



Packaging Update – H1 2018

Report Contents

Executive Summary.....	1
Quarterly Packaging Transaction Data.....	2
Featured Transactions by Segment.....	3
Other Notable Transactions.....	4
Economic and Market Data.....	5
Public Company Data.....	6
About InterOcean Advisors.....	8

Executive Summary

M&A Activity

- While overall global M&A transaction value rose 64% over the first half of 2018, the actual number of transactions declined by nearly 10%¹
- With both public companies and private equity-backed platforms competing to consolidate a historically fragmented industry, packaging maintained steady volume with 95 transactions in the first half of 2018 compared with 93 in the prior period²

Economic Conditions

- Packaging industry growth is driven by the overall economy. As we noted in our latest Quarterly Manufacturing Update, the U.S. PMI still signals expansion, and consumer confidence remains high despite uncertainty over the impact of rising tariffs and the increasing cost of raw materials (including paper, pulp, corrugated paper and resin)³
- Packaging is a cost-sensitive industry, and participants will likely have difficulty completely passing on increased production costs to relatively larger customers
- To improve competitive positioning, we expect packaging companies to continue to deploy acquisition strategies to increase scale, reduce costs and add capabilities

Financial Performance

- Due to several industry trends (see below), flexible plastic packaging enjoys slightly higher EBITDA margins and valuation multiples
 - EBITDA margin of 15.7% vs. an average of 14.2% for other packaging categories
 - Enterprise Value/EBITDA multiple of 10.5x versus an average of 9.7x
- Interestingly, flexible packaging's valuation premium declined during the first half of 2018 as multiples converge, likely due to a combination of resin price increases and consolidation activity in all packaging segments (see page 8)

Industry Trends

- Consumers drive the majority of industry demand. Current trends favor solutions that enable product convenience, transparency, security and shelf life, while optimizing the e-commerce experience with minimal environmental impact
 - **Product convenience:** minimalist packaging that enables product protection without excessive material and waste
 - **Transparency:** packaging with clear product visibility and labeling conveying only essential information
 - **Security:** increasing use of smart packaging with improved coding equipment marking sell-by dates and unique serialization codes to prevent counterfeiting
 - **Shelf-Life:** use of packaging technology to increase product life while reducing previously employed preservatives
 - **E-commerce Optimization:** "frustration-free" packaging designed for online fulfillment that reflects consumer expectations from shopping in store
 - **Minimal Environmental Impact:** increased focus on re-usable and recyclable packing (e.g. packagers and customers committing to specific time-based goals)

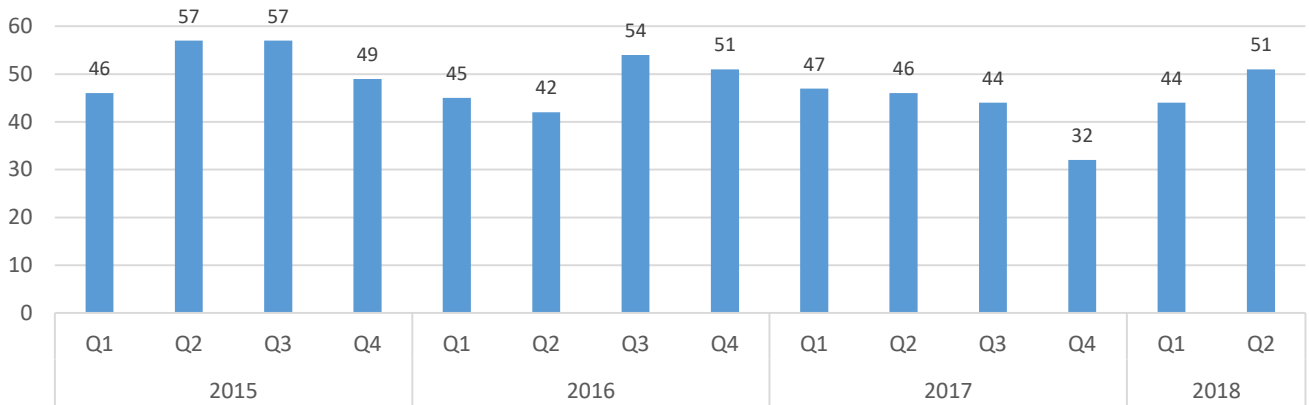
¹ Thomson Reuters Mergers and Acquisitions

