



Key Trends in Plastics M&A

February 22, 2018



Presentation to NCCA Educational Conference



Introduction

About P&M Corporate Finance (PMCF)

- Founded in 1995 – over 20 years of middle market M&A advisory experience and hundreds of successful transactions
- Experienced professionals specializing in the M&A needs of plastics and packaging businesses
 - Sale Advisory, Sale Planning, Acquisition Advisory, Capital Sourcing
- Affiliation with Plante Moran and founding owner of Corporate Finance International provides clients with expansive transaction expertise and global geographic reach
- FINRA registered, independent investment bank

Recent Awards & Recognition

2017 M&A Atlas Award
Winner: USA Boutique
Investment Bank of the Year



2017 M&A Atlas Award
Winner: Middle Markets
Corporate Deal of the Year



2016 EMEA M&A Advisor
Award Finalist:
Transaction of the Year



2016 M&A Atlas
Award Winner: Private
Equity Deal of the Year



2016 M&A Award
Winner: Corporate
Acquisition of the Year



2016 M&A Award
Winner: Deal of the Year



2013 International M&A
Boutique Investment
Banking Firm of the Year



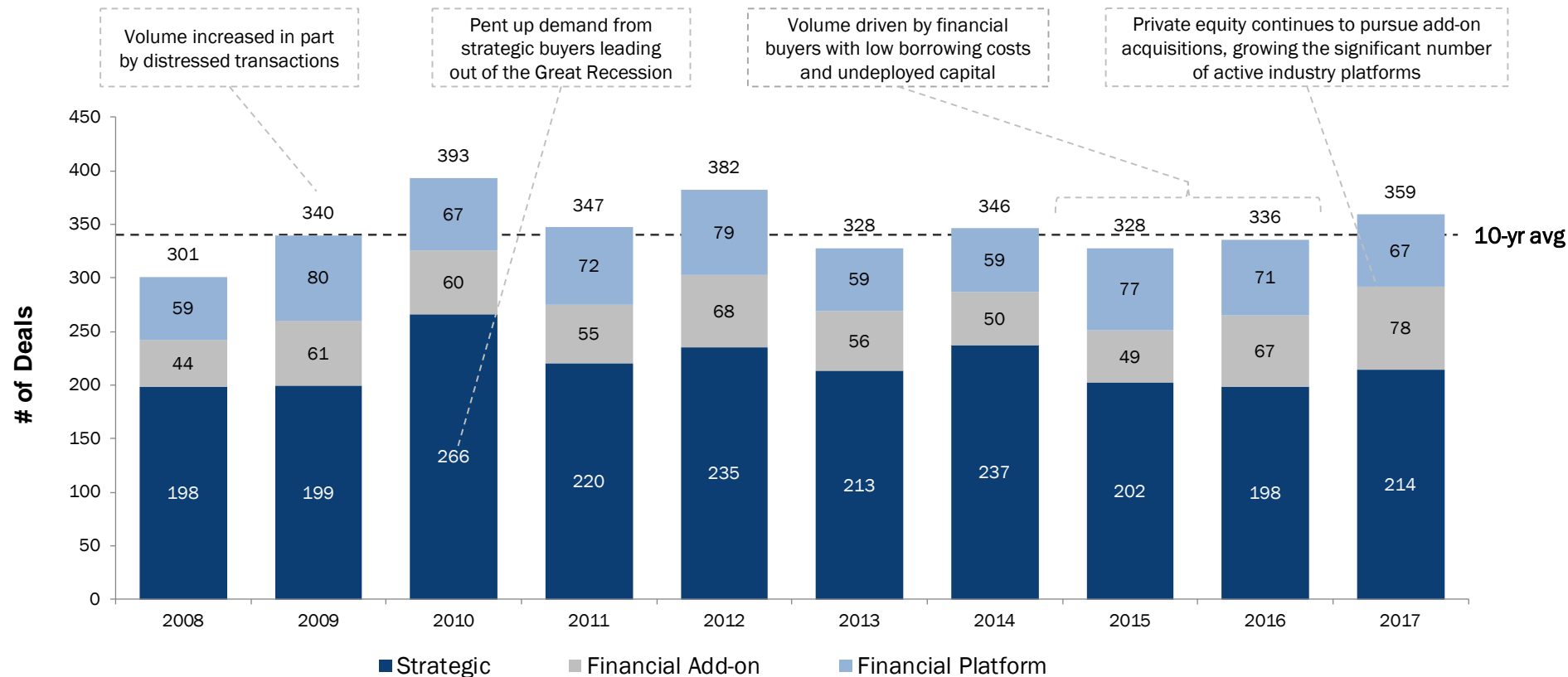


Today's Presentation

Key Topics

- I. Global Plastics M&A Trends
- II. Valuation Levels
- III. Processor & Product Category Analysis
- IV. Outlook for Plastics M&A

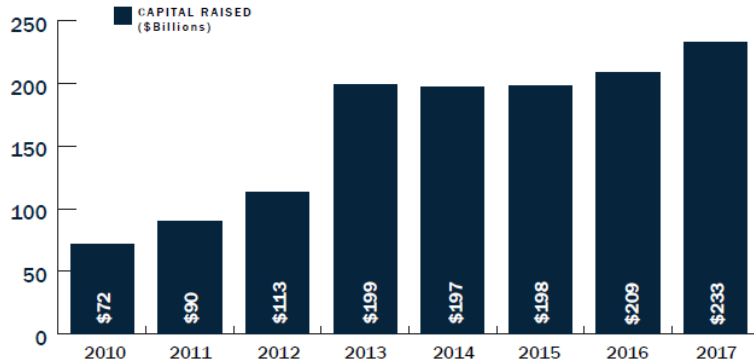
Global Plastic M&A by Buyer Type



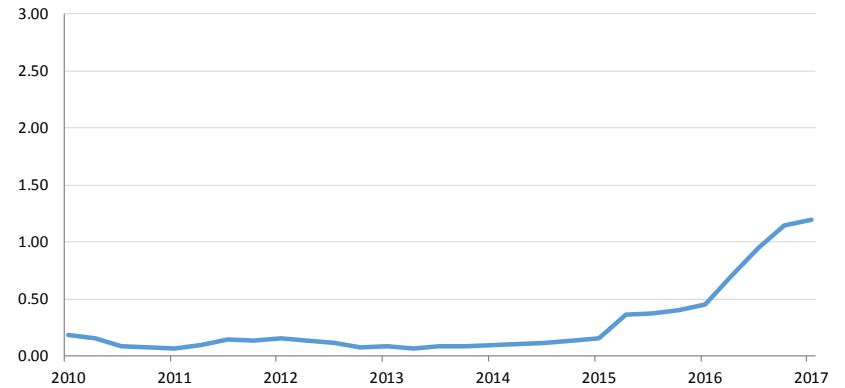
- Despite a slight pull-back in global M&A volumes, plastic M&A in 2017 trended slightly above 2016 and the 10-year average, reflecting a healthy M&A environment
- Healthy mix of both strategic and financial buyers driving deal volume within the plastics industry

