



**HW Harris Williams**

## PACKAGING SECTOR BRIEF

Q3 2023



# Upcoming Events

Our team is attending Pack Expo 2023 in Las Vegas! Connect with us at the conference to discuss M&A trends in the packaging sector: [Email](mailto:info@packexpolasvegas.com)



**September 11–13, 2023**  
**Las Vegas Convention Center**  
**Las Vegas, Nevada USA**

## Start Something Revolutionary at PACK EXPO Las Vegas

Personal, face-to-face connection and problem-solving turns casual prospects into customers and long term clients.

Because PACK EXPO Las Vegas brings the whole packaging and processing industry together, you can count on making the right connections at the show.

**88% of end users agree seeing machinery in person is important**

PMMI Trade Show Importance Survey, 2021

### Make Your Mark at the Industry's Gathering Place in 2023

- ✓ Connect with the right prospects and meet the people who make purchasing decisions.
- ✓ Reconnect with existing customers and develop relationships with new ones.
- ✓ Showcase your latest products and technology.
- ✓ Deepen users' knowledge through demos and discussions.
- ✓ Gain market insights and learn what your customers need.

### Companies of All Sizes Attend

**ANNUAL COMPANY REVENUE**

Over \$1 billion	16%
\$500 million–\$1 billion	6%
\$250–\$499 million	5%
\$50–\$249 million	16%
\$10–\$49 million	20%
\$1–\$9 million	24%
Less than \$1 million	13%

**PERCENTAGE OF ATTENDEES\***

\*Percentage of survey respondents.

## Get in Front of Major Brands

Here's just a sample of companies that attend:

Amazon	Clorox	Johnsonville	Procter & Gamble
Amy's Kitchen	Coca-Cola	Kraft Heinz	Sargento Foods
AstraZeneca	Conagra Foods	L'Oréal USA	SC Johnson
Bimbo Bakeries	Danone	Mars Inc.	Sephora
Blue Buffalo	DuPont	Merck	Tyson Foods
Bristol-Myers Squibb	General Mills	Nestlé Purina Petcare Co.	Valvoline LLC
Bumble Bee Foods	Hershey Co.	Perdue Farms	
Chobani	Impossible Foods Inc.	Pfizer	

### 3 Key Operational Priorities for Attending Companies\*

- Labor**
- Automation**
- Productivity**

\*PMMI Top 100 Report, September 2021

## trend makers attend

**47 of the Top 50 Food and Beverage Companies Attend**  
Source: Food Engineering Magazine

**19 of the Top 25 Household and Personal Products Companies Attend**  
Source: Happt.com

**37 of the Top 50 Pharma Companies Attend**  
Source: PharmaExec.com

**- DAVE NAVIN**  
 President & CEO,  
 Spee-Dee Packaging

"We had a great PACK EXPO Las Vegas. Everyone who visited our booth was looking for an actual solution or machine rather than just gathering information."

**Website Link:** <https://www.packexpolasvegas.com/>

# Key Trends in Packaging

The packaging industry continues to be driven by increased focus on sustainability and innovation

## Happening in Packaging Right Now



### Sustainability

The movement toward sustainability is reshaping the packaging industry, with an increased demand for eco-friendly materials, circular supply chains, and waste reduction practices. Companies are using biodegradable, recyclable, or reusable packaging to reduce their environmental impact and meet customer expectations

### Digital Acceleration

The integration of emerging technologies such as digital printing and the use of advanced analytics are pushing the industry forward in terms of production efficiency and enhanced consumer experience



### Smart Packaging

A rapidly emerging trend, smart packaging is enhancing user experience and product safety. QR codes and near-field communication (NFC) technology among other technologies are allowing real-time tracking, product information dissemination, and freshness indication

### Advanced Materials

Advanced composite materials, bioplastics, and biodegradable and compostable materials are advancing the art of the possible in food, healthcare and consumer packaging



### Inflation

While there has been some moderation in inflation, the industry continues to face elevated costs on materials, services, and labor

### Regulations

The evolving regulatory landscape and sharpening focus on sustainability throughout the packaging supply chain continue to influence packaging decisions by manufacturers and end customers



# Perspectives on Packaging

## Plastics



### Select Participants



### Key Trends

Growing focus on reducing environmental impact and the use of sustainable and lightweight materials

## Paper



### Select Participants



### Key Trends

Consumer preference shift toward eco-friendly and sustainable paper products will boost demand in the long run

