

PACKAGING

Quarterly Review

Q1 2024



KEY TOPICS

- Packaging Spotlight: Destocking
- Market Insights
- Recent Lincoln International Transactions
- Select M&A Transactions
- Public Companies Operating Statistics and Valuation Parameters
- Global Packaging Valuations by Subsector

Packaging Spotlight: Destocking

Supply chain constraints stemming from COVID-19 triggered significant shifts in demand, and access to, packaging supplies across various industries, as well as inventory management strategies. Over the course of the pandemic, businesses scrambled to secure ample packaging materials as supply chain disruptions delayed shipments. Given the uncertainty within supply chains and the overall market, many businesses purchased as much inventory as they could to protect from any long-term supply challenges. However, as the pandemic subsided and supply chains began to recover, many companies re-evaluated their inventory strategies yet again. Companies decided to “destock”, or strategically reduce inventory levels to minimize financial risks and free up capital for other critical investments beginning in late 2022 / early 2023. This was especially apparent in end markets with products that were deemed “shelf stable” or those that could withstand many months in inventory versus faster-turning markets, such as fresh food.

As a result, many packaging suppliers grappled with a significant decline in demand. International Paper’s CFO, Tim Nicholls, said during their Q3 2023 earnings call, “Destocking hit International Paper’s volumes, accounting for a large portion of overall demand declines this year”. The company has seen the destocking trend continue from COVID-19 through recent months due to softening consumer demand and an overall shift in inventory management practices. This destocking trend in packaging supplies reflects a broader recalibration of supply chain strategies. Companies are striving for greater agility and efficiency, seeking to strike a delicate balance between ensuring an adequate supply of packaging materials and avoiding excess inventory. Additionally, the shift towards sustainable packaging solutions has influenced destocking decisions, as businesses prioritize eco-friendly alternatives that align with evolving consumer preferences and environmental regulations. Strategies for managing packaging inventory are likely to remain dynamic, driven by ongoing market fluctuations and the imperative to mitigate risks while maximizing operational resilience.

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More recently, however, destocking has largely subsided. Supply chains have gained stability and production levels have adjusted to meet demand, giving the market a more balanced footing. Avery Dennison CEO, Deon Stander, said in their Q4 earning release that the company anticipates recovering lost volume from destocking and “destocking had largely ended at the end of Q3” in the packaging market. The apparent end to this trend marks a turning point for the packaging sector, signaling a return to more normalized operations and a brighter outlook for the future.

The implications of destocking have translated directly into the mergers and acquisitions (M&A) landscape as investors evaluate packaging companies for purchase. Investors have placed greater scrutiny on how effectively a company managed through this challenging period, with a particular focus on key performance metrics such as volume, price, profit margin and working capital trends. Understanding how a company navigated these trends historically will help investors gain comfort around any go-forward risk, to make informed investment decisions in a dynamic market environment. After several months of M&A softness in the packaging market, we see resumed interest beginning as early as H2 2024 into early 2025.

Market Insights

Jan-24: PAI Partners is said to be selling French cosmetic packaging group, **Albea**, with initial bids from **Lone Star**, **TowerBrook** and **Advent**

Jan-24: Ardagh Group and the **Ontario Teachers' Pension Plan** are prepping for a possible auction of metal packaging company, **Trivium Packaging**. The group received initial offers from interested parties, **Sonoco (NYSE:SON)**, **Platinum Equity** and **ONEX**

Feb-24: Japan-based paperboard and packaging materials maker, Dynapac (TYO:3947), will actively implement M&A to expand domestic and international production bases and develop new business lines

Feb-24: Resource Label Group (Ares Management), a full-service provider of label and packaging products, has formed **RLG Healthcare**, a specialty pharmaceutical and healthcare packaging division

Feb-24: Berry Global (NYSE:BERY) is expected to formally launch the sale of its canisters and jerrycan division shortly; teasers have been distributed with formal marketing materials expected in late Q1

Feb-24: Clearwater Paper (NYSE:CLW), a supplier of consumer tissue and bleached paperboard, is actively seeking strategic options for the disposal of its tissue business

