

# INDUSTRY OVERVIEW PACKAGING & LABELING Q2 2022



# PACKAGING & LABELING INDUSTRY KEY TAKEAWAYS

## □ Industry Demand Drivers

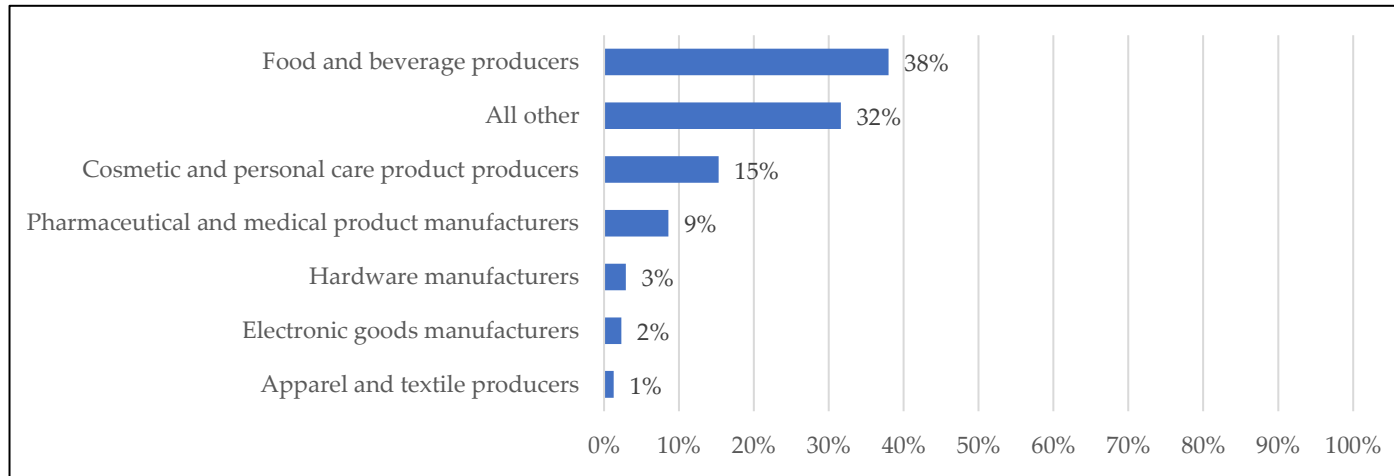
- **Consumer Spending:** Revenue for the Packaging and Labeling Services industry generally fluctuates in line with consumer spending trends, as industry operators earn most of their revenue from contract package and labeling services provided to fast-moving consumer goods (FMCG) and pharmaceutical product manufacturers. As US consumption has risen for the majority of the period, manufacturers have expanded their production, thereby increasing the number of products that need to be packaged and thus increasing demand for industry services. Inflationary pressures pose a risk to consumer spending with sustained higher pricing hampering consumer spending show by a 2.1% decrease so far in 2022.
- **Economic Growth:** The unemployment rate declined significantly over the past five years, outside of 2020, putting upward pressure on wages and per capita disposable income. This in turn has driven consumer spending, helping drive industry growth. Manufacturers in turn have responded by increasing production. The change in packaging requirements for medical and pharmaceuticals have raised demand for services from clients who lack appropriate capabilities to meet these new requirements. E-commerce retailers have also driven industry growth due to the need for dimensionally efficient packaging that portrays their brand to consumers.

## □ Global Packaging & Labeling Market

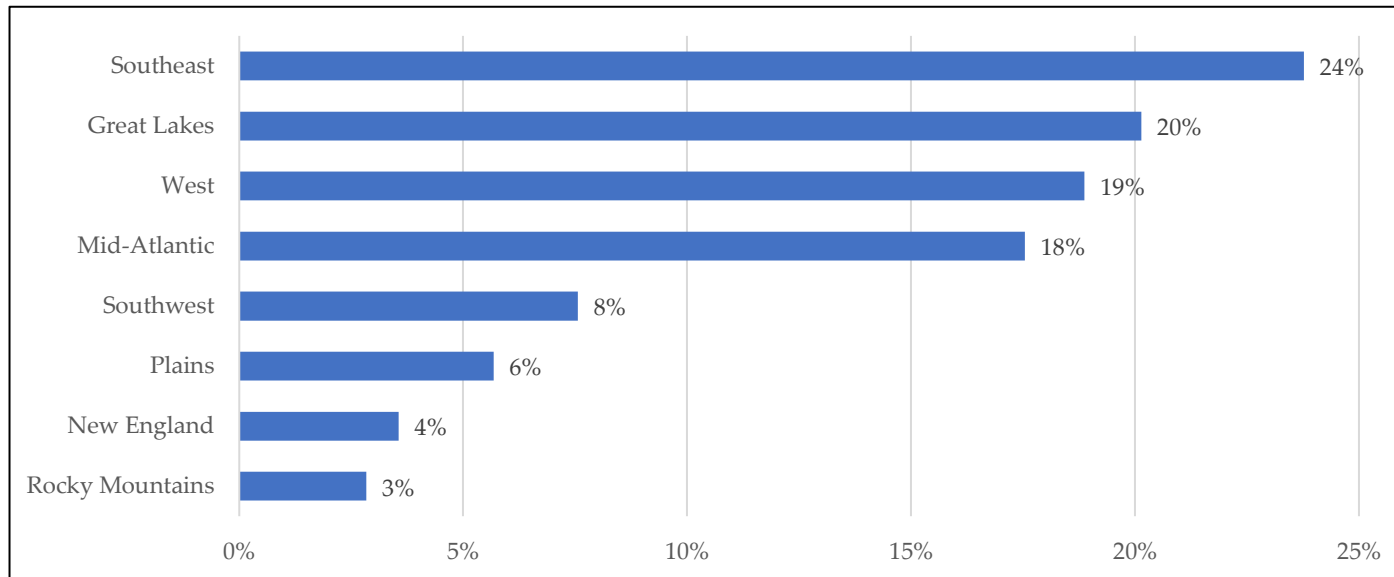
- **Outlook:** Over the next five years to 2027, the packaging and labeling industry is expected to continue to grow. The rise of e-commerce sales, disposable income, and consumer spending will continue to boost demand for services in the industry. An aging population is expected to directly impact the pharmaceutical products market, driving demand for packaging in the space higher. Merger and Acquisition activity is expected to remain strong as companies look to consolidate within the market.
- **Industry Structure:** Larger, vertically integrated industry operators can benefit from economies of scale by maintaining package-manufacturing segments alongside actual packaging services. This integration aids in controlling input prices and enables industry operators to better meet clients' packaging preferences. For example, this has enabled industry operators to tailor their products to match current trends, such as the use of sustainable materials and package designs that are flexible and space efficient.

