



Packaging Perspectives



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2021 Year-end review

The packaging sector experienced very strong transaction volumes in 2021, with Mesirow completing 18 transactions, a new record, following eight transactions last year. Key M&A drivers were robust demand aided by pandemic tailwinds, strong valuations and an abundance of capital among strategic and financial buyers. Packaging companies will continue to experience elevated M&A activity in 2022, especially as consumer e-commerce behaviors and demand for sustainable packaging drive further values within the sector, and as strategic and financial buyers leverage their capital access to pursue accretive acquisitions.

Share price performance and public market valuations

Over the past year, the share prices of packaging companies have increased despite COVID-19 effects, supply chain disruptions and significant inflationary (raw material, labor, etc.) pressures. Share prices for plastic packaging companies ended up 22% for the year, while those for paper packaging companies remained flat. The past five-year share price performance for plastic packaging companies and paper packaging companies have been up 60% and 17%, respectively (Chart 1), both underperforming the overall market (S&P 500 Index up 111%).

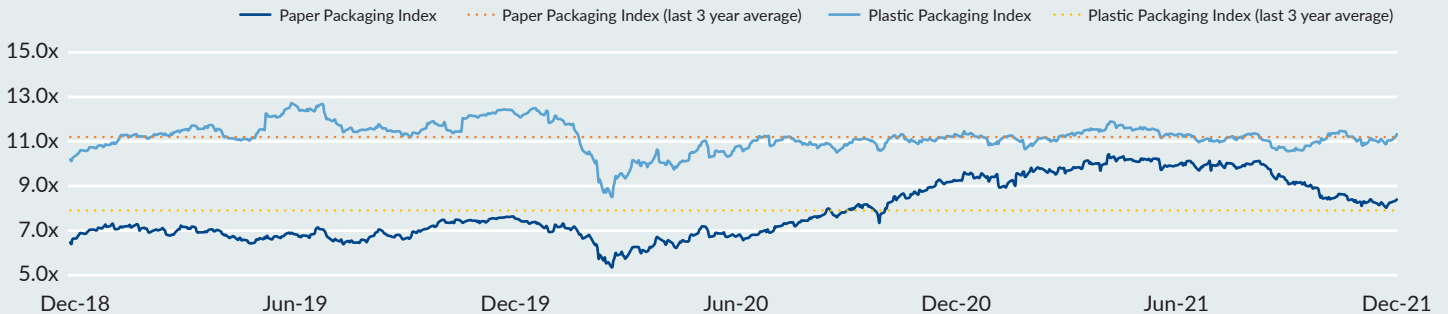
Public market valuations for both plastic and paper packaging companies also increased in 2021 from last year. Plastic packaging companies' valuations at the end of the year were at 11.3x EV / EBITDA, slightly above their three-year average of 11.2x, while paper packaging companies' valuations were at 8.4x EV / EBITDA versus their three-year average of 7.9x (Charts 2 and 3).

CHART 1: SHARE PRICE PERFORMANCE – PACKAGING INDICES¹



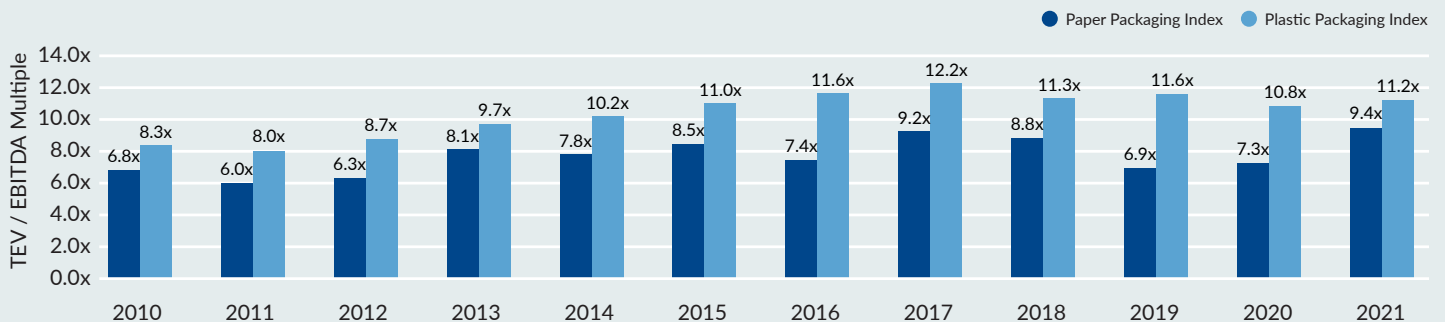
Source: S&P Capital IQ as of December 31, 2021. Past performance is not indicative of future results. Please see page nine for important information.

