
ABC – Introduction

July 16, 2015

Situation Overview

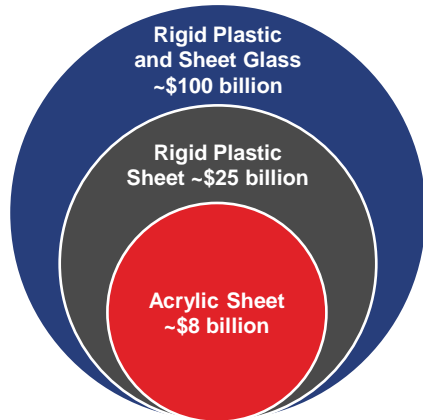
Opportunity to acquire majority stake in family-owned market – leading acrylic manufacturer

- ABC (or “the company”) is the acrylic sheet manufacturer in the western hemisphere
 - Manufacturers broad range of acrylic and other plastic sheet (ABS, PETG, Polycarbonate and Polystyrene)
 - XX% market share in North American extruded acrylic sheet market, twice that of second largest participant
 - The company seems to have a differentiated business model based on flexible manufacturing that allows it to custom fulfill orders (“num to size”) while competitors have focused on less flexible higher volume capacity
 - 2014 sales and adjusted EBITDA of \$XX million and \$XX million, respectively
- Family-owned business controlled by current Chairman, XYZ (Founder’s son)
 - Founded by XYZ in 1950; XYZ retired in 2005 and his son XYZ became president. XYZ is one of five siblings
 - XYZ, former Vice President of Marketing and Sales was recently promoted to president and XYZ moved to Chairman role; XYZ is not a member of the family
 - Certain members of the family are seeking liquidity that is resulting in the transaction opportunity
 - It is our expectation that XYZ would roll a significant amount, and current management have also expressed a keen interest in investing in the business
- Process and next steps
 - William Blair is running the sale process and has reached out to 5-7 parties, mostly family office investors or investors with longer fund lives (thinking BDT)
 - XYZ and XYZ had breakfast with the core management team on July 14 in Columbus, OH and came away enthusiastic about the opportunity
 - William Blair communicated that management appreciated the platform and expressed a preliminary preference
 - We recommend submitting a non-binding indication of interest to acquire a majority stake in the company, valuing the business at \$XX million
 - 2014 Metrics
 - EBITDA multiple: XX
 - EBITDA-Capex multiple: XX
 - 2015 Metrics
 - EBITDA multiple: XX
 - EBITDA-Capex multiple: XX
 - At this valuation the 10 year return to XYZ assuming an XX exit would be XX% IRR and XX multiple of invested capital

