



Capstone Partners

PACKAGING Q1 2016

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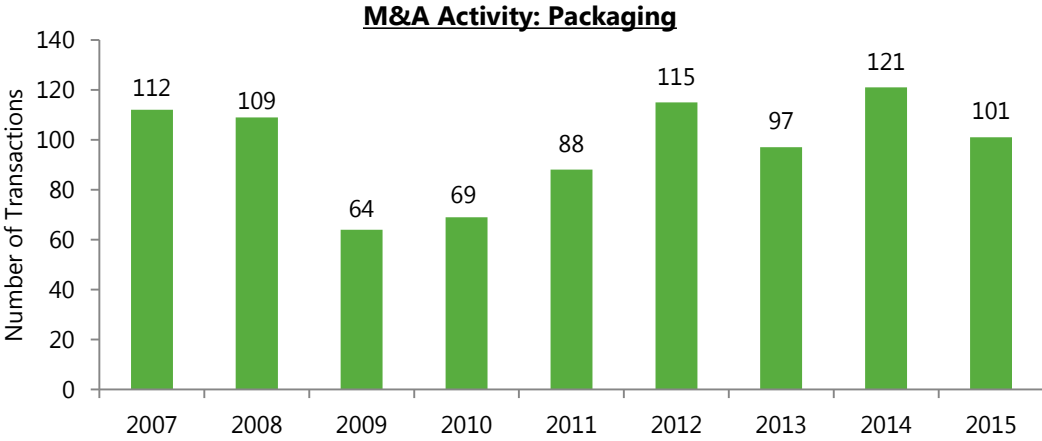
MERGERS & ACQUISITIONS

Merger and acquisition activity in 2015 corrected to 101 transactions after a record setting 2014. Although transaction levels were lower, industry fundamentals are healthy and multiples remain strong as established players continue to snap up innovative technologies and processes in niche segments of the industry in an effort to gain a stronger foothold in this largely fragmented industry. Capstone expects transaction activity to remain elevated as the industry focuses on consolidation in an effort to provide top to bottom solutions to customers.

2016 OUTLOOK

Arguably the most significant trend in the packaging sector looking forward is the rise of consumer demand for sustainable packaging solutions. Purchasers of packaging products and services have identified environmental responsibility as a top criteria when making purchasing decisions which has led to widespread adoption among industry providers. Household names like Apple, who recently purchased 36,000 acres of timberland in Maine and North Carolina to create a sustainable source of packing materials, and P&G, who has poured resources into developing and encouraging recycling programs around the United States, have jump started this trend with smaller players expected to follow suit.

In lockstep with the sustainable packaging movement, the protective packaging segment of the industry is expected to generate high levels of activity in 2016. As more and more customers become accustomed to and comfortable with online shopping, demand for protective packaging for ecommerce shipments is expected to show strong growth. This includes protective mailers, air pillows, and similar products designed to keep products safe as they are shipped from company to consumer.



Sources: Capital IQ, Capstone Partners LLC research

NOTABLE PACKAGING TRANSACTIONS

Several notable transactions were completed or announced in the Packaging industry in 2015. Selected transactions are outlined below, followed by a more comprehensive list in the following table.

- ▶ **Storopack furthers commitment to protective loose-fill packaging with multiple acquisitions (December 2015)** – E-commerce's rise as a preferred method of shopping has driven complementary growth and M&A activity within the Packaging industry. Recently, Storopack, a Germany-based manufacturer of protective packaging solutions, bolstered its US and Canadian loose-fill packaging business with the acquisition of various assets of CPI Packaging (CPI) and Sealed Air Corporation (Sealed Air). Terms of the two deals were not disclosed. CPI's EPS, bio loose-fill and bubble products in New Jersey will be integrated into Storopack's production network along with Sealed Air's North Carolina assets in bioresin loose-fill and cushion bags. The deal enables Storopack to strengthen its product portfolio and drive efficiency, furthering its commitment to loose-fill as a core product offering. Over the past few years Storopack has actively sought strategic acquisitions to expand geographically, totaling 7 acquisitions worldwide since January 2014. Storopack's acquisitive strategy will enable them to capitalize on the forecasted 4.9% year over year growth in demand for packaging products that protect shipped goods from shock, vibration, abrasion and other damage.
- ▶ **Duravant adds packaging machinery companies to its portfolio with acquisitions of Hamer and Mespac (May and June 2015)** – Duravant, a global equipment manufacturer for the packaging, food processing and material handling industries, recently acquired the Minnesota, US based Hamer and the Barcelona, Spain based Mespac. As a result of the acquisitions, Duravant has expanded its platform of operating companies to include five main brands, three of which – Hamer, Mespac and Fischbein – operate in the packaging machinery segment. Terms of both deals were not announced.