Feb-24: German-based packaging company, Carton Group (Waterland), has launched their sale process with first-round offers expected in late Q1 or early Q2

Mar-24: International Paper (NYSE:IP) appointed a new CEO, Andrew Silvernail, who has spent the last two years working alongside **KKR** as an executive advisor of the group

Mar-24: Revolution Sustainable Solutions (Arsenal Capital Partners), an Arkansas-based plastics collector, recycler and provider of materials, is said to be exploring a sale process

Mar-24: After initially receiving an offer to be acquired by Mondi (LON:MNDI) for \$6.5 billion, DS Smith (LON:SMDS) accepted a counteroffer from International Paper (NYSE:IP) for \$7.2 billion, concluding a potential bidding war for the UK-based corrugated paper and plastic manufacturer

Recent Lincoln International Packaging Transactions

ONCAP

has refinanced

PRECISION

Refinancing



WINGATE PARTNERS

has sold

HC Leader in Horticultural Containers

to

Platinum Equity

Sell-Side



JW THE Packaging Wholesalers

has been sold to

BOX PACKAGING PARTNERS

a portfolio company of

Charlesbank

Sell-Side




Insight Equity

has acquired

clearly clean

Acquisition Financing



Sentinel CAPITAL PARTNERS

has sold

NEKOOSA

to

APPVION

a portfolio company of

WYNNCHURCH | CAPITAL

Sell-Side



findos


has sold

monta

to

Seedamm Packaging GmbH

Sell-Side



BEHRMAN CAPITAL

has sold

Plastic Industries
The Bottle Solution People

to

Altium Packaging

Sell-Side



Mid Oaks INVESTMENTS LLC

has sold

Plastic Packaging Technologies, LLC
PURPOSEFUL. POWERFUL. PACKAGING.

to

PPC FLEXIBLE PACKAGING

a portfolio company of

GTCR

Sell-Side



SELECT M&A TRANSACTIONS

Date	Status	Target Company	Acquiring Company
Mar-24	Closed	Ipackchem (SK Capital Partners)	Greif (NYSE:GEF)
Mar-24	Closed	Cartotecnica Rigon	Green Sustainable Packaging (Alcdeo)
Mar-24	Closed	Labelcraft	Resource Label Group (Ares Management)
Mar-24	Closed	MS Packaging	Hinojosa Packaging Group
Mar-24	Closed	UP Paper	ProAmpac (Pritzker Capital)
Mar-24	Closed	Specialised Laminators	Big River Industries (ASX:BRI)
Mar-24	Closed	Innovative Beauty Group (Albea Group)	Fremman Capital
Feb-24	Closed	PouchIt	Brook + Whittle (Genstar Capital)
Feb-24	Closed	up packaging	Meinders & Elstermann
Feb-24	Closed	Gravis	SC Pack
Feb-24	Closed	Sarabia Pack	Envaplaster (Stellum Growth)

SELECT M&A TRANSACTIONS (CONTINUED)

