



Plastics Industry M&A Update

Q3 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

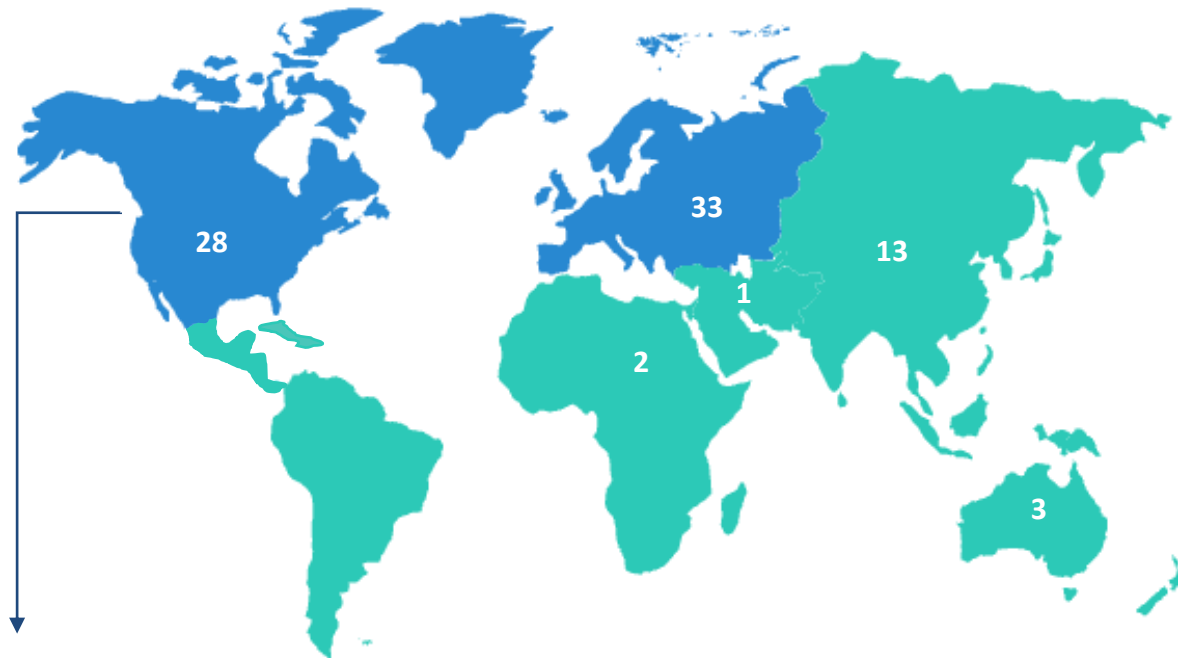
Analyst
cmeier@rlhulett.com

REPORT HIGHLIGHTS

- Resin prices increased 0.1% during Q3. Despite the slight quarterly increase, resin prices have continued a downward trend since peaking in June 2022.
- The median EV/EBITDA multiple in the Plastics industry for reported strategic deals increased to 10.7x in YTD 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 increased 29.0% in Q3 to 80 deals from 62 deals in Q2 but decreased 18.4% from 98 deals in Q3 of the prior year.
- As a % of total capital invested in M&A transactions in YTD 2023, PE participation increased slightly to 49.3%, up from 48.8% in 2022.
- Europe was the most active region in Q3 with 33 deals. Most notably in Europe was Orion Infrastructure Capital's \$150.0 million investment in RM2 in July 2023.

Global Deal Analytics

Of the 80 deals in Q3, Europe was the most active market with 33. Another notable deal in the European market (aside from the Orion Infrastructure Capital/RM2 deal mentioned on the previous page) was Mittel's \$14.6 million acquisition of Gruppo Finestre, an Italian Manufacturer of polyvinyl chloride (PVC) windows and frames, in July 2023. North America was the second most active region with 28. All other regions combined for a total of 19 completed transactions.



Canada: 0

United States Regions: 28

Southeast:	11
Great Lakes:	7
South:	3
Mountain:	2
Midwest:	2
Other:	3

■ 0-20 ■ 20+

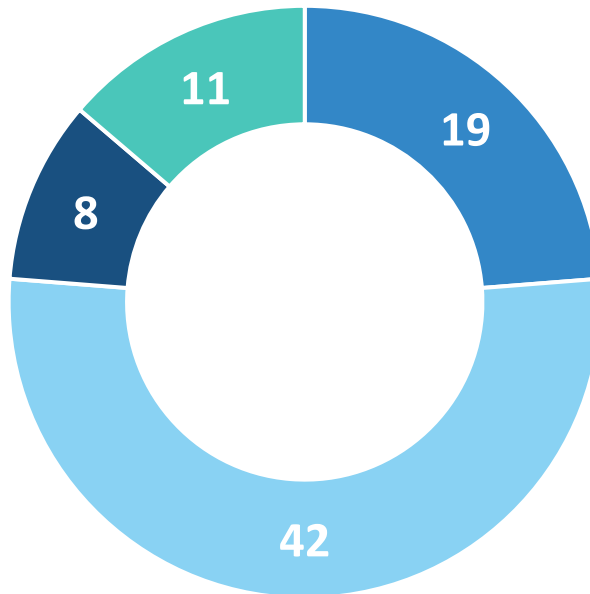
In the North American market, the Southeast region was the most active in Q3 with 11 deals. The Great Lakes, South, and Mountain regions had 7, 3 and 2 transactions, respectively. Most notably in the North American market was Hillenbrand's \$730.0 million acquisition of Kansas City-based Schenck Process's Food & Performance Materials Business, a manufacturer of food processing and material handling equipment, in September 2023. The Midwest region had 2 deals and all other regions combined totaled 4 closed transactions.

Outside of the U.S. in the North American market, there were no reported transactions in Canada in Q3.

Global Deal Analytics

Of the 80 Plastics deals in Q3, 42 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 19 deals followed by Chemicals & Gases with 8. All other subsectors combined had a total of 11 closed transactions.

