Plastics Capital
Introduction

January 2018

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Investment Proposition

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1. Focused on two divisions in the plastic product manufacturing industry with high margins, limited competition and diversified end-market applications

2. Well established positions with operating subsidiaries focusing on proprietary products in industrial consumables/components and industrial film packaging

3. Tried and tested approach to acquiring, integrating and developing businesses whilst retaining expertise and enhancing management

4. Robust financial track record from both organic growth and acquisitions with a balanced approach to capital allocation

5. Five year strategic plan underway - focusing on multiple organic growth initiatives and bolt-on acquisitions to target doubling EBITDA by 2020

6. Acceleration of 'top line' growth evident

Plastic - Free?

- Plastic confers numerous benefits (including overall environmental sustainability)

- Frequently no viable alternative to most plastic solutions
  - New materials or degradable materials may prove viable as substitutes
  - We intend to be at the forefront of these potential new materials
    - We already devote considerable time into developing films and other plastic products with increasing strength to weight ratios; these initiatives reduce plastic material use overall

- Plastics have contributed enormously to improved living standards
  - One of their strengths is that they are inert (not harmful) and long lasting....

- Current "evil" is not the plastic itself, it is that that they are not disposed of responsibly by human beings once used

- Disposing of plastic responsibly to us means:
  - Recycling where at all possible in professional recycling organisations
  - Recycled material used by plastics processors and made into other products
  - If the plastic is the sort that cannot be reused
    - Converted into synthetic fuel or, at worst, sent to landfill

Plastics Capital 16/17 - in summary

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Revenue*:	£65.8m
EBITDA*:	£6.9m
EBITDA margin*:	10.5%

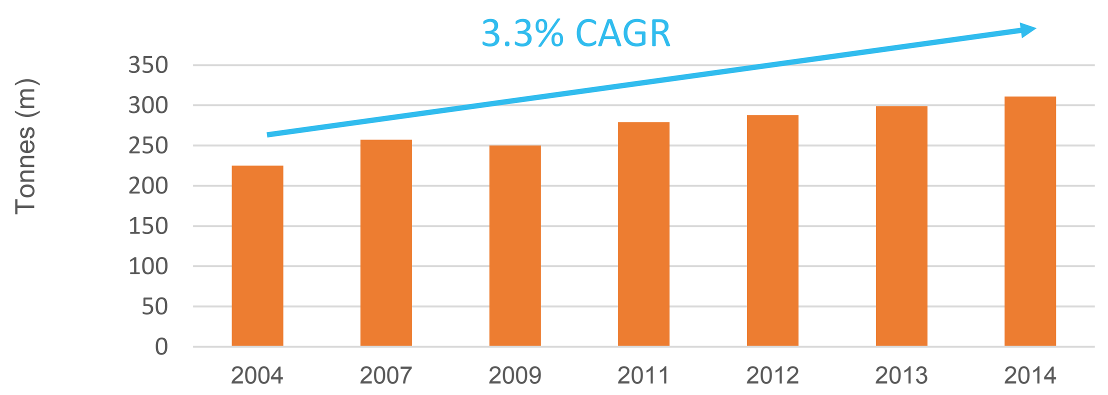
- 9 factories
- in 3 countries
- with 550+ employees
- selling to 80 countries
- via global sales network
- established in 2002
- listed in 2007

Industrials	% Total Sales #
Hose mandrels	8%
Bearings	22%
Creasing matrix & accessories	22%
Films	
Polythene packaging	21%
Speciality sacks and bags	27%

*From 2016/17 full year Results (pre-exceptionals)
% of Group revenue - 2016/17 pro forma

Market Characteristics

Overall market



2014-20
forecast CAGR
5.3%#

- Niche plastic products growing faster than overall market
  - Special material properties
    - Self lubricating, anti static, flexible
  - Ongoing material / processing development
    - Lighter, stronger, temperature resistance
    - Improved tolerances
  - Substitution of metal, paper/board, rubber

