

Arrowpoint
Advisory



Chemicals Newsletter

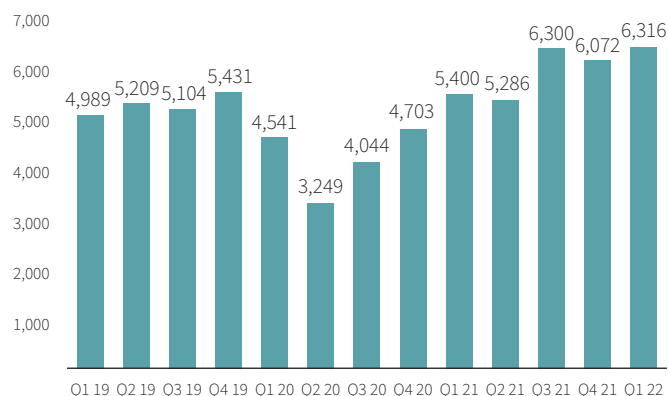
August 2022

 **Rothschild & Co**

Introduction

The current global supply chain crisis has made us all painfully aware of the sophistication and the fragility of manufacturing models. European market sentiment, as measured by national confidence indices, has softened markedly as lean manufacturing sectors such as automotive have struggled to adapt to the shortfall in semiconductors and battery components related to the impact of the tail of Covid in Asia, while energy-intensive manufacturing industries have been hit by the rising energy and fuel prices caused by the war in Ukraine. The subsequent rises in inflation have put pressure on margins.

M&A volumes: Post-pandemic rebound



Total New Deals Announced (# deals)

Higher import costs have, however, increased the tailwind for fully or partly reshoring some critical supply chains in Europe. Certain raw materials, as mined materials, cannot be easily separated from their source geography, but a greater proportion of the processing can be, and this has seen increased focus on the chemicals and

materials sector. Regulated chemicals manufacturing has remained an important part of the economy for several European countries, most notably Germany and while the UK sector is much smaller, with annual revenues of c.£26bn (£40bn if pharmaceutical products and components are included) still



represents c.7% (11% including pharma) of UK manufacturing output (ONS: 2020). While large portions of the chemicals and materials sectors are standardised, there is a large and growing set of sectors and applications which offer investors strong returns due to the direct link to IP development and the strong regulatory and safety demands on the market. Both drivers are set to intensify with recent sentiment in the UK, the US and other western markets is to prioritize such sectors as part of the broader national security picture. As such, a wide array of polymers, alloys and metals, specialist ceramics and semi-conductors are now subject to increasingly strict regulation in terms of

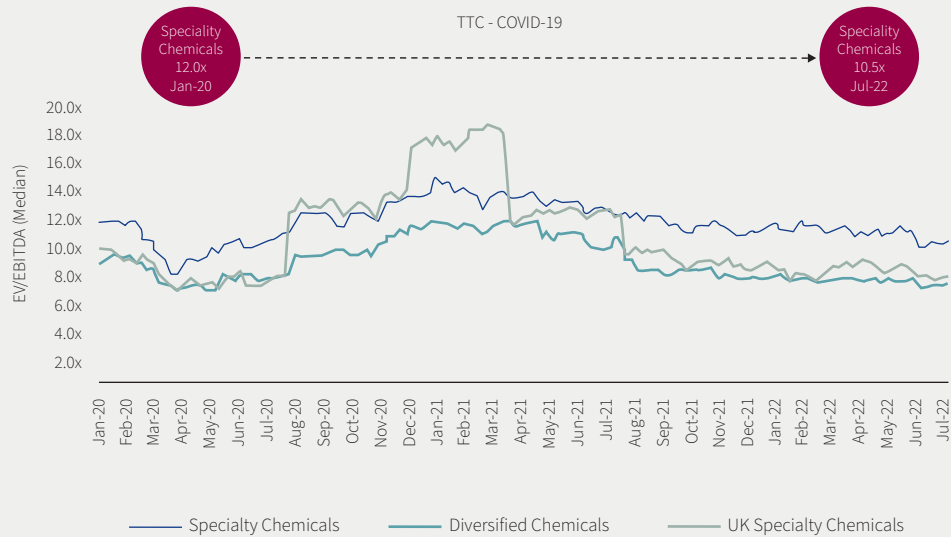
investment and M&A. In the UK, these rules are mainly centred on the National Security & Investment Act, which focuses on some of the most promising investment areas for corporates and private equity such as nanomaterials, energy, and computing capacity.

The share price performance of the UK's leading specialty chemicals companies has been unexceptional at first glance, but this hides a lot of change. Several historically cash-generative sectors, such as catalysts for internal combustion drive trains have seen their end markets disrupted while the cost of investment in R&D has risen consistently. Against that, a number of emerging

technologies offer material future opportunity but demand capital to deliver.

M&A has traditionally proven itself as a key strategy for corporates who are keen to capture proven new capabilities and minimise early-stage investment risk, while leveraging their balance sheet and distribution to scale up acquired product stream revenues. Within pharmaceuticals in particular this strategy has been fundamental to many leading sector players' successes over time. We are seeing interest in this strategy become increasingly more common in the broader chemicals and materials space for, we believe, many of the same reasons.

