

# A Case Analysis on Chemchina's Acquisition of Syngenta Group

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**Abstract.** This case analysis delves into ChemChina's significant acquisition of Syngenta. It outlines the background of the acquisition, including Syngenta's important position in the industry, provides a detailed analysis of the acquisition process, and examines the motivations behind the acquisition, such as acquiring advanced agricultural technology, expanding global market share, and enhancing ChemChina's competitiveness in the agricultural chemicals sector. ChemChina's acquisition of Syngenta is a strategically significant action. This acquisition has enabled ChemChina to achieve leapfrog development in the agricultural chemicals sector, gaining world-leading technology and market resources. However, the acquisition faces numerous challenges, requiring both parties to fully leverage their strengths during the integration process to achieve synergies. In the future, ChemChina is expected to further enhance China's position in the global agricultural chemicals sector through the successful integration of Syngenta. At the same time, it is essential to continuously increase investment in research and development, promote agricultural technology innovation, and contribute to global agricultural sustainability. In the international market, actively respond to various challenges, expand market share, and achieve long-term stable development for the enterprise.

**Keywords:** ChemChina-Syngenta Acquisition; Strategic Integration; Strategic Integration; Agricultural Chemicals Sector.

## 1. Introduction

In 2017, ChemChina successfully completed the acquisition of the global agricultural technology giant Syngenta, a significant event that has had far-reaching impacts in multiple areas and is undoubtedly a strategically significant move. This acquisition plays a crucial role in enhancing China's agricultural technology capabilities. As a leader in the global agricultural technology sector, Syngenta possesses advanced technology and strong research and development capabilities. Through the acquisition, China is able to incorporate these resources, injecting new vitality into the development of domestic agricultural technology. This will greatly promote the modernization of agriculture, improve agricultural production efficiency and quality, and provide a solid backing for ensuring national food security. It has reshaped the competitive landscape of the global agricultural sector, leading to a further concentration of resources among large enterprises. The influence of major companies on technology research and development, market share, and product pricing has significantly increased, having a profound impact on both upstream and downstream enterprises in the global agricultural supply chain [1]. In terms of competition in the international agricultural market, this acquisition has enhanced the influence of Chinese enterprises, and Syngenta's global sales network and brand advantages have opened new doors for Chinese companies to expand into international markets. Leveraging these advantages, ChemChina can better promote high-quality agricultural products from China to the global market, enhancing China's share and status in the international agricultural market. At the same time, it also helps to strengthen cooperation and communication between China and other countries in the agricultural sector, promoting the common development of global agriculture. According to Lu's study, it is known that the high-tech company Syngenta can bring new vitality to the well-established ChemChina [2]. In addition, the acquisition has brought excellent management teams and professionals to China, whose experience and skills

will provide strong support for the international development and transformation of Chinese enterprises. Through integration and communication with domestic teams, it can enhance the management level and innovation capability of Chinese enterprises, driving continuous progress. This article combines the 2016 'Syngenta AG Most Recent Annual Report' and the financial information of Syngenta Group (formerly Syngenta) after the acquisition to analyze the changes in Syngenta's overall revenue capacity before and after the acquisition. It will also focus on new challenges exposed during the acquisition process, such as performance evaluation issues before and after the acquisition [3], and the role of offshore structures in the acquisition [4].

## **2. Pre-Acquisition Market Background**

### **2.1. Changes in the Global Agrochemical Seed Market Landscape**

In 2013, the six major agrochemical giants occupied over 75% of the pesticide market and over 60% of the commercial seed market, indicating a high level of industry concentration. However, by 2015, influenced by factors such as declining agricultural product prices, economic turmoil in emerging countries, and currency devaluation, the total sales of the global agrochemical market fell by nearly 10% in 2015 and by 2-3% in 2016, significantly impacting the profits of agrochemical companies. At the same time, many patents held by agrochemical companies expired, and the costs of developing new active ingredients continued to rise, leading to a trend where agrochemical companies banded together, merged to reduce management costs, and jointly bore R&D expenses.

### **2.2. Development and Challenges of Syngenta**

Syngenta has a long history, with parts of its origins tracing back to Imperial Chemical Industries in the UK. Syngenta's business primarily consists of agrochemical operations centered around pesticides and seed business, maintaining a leading position in the agrochemical industry. However, in 2015, Syngenta also faced challenges brought about by the broader industry environment and needed to seek new development opportunities.

