

CHEMICALS & MATERIALS

Quarterly Review



Q1 2024



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LINCOLN INTERNATIONAL STATEMENT

The cleaning chemicals market is still highly fragmented with opportunity to differentiate from both a chemical formulation standpoint and a service perspective. After the two majors, Ecolab and Solenis / Diversey, there is substantial market share to be gained and the opportunity to differentiate from national competition, particularly through high-touch sales and attentive service. Cleaning chemicals constitute a small portion of a customer's budget, however they are absolutely critical for operational efficiency and overall hygiene, which helped the sector largely maintain margins through the recent inflationary environment (and can help lenders build comfort). Establishing leadership positions on an end-market by end-market basis can also be an effective way to scale in the industry. There is also a highly complementary path to adding in adjacent solutions or services that can further accelerate growth beyond the initial cleaning chemicals offering. With the growing emphasis on eco-friendly chemistries, the cleaning chemicals sector will have a further opportunity to push margins, so long as the underlying performance holds up. The market is primed for further M&A activity in the back half of this decade as the standard of living rises globally, presenting favorable long-term opportunities.

Cleaning Chemicals Overview

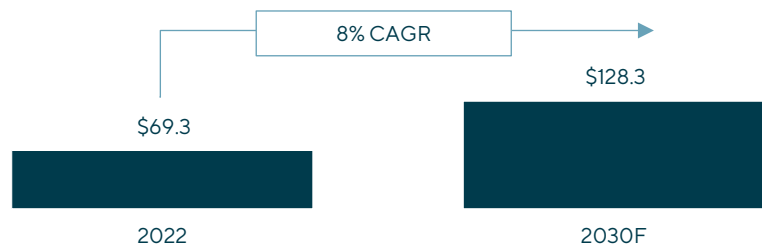
by Lincoln International's global chemicals & materials team

Cleaning chemicals continue to be a high-growth market with geographic and end-market fragmentation. The market can be sub-divided by product (e.g., general purpose cleaners, disinfectants & sanitizers, laundry care products, metal cleaners, industrial cleaners, food cleaners, vehicle wash), as well as by end-market (e.g., aerospace, asphalt, automotive, commercial offices, flexographic food processing, foodservice, healthcare, hospitality, marine). Depending on the product and end-market, the degree of customization can be critical to providing efficacy and productivity benefits. It is important to keep in mind that there are meaningful productivity benefits from the application of cleaning chemicals, beyond the aesthetic and hygienic benefits, which are also important. The daily application of cleaning chemicals in many instances creates a regular and recurring sales and service cycle, where there is an opportunity to further differentiate.

The segment is directly benefiting from expanded re-shoring and near-shoring efforts and the resulting uptick in activity. There are also tailwinds from the Infrastructure Investment and Jobs Act that will drive continued and recurring spend, particularly for more infrastructure focused cleaning applications (e.g., asphalt and concrete). As the COVID-19 pandemic fades further into the background, the demand for increased hygiene standards is sustaining, though as more of a complementary factor than a driving one for the market.

I&I CLEANING CHEMICALS MARKET GROWTH

(*\$ in billions*)



Cleaning chemicals providers are benefiting from the enhanced ability to be more precise in measuring and troubleshooting issues, allowing the cleaning chemicals to be more finely tuned (and effective) in their application. Further attuning cleaning chemicals to the specific industry, and even facility, allows for further differentiation and a high level of service that can deepen the relationship with customers. Fine tuning products from a set of core formulations, while maintaining efficacy, provides a strong competitive moat for the sector. Also, maintaining a high degree of connectivity with the customer and being vigilant as to the training for the application of cleaning chemicals helps to differentiate from larger, high-volume players in the industry. Focusing on the service aspect in combination with custom formulations drives stickiness across what is typically a fairly diversified customer base.

