



Plastics Industry

ANNUAL UPDATE

2021

**Record-Breaking Plastics M&A
Activity in 2021**

**Buyer Demand & Access to Capital
Driving 2022 Momentum**





2021 Market Summary & Outlook

INTRODUCTION

There were 522 plastics industry M&A transactions in 2021, a 41% increase from 2020. Plastics M&A activity in 2021 represented the highest annual total in the Stout proprietary database, with 173 transactions in Q4 2021 — a 33% increase from the previous quarterly high of Q4 2016.

The primary driver for a strong fourth quarter was the uncertainty in early 2021 around a potential tax law change in 2022, which led numerous new M&A mandates in the middle of the year. M&A activity by private equity firms (both selling and buying) led the charge in 2021, accounting for the majority of the incremental M&A volume for the year.

Positive momentum continues into 2022, which is expected to be another strong year for M&A activity within the plastics industry. From a buyer's perspective, there continues to be strong demand from both strategic and financial buyers despite the continuation of COVID-19 and other operational challenges affecting businesses. There is significant equity capital ready to be deployed, a strong lending environment, and a generally low cost of capital environment. From a seller's perspective, improved performance, a strong valuation environment, and other macro and company-specific factors have increased the supply of acquisition candidates in the market.

KEY THEMES & MACRO TRENDS

- Record-breaking M&A activity in 2021, largely driven by private equity
- Potential tax law changes drove a race to close deals by the end of 2021
- Positive momentum heading into 2022 with strong buyer demand and access to capital
- Continued interest in plastics companies across all processes and end markets, particularly in the U.S. market
- Improved company performance in many plastics sectors, despite numerous operational challenges
- Emerging secular trends positively impacting the plastics industry and strong industry tailwinds in many end market segments
- Strong financing environment and overall cost of capital continues to be low
- Mixed results in key, macroeconomic indicators, with inflation seeing its biggest increase in years



Proprietary M&A Database Highlights

Quarterly Plastics M&A Transaction Volume

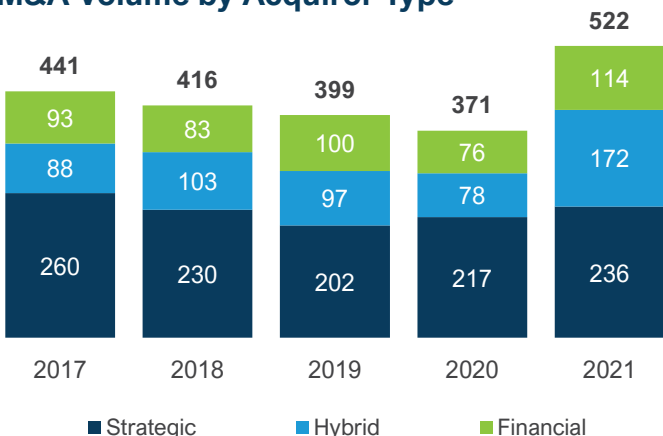
(Number of Announced M&A Transactions Per Quarter)



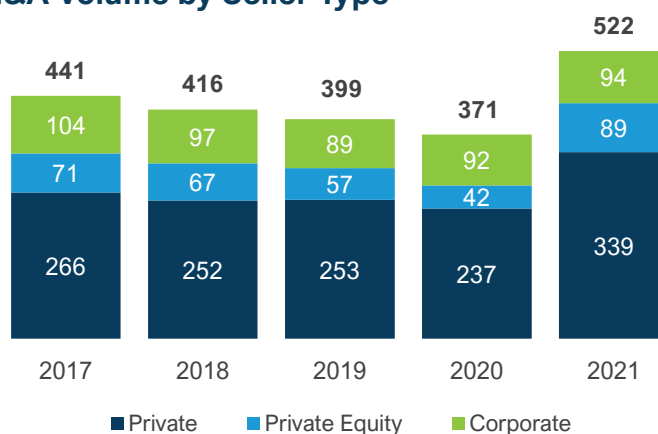
ACQUIROR AND SELLER TRENDS

Hybrid buyer (private equity-owned, strategic) activity led the charge in 2021, increasing 120% compared to 2020, while financial and strategic buyer activity increased 50% and 9%, respectively. On the sell side, private equity and private seller activity increased 112% and 43%, respectively, while corporate seller (e.g. corporate carveouts) transactions only increased 2%.

