Signs of revival in chemical M&A

Deal activity rose in 2025 with an acceleration towards the end of the year, boding well for a higher level of closed transactions in 2026

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The global chemical mergers and acquisitions (M&A) market is beginning to show signs of a revival in overall volume.

$50.9 billion worth of deals closed in 2025 compared to $45.3 billion for all of 2024, an increase of 12%, according to Young & Partners.

The number of deals closed tells a similar story. In terms of numbers of deals, 56 deals closed in 2025, also 12% higher compared to the 50 deals that closed in 2024.

So, after a dismal 2024 in terms of M&A volume, 2025 showed an improving market. This is an encouraging development, but activity was still well below the dollar volume and number of deals a few years ago.

Without question, weaker profits, industry overcapacity in commodities, slowing economic growth globally, and geopolitical turmoil and uncertainties have all contributed to the weak M&A market more recently.

However, there are clear signs of a revival, with a number of announced deals in the last few months that ae set to close in 2026.

The value of deals announced but not closed as of 31 December 2025 was $54.0 billion (30 deals), which suggests a further uptick as the pipeline of deals generally represents 6 months of activity.

This is a huge increase in the backlog, since just one quarter earlier the value of deals announced but not closed was only $27 billion (20 deals). There is no question that the market is accelerating.

COMMODITY VERSUS SPECIALTY

If we look more closely, the trends underneath the totals are quite interesting. The total M&A market is really made up of a collection of individual submarkets that have their own unique characteristics. Commodity chemical deal activity continues to fall. Commodity chemical transactions in 2025 accounted for only 41.1% of the total market. These deals are normally around 50% of the total historically.

Commodity chemical mean valuations rose dramatically to 10.5x EV/EBITDA (enterprise value/earnings before interest, tax, depreciation and amortization) in 2025 from 8.0x in 2024, but the higher valuations are due in part to depressed EBITDA numbers.

Plus, two of the deals that drove valuations up were industrial gas businesses, a sector that is not depressed and because of its oligopolist nature, does not suffer the same downturns that regular commodity chemicals suffer from.

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

Specialty chemical volume has been stable and valuations are up. Mean valuations fell from 14.2x EV/EBITDA in 2023 to 11.1x in 2024 and rose significantly to 18.7x in 2025.

GEOGRAPHIC BREAKDOWN

Geographically, the chemical M&A market continues to be dominated by deals in Asia/ROW (rest of the world).

The global share of deals completed in Asia and ROW in 2025 reached an astonishing 58.9% of all global deals, a significant increase from their 49.0% share in 2024.

Almost all of the buyers of Asian businesses were also Asian.

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

However, the sheer volume of assets being offered has been such that even weak buyer interest has resulted in an uptick in volume and increase in Europe's share of the market.

Europe ended up with 19.6% of deals completed worldwide in 2025, up from 11.8% in 2024. Europe has historically accounted for 20-30% of all worldwide deals.

On the other hand, a high percentage of the attempted divestitures are failing and resulting in shutdowns instead of completed sales.

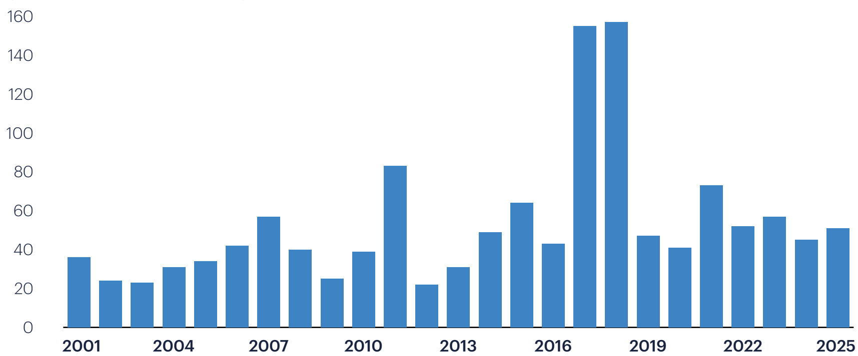
Although the US continues to be seen as a favorable place to produce chemicals, the US only accounted for 21.4% of all deals in 2025, dramatically down from 39.2% for all of 2024, mainly due to the major increase in Asia and Europe M&A volume.

PRIVATE EQUITY REVIVAL

Private equity buyers completed 9 deals in 2025 versus 10 in all of 2024, with a slightly lower market share of 16.1% in 2025 compared to 19.6% in 2024. Three of the 9 deals were by

Acquisitions of worldwide chemical companies – equity value

$bn, disclosed deals over $25m in size



Source: Young & Partners

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US private equity firms. One was in China by a Chinese firm.

Private equity activity has revived modestly, aided by some relief in interest rates and the historically strong interest in chemicals by private equity investors over the years, but mainly in specialty chemicals.

This is being counter-balanced by economic uncertainty and private equity's limited ability to exit existing chemical investments.

There has been an increase in completed spin-offs. Spin-offs are not M&A transactions and are a way to transfer ownership to the company's shareholders (tax free with no change of control).

Recent announcements include spin-offs by US-based Corteva and Japan-based Resonac. US-based companies DuPont and Honeywell have also completed their spin-offs.

These are being driven by real or imagined attempts to deliver higher shareholder value without the tax leakage of a sale and to sharpen the business focus of the businesses involved. Time will tell if these spin-offs in fact increase shareholder value.

PREDICTIONS FOR 2026

Our prediction for Chemical M&A for 2026 is a continued revival in the dollar volume and number of deals that will be completed.

However, the outlook beyond 2026 is heavily dependent on acceptable economic and geopolitical uncertainty, lower interest rates, and some increase in economic stability around the world, which may not happen.

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

In Asia there will be continued expansion of chemical companies in certain sectors coupled with much needed consolidation in others.

The stabilization of commodity chemical M&A multiples and the improvement in specialty chemical M&A multiples will encourage owners to sell.

Although M&A multiples are below their peaks, they are at levels where the gap between seller and buyer expectations has narrowed, and deals can get done in sectors where there is a sound business scenario for the target.

GOOD TIME TO SELL?

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?

Depending on the answers to these four questions, the answer could be "yes" or "no".

Just as important, of course, however, is how effectively you and your financial advisor devise and execute the sale. ■

Peter Young is CEO of Young & Partners, an international strategy and investment banking firm that focuses on the chemical and life science industries.
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