

# Chemicals M&A: Historical trends and 2025 outlook

A challenging market in  
uncertain times



# Management summary

**T**he chemicals M&A market in 2025 is expected to remain subdued, following a period of record activity in 2021 driven by post-pandemic recovery, low interest rates and strong optimism. Since then, global economic conditions have been reshaped by rising inflation, interest rate hikes, the impact of the Ukraine war on energy prices, prolonged destocking trends, and post-COVID supply chain normalization, leading to weaker demand, lower sales volumes and declining profit margins in the Chemicals industry. These conditions led to a sharp decline in deal volumes, with approximately 70% of transactions failing to close in 2023–2024, primarily due to persistent valuation gaps regarding what normalized EBITDA margins should be. Sellers were anchored to peak-cycle earnings and future demand optimism, while buyers were cautious, factoring in economic, geopolitical, trade and raw material uncertainties.

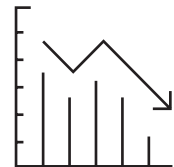
Looking ahead, the sector faces continued headwinds: overcapacity in China is pressuring global margins in some key value chains (such as phenolics), trade policy volatility is increasing investment risk and European players continue to be disadvantaged by high energy costs and sluggish growth. Additionally, key end markets (such as automotive and construction) are growing below historical trends, further limiting volume growth. As a result, we expect the chemicals M&A environment to remain subdued and to be shaped by several trends: ongoing corporate carve-outs as companies refocus on core activities (especially in Europe), rise in distressed or over-leveraged assets due to higher borrowing costs and soft demand and mounting pressure from private equity limited partners for returns, forcing creative continuation strategies or exit at lower valuations.

Despite these challenges, opportunities remain for disciplined investors able to bridge valuation gaps and act decisively. The chemicals M&A landscape in 2025 will be defined by caution, selectivity and the need for innovative dealmaking in a volatile market environment. A carefully crafted investment thesis and active sector screening will allow for exclusive processes and preemptive bids.

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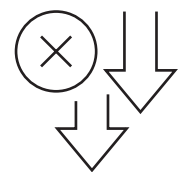
## Fast Facts



Global chemicals M&A activity peaked in 2021 and has steadily declined since

# 70%

of chemicals transaction processes in 2024 fell through



One of the key drivers of M&A process failure was a misalignment around what normalized EBITDA level should be

# 1 Peak M&A activity in 2021

The chemicals sector experienced unprecedented M&A activity during 2021, marking a peak driven by several key factors:

## 1. Economic recovery post-pandemic

Emerging from pandemic lockdowns, the chemicals industry saw a strong recovery in 2021, driven by increased consumer demand and manufacturers overstocking. This surge boosted production in both basic and specialty chemicals.

## 2. Low interest rates

Historically low interest rates made borrowing cheaper, encouraging strategic acquisitions and private equity investments. In 2021, private equity firms accounted for nearly 40% of deals, aggressively seeking growth opportunities.

## 3. Optimism

Improved operating margins post-pandemic led chemical companies to confidently allocate capital for acquisitions, anticipating continued demand in sectors such as construction, automotive and consumer goods.

## 4. Geopolitical factors

Deal activity benefited from a relatively stable geopolitical environment until February 2022, when the war in Ukraine broke out.

As a result, the industry saw a record number of deals and high valuations. Mega deals—transactions valued at over USD 10 bn, such as the Celanese acquisition of Dupont M&M for USD 11 bn, the DSM-Firmenich deal valued at USD 20.7 bn, or the IFF merger with DuPont's Nutrition & Biosciences division in a USD 26.2 bn transaction—underscored the competitive nature of the M&A landscape during this time.