## Healthcare



### Select Participants



### Key Trends

Evolving regulations and highly specific performance requirements bring opportunities for innovators

## Protective



### Select Participants



### Key Trends

E-commerce growth has propelled the need for protective packaging solutions, where the focus on right-sizing and source reduction will continue to drive innovation

## Equipment



### Select Participants



### Key Trends

Increasing focus on automation is driving an accelerated pace of replacing aging equipment and reducing labor-intensive processes

## Services



### Select Participants



### Key Trends

The value of outsourced services such as distributors, co-packers, and packaging technology providers has been reinforced by recent capacity constraints, labor tightness, and technological developments

## Labels



### Select Participants



### Key Trends

Technology integration continues to drive demand through specialty labels (RFID, track and trace, and other smart labels), while providers continue expanding capabilities through digital printing

# What We're Reading

## Embracing Sustainability: The Rise of Eco-Friendly Packaging Solutions

**Forbes – June 2023**

As consumer demand for sustainability is rising, the packaging industry is moving from single-use plastics and excessive waste to sustainable solutions. By using materials that are recyclable, biodegradable, or made from renewable resources, businesses can significantly reduce their environmental footprint and align their strategy with consumer values. Sustainability not only enhances companies' brand reputations but can also lead to tangible business benefits. Some sustainable practices, for example, have been proven to increase cost savings and consumer attraction by optimizing material usage and logistics.

Read the full report [here](#)

## Driving Digital Engagement: Data, Adaptation and Investment Take Center Stage

**Packaging Insights – June 2023**

Packaging companies are increasingly adopting digital tools such as QR codes, near-field communication (NFC), and augmented reality to boost brand engagement, with considerable consumer interest and successful campaign results reported. In order to boost digital engagement, experts recommend creating simple, contextually meaningful experiences for customers alongside a broader, long-term marketing strategy. Despite economic uncertainties, investment in these connected packaging experiences is growing, with major brands planning to increase spending and leverage data from connected packaging to bolster their engagement strategy.

Read the full article [here](#)

## Packaging Innovation Bubbling Away in Fight Against Food Waste

**Just-food.com – May 2023**

Global fresh food manufacturers are focusing on packaging innovations to reduce food and plastic waste, driven by consumer and regulatory pressure, such as the EU's impending revised packaging regulations. Initiatives include edible vacuum bags; intelligent packaging films that improve preservation; bottles with valves that prevent oxygen from flowing into them, thereby lengthening the lifespan of foods; packaging material derived from biopolymers, which keeps harmful bacteria off food; and smart purifiers for fridges that remove odors and bacteria.

Read the full article [here](#)

## The Potential Impact of Reusable Packaging

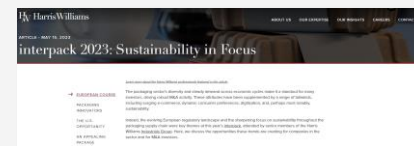
**McKinsey & Company – April 2023**

The resurgence of interest in reusable packaging as a means of reducing carbon emissions is challenged by factors such as acceptance, infrastructure, regulatory demands, product safety, and cost. According to McKinsey & Company, scaling reusability within the current packaging value chain can be hampered by various complexities, with significant increases in cost and CO<sub>2</sub> emissions observed in their modeled scenarios. These results highlight that a higher number of use rotations, reduction of long-distance transport, and careful selection of execution are critical for making reusable packaging an economically and environmentally efficient solution.

Read the full article [here](#)

## Recent Harris Williams Packaging Content

- [interpack 2023: Sustainability in Focus](#)



[Link to Read](#)

- [Packaging: Delivering Stability & High-Growth Opportunities](#)



[Link to Read](#)

- [Sector Spotlight: Pharmaceutical Packaging](#)



[Link to Read](#)



# Select Recent Packaging M&A Transactions

## Bell Incorporated acquired by Graphic Packaging

08/01/2023



Target



Buyer

- Bell Incorporated is a manufacturer of folded packaging cartons for the retail and confectionery markets
- This acquisition strengthens Graphic's presence in the fiber-based mailer category while simultaneously improving integration rates

## BDT Capital invests in ProMach alongside Leonard Green & Partners

05/03/2023



Target



Buyer

- ProMach is a manufacturer of integrated packaging systems and machinery serving customers of all sizes, geographies, and industries
- BDT Capital acquired a significant stake and LGP, the existing majority owner, agreed to reinvest into the company to drive additional growth