## **3. Overall Process of the Acquisition**

### **3.1. Initial Contact and Bidding**

China National Chemical's intention to acquire Syngenta began on February 3, 2016, when China National Chemical announced its acquisition of Syngenta. Prior to this, Monsanto's bid to acquire Syngenta had failed, and China National Chemical saw the value and potential of Syngenta, deciding to participate in the acquisition. China National Chemical proposed a high acquisition price and attractive conditions, opting for a cash-only purchase, and committed to retaining the Syngenta brand and management team.

### **3.2. Approval and Negotiation**

The acquisition took two years, undergoing a complex approval process and difficult negotiations. Due to the involvement of a cross-border transaction and a large corporate merger, it was necessary to obtain antitrust approvals and related permits from multiple countries and regions. At the same time, both parties engaged in lengthy discussions and negotiations regarding the acquisition price and transaction terms.

### **3.3. Completion of the Acquisition**

On June 27, 2017, China National Chemical announced the formal completion of its acquisition of Switzerland's Syngenta, at a cost of approximately \$43 billion, setting a record for the highest single overseas acquisition amount by a Chinese company; upon completion, China National Chemical obtained full ownership of Syngenta [5].

## **4. Impact of the Acquisition After Completion**

### **4.1. Changes in Industry Landscape**

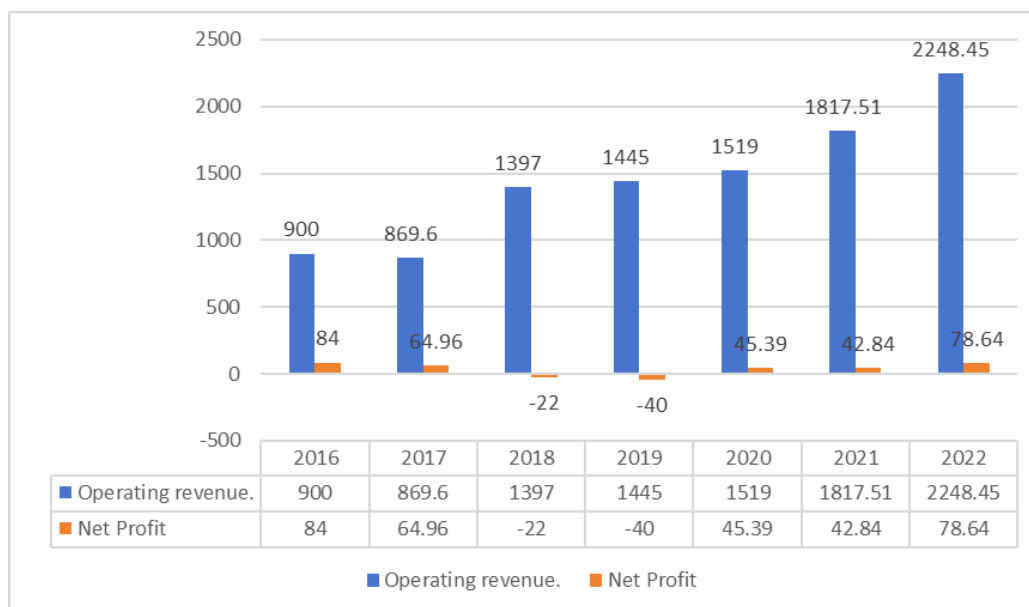
In the development history of the global agrochemical industry, China National Chemical's acquisition of Syngenta is a milestone event of significant importance. After the acquisition was completed, the landscape of the global agrochemical industry underwent profound changes, gradually forming a new situation of opposition among the United States, the European Union, and China. Previously, the global agrochemical market had been dominated by traditional powers such as Europe and the United States, characterized by intense competition and a relatively stable structure. China National Chemical's acquisition acted like a giant stone thrown into a calm lake, breaking the original balance. Through this acquisition, China National Chemical has secured a critical position in the global agrochemical industry, gaining the strength to compete with the United States and the European Union in terms of resources, technology, and market influence [6]. The formation of this landscape has made competition in the global agrochemical industry more diversified, and the game among enterprises in the international market has become more complex and exciting, while also bringing new opportunities and challenges for global agricultural development.

