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CAPITAL ADVISORS

Specialty Chemicals

INDUSTRY UPDATE JUNE 2024

Lower Profits

Volatile input costs, including crude oil, gas, and petrochemicals, have limited industry profit. Geopolitical tensions in the Middle East and the Russia-Ukraine war increase commodity prices and limit chemical exports. Supply chain issues coupled with the higher interest rate environment will increase operating costs and lower profitability

Sustaining Demand

Lower manufacturing activity from the Covid-19 pandemic, inflation, and high interest rates have negatively impacted the industry. Rising demand for niche chemicals and increased construction activity will support industry growth. Industry revenue is expected to grow at a CAGR of 0.9% to $39.5 billion over the next five years

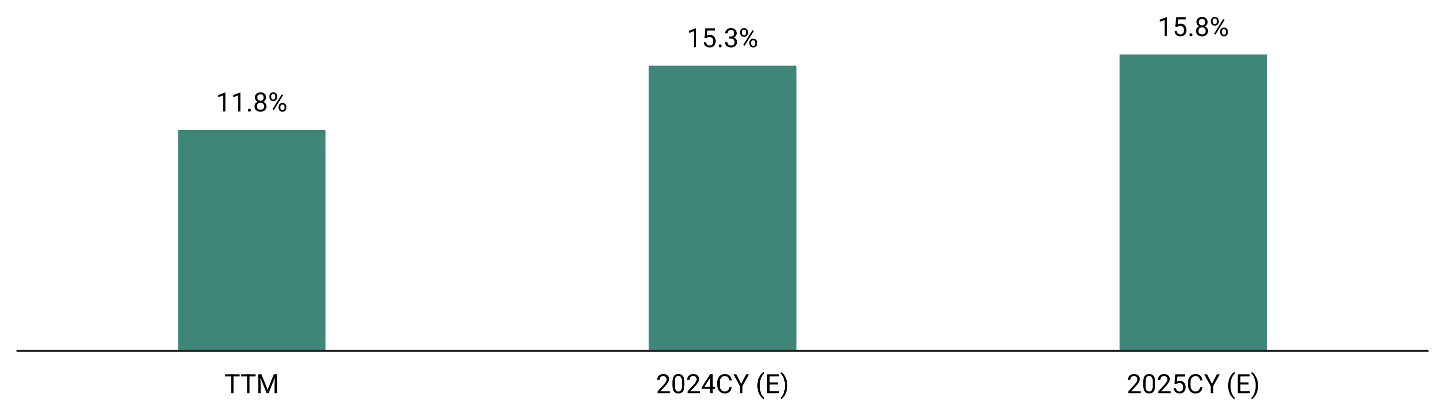
Strategic M&A Activity

Rising input and operating costs will incentivize M&As among industry leaders to lower purchase prices, limit cyclical demand fluctuations, and achieve greater economies of scale. Large manufacturers have entered joint ventures and strategic alliances on a domestic and international scale to drive innovation

