



Packaging Industry Update

**PACKAGING INSIGHTS &
MARKET ACTIVITY**

APRIL 2022

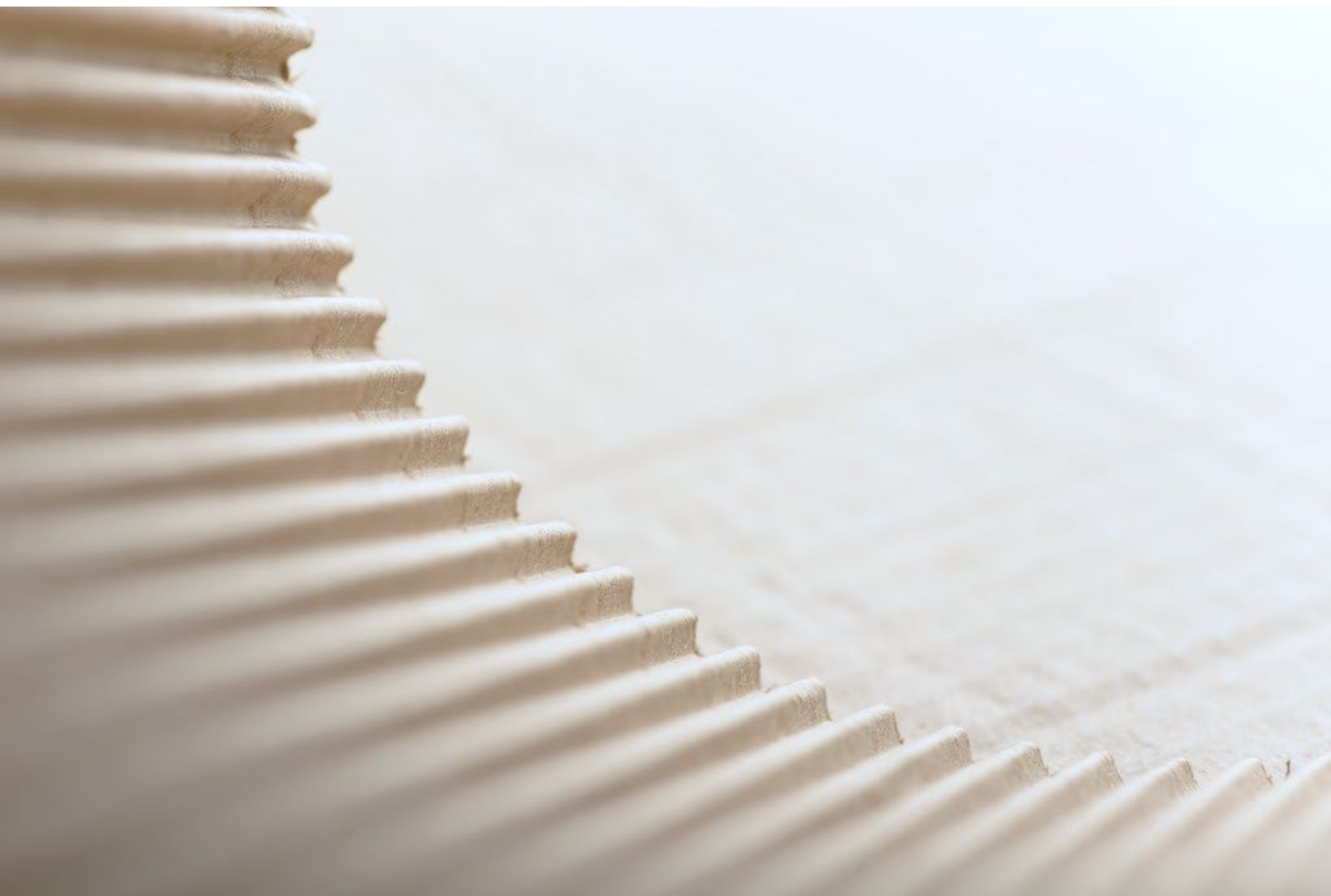
**Packaging M&A Overview and
Industry Trends**

Macroeconomic Update

M&A Activity in Packaging

Recent Deal Highlights

Public Equity Market Overview





M&A activity in the packaging industry increased sharply at the beginning of 2021 and has continued to accelerate as pandemic concerns begin to wane.

Transactions in 2020 that were on “pandemic hold” led the surge in Q1 2021. Lending markets remained active while profitability and cash flow generation in the broader packaging industry performed relatively well considering the labor shortage as well as resin pricing and supply chain challenges.

Strategic buyers and financial sponsors are encouraged by the performance and stability of the packaging industry, as it illustrated resilience in a tough 2020 market followed by a strong performance in 2021.

M&A volume outpaced 2020 by nearly 40%, which is not all that unexpected, but 2021 volume was 15% above the average annual volume in 2017 – 2019 (a pre-COVID era). Strategic buyers led the charge with 46% increase over 2020, followed by financial sponsors with a 19% increase.

New trends within the packaging market, many of which spawned from COVID, suggest that strong

(1) Source: Mercatus/Incisiv

M&A activity will continue as buyers seek new capabilities, geographic positioning, and packaging companies serving outperforming end markets.

Salient trends in packaging have emerged over the past few years, including increased demand in e-commerce activity, prepackaged food, and improved safety in packaging.

