

# INDUSTRY OVERVIEW PACKAGING & LABELING Q4 2022



# PACKAGING & LABELING INDUSTRY KEY TAKEAWAYS

## □ Industry Demand Drivers

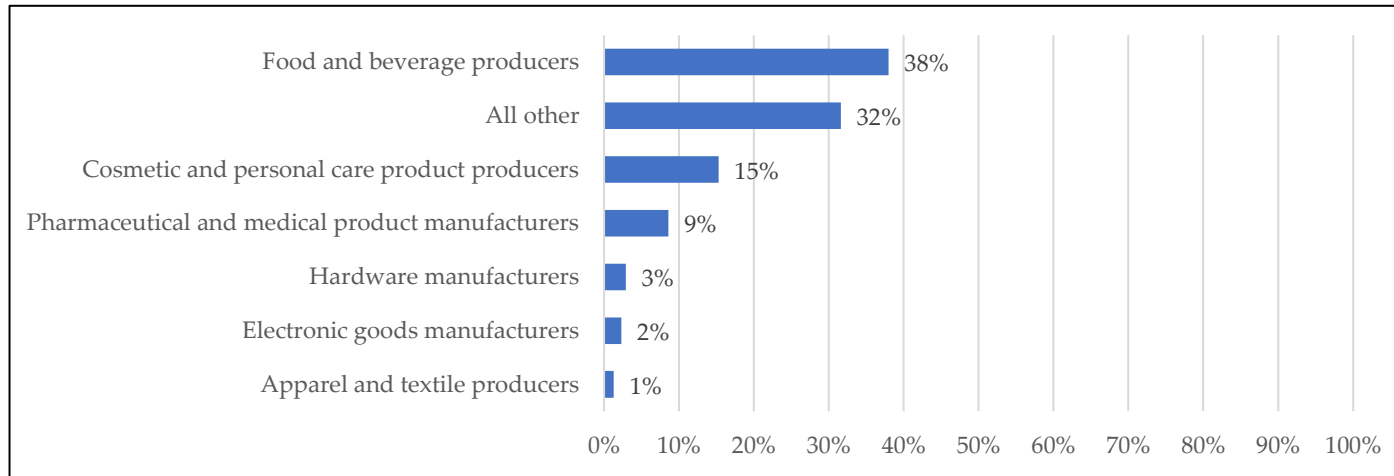
- **Consumer Spending:** Revenue for the Packaging and Labeling Services industry generally fluctuates in line with consumer spending trends, as industry operators earn most of their revenue from contract package and labeling services provided to fast-moving consumer goods (FMCG) and pharmaceutical product 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

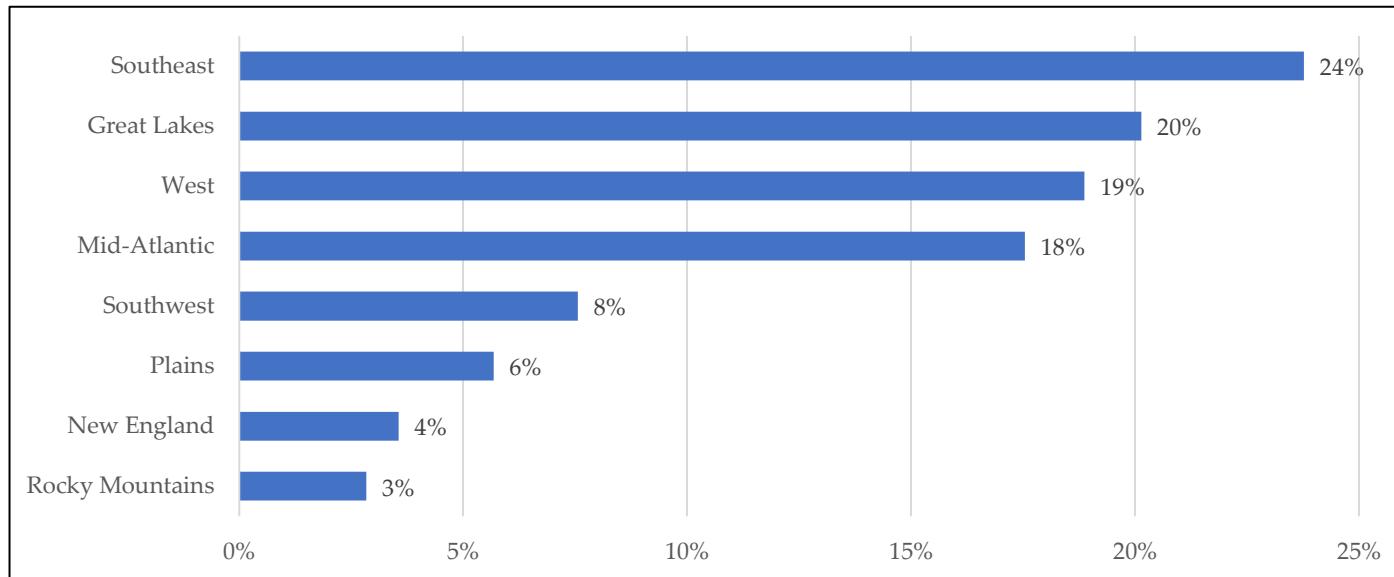
- **Outlook:** Over the next five years to 2027, the packaging and labeling industry is expected to continue to grow. The rise of e-commerce sales, disposable income, and consumer spending will continue to boost demand for services in the industry. An aging population is expected to directly impact the 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

## 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

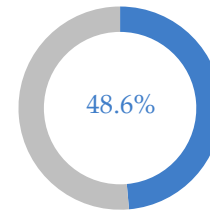
- Annual Growth 2017 – 2022 3.5%
- Annual Growth 2022 – 2027 2.7%



