



Plastics Industry M&A Update

Q2 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

Trevor Hulett

Managing Director
thulett@rlhulett.com

Ryan Hartman

Senior Analyst
rhartman@rlhulett.com

Charlie Meier

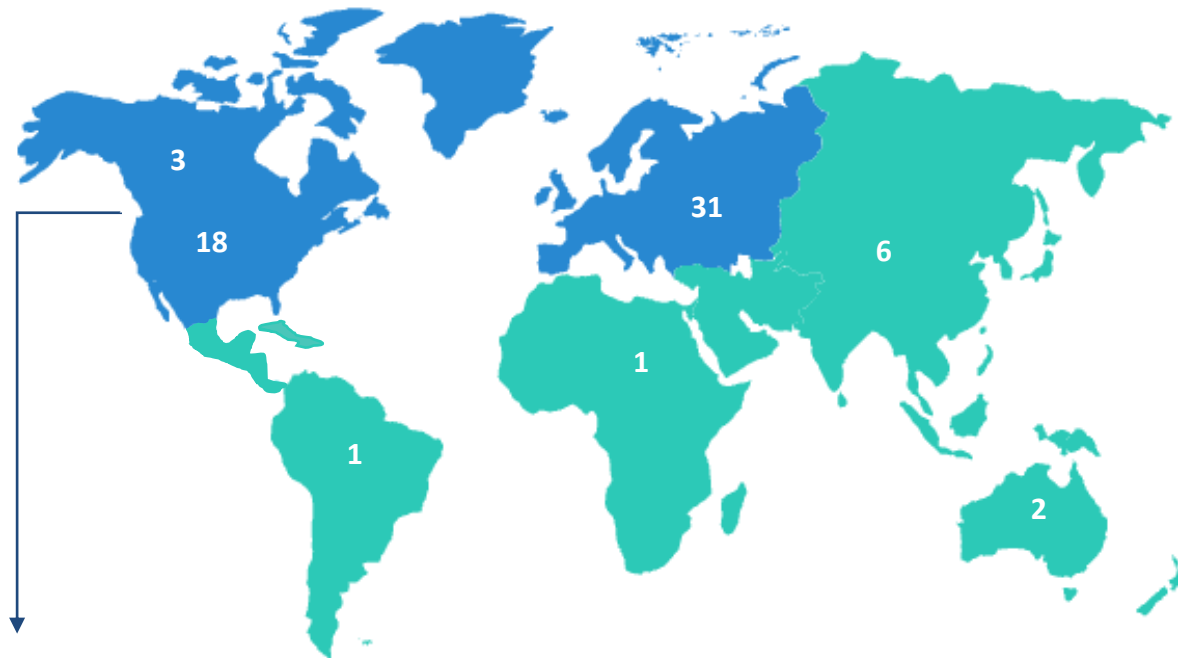
Analyst
cmeier@rlhulett.com

REPORT HIGHLIGHTS

- Resin prices decreased 1.5% during Q2, although remain elevated and are expected to persist through 2H 2023 due to ongoing supply chain disruptions, strong demand for plastics, and higher crude oil prices.
- The median EV/EBITDA multiple in the Plastics industry for reported strategic deals decreased to 7.5x in 1H 2023 from 7.8x in 2022. There were no reported PE EV/EBITDA multiples in 1H 2023.
- M&A deal volume in the Plastics sector decreased 17.3% in Q2 to 62 deals from 75 deals in Q1 and decreased 49.2% from 122 deals in Q2 of the prior year.
- As a % of total capital invested in M&A transactions in 1H 2023, PE participation increased significantly to 55.5%, up from 19.8% in 2022.
- Europe was the most active region in Q2 with 31 deals. Most notably in Europe was Envalior's \$4.1B acquisition of DSM's Engineering Materials Business in April 2023.

Global Deal Analytics

Of the 62 deals in Q2, Europe was the most active market with 31. Another notable deal in the European market (in addition to the Envalior/DSM deal mentioned on the previous page) was SARIA Group's \$822 million acquisition of Devro, a United Kingdom-based supplier of collagen casings for food, in April 2023. North America was the second most active region with 21. All other regions had a total of 10 deals combined.



Canada: 3

United States Regions: 18

Great Lakes: 8

Mid Atlantic: 2

West Coast: 2

Mountain: 2

Midwest: 1

Other: 3

■ 1-20 ■ 20+

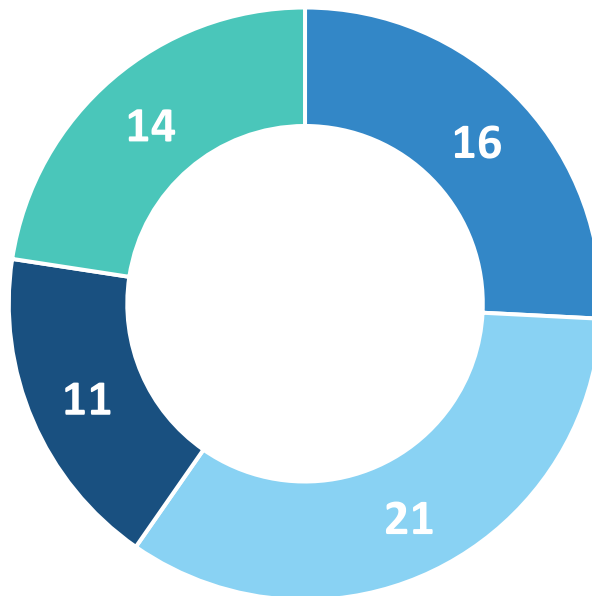
In the North American market, the Great Lakes region was the most active in Q2 with 8 deals. The Mid Atlantic, West Coast, and Mountain regions each had 2 transactions. One deal of note in the South was DuPont's \$1.8 billion acquisition of Spectrum Plastics Group, a Georgia-based manufacturer of polyethylene bags, films, and tubing, in May 2023. The Midwest region had 1 deal and all other regions combined totaled 4 closed transactions.

Outside of the U.S. in the North American market, Canada had 3 reported transactions in Q2.

Global Deal Analytics

Of the 62 Plastics deals in Q2, 21 were in the Commercial Products subsector, making it the most active subsector in the industry from an M&A standpoint. Plastic Containers & Packaging was the second most active with 16 deals followed by Chemicals & Gases with 11. All other subsectors combined had a total of 14 closed transactions.