The May acquisition of Hamer strengthened Duravant's core packaging capabilities and enabled them to develop a foothold in Hamer's end markets which include agriculture, lawn and garden, industrial dry solids and packaged ice. Then, less than thirty days later, Duravant acquired Mespac, a manufacturer of flexible packaging equipment specializing in horizontal form-fill-seal technologies for flexible pouches, stick packs and sachets. Mespac serves prominent consumer packaged good companies throughout the world including brands under Kraft and Nestlé and reported revenues of \$57.9 million USD in 2014. Both Hamer and Mespac highlight three similar strategic characteristics in Duravant's acquisition strategy, namely companies that provide operational excellence, a deep commitment to innovation and dedication to exceptional customer service.

PACKAGING: SELECT M&A TRANSACTIONS

Announced Date	Target	Acquiror	Target Business Description	Enterprise Value (mm)	EV / LTM Revenue	EBITDA
12/15/15	Whitehouse Laboratories	Albany Molecular Research	Offers container qualification, package testing and CCI testing to pharmaceutical and medical device companies.	CF	CF	CF
12/14/15	Harvest Time Produce	Freska Produce International	Provides avocado packaging services.	-	-	-
12/10/15	Cenveo Packaging	WestRock Converting	Offers printing and packaging solutions.	\$105.0	-	-
12/08/15	CPI and Sealed Air Products	Storopack	Manufactures bio loose-fill packaging material.	-	-	-
12/03/15	CoSine Communications	Steel Partners	Manufactures foils, films and laminates which are used to enhance the visual appeal of products and packaging.	-	-	-
12/03/15	Coating Excellence	ProAmpac	Provides flexible packaging and wide web extrusion coating and laminating of film, foil and paper.	-	-	-
12/01/15	Bloomer Plastics	Charter NEX Films	Manufactures custom engineered polyethylene, polypropylene, nylon and biodegradable films.	-	-	-
12/01/15	Mack Paper	Hanchett Paper	Distributes a range of packaging and protective products.	-	-	-
12/01/15	Arctic Packaging	Crawford Packaging	Distributes packaging and other daily use products for companies in Ontario, Canada.	-	-	-
12/01/15	C.H. Ellis	MPI	Produces industrial cases for industry, agriculture, business and commerce, military and government applications.	-	-	-
12/01/15	Superior Business	I.D. Images	Produces logos, forms, labels and other marketing pieces for independent distributors.	-	-	-
11/19/15	Automatän	Inspire Automation	Develops graphics-related equipment to the corrugated, folding carton, litho and flexo printing industries.	-	-	-
11/10/15	Diablo Valley Packaging	Berlin Packaging	Provides food, beverage, beer, liquor and wine packaging solutions worldwide.	-	-	-
11/05/15	Unique Solutions	TNA Australia	Produces inserts, labels and packaging technology for the consumer goods industry.	-	-	-
11/04/15	FlexXray	Barton Creek Equity Partners	Provides food packaging inspection services.	CF	CF	CF
11/03/15	RJM Manufacturing	Intertape Polymer	Manufactures and sells pressure sensitive adhesive tapes primarily for industrial packaging.	\$11.0	0.6x	-
11/02/15	KSP	Mondi	Manufactures and distributes flexible packaging solutions for food and beverage industries worldwide.	-	-	-
11/02/15	Remtec	Legacy Technologies	Manufactures advanced ceramic packaging technology.	-	-	-
10/30/15	Crate Tech	FCA	Supplies custom industrial crating and packaging solutions.	-	-	-
10/22/15	Sound Packaging	Smurfit Kappa Orange County	Sells corrugated boxes and sheets.	-	-	-
10/19/15	Hillside Plastics	Carr Management	Manufactures standard and custom blow-molded HDPE and polypropylene containers.	-	-	-

PACKAGING: SELECT M&A TRANSACTIONS (CONTINUED)