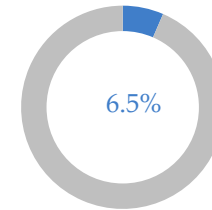
### \$2.6bn Wages

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

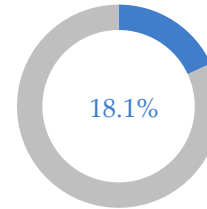
## Industry Segments



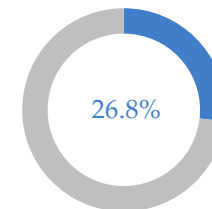
Packaging Services



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

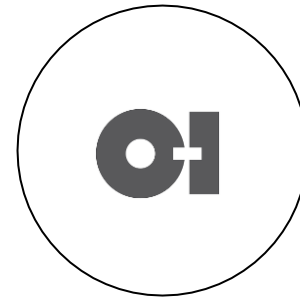
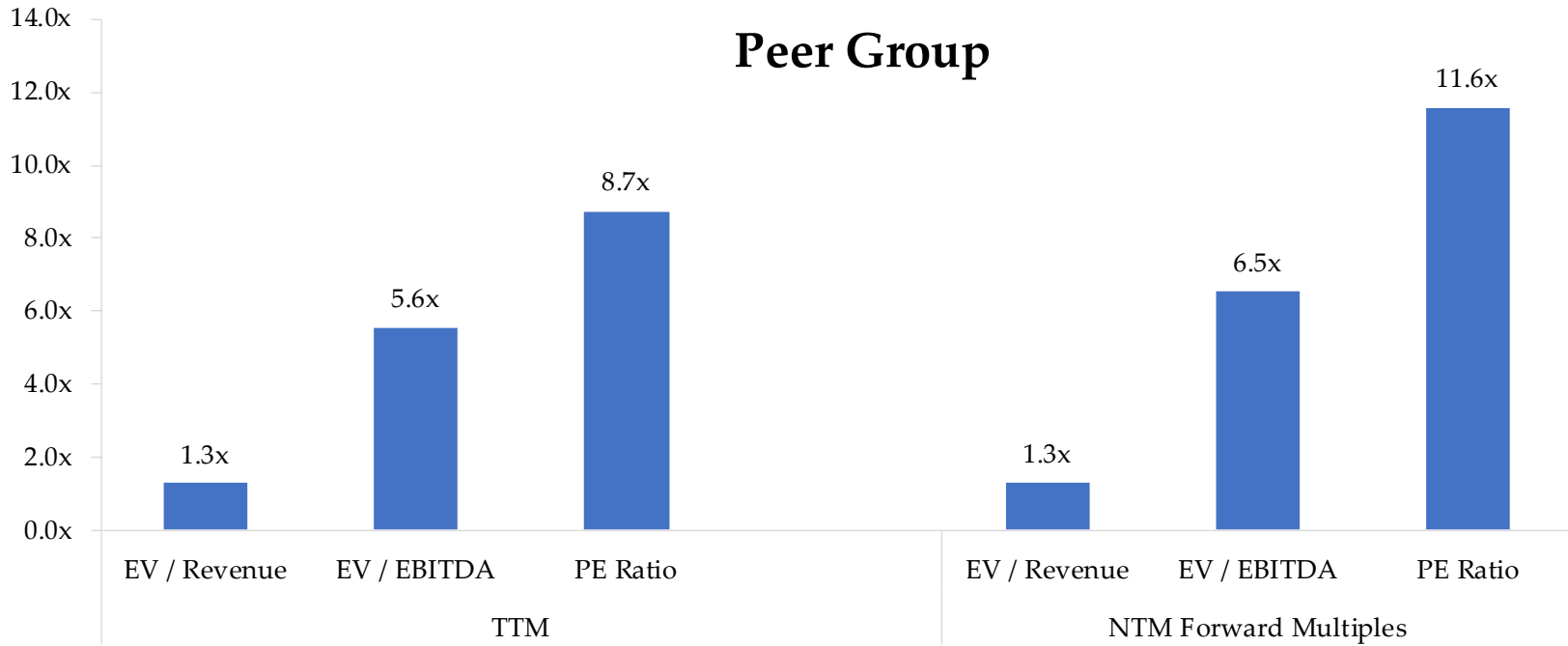
- High Revenue Growth (2017-2022)
- High Revenue Growth (2022-2027)
- High Performance Drivers
- E-Commerce Sales



