

GREAT AMERICAN GROUP ADVISORY & VALUATION SERVICES

**Plastics Processing
Equipment Monitor
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Introduction

Welcome to the premier issue of the *Plastics Processing Equipment Monitor* from Great American Group Advisory & Valuation Services (“GA”). This publication will provide you with market value and industry trends for a variety of plastics processing assets.

The enclosed information represents a composite of GA’s industry expertise, well-respected industry publications, liquidation and appraisal experience, and contact with industry personnel. Due to the nature of certain plastics processing assets, timely reporting is necessary to understand an ever-changing marketplace. GA strives to contextualize important indicators in order to provide a more in-depth perspective of the market as a whole.

This inaugural issue relates information covering most plastics processing equipment, including industry trends, market pricing, and their relation to the valuation process. GA provides our customer base with a concise document highlighting the plastics processing industry.

GA welcomes the opportunity to make our expertise available to you in every possible way. Please feel free to contact us at any time.

This Monitor provides you with information concerning the major types of assets within the plastics processing industry: injection molding, blow molding, extrusion, and thermoforming. We are always mindful to adhere to your request for a simple reference document. Should you need any further information or wish to discuss recovery ranges for a particular segment, please feel free to contact your GA Business Development Officer.



ABOUT GREAT AMERICAN GROUP

Great American Group is a leading provider of asset disposition solutions and valuation and appraisal services to a wide range of retail, wholesale, and industrial clients, as well as lenders, capital providers, private equity investors, and professional services firms. In addition to the *Plastics Processing Equipment Monitor*, GA also provides clients with industry expertise in the form of monitors for the metals, building products, food, automotive, and chemicals industries, among many others.

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EXPERIENCE

GA has been involved in the asset disposition and valuation of many plastics processing facilities involving injection molding, blow molding, extrusion, thermoforming, and more. Recent transactions include:

- Cincinnati Milacron
- Collins & Aikman
- Fortis Plastics
- Home Products International
- Hunjan Group
- ILPEA Industries
- Interbath
- Jodee Plastics
- Kamco Plastics
- Mullinix packages
- Packaging Plus
- Rantoul Products
- Royal Dynamics
- Thomas Plastics



In addition, we have conducted a wide variety of appraisals of plastics processing equipment. Given our experience in both the valuation *and* disposition of plastics processing equipment, GA is uniquely qualified to not only render value opinions, but to help your liquidity needs through the sales of surplus and/or idle plastics processing assets.

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OVERVIEW

Versatility and ease of manufacturing have led plastics to become essential materials in consumer products and industrial production. Despite our reliance on plastic, the industry is not invulnerable to downswings in the economy.

The plastics processing equipment market experienced a sharp decline during the global recession over the past two years. As a result, the plastics processing industry saw a shift in manufacturing from North America and Western Europe to Southeast Asia. This shift provided an opportunity for emerging markets to become major players in the global market. Projected growth in these expanding nations is expected to surpass established markets in the United States, Japan, and Western Europe in the coming years as demand outpaces the domestic market.

The global market for used plastics processing equipment has seen recovery and increased growth over the last 12 months. Ongoing economic growth, particularly in expanding foreign markets, has seen an increase in plastic products consumption. This increase has resulted in a boost in processing activity and related equipment demand.

The increase in demand is seen most specifically in late-model equipment from the 2000s. However, recovery values of equipment from the 1990s have also been bolstered due to the lack of available equipment, as much of the older machinery has been scrapped or sent overseas.

Injection molding machines continue to dominate the plastics processing industry, comprising approximately 60% to 70% of the industry's activity. The success of this type of processing is largely due to the speed, accuracy, and efficiency with which this type of equipment manufactures products. As a result of manufacturers cutting production of new machines during the recession, the secondary marketplace for used equipment has rebounded significantly as the economy has begun to recover. Currently, injection molding machines in the 250 to 1,000-ton range are currently highly sought after by used equipment dealers and end-users.



