



PACKAGING
INDUSTRY UPDATE | MAY 2015



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PACKAGING INDUSTRY UPDATE

INTRODUCTION

Harris Williams & Co. is pleased to present our packaging industry update for May 2015. This report provides commentary and analysis on current capital market trends and merger and acquisition dynamics within the global packaging industry.

We hope you find this edition helpful and encourage you to contact us directly if you would like to discuss our perspective on current industry trends or our relevant industry experience.

OUR PRACTICE

Harris Williams & Co. is a leading advisor to the packaging industry. Our significant experience covers a broad range of end markets, industries, and business models.

Packaging Types

- Bags
- Bottles & Cans
- Caps & Closures
- Flexible
- Labels
- Pouches
- Rigid

Materials

- Films
- Foil
- Laminations
- Paperboard
- Plastics
- Specialty Paper

Applications

- Cosmetics
- E-Commerce
- Food & Beverage
- Healthcare
- Industrial
- Other

HARRIS WILLIAMS & CO. DEAL SPOTLIGHT



a portfolio company of



has been acquired by



Packaging Dynamics

Harris Williams & Co. advised Packaging Dynamics, a portfolio company of Kohlberg & Company, on its sale to NOVOLEX, a portfolio company of Wind Point Partners. Packaging Dynamics is a leading manufacturer of flexible packaging solutions and specialty laminations.



a portfolio company of



has been acquired by



Ranpak Corporation

Harris Williams & Co. advised Ranpak Corporation (Ranpak), a portfolio company of Odyssey Investment Partners, on its sale to Rhône Capital. Ranpak is a manufacturer of protective packaging systems.



a portfolio company of



has been acquired by



Hilex Poly

Harris Williams & Co. advised Hilex Poly, a portfolio company of TPG Growth, on its sale to Wind Point Partners. Hilex Poly is a manufacturer of plastic bag and film products in North America, operating the country's largest closed-loop plastic bag recycling facility.

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WHAT WE'RE READING

PACKAGING SECTOR SETTING THE PACE IN 2015

Plastics News **5/13/2015**

The Plastics News Business Monitor Index indicates solid economic fundamentals are in place to build upon the robust growth experienced in Q1 2015 in the packaging sector. The packaging sector received the highest index rating (107.5) of all sectors analyzed by the Business Monitor Index. Strong underlying growth trends in food and kindred product sales, and retail sales, have provided a strong foundation from which packaging industry experts have developed lofty expectations for the remainder of 2015.

Read the full article [here](#).

CONTROLLING FOOD LOSSES THROUGH BETTER PACKAGING

Food Magazine **5/11/2015**

Consumers and brand owners are both demanding less food losses and increased shelf life from products. The modern food industry has developed and expanded because of its ability to deliver a wide variety of high quality food products to consumers on a nationwide and worldwide basis. The terms active packaging and smart packaging refer to packaging systems used with foods, pharmaceuticals, and several other types of products. They help extend shelf life, monitor freshness, display information on quality, improve safety, and improve convenience.

Read the full article [here](#).

NPD GROUP SHARES TOP FIVE CONSUMER TRENDS

QSR Magazine **5/3/2015**

Demographic trends and consumer preferences in quick service restaurants have a significant impact on the packaging industry. For example, the trend towards smaller households has heightened the emphasis on individualized packaging options in quick serve restaurant formats. Additionally, millennials prefer fresh, fast-casual restaurant formats, which shifts demand for packaging options that cater to this dynamic by protecting freshness in smaller quantity. These trends serve as important bellwethers within the packaging industry.

Read the full article [here](#).

SMART SENSORS IMPROVE PACKAGING MACHINERY PERFORMANCE

Packaging Digest **4/15/2015**

Smart sensors and components are increasingly being used in packaging machinery applications, resulting in significant operational improvements. Information from smart sensors is used to reduce downtime, improve machine performance, and implement predictive maintenance programs. Smart sensor data is also used to ensure safety, improve product quality, and increase throughput. As smart sensors become more widely implemented in packaging machinery, response times and efficiency will continue to reach new levels.

Read the full article [here](#).

