Global M&A rebound led by megadeals. Middle-market following.

Q3 2014 year-to-date worldwide M&A activity already surpassed 2013 full year levels. According to data compiled by Thomson Reuters, the year-to-date transaction volume of US$2.7 trillion represents a 59% increase over the same period in 2013. Megadeals in excess of US$5 billion continued to fuel the pick-up in M&A activity, which increased across all geographies in terms of total dollar value, rising 58%, 70% and 80% in the Americas, Asia-Pacific, and Europe respectively. The total number of deals announced during the first nine months of 2014 increased by a more modest 2%. Valuations continued to rise as global average observed exit multiples climbed from 12.0x to 13.3x EBITDA from 2013 to 2014.

High profile deals announced during the quarter included the US$70 billion consolidation of Kinder Morgan’s oil and gas pipeline operations into one company, the Reynolds American – Lorillard US$27 billion tobacco merger and the US$17 billion acquisition of laboratory testing materials provider Sigma-Aldrich by German pharmaceutical company Merck.

Packaging M&A activity continued at a healthy rate, reflecting an increasing number of transactions being sponsored by private equity groups. High-profile deals included the US$1.4 billion acquisition of Berlin Packaging, a distributor of rigid packaging products, including plastic, glass and metal containers, by Oak Hill Capital Partners and the US$1.2 billion acquisition of Empaque, the Mexican packaging business of Dutch brewer Heineken, by Crown Holdings.

Going forward, we expect the packaging sector to follow the global trends in M&A and exhibit increased transaction volumes. As highlighted in our latest edition of the Capital Confidence Barometer, we expect the growth engine of M&A in the coming year to be the middle market, reflecting increased competition at the top end and a renewed focus on growing core business, with an eye on boosting market share, managing costs and improving margin growth. In addition, the recent flurry of megadeals will create M&A activity further down the deal-size chain as companies look to reshape the recently acquired assets and focus on key areas of growth.
Transactions in brief

Flexible

- California-based private equity group Platinum Equity, LLC acquired Bemis Company, Inc.’s Pressure Sensitive Materials division, known as MACtac, for US$170 million. MACtac has manufacturing facilities located in Pennsylvania, Indiana, Mexico and Belgium.
- Illinois-based Transwrap Co. Inc., a portfolio company of New York private equity firm The Jordan Company, L.P., acquired MetPro Ltd. Ireland-based MetPro is a vertically integrated provider of specialty films and foils used in both active and protective packaging. The company operates sales, manufacturing and converting sites worldwide, including locations in Ireland, Scotland, Germany, France, India, Africa and North America. Terms of the deal were not disclosed.
- Huhtamaki Oyj of Finland agreed to acquire Positive Packaging Industries Limited from Enpee Industries Plc for approximately US$336 million. India-based Positive Packaging is a flexible packaging company with nine manufacturing facilities in India and the United Arab Emirates as well as significant business in Africa and other export markets. The company has annual sales of approximately US$299 million.
- Global packaging company Coveris, a portfolio company of Sun Capital Partners, acquired Learoyd Packaging (Holdings) Limited for an undisclosed amount. UK-based Learoyd is a flexographic print specialist and supplier of flexible packaging solutions. The company had sales in excess of GBP 20 million (US$32 million) in 2013 and employs 180 people.
- UK-based Par-Pak Europe Limited of the Waddington Group, a portfolio company of Olympus Partners, acquired Holfeld Plastics Limited. Terms of the transaction were not disclosed. Ireland-based Holfeld is a manufacturer and supplier of plastic packaging products for European food markets.
- Austria-based Ratt GmbH acquired Pawag Verpackungen Gesellschaft M.B.H. from the Ittensohn family. Terms of the transaction were not disclosed. Austria-based Pawag is a provider of flexible packaging products.
- Finland-based Oy ViskoTeepak AB, a manufacturer of fibrous, cellulose and plastic casings, acquired the remaining 90% stake in Wisconsin-based food packaging manufacturer Vista International Packaging, LLC, from Keystone Capital, Inc. and others. Terms of the transaction were not disclosed.

