



## CHEMICALS AND SPECIALTY MATERIALS

INDUSTRY UPDATE | SEPTEMBER 2017



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## CHEMICALS AND SPECIALTY MATERIALS INDUSTRY UPDATE

### INTRODUCTION

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

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

- Manufacturers
- Distributors
- Outsourced Solutions
- Other Service Providers

#### End Markets

- Aerospace
- Agricultural
- Automotive
- Consumer
- Industrial
- Life Sciences
- Oil & Gas
- Other

#### Applications

- Adhesives, Sealants, & Elastomers
- Aerosols
- Cleaning & Preparation
- Films
- Paints & Coatings
- Water Treatment
- Other

### 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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### CONTACTS

**Patrick McNulty**  
Managing Director  
[pmcnulty@harriswilliams.com](mailto:pmcnulty@harriswilliams.com)  
+1 (804) 932-1339

**John Lautemann**  
Vice President  
[jlautemann@harriswilliams.com](mailto:jlautemann@harriswilliams.com)  
+1 (804) 887-6081

**Carl Menzel**  
Associate  
[cmenzel@harriswilliams.com](mailto:cmenzel@harriswilliams.com)  
+1 (804) 887-6082

## WHAT WE'RE READING

**BASF TO BUY SOLVAY'S POLYAMIDE BUSINESS<sup>1</sup>****Chemistry World** 9/21/2017

Chemicals giant BASF has agreed to buy Belgian materials specialist Solvay's integrated polyamide business in a deal that values the segment at €1.6 billion. The acquisition enhances BASF's position in growing markets in Asia and Latin America, as well as provides control of adiponitrile production, which is a key raw material for polyamides.

Over the last four years, Solvay has been repositioning itself in the market by focusing more on specialty chemicals rather than commodities. Recent deals include selling its formulated resins business to Altana; its cellulose acetate tow business to Blackstone; its stake in National Peroxide of India to the Wadia group; its stake in subsidiary Vinythai to AGC Asahi Glass; its Italian polyolefin cross-linkable compounds business to Finproject; and its PVC and caustic soda production in Brazil and Argentina to Unipar.

Read the full article [here](#).

**CHEMICAL ACTIVITY BAROMETER HOLDS STEADY; STORMS LIKELY TO CAUSE FUTURE REVISIONS<sup>2</sup>****American Chemistry Council** 9/20/2017

The Chemical Activity Barometer (CAB), a leading economic indicator derived from a composite index of chemical industrial activity, remained virtually unchanged in September despite the effects of unprecedented Hurricanes Harvey and Irma.

Compared to a year earlier, the CAB is up 2.8 percent year-over-year, with three of four broad categories of the index improving in September.

Read the full article [here](#).

**DOWDUPONT AMENDS SPLIT PLAN<sup>3</sup>****Chemical & Engineering News** 9/12/2017

Less than a week after it was formed, DowDuPont is making deep revisions to its plan to split into three separate companies within the next year and a half.

Businesses that previously had been earmarked for the future Midland, Mich.-based materials science firm will now go to the specialty products firm, to be based in Wilmington, Del. The businesses being shifted together generate more than \$7 billion in annual sales and a healthy \$2.4 billion in pretax earnings.

Read the full article [here](#).

**U.S. SPECIALTY CHEMICALS MARKETS START THIRD QUARTER ON SOLID NOTE<sup>2</sup>****American Chemistry Council** 8/23/2017

The American Chemistry Council (ACC) reported that third quarter U.S. specialty chemicals market volumes expanded 0.4 percent in July, following an upwardly revised 0.6 percent gain in June. Volumes have generally been moving up since May 2016.

The overall specialty chemicals volume index was up 5.0 percent on a year-over-year three-month moving average basis. During July, large market volume gains (1.0 percent and over) occurred in cosmetic chemicals, oilfield chemicals, plastic additives, and plasticizers.

Read the full article [here](#).

**HUNTSMAN ANNOUNCES THAT VENATOR CLOSES ITS IPO<sup>4</sup>****PR Newswire** 8/08/2017

Hunstman Corporation (NYSE: HUN) announced its subsidiary, Venator Materials ("Venator") completed its initial public offering, with shares now trading on the New York Stock Exchange under the ticker symbol "VNTR."

Hunstman intends to use approximately \$1.2 billion of net combined proceeds from the Venator debt distribution and the IPO to pay down existing company debt.

Read the full article [here](#).

