

European Paper and Packaging Update

Welcome to Pöyry Capital's European Quarterly Paper and Packaging Merger and Acquisitions Newsletter.

Q2 QUARTER 2015

During Q2 2015, some 40 paper and packaging related transactions were announced in Europe, with an aggregate announced transaction value of approximately EUR 4.0 bn. The number of transactions announced was higher than the one experienced during the previous two quarters. Only two of the identified transactions in this quarter involved a non-European buyer.

LANDMARK TRANSACTION: THE SALE OF VERALLIA TO APOLLO (ANNOUNCED JUNE 8TH 2015)

Apollo Global Management, a publicly listed investment fund, announced the acquisition of Verallia, the European beverage glass packaging business unit of Saint Gobain, for an Enterprise Value of EUR 2,945 million. The acquisition of Verallia represents the largest announced European private equity packaging transaction in 2015. Apollo was the successful bidder in a competitive auction process in which both strategic and private equity investors were active.

The announced acquisition entry multiple of around 7.4x LTM EBITDA and 12.8x LTM EBIT* may be considered above average for transactions in the glass packaging sector (but still at a discount to some of the key European publicly listed glass packaging companies). The glass packaging market is fairly consolidated, with a limited number of key players with strong leadership positions

in some regional markets. The growth of the overall glass packaging market has remained relatively stable from a European perspective with low single digit to slightly negative growth rates

From St. Gobain's perspective, this was a good time to sell. Energy prices, one of the key input costs for the manufacturing of glass, are at historically low levels in most of the territories where Verallia's large energy-consuming glass furnaces are located. Some of the key end markets served by Verallia, such as sparkling wine, wines and spirits, have seen good export demand from Latin America, China and other Asian countries. The principal substitution threat in packaging for Verallia's products is in the beer, food and non-alcoholic beverages segments. However, substitution in these particular sectors is limited due to the significant investment requirements for FMCG companies to change their packaging filing lines.

The deal was debt-financed with a bullet, covenant-lite leverage loan and a high-yield bond. The financing was completed after the successful placing of two other large leverage finance deals that were announced over the past twelve months in the packaging space (SIG Combibloc and Constantia Flexibles).

It is not clear what Apollo's plans are for Verallia, but potentially the rationalisation of some of its manufacturing facilities in Europe may make strategic sense.



"The acquisition of Verallia by Apollo Global Management represents the largest European packaging transaction in 2015"



Cele Moncayo
Managing Director

VALUATION MULTIPLE COMPARISONS: WHY ARE US COMPANIES' RELATIVE VALUATIONS IN THE PACKAGING SPACE HIGHER THAN THOSE IN EUROPE?

During the last few years, based on public available data, trading and transaction valuation multiples have been higher in the North American packaging and paper space than in Europe. The reasons for the valuation discount in Europe are both macro-and packaging-specific.

At the macro level, we have seen analysts state the following reasons for the valuation disparity:

- The general US economy is expected to grow at a faster rate than the combined Eurozone economies;
- Population growth in the US is higher than the combined Eurozone economies, expanding at least three times the rate of the combined Eurozone economies;
- Energy, particularly gas price levels, are substantially lower in the US than in the Eurozone economies; and
- Transaction costs in Europe are higher while labour market flexibility is lower and there are many local fiscal anomalies.