GLOBAL M&A OUTLOOK AND THE IMPACT OF TWO MEGA PACKAGING DEALS

The Smart Cube **2/27/2015**

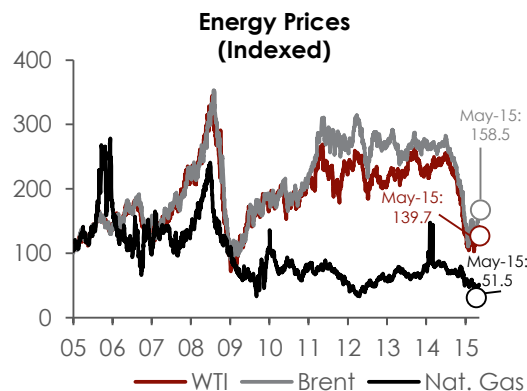
Beginning with a brief overview of 2014 M&A activity and a discussion of 2015 M&A activity, the Smart Cube discusses the impact of two major packaging transactions: the Rock-Tenn and MWV merger, and Ball Corporation's bid to acquire Rexam. These transactions demonstrate a significant consolidation trend in the industry and may incentivize other packaging companies, such as International Paper, to increase M&A activity in order to remain competitive.

Read the full article [here](#).

ECONOMIC UPDATE

ENERGY PRICES

- Global oil prices have risen between 20% and 25% since February 2015 on signs that increasing demand ahead of the peak U.S. driving season could ease a supply glut. Prices, however, remain more than 40% lower than they were at this time last year.
- The benchmark natural-gas price soared to a nearly four-month high in May, bolstered by rising demand from power generators that are pivoting away from coal. Nevertheless, natural gas prices remain well below pre-recession levels due to oversupply.



GDP

U.S.

- Real GDP remained relatively flat from Q4 2014 to Q1 2015 but increased 3.0% on a year-over-year basis.
- Harsh winter weather, a strong dollar, and a slowdown in shipping resulting from labor disputes at west coast ports all contributed to the slow down.

EU-28

- Seasonally adjusted GDP in the EU-28 for Q1 2015 rose by 0.4% in Q1 2015, with 1.4% annualized growth.



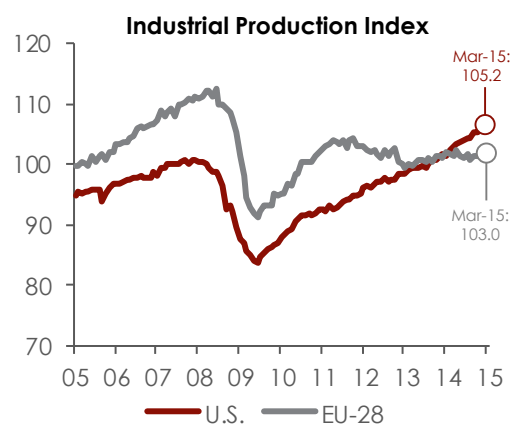
INDUSTRIAL PRODUCTION INDEX

U.S.

- Industrial production decreased by 0.6% from February to March, below expectations of -0.3% and the largest decline since October 2012, primarily due to reduced energy drilling activity and sluggish manufacturing output. Capacity utilization declined to 78.4%, the lowest number since October 2013 and the fourth monthly decline in a row.

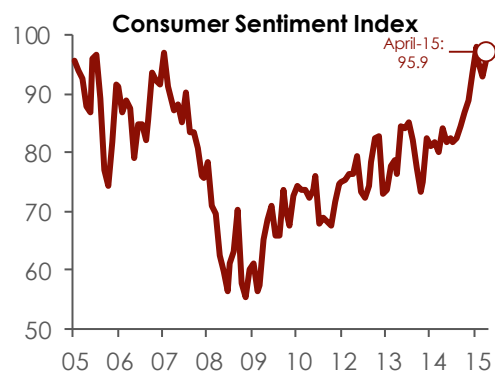
EU-28

- Industrial production increased by 0.9% from February to March, and is up 1.6% year-over-year due to stronger than expected manufacturing output.



