

PLASTICS · RUBBER

SECOND QUARTER

2016



MERGERS, ACQUISITIONS, AND CAPITAL RESOURCES SINCE 1956

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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.

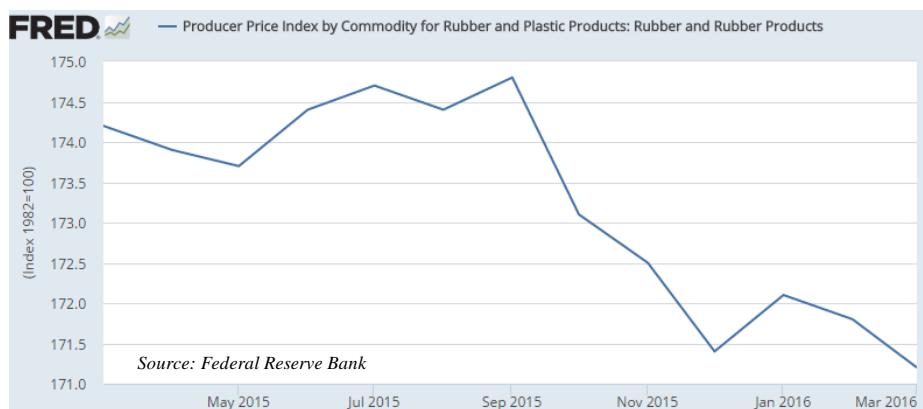
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This Industry Practice Group was established to draw on the experience of CFA advisors, many of whom as former business owners and CEOs, have first-hand knowledge and have completed many transactions in this industry.

Plastics & Rubber M&A

M&A activity for North American based target companies in the Plastics and Rubber sector for Q1 2016 included 18 closed deals, according to data published by industry data tracker FactSet. The average transaction value was \$49 million.

One of the major deals in the sector this year was Trelleborg A.B. and Freudenberg Group moving forward with a plan where Freudenberg will become sole owner of joint venture TrelleborgVibraacoustic GmbH. The acquisition of Trellborg's half of the JV is based on an enterprise value of a little more than \$2 billion. The company will receive about \$7.7 billion in addition to a dividend of \$1.6 billion it received in December, putting the total value of deal at approximately \$9.3 billion.



In late March, private equity group Arsenal Capital made three acquisitions in the polyurethane foam space. Arsenal will combine Pacific Urethanes LLC (Ontario, CA), a majority stake in Elite Foam, Inc. (Newnan, GA) and the foam production assets of Hickory Springs Manufacturing Co. (Conover, NC) to form Elite Comfort Solutions. Purchase prices were not disclosed.

Commodity pricing for rubber products dropped significantly in the first quarter lowering materials prices for manufacturers.

Transactional Overview

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

March 2016 - Prophet Equity LLC acquired Total Plastics Inc. from AM Castle & Co, for US\$55 million, subject to customary working capital adjustments. Founded in 2007, Prophet Equity LLC is a private equity firm located in Southlake, Texas. Total Plastics, Inc. (TPI) manufactures and distributes plastic products. It also provides industrial plastic product fabrication, distribution and machining services to customers in the agricultural, automotive, chemical, electronics and manufacturing markets in the Midwest.

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

February 2016 - PolyOne Corp acquired the business and assets of thermoplastic elastomer business, from Kraton Performance Polymers Inc., for US\$72 million in cash. PolyOne Corp. provides specialized polymer materials, services and solutions with operations in specialty polymer formulations, color and additive systems, plastic sheet and packaging solutions and polymer distribution. The Kraton division acquired manufactures and markets styrenic block copolymers.

Selected Q1 Closed Transactions	
Target/Issuer	Buyers/Investors
Deluxe Packages	Amcor Ltd.; Amcor Flexibles, Inc.
Scientific Plastics Corp.	Odyssey Investment Partners LLC
Preferred Compounding Corp.	Audax Private Equity; Preferred Com
Kraton Performance Polymers, Inc.	PolyOne Corp.
MET Plastics	Dedienne Multiplasturgy Group SAS
Parkland Plastics, Inc. (Indiana)	Patrick Industries, Inc.
Total Plastics, Inc.	Prophet Equity LLC
Maxwell Chase Technologies LLC	Wendel SA; CSP Technologies, Inc.

February 2016 - Patrick Industries Inc. acquired Parkland Plastics Inc. for US\$25 million in cash. Patrick Industries, Inc. is a manufacturer of component products and distributor of building products and materials serving the recreational vehicle, manufactured housing, kitchen cabinet, household furniture, fixtures and commercial furnishings, marine, and other industrial markets. Parkland Plastics, Inc. (Indiana) manufactures bacteria and fungi resistant waterproof panels. The firm's products include sanitary wall covers, waterproof self-supported, laminated, structural, decorative panels and ceiling tiles.

Industry Update

The global market for reinforced plastic composite materials is forecast to rise 3.5% per year through 2020, according to a recent report by BCC Research. Growing demand for carbon fiber-reinforced resins is expected to be partially driven by the automotive industry's need to meet increasingly stringent fuel efficiency requirements. Replacing metal automobile components with ones made from carbon fiber helps automakers reduce vehicle weight in order to comply with US Corporate Annual Fuel Economy (CAFE) standards, which rose to 35.5 miles per gallon for the 2016 model year. By the 2025 model year CAFE standards will require auto makers to have average fuel economy of 54.5 miles per gallon.

Industry Indicators

- US nondurable goods manufacturers' shipments of plastics and rubber products, an indicator of plastic and rubber products production, fell 0.7% year-to-date in February 2016 compared to the same period in 2015.
- The spot price of crude oil, a key raw material in plastic and rubber manufacturing fell 29.1% in the week ending April 8, 2016, compared to the same week in 2015.

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.

