



Plastics M&A Update

Q1 2023

CONTENTS

- 2 Global Deal Analytics
- 6 Valuation Multiples
- 8 Leading M&A Deals
- 12 Industry Outlook
- 14 Our Service Offerings
- 15 Selected Transactions
- 16 Our M&A Team

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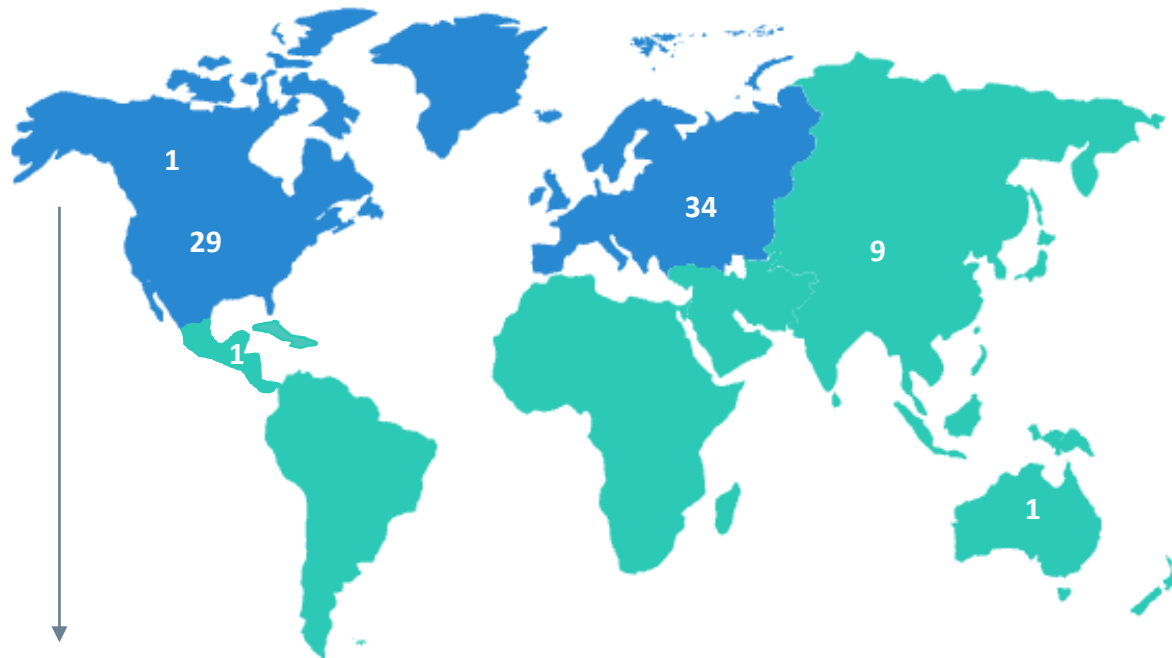
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REPORT HIGHLIGHTS

- Stock prices of the Plastics and Specialty Materials public companies monitored in this report rose by an average of 12.9% in Q1 2023 and outperformed the S&P 500, which increased 7.5% in the quarter.
- M&A deal volume in the Plastics sector decreased 33.0% in Q1 2023 to 75 completed transactions from 112 in Q4 2022 and 50.0% from 150 deals in the same period of the prior year.
- Total capital invested in M&A deals in the Plastics sector decreased 94.9% in Q1 2023 to \$1.0B from \$19.8B in Q4 2022.
- In Q1 2023, PE Buyers accounted for 44.0% of total deals in the Plastics sector compared to 48.8% in the prior year.
- Europe was the most active region in Q1 2023 with 34 deals. Most notably in Europe was the \$21.6 million acquisition of Iber-Oleff by CIE Automotive in February 2023.

Global Deal Analytics

Out of 75 deals globally in the Plastics sector in Q1 2023, Europe was the most active market with 34, followed by North America with 30. Another notable European deal (in addition to the Iber-Oleff deal mentioned on the previous page) was Dr. Martens' \$18.0 million acquisition of England-based Gen Phoenix in March 2023. All other regions had a total of 11 deals combined.



Canada: 1

United States Regions: 29

Great Lakes: 10

Southeast: 4

South: 4

Mid Atlantic: 4

New England: 3

Other: 4

■ 1-20 ■ >20

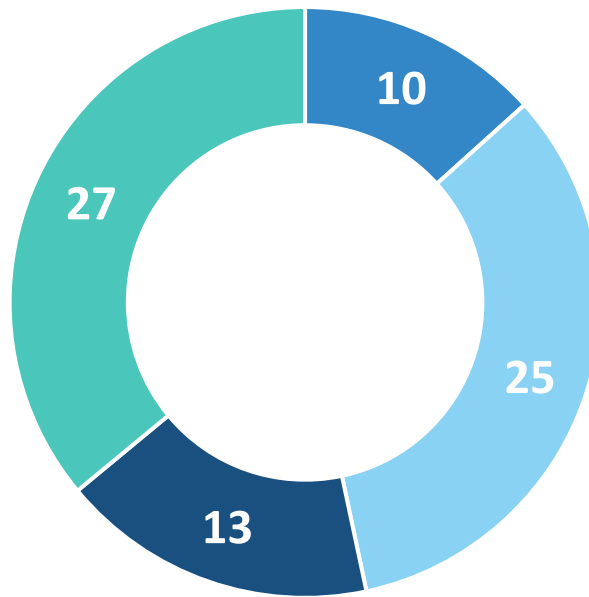
In the United States market, the Great Lakes region was the most active in Q1 with 10 deals. After the Great Lakes, the Southeast, South and Mid Atlantic regions each had 4 deals. The most notable deal in the U.S. was Hill & Smith's \$35.0 million acquisition of Houston based Enduro Composites in February 2023. New England had 3 deals and all other regions combined totaled 4 closed transactions.

Outside of the U.S. in the North American market, 1 transaction closed in the Canadian market in Q1 2023.

Global Deal Analytics

Of the 75 Plastics deals in Q1 2023, 25 were done in the Commercial Products subsector, making it the most active subsector in the Industry. Chemicals & Gases was the second most active with 13, followed by Plastic Containers & Packaging with 10. All other subsectors totaled 27 deals.

