



HW Harris Williams



Chemicals & Specialty Materials Update

October 2021



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.

For sellers of chemical businesses, market conditions remain highly attractive despite having grown more challenging to navigate. The combination of increasingly selective and disciplined buyers is set against the favorable backdrop of abundant capital, both on corporate balance sheets and in the form of private equity dry powder. Moreover, record-breaking deal activity and frothy valuation multiples persist alongside global supply-chain disruption, labor shortages, and uncertainty around the resolution of COVID-19.

Harris Williams helps its clients analyze and understand company-specific and market dynamics. Our professionals can help you achieve shareholder objectives while minimizing the impact from these temporary issues.

We hope you find this edition helpful. Please contact us to learn more.

SPOTLIGHT ON THE CHEMICALS SUPPLY CHAIN: BY THE NUMBERS^{1,2}

\$79.62

Price of Brent Crude, up 96%+ vs. 52-week low

70+ Days

Average ocean freight from Asia to U.S., up 40%+ YOY

~20%

Estimated raw material inflation YOY for 2H21

OUR PRACTICE

Harris Williams is a leading advisor to the chemicals and specialty materials industry. Our significant experience covers a broad range of business models, market segments, and applications.

Business Types	End Markets	Applications
<ul style="list-style-type: none">ManufacturersDistributorsOutsourced SolutionsOther Service Providers	<ul style="list-style-type: none">AerospaceAgriculturalAutomotiveConsumerIndustrialLife SciencesOil & GasOther	<ul style="list-style-type: none">Adhesives, Sealants & ElastomersAerosolsCleaning & PreparationFilmsPaints & CoatingsWater TreatmentOther

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What We're Reading

CHEMICALS & SPECIALTY MATERIALS NEWS & TRENDS

In this industry update, we have included a collection of articles focused on economic factors and trends impacting the chemicals and specialty materials industry. Sustainability has become top of mind for business leaders as calls for environmentally friendly solutions increase. Supply chain pressures continue to mount worldwide, and prices for key inputs have soared. Nevertheless, M&A activity has remained high in the industry, as abundant capital and favorable valuation multiples drive both supply and demand.

SUSTAINABILITY

Energy Investors Split on Future Benefits of Hydrogen Market – ICIS

09/16/2021

The list of investors emphasizing hydrogen technology has grown recently, with some betting that hydrogen will lead an energy transition over the next 10 years. In Europe, private equity, pension funds, and insurance companies have been looking to deploy capital to support hydrogen projects. Still, some market participants feel that hydrogen will not be the key to the energy transition, instead prioritizing investments in alternative technologies.

Read the full article [here](#).

Dow CEO Warns of Price Tag on Clean-Energy Plans – The Wall Street Journal

08/27/2021

U.S. Democrats' proposed clean-electricity standard, which calls for steeper penalties for using "dirty" energy sources like natural gas, is gaining traction in Washington. While chemical giant Dow Inc. has signaled support for the fight against climate change, Dow CEO Jim Fitterling warns that proposals to phase out carbon emissions too quickly, particularly if regulations restrict natural gas use, will result in significantly higher costs. Dow supports voluntary emissions caps and the development of an emissions trading market. The policies that are ultimately adopted to combat climate change will have sweeping implications for chemical and specialty materials manufacturers.

Read the full article [here](#).

SUPPLY CHAIN

Natural Gas Prices Surge, and Winter is Still Months Away – The Wall Street Journal

9/19/2021

Natural gas prices have surged recently, and analysts are concerned that prices could reach record heights this winter. The Wall Street Journal reports that natural gas stockpiles are 24% below average in northwestern Europe due to inventory loss stemming from hot weather and lower imports from Russia. The shortage has created many challenges for businesses trying to plan for the future, and many are opting to lock in prices now for fear that the increases will only continue.

Read the full article [here](#).

Paint is Getting Costlier and Harder to Find, and This Could Just Be the Beginning – CNBC

9/10/2021

Supply chain disruptions, extreme weather, and surging demand have caused producer prices for paint and coating manufacturers to increase 10.6% since August 2020, the most significant annual jump since 2009. Meanwhile, following an all-time high in April, paint and wallpaper stores have continued to experience robust sales. While debates over inflation continue, companies remain confident that the present demand environment will continue through 2022.

