

Clairfield industry snapshot

Specialty chemicals

November 2023

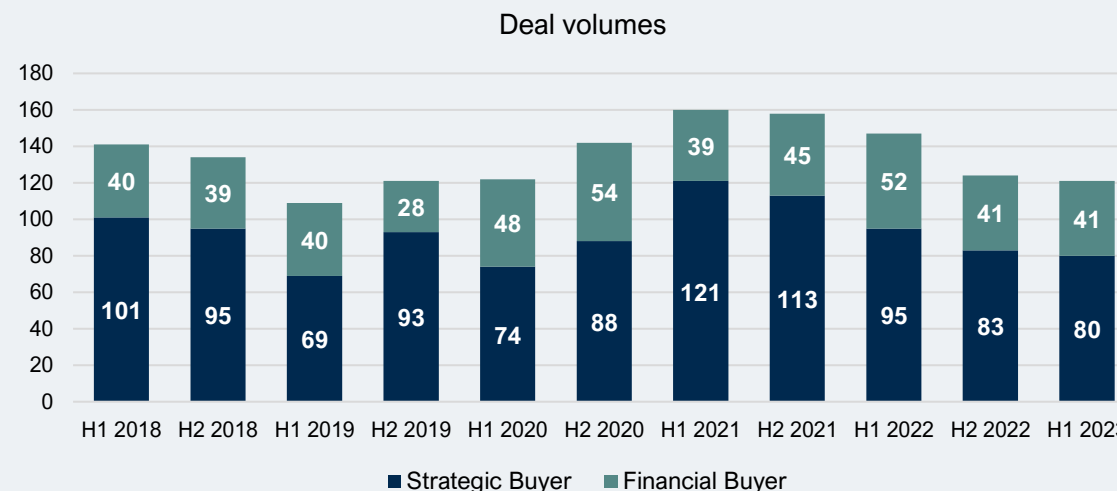
clairfield

Down but not out – specialty chemical M&A sector snapshot – H1 2023

Overview of M&A activity in the first half of 2023

Introduction - specialty chemicals activity is down, but not out...

- M&A activity in the Specialty Chemicals sector held up more strongly than many other industrial sectors in the first half of 2023. While deal volumes for H1 2023 are well down after the low-rate M&A boom times of 2021 and 2022, they are only about 10% below historical averages. Deal volume in H1 2023 almost equaled the number of deals completed in the second half of 2022.
- Total disclosed deal value of US\$20.7 billion bucked the downward trend of many other industrial sectors by exceeding the historical average (measured each half year from 2015 to H2 2022) by some 40%.
- Appetite for large deals in most industrial sectors declined in the first half of 2023, but Specialty Chemicals was an exception to the rule, with five deals over US\$500 million announced compared to the long-term average of three per half year. Only H1 2021 exceeds this number with 10 deals of over US\$500 million in the half year period.
- While the sector faces challenges, M&A appetite remains resilient: corporate restructuring strategies continue, private equity still seeks growth through buy-and-build strategies, and mid-sized businesses still face succession issues.
- That said, deals are taking longer to complete as buyers tread cautiously during due diligence. With many input variables affecting target businesses (bumper profits immediately post-pandemic, rising raw material, energy and labour costs, and weakening demand in the current period), it has been difficult for buyers to ascertain sustainable profits. On the sell side, numerous vendors have paused sales processes due to the uncertainty of future performance.
- Volumes may be down, but good quality businesses continue to attract interest and the lack of potential sellers means that competition can be fierce for the right asset.



138

Average deals per half year

30%

Average percentage of financial buyers

3

Average number of deals over US\$500 million per half year

Specialty chemical M&A by region – sector snapshot – H1 2023

Geographic trends: lower worldwide deal counts with Asia Pacific distorted

Geographic trends – strategic buyers

- The most active region for M&A in H1 2023 was Asia Pacific, with 41% of both buyers and sellers being based in the region. This was higher than the historical average of 36% for both buyers and sellers. The data is distorted due to the slightly muted deal environment in the US & Canada and Europe rather than due to a significant increase in activity in Asia Pacific during the first half of 2023.
- The proportion of sellers in the US & Canada and Europe decreased from historical averages, as did the proportion of buyers in the US & Canada. Activity in the US & Canada was below par with the fewest sellers (22) in the half year equaling the Covid-affected H1 2020 period. Likewise, US & Canadian buyers recorded their quietest half year of deals (20) recorded during our review period (2015 to the present day).