The pandemic accelerated the growth of e-commerce (a pre-existing trend), providing positive tailwinds for the packaging industry. Customer demand for prepackaged food products, such as corrugated box packaging and flexible packaging, soared in 2021 and throughout year-to-date 2022.

U.S. Corrugated Product Shipments

(Billions of Square Feet)



Source: Fibre Box Association

The pandemic transformed the e-commerce grocery industry, which is now projected to grow by more than 30% over the next five years,¹ nearly doubling pre-pandemic growth estimates.

The rapid increase in demand for online grocery caused the food packaging market to pivot quickly to ensure that packaging could sufficiently protect products during the last mile. Results from a Package InSight study in 2020 showed that 73% of consumers that received a damaged product are “unlikely” to purchase from that retailer again.

As the vaccine continues to roll out and COVID cases decline, consumers will return to the stores, but a large portion of e-commerce grocery shopping will remain, making continued...

PACKAGING INSIGHTS

M&A TRENDS IN PACKAGING

- Record-breaking M&A activity in 2021
- Positive momentum in 2022 with strong buyer demand and access to capital
- Continued interest across the entire packaging industry

TRENDS IN PACKAGING

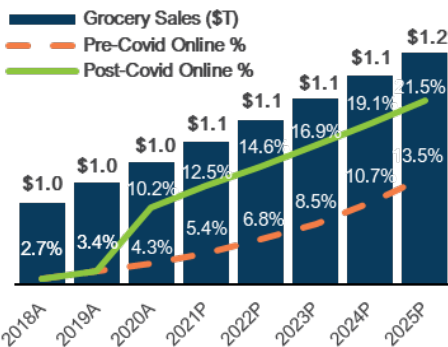
- E-commerce growth will taper but will remain significantly higher than pre-COVID estimates
- Advances in design and material for food & consumer packaging
- Shortage in recycling market
- Recent success stories from sophisticated sustainability initiatives



...advances in protective food packaging imperative.

Due to the accelerating ease of e-commerce, Nielsen projects that 70% of customers will prefer online shopping by 2024, leading to a spike in demand for packaging products and an efficient supply chain.

Online Grocery Sales



Source: Mercatus/Incisiv

As a result of the online demand, packaging companies are investing heavily in next-generation technology as well as capacity expansion to facilitate anticipated growth.

Upticks in packaging demand are negatively impacting the recycling

industry due to waste accumulation slowing the recycling process coupled with import/export restrictions, causing the cost of recycled material to rise significantly.

Despite the current challenges in the recycling market, industry leaders in packaging have found sustainability success in advanced recycling.

SABIC (Saudi Arabia Basic Industries Corporation) sustainability initiatives have been on the leading edge of advanced circularity programs. Their TruCircle initiative has opened opportunities for packaging companies to acquire recycled resin with similar characteristics to virgin plastic.

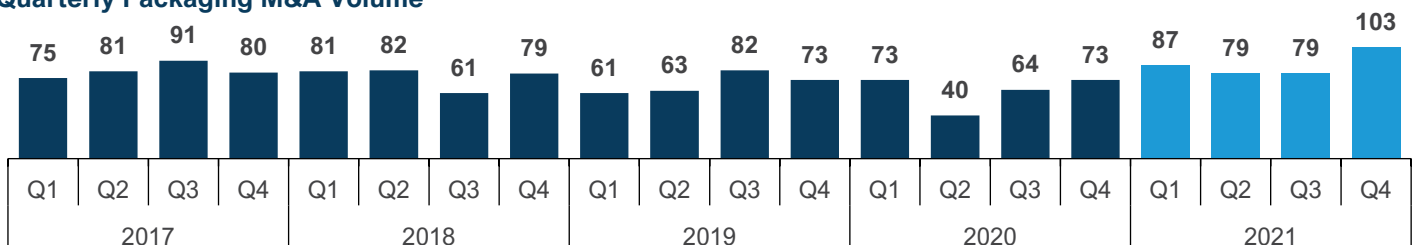
SABIC can provide a range of TruCircle plastic resin, including polypropylene, which has caught the attention of the food packaging industry. Unilever’s Magnum brand is the first in the ice cream market to use recycled plastic in its

packaging.

Utilizing certified circular resin, Magnum’s Ice Cream Tub is one recycling success story of several in the industry. Mars Petcare, a division of Mars, Inc., launched a new flexible pouch for its Sheba wet cat food that also utilized TruCircle resin, resulting in 30% of its packaging containing recycled material. In the healthcare market, Enteraloc, developed by Vonco, is an FDA-approved flexible spouted enteral feeding pouch that eliminates the need for the traditional rigid bottle enteral packaging. Compared to the rigid plastic bottle, the flexible enteral pouch contains 60% less plastic.

Packaging companies have maintained a focus on sustainability initiatives, even while faced with several other macroeconomic challenges, illustrating the high priority industry leaders have placed on its material types and recyclability programs.

Quarterly Packaging M&A Volume



Source: Stout Proprietary Database

Macroeconomic Update

MACRO PERFORMANCE

The global economy has proven to be remarkably resilient in spite of the COVID-19 pandemic. In 2021, the unemployment rate and unemployed persons measures fell by 2.8% and 4.5 million, respectively, as vaccines became widely available and many in-person events resumed.

