



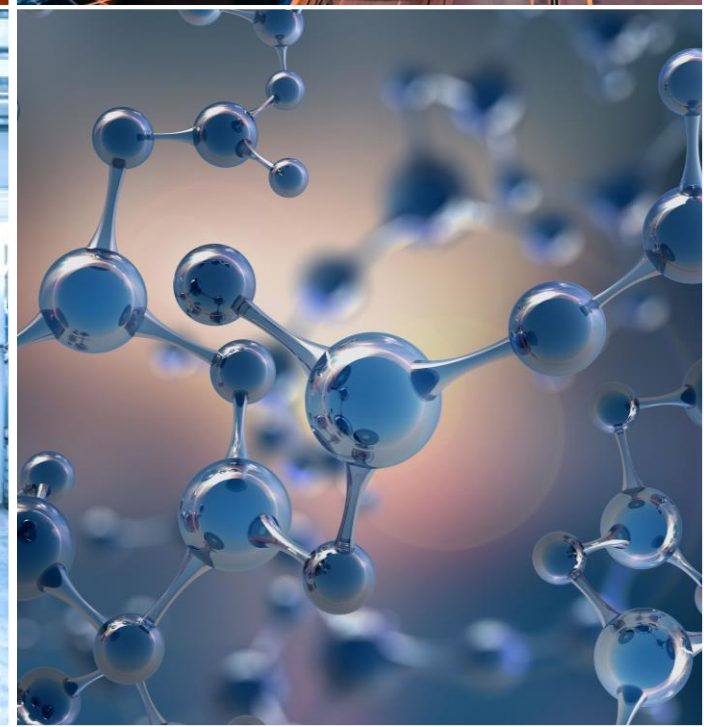
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## Proventis Partners

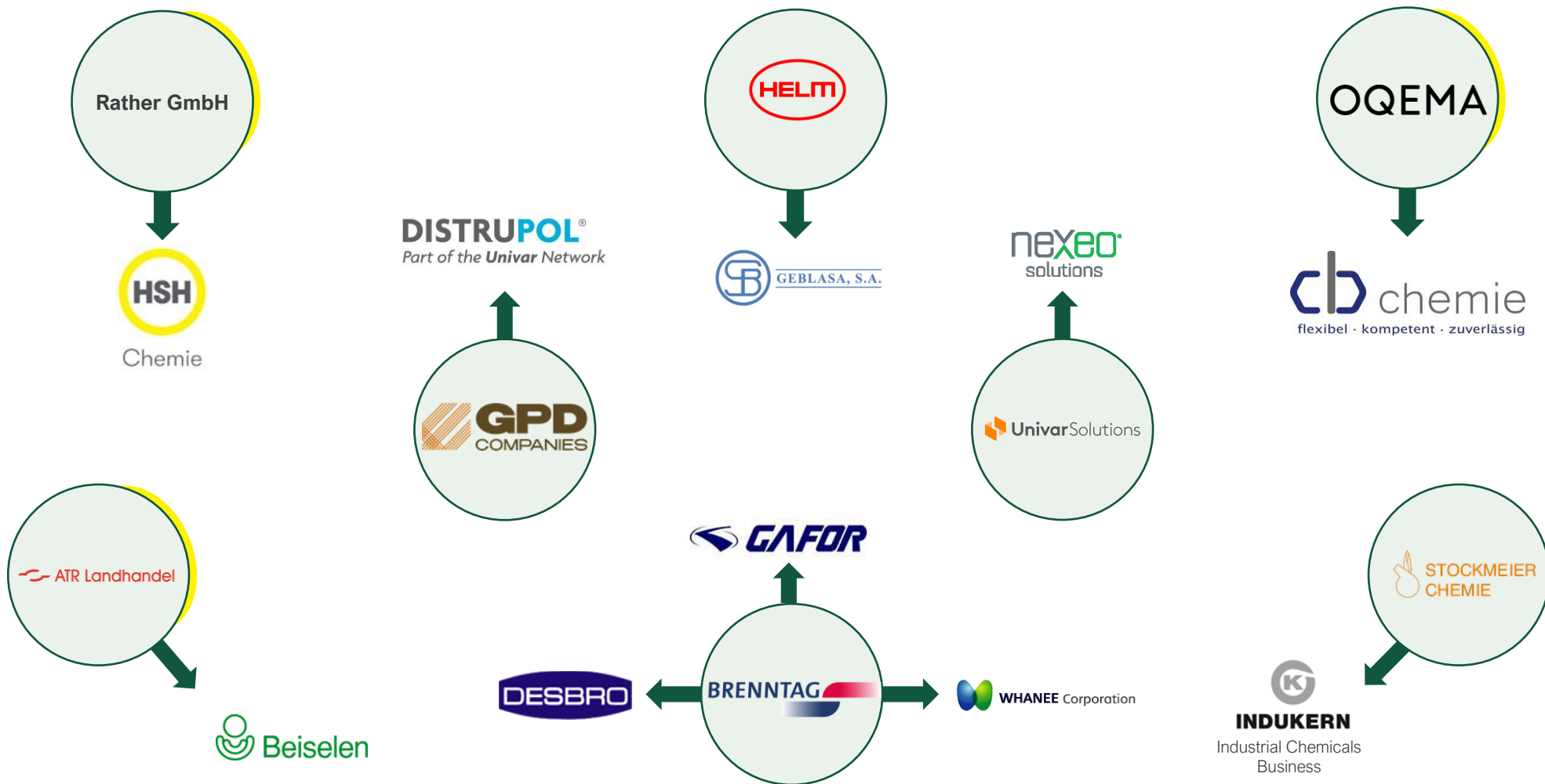
# M&A advisory with sector focus on Chemical and Pharma Distribution

