



## INDUSTRIALS: CHEMICALS AND COATINGS

- In 2019, the M&A market in North America continued for the third year a decline in number of transactions (15,663 in 2019 from 17,649 in 2018) according to the IMAA Institute. The number of transactions in the Chemicals and Coatings sub sector followed similarly, declining from 976 to 793.
- While M&A activity may be down YOY, it remains very strong on a historical basis. M&A activity in the middle market, especially, remains robust as well capitalized buyers (both financial buyers and larger strategics) search for new offerings, broaden capabilities and/or enter new markets in a desire to drive top-line growth.
- Our expectation is that valuations for private companies in the middle market will remain at current levels as the demand continues to outmatch supply. Obviously, given the global nature of the Chemicals and Coatings landscape, macroeconomic shifts may cause a cool down in activity, but we do not anticipate degradation in valuations.
- We are keeping our eyes on the recent run-up in the price of precious metals (gold, palladium, etc) and how that dynamic may impact other downstream activities and commodities.

## RECENT SELECT TRANSACTIONS

Target	Date	Buyers / Investors	Region	Strategic / Financial
Wilshire Technologies Inc.	Jan 14	Evonik Industries AG	US	Strategic
Borchers Americas Inc.	Jan 12	Milliken & Company, Inc.	US	Strategic
Highland International, Inc.	Jan 8	Seal for Life Industries, LLC	US	Strategic
HarperLove, Inc.	Jan 2	HBM Holdings Company	US	Strategic
Ellison Surface Technologies, Inc	Dec 24	Bodycote plc	US	Strategic
Polymer Additives Division of Polymer Solutions Group	Nov 26	The Jordan Company, L.P.	US	Financial
Tritec Seal LLC	Nov 25	Trelleborg AB	US	Strategic
Innophos Holdings, Inc.	Oct 21	One Rock Capital Partners	US	Financial Backed Strategic
Spartech LLC	Oct 18	Nautic Partners, LLC	US	Financial
Functional Polyolefins Business of Arkema France SA	Oct 14	SK Global Chemical Co., Ltd.	Europe	Strategic
Cambrian Solutions Inc.	Sep 23	Maroon Group, LLC	Canada	Financial Backed Strategic
IdeaPaint, Inc.	Sep 16	Innovative Chemical Products Group	US	Financial Backed Strategic
Callery Corporation	Sep 24	Ascensus Specialties LLC	US	Financial Backed Strategic
Geo Specialty Chemicals, Inc.	Sep 3	CPS Performance Materials Corp.	US	Financial Backed Strategic
DuBois Chemicals, Inc.	Aug 28	Altas Partners LP	US	Financial
Epoxies, Etc.	Aug 22	Meridian Adhesives Group LLC	US	Financial Backed Strategic
Performance Products & Solutions Business of PolyOne	Aug 19	SK Capital Partners	US	Financial
Seal for Life Industries, LLC	Jul 23	Arsenal Capital Partners	US	Financial
Boulder Scientific Company, Inc.	Jul 23	Quad-C Management	US	Financial
CA Specialities Ltd	Jul 11	Charkit Chemical Company LLC	US	Financial Backed Strategic

For more information and insight please contact members of the EdgePoint Industrials team:

