

## First-quarter chemicals M&A deal value nearly doubled

Chemical Week | May 29, 2015 | —Vincent Valk



Young: M&A activity continues to hum.

First-quarter M&A activity in chemicals nearly doubled from year-ago levels, to \$15 billion in equity value in 2015 from \$7.6 billion in 2014, according to data compiled by Young and Partners (Y&P; New York), an investment bank. Chemicals' M&A equity value is on pace to total \$60 billion for the full year in 2015, an increase of more than 20% from 2014. Y&P's data include only deals with an equity value greater than \$25 million.

Megadeals remain comparatively rare. The largest deal completed in the first quarter was Albemarle's acquisition of Rockwood, which was worth \$5.6 billion. The average deal size ticked up year-on-year (YOY) during the quarter, to \$550 million from \$450 million. Some economic uncertainty is still holding back CEOs, says Peter Young, president of Y&P. "Although market volume in the first quarter has remained very healthy, high stock market valuations and CEO concerns about global economic and financial issues are still constraining large-deal activity," Young says.

Despite the low number of very large transactions, deal volumes have been solid and mostly consistent. Some 23 chemical M&A deals over \$25 million were completed during the first-quarter of 2015, up 35% from the first-quarter of 2014, when 17 deals were completed. However, the first-quarter 2015 figure stands below the quarterly average for all of 2014, 27 deals completed. "Heavy activity has been driven by low interest rates, strong cash flows and a build-up in cash balances, portfolio restructurings, acquisitions and divestitures by financial buyers, and a need to supplement organic growth with growth through acquisitions," Young says.

Private equity buyers accounted for 13% of the number of completed M&A deals in the first-quarter and 32% of the quarter's deal equity value. "Financial buyers, on average, appear to be doing larger deals than the industry average," Young notes. Interest rates remain low, and debt markets remain strong, although rates have "crept up a bit lately," Young says. That and new limits on the size of leveraged loans may constrain private equity a bit, although interest in the industry remains strong and deal capital remains accessible, he adds.

There were 25 announced-but-not-closed M&A deals, valued at a total of \$30.5 billion, as of 31 March. This total is down somewhat from 30 deals, valued at \$37.2 billion,

announced-but-not-closed as of 31 December 2014 but is still a sign of robust activity as 2015 moves forward, according to Young.