Deal by Subsector



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

gerresheimer



ADDWATER

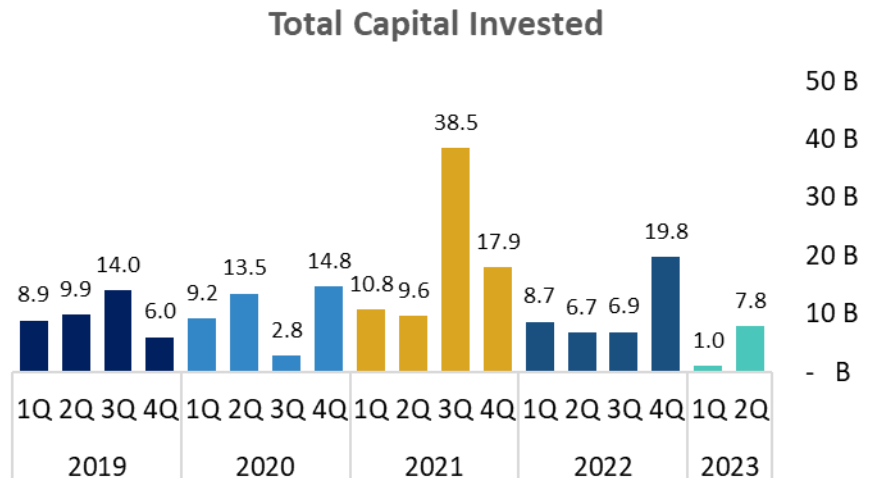
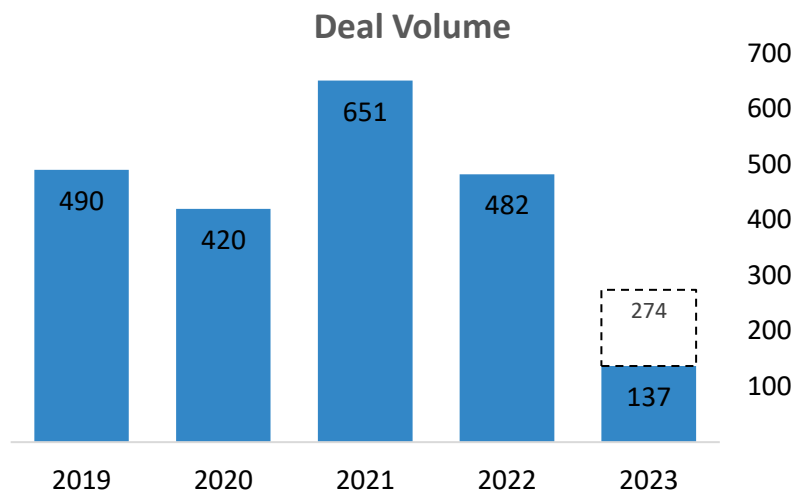
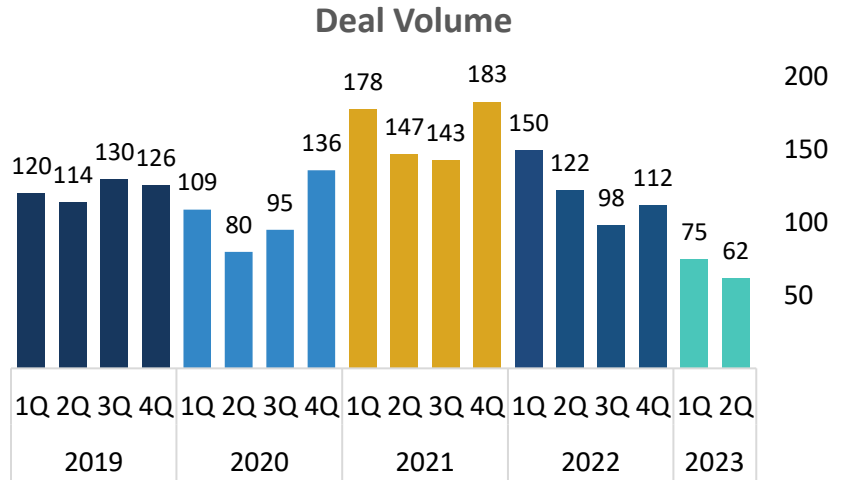


Global Deal Analytics

Deal volume in the Plastics sector in Q2 continued its downward trend, decreasing 17.3% to 62 deals from 75 deals in Q1 and 49.2% from 122 deals in Q2 of the prior year. Deal volume in Q2 represented the lowest quarter over the past 5 years.

Based on 1H volume, M&A deal volume is projected to decrease 43.2% to 274 deals in 2023 from 482 in 2022. This decline is primarily due to more challenging market conditions from a dealmaking perspective, including rising interest rates/cost of capital, tightening liquidity in the capital markets and continuing inflation impacting labor and input costs.

Despite decreased deal volume, total capital invested in M&A deals in the Plastics sector increased 680% in Q2 to \$7.8B from \$1.0B in Q1 and increased 16.4% from \$6.7B in Q2 of the prior year. This significant increase from the prior quarter is primarily due to Envalior’s \$4.1B acquisition of DSM’s Engineering Materials Business in April 2023. The largest reported transaction in Q1 was Reliance Industries’ \$433.6M acquisition of Sintex Industries.



