RPC Group (RPC LN)/Apollo/Bain Private Equity

Plastic Smile

Highlights

- **RPC Group ("RPC"),** a leading European rigid plastic packaging company with ~6% market share, **is in preliminary talks with Apollo Global Management ("Apollo") and Bain Capital ("Bain"),** over a potential offer for the company
- **Private equity sponsors will unlikely be able to offer >~900p per share and generate IRRs above ~15-16%.** A potential take out price of 900p would imply **~9.4x EV/Clean EBITDA (~£540m) multiple**, which is **considerably higher than the average multiple of ~8.0x** paid in previously completed transactions in the sector
- We believe that **the best outcome for RPC shareholders would likely be if Berry Global** ("Berry") **expressed interest in acquiring RPC.** Berry would be in a position to offer higher price than the private equity sponsors, **however the industrial logic behind Berry's potential interest in RPC is questionable** (more details on subsequent pages)
- Triangulating various valuation methodologies (DCF, EV/EBITDA '18E, FCF '18E yield, Precedent transactions and LBO), **we derive an implied fair value of ~£8.1 per RPC share** (please see below pages for further details). **If the investors' focus shifts exclusively to FCF yield however** (due to various adjustments flooding RPC's EBITDA, EBIT and Net Income numbers and very poor FCF conversion at RPC vs. the sector), **we see a potential downside of >~30% from the current trading levels**
- **If the negotiations between RPC and all potentially interested bidders break, we identify several downside risks that could potentially drag the share price down over the next few months**, including some structural and company specific concerns (please see below pages for further details)
    - <u>Comment</u>: **In summary, we think that RPC does not offer an attractive risk reward potential in the short term. Our implied fair value of ~£8.1/shr (triangulating among various valuation methodologies) is in line with where the share price is trading at the moment. We believe that the upside from current levels is limited i.e. around ~10%, however that the downside could be considerably more acute, i.e. >~30%, if the current negotiations with interested parties do not successfully conclude, some structural and company specific risks materialize and investors shift focus shifts on the FCF yield valuation. RPC's financial statements are flooded with various non-recurring items and one-off accounting credits and company appears to have among the worst FCF conversion in the industry. RPC has been spending ~2.5% more capex (as % of sales) vs. the core peers, even though that doesn't seem to have generated superior organic growth over the past 4 years.**

- **Situation Overview**

On Sep 8, Bloomberg reported a story that UK based **RPC Group was considering strategic options including a possible sale. RPC issued a statement on Monday (Sep 10) and confirmed preliminary discussions with Apollo Global Management ("Apollo") and Bain Capital ("Bain"),** which may or may not result in an offer for the company. UK Takeover Panel deadline is set for Oct, 8. RPC share price surged by ~18% from the undisturbed price of 683.6p and closed at 806.6p on Sep 10. RPC is currently trading at ~810p/shr.

Our preliminary analysis suggests that **private equity sponsors will unlikely be able to offer >~900p per share and generate IRRs above ~15-16%**. **A potential take out price of 900p would imply ~9.4x EV/Clean EBITDA (~£540m) multiple, which is considerably higher than the average multiple of ~8.0x paid in previously completed transactions in the sector.** RPC arguably deserves a premium valuation multiple, due to its market leading position in the European packaging sector and could therefore potentially fetch a higher-than-average multiple.

RPC's last reported Adjusted EBITDA number of £590m includes numerous one-off accounting credits (for example "changes in stock of finished goods and work in progress", "net provision utilizations", etc.) which are likely to be stripped off in any potential bid by the private equity sponsors. **Our base case assumes ~50m of accounting credits to be removed from £590m, resulting in a clean, biddable EBITDA of ~£540m.**

In our opinion, **Apollo is unlikely to bid anything above ~8.0 – 8.5x EV/LTM EBITDA (implying ~710-780p).** Apollo has a **very aggressive internal policy not to bid above ~6.0x EV/LTM EBITDA**, except in very rare situations.