Deal by Subsector



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

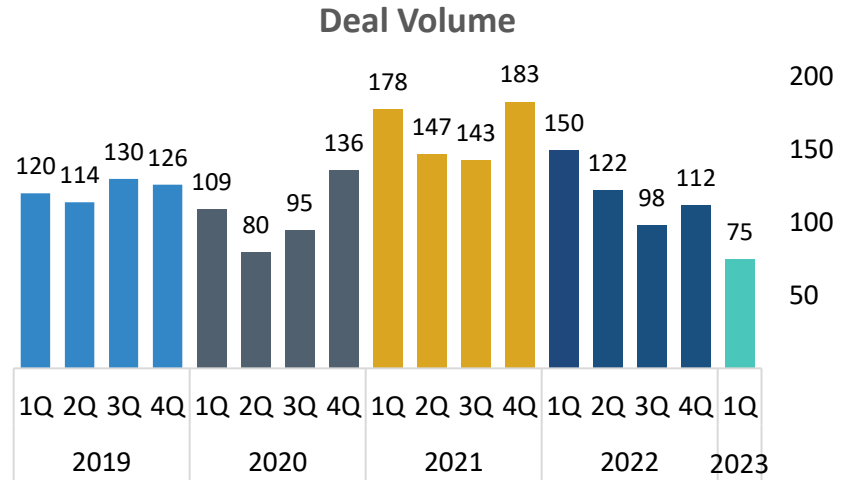


Addentax Group Corp.

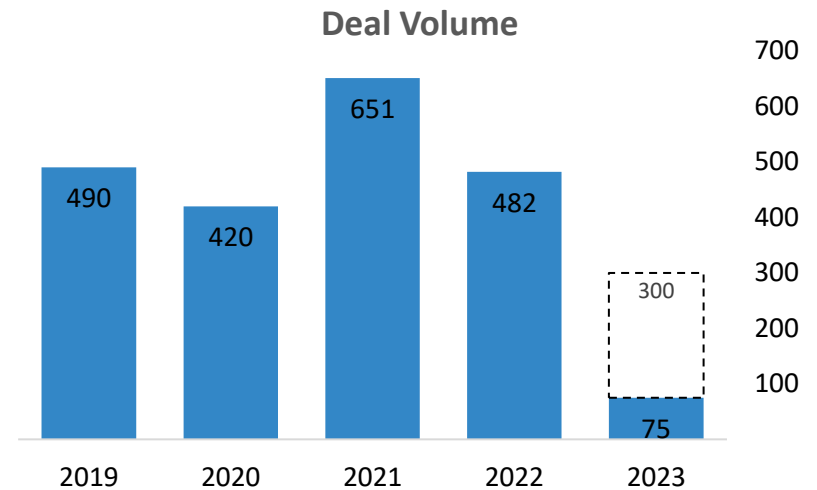


Global Deal Analytics

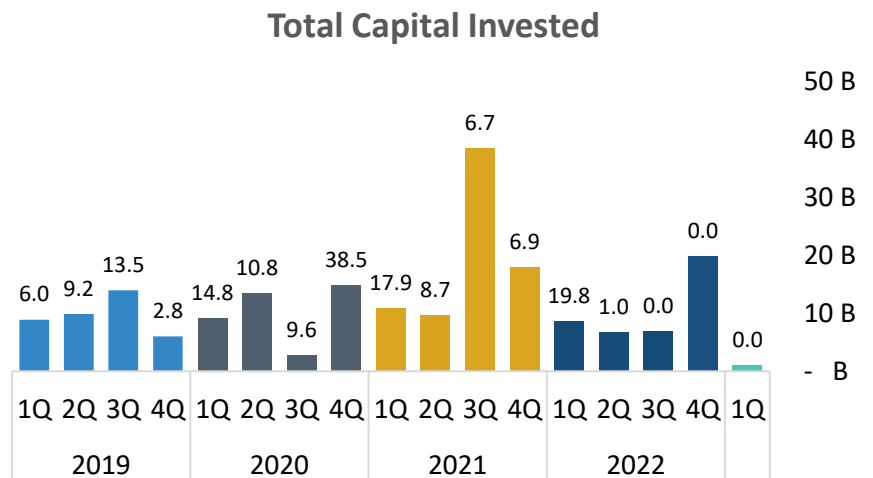
Deal volume in the Plastics sector decreased 33.0% in Q1 to 75 deals from 112 deals in Q4 2022 and 50.0% from 150 deals in the same period of the prior year. Q1 of 2023 represents the lowest deal volume seen in the Plastics sector over the past 16 quarters.



Based on Q1 volume, M&A deal volume is projected to decrease 37.8% to 300 deals in 2023 from 482 in 2022. This decline is due to a number of factors including rising interest rates/cost of capital, tightening liquidity in the capital markets and continuing inflation impacting labor and materials costs.



Total capital invested in M&A deals in the Plastics sector decreased 94.9% in Q1 2023 to \$1.0B from \$19.8B in Q4 2022, and 88.5% from \$8.7B in Q1 2022. This significant drop from the prior quarter is primarily due from Celanese’s \$11.0B acquisition of DuPont’s Mobility And Materials Business in November 2022. The largest reported transaction in Q1 2023 was Reliance Industries’ \$433.6m acquisition of Sintex Industries.



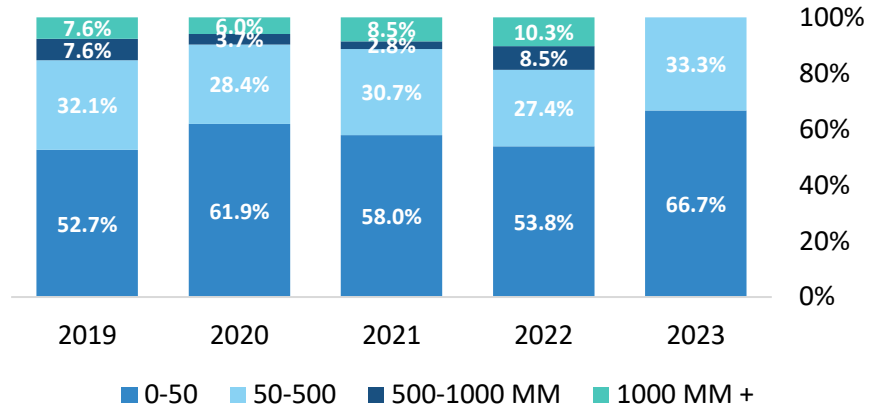
Global Deal Analytics

In Q1 2023, we saw a substantial shift in mix toward smaller deals. Neither the upper middle (\$500-\$1000) nor large cap (\$1000+) tranches reported any transactions in Q1 compared to 8.5% and 10.3% of deal volume in 2022, respectively. The middle market (\$50- \$500) and lower middle market (\$0- \$50) saw significant increases from 27.4% and 53.8% in 2022 to 33.3% and 66.7% in Q1 2023, respectively.

