2015: Year-End Review

It has been a banner year for corporate deal-making, as global merger and acquisition (M&A) activity reached an all-time high in 2015, exceeding the previous high-water mark set in 2007 (see Chart 1). This elevated level of deal activity was mirrored in the packaging industry, where M&A totals also surpassed the peaks seen prior to the Great Recession (see Chart 2). While the totals are astounding, there is a relatively simple explanation for 2015’s record deal volume: buyers today are willing to pay higher prices for acquisition targets than in previous years.

The price that buyers are willing to pay for acquisition targets is influenced by several factors. Chief among these is their rate of return expectations, which currently sit at extremely low levels for both strategic and financial buyers. Rate of return expectations have been reduced across all asset classes: bonds, equities, commodities, real estate and others. This low return environment means that buyers can justify higher prices for quality targets.

The activity detailed in Chart 3 provides a glimpse into the purchase price multiples experienced by packaging participants during 2015. Historically speaking, these are very attractive multiples for the packaging industry, and are reflective of the current low return on investment.

<table>
<thead>
<tr>
<th>Acquirer</th>
<th>Target</th>
<th>Sector</th>
<th>Enterprise Value ($MM)</th>
<th>EV / EBITDA</th>
<th>EV / Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ball Corporation</td>
<td>Rexam</td>
<td>Rigid Packaging</td>
<td>$8,364</td>
<td>9.5x</td>
<td>1.4x</td>
</tr>
<tr>
<td>SCA Americas</td>
<td>Wausau Paper Corp</td>
<td>Paper Packaging</td>
<td>$513</td>
<td>13.5x</td>
<td>1.5x</td>
</tr>
<tr>
<td>Resolute Forest Products</td>
<td>Atlas Paper Mills</td>
<td>Recycled Tissue</td>
<td>$156</td>
<td>6.8x</td>
<td>1.8x</td>
</tr>
<tr>
<td>Berry Plastics Group</td>
<td>AVINTIV</td>
<td>Specially Packaging</td>
<td>$2,450</td>
<td>8.1x</td>
<td>1.2x</td>
</tr>
<tr>
<td>Schweitzer-Mauduit International</td>
<td>Argotec</td>
<td>Flexible Packaging</td>
<td>$280</td>
<td>10.0x</td>
<td>2.4x</td>
</tr>
<tr>
<td>Transcontinental</td>
<td>Ultra Flex Packaging</td>
<td>Flexible Packaging</td>
<td>$80</td>
<td>6.7x</td>
<td>1.1x</td>
</tr>
<tr>
<td>Gerresheimer</td>
<td>Center</td>
<td>Pharmaceutical Packaging</td>
<td>$725</td>
<td>9.8x</td>
<td>4.3x</td>
</tr>
<tr>
<td>Jarden Corp.</td>
<td>WNA</td>
<td>Retail Packaging</td>
<td>$1,350</td>
<td>9.6x</td>
<td>1.7x</td>
</tr>
<tr>
<td>KapStone Paper and Packaging</td>
<td>Victory Packaging</td>
<td>Protective Packaging</td>
<td>$615</td>
<td>11.2x</td>
<td>0.6x</td>
</tr>
<tr>
<td>Rock-Tenn Company</td>
<td>MeadWestvaco</td>
<td>Paperboard</td>
<td>$10,789</td>
<td>11.5x</td>
<td>1.9x</td>
</tr>
</tbody>
</table>

The attractive purchase price environment is also captured in Chart 4, which provides a multi-year time frame.

Public packaging companies are also enjoying these historically high valuations. The average EBITDA multiples outlined in Chart 5 are reflective of the prevailing low return on investment environment. Public investors understand the current low return landscape, and as such have bid stock prices up accordingly.

The aforementioned lowered return expectations affect more than just purchase prices; they also have an impact on private equity fundraising. Chart 6 highlights the consistent rate of return performance of private equity. Institutional investors are highly attracted to this type of performance, especially at a time when public equity return expectations have been dampened. This consistent investment performance of private equity is a leading reason why capital commitments to the asset class continue to increase.