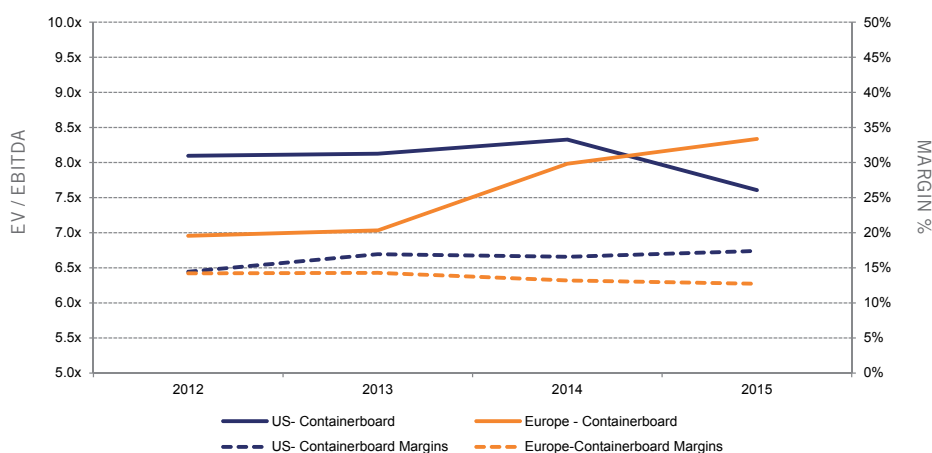
At the packaging / paper company level we have heard the following:

- Some packaging and paper grades have gone through a period of consolidation, resulting in better structured markets and more favourable pricing power in the US than in Europe. For example, the US containerboard and corrugated packaging segments are more consolidated compared to Europe; and
- Greater converting associated costs in Europe than in the US, for example, due to the presence of printed information in different languages, different and more stringent food contact regulations per country, etc.

However, when looking at two particular sectors in the packaging industry, container board/corrugated and the flexible plastic packaging, we have seen a switch in the relative valuations of European and US companies.

In the corrugated packaging industry, this switch has been more recent and driven by a revaluation of the key listed players in the European containerboard and corrugated packaging industry segments.

EUROPEAN CONTAINERBOARD AND US CONTAINERBOARD RELATIVE VALUATION AND MARGINS (2012 – 2015)



In summary, European corrugated packaging companies are no longer trading at a material discount to their US peers, even though margins are materially lower in Europe. From a European perspective, this would indicate that US-based corrugated packaging companies are of better value simply due to more favourable margin and growth KPIs. However, this is merely a generalisation, as each target company is different.

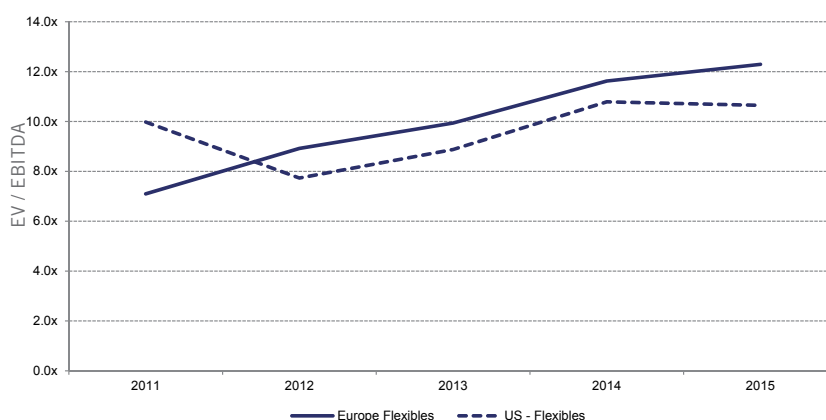
In the flexible packaging industry, the relative valuation switch happened a few years ago and the gap between European and US companies has been fairly stable at less than 1.5x EBITDA.

The average relative valuation of European publicly listed flexible packaging companies is actually higher than their US peers. Some of the reasons that support this switch are that European flexible packaging companies have been expanding their operations in emerging markets more aggressively and thus are expected to grow faster than their US-based peers.

Furthermore, on average European flexible plastic packaging companies tend to be more creative in their packaging design sets than their US counterparts, and therefore should have more favourable growth product portfolios.

When advising our execution clients on valuation-related matters, our recommendation is not only to focus on the specific segments within the packaging and paper, but also take into consideration both the geographic scope and packaging substrate and paper grade exposure for each target company.

