

Recent and future M&As in Agri Nutrients

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KEARNEY



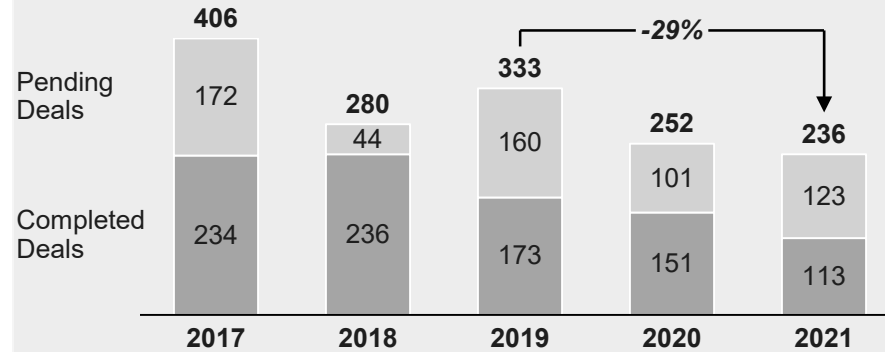
1. Analysis on M&As in recent years
2. Key questions to forecast future M&A activity in Agri Nutrients & Agro Chemicals



Chemicals M&A has been in decline since 2019 with structural changes in the deal landscape

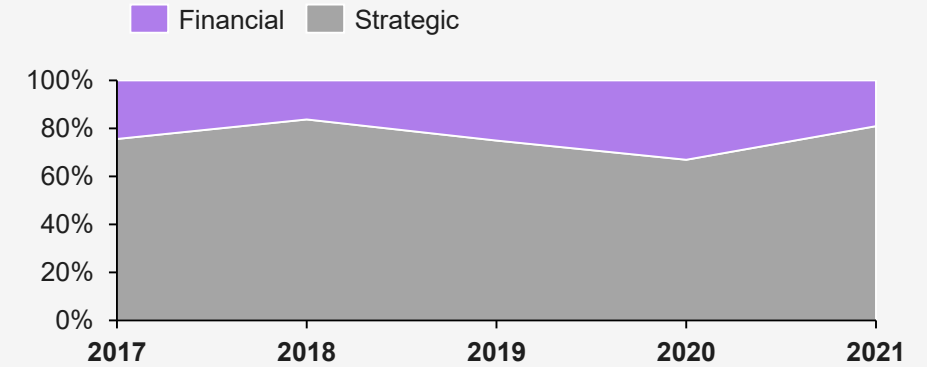
M&A continued its decline since 2019...

M&A deals value
(based on transaction close dates, USD bn)



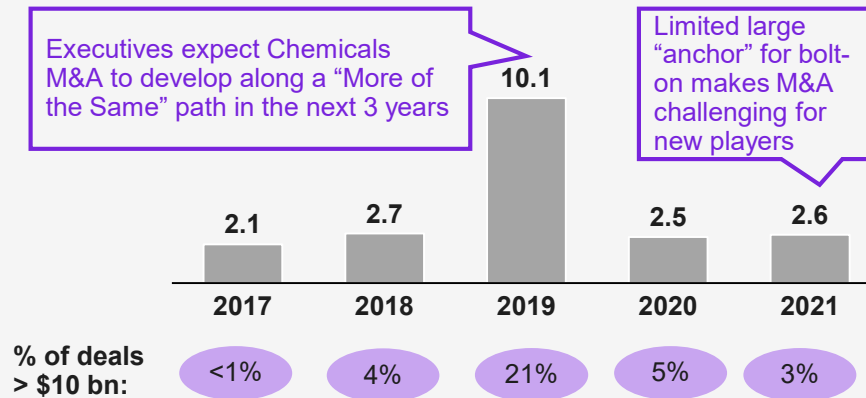
PE gained share during the crisis, but strategic investors are back

Share of M&A deal value by investor type
(based on announcement dates, %)



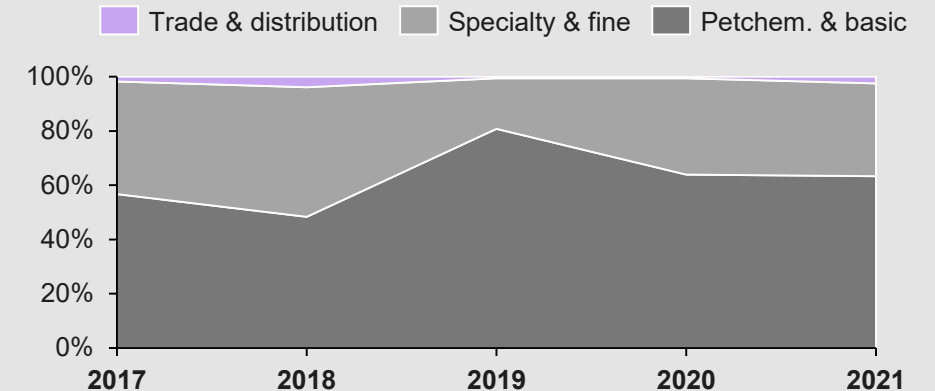
... and mega-deals will be less likely to come by

