

# CHEMICALS M&A RECEIVES BOOST AS SALES VOLUMES REBOUND

CHEMICALS SECTOR UPDATE | NOVEMBER 2024



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# Chemicals

## Chemicals M&A Receives Boost as Sales Volumes Return

### KEY SECTOR TAKEAWAYS

Capstone Partners' [Industrials Group](#) is pleased to share its Chemicals report, with insights and analysis on sector trends, buyer activity, and public company performance. The space has continued to face pressure on input prices driven by ongoing geopolitical and broader economic uncertainties but has seen a steady quarter-over-quarter (QoQ) recovery in sales volumes as destocking subsides. Several additional key report takeaways are outlined below.

1. Chemicals merger and acquisition (M&A) volume has begun to rebound after two years of declining deal activity with 159 deals announced or completed year to date (YTD), a slight 0.6% increase year-over-year (YOY).
2. Major sector players have positioned themselves to capitalize on the expansion of chemicals applications into high-growth industries, such as Semiconductor Manufacturing.
3. The U.S. has continued to be a valuable geography for Chemicals M&A, driven by trends including reshoring, strong energy infrastructure, and favorable natural gas economics, some attractive economic incentives, and ready access to key raw materials.
4. Advancements in artificial intelligence (AI), fifth-generation (5G) technology, and electric vehicles (EVs) have bolstered demand for niche categories such as specialty fluorochemicals, making the space a highly attractive segment within the broader Chemicals market.

Capstone Partners has developed a full suite of corporate finance solutions, including, financial advisory services, merger and acquisition advisory, debt advisory, and equity capital financing to help privately owned businesses and private equity firms navigate through each stage of a company's lifecycle.

To learn more about Capstone's wide range of advisory services and Chemicals sector knowledge, please [contact us](#).



## SECTOR PLAYERS REEVALUATE PORTFOLIOS AMID COST REDUCTIONS

The Chemicals sector has continued to face input price pressures driven by ongoing geopolitical and broader economic uncertainties. These factors have created a volatile environment, dampening overall market confidence. Despite these headwinds, the space has seen a steady QoQ recovery in sales volumes, evidenced by recent public company earnings. Of note, Saudi Basic Industries (SASE:2010) reported an 11% rise in sales volume, which offset a 2% decrease in average selling price, according to its Q2 earnings transcript.<sup>1</sup> Additionally, Arkema (ENXTPA:AKE) and Eastman Chemical (NYSE:EMN) noted an end to destocking and subsequent rebounds in volumes. Chemicals manufacturers have benefited from improved capacity utilization rates and have subsequently shifted their focus from price competition to operational efficiency and volume recovery.

This trend has suggested that while pricing remains tough, manufacturers have found ways to stabilize through strategic adjustments that capitalize on gradual demand improvements. Of note, Brenntag (XTRA:BNR) has been vocal in its attempt to rein in costs to promote greater efficiencies. "In light of the performance in the first half of 2024, we will accelerate and expand our cost-out efforts and initiatives. We also continue to optimize our global site network. In 2023, we successfully closed 29 sites; and in 2024, we have closed an additional 10 sites already. Further shutdown measures are in progress or in preparation phase," said Dr. Christian Kohlpaintner, CEO of Brenntag, in its Q2 earnings call.<sup>2</sup> Since the beginning of 2024, Brenntag has announced five transactions for a total enterprise value of ~\$374 million, according to the call. Strategic portfolio reviews, divestitures, and consolidation have characterized recent M&A activity. Notably, BASF's sale of its Flocculants business to Solenis (July, undisclosed) and UFP Technologies' (Nasdaq:UFPT) acquisition of Welch Fluorocarbon (July, \$34.6 million, 2.7x EV/Revenue, 11.5x EV/EBITDA) have signaled continued consolidation and specialization within the Chemicals space. These moves have reflected how major players have positioned themselves to capitalize on the expanding applications of chemicals, particularly in high-growth industries.

