

PACKAGING SUMMARY REPORT

Second Quarter 2020

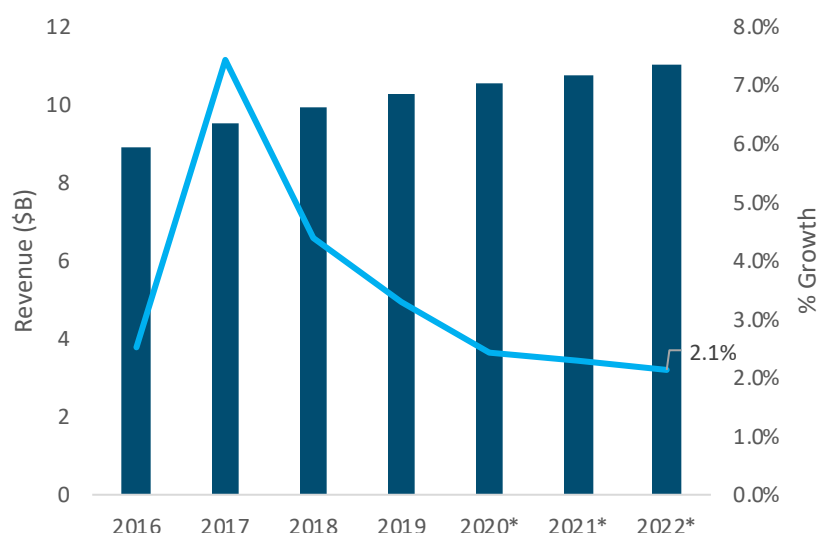


PACKAGING AND LABELING PRODUCTS MANUFACTURING OVERVIEW

- The packaging industry experienced tremendous growth and interest in 2019, reaching a value of \$184B USD, driven by favorable end market demand and healthy cash flows from operators. Trends in consumer spending, directly affecting product manufacturing volumes and thus the need for packaging, were impacted particularly by gains in the demand for fast-moving consumer goods (FMCG) and pharmaceutical product manufacturing.
- Changes in macroeconomic trends, affecting the consumption of consumer-packaged goods (CPG) and FMCG, make packaging and labeling service providers' vulnerable to fluctuations in downstream markets, with the need for packaging being primarily directed by the overall demand for manufactured goods. Record low unemployment rates and rising disposable income allowed consumer spending to soar, particularly through e-commerce sales, which is estimated to have grown at an annualized rate of 13.7% over the last five years.
- With a rocky first quarter in 2020, overall industry sentiment remains unclear. Prior to coronavirus concerns entering the market, the industry was projected to be a great economic generator, particularly through introductions in new megatrends and changing consumer behaviors. Growth in e-commerce has forced operators to quickly adapt to a digital revolution, introducing technologies such as digital printing, allowing for design flexibility, customization and increased personalization of packaging products. Further, information accessibility has led to a "smarter" consumer, who demands cleaner and more transparent products, increasingly in the food sector. In response to these trends, operators have been challenged to remove harmful product and packaging ingredients and increase implementation of smart labels, providing for safer and honest products.
- As we examined the transaction landscape through Q1 2020, unsurprisingly, global M&A activity in the industry slowed compared to the same period last year. Despite decreases, it is important to note that monthly comparisons may not track fully in line with 2019, as it was a uniquely high year compared to historical averages, particularly in January 19, which recorded 24 transactions globally. By February of this year, the effect of COVID-19 fears trickled through the economy, forcing a selloff from investors. Along with performance of the global stock market, packaging indices have continued to experience negative impacts, posting near double digit losses. As we continue into Q2 and with a cure or solution to combat the virus still underway, the future remains undetermined, although we suspect a pause in deal activity until the market reenters positive territory as well as gains in consumer confidence.

RCO Research, Morder Intelligence, Reinitiv, IBISWorld.

INDUSTRY REVENUE



*Indicates forecasted industry revenue prior to current impacts of COVID-19. IBISWorld 2019.