Average transaction value of M&A deals
(Ticket size for deals above \$1 bn, USD mn)



Specialty targets from electronics, construction, and microbial control sectors are gaining focus

Share of M&A deal value by target sector
(based on announcement dates, %)

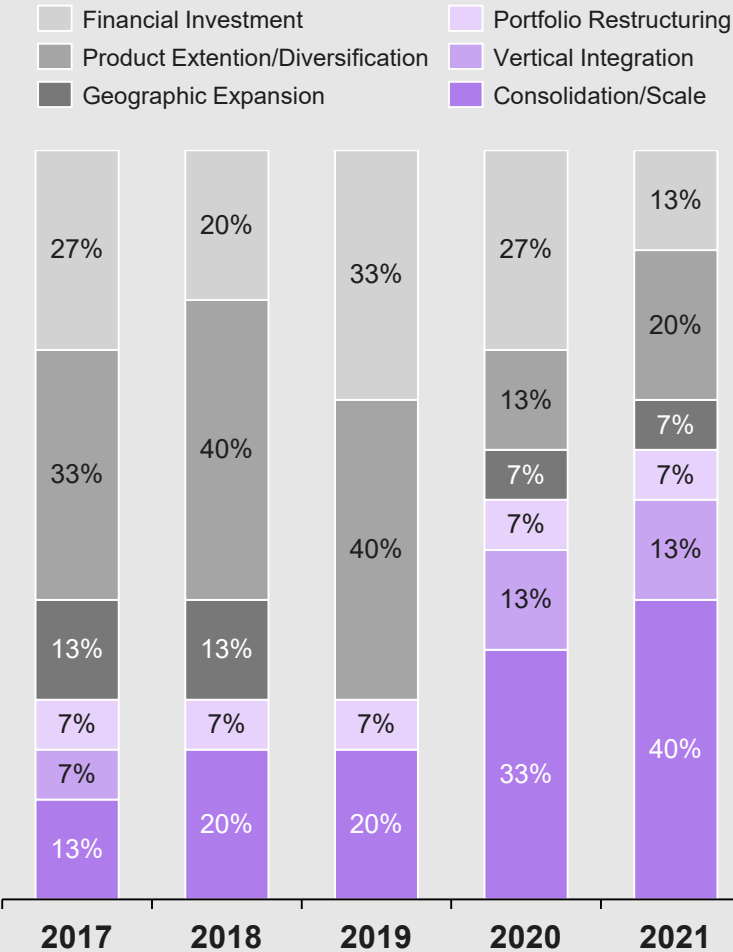


As pandemic impacted business durability, players have focused on the 'safe paths'

Acquirors are still focused on the 'safe paths': consolidation, supply chain resilience

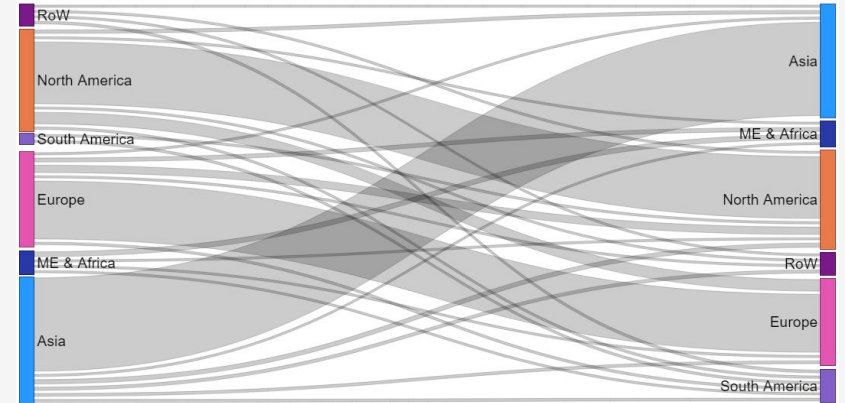
Continued focus on home market – buyers are missing out on opportunities abroad

M&A objectives for high value deals
(% share of primary rationale for top 15 deals by value)