* PlasticsEurope (PEMRG) / Consultic
# View Research Inc. 2015

Market Characteristics

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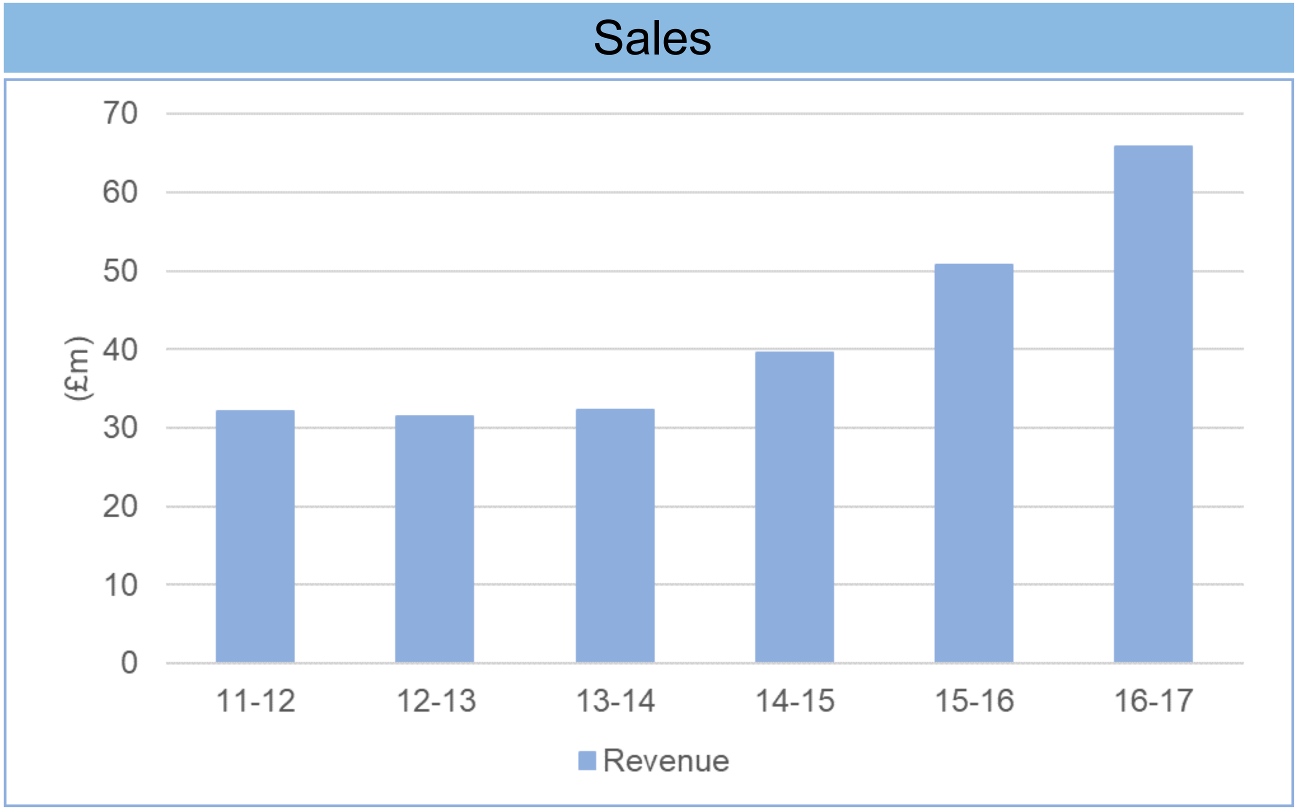
Target product markets

- Proprietary technology
- Barriers to switching
- Automated processes
- Technical solutions selling
- Offering stable pricing with good margins and limited competition
- Diverse customer base with established relationships
- Acquisition opportunities (stand alone & bolt-on)

Niche characteristics:

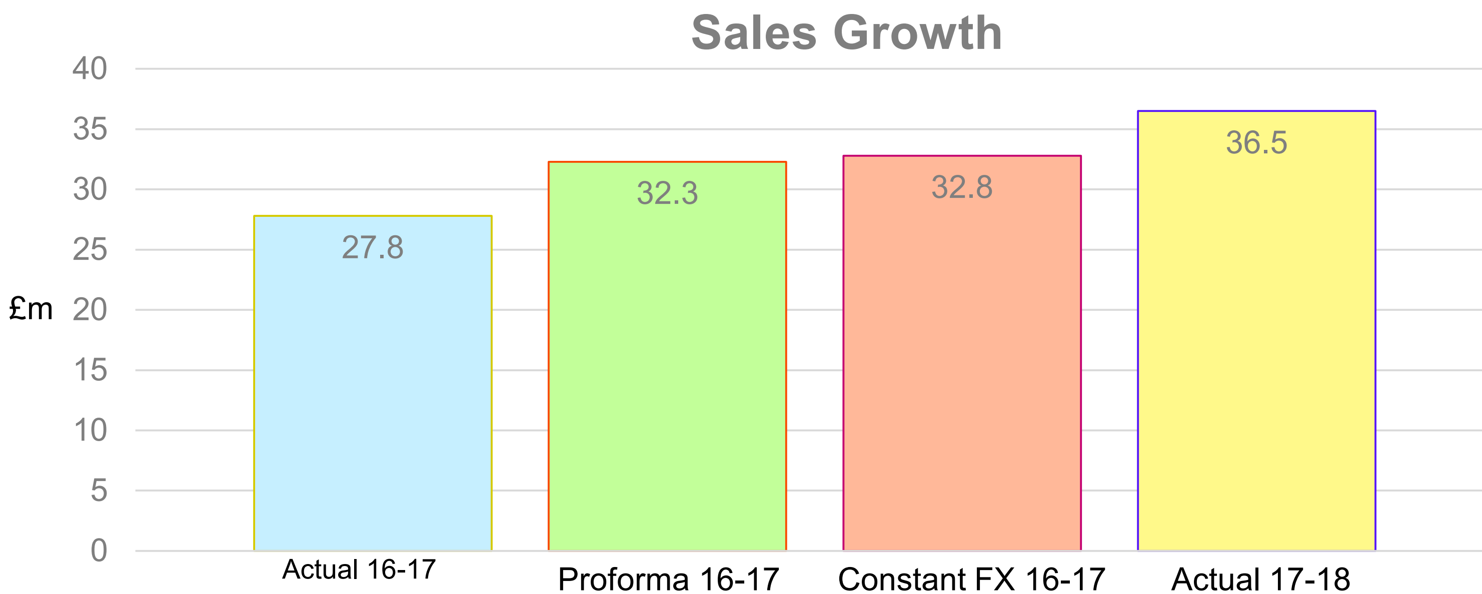
- Addressable markets £10 - £100m
- Market leadership positions
- Growth rates of 5-10% per annum
- Opportunity for good margins

Financials



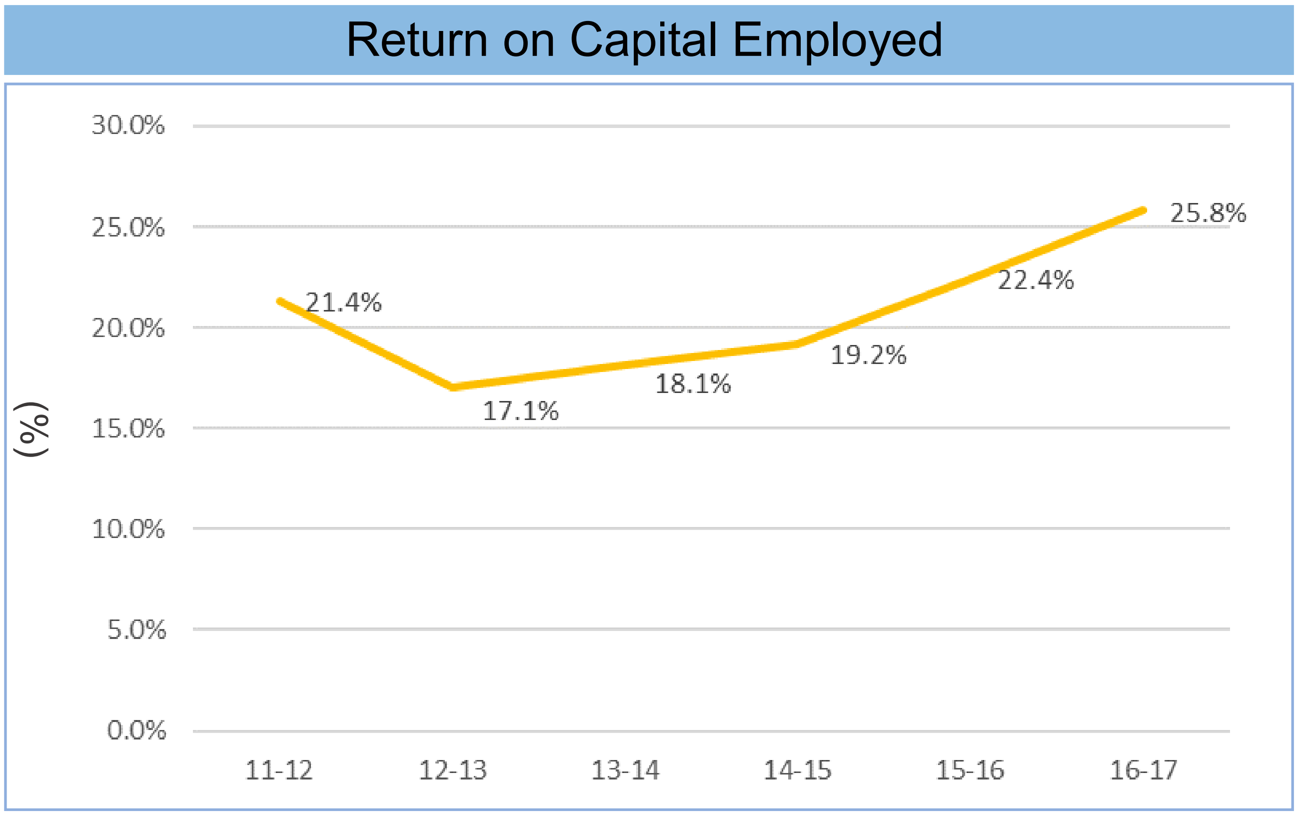
- Sales growth accelerating
- Changing product mix
- Healthy EBITDA margins maintained

