

SPARTECH CORP
Form 425
October 24, 2012

Leveraging our Four Pillar Strategy:
The Acquisition of Spartech
October 24, 2012
Filed by PolyOne Corporation
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Subject Company: Spartech Corporation
Commission File No. 1-5911

Forward
Looking Statements
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In this presentation, statements that are not reported financial results or other historical information are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In particular, statements in this press release regarding the performance of Spartech are forward-looking statements. Forward-looking statements give current expectations or forecasts of future events and future performance. They are based on management's expectations that involve a number of business risks and uncertainties, and actual results may differ materially from those expressed in or implied by the forward-looking statements. They use words such

estimate, expect, project, intend, plan, believe, and other words and terms of similar meaning in connection with operating or financial performance and/or sales.

Factors that could cause actual results to differ materially from those implied by these forward-looking statements include, but are not limited to:

- The time required to consummate the proposed acquisition; the satisfaction or waiver of conditions in the merger agreement; and
- adverse changes in the business of Spartech; the ability to obtain required regulatory, shareholder or other third-party approval; and otherwise consummate the proposed acquisition; our ability to achieve the strategic and other objectives relating to the proposed acquisition, including any expected synergies; our ability to successfully integrate Spartech and achieve the expected results of the acquisition, without limitation, the acquisition being accretive;
- Disruptions, uncertainty or volatility in the credit markets that could adversely impact the availability of credit already arranged or the availability and cost of credit in the future;
- The financial condition of our customers, including the ability of customers (especially those that may be highly leveraged and have inadequate liquidity) to maintain their credit availability;
- The speed and extent of an economic recovery, including the recovery of the housing market;
- Our ability to achieve new business gains;
- The amount and timing of repurchases, if any, of PolyOne common shares and our ability to pay regular quarterly cash dividends and timing of any future dividends;
- The effect on foreign operations of currency fluctuations, tariffs, and other political, economic and regulatory risks;
- Changes in polymer consumption growth rates in the markets where we conduct business;
- Changes in global industry capacity or in the rate at which anticipated changes in industry capacity come online;
- Fluctuations in raw material prices, quality and supply and in energy prices and supply;
- Production outages or material costs associated with scheduled or unscheduled maintenance programs;
- Unanticipated developments that could occur with respect to contingencies such as litigation and environmental matters;
- An inability to achieve or delays in achieving or achievement of less than the anticipated financial benefit from initiatives relating to cost reductions, cost reductions, employee productivity goals, and an inability to raise or sustain prices for products or services;
- An inability to maintain appropriate relations with unions and employees; and
- Other factors affecting our business beyond our control, including, without limitation, changes in the general economy, changes in interest rates and changes in the rate of inflation.

The above list of factors is not exhaustive.

We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise, unless we are advised to consult any further disclosures we make on related subjects in our reports on Form 10-Q, 8-K and 10-K that we provide to the Securities and Exchange Commission.

This presentation includes the use of both GAAP (generally accepted accounting principles) and non-GAAP financial measures. The non-GAAP financial measures include: adjusted EPS, earnings before interest, tax, depreciation and amortization (EBITDA), adjusted EBITDA, net debt, Specialty platform operating income, adjusted operating income, return on invested capital, net debt/EBITDA, and the exclusion of corporate charges in certain calculations. In certain cases throughout this presentation, we have presented GAAP and non-GAAP financial measures adjusted to reflect full-year 2011 Pro forma results, including

ColorMatrix.

PolyOne's chief operating decision makers use these financial measures to monitor and evaluate the ongoing performance of the Company and each business segment and to allocate resources. In addition, operating income before special items is a component of various PolyOne annual and long-term employee incentive plans.

A reconciliation of each non-GAAP financial measure with the most directly comparable GAAP financial measure is attached to this presentation which is posted on our website at www.polyone.com.

Use of Non GAAP Measures

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Additional Information

Additional Information

In connection with the proposed transaction, a registration statement on Form S-4 will be filed with the SEC. SPARTECH CORPORATION STOCKHOLDERS ARE ENCOURAGED TO

READ
THE
REGISTRATION
STATEMENT
AND
ANY
OTHER
RELEVANT
DOCUMENTS FILED WITH THE SEC, INCLUDING THE PROXY STATEMENT/PROSPECTUS THAT WILL BE PART
REGISTRATION
STATEMENT,
WHEN
THEY
BECOME
AVAILABLE,
BECAUSE
THEY
WILL
CONTAIN
IMPORTANT
INFORMATION

ABOUT THE PROPOSED MERGER. The final proxy statement/prospectus will be mailed to stockholders of Spartech Corporation. Investors and security holders will be able to obtain the documents free of charge at the SEC's website, www.sec.gov,

from
PolyOne
at
its
website,
www.polyone.com,

or
33587
Walker
Road,
Avon
Lake,
Ohio
44012,

Attention:

Corporate Secretary, or from Spartech Corporation at its website, www.spartech.com, or 120 S. Central Avenue, Suite 1700, Clayton, Missouri 63105, Attention: Corporate Secretary.