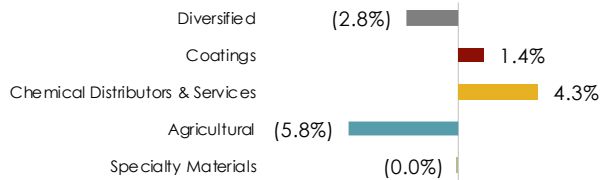
## PUBLIC COMPARABLES<sup>5</sup>

As of September 22, 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	\$97,115	\$115,793	\$105.73	\$106.51	99.3%	10.1x	8.2x
DowDuPont Inc.	163,425	191,166	69.96	70.70	99.0%	12.1x	11.5x
Eastman Chemical Company	12,529	19,398	86.48	87.54	98.8%	9.1x	8.8x
Albemarle Corporation	14,835	15,915	134.29	136.95	98.1%	NM	18.4x
Celanese Corporation	14,330	17,687	104.19	104.75	99.5%	14.8x	10.9x
Ashland Global Holdings, Inc.	4,004	6,300	64.17	67.90	94.5%	6.8x	7.5x
FMC Corporation	12,065	13,879	89.95	93.44	96.3%	18.7x	NM
Clariant AG	7,986	9,759	24.06	24.93	96.5%	12.0x	10.1x
<b>Median</b>					<b>98.4%</b>	<b>12.0x</b>	<b>10.1x</b>
<b>Coatings</b>							
PPG Industries, Inc.	\$27,895	\$31,270	\$108.76	\$113.67	95.7%	12.7x	11.8x
Sherwin-Williams Company	32,671	44,510	349.76	362.57	96.5%	NM	17.0x
Akzo Nobel N.V.	23,706	26,504	94.00	94.90	99.1%	11.4x	10.0x
RPM International Inc.	6,806	8,542	50.97	56.48	90.2%	13.3x	11.5x
<b>Median</b>					<b>96.1%</b>	<b>12.7x</b>	<b>11.7x</b>
<b>Chemical Distributors &amp; Services</b>							
Brenntag AG	\$8,500	\$10,472	\$55.02	\$61.63	89.3%	11.8x	10.6x
IMCD N.V.	3,308	3,663	62.90	63.36	99.3%	NM	18.1x
Quaker Chemical Corporation	1,963	1,940	147.45	154.38	95.5%	18.7x	17.4x
Aceto Corporation	336	675	11.16	22.46	49.7%	9.5x	9.0x
<b>Median</b>					<b>92.4%</b>	<b>11.8x</b>	<b>14.0x</b>
<b>Agricultural</b>							
Monsanto Company	\$52,618	\$61,359	\$119.77	\$119.82	100.0%	16.1x	15.3x
Syngenta AG	42,615	45,058	460.32	468.45	98.3%	16.0x	15.5x
Potash Corporation	16,246	20,682	19.34	20.31	95.2%	16.7x	14.2x
Agrium Inc.	14,958	20,262	108.25	112.18	96.5%	12.6x	11.1x
Mosaic Company	7,322	10,628	20.86	34.36	60.7%	10.2x	10.3x
Intrepid Potash, Inc.	525	568	4.03	4.24	95.0%	NM	NM
<b>Median</b>					<b>95.8%</b>	<b>16.0x</b>	<b>14.2x</b>
<b>Specialty Materials</b>							
Compagnie de Saint-Gobain SA	\$33,367	\$41,220	\$59.55	\$59.78	99.6%	9.5x	8.0x
Solvay SA	15,923	23,051	150.39	154.29	97.5%	10.0x	7.8x
Evonik Industries AG	16,493	20,197	35.39	35.74	99.0%	9.4x	7.3x
Avery Dennison Corporation	8,729	10,368	98.76	99.30	99.5%	13.1x	12.1x
PolyOne Corporation	3,195	4,405	39.06	40.88	95.5%	10.8x	10.6x
Rogers Corporation	2,308	2,375	127.02	129.61	98.0%	18.8x	13.4x
<b>Median</b>					<b>98.5%</b>	<b>10.4x</b>	<b>9.3x</b>
<b>Overall Median</b>					<b>97.0%</b>	<b>12.1x</b>	<b>11.0x</b>

## PUBLIC MARKETS OVERVIEW<sup>5</sup>

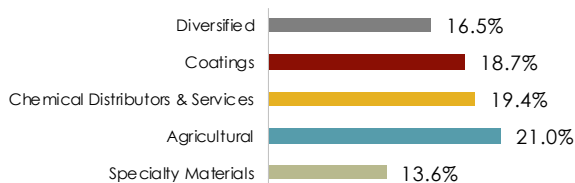
### 3-YEAR REVENUE CAGR (2014 – 2017E)



