



Plastics Industry M&A Update
Q3 2024

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CONTENTS

- 3 Global Deal Analytics
- 7 Valuation Multiples
- 10 Leading M&A Deals
- 13 Industry Outlook
- 14 About R.L. Hulett
- 16 Selected Transactions
- 18 Our M&A Team

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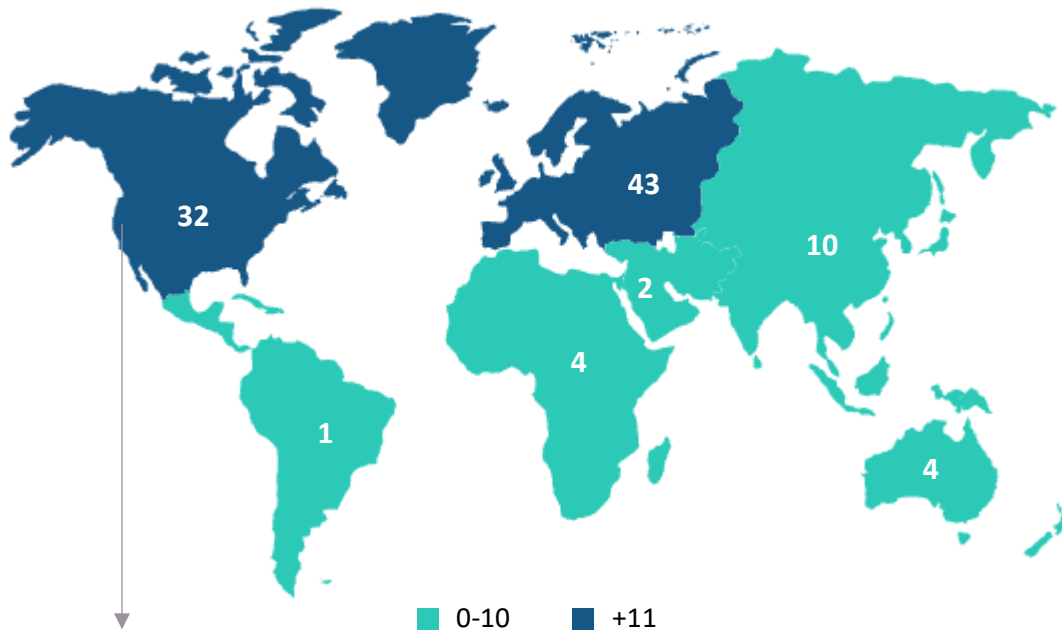
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REPORT HIGHLIGHTS

- The Plastics Material and Resin Manufacturing PPI index decreased 3.4% in Q3, driven by China's slow economic growth, reported easing tensions in the Middle East, and record-high U.S. crude output.
- The median EV/EBITDA multiple for reported strategic deals decreased to 8.5x in 2024 from 12.6x in 2023, and the median EV/Revenue multiple for private equity deals decreased to 0.4x from 0.9x in 2023.
- M&A deal volume in the Plastics sector increased 3.2% in Q3 to 96 deals from 93 deals in Q2, and increased 20.0% from 80 deals in Q3 of the prior year.
- As a % of total capital invested in M&A transactions in the sector, PE participation decreased in YTD Q3 to 34.5% from 49.0% in 2023.
- Europe was the most active region in Q3 with 43 deals. Most notably in the European market was a \$27.6 million investment in Hexagon Composites from an undisclosed investor in August 2024.



Of the 96 deals in the Plastics sector in Q3, Europe was the most active with 43. A notable European deal (in addition to the Hexagon Composites deal mentioned on the previous page) was Macfarlane Group’s \$20.7 million acquisition of Polyformes, a U.K.-based manufacturer of polyethylene foam products, in July 2024. North America was the second most active with 32 transactions and all other regions combined for a total of 21 deals.



Canada: 0

United States: 32

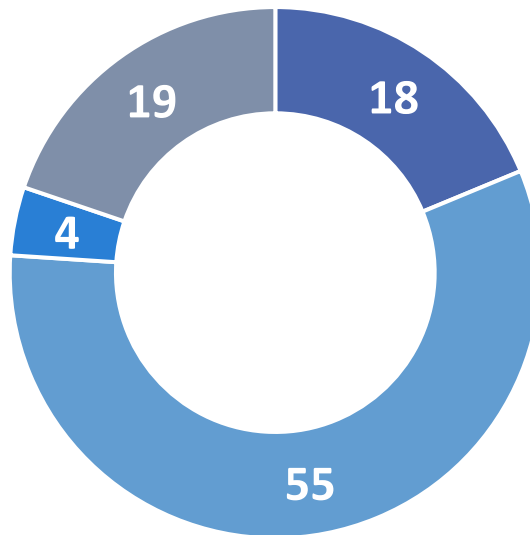
Great Lakes:	7
Southeast:	6
West Coast:	6
Mid Atlantic:	4
Others:	9

In the U.S. market, the Great Lakes region was the most active area with 7 deals, followed by the Southeast and West Coast with 6 closed transactions. Most notably in the U.S. was SK Capital Partners’ \$150.0 million investment in SI Group, a Texas-based manufacturer of performance additives, in September 2024. The Mid Atlantic region reported 4 deals and all other U.S. regions combined totaled 9 completed transactions.

