

Packaging Industry

Coverage Report

“Market Intelligence for Business Owners”

Q1 2013



Capstone Partners
Investment Banking Advisors

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Packaging Industry

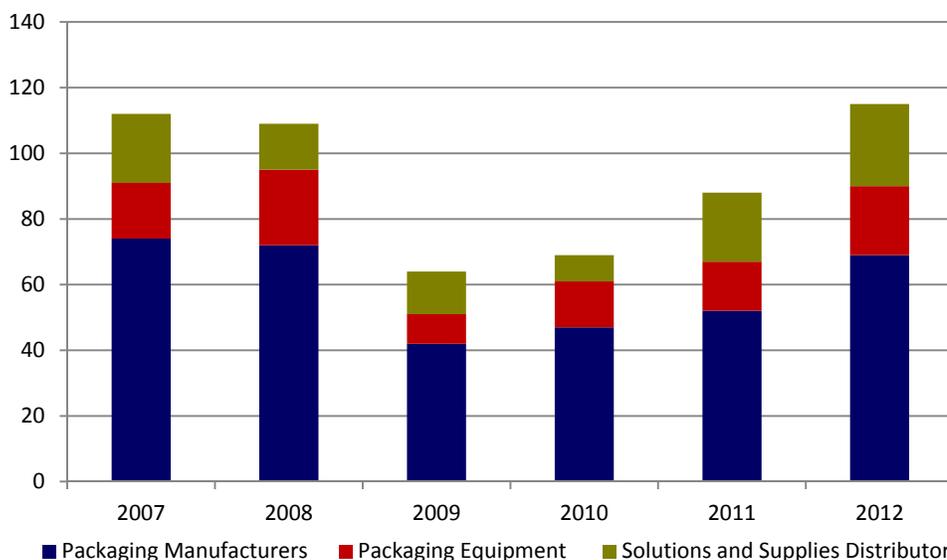
Coverage Report

2013 OUTLOOK: M&A ACTIVITY CONTINUES STRONG

The outlook for M&A activity in the packaging industry remains positive. Valuations of publicly held packaging companies continue to be healthy, while at the same time the economy is expanding slowly, resulting in steady industry growth. As a result, corporations in the industry are continuing to use mergers and acquisitions as a way to supplement organic growth, build market share and scale, improve margins and accelerate growth. They are seeking operational synergies by combining technical capabilities, and adding new products and geographic markets. At the same time, private equity sponsors continue to be attracted to the space by its fragmented nature and long-term resiliency and growth prospects. The result is a healthy level of competition among buyers vying for attractive acquisition targets.

Reflecting increased buyer interest, healthy financing conditions and improved seller businesses, M&A activity in the packaging sector increased in 2012, continuing its upward trend and for the first time exceeding pre-recession levels. By our count, the number of announced transactions increased 31% in 2012 to total 115. All segments of the industry posted gains, with packaging manufacturers accounting for the majority of transactions, followed by companies that distribute supplies to packaging manufacturers or provide packaging solutions and packaging equipment manufacturers.

M&A Activity: Packaging Industry



Source: Capital IQ, Capstone Partners LLC research

Looking forward, Capstone expects middle-market companies in the industry to remain in demand and believes 2013 will continue as a seller's market. Transaction multiples should remain healthy, due in part to financial sponsors feeling increased pressure to invest a tremendous amount of un-deployed private equity capital (estimated at approximately \$430 billion, according to PitchBook Data, Inc.) For buyers, this environment may result in an increase in the availability of quality targets, thereby creating attractive opportunities for new investments.