EUROPEAN AND US FLEXIBLE PACKAGING RELATIVE VALUATION (2011 – 2015)



TRANSACTION UPDATE – Q2 2015

SPECIALITY PAPER/TISSUE

- On 29th April Sequana announced the sale of 85% of Arjowiggins' Security Solutions business to Impala SAS
- On 12th May Abris Capital Partners announced the acquisition of S.C. Pehart Tec
- On 20th May Sequana announced the sale of Arjo Wiggins Ltda to the Fedrigoni Group

PRINTING AND WRITING PAPER

- On 29th April Mutares announced the acquisition of Metsa Board Zanders
- On 4th May Walstead Investments Limited announced the acquisition of Eurohueco S.A. and Rotocobrhí S.A.U.
- On 19th May Digiprint Finland announced the acquisition of Multiprint Oy

CARTONBOARD

- On 17th June Mayr Melnhof announced the acquisition of the folding carton operations of Ileos SA
- On 19th June Abris Capital announced the acquisition of Poland-based paperboard manufacturer Graf Poz SA

CONTAINERBOARD/SOLIDBOARD

- On 21st April Aurelius AG announced the acquisition of Smurfit Kappa's solidboard and graphicboard operations in Neth, UK. Pöyry Capital acted as exclusive financial advisor to Aurelius AG
- On 16th June Diamondpak announced the acquisition of UK-based Atlantic Box Co Ltd
- On 18th June Logson Packaging Ltd announced the acquisition of Jardin Corrugated Cases Ltd
- On 25th June DS Smith announced the acquisition of Grupo Lantero

RIGID PLASTICS

- On 1st April Barry Wehmiller Cos announced the acquisition of France-based Hema SAS
- On 22nd April Faerch Plast announced the acquisition of Anson Packaging Ltd
- On 27th April Mobeus Equity Partners announced the acquisition of Styropack (UK) Ltd and Jablite
- On 30th April Par-Pak Europe announced the acquisition of Deltaform Ltd
- On 22nd May Johnson Matthey Plc announced the acquisition of DS Smith's UK-based StePac Modified Atmosphere Packaging business
- On 4th June 3i announced the acquisition of Weener Plastik

FLEXIBLE PLASTICS

- On 24th April Beucke & Soehne announced the acquisition of Cenadruck GmbH
- On 29th April Eurostampa announced the acquisition of Poly-Imprim

- On 4th May Multi-Color Corporation announced the acquisition of Imprimerie Barat
- On 22nd May Mondi announced the acquisition of two extrusion coating plants from Walki Group Oy. Pöyry Capital acted as exclusive financial advisor to Mondi

GLASS AND METAL

- On 5th June Vetropack Holding announced the acquisition of the glass packaging business of Bormioli Rocco
- On 8th June Apollo Global Management announced the acquisition of glass bottle manufacturer Verallia. Subsequently, on 12^o June BPI France Investissement acquired a minority stake from Apollo

MACHINE MANUFACTURERS

- On 8th April Kronos AG announced the acquisition of German label machinery manufacturer GERNEP GmbH
- On 13th May Bobst Group announced the acquisition of 65% stake in printing press manufacturer Nuova Gidue Srl

