



Plastics M&A Update

Q3 2022

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Trevor Hulett

Managing Director
thulett@rlhulett.com

Ryan Hartman

Analyst
rhartman@rlhulett.com

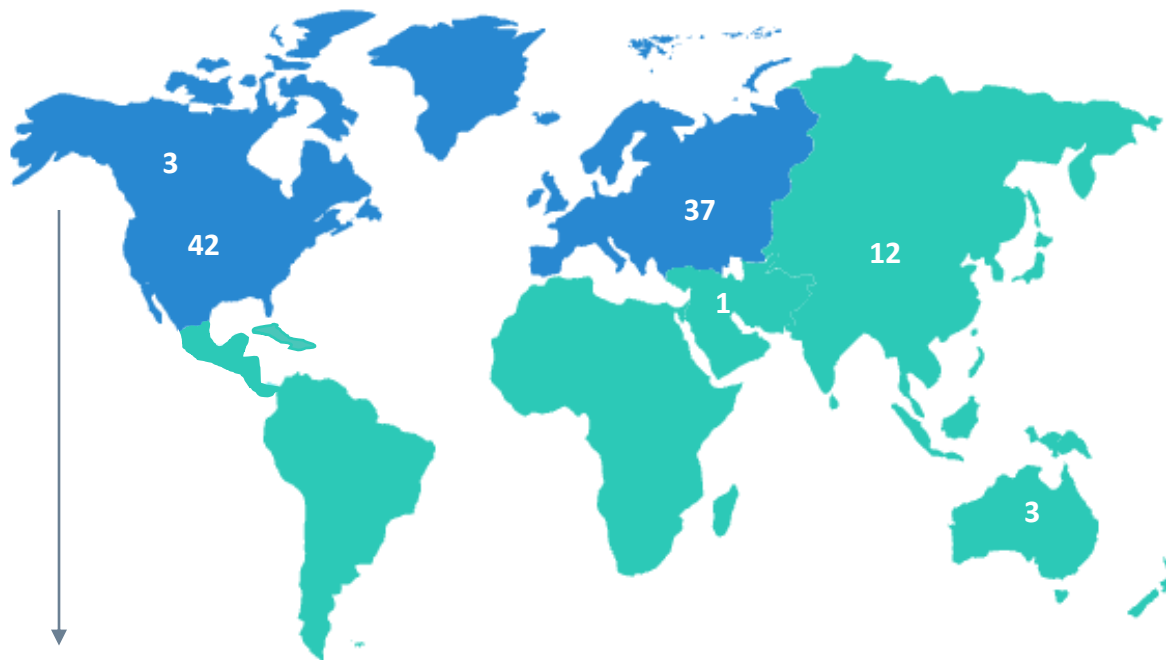
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REPORT HIGHLIGHTS

- A number of factors from elevated oil prices to disrupted supply chains and high levels of inflation have contributed to a volatile environment for plastic manufacturers in 2022.
- M&A deal volume decreased 19.7% in Q3 2022 to 98 completed transactions from 122 in Q2 2022 and 31.5% from 143 in the same period of the prior year.
- YTD Q3 2022, PE buyers accounted for 46.2% of total deal volume in the Plastics sector, down from 50.2% in the prior year.
- North America was the most active region in Q3 2022 with 42 deals, closely followed by Europe with 37 deals. The largest deal of the quarter in the sector was Oldcastle APG's \$1.9B acquisition of Barrette Outdoor Living in July 2022.
- EV/EBITDA Multiples in the Plastics sector trended slightly higher. The public companies tracked in this report declined an average of 8.3% in Q3 2022.

Global Deal Analytics

Of the 98 deals in Q3 2022, North America was the most active market with 45. In addition to the Barrette Outdoor deal mentioned on pg. 1, another notable transaction in North America was SK Capital Partners’ \$505M acquisition of Valtris Specialty Chemicals in August 2022. Europe was the second most active with 37 closed transactions. All other regions combined for a total of 16 completed transactions.



Canada: 3

United States Regions: 42

Great Lakes:	10
West Coast:	8
Mid Atlantic:	8
Southeast:	7
New England:	3
Other:	6

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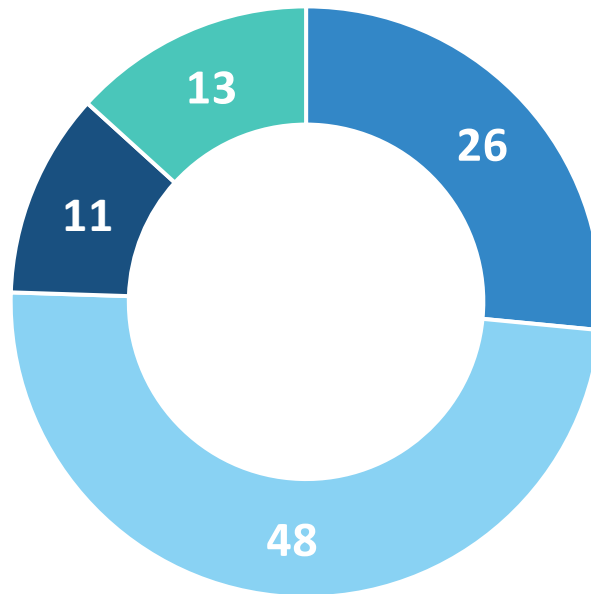
In the North American market, the Great Lakes region was the most active with 10 closed deals, followed by the West Coast and Mid Atlantic with 8 each. The Southeast and New England had 7 and 3 deals, respectively. All other regions had a combined 9 transactions.

Outside of the U.S., the Canadian market was relatively inactive with 3 transactions closed.

Global Deal Analytics

Of the 98 Plastics deals in Q3 2022, 48 were done in the Commercial Products subsector, making it the most active subsector in the Industry. Plastic Containers & Packaging was the second most active with 26, followed by Chemicals & Gases with 11. All other subsectors totaled 13 deals.

Deal by Subsector



- Plastic Containers & Packaging
- Commercial Products
- Chemicals & Gases
- Other



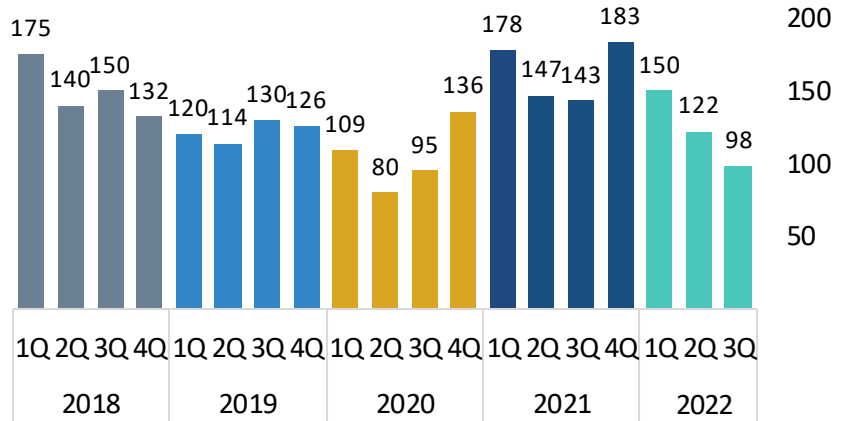
Global Deal Analytics

Deal volume in the Plastics sector declined 19.6% to 98 deals in Q3 2022 from 122 in Q2 and 31.5% from 143 transactions in Q3 2021.