# INDUSTRY AT A GLANCE

## Market Distribution



## US Location Distribution



# INDUSTRY AT A GLANCE

## Revenue & Establishments

Year	Industry Revenue (\$ million)	Establishments	Consumer Spending (\$ billion)
2016	8,890	10,251	41,822
2017	8,937	9,998	42,699
2018	9,517	11,167	43,885
2019	9,767	11,469	44,645
2020	10,456	11,894	47,255
2021	11,225	12,385	48,609
2022	11,589	12,743	47,576

## Wage Overview

Year	Average Wage (\$)	Wages as % of Revenue	Revenue per Employee (\$)
2016	43,479	26%	166,410
2017	41,221	24%	174,270
2018	41,904	23%	181,130
2019	42,960	23%	183,030
2020	43,108	23%	186,190
2021	43,268	23%	189,640
2022	43,294	23%	190,200

## Financial Benchmarks

Income Statement Ratios (%Rev)	3-Year	5-Year	10-Year
Cost of goods	59.8%	56.9%	55.1%
Gross Profit	40.2%	43.1%	44.9%
Salaries and wages	11.9%	12.6%	13.0%
EBITDA Margin	10.3%	10.3%	10.4%

Balance Sheet Ratios	3-Year	5-Year	10-Year
AR Days	67.9	64.8	62.0
Inventory Days	10.6	10.4	10.6
AP Days	51.3	50.9	48.0

Notes: Charts based on year averages

# INDUSTRY AT A GLANCE

## Key Statistics



### \$11.6bn Revenue

- Annual Growth 2017 – 2022 5.3%



### \$753.3mm Profit

- Annual Growth 2017 – 2022 2.4%



### 6.5% Profit Margin

- Annual Growth 2017 – 2022 -1.0pp



### 12,476 Businesses

- Annual Growth 2017 – 2022 4.9%
- Annual Growth 2022 – 2027 3.2%



### 60,930 Employment

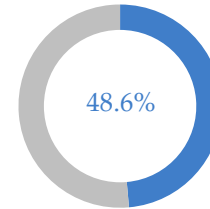
- Annual Growth 2017 – 2022 3.5%
- Annual Growth 2022 – 2027 2.7%



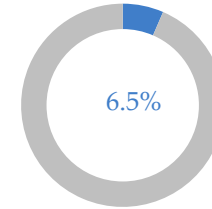
### \$2.6bn Wages

- Annual Growth 2017 – 2022 4.5%
- Annual Growth 2022 – 2027 2.6%

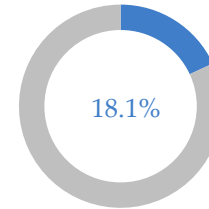
## Segments



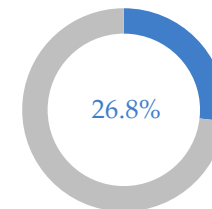
Packaging Services



Labeling Services



Assembling & fulfillment services



All Other Services

# INDUSTRY AT A GLANCE

## Industry Structure



### Positive Impact

Revenue Volatility  
Low

Capital Intensity  
Low

Concentration  
Low

Industry Globalization  
Low / Steady



### Mixed Impact

Life Cycle  
Mature

Regulation & Policy  
Medium / Steady

Technology Change  
Medium



### Negative Impact

Industry Assistance  
Low / Steady

Barrier to Entry  
Low / Steady

Competition  
High / Steady

## SWOT Analysis



### STRENGTHS

- Low Volatility
- Low Imports
- Low Customer Class Concentration
- High Revenue per Employee
- Low Capital Requirements



### WEAKNESSES

- Low & Steady Barriers to Entry
- Low & Steady Level of Assistance
- High Competition
- Low Profit vs Sector Average
- High Product/Service Concentration



### OPPORTUNITIES

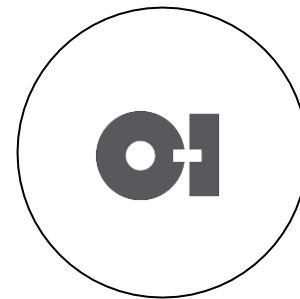
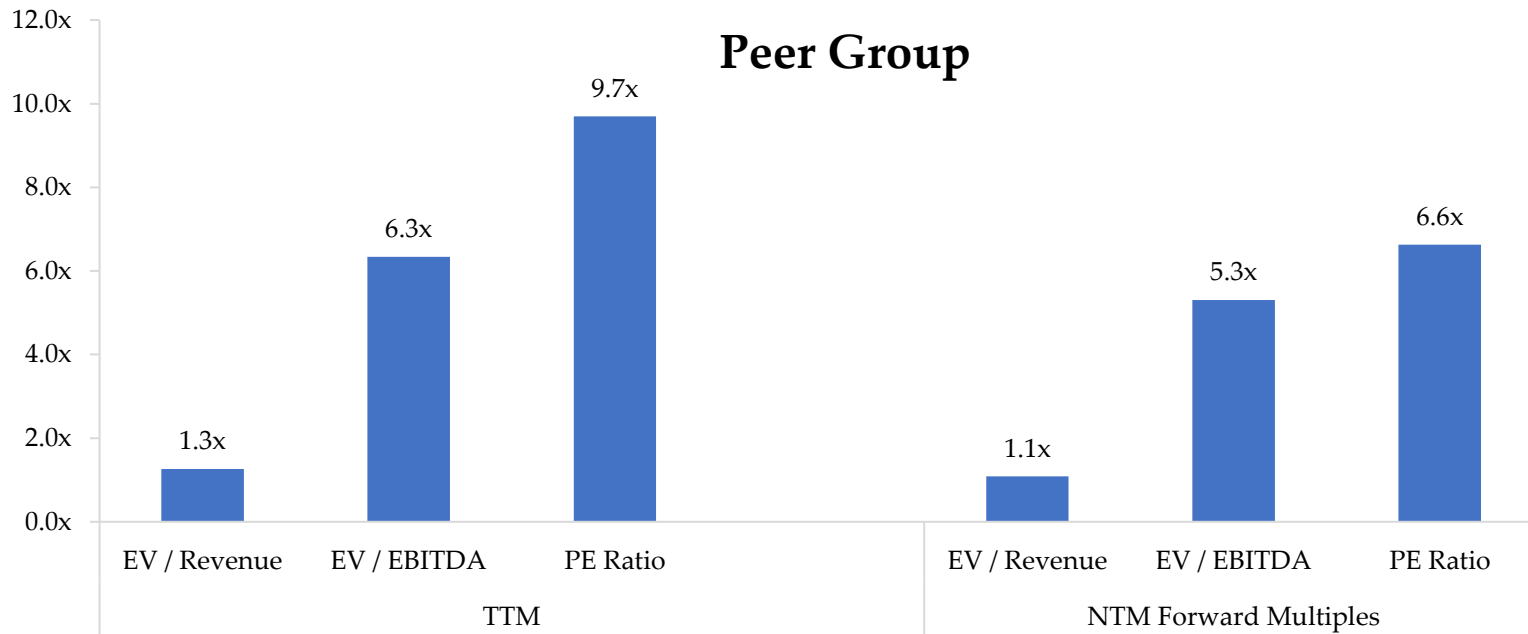
- High Revenue Growth (2017-2022)
- High Revenue Growth (2022-2027)
- High Performance Drivers
- E-Commerce Sales



### THREATS

- Low Revenue Growth (2005-2022)
- Low Outlier Growth
- Demand from cosmetic and beauty products manufacturing

