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# Packaging Perspectives



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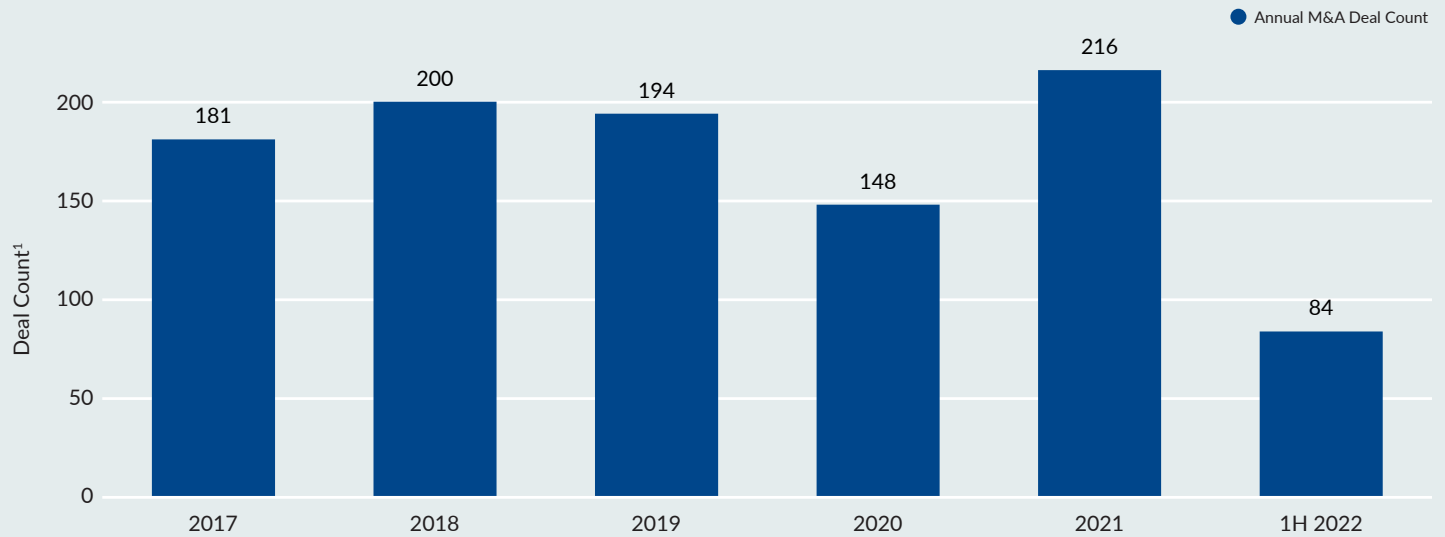
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## 2022 Mid-year review

While packaging M&A activity in the first half of 2022 has backed off 2021's torrid pace, the Packaging M&A market remains robust. The modest slowdown from the record M&A Market in 2021 does not come as a surprise as activity in 2021 was fueled by a backlog of delayed transactions created by COVID, a healthy stock market, the availability of inexpensive debt, and dealmakers hurrying to complete transactions before a potential increase in capital gains taxes. We believe the relatively modest number of deals in the first half of 2022 compared to the first half of 2021 is a response to taking stock after 2021's fervent activity. Despite the broader macroeconomic trends, including inflation and rising interest rates, packaging multiples remain near historical highs. Packaging companies overall continue to exhibit attractive organic growth and perform well. The appetite among both strategic and private equity buyers for well-run packaging businesses remains robust and we anticipate strong M&A activity in the remainder of the year and into 2023.