CHART 2: PUBLIC PACKAGING COMPANY PERIOD END TEV / EBITDA MULTIPLES¹



Source: S&P Capital IQ as of December 31, 2021. Past performance is not indicative of future results. Please see page nine for important information.

CHART 3: PUBLIC PACKAGING COMPANY ANNUAL AVERAGE TEV / EBITDA MULTIPLES¹



Source: S&P Capital IQ as of December 31, 2021. Note: Average TEV / EBITDA multiples as of December 31 for 2010–2021. Please see page nine for important information.

M&A activity

M&A activity in the packaging sector started strong in 1Q2021, surpassing deal values from 1Q2020 and 2Q2020 combined, and grew rapidly in 2Q2021. In the third and fourth quarters of 2021, M&A activity grew to yield the highest values in 2021 compared to the past three years (Chart 4). M&A activity is anticipated to remain strong in 2022 for the following reasons:

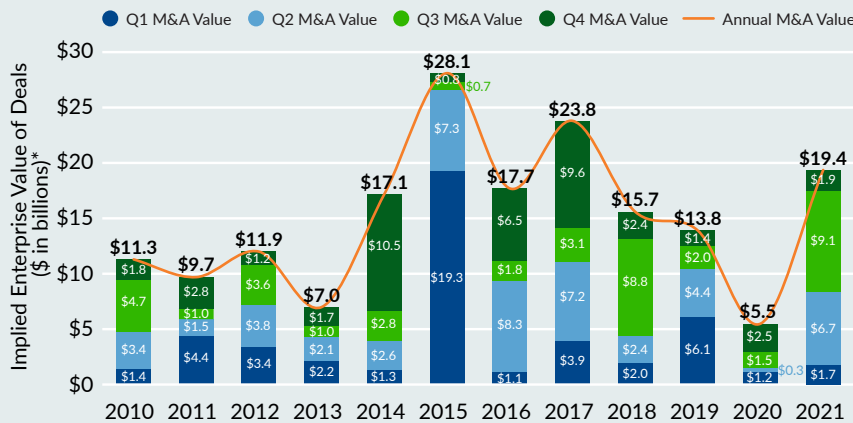
- With COVID-19 continuing to impact societies and economies globally, the packaging sector will remain a primary beneficiary, especially as changes in consumer lifestyle and shopping patterns. See the Mesirow white paper “How COVID-19 Changed Packaging Forever” to learn how COVID is transforming the packaging industry and how producers can stay ahead of the trends
- Niche companies offering specialized packaging solutions are well-positioned to capture accelerating market demand
- Financial buyers are utilizing buy-and-build strategies to establish their industry portfolios with abundance of capital (over \$1.9 trillion of “dry powder”)
- Strategic buyers are looking for acquisitions to obtain growth, scale, diversification and synergies
- Pricing and leverage levels for debt capital remain favorable

Private equity continues to be a very active M&A participant in the packaging sector, as many packaging subsectors exhibit:

- Above-average demand growth rates, with tailwinds provided by consumer and e-commerce demands
- Defensive demand characteristics, especially during periods of economic downturns
- Meaningful presence in attractive end markets, including healthcare and food and beverage
- Attractive margins
- Relatively low margin volatility as packaging companies typically pass through raw material cost changes
- Low capital expenditure requirements and high free cash flow generation
- High degree of fragmentation resulting in numerous opportunities for consolidation and growth

There have been numerous successful examples of private equity firms making an initial acquisition, establishing a platform company and subsequently making add-on acquisitions. These additions increase scale, enhance manufacturing capabilities and product offerings, expand geographic presence and improve cost structure, resulting in higher valuation multiples.

CHART 4: TOTAL GLOBAL PACKAGING M&A DEAL VALUE BASED ON ANNOUNCED DATE



Source: S&P Capital IQ. | *Only includes deals with disclosed deal value for the packaging industry.