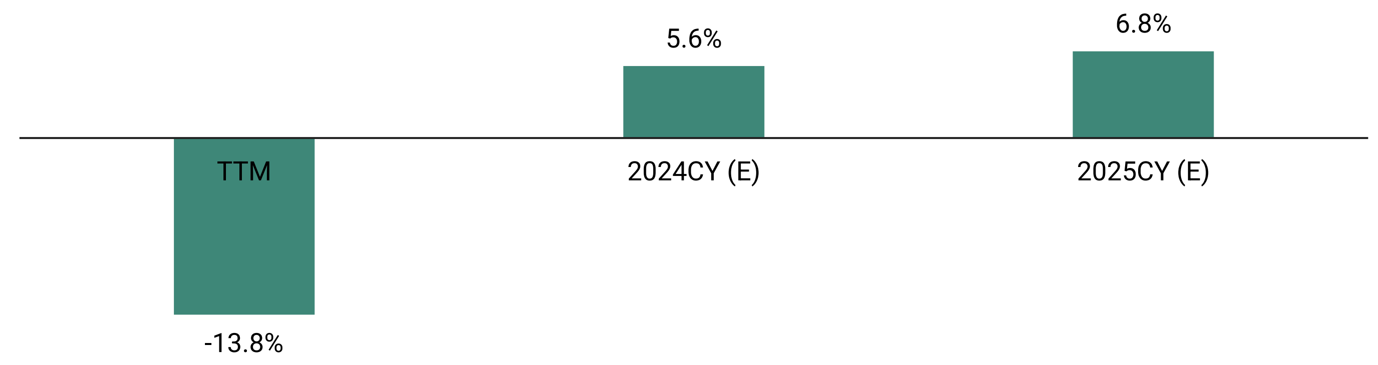
SPECIALTY CHEMICALS HEADLINE TRANSACTIONS

TARGET	ACQUIRER	ACQUISITION SYNOPSIS
Aqua ChemPacs	Solenis	In June 2024, Solenis, a leading global producer of specialty chemicals, acquired Aqua ChemPacs, LLC for an undisclosed amount. Aqua ChemPacs manufactures concentrated, pre-packaged eco-friendly cleaners and hand soaps. The acquisition will enhance Solenis's Diversey portfolio of hygiene, infection prevention, and cleaning solutions
cyanco	Orica	In April 2024, Cyanco was acquired by Australia-based Orica for $640 million. The transaction was funded from Orica's existing cash, undrawn debt facilities, and a $262 million underwritten institutional placement. Cyanco is a US-based leader in manufacturing and distributing sodium cyanide, a specialty chemical required for gold processing, to gold mines in the Americas and Africa. The transaction will expand Orica's chemical mining vertical to compliment its commercial explosives and blasting lines of business
American Pacific	NewMarket	In January 2024, American Pacific Corporation (AMPAC) was acquired by specialty chemicals manufacturer Newmarket for $700 million. The transaction was funded by cash on hand and borrowings under Newmarket's revolving credit facility. The acquisition gives American Pacific a foothold in the market for chemical solutions that empower U.S. national security and space exploration

EBITDA MARGINS



REVENUE GROWTH



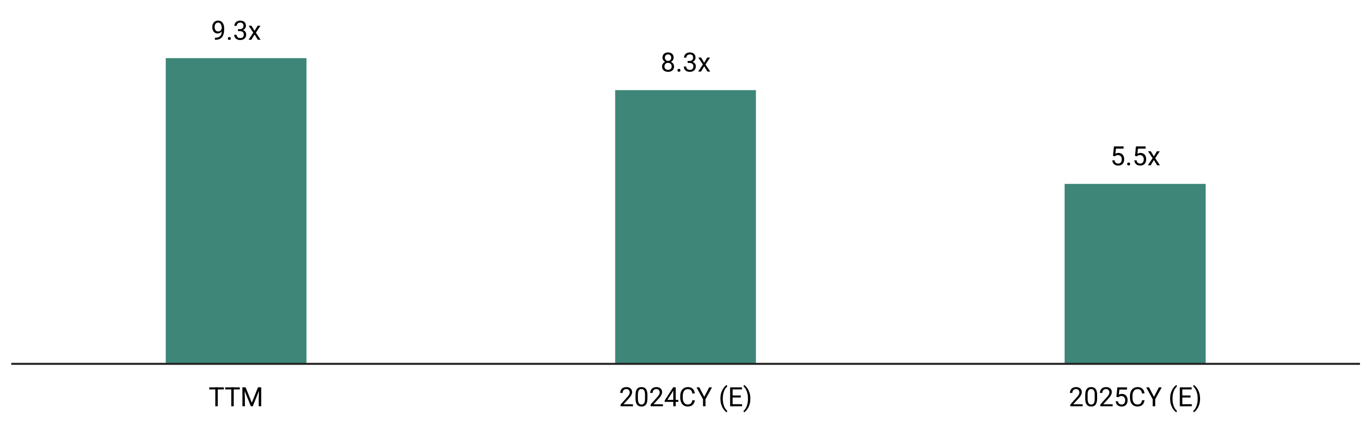
TRENDS TO WATCH

Renewable Energy Impact: Due to volatile commodity prices, manufacturers will transition from crude oil to renewable energy sources to lower operating costs and increase industry profit

