Globally
Building on a strong Q1 2018, the global transactional market achieved a solid Q2, pushing global M&A for H1 2018 to its highest post-crisis value on record with US$1.94T (28.3% increase YoY) across 8,560 deals (6.3% increase YoY) according to Mergermarket. Given the rise of protectionism outlined in earlier publications, dealmakers are increasingly sourcing local transactions, making domestic deals the driver for the majority of the growth in global M&A. Moreover, with 26 megadeals (deals over US$10B) for H1 2018, only two shy from the FY2017 total, the market is on track for a strong, if not record year. The availability of cheap financing and technological disruption is driving blockbuster consolidation, explaining the growth in mature geographies with Europe and the US accounting for over 76.2% of global transaction value, up from 64.9% in H1 2017.

US and Europe witnessing big deals
Once a looming shadow, trade wars are escalating with the US government voting tariffs against products from Canada, Europe and China, just to name a few, and most of the countries directly retaliating. This has not hindered dealmakers’ hunt for prime assets with US M&A deal value up by 31.1% YoY for H1 2018, reaching US$807.9B from US$616.3B in H1 2017. However, we can see a slowdown in the number of US transactions in H1 2018 with 2,593 transactions (293 fewer than the same period in 2017), the lowest number for H1 since 2013.

Europe witnessed similar growth in total deal values reaching US$600.9B (3,199 deals), up 26.5% from US$475.1B (3,091 deals) in H1 2017. Asian firms have been increasingly aggressive in the European market following a slow 2017, partly explained by the collapse in Chinese bids for US companies (94.3% in value) due to escalating trade tensions. High levels of capital held resulted in a record year for private equity in Europe (US$80.7B, 635 deals), which contributed to the increase in total deal value for the region.

Packaging deal market – Continued resurgence of the PEs
Based on our selected samples of relevant transactions in the sector, the packaging deal market witnessed a steep increase in the number of deals for H1 2018 with 100 deals, compared to 63 deals in H1 2017, with Q2 representing much of the difference (58 deals vs. 24 deals). During Q2 2018, the industry’s average disclosed deal value was US$341.4M, similar to Q2 2017 (US$359.4M). Packaging trading valuation multiples are roughly at a 10-year high, trading between 8.5x and 10.5x, with a small recovery for the paper and glass substrates in the last quarter. Based on our sample of 58 transactions selected for the 3-month period, the proportion of deals involving a strategic buyer is still dominating the market at 81% (24% strategic and 57% PE-backed strategic) confirming the rising trend toward financial sponsors (the PE-backed strategic acquirers represented only 21% of acquisitions in Q4 2017 and 45% of acquisitions in Q1 2018).

During the second quarter of 2018, DS Smith (LSE:SMDS) announced the proposed acquisition of Papeles y Cartones de Europa, S.A. (BME:PAC), known as Europac, a leading Western European integrated packaging business. The offer price of €16.80 per Europac share values the entire share capital of Europac at €1,667M, with an implied enterprise value of €1,904M (EV/EBITDA multiple of 10.3x). Spanish-listed Europac is a leading vertically integrated packaging business highly complementary to DS Smith’s operations and possesses a diversified customer portfolio with strong customer relationships and a fast-moving consumer goods orientation. Moreover, Novolex, a portfolio company of The Carlyle Group, announced the acquisition of The Waddington Group from Newell Brands, Inc., for an enterprise value of $2,300M (EV/Revenue multiple of 2.5x).

Packaging deal market - Continued resurgence of the PEs

The year ahead
The strong start to 2018 is setting up the global M&A market for a record year. However, it is mainly driven by megadeals with a smaller number of deals in developed regions, which raises the question if it is sustainable, especially when taking into account antitrust regulations. Moreover, increased protectionism all over the world had a negative impact on cross-border deals. Nonetheless, technological disruption is and will remain a major driver for consolidation. These conflicting trends are set to remain for the foreseeable future, and the market could see fewer deals, but a bigger average deal size.
Transactions in brief*

Flexible

• UK-based, Sharpak Bridgewater has signed an exclusive agreement with S.A., an exclusive agreement in the UK for the production and marketing of its flexible primary packaging solution for the pharmaceutical industry.

• US-based, Pregis LLC, a leading manufacturer of innovative protective packaging materials, has announced the acquisition of a US-based company, with strong partners and contractors on the supply, production and distribution side. Terms of the transaction were not disclosed.

