

M&A Industry Quarterly

Chemicals | Pharma | MedTech | Health Care



Edition Focus

Chemicals:
Paints
& Coatings

M&A metrics at a glance



Chemicals



Pharma



MedTech



Health Care

Total number of deals

Q1 '22 vs. Q1 '21

71

↓ -19.3%

12

↓ -52.0%

36

↓ -35.7%

189

↓ -10.0%

Total value of deals (b€)

Q1 '22 vs. Q1 '21

1.6

↓ -73.6%

0.3

↓ -97.4%

0.1

↓ -95.1%

3.2

↑ +220.4%

Mega deals¹ (2021)

Q1 '22

0

0

0

1

Total number of PE deals (2021)

Q1 '22 vs. Q1 '21

10

↓ -33.3%

6

↓ -45.5%

9

↓ -43.8%

19

↓ -24.0%

Note: 1) Mega Deals >1 b€

European Chemicals: Despite global uncertainty, the number of deals in Q1 22 was still high while value dropped sharply

Value & number of deals – Chemicals Europe



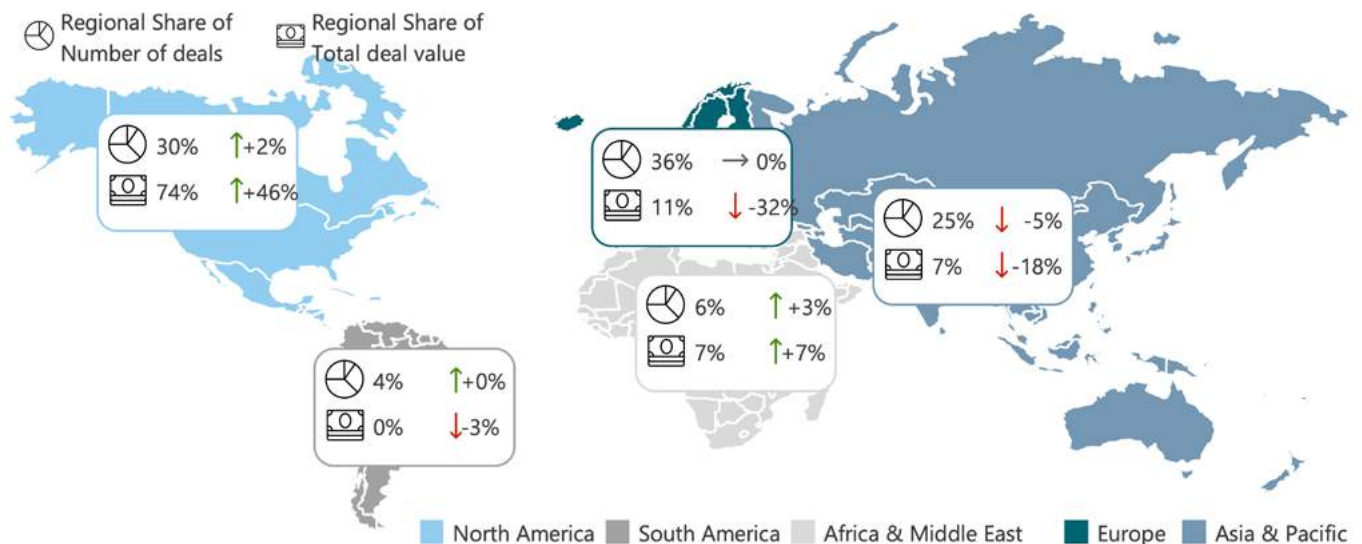
Comments

- › The first quarter in 2022 was mainly characterized by the unclear effects of Ukraine-Russia conflict.
- › The chemical industry’s high dependence on gas and oil led to strong uncertainties in supply chains and raw material pricing in Europe, with European Chemical companies managing business in East Europe and their supply chains.
- › The easing of Covid-19 restrictions across Europe signals an investor optimism and could lead to resurgence of deal making activity during Q2 – Q4 22.

Number of European Chemicals deals as per subsegment



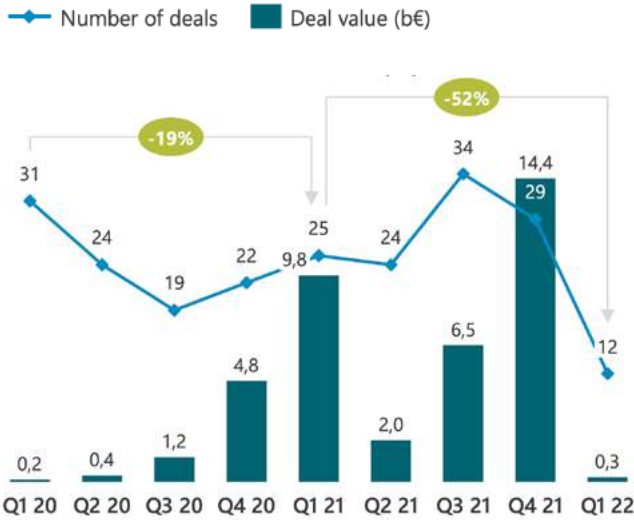
Geographic overview of global chemicals deals activity (Q1 '22 versus Q1 '21)



