Globally
The global transactional market saw a dip in value in 2017 caused by increased political and tax reform uncertainty. The rising tensions in the Middle East, Brexit negotiations, the North Korea situation, and domestic uncertainty in the US around tax reform until very late in the year drove global markets down with respect to the value and volume of transactions. Worldwide M&A operations reached US$3.2T (18,433 deals) in 2017, a 3.2% decrease from 2016 in terms of total deal values (US$3.3T, 18,592 deals).

The US – Europe contrast
Even though the US market was on par in terms of deal count with a total of 5,326 transactions, it saw a 15% decrease in the value of deals concluded for 2017 (US$1.3T) compared to 2016 (US$1.5T). This decrease brought the US’s share in global M&A to 40.2%, its lowest since 2013 (40.5%).

Building on a stronger economy, the European market saw an increase of 14% in transaction value, up from US$815.4B in 2016, reaching a post-crisis high of US$929.3B across 7,235 deals. The aforementioned translates into a higher average transaction size as the deal count witnessed a small decrease from the 2016 level. M&A activity in Europe accounted for 29.6% of global M&A, the highest since 2012 (31.4%). This can mainly be explained by two factors. First, Europe had 11 megadeals in 2017, its largest number of deals over US$10B since 2008 (12 megadeals). Secondly, the populist wave of 2016 did not materialize in the 2017 Europe elections, notably in France and the Netherlands. The election of relatively stable, pro-business governments restored confidence amid a recovering market.

Packaging deal market remains very robust
The plateau attained in the global M&A market did not hamper the continued rise of transactions in the packaging industry, driven by strategic rationales in a still relatively fragmented sector. During 2017, the industry’s average disclosed deal value totalled US$437.1M, more than double the average of 2016 (US$206.8M). Based on our sample of 43 transactions selected for the three-month period, the proportion of deals involving a strategic buyer dominated at 83% (62% strategic, 21% PE backed strategic), while packaging trading valuation multiples were essentially at a 10-year high, trading between 9.0x and 10.5x depending on the substrate category.

Moreover, Graphic Packaging (NYSE: GPK) acquired a majority stake (79.5%) in the North-American consumer packaging division of International Paper Co. (NYSE: IP) for a total consideration of US$1.8B, which will create a leading integrated paper-based packaging company while helping International Paper to remain focused on its core businesses. Finally, the acquisition of Powerflute by Mondi Group for US$432M announced in late December will expand its product offering and add to its geographical reach.

The Year Ahead
The vitality of the M&A market in 2018 will depend mainly on the evolution of today’s political and tax uncertainties and reforms. The protectionist stance of the US government together with the implementation of significant tax reform, rising interest rates and increasing fears of an inflationary environment will have an important impact on the market, especially during a mid-term election year. Moreover, instability in Europe caused by the fast approaching Brexit date, the political crisis in Germany, and the elections in Italy could have adverse effects on the M&A market as well. Also, tensions in the Middle East and the North-Korean situation will be monitored and could be additional factors at play. Many of these concerns will see a resolution in 2018, which will provide a clearer picture to the actors in the market and allow them to further concentrate on intrinsic considerations.
Transactions in brief*  

Flexible  

- **Herambiente**, a Hera Group company based in Italy, completed its purchase of an additional 40% (increasing its stake with the remaining 20% of the shares planned to be acquired within June 2022) of the shares of **Al plast** for €1.8m. Al plast is an Italian national leader in industrial plastic waste recycling, in regenerating polymer recycling and production. The acquisition has allowed Hera Group to consolidate its own market presence with a distinctive trait, both unique and concretely in line with the principles of a circular economy.

- **US-based, Berry Global Group, Inc.** (NYSE: BERY) acquired the **Clopay Plastic Products Company, Inc.** (**Clopay**), a subsidiary of Griffon Corporation (NYSE-GFF), for $475.0m in cash on a debt-free, cash-free basis. Clopay is a US-based global supplier of printed breathable films, as well as an innovator in the development of elastic films and laminates with product offerings uniquely designed for applications used in a number of markets including hygiene, healthcare, construction and industrial protective apparel.

