Maintaining M&A Momentum in Chemicals
A Perspective for 2012 and Beyond
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Maintaining M&A Momentum in Chemicals

A Perspective for 2012 and Beyond

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May 2012
For all their diversity, chemical companies share a set of compelling rationales for engaging in M&A. Whether they aim to access high-growth markets, acquire know-how, or rationalize their portfolios, chemical companies have powerful reasons to build on the dealmaking momentum of recent years.

An Industry in Transformation
The growth of emerging markets, the rise of low-cost producers, and raw-material shortages are spurring companies to action.

In Today’s Market, Optimal Owners Win
Companies should evaluate each business unit from an optimal-ownership perspective, asking whether it leverages the enterprise’s core strengths for maximum advantage.
VIEWED AS A WHOLE, the chemical industry has shown remarkable resilience over the past decade. It has shaken off the financial crisis and the accompanying global demand slump, achieving strong revenue growth and above-average profit margins (many companies hitting all-time highs) and generating impressive mid- to long-term shareholder results. M&A activity, meanwhile, has rebounded sharply from the slump of 2009, led by deals in 2011 such as Solvay’s acquisition of Rhodia for $4.6 billion, Clariant’s acquisition of Süd-Chemie for $1.9 billion, and Lonza’s acquisition of Arch Chemicals for $1.2 billion. Financial investors, meanwhile, have shown renewed interest in chemical assets, as is evidenced by Berkshire Hathaway’s acquisition of Lubrizol for almost $9 billion and Rhône Capital’s acquisition of Evonik’s carbon-black business for $1.3 billion.

The larger picture, though, masks wide variations in degrees of consolidation, key success factors, financial performance, and M&A activity among the industry’s numerous subsegments, which range from basic petrochemicals to custom-made active pharmaceutical ingredients. Given the vast differences among the industry’s subsegments, it is difficult to generalize about its prospects in 2012 and the implications for M&A. We have, however, identified three trends that, to a greater or lesser degree, apply to nearly every chemical producer and will drive the industry as a whole as it adapts to a rapidly changing marketplace. These trends will also drive M&A activity, as producers employ dealmaking as well as organic investment to expand into high-growth regions, gain access to new technologies, and rebalance their product portfolios.

The Asian Imperative
The first and most influential trend driving M&A activity has been evident for several years but has lost none of its force: the shift in the source of demand to emerging economies, particularly those in Asia. While the developed world’s share of the demand for chemical products has been declining steadily since 2006, demand in emerging markets has been surging, surpassing developed markets in 2010. China, meanwhile, overtook the U.S. in 2011 as the world’s largest market for chemicals.

Two factors have driven this growth: the move of end customers from Western countries to Asia and the emergence and growth of new Asia-based customers in manufacturing industries ranging from consumer electronics to textiles. If anything, the demand shift to the East will accelerate in coming years. In absolute terms, fully half of chemical demand growth through 2030 is expected to come from Asia. And where demand goes, deals will surely follow.
In particular, many Western producers will continue to enlarge their footprints in Asia, using M&A to complement their organic investments in the region. In reality, they have little choice. The makers of high-volume, low-value products have seen their cost positions in the West become increasingly unsustainable as the costs of transporting their goods have risen to prohibitive heights. They are therefore urgently working to shift production to wherever their big customers are moving or emerging. For their part, producers of higher-value chemicals need proximity to customers to better meet their needs with highly customized products. Although both types of producers have already concentrated their recent organic investments in Asia, many remain underexposed to emerging markets. We expect that they will step up their acquisition activity to establish an enduring foothold.

It’s important to note, though, that investments and acquisitions alone do not provide the necessary exposure to emerging markets. To remain competitive, Western producers need to localize even further, ideally taking on the look and feel of local companies. That entails creating centers of innovation where Western producers can develop products customized to suit local requirements. Units in emerging markets should also include local representation on the corporate board, in senior management, and in the workforce. This is especially true in China, where well-educated, highly skilled workers have in recent years tilted their preferences toward Chinese employers. One option for Western companies seeking a local look and feel in emerging economies is to acquire a local player and make it the cornerstone of a growing regional presence. (See Exhibit 1.)

The Rise of Low-Cost Rivals. In addition to witnessing the accelerating demand from emerging markets, the chemical industry has seen the rise of low-cost compe-
tition in Asia and the increasing market power of Middle Eastern companies with cost- and supply-advantaged access to vital feedstocks. Both types of producers pursue twofold objectives: to leverage their low-cost advantage and to contribute to economic growth and employment in their home countries by building downstream production capability rather than exporting “cheap” upstream energy or input materials.