Source: ESMC Research, S&P Capital IQ, April 2022

European Pharma: Number of deals and deal value fall back to the level at the beginning of the covid pandemic

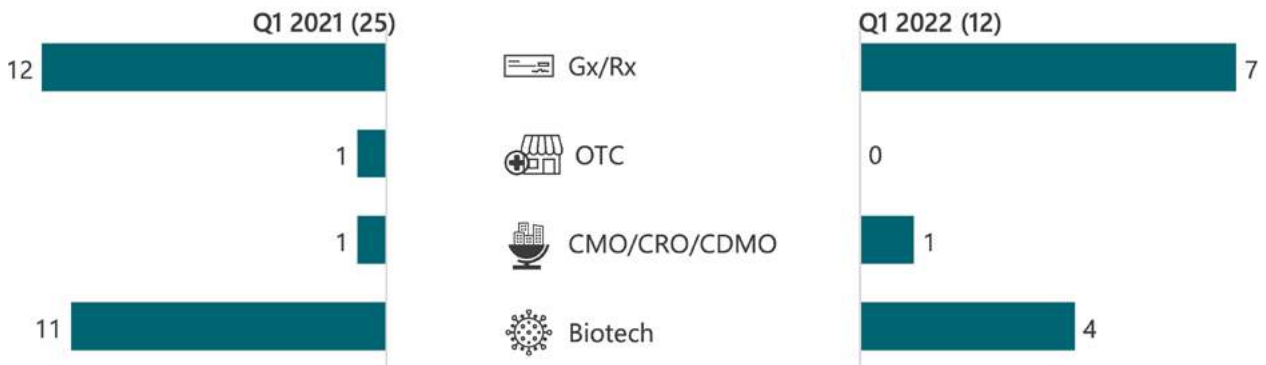
Value & number of deals – Pharma Europe



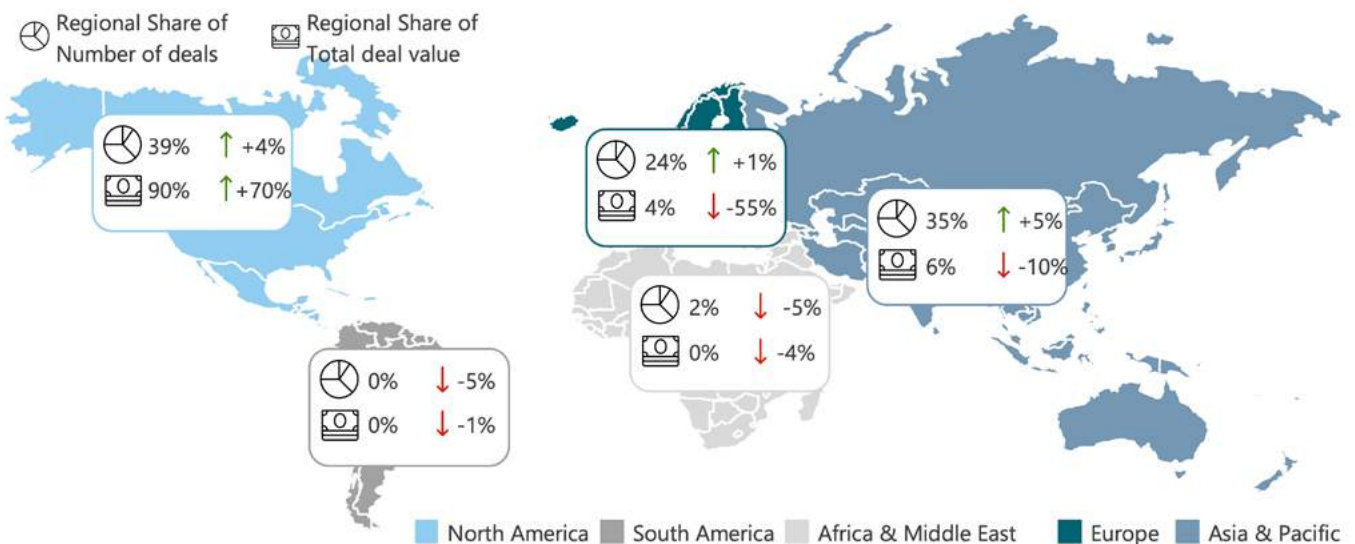
Comments

- › 12 deals were announced in Q1/22 within European Pharma which represents a roughly 50 % reduction versus Q1/21 and >60 % lower than in Q1/20.
- › While Q4/21 was marked by two mega deals (together >12b€), the deal value in Q1/22 fell to a meagre 0.3 billion euros.
- › Outlook for the remainder of 2022 continues to be positive with deal volume expected to pick up in the remainder of the year but overall deal volume for 2022 will remain lower than in 2021.

