



HW Harris Williams



Chemicals & Specialty Materials Update

Q1 2022



Chemicals & Specialty Materials Industry Update

INTRODUCTION

In this update, our Industrials Group provides commentary and analysis on current market trends and merger and acquisition dynamics within the global chemicals and specialty materials industry.

Despite continued (albeit improving) headwinds related to supply chain, raw material inflation, freight and logistics, and human resource challenges, the chemicals and specialty materials market remains resilient with healthy demand and a proven ability to mitigate rising costs with pricing increases. Additionally, from decarbonization to the rise of advanced recycling, the topic of sustainability has never been more pervasive in the industry, as evidenced by the ubiquity of net-zero commitments. Nevertheless, the near-term implications vary considerably across sub-sectors and geographies. Taken together, we believe these dynamics will result in another exceptional year for M&A activity as performance continues to normalize and business transformation opportunities demand capital.

Harris Williams helps its clients analyze and understand company-specific and market dynamics. Our professionals can help you achieve shareholder objectives while managing the impact from these and other issues. We hope you find this edition helpful. Please contact us to learn more.

BY THE NUMBERS^{1,2,3}

4%

Expected growth in global chemical production in 2022

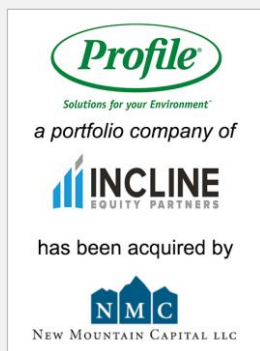
79%

Reduction in anchored vessels off the Port of Los Angeles from peak congestion

62%

Executives still expressing major concern over raw material pricing

TRANSACTION SPOTLIGHT: HW ADVISES PROFILE PRODUCTS



- Profile Products designs and manufactures disruptive, highly-engineered specialty materials that promote environmental sustainability, while delivering superior performance for horticulture, erosion control, and other specialty applications
- With best-in-class margins, sticky customer relationships, and industry-leading innovation, Profile's sale to New Mountain represents another premium transaction for the firm within the specialty materials space
- For more information on the transaction, see the press release [here](#)

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What We're Reading

SUSTAINABILITY

The Scramble for EV Battery Metals Is Just Beginning – The Wall Street Journal

12/02/2021

As the global economy shifts focus toward environmentally-sustainable solutions, opportunities are emerging for miners of ESG-friendly natural resources. Electric vehicles, solar panels, wind turbines, and charging stations are driving unprecedented demand for nickel, lithium, and cobalt, among other metals. In order to meet this demand, mining companies that have traditionally focused on oil and coal are offloading interests in both fuels and trying to increase exposure in “future-facing” commodities.

Read the full article [here](#).

Chemical Firms Will Lead Heavy Industry into Carbon Capture – Chemical & Engineering News

1/12/2022

Chemical firms play an important role in the growing momentum behind carbon capture technologies. The production activities in many chemical plants produce carbon, positioning chemical plants as potential customers of carbon capture technologies while many carbon capture startups are led by the engineers of chemical firms. As carbon capture continues to gain momentum, expect to see chemical firms at the center of the space.

Read the full article [here](#).

RAW MATERIALS AND SUPPLY CHAIN

Europe's Industry Cuts Gas Use by the Most Since the Early Pandemic Days – Bloomberg

1/07/2022

High natural gas prices have caused natural gas demand in Europe to fall to its lowest levels since the early days of the pandemic. In the U.K., demand for industrial gases dropped 54% in Q4. As high energy costs continue to put pressure on European manufacturing, major industrial producers are slowing production of raw materials that are key links in the global supply chain.

Read the full article [here](#).

Persistent Supply Chain Problems Deeply Impacted Chemical Manufacturers – American Chemistry Council

1/10/2022

The American Chemistry Council's supply chain survey found that supply chain problems have had a “detrimental” impact on the operations of U.S. chemical manufacturers in 2021. Nearly all companies participating in the survey reported shipping delays, shortages of raw materials, and increased costs of transportation. With forecasted growth in chemical production and shipments in 2022, there is a heightened urgency to resolve supply chain complications.

Read the full article [here](#).