# PUBLIC COMPS

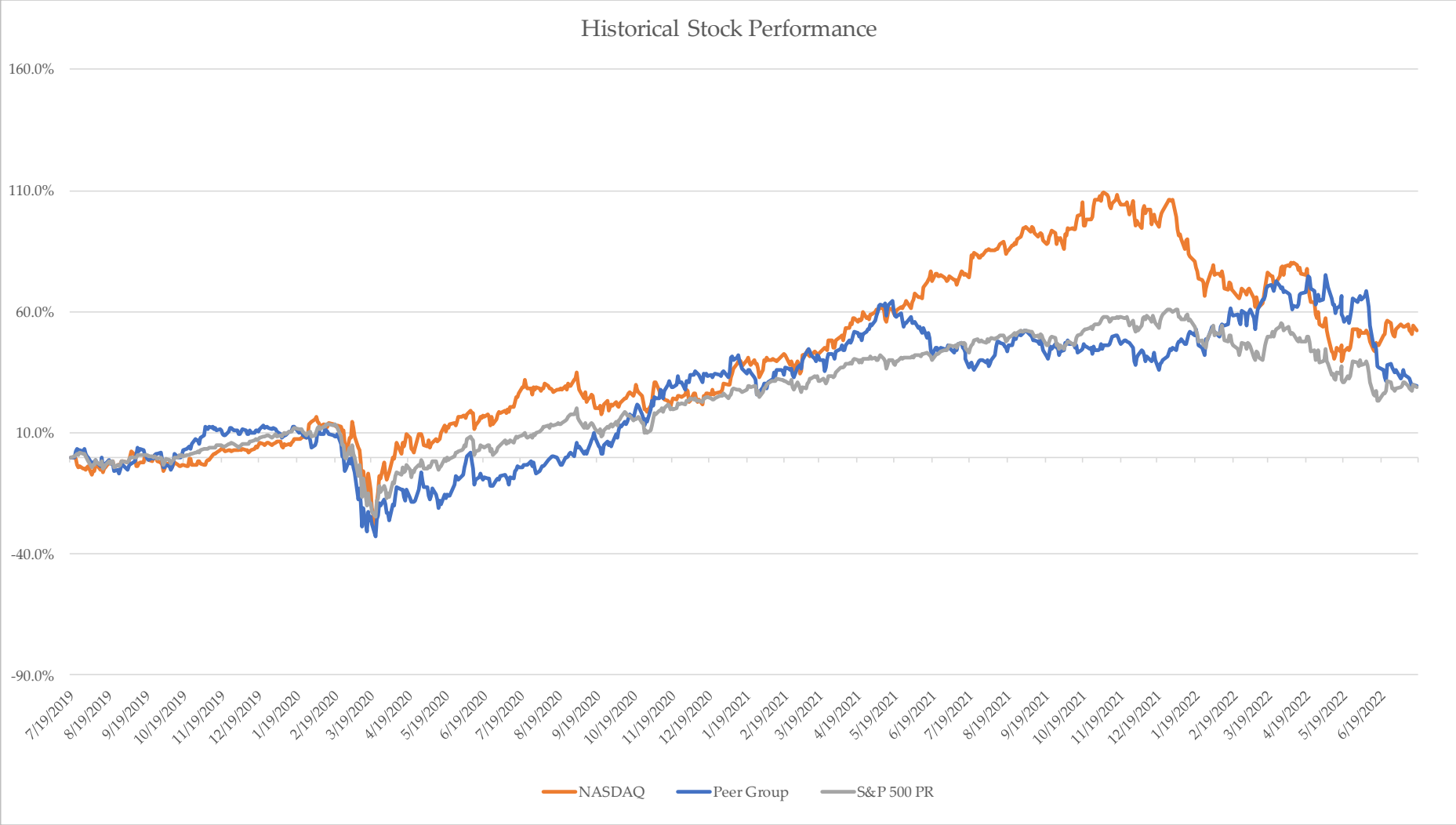


# PUBLIC COMPARABLES

\$ in Millions	Ball	Crown Holdings	Owens-Illinois	Packaging Corporation of America	Westlake	
Ticker	BALL	CCK	OI	PKG	WLK	
Total Revenue	\$13,811	\$11,394	\$6,357	\$7,730	\$11,778	
Gross Profit	2,726	2,365	1,091	1,873	3,495	
EBIT	1,278	-175	548	1,261	2,846	
Net Income	\$878	(\$560)	\$149	\$841	\$2,015	
EBITDA (Normalized)	2,120	1,782	864	1,665	3,766	
Total Debt	8,157	6,462	4,825	2,732	5,641	
EV	33,555	20,697	6,429	17,027	20,605	
Employees	24,300	26,000	24,000	15,200	14,550	
<b>Ratio Analysis</b>						<b>Median</b>
Revenue/Employee	\$568,354	\$438,231	\$264,875	\$508,572	\$809,485	\$508,572
EV/Revenue	2.43x	1.73x	0.98x	2.11x	1.75x	1.75x
Debt/EBITDA	4.07x	29.04x	5.08x	1.71x	1.25x	4.07x
EV/EBITDA (Normalized)	18.65x	11.21x	6.38x	9.74x	4.99x	9.74x
Market Cap/EBITDA	16.50x	7.62x	2.02x	8.61x	4.21x	7.62x
Market Cap (mm)	25,903	13,559	2,114	14,999	16,299	
Close Price	80.64	110.29	13.53	160.07	127.22	
52 Week Low	77.95	95.27	10.64	124.78	78.06	
52 Week High	98.09	130.42	19.46	168.50	135.47	
Gross Margin	19.7%	20.8%	17.2%	24.2%	29.7%	20.8%
EBIT	9.3%	-1.5%	8.6%	16.3%	24.2%	9.3%
EBITDA	14.3%	2.4%	15.7%	21.7%	31.3%	15.7%
Acct. Receivable Days	31	39	42	46	44	42
Inventory Days	51	64	57	52	47	52
Acct. Payable Days	130	104	76	36	29	76
Revenue Growth	17.2%	21.3%	4.4%	16.1%	57.0%	17.2%



# PACKAGING & LABELING SERVICES INDEX Vs. S&P 500



DCA Packaging & Labeling Services Index: BLL, CCK, OI, PKG, WLK, WRK

# RECENT PRIVATE TRANSACTIONS

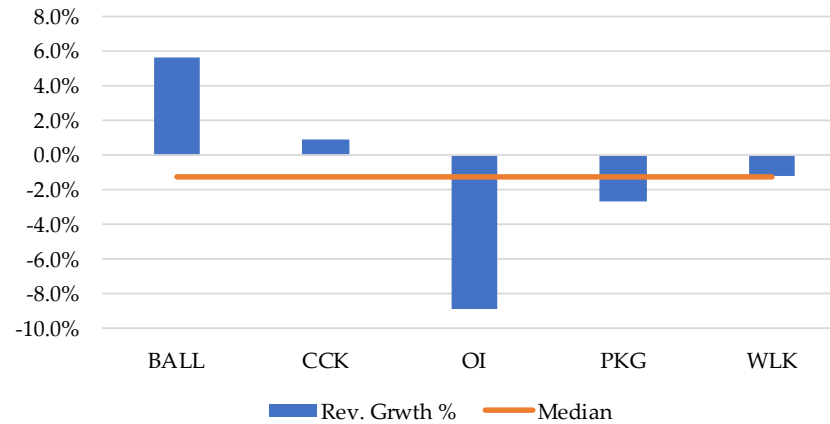
Deal Date	Target	Acquirer	Deal Synopsis
30-Jun-2022	Green River Spirits	Bardstown Bourbon Company, Pritzker Private Capital	The company entered into a definitive agreement to be acquired by Bardstown Bourbon Company, via its financial sponsor Pritzker Private Capital, through an LBO on June 30, 2022 for an undisclosed amount.
13-Jun-2022	Macaran Printed Products	Syracuse Label & Surround Printing	The company reached a definitive agreement to be acquired by Syracuse Label & Surround Printing for an undisclosed amount on June 13, 2022.
10-Jun-2022	Andler Packaging Group	Berlin Packaging, Canada Pension Plan Investment Board, Colpatria Capital, ICG Enterprise Trust (LON: ICGT), Oak Hill Capital	The company was acquired by Berlin Packaging, via its financial sponsors ICG Enterprise Trust, Colpatria Capital, Canada Pension Plan Investment Board and Oak Hill Capital, through an LBO on June 10, 2022 for an undisclosed amount.
25-May-2022	Alliance Adhesives	Applied Adhesives, Arsenal Capital Partners	The company was acquired by Applied Adhesives, via its financial sponsor Arsenal Capital Partners, through an LBO on May 25, 2022 for an undisclosed amount.
23-May-2022	Catapult Print and Packaging	Quad-C Management	The company received an undisclosed amount of development capital from Quad-C Management on May 23, 2022.
23-May-2022	Inovar Packaging Group	Kelso Private Equity	The company was acquired by Kelso Private Equity through an LBO on May 23, 2022 for an undisclosed amount.
12-May-2022	Optikett	IK Investment Partners, Optimum Group	The company was acquired by Optimum Group, via its financial sponsor IK Investment Partners, through an LBO on May 12, 2022 for an undisclosed amount.
27-Apr-2022	Grafiche Pizzi	All4Labels Group, Triton	The company was acquired by All4Labels Group, via its financial sponsor Triton, through an LBO on April 27, 2022 for an undisclosed amount.

