

The Chemical M&A Market Treads Water

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Introduction

This letter reviews Young & Partners' view of the current state of the global economy and chemical industry, the current and expected chemical M&A trends, and the implications of these trends for sellers and buyers of chemical businesses.

Please note that the 38th Annual Young & Partners Senior Chemical Executive Conference will be held on October 28 in-person at the Yale Club of New York and virtually. To see the conference agenda and to register, please go to <https://youngandpartners-10-28-25.eventbrite.com>.

The State of the Global Economy and the Chemical Industry

The global economic picture has been weakening in many parts of the world such as China and the EU as part of a global economic trend, but also as a result of the Trump administration tariffs and other actions.

We are facing a high degree of uncertainty with regard to the global economy, global geopolitical tensions and conflicts, relatively high interest rates, and uncertain and constantly changing policies of the Trump administration.

Global economists at the International Monetary Fund, OECD and World Bank are predicting slower global growth and a negative effect of the tariffs on the global economy.

It is very unclear how the U.S. and Chinese economies will be impacted, but the prospects for the EU and other countries are decidedly negative.

Since the chemical industry prosperity is heavily tied to global economic conditions, 2024 was a difficult year for the chemical industry in terms of demand and profitability.

There were a number of chemical industry specific challenges that occurred in terms of market specific demand slowdowns, customer inventory draw downs, fluctuating oil and gas prices, and the buildup of capacity, particularly in China that has been an important destination for Western produced chemicals.

The future looks particularly difficult for commodity chemical companies due to the normal cyclical downturn that is now combined with major increases in capacity in Asia and the Middle East, driven by factors unrelated to normal cyclical increases in capacity.

The rationale in the Middle East is their desire to have more diversified economies that are less dependent on oil and gas. The rationale in China is hard to justify because China does not have low cost oil and gas like the U.S. or the Middle East.

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 continuation of the M&A market downturn.

\$19.8 billion worth of deals closed in the first half of 2025 compared to \$45.3 billion for all of 2024.

This represents a moderate decline on an annualized basis compared to 2024, which was already a weak year.

The number of deals that closed tells a slightly more positive story.

In terms of numbers of deals, 32 deals closed in the first half of 2025, a slightly higher annualized pace compared to the 50 deals that closed in 2024.

Even with a slight uptick, this pace is well off the 75 deals closed in 2023 and the 86 deals in 2022.

So after a dismal 2024 in terms of M&A volume, the first half of 2025 is showing a continuation of a slow M&A market.

In addition, the value of deals announced but not closed as of June 30, 2025 was \$30.0 billion (21 deals), which supports the slow M&A scenario.

The trends underneath the totals are quite interesting.

Commodity chemical deal activity continues to fall. The volume of commodity chemical transactions in the first half of 2025 accounted for only 31.3% of the total, a continuation of the weak volume in 2024. Commodity chemical deals are normally 50% of the total market.

Commodity chemical mean EV/EBITDA valuations went up in the first half of 2025, but mainly because profitability declined.

Specialty chemical M&A volume has fallen, but not as severely as commodity chemicals, and valuations have fallen moderately.

Specialty chemical mean valuations fell modestly in the first half of 2025, but are healthy and well above previous trough levels.

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 half of 2025 was an astonishing 59.4% 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, the U.S. continues to be seen as a favorable place to make chemicals, but have lost share of market to Asia. The U.S. accounted for 25.0% of all deals in the first half of 2025, down from 39.2% for all of 2024.

Europe has historically accounted for 20% to 30% of all worldwide deals. Europe ended up with only 15.6% of deals completed worldwide in the first half of 2025, up from 11.8% in 2024, but remained depressed as buyer interest in European chemical assets continues to be weak.

Predictions

Our prediction for Chemical M&A in 2025 is a very modest increase from depressed levels in both the dollar volume and the number of deals

completed. Weakness in commodity chemical and European M&A activity will be the culprits.

The drivers supporting continued activity will be 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.

Implications for Management and Private Equity

Is this a good time to sell a chemical business?

If you are a chemical company thinking of selling a non-core business or a private equity firm with a chemical business that you have owned for a number of years, a key question these days is whether this is a good time to sell and, if so, what the right approach is to achieve success in the current environment.

The current chemical M&A market overall is relatively weak, but certain parts of the market are healthy.

Whether this is a good time to sell depends on the answer to a few key questions about your situation:

- Is your business a commodity or specialty chemical business?
- Where is it located? U.S., Europe, Asia, Middle East, etc.
- What is the quality and strategic profile of your business and how attractive will it be to strategic buyers?
- Are the potential buyers for your business in good shape, in healthy industry sectors and geographies, and looking to expand?

Depending on the answers to these four factors, the answer could be yes or no. Just as important, of course, is how effectively you devise and execute a sale.

For buyers, this is a reasonable time to be buying specialty chemical businesses with less competition from other strategic players. Commodity chemicals will be much easier to acquire at lower multiples, but there must be a strong strategic rationale, even at the current lower valuations.

Author

Peter Young is CEO of Young & Partners, an international corporate strategy and investment banking firm that focuses on the chemical and life science industries. It is the only firm that has both first class corporate strategy and investment banking skills that can be applied individually or in an integrated fashion.

The firm provides corporate strategy and financial advisory, M&A, debt and equity placement, and financial restructuring services for clients globally. The firm has extensive industry knowledge, business and financial strategy expertise, first class investment banking skills, and no conflicts of interest. Young & Partners has served a global client base of companies in Europe, North America, Latin America and Asia for the last 29 years.

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