

Chemical M&A: Reflections on the First Quarter and Beyond - Young & Partners Forum

What happened in Chemical in the first quarter and what is the outlook for 2023?

Only \$8.6 billion worth of deals closed in the first quarter of 2023. On an annualized basis that would be \$34.4 billion, well below the \$52.4 billion of deals that closed in 2022.

The number of deals declined as well. 16 deals were completed in the first quarter of 2023, well below last year's average quarterly number of 21.5 deals per quarter.

Economic uncertainty, higher interest rates, restricted availability of debt financing, concerns about making investments in Europe, and a divergence in the price expectations of sellers versus buyers have all contributed to the decline in the number and value of chemical M&A.

Valuations in commodity chemical deals have continued to fall, but specialty chemical M&A valuations continue to be high.

What is the outlook for the rest of 2023 and beyond?

The M&A market outlook for 2023 will continue to be subdued. The supply of businesses from sellers will be ample, but the number of buyers will continue to be constrained, particularly for larger deals. Strategic buyers will be cautious and private equity players will be constrained by high interest rates, uncertainty in Europe, and their total lack of interest in buying anything in China.

The negative factors that suppressed larger deals in 2022 will likely continue to exist in 2023.

M&A activity will be focused on divestitures of non-core businesses, acquisitions and divestiture driven by the desire by certain companies to shift their overall themes, the divestitures of private equity owned businesses.

Valuations will come down modestly in specialty chemicals and will continue to be suppressed in commodity chemicals.

That said, the outlook cannot be predicted with precision because key factors cannot be forecasted, such as the economic, interest rate and geopolitical forward picture.

Save the Date

The 36th Annual Young & Partners Pharmaceutical Executive Summit will be held on November 29 at the Yale Club of New York. The speakers will be leading experts covering important strategic and financial issues. It will be hybrid, with both in person and virtual participation. Please save the date. Invitations will be sent out in mid-June.

Regards,
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Young & Partners

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