



Clairfield industry M&A snapshot H1 2024

Specialty chemicals

October 2024

 clairfield

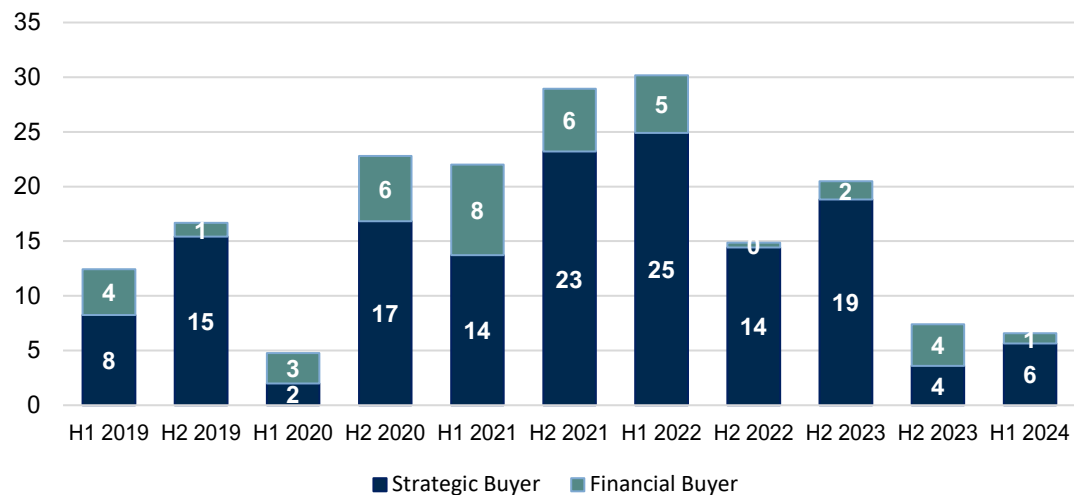
Speciality chemical M&A sector snapshot – H1 2024

Overview of M&A activity in the first half of 2024

Introduction:

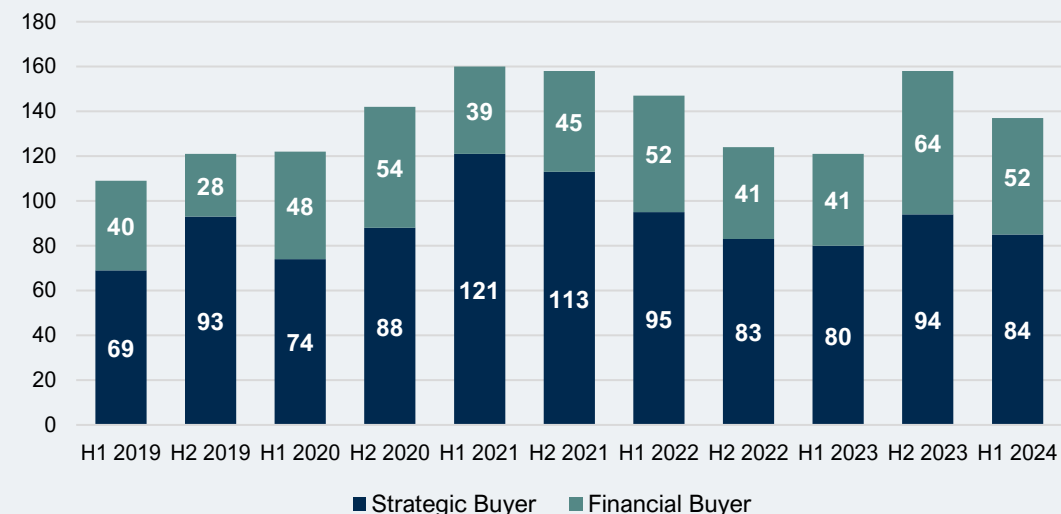
- Transaction activity within the specialty chemicals sector during the first half of 2024 reached a total of 136 deals, marking a 14% decline compared to the second half-year period of 2023, but in line with the long-term average of 138 deals per half year.
- Private equity fuelled a significant proportion of deal activity with over 38% of deals being completed by financial buyers. This was, in part, driven by the corporates divesting of their non-core divisions via private equity backed carve outs.
- The total disclosed deal value in H1 2024 reached \$6.5 bn, marking an 11% decline from H2 2023. The number of >\$500m value deals was slightly down on the long-term average. Over 90% of disclosed deals were <\$100m in value indicating a healthy owner-managed M&A market.