MONITORING POINTS

Monitoring Point	Impact
Monitor the state of the automotive industry.	As the automotive industry is one of the largest users of plastics processing equipment., significant changes in the industry can drastically affect demand and recovery values for related equipment. Should major manufacturers schedule new plant openings, domestically or internationally, and struggle to meet increasing demand for new vehicles and “green” technologies, this type of equipment would experience an upward shift in demand.
Monitor the availability of new plastics processing equipment.	Decreased production of new plastics processing machinery during the recession, coupled with a recovering manufacturing base, has created a gap in the availability of new machines, resulting in greater recovery values in the used equipment market, particularly for late-model plastic injection equipment.
Monitor spending on consumer products.	The plastics processing industry relies heavily on consumer spending to support increasing production activity, as plastic is an integral part of our everyday lives. Consumer spending has seen an uptick as of late, resulting in a higher demand for consumer products.
Monitor capital equipment spending.	As capital expenditures have increased as concerns over the economic crisis have begun to wane and economies have begun to rebuild and as emerging markets have experienced substantial growth, the resale market has shown stability and growth over the last 12 months. This is particularly evident in the injection molding equipment market.
Monitor sustainability issues.	Plastics processors are continually focusing on expanding the use of recycled materials as increased environmental concerns continue to impact the industry. Recent research and development efforts have been geared toward utilizing plastic products as a substitute for other materials.

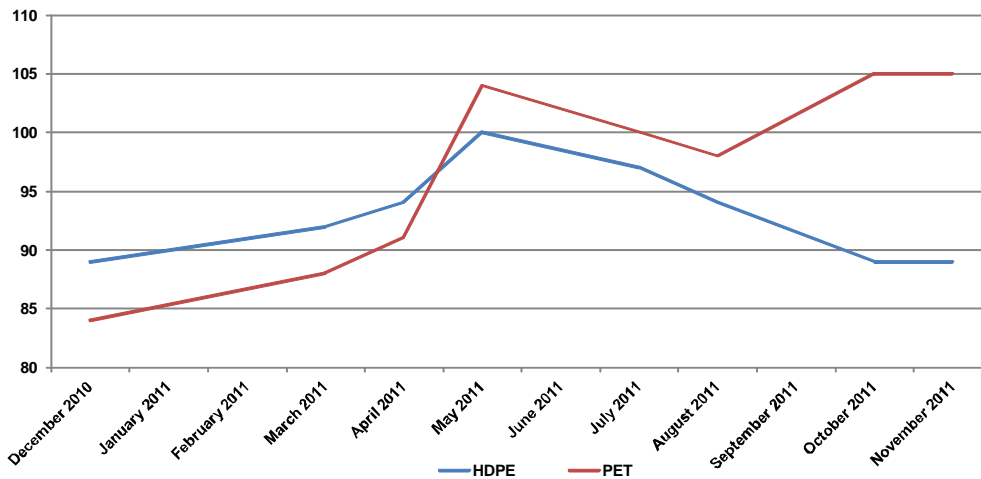
MONITORING POINTS

Monitoring Point	Impact
Monitor the price of plastic resin.	Sustained increases in the cost of various types of plastic resin can have a long-term affect on the sales of plastic products. Changes in raw material prices could have a downstream affect on prices and demand for consumer products.

RECENT APPRAISAL TRENDS

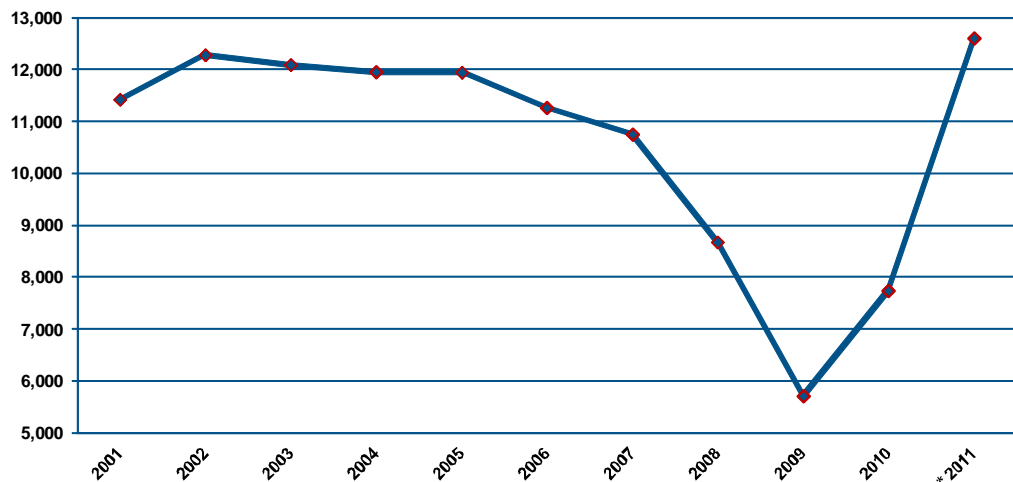
HDPE and PET Resin Prices

Estimated U.S. Market Prices for Prime Resin, Unfilled, Natural Color, FOB Supplier (Cents per Pound)