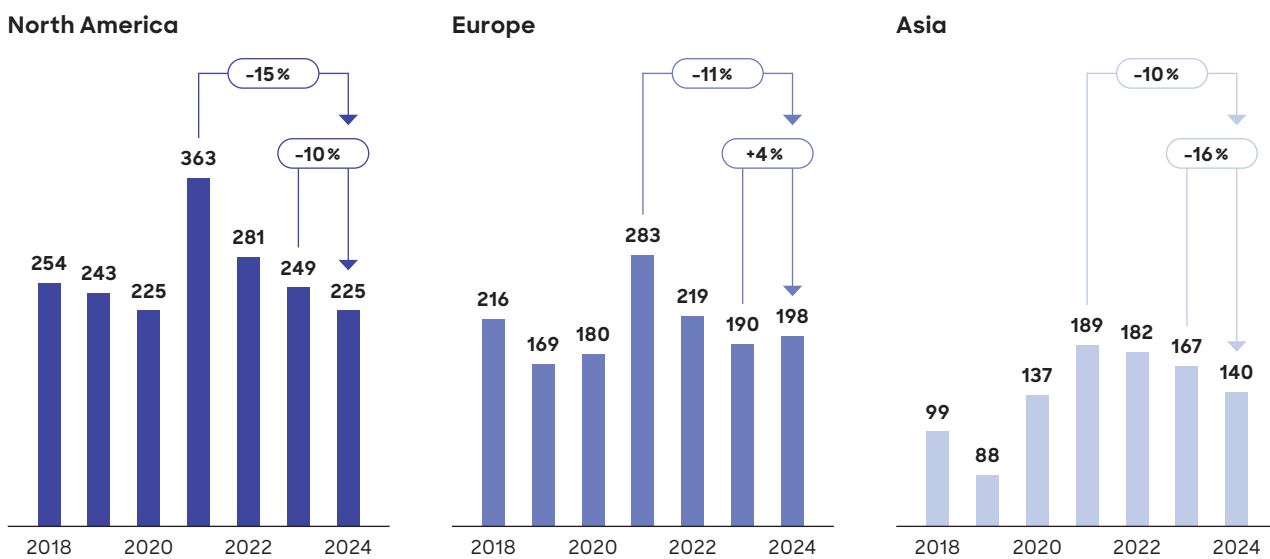
# 2 Changing M&A environment since 2022

In 2022 and 2023, several factors reshaped the economic landscape. Rising inflation prompted central banks to hike interest rates, which increased the cost of financing deals and negatively affected industries such as construction and automotive. The war in Ukraine added further disruption as economic sanctions constrained oil and gas supplies to the region, sharply driving energy prices higher. Additionally, destocking trends in 2023 and 2024 contributed to weaker market demand. Destocking was a trend that lasted for over a year and was particularly significant in key end markets for the chemicals industry, including automotive, pharmaceutical, packaging and electronics. Meanwhile, prices that had surged in 2021 and 2022 due to COVID-related supply chain disruptions began to normalize as supply conditions improved. As a result, companies faced a decline in both sales volumes and unit profit margins compared to the peak levels seen in 2021 and 2022.

This abnormal environment made it more challenging for potential buyers to grasp business fundamentals, leading to a decline in M&A activity as companies became more

cautious about pursuing deals. By mid-2022, M&A volumes had begun to decline significantly compared to the previous year, indicating a cooling off from the frenzied pace observed earlier. In the 2023-2024 timeframe, a staggering 70% of deals failed to materialize. This was mainly due to disagreements over normalized EBITDA levels. Sellers clung to peak-cycle earnings, while buyers adjusted valuations to reflect the realities of economic cycles. ▶ **A**