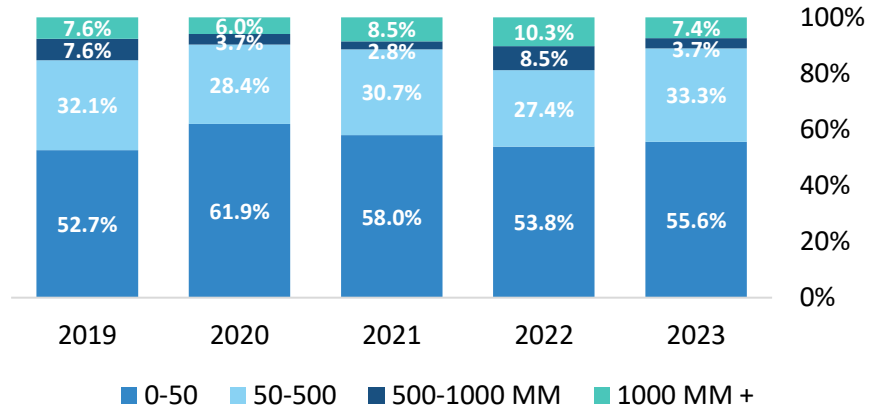
Global Deal Analytics

In 1H 2023, we saw a substantial shift in mix toward smaller deals. The middle market (\$50-\$500MM) and lower middle market (\$0-\$50MM) saw increases to 33.3% and 55.6% from 27.4% and 53.8%, respectively, in 2022. The upper middle (\$500-\$1000MM) and large cap (\$1000+MM) tranches of the market saw decreases to 3.7% and 7.4% from 8.5% and 10.3%, respectively, in 2022.

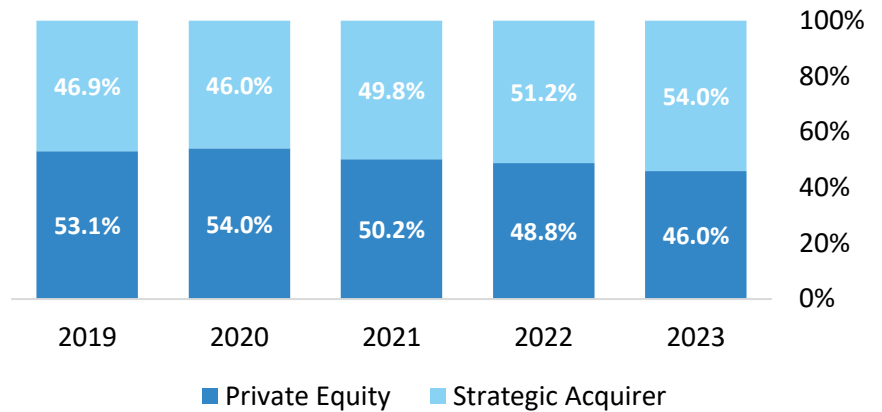
As a % of total deal volume, PE buyers trended lower in 1H 2023 relative to strategic buyers, representing 46.0% of deal volume in the sector, continuing the decline seen since the 2020 peak of 54.0%. 1H 2023 marks the lowest percentage of PE deal volume over the last 5 years.

PE share of total capital invested in M&A deals increased significantly in 1H 2023 to 55.5%. This significant increase is driven by Envalior's \$4.1B acquisition of DSM's Engineering Materials Business since Envalior is backed by private equity firm Advent International.

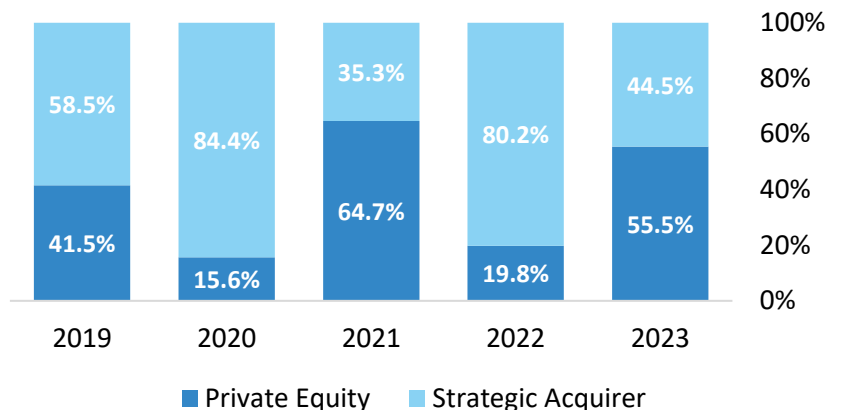
Deal Volume by Deal Size



Deal Volume by Acquirer

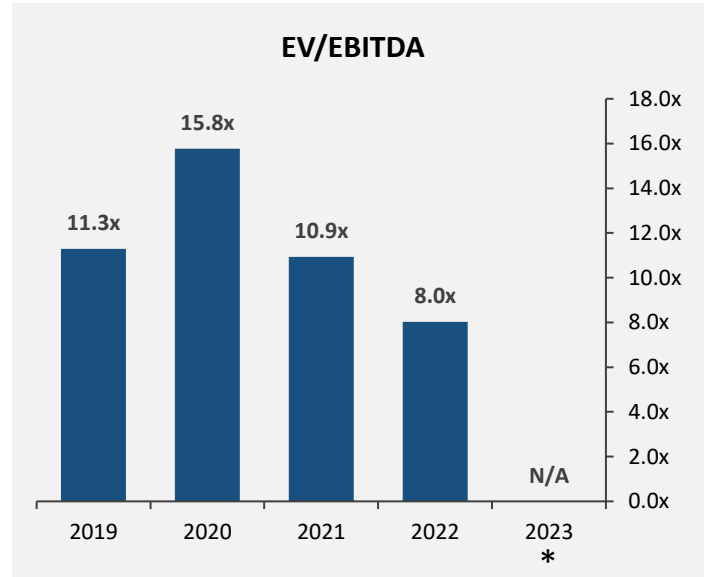
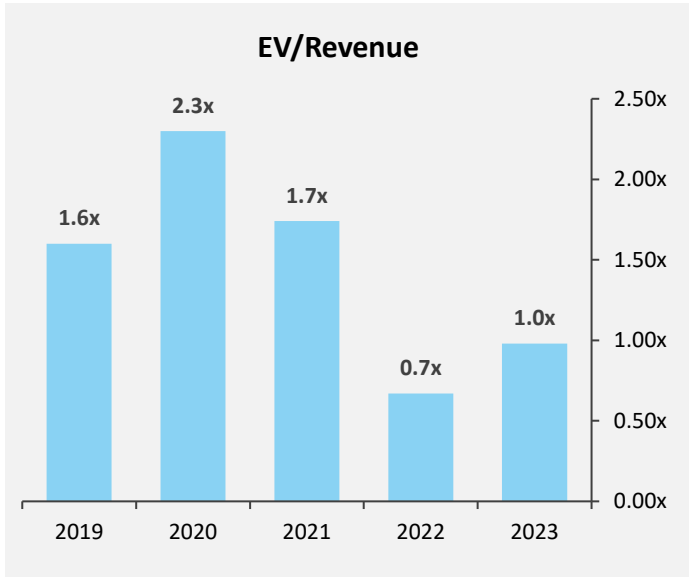


