

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

#### IN THIS ISSUE

#### EXECUTIVE SUMMARY

The demand for packaging machinery is expected to be driven by changing consumer preferences.

#### SPOTLIGHT ON Packaging Machinery Manufacturing

- Market conditions
- M&A landscape
- Market movers

#### STRATEGIC EXIT ADVISORS

Curt Cyliax – Managing Director  
cacyliax@se-adv.com  
O: (215) 489-8881 (x 101)  
C: (215) 275-0840

Rob Waring – Managing Director  
rwwaring@se-adv.com  
O: (215) 489-8881 (x 102)  
C: (215) 534-4786

Bob Cahill – Managing Director  
bjcahill@se-adv.com  
O: (215) 489-8881 (x 103)  
C: (215) 266-5758

Tony Parisi – Managing Director  
tparisi@se-adv.com  
O: (215) 489-8881 (x 105)  
C: (610) 662-3844

#### Executive summary

The packaging machinery market is likely to witness strong growth, especially with the e-commerce sector growing 11.3% Y-o-Y since 2017. Similarly, during 2019-2025, the demand for new packaging machinery is expected to be driven by changing consumer preferences from plastic-based to environmentally friendly packaging. Many end-users are replacing older machines with modern packaging systems that can handle biodegradable materials. Also, the rising demand for packaged and processed foods is expected to boost demand for packaging machinery in the food and beverage industry.

Food and beverage manufacturers, household goods manufacturers, and pharmaceutical manufacturers are the three biggest consumers of industry packaging machinery products, accounting for more than two-thirds of total sales. As the US economy recovered over the last five years, market demand for packaged goods increased, resulting in steady growth in all three industries.

#### Spotlight of Packaging Machinery Manufacturing – Market conditions

Source: IBIS World, Freedonia

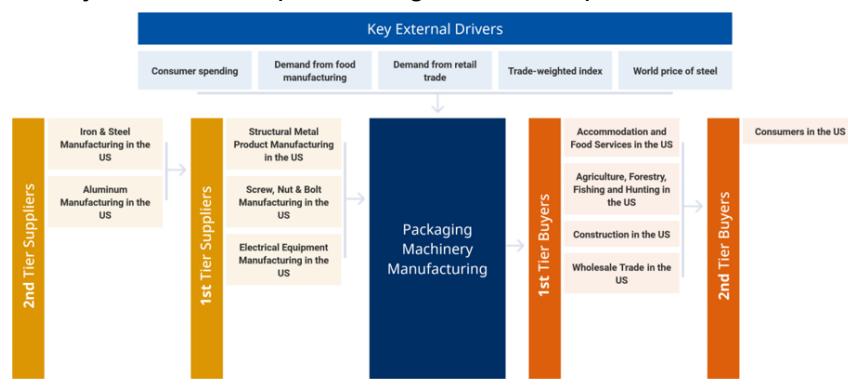
The Packaging Machinery Manufacturing industry is projected to expand at a solid pace of 1.9 percent per year to \$8.1 billion in the five years to 2025. After the pandemic, increased consumer spending will fuel sales of food, beverage, and pharmaceutical goods, driving up demand for packaging equipment to prepare such products for the market.

This will not only increase demand for consumer goods but also will lead to an expansion of industrial production capacity.

Packaging machinery demand is expected to grow at a 4.5 percent annual rate to

\$60.4

billion by 2023, due to: first, advances in the most relevant markets like production of food and



beverages, households' goods manufacturers, and pharmaceutical manufacturers. Second, the wide variety of packaged goods manufactured around the world in categories as filling and form/fill/seal equipment; labeling and coding machinery; etc.

#### *Packaging equipment capacity*

United States has high quality and new manufacturing plants. Therefore, foreign companies will seek to buy packaging machinery from US producers. As a result, exports are expected to rise an annualized 2.2% to \$1.3 billion over the five years to 2025, making up a projected 15.2% of industry revenue.

Nevertheless, one of the most challenging scenarios for the US economy is the increase of import penetration. The manufacturing potential of packaging equipment is concentrated in five countries: China, Italy, Germany, the United States, and Japan. As a result, domestic market players are forced to concentrate on innovation and technological advancement to maintain a quality-based competitive edge. Domestic operators are now willing to invest more in quality and production processes as customer trust and economic conditions improve, allowing them to better compete on price and quality. Manufacturing production will be concentrated in industrialized economies, and as a result, business operators will search for ways to expand through exports.

