

PLASTICS /Q

Industry Insights for Q2 2018

M&A activity within the plastics industry remained robust for the first half of 2018, a continuation from a highly active 2017. While the number of completed transactions in the first half of 2018 decreased relative to the comparable period in 2017, average transaction value for 2018 increased. We believe that a robust M&A appetite within the plastics sector will continue throughout 2018.

Broader, macro-level factors, including 1) the abundance of low-cost capital available, 2) tax reform, and 3) current and prospective seller(s) taking advantage of the favorable “seller’s market” will continue to drive M&A activity in 2018. Within the plastics sector, growing demand for plastic products, expanding end-market applications (e.g., packaging, container products, building & construction, and medical), and innovations in recycling technology will continue the consolidation trend and drive interest from both strategic and private equity buyers. As strategic buyers struggle to achieve historical organic growth rates, they have turned to M&A to expand product and

service offerings, reach additional end-markets and broaden geographic presence. In addition, private equity has increased its activity within the plastics industry and is focused on mitigating the cyclicity of their portfolios, identifying attractive platform investments and satisfying mandates to deploy capital for quality assets. These macro-level and industry specific trends have yielded unprecedented competitive dynamics between strategic and private equity buyers for a limited number of high-quality assets, leading to high-single and, occasionally, double-digit EBITDA (earnings before interest, taxes, depreciation, and amortization) valuation multiples within the sector.

M&A activity within the plastics industry, from both strategic and private equity buyers, should continue throughout 2018, driven primarily by the sector’s attractive underlying fundamentals in combination with the macro-level dynamics of 1) the limited availability of high-quality assets, and 2) the abundance of low-cost capital.

Recent Deal Activity Q1/Q2 2018

January 2, 2018 - Livonia, Michigan-based **Masco Corporation** (NYSE:MAS) acquired Middlefield, Ohio-based **Mercury Plastics Inc.** Mercury is a plastics processor and manufacturer of water handling systems for appliance and faucet applications, as well as other highly engineered plumbing products, tubing, and assemblies. Masco management noted the acquisition will be accretive to 2018 earnings. The financial terms of the transaction were not disclosed.

February 2, 2018 - Newburyport, Massachusetts-based **UFP Technologies Inc.** (NasdaqCM:UFPT) acquired Chicopee, Massachusetts-based **Dielectrics Inc.** Dielectrics fabricates medical device components and products with flexible thermoplastic films and laminated substrates. UFP management noted that Dielectrics represents a strategic and cultural fit that will create value for its growing medical customer base. The announced transaction value was \$60 million, which implies a revenue multiple of 1.3x.

February 6, 2018 - Fort Collins, Colorado-based **CBW Automation Inc.** announced an agreement to acquire Independence, Missouri-based **Dollins Tool Inc.** Dollins manufactures packaging injection molds for the plastics industry, including popular brands such as Crystal Light, I Can't Believe It's Not Butter, and Blue Bunny. CBW management cited Dollins' capabilities in thin-wall thermoform packaging as a key driver for the acquisition. The financial terms of the transaction were not disclosed.

February 9, 2018 - Private equity group **Capital Partners Inc.** announced an agreement to acquire Farmington, Connecticut-based **The Fletcher-Terry Company.** Fletcher-Terry manufactures substrate cutters for the picture framing, retail hardware, sign and graphics, and industrial glass markets. Capital Partners management cited Fletcher-Terry's high quality products and services, innovation, and solution-driven technologies as key drivers for the acquisition. The financial terms of the transaction were not disclosed.

February 15, 2018 - United Kingdom-based **LyondellBasell Industries N.V.** (NYSE:LYB) announced an agreement to acquire Akron, Ohio-based **A. Schulman Inc.** (NasdaqGS:SHLM). A. Schulman manufactures plastic compounds and resins. LyondellBasell management cited A. Schulman's geographic reach, leading technologies, and diverse product portfolio beyond the automotive sector as key drivers for the acquisition. The announced transaction value was \$3.09 billion, which implies revenue and EBIT multiples of 1.2x and 25.3x, respectively.