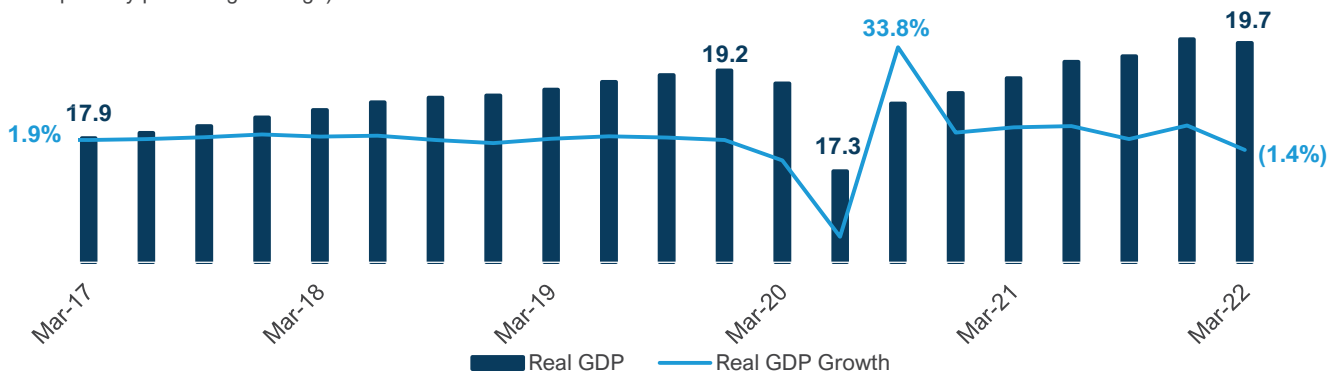
The purchasing manager's index for both manufacturing and services rebounded to their highest levels in more than a decade, indicating strong economic health. As of March 2022, manufacturing and services activity have expanded in 28 and 34 of the last 36 months, respectively.

Real U.S. GDP growth was strong in 2021 as the economy reached new all-time highs. Quantitative easing and government stimulus have contributed to the continued growth of the economy in 2021. During the first quarter of 2022, real GDP contracted at a rate of 1.4% due, in part, to supply chain constraints and increasing input costs.

In the first quarter of 2022, U.S. inflation hit its fastest pace in nearly four decades as pandemic-related supply chain shortages, along with government stimulus checks, pushed prices up at an 11% annual rate.

Real GDP and Real GDP Growth

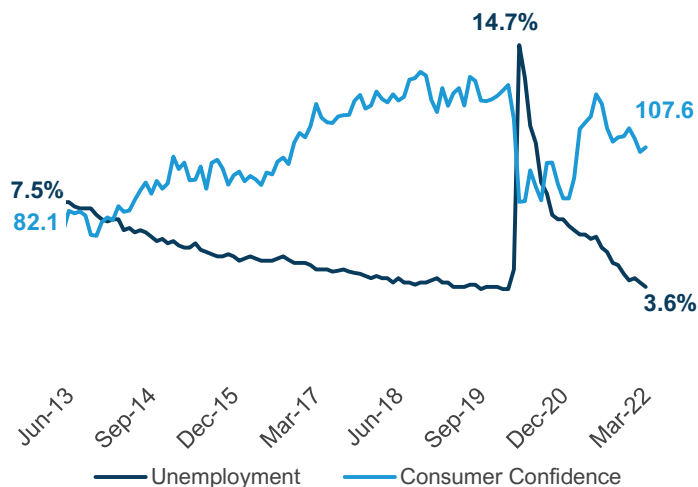
(Trillions of U.S. Dollars)
(Annualized quarterly percentage change)



Source: FRED Economic Data

Unemployment and Consumer Confidence

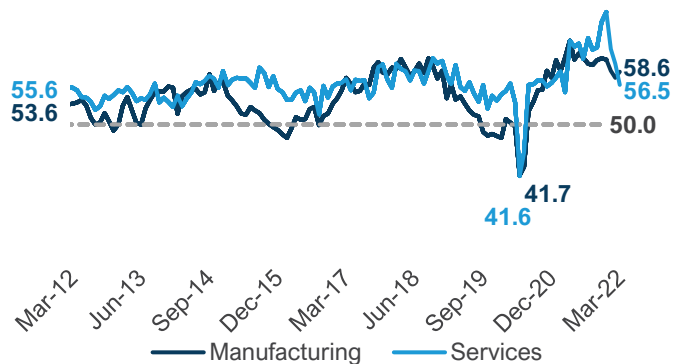
(Percentage of unemployed persons in the U.S. labor force)
(Index of consumer sentiment; long-term average = 100)



Source: Bureau of Labor Statistics; University of Michigan Consumer Confidence Report

Purchasing Manager's Index

(Measures economic health of manufacturing & service sector 0 – 100)



