



GLOBAL PLASTICS LETTER

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“A World of Plastics Information”

Part news. Part views.

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Dear Colleague:

Optimism occurs, outlook obfuscated, overall outstanding...as we enter the 2016 business year, profits are healthy, certainly driven by non-inflation and low energy prices and record low sustainable interest rates. In short, cost of money, energy and plastics low, demand high, M&A's eliminating competition What a great year to be in the semi-finished plastics shapes business, either as a manufacturer or distributor. As always however there remains the ever present business cycle. There are signs of slower growing revenue based on the dearth of new applications! A good indicator however is the forecast of the global engineering plastics market growing at CAGR of 7.6% from now and into 2020 as metals replacement continues.

TRENDS:

Investors seeking to buy materials producers... DuPont-Dow and Solvay-Cytec are some of the bigger deals but only the beginning as PolyOne and RTP have shown. Drones readying for city skies will be delivering packages by 2020. Robo-writing software will become another wide spread business tool by 2018... crunching numbers, preparing reports, writing memos and automated replies to e-mails. Also on tap, rising use of automated writing tools that pursue sales leads...from Oracle (Eloqua) and Salesforce (Pardot), among others. Amazon Business (renamed from Amazon Supply) continues to expand, possibly with own delivery service. New U.S. tax provision, known as Section 179, allows immediate write-off of up to \$500,000 of qualifying capital items, instead of being depreciated over a number of years... especially advantageous to small businesses in our industry.

OUTLOOK ASIA: by Mal Binnie, our Pacific Rim correspondent in Australia

Even with the recent world upsets in France, the refugees flooding Europe, and more recently terrorist attacks in Indonesia and Turkey, the Pacific markets have continued with steady growth. Currencies have maintained past levels with the \$Aus showing improvement to \$US0.73. The PMI for both China and Australia have shown slight improvements. China's currency now ranks 4th globally by value of payments, ranked behind \$US, Euro and British pound. The plastics market in Australia continues to provide opportunities with sales growing. Steve McGarry, after 16+years at Cut to Size Plastics, is planning retirement, Mary Page joined Cut to Size from Dotmar and another Green family member Max joining the company. Amari Plastics are reported growing rapidly. The Australian Government has let a \$A1.3billion contract to Thales Australia to build 1100 Protected Mobility Vehicles(PMV's) They will be a lighter version of the Bushmaster and will provide opportunities for plastics usage. Recent visitors to Australia have included Michael McMurray, Evonik, working with Plastral and promoting Plexiglass High Gloss. Simona/Plastral continue to grow sales adding Boat Board from Simona USA. Jan van Schak MD Ensinger Singapore is returning to Germany as Export Manager. Australian Bulk Handling Review has just published its 20th Anniversary Edition 1996-2015 with Cadillac Plastics as the sponsor of the front cover for the first issue. Pemara Labels Group Melbourne with other plants in Malaysia, Vietnam and Indonesia has announced its sale to Constantia Flexibles GmbH from

Vienna. The Australian government will release a plan in 2017 to reduce plastics and marine debris that endanger marine life. The Chinese Chemical Industry is now considered by many to have a decisive role in the future of plastics globally. China's use of coal to chemicals technology may become a significant part of the country's feedstock. The plastics industry is seen to be transitioning from a commodity based model to one driven by intellectual property and research. BASF continues to expand in China with its new plant in Maoming, Stephen Kothrade President BASF China, received a Chinese Government Friendship Award. BASF are boosting R&D with a Euro90million expansion in Pudong. Xinjiang Northwest Region has started with Dow Chemical opening a new branch. Mitsui Chemicals, through its Chinese subsidiary, has opened a new branch in Beijing. Continental Structural Plastics (Michigan) opened its new facility in Tangshan, Hebei. Shandong Shenda Chemicals, a subsidiary of Lenovo Group, has launched its new PP polymerisation facility. Solvay opened its 3rd global manufacturing unit in Changshu. Kautex Textron GmbH is making plastic fuel tanks in China that meet emission standards in California. Evonik is seeking to expand its PEEK production at its Changchun site.

