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# Packaging Materials Market Monitor: *an M&A Perspective*

*November 2022*

EXPERIENCE

# Transaction Announcement



acquired by

**DUNES POINT** CAPITAL

Hexagon Capital Alliance LLC (“HCA”) advises K-1 Packaging Group (“K-1”) and Everest Packaging Corp. dba Everest Formulations (“Everest”) on its simultaneous sale to funds managed by Dunes Point Capital, LP (“Dunes Point”).

Headquartered in City of Industry, California, K-1 Packaging Group is a full-service designer and provider of custom packaging solutions primarily to the wellness and personal care end markets. Everest Packaging Corp. dba Everest Formulations is a turnkey contract manufacturer and packager of vitamins and nutritional supplements.

K-1 and Everest operate three manufacturing facilities in California, one procurement and quality control office in Shenzhen, China, and employs approximately 220 people. With the acquisition, K-1 and Everest partner for growth alongside an experienced and successful team at Dunes Point.

Eric Tsai, President, Everest stated, “We were impressed with HCA’s strategic advice and tactical skills in negotiating and managing the complex diligence process. With their guidance, we were able to achieve our goals for both the business and shareholders. We look forward to working together with our new colleagues as we continue to build industry leading capabilities to expand the range of products, services and solutions we can offer to new and existing customers.



“ It was a pleasure working with the Hexagon Capital Alliance team on this transaction. HCA’s industry knowledge and expertise was critical in identifying, negotiating, and managing a transaction process that resulted in achieving the optimal outcome for shareholders. ”

- Mike Tsai, President

October 2022

# Packaging Materials

Welcome to the 2022 recap ... let's get straight to it; here's what you need to know ...

First, my sincerest apologies for this long-overdue market monitor release. As you might imagine, the overall M&A market has been quite robust since the inaugural Packaging Materials edition back in Q1 2021. Between then and now, dynamics in the capital markets can only be described as booming to volatile and gyrating with every subsequent economic data release. From inflation and interest rates to jobs and unemployment, public and private market valuations across sectors have come off the highs seen in 2019 and 2021.

As sure as the decade-plus “easy money era” is gone, investors (private equity, debt funds, family offices, corporate acquirers, etc.) are indeed flush with deployable funds (“dry powder”) and patiently evaluating the prospects of their target’s business initiatives. As cost of capital rises, financial and strategic investors alike re-evaluate return characteristics and valuations are adjusted.

In other words, investors are assigning particular emphasis on a target’s ability to reposition quickly in the face of impending economic recession; but then also evaluating target’s ability to come out on the other side prepared for the next economic growth cycle. Execution-oriented management teams and macroeconomic-resilient businesses are in fact receiving premium-to-market valuations, despite a rising interest rate environment.

Enter packaging materials – transaction activity in the Packaging Materials sector is down ~15% in 2022 coming off a banner year in 2021. Overall valuations are also off 15% – 20% across substrates from a year earlier. Economic headwinds are likely to continue pressuring valuations in 2023. What is proving out yet again – packaging end markets matter and high-functioning management teams can impact valuations for better or worse.

Most economists don’t anticipate a financial system meltdown similar to that experienced more than a decade ago. Debt markets may be slowing over the next several quarters, but corporate and consumer balance sheets are significantly healthier than during the Great Recession. M&A activity is likely to follow a similarly declining trend in 2023 as private company sellers take a “wait & see” approach to price stability. However, for those not sitting on the sidelines, valuations are still in-line with post-recession long-term averages, and nowhere near the Great Recession lows. Insatiable appetite for quality packaging assets will continue to be a key factor in constructing a competitive sale process. I’ll repeat – not all businesses are created equal. Competition is a reality; management aptitude differs; growth opportunities are incongruent; and end markets matter. Businesses compete in living, breathing ecosystems ... the answer to “*How much is my business worth*” is in constant state of flux.