² InterOcean analysis of public information and majority-control closed transactions reported by Capital IQ

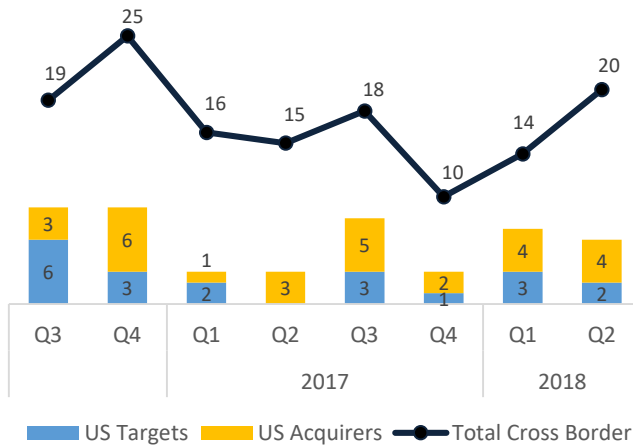
³ InterOcean Quarterly Manufacturing Update, Q2 2018 released Aug. 14th, 2018

Quarterly Packaging Transaction Data

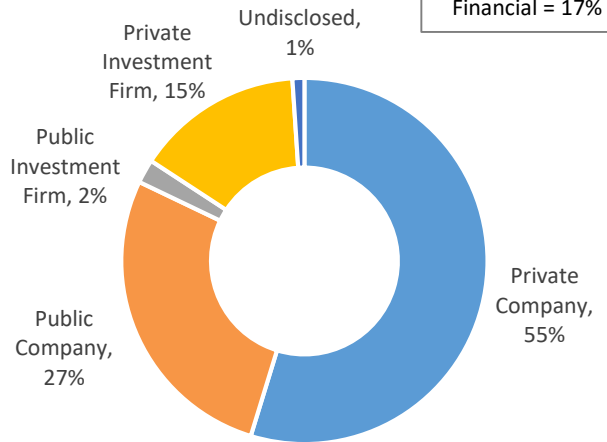
Number of Transactions



Number of Cross Border Transactions

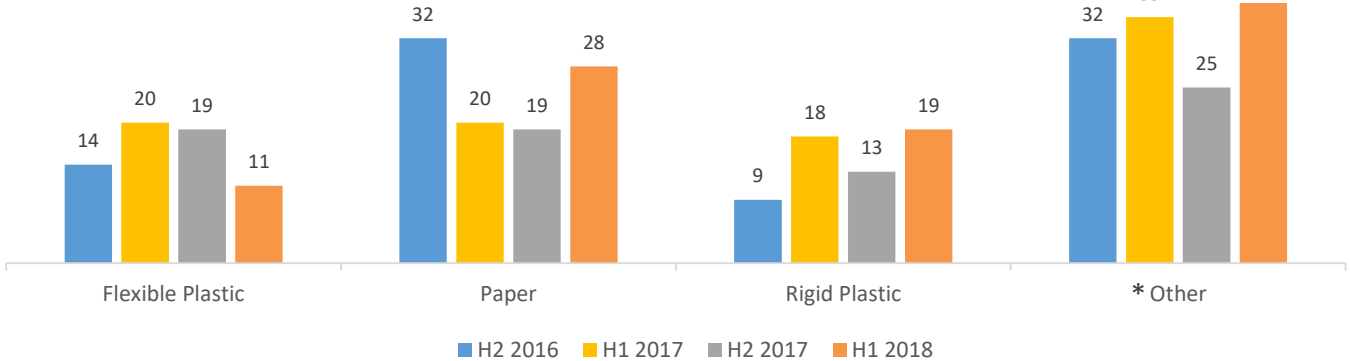


Acquirer Type



Transactions in the first half of 2018

Transactions by Category



* Other packaging includes machinery/equipment, distributors, glass and metal

Sources: InterOcean analysis of public information and majority control closed transactions reported by Capital IQ

Featured Transactions by Segment

Flexible Plastic

April 2018 – ProAmpac LLC, a portfolio company of PPC Partners, acquired Pactech Packaging LLC. Pactech, based in Rochester, NY, has expertise in pouch converting technology and complements ProAmpac’s flexible packaging offerings in the medical, industrial and consumer packaged goods markets. With the acquisition of Pactech, Cincinnati-based ProAmpac, one of the top 10 flexible packaging converters in the U.S., has 28 manufacturing sites globally with nearly 3,400 employees supplying more than 5,000 customers in 90 countries.¹

Paper

January 2018 – Westrock Company (NYSE:WRK) signed a definitive agreement to acquire KapStone Paper and Packaging Corporation (NYSE:KS) for a total enterprise value of approximately \$4.9 billion. The deal is expected to close during the third quarter of 2018. With the transaction, WestRock will enhance its position in the U.S. corrugated packaging industry and broaden its geographic presence. The transaction is expected to create approximately \$200 million of annual cost synergies by 2021.