2021

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Consolidation in the Chemical Distribution sector is progressing. What part do you want to play in this in 2021?



Source: Proventis Partners – Selection of some M&A transactions in the chemical distribution segment which generated industry-wide attention. ● Examples for LTM transactions in the DACH region.

## 10 typical questions of our Chemical Distribution clients for which solutions are sought.

### Sell – Key questions

The goal is to sell our company well and quickly.

1 Is our company fit for sale?  
Is it the right time to start?

2 Which buyers pay the best price, are well funded and will not be too complicated in the transaction?

3 How much time do we need to set aside for the sales process and who leads the transaction process?

4 How do we minimize the risk that there will be no buyer at the end or that we will not receive our target price?

5 How do we prevent the market, our employees and competitors from learning about the transaction at an early stage?



### Buy – Key questions

The goal is to buy a company well and quickly.

1 How do we get suitable buy targets?  
We don't quite have the market overview and have too few relationships.

2 How high should the company pricing be? Which multiples are currently being paid in the industry?

3 What are the risks/traps to look out for?  
Which lawyer has experience and matches our cost expectations?

4 How is the process efficiency and how much time do we need to set aside? How long does the process take?

5 What reactions can be expected from competitors after the purchase?



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**Proventis Partners is an established M&A advisory firm with offices in Germany and Switzerland with a focus on mid-market transactions.**

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- Proventis was founded in 2001 and is owned and managed by its Partners
- We provided independent advice to our clients for nearly 20 years.



- We are specialists for mid-cap M&A transactions.
- Our typical transaction size is between EUR 15m and 200m in value.



**30**  
PROFESSIONALS

- A passionate team of around 30 employees and senior advisors works tirelessly to help our clients solve central strategic situations.



**300+**  
TRANSACTIONS

- Our Partners developed deep transaction and sector expertise from the successful execution of over 300 transactions.



**4**  
LOCATIONS

- We have offices in Hamburg, Munich, Cologne and Zurich.
- From here, we cover the entire German-speaking region.



**EUR 10BN**  
TRANSACTION VOLUME

- We have advised on transactions with a cumulated transaction volume of over EUR 10bn.



**6**  
FOCUS SECTORS

- We are focused on seven sectors: Chemicals & Industrials, TMT, Consumer & Retail, Healthcare, Energy and Business Services.



**> 50 %**  
CROSS-BORDER-  
TRANSACTIONS

- As an exclusive member of the Mergers Alliance, we have a global reach, as more than 50% of our transactions are cross-border in nature.

**Our experienced partners are focused on your M&A deal success – your M&A questions will be answered in the context of the Chemical Distribution industry.**

**Dr. Uwe Nickel**

Chemicals



+

**Dr. Jan-Philipp Pfander**

Chemicals



+

**JP Wartmann**

Pharmaceuticals



+

**Jost Hartmann**

Distribution



**Experience and focus:**

- 34 years experience of management in different areas (R&D, Operation, Corporate) of the chemical industry.
- Head of the chemicals practice of Proventis Partners.
- Worked for various listed and private equity held chemical companies :
  - CEO of HCS Group/- Holding, Germany (until 2019)
  - Member of the Board of Management specialty chemicals group Clariant Int., Switzerland
  - Several operational functions at Hoechst AG
- Led numerous M&A, JV and divestment transactions.
- Several Board of Directors mandates.
- PhD in Organic Chemistry of University Frankfurt.

