

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.

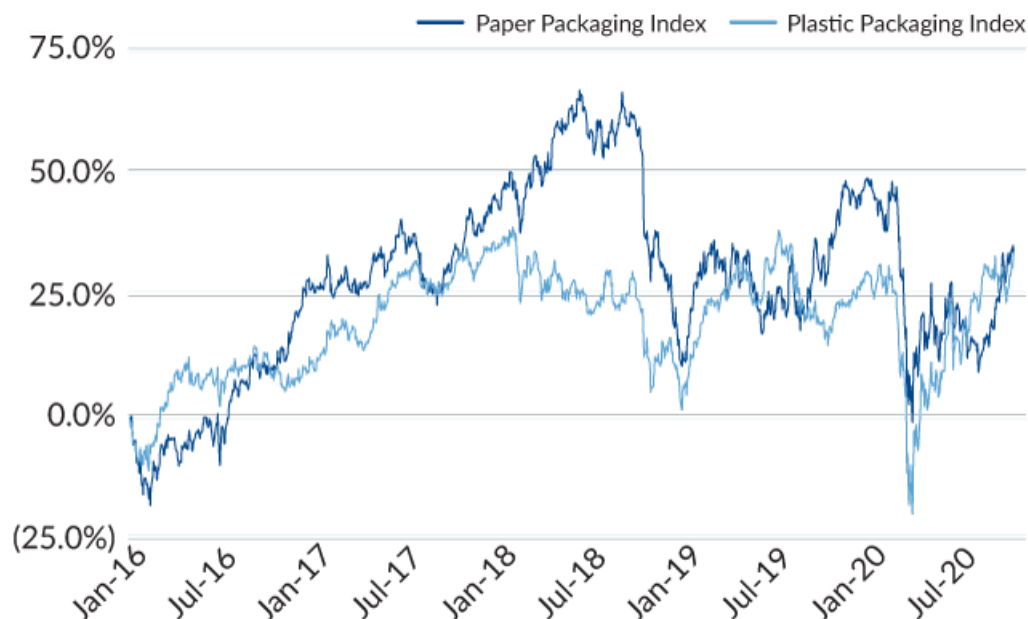
M&A activity is gradually picking up and is expected to be quite strong in 2021 for the following reasons:

- 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

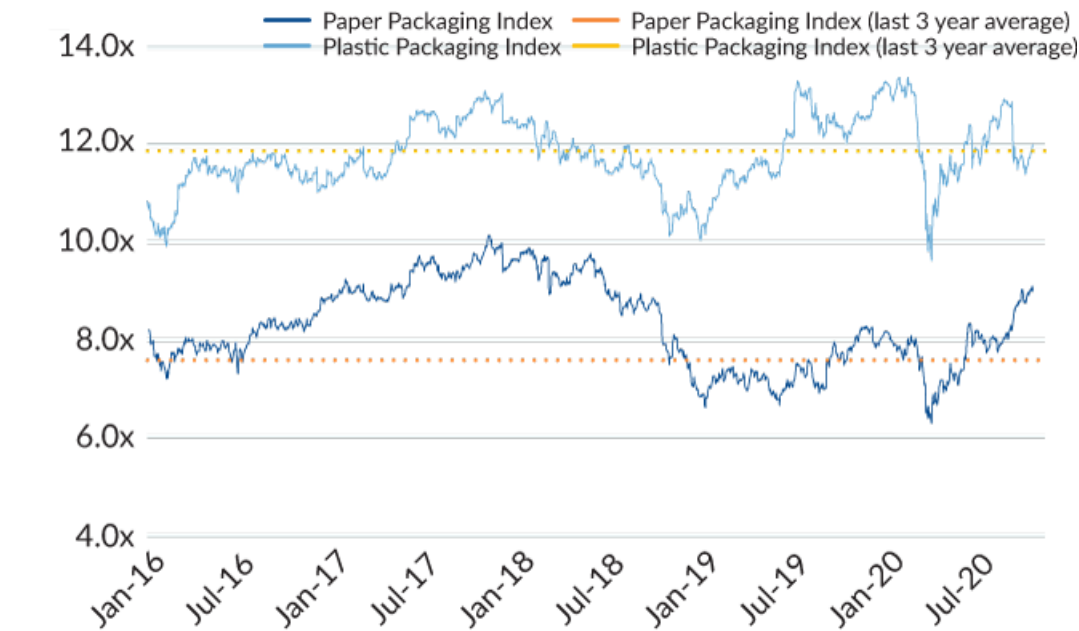
Share prices of packaging companies have begun to rebound nicely after their sharp decline following the lock-down in mid-March (Chart 1). These share prices are currently slightly above the levels at the beginning of the year with plastic packaging up 4% on average YTD, though they are down 10% on average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

