



# Capstone Partners

Investment Banking Advisors

## PACKAGING

Q3 2015

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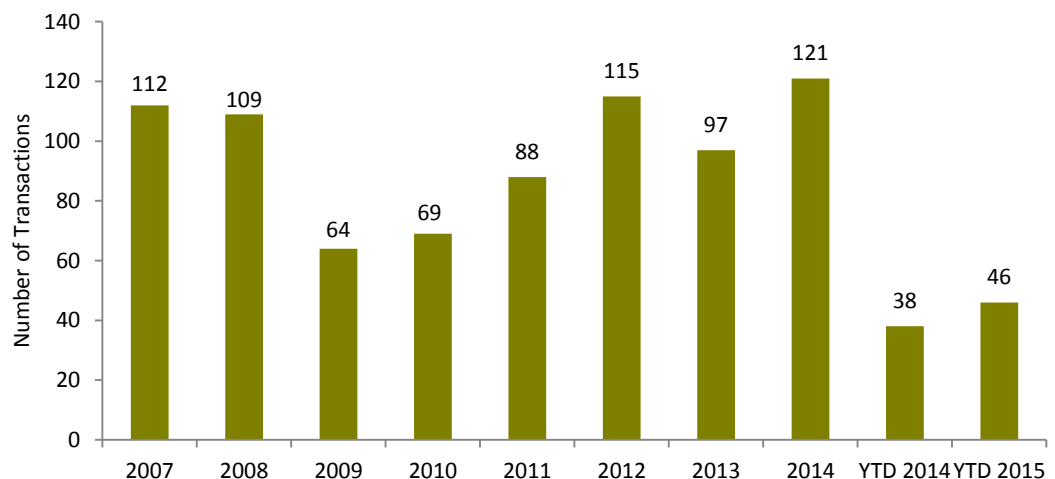
### MERGERS & ACQUISITIONS

Merger and acquisitions in the packaging sector posted another strong level of activity through August 2015. Recent activity is primarily driven by larger industry players acquiring smaller niche players that enter this highly fragmented, mature industry. These niche companies, often with innovative packaging products, are desirable targets by larger companies that have recognized the opportunity to expand their own breadth and depth of service offerings through M&A, and to take advantage of economies of scale in an effort to increase profitability. The industry is seeing more and more firms enter the market post-recession with technology focused offerings including RFID tags, pressure sensitive labels, or better security or temperature control which has forced the existing firms to either compete or acquire. The acquirers ability to absorb high initial investment cost remains the most important factor when considering these types of deals.

### 2015 OUTLOOK

Looking forward, the outlook for the packaging industry is favorable through 2020. Packaging for highly regulated markets like food manufacturing or pharmaceuticals often changes quickly based on changes in regulations. The rapid growth of e-commerce channels and changing consumer preferences has pushed packaging product and service providers to the forefront of strategic decision making on brand identity and awareness. Packaging providers will increasingly be viewed as an avenue for differentiation and innovation, rather than as a cost center. In the near future Capstone expects acquirers to use consolidation to gain market share, increase economies of scale, and diversify their product offerings to a rapidly expanding range of clients.

### Middle Market Packaging Industry Transactions



\*YTD through 8/31

Sources: Capital IQ, Capstone Partners LLC research

## NOTABLE PACKAGING TRANSACTIONS

Several notable transactions were completed or announced in the packaging industry in the first half of 2015. Selected transactions through the third quarter are outlined below, followed by a more comprehensive list in the following table.