# RECENT PUBLIC TRANSACTIONS

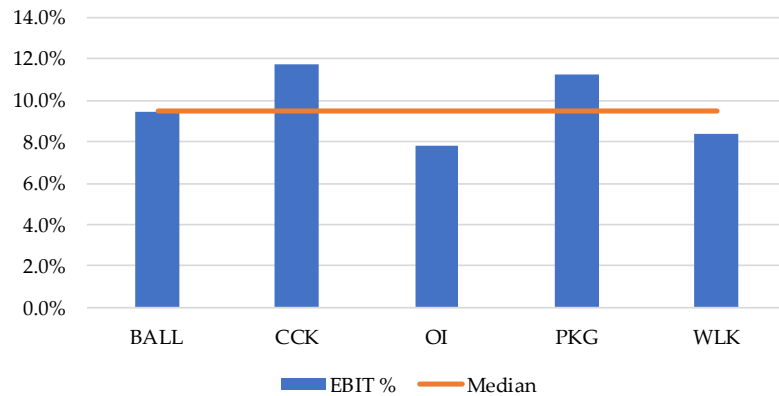
Deal Date	Target	Investors	Deal Synopsis
24-Jun-2022	Mayr-Melnhof Karton (WBO: MMK)	Planet 13 Holdings (CNQ: PLTH)	Mayr-Melnhof Karton (WBO: MMK) entered into a definitive agreement to acquire the Packaging business (ESNT Packaging & Securing Solutions Limited and Essentra Packaging US Inc) of Essentra (LSE: ESNT) for \$312 million on June 24, 2022.
22-Jun-2022	OneWater Marine (NAS: ONEW)	Saint-Gobain (PAR: SGO)	The company reached a definitive agreement to be acquired by OneWater Marine (NAS: ONEW) for \$125 million on June 22, 2022. The acquisition brings aboard a suite of iconic brands and consumable products to the OneWater portfolio.
20-Jun-2022	BBS Automation, EQT (STO: EQT)	BillerudKorsnäs (STO: BILL)	The company is in talks to be acquired by BBS Automation, via its financial sponsor EQT, through an LBO on June 20, 2022 for an undisclosed amount.
11-Apr-2022	Eson Pac	Mayr-Melnhof Karton (WBO: MMK)	The company was acquired by Mayr-Melnhof Karton (WBO: MMK) on April 11, 2022 for an undisclosed amount. The acquisition was part of Mayr-Melnhof Karton's strategy to add innovative, sustainable and cost-efficient grades to its portfolio of virgin fiber-based cartonboard.
05-Apr-2022	Edale (Fareham)	Canon (TKS: 7751)	The company was acquired by Canon (TKS: 7751) for an undisclosed amount on April 5, 2022. The acquisition strengthens Canon's label and packaging operations, enable it to develop its LabelStream 4000 product line and provide expertise and technology for future products as well as Canon aims to expedite its long-term strategy to offer turnkey solutions to the label and packaging sectors.
17-Mar-2022	Catchpoint (UK)	Avery Dennison (NYS: AVY)	The company was acquired by Avery Dennison (NYS: AVY) for an undisclosed amount on March 17, 2022. With the acquisition, Avery Dennison will have intellectual property that helps it fulfill two of their main 2030 sustainability goals: to deliver innovations that advance the circular economy, and to reduce environmental impact in operations and technology.

