

Chemical compounds

Second-quarter 2009 global chemicals industry
mergers and acquisitions analysis

China: Balancing the risks and opportunities



Welcome to *Chemical compounds*, PricewaterhouseCoopers' quarterly analysis of mergers and acquisitions (M&A) in the global chemicals industry. In addition to a detailed summary of M&A activity in the second quarter of 2009, we supplement this issue with a special report that highlights potential growth opportunities and considerations of chemical companies doing business in China. Included is a discussion around China's role and stature in the international economic order, its spending priorities, and partner expectations of foreign investment.

Special Report: China looks for global partners

For US and European chemical companies struggling through the recession, China's growth rate, which forecasters¹ in China and the United States now expect to approach or even exceed 9 percent for 2009, is enticing. So, too, are the hundreds of billions of dollars that China has committed to bolster its domestic demand and pursue investment in a multi-layered economic stimulus effort.

But it is important for companies that see opportunity in China's robust anti-recession efforts to recognize how rapidly China's role and stature are maturing in the international economic order. The accelerated pace of maturity has been driven by national aspirations, financial capabilities, and the realities of the global recession.

Today's China has much to offer US companies, but its businesses and its government want strategic value in return. Companies looking to capitalize on the growth of China's economy and chemicals industry must consider the potential obstacles in their path, including the fact that China's chemicals industry remains tightly regulated and opportunities often depend on which areas of foreign investment are encouraged or restricted by the government. Additionally, difficulties surrounding logistics, rising costs, the war for talent, and intellectual property protection create risks for any company setting up or expanding operations in the country.

Technology. Expertise. Partnership. These three factors are the keys to accessing growth opportunities in China. US and European chemical companies looking to grow business with China must understand that its companies and markets have many suitors. Collaboration with Chinese counterparts and national interests can be a differentiator for companies that already have a presence in the Chinese marketplace.

For companies without a significant Chinese presence, it may not be too late to buy in. As domestic companies are pressured to sell their products globally and adopt more advanced technology, tie-ups with multinational companies in the form of joint partner arrangements become more attractive, broadening the pool of potential partners for foreign chemical companies.

In our experience, the companies best positioned to succeed are those willing to align themselves with China's strategic development priorities and those that approach Chinese business relationships as partnerships rather than investor-investee transactions.

Stimulus mindset

There is no discrete Chinese stimulus plan. Although the Chinese central government in late 2008 announced an RMB 4 trillion (\$586 billion) spending program, the parameters, details, and funding of that program remain somewhat opaque and subject to change. It's difficult to establish, for instance, which spending already was programmed for initiatives such as earthquake reconstruction and which is truly incremental.

Spending priorities appear to have shifted during the past few months, with quick-hitting health, education, and social spending accounting for a larger portion than first anticipated, when traditional infrastructure was the emphasis.

Specific numbers aside, it is clear that China has committed massive resources to spur domestic consumption and that it has targeted international growth for its companies. Tax breaks entice foreign companies to set up shop in one of China's many chemical industrial parks. These are usually situated near developed coastal cities such as Shanghai or Tianjin, which have good infrastructure and large labor pools.

¹"China needs exit plan for monetary policy—economist," *Thomson Reuters*, July 28, 2009; "Merrill Lynch hikes China growth forecast," *The Wall Street Journal*, July 27, 2009

Economic indicators show these measures are working, with most economists crediting China's aggressive fiscal and monetary stimulus policies with sustaining economic growth, which has eluded much of the rest of the world. China also continues to be the world's largest importer of chemicals and the third-largest consumer of chemicals. Demand for petrochemicals and plastics is expected to rise each year over the next decade, and China's chemicals industry is expected to grow at an average rate of more than 10 percent through 2016.

At the same time, many of the same observers say that China needs to formulate a plan for ratcheting down its stimulative lending policies to a more sustainable level before they lead to inflation and asset bubbles.²

An equal partner, not a subsidiary

For many years, foreign investors have moved into China for two essential reasons: to capitalize on its impressive sustained growth and to pursue cost rationalization through lower-cost labor, particularly in manufacturing.

This transactional approach to doing business in China is waning. In recent years, the Chinese government continually has rewarded companies that were willing to align themselves with the nation's strategic economic goals, which included increased industrialization, technological transfer, and infrastructure development.

Moving forward, successful companies will see China as more than a marketplace of more than a billion people boasting a briskly growing GDP. For example, a company that just wants to sell a piece of equipment into the Chinese market or cut labor costs may find less opportunity than a company willing to partner with the Chinese on a rural development project.