Outside of the U.S. in the North American market, no deals were closed in Canada or Mexico in Q3 2024.

Of the 96 Plastics deals in Q3, 55 deals were in the Commercial Products subsector, making it the most active from an M&A volume standpoint. Containers & Packaging was the second most active with 18, followed by Chemicals & Gases with 4 completed transactions. All other subsectors combined for 19 closed deals.

Deal by Subsector



Commercial Products



Containers & Packaging



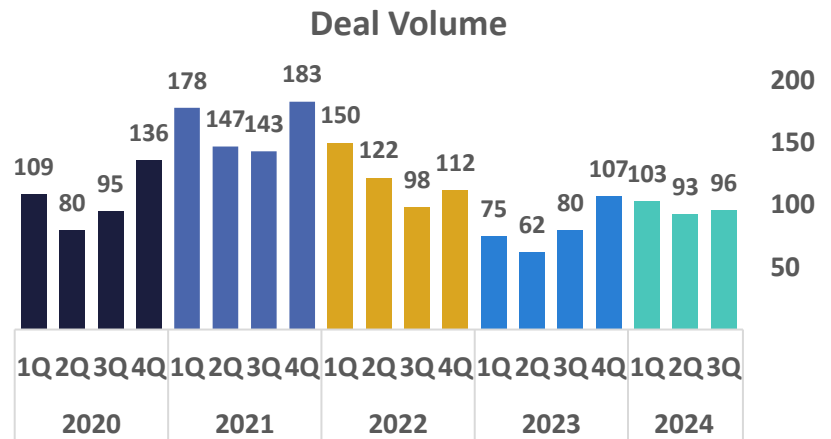
Chemicals & Gases



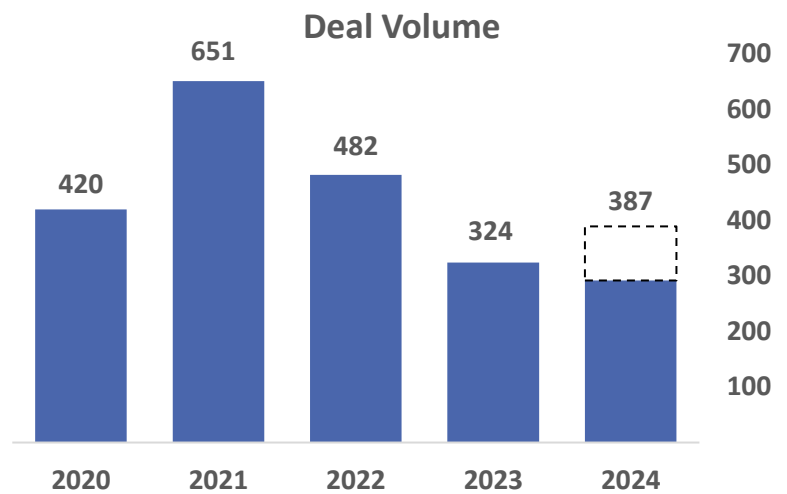
Others



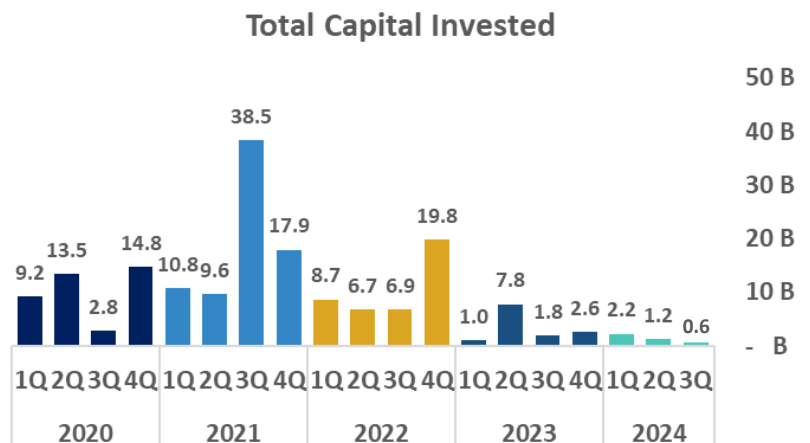
Deal volume in the Plastics sector increased 3.2% in Q3 to 96 deals from 93 deals in Q2, and increased 20.0% from 80 deals in Q3 of the prior year. Deal volume has remained relatively stable, fluctuating within a range of 14 deals over the past four quarters.