In select end-markets, further differentiation can be achieved via the dispensing systems used for the application of cleaning chemicals. The installation of branded or quasi-branded dispensing systems can closely replicate a more classical razor-razorblade model, as well as provided efficiency and efficacy benefits to the end-customer. Fabricating, customizing or otherwise modifying the dispensing systems at the site-level further entrenches customer relationships versus distributors or less service-focused providers. Packaging can also be an important consideration, depending on the end-market and product application. Less important for traditional industrial & institutional applications, which may

rely on standardized dispensing systems, there is opportunity to differentiate and modulate usage of the cleaning chemicals in innovative ways in more consumer-focused end-markets. Balancing flow for effect, as well as usage is an area to closely evaluate as a growth lever.

The cleaning chemicals space has seen a fair amount of M&A activity, though is still earlier in the consolidation phase than the water treatment market (which can be seen as a highly complementary offering in certain cases). With Diversey once again back under private equity ownership (having previously been owned by Carlyle and Bain and now part of the larger Solenis platform with Platinum), the primary focus is on more middle-market sized opportunities. How interest plays out with the slightly more diversified holdings of DuBois and Zep will be a further barometer for the market.

SELECTED CLEANING CHEMICAL STRATEGICS



HIGHLIGHT: INDUSTRIAL & INSTITUTIONAL CLEANING CHEMICALS

Meyer Lab has been sold to TruArc Partners

Meyer Lab

Founded in 1978, Meyer Lab provides cleaning chemical solutions to customers who value high-touch customer service for their cleaning and disinfection needs across a wide variety of end-markets, including concrete and asphalt, industrial manufacturing, food processing, janitorial, flexographic printing and others. The company's core chemical solutions include cleaners, degreasers, disinfectants and sanitizers as well as products for broader cleaning needs. Additionally, the company provides dispensing systems, including systems developed and fabricated in-house, to offer customers a complete cleaning program. Meyer Lab utilizes the company's expansive network of sales representatives and local support depots to routinely deliver and service its customers' facilities.

The Deal

Lincoln International acted as the exclusive investment banking representative to Meyer Lab, working closely with ownership and management throughout the process. Lincoln's buyer insights and streamlined process execution delivered multiple, high-quality options to the owners on a tight timeline. Lincoln found the best home for Meyer Lab's management and employees, while achieving an optimal outcome for the Meyer family.

Our Perspective

Chris Petrossian and James Dailey, co-deal leads, commented, "The Meyer family built a truly impressive and differentiated business over the past three plus decades, delivering cleaning chemical solutions to hundreds of customers across the U.S. and Canada. It was an honor to work with them and the talented, deep management team they have built to ensure we found the best partner for the business and the right outcome for their family. TruArc is a tremendous, proven organization who, with this team, will help take Meyer Lab to new heights.



has been sold to



Sell-Side



Market Intelligence

Despite sticky interest rates and geopolitical tensions heating up in multiple arenas, last year's rally showed no sign of slowing through Q1 2024. The S&P 500 registered the biggest gains, up 10.6% in Q1, marking a nearly 30% rise over the last 12 months. The Nasdaq and Dow Jones rose 9.1% and 5.6%, respectively, as all three indices reached new highs in the quarter. The biggest outperformers were technology stocks, particularly those anticipated to gain from the artificial intelligence (AI) surge, with value stocks also participating in the upswing. The chemical industry was directly impacted by the disruption in the Red Sea in Q1; though U.S. PE exporters were able to increase share to Europe and North Africa. Gross domestic product (GDP) is estimated to have expanded 2.9% during the first quarter of 2024 and is forecasted to grow 2.3% in 2024. At the beginning of 2023, central bankers aimed for a soft landing, hoping to control inflation without bringing the economy to a halt. Over a year later, stocks are at record highs, the unemployment rate remains at historical lows and the labor force is expanding. With various potential disruptors on the horizon, the market continues to push higher.