### **4.2. Corporate Integration and Development**

After the acquisition was completed, Syngenta became a crucial subsidiary of China National Chemical, marking only the beginning of the integration process. Subsequently, China National Chemical launched a large-scale and in-depth integration of its agrochemical assets. It fully merged valuable assets such as Syngenta AG and Adama Agricultural Solutions Ltd. with the agrochemical assets under China National Chemical Group, establishing the new Syngenta Group. This integration process involved complex aspects such as restructuring the company framework, reallocating personnel, and streamlining operations [7]. Through integration, it eliminated existing barriers between enterprises, achieving optimized allocation and sharing of resources, thereby improving operational efficiency [8]. The new Syngenta Group is like a giant aircraft carrier, navigating through the vast ocean of the global agrochemical market, possessing stronger risk resistance and development potential, laying a solid foundation for providing more comprehensive and high-quality products and services for global agricultural production.

### **4.3. Synergy of Technology and Market**

China National Chemical's acquisition of Syngenta is a strategic action that perfectly integrates technology and market. Through this acquisition, China National Chemical successfully obtained Syngenta's advanced agrochemical technology and impressive seed research and development capabilities (see Figure 1). These cutting-edge technologies serve as keys, opening new doors to enhance China's technological level in the agrochemical field, helping China secure a place in the international competition of agrochemical technology [9]. At the same time, the introduction of these advanced technologies has injected new vitality into China's agrochemical market, enhancing market competitiveness. On the other hand, Syngenta has fully leveraged China National Chemical's vast resources and broad market advantages to further expand its business footprint in China. Its products and services have penetrated various corners of the Chinese market more deeply, meeting the diverse needs of China's agricultural development [10]. This synergy between technology and market not only drives the development of the enterprise itself but also provides strong momentum for the sustainable development of global agriculture [11].



**Fig. 1** Operating revenue of China National Chemical after acquiring Syngenta

## 5. Analysis of CHEMCHINA's Acquisitions Motivation

### 5.1. Shortcomings in the Agrochemical Sector

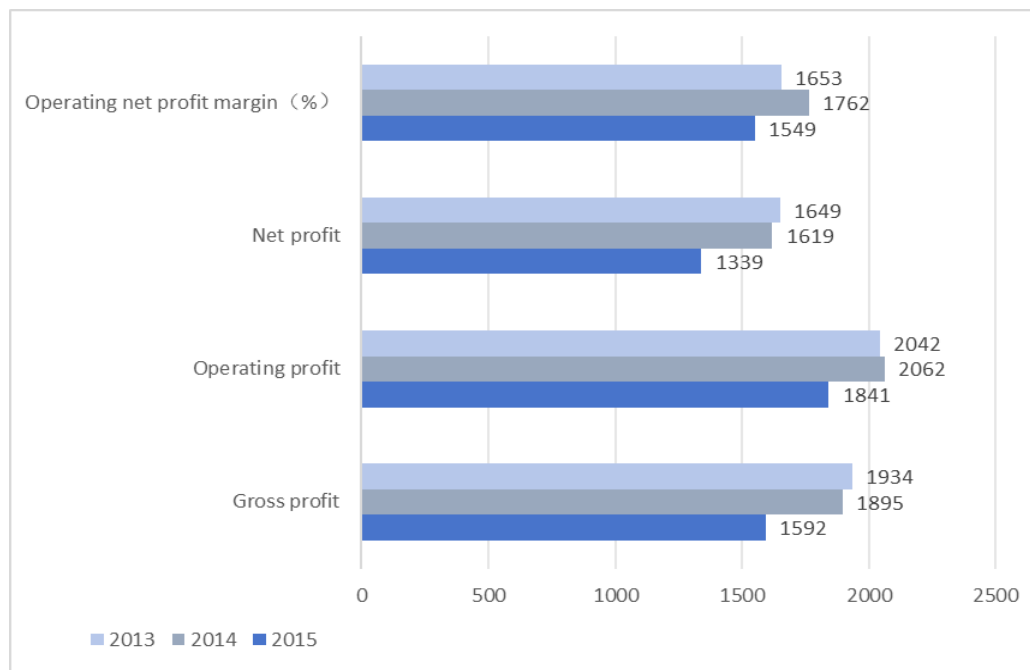
As a populous agricultural powerhouse, China has 1.4 billion people and a significant share of overseas agricultural products. There is no doubt that has strict requirements for the modernization of its agrochemical industry and national food security. Prior to 2016, the dominant in the agrochemical market were mostly European and American agricultural giants. For example, six companies including Syngenta, Dow, and Monsanto held over 70% of the market share. However, as the global agricultural industry faced the challenges, these giants also began showing interest in acquisitions and mergers. DuPont and Dow attempted a merger in 2015. For China National Chemical Corporation (ChemChina), this presents an excellent opportunity to expand its market presence.

