

US Specialty Chemical Industry

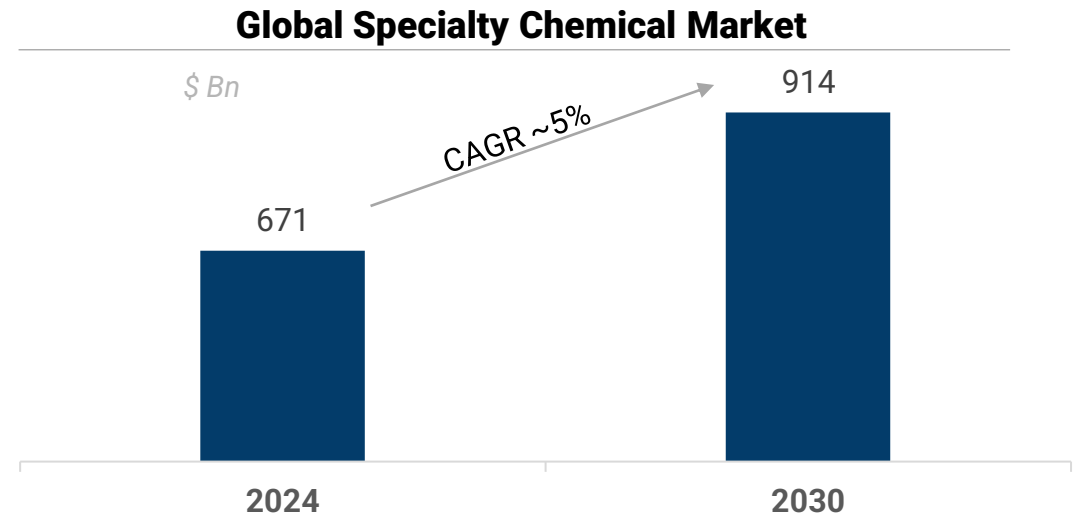
Sector Brief Review with a Focus on Agricultural Chemicals



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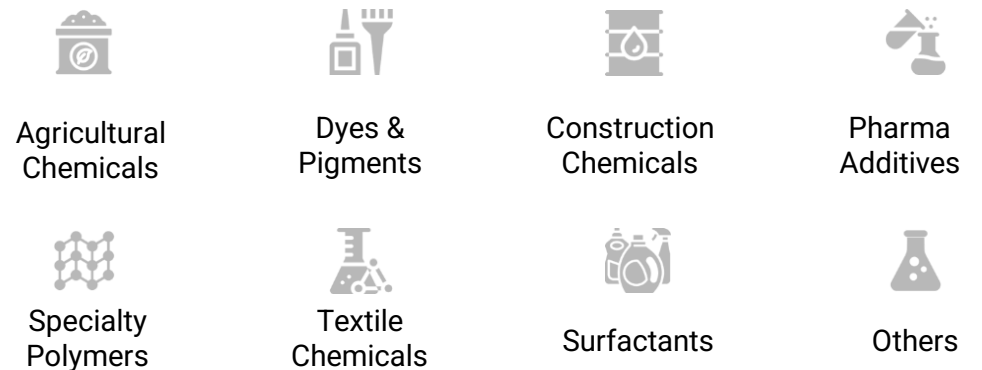
Global Specialty Chemical Industry Overview

- **Specialty chemicals find applications across various industries**, including construction, automotive, electronics, personal care, pharmaceuticals, and agriculture, among others, catering to specific performance requirements
- Unlike commodity chemicals, **specialty chemicals are typically produced in smaller volumes but command higher prices** due to their specialized properties and functionalities
- The industry is trending towards **sustainable, eco-friendly formulations** and **customized solutions** to meet consumer demands, while integrating digital technologies like **AI** and **automation** to enhance **R&D, production** and **supply chain management**
- Certain segments of the specialty chemicals industry are experiencing commoditization, with products competing primarily on price rather than performance. To counter margin pressures from rising costs (R&D, energy, raw materials), **industry players are strategically implementing price increases across their specialty product lines**



