

PLASTICS **IQ**

Industry Insights for Q4 2018

Consolidation in the plastics industry continued as 2018 led to the second-best year for plastics M&A since 2010 at \$34bn in transaction value, a \$12bn increase over 2017. Although total transaction value was up over 2017, the total number of transactions fell slightly. M&A is expected to continue at a robust pace in 2019, despite a variety of mitigating factors.

Higher interest rates, the fading effects of U.S. tax reform, U.S.-China trade tensions and an economy that is expected to grow at a slower pace are all impediments to plastics M&A in 2019. In addition, recent stock market volatility may give investors pause. Despite these factors, the cost of capital remains relatively low and the economy is still strong, creating a favorable backdrop for M&A in the plastics sector.

The plastics sector will be driven by continued strong end-market performance as consumer spending is expected to rise; however, this impact will be curbed somewhat by a pullback in construction and higher prices for plastic resin and plastic materials. Furthermore, innovations in the industry, such as advances in biodegradable polyethylene, are currently being developed and are expected to be a source of growth in the future.

The draw of private equity interest in the space is expected to continue unabated as firms seek new platform opportunities and growth through add-on acquisitions. In 2018, PE firms were involved in 46% of plastics and packaging deals, well above the 2013 to 2017 average of 37%, according to Plastics News. Interest from domestic strategic buyers will be driven by a need to reach scale as they compete against international plastics manufacturers that are supported by a lower cost of labor and a strong dollar. Moreover, the high level of competition in the industry makes it difficult for companies to achieve organic growth above GDP; M&A continues to be an attractive means for achieving growth.

While plastics M&A for 2019 may face some headwinds, we expect the number of transactions during the year to track closely to 2018's results. In addition to continued strength from the economy and appetite from investors, multiples paid in M&A transactions, which may have peaked in 2018, are expected to remain at elevated levels and will likely bring more sellers to market, creating a unique environment that will make for another active year in the plastics industry.

Recent Deal Activity Q3/Q4 2018

July 3, 2018 - Novi, Michigan-based **Cooper-Standard Holdings Inc.** (NYSE:CPS) announced an agreement to acquire New Philadelphia, Ohio-based **Lauren Manufacturing Company**. Lauren operates as an extruder and molder of organic, silicone, and specialty polymer products, specializing in engineered sealing solutions. Cooper-Standard management noted the acquisition expands their sealing product line in key segments and strengthens their position in non-automotive markets. The financial terms of the transaction were not disclosed.

August 6, 2018 - Australia-based **Amcor Limited** (ASX:AMC) announced an agreement to acquire Neenah, Wisconsin-based **Bemis Company Inc.** (NYSE:BMS). Bemis manufactures multilayer polymer, blown, and cast film structures and injection molded plastic, thermoformed plastic, and folding carton packaging products. Amcor management cited the dynamics and growth of the flexible packaging industry in the Americas as a key driver for the acquisition. The announced transaction value was \$6.9 million which implies revenue and EBITDA multiples of 1.7x and 11.9x, respectively.

August 14, 2018 - Alpharetta, Georgia-based **Pexco LLC** acquired Sheffield, Massachusetts-based **Custom Extrusion Inc.** Custom manufactures plastic extruded products. Pexco management cited Custom's expertise in lighting and custom industrial extrusions as the key driver for the acquisition. The financial terms of the transaction were not disclosed.

August 15, 2018 - Aurora, Illinois-based **Cabot Microelectronics Corporation** (NasdaqGS:CCMP) acquired Fort Worth, Texas-based **KMG Chemicals Inc.** (NYSE:KMG). KMG manufactures specialty chemicals and performance materials worldwide. Cabot management noted KMG's leading electronics materials business complements Cabot and that KMG's performance materials business broadens the combined companies' product offerings. The announced transaction value was \$1.62 billion which implies revenue and EBITDA multiples of 3.6x and 14.4x, respectively.

August 27, 2018 - Evansville, Indiana-based **Berry Global Group Inc.** (NYSE:BERY) acquired Devens, Massachusetts-based **Laddawn Inc.** Laddawn manufactures plastic bags and film for packaging applications. Berry management cited Laddawn's web and mobile sales platforms as key drivers for the acquisition. The financial terms of the transaction were not disclosed.

