Chemicals financing activity mixed

Debt issuance will continue to be healthy in 2026, driven by forced refinancings and M&A funding while equity funding should be steady

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The performance of the chemical industry in the stock market and the financing market was mixed in H1 2026, and the outlook is uncertain given the turmoil in the equity and debt markets and the market's negative view of the industry.

Although the general stock market did well, the chemical industry as a group had a mixed performance relative to the market. In addition, chemical company public valuations weakened.

Chemical industry debt and equity financing volume was relatively strong as debt providers continue to embrace chemicals and equity investors were willing to provide capital to existing public chemical companies, albeit at lower valuations.

IPO (initial public offering) volume increased modestly off of a very low base, but the IPOs continue to be dominated by Asian companies. There were no Western chemical company IPOs in H1.

EQUITY PERFORMANCE

In H1 2026, the US benchmark S&P 500 increased by 9.3% and the S&P Euro 350 rose 4.9%. The US stock market has been volatile due to macroeconomic uncertainty, but buoyed by technology and AI-related names.

Although the general stock market did well, the chemical industry overall had a mixed performance.

Only 4 out of 7 of the Y&P Chemical indices outperformed their respective overall market benchmarks in H1 2026.

The Y&P US Basic Chemicals Index increased by 14.8%, the Y&P US Diversified Chemical Index jumped 22.3%, and the Y&P US Specialties Index gained 7.6%, all better than the market with the exception of US Specialties. The Y&P US/Canada Fertilizers Index increased by 8.7%.

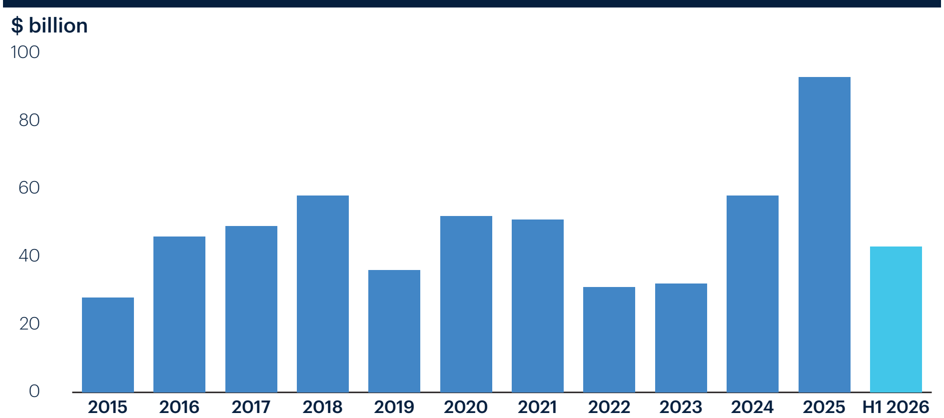
The Y&P European Basic Chemicals Index surged 18.8%, the Y&P European Diversifieds Index increased by 3.2%, and the Y&P European Specialties index gained 7.3%.

However, depending on the sector, public chemical company valuations weakened.

In terms of P/E (price/earnings) valuations, only 3 of the 7 Young & Partners Western chemical indices traded at a premium to their respective markets in H1 2026.

All of the Y&P US Chemical indices are trading below the market P/E multiple.

Global chemical nonbank debt financing



Source: Young & Partners

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On an EV/EBITDA (enterprise value/earnings before interest, tax, depreciation and amortization) basis, 2 of the 7 Western Young & Partners chemical indices were trading at a premium to the market in H1 2026.

Two of the three Y&P European chemical indices (Specialties and Basic) are trading at EV/EBITDA multiples above the general market. All of the Y&P US Chemical indices are trading at a discount to the market.

DEBT FINANCING TRENDS

Global chemical non-bank debt financing totaled $42.6 billion issued in H1 2026, slightly lower on an annualized basis compared to the $93.1 billion issued in 2025.

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 pick-up in M&A in 2025 and this year has driven the strength of debt financing.

Investment grade debt was $37.4 billion of the total in H1 2026. High yield debt volume continued to recover with $5.2 billion issued in H1 2026, compared to $10.3 billion issued in 2025. This is a vast improvement compared to the near zero level in 2022 to 2023.

EQUITY FINANCING TRENDS

$9.2 billion of equity was issued via 47 offerings in H1 2026. This is a slight increase on an annualized basis compared to the $17.4 billion of equity issued in all of 2025.

There was also a greater number of offerings on an annualized basis with 47 offerings in the H1 2026 compared to the 86 for all of 2025.

The recovery was greatest in Asia where 35 of the 47 equity offerings were completed.

IPO volume continues to be subdued, but modestly higher.

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In H1 2026, there was a moderate pick-up in volume with 13 IPOs completed worth $1.9 billion compared to 20 IPOs completed worth $2.2 billion in 2025.

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 with the exceptions of one in Turkey and one in Oman.

DEBT AND EQUITY FINANCING

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 interest rates likely to go up unless inflation is contained and interest 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 overall 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 Asian 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. ■

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