



# Plastics Industry

ANNUAL INDUSTRY UPDATE | 2022







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## Key Insights and Observations

Stout is pleased to present our 2022 Plastics Industry Update. Through our team's active conversations with top industry participants and analysis of subsector performance, we have outlined key takeaways below, followed by a discussion of macroeconomic and subsector trends, recent M&A activity, and public company performance.

- ❖ There were 417 plastics industry M&A transactions in 2022, a 20% decrease from 2021. M&A activity for 2022 remained in line with historical averages despite geopolitical and macroeconomic headwinds.
- ❖ 2022 was a tale of two halves as the economic environment in 1H was primarily impacted by the ongoing effects of COVID-19, while 2H saw a combination of rising interest rates, inflation, geopolitical tensions, and declining product demand in certain end markets leading to a more challenging M&A environment.
- ❖ Strategic, hybrid, and financial buyers remain active in M&A. Financial buyers, holding near record levels of dry powder, continue to pursue new and add-on investment opportunities.
- ❖ Companies are closely monitoring the economic climate and taking measures to mitigate the potential impact of a recession. End market stability and company-specific value drivers continue to provide insulation from broader economic trends.
- ❖ Raw material prices, particularly for certain types of resin, have recently dropped due to improved supply chain dynamics and an oversupply of certain types of resin.
- ❖ The labor market stabilized throughout 2022, resulting in less upward pressure on labor costs and fewer difficulties for companies in maintaining a quality workforce.
- ❖ Heading into 2023, the plastics industry is faced with some uncertainty as inflation, interest rate increases, and geopolitical issues continue to be a concern for businesses and investors alike; however, there is still significant demand for high-quality companies from both strategic and financial buyers, and not all companies will be equally impacted by the challenging environment.



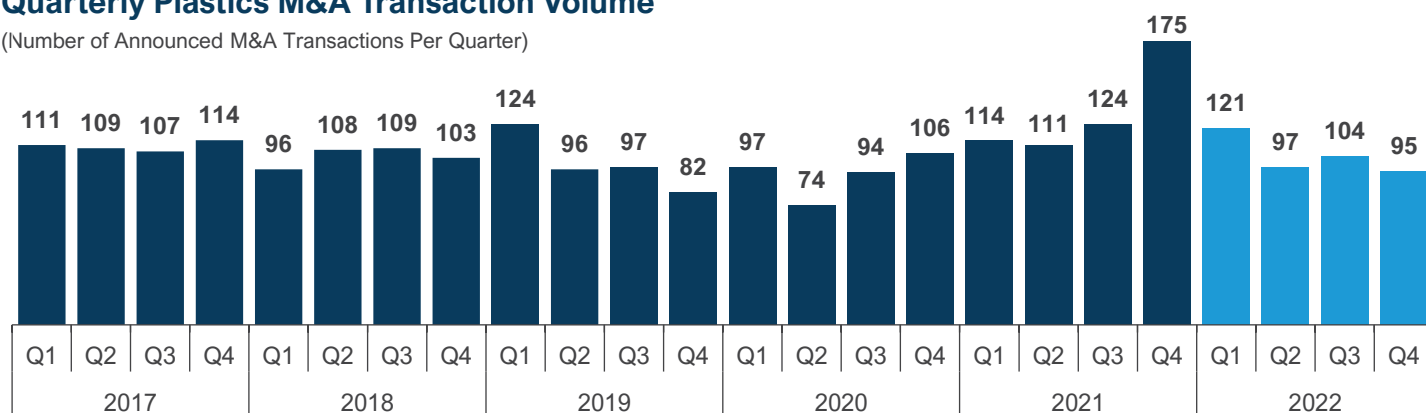
# M&A Activity Trends

## Key Drivers

- ✓ International and cross-border deal activity held up better than domestic, which decreased 36%.
- ✓ Strategic buyers made up most of the deal activity, whereas financial and hybrid activity declined.
- ✓ While all seller types saw a decline in deal activity, PE groups saw the biggest drop at 52%.