Private equity continued its inroads into the packaging industry during 2015. Most of the transactions shown in Chart 7 involved separate private equity firms on both sides of the deal. The private equity firms experiencing financial success in the packaging industry will serve to encourage more financial buyers.

Outlook for 2016
The packaging M&A industry in 2015 was certainly affected by aggressive buying from both strategic and financial acquirers. Furthermore, the buying activity was multi-dimensional, encompassing strategic buyers, financial buyers, international transactions, transformational deals and add-on transactions.

The key issue looking forward is whether or not rate of return expectations will change. While the Federal Reserve is expected to tighten monetary policy in 2016, the impact on interest rates is not expected to be large. Additionally, other central banks around the globe are expected to continue easing monetary policy. This will presumably impact currency markets, but it most likely will not materially affect rate of return expectations. Given that return expectations are anticipated to remain low in 2016, and capital markets should remain liquid, predictions for another strong M&A market in 2016 seem well founded.
**FEATURED MESIROW FINANCIAL DEALS**

**Sale of Copac Global Packaging, Inc. to QuadPackaging, a division of Quad/Graphics, Inc.**

- Mesirow Financial acted as the exclusive financial advisor to Copac Global Packaging, Inc. (“Copac”), a portfolio company of Charlotte-based private equity firm, Carousel Capital Partners LP, in its sale to QuadPackaging, a division of Sussex, WI-based Quad/Graphics, Inc. (Quad/Graphics).
- Headquartered in Spartanburg, South Carolina, Copac is a leading global provider of packaging and supply-chain solutions engaging in the production of folding cartons, labels, inserts and tags. Copac services multi-national clients through a global platform, operating facilities and strategic sourcing locations worldwide.
- Quad/Graphics, a leading global provider of print and media solutions, is redefining print in today’s multichannel media world by helping marketers and publishers capitalize on print’s ability to complement and connect with other media channels.
- The sale of Copac highlights Mesirow Financial Investment Banking’s deep understanding of the packaging market and long-standing relationships with the most active and relevant strategic buyers in the industry.

**Sale of Optimum Plastics to Charter NEX Films, Inc.**

- Mesirow Financial acted as the exclusive financial advisor to Optimum Plastics (“Optimum” or the “Company”), a portfolio company of Detroit-based private equity firm, Huron Capital Partners, LLC, on its sale to Charter NEX Films, Inc. (“Charter NEX”), a portfolio company of London-based private equity firm, Pamplona Capital Management, LLP.
- Headquartered in Bloomer, Wisconsin, Optimum is a leading manufacturer of custom, specialty film solutions offering up to 9-Layer production capabilities. Optimum’s comprehensive mix of blown and cast embossed film solutions, coupled with its strong design and production capabilities, enable the Company to offer thousands of product variations and engineered solutions.
- Charter NEX is a North American leader in engineering, extruding and manufacturing superior-quality monolayer, coextruded and barrier films for flexible packaging applications. Charter NEX blown film products are ideal for industries such as consumer goods, food and beverage, foodservice, industrial, lawn and garden, medical and pet food.
- The sale of Optimum highlights Mesirow Financial Investment Banking’s ability to position middle-market clients as attractive add-on candidates for private equity-owned strategic buyers.
Thought Leadership from the

**Leading Middle-Market M&A Advisor** to the Paper, Plastics and Packaging Sector

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 100 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.

If you would like to discuss the opportunities created by the on-going consolidation in the packaging industry, please contact us.

**William Hornell**
Managing Director
Direct–312.595.6176
bhornell@mesirowfinancial.com

**Louis Mitchell**
Managing Director
Direct–312.595.6025
lmitchell@mesirowfinancial.com

**Rocky Pontikes**
Managing Director
Direct–312.595.6821
rpontikes@mesirowfinancial.com

**Rick Weil**
Managing Director
Direct–312.595.6131
raweil@mesirowfinancial.com