HY 17-18
Sales Bridge



- 16% growth by acquisition
    - Full half year contributions from Synpac, CCM, Mito
- 1.8% growth due to FX
    - Sterling depreciation since Brexit
- 13.5% organic growth – up from FY 2016-17 = 6.7%

Financials



- ROCE starting to reflect returns on investment
- Strong cash conversion – ranging from 72% to 96% over 5 years

Financials

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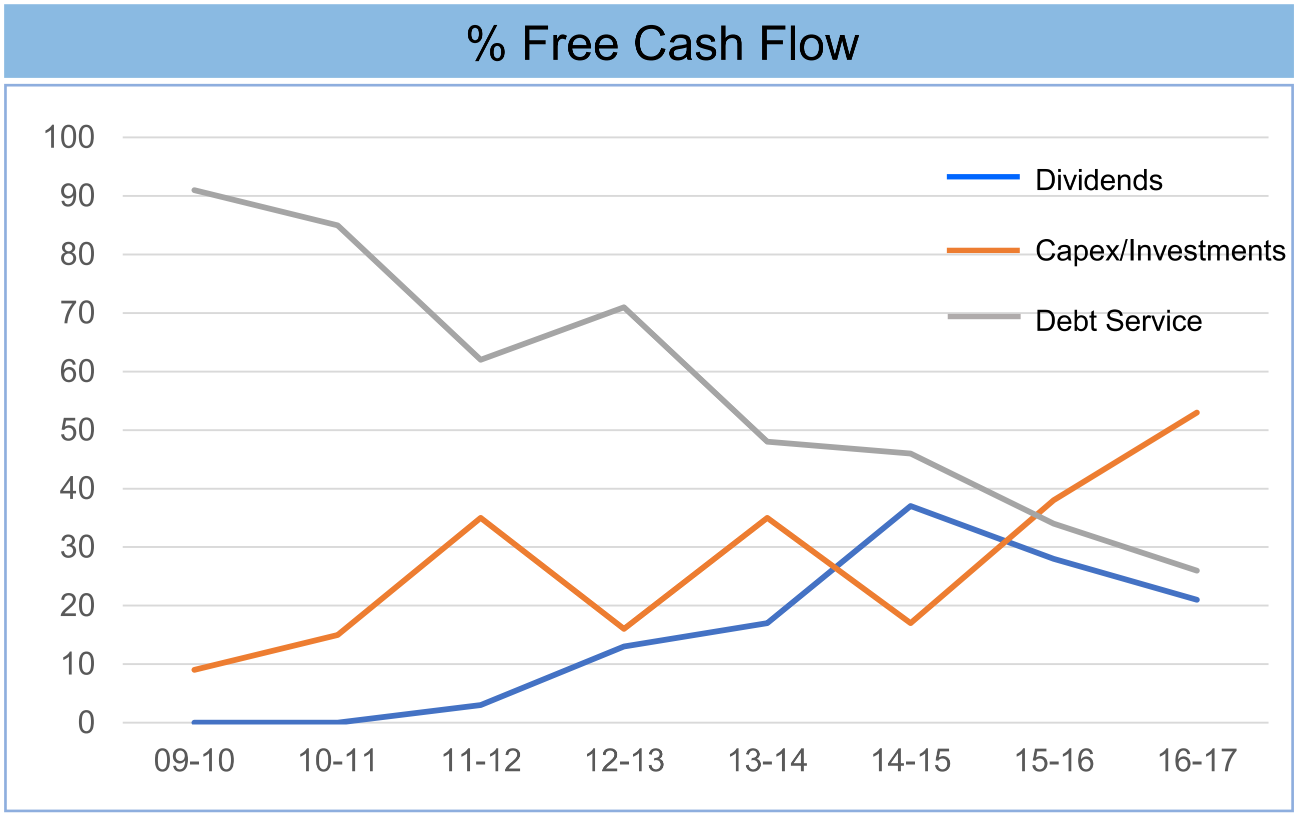