Disclosed Deal Values (US\$bn)



Source: S&P Capital IQ

Deal Volumes



	Average	H1 2024
Number of deals completed per half year	138	136
Percentage of financial buyers	30%	38%
Number of deals >US\$500 million per half year	5	3

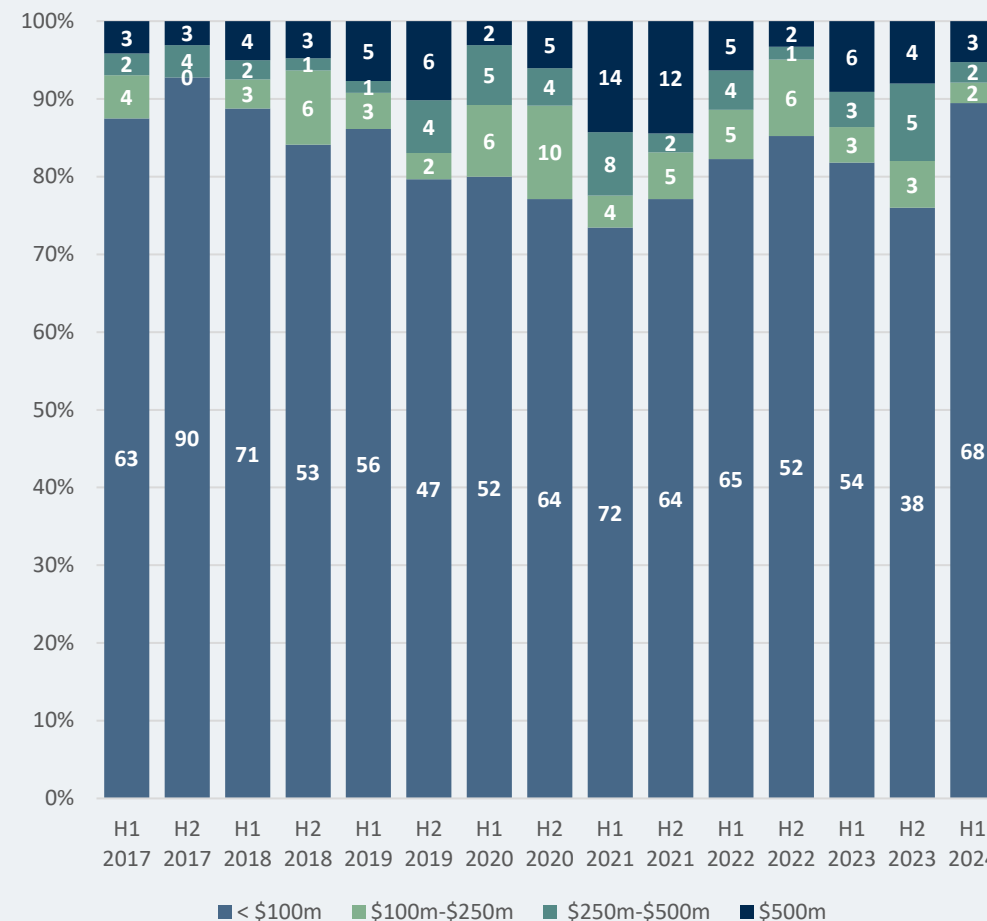
Average measured from H1 2015 to H1 2024

Small is beautiful – sub \$100m value deals lead the way

Overview of M&A activity in the first half of 2024

- The graph on the right illustrates the disclosed deal value ranges as a percentage of total deals across each half-year period.
- In H1 2024, there was a notable 30% increase in the proportion of deals valued at less than \$100m, highlighting the small and midmarket's strength and appeal within the specialty chemicals subsector.
- Increasing input costs, softer demand forecasts, higher interest rates and geopolitical uncertainty appear to have had a dampening effect on appetite for larger transactions with just 7 disclosed deals above \$100m in the first half of the year
- There is plenty of anecdotal evidence in the marketplace of paused deal processes as both targets and acquirers wait for trading to rebound. Stronger trading will generate more confidence for acquirers and will help to bridge valuation gaps created by targets' figures dropping off during 2023 and 2024.