M&A Volume by Acquiror Type



M&A Volume by Seller Type



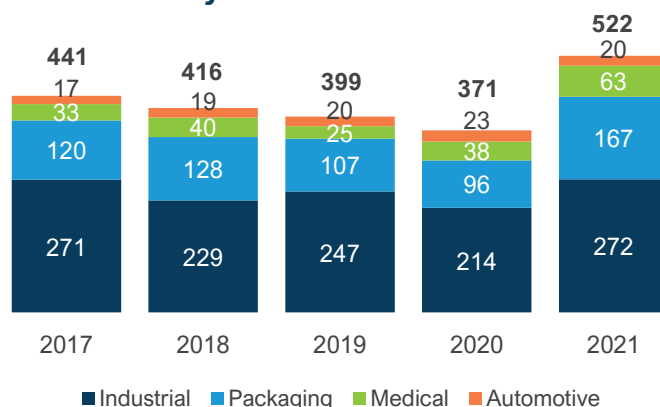
Source: Stout Proprietary Database

Proprietary M&A Database Highlights (cont.)

ACTIVITY BY END MARKET

M&A activity within the plastic packaging, medical, and industrial segments increased 74%, 66%, and 27%, respectively, compared to 2020, while automotive activity decreased 13%. Within both the plastic packaging and medical segments, injection molding and extrusion were particular bright spots. Medical continues to be one of the most sought-after segments, driving some of the highest valuations in the plastics industry.

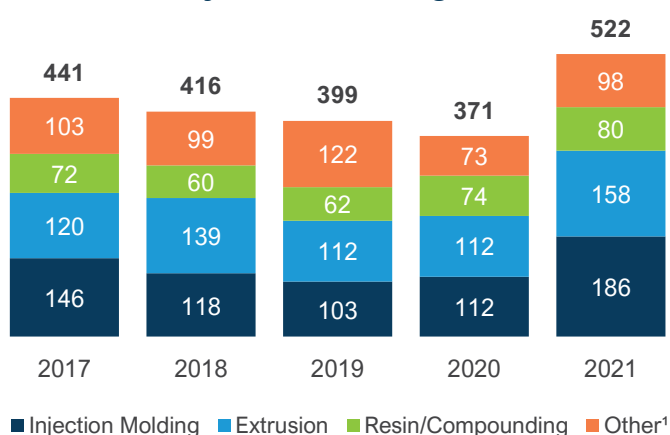
M&A Volume by End Market



ACTIVITY BY PROCESS

M&A activity involving seven out of the 10 plastic processes tracked by Stout were flat or up during 2021, with plastics distribution experiencing the largest growth, increasing 243% compared to 2020. Two of the largest process segments, injection molding and extrusion, also achieved strong M&A volume growth and increased 66% and 41%, respectively, while thermoforming and tool & die also increased significantly.

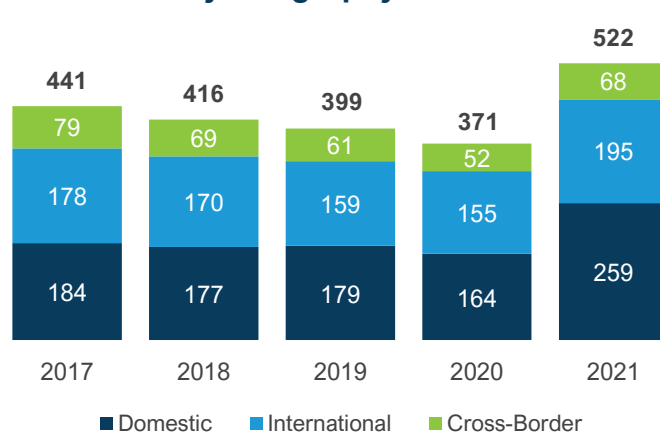
M&A Volume by Manufacturing Process



ACTIVITY BY GEOGRAPHY

U.S. domestic M&A activity experienced the largest growth during 2021, increasing 58% compared to 2020. Cross-border and international M&A activity increased 31% and 26%, respectively, as fewer pandemic-related travel restrictions remained. Within the U.S. market, plastics M&A activity achieved the biggest gains in the medical and plastic packaging end markets, as well as the injection molding, thermoforming, resin/compounding, tool & die, extrusion, and rotational molding segments.