Based on activity through Q3, M&A deal volume is anticipated to increase 19.4% to 387 deals in 2024 from 324 in 2023. We attribute this uptick in deal volume to a more positive outlook on future market conditions in the coming quarters, with the Fed cuts in interest rates and the election moving to the rearview mirror.

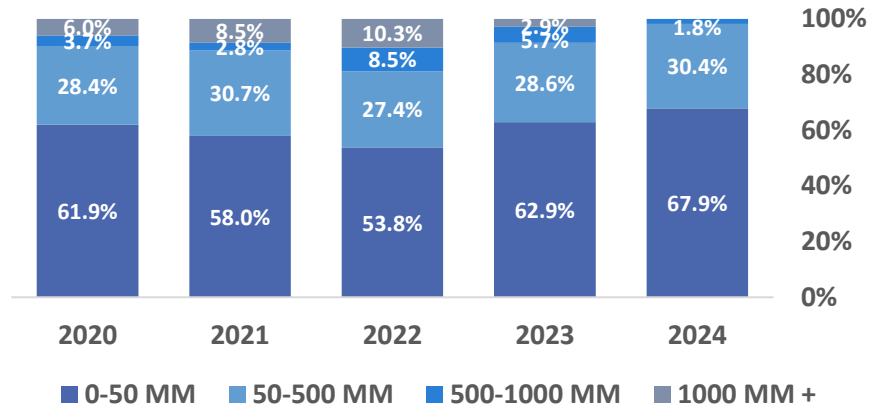


Contrary to the quarterly trend in deal volume, total capital invested in M&A deals in the sector decreased 50.0% in Q3 to \$0.6B from \$1.2B in Q2, and decreased 66.7% from \$1.8B in Q3 of the prior year. The decreases from Q2 2024 and the prior year are primarily due to a shift in mix toward smaller-sized deals in Q3 with a higher percentage of lower middle-market (\$0-\$50MM) acquisitions in the quarter.



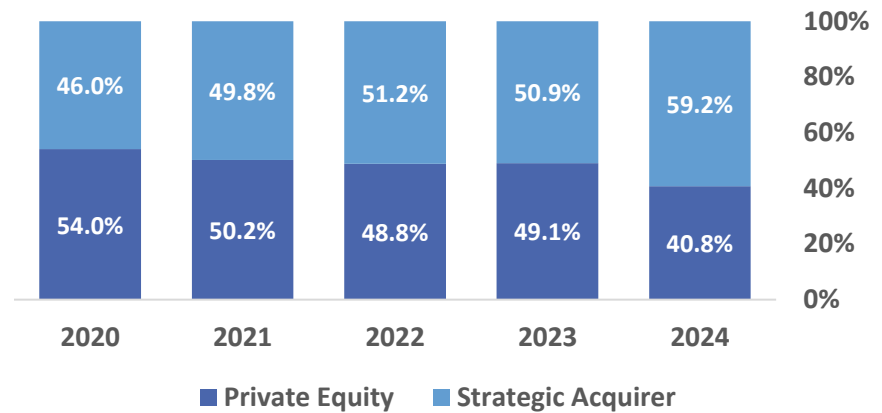
YTD through Q3, we generally saw a shift towards smaller-sized deals from the prior year. The lower middle market (\$0 - \$50 MM) increased significantly to 67.9% from 62.9% in 2023, while the large cap (\$1000 MM+) tranche reported 0 deals in YTD Q3 compared to 2.9% in 2023. The upper middle (\$50 - \$500 MM) tranche also saw a decrease to 1.8% from 5.7% in the prior year while the middle market (\$50 - \$500 MM) increased to 30.4% from 28.6% in the prior year.

Deal Volume by Deal Size



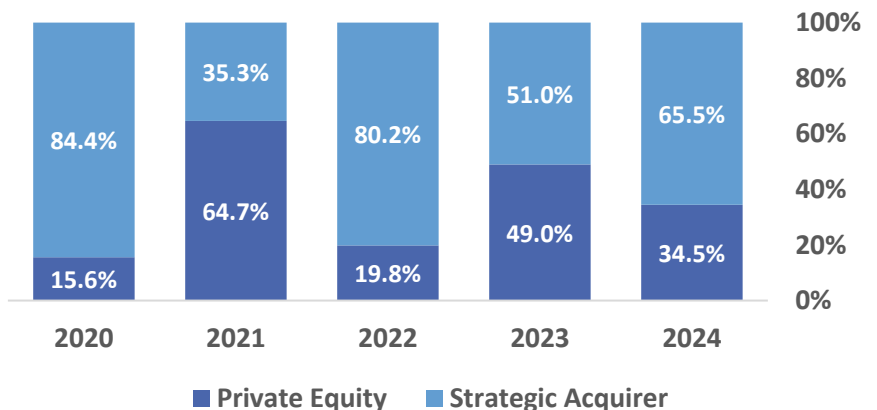
As a % of total deal volume, PE buyers have trended lower so far in 2024 relative to strategic buyers, representing 40.8% of deal volume in the sector compared to 49.1% in 2023. YTD Q3 2024 marks the lowest level of participation in the sector (from a volume standpoint) from PE buyers versus strategic buyers over the last five years.

