

## 2019: Mid-Year Review

Global packaging merger and acquisition (“M&A”) deal volume surged in the first half of 2019, reaching its highest level since 2015. In line with volume, deal value climbed to \$15.0 billion in 1H 2019, compared to \$9.7 billion in 1H of 2017 and \$12.5 billion in 1H of 2018 (see *Chart 1*), pointing to a trend of increasing deal activity in the segment. Factors positively impacting the packaging sector include the rise and prominence of e-commerce, specifically Amazon and its ship-in-own container initiative, as well as flexible packaging becoming more prevalent in the pharmaceuticals and food sectors, two areas that are notably recession-resistant. The average multiple of publicly traded plastic packaging companies reached 11.6x, the highest point of this decade. The average multiple of publicly traded paper packaging companies decreased to 7.7x, largely driven by the corrugated industry, which experienced a simultaneous increase in containerboard capacity and decline in containerboard pricing (see *Chart 2*).

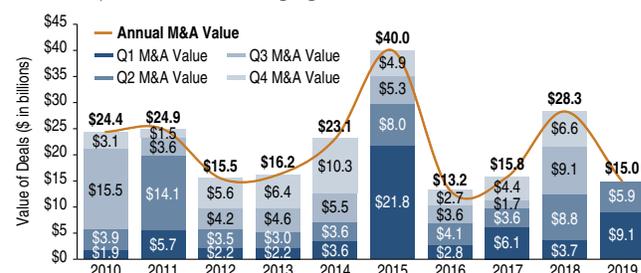
Despite fears of a recession due to the unprecedented length of this bull market, we do not see any immediate issues that we expect to negatively impact the market for the remainder of this year and into 2020. The Federal Reserve’s recent interest rate cut has both dramatically changed the overall outlook for financial markets and the global economy, instilling confidence in the M&A market.

The packaging sector continues to see increased investments from public companies and private equity, with valuation levels nearing all-time highs. With M&A activity in the plastics and packaging sector remaining strong, it is worth noting the most active sectors driving overall packaging deal volume: corrugated, flexible packaging, labels and rigid plastics.

### Corrugated

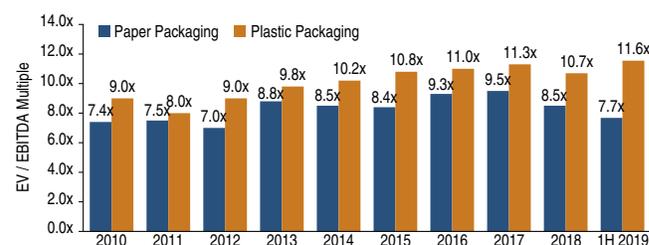
Corrugated deal activity remains robust and multiples remain at record levels as industry participants continue to focus on increasing integration levels. Over the past year alone, there have been 24 transactions in the U.S. corrugated market. One of the larger corrugated M&A deals in the first half of 2019 was DS Smith’s acquisition of Papeles y Cartones for \$2.2 billion. Other leaders in the

CHART 1 | Total Global Packaging M&A Deal Volume



Source: S&P Capital IQ

CHART 2 | Public Packaging Company Average EBITDA Multiples



Sources: S&P Capital IQ, Mesirow Financial

TABLE 1 | Notable Corrugated Packaging M&A Deals

Date	Acquirer	Target	EV (\$MM)	EV / EBITDA
Aug-19	Dunes Point Capital	Vanguard Packaging*	-	-
Jul-19	BioPappel	U.S. Corrugated (55%)	-	-
May-19	Kraft Group	Specialty Finance & Consulting Corporation	-	-
May-19	New-Indy Containerboard (Kraft Group & Schwarz Partners)	Proactive Packaging*	-	-
Mar-19	Golden West Packaging (Lindsay Goldberg)	Allpak Container, LLC	-	-
Jan-19	DS Smith	Papeles y Cartones de Europa, S.A.	\$2,201	10.3x

Sources: Company websites, S&P Capital IQ. Note: Except as noted with a \*, Mesirow Financial did not represent any of the acquirers or targets in connection with the transactions noted on this page and is not currently representing any of the listed acquirers or targets.

corrugated sector have remained active as shown in *Table 1*. Growth of e-commerce continues to drive increased demand of corrugated packaging. Retail giants such as Walmart and Best Buy are attempting to compete with Amazon in the online retail space by decreasing their shipping costs through reducing the material weight of their packaging. The Future of Corrugated Packaging estimates that \$20 billion worth of corrugated materials are used in the e-commerce sector as a whole. With the expected annual growth rate of 14.3 percent in the e-commerce packaging market through 2022, corrugated packaging is well-positioned for continued growth.

