

The new silk road: a case study on identifying strategic European M&A targets in specialty chemicals

Initial situation

IHS Markit was contacted by a Chinese client who wished to acquire a European Specialty Chemicals company as part of its M&A growth strategy

The brief required the target acquisition to fit within the Chinese Government's "Made in China 2025" and "One Belt One Road" initiatives

IHS Markit approach

1. The first phase determined the acquisition domain which fit with the company's strategy and the government's briefs

2. IHS Markit then identified 21 relevant specialty product sectors with a long list of over 250 companies, profiled and sourced from in-house databases – Directory of Chemical Producers, Specialty Chemicals Update Program, Chemical Economics Handbook, Global Trade Information Services and ChemicalWeek

3. Progressively detailed screening steps, narrowed the list to 140 and then a top 50, using agreed criteria

4. Additional information was gathered to develop deeper profiles of the top 50 targets, including IP and technology position, market outlook, competitive assessment, valuation and availability

5. Further listing of potential JV and "step out" target opportunities

Impact

IHS Markit delivered a comprehensive screening analysis providing the client with a **ranked shortlist of top 10 target companies** including "fast track" targets which were known to be available

A year after completion of the study, over a dozen of the **top 50 companies profiled had been involved in M&A activity**, validating IHS Markit's approach and recommendations

Market conditions

- China became the largest market in the world for specialty chemicals in 2017, surpassing North America for the first time. The market value of its consumption reached \$136 billion out of a global market of \$560 billion.
- China is expected to continue powering demand growth for specialty chemicals during the next five years with 6-7 percent annual average growth.
- Domestic specialty chemical producers in China are generally small, lack investment in R&D and the quality of their product is often low. Most high value/high quality products are made by foreign firms in China or imported.
- The Chinese Government is promoting a shift in domestic manufacturing capability to higher-value, higher specialty-content products.
- The quickest way to do this is through acquisitions and much of Chinese M&A activity has been directed overseas. High profile examples include ChemChina which has made a host of acquisitions including Syngenta, Adama Agricultural Solutions, Krauss Mafei, Pirelli amongst others.
- European companies present attractive targets as they have been increasingly focused towards specialty products with high levels of technology and product IP.
- IHS Markit's consulting group is ideally placed to support clients with their M&A strategic objectives. We leverage a wide range of source material, including proprietary producer and capacity databases, market outlooks, and specialty product and end use sector reports, coupled with insight from IHS Markit experts with extensive industry experience.

Silk road view



Specialty product sectors identified

- 3D Printing
- Adhesives & Sealants
- Advanced Polymers
- BDO Value Chain
- Bio-Based Materials
- Chemical Process Catalysts
- Coatings
- Composites & Composite Fibres
- Construction Chemicals
- Electronics
- Green Energy
- Lubricants
- Medical
- Membranes
- Metals
- Oil & Gas Chemicals
- Polymer Additives / Initiators
- Rubber
- Textile Chemicals
- Transportation
- Water Treatment

Screening results



With over 400 experts focused on the Oil, Mid-Downstream and Chemical markets, our expert analysis can be as broad as it can be laser focused.

Get in touch to have a solution tailored to your needs.
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