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Harris Williams & Co. Ltd Niederlassung Frankfurt (German branch) is registered in the Commercial Register (Handelsregister) of the Local Court (Amtsgericht) of Frankfurt am Main, Germany, under registration number HRB 96687, having its business address at Bockenheimer Landstrasse 33-35, 60325 Frankfurt am Main, Germany. Permanent Representative (Ständiger Vertreter) of the Branch Niederlassung: Mr. Jeffery H. Perkins.

# CHEMICALS AND SPECIALTY MATERIALS INDUSTRY UPDATE

## INTRODUCTION

Harris Williams & Co. is pleased to present its chemicals and specialty materials industry update for March 2017. This report provides commentary and analysis on current market trends and merger and acquisition dynamics within the global chemicals and specialty materials industry.

M&A activity in the chemicals and specialty materials sector remained robust through the first quarter of 2017. Large strategic combinations remained a central theme, with far-reaching, and in many cases yet to be determined, implications for the middle market. In addition to strategic buyer activity, we continue to observe increased interest in the sector from financial buyers as private equity firms are drawn to the industry's relative stability, barriers to entry, and fragmented competitive landscape.

We hope you find this edition helpful and encourage you to contact us directly if you would like to discuss our perspective on current industry trends or our relevant industry experience.

## OUR PRACTICE

Harris Williams & Co. is a leading advisor to the chemicals and specialty materials industry. Our significant experience covers a broad range of business models, market segments, and applications.

Business Types	End Markets	Applications
<ul style="list-style-type: none"> <li>Manufacturers</li> <li>Distributors</li> <li>Outsourced Solutions</li> <li>Other Service Providers</li> </ul>	<ul style="list-style-type: none"> <li>Aerospace</li> <li>Agricultural</li> <li>Automotive</li> <li>Consumer</li> <li>Industrial</li> <li>Life Sciences</li> <li>Oil &amp; Gas</li> <li>Other</li> </ul>	<ul style="list-style-type: none"> <li>Adhesives, Sealants, &amp; Elastomers</li> <li>Aerosols</li> <li>Cleaning &amp; Preparation</li> <li>Films</li> <li>Paints &amp; Coatings</li> <li>Water Treatment</li> <li>Other</li> </ul>

## HARRIS WILLIAMS & CO. DEAL SPOTLIGHT

### DuBois Chemicals

Harris Williams & Co. advised DuBois Chemicals, a portfolio company of Aurora Capital Group, on its sale to The Jordan Company. DuBois is a market-leading provider of customized chemical solutions for middle market applications.



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## WHAT WE'RE READING

QUAKER CHEMICAL AND HOUGHTON INTERNATIONAL TO COMBINE<sup>1</sup>

PR Newswire 4/5/2017

Quaker Chemical Corporation (NYSE: KWR) and Houghton International Inc., companies with a combined 250-year history as providers of process fluids, chemical specialties, and technical expertise to the global primary metals and metalworking industries, announced that they have executed a definitive agreement to combine the companies.

"The proposed combination of Quaker Chemical and Houghton International represents the next phase of our evolution, and stays true to the vision of growing in our core specialties," said Michael F. Barry, Chairman and Chief Executive Officer of Quaker Chemical.

Read the full article [here](#).

PPG SAYS PAINT AIN'T DRY ON \$24 BILLION AKZO NOBEL BID<sup>2</sup>

Wall Street Journal 4/5/2017

A \$24 billion, trans-Atlantic standoff between two of the world's biggest paint makers—and two of its oldest companies—is heating up.

PPG Industries Inc. Chief Executive Michael McGarry said the Pittsburgh-based paint giant isn't ruling out a sweetened offer, or a hostile takeover, in its push to buy Dutch rival Akzo Nobel. "We're not taking any options off the table," Mr. McGarry said in an interview Wednesday, adding that there are a number of steps to go before making a decision. He said any richer offer from PPG depends on the companies agreeing to friendly talks.

Read the full article [here](#).

