

## PLASTICS · RUBBER

FIRST QUARTER

2016

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 the Plastics and Rubber sector for Q4 2015 included 26 closed deals, according to data published by industry data tracker FactSet. The average transaction value was \$311 million.

The stock market meltdown of early 2016 hasn't seemed to have slowed down plastics M&A, though a large transaction in early 2016 has hit a snag. Axiall Corp., a manufacturer of chemical and plastic products, has fired back at perspective acquirer Westlake Chemical Corp., disputing many of the claims that Westlake made on Jan. 29 when it publicly announced its \$2.9 billion takeover bid for Axiall.

The Westlake offer was \$20 per Axiall share, including \$11 in cash and almost 0.2 of a Westlake share. The offer was 108 percent more than Westlake's closing price of \$9.60 on Jan. 22. The \$2.9 billion total also includes Houston-based Westlake — a supplier of PVC and polyethylene resins as well as PVC pipe — taking on approximately \$1.5 billion in Axiall debt. Axiall officials say Westlake's offer undervalued Axiall, since the firm's share price was \$21.90 as recently as Nov. 6 and has been above \$20 more than 90 percent of the time over the past three years.

Plastic and rubber production and commodity pricing declined significantly in 2015 and has shown limited signs of improvement in early 2016.

## Transactional Overview

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

**November 2015** - Spirax-Sarco Engineering Plc acquired Flow Smart Inc. for US\$8.6 million in cash. The purchase consideration will be paid in cash from Spirax-Sarco's existing funds. Spirax-Sarco Engineering Plc engages in the provision of engineered packages and services for space heating, humidification, sterilization, steam and hot water generation for hospitals, public buildings, academic institutions and commercial buildings.



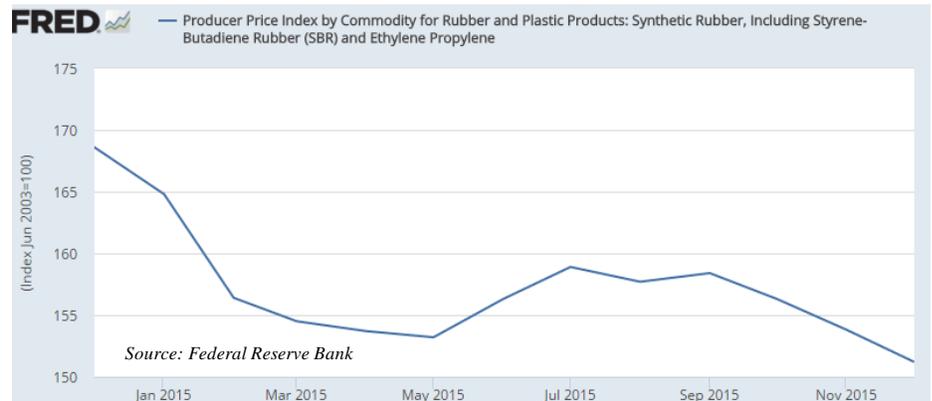
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Flow Smart Designs and manufactures sanitary gaskets, silicone transfer tubing and silicone hoses.

**October 2015** - CardioGenics Holdings Inc. acquired Plasticap Inc., a subsidiary of AC Simmonds & Sons Inc., for CAD11.3 million (US\$8.6 million) in stock, convertible debt, with an undisclosed amount in warrant options and CAD2.9 million (US\$2.2 million) in assumed liabilities. CardioGenics Holdings, Inc. is a biotechnology company, which engages in the business of development and commercialization of diagnostic test products to the In Vitro Diagnostics testing market. Plasticap, Inc.

manufactures specialty caps and closures for a number of vertical markets, including food, dairy, beverages, condiments, industrial, petro-chemical, medical and pharmaceutical industry.

Selected Q4 Closed Transactions	
Target/Issuer	Buyers/Investors
Rogers Corp. /Electronic Materials	CriticalPoint Capital LLC
Duecker Rubber Service, Inc.	All-State Belting LLC
Precision Extrusion, Inc.	Odyssey Investment Partners LLC
Kord-Valmark Labware Products, Inc.	BioPlast Manufacturing LLC
TGC Components LLC	Audax Private Equity; Wheel Pros
Hoosier Plastics, Inc.	ESCO Technologies, Inc.
Plaskolite, Inc.	Charlesbank Capital Partners LLC
Plasticap, Inc.	CardioGenics Holdings, Inc.

**October 2015** - Olympus Partners LP acquired Liqui-Box Corp from The Sterling Group LP, for an undisclosed amount in cash. The transaction was reported to be valued at approximately US\$300 million. Founded in 1988 by Robert Morris, Olympus Advisors LLC is a private equity firm located in Stamford, Connecticut. Liqui-Box Corp. develops and manufactures flexible liquid packaging systems.

## Industry Update

US resin manufacturers pursuit of growth in other countries could intensify if the industry's production capacity expands beyond domestic needs. An abundance of cheap natural gas has attracted billions of dollars in domestic and foreign investments in US chemical manufacturing in recent years, and production and export of plastics is expected to rise as a result. Net US plastic resin exports will more than triple by 2030 compared to 2014, increasing from \$6.5 billion to \$21.5 billion, according to a report from the American Chemistry Council and Nexant Consulting. Among the packagers and distributors pursuing export opportunities, a new company called Sea Pac LLC is spending \$32 million to build a shipping hub for plastic resins near The Port of Charlestown in South Carolina. The company, which is expected to be operational in early 2017, will transfer plastic resins delivered by rail to containers for shipment overseas, according to Plastics News.

### Industry Indicators

- US nondurable goods manufacturers' shipments of chemical products, an indicator of demand for plastic resin and synthetic fibers, fell 2.3% year-to-date in November 2015 compared to the same period in 2014.
- The spot price of crude oil, a key raw material in plastic resin and synthetic fiber manufacturing, fell 29% in the week ending January 8, 2016, compared to the same week in 2015.
- According to data from the Interindustry Economic Research Fund, Inc., (IERF) revenue for US plastics and synthetics production, which includes resins and fibers, is forecast to grow at an annual compounded rate of 7% between 2016 and 2019.

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.