Sector spotlight: Injection molding

Packaging represents the largest end market in the \$121 billion plastics injection molding industry, accounting for more than one-third of the total market value. While the overall injection molding market is forecast to grow slightly above 4% Compound Annual Growth Rate (CAGR) over the 2021-2026 period (per Mordor Intelligence), packaging is expected to grow at around 6% CAGR over the same period driven primarily by increasing demand for food and non-food packaging applications – in particular, pharma, cosmetics, toiletries, household chemicals, and food & beverage. Plastic packaging offers significant advantages such as increased shelf life for food, increased durability and optical clarity, and reduced wear and tear, making it a preferred substrate for numerous packaging applications. The medical/healthcare end market is also forecast to experience overall market growth as plastic is replacing metal components and complete equipment due to unlimited design options, minimal side effects and options for biocompatibility and recycling. COVID-19 boosted demand for packaging and medical applications, while negatively impacting demand for automotive and construction applications. The plastics injection molding industry is very fragmented, with increased M&A activity expected over the coming years.

Key trends in the injection molding market include:

- Sustainability and recyclability: waste reduction, bio-plastics and environmentally friendly additives driven primarily by packaging applications. As companies explore ways to reduce their environmental footprints, they are seeking better packaging solutions utilizing bio-resins and making conventional thermoplastics biodegradable. Moreover, adding metal compounds to the plastic leads to oxidation, breaking down the plastic.
- Lightweighting: plastic replacing metals and other alloys driven primarily by automotive and medical applications to reduce overall weight due to increased emphasis on fuel efficiency and longer battery lives in electric vehicles
- Utilization of composites and alternative materials: plastics reinforced with metal, glass, carbon and graphite can be a substitute metals leading to significant cost reductions without sacrificing strength
- Reshoring: Increased production in the US
- Automation: software automation to improve productivity and reduce costs by making maintenance more efficient, production cycles faster and reducing downtime