M&A Volume by Geography



Source: Stout Proprietary Database

(1) Other manufacturing processes include thermoforming, blow molding, machinery, prototyping, tool & die, rotational molding, and distribution.

Macroeconomic Update

RECENT MACRO PERFORMANCE

The global economy has proven to be remarkably resilient even as COVID-19 cases have remained at elevated levels. Over the past year, the unemployment rate and unemployed persons measures fell by 2.8% and 4.5 million, respectively, as vaccines became widely available and many in-person events resumed. Real U.S. GDP growth was strong in 2021 as the economy reached new all-time highs.

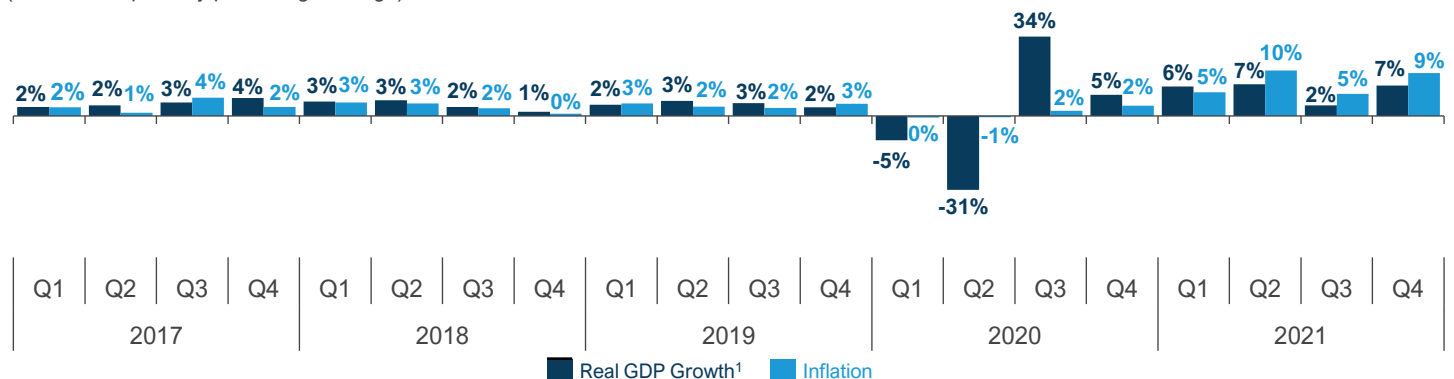
In 2021, U.S. inflation hit its fastest pace in nearly four decades as pandemic-related supply chain shortages, along with government stimulus checks, pushed prices up at a 7% annual rate. December marked the third straight month in which inflation exceeded 6%.

INDUSTRY TRENDS

A tight labor market and supply chain shortages have impacted manufacturers in the plastics industry, resulting in constraints on production volumes and price increases for many inputs. Market participants continue to see strong demand even while employing more aggressive pricing strategies.

Real GDP Growth and Inflation

(Annualized quarterly percentage change)

