

TKO Miller Market Analysis

The Flexible Packaging Industry is identified as a key player as consumers and other sectors adapt to the COVID-19 outbreak.

In a recent article, McKinsey & Company reported on the \$900 billion per year worldwide flexible packaging industry. [\[LINK\]](#)

The COVID-19 outbreak has led to a sharp decline for some applications and an increased demand for others.

As U.S. consumers have radically shifted their behavior, packaging applications focused on e-commerce, healthcare, and food are seeing increased demand. On the flip side, as the restaurant and hospitality industries nearly grinds to a halt, packaging application focused on these industries is suffering. Demand for non-food and premium-good packaging was also hit hard, with stores closing as consumers cut back on their spending.

While the packaging industry survived the period of initial demand shock, the impact of COVID-19 is presenting many packaging companies with a new set of opportunities and challenges. Adjusting to and understanding new behavioral patterns among consumers, both short term and long term, will require agility and flexibility among the industry's business leaders. McKinsey lists e-commerce, changing consumer preferences, and retail margin compression as three of the industry Mega Trends that have been accelerated by COVID-19. It appears that sustainability, one of the industry's previous "hot topics," has become a lesser concern than hygiene and food safety, which have become a higher priority among consumers. The sustainability performance of different packaging substrates has now taken a back seat—at least for the short term.

The COVID-19 impact on packaging players will likely be mixed, depending on converters' portfolio position.

Change in the expected US consumer spend per category, not exhaustive, net intent

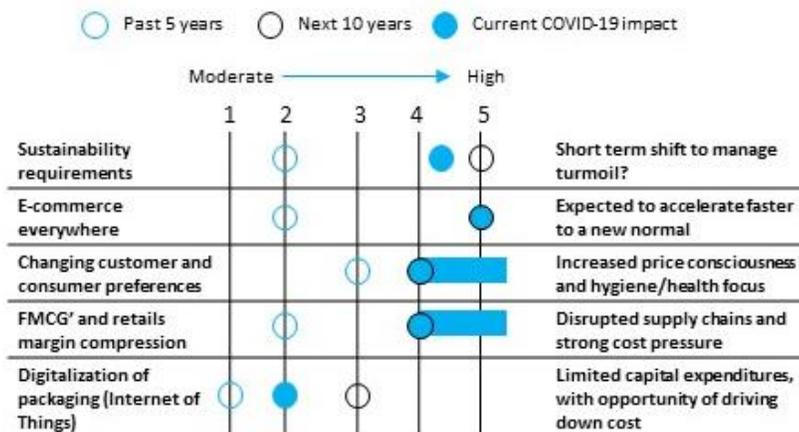
● Increase ● Stayed the same ● Decrease

Groceries	+14	● Flexible, rigid plastics and corrugated grocery packaging
At-home Entertainment	+3	● Corrugated and protective packaging
Household supplies	+1	● Plastic bottles and metal aerosols
Snacks	-7	● Flexible Films (e.g. oriented polypropylene)
Personal-care Products	-11	● Tubes, bottles, jars, and caps/closures
Takeout/delivery	-22	● Food-service packaging (e.g. plastic, paper)
Alcohol	-23	● Metal and glass bottles
Consumer electronics	-36	● Corrugated and protective packaging
Skin care and makeup	-38	● Plastics, tubes, glass, and jars
Footwear	-47	● Corrugated and microflute packaging and cartons
Apparel	-50	● Corrugated and microflute packaging and cartons
Jewelry	-53	● Folding Cartons and paper boxes
Out-of-home entertainment	-63	● Food-service packaging

Source: McKinsey & Company

Packaging megatrends are changing with COVID-19 crisis.

Observed and expected impact of trends on packaging industry, scale 1-5



Source: McKinsey & Company

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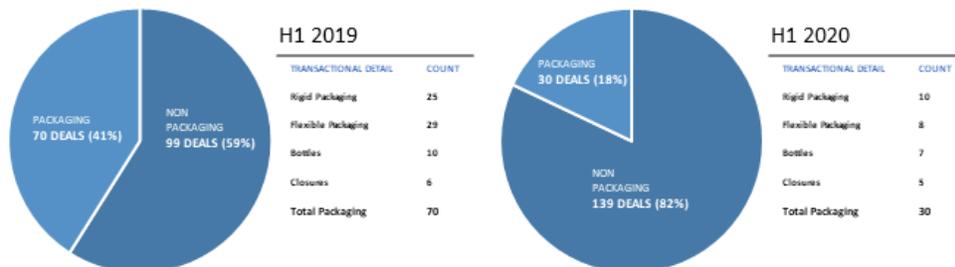
Despite the COVID-19 outbreak, M&A transactions are still taking place in the packaging space. However, data implies that deals are being completed at significantly lower levels compared to last year.

The July 13th edition of PlasticsNews reported that packaging transactions are down significantly for H1 2020 compared to H1 2019.