Deal by Subsector



Commercial Products



Plastic Containers & Packaging



Chemicals & Gases



Other

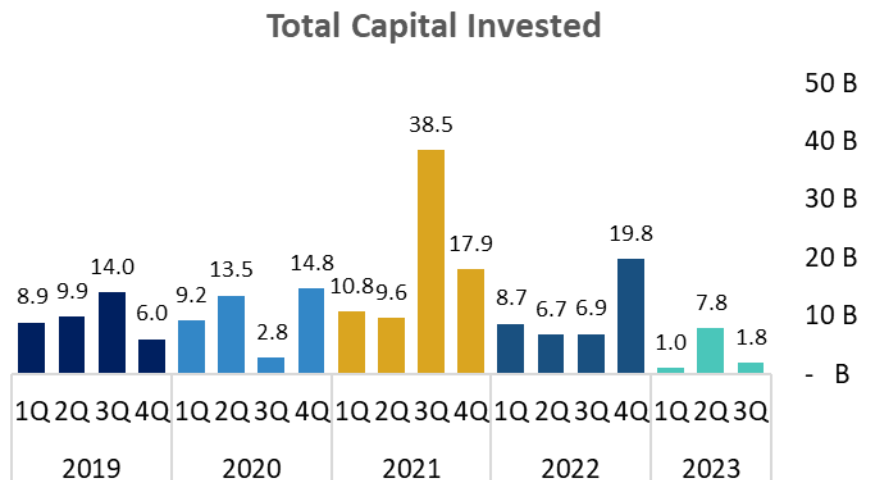
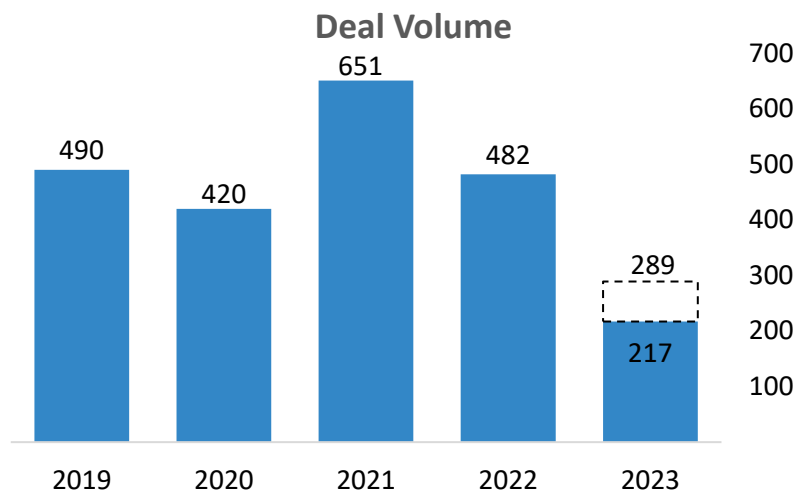
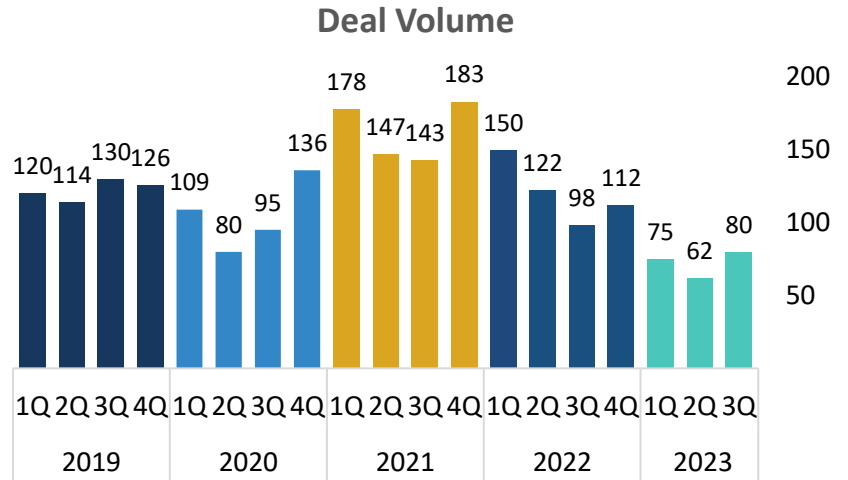


Global Deal Analytics

Deal volume in the Plastics sector in Q3 increased 29.0% to 80 deals from 62 deals in Q2, but decreased 18.4% from 98 deals in Q3 of the prior year.

Following the trend in quarterly deal volume, M&A deal volume is projected to see a 40.0% decline to 289 deals in 2023, down from 482 in 2022. We attribute this decline to more challenging market conditions from a dealmaking perspective, including increased interest rates/cost of capital and a tightening in credit markets.

Total capital invested in M&A deals in the Plastics sector decreased 76.9% in Q3 to \$1.8B from \$7.8B in Q2 and decreased 73.9% from \$6.9B in Q3 of the prior year. This significant decrease 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 Q3 was Hillenbrand’s \$730.0 million acquisition of Schenck Process’ Food & Performance Materials Business.