2021 Completed packaging transactions

<p>SELL-SIDE ADVISOR</p> <p>ROMANOW</p>  <p>CONTAINER</p> <hr/> <p>HAS BEEN ACQUIRED BY</p> <p>SUPPLY ONE</p> <p>a portfolio company of</p> 	<p>SELL-SIDE ADVISOR</p>  <p>MacArthur</p> <hr/> <p>HAS BEEN ACQUIRED BY</p>  <p>awt LABELS & PACKAGING</p> <p>a portfolio company of</p> <p>Morgan Stanley Capital Partners</p>	<p>SELL-SIDE ADVISOR</p>  <p>PSG Prairie State Group</p> <hr/> <p>HAS BEEN ACQUIRED BY</p>  <p>ProAmpac</p> <p>a portfolio company of</p> <p>PPC Partners</p>	<p>SELL-SIDE ADVISOR</p>  <p>JG JAY PACKAGING GROUP, INC.[®]</p> <hr/> <p>HAS BEEN ACQUIRED BY</p>  <p>Rohrer</p> <p>a portfolio company of</p> 	<p>SELL-SIDE ADVISOR</p>  <p>BOX B O X Partners</p> <hr/> <p>HAS BEEN ACQUIRED BY</p> <p>Charlesbank</p>	<p>SELL-SIDE ADVISOR</p>  <p>Clarion[®] Reducing Risk. Protecting People</p> <p>a portfolio company of</p> <p>PROMUS EQUITY PARTNERS</p> <hr/> <p>HAS BEEN ACQUIRED BY</p> <p>CNL Strategic Capital</p> <p>sub-managed by an affiliate of</p> 
<p>SELL-SIDE ADVISOR</p>  <p>ST. WORTH</p> <p>a portfolio company of</p> <p>SPELL CAPITAL</p> <hr/> <p>HAS BEEN ACQUIRED BY</p>  <p>GOLDEN WEST PACKAGING GROUP</p> <p>a portfolio company of</p> 	<p>FAIRNESS OPINION</p>  <p>APPVION</p> <hr/> <p>HAS BEEN ACQUIRED BY</p>  <p>WC WYNCHURCH CAPITAL</p>	<p>SELL-SIDE ADVISOR</p>  <p>PHARMA PACKAGING SOLUTIONS</p> <hr/> <p>HAS BEEN ACQUIRED BY</p>  <p>Tjoapack</p>	<p>SELL-SIDE ADVISOR</p>  <p>IDENTCO[®] Labels for Life.</p> <hr/> <p>HAS BEEN ACQUIRED BY</p> <p>MASON WELLS</p>	<p>SELL-SIDE ADVISOR</p>  <p>PPC FLEXIBLE PACKAGING</p> <p>a portfolio company of</p> <p>Morgan Stanley Capital Partners</p> <hr/> <p>HAS BEEN ACQUIRED BY</p> <p>GTCR</p>	<p>BUY-SIDE ADVISOR</p>  <p>MAC PAPERS + PACKAGING</p> <p>a portfolio company of</p>  <p>MONOMOY CAPITAL PARTNERS</p> <hr/> <p>HAS ACQUIRED</p> 
<p>SELL-SIDE ADVISOR</p>  <p>APC PAPER GROUP</p> <hr/> <p>HAS BEEN ACQUIRED BY</p>  <p>ProAmpac</p> <p>a portfolio company of</p> <p>PPC Partners</p>	<p>SELL-SIDE ADVISOR</p>  <p>REDI-BAG</p> <p>a portfolio company of</p> <p>TRaverse PAINTE PARTNERS</p> <hr/> <p>HAS BEEN ACQUIRED BY</p>  <p>SOTERIA</p> <p>a portfolio company of</p> <p>ARDIAN</p>	<p>BUY-SIDE ADVISOR</p>  <p>ST Paper & Tissue</p> <hr/> <p>HAS ACQUIRED</p>  <p>VERSO Duluth Mill</p>	<p>SELL-SIDE ADVISOR</p>  <p>SS SILVER SPUR CORPORATION</p> <p>a portfolio company of</p>  <p>Meridian General</p> <hr/> <p>HAS BEEN ACQUIRED BY FUNDS ASSOCIATED WITH</p> <p>KELSO PRIVATE EQUITY</p> <p>combines with existing investments in</p>  <p>C.L. Smith</p>  <p>Inmark</p>	<p>SELL-SIDE ADVISOR</p>  <p>EL DORADO PACKAGING, INC.</p> <hr/> <p>HAS BEEN ACQUIRED BY</p>  <p>ProAmpac</p> <p>a portfolio company of</p> <p>PPC Partners</p>	<p>SELL-SIDE ADVISOR</p>  <p>Filmquest</p> <hr/> <p>HAS BEEN ACQUIRED BY</p>  <p>DURACO</p> <p>a portfolio company of</p>  <p>OPENGATE CAPITAL</p>

Select Mesirov-advised M&A transactions

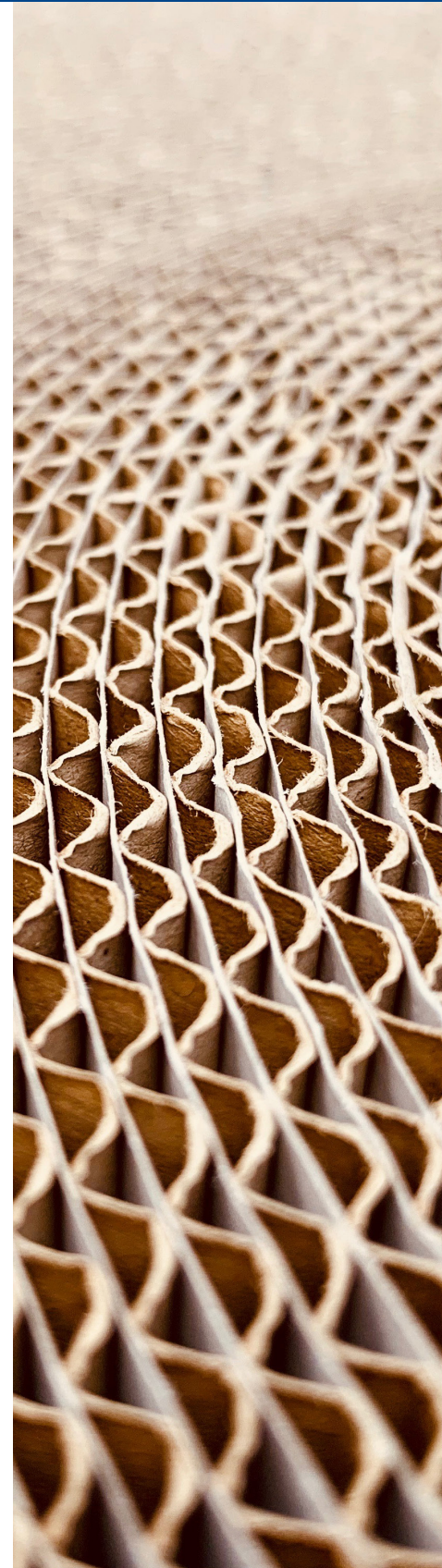
Mesirov completed 18 paper and packaging transactions in 2021, nearly doubling our typical annual volume, which reflects the firm's deep expertise within the paper, plastics and packaging sectors along with its strong presence among global buyers. Mesirov Investment Banking positions middle-market clients as highly strategic targets for the most relevant buyers in each sector, creating a customized and highly efficient process to secure a positive outcome for shareholders.