The chemicals and materials sector is participating in the market upswing, with Lincoln's Chemical Index ending Q1 up 16.3% year-over-year. After a 2.4% rebound in February, chemical production faced a 0.6% decline in March. Output surged for organic chemicals, synthetic rubbers and manufactured fibers, but growth was offset by reduced production in plastic resins, coatings, specialty chemicals, fertilizers and crop protection chemicals. In March, chemical producer prices dipped 0.2% after a rise in February due to decreases in prices for petrochemicals, organic chemicals, plastic resins and coatings. Overall, chemical producer prices are 5.8% lower than they were a year ago. A shift toward chemicals restocking is expected through the remainder of 2024, though demand weakness and overcapacity in certain products is likely to persist. The American Chemistry Council expects that capital spending for the U.S. chemical industry will remain mostly unchanged in 2024, before ramping to an annual growth rate of 3%–4% in 2025 and 2026. For now, modest growth in chemical demand is expected in 2024, but the direction and momentum of the overall economy will have a large impact on the sector's performance.

Domestic outlook for the chemicals and materials sector is cautiously optimistic for the remainder of 2024 and beyond. The Infrastructure Investment and Jobs Act (IIJA), CHIPS & Science Act and the Inflation Reduction Act infused over \$530 billion into U.S. domestic manufacturing, for which the chemicals and materials sector is a key component. Additionally, the expansion of the credit for carbon sequestration to \$85 per metric ton will help drive a further increase in U.S. Gulf Coast carbon capture investment. Moreover, re-shoring and near-shoring, driven largely by a tense geopolitical landscape, and carbon-reduction trends, typified by localization of supply chains, show little sign of slowing. Innovation within the chemicals and materials sector is critical to support and advance these trends.

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Sources: American Chemistry Council, Deloitte, Federal Reserve Bank of Atlanta, Reuters

