

# Packaging Perspectives

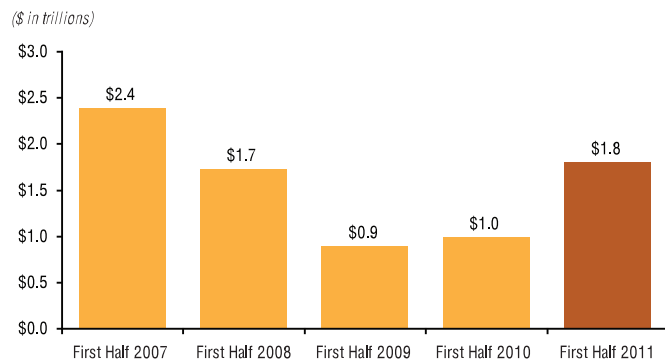
## FEATURE REPORT

# 2011: Mid-Year Review

The first half of 2011 has seen a significant pick-up in merger and acquisition ("M&A") activity across many industry sectors, including packaging. In fact, first-half 2011 M&A overall totals were the strongest since before the economic downturn, as detailed in Chart 1. This pick-up has been largely fueled by corporate acquirers seeking growth and a desire to improve their competitive position. The increased activity has been assisted by ample levels of corporate liquidity, accommodative credit markets, and healthy stock prices and valuations.

CHART 1

### First Half Global M&A Total Deal Volume



Source: Bloomberg.

Chart 2 details some of the largest M&A transactions announced during the first half of 2011. In an environment where organic growth and cost reduction opportunities are difficult to generate, strategic acquirers are once again using M&A as a vehicle to achieve objectives. It is interesting to note that among the list of transactions detailed in Chart 2, only one was driven by private equity (Blackstone Group/Centro Retail) and there were no significant commercial banking transactions. Large private equity deals and the commercial banking industry are both still feeling the lingering effects of the economic downturn.

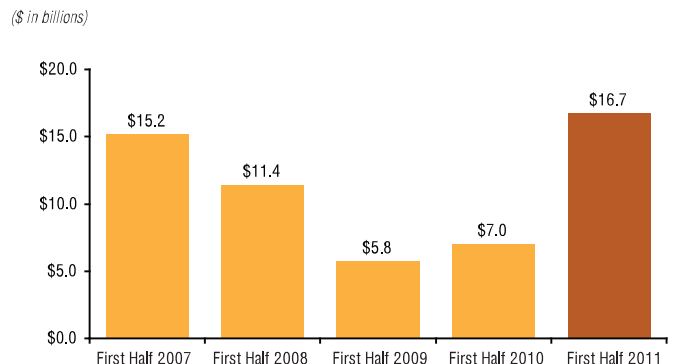
CHART 2

Target	Acquirer	Transaction Size
T-Mobile USA	AT&T	\$39.0 billion
Progress Energy	Duke Energy	\$25.5 billion
Genzyme	Sanofi	\$19.6 billion
Synthes	Johnson & Johnson	\$19.4 billion
Nycomed	Takeda Pharmaceutical	\$13.7 billion
Constellation Energy	Exelon	\$10.2 billion
NYSE Euronext	Deutsche Boerse	\$9.5 billion
Centro Retail Group	Blackstone Group	\$9.4 billion
Lubrizol	Berkshire Hathaway	\$9.2 billion
Skype	Microsoft	\$8.5 billion

The packaging industry has also experienced its share of large, corporate-led transactions. Deals such as RockTenn/Smurfit-Stone, Rank Group/Graham Packaging and International Paper's proposed acquisition of Temple-Inland led to the highest level of announced M&A activity in the past 5 years (see Chart 3).

CHART 3

### First Half Global Packaging Industry M&A Total Deal Volume



Source: Capital IQ, Mesirow Financial.

Continued on page 2

## 2011: MID-YEAR REVIEW continued from page 1

CHART 4

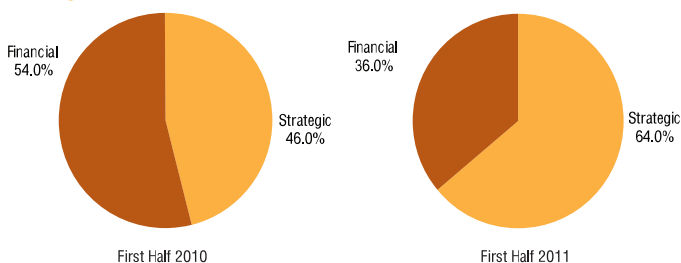
Target	Acquirer	Transaction Size	Industry Segment
Graham Packaging	Rank Group / Reynolds	\$4.5 billion	Rigid Containers
Smurfit-Stone Container	RockTenn	\$4.4 billion	Paper Packaging
Temple-Inland	International Paper (Proposed)	\$4.2 billion	Paper Packaging
Andhra Pradesh Paper Mills	International Paper	\$0.5 billion	Paper Packaging
Rexam, Closures Business	Berry Plastics	\$0.4 billion	Rigid Containers
Dopaco	Rank Group / Reynolds	\$0.4 billion	Paper Packaging
Tharco Containers	Boise	\$0.2 billion	Paper Packaging

The largest packaging transactions announced in the first half of 2011 are detailed in Chart 4. It is not a coincidence that the majority of the largest transactions involve paper-based packaging companies. Relative to plastic, the paper-based packaging segment faces a lower organic growth environment, and consequently needs consolidation to enhance performance.

