



Plastics Industry M&A Update – Q1 2024



Plastics Industry M&A Update

Q1 2024

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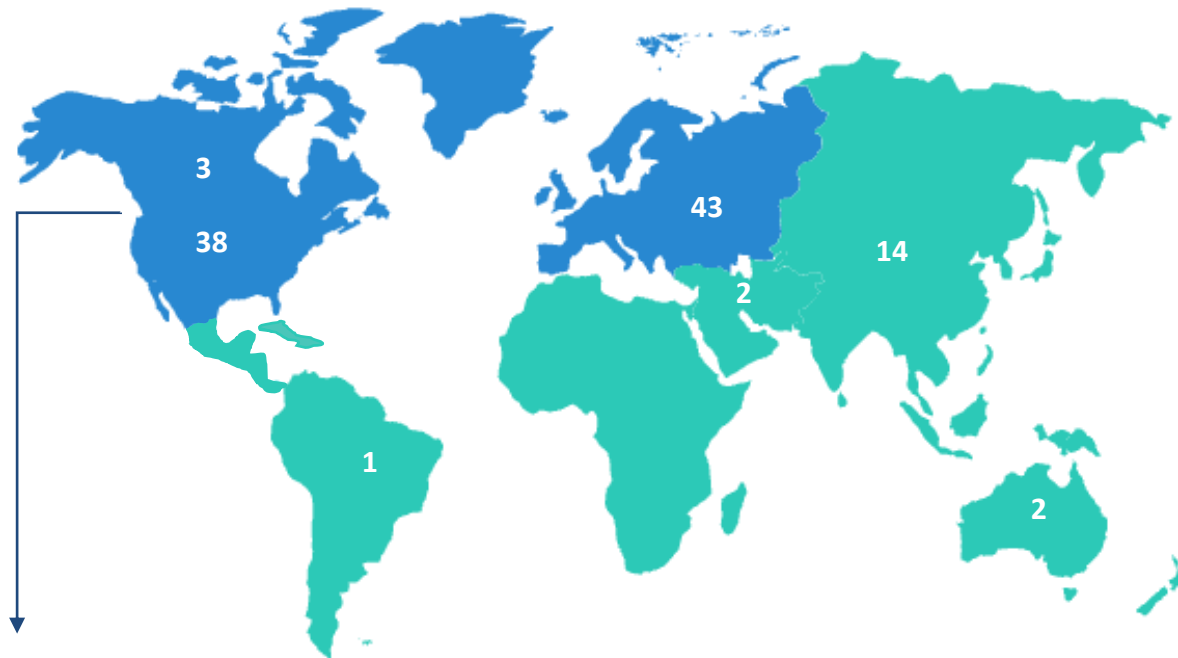
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REPORT HIGHLIGHTS

- The Plastics Material and Resin Manufacturing PPI index ticked up 1.4% from January 1, 2024, to March 1, 2024 but is still down substantially from the June 2022 peak.
- The median EV/EBITDA multiple for reported strategic deals decreased to 8.0x in Q1 from 12.6x in 2023 and the median EV/EBITDA multiple for reported private equity deals decreased to 2.5x in Q1 from 8.0x in 2022 (Q1 private equity multiple is based on limited data, no multiples were reported in 2023).
- M&A deal volume decreased 3.7% in Q1 to 103 deals from 107 in Q4, and increased 37.3% from 75 deals in Q1 of the prior year.
- As a % of total deal volume, PE buyers trended lower in Q1 relative to strategic buyers, representing 46.6% of deal volume in the sector, down from 49.1% in 2023.
- Europe was the most active region in Q1 with 43 deals. Most notably in the European market was Greif's \$538.0 million acquisition of Ipackchem Group in March 2024.

Global Deal Analytics

Of the 103 deals in Q1, Europe was the most active market with 43. Another notable deal in the European market (aside from the Ipackchem Group deal mentioned on the previous page) was Krones' \$184.9 million acquisition of Netstal Maschinen, a Switzerland-based manufacturer of injection molding machines, in March 2023. North America was the second most active region with 41 deals. All other regions combined for a total of 19 completed transactions.



Canada: 3

United States Regions: 38

Great Lakes:	13
West Coast:	6
Southeast:	6
Mid Atlantic:	5
Mountain:	4
Other:	4

■ 0-15 ■ 16+

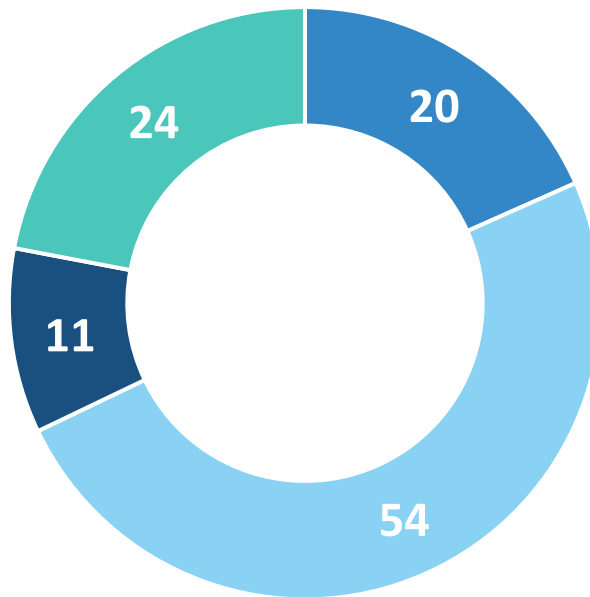
In the North American market, the Great Lakes region was the most active in Q1 with 13 deals followed by the West Coast and Southeast with 6 each. Most notably in North America was Myers Industries' \$350.0 million acquisition of Signature Systems, a Texas-based manufacturer and distributor of worksite safety and ground protection products, in February 2024. The Mid Atlantic and Mountain regions had 5 and 4 transactions close, respectively. All other regions combined totaled 4 closed transactions.

Outside of the U.S. in the North American market, there were 3 reported transactions in Canada in Q1.

Global Deal Analytics

Of the 103 Plastics deals in Q1, 54 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 20 deals followed by Chemicals & Gases with 11. All other subsectors combined had a total of 24 closed transactions.