U.S. CHEMICAL EXPORT OUTLOOK: EXPECTED TO SOAR AS SHALE STRENGTHENS INDUSTRY<sup>3</sup>

Industry Week 3/31/2017

According to Moody's, diversified and specialty producers should continue to see above-average earnings, while most other chemicals companies will post at least breakeven results over the next few months.

The healing of the U.S. chemicals industry continued in early 2017, as the most recent Chemical Activity Barometer, published by the American Chemistry Council, showed a 0.4% increase. Year-over-year, the CAB is 5.0% higher than in February 2016. Not only was there improvement in all production indicators but exports of chemicals were also on the rise, hinting at gains in U.S. business activity through the third quarter.

Read the full article [here](#).

GLOBAL CHEMICALS PRODUCTION CONTINUES ON A GOOD NOTE<sup>4</sup>

American Chemistry Council 3/30/2017

The American Chemistry Council's Global Chemical Production Regional Index (Global CPRI) shows that headline global production rose 0.3% in February, following a 0.5% gain in January, as measured on a three-month moving average (3MMA) basis.

The Global CPRI was up 1.9% year-over-year on a 3MMA basis and stood at 110.4% of its average 2012 levels in February. Year-over-year comparisons growth was strongest in coatings followed by plastic resins and inorganic chemicals.

Read the full article [here](#).

COATING EQUIPMENT MARKET PROJECTED TO REACH \$19.3 BILLION BY 2021<sup>5</sup>

Business Wire 2/17/2017

According to a recent report published by Research and Markets, the coating equipment market is projected to reach \$19.3 billion by 2021, increasing at a CAGR of 5.8% over the next five years.

Growth of this market can be attributed to increasing customer requirements for more rapid product delivery, reduced industrial maintenance time, and higher-quality finishing. Increasing acceptance of coating equipment to cater these requirements is expected to drive the demand during the forecast period.

Read the full article [here](#).

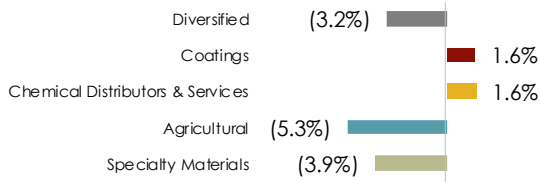
## PUBLIC COMPARABLES<sup>6</sup>

As of April 4, 2017 (\$ in millions, except per share amounts)