Rigid Plastic

June 2018 – Novolex, a portfolio company of The Carlyle Group acquired the Waddington Group from Newell Brands, Inc. Headquartered in Covington KY, The Waddington Group is a global manufacturer and marketer of packaging and disposables serving the foodservice, bakery, deli, produce and confectionery markets. Novolex is one of North America's leaders in packaging serving multiple consumer and industrial markets. With this acquisition, Novolex has approximately 10,000 team members and 62 manufacturing plants worldwide.

Other²

April 2018 – Crown Holdings, Inc. (NYSE:CCK), a global leader in consumer packaging, acquired Signode Industrial Group Holdings, a manufacturer of industrial packaging products, from The Carlyle Group. With sales and adjusted EBITDA of \$2.3 billion and \$384 million, respectively, for the 12 months ended November 30, 2017, Signode is the world's leading supplier of transit packaging systems and solutions, which consist of strap, stretch and protective packaging consumables along with associated equipment and tooling.

¹ With the acquisition of Gateway Packaging Company in May 2018, ProAmpac grew to 33 sites globally with nearly 3,700 employees supplying over 5,000 customers in 90 countries

² Other packaging includes machinery/equipment, distributors, glass and metal

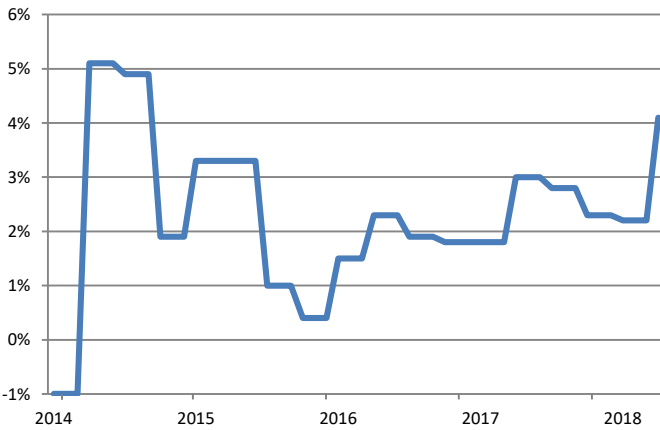
Other Notable Transactions

Close Date	Acquirer	Target	Target Description
Jun 2018	21 Investimenti SGR S.p.A.	Carton Pack Srl	Manufactures rigid and flexible packaging for the food industry; also offers paper and cardboard packaging solutions that includes bags, tabs, adhesive labels, trays, boxes and punched containers.
Jun 2018	R. Færch Plast A/S	CGL Pack Anancy S.A.S.	Designs and manufactures thermoformed packaging products. It offers handling trays, protective trays, and disposable or reusable trays as well as packaging solutions for cosmetics, well-being applications and medical products.
Jun 2018	Mercury Plastics, Inc.	Western Concord Manufacturing Limited	Manufactures flexible packaging products. It offers performance films and modified atmosphere packaging films. The company also provides wicketed bags, rolls stocks, zipper bags, zipper attachments and printed shrink sleeves.
Jun 2018	Mondi Group	Powerflute Group Holdings Oy	Engages in the production of semi-chemical fluting material that is used in the manufacture of corrugated board for packaging applications.
May 2018	Green Bay Packaging, Inc.	Wisconsin Packaging Corporation	Manufactures and markets corrugated packaging boards and containers.
Apr 2018	Liberty Diversified International, Inc.	Preferred Packaging and Crating, Inc.	Manufactures industrial packaging, including folding cartons, corrugated boxes, wood crates, cushion foam, and loose fill.
Apr 2018	Filtration Group Corporation	Multisorb Technologies, Inc.	Manufactures and supplies active packaging technology products that provide protection against moisture, odor, oxygen and other gases.
Mar 2018	PAI Partners	Albéa S.A.	Manufactures plastic packaging products for the beauty and personal care market. It provides laminate and plastic tubes, screw caps and flip-top caps for plastic tubes. It also provides cosmetic rigid packaging products.
Jan 2018	AEA Investors LP	Spectrum Plastics Group	Manufactures specialty packaging products for food and industrial markets in the United States and internationally. The company extrudes and converts polyethylene bags, films and tubing.
Jan 2018	PWP Growth Equity	Delphon Industries LLC	Provides materials and services for shipping, processing, printing and packaging technology and components to semiconductor, medical and pharmaceutical, optics and photonics and military markets. It offers vacuum release trays and plates; nano device trays; and jewelry/gem boxes.
Jan 2018	Duravant LLC	Ohlson Packaging, Inc.	Designs and manufactures a full range of automatic and semi-automatic net weighing and counting machines.