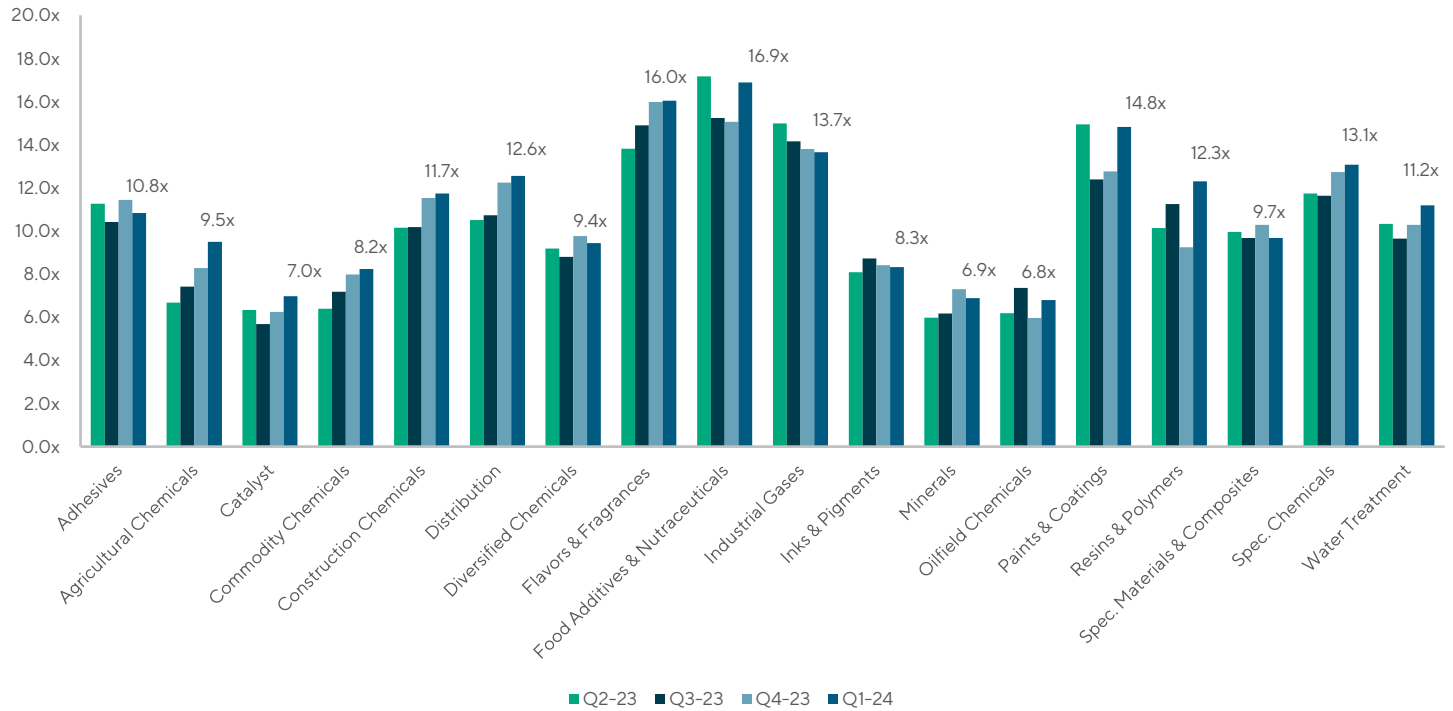
PUBLIC COMPANY VALUATION STATISTICS AS OF 3/31/2024

Sector	Number of Companies	Quarterly Stock Performance	% of 52 Week High	EV / LTM		P / E Multiple	Net Debt / LTM EBITDA	Q1 2024 LTM Growth		Q1 2024 LTM Margin	
				Revenue	EBITDA			Revenue	EBITDA	Gross	EBITDA
Adhesives	4	1.3%	95.5%	1.95x	10.8x	29.6x	1.8x	4.1%	7.0%	36.7%	17.6%
Agricultural Chemicals	14	(1.8%)	78.5%	1.91x	9.5x	13.4x	1.6x	5.3%	10.2%	23.6%	15.8%
Catalyst	3	(8.6%)	68.5%	0.87x	7.0x	13.6x	2.3x	10.0%	23.1%	9.2%	6.1%
Commodity Chemicals	13	3.7%	91.5%	1.33x	8.2x	15.5x	2.2x	3.6%	16.0%	21.4%	14.8%
Construction Chemicals	11	11.5%	97.1%	2.30x	11.7x	18.8x	1.8x	4.4%	6.4%	31.9%	17.7%
Distribution	5	(0.4%)	92.6%	1.48x	12.6x	21.4x	2.5x	5.3%	6.3%	21.5%	10.1%
Diversified Chemicals	16	1.0%	79.4%	1.28x	9.4x	19.6x	1.2x	5.5%	22.2%	22.4%	12.8%
Flavors & Fragrances	9	3.1%	87.3%	2.88x	16.0x	23.5x	0.2x	4.3%	8.2%	40.2%	16.7%
Food Additives & Nutraceuticals	3	9.8%	77.7%	4.39x	16.9x	⁽¹⁾	1.7x	6.2%	10.2%	42.4%	25.1%
Industrial Gases	6	3.4%	88.6%	3.96x	13.7x	24.0x	1.9x	9.0%	10.2%	39.1%	25.6%
Inks & Pigments	5	3.0%	92.4%	0.64x	8.3x	14.2x	1.4x	4.9%	16.1%	18.6%	7.5%
Minerals	8	(12.8%)	62.8%	1.60x	6.9x	11.5x	4.1x	13.5%	23.0%	25.3%	24.6%
Oilfield Chemicals	4	15.7%	87.5%	1.18x	6.8x	17.7x	1.2x	7.3%	15.1%	25.3%	13.5%
Paints & Coatings	8	(2.2%)	90.0%	2.70x	14.8x	23.0x	1.5x	5.1%	6.3%	37.7%	15.4%
Resins & Polymers	9	(8.8%)	77.3%	1.07x	12.3x	16.4x	5.2x	6.8%	31.2%	15.9%	9.2%
Spec. Materials & Composites	8	(2.3%)	86.6%	1.56x	9.7x	21.9x	2.5x	6.4%	13.6%	24.0%	13.6%
Spec. Chemicals	10	(0.1%)	82.9%	2.35x	13.1x	23.8x	2.2x	7.4%	13.0%	30.3%	16.6%
Water Treatment	4	6.9%	97.7%	2.18x	11.2x	23.0x	1.9x	3.3%	4.9%	26.6%	16.9%
Mean		0.9%	84.2%	1.88x	10.8x	19.0x	2.0x	6.1%	14.1%	26.6%	15.4%