March 2, 2018 - Daytona, Florida-based **TopBuild Corp.** (NYSE:BLD) acquired St. Paul, Minnesota-based **United Subcontractors Inc.** United provides insulation, specialty, and

shell construction services for residential and commercial projects. TopBuild management noted the acquisition provides TopBuild with a stronger geographic footprint in key growth regions and a more robust business and product mix. The announced transaction value was \$475 million.

March 21, 2018 - Private equity group **Blue Point Capital Partners** acquired Pontiac, Michigan-based **FM Sylvan, Inc.** FM Sylvan provides industrial pipe fabrication and installation services. Blue Point management noted that FM is well positioned to execute organic and acquisition initiatives. The financial terms of the transaction were not disclosed.

April 3, 2018 - Private equity group **Bain Capital Private Equity LP** acquired Florham Park, New Jersey-based **World Wide Packaging LLC.** World Wide manufactures cosmetic packaging products for clients in cosmetic, skincare, and personal care markets. Bain Management noted the transaction is consistent with World Wide's strategy to become a fully integrated solutions provider for beauty brands in the U.S. and beyond. The financial terms of the transaction were not disclosed.

April 23, 2018 - Carson, California-based **Ducommun Incorporated** (NYSE:DCO) acquired Santa Clara, California-based **Certified Thermoplastics Co. Inc.** Certified Thermoplastics provides custom profile thermoplastic extrusions. Ducommun management noted Certified's proprietary capabilities in aerostructures and the ability to expand Ducommun into the aircraft interiors market. The announced transaction value was \$31 million.

May 4, 2018 - Hartsville, South Carolina-based **Novolex Holdings Inc.,** a portfolio company of **The Carlyle Group,** acquired Covington, Kentucky-based **The Waddington Group Inc.** Waddington manufactures plastic packaging containers for the food industry. Novolex management cited adding rigid plastic food packaging and an expanded range of sustainable packaging products as key drivers for the acquisition. The announced transaction value was \$2.3 billion which implies a revenue multiple of 2.5x

May 22, 2018 - Germany-based **Grammer AG (DB:GMM)** announced an agreement to acquire Toledo, Ohio-based **Toledo Molding & Die Inc.** Toledo Molding is an integrated supplier of HVAC, powertrain, and interior/exterior components and subsystems for automotive OEM's. Grammer management noted the transaction more than doubles its presence in North America and balances its international footprint. The announced transaction value was \$271 million which implies a revenue multiple of 0.9x.

FEATURED TRANSACTION

Amherst Partners is pleased to announce the sale of Sur-Seal Corporation to Capital Partners, Inc. Amherst acted as the exclusive financial advisor to Sur-Seal in connection with the transaction. Cincinnati, Ohio-based Sur-Seal was founded in 1965 and has grown to become a leading manufacturer and supplier of custom designed sealing solutions, along with ancillary and related components and assemblies. Founded in 1982 and based in Norwalk, Connecticut, Capital Partners is a private investment firm focused primarily on manufacturers, value-added distributors, and business services across a range of industries.



SITUATION

- Sur-Seal, based in Cincinnati, Ohio, is a leading manufacturer and supplier of custom designed sealing solutions, along with ancillary and related components and assemblies.
- Founded in 1965, the Company serves original equipment manufacturers with products that provide critical functionality across end-markets, including lighting and electronics, heating and cooling, medical equipment, and other industrial sectors.
- The Wilz brothers, whose father co-founded the Company, sought a partner that would provide adequate capital for expansion as well as strategic input for the Sur-Seal leadership team.

SOLUTION

- Sur-Seal engaged Amherst to assist in securing capital to pursue an aggressive growth plan while also providing partial liquidity to the family owners. Amherst conducted a highly-focused search process, contacting a select group of prospective investors with demonstrated experience in the materials solutions sector and a history of success working in partnership with family-owned businesses.