- **Canadian-based Transcontinental Inc.** (TSX: TCL.A TCL.B) acquired **Les Industries Flexipak Inc.** (**Flexipak**), a flexible packaging supplier located in Montréal, Québec, employing 55 people. Flexipak offers a range of flexible packaging products serving consumer goods companies, food processors and retailers across several markets including frozen fruits and vegetables, seafood, snacks, grains, nuts and beverages (shrink films). Terms of the transaction were not disclosed.

- **Greek-based TRACE POLYFILMS S.A.** acquired **EVLSAK, Hellenic Industry of Sacks and Plastic Materials S.A.**, headquartered in Kavala, Greece, for a total consideration of €2.5m. The Company operates as a producer of polyethylene-based public sacks used in the packaging of fertilizers and in raw plastic materials. Specifically, the company processes low density polyethylene (LDPE) and low density linear polyethylene (LLDPE) for the production of one-layer or three-layer films.

- **LBK Packaging**, a leading supplier of packaging solutions to the agricultural and industrial markets in the UK, was acquired by UK based **NNZ Ltd.** The acquisition significantly increases NNZ’s share in the agricultural and industrial packaging markets. Terms of the transaction were not disclosed.

- **Pouch Partners AG**, a Swiss-based wholly owned subsidiary of the **Seville Flexpack Corporation Holding AG**, purchased 100% of the shares of the Italian packaging company **Porta Imballaggi Flessibili S.p.A.**, a provider of flexible films to the Capri Sun Group to make its iconic Capri Sun pouches. Capri Sun, owned by Hansgrohe AG, is well known for its beverage business in the next five years, as well as to double its machinery and pouch-making division, Pouch Partners, which in addition to supplying Capri Sun, supplies a range of food, pet food and beverages to customers around the world. Terms of the transaction were not disclosed.

- **SÜDPACK Verpackungen GmbH & Co. KG**, headquartered in Germany, acquired US-based **Seville Flexpack Corporation** from the Yakih family. Seville Flexpack Corporation provides printed packaging solutions to containers. Its capabilities include printing and laminating, flexographic printing and laminating, and solids solvent-free lamination. Terms of the transaction were not disclosed.

- **US-based Novolex**, a portfolio company of the Carlyle Group and an industry leader in packaging choice and sustainability, acquired certain assets and business operations of **Shields Bag and Printing Co.**, a leading manufacturer of custom engineered flexible packaging products located in Yakima, WA. Terms of the transaction were not disclosed.

- **Crown Holdings, Inc.** (NYSE: CCK), a global leader in consumer packaging based in the US, entered into an agreement to acquire **Signode Industrial Group Holdings Ltd.** (**Signode**), a leading global provider of packaging systems and solutions, from The Carlyle Group, in a cash transaction valued at $3.9b. Based in Glenview, Illinois, Signode’s global footprint includes sales to 80+ countries across 6 continents, with sales to customers in approximately 60 countries.

- **Viscofan Group**, headquartered in Spain, has signed the sales and purchase agreement with a group of private investors to take over 100% of the business known as **Supralon Vertriebs und Vertriebs GmbH and Supralone France SARL**. The €1.2m transaction will be done in cash. Supralon companies are engaged in the production and distribution of plastic casings for the meat industry, with a production presence in Germany and a commercial spread in the biggest European markets. With this transaction, Viscofan strengthens its positioning in plastic technology, widens its product portfolio and enhances production capacity in Europe, one of the world’s largest markets of this type of casing technology.

- **TricorBraun**, headquartered in the US, acquired Canadian-based **Taipak**, a company offering a complete range of standard and custom flexible packaging solutions, including boxes, pouches and bags. Terms of the transaction were not disclosed.

- **Genstar Capital**, a leading US-based private equity firm focused on investments in targeted segments of the industrial technology, healthcare, financial services and software industries, announced the acquisition of US-based **Tekni-Plex, Inc.**, a leading global manufacturer of technologically advanced products, composites for niche healthcare, specialty packaging, and food packaging applications, from affiliates of American Securities. Terms of the transaction were not disclosed.

