



Global Packaging Consolidation:
Strategies for Independents to Survive and Thrive

March 8, 2019
Scottsdale, Arizona



Agenda

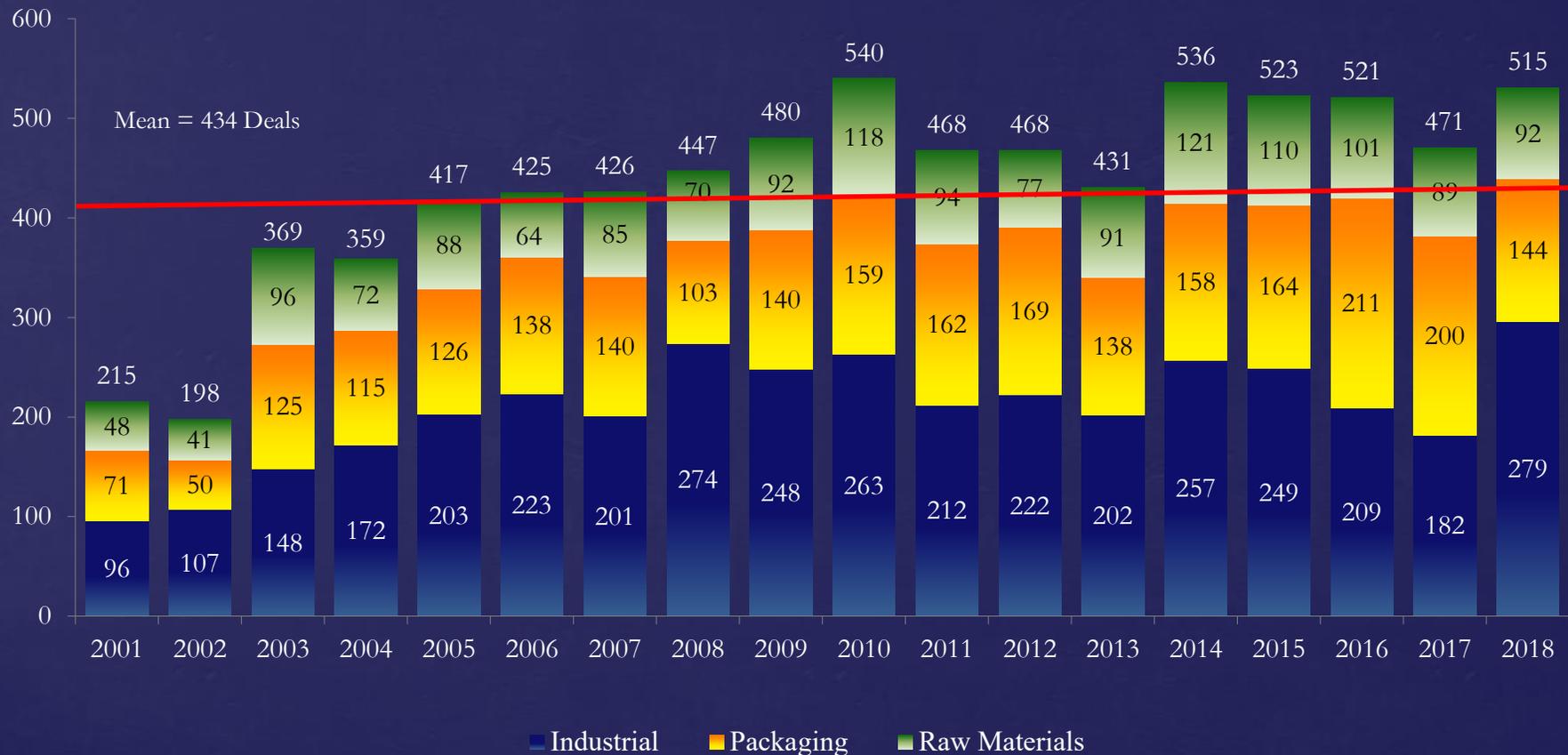
Independents: Survive and Thrive Packaging Consolidation

- I. **Global Consolidation Trends (the “Science”)**
- II. **Flexible Packaging M&A Options: Financial vs. Strategic**
 - A. Financial Options (4)
 - B. Strategic Options (4)
- III. **Flexible Packaging M&A Strategies for Success (the “Art”)**
 - A. Prior to the Transaction (3)
 - B. During the Transaction (4)
- IV. **Recommendations & Conclusion**
- V. **Appendix**

I. Global Consolidation Trends (the “Science”)

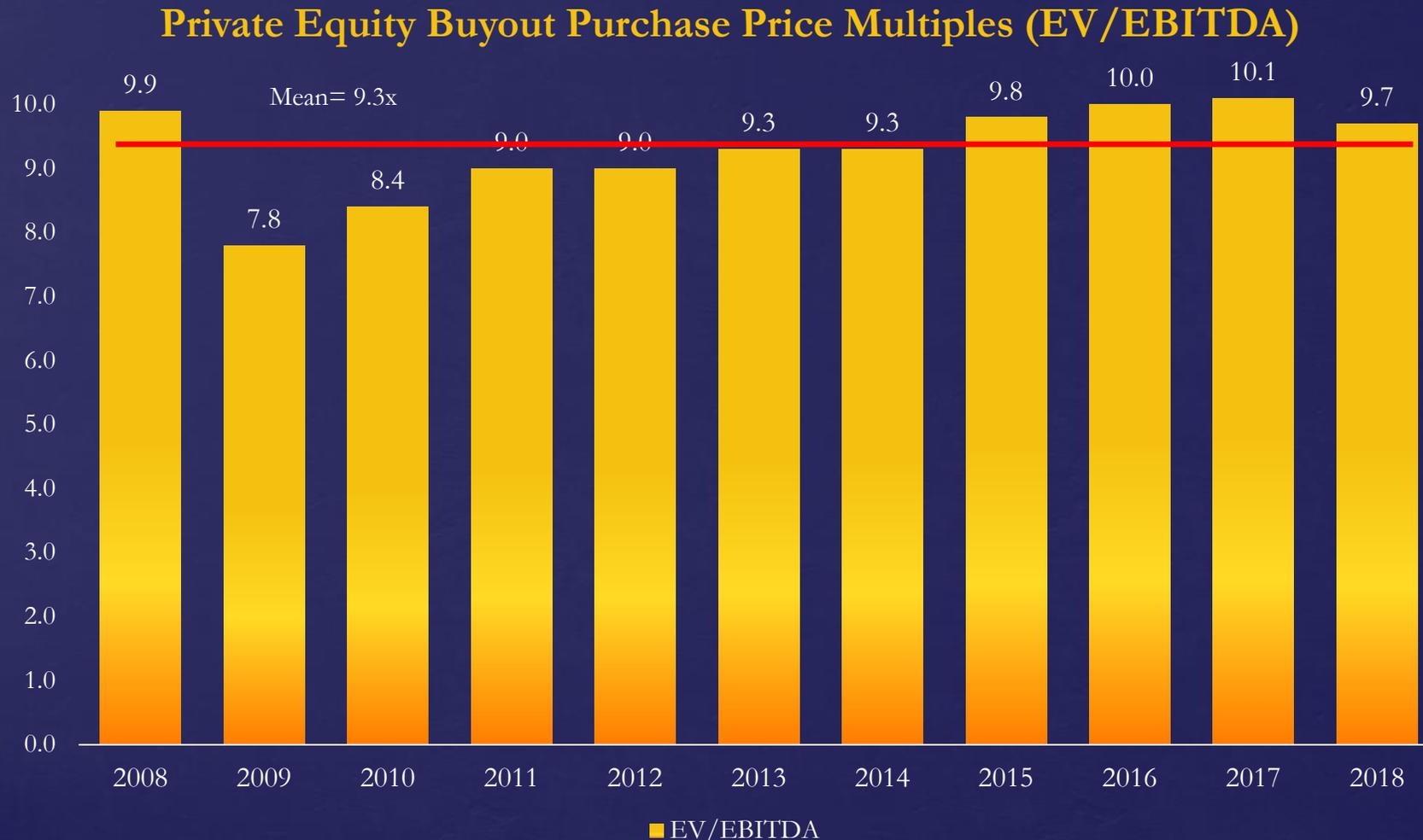
I. Global Consolidation Trends (the “Science”)