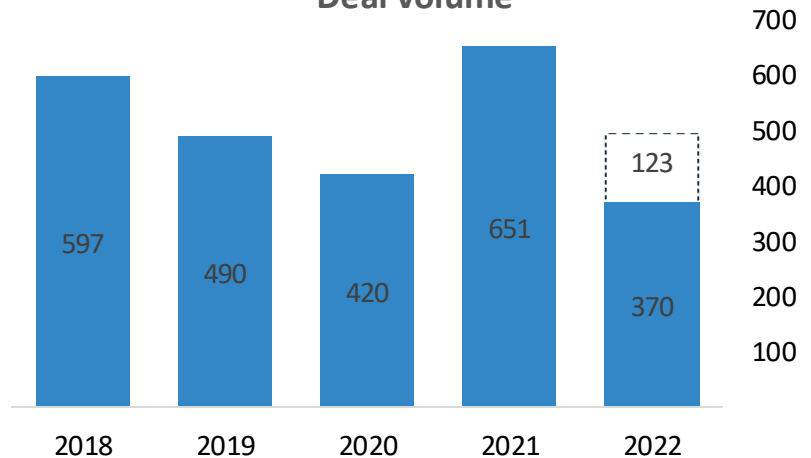
M&A deal volume is tracking toward a 24.2% decline in 2022 from the prior year, due primarily to rising interest rates/cost of capital, tightening liquidity in the capital markets and inflationary pressures on labor and materials inputs. Based on the current deal volume, we are anticipating 493 transactions in the Plastics sector in 2022, down from 651 in 2021.

Total capital invested in the Plastics sector increased 3.0% to \$6.9B in Q3 2022 from \$6.7B in Q2 but was down 82.1% from Q3 of the prior year. Despite a substantial decrease in deal volume, total capital invested in Q3 2022 was up slightly over Q2 primarily because of Oldcastle APG's \$1.9B acquisition of Barrette Outdoor Living. This acquisition accounted for 27.5% of total capital invested in Q3 2022.

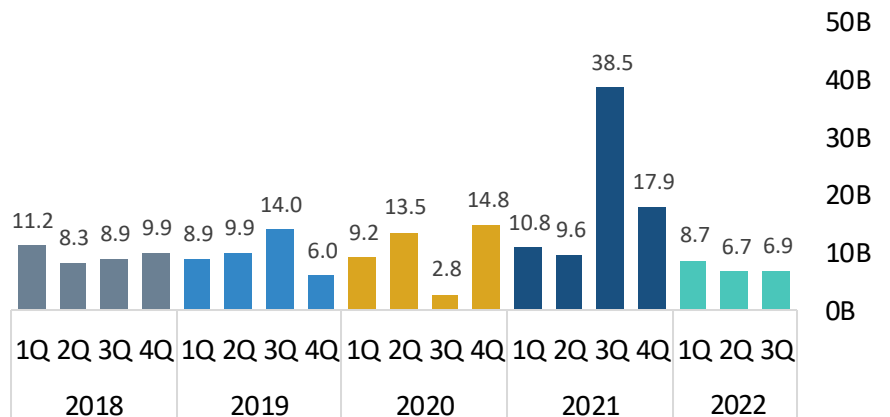
Deal Volume



Deal Volume



Total Capital Invested



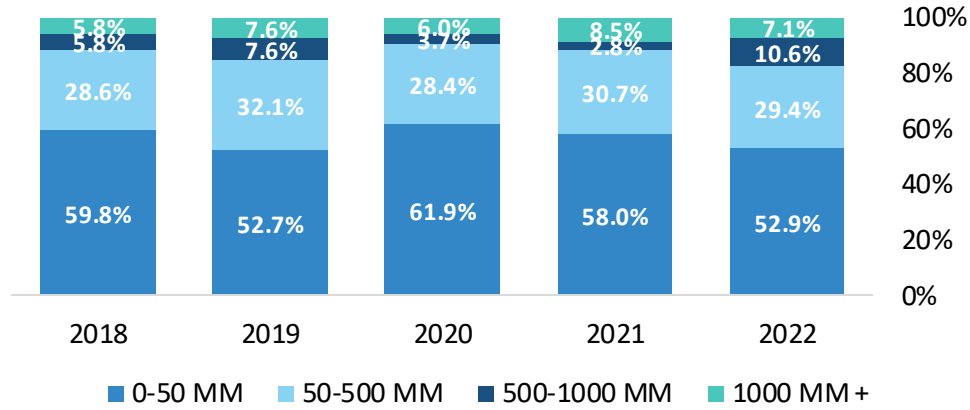
Global Deal Analytics

YTD Q3 2022, we saw a meaningful shift in mix from smaller deals in the lower middle market (\$0 - \$50MM) to the upper middle market (\$500-\$1000MM) compared to the prior year. Large cap (\$1000MM+) and middle market (\$50 - \$500MM) volume declined slightly from 2021.

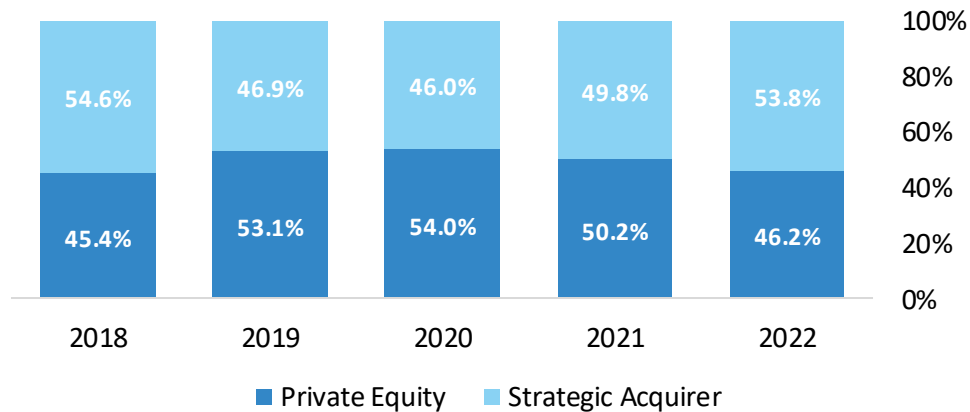
Over the last several years, we have generally seen a decline in PE participation as a % of overall deal volume to 46.2% YTD Q3 from 50.2% in FY 2021. In 2022, PE participation has decreased to the second lowest seen since 2018. As the capital markets have tightened and cost of capital has increased, strategic buyers with balance sheet capacity have gotten more competitive.

PE participation as a percentage of total capital invested has reverted to pre-pandemic levels after two years of volatility due primarily to covid. PE buyers represented 33.2% of volume in 2022 compared to 39-40% in the few years prior to covid.

