

## PQ Group Holdings: Restructuring Story

*Oct 29, 2020 | By Alex Gavrish, Etalon Capital Ltd; author of "Story Investing"*

On October 16th 2020, PQ Group announced sale of Performance Materials business for \$650 million to an affiliate of The Jordan Company, L.P., a U.S. middle-market private equity firm.

Company plans to use the proceeds for debt reduction in the amount of approximately \$400 mil and distribute \$250 mil as a special dividend of \$1.84 per share.

In addition, PQ Group launched strategic alternatives review process for Performance Chemicals segment. Performance Chemicals segment generated Adj EBITDA of \$154 mil in FY 2019 and assuming it will be sold for a similar valuation multiple as Performance Materials, its sale can bring in \$1,300 mil.

PQ Group is currently valued at an EV/EBITDA multiple of x7.03 based on FY 2019 results. Based on FY 2019 financials, after adjustment for a special dividend of \$1.84 per share, \$400 mil in debt reduction transaction, and assuming proceeds of \$1,300 mil from sale of Performance Chemicals division, at current market price PQ Group would be valued at an EV/EBITDA multiple of x5.29.

Assuming sale of both divisions, PQ Group will be transformed into a company with very high-margin products, which can be reasonably expected to lead to shares revaluation.