Specialty Chemicals demand has remained robust in the Engineering and Semiconductor industries despite price fluctuations. Specifically, niche and essential specialty chemicals categories such as fluorochemicals and fluoropolymers have been key beneficiaries of the demand growth in these industries. These product categories can deliver high performance including thermal stability, chemical resistance, low surface energy, and their mission-critical role in advanced engineering and semiconductor manufacturing. Notably, the global Semiconductor market is forecasted to grow 16% in 2024 to reach \$611 billion, according to a report by the World Semiconductor Trade Statistics (WSTS).<sup>3</sup> The Americas are projected to see the highest growth (25.1%) as demand for semiconductors surges. Fueled by advancements in AI, 5G, and EVs, the need for high performance materials has grown in tandem, making these niche categories highly-attractive within the broader Chemicals market.



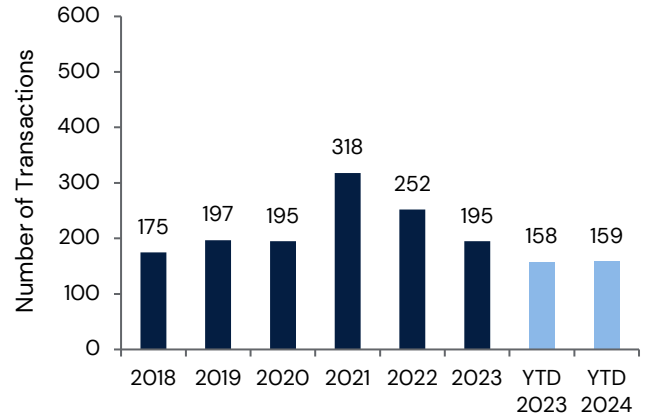
**Doug Usifer,**  
Managing Director

*"Specialty chemicals sectors attached to high growth, demanding end markets will continue to be attractive M&A targets. YTD 2024 has shown a modest increase in M&A activity, and higher Chemicals M&A activity is expected going forward as economic uncertainties including raw material input costs and interest rates continue to ease."*

## SOFTENING CREDIT MARKET SPURS PLATFORM ACQUISITION ACTIVITY

Chemicals M&A volume has begun to rebound after two years of declines in deal activity, with 159 deals announced or completed YTD—a 0.6% increase YOY. The Specialty Chemicals vertical has risen 11% YOY as sellers have reevaluated portfolios and buyers have capitalized with strategic acquisitions. Strategic buyers have maintained their dominant market presence, comprising 62.9% of transactions YTD. Private and public strategic activity, each down 0.3%, has been offset by private equity deals. Private equity buyers have actively targeted the sector YTD, with a 46.7% YOY increase in platform investments. These platforms will likely provide a tailwind for dealmaking as acquisitions have become more attainable amid a softening credit environment. Purchase multiples for M&A targets have averaged 2.2x EV/Revenue and 10.5x EV/EBITDA since 2021 through YTD.

**Chemicals M&A Mounts Comeback After Two Years of Declines**




Year to date (YTD) ended October 16

Source: Capital IQ, FactSet, PitchBook, and Capstone Partners

The heightened rate of platform investments in the Chemicals sector will likely spur a flurry of add-on deals through year-end and into 2025. Of note, TJC acquired USALCO (August, undisclosed), a provider of aluminum-based chemicals including coagulants and flocculants in Industrial and Municipal Water and Wastewater Treatment markets. USALCO has completed four acquisitions since it was acquired by HIG Capital (June 2020, undisclosed) and now boasts 33 manufacturing and distribution facilities, according to a press release.<sup>4</sup> Similar investments highlighting this strategic approach are expected to open the floodgates for further M&A activity as firms seek to build diversified chemical portfolios and capitalize on growing demand across Industrial and Specialty segments.

