



PLASTICS • RUBBER

THIRD QUARTER

2017

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 Q2 2017 included 24 closed deals, according to data published by industry data tracker *FactSet*. The average purchase price was \$73million.

The high-performance tire sector has been among the fastest-growing parts of the tire market. According to a recent report from Smithers Rapra, *The Future of High-Performance Tires to 2022*, the high-performance tire market will grow at 6.3 percent year-on-year through to 2022 reaching a market value of \$74.7 billion, up from \$54.9 billion in 2017.

Transactional Overview

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

June 2017 - Arsenal Capital Management LP, trading as Arsenal Capital Partners, a subsidiary of Arsenal Capital Group LLC, acquired PolyOne Designed Structures & Solutions, LLC from PolyOne Corp for US\$115 million, subject to a working capital adjustment. Arsenal Capital Management was founded in 2000 by Terrence Mullen. The firm is a subsidiary of Arsenal Capital Group. PolyOne Designed Structures & Solutions, LLC provides specialty polymer formulations, color and additive systems, plastic sheet and packaging solutions. It offers cast acrylic, tubes, PVC films and cosmetic esters.



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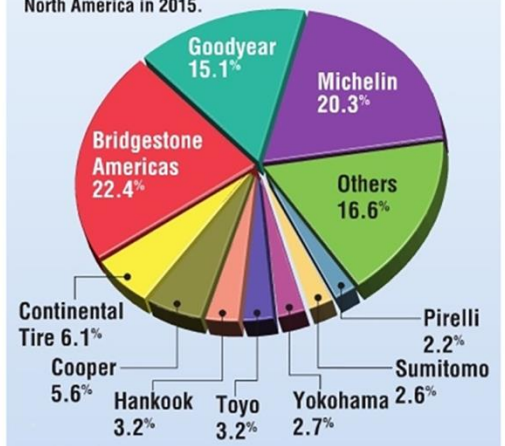
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The 10 largest tire manufacturers collectively accounted for an estimated 83.4 percent of the \$46.8 billion tire sales in North America in 2015.



Source: Tire Business

June 2017 - New Flyer Industries, Inc. acquired Carlson Engineered Composites, Inc. from The Carneil Group Ltd for CAD13 million (US\$9.6 million), subject to certain normal and customary purchase price adjustments. New Flyer Industries manufactures heavy duty transit buses in the U. S. and Canada. Part of New Flyer Industries, Carlson Engineered Composites is a Canadian company. The firm manufactures fiberglass reinforced polymer components.

April 2017 - HEXPOL AB acquired Valley Processing, Inc. from Mitchell Rubber Products, LLC for US\$46 million in cash and an undisclosed amount in contingent payout. HEXPOL engages in the manufacture and sale of advanced polymer compounds and engineered products. It operates through the HEXPOL Compounding and HEXPOL Engineered Products segments. Valley Processing manufactures and sells polymer products.

Selected Q3 Closed Transactions	
Target/Issuer	Buyers/Investors
Clear Lam Packaging, Inc.	Sonoco Flexible Packaging Co., Inc.
Macro Plastics, Inc.	IPL, Inc.; One Fifty One (Private Equity)
Span-America Medical Systems, Inc.	Savaria Corp.
W.L. Gore & Associates, Inc.	Entegris, Inc.
Kracor, Inc.	Yamaha Motor Corp. USA
MBA Polymers, Inc.	Elephant Equity GmbH
Imperial Packaging, Inc.	SFBC LLC
ProPlas Technologies	Comar, Inc.

Industry Update

Growth trends in certain pockets of the US retail sector could signal increased growth for several types of plastic goods and packaging, according to Plastics News. Total US retail sales increased 3.5% in the first four months of 2017 compared to the same period a year earlier. Nonstore retail, which primarily includes online retailers such as Amazon, saw sales growth of nearly 11% in the first four months of 2017. While online sales are expected to continue to drive demand for foam packing peanuts and bubble wrap, nonstore retail should also spur demand for specialized durable and reusable plastic shipping containers. The rise in online sales will also bring shifts in consumer product packaging shapes and sizes as shelf-appeal becomes less relevant. Packaging that is easier to ship and warehouse, and can more easily be handled by robotic material handling systems should see gains in demand. Building material and garden supply retailers have not been as negatively affected by online retail as department, clothing, electronics, sporting goods, and hobby stores. Retailers such as Home Depot and Lowe's saw sales rise nearly 6% in the first four months of 2017, which could signal increased sales of plastic building materials, and other plastic home improvement items and accessories.

Industry Indicators

- US nondurable goods manufacturers' shipments of plastics and rubber products, an indicator of plastic and rubber products production, rose 0.1% year-to-date in May 2017 compared to the same period in 2016.
- The spot price of crude oil, a key raw material in plastic and rubber manufacturing, fell 6.1% in the week ending July 7, 2017, compared to the same week in 2016.

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.

