

Flexible Packaging



Q4 2021

Flexible Packaging Trends

2021 was an exciting year in Mergers and Acquisitions. Globally, 2021 hit a record of \$5.0 trillion in deal volume, surpassing the previous record from 2007 of \$4.5 trillion. Industry insiders predict that the M&A frenzy will continue in 2022 despite inflation and looming interest rate hikes, which historically have had a cooling effect on M&A activity and valuations.

At TKO Miller, we also had a record year in both the number and combined value of transactions. We worked on several flexible packaging sales and saw large numbers of aggressive buyers driving up values. The biggest challenges in these deals were the dramatic increases in material prices and tracking job costs during due diligence to determine the most affected segments of the business.

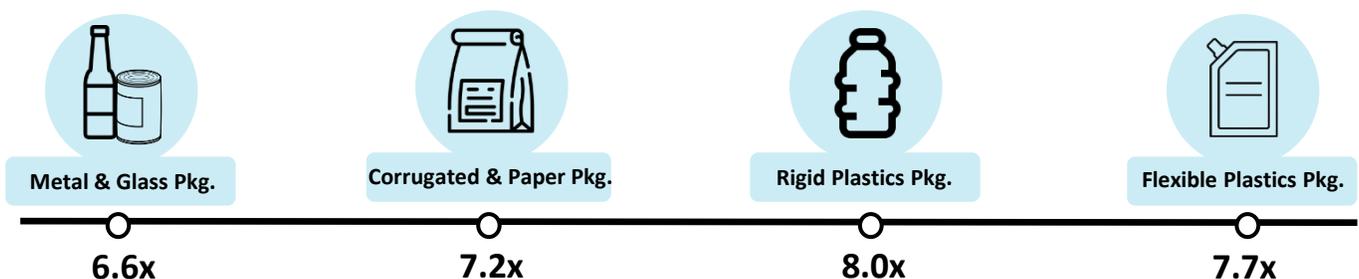
During 2021, many business owners in the U.S. middle market decided to sell their companies to stay ahead of any possible tax changes and circumvent the extraordinary business pressures created by labor shortages and supply chain disruptions. While the proposed tax changes did not materialize in 2021, the labor and supply challenges remain nationwide.

In 2021, flexible packaging companies saw material prices sky-rocket, consumer preferences and demand shift, the labor market tighten, and robust supply chain and good supplier relationships become a new competitive advantage. Despite these challenges facing most flexible packaging companies, the industry remains very favorably perceived by investors, who view the industry as having low risk, strong growth, and attractive long-term economics. Consumer preferences are shifting to e-commerce and reducing the use of plastics, and the industry has adapted well. Capital investments for new presses and new materials are high, but the technology and execution risk is low, and the return on investment is attractive compared to many other manufacturing industries.

At TKO Miller, we believe 2022 will continue to be a strong year for M&A among middle-market flexible packaging companies. The industry is still fragmented, and larger companies continue to look for growth through acquisitions. Financial buyers have enormous pools of capital to deploy and view the industry as low risk and high reward. Given the demand for flexible packaging businesses, we anticipate that valuations will remain at very strong levels.

Undoubtedly, there are clouds on the horizon. The most prominent risks facing the overall M&A market include changes in tax legislation, inflationary pressures driving up interest rates, a compression in the overall stock market, and geopolitical conflicts. Because of the substantial end-markets served by flexible packaging companies, we believe the risk exposure to these factors is lower than the overall market.

Where Are Flexible Plastics & Packaging Subsectors Valued? (EV/EBITDA)