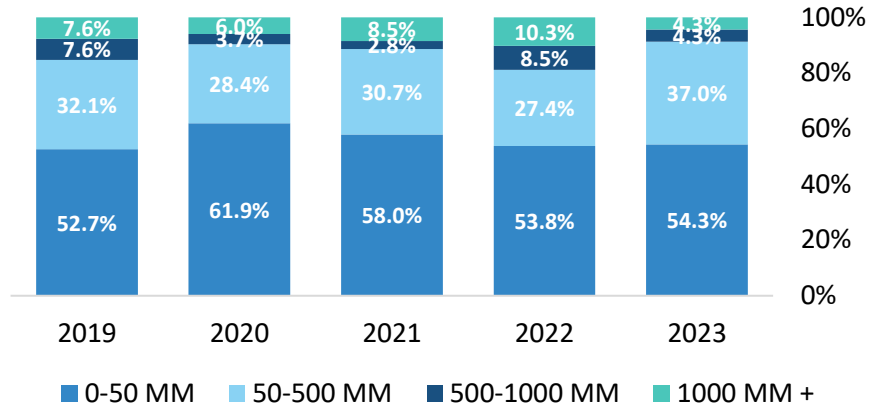
Global Deal Analytics

YTD through Q3 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 37.0% and 54.3% from 27.4% and 53.8%, respectively, in 2022. The upper middle (\$500-\$1000MM) and large cap (\$1000+MM) tranches each saw decreases to 4.3% from 8.5% and 10.3%, respectively, in 2022.

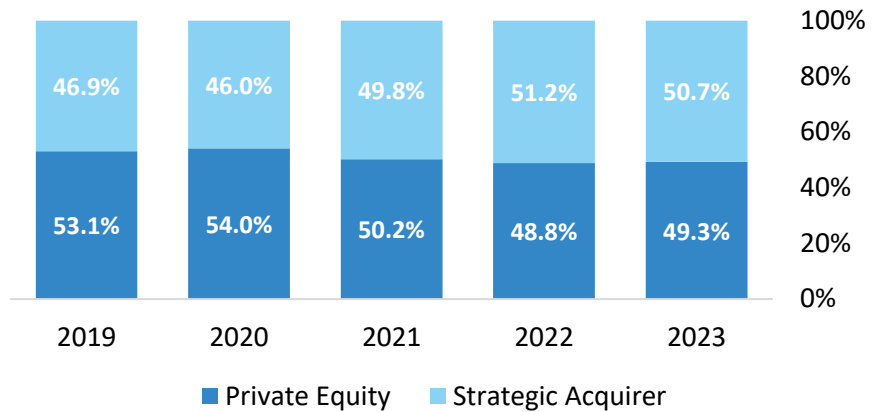
As a % of total deal volume, PE buyers trended slightly higher in YTD 2023 relative to strategic buyers, representing 49.3% of deal volume in the sector. Despite this slight uptick, YTD 2023 marks the second lowest percentage of PE deal volume over the last 5 years. This lower level of PE activity is indicative of challenging market dynamics with increasing costs of capital and tightening liquidity from lenders.

The total capital invested by PE investors increased significantly in YTD 2023 to 52.6% from 19.8% in 2022. Despite credit market challenges, PE investors were able to outcompete strategic buyers in a number of mid-sized deals in 2023 as compared to 2022.

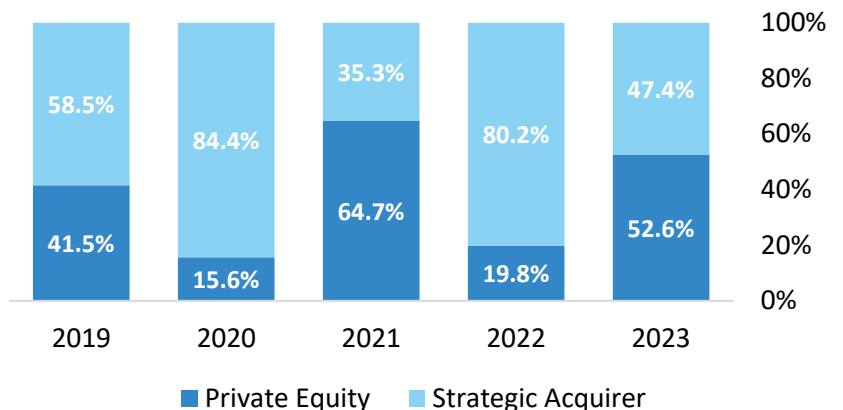
Deal Volume by Deal Size



Deal Volume by Acquirer

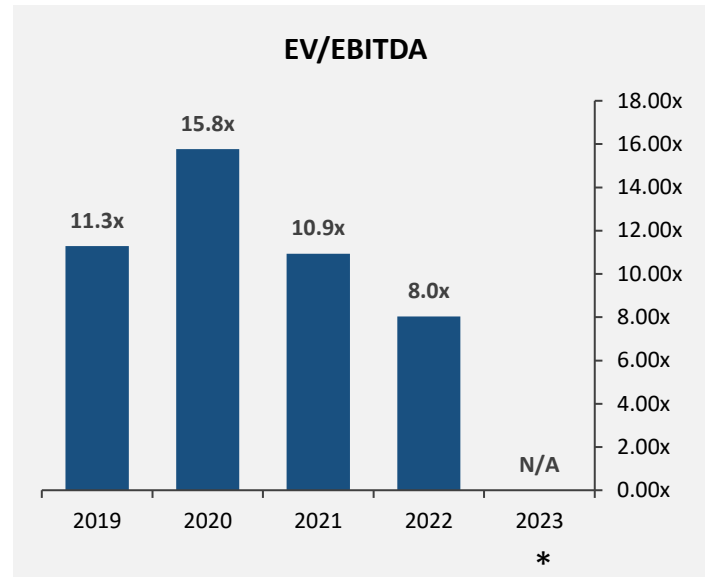
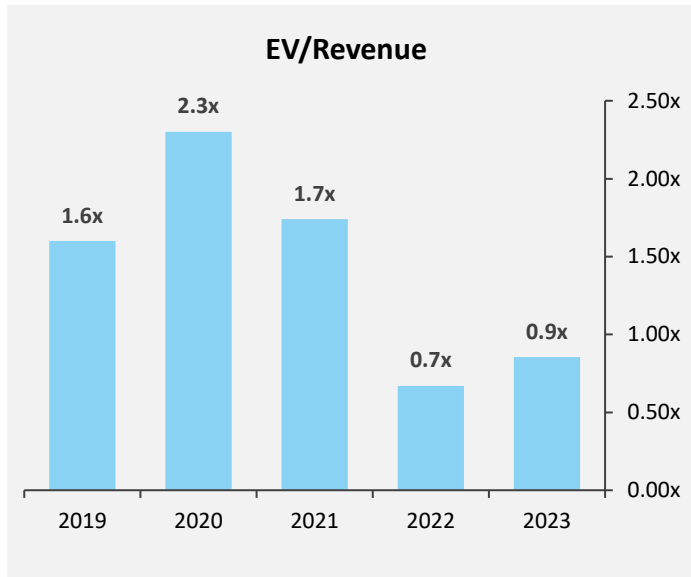