## Quarterly Plastics M&A Transaction Volume

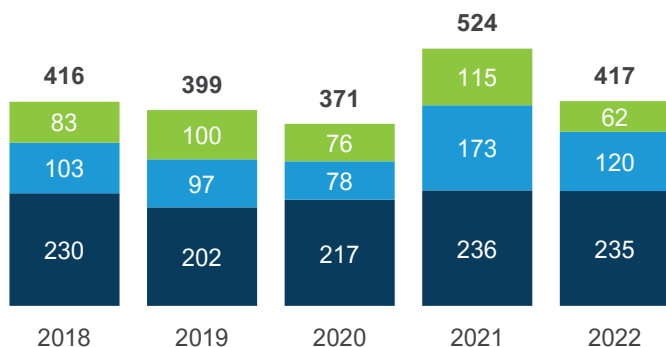
(Number of Announced M&A Transactions Per Quarter)



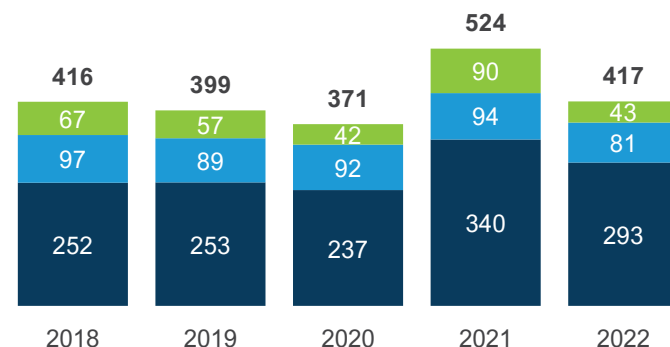
## ACQUIROR AND SELLER TRENDS

Strategic buyer activity led the charge in 2022, which remained in line with 2021, while financial and hybrid (private-equity-owned strategic) buyer activity decreased 46% and 31%, respectively. On the sell side, private seller, private equity, and corporate seller transactions decreased 14%, 52%, and 14%, respectively.

### M&A Volume by Acquiror Type



### M&A Volume by Seller Type



■ Strategic    ■ Hybrid    ■ Financial

■ Private    ■ Corporate    ■ Private Equity

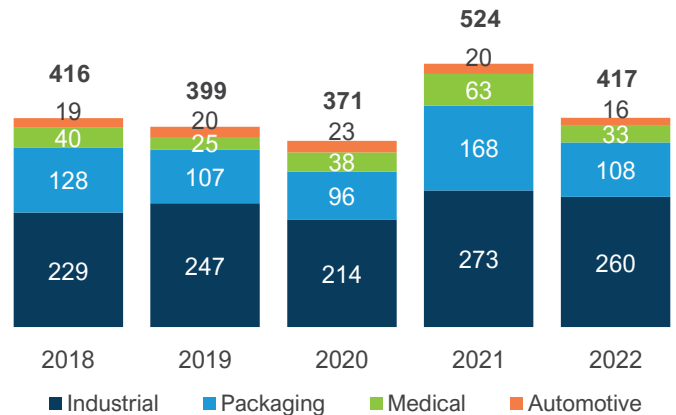
Source: Stout Proprietary Database

# M&A Activity Trends (cont.)

## ACTIVITY BY END MARKET

M&A activity within the medical, plastic packaging, automotive, and industrial end markets decreased 48%, 36%, 20%, and 5%, respectively, compared to 2021. Industrial end market activity remained relatively strong in 2022 compared to material declines in other end markets. Within the industrial end market, blow molding, rotational molding, thermoforming, and plastics distribution were particularly bright spots.

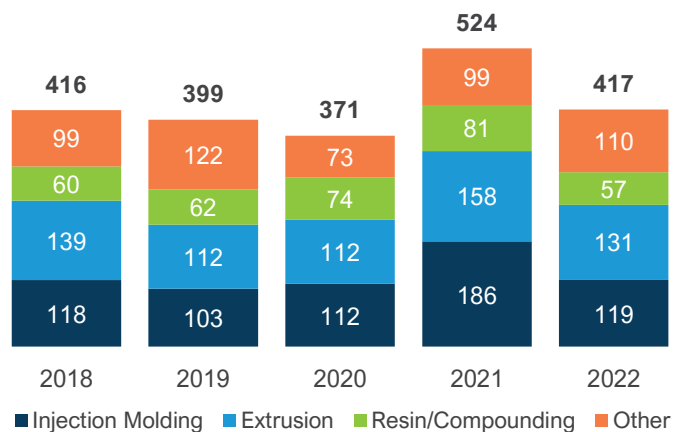
M&A Volume by End Market



## ACTIVITY BY PROCESS

M&A activity involving six out of the 10 plastic processes tracked by Stout were flat or down during 2022, with plastics machinery experiencing the largest drop, decreasing 46% compared to 2021. Two of the largest process segments, injection molding and resin/compounding, also saw M&A volume decline 36% and 30%, respectively, while, in contrast, blow molding, rotational molding, and plastics distribution activity grew materially.