Deal Volume by Acquirer



Following the trend in deal volume, total capital invested by PE investors (as a % of overall capital invested) decreased in YTD 2024 to 34.5% from 49.0% in 2023. YTD 2024 continues the trend of significant year-over-year fluctuations in private equity sector participation (from a % of capital invested standpoint) versus strategic buyers over the last five years.

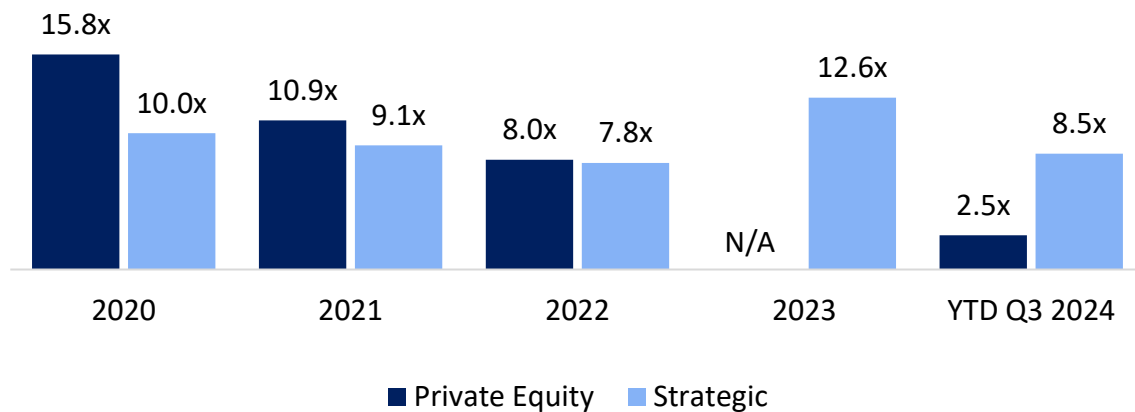
Total Capital Invested by Acquirer



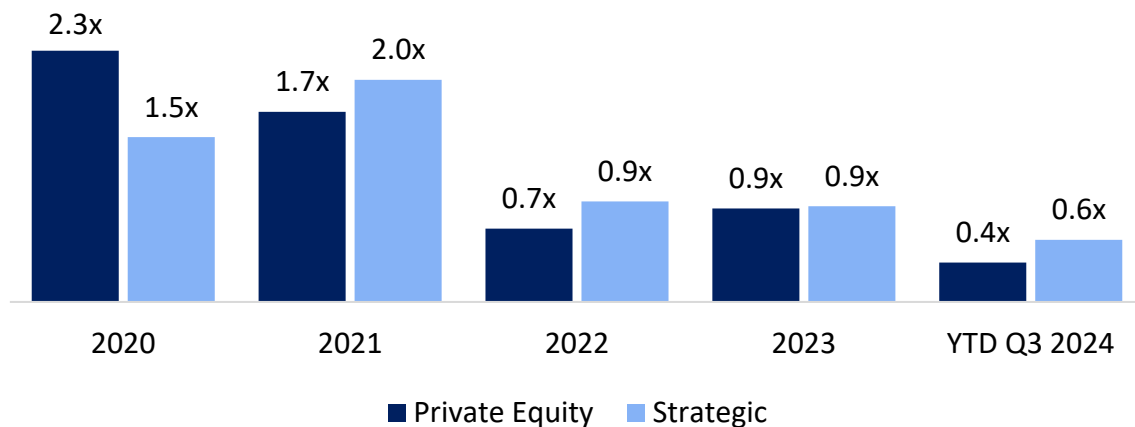
The median EV/EBITDA multiple for reported strategic deals decreased to 8.5x in 2024 from 12.6x in 2023, and decreased for private equity deals to 2.5x from 8.0x in 2022. No private equity EV/EBITDA multiples were reported in 2023 while only one was reported in 2024, CQS' acquisition of Vinyl Technology in January 2024.

The median EV/Revenue multiple for reported private equity deals decreased to 0.4x in 2024 from 0.9x in 2023, and multiples for strategic deals decreased to 0.6x from 0.9x in the prior year.