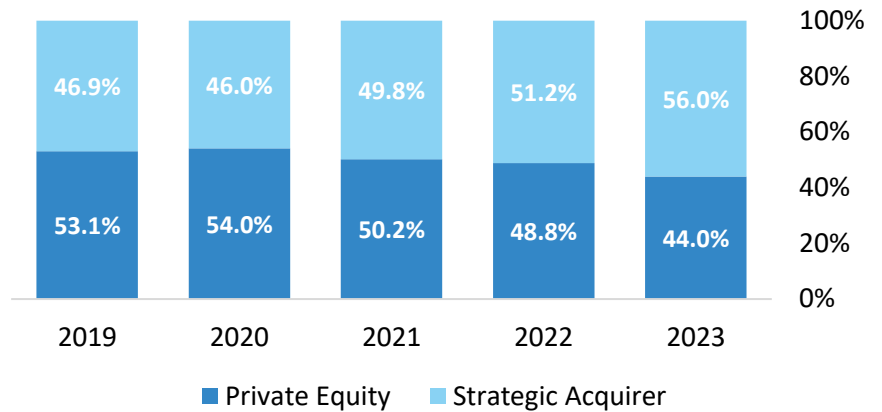
As a % of total deal volume, PE buyers trended lower in Q1 relative to strategic buyers, representing 44.0% of deal volume in the sector, continuing the decline seen since the 2020 peak of 54.0%. Q1 2023 marks the lowest percentage of PE deal volume over the last 5 years.

PE share of total capital invested in M&A deals remained low in Q1 at 20.7%, still down significantly from the peak of 64.7% seen in 2021. This low level of PE investment is indicative of challenging market dynamics, higher costs of capital and lack of available liquidity.

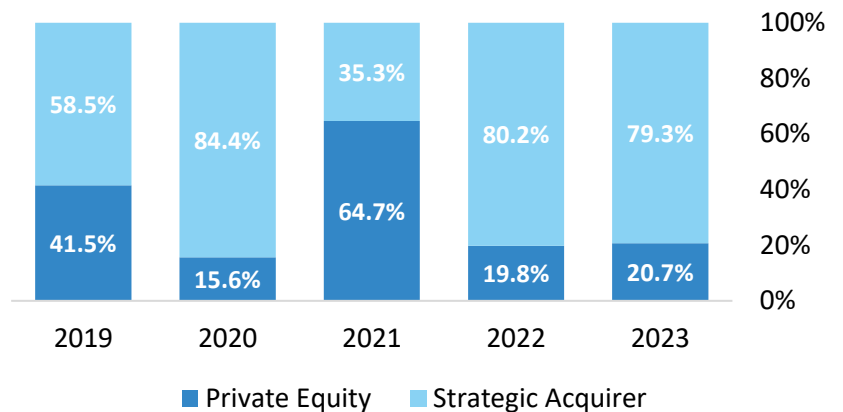
Deal Volume by Deal Size



Deal Volume by Acquirer

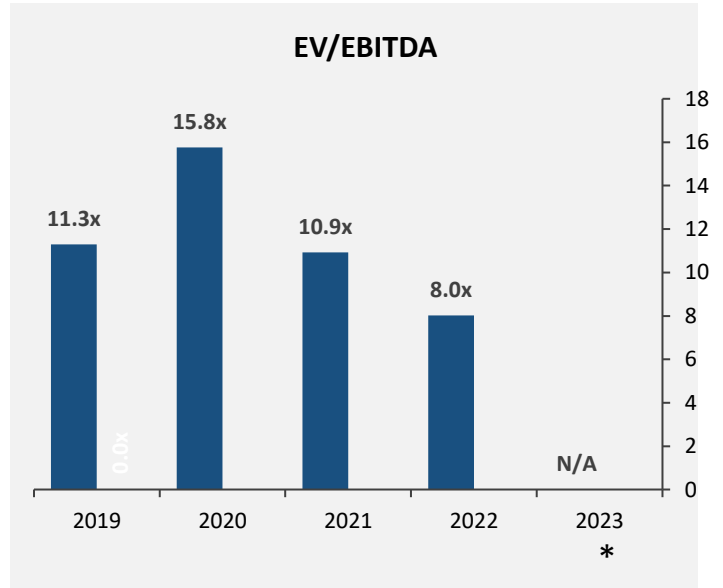
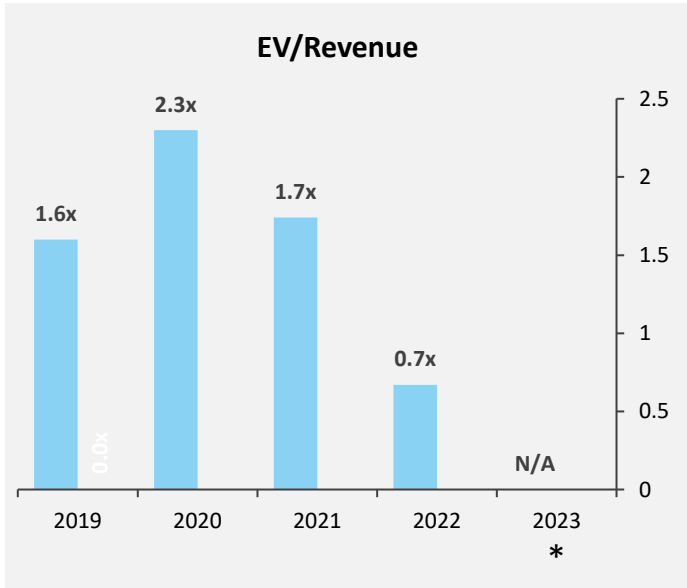