Number of European Pharma deals as per subsegment



Geographic overview of global Pharma deals activity development (Q1 '22 versus Q1 '21)



Source: ESMC Research, S&P Capital IQ, April 2022

European MedTech: After strong performance in Q4/21, deal value declined sharply in Q1/22 pointing to smaller deal sizes

Value & number of deals – MedTech Europe



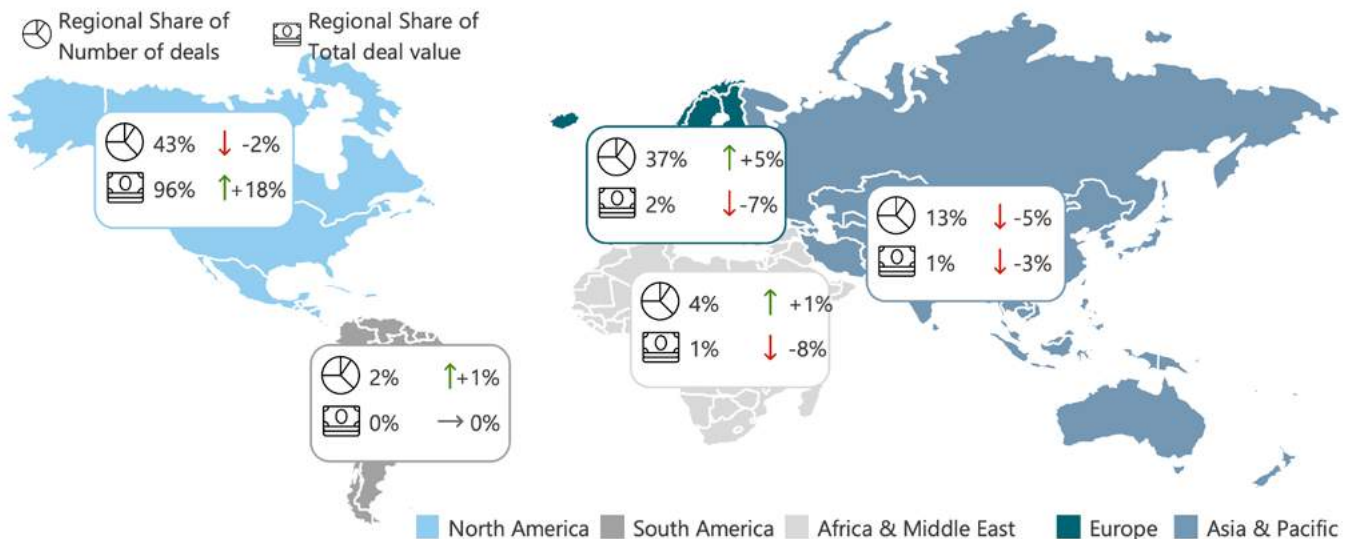
Comments

- › In the MedTech sector, deal values tend to be small compared to the other industries. Jump in the total deal value in Q4/21 was caused by one mega deal (PAI Partners selling Atos AB for 2.2b€ to Coloplast).
- › In Q1/22 MedTech industry witnessed primarily micro to small mid-cap deals. Given the small size of these transactions, reliable data on their financials is unavailable.
- › In comparison to Q1/21, total European deal value in MedTech decreased by almost 93%.

Number of European MedTech deals as per subsegment



Geographic overview of global MedTech deals activity development (Q1 '22 versus Q1 '21)



Source: ESMC Research, S&P Capital IQ, April 2022

European Health Care: Comparatively stable deal activity accompanied by one mega deal in Q1/22