- Plastics Deal Volume Way Up in Past Eighteen Years: Plastics M&A volume doubled from 2001-2018
- Packaging subsegment (shown in gold) **tripled** during this period reflecting the relative attractiveness of packaging vs. raw materials and industrials



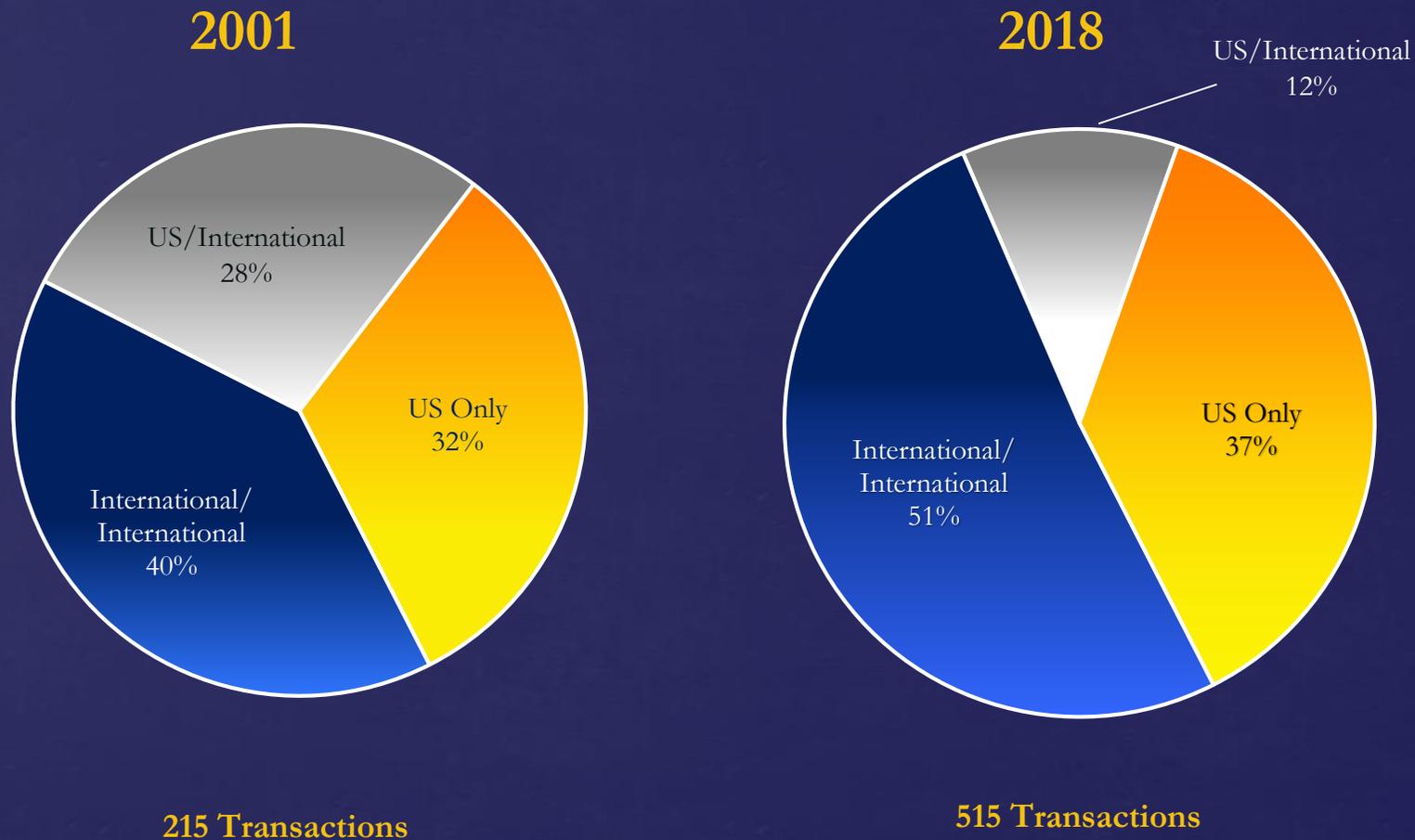
I. Global Consolidation Trends (the “Science”)

- **Sellers Market:** Valuation multiples are at record levels
- Mean: 9.3x EBITDA



