Chemical M&A mixed, sideways

Our prediction for the rest of 2025 and 2026 is a slight improvement from the current subdued activity, both in dollar volume and the number of deals

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The global economic picture has been weakening in certain parts of the world such as China and the EU, but there has been further deterioration as a result of US tariffs and other actions. The US has been relatively stable, with some signs of modest slowing of growth.

We are facing a high degree of uncertainty with regard to the global economy, geopolitical tensions and conflicts, relatively high interest rates, and constantly changing policies of the US Trump administration. Global economists at the IMF, OECD and World Bank have all expressed concerns that Trump's trade war will negatively affect the global economy.

The chemical industry's prosperity is heavily tied to global economic growth and raw material costs, both of which have contributed to revenue and profit pressures.

However, there were a number of chemical industry specific challenges that occurred in terms of market-specific demand slowdowns, fluctuating oil and gas prices, and the build-up of capacity, particularly in China which has been an important destination for Western produced chemicals.

The future looks particularly difficult for European chemical companies with weak demand and high costs, and for commodity chemical companies globally with the normal cyclical downturn combined with major capacity increases in Asia and the Middle East. These capacity increases are driven by factors unrelated to normal cyclical increases in capacity.

The rationale in the Middle East is a desire to have more diversified economies less dependent on oil and gas. The rationale in China is hard to justify because China does not have cost advantages in terms of low-cost oil and gas like the US or Middle East.

The expansion, particularly by state-owned enterprises, is driven more by government goals to be less dependent on imports. The government is not willing to rely on foreign owned or jointly owned petrochemical plants to satisfy this goal.

M&A market mixed

It is not a surprise that the chemical M&A market is being driven heavily by the global and chemical industry economic and geopolitical factors.

$32.5 billion worth of deals closed in the first three quarters of 2025 compared to $45.3 billion for all of 2024. This was modestly lower on an annualized basis ($43.3 billion annualized) compared to 2024. Note that 2024 was a historically slow year. The number of deals that closed tells a similar story. 45 deals closed in the first three quarters of 2025, modestly higher on an annualized basis (60 deals annualized) compared to the 50 deals that closed in 2024.

This volume is weak compared to 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 three quarters are showing a continuation of low M&A activity.

Backlog suggests slow future activity

There are small signs of a revival with the announced acquisition of BASF Coatings by Carlyle and Qatar Investment Authority (QIA) and Occidental Chemical by Berkshire Hathaway, but these are not mainstream in nature.

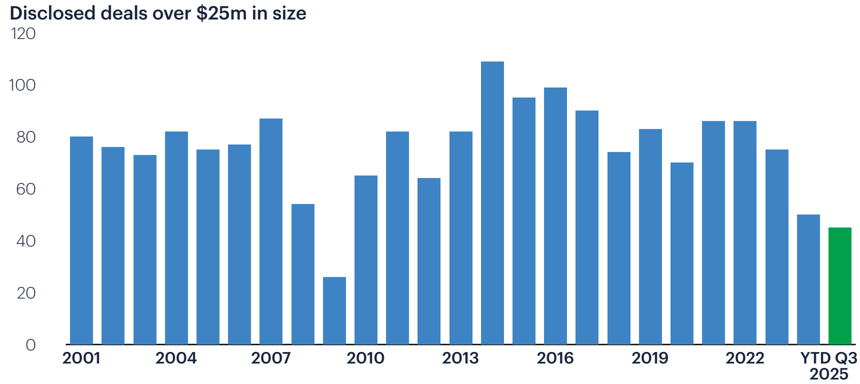
Looking forward, the value of deals announced but not closed as of the end of September 2025 was $27.0 billion (20 deals), which suggests a continuation of this slower pace since the pipeline generally represents 6 months of activity. If we look more closely, the trends are quite interesting.

Commodity versus specialty deals

Commodity chemical deal activity continues to fall. Commodity chemical transactions in the first three quarters of 2025 accounted for

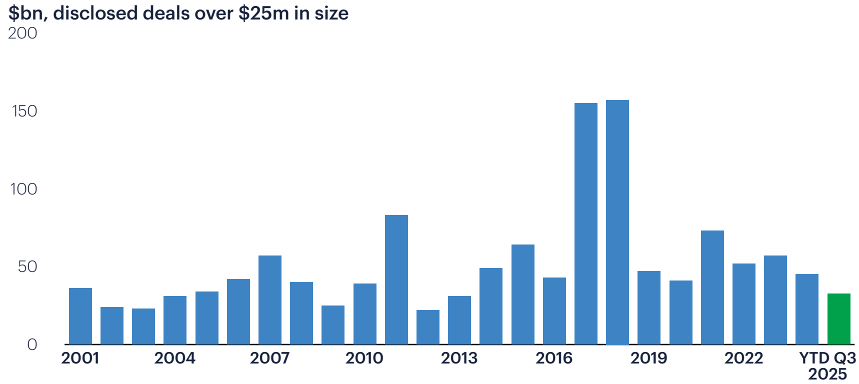
Acquisitions of worldwide chemical companies - number of deals

Disclosed deals over $25m in size



Source: Young & Partners

Acquisitions of worldwide chemical companies - equity value



Source: Young & Partners

only 35.6% of the total market versus around 50% of the total historically. Deal multiples have increased, but mainly because earnings have fallen.

Specialty chemical M&A has been more stable and valuations have risen moderately reflecting interest in specialties by strategic buyers and due to more favorable business conditions.

Geographic split

Geographically, the chemical M&A market continues to be dominated by deals in Asia/Rest of World (ROW), followed by the US and then Europe.

The difficulties faced by European chemical companies with higher energy and feedstock costs, higher regulation, and low growth have all contributed to a loss of buyer interest amid a flood of companies interested in selling.

Unfortunately, a large number of divestiture attempts will result in shutdowns instead of completed sales.

Although there have been a number of announced and completed spin-offs by companies such as DuPont and Honeywell, these are not M&A deals since there is no change of control. Time will tell if shareholder value will be created.

Slight improvement for 2026

Our prediction for Chemical M&A for the rest of 2025 and for 2026 is a slight improvement from the current subdued activity, both in dollar volume and the number of deals completed. The supply of businesses from sellers will be ample, but the number of buyers will continue to be constrained, particularly for larger deals. The continued weakness in commodity chemical and European M&A activity will be the culprits.

However, the future outlook is heavily dependent on reduced economic and geopolitical uncertainty, lower interest rates, and some improvement in economic stability around the world, which may not happen.

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

Strategic buyers will be cautious and private equity players forced to invest their substantial unused funds in spite of uncertainties in Europe and their total lack of interest in buying anything in China. 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.

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 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 chemical M&A market overall is relatively weak, but certain parts of the market are healthy. Other parts are depressed. Specialty chemical activity will be the place where volume and valuations will increase.

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? US, 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?

• Is there a scenario where valuations will improve materially in the near to medium term?

Depending on the answers to these questions for each company, the answer could be "yes" or "no". Just as important, of course, is how effectively you devise and execute a sale. ■

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