Total Capital Invested by Acquirer

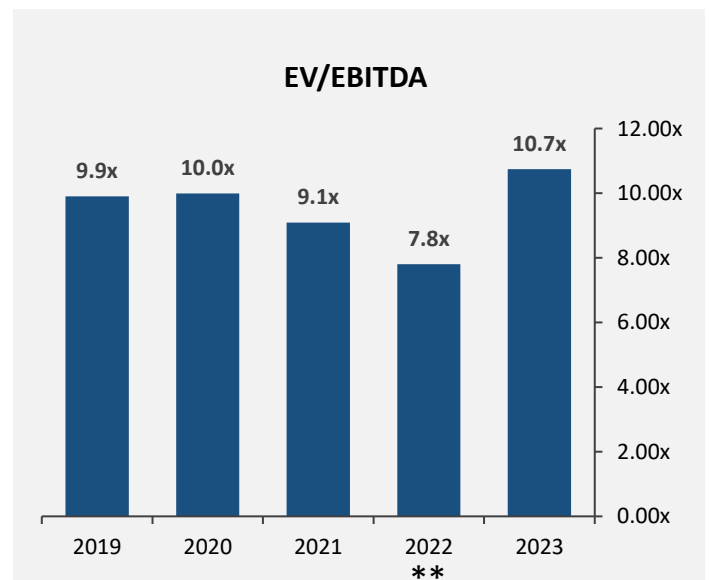
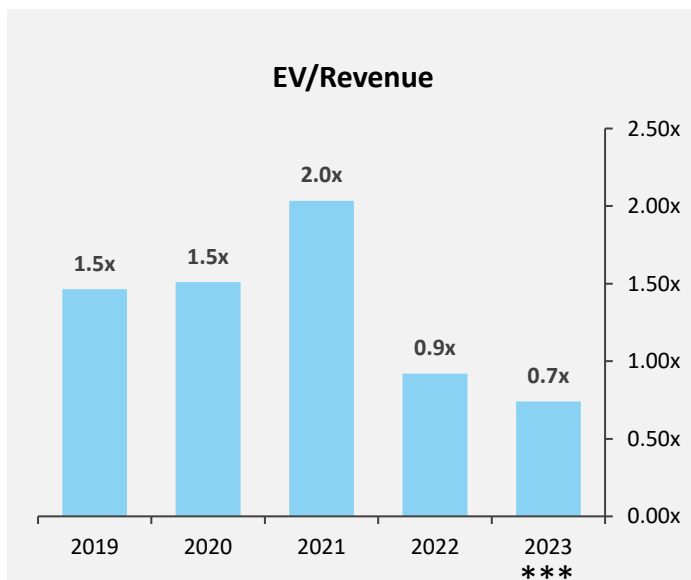


Valuation Multiples

Private Equity Multiples



Strategic Multiples



* No Private Equity valuation EV/EBITDA multiples were reported in YTD 2023.
 ** EV/EBITDA multiple for strategic deals excludes outliers.
 *** EV/Revenue multiple for strategic deals excludes outliers

Largest Deals (Completed)

Deal Date	Company Name	Investor	Deal Type	Revenue	EBITDA	Deal Size (\$mm)	EV		Target Business Description
							Revenue	EBITDA	
08-Sep-2023	National Molding	Undisclosed Investor	PE Growth/Expansion			4.4			Manufacturer of engineered plastic components serving various markets utilizing proprietary injection molding for cost-effective products.
05-Sep-2023	PG Electroplast	Government of Singapore	PIPE	279.1	23.0	60.4	0.22x	2.62x	Provider of electronic manufacturing services (EMS) for consumer electronic OEMs operating in segments including Plastic Moulding Electronics and more.
01-Sep-2023	Schenck Process (Food & Performance Materials Business)	Hillenbrand	Merger/Acquisition	540.0	68.0	730.0	1.35x	10.74x	Designer and manufacturer of food processing and material handling equipment for the food and manufacturing industry.
30-Aug-2023	EverGreen Plastic Products Manufacturing	Emirates Reem Investments Company	Merger/Acquisition			12.0			Manufacturer of plastic packaging products for the Middle East's food and beverage industries.
23-Aug-2023	Epsilyte	Undisclosed Investor	PE Growth/Expansion			52.0			Producer of advanced materials for construction packaging and safety equipment with a focus on energy reduction food safety
16-Aug-2023	Pact Group Holdings (Crate Pooling Business)	HRL Morrison & Co	Buyout/LBO			119.4			Operator of a crate pooling business in Australia managing reusable plastic crates for fresh produce supply chains.
10-Aug-2023	Gotanda Rubber Industry	Sanko Sangyo Company	Merger/Acquisition			0.4			Manufacturer of industrial rubber products specializing in compression molding transfer molding and injection molding.
08-Aug-2023	Recycling Management	Genesis Capital	Buyout/LBO			109.0			Operator of a plastic bottle recycling company in South Korea producing raw materials for recycled polyethylene terephthalate bottles.
04-Aug-2023	Bierrebi Italia	Oriente Partners	Buyout/LBO			7.8			Designer and manufacturer of automatic machines for fabric cutting in the garment industry.
03-Aug-2023	DURA Automotive Systems (Battery Enclosure Business)	Linamar	Merger/Acquisition			325.0			Manufacturer of advanced battery enclosures for battery electric vehicle (BEV) applications.
01-Aug-2023	AmberPR Technoplast	Amber Enterprises	Corporate	136.3		1.2	0.01x		Manufacturer of cross flow fans and plastic components in Delhi India for various applications. *
28-Jul-2023	Avantech	Friulia Finanziaria FVG	Buyout/LBO			8.8			Manufacturer of molding tools offering thermoforming and rotational molds CNC machined tools and refurbishment services.
26-Jul-2023	Gruppo Finestre	Mittel	Buyout/LBO			14.6			Manufacturer of polyvinyl chloride (PVC) windows and frames in Italy.
14-Jul-2023	RM2	Orion Infrastructure Capital	PE Growth/Expansion			150.0			Manufacturer of composite pallets with IoT sensor technology for logistics.
12-Jul-2023	Lawrence Industries	Tyman	Merger/Acquisition			69.5			Manufacturer of composite hardware for window fabricators including locks and handles.
11-Jul-2023	Cortland Group	Paladin	Buyout/LBO	36.5		26.6	0.73x		Manufacturer and distributor of bare and coated cable cable assembly products and accessories.
Mean						105.7	0.77x	6.68x	
Median						39.3	0.47x	6.68x	
High						730.0	1.35x	10.74x	
Low						0.4	0.01x	2.62x	