CONSUMER SENTIMENT

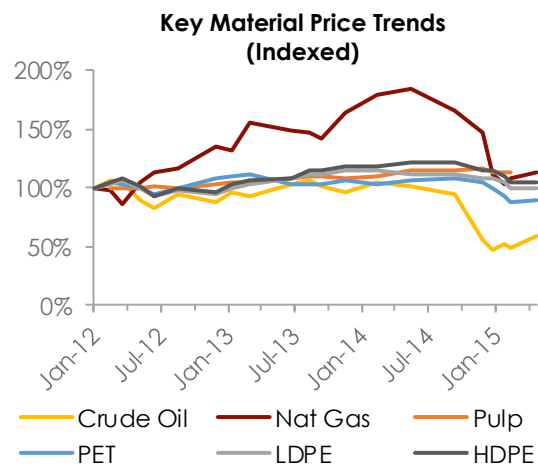
- The Consumer Sentiment Index was up 2.9 points to 95.9 in the April reading, 2.2 points below the peak reached in January 2015. The expectations component, up 3.5 points to 88.8, reflects confidence in the outlook for jobs and income.
- The current conditions component, up 2.0 points to 107.0, was at its second highest level since January 2007. This gain points to ongoing acceleration in consumer activity.



KEY THEMES

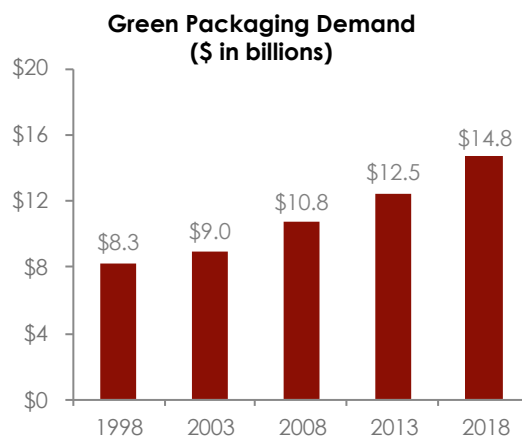
INPUT PRICES

- With raw material costs often representing more than 50% of COGS, packaging companies must aggressively manage input costs.
- The packaging industry relies heavily on petrochemical feedstock, causing significant input price volatility that is influenced by oil and natural gas prices, as well as supply/demand dynamics domestically and abroad.
- A two-year streak of steady resin price increases has ended, as resin prices have been on a downward trajectory recently along with the price of oil.
- Many experts expect the decline in oil, natural gas, and resin prices to continue as oversupply persists along with continued tepid demand.
- Pulp and paper is another critical raw material for the industry and one that has experienced less price volatility over the past three years.



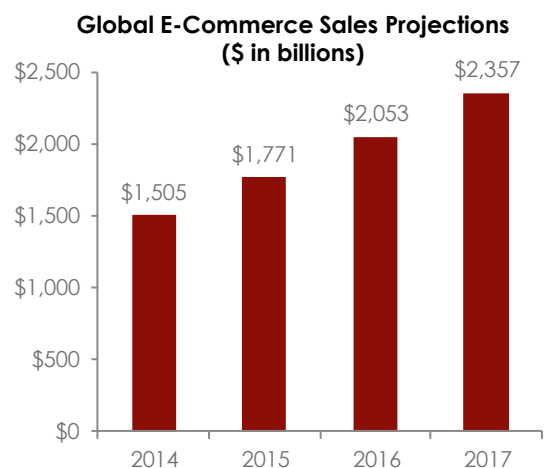
ENVIRONMENTAL & SUSTAINABILITY

- Sustainability and recycling initiatives have become the new norm in the industry, and we expect these trends to continue with a focus on eco-friendly products.
- Companies are developing new ways to incorporate post-consumer, recycled material as feedstock for making new products.
- Corporate responsibility and the eco-friendly angle sit well with today's consumers.
- Recycling materials can reduce input costs and increase efficiency, without compromising performance.
- Companies continue to find more ways to go green across substrates and applications.



ROBUST E-COMMERCE GROWTH

- Rapid growth in e-commerce will boost demand for protective packaging solutions and lead to continued steady growth.
- The e-commerce market is projected to grow ~16% annually through 2017, substantially faster than overall retail sales.
- An increasing number of online orders per shopping experience and rising average order value are driving the industry growth trends.
- As a higher percentage of goods are purchased online and shipped directly to consumers, packaging providers will need to adapt to the evolving implications and role packaging plays in consumer marketing.