Deal by Subsector



Commercial Products



Plastic Containers & Packaging



Chemicals & Gases

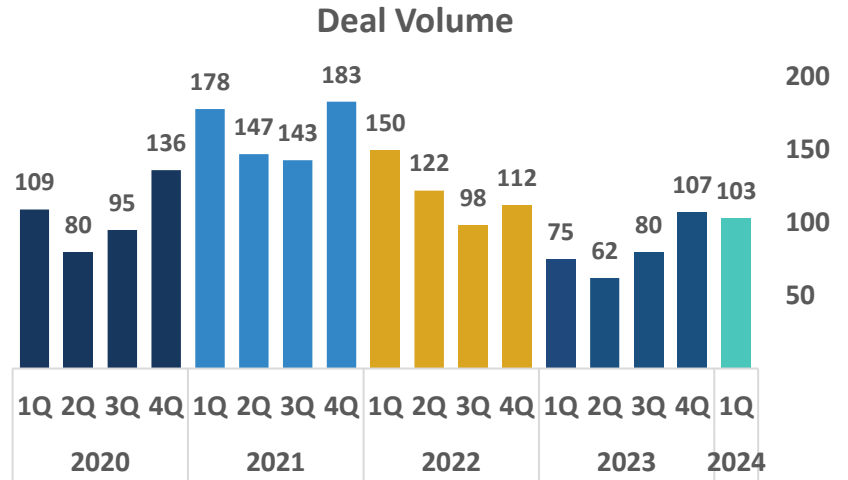


Other

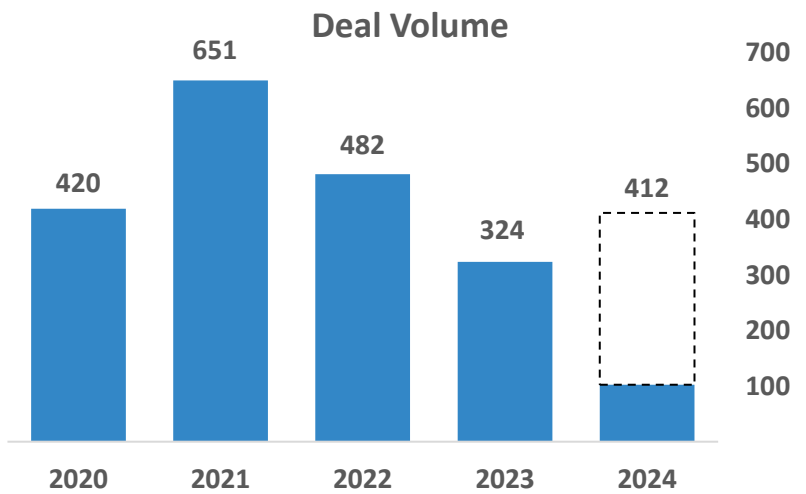


Global Deal Analytics

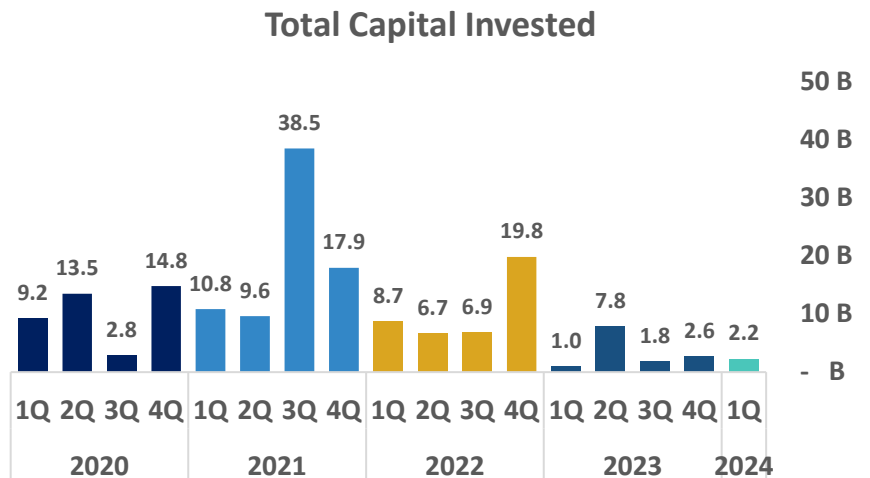
M&A deal volume in the Plastics sector decreased 3.7% in Q1 to 103 deals from 107 in Q4, and increased 37.3% from 75 deals in Q1 of the prior year.



Annual deal volume is projected to increase 27.2% to 412 deals in 2024 from 324 in the prior year. We attribute this increase to a shift in mix toward smaller deals. Additionally, global macroeconomic conditions are projected to improve slightly in 2024 with gradually rising global GDP and inflation set to fall to 5.8%. With an anticipated decrease in inflation, and potential rates cuts in 2H 2024, the plastics sector is expected to become more conducive to deal-making.



Following the trend in quarterly deal volume, total capital invested in M&A deals in the Plastics sector decreased 15.4% in Q1 to \$2.2B from \$2.6B in Q4, but increased 120.0% from \$1.0B in Q1 of the prior year. The decrease from the prior quarter is primarily due to an increase, as a % of total deal volume, in lower middle market acquisitions.



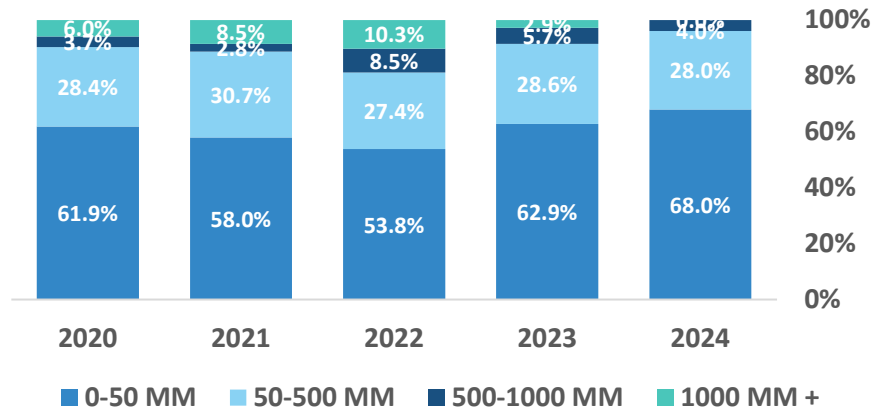
Global Deal Analytics

In Q1, we saw a shift towards smaller deals compared to the prior year. The lower middle (\$0-\$50MM) market increased to 68.0% in Q1 2024 from 62.9% in the prior year. The middle (\$50 - \$500MM) and upper middle (\$500-\$1000MM) tranches saw slight decreases to 28.0% and 4.0% in Q1 from 28.6% and 5.7% in 2023, respectively. No transactions were reported in the large cap (\$1000MM+) tranche in Q1.