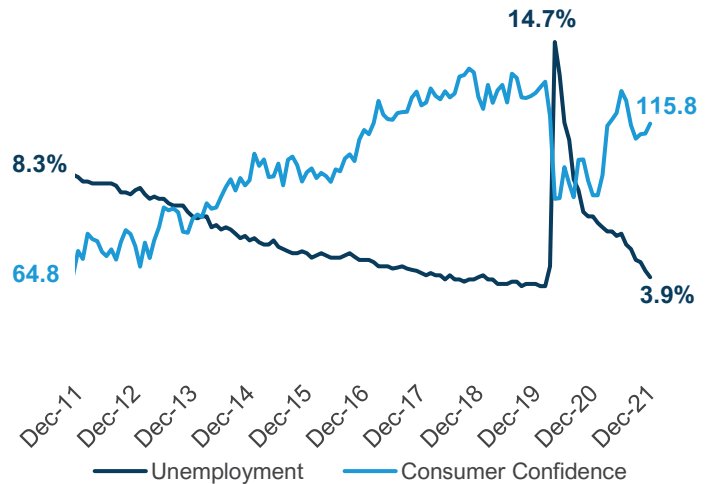


Source: FRED Economic Data

(1) Q4 2021 real GDP growth is based on Federal Reserve Bank of Atlanta's: GDPNow estimate

Unemployment and Consumer Confidence

(Percentage of unemployed persons in the U.S. labor force)
(Index of consumer sentiment; long-term average = 100)



Source: Bureau of Labor Statistics; University of Michigan Consumer Confidence Report

Purchasing Manager's Index

(Measures economic health of manufacturing sector 0 – 100)



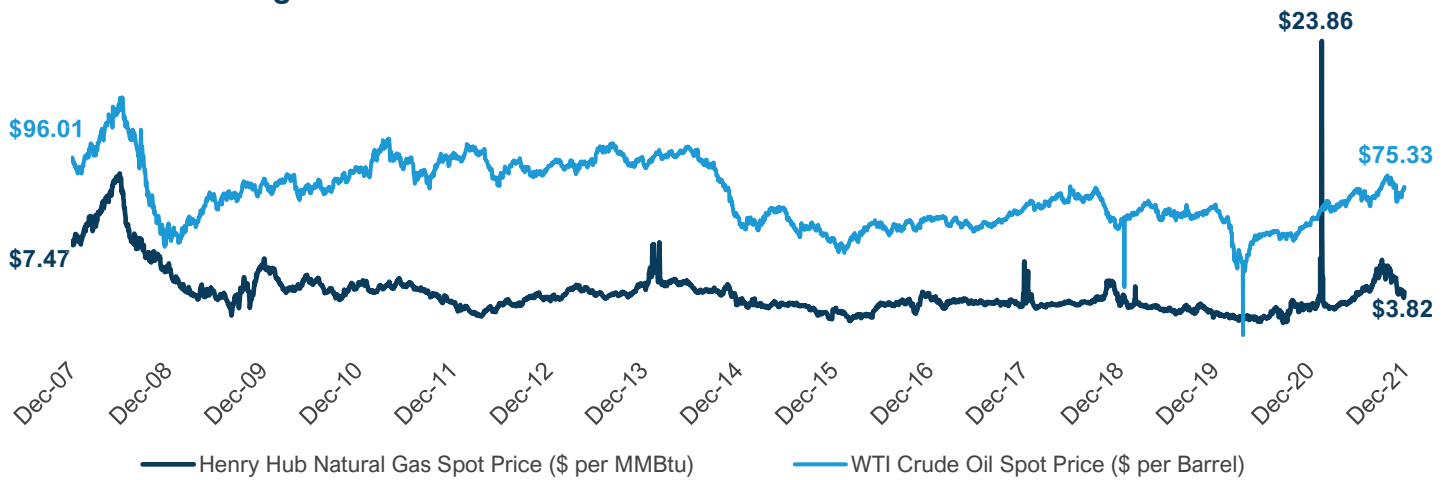
Source: Institute for Supply Management

Macroeconomic Update

COMMODITY AND RESIN PRICING TRENDS

Large price increases for crude oil and natural gas occurred during 2021, with crude oil up approximately 56% and natural gas up 62%. Natural gas declined slightly in Q4 as mild weather prevailed across much of the country, resulting in less natural gas used for space heating. Overall, resin prices have generally trended up through 2021, with certain commodity resins seeing the biggest increases, while pricing for engineering grade resins has been generally less volatile. Manufacturers continue to report higher prices and short supplies of resin-related products. Factors from the COVID-19 pandemic, the Texas freeze in February, and Hurricane Ida in August have all played a hand in the resin shortage.

