



## #C-664 Paper and Plastics Recycler

Teaser

The Opportunity: Our client is a Midwest recycler, broker and distributor of a variety of paper and plastic materials including corrugated, printers scrap, newspapers, specialty grades of papers, various grades of pre-consumer and post-industrial grades of plastics and new paper rolls, sheets, and boxes. The Company sells directly to paper mills and also exports both paper and plastics. R.L. Hulett has been retained as exclusive financial advisor to explore strategic alternatives for the business, including a potential sale. Ownership is seeking a buyer who recognizes the value of the business and who is interested in continuing to build on the platform developed over many years.

## Key Investment Highlights

**Strong Gross Profit Margin:** Since 2019, the Company has achieved a 3-year revenue CAGR of 11.8% and a gross profit margin ranging from 39-50%. This consistently high margin is a result of increased baling of loose materials, larger volumes of scrap being shipped and improved profit margins on specialty recyclables.

**Key Contracts:** The Company has multi-year contracts with three of its largest customers representing about 40% of FY 2022 revenue, which include volume commitments and price floors. Further information on these contracts can be found on slides 48-50.

**Diverse Customer Base:** The Company has a diverse customer base of over 50 active accounts. The top 5 accounts not under contract represent 27.4% of FY 2022 revenue and the largest account represents 8.5% of revenue. This diverse customer base provides a steady and recurring source of revenue while at the same time mitigating risk of relying too heavily on any one customer. 17 of the top 20 customers have been with company for over five years.

Financial Summary				
(in \$'s)	Years ended October 31,			
	2019A	2020A	2021A	2022A
Revenue	\$ 6,797,122	\$ 5,517,019	\$ 7,852,310	\$ 9,510,914
<i>Revenue Growth</i>	-11.9%	-18.8%	42.3%	21.1%
Cost of Goods Sold	3,478,393	2,796,067	4,874,298	5,743,536
Gross Profit	3,318,729	2,720,952	2,978,012	3,767,378
<i>Gross Profit Margin</i>	48.8%	49.3%	37.9%	39.6%
SG&A	3,200,705	2,932,909	3,161,490	3,288,016
Operating Profit	118,023	(211,957)	(183,478)	479,362
<i>Operating Profit Margin</i>	1.7%	-3.8%	-2.3%	5.0%
Other Income (Expense)	935	18,441	50,707	5,683
<b>Net income</b>	<b>118,959</b>	<b>(193,516)</b>	<b>(132,771)</b>	<b>485,044</b>
Interest expense	8,692	9,520	7,189	485
Depreciation/Amortization	125,350	-	-	-
<b>EBITDA, as adjusted</b>	<b>\$ 253,001</b>	<b>\$ (183,996)</b>	<b>\$ (125,583)</b>	<b>\$ 485,530</b>
<i>Adjusted EBITDA Margin</i>	3.7%	-3.3%	-1.6%	5.1%

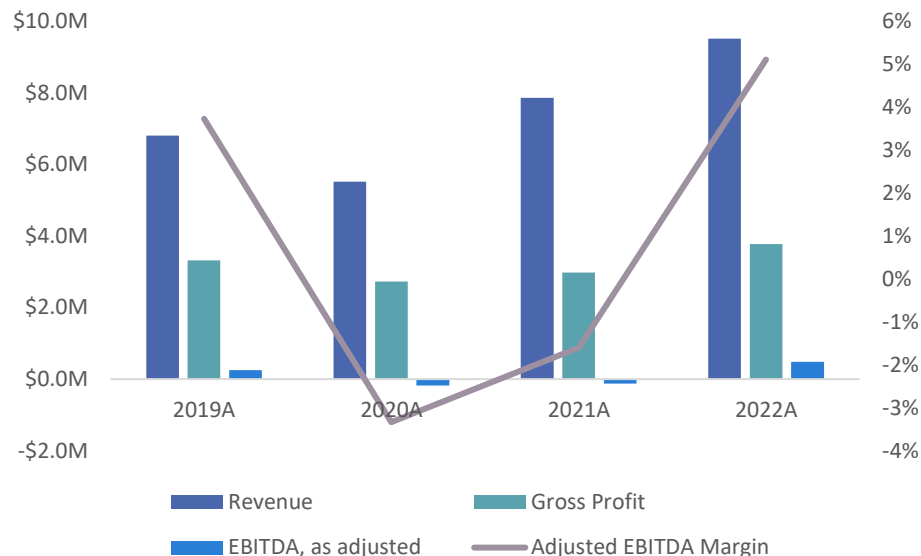
## Key Investment Highlights

**Capacity for Growth:** The plant has the capacity to run a third shift and increase production capacity by 40-50% without meaningful capex.

**High Barriers to Entry:** Given the extent of time, resources and industry know-how required to procure and operate the necessary processing and material handling equipment coupled with the time needed to develop customer relationships, the barriers to entry for new participants are high in this space.

**Experienced Management Team:** The Company has a senior management team made up of individuals with a combined 60 years of experience working in the trade.

### Financial Summary



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