

## Insights

# 2020 Mid-Year Outlook: Paper, Plastics & Packaging

## Quarter-end review

After a sharp decline in share prices and a collapse in M&A activity in late 1Q2020 / early 2Q2020, the Packaging sector has experienced a recovery with share prices for plastic packaging slightly above those at the beginning of the year. As the Packaging sector overall has performed well during the pandemic, valuations have also recovered and are currently above their past three-year average. M&A activity is expected to be very active in 2021.

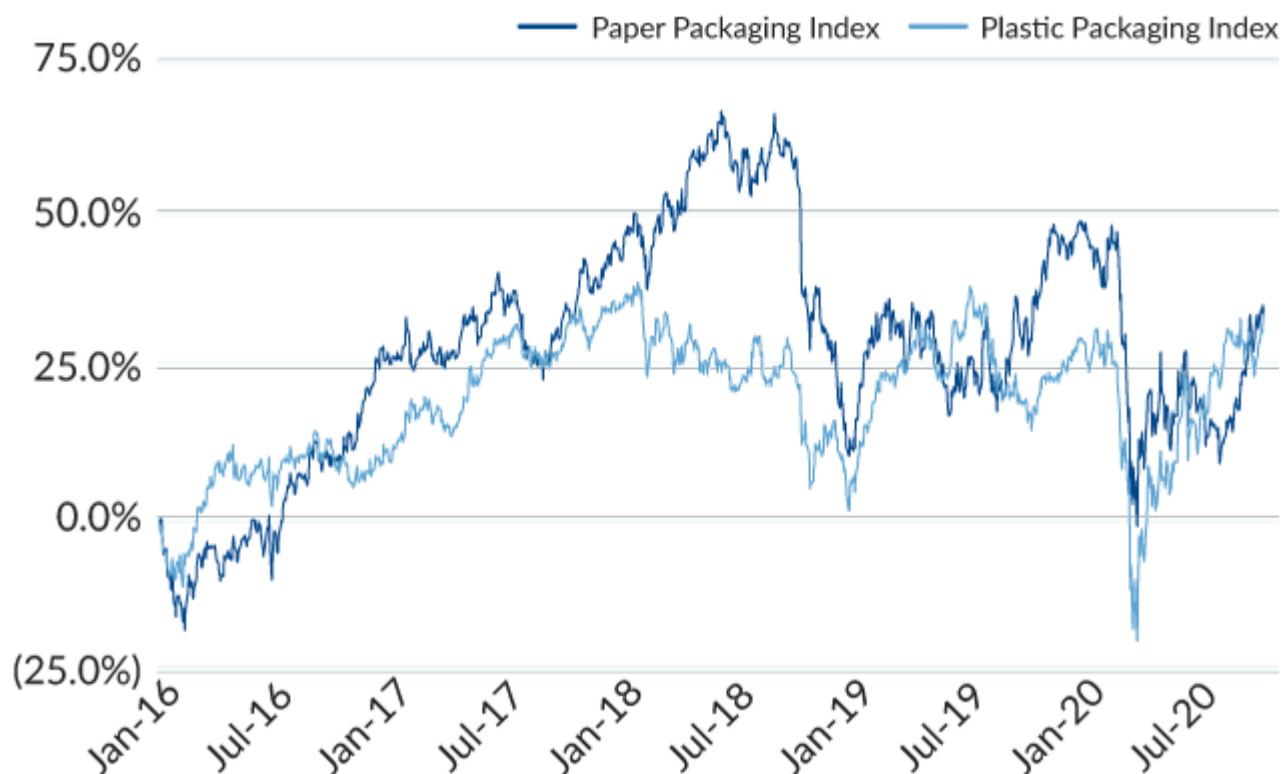
M&A activity is gradually picking up and is expected to be quite strong in 2021 for the following reasons:

- Packaging in general is a primary beneficiary of the impacts resulting from COVID-19
- Pent-up demand due to lack of M&A transactions in 2020
- Private equity sponsors have significant equity capital (over \$1.7 trillion of “dry powder”) that they need to deploy
- Strategic buyers looking for acquisitions to obtain growth, scale, diversification and synergies
- Availability of debt capital at very attractive cost from a historical perspective

## Share price performance and public market valuations

Share prices of packaging companies have begun to rebound nicely after their sharp decline following the lock-down in mid-March (Chart 1). These share prices are currently slightly above the levels at the beginning of the year with plastic packaging up 4% on average YTD, though they are down 10% on average YTD for paper packaging.

