

Mergers and Acquisitions in the Chemical Industry

Presented to:

Pharma
ChemOutsourcing
Conference & Exhibition

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M&A Market Activity

12 Mos Ended June 2009 vs 2008

All Transactions

- Worldwide volume ▼ 34%
- U.S. transactions down ▼ 29%
- E.U. transactions down ▼ 38%

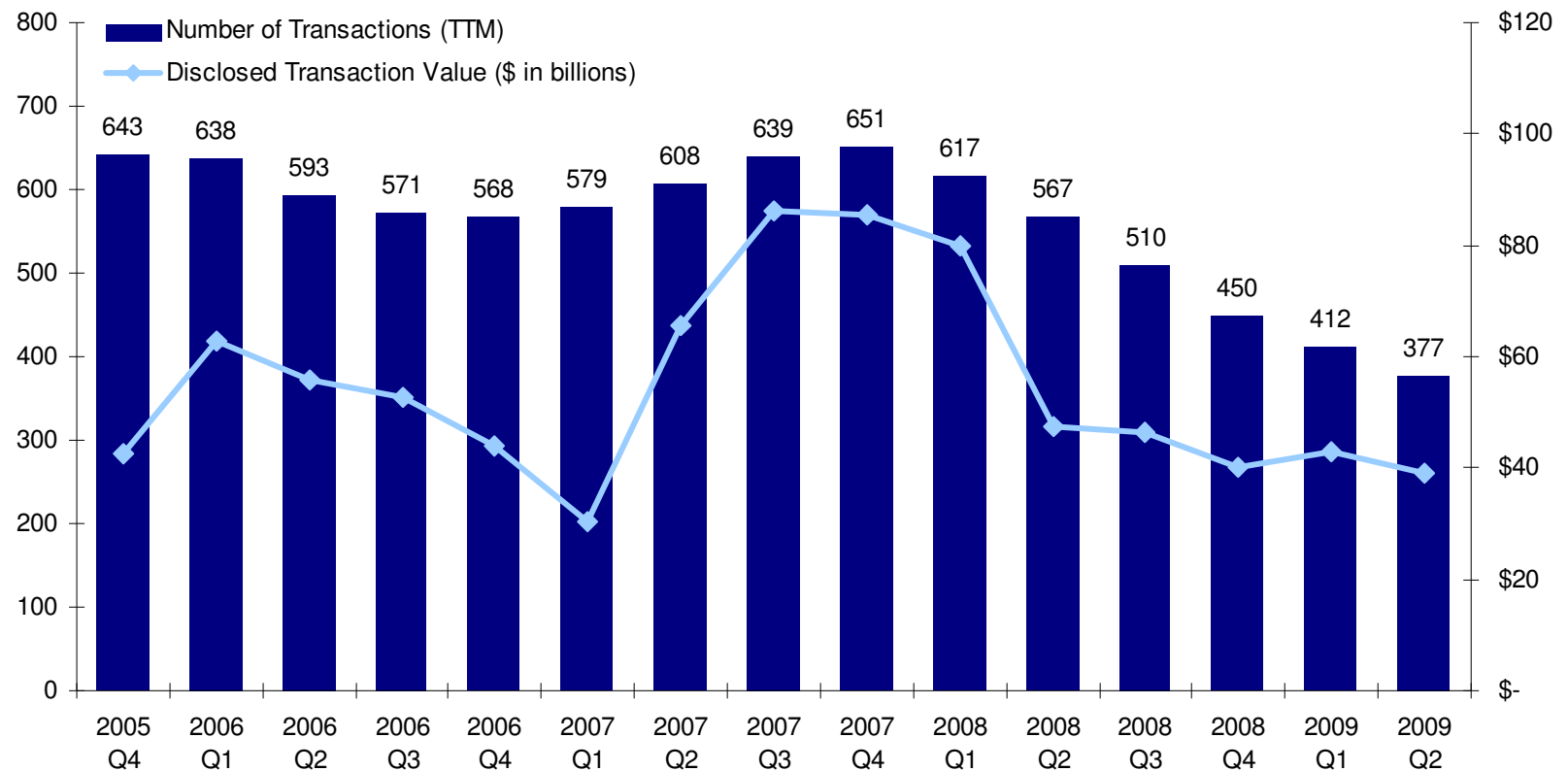
Chemical Transactions

- Worldwide volume ▼ 34%
- U.S. transactions ▼ 21%