Total Capital Invested by Acquirer

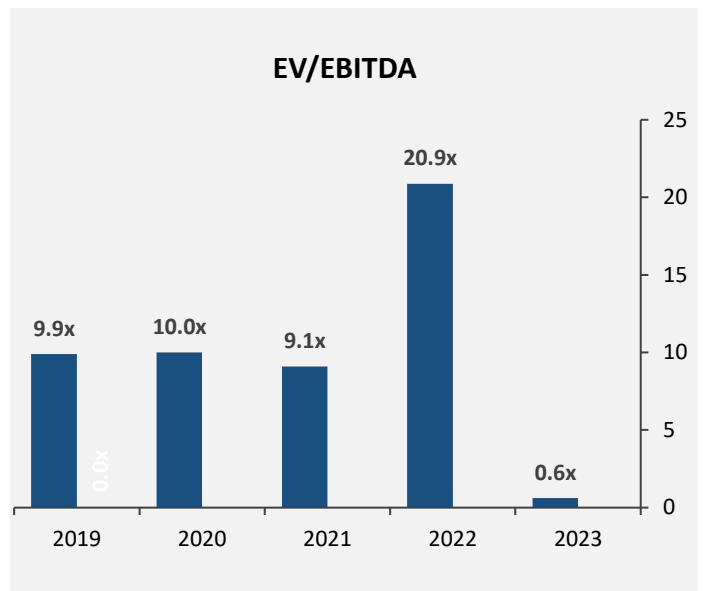
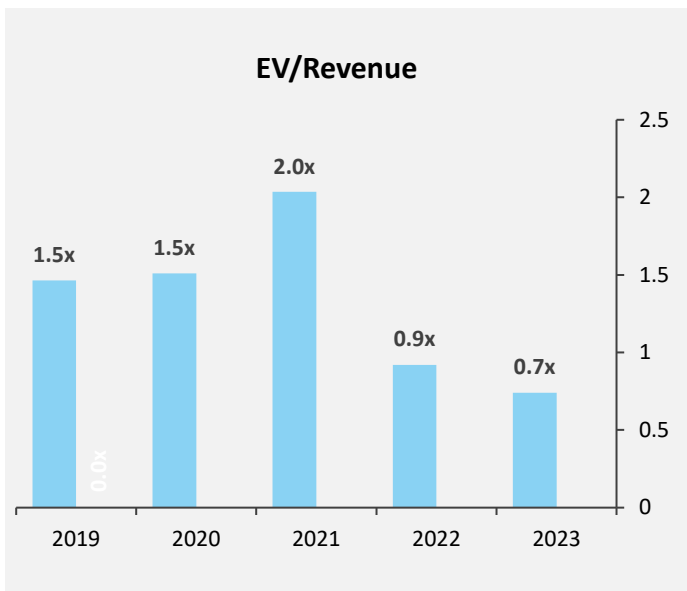


Valuation Multiples

PE Multiples



Strategic Multiples



* No PE valuation multiples were reported in Q1 2023.

Largest Deals (Completed)

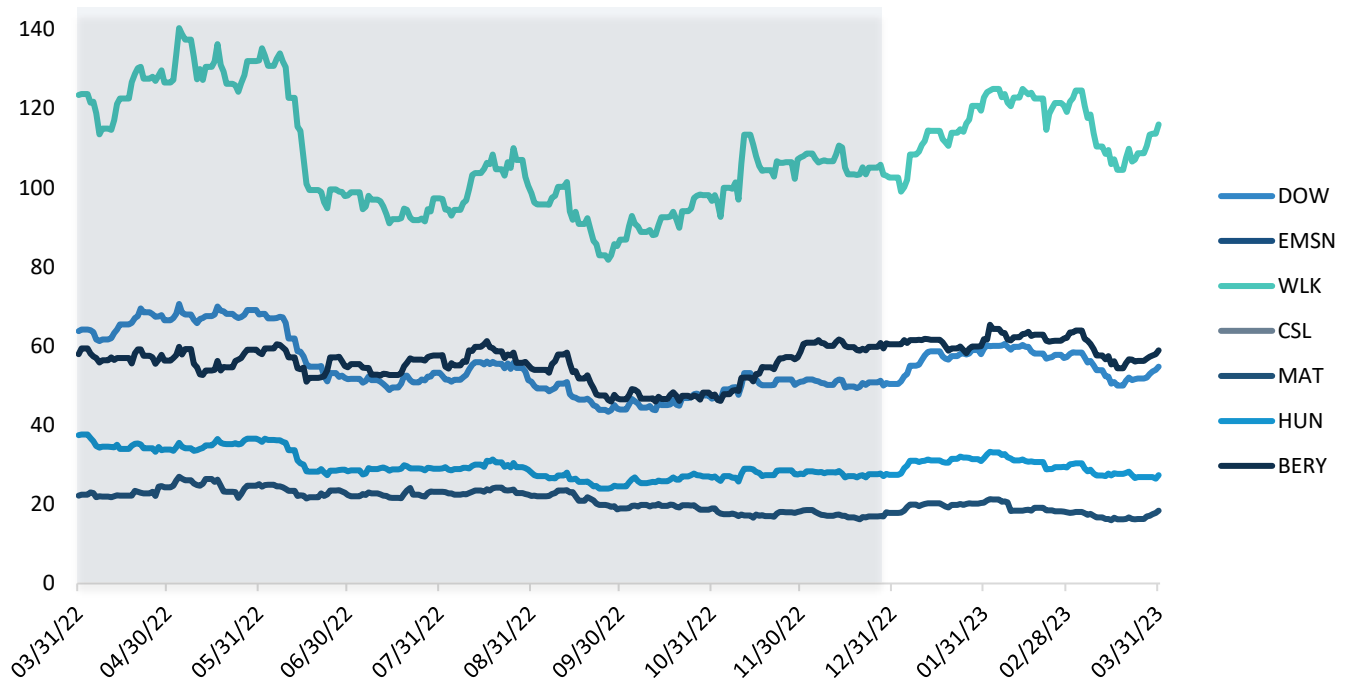
| Deal Date | Company Name | Investor | Deal Type | Deal Size (\$mm) | EV | | Target Business Description |
|-------------|---------------------------------|-------------------------|---------------------|------------------|---------|--------|---|
| | | | | | Revenue | EBITDA | |
| 31-Mar-2023 | Shinko Nylon | Sanko Techno Company | Merger/Acquisition | \$ 9.8 | | | Manufacturer of synthetic resin three-dimensional network structures. |
| 31-Mar-2023 | Aeromatrix Composites | LifePort | Buyout/LBO | 5.5 | | | Manufacturer of advanced and composite aerospace products. |
| 30-Mar-2023 | Gen Phoenix | Dr. Martens | PE Growth/Expansion | 18.0 | | | Manufacturer of engineered composite products intended. |
| 29-Mar-2023 | Sintex Industries | Reliance Industries | Merger/Acquisition | 433.6 | 1.04x | | The world's largest producer of plastic water tanks. |
| 22-Mar-2023 | Contec | Vinci | PE Growth/Expansion | 10.6 | | | Manufacturer of circular rubber and plastic tubes intended for the tire industry. |
| 16-Mar-2023 | FRX Innovations | Undisclosed Investor | PIPE | 2.9 | | | Manufacturer of flame retardant solutions within the plastics and additives market. |
| 06-Mar-2023 | AerO Coated Fabrics | Kingspan Group | Merger/Acquisition | | | | Manufacturer of thermoplastic composite materials. |
| 01-Mar-2023 | WMG Technologies | ABC Technologies | Merger/Acquisition | 165.0 | | | Provider of tooling and injection molded product manufacturing services. |
| 01-Mar-2023 | Airnov Healthcare Packaging | Berwind, Colorcon | Buyout/LBO | | | | Manufacturer of healthcare packaging products intended. |
| 28-Feb-2023 | 4PLAS | EMZ Partners | Buyout/LBO | | | | Manufacturer of engineered plastics intended for European plastics processing industries. |
| 20-Feb-2023 | Enduro Composites | Hill & Smith | Merger/Acquisition | 35.0 | 0.74x | | Manufacturer of fiberglass products. |
| 03-Feb-2023 | Itaconix | Undisclosed Investor | PIPE | 12.6 | | | Itaconix PLC is developing and producing bio-based polymers from itaconic acid. |
| 02-Feb-2023 | Iber-Oleff | CIE Automotive | Merger/Acquisition | 21.6 | | | Manufacturer and designer of kinematic systems. |
| 01-Feb-2023 | Aarts Packaging | TriMas | Merger/Acquisition | | | | Manufacturer of plastic packages intended for the beauty, food, and medical end markets. |
| 17-Jan-2023 | Lotte Chemical Pakistan | Lucky Core Industries | Merger/Acquisition | 155.2 | 0.09x | 0.62x | Manufacturer and supplier of Purified Terephthalic Acid (PTA). |
| 09-Jan-2023 | Sahajanand Medical Technologies | Samara Capital | Buyout/LBO | 150.0 | | | Manufacturer of minimally invasive coronary stent systems. |
| 04-Jan-2023 | Addentax Group | Undisclosed Investor | PIPE | 15.0 | | | Provider of 3D printing services based in Shenzhen, China. |
| 01-Jan-2023 | Americhem | Seidler Equity Partners | PE Growth/Expansion | | | | Manufacturer of custom color, additive services engineered plastic compounds. |
| Mean | | | | 79.6 | 0.62x | 0.62x | |
| Median | | | | 18.0 | 0.74x | 0.62x | |
| High | | | | 433.6 | 1.04x | 0.62x | |
| Low | | | | 2.9 | 0.09x | 0.62x | |

