CHEMICALS M&A

Investment Banking Review of 2023
Outlook for 2024

In this latest annual review of key trends for Chemical Industry M&A, Natrium Capital looks back at the challenges of 2023 and the outlook for 2024. In our review of 2022, we had set out our expectations for a challenging 2023. It indeed turned out to be a challenging time and this difficult environment led to a slower year for M&A across the board. Despite this, good deals continued to progress to completion, highlighting that even in the most challenging economic conditions transactions can and do occur.

2024 will see half the world's population going to the polls, adding an element of risk to prospects, but may herald short-term economic stimulus. Against a backdrop of geopolitical tensions, these elections have the potential to cause sizeable economic shocks.

Natrium Capital is cautiously optimistic that, despite the potential for political upheaval, 2024 will be an environment that is more conducive to M&A execution. Inflation is on a declining trend and, whilst we are not likely to reach the low levels of interest rates seen in previous years, there is optimism based on expected lower financing costs and increasing visibility of a more stable outlook. Natrium Capital expects both buyers and sellers to have more confidence to transact and spend going forward. We expect 2024 to be an interesting year for Chemical M&A pipelines, marking the beginning of the climb out of the trough, with some long-delayed assets due to come to market.

1. M&A ACTIVITY

OVERVIEW OF ACTIVITY

The environment for Mergers and Acquisitions ("M&A") in 2023 has been lacklustre. Chemical industry M&A activity in 2023 was lower than in the previous year, both in terms of number and value of transactions. Additionally many sale processes have been delayed or pulled, due to weakened buyer engagement and misaligned views on value between buyers and sellers. Steeply rising interest rates and inflation have dampened the appetite of both strategic and financial buyers. This has resulted in the volume of Chemical industry M&A deals in 2023 being the lowest for the last decade (see Figure 1 overleaf).

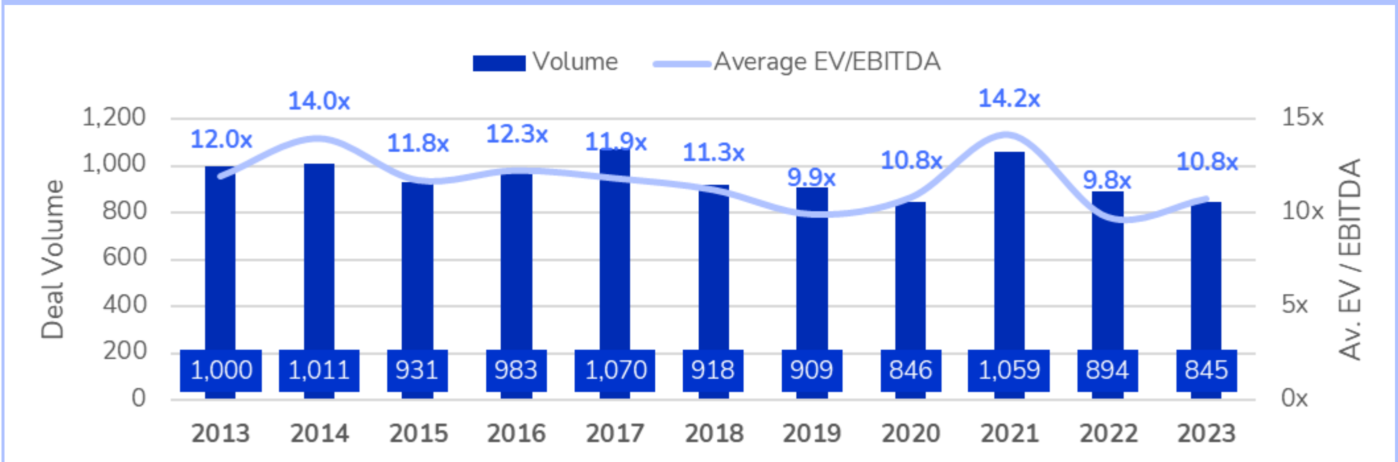
Valuations Holding Strong

Despite these lower volumes, **average EV/EBITDA multiples of transactions completed increased from 9.8x in the prior year to 10.8x** becoming more in-line with historical trends. This rise is surprising, and it probably reflects the decline in earnings for the industry and buyers being prepared to look past short-term profitability, in the expectation of longer-term growth.

Creativity in Deal Structuring

To bridge the apparent valuation gaps between buyers and sellers, **transaction structures have become more creative** by introducing elements such as deferred payments and earn-outs to reduce the amount of

Figure 1. *Global Chemicals & Materials Transactions*



Source: Mergermarket & Natrium Capital; Chemicals & Materials by announcement date. Value only includes transactions with disclosed metrics.

capital paid at closing and linking final purchase prices to performance-related metrics such as revenue growth and EBITDA.

Strategic and Private Equity ("PE") partnership deals have also become more commonplace. As one prominent example, in April 2023, Lanxess and Advent International closed a deal with a valuation of €3.7bn to combine and jointly own Lanxess' and DSM's Engineering Materials businesses, forming Envalior. Another example, again featuring Advent International, is the combination of their chemical distribution business, GTM, with Caldic and further expansion through a merger with Connell, partnering with Wilbur-Ellis.

Longer Time to Deal Completion

2023 saw the completion of several deals from 2022, after sellers delayed launching processes with the hope of stronger buyer appetite returning. However, 2023 saw a continuation of elongated deal timelines which had already started to occur in 2022 as illustrated in Figure 2. A recent analysis by Ansarada noted that deal makers in **Q3 experienced the highest average deal duration of 244 days**, a level that has not been seen since the midst of the pandemic.