### 5.2. Good Potential for Synergies

Before the acquisition of Syngenta, ChemChina's business was primarily focused on the industrial area. In particular, they only had little involvement in the agricultural sector, especially in seed business which related to national food security, and their investment and development in agrochemical research was less than 1% of their revenue. However, these two areas respectively accounted for 20% and 70% in Syngenta's revenue, and Syngenta also allocated 10% of its income into research and development. Acquiring Syngenta would allow ChemChina to skip the research and development phase and directly benefit from the acquisition. From another perspective, ChemChina would also gain financial and operational synergies from Syngenta, leveraging its strong foundation to reverse the continuous decline in sales.

### 5.3. Economic Downturn

Since 2014, due to the impact of the global economic downturn, the market direction of agricultural products and agrochemical industries has continued to be sluggish, as shown in Figure 2, Syngenta's net profit and operating profit margin have been declining year after year. Although Syngenta implemented various methods, including layoffs and increased R&D investment, it still did not turn a profit, and its operating income even experienced negative growth in 2015 and 2016. Syngenta was in dire need of fresh capital to help it avoid the trap of increasing costs and reducing efficiency [12].



**Fig. 2** Profitability of Syngenta AG before the acquisition (in USD millions)

## 6. The Strategies and Weaknesses of ChemChina's Acquisition Process

### 6.1. Scrutiny Risks

ChemChina's acquisition of Syngenta has been frequently challenged during the legal scrutiny phase. From an international perspective, the economic downturn, legal procedures and cultural differences have led to a number of unfavorable factors, including antitrust risks and xenophobia. Additionally, the behavior of domestic banks and new holding companies investing \$17 billion in Chem perpetual bonds undoubtedly heightened concerns among overseas industry professionals regarding monopoly risks. In response, ChemChina quantified antitrust risks by asset divestment, also it setting breakup fees and loss thresholds effectively reduced risks and sunk costs [13]. Ultimately, ChemChina and Syngenta passed the scrutiny with some economic losses. It's response that China companies still lack experience of the scrutiny processes and legal means for overseas acquisitions. However, their response strategy provides a example and inspiration for future China companies to seeking overseas acquisitions.

### 6.2. Financing Operation Risk

Considering about significant disparities in size, technology, and market between the two parties in this acquisition, coupled with the total required funding of approximately \$50.4 billion, China National Chemical Corporation had no choice but to resort to high-leverage financing. Its narrow financing channels and single payment method further exacerbated the financing risks faced during the acquisition process. Additionally, due to previous merger attempts, ChemChina's debt-to-asset ratio had once reached around 80% during the acquisition of Syngenta, which heavily relied on debt financing. To deal with this dilemma, ChemChina opted to construct a multi-layer offshore financing structure to reduce their risks, utilizing Special Purpose Vehicles (SPVs) to significantly reduce fund mobilization difficulties, also they effectively alleviate financing and loan risks [14]. In this acquisition case, ChemChina innovatively employed a six-layer SPV strategy, avoiding excessively high debt-to-asset ratios resulting from large fund transactions and make full use the benefits of high leverage, providing valuable insights for risk avoidance in financing.

