

Packaging Perspectives

FEATURE REPORT

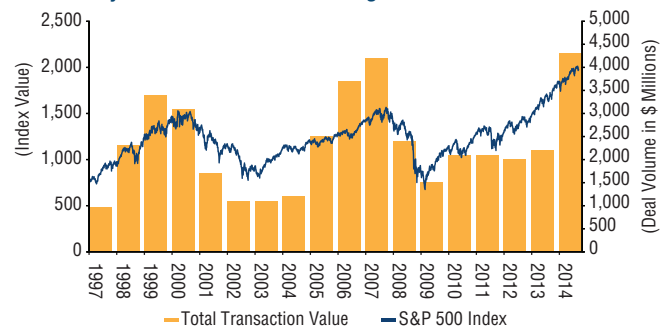
2014: Year-End Review

Mergers and acquisitions returned with a vengeance in 2014. After six years of relatively subdued activity, a number of collective factors drove M&A totals to record levels. A tip of the hat must go to central bank chiefs across the globe who continued to pump liquidity into the global capital markets. Not only did these efforts result in record low interest rates in many major economies, but they also drove stock market levels and valuations higher. *Chart 1* highlights an interesting correlation between stock prices and M&A activity.

As stock prices and valuations increase, there is no doubt that M&A activity in 2014 was positively influenced; CEO confidence was boosted, additional growth opportunities were in greater demand, and private equity buyers had to pay up to participate in the M&A world. If there is any cautious note to be sounded amongst all the merriment, *Chart 2* captures the sentiment. It is interesting to observe that the same central bank activity contributing to record stock market levels is also facilitating growing debt levels. However, it remains unclear what happens when courses are reversed.

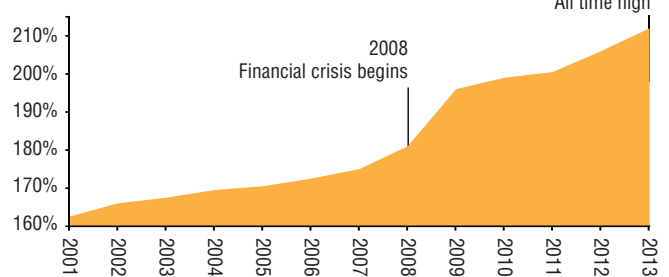
Within this current M&A party, the packaging industry has been a willing participant, to say the least. *Chart 3* details increasing valuations amongst publicly held packaging companies. As with the broader economy, there is no doubt that the industry's transaction activity is getting a booster shot. It is important to note that rising stock prices are not solely an externally influenced phenomenon. The packaging industry contains many great examples of extremely well run businesses whose earnings continue to grow year after year. In fact, many of these paper and plastic companies have been leaders in using M&A to boost earnings and reward shareholders – International Paper, RockTenn, PCA, Berry Plastics and Bemis certainly come to mind.

CHART 1 | Historical Global M&A Total Transaction Value by Year and S&P 500 Pricing



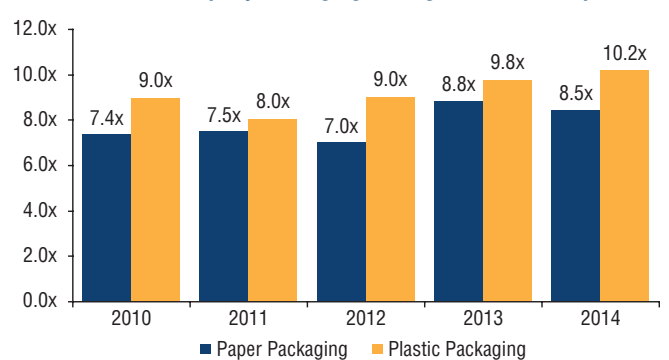
Source: S&P Capital IQ

CHART 2 | Global Debt-to-GDP Ratio



Source: Buttiglione L, P Lane, L Reichlin and V Reinhart (2014), *Deleveraging, What Deleveraging? The 16th Geneva Report on the World Economy*, CEPR Press, September

CHART 3 | Public Company Packaging Average EBITDA Multiples



Plastic Index Includes: Amcor, Bemis, Berry Plastics Group, Sealed Air, Wipak.
Paper Index Includes: Greif, International Paper, MeadWestvaco, Packaging Corporation of America, Rock-Tenn.

