Chemical M&A to rise from depressed levels, buyers remain disciplined – Balmoral Advisors

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NEW YORK (ICIS)–Chemical M&A activity should continue to accelerate in 2026 from prior depressed levels, even as buyers remain disciplined, according to investment bankers at Balmoral Advisors.

“We see acceleration, but it’s from a very muted start of the year. There are more [sale] process launches and a decent number of deals,” said Arya Abedin, managing director at Balmoral Advisors, in an interview with ICIS.

“Compared to this time last year, it’s a lot more active, partly because the tariff overhang has faded. Private equity is re-engaged, but they’re still being selective. We expect the pace of announcements will build into early 2027. It should be a busier H2 of the year,” he added.

MERGERS OF EQUALS/SYNERGIES

For major deals, it’s more about cost synergies and less about paying large change of control premiums.

“Given the state of the market, synergies are driving deals rather than premiums. The Olin/Huntsman deal is illustrative of this – an all-stock deal with over $400 million in synergies announced,” said Abedin.

“It’s an at-the-market deal with no control premium, not unlike the AkzoNobel/Axalta deal announced last year. Buyers aren’t really underwriting a cycle recovery,” he added.

In the AkzoNobel/Axalta Coating Systems merger announced in November 2025, the companies are targeting $600 million in cost synergies, 90% of which are expected to be achieved within the first three years after the close which is expected in late 2026 to early 2027.

More of these ‘mergers of equals’ with significant synergy targets can be expected, the banker noted.

Overall, players are being very disciplined with valuations.

“Private equity is generally cautious about underwriting a cyclical recovery through a three-to-five-year hold, given the uncertainty. They’re pricing off current earnings – not a rebound,” said Abedin.

“For strategics, the question is capacity. Balance sheets are being managed conservatively and management teams are focused on their own operations, which is why the larger deals are trending toward at-market, stock-for-stock structures rather than big cash premiums,” he added.

EUROPE CARVE-OUTS

Europe is also seeing a flurry of activity around carve-outs.

“Europe is a major source of assets coming to market. Of the major announced deals we track, roughly half of year-to-date activity is in EMEA (Europe, Middle East and Africa) and about a third of all deals are carve-outs,” said Abedin.

These include SABIC divesting its European Petrochemicals business to AEQUITA and its Engineering Thermoplastics (ETP) business in the Americas and Europe to Mutares; dsm-firmenich selling its Animal Health & Nutrition business to CVC Capital Partners; IFF selling its Food Ingredients business to CVC Capital Partners; Lonza divesting its Capsules & Health Ingredients business to Lone Star Funds; and Synthomer selling its Acrylate Monomers business to Mutares.

On 21 May, Belgium-based Syensqo launched a strategic review of its Performance & Care segment, a global leader in surface chemistry and specialty mining reagents serving the consumer care, agro, coatings and mining end markets.

The segment in 2025 generated underlying earnings before interest, tax, depreciation and amortization (EBITDA) of €358 million ($408 million) on sales of €2.0 billion.

“The recent large specialty carve-outs to private equity – animal nutrition, capsules, food ingredients – have cleared in the 7-10x EBITDA (earnings before interest, tax, depreciation and amortization) range, so no outsized multiples there,” said Abedin.

“And the commodity assets in Europe are going to turnaround investors for a nominal or negative valuation,” he added.

According to a filing on the Saudi Exchange, the AEQUITA/SABIC European Petrochemicals deal “will be settled entirely via two perpetual vendor notes repayable based on future cash flows”, according to SABIC, meaning any proceeds will come down the line.

The Mutares sale terms include an upfront payment of Saudi riyals (SR) 210 million ($56 million), along with 30% of operating cash flow for four years from the second year of closing, and/or 30% of exit fees if Mutares sells the assets. In either outcome, SABIC has stipulated a minimum guaranteed earnout of SR262.5 million ($70 million) within four years of the second anniversary of the deal closing.

NO WAR PREMIUM

Buyers remain disciplined and are not paying up for higher profits arising from the Middle East conflict or giving credit for potential longer-term supply implications.

“We’re not seeing buyers underwrite the earnings fly-ups from the US–Iran war,” said Abedin.

“There are definitely chemical price tailwinds, but they’re not being underwritten [in deal prices]. Some may be making arguments for a re-rating based on a structural change, but it’s too early to tell,” he added.

Where high premiums are being paid are in sectors such as electronic chemicals, water treatment chemicals and specialty distribution which are insulated from China overcapacity and disruptions from the Middle East conflict, the banker noted.

In July 2026, US-based Solstice Advanced Materials announced the acquisition of US-based electronic chemicals and materials producer Element Solutions for around $14.5 billion including assumed debt.

“The exception is thematic scarcity. Solstice’s offer for Element Solutions came at a premium multiple because electronics and AI-infrastructure exposure is where buyers will still pay up,” said Abedin.

“But even there, the premium was modest at roughly 15% [of the share price], and Element shareholders are rolling into nearly half the combined equity. The structure discipline holds even when the multiple doesn’t,” he added.

Meanwhile, auto and construction markets remain tepid, casting an overhang over a number of chemical categories, the banker pointed out.

DISTRESSED SITUATIONS

After a three-year downturn in chemicals, there has been an increase in distressed assets on the market.

“The whole distressed M&A ecosystem is busier right now. A lot of that is because the market is long as there has been a lot of capacity brought on in China,” said Chris Cerimele, managing partner at Balmoral Advisors.

“You have a lot of companies that are underperforming, but it’s a revenue problem – not because they’re being mismanaged. That has been driving some increases in distressed/turnaround activity in the last two years. And we are still seeing some of that,” he added.

Buyers in this space include funds that specialize in distressed situations as well as strategic buyers that might look to consolidate excess capacity and extract cost synergies, he noted.

Interview article by ***Joseph Chang***

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