Enhanced transaction preparation is now required to lower the risks of M&A failure. Company management and their advisors are spending a greater amount of time in preparation mode, as sellers are waiting for valuations to settle and the optimum time to sell. In particular, **PE deals are taking longer especially given the extensive approvals process required from debt lenders** in the wake of increasing interest rates.

Figure 2. *Global Median Average Deal Durations*

Source: Ansarada, Deal Indicators Report: Q3 2023 - UK, Ireland & Europe

STRATEGIC BUYERS

After tapping the credit markets in 2020 in a period of abundant bond issuance at historically low interest rates, many chemical corporations have a significant amount of cash ready for deployment for M&A. 2021 was a record year for both volume and value of M&A transactions but the subsequent two-year period of macroeconomic shocks in 2022 and 2023 **has left much of this cash unutilised**.

Despite many companies having cash-rich balance sheets, Natrium Capital has noticed that **transactions this year have tended to fall into the category of portfolio pruning** – in particular, the divestment of non -core business units and operations – and bolt-on acquisitions, versus larger, bolder transformational deals. Hence, mid-market M&A, focused on securing / de-risking supply chains (near-shoring) or improving business efficiency (industrial technology), has proved to be more resilient than large-cap deals. Indeed, several transformational deals were delayed and may never reach completion.

Competition regulatory requirements have become more global, and deals have to be structured to take account of the competitive position in every market where the company operates. Significant anti-trust hurdles may be faced by many large deals between strategics which can impact deal timelines and deal certainty. For example, Akzo Nobel's acquisition of Kansai Plascon Africa announced in June 2022 was denied in November 2023 given anti-trust concerns in South Africa.

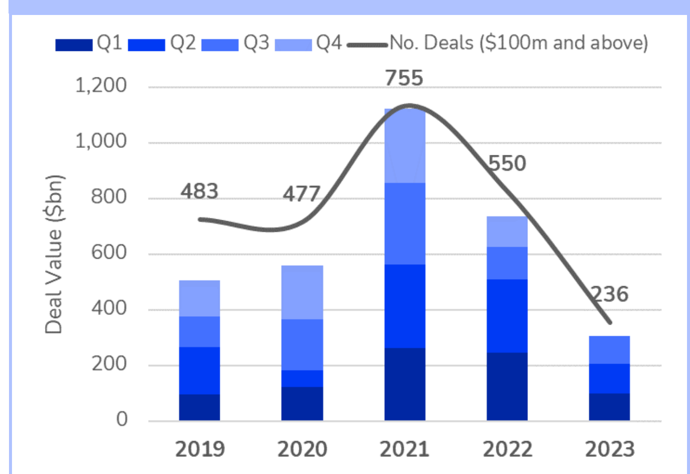
PRIVATE EQUITY

Financial sponsors participation overall in **M&A has been more muted this year** compared to highs seen in 2021. The chart in Figure 3 shows that PE deal activity was significantly reduced throughout 2023, with the number of deals in Q1-Q3 around 50% lower than the same period in 2022. In November 2023, Pantheon also noted that they had seen a 20% reduction in deal flow for new deals across their funds in 2023 (*source: Digital Dialogues: Corporates vs Private Equity: Who Has the Dealmaking Advantage; FT Live & Intralinks*). Not only has deal flow been reduced but PE players have faced increased funding hurdles and a greater nervousness around new investment opportunities as debt financing has been more costly. PEs have also been less able to exit businesses, and this has disrupted the PE industry's natural fundraising cycle.

Higher Funding Costs

PE firms have responded to the continued higher costs of funding in a number of ways. Natrium Capital is aware that some parties have **opted to focus more on the mid-market**, as the smaller deal size has allowed them to finance with more equity (hoping to refinance later) and less debt, often using asset-backed loans and private credit arrangements.

Figure 3. *Private Equity Deal Activity*



Source: EY, Private Equity Pulse: Five takeaways from Q3 2023

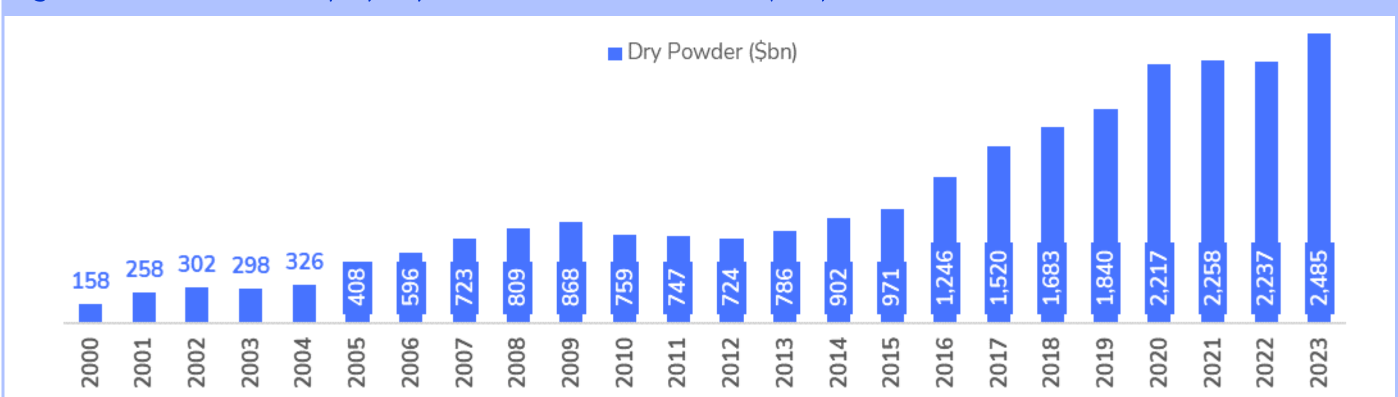
Alongside this, PE fire power has reached unprecedented highs: as analysed by S&P Capital IQ, at the halfway point in 2023, **global PE dry powder stood at a record $2.49tn, up over 11% since the close of 2022** (see Figure 4 below).