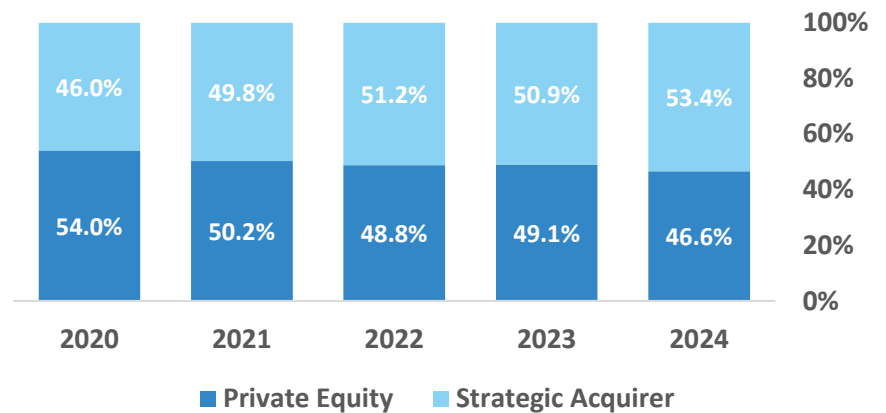
As a % of total deal volume, PE buyers trended lower in Q1 relative to strategic buyers, representing 46.6% of deal volume in the sector compared to 49.1% in 2023. Q1 2024 marks the lowest percentage of PE deal volume over the last 5 years. This drop is indicative of challenging market dynamics with increasing costs of capital and tightening liquidity from lenders.

PE's share of total capital invested in M&A deals decreased significantly in Q1 to 24.3%, down from 49.0% in the prior year. This lower level of capital invested by PE buyers is indicative of continuing challenges in the capital markets from a dealmaking perspective, including elevated interest rates/cost of capital coupled with tightening liquidity from lenders.

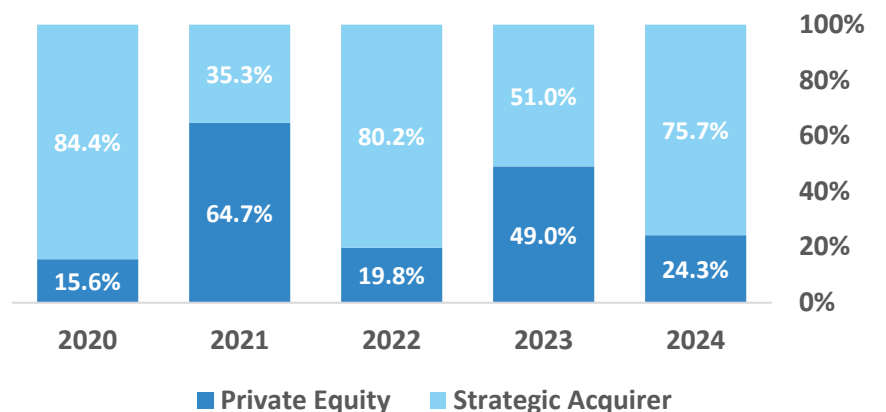
Deal Volume by Deal Size



Deal Volume by Acquirer

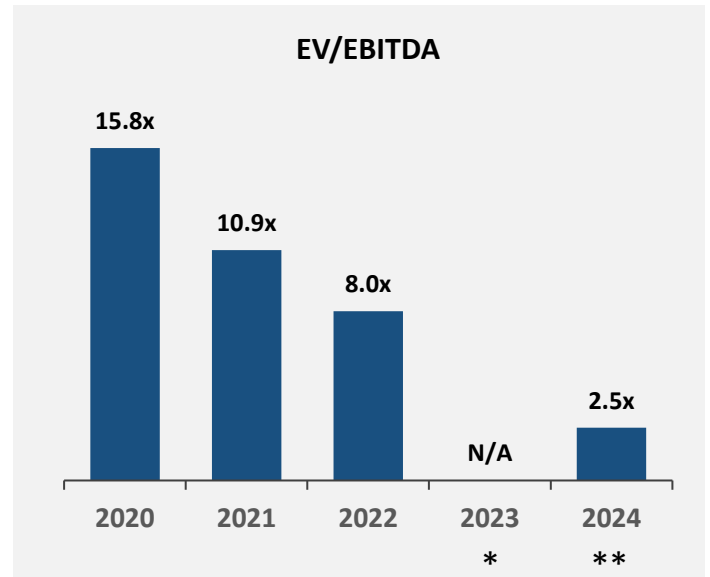
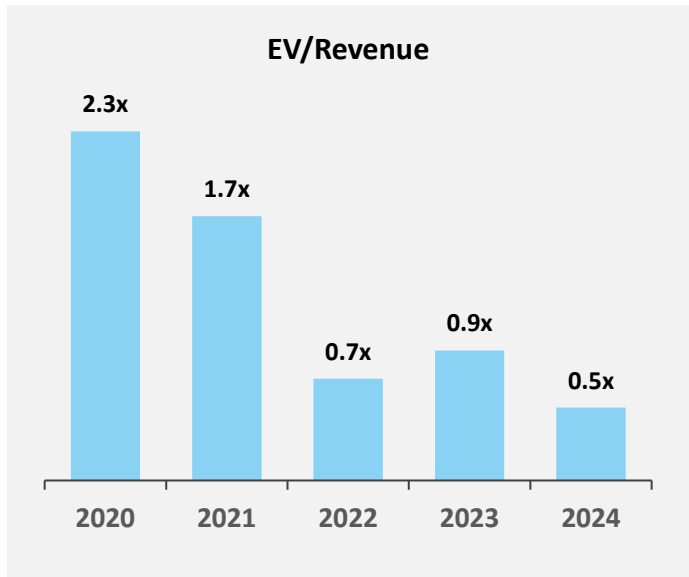