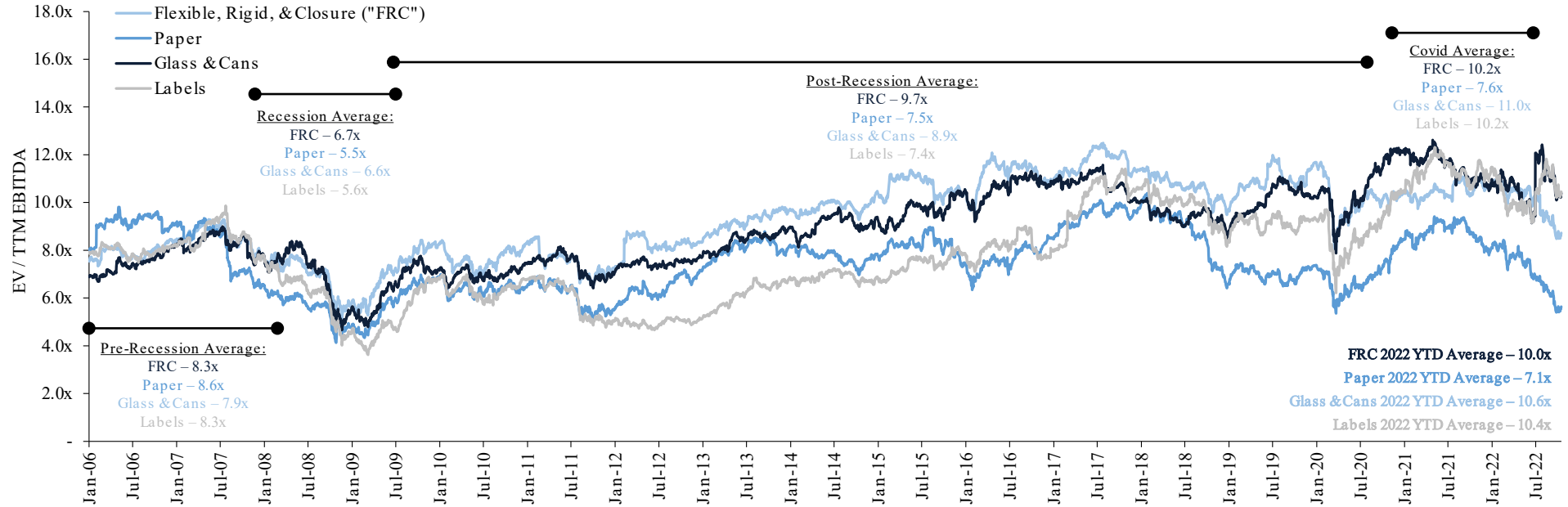
Enterprise Value / TTM EBITDA				
Category	Great Recession Average	Post-Recession Average	2021 Average	Current
FRC	6.7x	9.7x	10.5x	~9.0x
Paper	5.5x	7.5x	8.8x	7.0x – 7.5x
Glass & Cans	6.6x	8.9x	11.5x	~8.5x
Labels	5.6x	7.4x	11.3x	8.5x – 9.0x

Transaction Count				
Region	2020	2021	YTD 2021	YTD 2022
NA	56	95	71	64
EMEA	54	89	74	59
RoW	4	9	7	7
<b>Total</b>	<b>114</b>	<b>193</b>	<b>152</b>	<b>130</b>

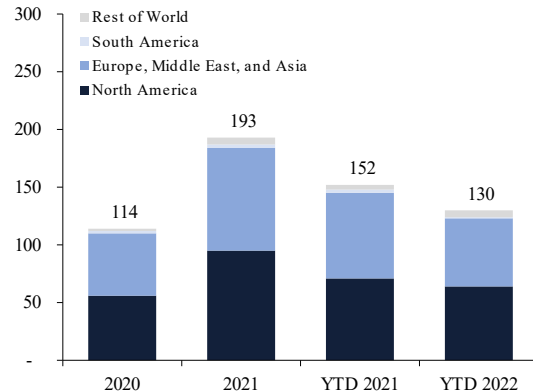
Source: HCA-subscribed research, databases and other tools.

Note: Transactions are not always reported; count captures broad, meaningful cross section.

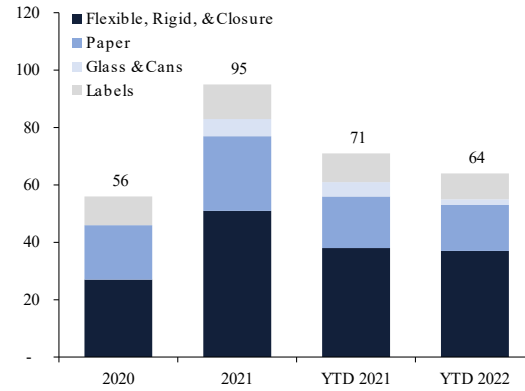
# Public Company Valuations and Transaction Activity



