

Chemicals Industry M&A

FY25 Review and FY26 Outlook



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Introduction

About us

PKF Smith Cooper's Corporate Finance team provides its clients with services from growth planning to advising on strategic exits.

We utilise our deep market knowledge and transactional experience to make your next business move a success. Throughout all stages of your business's lifecycle, we will help you build and sustain value.

- Our award-winning team of advisors are experts in securing deals, and we meet your objectives by providing senior-level support when it matters to you most
- Completed 172 deals with a combined value of £5.9 billion in 2025
- Deep sector knowledge across most industries
- Deals ranging from £5m to £50m with capabilities to transact between £2m and £150m

- Dedicated, highly experienced team of dealmakers
- Extensive private equity network
- Debt advisory capabilities
- One of the Midlands' leading dealmaking teams with offices across the UK
- Global reach as a member firm of PKF Global.

The authors



Darren Hodson
Partner



Jason Sackey
Assistant Manager

Foreword

Four principles underpin our assessment of the UK chemicals M&A market:

1. Speciality chemicals continue to deliver premium valuations.

Businesses with proprietary formulations, defensible customer relationships and exposure to high-growth end markets attract strong buyer interest and command 8x–10x EBITDA multiples.

2. M&A is selective, not broad-based.

Buyers remain disciplined, with capital increasingly concentrated in assets offering strong margins, recurring revenue, and a clear strategic fit, either aligned to future growth priorities or strengthening existing portfolios.

3. FY26 growth is policy-driven, not cyclical.

The UK's industrial strategy, net-zero commitments, semiconductor ambitions and increased defence spending are directing capital into specific subsectors. Businesses aligned to these priorities will benefit disproportionately from both organic demand and acquisition interest.

4. Sustained/increasing UK deal activity expected in FY26.

Multiples have recovered from a trough in 2024 to 8.7x EBITDA; private equity dry powder remains substantial; and strong international buyer appetite in 2026 for UK speciality assets underpins at least a sustained level of M&A activity, with the potential to exceed FY25 levels.

UK chemicals industry

The UK chemicals industry remains a cornerstone of the national economy, underpinning critical supply chains across manufacturing, pharmaceuticals, construction, agriculture, and consumer goods. It contributes significantly to GDP, employment, and exports, making it one of the most strategically important sectors.

This report provides a concise overview of current market conditions within the UK chemicals sector, recent M&A activity, emerging trends, and a forward-looking perspective on opportunities and challenges shaping the industry's future.



FY25 market review

The snapshot

Annual turnover

£66bn

Industry revenue
(UK chemicals and pharma)

Exports

£61bn

Export value
(UK chemicals and pharma)

