

Plastics Recycling and Private Equity

How to attract growth capital in a dynamic recycling market and enable the circular economy

Jack Norris, SK Capital Partners

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SK Capital

A Transformational Private Investment Firm



- Focus exclusively on the specialty materials, chemicals and pharmaceuticals sectors
- Operates like a holding company for businesses in our target markets
- SK Capital's Principals among its largest investors

Firm

Approach

- Long-term business building with a focus on transformational growth and improvement
- Partnership with Management
- Invest in people, processes and capabilities
- Agnostic to company size and geography

- Global portfolio of 19 platform investments
- Focus on partnering with entrepreneurs and family businesses, carveouts

Investments

People

- Deep industry and operating experience among SK's Principals
- Broad capabilities and relationships that can be accessed by Management
- Keen focus on increasing talent within portfolio companies

SK Capital

How We are Different from Traditional Private Equity Firms

SK Capital

Industry, operating and ownership experience among SK's Principals

- Robust and regular dialogue with portfolio company management
- Nimble and flexible approach to respond to dynamic markets

Long-term, transformational approach focused on business building

- Frequently own portfolio companies longer to ready their full potential and compound investment returns

Advantaged sourcing of potential transactions

- Extensive network of relationships, typically across multiple levels of seller / target
- Focus on entrepreneurial transitions and carveouts

Leverage human capital rather than “financial engineering”

- Keen focus on increasing and developing talent within portfolio companies
- Dedicated resources provide support in Operational and Commercial Excellence

Portfolio companies potentially benefit across a range of areas

- Access to resources, market insights, suggested practices and enhanced purchasing power
- Cross-portfolio synergies driven by commercial opportunities between companies
- Enhanced purchasing power

Size and geography agnostic

- Disciplined focus on investments in target sectors
- Flexibility on size, geography, structure and timing

Substantial co-investment by SK Principals

- Think and act like owners

Traditional PE ⁽¹⁾

Financial investors with loosely-affiliated “Operating Partners” providing industry / operating insights

Short-term approach targets “quick flips”

Participate in auction processes with more frequent occurrence of PE-to-PE transactions

Financial leverage is an essential driver of investment returns

Diversified portfolios across several unrelated sectors limit opportunities and insights

Generally rigid size and geographical focus

Limited personal investment in deals

(1) For illustrative purposes only. Represents what SK Capital believes to be a prototypical PE sponsor engaged in a generic buyout strategy. Does not represent any particular sponsor or strategy

SK Capital A Powerful Global Footprint

SK Capital's global presence and relationships span the worldwide economy, creating exciting opportunities for new investments and intra-portfolio cooperation

SK Capital Portfolio

~\$11 BILLION
REVENUE

146 Plants
IN 28 COUNTRIES

16,000+
EMPLOYEES

SK Capital

46
SK EMPLOYEES

>\$5B
ASSETS UNDER
MANAGEMENT



SK Capital

Select Investments in the Plastics Value Chain



SK Capital has deep industry expertise investing in attractive companies in the plastics value chain



GEON Performance Solutions is a global leader in plastic compounded solutions, holding the preeminent brand and technology capabilities in PVC compounds and offering a broad range of formulated polypropylene (PP) and other thermoplastic polyolefin products and services.



Ascend Performance Materials is the technological leader in the integrated production chain of intermediate chemicals for nylon 66 which the company produces to serve customers in several high-value end markets including telecommunications, automotive and healthcare.



SI Group is a global technology and industry leader in specialty additives for plastic, lubricant, oil field and rubber applications. Its additives enhance the performance of a wide range of polymers, including polyolefins, engineering plastics, elastomers, films and compounds.



Lacerta Group is a leader in innovative thermoformed plastic packaging solutions primarily using PET and PP in the US. It is vertically integrated from sheet extrusion through to thermoforming and value-added finishing services. Lacerta is a leader in the use of recycled PET in its packaging and can adjust recycled content to meet its customers' sustainability goals, including up to 100% rPET packages.



Techmer PM is a leader in plastic color and additive concentrates & compounds and the leading North American producer of value-added polymer modifiers for a wide range of thermoplastic resins.