### Flexible Packaging

The flexible packaging sector continued its strong growth trajectory in the first half of 2019 mainly due to increased technological advancements as well as convenience and customization efforts, making flexible packaging preferable to more consumer products than they were historically. M&A activity within the flexible packaging sector to date in 2019 has proven that the large industry participants are willing and able to pay premiums for the industry's niche companies in order to broaden capabilities and expand product offerings and geographic reach. While large acquisitions, such as Amcor's June purchase of Bemis Company, grab headlines, private equity-backed flexible packaging companies are driving deal volume (see *Table 2*). C-P Flexible Packaging, PPC Flexible Packaging and ProAmpac, all private equity-backed, are actively pursuing buy-and-build strategies. Relative to the other forms of packaging, flexible may have the most growth potential due to the value it adds in reducing food waste, extending shelf life and decreasing shipping costs.

TABLE 2 | Notable Flexible Packaging M&A Deals

Date	Acquirer	Target	EV (\$MM)	EV / EBITDA
Jun-19	Amcor, Ltd.	Bemis Company	\$6,777	11.8x
Mar-19	C-P Flexible Packaging (First Atlantic Capital)	Flexo Transparent*	-	-
Feb-19	PPC Flexible Packaging (Morgan Stanley Capital Partners)	HFM Packaging	-	-
Feb-19	Sealed Air Corp	MGM	-	-
Jan-19	TricorBraun (AEA Investors)	Pacific Bag, LLC	-	-

### Labels

With the continued digitalization of labeling and printing, added regulations that require greater product disclosure and the increasing need for product differentiation, the label industry experienced healthy growth in the first half of 2019. Brands are increasing promotional activity, which shortens the life cycle of packaging, particularly for elements such as labels. The first half of 2019 also saw one of the largest label M&A deals in recent years, with the "take-private" acquisition of Multi-Color Corporation by WS Packaging, backed by Platinum Equity, for \$2.5 billion (See *Table 3*). As seen in the flexible packaging world, private equity-backed

companies are taking a larger share of the M&A market in labels, as well as pushing multiples higher.

TABLE 3 | Notable Label M&A Deals

Date	Acquirer	Target	EV (\$MM)	EV / EBITDA
Announced	Iconex (Atlas Holdings)	Cenveo, Inc. – Label Solutions and Paper Receipts Business	-	-
Jun-19	WS Packaging (Platinum Equity)	Multi-Color	\$2,523	8.3x
Jun-19	Fortis Solutions Group (Main Post Partners)	Label Technology	-	-
May-19	CCL	Unilogo	\$8	-
Apr-19	CCL	HSS	\$9	6.2x
Jan-19	CCL	Easy2Name	\$2	-
Jan-19	Fortis Solutions Group (Main Post Partners)	Infinite Packaging Group	-	-

### Rigid Plastics

Rigid plastics continue to be a driver for the overall packaging materials sector as a result of their ability to remain cost-effective, lightweight and recyclable. Rigid plastics have benefited from the rise in demand for bioplastics in an effort to reduce carbon footprints while maintaining a durable, quality packaging option. Consolidation has become more prevalent in this sector as investors are drawn to the consistent cash flows stemming from the rise in packaged and canned food consumption. The largest M&A deal in the first half of 2019 came from the rigid sector and included U.S.-based Berry Global Group and Europe's largest plastic packaging company, RPC Group. The transaction boasted an enterprise value of \$5.8 billion and represented an EBITDA multiple of 7.6x. This transaction, like others in the sector, is an effort to take advantage of a fragmented global plastics market (see *Table 4*).