AVERAGE INDUSTRY PERFORMANCE

TEV (\$MM)	Rev. (\$MM)	EBITDA %
Plastics and Rubber Products Manufacturing		
10-25	23.1	16.5%
25-50	42.1	17.6%
50-100	65.4	19.2%
100-250	129.5	16.9%
Plastics Packaging Materials		
10-25	27.1	13.7%
25-50	41.9	14.3%
50-250	76.0	18.3%
Packaging and Labeling Services		
10-25	25.8	12.9%
25-50	34.4	16.3%
50-100	123.7	13.9%

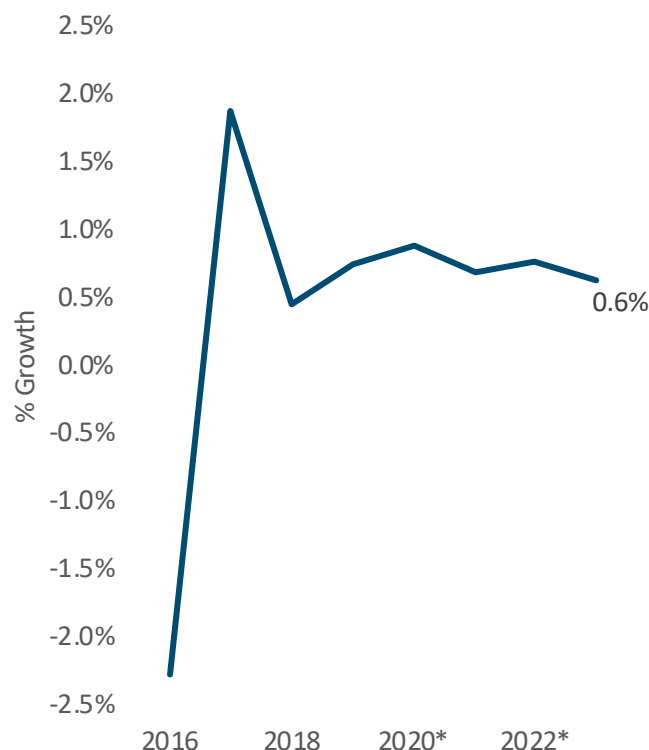
GF Data® 2003 through March 31, 2020.

FEATURED SEGMENT: COATED & LAMINATED MATERIAL MANUFACTURING



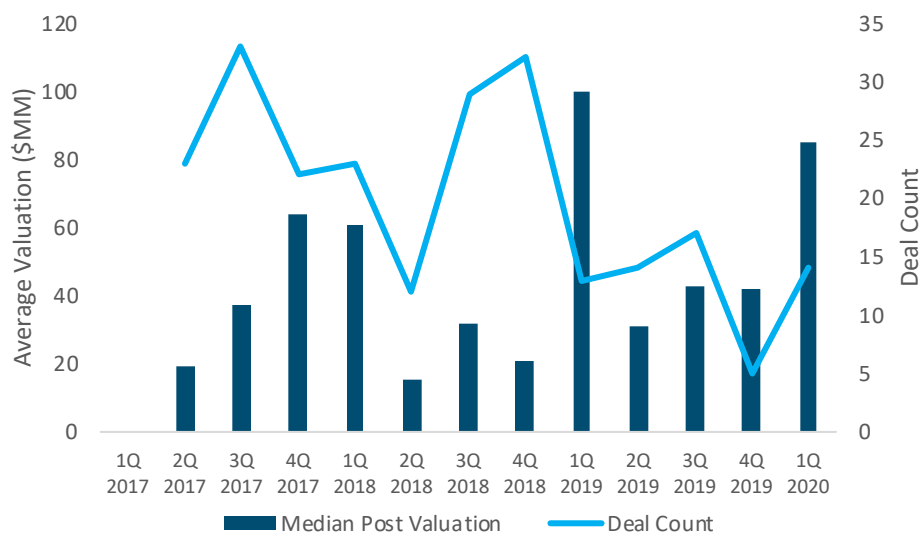
- Operators in this segment manufacture products including coated paper and packaging, bags, and laminated materials such as aluminum for flexible packaging solutions, one of the fastest growing segments in the total packaging market.
- Despite some challenges faced due to declining demand from the print media sector, a large end user for operators, as well as competition from import markets, these have been majorly offset by increasing environmental concerns driving the substitution of paper packaging over plastic alternatives, and strong demand from various downstream users, notably the pharmaceutical and food and beverage sectors.
- In comparison to traditional packaging, flexible packaging material proves favorable by environmental and sustainability standards, specifically regarding energy and water usage, gas emissions and landfill material at the product's end of life, according to a study by the Flexible Packaging Association (FPA).
- Various types of flexible packaging such as paper bags, cartons and aluminum foil products are used to pack most items across the food and beverage industry due to sustainability when compared to other packaging options. As a result of its nondiscretionary nature, demand for food and beverage manufacturing tends to remain stable, however factors such as a growing population and increased spending have broadened growth in the industry. The (FPA) projects growth in every segment of the food category, thus expanding demand for packaging material.
- Technological advancements, customization efforts and sustainability has allowed the sector to lead a strong growth trajectory over conventional methods. Buyer interest has elevated purchase multiples, as indicated by numerous acquisitions announced last year, with participants paying premiums in order to expand their capabilities and product offerings in this specialized segment.

