

PPCJ's review of mergers and acquisitions is compiled by industry leading writer, *Dr Terry Knowles*

2021: A year of surprises and major rearrangements



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With the pandemic conditions persisting throughout 2021, maybe the biggest surprise of all is that there is still a plethora of acquisitions to report as far as the coatings industry is concerned as the end of the calendar year has been reached. In the February 2021 issue of PPCJ I recorded more than 50 acquisitions for 2020 and this year there are more than 60. While there are a few notable absences such as Altana Group and DIC Corporation, there are many fewer entries on the part of AkzoNobel and a return to the list for Sherwin-Williams and Axalta Coating Systems. PPG Industries and Nippon Paint both made key regional acquisitions.

- Sherwin-Williams is the world-leader in paint and coatings sales, and it added one business on either side of the Atlantic in 2021 [22, 23].
- AkzoNobel is Europe's largest paintmaker and it made one acquisition in the coatings sector, and that was in Colombia [1]. For completeness, it also acquired a stake in Qlayers (not classified here) which is a high-tech startup and a previous winner of its *Paint The Future* challenge.
- Nippon Paint is Asia's largest paintmaker and it struck twice in relatively quick succession in Europe, firstly with the unexpected takeover of Cromology [14] and then with that of JUB of Slovenia [15].
- Axalta Coating Systems also achieved two acquisitions – one in China [3] and one in the UK [4].

During the year, PPG acquired two automotive coatings companies in Germany [16, 18] as well as a major portfolio of coatings operations in the USA [17]. Typical of New-Year fashion, there were many 'hangovers' from the old year, and for PPG that meant completing its surprise acquisition of Tikkurila for once and for all. For AkzoNobel it was the completion of its takeovers of Industrias Titan in Spain and New Nautical Coatings in the USA that lingered.

■ EUROPEAN THEMES

Many of the deals already mentioned symbolise ongoing trends within the industry. Europe clearly remains a popular target for adding more business and Germany and the UK were the

most popular target countries for acquisition; one might argue the UK notably so, post-Brexit. Internal consolidation within the German-speaking region continues, with deals being announced on the part of Karl Bubenhofer (KABE Swiss Group), the Mipa Group and the Sto Group [10, 12, 28].

Hempel bridged the gap with the acquisition of an Anglo-German insulation technology business, Das Lack Enertherm [8]. And there were other UK consolidations on the part of Axalta with U-POL Holdings and then Thomas Howse with T&R Williamson [29], which was conspicuous for being one of very few powder coatings consolidations in 2021.

Another surprise from Hempel was the purchase of Farrow & Ball in England [7], a business for which Hempel has globalisation plans to further its decorative coatings ambitions. Meanwhile leapfrogging on the back of Hempel's experience with Crown Paints in the UK was Hempel's giant pick on the other side of the world, namely Watty! in Australia and New Zealand [9]. Hempel saw similarities between Watty! and Crown Paints in terms of sector participation; the deal also included Watty!'s protective coatings business, making it an especially good fit for the Danish player.

Incidentally, companies continue to try tilting the balance of power and trade in Eastern Europe. Sherwin-Williams' industrial coatings business deal with Sika (in Switzerland on paper but the factory is based in Germany) will pick up business in Poland [22] as Nippon Paint's acquisition of JUB [15] will give it top-level access to the paint markets of Slovenia, Serbia, Croatia and Bosnia & Herzegovina. Meanwhile the Flügger Group's over-winter acquisition of the Eskaro Group [6] builds on its previously acquired stake in Unicell in Poland. The Eskaro Group is Finnish by origin but has its headquarters in Sweden. It is active in Belarus, Estonia, Finland, Latvia, Russia and the Ukraine.

■ PRIVATE EQUITY PARTICIPATION

Another trend witnessed in 2021 across both the coatings industry and its suppliers is that private equity participation seems to have gone through the roof. Already touched upon are the acquisitions of Farrow & Ball by Hempel and that