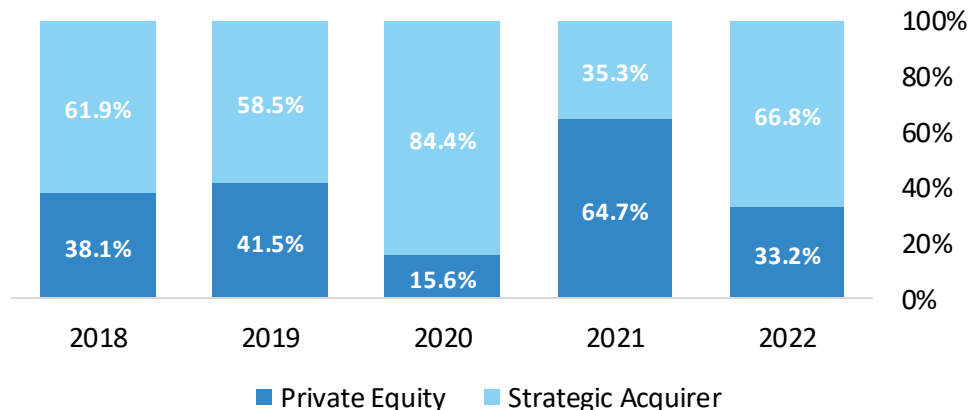
Deal Volume by Deal Size



Deal Volume by Acquirer

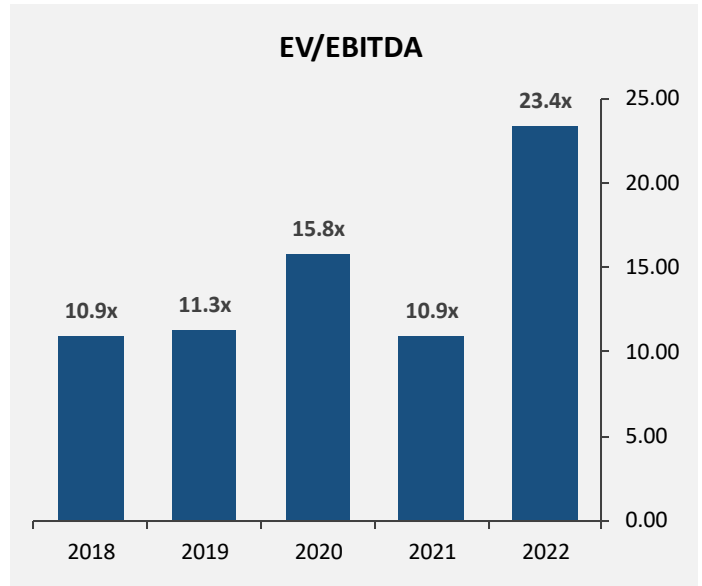
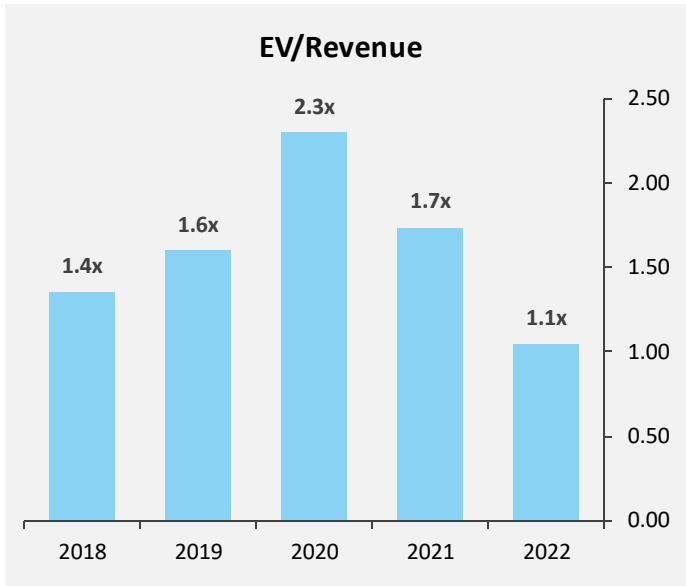


Total Capital Invested by Acquirer

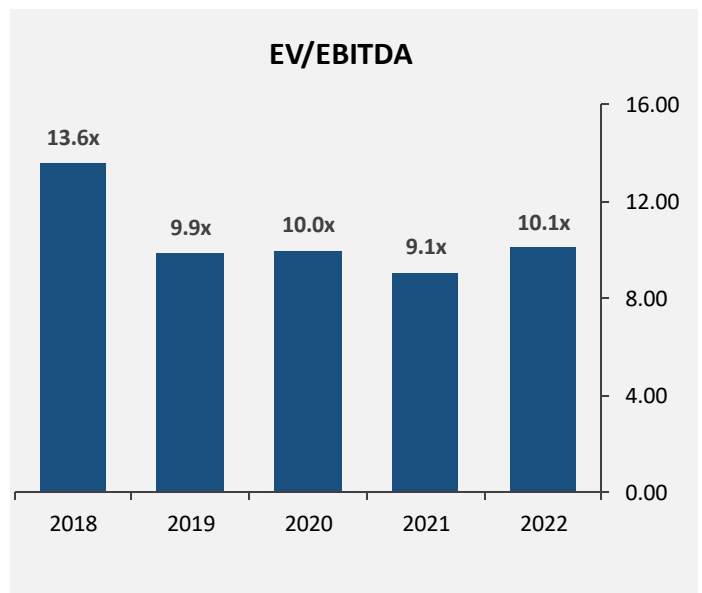
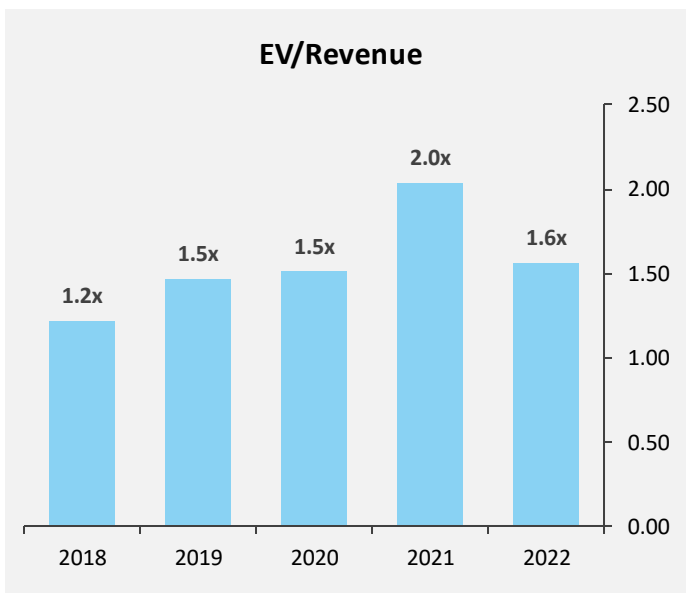


Valuation Multiples

PE Multiples



Strategic Multiples



* Note: The acquisition of NuCera Solutions is not included for being an outlier.

