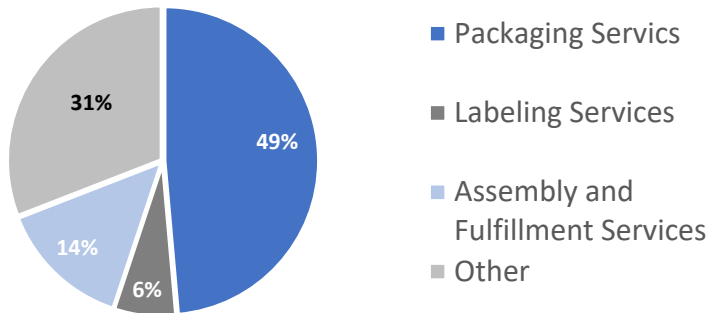


# Packaging & Labeling Industry Snapshot July 2021

## Executive Summary

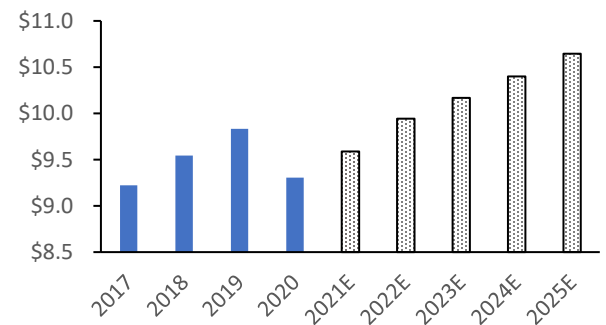
Revenue for the Packaging and Labeling Services industry generally fluctuates in line with consumer spending trends, as industry operators earn most of their revenue from contract package and labeling services provided to fast-moving consumer goods (FMCG) and pharmaceutical product manufacturers. As US consumption has risen for the majority of the period, manufacturers have expanded production, thereby increasing the number of products that need to be packaged and thus increasing demand for industry services. Overall, industry revenue is anticipated to increase an annualized 2.7% to \$9.6 billion over the five years to 2021. In 2021 revenue is anticipated to rise 5.6% due to rebounding consumer spending and the easing of COVID-19 related government restrictions on businesses and individuals which are anticipated to boost demand for industry services.



## Sector Spotlight

- \$9.6B** Packaging & Labeling revenue in 2020
- 2.5%** Projected CAGR until 2026
- 10,420** Advertising Businesses
- \$700M** Total Profit in 2020
- 22%** Of Packaging & Labeling is e-commerce

### Revenue Growth (\$ in Billions)



Since businesses were not operating during COVID-19, the need for packaging & labeling services rapidly declined, which reduced the revenues for the industry. Total packaging & labeling expenditure is expected to increase as the economy continues to recover from COVID-19 and companies begin to sell products requiring industry services.

## Segment Breakdown

### Packaging Services

The service of packaging goods can be done remotely or on-site depending on the operator's capabilities. The umbrella term of packaging includes bagging, wrapping and bundling, cartoning, case packing, filling, and repacking using a variety of techniques. These include shrink banding, blister and clamshell packaging. Overall, packaging services are anticipated to account for 48.6% of revenue generated by this industry in 2021.

### Assembly and Fulfillment Services

Assembly activities for industry operators include folding textiles and arranging products for display and package size optimization. For specific point-of-purchase displays, companies will assemble the stands and shelves to the client's exact specifications. Assembly and fulfillment services are expected to account for 14.0% of industry revenue in 2021.

### Labeling Services

Labeling is also typically provided by industry operators. This service is expected to make up 6.5% of total revenue generated by this segment. Functions of this service include external package labeling services such as, coding, marking and internal labeling. Internal labeling includes any warnings or directions included with the product.

## Industry Outlook

The economic effects of the COVID-19 pandemic on the packaging & labeling industry were contained in 2020 and have not carried over into 2021. Despite the negative revenue growth in 2020, industry revenue is expected to return to positive growth over the next 5 years. This growth is a result of increase in consumer spending and disposable income as businesses have reopened and individuals begin to return to work. Increased regulation surrounding pharmaceutical packaging has also led to increased demand in the industry. Overall, industry revenue is expected to grow at an annualized rate of 1.9% over the next 5 years to \$10.2 billion.

## Market Concentration

The Packaging & Labeling industry has a low level of market share concentration. The four largest companies in the industry account for less than 10% of the industry's total revenue. Small, regional companies dominate the industry because clients often need highly specialized services that these operators can provide. Small operators with 1 to 4 employees account for 45.2% of the industry's total establishments. Over the next five years, companies will continue to pursue mergers and acquisitions, which will help consolidate the industry. As a result, the industry is expected to become increasingly concentrated.

## Recent Public Transactions

Jun 2019

Aug 2019

Aug 2019

Feb 2020

Feb 2020



## Private Transactions

Sale Date	Target Business Description	Net Sales	Operating Profit	EBITDA	Deal Value	Deal Value/Sales	Deal Value/Earnings	DV/EBITDA
04/30/2021	Packaging and Shipping	\$397,266	\$154,295	\$155,295	\$225,000	0.57x	1.3x	1.5x
03/03/2021	Carton Packaging	\$2,657,296	\$277,956	\$277,956	\$1,830,000	0.69x	3.8x	6.6x
09/09/2020	Package Manufacturing	\$14,200,000	\$2,162,000	\$2,583,060	\$13,000,000	0.92x	5.8x	5.0x
07/15/2020	Package Manufacturing	\$2,336,988	\$120,387	\$130,299	\$1,300,000	0.56x	3.3x	10.0x
08/07/2019	Packaging Supplies	\$1,530,618	\$97,287	\$97,287	\$475,000	0.31x	2.8x	4.9x
	<b>Median</b>	\$2,336,988	\$154,295	\$155,295	\$1,300,000	0.57x	3.25x	5.03x

## Public Comps

Company Name	Revenue Growth %	Gross Margin	EBITDA Margin	FTE	Revenue / FTE	EV/Revenue	EV/EBITDA
Ball	2.68%	20.86%	13.84	21,500	548.0	1.29	7.64
Crown Holdings	-0.77%	20.67%	14.68%	6,300	1837.3	1.94	13.48
Owens-Illinois	-8.97%	15.86%	16.40%	25000	243.6	1.1	7.74
Packaging Corporation	-4.40%	20.57%	17.06	15,200	438.0	2.22	11.63
WestRock	-3.88%	18.19%	7.72%	49,300	11.7	1.18	7.19
<b>Median</b>	-3.88%	20.57%	16.40%	21,500	438	1	8