- E.U. transactions ▼ 33%





Worldwide Chemicals M&A Rolling TTM



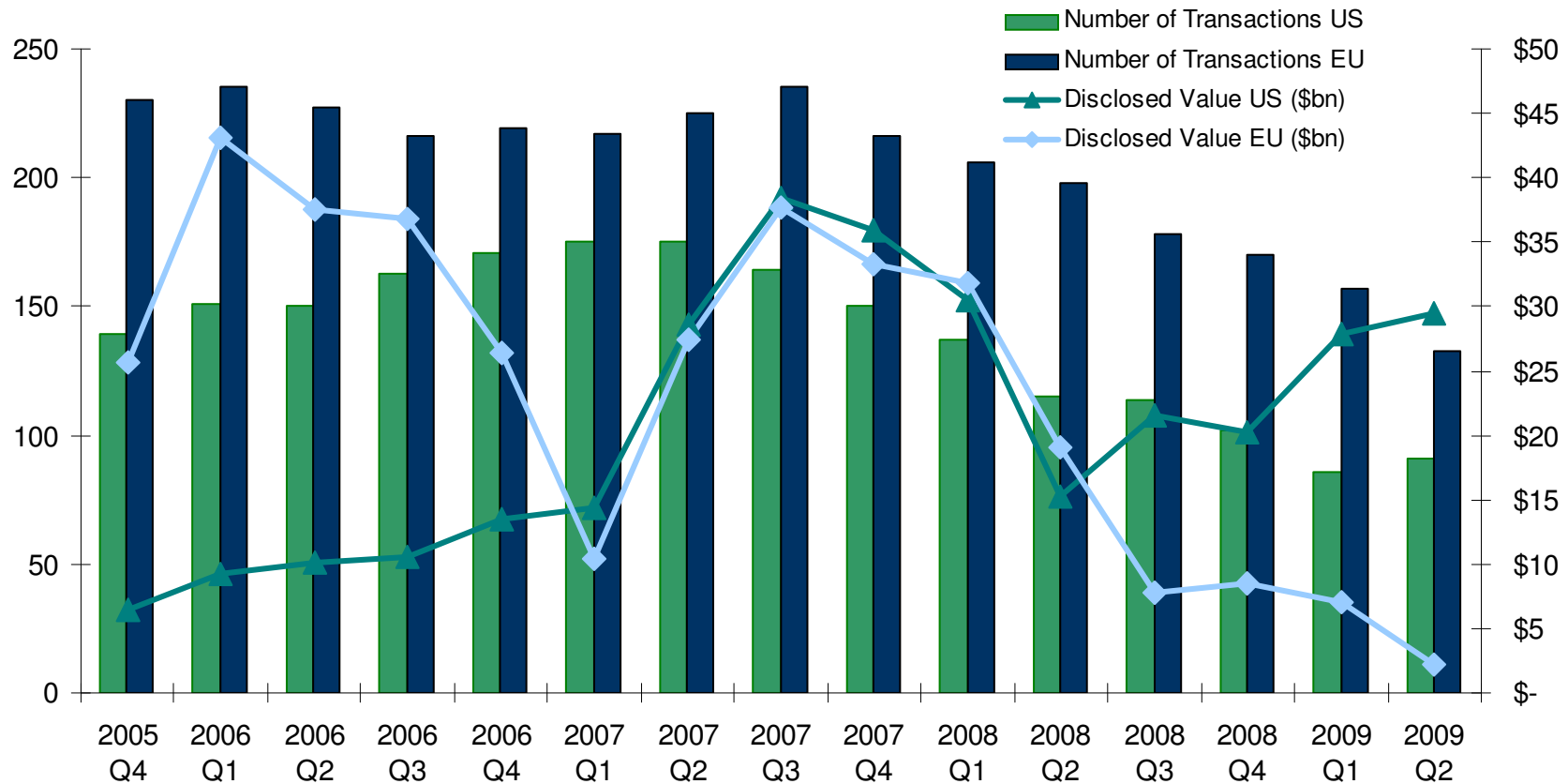
Source: FactSet Mergerstat, LLC

Note: Transaction value is the aggregate of the available announced deal sizes as determined by base equity price



Chemicals M&A

U.S. and E.U. Targets (Rolling TTM)



Source: FactSet Mergerstat, LLC

Note: Transaction value is the aggregate of the available announced deal sizes as determined by base equity price