### THREATS

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

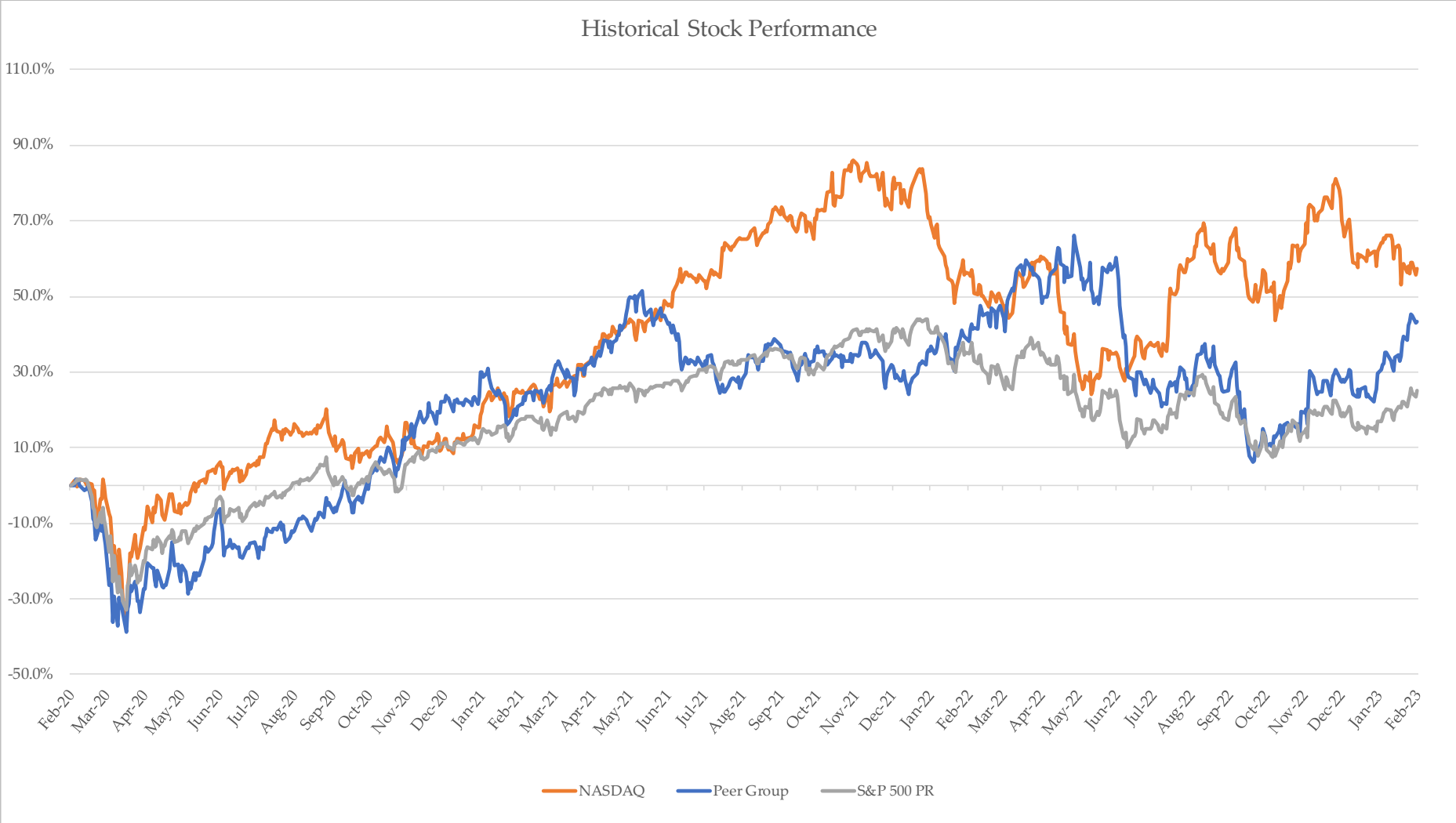
# PUBLIC COMPS



# PUBLIC COMPS

\$ in Millions	Crown Holdings	Owens-Illinois	Westlake	WestRock	Packaging Corporation of America	
Ticker	CCK	OI	WLK	WRK	PKG	
Total Revenue	12,985	6,856	16,002	21,227	8,543	
Gross Profit	2,370	1,213	4,602	3,989	2,150	
EBIT	(143)	1,044	3,649	1,361	1,504	
Net Income	(363)	584	2,659	808	1,035	
EBITDA (Normalized)	1,806	1,162	4,797	3,431	1,940	
Total Debt	7,099	4,716	5,295	9,463	2,780	
EV	17,015	7,371	17,803	16,954	14,469	
Employees	26,000	24,000	14,550	50,500	15,200	
<b>Ratio Analysis</b>						<b>Median</b>
Revenue/Employee	\$499,423	\$285,667	\$1,099,794	\$420,345	\$562,026	\$499,423
EV/Revenue	1.31x	1.08x	1.13x	0.80x	1.71x	1.13x
Debt/EBITDA	22.72x	3.12x	1.18x	2.93x	1.48x	2.93x
EV/EBITDA (Normalized)	9.76x	6.34x	4.23x	4.94x	7.67x	6.34x
Market Cap/EBITDA	5.69x	2.21x	3.50x	2.76x	6.37x	3.50x
Market Cap (mm)	10,150	3,317	14,618	7,881	12,415	
Close Price	84.62	21.49	114.62	30.95	134.17	
52 Week Low	66.00	11.51	81.29	30.08	110.56	
52 Week High	130.42	23.52	141.19	54.78	168.50	
Gross Margin	18.3%	17.7%	28.8%	18.8%	25.2%	18.8%
EBIT	-1.1%	15.2%	22.8%	6.4%	17.6%	15.2%
EBITDA	2.4%	21.8%	29.2%	13.5%	22.8%	21.8%
Acct. Receivable Days	38	45	46	47	48	46
Inventory Days	68	53	54	49	53	53
Acct. Payable Days	101	80	31	47	38	47
Revenue Growth	20.2%	7.8%	56.3%	10.0%	15.4%	15.4%

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



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

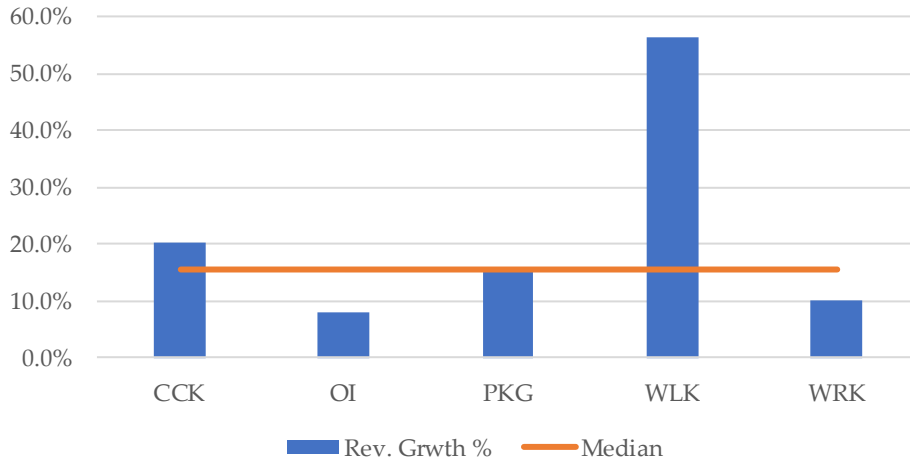


# RECENT TRANSACTIONS

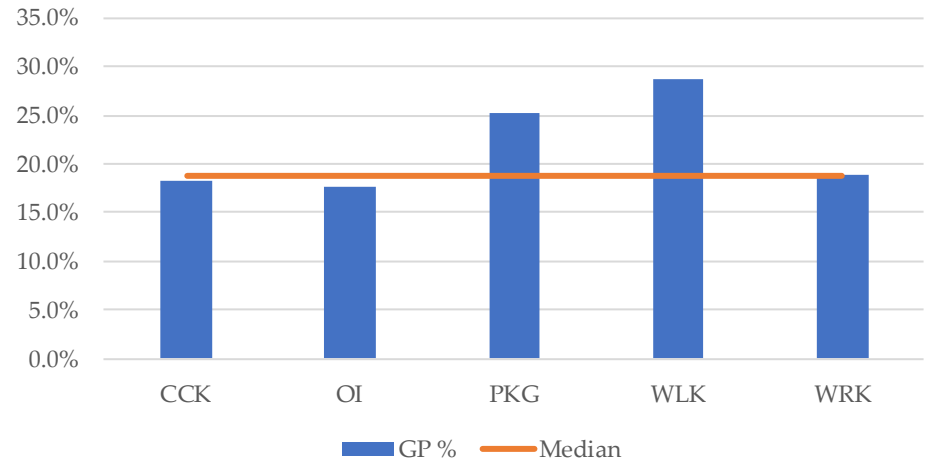
Deal Date	Companies	Investors	Deal Size (\$MM)	HQ Location
16-Dec-2022	Palmetto Adhesives Company	Sidereal Capital Group	NM	Greenville, SC
16-Dec-2022	The Smart Cube	WNS Global Services	151.23	London, United Kingdom
08-Dec-2022	Bagwell Supply	New Water Capital	NM	Richmond, Canada
08-Dec-2022	Bulk Lift International	New Water Capital	NM	Saint Charles, IL
29-Nov-2022	Plastigaur	Espiga Capital	NM	Andoain, Spain
29-Nov-2022	Suwary	Plast-Box	21.21	Pabianice, Poland
22-Nov-2022	RSBC Logistics	PJ Expedis	NM	Prague, Czech Republic
18-Nov-2022	YoungPoong Paper	Daiyang Metal Company	92.51	Pyungtaek-Si, South Korea
16-Nov-2022	BiOrigin Specialty Products	Wynnchurch Capital	NM	Alpharetta, GA
02-Nov-2022	Algus Packaging	Hyperion Capital Partners, Mereo Capital Partners	NM	DeKalb, IL
01-Nov-2022	Fedrigoni	Bain Capital, BC Partners	2,950.30	Milan, Italy
11-Oct-2022	K-1 Packaging Group	Dunes Point Capital	NM	Industry, CA
11-Oct-2022	Port Townsend Paper	Atlas Holdings	NM	Port Townsend, WA
10-Oct-2022	Columbia Fruit Packers	Goldman Sachs Asset Management	NM	Wenatchee, WA
05-Oct-2022	R-Solution Medical	Ramphastos Investments	NM	Barneveld, Netherlands
05-Oct-2022	ToucanBox	Sandbox & Co.	NM	London, United Kingdom
04-Oct-2022	Bobst Group	JBF Finance	NM	Lausanne, Switzerland

