

AlixPartners

Turning the tide: Rebuilding returns and cash in a stressed chemical industry



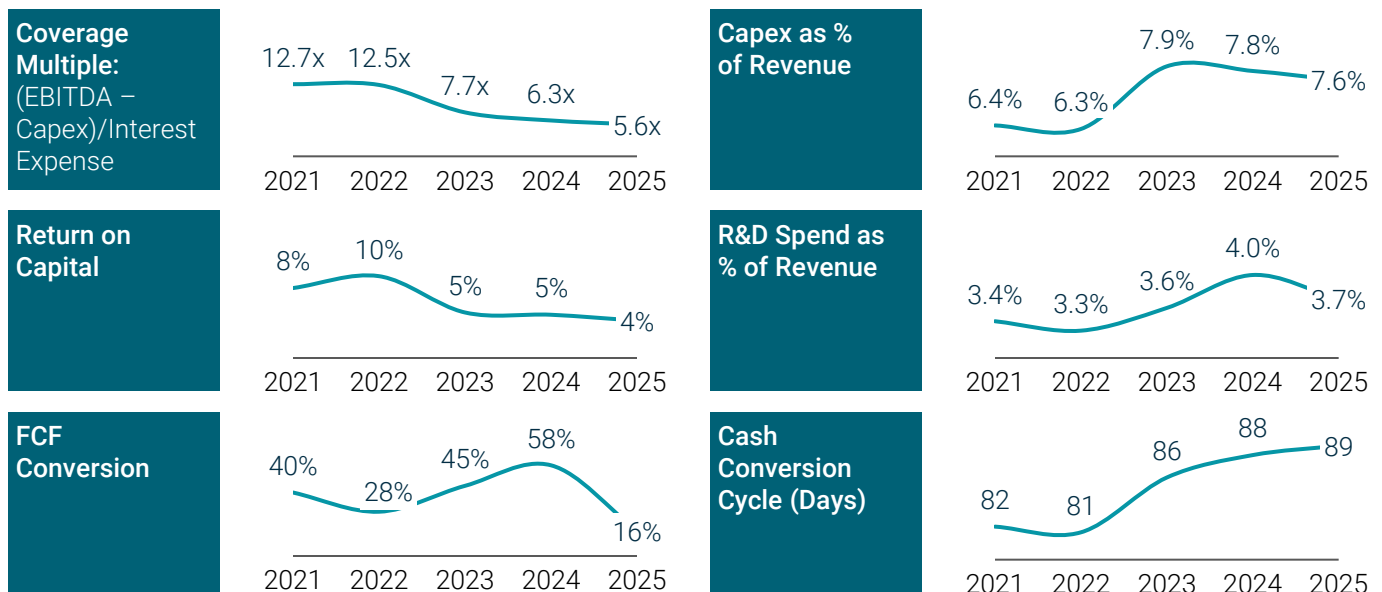


The global chemical industry has faced a prolonged downturn since hitting its peak earlier in the decade. Initially appearing to be an abrupt cyclical correction, the trend is now showing characteristics of a slower-moving structural reset that fundamentally weakens investor confidence.

The trend is fueled by several factors, including overcapacity in key value chains; persistently soft demand in core end markets; heightened geopolitical instability; and structurally higher energy and core feedstock costs in regions such as Europe and Northeast Asia. As these forces converge, margins are compressed, and the sector's historical resilience is increasingly undermined. This pressure changes how assets are utilized and how capital investments are rewarded.

AlixPartners' newly published analysis of 200 major global chemical companies indicates key financial metrics governing cash position and capital efficiency have moved decisively in the wrong direction. Coverage multiples have trended down since the end of the peak in 2022, indicating companies' ability to service debt continues to weaken. At the same time, returns on capital have eroded, reflecting the underutilized capacity drag, margin pressure in overbuilt chains, and portfolios that are not consistently earning their cost of capital. This deterioration is not isolated to a narrow slice of the market; it is visible across many sub-sectors and regions, underscoring the scale of the challenge.