**Experience and focus:**

- 30+ years experience in the chemicals and related sectors.
- Significant experience in advising clients on a wide range of M&A and capital market transactions.
- Head EMEA Chemicals at Moelis&Company.
- Head of the Chemicals Group for EMEA at JP Morgan, attained the No 1. wallet share in chemicals 2007 to 2014.
- 10 years at McKinsey&Co. advising chemical clients on M&A, strategy, organization, functional excellence and restructuring.
- PhD in Business Administration, University of Oldenburg.
- Diploma in Microbiology/Biotechnology, TU Munich.

**Experience and focus:**

- Long standing track record in finance and general leadership positions in biotech financing and pharmaceutical sales and marketing.
- Managing Director for two sales and marketing subsidiaries of the international Hikma Group in Central Europe. He oversaw several strategic projects and licensing/BD transactions at European level.
- Associate at PricewaterhouseCoopers in Frankfurt.
- Senior financial analyst at a subsidiary of GE Capital.
- Finance director of the VC/PE financed biotech company IDEA AG; project manager for several complex Corporate Finance transactions.
- Studies in Economics at University of Cologne.

**Experience and focus:**

- Jost Hartmann is a founding partner of Proventis Partners Hamburg/Germany.
- More than 20 years experience with M&A transactions and private equity deals.
- Managed, structured and completed over 50 domestic and international sell-, buy side and growth capital transactions.
- MBA, Thunderbird American Graduate School of International Management; Business Administration, HSBA.

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## Our expertise is based on many years of business experience – the differentiating feature in M&A.

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**ProventisPartners.**  
FOR WHAT TRULY COUNTS



### Practical business experience:

- ▶ Our partners at Proventis in the chemicals and distribution sector have a long track-record in the industry.
- ▶ Our partners have worked in midsize and large Chemical, Pharmaceutical or Engineering companies and in sub-sectors such as base-, fine, special and petrochemicals.
- ▶ Our partners have global experience and proven track-record in building and managing companies.
- ▶ We focus on execution, organizational development and strategy in each M&A situation as a key aspect.



### Pragmatism and deal quality:

- ▶ Our partners have experienced many M&A situations, as clients and as M&A consultants, and know how and when to deal with challenges and problems in such processes.
- ▶ Our partners have acquired, sold and outsourced companies, while at the same time directing, integrating and building businesses.
- ▶ This is reflected in the pragmatism and quality of our M&A deals.



### Passion and partnership:

- ▶ We have longstanding insights and contacts into the industries.
- ▶ From our own experience with growing companies, we strive for sustainable M&A deals and profitable business portfolios.
- ▶ We implement the project for our clients as if it were our own company.
- ▶ We strive for the best solution for shareholders, management and employees.

**We are close to the major Chemical markets in the DACH region and internationally.**

**Our locations:**

**ProventisPartners.**  
FOR WHAT TRULY COUNTS

**1 Proventis Partners Zurich**

**2 Proventis Partners Munich**

**3 Proventis Partners Cologne**

**4 Proventis Partners Hamburg**

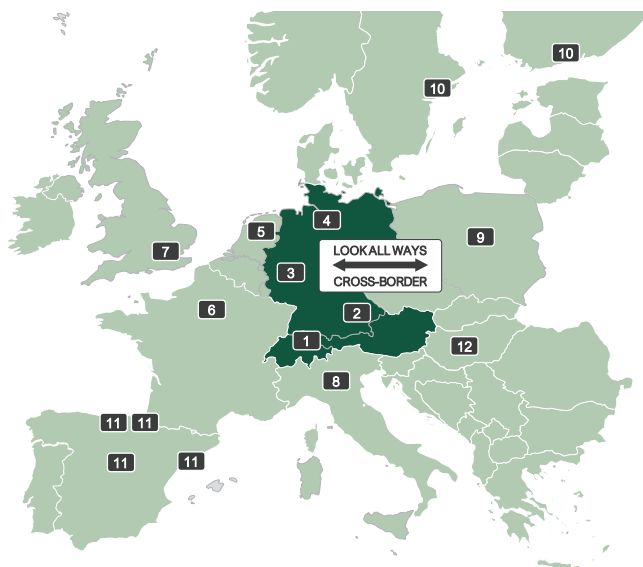


**1,160 deals since 2010 – 211 professionals.**  
Proventis Partners is an essential part of Mergers Alliance – a partnership of award-winning M&A specialists who provide high-quality consulting services to companies that need an international network for their M&A deals.