Rise of Private Equity

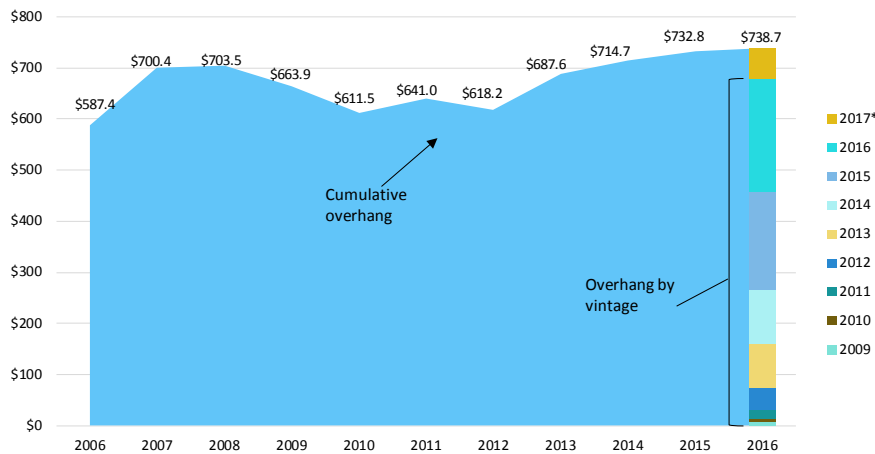
PE Fundraising: Capital Raised



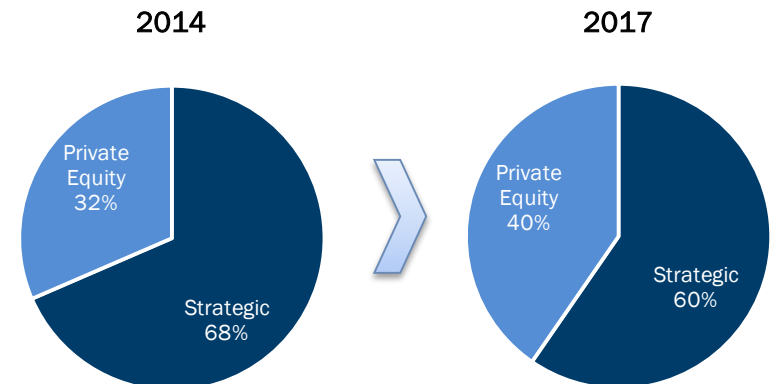
Federal Funds Rate



PE Capital Overhand (\$B) by Year

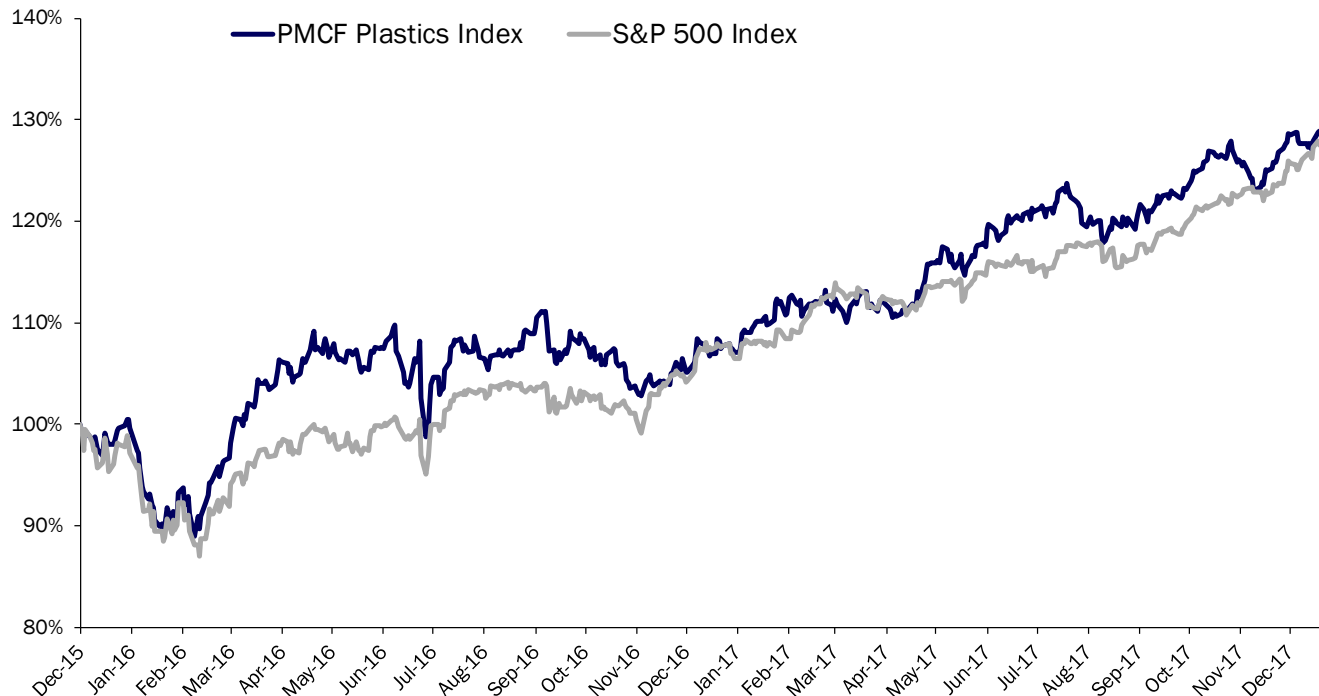


Global Plastics M&A Deals by Buyer Type



*As of August 2017

Plastic Public Company Valuations



	Q4 '15	Q1 '16	Q2 '16	Q3 '16	Q4 '16	Q1 '17	Q2 '17	Q3 '17	Q4 '17
EV / Revenue Multiple									
Average	1.3x	1.3x	1.4x	1.5x	1.5x	1.5x	1.6x	1.6x	1.6x
Median	1.2x	1.2x	1.3x	1.3x	1.4x	1.4x	1.4x	1.5x	1.6x
EV / EBITDA Multiple									
Average	9.7x	9.6x	9.9x	10.1x	10.1x	10.3x	10.8x	10.9x	11.2x
Median	10.0x	9.5x	10.2x	10.5x	10.3x	10.1x	10.9x	11.4x	11.3x