Total Capital Invested by Acquirer

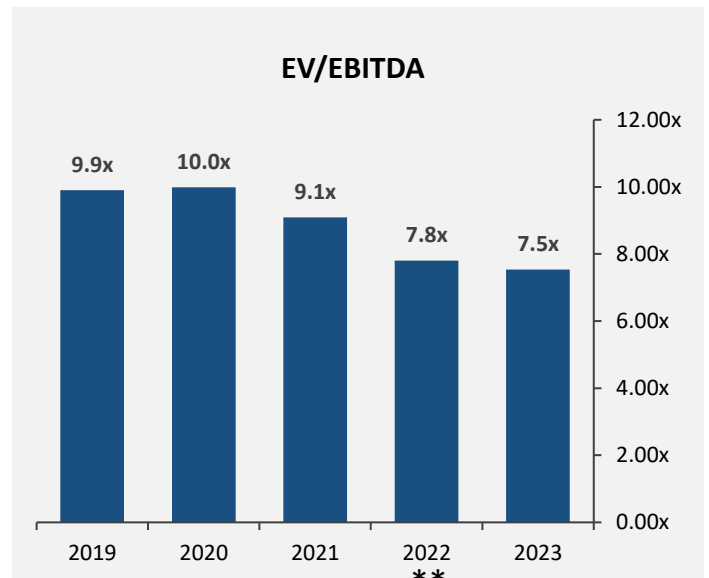
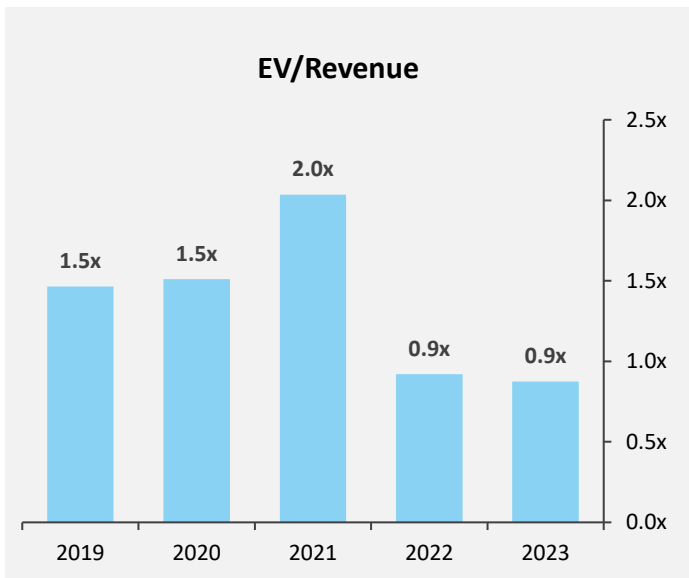


Valuation Multiples

Private Equity Multiples



Strategic Multiples



* No Private Equity valuation EV/EBITDA multiples were reported in 1H 2023.

** EV/EBITDA multiple for strategic deals excludes outliers.

Largest Deals (Completed)

Deal Date	Company Name	Investor	Deal Type	Deal Size (\$mm)	EV		Target Business Description
					Revenue	EBITDA	
21-Jun-2023	Pregna International	InvAscent	PE Growth/Expansion	\$ 15.8			Manufacturer of contraceptive devices.
21-Jun-2023	Good Natured Products	Not Reported	PIPE	3.7			Provider of plant-based products.
20-Jun-2023	GS Plastic Optics	Gooch & Housego	Merger/Acquisition	15.7	1.57x	10.47x	Manufacturer of custom designed injection molded polymer optics.
16-Jun-2023	MycoWorks	Not Reported	PE Growth/Expansion	37.1			Manufacturer of mycelium products intended to offer natural alternatives to plastic foams, textiles and leather.
15-Jun-2023	Contec	Blachy Pruszyński	PE Growth/Expansion	16.1			Manufacturer of circular rubber and plastic tubes intended for the tire industry.
01-Jun-2023	Innovation DIC Chimitroniques	DIC Corporation	Merger/Acquisition	95.9	3.91x		Manufacturer of chemical materials.
23-May-2023	Gooil Engineering	DB Finance No 6	Merger/Acquisition	23.3	0.34x		Manufacturer of liquid crystal display and organic light emitting diode display equipment.
02-May-2023	PACHIN	Eagle Chemicals Group	Buyout/LBO	24.9			Manufacturer of paints, varnishes, industrial chemicals, printing inks, and other related products.
* 02-May-2023	Spectrum Plastics Group	DuPont de Nemours	Merger/Acquisition	1,750.0		18.42x	Manufacturer of polyethylene bags, films and tubing for food and industrial packaging applications.
18-Apr-2023	Gerresheimer	Undisclosed Investors	PIPE	295.7			Provider of medicine packaging, drug delivery devices, and solutions.
14-Apr-2023	Devro	SARIA Group	Merger/Acquisition	821.9			Supplier of collagen casings for food.
06-Apr-2023	Curation Foods	Not Reported	Merger/Acquisition	6.2			Manufacturer and distributor of food products intended to supply fresh-cut specialty packaged vegetables and fruits.
06-Apr-2023	Kelong New Materials	LingDu Capital	PE Growth/Expansion	1.5			Developer and manufacturer of rubber and plastic products, machinery equipment and components.
05-Apr-2023	Covestro	Stratasys	Merger/Acquisition	86.0			Operator of a additive manufacturing materials business intended to offer materials for 3D printing.
* 03-Apr-2023	DSM (Engineering Materials Business)	LANXESS & Advent International	Buyout/LBO	4,131.0	0.98x		Manufacturer and supplier of plastics materials, providing strong, safe, small, light and long-lasting products.
03-Apr-2023	Mitsui Phenols Singapore	INEOS Group	Merger/Acquisition	330.0	0.44x		Manufacturer of phenol for polycarbonate, plastics, phenolic resins, synthetic fiber and solvents.
03-Apr-2023	Nursery Supplies	Mill Point Capital	Buyout/LBO	160.0			Manufacturer of plastic containers and trays intended for the nursery industry.
* Mean				120.9	1.45x	14.45x	
Median				37.1	0.98x	14.45x	
High				4,131.0	3.91x	18.42x	
Low				1.5	0.34x	10.47x	