Gross Value Added

£30bn

Contribution to UK economy

R&D investment

£10bn

18% of annual UK business spend

Speciality chemicals

19.8%

Share of the total sector revenue

Direct employment

137,000

Jobs in the chemical industry;
599,000 including supply chain

UK sector landscape

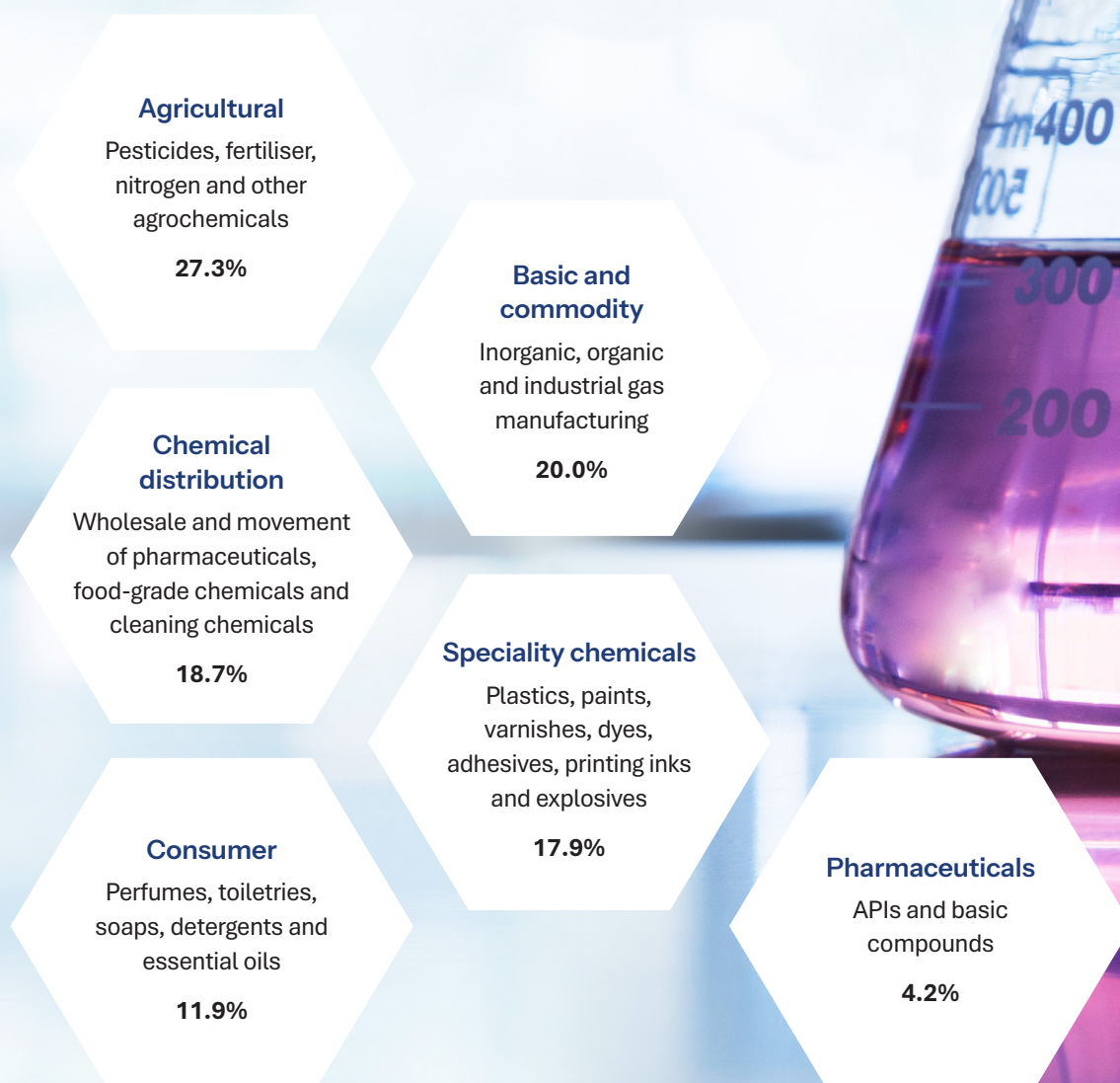
Producing bulk chemicals, polymers, speciality materials and consumer products, the UK chemicals sector underpins virtually every corner of the economy, from hospital wards to EV factories.

Overview

The UK chemicals sector generates approximately £68.5 billion in annual sales, making it the UK's second-largest manufacturing industry. Its products reach every corner of the economy from hospital wards and farmland to semiconductor fabrication plants and electric vehicle factories.

With over 137,000 direct employees and close to £10 billion invested in R&D annually, the sector remains a genuine world leader in innovation, even as commodity manufacturing migrates to lower-cost geographies.

The sector's central role in the UK's net-zero agenda adds a further strategic dimension. Decarbonisation, chemical recycling and sustainable manufacturing position niche UK chemical manufacturers not just as an economic asset, but as critical infrastructure for the energy transition.



UK market dynamics

Structural cost pressures and global competition continue to reshape the UK chemicals landscape.

Energy costs and asset rationalisation

FY25 UK energy prices, although lower than prior peaks, remained higher than international peers, undermining the viability of energy-intensive commodity assets such as steam crackers, olefins and basic inorganics.

Energy price pressures drove a wave of asset rationalisation. In FY25 alone, there were several significant plant closure announcements, including ExxonMobil's Fife ethylene facility, SABIC's Teesside olefins cracker, INEOS's Grangemouth ethanol operations and Dow's Barry siloxane unit. These closures reflect a considered assessment of long-term asset viability rather than a short-term cyclical retreat.

Demand dynamics

Demand remained uneven across downstream markets throughout FY25. UK construction and residential activity stayed suppressed relative to historical norms, dampening volumes across key chemical inputs such as polymers, coatings and construction chemicals.