Also not surprising is the dominance of strategic acquirers versus financial sponsors on the list of the largest packaging transactions. The majority of the buyers were not only able to take advantage of accommodative credit markets, but also utilize expected synergies to provide the best offers to sellers. The preponderance of strategic acquirers in the first half of 2011 is also demonstrated in Chart 5.

CHART 5

## First Half Global Packaging M&amp;A Deal Volume Breakdown – Strategic vs. Financial



Private equity-backed buyers were also active in the first half of 2011. Chart 6 outlines some of the more prominent private equity-backed transactions. Companies such as PaperWorks, Multi-Packaging Solutions Group and Clondalkin are altering the competitive landscapes in their respective packaging segments.

Given the significant increase in M&A activity in the first half of 2011, it is not surprising that valuations in packaging M&A transactions continue to climb. Chart 7 profiles the increase in both strategic and financial buyer EBITDA multiples paid in transactions. The first half 2011 multiples are approximately the same as in all of 2008 and are at the levels that have been exhibited over the longer term.

The continued strength of stock prices in the paper and plastic packaging industry has also had a positive impact on M&A multiples. Chart 8 demonstrates steady improvement in stock prices for both paper and packaging public companies. In addition, the gap between the S&P 500 and packaging stock prices that existed prior to the recession has been essentially eliminated. As stock prices improve, strategic buyers in particular are willing to boost the multiples they pay in M&A transactions.

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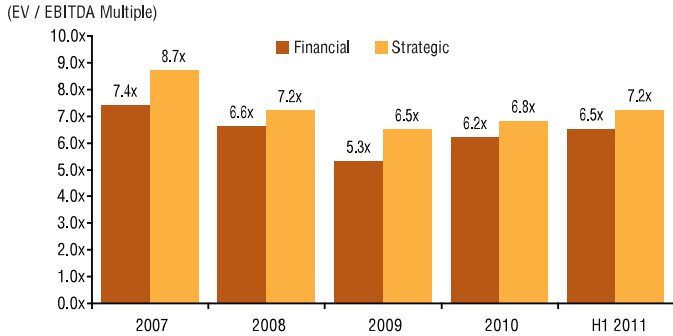
CHART 6

Target	Acquirer	Industry Segment
Catalent Pharma Solutions, Printed Components Business	Warburg Pincus / Clondalkin Group	Paper Packaging
Engineered Coated Products, Flexible Packaging Business Products	Mason Wells / Coating Excellence	Flexible Packaging
CD Cartondruck	Irving Place Capital / Multi-Packaging Solutions	Paper Packaging
Resource Label Group	First Atlantic Capital	Labels
Excel-Pac	Wellspring Capital / Prolamina	Flexible Packaging
Manchester Industries	Sun Capital Partners / PaperWorks	Paper Packaging
Packstar	Charter Oak / Brook & Whittle	Labels

2011: MID-YEAR REVIEW continued from page 2

CHART 7

Average EBITDA Multiples for Packaging M&A Transactions

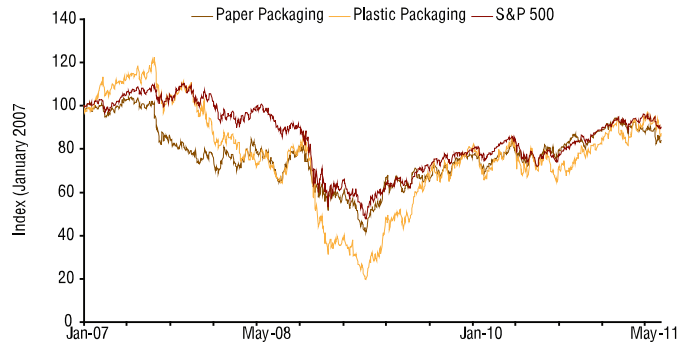


Source: Capital IQ, Mesirow Financial.

Outlook for Second Half of 2011

Mesirow Financial anticipates a strong second half in 2011, but probably not at the same pace as the first. It is unlikely that strategics can duplicate the activity level seen in the first half. High-yield bond issuance in 2011 will probably reach an all-time high. To date, most of the issuance in 2010 and 2011 has

CHART 8



Note: Paper Peer Group includes Greif, IP, PCA, Temple-Inland, Rock-Tenn  
 Note: Plastic Peer Group includes Bemis, Sealed Air, Sonoco, Winpak

been to refinance debt and in some cases pay a leveraged dividend on a private equity-backed deal. Given the general receptivity of the high-yield market, it would not be surprising to see a large private equity-backed packaging transaction or two in the second half of 2011.