ACTIVIST INVESTOR DYNAMICS

Huntsman Says Starboard Is Forcing Company into “Unnecessary” Proxy Fight – Reuters

1/12/2022

Investment firm Starboard is being accused of not acting cooperatively in the governance of Huntsman. The issue stems from a recent nomination of four of Starboard's directors to Huntsman's board, only a few days after Huntsman appointed new directors. Huntsman had asked for the names of Starboard's directors in early December, and Starboard came back with their appointments at a controversial time in the appointment process in early January. If the two sides are unable to settle the matter, investors will have a chance to decide the outcome at the annual meeting on March 25th.

Read the full article [here](#).

2022 OUTLOOK

Trends that Will Shape Industry in 2022 and Beyond – Chemical Week

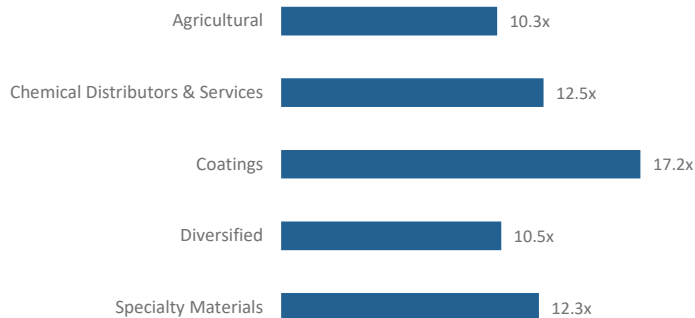
1/10/2022

Global chemical production is expected to increase by 3.8% in 2022, and U.S. chemical production is expected to grow by 4.3%, says the chief economist at the American Chemistry Council. Although indicators are largely positive, rising energy and raw material pricing, supply chain disruptions, and the continued spread of COVID-19 threaten to prevent chemical production from seeing strong 2022 growth.

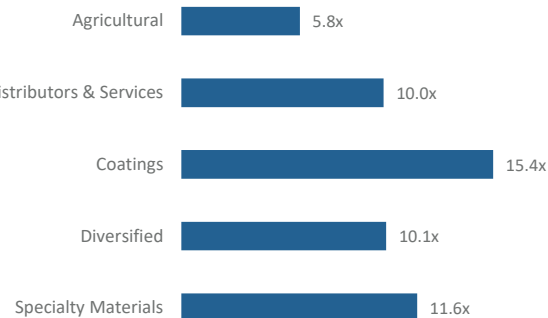
Read the full article [here](#).

