

Quarterly M & A and Industry Update – Chemical Q1 2021



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By Lucintel**

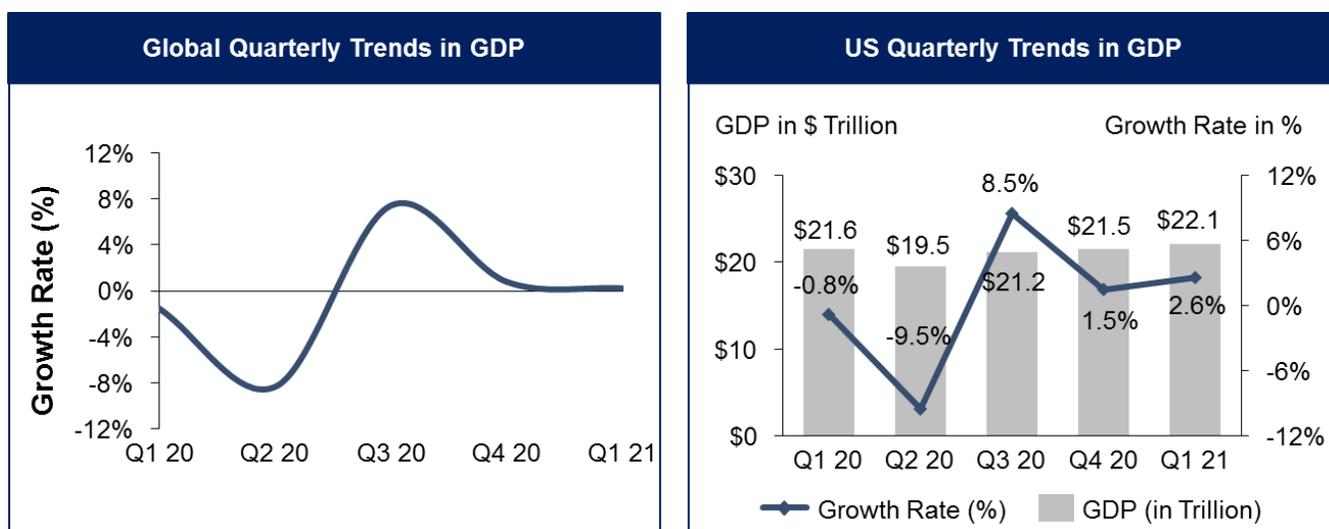
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Economic Situation Q1 2021

The global GDP grew by 0.3% in Q1 2021 as compared to Q4 2020 and the U.S. GDP grew by 2.6% in Q1 2021 as compared to Q4 2020. The global economic output is recovering from the collapse triggered by COVID-19; it will remain below pre-pandemic trends for a prolonged period. Second waves of the COVID-19 have slowed down or even temporarily reversed economic recoveries. The coronavirus is once again taking its toll on economic activity as the second wave prompts new restrictions, but the vaccine news is a game-changer for the outlook over the next two years. Economic recoveries are diverging across countries and sectors, reflecting variation in pandemic-induced disruptions and the extent of policy support. Strong demand for products that support working from home and the release of pent-up demand for durable goods more generally have been key factors behind the global recovery. 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.



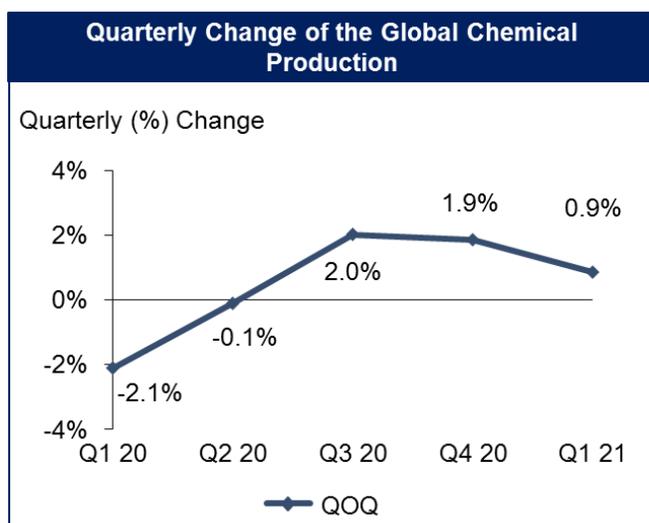
Note: The above image shows quarter over quarter change in GDP