Read the full article [here](#).

M&A ACTIVITY

Chemicals M&A to Roar Back from Pandemic Lull – ICIS

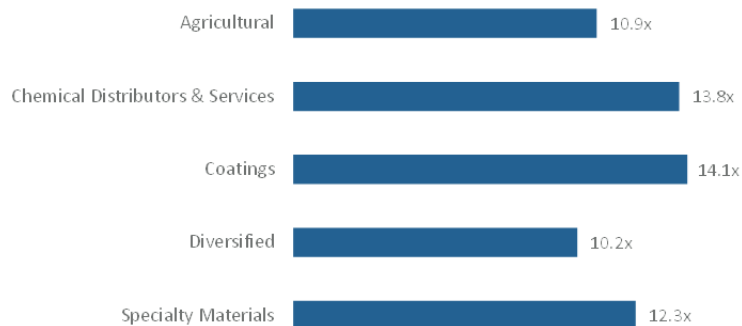
7/9/2021

Low interest rates and favorable valuation multiples are driving M&A activity broadly, but especially among specialty chemicals and ingredients companies. Strategic and financial buyers alike have been eager to pursue assets in the space despite supply chain constraints. In the future, significant deal volume is expected as some companies look to expand across borders while others plan to narrow focus by divesting non-core businesses. Additionally, the potential for a higher capital gains tax rate under the Biden administration has created an added incentive for swift action.

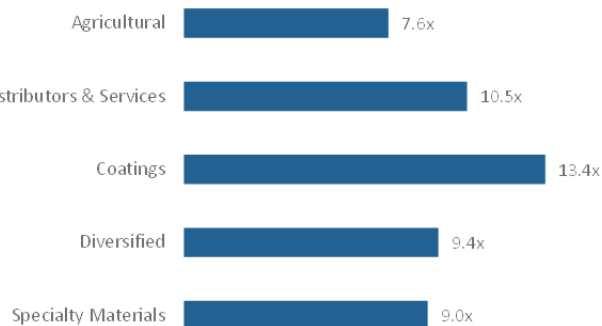
Read the full article [here](#).

