CONTAINER & PACKAGING M&A Advisor Q1-2021

MARCH 2021

Stay up to date on key developments in the world of M&A in the Container & Packaging industry

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The coronavirus pandemic has presented a unique opportunity for industry operators.

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Executive summary

Because of COVID, some of the key drivers of the industry may continue affecting the performance of plastic manufacturers. Despite consumer spending which is expected to increase against 2020, it will not reach pre-pandemic levels. Otherwise, the demand for food manufacturing is increasing since last year, which is why sales of plastic packaging products are anticipated to grow in 2021.

A large portion of the general manufacturing sector has been deemed essential by federal guidelines from the Cybersecurity and Infrastructure Security Agency (CISA). Since plastic film and packaging is critical to ensuring sanitary trade of goods, many industry players are expected to maintain operations through the pandemic period.

Globalization has increased in recent years, particularly in the plastic film and sheet packaging segment. US operators with foreign operations include Berry Global Group Inc., Sealed Air Corporation, Bemis Company Inc., and Printpack Inc. Foreign-owned operators with US operations include Rio Tinto Alcan Inc. and Amcor.

Spotlight of Plastic Film, Sheet & Bag

Market conditions (Source: IBIS World)

This industry converts plastic resins into various films, sheets, and bags. Industry products are used by manufacturers for packing and storing products, by retailers for transporting merchandise, and by consumers for household purposes.

Industry operators also form, coat, or laminate plastic film and sheets into single-wall or multiwall plastic bags. In the past five years, this industry has experienced a consistent decline. The Plastic Film, Sheet & Bag industry saw a decrease at an annualized rate of 0.7% over the past five years, totaling $43.5 billion in sales in 2020. Just in the last year, however, 2020 saw an 3.6% increase bucking the annualized industry decline. This increase is a direct result of the pandemic.

COVID-19 has caused different effects on the revenue growth of the industry since domestic demand for single-use plastics is expected to surge as a sanitary measure against coronavirus. Moving forward, industry revenue is expected to grow at an annualized rate of 0.4% to reach $44.5 billion over the next five years. As the US economy expanded for much of the last five-year period, increased consumer spending fueled demand for industry products. However, the ongoing environmental debate surrounding the use of single-use plastic bags has proved a challenge, and the industry was forced to contend with local governments that aim to limit the use of single-use plastic bags, among other industry products. For example, prior to the coronavirus pandemic, California and New York have passed bans on single-use plastic bags.

However, increased focus on sanitation among businesses from all sectors has forced policymakers to temporarily suspend these restrictions.

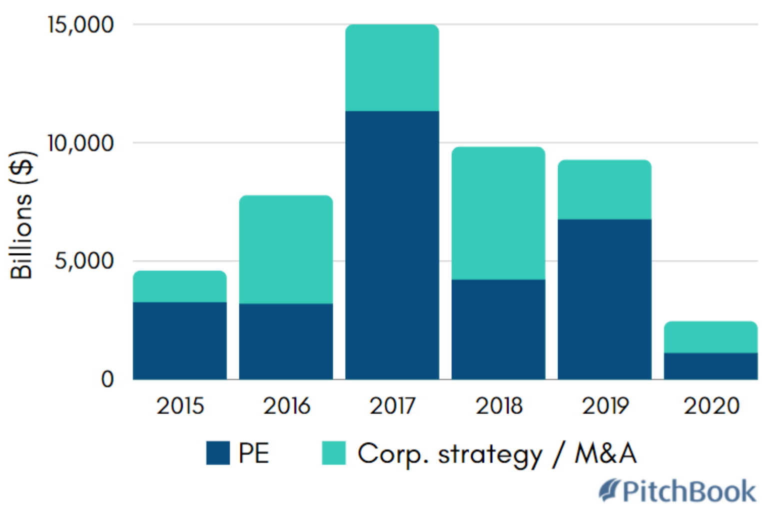
Consumer spending is expected to grow at an annualized rate of 3.8% between 2020 and 2025, requiring increased volumes of plastic film, sheets, and bags. Similarly, e-commerce sales are forecast to increase over the coming five years, benefiting operators directly involved in shipment packaging. Nonetheless, an expected resurgence in the value of industry imports will intensify external competition for industry operators, enabling a larger portion of domestic demand to be satisfied by international substitutes.