Source: Institute for Supply Management

Macroeconomic Update

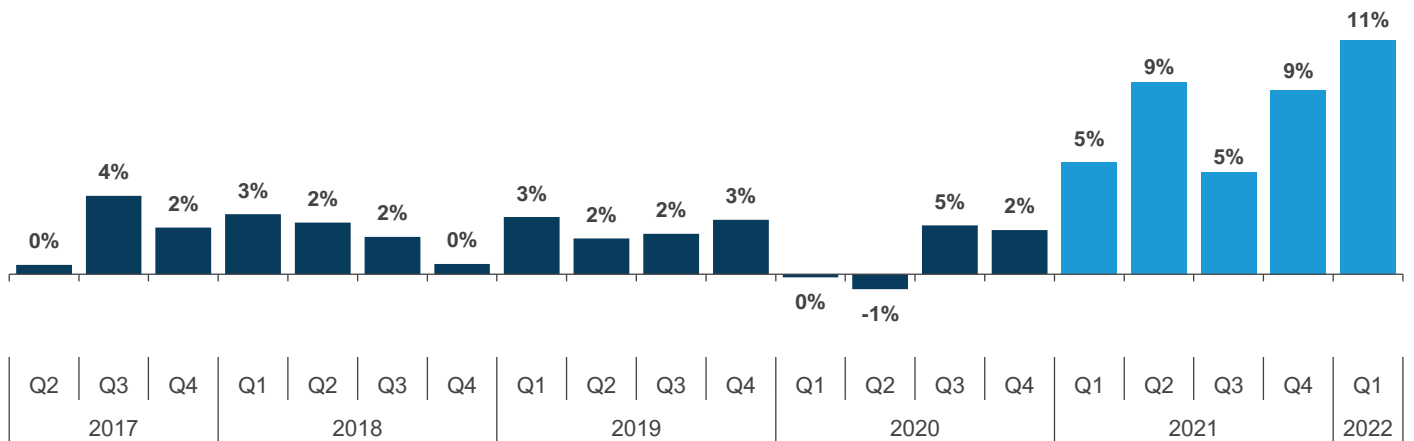
INDUSTRY IMPACT

Market participants continue to see strong demand even while employing more aggressive pricing strategies to counteract higher input costs. Resin, transport, labor, and a variety of other packaging inputs saw material price increases in 2021, with continued price inflation experienced in year-to-date 2022.

The plastics packaging segment has continued to experience increasing resin prices, with certain commodity resins seeing the biggest increases, while pricing for engineering grade resins has been generally less volatile. Manufacturers continue to report higher prices and short supplies of resin-related products. Factors from the COVID-19 pandemic, the Texas freeze in February, and Hurricane Ida in August have all played a hand in the resin shortage.

Consumer Price Index (CPI)

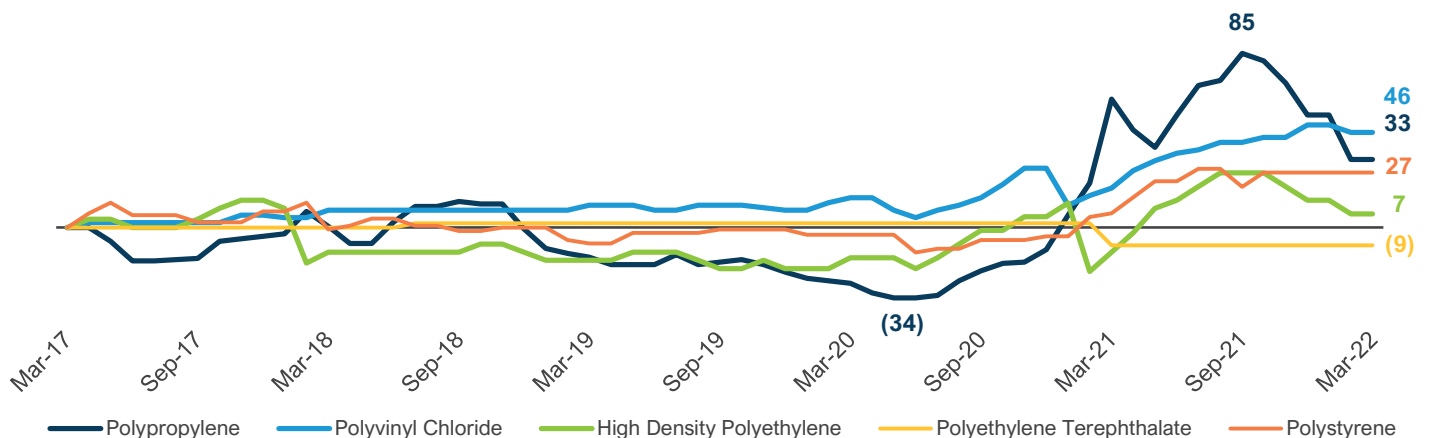
(L5Y Annualized quarterly percentage change)