India's Jain Irrigation has nearly reached a \$1billion company and ranks 7th in Fortunes "Change the World" companies. MD Anil Jain forecast growth at 10.5% per annum into the future. Indian Oil Corp has plans to invest \$%billion up to 2022 to grow a world scale ethylene complex. Lyondell Basell has acquired PP compounding assets to make it India's 3rd largest compounder with almost 100million pounds capacity. Toshiba has plans to expand capacity and product range in Chennai, India.

WISHING ALL OUR READERS A HAPPY NEW YEAR WITH THE YEAR OF THE MONKEY STARTING ON MONDAY FEBRUARY 8th 2016.

Editor's Note: It is with great regret that we announce the retirement of Mal Binnie, who for almost 10 years has been our special Pacific Rim Correspondent, reporting from Australia under the *OUTLOOK ASIA* by-line. He will be missed but we are all richer and better informed from his many years of experience and exemplary ability to communicate in these pages.

(Look for news of his possible in our next issue)

OUTLOOK EUROPE: by Ralph Ammann, special EuroZone correspondent in Germany

The first European Outlook of the year starts with big investments of Evonik Industries. The German company has in 2015 extended and strengthened their plants in Germany. According to a recent projection, the company invested more than EUR 400 million in its domestic production plants. The lion's share of the funds (around two-thirds) was divided among Evonik's five-largest sites in Germany: Marl (hundreds of millions of Euros), Hanau, Essen, Darmstadt, and Wesseling. Evonik is planning further large-scale projects in Germany.

Röchling Group has announced personal changes with Ludger Bartels becoming the new CEO. As of June 1, 2016, he will take over the position from Georg Duffner, who is retiring after many successful years as planned on May 31. Bartels, 62, has worked at the Röchling Group for almost 40 years and, since 2007, has been the second member of the Executive Board together with Duffner.

Effective immediately, the Röchling Group has reorganized its divisions. Along with the existing Automotive division, the previously second division of "High-Performance Plastics" is being split into "Industrial" and "Medical" in order to highlight the strategic importance of the still small medical segment. In the future, the new CEO Ludger Bartels will be responsible for the Medical division. Röchling wants to increase sales to EUR 250 million in this division by 2020. Of this, over EUR 100 million will be achieved through the acquisition of more companies.

According to the company the Industrial division will supply all other industrial business sectors. By 2020, this division should grow to EUR 1 billion – of this approximately EUR 100 million will be the result of acquisitions. As of June of this year, Rüdiger Keinberger, who was appointed to the Executive Board of the

former High-Performance Plastics division in the summer of 2015, will be responsible for this division on the Röchling Executive Board.

British-based Victrex has announced it's investing up to 15 million GBP in further downstream manufacturing. The leading global PAEK-based solutions provider said it will build a new PEEK composite facility for unidirectional (UD) tape and add new manufacturing capability for medical Trauma plate applications at its UK headquarters. Unidirectional (UD) tape is being used for Victrex's partnership with Magma, an oil and gas 'mega-program' that focuses on m-pipe.1 Magma's m-pipe is a high strength polymer carbon pipe which is 90% lighter than steel in water, is stronger than steel, and has a number of performance benefits, including being highly durable, corrosion resistant to seawater, CO2 and sour gas. BASF is expanding its compounding capacities for engineering plastics in Europe. Presumably from 2017 it will be possible to additionally produce up to 70,000 metric tons per year of Ultramid® (PA: polyamide) and Ultradur® (PBT: polybutylene terephthalate) at the Schwarzheide site, Germany. Around 50 new jobs will be created.

German-based Gehr has enhanced their recently introduced 'Gehr App Plastic Selector', which helps customers finding the right material for their demands. It can now also be used by Chinese customers in their national language. The app can be downloaded to smartphones via a download link on the website of the company. It does not only contain all Gehr materials but also almost all types of plastic and even some metals which can be compared for specific application cases. The German and English version is available from the Apple iTunes Store for iOS devices or from Google Play for Android devices.

Finally, Swiss-based EMS-Grivory has recently expanded its range of special polyamides for ski sport again and now offers new grades with even lower density, higher gloss or, on request, made of bio-based polyamides.

PRICING:

Engineering Thermoplastics, including nylon, PC, and PMMA are trending lower going into 2016. Polyolefin resin prices, led by PE, are holding steady to being up slightly, especially PP, but may fall later this year as capacity is ramped up and of course the oil glut remains a drag on demand and building block pricing. PVC and PS are at depressed pricing levels. The only resins to exhibit price support are certain specialty HPM's such as PEEK and PAEK.