Spotlight of Plastic Film, Sheet & Bag

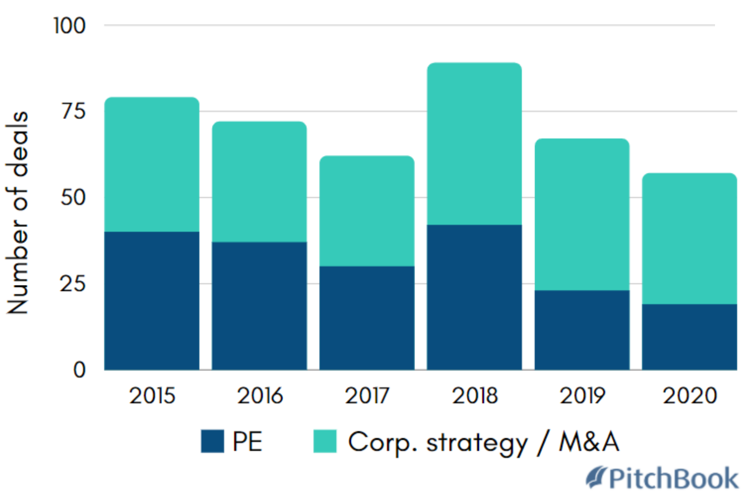
M&A Landscape (Source: Pitchbook)

The US market for Plastic Film, Sheet & Bag industry increased PE activity from 2015 to 2019. In this period, the capital raised has a CAGR of 17.2%. Just in 2019, the capital raised fell by 55.2% vs the previous year. In 2020, the same metric decreased by 47.0%. However, the increase in consumer spending and the growing demand for sustainable and biodegradable packaging materials will require significant funding for business development in the short-term.

Capital raising activity



M&A activity



In M&A activity, the number of deals has decreased in 2019 (24.7% vs 2018) and decreased in 2020 by only 4% vs the previous year. Deals also have decreased the median deal size in 2020 ($350M) by 60.9% against 2019 ($895M) and 2018 ($543M). Nevertheless, in 2021, hygiene and food safety concerns continue to grow as consumers navigate the pandemic. Packaging for end- users, as well as products for warehouses and e- commerce suppliers, will continue to be a driving force, that is why this year the M&A activity is expected to increase.

Market movers

Top acquirers (Source: Pitchbook)

Sigma Plastics Group is a manufacturer of extruded polyethylene films and bags. Some of its products include stretch films, machine wrap films, mono-layer bags, horizontal FFS films, co-extruded bags, and liners. It looks forward to taking over other companies that manufacture and supply plastic packaging films, perforated sheets, polyethylene films, polypropylene films, and other plastic packaging materials.

Berry Global Group Inc. manufactures and sells plastic packaging products in three segments based on the product type. The consumer packaging segment, which generates the most revenue of any segment, sells containers, plastic drink cups, prescription vials, and printed bags for food products. The health, hygiene, and specialties segment sell baby diapers, feminine hygiene products, and substrates for dryer sheets. The engineered materials segment sells tapes, retail trash bags, plastic films used to wrap meat, and shrink films.

Printpack Inc. (Printpack), founded in 1956, is privately held and headquartered in Atlanta. Printpack is a major flexible and specialty rigid packaging manufacturer known for its expertise in flexographic and rotogravure printing. The company's other major products and services include adhesive and extrusion lamination, metallization, blown and cast films, cold seal, bag making, thermoforming, and wax coating. The company also produces bags and pouches, cereal liners, cold seals, and atmosphere packaging. Customers include Frito-Lay Inc., The Hershey Company, Georgia-Pacific LLC, and General Mills Inc.

Inteplast Group maintains three divisions - AmTopp, Integrated Bagging Systems (IBS), and World-Pak - covering a full range of customer needs. The company provides biaxially oriented polypropylene (BOPP) and stretch-wrap films, plastic concentrates and compounds, grocery, merchandise, and garment bags, trash can liners and institutional products, fluted and corrugated-plastic sheets, XF cross-laminated films, and the TUF board line of synthetic wood products. The company seeks to expand its business operations through mergers and acquisitions.

Thiele Technologies (BW brand) is a designer and manufacturer of special purpose packaging equipment. The company designs manufacture and integrate placing, bagging, cartoning, case packing, and palletizing systems for various industries. It was founded in 1931 and is headquartered in Minneapolis, Minnesota. The company continues to grow by making periodic small acquisitions.

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