Value & number of deals – Health Care Europe



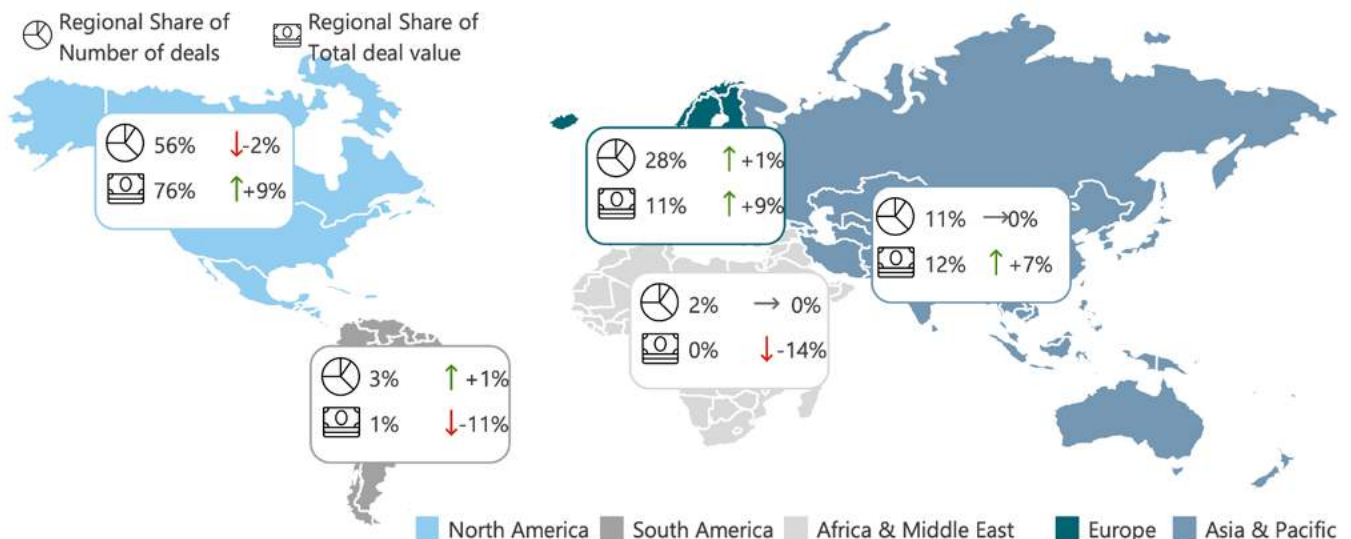
Comments

- › The health care industry deal activity remained largely stable with only a slight decrease of -10 % from Q1/21 to Q1/22.
- › Deal activity in European health care continues to be stable in stark contrast to the decrease evident in other industries like Chemicals, Pharma and MedTech.
- › Also, average deal size in health care remained on a rather stable level.
- › The only mega deal to be announced in Q1/22 was Warburg Pincus/Mudabala Investment’s acquisition of Pharma Intelligence (global provider of health care data and analytics).

Number of European Health Care deals as per subsegment



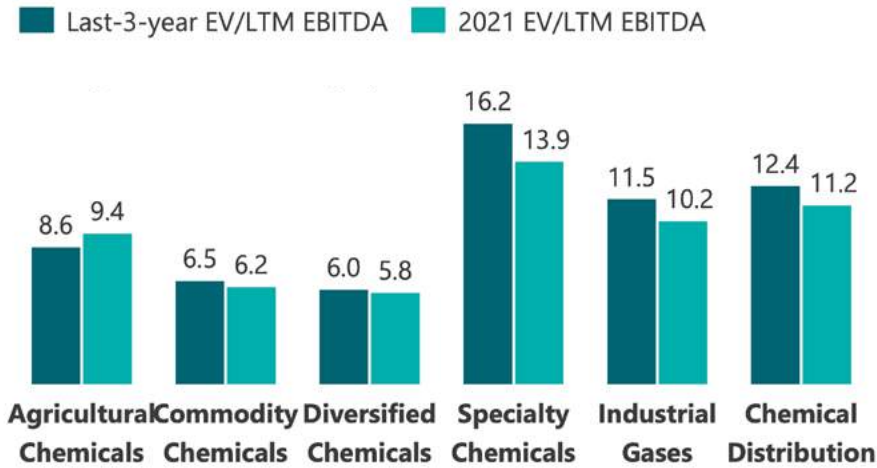
Geographic overview of global Health Care deals activity development (Q1 '22 versus Q1 '21)



Source: ESMC Research, S&P Capital IQ, April 2022

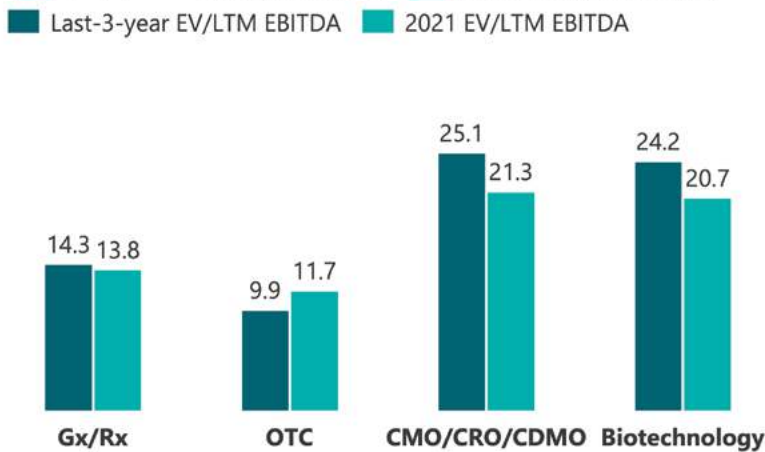
Multiples experience slight downturn resulting from ...

Chemicals multiples (x) per subsegment (publicly traded companies)