Rigid

- Georgia-based Newell Rubbermaid Inc. acquired ignite USA, LLC, with North Castle Partners and co-investors for US$308 million, Illinois-based Ignite designs, manufactures and markets beverage containers primarily sold under the Contego and Avex brands. Net sales of over US$125 million were expected for 2014.
- New York-based Oak Hill Capital Partners acquired Berlin Packaging LLC from the Investcorp Group in a transaction worth approximately US$1.4 billion including debt. Illinois-based Berlin distributes plastic, glass and metal containers among other products. Oak Hill partnered with Berlin’s management team, led by current Chairman and CEO Andrew Berlin, who retains a significant equity portion. The deal was reportedly valued at roughly 14x the company’s estimated EBITDA of US$100 million.
- Australian-based Pact Group Holdings Limited acquired the Australian and New Zealand operations of Sule MGB Pty., Limited for US$32.4 million. Sulo provides mobile carton containment solutions, such as office recycling bins, public place products and urban containers. The transaction was valued at approximately 0.7x the company’s revenue of US$44.7 million.
- Mondi International Holdings B.V., a subsidiary of international packaging and paper group Mondi, acquired Printpack Poland Sp. z oo for US$22 million. Printpack Poland manufactures packaging products for the food and beverage industry from its packaging, printing and converting plant located in central Poland.
- UK-based DS Smith Plc acquired Croatian injection moulding company Kaplast d.d., a manufacturer of plastic packaging goods such as crates, barrels, closures, buckets. Terms of the transaction were not disclosed.
- Swedish-based Nefab Packaging AB’s founding family Nordgren/Phili acquired Nordic Capital VI, L.P.’s 60% stake in company, Nefab, a global industrial packaging manufacturer, was taken private by Nordic Capital and the family in August 2007. The family held 40% of the shares prior to the deal. Nefab reported revenue of US$423 million in 2013. Terms of the transaction were not disclosed.
- UK-based RPC Group Plc. sold its Cobelplast rigid sheet businesses in Italy and Belgium. The Italian operation was bought by Spanish plastic packaging company Coexpan S.A. and the Belgian operation was purchased by Germany’s Bavaria Industries Group AG. Terms of the transactions were not disclosed.
- Saudi Arabia-based Takween Advanced Industries Company agreed to acquire the packaging business of Savola Group (Savola Packaging). Terms of the transaction were not disclosed. Saudi Arabia-based Savola Packaging manufactures and supplies PET plastic packaging products for the food, beverage, personal care and industrial markets.
- Australia-based packaging company Orora Limited acquired Worldwide Plastics Company. Terms of the transaction were not disclosed. Texas-based Worldwide Plastics provides recycled PET packaging trays and containers for the produce industry.

Paper

- Finland-based Huhtamaki Oyj acquired Interpac Packaging Limited for approximately EUR 7 million (US$9 million). New Zealand-based Interpac manufactures folded carton packaging for the consumer, retail and foodservice markets. The company employs 85 people and has annual sales of approximately EUR 11 million (US$14 million).
- New Jersey-based Inteplast Group Ltd acquired its main competitor Coroplast Inc. from the Jim Pattison Group. Terms of the transaction were not disclosed. Inteplast manufactures corrugated plastic sheets for signs and re-usable packaging applications. The company has plants in Vanceburg, Kentucky and Granby, Quebec, as well as its headquarters in Chicago, Illinois.
- Ireland-based Smurfit Kappa Group plc agreed to acquire US-based Bates Container LLC, a non-integrated corrugated packaging manufacturer, for US$150 million plus an estimated US$7.5 million in deferred payment. Bates’ pro-forma 2014 EBITDA is expected to be US$18.5 million and the group has identified synergies of US$11.5 million to be realized over 24 months. Including synergies, the pro-forma purchase multiple is 5.25x EBITDA. Bates employs 320 people and is based in Texas.
- Huajun Group, a Chinese conglomerate, announced the acquisition of Hong Kong-based multi-color printing, packaging and paper products manufacturer New Island Development Limited for US$91 million.
- UK-based MacFarlane Group Plc acquired Network Packaging Limited for US$12.2 million in cash and stock. UK-based Network Packaging Limited manufactures and distributes packaging materials, such as boxes, tapes, bags and labels. The transaction is valued at approximately 1.0x revenue.
- New York-based Multi Packaging Solutions, Inc., a subsidiary of Chesapeake Limited, acquired Armstrong Packaging Limited. Terms of the transaction were not disclosed. UK-based Armstrong is a provider of specialty paperboard boxes employing approximately 80 people.
- Industrial Opportunity Partners, an operations-focused private equity firm based in Illinois, simultaneously acquired the assets of the Multiwall Packaging Division of Greif, Inc., a producer of large format multiwall paper bags and the stock of El Dorado Paper Bag Manufacturing Co., Inc., a producer of small format multiwall paper bags, to form El Dorado Packaging, Inc. Terms of the transaction were not disclosed.
- North Carolina-based Atlantic Corporation agreed to acquire International Paper’s three largest paperboard converting facilities in Greensboro, North Carolina, Hazleton, Pennsylvania and Sturgis, Michigan. The acquired facilities turn bleached paperboard into forms that can be used by the printing and box-making industries.
- Private equity firm Rhône Capital, LLC entered into an agreement to acquire Ranpak Corporation from Odyssey Investment Partners, LLC. Ranpak produces and supplies paper packaging materials and systems. While terms of the transaction were not made public, the transaction was rumoured in the press to be valued at US$900 million, including debt.
- Pennsylvania-based private equity firm Larson MacColl Partners LP acquired S. Walter Packaging Corp. Terms of the transaction were not made public. Pennsylvania-based S. Walter provides shopping bags, gift boxes, gift wrap and other packaging accessories.
- Connecticut-based Charter Oak Private Equity, LP and Peninsula Capital Partners, LLC, a Michigan-based investment firm, acquired a controlling stake in SFBC, LLC (also known as Seaboard Folding Box) for an undisclosed amount. SFBC designs and manufactures folding cartons and display cards. The company was founded in 1954 and is based in Fitchburg, Massachusetts.