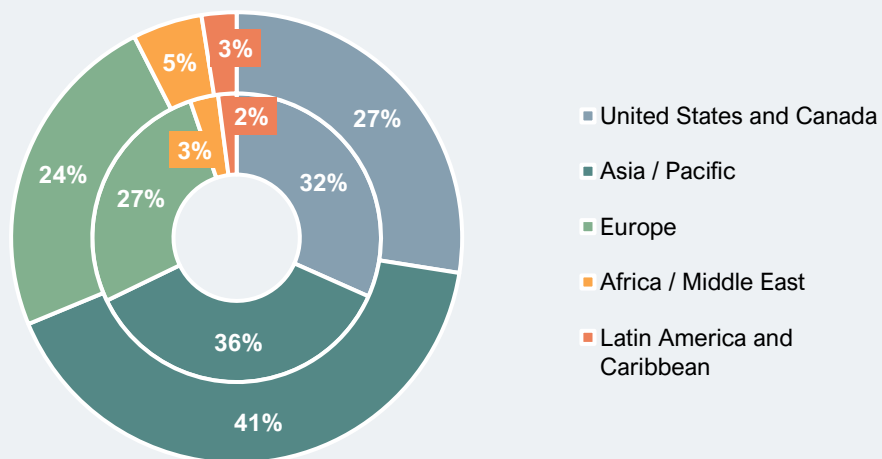
H1 2023 targets HQ by geographical region

United States & Canada	▪ 22
Asia Pacific	▪ 33
Europe	▪ 19
Africa/ Middle East	▪ 4
Latin America & Caribbean	▪ 2

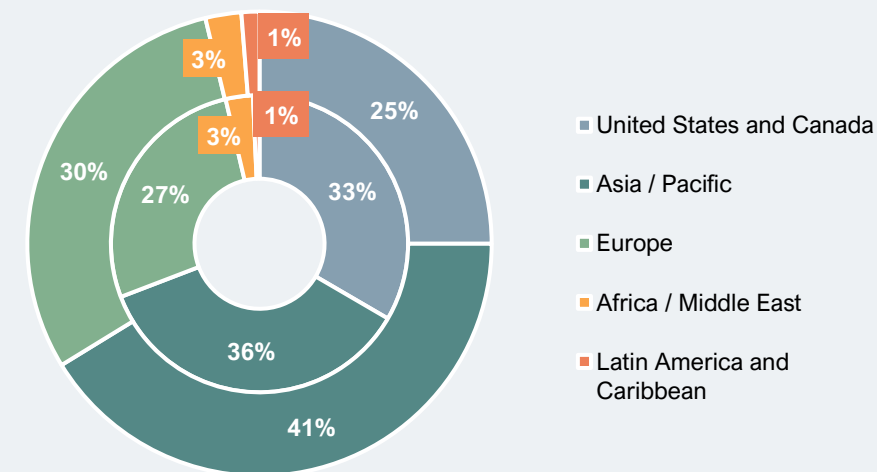
H1 2023 buyers HQ by geographical region

United States & Canada	▪ 20
Asia Pacific	▪ 33
Europe	▪ 24
Africa/ Middle East	▪ 2
Latin America & Caribbean	▪ 1

Target HQ by geographical region



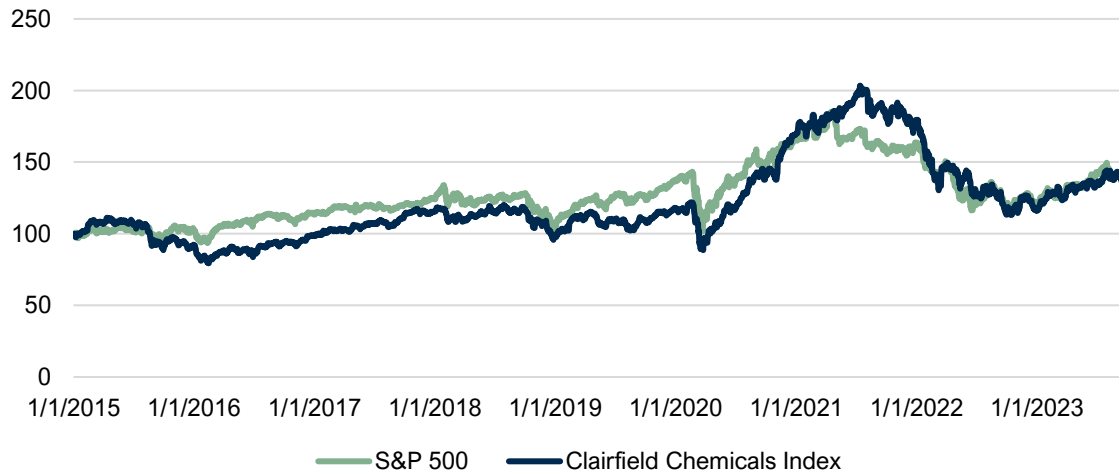
Buyer HQ by geographical region



Valuation multiples

Publicly owned businesses trending with the general market

Clairfield Chemicals Index vs S&P 500



- The Clairfield Chemicals Index outperformed the S&P 500 during 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:



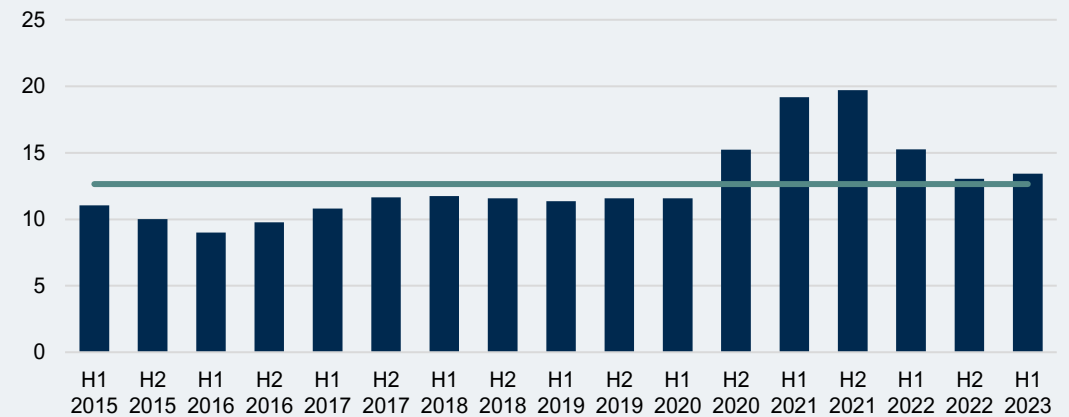
Source: S&P Capital IQ

Listed businesses valuation summary

- The Enterprise Value to EBITDA multiples below are the averages across our index of listed Specialty Chemicals business.
- While there has been a marked decrease in valuation multiples from the peak of dealmaking in 2021-2022, the average valuation multiple in H1 2023 was higher than the long-term trend and almost 25% above the pre-pandemic average.

	Average 2015-2022	Pre-Pandemic Average	H1 2023 Average
Specialty chemicals	12.7	10.9	13.4

Specialty chemicals index EV/ EBITDA multiples

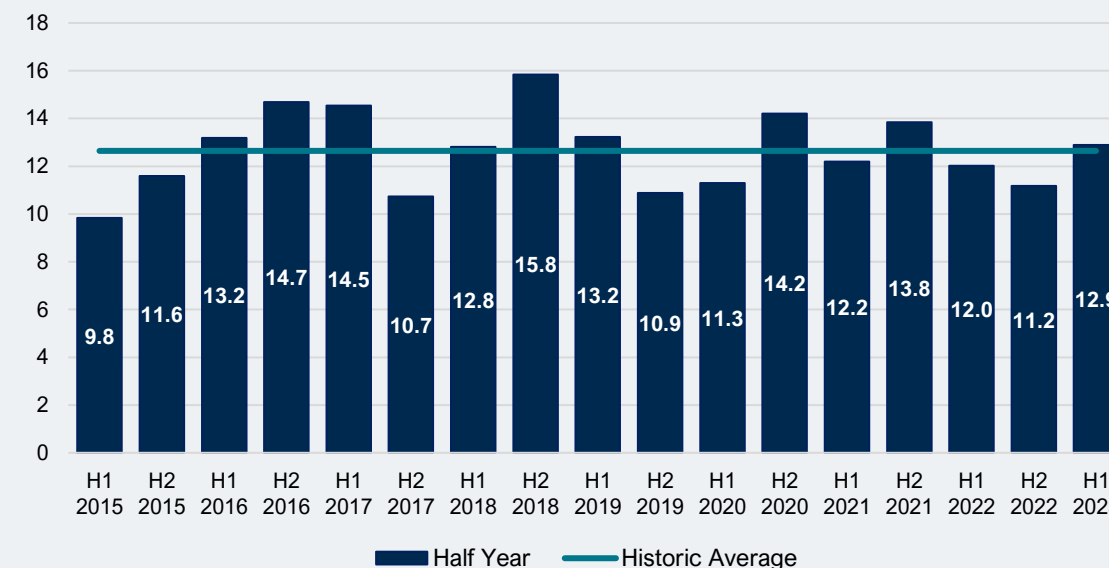


Private company transactions in line historically with premiums paid for digital or environmental/energy niches

Valuation trends and drivers

- Private company transaction Enterprise to EBITDA multiples were in line with historic averages during the first half of 2023.
- During the half year period, there were a relatively small number of disclosed multiples (13), so one should not try to read too much into variations from period to period. However, based on Clairfield deal activity, discussions with business leaders and private equity investors in the sector, some of the factors influencing the solid pricing include:
 - The movement towards higher margin, specialised businesses.
 - Attraction to businesses servicing non-cyclical end markets such as food and beverage, personal care, and water treatment.
 - Buyers seeking defensive positions in regard to their supply chains as the onshoring movement prevails.
 - Sellers capitalising on current market dynamics to consolidate still fragmented segments such as coatings, adhesives, and polymer compounds.
 - Strong interest in businesses driven by digitalisation or sustainability trends, for example circular economy and decarbonisation (including bio-based and recycled materials, products contributing to the energy transition solutions, products used in chips, sensors or displays).

