Packaging Recap

M&A activity increases to pre-crisis levels, fuelled by megadeals and private equity

Worldwide M&A activity in 2014 was the strongest since 2007, increasing 47% over last year to US$3.7 trillion, according to data compiled by Thomson Reuters. The increase in activity was powered by the return of the megadeal, with 95 transactions in excess of US$5 billion each, more than double the value and number of large-cap deals announced last year.

With 10 of the largest 15 deals of 2014 occurring in the US, activity in the Americas returned to pre-recession levels and was up 51% year-over-year to US$1.5 trillion. European M&A activity also grew by 55%, with the largest growth stemming from France (+239% to US$165 billion) and the slowest coming from Germany (-21.6% to US$73 billion). Valuations continue to rise, with global exit multiples observed in 2014 reaching an average of 14.2x EBITDA in 2014 versus 13.3x in Q3 2014 and 12.1x in 2013.

High-profile deals announced during the last quarter of 2014 included the US$66.4 billion acquisition of Allergan Inc. by Actavis PLC, creating one of the world’s largest pharmaceutical companies, and UK-based BT Group PLC’s US$19.6-billion offer to buy UK mobile operator EE from owners Deutsche Telekom AG of Germany and France’s Orange SA.

Cross-border M&A activity more than doubled since 2013, accounting for 37% of total M&A volume and a 78% increase over last year’s levels. This trend was also noticeable in the packaging industry, as consolidation occurred in the global arena. Sparked by the unprecedented +14x multiple acquisition of Berlin Packaging by Oak Hill, private equity sponsors continued to play a major role, culminating in deals such as Canadian private equity Onex Corporation’s purchase of Swiss-based SIG Combibloc for US$4.7 billion (8.9x TEV/EBITDA) and French private equity Wendel Group’s acquisition of Austria’s Constantia Flexibles for US$2.8 billion (9.0x TEV/EBITDA).

M&A activity is expected to sustain well into 2015. We expect the packaging sector to follow global trends in M&A, exhibiting continued growth, cross-border movement and involvement from the private equity sector. Despite the resurgence of large, headline-grabbing deals, we continue to believe that the growth engine of M&A activity will be the middle market.
Transactions in brief

Flexible

• France-based Wendel Group signed a contract to acquire Europe's second-largest flexible packaging manufacturer, Constancia Flexibles Group GmbH, from One Equity Partners LLC and H. Turnauer Stiftung for approximately US$2.8 billion. The H. Turnauer Foundation intends to remain a significant shareholder in the Constancia Flexible Group and is currently discussing with Wendel a potential reinvestment. The transaction was reportedly valued at approximately 1.2x and 9.0x the company’s revenue of US$2.3 billion and EBITDA of US$31.1 million, respectively.

• UK-based ESNT International Limited signed an agreement to acquire the Specialist Packaging Division of the Clondalkin Group Holdings for approximately US$455 million, representing an approximately 1.1x and 8.2x the company’s revenue of US$428.9 million and EBITDA of US$55.5 million, respectively. Clondalkin is an international producer of packaging products and services based in the Netherlands.

• US-based Raven Industries Inc., through its Engineered Films Division, acquired Integra Plastics, Inc., from Bluestem Capital Company and other shareholders for US$48.4 million. The deal was valued at 1.4x the company’s US$35.0 million revenue with existing Integra Plastics bases also included in the US and specializes in the manufacture and conversion of high-quality plastic film and sheeting.

• Global packaging company Amcor Limited entered into an agreement to acquire Zhangshon Tian Cai, a Chinese food, beverage and pharmaceutical packaging business, for US$34.1 million. The deal was reportedly valued at 0.8x and 7.1x the company’s revenue of US$452.5 million and EBITDA of US$4.8 million, respectively.

• The UK’s Plastic Capital plc has agreed to acquire Flexipol Packaging Ltd. for US$17.0 million. The deal was valued at 0.7x the company’s US$24.0 million revenue multiple. Flexipol Packaging manufactures and supplies polyethylene-based packaging products for public and private sector customers and end-users.

• US-based global investment manager Strategic Value Partners, LLC acquired Linpac Senior Holdings for a reported US$250 million. Linpac manufactures cardboard and paper packaging products, such as bakery, fruit and foodservice products.

• UK-based private equity group Pamploona Capital Management LLP agreed to acquire US-based packaging film manufacturer Charter NEX Films Inc. from Mason Wells, Charter NEX engages in the engineering, extruding and manufacturing of monolayer, coextruded and barrier blown films for packaging applications. Terms of the deal were not disclosed.

• Canada’s CCL Industries Inc. acquired two label manufacturers, Druckerei Nilles GmbH of Germany and Label Connections Ltd. of the UK. Beverage-label manufacturer Druckerei Nilles was acquired for US$17.3 million, representing 1.1x and 6.4x the company’s US$15.7 million revenue and $2.7 million EBITDA, respectively. Self-adhesive sheet label manufacturer Label Connections was acquired for US$2.4 million, representing 0.6x and 4.0x the company’s US$4.0 million revenue and $0.6 million EBITDA, respectively.

• US flexible packaging manufacturer NOVOLEX entered into a definitive merger agreement to acquire US-based Packaging Dynamics from US private equity firm Kohlberg & Company, LLC for an undisclosed amount. Packaging Dynamics manufactures flexible packaging solutions for the food industry.

