



**HW Harris Williams**

## PACKAGING SECTOR BRIEF

Q4 2023



# Key Trends in Packaging

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

## Happening in Packaging Right Now

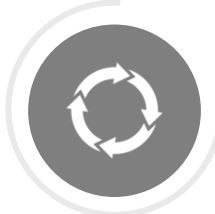


### Sustainability

The shift toward sustainability is transforming the packaging sector, as companies are opting for biodegradable, recyclable, or reusable packaging solutions to diminish their ecological footprint and satisfy evolving consumer preferences

### Circular Economy

Increased focus on sustainability has driven brand owners and packaging providers alike to rethink their position in the value chain and progress circular solutions



### Supply Chain

Supply chain disruptions stemming from COVID-19 and geopolitical tensions have caused players to rethink sourcing across the value chain, driving a wave of near-shoring to create supply chain resiliency and stability

### Advanced Materials

Cutting-edge composite materials, bioplastics, biodegradable, and compostable substances are pushing the boundaries of potential applications across a variety of markets



### Inflation

While there has been some moderation in inflation, the industry and consumers alike continue to face elevated costs, which have shifted buying habits

### Regulations

Regulations are propelling the packaging industry toward greater sustainability, innovation, and transparency



# Perspectives on Packaging

## Plastics



### Select Participants



### Key Trends

The industry is driving toward the development of smart plastics, incorporating features such as biodegradability, extended shelf life for products, and improved recyclability

## Paper



### Select Participants



### Key Trends

Paper-based alternatives to single-use plastics will continue to benefit as consumers and regulations demand more sustainable solutions

## Healthcare



### Select Participants



### Key Trends

Ample opportunities exist for innovators, as consumers seek cutting-edge smart packaging solutions that integrate technologies for improved tracking, authenticity verification, and patient safety

## Protective



### Select Participants



### Key Trends

Customization in protective packaging allows tailored solutions for various products, reducing excess material usage and optimizing space

## Equipment



### Select Participants



### Key Trends

Automation and robotics are playing a crucial role in the packaging space, enabling faster production rates, reduced downtime, and improved accuracy

## 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

Smart labels enable brands to build stronger connections with consumers, with innovations like QR codes and augmented reality (AR) being used to foster increased trust and loyalty

# What We're Reading

## Digital Printing Report

**Label & Narrow Web – November 2023**

Digital printing has become a driving force in the future of packaging and label production. The COVID-19 pandemic and supply chain disruptions have underscored the importance of digital printing as a crucial tool for converters, offering agility and responsiveness to evolving market demands. Since then, advancements in digital printing quality, color accuracy, and capabilities have garnered increased market recognition, bolstered by its alignment with current trends such as automation, sustainability, and faster turnaround times in the label market.

Read the full report [here](#)

## A Sneak Peek Into the Future of Packaging Innovations

**Packaging Gateway – November 2023**

As consumers increasingly demand sustainable packaging solutions that integrate interactive experiences, customization, and personalization, the future of the packaging industry is a dynamic landscape filled with innovative materials, smart technologies, and consumer-centric design. A few recent innovations have included: the development of biodegradable materials, such as plant-based plastics and mushroom packaging; AR technologies that allow consumers to virtually “try before they buy”; and digital printing technologies that enable packaging providers to produce short runs to target specific consumer segments.

Read the full article [here](#)

## Robots 2023: Smarter, More Adaptable & More Robust

**Packaging World – August 2023**

The market for packaging robots has witnessed significant growth recently, and this trend is projected to persist over the next decade. The latest batch of robotic systems and software introduced this year emphasizes AI integration, larger carrying capacities, improved adaptability, simplified programming, and easier handling. These advancements aim to tackle labor shortages, enhance productivity, ensure uniform product handling and consistent quality, all while prioritizing worker safety.

Read the full report [here](#)

## Sustainable Packaging: What Consumers Want Next From the Paper and Packaging Industry

**Bain & Company – August 2023**

The environmental challenge of packaging waste has exploded, with governments, regulators, consumers, shareholders, employees, and society at large putting immense pressure on brands to address the unintended consequences of their current packaging system. In the near-term, Bain expects to see a further acceleration of pressure on packaging companies. Many forward-looking companies are racing to reimagine packaging in order to achieve circularity targets while reducing greenhouse gas (GHG) emissions – those who build the capabilities and flexibility to navigate these complex packaging challenge are likely to emerge as winners.

