bridgepoint | INVESTMENT BANKING

# PLASTIC INJECTION MOLDING REPORT

## SECOND QUARTER 2020

# As the nation begins to re-open, plastic companies start their engines

## EXECUTIVE SUMMARY

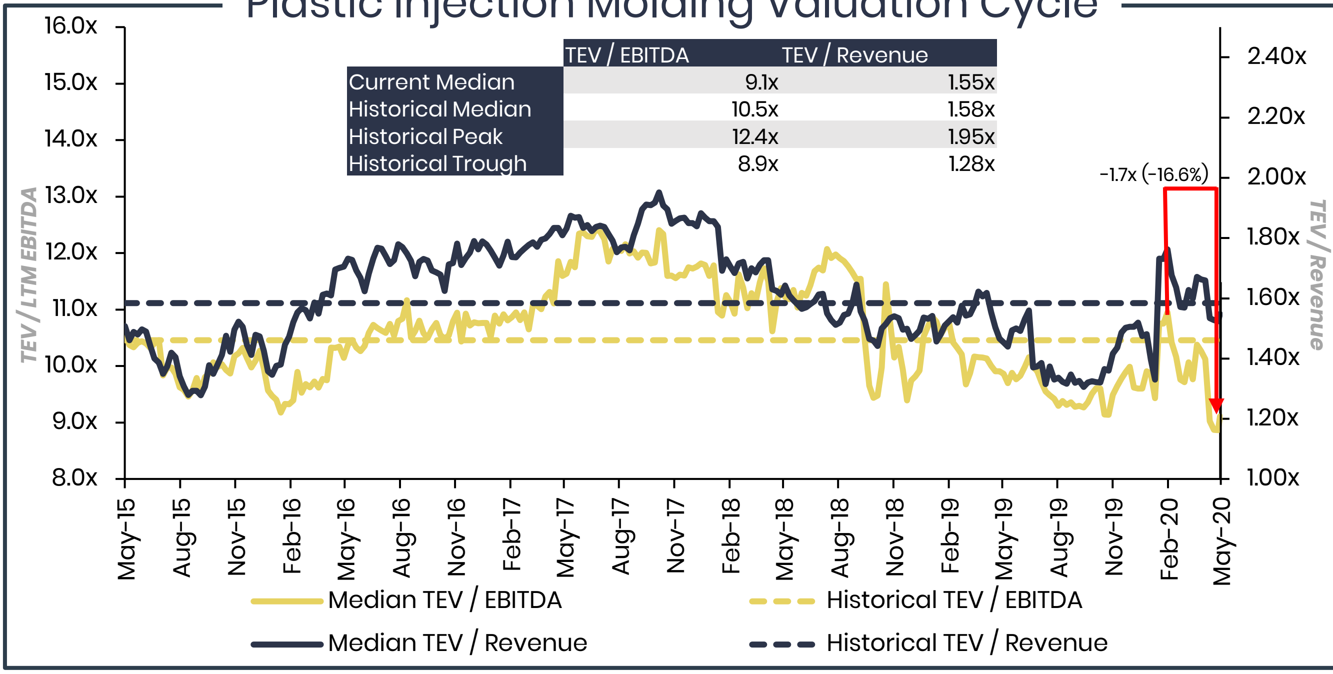
- Public plastic injection molding companies are currently valued at **9.1x, 13.3% below historical levels while just above trough levels**
- As manufacturing plants begin to re-open after the COVID-19 shutdown, **overall valuations are expected to rebound** by June and into the beginning of Q3 barring another shutdown due to a second wave of the outbreak
- Successful plastics companies in 2020 will be those who are able to take advantage of the historically low price of oil and introduce lean practices in order to increase overall profitability
- Bridgepoint expects limited industry consolidation through the end of Q2 2020, but expects M&A activity to pick up in Q3 and Q4 due to the large amount of available capital from private equity groups and family offices

## BIG PICTURE

- Plastic injection molding valuations and earnings are **highly cyclical** due to the nature of the industry and general macroeconomic factors as well as specific business characteristics
- Cycle timing is critical to maximize transaction value. **The recent steep decline in valuations due to the COVID-19 shutdown** indicates that the industry is not immune to the impacts of a nationwide shutdown; the slight increase of 0.2x (2.2%) since March indicates the potential beginning of a recovery
- Bridgepoint Investment Banking advises plastic injection manufacturing owners seeking near-term liquidity, growth, or stress financing; **that it is imperative to explore these strategic financing options now**

## Plastic Injection Molding Valuation Cycle

| | TEV / EBITDA | TEV / Revenue |
|---|---|---|
| Current Median | 9.1x | 1.55x |
| Historical Median | 10.5x | 1.58x |
| Historical Peak | 12.4x | 1.95x |
| Historical Trough | 8.9x | 1.28x |