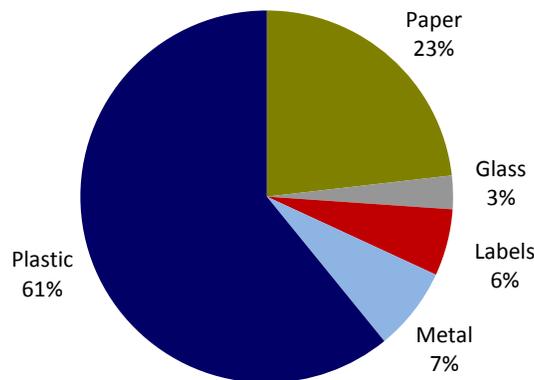
In fact, strong buyer demand exceeds the supply of quality businesses for sale, creating a seller's market, including favorable multiples and robust interest from both financial and strategic buyers.

DIVERSITY OF ACTIVITY INDICATES BROAD APPEAL

The diversity of recent packaging transactions reflects the broad appeal of acquisitions as a growth strategy for the industry. All packaging materials were represented in 2012 acquisitions and M&A activity by processing type remained fairly stable year over year on a percentage basis, with sustained interest in all segments. Most packaging sectors remain significantly fragmented, allowing for synergies resulting from M&A transactions.

Plastic packaging accounted for the majority of transactions and is especially ripe for acquisitions due to its growth opportunities, including gaining market share at the expense of other types of packaging.

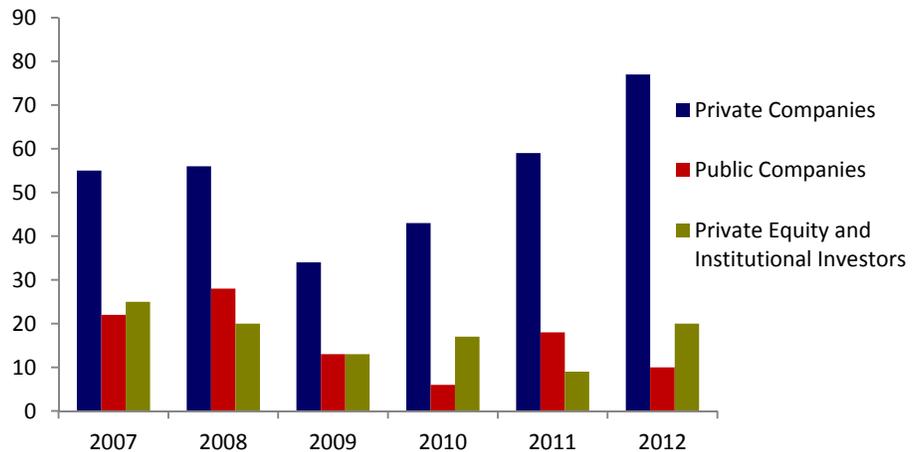
2012 Packaging Manufacturer Transactions by Material



Source: Capital IQ, Capstone Partners LLC research

Packaging companies also have broad appeal across a variety of buyer types. In fact, strong buyer demand exceeds the supply of quality businesses for sale, creating a seller's market, including favorable multiples and robust interest from both financial and strategic buyers. Strategic buyers are represented in the vast majority of transactions, but are facing competition from financial buyers. Private equity groups stepped up their interest in the industry in 2012, and are particularly focused on middle-market companies in the space.

Packaging Industry Transactions by Buyer Type



Source: Capital IQ, Capstone Partners LLC research

CCW is an American success story. The company was founded in 1979 when a husband and wife team sold their condo and traded in a corporate career to buy two plastics manufacturing machines and start a business serving just one local account. The years passed, and the company thrived.

PACKAGING CASE STUDY

Business Owners Look to Sell, Retire

Capstone Partners recently advised CCW Products, Inc. on its acquisition by Priority Plastics, Inc. The transaction, in which Capstone acted as the exclusive financial advisor to the seller, represents Capstone's latest in the packaging sector and adds to the Firm's expertise in advising on mergers, acquisitions and recapitalizations in the space. The CCW transaction involved the sale of a privately held, family-owned business to a mid-sized corporation in the industry.



