Deal Capsule

Transactions in Life Sciences & Chemicals

January 2021

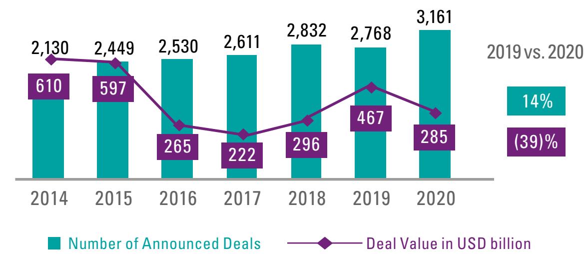
> "2020 was an unprecedented year, as economic uncertainties from the COVID19 pandemic shook the deal landscape – including M&A activity in Life Sciences and Chemicals. Yet, the road to recovery has already begun."

CHRISTIAN KLINGBEIL | PARTNER, KPMG IN GERMANY

HIGHLIGHTS

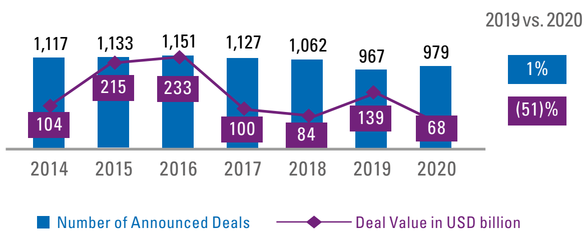
- Through the COVID19 pandemic, in both sectors, 2020 deal activity went through a phase of shock followed by a recovery in deal volume in H2 2020.
- For life sciences, deal volume exceeded that of the record year 2019, whereas with only five announced blockbuster deals, deal value declined by nearly 40% in 2020. Most attractive target therapies were medical devices and oncology.
- The chemical sector suffered an even more severe decline after a weak prior year. While deal volume corresponds to that of 2019, deal value more than halved in 2020 with only one quasi-blockbuster deal. Yet, active portfolio management was the key deal driver.
- KPMG's Deal Thermometer indicates a recovering environment for M&A activity in both sectors.

FIGURE 1: TRENDS IN LIFE SCIENCES M&A



Sources: Thomson One; KPMG, Germany, Analysis

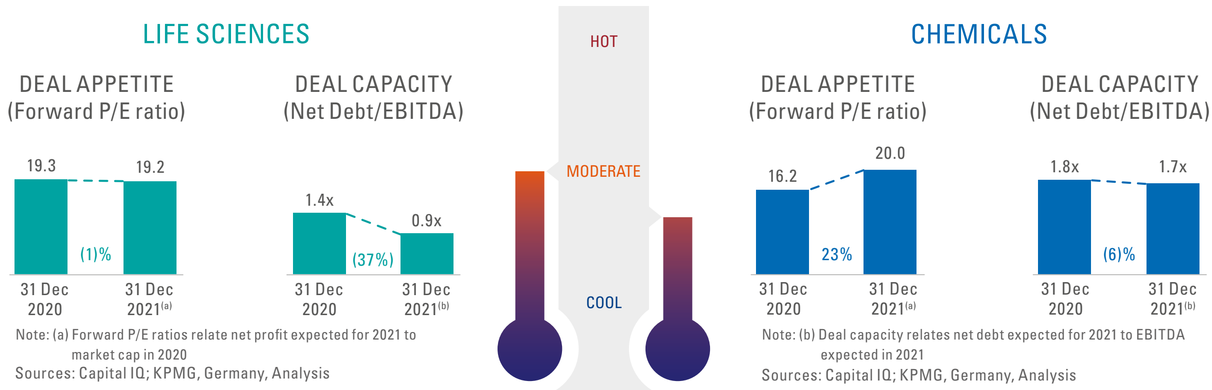
FIGURE 2: TRENDS IN CHEMICALS M&A



Sources: Thomson One; KPMG, Germany, Analysis

DEAL THERMOMETER 2020

KPMG's Deal Thermometer signals the environment for M&A deals in chemicals and life sciences. It combines the appetite for deals (changes in forward P/E ratios) with the capacity to fund deals (changes in Net Debt/EBITDA multiples). 'Hot' signifies an environment conducive to deal-making.



Note: (a) Forward P/E ratios relate net profit expected for 2021 to market cap in 2020
Sources: Capital IQ; KPMG, Germany, Analysis

Note: (b) Deal capacity relates net debt expected for 2021 to EBITDA expected in 2021
Sources: Capital IQ; KPMG, Germany, Analysis

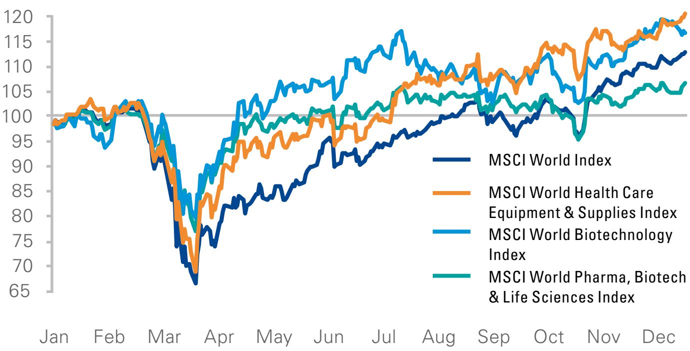
Life Sciences

As a result of the global COVID19 pandemic, life sciences deal activity declined significantly in the first half of 2020. However, since mid-Q3 the M&A market is experiencing a revival, with the cumulative deal volume in 2020 being 14% above prior year driven by a growing appetite for biotechs. The shortfall in H1 2020 deal value of minus 74% versus prior year could only be compensated to a limited extent, as full year 2020 deal value still fell 39% short due to missing out on several exceptionally large blockbuster deals.