## A Number of deals in chemicals, by region



Source: Pitchbook, Roland Berger

# 3

## Challenging market fundamentals ahead

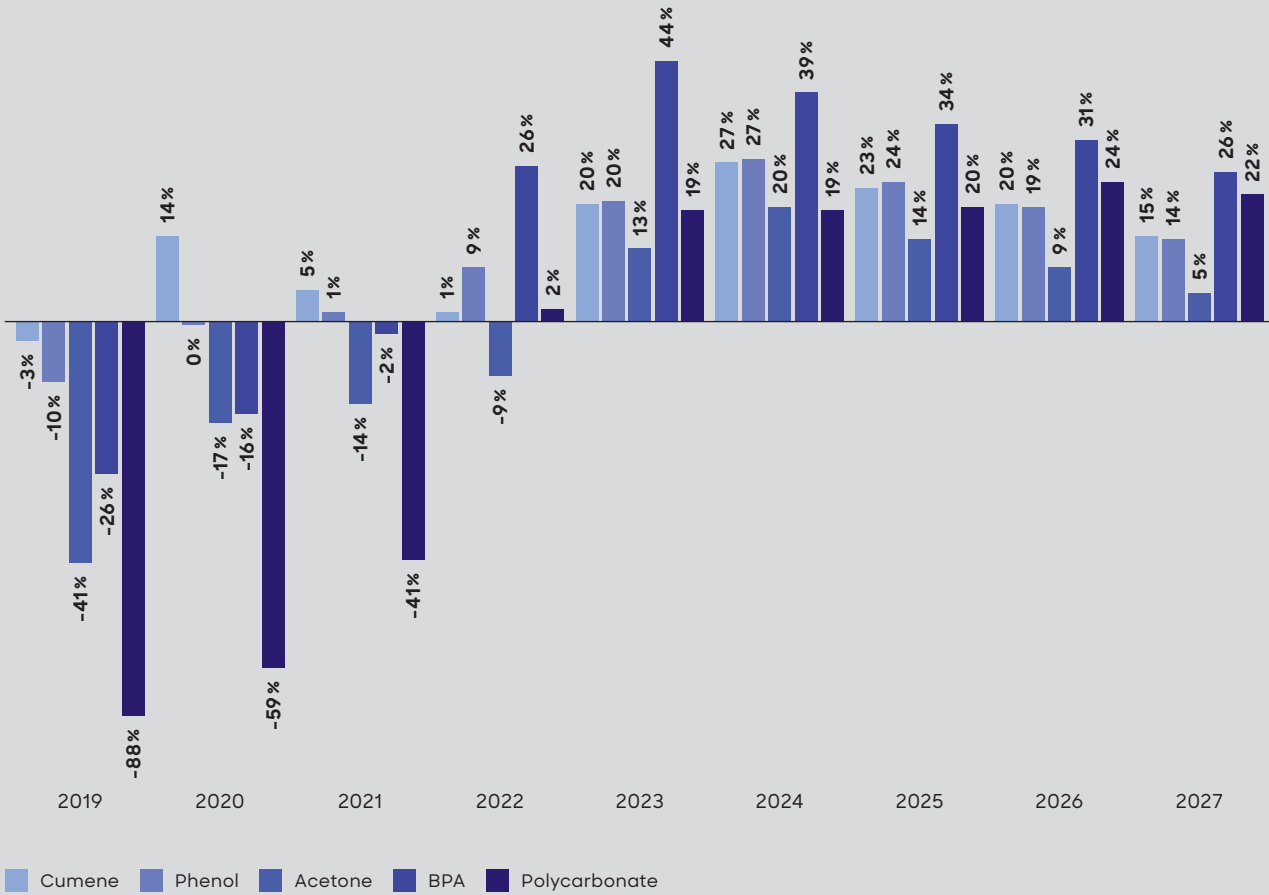
Looking ahead, we do not anticipate that market fundamentals will significantly improve. Several factors contribute to this outlook.

### OVERCAPACITY IN CHINA

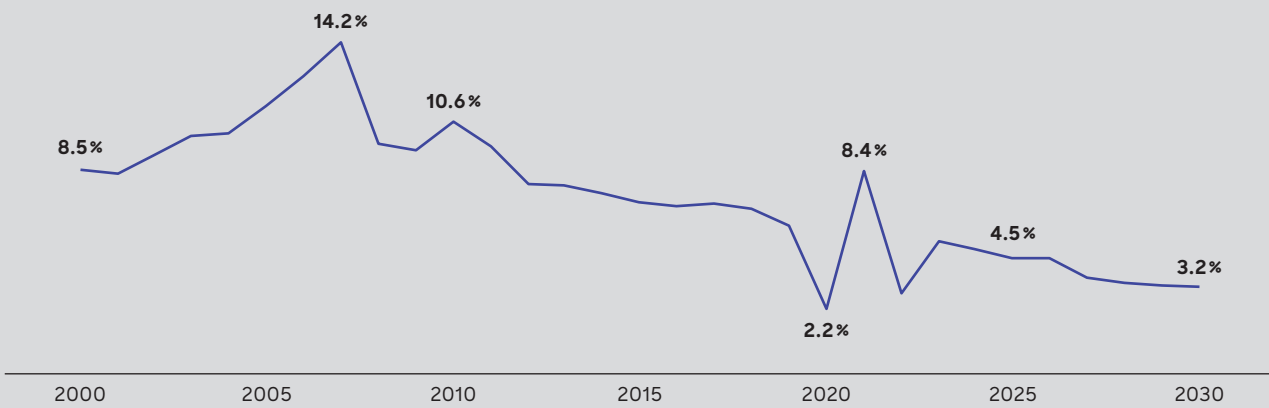
China, a pivotal player in global chemical consumption, is experiencing a marked slowdown in economic growth. GDP forecasts for China now hover between 4% and 5% (potentially less with the impact of tariffs), a stark contrast to the rapid 7-10% growth rates of the previous decade. Compounding these challenges, production capacity has witnessed a significant expansion, as illustrated by the phenolics value chain, resulting in an oversupply that has placed considerable pressure on profit margins in regions that are exposed to imports from China, such as Europe. As it stands, the expected demand growth will not be able to absorb the excess capacity in the short term. Therefore, these market imbalances are likely to evolve given the current environment of slower economic growth and trade wars. ▶ **B**