Many of these producers have developed world-scale, highly integrated greenfield sites that are designed to operate at lower cost levels with a lower initial investment than legacy assets in the West, still maintaining equal functionality. Middle Eastern producers derive an added benefit from state subsidies in the form of feedstock quotas that enable them to price with an eye toward gaining market share. Moreover, Asian and Middle Eastern players operate under regulatory regimes that impose far lower costs and administrative burdens than those governing Western sites.

These advantages create a serious cost and pricing challenge for Western producers trying to compete in upstream segments from Western sites, which are generally older, smaller, and less integrated than Asian and Middle Eastern sites and are more costly to operate. Rather than compete on an uneven playing field, many Western companies are driving revenue growth and protecting profit margins by exiting commoditized businesses. Dow Chemical, BASF, and Lanxess, for example, have all sold their styrene operations. At the same time, they are shifting their portfolios toward downstream segments in which innovation, application know-how, and customer intimacy can serve as key differentiators. In 2012, sales of low-margin upstream businesses will continue to drive M&A activity from the supply side, and the search for higher-margin replacement businesses will stimulate M&A from the demand side.

**The Raw-Material Squeeze.** The third trend shaping the chemical industry’s competitive landscape is the continuing increase in raw-material prices—sometimes accompanied by actual supply shortages—along with the price shifts between different production routes, such as the differential between ethylene- and propylene-based routes. Like the growing prominence of emerging markets, rising material costs are not new. But producers must be prepared for long-term shortages of some materials and must find new ways to defend their margins. M&A is one of several tools companies will use to adapt. In their quest to secure raw-material access at an attractive cost, some Western producers will take the traditional acquisition route, while others will form joint ventures to pool purchasing power. In Germany, for example, ten large industrial companies have formed the Alliance for Securing Raw Materials to strike sourcing deals with raw-material suppliers around the globe. Still others will use M&A to acquire alternative technologies with the potential to make them less dependent on traditional raw-material sources. The U.S. will be one of their hunting grounds, thanks to the shale gas revolution there. This development has changed the game, putting the U.S. back on the map of countries with a raw-material advantage in the petrochemical segment.

In summary, then, three global trends are reshaping the chemical industry and motivating most of its M&A transactions. First, demand continues to shift eastward,
and chemical producers are making acquisitions to build their presence in growing markets and to move closer to their most important customers. Second, the rising market power of low-cost producers—most of them, by no coincidence, based in Asia and the Middle East—is spurring both divestitures and acquisitions, as old-line producers exit low-margin upstream market segments and build more easily defensible businesses further from the wellhead. And finally, waning raw-material supplies are motivating many companies to use M&A to insulate themselves from price shocks, either by acquiring access to attractively priced feedstocks or by acquiring alternative-energy technologies.

What’s Driving M&A Activity?
An analysis of large M&A transactions (valued at $1.5 billion or more) in the chemical industry from 2001 through 2011 shows that most deals were driven by one or more strong underlying rationales, which can be grouped into eight broad categories. (See Exhibit 2.) Those rationales are, if anything, even more persuasive in the industry’s current competitive climate. And just as the motivations for M&A remain largely unchanged, the pace of dealmaking activity should increase again in 2012 and beyond.

The goal of most acquisitions in recent years was to gain leadership in key technologies or industry segments. But dealmakers also had other compelling rationales that will continue to drive M&A activity in 2012.

**Buying Technology to Strengthen Differentiation and Innovation.** This was a motivation for 42 percent of the chemical-industry deals occurring from 2001

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**EXHIBIT 2 | Most Deals Aim for Technology and Segment Leadership**