Public Markets⁴

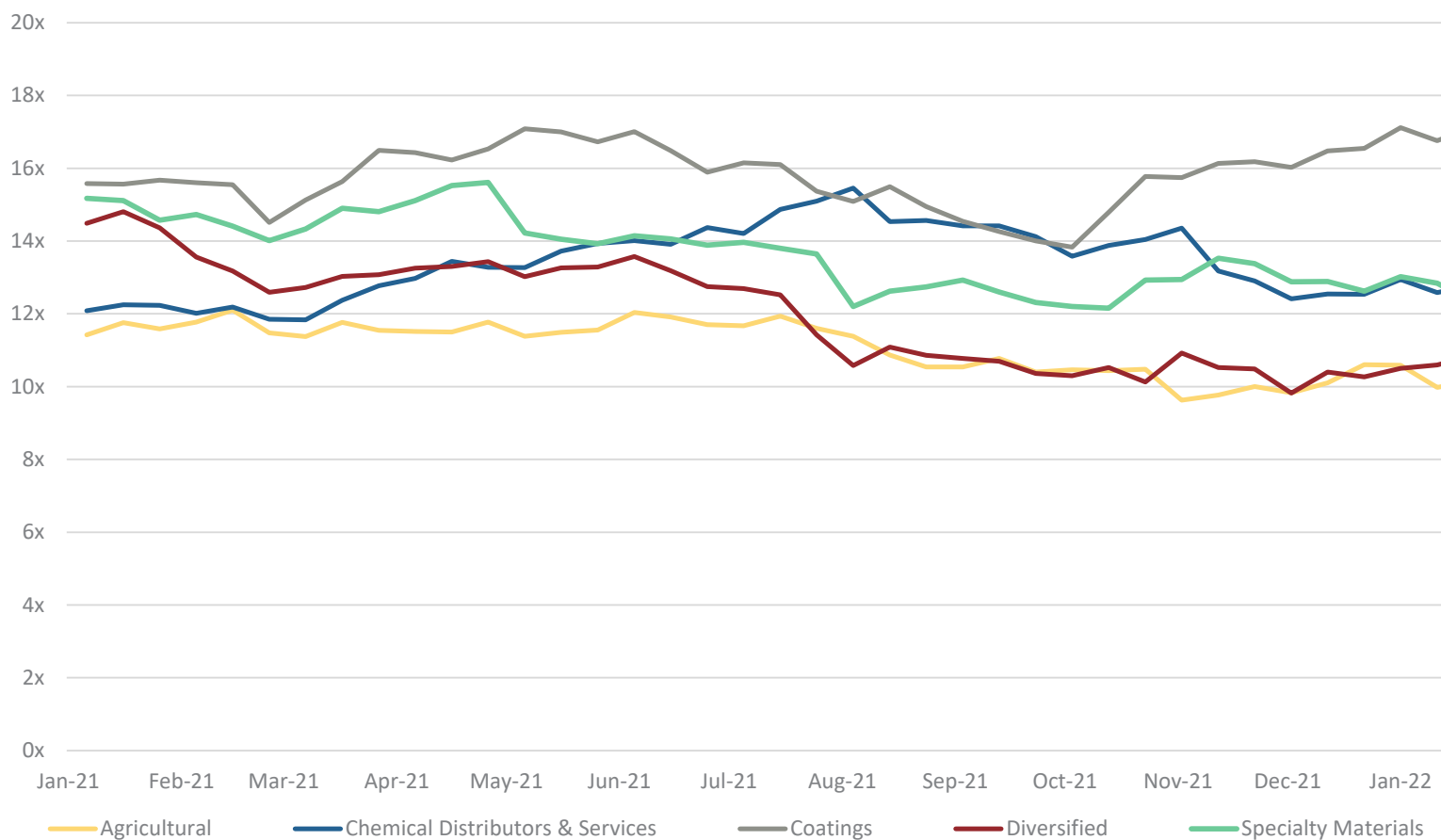
TEV / LTM EBITDA



TEV / NTM EBITDA

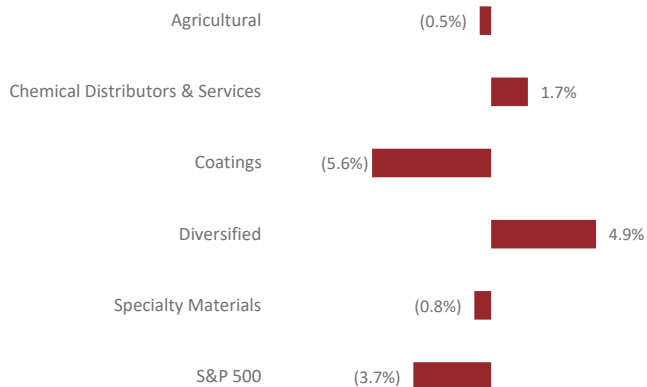


TRAILING 12 MONTHS TEV / LTM EBITDA