Total Capital Invested by Acquirer

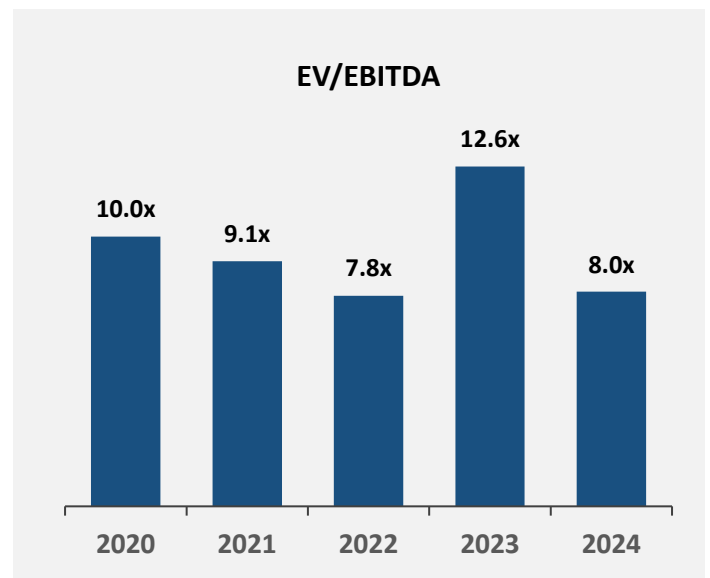
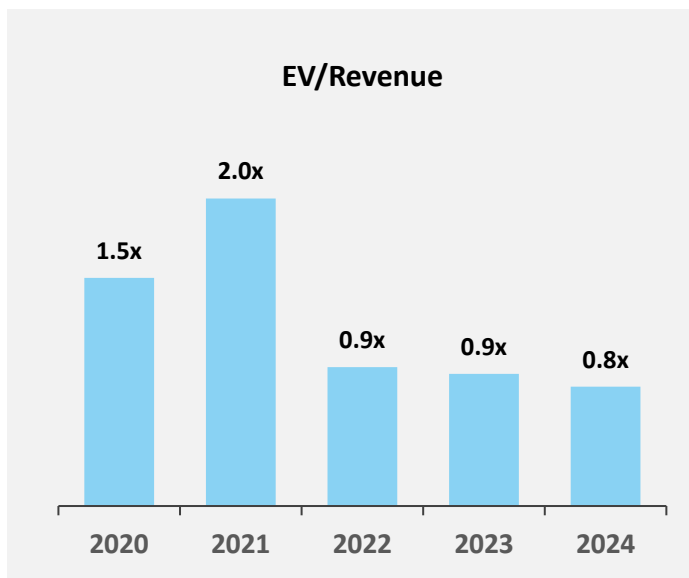


Valuation Multiples

Private Equity Multiples



Strategic Multiples







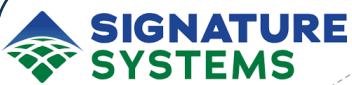



* No Private Equity EV/EBITDA multiples were reported in 2023.

** The only reported Private Equity EV/EBITDA multiple in 2024 is from CQS' buyout of Vinyl Technology in January 2024.

Largest Deals (Completed)