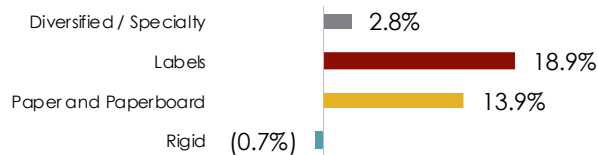
PUBLIC COMPARABLES

As of May 19, 2015 (\$ in millions, except per share amounts)

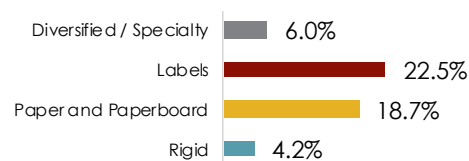
	Stock Performance			TEV	3-Year Revenue CAGR	2014		Price / Earnings		TEV / EBITDA			Free Cash Flow Conversion ²	Net Debt / EBITDA	
	Current Price	% of LTM High	Mkt Cap			Revenue	EBITDA	2015E	2016P	LTM ¹	2015E	2016P			
Diversified / Specialty															
Ancor Limited	\$13.86	93.8%	\$13,245	\$16,345	(3.9%)	\$11,562	\$1,373	11.9%	18.7x	17.6x	13.2x	11.0x	10.7x	78.5%	2.2x
Sealed Air Corporation	49.78	100.0%	10,449	14,261	12.3%	7,747	1,115	14.4%	23.2x	20.3x	13.2x	12.3x	11.6x	86.5%	3.4x
Sonoco Products Co.	46.21	96.4%	4,648	5,715	3.5%	4,977	614	12.3%	17.5x	15.8x	8.5x	8.6x	8.1x	72.9%	1.7x
Bemis Company, Inc.	46.95	95.0%	4,526	5,852	(6.5%)	4,464	599	13.4%	17.9x	16.6x	10.1x	9.7x	9.3x	66.9%	2.2x
AptarGroup, Inc.	65.85	95.9%	4,110	4,560	3.8%	2,618	460	17.6%	23.5x	21.0x	9.9x	10.3x	9.7x	67.0%	1.0x
Berry Plastics Group, Inc.	34.90	94.1%	4,179	7,886	3.0%	5,053	827	16.4%	19.7x	15.3x	10.6x	9.1x	8.7x	75.8%	4.5x
Huhtamaki Oyj	30.82	96.2%	3,570	4,291	5.3%	2,326	310	13.3%	19.4x	17.3x	14.1x	11.4x	10.4x	51.3%	1.9x
Wipac Ltd.	39.97	92.3%	2,139	1,989	6.4%	783	148	18.9%	21.8x	19.4x	12.0x	10.9x	9.8x	69.7%	NM
Greif, Inc.	42.71	75.6%	2,143	3,391	1.5%	4,256	468	11.0%	19.1x	15.3x	7.6x	8.0x	NA	51.2%	2.5x
Median		95.0%			3.5%			13.4%	19.4x	17.3x	10.6x	10.3x	9.7x	69.7%	2.2x
Mean		93.2%			2.8%			14.4%	20.1x	17.6x	11.0x	10.2x	9.8x	68.9%	2.4x
Labels															
Avery Dennison Corporation	\$60.35	99.6%	\$5,480	\$6,461	2.9%	\$6,354	\$691	10.9%	18.0x	15.9x	9.7x	9.1x	8.5x	79.9%	1.4x
CCL Industries Inc.	149.79	94.5%	4,254	4,694	26.7%	2,581	402	15.6%	20.1x	18.3x	11.2x	10.4x	9.8x	70.3%	1.3x
Multi-Color Corp.	65.17	89.9%	1,077	1,517	27.3%	797	141	17.7%	19.2x	16.0x	10.4x	9.6x	8.7x	79.6%	3.1x
Median		94.5%			26.7%			15.6%	19.2x	16.0x	10.4x	9.6x	8.7x	79.6%	1.4x
Mean		94.7%			18.9%			14.7%	19.1x	16.7x	10.4x	9.7x	9.0x	76.6%	2.0x
Paper and Paperboard															
International Paper Company	\$53.83	93.0%	\$22,674	\$32,420	0.2%	\$26,168	\$4,201	16.1%	13.7x	12.5x	8.6x	7.7x	7.4x	63.9%	2.3x
Rock-Tenn Company	65.45	91.6%	9,102	11,825	22.2%	9,978	1,564	15.7%	15.6x	14.8x	7.4x	7.2x	7.3x	65.7%	1.7x
MeadWestvaco Corporation ³	50.84	92.2%	8,510	11,397	2.7%	5,604	975	17.4%	27.7x	22.8x	12.3x	11.9x	10.8x	62.6%	2.8x
Packaging Corporation of America	70.70	83.3%	6,923	9,174	31.4%	5,917	1,151	19.5%	15.5x	13.5x	8.6x	8.1x	7.5x	78.0%	2.0x
Graphic Packaging Holding Company	15.04	93.2%	4,891	6,954	0.3%	4,240	711	16.8%	20.2x	17.5x	9.7x	9.2x	8.7x	71.6%	2.9x
KapStone Paper and Packaging Corporation	27.64	77.0%	2,657	3,718	36.7%	2,314	455	19.6%	14.8x	12.2x	8.5x	8.1x	7.0x	69.6%	2.3x
PH Glatfelter Co.	24.45	88.7%	1,063	1,368	4.0%	1,811	182	10.1%	15.0x	11.9x	7.9x	7.5x	6.6x	40.8%	1.7x
Median		91.6%			4.0%			16.8%	15.5x	13.5x	8.6x	8.1x	7.4x	65.7%	2.3x
Mean		88.4%			13.9%			16.4%	17.5x	15.0x	9.0x	8.5x	7.9x	64.6%	2.2x
Rigid															
Ball Corporation	\$73.57	95.3%	\$10,157	\$13,638	(0.5%)	\$8,512	\$1,216	14.3%	20.6x	18.4x	11.7x	11.8x	11.2x	62.5%	2.7x
Rexam plc	5.70	94.4%	6,238	8,006	(3.2%)	3,838	874	22.8%	15.7x	14.3x	9.2x	9.3x	8.7x	61.1%	1.3x
Owens-Illinois, Inc.	25.59	72.7%	4,167	7,654	(2.5%)	6,820	1,257	18.4%	12.1x	10.4x	7.1x	7.2x	6.5x	63.9%	2.7x
Silgan Holdings Inc.	56.18	94.8%	3,388	5,170	3.5%	3,887	536	13.8%	17.6x	16.2x	9.9x	10.0x	9.6x	68.8%	3.3x
Median		94.6%			(1.5%)			16.4%	16.6x	15.3x	9.6x	9.6x	9.2x	63.2%	2.7x
Mean		89.3%			(0.7%)			17.3%	16.5x	14.8x	9.5x	9.6x	9.0x	64.1%	2.5x
Overall Median		93.8%			3.5%			15.7%	18.7x	16.0x	9.9x	9.3x	8.7x	68.8%	2.3x
Overall Mean		91.3%			7.7%			15.6%	18.5x	16.2x	10.1x	9.5x	8.9x	67.8%	2.3x