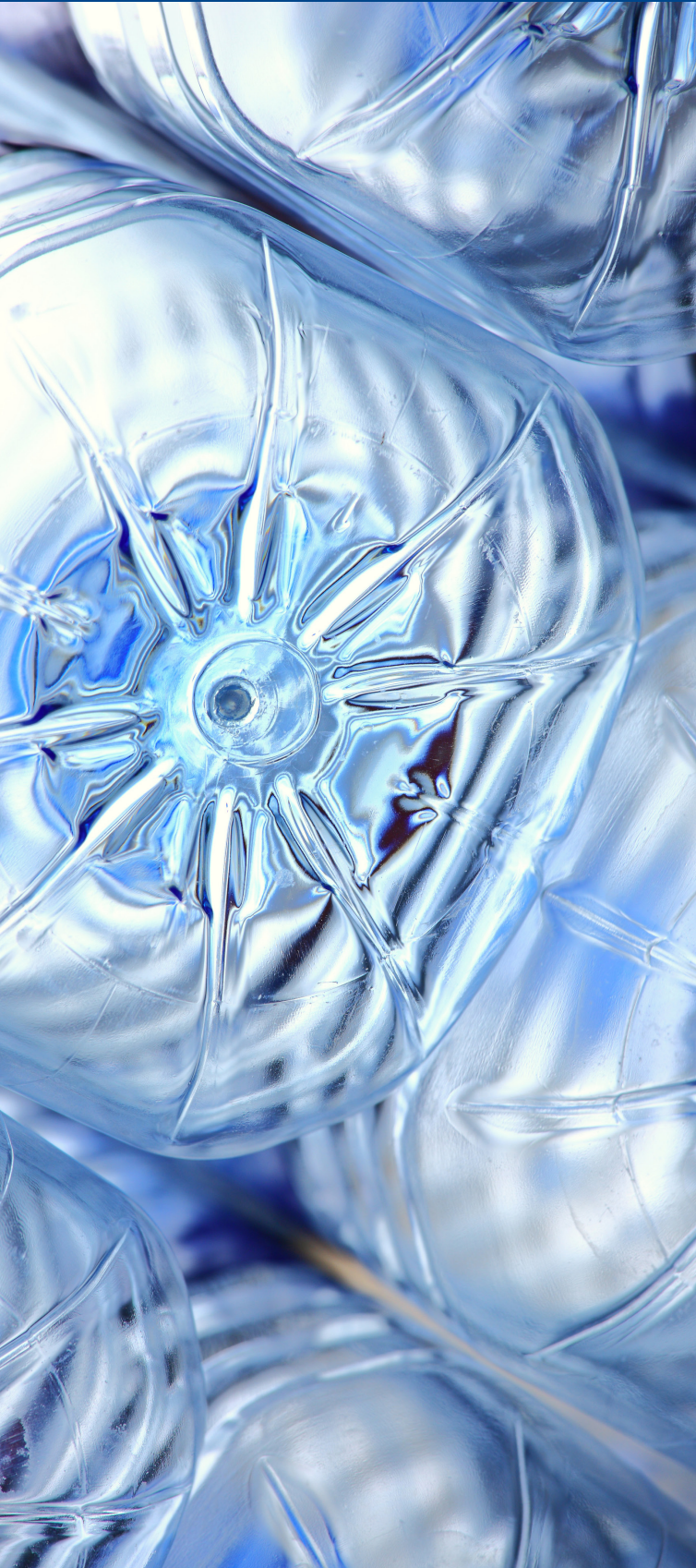
Mesirov acted as the exclusive financial advisor to **BOX Partners, LLC** ("BOX Partners" or the "Company") on its sale to Charlesbank Capital Partners ("Charlesbank").

