Fuelled by historically low interest rates and a fairly large amount of cash available, 2015 was a record year, with transactions totalling US$4.4T. Although the same favourable market conditions were present in 2016, investors and corporations were more cautious in light of the political uncertainty caused by the Brexit vote and US elections, resulting in a decrease in deal activity in the year’s first three quarters. Also, due to the complexity of some of the large strategic deals, anti-trust regulators were very aggressive in blocking transactions, for a total of approximately US$771B. Nonetheless, global M&A activity rose by almost 50% in the last quarter, ranking 2016 as the third largest year since 1980.

In 2016, we witnessed a 16% decrease in worldwide M&A activity compared to record 2015 levels, while transaction volumes increased by 1%. Results remain impressive, however, with 46,055 deals announced and M&A activity totalling US$3.7T. While the early quarters of 2016 showed signs of a slowdown, the value of announced deals in the last quarter totalled US$1.2T, representing a 50% increase from the previous quarter.

With 7 of the top 10 deals of the year announced in Q4, it seems that in the end, the possible (and then actual) election of Donald Trump, i.e., a new direction, didn’t stop CEOs from pursuing strategic deals, although his proposed pro-growth policies remain to be proven.

In the US, M&A activity decreased by 16% in 2016, totalling US$1.7T. While interest rates rose in December, the deal pipeline seems to be robust and companies are likely to continue to pursue strategic deals in 2017. Because these transactions are becoming more complex, anti-trust regulators are also becoming more diligent and more aggressive, which explains the record level of withdrawn deals in 2016.

Another key feature of 2016 was the record China outbound M&A activity, which doubled from 2015 and totalled approximately US$221B. With the slowing growth of the Chinese economy, investors and companies were looking for opportunities in a wide range of sectors in overseas markets. This outflow of capital, which also contributed to the depreciation of the renminbi over the year, is alarming the Chinese government, which announced it will be paying closer attention to outbound investments.

Although 2016 is behind us, significant uncertainty remains with regard to the impact of Brexit and the effect of Donald Trump’s election on the global economy. According to our 15th Global Capital Confidence Barometer, 57% of the 1,700 senior executives surveyed expect to actively pursue acquisitions within the next 12 months. While 49% of companies have more than 5 deals in their pipeline, the survey also reveals that companies are now looking at smaller but smarter deals to achieve their growth strategy in a low growth economic environment.
Transactions in brief*

Flexible

- Amcor announced an expansion of its flexible packaging platform in the strategically important Northern China region, with the RMB 185 million (US$28 million) acquisition of Hebei Qite Packing Co., Ltd. (Qite). Qite’s plant located in Hebei, Northern China and its business generates sales of over RMB 180 million (US$28 million) from the sale of flexible packaging products to large domestic customers within the dairy and food segments.

- API Group completed the acquisition of the manufacturing assets and business of Amsterdam Metallized Products (AMP). AMP is a leader in brand enhancement packaging substrate technologies, pioneering transfer metalizing paper, board and filmic materials. Terms of the transaction were not disclosed.

- Entrepreneur Francis Durman and investment bank FCS Capital (owned by Allan Rodríguez) bought 100% of Costa Rica-based Yanber Corporation, engaged in the plastic industry. Yanber manufactures plastic packaging films using lineal low density and high density resins. Terms of the transaction were not disclosed.

- Denmark-based Schur International a/s acquired the Swedish carton and plastic bag producer Ekman Jönköping AB from Trioplast Industrier AB. Ekman has a turnover of approx. SEK 250 million (US$29 million). Post-acquisition, Schur now achieves a turnover equivalent to approx. SEK 800 million (US$93 million) in the Scandinavian market within the carton packaging and retail bag sectors. Terms of the transaction were not disclosed.

- Bubble bag manufacturers product supplier VP Packaging acquired Rotherham-based bubble film company Envelopemaster. This acquisition allows VP Packaging to benefit from synergies and further strengthen its leading position in Europe. Terms of the transaction were not disclosed.

