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Interview Chem M&A activity to fall significantly in 2009 - banker

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By **Joseph Chang**

NEW YORK (ICIS news)--The volume of merger and acquisition (M&A) activity in the global chemicals industry plunged in the first half of 2009 and will be down significantly for the entire year despite some sequential improvement, Peter Young, president of **Young & Partners**, said on Thursday.

"The number of completed deals greater than \$25m (€17.5m) in value was only four in the first quarter and seven in the second quarter, finally breaking the string of six consecutive quarters of lower numbers of completed deals," Young said in an interview with **ICIS**.

A total of 11 deals were completed in the first half of 2009, well off the pace of 55 for all of 2008, he noted.

Depressed earnings for buyers and target businesses, lack of agreements on price, the lack of debt financing, uncertain economic forecasts and fewer buyers suppressed the number of completed transactions, said the investment banker.

"The escalating financial crisis had a significant effect on the ability of financial buyers to acquire chemical industry assets," Young said.

Young noted that the **sale of Solutia's nylon business** to SK Capital for \$50m was the only chemical business sold to a financial buyer in the first half of the year.

"As a result of the prolonged debt crisis, the economic recession and retreating buyers, and valuation disagreements, we believe that the chemical M&A market in 2009 will be a lot slower than 2008," he said.

Through the first half, \$21.1bn in deals were completed, compared with \$40bn for all of 2008, according to Young & Partners.

However, US-based **Dow Chemical's acquisition of US specialty chemical giant Rohm and Haas** for an equity value of \$15.4bn comprised the bulk of the figure, noted Young.

(\$1 = €0.70)

Look for a feature on chemical industry M&As in the 14 September issue of **ICIS Chemical Business**

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