Industry Overview

ABC appears to be well positioned in large growing market

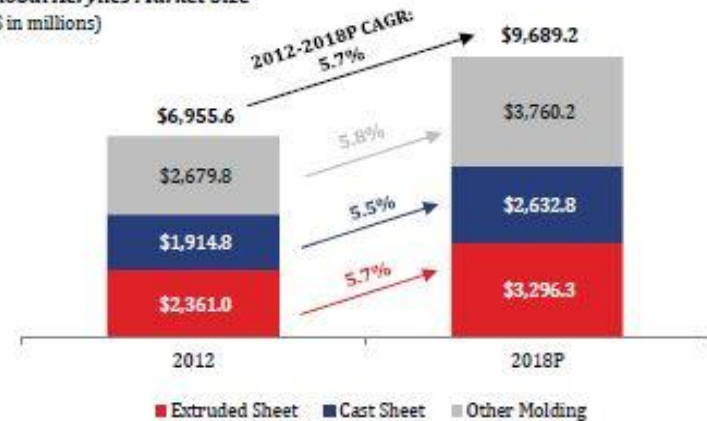
Global Rigid Plastics and Sheet Market



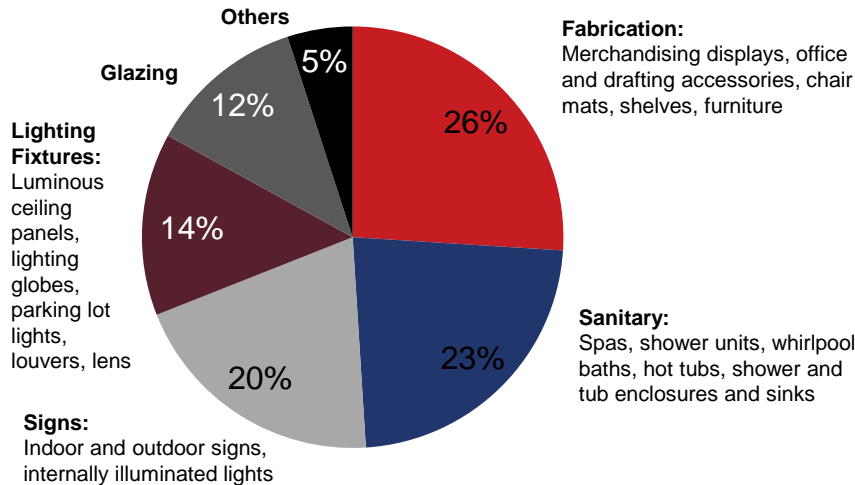
Estimated North American extruded sheet market size \$0.5 - \$0.6 billion⁽¹⁾

Global Acrylic Market Growth ⁽¹⁾

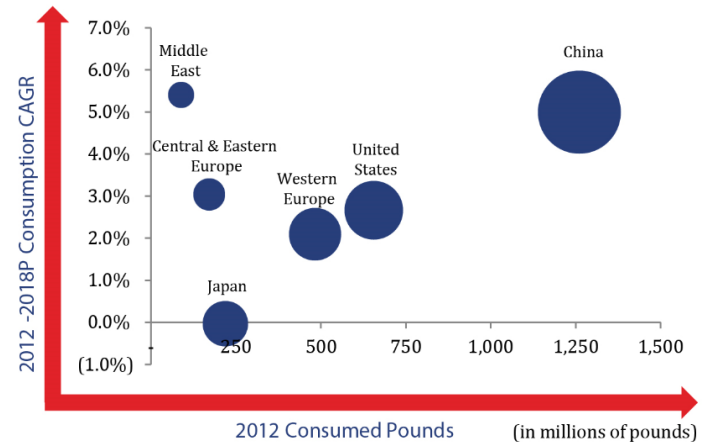
Global Acrylics Market Size (\$ in millions)



Applications⁽¹⁾⁽²⁾



Global Acrylic Consumption by Region



1. Source: IHS Chemical Economics Handbook (August 2013) Acrylic Resins and Plastic
2. % shown are % of US volume used in each market
3. BCC Research rigid plastic price and volume forecasts from Rigid Transparent Plastics: Global Markets Outside North America (January 2014)
4. Sums rigid plastic total addressable market per footnote (1) with Freedonia Group's total addressable market per World Flat Glass (November 2014).

Industry Overview (cont'd)

Competitive Landscape

		COMPANY									
		ABC	XYZ	XYZ	XYZ	XYZ	XYZ	XYZ	XYZ	XYZ	XYZ
PRODUCT	Extruded Acrylic Sheet	✓	✓	✓		✓	✓				
	Acrylic Mirror	✓				✓					
	Cast Acrylic ⁽¹⁾	✓	✓	✓		✓		✓	✓		
	Acrylic Resin	✓		✓		✓	✓				
	Polycarbonate Sheet	✓	✓		✓		✓			✓	✓
	Other Rigid Plastic Sheet ⁽²⁾	✓	✓		✓		✓		✓	✓	
	Coating Applications	✓		✓		✓					✓
	Lighting Profile	✓									
SALES	Distribution	✓	✓	✓	✓	✓	✓	✓			
	OEMs	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Retailers	✓									

Source: Management estimate and CapitalIQ







1. Via ABC's JV beginning Q4-2015

2. Includes ABS, PETG, and Polystyrene.

ABC Overview

ABC has a broad product offering that is continually expands and innovates around