Through-the-cycle analysis ("TTC"): Valuations post-pandemic



Source: Mergemarket, S&P Capital IQ, IHS Markit



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Recent Chemicals M&A volumes have been somewhat less volatile than the market as a whole, which may relate to the longer investment cycle of the larger and more capital-intensive traditional parts of the industry and true pricing trends for higher growth companies are difficult to ascertain from available data sets but deal volumes this year do appear to be indexing ahead of the wider manufacturing sector. Something we would expect to continue.

2022 has already been a very busy year for our chemicals practice, both as part of Rothschild & Co and as the Arrowpoint Advisory team in the UK. Key deals year to date include the successful sale of Johnson Matthey's Automotive Glass Chemicals business to Fenzi Group of Italy and the sale of specialist fuels blender Coryton to Lantmannen of Sweden.

Case Studies

Coryton Advanced Fuels has been acquired by Lantmannen AB

Arrowpoint Advisory's Industrial team has advised the shareholders of Coryton Advanced Fuels Limited, an emerging leader in the fast-growing market for sustainable fuels, on its sale to Lantmannen AB, the Swedish agricultural co-operative group.

Coryton is a market leading provider of advanced, bespoke fuel solutions to an established customer base operating across a range of end-markets, including motorsport, light and heavy-duty vehicles, aviation and marine. From its headquarters in Essex on the Thames estuary Coryton develops thousands of bespoke fuel blends each year, with global sales volumes exceeding 11 million litres in 2021. Coryton is an emerging leader in the fast-growing market for sustainable fuels, providing advanced bioethanol and biodiesel into applications including international motorsports. The management team led by Andrew Willson will continue to drive the business forward following the acquisition.

Tom Smith, Director at Arrowpoint Advisory, concluded: "It was a pleasure working with Andrew and the wider Coryton team and we are delighted to have been able to help them secure a transaction which provides the company with a strong platform from which to continue its promising growth trajectory in sustainable fuel solutions. We look forward to following Coryton's progress over the next few years."

Coryton will now become part of the Lantmannen group, the Sweden headquartered market leader in agriculture, machinery, bioenergy and food product with a strong focus on sustainability.

“Lantmannen represented the best possible fit with Coryton, the management team here are delighted to have concluded.”

**Andrew Willson,
CEO of Coryton**

Under Lantmannen's ownership Coryton will continue to develop its sustainable fuel solutions as it continues in its vision to contribute to a net zero emissions world.



“The Arrowpoint Advisory and Rothschild & Co team worked closely with AGT and Johnson Matthey to deliver a successful outcome for our business. Their credentials and experience in executing a carve-out transaction of this size and deep sector knowledge were important to unlocking value in the transaction.”

Sarah Vawda,
Corporate Development Director
at Johnson Matthey

Johnson Matthey has divested Advanced Glass Technologies to Fenzi

Arrowpoint Advisory and Rothschild & Co have advised Johnson Matthey on the divestment of its Advanced Glass Technologies (AGT) business, a leading provider of specialist glass enamels and precious metal pastes, to Fenzi Holdings SPV S.p.A (“Fenzi Group”) for £178m.

Headquartered in Milan, Fenzi Group is a leading chemical company in the glass processing industry. The transaction is subject to consultation with the AGT’s works council in The Netherlands and is expected to formally complete in February 2022.

AGT is a global manufacturer of high-performance materials for the glass, ceramic and electronic industries – with a core specialism in automotive products as a Tier 2 supplier to automotive glass producers. With manufacturing operations in The Netherlands, China, the United Kingdom and the United States, AGT has a strong track record of growth and a unique heritage as part of Johnson Matthey.

This divestment is part of Johnson Matthey’s continuous review of its portfolio to focus on those areas of greatest strategic importance. Proceeds of the sale will be used to further support Johnson Matthey’s strategy, focusing its resources towards growth areas targeted at climate change solutions as it delivers on its vision for a cleaner, healthier world.

Under Fenzi Group ownership, AGT will continue to be led by existing CEO Raymond van der Heijden alongside his incumbent management team.

Alessandro Fenzi, Chief Executive Officer of Fenzi Group commented: “We are delighted to welcome the AGT organisation to the Fenzi Group. AGT’s leadership in glass enamels for the automotive and industrial sectors fits perfectly with our strategy to be the largest and most complete partner for the glass industry worldwide. This partnership brings new innovative technologies to our global customer base. We believe that AGT’s growth will be enhanced under the Fenzi Group.”

Tom Smith, Director at Arrowpoint Advisory, concluded: “We’re delighted to have been able to support Johnson Matthey on this important strategic divestment and a further successful carve-out transaction for Arrowpoint Advisory’s Industrials team. We look forward to watching AGT prosper under its new ownership and I am sure that Fenzi will prove to be an excellent home for the business.”

Our latest Chemicals transactions



Grupo Ultra

Valuation on US\$1.3bn
disposal of Oxiteno

2022



Shareholders of Polyscope

Sale of Polyscope to Vertellus

2022



SCHOTT and AGC

Sale of SCHOTT Gemtron to
SSW Advanced Technologies

2022



Axalta

Acquisition of U-POL
for \$590m

2022





We would welcome the opportunity to discuss your strategic goals and requirements in confidence.

Whether you are looking to sell, acquire, raise or manage debt, or manage a special situation we can help your business to succeed.



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