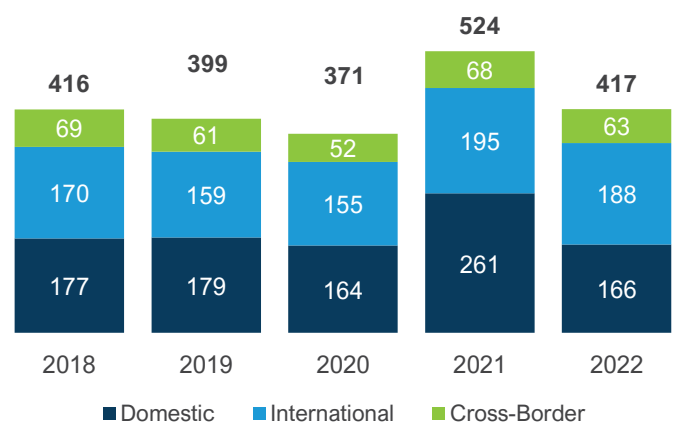
M&A Volume by Manufacturing Process



## ACTIVITY BY GEOGRAPHY

U.S. domestic M&A activity experienced a material slowdown during 2022, decreasing 36% compared to 2021. Cross-border and international M&A activity also decreased 7% and 4%, respectively. Within the U.S. market, plastics M&A activity saw the steepest declines in the automotive and medical end markets, as well as the injection molding and resin/compounding segments.

M&A Volume by Geography



Source: Stout Proprietary Database

(1) Other manufacturing processes include thermoforming, blow molding, machinery, prototyping, tool & die, rotational molding, and distribution.

# Macroeconomic Update

## RECENT MACRO PERFORMANCE

The global economy has experienced a broad-based and sharper-than-expected slowdown as geopolitical and macroeconomic headwinds persist. Over the past year, the unemployment rate and unemployed persons measures have remained relatively flat, hovering around 3.5% and 5.7 million, respectively. U.S. consumer spending supported Real U.S. GDP growth in 2022 despite headwinds as GDP increased in Q2 through Q4.

In 2022, the Federal Reserve has taken aggressive action to cool demand and tame inflation, which has surged to a 40-year high. Recent comments signal more rate hikes are coming; however, there could be a moderation in the pace of future hikes.

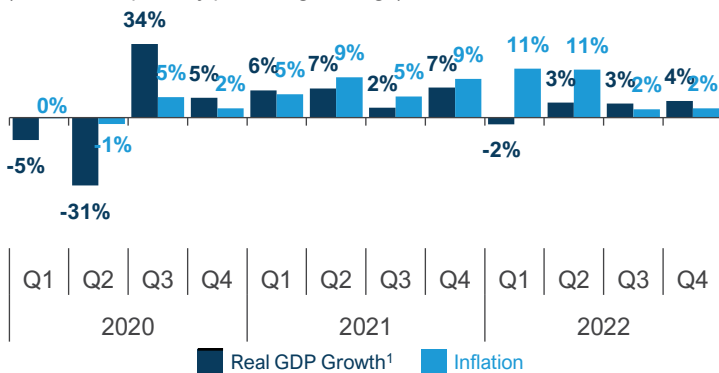
## INDUSTRY TRENDS

Labor costs and availability, along with material price volatility, has normalized from 2021 highs. The market continues to see strong demand even while employing more aggressive pricing strategies.

U.S. manufacturers benefited from reshoring efforts started before the COVID-19 pandemic, which have since accelerated, particularly driven by the crisis in Eastern Europe.

## Real GDP Growth and Inflation

(Annualized quarterly percentage change)

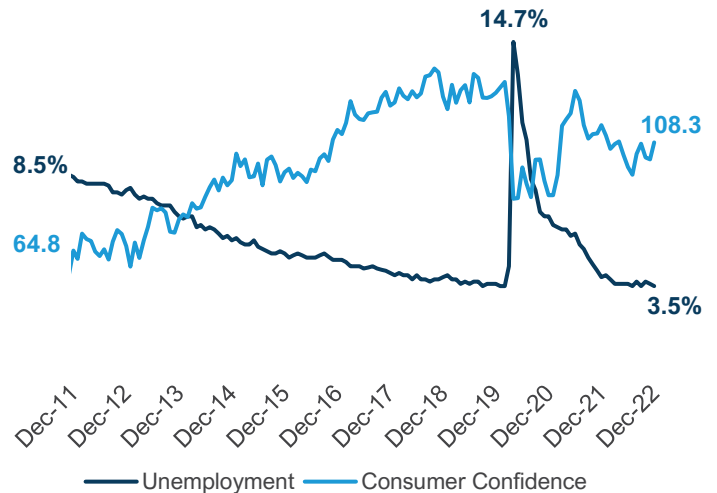


Source: FRED Economic Data

(1) Q4 2022 real GDP growth is based on Federal Reserve Bank of Atlanta's: GDPNow estimate