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M&A totals in packaging reached a post-recession high in 2014 as shown in *Chart 4*. There were several transactions greater than \$1 billion, such as Onex Capital/SIG Combibloc, \$4.8 billion; The Carlyle Group/Signode Industrial, \$3.2 billion; Clayton-Dubilier/Mausser, \$1.7 billion; Ardagh Group/Saint-Gobain Containers, \$1.7 billion; and Oak Hill Capital Partners/Berlin Packaging, \$1.4 billion.

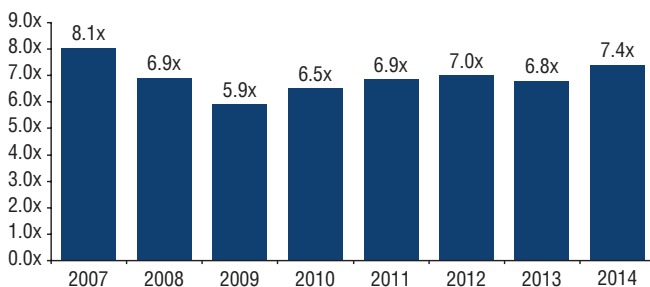
It is easy to see the strong influence of private equity on the transactions in excess of \$1 billion. Not surprisingly, the impact of private equity was felt in the middle-market as well. *Chart 5* lists some of the more notable middle-market private equity-led transactions in the packaging industry.

A closer look at the Oak Hill Capital Partners/Berlin Packaging transaction in *Chart 6* documents the full impact of a large private equity deal in packaging: accommodative credit markets, full purchase price, and a very large equity check supporting the deal. Needless to say, it is a good time to be selling into this type of buyer appetite.

In a way, the entire M&A environment is circular. The aforementioned stock market strength is feeding into the power of private equity. Not just in terms of valuation, but also in terms of capital under management. *Chart 7* demonstrates an improving private equity fundraising market, which demonstrates an obvious correlation with the strength of the stock market. As institutional investors have experienced an improvement in their stock market investment returns, they have been willing to invest more into private equity. This certainly bodes well for M&A activity in 2015.

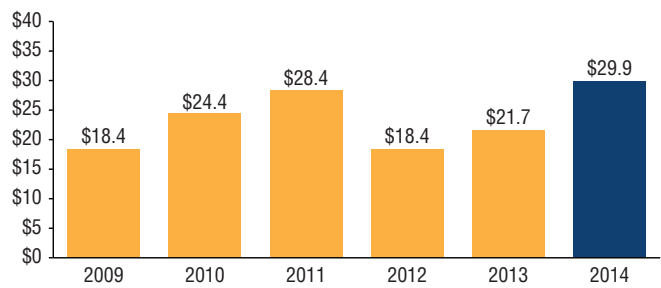
Saving the best for last can be seen with *Chart 8*. All of the factors mentioned in this article have combined to create a thriving environment for packaging business owners. Those that elect to sell are realizing what appear to be peak valuations. It is hard to imagine a better set of circumstances for value maximization. ■

CHART 8 | Average EBITDA Multiples for Packaging M&A Transactions



Source: S&P Capital IQ, Mesirow Financial

CHART 4 | Total Global Packaging M&A Deal Volume (\$ in billions)