Public Markets³

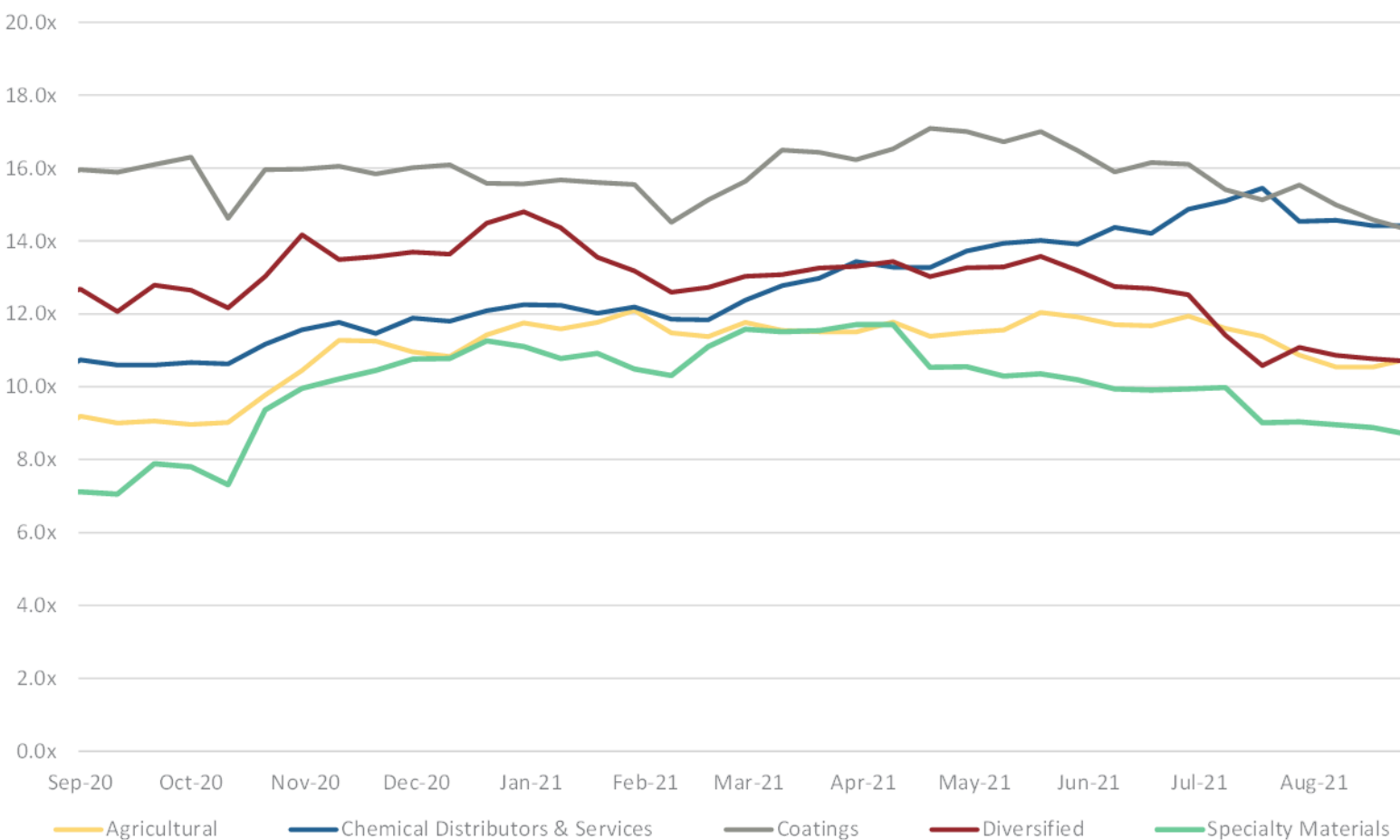
TEV / LTM EBITDA



TEV / NTM EBITDA

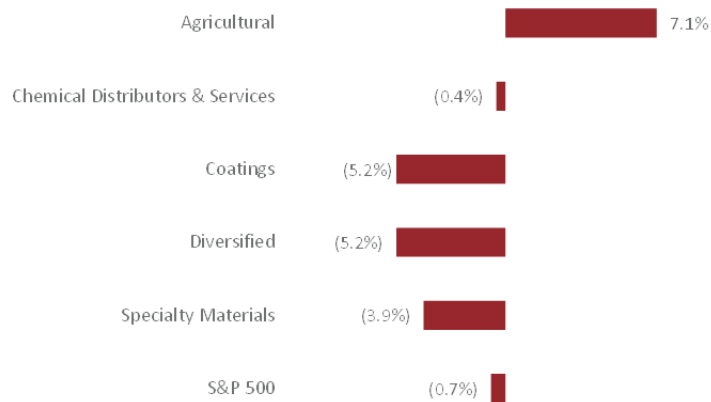


TRAILING 12 MONTHS TEV / LTM EBITDA