<table>
<thead>
<tr>
<th>Key M&amp;A rationales</th>
<th>% of deals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquire technology</td>
<td>42</td>
</tr>
<tr>
<td>Achieve dominance of a product segment</td>
<td>40</td>
</tr>
<tr>
<td>Acquire assets for financial returns</td>
<td>30</td>
</tr>
<tr>
<td>Cut operating costs</td>
<td>19</td>
</tr>
<tr>
<td>Optimize portfolio into a high-margin business</td>
<td>17</td>
</tr>
<tr>
<td>Reduce cyclicality of the business</td>
<td>17</td>
</tr>
<tr>
<td>Extend presence in emerging markets</td>
<td>13</td>
</tr>
<tr>
<td>Improve access to feedstocks</td>
<td>4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Acquirer</th>
<th>Deal examples</th>
<th>Value ($billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ecolab</td>
<td>Nalco (2011)</td>
<td>$8.1</td>
</tr>
<tr>
<td>Ineos</td>
<td>Innovene (2005)</td>
<td>$9.0</td>
</tr>
<tr>
<td>Berkshire Hathaway</td>
<td>Lubrizol (2011)</td>
<td>$8.8</td>
</tr>
<tr>
<td>Akzo Nobel</td>
<td>Imperial Chemical Industries (2007)</td>
<td>$16.3</td>
</tr>
<tr>
<td>Sabic</td>
<td>GE Plastics (2007)</td>
<td>$11.6</td>
</tr>
<tr>
<td>BASF</td>
<td>Ciba Specialty Chemicals (2008)</td>
<td>$2.6</td>
</tr>
<tr>
<td>PPG Industries</td>
<td>SigmaKalon (2007)</td>
<td>$3.0</td>
</tr>
<tr>
<td>PTT</td>
<td>Kai Kos Dehseh (2010)</td>
<td>$2.3</td>
</tr>
</tbody>
</table>

Sources: Thomson ONE; BCG analysis.  
Note: Several rationales may apply to each deal; the share of deals valued at $1.5 billion or more (n = 57) announced from 2001 through 2011.
through 2011. Many producers made acquisitions to give their product portfolios more weight in environmentally efficient segments in anticipation of more stringent regulation of carbon dioxide and other emissions. Others saw opportunities in raw materials. Ecolab, for example, acquired Nalco for $8.1 billion in 2011, adding Nalco’s sector-leading water-treatment technology to its mix of cleaning and sanitation products. Ecolab executives have said that they believe that the acquisition has positioned the company well for severe water shortages that are expected as soon as 2025.

Not every target of a technology-driven acquisition is based in the West. In industry segments such as bio-based and electronic chemicals, emerging-market players are leveraging their technological know-how to gain market share. At the same time, emerging-market companies—especially state-backed enterprises—are pursuing deals to acquire Western companies and their technologies, including their regulatory-compliance capabilities.

Building Segment Leadership Through Consolidation. Some segments of the chemical industry, such as industrial gases and agricultural chemicals, are highly consolidated, with the top five players in each segment sharing well more than half the market. The consolidation level in most other segments, however, remains relatively low, and gaining leadership in these markets motivated 40 percent of deals during the period studied.

To consolidate these segments, many acquirers bid for divisions or collections of assets rather than entire companies, affording diversified producers an opportunity to exit segments that no longer fit their strategic objectives. Ineos, for example, acquired Innovene—BP’s olefins, derivatives, and refining subsidiary—for $9 billion in 2005. The deal established Ineos as one of the world’s largest independent petrochemical companies. We expect further consolidation in segments such as leather and textile chemicals, in which customers have been able to leverage the competition among producers to gain the advantage in price negotiations.

In some industry segments, producers seeking consolidation opportunities can expect competition from private-equity firms and government-sponsored entities (GSEs). Just as private equity drove the consolidation among chemical distributors in the recent past, Chinese and Brazilian GSEs have spurred consolidation in petrochemicals and commodity polymers and may seek similar opportunities in other fragmented segments in the future. Because GSEs often have lower return expectations than other potential acquirers, they could be aggressive bidders.

Acquiring Chemical Assets for Financial Return. Private-equity and other financial investors have also shown consistently high interest in chemical assets. The chemical industry has welcomed their interest, as they provide a ready market for producers that want to unbundle their broadly diversified business portfolios. Financial sponsors were behind 30 percent of transactions from 2001 through 2011, including Berkshire Hathaway’s 2011 purchase of Lubrizol for $8.8 billion. Such purchasers have accumulated large cash positions that they can deploy to pursue buy-and-build strategies, as Bain Capital has done in some segments, or to wield their cost-cutting prowess to achieve high absolute returns.
Cutting Operating Costs by Combining Operations. In recent years, many companies have employed M&A to generate substantial synergies through economies of scale, in many cases, also seeking segment leadership. Specifically, under mounting pressure from low-cost operations, many diversified producers have sought to reduce costs by acquiring related businesses and combining logistics, production, sales forces, and R&D facilities. Such deals accounted for 19 percent of large transactions. Akzo Nobel, for example, acquired Imperial Chemical Industries in 2007 for $16.3 billion, folding the diversified producer into its paints, performance coatings, and specialty chemical units. As low-cost producers continue to gain market power, we expect chemical companies to employ M&A, among other strategies, to achieve cost-saving synergies.