Reported EV/EBITDA Multiples












Reported EV/Revenue Multiples



Active Strategic Investors









Investor	YTD T&L Investments	Select Targets
	1	
	1	
	1	

Active Private Equity Investors

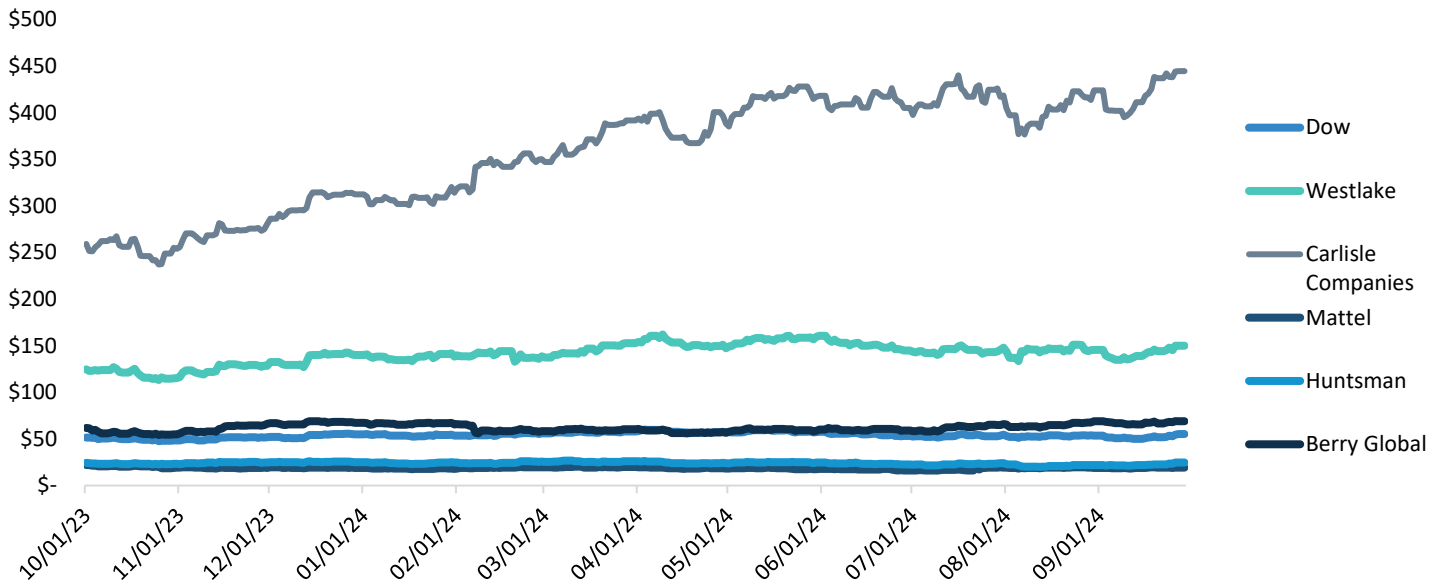
Investor	YTD T&L Investments	Select Targets
	2	 
	2	 
	2	 

Largest Deals (Disclosed)