# TTM OPERATING METRICS

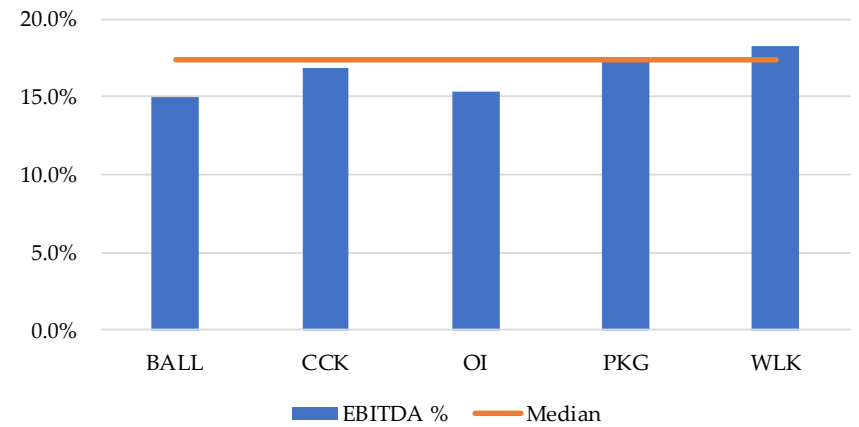
## Revenue Growth



## EBIT Margin

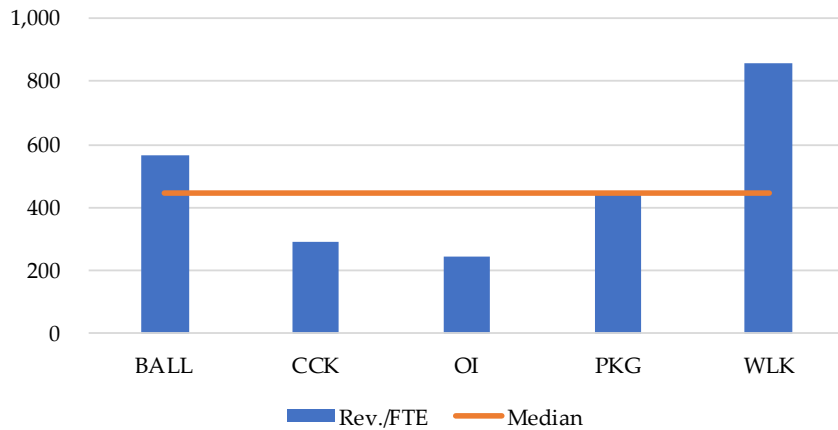


## EBITDA Margin

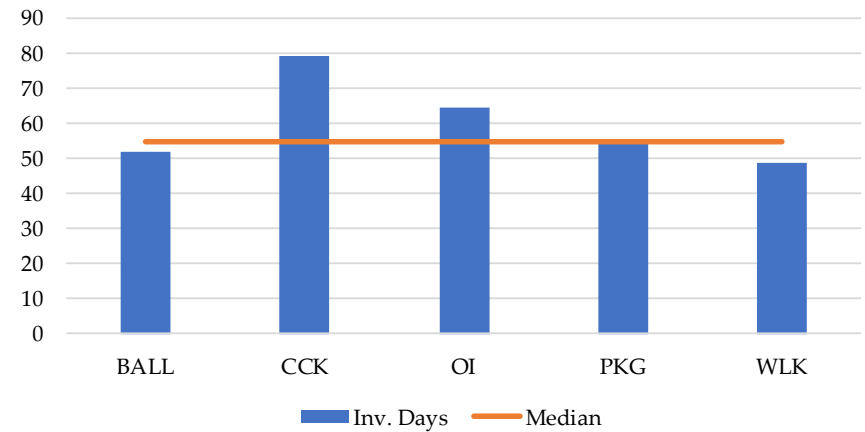


# RATIO ANALYSIS

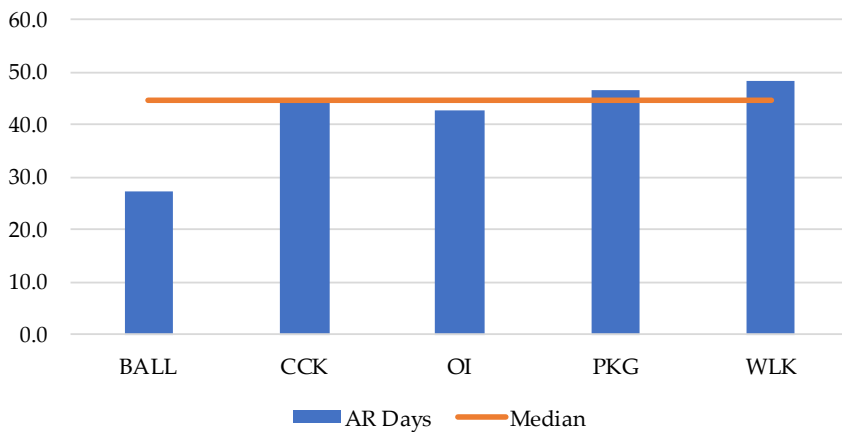
## Revenue per Employee



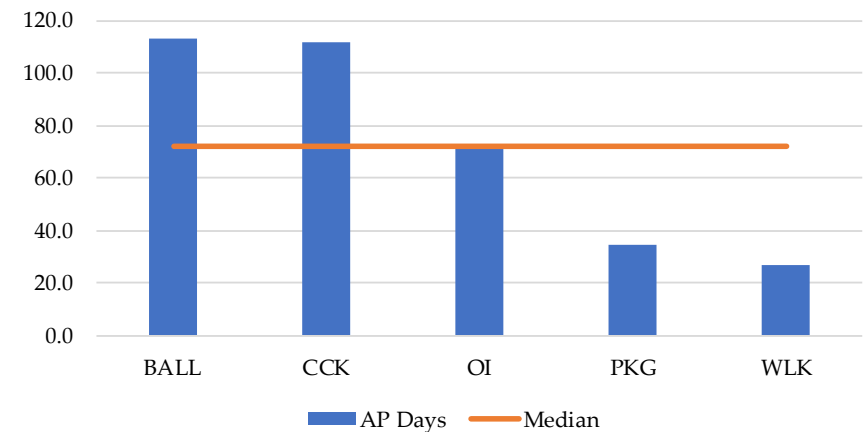
## Inventory Days



## AR Days



## AP Days



# VALUATION TRENDS

		Fundamentals								
Ticker	Company	TTM					NTM Estimates			
		Close Price	Market Cap	Enterprise Value	Total Revenue	EBITDA	Basic EPS	Total Revenue	EBITDA	Normalized EPS
BLL	Ball Corporation	0.02	17.71	18.20						
CCK	Crown Holdings, Inc.	88.32	10,833.65	17,971.65	11,992.00	304.00	(4.45)	13,553.03	2,032.50	8.60
OI	O-I Glass Inc	12.60	1,962.07	6,277.07	6,548.00	1,248.00	2.13	6,790.93	1,184.32	2.06
PKG	Packaging Corp of America	134.29	12,724.62	14,773.02	8,059.60	1,804.50	9.82	8,735.93	2,012.54	11.78
WLK	Westlake Chemical Corporation	92.30	11,810.14	17,006.14	13,477.00	4,420.00	19.65	15,688.40	4,497.14	17.19
WRK	Westrock Co	39.05	10,038.62	18,075.32	20,241.10	2,851.50	3.00	21,473.67	3,832.67	5.89

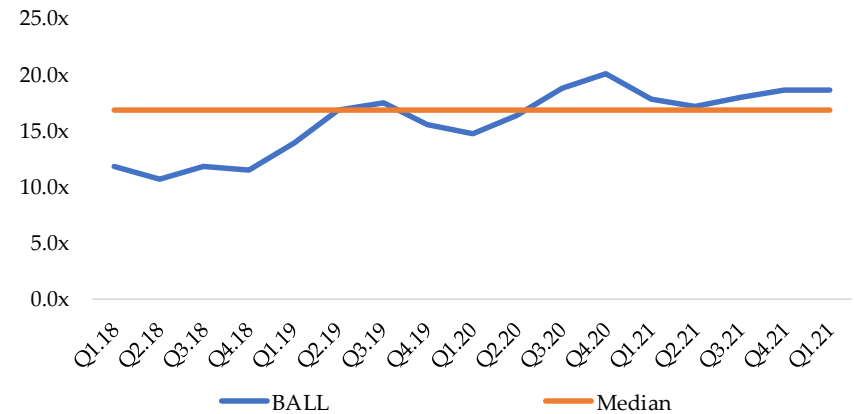
		Multiples					
Ticker	Company	TTM			NTM Forward Multiples		
		EV / Revenue	EV / EBITDA	PE Ratio	EV / Revenue	EV / EBITDA	PE Ratio
BLL	Ball Corporation						
CCK	Crown Holdings, Inc.	1.5x	59.1x		1.3x	8.8x	10.3x
OI	O-I Glass Inc	1.0x	5.0x	6.2x	0.9x	5.3x	6.1x
PKG	Packaging Corp of America	1.8x	8.2x	13.7x	1.7x	7.3x	11.4x
WLK	Westlake Chemical Corporation	1.3x	3.8x	4.7x	1.1x	3.8x	5.4x
WRK	Westrock Co	0.9x	6.3x	13.2x	0.8x	4.7x	6.6x

# PUBLIC COMP

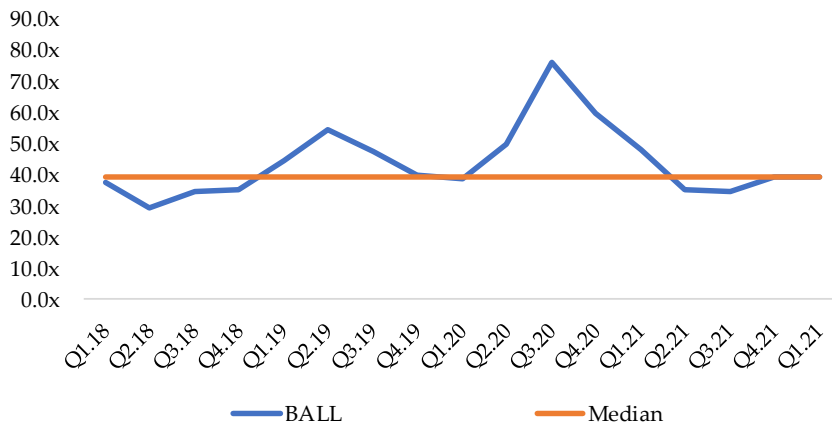
## Ball Corporation (NYSE: BALL)

Ball Corporation is a supplier of metal packaging to the beverage, food, personal care and household products industries. The Company's packaging products are produced for a range of end uses and are manufactured in facilities around the world. Its segments include beverage packaging, North and Central America; beverage packaging, South America; beverage packaging, Europe; food and aerosol packaging; aerospace, and other. Its major product line is aluminum and steel beverage containers. It produces steel food, aerosol and extruded aluminum aerosol containers and aluminum slugs. Its aerospace business designs, develops and manufactures aerospace systems for civil, commercial and national cyber security aerospace markets. It produces spacecraft, instruments and sensors, radio frequency systems and components, data exploitation solutions and a range of aerospace technologies and products.