PMCF Plastics Index: AMEX: CMT; ASX: AMC; DB: SIM; ENXTBR: SOLB; ENXTPA: POM; RPC; NasdaqGS: LABL, SHLM, SLGN; NYSE: ATR, AVY, BERY, BMS, FOE, MYE, POL, SEE, SON, TG; SWX: CLN; TSX: CCLB, ITP, WPK

Multi-Year High Valuations

Strategic Buyer Demand

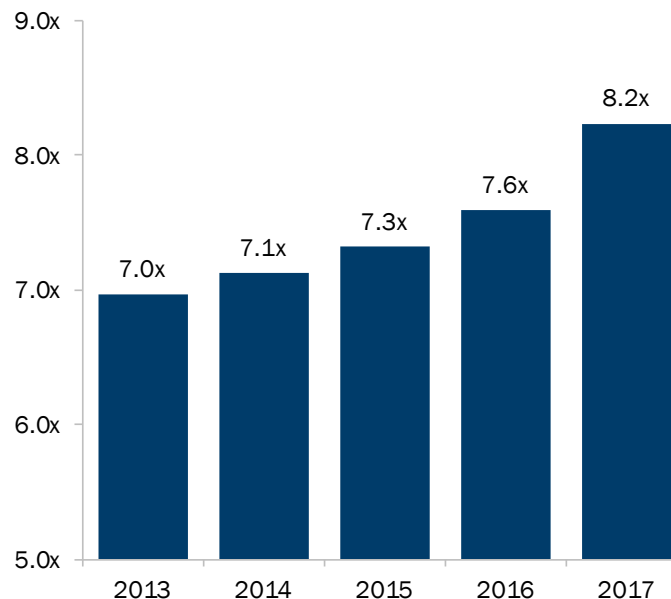
- Lower Organic Growth
- Deployment of Increasing Cash Reserves
- Achieve Shareholder Growth Objectives
- Broaden Industry Presence and Capabilities
- Consolidate Business Lines or Geographies

Private Equity Demand

- Focused on Niche Opportunities
- Attracted to Non-Cyclical Characteristics
- Leverage Unique and Proprietary Capabilities
- Enter New Platform Investments in Attractive Industries