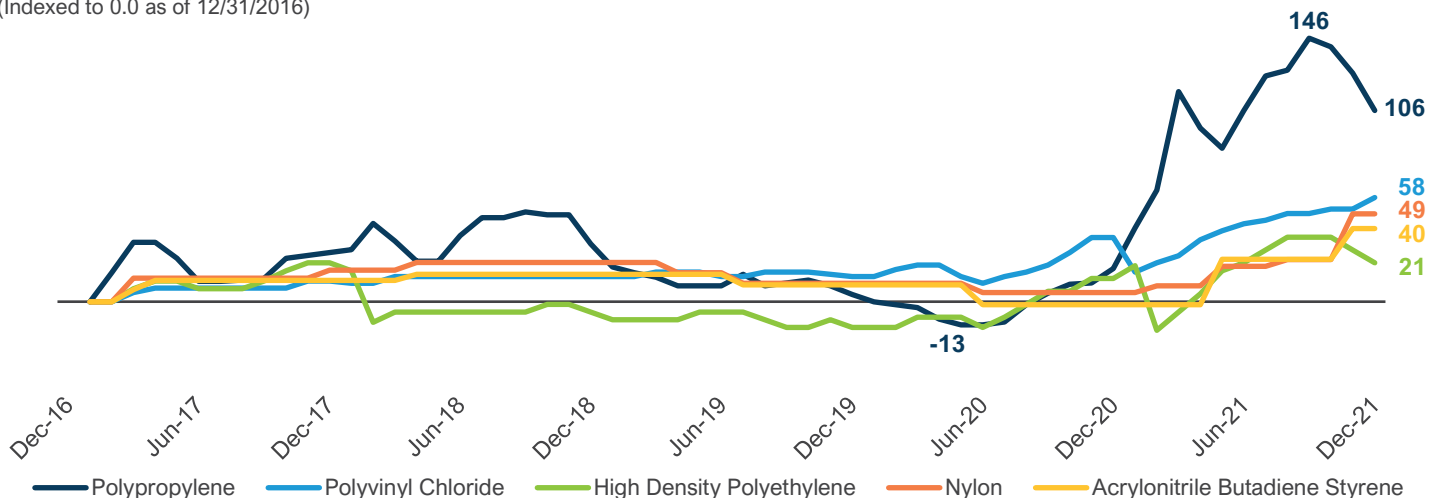
Natural Gas Pricing and Crude Oil



Source: U.S. Energy Information Administration

Resin Pricing Index

(L5Y relative index price performance by type)
(Indexed to 0.0 as of 12/31/2016)



