

European Paper and Packaging Update

Welcome to Pöyry Capital's latest European Paper and Packaging newsletter.



This issue covers the following:

- Investment strategies for the specialty paper sector
- Transactions announced during the last quarter of 2016 and the first quarter of 2017

M&A ACTIVITY LEVELS – Q4 2016 / Q1 2017

In these two quarters some 76 paper and packaging related transactions were announced in Europe with an aggregate announced transaction value of over EUR 3.1bn. The number of transactions announced was slightly above the one seen during the two previous quarters (66).

INVESTMENT OPPORTUNITY - SPECIALTY PAPER

How does an investor gain access to companies that manufacture specialty, highly differentiable, difficult to duplicate products without having to pay the excessively high valuation multiples that have been the norm for the last few years?

One way is to invest in specialty paper companies. The specialty paper universe is wide and can extend from the manufacturing of paper to a wide variety of end uses, from highly specialised bank-note paper to less specialised graphic paper for digital inject reproduction. All of these end segments have different end-demand drivers and are manufactured utilising a wide variety of techniques and different raw materials. Some exhibit end demand drivers with very limited cyclicity; others are highly correlated with the industrial sectors that they supply.

Many European financial sponsors react badly whenever the word “paper” is mentioned, citing declining demand, high level of capital intensity, low Return on Capital Employed, a highly competitive environment and ageing infrastructure. However, this could not be further from the truth for some of the specialised paper manufacturers.

In this newsletter we focus on speciality paper companies that sell products to the packaging and related industries. Compared to plastics, one of the key aspects of the specialised packaging papers is that they are largely 100% decomposable and bio-degradable. More importantly from the supply side equation very little major new capacity has been installed in Europe and North America recently. Instead of new capacity we have often seen key industry players meet increased demand through de-bottlenecking and other efficiency improvements.

During the last few quarters we have seen a high level of M&A activity in the specialty paper packaging sector. In the last few months some important transactions, particularly in North America, Dunn Paper and Burrows paper have transacted at what appears to be very attractive multiples. We have not yet seen similar multiples been paid for this type of companies in Europe.

In this update we would like to briefly touch upon specialty paper packaging asset classes that could be of potential interest for further investigation.

MG AND KRAFT PAPERS

Machine Glaze, Machine Finished and Smooth Finished papers are used for specialised packaging and cover a large variety of

consumer items such as food wrapping papers and carrier bags. End use sectors vary from food and pet food to the chemical industries. Selected examples of companies that manufacture this type of paper include BillerudKorsnäs and Hayat Holding.

GREASE PROOF PAPER

Greaseproof paper is impermeable to oil and grease as typically used in cooking but also in food packaging (e.g. fast food). One of the key properties of greaseproof paper is its very low surface porosity. An important growth driver for greaseproof paper is the trend towards consuming more “food on the go”. Selected examples of companies in this paper grade include Nordic Paper and Metsä Board.

LABEL / LABEL BASE PAPER

Label base paper is usually one side coated woodfree paper. It is used for a variety of label applications including wet glue labels (e.g. traditional beer bottles), self adhesive labels (e.g. food packaging, personal care packaging), in-mould-labels (e.g. Injection moulded boxes for wipes) and sleeve labels (e.g. tins/ food cans). This type of paper can be either printed and glued to the packaging or converted into self-adhesive label composite, then printed and then through pressure applied to the packaging. Selected examples of companies in this paper grade include Birgl & Bermeister and Feldmuehle Paper.



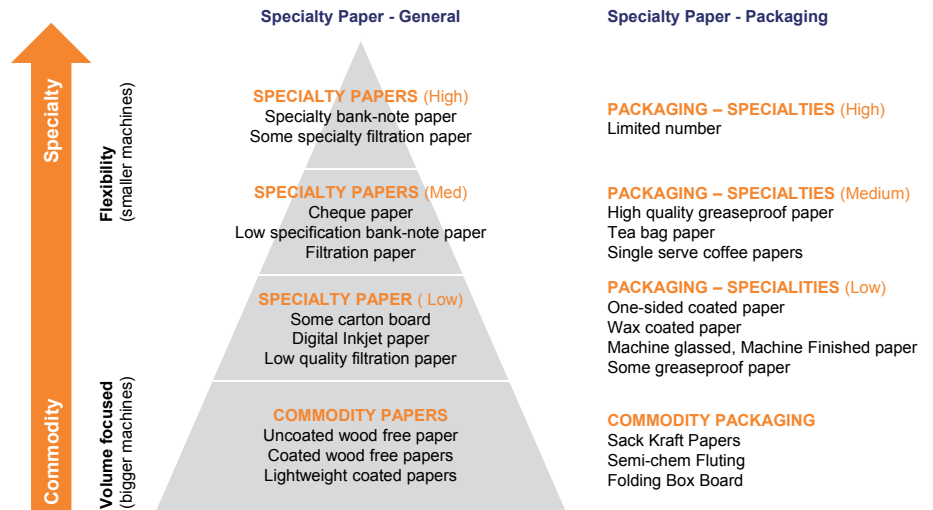
Cele Moncayo, Managing Director
+44 207 479 4003, Celedonio.moncayo@poyry.com