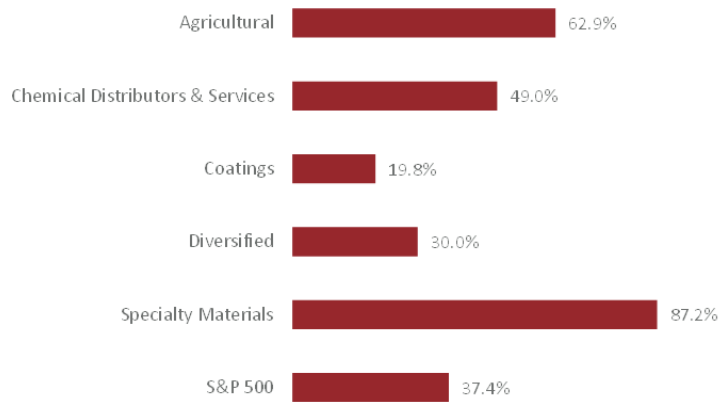


Stock Price Performance³

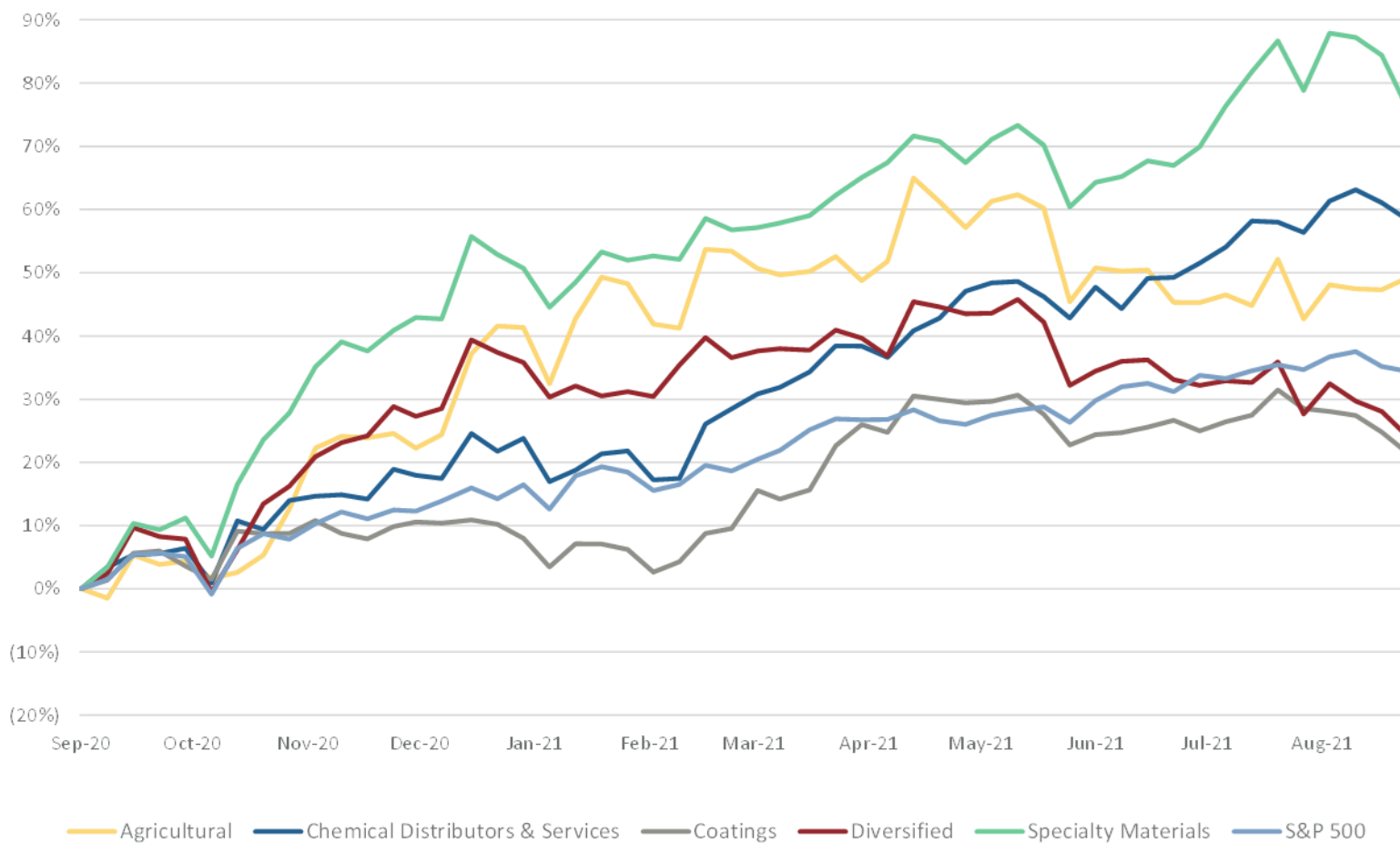
MEDIAN % CHANGE (1 MONTH)



MEDIAN % CHANGE (12 MONTH)