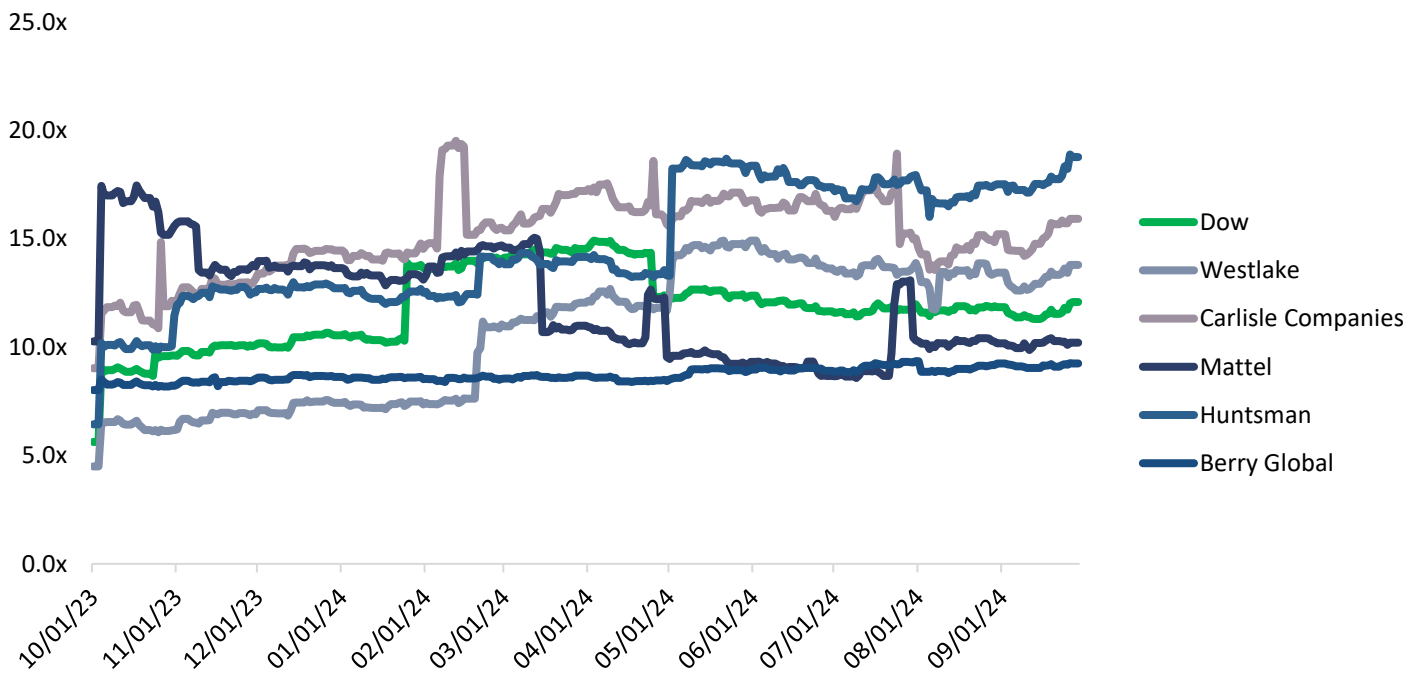
Deal Date	Company Name	Investor	Deal Type	Revenue	EBITDA	Deal Size (\$mm)	EV		Target Business Description
							Revenue	EBITDA	
30-Sep-2024	SI Group	SK Capital Partners	PE Growth/Expansion			\$ 150.0			Developer and manufacturer of performance additives focused on specialty resins.
03-Sep-2024	Australian Plastic Profiles	Legrand	Merger/Acquisition		111.4				Manufacturer and distributor of plastic profiles intended for electrical, point-of-sale, and building end markets.
27-Aug-2024	Middle East Glass Manufacturing	Glassworks	PIPE			14.1			Manufacturer of disposable glass and plastic products for the food and beverage and pharmaceutical industries.
08-Aug-2024	DATRO	Zhejiang DunAn Artificial Environmental Company	Merger/Acquisition			29.7			Producer of functional plastic parts for automotive power systems.
17-Jul-2024	Baron Rubber	Trelleborg Group	Merger/Acquisition			300.0			Manufacturer of advanced silicone and rubber components designed to support the medical industry.
17-Jul-2024	Otego	Bpifrance	PE Growth/Expansion			5.4			Manufacturer of technical fabrics designed for the rubber, tire, and aviation industries.
09-Jul-2024	Hi-P International	65 Equity Partners	PE Growth/Expansion			73.9			Provider of contract manufacturing services intended to offer precision tooling and plastic moulding.
08-Jul-2024	Polyformes	Macfarlane Group	Merger/Acquisition			20.7			Manufacturer of foam products from polyethylene foam, based out of in Bedfordshire, England.
02-Jul-2024	NN, Inc.	Blackford Capital	Buyout/LBO			16.0			Manufacturer of precision plastic injection moldings and assemblies.
02-Jul-2024	Hekla	FAMI Group	Merger/Acquisition	0.2	1.4				Provider of plastic molding services headquartered in Trevignano, Italy.
02-Jul-2024	Novatra	UI Investissement	Buyout/LBO	1.6	13.6				Manufacturer of plastic injection molds catering to medical, pharmaceutical, packaging and cosmetics sectors.
01-Jul-2024	VEMThailand	SCG Packaging	Merger/Acquisition		8.7	4.0	0.51x		Manufacturer of polymer injection molding parts catering to the automotive and medical industries.
Mean				0.9	33.8	68.2	0.51x	N/A	
Median				0.9	11.1	20.7	0.51x	N/A	
High				1.6	111.4	300.0	0.51x	N/A	
Low				0.2	1.4	4.0	0.51x	N/A	

Target	Investor	Driver	Deal Synopsis
		Buyout/LBO	Baron Rubber, an Australian manufacturer of advanced silicone and rubber components for medical devices, was acquired by Trelleborg Group, a subsidiary of Parker Hannifin, for \$300.0 million in July 2024. The acquisition broadens Trelleborg Group's product portfolio by integrating specialized solutions tailored for the healthcare and medical sectors.
		PE Growth/Expansion	In September 2024, SI Group, a Texas-based manufacturer of performance additives, raised \$150.0 million in development capital from a consortium of investors led by SK Capital Partners. The funding will enhance SI Group's product development initiatives, expand its market reach, and support strategic growth within the performance additives sector.
		PE Growth/Expansion	Hi-P International ("Hi-P"), a Singapore-based contract manufacturer specializing in precision tooling and plastic molding, secured \$73.9 million in development capital from 65 Equity Partners in July 2024. The contract manufacturing subsector is rapidly growing, driven by rising demand in automotive, consumer electronics, and healthcare end-markets. This investment positions Hi-P to capitalize on these emerging trends.
		Merger/Acquisition	In August 2024, Zhejiang DunAn Artificial Environmental Company ("DunAn") acquired Shanghai Datro Automobile Technology Co. ("Datro") for \$29.7 million. Datro, a Shanghai-based manufacturer of functional plastic parts for automotive power systems, strengthens DunAn's position in China's quickly growing and highly competitive electric vehicle market.