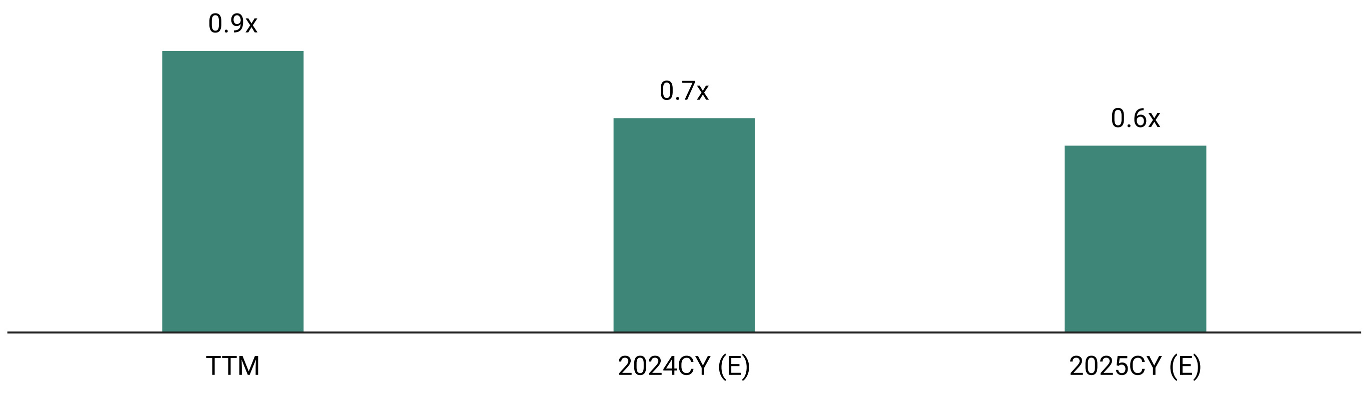
Automation Impact: Manufacturers incur significant expenses to hire skilled workers for specialist manufacturing. Automation and manufacturing innovations will streamline processes and offset labor costs

Regulatory Changes: Manufacturers will have to cope with changing environmental regulations. The US government will likely increase chemical regulation to reduce greenhouse gas emissions and mitigate climate change. New regulations will likely raise operating costs and cause manufacturers to restructure production processes to comply with new laws

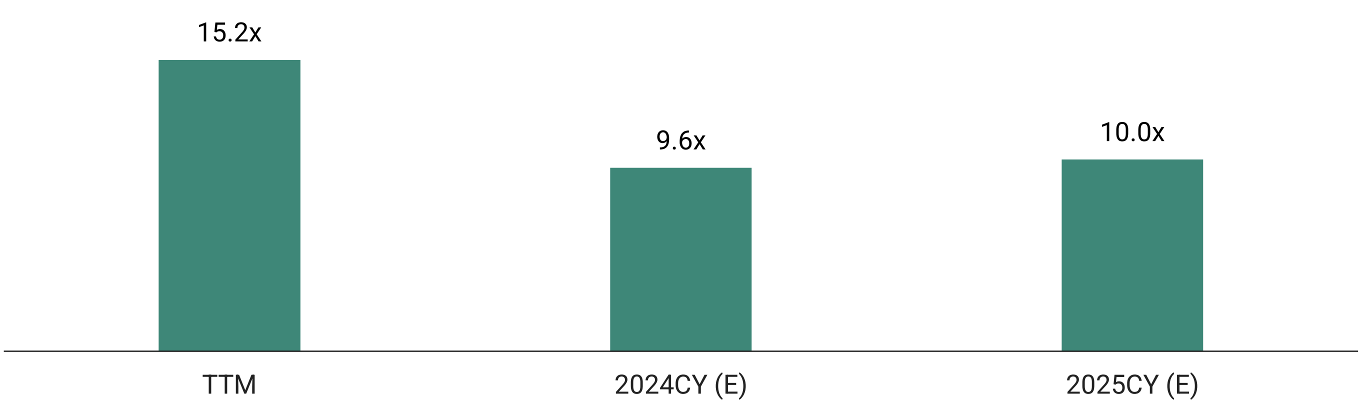
ENTERPRISE VALUE / EBITDA



ENTERPRISE VALUE / REVENUE



PRICE / EARNINGS



Sources: Pitchbook, IBISWorld

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