September 13, 2018 - South Korea-based **KCC Corporation** (KOSE:A002380), **Wonik QnC Corporation** (KOSDAQ:A074600), and **SJL Partners** announced an agreement to acquire Waterford, New York-based **MPM Holdings Inc.** (OTCPK:MPMQ). MPM produces silicones and silicone derivatives worldwide. KCC management noted the transaction will enhance MPM's global leadership position by expanding their portfolio of products, broadening their geographic reach and strengthening their financial position. The announced transaction value was \$2.9

billion which implies revenue and EBITDA multiples of 1.0x and 7.4x, respectively.

September 17, 2018 - Downers Grove, Illinois-based **Univar Inc.** (NYSE:UNVR) announced an agreement to acquire Woodlands, Texas-based **Nexeo Solutions Inc.** (NasdaqCM:NXEO). Nexeo operates as a chemical and plastic products distributor in North America, Europe, the Middle East, Africa, and Asia. Univar management cited Nexeo's sales force, broad product offerings, and supply chain network as key drivers for the acquisition. The announced transaction value was \$1.9 billion which implies revenue and EBITDA multiples of 0.5x and 9.5x, respectively.

October 22, 2018 - Private equity group **Arsenal Capital Partners** acquired Easton, Pennsylvania-based **Polytek Development Corp.** Polytek manufactures liquid mold rubbers, liquid casting plastics/resins/foams, and other specialty molding and casting materials. Arsenal's management cited Polytek's proprietary specialty polymers and niche technologies in a number of applications as key drivers for the acquisition. The financial terms of the transaction were not disclosed.

November 6, 2018 - Warsaw, Indiana-based **WishBone Medical Inc.** acquired Larwill, Indiana-based **Red Star Contract Manufacturing Inc.** Red Star manufactures sterile packaging and plastic injection molded single-use instruments. Wishbone management cited Red Star's single-use pediatric orthopedic products and position as a leader in injection molded disposable instruments for the medical device industry as key drivers for the transaction. The financial terms of the transaction were not disclosed.

November 30, 2018 - Alpharetta, Georgia-based **Pexco LLC** acquired Woburn, Massachusetts-based **Insultab Inc.** Insultab manufactures heat shrinkable, non-shrinkable, and custom designed tubing products. Pexco management cited Insultab's network of worldwide customers and expertise in heat shrinkable tubing capabilities as key drivers for the transaction. The financial terms of the transaction were not disclosed.

December 12, 2018 - Private equity group **Split Peak LLC** acquired Portola Valley, California-based **Clean Designs LLC**. Clean Designs manufactures plastic and stainless steel water bottles to customers. Split Peak management noted the market opportunity in the reusable bottle market and Clean Designs' strong intellectual property as key drivers for the transaction. The announced transaction value was not disclosed.

December 30, 2018 - Private equity group **HCI Equity Partners** acquired Liverpool, New York-based **JGB Enterprises Inc.** JGB supplies hoses and hose assemblies for commercial and military applications worldwide. HCI management cited JGB's broad portfolio as rationale for the transaction. The announced transaction value was not disclosed.