Source : Grandviewresearch

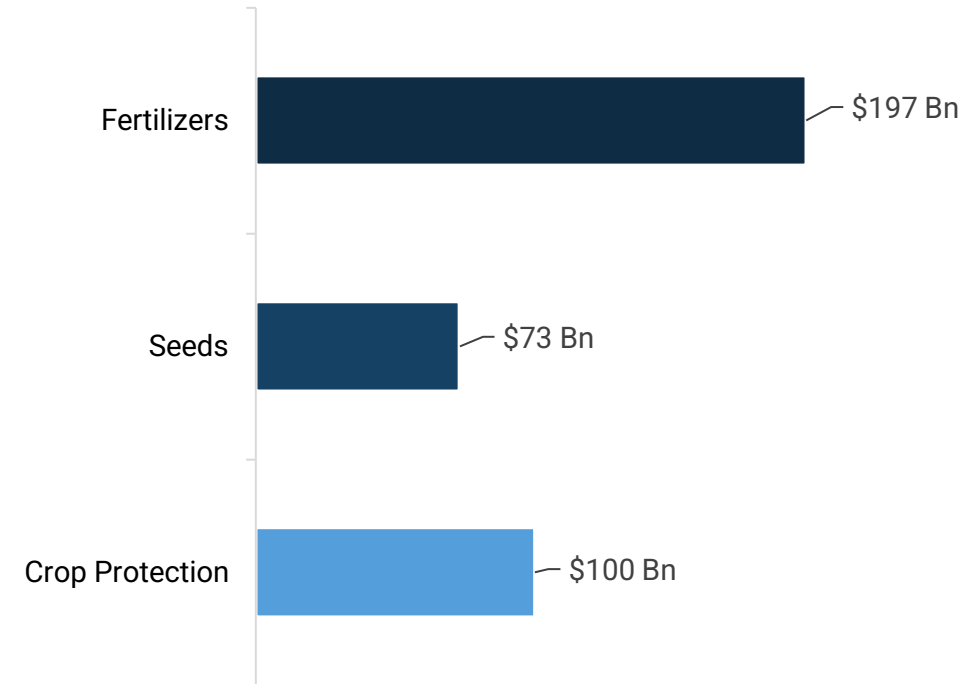
Market Segments – By product Type



Overview of Agricultural Chemicals Space

- Agricultural chemicals industry serves a dual purpose of helping farms **increase yields** and at the same time **protect crops from pests and diseases**
- Global agricultural chemicals market is made up of 3 key categories
 - **Fertilizers** - \$197Bn+ global market
 - **Crop protection (pesticides, etc.)** - \$100Bn+ global market
 - **Seeds** - \$73Bn market
- North American agricultural chemicals market was valued at **\$38 Bn in 2023** and is expected to reach \$46Bn by 2029 growing at 4% CAGR
- US agricultural chemicals market is **relatively consolidated with top 5 players collectively controlling over half the market share**
- While multinational corporations dominate the market, **domestic players remain competitive** by leveraging factors such as competitive pricing, product quality, manufacturing capabilities, R&D efforts, diversified product portfolios, strong customer base, extensive distribution networks, and regional market reach

Global Agricultural Chemicals Industry Market Sizes



Source: Mordor intelligence, Insight Partners

Agricultural Chemicals: Key Market Trends



Rapid Adoption of Bio-based Agrochemicals

Bio-based agrochemicals industry is projected to grow from ~\$96 bn in 2023 to ~\$164 bn by 2030, exhibiting a CAGR of 8%, driven primarily by increased investment in R&D and the emerging preference for biological pesticides, which aligns with the rapid adoption of sustainable agricultural practices

(Source: Market Research Future)



Shrinking Farmland and Growing Population

The decline in farmland area by nearly 50 million acres since 2000, paired with a population increase from ~336 mn in 2020 to ~342 mn in 2024, propels agrochemical demand for optimizing crop yields *(Source: Mordor Intelligence)*