### TRANSACTION HIGHLIGHT

<b>APOLLO</b>		<p><b>Announced Date:</b> April 2024  <b>Enterprise Value:</b> \$1.9 Billion  <b>EV/Revenue:</b> 1.3x  <b>EV/EBITDA:</b> 4.7x</p>
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#### Transaction Overview

In April, Apollo Global Management (NYSE:APO) acquired U.S. Silica (NYSE:SLCA) for \$1.9 billion, equivalent to 1.3x EV/Revenue and 4.7x EV/EBITDA. U.S. Silica is an industrial silica and diversified minerals producer serving the Oil & Gas industry. The take-private deal values U.S. Silica's purchase price at \$15.5 per share, an 18.7% premium from the closing share price as of April 25, 2024, according to a press release.<sup>5</sup> U.S. Silica will continue operating under its brand and will maintain its current executive team.

#### Sector Implications

The deal is expected to enhance U.S. Silica's operational strategies and market expansion. Under Apollo's ownership, U.S. Silica will have increased access to capital, which can be used to drive innovation and improve its operational efficiencies. EP Minerals and SandBox Logistics, along with other U.S. Silica subsidiaries, are likely to benefit from Apollo's expertise, enabling the company to expand its reach in industrial applications beyond oil and gas. With this transaction, the Chemicals sector has gained a leading global asset management fund that has committed significant capital and resources to pursue strategic market opportunities and invest in innovative capabilities. A deal of this nature is expected to result in more aggressive expansion into new markets and potential acquisitions within the Specialty Chemicals space.

## UPPER MIDDLE MARKET SEES ROBUST CHEMICALS M&A ACTIVITY



Qemetica, a Poland-based manufacturer of soda ash, silicates, and other specialty chemicals announced its acquisition of PPG's (NYSE: PPG) Silicas Products business for an enterprise value of \$310 million (August). PPG's Silicas Products business manufactures and supplies precipitated silica products as performance-enhancing additives. The segment represented between 1-2% of PPG's total net sales in 2023, according to a deal press release.<sup>6</sup> The transaction includes two manufacturing facilities in Louisiana and the Netherlands. In addition, QEMETICA will lease silicas manufacturing and research and development operations at PPG sites in Ohio and Pennsylvania, respectively.

The production and sale of precipitated silica will be Qemetica's eighth business and is expected to become the group's second-largest in terms of revenue, according to a press release.<sup>7</sup> Qemetica's 2024-2029 strategy aims to increase the independence of the individual businesses.

In August, Saint-Gobain announced its acquisition of CEMIX, a construction chemicals business located in Mexico and Central America, for \$815 million, equivalent to 13.1x EV/EBITDA. CEMIX is expected to generate \$285 million in revenue with demonstrated annual sales growth of approximately 20% from 2019-2024 and achieve an EBITDA margin of 21.7% in 2024, according to an investor presentation.<sup>8</sup> With 16 manufacturing plants, 10 logistics hubs, and ~1,000 employees, CEMIX offers a well-known brand in tile adhesives, façade coatings, waterproofing, and surface preparations for Residential and Non-Residential Construction markets.

"The acquisition of [CEMIX] perfectly aligns with our "Grow & Impact" strategic plan. It is an excellent opportunity for Saint-Gobain to further reinforce its presence in construction chemicals and to strengthen its presence in high-growth markets," said Benoit Bazin, Chairman and CEO of Saint-Gobain, in a press release.<sup>9</sup>



American Industrial Partners (AIP) announced its acquisition of Veolia's (ENXTPA:VIE) North American Sulfuric Acid Regeneration business in July for \$620 million in enterprise value, equivalent to 1.8x EV/Revenue. The business, which will be renamed Nexpera, includes sulfuric acid and potassium hydroxide regeneration, sulfur gas recovery, and sulfur-based products production. Nexpera helps refineries cleanly process and regenerate sulfur gas, acid, and potassium hydroxide which are critical to the alkylation process. The company serves the Semiconductor, Gold and Copper Mining, and EV markets.