Plastics Company Trading Multiples

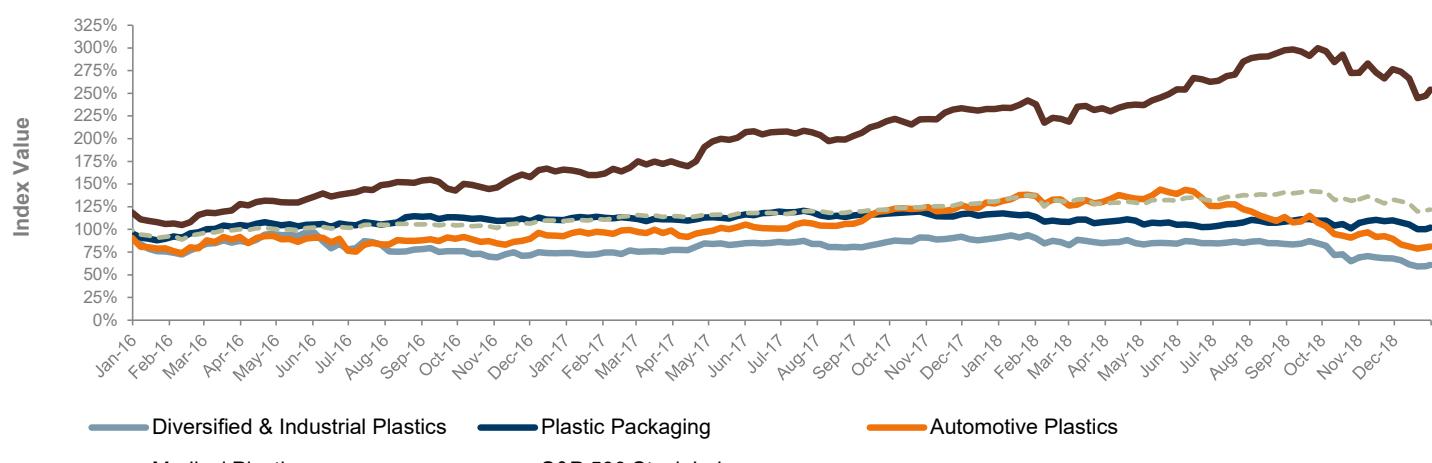
(\$ in Millions)	Company	Exchange/ Ticker	12/31/18 Stock Price	Qtrly Price Change	Market Cap.	Total EV ⁽¹⁾	LTM		Gross Margin	EBITDA Margin	Net Debt/ EBITDA	Enterprise Value/LTM	
							Revenue	EBITDA				Revenue	EBITDA
Diversified & Industrial Plastics													
Core Molding Technologies, Inc.	AMEX:CMT	\$ 7.11	(50%)	\$ 58	\$ 99	\$ 235	\$ 12	11%	5%	3.5x	0.4x	8.4x	
Essentra plc	LSE:ESNT	4.36	(31%)	1,143	1,465	1,343	159	8%	12%	2.0x	1.1x	9.2x	
Intertape Polymer Group Inc.	TSX:ITP	12.40	(10%)	730	1,209	1,003	125	22%	12%	3.9x	1.2x	9.7x	
Myers Industries, Inc.	NYSE:MYE	15.11	(21%)	534	564	568	53	31%	9%	0.6x	1.0x	10.7x	
PolyOne Corporation	NYSE:POL	28.60	(34%)	2,283	3,440	3,500	382	22%	11%	3.0x	1.0x	9.0x	
UFP Technologies, Inc.	NASDAQ:UFPT	30.04	(3%)	221	250	177	24	25%	14%	1.2x	1.4x	10.3x	
Median ⁽²⁾							22%	11%	2.5x	1.0x	9.5x		
Mean							20%	11%	2.4x	1.0x	9.5x		
Plastic Packaging													
Amcor Limited	ASX:AMC	\$ 9.34	(12%)	\$ 10,784	\$ 14,541	\$ 9,319	\$ 1,337	20%	14%	2.9x	1.6x	10.9x	
AptarGroup, Inc.	NYSE:ATR	94.07	1%	5,909	6,967	2,706	533	35%	20%	2.0x	2.6x	13.1x	
Ball Corporation	NYSE:BLL	45.98	29%	15,596	21,776	11,579	1,894	20%	16%	3.2x	1.9x	11.5x	
Bemis Company, Inc.	NYSE:BMS	45.90	9%	4,178	5,569	4,091	568	19%	14%	2.4x	1.4x	9.8x	
RPC, Inc.	NYSE:RES	9.87	(32%)	2,120	1,992	1,772	407	33%	23%	NM	1.1x	4.9x	
Sealed Air Corporation	NYSE:SEE	34.84	(18%)	5,467	8,832	4,700	796	32%	17%	4.2x	1.9x	11.1x	
Silgan Holdings Inc.	NASDAQ:SLGN	23.62	(12%)	2,613	5,361	4,374	616	16%	14%	4.5x	1.2x	8.7x	
Sonoco Products Company	NYSE:SON	53.13	1%	5,303	6,461	5,334	724	19%	14%	1.6x	1.2x	8.9x	
Tredegar Corporation	NYSE:TG	15.86	(33%)	522	576	1,036	95	16%	9%	0.6x	0.6x	6.1x	
Wipak Ltd.	TSX:WPK	34.99	5%	2,275	1,994	890	198	31%	22%	NM	2.2x	10.1x	
Median ⁽²⁾							20%	15%	2.7x	1.5x	9.9x		
Mean							24%	16%	2.7x	1.6x	9.5x		
Automotive Plastics													
Compagnie Plastic Omnium SA	ENXTPA:POM	\$ 23.09	(45%)	\$ 3,377	\$ 4,686	\$ 7,783	\$ 898	17%	12%	1.4x	0.6x	5.2x	
Faurecia S.A.	ENXTPA:EO	37.86	(47%)	5,193	6,146	24,067	1,937	11%	8%	0.3x	0.3x	3.2x	
Lear Corporation	NYSE:LEA	122.86	(34%)	7,884	8,946	21,570	2,291	12%	11%	0.3x	0.4x	3.9x	
Magna International Inc.	TSX:MG	45.41	(22%)	15,192	19,206	42,732	4,306	14%	10%	0.9x	0.4x	4.5x	
Median ⁽²⁾							13%	10%	0.6x	0.4x	4.2x		
Mean							13%	10%	0.7x	0.4x	4.2x		
Medical Plastics													
Atrion Corporation	NASDAQ:ATRI	\$ 741.08	24%	\$ 1,373	\$ 1,308	\$ 152	\$ 51	48%	33%	NM	8.6x	25.8x	
ICU Medical, Inc.	NASDAQ:ICUI	229.63	(22%)	4,705	4,350	1,430	334	45%	23%	NM	3.0x	13.0x	
Merit Medical Systems, Inc.	NASDAQ:MMSI	55.81	9%	3,060	3,217	840	132	45%	16%	1.2x	3.8x	24.3x	
West Pharmaceutical Services, Inc.	NYSE:WST	98.03	(1%)	7,262	7,161	1,711	351	32%	21%	NM	4.2x	20.4x	
Median ⁽²⁾							45%	22%	1.2x	4.0x	22.4x		
Mean							42%	23%	1.2x	4.9x	20.9x		