## B Excess capacity vs. demand and long-term GDP in China

Excess production capacity,  
2019–2027



GDP growth,  
2000–2030



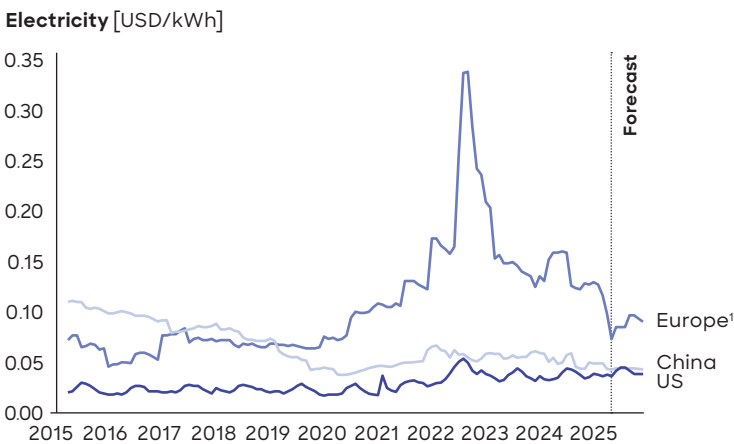
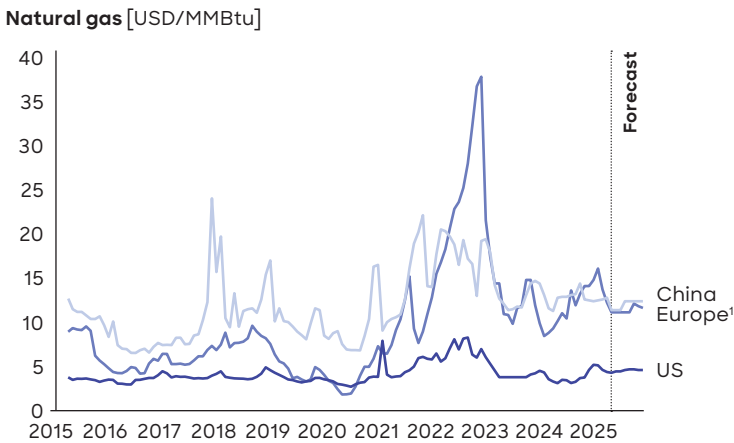
Source: S&P Global, World Bank, Statista, Roland Berger