RESULTS

- Amherst identified and approached a select group of strategic and financial investors. The Company ultimately completed a transaction with Capital Partners.
- The Wilz family will continue to be a part the business while Larry Faist, President, will continue to lead the Company as it pursues opportunities to expand both within and outside of its current customer and product base.
- The transaction represented a significant step in the Company's ultimate goals of responsible growth while maintaining the Company's unique culture. Capital Partners' approach focuses on operational excellence and insightful strategic analysis, rather than financial engineering. Capital Partners' principals have significant operating experience and work closely with portfolio company management teams across a broad range of industries.

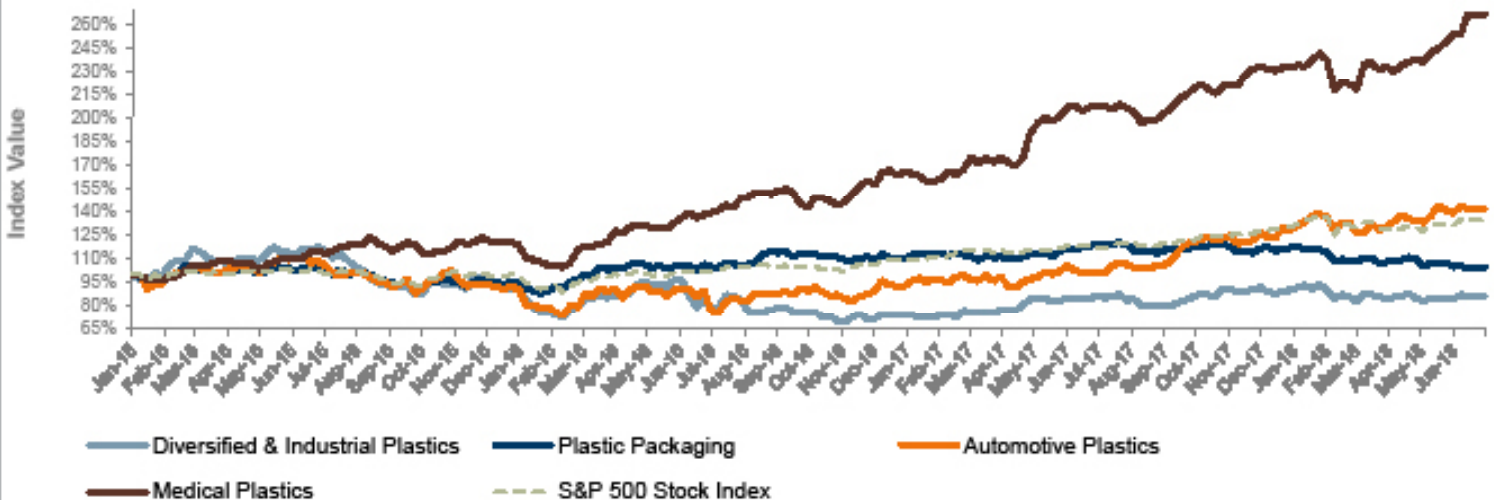
Plastics Company Trading Multiples

Company	06/30/18 Stock Price	Qtrly Price Change	Market Cap.	Total EV ⁽¹⁾	LTM		Gross Margin	EBITDA Margin	Net Debt/ EBITDA	Enterprise Value/LTM		
					Revenue	EBITDA				Revenue	EBITDA	
Diversified & Industrial Plastics												
Core Molding Technologies, Inc.	\$ 14.69	(32%)	\$ 116	\$ 167	\$ 188	\$ 15	14%	8%	3.4x	0.9x	11.0x	
Essentra plc	6.66	(7%)	1,744	2,043	1,389	162	8%	12%	1.8x	1.5x	12.6x	
Intertape Polymer Group Inc.	14.54	(15%)	855	1,178	928	118	22%	13%	2.7x	1.3x	10.0x	
Myers Industries, Inc.	20.55	5%	711	852	563	60	30%	11%	2.4x	1.5x	14.3x	
PolyOne Corporation	42.95	(1%)	3,435	4,624	3,335	377	22%	11%	3.1x	1.4x	12.3x	
UFP Technologies, Inc.	30.35	9%	223	265	154	18	24%	12%	2.3x	1.7x	14.6x	
Median ⁽²⁾							22%	11%	2.5x	1.4x	12.4x	
Mean							20%	11%	2.6x	1.4x	12.5x	
Plastic Packaging												
Amcor Limited	\$ 10.53	(13%)	\$ 12,370	\$ 16,668	\$ 9,136	\$ 1,436	21%	16%	3.0x	1.8x	11.6x	
