

## Analysis of Semi-Annual Valuation Multiples of Specialty Chemical and Commodity Chemical Transactions

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Enclosed is Scott-Macon's semi-annual update of valuation multiples for specialty chemical and commodity chemical transactions. As shown in the enclosed chart, the median multiple of transaction value ("TEV") to latest twelve months EBITDA ("EBITDA multiple") for specialty chemical transactions which closed in the first half of 2012 was 12.1x compared to 10.7x for specialty chemical transactions which closed in all of 2011 and compared to the median multiple of all closed transactions in the ten year period 2002 – 2011 of 9.1x. The high first half 2012 multiple was driven by particularly high multiples for several transactions. Including transactions announced as well as closed in the first half of 2012, the median multiple was 10.5x. The median multiple of TEV to latest twelve months sales ("sales multiple") for specialty chemical transactions which closed in the first half of 2012 decreased to 1.1x from 1.3x in all of 2011 and was the same as the median sales multiple for the past decade. The median EBITDA and sales multiples for commodity chemical transactions which closed in the first half of 2012 were 7.7x and 0.9x, respectively, compared to 6.5x and 1.0x, respectively, for commodity chemical transactions which closed in all of 2011.

The median EBITDA multiple in the first half of 2012 was 11.3x for specialty chemical transactions closed with TEV's above \$1 billion compared to 12.1x for transactions with TEV's below \$1 billion which was unusual as larger transactions generally have a higher EBITDA multiple. The median sales multiple in the first half of 2012 was 2.1x for specialty chemical transactions closed with TEV's above \$1 billion compared to 1.0x for TEV's below \$1 billion.

The total TEV of specialty chemical transactions which closed in the first half of 2012 for which information has been disclosed and for which at least one valuation multiple can be calculated was \$11.2 billion, representing 14 transactions. This compares with the total TEV of specialty chemical transactions of \$62.4 billion representing 50 transactions which closed in all of 2011 and which was second only to 2007 in volume and number of transactions closed in a year. The median annual TEV of specialty chemical transactions which closed in the ten-year period 2002 – 2011 was \$31.1 billion and the median annual number of transactions which closed in the same period was 33. Strategic buyers accounted for 71% of the number of specialty chemical transactions closed and for 89% of the number of commodity chemical transactions closed in the first half of 2012.

# COMPARISON OF MEDIAN CHEMICAL TRANSACTION MULTIPLES 2010–1H 2012

	Sales			EBITDA		
	2010	2011	1H 2012	2010	2011	1H 2012
<b>Specialty Chemicals</b>						
All Closed Transactions	0.8x	1.3x	1.1x	9.5x	10.7x	12.1x
Over \$1 Billion	1.2x	1.6x	2.1x	10.4x	10.9x	11.3x
Under \$1 Billion	0.8x	1.2x	1.0x	9.3x	10.4x	12.1x
<b>Commodity Chemicals</b>						
All Closed Transactions	0.7x	1.0x	0.9x	6.1x	6.5x	7.7x
Over \$1 Billion	0.8x	1.3x	N/A	11.8x	11.9x	N/A
Under \$1 Billion	0.5x	0.7x	0.9x	5.6x	6.3x	7.7x

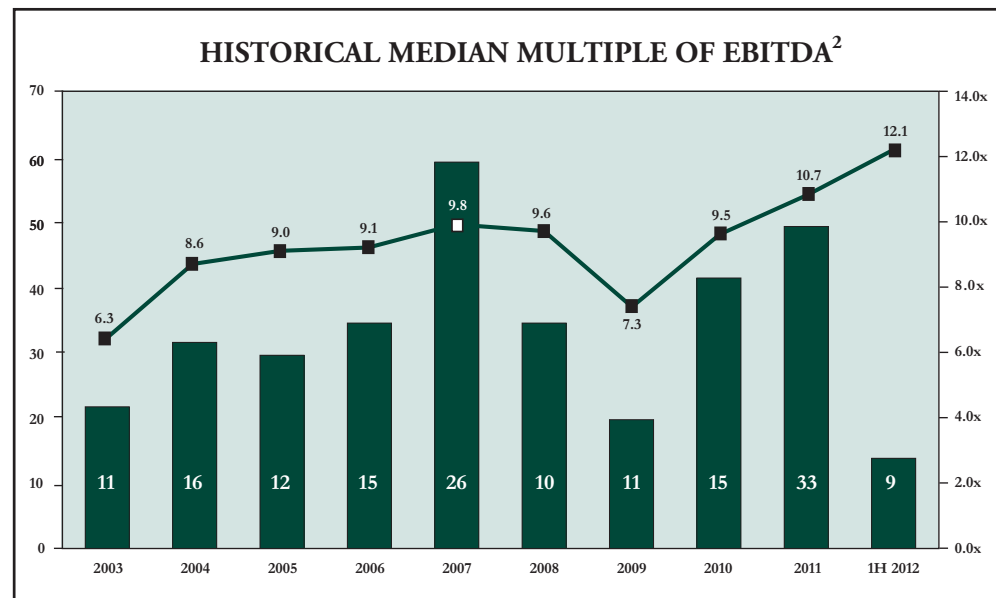
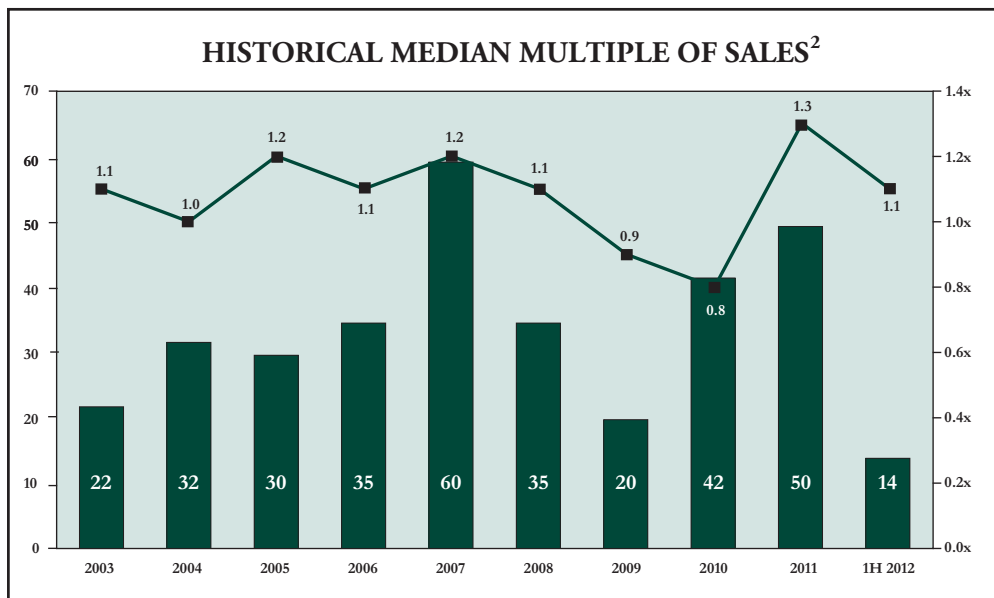
## SCOTT-MACON, LTD.

800 Third Avenue, New York, NY 10022

(212) 755-8200

[www.scott-macon.com](http://www.scott-macon.com)

# SPECIALTY CHEMICAL TRANSACTION MULTIPLES 2003–1H 2012



■ Number of Transactions    —■— Multiple

- 1) Transactions for 1H 2012 and prior years include only those that were closed during the respective year.  
 2) Whole numbers in the transaction bars refer to the number of datapoints used in the median calculation.