INITIAL PUBLIC OFFERINGS ("IPOs")

One traditional PE exit route that has been relatively quiet in 2023 is IPOs or stock market flotations (see Figure 5 overleaf). This route has been quiet for much of 2022 and 2023, with only a few high-profile listings, such as British semiconductor company, ARM Holdings PLC, which listed on Nasdaq in September 2023 and was the largest IPO of 2023 with a $5.23bn offering.

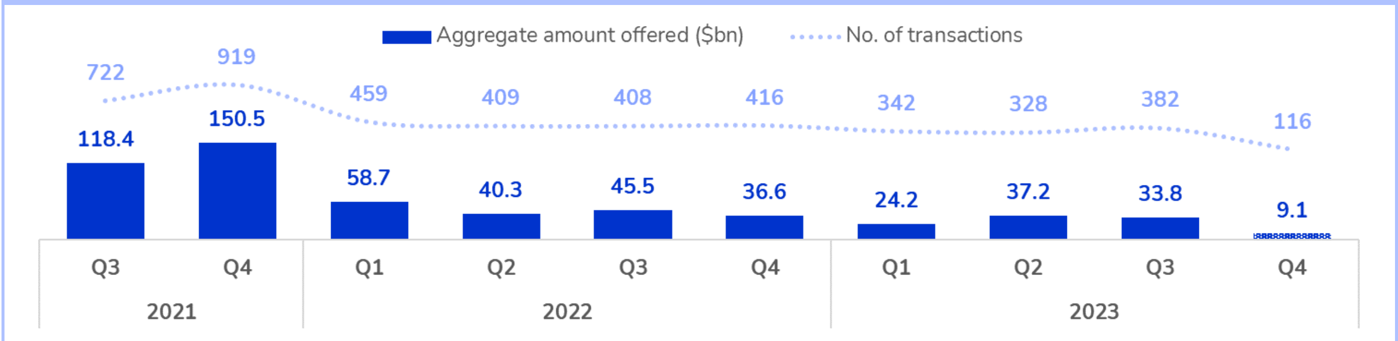
Putting IPOs back on the table would return to PE players another liquidation pathway to exit investments from portfolio companies. It is important for PE buyers that an exit option for larger deals is an IPO in a buoyant stock market. However, the timetable for when this will happen remains uncertain.

Figure 4. *Global Private Equity Dry Powder Trend, 2000-2023 ($bn)*



Source: S&P Global & Preqin; 2023 data as of 03 July 2023
Analysis includes aggregate dry powder of global private equity funds with vintage year 2000-2023

Figure 5. *Global IPO Activity Since Q3 2021*



Source: S&P Global. Note: data compiled 01 Nov'23 - analysis includes global IPO completed 01 Jul'21 - 31 Oct'23. Excludes private placements. Aggregate amount offered includes overallotments

2. GROWTH & INFLATION

ECONOMIC BACKGROUND

Global growth has been subdued in 2023. Central banks have been tightening monetary policy consistently over the year to quell enduring inflation (see Figure 6). Despite these headwinds across the world, activity has been relatively resilient. Forecasts from the OECD indicate that a low rate of growth is sustainable into 2024 and 2025 but there are marked divergences across the regions and with much of the growth coming from Asia.

Economic momentum has slowed markedly in **Europe** in 2023, after strong growth in 2022 following the ending of COVID-19 restrictions. Higher commodity and energy prices, partly driven by trade dislocations arising from the war in Ukraine, have disproportionately hit European businesses and restricted output. When wholesale gas prices peaked in August 2022, European prices were over 10 times higher than in North America (*source: Bank of England*), leading to drastic effects on production costs for basic materials and chemicals. Household spending was dampened due to rising interest rates and consumers not being prepared to draw down on savings. In **the UK**, recent revisions imply that growth stalled in 2023 and is expected to pick up only slightly from low levels during 2024. Core inflation remains stubbornly elevated with high real wage inflation and low productivity gains restricting growth.

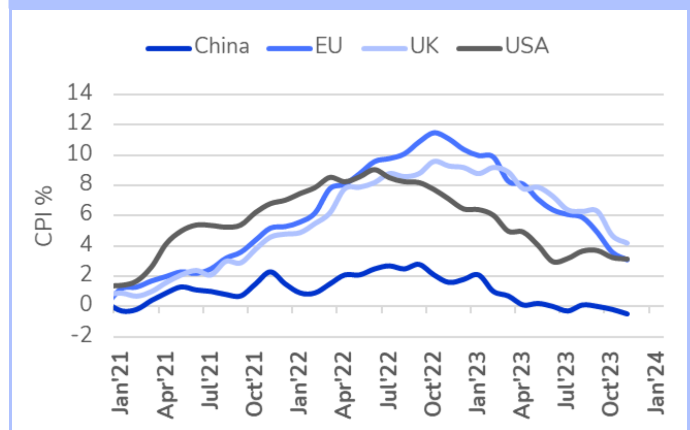
The US has performed better than Europe, continuing to grow at pre-pandemic rates. Supported by the $1.9 trillion Stimulus Bill of 2021, and a draw-down of the savings built up during the COVID-19 pandemic, consumer spending has held up well. The region is also less exposed to the global energy shocks due to lower-cost, domestically produced shale gas. The Bipartisan Infrastructure Law signed into law at the end of 2021 will continue to support growth. 2024 is an election year, and that is traditionally associated with increased confidence and spending.