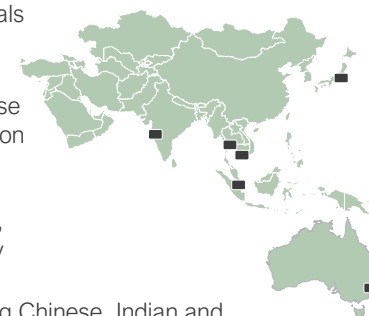
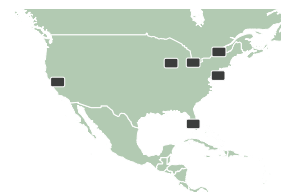
**DACH region ↔ Europe**  
**Cross-Border M&A market**

- ▶ Attractiveness: established companies with high purchasing power; successful, global strategies for the continuation of the target company.
- ▶ Challenges: regulatory hurdles, REACH, linguistic and cultural differences in personal and professional interaction.
- ▶ Experienced with international sellers and lawyers as well as with the control of complex processes.



**North America and APAC ↔ Europe**  
**Cross-border M&A market**

- ▶ Attractiveness: large chemicals market, proximity to leading research and development.
- ▶ Challenges: complex purchase agreements, higher transaction costs, linguistic and cultural differences.
- ▶ Personal access to interesting US buyers; native translation of linguistic and cultural differences.
- ▶ Attractiveness: large chemicals market, proximity to leading research and development.
- ▶ Challenges: complex purchase agreements, higher transaction costs, linguistic and cultural differences, supply chain issues, backward integration, environmental and regulatory changes.
- ▶ Personal access to interesting Chinese, Indian and APAC buyers; native translation of linguistic and cultural differences.

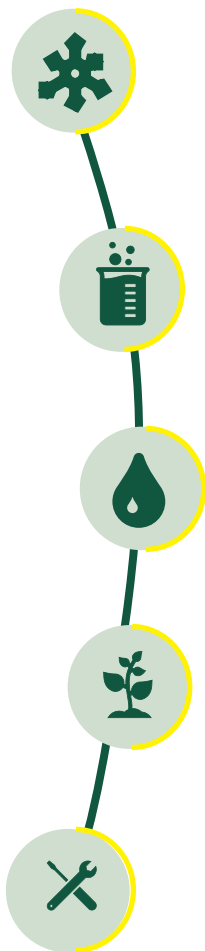







- 5** Oxeeye advisors, NL
- 6** Aurignac Finance, FR
- 7** Opus Corporate Finance, UK
- 8** Ethica Corporate Finance, IT
- 9** Ipopema, PL
- 10** Experia, SE
- 11** Norgestion, ES
- 12** Associated: Absolve, HU
- Locations in NA and APAC

**Total 36 locations worldwide**  
**ProventisPartners.** 2021  
FOR WHAT TRULY COUNTS Page 7



We have extensive expertise in chemicals and distribution – and a broad network of contacts.



Market Segments	Some client examples	Segment examples	End markets / applications
<b>Distribution</b>	  	<ul style="list-style-type: none"> <li>Specialty chemicals</li> <li>Food ingredients</li> <li>Chemicals</li> </ul>	<ul style="list-style-type: none"> <li>Pharmaceuticals, Nutraceuticals</li> <li>Food and Beverage, feed</li> <li>Agriculture</li> <li>General industry</li> </ul>
<b>Specialty &amp; Fine Chemicals</b>	    	<ul style="list-style-type: none"> <li>Adhesives, Additives</li> <li>Disinfectants</li> <li>Dyestuffs, Pigments</li> <li>Diagnostics</li> <li>Pharmaceuticals, APIs</li> </ul>	<ul style="list-style-type: none"> <li>Pharmaceuticals, Nutraceuticals</li> <li>Automotive, Coatings</li> <li>Building / construction</li> <li>Food and Beverage, feed</li> <li>Household, general industry</li> </ul>
<b>Base- and Petrochemicals, Industrial Gases</b>	   	<ul style="list-style-type: none"> <li>Inorganic and organic base chemicals, fuels</li> <li>Inorganic and organic bulk intermediates (e.g. bulk drugs, bulk pesticides, bulk vitamins, bulk fragrances etc.)</li> <li>Cement</li> <li>Nitrogen, Oxygen, Carbon dioxide, Argon, etc</li> </ul>	<ul style="list-style-type: none"> <li>Downstream chemical industry</li> <li>Transportation, Automotive</li> <li>General industry</li> <li>Pharmaceuticals, Nutraceuticals</li> <li>Chemical Industry</li> </ul>
<b>Agrochemicals</b>	   	<ul style="list-style-type: none"> <li>Synthetic fertilizers, hormones, other chemical growth agents</li> <li>Pesticides, insecticides, herbicides, fungicides, nematicides</li> </ul>	<ul style="list-style-type: none"> <li>Agriculture</li> </ul>
<b>Plant engineering, equipment, automation and maintenance</b>	  	<ul style="list-style-type: none"> <li>Laboratories, Plant design</li> <li>Construction Management</li> <li>Fill and Finish ADC production</li> <li>Electrical, Instrumentation &amp; Automation</li> </ul>	<ul style="list-style-type: none"> <li>Chemical Industry</li> <li>Agrochemical Industry</li> <li>Pharmaceutical Industry</li> <li>Food &amp; Nutrition Industry</li> </ul>

We use our knowledge of the trends in the Chemical & Pharma Distribution industry for our M&A deal.

