

PACKAGING INDUSTRY

SUMMARY REPORT

2019 - 2nd QUARTER

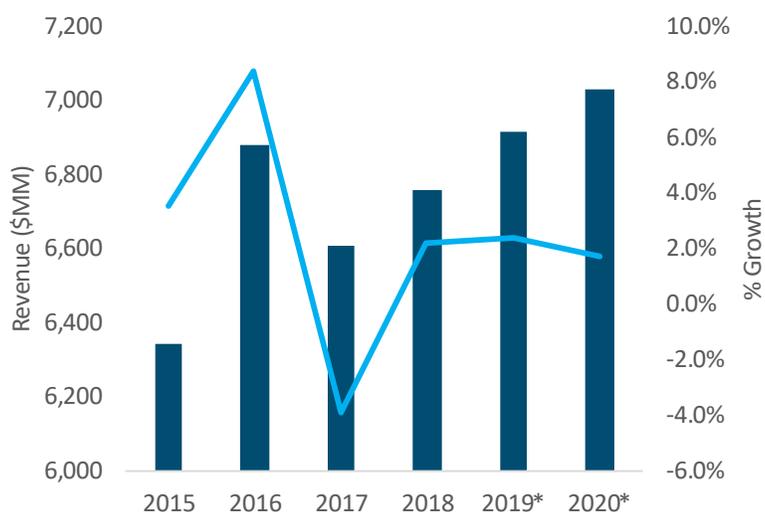


PLASTICS AND PACKAGING MANUFACTURING OVERVIEW

- Benefiting from demand in downstream markets, the plastics and packaging manufacturing sector, responsible for the production of plastic wrapping, containers and boxing used in various markets will continue to experience steady production growth as manufacturers respond to shifting trends and increased profitability.
- Demand for consumer products requiring packaging has risen largely through economic rebounds and increased consumer consumption, particularly in the food and beverage, household goods, and healthcare end-markets, which contribute to over two-thirds of industry sales.
- Industry products serving food and beverage manufacturers, the largest downstream market, are seeing demand increases in strong correlation to domestic consumption levels as packaging machinery and products are needed for the boxing, wrapping and containment of food products. Food and beverage growth is expected to range 1.5% annually through the next five years aided by population growth and elevated consumer spending.
- Rising consumer purchases and an aging population have also contributed to pharmaceutical product sales, further driving the need for packaging products. The number of individuals aged 65 or older has climbed, as has the number of individuals receiving healthcare coverage, thus driving medical sales. Relative to prior years, 2018 represented the largest year for pharmaceutical packaging sales experienced by industry operators.
- Industry performance, both through growth in downstream demand and improvements to operator efficiencies and profitability, has stirred buyer interest and transaction activity. Strategic buyers have led the motion as they seek consolidation of packaging solutions by strengthening service offerings through the combination of machinery ownership and flexible manufacturing capabilities. US deal count remained steady from Q1 2019, while multiples reached the highest levels seen over the last two years, with average valuations greater than \$50 million, up slightly from the last peak in 2017. This trend is expected to continue as financial buyers look to diversify their holdings with less downturn-prone industries such as packaging, whose cash flows tend to hold relatively defensive due to stable end markets.

RCO Research, IBISWorld.

Industry Revenue



*Indicates forecasted industry revenue. IBISWorld 2019

Avg. Industry Financial Performance

TEV (\$MM)	Rev. (\$MM)	EBITDA %
Plastics and Rubber Products Manufacturing		
10-25	23.9	16.4%
25-50	42.1	17.6%
50-100	65.2	19.4%
100-250	129.6	17.3%
Plastics Packaging Materials		
10-25	29.0	13.1%
25-50	41.9	14.3%
50-250	76.0	18.3%
Packaging and Labeling Services		
10-25	25.8	12.9%
25-100	84.5	14.6%

GF Data® 2003 through May 2019.