PUBLIC MARKETS OVERVIEW

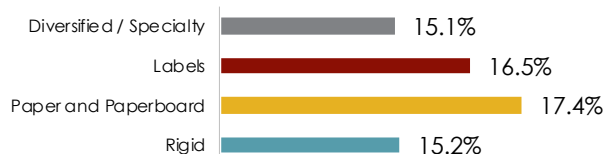
3-YEAR REVENUE CAGR (2011 – 2014)



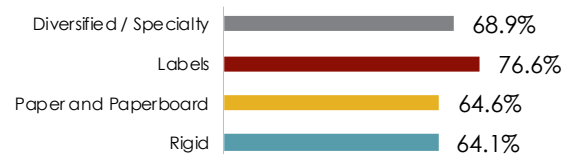
3-YEAR EBITDA CAGR (2011 – 2014)



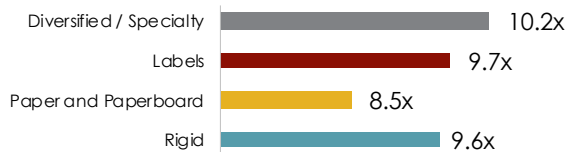
AVERAGE EBITDA MARGIN (2015E)



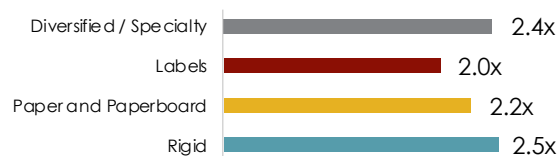
FREE CASH FLOW CONVERSION (2015E)