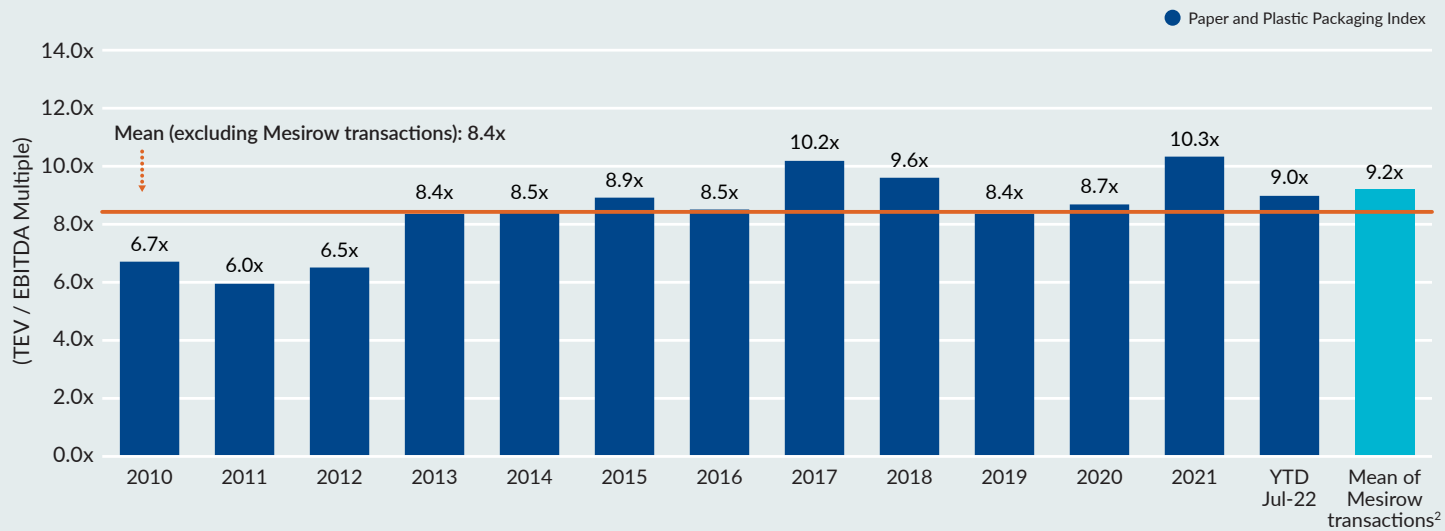


CHART 1: TOTAL GLOBAL PACKAGING M&A DEAL COUNT BASED ON ANNOUNCED DATE



Source: S&P Capital IQ. | Only includes deals with disclosed deal value for the packaging industry.

CHART 2: PUBLIC PACKAGING COMPANY ANNUAL AVERAGE TEV / EBITDA MULTIPLES<sup>1</sup>



Source: Source: S&P Capital IQ. | Note: Average TEV / EBITDA multiples as of January 1, 2010 – June 30, 2022.



## Mesirow perspective

For private equity (PE) sponsors and strategics alike, the packaging sector is ripe with opportunity. Deal flow in the sector has remained strong as investors capitalize on highly fragmented markets to enhance product offerings, increase scale, gain efficiencies, expand geographic reach and broaden customer base

Mesirow expects consolidation to continue as PE firms and corporate industry participants pursue roll-up strategies and allow portfolio companies to offer expanded capabilities. Looking ahead, we expect several key factors to drive interest in packaging M&A:

- **Recession resilience:** Packaging is both necessary and ubiquitous, so it remains a vital even during periods of economic weakness. Many served end markets are considered non-discretionary – we all need to eat, take medication, practice good hygiene, clean our homes.
- **Margin sustainability:** Packaging companies are generally able to pass raw material cost changes through to customers, which helps them reduce margin volatility. While packaging represents a very small cost of the finished product, it is necessary to bring the product to market.
- **Ripe for consolidation:** Across market segments, there are several hundred middle-market independent companies involved in the production of corrugated, folding cartons, rigid packaging, labels and flexible packaging. However, there are a relatively small number of large consolidators. This creates an ideal environment for further consolidation, and a compelling environment for a buy-and-build strategy for PE entrants. Many of today's most prolific packaging companies began with an initial \$5 million EBITDA Mesirow sell-side engagement.

## Recent notable Mesirow-advised M&A transactions

Mesirow is the most active advisor to middle-market packaging companies, completing 20 paper and packaging transactions in the past 12 month. Mesirow has completed over 175 packaging transaction with a dedicated packaging team for the past 20+ years, which reflects the firm's deep expertise within the paper, plastics and packaging sectors along with its strong relationships among global buyers. Mesirow Investment Banking positions middle-market clients as highly strategic targets for the most relevant buyers in each sector, creating a customized and highly efficient process to secure a positive outcome for shareholders.

Sale of Western Shield Label and Packaging ("Western Shield" or the "Company") to All American Label ("AALP") a portfolio company of Heartwood Partners.

- Founded in 1970 and headquartered in Rancho Dominguez, California, Western Shield is a leading, multi-site provider of pressure sensitive prime labels and packaging solutions for food & beverage, health & beauty, and general industrial end markets. The Company operates as a key partner to its industrial customer base, providing attractive labeling solutions at competitive prices and the highest possible service levels.

Sale of Belle-Pak Packaging ("Belle-Pak" or the "Company") to ProAmpac, a leader in flexible packaging and material science and portfolio company of Pritzker Private Capital.