It's clear that China's spending and lending plans aim primarily to help its citizens and its companies. However, a major company operating in China may enhance its prospects by partnering with or acquiring a strategic Chinese business. Within the chemicals sector, two joint venture agreements recently were announced. China Petrochemical Corporation (Sinopec Group) said the Chinese government has approved a report on the expansion of the joint venture between its listed subsidiary China Petroleum & Chemical Corporation (Sinopec) and German-headquartered BASF in east China's Nanjing.³ Additionally, Praxair Inc. announced that its wholly-owned subsidiary, Praxair (China) Investment Co. Ltd., has set up a joint venture in Guangzhou, southern China, with China Petroleum & Chemical Corporation (Sinopec).⁴

China's strategic development goals have not changed radically, but as demand for Chinese exports declines, the state's traditional industrial, technology acquisition, and infrastructure goals will not be enough to sustain its economy. However, government programs aimed at spurring consumer confidence, such as health insurance plans and pensions, likely will create a domestic market to help compensate for this drop.

Rural development, seen as critical to long-term Chinese social stability and exemplified by the response to the devastating Sichuan province earthquake last year, is a key priority for stimulus spending. For instance, the central government recently announced more than \$100 billion in new hospital construction for rural areas. This demonstrates how economic and social priorities often mix in China.

² "Reality check for China's monetary policy," *Caijing*, July 23, 2009

³ "China approves expansion of Sinopec—BASF joint venture," *China Daily*, July 7, 2009

⁴ "Praxair China sets up joint venture with Sinopec," *Reuters*, May 3, 2009

China's global impact

Those mixed priorities can impact companies looking to do business with China and companies in business sectors that overlap with Chinese priorities, such as resource and technology-related sectors.

Bolstered by the new lending efforts, Chinese enterprises are looking for opportunities to expand across the globe. In fact, PwC is seeing far more outbound M&A activity related to China than inbound. This could bring opportunities to companies with limited access to Chinese markets. In many cases, our research indicates that the Chinese companies investing in the United States or in Europe or other regions likely would retain existing management to leverage its expertise.

A deal that keeps the existing management team, brings investment of Chinese resources, and instantly provides access to Chinese markets could be an attractive option for US and other international companies that are struggling to emerge from the doldrums of recession.

At the same time, Chinese domestic spending and priorities can impact the fortunes of priority sectors.

For instance, on June 23, 2009, the United States and the European Union filed a WTO complaint alleging that China has been placing export restrictions on certain industrial raw materials. According to the complaint, such restrictions lead to excess capacity within China and lower prices for domestic Chinese companies needing to purchase the materials for internal business ventures, many of which are funded by the stimulus efforts. At the same time, China has been importing many of the same raw materials, propping up international prices.

Most observers have seen these moves by the Chinese government as an officially sanctioned stockpiling effort, an observation confirmed in late June by Yu Dongming, chief of the metallurgical division of China's National Development and Reform Commission's industry department.

Media reports at the time said Yu also announced that the State Reserve Bureau had ceased its purchases and that the stockpile program had run its course and achieved its objectives of price stability and replenishing of stocks.

The stockpiling effort has driven up export prices for iron ore, steel, oil, and other industrial metals and largely compensated for the drop in demand from the United States and European Union as the financial crisis and global recession deepened in late 2008 and 2009, helping many foreign companies in the metals sector and other industrial sectors.

However, now that China has announced a halt to stockpiling, some observers worry that underlying demand for raw materials will slacken, causing prices to slide, and removing the engine for what has been a mini-recovery in the metals sector.

China's ability to move prices based on its national priorities shows just how important it has become economically. Companies wishing to build or maintain relationships with Chinese counterparts should recognize they are now doing so on at least equal footing.

Perspective: Thoughts on deal activity in the second quarter of 2009

As discussed above, China continues to be a potential growth region for chemical companies. Despite numerous challenges to developing a successful business strategy in this region, the rewards are attracting many global chemical players. To date, we have seen strong deal activity within China's borders. However, as China's markets begin to open up and become more flexible, there is the potential for an increase in the number of cross-border deals involving both Chinese targets and acquirers. The extent to which the Chinese markets will open up will depend on several significant macroeconomic and political factors for which the path is relatively uncertain.

At the same time, we have started to see expansion into South America and other emerging nations. Global chemical companies are either following their customers to these growth regions or moving to take advantage of lower cost bases (e.g., the Middle East has lower gas and oil prices and a more plentiful supply than North America).

This shift is encouraging from an M&A perspective as, in addition to companies making direct investments into building plants, there is also growth via acquisition. For

companies seeking to expand, acquisitions in emerging countries are attractive, but due diligence is essential to fully understand the financial health of potential targets and post-merger costs that might be involved.

The volume and value of deal activity through the first half of 2009 significantly lags that of 2008. This was not entirely unexpected given the status of credit markets. However, we did see an increasing amount of deal volume in second quarter 2009 when compared with the first quarter, albeit at smaller deal values. This is reflected in the fact that no additional large deals (deals with values greater than \$1 billion) have been announced since our last report, with only Morton Salt occurring during second quarter 2009.

We will continue to focus on the impact and M&A activity of large chemical companies seeking protection under bankruptcy laws. These companies may provide good buying opportunities for investors able to identify and acquire the viable parts of these businesses.

