

2018: Year-End Review

The multi-year boom in packaging merger and acquisition (“M&A”) activity continued to rise in 2018. Consistent with previous years, this growth is attributed to the familiar macroeconomic drivers of consolidation, including low interest rates, readily available credit, strategic acquirers looking for growth and aggressive private equity buyers attracted to the industry’s fundamentals. While these factors are important to note, the most interesting aspect of the ongoing packaging M&A boom becomes evident when taking a closer look at the deal participants. The tables below outline some of the most active acquirers in the corrugated, flexible and label packaging sectors over the last three years. Note that parentheses indicate private equity owners.

TABLE 1 | New-Indy Containerboard /The Royal Group

Closed Date	Acquirer	Target
Dec-18	New-Indy Containerboard	Catawba Mill
Nov-18	The Royal Group	Mid-Atlantic Packaging*
Dec-16	New-Indy Containerboard	Triple A Containers
Aug-16	The Royal Group	TouchPoint

TABLE 2 | Hood Container Corporation

Closed Date	Acquirer	Target
Pending	Hood Container Corporation	Custom Packaging
Mar-18	Hood Container Corporation	Cardinal Container
Jan-18	Hood Container Corporation	Ideal Box*
Jul-16	Hood Container Corporation	Action Box
Jul-16	Hood Container Corporation	Packaging Unlimited

TABLE 3 | WestRock Company

Closed Date	Acquirer	Target
Nov-18	WestRock Company	KapStone Paper & Packaging
Jan-18	WestRock Company	Plymouth Packaging
Jul-17	WestRock Company	Island Container*
Jun-17	WestRock Company	U.S. Corrugated
Jun-17	WestRock Company	Multi Packaging Solutions
Mar-17	WestRock Company	Star Pizza Box

TABLE 4 | Packaging Corporation of America

Closed Date	Acquirer	Target
Oct-17	Packaging Corporation of America	Sacramento Container Corporation
Nov-16	Packaging Corporation of America	Columbus Container
Aug-16	Packaging Corporation of America	Tim-Bar Corporation

TABLE 5 | Welch Packaging

Closed Date	Acquirer	Target
Oct-18	Welch Packaging	Pierce Box
Sep-18	Welch Packaging	Central Kentucky Corrugated Specialists
Feb-18	Welch Packaging	Cooper Container II
Jan-18	Welch Packaging	PackSpec

TABLE 6 | Georgia-Pacific

Closed Date	Acquirer	Target
Aug-17	Georgia-Pacific	PAX Corrugated Products
Jun-16	Georgia-Pacific	Reliable Container*
Mar-16	Georgia-Pacific	Excel Displays & Packaging*

TABLE 7 | Crown Paper Group / Golden West Packaging Group (Lindsay Goldberg)

Closed Date	Acquirer	Target
Feb-18	Golden West Packaging Group	Fleetwood-Fibre Packaging & Graphics*
Jun-17	Golden West Packaging Group	Capital Corrugated & Carton / Heritage / Packaging Innovations / Package One / Cal Sheets
Feb-15	Crown Paper Group	Port Townsend Paper

TABLE 8 | ProAmpac (PPC Partners)

Closed Date	Acquirer	Target
May-18	ProAmpac	Gateway Packaging Company
Apr-18	ProAmpac	Pactech Packaging*
Jan-18	ProAmpac	Bonita Pioneer*
Sep-17	ProAmpac	PolyFirst Packaging
Apr-17	ProAmpac	Trinity Packaging*
Oct-16	ProAmpac	Vitex Packaging Group*

TABLE 9 | Novolex (The Carlyle Group)

Closed Date	Acquirer	Target
Jun-18	Novolex	The Waddington Group
Jan-18	Novolex	Shields Bag & Printing
May-16	Novolex	Heritage Bag Company

TABLE 10 | TC Transcontinental

Closed Date	Acquirer	Target
May-18	TC Transcontinental	Coveris
Mar-18	TC Transcontinental	Multifilm Packaging
Oct-16	TC Transcontinental	Flexstar Packaging
Jun-16	TC Transcontinental	Robbie Manufacturing

Sources: Company websites, S&P Capital IQ. Note: Except as noted with a *, Mesrow 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.

TABLE 11 | PPC Flexible Packaging / Fisher Container
(Morgan Stanley Capital Partners)

Closed Date	Acquirer	Target
Nov-18	PPC Flexible Packaging*	Temkin International
Jun-17	Fisher Container	Packaging Products Corporation*
Feb-17	Morgan Stanley Capital Partners	Fisher Container*

TABLE 12 | Resource Label Group (TPG Growth, First Atlantic Capital)

Closed Date	Acquirer	Target
Nov-18	Resource Label Group	Best Label
Nov-18	Resource Label Group	Spectrum Label
Aug-18	Resource Label Group	Paragon Label
Jul-18	Resource Label Group	Ingenious Packaging*

TABLE 13 | Fortis Solutions Group (Main Post Partners)

Closed Date	Acquirer	Target
Nov-18	Fortis Solutions Group	Premier Georgia
Nov-18	Fortis Solutions Group	Austin Label Co.
Jul-18	Fortis Solutions Group	Lewis Label Products
Jan-17	Fortis Solutions Group	Action Packaging Systems

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.

The packaging industry has undergone a transformative consolidation process due to pervasive merger activity by both strategic and financial buyers. As demonstrated by the tables above, the successful utilization of M&A has helped strategic acquirers accomplish their business objectives and helped private equity acquirers build businesses with impressive scale and scope. However, deal participants have varied significantly between industry sectors.