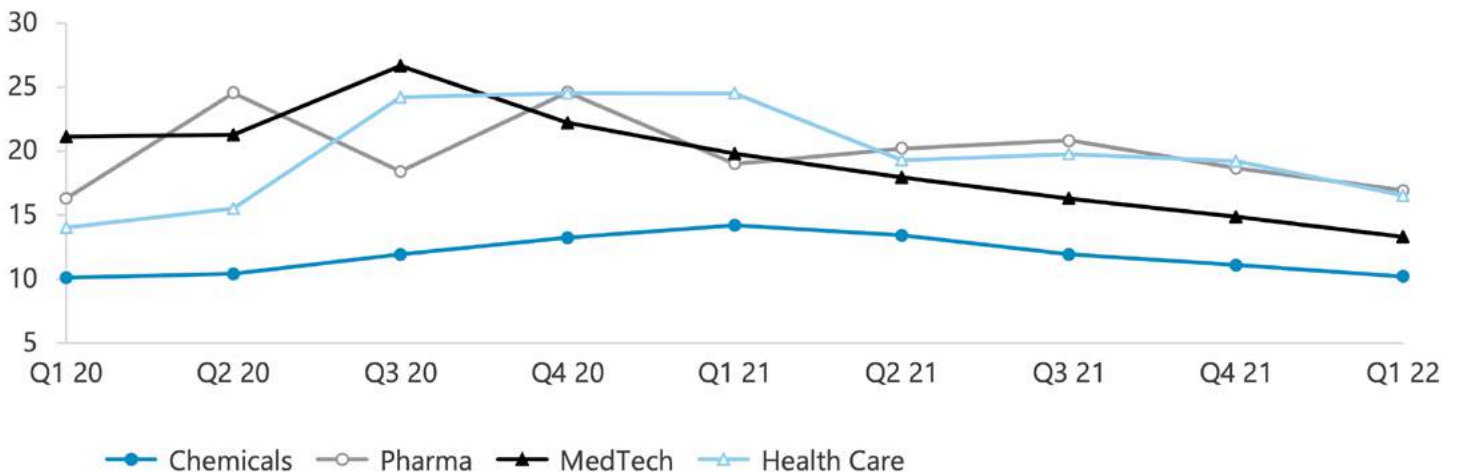
- › Valuation across subsectors have decreased as geopolitical tensions disrupt supply chains and drive up energy and commodity prices.
- › Ongoing supply chain disruptions caused due to Russia/Ukraine conflict have limited supply of several agricultural products including fertilizers in Europe and hence the European counterparts are experiencing high demand reflected in slight increase in valuation.

Pharma multiples (x) per subsegment (publicly traded companies)



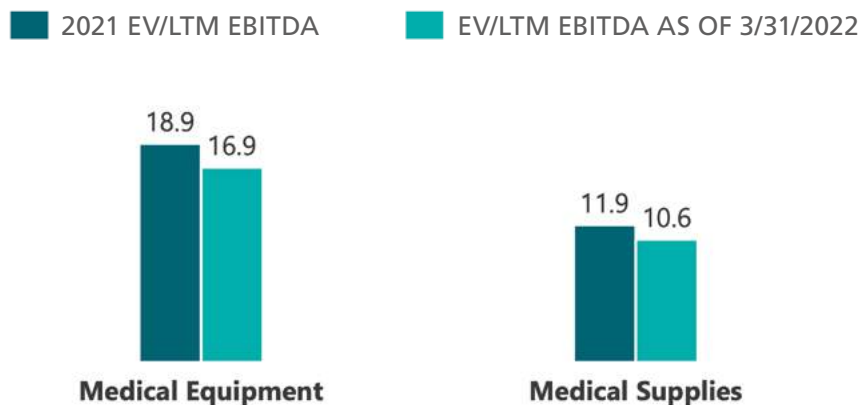
- › Despite the lasting threats by regulatory actions to curb companies' pricing power, the industry is still trading on a relative high level of valuation.
- › Subsegments like Biotechnology and CMO/CRO/CMDO still enjoy a high valuation premium due to demand for innovations in biotechnology and potential scaling effects via outsourcing.

Development of the EV / EBITDA multiples over time per industry



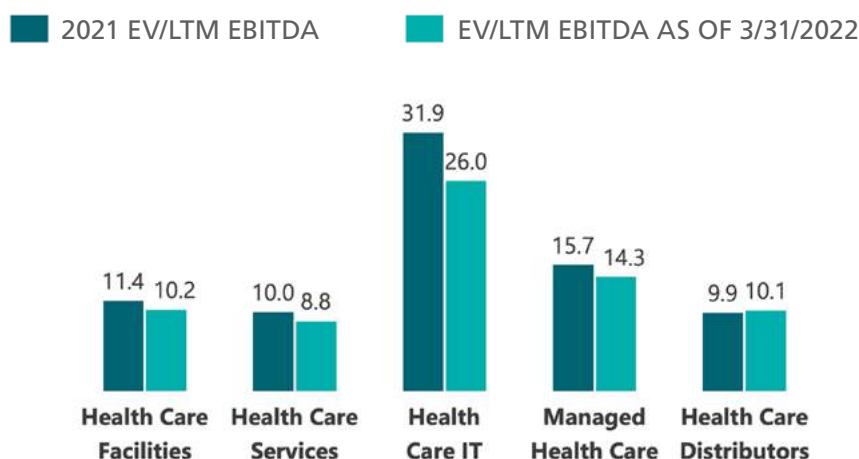
... ongoing uncertainties regarding the further course of Covid 19 pandemic and ongoing geopolitical turmoil

MedTech multiples (x) per subsegment (publicly traded companies)