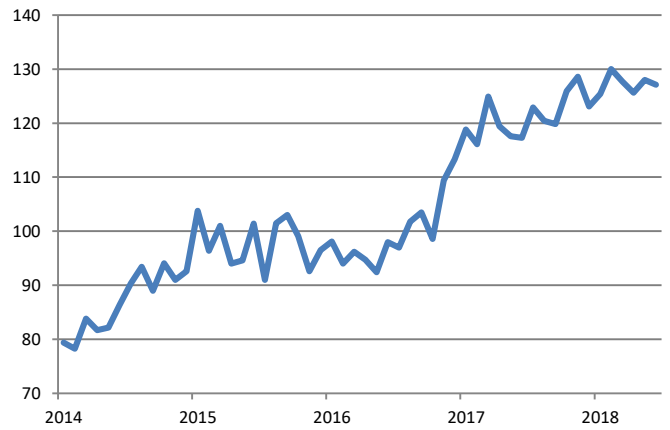
Source: *InterOcean analysis of public information and transactions reported by Capital IQ*

Select Economic and Market Data

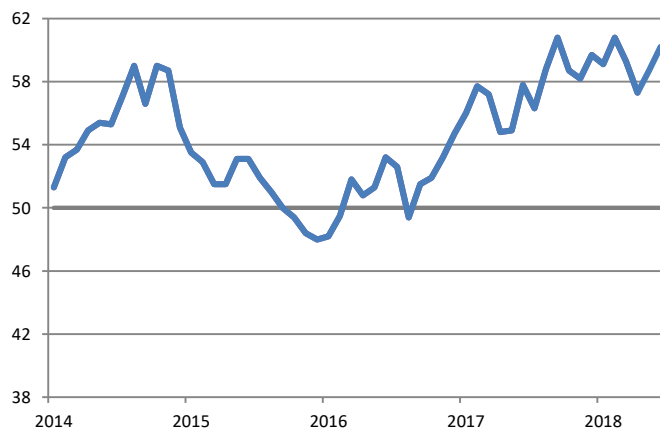
Real GDP % Change From Preceding Quarter