Stock Price

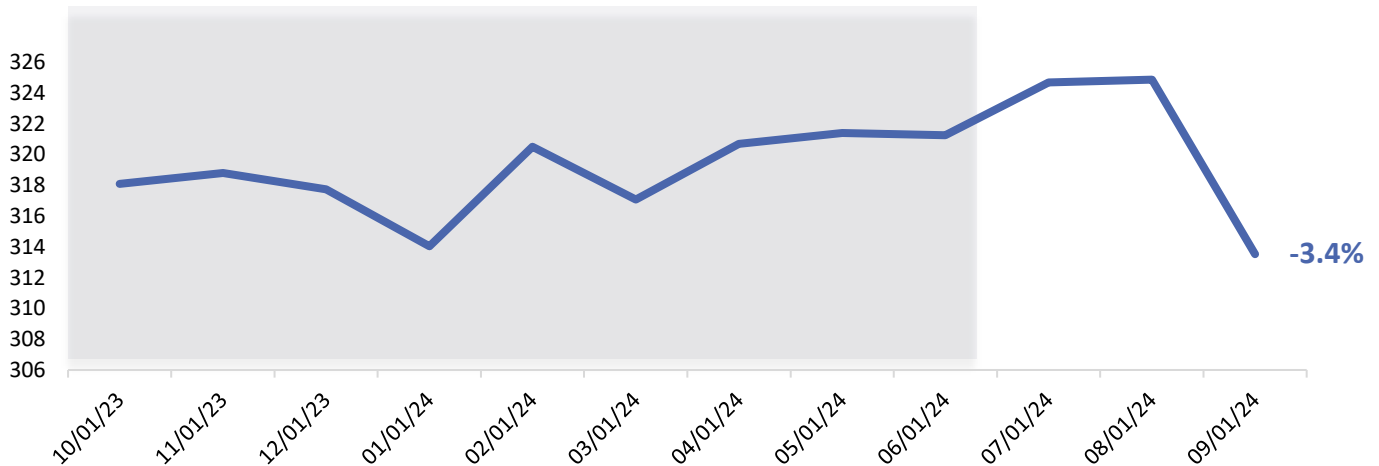


EV/EBTIDA



Index Performance

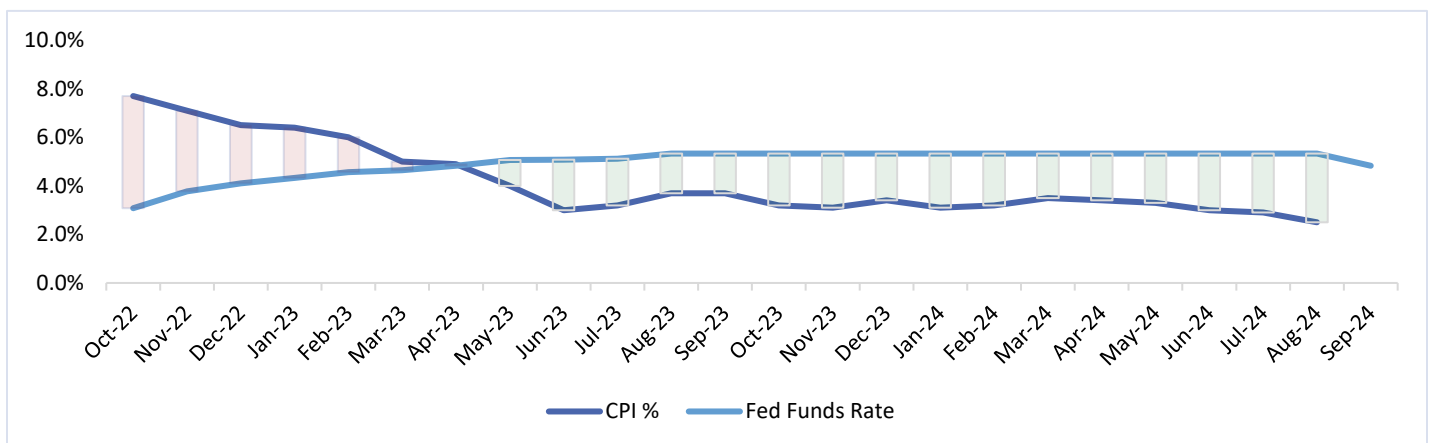
The Producer Price Index (PPI) for Plastics Material and Resin Manufacturing, reported by the Saint Louis Fed, indicates a 3.4% price decrease in Q3.



Key External Drivers

Through August 2024, rising crude oil prices increased costs for plastic manufacturers, posing a threat to profit margins across the industry. However, in September 2024, this trend reversed sharply as energy prices decreased, driven by China’s slow economic growth, reported easing tensions in the Middle East, and record-high U.S. crude output.