Japan, the only major advanced economy yet to tighten monetary policy, has also experienced above-trend growth over the past year despite facing higher energy prices. Business investment is, however, showing signs of a likely slowdown.

In **China**, economic growth is slowing despite bouncing back strongly early in 2023. The economy grew at a real rate of 8.9% in Q1 2023 as the country re-opened following the pandemic, but forecasts for the full year are for only 4.6% growth in 2024 and are well below its long-term trend, albeit still substantially faster than growth in the West. There are risks that the liquidity crisis in the property construction sector could escalate.

India stands out with strong growth of over 6% per annum forecast to continue, with surging services exports driving the economy.

Figure 6. *Global Inflation Rates*



Source: OECD (2024), Inflation (CPI) (indicator). doi: 10.1787/eee82e6e-en

INFLATION

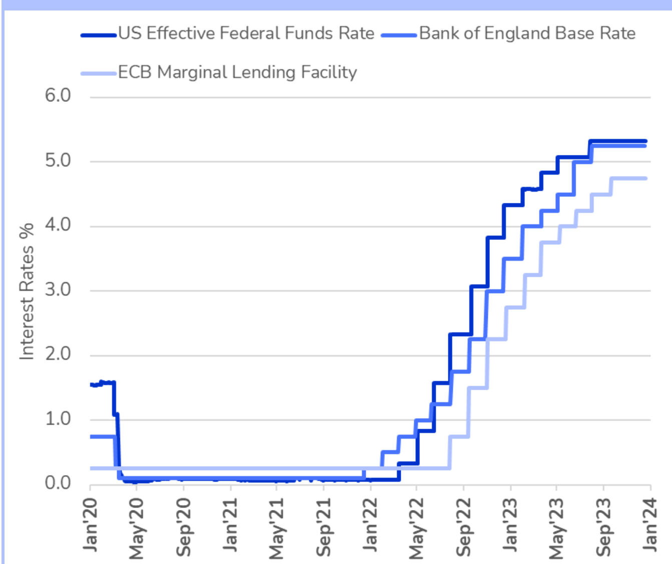
Headline inflation rates in **the UK, Europe and the US have all fallen this year**, easing the cost-of-living crisis. This largely reflects lower energy price inflation, although food and goods price inflation have also declined, particularly in the US. Nonetheless, inflation is still above central bank targets, but it is now projected to fall back sufficiently to allow for interest rates to fall during 2024.

3. INTEREST RATES

SHORT-TERM INTEREST RATES

Central bankers around the world have been **using monetary policy to quell inflationary pressures**. Short -term interest rate hikes can be seen in Figure 7 for the US, the UK and Europe but contrastingly, the Bank of Japan kept interest rates at -0.1%.

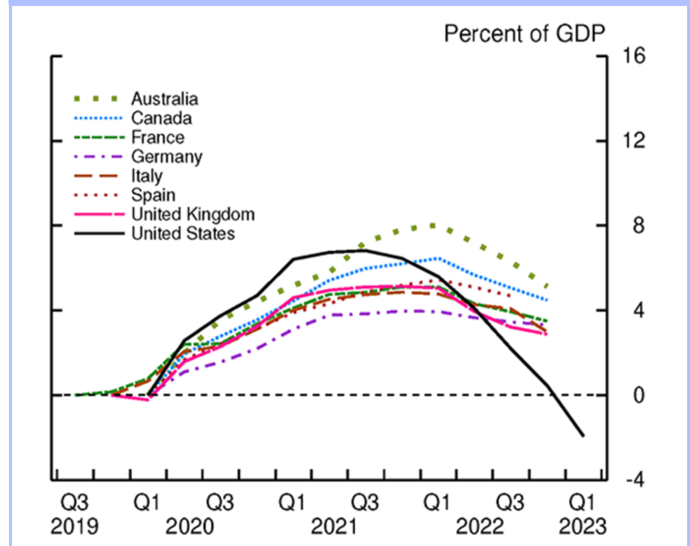
Figure 7. *Interest Rates*



Source: US Federal Reserve, Bank of England, European Central Bank

These short-term interest rate rises are to curb excess demand which has been fuelling core inflation. These higher rates have **impacted the consumer, but less quickly than central bankers expected**. Part of the reason for this is that much of consumer borrowing is at rates fixed for the medium term, such as much of the UK mortgage market which tends to be fixed for two- to five- years, or is very long-term debt such as more than 20 years. Household savings rose considerably during the COVID-19 pandemic when people were at home and had little to spend their money on. In the US, much of the savings that had been built up has already been spent, whereas saving pots in the rest of the world have remained above historic levels (see Figure 8). **The potential for the consumer to wind down their savings further gives some optimism to support on-going consumer spending, particularly in Europe, in 2024.**