• Japan-based, Raaj Medisafe India Limited, a leading manufacturer of flexible packaging solutions for the pharmaceutical industry, has announced the acquisition of a US-based company, with strong partners and contractors on the supply, production and distribution side. Terms of the transaction were not disclosed.

• India-based, Padma Polytex India Pvt. Ltd., a leading manufacturer of flexible packaging solutions, has announced the acquisition of a US-based company, with strong partners and contractors on the supply, production and distribution side. Terms of the transaction were not disclosed.

• US-based, Oversea Casing Company, LLC completed the acquisition of DeWied International Inc. based in Texas, USA. DeWied International will be operating under the new name Oversea DeWied International Inc. Both Oversea Casing and DeWied International are currently among the top players in the industry. As a result of this acquisition, Oversea DeWied International will strengthen its offerings to the global market, support its global growth strategy. Terms of the transaction were not disclosed.

• Spain-based, Armando Álvarez Group acquired Envalflex, S.A., a leading manufacturer of flexible packaging solutions for the food industry. This transaction was not disclosed.

• US-based, Filtration Group Corp. announced the closing of its acquisition of Multisorb Technologies Inc., a world leader in active packaging technology located in Buffalo, USA. As part of the Filtration Group family, Multisorb will now be able to expand its product portfolio and expand its offerings to the pharmaceutical, healthcare, food and industrial markets with world class filtration solutions. Terms of the transaction were not disclosed.

• Ohio-based, ProAmpac LLC, one of America’s largest and fastest-growing flexible packaging manufacturers, today announced the acquisition of Pactech Packaging LLC, based in Rochester, New York. Pactech is a manufacturer specializing in pouch converting. Pactech’s products complement ProAmpac’s existing flexible packaging offerings, which primarily serve the medical, industrial and consumer packaged goods markets. The acquisition of Pactech expands ProAmpac’s flexible packaging pouch manufacturing capabilities in dispensing and clean-environment production. Terms of the transaction were not disclosed.

• China-based, Henban Mega Jumbo Investments Ltd. completed the acquisition of Sunway Kordis Holding Ltd., a Chinese manufacturer of food wrap film and plastic bags, for $23.0M. Terms of the transaction were not disclosed.

• Sweden-based, Altior Fund IV signed an agreement to acquire the leading European manufacturer of sustainable and high-tech plastic film, based in Sweden, Trioplast is a leader in recycling of used plastics and the use of renewable raw material. Altior Fund will engage the management team will own 100% of the shares. Terms of the transaction were not disclosed.

• Swedish-based, Altior Fund IV, a leading European manufacturer of sustainable and high-tech plastic film, today announced the acquisition of a US-based company, with strong partners and contractors on the supply, production and distribution side. Terms of the transaction were not disclosed.

• France-based, Saverglass SAS acquired Verreries Et Cristalleries Waltersberger SA, headquartered in Normandy, Verreries Et Cristalleries Waltersberger manufactures and markets glassware for the perfume, spirits and pharmaceutical industries. Terms of the transaction were not disclosed.

• Japanese-based, Sharingtechnology Corp. (TSE:3999) acquired SHIOTANI GLASS CO., LTD. from Kousuke Shiotani, Yuji Shiotani and sixteen individuals for approximately ¥470.0M ($4.3M). Headquartered in Osaka, Shiotani Glass Co. manufactures glass containers for medical supplies and medicine. Terms of the transaction were not disclosed.

Metal

• Colorado-based, Ball Corporation and California based Platinum Equity entered into a joint venture and definitive purchase agreements to form Ball Metalpak, a new packaging company that will offer containers for aerosol products, food, household consumables, pet food, nutritional and other products in the United States. Platinum Equity will own 51% of Ball Metalpak and Ball Corporation will own 49%. Ball Corporation will contribute its US steel food and aerosol packaging manufacturing assets to the joint venture. Ball Corporation will receive more than $600M in pre-tax proceeds from the transaction and will retain a 49% interest in Ball Metalpak, for a total value of approximately $675M. This agreement enhances their ability to immediately return additional value to shareholders via share repurchases, reduce Ball’s leverage and grow EVA dollars.