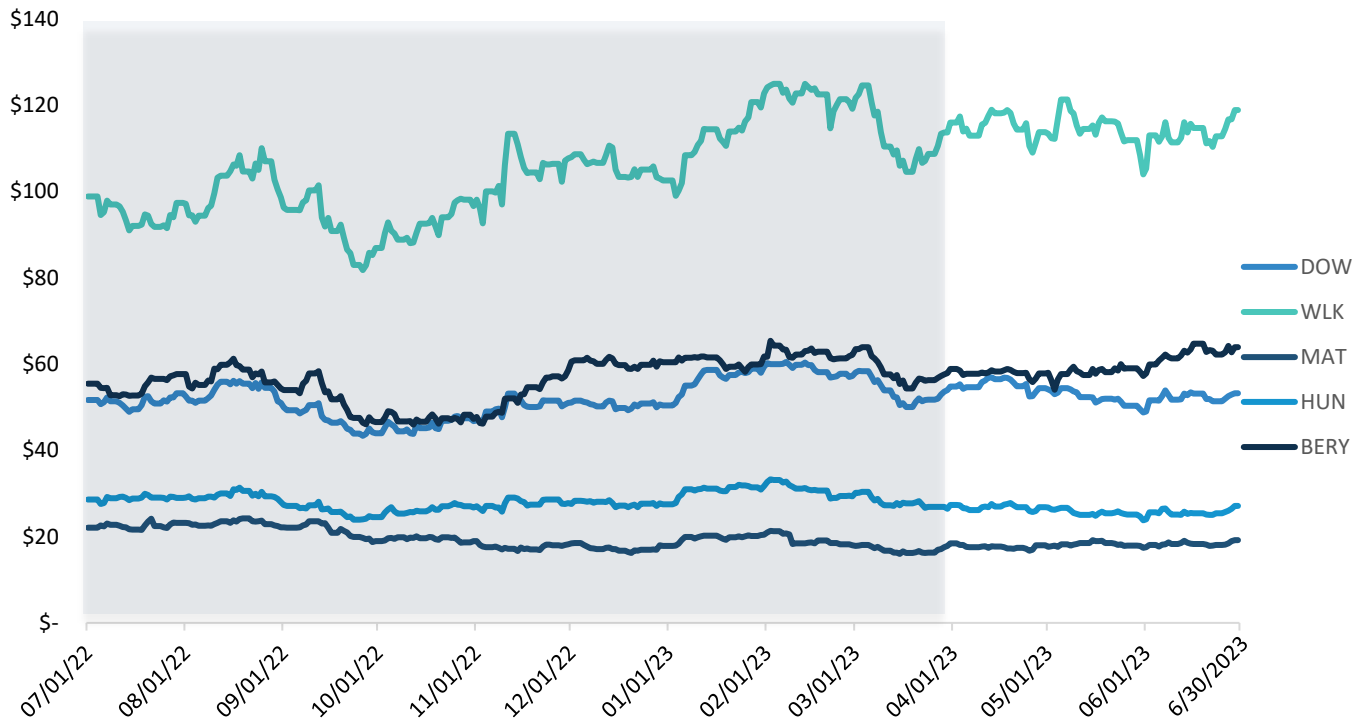
* Mean calculation excludes outliers

Leading M&A Deals (Completed)

Deal	Deal Synopsis	Driver
 	<p>DSM's Engineering Materials Business (DSMEM) is a Netherlands-based manufacturer and supplier of plastics materials. In April 2023, Envalior (a joint venture between LANXESS and Advent International) acquired DSMEM through a \$4.1 billion LBO. This acquisition will play a key role in the creation of a new global specialty materials company focused on developing and promoting the use of biodegradable plastic materials.</p>	<p>LBO</p>
 	<p>Spectrum Plastics Group, a Georgia-based manufacturer of polyethylene bags, films, and tubing, was acquired by DuPont de Nemours through a \$1.8 billion acquisition in May 2023. The acquisition will complement DuPont's existing packaging offerings for biopharma, pharma processing and medical devices including DuPont's Liveo™ silicone solutions and Tyvek® Medical Packaging as well as strengthen its position in healthcare markets.</p>	<p>Merger/ Acquisition</p>
 	<p>Mitsui Phenols Singapore, a subsidiary of Mitsui Chemicals manufacturing phenol, was acquired by INEOS Group for \$330 million in April 2023. With this acquisition, INEOS Group aims to support its global customers more effectively, developing into the Asian and South Pacific market.</p>	<p>Merger/ Acquisition</p>
 <p>Undisclosed Investors</p>	<p>Gerresheimer is a German-based provider of medicine packaging and drug delivery devices. The company received \$296 million of development capital from undisclosed investors in April 2023. This investment will provide the company with the flexibility to further capture growth opportunities with a focus on high-value packaging solutions for liquid and solid medicines.</p>	<p>PIPE</p>