- **Canadian-based Cascades Inc.** (TSX: CAS), headquartered in Canada, completed the purchase of a majority position in Canadian-based **Tencorr Holdings Corporation**, a company specialized in manufacturing sheet stock for box producers. The company also announced an increase in its equity holding of US-based **Greenpac Mill LLC**, a manufacturer of paper boards and container boards. The two transactions amounted to a total of $2.1m.

- **AURELIUS Equity Opportunities SE & Co. KGaA** (**"AURELIUS"**), a listed mid-market pan-European investor headquartered in Germany, acquired Spanish-based **Abelan Board Industrial S.L.** The company is a major producer of core board and solid board packaging products operating out of Southern Europe, from Phi Industrial. The deal represents **AURELIUS’** third acquisition in the European packaging sector since 2015 and will further strengthen the Group’s operations in this market. Terms of the transaction were not disclosed.

- **Didier Chemin**, Managing Director of Barbarie SAS, along with French-based **GALIA Gestion SAS** and **Alliance Entreprendre SAS** acquired **Barbaree SAS** from LT Capital and Gilles Barbarie and family. Barbarie SAS manufactures wooden storage boxes for petals, carrots, onions, and other vegetables and fruits. The French company specializes in storage boxes, bins, and reusable pallets. Terms of the transaction were not disclosed.

- **Swedish-based Frontpac Ab** acquired **Geffe Kartong & Display AB**. Geffe Kartong & Display AB manufactures packaging, display materials and solid cardboard products. The transaction is 100% in cash and in Gällivare, Sweden. Terms of the transaction were not disclosed.

- **Chinese-based Shenzhen Yuto Packaging acquired a 90% stake in Kaily (Shanghai) Packaging Products Co., Ltd.** for CNY 190m, in order to invest in green packaging projects. Headquartered in China, the group manufactures and distributes corrugated boxes, cardboard, paper card board, beer cardboard boxes, coloured boxes, and packaging.

- **Nosco, Inc.**, a US-based subsidiary of **Holden Industries, Inc.**, acquired the assets of **Knight Packaging Group, Inc.**, a corrugated paper folding carton printer with more than 50 years of experience in the industry. With this investment, Nosco will be more broadly equipped to serve the needs of its growing base by adding new products and capabilities, significantly greater capacity to produce folding cartons, and an additional carton facility for redundancy in operations, completing a goal to have facility redundancy for all significant product offerings. Terms of the transaction were not disclosed.

- **Canadian-based Cascades Inc.** (TSX: CAS) acquired four plants in Canada for a total consideration of $28m in order to strengthen its presence in the containerboard packaging sector. The four plants acquired are **McLeish Corr-Box Packaging & Design, Brown Packaging, Coyle Corrugated Containers Inc.**, and **Coyle Packaging** (Peterborough Ltd.).

- **MMP Premium Polska sp. z o.o.**, a Polish-based company that manufactures and markets carton packaging, was acquired by Austrian-based **Mayr-Melnhof Packaging International GmbH** for €13.4m.

- **Graphic Packaging Holding Company (NYSE: GPK)**, headquartered in the US, acquired **Norcraft Packaging, S.A.**, a leading folding carton producer in Spain focused on the food and household goods markets. Terms of the transaction were not disclosed.

- **US-based Graphic Packaging Holding Company (NYSE: GPK)** will create a $6.0b paper-based packaging company by forming a new partnership comprised of Graphic Packaging’s existing businesses and **International Paper’s (NYSE: IP)** North America Consumer Packaging business. Graphic Packaging Holding Company will own 79.5% of the partnership and will be the sole operator. International Paper will own 20.5% of the partnership, equivalent to its ownership in IP. Terms of the transaction were not disclosed.

- **PalletOne, Inc.**, America’s largest new pallet manufacturer, acquired **North East Texas Pallet**, a pallet manufacturer located in Clarksville, Texas. Terms of the transaction were not disclosed.