Read the full article [here](#)

## Recent Harris Williams Packaging Content

- PACK EXPO 2023: Innovation and Tech Delivering M&A Opportunities



[Link to Read](#)

- interpack 2023: Sustainability in Focus



[Link to Read](#)

- Packaging: Delivering Stability & High-Growth Opportunities



[Link to Read](#)

# Select Recent Packaging M&A Transactions

## IPACKCHEM to be acquired by Greif

10/31/2023



Target



Buyer

- IPACKCHEM is a manufacturer of premium HDPE and PET-based blowmolded rigid bottles, containers, and other packaging solutions
- This acquisition complements Greif's product portfolio, providing scale benefits across developed and emerging markets as well as diversification into non-industrial end markets

## Accord Carton acquired by Mason Wells

09/18/2023



Target



Buyer

- Accord designs and manufactures custom folding cartons for private label and branded consumer goods, primarily within food and beverage end markets
- Mason Wells will look to support and accelerate Accord's growth trajectory utilizing their expertise from past investments in packaging and converting companies

## Smurfit Kappa to merge with Westrock

09/12/2023



- WestRock is a manufacturer of corrugated and consumer packaging products serving customers across North America, South America, Europe, Asia, and Australia
- This strategic acquisition creates a global packaging platform with unparalleled geographic and product diversity, as well as enhanced capabilities to serve customers

## Soteria Flexibles acquired by TJC

09/06/2023



Target



Buyer

- Soteria is a manufacturer of short-run, custom flexible packaging solutions serving the healthcare, fresh food, industrial, foodservice, JanSan, and commercial markets
- TJC's expertise in the packaging space will enable a new phase of growth and expansion for Soteria

## BradyIFS merges with Envoy

08/29/2023



- BradyIFS and Envoy are distributors of foodservice disposables and JanSan products
- This business combination will bolster end market and geographic diversification, provide a broader range of complementary product portfolios for customers, and improve global sourcing capabilities

## Veritiv acquired by CD&R

08/07/2023



Target



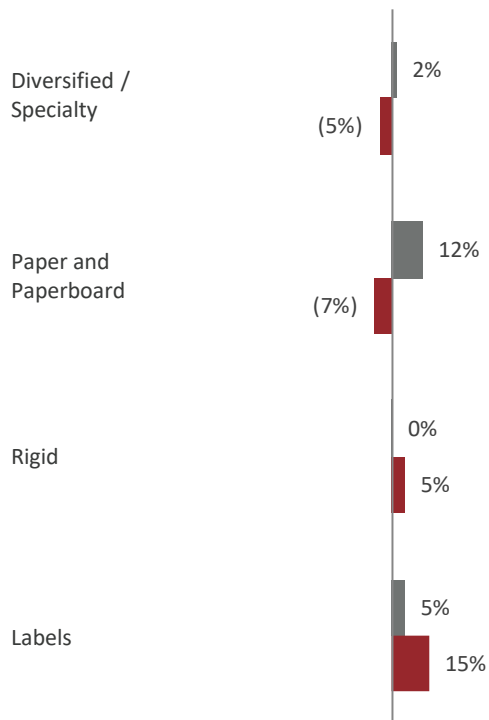
Buyer

- Veritiv is a distributor of packaging, facility solutions, and print products
- Through their partnership with CD&R, Veritiv will be well-positioned to continue capitalizing upon new growth opportunities to further differentiate their solutions and add value to customers

# Public Packaging Companies – Valuation

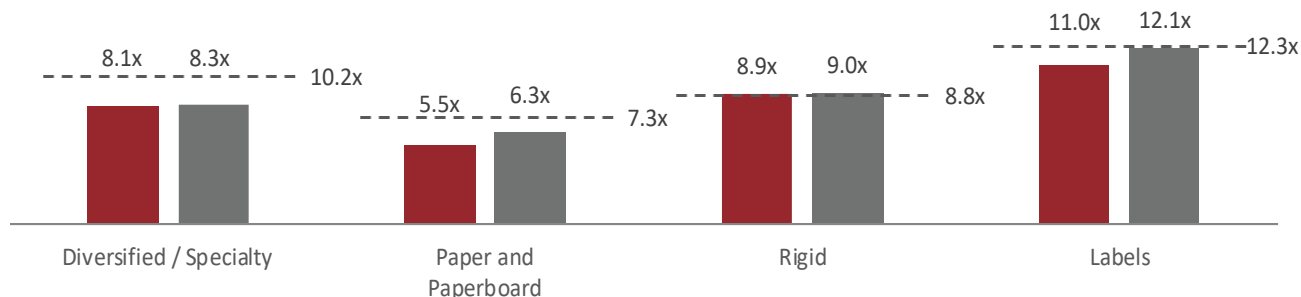
## Total Shareholder Return (1- & 3-Year)<sup>1</sup>