Macro Economic Factors

Plastics M&A Average EV/EBITDA Multiples

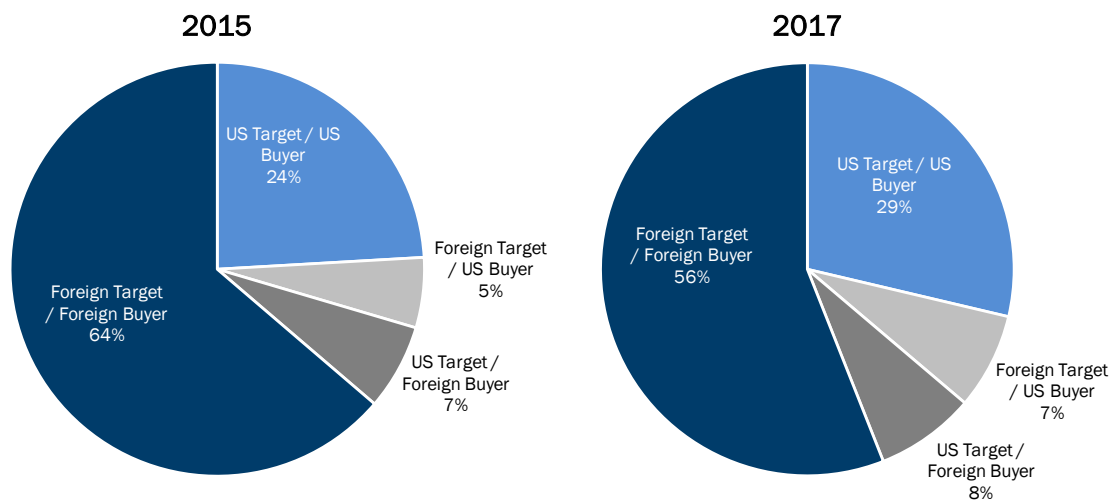


Average EV/EBITDA multiples for plastics industry transactions have steadily increased over the past 5 years

Note: Data based on proprietary collection of select transactions

Global Plastic Deal Volume by Region

Plastics M&A Cross-Border Deals



- Increased volume of cross-border deals involving U.S. buyers, due in part to a favorable economic environment and strong dollar
- Uncertainty in Asian and European markets contributed to less conducive M&A conditions for foreign buyers
- Domestic deal volume driven by continued consolidation within the U.S. market

Target Region	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Europe	103	107	150	124	121	115	143	131	132	140
North America	133	141	154	134	181	135	133	114	135	146
Asia	51	70	69	72	56	57	55	58	56	54
Oceania	4	9	9	7	8	7	9	9	3	7
South America	6	6	9	7	12	10	4	8	6	10
Africa	4	7	2	3	4	4	2	8	4	2
Total	301	340	393	347	382	328	346	328	336	359

Global Plastic M&A by Processor Type

Sector	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Blow Molding	17	22	27	18	30	22	23	22	29	28
Injection Molding	79	87	106	106	110	86	95	102	91	103
Film	54	62	78	75	68	60	65	59	73	65
Resin / Color & Compounding	51	58	71	56	62	68	72	54	43	49
Sheet & Thermoforming	28	33	25	32	32	38	23	30	33	28
Specialty	72	78	86	60	80	54	68	61	67	86
Total	301	340	393	347	382	328	346	328	336	359

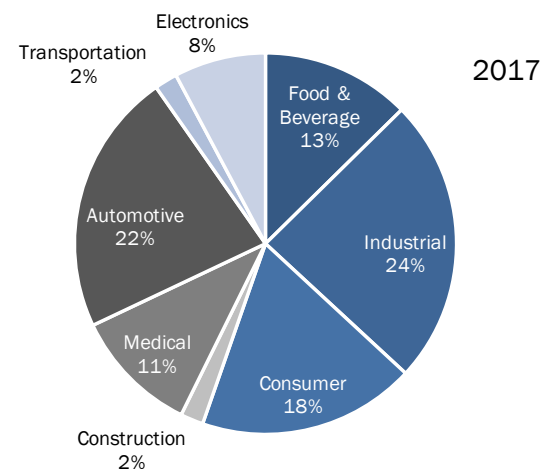
- As the most active processing type for plastics M&A, injection molding transactions represented 29% of 2017 total deal volume, up by 12 deals versus 2016 levels
- Driven by strategic acquirers, transactions in the resin and color & compounding sector were up by 14% in 2017, or 6 deals, following a 5-year low point of 43 deals in 2016
- Specialty, which includes other plastic process types including rotational molding, foam, pipe & tube, profile extrusion, and recycling has consistently increased mix over the past 5 years
 - The construction, industrial, and transportation end markets accounted for 70 of the 86 deals in 2017