## Spectrum Plastics Group acquired by DuPont

05/02/2023



Target



Buyer

- Spectrum Plastics Group is a manufacturer of polyethylene bags, films, and tubing for medical, food, and industrial packaging applications
- This strategic acquisition complements Dupont's existing offerings in fast-growing healthcare markets and adds advanced manufacturing capabilities in medical devices

## SGS & Co acquired by HPS Investment Partners

05/01/2023



Target



Buyer

- SGS & Co is a provider of global brand development and packaging design serving a variety of industries including food and beverage, consumer goods, healthcare, and beauty
- The acquisition will accelerate SPS & Co investments in technology and automation and significantly improves their capital structure

## Airnov Healthcare Packaging acquired by Colorcon

03/01/2023



Target



Buyer

- Airnov is a manufacturer of healthcare packaging products intended for the pharmaceuticals, nutraceuticals, and health supplements sectors
- This acquisition adds an innovative portfolio of solutions to Colorcon that are a strong complement to its current offering

## Liquibox acquired by Sealed Air

01/31/2023



Target



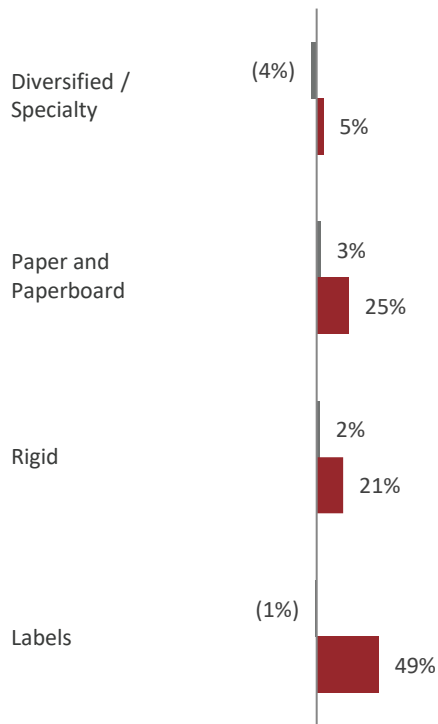
Buyer

- Liquibox manufactures flexible liquid packaging solutions for applications in the beverage, dairy, bulk food, nonfood, edible oils, paints, and motor oils industries
- This acquisition unites two leaders in the global packaging industry and aligns with the high-performance growth and innovation cultures of both companies

# Public Packaging Companies – Valuation

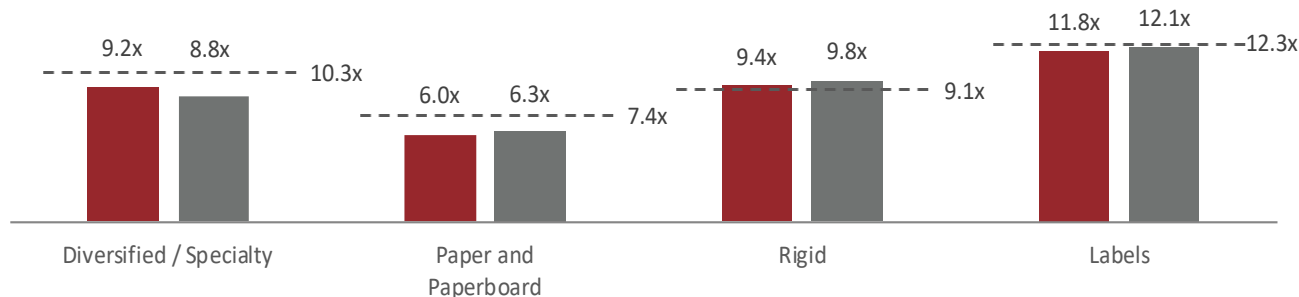
## Total Shareholder Return (1- & 3-Year)<sup>1</sup>

