The year in review

As global business confidence continued to rise on the back of improving global economic fundamentals and soaring equity markets, deal-making expectations increased in 2013. Yet global M&A fell 5.9% to US$2.4 trillion in 2013 according to data compiled by Thomson Reuters. By the number of deals announced, it was the slowest year since 2005.

What might account for this? Companies are sitting on piles of cash, private equity dry powder has reached an all-time high, central banks are still adopting lax monetary policies and credit markets are more accommodating than ever. Is the financial crisis still too fresh in our memories?

It seems cautious optimism has been the state of mind for quite some time – with the emphasis on “cautious.” We often hear, “Quality assets are hard to find” or “Buyers and sellers still can’t reconcile the valuation gap.” Looking back at 2013, however, we cannot deny that a number of large deals emerged, which seems to indicate that companies have confidence in their capital structures, deal fundamentals and a sustainable economic recovery.

The first quarter of 2013 showed a decline in overall M&A activity, which fell quarter over quarter and year over year. The packaging sector, however, showed some significant signs of M&A appetite. Ardagh Group announced its intended acquisition of Verallia North America for approximately US$1.7 billion, increasing its global glass business by almost 60%. Jabil Circuit acquired Nypro, Inc. for approximately US$665 million, extending Jabil’s manufacturing capabilities into the plastic health-care and consumer packaging sectors. And Milacron LLC acquired Mold-Masters, a hot runner technology manufacturer, for approximately US$955 million.

Although the second quarter of 2013 failed to show a change in the direction of global M&A activity, in the packaging sector a number of private equity-sponsored deals made the headlines. Sun Capital Partners merged US-based Exopack with its four other European packaging companies Britton Group, PACCOR, Paragon Print & Packaging and Kobush to form a company of over 8,600 employees, 63 plants and US$2.5 billion in revenues. H.I.G. Capital acquired Caraustar Industries, an integrated manufacturer of recycled paperboard and converted paperboard products, in a transaction valued at approximately US$471 million.

Following the same trend, global M&A activity remained under pressure in the third quarter. Notable packaging transactions included Packaging Corporation of America’s US$2.0 billion acquisition of Boise, Mexico-based Coca-Cola FEMSA’s acquisition of Spaipa, the Brazil-based bottler of soft drinks, for approximately US$1.9 billion and the sale of paper packaging products manufacturer Chesapeake to The Carlyle Group by Irving Place Capital and Oaktree Capital, as well as the sale by Irving Place Capital of Multi Packaging Solutions to Madison Dearborn Partners.

The fourth quarter failed to reverse the trend in global M&A activity, as the number of deals announced came in again below the corresponding levels of 2012. In the packaging sector, The Carlyle Group and Madison Dearborn Partners merged the recently acquired Chesapeake and Multi Packaging Solutions to form a company with more than 50 manufacturing facilities worldwide and more than 7,000 employees. In another notable transaction, Crown Holdings agreed to acquire food can producer Mivisa Envases, SAU for approximately US$1.6 billion from funds managed by Blackstone, N+1 Mecapital and management.

Going forward, we expect global M&A volumes to improve, driven by increased confidence and credit availability. Our latest Capital Confidence Barometer suggests a return of deal activity after a five-year period of falling M&A globally – 69% of the surveyed executives expect global deals to improve, 65% see the global economy improving and 35% plan to pursue an acquisition.

This being said, we do not see a return to boom-time deal-making. We expect a disciplined, rational return to deal-making as investment now ranks first in companies’ capital agenda. The packaging sector should follow the global trends: we expect both strategic acquirers looking for growth and financial players to continue to drive industry consolidation.
Plastop provides plastic containers and closures for the health care, household, food and beverage and personal care industries.  

- RPG Group plc announced the acquisition of Maynard & Harris Group Limited from funds advised by Caird Capital LLP and Maynard & Harris Group’s management for approximately £103.5 million (US$169 million). The purchase price reflects a multiple of 6.7x last 12 months’ EBITDA and 1.3x last 12 months’ revenues or, on a pro forma basis, 6.5x expected EBITDA for the year ending 30 April 2014. UK-based Maynard & Harris is a rigid plastic solutions provider focusing on the personal care and health care markets. The company employs approximately 700 people.  

- New-York-based American Securities Partners VI, L.P., a fund of American Securities, acquired Tekni-Plex, Inc. from funds associated with Oaktree Capital Management L.P. and Avenue Capital Group. Although financial details were not disclosed, the transaction was reported to potentially be valued at US$775 million including debt, according to an anonymous source cited by Bloomberg. Tekni-Plex operates in three segments: health care, specialty packaging and food packaging. The company operates 25 manufacturing sites in nine countries across North America, Latin America and Asia. Its primary products include closure liners, medical tubing, high-barrier pharmaceutical films, medical compounds, dispensing components and thermoformed containers.  