Bain is therefore more likely to submit an acceptable bid for the RPC's management and shareholders in our view. They could possibly offer 850p - 900p/shr and generate around ~16% IRR over the 5 year period. Bain already has some expertise in the sector and has recently reiterated its interest by an **attempted combined acquisition of Resilux and Petainer in 2017, poly-ethylene terephthalate (PET) manufacturers from Belgium and UK respectively**. PET is thermoplastic polymer resin used as a raw material in the production of the RPC's products. Bain eventually decided to walk away from the deal, given that transaction was referred by the German antitrust regulator for a Phase 2 review, resulting in considerable delay on expected timetable. **In 2017 as well, Bain exited (after 5 years) its investment in the US based company Consolidated Container, rigid plastic packaging solutions provider for beverages, food and household chemicals. The company was sold to Loews Packaging Group for ~8.6x EV/LTM EBITDA.**

We believe that the best outcome for RPC shareholders would likely be **if Berry Global ("Berry"), US based, leading global consumer packaging company (~$6.6bn market cap) expressed interest in acquiring RPC**. Berry has a similar model to RPC, with growth coming from a steady stream of acquisitions and synergy realizations. A tie-up would **create a packaging giant with the #1 position in global plastics**. The companies have differing geographical footprints (Berry is a leader in North America, RPC is a leader in Europe), but more overlap in terms of end-markets: Both companies have significant Food & Bev (RPC: ~40%; Berry: ~31%) and Personal Care/Healthcare exposures (RPC: ~17%; Berry: ~34%). **Given relatively limited geographical overlap and generally fragmented market, the deal wouldn't face any major regulatory roadblocks**. We calculate that a potential acquisition would be highly EPS accretive for Berry (>40% on a run-rate estimated synergies of $250m, i.e. ~5% of RPC sales).

We question, however, the industrial logic behind Berry's potential interest in RPC, as RPC would expand Berry's presence in more challenged Food & Bev markets which the company has been de-emphasizing in recent years. Pre 2007, Berry was focused on rigid plastics and Food & Bev. But this has changed over time and the **future became more centred around flexible packaging. Berry has also done a strategic move to diversify from Food & Bev and is now looking at Personal Care/Healthcare which as the fastest growing areas**. Our understanding is that **Berry would rather screen for assets in developing countries with higher GDP growth and an immature packing industry (China, India),** than aim to acquire a mature European business. They typically tend to acquire an asset internationally with the aim to develop packaging in that market. In terms of the target multiple Berry's management is prepared to pay, ~**4x-5x post synergies would be the goal** (in line with their previous transactions).

Only the acquisitions with **exceptionally high industrial logic could potentially merit a multiple in the range of ~9-10x (pre-synergies).**

In the situation the negotiations between RPC and all potentially interested bidders break, we identify some downside risks that could potentially drag the share price down over the next few months:

- **If both potential private equity bidders (Apollo and Bain) walk away without submitting a bid**, **it could be a signal to the market that there are definitely some "funky" accounting practices in the house of RPC.** This would likely lead investors to stop giving the benefit of doubt to the RPC's management and to start valuing RPC on the basis of "Actual FCF Yield", which has the potential to drag the price down to below the undisturbed level. **RPC has among the worst FCF conversion in the industry and its Capex as of Sales stood at ~6.5% on average over the past 4 years vs. the core peers' average of ~4.0%**

- **The price of the key raw materials is rising** (supported by the recent increase in oil prices) and due to a time lag of 3-4 months before the company can pass these cost increases to customers, **there is a possibility that we will see a negative surprise in financial results in the next months.** Our understanding is that the **RPC has the pass-through clauses on ~75% of its contracts**

- **Recent reduction in the earn out provisions could possibly suggest that the acquired businesses are not performing according to the RPC management's original aspirations**, supporting the thesis that there are some structural headwinds in the industry

- **Negative regulatory environment**, **driven by the UK Government's and EU Commission's ambition to crack down on some disposable plastic products.** All products that are made wholly or partly of plastic and are typically designed to be used just once and/or used briefly before being disposed could be subject to tariffs or completely banned. **RPC management's view is that only ~1% of the revenues could potentially be impacted.** RPC has recently acquired PLASgran (Aug 2018) which operates a recycling facility in Cambridgeshire (UK) recycling almost ~50kt of rigid plastics pa

- **Further growth through bolt-on M&A could be constrained.** RPC has been historically funding its M&A growth though rights issues and debt. **It seems that further rights issues are out of** question (as share price dropped significantly recently, pre Apollo's and Bain's interest) **and the management's hesitation to lever up above 2.5x** (even though the covenant stands at 3.5x and the company has ~£1bn of available debt facilities)**, limits the headroom for further non-organic expansion. Not being able to grow the top line in the rising operating costs environment could impact the RPC's profitability.** Additionally, **the lack of further M&A deals would restrict the RPC's management from extracting working capital synergies** (through extension of the payables days) **of the acquired businesses, which could impact the FCF generation in future**