Disclosed Deal Value Ranges as % of Total Deals



Specialty chemical M&A by region – H1 2024

APAC leading the field

Geographic trends – strategic buyers

- As in H2 2023, the most active region for M&A in H1 2024 was Asia Pacific, with 48% of both buyers and sellers located in the region. This figure exceeds the historical average of 37% for both buyers and sellers.
- Chinese deal activity was above historical levels despite the economic issues facing the country.
- Buyer activity in the US and Canada was muted with just 18 buyers compared to a long-term average of 32 per half year period. Typically, US and Canadian buyers account for approximately one third of all transactions, but in H1 2024 they were closer to one fifth.

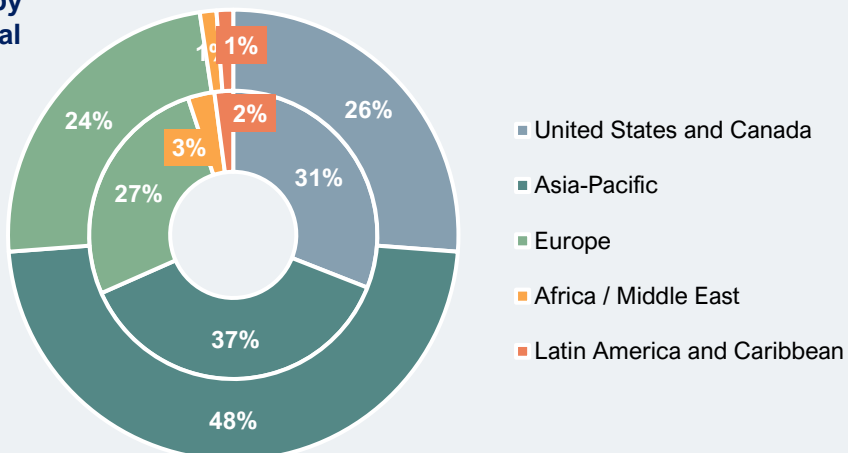
Number of H1 2024 targets HQ by geographical region

United States and Canada	22
Asia-Pacific	40
Europe	20
Africa / Middle East	1
Latin America and Caribbean	1

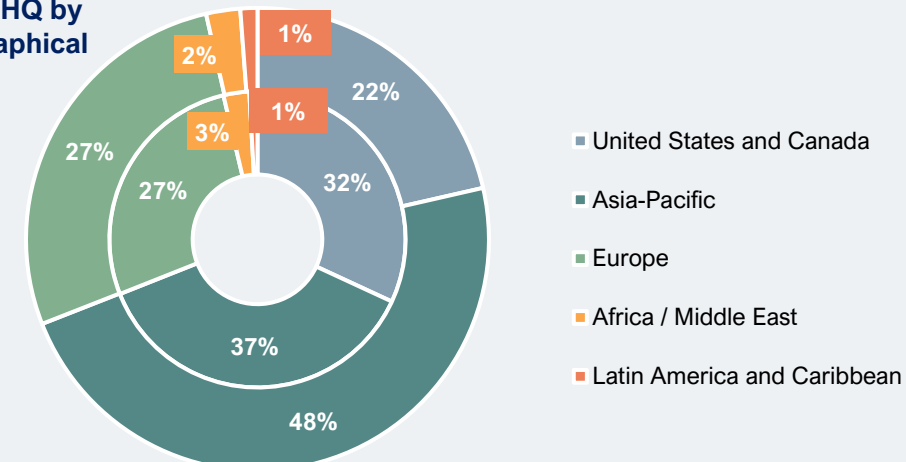
Number of H1 2024 buyers HQ by geographical region

United States and Canada	18
Asia-Pacific	40
Europe	23
Africa / Middle East	2
Latin America and Caribbean	1

