

PACKAGING

SECTOR INSIGHTS

CONTENTS

INTRODUCTION	2
DEAL VOLUMES AND MULTIPLES	3
NOTABLE TRANSACTIONS	4
M&A ACTIVITY IN 2017	5
SMITH COOPER	6



Following a record year in 2015 for packaging transactions the momentum looked set to continue into 2016 driven by a desire to consolidate, expand into new markets and by the availability of private equity investors hungry to invest in the sector.

This said the first half of 2016 was quieter than expected with economic uncertainty cited as one of the main causes for suppressed demand. The second half of the year saw appetite rebound vigorously with a pent up demand pushing through a large number of deals and inflating multiples.

We expect the sector's momentum to continue into 2017, as investors and corporates continue to take advantage of relatively cheap capital to realise their growth strategies.

UK DEAL VOLUMES AND MARKET MULTIPLES ARE ON THE RISE

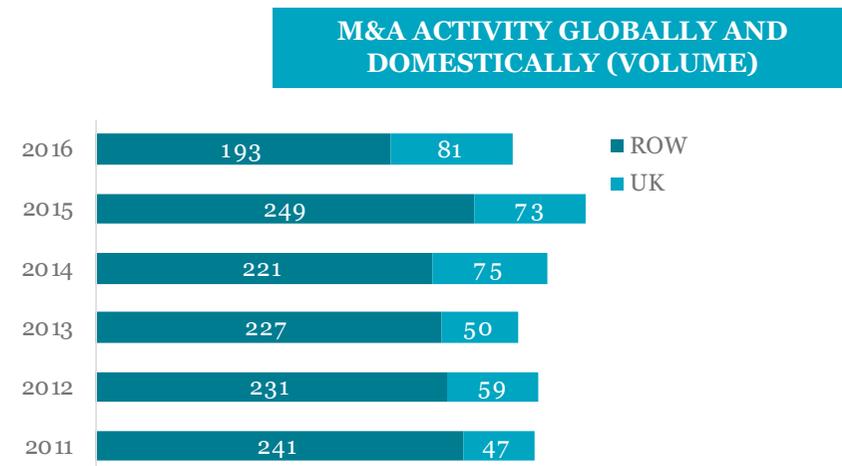
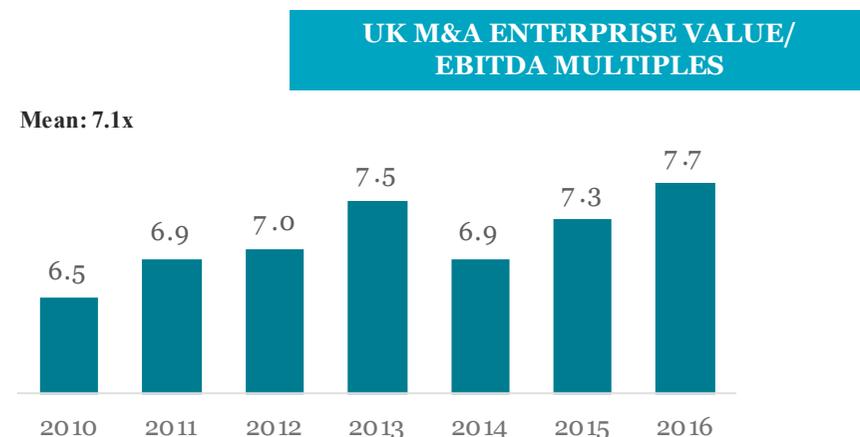
EBITDA multiples in the packaging sector have consistently outperformed the wider M&A market with high quality packaging targets attracting market valuations typically in excess of 7.0x EBITDA.

There is some disparity within the sector, with thermoformed, rigid and flexibles attracting multiples that are on average up to 10% higher than those seen in paper & cardboard packaging transactions.

Whilst multiples are on the rise, global deal activity has decreased slightly, however, 2017 has started strongly with over 20+ deals completed through January, and we expect this momentum to continue through the year.

The UK M&A packaging market looks set for another excellent year with deals up some 10% from 2015 to 2016, a trend we expect to continue with large international operators continuing to look to the UK for high quality assets.

Whilst large multinationals have continued to implement consolidation strategies there has been a resurgence of the mid-market, alongside a strong appetite from private equity funders looking to acquire cornerstone investments or grow current portfolio companies with strategic acquisitions.



A SELECTION OF NOTABLE MID-MARKET INDUSTRY TRANSACTIONS

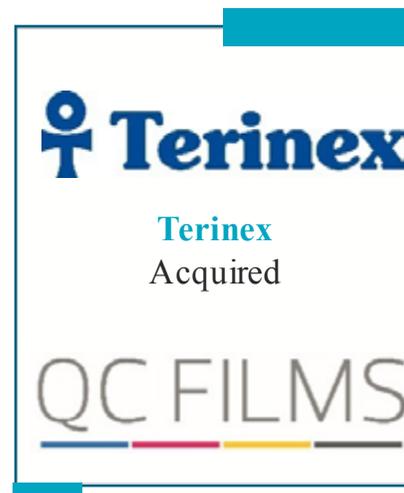
SAICA CONTINUES ITS EXPANSION INTO FLEXIBLES

Spanish Multinational Saica has for many years taken a bullish stance towards M&A, and 2016 and 2017 have been no different. Following the acquisition of Americk, a leading producer of flexible packaging, in 2016 the Spanish based packaging manufacturer certainly didn't rest on its laurels. In the first month of 2017 Saica continued its development in flexible packaging with the triple acquisition of European packaging manufacturers Shut Packaging, Lemapack and Hellema signalling a real intent to grow in the flexibles space.



