

The background of the slide features a blue-tinted photograph of laboratory glassware. In the foreground, two Erlenmeyer flasks are prominent. The one on the left contains a red liquid and has volume markings for 20, 30, 40, and 50 mL. The one on the right is empty and also has markings for 20, 30, 40, and 50 mL. Behind them, several smaller vials and a test tube are visible, all resting on a reflective surface that creates clear reflections. The overall scene is set against a blurred laboratory background.

Clairfield industry M&A snapshot H2 2023

Specialty chemicals

March 2024

 clairfield

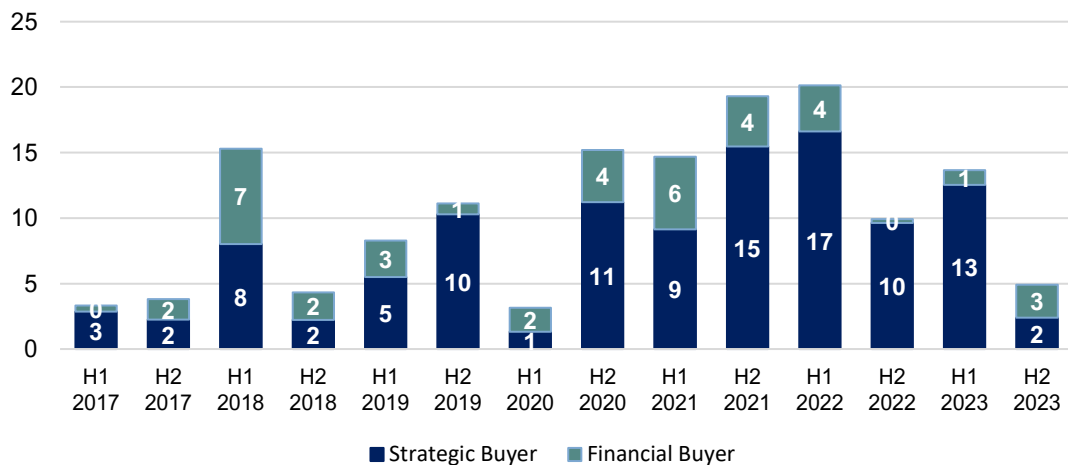
Easing off the brake pedal: specialty chemical M&A sector snapshot – H2 2023

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

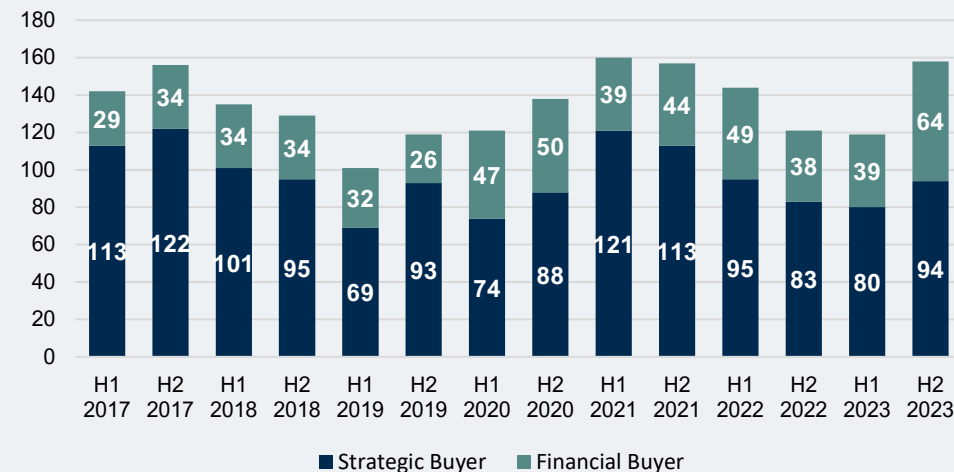
Introduction: deal volumes up, disclosed deal values down

- Transaction activity within the specialty chemicals sector during the second half of 2023 reached a total of 158 deals, marking a notable 30% rise compared to the first half-year period of 2023.
- Deal volumes reached their highest point since the heady days of 2021. The 158 completed deals were 23% up on the long-term average of 128 deals per half year.
- Private equity fuelled a significant proportion of deal activity with over 40% of deals being completed by financial buyers as the corporate carveout trend continued.
- Although deal volumes saw a rise, the total disclosed deal value of US\$5 billion was approximately half of the historical average, despite there being four US\$500m+ deals announced in the period. Lower midmarket and smallcap deals drove the vast majority of activity.