Target HQ by geographical region



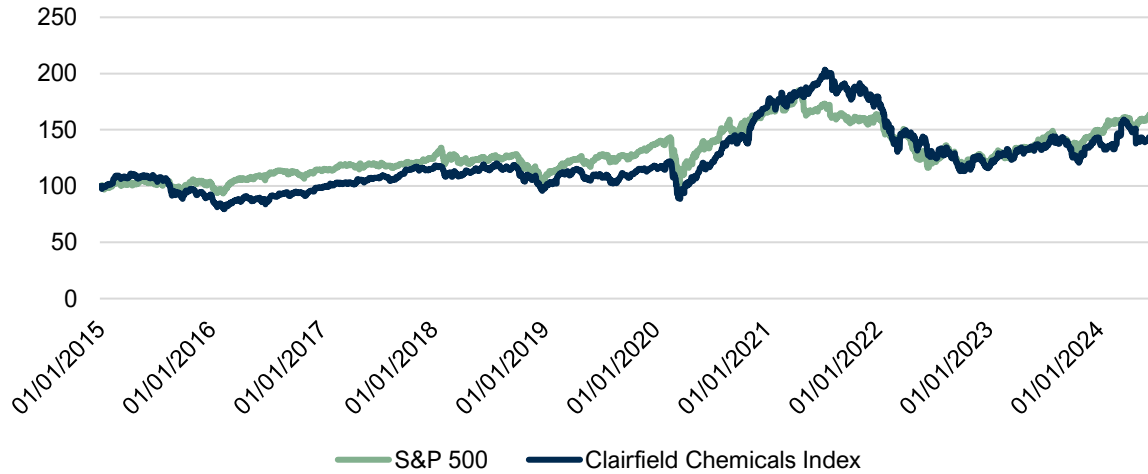
Buyer HQ by geographical region



Valuation multiples

Publicly owned businesses trending slightly below the general market

Clairfield Specialty Chemicals Index vs S&P 500



- The Clairfield Chemicals Index outperformed the S&P 500 in the latter stages of the pandemic but has since returned to tracking more general market performance.

The Clairfield Specialty Chemicals Index is made up of 70 listed businesses including:



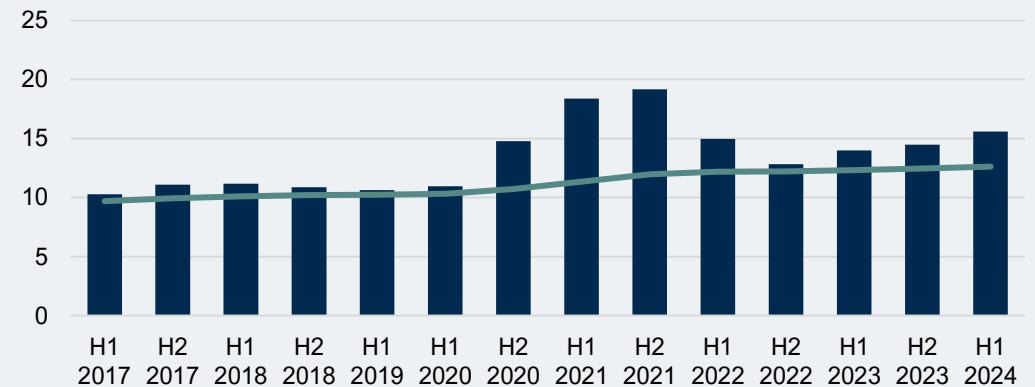
Source: S&P Capital IQ

Listed businesses valuation summary

- The Enterprise Value to EBITDA multiples below are the averages across our index of listed Specialty Chemicals businesses.
- While there has been a marked decrease in valuation multiples from the peak of dealmaking in 2021-2022, the average valuation multiple in H1 2024 (15.6) was higher than the long-term trend and 51% above the pre-pandemic average.

	Average 2015-2024	Pre-Pandemic Average	H1 2024 Average
Specialty chemicals	12.6	10.3	15.6

Clairfield Specialty Chemicals Index EV/EBITDA Multiples



Half year market updates - surviving, not thriving

Tough market conditions prevailed in the first half of 2024. Leading CEOs dig in to face continued challenges in the short term



- Net Sales of \$3.2 billion increased 2%; organic sales flat versus year-ago period while DuPont EBITDA fell by 8.97%. Lori Koch, DuPont CEO reports "Our second quarter results reflect continued positive momentum led by further broad-based electronics market recovery, along with sequential improvement within all W&P lines of business, including water and medical packaging end-markets."