Announced Date	Target	Acquiror	Target Business Description	Enterprise Value (mm)	Revenue	EV / LTM EBITDA
10/07/15	Corrugated Technologies	Electronics for Imaging	Develops manufacturing and supply chain software solutions for paper-packaging manufacturers.	-	-	-
10/02/15	Kapak	Foodpack	Offers lamination services and flexible pouches.	\$14.4	-	-
10/01/15	Carded Graphics	Graphic Packaging	Offers custom printed cartons.	-	-	-
10/01/15	Taylor-Made Labels	Resource Label	Designs, manufactures and sells pressure-sensitive labels and tags for a variety of industries.	-	-	-
09/30/15	KPAQ Industries	Hood Container	Manufactures products for lightweight linerboard, paper bag and unbleached market pulp end use applications.	-	-	-
09/30/15	Monet Graphics	Inland	Manufactures packaging labels for the food and beverage industry.	-	-	-
09/24/15	Computer Integrated	Atlantic	Designs material handling and packaging solutions in the Southeastern United States.	-	-	-
09/23/15	Montebello Container	Crown Paper	Manufactures corrugated sheets for corrugated sheet plant customers in Southern and Central California.	-	-	-
09/21/15	Klikwood	Bosch Packaging	Manufactures and distributes cartons and vertical-form-fill-seal packaging machinery.	-	-	-
09/18/15	Liqui-Box	Olympus Partners	Provides bag-in-box flexible packaging solutions for liquid and semi-liquid products worldwide.	-	-	-
09/16/15	Jones' Shrink Sleeve Business	Safety Seal Plastics	Offers shrink sleeve manufacturing services.	-	-	-
09/15/15	Alcan Global Packaging	DURAN Group	Manufactures and distributes glass and plastic packaging for biotechnology and cosmetic markets.	-	-	-
09/11/15	Eastern States' Packaging	Allstar Supply	Sells packaging supplies.	-	-	-
09/10/15	Ams Associates	Sun Coast	Provides plastic packaging solutions.	-	-	-
09/09/15	Greydon	ID Technology	Provides printing equipment for form, fill and seal packaging machine applications.	-	-	-
09/04/15	Cano's Sheet Manufacturing	International Paper	Offers paper and corrugated packaging sheet manufacturing solutions.	-	-	-
09/04/15	Printex Packaging	Printex Transparent Packaging	Produces printed window affixing and hybrid paper cartons.	-	-	-
09/03/15	Skybox Packaging	Atlantic Packaging	Manufactures and distributes corrugated packaging products and supplies for businesses in Ohio.	-	-	-
09/01/15	Ultra Flex Packaging	Transcontinental	Manufactures flexible packaging products for various markets.	\$80.0	1.1x	6.7x
09/01/15	Vivid Packaging	Berlin Packaging	Designs and manufactures containers and packaging solutions.	-	-	-
08/18/15	Anasco	B2B Industrial Packaging	Offers fastening and packaging systems.	-	-	-

PACKAGING: SELECT M&A TRANSACTIONS (CONTINUED)

Announced Date	Target	Acquiror	Target Business Description	Enterprise Value (mm)	EV / LTM Revenue	EBITDA
07/23/15	Ampac	Prolamina	Manufactures and supplies flexible packaging solutions, retail shopping bags and security bags.	-	-	-
07/20/15	Fibermark	Neenah Paper	Manufactures fiber-based covering materials and cloths for applications in luxury packaging markets.	\$120.0	0.8x	-
07/20/15	PA&E	ShoreView Industries	Offers micro-electronic hermetic packaging products.	-	-	-
07/14/15	LBP Manufacturing	Pritzker Group Private Capital	Manufactures paper-based on-the-go packaging products.	-	-	-
07/10/15	L&L Foods	Peacock Engineering	Provides food packaging solutions.	-	-	-
07/07/15	American Corrugated	Welch Packaging	Offers packaging products for automotive, consumer and industrial markets.	-	-	-
07/06/15	Infitrak	Mesa Laboratories	Provides packaging, consulting and measuring solutions for cold chain applications.	\$21.4	-	-
07/02/15	Shillington Box	New-Indy Containerboard	Manufactures corrugated packaging materials for various industries in the United States.	-	-	-
07/02/15	Curtiss-Wright	Atrenne Computing	Manufactures electronic packaging machinery for military and defense sectors.	-	-	-
06/30/15	Metro Label	Tapp Label	Manufactures custom printed labels.	-	-	-
06/29/15	J.L. Clark	CC Industries	Offers specialty packaging design and manufacturing.	\$48.0	0.6x	-
06/25/15	Associated Packaging	Langguth America	Manufactures packaging machinery for customers in North America.	-	-	-
06/23/15	Core Label	Fort Dearborn	Supplies labels to the beverage industry.	-	-	-
06/23/15	Apex Bag	Gateway Packaging	Manufactures multi-wall paper bags.	-	-	-
06/05/15	Kopco Graphics	Fortis Solutions	Operates as a custom label manufacturing company.	-	-	-
06/05/15	Color Craft Label	Fortis Solutions	Provides pressure sensitive labeling services.	-	-	-
06/05/15	CanamPAC	PaperWorks Industries	Offers graphic, packaging and marketing material solutions in North America.	-	-	-
06/05/15	Advanced Web	Mason Wells	Provides labels and flexible packaging worldwide.	-	-	-
06/02/15	Assurance Operations	Amzak Capital	Offers custom industrial packaging.	-	-	-
06/01/15	Portable Packaging	Menasha Packaging Canada	Provides temporary merchandising and contract packaging services for consumer packaged goods.	-	-	-
05/28/15	Hamer	Duravant	Designs and manufactures automated packaging equipment and systems.	-	-	-