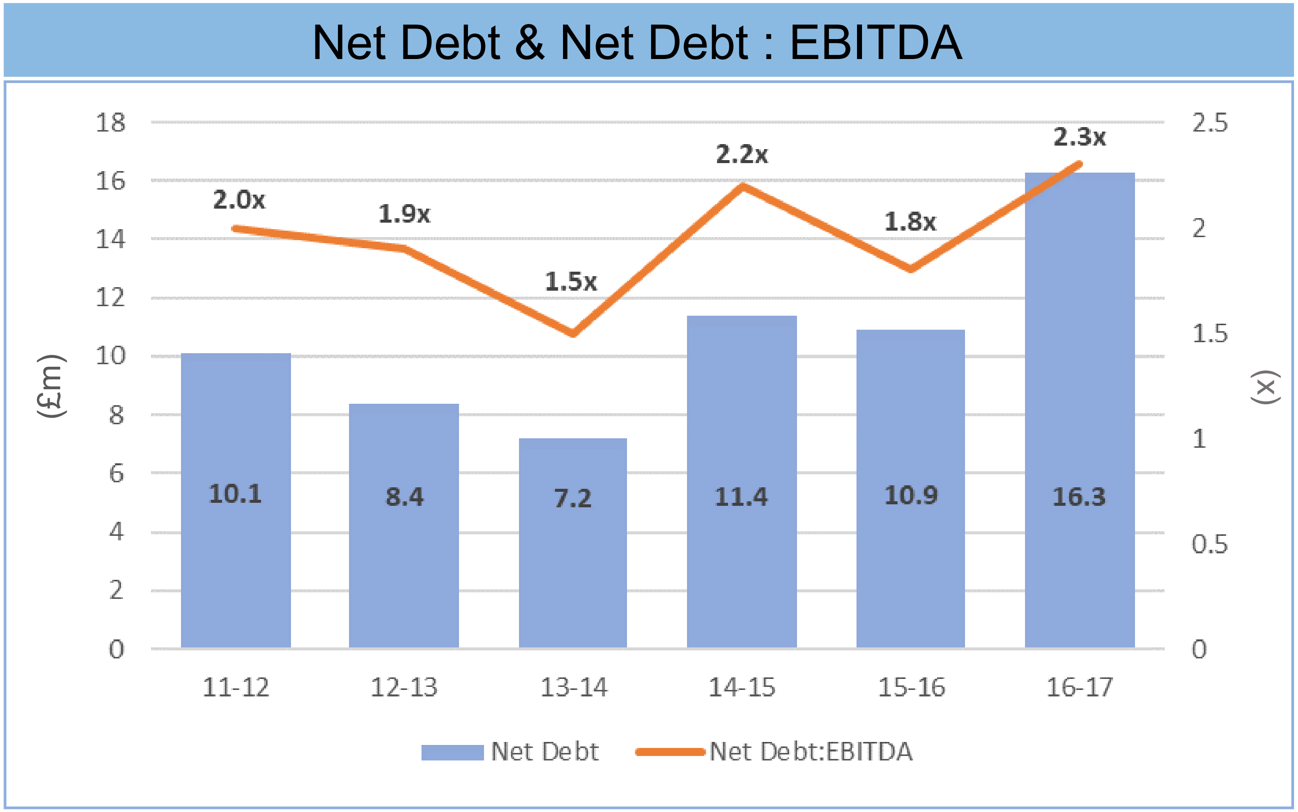


- Debt service as % free cash flow reducing significantly
- Acceleration of capex spend
- Dividend now suspended

Financials



- Net debt : EBITDA within target range of 1-2x
- Net debt reduction in 2015/16 despite further acquisitions increased capex
- Interest cover still rising – currently at 15.1x

Strategic Plan Underway

2020 objectives

- £100m Group sales
- EBITDA margins in 15-20% range
- Net Debt: EBITDA in 1-2x range