- Adjusted EBITDA rose to €400 million and organic sales up 2%. Greg Poux-Guillaume, AkzoNobel, CEO reported "Although our operational costs are up, efforts to mitigate this inflationary cost pressure are accelerating and measures are already underway, above and beyond our industrial efficiency program."



- During the first quarter, there were signs of a business recovery for the remainder of the year. "Unfortunately, the recovery turned out to be much weaker in May and June than we had expected. Our contingency measures prevented a more significant earnings decline, but we are feeling the effects of a slowing global economy."

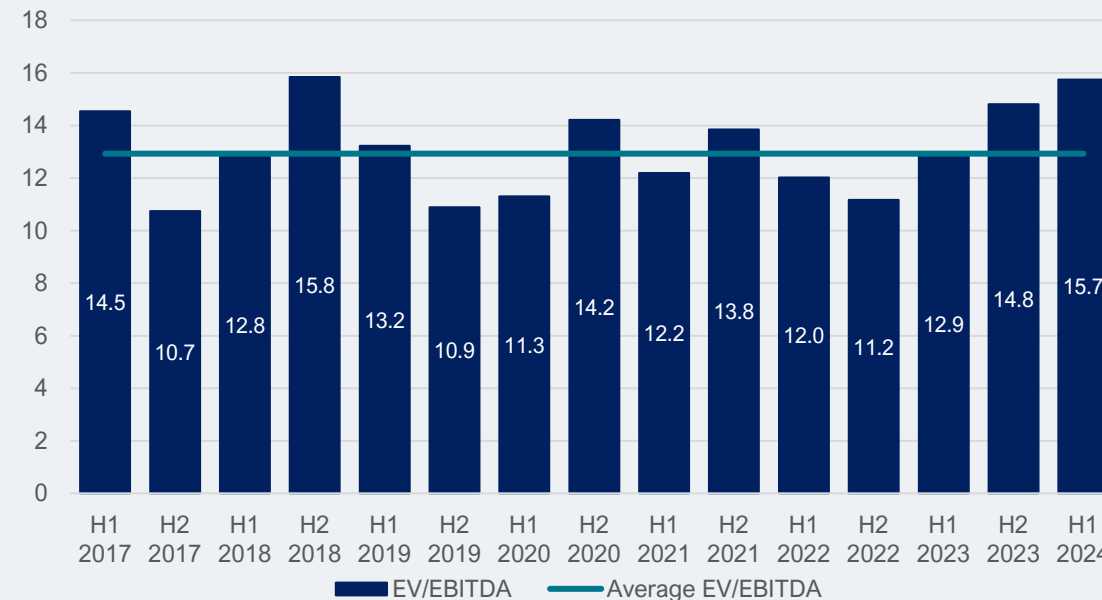


- Revenues were down 7% but with sales improving sequentially versus the second half of 2023. Steve Foots, Group CEO notes that "Despite volatility not seen since 2008 with significant raw material inflation and subsequent deflation, and the unprecedented fluctuations in sales volumes, we've remained disciplined on price, and the margin we make in our sales prices on raw materials has remained high and stable."

Valuation trends and drivers

- Private company transaction Enterprise Value to EBITDA multiples were above historic averages during the first half of 2024, based on publicly disclosed deals.
- During the half year period, there were a relatively small number of disclosed multiples (7), so one should not try to read too much into variations from period to period.
- Pricing followed long-term trends with Asia Pacific being slightly more bullish on pricing than North America and Europe. Five of the disclosed deals were for targets in China for sub \$100m dollar deals.
- Drivers for M&A activity included:
 - Long-term optimism within the sector: many research companies forecast CAGR of ~5% through the 2020's. There are some early signs of improving conditions as we move into the second half of 2024.
 - Capital allocation and reorganization as businesses divest of underperforming or non-core divisions.
 - A higher proportion of smaller, specialised bolt-ons rather than large transformational acquisitions.
 - Targets who focus on specialised materials and solutions into attractive end markets with long-term secular growth trends including renewable energy, advanced electronics, decarbonisation and life sciences.
 - There is still caution being shown by businesses serving the automotive and construction sectors where demand remains sluggish.
 - Expansion of portfolio/technical capability and geographic expansion, with Asia being an attractive market.
 - Strengthening supply chain resilience.