Largest Deals (Completed)

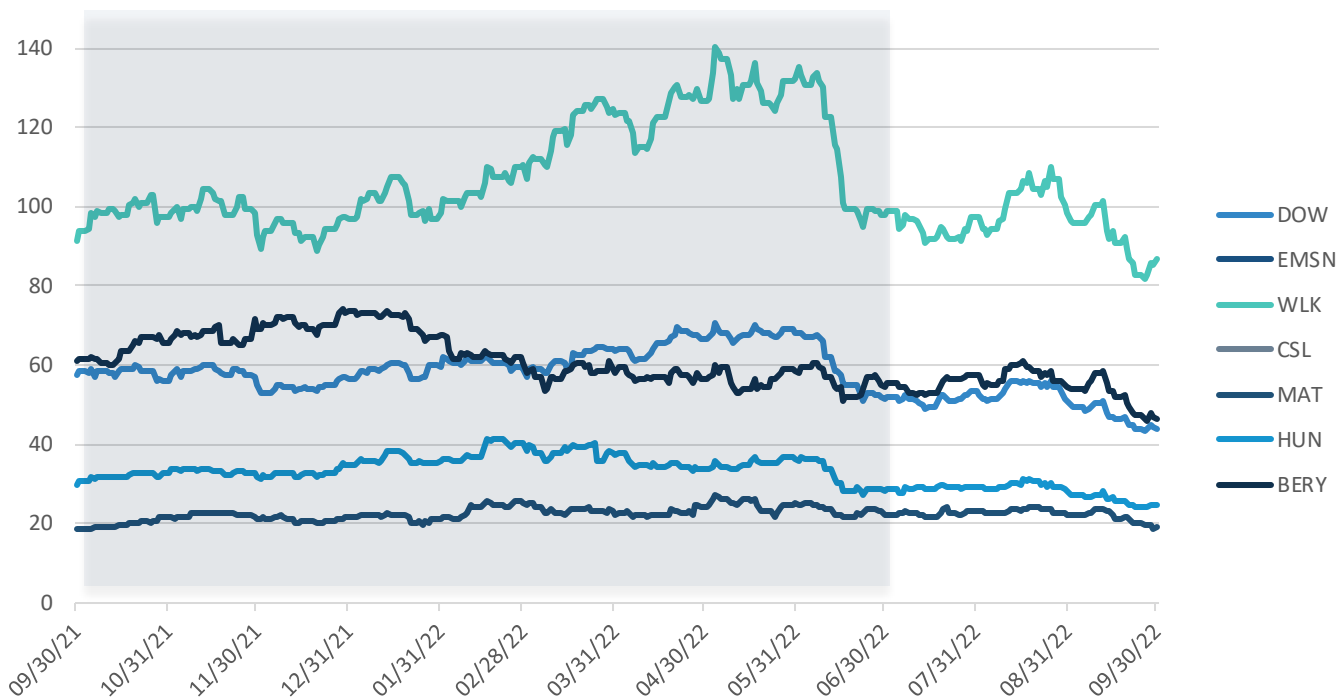
Deal Date	Company Name	Investor	Deal Type	Deal Size (\$mm)	EV		Target Business Description
					Revenue	EBITDA	
27-Sep-2022	Onduline	Kingspan Group	Merger/ Acquisition	\$ 547.1			Manufacturer of roofing and waterproofing materials intended for residential and leisure houses, institutional, agricultural and industrial buildings.
01-Sep-2022	DSM Dyneema	Avient	Merger/ Acquisition	1,501.5			Manufacturer of specialty plastics and low carbon fiber intended to reduce carbon emissions and waste.
01-Sep-2022	NuCera Solutions	Chase	Merger/ Acquisition	250.0	3.01x	12,048.19x	* Manufacturer and supplier of specialty polymers intended to serve adhesives, candle making, masterbatches, personal care and other related
31-Aug-2022	MakerBot Industries	NPM Capital, Ultimaker	Buyout/LBO	98.4			Manufacturer of 3D printers intended to empower engineers of today and tomorrow.
23-Aug-2022	Rhenoflex	Coats Group	Merger/ Acquisition	117.1			Manufacturer of sustainable reinforcement materials and orthopedic parts intended for the footwear and the lifestyle sector.
22-Aug-2022	Haydale Graphene Industries		PIPE	6.0			Haydale Graphene Industries PLC does research and development, manufacturing, and sale of surface functionalized graphene products.
19-Aug-2022	Sikerui New Materials		Merger/ Acquisition	8.2			Developer of a polyurethane raw materials research and development company.
04-Aug-2022	Orica		PIPE	446.1			Orica is a leading global manufacturer and supplier of chemicals and explosives, primarily to the mining industry.
01-Aug-2022	Valtris Specialty Chemicals	SK Capital Partners	Buyout/LBO	505.0			Manufacturer of specialty chemicals, polymer additives and precursors intended for use in the production and processing of plastics.
01-Aug-2022	Ullrich Aluminium	Vulcan Steel	Merger/ Acquisition	101.8			Manufacturer of aluminium extrusion and rolled products intended for marine, industrial, commercial and domestic uses.
26-Jul-2022	AlphaPlex	Arla Plast	Merger/ Acquisition	5.5			Manufacturer of plastic sheets intended to provide semi-finished plastic products.
25-Jul-2022	Armstrong Flooring	AHF Products	Buyout/LBO	105.0			Manufacturer of flooring products intended for residential and commercial spaces.
22-Jul-2022	Ascaso	Azkoyen	Merger/ Acquisition	21.6			Manufacturer of espresso machines intended to provide hand-crafted coffee machines.
12-Jul-2022	Cast Gold Technology	Rongxi Capital	PE Growth/ Expansion	7.5			Manufacturer of alloy powder products.
11-Jul-2022	Barrette Outdoor Living	Oldcastle APG	Merger/ Acquisition	1,900.0			Manufacturer of the wood-alternative fence and railing products intended to enhance and transform outdoor space.
06-Jul-2022	Shinki Intermobile	Dayou AP	Merger/ Acquisition	23.3			Manufacturer and supplier of automotive parts based in Busan, South Korea.
06-Jul-2022	CDT Group	discoverIE Group	Merger/ Acquisition	6.1			Designer and manufacturer of enclosures solutions intended to serve sectors across industries.
03-Jul-2022	Croda International	Cargill	Merger/ Acquisition	952.2			Developer of nature-derived alternatives to chemicals intended to focus on the circular plastic economy.
01-Jul-2022	Yonwoo Company	Korea Kolmar Holdings	Merger/ Acquisition	223.8	1.62x	10.09x	Yonwoo Co Ltd is a Korean company which is principally engaged in manufacturing plastic container.
01-Jul-2022	RFID Hotel	CCL Industries	Merger/ Acquisition	27.9			Manufacturer and supplier of digitally printed & encoded RFID key cards, wristbands and key fobs for access control for the hospitality industry.

Leading M&A Deals (Completed)

Deal	Deal Synopsis	Driver
 	<p>Barrette Outdoor Living is Manufacturer of the wood-alternative fence and railing products intended to enhance and transform outdoor space. The company was acquired by Oldcastle APG, a subsidiary of CRH (LON: CRH), for \$1.9 billion in July 2022. The acquisition will expand Oldcastle APG's ability to offer retailers, dealers, contractors and consumers a more diverse and comprehensive suite of durable and sustainable outdoor solutions.</p>	<p>Merger/ Acquisition</p>
 	<p>NuCera Solutions is a manufacturer and supplier of functional polymers and premium and high melting point polyethylene waxes, helping their customers improve the performance, use, and production of their products. The company was acquired by Chase (ASE: CCF) for \$250 million in September 2022, allowing Chase to continue to expand market share with a greater offering of adhesive products.</p>	<p>Merger/ Acquisition</p>
 	<p>MakerBot Industries was acquired by Ultimaker, via its financial sponsor NPM Capital, through a \$98.4 million LBO in August 2022. The acquisition provides easy-to-use and accessible 3D printing hardware, software and materials by leveraging MakerBot's desktop printers and extruders to enable students, innovators and educators to substantially accelerate their product design capabilities.</p>	<p>Buyout/LBO</p>
 	<p>Valtris is a manufacturer of specialty chemicals, polymer additives and precursors intended for use in the production and processing of plastics. The company was acquired by SK Capital Partners through an LBO in August 2022 for an undisclosed amount. Cerberus Capital Management provided debt financing in support of the transaction.</p>	<p>Buyout/LBO</p>