Source: Plastics News

U.S. Automotive Production (Units in 000s)



Source: Bureau of Transportation Statistics and Edmonds
* 2011 is projected

RECENT APPRAISAL TRENDS

INJECTION MOLDING

Injection molding continues to represent the lion's share of the plastics processing industry, comprising 60% to 70% of the total output of all plastics products. Plastic injection molding typically involves using high-density polyethylene to manufacture a range of products from vehicle dashboards to bottle caps.

The resale market for injection molding machines has improved significantly in the last 12 months, due to manufacturers cutting production on new machinery during the recession, creating longer-than-usual lead times. Injection molding machines in the 250 to 1,000-ton range are currently highly sought after by used equipment dealers and end-users, particularly late-model equipment from the 2000s by Cincinnati Milacron and Toshiba. However, GA's recent experience with used machinery dealers and auction activity suggests that improved market conditions have resulted in a significant increase in demand for some of the older vintage machinery, bolstering recovery values for equipment from the 1990s.

Recently, a small influx of Chinese injection molding machines in the new equipment marketplace has been observed. However, these machines do not necessarily present a threat to popular American, German, and Japanese manufacturers just yet. While the Chinese machines are cost effective, they lack the reputation of the established, more desirable name brands resulting in lower recovery values in the secondary marketplace.



BLOW MOLDING

Blow molding typically involves using polyethylene terephthalate to create bottles for beverages, food, hair care, and other products commonly found in everyday use. Uniloy and Sterling are two of the more prominent equipment manufacturers in this industry.

The blow molding equipment marketplace continues to remain relatively flat. The continued consolidation of industry operators is expected as companies attempt to benefit from economies of scale and avoid additional competition in the industry. As such, a general lack of this type of used equipment in the marketplace has been observed.

Existing companies generally do not like to see used equipment available for sale as this creates an entry point for new players in the industry. In the event of a facility closure, competitors will often engage in a bidding war to ensure this equipment does not fall into the hands of current and future competition. As a result, higher recovery values have been sustained and have improved with the economy.

GA has continued to observe the shift in this type of activity from the domestic market to the international market. The equipment that remains in the domestic market tends to be tightly controlled by the major players in the industry, with very little equipment making it to a public auction sale.

RECENT APPRAISAL TRENDS

EXTRUSION

GA has observed a high demand for extrusion equipment from the 2000s and newer vintages. In particular, American and European-made equipment continue to be most sought after. Davis Standard and Krauss Maffei continue to be highly sought after manufacturers of extrusion equipment. While a small number of Chinese-made machines have entered the marketplace, these machines are much less desirable in the secondary marketplace.

With the “green” movement’s ever-growing momentum, demand for this type of equipment has increased. End-users are now using extrusion equipment in recycling activity. The general lack of availability, coupled with increased demand, has supported higher recovery values for this type of equipment.

Due to the demand for plastic extrusion machinery, GA does not foresee an abundance of plastic extrusion equipment becoming available in the secondary market going forward.



THERMOFORMING

The secondary market for thermoforming equipment has remained relatively flat. Acquisition activity in this sector has kept much of the used machinery out of the secondary market.

The market for thermoforming equipment is tightly controlled and this equipment is typically not available at auction sales. In the event that it does go to auction, purchasers are willing to buy at higher prices thus bolstering recovery values, particularly for sought after makes such as Keifel and Brown. If thermoforming equipment does go to liquidation, it is most often an Orderly Liquidation Sale. As a result, higher recovery values have been sustained and have improved with the economy.

As the economy begins the road to recovery, increased demand for food, consumer products, and medical packaging will keep thermoforming equipment in demand. This increase in demand will continue to sustain recovery values for thermoforming machinery in the secondary marketplace.