CCW Products, Inc. is a manufacturer of FDA approved food-grade PVC and PET containers in a variety of shapes, sizes and capacities. CCW specializes in wide-mouth containers and excels in providing highly customized containers in over 300 shapes and sizes with minimum order quantities of one case. The company is able to provide cost-effective customized products in small quantities due to its modular-style molds that facilitate varied capacity, its single-cavity extrusion blow-mold equipment that enables quick change over between runs and its low-cost manufacturing and shipping environment. Additionally the company has in-house machine building and repair capabilities that reduce capital expenditures relative to the competition, resulting in a competitive advantage for the company.

CCW is an American success story. The company was founded in 1979 when a husband and wife team sold their condo and traded in a corporate career to buy two extrusion blow-molding machines and start a business serving local accounts. The years passed, and the company thrived. After the original owner passed away, his wife, daughter and son-in-law continued to successfully run the business. When Capstone's M&A team of David Bench, Managing Director, and Tracy Patch, Vice President, met the shareholders in late 2011 the business had been built into an attractive company with a product offering consisting of more than 300 SKUs, a base of more than 500 customers and more than 100 employees.

The three owners were motivated to sell by a collective desire to retire. After building the company for 35 years it was time to enjoy the fruits of their labor. Like most sellers, they had very specific transaction goals including a buyer who would recognize the importance of CCW's employees and would keep the plant operating. Many of the employees had been with the business for more than 25 years, including the "two high school kids" who were hired as the company's first employees 33 years earlier and were now part of the management team. These employees were dedicated to CCW and the loyalty worked both ways – the owners insisted on a buyer who would provide a stellar work environment for the employees' future.

The shareholders, who were the plant's landlords as well, also sought a buyer who would lease the facility. This, too, is a common situation for many of Capstone's clients and a key consideration in finding "the right" buyer. With these goals in mind, David Bench and Tracy Patch went to work preparing the company for sale, developing a marketing strategy and materials and identifying prospective buyers.

PACKAGING CASE STUDY (continued)

90 potential buyers and investors were qualified based on our industry research and private equity group relationships. Roughly half of these prospective buyers expressed an interest in the Company...

A Comprehensive Process for Optimal Value and Fit

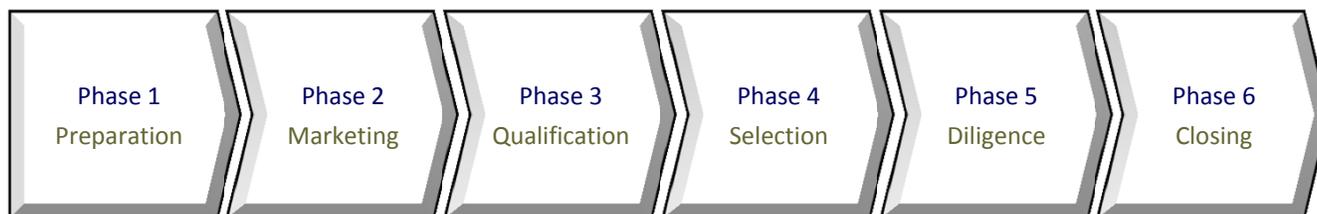
Capstone marketed CCW aggressively, contacting about 90 potential partners who were qualified based on our industry research and relationships. The initial approach included both strategic/corporate buyers as well as private equity groups with either a holding, or an expressed interest, in the packaging industry. Roughly half of these prospective buyers expressed an interest in the Company, signed non-disclosure agreements and were provided descriptive information on CCW.



Following an exchange of information, 5 prospective buyers were chosen to progress through a more comprehensive selection process. After submitting preliminary offer letters, these parties were invited to visit the Company and meet with management. Later, three prospective buyers emerged as leaders with respect to both valuation and their ability to meet the owners’ objectives. All three parties submitted formal letters of intent, detailing their final proposal regarding transaction value, structure, timing and related terms and conditions.