# TTM OPERATING METRICS

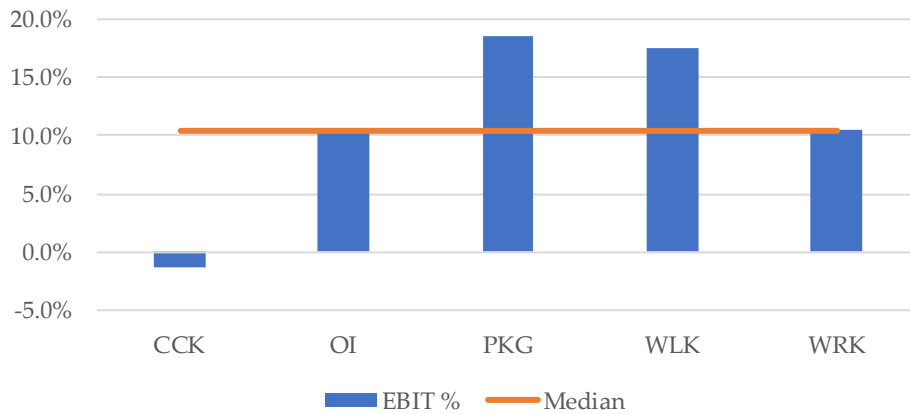
## Revenue Growth



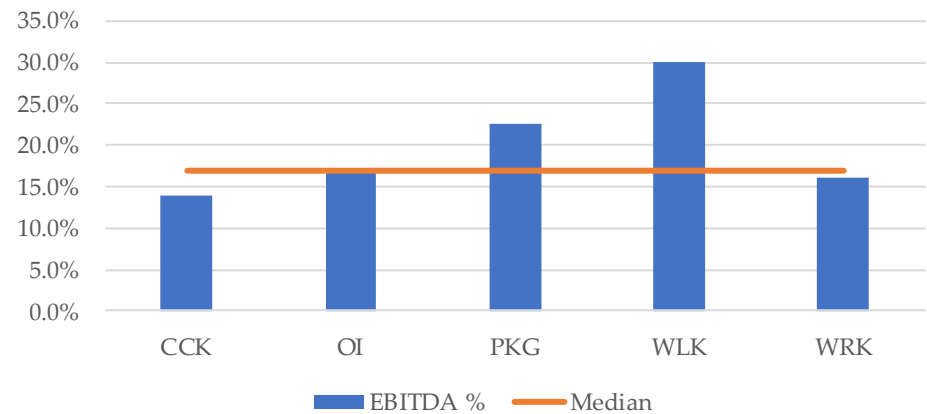
## Gross Profit Margin



## EBIT Margin Normalized

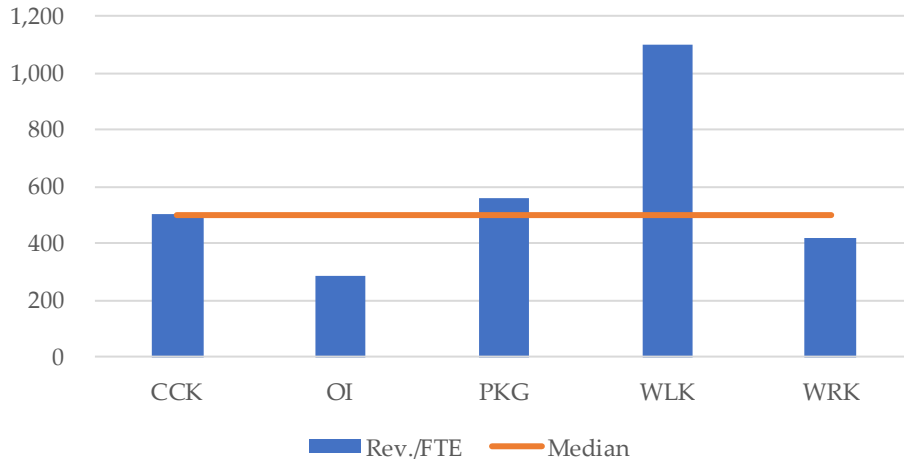


## EBITDA Margin Normalized

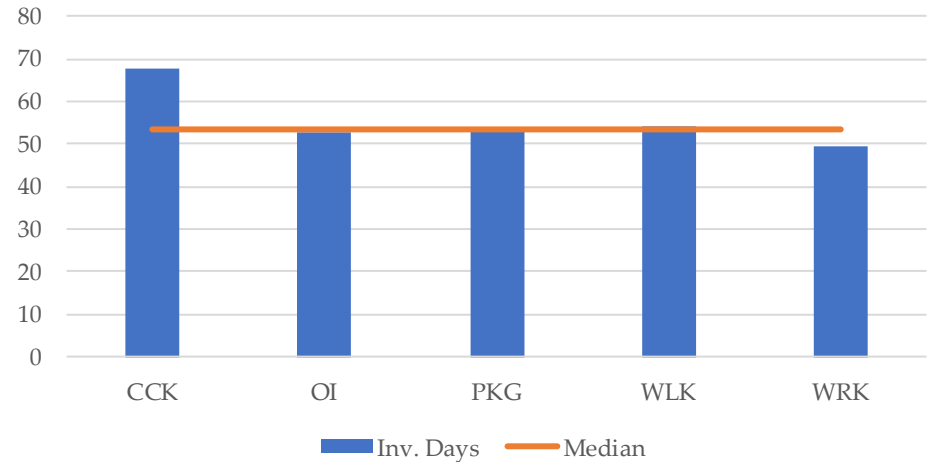


# RATIO ANALYSIS

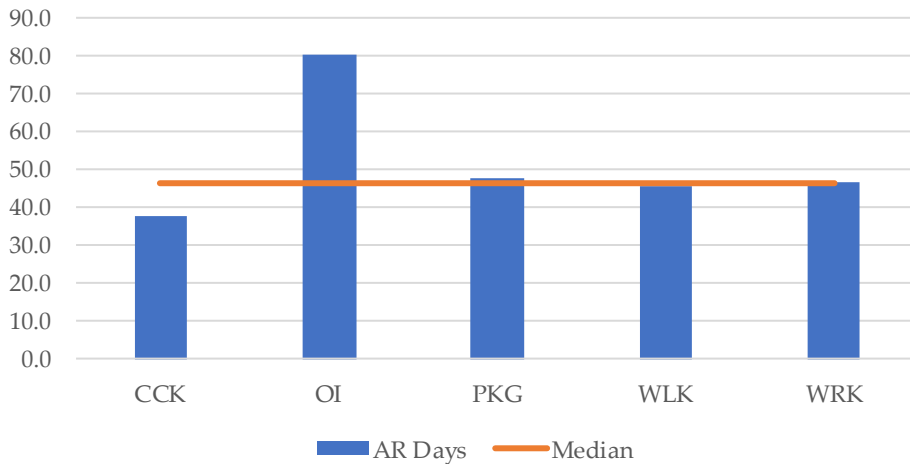
## Revenue per Employee



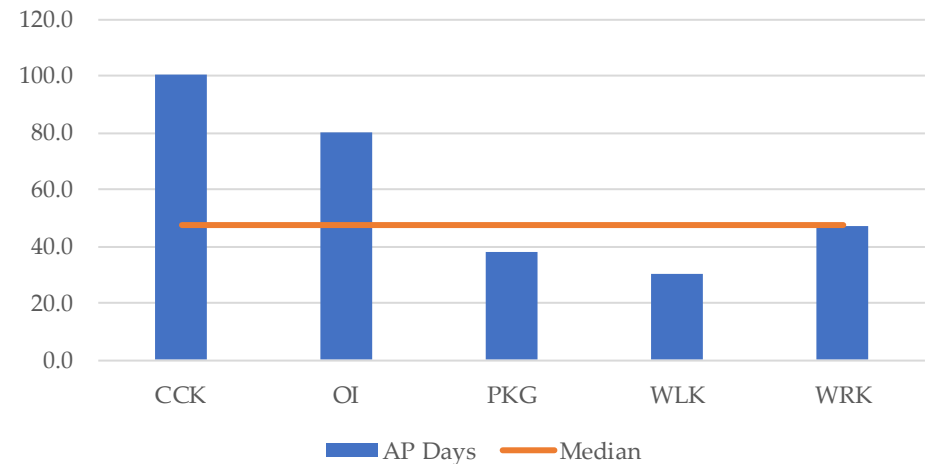
## Inventory Days



## AR Days



## AP Days



# VALUATION TRENDS

		Fundamentals								
		TIM					NTM Estimates			
Ticker	Company	Close Price	Market Cap	Enterprise Value	Total Revenue	EBITDA	Basic EPS	Total Revenue	EBITDA	Normalized EPS
CCK	Crown Holdings, Inc.	88.08	10,565	17,430	12,985	314	(2.69)	13,291	1,890	6.30
OI	O-I Glass Inc	22.30	3,460	7,515	6,750	1,533	3.95	7,217	1,364	2.56
PKG	Packaging Corp of America	143.38	13,268	15,321	8,543	1,949	11.03	8,204	1,671	9.48
WLK	Westlake Chemical Corporation	123.64	15,769	19,853	16,002	4,674	20.66	14,002	3,038	10.68