■ 1-Year Performance ■ 3-Year Performance



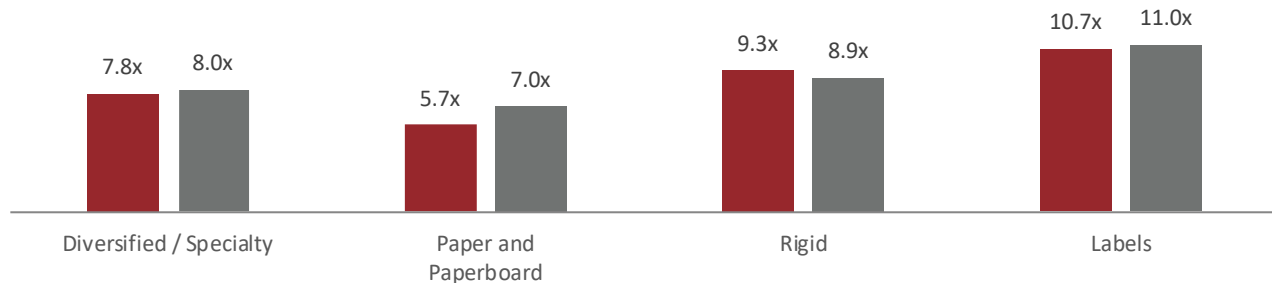
## LTM EBITDA Multiple Comparison: December 2022 vs. December 2023