Leading M&A Deals (Completed)

| Deal | Deal Synopsis | Driver |
|---|---|---------------------------------------|
|   | <p>Sintex Industries, based in Ahmedabad, India, is the world's largest producer of plastic water tanks and is a manufacturer of textiles and yarns. The company was acquired by Reliance Industries for \$433.6 billion in March 2023. The acquisition of Sintex will help expand Reliance Industries' textile portfolio.</p> | <p>Merger/ Acquisition</p> |
|   | <p>WMG Technologies is a Canadian provider of tooling and injection molding manufacturer primarily for mobility applications. The company was acquired by ABC Technologies for \$165 million in March 2023. This acquisition strengthens ABC's exterior products offering, expands their injection molding technical expertise and brings additional value-added tooling in-house.</p> | <p>Merger/ Acquisition</p> |
|   | <p>In February 2023, Enduro Composites, a Texas-based manufacturer of fiberglass products catering to the oil and gas industry was acquired by Hill & Smith. The transaction values the company at \$35.0 million. The acquisition will diversify Hill & Smith's customer base and product range and add an extensive manufacturing facility in the key Gulf Coast region, providing an opportunity for manufacturing process enhancements.</p> | <p>Merger/ Acquisition</p> |
|   | <p>Aeromatrix Composites, based in Clearwater, Florida, is a manufacturer of advanced composites primarily for the aerospace and defense sector. The business division of Aeromatrix Composites was acquired by LifePort through a \$5.5 million LBO in March 2023. The acquisition broadens LifePort's expertise and capabilities in the aerospace sector.</p> | <p>Buyout/LBO</p> |