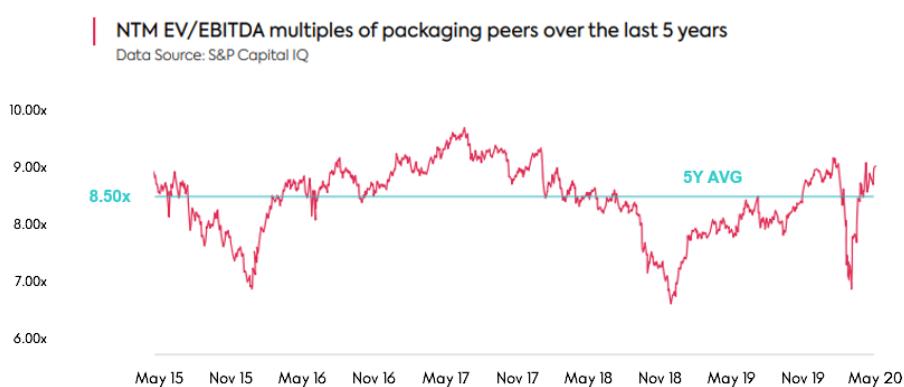
Finally, the industry's growth will be supported by the ongoing recovery of downstream economies, with increased consumer spending driving up demand for food and beverage products as well as household goods. However, since the industry is mature, new revenue streams would be restricted in the domestic market.

## Spotlight of Packaging Machinery Manufacturing – M&A Landscape

Source: McKinsey & Co., PWC and Capital IQ

M&A has demonstrated to be an effective technique for both Private Equity firms and strategic packaging companies. Excess Private Equity capital would raise the demand for packaging deals; dry powder for Private Equity companies has reached an all-time high, and in today's world, acquisition growth is often easier than organic growth.

A variety of companies have made acquisitions to boost their positions in the global packaging machinery market. For example, between 2017 and 2019, Italy's IMA acquired a 60% stake in EUROSICMA, a 70% stake in Ciemme, a 70% stake in Italy's Spreafico Automation, and a 61.5 percent stake in Argentina's Tecmar. At that time, it also acquired Tissue Machinery (Italy).



More recently, in 2020 there were 289 packaging company acquisitions. Buyers broadened their manufacturing capabilities by concentrating on specialty and custom packaging solutions to provide a wider variety of services to customers. In terms of transaction volume, it is one of the most productive sectors in the world.

As a result of this strong and continuing demand, packaging M&A multiples have risen by approximately a fifth over the last five years. We are currently seeing transactions with Enterprise Values ranging from 8 to 10 times EBITDA. While valuations have weakened slightly in recent months, M&A activity has remained high in terms of the number of transactions.

## Market movers – Top acquirers

Source: Pitchbook

 **Tetra Laval**

Owner and operator of a technology conglomerate intended to manufacture equipment for the production, packaging, and distribution of food products. The company, through its subsidiaries, offers a plethora of products such as ice creams, cheese, dry foods, fruits, vegetables, pet food, equipment, and systems for milk production and animal husbandry, pet packaging services as well as blow molding, filling, and bottling equipment, enabling clients to achieve sustained growth and profitability in sectors such as production, packaging, and distribution of food products and equipment.

 **KRONES**

Krones AG offers machinery and systems for filling, packaging, and producing beverages. Part of its product portfolio is information technology and planning associated with logistics and production lines. In addition to packaging, the company has cellar systems to treat and store sensitive beverages.

**barrywehmiller**  
BUILDING A BETTER WORLD THROUGH BUSINESS

Manufacturer of machinery for packaging, corrugating, sheeting, and paper converting industries. The company provides packaging technologies such as pouch packing, capping and seaming, cartooning and sleeving, case and tray packing to their clients. It seeks to acquire other companies whose businesses will complement its existing operations and those that make packaging equipment and paper processing equipment.

Robert Bosch is a German multinational engineering and electronics company that provides technology and services worldwide. The company was founded by Robert Bosch in Stuttgart in 1886. It operates through four segments: mobility solutions, industrial technology, consumer goods and energy, and building technology segments. The Corporate Development team of Bosch acquires companies that are in the same line of businesses.

Manufacturer of packaging machinery. The company engages in the design, manufacture, sale, and service of cartoning and robotic solutions machinery, product handling, feeding, distribution, and storage systems, flow wrapping applications, roll-stick wrapping machines, case packing, shrink wrapping, and end-of-line packaging machinery, such as film wrapping and board packing. The company operates manufacturing sites in North America and Europe.

Designer, manufacturer, and seller of automated machinery, packaging materials, industrial process solutions, and precision gears to the aerospace, consumer goods, electronics, healthcare, luxury goods, pharmaceutical, and tobacco industries. The company's products include aseptic filler machines, package opening and closing

### ABOUT STRATEGIC EXIT ADVISORS

Strategic Exit Advisors is an investment bank for entrepreneurs. We help owners achieve their ultimate exit by focusing our process on strategic buyers willing to pay higher, strategic multiples. We understand what you've been through building your business and make certain you get paid for it. At SEA we focus on the transition not the transaction.

To learn more, visit us at [www.se-adv.com](http://www.se-adv.com)

**coesia**