■ LTM December-22 ■ LTM December-23 — 3Y AVG



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

■ NTM December-22 ■ NTM December-23



### Diversified / Specialty



### Paper and Paperboard



### Rigid



### Labels

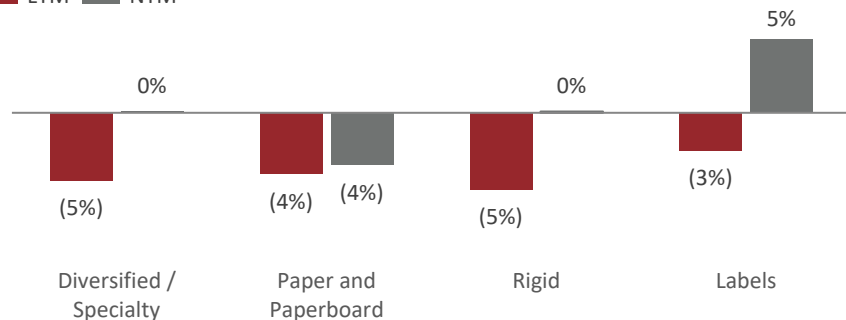




# Public Packaging Companies – Operating Metrics (Q3 '23)

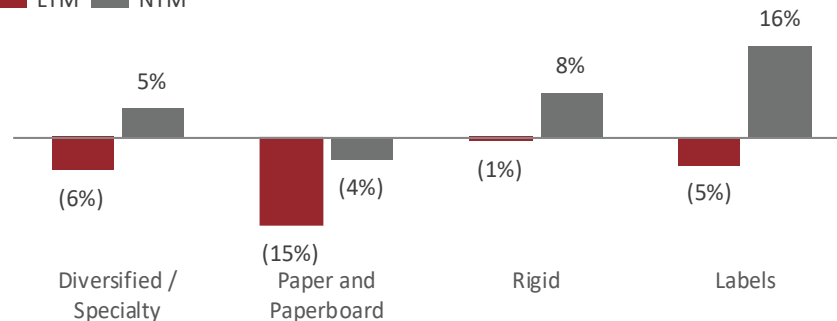
## Revenue Growth

■ LTM ■ NTM



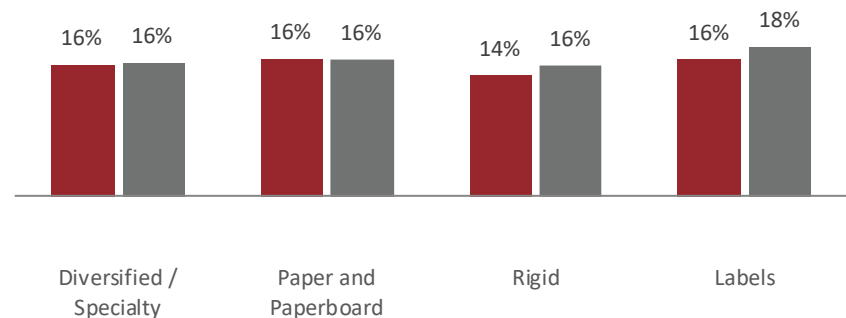
## EBITDA Growth

■ LTM ■ NTM



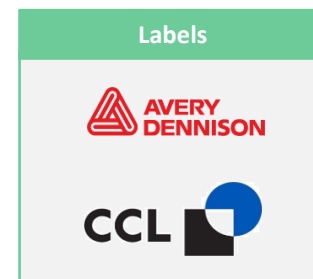
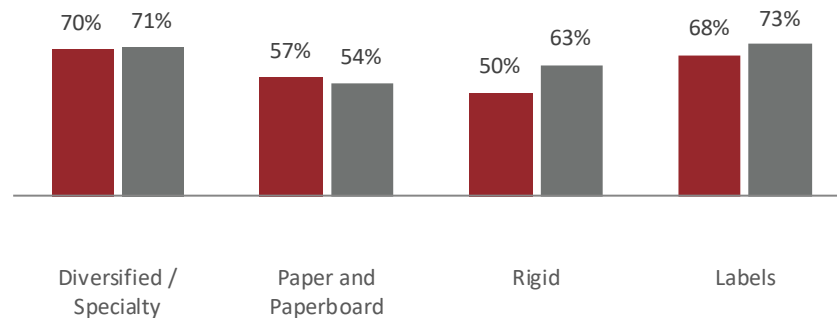
## EBITDA Margin

■ LTM ■ NTM



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

■ LTM ■ NTM



# Public Packaging Companies – Q3 Earnings and Commentary

## Revenue



Vs. Consensus  
Beat / (Miss)

Q3 '23 vs. Q3 '22

## EBITDA



Vs. Consensus  
Beat / (Miss)

Q3 '23 vs. Q3 '22

## EPS



Vs. Consensus  
Beat / (Miss)

Q3 '23 vs. Q3 '22

## Improving Demand

"While October volume trends remain down, we are seeing some sequential improvement compared to trends in August and September. The rate of decline has started to reverse in segments like food and NAB (Non-Alcoholic Beverages) in North America. [...] Again, we believe the current situation is temporary, and we expect demand will rebound as we go into 2024."

– Andres Lopez (CEO)



"Our order intake is quite a bit higher than it was in the summer somewhere between 8% and 10%. [...] There definitely seems to be more confidence from some sectors in our business. [...] We wanted to highlight Germany because as you said a few seconds ago, it is an important market for packaging. And it's the first real sign of life that our guys have seen for 6 months now or so."

– Anthony Smurfit (CEO & Executive Director)



"We remain very confident in the structural demand growth into the future. ... So again the supply side is a different dynamic to what it is in other grades and I think all is well for the future as when we see a pickup in demand driven by no doubt a macroeconomic recovery."

– Andrew King (CEO)



## Inventory Destocking

"Latest indications suggest that our customers' inventory destocking is largely complete in Europe and will be largely complete in North America by year-end."

– Deon Stander (President & CEO)



"The destocking trend continued in the third quarter as improvement across supply chains allow customers to manage more lean inventory levels. Based on feedback from our customers and from order bookings, we believe destocking was largely completed in the third quarter."

– Timothy Nicholls (Senior VP & CFO)



"The destocking that happened post pandemic, we feel pretty confident that we have the timing of that correct. And those products have worked their way through the system. The inventory cleansed itself through the system. We're seeing the recovery of those markets for the most part."