2020 – A CHALLENGING YEAR

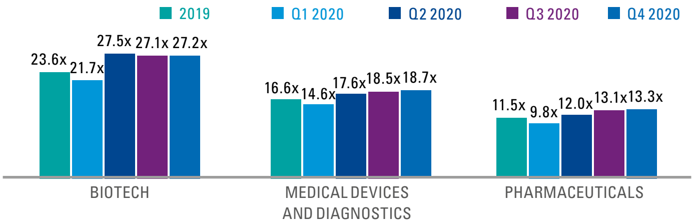
As the potential key sector to contain the COVID19 pandemic, by developing a vaccine, the life sciences sector proved more resilience than global stock markets, especially during the outbreak of the pandemic at the beginning of the year. Global stock markets gradually recovered throughout the year and exceeded the life sciences index by year end, mainly driven by the unprecedented size of global economic stimulus packages, continuing low interest rates as well as the significant appreciation of tech stocks (Fig. 3). Cleary, all indices benefitted from the positive vaccine announcements in November, even though outperformed by biotech and medical devices indices. Firms included therein were not only beneficiaries of increased demand arising from

FIGURE 3: DEVELOPMENT OF SELECTED STOCK INDICES 2020[a]



Note: (a) Indexed to 100 with 1 January 2020 as base date
Sources: Capital IQ; KPMG, Germany, Analysis

FIGURE 4: MEDIAN PUBLIC COMPANY EBITDA MULTIPLES[b]



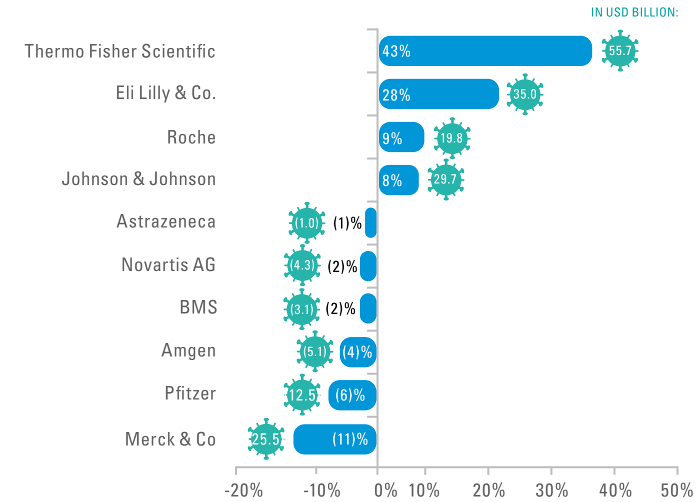
Note: (b) Sample size consists of 184 biotech, 494 medical devices and diagnostics, 728 pharma companies for Q4 2020; refers to 90% quantile at respective quarter-end
Sources: S&P Capital IQ; KPMG Germany, Analysis

COVID19, but also due to an aging population and the need for innovation as for chronic or infectious diseases.

Growth in valuations

Valuations based on EBITDA multiples of publicly listed life sciences companies reveal a similar picture (Fig. 4). In each subsector, valuations dropped in Q1 2020, but have picked up since, exceeding the pre-crisis level with the strongest increase across biotechs. Looking at how the market cap of the largest global life sciences players changed in 2020 reveals that some profited more than others (Fig. 5):

FIGURE 5: CRISIS IMPACT ON MARKET CAP OF TOP 10 COMPANIES[c]



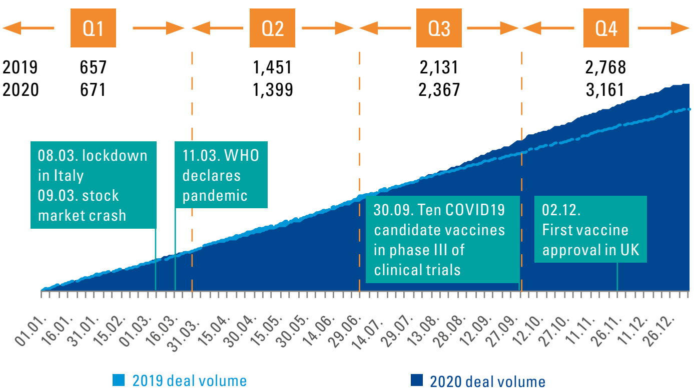
Note: (c) Change between 1 January and 31 December 2020, based on market capitalization converted to USD
Sources: Thomson One; KPMG, Germany, Analysis

As a medical diagnostics player, Thermo Fisher Scientific Inc. benefited from the crisis, among others, by developing the first commercial COVID19 tests. An additional appreciation is due to stock repurchases. Market cap of pharma major AstraZeneca plc accelerated due to significant increase in Q3 net profit, offset, among others, by less effective test results of their COVID19 vaccine. Pfizer Inc. announced in collaboration with BioNTech SE, the first COVID19 vaccine, which however, could not compensate for missing profit expectations and patent losses. The same applies to other large pharma players like Novartis, as medical surgeries and treatments were postponed.

The path of M&A recovery

That 2020 was not a year like any other also applies to M&A activities within the life sciences sector. The spread of COVID19 caused enormous market turbulences and uncertainties, which significantly impacted global life sciences M&A in H1 2020 (Fig. 6). Since August, as M&A players perceived financial stability as secured, M&A activities have been experiencing a revival. Yet, the picture regarding deal value is different so that it remains questionable whether companies return to their pre-crisis strategies or prepare for a new normal. While 2019 was driven by exceptionally large deals, despite AstraZeneca's mega deal with Alexion Pharmaceuticals Inc., a shortfall of comparable deals was noticeable in 2020. But here, too, the race to catch up has begun, as H2 2020 accounted for nearly 80% of the annual deal value.