TEABAG PAPER / SINGLE SERVE COFFEE PAPER

Teabag papers used to pack tea leaves are a “ready to use” product that has gained significant market presence across the world. More recently a similar paper when compared to heat-sealed teabag paper has gained a significant market presence in the rapidly growing single serve coffee pod market. Selected companies that manufacture this type of paper include Glatfelter and Purico.

The list on the right represents just a small sample of specialty paper companies in the sector. We welcome the opportunity to discuss opportunities in the sector with you.

THE CHART BELOW IS AN ILLUSTRATION OF SPECIALTY PAPER SEGMENTATION



TRANSACTION UPDATE – Q4 2016 / Q1 2017

SPECIALTY PAPER/ TISSUE

- 20th December: Magnum Capital Industrial Partners acquired Industrias de Transformacion de Andoain
- 7th November: Munksjö AB and Ahlstrom announced a merger
- 7th November: Kammerer Paper Holding acquired Ahlstrom (Osnabruck plant)
- 18th November: Kajo Neukirchen acquired LP Pacific Films Sdn
- 4th October: Northwood Hygiene Products acquired Midland Paper Products

CARTON BOARD

- 24th January: Group eSiparex acquired Lebhar
- 3rd February: Alliance Entrepreneurs acquired FP Pack
- 10th February: Rondo Ganahl acquired Walz Verpackungen
- 3rd October: Schur International acquired Ekman's Jonkoping

CONTAINERBOARD / SOLID BOARD / CORRUGATED BOARD

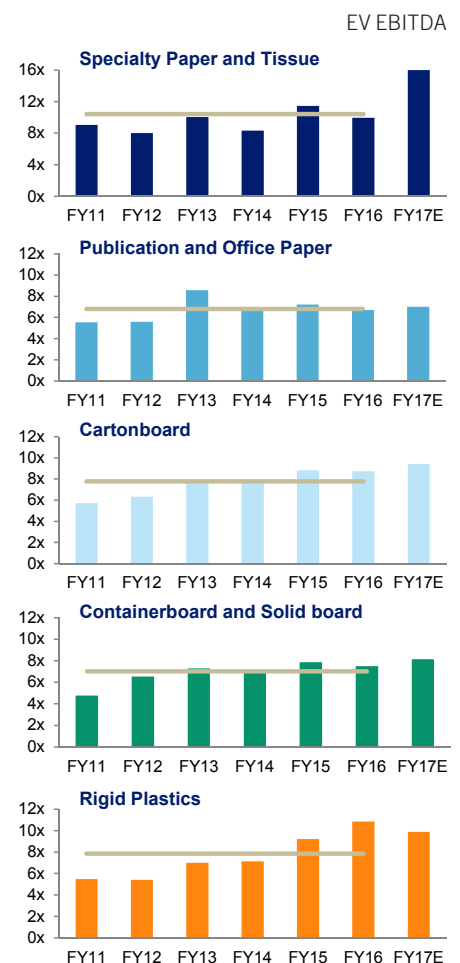
- 30th January: Cartotecnica Goldprint acquired Silton
- 19th January: VPK Acquired Solidpack
- 1st January: Certina Holding acquired Papiefabrik Meldorf
- 12th December: Cellulose de la Loire acquired Omni-Pac Ekco

IN THE LAST FEW MONTHS WE HAVE SEEN A CONTRACTION IN FORWARD LOOKING RELATIVE VALUATION MULTIPLES FOR RIGID PLASTIC PACKAGING COMPANIES IN EUROPE. THIS IS DUE TO A STRONG FALL IN THE SHARE PRICE PERFORMANCE OF THE THREE KEY PUBLICLY LISTED RIGID PLASTIC PACKAGING QUOTED COMPANIES (KEY REASONS, MISSING GROWTH FORECAST, FAILED PUBLIC TO PRIVATE TAKE-OVER)