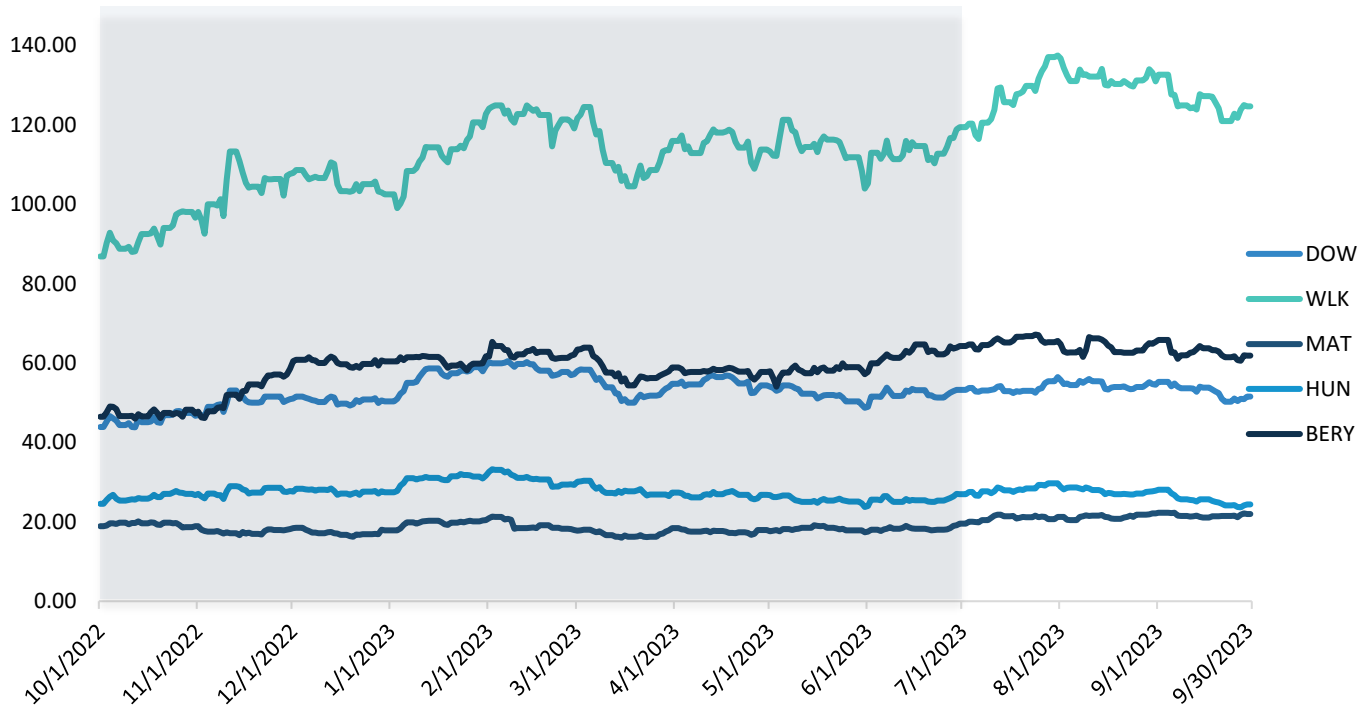
* EV/Revenue mean calculation excludes outliers

Leading M&A Deals (Completed)

Deal	Deal Synopsis	Driver
 	<p>Schenck Process (“SP”), a German manufacturer of food processing and material handling equipment, sold its KC-based Food & Performance Materials business to Hillenbrand for \$730.0 million. This acquisition adds complementary technologies, processing expertise and product offerings within Hillenbrand's Advanced Process Solutions segment.</p>	<p>Merger/ Acquisition</p>
 	<p>Dura Automotive Systems (“DAS”), a Detroit-based manufacturer of automotive components, sold its battery enclosures business to Linamar for \$325.0 million in August 2023. The deal accelerates Linamar's strategy towards a more electrified product portfolio with increased future battery electric vehicle (BEV) content potential.</p>	<p>Merger/ Acquisition</p>
 	<p>RM2, a Luxembourg-based manufacturer of composite pallets with embedded autonomous IoT sensor technology, received \$150.0 million of development capital from Orion Infrastructure Capital in July 2023. This significant investment will be used to further expand the company's U.S. pallet pooling operations.</p>	<p>PE Growth/ Expansion</p>
 	<p>Pact Group Holdings “PSG” is the largest rigid packaging plastics manufacturer in Australia and New Zealand. In August 2023, HRL Morrison & Co acquired 50% of PSG’s Crate Pooling Business through a leveraged buyout for \$119.4 million. The new strategic partnership will operate as an independent entity, with PSG retaining a 50% interest. This partnership brings together the expertise and resources of two pioneers in their respective sectors.</p>	<p>LBO</p>