(1)P/E multiple excluded due to high degree of recent volatility

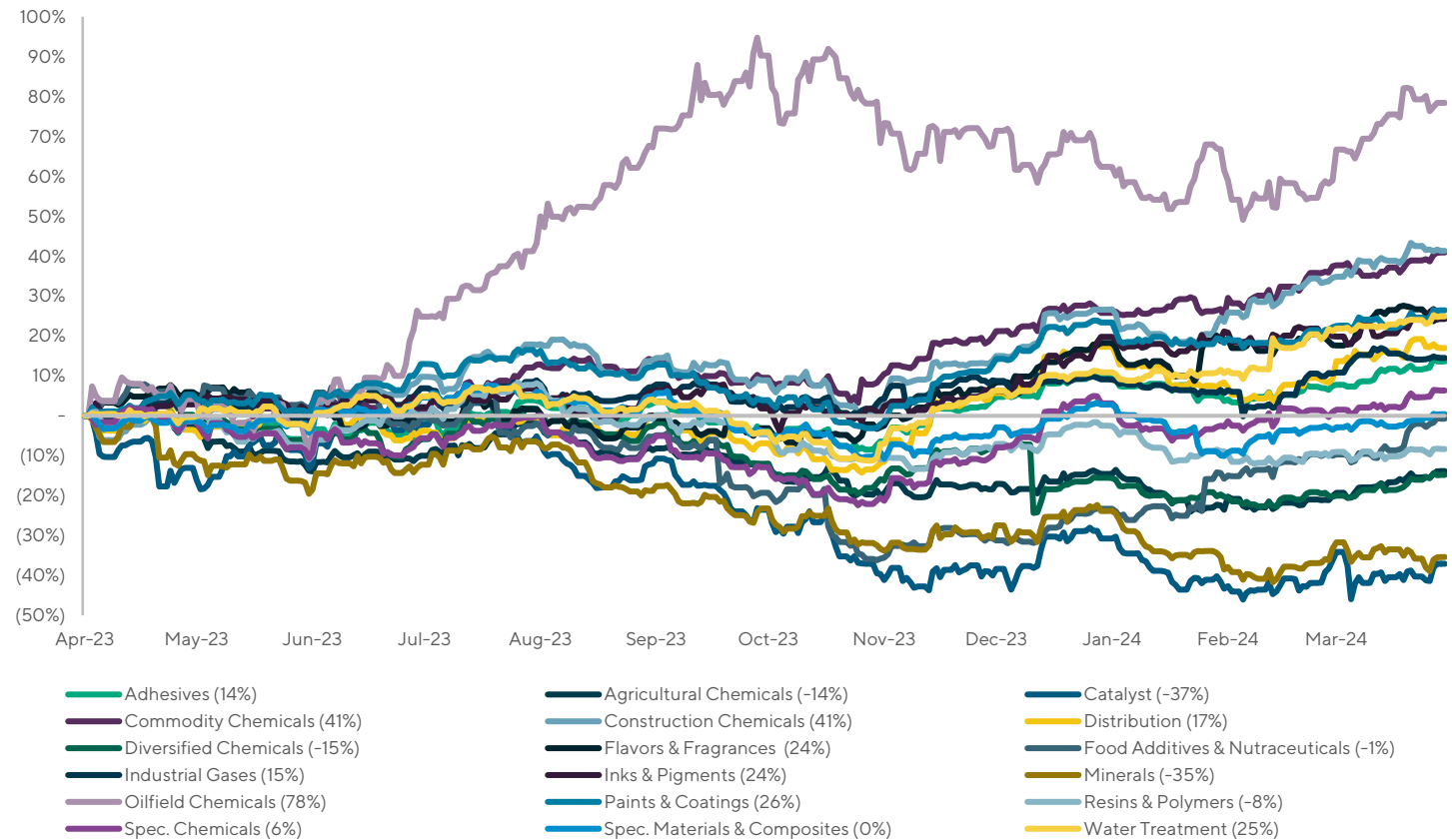
Chemicals & Materials Market Update

ENTERPRISE VALUE / LTM EBITDA



Note: The above multiples are based on the mean for the past four quarters for each corresponding sub-sector

