



M&A Dashboard

# European Chemicals M&A in 2024 and the Outlook for 2025

January 2025

# European Chemicals M&A remained low in 2024. The corporate portfolio reviews and expected exits may boost activity in 2025, though valuation alignment remains challenging.

## Summary of 2024

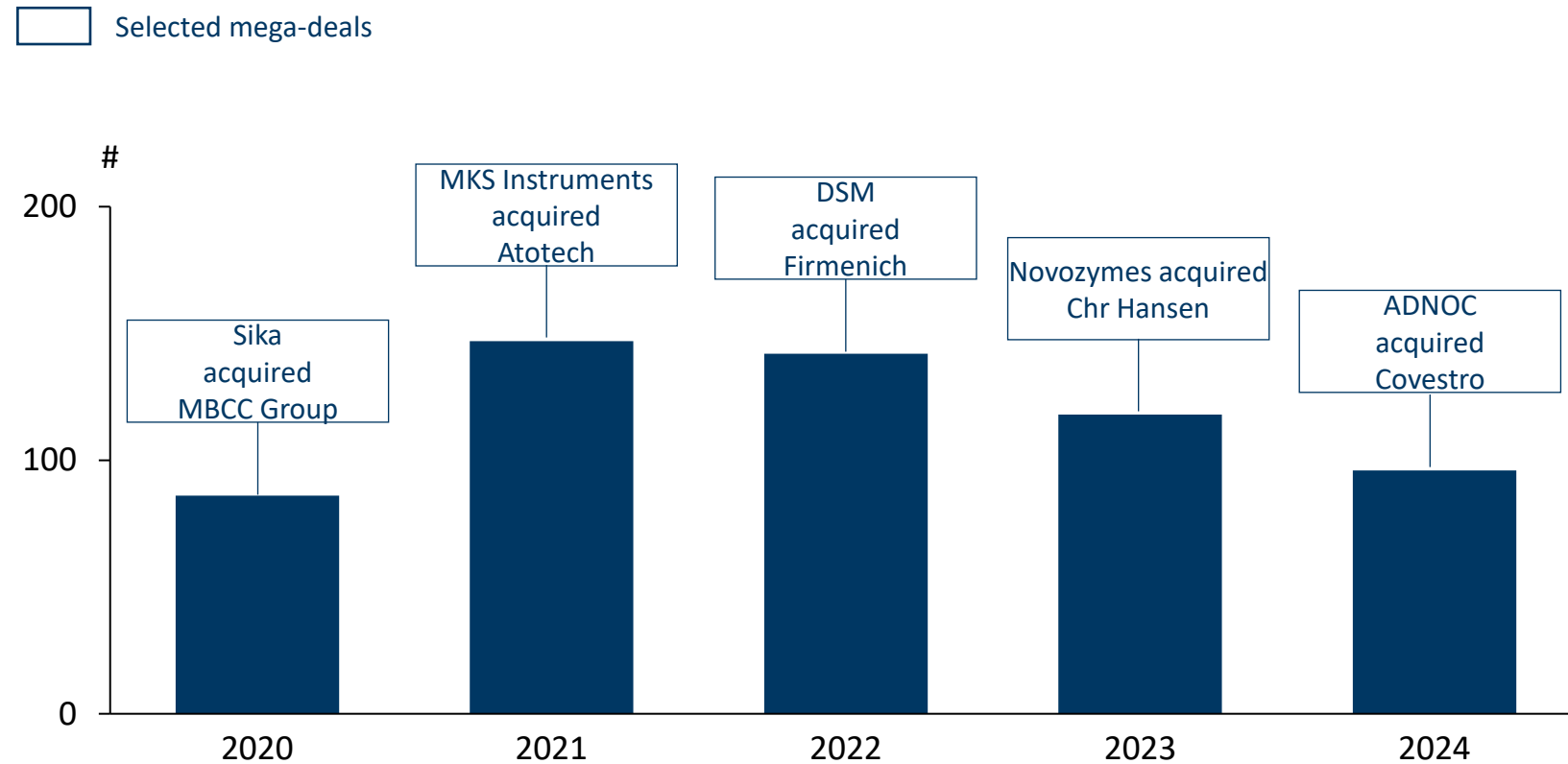
- The total number of European chemical industry M&A deals continued to decline 2024 and remained substantially below its peak level of 2021
- Some previously announced divestments stalled and were postponed to 2025, citing differences in valuation expectations between buyers and sellers
- Despite adverse market conditions, the mega-deal between UAE-based ADNOC's and German chemicals producer Covestro, was announced
- Private equity increased its investments in chemicals, primarily through smaller add-on acquisitions to existing portfolio companies, with few buyouts in 2024
- In recent years there have not been any large buyouts in European chemicals. Overall, European private equity funds continue to maintain a high level of uncommitted capital
- The chemical sector has seen very limited private equity exits, and the holding period of portfolios has grown beyond 5 years, putting further pressure on funds
- Due to the challenging market environment and subdued financial performance, several corporates announced portfolio reviews to focus on their core operations