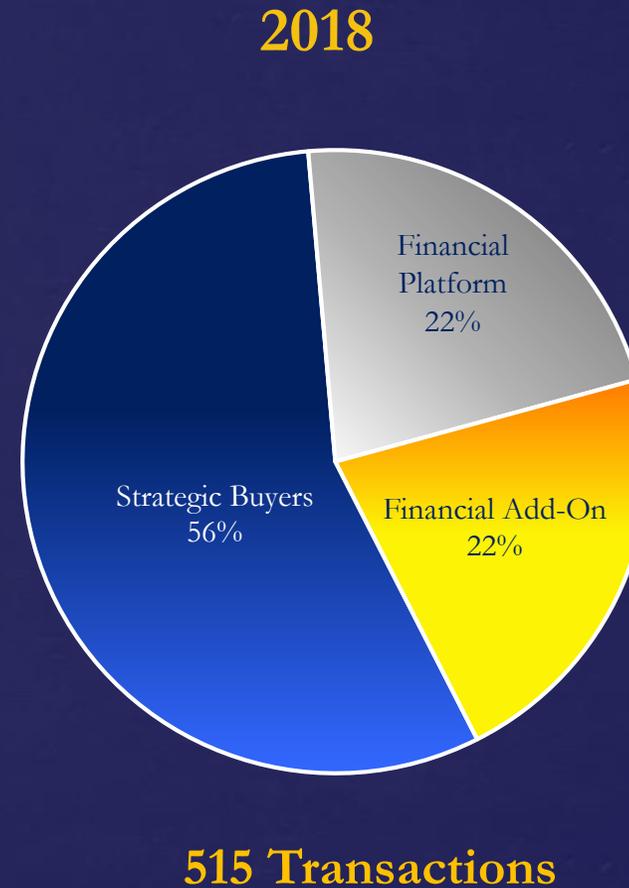
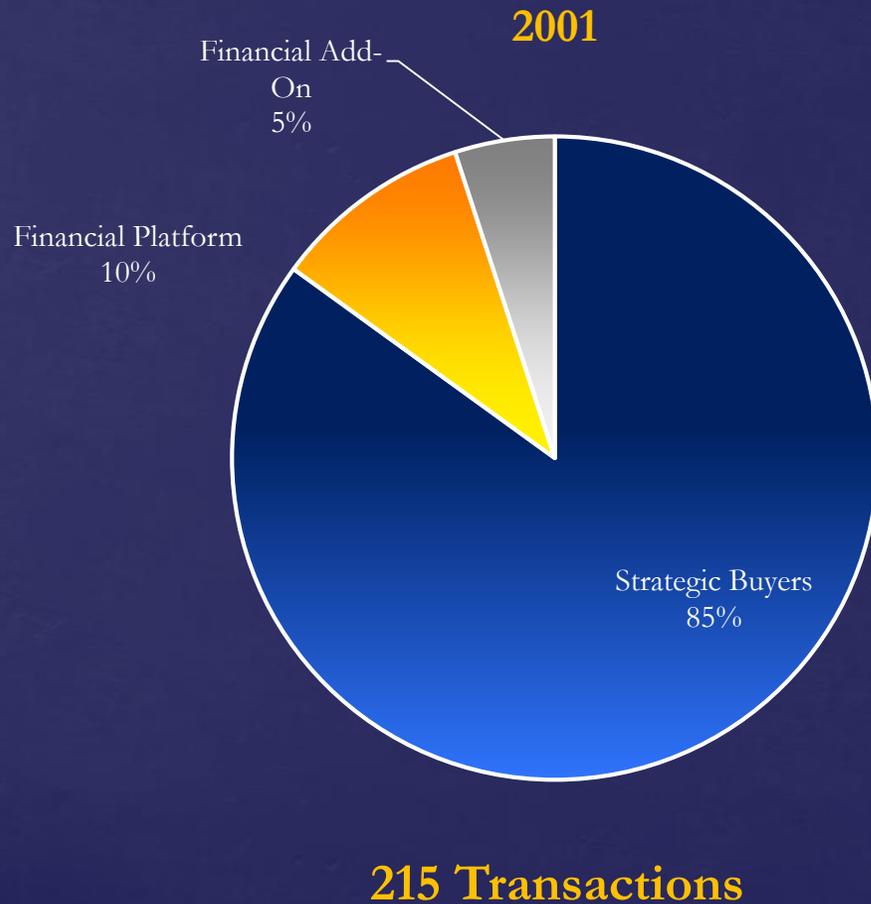
I. Global Consolidation Trends (the “Science”)

- Fastest Growth: International (BRIC Geographies)



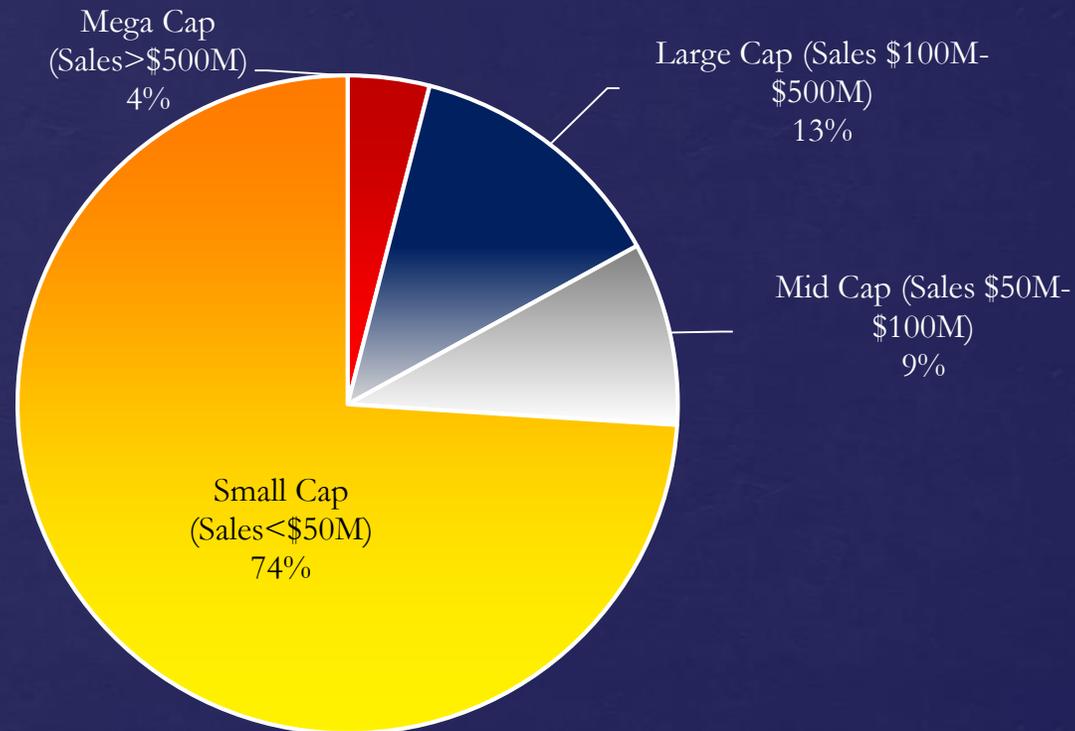
I. Global Consolidation Trends (the “Science”)

- **Strategic Motivations:** 78% of deals are strategic in nature (strategic buyers & financial add-ons)



