

PLASTICS · RUBBER

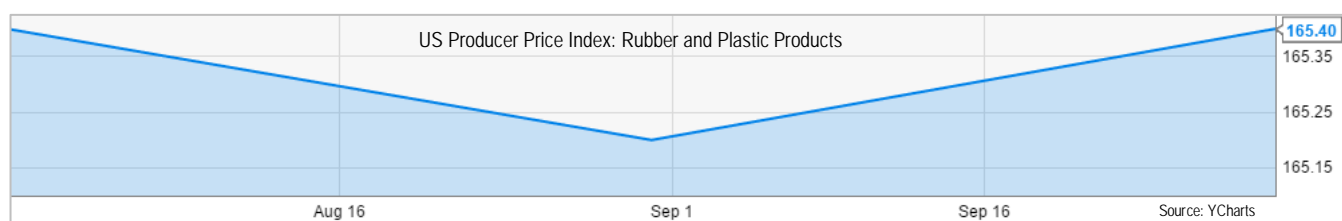
FOURTH QUARTER

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 Q3 2016 included 25 closed deals, according to data published by industry data tracker FactSet. The average transaction value was \$75 million.



In August there was a major deal announced when Berry Plastics Group, Inc. ("Berry") (NYSE:BERY) and AEP Industries Inc. ("AEP") (NASDAQ:AEPI) entered into a definitive merger agreement under which Berry will acquire all of the outstanding shares of AEP in a cash and stock transaction. Aggregate consideration will be \$765 million, including AEP's net debt. AEP is a leading manufacturer of flexible plastic packaging films in North America. Berry manufactures and markets plastic consumer packaging and engineered materials.

US pricing for rubber and plastic increased over the quarter. The index was at a level of 165.40 in September, up from 165.20 in August and down from 166.10 last September. This is a change of 0.12% from August and -0.42% from last September.

Transactional Overview

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

September 2016 - PolyOne Corp acquired Polystrand, Inc., and Gordon Composites, Inc., both subsidiaries of Gordon Holdings, Inc., for US\$85.5 million in cash. PolyOne Corp. engages in the business of thermoplastic compounds. It specializes in polymer materials, services and solutions with operations in specialty polymer formulations, color and additive systems, plastic sheet and packaging solutions and polymer distribution. Polystrand and Gordon design and manufactures thermoplastic composites.



MERGERS, ACQUISITIONS, AND
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July 2016 - Refresco Group NV acquired Whitlock Packaging Corp, a portfolio company of GarMark Advisors LLC, for US\$129 million, in a cash and debt free basis. Refresco Group NV is a holding company that engages in the manufacture and bottling of private label soft drinks and fruit juices for retailers. Whitlock Packaging Corp. provides plastic packaging services for the juice industry.

July 2016 - Patrick Industries Inc. acquired Vacuplast LLC, trading as LS Manufacturing Inc., for US\$11 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. Vacuplast LLC manufactures thermoformed plastic parts and components.

Selected Q3 Closed Transactions	
Target/Issuer	Buyers/Investors
Alliance Barrier Films LLC	Sigma Plastics Corp.
Industrial Resin Recycling, Inc.	Ravago Holdings America, Inc.
International Polymers Corp.	Ravago Holdings America, Inc.
Dixie Poly Drum Corp.	US Roto Molding LLC
Xccent, Inc. /Medical & Industrial Divisions	Midwest Rubber Co.
Whitlock Packaging Corp.	Refresco Group NV
Gordon Holdings, Inc. /2 Subsidiaries	PolyOne Corp.
Alliance Barrier Films LLC	Sigma Plastics Corp.

Industry Update

A new process developed by Exxon Mobil and the Georgia Institute of Technology could eventually reduce the costs of manufacturing plastics while slashing energy consumption and greenhouse emissions. The process uses a new polymer-based membrane to filter para-xylene, a building block for polyester, from complex hydrocarbon feedstocks instead of the energy-intensive heating process currently used. If it proves to be commercially scalable, the technology could reduce the energy costs of plastics production by \$2 billion annually. The process might also decrease carbon dioxide emissions by up to 45 million tons per year. More testing is required to determine if the membranes can withstand the rigors of real-world production conditions. If further research is successful, a pilot program may be put in place to test a plant-scale demonstration of the technology. The initial research was published in Science in August 2016.

Industry Indicators

- US nondurable goods manufacturers' shipments of plastics and rubber products, an indicator of plastic and rubber products production, fell 0.1% year-to-date in August 2016 compared to the same period in 2015.
- The spot price of crude oil, a key raw material in plastic and rubber manufacturing, rose 10.0% in the week ending October 7, 2016, compared to the same week in 2015.
- US nondurable goods manufacturers' shipments of chemical products rose 2.3% year-to-date in August 2016 compared to the same period 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.