Date	Status	Target Company	Acquiring Company
Feb-24	Closed	Paperboard Facility of Graphic Packaging	Clearwater Paper Corporation (NYSE:CLW)
Feb-24	Closed	Vivabox Solutions (Lion Equity Partners)	Veritiv (Clayton, Dubilier and Rice)
Feb-24	Closed	Innovative Packaging Solutions	Welch Packaging
Feb-24	Closed	Packaging Business of Midwest Box Co	Jamestown Container Co
Feb-24	Announced	Aluflexpack (SWX:AFP)	Constantia Flexibles (One Rock Capital Partners)
Feb-24	Closed	Certain assets of Mohawk Fine Papers	Fedrigoni (Bain Capital / BC Partners)
Feb-24	Closed	Bacon & Graham	SupplyOne (Wellspring Capital)
Feb-24	Closed	Nupik International	deSter Holding (Gate Group)
Feb-24	Closed	S&K Label	Coveris (Sun Capital Partners)
Feb-24	Closed	DaiEi Australasia (Winson Group)	Spicers (Kpp Group Holdings)
Feb-24	Closed	Pakella	Antalis (Kpp Group Holdings)
Feb-24	Closed	Eurovercos	Ethica Global Investments
Feb-24	Closed	Aurora	Ethica Global Investments
Feb-24	Closed	Consolidated Container Company	Mauser Packaging Solutions (Stone Canyon Industries)
Feb-24	Closed	Challenge Packaging	Logson Group (W. & R. Barnett Limited)
Feb-24	Closed	Intermediate Bulk Alliance	Aran Packaging (Liquid Concept)
Feb-24	Closed	Allston Supply	Imperial Dade (Bain Capital / Advent International)
Jan-24	Closed	DisSolves	Generation Food Rural Partners (Big Idea Ventures)
Jan-24	Announced	Protective Solutions Business of Sonoco Products (NYSE:SON)	Black Diamond Capital Management
Jan-24	Closed	Apex Plastics (PCE)	Container Services (Shore Capital Partners)
Jan-24	Closed	Assets of Novemba (Tetra Pak International)	Pelliconi
Jan-24	Closed	Bolsas Castresana	Chimiget
Jan-24	Closed	Sumter Packaging Corporation	Hood Container (Hood Companies)
Jan-24	Closed	Fortiflex	ALPLA
Jan-24	Closed	iTek Graphics	Salem One (Granite Creek Capital Partners)
Jan-24	Closed	Curtis Packaging	H.O. Persiehl
Jan-24	Closed	Arjowiggins	Fedrigoni (BC Partners)
Jan-24	Closed	Digital Color Concepts	Sherburne Partners
Jan-24	Closed	Unigenius Holding	CWG Holdings (KLSE:CWG)

PUBLIC COMPANIES OPERATING STATISTICS AND VALUATION PARAMETERS

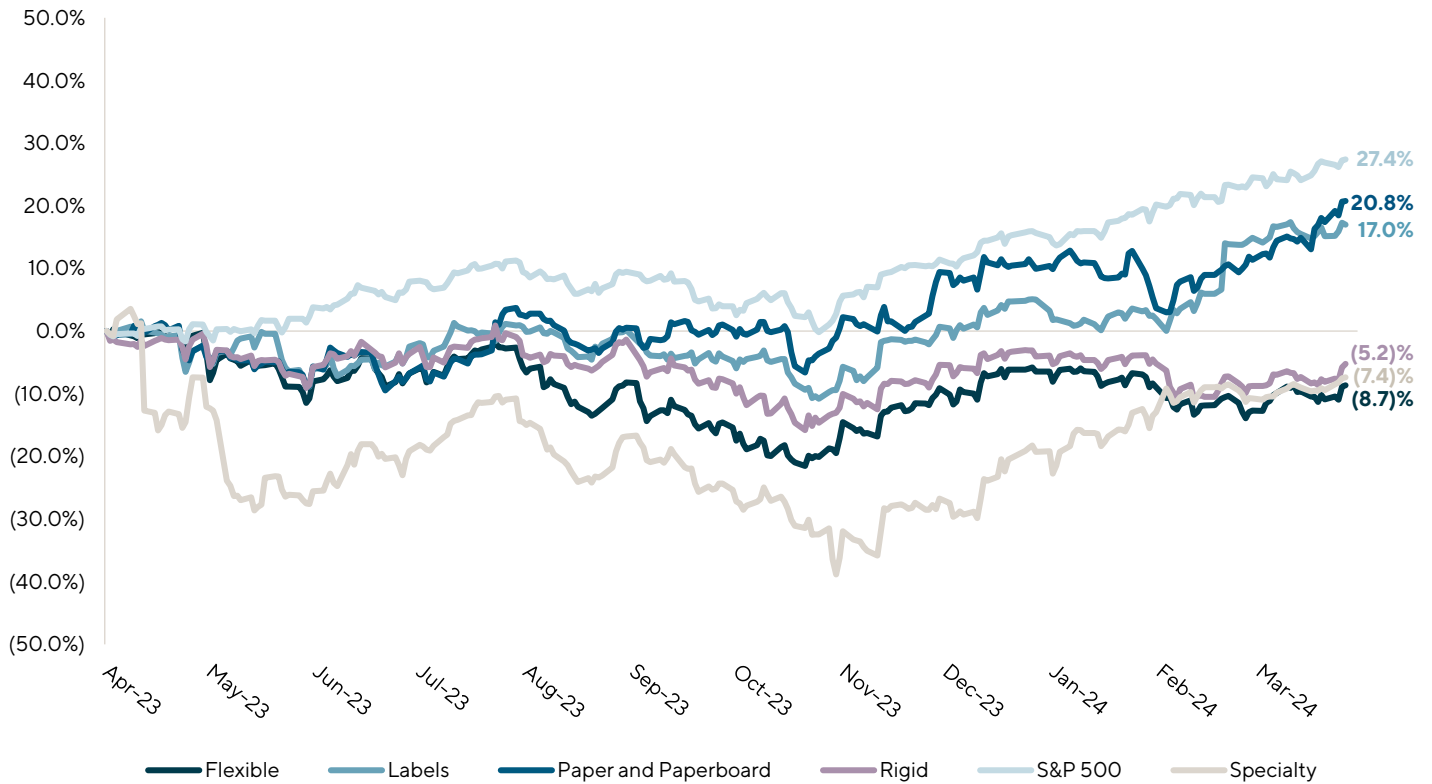
(\$ in millions, except for stock price)