Global overcapacity, particularly in olefins and polymers, compounded the pressure along with the sustained Chinese chemical output, which exceeded 40% of global production in 2025. For UK commodity producers competing on cost, this environment offers little to no competitive leverage.

Fundamental divide

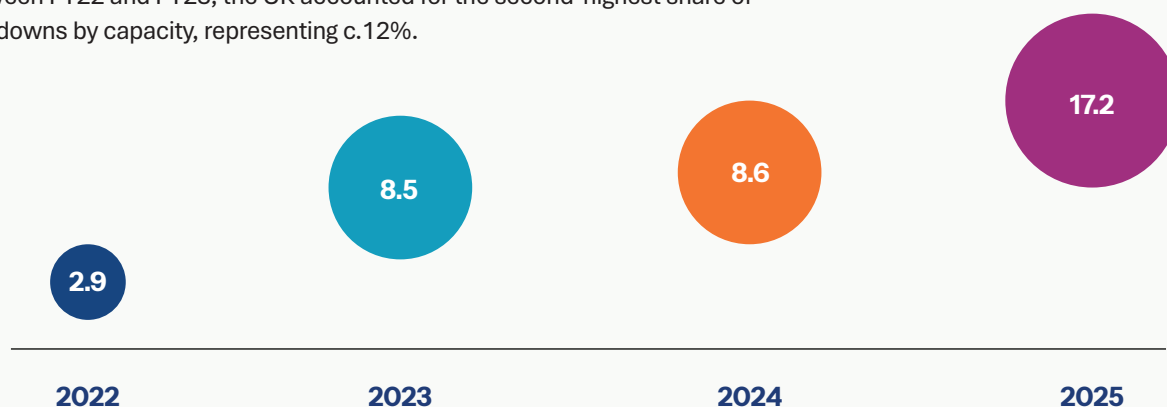
The above factors reinforced a clear fundamental divide within the UK chemicals industry. Commoditised and energy-intensive producers remained under pressure, while innovation-led businesses demonstrated greater resilience through pricing power rooted in customer retention, proprietary formulation and exposure to high-growth end-markets.

In response, large corporate capital allocation has shifted, with accelerated divestitures of low-return and energy-intensive assets while redeploying capital toward higher-margin, sustainability-aligned and application-driven activities which provide highly defensible positions during times of uncertainty.

This shift is creating a substantial pipeline of carve-out opportunities and increasing the pool of acquisition targets in attractive niche segments.

European plant shutdowns by capacity (mt) FY22 –FY25

Between FY22 and FY23, the UK accounted for the second-highest share of shutdowns by capacity, representing c.12%.



Future outlook

The snapshot

Investment

£39bn

UK Government target for advanced manufacturing by 2035

CO₂ storage

25%

The share that the UK Continental Shelf holds of Europe's CO₂ storage

Green chemicals

10.7%

Projected CAGR for green chemical solutions by 2033

Energy reduction

7,000

Businesses set to benefit from £40/MWh reduction in energy cost

Bio investment

£380m

UK Government commitment to the engineering biology sector

Speciality chemicals

5.0%

Projected CAGR for the UK speciality chemicals market through to 2030

UK market outlook

FY26 UK chemicals growth is expected, driven by government priorities and innovation-led sectors, favouring speciality segments over commodity production.

Overview

Expected growth in 2026 is likely to be shaped by government-backed priority sectors. The UK industrial strategy, net-zero commitments and national security focus will concentrate capital and demand into high-value, innovation-led segments. Growth will increasingly favour businesses that demonstrate strategic focus, defensible market positions and exposure to growing end-markets. Businesses positioned in these areas stand to benefit disproportionately from both organic growth and acquisition interest.

Key high-growth sectors



Chemical recycling

Net-zero policy and plastics regulation are accelerating demand for circular chemical solutions. Chemical recycling is set to process c.7% of UK plastic waste with forecast growth of c.10.5%+ CAGR to 2030.



Electronics and semiconductor chemicals

The UK's semiconductor strategy targets high-value niche production, driving demand for ultra-high-purity chemicals, speciality gases and advanced materials.



Battery materials and energy storage

UK policy support, including the £850m Automotive Transformation Fund, is driving demand for specialist battery materials, with supply chain reshoring further reinforcing domestic needs for electrolytes and components.



