



Packaging M&A Update

Q1 2023

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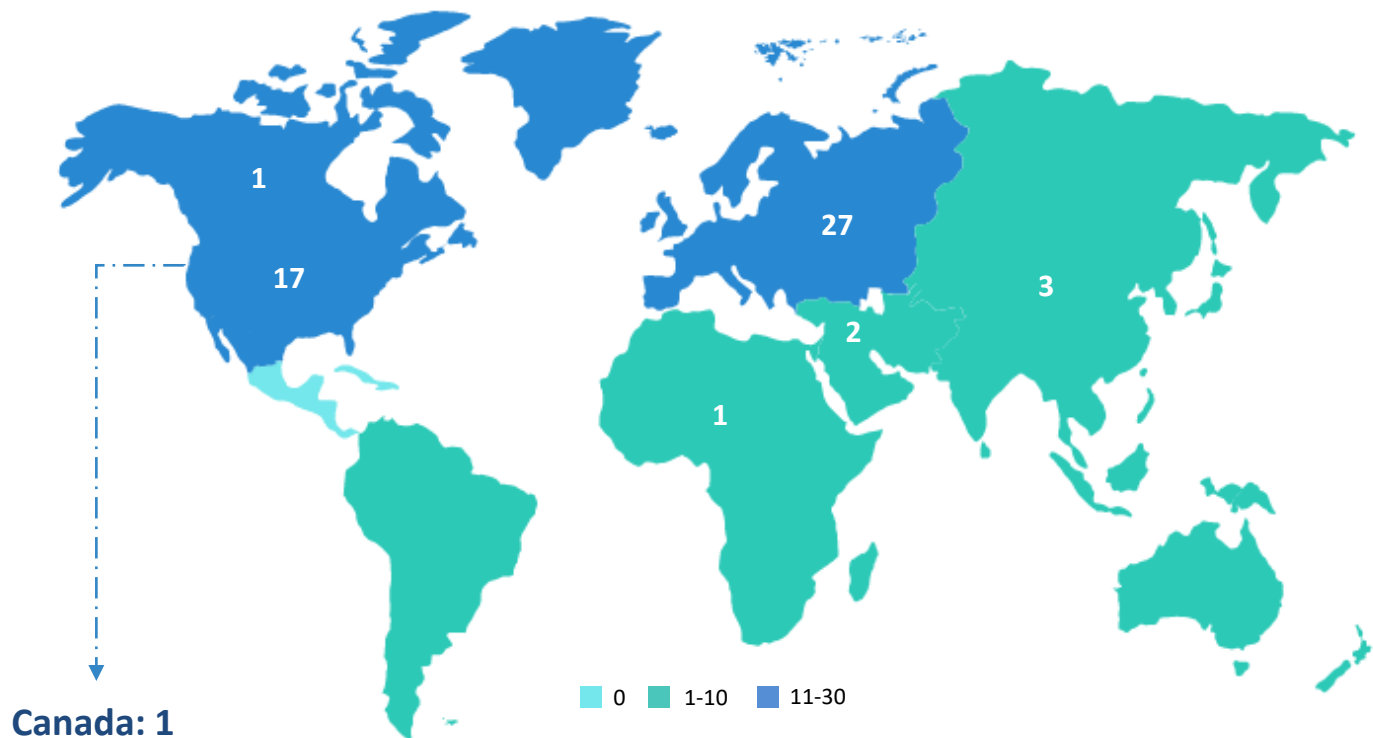
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REPORT HIGHLIGHTS

- The Dow Jones U.S. Containers & Packaging Index rose by 0.5% in Q1 2023 and outperformed the Dow Jones Industrial Average Index, which increased 0.4% in the quarter.
- M&A deal volume decreased 26.1% in Q1 2023 to 51 completed transactions from 69 in Q4 2022 but increased 15.9% compared to the 44 deals in Q1 of the prior year.
- In Q1 2023, PE accounted for 47.1% of total deals in the Packaging sector compared to 44.0% in the prior year.
- Europe was the most active region in Q1 2023 with 27 deals. Most notably was the \$1.1 billion acquisition of De Jong Verpakking by Stora Enso in January 2023.
- As a % of total capital invested in M&A transactions in Q1, PE participation decreased significantly to 0.4%, down from 10.6% in 2022.

Global Deal Analytics

Of the 51 deals in Q1 2023, Europe was the most active market with 27. North America was the second most active with 18 closed transactions. All other regions combined for a total of 6 completed transactions.



Canada: 1

United States Regions: 17

Mid Atlantic: 5

Great Lakes: 4

Southeast: 3

Midwest: 1

Others: 4

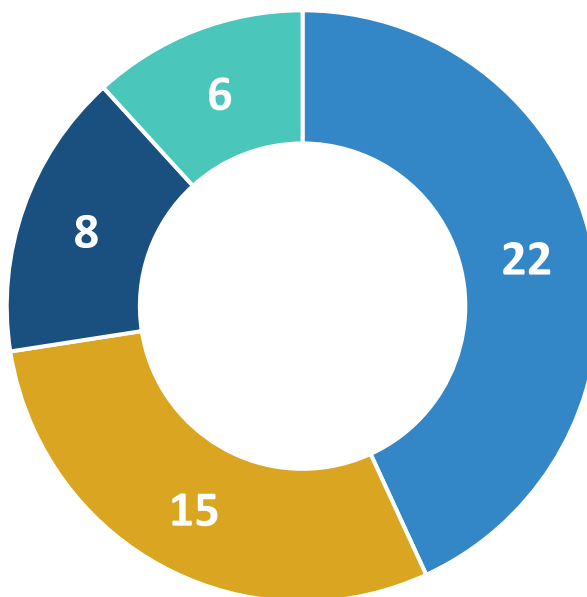
In the North American market, the Mid Atlantic region was the most active in Q1 2023 with 5 deals. Most notably in the North American market was Sealed Air's \$1.2 billion acquisition of U.S.-based producer of bag-in-box flexible packaging, LiquiBox in January 2023. The Great Lakes and Southeast regions had 4 and 3 closed transactions, respectively, and were followed by the Midwest with 1. All other regions in the U.S. totaled 4 closed transactions in Q1.

Outside of the U.S. in the North America market, 1 transaction closed in Canada.

Global Deal Analytics

Of the 51 Packaging deals in Q1 2023, 22 were in the Plastic Packaging subsector, making it the most active subsector in the industry from an M&A standpoint. Paper Packaging and Metal & Other were the second and third most active with 15 and 8 deals, respectively. Wood was the least active sector with 6 completed transactions.