TERINEX MOVES INTO THE FLEXIBLE PRINTING MARKET

At a recent strategic review by the Terinex Board it was decided that they should move into the flexible printing market. Soon after, Terinex purchased Derbyshire based QC Packaging Films Ltd from its owner managers. The acquisition has been immediately followed by a number of investments in infrastructure and technology in order leverage economics of scale and exploit the growing flexible printed packaging market.



SMURFIT KAPPA INVESTS IN CORRUGATED BOX MANUFACTURER

It isn't solely flexible packaging that has been a hive of activity. Towards the end of 2016, Smurfit Kappa acquired Norfolk based Saxon Packaging a specialist in bespoke cardboard packaging manufacture and design. The £5.5m turnover business was acquired as part of an active M&A strategy to 'open the future' within the UK packaging market, further developing Smurfit Kappa's customer offer, brand and reputation.



STRONG DEMAND IN THE SECTOR WILL DRIVE M&A ACTIVITY IN 2017

Industry operators are increasingly looking to M&A to accelerate growth with over 35% citing acquisitions as the intended growth strategy, as packaging manufacturers continue to take advantage of market fragmentation and reap the benefits of consolidation. M&A is not just being seen as a mechanism for growth, but also a key strategy in achieving geographical expansion and introducing new capabilities and products to customers.

This is creating substantial demand for high quality assets within the packaging sector and now is certainly the time to begin formulating and implementing exit or growth strategies to take advantage of what is a strong M&A market with a multitude of opportunities if you are looking to retire or looking to acquire a strategic asset to accelerate growth plans.

35% INTEND TO GROW THEIR BUSINESS BY MAKING AN ACQUISITION

OVER 75% CITE COMPETITIVE PROCESSES AND VALUATION AS THE MOST DIFFICULT ASPECTS OF A TRANSACTION

25% SEE M&A AS A KEY FEATURE OF GROWTH

38% SEE A TRANSACTION TO CONSOLIDATE THE MARKET AS THE MOST ATTRACTIVE

25% SEE ACCESS TO NEW CAPABILITIES AS A MAJOR REASON TO MAKE AN ACQUISITION

GET IN TOUCH.

Darren Hodson

Partner
t 0121 236 6789
e darren.hodson@smithcooper.co.uk

Adam Wilderkiewicz

Senior Executive
t 0121 236 6789
e adam.wilderkiewicz@smithcooper.co.uk



a 158 Edmund Street, Birmingham, B3 2HB
t 0121 236 6789

John Farnsworth

Partner
t 01332 332 021
e john.farnsworth@smithcooper.co.uk

David Crump

Senior Manager
t 0121 236 6789
e david.crump@smithcooper.co.uk

David Nelson

Partner
t 01332 332 021
e david.nelson@smithcooper.co.uk

Nicola Whiting

Senior Executive
t 0121 236 6789
e nicola.whiting@smithcooper.co.uk



a St Helen's House, King Street, Derby, DE1 3EE
t 01332 332 021

Dan Bowtell

Partner
t 01332 332 021
e dan.bowtell@smithcooper.co.uk

Ed Wesson

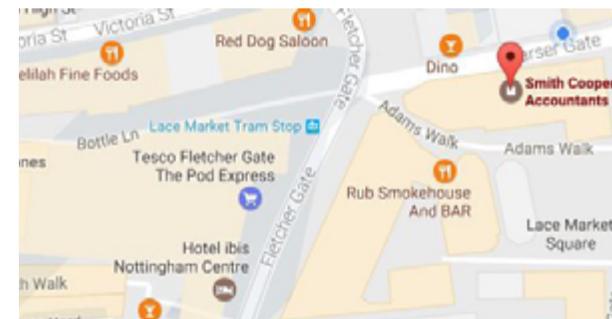
Executive
t 0121 236 6789
e edward.wesson@smithcooper.co.uk

James Bagley

Managing Partner
t 0121 236 6789
e james.bagley@smithcooper.co.uk

Christopher Campbell

Analyst
t 0121 236 6789
e christopher.campbell@smithcooper.co.uk



a 2 Lace Market Square, Nottingham, NG1 1PB
t 0115 945 4312



ABOUT SMITH COOPER

Smith Cooper is a specialist advisor to owner managed businesses. At Smith Cooper Corporate Finance, our approach is highly bespoke and personalised building trusted relationships before formulating highly flexible and innovative solutions.

Our team specialises in high-intensity deal management, typically in the £2m to £50m value range. This service is partner-led and supported by senior corporate finance staff personnel.

The Corporate Finance team consistently delivers the highest quality of results regularly featuring as one of the most active dealmakers and our quality has been recognised through many industry awards, most recent SME advisory team of the year at the 2016 Midlands Dealmakers awards.

Smith Cooper is the trading name of SC Advisory Services Limited registered in England under reference number 7678255 with its registered address at St Helen's House, King Street, Derby, DE1 3EE. Regulated for a range of investment business and consumer credit activities by the Institute of Chartered Accountants in England & Wales. A list of directors is available for inspection at the above address.

Sector Insights is a condensed summary of activity provided as a service by Smith Cooper Corporate Finance. Professional advice should always be taken when making any investment decisions.