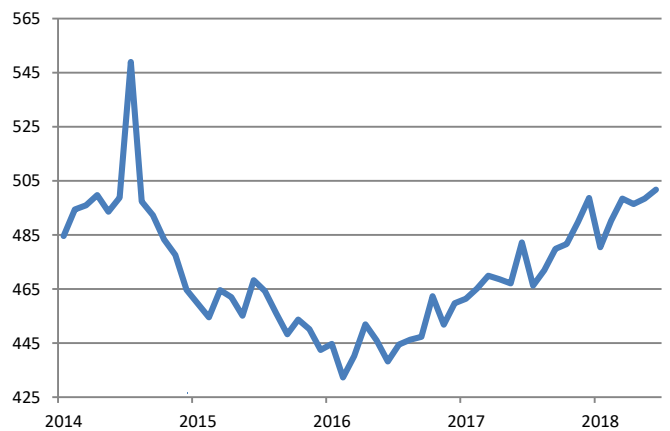
Consumer Confidence Index



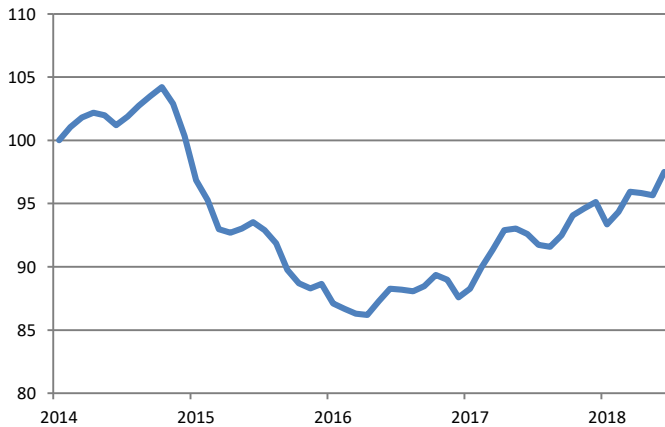
Purchasing Manager's Index



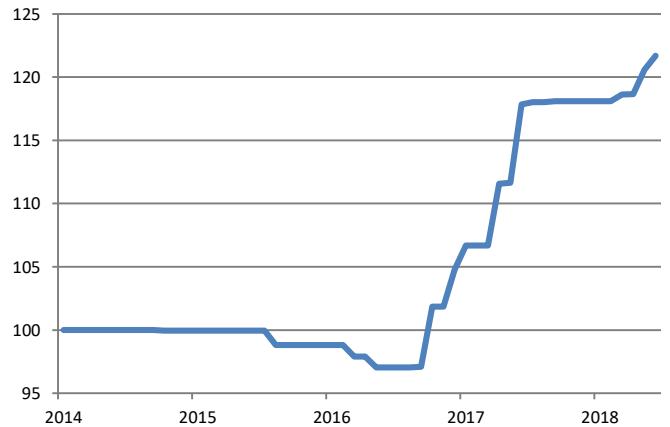
Manufacturers' New Orders (\$ in billions)



PPI: Plastics Material and Resins Manufacturing



PPI: Pulp, Paper and Corrugated Paperboard



Sources: Federal Reserve Economic Data; The Conference Board; Institute for Supply Management; U.S. Census Bureau

Notes: Consumer Confidence Index Jan 1985 = 100; Producer Price Index (PPI) for Plastics Material and Resins Manufacturing Jan 2014 = 100; PPI for Pulp, Paper and Corrugated Paperboard Jan 2014 = 100

Public Company Data

IOA Packaging Index – Constituent Company Financial Performance Data

(\$ in millions)

Company Name	Market		Gross Profit		EBITDA		TEV	TEV/ EBITDA
	Cap	Revenues	\$	%	\$	%		
<i>Flexible Plastic</i>								
Amtcor Limited	\$ 12,337	\$ 9,136	\$ 1,877	20.5%	\$ 1,436	15.7%	\$ 16,521	12.0x
Sealed Air Corporation	6,841	4,645	1,476	31.8%	789	17.0%	9,919	12.8x
Huhtamäki Oyj	3,858	3,487	582	16.7%	458	13.1%	4,752	10.5x
Bemis Company, Inc.	3,840	4,099	801	19.5%	572	13.9%	5,357	9.6x
Wipak Ltd.	2,174	880	269	30.6%	193	22.0%	1,902	10.0x
MEDIAN	\$ 3,858	\$ 4,099	\$ 801	20.5%	\$ 572	15.7%	\$ 5,357	10.5x

<i>Paper</i>								
International Paper Company	\$ 21,566	\$ 22,682	\$ 6,913	30.5%	\$ 3,630	16.0%	\$ 31,791	8.7x
WestRock Company	14,454	16,109	3,257	20.2%	2,700	16.8%	20,953	8.1x
Mondi plc	13,093	8,448	3,788	44.8%	1,766	20.9%	15,028	9.2x
Packaging Corporation of America	10,460	6,783	1,557	23.0%	1,413	20.8%	12,858	9.4x
Smurfit Kappa Group plc	9,553	10,217	3,252	31.8%	1,576	15.4%	13,024	9.4x
BillerudKorsnäs AB (publ)	2,928	2,566	1,302	50.8%	359	14.0%	3,518	8.1x
DS Smith Plc	7,387	7,933	729	9.2%	943	11.9%	9,638	10.6x
Sonoco Products Company	5,227	5,169	977	18.9%	656	12.7%	6,411	9.6x
Graphic Packaging	4,502	5,233	832	15.9%	813	15.5%	8,283	11.1x
KapStone Paper and Packaging	3,374	3,439	1,052	30.6%	497	14.4%	4,851	10.9x
Greif, Inc.	2,640	3,804	737	19.4%	466	12.3%	3,706	7.9x
Cascades Inc.	848	3,392	510	15.0%	324	9.5%	2,158	6.9x
MEDIAN	\$ 3,374	\$ 3,804	\$ 832	18.9%	\$ 497	12.7%	\$ 4,851	9.6x