FIGURE 6: CUMULATIVE DEAL VOLUME AMIDST COVID19



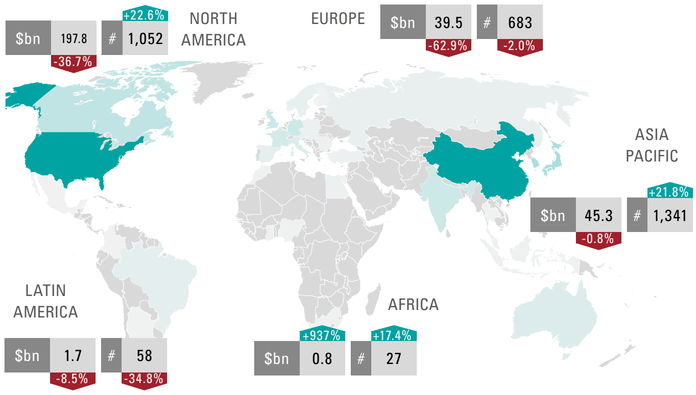
Sources: Thomson One; WHO; KPMG, Germany, Analysis

Analyzing 2020 deal volume and value by region reveals that countries on different continents were affected at different times, to varying degrees and are recovering at different speeds (Fig. 7). As the pandemic spread from east to west, especially Asia Pacific – above all China as the only major economy with growth expectations – drove the 2020 deal volume, followed by North America, whereas Europe lacked behind its 2019 deal volume and value, even though Germany managed to increase its deal volume by 30%.

ONCOLOGY REMAINS ONE OF THE MOST ACTIVE THERAPY AREAS

The 50 largest deals in 2020 and 2019 were concentrated amongst four therapy areas. Medical devices was the single largest therapy area with 12 deals out of the 50 largest

FIGURE 7: DEAL VOLUME AND VALUE BY REGION (2020 VS. 2019)[a]



Note: (a) The intensity of the blue coloring corresponds to the deal volume by target nation
Sources: Thomson One; KPMG, Germany, Analysis

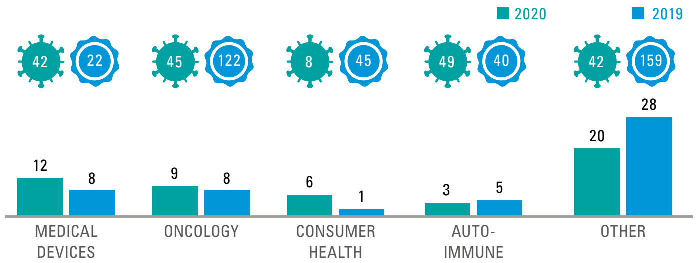
deals in 2020. The largest transaction in 2020 was Siemens Healthineers AG's USD 16 billion acquisition of Varian Medical Systems Inc., driving its digital transformation of oncology treatments.

Oncology itself continues to play a pivotal role with 9 deals out of the 50 largest deals in 2020, as its market potential is predicted to grow due to a rising elderly population and unhealthier lifestyles resulting in an increased cancer occurrence. Also, in terms of deal value, the largest deals occurred within oncology, such as Gilead Sciences Inc.'s USD 21 billion acquisition of Immunomedics, which focused on an antibody drug for breast cancer.

Consumer health followed with 6 deals – a strong increase since 2019. Each transaction appears to be driven by its own deal rational. Only two transactions exceeded USD 2 billion in 2020 – Nestle S.A.'s acquisition of Aimmune Therapeutics Inc., which put allergy treatment into the spotlight, and Oscar A-Co KK's acquisition of Takeda Consumer Healthcare, which emphasized the relevance of vitamin drugs and OTC products.

Autoimmune's deal activity was at a slightly lower level in 2020 with its deal value being largely driven by AstraZeneca's USD 39 billion acquisition of Alexion, the single largest deal in 2020.

FIGURE 8: ALLOCATION OF TOP 50 DEALS BY THERAPY AREA[b][c]



Note: (b) Bars represent the number of deals and bubbles refer to deal value in USD billion
(c) Other comprises various therapy areas of which the largest were gene therapy and neurology with three deals each in 2020
Sources: Thomson One; KPMG, Germany, Analysis

Another emerging area in 2020 was cell and gene therapy, as Bayer AG's acquisition of Asklepios BioPharmaceutical Inc. (AskBio), a US biotech specialized in clinical-stage gene therapy, for USD 2.0 billion upfront emphasized. Additional success-based milestone payments of up to USD 2.0 billion, are part of the deal value. Through the acquisition Bayer establishes a new platform for cell and gene therapies by integrating its venture firms Century Therapeutics LLC and BlueRock Therapeutics LLC with AskBio's knowledge in adeno-associated virus-based gene therapy against Pompe or Parkinson's disease and congestive heart failure.

DEAL ACTIVITY BY SUBSECTOR

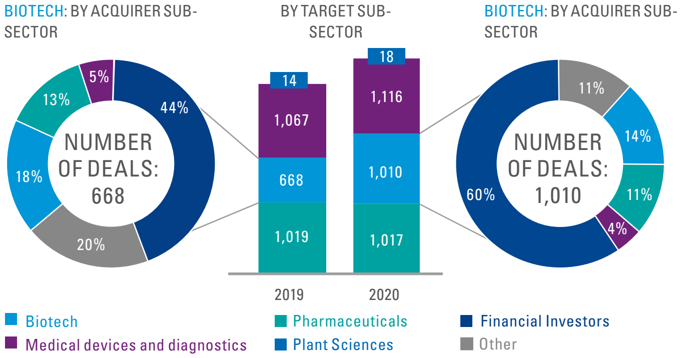
Biotech deals are in the spotlight
The 2020 M&A spotlight was clearly on biotechs with in total 1,010 biotech deals or 32% of 2020 deal volume – a sharp increase since 2019. Thereby, COVID19 acted as an accelerator rather than the actual cause, as a surge in biotech deals was noticeable even before the COVID19 outbreak. In these times of heightened public attention, Illumina Inc., for example, acquired GRAIL Inc., specialized in early cancer detection through high-intensity sequencing and data science, for USD 8 billion. Despite the current popularity of biotechs, the withdrawal of Thermo Fisher's offer to acquire Qiagen N.V. demonstrates that bidders do not buy at any price, since research-intensive biotechs remain risky investments. Yet, rumors are not yet off the table, as Qiagen resumed discussions with interested parties.