Disclosed deal values (US\$bn)



Deal volumes

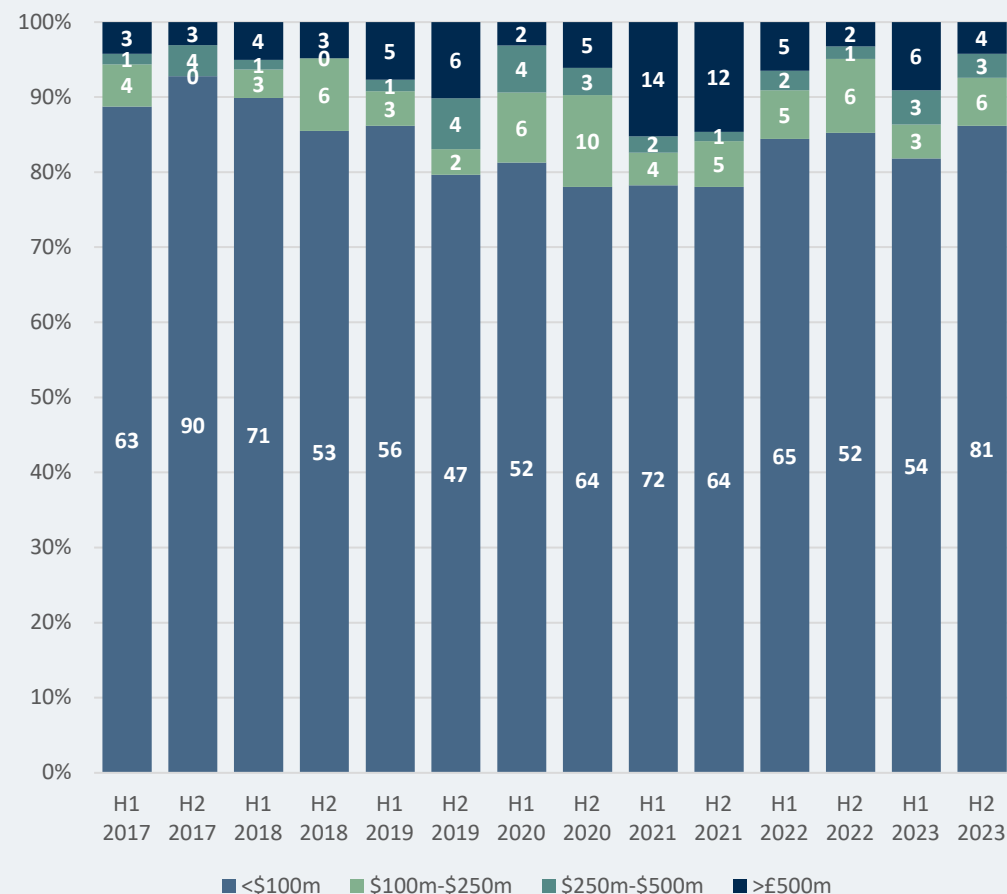


	Average	H2 2023
Number deals completed per half year	128	158
Percentage of financial buyers	30%	41%
Number of deals >US\$500 million per half year	5	4

