

Fall 2023

**William Blair's packaging
franchise remains highly active
despite dislocated packaging
M&A markets**

Packaging Market Update



Packaging M&A Activity Slower, but Shows Resilience With Positive Signs for Rest of 2023

Dealmaking in the broader packaging industry remained muted through the first half of 2023, as the industry continued to work through the supply chain dislocation resulting from COVID-19. However, there are signs of strength heading into 2024 for packaging M&A activity.

In the M&A market, strategic buyers have been especially active, while financial sponsors have mostly remained on the sidelines given the less favorable conditions in the lending market. After consumer packaged goods (CPG) companies built up large packaging inventories amid pandemic-related supply chain disruptions, CPGs have been destocking packaging, coinciding with softer consumer demand for their products. Packaging companies, to offset this resulting lack of growth, have turned to strategic acquisitions with synergies—in several cases, through bilateral discussions outside formal bid processes.

That strategic activity has led to valuations remaining near historical levels for packaging companies—even in a high-interest-rate environment and a broader M&A slowdown. Current dealmaking in these circumstances is complex, necessitating enhanced data and analyses.

Much of that analysis relates to unpacking price and volume impacts, as companies across the packaging industry are growing earnings by raising prices to offset increases in raw material and operating expenses and softer demand driven by the recent destocking trends. Parties looking to make an acquisition or sell their business—especially those accustomed to the low-inflation landscape of the past decade in which revenue growth

and volume were effectively in sync—should understand just how crucial it is to determine whether a target company's recent earnings growth is sustainable.

Indeed, companies that can show that they're growing consistently and profitably are in high demand—and likely will continue to be even in an uncertain climate. Meanwhile, packaging companies that have had a choppy history of late, given the challenges of the past few years, are still tapping capital markets; however, they are pursuing minority investments as a sign of confidence in future performance as they look to substantiate a track record of growth and stable profitability.

A Focus on Differentiating

There are other reasons for optimism in a shifting packaging landscape. At the top of the list is increased short-run packaging production for new, promotional, and seasonal products, at times with the use of digital printing. Opportunity stems from consumer brands' focus on shelf differentiation through product visibility, high-graphic printing, and custom sizes and designs. Digital printing plays a role here, as does the growth of interactive packaging that relies on QR codes, hashtags, and barcodes.

Another trend worth watching is the increased focus from CPGs and co-packers on automation for select packaging and end-of-line processes, especially amid a tight labor market. As a result, packaging manufacturers must ensure that their packages are strong and durable enough to stand up to new automation processes versus the legacy hand-packing methods.

Sustainability at Center Stage

Increasing public focus on sustainability is set to have significant long-term impacts on the packaging industry. That was clear in March 2023, when the Biden administration announced goals to “demonstrate and deploy cost-effective and sustainable routes to convert bio-based feedstocks into recyclable-by-design polymers that can displace [more than] 90% of

today's plastics and commercial polymers” within 20 years.¹

The nonbinding but aggressive goals accelerated packaging manufacturers and brand owners to pivot toward more sustainable materials as a result of evolving consumer perceptions. Emerging strategies include using novel materials (e.g., bioplastics, molded fiber) and supply chain adjustments to replace or reduce the use of virgin and single-use plastic by utilizing more recycled content in plastic formulations. In addition, the European Union is cracking down on packaging waste, which will lead to reduced weight, volume, and packaging layers.²

But the lack of supply for bio-based materials and the state of the world's recycling infrastructure are not yet ready for the broad shift to sustainability, likely leading to greater investments in innovative packaging materials and circular infrastructure in the years ahead. One of the leading providers of capital investments for sustainable solutions are venture capitalists, investing more than \$875 million in packaging since 2022.³

On the horizon, the next point of focus we foresee will be the development and introduction of capabilities to audit and monitor adherence to sustainability goals communicated by large corporations, especially as 2025 sustainability pledges loom.

Outlook Going Into 2024

As is the case in many sectors, the slowdown in the broader M&A market over the past 18 months created a backlog in packaging deal flow. At the same time, investors are gaining clarity on several points of uncertainty in the sector that have limited their investing appetite (e.g., destocking, raw material price swings, consumer demand) and the private equity community appears ready to reemerge in the space as interest rate uncertainty continues to decline in the financing market.

Combined, these factors show promise for packaging deal flow in the coming months.

1. Source: [White House “Bold Goals for U.S. Biotechnology and Biomanufacturing.”](#) March 2023

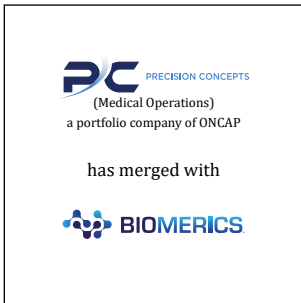
2. Source: [European Commission “European Green Deal: Putting an end to wasteful packaging, boosting reuse and recycling.”](#) November 30, 2022.