Public Comps

Stock Price

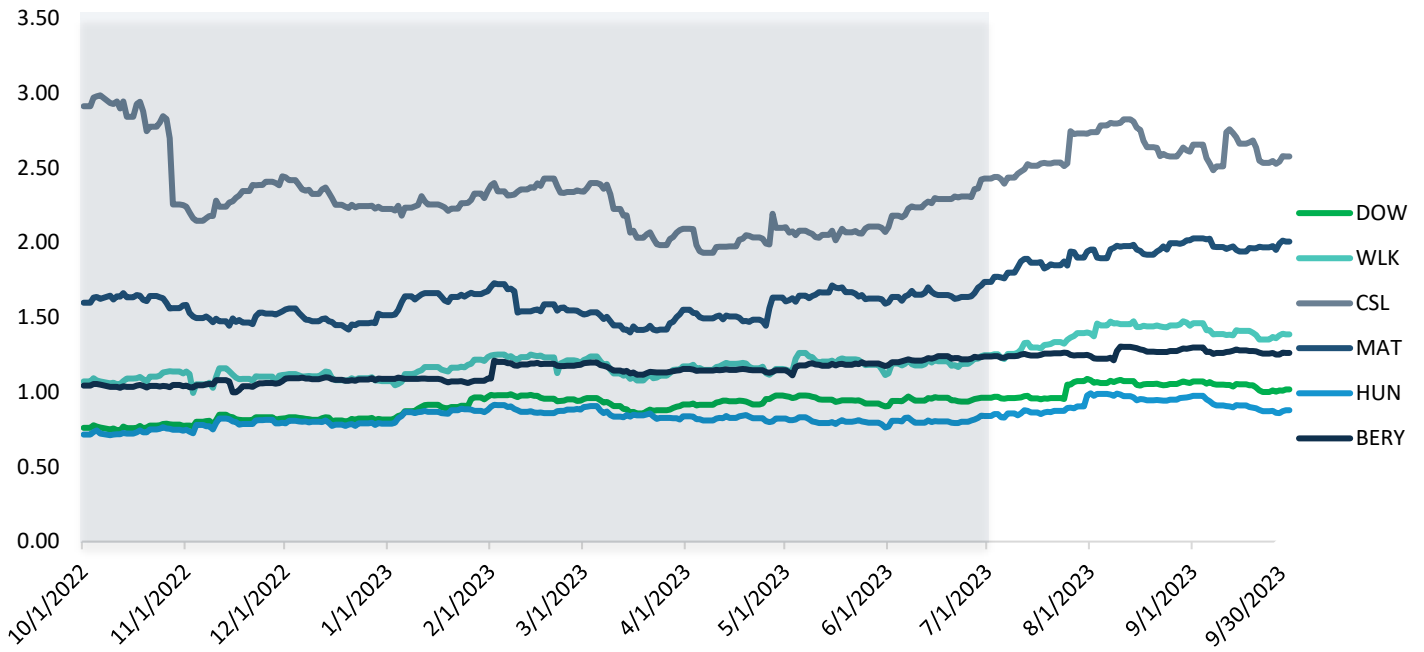


Financial & Valuation

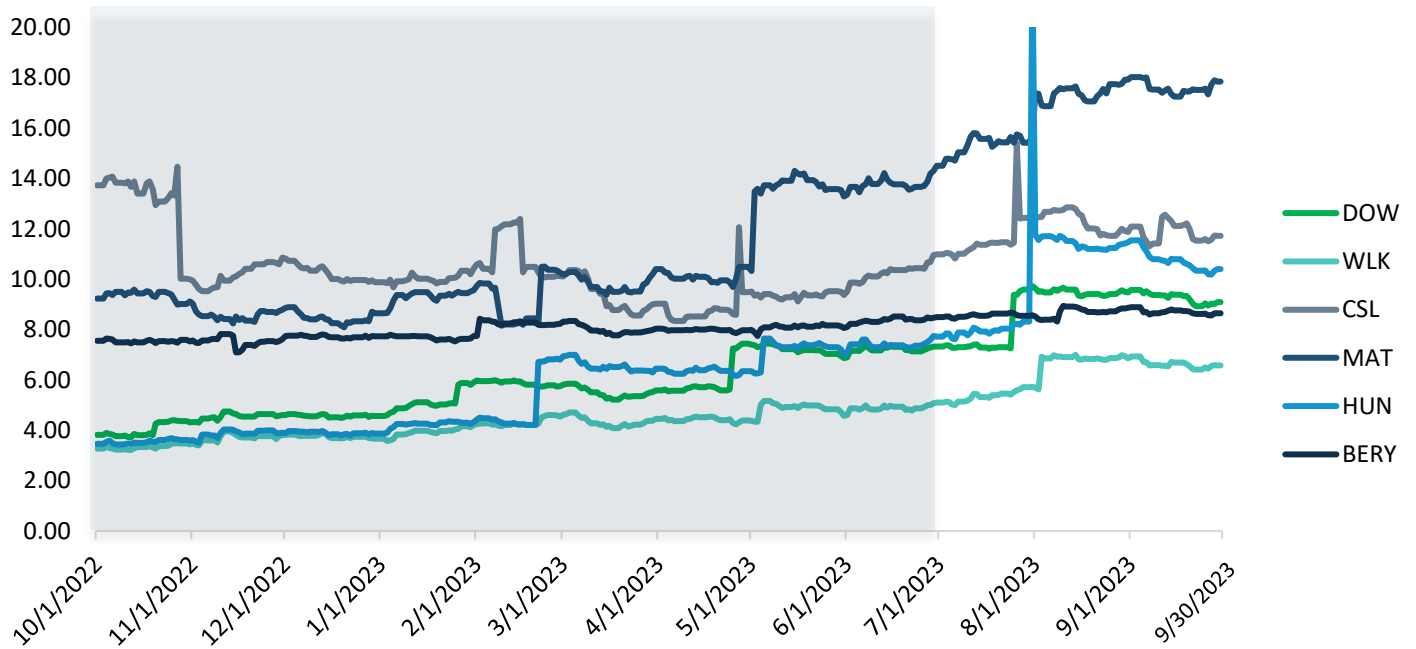
\$MM	Company	Ticker	Stock Price	Market Cap	Total Debt	EV/Revenue			EV/EBITDA		
						21A	22A	23F	21A	22A	23F
	Dow	DOW	52	36,251	16,297	1.1x	0.8x	0.9x	4.9x	4.6x	6.8x
	Nan Ya Plastics	1303	2	16,459	5,726	1.9x	1.5x	1.7x	6.5x	6.7x	15.2x
	EMS-Chemie Holding	EMSN	681	15,926	15	13.5x	6.4x	6.1x	43.2x	20.7x	21.5x
	Westlake	WLK	125	15,919	5,433	1.5x	1.1x	1.2x	5.1x	3.7x	5.5x
	Formosa Chemicals & Fibre	1326	2	11,209	4,570	1.4x	1.1x	1.2x	6.5x	10.3x	21.9x
	Carlisle Companies	CSL	259	12,942	2,584	3.5x	2.2x	2.1x	22.0x	9.9x	8.8x
	Mattel	MAT	22	7,802	2,648	2.0x	1.5x	1.5x	12.4x	8.6x	7.5x
	Huntsman	HUN	24	4,341	1,952	1.2x	0.8x	0.9x	6.7x	3.9x	7.1x
	Berry Global	BERY	62	7,312	9,724	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

