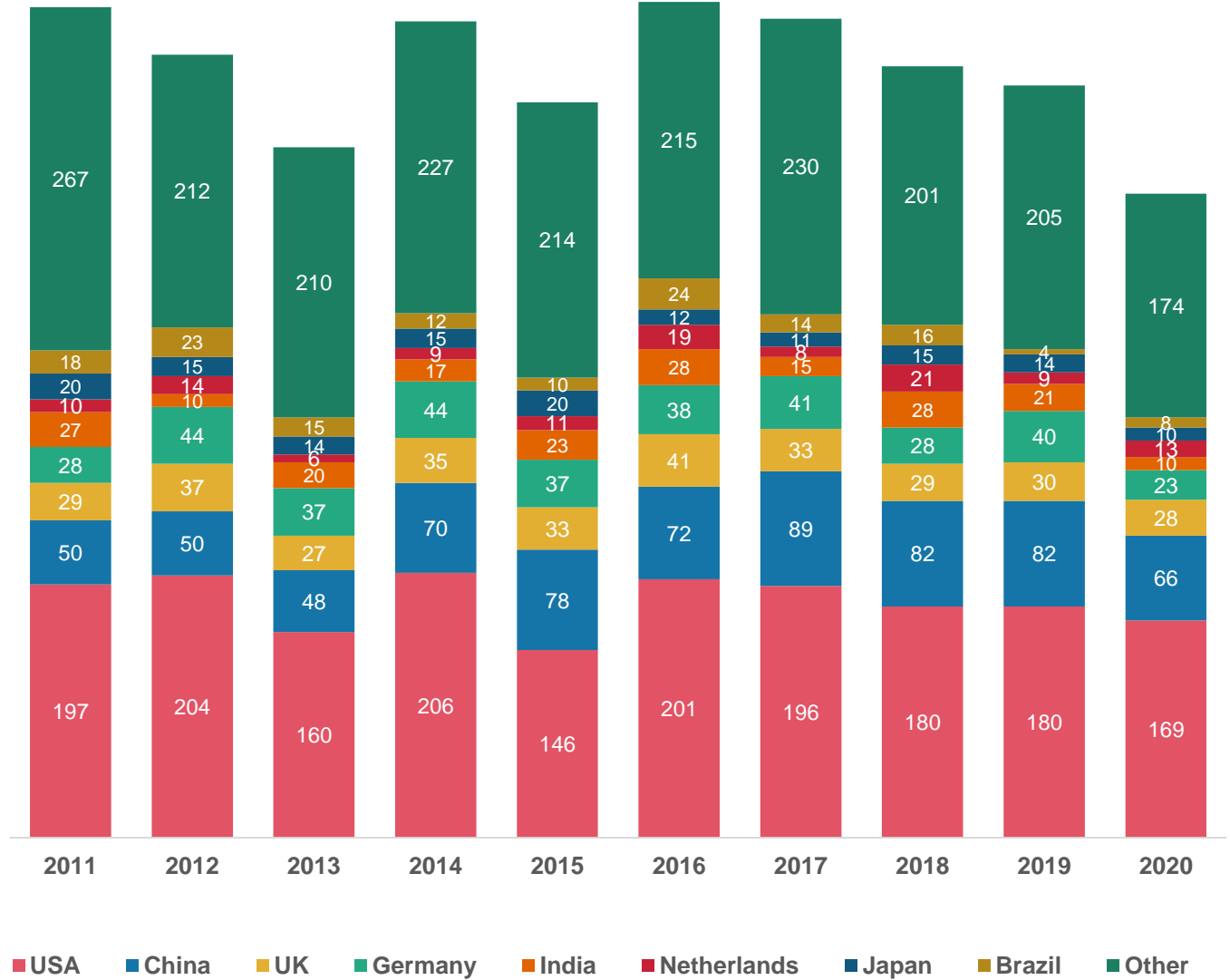
Business drivers for deals in industrial gases remain unchanged and deal volume dipped into single digits.

As many chemical companies continue to focus on their core businesses, acquisitions of diversified businesses will likely continue to be out of vogue