Deal by Subsector



■ Plastic

■ Paper

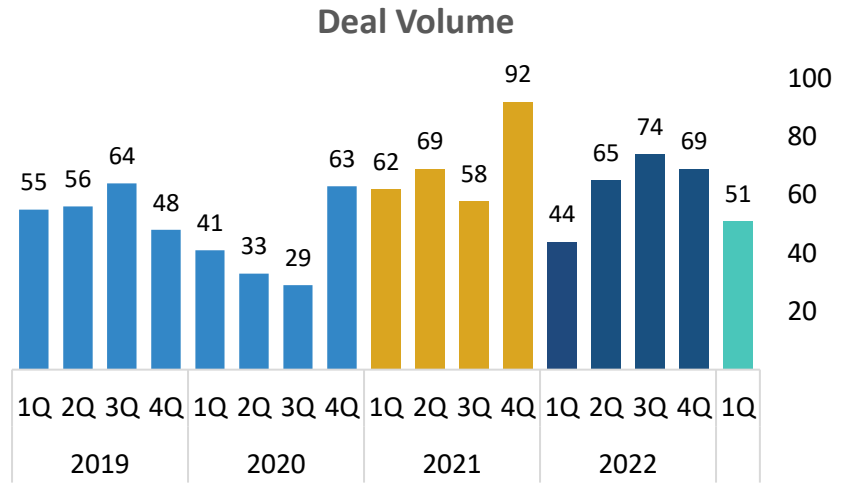
■ Metal & Other

■ Wood

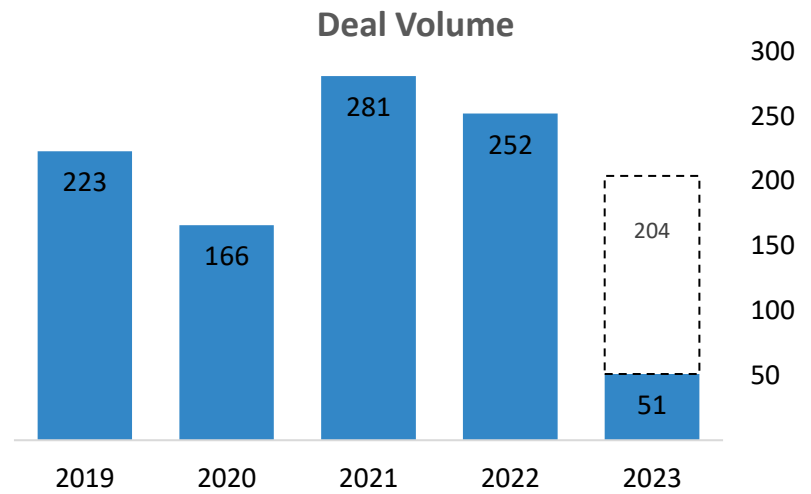


Global Deal Analytics

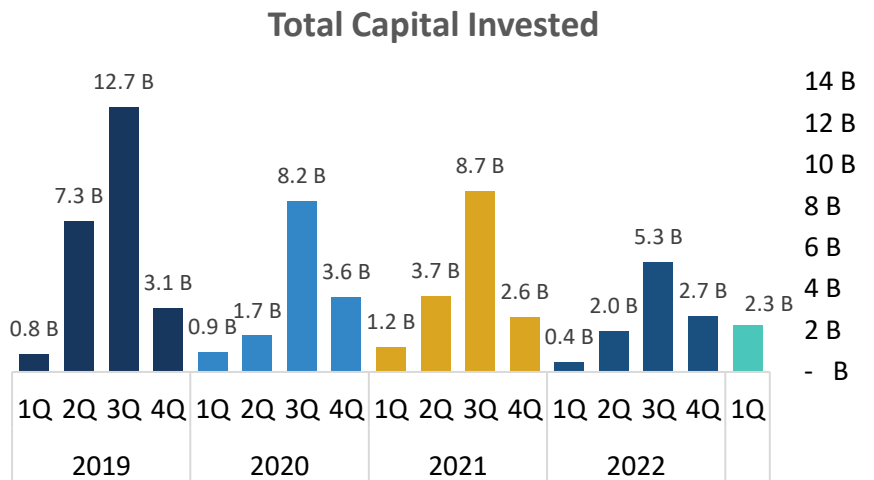
Deal volume in the Packaging sector decreased 26.1% in Q1 2023 to 51 deals from 69 in Q4 2022 but increased 15.9% compared to the 44 deals in Q1 of the prior year.



M&A deal volume is projected to see a 19.0% decline to 204 deals in 2023, down from 252 in FY 2022. This decline is due to a number of factors including rising interest rates/cost of capital, tightening liquidity in the capital markets and continuing inflation impacting labor and materials costs.



Total capital invested in M&A deals in the Packaging sector decreased 14.8% in Q1 2023 to \$2.3B from \$2.7B in Q4 2022, but increased 475% from \$0.4B in Q1 2022. This decrease from the prior quarter is primarily due from the overall drop in deal volume seen in Q1 2023.



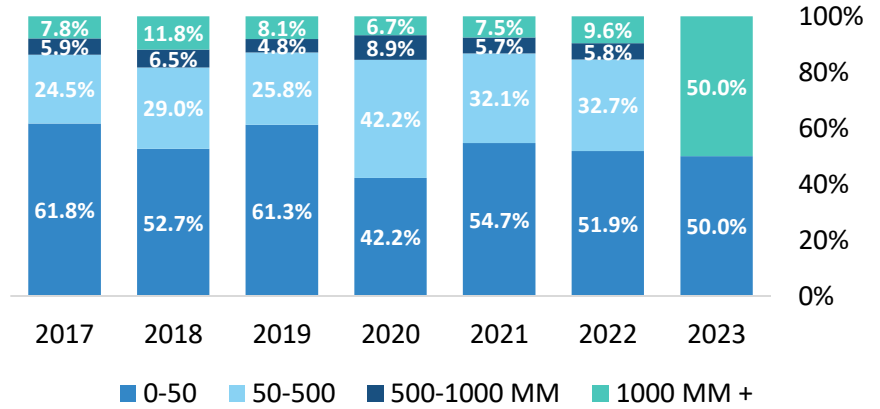
Global Deal Analytics

In Q1 2023, only 4 of the 51 reported deals contained size data, two in the large cap market (\$1000 MM+) and two in the in the lower middle market (\$0 - \$50 MM). No deals were reported in the upper middle (\$500 - \$1000) and middle (\$50 - \$500) tranches of the market in Q1.

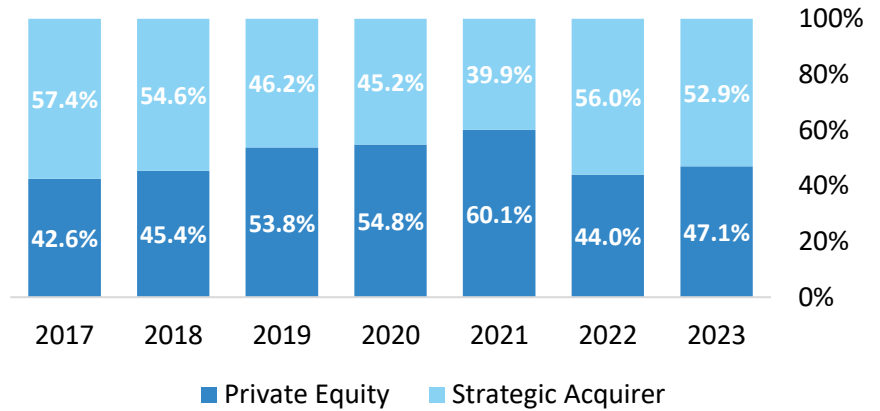
In Q1, PE participation as a % of overall deal volume increased slightly to 47.1% from 44.0% in 2022. Despite the increase, the lower level of PE participation compared to historical years continues to be illustrative of changing market dynamics with increasing costs of capital and tightening liquidity from lenders.

Although PE volume as a % was up in Q1, total capital invested by PE investors in the quarter was virtually nonexistent at 0.4% of the total. This was largely due to lack of data as only 4 deals in the quarter had deal values disclosed and three of the four were strategic buyer deals. The decline in PE total capital invested could also be emblematic of more challenging market conditions as well.