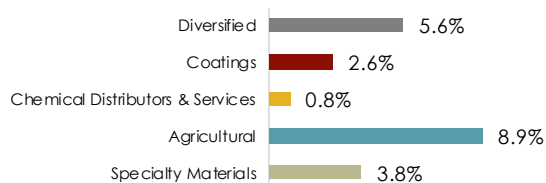
### 3-YEAR EBITDA CAGR (2014 – 2017E)



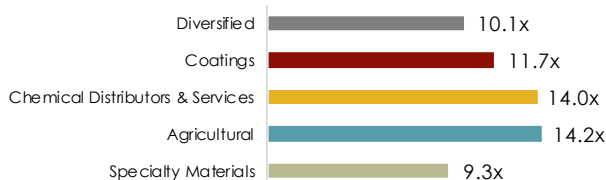
### AVERAGE EBITDA MARGIN (2017E)



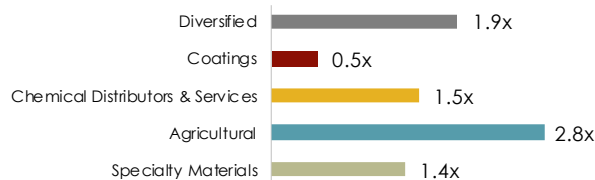
### CAPEX (AS % OF REVENUE) (2017E)



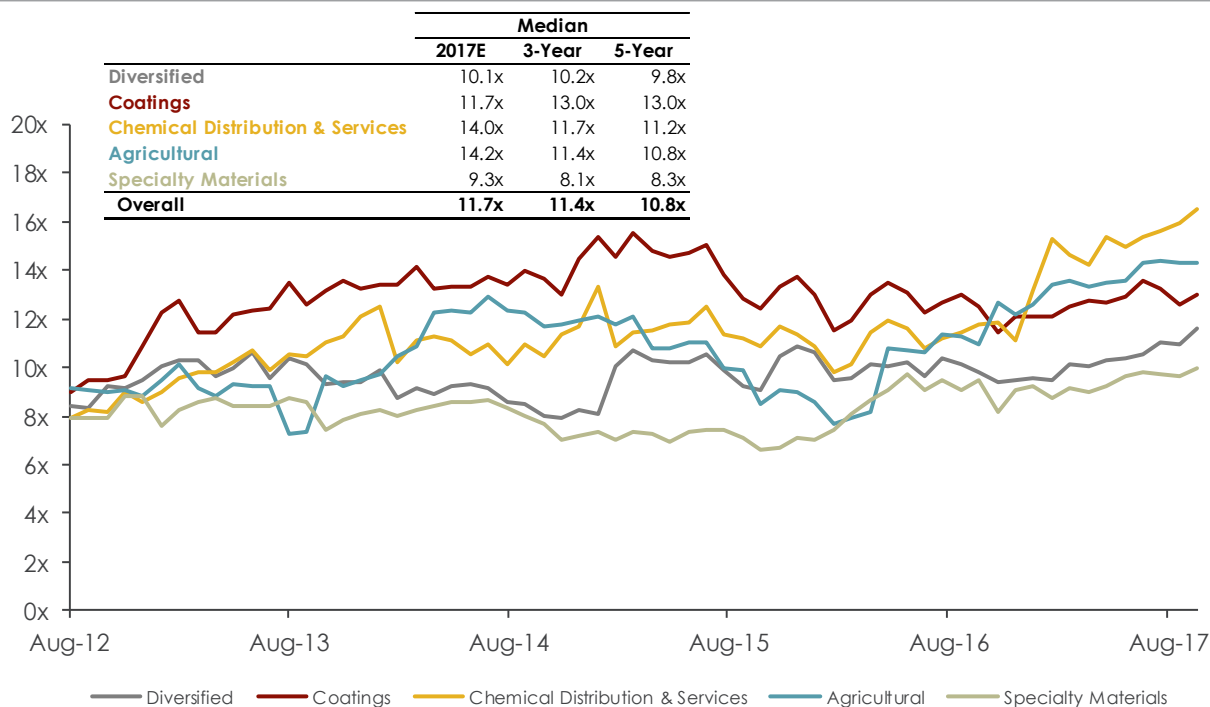
### TOTAL ENTERPRISE VALUE / 2017E EBITDA