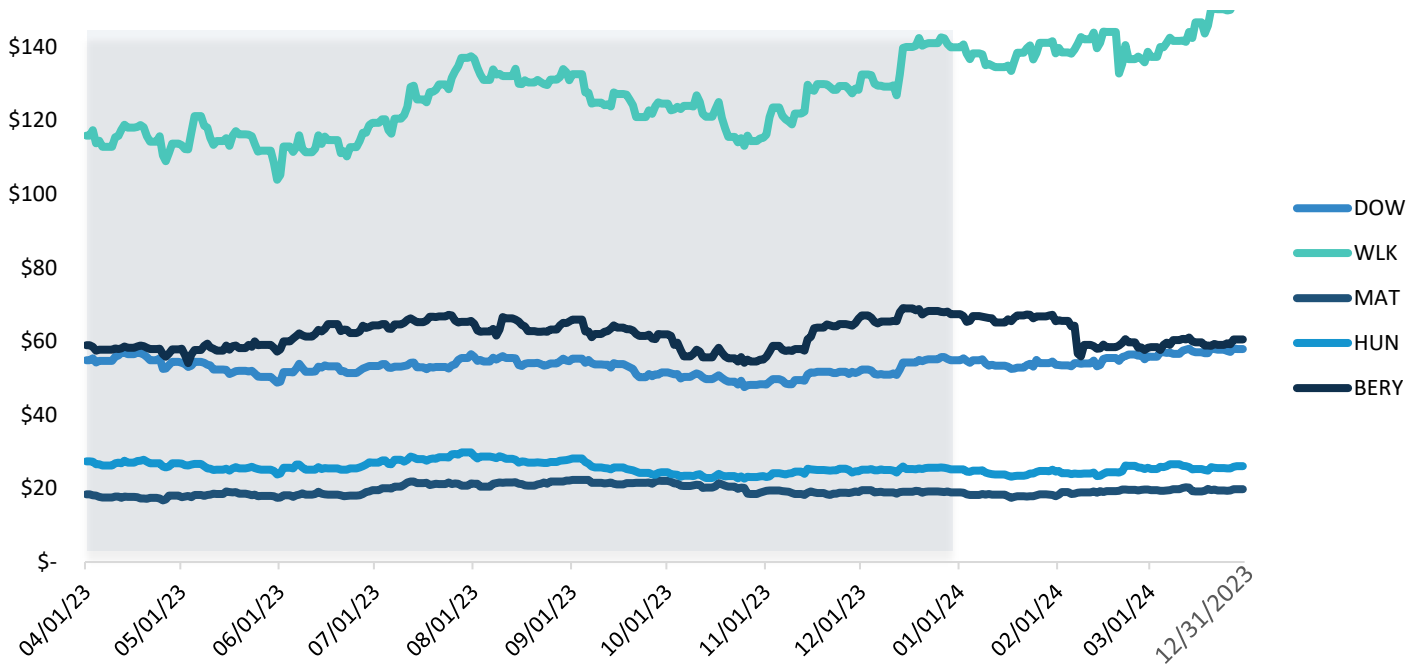
Deal Date	Company Name	Investor	Deal Type	Deal Size (\$mm)	EV		Target Business Description
					Revenue	EBITDA	
29-Mar-2024	Mantaline	Undisclosed Investor	PE Growth/Expansion	\$ 11.4			Manufacturer of extruded elastomeric products intended for automotive, heavy truck, construction, off-road, recreational, agricultural, rail and bus markets.
28-Mar-2024	Netstal Maschinen	Krones	Merger/Acquisition	184.9	0.85x		Manufacturer of injection molding machines intended to serve the beverage market as well as the medical and thin-wall packaging market.
26-Mar-2024	Ipackchem Group	Greif	Merger/Acquisition	538.0	2.29x	9.44x	Manufacturer of barrier packaging designed for specialty chemicals industries like fragrances and agrochemicals.
26-Mar-2024	Kisan Mouldings	Apollo Pipes	Merger/Acquisition	14.3	0.76x		Manufacturer of polyvinyl chloride pipes, fittings, and allied products.
25-Mar-2024	Danimer Scientific	Undisclosed Investor	PIPE	15.0			Manufacturer of biodegradable plastic products sold under the proprietary Nodax brand name.
12-Mar-2024	Peak Technology	Hannover Finanz Group	PE Growth/Expansion	10.8			Manufacturer of sophisticated lightweight carbon components intended to serve car racing and the space industry.
03-Mar-2024	Novelplast	Ocean 14 Capital	Buyout/LBO	10.8			Operator of a sustainable plastics manufacturing company intended to offer post-industrial polyester waste into high-quality plastic granules.
22-Feb-2024	Orica	Undisclosed Investor	PIPE	261.4			Orica is a leading global manufacturer and supplier of chemicals and explosives, primarily to the mining industry.
09-Feb-2024	Signature Systems	Myers Industries	Merger/Acquisition	350.0	2.87x	7.95x	Designer, manufacturer and distributor of temporary flooring and fencing products intended for worksite safety and ground protection.
09-Feb-2024	Avantium	Undisclosed Investor	PIPE	21.2			Developer of next-generation bio-based plastics and chemicals.
06-Feb-2024	CarbonX	Borski Fund	PE Growth/Expansion	10.9			Manufacturer of an advanced material in a unique form of carbon that turns fossil fuels into building blocks that make final products stronger.
31-Jan-2024	Aquapharm Chemical	Phillips Carbon Black	Merger/Acquisition	457.1			Manufacturer of specialty chemicals intended for oil, gas and textiles industries.
16-Jan-2024	Txuan	National Manufacturing Transformation and Upgrade Fund	PE Growth/Expansion	14.1			Developer of rotary joints and dynamic sealing technologies designed for manufacturing processing.
15-Jan-2024	Vinyl Technology	CQS	Buyout/LBO	20.0	0.48x	2.50x	Manufacturer of textile and polymer film products intended to serve government, aerospace, defense, industrial, and medical industries.
11-Jan-2024	Suzhou West Deane Machinery	Guangzhou Gongkong, Huatai Securities Asset Management	IPO	164.7			Manufacturer of electrical connection products.
10-Jan-2024	ABSA Resin Technologies	Kafrit Industries	Merger/Acquisition	10.9	0.79x	3.04x	Producer of thermoplastic compounds and recycling services catering to a wide range of engineering applications.
09-Jan-2024	Teknikum Group	Sanok Rubber Company	Merger/Acquisition	51.2			Manufacturer of technical polymer products intended to serve the mining, rail, process industries and personal protective equipment.
03-Jan-2024	Cubicure	Align Technology	Merger/Acquisition	86.3			Developer of 3D printing polymers designed to offer tough and heat-resistant polyethylene for industrial applications.
Mean				124.1	1.34x	5.73x	
Median				20.6	0.82x	5.50x	
High				538.0	2.87x	9.44x	
Low				10.8	0.48x	2.50x	

Leading M&A Deals (Completed)

Deals	Deal Synopsis	Driver
 	<p>Ipackchem Group, a French manufacturer of barrier packaging for the fragrance and agrochem industries, was acquired by Greif for \$538.0 million in March 2024. The acquisition expands Greif's product offerings in performance plastics and broadens its geographies and end markets.</p>	<p>Merger/ Acquisition</p>
  Phillips Carbon Black Limited	<p>Aquapharm Chemical, an Indian manufacturer of specialty chemicals for the oil, gas and textiles industries, was acquired by Phillips Carbon Black ("PCB") for \$457.1 million in January 2024. The combined entity allows PCB to expand its product offering into global specialty segments such as water treatment and oil & gas chemicals.</p>	<p>Merger/ Acquisition</p>
 	<p>Signature Systems, a Texas-based manufacturer and distributor of worksite safety and ground protection products, was acquired by Myers Industries for \$350.0 million in February 2024. This acquisition enhances Myers' margin and profitability profile and advances Myers to the second phase of its strategic growth plan, which includes expanding its M&A focus to include larger, enterprise deals.</p>	<p>Merger/ Acquisition</p>
 	<p>In March 2024, Krones acquired Netstal Maschinen ("NM"), a subsidiary of Swiss-based KraussMaffei. NM is a manufacturer of injection molding machines primarily for the beverage packaging industry, for \$184.9 million. This acquisition strengthens Krones' position as a market leader in beverage packaging, enhancing its capabilities in the production, filling and packaging of beverages and liquid foodstuffs.</p>	<p>Merger/ Acquisition</p>