Playing catch-up

- The data indicates a trend seen across many sectors: that there was a release of deals that either dragged or were put on hold during the latter part of 2022 and the first half of 2023. Geopolitical uncertainty, shifting energy, staff, materials costs, and fluctuating demand for products made sellers' lives difficult during sales processes. Providing clarity to buyers on trading patterns and forecasts proved difficult and led to stalled or elongated due diligence processes. Buyers grappled with the same issues within their own businesses while weighing up the increased cost of capital and the impact on returns from M&A.
- Specialty chemical companies were somewhat insulated from some of these pressures compared to companies in the basic chemicals sector, with less exposure to energy prices and lower influence of exports as the proximity and intimacy with customers matter. However, the general uncertainty created by fluctuating input costs and demand certainly slowed deal processes down.
- A second trend is that the proportion of disclosed deals above US\$100m as a proportion of total deals has fallen back to levels that were typical before the pandemic.
- The period immediately post-pandemic saw both all-time highs in the number of deals, but also the number of transactions in the upper-mid and large-cap realms. This was particularly true of mega deals in the US\$500m+ range as can be seen in the chart.
- During the second half of 2023, the number of very large deals returned to historical norms but the number of sub US\$100m value deals significantly increased. Coupled with the fact that most smaller deals do not disclose deal values, the data indicates strong activity in the smaller, owner managed sector and of corporates selling of non-core subsidiaries.
- The overall trend is of a market playing catchup: vendors who may have missed the wave as we came out of the pandemic have had to dig in and bide their time in order to get deals completed. Buyers who put M&A growth plans on ice appear to be getting their mojo back.

Disclosed Deal Value Ranges as % of Total Deals



Specialty chemical M&A by region – H2 2023

APAC leading the field

Geographic trends – strategic buyers

- The most active region for M&A in H2 2023 was Asia Pacific, with 46% of both buyers and sellers being based in the region. This was higher than the historical average of 36% for both buyers and sellers.
- Chinese buyer activity was in line with historical levels despite the economic issues facing the country, but the star performer was India where buyer numbers were close to the record levels seen immediately post-pandemic.
- Buyer activity in the US and Canada was muted with just 21 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 H2 2023 they were closer to one fifth.

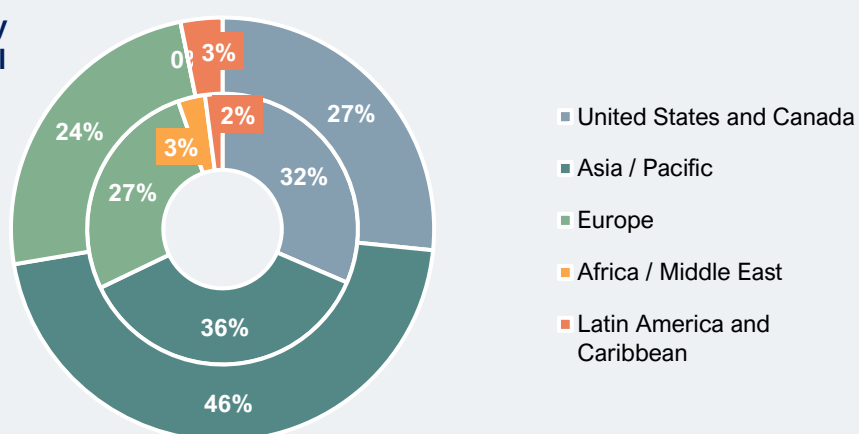
H2 2023 targets HQ by geographical region

United States & Canada	▪ 25
Asia Pacific	▪ 43
Europe	▪ 23
Africa / Middle East	▪ 0
Latin America and Caribbean	▪ 3

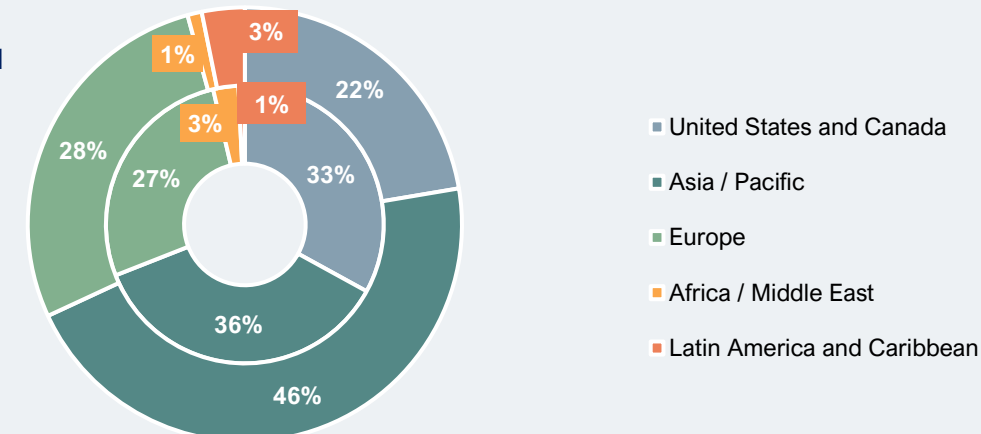
H2 2023 buyers HQ by geographical region