Source: FRED Economic Data

Resin Pricing Index

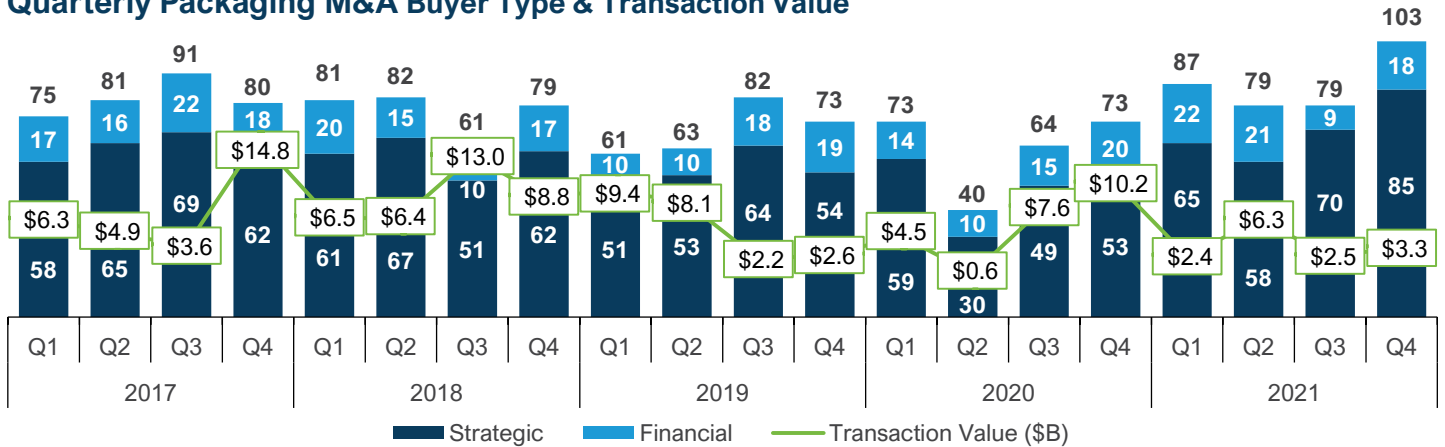
(L5Y relative index price performance by type)
(Indexed to 0.0 as of 3/31/2017)



Source: Plastic News



Quarterly Packaging M&A Buyer Type & Transaction Value



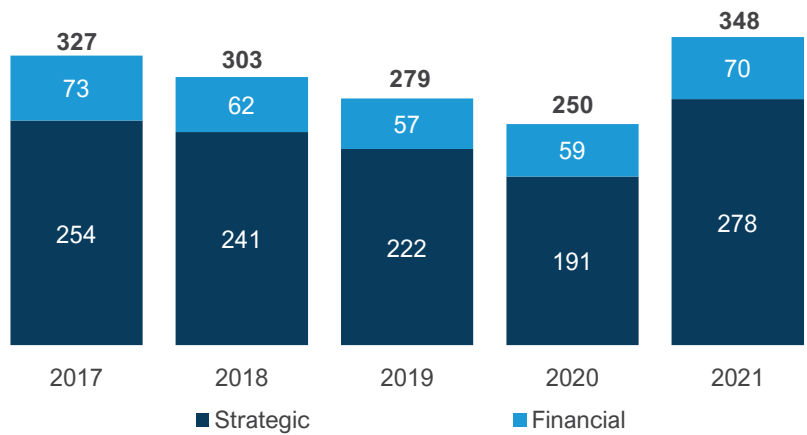
M&A ACTIVITY

M&A activity was strong in 2021, with 348 transactions in the full year and 103 in the fourth quarter alone. Q4 2021 represented the highest activity level over the last five years, a 41% increase over Q4 2020.

ACTIVITY BY ACQUIROR TYPE

Strategic-buyer M&A activity led the charge in 2021, increasing 46% compared to 2020, while financial buyer activity increased 19% over the same period.

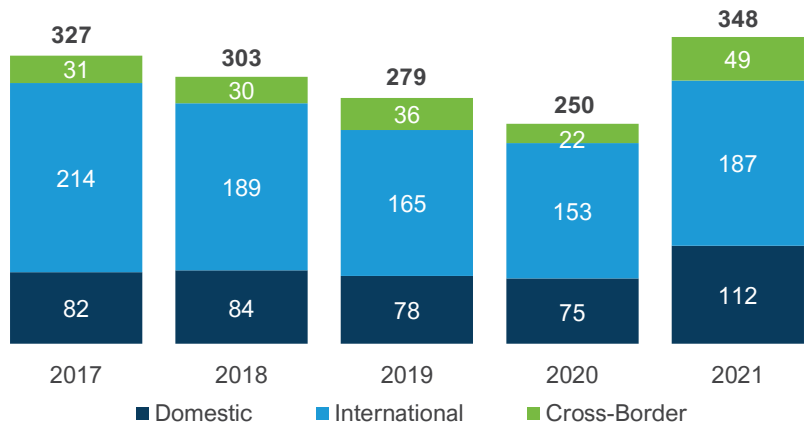
M&A Volume By Acquiror Type



ACTIVITY BY GEOGRAPHY

U.S. domestic and cross-border M&A activity experienced the largest growth during 2021, increasing 49% and 123%, respectively, compared to 2020. International M&A activity increased 22% as fewer COVID-related travel restrictions remained.