Public Comps

Stock Price

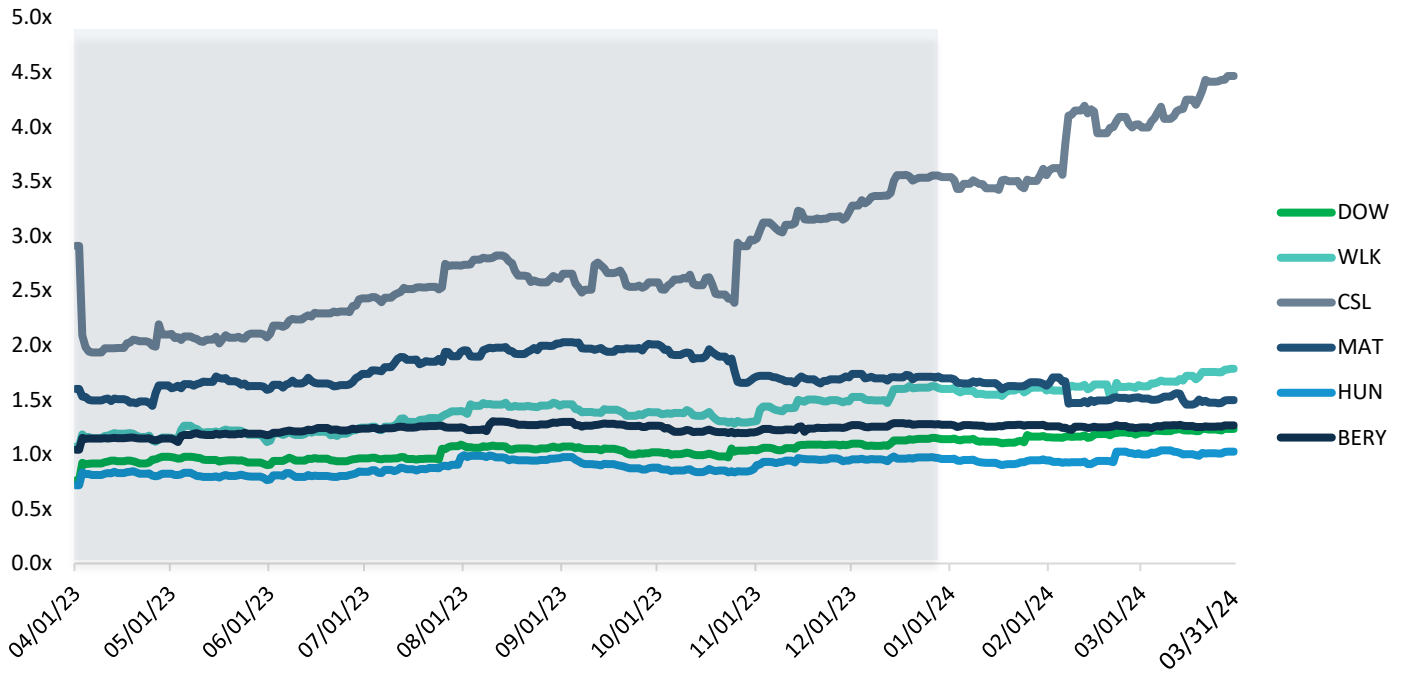


Financial & Valuation

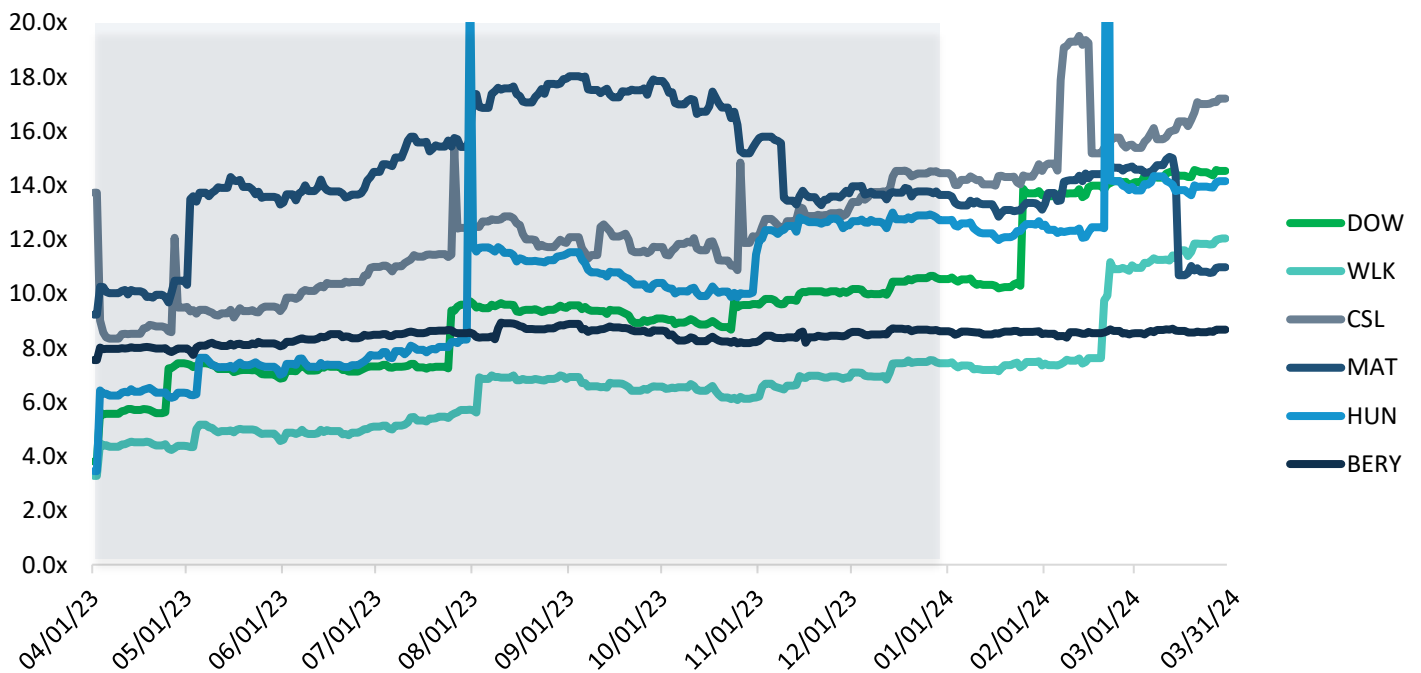
\$MM Company	Ticker	Stock Price	Market Cap	Total Debt	EV/Revenue			EV/EBITDA		
					22A	23A	24F	22A	23A	24F
Dow	DOW	58	41,014	16,447	0.8x	1.1x	1.1x	4.5x	10.6x	8.2x
Nan Ya Plastics	1303	2	13,652	6,209	1.5x	2.2x	2.0x	6.6x	17.4x	14.2x
EMS-Chemie Holding	EMSN	764	17,871	38	6.3x	7.2x	7.1x	20.2x	26.6x	25.7x
Westlake	WLK	153	19,591	5,517	1.1x	1.6x	1.7x	3.7x	7.5x	8.1x
Formosa Chemicals & Fibre	1326	2	9,995	4,775	1.1x	1.3x	1.2x	10.1x	22.3x	16.8x
Carlisle Companies	CSL	392	18,732	2,324	2.2x	3.5x	3.7x	9.9x	14.4x	14.6x
Mattel	MAT	20	6,815	2,590	1.4x	1.7x	1.6x	8.1x	13.7x	8.6x
Huntsman	HUN	26	4,503	2,068	0.8x	1.0x	1.0x	3.8x	12.8x	10.3x
Berry Global	BERY	60	7,011	9,265	1.1x	1.3x	1.3x	7.6x	8.7x	7.7x
Mean					1.8x	2.3x	2.3x	8.3x	14.9x	12.7x
Median					1.1x	1.6x	1.6x	7.6x	13.7x	10.3x