- Founded in 1991, Belle-Pak Packaging is an award winning North American manufacturer of flexible packaging solutions with world class print capabilities. With a distribution network across the United States, Canada and Mexico, the Company caters to a diverse clientele including financial institutions, crown corporations, armored car carriers, retailers, law enforcement, hospitals, and hotels.

Sale of Prairie State Impressions LLC ("Prairie State Group" or the "Company") to ProAmpac, a leader in flexible packaging and material science and portfolio company of Pritzker Private Capital.

- Headquartered in Franklin Park, IL, Prairie State Group is a premier provider of flexible packaging solutions ranging from mid-web laminated products, such as stand-up pouches and wrappers, to pressure sensitive labels for a variety of end markets in North America, including food & beverage, tobacco & cannabis and industrials. As one of a number of limited printers in the world to be certified under SQF Ed. 8 food safety standards, the Company provides best-in-class products and services to its dedicated customers to protect and enhance their brands.

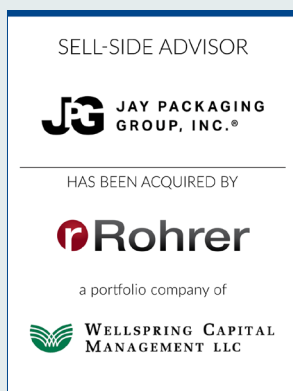
## Sector spotlight: Folding cartons

The U.S. Folding Carton market is valued at \$10.1 billion (per E&Y). Food & beverage represents the vast majority of U.S. folding carton sales, 68%, with Pharmaceuticals & Medical representing 8%, Health & Beauty 5% and Other Consumer & Industrial comprising 19%. The folding cartons market is poised for both near term growth and sustained growth in the long term, buoyed by a variety of positive metrics, among them rising demand across food & beverage sectors, the public's seemingly insatiable appetite for ready-to-eat foods and highly supportive trends in e-commerce. Partly driven by the COVID-19 pandemic, consumers are increasingly looking for home delivery of packaged goods ranging from nearly every conceivable household item to ready-to-eat meals that emphasize high quality and convenience.

While the market is dominated by two large industry participants, small and mid-size manufacturers make up nearly two-thirds of the market (per RISI). It is these independent firms that are uniquely positioned in terms of service and agility, which is particularly important in an environment of continuing SKU proliferation.

### Notable trends include:

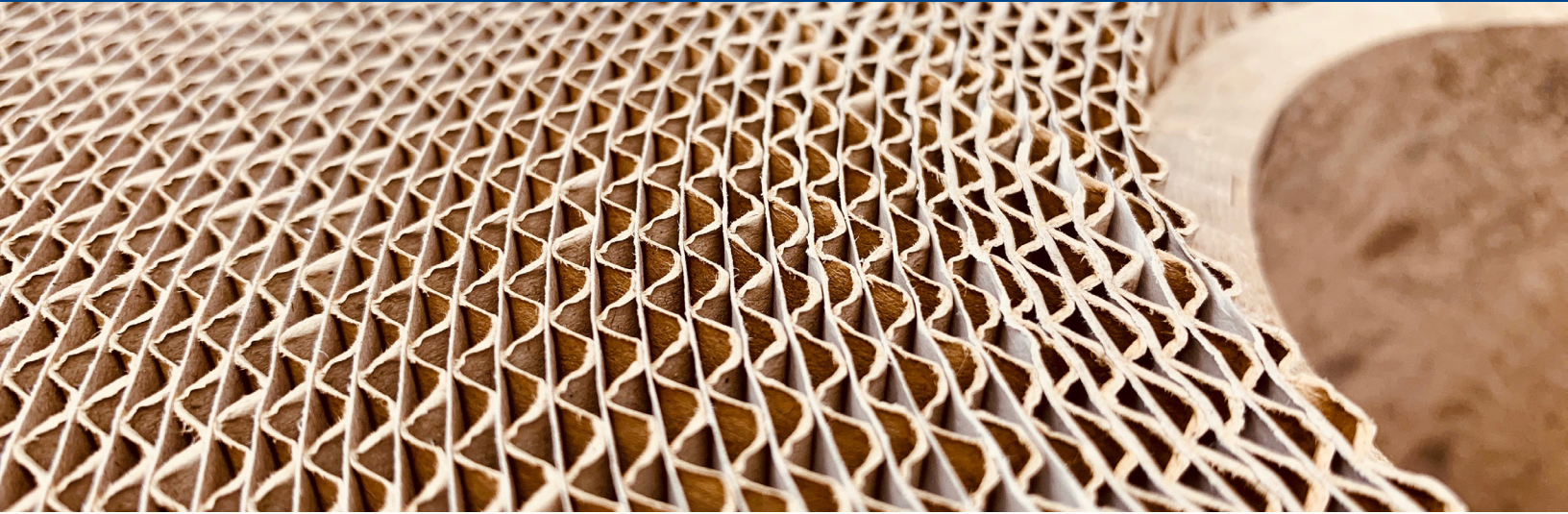
- **Premiumization:** For many years, companies viewed packaging as an afterthought so long as their brand was recognizable. Now, they increasingly view packaging as “marketing” and seek to differentiate their product on the shelf through eye-catching graphics and finishes. These value-added features can command significant premiums of 5–20% per carton.
- **Sustainability:** Almost all brands have made sustainability commitments, and packaging is often a key component. Folding cartons represent a sustainable alternative to brands seeking to meet their publicly committed sustainability targets, and the public often sees paper packaging as a more environmentally friendly alternative to plastic.
- **Share gain of emerging brands:** Small and medium sized brands are gaining share from larger food & beverage and CPG companies due to consumer preferences for independent brands and new sales / distribution channels facilitated by e-commerce.