Triangulating various valuation methodologies (DCF, EV/EBITDA '18E, FCF '18E yield, Precedent transactions and LBO) we derive an implied value of ~£8.1 per RPC share (please see below pages for further details) which is in line with where the share price is trading at the moment. **We believe that the upside from current levels is limited i.e. around ~10%, however that the downside could be considerably more acute, i.e. >~30% if the current negotiations with interested parties do not successfully conclude, some structural and company specific risks materialize and investors shift focus shifts on the FCF yield valuation**.

- **Indicative Valuation Range**

We think that RPC is fairly valued at the current share price. **Triangulating various valuation methodologies (DCF, EV/EBITDA '18E, FCF '18E yield, Precedent transactions and LBO) we derive an implied value of ~£8.1 per RPC share.**

- **DCF**

RPC Financials - £m unless otherwise stated	CY18E	CY19E	CY20E	CY21E	CY22E	CY23E	CY24E	CY25E	CY26E	CY27E	Terminal
	Financial projections calendarised as of 31 December										
Revenues	**3,798**	**3,919**	**4,040**	**4,156**	**4,268**	**4,374**	**4,474**	**4,568**	**4,655**	**4,734**	**4,805**
Growth		*3.2%*	*3.1%*	*2.9%*	*2.7%*	*2.5%*	*2.3%*	*2.1%*	*1.9%*	*1.7%*	*1.5%*
EBITDA	**551**	**578**	**606**	**623**	**640**	**656**	**671**	**685**	**698**	**710**	**721**
Margin	*14.5%*	*14.8%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*
EBIT	**378**	**398**	**419**	**432**	**444**	**456**	**467**	**478**	**487**	**496**	**505**
Margin	*10.0%*	*10.2%*	*10.4%*	*10.4%*	*10.4%*	*10.4%*	*10.4%*	*10.5%*	*10.5%*	*10.5%*	*10.5%*
CapEx	**248**	**250**	**249**	**248**	**246**	**243**	**239**	**234**	**229**	**223**	**216**
As % Revs	*6.5%*	*6.4%*	*6.2%*	*6.0%*	*5.8%*	*5.5%*	*5.3%*	*5.1%*	*4.9%*	*4.7%*	*4.5%*
CapEx / D&A	*1.44*	*1.39*	*1.34*	*1.30*	*1.25*	*1.21*	*1.17*	*1.13*	*1.09*	*1.04*	*1.00*

DCF - £m unless otherwise stated	PF18E	CY19E	CY20E	CY21E	CY22E	CY23E	CY24E	CY25E	CY26E	CY27E	Terminal
EBITDA	**155**	**578**	**606**	**623**	**640**	**656**	**671**	**685**	**698**	**710**	**721**
(-) Taxes	(25)	(92)	(96)	(99)	(102)	(105)	(107)	(110)	(112)	(114)	(116)
(-) Change in NWC	(2)	(8)	(8)	(8)	(7)	(7)	(7)	(6)	(6)	(5)	(5)
(-) Capex	(70)	(250)	(249)	(248)	(246)	(243)	(239)	(234)	(229)	(223)	(216)
Unlevered FCF	**59**	**229**	**252**	**269**	**285**	**302**	**318**	**335**	**352**	**368**	**384**

RPC DCF - £m unless otherwise stated	
U. FCF - *Present Value*	1,888
Terminal Value - *Present Value*	3,270
Implied Enterprise Value	**5,158**
Net debt & adjustments	1,425
Implied Equity Value	**3,733**
NOSH, mn	406.3
Value per share, £	**919**

RPC Value per share - GBp		WACC (%)				
		7.0%	7.3%	**7.5%**	7.8%	8.0%
	16.0%	1,148	1,078	1,014	955	901
EBITDA	15.5%	1,095	1,028	966	910	858
Margin	15.0%	1,042	977	**919**	865	815
%	14.5%	988	927	871	819	772
	14.0%	935	877	823	774	729

Source: Avalon, FactSet.