Participants in Solicitation

PolyOne and Spartech Corporation and their respective directors and executive officers may be deemed to be participants in the solicitation of proxies in respect of the proposed merger. Information concerning PolyOne's participants is set forth in the proxy statement, dated March 23, 2012, for PolyOne's 2012 Annual Meeting of Stockholders as filed with the SEC on Schedule 14A and PolyOne's current reports on Form 8-K, as filed with the SEC on May 11, 2012 and September 25, 2012. Information concerning Spartech Corporation's participants is set forth in the proxy statement, dated January 24, 2012, for Spartech Corporation's 2012 Annual Meeting of Stockholders as filed with the SEC on Schedule 14A and Spartech Corporation's current report on Form 8-K, as filed with the SEC on March 16, 2012. Additional information regarding the

interests of participants of PolyOne and Spartech Corporation in the solicitation of proxies in respect of the proposed merger will be included in the registration statement and proxy statement/prospectus and other relevant materials to be filed with the SEC when they become available. This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

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Spartech
Compelling Strategic Rationale

Spartech expands PolyOne's specialty portfolio with adjacent technologies in attractive end markets

Bolt-on acquisition with opportunity for global expansion, as only 6% of Spartech's revenues are outside of North America

PolyOne has a proven management team with a track record of

transformational success

Preliminary annual synergies estimated at \$65 million
Significant opportunity to expand profitability by leveraging
PolyOne's four pillar strategy

Substantial potential share price appreciation for all
shareholders
Accretive to EPS in first full year post-acquisition / \$0.50 once
synergies realized
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Custom Sheet &
Rollstock
52%
Packaging
Technologies
21%
Color &
Specialty
Compounds

27%

Packaging

27%

Transportation

22%

Construction

18%

Sign &

Advertising

9%

Recreation &

Leisure

8%

Appliance &

Electronics

6%

Other

10%

Spartech at a Glance

3Q12 LTM Revenue: \$1,156 million

#1 North America market position in sheet, rigid barrier packaging and specialty cast acrylics

Operates as a producer of plastic products, custom extruded sheet and rollstock products, and packaging principally in the United States

Approximately 2,500 employees

30 plants in four countries: US (25), Canada (3), Mexico (1), France (1)

Business Description

Sales by Segment

Sales By End Market

Sales By Geography

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United States

80%

Asia & Other

1%

Europe

5%

Mexico

7%

Canada

7%

Spartech Segment Overview
Custom Sheet & Rollstock
#1 in Sheet
#1 in Cast Acrylics
North
American
Market
Position

Plastic Sheet

Custom Rollstock

Calendered Film

Laminates

Cell Cast Acrylic

Monolayer Rollstock

Barrier Rollstock

Thermoformed Containers

Graphics Arts

Compounds

Color Concentrates

Black, White

Roofing Formulations

Contract Manufacturing
Products

Cell Cast Acrylic in
Aerospace

Graphic Arts

Packaging with

Barrier Technology

Energy efficient TPO

Roofing Compounds

Drip Irrigation

Specialty Security

Glazing

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#1 in Rigid Barrier Packaging

Leader in energy efficient

TPO Roofing

Packaging Technologies

Color & Specialty

Compounds

Acquisition Aligned with Four-Pillar Strategy

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Specialization

Commercial Excellence

Operational Excellence

Market leading positions in roughly 60% of its
business

Adds adjacent technology and designed solutions across several attractive market segments and applications

Leadership in rigid barrier packaging provides opportunity to capitalize on PolyOne barrier additive technology

Mix shift: from Volume to Value

Establish Lean Six Sigma as way of life

Plant rationalization aligned with the voice of the customer

Elimination of redundant corporate overhead

Raw material savings

Expanded solutions across key markets including packaging, aerospace, healthcare, transportation and consumer

Accelerate sales force efficiency and effectiveness

Substantial cross-selling potential exists
Color & additives
Distribution

Mix shift: from Volume to Value
Globalization

Opportunity to capitalize on PolyOne's global footprint

Leverage relationships with multi-national OEMs to drive expansion of Spartech products

Healthcare /
Medical

Medical device packaging

Medical test strips
Aerospace
and Security

Cast acrylic canopies

Flame retardant / fire-rated

Bullet resistant barriers

Aircraft cabin windows

Examples of Spartech Specialty Products

Beverage Pods

Single-serve dairy (yogurt, cottage cheese)

Shelf-stable foods

1-Seal Technology

End Markets

Examples of Spartech Specialty Applications

Consumer

Packaging

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The PolyOne Transformation
Doing What We Do Best