Commentary

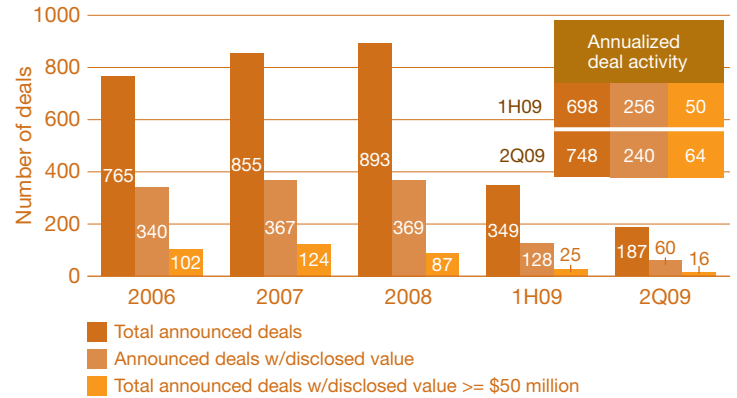
Deal volume slightly rebounds in second quarter 2009

The lack of liquidity and general decline of the economy have continued to stunt 2009 deal activity when compared with 2008. Total deal volume in the first half of 2009 was down 7 percent compared with the first half of 2008, and the volume of deals with a disclosed value greater than \$50 million was down 43 percent. Despite continued decline since 2008, deal volume did, however, appear to increase in the second quarter of 2009 from the first quarter, with total deals at 187 in the second quarter compared with 162 in the first quarter. This increase in activity is within small to midsized deals, and, as we have noted in earlier versions of this report, M&A activity within the chemicals industry typically includes many small to midsized deals, so the deal volume remains relatively high, even during periods of economic uncertainty.

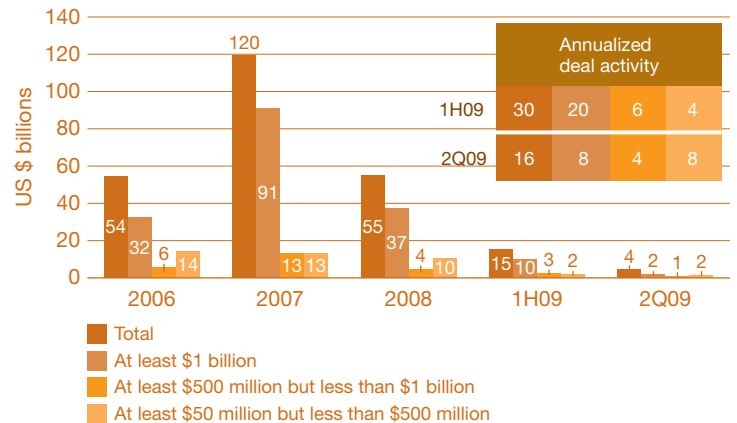
Average deal value for second quarter 2009 reflects an increase in small deals from first quarter 2009

Despite the increase in the number of deals announced in second quarter 2009 from first quarter 2009, the average deal size decreased to \$72 million in the second quarter from \$163 million in the first quarter, illustrating that while small deals continue, credit markets remain relatively tight, preventing large deals.

Deal activity by number of deals

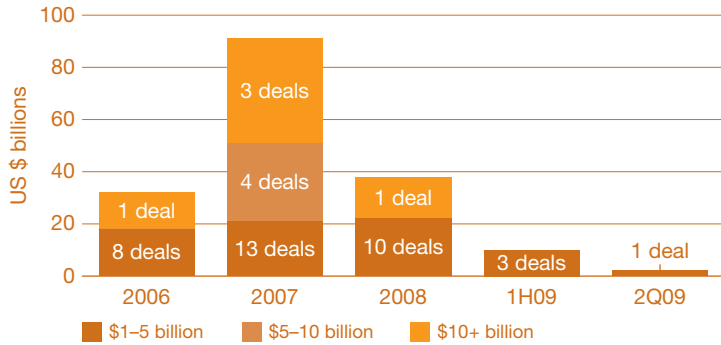


Deal activity by total deal value



Large deals (\$1+ billion)

Value (and number of deals in category)

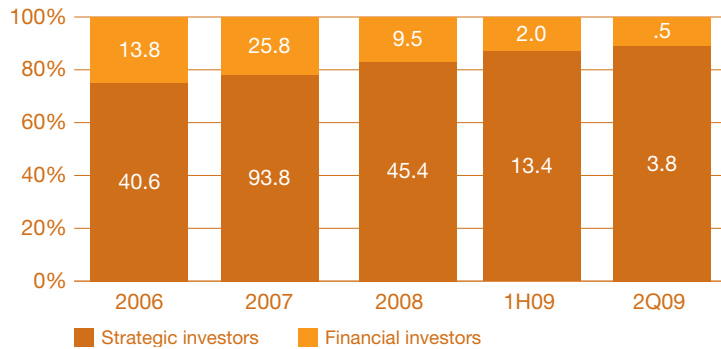


Large deal volume continues to slow

Consistent with expectations, the frequency of large deals remains low, with only one additional large deal occurring since the first quarter 2009—the K+S acquisition of Morton Salt from Rohm and Haas (Dow), which we acknowledged in our first quarter 2009 report. The two remaining large deals in the first half of 2009, concerning Agrium/CF and CF/Terra, continue, with Agrium increasing its hostile bid for CF during the quarter. The outcome remains unclear due to their intertwined nature. See pages 10-11 for additional information.