## Unemployment and Consumer Confidence

(Percentage of unemployed persons in the U.S. labor force)  
(Index of consumer sentiment; long-term average = 100)



Source: Bureau of Labor Statistics; University of Michigan Consumer Confidence Report

## Purchasing Manager's Index

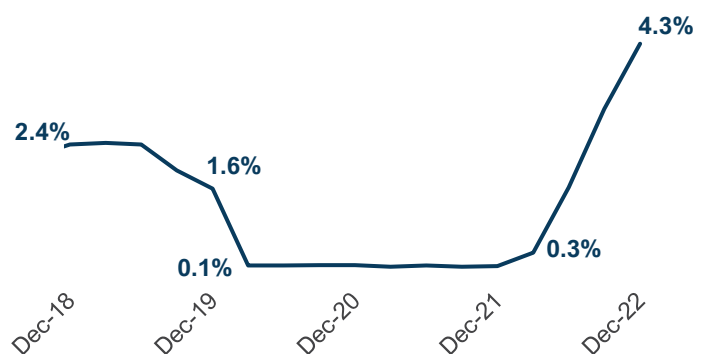
(Measures economic health of manufacturing sector 0 – 100)



Source: Institute for Supply Management

## Effective Federal Funds Rate

(Volume-weighted median of overnight federal funds transactions)



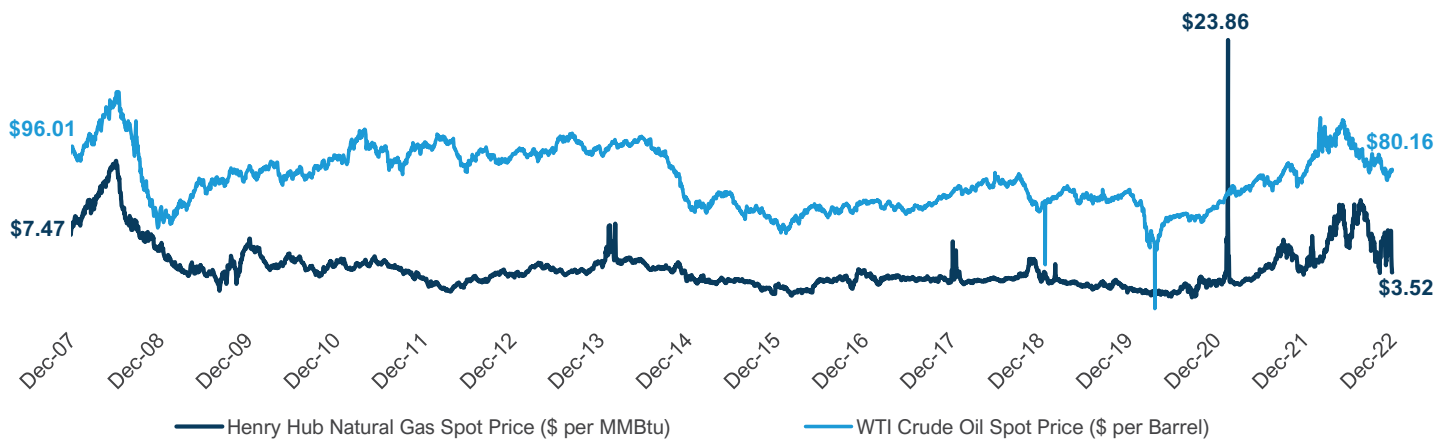
Source: Federal Reserve Bank of New York

# Macroeconomic Update (cont.)

## COMMODITY AND RESIN PRICING TRENDS

Modest price increases for crude oil occurred during 2022, while natural gas decreased slightly, with crude oil up approximately 6% and natural gas down 8%. Prices began to rise in February 2022 after Russia's invasion of Ukraine, which resulted in U.S. and European Union sanctions that hampered Russia's ability to sell commodities. Both natural gas and crude oil returned to pre-invasion prices in December 2022 as the U.S. produced a record level of supply to offset upwards pricing pressure. Overall, resin prices have generally trended down in 2022 due to an oversupply of certain types of resin. Factors from the COVID-19 pandemic, inflationary pressures, and global supply chain constraints have led to volatility in prices across the board.