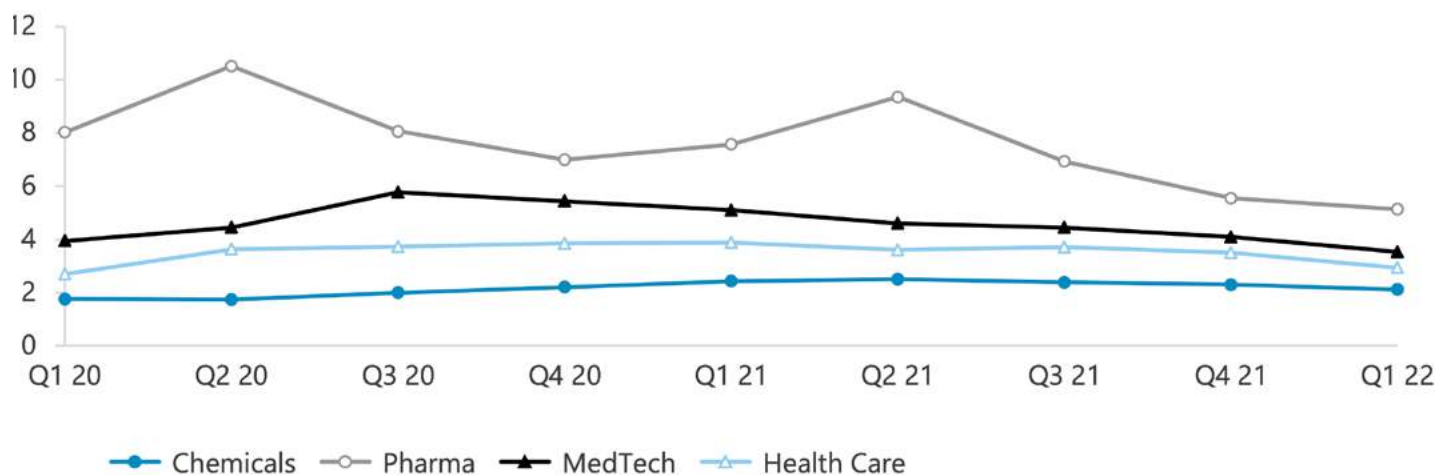
- › Inflation worries and a rising interest rate forecast cause the capital-intensive Med-Tech sector to trade lower.
- › Medical supplies sector is still vulnerable to disrupted supply chains caused by the ongoing pandemic and the geopolitical tensions reflected in the slight decrease of valuation levels.

Health Care multiples (x) per subsegment (publicly traded companies)



- › Due to the ongoing pandemic and tightened antitrust scrutiny of hospital consolidations the Health Care services sector traded comparatively lower in Q1/22 within overall Health care.
- › Despite stronger than others decrease in valuation, Health Care IT still enjoys a comparatively strong valuation premium; caused by unabated demand to digitize governmental health care systems

Development of the EV / EBITDA multiples over time per industry

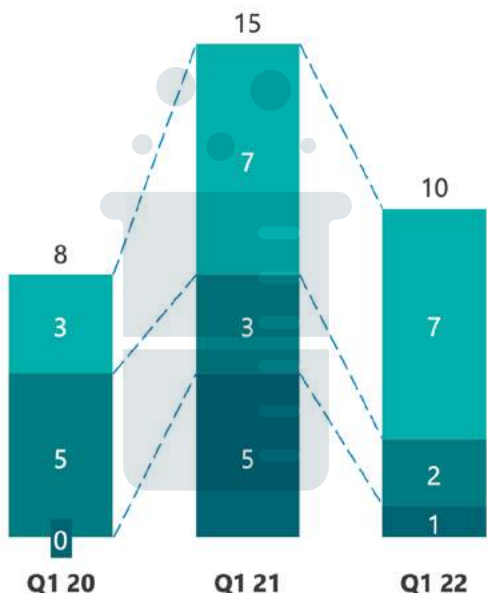


Geopolitical risks and ongoing pandemic caused passivity and lower deal activity among PE investors in Q1/22

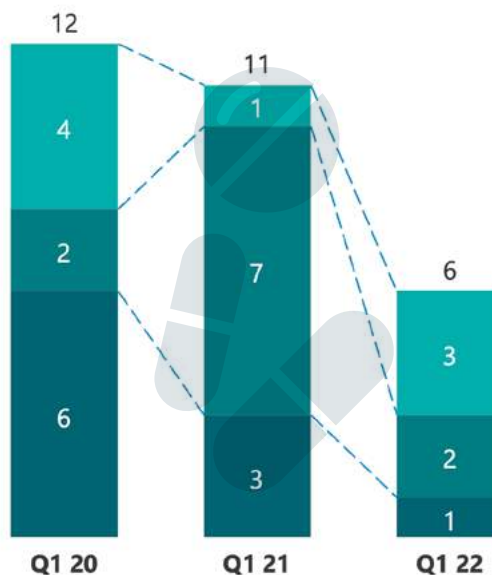
Number of deals driven by PE as buyer/seller

