The Good, the Bad and the Ugly

US and European chemical stocks underperformed spectacularly in 2025 but debt issuance is picking up

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The performance of the chemical industry in the stock and financing markets was decidedly mixed in 2025, and the outlook is somewhat uncertain given the economic and geopolitical unknowns today.

Although the general stock market did well, the chemical industry underperformed as it continues to be out of favor with investors. As a result, public valuations also weakened. Valuations in commodity chemicals and certain sectors in specialty chemicals were also weaker. Certain favored themes continued to do well, however.

Chemical industry debt and equity financing activity, on the other hand, was relatively strong in 2025 as debt providers continue to embrace chemicals and equity investors were willing to provide capital to existing public chemical companies.

Even initial public offering (IPO) volume increased modestly after multiple years of decline, although the IPOs were done by Asian companies.

CHEMICAL STOCK PERFORMANCE

In 2025, the S&P 500 increased by 16.6% and the S&P Euro 350 surged 32.5%. The US stock market has been volatile but buoyed by the tech Magnificent Seven and AI.

Similar to 2024, only one out of seven of the Y&P Chemical indices outperformed their respective overall market indices in 2025.

The Y&P US Basic Chemicals index fell 24.2%, the Y&P US Diversified Chemicals index declined 28.2%, and the Y&P US Specialties index increased 3.2%, all dramatically worse than the market.

The Y&P US/Canada Fertilizers index was the only outperformer, rising 19.4%.

European chemical companies fared better than their US counterparts, but still underperfomed the overall market. The Y&P European Basic Chemicals index increased 8.5%, the Y&P European Diversifieds index rose 12.3%, while the Y&P European Specialties index declined 1.9%.

Valuations, as can be expected, are at a discount to the overall market.

In terms of price/earnings (P/E) valuations, only two of the seven Young & Partners Western chemical indices traded at a premium to their respective overall market indices as of the end of 2025.

The European chemicals indices traded at a premium, partly due to earnings issues, while the US chemical indices traded at a discount.

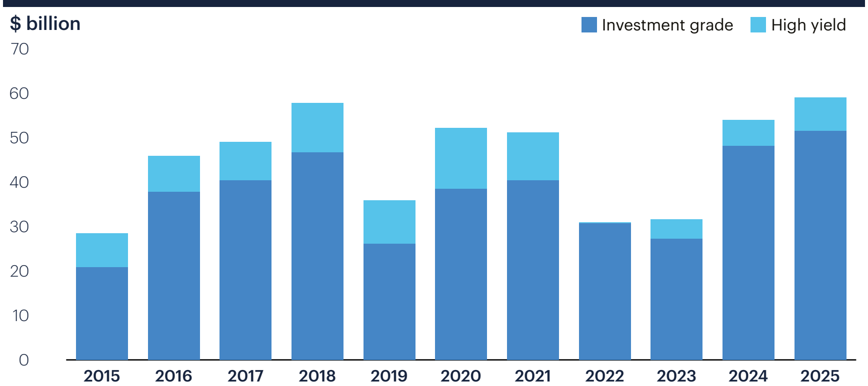
On an enterprise value/earnings before interest, tax, depreciation and amortization (EV/EBITDA) basis, only two of the seven Young & Partners Western chemical indices were trading at a premium to the market as of the end of 2025.

European chemicals indices traded at a premium while the US chemical indices traded at a discount. The chemical industry has clearly lost the premium valuation position relative to the overall market that it held for many years.

DEBT FINANCING TRENDS

Global non-bank debt financing totaled $59.1 billion in 2025, an increase from the $54.0 billion issued in 2024.

Global chemical nonbank debt financing



Source: Young & Partners

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In 2022 and 2023, as interest rates went up, the drive to refinance disappeared and lower M&A volumes reduced the amount of M&A debt financing required. The modest pick-up in M&A and lower interest rates have driven the strength of debt financing.

Investment grade debt was $51.5 billion of the total in 2025.

High yield debt volume continued to recover with $7.5 billion issued in 2025, compared to $7.8 billion issued in 2024. This is a vast improvement compared to the near zero level in 2022 and the $4.3 billion issued in 2023.

EQUITY FINANCING TRENDS

$17.0 billion of equity was issued via 85 offerings in 2025. This is a major increase compared to the $9.1 billion of equity issued in 2024. There was also a much greater number of offerings in 2025 at 85 compared to 54 in 2024. The recovery was greatest seen in Asia where 73 of the 85 equity offerings were completed.

IPO volume continues to be subdued, but modestly higher. In 2025, there was a slight pick-up in volume with 20 IPOs completed worth $2.2 billion compared to 14 IPOs completed worth $1.7 billion in 2024.

Although this is an improvement, it is still a significant decline when compared to 2022 when 41 IPOs were completed worth $9.4 billion. All of the IPOs were completed by Asian companies issuing in Asia.

DEBT AND EQUITY OUTLOOK

Debt issuance will continue to be healthy in 2026, driven by forced refinancings and M&A funding.

Interest rate changes have become harder to predict, with US rates unlikely to go down unless inflation is contained and rates elsewhere driven by country specific economic goals and financial conditions. Volume will continue to be driven by issuer needs rather than investor demand.

Equity financing will continue to be steady in terms of the number of offerings and dollar volume, but forecasting where the stock market will go in general and for chemicals specifically has become very difficult.

Secondary equity issuance volume is likely to be moderate and healthy.

The general IPO market appears to be picking up, but is concentrated in certain technology and AI-related sectors. The hope is that the chemical IPO market will continue to improve, but IPOs will continue to be dominated by the Chinese and Indian companies.

IMPLICATIONS

Debt will be readily available depending on the financial and profit picture of companies tapping the market. Existing public chemical companies will continue to have access to secondary offerings, but all chemical companies will continue to find it difficult to do IPOs, particularly in the West. ■

Peter Young is CEO of Young & Partners, an international strategy and investment banking firm that focuses on the chemical and life science industries.
The firm has provided corporate strategy and financial advisory, M&A, debt and equity placement, and financial restructuring services for clients globally for the last 30 years.
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