MERGERS & ACQUISITIONS

Table 1. Acquisitions in the Paint and Coatings Sector, 2021

	Acquiring Company	Business or interest acquired	Detail
1	AkzoNobel (NL)	Grupo Orbis (CO)	South and Central American paint and coatings group with eight sites (five for paints and three for resins). Main brands: Pintuco, Protecto and AVF Paints.
2	Avient Corp (USA)	Magna Colours Ltd (UK)	Sustainable WB ink technology for screen printing inks. Purchase price US\$45M.
3	Axalta Coating Systems (USA)	Anhui Shengran Insulating Materials (CN)	Wire enamels producer.
4	Axalta Coating Systems (USA)	U-POL Holdings (UK)	Automotive refinish products and aftermarket protective coatings from Graphite Capital Management. Annual sales of about US\$145M.
5	CIN Group (PT)	Boero Bartolomeo (I)	Paints, varnishes and resins for houses and yachts through various subsidiaries. Reported as 'closer alignment' but in effect an acquisition.
6	Flügger (DK)	Eskaro Group (SWE)	70% stake in the company which has six factories in Eastern Europe and Finland. Annual turnover of DKK420M.
7	Hempel (DK)	Farrow & Ball (UK)	Luxury-end decorative paint (and wallpaper) maker bought from Ares Group Management. Annual turnover in excess of €100M.
8	Hempel (DK)	Insulating technology	From Das Lack Enertherm (D-UK). Will be a springboard for new insulation coatings.
9	Hempel (DK)	Wattyl (ANZ)	Major ANZ paintmaker sold by Sherwin-Williams. Main strengths in decorative and protective coatings to fit well with Hempel.
10	KABE Swiss Group (CH)	Geholit + Wiemer (D)	Corrosion protection and industrial coatings specialist. Both companies had a long history of co-operation.
11	Marabu Group (D)	ICON Inks (CN)	Water-based products and textile printing inks
12	Mipa Group (D)	Spray paint systems business	From Klumpp Coatings (D). For furniture, doors and staircases.
13	Mitsubishi Chemical (JP)	Nakai Industrial (JP)	Polyester film coatings for optical applications.
14	Nippon Paint (JP)	Cromology (F)	Regional professional decorative paintmaker with strong positions in Italy and France and presences in Iberia and Morocco. Bought from Wendel Investments.
15	Nippon Paint (JP)	DP JUB (SI)	Decorative paints, ETICS and other paint-related products.
16	PPG Industries (USA)	Cetelon Lackfabrik (D)	Coating systems for automotive and light truck wheels. Bought from Berlac Group.
17	PPG Industries (USA)	VersaFlex (USA)	Portfolio company consisting of VersaFlex, Raven Lining Systems, Milamar Coatings & Specialty Products, from DalFort Capital. Approximate turnover US\$70M.
18	PPG Industries (USA)	Karl Wörwag (D)	Automotive and industrial coatings producer.
19	PPG Industries (USA)	Tikkurila (FI)	Major regional producer of decorative and industrial coatings with production in 11 countries and participation in 40. Annual sales of €546M.
20	Prince International Corp (USA)	Ferro Corp (USA)	Major functional coatings and colour solutions provider bought by private equity firm owned by American Securities. Was to be combined with Chromaflo Technologies.
21	RPM International (USA)	Dudick Inc (USA)	Ohio-based producer of high-performance coatings, flooring systems and tank linings.
22	Sherwin-Williams (USA)	Industrial Coatings	From Sika (CH). Protective coatings business for steel, based in Germany and supplied to the DACH countries and Poland. Annual sales of CHF75M.
23	Sherwin-Williams (USA)	Tennant Coatings (USA)	From parent Tennant Group. Acquired business had annual sales of US\$22.1M.
24	Sika Group (CH)	Shenzhen Landun Holding (CN)	Waterproofing systems producer including membranes and coatings.
25	SK Capital (USA)	Canlak (CA)	Added to a portfolio of brands and merged (as below).
26	SK Capital (USA)	Valentus Specialty Chemicals (USA)	Merged with Canlak (above) to create Canlak Coatings for the wood coatings sector.
27	StanChem Polymers (USA)	Dux Paint and sister companies Hawthorne Coating and Hood Products (USA)	Protective coatings for industrial applications.
28	Sto Group (D)	JONAS Farbenwerke (D)	50.2% stake bought to complete ownership. Producer of wall paints and water-based coatings based in Wulfrath.
29	Thomas Howse (UK)	T&R Williamson (UK)	Powder coatings companies merged then invested in; part of the UK Coatings Group/Sheibani Group.
30	Tnemec (USA)	Epoxytec International (USA)	Producer of epoxies and structural-grade coatings and linings.

of Cromology with its stable of brands including Tollens, Zolpan and Robbialac [14] and PPG's acquisition of VersaFlex [17], a portfolio company with an approximate turnover of US\$70M. But there are others: the takeover of the Ferro Corporation by Prince International [20] which sought to combine it with tinting systems supplier Chromaflo, a cross-border merger on the part of SK Capital giving rise to Canlak Coatings [25, 26] and U-POL Holdings in the UK again [4] for Axalta. As far as suppliers to the industry go, Advent International sold allnex based in the Netherlands [34], having been next door to pick up Caldic Specialities in Belgium [31]. Pritzker Private Capital bought Vertellus at the start of the year and then added to it the IM Chemicals business from ESIM Chemicals [42, 45].