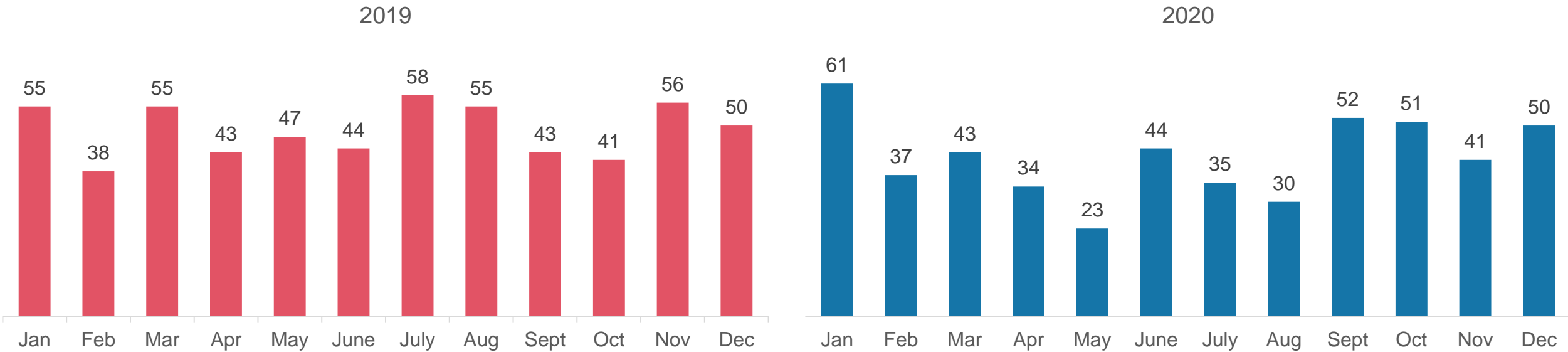


- Global trade disputes, tightening environmental regulations and structural challenges in key end markets have challenged the chemical industry in recent years.
- In 2019 and 2020, merger and acquisition deals in the global chemical industry reported a total value of 178.3 billion U.S. dollars and 34.6 billion U.S. dollars, respectively.
- In both the years, transactions within the industrial organic and inorganic chemicals subsector were the most valuable, accounting for a 26 percent share of total chemical industry M&A value worldwide in 2019, and 23 percent in 2020.
- From a sector perspective, high expect levels of M&A activity in rubber, plastics processing, and paints and coatings. There was a huge decline in the same from 2019 to 2020 because of lockdowns but it is expected to grow again in 2021.

# Global Chemical Merger & Acquisitions By Target Market



- US deal volumes in 2020 were at their lowest level since 2013, across all chemical sectors. US deal values were also at a decade-low, attributable to there being no megadeals in combination with low deal volumes. There were only two deals in 2020 in the US over \$1 billion.
- In China Compared to 2019, volume was down nearly 20 percent in 2020 and value down by 40 percent. Transactions in the commodity chemical segment decreased by 45 percent in value but still accounted for more than 80 percent of total deal value in the chemical sector.
- The chemical industry in India is expected to grow rapidly to US\$300 billion by 2025, from US\$165 billion in 2019. This growth will be primarily driven by rising disposable income, the relatively low median age of the population, urbanization, growing penetration and demand from rural markets, and shifting consumer preferences toward healthier lifestyles and environmentally friendly products.
- In the first half of 2020, the volume of M&A transactions in the German chemical industry decreased significantly due to uncertainties leading to a decade-low M&A volume in 2020. However, the pandemic led companies to intensify the internal review of their existing business portfolios.
- Although volumes were down, international interest in UK companies continued, with investors from the US particularly active. As in 2019, the specialty chemicals space proved the most active, especially companies serving the cleaning chemicals subsector, where increased demand from COVID-19 buoyed valuations.



