

2023 Mid-Year Sector Report: Packaging Perspectives

2023 Mid-Year Review

In the first half of 2023, we have seen middle-market packaging M&A remain at respectable levels. Despite broader macro-economic conditions and the current interest rate environment, the packaging market has proven remarkably resilient. The preponderance of packaging used in non-discretionary items such as food, consumables and pharmaceuticals has resulted in market resilience that is attracting significant buyer interest. Buyer appetite, among strategic industry participants, as well as private equity firms seeking platform investments, has remained robust, and multiples are strengthening as buyers compete for quality assets. Mesirow anticipates this trend will continue. Several highlighted deals point to healthy activity across all packaging subsectors.

Macro-trends impacting packaging companies

- **Industry destocking** | Industry wide, packaging companies faced volume softness in the first half of the year as customers worked down excess inventories built up to account for supply chain lead times. Inventory destocking is abating, with order volumes returning to normalized levels heading into the second half of the year.
- **Supply chain and pricing is normalizing** | The supply chain has normalized for raw materials as well, allowing manufacturers to bring down their own inventory levels, reduce investment in working capital and improve turnaround times to customers. After a year and a half of continuous raw material price increases, raw material pricing is stabilizing. Customers that readily accepted price increases during this period are now beginning to seek price reductions. Margin sustainability is a key area buyers are focusing on in sale processes.

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