Products

Category	Image	Products	Application	Percentage	Notes
Glazing		Industrial Acrylic sheet, commercial polymer, PETG sheet, coated products, mirror products	Windows, motorcycle windshields, skylights, telephone and toll booths, bus stop and bank teller enclosures, aquariums, mirrors and panelling	48%	<ul style="list-style-type: none"> ABC serves a diverse set of end – markets including glazing product for skylight and windows, lighting fixtures, automotive instrument panels, houseware, medical equipment, stone displays, signage, etc
Lighting Fixtures		Industrial Acrylic sheet, commercial polymer, PETG sheet, coated products, mirror products	Luminous ceiling panels, Lighting globes, Parking lot light, Louvers, Lens	26%	<ul style="list-style-type: none"> The company adjusts its capabilities and products to key growth areas in the marketplace – for instance the company used to be prominent in providing acrylic sheet for electronics end-market, but as Televisions evolved it replaced those sales with coating sales some of the same customers
Signs		Industrial Acrylic sheet, PETG sheet, coated products, mirror products	Indoor and outdoor signs, internally illuminated signs	13%	
Fabrication		Industrial Acrylic sheet, commercial polymer, PETG sheet, coated products, mirror products	Merchandising displays, office and drafting accessories, chair mats, shelves, furniture	7%	<ul style="list-style-type: none"> The company has successfully done this by entering adjacent business lines through acquisitions e.g. acquisition of a PETG manufacturer to supplement it strength in the acrylic market and more recently expansion effort in cell-cost sheets to service some of the same customers who are already launching extruded product
Sanitaryware		Industrial Acrylic sheet, commercial polymer, ABS sheet	Spas, Shower units, Tubs, Whirlpool baths, Hot tubs ,Shower and tubs enclosures ,Sinks	5%	
Others		Industrial Acrylic sheet, commercial polymer, PETG sheet, coated products, mirror products	Boat windows, Hatches and doors, Jet ski windshields, Truck body panels, Mass transits	2%	<ul style="list-style-type: none"> And the company doesn't only respond to market needs, it instead has an in house R&D team that creates new products for its customers, i.e. the company strives to provide new innovation solutions to its customer base

1. % of 2014 Sales


ABC Overview (cont'd)

Sales Channels

  49% Distributors  	<ul style="list-style-type: none">• ABC has a strong presence in the North American distribution channel• #1 supplies to 3 of the top 4 distributors (#2 supplies to 4th)• Preliminary channel checks suggest customers prefer ABC because the company delivers a consistent product on time, with little defects and when an issue arises, they provide excellent customer support• ABC describes the same value proposition and describes their “Num to size” manufacturing capabilities as the source of the differentiation• Management stated that because their service is so differentiated distributor rebates have remained either stable or declined over time. And because of the company’s merchandising capabilities they have consistently taken price and maintained improved margins
  39% OEMs  	<ul style="list-style-type: none">• OEM's include lighting manufacturers and automotive companies• In this market there seems to be a specialty design element that refers to the OEM's specific needs e.g. designing fixtures that disperse heat for LED lamp application and specialty acrylic seat booking for Tesla.
 12% Retailers  	<ul style="list-style-type: none">• ABC has penetrated leading national retailers• Product for this market may be move commoditized, but ABC may have some modest advantage due to reach/ footprint

ABC Overview (cont'd)