While milestone payments are a common component of deal structures to reduce risk, especially for early stage investments, collaborations represent alternative structures, such as the agreement between Pfizer and Myovant Sciences Inc. to jointly develop and commercialize Relugolix in oncology and women's health. Myovant may receive a total payment of up to USD 4.2 billion.

PE fuels biotech deals
Financial investors played a key role in stabilizing the deal landscape in 2020 by fueling the market with an abundance of dry powder. Although they used to focus on more mature business models, their risk appetite has increased in light of the future prospects of biotechs. While in 2019 financial investors accounted for 44% of biotech acquisitions, their share increased to 60% in 2020 (Fig. 9). This increase is only one of possible reasons that boosted higher valuations. Large transactions such as the takeover of Alexion or GRAIL Inc. were, however, still dominated by corporate buyers.

Stable activity within pharmaceuticals
Deal activity within pharmaceuticals was flat, yet deal value declined by nearly 60% to USD 140.8 billion in 2020, in absence of blockbuster deals, even though accounting for half of the top 10 deals in 2020 such as the acquisition of Immunomedics Inc. and two Q4 deals.

FIGURE 9: DEAL ACTIVITY BY SUBSECTOR



Sources: Thomson One; KPMG, Germany, Analysis

As 2020's largest deal, AstraZeneca announced the takeover of Alexion, a specialist of immune-mediated rare diseases, for USD 39 billion. It intends to benefit from Alexion's portfolio – comprising Soliris and Ultomiris, two C5 antibodies against the rare disease PNH that destroys red blood cells – and a solid pipeline of various molecules in different clinical phases. Although paying a premium of 45% to the pre-announcement price, AstraZeneca calculates with synergies of USD 0.5 billion three years after completion.

Bristol Myers Squibb Co. (BMS) announced to acquire MyoKardia Inc., a US-based biopharmaceutical company specialized in therapies for cardiovascular diseases for USD 13.1 billion by acquiring all outstanding shares in cash with a premium of 61% above the pre-announcement price. Through the acquisition BMS will secure MyoKardia's cardiovascular drug, mavacamten, for treating obstructive hypertrophic cardiomyopathy including potential in further indications.

Slight growth of medical devices and diagnostics
Deal activity within medical devices and diagnostics increased by 5% and remains the most active subsector with 1,116 deals in 2020. Although Varian Medical Systems was a large medical devices deal, this subsector is characterized by smaller deals compared to the other life sciences subsectors.

OUTLOOK

Starting mid Q3 2020, the M&A recovery was indeed unexpected in face of the unprecedented pandemic shock and ongoing global uncertainties. Yet, life sciences companies appear to have returned, like many other sectors, to daily business. Thus, as an outlook for 2021, we expect life sciences M&A activity to continue the road of recovery at a speedy pace. On the basis of solid macroeconomic fundamentals like low interest rates and stable liquid capital markets, we assume biotech targets to further flourish and companies to continue portfolio restructurings so that carve-outs of non-core businesses might attract private equity firms, which are still looking for promising investment opportunities.

Life Sciences

The deal value of the global top 10 **announced** deals in 2020 was **USD 129.1** billion

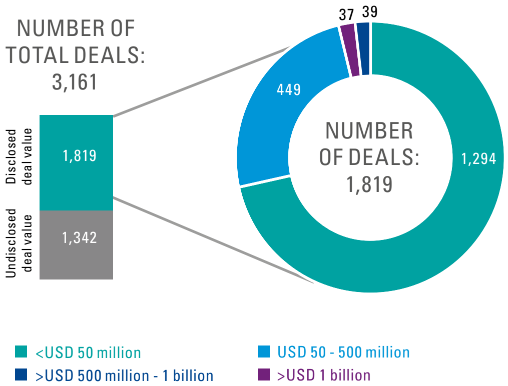
TABLE 1: GLOBAL TOP DEALS ANNOUNCED IN 2020[b]

Bidder	Target	Therapy Area	Date of Announcement	Deal Status	Total Value[a]
AstraZeneca plc	Alexion Pharmaceuticals Inc.	Immune-mediated rare diseases	12 Dec 2020	Pending	39.0
Gilead Sciences Inc.	Immunomedics Inc.	Breast cancer and additional solid tumors	13 Sep 2020	Completed	21.0
Siemens Healthineers AG	Varian Medical Systems Inc.	Cancer care equipment	02 Aug 2020	Pending	16.4
Bristol-Myers Squibb Co.	MyoKardia Inc.	Cardiovascular diseases	05 Oct 2020	Completed	13.1
Thermo Fisher Scientific Inc.	Qiagen N.V.	Molecular diagnostics solutions	03 Mar 2020	Withdrawn	12.5
Illumina Inc.	GRAIL Inc.	Multi-cancer early detection test	21 Sep 2020	Pending	8.0
Johnson & Johnson	Momenta Pharmaceuticals Inc.	Autoimmune diseases	19 Aug 2020	Completed	6.5
Gilead Sciences Inc.	Forty Seven Inc.	Immuno-oncology	02 Mar 2020	Completed	4.9
Bayer AG	Asklepios BioPharmaceutical Inc.	Clinical-stage gene therapy	26 Oct 2020	Pending	4.0[c]
Sanofi S.A.	Principia Biopharma Inc.	Bruton tyrosine kinase inhibitors	17 Aug 2020	Completed	3.7

Note: (a) All numbers are in USD billion (converted at the exchange rate on the announcement day if required) – representing Enterprise Values where available
(b) *Financial investors are italicized*
(c) Including up to USD 2.0 billion milestone payments, of which 75% are due within the next five years