MANUFACTURER/DISTRIBUTOR BRIEFS:

Celanese, global acetal leader, is expanding its product offerings for the first time into nylon 6 and 6/6. This will also include blends of LCP and PPS. Victrex announces major investment in PAEK polymers. MDC International GmbH, Cologne, Germany is the plastic fabricator of the all-acrylic concept car displayed at the ZF International booth at the North American International Auto Show (NAIAS) in Detroit...photographed and featured in global media, even as backdrop to President Obama's visit to NAIAS in January. (Look for Interview with MDC's CEO, Matthias Muenster by Ralph Ammann in a future issue).

MERGERS, ACQUISITIONS, ALLIANCES, DIVESTITURES AND EXPANSIONS:

Charlesbank Capital completes its purchase of a controlling interest in Plaskolite, with six sheet (primarily acrylic) extrusion plants in four U.S. states and Mexico, plus 50% of a JV in Turkey. (see Industry Interview with Mitch Grindley below). Celanese to expand UHMWPE resin plant in Texas with final completion scheduled in May 2016. Megamerger of Dow and DuPont announced with new company to be named Dow-DuPont...spinoffs planned. Total Plastics put up for sale by its owner A.M. Castle, major U.S. metals distributor (publicly traded, symbol CAS), in a restructuring initiative announced 1/15/16..."we have further plans to meaningfully reduce our debt through the continued reduction of inventory and asset sales, which would include the sale of our subsidiary Total Plastics, Inc.". Some concern, expressed by New York Stock Exchange on 1/22/16, that A.M. Castle, founded in 1890, may continue to be listed on NYSE.

National Plastics & Seals acquires Innovative Acrylic Design (display fabricator). Solvay selling its nylon resin business. Newage Industries adds space for engineering capabilities for growth.

Saint-Gobain buys SG Plasticos of Brazil, extruder of industrial tubing products.

INDUSTRY INTERVIEWS:

INTERVIEW WITH MITCH GRINDLEY, recently appointed President, Plaskolite.

Q. Which event was more significant in 2015...Ohio State v. Michigan in football or Plaskolite acquired by Charlesbank Capital Partners?

We are headquartered in Columbus. Ohio State vs. Michigan is always important.

Q. Seriously though, what's the back story behind the Charlesbank investment in Plaskolite?

Over the years Plaskolite has been approached many times to sell the business. As in most big things in life the decision to sell is not one thing. Plaskolite continues to grow very quickly. There are opportunities we are looking at which will require a lot of capital. The Dunn's thought now was the time to give up ownership, but still have a substantial ownership position in the business.

Q. Jim Dunn, founder, is in his 90's, any other factors behind the decision to sell Plaskolite?

Mel, Donald is 92 and the Founder. While clearly he was involved in the decision, Jim Dunn has operated the business for over 25 years. He was the person that made the decision.

Q. Were Donald and/or Jason Dunn ever going to succeed Jim?

(Donald & Jason) Again Donald is 92 and the Founder and Jason is a nephew, neither would make sense.

The better question was Jim's son Russell and Andrew Dunn ever going to succeed. Jim, and the answer is yes. Both were elevated to Executive Vice President's and know the Plaskolite business, having been involved for many years. They were slated to succeed Jim after his retirement.

Q. Were there any other potential acquirers?

There were many potential acquirers we quickly felt the best partner for Plaskolite was Charlesbank.

Q. Does Charlesbank typically buy and hold or buy and expand further in the same market sector?

Charlesbank considers Plaskolite a platform company. They would like to acquire anything that makes sense to our industry.

Charlesbank's time frame is never defined, but clearly want to grow the business through organic and inorganic growth.

Q. Arkema has announced their intent to divest their Plexiglas® sheet business...is that next for Plaskolite/Charlesbank?

Plaskolite's position for many years has been to worry about what we are doing, and everything else will fall into place. I know that this can be just words, but I think over the years Plaskolite's strategy has been simple. Take care our distributors and strengthen their position in the marketplace.

...to be continued in the March-April 2016 issue.

Information contained in this newsletter has been taken from trade and statistical sources that we consider reliable but we cannot assure its accuracy or completeness. Any opinions expressed reflect our judgement as of this date and are subject to change.

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