Source: TKO Miller's Proprietary Middle Market Packaging Index

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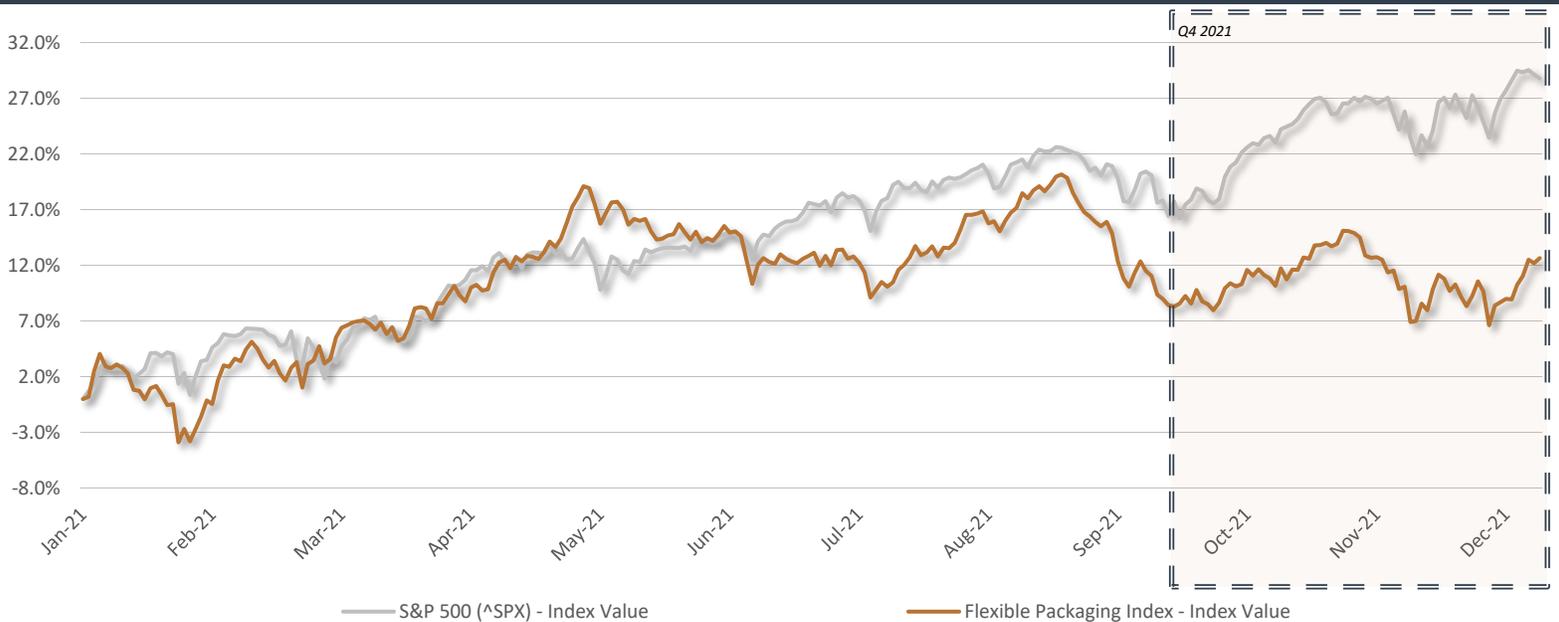
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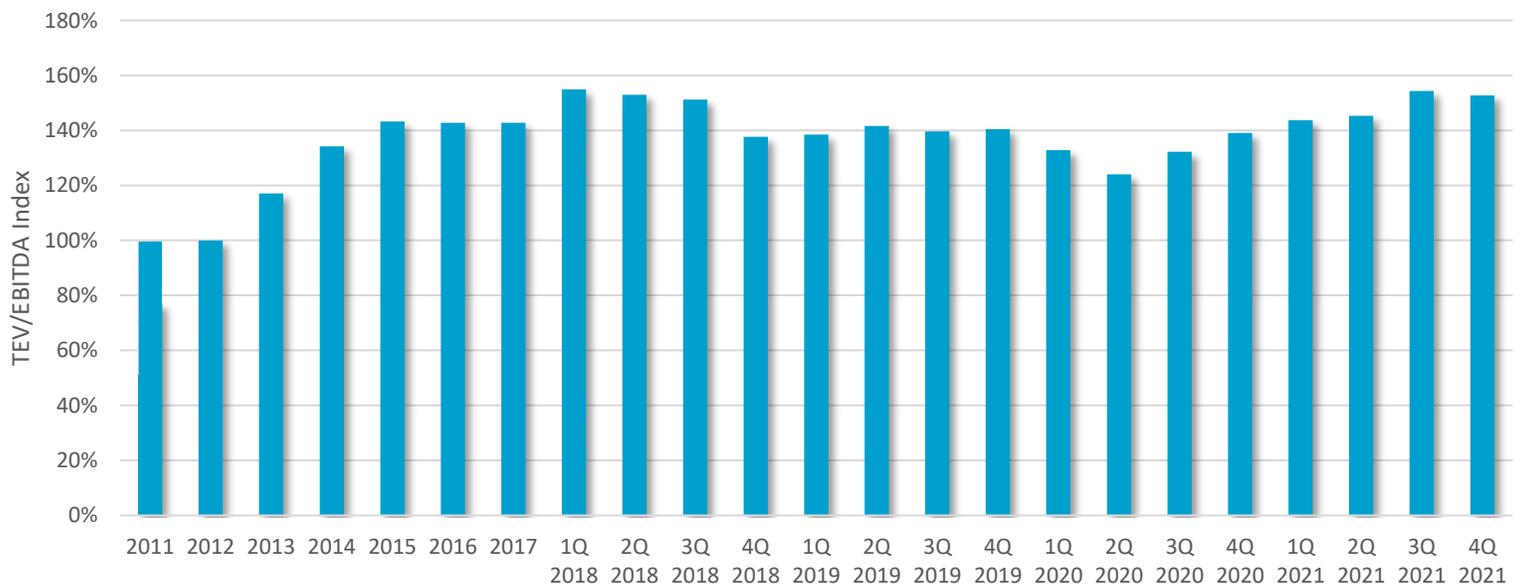
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Flexible Packaging Market Performance vs S&P 500