- **Our DCF based value of RPC yields ~919p/shr**
- **Key assumptions**: Valuation date: Sep 19, 2018; WACC 7.5%, NWC % Sales 6.5%, Final EBITDA margin 15.0%; Tax rate: 23%
- The financial projections based on **analyst consensus revenue growth and Avalon adjustments at EBIT/EBITDA margin level**
  - **We caution that consensus top line growth might be overstated**
    - ✓ **RPC reported ~3.5% average organic revenue growth over the past 4 years (2013-2017), however we believe that this number has been substantially overstated as it also captured the organic growth of the acquired businesses**
    - ✓ At the same time according to Smithers Pira's industry report, **Western European packaging market** (where most of the RPC revenues are generated) **is expected to grow at only 2.1% CAGR over 2017-2022 period**
  - We clean RPC's 2017/2018 EBITDA and EBIT for various one-off accounting credits
  - **Our estimated "Clean EBITDA" is ~540m (14.4% margin) and EBIT is ~373m (10.0% margin).** We caution that this is our own estimate and the real numbers could differ materially. However, we find

that **our estimated "clean" RPC's EBIT margin for 2017/2018 of 10.0% is more in line with the key peer's most recent full-year reported average EBIT margin of 10.1%.** RPC reported Adjusted EBIT margin of 11.3% in 2017/2018 financial year, which we feel is too high vs. the sector average.

- We assume EBITDA margin gradual improvement to 15%

Precedent Transactions

Past Transactions

Date	Target	Acquirer	Currency	EV	EV/EBITDA
Jul 18	Bemis	Amcor	USD	6,663	11.7x
Nov 17	Clopay	Berry Global	USD	475	9.0x
Apr 17	Consolidated Container (Bain)	Lowes Corp.	USD	1,200	8.6x
Feb 17	Letica	RPC Group	GBP	391	8.5x
Jan 17	Westrock HH&B	Silgan	USD	1,025	10.0x
Dec 16	Innovia Group	CCL Industries	USD	1,130	7.3x
Sep 16	SON Specialty	Amcor	USD	280	8.0x
Aug 16	AEP Industries	Berry Global	USD	705	6.7x
Jun 16	BPI	RPC Group	EUR	261	7.1x
Apr 16	Alusa SA	Amcor	USD	435	8.5x
Dec 15	Global Closures Systems	RPC Group	EUR	650	7.9x
Jul 15	AVINTIV	Berry Global	USD	2,450	6.8x
Jul 15	Waddington Group	Jardon Corp	USD	1,350	9.0x
Feb 15	Promens	RPC Group	EUR	386	6.8x
Nov 13	Nordenia International	Mondi	EUR	653	6.6x
Aug 13	Portola (plastic closures and containers)	Silgan	EUR	266	7.3x
Dec 12	Precision Dynamics (ID solutions)	Brady Corp	USD	300	9.1x
Jul 12	Rexam (plastic food packaging business)	Silgan	EUR	250	9.9x
Oct 11	Tegrant Corp. (protective and retail packaging)	Sonoco	USD	550	8.7x
Sep 11	Rexam SBC	Berry Global	USD	340	6.2x
Jun 11	Graham	Rank Group/Reynolds	USD	4,516	7.4x
Sep 10	Liquid Container	Graham	USD	568	7.9x
Aug 10	Pactiv	Rank Group/Reynolds	USD	6,000	9.4x
Aug 10	Liquid Container (custom plastic bottles)	Graham Packaging	USD	568	7.9x
Mar 10	Alcan	Amcor	USD	1,948	5.7x
Dec 09	Pliant	Berry Global	USD	603	7.4x
Jul 09	Alcan	Bemis	USD	1,213	6.7x
Aug 07	OI Plastics	Rexam	USD	1,565	9.8x
Apr 07	Global Covalence	Berry Global	USD	975	7.1x
Average				**1,301**	**8.0x**

Source: Avalon, FactSet.