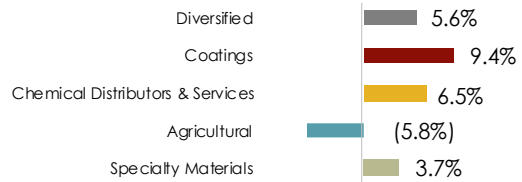
(\$ in millions except per share data)	Market Cap	TEV	Stock Performance			TEV / EBITDA	
			Current Price	52-Week		2016	2017E
				High	% of High		
<b>Diversified</b>							
BASF SE	\$91,697	\$107,774	\$99.12	\$100.11	99.0%	10.0x	8.8x
Dow Chemical Company	77,870	86,827	63.06	65.42	96.4%	9.0x	8.2x
Eastman Chemical Company	11,823	18,355	79.96	82.10	97.4%	8.6x	8.3x
Albemarle Corporation	11,644	12,141	105.03	107.56	97.6%	16.1x	14.7x
Celanese Corporation	12,649	15,845	89.74	93.05	96.4%	10.1x	9.8x
Ashland Global Holdings, Inc.	7,716	9,735	123.88	125.00	99.1%	10.5x	12.1x
FMC Corporation	8,230	11,354	70.38	72.04	97.7%	16.0x	14.6x
Clariant AG	6,331	7,725	18.81	19.27	97.6%	9.0x	8.2x
<b>Median</b>					<b>97.6%</b>	<b>10.0x</b>	<b>9.3x</b>
<b>Coatings</b>							
PPG Industries, Inc.	\$27,054	\$30,738	\$105.08	\$117.00	89.8%	11.4x	11.3x
Sherwin-Williams Company	28,893	30,223	308.61	316.66	97.5%	15.3x	13.7x
Akzo Nobel N.V.	20,934	22,625	82.76	86.65	95.5%	10.0x	9.6x
RPM International Inc.	7,344	8,502	54.68	56.40	97.0%	12.5x	11.3x
<b>Median</b>					<b>96.2%</b>	<b>11.9x</b>	<b>11.3x</b>
<b>Chemical Distributors &amp; Services</b>							
Brenntag AG	\$9,061	\$10,450	\$56.51	\$61.03	92.6%	12.1x	11.2x
IMCD N.V.	2,598	3,022	49.53	50.91	97.3%	18.8x	17.3x
Quaker Chemical Corporation	1,744	1,680	128.57	139.92	91.9%	15.8x	15.2x
Aceto Corporation	480	675	15.49	25.98	59.6%	10.2x	8.7x
<b>Median</b>					<b>92.2%</b>	<b>14.0x</b>	<b>13.2x</b>
<b>Agricultural</b>							
Monsanto Company	\$49,702	\$56,766	\$113.93	\$116.04	98.2%	15.5x	14.1x
Syngenta AG	40,957	43,208	444.64	446.45	99.6%	16.5x	15.1x
Potash Corporation	14,496	18,866	17.04	20.31	83.9%	14.1x	13.2x
Agrium Inc.	13,306	17,712	95.13	112.18	84.8%	10.7x	9.7x
Mosaic Company	10,278	13,351	28.91	34.36	84.1%	12.7x	10.4x
Intrepid Potash, Inc.	215	260	1.73	3.04	56.9%	NM	18.4x
<b>Median</b>					<b>84.5%</b>	<b>14.1x</b>	<b>13.7x</b>
<b>Specialty Materials</b>							
Compagnie de Saint-Gobain SA	\$28,389	\$34,647	\$50.79	\$51.69	98.3%	8.2x	7.4x
Solvay SA	12,968	20,118	122.34	123.89	98.8%	7.8x	7.8x
Evonik Industries AG	15,325	14,137	32.66	34.64	94.3%	6.3x	5.7x
Avery Dennison Corporation	7,197	8,424	80.97	82.11	98.6%	10.8x	10.2x
PolyOne Corporation	2,804	3,910	34.02	38.41	88.6%	9.2x	8.9x
Rogers Corporation	1,554	1,531	83.09	90.45	91.9%	11.9x	10.6x
<b>Median</b>					<b>96.3%</b>	<b>8.7x</b>	<b>8.3x</b>
<b>Overall Median</b>					<b>96.7%</b>	<b>10.8x</b>	<b>10.4x</b>

## PUBLIC MARKETS OVERVIEW<sup>6</sup>

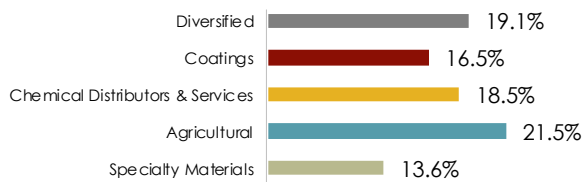
### 3-YEAR REVENUE CAGR (2014 – 2017E)



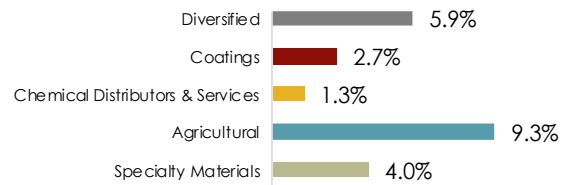
### 3-YEAR EBITDA CAGR (2014 – 2017E)



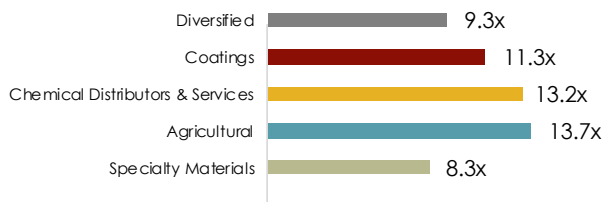
### AVERAGE EBITDA MARGIN (2017E)