Public Comps

Stock Price

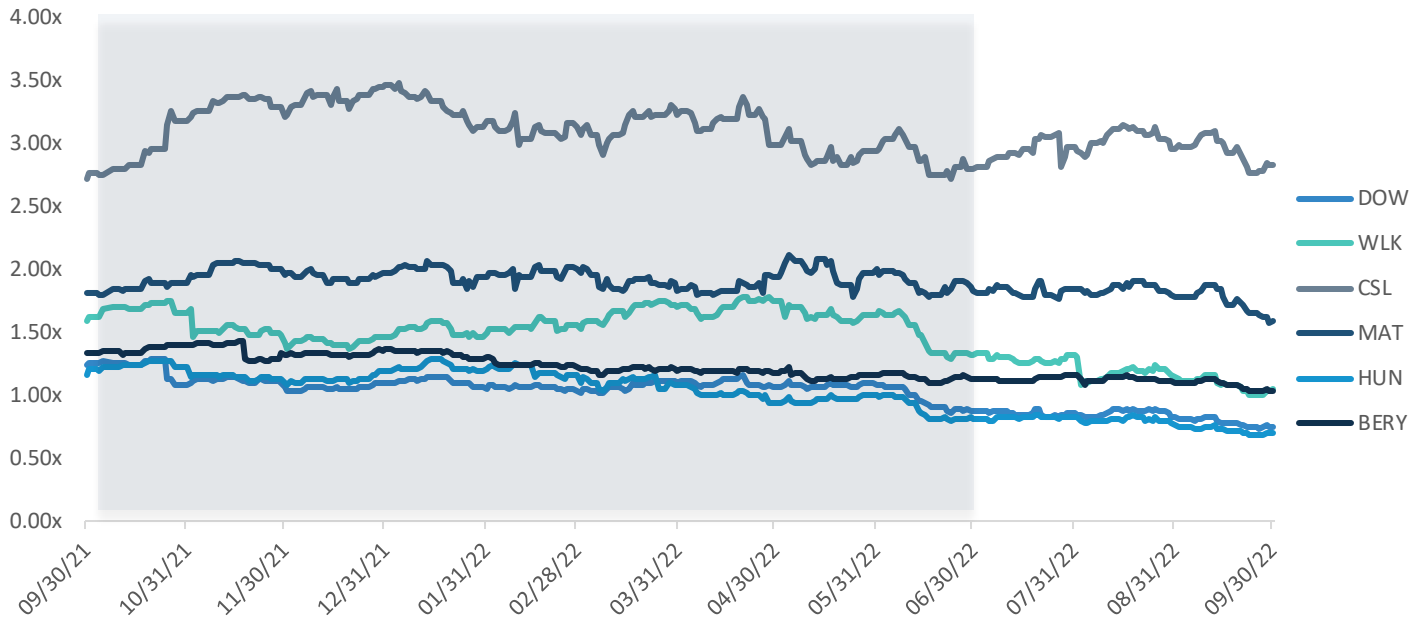


Financial & Valuation

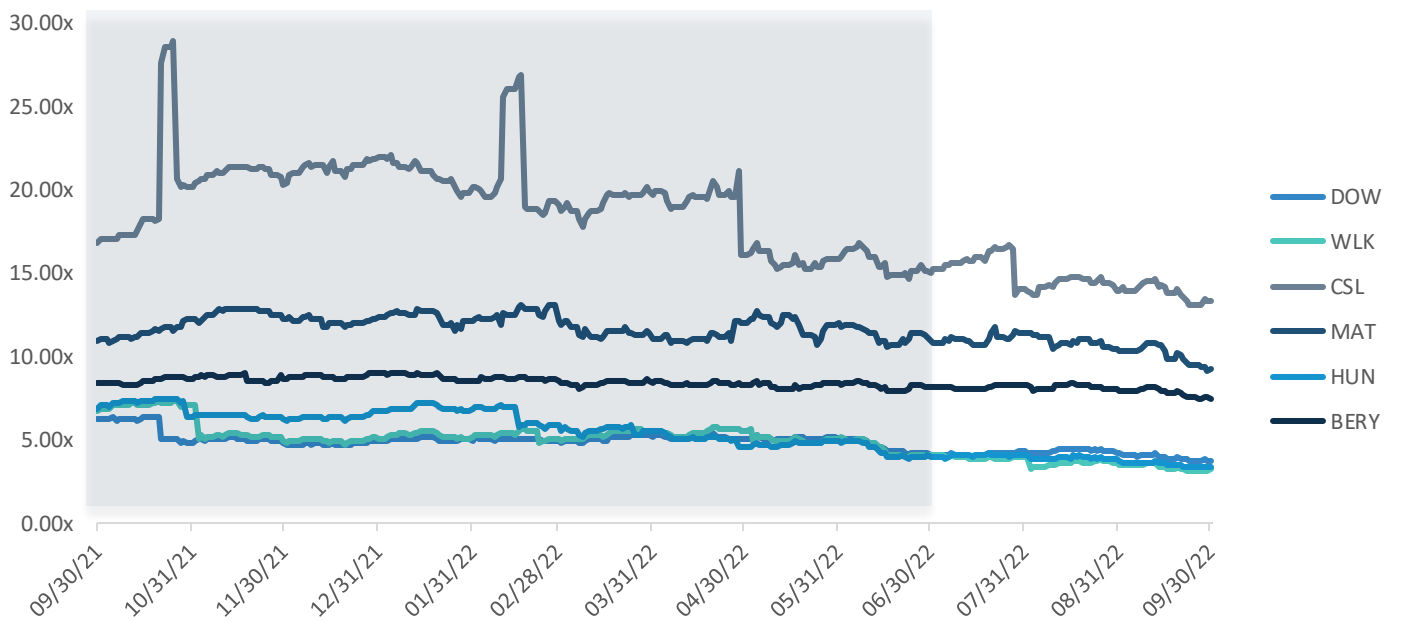
SMM Company	Ticker	Stock Price	Market Cap	Total Debt	EV/Revenue			EV/EBITDA			Revenue Growth			Gross Margin			EBITDA Margin		
					20A	21A	22E	20A	21A	22E	20A	21A	22E	20A	21A	22E	20A	21A	22E
Dow	DOW	\$ 43.9	\$ 31,549	\$ 15,054	1.5x	1.1x	1.1x	33.0x	4.9x	5.6x	-15%	35%	-10%	13%	19%	13%	4%	22%	13%
Nan Ya Plastics	1303	2.1	16,758	4,341	2.6x	1.9x	1.9x	17.5x	6.5x	7.4x	-9%	44%	-16%	12%	25%	14%	15%	30%	11%
EMS-Chemie Holding	EMSN	644.5	15,074	15	10.4x	13.5x	9.8x	33.4x	43.2x	28.5x	-	-	-	-	-	42%	-	-	26%
Westlake	WLK	86.9	11,117	5,368	1.9x	1.5x	1.2x	11.8x	5.1x	4.6x	-10%	38%	0%	13%	27%	-	15%	28%	19%
Formosa Chemicals & Fibre	1326	2.2	12,766	3,832	2.4x	1.4x	1.3x	17.3x	6.5x	13.1x	-25%	37%	-12%	8%	17%	6%	14%	22%	5%
Carlisle Companies	CSL	280.4	14,504	2,930	2.2x	3.5x	2.8x	13.4x	22.0x	14.8x	-20%	16%	18%	29%	27%	31%	19%	16%	23%
Mattel	MAT	18.9	6,691	2,859	2.1x	2.0x	1.9x	19.9x	12.4x	10.3x	-3%	19%	8%	48%	49%	44%	10%	16%	17%
Huntsman	HUN	24.5	4,943	1,946	1.2x	1.2x	1.1x	17.3x	6.7x	6.6x	-14%	20%	-15%	17%	21%	19%	7%	18%	11%
Berry Global	BERY	46.5	5,821	9,935	1.5x	1.4x	1.3x	8.8x	9.0x	8.2x	32%	18%	0%	21%	18%	19%	17%	15%	15%
Changzhou Xingyu Automotive Lighting	601799	\$ 21.4	\$ 6,109	\$ 1	8.4x	6.7x	4.9x	48.2x	40.0x	24.8x	23%	22%	36%	26%	24%	24%	17%	17%	14%
Mean					3.4x	3.4x	2.7x	22.0x	15.6x	12.4x	-4.4%	27.8%	1.0%	20.8%	25.1%	21.1%	13.1%	20.5%	15.5%
Median					2.2x	1.7x	1.6x	17.4x	7.8x	9.2x	-9.8%	22.2%	0.0%	17.4%	23.8%	18.9%	14.6%	18.3%	14.5%