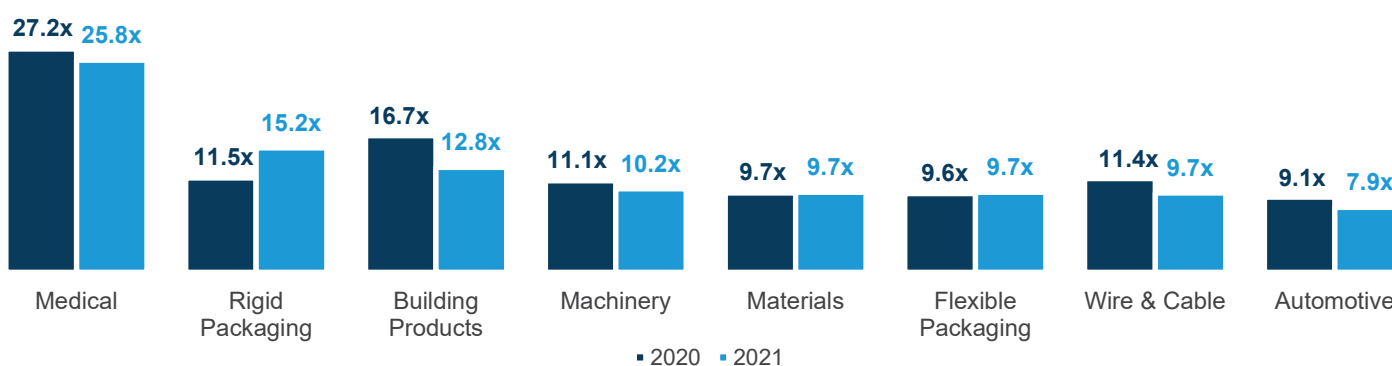
Source: Plastic News

Plastics Market Trends

VALUATION METRICS

The U.S. stock market extended its bull run in 2021, building on momentum from the historic rebound seen in the last three quarters of 2020 and accommodative monetary policy. For the full year 2021, the Dow, S&P 500, and Nasdaq were up 18.7%, 26.9%, and 21.4%, respectively. Within the plastics industry, multiples for six of the eight subsectors that Stout tracks were flat or down in the full year 2021, although valuations in the plastics industry generally are at or near all-time highs. The Stout rigid and flexible packaging indices were the only plastics subsectors to see multiple expansion.