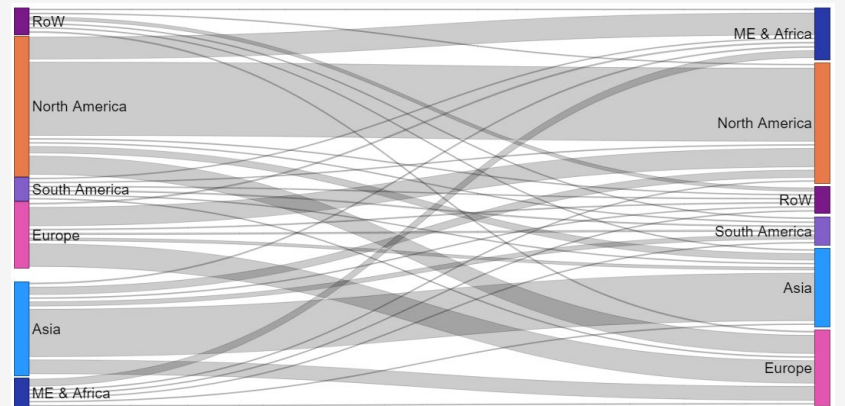


Over 50% of the top deals are focused on consolidation and vertical integration – driven by investor preference for 'durability' amid pandemic

Deal value from acquirer to target region in 2020



Deal value from acquirer to target region in 2021



Top chemical deals of 2021 were dominated by US acquirers consolidating their home market

Top Chemical deals announced in 2021

Acquirer (nationality)		Target (nationality)		Deal value (\$ bn.)	Primary announced deal rationale	
Entegris Inc		CMC Materials Inc		6.5		
MKS Instruments Inc		Atotech Ltd		6.5		
Sika		MBCC Group		6.0		
DuPont		Rogers Corp		5.3		
Platinum Equity		Solenis Holdings		5.3		
PTT Global Chemical PTTGC International BV		Allnex SARL		4.7		
Ecolab		Purolite Corp		3.7		
Saudi Industrial Investment Group		National Petrochemical		3.4		
American Securities		Hexion Holdings		3.4		
Prince International Corp		Ferro Corp		2.5		

Key Findings

- Majority of the top 10 deals were announced by US acquirers
- Consolidation and expanding into new product segments remain the two key deal rationales for the top deals in overall Chemicals sector
 - DuPont acquired Rogers to gain scale in Electronics & Industrial business
 - Sika AG acquiring MBCC Group to expand its construction chemicals & products portfolio
- Sustainability is becoming an intrinsic rationale for the major deals
 - Platinum Equity acquired Solenis to combine with Sigura Water to strengthen their sustainable solutions
 - PTTGC acquired Allnex to take advantage of it's sustainability related innovations

Vertical integration

Financial investment

Consolidation/ scale

Regional expansion

Business diversification






































Product extension

Portfolio restructuring

Source: Dealogic; Kearney

Fertilizers and Agrochemicals sector is seeing smaller and more strategic transactions, and more cross regional activity

Top deals in Fertilizers & Agrochemicals (2018-2022)

Announcement Year	Acquirer (nationality)	Target (nationality)	Deal value (\$ bn.)	Primary announced deal rationale
2019	OCI and ADNOC 	Fertiglobe 	12.9*	 
2018 ¹	UPL, ADIA, TPG   	Arysta LifeScience 	4.2	  
2021	Shanghai Zhongyida 	Wengfu (Group) 	1.7	
2021	Syngenta Group 	Jiangsu Yangnong 	1.6	
2020	SABIC AN 	SABIC 	1.2	
2020	Partners Group 	Rovensa SA 	1.1	
2020	Anglo American 	Sirius Minerals 	1	
2020	Industries Qatar 	Qatar Fertiliser 	1	
2022	Agrofert a.s 	Borealis (N ₂ business) 	0.9	
2019	Sumitomo Chemical 	Nufarm Industria 	0.8	  
2019	EuroChem Group AG 	EuroChem (Sharebuyback) 	0.8	

Key Findings

- Though there hasn't been any mega deals (like in years before 2018), M&A activities are continuously driven by consolidation/ scale in Fertilizer and Agrochemical sector.
- The average size of the top deals during 2018-2022 was below \$2.0 billion, with the creation of Fertiglobe as outlier
- Prominent transactions in this sector include:
 - Acquisition of UK based agrochemical producer by Indian player UPL, giving access to enhanced portfolio, manufacturing and distribution capabilities across the globe.
 - Acquisition of controlling stakes in Jiangsu Yangnong, enhanced Syngenta's manufacturing portfolio in China.
 - Anglo American started re-focusing on fertilizer mining, acquiring Sirius Minerals.

