



Hilco™ Valuation Services

Plastics Industry Perspective

4TH QUARTER 2013



PRIMARY RECOVERY FACTORS

- >> Resin supply
- >> Reshoring and capacity investments
- >> Economic growth rates
- >> Feedstock (ethylene and propylene) availability and prices

RECENT VALUATION OR LIQUIDATION EXPERIENCE

- Poly One
- Axiall
- Armtec
- Polyester Fibers
- Kronos
- StarPET
- AM Castle
- Oracle Flexible Packaging
- Seitz
- US Fibers
- Thermal Care

Resin distributors volumes softer than anticipated

Most distributors of plastic resins experienced sales volumes below budgets in 2013. After a couple of years of high single-digit or low double-digit growth, most distributors were anticipating another year of high single-digit growth in 2013. Two reasons for lower growth rates than expected in 2013 were resin availability and continued slow economic growth.

Resin availability has declined as producers have rationalized product lines; they also appear to be producing closer to customer needs than before. Both factors have had a negative impact on supply for distributors due to fewer resin grades being available, as well as tighter supply.

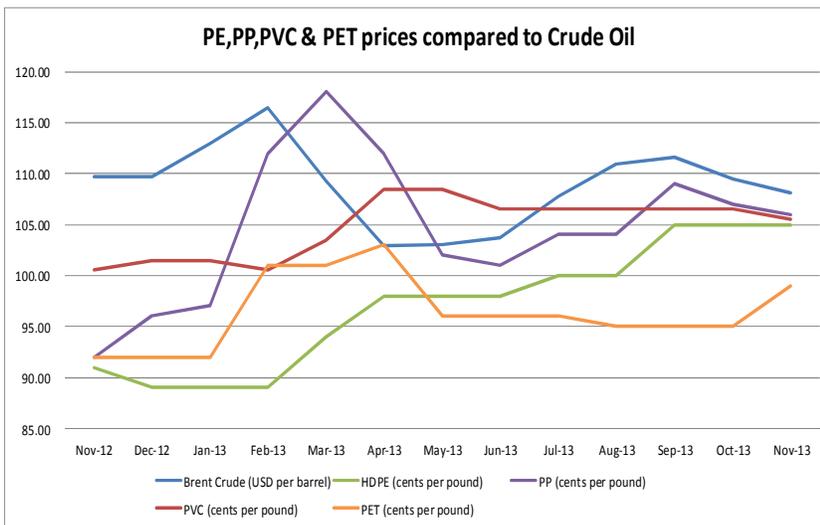
General slow economic recovery coupled with uncertainty with state and federal government policies has caused many companies to hold off on production capacity investments.

Resin distributors expect significant growth over the next five years, as additional

supply of PE, PP, PVC, and PET are expected to come on line in conjunction with North America being a low-cost region. Growth will come from additional supply, new suppliers, reshoring, and capacity investments. Most distributors are forecasting high single-digit growth rates in 2014, but the challenges in place in 2013 are similar to those that will be in place in 2014.

The graph shows pricing changes of the major resin categories over the last year compared to crude oil prices, which is traditionally a primary driver of resin prices. PP continues to be the most volatile resin. Oil prices remained basically flat in 2013, while the price of most resins increased during the year. Tight inventory supply and successful profit taking by the resin producers were main headwinds faced by resin distributors in 2013 and all indications point to them continuing into 2014.

supply of PE, PP, PVC, and PET are expected to come on line in conjunction with North America being a low-cost region. Growth will come from additional supply, new suppliers, reshoring, and capacity investments. Most distributors are forecasting high single-digit growth rates in 2014, but the challenges in place in 2013 are similar to those that will be in place in 2014.



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.

