

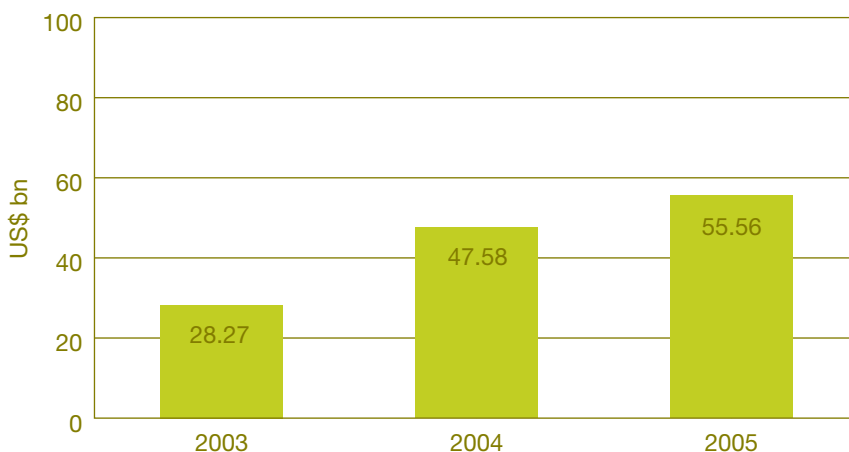
# Chemical Compounds\*

## Mergers and acquisitions activity in the global chemicals industry, 2003-2005

### Executive Summary

There were 245 mergers and acquisitions worth US \$50m or more in the chemicals industry between 2003 and 2005. The number of deals soared from 62 in 2003 to 95 in 2005, an increase of 51.6%, while total deal values doubled from \$28.3 billion to \$55.6 billion (see Figure 1). In **Chemical Compounds**, PricewaterhouseCoopers has analysed the most significant transactions in the industry by sub-sector, geographical spread and investor. It has also looked at the pattern of deal making in the first half of 2006.

Figure 1: The Increase in Deal-Making Activity, Measured by Value (2003-2005)



Sources: Bloomberg, Dealogic, mergermarket, Thomson Financial and PricewaterhouseCoopers analysis

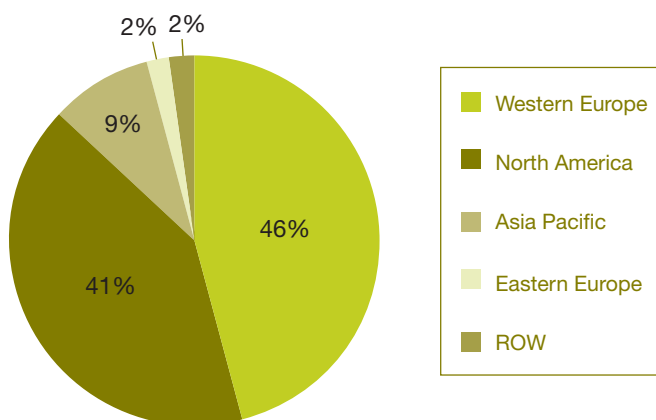
### Mega-mergers back on the map

Mega-mergers with a value of at least \$1 billion played a major role. There were 35 such deals with an aggregate value of \$82.1 billion – 62.5% of the total sum that was traded via transactions worth \$50m or more. The number of mega-mergers also rose sharply year on year. In 2003, there were eight deals worth more than \$1 billion, the biggest being the \$4.4 billion purchase of Ondeo Nalco. In 2005, there were 15 such deals, and the \$9 billion Ineos paid for Innovene dwarfed every transaction that had taken place in the preceding two years.

## Geographical snapshot

Western Europe and North America clearly dominated the scene. There were 94 transactions worth \$50m or more in Western Europe, with an aggregate value of \$60 billion – 46% of the total value that was traded over the period (see Figure 2). Companies based in North America accounted for another 84 large deals collectively worth \$54 billion, 41.1% of the total value that changed hands in this time. Conversely, the Asia-Pacific region accounted for just 33 large deals collectively worth \$11.9 billion, Eastern Europe for just 12 large deals collectively worth \$2.3 billion, and the rest of the world for 22 transactions collectively worth \$3.2 billion.

Figure 2: Regional Distribution of Deals worth \$50m or More, Measured by Value (2003-2005)



Sources: Bloomberg, Dealogic, mergermarket, Thomson Financial and PricewaterhouseCoopers analysis  
Note: Values of cross-border deals have been assigned to companies acquired

## Private equity a key component

Strategic investors accounted for the majority of the large transactions that took place in the sector between 2003 and 2005, reflecting the extent to which the sector has been restructuring itself. In all, there were 154 such transactions jointly worth \$82.1 billion – 62.5% of the total value that was traded.

Full copies of *Chemical Compounds\* – Mergers and acquisitions activity in the global chemicals industry, 2003-2005* can be downloaded at [www.pwc.com/chemicals](http://www.pwc.com/chemicals)

But financial investors, particularly those based in the US and Western Europe, were also very much in evidence. Attracted by the chemicals industry's cash-generative potential, the low risk of product obsolescence, low multiples (especially in 2003 and 2004), low interest rates and the ready availability of investment funds, they collectively invested \$32.5 billion in the sector — nearly a quarter of the total \$131.4 billion that was invested. However, increasing competition from strategic buyers and a stronger stock market prompted many private equity firms to crystallise their profits on earlier investments in 2005.

## Future outlook

Nevertheless, interest in the chemicals sector remains unabated. Transactions with a total value of nearly \$58 billion were completed or announced in the first half of 2006 alone. Deal valuations have become more realistic than they were in the late 1990s, and there are still plenty of opportunities for further consolidation. ■

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