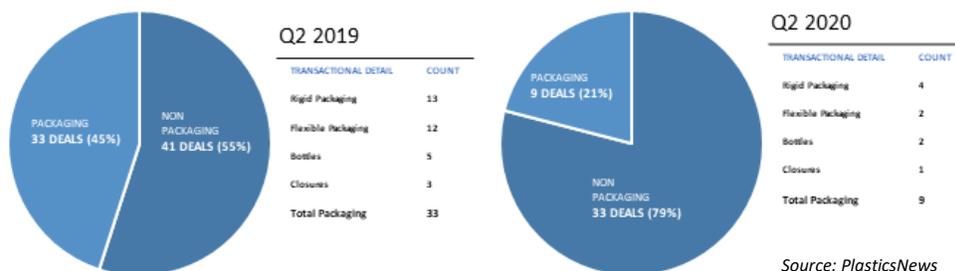
For the first half of 2020, 30 packaging deals were completed compared to 70 transactions in the first half of 2019, which translates to a 57% decline in deal activity. The second quarter saw an even steeper drop with deal activity declining by 72%.

At TKO Miller, we have seen a similar pattern in deal volume. We believe that many deals initiated before the COVID-19 outbreak will remain on pause until there is more clarity on what life will look like post-COVID-19. These deals are not lost but instead deferred, and we anticipate that there will be a rebound in M&A activity in the latter half of 2020 and early 2021.

PACKAGING TRANSACTIONS | HALF-YEAR COMPARISON



PACKAGING TRANSACTIONS | QUARTERLY COMPARISON



Source: PlasticsNews

Recent Flexible Packaging Transactions

April 2020 – TC Transcontinental, Inc. Announces Acquisition of Coveris Americas

TC Transcontinental, Inc., a Montreal-based packaging, commercial printing, and specialty media company, has announced that it has entered into a definitive agreement to acquire the business of Coveris Americas, a business held by Coveris Holdings S.A., a portfolio company of Sun Capital Partners, Inc. The purchase price is \$1.32 billion. The acquisition positions TC Transcontinental among the top ten flexible packaging converters in North America and provides TC Transcontinental with a strong position across a broad range of flexible packaging's growing end markets.

May 2020 – American Cord & Webbing Acquires Advantage Plastics Products

American Cord & Webbing Co., Inc. (ACW), a family-owned manufacturer of narrow textile webbing, industrial sewing, and injection molded plastics hardware, has acquired Advantage Plastics Products, a custom injection molding company operating out of Concord, N.H. Now operating under the name ACW Plastic Products, Inc., this acquisition combines resources and enhances performance to improve the company's growth.

June 2020 – Ascend Performance Materials Signs Agreement to Purchase the Assets of NCM (Changshu) Co. Ltd. and Tehe Engineering Plastic Co., Ltd.

Ascend Performance Materials, the largest fully integrated producer of polyamide 6/6 resin, has signed an agreement to purchase the assets of NCM Co. Ltd., and Tehe Engineering Plastic Co. Ltd., located in Changshu Yushan High-Tech Industrial Park, one of the major advanced manufacturing parks in the eastern coastal area of China.

May 2020 – Great Little Box Company Acquires Ideon Packaging

Ideon Packaging is a manufacturer and distributor of packaging solutions in Richmond, Canada that provide solutions for a range of corrugated boxes, folding cartons, and automation equipment. The company has been acquired by Great Little Box Company, a manufacturer and distributor of custom and stock packaging solutions, specializing in corrugated boxes, custom displays, labels, flexible packaging, folding cartons, rigid boxes, and specialty and protective packaging.

June 2020 – C-P Flexible Packaging Acquires Genpak Flexible from The Jim Pattison Group

C-P Flexible Packaging, a manufacturer of flexible packaging including rollstock, premade pouches, resealable packaging, and shrink sleeves, announced the acquisition of Genpak Flexible from The Jim Pattison Group. Genpak Flexible is a leading supplier of compostable packaging in North America. This strategic investment compliments C-P Flexible Packaging's converting and printing capabilities.

