

M&A values hold strong as volumes dip in 2018

▸ Robert Westervelt

The value of global chemicals M&A transactions, which closed last year, reached \$157 billion driven by four \$10-billion-plus megadeals. The total essentially matches the record 2017 of \$155 billion, according to data from investment bank Young & Partners (Y&P; New York). The number of deals fell, however, with 71 deals completed compared with 91 deals for all of 2017, says Peter Young, president of Y&P.

"Last year was a very peculiar year," Young

Bayport Polymers breaks ground on PE plant

▸ Natasha Alperowicz

Bayport Polymers (Baystar), a 50/50 joint venture (JV) between Total's US petrochemicals and refining subsidiary and Novealis Holdings—a JV between Borealis and Nova Chemicals—has held an official groundbreaking ceremony for the construction of a previously announced 625,000-metric tons/year Borstar-process polyethylene (PE) unit at Pasadena, Texas. Start-up is expected in 2021.

The Borstar technology, which will be used in North America for the first time, will allow Baystar to produce enhanced PE products, the companies say. Baystar is also building a 1-million metric tons/year steam cracker at Port Arthur, Texas, which will consume ethane feedstock.

The companies broke ground on the \$1.7-billion cracker last June. It is being built alongside Total's Port Arthur refinery and an existing Total/BASF cracker, and is expected to start up in 2020. McDermott is providing its Lummus ethylene technology. The cracker will supply feedstock for the JV's existing 400,000-metric tons/year PE units as well as the new Borstar plant at Pasadena.

"This new Borstar unit will more than double the site's capacity ...," said Baystar president Diane Chamberlain at the ceremony.

Borealis is making progress on a number of other projects around the world (p. 31).

says, noting that the four megadeals accounted nearly 75% of the dollar volume. Three of the deals were announced back in 2016 and faced extended regulatory reviews that caused them to take more than two years to close. "The megadeals should, of course, be counted, but they should be viewed in a different way than the rest of the M&A market," Young says.

The \$10-billion-plus deals were Bayer-Monsanto, Linde-Praxair, PotashCorp-Agrium, and Carlyle's acquisition of Nouryon, the former specialty chemicals business of AkzoNobel. The megadeals of the past few years have been concentrated or driven by agricultural chemicals and fertilizers, coatings, and industrial gases.

Young expects slower but still solid activity in 2019 with a dearth of megadeals. "One would expect deal volume to drift

down a little bit," Young says. "There's uncertainty in the economy. If China slows down, it hurts chemical demand. There are also political and other risks out there. The level of uncertainty is not high enough to stop strategic acquisitions and divestitures, but it's enough to slow it down a little." There are no announced megadeals in the pipeline and given the extended regulatory scrutiny they face it could be a while before the next one closes.

Strategic moves and portfolio rearrangements are still going to happen, Young adds. "Prices and valuations are still very attractive for sellers," Young says. Strategic buyers can still make deals work where there are synergies, he adds.

Asia continues to dominate deal volumes, Young adds. "In terms of the location of M&A targets, Asia and rest of world (outside North America and Europe) dominated in 2018, accounting for 43.7% of deals completed worldwide," Young says. China drives the total and "this dominance has been true for quite a few years." In 2018, private equity represented only 10.5% of the number of acquisitions.



YOUNG: Megadeals drove M&A past two years but have slowed.

ExxonMobil greenlights Baton Rouge polypropylene project

▸ Clay Boswell

ExxonMobil has decided to go forward with construction of a 450,000-metric tons/year polypropylene (PP) unit in Baton Rouge, Louisiana. The company plans to break ground this year and begin operation in 2021. Cost estimates were not released.

The PP project is additional to ExxonMobil's \$20-billion "Growing the Gulf" initiative, which includes investments in Baton Rouge, as well as the company's facilities in Beaumont and Baytown, Texas. It is also separate from a joint venture with SABIC that is planning the construction of a 1.8-million metric tons/year ethane cracker in San Patricio County, Texas.

Last year, ExxonMobil completed a 1.5 million-metric tons/year ethane cracker in

Baytown, Texas, that supplies ethylene feedstock to two new 650,000 metric tons/year linear low-density polyethylene (LLDPE) lines at Mont Belvieu, Texas. ExxonMobil is currently building another 650,000 metric tons/year LLDPE line at Beaumont, Texas, that is expected to begin operation during the fourth quarter of 2019.

Two other PP projects are under way on the US Gulf Coast. Braskem is building a 450,000-metric tons/year plant in La Porte, Texas, with start-up expected in 2020; Formosa Plastics Corp. (FPC) is building a 250,000-metric tons/year plant, also expected to start up in 2020. FPC is also building a 600,000-metric tons/year propane dehydrogenation (PDH) plant at Point Comfort, Texas, that will supply feedstock propylene. Start-up is slated for 2022.