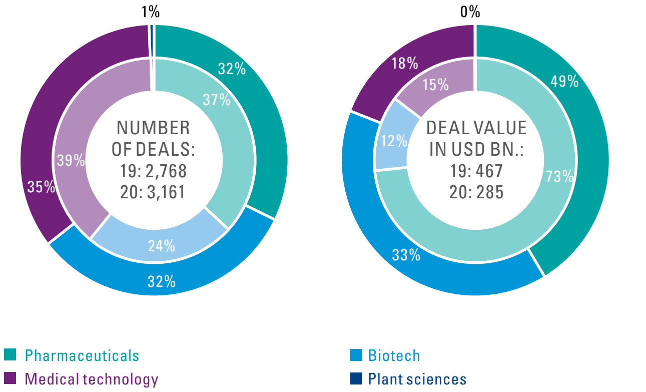
Source: Thomson One; KPMG, Germany, Analysis

FIGURE 10: LIFE SCIENCES ANNOUNCED DEALS BY SIZE OF TRANSACTION 2020



Sources: Thomson One; KPMG,Germany, Analysis

FIGURE 11: LIFE SCIENCES ANNOUNCED DEALS BY CATEGORY[d]



Note: (d) Includes all deals with a disclosed and undisclosed deal value, inner circles contain prior year figures
Sources: Thomson One; KPMG, Germany, Analysis

Chemicals

The deal value of the global top 10 **announced** deals in 2020 was **USD 35.8** billion

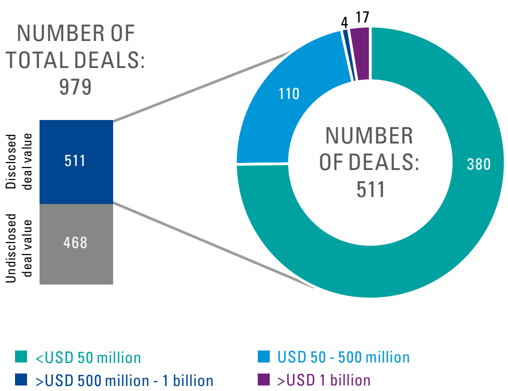
TABLE 2: GLOBAL TOP DEALS ANNOUNCED IN 2020[f]

Bidder	Target	Business Area	Date of Announcement	Deal Status	Total Value[e]
Nippon Paint Holdings Co. Ltd.[g]	Nipsea Pte Ltd.	Paint and coatings	21 Aug 2020	Pending	9.9
INEOS Group Holdings S.A.	BP plc – Global Aromatics and Acetyls Business	Petrochemicals	29 Jun 2020	Pending	5.0
OMV AG	Borealis AG	Basic chemicals	06 Mar 2020	Completed	4.7
40 North Management LLC	W.R. Grace & Co.	Specialty chemicals and materials	09 Nov 2020	Rejected	4.0
Stone Canyon Industries Holdings LLC[h]	K+S AG – Americas salt business	Salt	05 Oct 2020	Pending	3.2
Nippon Paint Holdings Co. Ltd.[g]	Wuthelam Holdings Ltd. – Indonesia Business	Paint and coatings	21 Aug 2020	Pending	2.2
LyondellBasell Industries N.V.	Sasol Ltd. – US ethane cracker and polyethylene plants	Ethane cracker and polyethylene	02 Oct 2020	Completed	2.0
Covestro AG	Dutch Royal DSM N.V. – Resins & functional materials business	Sustainable coating resins	30 Sep 2020	Pending	1.9
Daicel Corporation	Polyplastics Co. Ltd.	Polymers and plastics	20 Jul 2020	Completed	1.6
IGO Ltd.	Tianqi Lithium Corp. – Australian energy business	Metals & mining	09 Dec 2020	Pending	1.4

Note: (e) All numbers are in USD billion (converted at the exchange rate on the announcement day if required) – representing Enterprise Values where available
(f) *Financial investors are italicized*
(g) Interrelated transactions, see KPMG Deal Capsule October 2020
(h) *Others are Mark Demetree and Affiliates*

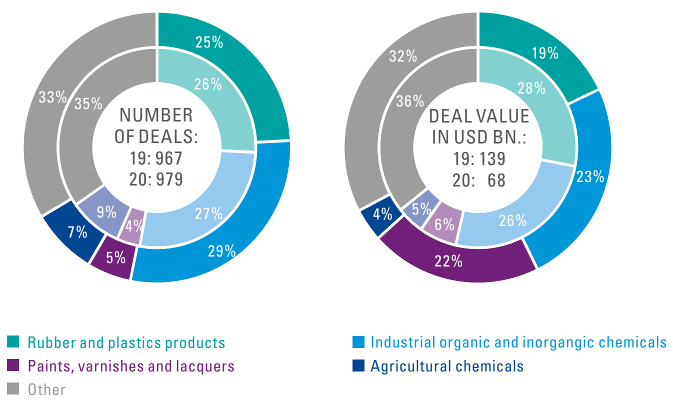
Source: Thomson One; KPMG, Germany, Analysis

FIGURE 12: CHEMICALS ANNOUNCED DEALS BY SIZE OF TRANSACTION 2020



Sources: Thomson One; KPMG, Germany, Analysis

FIGURE 13: CHEMICALS ANNOUNCED DEALS BY CATEGORY[i]