- Transcontinental Inc. (TSX: TCL.A TCL.B) announced it has acquired all of the shares of Flexstar Packaging Inc., a flexible packaging supplier based in the Vancouver suburb of Richmond, British Columbia, for a total consideration of US$33.5 million. Flexstar will enable Transcontinental to extend its footprint to the West Coast, providing a coast to coast platform to further optimize production. Terms of the transaction were not disclosed.

- The Spanish group Saica acquired three Dutch packaging companies (i.e., Schut Packaging BV, Hellem Verpakkingen BV and Lemapack BV) from Flexible Packaging Holding BV. Schut and Hellem are both active producers of flexible packaging for the food and tobacco industry. Lemapack is an international trading company. Saica reported that the acquisition is part of its plans to enter the flexible packaging market, according to a buy-and-build strategy. Terms of the transaction were not disclosed.

- The Smithfield Group, managing shareholder of Innova Group, global leader in specialty BOPP films and polymer banknote substrate, announced that they have accepted an offer from CCL Industries Inc., a global specialty industrial business, to acquire Innova Group for C$1.13 billion. CCL recognizes and values Innova’s world leading technology, R&D and differentiation in films and security and sees a high degree of complementarity with CCL’s own capabilities and markets to establish new business growth opportunities.

- Wind Point Partners, majority owner, and TPG Growth, minority shareholder, announced the sale of Novolex™, a world leader in packaging choice and sustainability, to The Carlyle Group. Terms of the transaction were not disclosed.

- M&Q Packaging LLC has merged with Outlook Group Corp., under M&Q Holdings. Outlook’s plants and warehouse locations in Wisconsin are an ideal complement to M&Q Packaging’s Pennsylvania location. M&Q and Outlook Group will continue operating their existing management and facilities. Terms of the transaction were not disclosed.

- Sonoco (NYSE:SON), one of the largest diversified global packaging companies, acquired Plastic Packaging Inc. (PPI), a privately-held Hickory, North Carolina-based flexible packaging company. PPI expects 2016 sales of approximately US$42 million and operates two manufacturing facilities in Hickory and Forest City in North Carolina. The company was acquired for a cash consideration of US$64.5 million.

- EOS Private Equity has acquired 86.5% of Poplast Srl, an Italian manufacturing company based in Casel San Giovanni (Piacenza), Northern Italy, specializing in the creation of flexible packaging, focused on the food, pharmaceutical and industrial sectors. Terms of the transaction were not disclosed.

- Pritzker Group Private Capital announced the successful completion of its acquisition of ProAmpac, a leading global flexible packaging company, from Wessling Capital Management. ProAmpac operates under the Proteamica, Ampac and Tulsack brands and has more than 2,400 employees across 18 manufacturing locations in North America, Europe and Asia. Terms of the transaction were not disclosed.

- Saica Group has acquired 100% of the Irish owned Americk Packaging Group of companies (Ryhall Limited, holding company). Ryhall Limited manufactures and supplies packaging and labeling products, and reported a turnover in 2015 of close to €110 million. Terms of the transaction were not disclosed.

- Schur International a/s acquired Melbourne-based Burgess Printing and Packaging Pty Ltd. Burgess Printing and Packaging is a well-established, family owned company, renowned for delivering high-quality products and services to a stable customer portfolio within the food, beverage, pharmaceutical, industrial and chemical industry. Terms of the transaction were not disclosed.

- Viscofan Group has agreed to acquire 100% of the shares of Vector USA and Vector Europe including its subsidiaries in Europe (Vector Packaging Europe and Vector UK) for a total cash value of US$3.4 million from a group of private investors. Viscofan Group will also assume US$10.3 million of net bank debt. This acquisition will strengthen Viscofan’s positioning in plastic technology, widen its product portfolio and enhance production capacity in the markets for this type of casings in the United States and Europe.

- Constantia Flexible Group announced it has acquired the flexible packaging business owned by the Italian company Lamp San Prospero SPA via an asset deal. The company belongs to privately-owned VIMA Holding. This acquisition will strengthen Constantia’s position in the European pharmaceutical packaging industry. Terms of the transaction were not disclosed.