Company Name	Stock Price	% of 52 Week High	Market Cap	Enterprise Value	LTM		YoY Revenue Growth	EBITDA Margin	Enterprise Value / LTM	
					Revenue	EBITDA			Revenue	EBITDA
Flexible										
Amcors plc	\$9.42	84.6%	\$13,736	\$21,008	\$14,034	\$1,808	(6.0%)	12.9%	1.5x	10.7x
Berry Global Group, Inc.	60.48	86.5%	7,011	16,122	\$12,457	1,962	(10.9%)	15.8%	1.3x	8.2x
Huhtamäki Oyj	41.94	97.4%	4,394	5,898	4,169	522	(6.9%)	12.5%	1.3x	9.9x
Sealed Air Corporation	37.20	76.8%	5,375	9,815	5,489	1,056	(1.5%)	19.2%	1.8x	8.9x
Transcontinental Inc.	10.87	96.4%	946	1,654	2,914	407	(2.0%)	14.0%	0.8x	5.2x
Winpak Ltd.	29.96	86.7%	1,947	1,465	1,141	227	(3.4%)	19.9%	1.3x	6.6x
Mean		88.1%					(5.1%)	15.7%	1.3x	8.3x
Median		86.6%					(4.7%)	14.9%	1.3x	8.6x
Labels										
Avery Dennison Corporation	\$223.25	99.1%	\$17,976	\$21,168	\$8,364	\$1,271	(7.5%)	15.2%	2.5x	15.7x
CCL Industries Inc.	51.16	92.9%	9,110	10,225	6,650	1,270	2.1%	19.1%	2.1x	10.3x
Mean		96.0%					(2.7%)	17.1%	2.3x	13.0x
Median		96.0%					(2.7%)	17.1%	2.3x	13.0x
Paper & Paperboard										
Cascades Inc.	\$7.31	65.9%	\$736	\$2,158	\$4,638	\$463	1.7%	10.0%	0.6x	5.4x
DS Smith Plc	5.01	99.0%	6,903	9,464	7,435	1,024	21.1%	13.8%	1.0x	6.8x
Graphic Packaging Holding Company	29.18	99.2%	8,931	14,394	9,428	1,870	(2.1%)	19.8%	1.5x	7.2x
International Paper Company	39.02	94.5%	13,502	18,447	18,916	2,149	(9.7%)	11.4%	1.0x	7.6x
Mondi plc	17.64	81.1%	7,777	8,732	7,330	1,007	(14.7%)	13.7%	1.1x	7.7x
Packaging Corporation of America	189.78	99.6%	16,881	18,849	7,802	1,623	(6.2%)	20.8%	2.4x	10.7x
Sonoco Products Company	57.84	90.7%	5,683	8,942	6,781	1,039	(6.5%)	15.3%	1.3x	7.8x
WestRock Company	49.45	99.6%	12,707	21,607	20,007	2,710	(5.3%)	13.5%	1.1x	6.9x
Mean		91.2%					(2.7%)	14.8%	1.3x	7.5x
Median		96.8%					(5.7%)	13.8%	1.1x	7.4x
Rigid										
Amcors plc	\$9.42	84.6%	\$13,736	\$21,008	\$14,034	\$1,808	(6.0%)	12.9%	1.5x	10.7x
AptarGroup, Inc.	143.89	99.0%	9,499	10,511	3,487	699	4.5%	20.1%	3.0x	14.1x
Berry Global Group, Inc.	60.48	86.5%	7,011	16,122	12,457	1,962	(10.9%)	15.8%	1.3x	8.2x
Crown Holdings, Inc.	79.26	82.3%	9,460	16,304	12,010	1,820	(5.8%)	15.2%	1.4x	8.6x
O-I Glass, Inc.	16.59	70.4%	2,549	6,945	7,105	1,263	1.6%	17.8%	1.0x	4.8x
Silgan Holdings Inc.	48.56	88.4%	5,172	8,189	5,988	867	(6.3%)	14.5%	1.4x	8.5x
Sonoco Products Company	57.84	90.7%	5,683	8,942	6,781	1,039	(6.5%)	15.3%	1.3x	7.8x
Mean		86.0%					(4.2%)	15.9%	1.5x	9.0x
Median		86.5%					(6.0%)	15.3%	1.4x	8.5x
Specialty										
Ranpak Holdings Corp.	\$7.87	95.2%	\$650	\$1,014	\$336	\$56	3.4%	16.7%	3.0x	16.3x
Macfarlane Group PLC	1.71	97.8%	271	316	281	28	(3.7%)	10.1%	0.9x	6.9x
Catalent, Inc.	56.45	82.9%	10,203	14,988	4,098	327	(8.8%)	8.0%	3.7x	38.7x
Krones AG	132.53	98.8%	4,187	3,853	4,765	463	6.7%	9.7%	0.7x	7.7x
Sealed Air Corporation	37.20	76.8%	5,375	9,815	5,489	1,056	(1.5%)	19.2%	1.8x	8.9x
Mean		90.3%					(0.8%)	12.8%	2.0x	15.7x
Median		95.2%					(1.5%)	10.1%	1.8x	8.9x