Digital infrastructure and data centres

Supported by the UK's digital and AI strategy, data centre expansion is underpinning growing demand for speciality chemical inputs such as cooling fluids, fire suppression chemicals and advanced coatings.



Defence and aerospace

The UK's 2.5% GDP defence target and rising aerospace spend are driving demand for high-performance coatings and composites. These long-term capital commitments provide sustained demand visibility for embedded supply chain businesses.



Pharmaceuticals and life sciences

Designated as a core UK growth sector under the Life Sciences Vision, pharmaceuticals and biotech drive sustained demand for chemical inputs, with companies benefiting from long-term policy-backed growth and limited cyclicality.

FY25 review and M&A outlook

The snapshot

EBITDA multiple

8.7x

Average multiple for disclosed UK mid-market transactions

UK deal volume

32

Transactions completed, down from 44 in the prior year

European buyers

c.46.9%

Share of total acquisitions of UK targets

Speciality chemicals

c.31.5%

Share of total global chemical deal volume

Trade buyers

c.64.3%

Share of M&A deals in 2025 with a trade buyer

Private equity

c.30%

Share of total global transactions



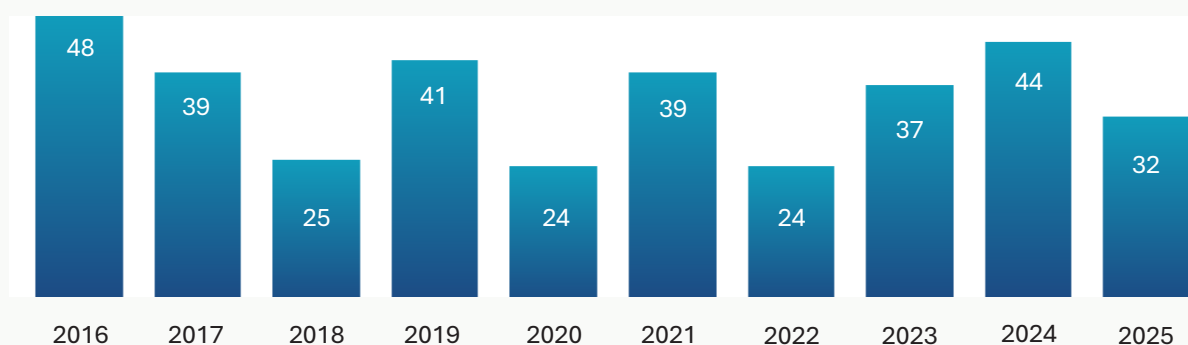
UK M&A view

Trade buyers and private equity converge on UK speciality chemicals, drawn by differentiated expertise and resilient earnings.

Overview

UK chemicals M&A remains an active but fragmented market, a defining characteristic that signals substantial remaining consolidation potential.

UK deal activity



Activity rebounded strongly from the COVID-driven slowdown before softening in 2025. Despite this, the market has remained underpinned by the following drivers:

1 Private equity remains a key player in the UK chemicals mid-market. Despite macroeconomic headwinds, firms have maintained conviction, deploying significant dry powder through platform buyouts and disciplined bolt-on strategies that build scale in niches.

Appetite has been particularly strong for speciality chemical businesses offering sticky customer relationships, long-term contracts, raw material cost pass-through mechanisms, and predictable earnings profiles, attributes that are attractive to private equity investors.

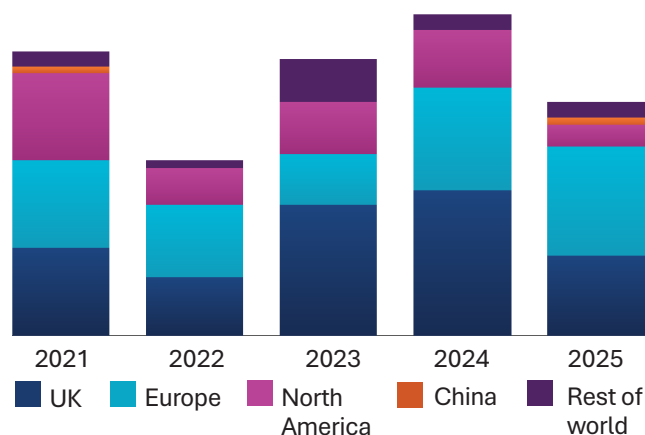
3 The UK speciality chemicals sector commands persistent international buyer demand for one clear reason: it consistently produces businesses that are difficult to build organically.