Public Comps

Stock Price

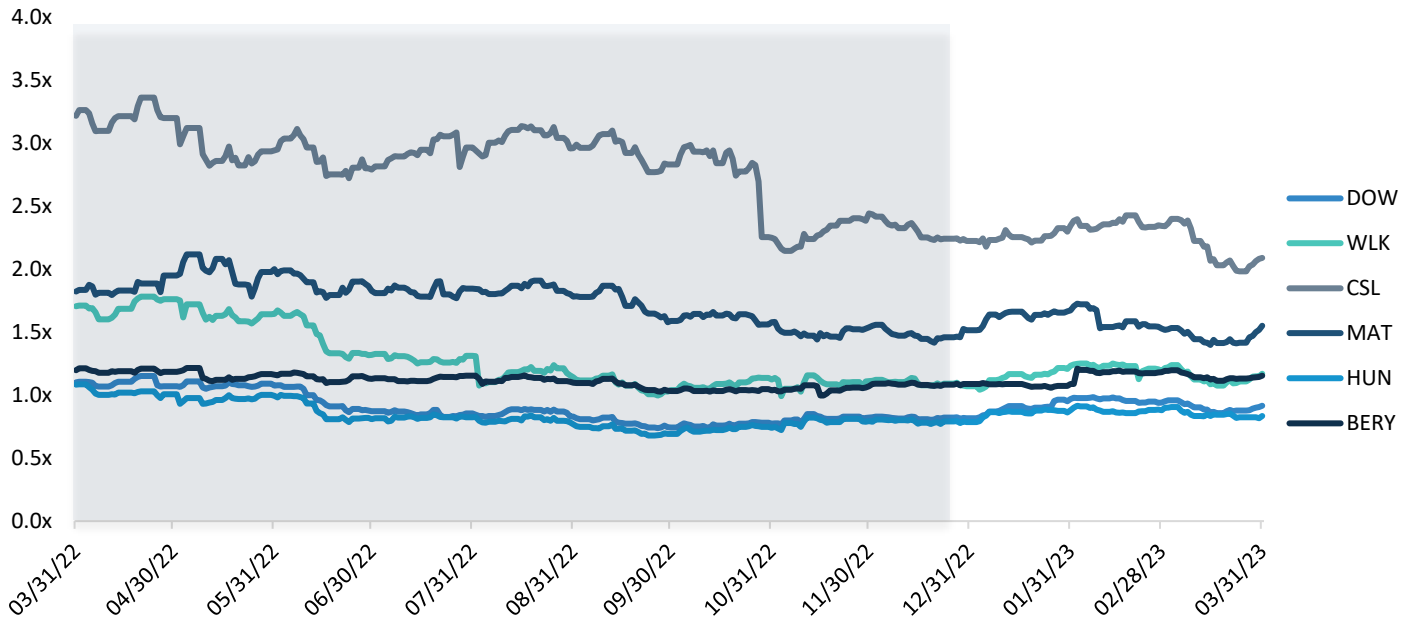


Financial & Valuation

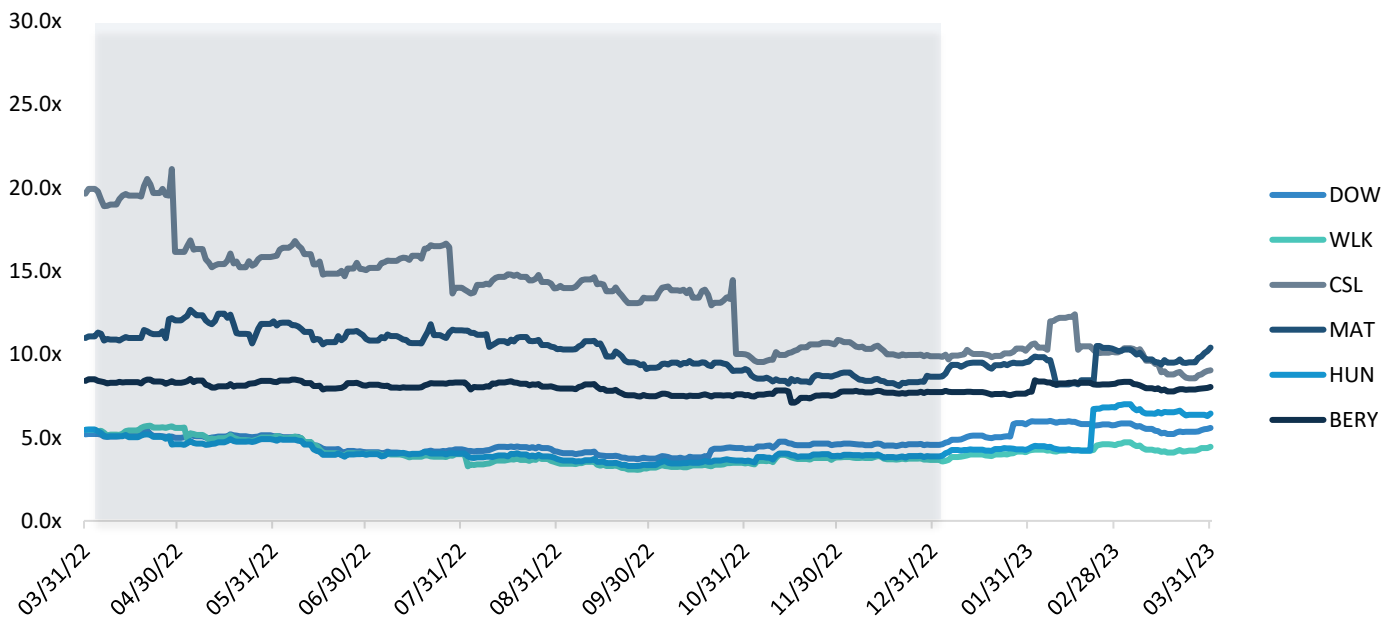
| \$MM | Company | Ticker | Stock Price | Market Cap | Total Debt | EV/Revenue | | | EV/EBITDA | | | Revenue Growth | | | EBITDA Margin | | |
|------|---------------------------|--------|-------------|------------|------------|-------------|-------------|-------------|--------------|--------------|--------------|----------------|-------------|-------------|---------------|-------------|-------------|
| | | | | | | 21A | 22A | 23A | 21A | 22A | 23A | 21A | 22A | 23A | 21A | 22A | 23A |
| | Dow | DOW | 55 | 38,812 | 16,706 | 1.1x | 0.8x | 0.9x | 4.9x | 4.6x | 6.8x | -15% | 35% | -12% | 4% | 22% | 14% |
| | Nan Ya Plastics | 1303 | 3 | 20,240 | 5,697 | 1.9x | 1.5x | 1.7x | 6.5x | 6.7x | 15.2x | -9% | 44% | -7% | 15% | 30% | 13% |
| | EMS-Chemie Holding | EMSN | 825 | 19,305 | 15 | 13.5x | 6.4x | 6.1x | 43.2x | 20.7x | 21.5x | N/A | N/A | 6% | N/A | N/A | 28% |
| | Westlake | WLK | 116 | 14,812 | 5,383 | 1.5x | 1.1x | 1.2x | 5.1x | 3.7x | 5.5x | -10% | 38% | -11% | 15% | 28% | 22% |
| | Formosa Chemicals & Fibre | 1326 | 2 | 13,309 | 4,544 | 1.4x | 1.1x | 1.2x | 6.5x | 10.3x | 21.9x | -25% | 37% | -5% | 14% | 22% | 6% |
| | Carlisle Companies | CSL | 226 | 11,548 | 2,634 | 3.5x | 2.2x | 2.1x | 22.0x | 9.9x | 8.8x | -20% | 16% | -2% | 19% | 16% | 23% |
| | Mattel | MAT | 18 | 6,516 | 2,672 | 2.0x | 1.5x | 1.5x | 12.4x | 8.6x | 7.5x | -3% | 19% | 0% | 10% | 16% | 18% |
| | Huntsman | HUN | 27 | 5,025 | 2,124 | 1.2x | 0.8x | 0.9x | 6.7x | 3.9x | 7.1x | -14% | 20% | -6% | 7% | 18% | 12% |
| | Berry Global | BERY | 59 | 7,150 | 9,705 | 1.4x | 1.1x | 1.1x | 9.0x | 7.7x | 7.5x | 32% | 18% | -2% | 17% | 15% | 16% |
| | Changzhou Xingyu Automot | 601799 | 17 | 4,977 | 1 | 6.7x | 3.7x | 2.9x | 40.4x | 28.8x | 18.6x | 23% | 22% | 18% | 18% | 17% | 17% |
| | Mean | | | | | 3.4x | 2.0x | 2.0x | 15.7x | 10.5x | 12.0x | 0.0x | 0.3x | 0.0x | 0.1x | 0.2x | 0.2x |
| | Median | | | | | 1.7x | 1.3x | 1.4x | 7.8x | 8.2x | 8.2x | -0.1x | 0.2x | 0.0x | 0.1x | 0.2x | 0.2x |