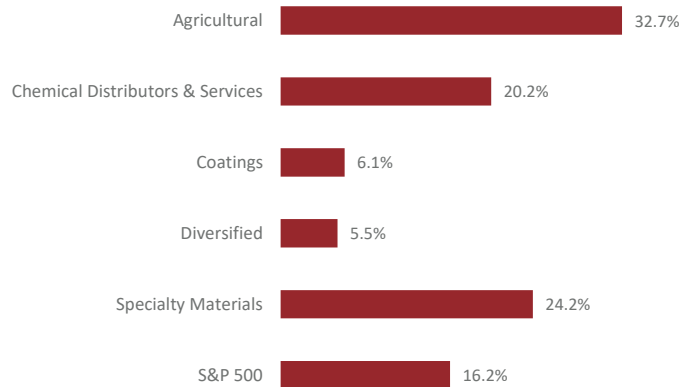


Stock Price Performance⁴

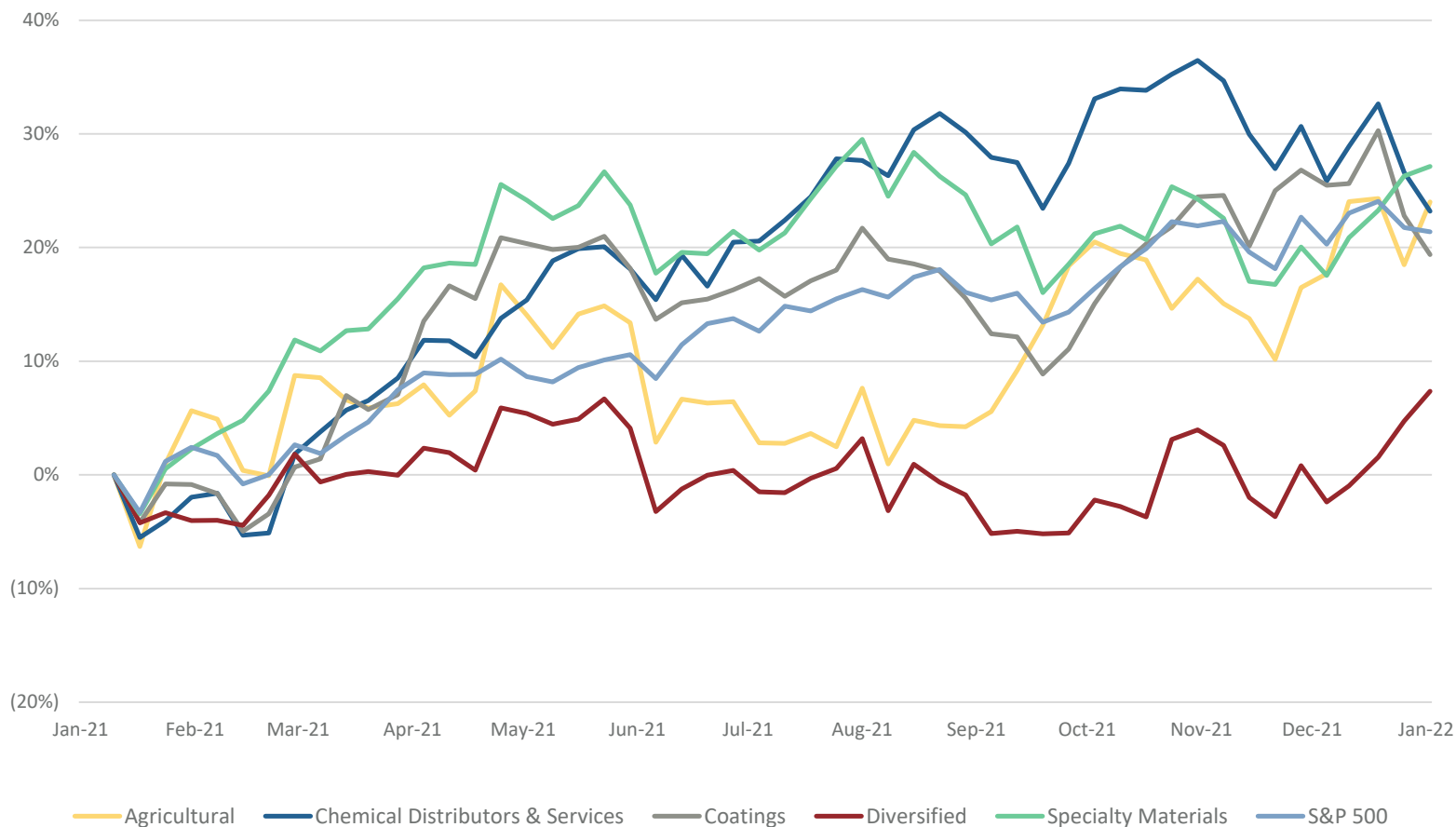
MEDIAN % CHANGE (1 MONTH)



MEDIAN % CHANGE (12 MONTH)



