

## Quarterly M & A and Industry Update – Chemical Q4 2020



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By Lucintel**

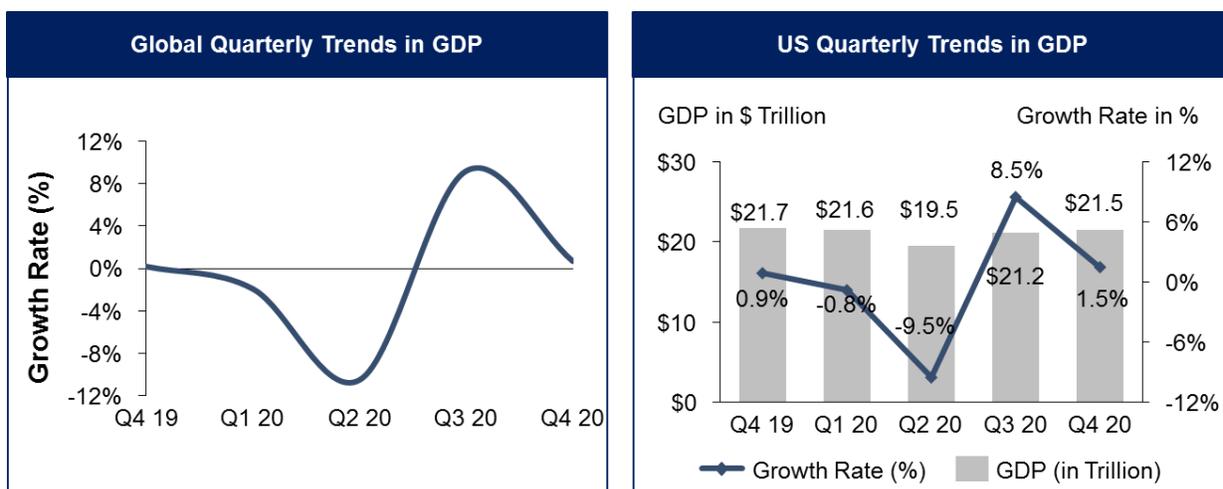
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## Economic Situation Q4 2020

The global GDP grew by 0.7% in Q4 2020 as compared to Q3 2020. The U.S. GDP grew by 1.5% in Q4 2020 as compared to Q3 2020, while it declined by 1.1%, when compared to Q4 2019. Second wave of COVID-19 have slowed down or even temporarily reversed economic recoveries. The strength of the recovery varies across countries, depending on the severity of the health crisis, the extent of domestic disruptions to activity, the exposure to cross-border spillovers, and importantly the effectiveness of policy support to limit persistent damage. The pandemic will slow down the recovery particularly in more hard-hit countries, such as the US, the UK, Spain, and France. The future is highly dependent on the response towards the pandemic situation. Recent vaccine approvals have raised hopes of a turnaround in the pandemic situation.



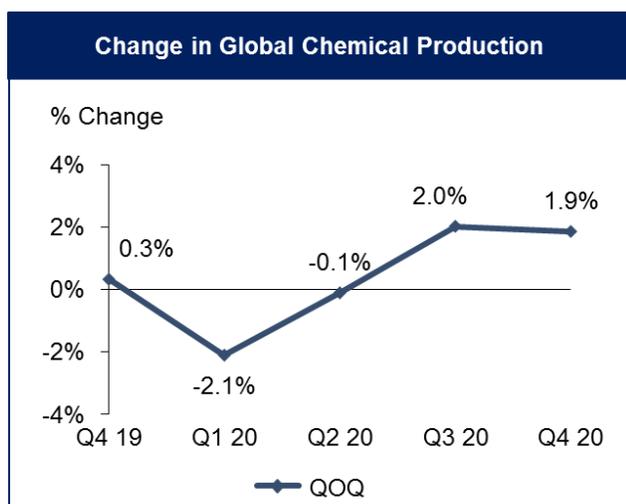
Note: The above image shows quarter over quarter change in GDP

Source: OECD, Fred Louis, Lucintel

Figure 1: Quarterly GDP Trends

## Chemical Industry Update – Q4 2020

Global chemical production declined by 1.9% in Q4 2020 from Q3 2020. The chemical industry plays an important role in the production of countless products such as plastic, fertilizers, medicines, and packaging products. With the effect of the coronavirus, many production facilities of several end-user industries have been facing adverse effects. With this, the demand for chemicals used in these facilities has been declined. BASF registered the highest increase of 21% in Q4 of 2020 on quarter-over-quarter basis. The impact is severe and there are still a lot of uncertainties about recovery of this market. However, the chemical demand started to pick up on a return of global economic activities and an economic rebound. Demand for chemicals has recovered across major end-use industries on a rebound in industrial and manufacturing activities globally. Meanwhile, a strong rebound in construction and automotive, two major chemical-consuming markets, represents a tailwind for the chemical industry. The figure below depicts change in production of chemical in the past five quarters.



