

### PMCF Industry M&A Activity Tracking

Plastics and Packaging M&A volume remained at very low levels for May 2020 as a result of the significant impact of COVID-19 on the global economy and the M&A markets. Plastics reported only 6 transactions for the month compared to 24 last year and 11 in April. Packaging reported 13 transactions which was almost double last month but still much lower than last year's total of 21 transactions. Transaction activity in both sectors is now down ~36% for the year primarily as a result of the low levels of activity over the last two and half months, which all appear to be attributable to the COVID-19 pandemic.

Strategic buyers continued to represent most of the transaction activity in May, accounting for ~80% of the plastics transactions and ~70% of packaging transactions. Private equity has been active on the business development front but largely nonexistent with transaction closings in plastics and packaging - only 1 private equity platform transaction was reported for the month of May which matched last month's activity. The credit markets have made it very challenging for private equity groups to close platform transactions at competitive valuations. Private equity add-on transactions have fared a little better but are still lower as a percentage of total transactions. Some of these add-on transactions are being funded out of existing credit facilities and there is typically a strong strategic angle, making it less reliant on new financing to achieve a successful closing.

The stock market continued to report increases in May, following a rather significant rebound in April. PMCF's Plastics & Packaging Index increased by 6% which surpassed the gains realized by the S&P 500 for the month. All subsectors posted increases in May, but Paper Packaging and Flexible Packaging subsectors continue to lag the S&P 500 by a material amount, bringing down the overall index on a year-to-date basis. The stock market is often utilized as a leading indicator for the M&A markets and overall economy which is hopefully a good sign for a faster recovery over the balance of the year.

While these are challenging and unprecedented times for plastics and packaging M&A, there remains opportunities for both buyers and sellers to close successful transactions or best position themselves for a future transaction in the short or longer term. For potential sellers of plastics and packaging companies, we encourage you to check out our recently published Post COVID-19 Succession Playbook for planning considerations on page 2.

Data as of May 31, 2020	Month-to-Date (MTD)			Year-to-Date (YTD)		
	2019	2020	Change	2019	2020	Change
<b>Plastics</b>	<b>2019</b>	<b>2020</b>	<b>Change</b>	<b>2019</b>	<b>2020</b>	<b>Change</b>
Blow Molding	2	2	0	14	8	-6
Injection Molding	9	1	-8	43	21	-22
Film	4	0	-4	27	10	-17
Resin / Color & Compounding	1	1	0	18	18	0
Sheet & Thermoforming	3	0	-3	9	2	-7
Specialty	5	2	-3	32	31	-1
<b>Total Plastics</b>	<b>24</b>	<b>6</b>	<b>-18</b>	<b>143</b>	<b>90</b>	<b>-53</b>
Strategic	58%	83%	25%	57%	62%	6%
Financial Buyer - Add-on	21%	17%	-4%	29%	24%	-5%
Financial Buyer - Platform	21%	0%	-21%	14%	13%	-1%
<b>Packaging</b>	<b>2019</b>	<b>2020</b>	<b>Change</b>	<b>2019</b>	<b>2020</b>	<b>Change</b>
Rigid Plastic	7	2	-5	34	18	-16
Flexible Plastic	1	0	-1	26	7	-19
Paper	9	9	0	53	44	-9
Other	4	2	-2	20	19	-1
<b>Total Packaging</b>	<b>21</b>	<b>13</b>	<b>-8</b>	<b>133</b>	<b>88</b>	<b>-45</b>
Strategic	57%	69%	12%	57%	64%	6%
Financial Buyer - Add-on	19%	23%	4%	26%	22%	-5%
Financial Buyer - Platform	24%	8%	-16%	17%	15%	-2%