 Vertical integration
  Financial investment
  Consolidation/ scale
  Regional expansion
  Business diversification
  Product extension
  Portfolio restructuring

Note: ¹UPL acquired Arysta LifeScience through its wholly owned subsidiary, UPL Corporation. The total deal value was around \$4.2 billion. To fund this deal, UPL Signed agreement with Abu Dhabi Investment Authority (ADIA) and TPG to invest \$1.2 billion to acquire 22 per cent stake in UPL Corporation. This makes ADIA and TPG indirect owners of Arysta life science.

Regional expansion and consolidation have been driving M&A activities in the MENA region

Top deals in Fertilizers & Agrochemicals in MENA Region (2018-2022)

Announcement Year	Acquirer (nationality)	Target (nationality)	Deal value (\$ bn.)	Primary announced deal rationale
2019	OCI and ADNOC 	Fertiglobe 	12.9*	 
2020	SABIC AN 	SABIC 	1.2	
2020	Industries Qatar 	Qatar Fertiliser 	1	
2021	ICL Group Ltd 	Compass Minerals 	0.4	 
2022	Abu Dhabi Developmental Holding 	Abu Qir Fertilizers & Chemical Industries 	0.35	
2022	SABIC 	ETG Agri Inputs (EIHL) 	0.32	
2022	Abu Dhabi Developmental Holding 	Misr Fertilizers 	0.26	
2020	ICL Group Ltd 	Agro FertilAqua 	0.12	 
2019	Ma'aden 	Meridian Group 	0.12	
2021	OCI NV Fertiglobe Holding Ltd 	EBIC 	0.04	

Key Findings

- Various players expanded their footprint into new markets such as Africa through strategic acquisition activities in past five years
- Noticeable M&A transactions include:
 - OCI consolidates its position in agribusiness by combining its assets with ADNOC to form Fertiglobe in 2019
 - SABIC consolidated its various holdings in agrinutrients companies
 - ICL Group improved its footprint into growing Brazil agriculture market, acquiring Compass Minerals' South American Business
 - Acquisition of ETG Agri Inputs gave access to SANIC into Sub Saharan Africa's fertilizer, seeds and crop protection market
 - Acquisition of Mauritius based Meridian Group, gave access to Ma'aden into fertilizer distribution in four Eastern African markets
 - Anglo American started re-focusing on fertilizer mining with the acquisition of Sirius Minerals
 - Rovenso got strategic access into South African, US and Asian Fertilizer Market through the acquisition of Oro Agri.



Vertical integration



Financial investment



Consolidation/scale



Regional expansion



Business diversification



Product extension



Portfolio restructuring

Source: Kearney

* Fertiglobe market cap as of 22/9/2022

1. Analysis on M&As in recent years

**2. Key questions to forecast future M&A activity
in Agri Nutrients & Agro Chemicals**



Questions to evaluate when assessing state of future M&A in Agri Nutrients and Agrochemicals

Key questions to ask

- 1 What was the **rationale** for existing M&A? Are there any **market trends** that made this M&A necessary?
- 2 Will the trends that made M&A happen in the past also **continue into the future**?
- 3 If such trends do mandate M&A, who would be likely **acquirers and targets** and is there availability of such targets in the market?
- 4 Will expected M&A going forward be in the form of **mega-deals or a string of multiple smaller deals**?
- 5 Will expected M&A activity be **global or more regional**?

Five rationale have been driving M&A in the past- out of these, three are likely to be drivers of future M&A