■ 1-Year Performance ■ 3-Year Performance



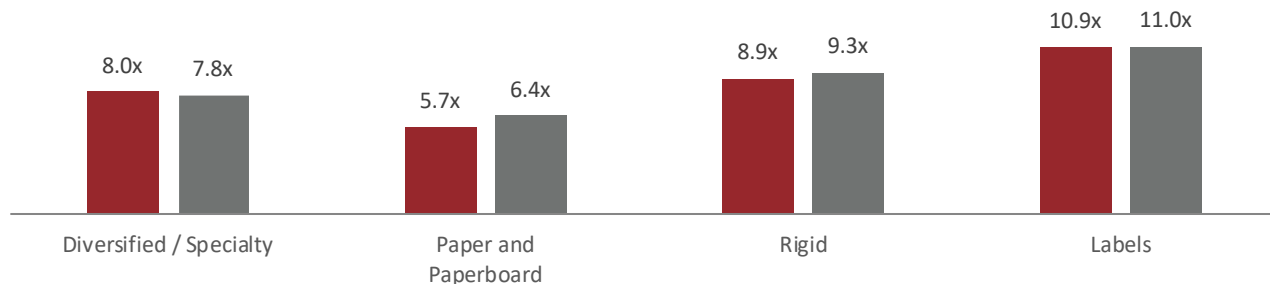
## LTM EBITDA Multiple Comparison: August 2022 vs. August 2023