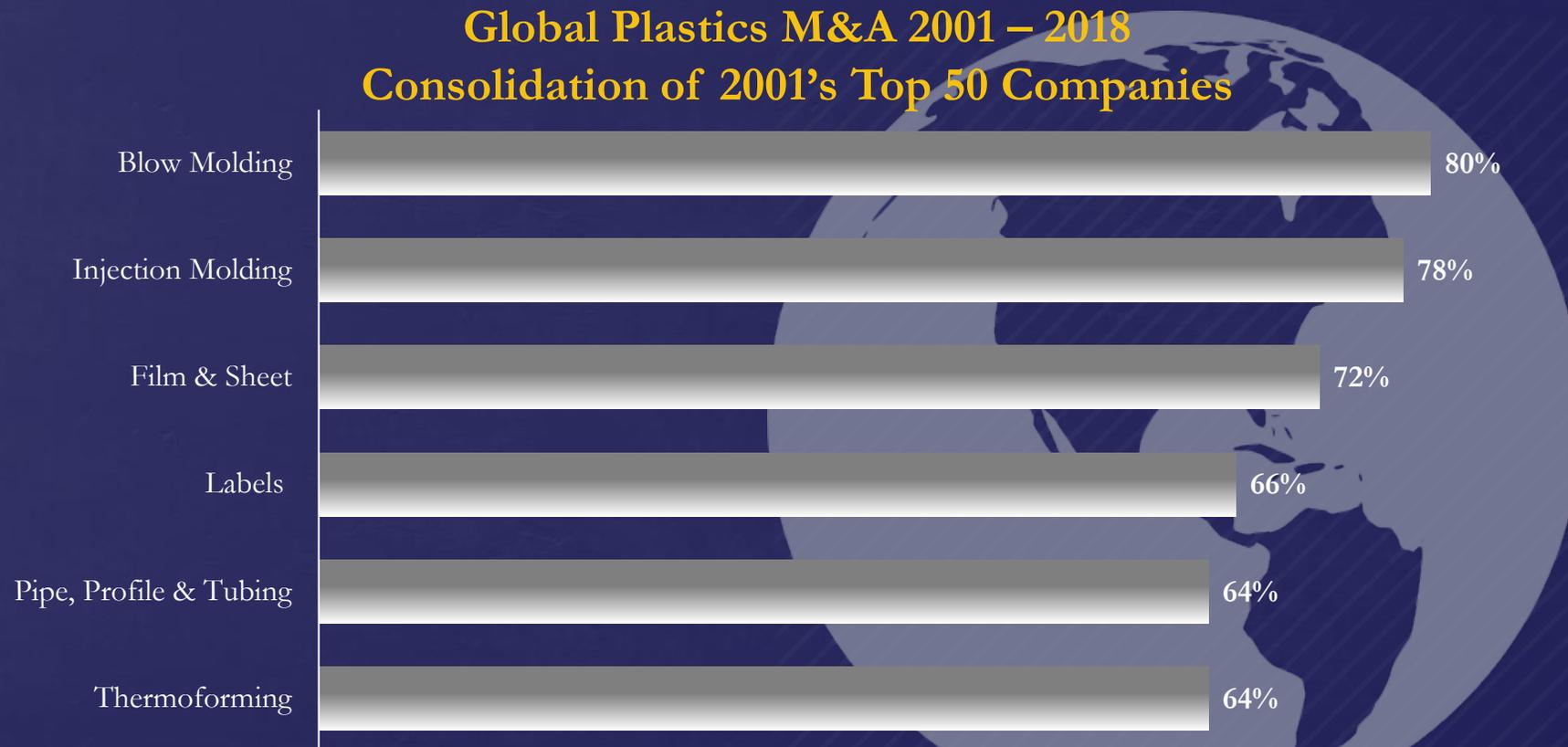
I. Global Consolidation Trends (the “Science”)

- Small/Independents Fighting Harder: 74% of plastic processors have sales of under \$50 million while approximately 83% have sales under \$100 million



I. Global Consolidation Trends (the “Science”)

- Aggressive consolidation amongst large caps are increasing pressure on small and mid-cap processors/converters



Percentage of Large Cap Companies Consolidated by Segment (Mean 71%)

I. Global Consolidation Trends (the “Science”)

*Flexible Packaging – Most Active Acquirers (Watch List)



*Previous Blaiige & Company Transactions

I. Global Consolidation Trends (the “Science”)

Flexible Packaging – Most Active Acquirers (Watch List)



II. Packaging M&A Options: Financial vs. Strategic

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Sale/Liquidity Deal Structure Options Vary by Buyer Type

A. Financial Options (4)*

	<p style="text-align: center;">IPO</p> <p>Not practical if earnings less than \$100mm (Sarbanes-Oxley, Analyst attention issues)</p>
	<p style="text-align: center;">PE (Minority Interest)</p> <p>Maintain control and preserve legacy, great for partner buyouts, but leverage and institutional structure is not for everyone</p>
	<p style="text-align: center;">PE (Platform)</p> <p>Preserve brand and legacy, retained equity provides upside, but retirement unlikely for 3-5 years; high leverage and pressure to double profits in 5 years (many flexible packaging investors are serial acquirers)</p>
	<p style="text-align: center;">PE (Add-on)</p> <p>Retire quicker but upside unlikely; brand and legacy may not be preserved (certain flexible packaging investors have been “flippers”)</p>

*Certainty of closing is often greatest when there is a high level of “strategic attraction”. Thus, post LOI price adjustments may be less common in deals involving strategic acquirers versus institutional investors.

II. Packaging M&A Options: Financial vs. Strategic

Sale/Liquidity Deal Structure Options Vary by Buyer Type

B. Strategic Options (4)

Merger With or Sale to Mid-Cap Private	Sale to Large Private Consolidator	Sale to Global Consolidator (Domestic)	Sale to Global Consolidator (Foreign)
<ul style="list-style-type: none"> May avoid institutional structure Combining two family businesses may bring management, culture, and legacy issues 	<ul style="list-style-type: none"> Possibly provide strategic value and strength, with flexibility to get upside, maintain brand, culture, and legacy 	<ul style="list-style-type: none"> Strategic value and strength May bring management, culture, legacy and brand conflicts 	<ul style="list-style-type: none"> Strategic value and strength Due to different backgrounds, may be management, culture, legacy and brand conflicts
			

III. Packaging M&A Strategies for Success (the “Art”)

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Prior to Transaction



1. Start Early: Establish a Five-Year Plan

- Consult with Professionals (who have operating experience in your industry) to:
 - Evaluate options and establish target price, structure, and terms
 - Determine what strategic actions are necessary to achieve targets
- Don't Wait Until You Are Ready to Retire
 - Realize that you may need to stay on for up to 5 years
 - Develop and implement a succession plan
 - Identify “perks” in the context of a transaction
 - *Title, board seat, office, car, club, compensation, real estate lease, protection of family members, key management in the business*

III. Packaging M&A Strategies for Success (the “Art”)

Prior to Transaction



2. Implement Actions to Create the Most Appeal to Potential Investors

- Maintain Core Infrastructure
 - Don't milk value out by underinvesting in PP&E
- Invest to Accommodate Capacity Required Over Next 2 Years
 - Complete major capital investments 6 months prior to transactions so benefits can show up in earnings
- Invest in Technology and Systems (which are at least comparable to competitors)
- Establish Solid “Metrics” to Operate the Business
 - Understand how you “stack up”

III. Packaging M&A Strategies for Success (the “Art”)

Prior to Transaction



2. Implement Actions to Create the Most Appeal to Potential Investors

- Clearly Define Your Niche
 - Communicate internally and externally
 - Strengthen position and maximize share of core market niche
 - Concentrate on growing markets
- Minimize Customer and Supplier Concentration
 - Establish customer integration and intimacy
 - Establish sole source positions (value versus price orientation, and high switching costs)
 - Obtain written contracts

