



PLASTICS · RUBBER

FIRST QUARTER

2015

This Industry Practice Group was established to draw on the experience of CFA advisors, many of whom as former business owners and CEOs, have first-hand knowledge and have completed many transactions in this industry.

Plastics & Rubber M&A

M&A activity for North American based target companies in Plastics and Rubber sector for Q4 2014 included 28 closed deals according to data published by industry data tracker *FactSet*, with an average enterprise value of \$83 million. Although highly driven by commodity pricing, sellers with proprietary products have received the greatest valuations in recent times.

Transactional Overview

Notable closed transactions for the period in the plastics and rubber sector include:

December 2014 - HEXPOL AB acquired Rhotech Inc from O2 Investment Partners LLC, for US\$112 million in cash. Rhotech provides polyolefin compounds, engineered resins and multifunctional colorant and additives. HEXPOL AB manufactures and sells advanced polymer compounds and engineered products. It operates through two business segments: HEXPOL Compounding and HEXPOL Engineered Products.

December 2014 - GRT Rubber Technologies LLC, a portfolio company of Main Street Capital Partners LLC, acquired the business and assets of GRT business of EnPro Industries Inc for US\$44 million in cash. EnPro Industries, Inc. is a manufacturer of proprietary engineered products used in critical applications. It is engaged in sealing technologies, metal polymer and filament wound bearings, components and service for reciprocating compressors, diesel and dual-fuel engines and other solutions that meet the needs of industries worldwide. Main Street Capital Partners LLC is a private equity firm located in Houston, Texas.

November 2014 - A private group led by Wendel SA and management of CSP Technologies Inc, acquired CSP Technologies Inc for US\$360 million in cash. CSP Technologies, Inc. provides polymeric and packaging solutions. The firm uses its patented Activ-Polymer advanced desiccant polymer technology to manufacture innovative protection solutions that enhance the stability, shelf life and convenience of its customer's products. Wendel SA is engages in the acquisition and management of investment portfolios.



MERGERS, ACQUISITIONS, AND CAPITAL RESOURCES SINCE 1956

FOR MORE INFORMATION CONTACT

Corporate Finance Associates
24461 Ridge Route, Suite A200
Laguna Hills, CA 92653

For over 50 years CFA has been advocating on behalf of business owners. Whether you're selling, buying or recapitalizing your company, our business is your business.

info@cfaw.com
www.cfaw.com

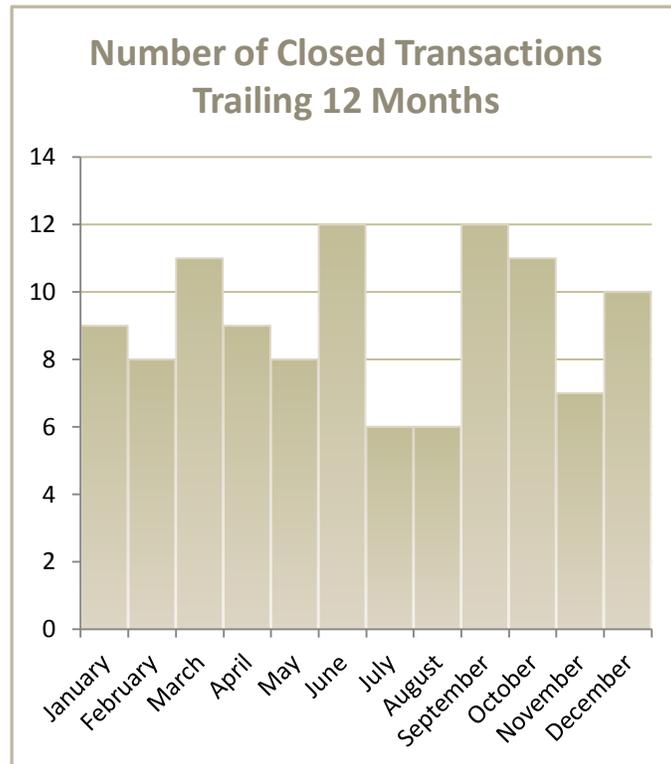
Selected Q4 Closed Transactions

Target/Issuer	Buyers/Investors
Tri-Delta Plastics, Inc.	Genstar Capital LLC
Portage Precision Polymers, Inc.	HEXPOL AB
Xten Industries LLC	Commercial Plastics Co.
Charleston Corp.	Patrick Industries, Inc.
Integra Plastics, Inc.	Raven Industries, Inc.
AL-KO Axis, Inc.	Fifth Street Capital LLC
Plasticap, Inc.	A.C. Simmonds & Sons, Inc.
Optimum Plastics, Inc.	Huron Capital Partners LLC

Industry Dynamics

M&A activity in the plastics and rubber segment has been fueled by larger companies and private equity groups looking to acquire new technology to add to existing divisions or portfolio companies. As the economy continues to grow the sector should see continued M&A activity.

According to *First Research*, an industry research organization, US plastics manufacturers stand to benefit from the US boom in natural gas shale plays, according to Trib Total Media. US production of ethane, a natural gas liquid, has increased significantly from shale plays including the Marcellus, Utica, and Bakken shale formations. In processing plants called ethane crackers, ethane is produced from natural gas. Ethane is then used to produce ethylene, the key ingredient in polyethylene plastic. Royal Dutch Shell is reported to be considering the construction of a new ethane cracker in Beaver County, Pennsylvania, to process natural gas from the Marcellus Shale. The US division of Brazilian petrochemical firm Braskem is proposing construction of an ethane cracker in West Virginia.



China's demand for rubber products is expected to increase nearly 9 percent per year and reach a value of more than \$120 billion by 2017, according to a new report by the Freedonia Group. Growing demand from China's motor vehicle and industrial machinery industries are expected to be the chief drivers of the uptick in rubber products consumption. Tires are the largest product segment and demand is expected to shift toward higher-value tire products including radial tires, run-flat technology, and ultra-high performance tires. Industrial rubber products used in machinery are expected to see annual gains of more than 9 percent amid robust demand for construction machinery, mining equipment, machinery used in the chemical and petroleum industries, and metalworking machinery. Rubber used in aerospace applications is also forecast to see strong demand through 2017.

- The global plastic and rubber product manufacturing industry generates annual revenue of more than \$1 trillion. Leading companies based outside the US include Amcor (Australia), Bridgestone (Japan), Michelin (France), and Pirelli (Italy).
- The spot price of crude oil, a key raw material in plastic and rubber manufacturing, fell 47.2 percent in the week ending January 9, 2015.
- US nondurable goods manufacturers' shipments of plastics and rubber products, an indicator of plastic and rubber products production, rose 2.2 percent year-to-date in November 2014 compared to the same period in 2013.

Collectively, the Plastics & Rubber Practice Group provides M&A advice to public and private companies in all sectors of the plastics industries, including custom manufacturing using injection molding, extrusion, thermoforming, roto-molding, and blow-molding, tool & die making for injection molding and plastic packaging.