Figure 8. *Stock of Excess Savings Across Advanced Economies*

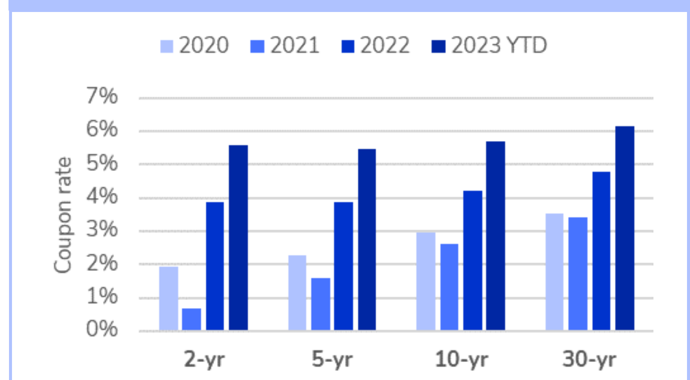


Source: US Federal Reserve - Haver Analytics. Note: Stock begins accumulating from 0 at t=-1, where t=0 is the fist period of low growth due to COVID-19. Excess savings are calculated as deviation from the predicted savings rate using a Hamilton trend

LONGER-TERM INTEREST RATES

Investment has been particularly hit by rising interest rates. The cost of debt has risen across the yield curve, particularly for shorter term debt. The rise in the coupons is shown on the graph below – Figure 9a (*source: S&P Global, 'See the Big Picture: Capital Markets' - Dec'23*). It is interesting to note that corporate treasurers seem optimistic that these higher interest rates will not persist as there has been a greater increase in 2-year US dollar investment-grade financial issuance (rising from just over 2% of the total

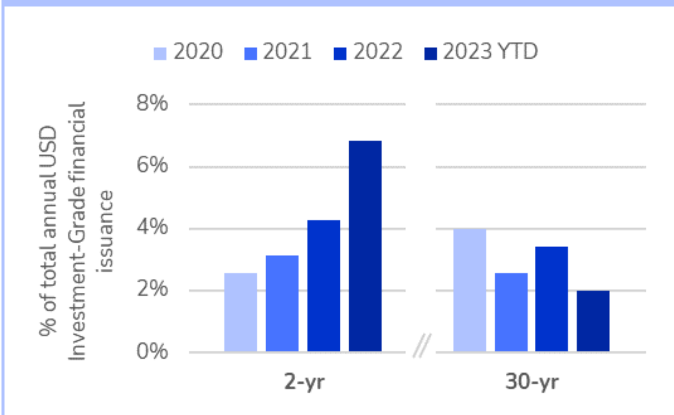
Figure 9a. *Coupon Rates of USD Investment-Grade Financial Bonds*



Source: S&P Capital IQ ('See the Big Picture: Capital Markets' - Dec'23). Note: data compiled 09 Oct'23

issuance to 7% of the total) and a decline in 30-year issuance (down from 4% to 2% of total issuance).

Figure 9b. *USD Investment-Grade Financial Issuance: 2-year & 30-year bonds*



Source: S&P Capital IQ ('See the Big Picture: Capital Markets' - Dec'23). Note: data compiled 09 Oct'23

COST OF ACQUISITIONS

From an investment perspective the cost of borrowing has increased with **interest rates on senior debt in Q1'23 reaching 6-7%** (*source: Koley Jessen, 05 Dec'23*), resulting in more expensive acquisitions and negatively impacting investors rate of return. This year saw lenders tighten requirements and increase stress testing as part of their due diligence to ensure that borrowers can service the debts and not default. The subsequent **reduction in the amount of debt that can be raised** and, certainly in PE deals, a greater proportion of equity to debt has been needed. The **stricter lending criteria and enhanced due diligence has protracted lending approvals and increased deal timelines**, all adding to the general M&A slowdown in 2023.

Looking forward to 2024, we expect the environment to be more conducive to M&A with **rates remaining steady or even declining, giving buyers more clarity and certainty on costs of financing**.

4. GLOBAL UNCERTAINTY

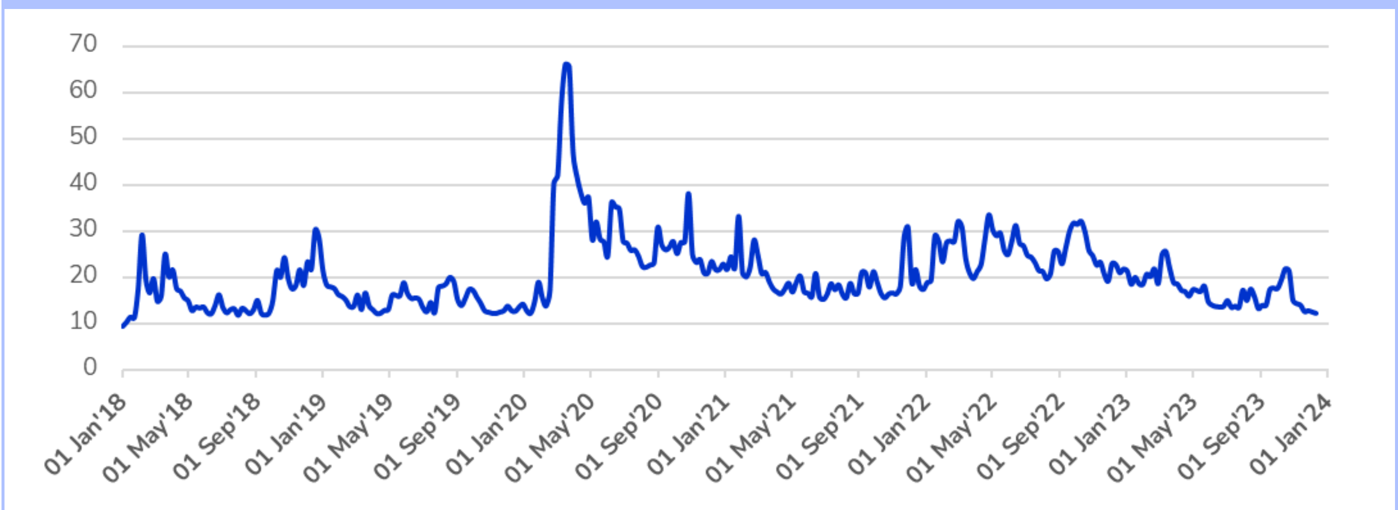
As we enter 2024, attention is turning to M&A opportunities in the year ahead. A lack of visibility from both an operational and financial markets perspective can make it a difficult environment for successful M&A transactions, so the question remains **are we beginning to climb out of the trough?**