■ LTM August-22 ■ LTM August-23 --- 3Y AVG



## NTM EBITDA Multiple Comparison: August 2022 vs. August 2023

■ NTM August-22 ■ NTM August-23



### Diversified / Specialty



### Paper and Paperboard



### Rigid

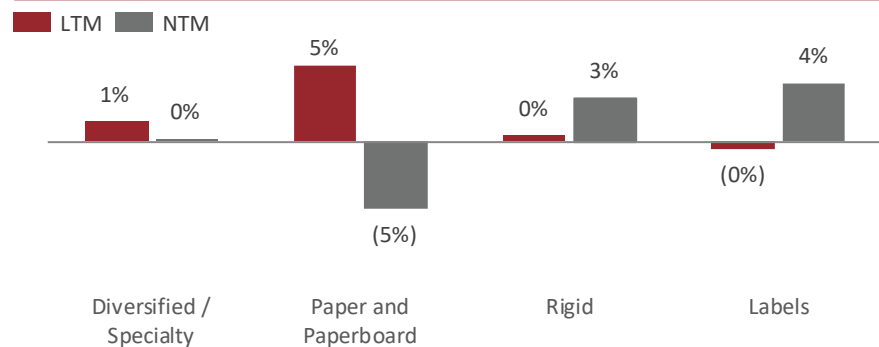


### Labels

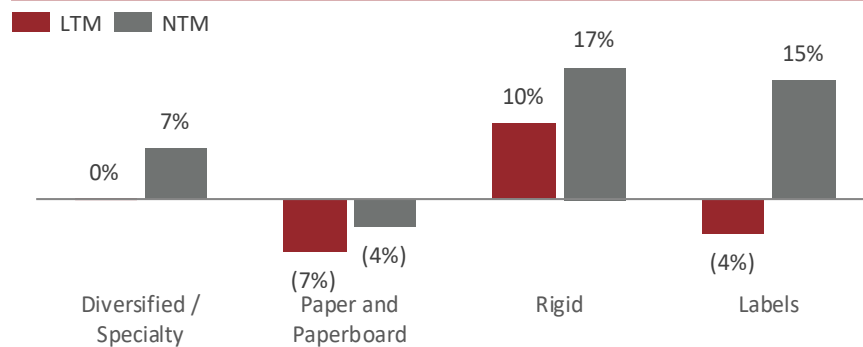


# Public Packaging Companies – Operating Metrics (Q2 '23)

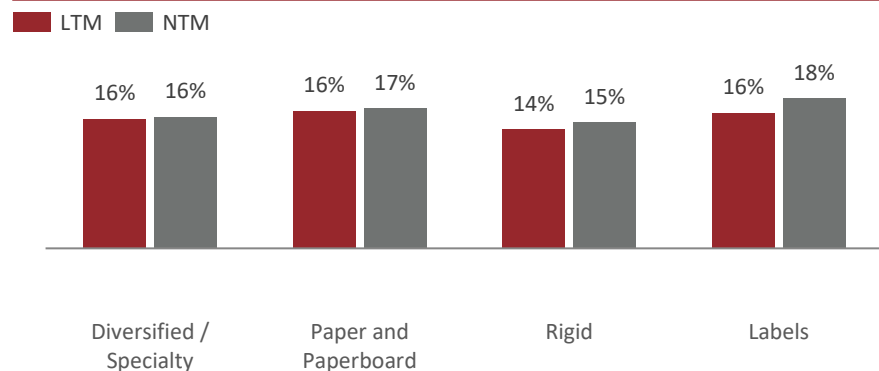
## Revenue Growth



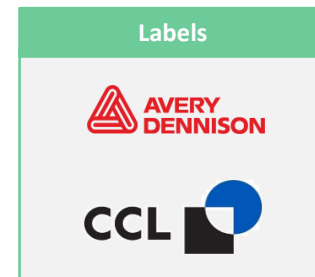
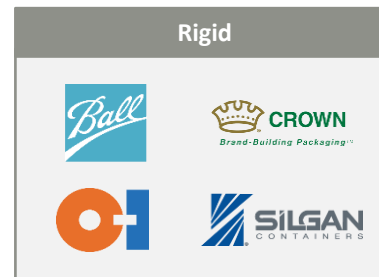
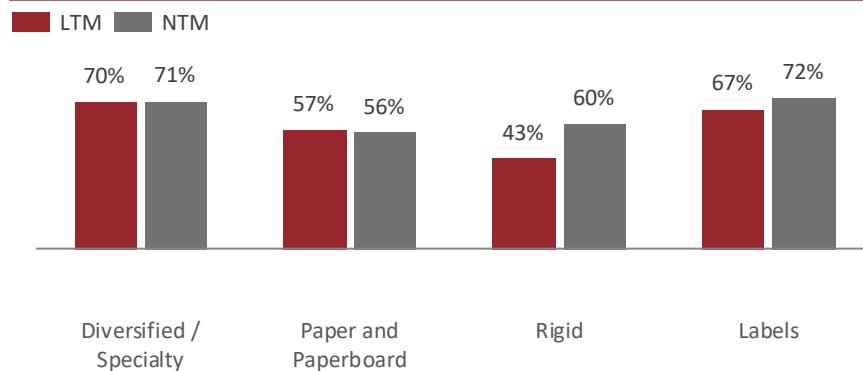
## EBITDA Growth



## EBITDA Margin



## FCF Conversion<sup>1</sup>





# Public Packaging Companies – Q2 Earnings and Commentary

## Revenue



Vs. Consensus  
Beat / (Miss)

Q2 '23 vs Q2 '22

## EBITDA



Vs. Consensus  
Beat / (Miss)

Q2 '23 vs Q2 '22

## EPS



Vs. Consensus  
Beat / (Miss)

Q2 '23 vs Q2 '22

## Sustainability

"We've updated our next sustainability strategy that's currently being launched, not only with enhanced targets for environmental performance, but also targets to improve the understanding of the importance of the environment and our performance in the communities in which we operate." – **Miles Roberts (CEO & Executive Director)**



"Sustainability is in our very fiber, and we've always been committed to our sustainability journey [...] We remain very proud of our commitment to work towards an improving sustainable footprint, ensuring that our product continues to be recognized as the product of choice in a world that needs sustainable products." – **Anthony Smurfit (CEO & Executive Director)**



"We continue to make good progress on our sustainability commitments despite the many headwinds that arise during the economic downturn [...] this guides the actions we are taking for the next decade, circular-driven solutions created by empowered people taking action on climate." – **Andrew King (CEO & Executive Director)**



## Inventory Destocking

"The good news is that given feedback from our customers and looking at the data, we expect the destocking trend to be completed in the third quarter. [...] However, manufacturers are still reducing inventories through the second quarter as a result of lower demand levels, improved supply chain velocity, and focus on working capital given higher interest rates." – **Tim Nicholls (Senior VP & CFO)**



"Destocking tends to be a pretty choppy environment, especially when it's at the tail end and people are starting to calibrate from destocking over to fundamental demand patterns. So that kind of gives us some sense that we're probably in the later stages of the destocking phase." – **John Haudrich (Senior VP & CFO)**



"We have seen customer inventory in Southeast Asia and even in Brazil being a little higher than we've typically seen. And that might have led to lower demand from our customers as they work down their inventories in those regions. But as it relates to North America, there's no inventory issue at our customer level." – **Timothy Donahue (Chairman, President & CEO)**



## New Technologies Driving Growth

"Chick-fil-A went to market with our new highly insulated double-wall cup [...] with excellent feedback from their consumers. Our proprietary fiber-based cup has distinct advantages that allow us to operate similar to the foam cup. It utilizes a built-in insulated sleeve that controls condensation, increases rigidity, and is made with sustainably sourced material." – **Mike Doss (President, CEO & Director)**