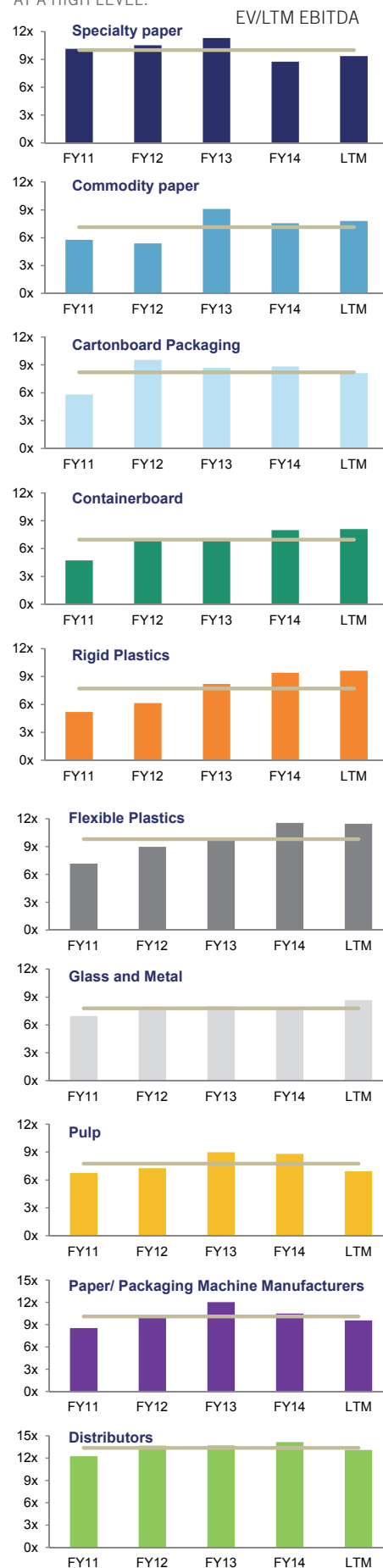
DISTRIBUTORS

- On 15th April Bunzl Plc announced the acquisition of Janssen Packaging NL
- On 28th April Premier Paper Group Ltd announced the acquisition of Reel Paper and Savory Paper divisions of PaperlinX Ltd
- On 6th May Sequana-owned Antalis announced the acquisition of three independent packaging distribution companies from PaperlinX UK
- On 8th May Moonen announced the acquisition of PaperlinX's Netherlands-based packaging division
- On 18th May Warsaw Equity Management SP announced the acquisition of PaperlinX Sp zoo
- On 1st June Antalis announced the acquisition of PaperlinX Scandinavia
- On 2nd June the Spanish Management team of PaperlinX announced the take over of the Spanish subsidiary PaperlinX SL
- On 3rd June Filpack Group announced the acquisition of l'Univers de l'Emballage
- On 18th June Europapier CE GmbH, a subsidiary of Heinzl Group, announced the acquisition of the signage business unit of Papernet GmbH
- On 22nd June Sequana-owned Antalis announced the acquisition of Hansapakend in Estonia

PULP

- N/a

IN THE Q2 2015 THE SHARE PRICE OF LISTED EUROPEAN PULP COMPANIES EXPERIENCED A HIGH LEVEL OF VOLATILITY, DRIVEN TO SOME EXTENT BY THE DEVALUATION OF THE EURO VS THE US DOLLAR AND PULP PRICES REMAINING AT A HIGH LEVEL.



Source: Capital IQ, Company Information

PÖYRY CAPITAL HAS LONGSTANDING EXPERIENCE ACROSS THE PAPER AND PACKAGING SECTORS

Specialty Paper

ANDLINGER & COMPANY

Has declared its offer to acquire CVG unconditional

CROWN VAN GELDER

PÖYRY
Exclusive Financial Advisor to Crown Van Gelder
March 2015

CROWN VAN GELDER

Pöyry Capital provided a fairness opinion in relation to Andlinger & Company's intended public offer for Crown Van Gelder

PÖYRY
Exclusive Financial Advisor to the Supervisory Board and Management of Crown Van Gelder
October 2014

Ahlstrom

Have divested 100% of shares in Ahlstrom Cores AS Norway to

adac

PÖYRY
Exclusive Trustee to Sonoco-Alicore joint venture
December 2014

Pöyry Capital acted as financial advisor to the lending banks of a leading French paper producer and distributor during the restructuring process

