



Hilco™

Valuation Services Plastics Industry Perspective

1ST QUARTER 2014

PVC Prices Up on Tight Supply

PRIMARY RECOVERY FACTORS

- >> Housing and construction activities
- >> Domestic supply
- >> Feedstock (ethylene and chlor-alkali) availability and prices
- >> Export demand

RECENT VALUATION OR LIQUIDATION EXPERIENCE

- Poly One
- Axiall
- Polyester Fibers
- Kronos
- Nexeo
- StarPET
- AM Castle
- Precision Valve
- US Fibers
- Thermal Care
- Thompson Plastics

PVC resin, which has heavy use in extruded windows and doors as well as rigid pipe and tubing, experienced three consecutive months of 3 cent price increases in each of the first three months of 2014.

On the supply side, tight supply of the feedstock ethylene coupled with production issues due to weather have caused production challenges for PVC manufacturers like OxyVinyls and Westlake. Additionally, a fire at an Axiall facility in Lake Charles, LA, which produces the feedstock VCM, has added to supply challenges.

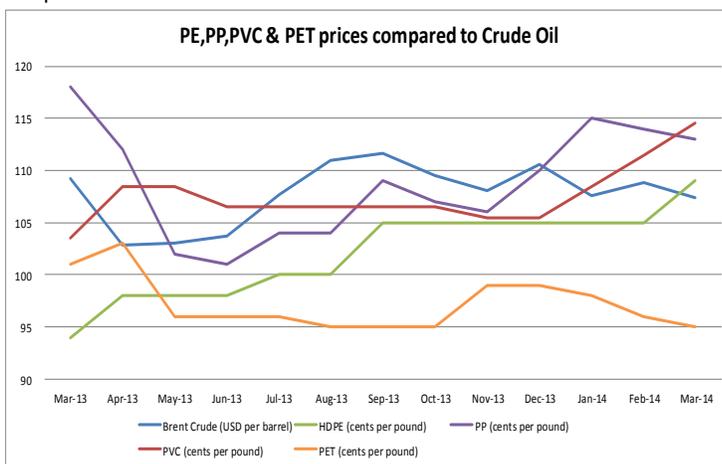
Price increases stuck even though domestic use of PVC was down in the first quarter of 2014 compared to the first quarter of 2013. The supply of PVC in the market is tight and the manufacturers of PVC appear to have done a good job of controlling volumes, which has prevented downstream users of PVC from building inventory. The decreased demand for PVC in the first quarter is believed to be weather related. Domestic

new housing starts were up approximately 18 percent in 2013 and are expected to grow to approximately 1.1 million new starts in 2014 (up from 920 thousand in 2013). This level of new starts would be closer to historical levels and the first time over 1 million in seven years. Housing drives PVC demand; with supply of PVC currently tight and demand anticipated to increase, buyers of PVC likely will not see prices come down, at least in the short term.

EXPORTS

The U.S. is the largest exporter of PVC in the world and

exported 2.9 million tons in 2013. Exports of PVC fell 3% in 2013 which was the first decline since 2009. The decline is believed to be driven by increased domestic demand via increases in housing. A factor in the decline was also a 68% increase in PVC exports out of China, which exported 660 thousand tons in 2013. U.S. exports of PVC are expected to be important in the future as a way to utilize excess capacity from the numerous domestic investments in ethylene that will take advantage of low cost shale gas.



Kevin Duffy is a Senior Inventory appraiser who specializes in the plastics industry. He has appraised numerous plastics-related companies in North America that are involved in distributing, compounding and manufacturing resins, films, sheets, and molds. Kevin received his B.A. in finance from Illinois State University, and passed the CPA exam in Illinois. Kevin has diverse business experience in accounting, banking, manufacturing, distribution, and retail.