Growing Adoption of Precision Application Techniques in Agriculture

The increasing adoption of targeted spraying and variable rate application in America is driving growth in the agrochemical industry by boosting crop yields and reducing environmental damage, with the precision farming market in the region growing at a CAGR of 11.5% from 2023 to 2032



Increased Demand for Phosphate and Potash Fertilizers

Surge in fruit and vegetable consumption in the US has driven demand for phosphate and potash fertilizers, with market projections indicating a growth from ~\$28 bn in 2024 to \$38 bn by 2030, with a CAGR of ~5% *(Mordor Intelligence)*

North America Agricultural Chemicals Market M&A Overview

- Due to highly consolidated nature of agricultural chemicals market in North America - **M&A is one of the common strategies** adopted by companies to expand product portfolios and geographic reach
- In 2024 M&A is expected to pickup backed by significant dry powder of strategics and PE investors and an ageing PE portfolio
- Recent notable transactions in the market include:
 - **Koch Industries'** acquisition of **Iowa Fertilizer Co.** for **\$3.6 Bn from OCI global**
 - **AgroFresh Solutions Inc's** acquisition of **Pace International LLC**
 - **SiteOne Landscape Supply's** acquisition of **Regal Chemical Company**

Key Trends Shaping Agrochemical & Fertilizer Market M&A

Growth in M&A by large agrochemical firms with a focus on consolidating their product portfolio expanding geographical presence

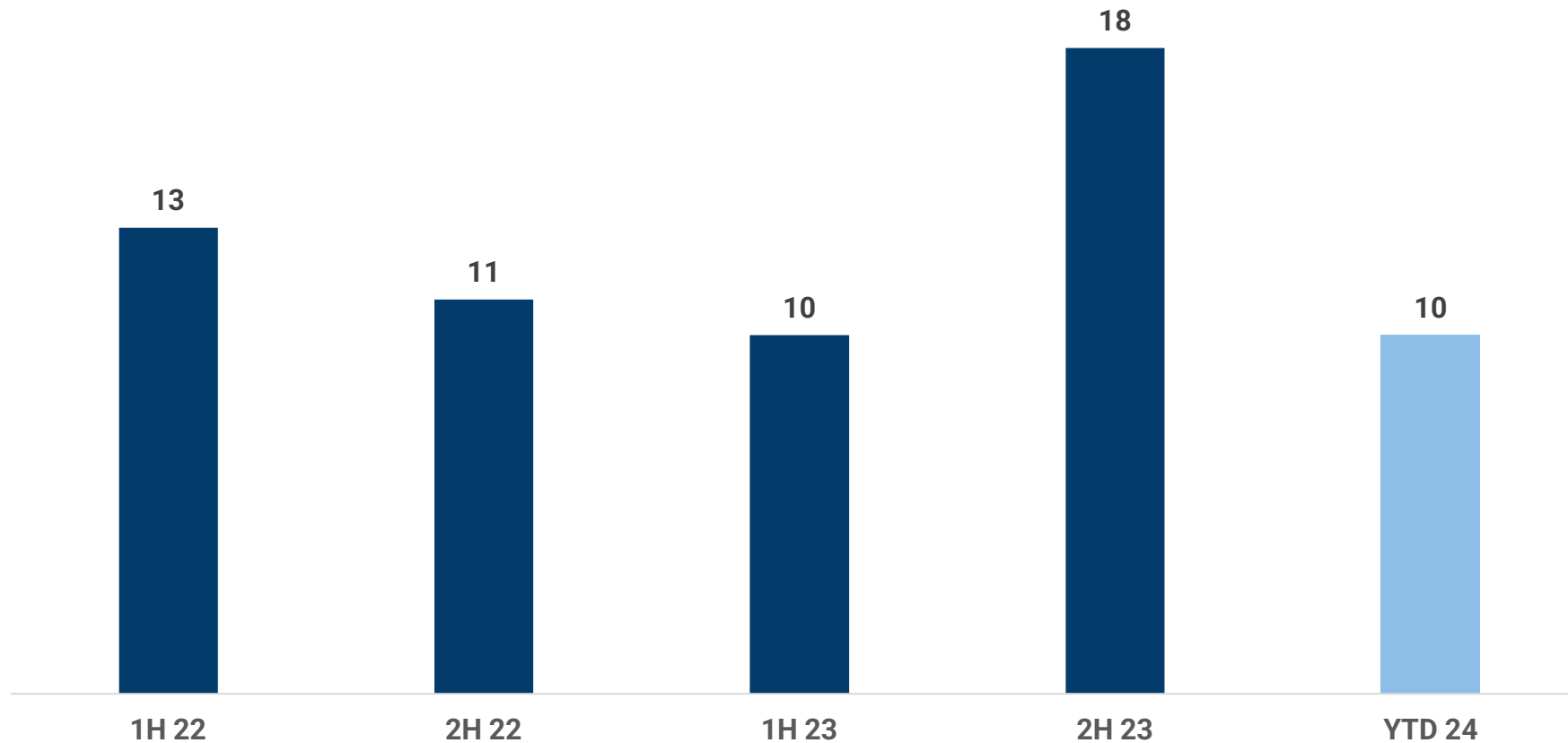
M&A in agrochemical & fertilizer market sees growing demand from strategic buyers & PE investors