Injection Molding

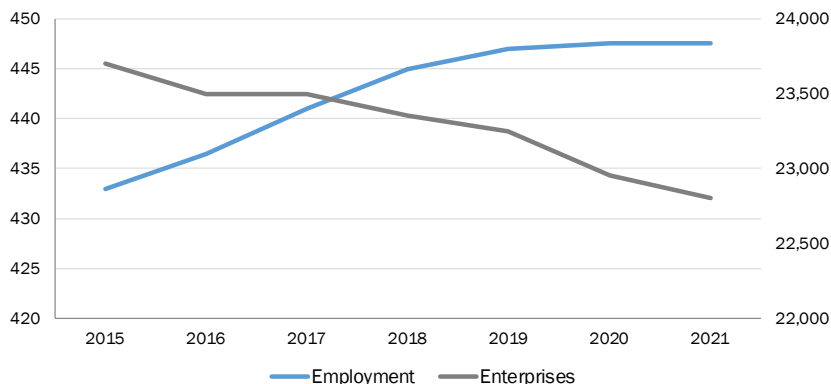
Injection Molding Market Trends

- Remains very fragmented with various small and medium-sized, specialized processors
- Highly competitive, but steadily growing revenues
 - Raw material prices
 - Consumer spending
 - New car sales
- Increased quality levels abroad pose a threat
- New and rapidly growing technologies (i.e. 3D printing)

Injection Molding Transactions by End Market



Contract Injection Molding – Market Consolidation



Select Injection Molding Transactions

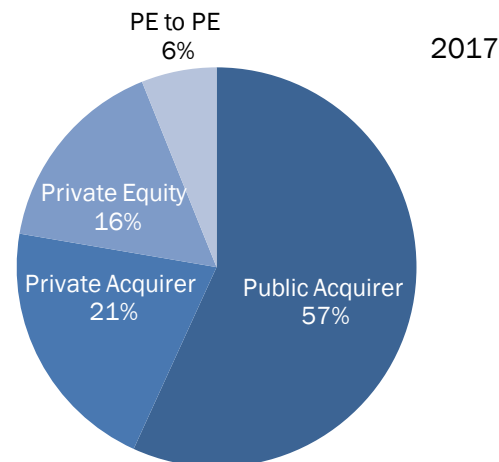
Buyer	Target	EV
ARDIAN	Revere Plastics Systems, LLC.	-
A Marmon/Berkshire Hathaway Company	PRISM HIGH-PRECISION PLASTIC PRODUCTS	-
TEIJIN	Continental Structural Plastics	\$825M
RPC	<i>Leticia</i>	\$640M

Resin and Color/Compounding

Resin & Color/Compounding Market Trends

- Consumers driving demand
- Consolidation driven by need for growth and end-market exposure
- Fewer distributors
- New PE coming on-line
- Focus on specialty / high-performance specifications
- Financial sponsors getting outbid