• Kohlberg & Company, LLC acquired US-based PPC Industries, Inc. from private equity firm AEA Investors LP for an undisclosed amount. PPC Industries, Inc., a specialty packaging products company, is engaged in the extrusion, converting and printing of polyethylene-based films and tubing for food and industrial packaging applications.

• Spanish plastic packaging manufacturers COEXPAN S.A. and Laninver S.H.C. S.L. (Lantero Group) acquired RPC Cobelplast Montonate Srl., a subsidiary of RPC Group plc. RPC Cobelplast Montonate Srl is located in Italy and produces plastic sheet and films. Terms of the transaction were not disclosed.

Paper

• Canadian private equity group Onex Corporation entered into a definitive agreement to acquire Switzerland’s SIG Combibloc AG for US$4.7 billion from Reckitt Benckiser. The deal was valued at 2.2x and 8.9x the company’s revenue of US$2.1 billion and EBITDA of US$524.3 million, respectively. SIG Combibloc manufactures and supplies carton packaging and filling machines for beverage and food manufacturers worldwide.

• Ethos Private Equity of South Africa has signed an agreement to acquire Nampak Limited’s corrugated, sacks and tissue divisions for US$143.7 million. Nampak’s corrugated, sacks and tissue divisions, also located in South Africa, manufacture packaging products, paper sacks and tissue.

• Thai Containers Group Co., Ltd. acquired packaging material manufacturer PT Indoris Printindo of Indonesia for US$81.7 million. PT Indoris Printindo manufactures packaging materials including cartons.

• UK-based DS Smith Plc acquired Spain’s Andorrana de Cajas de Cartón Ondulado S.A. for US$55.5 million. Andorrana de Cajas de Cartón Ondulado manufactures carton and paper products.

• Graphic Packaging International, Inc. entered into an agreement to acquire Norampac’s North American boardroom manufacturing and converting assets for US$38.9 million from Cascades, Inc. These assets are located in Canada and comprise five mills that manufacture coated boxboards.

• France-based private equity firm UI Gestion SA and management acquired Gault et Fremont, S.A.S. for US$28.6 million, or 0.5x the company’s US$52.4 million revenue. Gault et Fremont manufactures and supplies cardboard and paper packaging products, such as boxes, bagging, snacking and baking packaging products.

• US-based Green Bay Packaging, Inc. acquired Midcon Holdings LLC (Great Lakes Packaging Corporation and Midland Container Corporation) from Arbor Private Investment Company and other shareholders. Midcon Holdings offers corrugated containers, point-of-sale packaging and point-of-purchase displays for food, beverage and industrial sectors and is also based in the US.


• French private equity group Wendel made a binding offer to acquire, together with the target company’s management, US-based CSP Technologies, Inc. for US$360.0 million. CSP Technologies provides packaging solutions to pharmaceutical and medical device companies worldwide.

• Plastipak Packaging, Inc. agreed to acquire UK-based APPE UK, Limited from La Seda de Barcelona SA and management for approximately US$368.2 million. APPE manufactures plastic bottles for the food, alcohol, personal care and household markets.

• Malaysian SKP Resources Bhd entered into an agreement to acquire plastic packaging manufacturers Plastictec Sdn. Bhd. and Bangi Plastic Sdn. Bhd. from the Tecnic Group Berhad for US$30.3 million and US$29.6 million, respectively. Plastictec was valued at 0.9x its revenue of US$32.2 million and Bangi Plastic at 1.1x its revenue of US$27.9 million.

• Canadian-based AC Simmons and Sons Inc. acquired 2072906 Ontario Limited for US$11.3 million. 2072906 Ontario Limited, also known under its operating name, Plasticap, manufactures specialty caps and closures for the food, dairy, beverage, industrial and medical industries, among others.

• US-based Premtium Packaging, LLC acquired Tri-Delta Plastics, Inc. also US-based, from family ownership for an undisclosed amount. Tri-Delta Plastics designs, engineers, manufactures and sells plastic components to the packaging industry, including plastic bottles, closures and twist caps.

• US-based subsidiary of Chesapeake Limited, Multi Packaging Solutions, signed a definitive agreement to acquire specialty rigid and gifting product manufacturer Presentation Products Group. Terms of the transaction were not disclosed.


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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 Guilin 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
- Vidrara 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
Glass
- Owens-Illinois and Constellation Brands, in a joint venture, acquired a glass production plant in Nava, Mexico from Anheuser-Busch InBev SA for US$300.0 million.

Metal
- Dongwon Systems Corporation acquired Ardagh Metal Packaging American Samoa for US$26.0 million. Ardagh manufactures metal packaging containers. The deal was valued at 0.5x the company’s US$49.1 million revenue.

Our capabilities
Ernst & Young Orenda Corporate Finance Inc. is one of Canada’s largest corporate finance firms focused on mid-market transactions. With more than 70 professionals in 11 cities across Canada, we offer significant regional and industry depth. As part of EY’s Transaction Advisory Services practice, Ernst & Young Orenda delivers a fully integrated approach to transaction services, including:
- Mergers and acquisitions advisory
- Divestitures
- 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

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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