(continues on page 4)
The Ernst & Young Orenda Corporate Finance global packaging index tracks the performance of the most widely traded global packaging companies relative to the benchmark S&P 500 composite index.

Our global packaging index consists of the following publicly traded packaging companies:

- AEP Industries Inc.
- Amcor Limited
- AptarGroup, Inc.
- Astrapak Ltd.
- Avery Dennison Corporation
- Ball Corporation
- Bemis Company, Inc.
- Berry Plastics Group, Inc.
- BillerudKorsnäs Aktiebolag (publ)
- British Polythene Industries plc
- Cascades, Inc.
- CCL Industries Inc.
- Chuo Kagaku Co., Ltd.
- Crown Holdings Inc.
- DS Smith Plc
- Duni AB (publ)
- Essel Propack Limited
- FP Corporation
- Fuji Seal International, Inc.
- Gerresheimer AG
- Graphic Packaging Holding Company
- Greif, Inc.
- Groupe Guillin SA
- Hokkan Holdings Limited
- Huhtamaki Oyj
- International Paper Company
- Lee & Man Paper Manufacturing Limited
- Mayr-Melnhof Karton AG
- MeadWestvaco Corporation
- Metsa Board Oyj
- Mondi Limited
- Mpact Limited
- Multi-Color Corp.
- Myers Industries Inc.
- Nampak Limited
- Nine Dragons Paper (Holdings) Ltd.
- Orora Limited
- Owens-Illinois, Inc.
- The Pack Corporation
- Packaging Corporation of America
- Pact Group Holdings Limited
- Papeles y Cartones de Europa S.A.
- Rengo Co. Ltd.
- Reno de Medici SpA
- Rexam plc
- Rock-Tenn Company
- RPC Group plc
- Sealed Air Corporation
- Silgan Holdings Inc.
- Smurfit Kappa Group plc
- Sonoco Products Co.
- Taiwan Hon Chuan Enterprise Co., Ltd.
- Toyo Seikan Group Holdings, Ltd.
- Uflex Limited
- Vetropack Holding AG
- Vidrala SA
- Winpak Ltd.

Note: The indices in this newsletter have been compiled by Ernst & Young Orenda Corporate Finance Inc. solely for illustrative purposes. The companies chosen are publicly traded companies that are commonly used for industry composites to show stock performances within a sector. The indices do not include all public companies that could be categorized within each sector and were not created as benchmarks, nor should they imply benchmarking or recommendations for a particular stock or sector.

Charts: Ernst & Young Orenda Corporate Finance Inc.
Data sources: Bloomberg, Capital IQ
Pennsylvania-based Crown Holdings Inc. acquired Empaque, the Mexican packaging business of Dutch brewer Heineken International B.V. in a US$1.2 billion cash deal. Empaque produces metal beverage cans, glass bottles, and other components used in beverage packaging. The transaction is valued at approximately 1.9x and 9.4x Empaque’s projected 2014 sales and EBITDA respectively.

US-based Sonoco Products announced the acquisition of the Weidenhammer Packaging Group from the Weidenhammer family for US$377 million. The deal was valued at approximately 1.6x and 8.4x the company’s revenue of US$236 million and EBITDA of US$45 million respectively. Weidenhammer manufactures composite cans and is based in Germany.

Netherlands-based Gilde Equity Management Benelux and the management of Pack2pack Halsteren BV acquired the company from Greif International Holdings in a management buy-out transaction. Terms were not disclosed. Netherlands-based Pack2pack is a producer of industrial tinplate packaging employing more than 100 people and generating approximately EUR 28 million in revenue (US$35 million).

Connecticut-based Silgan Holdings Inc. acquired Van Can Company for an undisclosed amount. California-based Van Can is a manufacturer of metal containers with sales of approximately US$40 million.

Pennsylvania-based Saxco International, LLC, a portfolio company of The Sterling Group, a middle market private equity firm, acquired Square Peg Packaging and Printing, LLC. Terms of the transaction were not disclosed. California-based Square Peg designs and supplies glass containers, as well as a variety of customized packaging materials and commercial printing.

Our Plastics and Packaging team

Our team is part of a global network of professionals that combines an in-depth understanding of the industry’s dynamics and key players with the ability to provide a variety of transaction services.

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