"Over the last two decades there has been transformative advancement in the industry, providing a great opportunity for us to increasingly serve as the go-to provider of outsourced refinery regeneration services," commented Stuart Thomas, CEO of the Sulfuric Acid Regeneration Business, in a deal press release.<sup>10</sup>

In July, Kronos Worldwide acquired a 50% joint venture interest in Louisiana Pigment Company (LPC) from Venator Materials (OTCPK:VNTR.F), valuing the company at \$385 million in enterprise value. Prior to the acquisition, Kronos held a 50% joint venture interest in LPC and now has become a wholly-owned subsidiary of Kronos. LPC produces titanium dioxide pigments and has an estimated annual production capacity of 156,000 metric tons, according to a press release.<sup>11</sup>

"With full ownership of the LPC facility, Kronos will expand its product offerings and increase sales to new and existing customers while recognizing significant synergies including commercial, overhead and supply chain optimization. By implementing process innovations to increase capacity and improve efficiency using proven technology utilized at other Kronos facilities, we will be better positioned to serve our customers," said James Buch, Kronos CEO, in the press release.



## SELECT TRANSACTIONS

Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV/LTM	
					Revenue	EBITDA
08/29/24	PPG Industries' Silicas Products Business	Qemetica	Comprises precipitated silica products.	\$310.0	-	-
08/15/24	CEMIX	Compagnie de Saint-Gobain (ENXTPA:SGO)	Manufactures construction chemicals.	\$815.0	-	13.1x
07/31/24	Veolia North America Regeneration Services	AIP	Provides commodity chemicals.	\$620.0	1.8x	-
07/22/24	BIOVECTRA	Agilent Diagnostics & Genomics	Manufactures ingredients for pharmaceutical and biotechnology clients.	\$925.0	NM	-
07/18/24	Louisiana Pigment	Kronos (NYSE:KRO)	Produces titanium dioxide pigment.	\$385.0	-	-
07/17/24	Flocculants Business of BASF	Solenis	Comprises chemicals business.	-	-	-
07/16/24	Welch Fluorocarbon	UFP Technologies (Nasdaq:UFPT)	Develops thermoformed and heat sealed implantable medical device components.	\$40.6	2.7x	11.5x
06/26/24	Bioethics (OTCPK:BOTH)	SILQ Technologies	Manufactures biomaterials and chemicals used for surface treatment activities.	\$53.9	NM	-
06/20/24	Circulus Holdings	Dow (NYSE:DOW)	Transforms olefin plastics into resins suitable for a wide range of applications.	-	-	-
06/03/24	Bioenergy Enzymes business of BASF	Lallemand Specialties; Danstar Ferment	Comprises bioenergy enzymes business.	-	-	-
05/20/24	ND Industries	H.B. Fuller (NYSE:FUL)	Manufactures solutions for locking, bonding, sealing, masking, lubricating, and assembling fasteners.	\$255.7	3.7x	-
05/20/24	Polyram USA-Creative Functional Polymers	Polyram Plastic Industries (TASE:POLP)	Develops bondyram engineering thermoplastic compounds.	\$10.0	-	-
05/13/24	CoverFlexx	Axalta Coating Systems (NYSE:AXTA)	Manufactures and distributes coatings.	\$295.0	3.8x	-
05/03/24	Reagent Chemical & Research	Wynnchurch Capital	Markets hydrochloric acid.	-	-	-
05/02/24	Business Assets of Dow	Arkema (ENXTPA:AKE)	Comprises Packaging, Specialty Plastics, and Coatings business units.	\$150.0	-	~10.0x
04/29/24	Precision Polymer	Hydrite Chemical	Manufactures and distributes wastewater treatment chemicals.	-	-	-
04/26/24	U.S. Silica (NYSE:SLCA)	Apollo Global (NYSE:APO)	Produces commercial silica.	\$1,917.9	1.3x	4.7x
04/02/24	ChampionX (Nasdaq:CHX)	Schlumberger (NYSE:SLB)	Engages in the provision of chemistry solutions.	\$8,355.0	2.2x	10.4x
03/28/24	MPM Holdings	KCC (KOSE:A002380)	Produces and sells silicones and silicone derivatives.	\$1,512.3	-	-
03/19/24	IFF Pharma Solutions Business	Roquette Frères	Comprises cosmetic active and natural health ingredients.	\$2,850.0	-	13.0x
03/04/24	Flowchem / Sealweld / Valves of Texas	SCF Partners	Produces and supplies drag reduction agents (DRA).	\$285.0	-	-