"With regards to digital solutions, we achieved several significant milestones. As an example of how digital printing is fueling SEE Automation, we introduced a new Prismiq digital printer unit to print protein bags at our customers' facilities, enabling them to customize their products at the point of packaging." – **Ted Doheny (CEO, President & Director)**



"Costco recently approached us with a request to replace single-use plastic multipack handles with a fiber-based, sustainable solution. In response, our designers develop EnduraGrip and Cluster-Clip. They are engineered for durability and comfort, while providing a fully printable surface for crisp, vibrant graphics and eliminate the use of plastic in these handles." – **David Sewell (CEO, President & Director)**

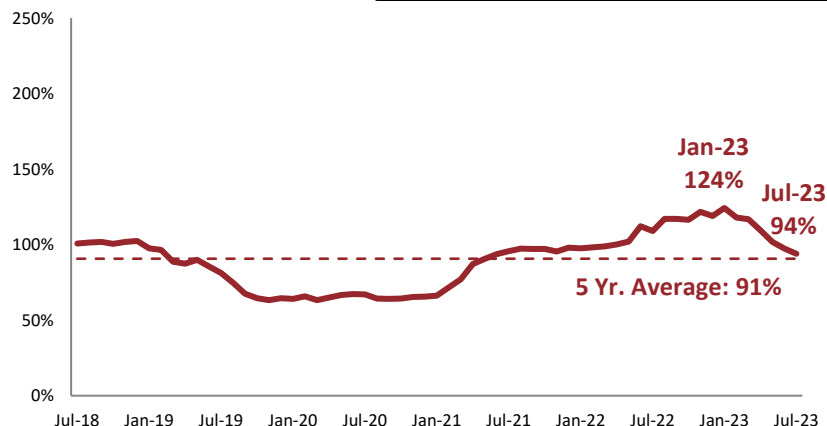


# Key Material Price Trends

## Pulp, Paper, and Allied Products

(Indexed, Jul-18=100%)

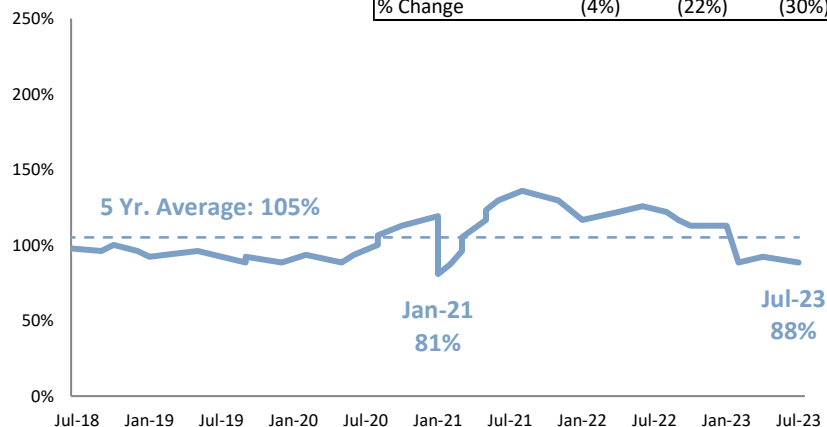
	30 Days	180 Days	1 Year
% Change	(3%)	(20%)	(14%)



## Low-Density Polyethylene (LDPE)

(Indexed, Jul-18=100%)

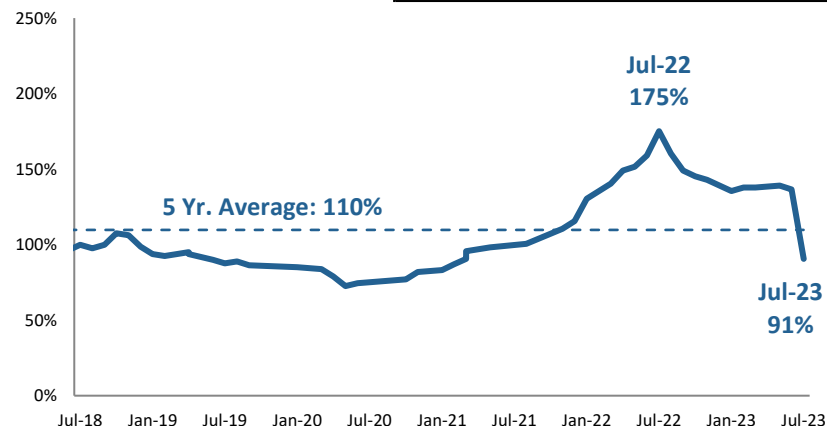
	30 Days	180 Days	1 Year
% Change	(4%)	(22%)	(30%)