- **The average EV/LTM EBITDA multiple realized in the previous transactions in the sector yields ~8.0x.**

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- **LBO**

Purchase price calculations in £m	
# NOSH (m)	406.3
Undisturbed Price (GBp)	818.6
Offer Premium	10.0%
Offer Price (GBp)	**900**
Equity Value	**3,659**
EV adjustments	1,425
Enterprise Value	**5,083**
LTM EBITDA	540
EV/LTM EBITDA (x)	9.4x

Sources	£m	Multiple	% Total
Sen. Debt	2,430	4.5x	50.3%
Sub Debt	540	1.0x	11.2%
Sponsor Equity	1,862	3.4x	38.5%
Total	**4,832**		**100.0%**

Uses	£m
Purchase Equity	3,659
Refinance Net Debt	1,155
Transaction Fees	18
Total	**4,832**

Returns Analysis	£m
Terminal EBITDA	656
Exit LTM Multiple	9.4x
Enterprise Value	**6,177**
Less: Net Debt in Y5	2,137
Less: Other EV adjustments	196
Equity Value (Exit)	**3,844**
Equity Value (Entry)	1,862
5Y IRR %	**15.6%**

IRR over 5 year horizon (%)

			Exit EBITDA multiple				
		Premium (%)	0.0%	5.0%	10.0%	15.0%	20.0%
			8.8x	9.1x	9.4x	9.7x	10.0x
Offer price (£)	819	0.0%	17.6%	19.0%	20.3%	21.5%	22.7%
	860	5.0%	15.2%	16.5%	17.8%	19.0%	20.2%
	900	10.0%	13.1%	14.4%	**15.6%**	16.8%	17.9%
	941	15.0%	11.1%	12.4%	13.6%	14.8%	15.9%
	982	20.0%	9.4%	10.6%	11.8%	13.0%	14.1%

Source: Avalon, FactSet.

- We think that **private equity sponsors are unlikely to bid above ~£9/shr. This would imply a 9.4x EV/Clean EBITDA multiple**
    - **Any submitted bid will be based on a "Clean EBITDA"** which would have to exclude all one-off accounting credits

- **For example it is unlikely that the sponsors would be keen to pay ~8-10x multiple on ~£24.3m of changes in inventory**, as any inventory levels above normal working capital needs of the business will be adjusted through the working capital mechanism and any operating cost benefits (fixed cost contribution) associated with increased inventory production in a particular year (might be tied to a specific contract/client order) are not guaranteed in any subsequent years

- We assume **5.5x leverage and ~40% equity check**
- Entry = Exit multiple
- **IRR over 5-year period yields ~15.6%**

- **Trading Multiples**

Trading peers

In millions of LC	Last price	Currency	MC	EV	EV / Sales 18E	EV / Sales 19E	EV / EBITDA 18E	EV / EBITDA 19E	P / E 18E	P / E 19E	DVD Yield 18E	FCF Yield 18E	EBIT Margin 17/18A	17A - 19E Sales growth	ND / EBITDA 18E
RPC	**8.2**	**GBP**	**3,326**	**4,751**	**1.3x**	**1.2x**	**8.6x**	**8.2x**	**12.7x**	**12.0x**	**3.6%**	**5.3%**	**10.0%**	**5.8%**	**2.1x**
Key Peers:															
Amcor	13.6	AUD	15,774	20,007	1.5x	1.4x	9.8x	8.8x	15.4x	13.5x	4.7%	4.3%	11.6%	9.3%	1.9x
Berry	50.8	USD	6,698	12,334	1.6x	1.5x	8.8x	8.4x	14.3x	13.0x	0.0%	9.5%	10.3%	5.8%	4.0x
Silgan	28.6	USD	3,168	6,067	1.4x	1.4x	9.8x	9.4x	13.7x	12.6x	1.4%	9.9%	8.7%	4.6%	4.5x
PactGroup	3.7	AUD	1,240	1,821	1.0x	0.9x	7.2x	6.5x	12.3x	11.1x	6.2%	8.1%	9.8%	11.7%	2.4x
Average					**1.4x**	**1.3x**	**8.9x**	**8.3x**	**13.9x**	**12.6x**	**3.1%**	**7.9%**	**10.1%**	**7.8%**	**3.2x**

Source: Avalon, FactSet.

Note: RPC multiples based on Avalon estimates.