## Deal spotlight: Jay Packaging Group

Mesirow acted as the exclusive financial advisor Jay Packaging Group, Inc. (“Jay Packaging” or the “Company”) on its sale to Rohrer Corporation (“Rohrer”), a portfolio company of Wellspring Capital Management and leading retail-packaging designer and manufacturer.

- Based in Warwick, RI, Jay Packaging is a premier specialty printing and thermoforming company serving the beauty, luxe, home and health markets. Founded in 1945, the Company has since grown into one of the industry’s most creative package design, enhancement, and solutions companies in the Northeast for printing, folding cartons, and plastic components.
- The addition of Jay Packaging Group to Rohrer strengthens the combined capabilities of both companies in the areas of high-end printing and decorating, carded blister, thermoformed and folded carton packaging, while advancing Rohrer’s efforts in sustainable packaging.



## Recently completed plastics & packaging transactions

<p>SELL-SIDE ADVISOR</p>  <p>WESTERN SHIELD LABEL AND PACKAGING</p> <hr/> <p>HAS BEEN ACQUIRED BY</p>  <p>ALL AMERICAN LABEL &amp; PACKAGING</p> <p>a portfolio company of</p>  <p>HEARTWOOD PARTNERS</p>	<p>SELL-SIDE ADVISOR</p>  <p>BELLE-PAK PACKAGING INC.</p> <hr/> <p>HAS BEEN ACQUIRED BY</p>  <p>ProAmpac</p> <p>a portfolio company of</p>  <p>PPC Partners</p>	<p>SELL-SIDE ADVISOR</p> <p>ROMANOW</p>  <p>CONTAINER</p> <hr/> <p>HAS BEEN ACQUIRED BY</p>  <p>SUPPLY ONE</p> <p>a portfolio company of</p>  <p>WELLSPRING CAPITAL MANAGEMENT LLC</p>	<p>SELL-SIDE ADVISOR</p>  <p>MacArthur</p> <hr/> <p>HAS BEEN ACQUIRED BY</p>  <p>awt LABELS &amp; PACKAGING</p> <p>a portfolio company of</p>  <p>Morgan Stanley Capital Partners</p>	<p>SELL-SIDE ADVISOR</p>  <p>Prairie State Group</p> <hr/> <p>HAS BEEN ACQUIRED BY</p>  <p>ProAmpac</p> <p>a portfolio company of</p>  <p>PPC Partners</p>	<p>SELL-SIDE ADVISOR</p>  <p>JAY PACKAGING GROUP, INC.®</p> <hr/> <p>HAS BEEN ACQUIRED BY</p>  <p>Rohrer</p> <p>a portfolio company of</p>  <p>WELLSPRING CAPITAL MANAGEMENT LLC</p>
<p>SELL-SIDE ADVISOR</p>  <p>BOX Partners</p> <hr/> <p>HAS BEEN ACQUIRED BY</p>  <p>Charlesbank</p>	<p>SELL-SIDE ADVISOR</p>  <p>Clarion® <i>Reducing Risk. Protecting People.</i></p> <p>a portfolio company of</p>  <p>PROMUS EQUITY PARTNERS</p> <hr/> <p>HAS BEEN ACQUIRED BY</p>  <p>CNL Strategic Capital</p> <p>sub-managed by an affiliate of</p>  <p>LEVINE LEICHTMAN CAPITAL PARTNERS</p>	<p>SELL-SIDE ADVISOR</p>  <p>ST. WORTH</p> <p>a portfolio company of</p>  <p>SPELL CAPITAL</p> <hr/> <p>HAS BEEN ACQUIRED BY</p>  <p>GOLDEN WEST PACKAGING GROUP</p> <p>a portfolio company of</p>  <p>LG</p>	<p>FAIRNESS OPINION</p>  <p>APPVION</p> <hr/> <p>HAS BEEN ACQUIRED BY</p>  <p>WC WYNCHURCH   CAPITAL</p>	<p>SELL-SIDE ADVISOR</p>  <p>PHARMA PACKAGING SOLUTIONS</p> <hr/> <p>HAS BEEN ACQUIRED BY</p>  <p>Tjoapack</p>	<p>SELL-SIDE ADVISOR</p>  <p>IDENTCO® Labels for Life.</p> <hr/> <p>HAS BEEN ACQUIRED BY</p>  <p>MASON   WELLS</p>