EV/EBITDA Multiples



Key transactions – H1 2024

Notable deals from the first half of 2024 show big-ticket transactions

Specialty chemicals 



acquired



Roquette Freres, a market leader in specialist ingredients and pharmaceutical excipients has agreed to acquire Pharma Solutions Business of International Flavors & Fragrances. IFF is a worldwide producer of excipients for oral dosage solutions. This acquisition will strengthen Roquette's position in the excipients market globally and in the US.

Specialty chemicals 



acquired



Evonik Industries AG, a leading German specialty chemicals company, has agreed to sell its Superabsorbents division to International Chemical Investors Group (ICIG). The divestment will allow ICIG to strengthen its manufacturing capabilities through the transfer of ownership of production facilities in Germany and the US.

Specialty chemicals 



acquired



H.B Fuller Company, a global leader in pureplay adhesives company has agreed to acquire ND Industries. This strategic acquisition will bolster Fuller's capabilities for specialty adhesives and fastener locking and accelerate H.B. Fuller's growth in high margin and high growth segments within the functional coatings, adhesives and sealants.

Specialty chemicals 



acquired



Axalta Coating Systems, one of the leading global coatings companies, has entered into a definitive agreement to acquire The CoverFlexx Group from Transtar Holding Company for an initial cash consideration of \$285 million. This will expand Axalta's primers, basecoats offerings and provide synergies to Axalta's portfolio of offerings.

Specialty chemicals 



acquired



Covestro AG, a leading manufacturer of polymer materials, entered into negotiations with Abu Dhabi National Oil Company (Adnoc) regarding a potential sale at a proposed price of €62 per share. Acquiring Covestro will enable Adnoc to advance its transition into a low-carbon global energy company, leveraging Covestro's expertise in producing high-growth products. In September 2024, the deal was confirmed at ~\$13bn.

Specialty chemicals 



acquired



Approved Color provides quality chromatically matched colorants to the plastics industry with end markets including children's toys, clothing, cookware, food containers, bottles, and other applications.

Chroma Color states that it is committed to growing its custom color business through both organic and inorganic activities.

Specialty chemicals 



acquired



Actnano, Inc., a global leader in surface protection technologies for automotive, consumer, and industrial electronics, has secured a \$40 million investment from Anthelion Capital. This investment will allow Actnano to expand its technical sales and service footprint as well as increasing production capabilities to meet the increasing global demand for its nanocoating technology.

Specialty chemicals 



acquired a majority stake in



Corbion, a leading ingredient solutions provider, has entered into a binding agreement to sell its emulsifiers business to Kingswood Capital Management for \$362 million. Kingswood, a private equity firm specialising in corporate carve-outs and food & beverage investments, will leverage the business's strong market position to create the largest standalone pure-play emulsifiers company in North America.

Specialty chemicals 



acquired a majority stake in



SCF Partners, a Houston-based private equity firm, has acquired the Pipeline and Industrial Materials business from Entegris Inc. The acquisition includes Flowchem, Val-Tex, and Sealweld. This strategic move strengthens SCF's position in the chemicals and products industry for midstream infrastructure, further bolstering its portfolio in the energy sector.

Clairfield at a glance

clairfield

400+

TEAM MEMBERS

80%

OF OUR MANDATES
ARE INTERNATIONAL

6

SECTOR TEAMS OF
SPECIALISED EXPERTISE
BACKED BY

32

COUNTRIES

30%

DEALS CLOSED WITH
INTERNATIONAL BUYERS

70

INDUSTRY
ADVISORS

Founded in 2004, Clairfield International provides advisory services on midmarket transactions to a diverse clientele, including large companies, private investors, private equity, public sector entities, and family businesses.

We connect clients with regional and international strategic parties, investors, and decision-makers, while providing expert knowledge of local markets, regulations, and cultures.