Public Comps

Stock Price

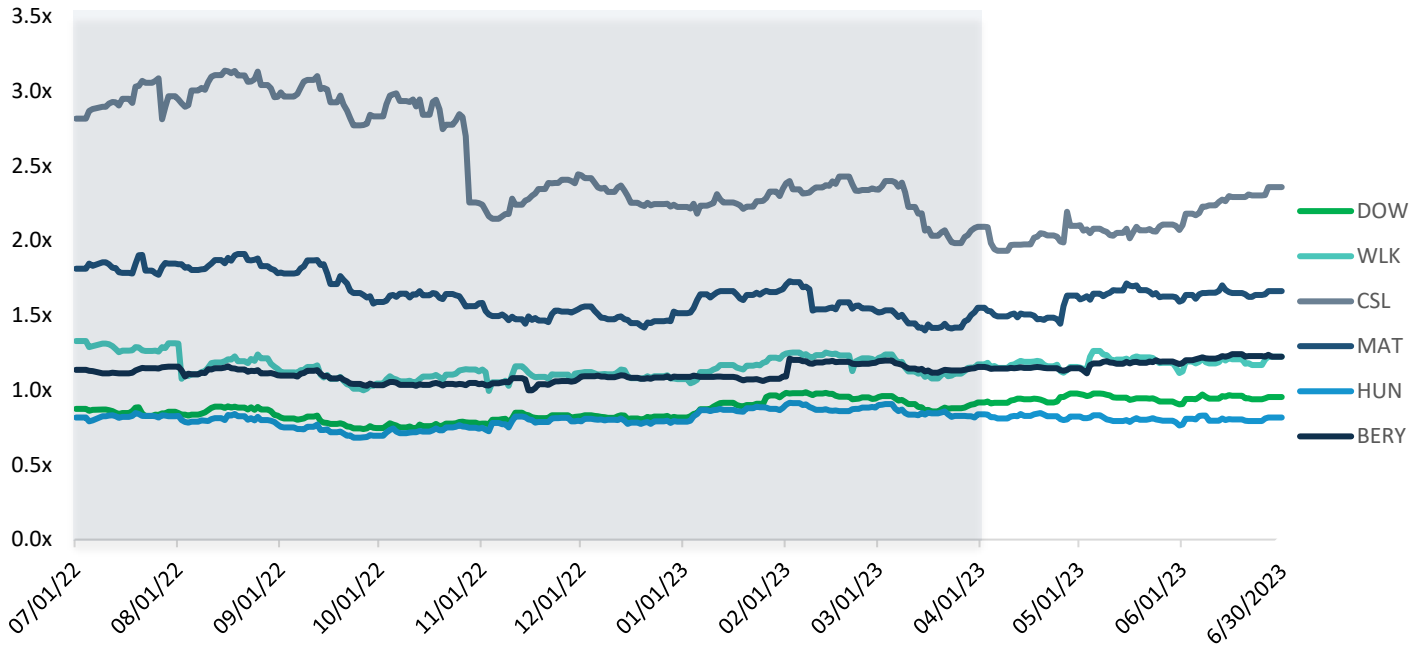


Financial & Valuation

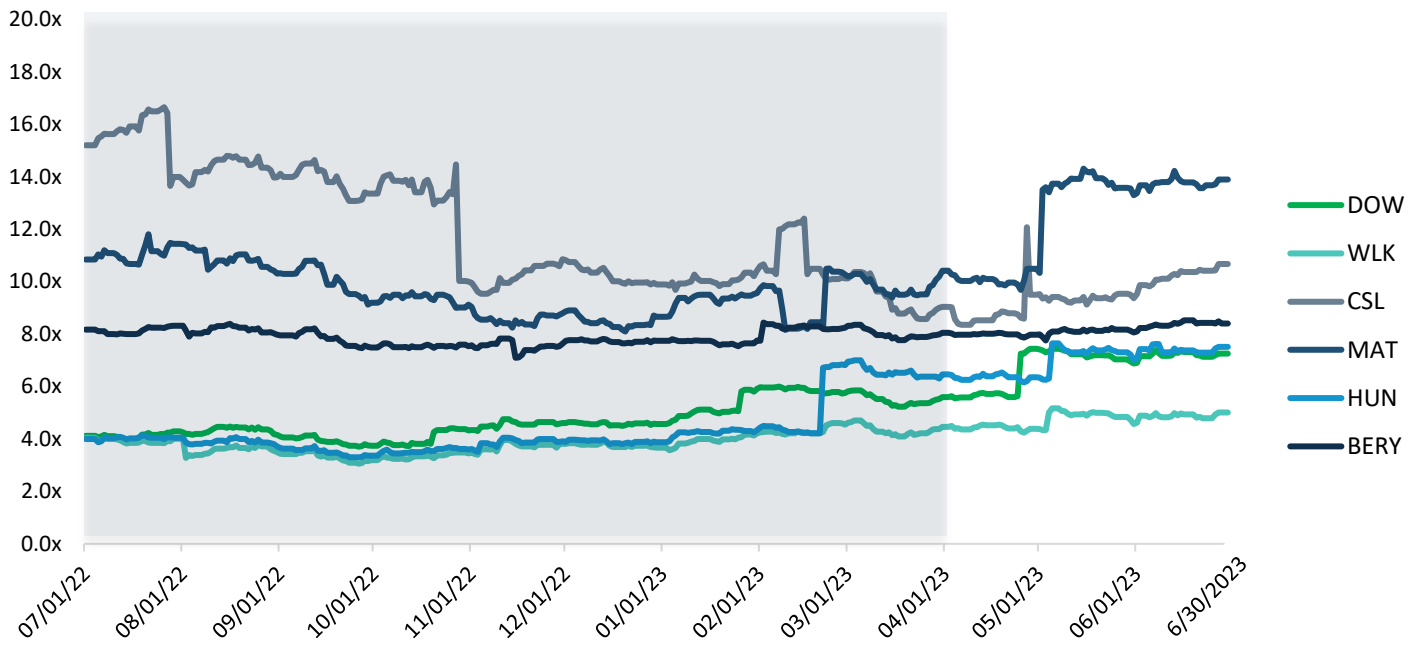
\$MM	Company	Ticker	Stock Price	Market Cap	Total Debt	EV/Revenue			EV/EBITDA		
						21A	22A	23F	21A	22A	23F
	Dow	DOW	53	37,672	16,575	1.1x	0.8x	0.9x	4.9x	4.6x	6.8x
	Nan Ya Plastics	1303	2	18,460	5,777	1.9x	1.5x	1.7x	6.5x	6.7x	15.2x
	EMS-Chemie Holding	EMSN	753	17,608	15	13.5x	6.4x	6.1x	43.2x	20.7x	21.5x
	Westlake	WLK	119	15,249	5,425	1.5x	1.1x	1.2x	5.1x	3.7x	5.5x
	Formosa Chemicals & Fibre	1326	2	12,600	4,921	1.4x	1.1x	1.2x	6.5x	10.3x	21.9x
	Carlisle Companies	CSL	257	13,075	2,584	3.5x	2.2x	2.1x	22.0x	9.9x	8.8x
	Mattel	MAT	20	6,916	2,584	2.0x	1.5x	1.5x	12.4x	8.6x	7.5x
	Huntsman	HUN	27	4,896	1,902	1.2x	0.8x	0.9x	6.7x	3.9x	7.1x
	Berry Global	BERY	64	7,669	9,721	1.4x	1.1x	1.1x	9.0x	7.7x	7.5x
Mean						3.0x	1.8x	1.9x	12.9x	8.4x	11.3x
Median						1.5x	1.1x	1.2x	6.7x	7.7x	7.5x