Resin & Color/Compounding Deals by Buyer

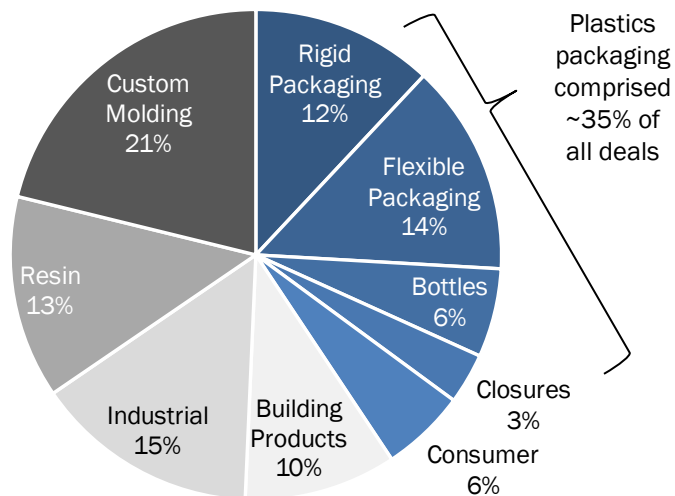


Select Recent Resin & Color/Compounding Transactions

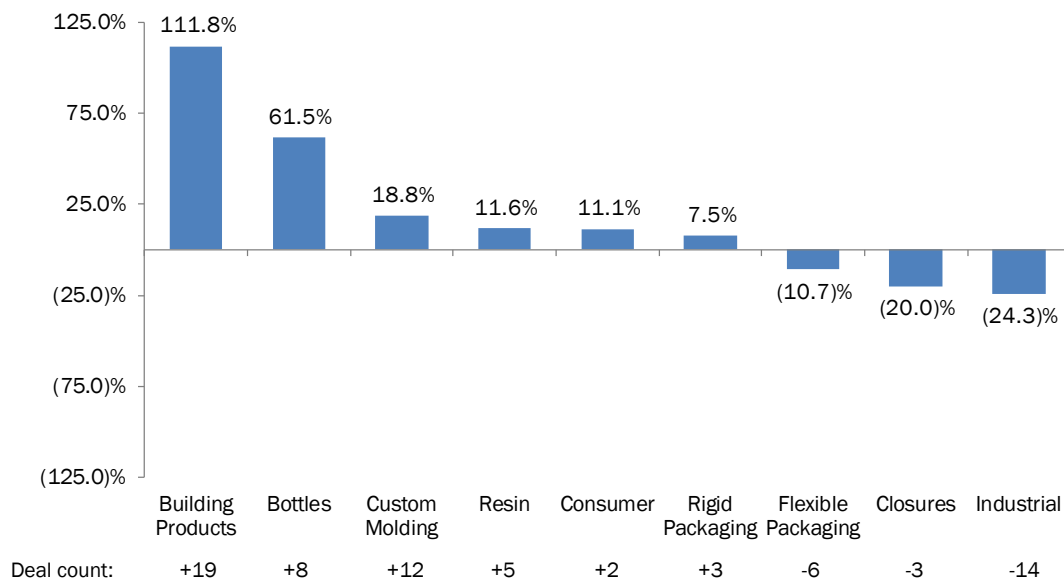


Global Plastic M&A by Product Category

2017 M&A Volume By Product Category



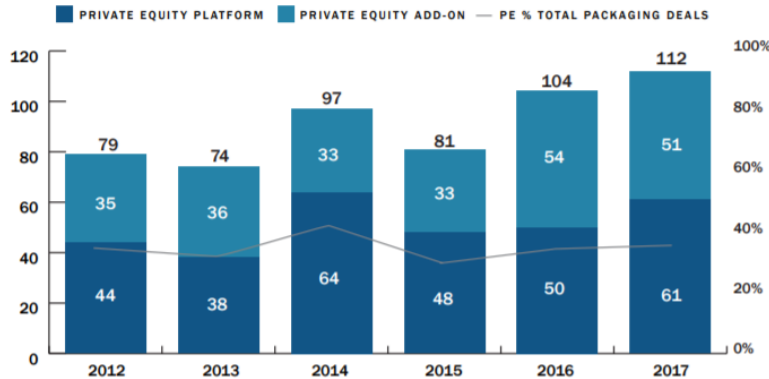
YoY M&A Growth by Product Segment (2016 to 2017)



- The building products segment experienced a significant increase in M&A volume in 2017 as acquirers look to capitalize on rising demand for new homes and remodeling
- Bottle transaction volume increased by 8 deals, representing a substantial 62% increase year-over-year
- Plastics packaging M&A remained strong in 2017 supported by an 18% year-over-year increase in deals completed by private equity buyers