- ▶ **Kapstone Paper and Packaging acquires Victory Packaging (May 2015)** – Kapstone acquired the assets of Victory Packaging in a cash-free, debt-free transaction for \$615 million in cash. In addition, two contingent earnouts totaling \$45 million could be payable two and a half to four years after the close. The earnout is based on strong continued growth of the business. The structure of the transaction will enable Kapstone to realize a tax benefit that has an estimated net present value of approximately \$100 million. Taking this benefit into account, the net purchase is about \$515 million. Founded in 1976, Victory Packaging, headquartered in Houston, TX, is a large, national distributor of all types of packaging specializing in providing unique solutions for its clients. Victory's net sales grew to \$953 million and adjusted EBITDA reached \$55 million for the year ended December 31, 2014, and the CAGR for both net sales and adjusted EBITDA exceeded 14% for the past four years.
- ▶ **Mesa Labs acquires Infitrak (July 2015)** – Mesa acquired the stock of Infitrak of Canada, whose business involves providing consulting, packaging and measuring solutions for cold chain applications. The acquisition price for Infitrak consisted of cash consideration of \$9.6 million which is subject to a minor working capital adjustment and a future contingent payment of up to \$12 million-based on the growth of Infitrak's cold chain business during the first two years following the acquisition. The acquisition of Infitrak is expected to add approximately \$5.5 million to Mesa's revenues and to be accretive to their diluted net income per share during the first twelve months. The Infitrak management team will remain with the company, helping to drive growth of the business. John J. Sullivan, President and CEO of Mesa, commented, "Infitrak's business has been expanding rapidly in recent years and, by leveraging Mesa's resources and contacts in the pharmaceutical industry, we are looking forward to continued rapid growth as we take their business model from Canada into the U.S. market."
- ▶ **CC Industries acquires J.L. Clark (June 2015)** – J.L. Clark has been sold to CC Industries, an affiliate of Henry Crown & Co. With 350 employees and annual revenues of \$77 million, J.L. Clark designs and manufactures specialty metal and plastic packaging for a variety of consumer-products customers. The 111-year-old Illinois-based company also has manufacturing facilities in Lancaster, Pennsylvania, and was the original business of CLARCOR Inc. In addition to decorated metal specialty packages and components, J.L. Clark makes injection molded plastic packages, closures and components. Product and service sales reach across a variety of consumer-product segments, including spices, health and beauty aids, confections and batteries. J.L. Clark President Philip Baerenwald commented, "We are excited to adjust our ownership structure to an orientation that will more proactively develop new growth opportunities at a more rapid rate."

## PACKAGING: SELECT M&amp;A TRANSACTIONS

Date	Target	Acquiror	Target Business Description	Enterprise	EV / LTM	
				Value (mm)	Revenue	EBITDA
08/18/2015	Anasco Incorporated	B2B Industrial Packaging	Offers fastening and packaging systems.	-	-	-
07/23/2015	Ampac Holdings	Prolamina Corporation	Manufactures and supplies flexible packaging solutions, retail shopping bags, and security bags.	-	-	-
07/20/2015	Fibermark	Neenah Paper	Manufactures fiber-based covering materials and cloths for applications in luxury packaging markets.	\$120.0	0.8x	-
07/20/2015	SOURIAU PA&E	ShoreView Industries	Manufactures micro-electronic hermetic packaging products.	-	-	-
07/14/2015	LBP Manufacturing	Pritzker Group Private Capital	Manufactures paper-based on-the-go packaging products.	-	-	-
07/10/2015	L&L Foods	Peacock Engineering Company	Provides food packaging solutions.	-	-	-
07/07/2015	American Corrugated Prod.	Welch Packaging Group	Offers packaging products for automotive, consumer, and industrial markets.	-	-	-
07/06/2015	Infitrak	Mesa Laboratories	Provides consulting, packaging, and measuring solutions for cold chain applications.	\$21.4	-	-
07/02/2015	Shillington Box Company	New-Indy Containerboard	Manufactures corrugated packaging materials for various industries in the United States.	-	-	-
07/02/2015	Curtiss-Wright Corporation	Atrenne Computing Solutions	Manufactures electronic packaging machinery for military and defense sectors.	-	-	-
07/01/2015	West Bend Assisted Living	Genoa	Offers multiple medication packaging systems.	-	-	-
06/30/2015	Metro Label Group	Tapp Label Company	Manufactures custom printed labels.	-	-	-
06/29/2015	J.L. Clark	CC Industries	Offers specialty packaging design and manufacturing.	\$48.0	0.6x	-
06/25/2015	Associated Packaging Equip.	Langguth America	Manufactures packaging machinery for customers in North America.	-	-	-
06/23/2015	Core Label	Fort Dearborn Company	Supplies beverage labels to the Fortune 100 companies, and national and regional consumer product organizations.	-	-	-
06/23/2015	Apex Bag Company	Gateway Packaging Company	Manufactures multi-wall paper bags.	-	-	-
06/05/2015	Kopco Graphics	Fortis Solutions Group	Operates as a custom label manufacturing company.	-	-	-
06/05/2015	Color Craft Label Company	Fortis Solutions Group	Provides pressure sensitive labeling services.	-	-	-
06/05/2015	CanamPAC	PaperWorks Industries	Offers graphic, packaging and marketing material solutions in North America.	-	-	-
06/05/2015	Advanced Web	Mason Wells	Provides labels and flexible packaging worldwide.	-	-	-
06/02/2015	Assurance Operations	Amzak Capital Management	Offers custom industrial packaging.	-	-	-