DEMAND FOR FOOD MANUFACTURING



*Indicates forecasted industry revenue prior to current impacts of COVID-19. IBISWorld 2019, Flexible Packaging Association, PMMI Business Intelligence.

NORTH AMERICAN DEAL COUNT & AVERAGE VALUATIONS - UP TO \$250MM



PitchBook data through March 31, 2020.

TEV / EBITDA MULTIPLES

TEV (\$MM)	10-25	25-50	50-250
Plastics and Rubber Manufacturing	5.4x	6.0x	7.1x
Plastics Packaging Materials	5.1x	7.4x	7.5x
Packaging and Labeling Services	7.0x	6.9x	8.6x

GF Data® 2003 through March 31, 2020.

FEATURED PACKAGING TRANSACTIONS



Acquired by



On February 10, 2020 Intertape Polymer Group Inc., a packaging product manufacturer, announced its acquisition of machinery manufacturer Nortech Packaging.

Based in Schaumburg, IL, Nortech Packaging is a manufacturer of packaging machinery, offering pre-made pouch machines, palletizers, case packers, and various other machines with the utilization of robotics for packaging applications. The acquisition will expand engineering and robotic design talent to IPG's teams.

Total consideration equated \$36.5mm with a potential earnout.¹

On January 15, 2020, private equity firm Clearlake Capital announced the acquisition of packaging manufacturer Pretium Packaging, previously a Genstar Capital portfolio company.



Pretium manufactures rigid packaging for various end markets including food and beverage, healthcare, personal care, beauty and others. Its packaging solutions are based on PET, HPDE and polypropylene resin, with options including up to 100% recycled material content. The acquisition will drive growth and allow Clearlake to scale its platform consolidation strategy.

Financial terms of the agreement were not disclosed.²

Acquired by



Acquired by



On January 2, 2020, packaging company Sonoco (NYSE:SON) announced its acquisition of Thermoform Engineered Quality LLC and Plastique Holdings, LLC (together TEQ) from ESCO Technologies, Inc. (NYSE:ESE).

TEQ manufactures thermoformed packaging products serving healthcare, medical device, and consumer markets. The company offers molded-pulp-fiber based packaging and thermoformed plastic packaging for multiple consumer products. The acquisition allows Sonoco to pursue growth strategies in the healthcare packaging and medical device markets.

Total cash consideration equated \$187mm.³

PitchBook.

1. Transaction Press Release, dated February 12, 2020. <http://nortechpackaging.com/polymer-acquire-nortech-packaging/>
2. Transaction Press Release, dated January 15, 2020. <https://www.prnewswire.com/news-releases/clearlake-capital-acquires-pretium-packaging-300987570.html>
3. Transaction Press Release, dated January 02, 2020. <https://investor.sonoco.com/news-releases/news-release-details/sonoco-acquires-healthcare-packaging-and-medical-device>

ROMANCHUK & CO.

FIRM CAPABILITIES



Romanchuk & Co. is a boutique investment banking firm providing mergers and acquisitions (M&A) and financial advisory services to lower middle-market leaders within the diversified industrials sectors. We advise owners and investors of privately-held businesses, private equity firms and corporations on the preparation and sale of their company, assist them in identifying strategic

opportunities, and help them execute upon those strategies. Our team of licensed investment bankers specializes in providing sell-side M&A advisory services to lower middle-market companies with enterprise values ranging from \$15 million to \$250 million. For more information, please visit our website at www.romanchukco.com.

RECENT EXPERIENCE

Our most recently closed deals showcase our firm's unique ability to execute transactions across the diversified industrials sectors, while maximizing value for our clients in the lower middle-market. Drawing on our collective industry 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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