WRK	Westrock Co	33.43	8,513	17,585	21,227	2,856	3.15	21,105	2,984	2.89

		Multiples					
		TIM			NTM Forward Multiples		
Ticker	Company	EV / Revenue	EV / EBITDA	PE Ratio	EV / Revenue	EV / EBITDA	PE Ratio
CCK	Crown Holdings, Inc.	1.3x	9.8x	14.70	1.3x	9.2x	13.98
OI	O-I Glass Inc	1.1x	5.0x	6.08	1.0x	5.5x	8.70
PKG	Packaging Corp of America	1.8x	7.9x	13.00	1.9x	9.2x	15.13
WLK	Westlake Chemical Corporation	1.2x	4.2x	6.03	1.4x	6.5x	11.58
WRK	Westrock Co	0.8x	6.2x	10.68	0.8x	5.9x	11.59

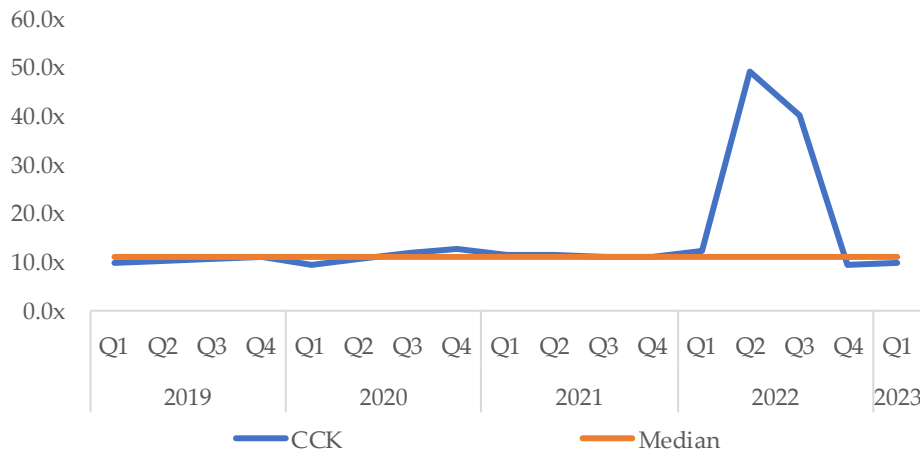
# PUBLIC COMP

## Crown Holdings (NYSE: CCK)

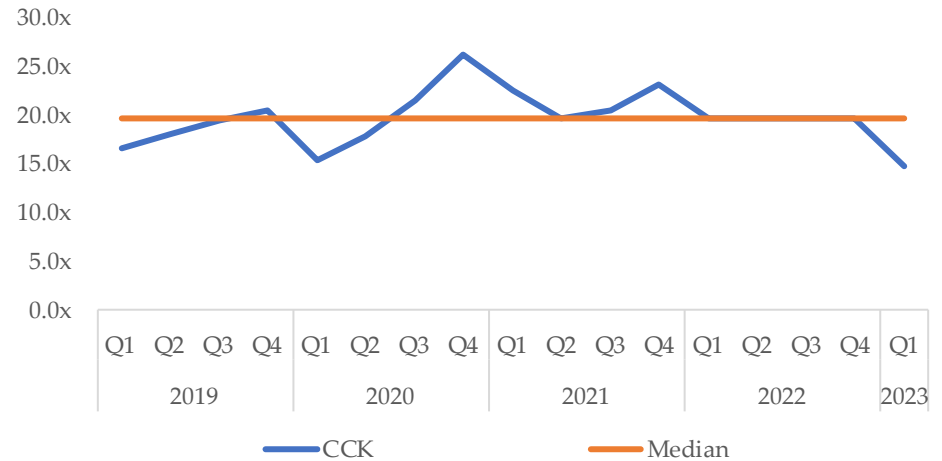
Crown Holdings, Inc. is engaged in the design, manufacture and sale of packaging products for consumer goods. The Company's business is organized within three divisions: Americas, Europe and Asia Pacific. Within each division, the Company is organized along product lines. The Company's segments within 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.