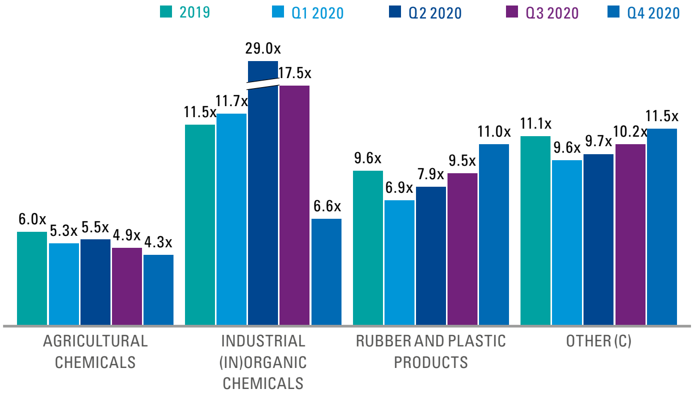


Note: (i) Includes all deals with a disclosed and undisclosed deal value
Sources: Thomson One; KPMG, Germany, Analysis

Chemicals

In 2020, M&A activity in the chemicals sector has been impacted by the full extent of the COVID19 pandemic evident in a deal value decrease to USD 68 billion (-51% compared to 2019). In contrast, the year-end rally stopped the sector's downward trend in terms of deal volume. With 979 transactions (+1%), there was the first year-on-year increase since 2016. Resulting from the global market uncertainties, there have been no blockbuster deals and only 17 transactions exceeding the mark of USD 1 billion while the share of financial investors in deal volume further increased.

FIGURE 15: MEDIAN PUBLIC COMPANY EBITDA MULTIPLES[b]



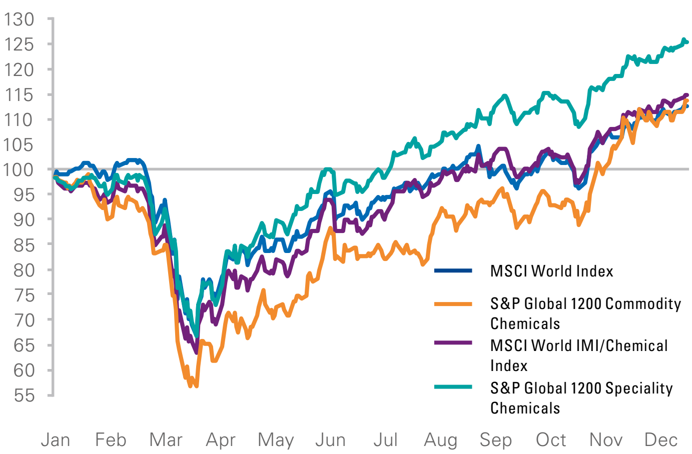
Note: (b) Sample size consists of 2 agricultural, 8 industrial (in)organic, 126 rubber and plastic products and 90 other chemical companies for Q4 2020; except for agriculture, refers to 90% quantile at respective quarter-end

Sources: S&P Capital IQ; KPMG, Germany, Analysis

MARKETS INDICATE CAREFUL SIGNS OF RECOVERY

Like other industries, chemicals was hit hard by the COVID19 outbreak in the first half of the year and its stock market performance closely followed the global stock market downturn due to its extensive integration in the global economy. Among those impacted most severely were chemicals exposed to and suffering from negative demand shocks from end-customer markets such as automotive, consumer goods and construction while demand from customer markets such as nutrition, medical and pharmaceuticals increased. Figure 14 further illustrates the more severe impact on commodity chemicals by the overall economic downturn and the oil price collapse. On the other hand, specialty chemicals outperformed both commodities and the overall market following its ability to capitalize on the lower prices of oil and other feedstocks and benefitting from the positive stimulus of certain end-customers. Since the trough in the beginning of Q2 hopes for a vaccine and the stimulus programs imposed by governments led to a stock market recovery rally ending up in index values already exceeding the pre-COVID19 levels (Fig. 14).

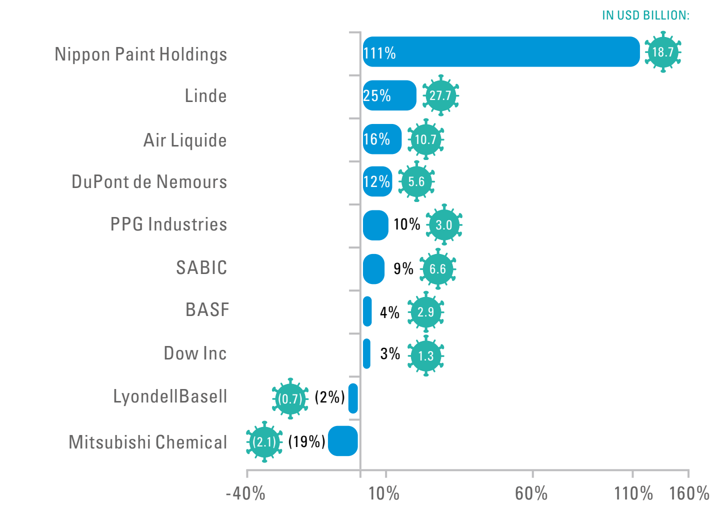
FIGURE 14: DEVELOPMENT OF SELECTED STOCK INDICES 2020[a]



Note: (a) Indexed to 100 with 1 January 2020 as base date

Sources: Capital IQ; KPMG, Germany, Analysis

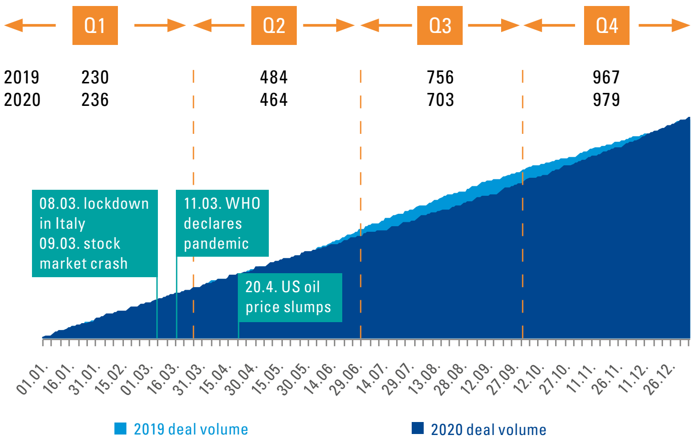
FIGURE 16: CRISIS IMPACT ON MARKET CAP OF SELECTED COMPANIES[c]