Source: American Chemistry Council, Lucintel

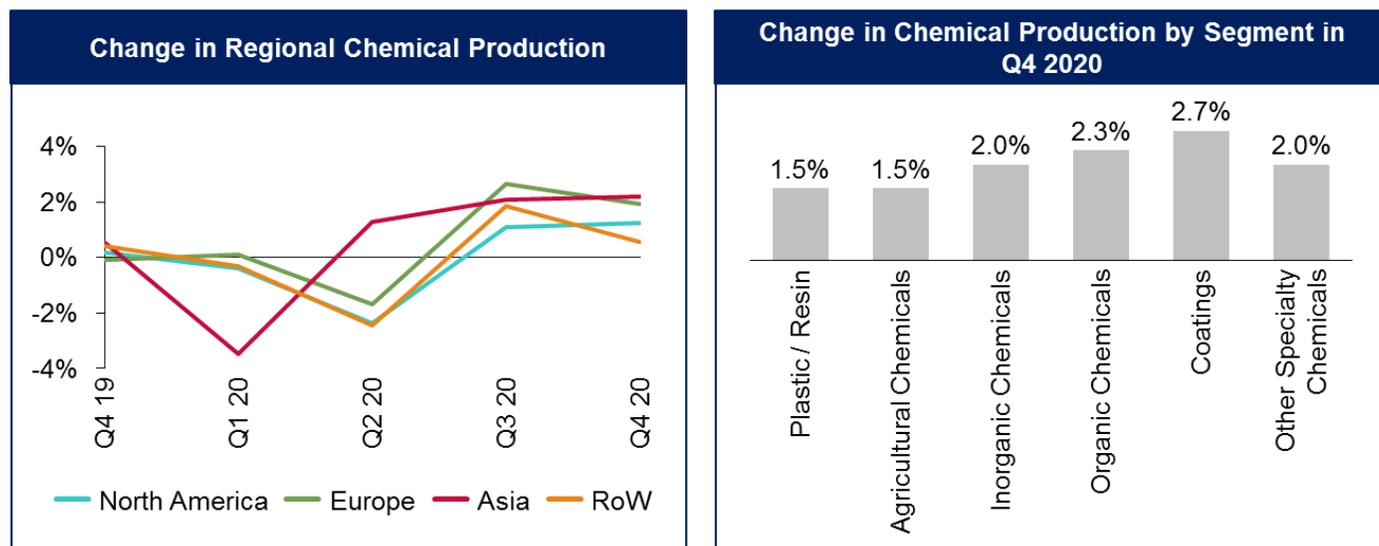
Figure 2: Quarterly Change in Global Chemical Production

Company Name	Change in Revenue	
	Q4 20/Q3 20	Q4 20/Q4 19
BASF	21%	19%
DuPont	3%	1%
SINOPEC	-6%	-19%
PetroChina	15%	-13%
Covestro AG	15%	15%
Evonik Industries	16%	-46%
ExxonMobil	1%	-27%
LyondellBasell	17%	-3%
Mitsubishi	9%	-6%
Solvay	12%	-2%

Source: Lucintel

Figure 3: Change in Revenue of Major Chemical OEMs

Asia had the highest growth in global chemical production, followed by Europe, North America, and ROW. Coating had highest growth 2.7% in Q4 of 2020 by segment type; the entire segment saw positive growth in Q4 of 2020.