Deal activity by investor type

Measured by percentage of deal value (actual deal value in billions shown in chart)



Deal activity by investor type—Strategic investors are most active in 2009

As noted in earlier versions of *Chemical compounds*, strategic investors are the driving force in M&A activity despite the high level of financial investor deal activity in recent years. As we would expect with the current economic conditions, the deal value from financial investors is down from 2007 and 2008 levels. The decrease is not surprising, given that the tightening of the credit markets caused financial buyers to increase their average equity stake from 32.9 percent in 2007 to 42.6 percent in late 2008, according to Standard & Poor's *Leveraged Commentary & Data*. Consequently, the difficulty in using leverage to finance a transaction is inhibiting financial buyers from consummating larger transactions.

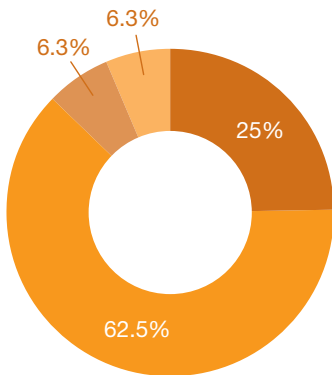
Regional distribution of second quarter 2009 deals—Asia Pacific strong in deal volume, but North America dominating by deal value

The regional distribution of deals indicates that North America and Asia saw the majority of M&A activity relative to deal volume in the second quarter of 2009. However, when analyzed by the value of deals, North America and Western Europe dominated due to the largest deal in the second quarter being a North American target, and Western Europe acquirer (See Large deals in 2009 on Page 10). The first half of 2009 also has seen growth in deal volume activity in South America, the Middle East, and Eastern Europe (as targets), indicating a possible move by investors into these lower cost-base regions.

Regional distribution of second quarter 2009 deals

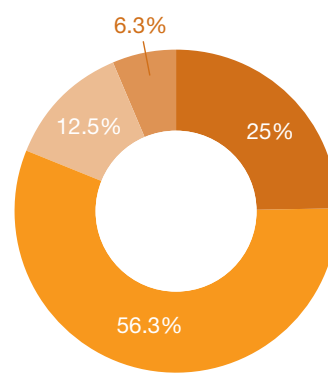
Number of deals by target region

for 25 deals—with value greater than \$50 million

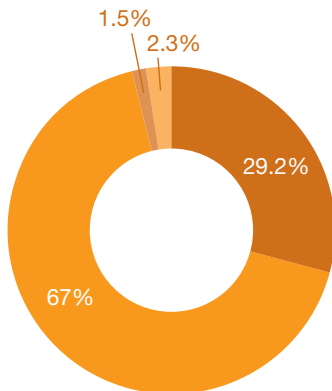


Number of deals by acquirer region

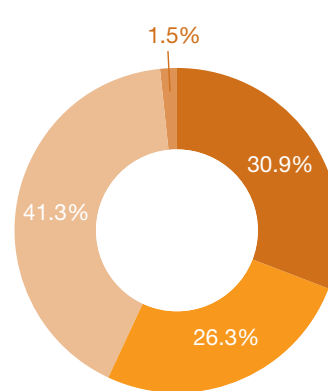
for 25 deals—with value greater than \$50 million



By value of deals by target region



By value of deals by acquirer region



Asia Pacific
 North America
 Western Europe
 Middle East
 South America
 Africa
 Eastern Europe

