CORPORATE FINANCE ASSOCIATES

INDUSTRY NEWSLETTER

PLASTICS · RUBBER

FOURTH QUARTER 2019

MERGERS, ACQUISITIONS, AND CAPITAL RESOURCES SINCE 1956

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For over 60 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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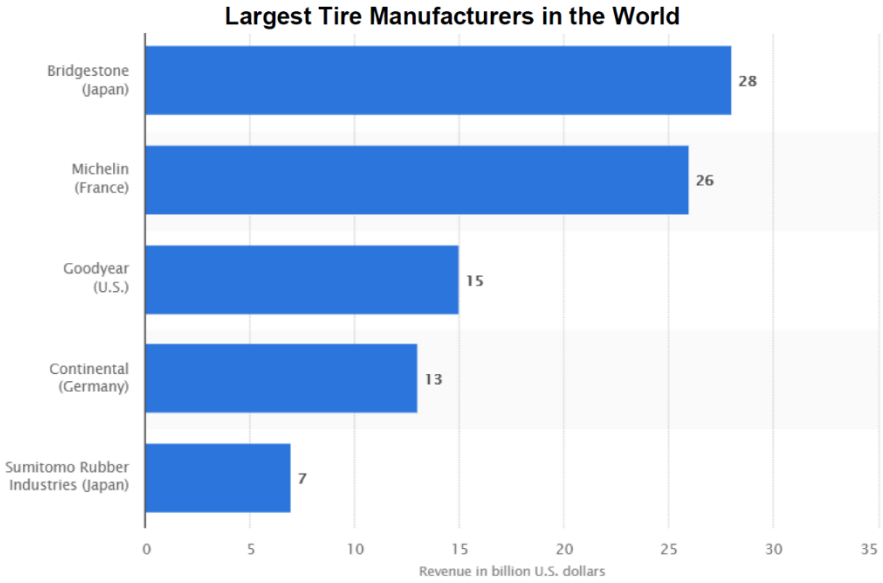
The Plastics & Rubber Industry Practice Group draws on the experience of CFA dealmakers, who as former business owners, CEOs, and industry professionals, have first-hand knowledge and have completed many transactions in sectors throughout the Plastics & Rubber category. Working with your local CFA representative, 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 Q3 2019 included 19 closed deals, according to data published by industry data tracker *FactSet*.

One of the notable middle market transactions in the sector was announced in July when HEXPOL AB acquired Preferred Compounding Corp, a portfolio company of Audax Private Equity, for approximately US$232 million in cash. The transaction expands the business portfolio of HEXPOL AB. With 540+ employees, Preferred Compounding Corp is located in Copley, Ohio and manufactures organic rubber compounds.

Tires, a primary end-market for rubber, is dominated globally by five companies.



Source: Statista

Transactional Overview

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

September 2019 - Graham Partners, Inc., a subsidiary of The Graham Group, Inc. (Pennsylvania), acquired Vpet USA, Inc. for an undisclosed amount. Graham Partners is a private equity firm founded 1988 by Steve C. Graham. Vpet USA manufactures and distributes plastic containers and jars. Its products are used for packaging in the food and beverage products sectors and the firm specializes in the wide-mouth PET food packaging segment. The company was founded in 2001 and is headquartered in Fontana, CA.

September 2019 - Microplastics, Inc. acquired iplastics LLC, doing business as IVP Plastics, for an undisclosed amount. The acquisition will expand and support Microplastics' growth. Microplastics manufactures insert molding technology. Iplastics, headquartered in Washington, IL, manufactures thermoplastic products.

Selected Q4 Closed Transactions	
Target/Issuer	Buyers/Investors
Vpet USA, Inc.	Graham Partners, Inc.
Slinger Bag Americas Inc.	Lazex, Inc.
Juice Merchandising Corp.	Apex Plastics, Inc.
Paragon Frames	Group Delphi, Inc.
Infiltrator Water Technologies LLC	Advanced Drainage Systems, Inc.
Engineered Specialties LLC	Pfingsten Partners LLC
Texas Foam, Inc.	Huntington Foam LLC; Millstein Capital LLC
Preferred Compounding Corp.	HEXPOL AB

August 2019 - Pexco LLC, a portfolio company of AEA Investors LP and subsidiary of Spectrum Holdings III Corp, acquired HPE Extrusion Solutions for an undisclosed amount. AEA Investors is a private equity firm headquartered in New York City. HPE Extrusion Solutions is a manufacturer of custom profile, tube and rod extrusions. HPE solutions benefit multiple industrial markets, including HVAC, automotive and utility clients.

Industry Update

US chemical producers are expected to enjoy moderate growth in the coming year, even as global economic conditions and demand from some key end-use markets have softened. Total US chemical production (excluding pharmaceuticals) increased 3.1% in 2018, and is projected to rise another 3.6% in 2019, according to the American Chemistry Council (ACC). Specialty chemical production growth is forecast to drop slightly in 2019 to 2.2% compared to the 3.7% rise seen in 2018. Key specialty chemical segments include oilfield and electronics chemicals, coatings, adhesives, cosmetics chemicals, and flavors and fragrances. The US chemical industry continues to be advantaged in global markets due to abundant shale energy feedstocks; the industry posted a trade surplus of $39 billion 2018 amid a 10% rise in chemical exports. While trade disruptions remain a risk, the ACC expects the US chemical trade surplus to reach $69 billion by 2023.

Industry Indicators

- US nondurable goods manufacturers' shipments of plastics and rubber products, an indicator of plastic and rubber products production, rose 0.0% year-to-date in August 2019 compared to the same period in 2018.
- The spot price of crude oil, a key raw material in plastic and rubber manufacturing, fell 27.0% in the week ending October 11, 2019, compared to the same week in 2018.

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. For information on mergers, acquisitions, divestitures, recapitalizations, joint ventures or financial resources, contact your local Corporate Finance Associates office.