1-YEAR STOCK PERFORMANCE BY CHEMICALS SUB-SECTOR



Note: Calculated based on an average of publicly traded companies in the sector

SELECT Q1 2024 M&A TRANSACTIONS

(USD in millions)

Closing Date/ Status	Target	Acquiring Company	Target Location	Acquirer Location	Enterprise Value	EV / LTM		EBITDA Margin
						Revenue	EBITDA	
Announced	Mom Holding Company	KCC	US	South Korea	\$1,512	-	-	-
Announced	Ercros	Bondalti Ibérica	Spain	Spain	458	0.58x	13.7x	4.2%
Announced	Cyanco	Orica	US	Australia	640	-	7.5x	-
Announced	Resco Products	RHI Magnesita	US	Austria	280	1.11x	-	-
Announced	Baron Rubber	Trelleborg Sealing Solutions	Australia	Germany	400	4.21x	-	-
Announced	MDK	Azelis	Indonesia	Belgium	-	-	-	-
Announced	Bretano	IMCD	Costa Rica	Netherlands	-	-	-	-
Announced	Select Operations in Africa of Air Liquide	Adenia	Ghana	Mauritius	-	-	-	-
Announced	Superabsorbents Business of Evonik	ICIG	Germany	Luxembourg	-	-	-	-
Announced	Durante Adesivi	Soudal Holding	Italy	Belgium	-	-	-	-
Announced	Roche's Genentech Manufacturing Facility	Lonza	US	Switzerland	1,200	-	-	-
Announced	PLX	Luxium Solutions	US	US	-	-	-	-
Announced	Pharma Solutions Business of IFF	Roquette	US	France	2,850	2.85x	13.0x	21.9%
Announced	Seal for Life	Henkel	US	Germany	-	-	-	-
Announced	Emulsifiers Business of Corbion	Kingswood Capital	Netherlands	US	362	-	-	-
Announced	Alcolina	Italmatch Chemicals	Brazil	Italy	-	-	-	-
Announced	Weilburger Coatings	Kansai Paint	Hong Kong	Japan	26	0.16x	-	-
Announced	Mangalore Chemicals & Fertilizers	Paradeep Phosphates	India	India	200	0.40x	3.4x	11.8%
Announced	Corteva Mancozeb Business	UPL	US	India	-	-	-	-
Announced	Brown Wood Preserving Company	Koppers Utility and Industrial Products	US	US	100	-	-	-
Announced	Carpoly Chemical	Beijing New Building Materials	China	China	686	-	-	-
Mar-24	Clarys & Willich	Turpaz Industries	Belgium	Israel	50	1.36x	7.5x	18.2%
Mar-24	Gova Ingredients	IMCD	Netherlands	Netherlands	-	-	-	-

Source: Capital IQ, Mergermarket, Pitchbook and company data

SELECT Q1 2024 M&A TRANSACTIONS (CONT.)

(USD in millions)