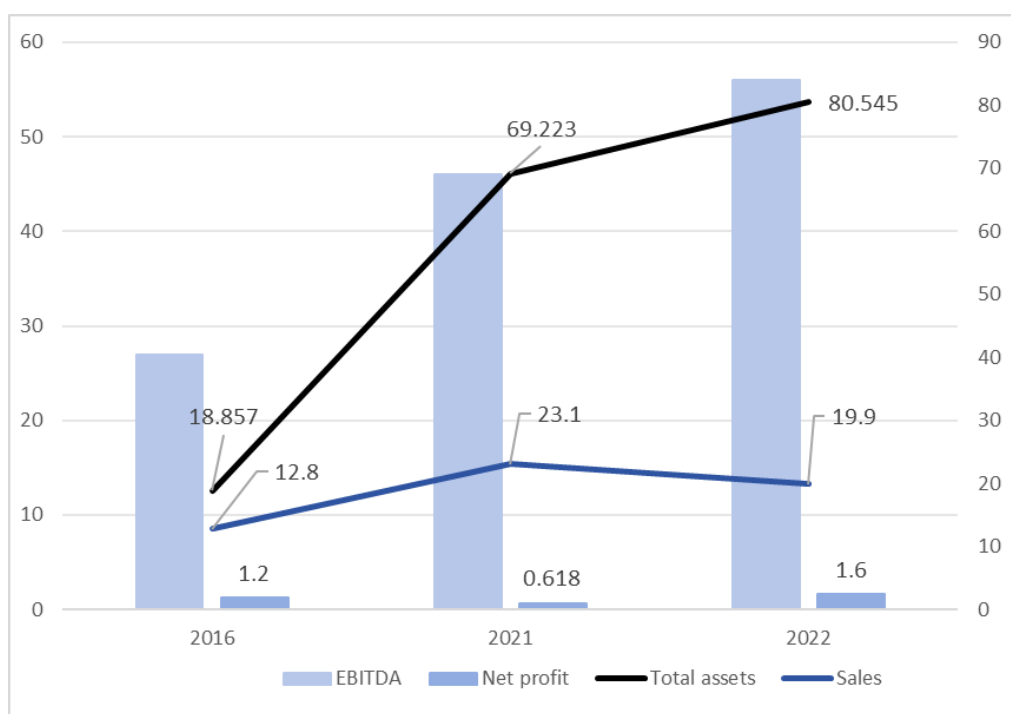
## 7. Analysis of the Current Operating Situation after the Acquisition

### 7.1. Comparison of Economic Data before and after the Acquisition

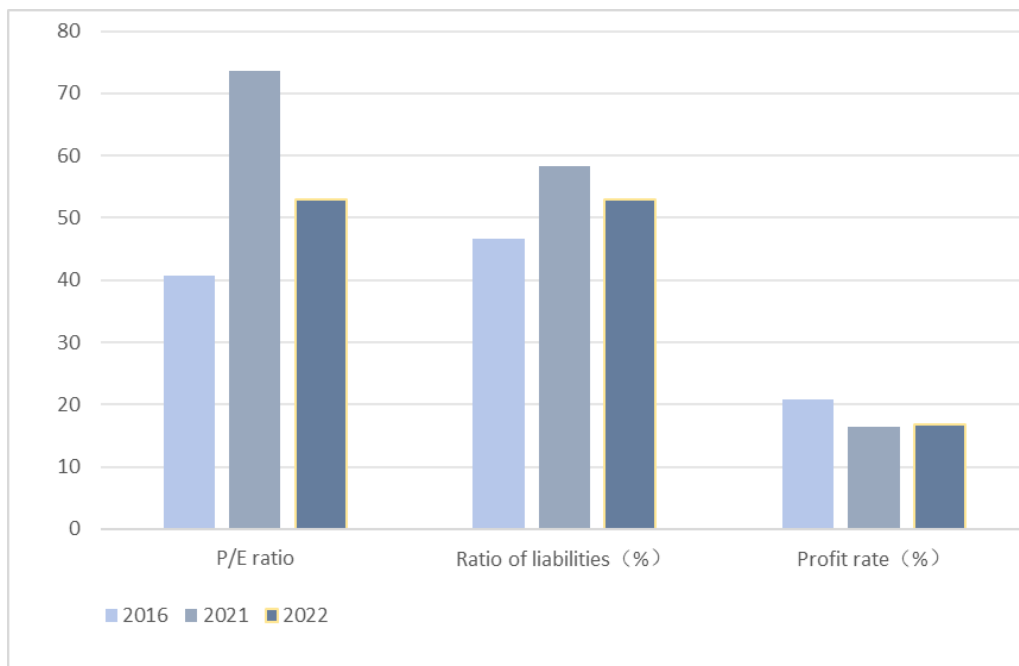
Before the acquisition, Switzerland Syngenta was in the continuous economic downturn period. However, within three years after the acquisition, Syngenta primarily focused on secondary listings and asset integration, that is limited reference value in short terms. In contrast to the years 2021 and 2022, as shown in Figure 3, Syngenta's integrated assets were significantly strengthened after acquisition, maintaining a close profit margin despite a much larger total asset compared to 2016. EBITDA and sales also experienced substantial growth. But on the other hand, as shown in Figure 4, after the acquisition, Syngenta's net profit did not return to 2016 standard until 2022, and the cash flow from operating activities did not fully realize its potential. Sum up, Syngenta still needs to enhance its cash flow management and financing capabilities.