**Matt Keefe**

Managing Director  
Industrials

**Contact:**

216-342-5863  
mkeefe@edgepoint.com

**John Herubin**

Managing Director  
Business Development

**Contact:**

216-342-5865  
jherubin@edgepoint.com

**M&A**  
Advisory

RESULTS *with*  
INTEGRITY™

EdgePoint Public Comparable Index Constituents

Diversified Chemicals Index

Company Name	Enterprise Value (EV)	LTM Margins		EBITDA		EV/EBITDA		Revenue	Revenue Growth		Stock Price	% of 52 Wk High
		Gross	EBITDA	LTM	2020E	LTM	2020E	LTM	LTM	3-Yr. CAGR		
Albemarle Corporation	\$10,525	35.5%	27.1%	\$955	\$1,032	9.7x	10.2x	\$3,519	6.3%	9.2%	\$81.18	87.2%
Ashland Global Holdings Inc.	5,970	32.7%	20.4%	509	560	11.7x	11.5x	2,493	-3.7%	-6.2%	75.30	92.7%
BASF SE	77,189	27.4%	11.0%	6,856	8,256	10.9x	9.3x	62,152	-0.3%	3.2%	63.69	85.4%
Celanese Corporation	17,751	26.1%	20.8%	1,361	1,836	11.5x	9.7x	6,554	-7.2%	6.6%	114.51	88.9%
Clariant AG	9,259	29.3%	12.1%	799	687	10.1x	13.5x	6,628	21.2%	4.3%	22.22	98.1%
Eastman Chemical Company	16,226	23.4%	20.1%	1,899	1,997	8.5x	8.1x	9,444	-6.8%	1.4%	73.17	84.9%
<b>Mean</b>		<b>31.3%</b>	<b>19.8%</b>	<b>1,962</b>	<b>2,226</b>	<b>10.6x</b>	<b>10.8x</b>	<b>13,678</b>	<b>1.6%</b>	<b>5.7%</b>	<b>75.1</b>	<b>90.1%</b>

Chemical Distributors Index

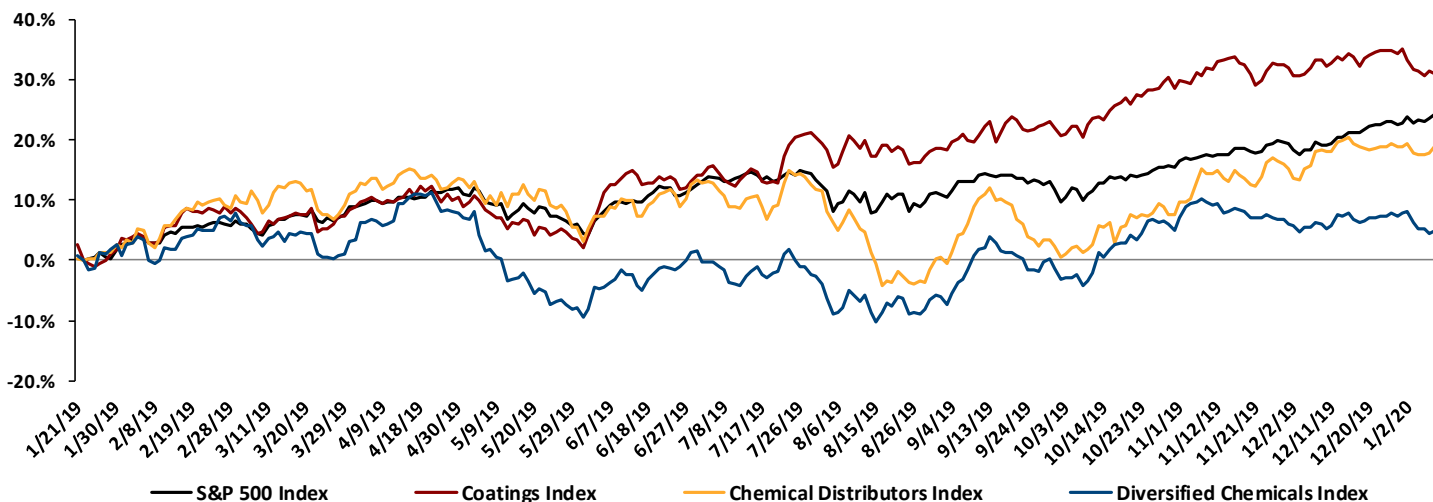
Company Name	Enterprise Value (EV)	LTM Margins		EBITDA		EV/EBITDA		Revenue	Revenue Growth		Stock Price	% of 52 Week High
		Gross	EBITDA	LTM	2020E	LTM	2020E	LTM	LTM	3-Yr. CAGR		
Brenntag AG	\$9,754	21.3%	6.8%	\$877	\$1,009	11.1x	9.7x	\$12,829	4.4%	7.5%	\$48.73	96.4%
IMCD N.V.	4,822	22.6%	8.5%	224	239	21.5x	20.2x	2,636	23.7%	15.9%	78.90	95.3%
Univar Solutions Inc.	6,795	22.8%	7.0%	633	710	10.7x	9.6x	9,103	5.6%	3.4%	22.15	89.4%
<b>Mean</b>		<b>22.2%</b>	<b>7.4%</b>	<b>578</b>	<b>653</b>	<b>14.5x</b>	<b>13.1x</b>	<b>8,189</b>	<b>11.2%</b>	<b>8.9%</b>	<b>49.93</b>	<b>93.7%</b>