Note: (c) Change between 1 January and 31 December 2020, based on market capitalization converted to USD

Sources: Thomson One; KPMG, Germany, Analysis

FIGURE 17: CUMULATIVE DEAL VOLUME AMIDST COVID19



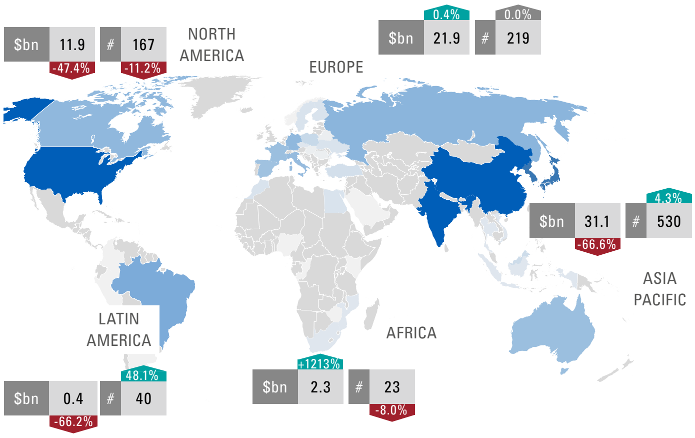
Sources: Thomson One; WHO; KPMG, Germany, Analysis

Corresponding to moderately increasing deal values in the second half of the year and the ongoing stock market rally, valuations based on EBITDA multiples of publicly listed chemical companies show recovery tendencies after the drop in Q1 with industrial (in)organic chemicals, rubber and plastics and other already exceeding the levels of Q4 2019 (Fig. 15).

This year's market cap development of selected chemical players from various sub-industries also reflect the overall market recovery with moderately positive percentage increases of large diversified chemicals such as BASF SE, Dow Inc., DuPont de Nemours Inc. (Fig. 16).

Nippon Paint Holdings Co. Ltd.'s exceptional stock performance is the result of its acquisitions of Wuthelam's subsidiaries, also showing up twice in the top ten deals of the year, with Wuthelam becoming Nippon's majority shareholder by increasing its share in Nippon to 59%. Nippon Paint thereby pushes its strategy of building a global platform for integrated industrial coatings business after last year's acquisition of Australian-based DuluxGroup Ltd. for USD 3 billion.

FIGURE 18: CHEMICALS M&A ACTIVITY BY REGIONS[a]



Note: (a) Deals allocated based on the target's country
Sources: S&P Capital IQ; KPMG, Germany, Analysis

M&A activities follow long-term decline path

Despite the COVID19-driven impact on chemical's M&A activities, 2020 breaks the downward trend in deal volume that persisted since 2016. However, the trend continues in terms of deal value (with only the SABIC deal lifting 2019 above this trend line). After the year started promising with deal volumes in Q1 2020 slightly exceeding the prior year level, the global spread of COVID19, the shutdowns imposed by governments around the world and the general market uncertainties had a severe impact on chemicals' deal activities from April onwards until the year-end rally lifted the deal volume level above the prior year number (Fig. 17). Therefore, the COVID19 impact is more evident in deal value, which sharply decreased compared to prior year.

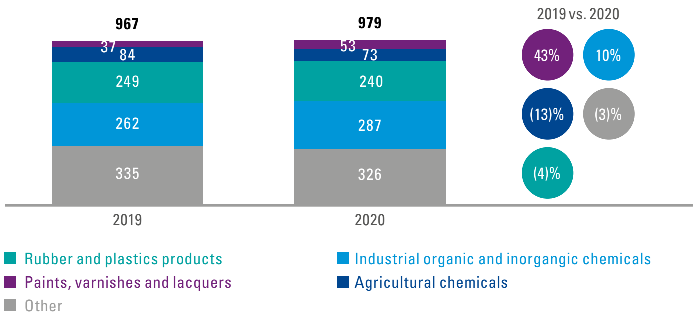
Correspondingly, the absence of large chemical deals is likewise evident of 2020 with no blockbuster deal exceeding the USD 10 billion mark.

While the crisis generally slowed down M&A activities it also shifted priorities from adjusting portfolios following the industry's pre-crisis, longer-term sustainability and decarbonization goals to setting a more pronounced view on mitigating demand volatility and enhancing supply chain reliability. This creates additional industry consolidation pressure, e.g. in commodity and agricultural chemicals, which may also partly materialize as distress M&A opportunities. As such, companies are focussing on core portfolio activities.

Asia keeps showing most deal activity dominated by domestic deals in China

From a regional perspective Asia Pacific remains the largest M&A market with the two third drop in deal value compared to 2019 again resulting from last year's extraordinary SABIC deal. China remains by far the largest M&A market globally, accounting for 31% of global volume of which 97% are domestic, reflecting Chinas strong and early recovery after the COVID19 outbreak facilitating normal business operations from early Q2 onwards. Deal activity in Europe remained on the prior year level despite ongoing uncertainties, reflecting the stronger footprint of diversified and specialty chemicals

FIGURE 19: DEAL VOLUME BY SUB-SECTOR



Sources: Thomson One; KPMG, Germany, Analysis

which recovered more strongly after the first impact. North America's M&A development, dominated by the US, was severely hit by fewer large deals compared to 2019. Yet it remains to be seen to what extent the oil price collapse and the resulting loss of the US' cost advantage from shale gas will drive M&A activity.

Slight shifts across Chemicals' sub-sectors in deal activity

In 2020, the shares of sub-sectors remained rather stable in terms of deal volume with no shifts exceeding two percentage points compared to last year. As in 2019, industrial (in) organic chemicals remains the largest sub-sector in terms of deal volume and deal value.