Public Comps

EV/Revenue



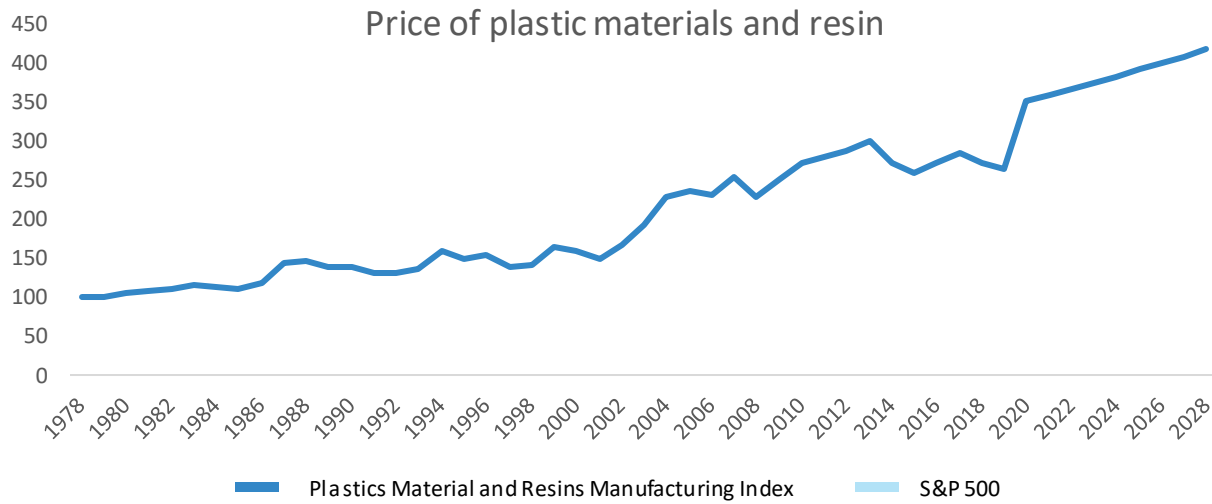
EV/EBITDA



Public Markets

Price of Plastic Materials and Resin

Since 2018, the price of plastic materials and resins has increased 34.4% and is up 267.39% since 1978. Molders have been challenged to pass along price increases to customers to keep up with rising resin costs.



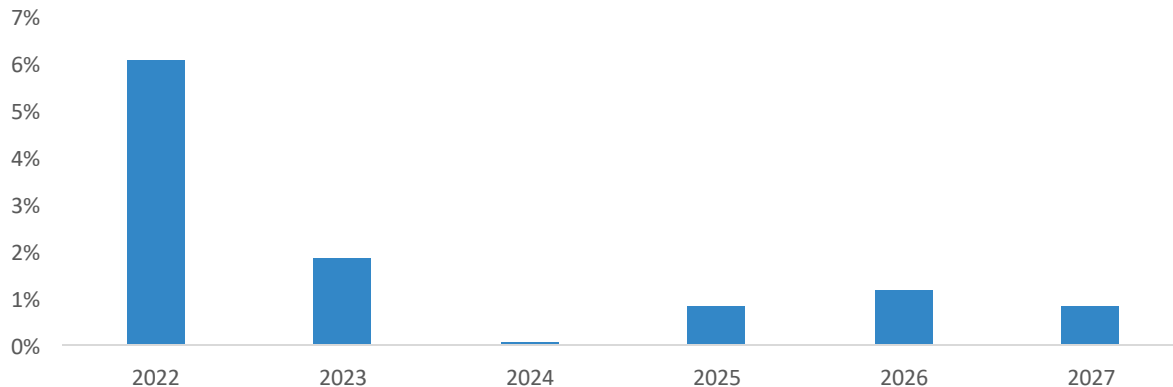
Key External Drivers

Increases in the world price of crude oil over the last year have put upward pressure on input costs for plastic manufacturers downstream, forcing them to accept smaller profit margins or pass their costs onto their customers.

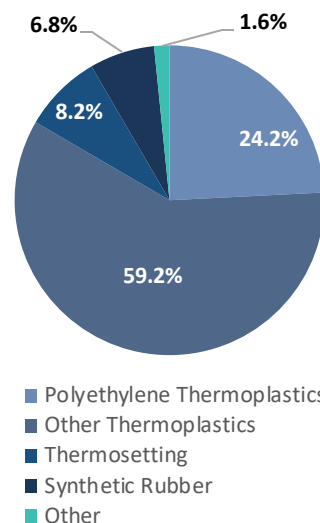
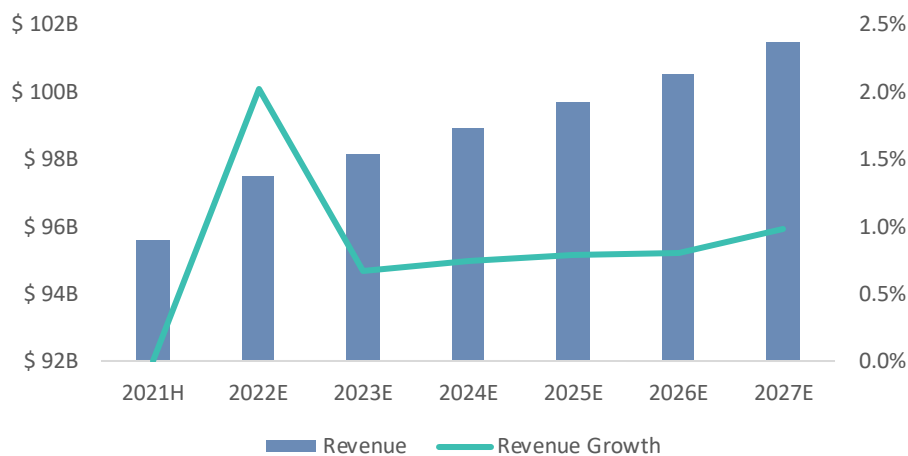
This has been exacerbated by the challenging macro-economic situation from high levels of inflation and an increasing federal funds rate as the Federal Reserve continues quantitative tightening. Additionally, the Russian invasion of Ukraine has put additional pressure on energy prices and manufacturers in the plastics sector have struggled to keep up with prices and in some cases even obtain supply of critical raw material resins and other petroleum based products.