Foreign investment into China and India remains relatively strong

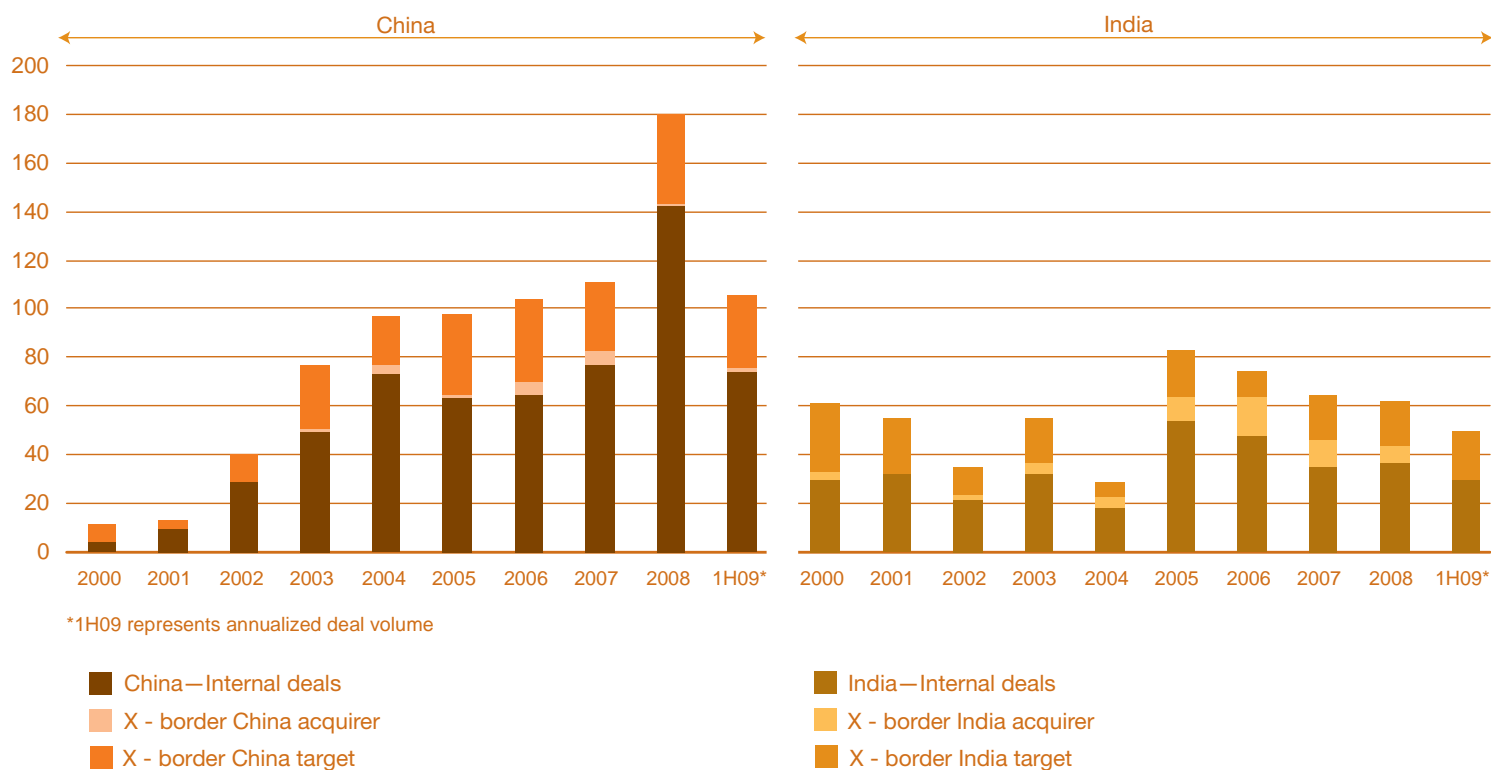
Consistent with the theme of this report and the relatively high level of deal volume in the Asia Pacific region, we isolated the deals in China and India to analyze the trends for in-country and cross-border deals, both as target and acquirer.

Outside investment into China and India appears relatively strong for the first half of 2009, with 28 percent of total deals being in-bound in China (remaining consistent with prior years), and growing from 26 percent in 2005 to 40 percent in 2009 in India.

While the level of outside investment into China and India has remained positive, the proportion of deals that China made outbound declined to 2 percent (2005-09: 3 percent) and India declined to zero (2005-09: 13 percent). This trend is largely in line with our expectations.

Although there appears to be resilience in inbound activity, acquisitions in the first half of 2009 appear to be returning to 2007 levels in China but continue to decline in India. Further, in China, there has been a 10 percent decrease in deals in second quarter 2009 as compared with first quarter 2009, which differs from the global trend, whereby deal activity increased in second quarter 2009 compared with first quarter 2009.

Total and cross border M&A—China & India 1H 2009



	China					
	2000–2004	% of total	2005–2009	% of total	2009*	% of total
In—Border deals	166	70%	422	70%	74	70%
X—Border target	67	28%	162	27%	30	28%
X—Border acquirer	5	2%	15	3%	2	2%
Total	238		599		106	

	India					
	2000–2004	% of total	2005–2009	% of total	2009*	% of total
In—Border deals	134	57%	204	61%	30	60%
X—Border target	86	37%	86	26%	20	40%
X—Border acquirer	15	6%	44	13%	–	0%
Total	235		334		50	