Public Comps

EV/Revenue



EV/EBITDA



Public Markets

Price of Plastic Materials and Resin

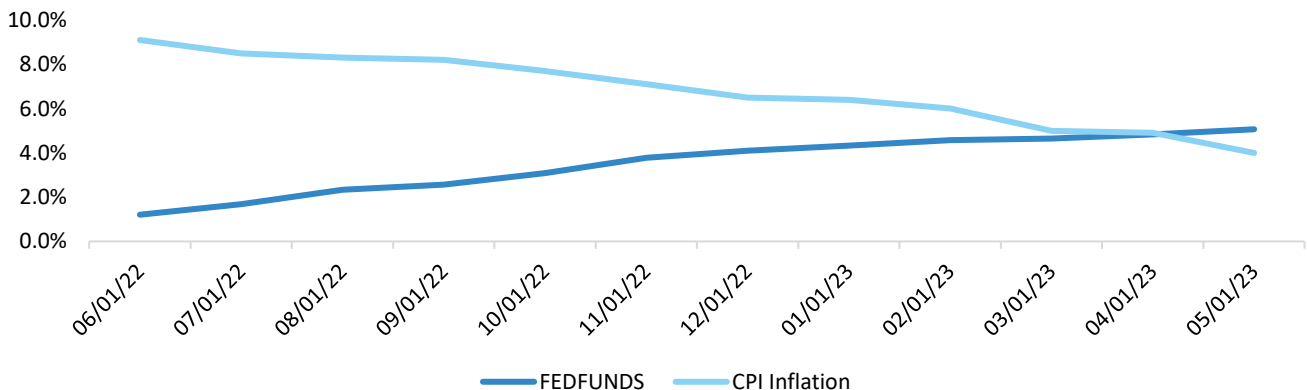
From April 1, 2023, to June 1, 2023 (the most recently reported data), the price of plastic materials and resins have decreased 1.5%. Despite this slight decrease, resin prices have remained relatively high and are expected to persist through 2H 2023 due to ongoing supply chain disruptions, strong demand for plastics, and higher crude oil prices.



Key External Drivers

Decreases in the world price of crude oil over the last year have reduced costs for plastic manufacturers downstream, allowing them to achieve greater profit margins.

To combat Inflation in the US, the Federal Reserve (“Fed”) began quantitative tightening in March 2022 in the form of 10 rate hikes to the Fed Funds Rate, to slow down consumer spending. As a result of the Fed’s rate hikes, May 2023 CPI inflation came out at 4.0% marking the eleventh consecutive month of declining inflation. While these rate hikes have caused inflation to slow down, the Chair of the Federal Reserve, Jerome Powell, stated they intend to raise rates two more times in 2023. Many economists do not believe the Fed will go through with the two 25 basis point hikes that Jerome Powell threatened. However, the stubborn inflation, a still-booming job market and a resilient economy indicate the Fed may raise rates to the highest levels seen over the last 2 decades. Continued rate hikes will lower consumer spending and result in lower revenues for the Plastics sector.

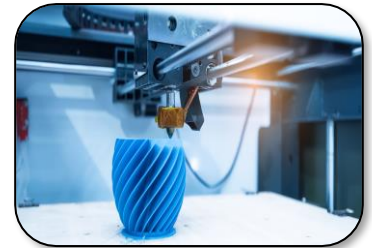


Industry Trends

RF Embedded Plastics

New Uses of Radio Frequency Embedded Plastics

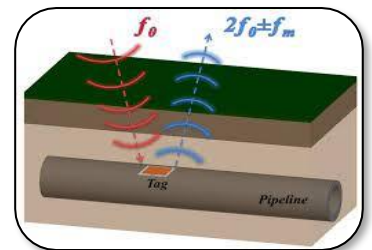
Historically, RFID tech have been used for theft prevention, ID badges, and hospital wristbands. It's now being used in construction and commercial sectors to locate buried plastic materials like pipes. This new technology is also able to help detect and prevent ruptures by monitoring the strain and stress put on pipes.



3D Printing

3D Printing Reduces Cost and Waste

Precise components can be produced through the use of 3D printing without the need for molds, resulting in time and cost savings. This technology also enables the creation of complex designs and the production of lightweight and efficient plastic parts.



Biodegradable Plastics

Biodegradable Plastics Replacing Single-Use Plastics

Biodegradable plastics made from natural plant materials are becoming popular for many uses including food containers and plastic bottles. The global market for these sustainable alternatives is projected to reach over \$12 billion by 2027.



Reinforced Plastics

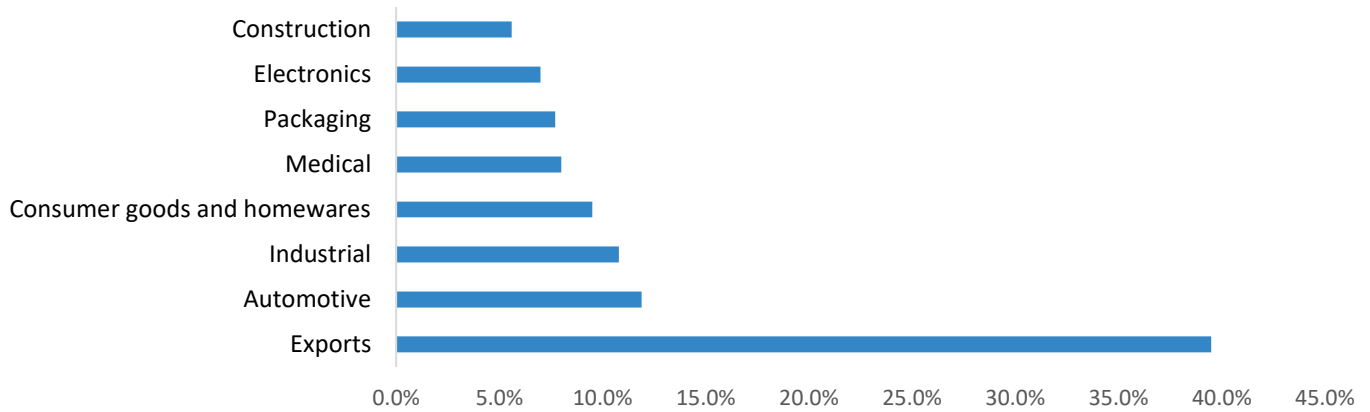
Reinforced Plastics Becoming Lightweight Alternatives

The use of carbon or polyamide fibers to reinforce materials has become increasingly popular due to their ability to enhance strength and heat resistance while remaining lightweight. As a result, these materials have found widespread applicability in numerous industries, including marine cordage, body armor, and automotive components.