Final negotiations ensued and one prospective buyer, Priority Plastics, Inc., stood out. Priority Plastics is a leading national packaging manufacturer that provides complete plastic container solutions for customers ranging from startup companies to multinational firms. The Portland, IN based company makes polyethylene bottles through extrusion blow molding, injection blow molding, injection stretch blow molding and injection molding. It serves the nutrition, healthcare, household and industrial chemical, food and beverage, janitorial and sanitation, and personal care markets. Priority Plastics was attracted to CCW’s product offering, customer base and geographic territory/plant location, none of which overlapped with Priority Plastics’ existing business, making the acquisition additive on many fronts.

CCW Products, Inc.: Transaction Process



Activities:

Developed Market Strategy
Created Confidential Profile
Wrote Detailed Memorandum
Identified 90 Potential Buyers

Activities:

Contacted Buyers
Buyers Sign NDAs
Distributed Memorandum
Educated Buyers on CCW

Activities:

Narrowed to 10 Potentials
Prelim. Value Indications
Additional CCW Information

Activities:

Potentials Visit CCW
Management Presentations
Narrowed to 3 Potentials
Letters of Intent Submitted
Analyzed Offers
Priority Plastics Selected

Activities:

Data Room Finalized
Extensive Due Diligence
Transaction Financing

Activities:

Purchase Agreement
Related Contracts
Final Due Diligence
Financing Finalized
Closing and Funding

“This ownership change is a win all the way around – for my clients, the sellers, as well as the buyer, the employees and the customers. That makes for a very satisfying transaction.”

PACKAGING CASE STUDY (continued)

The Outcome: Owners’ Exit Goals Realized

Priority Plastics was chosen as the buyer for CCW based primarily on the fact that the two companies shared a common culture and the management teams shared a similar commitment to employee and customer retention. Both companies are closely-held, privately-owned businesses that value their employees and place a great emphasis on employee satisfaction. While some of the larger, national players were also interested in CCW, the sellers were concerned that such buyers might close the plant and dismiss the employees. By choosing Priority Plastics, the sellers received a top offer for the company *and* met their goal to secure the employees’ future.



For Priority Plastics, the CCW acquisition expands its national footprint to include six plants: the Portland, IN headquarters; Grinnell, IA; Grand Prairie, TX; Mesa, AZ; Las Vegas, NV and now Denver, CO. The acquisition also expands Priority Plastics’ product offering to include clear PET and PVC wide-mouth containers. “Those are two new product offerings for us,” said Priority Plastics’ President and CEO Andrew Srenco. CCW’s 80,000 square foot Denver facility will expand product and shipping options for Priority Plastics’ customers.

“CCW is a great fit for Priority. With a similar culture and 30 year business history, our two companies will meld together well,” added Andrew Srenco. “We are continuing to make investments for our customers and we will now be able to offer more products and increased shipping efficiencies to meet customer priorities. We look forward to working with the 103 employees of CCW Products as we integrate our two companies,” said Srenco.

With this transaction, CCW’s prior owners satisfied their exit goals. Capstone ran a comprehensive sales process to ensure its client received a fair price for the company and the transaction was completed in the favorable tax environment of 2012. In addition, and in part because they had prepared well by handing over management responsibilities in prior years, the owners can fully retire from the company following a short transition period. Furthermore, the buyer entered into a long-term lease of the facility at an attractive rate to the landlord. Most importantly, Priority Plastics is retaining all the CCW employees in their current positions and expects to retain the positive environment enjoyed under CCW. In fact, the CCW employees were so impressed that at a recent acquisition announcement meeting, the employees gave the new owners a standing ovation, much to the satisfaction of the former CCW owners.

David Bench, Capstone’s Managing Director on the assignment noted that “This ownership change is a win all the way around – for my clients, the sellers, as well as the buyer, the employees and the customers. That makes for a very satisfying transaction.”