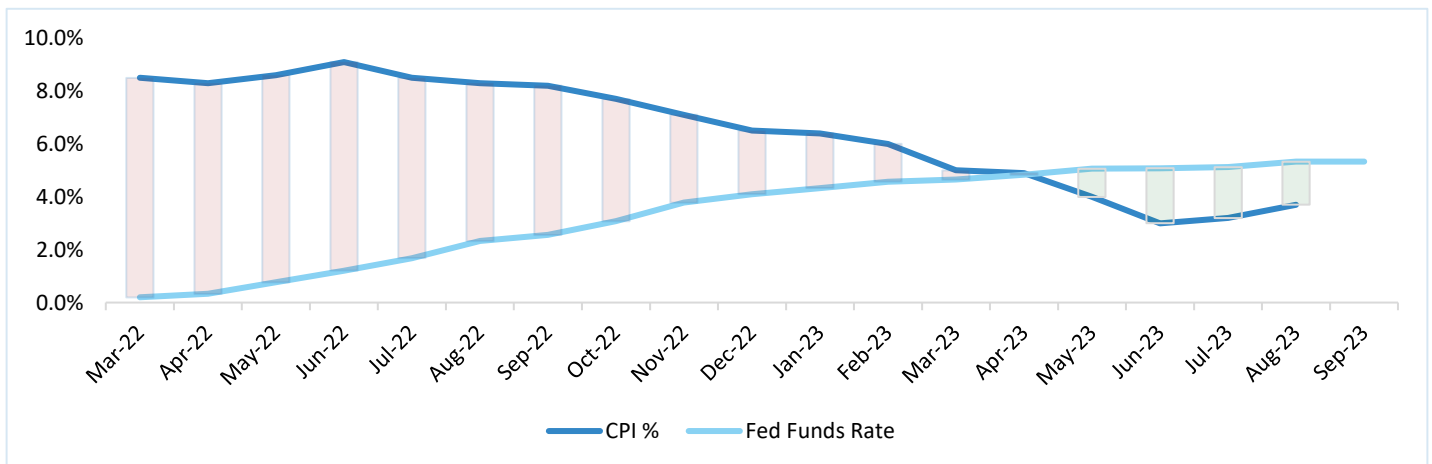
From July 1, 2023, to September 1, 2023, the price of plastic materials and resins have increased 0.1%. Despite the slight quarterly increase, resin prices have continued a downward trend since peaking in June 2022.



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.

In September 2023, the Federal Reserve decided to keep the Federal Funds Rate stable at 5.3%, signaling a reversal in the trend of the Fed’s increasing rate hikes that we saw from March 2022 to August 2023. The Fed’s recent decision was likely a result of the CPI decreasing from a peak of 9.1% in June 2022 to 3.7% in August 2023. However, the CPI remains above the Fed’s 2% target and indicates we will see another rate hike in 2023, followed by a long pause at 5.4% in 1H 2024 due to concerns that inflation might not fall fast enough. The job market and the economy have remained robust despite these rate hikes as the Fed seeks to guide the economy towards a "soft landing" in an attempt to reduce inflation without causing a recession. An elevated Federal Funds Rate will lower consumer spending and result in lower revenues for the Plastics sector.

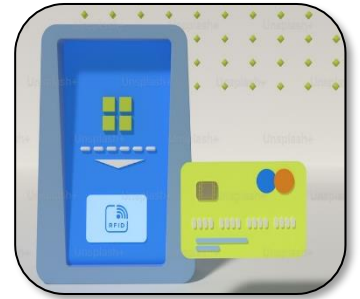


Industry Trends

RF Embedded Plastics

New Uses of Radio Frequency Embedded Plastics

RFID tech has long been used in theft prevention, ID badges, and hospital wristbands and is now being implemented in construction and commercial sectors to locate buried plastic materials like pipes for example. This new technology is also used in leak detection and rupture prevention by monitoring the strain and stress put on pipes.



Recycling

Advanced Recycling Technologies

Innovations in chemical and mechanical recycling processes are expanding the scope of materials that can be effectively repurposed, reducing the industry's reliance on virgin plastics and addressing sustainability concerns. Companies such as Loop Industries are pioneering chemical recycling processes that can break down a wide range of plastics into their original building blocks, allowing for the creation of high-quality recycled plastics.