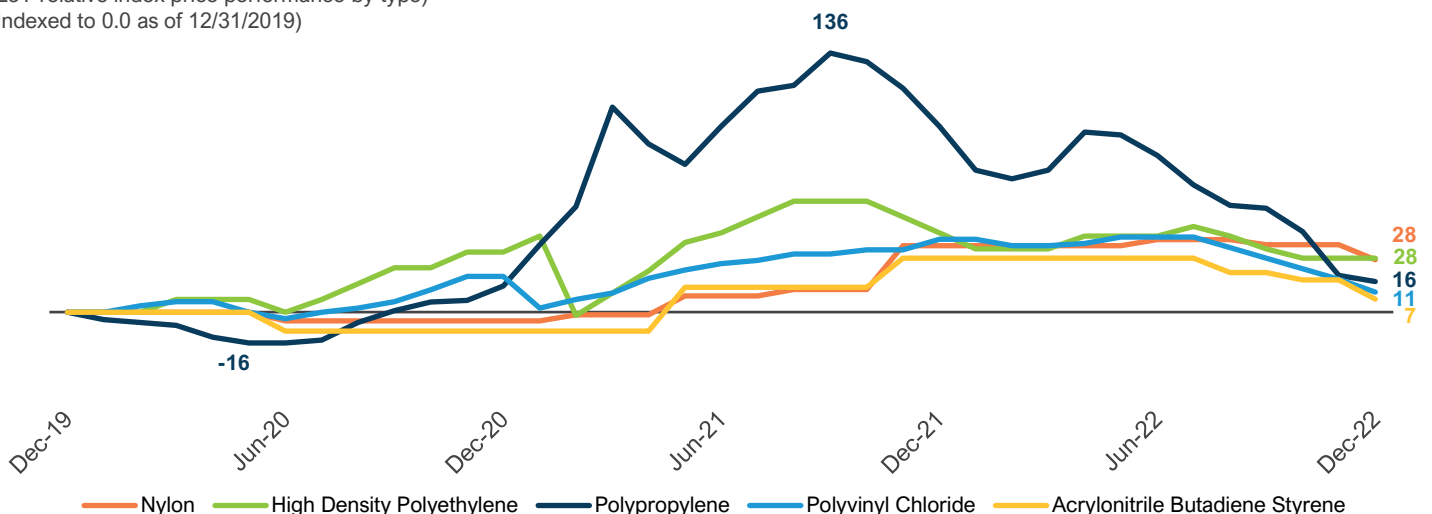
### Natural Gas Pricing and Crude Oil



Source: U.S. Energy Information Administration

### Resin Pricing Index

(L3Y relative index price performance by type)  
(Indexed to 0.0 as of 12/31/2019)



Source: Plastic News

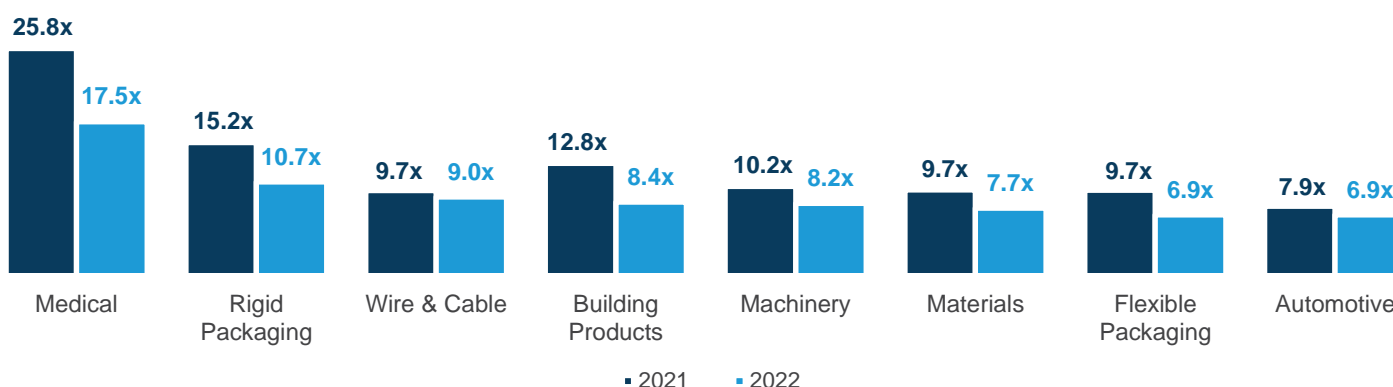


# Plastics Market Trends

## VALUATION METRICS

The U.S stock market had a difficult year in 2022, with all three major averages posting their worst year since 2008 and ending a three-year win streak. The Dow fared the best among the indices, down 8.8%, while the S&P 500 sank 19.4%. The tech-heavy Nasdaq was the worst performer, falling 33.1%. Sticky inflation, aggressive rate hikes from the Federal Reserve, and geopolitical concerns were among the factors that weighed on the market throughout the year. Within the plastics industry, multiples for all eight subsectors that Stout tracks were down in 2022.