EV/ EBITDA multiples



Key transactions – H1 2023

Notable deals from the first half of 2023 show fewer big tickets and diminished activity in China

Specialty chemicals 



acquired



Solenis announced the acquisition of Diversey in March 2023 and closed the approximately US\$4.6bn all cash deal in July 2023. With this acquisition, Solenis now operates in over 130 countries with 71 manufacturing facilities and over 15,000 employees. Bain Capital, the former majority shareholder of Diversey, will hold a minority stake in Solenis as a result of this transaction.


Specialty chemicals 



acquired



FUJIFILM Holdings America Corporation entered into a definitive agreement to acquire KMG Chemicals, Inc. from CMC Materials, Inc. for US\$700 million in May 2023. KMG sells high purity process chemicals primarily to etch and clean silicon wafers. The transaction is subject to receipt of required regulatory approvals and other customary closing conditions. The transaction is expected to close by the end of 2023.


Specialty chemicals 



acquired



Aimia Inc. acquired Giovanni Bozzetto S.p.A. from Chequers Capital and other minority shareholders. Bozzetto is one of the world's largest ESG-focused providers of specialty sustainable chemicals, serving over 1,500 clients with a portfolio of over 2,000 products.


Specialty chemicals 



acquired the Chinese Decorative Paints business of



Akzo Nobel N.V. signed an agreement to acquire Chinese Decorative Paints business of The Sherwin-Williams in Q2 with the deal completing in August. The business has annual revenues of approximately US\$100 million and 300 employees.


Specialty chemicals 



acquired



Croda acquired Solus Biotech, a global leader in premium, biotechnology-derived active ingredients for beauty care and pharmaceuticals for US\$271m.


Specialty chemicals 



acquired

Aroma Esencial SL

France's Robertet Group acquired Aroma Esencial, a company based in Girona, Spain, specializing in the processing of natural products such as vetiver, patchouli, cedar, ylang-ylang, and other strategic products for the aroma industry. The acquisition allows Robertet to strengthen its industrial capacities in terms of fractionation and distillation.


Specialty chemicals 



acquired the Glycolic Acid business of



PureTech Scientific LLC acquired the Glycolic Acid business from The Chemours Company for US\$137 million in cash, making PureTech Scientific a global leader in the organic synthesis of ultra-high purity alpha hydroxy acids for the Life Sciences and Specialty Chemical industries


Specialty chemicals 



acquired



Pritzker Private Capital (PPC) Investment Partners-backed Aurorium acquired Centauri Technologies, a producer of organic chemical products used in the production of oil and gas.

Specialty chemicals 



acquired



Brazil-based Matchem, which develops products and solutions for the concrete industry, was acquired by Saint-Gobain for circa US\$20m, strengthening its position in construction chemicals. Saint-Gobain also acquired concrete admixtures business IDP Chemicals in Q1 of 2023.

Clairfield at a glance



300+

TEAM MEMBERS

80%

OF OUR MANDATES
ARE INTERNATIONAL

6

SECTOR TEAMS OF
SPECIALISED EXPERTISE
BACKED BY

30

COUNTRIES

30%

DEALS CLOSED WITH
INTERNATIONAL BUYERS

89

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

730

DEALS CLOSED IN
THE LAST 5 YEARS

EUR 33 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.

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



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.

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."

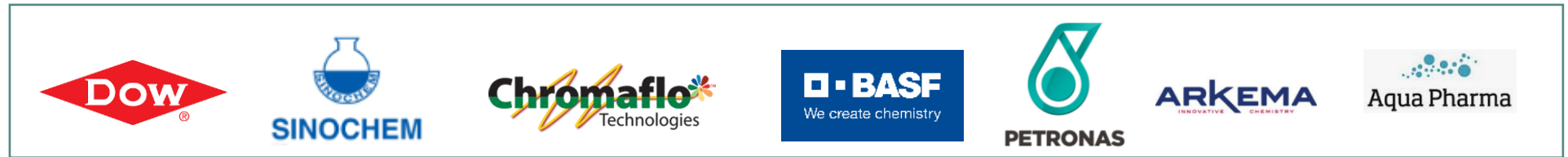
Clairfield's chemicals practice

Transaction and advisory credentials

M&A



JV Creation



Integration



Management Experience



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