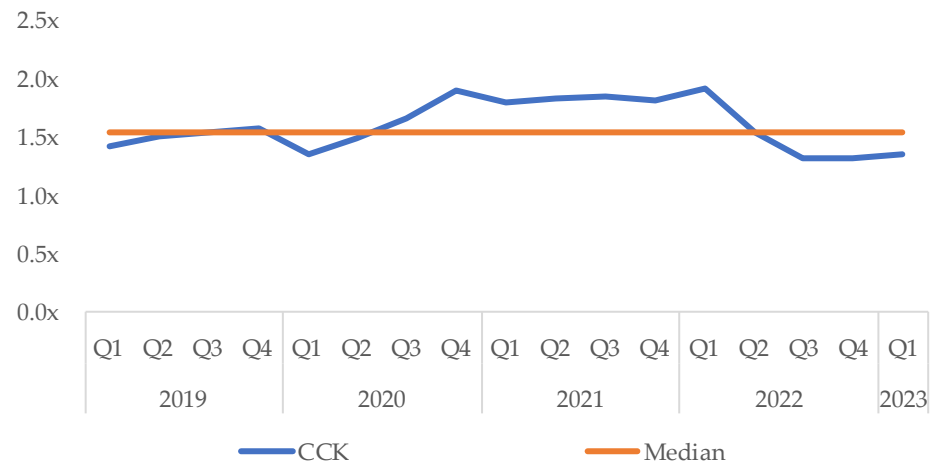
### EV/EBITDA Crown Holdings



### P/E Crown Holdings



### EV/Revenue Crown Holdings



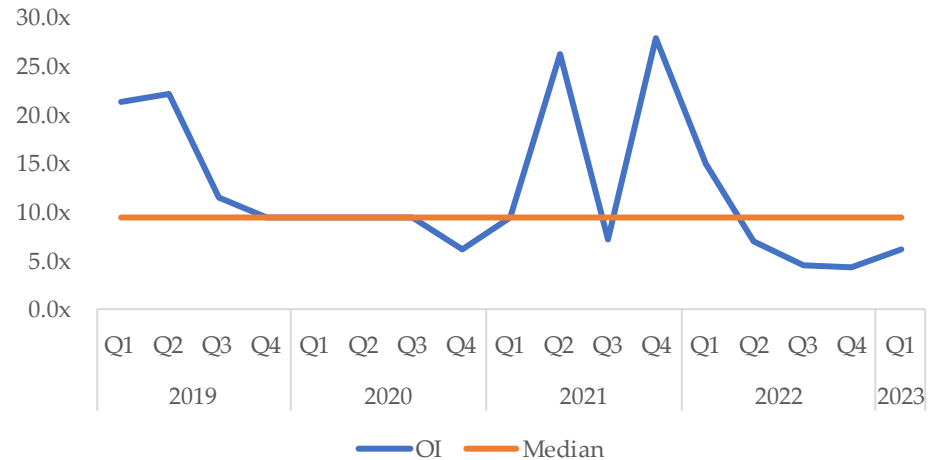
# PUBLIC COMP

## Owens-Illinois (NYSE: OI)

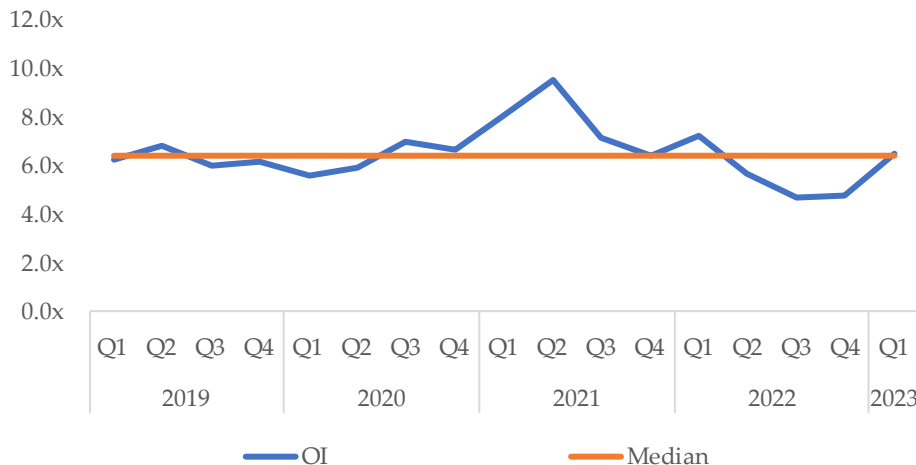
O-I Glass, Inc. is a manufacturer of glass container products. The Company's principal product lines are glass containers for the food and beverage industries. The Company's segments include Europe, Americas and Asia Pacific. The Company produces glass containers for alcoholic beverages, including beer, 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.