Public Comps

EV/Revenue



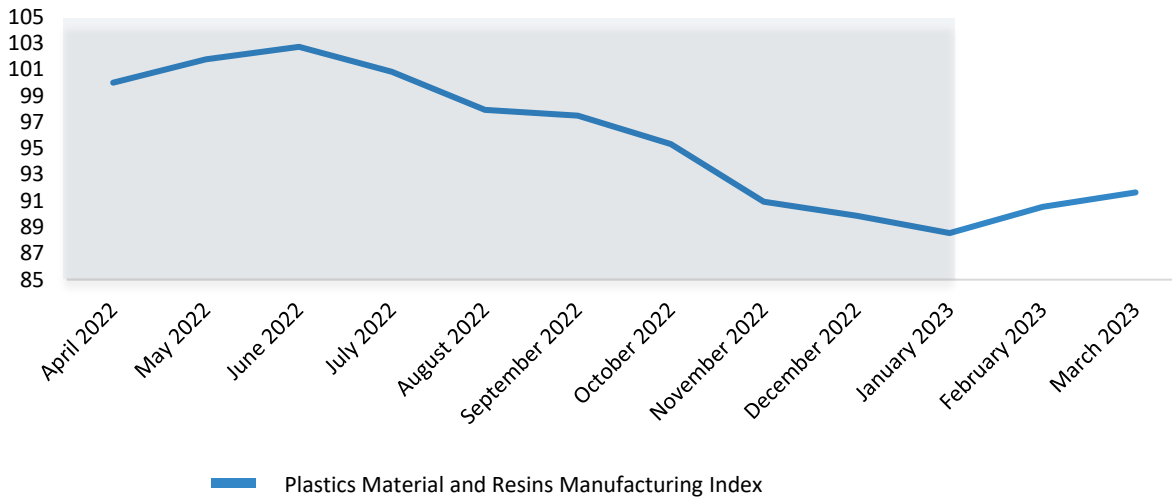
EV/EBITDA



Public Markets

Price of Plastic Materials and Resin

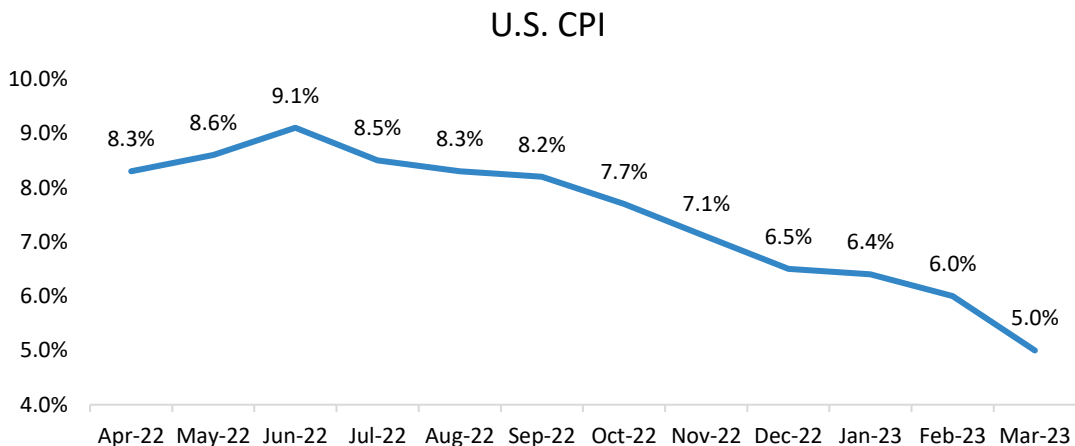
From January 1, 2023, to March 1, 2023 (the most recently reported data), the price of plastic materials and resins have increased 3.5%. Resin prices have remained high and are expected to persist through 1H 2023 due to ongoing supply chain disruptions, strong demand for plastics, and higher crude oil prices.



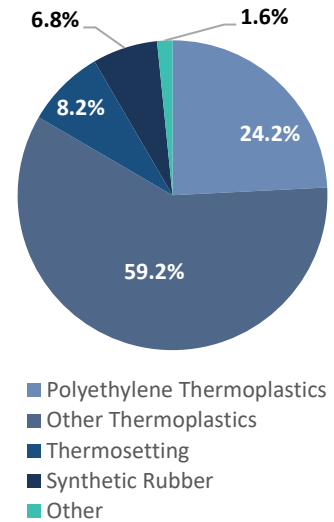
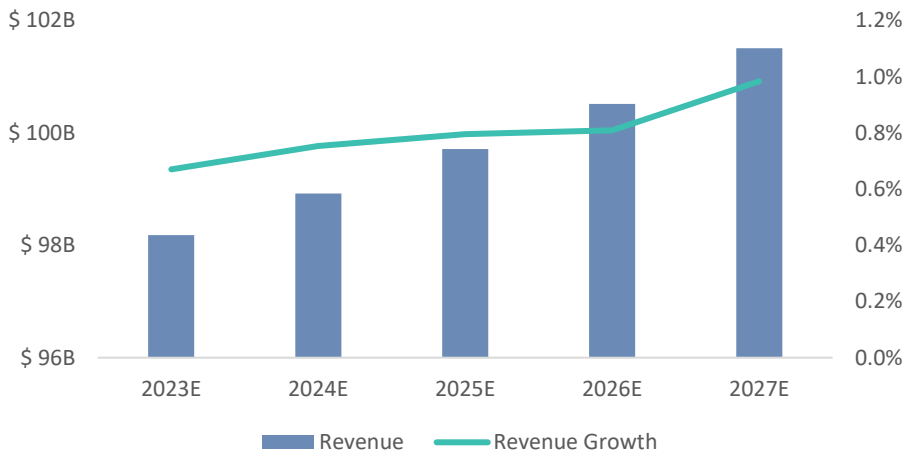
Key External Drivers

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. To combat the rapid inflation in the U.S. CPI, the federal reserve has been quantitative tightening, in the form of rate hikes to the Fed Fund Rate, to slow down consumer spending. As a result of the Fed’s rate hikes, March 2023 CPI inflation came out at 5.0% marking the ninth consecutive month of declining inflation. While these rate hikes have caused inflation to slowdown, the United States economy will likely enter into a recession sometime during the second half of 2023 and result in lower revenues for the Plastics sector.



Industry Outlook



Raw Material & Supply Chain Threats

Manufacturers of plastic products are dependent on the availability and cost of raw materials, labor and other inputs including energy. Primary inputs include polymer resins and films. Prices and availability of these materials have fluctuated drastically over the past year due primarily from changing economic conditions, currency and commodity price fluctuations, and supply chain delays.

Inflation Implications

Inflation trended downwards to 5.0% in February from 6.0% of the prior month in response to the Fed’s ongoing interest rate hikes. While the Fed was expected to continue monthly rate hikes in the first half of 2023, the failure of Silicon Valley Bank and Signature Bank have left the Fed unsure about what actions to take. Despite 9 consecutive months of declining inflation, the CPI remains significantly above the Fed’s target of 2%. If inflation remains elevated, the industry’s revenue will be adversely impacted.