Chart 1: share price performance: packaging indices



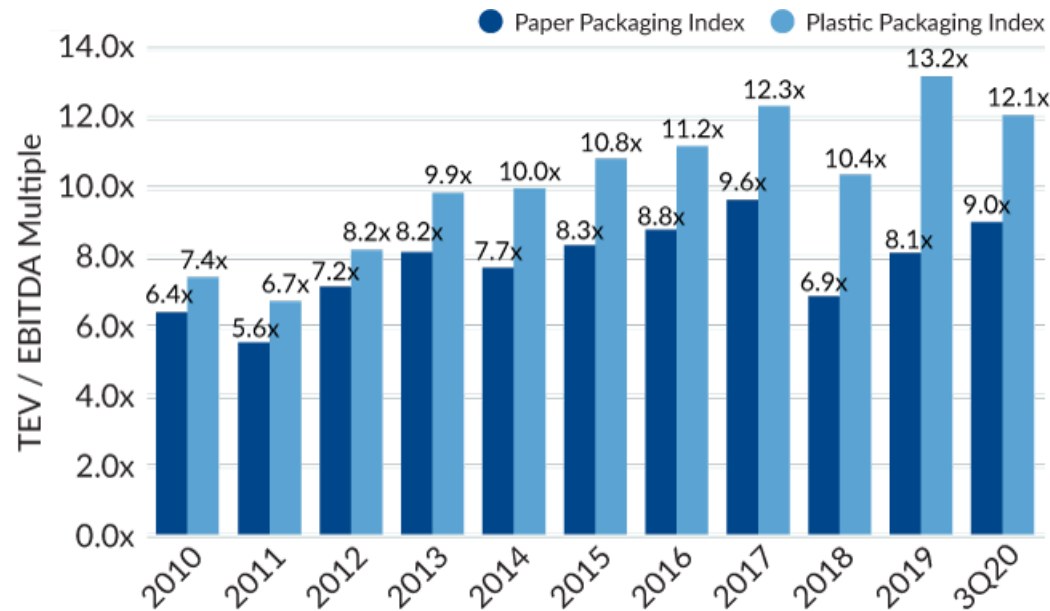
Consequently, public market valuations for both plastic and paper packaging companies have also recovered. Plastic packaging companies' valuations are slightly above (1%) their past three year-average, while paper packaging companies' valuations are up 19% from their past three-year average (Charts 2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

Packaging perspectives

Q2020 Q2020 end review

After a strong 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 hasn't performed well during the downturn, valuations have also increased and are currently above their post-2008 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 active during 2021 for the following reasons:

- Packaging is generally a primary beneficiary of the search resulting from COVID-19.
- Post-up disruption due to loss of M&A transactions in 2020.
- Private equity companies have significant equity capital over \$1.7 trillion of "dry powder" that they need to deploy.
- Strategic focus on strong financial performance to drive growth, market share, and innovation.
- Availability of debt capital at very attractive rates from a historical perspective.

Share price performance and public market valuations

Share prices of packaging companies have begun to rebound more after their sharp decline following the loss due to our Covid-19. These share prices are currently slightly above the start of the beginning of the year with about average up 4% or average 17% though they are above 10% or average 17% for the year ending.

Consequently, public market valuations for both public and private packaging companies have also increased. Public packaging companies' valuations are slightly above 10% and their year average with most packaging companies' valuations are up 10% from their post-2008 year average (about 5% and 5).



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