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

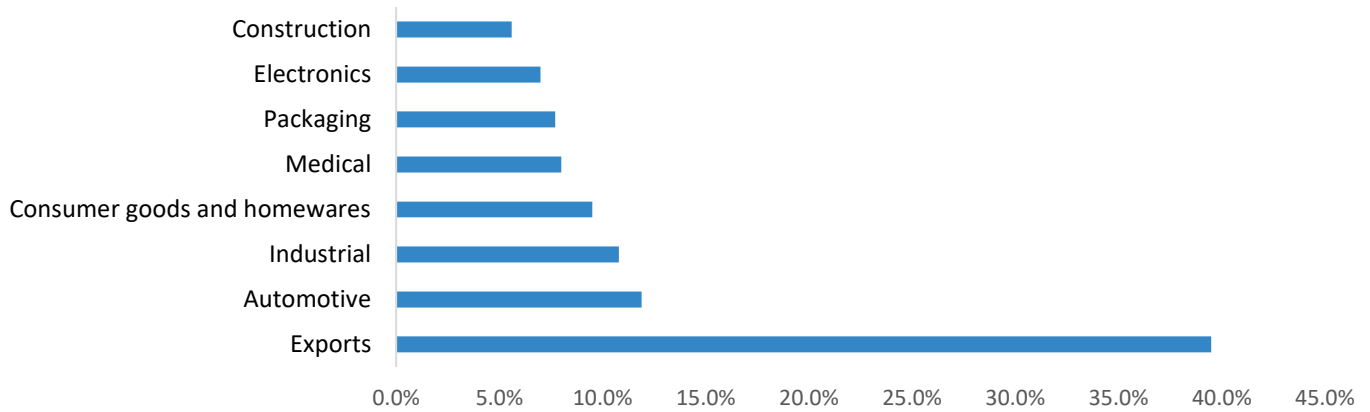
Reinforced Plastics Becoming Lightweight Alternatives

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.

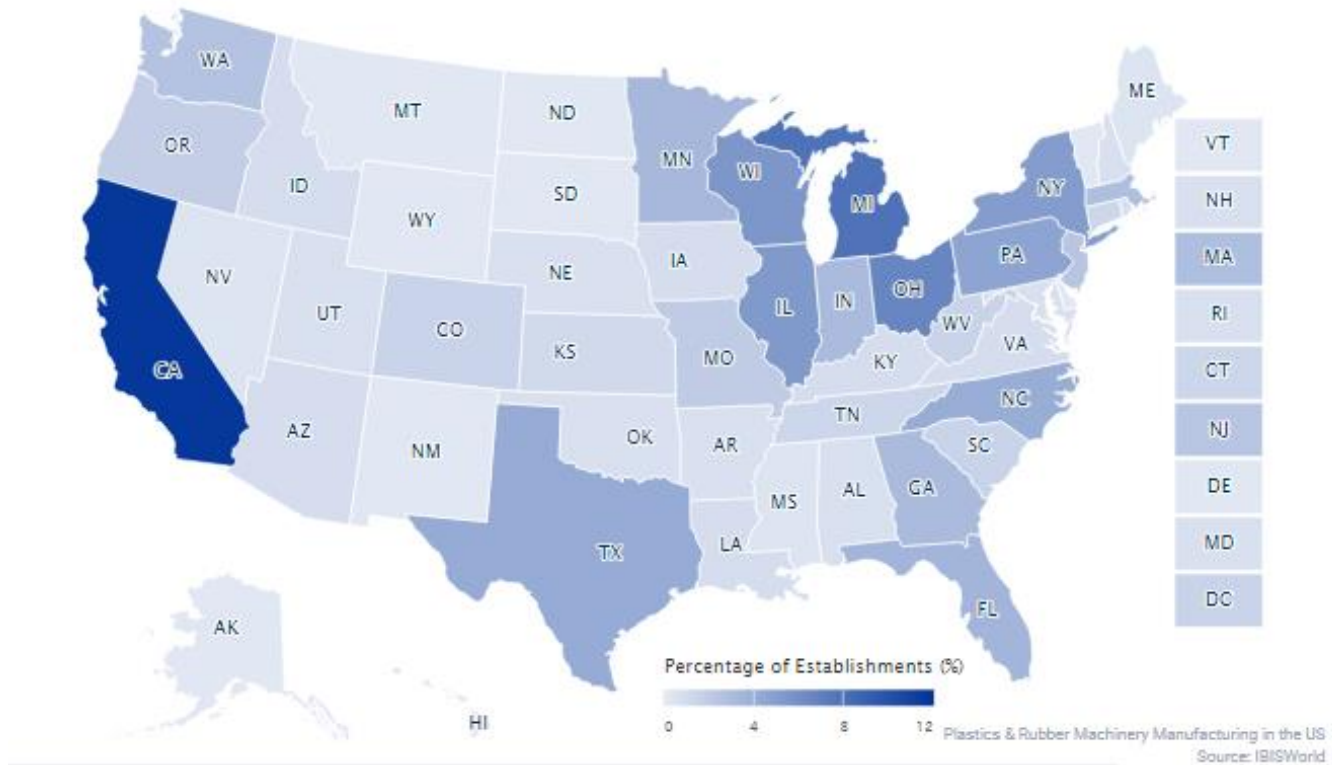


Industry Snapshot

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.



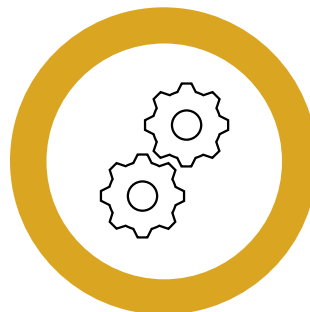
Buy-Side Advisory: Buy a business

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.