Manufacturing

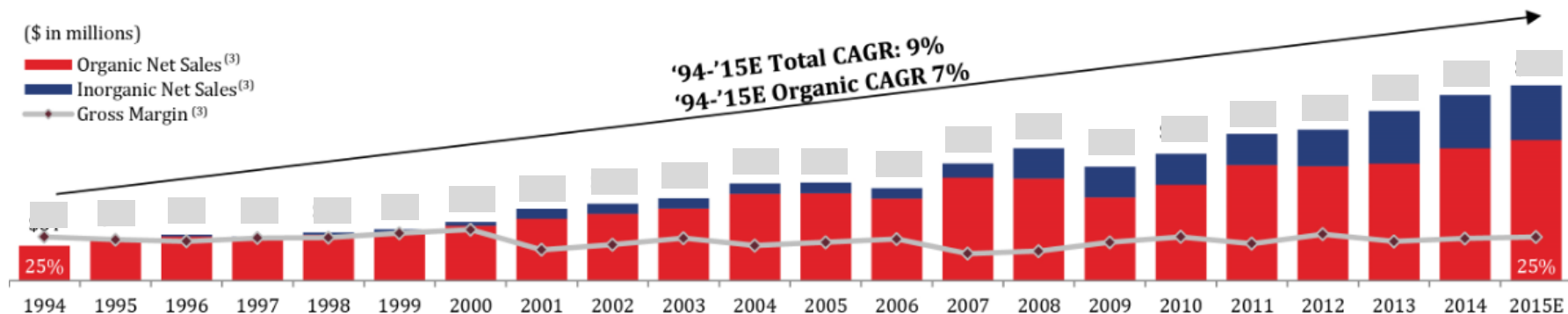
				% ⁽¹⁾	
XYZ		Facility Size: XX # Employees: 276 Ownership: Owned Capabilities: 10 extrusion (sheet) lines – including 5 Breyer lines; 1 coating line; 4 extrusion lines (polymer); batch process polymerization		75%	<ul style="list-style-type: none"> ABC manufacturing capabilities have been described as the core basis for its differentiated go – to – market strategy and trusting market share
XYZ		Facility Size: XX # Employees: 109 Ownership: Owned Capabilities: 6 extrusion (sheet) lines – including 5 Breyer lines; 1 coating line; Mirrorizing ; Continuous process(OPAT); Polymerization (1 line)		84%	<ul style="list-style-type: none"> Compared to its two largest competitors 3-4 large extruded sheet machines, ABC deploys 30+ smaller machines that create a flexible manufacturing model that adapts to customers specific need as they arise
XYZ		Facility Size: XX # Employees: 36 Ownership: Owned Capabilities: 3 coating line; Mirrorizing		46%	<ul style="list-style-type: none"> Company management suggested that this is a set of capabilities that would be difficult for a competitor to recreate as the machine are customer designed and each cost \$5-6 million
XYZ		Facility Size: XX # Employees: 83 Ownership: Owned Capabilities: 8 extrusion (sheet) lines – including 1 Breyer lines; continuous process polymerization (2 lines)		46%	<ul style="list-style-type: none"> The company is currently building a new manufacturing facility with a JV Partner to mainly cater to the cell cast sheet market in XYZ. However, 10% of the facilities production would be imported into the US and allow the company to develop a Bear-head with this product prior to starting a cell-cast facility in the US
XYZ		Facility Size: XX # Employees: 42 Ownership: Owned/Leased ⁽²⁾ Capabilities: 4 extrusion lines (polymer); batch polymerization		65%	
XYZ		Facility Size: XX # Employees: 84 Ownership: Owned/Leased ⁽³⁾ Capabilities: 6 extrusion lines (sheet and profile)		43%	

1. % Utilization. XYZ and XYZ based on extrusion. XYZ based on coating/mirrorization. Capacity utilization reflects 24/7/360 production cycle.

2. Two facilities in XYZ, one primarily is a warehouse . 3. Two facilities in / near XYZ one primarily is a warehouse .

Summary Financials – Historical and Forecasts

Long term financial summary



Historical and projected summary financials

	Historicals			Projected					CAGR '12-14	CAGR '15-19
	2012	2013	2014	2015E	2016P	2017P	2018P	2019P		
Total Pounds Sold⁽¹⁾									10.0%	3.3%
Average Net Sales per Pound⁽¹⁾										
Industrial									4.9%	4.9%
Building Materials									3.5%	3.4%
Commercial Polymer									2.5%	4.3%
Industrial Lighting									11.5%	3.3%
Corporate ⁽²⁾										
Net Sales									5.1%	4.4%
Adjusted Cost of Goods Sold ⁽³⁾										
Adjusted Gross Profit Margin									(0.0%)	6.8%
Selling Expenses									2.3%	2.6%
Administration Expenses ⁽³⁾									(2.0%)	2.2%
Other Operating Expenses & Income ⁽⁴⁾									(11.8%)	(9.3%)
Selling & Administrative Expenses									(1.4%)	1.1%
Adjusted EBITDA Margin									0.6%	8.7%

(1) Total pounds sold and average net sales per pound calculations exclude pro forma impact from acquisitions. (2) Includes early payment discounts and miscellaneous adjustments.

(3) Excludes depreciation. (4) Includes new product development expense, currency exchange impact, profit participation expense, equity income from the JV and misc. items