**1 - Impact on M&A**

Supplier and clients consolidate their supply chains which leads to an **industry consolidation** and a high volume of M&A transactions.



**2 Sustainability** - Consumer activism is further directing Chemical companies and their distributors towards sustainability. Circular Economy, alternative feedstocks and increasing regulations have an impact on the portfolio of chemical companies and fuel transformation needs (e.g. alternative fuels, bio-/renewable based plastics) This in turn has implications for distributors offerings and sourcing.

**3 Supply Chain** - Increasing and enforced environmental regulations will change chemical and Pharma supply chains from East to West (e.g. the blue sky initiative in China since 2018) and will change sourcing models with a special focus to increase supply chain resilience (e.g. 50 - 70% of the global API production is coming from Asia, namely from China and India).

**4 Digitalization** - Digitalization, IoT and Machine Learning play an important role to increase efficiency as well as transparency and maintain high quality service while allowing for new data driven business models and participate in alternative distribution channels (e.g. e-platform).

**5 Outsourcing** - Chemical companies tend to simplify business models, which results in outsourcing activities of distribution divisions, and therefore in an increasing number of value-added service demand such as logistics, packaging, blending, waste removal and inventory management by chemical distributors.

**6 Focus** - Reclassify importance and resources of specific services and product classes as well as regional coverage to reduce complexity and increase efficiency.

**7 Trade Barriers** - Trade barriers and/or increasing regulations will change the supply chain and territory origins especially for Fine-, Specialty Chemicals and API building blocks. In addition, COVID-19 & BREXIT cause supply chain bottlenecks, due to less availability of containers and vessels and significant increase of transportation costs.

**Impact on M&A**

Pressure on chemical distributors to adapt to changing markets , product needs and product sources

**Impact on M&A**

Pressure to secure role in future supply chains and ensuring debottlenecking through M&A.

**Impact on M&A**

Pressure on chemical distribution companies' supply chains and organization and how to catch up through buying digital competence and - solutions.

**Impact on M&A**

Pressure on chemical distributors to add significant value through acquisition of downstream services.

**Impact on M&A**

Review portfolio of offerings and services (e.g. change from one stop shopping offers to more chemical or pharma driven channels)

**Impact on M&A**

Pressure to act faster to changing sources at affordable price and ensuring alternative and back up supply models e.g. establish a broader or diversified regional/global coverage.

**9 - Impact on M&A**

Developed markets offer limited growth opportunities which force market participants to realize **inorganic growth through M&A transactions**.

Source: Proventis Partners

Proventis Partners has excellent relationships with all relevant investor groups.

M&A deal motivation



**Large Corporations / Groups**

- ▶ Portfolio adjustment, e.g. sale of low-profit units or focus on specific subsectors.
- ▶ Buy & Build, e.g. building a new division to participate in the growth of the Chemical Distribution market.
- ▶ Consolidation through acquisition of competitors.




**Mid-cap**

- ▶ Succession issue, in case no internal family solution can be found.
- ▶ Geographical expansion, e.g. market entry into a neighboring country, the US, etc.
- ▶ Access to complementary technology.
- ▶ Faster growth through a takeover.
- ▶ Sub-optimal size / optimize unit cost structure via economies-of-scale deal.



**Private Equity**

- ▶ Private equity is increasingly interested in Chemical Distribution. Globally, the increasing lifespan of the population and the growing middle class in developing countries are attractive for private equity.
- ▶ Market entry, e.g. building a new specialty chemicals competence
- ▶ Buy-outs, e.g. in the course of a succession.
- ▶ Buy & Build, e.g. complementary acquisitions for portfolio companies.



Illustrative examples

**Sell-side M&A: company sale – spin-off - succession - private equity exit in the Chemical Distribution sector.**

**Sell-side M&A mandate:**  
 Use of our sector-specific know-how for a successful deal dynamic in 8 steps up to closing.