VOLATILITY

The CBOE Vix Volatility Index (VIX) measures the premiums investors are willing to pay to protect their portfolio against swings on the S&P 500 index, popularly known as Wall Street's "fear gauge" - see Figure 10 below. **The VIX has seen significant fluctuation over the last few years and reached a historically high level at the start of 2020 with the fear of the pandemic. Since 2021, the index has itself been volatile, but the overall trend is downwards, indicating investors are less fearful, with the index now trading near a four-year low, in the low-moderate range.** This comes as global economic and geopolitical uncertainty continue to loom, and, at the end of 2023, sentiment is shifting as investors look ahead to improving market conditions.

A **slowdown in inflation has left investors optimistic that rate cuts could begin as early as H1 2024**, despite the medium-term view across 2024 remaining clouded. Oil prices have also stabilised significantly

Figure 10. *CBOE Vix Volatility Index*



Source: CBOE, S&P Capital IQ

since the outbreak of war in Ukraine; however, the impact of conflict in the Middle East remains to be seen, in the light of restrictions on shipping from major logistics players across the key shipping lanes in the Red Sea.

Certainly, the sentiment is more positive than the VIX levels of 20-25 seen at the beginning of the year, and this signals a potentially positive message for M&A in 2024.

There are several factors which may upset this more stable outlook and we examine below the potential for negative shocks from energy prices, supply chains and geopolitical uncertainty.

ENERGY

2023 marked a pivotal moment in the energy sector, as governments and countries grappled with balancing the need for affordable and reliable energy with the continued requirement to transition towards more sustainable sources. Oil prices, which had experienced volatility in the previous years, exhibited a **degree of stabilisation** due to the combination of increased production from key oil-producing nations and the oil market fully absorbing the impact of Russia's invasion of Ukraine.

Natural gas prices, which soared in Europe in 2022 with the Ukraine war and the damage to the Nord Stream pipelines, have now stabilised but at a significant premium to the US which disadvantages chemicals made from European gas or those with high energy requirements during the manufacturing phase.

Companies have been considering energy prices for many years and prioritising investment decisions to **optimise regional advantages** (North America and Middle East). A fundamental change in investment attitudes has come because the traditional move to de-emphasise coal and oil as feedstocks and replace, where possible, with gas (mainly from Russia) has

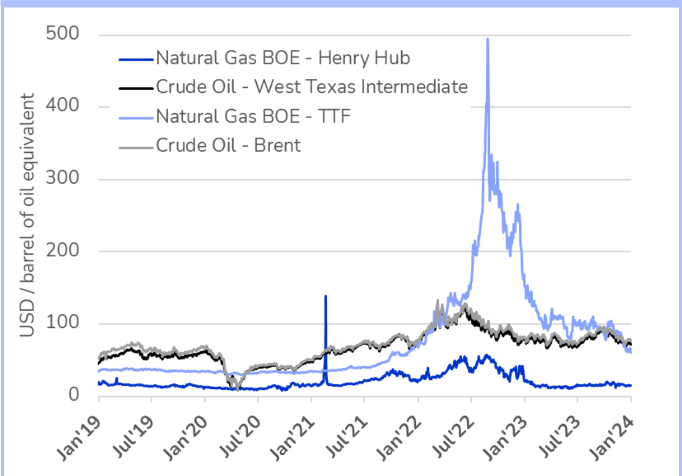
BASF Ludwigshafen site

Source: BASF

been challenged. Companies are likely to respond by **increasing investments in alternative/renewable energy and by closing production in Europe and moving to lower cost/safer energy regions**.

There is also a discernible shift in M&A priorities as prices stabilise in the short term, with companies increasingly **prioritising transactions that enhance energy resilience, secure sustainable resources and/ or new technologies and ensure superior longer-term competitiveness** in a world where energy considerations play a pivotal role in business strategy and success.

Figure 11. *Natural Gas & Crude Oil Prices since January 2019*



Source: S&P Capital IQ, as of 03 Jan'24. US gas is Henry Hub natural gas, European gas is Dutch TTF natural gas. US oil is West Texas Intermediate (WTI) crude, and Europe oil is Brent crude

Figure 11 above shows that the gas **prices in Europe have been consistently higher than in North America**. This differential in feedstock prices has been particularly marked over the last three years and can be contrasted with the price of oil as a feedstock.