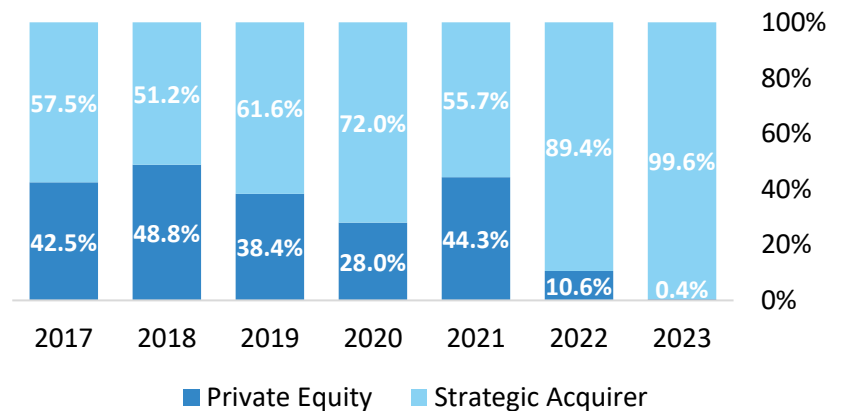
Deal Volume by Deal Size



Deal Volume by Acquirer

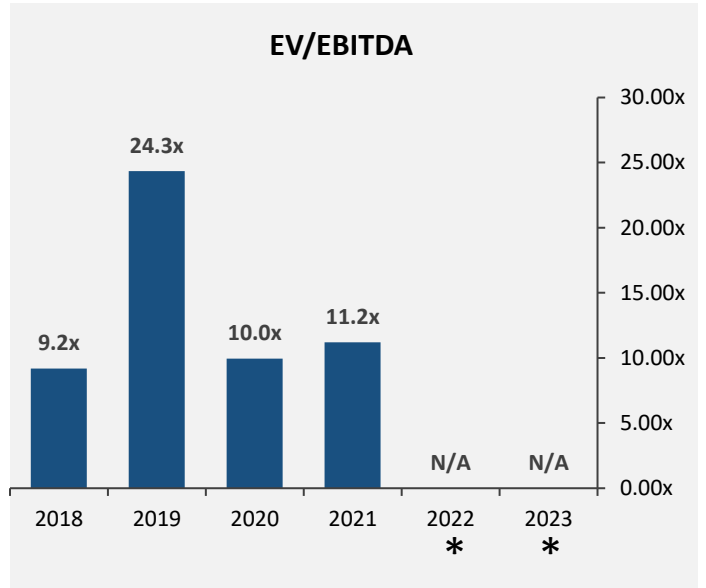
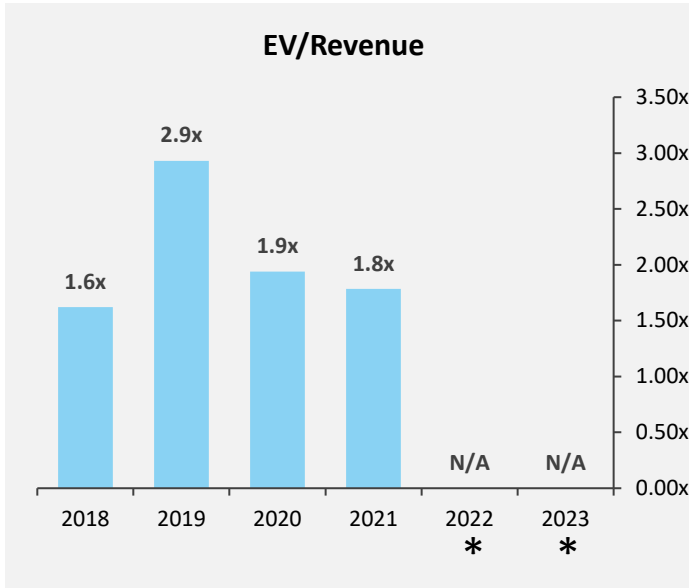


Total Capital Invested by Acquirer

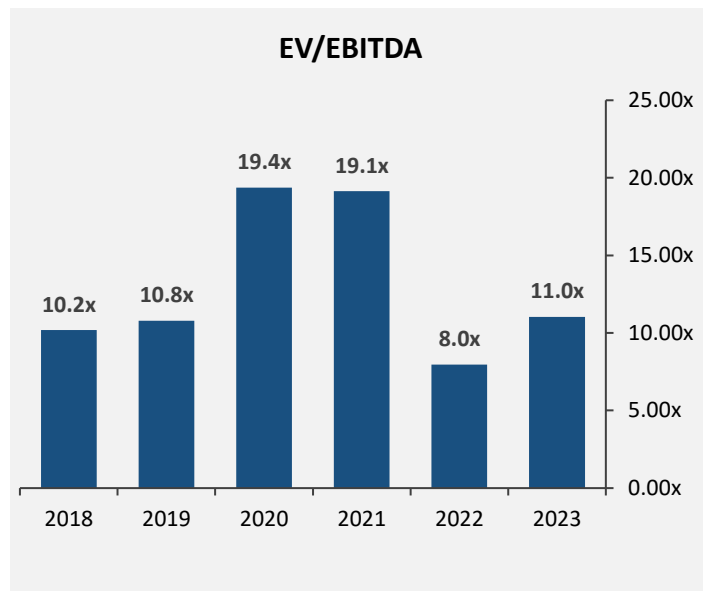
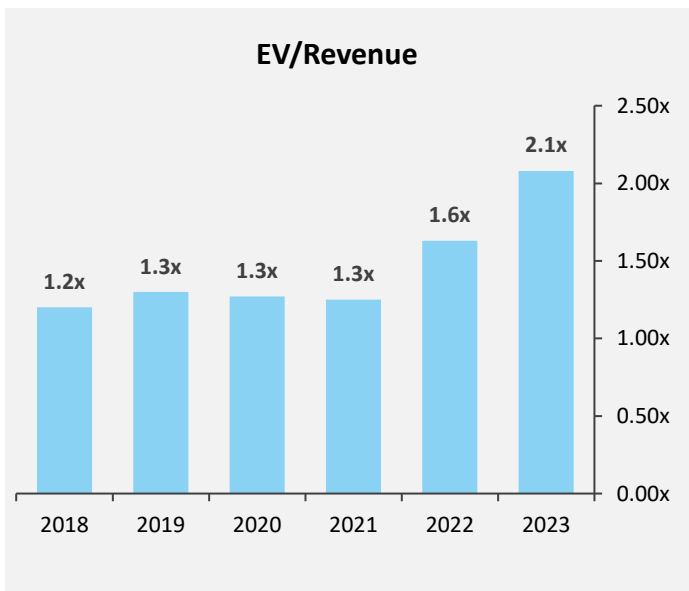


Valuation Multiples

PE Multiples



Strategic Multiples



* No reported PE transaction valuation multiples were available in FY2022 or Q1 2023.

Largest Deals (Disclosed)