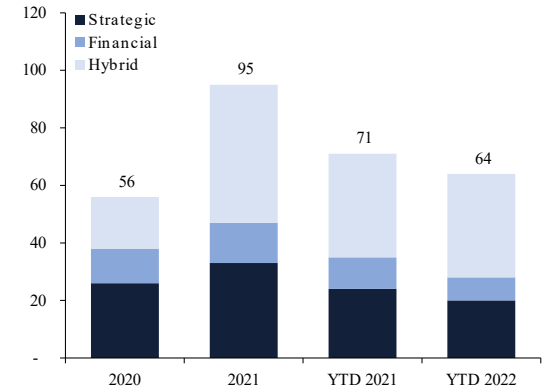
Global M&A Volume by Region



N.A. M&A Volume by Substrate



N.A. M&A Volume by Buyer Type



# Public Company Valuations

\$ in millions, except per share data		11/14/22			TTM Data			NTM Est. Growth	EV Multiple	
		Share	Market	Enterprise					TTM	TTM
Category	Company Name	Price	Cap	Value	Sales	Gross Profit	Gross Margin	Sales	Sales	EBITDA
Paper Packaging	International Paper Company	\$36.21	\$12,879	\$18,142	\$21,114	\$5,980	28.3%	0.1%	0.86x	6.3x
	Packaging Corporation of America	129.75	11,921	13,907	8,543	2,156	25.2%	(1.5%)	1.63x	7.0x
	Smurfit Kappa Group Plc	37.90	9,788	13,230	12,349	3,806	30.8%	8.2%	1.07x	6.8x
	WestRock Company	37.05	9,422	16,972	21,257	4,021	18.9%	0.5%	0.80x	5.0x
	Mondipac	18.42	8,936	10,631	9,351	3,922	41.9%	(6.3%)	1.14x	5.4x
	Graphic Packaging Holding Company	22.00	6,757	12,172	9,042	1,636	18.1%	NA	1.35x	8.4x
	Sonoco Products Company	58.15	5,670	8,938	7,014	1,422	20.3%	5.2%	1.27x	8.6x
	DS Smith Plc	3.72	5,119	6,914	9,089	737	8.1%	5.3%	0.76x	7.0x
	San Miguel Corporation	1.69	4,041	26,316	22,595	3,973	17.6%	NA	1.16x	8.5x
	Greif, Inc.	71.51	3,519	5,759	6,432	1,271	19.8%	(3.6%)	0.90x	6.3x
	Mayr-Melnhof Karton AG	160.41	3,208	4,819	4,327	1,095	25.3%	0.4%	1.11x	7.3x
	Cascades Inc.	6.14	616	2,172	3,175	315	9.9%	13.0%	0.68x	12.1x
		Median	\$6,213	\$11,401	\$9,066	\$1,896	20.0%	0.4%	1.09x	7.0x
	Average	\$6,823	\$11,664	\$11,191	\$2,528	22.0%	2.1%	1.06x	7.4x	
Flexibles, Rigid, & Closures	Amcor plc	\$11.72	\$17,463	\$23,856	\$14,836	\$2,838	19.1%	0.8%	1.61x	11.5x
	CCL Industries Inc.	44.96	7,960	9,299	4,577	1,228	26.8%	9.4%	2.03x	10.9x
	Sealed Air Corporation	50.03	7,237	10,702	5,768	1,824	31.6%	(0.1%)	1.86x	9.1x
	AptarGroup, Inc.	104.40	6,816	7,934	3,340	1,178	35.3%	(1.7%)	2.38x	12.9x
	Berry Global Group, Inc.	51.04	6,385	16,021	14,495	2,372	16.4%	0.4%	1.11x	7.7x
	Sonoco Products Company	58.15	5,670	8,938	7,014	1,422	20.3%	5.2%	1.27x	8.6x
	San Miguel Corporation	1.69	4,041	26,316	22,595	3,973	17.6%	NA	1.16x	8.5x
	Huhtamäki Oyj	38.30	3,998	5,695	4,290	717	16.7%	13.3%	1.33x	9.8x
	Wipac Ltd.	32.20	2,093	1,757	1,168	329	28.2%	3.7%	1.50x	7.8x
	Transcontinental Inc.	11.63	1,003	1,854	2,286	347	15.2%	1.7%	0.81x	5.8x
		Median	\$6,028	\$9,118	\$5,172	\$1,325	19.7%	1.7%	1.42x	8.8x
		Average	\$6,267	\$11,237	\$8,037	\$1,623	22.7%	3.6%	1.51x	9.3x
	Glass & Cans	Ball Corporation	\$56.17	\$17,435	\$26,315	\$15,475	\$2,758	17.8%	3.0%	1.70x
Crown Holdings, Inc.		79.09	9,385	16,585	12,985	2,370	18.3%	0.8%	1.28x	12.1x
CCL Industries Inc.		44.96	7,960	9,299	4,577	1,228	26.8%	9.4%	2.03x	10.9x
San Miguel Corporation		1.69	4,041	26,316	22,595	3,973	17.6%	NA	1.16x	8.5x
Greif, Inc.		71.51	3,519	5,759	6,432	1,271	19.8%	(3.6%)	0.90x	6.3x
O-I Glass, Inc.		16.60	2,575	6,837	6,750	1,191	17.6%	2.7%	1.01x	6.3x
Nampak Limited		0.11	69	450	1,059	533	50.4%	(18.3%)	0.43x	3.9x
		Median	\$4,041	\$9,299	\$6,750	\$1,271	18.3%	1.7%	1.16x	8.5x
		Average	\$6,426	\$13,080	\$9,982	\$1,904	24.0%	(1.0%)	1.22x	8.6x
Labels	Avery Dennison Corporation	\$180.55	\$14,619	\$17,594	\$9,197	\$2,489	27.1%	1.7%	1.91x	12.7x
	CCL Industries Inc.	44.96	7,960	9,299	4,577	1,228	26.8%	9.4%	2.03x	10.9x
	Ennis, Inc.	22.38	578	500	422	126	29.9%	NA	1.19x	6.8x
	Quad/Graphics, Inc.	3.41	180	1,013	3,186	573	18.0%	NA	0.32x	4.5x
		Median	\$4,269	\$5,156	\$3,882	\$901	26.9%	5.6%	1.55x	8.8x
		Average	\$5,834	\$7,102	\$4,345	\$1,104	25.4%	5.6%	1.36x	8.7x