SELECTED PACKAGING TRANSACTIONS

Date	Target	Target Business Description	Acquiror	Enterprise Value (mm)	EV / LTM	
					Revenue	EBITDA
Dec-12	M.E.I. Labels, Inc.	Manufactures labels and provides various flexible packaging products & services.	Svoboda Capital Partners LLC	-	-	-
Dec-12	NEX Performance Films, Inc.	Manufactures monolayer, co-extruded and multilayer barrier polyethylene film for packaging applications.	Charter Films, Inc.	-	-	-
Dec-12	R.A. Jones & Co.	Manufactures and markets packaging equipment in the United States and internationally.	Coesia S.p.A.	-	-	-
Dec-12	CCW Products, Inc.	Manufactures PVC and PET plastic containers and bottles.	Priority Plastics, Inc.	-	-	-
Dec-12	Orange County Container Group LLC	Manufactures industrial point-of-purchase paperboard and paper-based packaging solutions.	Smurfit Kappa Group plc (ISE:SK3)	\$340.0	-	-
Nov-12	Eco-Products, Inc.	Manufactures foodservice packaging made of renewable resources and recycled content.	WNA, Inc.	-	-	-
Nov-12	Cello-Pack Specialty Films and Lamination	Designs, produces and supplies flexible packaging solutions.	Trinity Packaging Corporation, Inc.	-	-	-
Nov-12	Weatherchem Corporation	Manufactures and markets plastic dispensing closures and controlled access packaging.	Mold-Rite Plastics, LLC	-	-	-
Nov-12	Phoenix Packaging Corporation	Manufactures paper tubes, cores and spiral wound fiber products.	Vanguard Label, Inc.	-	-	-
Nov-12	Madras Packaging L.L.C.	Manufactures and supplies custom blow-molded plastic containers.	Consolidated Container Company LLC	-	-	-
Nov-12	BWAY Parent Company, Inc.	Manufactures & distributes metal and rigid plastic containers for industrial and consumer products packaging.	Platinum Equity, LLC	\$2,050.7	1.7x	13.1x
Nov-12	Hilex Poly Company, LLC	Manufactures plastic bag and film products.	Wind Point Partners	-	-	-
Oct-12	Moen Industries, Inc.	Designs and manufactures box forming and sealing equipment.	Pearson Packaging Systems, Inc.	-	-	-
Oct-12	S&R Machinery	Manufactures and markets case sealing machinery for the packaging industry.	Schneider Packaging Equipment Co. Inc.	-	-	-
Sep-12	Scandia Plastics, Inc.	Designs and manufactures blow-molded plastic products for consumer packaging and industrial applications.	Graham Partners	-	-	-
Sep-12	International Tray Pads & Packaging, Inc.	Provides tray packs, bags, and atmosphere packaging solutions for fresh meat, fish, poultry and produce.	Pactiv Corporation	-	-	-
Sep-12	Flex Products, Inc.	Manufactures plastic packaging products and closures for cosmetics, hardware, toys, foods and medical industries.	VisiPak, Inc.	-	-	-
Sep-12	Stratix Corporation, Label Products Division	Produces custom labels, tags and adhesive components for packaging.	Tailored Label Products, Inc.	-	-	-
Aug-12	Albuquerque Packaging Corp.	Designs and manufactures corrugated packaging supplies and engages in contract packaging and fulfillment.	SupplyOne, Inc.	-	-	-
Aug-12	Oracle Packaging, Inc.	Manufactures packaging laminates and converted aluminum foil products.	LLFlex, LLC	-	-	-
Aug-12	Minigrip Commercial	Manufactures and sells reclosable polyethylene packaging and zipper bags for the industrial, medical and food service markets.	Inteplast Group, Ltd.	-	-	-
Aug-12	Packaging Dynamics Corporation, Certain Assets	A packaging facility that includes extrusion laminating, 10-color printing and converting businesses.	Prolamina Corporation	-	-	-
Aug-12	Cytec Industries, Pressure Sensitive Adhesives	Pressure sensitive adhesives, used in packaging on foils and films, tapes or labels.	Henkel AG & Co. KGaA (DB:HEN3)	\$90.0	1.0x	-
Jul-12	Boelter Industries, Inc.	Manufactures and distributes custom folding cartons and converted paperboard products.	WS Packaging Group, Inc.	-	-	-
Jul-12	Anchor Glass Container Corporation	Manufactures colored glass containers for the food, beverage, liquor and consumer product industries.	Ardagh Glass Group SA	\$880.0	-	-
Jul-12	Consolidated Container Company LLC	Develops, manufactures and markets rigid plastic containers for consumer products and beverage companies.	Bain Capital Private Equity	\$800.0	-	-

