Young & Partners Forum

Chemical M&A in the First Quarter 2025 and Beyond

The M&A Market

It is not a surprise that the chemical industry M&A market is being driven heavily by the global and chemical industry economic and geopolitical factors. The result has been a modest uptick amidst an M&A market downturn. Except for the steady acquisitions of U.S. companies and the escalating consolidation activity in the Chinese chemical industry, the rest of the market is flat or declining.

$16.2 billion worth of deals closed in the first quarter of 2025 compared to $45.3 billion for all of 2024. This was a modest increase on an annualized basis compared to 2024, but this was in part due to one large deal, the acquisition of Arcadium Lithium by Rio Tinto for $6.7 billion that closed after a long delay.

The number of deals that closed tells a similar story. In terms of numbers of deals, 15 deals closed in the first quarter of 2025, slightly higher on an annualized basis compared to the 50 deals that closed in 2024.

On the other hand, 75 deals closed in 2023 and 86 deals closed in 2022.

So after a dismal 2024 in terms of M&A volume, the first quarter is showing a slight upward trend from a low level.

Looking forward, the value of deals announced but not closed as of March 31, 2025 was $29.1 billion (25 deals), which suggests a continuation of this slower pace.

The trends underneath the totals are quite interesting.

Commodity chemical deal activity continues to fall. The volume of commodity chemical transactions in the first quarter of 2025 accounted for only 40.0% of the total, a continuation of the weak volume in 2024. Commodity chemical deals are normally around 50% of the total historically. None of the commodity chemical deals were in Europe.

Commodity chemical valuations will likely remain depressed, even without any adjustment for the cyclical earnings downturn, given the negative outlook and uncertainties.

Specialty chemical M&A volume has fallen, but not as severely as commodity chemicals and valuations have recently increased very modestly.

Geographically, the chemical M&A market continues to be dominated by deals in Asia/ROW. The global share of deals completed in Asia and ROW in the first quarter of 2025 was an astonishing 60.0% of all global deals, a significant increase from the 49.0% share in 2024. Almost all of the buyers of the Asian businesses were also Asian.

Outside of Asia, M&A volume declined, but the U.S. M&A volume was respectable since it is considered to be a favorable place to make chemicals and Europe M&A volume was severely depressed with the dire business conditions there. No European commodity chemical deals closed in the first quarter.

Predictions

Our prediction for Chemical M&A overall in 2025 is a very modest increase in both the dollar volume and the number of deals completed. A strong Asian M&A market will be offset by weakness in commodity chemical and European M&A activity.

The modest volume will be driven by strategically imperative divestitures and acquisitions, divestitures by private equity owners, consolidation activity in China, and the restructuring activities of commodity chemical companies forced by the industry downturn and structural issues.

In essence, the factors suppressing M&A activity are unlikely to go away and the drivers of M&A activity are not going to escalate.

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