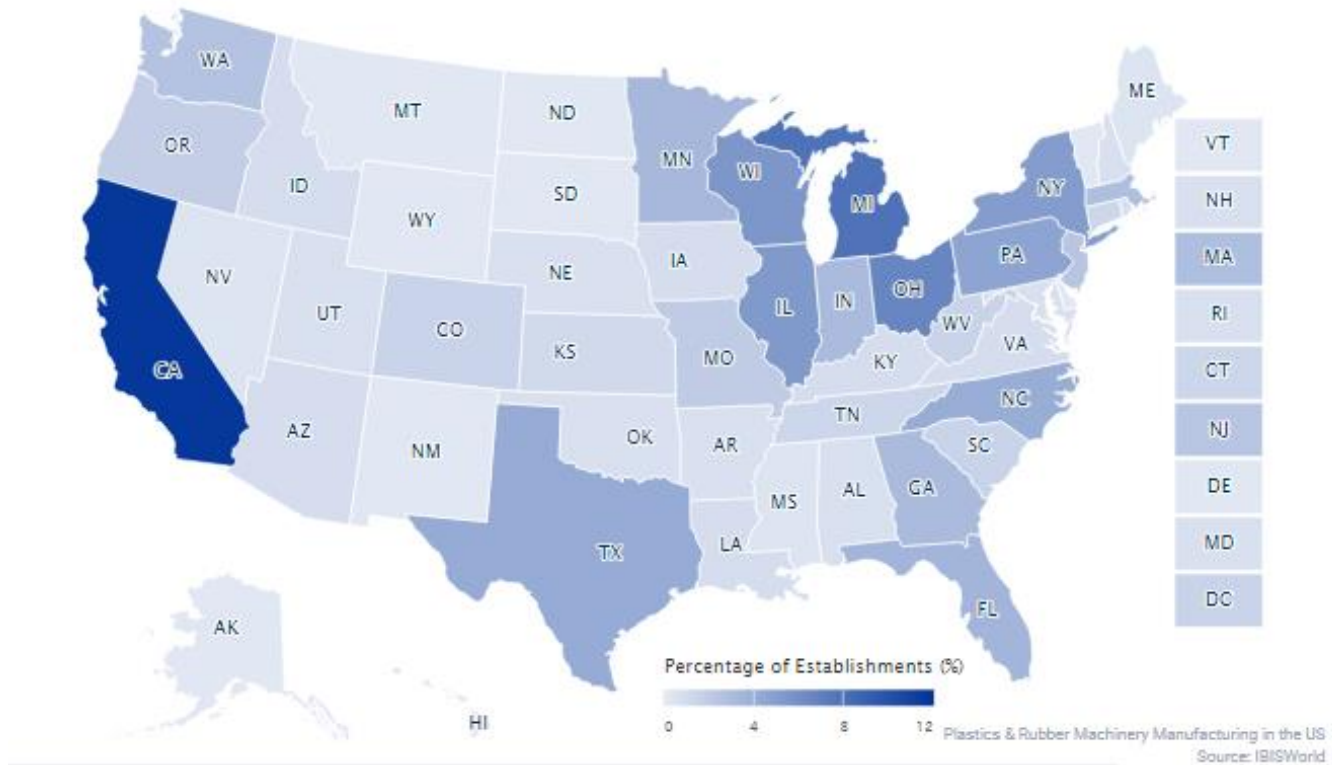


Industry Snapshot

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.



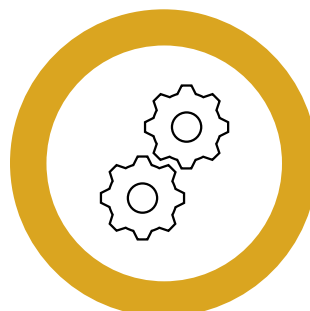
Buy-Side Advisory: Buy a business

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. Below are several relevant transactions in the Plastics sector. Please note that this list is not comprehensive.




have been acquired by



a portfolio company of






Has sold substantially all of its assets to







Has been acquired by





Has sold substantially all of its assets to


Has been acquired by





Has been acquired by




Our Team



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.

Our Team



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.



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 Team



Ryan Hartman
Senior Analyst
(314) 721-8027
rhartman@rlhulett.com

Ryan provides analytical support for senior-level deal managers and, as a senior analyst, supervises the preparation of confidential memorandums, financial models and industry research reports. Ryan graduated with a Bachelor of Science degree 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.



Charlie Meier
Analyst
(314) 721-8027
cmeier@rlhulett.com

Charlie provides transaction support for senior-level deal managers including financial modeling, valuations, industry research, offering memorandums and a variety of presentations. He graduated with a Bachelor of Science in Business Administration Degree with a major in finance and banking from the Trulaske College of Business, University of Missouri. Prior to joining the firm, Charlie worked as an investment analyst for the University of Missouri's Investment Fund Management Program. During his time at University of Missouri, Charlie was elected as Recruitment Chairman for the Phi Delta Theta Fraternity and took extensive courses in Banking.



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:



Flexible Packaging



Transportation & Logistics



Food & Beverage



Industrials



Tech-enabled Services



Healthcare

Disclaimer

The data in this document has been derived from PitchBook Data and has been compiled by R.L. Hulett. This document is strictly for illustrative purposes only. The data presented in this document is not comprehensive and should not be used for benchmarking, valuation, or for any other decision making. R.L. Hulett accepts no responsibility for loss or damage caused by dependence on the information in this document.