LTM = last twelve months; EV = enterprise value

Sources: Capstone Partners LLC research; Capital IQ; public filings and press releases

SELECTED PACKAGING TRANSACTIONS (CONTINUED)

Date	Target	Target Business Description	Acquiror	Enterprise Value (\$mm)	EV / LTM		
					Revenue	EBITDA	
Jun-12	Elms Cross Packaging Co. Ltd.	Manufactures and distributes packaging products.	Leonard Gould & Company	-	-	-	
Jun-12	Sovereign Business Forms, Inc.	Provides pressure-sensitive labels, business forms and other commercial printing products.	Management buyback	\$6.4	-	-	
Jun-12	Consolidated Products, Inc.	Specializes in labels, product tracking, radio frequency identification (RFID) and print management.	WS Packaging Group, Inc.	-	-	-	
Jun-12	Applied Extrusion Technologies, Inc.	Manufactures oriented polypropylene (OPP) films used in product labeling and flexible packaging.	Taghleef Industries L.L.C.	-	-	-	
Jun-12	Qualified Innovation Inc.	Manufactures seal protective packaging products including wrap film, cohesive film and linerboard.	PolyFirst Packaging Inc.	-	-	-	
Jun-12	Mid South Packaging, LLC	Manufactures packaging including corrugated boxes, partitions, die-cuts, cores, foams and plastic.	Rock-Tenn Co. (NYSE:RKT)	\$33.0	-	-	
Jun-12	Seville Plastics Inc.	Manufactures flexible packaging: stand up pouches; plastic, paper and laminated packages; and bags.	Coverttech Fabricating, Inc.	-	-	-	
May-12	Clear Lam Packaging, Inc.	Develops and manufactures flexible and rigid packaging materials.	D&W Fine Pack, LLC	\$57.5	0.7x	-	
May-12	Lerman Container Company	Supplies packaging solutions including plastic and glass bottles and jars, metal containers and closures.	Berlin Packaging, LLC	-	-	-	
May-12	Aperio Group	Offers food, beverage and industrial packaging solutions.	Amcor Ltd. (ASX:AMC)	\$251.6	0.7x	6.0x	
May-12	Primary Packaging Incorporated	Manufactures heavy duty polyethylene film and bags.	Field Ventures LLC	-	-	-	
May-12	Plastipak Holdings Inc.	Manufactures plastic packaging containers, filling and capping, thermoshape and direct printing.	GS Capital Partners LP	-	-	-	
May-12	Assured Packaging Inc.	Manufactures aerosol packaging products for health and beauty aids, pharma, food & household markets.	Plaze Incorporated	-	-	-	
Apr-12	Oliver Products Company	Manufactures food packaging systems and medical device packaging.	Berwind Corporation	-	-	-	
Apr-12	The Mason Box Company, Inc.	Manufactures rigid boxes for candy, electronic media, gift cards, jewelry, mailing and stationery boxes.	International Packaging Corporation	-	-	-	
Apr-12	Uniglobe Packaging	Produces flexible packaging materials.	Amcor Ltd. (ASX:AMC)	\$20.7	0.9x	-	
Apr-12	Cope Allman Jaycare	Designs, manufactures and distributes plastic packaging solutions.	Nolato AB	\$26.4	0.7x	-	
Apr-12	Bird Packaging Limited	Fabricates and distributes protective packaging materials and corrugated boxes.	Norampac Inc.	-	-	-	
Apr-12	The InterFlex Group, Inc.	Provides flexible packaging solutions.	Nicolet Capital Partners, LLC	-	-	-	
Mar-12	Leone Industries, Inc.	Manufactures recyclable glass containers for food and liquor and organic product companies.	Ardagh Group S.A.	-	-	-	
Mar-12	Vanga Products (Plastics) Inc.	Manufactures polyethylene and polyethylene terephthalate bottles and jars.	ALPHA Packaging, Inc.	-	-	-	
Mar-12	MegaFlex LLC	Manufactures roll stock, shrink film and pouching materials.	Umax Packaging Ltd.	-	-	-	
Feb-12	Arminak & Associates, Inc.	Manufactures packaging solutions for the cosmetic, personal care and cleaning products industries.	Rieke Corporation	\$64.0	1.5x	-	
Feb-12	Varicon, LLC	Manufactures intermediate bulk containers (IBCs) and plastic drums.	MAUSER AG	-	-	-	
Feb-12	Temple-Inland Inc. (NYSE:TIN)	Manufactures containerboard and converts it into a line of corrugated packaging products.	International Paper Co. (NYSE:IP)	\$4,432.9	1.1x	10.1x	
Feb-12	Reliable Packaging	Manufactures and supplies boxes, cartons, POP displays, kraft, sheets and pads.	Paper, Pulp & Film, Inc.	-	-	-	
Jan-12	IntraPac LP	Manufactures specialty packaging solutions for pharmaceutical, personal care and food & beverage.	CI Capital Partners LLC	-	-	-	
Jan-12	Buckell Plastic Co., Inc.	Manufactures custom light-gauge plastic thermoforming packaging products.	Rohrer Corporation	-	-	-	
Jan-12	Trilogy Glass & Packaging, Inc.	Provides glass bottles for wine packaging.	TricorBraun WinePak	-	-	-	
					Mean	1.0x	9.7x
					Median	1.0x	10.1x