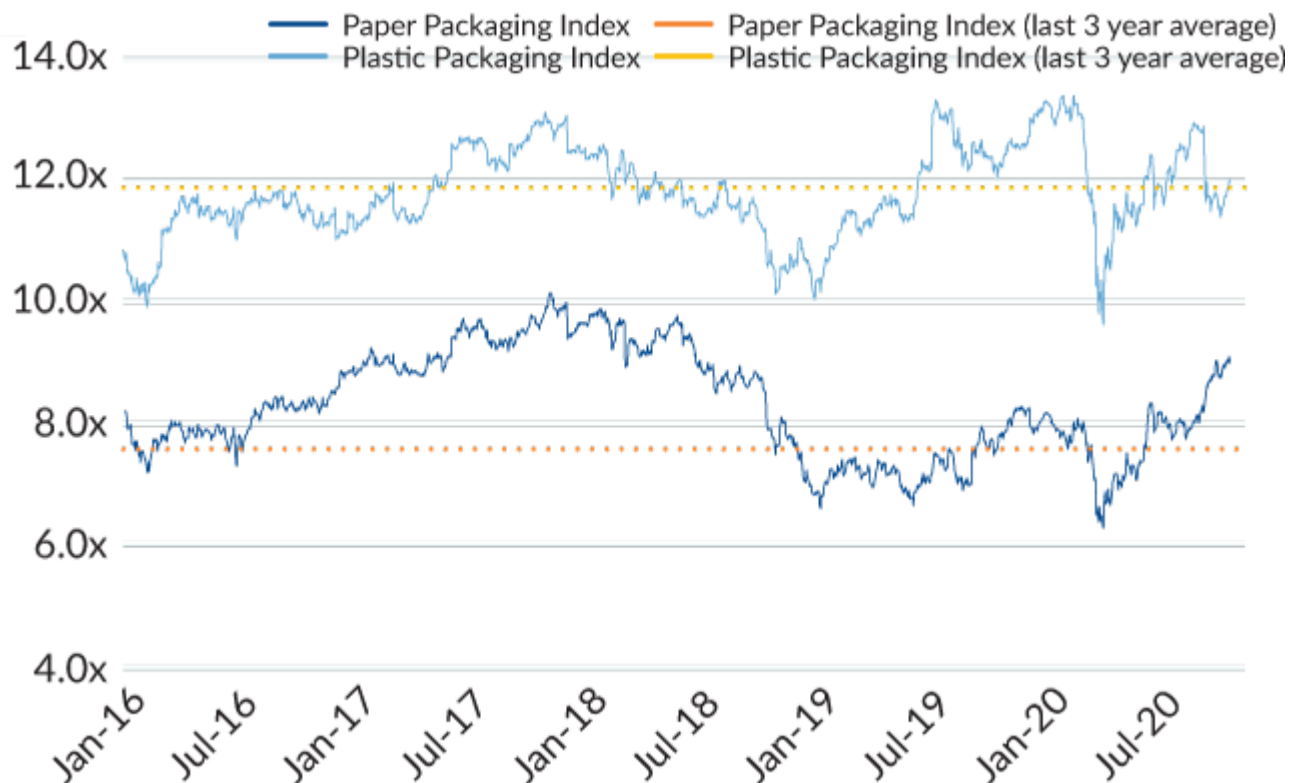
**Chart 1: share price performance: packaging indices**



Source: FactSet as of October 8, 2020. Past performance is not indicative of future results.