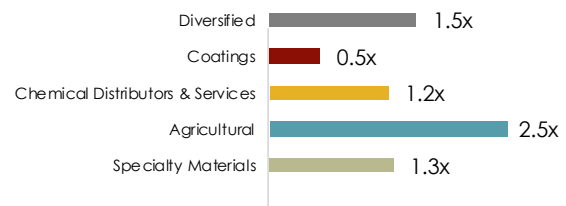
### CAPEX (AS % OF REVENUE) (2017E)



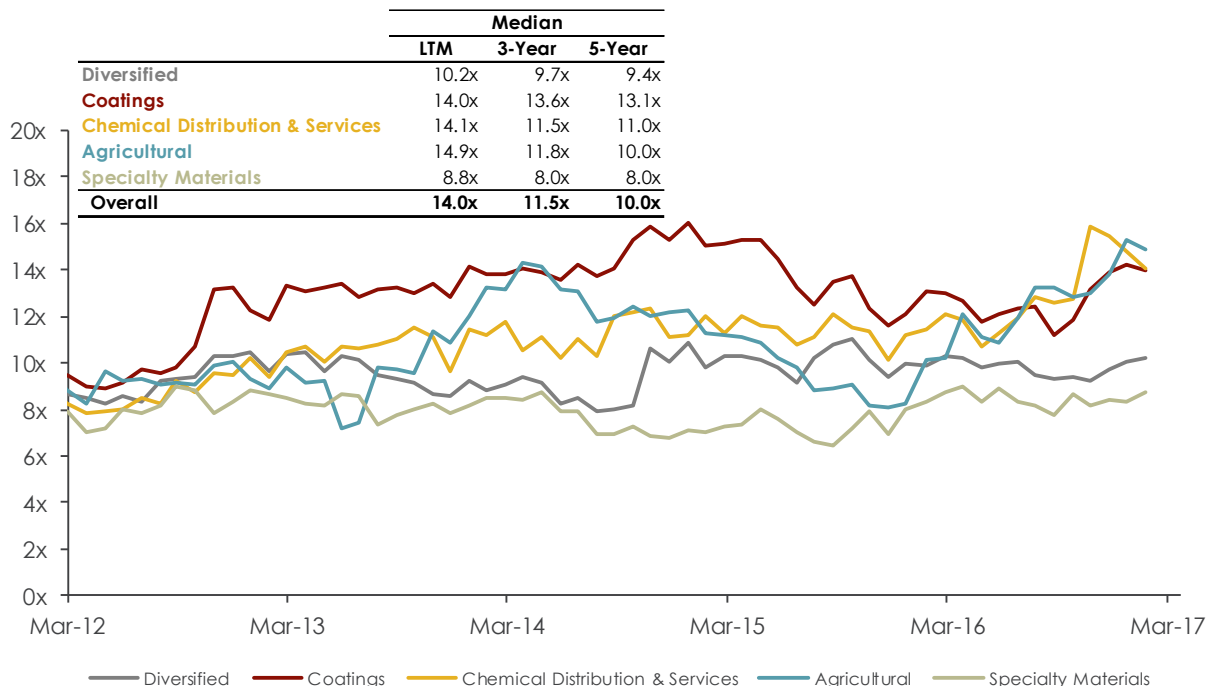
### TOTAL ENTERPRISE VALUE / 2017E EBITDA