(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.

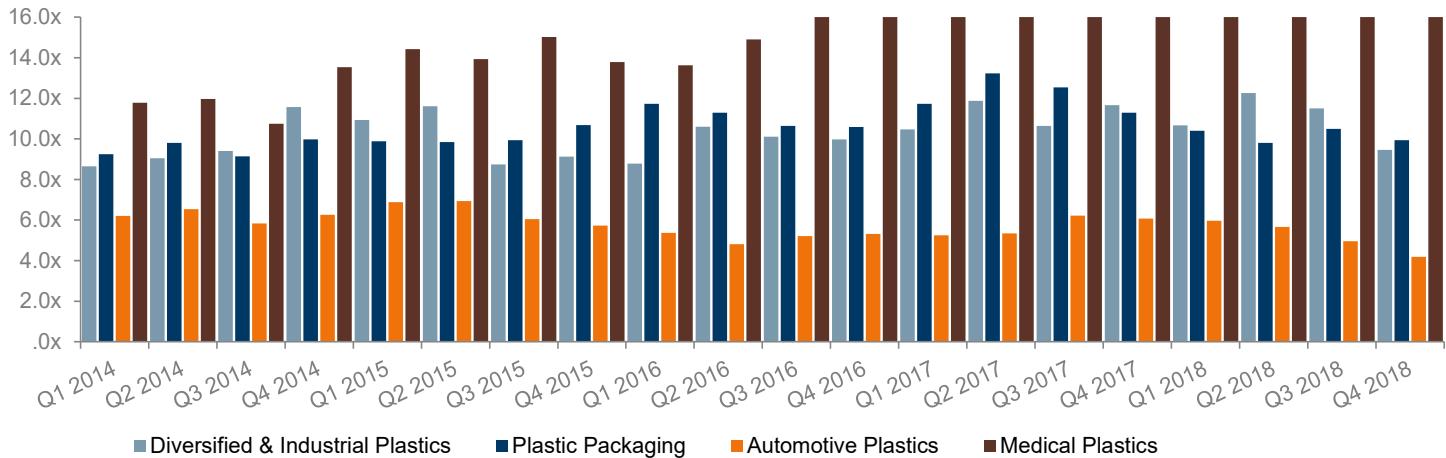
Source: Capital IQ (as of December 31, 2018)