Closing Date/ Status	Target	Acquiring Company	Target Location	Acquirer Location	Enterprise Value	EV / LTM		EBITDA Margin
						Revenue	EBITDA	
Mar-24	Ipackchem	Greif	France	US	\$538	2.29x	9.4x	24.3%
Mar-24	Sandaya Fine Chemicals	Nantong Jiangtian Chemical	China	China	-	-	-	-
Mar-24	Western Chemical	Imperative Chemicals Partners	US	US	-	-	-	-
Mar-24	HEPACO	Clean Harbors	US	US	400	1.48x	11.1x	13.3%
Mar-24	California Custom Fruits & Flavors	Peak Rock Capital	US	US	-	-	-	-
Mar-24	Silberline Manufacturing	ECKART	US	Germany	-	-	-	-
Mar-24	DSM Firmenich Vitamin-C Plant	Jingjiang Cosfocus	China	China	-	-	-	-
Mar-24	FermaVi Electroquimica	AgroCP	Brazil	Brazil	-	-	-	-
Mar-24	Meyer Laboratory	TruArc	US	US	-	-	-	-
Mar-24	Martex Fiber	Leigh Fibers	US	US	-	-	-	-
Mar-24	Aztech Lubricants	Kodiak	US	US	-	-	-	-
Mar-24	Vasant Chemicals	ICIG	India	Luxembourg	-	-	-	-
Mar-24	Pipeline and Industrial Materials Business of Entegris	SCF Partners	US	US	285	-	-	-
Mar-24	Valley Solvent	Univar Solutions	US	US	-	-	-	-
Feb-24	SK Pucore	Glenwood Private Equity	South Korea	South Korea	299	0.56x	-	-
Feb-24	CGC Lubricants	Saneg	Italy	Uzbekistan	-	-	-	-
Feb-24	Purmix, Projitherm	Plixent	France	Germany	-	-	-	-
Feb-24	Bitumat	Mapei	Saudi Arabia	Italy	-	-	-	-
Feb-24	Oil & Gas Business of Kemira	Sterling Specialty Chemicals	Finland	US	281	0.70x	-	-
Feb-24	International Cellulose Corporation	Saint-Gobain	US	France	-	-	-	-
Feb-24	Diaplas	Mapei	Canada	Italy	-	-	-	-
Jan-24	Aquapharm Chemical	PCBL	India	India	456	1.86x	9.1x	20.4%
Jan-24	Polycorp	Arsenal Capital Partners	Canada	US	-	-	-	-

Source: Capital IQ, Mergermarket, Pitchbook and company data

SELECT Q1 2024 M&A TRANSACTIONS (CONT.)

(USD in millions)

Closing Date/ Status	Target	Acquiring Company	Target Location	Acquirer Location	Enterprise Value	EV / LTM		EBITDA Margin
						Revenue	EBITDA	
Jan-24	Chr. Hansen	Novozymes	Denmark	Denmark	\$12,479	9.41x	28.1x	33.5%
Jan-24	Flavor Systems Manufacturing Assets of Sterling Food Flavorings	Brookside Flavors & Ingredients	US	US	-	-	-	-
Jan-24	Super Lube and Synco Brands of Synco Chemical Corporation	Kano Laboratories	US	US	-	-	-	-
Jan-24	EnviroTech Services	Monomoy Capital	US	US	-	-	-	-
Jan-24	Specialties Srl	Krahn Chemie	Italy	Germany	-	-	-	-
Jan-24	American Pacific Corporation	NewMarket	US	US	700	-	-	-
Jan-24	Valloura Agroinovação	Grupo Botuverá	Brazil	Brazil	-	-	-	-
Jan-24	Valuetree Ingredients	IMCD	India	Netherlands	-	-	-	-
Jan-24	All-Star Chemical Company	Enthone	US	US	-	-	-	-
Jan-24	Allkem	Livent	Australia	US	6,138	5.27x	7.1x	73.7%
Jan-24	Coagulant Manufacturing Business of Brenntag Southwest	USALCO	US	US	-	-	-	-
Jan-24	Libert Paints	Aalterpaint	Belgium	Belgium	-	-	-	-

Source: Capital IQ, Mergermarket, Pitchbook and company data

About Lincoln International

We are trusted investment banking advisors to business owners and senior executives of leading private equity firms and their portfolio companies and to public and privately held companies around the world. Our services include mergers and acquisitions advisory, private funds and capital markets advisory, and valuations and fairness opinions. As one tightly integrated team of more than 950 employees in more than 20 offices in 15 countries, we offer an unobstructed perspective on the global private capital markets, backed by superb execution and a deep commitment to client success. With extensive industry knowledge and relationships, timely market intelligence and strategic insights, we forge deep, productive client relationships that endure for decades. Connect with us to learn more at www.lincolninternational.com.

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