Mean	\$1,173.8	3.4x	10.5x
Median	\$347.5	2.7x	11.5x

NM = not meaningful  
Source: Capital IQ, PitchBook, FactSet, and Capstone Partners



## PUBLIC COMPANY DATA

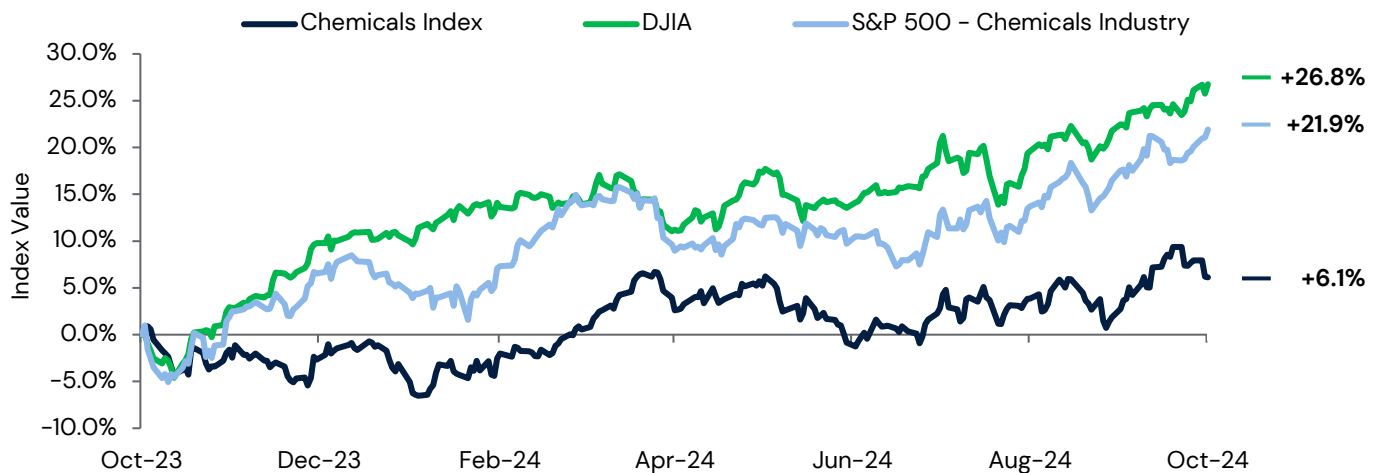
Company	Price	% 52 Wk	Market	Enterprise	LTM			EV / LTM	
	10/16/24	High	Cap	Value	Revenue	EBITDA	Margin	Revenue	EBITDA
Akzo Nobel N.V.	\$67.98	83.0%	\$11,609.2	\$16,496.1	\$11,458.3	\$1,627.6	14.2%	1.4x	10.1x
Arkema S.A.	\$90.93	80.1%	\$6,790.3	\$9,418.1	\$10,098.6	\$1,484.5	14.7%	0.9x	6.3x
Asahi Kasei Corporation	\$7.03	90.0%	\$9,748.3	\$14,315.1	\$17,841.4	\$1,956.9	11.0%	0.8x	7.3x
BASF SE	\$50.27	84.2%	\$44,965.9	\$71,606.1	\$69,933.6	\$6,527.4	9.3%	1.0x	11.0x
Bayer Aktiengesellschaft	\$29.02	61.4%	\$28,236.4	\$68,169.0	\$50,480.0	\$11,845.1	23.5%	1.4x	5.8x
Brenntag SE	\$69.37	73.2%	\$10,016.2	\$13,178.2	\$17,368.8	\$1,415.0	8.1%	0.8x	9.3x
Dow Inc.	\$52.94	87.2%	\$37,106.8	\$51,469.8	\$43,031.0	\$7,004.0	16.3%	1.2x	7.3x
DuPont de Nemours, Inc.	\$85.29	94.7%	\$35,622.5	\$42,285.5	\$12,058.0	\$3,116.0	25.8%	3.5x	13.6x
Eastman Chemical Company	\$108.72	95.0%	\$12,699.5	\$17,377.5	\$9,147.0	\$1,695.0	18.5%	1.9x	10.3x
Exxon Mobil Corporation	\$120.66	95.5%	\$536,071.5	\$560,658.5	\$345,135.0	\$80,650.0	14.8%	1.6x	7.0x
Formosa Plastics Corporation	\$1.49	58.5%	\$9,474.4	\$11,635.9	\$6,085.6	\$432.8	7.1%	1.9x	NM
LG Chem, Ltd.	\$248.71	63.1%	\$18,864.9	\$40,263.0	\$36,675.4	\$3,994.4	10.9%	1.1x	10.1x
LyondellBasell Industries N.V.	\$91.92	85.9%	\$29,882.2	\$39,928.2	\$41,037.0	\$5,156.0	12.6%	1.0x	7.7x
PPG Industries, Inc.	\$130.36	86.2%	\$30,413.0	\$36,527.0	\$18,030.0	\$2,884.0	16.0%	2.0x	12.7x
Saudi Basic Industries Corporation	\$19.38	81.8%	\$58,143.9	\$64,897.8	\$37,159.7	\$5,068.5	13.6%	1.7x	12.8x
Sinopec Shanghai Petrochemical Company Limited	\$0.15	81.8%	\$3,413.5	\$2,856.1	\$12,606.4	\$155.9	1.2%	0.2x	18.3x
Unilever PLC	\$63.07	96.4%	\$156,414.6	\$187,234.9	\$64,602.0	\$13,499.4	20.9%	2.9x	13.9x