Amherst Partners Plastics Indices



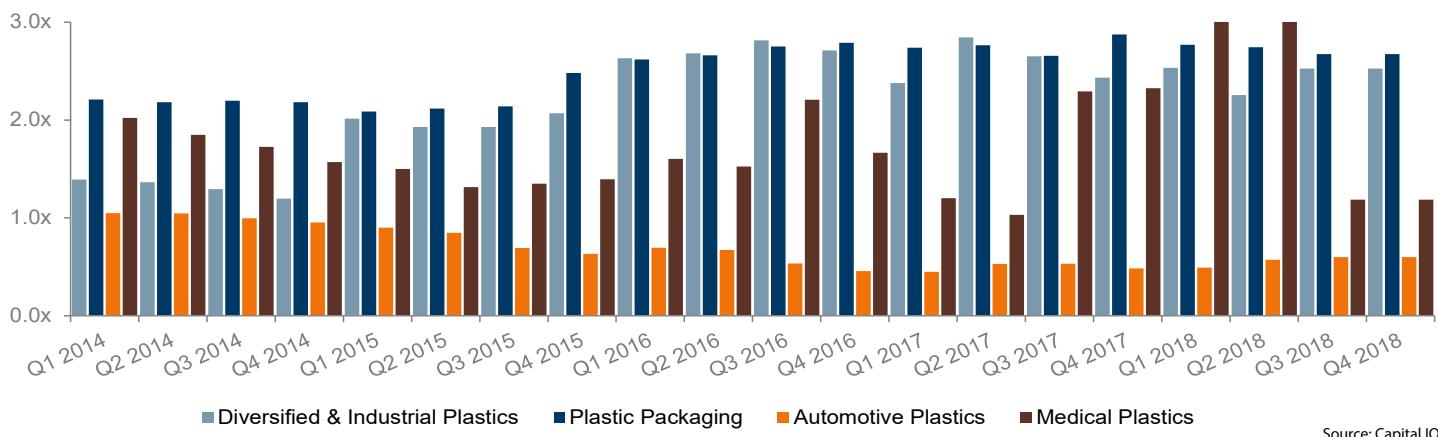
Source: Capital IQ

Plastics Indices - Median Enterprise Value/LTM EBITDA



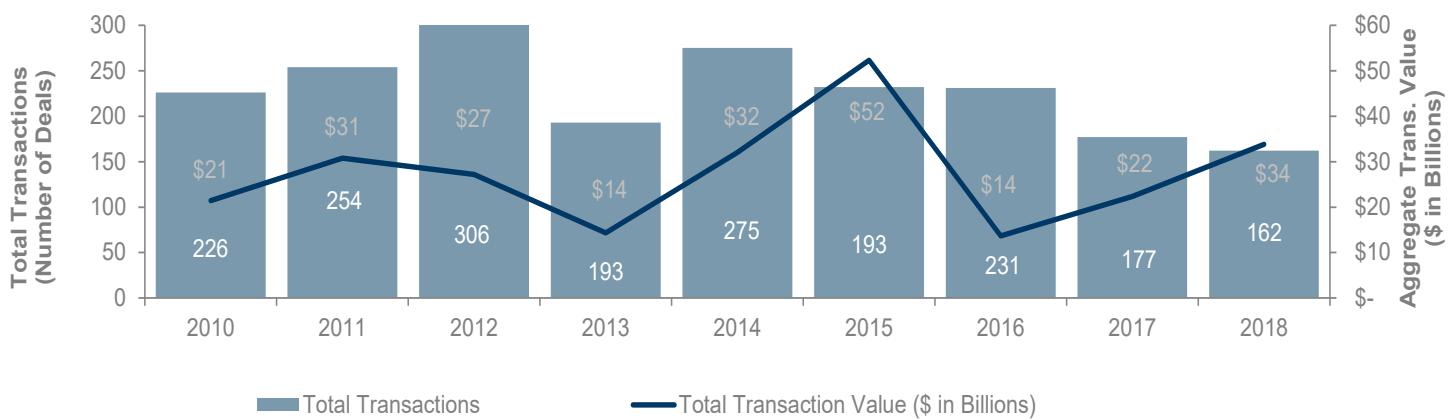
Source: Capital IQ

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



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