Source: OECD, Fred Louis, Lucintel

Figure 1: Quarterly GDP Trends

Chemical Industry Update – Q1 2021

Global chemical production grew by 0.9% in Q1 2021 from Q4 2020. The chemical industry plays an important role in the production of countless products such as plastics, fertilizers, medicines, and packaging products. As the industry moves into 2021, the changed economic, social, environmental, and political expectations are expected to play an even greater role in shaping this industry future. To succeed in the shifting chemical industry landscape, companies should consider implementing a series of targeted, strategic initiatives across major functional areas such as R&D and technology. On quarterly basis ExxonMobil registered the highest revenue increase of 26% in Q1 of 2021. Demand for chemicals has recovered across major end-use industries with rebound in industrial and manufacturing activities globally. The figure below depicts change in production of chemical in the past five quarters (Q1 2020 – Q1 2021).



Source: American Chemistry Council, Lucintel

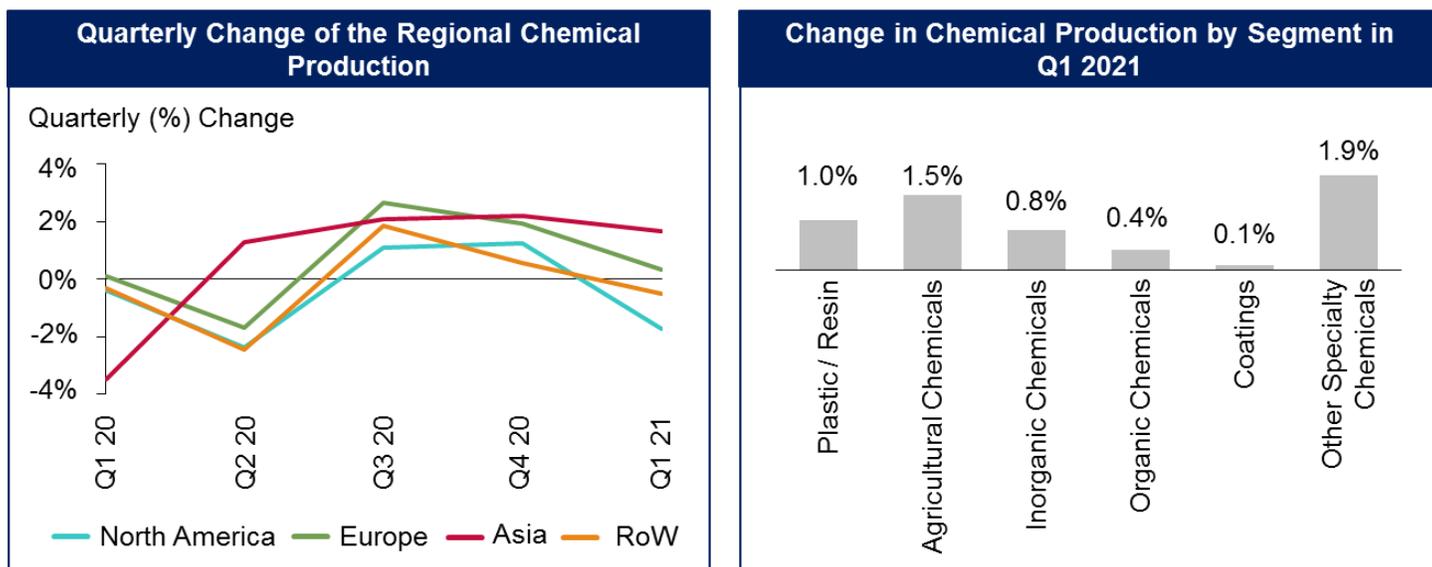
Figure 2: Quarterly Percentage Change in the Global Chemical Production