### 7.2. The analysis of Syngenta Second Listing

Since the acquisition, Syngenta has showed an urgent need for listing. Because of the frequently use of financial leverage in the acquisition process, it is seeming like a sound strategy which use second listing to avoid financial risk. After long-term preparation, Syngenta Group announced its intention to apply for listing on the SSE STAR MARKET in June 2021, but quickly abandoned it in favor of the A-share market. This decision was widely understood as Syngenta's choice of A-shares to accommodate its IPO size. Both attempts aimed to raise 65 billion yuan, once touted as the largest IPO in the A-share market in nearly a decade. In May 2023, Syngenta quickly passed the Scrutiny within a month, and it seemed that the listing was already successful. However, in March 2024, Syngenta announced a suspension of the listing process, but did not give up completely of listing. Given that there were no conflicts during the review process, the repeated setbacks in the second listing are likely cause by the high borrowing and debt-to-asset ratio during the acquisition process, which is also one of the primary threats currently faced by Syngenta. As of May 2023, there is still a gap of 115.2 billion yuan in debt principal for the acquisition case. Syngenta's second listing has exposed the debt repayment risks brought about by high-priced acquisitions, and whether its response strategy will succeed or not still requires further observation.



**Fig. 3** Comparison of Syngenta's financial data before and after the acquisition (in billions of dollars)



**Fig. 4** Syngenta's key financial ratios before and after acquisition

## 8. The Inspiration for Chinese Enterprises Subsequent Overseas Acquisitions

Cross-border mergers and acquisitions inevitably involve strict legal procedures and antitrust scrutiny. Enterprise, especially Chinese companies should prepare legal resources before conducting acquisitions to reduce review risks. For example, reaching an agreement with the target company in advance regarding breakup fees and loss thresholds, clarifying responsibilities and obligations on both sides, and avoiding mistakes in the acquisition process. Additionally, companies can seek legal and audit assistance from overseas professional institutions, using this process to strengthen their localization efforts and minimize cultural or institutional differences. Furthermore, for large-scale acquisitions, especially cross-border ones, the Chinese existing evaluation system has revealed certain irregularities, unreasonable, and incompleteness aspect [15]. Currently, Chinese companies still lack an objective and intuitive assessment system. They can try to integrate financial perspectives such as profitability, development, debt repayment, and operations with non-financial perspectives such as customer relations, management, and research and development. By using a hierarchical structure model to determine their weights and further improving assessment accuracy through methods like utility counting and fuzzy comprehensive evaluation.

## 9. Conclusion

This article elaborates on the background, motivation, and process of China National Chemical Corporation's acquisition of Swiss company Syngenta. It also analyzes and evaluates the case from strategic and economic perspectives, providing improvement suggestions for the issues exposed during the acquisition process.

After in-depth analysis of the acquisition process, considering its risks and opportunities, author draws the following conclusions:

Firstly, the acquisition of Syngenta is a reasonable consideration based on economic policies and strategic situations, holding significant historical importance for the development of China's agrochemical industry. It also serves as an example for China's integration with the global industry, making a crucial contribution to economic globalization.

Secondly, China National Chemical Corporation faced numerous risks and challenges during the acquisition process, with some fault in its response. From financing and approval to localization, there are still expose some problems like information asymmetry or overly aggressive financing strategy.

Thirdly, Syngenta has demonstrated great potential after acquisition financial operations, effectively maintaining its international market share and influence. However, its secondary listing also revealed lingering hidden problems during the acquisition, and its operational capabilities still require long-term observation.

Using China National Chemical Corporation's acquisition of Syngenta as an example, this article analyzes the gains and losses in acquisitions, aiming to provide guidance and reference for future overseas acquisition activities for other enterprises.

## Authors Contribution

All the authors contributed equally and their names were listed in alphabetical order.

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