TRAILING 12 MONTH STOCK PRICE



M&A Transactions^{3,4,5}

SELECT RECENT M&A TRANSACTIONS

Announced	Target	Business Description	Acquirer
9/28/2021	Specialty Polymers	Manufacturer of water-based polymers used in architectural and industrial coatings as well as other applications	The Sherwin Williams Company
9/27/2021	Kraton Corporation	Producer of specialty polymers and high-value bio-based products	DL Chemical Co.
9/3/2021	EnPro Industries (Polymer Components Business)	Manufacturer of polymer components, coatings, and assemblies	Edgewater Capital Partners
8/31/2021	Ashland (Performance Adhesives Business Unit)	Performance adhesives business unit of Ashland	Arkema
8/23/2021	International Flavors & Fragrances (Microbial Control Business Unit)	Provider of preservation and hygiene solutions for industrial and consumer applications	LANXESS
8/23/2021	Deltech	Producer of high-performance aromatic monomers and specialized crystal polystyrene	SK Capital Partners
8/19/2021	Sika AG (Industrial Coatings Business)	Industrial coatings business of Sika AG	The Sherwin Williams Company
8/17/2021	Painters Supply & Equipment Co.	Distributor of automotive, industrial, and architectural coatings	Odyssey Investment Partners
8/11/2021	IPS Corporation	Manufacturer of adhesives, solvent cements, and construction supplies	Centerbridge Partners
8/11/2021	Aurora Plastics	Producer of polyvinyl chloride (PVC) and other custom polymer compounds	Nautic Partners
8/6/2021	Arclin	Manufacturer of resin and surfacing systems for the building, design, energy, agriculture, transportation, and other industries	The Jordan Company
7/23/2021	SI Group (Industrial Resin Business)	U.S.-based industrial resin business of SI Group	ASK Chemicals
7/19/2021	Henry Company	Manufacturer of roof coatings, cements, and driveway maintenance products	Carlisle Companies Inc.
7/7/2021	Ascensus Specialties	Manufacturer of specialty chemicals for bleaching, process, and product enhancement applications	New Mountain Capital
7/6/2021	Solenis	Manufacturer of specialty chemicals for the pulp, paper, oil and gas, chemical processing, mining, bio-refining, power, and municipal markets	Sigura Water (Platinum Equity)
6/28/2021	Prevenio	Provider of pathogen protection solutions focused on the protein and produce markets	John Bean Technologies Corporation
6/21/2021	Niacet Corporation	Manufacturer and supplier of chemical products, such as propionates and acetates for the food and pharmaceutical industries	Kerry Group
6/14/2021	Clariant (Pigments Business)	Manufacturer of organic pigments, pigment preparations, and dyes	Heubach GmbH / SK Capital Partners
6/9/2021	Eastman Chemical (Tire Additives Business)	Producer of specialty chemicals, raw materials, and additives for the tire industry	One Rock Capital Partners

The Harris Williams Industrials Group

FOCUS AREAS

The Harris Williams Industrials Group serves companies in a broad range of attractive niches:

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

SELECT RECENT CHEMICALS TRANSACTIONS

 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 	 a portfolio company of  has been acquired by 	 has been acquired by 	 a portfolio company of  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	    

Key Industrials Contacts

HW Harris Williams / GLOBAL M&A ADVISOR

10 INDUSTRY GROUPS

With Robust Experience
across the Globe

3 DECADES

Providing Award-Winning
M&A Advisory Services

1 UNIFIED TEAM

Bringing Firm-Wide
Dedication to Every
Engagement

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Our Firm

Harris Williams has a broad range of industry expertise, which creates powerful opportunities. Our clients benefit from our deep-sector experience, integrated industry intelligence and collaboration across the firm, and our commitment to learning what makes them unique. For more information, visit our website at www.harriswilliams.com/industries.

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Aerospace, Defense & Government Services

Business Services

Energy, Power & Infrastructure

Specialty Distribution

Transportation & Logistics

Building Products & Materials

Consumer

Healthcare & Life Sciences

Industrials

Technology

CONSISTENT RECOGNITION FOR QUALITY



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SOURCES

1. IHS Markit
2. Bloomberg
3. S&P Capital IQ
4. Acuris MergerMarket
5. Business Wire

Note: Data through September 23, 2021

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