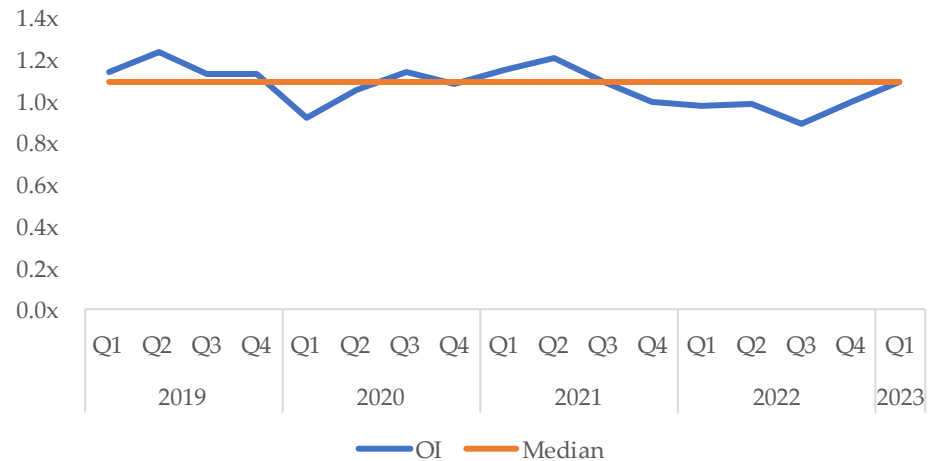
### P/E Owens-Illinois



### EV/EBITDA Owens-Illinois



### EV/Revenue Owens-Illinois



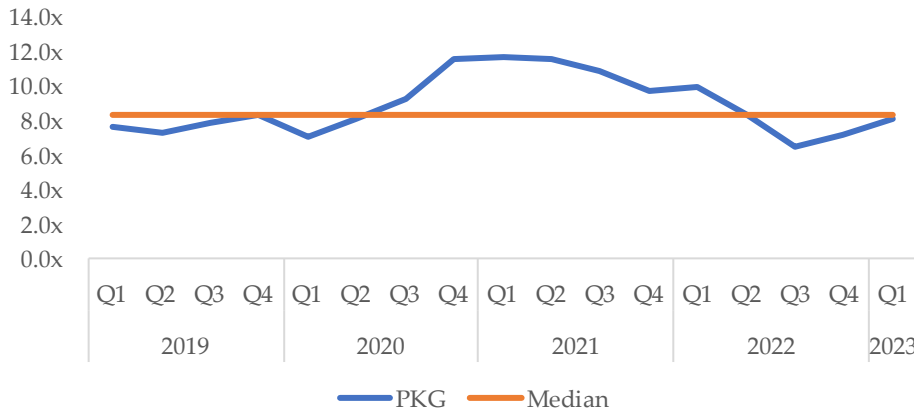
# PUBLIC COMP

## Package Corporation of America (NYS: PKG)

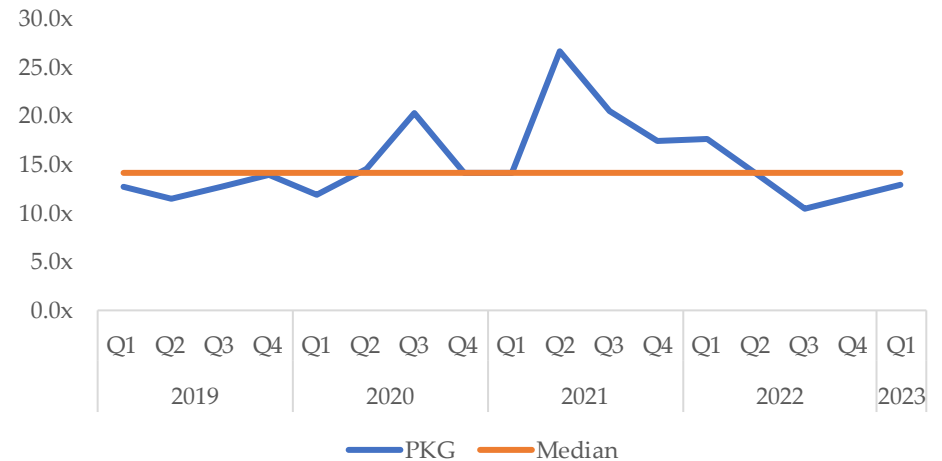
Packaging Corporation of America (PCA) is a producer of containerboard products and uncoated freesheet. The Company operates through three segments: Packaging, Paper, and Corporate and Other. The Packaging segment produces a range of corrugated packaging products. The Paper segment manufactures and sells 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.



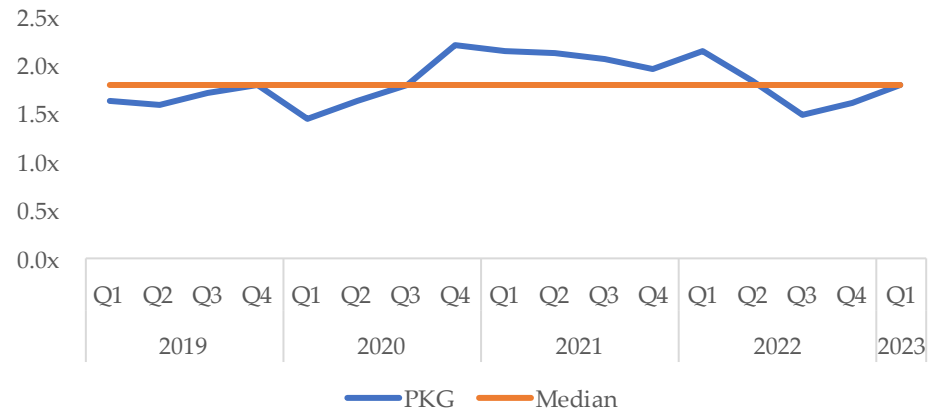
### EV/EBITDA Packaging Corporation of America



### P/E Packaging Corporation of America



### EV/Revenue Packaging Corporation of America



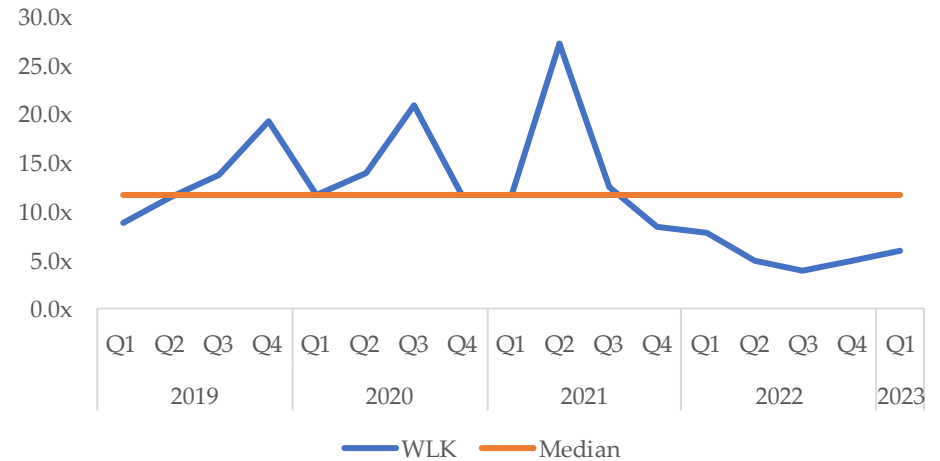
# PUBLIC COMP

## Westlake Chemical (NYSE: WLK)

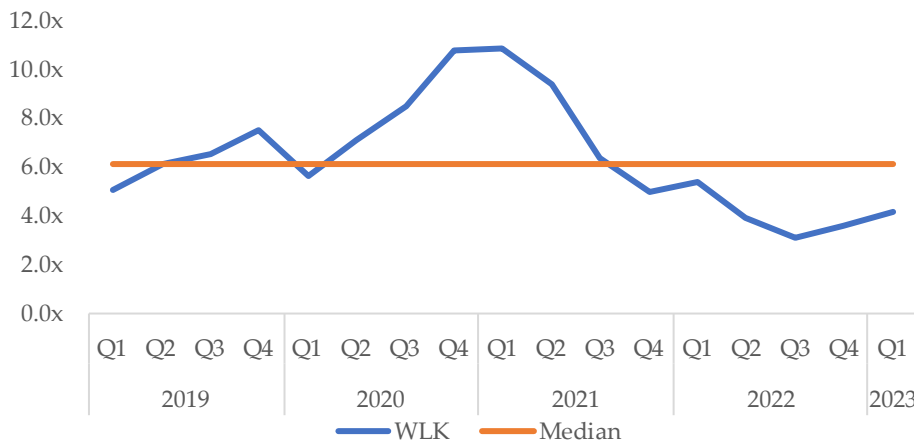
Westlake Chemical Corporation is a global manufacturer and marketer of basic chemicals, vinyls, polymers and building products. The Company's products include a range of chemicals, which are fundamental to various consumer and industrial markets, including flexible and rigid packaging, automotive products, 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.



