

2020 M&A market outlook



Expect M&A activity within the paper, plastics, packaging and specialty printing sectors to pause due to overall concerns regarding COVID-19 and economic recession but reaccelerate and remain strong as has been the case over the past number of years. Private equity firms in particular are taking notice that the packaging industry, while not high growth, offers strong, stable and consolidation opportunities at attractive valuation for both buyers and sellers.

Industry Drivers



STRATEGIC BUYERS

Strategic buyers looking for acquisitions to generate scale, growth, diversification and synergies.



PRIVATE EQUITY SPONSORS

Private equity firms have been a primary driver of M&A activity in many packaging sub-sectors, and established a number of platform companies which subsequently acquired other businesses.



DEBT CAPITAL

The lending community has been aggressive in financing acquisitions. Supported by a generally favorable economy over the last decade, packaging companies have grown organically, reinvested in equipment and people, and made acquisitions.



STOCK MARKET & GLOBAL ECONOMY

Continued stock price declines and concerns about recession will have a negative impact on M&A activity.

Indicators to Watch



DIGITAL PRINTING

Digital printing provides more customization than long-run processes without sacrificing quality. Digital printing looks to grow at a double digit rate due to companies' desire for increased customization.



GROWTH IN END MARKETS

Food service, home goods, health care and pharmaceuticals are particularly packaging-intensive sectors. As they grow, so do the companies that produce packaging for their products.



PAPER GRADE PRODUCTION

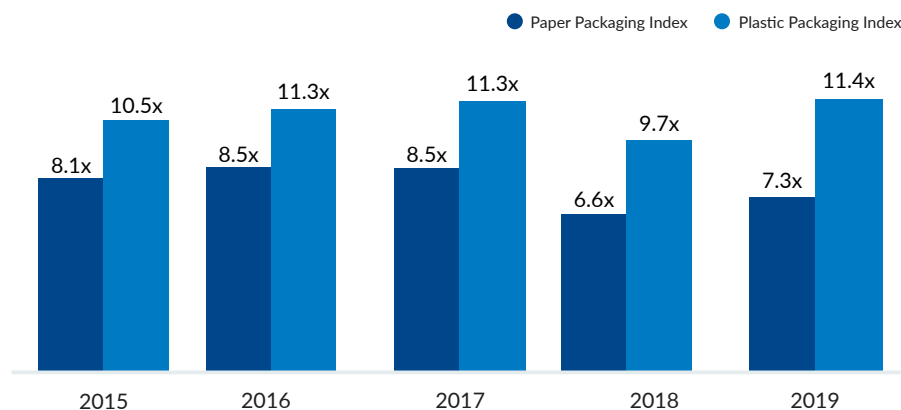
With the demise of newspapers, buyers who bought paper mills are converting from newsprint to higher growth grades such as corrugated board, and thus creating a ceiling on prices.



PACKAGING FOR E-COMMERCE

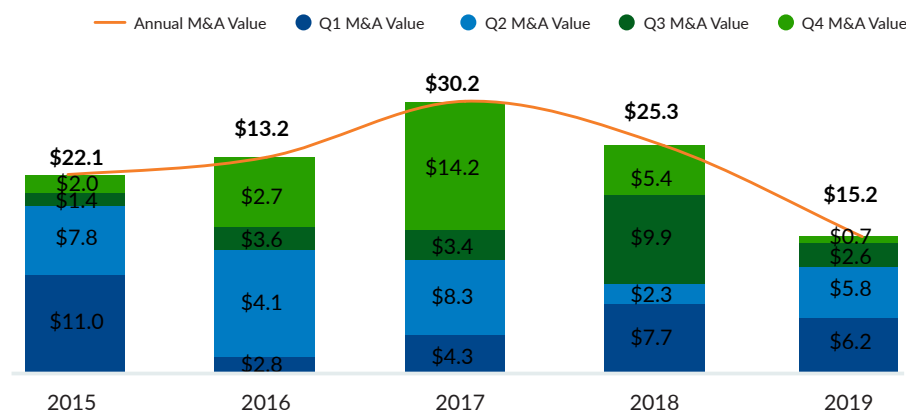
E-commerce continues to gain acceptance among consumers and continues to drive box volume. At the expense of retail packaging, e-commerce firms want unboxing to be a memorable experience for their customers and are willing to spend on higher quality packaging.

CHART 1: PUBLIC PACKAGING COMPANY AVERAGE EBITDA MULTIPLES



Source: Mesirow, FactSet

CHART 2: TOTAL GLOBAL PACKAGING M&A DEAL VALUE BASED ON ANNOUNCED DATE



Source: Mesirow, FactSet

About Mesirow

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Having completed over 125 transactions in recent years, Mesirow is one of the most active advisors in the paper, plastics, packaging and specialty printing sectors.

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