## Subsector Average EBITDA Multiples



Source: S&P Capital IQ and Stout Proprietary Database

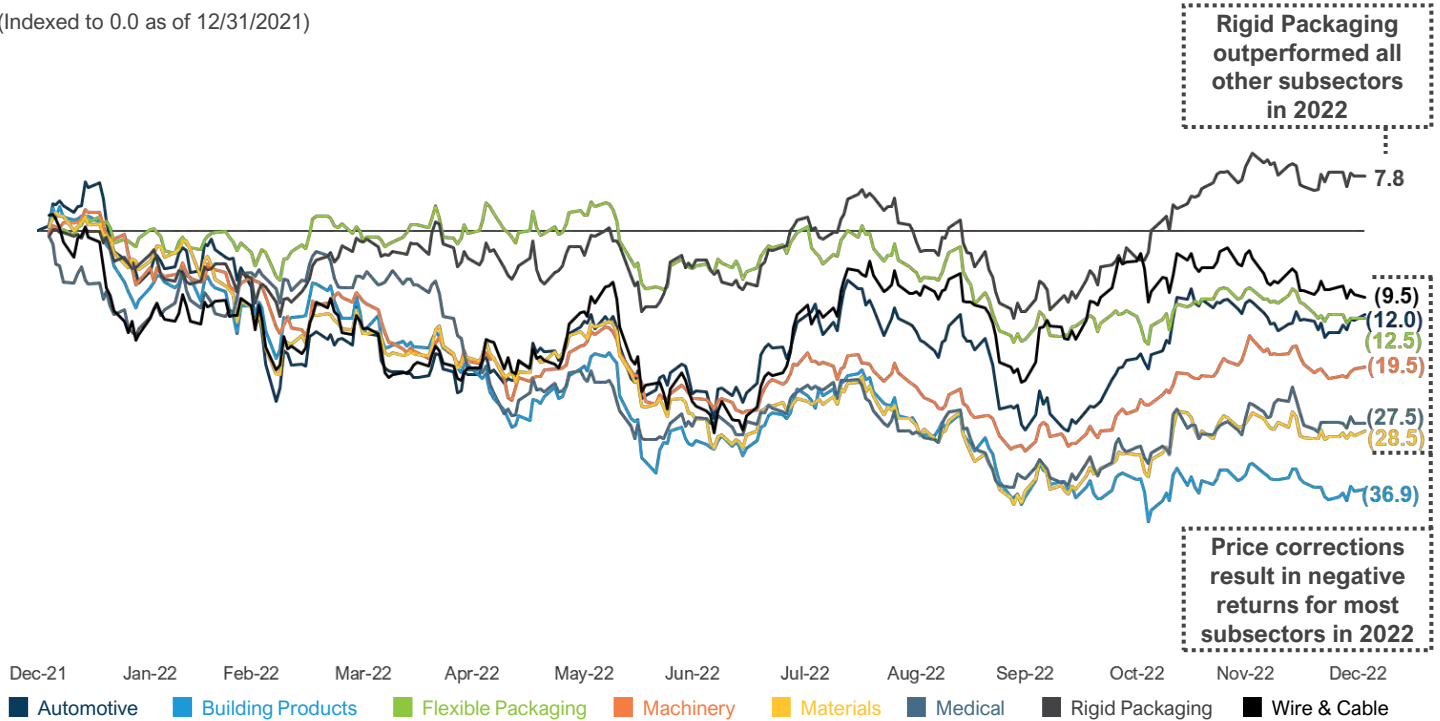
## RECENT PLASTICS INDUSTRY TRANSACTION HIGHLIGHTS

Date	Target (Ownership)	Subsector	Acquiror (Ownership)
Dec-22	Windsor Mold	Automotive Plastics	ABC Technologies (Apollo Global Mgmt.)
Nov-22	McCann Plastics	Materials	Hexpol AB (OM:HPOL B)
Nov-22	Liqui-Box (Olympus Partners)	Plastic Packaging	Sealed Air Corporation (NYSE:SEE)
Oct-22	Enviroplas	Materials	Aurora Plastics (Nautic Partners)
Sep-22	Techmer PM (SK Capital)	Materials	Gryphon Investors
Sep-22	Meridian Adhesives Grp. (Arsenal Capital)	Materials	American Securities
Aug-22	Plastic Industries, Inc. (Behrman Capital)	Plastic Packaging	Altium Packaging (Loews Corporation)
Aug-22	Molded Devices, Inc. (PNC Mezz.)	Medical Plastics	TruArc Partners
