

PErspective in MANUFACTURING

A FEATURE EXAMINING THE ROLE OF PRIVATE EQUITY IN THE MANUFACTURING SPACE

The U.S. plastics industry is enjoying record growth, driven by strong performance in the transportation, healthcare and packaging end markets, as well as persistently low natural gas and oil prices, according to *Plastics News*.



Plastics manufacturing accounts for roughly 5 percent of global oil consumption—and as oil prices drop, so does the cost of plastics

manufacturing. A report by the Society of the Plastics Industry (SPI) released in December showed plastics jobs grew from 940,000 in 2014 to 1.7 million in 2015, and shipments rose from a record \$427.3 billion in 2014 to an even more impressive \$583.7 billion in 2015.

Three recent plastics-related private equity deals—all announced this February—suggest that the booming sector is becoming increasingly attractive to financial investors. Private equity firm Olympus Partners bought commercial melamine serviceware company G.E.T. Enterprises for several hundred million dollars, and plans to use the company as an acquisition platform. Olympus has bought and sold several plastics-related companies over the last few years and intends to boost its stake in the sector further, *Plastics News* reports.

Arsenal Capital Partners' Polymer Solutions Group (PSG) announced it had purchased Flow Polymers from private equity firm Geneva Glen Capital, which had bought the firm in 2010. Arsenal formed PSG in August 2015 with the acquisition of Peach State Labs. The deal is Arsenal's 15th plastics-related acquisition since 2012, according to *Plastics News*.

Audax Private Equity announced the purchase of Preferred Compounding from Wingate Partners for an undisclosed sum. Since being acquired by

Wingate in 2010, the Barberton, Ohio-based company had grown into the second largest custom rubber compounder in North America, *Reuters* reports. The Middle Market Growth Program, managed by Antares and LStar Capital, provided a senior secured unitranche credit facility to finance the deal.

Private equity firms that bought plastics companies following the global financial crisis are coming to the end of their investment cycles. As they look to exit their investments and return profits to their limited partners, they are finding willing buyers amid a sector poised for further growth. With vast amounts of dry powder in their stores and no immediate rebound in sight for oil prices, the plastics industry is providing promising investment opportunities for private equity firms with an interest in the sector.

PErspective in Manufacturing is a feature examining private equity investment in the manufacturing industry.

Sources: *Plastics News*, *Rubber News*, *Reuters*, *PE Hub*, *Private Equity Wire*



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