## Outlook for 2025

- We remain cautiously optimistic about the recovery of the European chemical sector in 2025, due to continuing challenges such as low end-markets demand, high energy and feedstock costs, and overcapacity
- The announced portfolio reviews of European chemical companies are expected to bring both small and large size assets to the M&A market in 2025
- Additionally, ongoing challenging market conditions might lead to the consolidation of certain value chains, particularly those significantly impacted by structural competitiveness issues
- Private equity will face increasing pressure to exit some of its portfolio and monetize investments, which will further drive the inflow of deals
- We believe that hands-on private equity funds with operational value creation expertise may thrive in this market environment
- Private equity is likely to implement its performance improvement playbooks, but may also explore partnerships with strategic industry players
- International investors, outside Europe, might also identify attractive opportunities in some particularly impacted value chains with low valuations

# Total European chemical M&A activity remained low in 2024, reflecting a persistent misalignment on valuation expectations between buyers and sellers.

## Total number of investments in European chemicals (2020 – 2024)



Note: scope of the analysis includes producers (incl. compounders and formulators) and distributors of petrochemicals, polymers, high performance plastics and engineering resins, solvents, surfactants, fine chemicals, other speciality chemicals, nutrition ingredients, home/beauty/personal ingredients, resins/paints/adhesives, inorganic chemicals, agrichemicals, fertilizers, industrial gases

