



## Case Study

### Client

Global Investment Bank

### Project Number

22094

### Team Members

Bob Starkey, Tony Kingsbury,  
Bogdan Comanita, Jane  
Witheridge and Mike Sticklen

# Due Diligence of Recycled PET Investment

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## Summary of Client and Challenge They Faced

A global investment bank sought information to support their decision to invest in a new polyethylene terephthalate (PET) plastic recycling company. The target company planned to construct several PET recycling plants converting PET plastics waste into clean PET pellets for reuse in food and beverage packaging. The bank had a strategic interest in sustainable and renewable investments. They required an expert review of the investment opportunity and the target company's proposed PET recycling process.

## Our Approach to the Solution

The LEC Partners (LEC) expert team provided a comprehensive evaluation of the potential investment, including an end-to-end review of their PET recycling and production process. Our team conducted a thorough investigation of the PET value-chain in North America including material recovery facilities (MRF's), PET flake, PET pellets and PET packaging. We completed a detailed analysis of rPET suppliers and customers including company names, locations and contacts.



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LEC directly contacted rPET equipment suppliers to assess the pros and cons of each supplier including rPET pellet final quality and ability to meet FDA standards.

In addition to reviewing the rPET value-chain, LEC completed a market and operational risk analysis. We validated the pro-forma financial inputs including PET material pricing, market volumes, logistics cost, production cost, plant efficiency and capital. LEC experts verified rPET plant yields, energy usage, total production cost and total installed capital for the first new facility. To understand the regulatory environment surrounding the investment, our team completed an assessment of multiple state and federal government regulatory drivers and legislative trends related to the business.

#### Client Results and Benefits

The investment bank received a detailed report of the PET recycling company investment. In addition to validating the marketing and operational assumptions, LEC experts made recommendations to achieve a more accurate forecast for the potential return on investment. The pros and cons for the investment we highlighted included:

#### Pros

- Highly capable company management team
- Best-in-class rPET process equipment capable of producing rPET suitable for food packaging
- Growing demand for rPET packaging content in North America



Lee Enterprises  
Consulting

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#### Cons

- Value chain competitive advantage is concentrated with MRF's and packaging converters with rPET producers fragmented, strong raw material supply agreements are needed
- Capital estimate may be slightly too small due to inadequate contingencies
- Regulatory drivers for rPET in the US are minimal with the exception of a few bottle bill states

With a clearer picture of the potential investment, the global investment bank decided to proceed with their investment. The LEC expert review gave the bank greater confidence to be a leader in the space and they recently announced a new joint venture in support of their investments in circularity and sustainability.