## VOLATILE AND CONTRACTING TRADE ENVIRONMENT

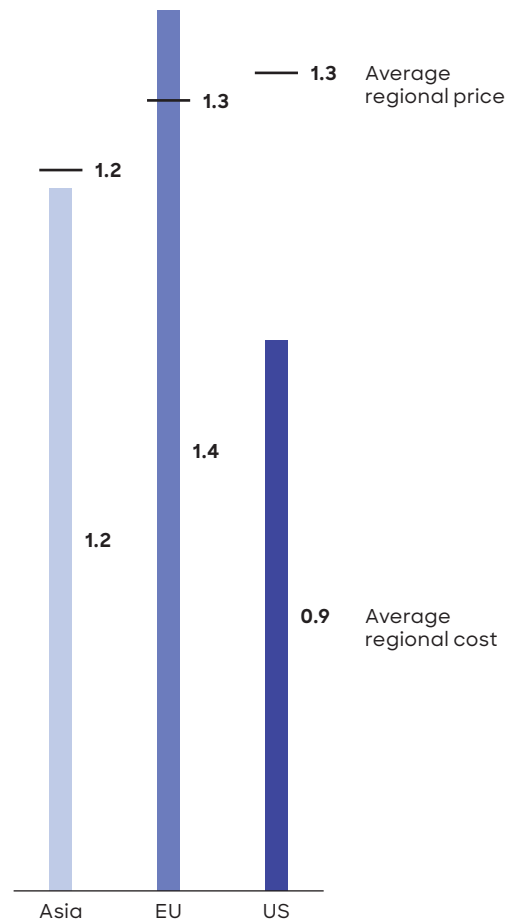
The introduction of tariffs and shifts in trade policies following the US election further complicate and intensify the uncertainty surrounding investment decisions. Despite recent announcements, the specific impact of such tariffs on chemical companies remains unclear, making it difficult for investors to formulate a well-defined investment thesis. Certain companies may have the ability to pass increased raw material costs onto their

## C Industrial consumptions and PA66 polymer prices and average production costs by region

Natural gas and electricity prices for industrial consumption by region, 2015-2026



Average PA66 polymer prices and production costs by region, 2024 [USD/lb]