Source: MergerMarket, FTI Consulting analysis

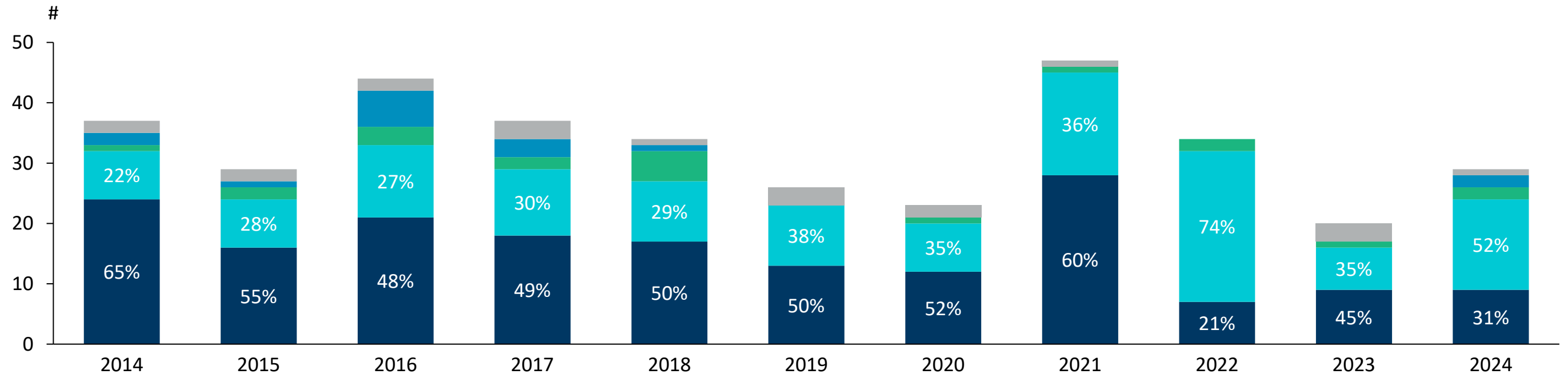
### Comments

- European chemical M&A remained subdued in 2024 with fewer number of deals and several processes on hold or postponed to 2025
- The challenges in chemical deals stem from a persistent misalignment in valuation expectations between buyers and sellers, driven by atypical post-COVID industry performance and an uncertain outlook
- Longer-than-expected high financing costs in Europe further contributed to the decline in chemical M&A activity
- Despite the market conditions, the mega-deal between UAE-based ADNOC and German chemicals producer Covestro was announced in October 2024
- International investors continue to explore the sector, including for companies with financial challenges and declining markets in Europe, as exemplified by transactions in the pigments and printing solutions value chains last year

Financial investors activities in European chemicals started to rebound in 2024, although mostly driven by smaller add-on acquisitions.

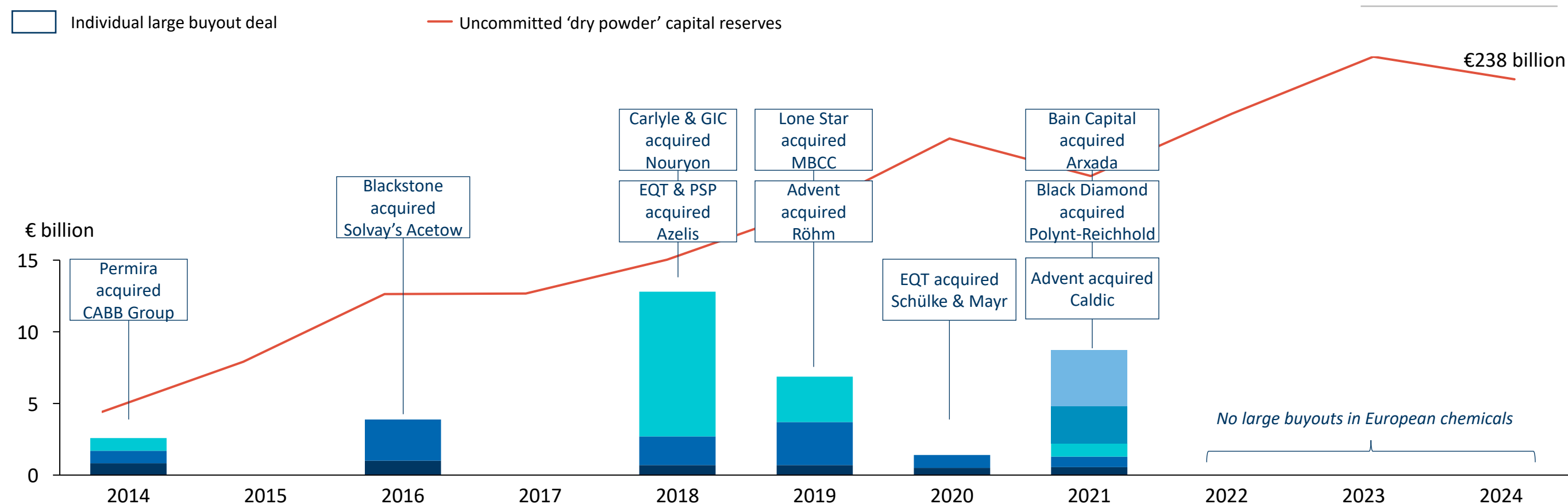
### Number of financial sponsors-backed investments by deal type (2014 – 2024)