Note: Composite composed of selected public comparables as listed on page 3.
*Source: Bridgepoint Investment Banking, Capital IQ, IBISWorld*

# COVID-19 Impact on Plastic End Markets

## Aerospace & Defense

- In light of drastic airline cuts due to the COVID-19 pandemic, many carriers have placed new aircraft orders on hold
- Demand for many plastic parts for commercial aircraft has decreased as a result
- Boeing's one-month Everett, WA plant shutdown led to many production lines in their supply chain sitting idle
- Until air travel becomes normalized post-COVID-19, companies who are highly-concentrated in commercial aviation are likely to experience more negative effects than defense industry focused manufacturers

## Medical Supplies

- Very rarely has the demand for various PPE & ventilators been higher than it is due to COVID-19
- Companies that are exposed to these products are seeing a surge in demand and must able to price competitively to maintain profit margins
- Many companies with high exposure and / or capabilities to produce medical supplies have fully shifted their production efforts to focusing on these much-needed products
- Medical supply companies are likely to demand higher valuations in the near term due to their exposure to the pandemic response

## Food & Beverage

- Companies that have high exposure to manufacturing food grade packaging have seen a surge in demand for frozen meals and takeout containers as restaurants have closed or moved to takeout-only
- Single-use plastics have benefited the most from this shift and will continue to do so in the short-term due to the health concerns related to reusable containers
- In the long-term, post-COVID-19, companies could transition to manufacturing reusable plastics due to the continued trend / demand for environmentally-friendly and sustainable products

> "While the pandemic has driven changes in procedures within plants, the industry is doing very well. Most of the companies which have containers or components that go into packaging which are being used for products that consumers are purchasing for home use."

***Mike Anderson, Managing Director***
*Bridgepoint Investment Banking*

(a) Middle Market = Companies $50mm-$1bn TEV.
*Sources: S&P Capital IQ, Analyst Research, IDC, Businesswire, Pitchbook*

# Selected Public Comparables

| *($ in millions, except per share data)* | | 5/18/2020 | Equity | Enterprise | P / E | TEV / Revenue | TEV / EBITDA | TEV / EBIT |
|---|---|---|---|---|---|---|---|---|
| **Company Name** | **Country** | **Share Price** | **Value** | **Value** | **LTM** | **LTM** | **LTM** | **LTM** |
| Amcor plc | Switzerland | $9.59 | $14,763.6 | $21,760.5 | 26.1x | 1.72x | 11.5x | 18.9x |
| AptarGroup, Inc. | United States | $104.15 | $6,685.1 | $7,684.9 | 29.4x | 2.71x | 12.5x | 20.1x |
| Berry Global Group, Inc. | United States | $42.11 | $5,579.6 | $16,641.6 | 13.7x | 1.55x | 9.1x | 16.8x |
| Compagnie Plastic Omnium SA | France | $19.56 | $2,859.2 | $3,870.0 | 10.2x | 0.42x | 4.3x | 7.1x |
| Hillenbrand, Inc. | United States | $23.06 | $1,723.0 | $3,402.8 | NM | 1.58x | 9.2x | 13.2x |
| Intertape Polymer Group Inc. | Canada | $7.93 | $464.4 | $1,059.1 | 10.3x | 0.91x | 6.5x | 10.4x |
| Myers Industries, Inc. | United States | $12.89 | $461.0 | $470.7 | 13.4x | 0.94x | 7.3x | 12.4x |
| Nordson Corporation | United States | $173.01 | $10,010.1 | $11,162.9 | 29.6x | 5.09x | 19.4x | 24.0x |
| Silgan Holdings Inc. | United States | $33.46 | $3,709.8 | $6,124.1 | 18.2x | 1.36x | 8.6x | 14.2x |

**Total - Sub $5bn**

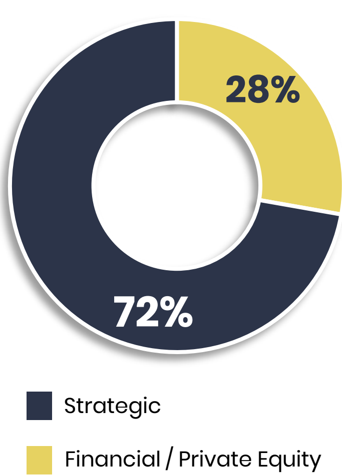
| | P / E | TEV / Revenue | TEV / EBITDA | TEV / EBIT |
|---|---|---|---|---|
| **High** | **13.4x** | **1.58x** | **8.8x** | **13.2x** |
| **Mean** | **11.3x** | **0.96x** | **6.7x** | **10.8x** |
| **Median** | **10.3x** | **0.93x** | **6.9x** | **11.4x** |
| **Low** | **10.2x** | **0.42x** | **4.3x** | **7.1x** |