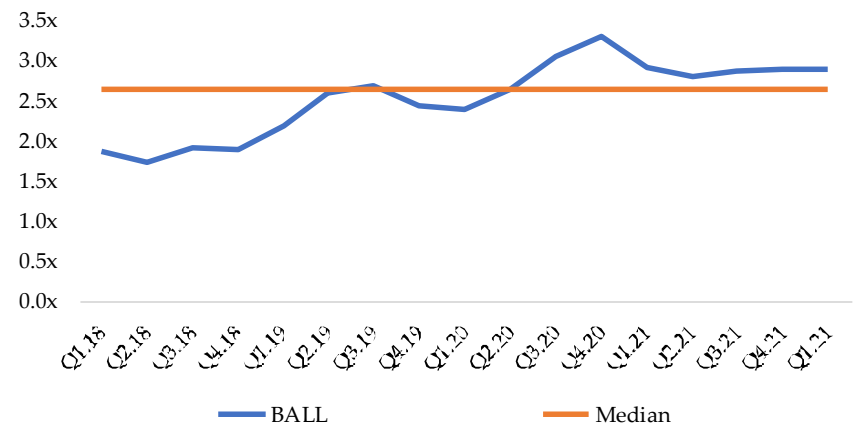
### EV/EBITDA Ball



### P/E Ball



### EV/Revenue Ball

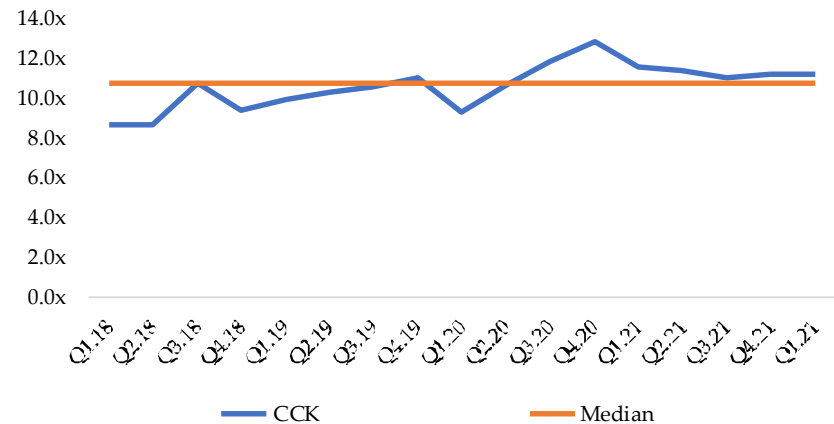


# PUBLIC COMP

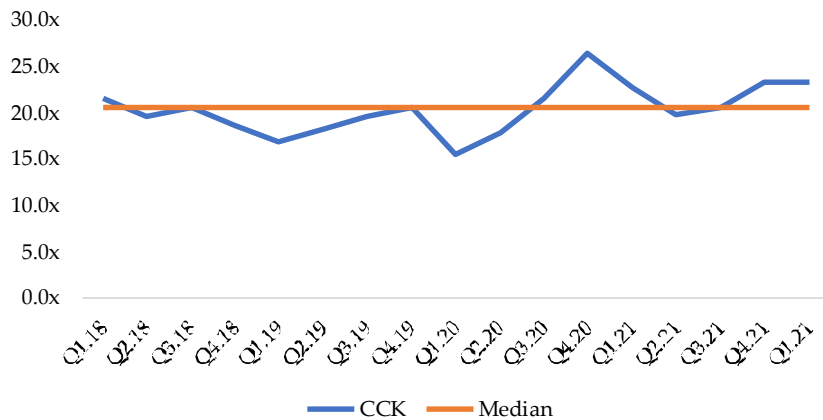
## Crown Holdings (NYSE: CCK)

Crown Holdings, Inc. is engaged in the design, manufacture and sale of packaging products for consumer goods. The Company's business is organized within three divisions: Americas, Europe and Asia Pacific. Within each division, the Company is organized along product lines. The Company's segments within the Americas Division are Americas Beverage and North America Food. The Company's segments within the European Division are European Beverage and European Food. The Company's Asia Pacific Division segment consists of its beverage and non-beverage can operations. The Company is also engaged in European aerosol and specialty packaging business, its North American aerosol can business, and its tooling and equipment operations in the United States and the United Kingdom. As of December 31, 2016, the Company operated 146 plants along with sales and service facilities throughout 36 countries. It also has three can making and spare part operations in the United States and the United Kingdom.

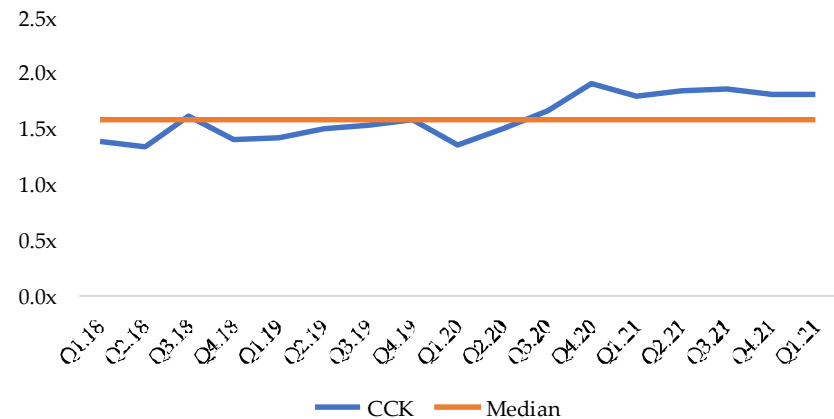
### EV/EBITDA Crown Holdings



### P/E Crown Holdings



### EV/Revenue Crown Holdings



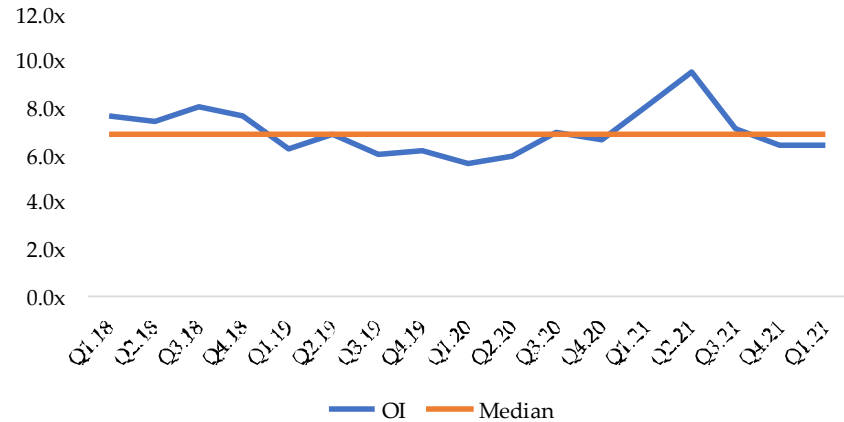


# PUBLIC COMP

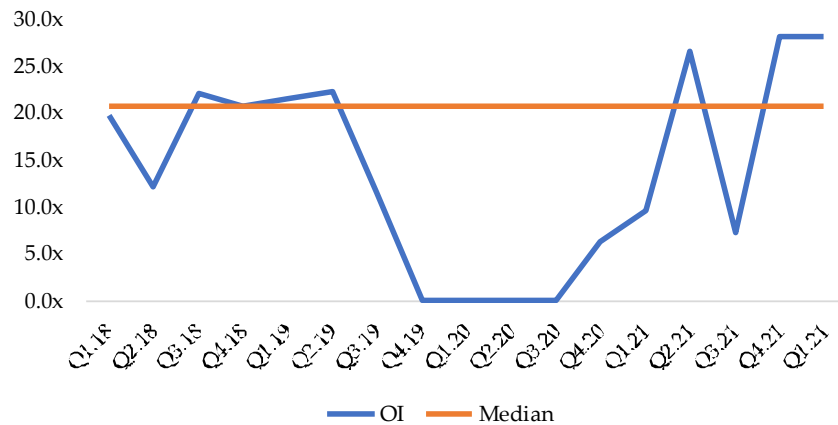
## Owens-Illinois (NYSE: OI)

O-I Glass, Inc. is a manufacturer of glass container products. The Company's principal product lines are glass containers for the food and beverage industries. The Company's segments include Europe, Americas and Asia Pacific. The Company produces glass containers for alcoholic beverages, including beer, flavored malt beverages, spirits and wine. The Company also produces glass packaging for a range of food items, soft drinks, teas, juices and pharmaceuticals. The Company manufactures glass containers in a range of sizes, shapes and colors. The Company also provides engineering support for its glass manufacturing operations through facilities located in the United States, France, Poland, Colombia and Peru. The Company has approximately 72 glass manufacturing plants in 20 countries. The Company has a distribution facility used to import glass containers from its business in Mexico.