Buyout Add-on to portfolio company Growth Private Debt Others



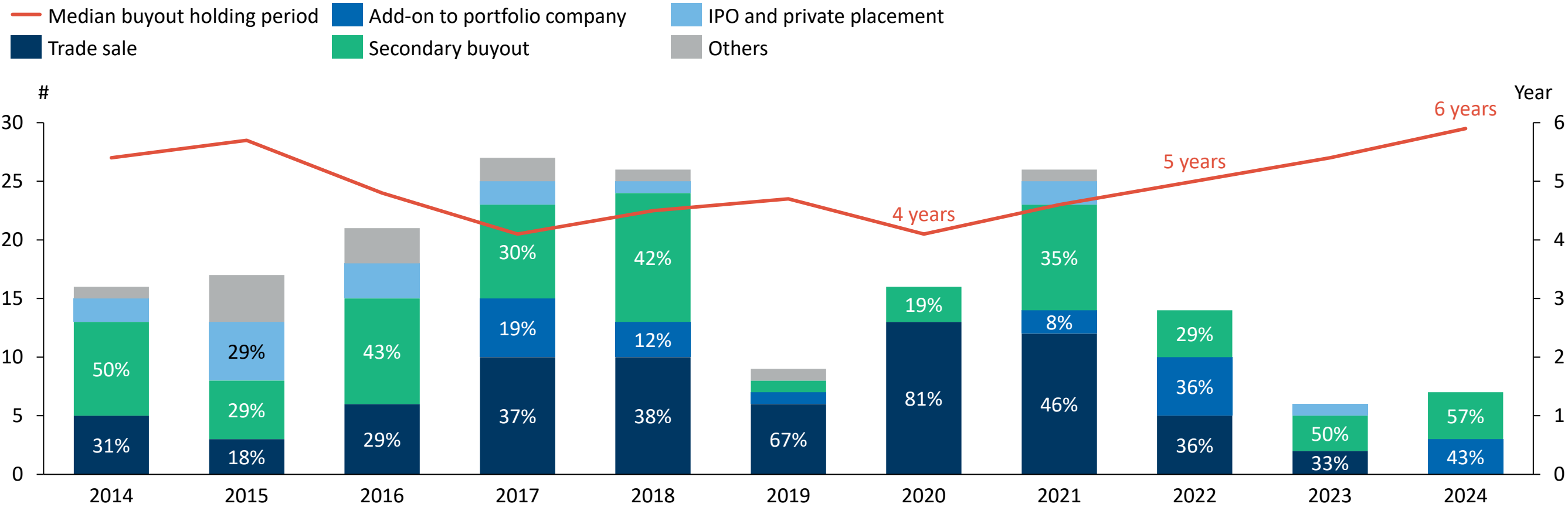
The sector has not seen large buyout transactions since 2021. PE firms are under pressure to invest the accumulated uncommitted capital, potentially through larger deals.

Value of large buyouts<sup>1</sup> in chemicals and accumulated uncommitted capital of European PE funds<sup>2</sup> (2014 – 2024)



Exits continued to be challenging for financial sponsors in 2024. The buyout holding periods remained extended and put pressure on private equity funds to monetise their investments.