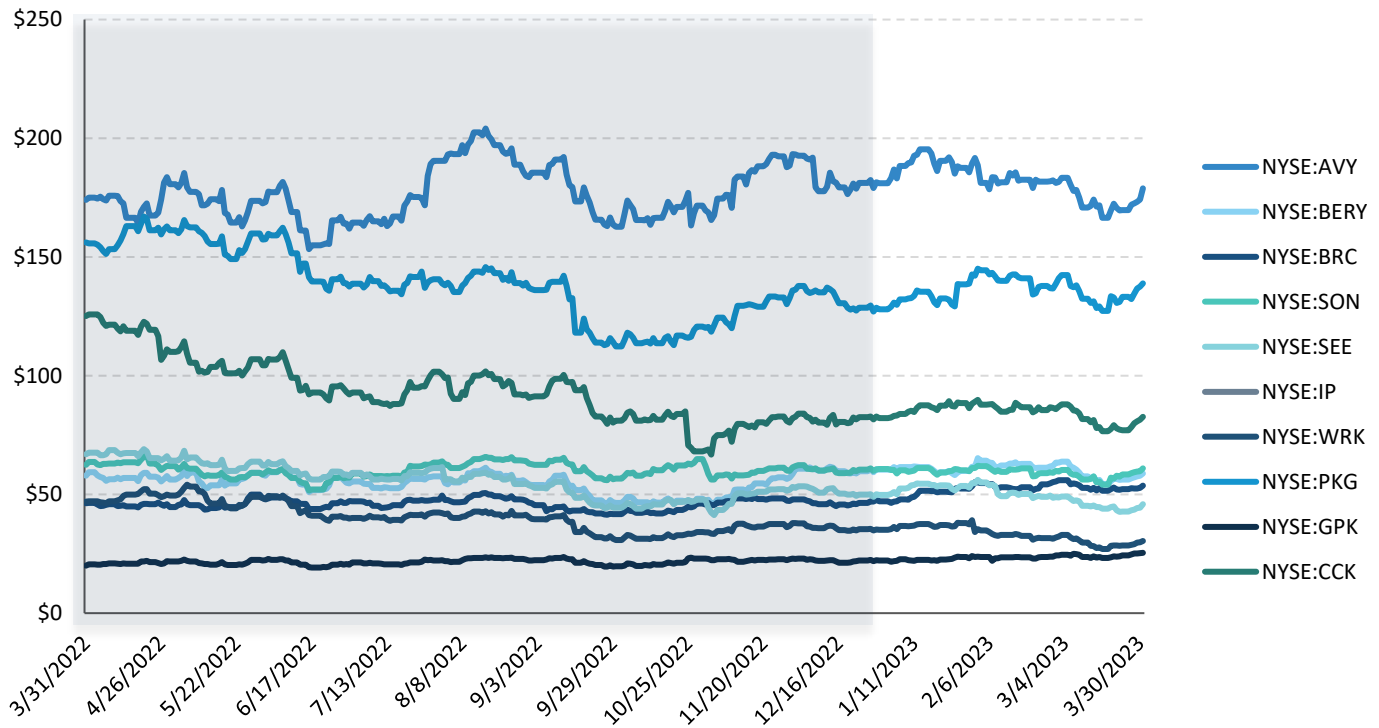
Deal Date	Company Name	Investor	Deal Type	Deal Size (\$mm)	EV		Target Business Description
					Revenue	EBITDA	
20-Mar-2023	Greenlane Holdings	eBottles	Merger/Acquisition				Provider of packaging services intended to provide to the legal cannabis industry in the United States.
06-Mar-2023	Suttons Performance Packaging	Macfarlane Group	Merger/Acquisition	10.8			Manufacturer of packaging products designed to serve the medical, electronics and industrial sectors.
02-Mar-2023	Martin Pallet	Burlington Capital Partners	Buyout/LBO				Designer and manufacturer of custom wood packaging products intended for the storage and logistics industry.
28-Feb-2023	Nashville Box	Welch Packaging	Merger/Acquisition				Manufacturer of corrugated boxes catering to the packaging industry.
10-Feb-2023	Complete Packaging Systems	Emballages Jean Cartier	Merger/Acquisition				Provider of cargo securement products intended to serve manufacturers.
08-Feb-2023	Alpha Container	Larsen Packaging Products	Merger/Acquisition				Manufacturer and distributor of corrugated products and packaging supplies based in Marysville, Ohio.
06-Feb-2023	Keystone Paper & Box Company	Mill Rock Capital	Buyout/LBO				Designer and manufacturer of custom folding cartons.
03-Feb-2023	Pal-King	Freeman Spogli	Buyout/LBO				manufacturer of pallets intended for large and small companies over North Florida and South Georgia.
01-Feb-2023	Preferred Packaging Products	Flexpak	Buyout/LBO				Manufacturer and distributor of packaging products intended to serve customers across diverse end markets.
31-Jan-2023	LiquiBox	Sealed Air	Merger/Acquisition	1,150.0	3.18x	13.53x	Producer of bag-in-box flexible packaging and related filling equipment systems.
19-Jan-2023	Fredman Bag Company	LongueVue Capital	Buyout/LBO				Manufacturer of printed and converted packaging products.
13-Jan-2023	Clearly Clean	Blue Sage Capital, Insight Equity	Buyout/LBO				Manufacturer of recyclable consumer durable products.
11-Jan-2023	Cosmo Specialty Fibers	Charlestown Investments	Buyout/LBO				Manufacturer of paper and related packaging products.
09-Jan-2023	John Rock	Freeman Spogli	Buyout/LBO				Manufacturer of wooden pallets based in Coatesville, Pennsylvania.
06-Jan-2023	Protective Lining	Ringmetall	Merger/Acquisition				Manufacturer and distributor of packaging products intended to assist distributors.
06-Jan-2023	De Jong Verpakking	Stora Enso	Merger/Acquisition	1,082.5	0.97x	8.54x	Manufacturer of corrugated trays and box packaging material based in De Lier, Netherlands.
03-Jan-2023	L&P Global		IPO	10.0			L&P Global Bhd is an integrated industrial packaging solution provider.
01-Jan-2023	Container Services	Shore Capital Partners	Buyout/LBO				Manufacturer of rigid plastic packaging for food and beverage applications.
Mean				563.3	2.08x	11.04x	
Median				546.7	2.08x	11.04x	
High				1,150.0	3.18x	13.53x	
Low				10.0	0.97x	8.54x	

Leading M&A Deals

Deal	Deal Synopsis	Driver
 	<p>LiquiBox is a producer of bag-in-box flexible packaging and related filling equipment systems intended for the beverage, processed foods, dairy and wine sectors. The company was acquired by Sealed Air for \$1.2 billion in January 2023. This acquisition accelerates Sealed Air's growing segment, the CRYOVAC brand fluids and liquids business.</p>	<p>Merger/ Acquisition</p>
 	<p>De Jong Verpakking is a manufacturer of corrugated trays and box packaging material based in De Lier, Netherlands. The company was acquired by Stora Enso for \$1.1 billion in January 2023. The acquisition will complement and enhance Stora Enso's offering, especially in fresh produce, e-commerce and industrial packaging.</p>	<p>Merger/ Acquisition</p>
 	<p>In February 2023, Alpha Container, a manufacturer and distributor of corrugated products and packaging supplies based in Marysville, Ohio, was acquired by Larsen Packaging Products for an undisclosed amount. This acquisition extends Larsen Packaging Products' ability to provide custom corrugated products and packaging supplies to customers throughout the Midwest.</p>	<p>Merger/ Acquisition</p>
 	<p>Preferred Packaging Products is a manufacturer and distributor of corrugated, custom foam, poly bags, wood crating, bubble, stretch wrap, tapes and labels. The company was acquired by Flexpak, via its financial sponsor Shorehill Capital, through an LBO in February 2023 for an undisclosed amount. This acquisition creates a premier regional platform serving Utah, Colorado, Arizona and Idaho.</p>	<p>LBO</p>