M&A Volume by Geography



Source: Stout Proprietary Database

Packaging M&A

RECENT PACKAGING INDUSTRY TRANSACTION HIGHLIGHTS

Date	Target (Ownership)	Subsector	Acquiror (Ownership)
Mar-22	Intertape Polymer Group	Protective Solutions	Clearlake Capital Group
Feb-22	Midwest Paper Group	Containerboard	Durango McKinley Paper Company
Feb-22	Scholle IPN	Flexible Plastic Packaging	SIG Combibloc Group
Dec-21	Omega Packaging	Rigid Plastic Packaging	Comar (MSCP)
Dec-21	Romanow	Corrugated Boxes	SupplyOne
Dec-21	Prairie State Group	Flexible Plastic Packaging	ProAmpac
Dec-21	Ball Metalpack (Platinum Equity)	Metal Packaging	Sonoco
Dec-21	Jay Packaging Group	CPG Packaging	Rohrer Corporation
Dec-21	Packaging Concepts + Design	Auto Module Packaging	The Specialized Packaging Group.
Nov-21	Brook & Whittle (TruArc Partners)	Label & Film Solutions	Genstar Capital
Oct-21	Advance Packaging Corporation	Corrugated Boxes	Packaging Corporation of America
Oct-21	PPC Flexible Packaging (MSCP)	Flexible Plastic Packaging	GTCR
Sep-21	Unicep Packaging	Liquid Filling	Silgan Holdings.
Sep-21	Keyes Packaging Group (Arbor Investments)	Fiber Trays	Tekni-Plex
Sep-21	Gateway Plastics	CPG Packaging	Silgan Holdings
Sep-21	MOLD-RITE Plastics	Rigid Plastic Packaging	Clearlake Capital Group
Aug-21	Precision Label (Wind Point)	Label Solutions	Inovar Packaging Group
Jul-21	InterFlex Group	Flexible Plastic Packaging	Toppan Forms Co.
Jul-21	Verso Corporation	Coated Paper	Atlas Holdings
Jul-21	Resource Label Group (First Atlantic)	Label Solutions	Ares Management
Jul-21	Multi-Color Corporation (WS Packaging)	Label Solutions	Clayton, Dubilier & Rice
May-21	Domtar Corp.	Paper Packaging	Paper Excellence (Karta Halten)
May-21	Spartech (Nautic Partners)	Rigid Plastic Packaging	The Jordan Company
Apr-21	Americraft Carton	Folding Cartons	Graphic Packaging
Apr-21	El Dorado Packaging	Paper Packaging	ProAmpac
Apr-21	Crown Holdings's EMEA Food & Consr. Pkg Bus.	CPG Packaging	KPS Capital Partners
Feb-21	AMB S.p.A. (Friulia S.p.A.)	Rigid and Flexible Films	Peak Rock Capital
Jan-21	Tech II	Plastic Overcaps	IPL Plastics

Packaging Market Trends

TOP LINE GROWTH

Top line performance across the packaging industry remained strong in 2018 before experiencing an industry-wide pullback in 2019 and 2020 attributable in part to material shortages, supply chain issues, and COVID-19. The plastic, metal & glass, and paper packaging subsectors rebounded swiftly in 2021, while the labels subsector saw continued revenue declines.

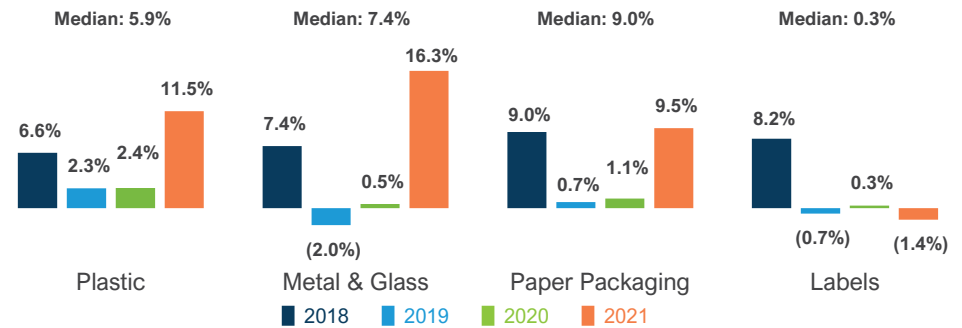
PROFITABILITY MARGINS

EBITDA margins for public companies in the packaging industry have generally remained steady since 2018. Over the last four years, the plastic subsector reported margins approximating 17%, metal & glass and paper packaging generated margins of 15%, and the labels subsector saw average margins of 14%.

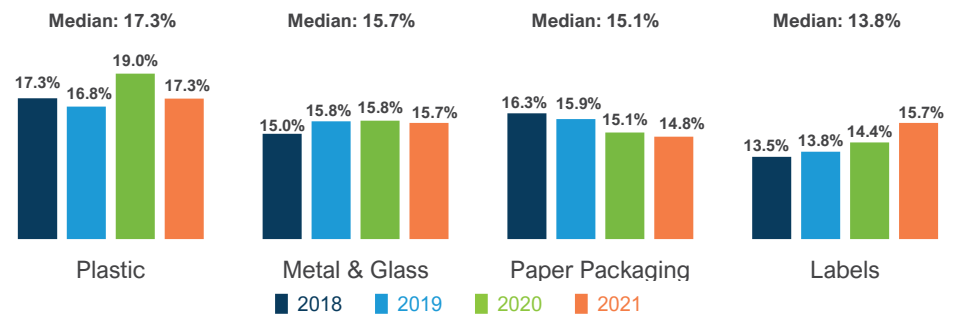
VALUATION METRICS

Valuation multiples for public companies across the packaging industry have fluctuated over the last four years but generally remained in the low double digits in terms of EV / EBITDA. The plastic and labels subsectors reported the highest multiples at year-end 2021 of 12.1x and 11.9x, respectively.