Decades of formulation expertise, proprietary technology, and exposure to high-growth themes such as energy transition, advanced materials and life sciences, are reinforced by a world-class research ecosystem that international acquirers typically lack in their domestic markets. This has translated into transactions being completed at premium multiples.

2 Domestic and European trade buyers have continued to dominate UK chemicals M&A, with Europeans overtaking UK buyers for the first time since 2022 and emerging as the only continental region to record year-on-year deal activity growth, completing c.46.9% of deals in 2025.

This reflects a clear strategic shift, as European groups reassess their portfolios and pivot towards higher-value, innovation-led segments in which the UK has a deep concentration of speciality formulations, advanced technologies and differentiated application expertise.

UK acquirer origins



UK deal focus

UK chemicals M&A activity in FY25 may reveal future trends based on where strategic buyers could be focusing their strategies.

M&A drivers

The days of large-scale consolidation plays are giving way to something more targeted. Strategic acquirers and private equity sponsors alike are chasing assets with proprietary formulations, specialised process know-how, and exposure to end-markets that reward performance over price. Scale alone is no longer the primary motivation for acquisitions.

Premium valuations are following businesses with the right end-market exposure. Life sciences, pharmaceuticals, electric vehicles and aerospace and defence are all commanding strong multiples. Buyers are paying for margin quality and defensibility, particularly with current economic uncertainty.

Sustainability and regulatory compliance are genuine deal drivers. Tightening rules on emissions, waste and product lifecycle are pushing acquirers towards businesses that solve compliance challenges rather than simply supplying commodity inputs. Recent transactions make the theme concrete.

UPM Raflatac's acquisition of Metamark - the deal is a testament to the significant premium placed on businesses within the CASE segment as well as underscoring the appetite of European trade buyers for UK expertise that cannot be easily replicated.

H2 Equity Partners' purchase of William Blythe confirms that private equity appetite for complex inorganic speciality chemicals is firmly intact - these are businesses built on deep expertise and long-term customer relationships.

Blythe's supply into critical end markets made it exactly the type of asset, defensible, differentiated and difficult to replicate, that sponsors are actively targeting in the current environment.

Indestructible Paint manufactures speciality paints for the defence and aerospace sectors. The acquisition by Seaforth demonstrates that speciality chemicals businesses are attractive to acquirers.



February 2025

UPM Raflatac Ltd acquired **Metamark (UK) Ltd**, the UK-based provider of adhesive signage.

Deal Value: c.£146m



June 2025

H2 Equity Partners BV acquired **William Blythe Ltd**, the inorganic speciality manufacturer.

Deal Value: c.£30m



December 2025

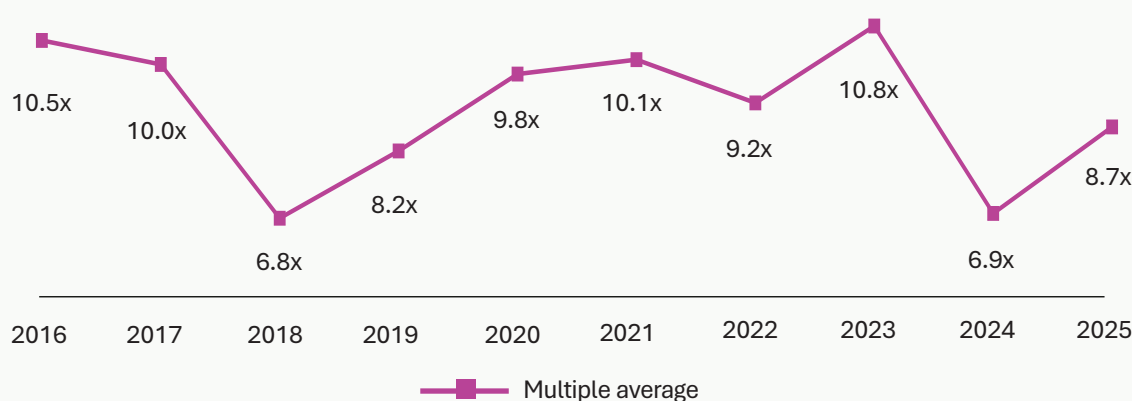
Seaforth Holdings Ltd acquired **Indestructible Paint Ltd**, the UK-based paint and coatings company.