# What We're About

## Experienced Investment Banking Professionals

A 20-year firm with professionals with 120 years combined experience in middle market mergers & acquisitions and corporate finance advisory services

## Results Driven

Meticulously craft a transaction blueprint with steadfast commitment to achieve our clients' goals

## Objective Advice

We provide frank advice, backed with analysis and perspective, to map out and execute a process to reach our clients' transaction objectives

## Industry Expertise

Real-time pulse of sector activity, corporate, family office & private equity participants and enterprise valuation metrics

## The Right Capital

Capital is a commodity ... the investor behind the capital is targeted based on our clients' objectives

## Senior Banker Immersion

From engagement inception through post-closing transaction functions, our senior bankers are front and center

# Services & Industries

With more than 300 completed transactions, HCA's investment bankers maintain relationships with key decision-makers among strategic buyers and investors and comprehensive coverage of relevant private equity groups and family offices

- Merger and Acquisition Advisory
- Equity and Debt Capital Placement
- Strategic Alternatives Assessment
- Exclusive Sales and Divestitures
- Strategic Planning
- Management Buy-outs
- Recapitalizations



# Proven Track Record of Successful Transactions



*K-1 Packaging Group, LLC & Everest Packaging Corp, LLC have been acquired by Dunes Point Capital*

**DUNES POINT CAPITAL**

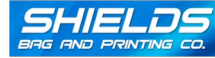


a division of



has been acquired by

**TRICORBRAUN**



*Shields Bag & Printing Co. has been acquired by Novolex*



a portfolio company of  
*The Carlyle Group*

**THE CARLYLE GROUP**



*Diablo Valley Packaging acquired by Berlin Packaging*



*Hoskin & Muir, Inc. d.b.a. HMI Cardinal has been acquired by The Riverside Company*



*Imperial Manufacturing Company has been acquired by The Middleby Corporation*



*Paradigm Holdings Group LLC d.b.a. Zone 4 Systems Integration and Design has been acquired by*



*Reliable Glass has been acquired by Safelite Group, Inc.*



*Falmat, Inc. has been acquired by Winchester Interconnect*



*Flavor Infusion International, S.A. has been acquired by Archer-Daniels-Midland Company*







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