Recent Chemicals Deals

Pharma Chem

- ▶ Lonza → Patheon (\$700mm) (Announced)
- ▶ Dainippon Sumitomo Pharma → Sepracor (\$2.6bn) (Annc'd)
- ▶ Solvay Pharma and Isochem (Seeking Buyers)

Chemicals

- ▶ Huntsman → Tronox (\$415mm) (Announced)
- ▶ Total → Dow/ Total Raffinaderij (\$800mm) (Completed)
- ▶ Lanxess → Gwalior (€82.4mm) (Completed)
- ▶ Sekisui → Celanese PVOH (\$173mm) (Completed)



M&A Market Slowdown Key Causes

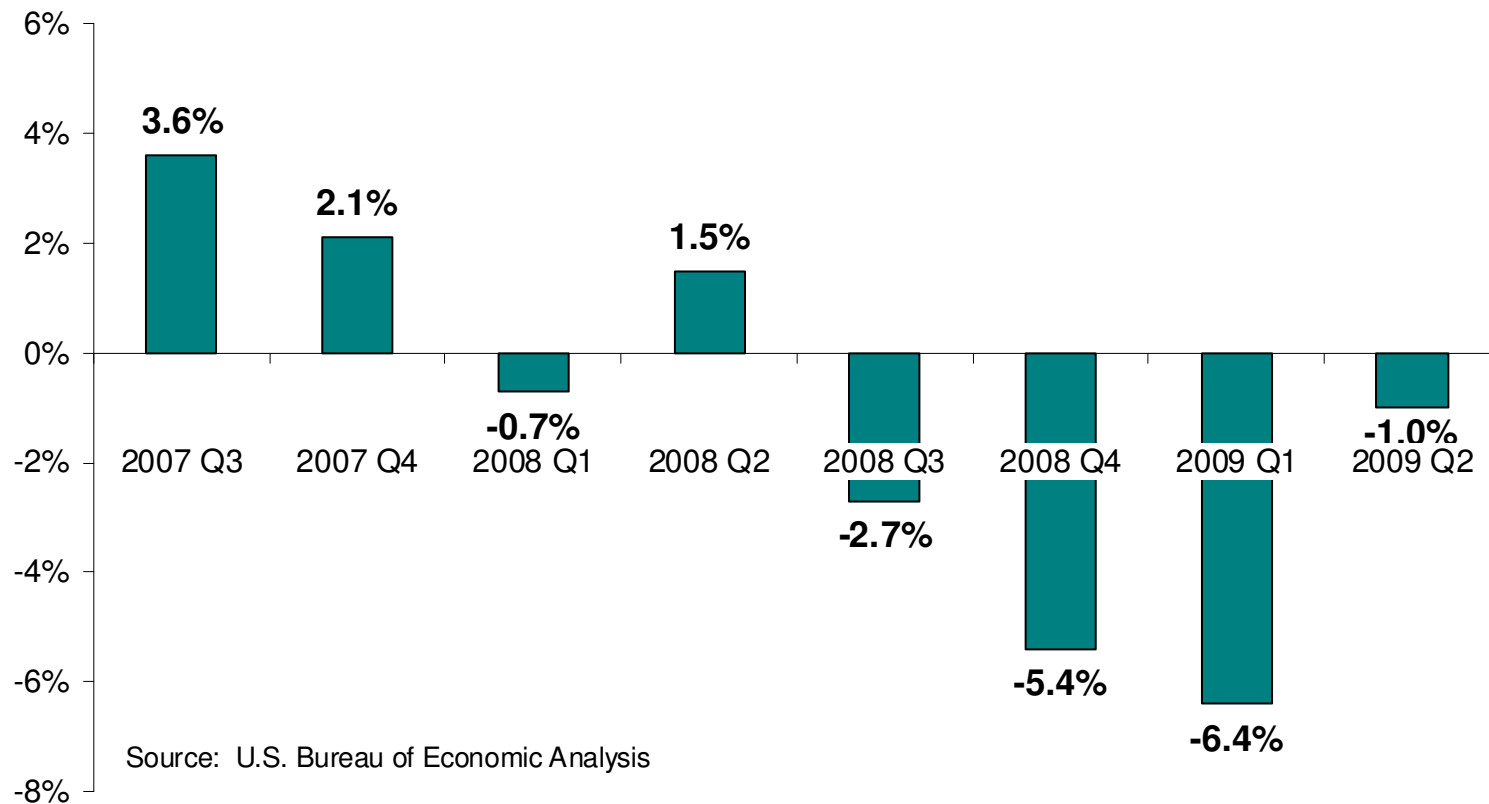
- ▶ Economic Contraction/
Recession
- ▶ Continued Tightness in
the Financing Markets