1 & 2

Understanding rationale for M&A

Rationale for M&A	Has this been used as a rationale for recent M&A	Any near term trends that may mandate this?	Is this a likely strong driver for future M&A
Consolidation and cost synergy	Yes (Bayer-Monsanto; Agrofert-Borealis; Fertigllobe)	<ul style="list-style-type: none"> Recovery of prices in commodity fertilizers reactivating consolidation Uncertainty around long term impact of green ammonia 	<ul style="list-style-type: none"> Likely; limited due to availability of targets; probable to continue also through mergers
Access to new technology/ knowledge	Yes (BASF, Bayer-AG; Chemchina – Syngenta; UPL-Arysta)	<ul style="list-style-type: none"> Integration of macronutrients and agrochemicals offering; long term impact of green NH3 	<ul style="list-style-type: none"> Unlikely in macro nutrients until green NH3 ramp up; more probable to continue in agrochemicals
Access to new markets	Yes (Ma’aden-Meridian; SABIC-ETG; Mosaic- Vale SA; Yara-Ahubos Sudoeste; Eurochem – Heringer Brazil)	<ul style="list-style-type: none"> Macronutrients manufacturers aiming to be closer to end customers through distribution 	<ul style="list-style-type: none"> Likely unless it’s a very niche product, as fertilizer markets are likely to remain slow
Product diversification	Yes (BASF, Bayer-AG)	<ul style="list-style-type: none"> Macronutrients majors also aiming to get more involved in formulation and blending 	<ul style="list-style-type: none"> Likely, as companies will look to move further into formulation and specialities as they get closer to end customers
Reliability and security of supply chain	Yes (Yara chemicals- Tata chemicals; KAES – OCP JCF III)	<ul style="list-style-type: none"> Resource scarcity in select geographies (e.g. NG in Europe, Potash in Asia) 	<ul style="list-style-type: none"> Unlikely, as market structure and supply chains are well defined; limited to small transactions / focus on specific assets

M&A drivers that will likely remain relevant for Agri Nutrients

There may not be many large targets left- smaller independents holding downstream market positions likely to be prime targets

3 Understanding company profiles in future transactions

Rationale for M&A	Who would be likely acquirer	Who would be likely target?	Are target acquirers interested	Are suitable targets available
Consolidation and cost synergy	<ul style="list-style-type: none"> Large global companies Medium regional companies 	<ul style="list-style-type: none"> Large company through mergers Medium company in same region 	<ul style="list-style-type: none"> Large players in agrochemicals already consolidated in agrochemicals- medium scale transactions ongoing and more likely now in agri nutrients 	<ul style="list-style-type: none"> NOCs or consolidated companies willing to restructure portfolio (e.g., Borealis), small players (e.g., Nutrien – Boyer fertilizers); mergers (e.g., Fertglobe)
Access to new markets	<ul style="list-style-type: none"> Large company playing largely in commodities (e.g. NOCs in countries with access to advantaged feedstock) 	<ul style="list-style-type: none"> Small player/ carve out containing niche technology (agrochemicals) or market position (agri nutrients) 	<ul style="list-style-type: none"> Likely, as most NOCs still playing mainly in commodity space are looking for integration closer to end customer 	<ul style="list-style-type: none"> Multiple smaller companies with distribution still available as potential targets
Product diversification	<ul style="list-style-type: none"> Large company (with big commodities and some specialty portfolio) NOCs growing in formulation linked to their downstream integration 	<ul style="list-style-type: none"> Small agrochem players Small to medium companies with a complementary formulation / blending network 	<ul style="list-style-type: none"> Likely as large players (Bayer, BASF, ...) and NOCs have low exposure to specialty portfolios and formulation & blending networks, however fit to strategy needs to be established 	<ul style="list-style-type: none"> Several independent smaller companies with agro Chem portfolio still available as potential targets Targets with attractive formulation and blending networks in the end markets available

Large deals are likely only if companies wish to merge to consolidate footprint- smaller acquisitions will be more regional and focused on market access

4 & 5

Determining type of M&A happening

Rationale for M&A	Who would be likely acquirer	Who would be likely target?	Will this be a mega deal	Will this be a global or regional deal
Consolidation and cost synergy	<ul style="list-style-type: none"> Large global companies Medium regional companies 	<ul style="list-style-type: none"> Large company through mergers Medium company in same region 	<ul style="list-style-type: none"> Possible (less options for acquisitions with global scope transactions; more via mergers or multiple smaller transactions) 	<ul style="list-style-type: none"> Both global (e.g., Fertigllobe) and regional (Nutrien – Boyer)
Access to new markets	<ul style="list-style-type: none"> Large company playing largely in commodities (e.g. NOCs in countries with access to advantaged feedstock) 	<ul style="list-style-type: none"> Small player/ carve out containing niche technology (agrochemicals) or market position (agri nutrients) 	<ul style="list-style-type: none"> Unlikely, as smaller players will be more attractive to gain position closer to end customers 	<ul style="list-style-type: none"> Likely cross-regional, as the targets acquired will be incumbents in specific regional markets
Product diversification	<ul style="list-style-type: none"> Large company (with big commodities and some specialty portfolio) NOCs growing in formulation linked to their downstream integration 	<ul style="list-style-type: none"> Small agrochem players Small to medium companies with a complementary formulation / blending network 	<ul style="list-style-type: none"> Possible, however chances of a smaller deal are more significant 	<ul style="list-style-type: none"> Likely cross-regional as acquirers are in emerging markets and look for a diversification including formulation and blending close to end consumers

Thank you

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