Finally, labor issues continue to present challenges to US manufacturers, driving higher input costs.

Plastics & Rubber Machinery Manufacturing



Industry Outlook



Oil Price Volatility

Oil, an essential component in plastic production, has been very volatile due to the Russia-Ukraine conflict, limiting supply and disrupting supply chains. Oil prices soared to a high of \$139.13 in March 2022 and then declined below \$100 in September. Future oil price volatility is expected to cut industry margins with profit accounting for 3.8% of revenue in 2027.

Public Sentiment

Climate change and pollution have been major concerns surrounding plastics, deterring legislators, investors, and consumers from the industry. On September 21, billionaire Michael Bloomberg launched an \$85 million campaign to block planned construction of plastics plants across the US, demonstrating activist efforts to hinder plastic production. Plastics are nonetheless expected to prosper as an essential material with 400 million tons of plastic produced in 2020.

Plastics Innovation

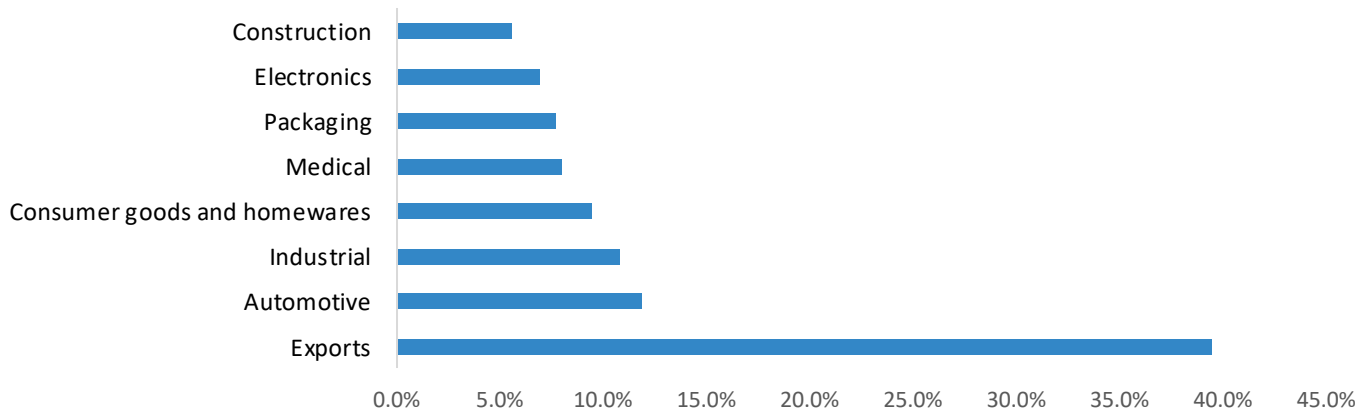
Improvements in plastics technology are expected to boost revenue growth as plastics replace expensive metals and concrete. Plastic pipes have become particularly attractive for oil and gas transmission as well as water supply markets due their price efficiency and have had annualized revenue growth of 1.6%. Plastics are expected to remain a critical aspect of construction as technological innovations enable plastics to be more flexible and widely applicable.

Plastic Alternatives

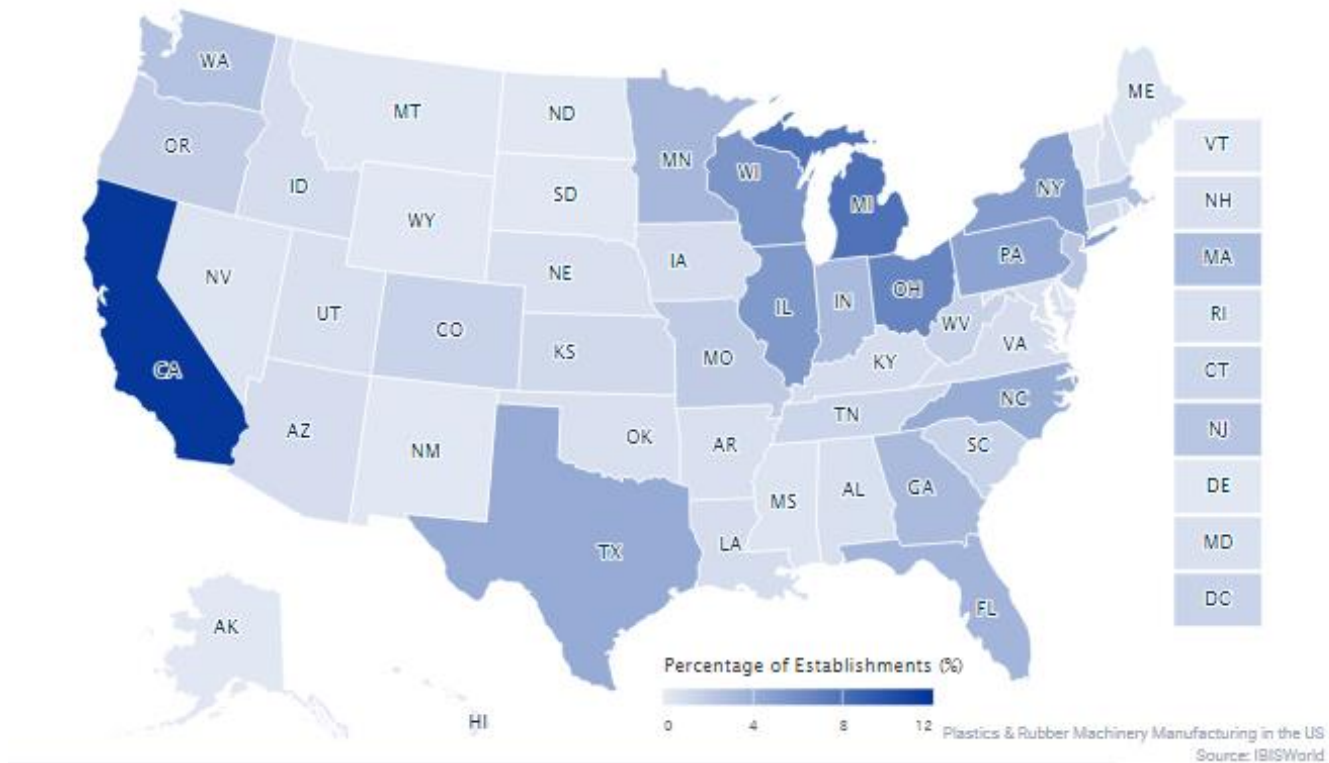
Bioplastics have been a growing segment of the market for some time. Scientists in the field are working intensively to develop alternative compounds that can be used as replacements for plastic. One difficulty has been in determining the appropriate depreciable life for products; Companies want the product to stay intact over the course of its use, but also begin biodegrading as soon as the user is done. This dilemma has resulted in a majority of the uses for plastics currently being for one-time use products such as food and beverage containers and packing materials.