– Adan Greenlee (President & CEO)



## Sustainable Product Offerings

"AmLite, which is a retortable -- a recycle-ready retortable structure. AmFiber, which is a paper-based solution; AmSky, which eliminates PVC and PVDC from blister packaging. We think that we've got some really special products there with a really compelling value proposition for customers that are trying to drive their own sustainability agenda."

– Ronald Delia (CEO & Executive Director)



"I'm sure many of you recognized the iconic Nissin Cup Noodles. [...] Through our innovation capabilities and expertise in both food service and retail packaging, the fiber-based solution we developed serves as a more sustainable packaging alternative to foam and is effective in a shelf stable retail environment."

– Michael Doss (President & CEO)



"It's really around the sustainable offerings that we bring to the marketplace, and that's both on the Protective and on the Food side. [...] Our paper solution continues to make progress on the Protective side. [...] On the Food side, we are continuing to push on our sustainability pledge around bringing our solutions to being 100% recyclable usable. Just to give you a perspective, we're around 51% of the portfolio away today."

– Emile Chammas (Interim Co-CEO & COO)



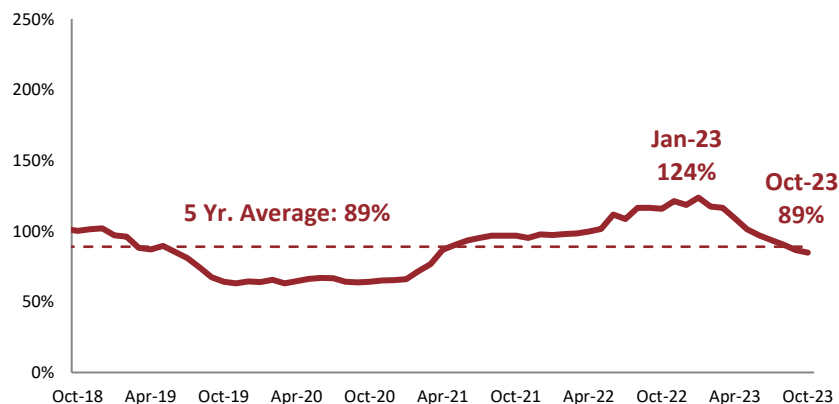


# Key Material Price Trends

## PULP, PAPER, AND ALLIED PRODUCTS

(Indexed, Oct-18=100%)

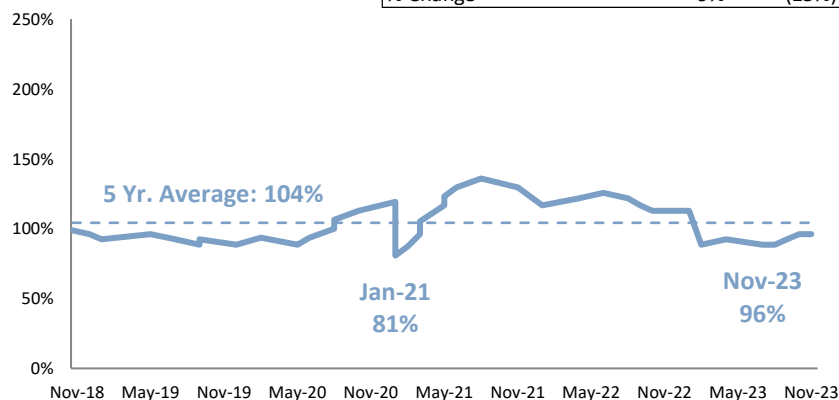
	30 Days	180 Days	1 Year
% Change	(2%)	(16%)	(27%)



## LOW-DENSITY POLYETHYLENE (LDPE)

(Indexed, Nov-18=100%)

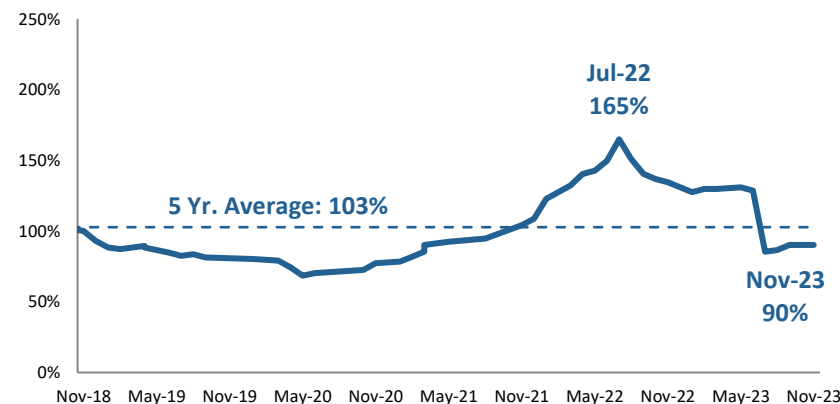
	30 Days	180 Days	1 Year
% Change	-	9%	(15%)