## Polyethylene Terephthalate (PET)

(Indexed, Jul-18=100%)

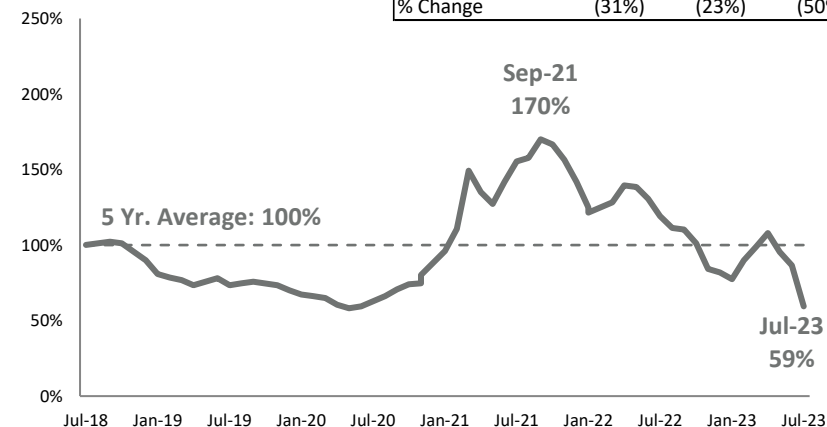
	30 Days	180 Days	1 Year
% Change	(34%)	(33%)	(48%)



## Polypropylene (PP)

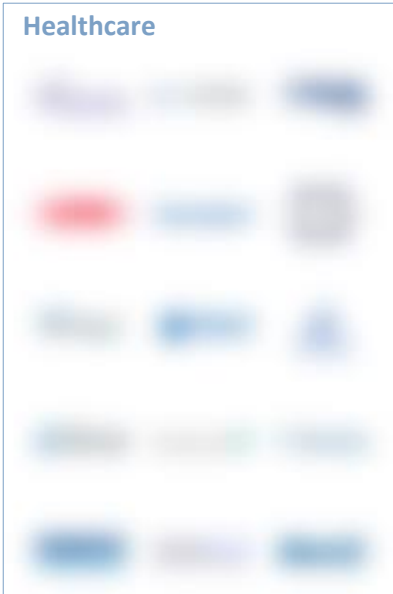
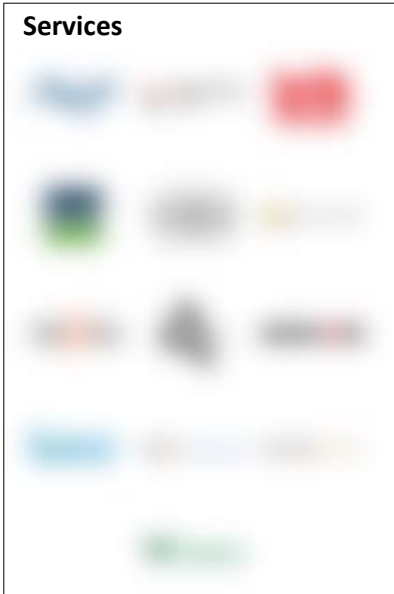
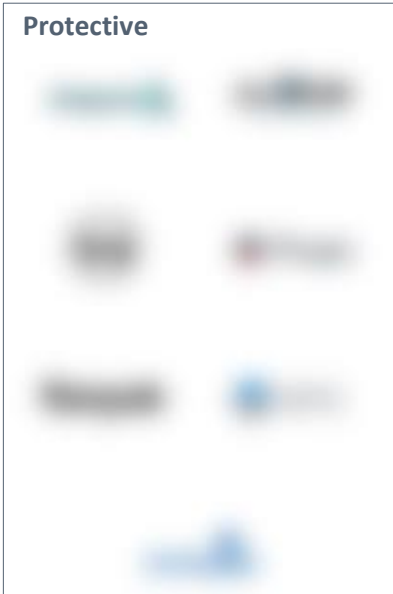
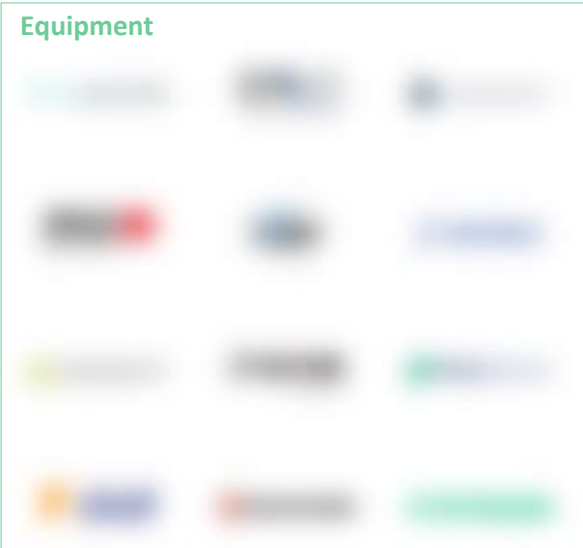
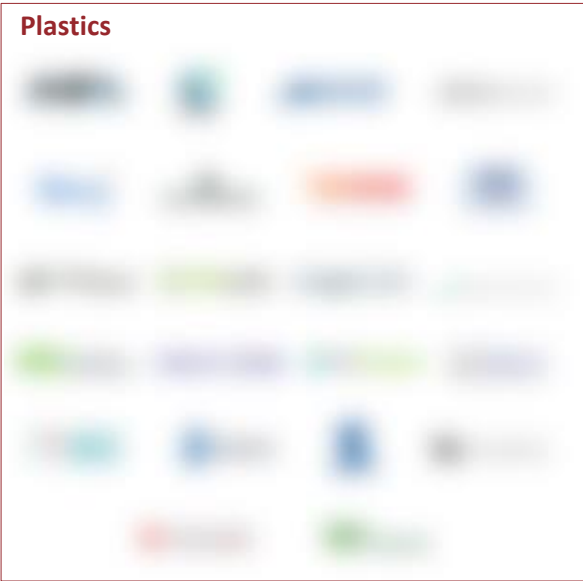
(Indexed, Jul-18=100%)