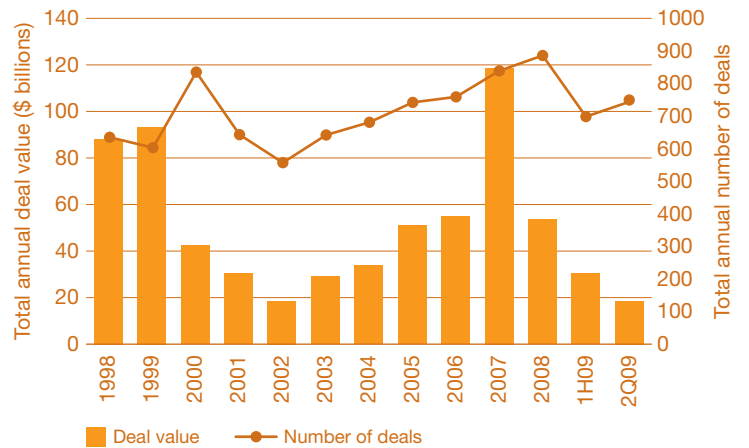
*2009 has been annualized to enhance comparability

M&A activity in the chemicals industry remains composed of a relatively consistent level of many small- to midsized deals

As noted in previous editions of *Chemical compounds*, periods of favorable economic conditions for M&A drive up the deal value due to a higher volume of larger deals.

However, M&A activity in the chemicals industry is composed of a relatively consistent level of many small- to midsized deals, even during periods of economic downturn.

11 year comparison of annualized 2009 deal activity
1998–2Q 2009



*1H09 and 2Q09 deal activity were annualized to enhance comparability

Large deals in 2008

Month announced	Target name	Target nation	Acquirer	Acquirer nation	Status	Value of transaction in US\$ bln	Category
Jul	Rohm and Haas Co	United States	Dow Chemical Co	United States	Completed	15.51	Commodity Chemicals
Jul	Dow Chemical Co	United States	Investor Group	United States	Completed	4.00	Commodity Chemicals
Jul	Hercules Inc	United States	Ashland Inc	United States	Completed	3.32	Specialty Chemicals
Feb	Abraaj Capital Ltd-Fertilizer	Egypt	Orascom Constr Ind SAE	Egypt	Pending	2.75	Fertilizers & Agricultural Chemicals
Sep	Ciba Specialty Chemicals	Switzerland	BASF SE	Germany	Completed	2.58	Specialty Chemicals
Jan	Qinghai Salt Lake Ind(Grp)Co	China	Qinghai Digital Net Invest	China	Completed	1.98	Specialty Chemicals
Mar	Dyno Nobel Ltd	Australia	Incitec Pivot Ltd	Australia	Completed	1.85	Commodity Chemicals
Nov	Lucite International Ltd	United Kingdom	Mitsubishi Rayon Co Ltd	Japan	Completed	1.60	Commodity Chemicals
Jul	Saskferco Products Inc	Canada	Yara International ASA	Norway	Completed	1.59	Fertilizers & Agricultural Chemicals
Jul	Qinghai Bindi Potash	China	Jilin Pharmaceutical Co Ltd	China	Withdrawn	1.21	Specialty Chemicals
Jan	General Chemical Industrial	United States	Tata Chemicals Ltd	India	Completed	1.01	Specialty Chemicals

Large deals in first half 2009

Month announced	Target name	Target nation	Acquirer	Acquirer nation	Status	Value of transaction in US\$ bln	Category
Feb	CF Industries Holdings Inc	United States	Agrium Inc	Canada	Pending	4.95	Fertilizers & Agricultural Chemicals
Jan	Terra Industries Inc	United States	CF Industries Holdings Inc	United States	Pending	3.48	Fertilizers & Agricultural Chemicals
Apr	Morton International Inc	United States	K+S AG	Germany	Pending	1.68	Specialty Chemicals
Feb	NOVA Chemicals Corp*	Canada	IPIC	Utd Arab Em	Completed	0.50	Commodity Chemicals

*This transaction is included in our data at this value based on data parameters. However, the enterprise value is substantially larger, standing at \$2.3bln when including assumed debt.

Large deal summary for 2009

CF Industries Holdings Inc./Agrium Inc.

Agrium Inc. (AI) launched a challenging hostile offer to acquire all the outstanding common stock of CF Industries Holdings Inc (CI), a Deerfield-based manufacturer and wholesaler of fertilizers, in a stock swap transaction valued at \$4.952 billion. AI offered a twice sweetened USD 40 in cash and 1 common share per CI share. Based on AI's closing stock price of USD 45.2 on May 8, the last full trading day prior to the announcement, each CI share was valued at USD 85.2. Previously, AI offered a sweetened USD 35 in cash and 1 common share per CI share. Originally, AI offered USD 31.7 in cash and 1 common share per CI share. The transaction was subject to due diligence, customary closing conditions, stockholders and regulatory approvals. The transaction was conditioned upon CI withdrawing its bid for Terra Industries Inc (TI). Previously, CI launched a hostile tender offer to acquire all the outstanding common stock of TI.

Terra Industries Inc./CF Industries Holdings Inc.