Public Comps

Stock Price



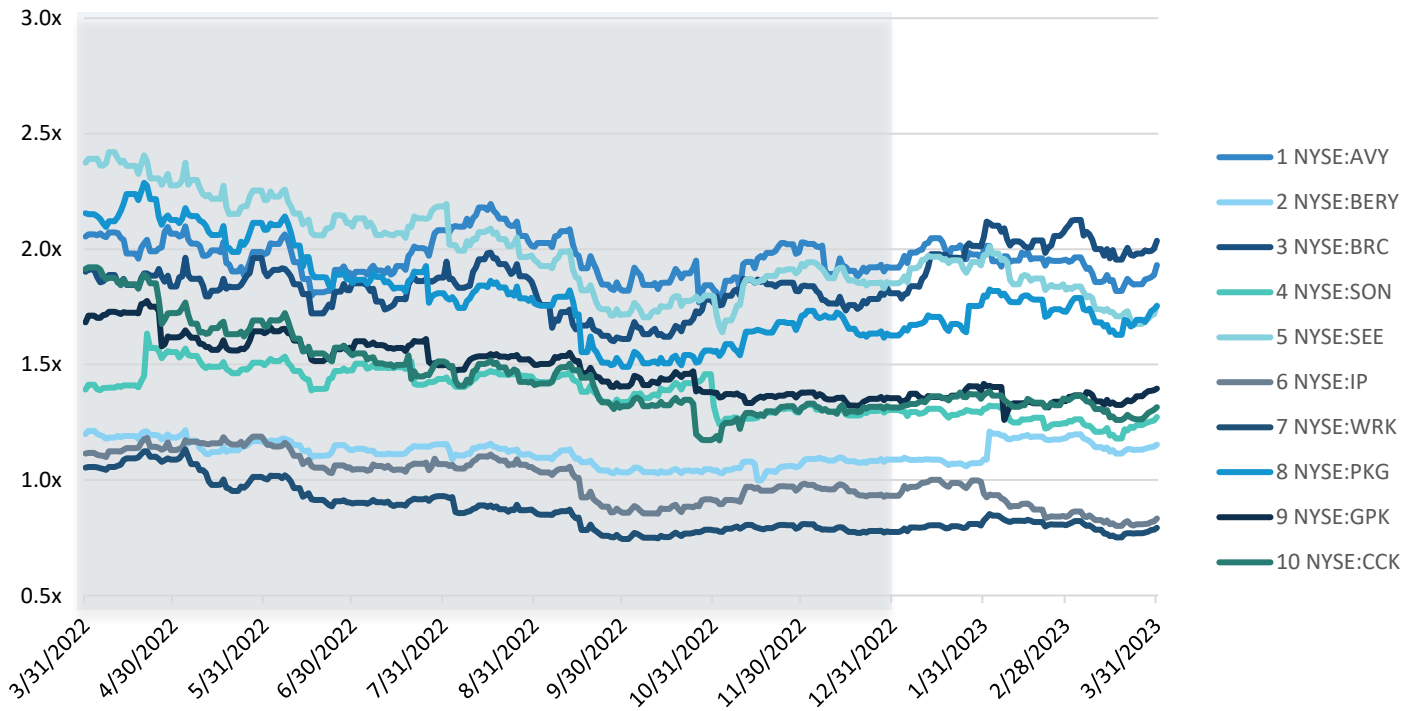
Financial & Valuation

\$MM	Company	Ticker	Stock Price	Market Cap	Total Debt	EV/Revenue			EV/EBITDA			Revenue Growth			EBITDA Margin		
						21A	22A	23A	21A	22A	23A	21A	22A	23A	21A	22A	23A
	Avery Dennison	NYSE:AVY	179	14,513	3,102	2.5x	1.9x	1.9x	16.1x	12.2x	11.8x	-4%	22%	3%	14%	16%	15%
	Berry Global	NYSE:BERY	59	7,150	9,705	1.4x	1.1x	1.1x	9.0x	7.7x	7.5x	32%	18%	-3%	17%	15%	15%
	Brady	NYSE:BRC	54	2,668	111	2.3x	1.8x	1.8x	13.6x	10.1x	N/A	-7%	11%	1%	16%	17%	N/A
	Sonoco	NYSE:SON	61	5,975	3,473	1.3x	1.3x	1.2x	122.9x	9.8x	8.3x	-5%	7%	5%	13%	1%	15%
	Sealed Air	NYSE:SEE	46	6,609	3,752	2.5x	1.9x	1.8x	13.4x	9.3x	8.4x	2%	10%	1%	19%	19%	22%
	International Paper	NYSE:IP	36	12,598	5,862	1.1x	0.9x	0.9x	7.1x	9.3x	7.0x	-26%	-2%	-3%	12%	14%	13%
	WestRock	NYSE:WRK	30	7,759	9,463	1.0x	0.8x	0.8x	6.7x	5.5x	5.1x	-4%	7%	1%	8%	16%	14%
	Packaging Corporation of America	NYSE:PKG	139	12,479	2,793	2.0x	1.6x	1.6x	9.7x	7.1x	8.3x	-5%	11%	0%	18%	20%	20%
	Graphic Packaging	NYSE:GPK	25	7,829	5,503	1.5x	1.4x	1.3x	10.8x	9.6x	7.0x	5%	6%	6%	12%	14%	19%
	Crown Holdings	NYSE:CCK	83	9,934	7,210	1.8x	1.3x	1.3x	11.0x	54.3x	9.2x	-34%	42%	2%	16%	17%	14%

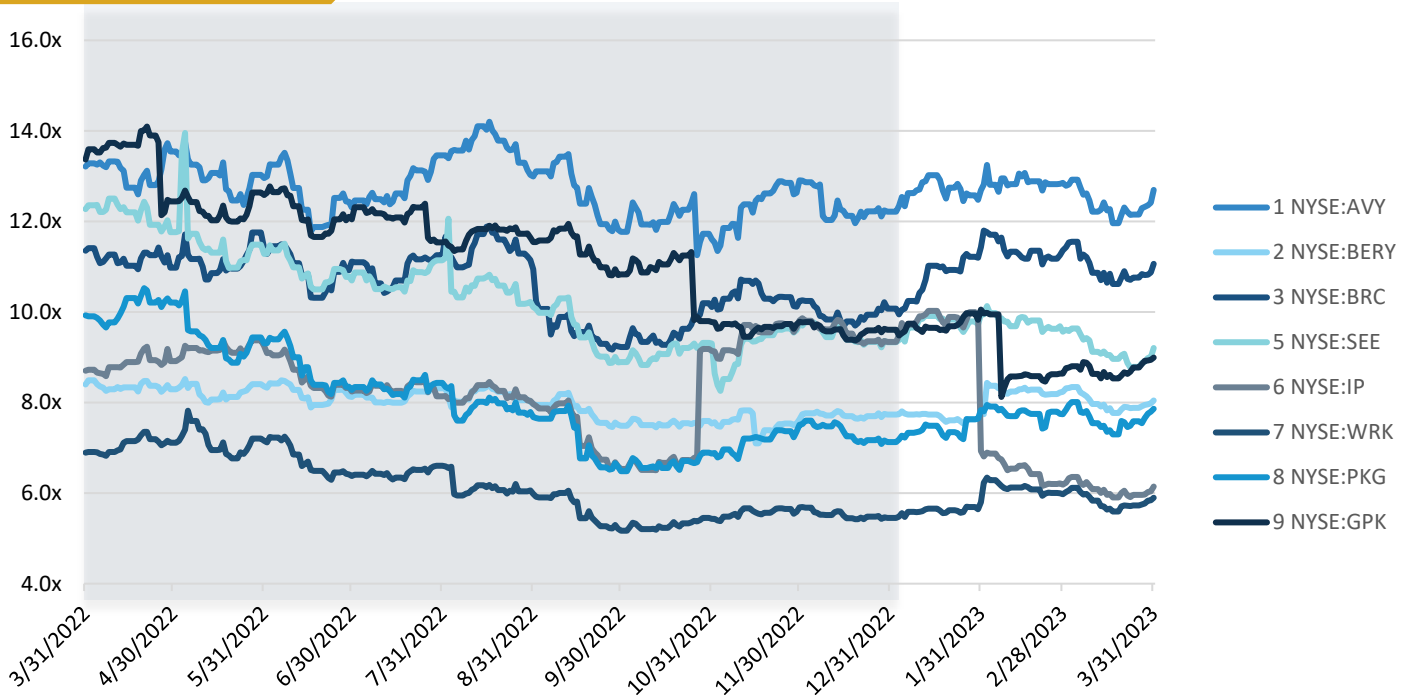
Mean						1.7x	1.4x	1.4x	22.0x	13.5x	8.1x	-4.7%	13.2%	1.2%	14.3%	14.9%	16.3%
Median						1.6x	1.3x	1.3x	10.9x	9.5x	8.3x	-4.5%	10.4%	1.2%	14.5%	15.7%	15.2%