Severe Economic Contraction

U.S. GDP Growth Seasonally Adjusted Annual Rate





Psychological Impact of Contraction





Practical Implications of Recession for M&A

1. Survival becomes Priority #1
 - ▶ Coping with (or avoiding) financial distress
2. Uncertainty complicates due diligence
 - ▶ No confidence in forecasts
 - ▶ Rapidly changing (deteriorating) competitive dynamics



Typical Sellers, H1-2009

- ▶ Bankruptcy sales
- ▶ Distressed sales and divestments, to raise cash
- ▶ Struggling businesses
- ▶ “Empty plant sales”
- ▶ Other desperate scenarios

...at the same time, buyers have become more selective about acquisitions



The Expectations Gap...

What buyers want...



CCCCC

...What they've been seeing

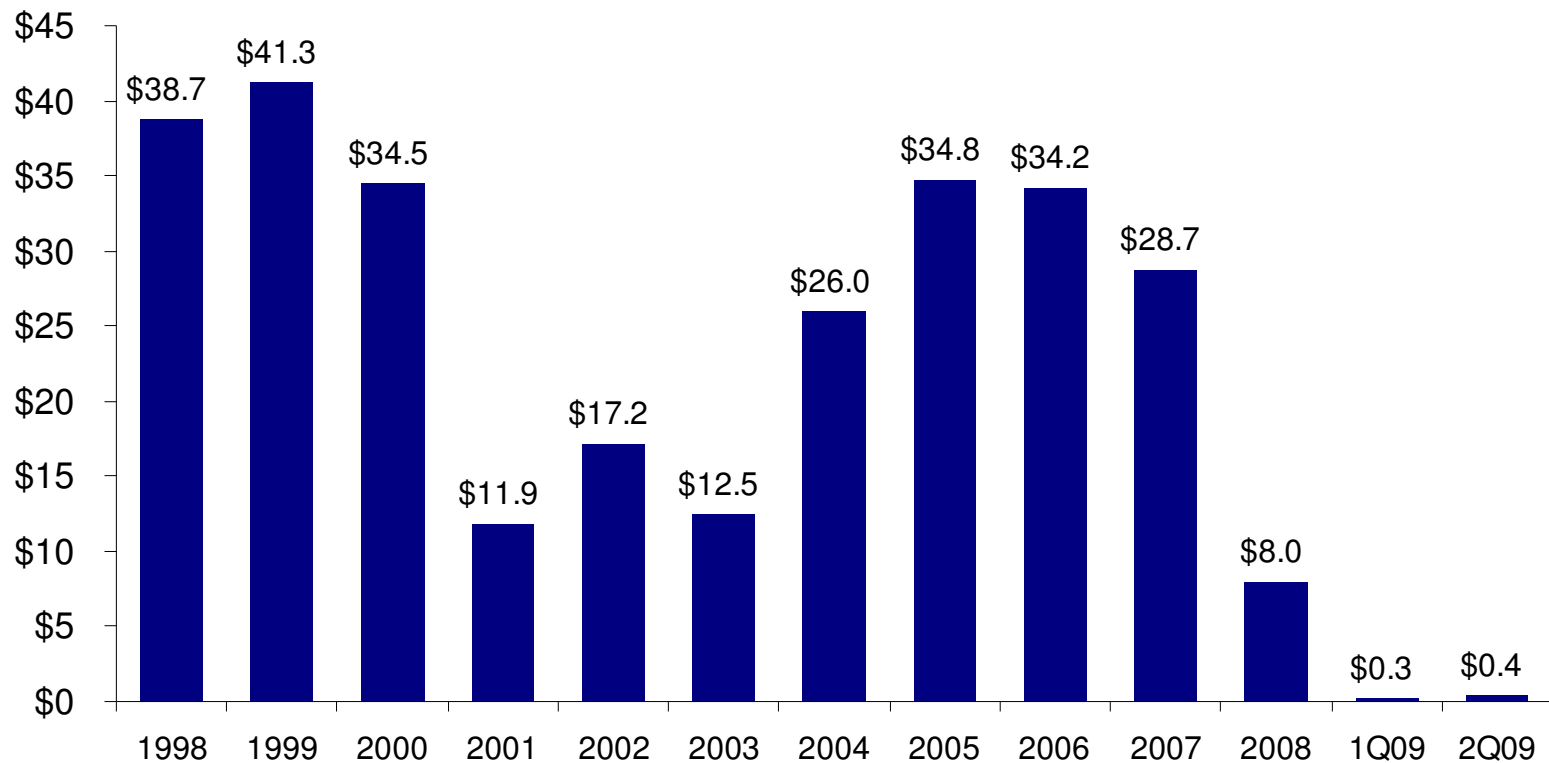


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Leverage Markets Remain Tight

**Total Middle Market U.S. Loan Volume (\$ in billions)
Issuers with EBITDA of less than \$50 million**

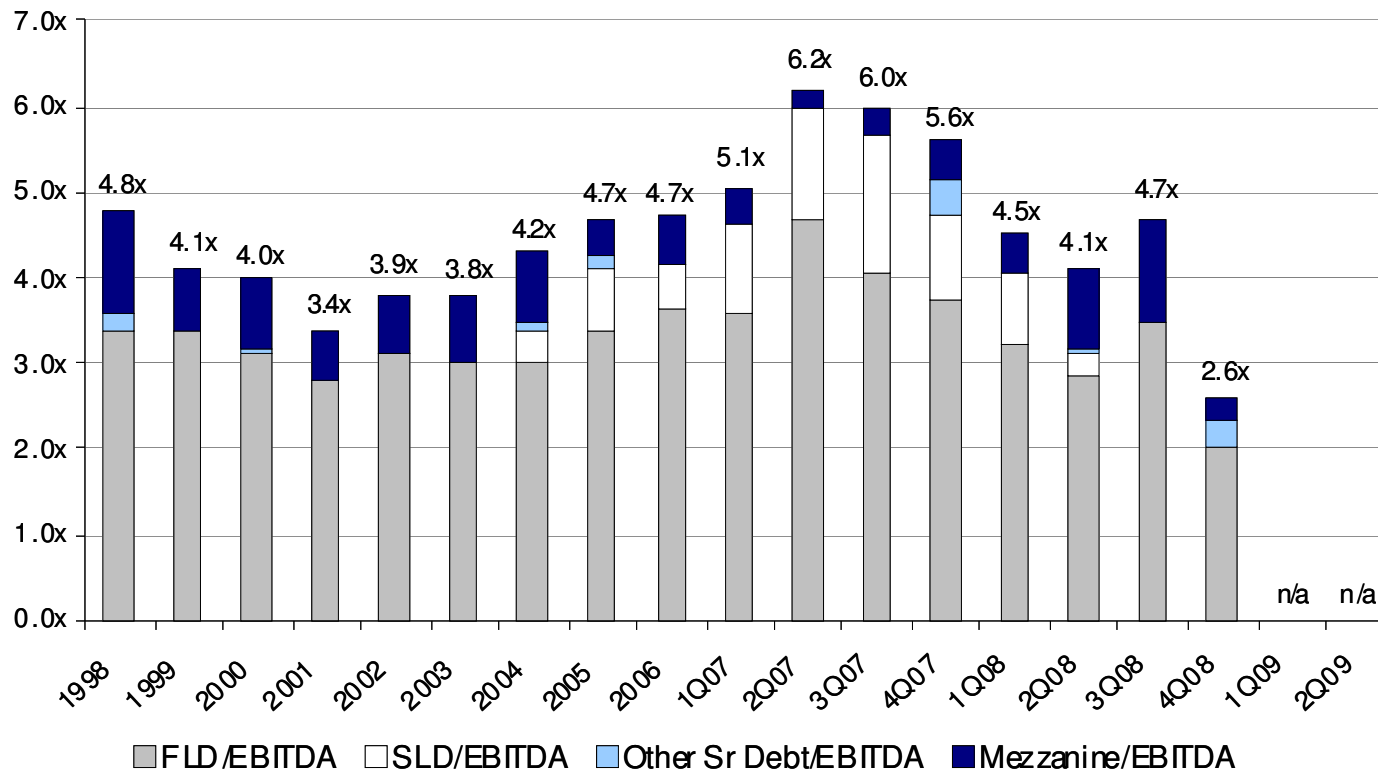


Source: Standard & Poor's Leveraged Commentary and Data



Leverage Multiples Decline

Average Total Debt Multiples of Middle Market LBOs



Source: Standard & Poor's Leveraged Commentary and Data

Note: Data on Average Total Debt Multiples is not available for 1Q09 and 2Q09 due to lack of market activity