	30 Days	180 Days	1 Year
% Change	(31%)	(23%)	(50%)



# Packaging Landscape – Select Participants

To view full market landscape, please contact  
[PackagingInsights@harriswilliams.com](mailto:PackagingInsights@harriswilliams.com)



# Harris Williams Packaging Sector Overview

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### Plastics

- Flexible
- Rigid
- Thermoformers

### Paper

- Consumable
- Specialty
- Corrugated

### Healthcare

- Cold Chain
- Medical Devices
- Medical Plastics

### Protective

- Consumer
- Industrial
- Product Securing

### Equipment

- Pure Equipment
- Razor / Razorblade

### Services

- Co-Manufacturing
- Distribution
- Software

### Labels

- Active Packaging
- Labels
- RFID



# HW Harris Williams / GLOBAL INVESTMENT BANK

Harris Williams is a global investment bank specializing in M&A and private capital advisory services. Clients worldwide rely on us to help unlock value in their business and turn ambitious goals into reality. We approach every engagement with boundless collaboration, pooling expertise and relationships across industries, service offerings, and geographies.

## Deep Industry Experience

## Proven Expertise

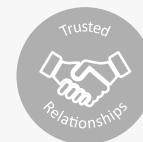
## Core Values That Drive Success



## MERGERS & ACQUISITIONS

## PRIVATE CAPITAL SOLUTIONS

## PRIMARY FUND PLACEMENT



75%

Revenue from repeat clients

87%

Managing Directors promoted from within

30+

Year history

## Sources

1. CapIQ
2. PitchBook
3. IBISWorld
4. FRED
5. Plastics News
6. Forbes
7. McKinsey & Co.
8. Packaging Insights
9. just-food.com

### *Public Comparable Companies*

Diversified/Specialty: Amcor, AptarGroup, Berry Global, Greif, Huhtamäki, Sealed Air, Sonoco, Winpak

Paper and Paperboard: DS Smith, Graphic Packaging, International Paper Company, Mondi, Packaging Corporation of America, Smurfit Kappa, WestRock

Rigid: Ball Corporation, Crown Holdings, O-I Glass, Silgan Holdings

Labels: Avery Dennison, CCL Industries

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