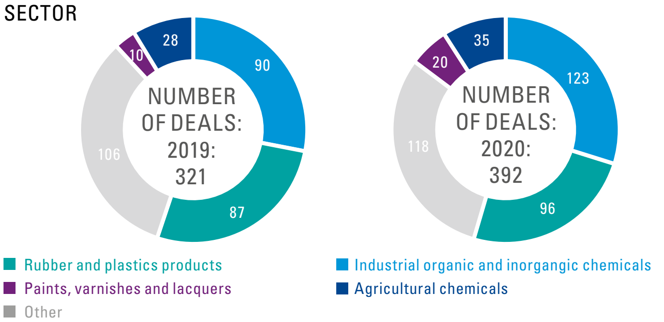
With the crisis disrupting chemical supply chains and impacting demand from end markets companies are set under the pressure to adjust portfolios, focus on core businesses and strengthen their balance sheet while the industry's overarching mega trends such as sustainability persist. Throughout the year, top deals were driven by this pressure with INEOS Group Holdings S.A.'s acquisition of BP plc's global aromatics and acetyls business for USD 5.0 billion being one representative. This transaction allows INEOS to integrate into the polyester value chain aiming to achieve synergies with its existing ethylene oxide/ ethylene glycol business. On the other hand, BP focuses on its long-term 'net zero company' vision and intends to strengthen its balance sheet.

More recently, in October 2020 LyondellBasell Industries B.V. and Sasol Ltd. announced to form a 50/50 integrated Polyethylene joint venture on the basis of Sasol's US-based chemicals business via the acquisition of a 50% stake of this unit by LyondellBasell for USD 2.0 billion. The deal allows LyondellBasell to strengthen its core business area while Sasol aims to reduce its high net debt levels under the pressure of lower oil and chemicals prices.

A benefitting setting for financial investors fosters deal activity

Continuing the trends during the year, financial investors have increased their share in chemicals' M&A now constituting 40% of the acquirers as opposed to 33% in 2019. While the share in deal value remains lower at 27% financial investors are yet present in this year's top deals. With the acquisition of Air Liquide S.A.'s subsidiary Schuelke & Mayr GmbH in Q3 the Swedish investor EQT Partners AB took advantage of Air Liquide's portfolio adjustments setting the focus on its core businesses. Another prominent large cap PE involvement and an example for financial investors' platform build-up strategies is Stone Canyon Industries Holdings' (SCIH) acquisition in Q4. The US investment organization, Mark Demetree (Kissner Group Holdings minority owner), and affiliates announced the acquisition of K+S AG's Americas salt business for USD 3.2 billion, representing 12.5 times the 2019 EBITDA. SCIH and its partners intend to expand their product range by combining Morton Salt and the other brands of the Americas salt business along with SCIH's Kissner Group Holdings, which SCIH acquired in April 2020. For K+S this divestment allows to reduce its high level of net debt which followed the low market prices for its fertilizers and excessive costs for a new plant building in Canada.

FIGURE 20: FINANCIAL INVESTOR ANNOUNCED DEAL VOLUME BY SUB-SECTOR



Sources: Thomson One; KPMG, Germany, Analysis

OUTLOOK

Even though the year-long downward trend in deal volume stopped in 2020, the chemical sector still faces transformational pressure to adapt to a post-COVID19 new normal and from persisting mega trends. While the crisis decelerated some companies' long-term digitalization, decarbonization and other sustainability transformation processes, these trends will persist and remain one overarching deal driver in the near future. On the other hand, the pandemic as well as unsolved trade conflicts have further pushed the awareness to mitigate demand volatility and enhance supply chain reliability setting a stronger focus on deglobalization and supply chain localization. Therefore, chemical companies are facing further pressure to adjust portfolios and rethink their business models. Yet, it remains uncertain when and to what extent this pressure will show up in transactions on the market.

However, certain deals directing to streamline core businesses have already been launched with Swiss-based Lonza Group AG intending to sell its Specialty Ingredients business presumably worth more than USD 3 billion as well as Clariant AG aiming to sell its pigments business.

As part of the industry's portfolio transformations, financial investors can be expected to continue playing a vital role further extending the acquirers universe and allowing vendors to realize higher deal values and to avoid selling assets to competitors. As well, distressed M&A may create further M&A opportunities especially for financial investors.

BASIS OF DATA PREPARATION

Values and volumes used throughout the report are based on announcement date as provided by Thomson Reuters' database Thomson One as of 31 December 2020, extracted up to and including 1 January 2021, and supplemented by additional independent research. Data available after publication date is incorporated in subsequent editions and thus can deviate from previous editions. This edition presents revised data for the years 2013 to 2016. This report includes disclosed and undisclosed values for M&A transactions including minority stake purchases, acquisitions of remaining interest, and recapitalizations and it explicitly excludes self-tenders and spinoffs. Deviations from totals are due to rounding differences. The published numbers of deals and deal values are based on the analysis of target companies which operate in the following subsectors:

Life Sciences

- Medicinal chemicals & botanical products
- Pharmaceutical preparations
- In vitro and in vivo diagnostic substances
- Biotechnology – biological products, except diagnostic substances
- Pharmaceutical wholesale
- Medical devices and diagnostics
- Plant sciences

Chemicals

- Clay, kaolin, ceramic & refractory minerals
- Chemical and non-metallic mineral mining, except fuels
- Fertilizers and agricultural chemicals
- Industrial gases
- Specialty chemicals
- Chemical wholesale
- Plastics and rubber components

KPMG's Deal Thermometer is based on financial data as provided by S&P Capital IQ of public companies in the same sector as noted above with a market capitalization at quarter end of at least a USD 1 billion. For the life sciences sector, this comprises 340 public companies. For the chemical sector, this comprises 213 public companies.

Sources

- Thomson One (Thomson Reuters)
- S&P Capital IQ
- Various companies' press releases
- World Health Organization (WHO)

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