## POLYETHYLENE TEREPHTHALATE (PET)

(Indexed, Nov-18=100%)

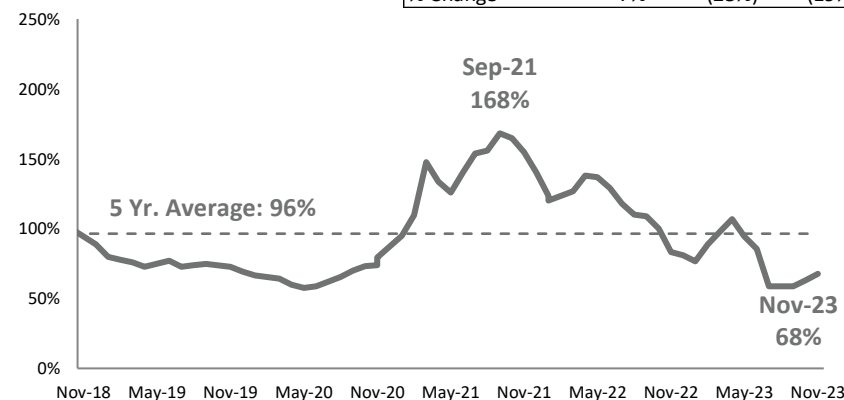
	30 Days	180 Days	1 Year
% Change	-	(30%)	(33%)



## POLYPROPYLENE (PP)

(Indexed, Nov-18=100%)

	30 Days	180 Days	1 Year
% Change	7%	(28%)	(19%)



# Packaging Landscape – Select Participants

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

## Plastics



## Paper



## Labels



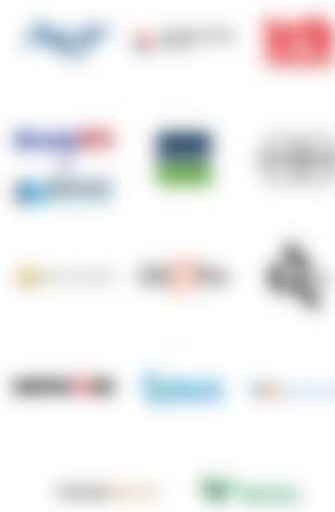
## Equipment



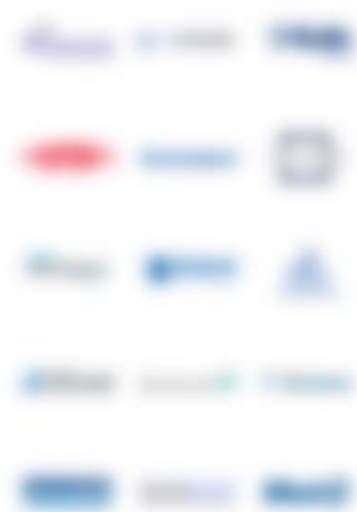
## Protective



## Services



## Healthcare



# Harris Williams Packaging Sector Overview

## Harris Williams Packaging Contacts

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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



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## Proven Expertise

## Core Values That Drive Success

Aerospace, Defense & Government Services

Business Services

Consumer

Energy, Power & Infrastructure

Healthcare & Life Sciences

Industrials

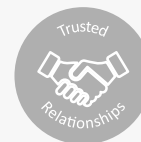
Technology

Transportation & Logistics

MERGERS & ACQUISITIONS

PRIVATE CAPITAL SOLUTIONS

PRIMARY FUND PLACEMENT



75%

Revenue from repeat clients

87%

Managing Directors promoted from within

30+

Year history

## Sources

1. Labels & Narrow Web
2. Packaging Gateway
3. Packaging World
4. Bain & Company
5. CapitalIQ
6. FRED
7. Plastics News

### *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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