Acquiring High-Margin Downstream Businesses. Given that upstream segments of the chemical industry generally comprise low-margin commodity businesses, producers in these segments are often in the hunt for downstream assets, which in many cases command higher margins. Deals for such assets made up 17 percent of the transactions we analyzed. Through such deals, Western acquirers aim to shift their business portfolio away from commoditized segments and toward more differentiated segments—in many cases, divesting the commoditized segments either before or after downstream acquisitions. Middle Eastern and Asian players, on the other hand, acquire downstream segments to leverage their upstream cost advantage. These strategic objectives converged in the blockbuster acquisition of GE Plastics by Saudi Basic Industries Corporation (Sabic) in 2007. For $11.6 billion, Sabic acquired not only a leader in high value-added plastic technology but also an operation with years of experience in the developed world’s most highly regulated industrial marketplaces. At the same time, Sabic advanced the Saudi Arabian government’s aim of diversifying its economy away from resource extraction toward downstream industries. We expect that portfolio optimizers, many from rapidly modernizing economies, will play a sizable role in M&A in 2012.

Reducing Exposure to the Business Cycle. In recent years, large, diversified producers have moved aggressively to shed cyclical business lines and build up their presence in markets with less cyclical sensitivity. Such activity accounts for 17 percent of large deals. (Some of these deals were also motivated by a decision to move into a higher-margin, less commoditized, and more application-focused downstream business. But not every deal to reduce cyclicity involved a move downstream. Thus, our discussion treats them as distinct rationales.)

Many M&A players motivated to reduce cyclicity have traditionally relied on end customers in highly cyclical industries such as automobile manufacturing and construction and have used M&A to access customers less affected by the business cycle. BASF’s recent M&A history typifies this trend. The company has engaged in a string of large acquisitions in recent years, acquiring Johnson Polymers, Engelhard, Ciba, and Cognis, all of which serve markets that tend to hold up well during economic slowdowns. Old-line U.S. companies such as Dow Chemical and DuPont, whose product portfolios have traditionally been heavily weighted toward commodities, have also shed some product lines while acquiring less cyclical businesses. Dow, for example, sold its styrene unit to Bain Capital and acquired specialty chemical maker Rohm and Haas.
Expanding the Footprint of Producers from the Developed World in Emerging Markets. As Exhibit 3 shows, players from the developed world have made relatively few dealmaking forays into emerging markets. They account for 13 percent of large deals from 2001 through 2011. (There were many smaller deals during the period studied, but they fell below our $1.5 billion cutoff.) One of the largest such deals was PPG Industries’ acquisition of SigmaKalon for $3 billion in 2007. With SigmaKalon, PPG gained access to new customers in Asia and Africa for its architectural, automotive, and marine coatings. SigmaKalon, it should be noted, is based in the Netherlands but had built a substantial footprint in Asia and Africa prior to its acquisition. In the future, acquirers seeking exposure to emerging markets will likely seek targets headquartered in those markets, which could complicate the dealmaking process. Many governments in emerging markets have erected barriers to foreign ownership of local companies, and creative dealmaking will be necessary to overcome legal and regulatory obstacles.

Increasing Outbound M&A by New Champions from Emerging Markets. Just as producers in developed economies are using M&A to expand into emerging markets, local champions in rapidly developing economies increasingly are using

EXHIBIT 3 | Emerging-Market Players Have Made Few but Significant Western Acquisitions

In contrast, Western players have not yet made significant deals in emerging markets

Sources: Thomson ONE; BCG analysis.
Note: 2011 figures are year-to-date Q3 numbers; the sample comprises deals involving chemical targets since 2000; the 2007 outlier was driven by Sabic’s acquisition of GE Plastics for $11.6 billion.
outbound deals in developed economies to transform themselves into global challengers. In particular, companies from the Middle East and Asia pursue this path to globalize their operations and broaden their portfolios. Because this deal category has so far accounted for only a small share of M&A transactions in chemicals, we are not examining this category separately. Yet some key deals such as Comex’s expansion beyond Mexico and into the U.S. through its 2004 acquisition of Professional Paint and PTT Global Chemical’s 2011 buy-in into an isocyanate joint venture with Perstorp are, in our view, only the spearhead of many more such deals in the future.

