

Packaging Recap



Global economy falters, but deals are getting done

If the Dow Jones Industrial Average is any indication, registering a 12% decline for the third quarter and the worst quarterly drop since the first quarter of 2009, the global economy is on a precipice. Market sentiment continues to drop as a result of the ongoing eurozone crisis, headlined by Greece's admission of missing its deficit targets, the United States' ongoing political battles over draconian fiscal tightening, and slowing growth in emerging markets. Continued market volatility and economic uncertainty are driving corporations globally to hoard cash, likely as a hedge against a reduction in lending availability as seen in 2009.

Despite the economic turbulence, Ernst & Young's Pip McCrostie, Global Vice Chair of Transaction Advisory Services is hopeful. She says, "Leading companies are shrugging off continued market upheaval and focusing on growth and M&A. They have spent the past three years reducing the financial risk on their balance sheet and taking tough efficiency measures needed to strengthen their positions, which helps them manage in volatile times."

While M&A activity within the packaging segment has slowed this quarter in developed economies, likely due to a combination of economic conditions and the typically sluggish summer months, emerging markets remain active. Brazil experienced a flurry of activity, including the acquisition of bottler Grupo CIMSA by Coca-Cola FEMSA for US\$833.4 million and Oji Paper's acquisition of Fibria Celulose's paper manufacturing unit for US\$313 million. Robust levels of M&A activity in developed economies in Europe and North America remain elusive as the eurozone and US budget crises continue to play out, but transactions are still getting done despite the uncertainty.

Transactions in brief

Flexible

- ▶ Minnesota-based Bemis Company, Inc. acquired Mayor Packaging Enterprises (1968) Ltd. for approximately US\$93 million. Hong Kong-based Mayor Packaging manufactures flexible packaging materials in rolls and pre-formed pouches.
- ▶ Finland-based Huhtamäki Oyj acquired Prisma Pack Indústria De Filmes Técnicos E Embalagens Ltda. for approximately €20.0 million (US\$28.5 million). Brazil-based Prisma Pack produces hygienic films used in personal care products and has revenues of approximately €40.0 million (US\$57.0 million).
- ▶ Indiana-based Berry Plastics Corporation acquired Linpac Packaging Filmco, Inc. for approximately US\$19.4 million. Ohio-based Linpac Packaging manufactures food-quality PVC stretch films for meat, produce and specialty items and has revenues of approximately US\$34 million.
- ▶ United Kingdom-based Sun European Partners, LLP agreed to acquire Unterland Flexible Packaging AG from Mondi AG. Austria-based Unterland manufactures film-based flexible polyethylene and polypropylene packaging products for the transportation, medical and pharmaceutical markets. Unterland has revenues of approximately €110 million (US\$157.3 million).
- ▶ New Jersey-based AEP Industries Inc. agreed to acquire Webster Industries for approximately US\$28.4 million from Chelsea Industries, Inc. Massachusetts-based Webster manufactures flexible packaging products, including trash bags, food contact bags and microwave steam bags. Webster has revenues of approximately US\$145 million.