- **Reno De Medici S.p.A.**, headquartered in Italy, acquired 66.7% of the share capital of **PAC Service S.p.A** for €10.1m. PAC Service is an Italian company operating in the field of cutting and processing cardboard. Reno De Medici now holds 100% control of a company for which it is a strategic supplier, integrating the value chain.

- **WestRock Company (NYSE:WRK)**, an American leading provider of differentiated paper and packaging solutions, acquired all the assets of Michigan-based **Plymouth Packaging, Inc.** (**"Plymouth"**). Plymouth is a corrugated packaging company that derives approximately 70% of its sales from its “Box on Board” corrugated folded panel, and 30% from traditional corrugated box packaging. Terms of the transaction were not disclosed.

- **Mondi Group**, headquartered in South Africa, acquired 100% of the outstanding shares of **Monaco Group Holdco Oy**, a division of Nordic Packaging and Container Holdings, for a total consideration of €365.0m on an enterprise value basis. Powerflute operates an integrated pulp and paper mill in Kuopio (Finland) with an annual production capacity of 250,000 tonnes of high-performance semi-chemical fluting. Terms of the transaction were not disclosed.

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* 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:

- Amcor Limited
- AptarGroup, Inc.
- Astrapak Ltd.
- Avery Dennison Corporation
- Ball Corporation
- Bemis Company, Inc.
- Berry Plastics Group, Inc.
- BillerudKorsnäks 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
- Hokkian Holdings Limited
- Huhtamaki Oyj
- International Paper Company
- Lee & Man Paper Manufacturing Limited
- Mayr-Melnhof Karton AG
- Metsa Board Oyj
- Mondi Limited
- 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
• US-based Graphic Packaging Holding Company’s (NYSE: GPK) wholly-owned subsidiaries, Graphic Packaging International, Inc. and Graphic Packaging International Canada, ULC, acquired the assets of Seydaco Packaging Corp. and its affiliates National Carton and Coating Co., and Groupe Ecce Boîtes Pliantes Ltee. Seydaco is a folding carton producer with a leading position in Canada focused on the food service, food, personal care, and household goods markets. Terms of the transaction were not disclosed.

• Shandong High-Tech Investment Corp and Shandong Lu Xin Investment Holdings Group Co., Ltd. agreed to acquire Shandong Lu Xin Tianyi Printing Co., Ltd. from Lu Xin Industrial Investment Co., Ltd. for approximately CN¥ 310.0m. All companies involved are based in China. Shandong Lu Xin Tianyi Printing Co., Ltd. provides pharmaceutical paper coloured box packaging and manual printing services in China.

• Spicers Canada, a division of Central National Gottesman Inc., acquired Shippers Supply, expanding its position in the distribution of shipping, packaging and warehouse supplies. Privately owned and headquartered in Edmonton, Alberta, Shippers Supply operates in nine locations throughout Western Canada, and supplies corrugated boxes, labels, tape, stretch film, shelving, packaging supplies and warehouse equipment to the region. Terms of the transaction were not disclosed.

• Heidelberger Cement subsidiaries Suez Cement and Tourah Cement have agreed to sell their respective stakes of 53.3% and 4.5% in Egyptian-based Suez Bags Company S.A.E. (CASE:SBAG) to Austrian-based Mondi Paper Sales, a Mondi Group subsidiary, for approximately EGP 160m.

• South Korean-based, CK Company (XKON:2A3509P) acquired Taegyeong Industry Co., Ltd. for KRW 8.7b. Taegyeong Industry Co., Ltd., a South Korean company, manufactures and markets corrugated cardboard boxes.

Rigid

• Funds advised by UK-based Apax Partners acquired US-based Tosca Services, LLC, a leading provider of supply chain solutions and reusable packaging to the perishable markets of protein, eggs, produce and cheese. Terms of the transaction were not disclosed.