**Exopack**

*has completed a  
recapitalization including*

\$235 million 10% Senior Notes due 2018  
\$350 million senior secured term loan facility  
\$75 million revolving credit facility

## FEATURED MESIROW FINANCIAL DEALS

### The Recapitalization of Exopack Holding Corp.

- Mesirow Financial served as co-manager and co-documentation agent to Exopack Holding Corp. ("Exopack" or the "Company") in the Company's recent recapitalization, which included a \$350 million senior secured term loan facility maturing in 2017, a \$235 million senior note offering at 10% maturing in 2018 and a \$75 million revolving line of credit maturing in 2016.
- The Company used the proceeds from the recapitalization to repay its existing \$320 million senior notes at 11.25% due in 2014, to repay its existing revolving line of credit, to pay its shareholders a dividend of \$150 million and to pay customary closing fees.
- Headquartered in Spartanburg, SC, Exopack is a full-service plastic and paper flexible packaging solutions manufacturer that specializes in substrate development, film extrusion, printing, lamination and converting of flexible packaging products.
- The new capital structure extends the maturity of Exopack's debt, reduces cost of capital, increases liquidity and provides significant availability under a revolving line of credit.
- Additionally, the recapitalization affords Exopack the financial flexibility for continued growth through investment in leading-edge equipment and innovative technologies, as well as the ability to pursue future complementary acquisitions.
- This transaction highlights Mesirow Financial's broad capabilities and ability to help clients access a wide range of capital sources. In this instance, Mesirow Financial enabled Exopack to utilize the high-yield market as a value creation medium for its shareholders.



**FieldPackagingGroup**

*has been acquired by*

**PCA**

### Packaging Corporation of America Acquires Field Packaging Group, LLC

- Mesirow Financial acted as the exclusive financial advisor to Field Packaging Group, LLC ("Field Packaging" or the "Company") in its sale to Packaging Corporation of America ("PCA").
- Based in Bedford Park, IL, Field Packaging is an entrepreneurial manufacturer of corrugated packaging products, including mini- and jumbo-sized corrugated cartons. The Company serves customers in the food, confectionary, durable goods, furniture and metal stamping industries, among others.
- PCA is the fifth largest producer of containerboard and corrugated packaging products in the U.S. with products including conventional shipping containers and multi-color boxes and displays, as well as meat and wax-coated boxes for the agricultural industry.
- This transaction demonstrates Mesirow Financial's ability to effectively pair strong regional packaging companies with larger strategic participants that are focused on enhancing growth and strengthening their competitive position through acquisition.

OTHER MESIROW FINANCIAL PACKAGING DEALS (FIRST HALF OF 2011)



**COLOR OPTICS, INC.**

*has been acquired by*

**ARCADE Marketing**  
A CENTURY OF INNOVATION

*a subsidiary of*



**VISANT™**



**RLG**  
Resource Label Group, LLC

*a portfolio company of*



**LINEAGE CAPITAL, LLC**

*has been acquired by*

**FIRST ATLANTIC CAPITAL**



**EXCELPAC**

*has been acquired by*

**Prolamina**

*a portfolio company of*



**WELLSPRING CAPITAL MANAGEMENT**



**BELLWYCK**  
Packaging Solutions

*a portfolio company of*



**Mid Oaks INVESTMENTS LLC**

*has been acquired by*

Members of Management



**MANCHESTER INDUSTRIES**

*has been acquired by*



**PaperWorks**

*an affiliated portfolio company of*

**SUN CAPITAL PARTNERS, INC.**

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Innovative Solutions.

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## MESIROW FINANCIAL INVESTMENT BANKING

Our Investment Banking professionals focus exclusively on middle-market transactions and serve established middle-market companies and large corporations, both public and private, in merger & acquisition advisory, capital markets advisory, restructuring and special situations, fairness and solvency opinions, board of directors advisory and special committee representation. Headquartered in Chicago, we are a national firm with strategic initiatives in China, Southern Europe and the Middle East.

Mesirow Financial continues to be a leader in assisting paper, plastics, packaging and specialty printing companies with merger and acquisition transactions. Our experienced professionals have completed more than 80 packaging transactions in recent years, and we are consistently focused on elevating the experience for our clients.

## MESIROW FINANCIAL

Mesirow Financial is a diversified financial services firm headquartered in Chicago. Founded in 1937, it is an independent, employee-owned firm with more than 1,200 employees in locations across the country and in London. With expertise in Investment Management, Global Markets, Insurance Services and Consulting, Mesirow Financial strives to meet the financial needs of institutions, public sector entities, corporations and individuals. For more information about Mesirow Financial, please visit our website at [mesirowfinancial.com](http://mesirowfinancial.com).

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