



Recycled Plastics Market Draws Investor Attention

Not a day goes by without the announcement of a new regulatory, industrial, or commercial initiative relating to the European circular economy, making it a major topic for corporates and investors that must adapt their strategy to meet regulations or take these initiatives into account when evaluating future investments. Recycling of plastic packaging, in particular, stands out as one of the most important initiatives and is drawing particular investor attention because of its fossil origin, its waste is the most visible to society, its treatment is the most complex and its targets are constantly increasing to help reduce waste.

In our latest perspective, Lincoln International examines the market dynamics in the recycled plastics industry.

Recycled Plastics Overview

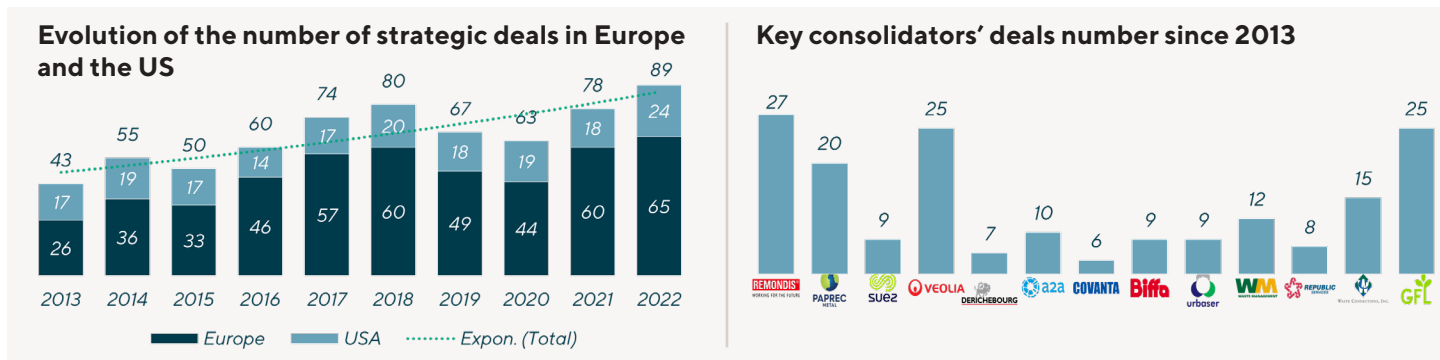
Recycling of plastic packaging is a dynamic market given the increasing waste volumes following the continuous expansion of plastic packaging volumes and higher recycling rates. [According to the European Commission](#), "Packaging is one of the main users of virgin materials as 40% of plastics and 50% of paper used in the EU is destined for packaging. Without action, the EU would see a further 19% increase in packaging waste by 2030, and for plastic packaging waste even a 46% increase." From a regulatory perspective, recycling targets are constantly increasing as political decision-makers across the world are pressed to tackle plastic packaging pollution.



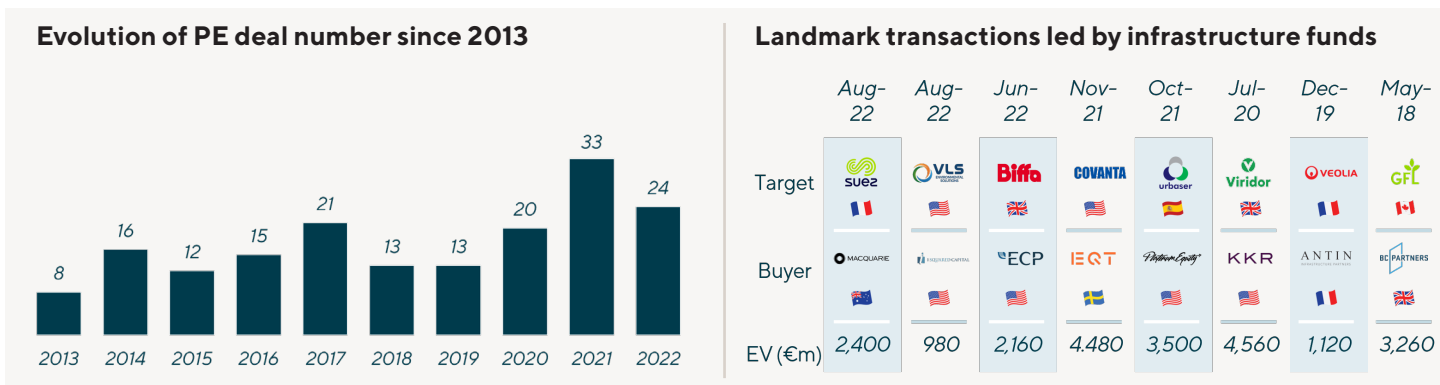
...40% of plastics and 50% of paper used in the EU is destined for packaging.