<b>Mean</b>	<b>14.0%</b>	<b>1.5x</b>	<b>10.2x</b>
<b>Median</b>	<b>14.2%</b>	<b>1.4x</b>	<b>10.1x</b>
<b>Harmonic Mean</b>	<b>8.4%</b>	<b>1.0x</b>	<b>9.3x</b>

EV = enterprise value; LTM = last twelve months  
 NM = not meaningful  
 \$ in millions, except per share data

**Capstone's Chemical Index Average Lags Dow Jones, S&P Chemical Index Thrives**



Chemicals Index includes: 2010, 338, 1301, 3407, A051910, AKZA, AKE, BAS, BAYN, BNR, DD, DOW, EMN, LYB, PPG, ULVR, XOM  
 Note: Chemicals Index is Market Capitalization Weighted  
 Source: CapitalIQ and Capstone Partners as of October 16, 2024

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## FIRM TRACK RECORD

Capstone Partners maintains an active Industrials practice in the middle market, with Chemicals being an important vertical within our focus. This market presence allows Capstone Partners to provide chemical companies with up-to-date market data and access to key decision makers among the industry's most active acquirers and investors.



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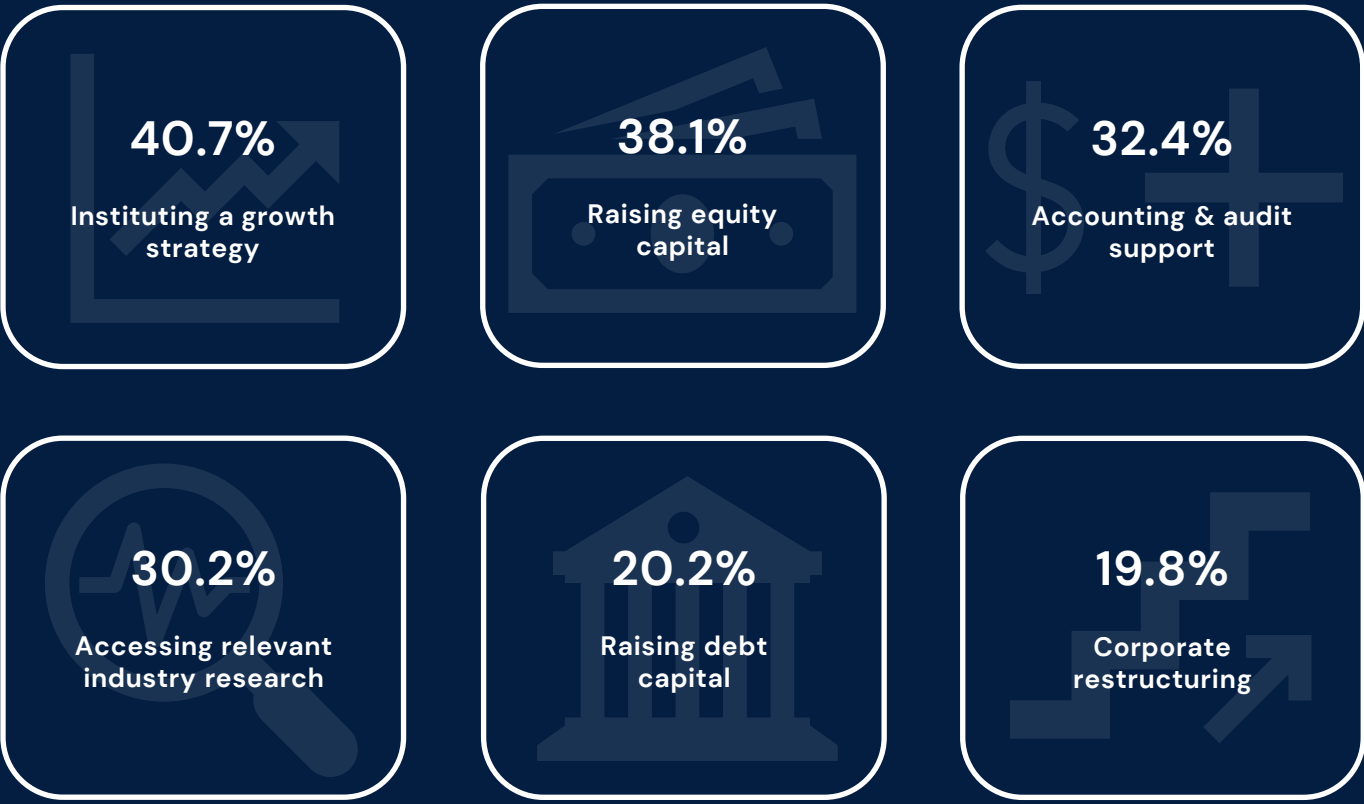


## CAPSTONE’S PROPRIETARY RESEARCH REVEALS TOP SERVICES IN DEMAND

The stage and initiatives of a business often dictate which financial services are in demand. As the bulk of CEOs polled in Capstone’s 2024 Middle Market Business Owners Survey indicated growth strategies are a priority for 2025, the lion’s share (40.7%) of owners anticipate a need for growth strategy support services. Similarly, 38.1% of CEOs require equity capital advisory services to support operational initiatives and business expansion. Nearly one-third of owners require accounting and audit support to shore-up cash flows and establish financial stability. In addition, 30.2% of CEOs demonstrated an interest in accessing relevant industry research to keep up with emerging industry trends, complete competitor analyses, and track capital markets activity in their space.

Capstone has developed a full suite of [corporate finance solutions](#) to help privately owned businesses and private equity firms through each stage of the company’s lifecycle, ranging from growth to an ultimate exit transaction. In addition, we developed specialty advisory practices to provide financial performance, buy-side, employee stock ownership plan (ESOP), and equity and debt services. All of these capabilities are supported by 12 industry banking groups, an active sponsor coverage group, and a dedicated Market Intelligence Team.