Mid sized agricultural chemical manufacturers are increasing focus on vertical integration by focusing on acquiring downstream products – creating a high growth and high margin offerings

Similarly, the sector has seen deals like divestiture of non-core offerings (including agricultural chemical plants) undertaken by large specialty chemical players

US Agricultural Chemicals M&A Deal Count

M&A Deals



- Pickup in deal activity in H2 23
- In FY24, 10 deals have been announced till date continuing the momentum of 2nd half of 2023

PE Backed Platform Buyers

PE Firm

Platform Company

Platform Overview

Select Acquisitions by Platform Company

**New Mountain
Capital**



New Mountain Capital acquired Profile Products which is manufacturer and supplier of highly engineered specialty agriscience materials in Nov 2021. It has done transactions in chemical sector globally by adding fertilizer companies - Quick Plug and Florikan in USA



**Excellere
Partners**



Excellere Partners platform SePro partners with agriculture chemical companies to develop their chemistries for use in key markets. It is acquiring companies with the view of expanding its geographical presence



**IK investment
partners**



IK investment partners backed Kersia SAS provides biosecurity and food safety solutions. It has acquired AgroChem for expansion and diversification of USA operations



**Paine Schwartz
International**



Paine Schwartz International backed AgroFresh Solutions provides post-harvest quality & freshness solutions across the supply chain. Acquisition of Pace International enables the company to increase its geographical presence



Strategic Buyers

Acquiror

M&A Overview

Select Acquisitions



Corteva is an agricultural chemical and seed company that was the agricultural unit of DowDuPont prior to being spun off. It has acquired companies like Symborg outside USA and many companies in USA



Stepan Company is a manufacturer of specialty chemicals headquartered in Northbrook, Illinois. It has acquired companies in agriculture chemical and other chemical industry in USA as well as globally



SiteOne Landscape Supply is a distributor of landscaping products in USA and Canada. It has started acquiring companies in specialty chemicals, focusing on fertilizers, with its most recent addition of Newsom in its portfolio



Strategic Buyers (cont'd)

Acquiror

M&A Overview

Select Acquisitions



CF Industries Holdings, Inc. is a manufacturer and distributor of agricultural fertilizers, including ammonia, urea, and ammonium nitrate products. It is acquiring companies with the view of increasing capital efficiency and long-term strategic focus on low-carbon ammonia as a clean energy source

Incitec Pivot Limited
INNOVATION ON THE GROUND
**Acquisition of
 Waggaman Ammonia
 Production Facility**

**Canadian
 Fertilizers Ltd**



The Mosaic Company mines phosphate, potash and collects urea for fertilizer. It has acquired CF phosphate business with the view of enhancing operating efficiencies, lowering production cost and reducing capital investment