Figure 1: Average Coverage multiple, Return on Capital, and FCF Conversion across the top 200 global Chemical companies, FY 2021-2025



Managing the FCF crunch

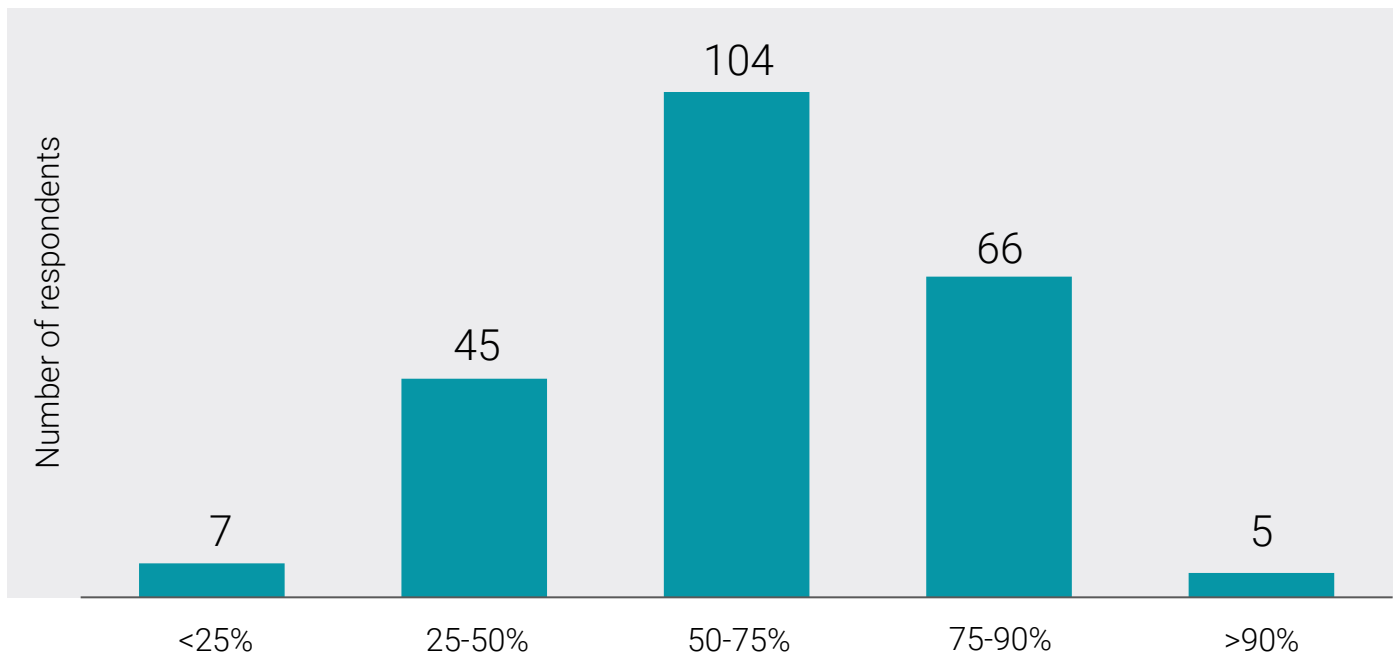
Free cash flow conversion experienced a sharp decline in 2025, highlighting the difficulty companies face in turning accounting earnings into deployable cash. This is a particularly concerning trend, forcing management teams to balance cash preservation against significant and often non-discretionary investment needs in capex, R&D, maintenance, and decarbonization projects. This juggling act is reflected in recent decreases in overall capex and R&D spending as a percentage of revenue.

In addition, elevated volatility in inventories and receivables, coupled with higher reliability, maintenance and compliance spend, is absorbing a disproportionate share of cash flow. The result is a tighter squeeze on balance sheets, reduced flexibility to invest in innovation, growth or transformation, and an increased risk that otherwise sound businesses fall behind because they cannot fund the changes their strategies require.

Furthermore, the 2026 AlixPartners EPC (Engineering, Procurement & Construction) survey of more than 200 senior decision-makers across the capital-projects value chain found that, on average, only about half of chemical industry projects are expected to earn a return above the company's investment hurdle rate within three years. This indicates that suboptimal capital allocation, project scoping, and project execution are increasingly acting as a drag on cash flow.

Figure 2: 2026 AlixPartners EPC Survey Results

Q: What percentage of your annual CAPEX projects deliver a ROI above your company's investment hurdle rate within a three-year period?



Taking action

Leading chemical companies are responding to this challenging environment by taking decisive action to address declining returns and tighten liquidity.