Revenue Growth Rate

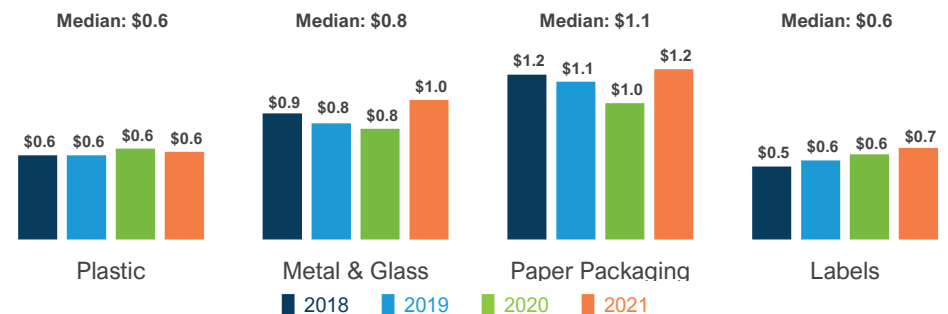


EBITDA Margins

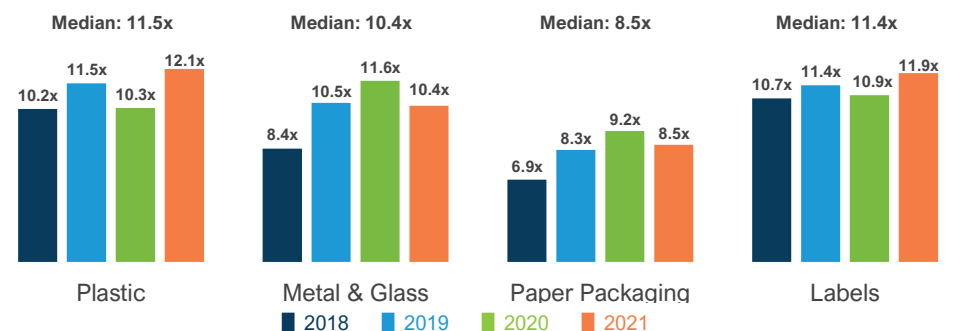


Operating Income

(Billions of U.S. Dollars)



EBITDA Multiples

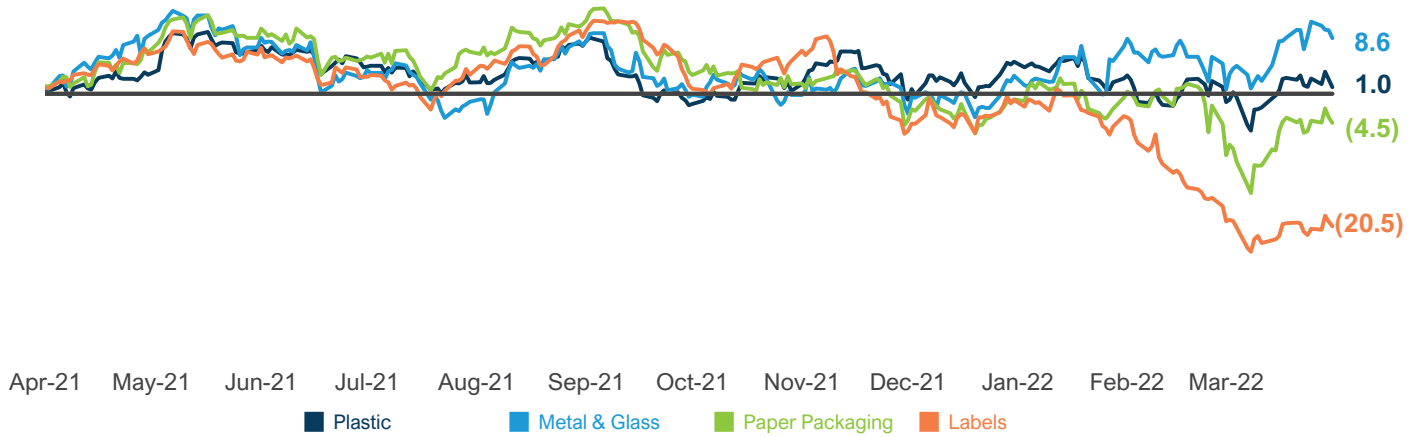


Source: S&P Capital IQ and Stout Proprietary Database; Note: Annual values represent median of subsector comp set