Deal Value: Undisclosed

UK mid-market focus

Deal multiples show early signs of recovery, and UK chemicals M&A activity in FY25 reveals where strategic buyers are focusing their strategies

UK mid-market multiples



Trend

The 2023 peak of **10.8x** represents the **post-COVID** deal activity driven by cheap debt, with buyers competing for quality **speciality chemicals** in a tight market.

Higher **interest rates**, tighter financing conditions, and **economic uncertainty**, compounded by a **buyer-seller valuation gap**, weighed on deal activity and pushed multiples down to **6.9x** in 2024.

In 2025, whilst deal volumes **decreased by 31%**, disclosed deal **multiples** have witnessed a **slight recovery**, driven by buyers allocating capital towards **high quality assets**.

Outlook

Weaker sterling and **low UK valuations** are attracting **US and Middle Eastern buyers**, boosting valuations for **quality UK assets** brought to market now.

Sellers **targeting 2023 peak multiples** risk **sharp corrections**. Deals in 2026 are expected at **8x-9x** valuations, with premiums for **ESG-compliant** or **high-margin specialised assets**.

2025 recovery to 8.7x suggests **returning buyer confidence** and **improving debt market conditions**; sellers re-entering now may achieve **reasonable value**.

Source: Mergermarket, Mark 2 Market and PKF Analysis

Global M&A view

Global chemical M&A volumes have contracted from their 2021 peak, yet speciality chemicals and Middle Eastern capital continue to redefine deal activity.

Middle East capital

Middle Eastern national oil companies and sovereign wealth funds have become an increasingly influential buyer group in global chemicals M&A. Underpinned by state-led economic diversification strategies, landmark transactions, including the €14.7bn acquisition of Covestro and Aramco's \$3.4bn investment in Rongsheng, highlight both the scale and strategic intent of this capital.

Despite a broader global slowdown, MENA-based acquirers increased deal activity by c.20% in FY25, underscoring the emergence of a well-capitalised, highly motivated buyer cohort with long-term strategic horizons.

Speciality resilience

Speciality chemicals have shown strong resilience despite declining global volumes, accounting for c.31.5% of all global transactions - the largest share of any segment. Deal activity exceeded FY21 levels in FY24 before easing modestly in FY25, standing in stark contrast to commodity basic chemicals, where volumes have fallen by c.32.9% since 2021.

This divergence can be attributed to developments over the last five years, during which geopolitical disruption and

rising feedstock and energy costs have disproportionately pressured energy-intensive commodity producers, increasing their exposure to margin compression during periods of volatility.

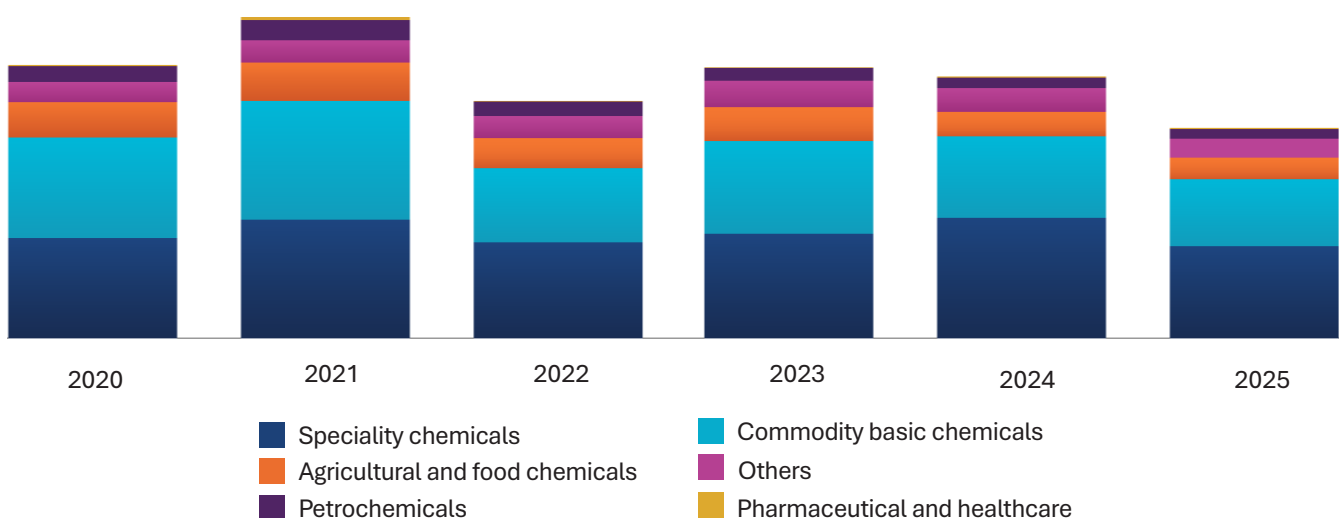
By contrast, speciality chemicals manufacturers have, generally, been able to pass through cost inflation, supported by sticky customer relationships and more resilient demand, reinforcing the sector's defensive characteristics.