III. Packaging M&A Strategies for Success (the “Art”)

Prior to Transaction

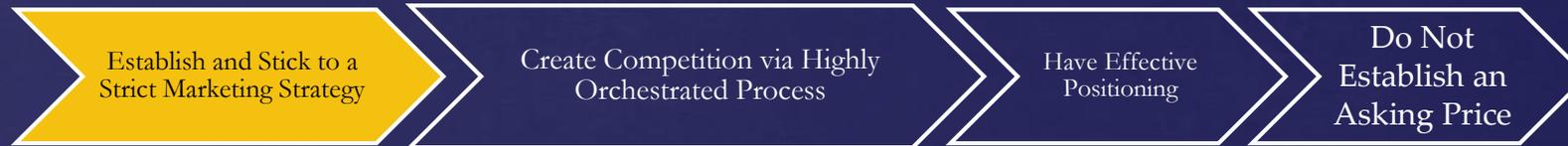


3. Capture Value Typically Realized by Buyers

- Create Internal Liquidity, Efficiency
 - Aggressively manage working capital
 - RE sale/leaseback
 - Unload marginal operations
 - Pay down as much debt as possible
- Consider Acquisition Opportunities
 - Identify, visit and create “warm” acquisition opportunities
 - Opportunistically acquire a competitor, product line, or technology

III. Packaging M&A Strategies for Success (the “Art”)

During Transaction



1. Establish and Stick to a Strict Marketing Strategy

- Don't Do it Yourself
 - An Effective Process: can add millions to the price (a practice that nearly all PE firms follow)
 - Distraction: Owner should focus on maximizing performance of the business
 - Sends Negative Signals: Appearance of weakness (fire sale) and lack of sophistication to professional buyers
 - Owner Ego Factor: Some owners overlook the best deals by focusing on a protracted universe of potential buyers, due to refusal to bring in an expert.
 - *They do it themselves because they “negotiate every day”, “personally know the best buyers”, don't want to be “on the market”, and already have a “stable of buyers”, who can “quietly” do a “quick deal”.*

III. Packaging M&A Strategies for Success (the “Art”)

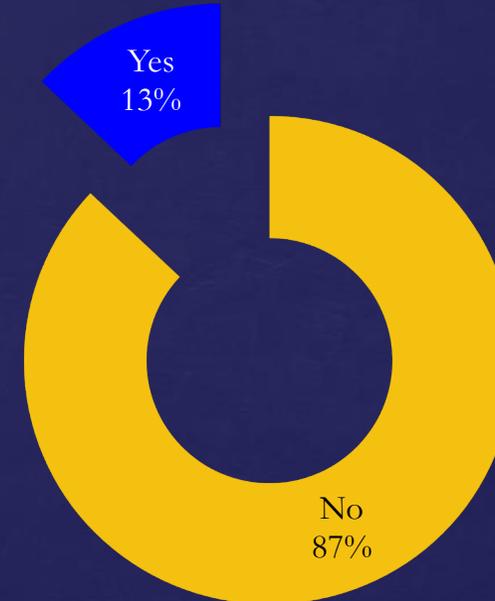
During Transaction



1. Establish and Stick to a Strict Marketing Strategy (continued)

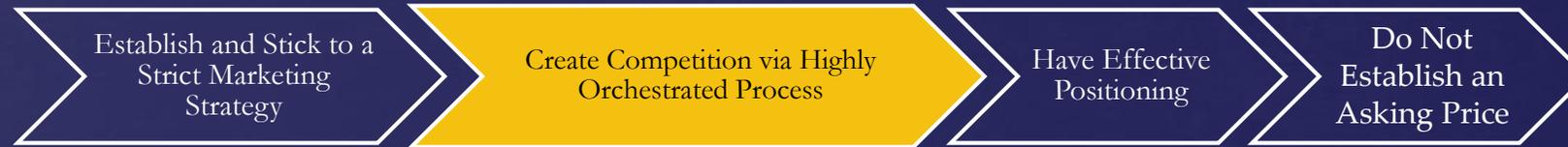
- Don't Assume that Competitors, Employees, and “Most Likely” Buyers Will Provide the Best Deal

Blaige & Company Survey:
Do “Most Likely Buyers Pay Top Prices?”



III. Packaging M&A Strategies for Success (the “Art”)

During Transaction



2. Create Competition Via a Highly Orchestrated Process

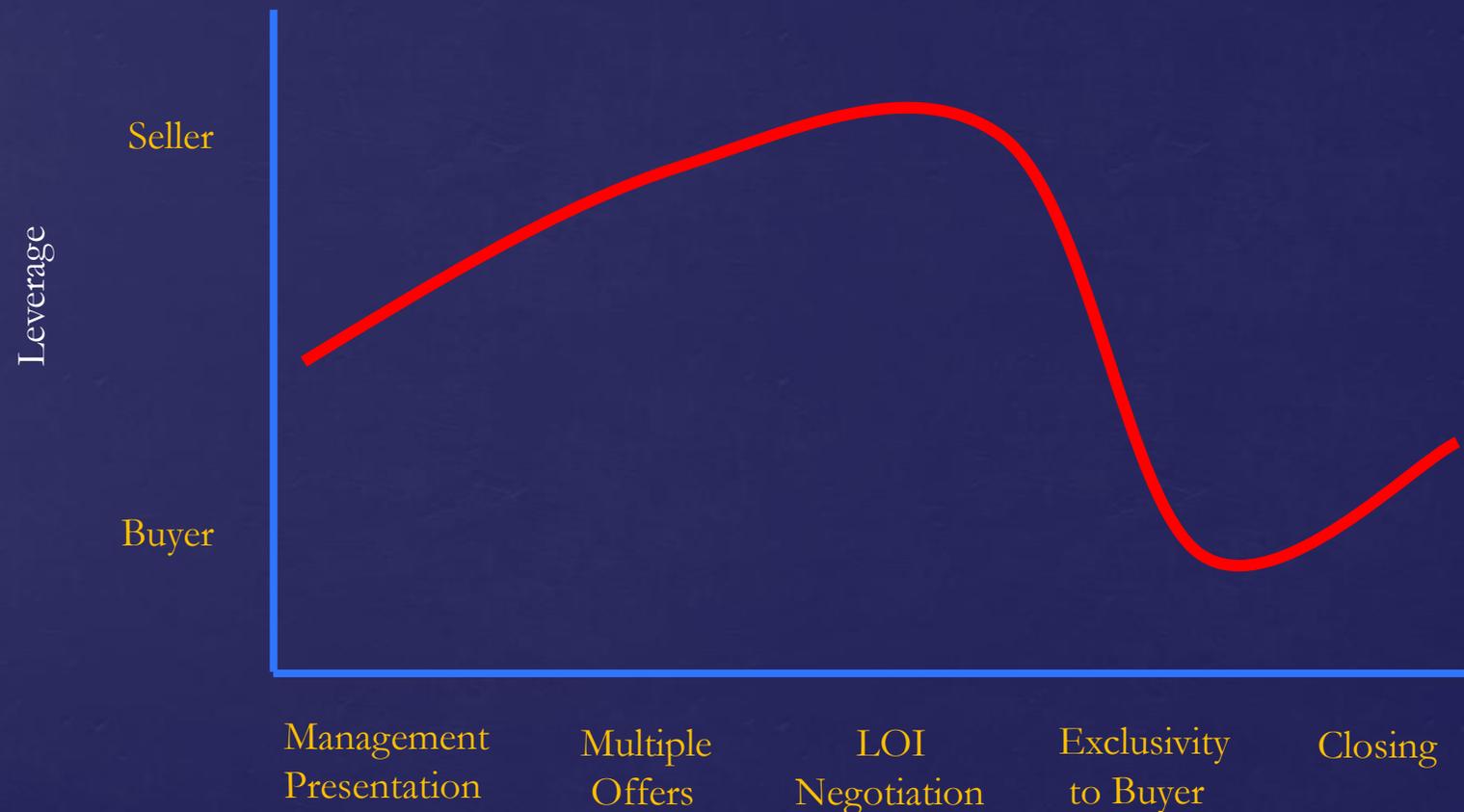
- Puts You in Charge of Selecting Your Partner (Not Vice Versa)
- Minimizes Risk of “Broken Deals” (After LOI Signed)
 - One-off Deals Rarely Turn Out As Expected
 - LOI is Best Case Scenario
- Establishes a Position of Strength in Negotiations