• Hoffmann Neopac AG, a leading supplier of tube packaging to the worldwide pharmaceutical and cosmetics industries based in Switzerland, has taken a majority stake in 3D Technopack Pvt. Ltd. based in Mumbai, India. This investment strengthens the company’s international market presence and expands its expertise in tube manufacturing. Terms of the transaction were not disclosed.

• Thai-based SCGP-T Plastics Company Limited acquired a 75% stake in Conimex Company Limited for an enterprise value of THB 886.0m. Conimex Co., Ltd. designs and manufactures plastic containers.

• US-based Graham Partners, a private investment firm targeting industrial technology and advanced manufacturing companies, acquired EasyPak, LLC, a leading thermoformed packaging provider with advanced operating capabilities, a history of innovation, and best-in-class service. Headquartered in the US, EasyPak serves an attractive base of food producing customers. EasyPak is differentiated by its ability to offer packaging made from 100% post-consumer recycled materials, among other value-added capabilities. Terms of the transaction were not disclosed.

• French-based Proplast Group acquired German-based ES-Plastic GmbH from RiverRock European Capital Partners LLP. ES-Plastic GmbH develops and manufactures plastic packaging solutions. The company offers modified atmosphere packaging trays, sorting inserts, pots, lids, films, technical packaging products, and absorbent liners. Terms of the transaction were not disclosed.

• ONCAP IV, managed by Canadian-based ONCAP, IntraPac management team and US-based Berenson Capital Partners, LP acquired IntraPac International Corporation from funds managed by CI Capital Partners LLC. Headquartered in the US, IntraPac is a designer and manufacturer of specialty rigid packaging solutions including sticks, jars, vials, closures, spoons, bottles, tubs and metered dose inhaler can coating services. Terms of the transaction were not disclosed.

• An investor signed an initial agreement to acquire a 74% stake in Medco Plast for Packing and Wrapping Systems S.A.E., a plastic bottle and packaging product manufacturer based in Egypt, from Middle East Glass Manufacturing Company S.A.E. Terms of the transaction were not disclosed.

• Chinese-based GPA Global acquired MW Creative Ltd. Anthony Dowler, Founder of MW, will become a shareholder of GPA. Headquartered in the UK, MW Creative Ltd manufactures packaging solutions for the spirits, beverage, health, and beauty industries. Terms of the transaction were not disclosed.

• US-based Comar acquired Shore Plastic Technologies, Inc. (“Shore Plastic Tech”) based in Millville, New Jersey. Over the past twenty years, Shore Plastic Tech has developed a reputation as a market-leading design and engineering firm with a proven track record of developing and refining products in the medical, diagnostic, pharmaceutical, and CPG industries. Terms of the transaction were not disclosed.

• Thai Plaspac Public Company Limited (SET:TPAC), headquartered in Thailand, agreed to acquire a 80% stake in Indian-based Sunrise Containers Ltd from K. L. Mundhra and family for INR 4.2b. Sunrise Containers Ltd. manufactures PET preforms, bottles, and containers.

• Graham Partners, a US-based private investment firm targeting industrial technology and advanced manufacturing companies, announced its second investment in the thermoformed packaging space, Tray-Pak Corporation. This investment was completed just one month after Graham’s investment in EasyPak, LLC, furthering Graham’s investment thesis of building a top tier, mid-sized thermoformed packaging provider. Tray-Pak, headquartered in Reading, PA, was acquired on a proprietary basis from an affiliate of Archbrook Capital Management LLC, which purchased the company in 2009 and will remain an investor in the business. Headquartered in the US, the company has extensive in-house tooling that provides significant benefits, including customization of products, rapid new product development and speed to market. Terms of the transaction were not disclosed.

• A consortium led by funds advised by Swiss-based Klieger AG with French-based CM-CIC Capital Privé SA as co-investor acquired W.AG Funktion + Design from Aheim Unternehmer-Fonds I a GmbH & Co managed by Aheim Capital GmbH and other shareholders. Headquartered in Germany, W.AG Funktion + Design develops and manufactures plastic cases and boxes. Terms of the transaction were not disclosed.

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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* Sources: S&P Capital IQ, Thomson ONE, company press releases and other publicly available information.