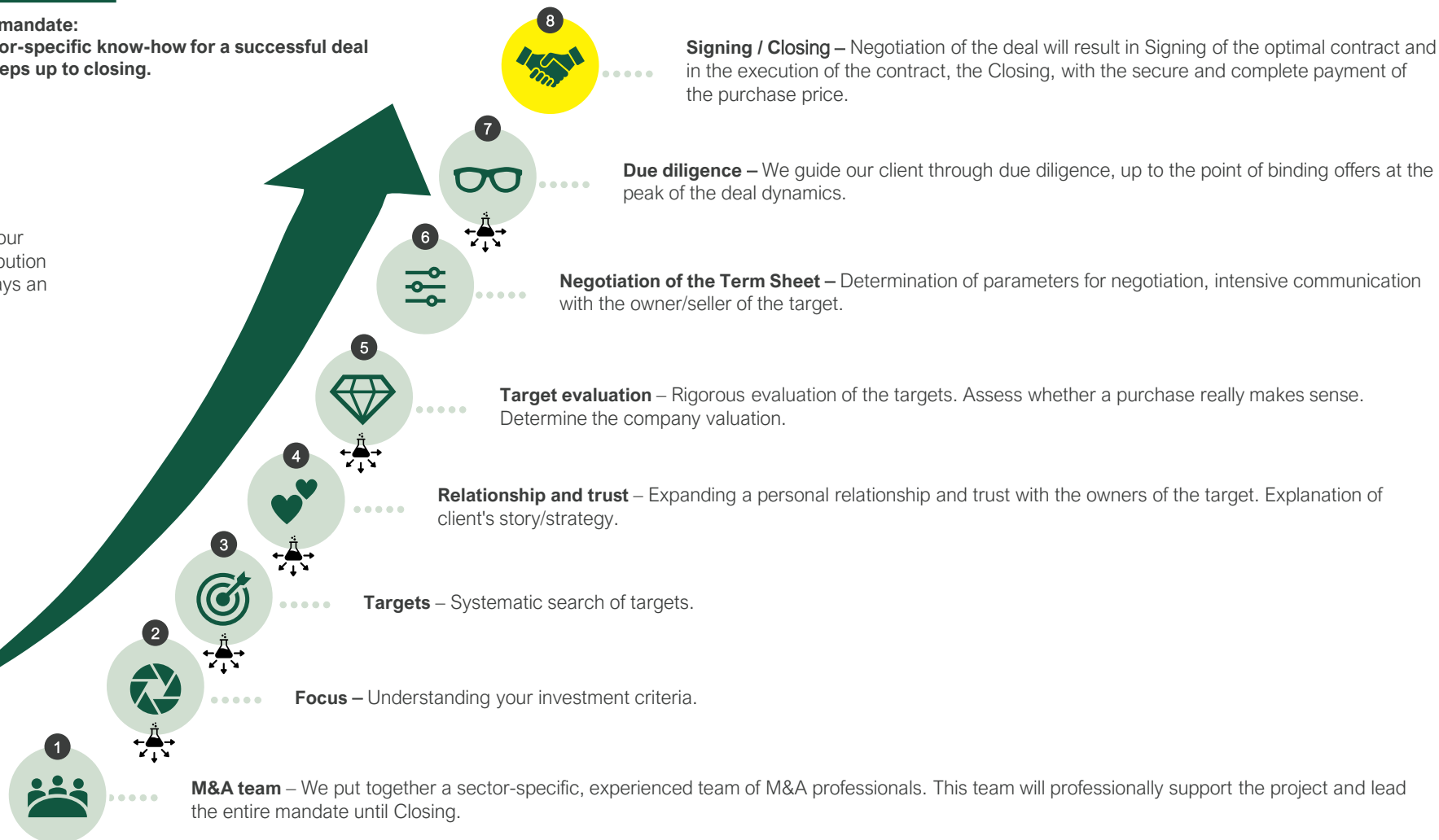
Areas in which our Chemical Distribution competence plays an essential role.



**Buy-side M&A: company acquisition - Buy & Build - consolidation - market entry - expansion to another geography - complementing the portfolio - value chain integration.**