### NET DEBT / 2017E EBITDA



### PUBLIC COMPARABLES (MEDIAN TEV / EBITDA)



## M&A TRANSACTIONS<sup>5</sup>

Closed Date	Target	Target Business Description	Acquirer
Announced	Calgon Carbon Corp.	Engages in the manufacture, supply, reactivation, and application of activated carbon. The firm also provides ballast water treatment, ultraviolet light disinfection, and advanced ion-exchange technologies.	Kuraray Co.
Announced	Vantage Specialty Chemicals	Provides natural-based specialty chemical derivatives that focus on personal care, food, consumer, and industrial end markets. It specializes in the production of alkoxyates, polysorbates, and sorbitan esters.	H.I.G. Capital
Announced	Solvay SA / Polyamides Business	Manufactures nylon plastics serving a range of industries, from carmaking to construction.	BASF SE
Announced	FXI, Inc.	Produces innovative foam products. The company's products include finished goods, sub-assemblies, services, and raw materials for original equipment manufacturers (OEMs), fabricators, and retailers.	One Rock Capital Partners
Announced	Royal Adhesives & Sealants	Manufactures and markets high-performance adhesives, sealants, encapsulants, and polymer coatings used in a variety of end markets, including aerospace, automotive, energy, packaging, and roofing.	H.B. Fuller Co.
Announced	Georgia Pacific Chemicals / Pine Chemicals Business	Manufactures and sells pine-based tall oil fatty acids, tall oil rosin, and tall oil rosin esters used in adhesives, cleaners, paints, inks, metalworking, mining, oilfield, packaging, and rubber processing.	Ingevity Corp.
Announced	Cornerstone Chemical Co.	Engages in the manufacture and distribution of intermediate chemicals that are used in diverse industrial and consumer applications, including water treatment, oil recovery, agriculture, plastics, and performance coatings.	Littlejohn & Co.
Announced	Constantia Flexibles / Labels Division	Global supplier of labels to the beverage, food, and home and personal care industries.	Multi-Color Corp.
09/20/2017	US Coatings, Inc.	Provides interior tank coating, cleaning, and surface preparation services for assorted marine vessel tanks. The company also produces advanced coatings and protective systems for marine hulls, decks, and superstructures.	Arctic Slope Regional Corp.
09/08/2017	Hasa, Inc.	Manufactures and distributes water treatment products used to sanitize and maintain water systems, including swimming pools, water tanks, and containment vessels for recreational, industrial, and municipal end markets.	Peak Rock Capital
08/17/2017	StanChem, Inc.	Specializes in the research, development, manufacture, and marketing of emulsion polymers, adhesives, and specialty coatings for a variety of applications.	Artemis Capital Partners
08/09/2017	Charkit Chemical Corp.	Manufactures and distributes chemical products. Charkit offers products to the specialty chemical, flavor and fragrance, personal care, food, pharmaceutical, imaging, water treatment, and metal treatment industries.	LeBaronBrown Industries
06/29/2017	Spartech	Produces plastic products including polymeric compounds, concentrates, custom-extruded sheet and rollstock products, and packaging technologies for a wide spectrum of end markets.	Arsenal Capital Partners
06/27/2017	MFG Chemical, Inc.	Manufacturer of polymers, surfactants, and esters used in various applications in the oil field, water treatment, mining, coatings, and agricultural markets.	Platte River Equity
06/08/2017	Rutland Group	Manufactures specialty inks, primarily for the textile industry and supplies plastisol coatings for automotive and industrial applications.	PolyOne Corp.

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## HARRIS WILLIAMS & Co. OFFICE LOCATIONS

### UNITED STATES

#### **Boston**

Two International Place  
24th Floor  
Boston, Massachusetts 02110  
Phone: +1 (617) 482-7501

#### **Cleveland**

1900 East 9th Street  
20th Floor  
Cleveland, Ohio 44114  
Phone: +1 (216) 689-2400

#### **Minneapolis**

222 South 9th Street  
Suite 3350  
Minneapolis, Minnesota 55402  
Phone: +1 (612) 359-2700

#### **Richmond (Headquarters)**

1001 Haxall Point  
9th Floor  
Richmond, Virginia 23219  
Phone: +1 (804) 648-0072

#### **San Francisco**

575 Market Street  
31st Floor  
San Francisco, California 94105  
Phone: +1 (415) 288-4260

#### **Washington, D.C.**

800 17th St. NW  
2nd Floor  
Washington, D.C. 20006  
Phone: +1 202-207-2300

### EUROPE

#### **Frankfurt**

Bockenheimer Landstrasse 33-35  
60325 Frankfurt  
Germany  
Phone: +49 069 3650638 00

#### **London**

63 Brook Street  
London W1K 4HS, England  
Phone: +44 (0) 20 7518 8900

### NETWORK OFFICES

**Beijing**

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## SOURCES

1. Chemistry World
2. American Chemistry Council
3. Chemical & Engineering News
4. PR Newswire
5. FactSet

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