CAGR = 43.2%
Specialty Operating
Income Mix
CAGR = 46.2%
Accelerating Growth
PolyOne
Adjusted
Operating Income
% of Sales

Adjusted

EPS

\$13M

\$46M

\$87M

\$111M

\$31M

\$46M

\$89M

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OI CAGR = 15.7%

'06

'07

'08

'09

'10

'11

3Q '12

LTM

'06

'07

'08

'09

'10

'11

3Q '12

LTM

'06

'07

'08

'09

'10

'11

3Q '12

LTM

Old
PolyOne
Transformation
*Operating Income excludes corporate charges and special items
** Pro forma for the acquisition of ColorMatrix and divestiture of SunBelt
Specialty OI
\$5M \$46M \$89M
\$117M Target
Mix Shift Highlights Specialty Transformation

PolyOne

2015

Target

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34%

42%

50%

65-75%

0%

20%

40%

60%

80%

100%

2005

2008

2011

2011**

2015

JV's

PP&S

Distribution

Specialty

2%

Proof of Performance

PolyOne

*ROIC is defined as TTM adjusted OI divided by the sum of average debt and equity over a 5 quarter period

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2007

2012 Target

YTD 9/30/12

Where we
were

What we said

Where

we are

1) Operating

Income %

Specialty

3.2%

10% -

12%

9.7%

PP&S

6.1%

8%

-

10%

9.3%

Distribution

3.0%

4% -

5%

6.3%

2) Specialty Platform

% of Operating Income

20%

>50%

46%

3)

Specialty Vitality

Index

21%

35% -

40%

46%

4) ROIC*

(pre-tax)

11%

>15%

17%

5) Sales outside the US

37%

>40%

39%

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PolyOne
Spartech Opportunity
Proof of Performance
Spartech Opportunity
2006
YTD 9/30/12
Today
Intermediate

Goal

Where we
were

Where we
are

Where
Spartech

is

Where
we

can

go

Specialty
Operating

Margin

1.5%

9.7%

1.8%

8.0%

10.0

Achievable Synergies

Near-term and preliminary annualized synergies estimated at \$65 million

Achieved over a 3-year period

One-time cash cost to achieve synergies is estimated at ~\$60 million

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Commercial

Operations
Administration

Value based selling to
drive margin expansion

Cross-selling

Leverage relationships to
drive specialty growth and
differentiation

Align manufacturing
network with voice of
customer

Sourcing savings

Lean Six Sigma to drive
further operational gain

Elimination of redundant
overhead
Duplicate public
company costs
Corporate governance
Synergy plan doubles the pace of transformation executed at
PolyOne
since
2006

doing
what
we
have
proven
we
can
do

Financial Highlights

Purchase Price of \$8.00 per share, 33.34% cash and 66.66% stock consideration

Plan to complete repurchase of stock issued in the transaction within 12-18 months after closing

Each Spartech share exchanged for \$2.67 in cash and 0.3167 shares of PolyOne stock

\$393 million total enterprise value, including approximately
\$142 million of Spartech net debt

7.4x LTM EBITDA

3.3x LTM EBITDA including run-rate synergies

Transaction

Overview

Pro Forma

Financial Impact

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Expected to be accretive to EPS in year 1 following
acquisition

Preliminary annual synergies estimated to be \$65 million

Expected EPS accretion of approximately \$0.50 once full
value of synergies are realized

Financing and Share Repurchase Plan
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Committed financing in place to support
transaction
New long-term debt of \$250
million

Expanded revolver that will allow us to

incorporate Spartech assets
Undrawn at closing

At closing, between the undrawn revolver and balance sheet cash, we anticipate having liquidity of approximately \$500 million that can be used for:

Operating needs
Restructuring costs
Expanded share repurchases
Bolt-on acquisition opportunities

Pro forma net debt / EBITDA of 2.1x

Board authorization to repurchase
20 million shares

After closing, PolyOne expects to opportunistically repurchase shares issued in the transaction

In addition, as previously announced, PolyOne also intends to continue to opportunistically repurchase approximately 2 million shares per year to offset employee issuances and reduce outstanding shares

Expect to complete repurchases within 12-18 months post-closing funded through free cash flow, balance sheet cash and revolver capacity

At Closing
Post-Closing Share Buyback

Expected to close in Q1, 2013

Spartech stockholder approval

Receipt of necessary regulatory approvals

Completion of standard and customary closing conditions
No financing contingency

Clear Path to Completion
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Summary and Key Takeaways

Strategy remains unchanged

Be the world's premier provider of specialized polymer materials, services and solutions

Spartech expands PolyOne's breadth of specialty offerings with adjacent technologies in attractive end markets

PolyOne transformation continues with greater upside potential
Preliminary annual synergies estimated to be \$65 million

Substantial share price appreciation potential for all shareholders
Accretive to EPS in first full year post-acquisition / \$0.50 once preliminary estimate of synergies achieved
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