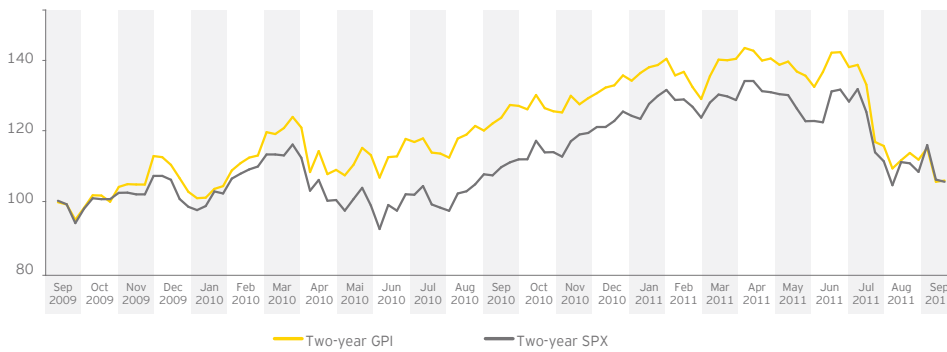
Rigid

- ▶ Thailand-based SCG Chemicals Co. Ltd. agreed to acquire a 30% stake in PT Chandra Asri Petrochemical Tbk for IDR 3.8 trillion (US\$425.1 million). Indonesia-based PT Chandra produces petrochemical products, including polyethylene for plastic packaging products. PT Chandra generated first quarter 2011 revenue of IDR 4.7 trillion (US\$531.1 million).
- ▶ Japan-based Mistubishi Corporation has made a takeover bid to acquire an additional 43.57% in Chuo Kagaku Co. Ltd. for ¥3.4 billion (US\$44.4 million), boosting its stake to 52.94%. This transaction represents an enterprise value of approximately 4.1 times EBITDA. Japan-based Chuo Kagaku manufactures plastic food packaging products, including sauce bottles, dishes and trays, and has revenues of approximately ¥63.3 billion (US\$785.39 million).
- ▶ Rieke Corporation, a subsidiary of Michigan-based TriMas Corporation, acquired Innovative Molding, Inc. for approximately US\$27.0 million. California-based Innovative Molding manufactures plastic closures for bottles and jars and has revenues of approximately US\$28 million.
- ▶ United Kingdom-based Coral Products plc acquired Interpack Ltd. for approximately £4.1 million (US\$6.8 million). United Kingdom-based Interpack manufactures plastic food containers, buckets and platters, and has revenues of approximately £4.1 million (US\$6.8 million).
- ▶ Ileos Do Brasil Participacoes Ltda, a subsidiary of France-based Ileos SA, acquired a majority stake in Mappel Indústria de Embalagens. Brazil-based Mappel manufactures unit doses and sample packaging for the cosmetics industry.

Paper

- ▶ Illinois-based KapStone Kraft Paper Corporation agreed to acquire U.S. Corrugated, Inc. for US\$330 million. The transaction represents an enterprise value of approximately 6.3 times EBITDA. New Jersey-based U.S. Corrugated manufactures corrugated packaging products and has revenues of approximately US\$423 million.
- ▶ Tennessee-based International Paper Co. agreed to merge its Shorewood Packaging business with Atlas Holdings' AGI World consumer packaging business. The combined entity will be named AGI-Shorewood. New York-based AGI World manufactures paper packaging products for the entertainment, music, video game, technology and personal care industries, employing approximately 1,500 staff.
- ▶ Huhtamäki Americas, Inc., a subsidiary of Finland-based Huhtamäki Oyj, acquired Paris Packaging, Inc. for approximately €22.8 million (US\$32.5 million). Texas-based Paris Packaging manufactures folding paperboard cartons and has net revenues of approximately €43.0 million (US\$61.3 million).
- ▶ Estonia-based AS Agreeo acquired Peterson Packaging Oy. Terms of the transaction were not disclosed. Finland-based Peterson Packaging manufactures corrugated and solid board packaging products and has revenues of approximately €36 million (US\$51.1 million).
- ▶ Sonoco Limited, a subsidiary of South Carolina-based Sonoco Products Co., acquired Robinson Paperboard Packaging Ltd. for approximately £2.6 million (US\$4.2 million). United Kingdom-based Robinson Paperboard manufactures paperboard containers for the food and beverage and cosmetics industries and has revenues of approximately £6.2 million (US\$10.0 million).
- ▶ South Korea-based Samyang Foods Co. Ltd. agreed to acquire a 34.4% stake in Pruwell Co. Ltd. for KRW 5.3 billion (US\$4.9 million). South Korea-based Pruwell manufactures corrugated cardboard and cardboard boxes and has revenues of approximately KRW 9.6 billion (US\$8.9 million).

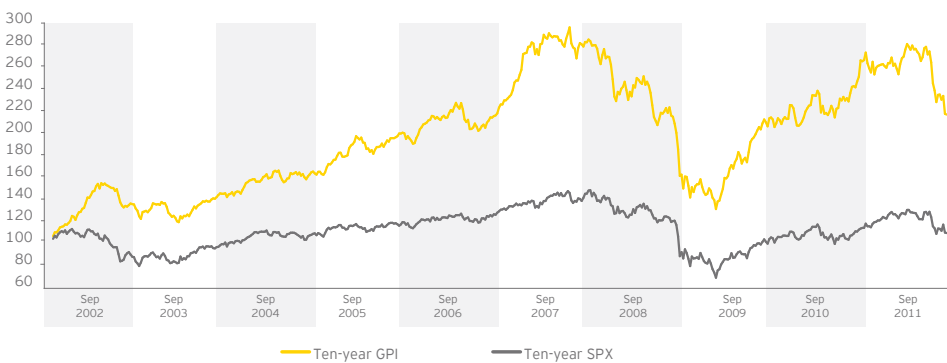
Ernst & Young Orenda two-year global packaging index



Ernst & Young Orenda five-year global packaging index



Ernst & Young Orenda 10-year global packaging index



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

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:

- S&P 500 Index
- Ancor Ltd.
- Smurfit Kappa Group plc
- Mondi Limited
- International Paper Co.
- Rengo Co. Ltd.
- Cascades, Inc.
- Temple-Inland Inc.
- M-real Oyj
- DS Smith plc
- Greif, Inc.
- Rock-Tenn Co.
- Nine Dragons Paper (Holdings) Ltd.
- Nampak Ltd.
- Packaging Corp. of America
- Boise Inc.
- Lee & Man Paper Manufacturing Ltd.
- Billerud AB
- The Pack Corporation
- VPK Packaging Group NV
- Papeles y Cartones de Europa S.A.
- Toyo Seikan Kaisha Ltd.
- Ball Corporation
- Rexam plc
- Crown Holdings Inc.
- Owens-Illinois, Inc.
- Avery Dennison Corporation
- MeadWestvaco Corporation
- Bemis Company, Inc.
- Sealed Air Corporation
- Graphic Packaging Holding Company
- Sonoco Products Co.
- Silgan Holdings Inc.
- Huhtamäki Oyj
- AEP Industries Inc.
- Mayr-Melnhof Karton AG
- AptarGroup, Inc.
- Hokkan Holdings Limited
- FP Corp.
- Gerresheimer AG
- RPC Group plc
- CCL Industries Inc.
- Fuji Seal Inc.
- Chuo Kagaku Co., Ltd.
- British Polythene Industries plc
- Myers Industries Inc.
- Reno de Medici SpA
- Vetropack Holding AG
- Taiwan Hon Chuan Enterprise Co., Ltd.
- Duni AB
- Winpak Ltd.
- Vidrala SA
- Groupe Guillin SA
- Astrapak Ltd.
- Uflex Ltd
- Multi-Color Corp.
- Essel Propack Ltd.

- ▶ Germany-based RLC Packaging Group acquired Limmatdruck/Zeiler AG. Switzerland-based Limmatdruck/Zeiler manufactures cardboard folding boxes and has sales of approximately CHF 110 million (US\$119.9 million).
- ▶ Cascades Tissue Group, Inc., a subsidiary of Canada-based Cascades, Inc., agreed to acquire the remaining 50% stake in Papersource Converting Mill Corp. for CAD\$85 million (US\$85.5 million). Canada-based Papersource manufactures tissue paper products and has sales of approximately CAD\$130 million (US\$130.7 million).
- ▶ Japan-based Oji Paper Co. Ltd. acquired the paper manufacturing unit in Piracicaba, Brazil of Fibria Celulose SA for approximately US\$313 million. The Brazil-based paper manufacturing unit produces carbonless and heat sensitive paper, with production capacity of approximately 160,000 tons per year.

Metal

- ▶ California-based Aurora Capital Group acquired Industrial Container Services, LLC (ICS) from Wingate Partners and other investors for approximately US\$300 million. California-based ICS provides reusable containers, including reconditioned steel and plastic drums, fibre drums and intermediate bulk containers. ICS has approximately 750 employees.
- ▶ Connecticut-based Silgan Holdings, Inc. acquired steel-can-making assets from Nestlé Purina PetCare Company for US\$25 million. Missouri-based Purina's steel-can-making business manufactures cans for pet food products.
- ▶ Mexico-based Envasas Universales de Mexico, S.A. de C.V. agreed to acquire Glud & Marstrand A/S from AAC Capital Partners. Denmark-based Glud & Marstrand manufactures metal packaging solutions, including tinplates and aluminum packaging for meat, fish and other food products, and has sales of approximately DKK 1.7 billion (US\$305.8 million).

Glass

- ▶ Mexico-based Coca-Cola FEMSA S.A.B. de C.V. agreed to acquire Grupo CIMSA for approximately MXN 11.0 billion (US\$833.4 million). The transaction represents an enterprise value of approximately 10.0 times EBITDA. Mexico-based Grupo CIMSA owns and operates Coca-Cola bottling plants. Grupo CIMSA's bottling group employs over 5,000 staff and is expected to generate MXN 4.8 billion (US\$363.7 million) in net revenue during 2011.

- ▶ New Jersey-based Topline Products Company, Inc. acquired Cosworld-Primapack from Cosfibel Group. Details of the transaction were not disclosed. France-based Cosworld-Primapack manufactures cosmetics packaging solutions and has revenues of approximately €30 million (US\$40.6 million).
- ▶ Ohio-based Owens-Illinois, Inc. acquired VDL Company for approximately US\$15 million. France-based VDL manufactures glass containers for a Nestlé Waters Perrier bottling facility.

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Mergers and acquisitions advisory

- ▶ Divestitures
- ▶ Mergers and acquisitions
- ▶ Management and leveraged buyouts
- ▶ Recapitalizations

Structured finance

- ▶ Structure and arrangement of debt and equity
- ▶ Project finance and infrastructure advisory services

Financial advisory services

Real estate transaction advisory

Ernst & Young Orenda's 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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