Public Comps

EV/Revenue



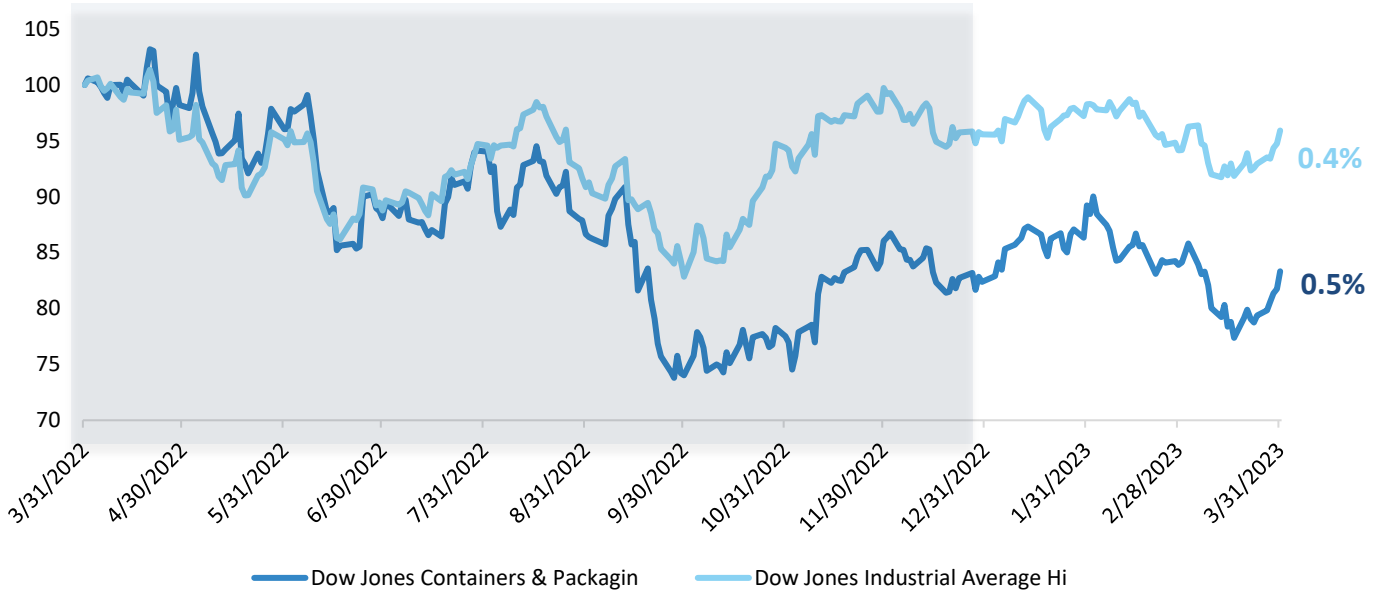
EV/EBITDA



Public Markets

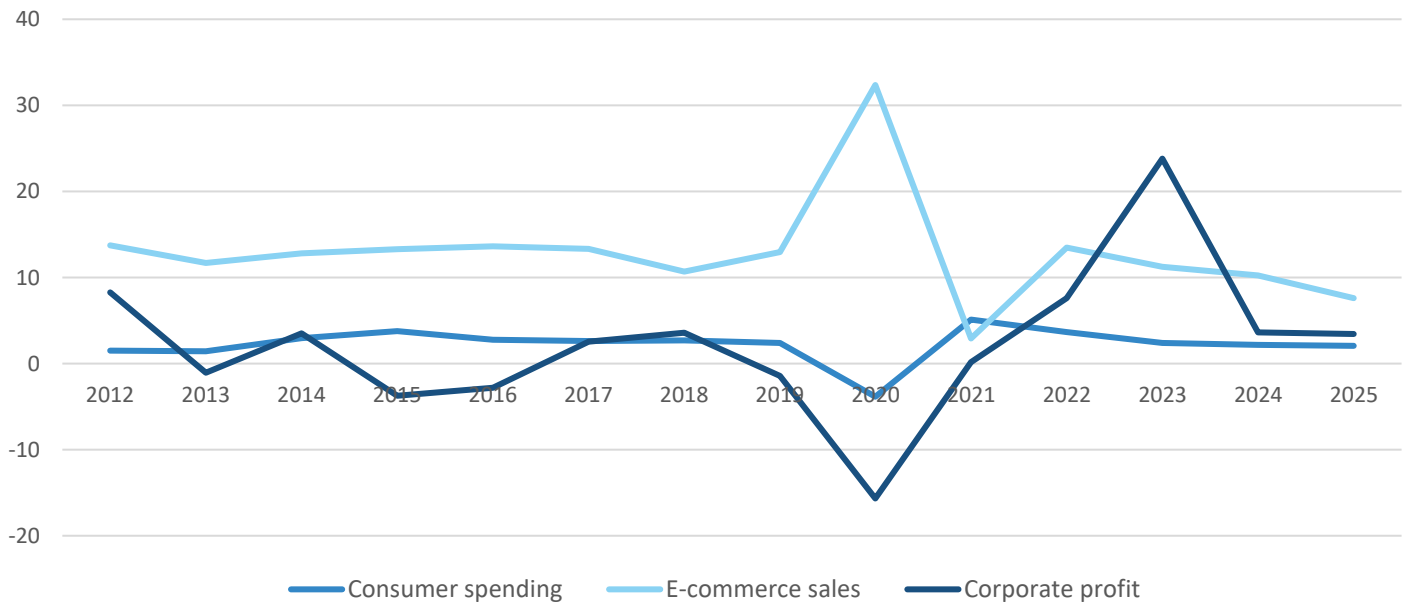
Index Performance

Since January 1, 2023, the Dow Jones Containers & Packaging Index rose 0.5% and outperformed the Dow Jones Industrial Average which increased 0.4% over the same period.

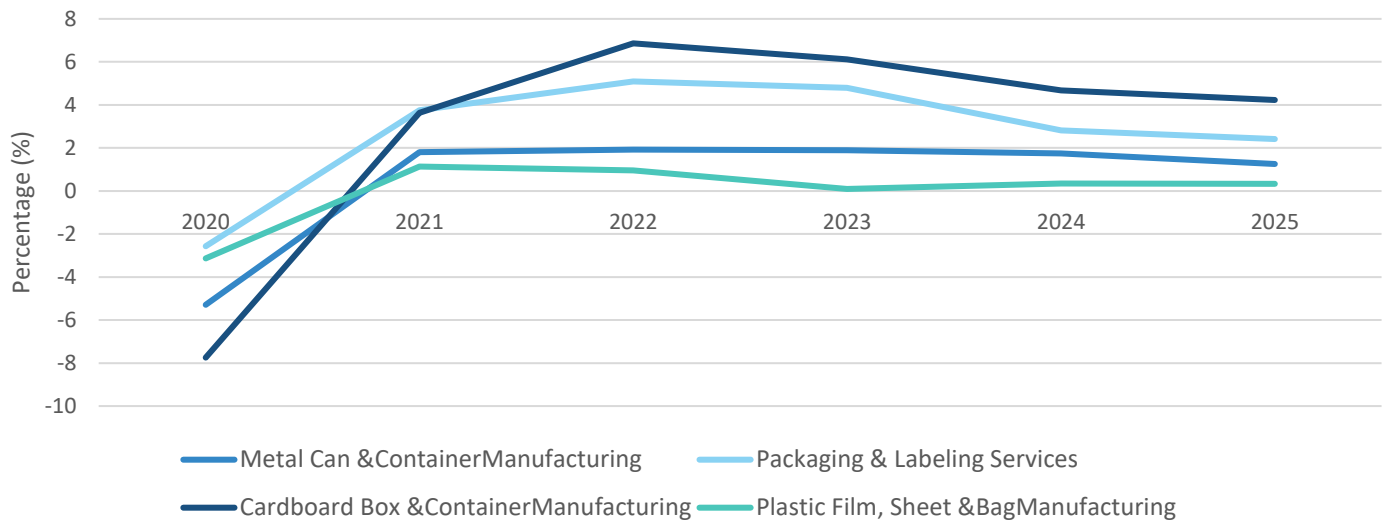


Key External Drivers

Lower consumer spending directly reduces the number of goods that manufacturers need to package to sell. Therefore, when spending decreases, revenue tends to follow. To combat the rapid inflation in the U.S. CPI, the federal reserve has been quantitative tightening, in the form of rate hikes to the Fed Fund Rate, to slow down consumer spending. As a result of the Fed's rate hikes, the United States economy will likely enter into a recession sometime during the second half of 2023 and result in lower revenues for the packaging sector.