United States & Canada	▪ 21
Asia Pacific	▪ 43
Europe	▪ 26
Africa / Middle East	▪ 1
Latin America and Caribbean	▪ 3

Target HQ by geographical region



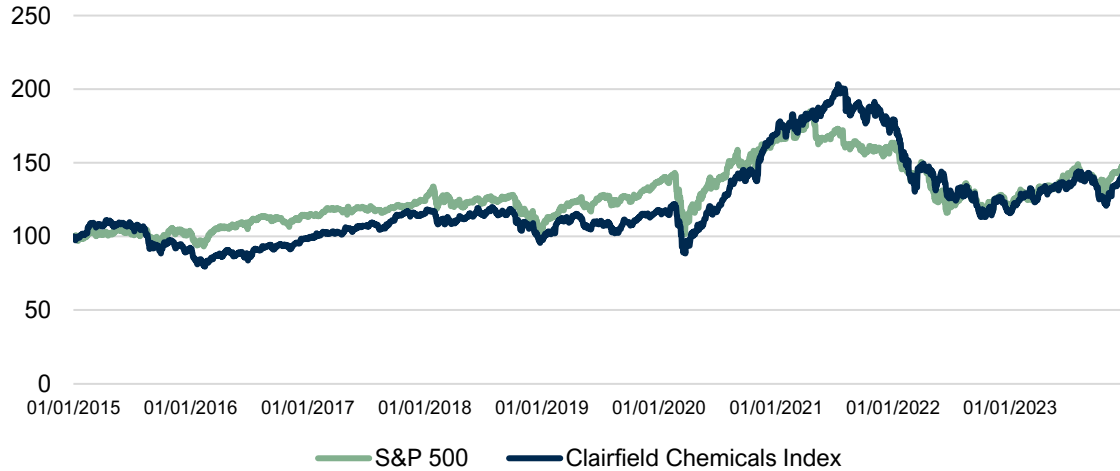
Buyer HQ by geographical region



Valuation multiples

Publicly owned businesses trending in line with the general market

Clairfield 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:



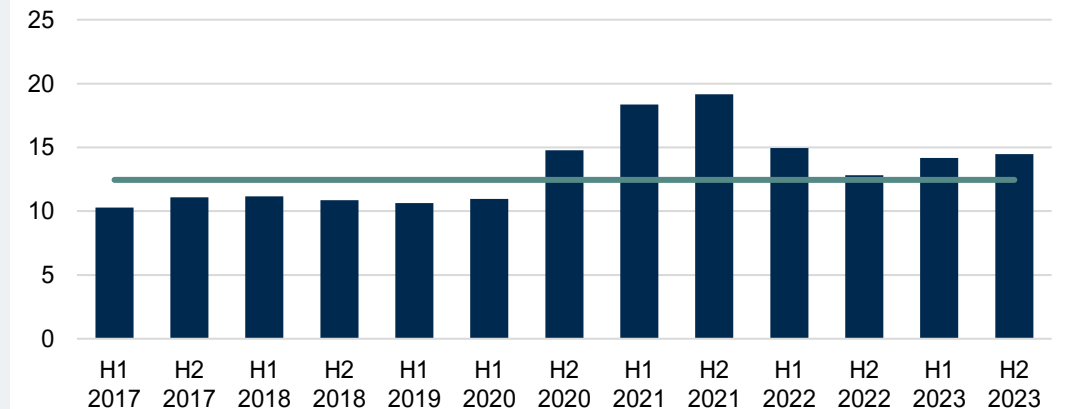
Source: S&P Capital IQ

Listed businesses valuation summary

- The Enterprise Value to EBITDA multiples below are the averages across our index of listed Specialty Chemicals business.
- While there has been a marked decrease in valuation multiples from the peak of dealmaking in 2021-2022, the average valuation multiple in H2 2023 (14.5) was higher than the long-term trend and 41% above the pre-pandemic average.

