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Candid view of mergers & acquisitions



While the dollar value of completed deals surged in the first three quarters of 2026, the underlying factors are quite diverse with varying relevance to buyers and sellers

Peter Young Young & Partners

There is a great deal of discussion about the view that chemical industry M&A activity has surged to high levels and the excitement among investment bankers is high.

There is some truth to this view since $107.8 billion worth of deals closed in the first three quarters of 2026 compared to $51.1 billion for all of 2025. The number of deals that closed tells a similar robust story with 64 deals closed in the first three quarters of 2026 versus 57 for all of 2025.

However, there are reasonable arguments on the other side that the trajectory is not upwards, but going down. From the point of view of buyers and sellers, the more important story is what is happening below the surface in individual market segments.

From the big picture point of view, for example, the quarterly dollar volume has come down drastically. Dollar volume was $78.7 billion in Q1, $23.8 billion in Q2 and $5.2 billion in Q3 - a dramatic drop by any measure.

The number of deals has dropped as well, although not as drastically with 28 deals closed in Q1, 18 in Q2 and 18 in Q3. Higher interest rates, weak and slowing global economic activity, the dramatic increase in energy prices, structural challenges in sectors such as commodity chemicals, and the high levels of uncertainty have contributed to the slowdown.

On the other hand, the value of deals announced but not closed as the end of Q3 was strong at $43.7 billion (21 deals). This strong backlog is driven in particular by a couple of large announced deals such as the AkzoNobel/Axalta and Huntsman/Olin transactions.

The M&A market from the point of view of each company is complex. What each buyer and seller is experiencing and can expect is in fact quite different by industry sector, geographic region, and specific circumstances

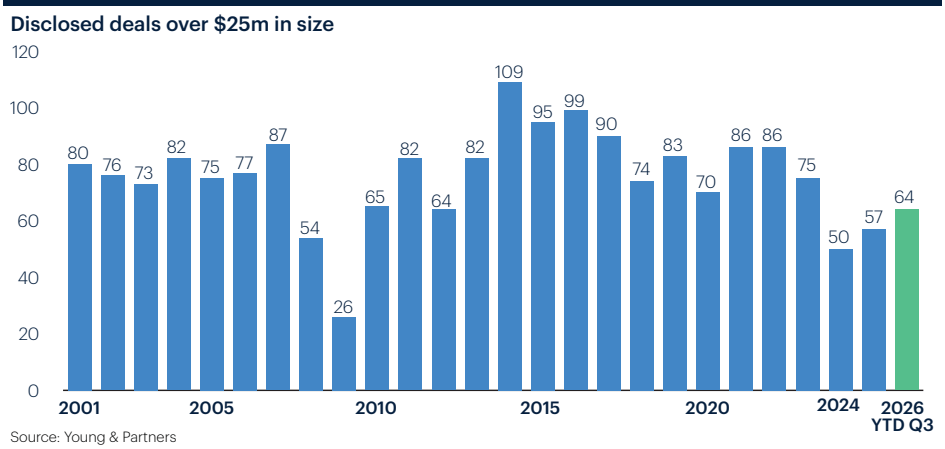
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The reality is that the market really is made up of a number of distinct segments that are behaving very differently.

GEOGRAPHIC BREAKDOWN

The Asia/China M&A market is the largest at 53.1% of all global deals and is driven by con-