**Acquisition of
 phosphate business of
 CF Holdings**



The Andersons, Inc. operates grain elevator facilities, distributes wholesale agricultural fertilizer and distributes agricultural inputs to dealers and farmers. Bridge Agri Partner's acquisition further supports The Andersons' strategy to expand its core grain and fertilizer businesses



Strategic Buyers (cont'd)

Acquiror

M&A Overview

Select Acquisitions



Koch one of the world's largest producers and marketers of fertilizers has acquired Iowa fertilizers with the intentions to expand its product offering and eyes for more strategic acquisitions in mere future



Timac Agro subsidiary of Groupe Roullier is an industrial company specialized in soil nutrition, plant nutrition and animal production. It has acquired Rainbow with intentions to expand its presence in USA



Trading Multiples of Listed Agricultural Companies

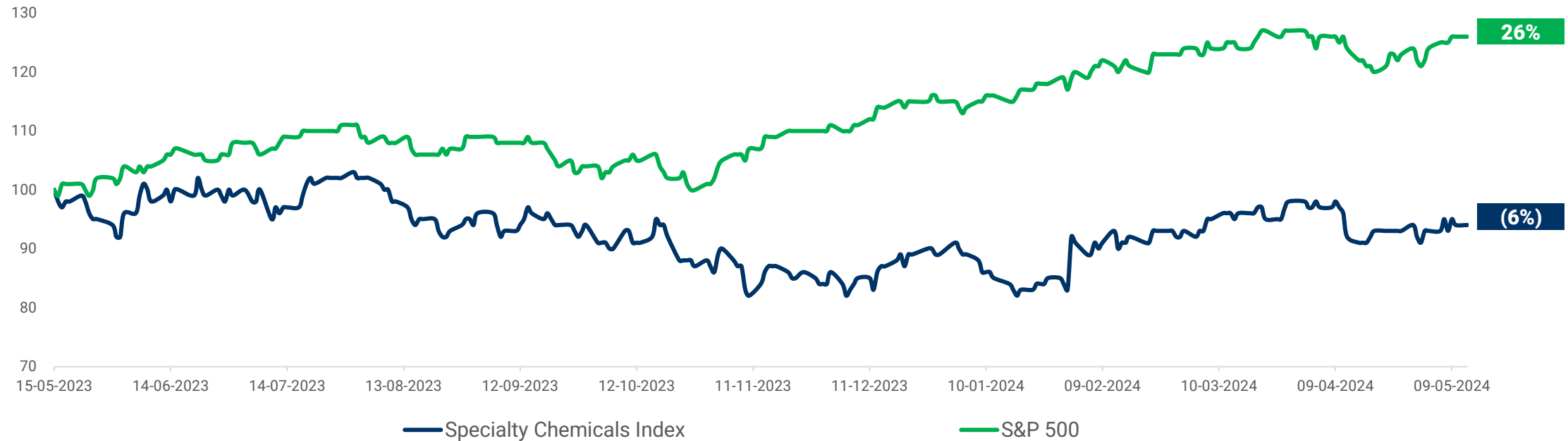
Trading Statistics

US\$ Mn, Unless Otherwise Stated; Calendarised to December Fiscal Year End

Company	Market Cap 15th May, 2024	Enterprise Value	EV/Revenue		EV/EBITDA		P/E	
			FY 2023A	FY 2024E	FY 2023A	FY 2024E	FY 2023A	FY 2024E
Corteva, Inc	39,818	42,938	2.3x	2.4x	11.5x	11.7x	43.1x	19.8x
CF Industries Holdings, Inc	13,676	17,676	2.7x	3.0x	5.5x	7.9x	9.8x	13.2x
The Mosaic Company	9,709	14,299	1.0x	1.2x	5.1x	6.1x	8.6x	10.9x
FMC Corporation	7,978	12,064	2.6x	2.7x	13.0x	12.3x	5.7x	n/a
Stepan Company	1,965	2,557	1.1x	1.1x	12.3x	10.6x	49.9x	31.7x
American Vangaurd Corporation	245	442	0.7x	0.7x	6.1x	7.8x	9.5x	n/a
Mean			1.7x	1.8x	8.9x	9.4x	21.1x	18.1x
Median			1.7x	1.8x	8.8x	9.3x	9.7x	16.5x

