

PLASTICS · RUBBER

FOURTH QUARTER

2018

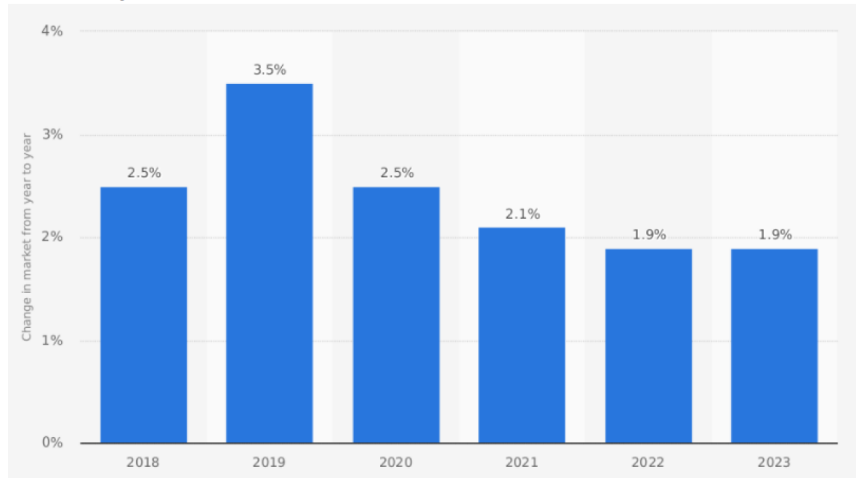
The Plastics & Rubber Industry Practice Group draws on the experience of CFA dealmakers, who as former business owners, CEOs, and industry professionals, have first-hand knowledge and have completed many transactions in sectors throughout the Plastics & Rubber category. Working with your local CFA representative, you can be sure that the collective wealth of knowledge is available to every CFA client.

Plastics & Rubber M&A

M&A activity for North American based target companies in the Plastics and Rubber sector for Q3 2018 included 25 closed deals, according to data published by industry data tracker *FactSet*.

One of the notable middle market transactions closed in July when Mueller Industries, Inc. acquired ATCO Rubber Products, Inc. for US\$163.4 million in cash and contingent payout. The acquisition would allow Mueller Industries to expand its climate products businesses. ATCO Rubber Products is located in Fort Worth, Texas manufactures flex duct systems for residential and commercial heating, ventilation and AC applications. It generated revenue of US\$166 million for the fiscal year ended December 31, 2017 and has 800 employees.

Projection of the U.S. Rubber and Plastics End-Use Market 2018-23



Source: Statista

End-use markets continue to grow year over year as more products in the U.S. are manufactured out of plastic and rubber materials.

Transactional Overview

Notable closed lower middle market transactions for the period in the Plastics and Rubber sector include:

September 2018 - HEXPOL AB acquired Kirkhill Manufacturing Co, from the founder for US\$49 million in cash and an undisclosed amount in contingent payout. HEXPOL engages in the manufacture and sale of advanced polymer compounds and engineered products. Kirkhill Manufacturing develops, produces and sells rubber components and products. It offers custom rubber mixes, tire compound, rubber roofing, engineering solutions and plumbing products. The company was founded in 1996 and is headquartered in Downey, CA.



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August 2018 - Hammond Kennedy Whitney & Co, Inc. acquired Urban Armor Gear LLC for an undisclosed amount. Hammond Kennedy Whitney & Co is a private equity firm headquartered in New York City with additional offices in Indianapolis and Chicago. Urban Armor Gear designs and manufactures mobile cases and accessories. It specializes in rugged, lightweight and drop-tested cases for smartphones, tablets and laptops. The company was founded in 2011 and is headquartered in Laguna Niguel, CA.

August 2018 - Sealed Air Corp acquired Austin Foam Plastics, Inc., trading as AFP Inc, for an undisclosed amount. Sealed Air Corp. engages in the provision of food safety and security, facility hygiene and product protection services. Austin Foam Plastics manufactures plastic foam products, wholesales corrugated and solid fiber boxes. The firm offers corrugated boxes, molded pulp, cases, pallets and foam products. The company was founded in 1978 and is headquartered in Pflugerville, TX.

Selected Q4 Closed Transactions	
Target/Issuer	Buyers/Investors
Quality Plastics LLC	ONCAP Management, Inc.; IntraPac International Corp.
Kirkhill Manufacturing Co.	HEXPOL AB
Letica Corp.	Graphic Packaging Holding Co.
Adams Mfg. Corp.	BC Partners Ltd.; Keter Plastic Ltd.
Custom Extrusion, Inc.	AEA Investors LP; Pexco LLC
Premier Material Concepts LLC	SIMONA AG
Griswold LLC	Rogers Corp.
ATCO Rubber Products, Inc.	Mueller Industries, Inc.

Industry Update

US orders for manufacturing technology, a demand indicator for fabricated metal products, increased 26% in the first five months of 2018 compared to the same period a year earlier, according to the Association for Manufacturing Technology (AMT). The North Central-West region saw the strongest year-to-date growth, with orders rising more than 40% amid robust demand from the off-road equipment, job shop, and medical equipment industries. Manufacturing technology orders have also been strong in the US South, driven mostly by automotive sector investments in Alabama, Georgia, the Carolinas, and Tennessee. The AMT expects expansion in the power generation sector to drive manufacturing orders by turbine and engine manufacturers, especially in the West, Southeast, and New England. While the outlook for manufacturing technology consumption remains positive, the AMT suggested the market does face some headwinds, including rising global trade tensions, supply chain challenges, rising interest rates, and labor shortages.

Industry Indicators

- US nondurable goods manufacturers' shipments of plastics and rubber products, an indicator of plastic and rubber products production, rose 2.3% year-to-date in August 2018 compared to the same period in 2017.
- The spot price of crude oil, a key raw material in plastic and rubber manufacturing, rose 35.8% in the week ending October 19, 2018, compared to the same week in 2017.

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. For information on mergers, acquisitions, divestitures, recapitalizations, joint ventures or financial resources, contact your local Corporate Finance Associates office.