Public Comps

EV/Revenue



EV/EBITDA



Public Markets

Price of Plastic Materials and Resin

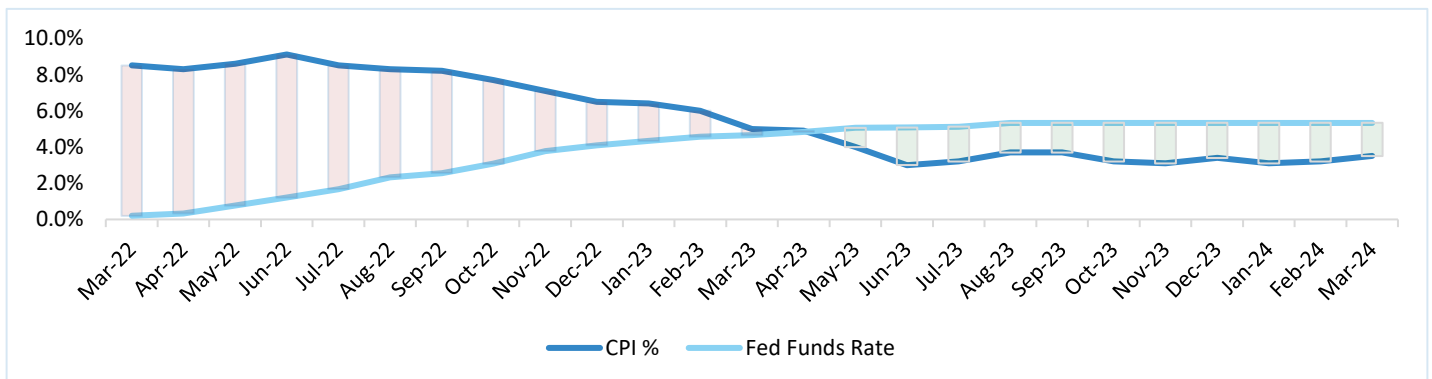
The Producer Price Index (PPI) for Plastics Material and Resin Manufacturing, reported by the Saint Louis Fed, indicates a 1.4% price increase from January 1, 2024, to March 1, 2024. Despite the slight increase, resin prices have followed a downward trend since peaking in June 2022.



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.

The Federal Reserve is anticipated to initiate a series of rate cuts in 2H 2024, with policymakers considering three cuts starting in June, aiming to reduce the Fed funds rate from 5.25%-5.5% to 4.5%-4.75%. This outlook, coupled with the latest above-expectations performance by the Magnificent Seven Stocks, has fueled public equity activity in Q1, 2024. The S&P 500 surged to 17 new record highs and has experienced a significant YoY increase of 28.36% since March 2023. The anticipated rate cuts are poised to increase M&A activity in Plastics sector by lowering the cost of capital required to finance acquisitions. Lower borrowing costs may narrow the gap between the price sellers are willing to accept and the proposed purchase price offered by buyers. Although we anticipate elevated M&A activity relative to 2023, we do not foresee M&A activity returning to the record-high levels seen in 2021.

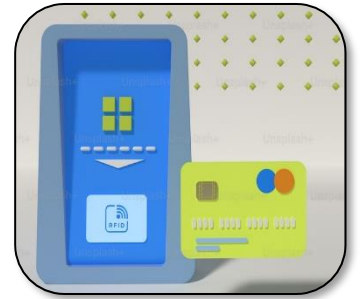


Industry Trends

Functionalized Plastics with Embedded Additives

Flexibility in Tailoring Materials to Diverse Needs

Functionalized plastics yield enhanced productivity by requiring low input costs and offering important features. Attaching embedded additives with specialized functionalities to these products further enhances their adaptability to fulfill diverse requirements. Embedded additives can be used in applications such as antimicrobial protection or auto-repair to optimize efficiency.



Recycling

Advanced Recycling Technologies

Advancements in chemical and mechanical recycling methods are broadening the range of materials suitable for repurposing, thereby diminishing dependence on virgin plastics and tackling sustainability issues. Pioneering companies like Loop Industries are spearheading chemical recycling techniques capable of disassembling various plastics into their fundamental components, facilitating the production of premium recycled plastics.



Biodegradable Plastics

Biodegradable Plastics Replacing Single-Use Plastics

Biodegradable plastics made from natural plant materials are designed to break down into harmless organic polymers under exposure to certain environmental factors. They are becoming a popular alternative for many uses including food containers and plastic bottles. A 2023 study by NielsenIQ found that 73% of consumers globally are willing to pay more for sustainable products, indicating the popularity growth of eco-friendly solutions.