Source: Capital IQ

Publicly Listed Agricultural Chemicals Companies' Equity Has underperformed Broader Equity Market in last 12 months



(Market Weighted Share Price of Corteva Inc, CF Industries, The Mosaic Company, FMC Corporation, American Vanguard, Stephan Company)

1. Stock prices are as on 13th May 2024

Select M&A deals in Agricultural Chemicals Space

Date	Target	Acquiror(s) / Investor(s)	Deal Size (US\$mn)	Stake %	Target Business Description
Apr-24	BIOTEK AG, LLC	Custom Agronomics, Inc.	-	100%	Manufactures plant growth regulators, nutritional products, surfactants and other specialty products
Mar-24	Operating and intellectual property assets of Success Nutrients	Organitek, Inc	-	100%	It provides base nutrients, plant additives, growth enhancers, etc
Mar-24	Pace International, LLC	AgroFresh Solutions, Inc.	-	100%	It manufactures and distributes agricultural chemical products in the EU, the USA, Japan and Canada
Feb-24	Gro-Power, Inc.	Huma, Inc.	-	100%	It manufactures humus based fertilizer and soil conditioner products
Jan-24	Solo Mancozeb Global Fungicide Business of Corteva, Inc.	UPL Corporation Limited	-	100%	It manufactures fungicides used to prevent plant diseases across a range of crops
Jan-24	Turf division	Aquatrols Corporation of America Inc.	-	100%	It discovers, develops, produces, commercializes, and supports soil surfactants
Dec-23	Iowa Fertilizer Company, LLC	Koch Fertilizer, LLC	3,600	100%	It manufactures nitrogen fertilizers
Dec-23	Ammonia production complex in Waggaman	CF Industries	1,675	100%	It is a leading integrated manufacturer and distributor of fertilisers
Dec-23	Newsom Seed, Inc.	SiteOne Landscape Supply, Inc	-	100%	It produces and distributes grass seeds, fertilizers, insecticides, etc.

Select M&A deals in Agricultural Chemicals Space

Date	Target	Acquiror(s) / Investor(s)	Deal Size (US\$mn)	Stake %	Target Business Description
Dec-23	Agro-K Corporation	Rovensa Next	-	100%	It manufactures biostimulants and nutrition-based biological products to improve crop quality
Nov-23	WinField United facility in Blytheville	Gowan Milling, LLC	-	100%	It is a wholesale supplier of crop protection inputs, seed and crop nutrients
Sep-23	Sunniland Corporation	SRS Distribution Inc.	-	100%	It engages in the research, development and manufacture of fertilizer and chemical products
Sep-23	Alfalfa breeding program of Corteva Agriscience LLC	DLF Seeds A/S	-	100%	It provides seed crop protection solutions backed by agronomic advisors
Aug-23	Regal Chemical Company	SiteOne Landscape Supply, Inc.	-	100%	It manufactures pesticides, fertilizers, and specialty products for agriculture and landscape industries
May-23	Bioworks, Inc.	Biobest Group NV	-	100%	It manufactures disease and insect control products for horticulture industry
Mar-23	Mid-Cal Ag Aviation Inc.	TORtec Group Corporation	-	100%	It provides crop dusting solutions, pesticide regulations and air craft safety for farmers
Jan-23	Sierra Biological Inc.	Beneficial Insectary Inc.	-	100%	It provides biocontrol services to farmers
Nov-22	The Stoller Group, Inc.	Corteva, Inc.	1,512	100%	It provides agricultural yield-enhancing solutions like fertilizers, crop protection, biostimulants, plant hormones

To speak with one of our team members regarding industry insights, see below



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