AptarGroup, Inc.	94.32	9%	5,884	6,414	2,571	498	35%	19%	1.1x	2.5x	12.9x	
Ball Corporation	37.11	(2%)	12,960	20,056	11,295	1,833	21%	16%	3.8x	1.8x	10.9x	
Bemis Company, Inc.	42.69	(11%)	3,884	5,401	4,078	553	19%	14%	2.7x	1.3x	9.8x	
RPC, Inc.	14.48	(43%)	3,120	3,019	1,733	437	35%	25%	NM	1.7x	6.9x	
Sealed Air Corporation	43.69	(11%)	7,041	10,119	4,560	775	32%	17%	4.0x	2.2x	13.1x	
Silgan Holdings Inc.	27.23	(7%)	3,012	5,770	4,297	598	16%	14%	4.6x	1.3x	9.7x	
Sonoco Products Company	52.96	(0%)	5,273	6,456	5,169	656	19%	13%	1.8x	1.2x	9.8x	
Tredegar Corporation	24.10	26%	793	898	999	102	17%	10%	1.0x	0.9x	8.8x	
Wipac Ltd.	34.05	(9%)	2,213	1,937	880	193	31%	22%	NM	2.2x	10.0x	
Median ⁽²⁾							21%	16%	2.9x	1.8x	9.9x	
Mean							25%	17%	2.8x	1.7x	10.3x	
Automotive Plastics												
Compagnie Plastic Omnium SA	\$ 48.56	7%	\$ 7,135	\$ 7,997	\$ 8,127	\$ 929	16%	11%	0.9x	1.0x	8.6x	
Faurecia S.A.	83.94	7%	11,518	12,382	24,234	1,909	10%	8%	0.3x	0.5x	6.5x	
Lear Corporation	201.50	14%	13,364	14,383	21,202	2,196	11%	10%	0.3x	0.7x	6.6x	
Magna International Inc.	65.16	15%	23,053	26,387	40,838	4,241	14%	10%	0.7x	0.6x	6.2x	
Median ⁽²⁾							13%	10%	0.5x	0.7x	6.5x	
Mean							13%	10%	0.5x	0.7x	7.0x	
Medical Plastics												
Atrion Corporation	\$ 580.75	(8%)	\$ 1,075	\$ 1,020	\$ 147	\$ 50	48%	34%	NM	6.9x	20.4x	
ICU Medical, Inc.	304.10	41%	6,174	5,905	1,432	263	40%	18%	NM	4.1x	22.4x	
Merit Medical Systems, Inc.	49.40	14%	2,490	2,843	760	113	45%	15%	3.1x	3.7x	25.1x	
West Pharmaceutical Services, Inc.	98.73	0%	7,264	7,263	1,627	335	32%	21%	NM	4.5x	21.7x	
Median ⁽²⁾							42%	19%	3.1x	4.3x	22.0x	
Mean							41%	22%	3.1x	4.8x	22.4x	

(1) EV ("Enterprise Value") is defined as market capitalization plus net debt, preferred equity and minority interest.
 (2) Median and mean values exclude all non-meaningful values.