TRAILING 12 MONTH STOCK PRICE



M&A Transactions

SELECT RECENT M&A TRANSACTIONS

Announced	Target	Business Description	Acquirer
1/14/2022	NCP Coatings	Producer of advanced performance coatings for military, industrial, and commercial end markets	Century Park Capital Partners
12/27/2021	Vivify Specialty Ingredients	Manufacturer and distributor of colorants, additives, and other specialty chemicals	Gryphon Investors
12/22/2021	Enviro Tech	Manufacturer and supplier of bromine technologies and peroxyacetic acid formulations	Arxada
12/20/2021	Hexion	Provider of amino resins, formaldehyde and derivatives, phenolic resins, molding compounds, versatic acids, wax emulsions, and epoxy resins, among other products	American Securities
12/19/2021	Spray-Tek	Provider of custom spray drying services across pharmaceuticals, food ingredients, flavors & fragrances, and other end markets	Aurora Capital Group
12/15/2021	CMC Materials	Supplier of chemical mechanical planarization slurries used in semiconductor manufacturing	Entegris
12/14/2021	Advance Research Chemicals	Producer of specialty chemicals and materials used in a wide range of high-value applications	Inhance Technologies (Aurora Capital Partners)
12/5/2021	GCP Applied Technologies	Provider of specialty construction chemicals and specialty building materials	Saint-Gobain
11/26/2021	Cabot Corporation (Purification Solutions Business)	Global manufacturer of activated carbon for purification solutions	One Equity Partners
11/24/2021	Hexion (Global Epoxy Business)	Manufacturer of specialty resins, coatings, and composites for a variety of industries, including wind turbine blades and light-weight automotive structural components	Westlake Chemical Corporation
11/21/2021	Caldic	Value-added distributor of customer-specific formulations and solutions for life science, food, and specialty chemical markets	Advent International
11/14/2021	Profile Products	Manufacturer of highly engineered specialty materials for horticulture, erosion control, and other applications	New Mountain Capital
11/2/2021	Troy Corporation	Developer and manufacturer of preservatives, performance additives, metal carboxylates, and other products addressing a broad range of end markets	Arxada
11/2/2021	G20 Technologies (Arsenal Capital Partners)	Provider of coagulants and other chemicals for potable, industrial, and waste water treatment, as well as other applications	USALCO (HIG Capital)
11/2/2021	Rogers Corporation	Diversified manufacturer of engineered materials and components	DuPont
10/28/2021	Purolite	Provider of high-end ion exchange resins for the separation and purification of solutions	Ecolab
10/28/2021	Adhesives Technologies (Eastman Chemical)	Producer of adhesive resins serving the hygiene, packaging, and high-performance tire additives markets	Synthomer
10/18/2021	Encapsys	Manufacturer and supplier of microencapsulation solutions for phase change materials and fragrances	Milliken & Company


















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- › Building Products & Construction Materials
- › Chemicals & Specialty Materials
- › Industrial Technology
- › Natural Resources, Metals, & Mining
- › General Industrials
- › Packaging

SELECT RECENT CHEMICALS TRANSACTIONS

 <i>Solutions for your Environment™</i> a portfolio company of  has been acquired by  NEW MOUNTAIN CAPITAL LLC	 a portfolio company of  has been acquired by 	 a subsidiary of  has been acquired by THE JORDAN COMPANY	 a portfolio company of  has been acquired by  PRIVATE CAPITAL	 a portfolio company of  has been acquired by  PARTNERS	 has been acquired by 	 a portfolio company of  has been acquired by 
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DEEP EXPERIENCE ACROSS INDUSTRIALS SECTORS

BUILDING PRODUCTS & CONSTRUCTION MATERIALS					
CHEMICALS & SPECIALTY MATERIALS					
INDUSTRIAL TECHNOLOGY					
NATURAL RESOURCES, METALS, & MINING					
PACKAGING					
GENERAL INDUSTRIALS					

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With Robust Experience
across the Globe

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Bringing Firm-Wide
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Our Firm

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Business Services

Energy, Power & Infrastructure

Specialty Distribution

Transportation & Logistics

Building Products & Materials

Consumer

Healthcare & Life Sciences

Industrials

Technology

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SOURCES

1. American Chemistry Council
2. Port of Los Angeles Operations Report
3. KeyBanc Survey
4. CapitalIQ

Note: Data through January 21, 2022

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