### NET DEBT / 2017E EBITDA



### PUBLIC COMPARABLES (MEDIAN TEV / EBITDA)



## M&A TRANSACTIONS<sup>6</sup>

Closed Date	Target	Target Business Description	Acquirer
Announced	Houghton International	Houghton International, Inc. manufactures specialty chemicals, oils and lubricant products; it also provides metalworking and hydraulic fluid products, and fluid management services	Quaker Chemical
Announced	DuPont / Crop Protection business	DuPont's Crop Protection business is a global supplier of insect, weed, and disease control solutions that improve crop yield and quality	FMC Corp.
Announced	Sirrus, Inc.	Sirrus is a U.S.-based manufacturer and distributor of adhesives, coatings, sealants, and plastic alternatives such as monomers, resins, and polymers	Nippon Shokubai Co.
Announced	Pexco	Pexco is a North American specialty plastics manufacturer offering both standard and custom parts and components to end-users in aerospace, medical, industrial, life science, commercial, and consumer markets	Kohlberg & Co.
Announced	Century Industrial Coatings, Inc.	Century Industrial Coatings manufactures and distributes high-performance coatings for structural steel, oil and gas, rail cars, and other OEM applications	Axalta Coating Systems
Announced	Covestro LLC	Covestro produces polymers and plastic foam products	Accella Performance Materials, Inc.
3/16/2017	BASF SE / Leather Chemicals Business	BASF's Leather Chemicals business is a global supplier of chemical solutions to the leather industry	Stahl Holdings BV
03/09/2017	Ultra Chem	Ultra Chem markets and distributes chemical products and specialty chemicals	Nexeo Solutions, Inc.
3/16/2017	DuBois Chemicals, Inc.	DuBois Chemicals is a U.S.-based manufacturer of specialty chemical solutions for the manufacturing, transportation cleaning, pulp & paper, water treatment, and food & beverage sectors	The Jordan Company
02/10/2017	SummitReheis, Inc.	SummitReheis is a U.S.-based manufacturer of specialty chemicals used in personal care, pharmaceutical, and dental products	Elementis Plc
02/02/2017	Niacet Corp.	Niacet is a U.S.-based producer of specialty ingredients for food, feed, and pharmaceutical applications	SK Capital Management LLC
01/31/2017	Aakash Chemicals & Dyestuffs, Inc.	Aakash Chemicals is a U.S.-based supplier of colorants, additives, and other specialty chemicals serving the plastics, ink, agriculture, and textile industries	CenterOak Partners
01/30/2017	Wisdom Worldwide Adhesives	H.E. Wisdom & Sons manufactures and markets adhesives, sealants, and other specialty chemical products across packaging, assembly, and graphic arts sectors	H.B. Fuller Co.
01/06/2017	Diversified Silicone Products, Inc.	Diversified Silicone Products manufactures and sells specialty silicone composite materials, including solid silicone sheet, cellular silicone sheet, silicone stripping, and pressure-sensitive adhesives	Rogers Corp.
01/04/2017	Arnette Polymers	Arnette Polymers provides products and technology to the thermoset polymer industry	RPM International, Inc.
01/04/2017	Fremont Industries, Inc.	Fremont Industries provides water treatment, chemicals, equipment, and services to industrial, municipal, and government end markets	Kurita Water Industries Ltd.

## OUR FIRM

Harris Williams & Co. has a broad range of industry expertise, which creates powerful opportunities. Our clients benefit from our deep-sector experience, integrated industry intelligence and collaboration across the firm, and our commitment to learning what makes them unique. For more information, visit our website.

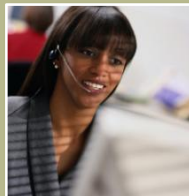
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& Government  
Services



Building Products  
& Materials



Business  
Services



Consumer



Energy, Power  
& Infrastructure



Healthcare  
& Life Sciences



**Industrials**



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Technology,  
Media & Telecom



Transportation  
& Logistics



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## SOURCES

1. PR Newswire
2. Wall Street Journal
3. Industry Week
4. American Chemistry Council
5. Business Wire
6. FactSet

## DISCLOSURES

Harris Williams & Co. ([www.harriswilliams.com](http://www.harriswilliams.com) and [www.harriswilliams.de](http://www.harriswilliams.de)) is a preeminent middle market investment bank focused on the advisory needs of clients worldwide. The firm has deep industry knowledge, global transaction expertise, and an unwavering commitment to excellence. Harris Williams & Co. provides sell-side and acquisition advisory, restructuring advisory, board advisory, private placements, and capital markets advisory services.

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