Aug-22	Minnesota Rubber & Plastics (KKR & Co.)	Medical Plastics	Trelleborg AB
Jul-22	Clayens NP (Groupe Siparex)	Industrial Plastics	One Equity Partners

# Plastics Subsector Performance

## Subsector Indices — LTM Stock Price Performance

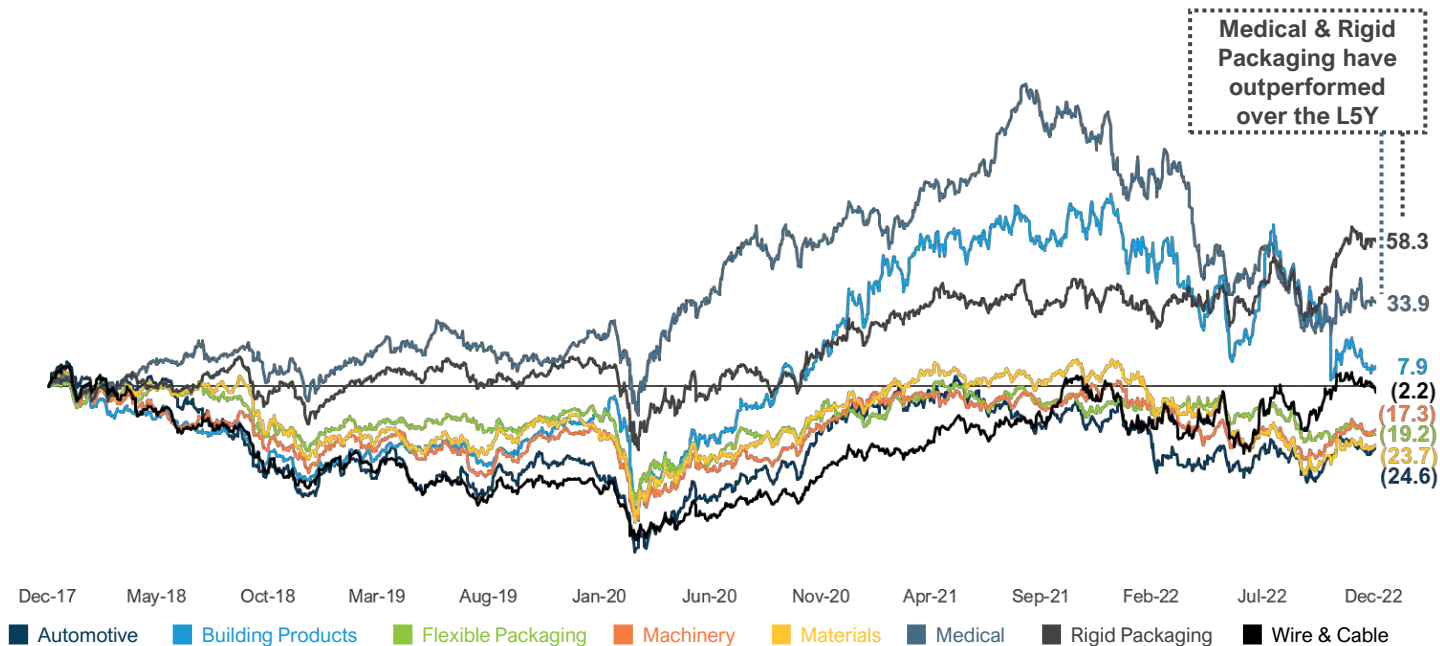
(Indexed to 0.0 as of 12/31/2021)



Source: S&P Capital IQ

## Subsector Indices — L5Y Stock Price Performance

(Indexed to 0.0 as of 12/31/2017)



Source: S&P Capital IQ



# Recent Stout Transactions Spotlight

## CASE STUDIES



has been acquired by a subsidiary of



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SELL-SIDE ADVISOR


### POLYTECH PLASTIC MOLDING

DECEMBER 2022

Manufacturer of custom injection molded and extruded plastic components for high margin and growth segments such as HVAC, electronics & telecom, water treatment, and medical