Acquisitions of worldwide chemical companies – number of deals

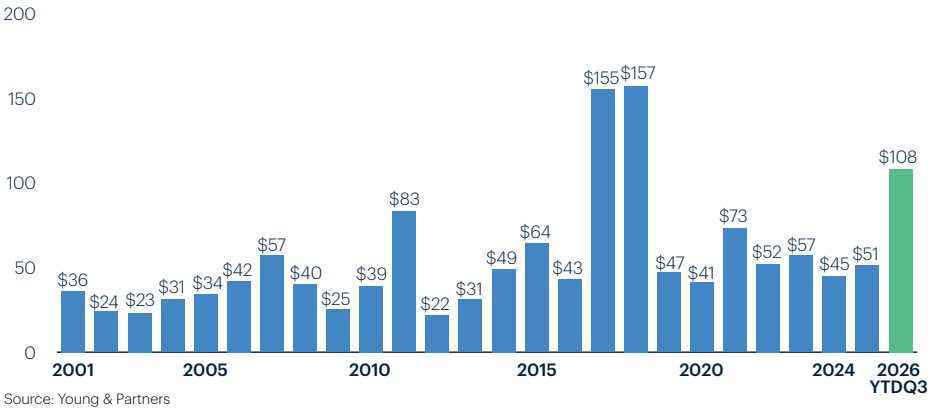


Source: Young & Partners


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Acquisitions of worldwide chemical companies – equity value

$bn, disclosed deals over $25m in size



Source: Young & Partners

solidation in China were virtually all of the buyers and sellers are Chinese companies. If you are an Asian/Chinese company, the nature of the activity is relevant. If not, that market has no relevance.

The Europe M&A market represents 25.0% of deals completed, but is the result of a very large number of attempted divestitures and mostly are resulting in shutdowns. Yet the overall number of attempted deals was so high that even the smaller percentage that closed resulted in a fair number of closed deals. This market clearly feels very different for the buyers and sellers compared to the other market segments.

The US M&A market was steady and healthy with plenty of buyers and sellers in what is perceived to be a relatively stable market for chemicals. But compared to Asia/China and Europe, the global share of M&A was only 21.9% of all deals in the first three quarters of 2026.

COMMODITY M&A

Lastly, the commodity chemical M&A market overall dipped below its normal share to 48% of global activity, but the number of sellers outnumber the number of buyers in a market where some players are doing well and others are suffering from high costs and weak demand.

The overlay for all of this is the drive on the part of some large chemical companies to either merge in a weaker antitrust environment, exit from chemicals (aka Shell Chemicals, for example), or a major business portfolio/theme rearrangement (move to be more specialty or to vertically integrate).

LARGE DEALS

These large deals are sporadic and do not represent the flavor of the rest of the market. However, they do skew the dollar value totals as they did in Q1 as represented by the Borouge/Borealis/NOVA Chemicals, China Shenhua Energy/China Shenhua Coal to Liquid & Chemical, Clayton, Dubilier & Rice (CD&R)/Sealed Air, Berkshire Hathaway/Occidental Chemical, and Carlyle Group/BASF Coatings deals.

All of these are distinct and somewhat independent trends. But each one is driving an increase in activity that, when totaled, results in a huge surge in M&A volume.

As a result of all of these factors, specialty chemical EV/EBITDA (enterprise value/earnings before interest, tax, depreciation and amortization) M&A valuations are stable and relatively strong. Commodity chemical EV/EBITDA M&A valuations are nominally high due to weak earnings, but low relative to other measures such as replacement costs.

PREDICTIONS

Our prediction for Chemical M&A for the rest of 2026 is a continued high dollar volume and number of deals. Asian/Chinese companies will continue to consolidate,

European chemical assets will find a home or will be shut down, regional restructurings will continue, strategic buyers will continue to try to expand into the perceived lower risk geographies such as the US and a few larger strategic deals will push forward in a still uncertain environment.

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

- Is there a strategic imperative that is critical for you to pursue where M&A is favorable to accomplish that imperative?
- Is the business you are trying to buy or sell a commodity or specialty chemical business?
- Where is it located? The US, Europe, Asia, Middle East, etc.
- What is the quality and strategic profile of your business, can it be reconfigured, 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?

For private equity players, there are opportunities to sell by finding a way to match businesses to the healthy parts of the M&A market - something that many players are not willing or unable to do. ■



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 provides corporate strategy and financial advisory, M&A, debt and equity placement, and financial restructuring services for clients globally. Young & Partners has served a global client base of companies in Europe, North America, Latin America and Asia for the last 30 years.
pyoung@youngandpartners.com
www.youngandpartners.com