

Young & Partners Forum

Divestitures in the Current Environment

Is this a good time to sell a chemical business?

If you are a chemical company thinking of selling a non-core business or a private equity firm with a chemical business you have owned for a number of years, a key question these days is whether this is a good time to sell and, if so, what the right approach is to achieve success in the current environment.

The current chemical M&A market overall is relatively weak, but certain parts of the market are healthy. Other parts are depressed. There is no sign that the overall market will return to peak levels in the near to medium term.

Whether this is a good time to sell depends on the answer to a few key questions about your situation:

- Is your business a commodity or specialty chemical business?
- Where is it located? U.S., Europe, Asia, Middle East, etc.
- What is the quality and strategic profile of your business and how attractive will it be to strategic buyers?
- Are the potential buyers for your business in good shape, in healthy industry sectors and geographies, and looking to expand?

Depending on the answers to those four factors, the answer could be yes or no. Just as important, of course, is how effectively you devise and execute a sale.

Chemical M&A Market Factors to Consider

The current M&A market is complex and nuanced. The overall dollar volume and the number of deals in 2024 was healthy, but lower than the previous year. The underlying aspects, however, are important to consider. First, the number of commodity chemical deals and their share of the market are down due to the combination of very few buyers with weak profits, demand and capacity utilization. Yet there continues to be interest in commodity chemical projects in the U.S., China and the Middle East driven by market attractiveness and cost considerations. Private equity interest as buyers has actually gone up and has diversified beyond the normally U.S. and Europe centric concentration. Interest in

U.S. chemical businesses has increased significantly such that the U.S. share of chemical deals has gone from 24% in 2023 to 40% in 2024. The attractiveness of the U.S. chemical industry's relative cost position and the stability and growth of the large U.S. market are two of the positive factors. Chinese chemical companies continue to consolidate by merging with each other, which is keeping Asia's share of the M&A market high at 48%.

How we can help?

In the end, to determine whether or not to sell requires a strategic/financial look at the four key questions above and a thoughtful evaluation of how the business fits into the chemical M&A factors we have listed.

We are helping many clients determine the answer to the key questions, fit their business into the chemical M&A factors, and develop and execute tailored divestiture plans for their businesses. We are also religious about telling clients if the answer to whether to sell a business is no and why.

Please contact us if you think we can be of help.

Peter Young
CEO, Young & Partners
pyoung@youngandpartners.com

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