SK Capital Approach to Sustainability

As an investor, SK drives company transformation in a way that's sustainable – in all meanings of the word: more efficient, lower impact, reduced risk and long-lasting. Sustainability is critical to a good investment thesis

Sustainability is Embedded into SK Capital's DNA

Sustainability has always been a key driver of business improvement at SK





- Focus on measurement and materiality – *what gets measured gets improved*
- Sustainability Committee and shared best practices across portfolio – *leveraging learnings from our larger companies*

Seven Core Areas of Sustainability Focus at SK



Sustainability Drives Investment at SK

At SK, we believe sustainability is an investable theme that can drive outsized growth in our portfolio

Company	Example
	<ul style="list-style-type: none"> ▪ Almost all of Lacerta's products are recyclable and it can use up to 100% PCR in its products
	<ul style="list-style-type: none"> ▪ Unique in-mold fluorination technology for blow molded rigid plastic packaging allows for use of mono-material while retaining barrier properties and recyclability of its products
	<ul style="list-style-type: none"> ▪ Introducing a polypropylene and PVC product line each made with post-industrial resin
	<ul style="list-style-type: none"> ▪ Accelerated development of next-generation textile chemicals with a lower environmental footprint (lower water and energy consumption, CO2 emissions, energy chemical usage)

Focus on enabling our customers' sustainability goals driving market share gains in our portfolio

Critical Investment Elements for Private Equity



Attractive Private Equity investments are underpinned by three key elements: **earnings growth**, **stable free cash flow** and **strong management**

Elements	Description	Examples in Recycling
<ul style="list-style-type: none"> ✓ Attractive market growth characteristics 	<ul style="list-style-type: none"> ▪ Secular growth trends driving above GDP growth ▪ Less cyclical end market exposure 	<ul style="list-style-type: none"> ▪ CPG packaging ▪ Edging products using recycled PVC for consumer-focused applications
<ul style="list-style-type: none"> ✓ Strong competitive position driving market share gains 	<ul style="list-style-type: none"> ▪ Advantaged cost position ▪ Unique technology, IP and/or knowhow ▪ Differentiated product and / or service offering 	<ul style="list-style-type: none"> ▪ Access to low cost feedstock streams ▪ Chemical recycling technology for hard-to-recycle plastics ▪ Reverse logistics network allowing for recapture of waste at customer collection points
<ul style="list-style-type: none"> ✓ Identifiable value creation opportunities 	<ul style="list-style-type: none"> ▪ High ROI projects ▪ Operational efficiencies, potential synergies 	<ul style="list-style-type: none"> ▪ Capacity expansions or investments enabling efficiencies ▪ Implementation of Operational Excellence initiatives
<ul style="list-style-type: none"> ✓ Stable Free Cash Flow 	<ul style="list-style-type: none"> ▪ Predictable free cash flow to support investments for growth and leverage 	<ul style="list-style-type: none"> ▪ Contracts with cost-plus elements vs. exposure to virgin resin volatility
<ul style="list-style-type: none"> ✓ Benefits from Sustainability Trends 	<ul style="list-style-type: none"> ▪ On the right side of regulatory paradigm and sustainability trends 	<ul style="list-style-type: none"> ▪ Benefiting from recycled PET demand growth driven by CPG sustainability goals

What do Providers of Growth Capital Prioritize in Recycling?

Less Desirable

- ~ Commoditized product priced at a discount to virgin due to poorer quality / performance characteristics
- ~ Spot volumes with poor pricing structure relative to raw materials, leading to volatile earnings
- ~ High capital intensity (initial and/or maintenance) with low and unpredictable payback for capacity expansion
- ~ Mechanical separation process with significant manual sorting required
- ~ Single material focus
- ~ Risk to supply volume or quality (e.g., hard to clean and separate impurities)
- ~ Poor operational reliability with meaningful downtime and unpredictable maintenance schedule

More Desirable

- ✓ High quality product priced on par with or at a premium to virgin
- ✓ Long-term agreements with pricing that insulates margins (e.g., cost pass throughs)
- ✓ Capital efficient business model with strong free cash flow
- ✓ Contemporary separation leveraging robotics and other advanced sorting or recycling techniques (including chemical recycling/pyrolysis)
- ✓ Diversity of materials
- ✓ Secure, long-term access to high quality resin source
- ✓ Highly reliable operations with strong preventative maintenance program and OEE metrics

Well-Positioned to Support Plastics Recycling Industry Growth

- Believer in the circular economy and sustainability tailwinds supporting growth trends
- Active portfolio of companies with multiple ways to mutually benefit recyclers
 - Utilize recycled inputs and establish offtake agreements
 - Partnerships to support capacity expansions in exchange for advantaged access to supply
 - Offer technical solutions to recyclers to improve the value of outputs
- Resources with expertise in Operational Excellence and Commercial Excellence
- Collaborative, partnership approach

SK Capital is excited about the growth opportunities in plastics recycling