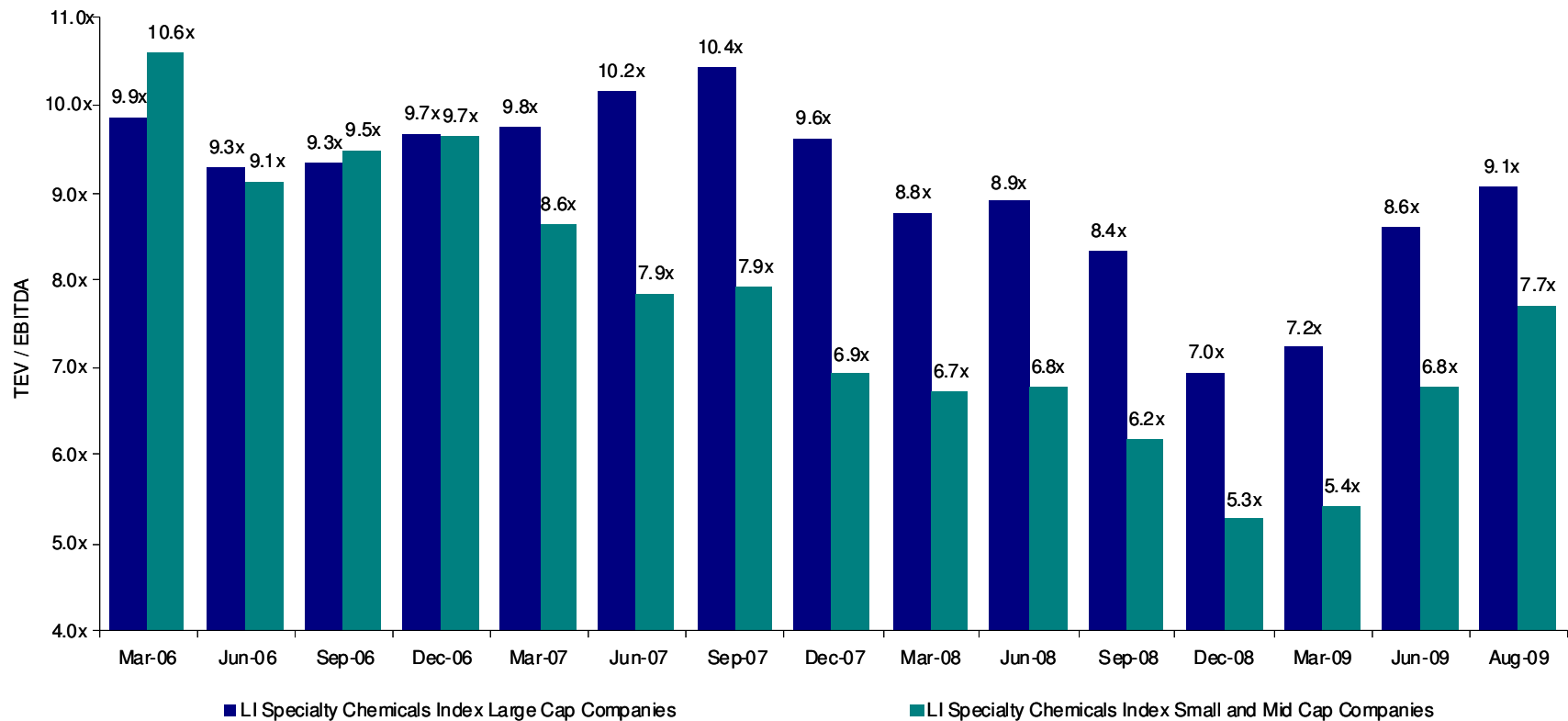
Equity Markets Recover from Recent Lows





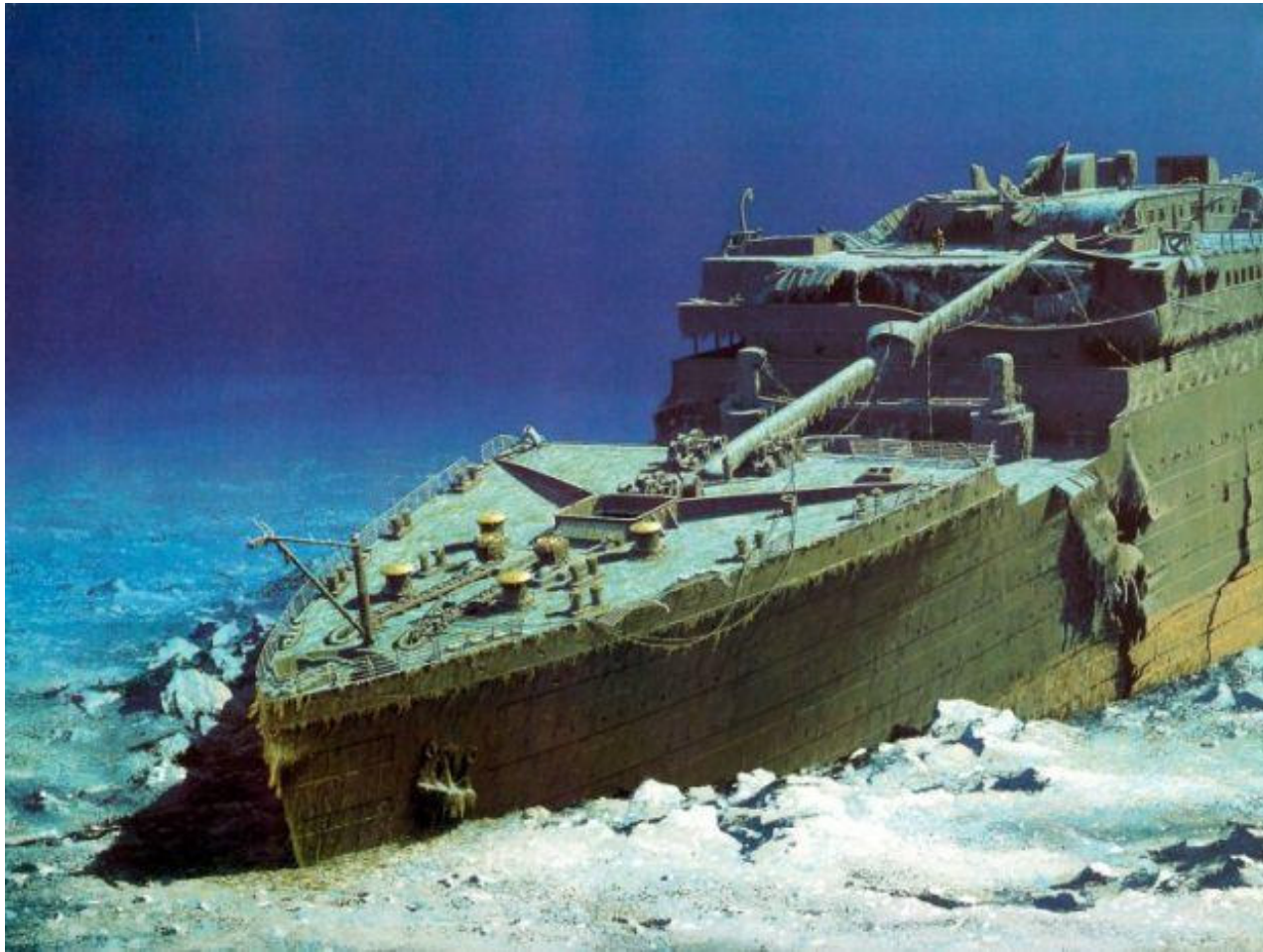
Equity Market Valuations

Chemicals EBITDA Multiples Recover





Good News! We Have Reached the Bottom





Signs of Hope

- ▶ August 31: Best day for M&A in 3 mos
 - Walt Disney → Marvel Entertainment (\$4bn)
 - Baker Hughes → BJ Services (\$5.5bn)
- ▶ Increasing “M&A Chatter” in the market
- ▶ High yield debt market coming back
- ▶ Signs point to better liquidity in the cash flow debt market



Conclusion

- ▶ 2009 has been a very challenging year
- ▶ M&A activity remains depressed but is showing initial signs of life
- ▶ Credit market remains depressed but is showing initial signs of life
- ▶ Full recovery is still far off, but some near term improvement is likely