TABLE 4 | Notable Rigid Packaging M&A Deals

Date	Acquirer	Target	EV (\$MM)	EV / EBITDA
Announced	Liqui-Box Corp. (Olympus Partners)	DS Smith Plc, Plastics Division	\$585	9.9x
Jul-19	Berry Global Group	RPC Group	\$5,806	7.6x
Jun-19	Consolidated Container Company (Loews Corporation)	Tri State Distribution, Inc.	-	-
Feb-19	Valmet Oyj	Groupe Laperriere & Verreault	\$128	-
Feb-19	DAK Americas LLC	Perpetual Recycling Solutions*	-	-

Sources for Tables 2-4: Company websites, S&P Capital IQ. Note: Except as noted with a \*, Mesriow Financial did not represent any of the acquirers or targets in connection with the transactions noted on this page and is not currently representing any of the listed acquirers or targets.

Overall, 1H 2019 has seen increased deal volumes and premiums being paid by both strategic and private equity acquirers in an effort to consolidate core businesses and diversify product offerings.

## Outlook

Heading into the second half of 2019, concerns over a potential market correction remain; however, ambiguity isn't necessarily a bad thing for M&A markets, specifically in the packaging sector. We expect trends such as increased deal activity and robust valuations to continue as acquirers face challenges in organically growing top-line results and seek ways to drive growth through acquisitions. In the packaging

industry, end markets such as food and beverage and pharmaceuticals tend to be recession resistant as well, adding to the confidence of the already dynamic M&A market within the sector. Look for sustained M&A activity in the packaging industry, driven by strong liquidity and the continued activity of large participants consolidating their core businesses in an increased effort to return capital and become more efficient. ■

## Featured Mesirow Financial Deals



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### Sale of Flexo Transparent to C-P Flexible Packaging

- Mesirow Financial acted as the exclusive financial advisor to Flexo Transparent, LLC (“Flexo” or the “Company”), a portfolio company of ORIX Mezzanine & Private Equity, a business unit of ORIX Corporation USA and Sidereal Capital Group, LLC, on its sale to C-P Flexible Packaging, Inc. (“C-P Flexible”), a portfolio company of First Atlantic Capital, Ltd.
- Headquartered in Buffalo, NY, Flexo provides multi-colored flexible packaging including custom-printed rollstock, bags, pouches and sleeves primarily for food grade and retail consumer products. The Company’s manufacturing capabilities include flexographic printing up to 10 colors with a wide-web priority, laminations, bag and pouch converting, slitting and graphic design support services.
- C-P Flexible Packaging is a premier flexible packaging company serving stable food and consumer end-markets mainly focused on snacks, baked goods, confections and household chemicals. C-P Flexible provides converted and printed rollstock, stretch and shrink sleeves and pouches to blue chip customers on a regional and national basis.
- The sale of Flexo Transparent highlights Mesirow Financial Investment Banking’s ability to position middle-market clients as highly strategic targets for the most relevant strategic buyers in the packaging industry.



a portfolio company of CK Pearl, managed by



has been acquired by



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### Sale of Proactive Packaging and Display to New-Indy Containerboard

- Mesirow Financial acted as the exclusive financial advisor to Proactive Packaging and Display, LLC (“Proactive” or the “Company”), a portfolio company of CK Pearl Fund, on its sale to New-Indy Containerboard LLC (“New-Indy”), a joint venture between Schwarz Partners LP and Kraft Group LLC.
- Headquartered in Ontario, CA, Proactive is an award-winning producer of high-impact corrugated display packaging and merchandising formats for the retail environment. The Company designs, manufactures and assembles custom packaging in a 240,000 sq. ft. facility using world-class direct print and digital presses capable of printing up to eight colors.
- New-Indy is a joint-venture that was formed in 2012 by the Kraft Group and Schwarz Partners, LP, two family-owned companies with long histories in paper and packaging. Today, New-Indy operates three recycled brown paper mills and eight packaging facilities throughout the United States.
- The transaction represents another successful assignment completed by Mesirow Financial’s Investment Banking group. Mesirow Financial is one of the most active advisors in the paper, plastics, packaging and specialty printing sectors, having completed over 125 transactions in recent years.



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## Leading Middle-Market M&A Advisor to the Paper, Plastics and Packaging Sectors

Mesirow Financial Investment Banking continues to be a leader in assisting paper, plastics, packaging and specialty printing companies with their financial advisory needs. With extensive sector-specific expertise and deep long-standing relationships, our dedicated packaging team has completed over 125 packaging transactions in recent years. Our highest priority is helping individuals and organizations reach their financial and strategic goals, and we are consistently focused on elevating the experience for our clients.

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