Sources: Capital IQ, PitchBook, Thomson Reuters, Company Reports, PMCF

### Notable M&A Activity

Date	Acquirer	Target	Category
05/29/20	ALPLA Werke Alwin Lehner GmbH & Co KG	Bopla Sa	Blow Molding / Rigid Packaging
05/26/20	The Coastal Group, Inc.	Coastal Honeycomb, LLC	Corrugated
05/19/20	VPK Group	Viallon Emballage	Corrugated
05/15/20	Plastic Services and Products LLC	Genova Products, Inc.	Extrusion
05/13/20	AKWEL (ENXTPA:AKW)	Novares Group S.A.	Injection Molding
05/12/20	Carroll Products Inc.	Cello-Wrap Printing Co., Inc.	Printing/Labels
05/12/20	Royal Containers	C&B Display Packaging Inc	Corrugated
05/11/20	IPACKCHEM	JRB Packaging	Blow Molding / Rigid Packaging
05/06/20	Brook & Whittle Ltd. (Snow Phipps)	Croydon (fka Gilbreth Packaging Solutions, Inc.)	Printing/Labels
05/01/20	Great Little Box Company Ltd.	Ideon Packaging Ltd.	Corrugated

### Public Entity Performance

Index	% Change May MTD	% Change May YTD
S&P 500 Index	↑ 4.5%	↓ -5.8%
PMCF Plastics & Packaging Index <sup>(1)</sup>	↑ 6.0%	↓ -17.6%
Rigid Plastic Packaging <sup>(2)</sup>	↑ 5.4%	↓ -7.3%
Flexible Plastic Packaging <sup>(3)</sup>	↑ 7.4%	↓ -12.6%
Other Packaging <sup>(4)</sup>	↑ 5.1%	↓ -6.6%
Paper Packaging <sup>(5)</sup>	↑ 1.2%	↓ -20.7%

(1) AMC, ATR, AVY, BLL, BERY, CCLB, CLN, POM, CMT, ESNT, FOE, HUH1V, ITR, LYB, MYE, SLGN, NPK, POL, SEE, SIM, SOLB, SON, TCLA, TG, WLK, WPK, IPLP, NWL (2) ATR, BERY, IPLP, NPK, SLGN, SON (3) AMC, HUH1V, SEE, TCLA, WPK (4) AVY, BLL, CCLB, CCK, GXI, OI, TSE:5901, ARD (5) CAS, SMDS, GPK, GEF, IP, MNDI, PKG, SK3, WRK

### Major News

- The US economy will restart, but how fast? (Plastics News)
- US boxboard prices unchanged in May with traction in recycled increases amid Covid-19 demand surge (Fastmarkets RISI)
- U.S. Economy Faces Long Recovery From Coronavirus Effects, Experts Say (Wall Street Journal)
- Falling demand in the driver's seat for PVC, PS, PC, nylon and ABS prices (Plastics News)

# Post COVID-19 Succession Playbook

Since our inception over 25 years ago, PMCF has offered robust transaction planning and preparation services to help business owners achieve the best possible outcome in a transaction whether it be in the short or long term. Our long track record of successful transactions is directly attributable to our focus on preparation and being proactive throughout the transaction process.

We're here to assist you plan and execute your succession planning during and after the COVID-19 pandemic, and invite you to read one of the articles below based on your individual succession time horizon. The outlook for the recovery remains uncertain, but a well-designed succession plan that adapts to the changing macro-environment will allow you to plan for and optimize a sale of your business. Properly navigating the "new normal" will allow you to achieve your transaction objectives in any environment.



## I'm in no hurry to sell but understand the value of planning for an exit in 3-5 years or more

Start Planning Now For An Eventual Exit

Selling your business is likely one of the largest and most important transactions of your professional, and perhaps personal, life. The process involves meaningful dollars, sophisticated counterparties, and new realities for all constituents, including the seller, buyer, employees, vendors, and customers.

For these reasons, when selling your business, you want to do it right the first time. Proper preparation is important to ensure a transaction achieves your objectives as a business owner. The key is to focus on what you can control – your personal readiness and your company's readiness – regardless of market conditions.

When you sell, you don't want to be on your heels. Many business areas cannot be addressed with running fixes while a transaction is in process. Most deals fail during the due diligence process – after terms are agreed to, but before the deal closes. The best transaction outcomes involve companies and owners that are properly prepared and ready to withstand the rigors of a sale process.

### OWNER READINESS

- Determine your bullet proof number
- Know your legacy preference
- Understand post-deal involvement
- Optimize your tax outcome
- Understand family/partner succession
- Balance with health and lifestyle

### COMPANY READINESS

- Strong financial performance
- Demonstrated differentiation
- Historical and projected growth
- End market and customer diversity
- Management & employee strength
- Buttoned-up legal, environmental, IP positions

Do you know if you and your business are ready to achieve your transaction objectives? Our Readiness Review™ provides you with the answer to that question. It's a valuable tool for business owners thinking about a transaction in the next several years, objectively assessing market valuation and company positioning, with discrete recommendations to bridge any potential gaps in achieving your transaction objectives. With the current macro-economic environment in flux due to the COVID-19 pandemic, it's a great time to begin the planning process so you can answer the question... "Are You Ready?"