#### TRANSACTION RATIONALE

- PolyTech's full suite of plastics solutions and deep industry expertise in HVAC and water treatment produced long-tenured, entrenched relationships with industry-leading customers
- The acquisition of PolyTech provided Arcane a reputable and diversified plastics platform primed with significant growth opportunities



Finance Facility

Consisting of:  
Sr Sec Financing Facility  
Equity Collar and Loan

Stout acted as the exclusive financial advisor and sole placement agent

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FINANCIAL ADVISOR

### MOLDED FIBER GLASS

AUGUST 2022

Manufacturer of highly engineered fiberglass reinforced plastic solutions for a wide range of end markets, including heavy truck, automotive, construction, HVAC, and material handling

#### TRANSACTION RATIONALE

- MFG's entrenched customer relationships can be attributed to the Company's differentiated molding operations, highly skilled and technical advanced materials research, and engineering & design
- Provided a tax efficient solution for the shareholders and delivered significant future benefits to the employees at MFG



a portfolio company of



has been acquired by



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SELL-SIDE ADVISOR

### SEAWAY PLASTICS ENGINEERING

JUNE 2022

Manufacturer of sophisticated highly engineered plastic components for high-growth segments such as medical, electronics, precision industrial, and aerospace & defense

#### TRANSACTION RATIONALE

- ICG was attracted to Seaway's commitment to growing its medical end market mix, combined with extremely low customer concentration across all end markets
- The acquisition of Seaway provided ICG with a platform positioned for continued organic and inorganic growth (medical focused)

# Practice Overview

## ABOUT

The Stout Plastics group leverages deep advisory experience as well as dedicated coverage and expertise across a range of key plastics subsectors, processes, and end markets. The team leverages strong, longstanding relationships with the key strategic consolidators and highly active financial sponsors in the space, which enables us to provide superior outcomes for our clients.

## FOCUS AREAS

### Processes

- Injection Molding
- Extrusion
- Thermoforming
- Blow Molding
- Rotational Molding
- Composites
- Resin/Compounding
- Capital Equipment
- Tool & Die
- Prototyping

### End Markets

- Medical
- Industrial
- Packaging
- Automotive
- Consumer Products
- Electronics
- Appliance
- Building Products
- Machinery
- Wire & Cable

## OTHER RECENT STOUT TRANSACTIONS

**IN-PACK**  
MACHINERY  
A portfolio company of  
**AMBIENTA**  
has acquired  
**KARLVILLE SWISS**  
CONVERTING MACHINES  
BUY-SIDE ADVISOR

**INTERTECH**  
has been acquired by  
**TriMas**  
SELL-SIDE ADVISOR

**EMPIRE**  
PRECISION  
WHERE YOUR IDEAS TAKE SHAPE  
has been acquired by  
**KOUZA**  
CAPITAL  
SELL-SIDE ADVISOR

plasticcomponents.com  
a portfolio company of  
**MPE**  
PARTNERS  
has been acquired by  
**Rosti**  
SELL-SIDE ADVISOR

**OMP**  
ORION MOLDED PLASTICS LLC  
has been acquired by  
**ARGOSY**  
PRIVATE EQUITY  
a portfolio company of  
**CEDAR RIDGE**  
INDUSTRIAL ENGINEERING  
SELL-SIDE ADVISOR

**POLAR**  
PLASTICS  
a portfolio company of  
**SPELL CAPITAL**  
has been acquired by  
**Revolution**  
BELIEVE IN BETTER PLASTICS  
SELL-SIDE ADVISOR

**SMI**  
MOLDING, INC.  
a portfolio company of  
**SAGE PARK**  
has been acquired by  
plasticcomponents.com  
a portfolio company of  
**MPE**  
PARTNERS  
SELL-SIDE ADVISOR

**POLYFAB**  
CORP  
Highly • flexible • Solutions  
has been acquired by  
**DAIHO**  
SELL-SIDE ADVISOR

**United**  
**SPoly**  
systems  
has been acquired by  
**IOF**  
INDUSTRIAL OPPORTUNITY PARTNERS  
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## ABOUT STOUT INVESTMENT BANKING

Stout's Investment Banking group provides mergers and acquisitions (M&A) advisory, capital market financing, and other financial advisory services to portfolio companies of private equity firms, closely held or family-owned businesses, and divisions of large corporate parents. Learn more about our [\*\*Investment Banking services\*\*](#).

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