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Large recycling groups dominate the market, having built or having been associated with building the national recycling infrastructures in their home countries over the past several decades. Benefitting from their legacy market position, these groups actively consolidate the market and can finance the required investments to capture significant market growth.



Infrastructure funds have been well identified and have invested in the sector for many years as these recycling groups perfectly fit their criteria of a large installed base of assets providing recurring revenue streams, a supportive regulatory environment, long-term growing demand and favorable pricing trends for recycled material.

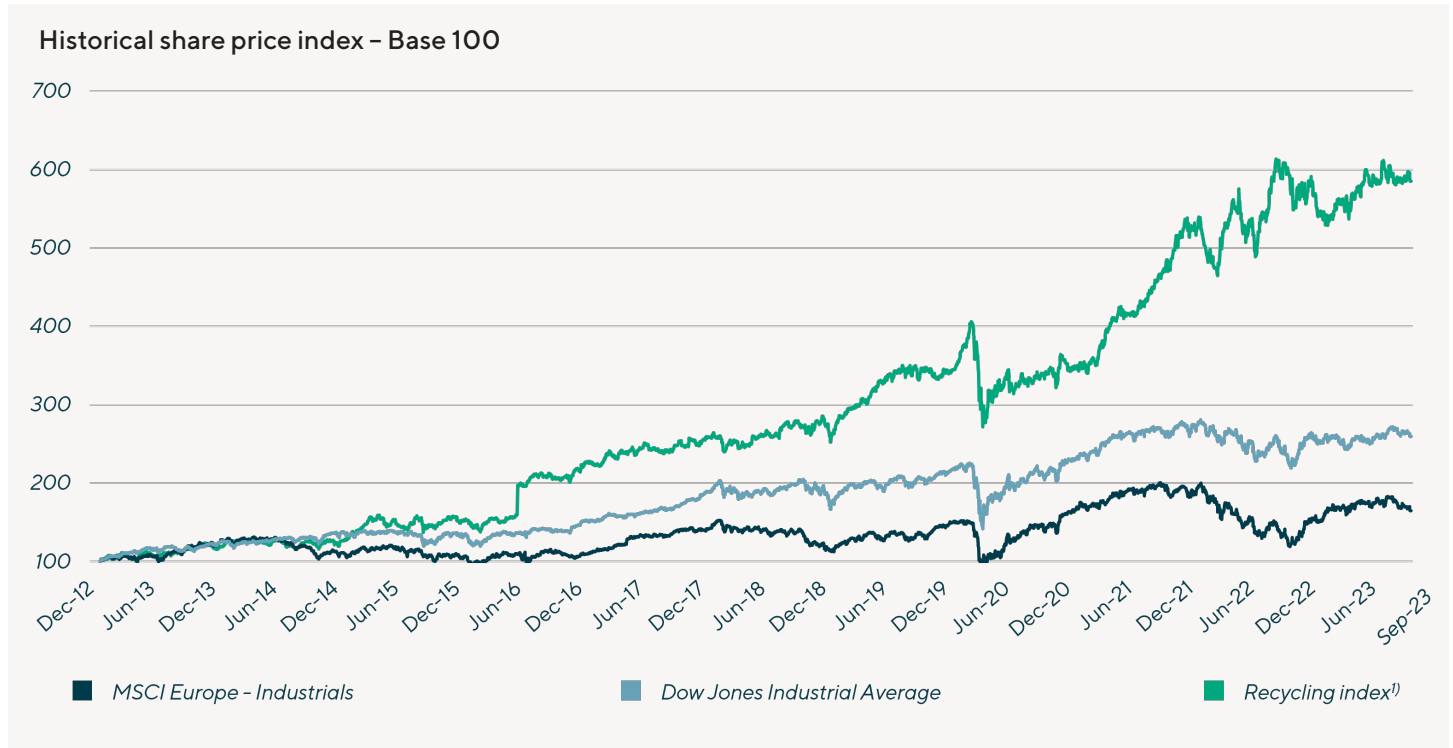


The market is not limited to such large players; meeting the ambitious recycling targets will require the involvement of all stakeholders involved. A vivid ecosystem of innovative companies is active across the value chain from artificial intelligence (AI)-based systems to better sort and collect waste, advanced recycling technologies to increase operating efficiency, material cleaning and preparation solutions to improve processing quality, packaging companies offering circular solutions to specialized advisory firms helping companies in their environmental transition. With the support of early investors and benefit from the favorable market environment, these companies are growing fast and can represent interesting opportunities for strategics willing to acquire new skills or for middle market private equity (PE) firms to take over and support them into their next development stage.