**Total**

| | P / E | TEV / Revenue | TEV / EBITDA | TEV / EBIT |
|---|---|---|---|---|
| **High** | **29.6x** | **5.09x** | **18.6x** | **24.0x** |
| **Mean** | **18.9x** | **1.81x** | **9.8x** | **15.2x** |
| **Median** | **15.9x** | **1.55x** | **9.1x** | **14.2x** |
| **Low** | **10.2x** | **0.42x** | **4.3x** | **7.1x** |

# Selected Recent Plastics Transactions

*Transactions by Acquiror Type*
*2019-2020*




| Date Announced | Target | Acquiror |
|---|---|---|
| 04/01/2020 | Meese, Inc. | Tank Holding Corp. |
| 03/25/2020 | Engineered Plastic Systems, LLC | CMI Limited Co. |
| 03/04/2020 | The Parking Lot Store | GemSeal, Inc. |
| 02/25/2020 | Marco Rubber & Plastics, LLC | Align Capital Partners, LP |
| 02/21/2020 | Poly6 Technologies, Inc. | WP CPP Holdings, LLC |
| 02/19/2020 | Fusion Plastics | Custom Roto-Mold, Inc. |
| 02/05/2020 | Teel Plastics, Inc. | MPE Partners |
| 02/04/2020 | Cobra Plastics, Inc. | Silgan Holdings Inc. (NasdaqGS:SLGN) |
| 01/31/2020 | NDM Marking Systems, Inc. | Pexco LLC |
| 01/22/2020 | Eptam Plastics, Ltd. | Frazier Healthcare Partners |
| 11/05/2019 | WBC Extrusion Products Inc. | Gelpac Inc. |
| 11/01/2019 | Great Lakes Plastic Company, Inc. | Curbell Plastics, Inc. |
| 09/16/2019 | Illinois Valley Plastics Inc. | Microplastics, Inc. |
| 08/13/2019 | RITUS Corporation | Blue Point Capital Partners |
| 08/12/2019 | HPE Extrusion Solutions | Pexco LLC |
| 07/31/2019 | Primetac Corporation | Akoya Capital; Tecum Capital |
| 07/31/2019 | Red Rock Packaging, L.L.C. | Elkay Plastics Co., Inc. |
| 07/01/2019 | Beach Mold & Tool, Inc. | NYX Inc. |

*Source: Bridgepoint Investment Banking, Capital IQ*

# Notable Plastics Transaction Highlights

Tank Holding Corp. announced on April 1st that they have acquired Meese, Inc., a leader in the design and molding of plastic laundry carts and material handling bins.

"Meese represents an important part of Tank Holding's overall growth strategy, which is to establish leading positions in markets that are adjacent to our legacy core business."
*- Greg Wade, Tank Holding, CEO*

Align Capital Partners announced on Feb. 25th that they have acquired majority ownership in New Hampshire-based Marco Rubber & Plastics.

"Marco creating a technology platform unique to the sealing products market is helping rationalize the industry's fragmented supplier and customer bases by reinventing the way O-rings and sealing components are purchased. We are thrilled to partner with such a dynamic team."*- Chris Jones, Align Capital Partners, Managing Partner*

Silgan Holdings announced on Feb. 4th that it has acquired Cobra Plastics, Inc., a leading supplier with a focus on the aerosol overcap market.

"The combination of Cobra's overcap product line with our aerosol actuators and dispensing systems will allow Silgan to offer a broader range of integrated solutions, including functional overcaps, to meet the unique needs of our customers." – *Adam Greenlee, Silgan Holdings, President*

## BRIDGEPOINT EXECUTIVE SUMMARY

- **Market-leading boutique investment bank providing M&A and capital raising advisory solutions focused on middle-market manufacturing firms**
- 229+ years cumulative investment banking experience spanning 163 transactions
- $108+ billion of M&A, capital raising, corporate finance and M&A transaction advisory service experience
- 73 completed M&A assignments spanning more than $34 billion
- 90 completed corporate finance transactions, raising more than $74 billion in capital

## SECTORS OF FOCUS

Industrials & Transportation | Business Services & Staffing | Healthcare | Consumer & Retail | IT Services

229
YEARS OF EXPERIENCE

MORE THAN
$108B
IN TRANSACTIONS

163
TOTAL TRANSACTIONS

## SENIOR LEADERSHIP

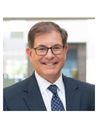

**Matt Plooster**
Managing Director


**Mike Anderson**
Managing Director

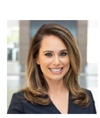

**Gary Grote**
Managing Director


**Wm. Lee Merritt**
Managing Director

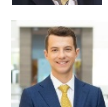

**Chad Gardiner**
Director


**Adam Claypool**
Managing Director


**Joe Liss**
Managing Director


**Natasha Plooster**
COO


**Subhash Marineni**
Vice President


**Alex Spanel**
Associate

**bridgepointib.com**