Company Name	Change in Revenue	
	Q1 21/Q4 20	Q1 21/Q1 20
BASF	16%	23%
DuPont	-24%	8%
SINOPEC	5%	11%
PetroChina	-3%	16%
Covestro AG	5%	26%
Evonik Industries	-1%	10%
ExxonMobil	26%	4%
LyondellBasell	14%	21%
Mitsubishi	6%	6%
Solvay	2%	3%

Source: Lucintel

Figure 3: Change in Revenue of Major Chemical OEMs

Asia Pacific had the highest growth in the global chemical production, followed by Europe, ROW, and North America. Other Specialty Chemical had the highest growth of 1.9% in Q1 of 2021 by segment type; the entire segment saw positive growth in Q1 of 2021.

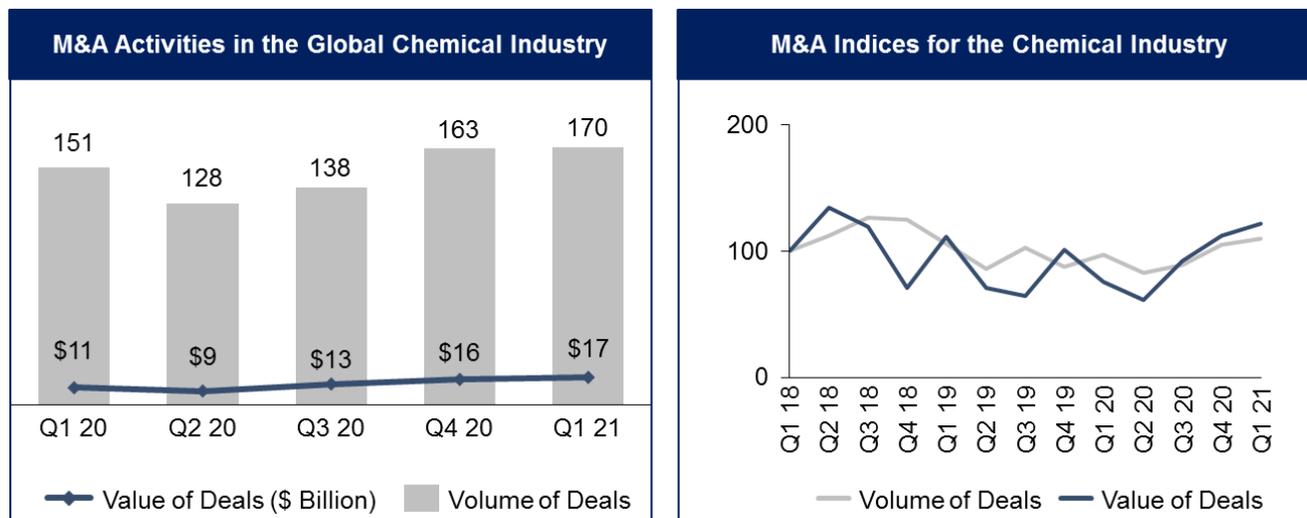


Source: American Chemistry Council, Lucintel

Figure 4: Chemical Production Change in Region and by Segment

M&A Update – Q1 2021

Merger and acquisition activities in the global chemical industry for Q1 of 2021 increased. The global chemical industry recorded 170 M&A transactions in the Q1 of 2021, a 4% increase from Q4 of 2020 and 13% increase on yearly basis, i.e. from Q1 of 2020. The M&A deal value in Q1 of 2021 is \$17.3 billion, which is 8% up from Q4 of 2020 and 62% increase from Q1 of 2020. Chemical companies are likely to focus on rethinking their business models and strategies, broadening their investment landscape, and re-evaluate their current portfolios. Investment themes are likely to be specialty chemicals, consolidation and cross-border investment. The chemical industry's 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				
	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21
Deal Value (\$ Billion)	-26%	-19%	51%	22%	8%
No. of Deal	11%	-15%	8%	18%	4%