PE Buyer PE Seller PE-to-PE

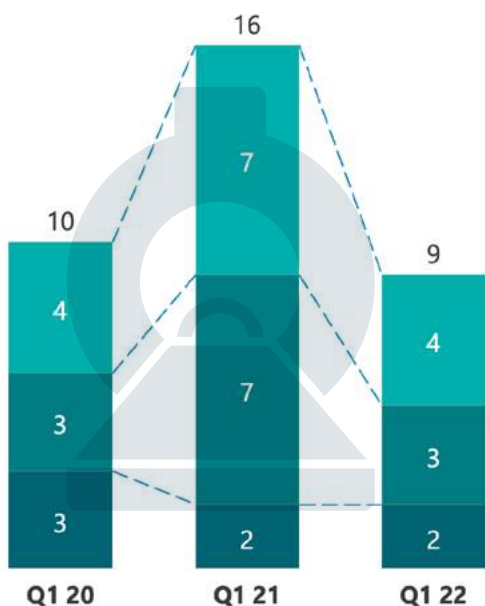
Chemicals



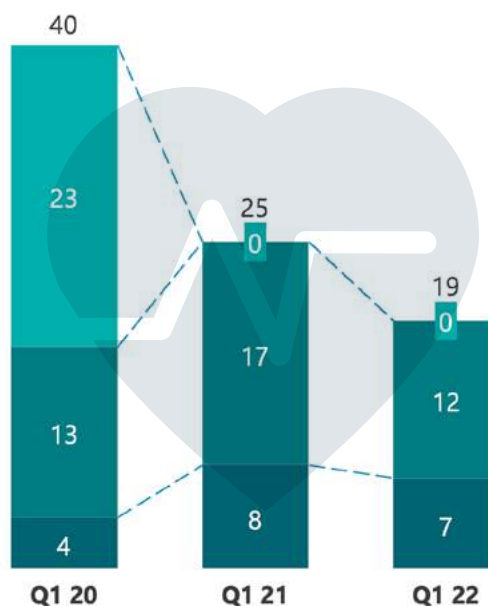
Pharma



MedTech



Health Care



Q1 2022

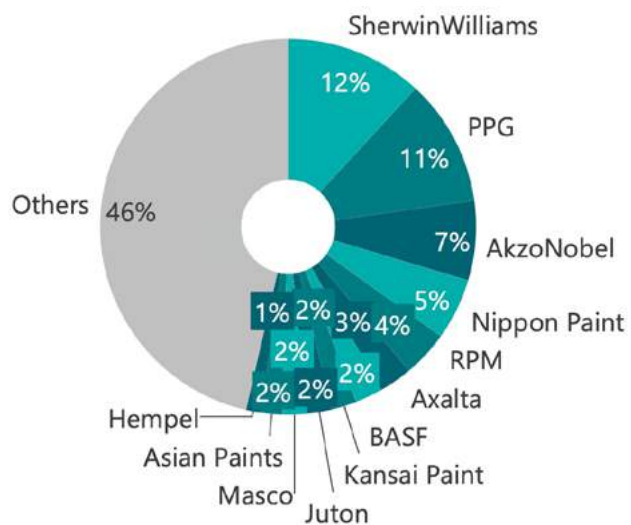
Deals with PE as buyer	.....	Σ 14	.....	4.5 % of Total deals
Deals with PE as seller	.....	Σ 19	.....	6.2 % of Total deals
PE-to-PE deals	.....	Σ 11	.....	3.6 % of Total deals

Edition Focus Paints & Coatings Industry

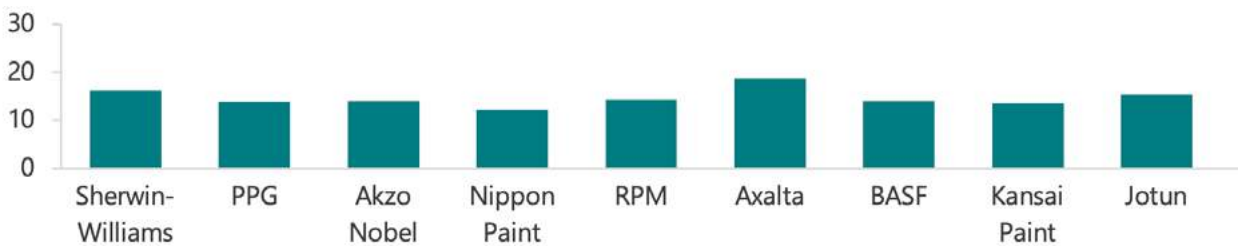
**~140 b€
market**

**Top 12 players
> 50 % market
share**

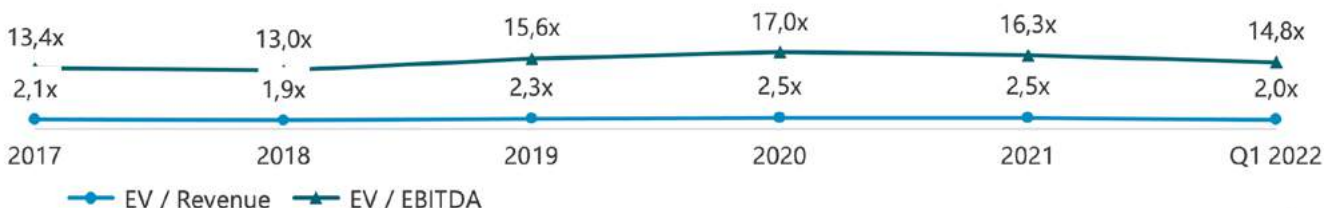
Global Paints & Coatings Industry 2021 (b€)



EBITDA Margin 2021 (in %)