PÖYRY
Financial Advisor to the lending banks
Q1 2014

MYLLYKOSKI and **RHEIN PAPIER**

has been acquired by

UPM

PÖYRY
Financial Advisor to the lending banks of Myllykoski
August 2011

STORAENSO

have divested Stora Enso North America Inc to

NewPage

PÖYRY
Financial Advisor to Stora Enso
September 2007

Cartonboard Packaging

GRAPHIC PACKAGING

has agreed to acquire

Benson Group

PÖYRY
Exclusive Financial Advisor to Graphic Packaging
February 2014

GRAPHIC PACKAGING

has agreed to acquire

CARTON
Beer and Beverage Packaging Business

PÖYRY
Exclusive Financial Advisor to Graphic Packaging
December 2012

GRAPHIC PACKAGING

has agreed to acquire

Contego
CARTONS

PÖYRY
Exclusive Financial Advisor to Graphic Packaging
December 2012

AURELIUS

has agreed to acquire the Solidboard and Graphicboard operations in the Netherlands, Belgium and UK from

Smurfit Kappa

PÖYRY
Exclusive Financial Advisor to Aurelius
April 2015

H2 Equity Partners
Building better businesses

has agreed to divest

Eska
Graphic Board

PÖYRY
Exclusive Financial Advisor to H2 Equity Partner
October 2013

m-real

have divested M-real Petöfi Nyomda Kft to

STI GROUP

PÖYRY
Exclusive Financial Advisor to M-real Corporation
June 2007

Containerboard/ Solidboard

Rigid Plastics

IRVING PLACE CAPITAL and **OAKTREE**

have sold

Chesapeake
Specialty Chemical Packaging

PÖYRY
Exclusive Financial Advisor to Irving Place Capital and Oaktree Capital Management
January 2014

SUN CAPITAL PARTNERS, INC.

has agreed to acquire

HUHTAMAKI
TRADING THROUGH THE COMPANY
European Rigid Plastic Consumer Goods

PÖYRY
Financial Advisor to Sun European Partners LLP
December 2010

REXAM

has divested to

Petainer

to

Next Wave Ventures
Independent private equity

PÖYRY
Financial Advisor to Rexam PLC
November 2009

Flexible Plastics

mondi

has agreed to acquire

Two extrusion coating plants from

walki

PÖYRY
Exclusive Financial Advisor
Pending

Middle Eastern Packaging Company

Pöyry Capital conducted a rigorous target search for global flexible packaging targets

PÖYRY
Exclusive Financial Advisor
Q1 2014

UPM-Kymmene Oyj

have sold

ROSENLEW

to

Investor Group led by 3i Group

PÖYRY
Exclusive Financial Advisor to UPM-Kymmene Oyj
August 2003

Distributors

ALTOR
Equity Partners

has acquired

PAPYRUS

from

STORAENSO

PÖYRY
Exclusive Financial Advisor to Altor
March 2008

PAPYRUS

have acquired

France

from

International Paper

PÖYRY
Exclusive Financial Advisor to Papyrus AB
April 2005

PAPYRUS

have acquired

S

from

Private Shareholders

PÖYRY
Exclusive Financial Advisor to Papyrus AB
September 2005

Pulp

ENCE
Energia y Celulosa

Has agreed to divest its Uruguayan Operations to

a U.S. institutional fund with forestry operations in Latin America

PÖYRY
Exclusive Financial Advisor to ENCE Energia y Celulosa
March 2013

STORAENSO

have divested

Celulose Beira Industrial (Celbi) SA

to

altri

PÖYRY Morgan Stanley
Exclusive Financial Advisor to Stora Enso Oyj
August 2008

Československá obchodní banka, a.s. P.I.F. a.s. – 1. Privatizační investiční fond První investiční společnost, a.s. TARPA Securities B.V., Triton Development Fund represented by Quorum Pro, a.s. have sold 93.6% of the shares of

Y-SCCEL

to

Heinzel, Bunzl Beteiligungs- und Liegenschaftsverwaltungs GmbH

PÖYRY
Exclusive Financial Advisor to the Investor Group
March 2007

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