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Date	Target	Acquiror	Target Business Description	Enterprise	EV / LTM	
				Value (mm)	Revenue	EBITDA
06/01/2015	Portable Packaging Systems	Menasha Packaging Canada	Provides temporary merchandising and contract packaging services for the consumer packaged goods industry.	-	-	-
06/01/2015	Packaging Professionals	Mac Papers	Offers packaging materials and equipment.	-	-	-
05/28/2015	Hamer	Duravant	Provides automated packaging systems in the United States.	-	-	-
05/05/2015	Victory Packaging	KapStone Kraft Paper	Manufactures packaging solutions.	\$640.0	0.7x	11.6x
05/05/2015	Fontis Solutions	Safeguard Business Systems	Provides packaging, digital product support and single-source supply-chain management to businesses worldwide.	-	-	-
05/04/2015	Precision Valve	Peak Rock Capital	Manufactures packaging dispensing systems and solutions.	-	-	-
05/01/2015	Tara Plastics Corporation	McNeely Plastic Products	Manufactures packaging films.	-	-	-
04/14/2015	Robert Mann Packaging	Pratt Industries	Offers services for stock, custom paper, and plastic packaging products.	\$60.0	0.4x	-
04/08/2015	Better Packages	Intertape Polymer Group	Manufactures water-activated tape dispensers used for carton sealing.	\$16.0	0.9x	-
04/02/2015	NOVIPAX	Atlas Holdings	Offers barrier and non-barrier trays; and packaging and support services.	-	-	-
03/27/2015	Willgain Enterprises	Tomar Industries	Distributes industrial packaging products and related equipment in the New York Metro area.	-	-	-
03/24/2015	Silver Spur Corporation	Meridian General Capital	Manufactures and distributes glass and plastic bottles.	-	-	-
03/13/2015	FCA	Graycliff Partners	Manufactures wood, engineered wood, steel, corrugated, and hybrid industrial packaging products.	-	-	-
03/03/2015	Carolina Paper Tubes	Ox Industries	Manufactures spiral wound paper tubes/cores and big rolls for turf and sod industries, as well as for industrial packaging.	-	-	-
03/02/2015	Tulox Plastics Corporation	VisiPak	Manufactures custom plastic packaging tubes.	-	-	-
02/26/2015	Bennu Glass	Owens-Brockway Glass Container	Manufactures glass bottles.	-	-	-
02/23/2015	Intertech Corporation	Pretium Packaging	Manufactures blow molded products and plastic containers.	-	-	-
02/05/2015	Popular Ink	Highlander Partners	Produces packaging products.	-	-	-
02/02/2015	Boxes Etc.	Mac Papers	Provides packaging solutions.	-	-	-
01/30/2015	Valid Secure Packaging	Valid USA	Provides packaging services for prepaid gift and general purpose reload card markets.	-	-	-
01/26/2015	MeadWestvaco	WestRock	Provides packaging solutions worldwide.	\$11,184.2	2.0x	11.5x

CAPSTONE PARTNERS: A SAMPLING OF COMPLETED PACKAGING TRANSACTIONS

SPOTLIGHT: RECENTLY COMPLETED PACKAGING TRANSACTIONS

**TRANSACTION  
COMPLETED\***

**OUTSOURCED FOOD  
PACKAGING SERVICES**

*has been  
acquired by*

**PRIVATE EQUITY  
GROUP**

In August 2015, Capstone Partners was the exclusive advisor to this privately-held business that provides outsourced packaging and related services to multi-national food companies for the 100% sale to a Private Equity Group.

Capstone created all of the marketing materials including an introductory Teaser and Confidential Information Memorandum, and a comprehensive list of 75 potential strategic and 60 financial acquirers. Capstone received 18 written offers, and continued to negotiate both the price and terms. The high level of interest facilitated a premium sale price of nearly 4x revenue on terms that were very favorable to the seller.

The successful bidder was focused on the strong repeat business from the blue-chip customer base. Expansion plans include establishing additional geographic locations and providing ancillary services to extend its reach within these customers.

\* The parties involved have requested confidentiality & anonymity until customers and employees have been notified.

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.



*has been  
acquired by*





*has been  
acquired by*





*has been  
acquired by*



**Portsmouth  
Paper Company**

*has been  
acquired by*





*has been  
acquired by*






*has recapitalized with*





*has been  
acquired by*



## 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 Los Angeles. 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.



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Tracy is a Vice President in the Los Angeles 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 Los Angeles 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, Philadelphia, San Diego, Silicon Valley and Tampa with an international presence that spans 450+ professionals in close to 40 countries.

For more information  
about our expertise,  
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[www.capstonellc.com](http://www.capstonellc.com)



**Capstone Partners**  
Investment Banking Advisors

World Class Wall Street Expertise. Built for the Middle Market