- 8th December: DS Smith acquired P&I Displays and Packaging
- 18th November: Eagle Investments and Innovative Africa Investments acquired East Africa Packaging Holdings and TEAP Glass
- 3rd November: Smurfit Kappa acquired Saxon Packaging
- 14th October: Logson acquired The Boxshop
- 10th October: Mondi acquired Beepack

RIGID PLASTICS

- 21st March: Keter Plastics acquired Stewart Plastics
- 3rd February: APLA Werke Alwin Lehner acquired Star East PET
- 3rd February: Bain Capital acquired Resilux (failed)
- 15th December: RPC Group acquired ESE World
- 9th December: Agriplas and RIKUTEC acquired Sotralenz Packaging
- 16th November: RPC Group acquired Plastiaple
- 14th October: Marpol acquired GTX Hanex Plastics



Source: Capital IQ, Company Information, Mergermarket

Transaction update cont'd



FLEXIBLES AND LABELS

- 3rd April: CCL Industries acquired Goed Gemerkt
- 11th November: Quadpack acquired Collcap Packaging
- 13th March: Ocean Participations acquired Surfilm
- 3rd March: Ranpack Corp acquired NeoPack Solutions
- 21st February: NRW Bank & Bay BG acquired Kunststoffwerk Bossel Gerd Knaepper
- 21st February: Tompla Group acquired Litho-Bru
- 14th February: Smurfit Kappa Group acquired Litbag
- 6th February: Mondi acquired Excelsior Technologies
- 5th January: Viskase Companies acquired Walsroder Casings and Poly-clip System
- 4th January: iXO Private Equity acquired Baobag
- 23rd December: Saica International acquired Schut Flexible Packaging, Hellema Verpakkingen and Lemapack
- 22nd December: Management & Capitali acquired Treofan Germany (46% Stake)
- 19th December: CCL Industries acquired Innovia
- 19th December: SCA acquired BSN Medical
- 19th December: Armira Partners acquired PolyCine
- 15th December: JSC Danaflex acquired Danaflex Nano (49% Stake)
- 7th December: Actera acquired Korozo Ambalaj Sanayi Ve Ticaret
- 1st December: API Group acquired Amsterdam Metallized Products
- 11th November: EOS Investment Management acquired Poplast (86% Stake)
- 10th November: Schur Flexibles Holdings acquired Drukkerij Zwart
- 8th November: Multi Packaging Solutions acquired AJS Labels
- 2nd November: Compagnie de Saint-Gobain acquired H-old
- 21st October: Viscofan acquired Vector Europe and Vector USA
- 20th October: Mondoplastico acquired Caltek
- 14th October: SA industrias Celulosa Aragonesa acquired Americk Packaging Group
- 4th October: Constantia Flexibles Group acquired Lamp San Prospero

GLASS, METAL AND OTHER PACKAGING

- 6th March: Gerresheimer acquired Bormioli Rocco
- 1st March: Constantia Flexibles Group acquired TR Alucap
- 13th February: GED Capital acquired Araven
- 8th February: BA Vidro acquired Yioula Glassworks
- 7th February: Stone Canyon Industries acquired Mauser Group
- 3rd November: Versowood acquired Metsa Wood (Glulam plant) and Hartolan Kuningaslampo (Power plant) – (50% Stake)
- 11th October: Berlin Packaging acquired Bruni Glass
- 10th October: BA Vidro acquired Stiom (86% Stake)

PAPER AND PACKAGING MACHINE MANUFACTURERS

- 23rd March: Vertis SGR and Amabile Family acquired Selematic
- 3rd January: Formeca acquired by Amitec
- 22nd December: Sato Holdings acquired DataLase