• California-based, Stone Canyon Industries LLC, through its subsidiary, METAWAY LLC, entered into a definitive agreement and plan of merger to acquire the parent holding company of Florida-based Industrial Container Services (ICS), a leading provider of container solutions, container services, and container management systems. The transaction, which consists of cash and stock consideration payable to ICS shareholders, has an enterprise value of approximately $1.0B. ICS is a manufacturer and distributor of high-quality metal, plastic and composite packaging solutions for customers.

• German-based, Blechwarenfabrik Limburg GmbH has acquired the Danish packaging producer Baltic Packaging A/S. Both companies have a solid foothold in the market. With this acquisition, the two companies will be able to offer a broader product range within metal packaging, providing customers with greater stability and momentum. The integration of Baltic Packaging, will broaden Blechwarenfabrik Limburg’s access to the Scandinavian market. Terms of the transaction were not disclosed.

• Illinois-based, AptarGroup, Inc. announced that it has acquired Reboul from Vacheron Industries SAS. Reboul is a French leader in the design and industrial production of high-quality metal components, metal-plastic sub-assemblies, next generation lipstick mechanisms and complete color cosmetic packaging solutions. This strategic acquisition brings to Aptar complementary and distinctive capabilities including deep metal drawing, high speed metal stamping, as well as differentiated lipstick mechanism design and manufacturing. Aptar will acquire Reboul for an enterprise value of €14.0M (approximately $16.7M) in cash, less the amount of net debt assumed at the closing date. The agreement also provides an earn-out provision based on the 2018 financial results, which could increase the enterprise value to a maximum of €23.0M (approximately $27.5M).

* Sources: S&P Capital IQ, Thomson ONE, company press releases and other publicly available information.
- **Italian-based**, Pusterla 1880 acquired 51% of the capital of the French company Virojonglor (“VIREO”). This operation contributes to forming a Group that positions itself as one of the leaders of luxury packaging, in continuation of the process initiated by VIREO in 2017 with the acquisition of Interesting Sourcing. Terms of the transaction were not disclosed.

- **Italian-based**, Logson Group to strengthen its presence in a well-known market, to optimize its product portfolio and to pursue global growth. Terms of the transaction were not disclosed.

- **Polish-based**, Space4 S.P.A., (BIT:SPA4) and **Luxembourg-based** Peninsula Capital II S.à r.l. entered into a framework agreement to acquire PT. UTD Creation Packaging Printing Co., Ltd. (SZSE:002228) signed an agreement to acquire PT. UTD Creation Packaging Solutions Batam from Xiamen Jiaqiao Hongkong Equity Investment Partnership Enterprise, (Limited Partnership) and Zhou Qin for CNY3.7M (approximately $0.6M). Headquartered in Indonesia, PT. UTD Creation Packaging Solutions Batam manufactures and sells cardboard and plastic packaging products.


- **Russian-based** LLC Managing Company Nicol Pack completed the acquisition of S.L. 1% stake in Angren Pack from Paper Mill Holding s.r.o. Based in Uzbekistan, Angren Pack produces cardboards and paper products. Terms of the transaction were not disclosed.

- **UK-based**, DS Smith Plc, a leading international packaging business, acquired Peapes y Cartones de Europa, S.A., known as Europac, a leading Western European integrated packaging business based in Spain. The offer price of €16.80 per Europac share values the entire share capital of Europac at €1.667B (£1.453B), with an implied enterprise value of €1.904B (£1.659B).

- **Finland-based**, Huhtamäki Oyj (HLSE:HU1V) acquired the majority of CupPrint Ltd., a privately owned paper cup manufacturer based in the Republic of Ireland. With the acquisition, Huhtamaki improves its access to a growing market, whereby run custom-printed cups and boosts its online commercial activity. The short run capability also allows Huhtamaki to even better support its current customers’ promotional activities. The debt free purchase price for 70% ownership of CupPrint was approximately €22M (£25.6M).

- **US-based**, Green Bay Packaging Inc. acquired Wisconsin Packaging Corp., a corrugated sheet plant in Fort Atkinson, Wisconsin. Wisconsin Packaging Corp. will operate as part of Green Bay Packaging Inc. Similar to Green Bay Packaging Inc., Wisconsin Packaging Corp. places its emphasis not just on superior production, but on customer relationships and service. Terms of the transaction were not disclosed.