Recently, corrugated packaging transactions have been dominated by strategic acquirers without private equity backing. Of the active buyers listed above, only Crown Packaging / Golden West Packaging Group is backed by a private equity firm. This is undoubtedly a reflection of industry structure, as the four largest industry participants account for greater than 80 percent market share. In addition, the integrated industry participants often have a strategic paper-based advantage when acquiring an independent converter, thereby resulting in a lack of entry points for private equity firms.

However, this is not the case in the flexible packaging and label sectors where private equity acquirers have had great success finding entry points and building significant businesses. Both industries are significantly less concentrated than corrugated and upstream integration is a more limited economic consideration.

Overall, 2018 saw its fair share of blockbuster deals. *Table 14* outlines some of the larger transactions in the packaging industry.

The net result of this flurry of deal activity, both large and small, is another increase in the average valuation multiples paid for high-quality targets. It should be noted that the multiples used in *Table 14* are skewed to larger transactions. It is not unusual for a smaller M&A deal to see lower a lower valuation multiple.

TABLE 14 | Notable Packaging M&A in 2018

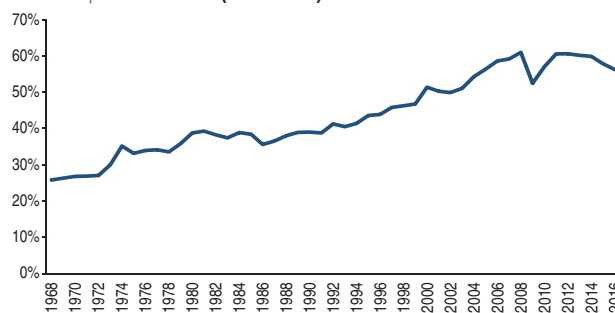
Announced Date	Acquirer	Target	Deal Value (\$mm)	EV / EBITDA	EV / Revenue
Dec-18	GREIF	Caraustar	\$1,800	10.3x	1.31x
Oct-18	NEW ORLEANS CONTAINERSBOARD	resolute Catawba Mill	\$300	-	-
Aug-18	amcor	Bemis	\$6,800	12.0x	1.68x
Aug-18	LINDSAY GOLDBERG	CLARIFLUX	\$360	11.9x	0.49x
Jul-18	AHLSTROM MUNKSJÖ	EXPERA specialty solutions	\$615	9.3x	0.85x
Jun-18	DS Smith	EUROPAC	\$2,200	10.3x	1.99x
May-18	NOVOLEX	THE WADDINGTON GROUP	\$2,300	-	2.54x
Apr-18	tc • TRANSCONTINENTAL	COVERIS HIGH PERFORMANCE PACKAGING	\$1,300	10.3x	-
Jan-18	WestRock	KAPSTONE	\$5,000	12.5x	1.53x
		Mean		10.9x	1.53x

Sources: Company filings, S&P Capital IQ. Note: 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.

Outlook for 2019

While the factors contributing to a strong dealmaking environment remain, *Charts 1 and 2* detail two macroeconomic factors that may someday provide a headwind to M&A activity. Until then, there is no reason to believe the boom will not continue.

CHART 1 | Global Trade (% of GDP)



Source: World Bank Group.

CHART 2 | Net Debt (% of GDP)



Source: Congressional Budget Office.

Featured Mesirow Financial Deals



mid-atlantic
packaging, inc.

has been acquired by



THE ROYAL GROUP

a division of



SCHWARZ
PARTNERS

— Sell-side Advisor —

Sale of Mid-Atlantic Packaging, Inc. to Royal Box Group, LLC

- Mesirow Financial acted as the exclusive financial advisor to Mid-Atlantic Packaging, Inc. (“Mid-Atlantic” or the “Company”), on its sale to Royal Box Group, LLC, a division of Schwarz Partners, LP.
- Headquartered in Montgomery, PA, Mid-Atlantic is an innovative provider of quality, sustainable, corrugated packaging. The Company provides a comprehensive suite of packaging products and services, including brown boxes, display cases, POP displays, retail-ready packaging, structural engineering, graphic design, testing and more, across various consumer packaged good end markets.
- Royal Box Group, LLC is among the nation’s largest independent corrugated box and display manufacturers.
- The sale of Mid-Atlantic 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.



Flexible. Capable. Reliable.

has been acquired by



a company owned by



PPC Partners

— Sell-side Advisor —

Sale of Pactech Packaging LLC to ProAmpac LLC

- Mesirow Financial acted as the exclusive financial advisor to Pactech Packaging LLC (“Pactech” or the “Company”), on its sale to ProAmpac LLC, a company owned by PPC Partners.
- Headquartered in Rochester, NY, Pactech is a leading provider of innovative, custom-engineered flexible packaging solutions. The Company is a premier converter of high-quality pouches, with capabilities spanning a wide range of materials and fitments.
- ProAmpac LLC is a leading global flexible packaging company that provides creative packaging solutions, industry-leading customer service and award-winning innovation to a diverse global marketplace.
- The sale of Pactech highlights Mesirow Financial Investment Banking’s ability to position middle-market clients as attractive add-on candidates for private equity-owned strategic buyers.

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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Contact Us

Bill Hornell
312.595.6176
bhornell@mesirowfinancial.com

Louis Mitchell
312.595.6025
lmitchell@mesirowfinancial.com

Rick Weil
312.595.6131
raweil@mesirowfinancial.com

Melanie Yermack
312.595.7903
myermack@mesirowfinancial.com

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