In the raw materials sector biocides was a major area of rearrangement. Firstly, there was LANXESS acquiring the French biocides producer Intace [38] and then it gained the microbial control business from International Flavors and Fragrances [39]. Meanwhile the Lonza Specialty Ingredients business was re-named Arxada under the ownership of Bain Capital, which then merged it with Troy Corporation in a neat deal that was rich in

geographical and sectoral complementarity [32, 44].

Some other major rearrangements of industry that were a long time in the making were the disposal of Clariant's pigments business to Heubach (also facilitated with private equity participation) [35] and Hexion's separation and divestment of its epoxy resin operations, which went to Westlake Chemical Corporation [46].

■ DISTRIBUTORS TARGET ASIAN COATINGS SCENE

In the distribution sector, it is interesting to note that there were very few deals in Europe in 2021 – just three [47, 59, 61]. Instead, most of the action was focused on the USA and the Asia Pacific region where there are strong growth markets. Azelis and IMCD were by far the most active in targeting the coatings sector with distributor takeovers. (As always, the table shows only those acquisitions where the companies are known to supply the paint and coatings sector in some way. It excludes acquisitions these companies make outside these sectors.) Both Azelis and IMCD acquired two distributors for the sector in China [49 and 57, 58]. And with that, China has – almost! – the last word.

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Note: data in all of the foregoing tables is considered complete as of December 18, 2021.

Table 2. Acquisitions in the Coatings Raw Materials Sector in 2021

	Acquiring Company	Business or interest acquired	Detail
31	Advent International and Goldman Sachs Asset Management (USA)	Caldic Specialities (B)	A producer of speciality and life science chemicals, well-known for serving the coatings and inks sector. To be merged with Grupo Transmerquim, in Latin America as part of portfolio of activities.
32	Bain Capital and Cinven (USA)	Specialty Ingredients business	Microbial control solutions from Lonza (CH).
33	DCL (CA)	Pigment production plant (USA)	From Sun Chemical (USA/JP), in South Carolina. Included the production and sales of the perylene and quinacridone product portfolios.
34	Global Chemical PCC (TH)	allnex (NL)	Sold by Advent International. Major coating resins producer with sales of €2bn and 33 plants worldwide. Largely the previous Nuplex Resins and Cytec Industries' resins businesses merged.
35	Heubach (D) and SK Capital Partners (USA)	Clariant Pigments business (CH)	Major rearrangement with Heubach gaining the business and Clariant re-investing.
36	Indorama Ventures (TH)	Oxitenol (BR)	Surfactants producer serving The Americas.
37	KaMin (USA)	Global kaolin minerals business (USA)	From BASF (D). Operations are in USA but global sales amounted to €155M in 2020.
38	LANXESS (D)	Intace (FR)	Biocides producer doing in-can preservatives.
39	LANXESS (D)	Microbial control business	From International Flavors & Fragrances (USA). Acquired operations had sales of about US\$450M.
40	LANXESS (D)	Emerald Kalama Chemical (USA)	Speciality chemicals producer inc. non-phthalate plasticisers and coalescents.
41	Momentive Performance Materials (USA)	KCC Silicones business (SK)	Advanced silicone applications. KCC Corporation also increased stake in Momentive to 60%.
42	Pritzker Private Capital (USA)	Vertellus (USA)	Speciality chemicals producer serving coatings markets among others.
43	Richard Baker Harrison (UK)	Dunwood Polymers (UK)	Water-based polymer dispersions.
44	Troy Corp (USA)	Arxada (formerly Lonza Specialty Ingredients) (CH)	Microbial control companies agreed on merger.
45	Vertellus (USA)	IM Chemicals (USA)	From ESIM Chemicals. IM Chemicals is speciality chemicals arm serving coatings and other industries.
46	Westlake Chemical Corp (USA)	Coatings and Composites business	Acquired from Hexion Holdings (USA). Essentially a commodity and speciality epoxy resins business with sales of US\$1.5bn.