LTM = last twelve months; EV = enterprise value

Sources: Capstone Partners LLC research; Capital IQ; public filings and press releases

CAPSTONE PARTNERS: A SAMPLING OF COMPLETED PACKAGING TRANSACTIONS



*has been
acquired by*



Capstone Partners recently advised CCW Products, Inc. in its acquisition by Priority Plastics, Inc. Capstone maintains an active Packaging M&A practice in the middle market, having represented clients across various industry specialties including plastic pails and packaging, food packaging, pressure sensitive high-end labels for the consumer products industry, custom colorants for use in packaging applications, paper and plastic packaging distribution, and others.

This focus on the packaging industry 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.



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David is the 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 over 23 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 the investment banking industry have gained national recognition by The M&A Advisor: in 2008, one of his transactions was awarded the "Energy Deal of the Year" and, in 2007, he was awarded Middle Market Financing Professional of the Year. 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 seven 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 Partners. Prior to that, Mrs. Patch worked with institutional fixed income sales at both Vining Sparks IBG, LP and Robert Thomas Securities, Inc. Tracy also enjoyed tenure in management 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.

ABOUT CAPSTONE PARTNERS

Capstone Partners LLC is a leading national investment banking firm dedicated to serving the corporate finance needs of middle market business owners, investors and creditors. The firm provides merger & acquisition, private placement, corporate restructuring, valuation and financial advisory services. Capstone maintains various industry specialties including one in the Packaging sector. The firm also possesses merchant banking capabilities to actively co-invest in transactions.

Additional information about Capstone Partners can be found at www.capstonellc.com.

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