Coatings Index

Company Name	Enterprise Value (EV)	LTM Margins		EBITDA		EV/EBITDA		Revenue	Revenue Growth		Stock Price	% of 52 Week High
		Gross	EBITDA	LTM	2020E	LTM	2020E	LTM	LTM	3-Yr. CAGR		
Akzo Nobel N.V.	\$18,687	42.3%	10.7%	\$996	\$1,303	18.4x	14.3x	\$9,342	1.2%	-13.2%	\$88.04	95.6%
PPG Industries, Inc.	34,637	42.9%	16.1%	2,440	2,693	14.2x	12.9x	15,146	-1.5%	2.0%	125.81	93.6%
RPM International Inc.	12,089	41.6%	12.7%	712	902	17.0x	13.4x	5,616	2.4%	5.0%	73.03	94.3%
The Sherwin-Williams Company	64,896	43.8%	15.3%	2,729	3,083	23.8x	21.0x	17,851	2.3%	15.2%	594.84	99.1%
<b>Mean</b>		<b>42.4%</b>	<b>13.7%</b>	<b>1,464</b>	<b>1,993</b>	<b>18.3x</b>	<b>15.4x</b>	<b>11,766</b>	<b>0.6%</b>	<b>2.3%</b>	<b>\$125.96</b>	<b>95.7%</b>

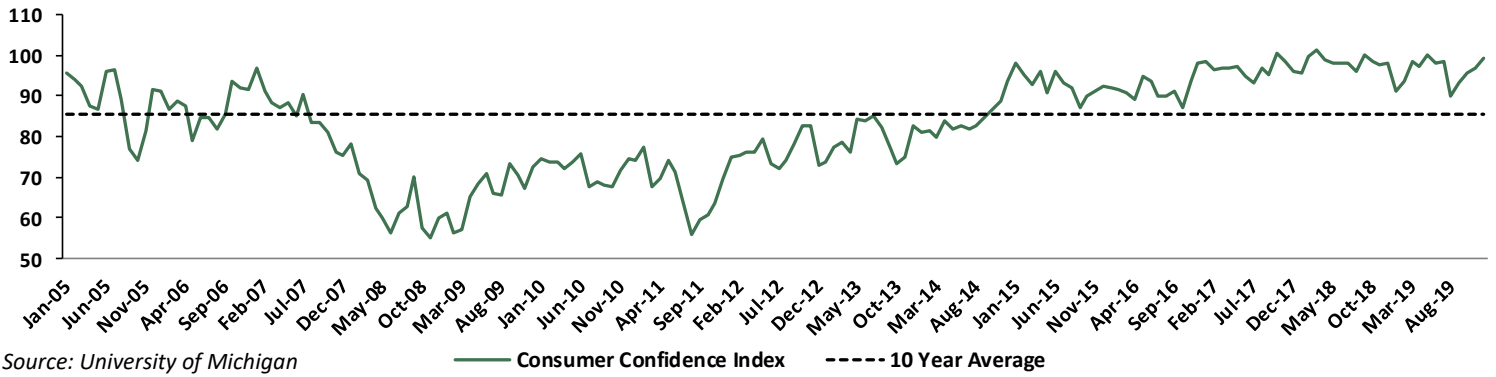
Source: S&P CapIQ (As of January 27, 2020)