Outlook

Increased interest from large-scale corporates will erode niche positioning in certain segments, accelerating commoditisation and intensifying margin pressure. While the short-term impact is expected to be limited, this trend represents a material risk that market players must monitor closely over the medium to long term.

In parallel, recent geopolitical escalation in Iran has added further uncertainty; while implications for dealmaking remain unclear, operational impacts have been pronounced. Within days of conflict, a raft of price increases from major producers was announced, including BASF, Wacker Chemie and Covestro.

Global deals by subsector



Source: Mergermarket and PKF Analysis

Active buyers

Strategics continue to dominate while buy-and-build private equity platforms target the speciality chemicals sector.

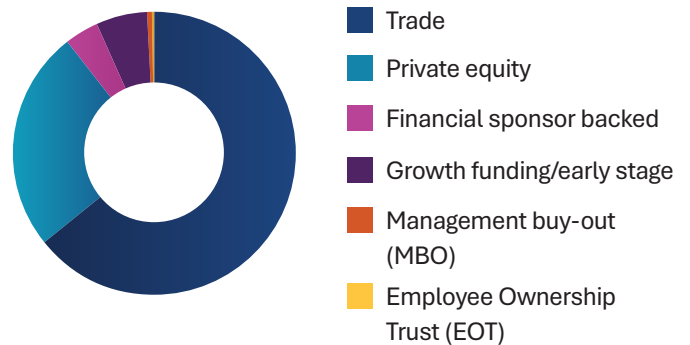
Overview

Strategic acquirers remain the most active buyer segment, driven by portfolio realignment and a willingness to pay a premium for targets with strong margin profiles and attractive end-market exposure.

Activity has shifted decisively away from large-scale transformational deals toward high-margin “tuck-in” acquisitions, as corporates divest commodity-exposed assets and redeploy capital into speciality segments. H.B. Fuller exemplifies this trend, completing c.15 acquisitions over five years to deepen its adhesives and sealants platform.

Private equity activity has shifted towards niche innovators and bolt-on acquisitions over larger buyouts, with buy-and-build platforms, including Solenis (Platinum Equity), Arclin (Jordan Company) and Azelis (previously owned by EQT), exemplifying the strategy of building scale through serial acquisition.

Global deals by buyer category 2025



Active trade acquirers

Global



Europe



UK



Next steps

Set up an initial meeting and discuss the right option for you and your business. Before the meeting, it is helpful to consider the following topics:



What are your objectives? Are you looking to exit or grow your business to the next level?



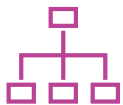
Would you like to remain involved going forward? What is your desired timeline for exit/growth?



What are the skill sets and ambitions of your current management team/family members working within the business?



What legacy do you want to create for the business and its employees?



How has your business performed historically, and how robust are your financial systems and revenue contracts?




What are your plans for growth, and what does your business need to deliver this?



Darren Hodson
Partner
darren.hodson@pkfsmithcooper.com



Jason Sackey
Assistant Manager
jason.sackey@pkfsmithcooper.com



right people
right size
right solutions

PKF Smith Cooper

www.pkfsmithcooper.com

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