CAPSTONE PARTNERS: A SAMPLING OF COMPLETED PACKAGING TRANSACTIONS

SPOTLIGHT: RECENTLY COMPLETED PACKAGING TRANSACTIONS



In August 2015, Capstone Partners advised FlexRay on its acquisition by Barton Creek Equity Partners. The investment will enable FlexRay to expand geographically and provide ancillary services to its customers.

Founded in 2003, FlexRay provides state-of-the-art X-ray inspection for packaged food products as well as outsourced packaging and related services. The company has developed leading, certified technology to identify faulty can and bottle seals, and find foreign contaminants such as metal, glass, wood, stone, plastic and rubber.

After producing various marketing materials and compiling a list of over 130 potential acquirers, Capstone received 18 written offers and facilitated a premium sale price on terms that were very favorable to the seller. The buyer, Barton Creek Equity Partners, was focused on FlexRay's strong repeat business from a blue-chip customer base.

OTHER COMPLETED PACKAGING TRANSACTIONS

Capstone has represented clients across various packaging material and end-market specialties. This focus allows Capstone to provide packaging companies with real-time transaction feedback and immediate access to key decision makers among the industry's most active acquirers and investors. A sampling of closed transactions is shown below.



THE PACKAGING TEAM

**David Bench, Managing Director**

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David is a Managing Director in charge of the Western Region, based out of Orange County. Prior to Capstone, David managed the Western region for Morgan Stanley Smith Barney's Capital Strategies Group and its predecessor, Citi Capital Strategies. David has focused on middle market investment banking for nearly 30 years and has been the lead banker in over 250 M&A transactions involving both domestic and foreign corporate buyers, as well as leveraged recaps with private equity sponsors. David's achievements in investment banking have gained national recognition by The M&A Advisor: one of his transactions was awarded the "Private Equity Deal of the Year," while another was recognized as the "Energy Deal of the Year." Mr. Bench has also been awarded "Middle Market Financing Professional of the Year," an award recognizing M&A's most accomplished professionals. Mr. Bench holds a BS and an MBA in Finance from Brigham Young University. He is a Series 7 and 63 Registered Securities Representative and a Series 24 Registered Securities Principal.

**Tracy Patch, Vice President**

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Tracy is a Vice President in the Orange County office, supporting the management of the Western Region. Prior to Capstone, Tracy worked as a senior banking professional in Morgan Stanley Smith Barney's Capital Strategies Group and its predecessor, Citi Capital Strategies. She possesses over ten years of experience in middle market investment banking, working on both domestic and cross-border transactions. Her previous finance experience includes working in the hedge fund industry with Collins/Bay Island Securities LLC and Talisman Capital. Prior to that, Mrs. Patch worked with institutional fixed income sales at Vining Sparks IBG, LP and Robert Thomas Securities, Inc. She also was a manager at The Disney Company. Mrs. Patch holds an MBA from Pepperdine University and a BS in Finance from Miami University of Ohio. She is a Series 7 and 63 Registered Securities Representative.

**Christopher Cardinale, Associate**

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Christopher is an Associate in the Orange County office. He supports management and clients in the Western Region. Christopher is engaged in the execution and advisory of mergers, acquisitions and strategic capital raises. Prior to joining Capstone, he was an associate with a boutique M&A firm focused on valuation, M&A advisory, corporate finance, acquisition target research and exit-planning strategy. His industry experience includes manufacturing, healthcare, TMT and consumer. Christopher was also a research analyst in the M&A department at United Capital Financial Advisors. He earned a BA from the University of San Diego. Christopher is a Registered Securities Representative having passed the FINRA Series 79 and 63 examinations.

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ABOUT CAPSTONE PARTNERS

Capstone Partners LLC is a premier investment banking firm dedicated to serving the corporate finance needs of middle market business owners, investors and creditors. The firm provides M&A, corporate restructuring, private placement and financial advisory services. Headquartered in Boston, Capstone has offices in Chicago, London, Los Angeles, New York, Orange County, Philadelphia, San Diego, Silicon Valley and Tampa with an international presence that spans 450+ professionals in 70 offices across 31 countries.

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