CF Industries Holdings Inc (CI) launched a hostile tender offer to acquire all the outstanding common stock of Terra Industries Inc (TI), a manufacturer and wholesaler of nitrogenous fertilizers, agricultural pesticides and other chemicals, in a stock swap transaction, for a twice sweetened \$30.5 per share or a total value of \$3.482 billion. Previously, CI offered a sweetened \$3.035 billion. CI offered 0.4539 common shares per TI share. Based on CI's closing stock price of \$60.59 on March 6, the last full trading day prior to the announcement, each TI share was valued at \$27.50. Originally, CI offered 0.4235 common shares per TI share, or a total value of \$2.14 billion. The transaction was subject to customary closing conditions, shareholders and regulatory approvals. Subsequently, Agrium Inc planned to launch a challenging hostile tender offer to acquire all the outstanding common stock of CI.

Morton International Inc./K+S Aktiengesellschaft

K+S AG of Germany definitively agreed to acquire Morton International Inc, a Chicago-based producer and wholesaler of salts, from Rohm and Haas Company, a wholly- owned unit of the Dow Chemical Company, for USD 1.675 billion in cash. The transaction was subject to regulatory approvals. Originally, in March 2009, Rohm and Haas announced that it was seeking a buyer for Morton.

NOVA Chemicals Corp./IPIC

Abu Dhabi state-owned International Petroleum Investment Co. agreed to acquire NOVA Chemicals Corp., a manufacturer of commodity plastics and chemicals, for 7.503 Canadian dollars (\$6 US) in cash per share, or a total value of C\$626.819 (\$501.254 million). Including assumed liabilities, the enterprise value of the transaction was \$2.3 billion. The transaction was approved by the board of directors and was subject to customary closing conditions, shareholders, and regulatory approvals.

Preparing your company to enter the Chinese marketplace?

China's reported 7.9 percent growth for the second quarter of 2009 is creating hope that the world recession may be easing. Bank of America Merrill Lynch recently raised its forecast for this year's China economic growth rate to 8.7 percent from 8 percent. In late July, copper reached its highest price since early October.⁵ Also in July, a Sino-US strategic and economic dialogue, the first of its kind, took place in Washington, D.C. Amid these developments, recent surveys show that US, European and other Asian company CEOs and boards are spending time considering their China strategies. However, in their effort to align the opportunity and achieve greater partnership balance, there is also increasing concern about the potential risks and penalties involved, which is requiring more thoughtful analysis.

Industrial product company executives thinking about entering China must ask themselves several questions:

- **What do we each bring to the party?** Perhaps most important to ensuring success in China is to not show up empty handed. China is acutely aware that its market is highly attractive to foreign investors, and officials know that this gives them leverage to make demands. Chinese laws and regulations preferentially encourage foreign companies that bring R&D capabilities, advanced technology, other forms of intellectual property, environmental protection systems, innovative manufacturing processes, or a combination thereof to the market.
- **Am I willing to share what I have?** In almost every case, the government aims to take foreign technology and produce its own version. That may be the price of admission to the Chinese market, but not all companies are willing to pay.
- **Am I aware of all potential risks?** The media attention around the recent arrest of four Rio Tinto staff members in China on charges of spying highlights a potential risk of doing business in China.

- **Am I in this for the long haul?** Consider the current and future objectives in China. Do you want to outsource materials/components, or assemble finished products? Or make products for consumption in the local market?
- **Have I clearly mapped all relevant supply routes?** This includes thinking about backup routes or modes of transportation that can be used in the event of a disruption.

Finding the right entry strategy

After a company has assessed its preparedness and feels ready to navigate the various obstacles posed by China's regulatory and logistical infrastructure, it must focus on a strategy that emphasizes collaboration over pure control by adhering to the following practices:

- Harmonize company goals and objectives with those of stakeholders in China. Map out stakeholders in China, beyond factory workers and immediate consumers, to include local, regional, and national government, local community, regulatory bodies, etc.
- Ensure corporate headquarters understands the needs and aspirations of these stakeholders and understands existing and potential conflicts. Where conflicts exist, establish broad guidelines that can be applied and understood by all so that conflicts are resolved strategically rather than tactically.
- Instead of selling specific products, understand the objectives of the local community, such as rural and infrastructure planning, and cater to these needs.

With the emergence of China as a world economic power, its attitude toward international companies' participation has changed. The Chinese people, while providing a source of labor for mass market products, also represent a source of growth. Additional Chinese attributes that should be

understood by industrial products companies considering expansion into China include:

- Chinese companies appear to lag international companies in management processes, value creation for shareholders, and brand perception among consumers.
- Existing Chinese-owned-and-operated companies dominate the low-end market, Western companies predominate the high-end luxury good market, but the mid-level market is up for grabs.
- Since joining the WTO, China has gradually eased its regulatory structure and has become more "corporate" friendly.
- China's new generation of young managers appear to be well-educated and sophisticated. Although they may lack real world training, they eventually will bridge the gap between global multinational corporations and the Chinese market.