Industry Outlook



Raw Material & Supply Chain Threats

Manufacturers of packaging products are dependent on the availability and cost of raw materials, labor and other inputs including energy. Primary inputs include polymer resins, films and pulp. Prices and availability of these materials have fluctuated drastically over the past year due primarily from changing economic conditions, currency and commodity price fluctuations, and supply chain delays.

Inflation Implications

Inflation trended downwards to 6.0% in February from 6.5% of the prior month in response to the Fed's ongoing interest rate hikes. While the Fed was expected to continue monthly rate hikes in the first half of 2023, the failure of Silicon Valley Bank and Signature Bank have left the Fed unsure about what actions to take. Despite six consecutive months of declining inflation, the CPI remains significantly above the Fed's target of 2%. If inflation remains elevated, the industry's revenue will be adversely impacted.

Renewable and Sustainable Materials

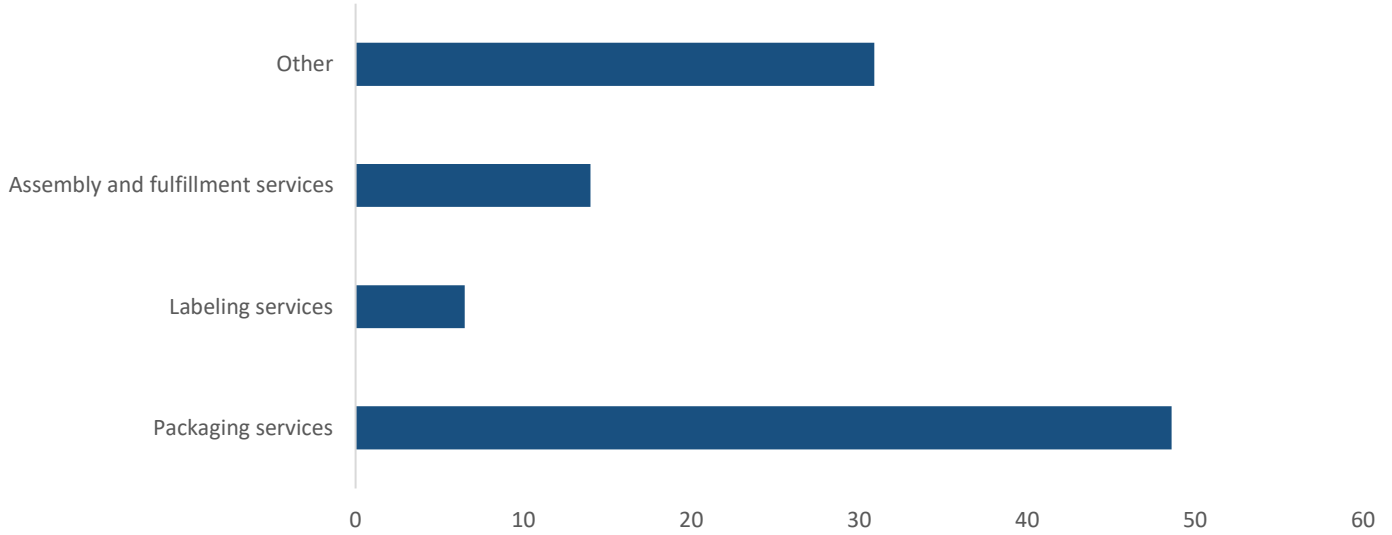
A new generation is changing buying behavior and consumer attitudes toward sustainability. This will result in huge changes for the flexible packaging industry. Eighty-three percent of consumers are willing to pay more for an item with sustainable packaging. In 2010, that number was just under 16 percent. However, as purchasing power continues to decline in the U.S., and savings are drained in correlation with the Fed's rate hikes, this trend may change in the short term. It is anticipated that the long-term goal of increasing sustainability in the flexible packaging industry will continue.

E-commerce Trends

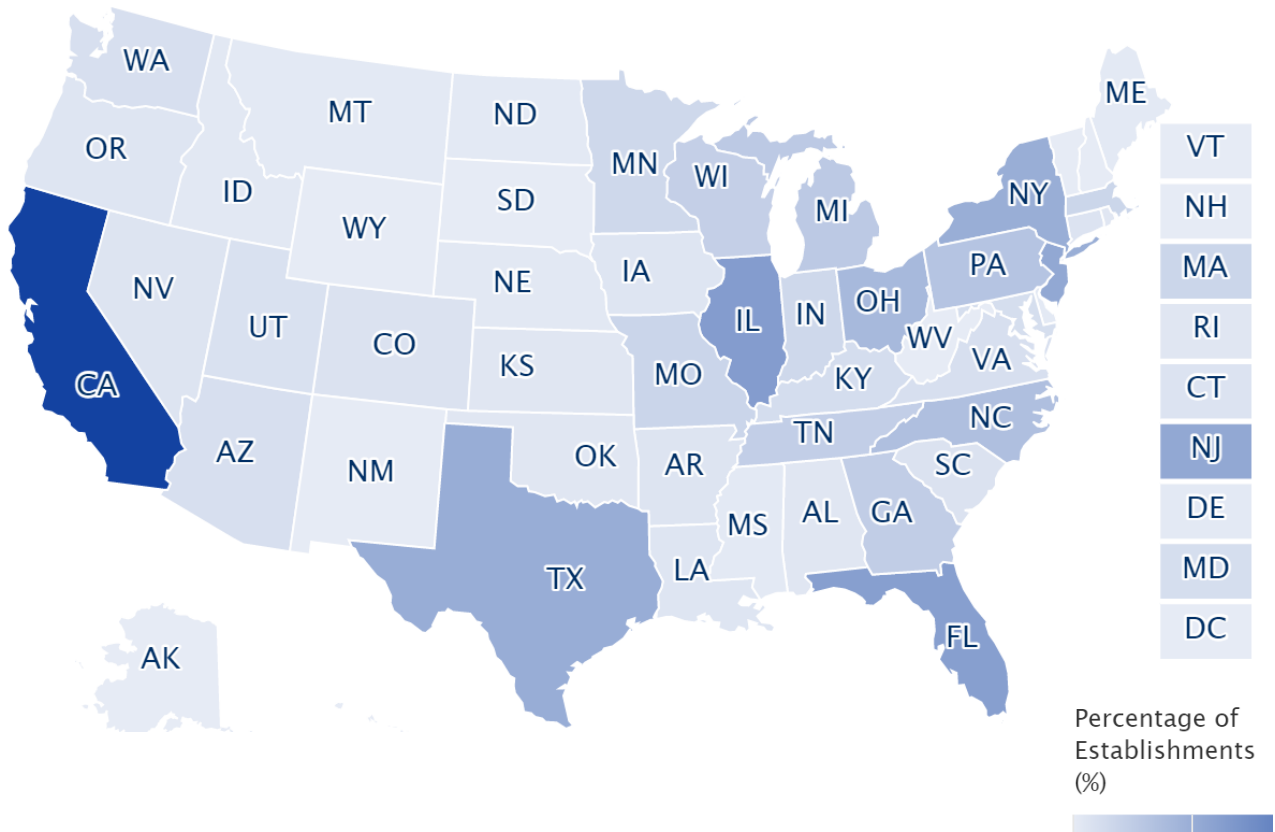
E-commerce plays an increasingly important role in the demand for packaging, seeing a 14.4% growth in sales from 2017 to 2022. This has created new avenues of e-commerce tailored packaging, including ship-ready packing that is designed to move with minimal or no added transport and protective packaging, eliminating costs for secondary packaging. E-commerce giants have embraced new forms of packaging while countries such as China adopt new packaging standards.