Packaging Subsector Performance

Subsector Indices — LTM Stock Price Performance

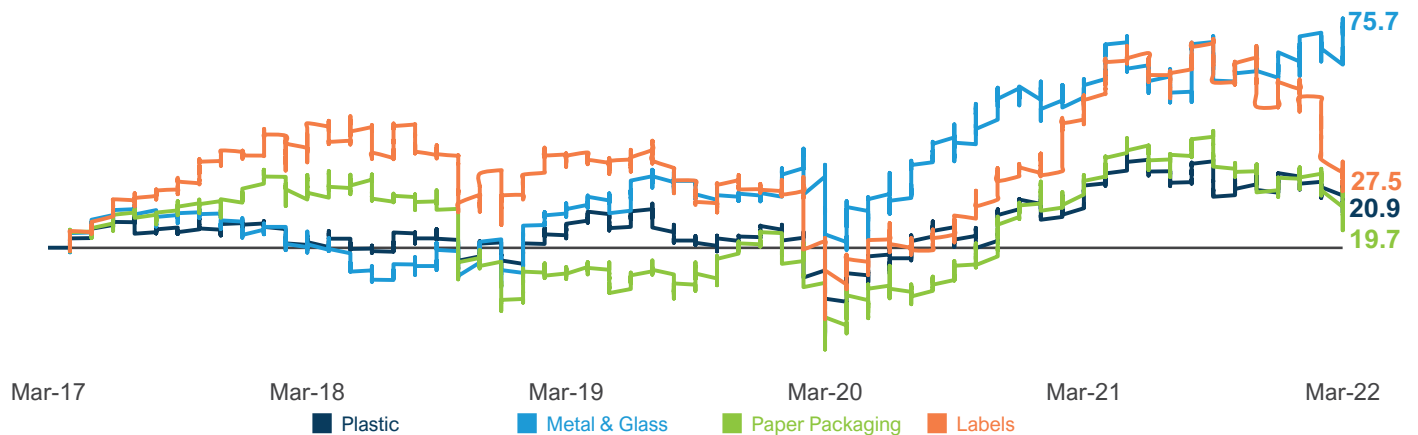
(Indexed to 0.0 as of 3/31/2021)



Source: S&P Capital IQ

Subsector Indices — L5Y Stock Price Performance

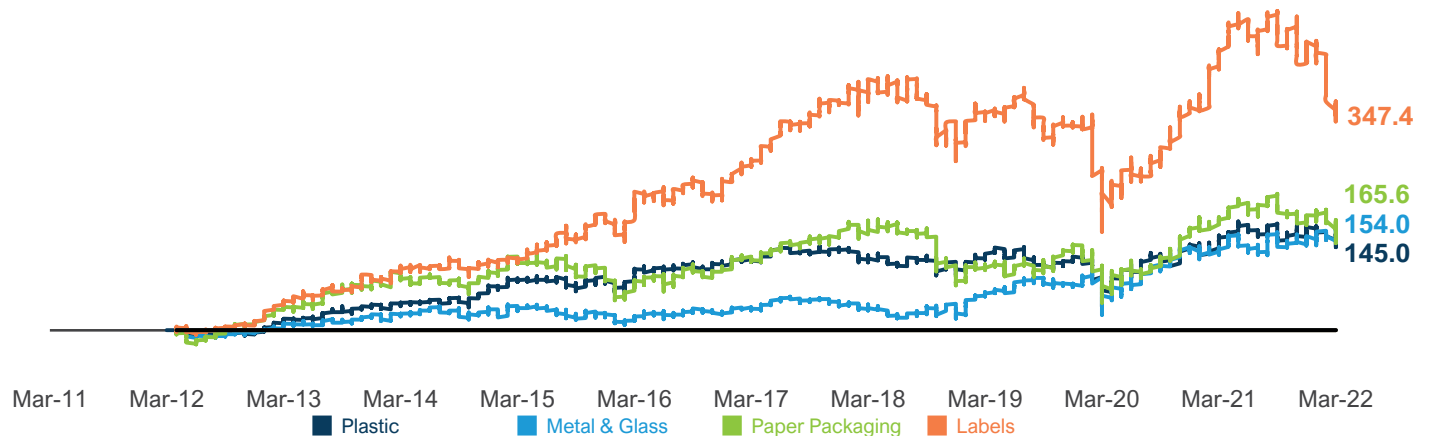
(Indexed to 0.0 as of 3/31/2017)



Source: S&P Capital IQ

Subsector Indices — L10Y Stock Price Performance

(Indexed to 0.0 as of 3/31/2012)



Source: S&P Capital IQ

Stout Packaging Investment Banking Team

ABOUT

For more than 30 years, Stout has exclusively focused on serving the unique M&A transaction advisory needs of middle-market clients. Our firm is a trusted advisor to leading organizations due to our deep industry knowledge, senior-level attention, process expertise, and relentless focus on delivering unparalleled results.

The Stout Packaging team has deep experience and expertise across numerous industry subsectors, processes, and end markets.

FOCUS AREAS

Subsectors

- Plastic Containers
- Plastic Closures
- Flexible Packaging
- Food Service Disposables
- Metal Packaging
- Glass Packaging
- Paperboard Packaging
- Foam Packaging
- Retail Bags
- Labels and Seals

End Markets

- Food & Beverage
- Industrial
- Electronics
- Medical
- Personal Care / Cosmetics
- Consumer Products
- Nutritional Supplements
- Chemical
- Farm and Agriculture
- Home and Garden


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PLASTIC PROFILE EXTENSIONS
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FOR MORE INFORMATION

David Evatz

Managing Director
devatz@stout.com
312.752.3328

Mike Benson

Managing Director
mbenson@stout.com
248.432.1229

Chris Hannah

Director
channah@stout.com
312.237.4879

Steven Simone

Senior Associate
ssimone@stout.com
646.810.4309

Adam Lewis

Analyst
alewis@stout.com
713.221.5144

Justin Gerszonovicz

Analyst
jgerszonovicz@stout.com
312.763.6628



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