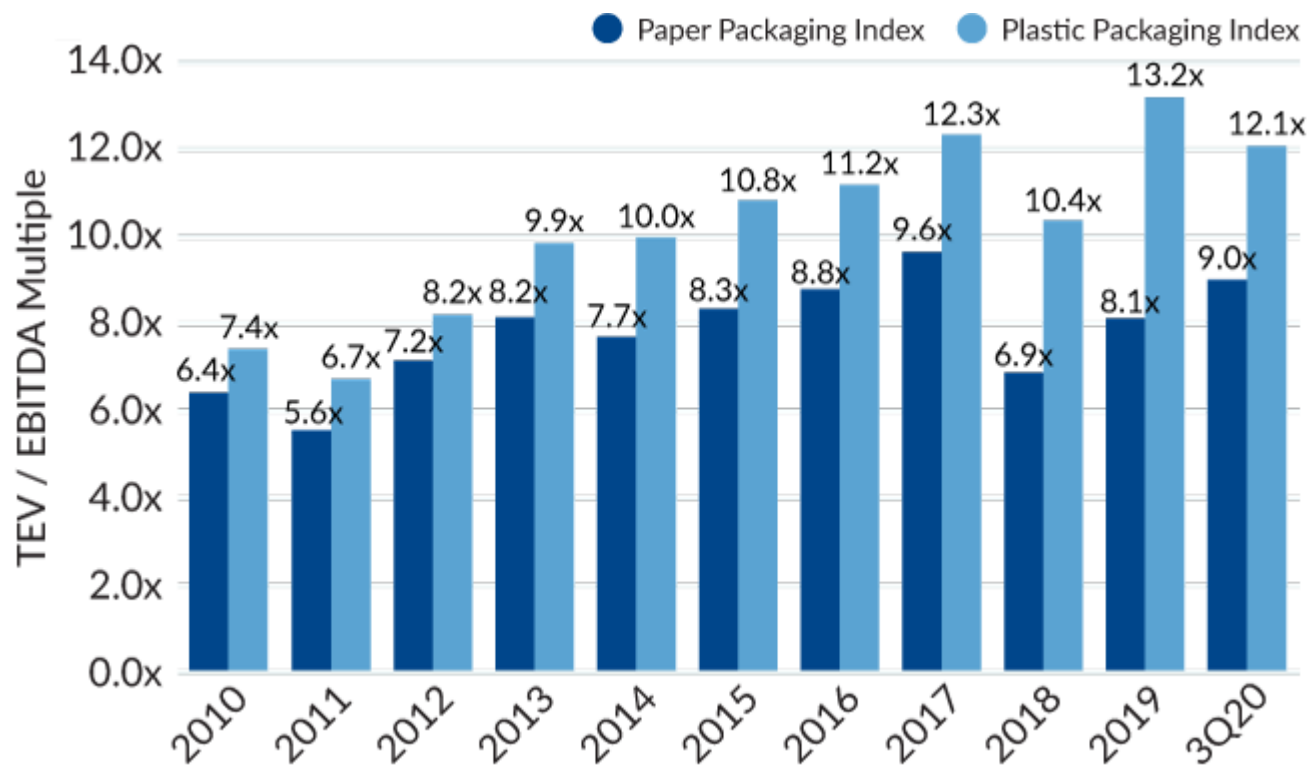
Consequently, public market valuations for both plastic and paper packaging companies have also recovered. Plastic packaging companies' valuations are slightly above (1%) their past three year-average, while paper packaging companies' valuations are up 19% from their past three-year average (Charts 2 and 3).

**Chart 2: TEV / EBITDA: Packaging indices**



Source: FactSet as of October 8, 2020. Past performance is not indicative of future results.

**Chart 3: Public Packaging Company Average TEV / EBITDA Multiples**



Source: FactSet as of October 8, 2020. Note: Average TEV / EBITDA multiples as of December 31 for 2010-19 and

September 30 for 3Q2020.

Y2020 | Mesirow Investment Banking | Industry outlook

## Packaging perspectives

**Y2020: Quarter-end review**

After a sharp decline in share prices and a collapse in M&A activity in late 2019/early 2020, the Packaging sector has experienced a recovery with share prices for plastic packaging slightly above those at the beginning of the year. As the Packaging sector overall has performed well during the pandemic, valuations have also recovered and are currently above their past three-year average. M&A activity is expected to be very active in 2021.

M&A activity is gradually picking up and is expected to be quite strong in 2021 for the following reasons:

- Packaging in general is a primary beneficiary of the impacts resulting from COVID-19.
- Pick-up demand due to lack of M&A transactions in 2020.
- Many equity sponsors have significant equity capital (over \$1.7 billion of buy power) that they need to deploy.
- Strategic buyers looking for acquisitions to drive growth, scale, diversification and synergies.
- Availability of debt capital at very attractive cost from a historical perspective.

**Share price performance and public market valuations**

Share prices of packaging companies have begun to rebound slightly after their sharp decline following the lock-down in mid-March (Chart 1). These share prices are currently slightly above the level at the beginning of the year with plastic packaging up 4% on average (YTD) though they are down 12% on average (YTD) for paper packaging.

Consequently, public market valuations for both plastic and paper packaging companies have also recovered. Plastic packaging companies' valuations are slightly above (34%) their past three-year average, while paper packaging companies' valuations are up 10% from their past three-year average (Charts 2 and 3).



**Jason Chavakis**  
Managing Director  
Investment Banking



**David Dineen**  
Managing Director  
Investment Banking



**Leah Mitchell**  
Managing Director  
Investment Banking



**Rick Weil**  
Managing Director  
Investment Banking



**Malinda Tarnack**  
Director  
Investment Banking

[READ MORE](#)