The Federal Reserve implemented its first interest rate cut in more than four years following a mid-September meeting, lowering the federal funds rate by 0.50%. This marks the start of what many economists predict will be a series of cuts over the next 1-2 years. The decision comes after a year of holding rates steady in the 5.25% to 5.50% range, following 11 rate hikes between March 2022 and July 2023 aimed at combating record inflation. With inflation now closer to the Fed’s 2% target, many experts anticipate further rate cuts through 2025. This move could ease borrowing costs, potentially narrowing the gap between seller expectations and buyer offers in M&A transactions, which may lead to increased deal volume.



Emerging trends in the Plastics space:



Regulatory Changes

Plastic Companies Navigate Expected Regulatory Changes

With the shift towards sustainability and environmentally friendly products, the plastics industry anticipates significant regulatory changes. The decline in the viability of single-use plastics is prompting companies to reconsider their business processes, particularly in packaging. Additionally, potential regulatory changes may include the banning of PFAS and PVS.



Development of AI

Utilizing AI for Materials Development

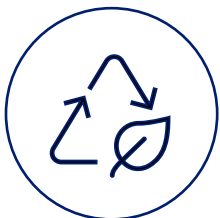
The plastics industry is making a significant leap with the introduction of AI and nanotechnology into materials development. These technologies assist in materials discovery, research and development, and property prediction. As a result, materials with greater functionality can be created more efficiently, driving innovation. Companies have begun leveraging these tools to enhance sustainability and recycling efforts.



Innovative Molding

New Techniques Make Complex Shapes Possible

New injection molding, blow molding, and thermoforming techniques have advanced the plastics manufacturing process, making more complex shapes and designs viable. These developments are expected to drive increased demand. The plastics market size is estimated to reach \$738 billion by 2030, with a CAGR of 3.8%, due to high demand from end-use industries for lightweight and durable plastics.



Sustainability and Recycling

Refining and Innovating to Meet Eco-Friendly Standards

Innovation has made chemical recycling and depolymerization processes more viable and efficient. However, the industry is still refining existing recycling systems to achieve higher recycling rates. Additionally, companies are increasingly choosing eco-friendly materials to reduce their environmental impact.



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Investment Bankers for the Middle Market

About

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 280 transactions in a variety of industries including Plastics, Food & Consumer, packaging, Plastics, Plastics, 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.

Our Clients

\$10 - 250MM
Revenue

\$2 - 20MM
EBITDA

Middle Market
Privately Owned

Industries Served



Plastics



Food &
Consumer



Plastics &
Packaging



Business
Services



Tech-Enabled
Services



Healthcare



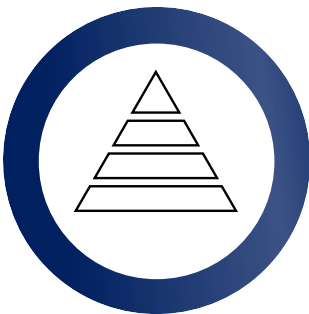
Sell-Side Advisory: Sell your business

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.



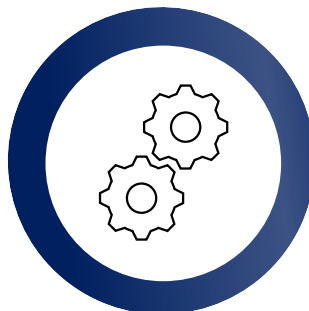
Buy-Side Advisory: Buy a business

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.

Below is a recent transactions facilitated by R.L. Hulett, showcasing our expertise in the Plastics Industry. Each transaction exemplifies our commitment to delivering exceptional value and strategic growth for our clients.



The Seller: Based in St. Louis, Missouri and Hong Kong with additional warehouse locations in California and Virginia, Team Three is a leading global distributor of paper, packaging and disposable plastic products to the foodservice industry. Co-founded by Bob Hubbard and Roy Van in 2009 to create a global platform for companies seeking to expand their sourcing options, Team Three has organically grown revenue and income every year since inception and was awarded a global sourcing role with one of the largest foodservice distributors in the U.S.

The Buyer: Headquartered in Exton, PA, AmerCareRoyal (“ACR”) is a single stream resource for over 6,000 disposable products used in the foodservice, janitorial, sanitation, industrial, hospitality and medical industries. With multiple shipping points across North America, ACR’s family of companies service national level customers with outstanding customer service and an ever-growing product line.

Transaction Rationale: With the acquisition of Team Three, ACR is positioned as a leader in their market while also creating a better value proposition for customers.

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.



has sold substantially all of its assets to



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





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Mr. Hulett has led M&A transactions in a variety of industries including manufacturing/industrial, software development/IT, Plastics 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.



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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.



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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.



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