Industry Snapshot

Major End-Markets as a % of \$3.7bn Total Revenue



Business Locations



Our Service Offerings



Sell-Side Advisory: Sell your business

Sell your business for the highest price and for the best terms. At R.L. Hulett, communicating the value of your business to targeted buyers and finding the best fit for your team is our forte. We strive to maintain your company's culture and heritage even as you transition out of your business.



Buy-Side Advisory: Buy a business

Searching for acquisition targets can be a challenging and time-consuming task when trying to run your own business at the same time. Navigating the risks and pitfalls in negotiating valuation and deal structure can also be a daunting task for many business owners. Let our team help you minimize your risk and reduce time wasting efforts with our decades of experience in advising in both buy and sell-side M&A transactions. We utilize industry-leading M&A databases to scout for opportunities and pre-screen for "real" actionable targets so you can stay focused on what matters.



Capital Raise: Gain financial support

With nearly 40 years of experience in middle-market M&A advisory, we know how to package up your deal and put you in front of the right kind of investors who have the capital and the industry expertise you need to grow your business. Our team will develop a go-to-market strategy and advise on deal structure, valuation, due diligence and transition issues. Whether you are seeking capital for growth or trying to buy out other shareholders, we have the tools, expertise, and experience to execute a strategic process and find the optimal outcome to meet your objectives.




Restructuring: reorganization of your business

In today's uncertain economic times, more and more companies are finding themselves in unfamiliar, and unwanted, positions. Many business owners are hoping recovery is just around the corner; however, proactive measures are often required to maximize the remaining value of the business. Our team can aid banking institutions with workout situations by implementing internal controls over cash management and performing on-going cash flow modeling for their clients. We can also help business owners avoid having trouble making payments on their debts and avoid the cumbersome and low-value asset liquidation process.

Selected Transactions

Over the years, R.L. Hulett has completed hundreds of transactions in a wide variety of industries. Please note that this list is not comprehensive. It is common for sellers and/or buyers to request confidentiality regarding their transactions, and R.L. Hulett respects such requests as a matter of policy.



TRILOGY WAREHOUSE PARTNERS

has partnered with



a portfolio company of





FEDERAL STEEL SUPPLY, INC.

Has sold substantially all of its assets to





Has sold substantially all of its assets to





U.S. MINERALS

Was recapitalized by





Sold substantially all of its assets to





Has been acquired by

SPELL CAPITAL



Our M&A Deal Leaders



R. Trevor Hulett, CPA
Managing Director
(314) 721-0607 x112
thulett@rlhulett.com

Mr. Hulett has led M&A transactions in a variety of industries including manufacturing/industrial, software development/IT, business services and value-added distribution for over 15 years. Prior to joining the firm, he held senior level accounting and financial management positions in both public accounting and large corporations. Mr. Hulett began his career as a Certified Public Accountant with MPP&W, a St. Louis-based public accounting firm specializing in middle market companies. He then held various management positions in internal audit and corporate accounting with a Fortune 1000 industrial manufacturing company and also spent nine years with Enterprise Rent-A-Car Company as a department manager in the Corporate Accounting group. Mr. Hulett holds his Series 62, 63 and 79 securities registration. Mr. Hulett earned a Bachelor's Degree in Accounting from the University of Missouri, Columbia.



Robert L. Hulett
Chairman Emeritus
(314) 721-0607 x134
rlhulett@rlhulett.com

Mr. Hulett founded the firm in 1981 and has negotiated and completed more than 200 transactions throughout his career. He began his career as a Certified Public Accountant and practiced with Peat, Marwick, Mitchell & Co. in St. Louis as an Audit Manager and in New York as the Director of Training for Private Business. Mr. Hulett has also served as Chief Executive & Board Member for various middle market companies. As an educator, he was an adjunct professor at New York University and a tenured faculty member at Lindenwood University in St. Louis. He conducted training sessions for middle market CPA firms throughout the country for more than ten years. Mr. Hulett earned his BS/BA Cum Laude in Accounting from the University of Missouri-Columbia, and an MBA from Lindenwood University.



David T. Vass
Director
(314) 721-0607 x115
dvass@rlhulett.com

Mr. Vass has over 30 years of business management experience including more than 10 years as President of a highly successful consumer products manufacturing company with revenues exceeding \$25 million. During this time, he not only reversed a declining sales and earnings trend, but increased both sales and operating income over 100%. In addition, he has spent over 20 years at the executive level of Vice President of Sales and Business Development. Mr. Vass also has experience in a number of other industry niches including consumer products, commercial furniture and fixtures and metal recycling. He holds a Bachelor's Degree in Economics from DePauw University and an MBA from the University of Michigan.

Our M&A Deal Leaders



Ron Litton

Director

(816) 810-0799

rlitton@rlhulett.com

Mr. Litton has been advising business owners in mergers and acquisitions since 2013. His primary industry focus areas have included industrials, paper and packaging, distribution, energy, promotional products and direct to consumer e-commerce. Prior to 2013, Mr. Litton held a variety of C-level roles with several companies in the paper and packaging industry including Unisource, Maverick Paper, Universal Graphics and Sabin Robbins. He has bought and sold a number of businesses, advised in the sale of family/founder owned businesses, and advised in start-ups and turnaround situations for banks, owners, and private equity firms. He enjoys working with owners that want to sell or transition out of their businesses. Ron covers the Kansas City and surrounding markets for the firm. He graduated from Central Missouri State University with a BS in Graphic Arts Technology and Management.



Ryan Hartman

Analyst

(314) 721-8027

rhartman@rlhulett.com

Ryan joined R.L. Hulett in 2021 and provides transaction support for senior-level deal managers including financial modeling, valuations, industry research, offering memorandums and a variety of presentations. Ryan graduated with a Bachelor of Science in Management Degree with a major in finance from The Freeman School of Business, Tulane University. Prior to joining the firm Ryan worked as an equity analyst for Burkenroad reports, an equity research program that produces widely circulated financial reports on small- to medium-sized companies. During his time at Tulane University, Ryan was elected as Vice President of Administration for Tulane's community government, took extensive courses in Investment Banking M&A transactions, and volunteered as a data analyst for American Red Cross.



Lynda Hulett

Marketing

(314) 721-0607 x 104

lhulett@rlhulett.com

Lynda Hulett leads the firm's marketing, administrative and communication efforts. She maintains the firm's proprietary CRM database, manages outbound firm communications and provides administrative support to senior deal managers. Prior to joining R.L. Hulett, Lynda spent the previous ten years in various marketing and administrative functions. Most recently, she worked as a client liaison providing administrative support for a CPA firm. Prior to that, she was employed by Moneta Group, a financial services advisory firm, where she provided marketing and administrative support to the client managers. Lynda graduated from the University of Missouri – Columbia, receiving her business degree with an emphasis in Marketing.

About R.L. Hulett

R.L. Hulett is a middle-market investment bank based in St. Louis, Missouri, providing M&A and financial advisory services to middle-market companies. Since its founding in 1981, the firm has advised in over 275 transactions in a variety of industries including industrials, food & beverage, packaging, business services, transportation & logistics, healthcare and software/tech-enabled services. The firm has an experienced team of M&A advisors consisting of former business owners, seasoned corporate executives, professional service firm partners, CPAs and MBAs. Our ability to deliver customized solutions to meet or exceed our clients' expectations is what sets us apart from our competitors.

Industry Sectors Covered:



Industrials



Transportation & Logistics



Food & Beverage



Business Services



Tech-enabled Services



Healthcare

Disclaimer

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