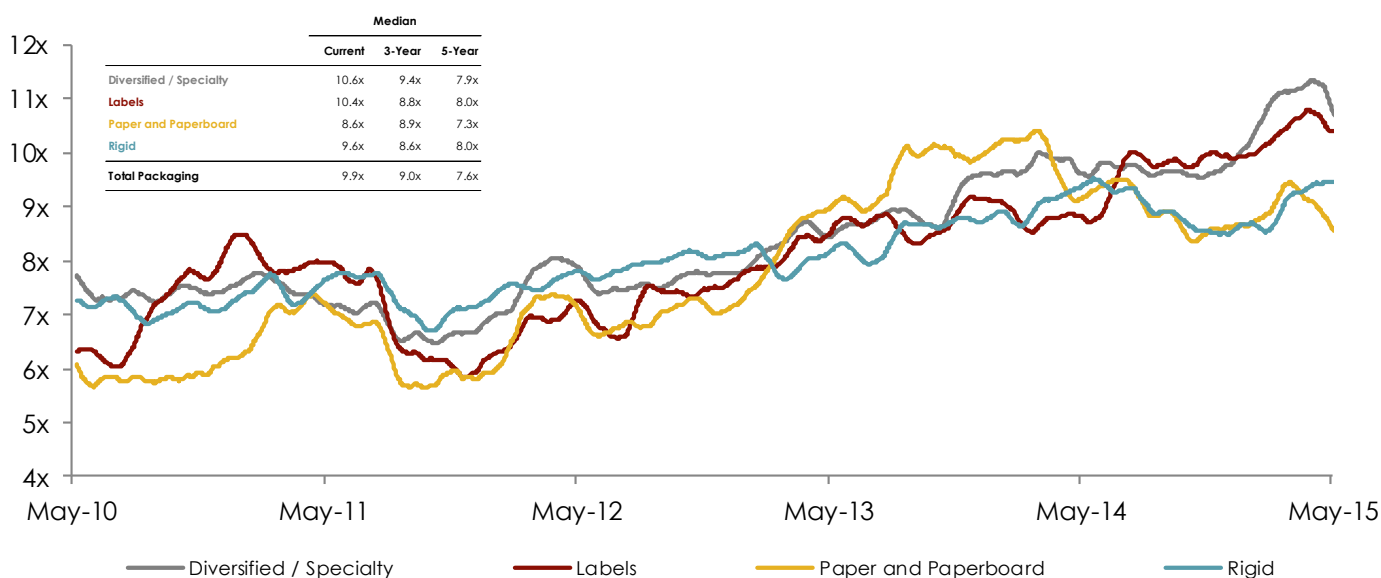
TOTAL ENTERPRISE VALUE / 2015E EBITDA



NET DEBT / LTM EBITDA



PUBLIC COMPARABLES (30-DAY ROLLING AVERAGE OF MEDIAN TEV / LTM EBITDA)