**Gaining Access to Feedstocks.** A select number of producers have made acquisitions or entered into joint ventures to lock in access to critical raw materials, protecting their competitive position and preparing for possible shortages. Thailand’s PTT, for example, paid $2.3 billion in 2010 to acquire 40 percent of the Kai Kos Dehseh Canadian oil-sands project from Norway’s Statoil. Only 4 percent of transactions from 2001 through 2011 were feedstock plays, but such deals are generally large. We expect the number of feedstock acquisitions to grow in coming years, as producers strive to assure a steady supply of raw materials.

**In an Improving but Volatile Financial Climate, “Optimal Owners” Win**

Despite continuing concerns over euro zone debt and the growth trajectory of the world economy, current conditions in the capital markets constitute an overall favorable climate for dealmaking in chemicals. A steady stream of deals in 2010 and 2011 shows that investor enthusiasm for the industry remains high, and valuations, measured as a multiple of earnings, indicate that chemical acquisitions remain reasonably priced despite a 5-percentage point rise in deal premiums in 2011. Many potential acquirers have improved their financial positions, strengthening their balance sheets and boosting debt capacity by cutting costs, disposing of noncore assets, and paying off debt. The 20 largest global chemical companies currently hold cash positions equal to more than 10 percent of total assets, up from less than 8 percent in 2008, and their average net debt-to-EBITDA ratio is just 1.8x, substantially below the 3.2x ratio seen in 2008 and 2009. Operating-cash flows are generally strong across the industry, although cyclical variations could constrain some players.

However, a word of caution is also warranted. Because the chemical industry as a whole might be close to the peak of its current cycle, acquirers must be careful to base their bids on a true through-the-cycle view of each target’s performance. Potential acquirers that base their valuations only on an asset’s performance at the peak of the cycle will wind up paying an excess premium. Fair valuations should reflect variations in earnings throughout the full economic cycle.

Accurate pricing alone, however, does not assure a successful outcome. What else should chemical companies consider when embarking on M&A in the current environment? In view of both continuing industry trends and today’s favorable capital-market conditions, we recommend that companies keep four considerations in mind when approaching a potential deal. We believe dealmakers should adopt
an optimal-ownership perspective, consider forward integration in emerging segments, pursue nonstandard deal structures, and increase focus on Asia.

**Adopt an optimal-ownership perspective.** When analyzing their business portfolios, chemical companies need to ask whether they are the optimal owners of a business. In an environment of rising raw-material prices and relentless pressure for earnings growth, many players have overstretched portfolios and lack the resources to meet the full investment needs of every business unit. Without adequate investment, business units can quickly see their competitive position deteriorate, and a unit’s market value can decline precipitously. The same also holds when there is no defining synergy-generating link—such as an integrated chemical value chain—among the various businesses in a company’s portfolio. And a highly diversified company may lack sufficient management capacity to optimally steer businesses whose success factors do not align well with the company’s dominant operating model.

Chemical companies should therefore consider carefully whether they have a parenting advantage as the owner of each of their business units. Can they sustain the investment levels each unit needs to achieve or maintain critical scale, to acquire key technologies, and to lead rather than follow innovation? Does the unit mesh well with the overall portfolio, enabling it to wring savings from operating or financial synergies? What advantages, if any, does it have under current ownership that other owners cannot provide?

The answers to these questions have significant implications for the corporate and M&A strategies of chemical businesses. Rather than distribute its available investment budget on the basis of unit revenues or another simple metric, diversified chemical companies should ask whether they have the resources to sustain or strengthen each unit’s competitive position. A company might want to dispose of even highly competitive and successful business units if it is not their optimal parent and if it has more attractive investment options. Among the candidates for disposal—regardless of their financial performance—are units with business models that are markedly distinct from the company’s prevailing model. A service-oriented business such as fine-chemical custom manufacturing, for example, might be a poor fit within a company primarily focused on high-volume standard-commodity chemicals. The parent might lack the required management expertise, and its financial controls, IT systems, business processes, and sales organizations might be geared toward selling standardized products rather than providing chemical synthesis and development services.

If the decision is made to divest, the seller should carefully consider the timing of the transaction and the strategic objectives of potential bidders. As noted before, Asian and state-backed chemical companies, eying key technologies and sector leadership, have demonstrated a willingness to pay high premiums and accept lower returns. Tailoring a sale to fit the acquisition agendas of these players can maximize value for the seller.