<i>Rigid Plastic</i>								
Berry Global Group, Inc.	\$ 6,050	\$ 7,696	\$ 1,449	18.8%	\$ 1,340	17.4%	\$ 11,793	8.8x
AptarGroup, Inc.	5,826	2,664	924	34.7%	517	19.4%	6,355	12.8x
RPC Group Plc	3,990	5,260	2,644	50.3%	801	15.2%	5,519	7.3x
Silgan Holdings Inc.	2,967	4,334	706	16.3%	603	13.9%	5,726	9.6x
Essentra plc	1,659	1,343	113	8.4%	159	11.8%	1,955	12.4x
Pact Group Holdings Ltd	1,296	1,238	695	56.1%	165	13.4%	1,680	10.2x
Nampak Limited	737	1,607	812	50.6%	240	14.9%	1,177	5.7x
MEDIAN	\$ 2,313	\$ 2,135	\$ 759	42.5%	\$ 378	14.4%	\$ 3,737	9.9x

Public company data obtained from S&P Capital IQ as of 6/30/2018

Public Company Data *(continued)*

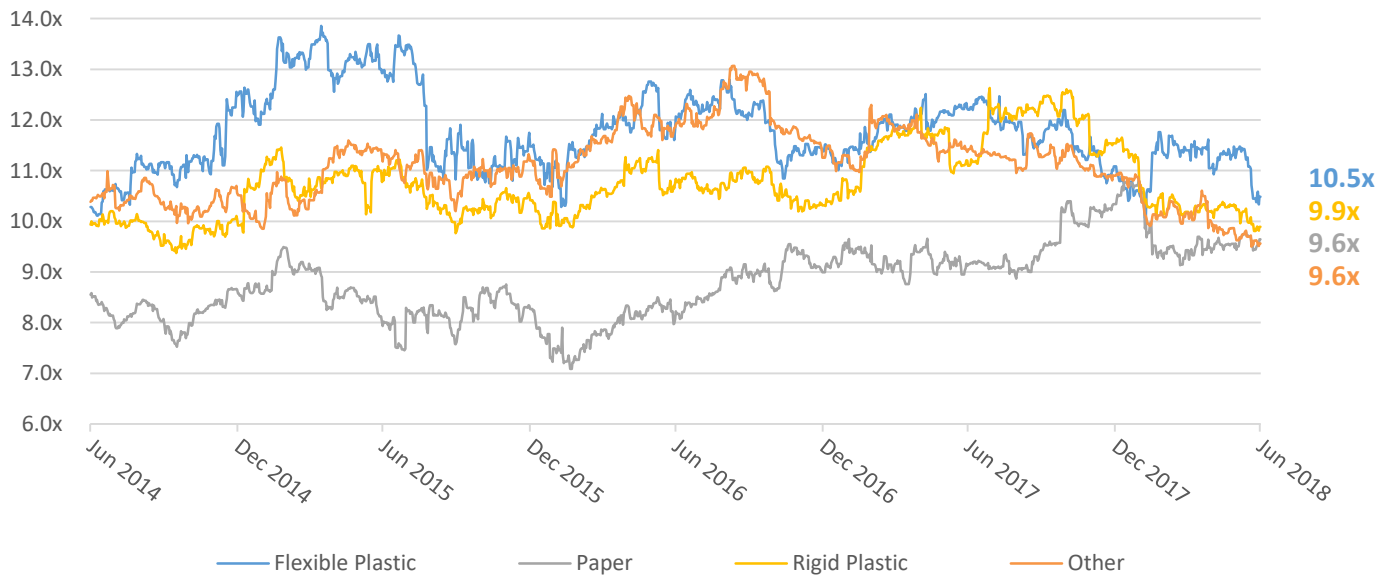
IOA Packaging Index – Constituent Company Financial Performance Data

(\$ in millions)

