

3rd European Chemistry Partnering

Workshop Summary

“STRATEGIC FINANCE IN LIFE SCIENCES & CHEMISTRY”

Summary

The workshop provided an in-depth insight into the various financing opportunities, from early stage venture financing to bank debt financing, available to companies in the chemical and life science industries. Financing trends, transactions and investors in Venture Capital, Growth Capital, Private Equity and IPOs were introduced. Finance models in the life sciences were compared to those in chemistry with special emphasis on the situation in Germany which, in a European comparison, is depressing.

Take home messages

- The chemical sector is totally underrepresented in the venture world.
- Compared to financing in the life sciences the chemical sector is 10 to 15 years behind.
- Many investors come from outside Germany. Cross-border transactions are increasing.
- Instead of presenting investors with a technological story companies would be better advised to explain how they intend to make money.

Report

Since its foundation in 2005, FCF Fox Corporate Finance GmbH has brokered over 100 transactions with a total placement volume in excess of EUR 4 billion. “We work with all investors. You should know all of them,” stressed Arno Fuchs, founder and CEO of FCF, at the outset of the workshop. Through his network he has access to more than 4000 international financial institutions as well as to 2000 family offices and ultra-high net worth individuals worldwide.

Fuchs understands the special requirements of the chemical industry where innovation cycles can last 10 to 15 years – institutional investors from the venture or private equity world usually do not have that much patience, at least not for small and medium-sized companies. “Family office investors are long-term oriented and can be ideal partners,” says Fuchs.

Too little venture capital in the chemical industry

A comparison between venture capital (VC) financing in the chemical sector with that in the life sciences reveals dramatic differences. “The chemical sector is totally underrepresented in the venture world,” said

Fuchs, and went on to quote a few figures: In Europe there are 792 VC-backed life science companies, but only 132 VC-backed chemical companies. In Germany there are 60 VC-backed life science companies but by comparison only 9 VC-backed chemical companies and the average volume of a chemical VC deal in Germany is 2.1 million Euro compared to 14.8 million Euro in the life sciences (over the last five years).

There was not a single German company among the European top 10 VC chemical deals during the past five years. However, a look at Europe's top 10 growth or expansion deals at least shows German paint manufacturer Oskar Nolte at number 5. Why do German companies perform so badly? "German entrepreneurs think they can do it on their own," explained Fuchs, but did not rate this attitude entirely negatively. Rather, he explained, it forms the basis for the solid German mid-sized sector (Mittelstand). Anyone looking for an investor should heed Fuchs' tips: Instead of presenting technological stories, tell them how you intend to make money! And: Don't stay local! Cross-border transactions are also becoming increasingly important in the chemical industry.

Growing with institutional investors

Institutional providers like the European Investment Bank (EIB) might be interesting partners for venture debt financing. As case study Fuchs mentioned the German company Biofrontera AG which FCF advised on a 20 million Euro growth finance facility with the EIB. As German case studies for initial public offerings Fuchs referred to the stories of B.R.A.I.N., Covestro and IBU-tec. However, with only twelve IPOs over the last five years the European Chemical IPO market shows low activity.

The mid-market German chemistry sector has nevertheless been strong in terms of financing via Private Equity and Mergers & Acquisitions (M&A) over the past five years: The German company Atotech, acquired by Carlyle in 2017, was the largest chemical Private Equity deal in Europe, and the M&A transaction of Praxair (acquired by Taiyo Nippon Sanso in 2018) heads the league table of the largest Chemical M&A deals, followed by the acquisition of Chemetall by BASF in the same year. Apart from that the German chemical sector needs to catch up. The workshop showed that there is still room for improvement when it comes to financing, not only with a view to the life science sector, but also in a European comparison.

Host

FCF Fox Corporate Finance GmbH from Munich is a specialized Investment Bank and Financing Specialist that advises public and private mid-market companies in the German speaking regions. FCF arranges, structures, and places equity and debt capital and supports its clients' growth, IPO/Pre-IPO, acquisition and standard balance sheet (re-)financing strategies. As a double diamond sponsor of the 3rd European Chemistry Partnering founder and CEO Arno Fuchs used the workshop, on the one hand to present his company and, on the other to give participants a detailed overview of financing opportunities in the life sciences and chemistry.

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Background

97 percent of all products contain at least one chemical process step: renewable raw materials, enzymes, industrial biotechnology, new processes, products from residual materials, digitization, etc. are changing the processes in chemical value creation: starting with purchasing logistics on to production and finally marketing and sales. Interdisciplinary exchange is gaining in importance. With the ECP, an international chemistry community is growing that wants to derive more innovation from what already exists.

European Chemistry Partnering: A brief overview

The European Chemistry Partnering is an event format in which the focus is on discussion about innovation along the chemical value chain. It is aimed at decision makers, innovation managers and investors in the chemical industry and its user industries, as well as industry-focused stakeholders and qualified service providers and consultants. The ECP consists of the elements: Keynote Speech, Partnering, Pitches, Exhibition, Workshops and Final Panel. Companies can describe their innovations in short presentations (Pitches) and arrange appointments via a software tool in advance (Partnering). The European Chemistry Partnering was conceived and initiated by Dr. Holger Bengs, Managing Director of BCNP Consultants GmbH. The first event took place on 16th February 2017 in Frankfurt am Main. From 2018 onwards the ECP occurs twice a year. In February the venue is Frankfurt. In late summer, the ECP Summer Summit takes place in changing locations.

Workshops at ECP

The Workshops are to further develop ECP into a Think Tank for topics related to chemistry and chemical value creation, as an attractive format for sponsors to position themselves as experts and competent partners to promote topics related to industry, politics and society in general and to find solutions for the big problems, challenges and mega-trends of our time.

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