Table 3. Acquisitions in the Raw Material Distribution Sector in 2021

	Acquiring Company	Business or interest acquired	Detail
47	Azelis (USA)	Chemical Mineral and Engineering (CAME) (I)	Distribution of chemicals for CASE applications, among others.
48	Azelis (USA)	Bellekimia Singapore (SG)	Majority shareholding in two daughter companies: MKVN Chemicals and Viet Chemicals Trading and Service, both in Vietnam.
49	Azelis (USA)	WWRC and Friendship Chemical (CN)	Two acquisitions in China, the former more focused on CASE segment supplies.
50	Azelis (USA)	Asia-Primera Khimika Inc (APKI)	Malaysian chemical distributor.
51	Azelis (USA)	Phil-Asiatic Supply & Services Inc (PSSI)	Philippine chemical distributor.
52	Barentz International (NL)	The Cary Company (USA)	Raw materials and speciality chemical distribution arm only, added to the Maroon Group.
53	Brenntag (D)	Wellstar Group (HK)	Remaining 49% of pigments and additives supply venture, serving China.
54	Harwick Standard (USA)	Western Reserve Chemical (USA)	Distributor of resins, fillers, metallic oxides to CASE sectors.
55	IMCD (NL)	Siliconas y Quimicos (CO)	Speciality chemicals distributor in Colombia.
56	IMCD (NL)	Andes Chemical (USA)	Chemicals distributor serving the coatings sector, active throughout Caribbean and Central America, Peru and Colombia.
57	IMCD (NL)	Shanghai Yuanhe Chemicals (CN)	Speciality coatings, textiles and ink solution distributor.
58	IMCD (NL)	Aquatech (CN)	Waterborne solutions provider for coatings and ink industries, among others. Annual sales of €6.7M.
59	Lavollée (F)	Société Versaillaise de Produits Chimiques (F)	Small chemical distributor active in France and Spain, serving the coatings sector among others.
60	Safic-Alcan (FR)	Rit Chem Co (USA)	Speciality chemical distributor supplying to the paint, coatings and elastomers segments.
61	VMP Chemiekontor (D)	Quaan (D)	CASE segment applications.

Table 4. Acquisitions in the Equipment and Measurement Sector in 2021

	Acquiring Company	Business or interest acquired	Detail
62	IM Group (I)	IEC+ (I)	Dispersing, grinding and mixing equipment.
63	coatmaster (D)	CoatChecker (D)	Contactless coating thickness measurement.

Innovative manufacturing process simplifies silica dispersion

Evonik's Coating Additives business line has used an innovative process technology at its Hanau site to develop four new fumed silicas from the AEROSIL® family that are much easier to disperse: The new product group consisting of AEROSIL® E 805, AEROSIL® E 812, AEROSIL® E 972 and AEROSIL® E 9200 is such that formulators can omit the time-consuming and costly grinding step, for example with a bead mill, when incorporating them into paints or coatings.

All the proven properties of the corresponding standard additives AEROSIL® R 805, AEROSIL® R 812, AEROSIL® R 972 and AEROSIL® R 9200 are retained.

The speciality chemicals group's four new easy-to-disperse (E2D) products – like their alternatives in the standard range – are suitable for rheology control in both pigmented and clear coating formulations. The main applications are wood, plastic, automotive and general industrial coatings. AEROSIL E 972 is more



universally applicable, while the other silicas are intended for specific applications – for example, AEROSIL E 812 and AEROSIL E 805 are suitable for automotive OEM clear coats and AEROSIL E 9200 is used primarily for special scratch resistance.

The rheological properties of both product groups are the same – with considerably simplified dispersion of the new AEROSIL E products. The company is already producing commercial quantities at the Hanau site and has started construction of a new production plant for fumed

silica in Rheinfelden. This will significantly increase capacities to meet the high level of market interest.

The dispersion process for rheological additives – such as fumed silica – used to be complex and time-consuming. Paint manufacturers had to grind the silicas in a long and intensive grinding step using a bead mill to ensure that they were homogeneously dispersed in the formulation and could thus develop their full rheological potential.

Now, if the formulator uses the new AEROSIL E products, the use of an energy-intensive bead mill is no longer necessary. “We have relieved our customers of this additional work,” said Maximilian Morin, Head of the Industrial & Transportation Coatings market segment. “This is because the new silicas can be dispersed in just a single grinding step using a dissolver.” This proves to be a clear advantage, especially in the production of clear coatings.

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