- Wisconsin-based private equity firm Mason Wells agreed to acquire, through its Mason Wells Buyout Fund II, L.P., the rigid medical packaging business of Sealed Air Corporation. The purchase price is expected to be approximately US$125 million. Sealed Air’s rigid medical packaging business consisted of previous acquisitions Nelipak Holdings, Alga Plastics and ATE Costa Rica, which have facilities in Ireland, the Netherlands, the United States and Costa Rica. Sales of the rigid medical packaging division were approximately US$100 million.  

- Nova Scotia-based CKF Inc. acquired Vancore Plastic Packaging Ltd. Financial details were not disclosed. British Columbia-based Vancore designs and produces plastic packaging products including clamshell blister packs, plastic trays and bakery domes.

**Paper**  
- UK-based Corrugated Box Supplies Ltd. acquired Connect Packaging Ltd. from Wriggle Holdings Ltd., an investment and management services company. Terms were not disclosed. UK-based Connect Packaging is engaged in converting, manufacturing, printing and selling paperboard packaging products.  

- Japan-based Oji Holdings Corporation entered a stalking horse asset purchase agreement with the management team of both companies. 100% of Chesapeake and MPS, respectively. The combined company will operate from more than 50 manufacturing facilities on three continents, with more than 7,000 employees and producing sales in excess of US$1.4 billion. Marc Shore, the current CEO of MPS, has been appointed CEO of the combined company. Mike Cheetham, Chesapeake’s current CEO, and Dennis Kaltman, current MPS President, will serve as co-presidents.  

- Austria-based Mayer-Melnhof Karton AG agreed to acquire three sites in St. Petersburg and Timashevsk, Russia, and Augsburg, Germany, from A&R Carton GmbH for approximately €100 million (US$134 million). The operations to be acquired generate approximately €72 million (US$163 million) in sales and focus on rotogravure printing, particularly for tobacco packaging and general packaging for consumer goods manufacturers in Russia.  

- UK-based Essentra plc (formerly Faltrona) acquired Dakota Packaging Ltd. for an undisclosed amount. Ireland-based Dakota manufactures and supplies folding and litho-laminate cartons for the health care and pharmaceutical industries. The company generated €15 million (US$20 million) in sales for the most recent financial year and employs approximately 100 people.  

- Italy-based Coesia S.p.A. acquired IPI s.r.l. for an undisclosed amount. Based in Italy, IPI is a global full system supplier in the field of aseptic carton packaging for liquids in the food and beverage industry. For the year ended 2012, IPI had revenue in excess of €50 million (US$66 million) and EBITDA of €13.9 million (US$18 million).  

- Indiana-based Welch Packaging Group acquired Nova Packaging Group. Financial terms were not disclosed. Indiana-based Nova manufactures and sells various corrugated and related packaging products. The company was reported to have revenues in excess of US$20 million.  

- Smurfit Kappa UK Limited, a subsidiary of Ireland-based Smurfit Kappa Group plc, acquired CRP Print and Packaging Holdings Ltd. Terms of the transaction were not disclosed. UK-based CRP specializes in label and packaging printing, 3D point of sale, HD preprint, food contact and heavy duty products. The company employs approximately 220 people.  

- Australia-based Amcor completed the previously announced demerger of its Australasia and packaging distribution business which operates now as Orora Limited. Orora started trading on the Australian Securities Exchange on 18 December 2013 under the ticker “ORA” and currently has a market capitalization of approximately US$1.2 billion.
The Ernst & Young Orenda Corporate Finance global packaging index tracks the performance of the most widely traded global packaging companies relative to the benchmark S&P 500 composite index.

Our global packaging index consists of the following publicly traded packaging companies:

- AEP Industries Inc.
- Amcor Limited
- Astrapak Ltd.
- Avery Dennison Corporation
- Ball Corporation
- Bemis Company, Inc.
- Berry Plastics Group, Inc.
- BillerudKorsnäs Aktiebolag (publ)
- British Polythene Industries plc
- Cascades, Inc.
- CCL Industries Inc.
- Chuo Kagaku Co., Ltd.
- Crown Holdings Inc.
- DS Smith Plc
- Duni AB (publ)
- Essel Propack Limited
- FP Corporation
- Fuji Seal International, Inc.
- Gerresheimer AG
- Graphic Packaging Holding Company
- Greif, Inc.
- Groupe Guillin SA
- Hokkan Holdings Limited
- Huhtamaki Oyj
- International Paper Company
- Lee & Man Paper Manufacturing Limited
- Mayr-Melnhof Karton AG
- MeadWestvaco Corporation
- Metsa Board Oyj
- Mondi Limited
- Mpact Limited
- Multi-Color Corp.
- Myers Industries Inc.
- Nampak Limited
- Nine Dragons Paper (Holdings) Ltd.
- Orora Limited
- Owens-Illinois, Inc.
- The Pack Corporation
- Packaging Corporation of America
- Pact Group Holdings Limited
- Papeles y Cartones de Europa S.A.
- Rengo Co. Ltd.
- Reno de Medici SpA
- Rexam plc
- Rock-Tenn Company
- RPC Group plc
- Sealed Air Corporation
- Silgan Holdings Inc.
- Smurfit Kappa Group plc
- Sonoco Products Co.
- Taiwan Hon Chuan Enterprise Co., Ltd.
- Toyo Seikan Group Holdings, Ltd.
- Uflex Limited
- Vetrpack Holding AG
- Vidrala SA
- Winpak Ltd.

Note: The indices in this newsletter have been compiled by Ernst & Young Orenda Corporate Finance Inc. solely for illustrative purposes. The companies chosen are publicly traded companies that are commonly used for industry composites to show stock performances within a sector. The indices do not include all public companies that could be categorized within each sector and were not created as benchmarks, nor should they imply benchmarking or recommendations for a particular stock or sector.

Charts: Ernst & Young Orenda Corporate Finance Inc.
Data sources: Bloomberg, Capital IQ
Virginia-based Gladstone Investment Corporation and affiliated company Gladstone Capital Corporation invested US$12.9 million and US$5.5 million in a combination of debt and equity to acquire Behrens Manufacturing, LLC with the participation of Behrens’ existing management team. Minnesota-based Behrens manufactures and supplies steel containers including storage and trash cans, tubs, pails and buckets.

Malaysia-based Aspire Insight Sdn Bhd along with the management team of Kian Joo Can Factory Bhd made an offer to acquire the company in a management buyout worth approximately MYR1.5 billion (US$500 million). The offer equates approximately 7.5x last 12 months’ EBITDA and 1.3x last 12 months’ revenue. Malaysia-based Kian Joo engages in manufacturing and distributing tin cans and other packing solutions for food and consumer products.

South African company Nampak agreed to acquire Alucan Packaging Limited for US$301 million in a deal that included a 10-year option to acquire a rigid plastics packaging company in Nigeria. Financial details were not disclosed. Nigeria-based Alucan is a manufacturer of aluminum beverage cans with an annual capacity of up to one billion cans.

Croatia-based ALUFLEXPACK NOVI d.o.o. acquired an 85% stake in Process Point Service AG. Terms were not disclosed. Liechtenstein-based Process Point Service manufactures aluminum-based packaging products for the pet food industry. The company had sales of approximately CHF31 million in 2012 (US$34 million).

France-based Vacheron Group acquired Albea Annecy from Albea, Inc. for an undisclosed amount. France-based Albea Annecy provides metal and plastic packaging solutions including metal forming, polishing, anodizing and decorating.

UK-based CBPE Capital LLP and management acquired Allied Glass Containers Ltd. from Equistone Partners Europe. Terms of the transaction were not disclosed. Allied is a manufacturer of premium glass bottles and containers for the food and drink market in the UK and employs close to 700 people.

Egypt-based Middle East Glass Manufacturing Co SAE, a subsidiary of Yemen-based Shaher Trading Co Group Ltd., acquired EI Wadi Glass Containers Co SAE from Wadi Holdings for EGP202 million (US$29 million). Egypt-based EI Wadi Glass Containers is a manufacturer of glass bottles and jars.

Our capabilities
Ernst & Young Orenda Corporate Finance Inc. is one of Canada's largest corporate finance firms focused on mid-market transactions. With more than 70 professionals in 11 cities across Canada, we offer significant regional and industry depth. As part of EY’s Transaction Advisory Services practice, Ernst & Young Orenda delivers a fully integrated approach to transaction services, including:

- Mergers and acquisitions advisory
- Divestitures
- Mergers and acquisitions
- Management and leveraged buyouts
- Recapitalizations

Structured finance
- Structure and arrangement of debt and equity
- Project finance and infrastructure advisory services

Financial advisory services
- Real estate transaction advisory

Our Plastics and Packaging team
Our team is part of a global network of professionals that combines an in-depth understanding of the industry’s dynamics and key players with the ability to provide a variety of transaction services.

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