## I'm planning a sale in the next 2-3 years but questioning the timeline given the COVID-19 pandemic

You Can Still Achieve Your Transaction Timeline - Start Getting Ready Now

The M&A markets changed almost overnight.

Prior to the global COVID-19 pandemic, sellers benefited from historically high valuations and ample sources of capital chasing quality transactions. A feeling of sustainable, strong market conditions supported seller-friendly transaction outcomes. Most prognosticators predicted the 11-year bull market would likely continue for another two years, at least. Consequently, business owners felt the presence of a safety net supporting a future transaction.

The market changed as a result of the COVID-19 pandemic, with the global economy entering a recession in Q2 2020, the duration of which is unknown. This creates uncertainty in the M&A markets in terms of activity, valuations and transaction types. The curve of the recovery has many potential paths, which will have drastically different implications to the M&A markets.

- In a worst case "L" curve scenario, the global economy essentially shuts again in late 2020 and early 2021 due to virus escalation without appropriate healthcare capacity or pharmaceutical intervention. Slow growth emerges over an elongated time period.
- In a best case "V" curve scenario, the global economy accelerates after shelter-in-place mandates are lifted, supported by aggressive and successful pharmaceutical intervention in advance of a vaccine solution. A quick return to pre-COVID-19 economic strength occurs.

What does this mean for you? It means navigating the current deal environment won't be as easy. A great outcome isn't guaranteed. You need expert advice and guidance to navigate these uncertain times. At PMCF, we believe your timeline to exit can still be realized, but it will require an assessment of scenario modeling for your business, and careful metric tracking and preparation in advance of launching a sale process. Our sale advisory service is designed to manage you through the largest or most important business transaction of your life, leveraging decades of M&A transaction and industry expertise at your fingertips.

# PMCF's Plastics & Packaging Group

PMCF's Plastics and Packaging investment bankers are dedicated solely to serving the needs of middle-market transactions within the plastics and packaging industries. Our exclusive focus on plastics and packaging sale, merger, and acquisition advisory provides significant advantages to our clients and the opportunity to maximize value in a transaction. PMCF's extensive coverage of these industries has provided us with specialized, in-depth knowledge of the sector dynamics and relationships with key strategic and financial industry players. Our firm has been serving the plastics and packaging industries for over 20 years and has a long track record of successful transactions involving specialty, niche players in these industries.

Please let us know if you would like to set up a confidential call or meeting. My contact information is (248) 223-3468 or [john.hart@pmcf.com](mailto:john.hart@pmcf.com).

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|---------------------|---------------------|---------------------|------------------------------|
| Rigid Packaging     | Flexible Packaging  | Engineered Products | Corrugated & Paper Packaging |
| Blow Molding        | Injection Molding   | Extrusion           | Specialty Film               |
| Color & Compounding | Printing & Labeling | Thermoforming       | Packaging Machinery          |

## Recent PMCF Plastics & Packaging Transactions



has completed a recapitalization with



SPECIALTY EXTRUSION & INJECTION MOLDING



has been acquired by



a portfolio company of



INJECTION & BLOW MOLDED PACKAGING



has been acquired by



a portfolio company of



THERMOFORMED PACKAGING, FOLDING CARTONS



has been acquired by



a portfolio company of



SPECIALTY PAPER & LUXURY PACKAGING



has been acquired by



CORRUGATED PACKAGING




have been acquired by



CORRUGATED PACKAGING & EQUIPMENT



has been acquired by



SPECIALTY EXTRUSION



has been acquired by



INJECTION MOLDED PACKAGING



Two-time winner, Boutique Investment Banking Firm of the Year by M&A Advisor

Awarded, Cross Border Corporate and Strategic Acquisition of the Year by M&A Advisor

Awarded, Cross Border M&A Deal of the Year by M&A Advisor

Awarded, Deal of the Year by ACG Detroit

Awarded, Manufacturing Deal of the Year by MiBiz

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