

## Second-quarter 2014 global chemicals industry mergers and acquisitions analysis

To help provide further insight on recent mergers and acquisitions (M&A) activity, PwC is pleased to share with you our quarterly analysis of M&A activity in the global chemicals industry.



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Deal value fell again in the second quarter. The decline in value was seen despite the announcement of four mega-deals (deals valued at more than \$1 billion) with an overall value of almost \$6 billion; this comprised almost half of all activity for the quarter. At the same time, deal volume showed a significant uptick, gaining both sequentially and year over year, to 40 deals, the highest level since the fourth quarter of 2012. Average deal value declined as middle-market deals (deals valued between \$50 and \$250 million) became more prevalent as a proportion of deal activity.

PwC analysts are monitoring several other trends expected to affect the values and locations of deals in the chemicals sector, including:

- Specialty chemicals acquisitions, representing almost 50% of activity, drove deal value in the second quarter. This increase, compared with the first quarter of 2014 (43%), was driven primarily by the two largest mega-deals, each of which involved a specialty chemicals target. At the same time, the proportion of deals involving financial acquirers continued to increase in the second quarter, and comprised 22.5% of deal volume, compared with 13.1% for 2013 overall.
- The proportion of activity by acquirers from advanced economies continued to grow in the second quarter, to almost 70%, compared with 67% in the first quarter and 55% for 2013. The growth in activity related to advanced economies continued to be driven by increased optimism in the resurgence in demand. For example, despite negative GDP growth in the first quarter of 2014, the US economy is still expected to grow by 1.5% in 2014 overall. At the same time, economic activity has grown in the Eurozone, South Korea, and Japan.
- Asia and Oceania led global deal volume, as the region was involved in 21 deals valued at \$4.9 billion. China was a key driver of Asian deal activity, with 12 deals valued at almost \$1.4 billion. While the Chinese economy has slowed recently, it still outpaces most other nations; second-quarter GDP growth was 7.4% and there are signs of a recovery in China. Japan and South Korea were also well represented, with three deals each. North America led the other regions in deal value, with 18 deals valued at more than \$8.2 billion. The United States drove volume and value in North America, with 17 deals valued at more than \$7.9 billion. Also of interest, South-America-based companies were involved in four inbound deals, valued at \$533 million; the targets were all based in Brazil.

Despite the moderate decline (11.1%) in deal value for the quarter, 2014 remains on track to exceed 2013 activity; at the close of the first half of 2014, deal values are two-thirds the total activity seen last year. Given continued economic growth, we expect a strong finish in the second half, as strategic buyers look to inorganic growth as a means to improve efficiency and economies of scale. At the same time, financial investors are looking to improved demand in the chemical sector to drive increased returns. We are optimistic that the deal environment will see continued growth, albeit, perhaps less robust than previously hoped for.


We're pleased to present our second-quarter 2014 analysis as part of our ongoing commitment to provide you with a deeper understanding of M&A trends and prospects in the industry.

Launch the data explorer at [www.pwc.com/us/chemicalcompounds](http://www.pwc.com/us/chemicalcompounds) for a deeper dive into the data, or contact us to further discuss our insights.

Sincerely,



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