III. Packaging M&A Strategies for Success (the “Art”)

During Transaction

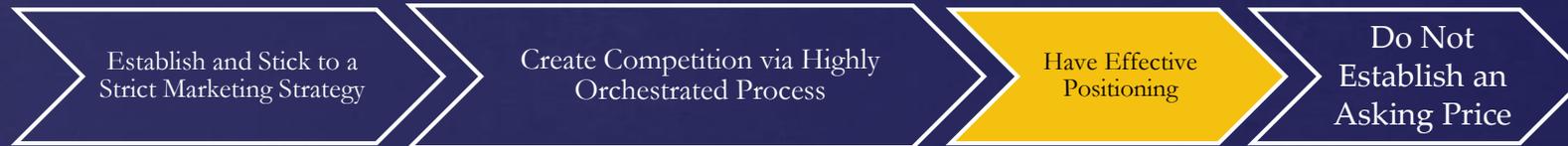
2. Create Competition Through a Highly Orchestrated Process

Lack of Competition = “Broken Deals” at Worst Times



III. Packaging M&A Strategies for Success (the “Art”)

During Transaction



3. Effective Positioning is Critical

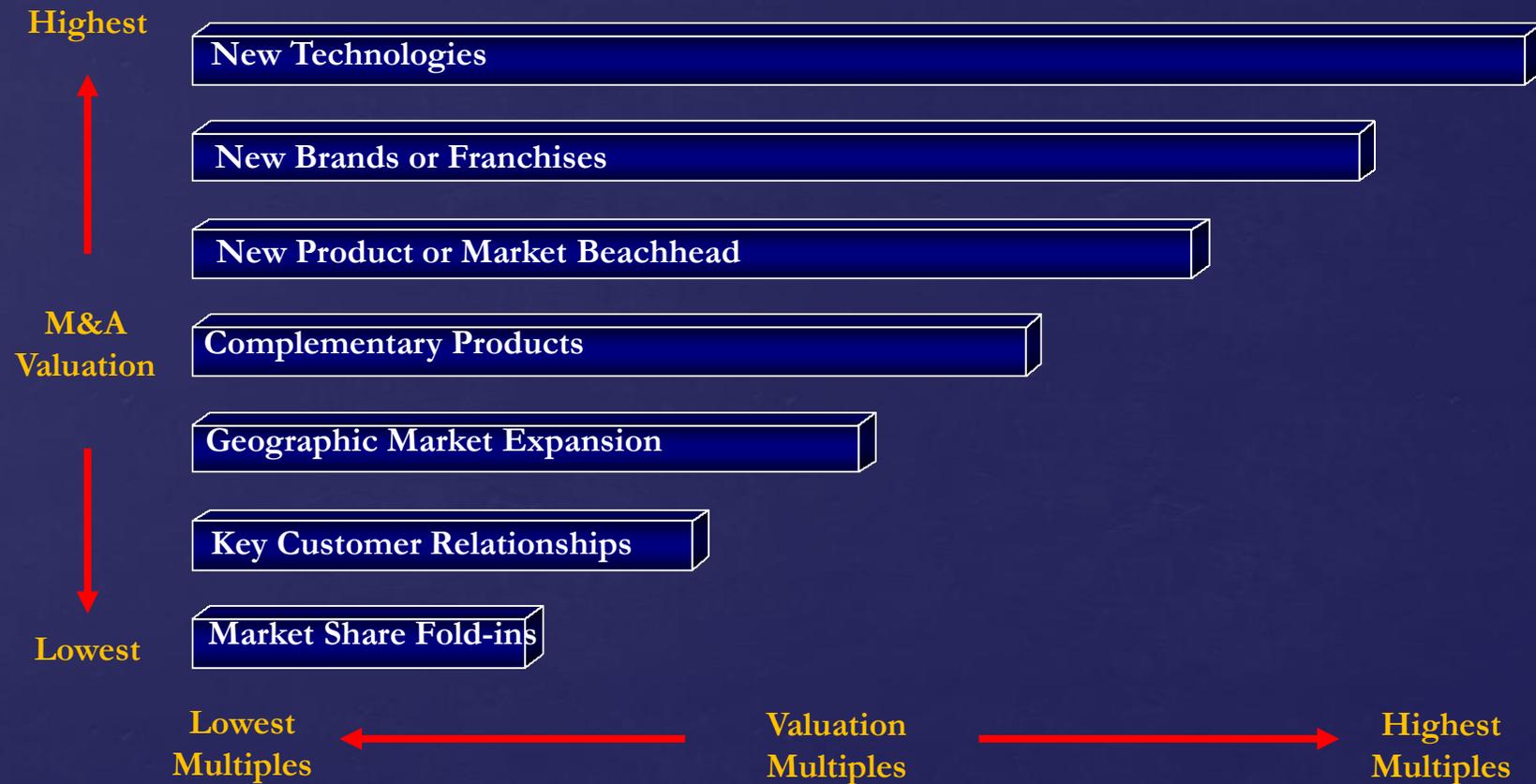
- Document Your Achievements/Value
 - detail strengths and opportunities in a thoughtfully prepared Confidential Memorandum
- Future Focus
 - focus on the future potential and synergies, not past history
- Involve Key Managers
 - they must “own” the process as much as you do to maximize value
- Showcase Team’s Vision/Capabilities
 - prepare a compelling Management Presentation
- Absolutely Do Not Miss Your Budgets During The Process

III. Packaging M&A Strategies for Success (the “Art”)

During Transaction

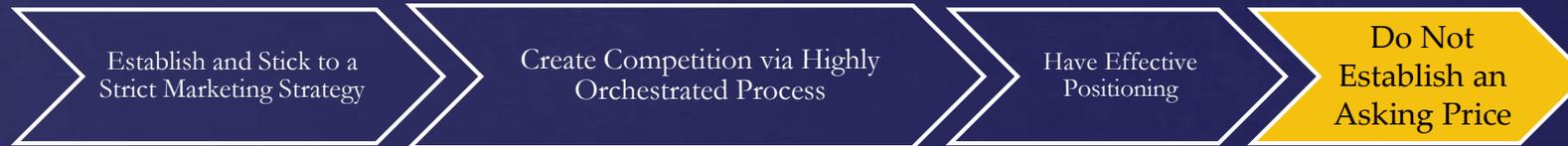
3. Effective Positioning is Critical

- Franchise Value Can Far Exceed Financial Value



III. Packaging M&A Strategies for Success (the “Art”)

During Transaction



4. Do Not Establish an Asking Price

- Asking Price Sets a Ceiling
 - The party which mentions price first is disadvantaged
- Franchise Value
 - Can far exceed Financial Value
- Icing on the Cake
 - Non cash, deferred consideration, and retained ownership can provide opportunities to achieve the highest overall price
- Negotiate “Key Terms” Early in the Process
 - Negotiation of escrows, indemnification caps, baskets and survival periods should be done prior to signing an LOI