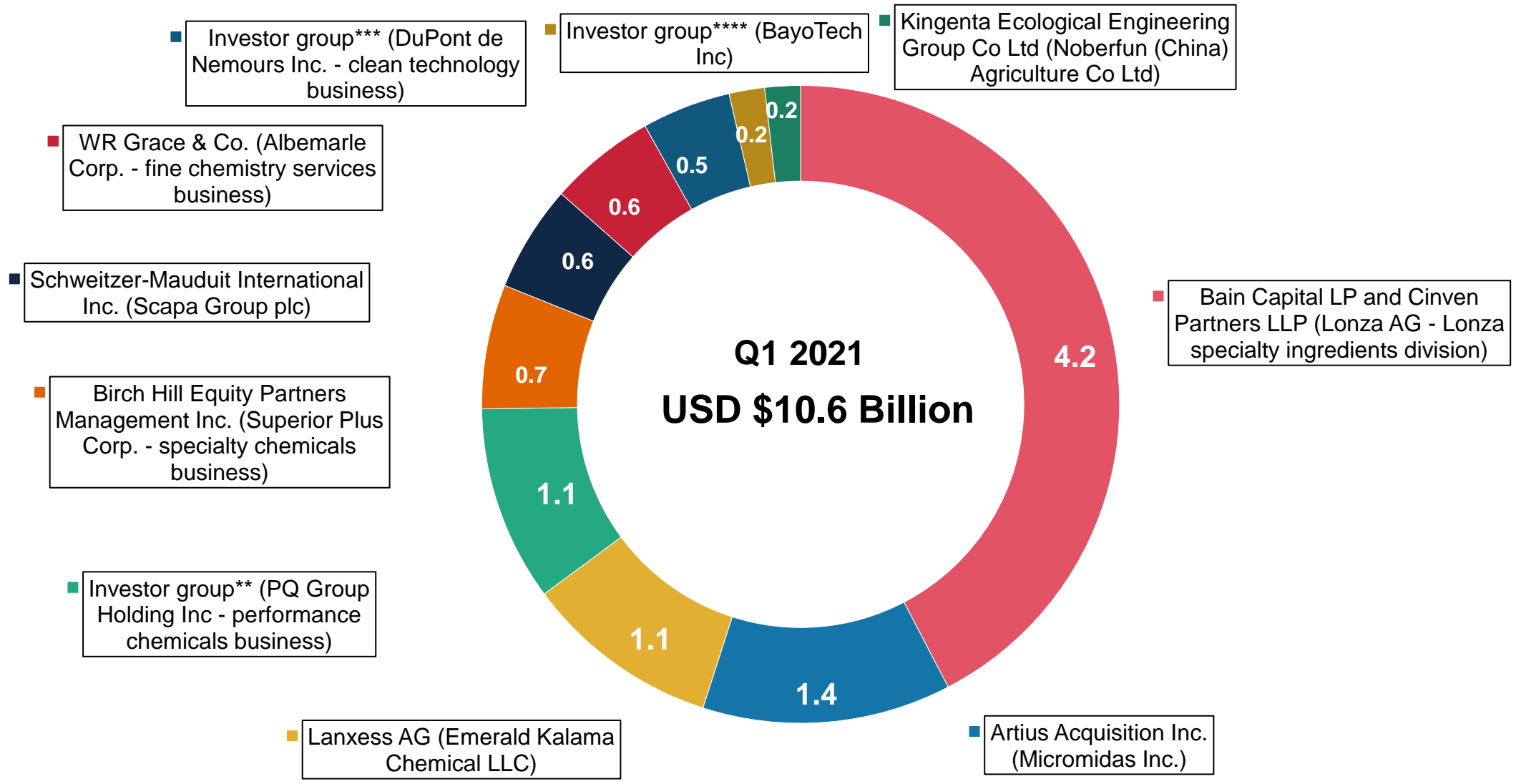
A strong start to 2020 quickly turned weaker beginning in March, as the pandemic raced around the world. Deals that had sufficient momentum and work done by buyers and sellers ahead of lockdowns and travel bans may have made it across the finish line. Deals that were earlier in the process, however, were either delayed or shelved entirely. Several key factors contributed to a slowdown in deal-making, including:

- Price dislocation between buyers and sellers given substantial uncertainty in forecasts
- Impacts to global supply chains due to plant shutdowns
- Liquidity concerns of buyers
- Uncertain financing sources
- Simple logistics of customary in-person site visits and meetings with management teams.

The total volume of transactions in the last four months of 2020 exceeded that from 2019. Some of this was the restart of delayed processes from earlier in the year, many new assets were brought to the market during Q3 and Q4 which resulted in announced M&A deals during 2020.



# Recent Chemical M&A Deals in First Quarter of 2021



A critical factor impacting deal volumes in 2020 was undoubtedly the outbreak of the COVID-19 pandemic. Its impacts were felt across the globe. Studying the mergers and Acquisition landscape in the chemicals sector of the previous years we came to know that there might be a significant decline in megadeals and cross-border-related M&A due to COVID-19. However, financial distress has historically been a major driver of M&A activity because of attractive company valuations. As we put 2020 behind us and look forward to 2021, there are certainly still economic and business uncertainties coming out of the COVID-19 pandemic.

However, there appears to be a favorable environment for strong M&A activity in 2021 continued portfolio realignment by corporations, abundant dry powder from private equity funds, a favorable interest-rate environment, an improving economic backdrop, and corporations now looking for growth. This doesn't mean that in 2021 M&A will be easy, though. With a mismatch between the supply of high-quality of assets and demand from PEI and chemical companies searching for growth, we anticipate high valuations and competition for high-quality assets.

Sustainability becoming a bigger part of the chemical industry's focus, through in-house initiatives, sourcing, recycling, and investment decisions. Sustainability-driven transactions continued to grow throughout 2020, both in terms of traditional M&A transactions and nontraditional transactions such as partnerships, alliances, and new ecosystems.

Investments in sustainability will likely continue to gain momentum in 2021 and future years as this megatrend becomes more important to the chemical industry and the investment community. Moreover, we expect there will be additional due diligence in M&A transactions focused on the carbon footprint and sustainability practices of the potential transaction partner.

— **THANK YOU** —

**Asia Pacific**

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