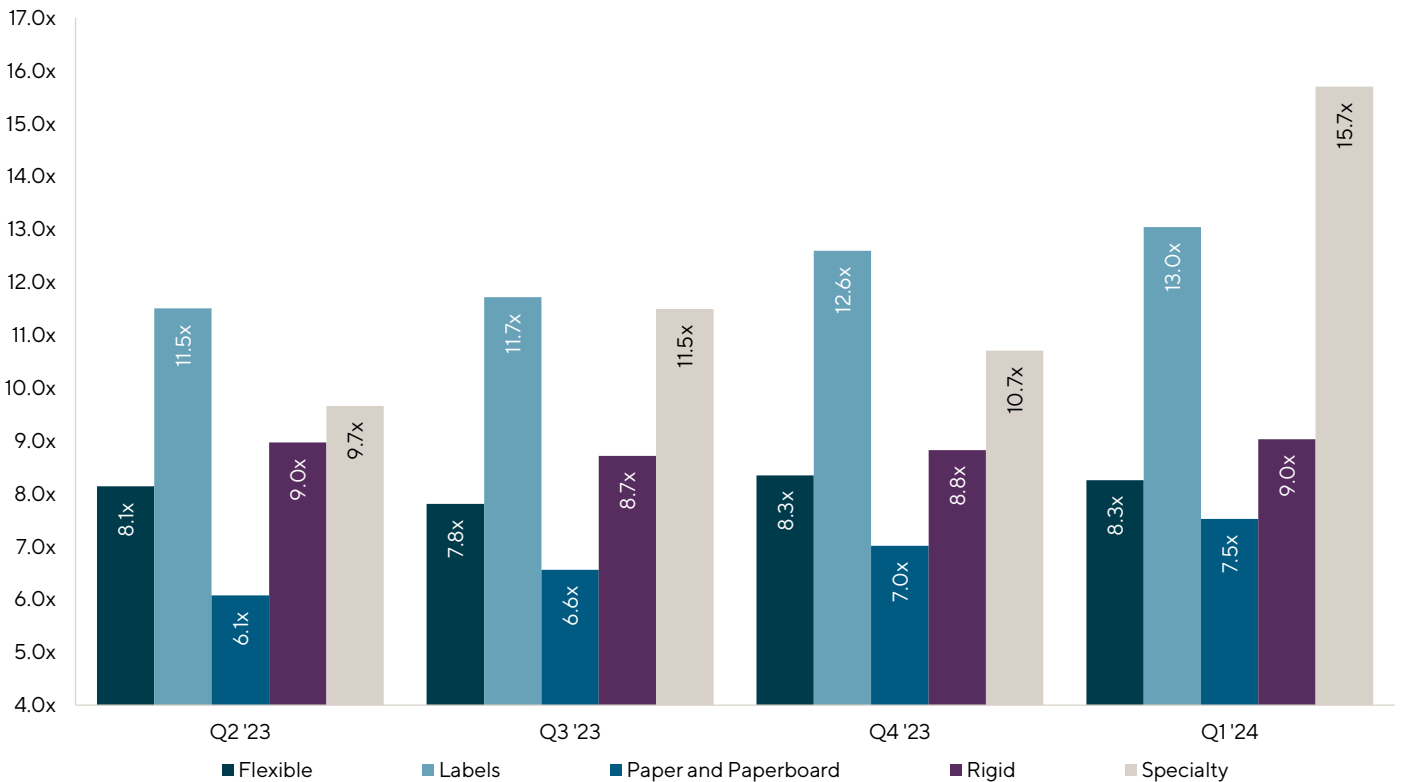
Source: Bloomberg, Capital IQ and company filings, as of March 31, 2024