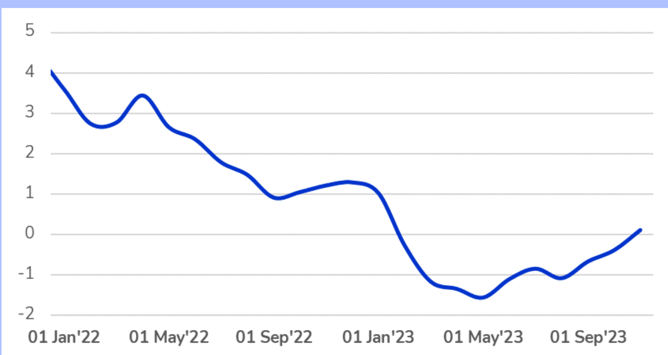
This was showcased when **BASF announced plans in February to close parts of its Verbund structure in Ludwigshafen**. In 2022, their operational earnings were burdened by an additional €3.2bn in energy costs globally, mainly impacting the Verbund site in Ludwigshafen. Management highlighted the vast amounts of natural gas that are consumed to power their plants and as a feedstock for their products. This has caused their competitiveness to suffer under the elevated energy price environment. The decision to shut down certain units permanently, such as soda ash, TDI & caprolactam, due to their energy intensity, came as a shock to many who expected BASF to be entirely insulated from such pressures. This may be

the first in a series of announcements as others also restructure their businesses to this new energy environment.

SUPPLY CHAINS

The disruption to global supply chains for energy, manufactured and food products over the course of the last few years has highlighted the need for resilient supply chains into the future. Although significant pressure from the intensive bottlenecks seen in the height of the COVID-19 pandemic have mostly eased, the associated destocking trends and lingering supply chain volatility in energy markets remain (see Figure 12 below). Therefore, **the 'just-in-time' model of a few years ago cannot function under the looming geopolitical issues which could surface in 2024**.

Figure 12. *Global Supply Chain Pressure Index (GSCPI)*



Source: Source: Federal Reserve Bank of New York, Global Supply Chain Pressure Index

Creating efficient supply chain management of raw materials and energy have continued to divert management time during 2023, but the pressures have been less than in previous years. **Security of supply is likely to continue to be a major driver of M&A in 2024** as a means to enable topline revenue growth, achieve operational synergies between businesses, preserve capital expenditures and improve business cashflows.

UPCOMING ELECTIONS

In 2024, countries with more than half the world's population, over four billion people, will be going to the polls. Alongside the US, the UK, Russia, Taiwan and India, the EU will also see elections for the European Parliament take place in June 2024 and this will be the world's biggest transnational election. Against a backdrop of geopolitical tensions, these elections have the potential to cause sizeable economic shocks. The possibility of substantial

Figure 13. *Key Elections to Watch in 2024*

Country	Date
Taiwan	13 Jan
Indonesia	14 Feb
Russia	17 Mar
India	April
EU	06 Jun
US	05 Nov
UK	TBC
South Africa	TBC

changes in government regulation will make 2024 a year to watch, as investors wait to see how the political landscape develops. In the World Economic Forum's Chief Risk Officers Outlook 2023, **most survey respondents are expecting "upheavals at a global scale"**.

Impact on Chemical Industry Regulation

In the US, **Chemical companies are expecting a raft of regulation ahead of the 2024 elections** as the Biden Administration seeks to push policies through before the end of the term. One such example is new regulations restricting the use of per- and poly-fluorinated alkyl substances ("PFAS"). These could require Chemical companies to acquire new types of firefighting foams, which might necessitate refurbishment of firefighting systems to accommodate the new product and increase business costs.

As part of the 2020 European Green Deal, the European Commission announced plans to propose a revised set of REACH regulations in order to improve effectiveness, particularly by requiring stricter data collection in research conducted by Chemical companies. The policy is key, as European safety standards are often used as a basis across the globe and the chemicals produced by European players under the REACH regulations are sold across the world. This revised draft was initially expected by December 2022. It now seems likely it will be published after the EU elections in June 2024.

5. COMPANY PROFITABILITY

Chemical companies have experienced a challenging year from an operational perspective. Profits **have been particularly squeezed for the highly cyclical end-markets such as Construction, Automotive and Electronics.** As a result, companies have had to issue

Figure 14. Select Chemical Company Profit Warnings in 2023

Company	Date	Shortfall
Borregaard	13 Dec	Q4 EBITDA negative impact of NOK 80-100m. One-off impact from BioMaterials site in Sarpsborg (now resolved) and commodity oil-based vanillin flooding the market.
Croda	09 Oct	2nd profit warning – 2023 profit before tax expected at £300-320m, significant downgrade from previous guidance.
Evonik	10 Jul	Q2 adj. EBITDA €430-450m vs €409m in Q1. 2023 revised down to €1.6-1.8bn vs prior €2.1-2.4bn.
FMC	10 Jul	Q2 adj. EBITDA $185-190m vs prior estimate $350-370m. 2023 revised down to $1.3-1.4bn vs prior $1.50-1.56bn.
Clariant	07 Jul	Q2 adj. EBITDA CHF 127.5-137.5m vs Q1 CHF 191m. 2023 revised down to CHF 625-675m vs prior CHF 780m.
Ashland	28 Jun	Fiscal Q3 adj. EBITDA $130-135m – 20% below consensus. 2023 revised down to $500m vs prior $580-610m.
Olin	20 Jun	Q2 EBITDA $350-360m vs $417m consensus.
LANXESS	19 Jun	Q2 adj. EBITDA €100m vs prior estimate €189m. 2023 revised down to €600-650m vs prior €850-950m.
Cabot	15 Jun	Fiscal Q3 EBIT 'only modestly higher' vs Q2. Will miss fiscal 2023 EPS target of $6.10-6.50. No new range given.
Croda	09 Jun	1st profit warning – 2023 profit before tax expected at £370-400m as first 5 months at £143m lower than expected.
LyondellBasell	08 Jun	Q2 earnings to be weaker vs Q1, no specific range.
Dow	01 Jun	Q2 sales forecast cut to $11.0-11.5bn vs prior $11.75-$12.25bn. Earnings guidance maintained.