- ProAmpac, a leading global flexible packaging company, announced the acquisition of Vitec Packaging Group, a company specialized in the printing and converting of paper and laminates. Terms of the transaction were not disclosed.

Glass

- CVC Capital Partners announced that funds advised by CVC have agreed to acquire Anchor Glass Container Corporation in partnership with BA Glass, a leading European manufacturer of glass containers for more than US$1 billion. Anchor is a leading US producer of glass packaging, focused on the growing premium specialty segment of the market.

- Berlin Packaging announced that it has completed its acquisition of Bruni Glass, an Italian-based supplier of premium glass packaging with locations in Italy, France, Spain, China, Canada and the US. The acquisition will significantly expand Berlin’s premium glass portfolio, extend its footprint into key European markets, and push the combined company’s 2016 global footprint past the US$1.2 billion mark. Terms of the transaction were not disclosed.

- Greek glassmaker Youla announced it has agreed to sell its Bulgarian unit Druja Glassworks to Portugal’s BA Vidro as part of a wider divestment plan that also includes the group’s glass container business in Romania. Druja Glassworks has two glass container plants in Bulgaria (Sofia and Plovdiv). Terms of the transaction were not disclosed.

- Yalos Holdings (Overseas) Limited agreed to sell substantially all of the Canadian glass business (excludes the glass tableware and Ukrainian glass container businesses) to BA Vidro. Terms of the transaction were not disclosed.

Metal

- Nampak Limited agreed to acquire Botswana-based Can Manufacturers (Pty) Ltd. from Botswana Development Corp. Ltd. Terms of the transaction were not disclosed.

- Clara Capital acquired Argentina-based Ladisio Berkes, a manufacturer of aluminum packaging for the pharmaceutical industry. Buyers announced a plan to invest more than US$20 million in new machines and infrastructure improvements at their Munro plant in 2017. Terms of the transaction were not disclosed.

- Italy-based Tubettificio European, a manufacturer of aluminum packaging cans, bottles, collapsible tubes and containers, has been acquired by Tecnocap S.p.A. from Ball Corporation (NYSE:BLL). Tecnocap paid €4.1 million (US$4.3 million) for this acquisition. Tecnocap is an established industrial company, which produces lids and caps.

Paper

- Elisabeth Cuzin acquired Les ATELIERS DUPLAN, one of the key players in the field of shaping, sampling, filing cabinets, trend books, invitations and boxes. The company has a turnover of nearly €1.1 million and employs 15 people. Terms of the transaction were not disclosed.

- Colton Packaging Limited has agreed to acquire Case & Container Supply Co., a UK based family business, which manufactures and supplies corrugated cases and packaging materials. This acquisition is in line with Colton Packaging’s revised strategy to focus on the Midlands. Terms of the transaction were not disclosed.

- In line with its expansion strategy, Packaging Corporation of America has agreed to acquire all of the assets of US based independent corrugated products producer Columbus Container Inc., for US$100 million. Under the terms of this agreement, Packaging Corporation will acquire the corrugated products facility located in Columbus, Indiana, five warehousing facilities and other related operations located in Indiana and Illinois.

- Canadian Overseas Packaging Industries Limited (COP) has reached an agreement to acquire local

* Sources: S&P Capital IQ, Thomson ONE, company press releases and other publicly available information.
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.
- BillerudKorsnäss 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
Supremex Inc. (TSX: SXP)
Newell Brands Inc. (NYSE: NWL)
VPK Packaging Group
Sinclair & Rush, Inc.
Klabin
UK-based plastic package manufacturer
Cyprus-based engineering company, announced its proposed acquisition of South Africa-based plastic packaging company Astrapak Limited, by way of a public offer.

Supremex Inc. has announced the acquisition of Astrapak Limited, by way of a public offer. The proposed acquisition of Astrapak represents a strategic opportunity to acquire a rigid plastic packaging group of scale, with well-established market positions, in a new territory.

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