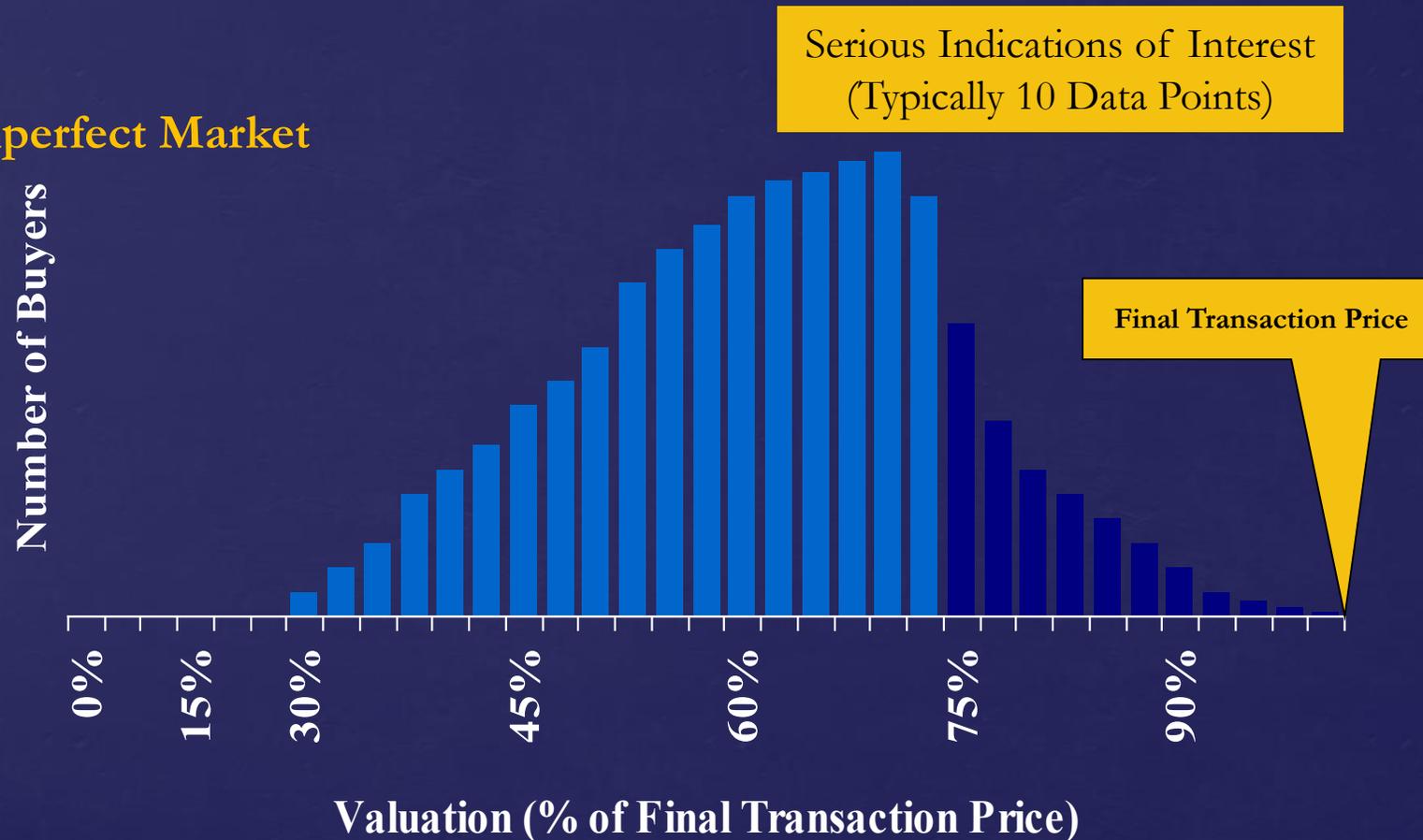
III. Packaging M&A Strategies for Success (the “Art”)

During Transaction

4. Do Not Establish an Asking Price

- A Single Offer is Likely to Converge at 70% of the Final Price

Imperfect Market



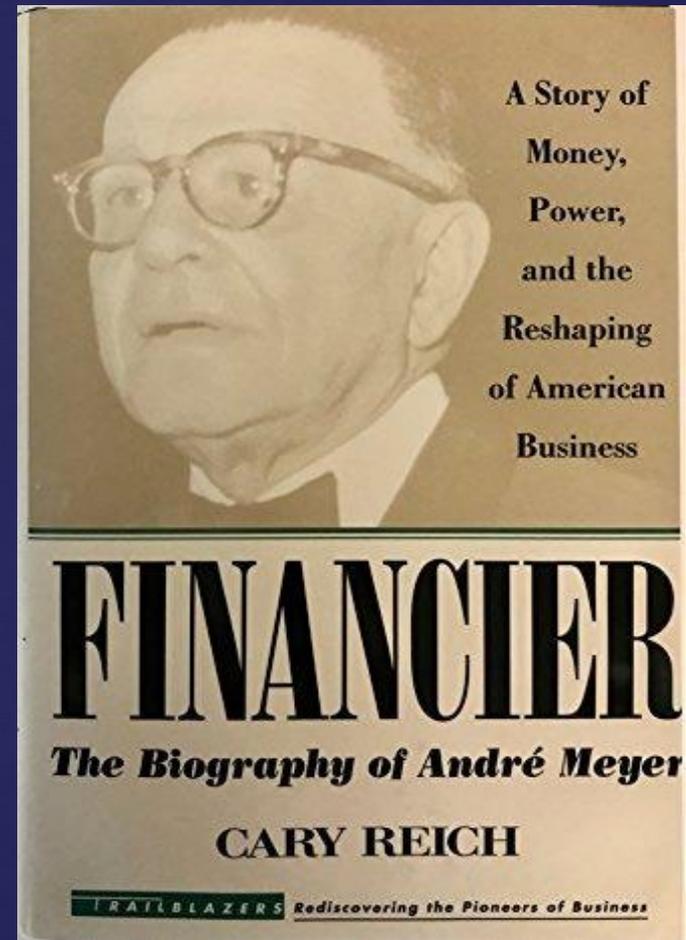
IV. Recommendations & Conclusion

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The Art Versus the Science of Deal Making

“The merger business is 10% financial analysis and 90% psychoanalysis”

- *Financier: The Biography of André Meyer: A Story of Money, Power, and the Reshaping of American Business*



IV. Recommendations & Conclusion

Summary Recommendations: Flexible Packaging M&A



Have a Succession
Plan in Place



Pursue Niche
Leadership /
Business Model



Funding May Require to
Double or Triple Down
to Stay Competitive



Integration Trends
May Affect Margins
and Growth



Focus on “Glass Half
Full” Buyers Who View
Your Business as
Complementary



Create Options and
Select the Best
Overall Fit

V. Appendix

V. Appendix: Blaige & Company

Pure Focus: Award Winning Business Model



V. Appendix: Blaigne & Company

Pure Focus: Award Winning Business Model

Blaigne and Company has been a sponsor for the Plastic News Processor of the Year Award for over a decade. 2018 marks the most recent year Blaigne & Company was the exclusive sponsor of the Plastics News Processor of the Year Award and participated in the judging panel and analyzed each of the finalist's financial performance and strategies.