**Buy-side M&A mandate:**  
Use of our sector-specific know-how for a successful deal dynamic in 8 steps up to closing.

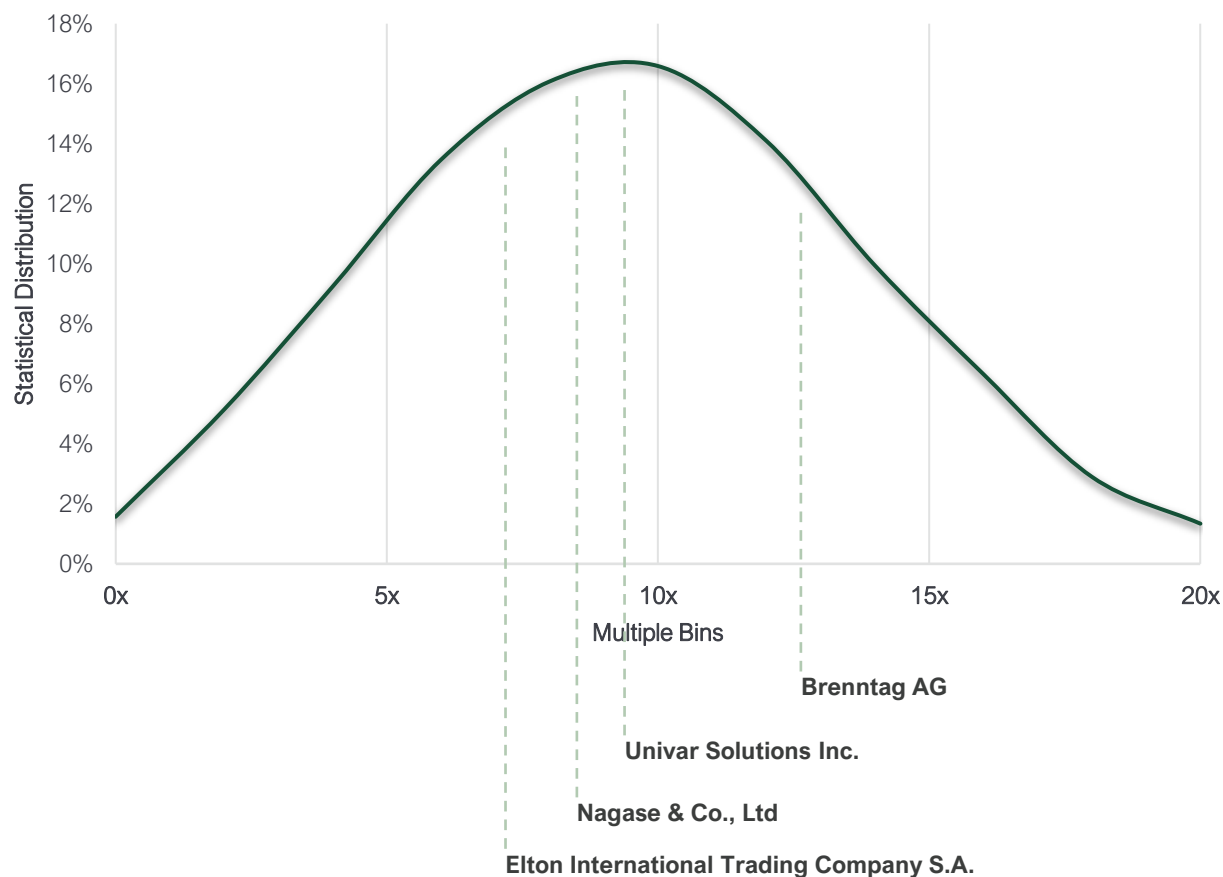
  
Areas in which our Chemical Distribution competence plays an essential role.