01: CapEx de-scoping

A leading global materials science company conducted a comprehensive review of its capital project portfolio. This included leveraging external benchmarks to simplify and accelerate project workflows and overhaul governance processes. In addition, ownership of smaller projects to site teams was shifted while implementing enhanced controls to improve project delivery speed and reduce capital project costs by 10–20%.

02: On-time, on-budget planning

A global petrochemical and specialties producer executed a cold-eye review of existing construction progress and commissioning readiness for key priority projects. It identified opportunities to reduce construction delays and accelerate the construction delay risk from 5 months to 2 months – effectively delivering over \$1B in NPV.

03: Optimizing working capital

A major producer of specialty polymers conducted a SKU-level assessment of inventory trends to identify outliers and root causes driving working capital build-up over the past three years. It reset stocking and procurement protocols for low priority products to achieve >\$150M in realized inventory reduction within 4 months of initiative start.

04: Aligning incentives with targets

A top global fine chemicals company conducted comprehensive external benchmarking and internal evaluation of its working capital management processes across the global footprint. It identified more than \$1B in working capital improvement opportunities across accounts payable, accounts receivable, and inventory, and refining KPI cascades across the organization to align incentives with working capital targets.

05: Inventory reduction

A leading global specialty chemicals manufacturer executed a granular, site- and SKU-level diagnostic across raw materials, intermediates, and finished goods to identify structural drivers of excess inventory. This included planning parameters, MOQ policies, and service-level tradeoffs. A reset of inventory norms, governance, and execution rhythms across the network, unlocked \$200M+ in working capital opportunity and delivered a sustained, nine-figure inventory reduction while maintaining customer service and operational stability.

06: Innovation acceleration

A prominent global ingredients and specialty chemicals company designed and activated an enterprise-wide innovation operating model to transform R&D into an investment-grade growth engine, aligning idea generation, portfolio prioritization, funding governance, and talent deployment across segments. This operating model established clear decision rights, options-based valuation, KPI cascades, and execution cadences to systematically scale the innovation pipeline. The plan supports > \$700M incremental innovation revenue ambition by 2030, by improving throughput and accelerating time-to-market while reallocating resources toward the highest-value innovation bets.

Rapid. Tangible results

AlixPartners helps chemical companies confront ongoing pressure head-on by combining deep sector expertise with a bias toward rapid, tangible results. In an environment where returns on capital and liquidity are strained, we work alongside management teams to diagnose where capital is trapped, where assets are under-earning, and where decisive actions can quickly restore cash generation and investor confidence. The focus is not on theoretical operating models, but on implementable initiatives that move the needle on free cash flow, returns, and balance sheet resilience within the current cycle.



Examples of how AlixPartners can support chemical companies include:



Rapid liquidity improvement:

Standing up 13-week cash flow visibility, tightening cash governance, and executing quick-hit actions on payables, receivables, and inventory to release trapped cash.



Cost and complexity reduction:

Targeting structural cost and productivity improvement opportunities in production, logistics, and SG&A leveraging AI / Agentic-AI automation. Simplifying product and customer portfolios to improve margins and asset utilization.



Innovation acceleration:

Helping chemical clients sharpen R&D and portfolio focus; deploy stage-gate and venture-style funding models; and use advanced analytics/AI to prioritize the most attractive molecules, applications, and claims. This results in shortened development cycles and increased hit rate of commercially successful product launches.



Working capital optimization:

Leveraging AlixPartners' AI Enabled Digital Working Capital Management™ and S&OP Optimizer™ tools to redesign planning and inventory policies, improve S&OP discipline, and attack slow-moving and obsolete stock to structurally reduce net working capital.



Capex and portfolio discipline:

Deploying AlixPartners Small Capital Project Process™ to create a rigorous capex challenge process. This prioritizes high-return, advantaged projects, and supports decisions to exit or restructure underperforming assets and value chains.



Impact sustainment and governance:

Embedding clear KPIs for cash, returns, and risk, and establishing cadence and accountability so improvements in liquidity and ROIC are sustained rather than one-off.

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About us

For more than forty years, AlixPartners has helped businesses around the world respond quickly and decisively to their most critical challenges—circumstances as diverse as urgent performance improvement, accelerated transformation, complex restructuring and risk mitigation.

These are the moments when everything is on the line—a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference, it's how we do it.

Tackling situations when time is of the essence is part of our DNA—so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.

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