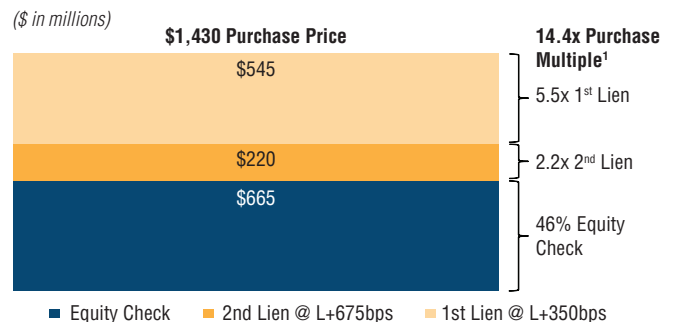
Source: Capital IQ, Mesirow Financial

CHART 5 | Private Equity Platform Transactions

Acquirer	Target	Sector
Onex Corporation	SIG Combibloc Group	Carton Packaging
Platinum Equity	Bemis Pressure Sensitive Materials	Labels
Kohlberg & Company	PPC Industries	Flexible Packaging
AEA Investors	Pro Mach Group, Inc.	Industrial Packaging
Industrial Opportunity Partners	Greif, Inc. Multiwall Packaging Division	Industrial Packaging
Rhone Capital	Ranpak Corporation	Paper Packaging
Clayton, Dubilier & Rice	MAUSER Group	Industrial Packaging
Genstar Capital, LLC	Pretium Packaging	Rigid Plastic Packaging
Olympus Partners	Pregis Protective Packaging Solutions	Specialty Packaging
Montagu Private Equity	Rexam, Pharmaceutical Devices and Prescription Retail Packaging divisions	Pharmaceutical Packaging

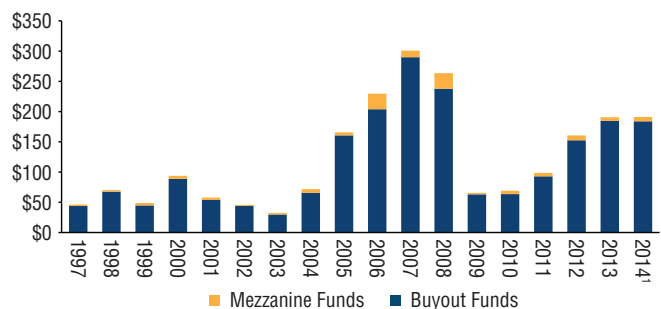
Source: S&P Capital IQ

CHART 6 | Oak Hill Capital Partners Acquisition of Berlin Packaging, LLC



¹ Based on \$99 million in EBITDA
Source: Company website, Capital IQ, Reuters, Wall Street Research

CHART 7 | U.S. Buyout and Mezzanine Fundraising (\$ in billions)



¹ 2014F was annualized using YTD 12/4/14 values.
Source: Thomson Reuters, Buyouts

FEATURED MESIROW FINANCIAL DEALS



Bloomer Plastics, Inc. Acquires Optimum Plastics, Inc.

- Mesirow Financial, Inc. acted as the exclusive financial advisor to Optimum Plastics, Inc. (“Optimum” or the “Company”) in its sale to Bloomer Plastics, Inc. (“Bloomer”), a portfolio company of Huron Capital Partners, LLC, a Detroit-based private equity firm.
- Based in Delaware, Ohio, Optimum is a leading independent manufacturer of custom multi-layer blown film structures of up to 9-layers. The Company leverages its investment in state-of-the-art technology, strong technical expertise and an experienced sales force to provide customized, mission-critical film solutions.
- Bloomer Plastics is a leading domestic and international engineered films producer for high performance industrial, medical, automotive and consumer market segments. The company excels in the design of value-added cast embossed film structures and laminations for the most demanding applications.
- 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.