Subsector Average EBITDA Multiples



Source: S&P Capital IQ and Stout Proprietary Database

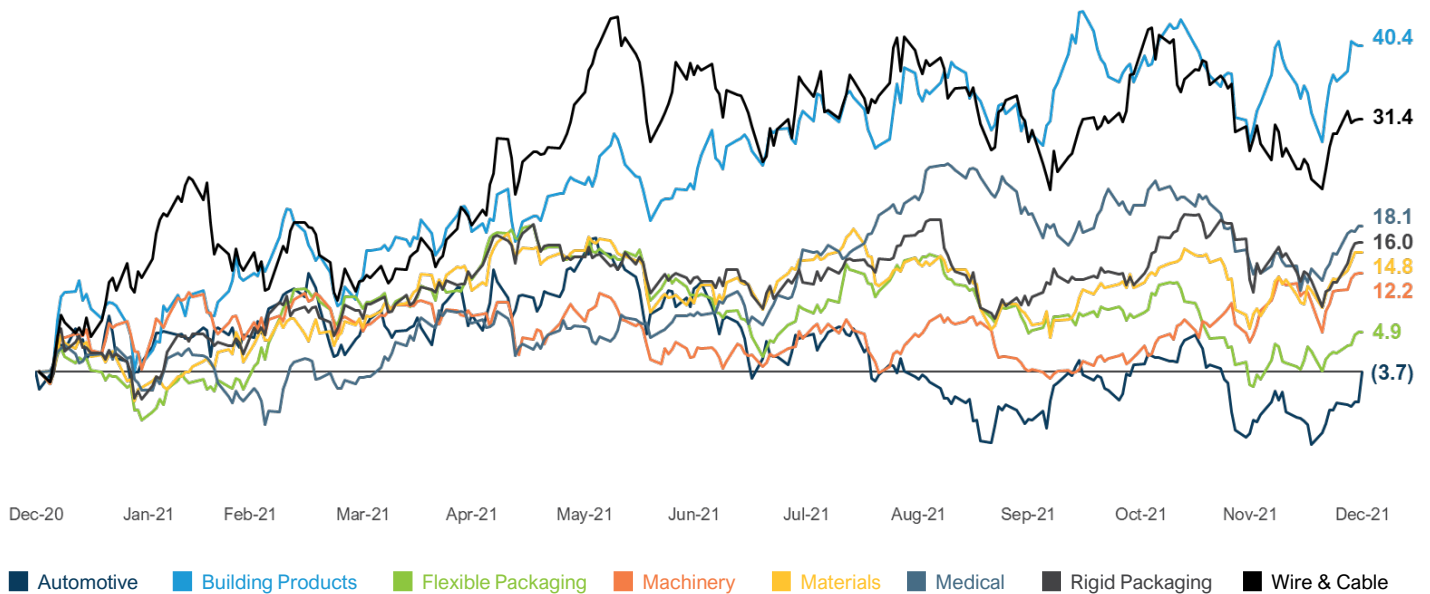
RECENT PLASTICS INDUSTRY TRANSACTION HIGHLIGHTS

Date	Target (Ownership)	Subsector	Acquiror (Ownership)
Jan-22	Plastic Components, Inc. (MPE Partners)	Industrial Plastics	Rosti Group AB (Nordstjernan)
Dec-21	IPEG Industrial Group	Machinery	Piovan S.P.A
Dec-21	Kem One Group (De Krassny GmbH)	Materials / Resin	Apollo Global Management
Nov-21	Davis-Standard (ONCAP)	Machinery	Gamut Capital
Nov-21	Medbio (Graham Partners)	Medical Plastics	Protective Industries, Inc. (Berwind)
Nov-21	Paragon Films (Wellspring Capital)	Flexible Packaging	Rhône Group
Oct-21	PPC Flexible Packaging (MSCP)	Flexible Packaging	GTCR
Oct-21	National Pipe & Plastics	Pipe Extrusion	Oldcastle Infrastructure (CRH Americas)
Oct-21	Omega Packaging	Rigid Packaging	Comar (Morgan Stanley Capital Partners)
Oct-21	Plasman (Insight Equity)	Automotive Plastics	MiddleGround Capital

Plastics Subsector Performance

Subsector Indices — LTM Stock Price Performance

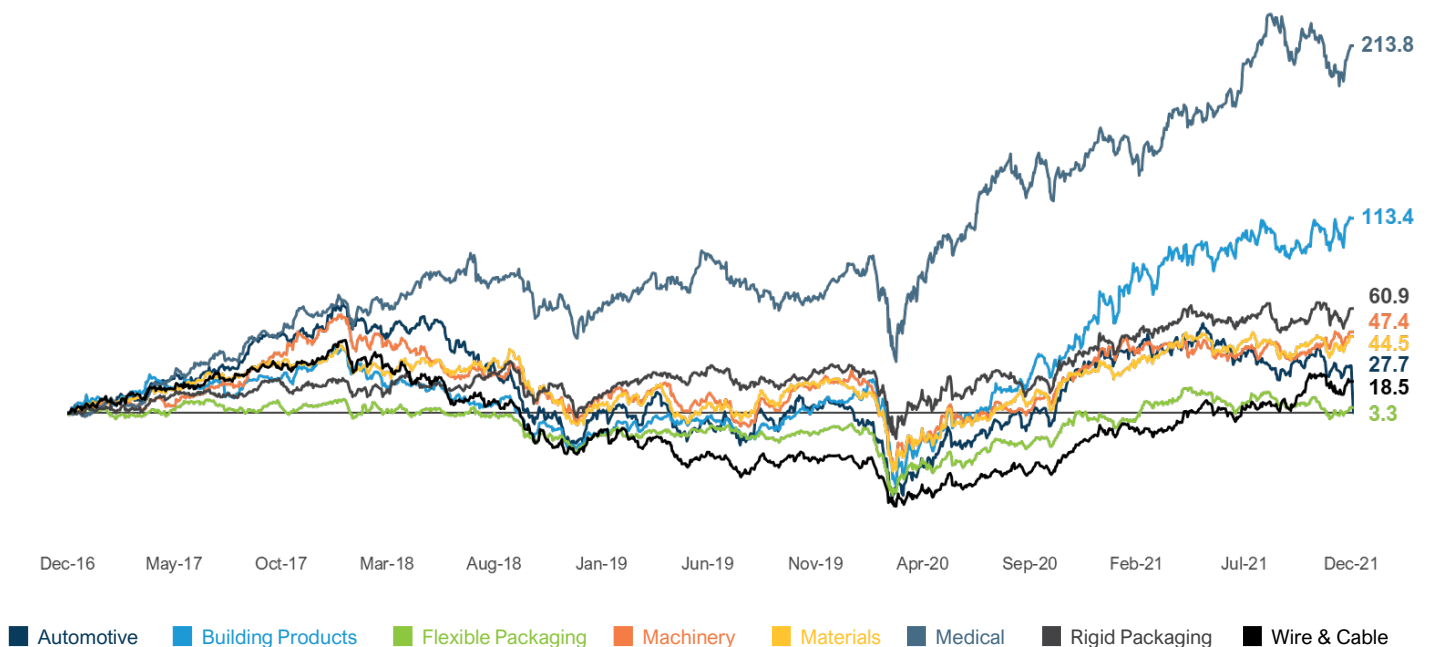
(Indexed to 0.0 as of 12/31/2020)



Source: S&P Capital IQ

Subsector Indices — L5Y Stock Price Performance

(Indexed to 0.0 as of 12/31/2016)



Source: S&P Capital IQ

Recent Stout Transactions

plasticcomponents.com

a portfolio company of



has been acquired by



a portfolio company of



SELL-SIDE ADVISOR

PLASTIC COMPONENTS, INC.