Clairfield ranks as one of the top independent M&A advisors in worldwide league tables.



**A leading independent
M&A advisor for
midmarket deals**

Top 10

IN EUROPEAN
MIDMARKET RANKINGS

Top 20

IN WORLDWIDE
MIDMARKET RANKINGS

790

DEALS CLOSED IN
THE LAST 5 YEARS

EUR 30 billion

CUMULATIVE DEAL VALUE IN
THE LAST 5 YEARS

Clairfield's chemicals practice

A compelling combination of M&A experience and chemicals expertise

Clairfield's chemical practice is a joint venture between global investment bank Clairfield and specialist chemicals advisory firm JF Chemical Associates.

The joint venture brings together a compelling combination of M&A deal origination and execution with deep chemicals market knowledge and expertise.

Industry contacts

Our team has approximately 10,000 industry contacts in chemicals and polymers.

Database

We manage a database of approximately 2,500 companies.

Strategic decision makers

We stay in touch with approximately 1,000 owner-managers, executives and investment professionals.

Niche experts

We have regular contact with approximately 800 known niche experts.

Global footprint

We are on five continents with local M&A teams in 30 countries.

1. Corporate Finance Advisory firms focus on transactional experience when promoting their sector expertise. While important, transactions are only a part of sector knowledge.

2. Clairfield go beyond this. Our team members include operating partners from JF Chemicals Associates who have worked in the chemicals sector for years, with experience of leading multinational businesses and of completing transactions from within the business itself, not just as advisors.

4. Expertise from within the chemical industry allows Clairfield to go *beyond transactional advice to value creation.*



3. JFCA's in-depth knowledge of technical, strategic, market and operational issues give Clairfield a clear advantage over other firms who simply advise from the "outside."

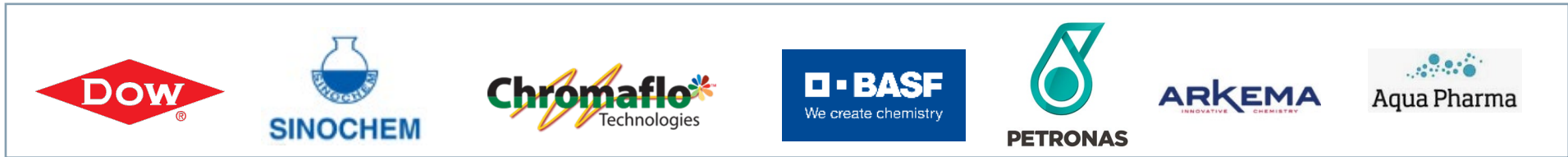
Clairfield's chemicals practice

Transaction and advisory credentials

M&A



JV Creation



Integration



Management Experience



clairfield

**Tom
McCarthy**

tmccarthy@clairfield.com



**Edoardo
Schiavina**

eschiavina@clairfield.com



**Yasuyuki (Luke)
Kita**

ykita@clairfield.com



**Abhijeet
Biswas**

abiswas@clairfield.com



**Achim
Mauruschat**

amauruschat@jf-ca.com



**Rüdiger
Funke**

rfunke@jf-ca.com



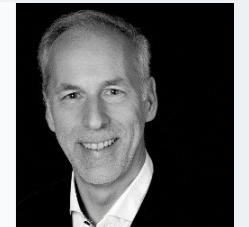
**Pierre
Joris**

pjoris@jf-ca.com



**Jens
Hoeltje**

jhoeltje@jf-ca.com



CLAIRFIELD INDUSTRIALS SECTOR HEADS

Tom McCarthy
tmccarthy@clairfield.com
Birmingham, UK
+44 (0) 121 234 6093

Albert Schander
aschander@clairfield.com
Frankfurt, Germany
+49 69 70 79 69 0

CLAIRFIELD INTERNATIONAL SA

111 Route de Chevrens
1247 Geneva
Switzerland

Tel: +41 22 518 0242
info@clairfield.com

Alexander Klemm
Executive Chair
aklemm@clairfield.com

Kim Rizvi
International Business Manager
krizvi@clairfield.com

Silvio Curioni
Finance Manager
scurioni@clairfield.com