Industry Outlook

Deal Breakdown by Type



Business Locations



Our Service Offerings



Sell-Side Advisory: Sell your business

Sell your business for the highest price and for the best terms. At R.L. Hulett, communicating the value of your business to targeted buyers and finding the best fit for your team is our forte. We strive to maintain your company's culture and heritage even as you transition out of your business.



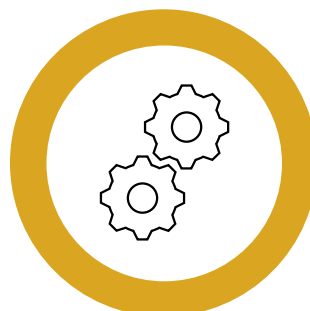
Buy-Side Advisory: Buy a business

Searching for acquisition targets can be a challenging and time-consuming task when trying to run your own business at the same time. Navigating the risks and pitfalls in negotiating valuation and deal structure can also be a daunting task for many business owners. Let our team help you minimize your risk and reduce time wasting efforts with our decades of experience in advising in both buy and sell-side M&A transactions. We utilize industry-leading M&A databases to scout for opportunities and pre-screen for "real" actionable targets so you can stay focused on what matters.



Capital Raise: Gain financial support


With nearly 40 years of experience in middle-market M&A advisory, we know how to package up your deal and put you in front of the right kind of investors who have the capital and the industry expertise you need to grow your business. Our team will develop a go-to-market strategy and advise on deal structure, valuation, due diligence and transition issues. Whether you are seeking capital for growth or trying to buy out other shareholders, we have the tools, expertise, and experience to execute a strategic process and find the optimal outcome to meet your objectives.



Restructuring: reorganization of your business

In today's uncertain economic times, more and more companies are finding themselves in unfamiliar, and unwanted, positions. Many business owners are hoping recovery is just around the corner; however, proactive measures are often required to maximize the remaining value of the business. Our team can aid banking institutions with workout situations by implementing internal controls over cash management and performing on-going cash flow modeling for their clients. We can also help business owners avoid having trouble making payments on their debts and avoid the cumbersome and low-value asset liquidation process.



Selected Transactions



DEDICATED CONVERTING GROUP


Has sold substantially all of its assets to

Vidya Holdings





MAR

Has been acquired by



QUALFON




SYSTEMS GRAPHICS

Has been acquired by



PJM ADVISORS





TRIPACK TRINITY PACKAGING, LLC

Has sold substantially all of its assets to




HENRY A. PETTER SUPPLY CO. Since 1890





STERLING DIRECT

Has acquired



TALX Document Services Corp.




RENARD PAPER COMPANY INC. A Solutions Company since 1953

Has been acquired by



HP Products excellence in distribution




EPIC

Has sold substantially all of its assets to



COMPASS GROUP Equity Partners





1st choice courier and distribution

Has sold substantially all of its assets to

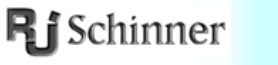


Northern Pacific Group DRIVING COLLABORATIVE ACHIEVEMENT





Mill Products Company

Has been acquired by



RJ Schinner



Our M&A Deal Leaders



R. Trevor Hulett, CPA
Managing Director
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Mr. Hulett has led M&A transactions in a variety of industries including manufacturing/industrial, software development/IT, business services and value-added distribution for over 15 years. Prior to joining the firm, he held senior level accounting and financial management positions in both public accounting and large corporations. Mr. Hulett began his career as a Certified Public Accountant with MPP&W, a St. Louis-based public accounting firm specializing in middle market companies. He then held various management positions in internal audit and corporate accounting with a Fortune 1000 industrial manufacturing company and also spent nine years with Enterprise Rent-A-Car Company as a department manager in the Corporate Accounting group. Mr. Hulett holds his Series 62, 63 and 79 securities registration. Mr. Hulett earned a Bachelor's Degree in Accounting from the University of Missouri, Columbia.



Robert L. Hulett
Chairman Emeritus
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Mr. Hulett founded the firm in 1981 and has negotiated and completed more than 200 transactions throughout his career. He began his career as a Certified Public Accountant and practiced with Peat, Marwick, Mitchell & Co. in St. Louis as an Audit Manager and in New York as the Director of Training for Private Business. Mr. Hulett has also served as Chief Executive & Board Member for various middle market companies. As an educator, he was an adjunct professor at New York University and a tenured faculty member at Lindenwood University in St. Louis. He conducted training sessions for middle market CPA firms throughout the country for more than ten years. Mr. Hulett earned his BS/BA Cum Laude in Accounting from the University of Missouri-Columbia, and an MBA from Lindenwood University.



David T. Vass
Director
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Mr. Vass has over 30 years of business management experience including more than 10 years as President of a highly successful consumer products manufacturing company with revenues exceeding \$25 million. During this time, he not only reversed a declining sales and earnings trend, but increased both sales and operating income over 100%. In addition, he has spent over 20 years at the executive level of Vice President of Sales and Business Development. Mr. Vass also has experience in a number of other industry niches including consumer products, commercial furniture and fixtures and metal recycling. He holds a Bachelor's Degree in Economics from DePauw University and an MBA from the University of Michigan.

Our M&A Deal Leaders



Ron Litton

Director

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Mr. Litton has been advising business owners in mergers and acquisitions since 2013. His primary industry focus areas have included industrials, paper and packaging, distribution, energy, promotional products and direct to consumer e-commerce. Prior to 2013, Mr. Litton held a variety of C-level roles with several companies in the paper and packaging industry including Unisource, Maverick Paper, Universal Graphics and Sabin Robbins. He has bought and sold a number of businesses, advised in the sale of family/founder owned businesses, and advised in start-ups and turnaround situations for banks, owners, and private equity firms. He enjoys working with owners that want to sell or transition out of their businesses. Ron covers the Kansas City and surrounding markets for the firm. He graduated from Central Missouri State University with a BS in Graphic Arts Technology and Management.



Ryan Hartman

Analyst

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Ryan joined R.L. Hulett in 2021 and provides transaction support for senior-level deal managers including financial modeling, valuations, industry research, offering memorandums and a variety of presentations. Ryan graduated with a Bachelor of Science in Management Degree with a major in finance from The Freeman School of Business, Tulane University. Prior to joining the firm Ryan worked as an equity analyst for Burkenroad reports, an equity research program that produces widely circulated financial reports on small- to medium-sized companies. During his time at Tulane University, Ryan was elected as Vice President of Administration for Tulane's community government, took extensive courses in Investment Banking M&A transactions, and volunteered as a data analyst for American Red Cross.



Lynda Hulett

Marketing

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Lynda Hulett leads the firm's marketing, administrative and communication efforts. She maintains the firm's proprietary CRM database, manages outbound firm communications and provides administrative support to senior deal managers. Prior to joining R.L. Hulett, Lynda spent the previous ten years in various marketing and administrative functions. Most recently, she worked as a client liaison providing administrative support for a CPA firm. Prior to that, she was employed by Moneta Group, a financial services advisory firm, where she provided marketing and administrative support to the client managers. Lynda graduated from the University of Missouri – Columbia, receiving her business degree with an emphasis in Marketing.

About R.L. Hulett

R.L. Hulett is a middle-market investment bank based in St. Louis, Missouri, providing M&A and financial advisory services to middle-market companies. Since its founding in 1981, the firm has advised in over 275 transactions in a variety of industries including industrials, food & beverage, packaging, business services, transportation & logistics, healthcare and software/tech-enabled services. The firm has an experienced team of M&A advisors consisting of former business owners, seasoned corporate executives, professional service firm partners, CPAs and MBAs. Our ability to deliver customized solutions to meet or exceed our clients' expectations is what sets us apart from our competitors.

Industry Sectors Covered:



Packaging



Transportation & Logistics



Food & Beverage



Industrials



Tech-enabled Services



Healthcare

Disclaimer

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