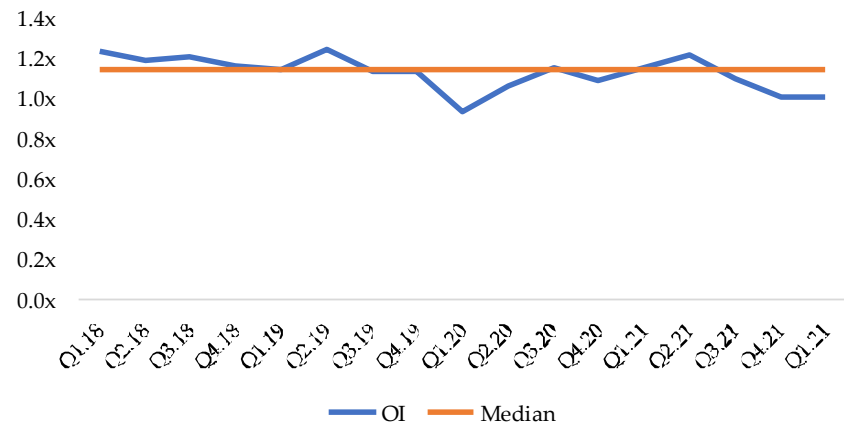
EV/EBITDA Owens-Illinois



P/E Owens-Illinois



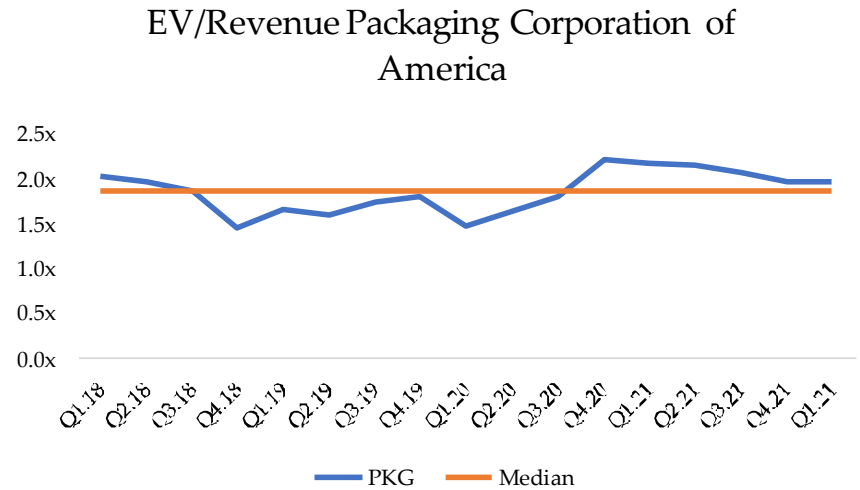
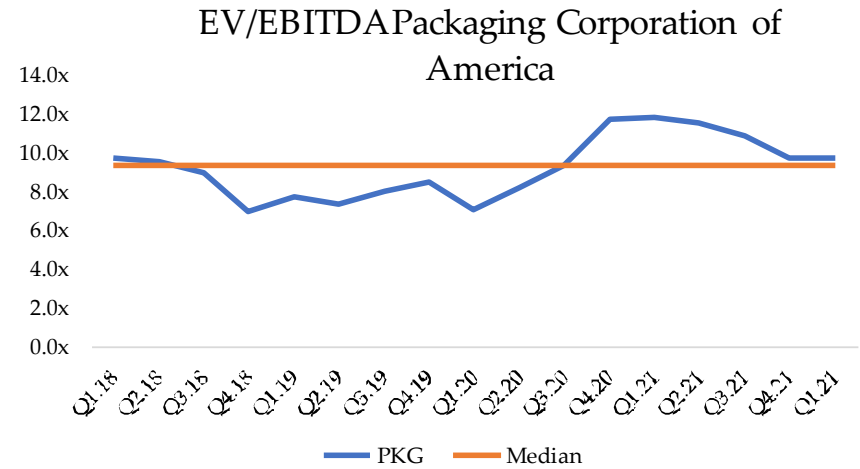
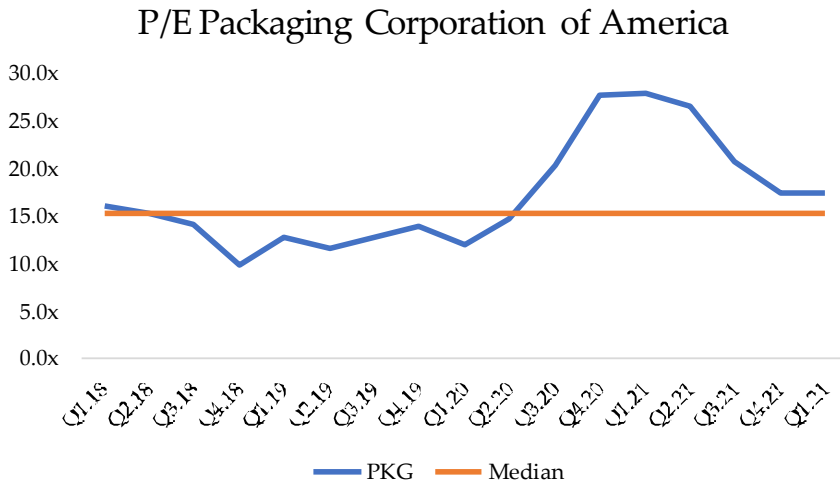
EV/Revenue Owens-Illinois



