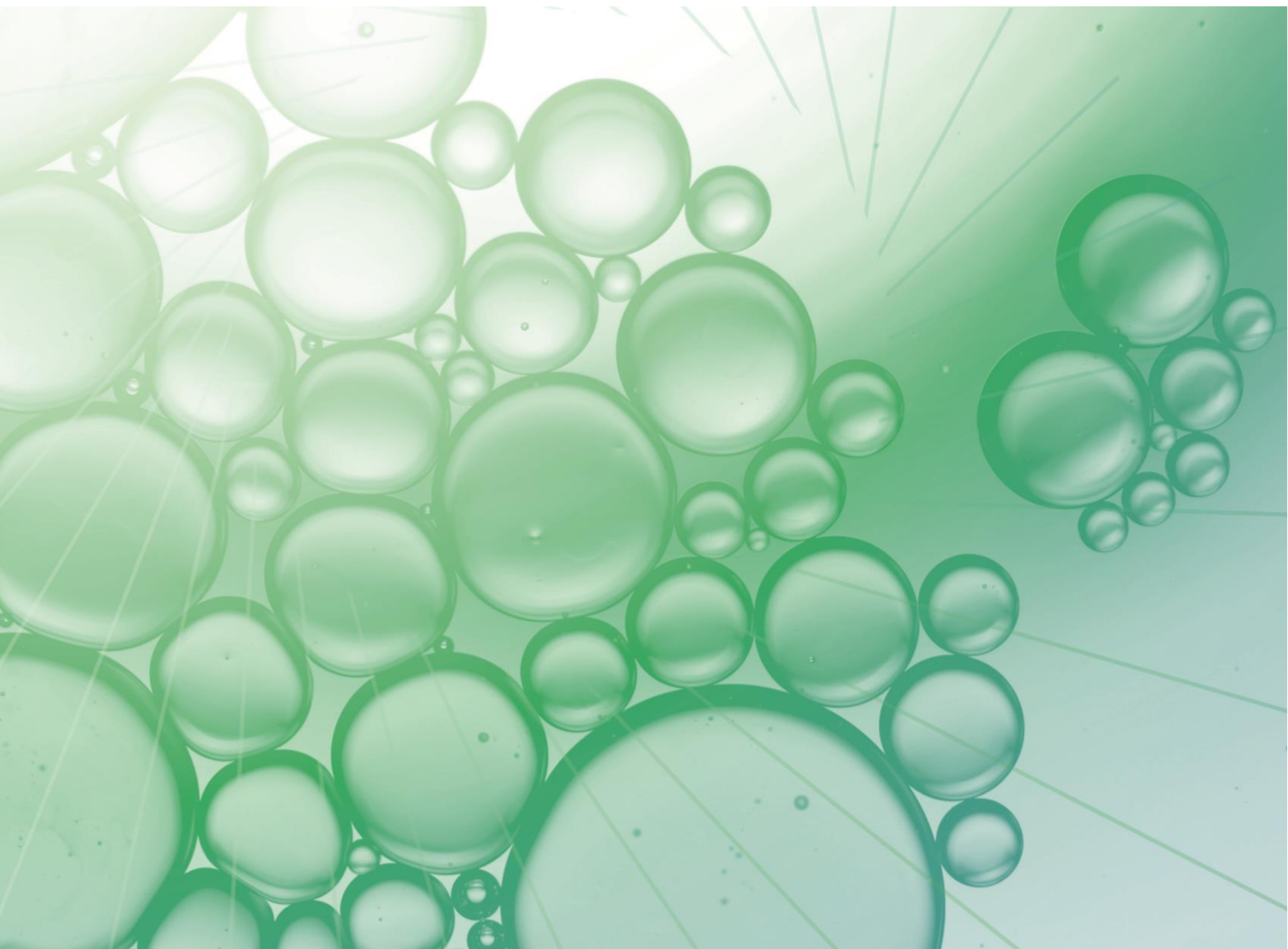
IHS Markit

Case Study

Competitive Cost & Margin Analytics (CCMA)

How CCMA helps: Acquisitions



Case Study

A company interested in acquiring a fully integrated PET resin producer whose financial performance had weakened in the last few years.

Issue

In 2011, producers generally earned high profits along the chain, but how they would perform going forward in this uncertain oil price atmosphere, made understanding the business difficult as it pertained to the acquisition. The company had the option of divesting parts of the target company, but did not know where the value was along the value chain.

Approach

The company subscribed to IHS Markit Competitive Cost & Margin Analytics (CCMA) service which leverages in-depth, independent technical and economic evaluations of commercial technologies for the chemical industries with a comprehensive view on chemical production costs and margins, utilizing IHS Chemical's global expertise and comprehensive databases.

The company subscribed to the full suite of relevant PET resin CCMA products; Mixed Xylenes, para-Xylene, PTA and PET. Their goal was to understand where along the production chain the most value lies, and in which of these businesses they should participate. .

Benefits Realised

The CCMA client was able to understand that the tight PX supply situation in 2011 that led to historically high margins in the industry would not continue with significantly global capacity increases in the 2013-2015 period, far exceeding the increase in demand, and that PX profitability should remain lower as operating rates fail to recover, even with higher oil price.

On the other hand, massive new PTA capacity in late 2011 and early 2012 led to oversupply in the global PTA market and sent PTA operating rates and margins spiralling downward, with future PTA returns projected to be lower in NEA and WE, but slightly higher in NA and the ME.

Looking forward, the highest profitability in the ME and NEA will be for PET resins, far outstripping the intermediate PX and PTA. And, unlike those regions, the integrated PET producer will not be the most profitable in NA and WE. This depth of analysis, along the PET chain, enabled the client to make rational investment decisions.