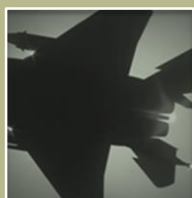
M&A TRANSACTIONS

Date	Target	Target Business Description	Acquirer
5/5/2015	Victory Packaging L.P.	Victory Packaging L.P. manufactures and distributes packaging products for the moving and storage industry.	KapStone Paper and Packaging Corporation
4/15/2015	inspirepac Ltd.	inspirepac, Ltd. engages in the flexible printing and retail packaging businesses for consumer retail end markets.	Smurfit Kappa Group plc
4/14/2015	Robert Mann Packaging, Inc.	Robert Mann Packaging, Inc. offers design, production, and distribution services for stock, custom paper, and plastic packaging products.	Pratt Industries, Inc.
4/1/2015	Butterworth Paper Cups Sdn. Bhd	Butterworth Paper Cups Sdn. Bhd, a paper packaging company, manufactures and supplies foodservice paper cups and other paper products.	Huhtamaki Oyj
3/27/2015	Constantia Flexibles Group GmbH	Constantia Flexibles Group GmbH manufactures and sells various flexible packaging products in Europe, North and South America, Africa, Australia, Asia, and Oceania.	Wendel; H. Turnauer Stiftung, Endowment Arm
3/25/2015	Nampak Limited, Flexible Division	Nampak Limited, Flexible Division offers flexible packaging services for the wine industry and is the only aseptic bag-in-box packaging manufacturer in South Africa.	Amcort Limited
3/13/2015	SIG Combibloc Group AG	SIG Combibloc Group AG manufactures and supplies carton packaging, consumables, and filling machines for beverage and food manufacturers worldwide.	Onex Corporation
3/9/2015	Grupo CYBSA	Grupo CYBSA manufactures corrugated and folding cartons, as well as flexible packaging, and serves Central American markets, including El Salvador and Costa Rica.	Smurfit Kappa Group plc
2/23/2015	Duropack GmbH	Duropack GmbH manufactures and sells corrugated board packaging and displays, flexo printing, packaging, shipping containers, and point-of-sale displays.	DS Smith Plc
2/9/2015	Charter NEX Films Inc.	Charter NEX Films Inc. engages in engineering, extruding, and manufacturing monolayer, coextruded, and barrier blown films for packaging applications.	Pamplona Capital Management LLP
1/30/2015	Clondalkin Group Holdings B.V., Specialist Packaging Division	Clondalkin Group Holdings B.V., Specialist Packaging Division offers specialty secondary packaging solutions for the pharmaceutical, health, and personal care industries.	Essentra plc
1/26/2015	MeadWestvaco Corporation	MeadWestvaco Corporation provides packaging solutions to the healthcare, beauty and personal care, food, beverage, home and garden, tobacco, and agricultural industries worldwide.	Rock-Tenn Company (Merger)
1/6/2015	NewPage Holdings Inc.	NewPage Holdings Inc. produces and sells printing and specialty papers in North America.	Verso Paper Corp.
12/10/2014	Tri-Delta Plastics, Inc.	Tri-Delta Plastics, Inc. designs, engineers, manufactures, and sells plastic components to the packaging industry.	Pretium Packaging, LLC
12/5/2014	Packaging Dynamics Corporation	Packaging Dynamics Corporation manufactures a broad portfolio of flexible, paper-based food packaging products, as well as a range of specialty laminated foil-paper products.	NOVOLEX Holdings, Inc.
10/22/2014	Pro Mach, Inc.	Pro Mach, Inc. designs, manufactures, and sells packaging and processing products and solutions for a variety of end markets in the U.S. and internationally.	AEA Investors LP
10/6/2014	Berlin Packaging, LLC	Berlin Packaging, LLC manufactures, imports, and distributes plastic, glass, and metal containers and closures.	Oak Hill Capital Partners
10/1/2014	Ranpak Corporation	Ranpak Corporation produces and supplies paper packaging materials and systems, offering a range of packaging solutions for void fill, cushioning, blocking and bracing, and wrapping applications.	Rhone Capital, L.L.C.
8/15/2014	SPG Holdings LLC	SPG Holdings LLC manufactures and markets specialty paper products for the restaurant and foodservice distribution industries.	Georgia-Pacific Consumer Products LP
7/3/2014	Duro Bag Manufacturing Company	Duro Bag Manufacturing Company manufactures and distributes paper bags in North America.	NOVOLEX Holdings, Inc.

OUR FIRM

Harris Williams & Co. has a broad range of industry expertise, which creates powerful opportunities. Our clients benefit from our deep-sector experience, integrated industry intelligence and collaboration across the firm, and our commitment to learning what makes them unique. For more information, visit our website at www.harriswilliams.com/industries.

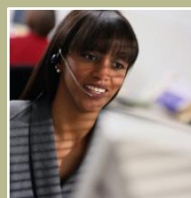
Aerospace, Defense & Government Services



Building Products & Materials



Business Services



Consumer



Energy & Power



Healthcare & Life Sciences



Industrials



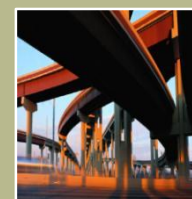
Specialty Distribution



Technology, Media & Telecom



Transportation & Logistics



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NETWORK OFFICES

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New Delhi

Shanghai

HARRIS WILLIAMS & Co.

SOURCES

Bloomberg

Bureau of Economic Analysis

Capital IQ

Eurostat

Federal Reserve Economic Data

Food Magazine

Plastics News

Packaging Digest

QSR Magazine

The Smart Cube

University of Michigan

U.S. Census Bureau

DISCLOSURES

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