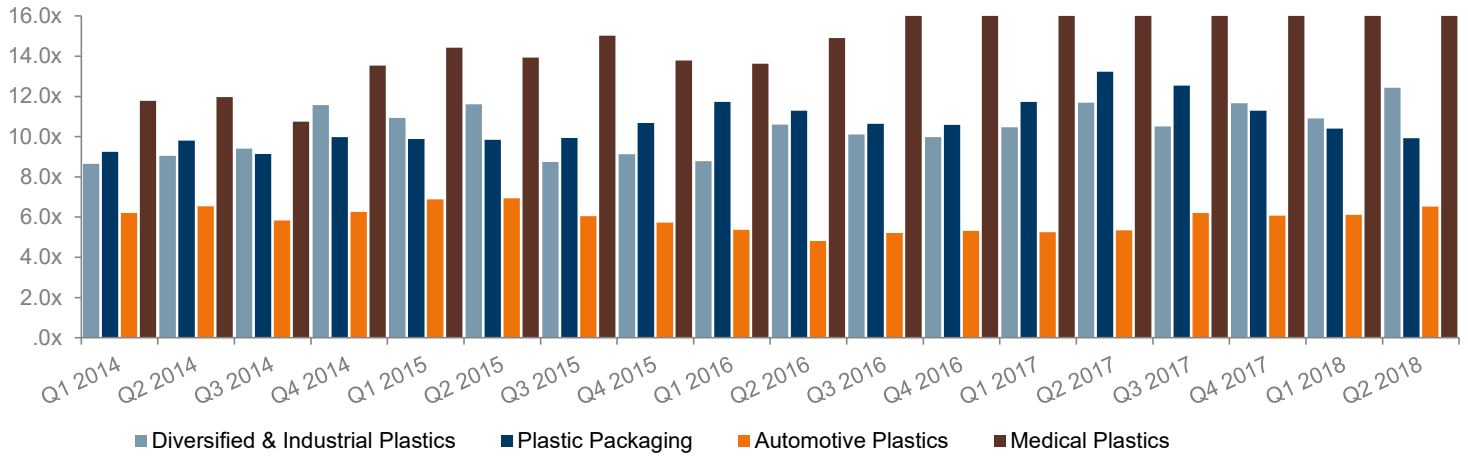
Source: Capital IQ (as of June 30, 2018)