June 2020 – Portage Plastics Acquires Paradise Plastics

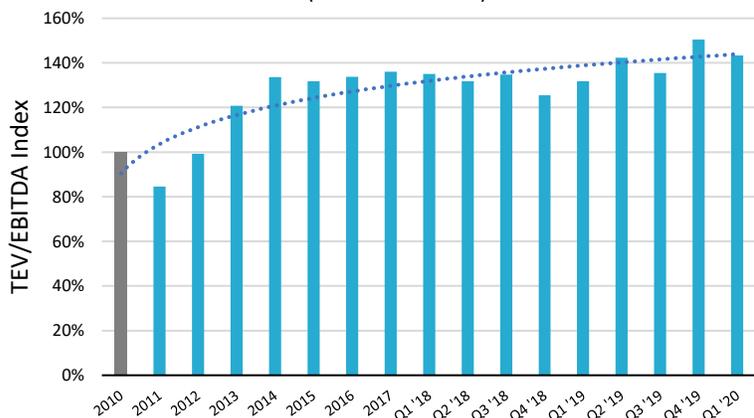
Paradise Plastics, based in Lake Forest, CA, is a manufacturer of packaging products for the food, horticultural, agricultural, optical, and retail industries using thin and heavy gauge thermoforming and injection molding. The company was acquired by Portage Plastics (PPC). Base in Portage, WI, PPC thermoforms a multitude of plastic products, custom designed for many specialized markets such as food, medical packaging, personal care, automotive, retail hardware, agricultural, consumer, and industrial electronics.



Flexible Packaging – Q2 2020

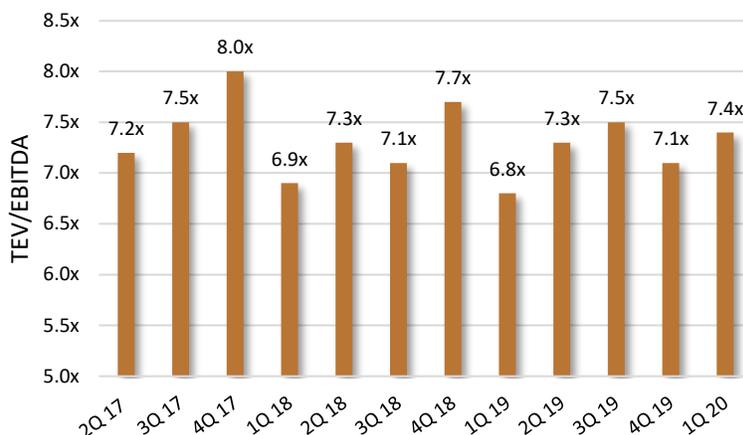
Flexible Packaging Valuation Index

(Index 2010 = 100)



Source: TKO Miller's proprietary Flexible Packaging valuation index

Middle Market Valuation Multiples



Source: GF Data

Flexible Packaging News

Wisconsin-based Extruder Teel Plastics Expands Injection Molding Capacity

Teel Plastics, Inc. is growing its injection molding production with the purchase of two new presses to meet demand for swab sticks for COVID-19 testing, medical packaging, and water filtration components for municipal wastewater treatment facilities. Currently, about 75% of Teel's molding sales come from the medical market. [\[LINK\]](#)

Ascend Performance Materials Aiming Technology at Surgical Masks

Ascend Performance Materials, a global leader in the production of high-quality chemicals, fibers, and plastics, is seeking approvals for a technology that officials say can deactivate the virus that causes COVID-19. Based in Houston, TX, Ascend is a leading maker of nylon 6/6 resins and compounds. The Company recently submitted its first FDA 510(k) for clearance to market its patent-pending Acteev technology surgical mask. Independent laboratory testing has found that Acteev nylon 6/6 fabric made by Ascend achieves more than 99 percent efficiency at deactivating bacteria, fungi, and viruses, including SARS-CoV-2. [\[LINK\]](#)

E-commerce Driving Packaging Firms M&A During COVID-19 Crisis

Packaging firms that serve e-commerce, health care, and food and beverage are in position to retain demand during the COVID-19 crisis, according to a recent report from financial firm, Capstone Headwaters. As countries moved to quarantine their populations, many consumers increasingly sought out e-commerce pathways to evade brick-and-mortar purchases for nondiscretionary items such as household products, groceries, and medical supplies. Capstone tracked 55 packaging M&A deals in the first quarter of 2020, up from 32 during the same quarter in 2019. Strategic buyers have comprised most of the deal activity year-to-date, officials said, accounting for nearly 55 percent of transaction volume. Private equity buyers have comprised 45 percent of total deals. [\[LINK\]](#)

About TKO Miller

TKO Miller, LLC is an independent, advisory-focused, middle-market investment bank. With over 130 years of collective transaction experience, TKO Miller provides merger and acquisition and financial advisory services for privately-held and private-equity owned businesses, with a special focus on family-and-founder-held businesses.

Flexible Packaging is one of TKO Miller's core industry focuses, along with Consumer Products, Industrial Services, Manufacturing, Business Services, and Health Care. After advising numerous flexible packaging and printing companies on M&A and financing transactions, TKO Miller's professionals have developed deep industry knowledge and a broad contact network that accompanies their transaction expertise with privately-held companies.

TKO Miller aims to bring value to clients by combining outstanding people with a results-oriented, flexible approach to transactions. Our services include company sales, recapitalizations, asset divestitures, and management buyouts. TKO Miller has a generalist focus and has served clients in a wide range of industries, including manufacturing, business services, consumer products, and industrial products and services. For more information, visit our website www.tkomiller.com.

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