- Based on our adjusted estimates, we find that **RPC is currently trading at 8.6x EV/EBITDA '18E, which compares to peers' average of 8.9x and Berry's multiple of 8.8x. Assuming RPC slightly re-rates to the average multiple of its core peers, we find an implied RPC price of ~£8.6/shr**
- Based on the **FCF '18E yield, RPC is trading at ~5.3% yield vs. the peers' average of 7.9%. Assuming RPC de-rates to trade in line with peers, we find an implied RPC price of ~£5.5/shr, based on ~£180m estimated FCF in 2018 calendar year**
  - RPC has among the worst FCF conversion in the industry and its Capex as of Sales stood at ~6.5% on average over the past 4 years vs. the core peers' average of ~4.0%

- **Merger Model: RPC/Berry**

A potential Berry-RPC combination would create a global dominant player in plastic consumer packaging. The two companies have complementary geographical footprints with **Berry deriving ~80% of its sales from North America, while RPC generates ~80% of its sales in Europe**, implying any major regulatory roadblocks are unlikely. We estimate **preliminary potential annual run-rate synergies of ~$250m (~5% of RPC sales).** In our opinion, Berry would be in a position to offer higher price than the private equity sponsors and generate considerable accretion on its earnings.

Risk Arbitrage – Commentary

Sep 20, 2018

AVALON CAPITAL MARKETS

Berry | Merger Model

£m, unless otherwise stated	
Target consideration:	
Offer price	982
Cash	737
Equity	246
NOSH	406
Value of cash consideration	2,993
Value of equity consideration	998
Equity value (100%)	**3,991**
Net debt	1,155
Other adjustments	270
Enterprise value (100%)	**5,416**
EV / LTM EBITDA	*10.0x*

PF FCF & Leverage in $m	PF 18E	CY19E	CY20E
Berry EBITDA		**1,474**	**1,516**
RPC EBITDA		**760**	**797**
Synergies pre-tax		125	250
One-off synergies costs		(250)	
Combined EBITDA		**2,109**	**2,563**
Combined FCF		670	933
Net debt	11,062	10,393	9,459
Net debt/EBITDA	**5.2x**	**4.9x**	**3.7x**

EPS accretion in $m	CY19E	CY20E
Combined Net Income	**880**	**918**
Net synergies (after-tax)	(95)	190
New interest ex. (after-tax)	(208)	(208)
Combined NI	**577**	**900**
Standalone Berry EPS $	3.9	4.0
PF Berry EPS $	3.7	5.7
Accretion/(dilution)	**(6.4%)**	**41.9%**

Source: Avalon, FactSet.

EPS accretion in 2020 in %

Offer premium to current share price €818.6	Stock consideration (%): 0.0%	10.0%	25.0%	35.0%	45.0%
10.0%	63.5%	55.7%	45.9%	40.3%	35.3%
15.0%	61.9%	53.9%	43.9%	38.2%	33.1%
20.0%	60.3%	52.2%	**41.9%**	36.1%	31.0%
25.0%	58.7%	50.4%	40.0%	34.1%	29.0%
30.0%	57.2%	48.6%	38.1%	32.2%	27.0%

Source: Avalon FactSet, Bloomberg.

PF Leverage at closing

Offer premium to current share price €818.6	% stock: 0.0%	10.0%	25.0%	35.0%	45.0%
10.0%	5.6x	5.4x	5.0x	4.8x	4.6x
15.0%	5.7x	5.5x	5.1x	4.9x	4.6x
20.0%	5.8x	5.6x	**5.2x**	4.9x	4.7x
25.0%	5.9x	5.7x	5.3x	5.0x	4.8x
30.0%	6.0x	5.7x	5.3x	5.1x	4.8x

Source: Avalon FactSet, Bloomberg.

- Running scenario assumes **offer price of 982p per share, implying ~10.0x EV/Clean EBITDA**
- **PF leverage of ~5.2x, delivering to ~3.7x in 2020E**
- **25% stock / 75% debt financing**
- Annual, run-rate **synergies of $250m (5% of RPC sales)**
- **EPC accretion in 2020E of >~40%**

- **Conclusion**

In summary, we think that RPC does not offer an attractive risk reward potential in the short term. Our implied fair value of ~£8.1/shr (triangulating among various valuation methodologies) is in line with where the share price is trading at the moment. We believe that the upside from current levels is limited i.e. around ~10%, however that the downside could be considerably more acute, i.e. >~30%, if the current negotiations with interested parties do not successfully conclude, some structural and company specific risks materialize and investors shift focus shifts on the FCF yield valuation. RPC's financial statements are flooded with various non-recurring items and one-off accounting credits and company appears to have among the worst FCF conversion in the industry. RPC has been spending ~2.5% more capex (as % of sales) vs. the core peers, even though that doesn't seem to have generated superior organic growth over the past 4 years.