Flexible Packaging Valuations Over the Last 10 Years

(Index 2011 = 100%)



Source: TKO Miller's Proprietary Flexible Packaging Index

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Recent Flexible Packaging News

Top Packaging Trend Innovations in 2021 and Beyond

The global packaging industry is increasingly investing in smart automation and eco-friendly solutions. The volume of packaging materials has experienced a significant jump since the onset of the COVID-19 pandemic. With higher sales of consumer electronics and zero plastic waste objectives, innovations such as 3D printing, automated processes and circular economies will gain the attention of brands and consumers through 2021 and beyond. Some of the prominent developments in the packaging industry include safe and secure packaging coupled with recyclability, flexible packaging formats, cybersecurity in packaging operations, and weight reductions. [\[LINK\]](#)

Global Brands and Financial Institutions call on UN to Negotiate a Legally Binding Treaty on Plastic Pollution

Over 70 leading brands and financial institutions have released a statement urging for “an ambitious, comprehensive, and legally binding treaty” on plastic pollution. In the statement, the group asserts that “a new UN treaty is crucial to set a high common standard of action for all countries to abide by, and to drive the transition to a circular economy for plastics globally and at scale.” Talks are expected to start in February, at the United Nations Environment Assembly 5.2 session in Kenya. [\[LINK\]](#)

Innovative Non-plastic Material Continues to Gain Traction

Sustainable packaging startup Notpla announced the close of a Series A financing round. The round was led by Horizons Ventures, with participation from existing investors Astanor Ventures, Lupa Systems, and Torch Capital. This new round of funding will enable the London startup to grow its manufacturing capacity while developing new innovative solutions, among which a transparent flexible film and a seaweed paper. [\[LINK\]](#)

Recent Flexible Packaging Transactions

October 2021 – Pregis Corporation acquired Danco Paper

Pregis, a leading global provider of innovative protective packaging materials and systems, has acquired Danco Paper, a respected converter of a wide variety of paper products. Danco’s operation provides an additional central US geographic location from which to meet Pregis’ paper-based product requirements. It is ideally positioned to serve other customers in the region, namely in industrial, protective, and food service end markets.

November 2021 – Clayton, Dubilier & Rice acquired Multi-Color Corporation and Fort Dearborn Company

Clayton, Dubilier, & Rice (CD&R) has acquired Multi-Color Corporation, a manufacturer of label solutions in the U.S., Belgium, Germany, and internationally, from WS Packaging Group. In a related transaction, CD&R also announced it has signed an agreement to acquire Fort Dearborn from Advent International. CD&R plans to merge Fort Dearborn Company and Multi-Color Corporation to form a combined company.

November 2021 – Genstar Capital acquired Brook & Whittle

Genstar Capital has acquired Brook & Whittle, a manufacturer of premium prime label solutions, from Snow Phipps. Brook & Whittle’s wide range of capabilities and expertise has created long-lasting supply relationships with many well-known brands. Their high-growth premium label solutions are at the forefront of sustainability in the industry.

December 2021 – Innovative Packaging, LLC acquired Landmark Packaging, Inc.

Innovative Packaging, a manufacturer and distributor of custom flexible, corrugated, and carton packaging solutions, as well as stretch films, has acquired Landmark Packaging, Inc., a packaging manufacturer and distributor of corrugated boxes, bags, labels, janitorial supplies, and personal protective equipment. The acquisition combines two regional specialty packaging companies to create a platform supporting food and beverage, industrial, and cannabis business across the Western United States.

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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. 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 our 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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