- **US-based**, Sonoco International (BVI), Inc. announced an agreement to acquire US-based, Corrugated Container Corporation (CCC), a high-quality corrugated packaging company in North America. The acquisition further strengthens DS Smith’s position in the corrugated packaging sector. The deal will also expand DS Smith’s presence in the US to 23 manufacturing sites, and the company says the deal will significantly enhance its display packaging and box-making capabilities in the region. Terms of the transaction were not disclosed.

- **Chinese-based**, Xiamen Hexing Network Technology Co., Ltd. and Xiamen Hexing Packaging Printing Co., Ltd. (SZSE:002228) signed an agreement to acquire PT. UTD Creation Packaging Solutions Batam from Xiamen Jiaqiao Hexing Equity Investment Partnership Enterprise, (Limited Partnership) and Zhou Qin for CNY3.7M (approximately $0.6M). Headquartered in Indonesia, PT. UTD Creation Packaging Solutions Batam manufactures and sells cardboard and plastic packaging products.

- **Chinese-based**, New Island Printing (Liaoning) Company Ltd. entered into an agreement to acquire from Huajun Enterprise (Yingkou) Co., Ltd. for CNY30M (approximately $4.7M). Headquartered in China, Yingkou Yi Hua Green Packaging Printing Products and Imperial Green Packaging products, such as cardboard and cartons.

- **Pakistan-based** Roshan Packages Ltd. (KASE:RPL) entered into an agreement to acquire remaining 50% stake in Roshan Sun Tao Paper Mills (Private) Ltd. from Shandong Yongtai Paper Mills Company Ltd. Headquartered in Lahore, Roshan Sun Tao Paper Mills manufactures corrugated paper products. Terms of the transaction were not disclosed.

- **Canadian-based**, Supremex Inc, a leading North American manufacturer and marketer of envelopes and a growing provider of packaging and specialty products, concluded the acquisition of Lavall-based Groupe Deux Printing Inc. and its related company Pharmaflex labels inc., a leading manufacturer of premium quality folding carton packaging and labels generally produced for the pharmaceutical industry. The transaction was concluded for a total cash consideration of C$11.3M (approximately $8.7M) on a cash-free and debt-free basis subject to customary adjustments for working capital.

- **South African based**, Mondi Plc has signed an agreement to acquire National Company for Paper Products and Import & Export is a privately-owned industrial bags producer, operating one plant in Giza near Cairo in Egypt and serving mostly regional customers. The business will be integrated into Mondi’s Fibre Packaging Business Unit, which is a leading producer of industrial bags with four plants in the Middle East.

- **French-based** AFD Group completed the acquisition of SAS Boutaux Packaging. Headquartered in Basse-Normandie, SAS Boutaux manufactures cardboard packaging. Terms of the transaction were not disclosed.

- **Minneapolis-based** Liberty Diversified International acquired Phoenix-based manufacturer Preferred Packaging and Crating Inc. Preferred Packaging will continue to operate under its well-established brand name, manufacturing corrugated, wood and foam packaging solutions. Preferred Packaging is one of the most diversified packaging materials manufacturer in Arizona, and serves customers in the aerospace, manufacturing, distribution and consumer goods markets. The company also offers custom design services for point-of-purchase displays and sophisticated packaging. Terms of the transaction were not disclosed.

- **New York-based**, One Equity Partners, a middle market private equity firm acquired Walki Group, a leading producer of technical laminates and protective packaging materials headquartered in Finland. Terms of the transaction were not disclosed.
Rigid

- Denmark-based, Faerch Plast, a European supplier of trays for the food industry, has acquired CGL Pack’s two French manufacturing sites in Annecy and Lorient, in addition to its headquarters in Annecy and associated commercial activities for an enterprise value of €81.5M (approximately $95.1M). CGL Pack is engaged in the manufacturing of advanced packaging solutions for the food service industry, healthcare and consumer products. The acquisition provides the right footprint for further developing Faerch Plast’s business in France.

- US-based, Morgan Stanley Capital Partners (MSCP), the Private Equity team within Morgan Stanley Investment Management, announced that they have completed an investment in Comar Holding Company, LLC. Based in New Jersey, Comar Holding Company is a leading rigid plastics packaging manufacturer of bottles, containers, liquid dosing devices and closures predominantly for the healthcare and wellness industry. Terms of the transaction were not disclosed.