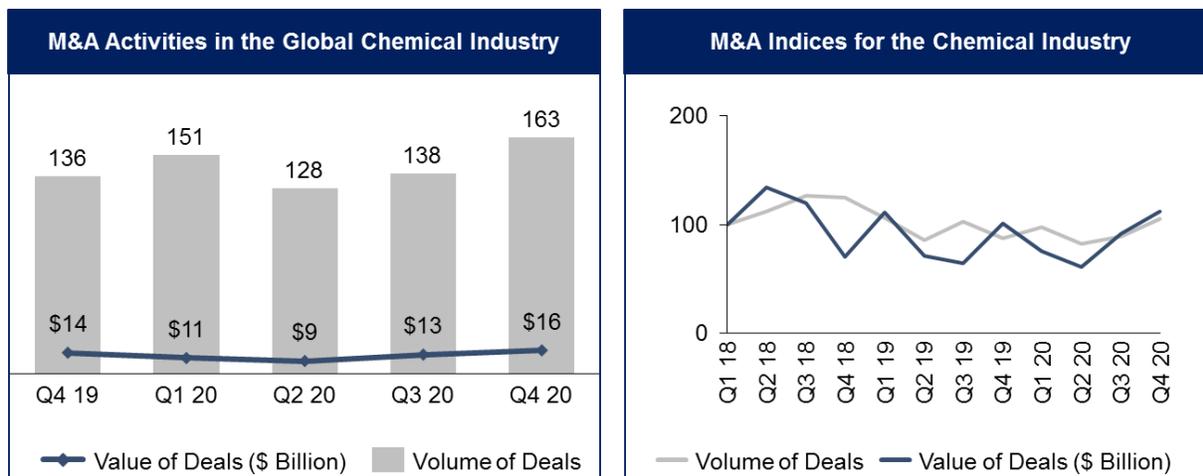


Source: American Chemistry Council, Lucintel

Figure 4: Chemical Production Change in Region and by Segment

## M&A Update – Q4 2020

Merger and acquisition activities in the global chemical industry for Q4 of 2020 increased. The chemical sector started to rebound in Q3 2020 primarily as a result of favorable fiscal and monetary policies which have led to the stabilization of global capital markets. The global chemical industry recorded 163 M&A deals in the Q4 of 2020, an 18% increase from Q3 of 2020 and 20% increase on yearly basis, i.e. from Q4 of 2019. The total deal value in Q4 of 2020 is \$16.0 billion, which is 22% increase from Q3 of 2020 and 11% increase from Q4 of 2019. Chemical companies are still feeling the pain from the ongoing global pandemic. The global chemical industry is facing the impact from various factors such as supply chain disruptions, demand drop due to uncertainty in the global economy, and challenges of keeping a large workforce safe in a manufacturing environment. The chemical industry players focus on growth strategy with innovation, attractive deals, and investment.



Source: Lucintel

Figure 5: Quarterly M&A Activities in the Global Chemical Industry

Table 1: Quarterly Changes in M&A Activities in the Global Chemical Industry

M&A Deals	Quarter Over Quarter Change in Merger and Acquisition Activities				
	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20
Deal Value (\$ Billion)	56%	-26%	-19%	51%	22%
No. of Deal	-14%	11%	-15%	8%	18%

Table 2: M&A Deals in the Global Chemical Industry

Date	Target Company	Acquirer Company	Value of Deal	Description
Dec 31, 2020	Gemini HDPE LLC	INEOS Olefins & Polymers USA	\$0.4 B	This proposed acquisition would increase INEOS Group's global HDPE market share and strengthen its ability to service the rapidly growing bimodal markets.
Dec 24, 2020	Ennis-Flint Inc	PPG Industries Inc	\$1.2 B	The acquisition of Ennis-Flint will further expand product offering and opportunities in rapidly developing and high-growth mobility technology solutions.
Dec 11, 2020	Blueprint, Hi Tech	DC DruckChemie GmbH	\$24.9 M	The acquisition includes Kruibekke, the Belgium based production facility which produces high-quality printing chemicals consumables for flexographic, digital and offset printing for the packaging and commercial markets.

Dec 10, 2020	Spolchemie-UPR	AOC Materials LLC	N/A	This acquisition will give AOC a major leverage for strengthening its market position in Central and Eastern Europe, as well as in Germany.
Dec 01, 2020	Sasol Ltd-LCCP Base Chemicals	LyondellBasell Industries NV	\$2.0 B	The transaction will represent a significant step towards achieving Sasol's strategic and financial objectives by materially reducing net debt, and catalysing a rapid shift towards the future Sasol strategy.
Nov 25, 2020	Bright Minz Pty Ltd	Lepidico Holdings Pty Ltd	N/A	A unit of Lepidico Ltd, acquired the entire share capital of Bright Minz Pty Ltd, a Perth-based manufacturer of inorganic chemicals, from its shareholders,
Nov 24, 2020	Iberchem SA	Croda International PLC	\$1.0 B	This acquisition will be able to grow smelting and lining business and fine carbon business.
Nov 11, 2020	St James Holding LLC	Koch Methanol LLC	N/A	A unit of Koch AG & Energy Solutions LLC, acquired a 40% stake in St James Holding LLC, from Yuhuang Chemical Industries Inc, in a privately negotiated transaction.
Nov 10, 2020	Swerve LLC	Whole Earth Brands Inc	\$0.1 B	This deal represents a significant opportunity to create value for Whole Earth Brands. The transaction fits perfectly with M&A strategy to invest in, and to accelerate the growth.
Nov 03, 2020	Huntsman Advanced Materials	Pidilite Industries Ltd	\$0.3 B	This acquisition will create significant shareholder value through strong revenue and cost synergies.
Oct 31, 2020	Leeson Polyurethanes Ltd	ICP Group	N/A	The acquisition allows ICP BSG to bring a range of Leeson solutions to new and existing customers, broadening the opportunities for ICP to deliver professionals everywhere quality, high-performance solutions.
Oct 28, 2020	Adaptive 3D Holdings Inc	Arkema SA	N/A	Arkema SA of France acquired an undisclosed minority stake in Adaptive 3D Holdings Inc, a Plano-based manufacturer of custom compoundings, in a privately negotiated transaction.
Oct 16, 2020	Atlanta Medical Gases LLC	nexAir LLC	N/A	This acquisition will be beneficial to everyone and expand nexAir's customer base in the greater Atlanta area.
Oct 15, 2020	Paraguay FNV SA	Adama Ltd	N/A	The acquisition will allow the Company to introduce its vast product portfolio in the country, and capture the full end-to-end value chain, from manufacturing to the end customers.
Oct 01, 2020	Poteet Printing Systems LLC	Flint Group Holdings Sarl	N/A	This acquisition strengthens Flint Group Packaging Inks' position within, and technical support to, the paper & board market in North America.

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