Global Packaging Valuations by Subsector

LAST TWELVE MONTHS (LTM) RELATIVE STOCK PRICE PERFORMANCE



HISTORICAL ENTERPRISE VALUE / EBITDA VALUATION PERFORMANCE



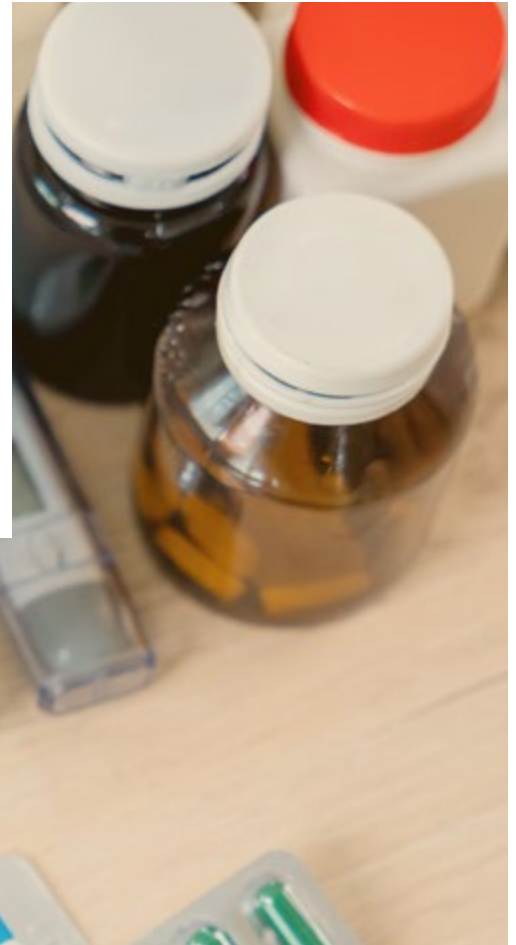
Source: Bloomberg, Capital IQ and company filings, as of March 31, 2024

About Lincoln International

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