3. Source: PitchBook Data, Inc.; *Data has not been reviewed by PitchBook analysts.

Spotlight on 2023 YTD William Blair Packaging Transactions



- Purpose-built platform focused on short-run, customized flexible packaging, primarily serving the underserved high-growth subsegments of healthcare and food end-markets
- TJC was drawn to Soteria’s attractive, near-term M&A pipeline, providing the potential to double the business in about 18 months
- William Blair designed a custom, “non-process” outreach, creating a feeling of intimacy for buyers while maintaining competition



- Leading provider of unique capabilities in micro-metals machining and stamping, injection micro-molding, and micro-assembly processes for medical device applications
- Biomerics was attracted to the opportunity to expand Biomerics’ capability portfolio to deepen its presence as a leading supplier to medical device OEMs
- William Blair’s long-term relationship with Precision Concepts (William Blair sold Precision Concepts to ONCAP in 2016) and multisector expertise across medical manufacturing and healthcare packaging assisted in enabling a successful transaction



- Vertically integrated provider of sustainable horticulture packaging solutions for the nursery and greenhouse segments
- Internally developed recycling process provides on-trend, sustainability-focused product portfolio, while also enabling NSI to successfully navigate the highly volatile resin markets in 2021 and 2022
- Robust, upfront preparation enabled William Blair to navigate the sale process through a period of loosening supply chain via data-driven analyses highlighting the sustainability of NSI’s financial profile

William Blair Packaging Franchise Activity

110+

Packaging-Related Transactions Completed

8

Packaging M&A Transactions in 2023 YTD

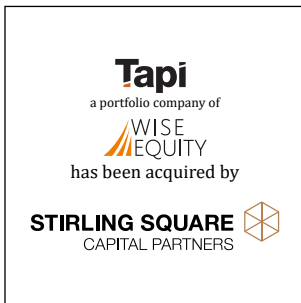
12

International Transactions (Since 2019)

Spotlight on 2023 YTD William Blair Packaging Transactions



- Leading provider of consumables used to protect healthcare products from moisture and oxygen, including drop-in and integrated desiccant systems and specialty designed bottles containing oxygen barrier materials
- Highly strategic acquisition as Airnov can now leverage Colorcon's relationships and position in the R&D process to expand its reach of moisture and oxygen protection solutions
- William Blair originally advised Airnov on its divestiture from Clariant in 2019 (sold to Arsenal) and subsequently advised Airnov and Arsenal on this sale to Colorcon



- Leader in high-end technological closures for the premium and super-premium beverage segments
- Stirling Square was attracted to Tapi's product design capabilities and differentiated value proposition for the fast-growing and acyclical global premium spirits market
- William Blair ran a highly competitive process generating multiple buyers (financial and strategic) performing confirmatory diligence; thoughtful management of the most likely strategics galvanized optionality for sellers



- Provider of highly effective modified atmosphere packaging / modified humidity flexible packaging solutions predominantly for fresh produce applications
- PPC was attracted to StePac's technical product offering, focus on a fast-growing niche in flexible packaging, and the potential to expand StePac's technology across PPC's network
- PPC leveraged William Blair's long-term familiarity with PPC (William Blair sold PPC to GTCR in 2021) to assess valuation and synergy potential

William Blair Packaging Franchise by the Numbers

95%

























closure rate for packaging-related sell-side transactions

+12X

median EV/EBITDA over last 10 sell-side M&A transactions

Our leading packaging investment banking franchise is built on deep sector expertise and our strong relationships with buyers around the world. William Blair's long history of advising business owners across packaging substrates and end-markets provides a differentiated view on the key drivers of value for packaging businesses.

Additional William Blair Packaging Transactions

 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 
 <p>has been acquired by</p> 	 <p>has acquired</p> 	 <p>has been acquired by</p> 	 <p>has acquired</p> 
 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 

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Relationship-Driven Solution Suite

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Sell-Side, Buy-Side, Shared Governance,
Capital Allocation, Business
Reorganizations, JV, Partnerships,
Fairness Opinions

Debt Advisory

Acquisition Financing,
Growth Capital, Shareholder
Liquidity, Refinancings

Private Capital Advisory

Continuation Funds and Other
GP-led/ LP-led Secondaries, Equity
Co-Investment Placement, Private
Fund Raising

Growth & Structured Equity

Growth Capital, Minority Recaps,
Acquisition Financing, Pre-IPO
Crossovers

Public Equity

IPOs, Follow-on and Secondary
Offerings, ATMs, Converts, PIPEs,
Private Shares Trading

Wealth Advisory

Corporate Executive Services,
Liquidity Planning, Merchant
Banking

William Blair By the Numbers

600+

*bankers globally with local
cultural knowledge*

24

offices worldwide

\$730B+

*in advisory and financing
transactions since 2018.**

* July 1, 2018 – June 30, 2023

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William Blair's investment banking group enables corporations, financial sponsors, and owner/entrepreneurs around the world to achieve their growth, liquidity, and financing objectives.

Drawing on the collective intellectual capital and deep sector expertise of a global team that reaches over 20+ cities in 14 countries, the investment banking group brings a rigorous and innovative approach to corporate board advisory projects, mergers and acquisitions, and equity and debt financing. From 2018 to 2023, the team advised on \$730+ billion in advisory and financing transactions.