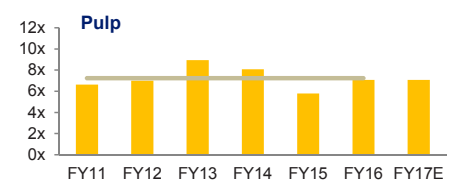
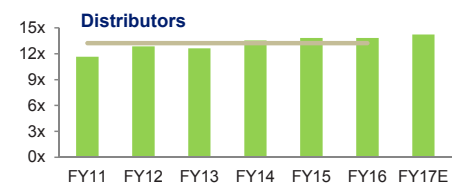
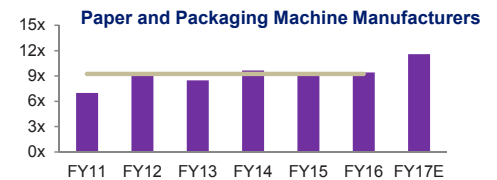
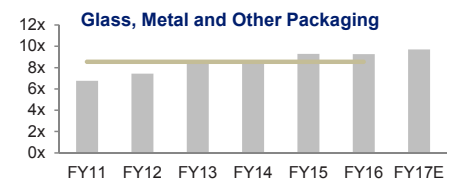
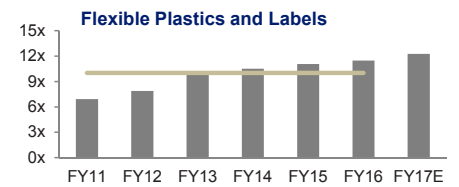
DISTRIBUTORS

- 31st March: SPHERE acquired AEF Group
- 9th January: Leipa Georg Leinfelder acquired Gratenau & Hesselbacher
- 10th January: Bunzl acquired Woodway UK
- 26th October: Bunzl acquired Tri-Star Packaging Supplies
- 23rd December: Heinzel Holding acquired Adria Papir
- 16th December: Papyrus acquired Procurator
- 29th November: Inapa France acquired Embaltec

PRINTING AND WRITING PAPER

- N/A

EV EBITDA




Source: Mergermarket, Capital IQ, Company Information, Pöyry


Specialty Paper and Tissue

ANDLINGER & COMPANY

Has declared its offer to acquire CVG unconditional



PÖYRY
Exclusive Financial Advisor to 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

Gelderse Papiergroep N.V.

have divested



VHP Security Papermill to

Arjo Wiggins Appleton p.l.c.

PÖYRY
Exclusive Financial Advisor to Gelderse Papiergroep N.V.

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



has been acquired by



PÖYRY
Financial Advisor to the lending banks of Myllykoski



have divested

Stora Enso North America Inc to



PÖYRY
Financial Advisor to Stora Enso

Cartonboard



Was acquired by



PÖYRY
Exclusive Financial Advisor to Delta Packaging



has divested

Stora Enso Barcelona, S.A. to



PÖYRY
Exclusive Financial Advisor to Stora Enso Oyj



acquired



PÖYRY
Exclusive Financial Advisor to Graphic Packaging

Containerboard and Solid board



has agreed to divest 100% of Peterson Packaging Group AS to




PÖYRY
Exclusive Financial Advisor to PEMCO AS



has sold



PÖYRY
Exclusive Financial Advisor to PHI Industrial Acquisitions



has divested

Stora Enso Hungary to



PÖYRY
Exclusive Financial Advisor to Stora Enso Oyj

Rigid Plastics

IRVING PLACE CAPITAL and OAKTREE have sold



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



has agreed to acquire



PÖYRY
Financial Advisor to Sun European Partners LLP



has divested



to



PÖYRY
Financial Advisor to Rexam PLC

Flexible Plastics and Labels

Middle Eastern Packaging Company

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

PÖYRY
Exclusive Financial Advisor


UPM-Kymmene Oyj have sold




to

Investor Group led by 3i Group

PÖYRY
Exclusive Financial Advisor to UPM-Kymmene Oyj



has agreed to acquire a minority position in



A current Pöyry Capital employee acted as an advisor to Mondi

Distributors



has acquired



from



PÖYRY
Exclusive Financial Advisor to Altor



have acquired



from

International Paper

PÖYRY
Exclusive Financial Advisor to Papyrus AB



have acquired



from

Private Shareholders

PÖYRY
Exclusive Financial Advisor to Papyrus AB

Pulp



Energia y Celulosa

Has sold its Uruguayan Operations to

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

PÖYRY
Exclusive Financial Advisor to ENCE Energia y Celulosa



have divested

Celulose Beira Industrial (Celbi) SA

to



PÖYRY Morgan Stanley
Exclusive Financial Advisor to Stora Enso Oyj

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



to

Heinzel, Bunzl Beteiligungs- und Liegenschaftsverwaltungs-GesmbH

PÖYRY
Exclusive Financial Advisor to the Investor Group

Cele Moncayo
Managing Director
+44 207 479 4003
celedonio.moncayo@poyry.com

Pöyry Capital Limited
21st Floor, Portland House
Bressenden Place
London, SW1E 5RS, UK

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