Atlas Southeast Papers, Inc. Acquires Roses Southeast Papers, LLC

- Mesirow Financial acted as the exclusive financial advisor to Peak Rock Capital (“Peak Rock” or the “Company”), an Austin, Texas-based private equity firm, in its acquisition of Roses Southeast Papers, LLC (“Roses Southeast”), a leading manufacturer of tissue-based paper products, by affiliate Atlas Southeast Papers, Inc. (“Atlas Southeast”).
- Based in Sanford, Florida, Roses Southeast produces a complete line of tissue products, including bath tissue, towels, and cocktail, dinner and dispenser napkins. It has earned a well-regarded reputation for its diverse and high quality product offerings.
- Following the acquisition, Atlas Southeast is a leading manufacturer of tissue products, capable of producing both virgin and recycled grades. The company operates a state-of-the-art tissue paper mill where it both manufactures tissue jumbo rolls for resale as well as converts tissue paper into finished good products.
- The acquisition of Roses Southeast by Atlas Southeast, an affiliate of Peak Rock, highlights Mesirow Financial Investment Banking’s ability to identify highly strategic add-on targets 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.

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Spotlight on Rigid Plastic Packaging

Merger and acquisition activity in rigid plastic packaging was robust in 2014. Private equity groups and strategic acquirers have driven deal activity and the pace remains strong.

With nearly \$500 billion of capital ready for investment, private equity firms are aggressively competing for deals to put this money to work. As a result, they have become prominent and active participants in the blow molding, thermoforming, injection molding and distribution sectors of plastic packaging. The private equity community is drawn to the attractive growth characteristics, diverse end-markets served and the fragmented nature of these sectors. Further, private equity transactions have been facilitated by inexpensive and abundant sources of debt capital.

Some of the more notable private equity transactions in 2014 are noted below. These newly capitalized companies will aggressively pursue add-on acquisitions to achieve synergies, further scale and end-market diversification, as well as enhanced capabilities.

- **Oak Hill Capital Partners'** acquisition of **Berlin Packaging**, a leading supplier of rigid plastic and glass containers and bottles, in a \$1.4 billion transaction.
- **Genstar Capital's** acquisition of **Pretium Packaging**, a plastic container and closure producer with eleven sites across the United States.
- **Graham Partners'** acquisitions of **Paradigm Packaging** and **Precision Medical, Inc.**, two leading plastic container businesses, to form Convergence Packaging.
- **The Pritzker Group's** acquisition of **Technimark**, a manufacturer of highly engineered plastic packaging for the consumer markets.
- **Mason Wells'** acquisition of **Nelipak**, a rigid medical packaging business previously owned by Sealed Air.

Strategic acquirers have also been key participants in the recent frenzy of deal activity. They have pursued transactions to expand their product capabilities and geographic reach in an effort to better serve their customers globally. Publicly traded acquirers face added pressure from their shareholders to achieve aggressive growth targets. One avenue for achieving this growth is through acquisitions. Some noteworthy deals in 2014 led by strategic acquirers include:

- **RPC Group plc**, one of Europe's largest rigid packaging companies with a global presence, will acquire **Promens Group AS**, another rigid plastic packaging company, for roughly \$500 million, or 6.8x EBITDA. RPC Group commented that the deal extends its geographic reach and product capabilities across multiple end-markets.
- **Myers Industries, Inc.**, a manufacturer of plastic material handling containers and related products, acquired **Scepter Corporation**, a manufacturer of rigid plastic containers for industrial, marine, military and other markets for \$157 million, or 6.7x EBITDA. The addition of Scepter enhanced Myers' product engineering and mold capabilities while also adding to its product offerings.
- **Fujimori Kyogo Co. Ltd** ('Fujimori'), a diversified packaging and film company based in Japan, acquired **Hedwin Corporation***, a Baltimore-based producer of specialty blow molded containers and liners for multiple end-markets. Fujimori acquired Hedwin to establish a manufacturing presence in North America to better serve its customer base. Mesirow Financial acted as the exclusive financial advisor to Hedwin Corporation in connection with this transaction.

With the significant amount of fresh capital entering these sectors, it is likely that more rigid packaging deals will occur in 2015. ■