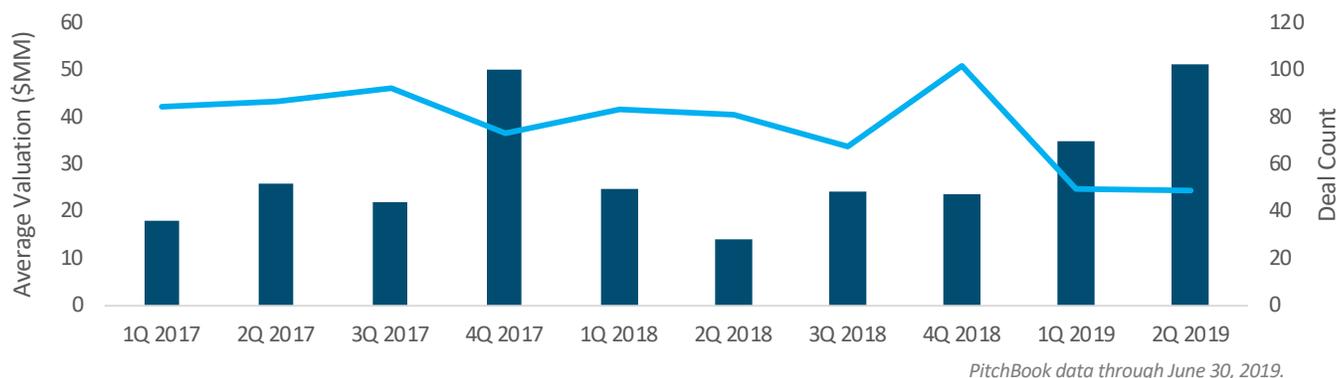
FEATURED SEGMENT: HEALTHCARE PACKAGING



- The population of individuals over 65 years of age, the largest contributors to the pharmaceutical products market, has grown 3.3% over the last five years, to 52.5 million people in 2018.
- The need for drug and product packaging for the industry has spiked, led by the rise in the number of drug prescriptions.
 - Individuals with access to private health insurance has expanded, with coverage through certain healthcare acts, such as the 2010 Patient Protection and Affordable Care Act (PPACA), requiring prescription drug coverage.
 - The use of drug therapies for the prevention and treatment of illnesses has become commonplace through continual medical discoveries.
 - Regulatory changes and stringent government compliance measures around the design and labeling of drug and medical products has led to increased outsourcing of non-central components for drug manufacturers, such as packaging operations.
- With 4.7% growth projected for pharmaceutical packaging operators in 2019 alone, revenue for the segment is expected to reach \$850.3 million over the next five years driven by the factors above.



North America Deal Count & Average Valuations –Middle Market (up to \$250MM)



- Companies in the North American middle market plastics and packaging manufacturing industry have experienced a total capital investment of \$2.87 billion through YTD June 2019, with the majority of deals occurring in California, New York and Texas.
- Through YTD 2Q 2019, the industry has announced 99 transactions, a decrease compared to the same period in 2018, however, deal values have increased considerably over the comparison period, with buyers seeking consolidation and a willingness to pay premium valuations.
- A strong economy, shifts in consumer preferences and heightened industry manufacturing activity will all provide an opportunity for strategic buyers to increase consolidation over the next few years. Capital deployments from financial buyers are also expected to grow as they look to capture investment opportunities in an industry poised for high growth and less prone to cyclical activity.

TEV/EBITDA Multiples

TEV (\$MM)	10-25	25-50	50-250
Plastics and Rubber Manufacturing	5.4x	6.0x	7.0x
Plastics Packaging Materials	4.9x	7.4x	7.5x
Packaging and Labeling Services	7.0x	7.4x	n/a

PitchBook data through June 30, 2019.

GF Data® 2003 through May 2019.



FEATURED PACKAGING TRANSACTIONS



Acquired by

SPELL CAPITAL

On June 28, 2019, Spell Capital, a Minneapolis-based private equity firm announced its acquisition of Complete Packaging, a wood containers and packaging company.

Located in Monroe, Michigan, Complete Packaging is a manufacturer of engineered and customizable packaging solutions for the automotive and industrial markets. Products include crates, pallets, plastic returnables and other containment products made of wood, plastics and corrugated materials.

Financial terms of the agreement were not disclosed.¹

On June 17, 2019, Genstar Capital, a leading private equity firm, along with its portfolio company Tekni-Plex, announced the acquisition of three packaging manufacturing facilities from Amcor.

Tekni-Plex is a manufacturer of packaging materials, medical compounds and crafted medical tubing materials. Through its acquisition of Amcor's manufacturing plants which provide medical device packaging and coating services, the company hopes to expand its medical packaging capabilities and geographical outreach.

Financial terms of the agreement were not disclosed.²



Acquired by



and



Acquired by



On June 12, 2019, Bain Capital Private Equity announced its acquisition of Imperial Dade, an independent distributor of packaging supplies and equipment.

Imperial distributes food service packaging, restroom and janitorial supplies and equipment throughout various regions of the U.S. Products include cleaning chemicals, disposal packaging and products, as well as janitorial stock. Bain Capital will leverage its operational experience through previous investments in the space to meet growth opportunities in the food service distribution and cleaning supplies sectors.

Financial terms of the agreement were not disclosed.³

PitchBook.

1. Transaction Press Release, dated June 28, 2019. <https://spellcapital.com/2019/07/10/spell-capital-announces-its-investment-in-complete-packaging/>
2. Transaction Press Release, dated June 17, 2019. <https://www.pehub.com/2019/06/genstar-backed-tekni-plex-acquires-three-manufacturing-facilities/>
3. Transaction Press Release, dated June 12, 2019. <https://www.baincapital.com/news/bain-capital-private-equity-completes-acquisition-imperial-dade>

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Romanchuk & Co. is a boutique investment banking firm providing mergers and acquisitions (M&A) advisory services to middle-market leaders within the diversified industrials sectors. We advise owners and investors of privately-held businesses on the preparation and sale of their company, facilitate mergers & acquisitions, support and guide them

through capital raises, assist them in identifying strategic opportunities, and help them execute upon those strategies. We specialize in providing sell-side M&A advisory services to middle-market companies with revenues or enterprise values ranging from \$15 million to \$250 million. For more information, please visit www.romanchukco.com.

Recent Experience

Our most recently closed deals showcase our firm's unique ability to execute transactions across diversified sectors, while maximizing value for our clients in the middle market. Drawing on our collective experience and strengths, Romanchuk & Co. is focused on providing creative, impactful M&A strategies to our clients across the diversified industrials sector.



Industry Recognition



Romanchuk & Co. was selected as the Boutique Investment Banking Firm of the Year for 2018. Over 230 nominees, representing over 600 companies, became finalists for the awards. An independent judging committee of 29 top M&A industry experts determined the ultimate recipients of the awards.

In addition, Romanchuk & Co. was named a finalist in the following categories: Energy Deal of the Year, Industrials Deal of the Year (\$10MM-\$50MM), M&A Deal of the Year (\$10MM-\$25MM), and M&A Deal of the Year (\$50MM-\$75MM).

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