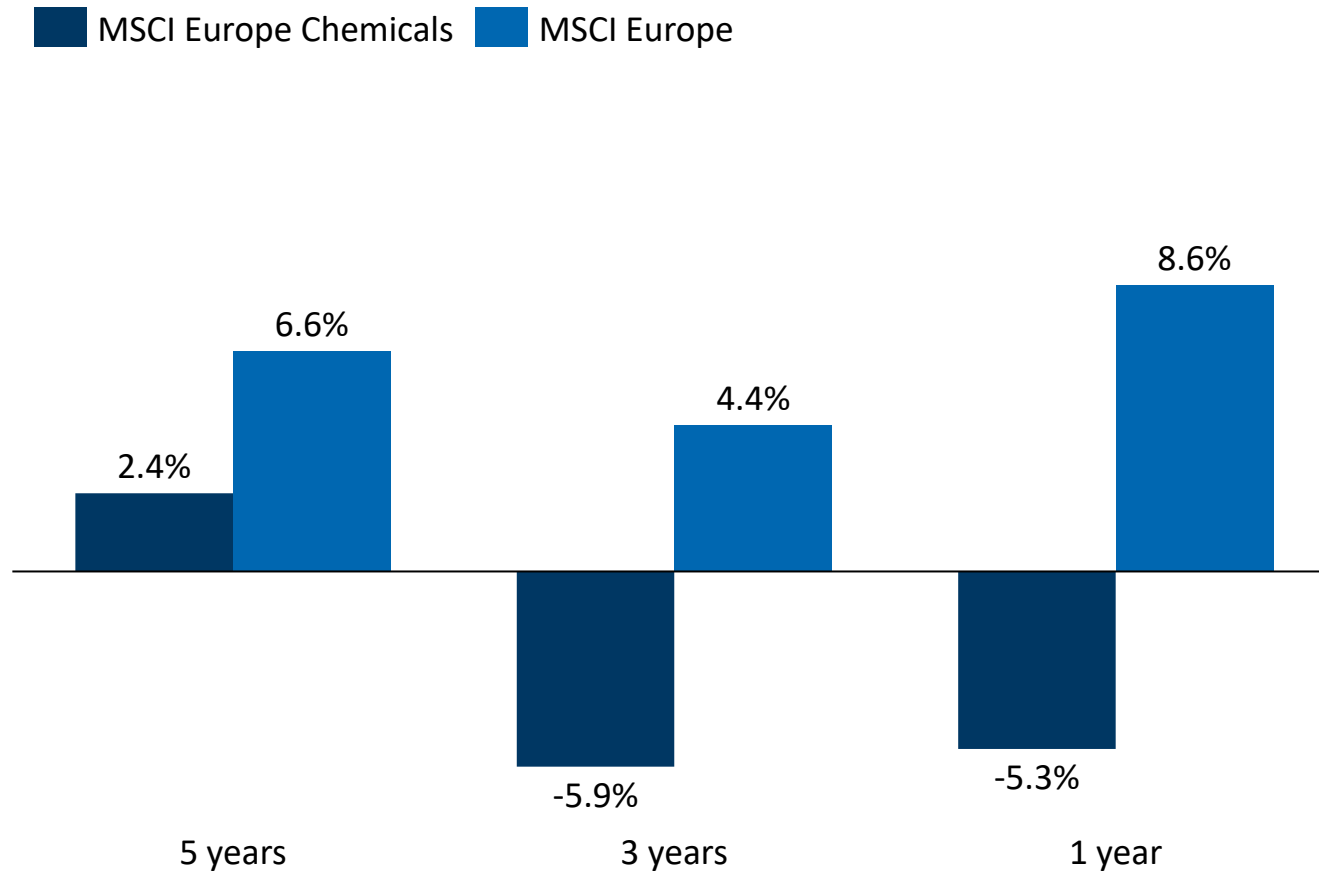
Number of divestments in chemicals by exit type and median buyout holding period (2014 – 2024)



Source: PreQin, FTI Consulting analysis

The adverse market conditions require chemical companies to review their portfolio. This effort could lead to an inflow of carve-out assets into the European chemicals M&A market.

### Net returns of MSCI Europe and MSCI Europe Chemicals index (Dec 2024)



### Comments

- The European chemicals industry is experiencing one of its deepest crises due to weak end-market demand, high energy and feedstock costs and competition from China-based producers
- Several European chemical companies publicly announced review of their portfolios to focus on the core capabilities and to streamline operating models
- It is also reasonable to expect consolidation of some chemicals value chains, structurally exposed to the adverse market conditions
- This could create opportunities for private equity investors, specifically with operational value creation capabilities to implement revenue transformation and cost optimisation initiatives in carved out companies
- The European sector, struggling with weak financial performance, might further attract international investors seeking diversification into chemicals



# FTI Consulting

## Chemicals M&A and Value Creation

Our experts at FTI Consulting have extensive qualifications serving the chemical industry across M&A, business transformation and restructuring situations.

We bring a team with industry experience and a strong network of relationships with key industry players, enabling us to stay at the forefront of industry trends and providing us with unmatched access and capabilities.

Our senior professionals are actively involved in every aspect of the project, bringing hands-on expertise and practical industry insights.

### We support clients across M&A and value creation lifecycle



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Operational Due  
Diligence**



**Post-deal  
integration**



**Business  
transformation and  
value creation**



**Carve-out**



**Special situations**

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