<p>SELL-SIDE ADVISOR</p>  <p>PPC FLEXIBLE PACKAGING</p> <p>a portfolio company of</p>  <p>Morgan Stanley Capital Partners</p> <hr/> <p>HAS BEEN ACQUIRED BY</p>  <p>GTCR</p>	<p>BUY-SIDE ADVISOR</p>  <p>MAC PAPERS + PACKAGING</p> <p>a portfolio company of</p>  <p>MONOMOY CAPITAL PARTNERS</p> <hr/> <p>HAS ACQUIRED</p>  <p>dps</p>	<p>SELL-SIDE ADVISOR</p>  <p>APC PAPER GROUP</p> <hr/> <p>HAS BEEN ACQUIRED BY</p>  <p>ProAmpac</p> <p>a portfolio company of</p>  <p>PPC Partners</p>	<p>SELL-SIDE ADVISOR</p>  <p>REDI-BAG</p> <p>a portfolio company of</p>  <p>TRAVERSE POINTE PARTNERS</p> <hr/> <p>HAS BEEN ACQUIRED BY</p>  <p>SOTERIA</p> <p>a portfolio company of</p>  <p>ARDIAN</p>	<p>BUY-SIDE ADVISOR</p>  <p>ST Paper &amp; Tissue</p> <hr/> <p>HAS ACQUIRED</p>  <p>VERSO® Duluth Mill</p>	<p>SELL-SIDE ADVISOR</p>  <p>SILVER SPUR CORPORATION</p> <p>a portfolio company of</p>  <p>Meridian General</p> <hr/> <p>HAS BEEN ACQUIRED BY FUNDS ASSOCIATED WITH</p>  <p>KELSO PRIVATE EQUITY</p> <p>combines with existing investments in</p>  <p>C.L. Smith</p>  <p>Inmark</p>

The transactions included above represent transactions where Mesirow served as advisor between January 1, 2021 and September 1, 2022. Appvion / Wynchurch Capital tombstone represents a fairness opinion.

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## Leading middle-market M&A advisor to the paper, plastics and packaging sectors

Mesirow Investment Banking continues to successfully assist paper, plastics, packaging and specialty printing companies with their financial advisory needs. With extensive sector-specific expertise and deep long-standing relationships, our dedicated Paper, Plastics and Packaging team has completed over 175 packaging transactions in recent years. Our highest priority is helping individuals and organizations reach their financial and strategic goals, and we are consistently focused on elevating the experience for our clients.

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1. Paper and Plastic Packaging Index: Amcor PLC (AMCR-US), Aptargroup, Inc. (ATR-US), Avery Dennison Corporation (AVY-US), Berry Global Group Inc (BERY-US); BillerudKorsnäs AB (BILL:OME); CCL Industries Inc. Class B (CCL:B-CA); DS Smith Plc (SMDS-LON); International Paper Company (IP-US); Mayr-Melnhof Karton AG (MMK-WBO); Mondi plc (MNDI-LON); Orora Ltd (ORA-ASE); Packaging Corporation of America (NYSE-PKG); Sealed Air Corporation (SEE-US); Silgan Holdings Inc. (SLGN-US); Smurfit Kappa Group plc (SKG-LON); Stora Enso Oyj (STERV-HEL); WestRock Company (WRK-US); Wipac Ltd. (WPK-TO).

2. Represents the mean EV / EBITDA multiple of select Mesirow advised paper and plastic transactions completed in January 2021 – July 2022.

3. Appvion / Winnchurch Capital tombstone represents a fairness opinion.

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