**Consider forward integration in emerging segments.** New technologies, economic uncertainty, and the rise of emerging economies create new opportunities...
for M&A moves by chemical companies. Advances in biotechnology and energy storage, for example, have impelled some chemical producers to rethink the question of forward integration. The common assumption is that chemical companies engaging in forward integration effectively “declare war” on their downstream customers by competing with them for their margins. But if the value chains for new products and markets are still in the process of formation, the profit pools along the value chain are not yet distributed and chemical companies have a chance to capture downstream higher-margin parts of the chain as well. Case in point: in the alternative-energy business, where the boundary between chemistry and application engineering is still fluid, Evonik has teamed with Daimler to develop lithium-ion automotive batteries differentiated by Evonik’s own ultrathin ceramic membranes. Emerging sectors such as nanotechnology may present other players with the chance to lift margins by moving downstream.

**Pursue nonstandard deal structures.** Economic volatility, meanwhile, can spur financially weakened players to sell valuable assets at attractive prices. In such cases, the winning edge often goes to the most aggressive and creative deals. Consider China’s Yantai Wanhua Polyurethanes Company, which acquired BorsodChem, a Hungarian company, in 2011.

BorsodChem was in financial distress because a cyclical downturn had constrained its ability to service the heavy debt load it took on to finance a leveraged buyout. Anticipating a financial restructuring, Wanhua bought 75 percent of BorsodChem’s mezzanine debt in 2009. Having thus established a strong position in the restructuring negotiations, the following year, Wanhua swapped its debt for 38 percent of BorsodChem’s equity and injected €140 million in cash into the company. In return, Wanhua gained a two-year option to purchase an additional 58 percent of BorsodChem’s equity, which it exercised in February 2011.

Thanks to its timely acquisition of distressed debt, Wanhua became the world’s second-largest producer of isocyanates and increased its access to the European market. The debt purchase, while enabling Wanhua to negotiate a favorable acquisition price, also allowed it to gain early information on BorsodChem that facilitated a successful takeover and integration. The deal is a good illustration of how M&A players can turn economic uncertainty, whether confined to a single company or spread over an entire region, to their advantage.

**Increase focus on Asia.** Regardless of economic fluctuations, Asia and other emerging markets seem certain to grow in importance, and M&A can serve as a valuable tool for accessing customers in the region. Western players, which to date have made surprisingly few acquisitions in Asia, are likely to become more active as they strive to attract the best of the region’s talent and gain customer access and local expertise. In our view, true localization is the single most important contributor to success in emerging markets and winning the localization game. Western companies will need to establish themselves as familiar and welcome presences on the scene. That will require acquisitions as well as organic investments. In these circumstances, it is not necessarily deal size that matters. Rather, it is the acquisition of local know-how, capabilities, and business approaches that can be transferred to the existing business and applied across the product portfolio.
Today, emerging markets are enjoying a period of unprecedented growth, potentially disruptive new industries are in the process of formation, and the rewards for successful M&A in the chemical industry have seldom been higher. But with new, low-cost entrants vying for leadership in many industry segments, the penalties for failure are just as great. We believe that the winners in this high-stakes environment will be the companies whose deals play to their strengths in management, technological and production know-how, and customer understanding. Many of their deals will move beyond outright acquisitions of full ownership stakes toward more creative deal structures, including joint ventures, minority stakes, and the use of contingent payments or the target’s nonequity capital. They will use M&A to build a truly localized presence and identity in markets whose steadily rising demand will fuel the chemical industry’s growth for the foreseeable future. And they will make forward-integrating acquisitions in segments and technologies that have the potential to disrupt established segments and, conceivably, form the foundations of new industries. Acquiring these technologies is another reason to look to the East, as Asia is rapidly establishing itself as an incubation center for some of tomorrow’s most promising technologies. Indeed, it is no overstatement to say that the future for chemical companies is in the East. That is where companies must look to build on the impressive momentum of the past decade.
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Acknowledgments

The authors would like to thank Yves-Pierre Willers for his industry insight and Matthias Hampel for his extensive support. They also acknowledge Harris Collingwood for his assistance in the writing of this report and thank Katherine Andrews, Gary Callahan, Elyse Friedman, Kim Friedman, and Sara Strassenreiter for their contributions to its editing, design, and production.

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