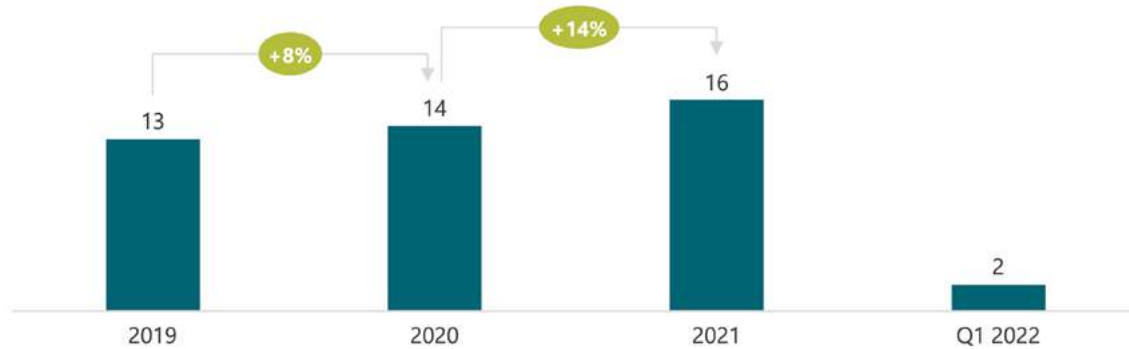


Development of Multiples over time



European M&A activity in Paints and Coatings off to a slow start in 2022 with an uncertain recovery forecast

Number of deals within Paints and Coatings companies as targets In Europe



Paints & Coatings M&A Trends & Outlook

- › Architectural paints and building protection perceived as growth segments for deal making resulting from Covid 19 stimulated DIY boom.
- › Slowdown and uncertainty in key end-use markets like Automotive, Building and Construction has negatively affected the demand for paints and coatings, adding pressure to the raw material problems and thereby creating an opportunity for large paints and coatings players to follow an active consolidation strategy.
- › Strategic investors remain the dominant buyer group, due to their own high valuations and the high potential capitalize on synergistic affects on top and bottom line.
- › The combination of high valuation levels - with EBITDA multiples between 15x and 25x (based on specific paints and coatings peer group) – and high competitive pressure is creating an attractive environment for sellers.



Industry Trends Coatings (Selection)

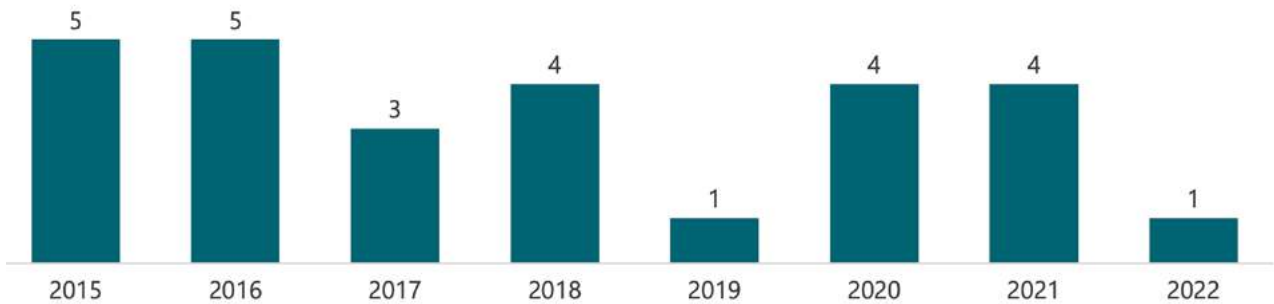
Industry Trends Paints (Selection)

- Recovery & Rebound** › Increased demand for new build within Aerospace
- Increasing demand** › Defense sector with full order books
- Transition** › Alternative energy leading to high demand for sustainable coatings


- Health & well being** › Legislation like EU Green Deal pushing sustainability agenda
- DIY Trend** › Pandemic has led to an overall jump in DIY sector
- Digital acceleration** › Digitalization driving innovation

Case Study PPG – Pursuing a highly acquisitive growth strategy to expand global presence

Number of completed acquisitions in coating and painting by PPG over time



Recently announced acquisitions and benefits

Recently announced acquisitions	 February 2021	 April 2021	 May 2021	 June 2021	 February 2022
Geographic Expansion					
Product Line Extension					
Complimentary Technology					
ESG Benefits					
Other key factors	Additional end-user market opportunities	Automotive product offering	Waterborne OEM specs and qualifications	Regional expansion	Sustainable product offering

Results of an active M&A strategy

~4%

average sales growth supplemented by acquisitions



\$1.7B of acquired annual sales since Dec'20

\$150M

of cumulative synergies

Our key takeaways



After quarters of recovery, the extended high level of uncertainty from the pandemic situation and geopolitical tensions led to reduction of transaction activity already visible on the deal market.



Also financial investor activity has been depressed due to high insecurity of impacts from supply chain disruptions, elevated logistics cost, indirect effects from OEMs, and customer reluctance for investments on operational performance at target companies.



Next Edition: Europe MedTech M&A (Q3 2022)

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