	Average 2015-2023	Pre-Pandemic Average	H2 2023 Average
Specialty chemicals	12.5	10.3	14.5

Chemicals Index EV/ EBITDA Multiples



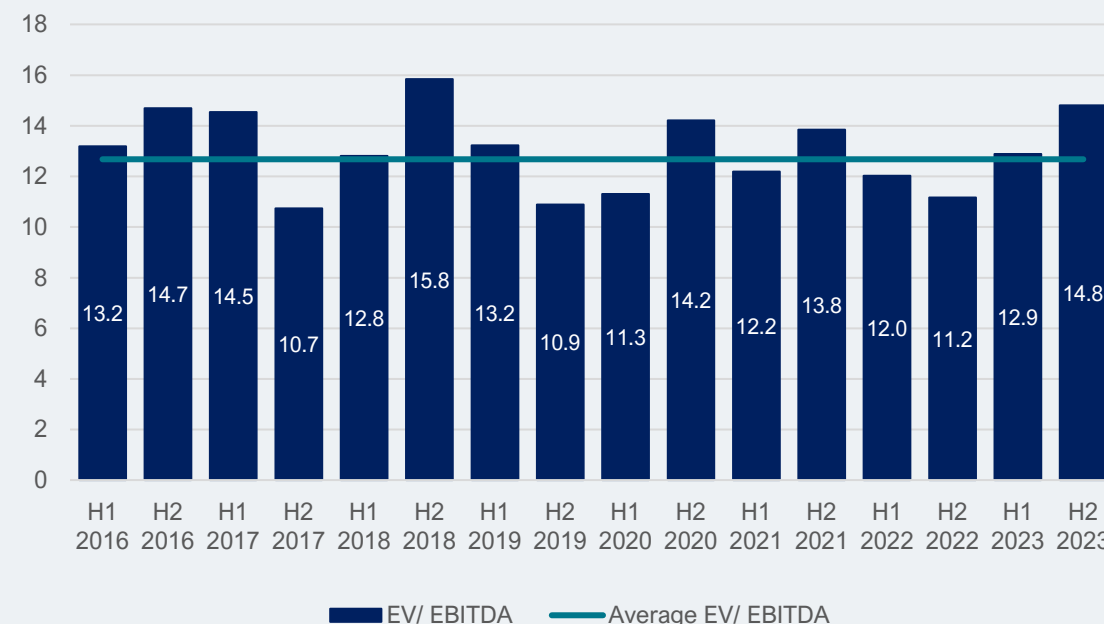
Valuation multiples

Private company transactions above historical levels

Valuation trends and drivers

- Private company transaction Enterprise Value to EBITDA multiples were above historic averages during the second half of 2023.
- During the half year period, there were a relatively small number of disclosed multiples (8), 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 pricing include:
 - Market growth: Grand View Research forecasts compound annual growth rate (CAGR) for the specialty chemicals market of 5.2% from 2024 to 2030. Grand View Research predicts the Specialty Chemicals Market will grow from US\$641bn in 2023 to US\$914bn in 2030.
 - General expectations of growth as customers destock and demand increases.
 - Input costs declining during the course of 2023 creating margin opportunities with the expectation that this trend will continue in 2024.
 - Increased focus towards sustainable business following a movement towards net zero emissions. Nearly half of chemicals companies are already reporting scope 3 emissions, compared to 37% of manufacturers overall.
 - Financial investors continue to focus on opportunities linked to more stable end markets driven by secular tailwinds (water treatment, personal care, F&B, technology)
 - Buyers seeking defensive positions in regard to their supply chains as the onshoring movement prevails.

EV/ EBITDA Multiples



Key transactions – H2 2023

Notable deals from the second half of 2023 show fewer big-ticket transactions


Specialty chemicals 

samyang
Corporation

acquired

VERDANT

Samyang Special Solutions acquired Verdant Specialty Solutions from OpenGate Capital, a global private equity firm. Verdant Specialty Solutions is a chemical manufacturer of surfactants. Since Verdant's launch in 2021 it has become a global supplier to many world-recognised brands. This acquisition will allow Samyang to expand its chemicals portfolio whilst enabling Verdant to reach further into the global market.