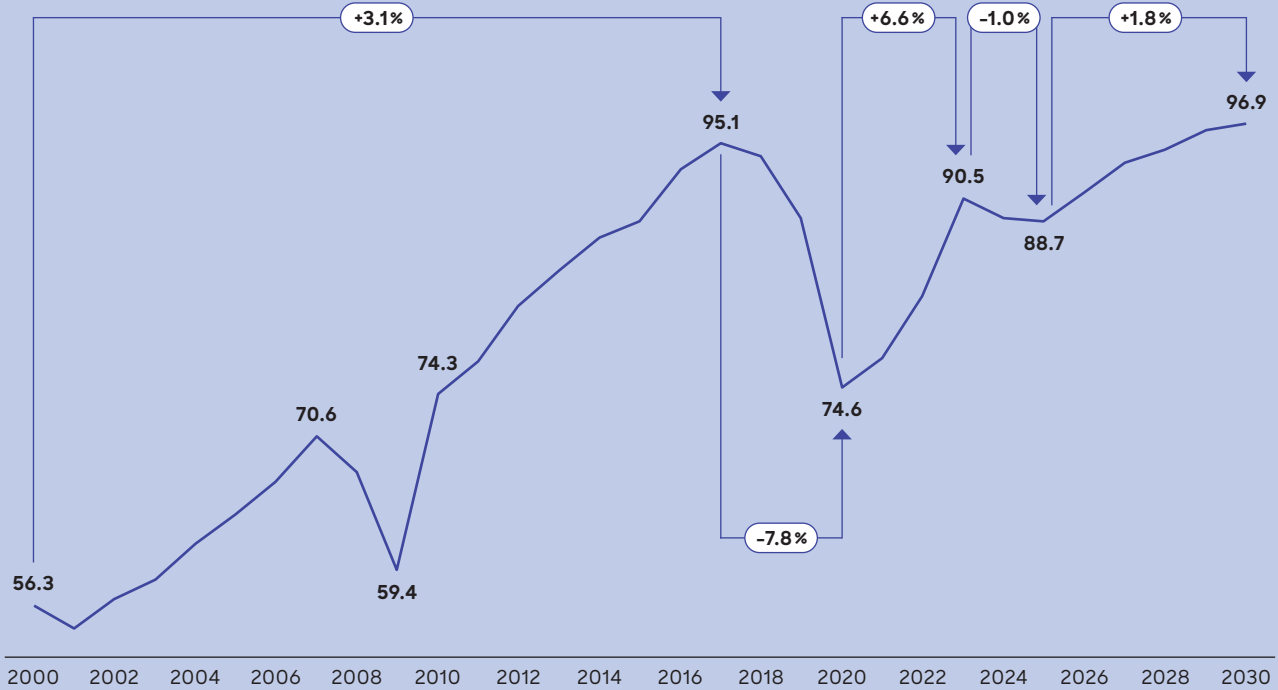


<sup>1</sup> German prices taken as proxy

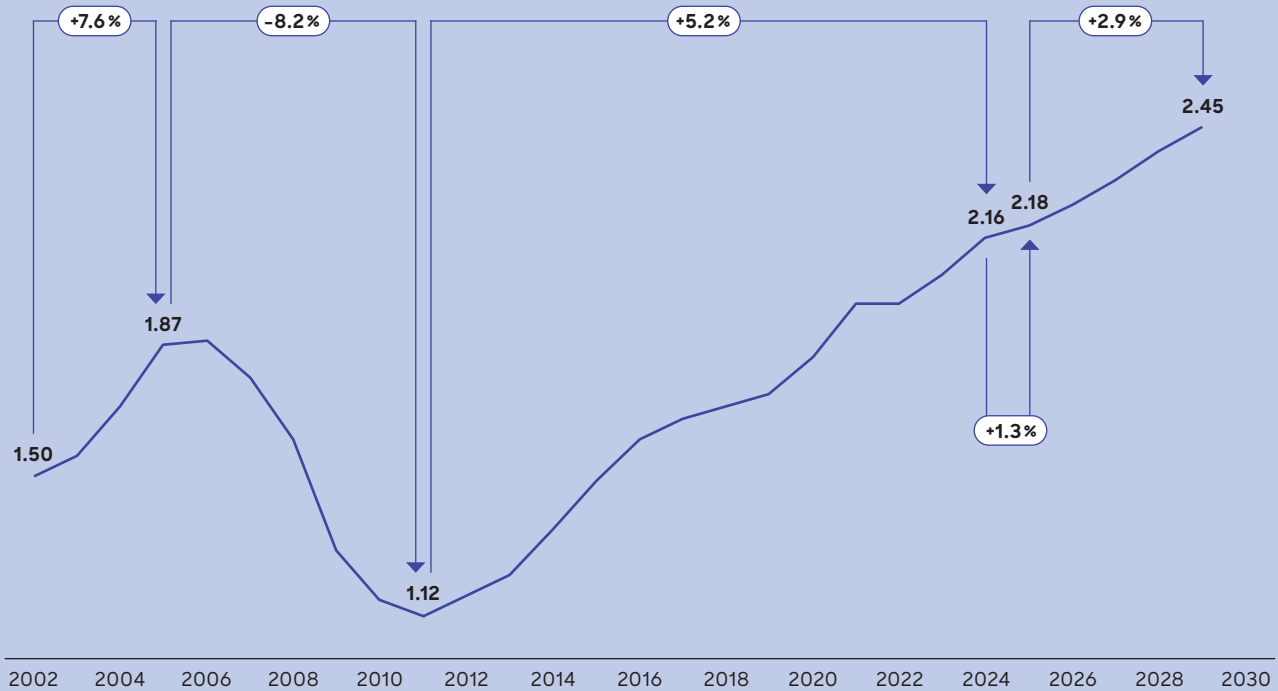
Source: Intratec, Roland Berger

## D Global light vehicle production and US construction market demand forecasts

Global light vehicle production, 2000-2030 [#]



US historical construction spend, 2002-2029 [USD trillion, real]



Source: S&P, FRED, US Census Bureau, Global Data, Dodge, Roland Berger

customers (e.g., specialty chemical producers with strong pricing power, such as those in the adhesives or coatings sectors), while others could find themselves at a distinct disadvantage if their competitors are not similarly burdened by tariffs (e.g., non-crop agriculture chemicals producers able to source active ingredients from India and not China). Additionally, US exports could face restrictions as trading partners retaliate with tariffs of their own, such as exports of ethylene derivatives or polyethylene, which benefit from the US shale gas cost advantage. In this uncertain climate, we anticipate that several deals and investment opportunities may falter or fail to materialize as a direct consequence of the heightened unpredictability.