Amherst Partners Plastics Indices



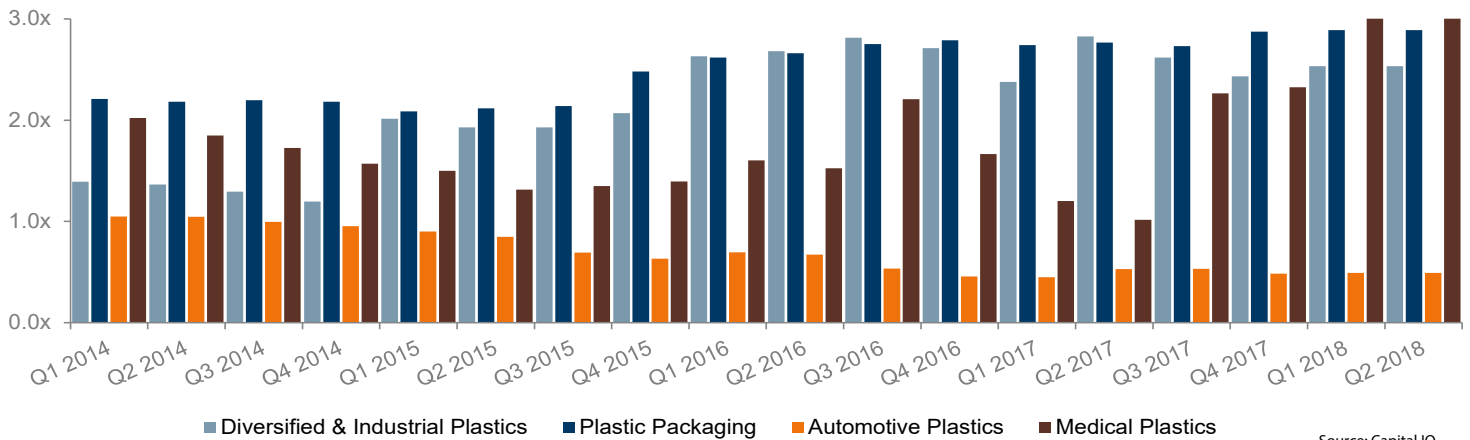
Source: Capital IQ

Plastics Indices - Median Enterprise Value/LTM EBITDA



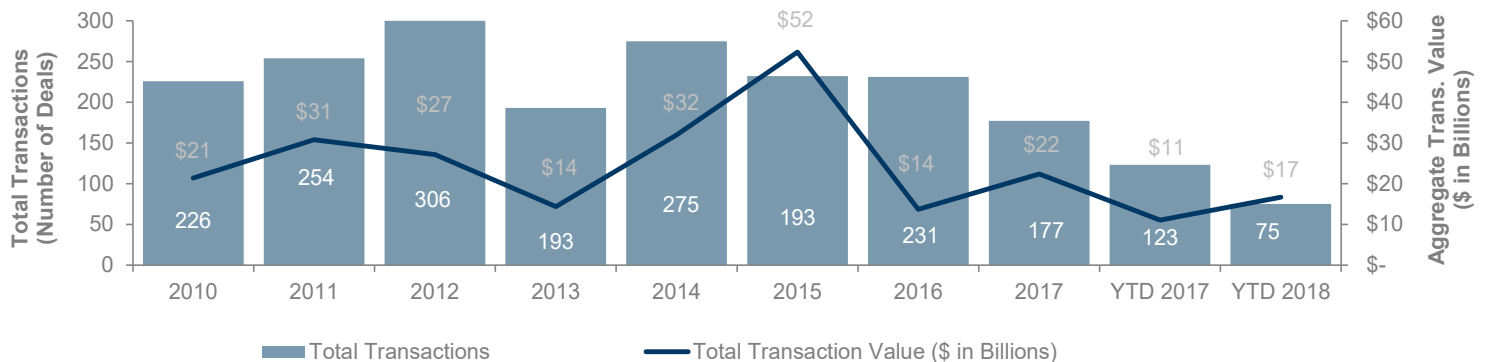
Source: Capital IQ

Plastics Indices - Median Net Debt/LTM EBITDA



Source: Capital IQ

U. S. Plastics M&A Activity



Search Criteria:
 (1) Building Products, Construction Materials, and Prefabricated Buildings and Components (Primary).
 (2) Acquisition of Majority Stake
 (3) Transactions Announced Date (Including Bids and Letters of Intent)

Source: Capital IQ

Amherst Partners LLC is a boutique, independent Investment Banking, Restructuring Advisory, and Management Consulting firm. Securities transactions are offered through Amherst Partners' wholly-owned subsidiary, One Amherst Partners LLC, a registered broker-dealer and member of FINRA (www.finra.org) and SIPC (www.sipc.org)

This report is published solely for informational purposes and is not to be construed as rendering legal, accounting or investment advice or as a solicitation or an offer to buy or sell securities. Although information contained in this report has been obtained from and is based on sources that Amherst Partners LLC believes to be reliable, it is not guaranteed as being accurate. Past performance is not an indication of future results.

About Amherst

Amherst Partners' track record spans over 20 years of investment banking excellence, using senior level advisors to create unique solutions for middle-market transactions.

Our Services

- Merger & Acquisition Advisory
- Capital Raising
- Restructuring Advisory
- Management Consulting

IMAP

As a partner in IMAP, Amherst maintains a well-established network of international offices in over 35 countries. In 2017, IMAP advisers completed 191 global transactions, worth over \$12 billion. Through our IMAP partners, Amherst benefits by having seasoned deal professionals "on the ground" across the globe, with firsthand knowledge of the local cultural and business environment.

For more information:
www.amherstpartners.com

Contact Us

Chas Chandler, *Partner*

248.633.2140

chandler@amherstpartners.com

Scott Eisenberg, *Partner*

248.633.2150

seisenberg@amherstpartners.com

Don Luciani, *Partner*

248.633.2139

dluciani@amherstpartners.com

Sheldon Stone, *Partner*

248.633.2135

sstone@amherstpartners.com

Thomas McCabe, *Managing Director*

847.651.6565

tmccabe@amherstpartners.com

James Morden, *Managing Director*

248.633.2051

jmorden@amherstpartners.com

John W. Patterson, *Managing Director*

908.403.2135

jpatterson@amherstpartners.com

Brian Phillips, *Managing Director*

248.633.2131

bphillips@amherstpartners.com

Matthew Feldman, *Director*

248.633.2060

mfeldman@amherstpartners.com