### Top Financial Services Required by Business Owners in 2025



*Question: Have you ever had, or do you anticipate having, a need for any of the following services?  
Source: Capstone Partners’ Middle Market Business Owner Survey, Rebased Sample Size (N): 278*

## ENDNOTES

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### Disclosure

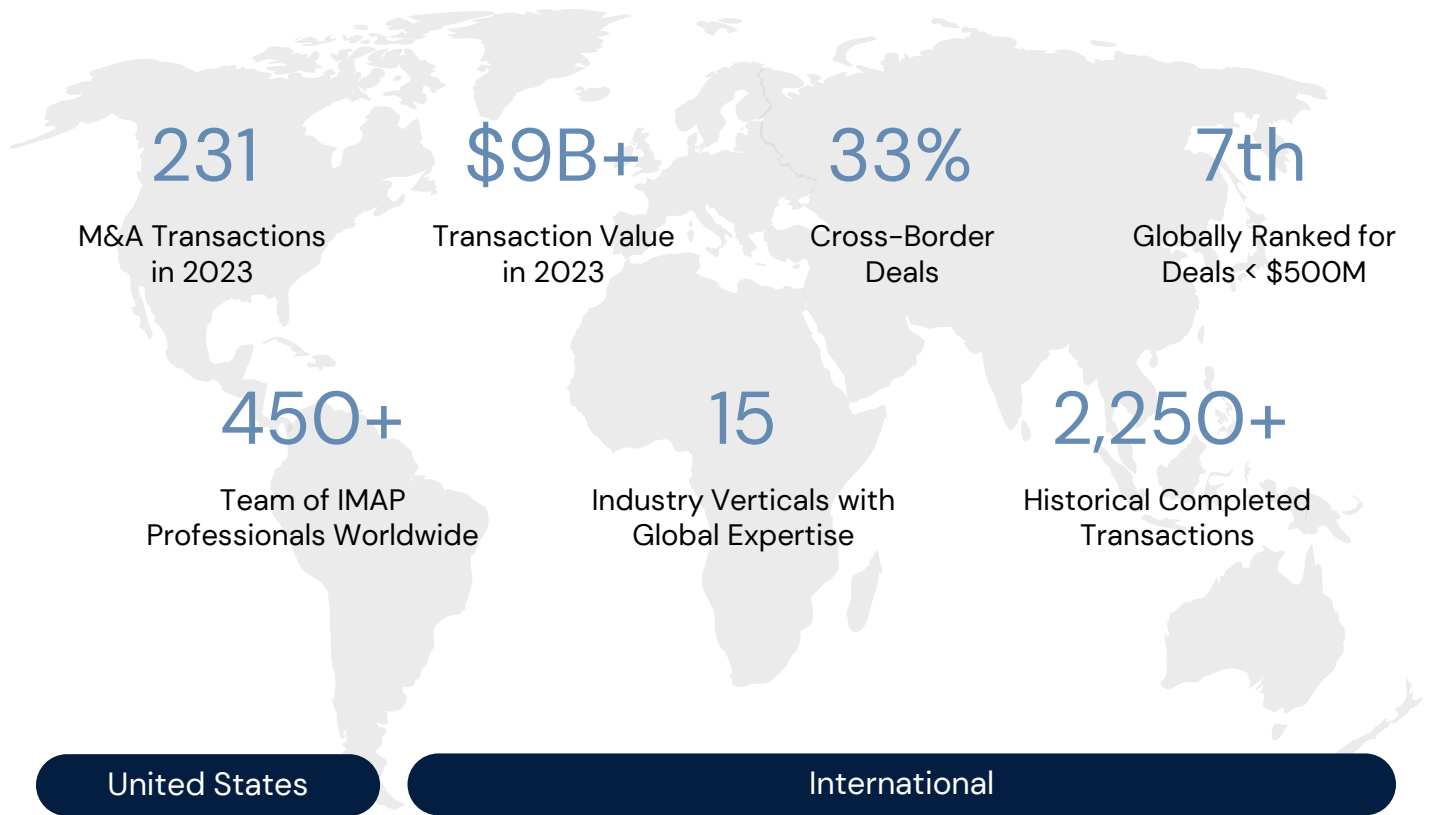
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