Public Sentiment

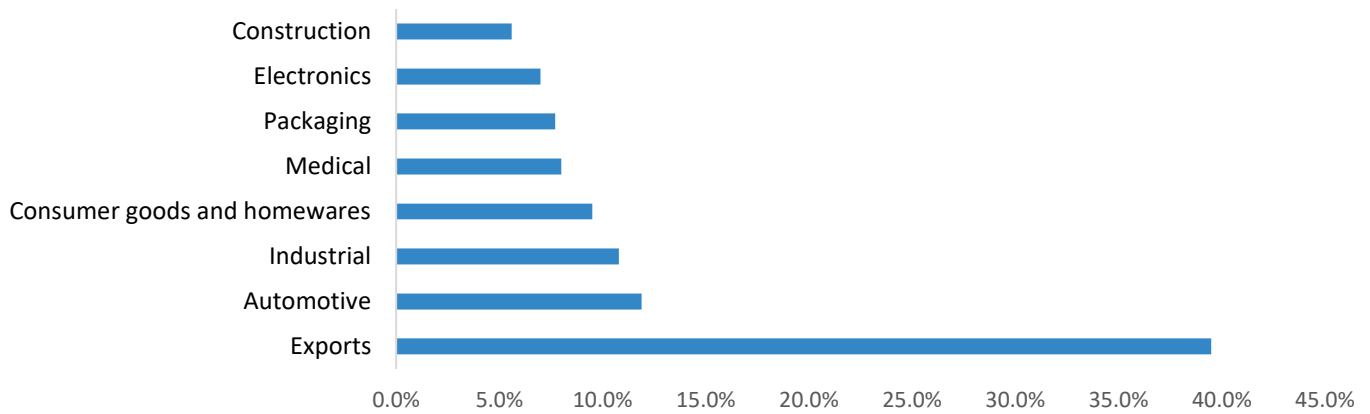
A new generation is changing buying behavior and consumer attitudes toward sustainability. This will result in huge changes for the flexible packaging industry. Eighty-three percent of consumers are willing to pay more for an item with sustainable packaging. In 2010, that number was just under 16 percent. However, as purchasing power continues to decline in the U.S., and savings are drained in correlation with the Fed’s rate hikes, this trend may change in the short term. It is anticipated that the long-term goal of increasing sustainability in the flexible packaging industry will continue.

Bioplastics

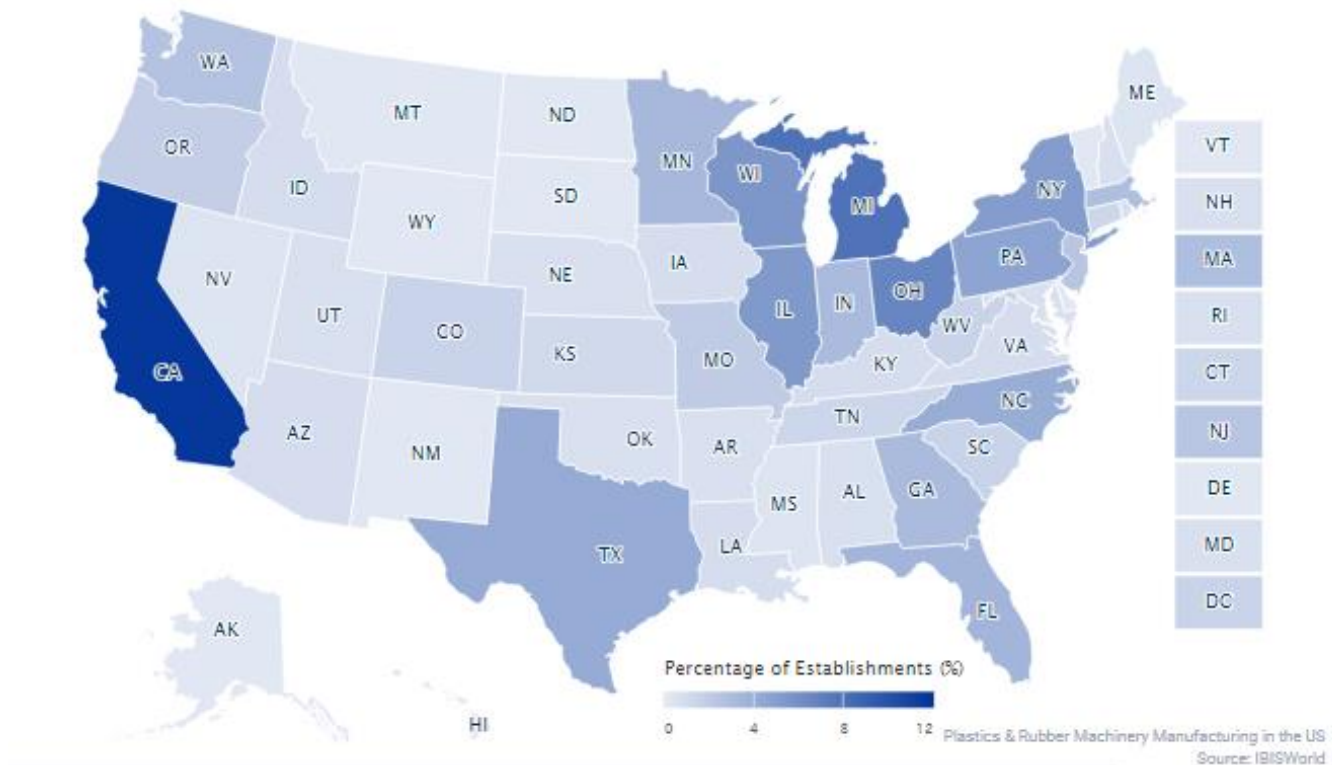
Bio-plastics are rapidly emerging as an effective alternative to traditional plastics for reducing pollution. Bio-plastics, which are made from renewable resources such as corn starch, sugarcane, and vegetable oils, offer a more sustainable solution to traditional plastics. Unlike traditional plastics, bioplastics are biodegradable and compostable, meaning they can be broken down by natural processes and do not pose a long-term threat to the environment. The global market for Bioplastics and Biopolymers is projected to reach \$14.9 Billion by 2024, registering a compounded annual growth rate (CAGR) of 15.6%.

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.



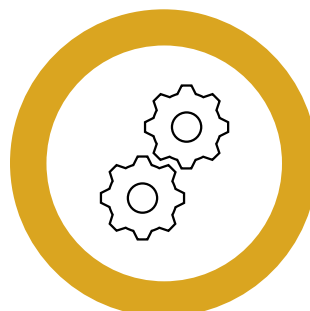
Buy-Side Advisory: Buy a business

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





have been acquired by



a portfolio company of




Has been acquired by





Has been acquired by



Has sold substantially all of its assets to



Has acquired



Has been acquired by



Has sold substantially all of its assets to



Has sold substantially all of its assets to



Has been acquired by



Our M&A Deal Leaders



R. Trevor Hulett, CPA
Managing Director
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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
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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
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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

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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

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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

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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:



Packaging



Transportation & Logistics



Food & Beverage



Industrials



Tech-enabled Services



Healthcare

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