- Luxembourg-based Europe Capital Partners VI acquired the majority of the share capital of Induplast s.p.a. one of the leading Italian companies active in rigid packaging aimed at the personal care, cosmetics markets and pharmaceuticals. The entry of the fund into the social structure of Induplast is part of an industrial plan to strengthen and expand new markets with the help of the founding families Cortesi and Leidi, which remain minority shareholders, in order to create an industrial group in the sector of Cosmetics & Pharma Rigid Packaging. Terms of the transaction were not disclosed.

- US-based, L Catterson and Italian-based Ambiente SGR S.p.A, a leading player in the design and manufacturing of beauty and personal care plastic packaging solutions. The Bosi family, founder and current owner of the Italian-based company, will retain a minority stake. Their objective is to position Pibiplast as the undisputed leader in sustainable cosmetic packaging. Terms of the transaction were not disclosed.

- US-based, Novolex Holdings, Inc., a portfolio company of The Carlyle Group and an industry leader in packaging choice and sustainability, will acquire Waddington Group, Inc. for $2.3B. Headquartered in Kentucky, Waddington Group is a global manufacturer and marketer of packaging and disposables serving the food service, bakery, deli, produce and confectionery markets. The acquisition brings Novolex world-class product innovation and long-term customer relationships.

- US-based, ORBIS Corporation, a subsidiary of Menasha Corporation, has acquired Hinkle Manufacturing. Based in Ohio, Hinkle serves the automotive market with highly engineered custom dunnage designed for part protection. Hinkle also operates a thermoforming plant in Dearborn, Michigan, where it produces trays and other plastic components. Hinkle Manufacturing and their recent acquisition of Response Packaging will strengthen their custom solutions offerings. Terms of the transaction were not disclosed.

- Novio Packaging Group, the international holding based in the Netherlands, has joined forces with Danish-based Scandinavian Packaging. The group will use this merger to expand its distribution network. The move will also broaden the range of services and products on offer, in particular in the field of food and pharmaceutical packaging. For the Scandinavian Packaging, this merger ensures sector-wide packaging distribution capability. Terms of the transaction were not disclosed.

- Germany-based, Weener Plastics Group (“WP”) acquired Proenfar. Based in Colombia, Proenfar is a manufacturer of pharmaceutical and cosmetics plastic packaging solutions for the Latin American market. With this acquisition, plastic packaging supplier WP continues its expansion in emerging markets and strengthens its product portfolio. Terms of the transaction were not disclosed.

- Munich-based Blue Cap AG has acquired fellow German-based Knauer Holding GmbH & Co. KG along with its subsidiaries, including Uniplast Knauer GmbH & Co. KG. The Knauer Group specialises in the manufacturing of thin-walled plastic packaging for milk products and employs around 400 employees in two production sites. Terms of the transaction were not disclosed.

- Luxembourg-based, UNITED CAPS, an international manufacturer of caps and closures, today announced it has acquired the Spanish closure manufacturer EMBALAJES PLÁSTICOS DE SOPELANA S.L. (“Embalatap”). The acquisition acts to extend the UNITED CAPS product portfolio, especially as it relates to closures for edible oils typically used in the Southern European market. Terms of the transaction were not disclosed.

- Canadian-based, Walter Capital, a private equity investment firm acquired a majority stake in Plastcase Inc., a Canadian specialty and protective carrying case products manufacturer. Plasticase’s founder and Chief Executive Officer will remain as a minority shareholder. The partnership will allow the company to expand and fully capitalize on the growth opportunities available. Terms of the transaction were not disclosed.

- Egyptian-based Marsa Marsa Alam For Tourism Development SAE (CASE:MMAT) made a mandatory tender offer to acquire 68% stake in El Badr Plastic Company. Based in Alexandria, El Badr Plastic Company provides plastic packaging solutions in Egypt. Terms of the transaction were not disclosed.
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:

- Amcor Limited
- AptarGroup, Inc.
- Astrapak Ltd.
- Avery Dennison Corporation
- Ball Corporation
- Bemis Company, Inc.
- Berry Plastics Group, Inc.
- BillerudKorsnäs Aktiebolag (publ)
- Cascades, Inc.
- CCL Industries Inc.
- Chuo Kagaku Co., Ltd.
- Crown Holdings Inc.
- DS Smith Plc
- Duni AB (publ)
- Essel Propack Limited
- 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
- 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
- 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
- WestRock
- 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
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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ED None

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