5 year strategic plan

- Launched early 2015
- Multiple organic growth initiatives
- Bolt-on acquisitions

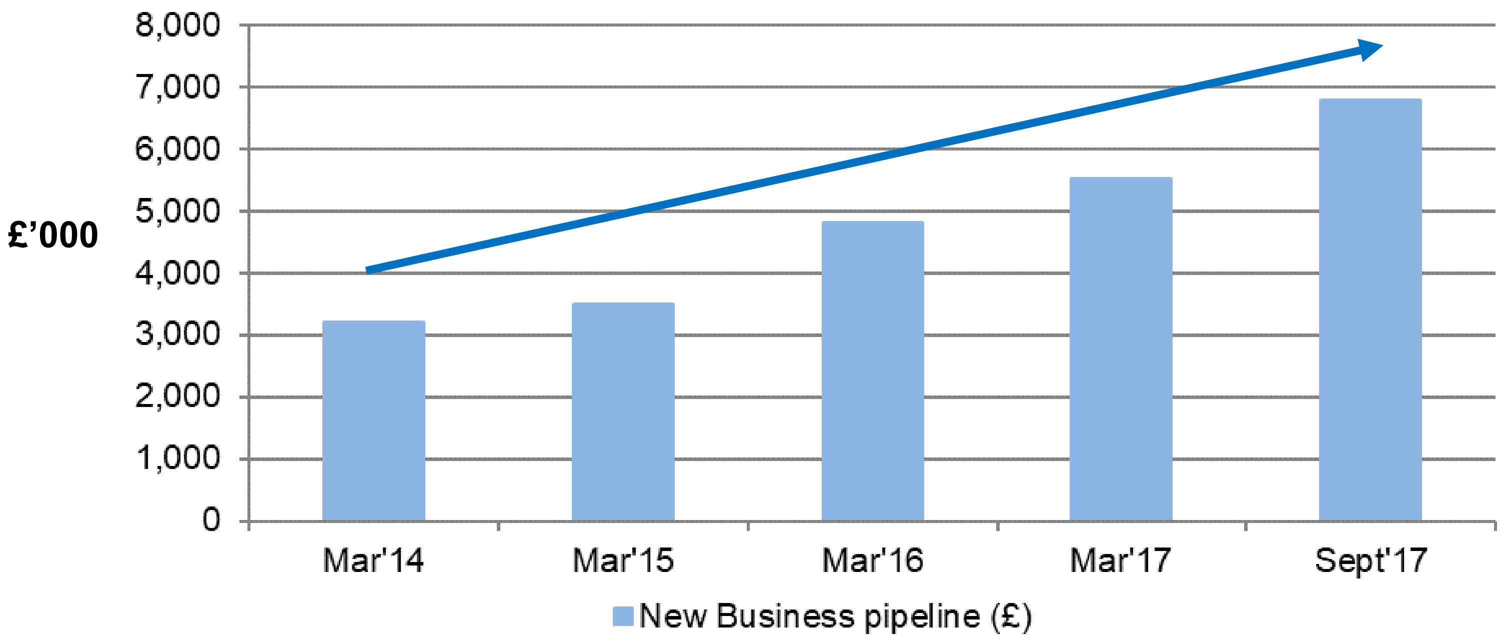
H2 investment commitments

- £0.2m for customer-specific projects
- £0.9m for capacity expansion
- £0.3m for new product introductions
- £0.1m for progressive investment bolt-ons

New Business Performance

Pipeline

- Business won… but not yet in production or not yet at fully mature production levels, is now at £6.8m. This compares to £5.5m as at 31 March 2017.
  - Mainly reflects bearings projects
- Lost business accounts for less than 1% of turnover across entire group



Summary & Outlook

- Revenue growth is very strong and likely to remain so for foreseeable future
  - Benefitting from investments in capabilities and capacity made over recent years
  - Order books are close to full
  - Pipeline of won projects has strengthened again
  - We will continue to invest to take advantage of the momentum now built

- Profitability is lagging behind due to a number of factors
  - Currency: no benefit of sterling devaluation to date
  - Commodity raw materials have been against us in H1
  - Business mix: Films temporarily growing faster than Industrials
  - Ongoing investment in capacity and people to sustain rate of growth
  - Capital costs which will recede in importance as we grow and over time

- We believe these factors will recede over time

- Our target of more than doubling EBITDA by 2020 remains achievable

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