- Based in Elgin, Illinois, BOX Partners is an innovative, technology-enabled supplier of packaging, shipping, industrial supplies and related products for the e-commerce and distribution markets.
- Charlesbank is an established middle-market private investment firm based in Boston and New York with more than \$15 billion of capital raised since inception. Through its partnership with Charlesbank, BOX Partners is well positioned to grow its presence across the US and expand its network of dedicated customers.

Mesirov acted as the exclusive financial advisor to **Romanow, Inc** ("Romanow" or the "Company") on its sale to SupplyOne, Inc ("SupplyOne"), the largest independent supplier of corrugated and other value-added packaging products, equipment and services in the US and portfolio company of Wellspring Capital.

- Romanow is a leading, privately held manufacturer of corrugated products and protective packaging and distributor of industrial packaging supplies headquartered in Westwood, MA. The Company was founded in 1948 as a corrugated converting operation and has since then invested in state-of-the-art manufacturing facilities and complemented its offering with custom polyethylene and polyurethane foam fabrication, wood crating and pallets, packaging supplies and services that include packaging design and testing, and inventory management.
- Wellspring Capital Management partners with middle-market companies based in North America across various sectors, including industrial, consumer and healthcare services. The acquisition of Romanow will bolster SupplyOne's portfolio of products and enhance its customer base across New England.





Mesirow acted as the exclusive financial advisor to **Clarion Safety Systems** (“Clarion” or the “Company”), a portfolio company of Promus Equity Partners (“Promus Equity”), on its sale to CNL Strategic Capital, LLC which is sub-managed by Levine Leichtman Strategic Capital, LLC (“LLSC”).

- Clarion is a leading designer and manufacturer of premium product safety labels and workplace signage solutions for original equipment manufacturers, facility owners and employees. Headquartered in Milford, PA, Clarion leverages decades of regulatory compliance and visual safety standards expertise to help customers in more than 180 industries worldwide to make their products and premises safer.
- LLSC is an affiliate of Levine Leichtman Capital Partners (“LLCP”), a global independent investment firm that has managed approximately \$12.8 billion of institutional capital since inception.

Mesirow acted as exclusive financial advisor to **APC Paper Group** (“APC Paper” or the “Company”) on its sale to ProAmpac, a leader in flexible packaging and material science and portfolio company of Pritzker Private Capital.

- APC Paper is a leading producer of recycled paper packaging products for food service and retail markets. Operating from two best-in-class mills in Norfolk, NY and Claremont, NH, the Company specializes in the production of 100% recycled kraft paper products and primarily serves food service packaging, consumer products, e-commerce, industrial and home improvement markets.
- Pritzker Private Capital partners with middle-market companies based in North America with leading positions in the manufactured products, services and healthcare sectors. The acquisition of APC Paper will expand ProAmpac’s paper manufacturing capabilities and strengthen its market position in the important recycled and sustainable product categories.

Leading middle-market M&A advisor to the paper, plastics and packaging sectors

Mesirow Investment Banking continues to successfully assist paper, plastics, packaging and specialty printing companies with their financial advisory needs. With extensive sector-specific expertise and deep long-standing relationships, our dedicated Paper, Plastics and Packaging team has completed over 175 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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1. Paper Packaging Index: BillerudKorsnäs AB (BILL:OME); DS Smith Plc (SMDS-LON); International Paper Company (IP-US); Mayr-Melnhof Karton AG (MMK-WBO); Mondi plc (MNDI-LON); Smurfit Kappa Group plc (SKG-LON); Stora Enso Oyj (STERV-HEL); UPM-Kymmene Oyj (UPM-HEL); WestRock Company (WRK-US).

Plastic Packaging Index: Amcor PLC (AMCR-US), Aptargroup, Inc. (ATR-US), Avery Dennison Corporation (AVY-US), Berry Global Group Inc (BERY-US), CCL Industries Inc. Class B (CCL.B-CA), Sealed Air Corporation (SEE-US), Silgan Holdings Inc. (SLGN-US).

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