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Lincoln Perspective

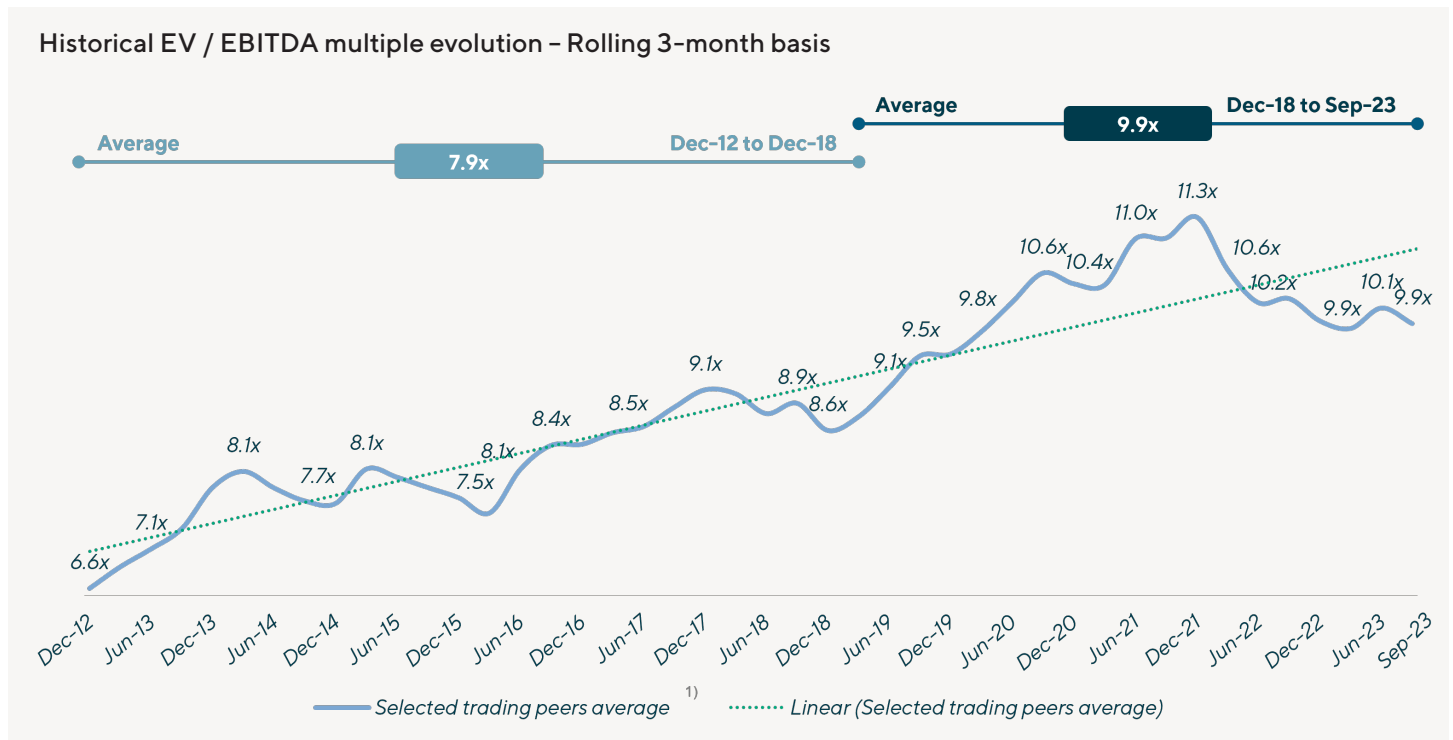
Illustrating the favorable market environment, publicly listed companies in the sector are trading at an all-time high.



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From a transaction perspective, companies in the sector with a differentiated positioning and technology are highly desirable and scarce assets coveted by both financial and strategic investors can receive superior valuation multiples.



PE firms have ranked environmental transition investment themes as one of their top priorities and strategies, many of which are controlled by infrastructure funds, and are more than ever active in consolidating the market. Especially in the middle market transaction range, activity is poised to increase as companies in the sector become more mature and develop from start-ups to profitable and sizeable companies.

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