Trailing Twelve Months Stock Performance

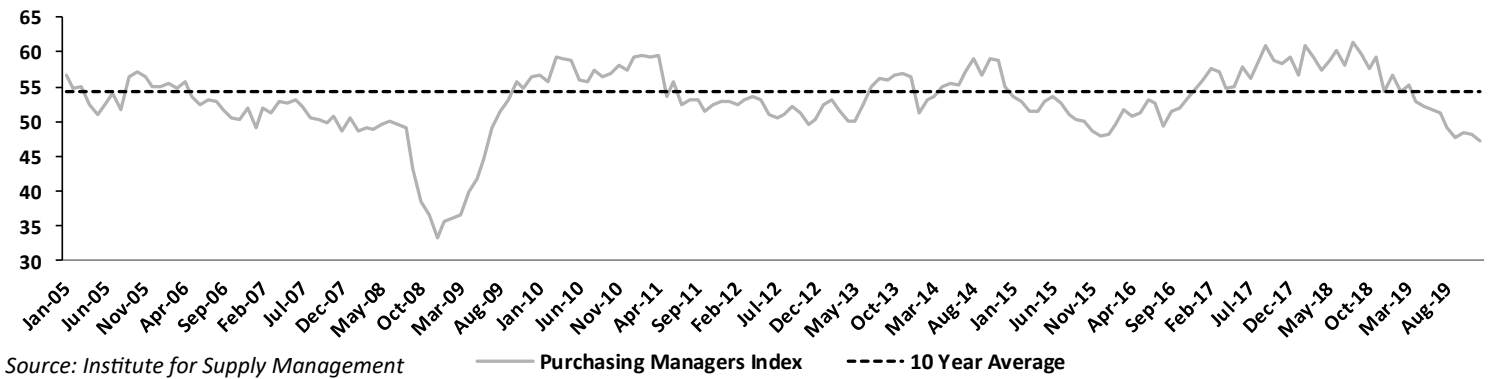


Source: S&P CapIQ (As of January 27, 2020)

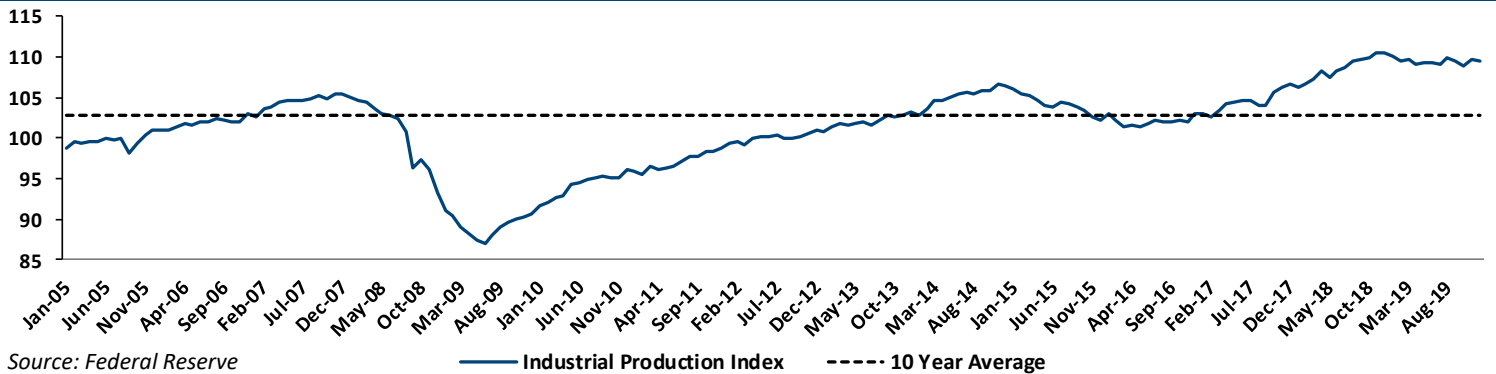
## Consumer Confidence Index (2005 - 2019)



## Purchasing Managers Index (2005 - 2019)



## Industrial Production Index (2005 - 2019)



## U.S. Real GDB Growth (2004 - 2019)