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

Date	Target Company	Acquirer Company	Value of Deal	Description
March 29, 2021	Polytech International Ltd	Plixsent Holding UK Ltd	N/A	According to Plixsent, with the acquisition of MRi Polytech, the company extends its European footprint to the UK and strengthens and expands its product offering with flooring products and adhesives for food packaging.
March 03, 2021	Ft Polymer Sas and GENTEC	Meridian Adhesives Group LLC	N/A	The two companies will be joining Meridian's Electronics Division and working directly with Epoxy Technology Europe. This acquisition serves to strengthen the team of Meridian Adhesives and enhance its global footprint.
March 01, 2021	Zebra-chem GmbH	Milliken & Co	N/A	Zebra-chem's leading position in Europe allows Milliken to leverage its congruent innovation platforms, global presence, and commercial expertise to accelerate market solutions that improve and increase manufacturing with recycled plastics."

Feb 26, 2021	Magnesium do Brasil Ltda	Timab Magnesium SAS	N/A	This acquisition is fully consistent with TIMAB's strategy of securing access to raw materials, geographic growth, and the marketing of innovative and original products. This acquisition could increase TIMAB Magnesium's direct access to the raw material, giving their Magnesia Division total control over every link in the product value chain, from the extraction of strictly selected ore to the marketing of specific Magnesium-based solutions.
Feb 22, 2021	VersaFlex Inc.	PPG Industries Inc	N/A	This acquisition supports PPG's commitment to growing industry-leading technology portfolio and customer touchpoints. VersaFlex's attractive segment mix with strong growth outlook, unique product offering, broad expertise, and manufacturing capabilities in polyurea and flooring coatings will complement and expand PPG's current product offering.
Feb 16, 2021	Air Liquide Hellas	Sol SpA	N/A	The divestment illustrates Air Liquide's strategy to review asset portfolio regularly and focus its expansion on key industrial regions in order to increase its geographic density and therefore, enhance performance.
Feb 05, 2021	AmphoChem AB	Krahn Chemie GmbH	N/A	The acquisition further expands with existing top producers geographically, whilst offering interesting new opportunities as well. For KRAHN, this is another milestone in developing new markets and applications and gaining additional and valuable knowledge.
Feb 03, 2021	Hefei Xingyu Chemical Co Ltd	Zhejiang Xinan Chem Indl Grp	\$27.6 M	The acquisition of equity in Hefei Xingyu will create a complementary advantage in terms of product chain and distribution channel development, which will assist the company's development of its product varieties of agricultural chemicals.
Jan 19, 2021	Celanese Corp-Compounding	Benvic Europe	N/A	This acquisition will enable to further expand investments in Ferrara plant. This purchase strengthens the technical polymers division and confirms Benvic as a leading player in the production of innovative thermoplastic solutions in Europe.
Jan 07, 2021	Custom Chemical Services LLC	LeBaronBrown Specialties LLC	N/A	The investment brings additional resources and commercial relationships to support the growth of CCS's principals and customers, building upon the success of a dedicated CCS team.
Jan 05, 2021	Eurostar Engineering Plastics	Ascend Performance Materials	N/A	Combining portfolio and application development expertise with Eurostar's portfolio immediately provides the customers with a bigger tool chest to produce safer, more reliable parts at higher and more constant voltage loads.
Jan 05, 2021	AI Chem Specialties LLC	USALCO LLC	N/A	The combined business is a leading manufacturer of specialty chemicals used in water and wastewater treatment, refinery catalysts, food production, and other industrial applications with the ability to serve customers anywhere in the U.S.

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