### **DISADVANTAGED EUROPEAN PLAYERS**

European chemical companies are navigating a challenging cost environment, driven by a combination of elevated energy prices, a sluggish economic growth landscape and rising competition from imports originating in cost-advantaged regions such as the Middle East and China. These factors collectively erode the competitiveness of European players, placing significant pressure on their financial performance. This challenging landscape is particularly evident in sectors like the nylon industry, where these unfavorable dynamics have notably constrained profitability. An end to the war in Ukraine and/or tariffs protecting European assets could shift this dynamic. ▶ C

### **LOW GROWTH IN KEY END MARKETS**

In this environment, the chemicals sector is poised to continue a period of subdued growth, particularly within key end markets such as automotive and construction. Global light vehicle production expanded at an average annual rate of 3% throughout the 2000s and 2010s. However, this growth trajectory has decelerated, with forecasts now predicting a modest yearly increase of around 1%. Similarly, the US construction sector, which previously achieved robust annual growth rates of 5% since the global financial crisis, is now projected to expand at a slower pace of 3% over the next five years. This sluggish growth environment exerts downward pressure on producers' volumes, creating additional strain on profitability as the ability to absorb fixed costs diminishes, ultimately impacting bottom-line performance. ▶ D

# 4

## **2025 outlook: subdued chemicals M&A activity**

As a result of these factors, we anticipate the subdued chemicals M&A environment to be shaped by several key trends.

### **DIFFERENCE IN OUTLOOK BETWEEN SELLERS AND BUYERS**

A persistent disconnect between sellers and buyers is expected to continue. Sellers remain anchored to recent elevated margin levels and are optimistic about future demand, making them reluctant to accept the possibility of margin normalization. In contrast, buyers are focused on macroeconomic headwinds, geopolitical uncertainty and the impact of softening raw material prices on future profitability. Accurately valuing businesses amid this volatility remains a core challenge for buyers. As a result, this divergence in outlook is likely to sustain caution in the market and impede deal closures.

## **CORPORATE CARVE-OUTS**

We foresee a sustained number of corporate carve-outs as companies increasingly seek to realign their focus on core business activities. This trend is expected to be particularly pronounced in Europe, where earnings remain under significant pressure, prompting firms to explore strategic avenues for delivering value and returns to their shareholders. The assets emerging from these carve-outs are likely to present intricate and multifaceted challenges, often necessitating restructuring efforts or innovative consolidation strategies to enhance their appeal to potential investors or acquirers. As a result, navigating these opportunities will require a nuanced approach and a willingness to address the complexities inherent in such transactions.

## **RISE OF OVER-LEVERED ASSETS**

Many companies accumulated debt during low interest rate periods before 2022, leaving them vulnerable as borrowing costs rose and operating margins tightened. Private equity owners may face distressed situations or bankruptcies, particularly among speculative-grade firms with debt maturities in 2025–2026, while individual stockholders may experience equity dilution or reduced dividends as companies prioritize debt repayment. Asset rationalization, debt refinancing and restructuring activities are expected to accelerate, especially in high-cost regions like Europe. These dynamics underscore a broader industry shift toward consolidation and operational efficiency aimed at stabilizing cash flows and mitigating erosion of shareholder value.

## **LIMITED PARTNERS ASKING FOR RETURNS**

Limited Partners (LPs) are increasingly pressuring General Partners (GPs) to deliver returns, as private equity funds are holding assets longer than usual due to challenging exit conditions and lower valuations. This demand stems from LPs' need for liquidity to reinvest in new funds and their growing impatience with delayed distributions, especially after years of subdued M&A activity. As a result, GPs are being forced to either sell assets at lower valuations or adopt creative strategies, such as continuation funds or private credit offerings, to return capital to investors.

Despite these challenges, opportunities still exist for savvy investors. Attractive deals are scarce and competitive, but disciplined acquirers can still secure viable transactions. To succeed, private equity firms need to adopt more strategic approaches, such as pursuing exclusive negotiations or preemptive bids to bypass competitive auctions and bridge valuation gaps. By doing so, they can accelerate deals and capitalize on the limited opportunities available in this dynamic market.

# 5

## **Roland Berger is prepared to help clients in chemicals M&A**

Our Roland Berger Chemicals and Transaction and Investor Services practice has extensive experience supporting clients through all stages of the deal cycle, including investment strategy and target screening growth strategy, performance improvement and commercial, operational and carve out due diligence. We look forward to speaking with you about what this outlook means for you.

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