JANUARY 2022

Manufacturer of mission-critical, highly engineered plastic components, serving a diverse set of technology-forward customers nationwide

TRANSACTION RATIONALE

- Rosti Group was attracted to PCI's patented "lights-out" process technology, automation, advanced materials expertise, and scientific molding operations
- The acquisition of PCI significantly strengthened Rosti Group's market position across the United States



a portfolio company of



has been acquired by



SELL-SIDE ADVISOR

ONEIDA MOLDED PLASTICS

AUGUST 2021

Manufacturer of precision injection molded components primarily within the outdoor recreation and general industrial segments

TRANSACTION RATIONALE

- OMP's deep outdoor recreation expertise and relationships with numerous blue-chip manufacturers created a highly differentiated value proposition
- Cedar Ridge was attracted to OMP's entrenched position within its core outdoor recreation segment and its robust precision component manufacturing capabilities



a portfolio company of



has been acquired by



a portfolio company of



SELL-SIDE ADVISOR

POLAR PLASTICS

OCTOBER 2020

Manufacturer of high-quality blown plastic film and bag products used across a variety of industries and end markets

TRANSACTION RATIONALE

- The Company has a reputation for quality products, exceptional customer service, fulfillment of low-volume and short run orders, and rapid response times
- The acquisition of Polar Plastics allowed Revolution to serve new end markets and geographies with additional capabilities

Stout Plastics Investment Banking Team

ABOUT

For more than 30 years, Stout has exclusively focused on serving the unique M&A transaction advisory needs of middle-market clients. Our firm is a trusted advisor to leading organizations due to our deep industry knowledge, senior-level attention, process expertise, and relentless focus on delivering unparalleled results.

The Stout Plastics team has deep experience and expertise across numerous industry subsectors, processes, and end markets.

FOCUS AREAS

Processes

- Injection Molding
- Extrusion
- Thermoforming
- Blow Molding
- Rotational Molding
- Composites
- Resin/Compounding
- Capital Equipment
- Tool & Die
- Prototyping

End Markets

- Medical
- Industrial
- Packaging
- Automotive
- Consumer Products
- Electronics
- Appliance
- Building Products
- Machinery
- Wire & Cable

OTHER STOUT TRANSACTIONS




a portfolio company of
SAGE PARK
has been acquired by
plasticcomponents.com
a portfolio company of
MPE PARTNERS

SELL-SIDE ADVISOR




a portfolio company of
ARSENAL
has acquired
plastics color
corporation

BUY-SIDE ADVISOR




has been acquired by
DAIHO

SELL-SIDE ADVISOR




has been acquired by
INDUSTRIAL OPPORTUNITY PARTNERS

SELL-SIDE ADVISOR




a portfolio company of
BLACKFORD CAPITAL
has been acquired by
MOSAIC CAPITAL PARTNERS

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a portfolio company of
SPELL CAPITAL
has been acquired by
DAVIS-STANDARD
a portfolio company of
ONCAP

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a portfolio company of
SPEYSIDE EQUITY
has been acquired by
LITTLEJOHN CAPITAL

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has been acquired by
Selig group
a portfolio company of
3E

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has been acquired by
Commercial Plastics

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ABOUT STOUT INVESTMENT BANKING

Stout's Investment Banking group provides mergers and acquisitions (M&A) advisory, capital market financing, and other financial advisory services to portfolio companies of private equity firms, closely held or family-owned businesses, and divisions of large corporate parents. Learn more about our [**Investment Banking services**](#).

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