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Tech Center

ChemConnect Picks Up New Investors, Raises \$70 Million for Online Market

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ChemConnect Inc., which operates an Internet marketplace where companies go to buy and sell chemicals used in everything from plastics to food, said it has raised \$70 million in a round of funding that swells its ranks of major industry investors to more than 25.

The business-to-business electronic-exchange operator said new investors include chemical-industry giants **BASF AG** of Germany, the BP Amoco Chemicals unit of **BP Amoco PLC** of the United Kingdom, **General Electric Co.**'s GE Plastics unit, Imperial Chemicals Industries PLC, Japan's **Mitsubishi Corp.**, **PPG Industries Inc.**, **Solutia Inc.** and **Occidental Petroleum Corp.**'s Occidental Chemical Corp.

Dow Chemical Co., **Eastman Chemical Co.** and **Rohm & Haas Co.** increased their investments, the company said.

With the latest investments, ChemConnect will have raised \$104 million since December 1998, and industry companies will own more than 25% of the company, ChemConnect's chief executive, John Beasley, said. "This is the culmination of a strategy about bringing the majors of the chemical industry all together to create liquidity and efficiency in the global marketplace," Mr. Beasley said.

Vote of Confidence

ChemConnect, San Francisco, provides a neutral market where its more than 5,000 members can find trading partners, negotiate prices anonymously and close transactions online around the clock for thousands of chemicals.

The roster of big names represents an industry vote of confidence in ChemConnect in a field still crowded with Web-based newcomers competing to become the industry's exchange of choice.

Last week, rival CheMatch.com Inc., Houston, filed to sell \$50.4 million of common stock in an initial public offering. The terms of the offering weren't disclosed.

Other chemical Web sites include e-Chemicals Inc., a catalog-style Ann Arbor, Mich., site owned by **Internet Capital Group Inc.**, Wayne, Pa., and Chemdex Corp., Palo Alto, Calif., which specializes in chemicals and supplies for the pharmaceuticals and agricultural sectors.

Chemical companies also are developing in-house Internet businesses to deal with customers directly and are testing other forums. BASF, while calling ChemConnect its preferred partner on the Internet, said it held its first Internet-based auction to buy several thousand metric tons of methanol using Portum AG, a German Internet auctioneer.

Shakeout to Come

This confusing landscape eventually will be transformed into a few dominant participants, analysts said. But the recent Internet collaboration announced by auto makers **General Motors Corp.**, **Ford Motor Co.** and **DaimlerChrysler AG** raised the possibility of a similar pattern emerging in other industries-independent sites such as ChemConnect eventually could find themselves competing with the companies they are trying to recruit.

DuPont Co., which has invested in CheMatch, has launched a maverick strategy with its recent partnering with Internet Capital Group. The two are forming an Internet holding company called CapSpan that will serve as the umbrella for a collection of Web marketplaces selling industrial goods.

But the complexity and size of the chemical industry-with thousands of chemicals feeding into thousands of different markets-makes it likely several exchanges will be required for some time, Salomon Smith Barney analyst P.J. Juvekar said. "There is a broader slate, so the one-size-fits-all model may not work in the chemical industry," Mr. Juvekar said.

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