Company Name	Market Cap	Revenues	Gross Profit		EBITDA		TEV	TEV/EBITDA
			\$	%	\$	%		
<i>Other</i>								
Ball Corporation	\$ 12,415	\$ 11,541	\$ 2,348	20.3%	\$ 1,866	16.2%	\$ 19,511	10.5x
Crown Holdings, Inc.	6,012	9,879	1,916	19.4%	1,487	15.1%	12,029	8.7x
Owens-Illinois, Inc.	2,718	7,011	1,142	16.3%	981	14.0%	8,279	7.8x
ORG Technology Co., Ltd.	1,943	1,282	355	27.7%	271	21.2%	2,707	10.5x
MEDIAN	\$ 4,365	\$ 8,445	\$ 1,529	19.9%	\$ 1,234	15.6%	\$ 10,154	9.6x

Public Packaging Companies' valuation multiples ranged from 9.6x to 10.5x at the end of June 2018

Median Public Company Valuation Multiples by Segment



Public company data obtained from S&P Capital IQ as of 6/30/2018

About InterOcean Advisors

Middle Market Investment Bank

InterOcean Advisors LLC is one of North America's leading specialty investment banks focused on the manufacturing sector. Through this singular focus, InterOcean has developed deep industry expertise that time and again proves invaluable to our clients. With extensive transaction experience in the manufacturing sector, coupled with the practical advice of dedicated senior advisors with relevant operating expertise, the InterOcean team can provide seasoned advice targeted to the Plastics and Packaging industry and our clients' specific circumstances.

InterOcean provides sophisticated M&A advisory services to private business owners, corporations, private equity groups, family offices and management teams.

InterOcean is dedicated to providing high quality advisory services and is recognized as a leading boutique investment bank. Most recently, InterOcean was selected as a finalist for the M&A Advisor's 2017 Industrials M&A Deal of the Year and was named to the 2017 Axial 100 list for the most referred middle market M&A advisory firms.



Plastics and Packaging Focus

InterOcean advises companies in the Packaging industry that manufacture and distribute packaging products, solutions and equipment in all segments of the industry including paperboard, rigid plastic, flexible plastic, glass and metal and all related packaging machinery and equipment. Our plastics clients manufacture plastic products through a number of processes including thermoforming, sheet and film extrusion, injection molding, blow molding, and rotational molding. For additional information on this newsletter or InterOcean's plastics and packaging services, please contact:

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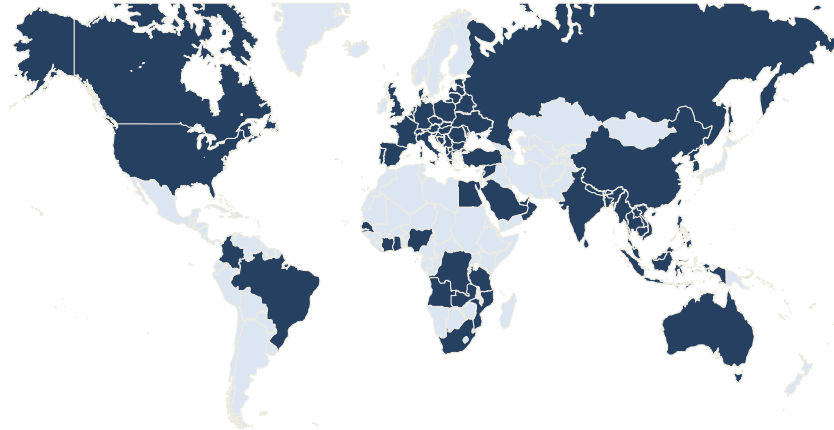
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Global Coverage

Terra Alliance

InterOcean is a U.S. member of the Terra Corporate Finance Alliance, a growing international alliance of well-established investment banks with operations in North America, South America, Europe, the Middle East, Africa and Asia. Through this network, InterOcean has a platform for offering enhanced identification of, and access to, potential transaction parties around the globe.



www.terra-alliance.com

- › Founded in 2002
- › Consists of leading middle market M&A and corporate finance advisory firms
- › 27 offices across five continents
- › An effective network with a high degree of cooperation and a strong record of transaction success

Select Packaging Transactions

Terra Alliance firms have advised on more than 380 M&A transactions with a total value of approximately \$29B, including the following packaging-related activities.

ASIAPACK
PACK STOCK SHIP

Sale of a majority stake in
Asiapack Limited to

Packing, Co-Packing, Stock,
and Logistics Services

SAICA
PERFUME | PAPERUA | PAPERCH

Saica has acquired

Flexible Plastic Packaging

Middle East Glass
has acquired

Glass Bottles and Containers

Sale of a majority stake in
Betapack to

Plastic Caps and Handles

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