**Trading multiples for companies in the Chemical Distribution sector are currently between 6x and 13x EV/EBITDA.**

**Distribution of trading multiples**

Trading & Distribution sector, EV/EBITDA

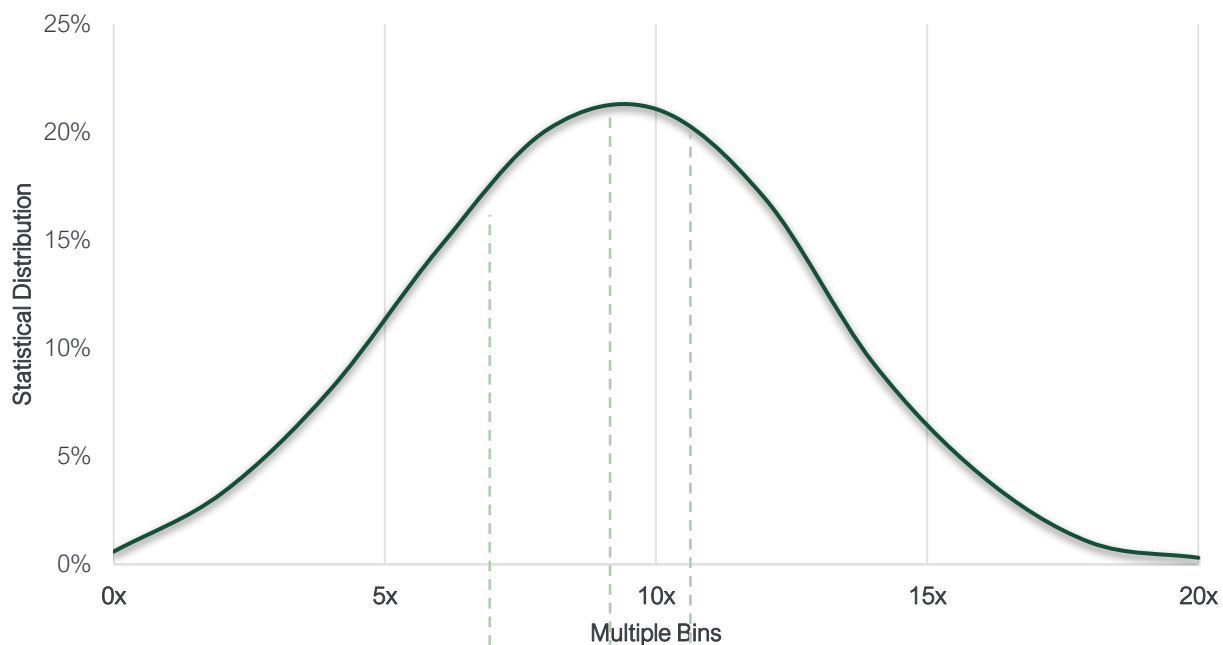


- ▶ Trading multiples throughout the distribution sector are roughly normally distributed with an average of 8.2x and a standard deviation of 4.7x EV/EBITDA.
- ▶ Companies with activities in the Chemical Distribution sector are priced in line with the distribution sector:
  - 6.9x Elton International Trading Company S.A.
  - 8.4x Nagase & Co., Ltd
  - 9.4x Univar Solutions Inc.
  - 12.3x Brenntag AG

**Transaction multiples for companies in the Chemical Distribution sector are currently between 6x and 10x EV/EBITDA.**

**Distribution of transaction multiples**

Trading & Distribution sector, EV/EBITDA



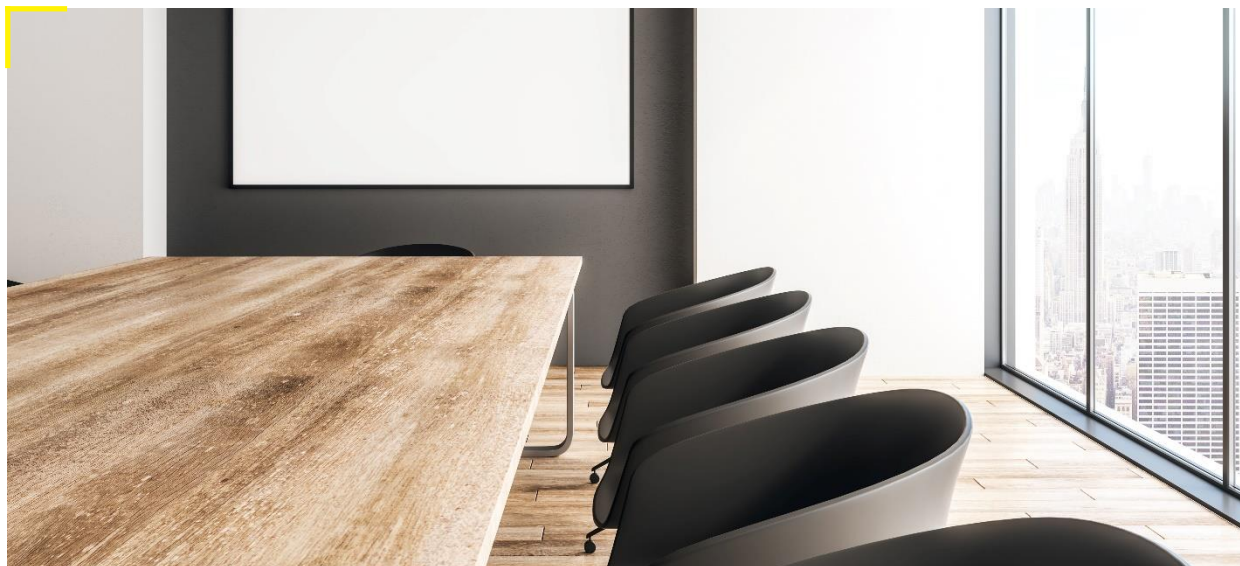
- ▶ Transaction multiples across the distribution sector are roughly normally distributed with an average of 8.2x and a standard deviation of 3.6x EV/EBITDA.
- ▶ Transactions in the Chemical Distribution sector achieve prices in line with the distribution sector:
  - 6.4x acquisition of Desbro Kenya Limited by Brenntag AG
  - 8.4x acquisition of Umongo Petroleum Proprietary Limited by Omnia Group (Pty) Ltd
  - 10.5x acquisition of Nexeo Solutions Inc. by Univar Solutions Inc.

Desbro Kenya Limited / Brenntag AG

Umongo Petroleum Proprietary Limited / Omnia Group (Pty) Ltd

Nexeo Solutions, Inc. / Univar Solutions Inc.

We would be happy to meet and advise you personally.



### Regular subject-specific publications



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