Source: ICIS, Natrium Capital and Company filings

profit warnings and forecast revisions amidst weak demand from key end markets, lingering destocking trends and a lack of visibility. This has further suppressed strategic appetite for M&A transactions outside of the necessary portfolio pruning as detailed above. Some significant downgrades seen during the year are set out in Figure 14 above.

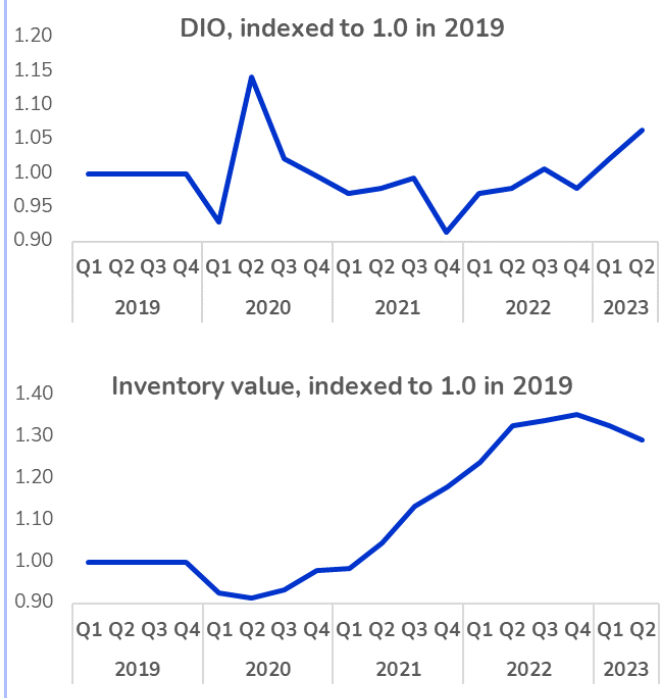
DESTOCKING

Companies have reported persistent destocking throughout the year. Typical historical destocking cycles have tended to last one to two quarters, but this cycle is proving unusual with a longer period of destocking. As demand growth has disappointed, this destocking period has continued for longer.

Given the extensive bottlenecks and limited availability of certain chemicals initiated during the COVID-19 pandemic, followed by the artificial demand inflation and overbuying of raw materials and other feedstocks, almost the entire value chain, from formulators to retailers, is now holding too much inventory.

Figure 15. Chemicals DIO & Inventory Trends

2013 - Present, S&P 500 chemical companies in AlixPartners index



Source: Alix Partners, S&P Capital IQ. Note: DIO is Days Inventory Outstanding; DIO = (Average Inventory Cost / Cost of Goods Sold) x 365 days. Indexes adjusted for seasonality by indexing the DIO and inventory value with that in the same quarter in 2019

Furthermore, given that interest rates have soared in 2023, companies are under increasing pressure to reduce overall working capital and hence its cost (borrowing), resulting in the significant and prolonged destocking trend.

SUSTAINABILITY

Sustainability remains an important agenda item, given **extensive investor and consumer pressure. Against the backdrop of global climate conversations there are continuing demands for more transparency and environmental focus**. Sustainability and the green agenda are shining a light on existing Chemical portfolios, with M&A an inevitable tool in pruning businesses whose environmental credentials do not fit and acquiring or investing in businesses that do.

One particularly popular theme in 2023 has been **decarbonisation**. Large scale investment in second generation sustainable fuels is taking place and has shaped many companies' activities this year. In November, Macquarie Asset Management announced initial investment of up to €175m in SkyNRG, a Dutch producer of sustainable aviation fuels ("SAF"). To date, some of SkyNRG's secured partnerships include long-term commitments with KLM Royal Dutch Airlines and Boeing, of up to €4bn in SAF purchases.

It can, however, be challenging to balance the potential of the technology versus viable economic commercial operation. In December 2023, Clariant announced the closure of its sunliquid® bioethanol plant in Romania, and the additional downsizing of its related activities in Germany. This comes after a strategic evaluation found that the plant did not achieve its targeted operational parameters. This **highlights the difficulty in developing new green technologies whilst still delivering shareholder value**.

6. OUTLOOK FOR 2024

Natrium Capital expects economic growth in 2024 to be stronger than last year, albeit led by India, China and the US, whereas growth will remain subdued in Europe and lacklustre in the UK. The destocking cycle is expected to turn. Inflation is on a declining trend throughout the world, led by lower energy costs and declining food price inflation. This should allow the interest rate cycle to stabilise and, potentially, for interest rates to be substantially lower at the end of 2024 than at the start of the year.

It is important to recognise the possibility of major economic shocks, especially when the war in Ukraine and the conflict in the Middle East remain unresolved. Whilst the outcome of several elections seems predictable, such as in India, Russia and even the UK, the European and the US elections bear considerable uncertainty and could lead to a significant change in economic focus and direction for the respective countries with potentially global repercussions.

We expect that despite this, companies will gain increased forward visibility for forecasting as the global economy stabilises, and this allows for cautious optimism about Merger and Acquisition activity during the next year. Currently there are high levels of raised funds for strategics and private equity buyers yet to be spent which supports this cautiously optimistic view. Key trends that are expected to influence deal-making remain the securing of supply chains and investment in new growth areas.

ABOUT NATRIUM CAPITAL

Natrium Capital Limited is an independent Chemicals M&A boutique set up by Alasdair Nisbet in 2012. Natrium Capital provides high level strategic and M&A advice primarily focused on the Chemical, materials, biotechnology and clean technology industries. Headquartered in London, Natrium Capital and team advise on complex global cross-border transactions and have advised on over $100bn transaction value in the sector.

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