Specialty chemicals 

PCBL

acquired

AQUAPHARM

PCBL Ltd., a leading player in carbon black and specialty chemicals plans to acquire Aquapharm Chemicals Pvt Ltd. The acquisition is worth US\$456m and is being undertaken by PCBL Ltd to diversify its portfolio.


Specialty chemicals 

KKR

acquired

CHASE
Corporation
We make a material difference

Private equity firm KKR acquired the outstanding shares of Chase for US\$1.3 billion and in so doing, took the business into private ownership. Chase Corporation manufactures and sells protective materials for various applications. The transaction value implies a valuation of approximately 13 times trailing-twelve-months EBITDA.


Specialty chemicals 

KERRY

acquired a stake in

Lactase Enzyme Business

Kerry Group Plc entered a definitive agreement to acquire a stake of Lactase Enzyme Business. This acquisition will enhance Kerry's biotechnologies solutions capability through Lactase's enzyme technology, a product with increasing demand due to growing awareness of lactose intolerance. This acquisition is subject to European Commission approval.


Specialty chemicals 

TJC

acquired a majority stake in

Delrin

TJC LP acquired a majority stake of 80.1% in Delrin from DuPont. The deal is valued at US\$1.8 billion. Delrin is an acetal resin manufacturer. TJC is a private equity firm focused on buying and building businesses in partnership with management. This deal will grow TJC's portfolio and allow Delrin to expand its growth with the backing of TJC.

Specialty chemicals 

SINOPEC

acquired a stake in

RUI HONG

Sinopec Group Capital acquired a stake in Rui Hong, a subsidiary of Jingrui Electric Materials. Sinopec, an oil conglomerate acquired over US\$119 million in shares. Rui Hong produces photoresist, auxiliary and high purity chemicals.


Specialty chemicals 

NewMarket

acquired

AMERICAN PACIFIC

NewMarket Corporation acquired American Pacific Corporation from AE Industrial Partners, a private investment firm. American Pacific Corporation is a leading specialty manufacturer used in part by the US military. This acquisition will allow NewMarket to expand its chemical portfolio. The acquisition was worth US\$700 million.

Specialty chemicals 


AP

AMORE PACIFIC

acquired a majority stake in

COSRX

Amore Pacific acquired a majority stake in COSRX. Previously Amore Pacific acquired a 38.4% stake in COSRX but increased its stake to 93.2%. COSRX, a hypoallergenic skincare brand has had rapid growth since 2013 when it was founded. This acquisition will complement Amore's portfolio as an already established cosmetic company.

Specialty chemicals 

XP asset management

acquired a stake in

SUPERBAC
Nature-driven intelligence

XP Asset Management invested in Superbac, a biotechnological chemicals solutions company in the agriculture space. XP Asset Management is based in Brazil and has US\$176 billion under management. XP invested US\$62.6 million in Superbac, adding to its portfolio of investments in the agriculture market.

Clairfield at a glance

clairfield

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."

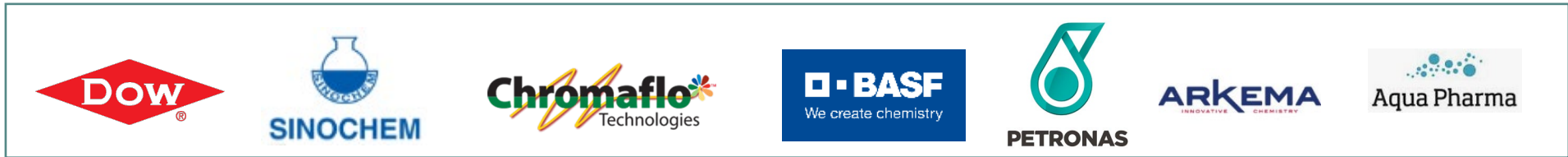
Clairfield's chemicals practice

Transaction and advisory credentials

M&A



JV Creation



Integration



Management Experience



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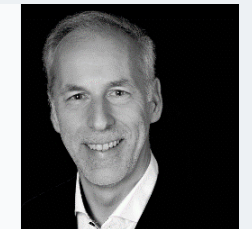
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■ We look forward to speaking with you

■ **clairfield**

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