High-Performance Materials

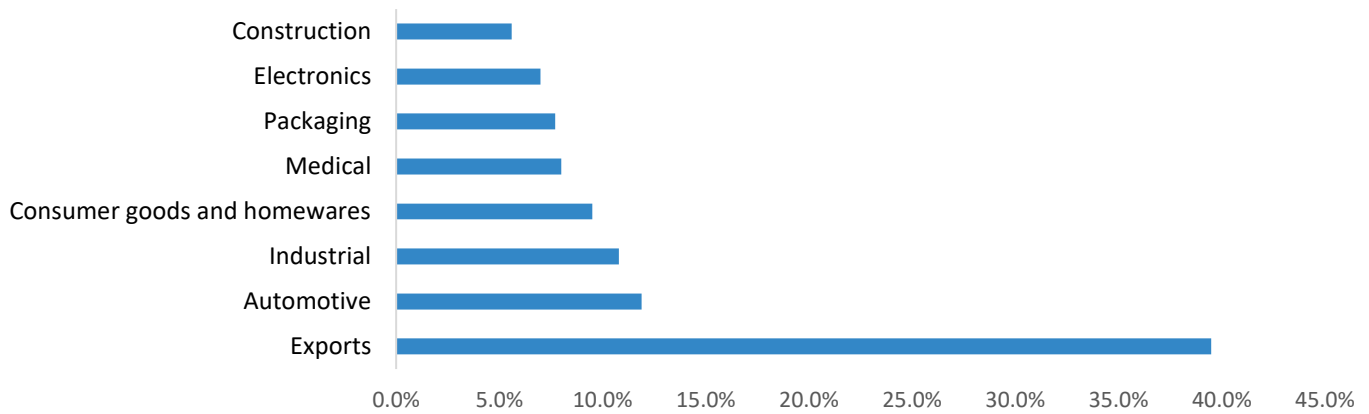
Versatile Materials with Enhanced Properties for Diverse Industries

The plastics market sees rising demand for high-performance materials for different markets, including notably aerospace, automotive, and electronics. These materials typically combine polymers with nanoscale fillers and offer improved strength, stiffness, and barrier properties.

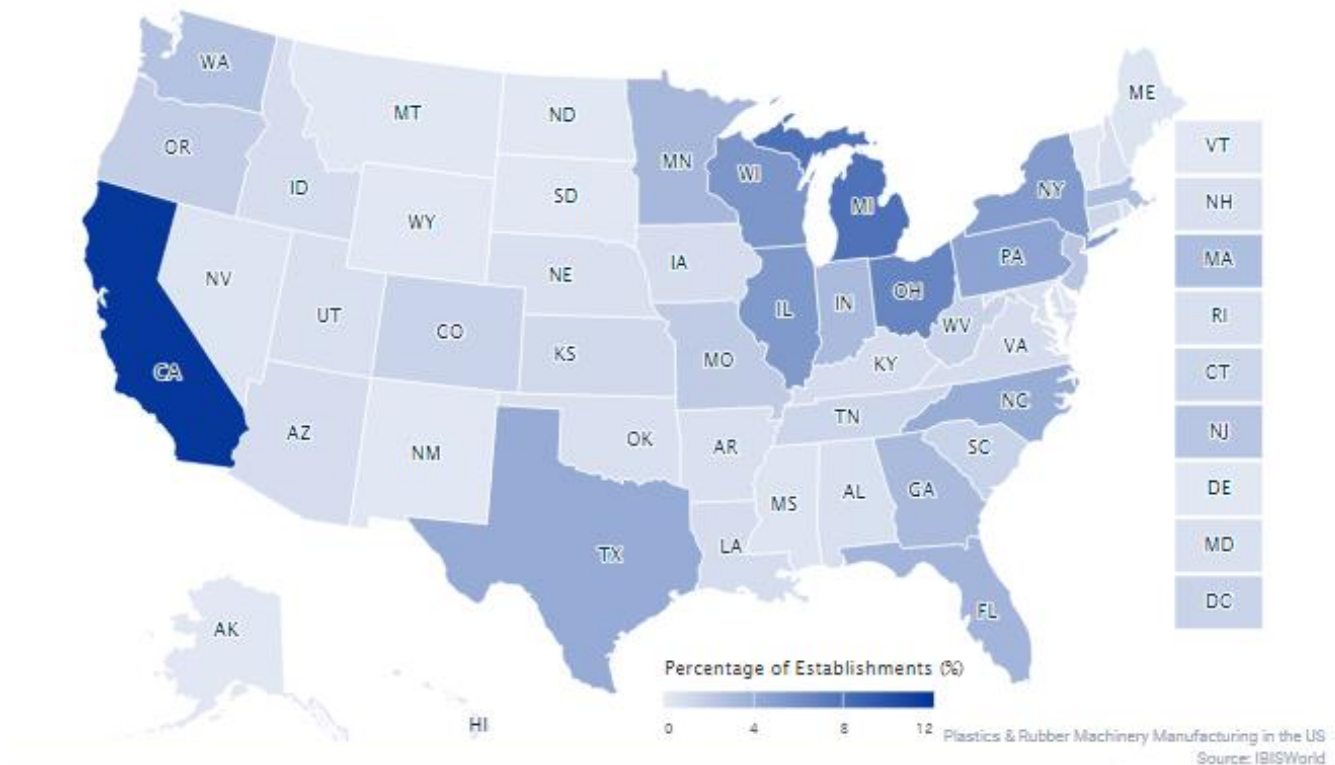


Industry Snapshot

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



Business Locations



Our Service Offerings



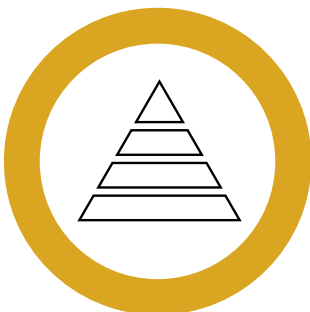
Sell-Side Advisory: Sell your business

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.



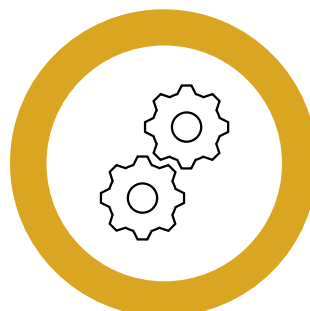
Buy-Side Advisory: Buy a business

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



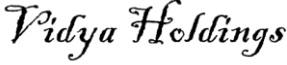



Has been acquired by





Has sold substantially all of its assets to


Has been acquired by





Has been acquired by




Our 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.

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.



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



Ryan Hartman
Senior Analyst
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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
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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
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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:



Flexible Packaging



Transportation & Logistics



Food & Beverage



Industrials



Tech-enabled Services



Healthcare

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