With our specialization in the industry, Blaigne & Company possesses the industry knowledge and is uniquely qualified to evaluate companies qualitatively, strategically, and quantitatively as well as advocating the companies benefits to others.



2018 Processor of the Year Award



Petoskey Plastics



Plastic Components



Innovative Injection Technologies

V. Appendix: Blaige & Company



Thomas E. Blaige | *Chairman & Chief Executive Officer*

Established by Mr. Blaige in 2003, Blaige and Company is an international investment banking firm dedicated exclusively to plastics, chemicals, and packaging. Mr. Blaige has over 30 years of transaction experience, has completed over 100 transactions, and has visited over 200 plastics, packaging, and chemical operations in all parts of the world. Blaige Plastics M & A Deal research sets the industry standard. On average, Blaige and Company proprietary research department compiles and analyses over 500 worldwide plastics, packaging, and chemical industry transactions annually. U.K. based magazine Acquisition International named Mr. Blaige Sector Focused C.E.O. of the Year in 2015, and Blaige and Company was Sector Focused Investment Bank of the Year in 2013, 2015, and 2017. Blaige and Company sponsored the coveted 2018 *Plastics News* Processor of the Year Award, and its involvement dates back to 2008. Blaige was named the M&A Strategic Partner of the 2018 Plastics Industry Association/IHS Global Plastics Summit.

Mr. Blaige's transactions experience includes strategic combinations with large global consolidators; the sale, acquisition and recapitalization of family owned companies and corporate divisions; corporate divestiture and spin-off transactions; and private equity portfolio divestitures and acquisitions. Prior to founding Blaige & Company in 2003, over two decades he was a leading senior transaction professional with Lazard Middle Market, Lincoln International and a middle market M&A unit of a Wall Street investment bank. He was also a private equity investor with Prudential Capital Group where he specialized in management buyouts and buildups of privately held businesses and corporate divisions and worked with several early pioneers in private equity.

Tom is a member of the Western Plastics Association, Plastics Industry Association, and the Society of Plastics Engineers. He is also a member of the Association for Corporate Growth and the Turnaround Management Association. Tom earned a Master of Management degree, with *Distinction*, from the Kellogg Graduate School of Management at Northwestern University, where he was elected to Beta Gamma Sigma, and a Bachelor of Business Administration degree from Loyola University in Chicago. He has been certified as FINRA Series 24 Securities Principal and a Series 7 and 63 Registered Representative.

V. Appendix: Client Testimonials

“We hired Blaige and Company after entertaining a preemptive offer for Paragon Films. Not only did the Blaige team achieve a result which significantly exceeded the preemptive offer, but it also exceeded our expectations based upon traditional market valuation metrics. Thoughtful positioning of the unique features of Paragon and the potential to significantly expand upon them in the future led to a maximum valuation and the opportunity for key management to become owners. The Blaige team also secured a multitude of attractive offers and permitted our key management team to select the partner which best matched our values, had experience to perpetuate the legacy of Paragon, and to take the Company to the next levels of success in years to come.”

Mike Baab, Founder and former President & CEO of Paragon Films, Inc.

“Following a thorough search for an industry expert, Shield Pack management and their Private Equity partners chose the Blaige & Company team to evaluate our strategic options. The result of the process far exceeded our expectations due to a great extent to their deep understanding of the packaging industry and very effective positioning of our operational and product opportunities. We could not have been better prepared or more professionally represented in our marketing efforts and our negotiations with the winning bidder, Bemis, the largest flexible packaging company on the continent. I would highly recommend the Blaige & Company team to those seeking quality execution and extraordinary results.”

George Smith, Chief Executive Officer of Shield Pack, LLC (a portfolio company of Tuckerman Capital & Pegasus Capital Group)

“As the leading advisor in the plastics M&A market, Blaige & Company has been instrumental in Sigma’s Strategic Partnership Program over the past two decades. In cases when Blaige & Company has handled strategic divestitures for Sigma, they have significantly exceeded expectations.”

Alfred Teo Sr., Chairman and Chief Executive Officer of Sigma Plastics Group

V. Appendix: Client Testimonials

“Hiring Blaige not only allowed us to achieve the top of our target valuation range, but also increased the certainty of closing the deal by bringing in multiple competitive bids.”

Jim Kaye, Chairman of Plastic Package Inc

“As a privately held, family company, we at Commodore were not seeking to sell. Over time we had received several preemptive offers that held some interest for us. We decided we needed professional guidance, and turned to the Blaige team. Blaige was instrumental in helping us position the company and create a competitive process which eventually generated an excellent offer. The final result was a deal structure which was excellent for our family and our employees, and met our expectations in every regard.”

Brad Braddon, Chief Executive Officer of Commodore Plastics, LLC & Commodore Technology, LLC

“We went with Blaige & Company given their deeper understanding and experience with higher value packaging companies in the food, pharmaceutical and related industries. The Blaige process resulted in the achievement of a premium value which significantly exceeded our expectations.”

Ron Giordano, Chairman and Chief Executive Officer of H.S. Crocker Company, Inc.

“We hired Blaige over European and US based advisors for our 2 major Europe-based sale assignments, as their global network and extensive industry operating experience is unique. We found great partners for our companies, but most importantly our sale proceeds exceeded expectations in each case.”

Marc Rapp, Chief Executive Officer of Floeter Flexible Packaging Group/ Chief Executive Officer of MetPro Verpackungs-Service GmbH

V. Appendix: Client Testimonials

“Hiring Blaige & Company was one of the best decisions of my life. The team’s work ethic, energy, and knowledge of the market were invaluable in achieving a result that significantly exceeded my expectations, and would not have been achieved without professional representation by the Blaige & Company team.

Kurt Ross, Owner and Chief Executive Officer of Grayling Industries

“The transaction we completed with Blaige & Company couldn’t have gone more smoothly nor closed more quickly. All involved on both sides, worked extremely well together as a result of the Blaige & Company methodical process. The Blaige & Company team did a great job in working with all parties to orchestrate the sale.”

Patrick Whelan, Managing Director of Pegasus Capital

“We hired Blaige & Company after entertaining several one-off proposals from potential partners and investors. The Blaige & Company process involved a very methodical and thoughtful approach to positioning our company and resulted in multiple offers from a variety of investors, and ultimately a final offer that significantly exceeded our expectations, and with a local partner we would have never found on our own.”

Lewis Farber, Owner & President of Farber Plastics, Inc.

V. Appendix: Contact Information

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