Plastic Packaging Trends

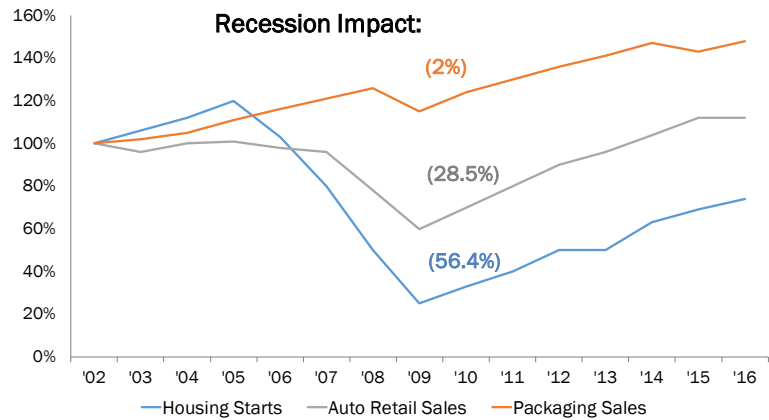
Private Equity M&A Activity in Packaging



Active Buyers in Flexible Packaging



Packaging Cyclicity vs. Other Industrial Sectors



Shift from Rigid to Flexible Packaging Solutions

- Rigid plastic
 - Tin cans
 - Glass
 - Paperboard
- 
- Plastic pouches
 - Plastic bags
 - Other lightweight materials

Benefits

- ✓ Lower costs
- ✓ Less weight
- ✓ Easier to decorate
- ✓ Sustainability
- ✓ Customization
- ✓ Barrier properties
- ✓ Dispensing
- ✓ Larger sizes

Healthy Prognosis for Medical Plastics M&A

Medical Plastics Market Trends

- Demand is growing
- Medical devices are becoming more complex
- Healthcare reform has accelerated consolidation across the supply chain
- CMO's still fragmented
- Supply chain partners needed with multi-materials, multi processes and global scale
- M&A focus on technology and capability expansion
- Pricing is strong, deal volume limited by number of targets available for acquisition

Select Medical Plastics M&A

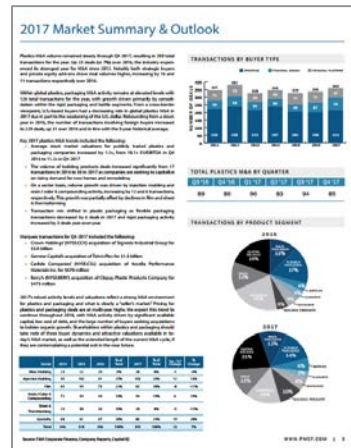
Buyer	Target
AEA Investors	Spectrum Plastics Group (PPC)
MedPlast, Inc. (Water Street)	Coastal Life Technologies
Comar, LLC (Graham Partners)	Shore Plastic Technologies
Becton, Dickinson and Company (NYSE: BDX)	C.R. Bard (NYSE:BCR)
PPC Industries	Pexco
Nordson Corporation / MedPlast	Vention Medical
Action Fabricators (River Associates)	CSI Medical, Inc.

Outlook for Plastics M&A

- Valuation levels
- Demand from strategic and private equity buyers
- Strong macro economic metrics
- Reshoring
- Rate of unemployment
- Interest rates
- Current M&A cycle

Robust Plastics Industry Research & Coverage

- As industry experts, PMCF's Plastics & Packaging Team conducts in-depth research and analysis on M&A activity. This data is compiled into regular reports relied upon by plastic and packaging businesses to stay current with strategic trends and news



Plastics News

MODERN PLASTICS
WORLDWIDE

INJECTION MOLDING



Stephen Fisher
Vice President,
Plastics & Packaging Group
Phone: 312.602.3654
Mobile: 717.421.3620
stephen.fisher@pmcf.com



John Hart
Managing Director,
Plastics & Packaging Group
Phone: 248.223.3468
Mobile: 517.204.7239
john.hart@pmcf.com