# PUBLIC COMP

## Package Corporation (NYSE: PKG)

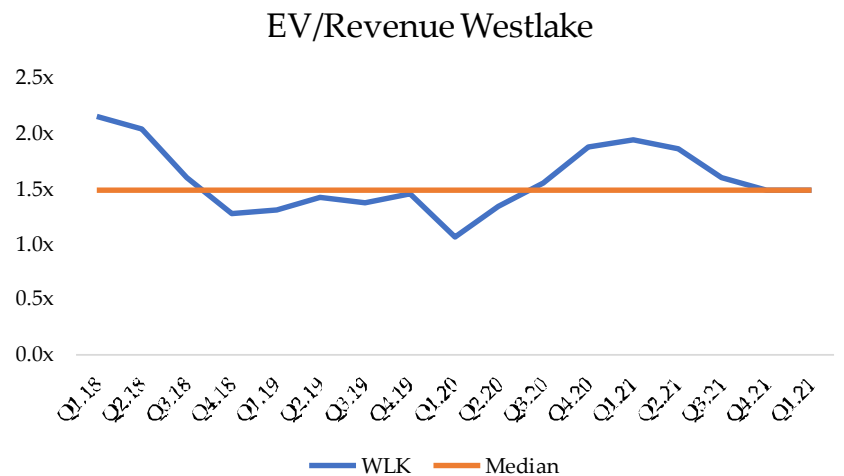
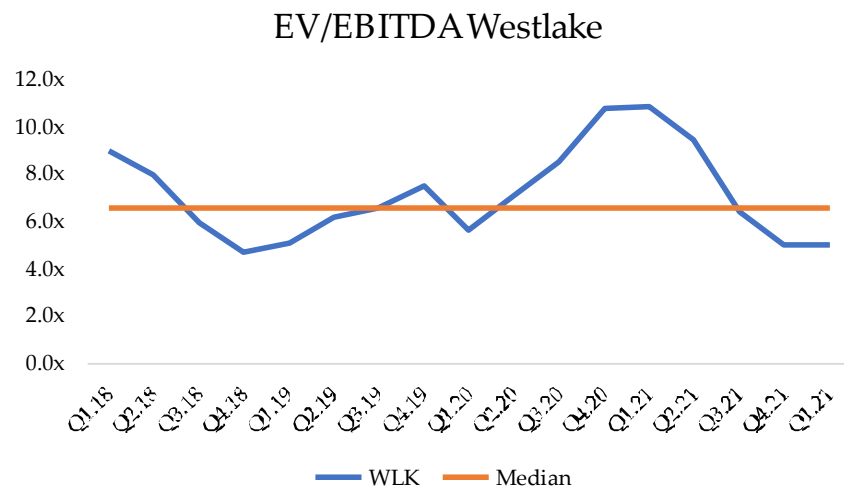
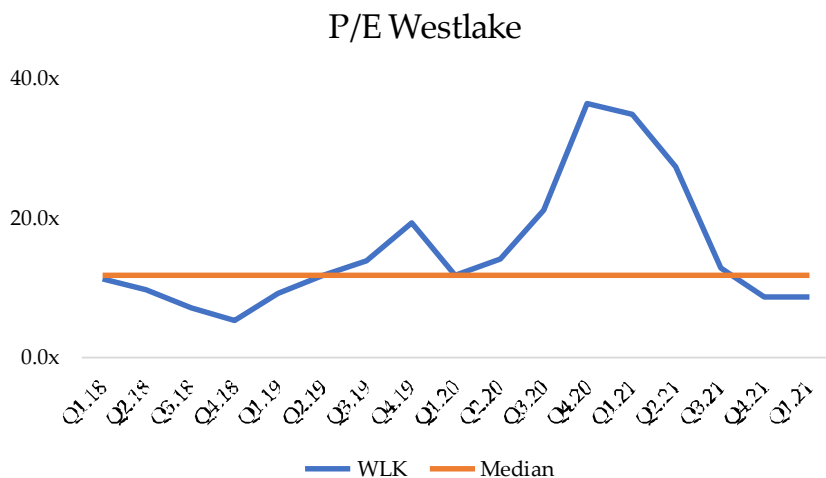
Packaging Corporation of America (PCA) is a producer of containerboard products and uncoated freesheet. The Company operates through three segments: Packaging, Paper, and Corporate and Other. The Packaging segment produces a range of corrugated packaging products. The Paper segment manufactures and sells a range of papers, including communication-based papers and pressure sensitive papers. The Company's containerboard mills produce linerboard and semi-chemical corrugating medium, which are papers primarily used in the production of corrugated products. The Company's corrugated products manufacturing plants produce a range of corrugated packaging products, including conventional shipping containers used to protect and transport manufactured goods, multi-color boxes and displays.



# PUBLIC COMP

## Westlake Chemical (NYSE: WLK)

Westlake Chemical Corporation is a global manufacturer and marketer of basic chemicals, vinyls, polymers and building products. The Company's products include a range of chemicals, which are fundamental to various consumer and industrial markets, including flexible and rigid packaging, automotive products, coatings, water treatment, refrigerants, residential and commercial construction, as well as other durable and non-durable goods. Its segments include Olefins and Vinyls. It manufactures ethylene (through Westlake Chemical OpCo LP (OpCo)), polyethylene, styrene and associated co-products at its manufacturing facility in Lake Charles and polyethylene at its Longview facility. The Company's products in its Vinyls segment include polyvinyl chloride (PVC), vinyl chloride monomer (VCM), ethylene dichloride (EDC), chlor-alkali (chlorine and caustic soda) and chlorinated derivative products and, through OpCo, ethylene.



# DAVIDSON CAPITAL ADVISORS PROFESSIONALS

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## **Robert S. Cashion** **Managing Director, Investment Banking and Advisory Services**

Prior to joining Davidson Capital Advisors, Mr. Cashion spent over 20 years in the financial services industry. He manages the firm's overall corporate finance and consulting practice where he oversees and executes the firm's investment banking, advisory and capital raising engagements.

Mr. Cashion worked with several financial institutions and consulting firms delivering investment banking, leveraged finance, consulting and restructuring services. He worked with Bank of America Merrill Lynch and its predecessor firms in the High Grade Capital Markets, Corporate Finance and the Special Situations group.

Mr. Cashion has been involved in industry sectors including general industrial, distribution, business services, retail, technology and healthcare. Mr. Cashion holds B.A. Education, B.S. Accounting, and an MBA from the University of North Carolina. He is a Certified Public Accountant and holds FINRA 7, 63 and 79 securities licenses.



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# DAVIDSON CAPITAL ADVISORS PROFESSIONALS

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## **Elizabeth Folger** **Managing Director, Institutional Client Coverage**

Prior to joining Davidson Capital Advisors, Ms. Folger spent 16 years in the financial services industry in a variety of functions, most recently with Bank of America Merrill Lynch and its predecessor firms. She manages the sales and auction processes for the firm's sell side M&A and capital raising engagements. Her deep experience in the sales and trading has resulted in excellent execution for our client's projects.

She worked in the Loan Syndication Sales Group, headquartered in Charlotte, with her primary responsibilities for sales and distribution of syndicated loans for middle market and large corporate credits. Also, Ms. Folger worked on the Corporate Bond Trading desk where she managed and traded risk positions of \$50-\$100 million of intermediate term bank and finance paper.

Ms. Folger has been involved in a variety of sectors including general industrial, distribution, business services, retail, technology and healthcare. She holds a Bachelor of Arts from Hollins University.



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# DAVIDSON CAPITAL ADVISORS ANALYST TEAM

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## **Maxwell Purdy** **Corporate Finance Coverage**

Prior to joining Davidson Capital Advisors in 2021, Mr. Purdy interned with Graycliff Partners, a private equity located in New York, NY. He graduated from University of North Carolina Chapel Hill in 2021 with a BS in Political Science and a minor in Economics and Entrepreneurship.

Maxwell assists in leading the firm's corporate finance client coverage as well as private equity coverage.

## **Jake Hall** **Analyst, Investment Banking**

Prior to joining Davidson Capital Advisors, Mr. Hall interned with Churchill Terry, a private equity firm located in Dallas, TX. He graduated from Southern Methodist University in 2021 with an MBA in Finance and Strategy.

## **Samuel Fernandez** **Analyst, Investment Banking**

Prior to joining Davidson Capital Advisors. Mr. Fernandez served as a board member for Radio Nueva Vida, a radio network chain operating in the Southeast. He graduated from the University of North Carolina at Charlotte with a BS in Finance.

## **Luke Habecker** **Analyst, Investment Banking**

Prior to joining Davidson Capital Advisors, Mr. Habecker worked in Brokerage and Business development with Odyssey Specialized Logistics, a logistics firm located in Chicago, IL. He graduated from the University of North Carolina at Charlotte with a BS in Finance.