PricewaterhouseCoopers' Transaction Services group advises corporations and private equity firms on acquisitions, divestitures, joint ventures, initial public offerings, and other capital market transactions. Our practice consists of dedicated, experienced and industry professionals providing financial, tax, and other due diligence advisory services. With global transaction experience serving corporate and private equity clients, we can provide information and assistance to help you choose the right deals and enhance your ability to negotiate with power and control, which could create opportunities for greater returns from transactions. Our integrated M&A services are designed to help you minimize your transaction risks and maximize returns on investments. Our services span your entire deal continuum from target identification and screening to execution to capturing synergies to exit. PwC offers services designed to help you achieve greater returns over your deal continuum.

⁵ "Metals—China demand helps copper rally to 10-month high," *Reuters*, July 27, 2009

Specialty case study: Multi-national chemical company seeks acquisition targets in China

Client: global chemical company

Client Issue	One of the world's largest global manufacturers of paper chemicals wanted to enter the Chinese market via an acquisition, but had limited knowledge of the local market and its key players. The company wanted help conducting targeted screening to identify potential acquisition targets in China.
Approach	<p>A PricewaterhouseCoopers strategy team was engaged to help the client identify several potential acquisition target companies in the paper chemicals industry. To start, PwC provided the client with a detailed analysis of the overall paper chemicals industry in China. The target screen work involved development of a detailed list of fine chemical players for analysis and screening. The initial list contained about 460 fine chemical players.</p> <p>The engagement team then removed the unsuitable candidates based on reputation, scale and specific product types, which narrowed the list to 66 paper and pulp chemicals companies. We conducted high-level research of the paper chemicals industry and interviewed selected customers and experts to understand the supplier base and to identify key players. Potential targets were assessed based on two dimensions (strategic fit and transaction feasibility), and a final list of the 10 best-fit targets were provided for the client's consideration.</p>
Impact	The PwC team helped this client understand the overall paper chemicals industry and its future growth trends in China. After analyzing PwC's recommended best fit targets, the client was able to select several targets for further contact and negotiation, which helped take entry into the Chinese market one step further.

PricewaterhouseCoopers' chemicals experience

Deep chemicals experience

PwC continues to have the leading market share in the industry. Our Chemicals Industry Practice is comprised of a global network of more than 2,800 partners and client service professionals. Our chemicals team encourages dialogue on emerging trends and issues by sponsoring conferences for industry executives. PwC is a sponsor of leading industry conferences and frequently authors articles for, or is quoted in, leading industry publications. We are proud to have relationships with Chemical Week, ICIS, American Chemical Council, and the Chemical Heritage Foundation. Our involvement in these organizations represents our commitment to furthering industry dialogue with chemicals industry leaders. Our professionals are concentrated in areas where the chemicals industry operates today and in the emerging markets where the industry will operate in the future.

Quality deal professionals

PwC's Transaction Services practice, with more than 3,800 dedicated deal professionals worldwide, has the right industry and functional experience to advise you on all factors that could affect the transaction, including market, financial accounting, tax, human resources, operating, IT, and supply chain considerations. Teamed with our Chemicals Industry Practice, our deal professionals can bring a unique perspective to your deal, addressing it from a technical aspect as well as from a chemicals industry point of view.

Local coverage, global connection

PwC's chemicals industry practice consists of more than 2,800 professionals who serve the chemicals industry, and is a part of an Industrial Products group that consists of more than 28,700 professionals, including approximately 16,700 providing Assurance services, more than 7,000 providing Tax services, and 5,000 providing Advisory services.



Contacts

PricewaterhouseCoopers Chemicals practice

PricewaterhouseCoopers' Chemicals practice is a global network of professionals who provide industry-focused assurance, tax, and advisory services to more than 200 public and private chemicals companies. Our leadership team consists of:

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Methodology

Chemical compounds is a quarterly analysis of deals in the global chemicals industry. Deal information was sourced from Thomson Reuters using the Thomson-defined industry sector of chemicals and allied products. This analysis includes mergers and acquisitions for disclosed or undisclosed values, leveraged buyouts, privatizations, minority stake purchases and acquisitions of remaining interest announced between January 1, 2006, and June 30, 2009, with a deal status of completed, intended, partially completed, pending, pending regulatory approval, seeking buyer, seeking buyer withdrawn, unconditional (i.e., initial

conditions set forth by the acquirer have been met but deal has not been completed) or withdrawn. Geographic categories generally correspond to continents with exceptions for Australia (included in the Asia-Pacific category), Europe (divided into Western Europe and Eastern Europe categories based on UN definitions) and the Middle East (defined as a separate category based on US CIA World Factbook). Where the number of deals is referenced in this analysis, it means the number of deals with disclosed or undisclosed values unless otherwise noted.

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