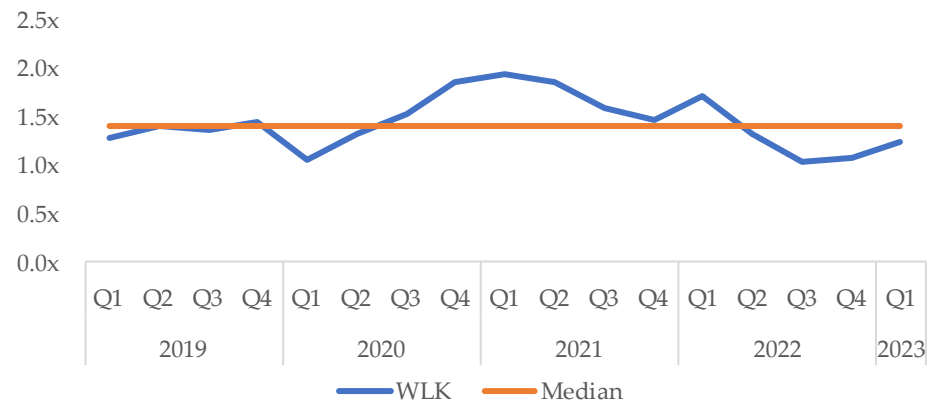
### P/E Westlake



### EV/EBITDA Westlake



### EV/Revenue Westlake





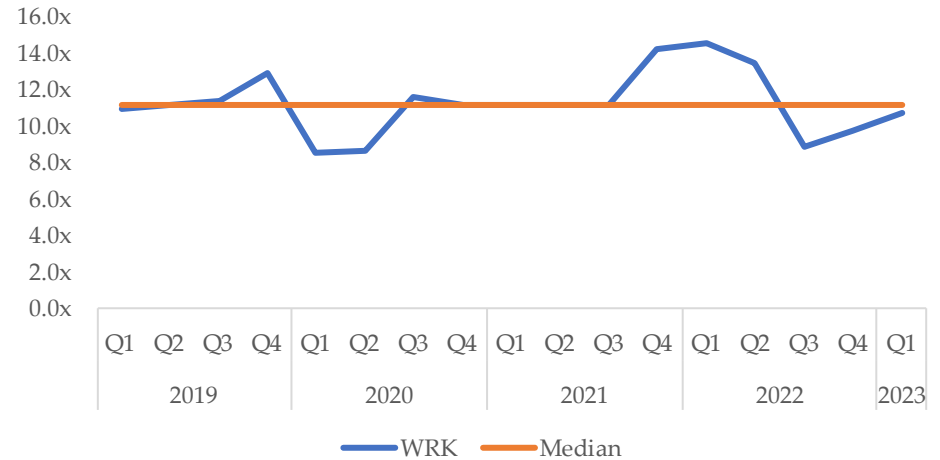
# PUBLIC COMP

## WestRock (NAS: WRK)

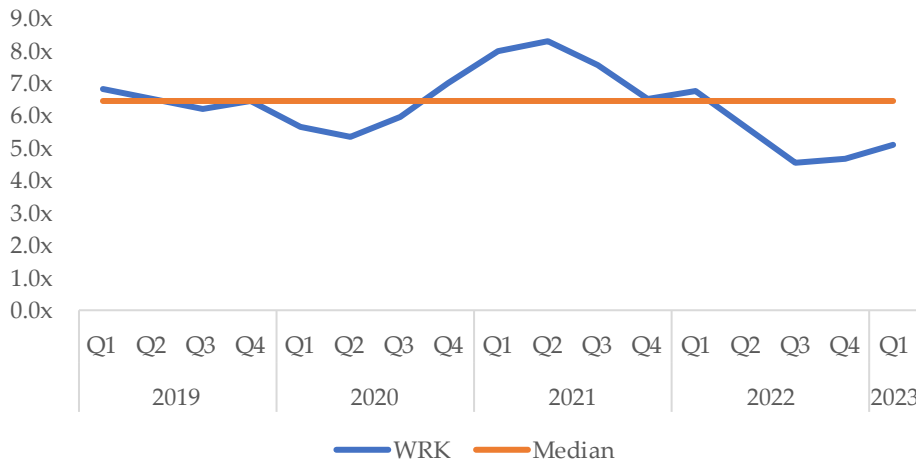
WestRock manufactures corrugated packaging and consumer packaging, such as folding cartons and paperboard. After the merger of RockTenn and MeadWestvaco in fall 2015, WestRock became the largest North American producer of solid bleached sulfate and the second largest producer of containerboard, which is used in the production of shipping containers.



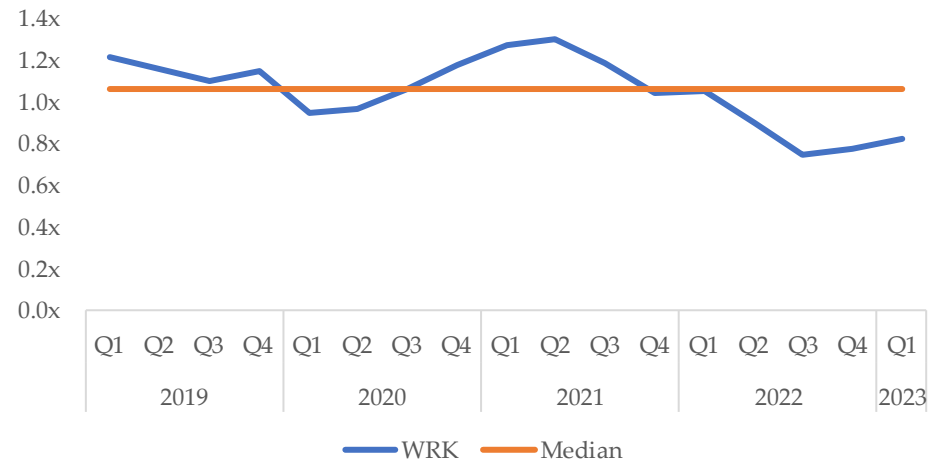
### P/E WestRock



### EV/EBITDA WestRock



### EV/Revenue WestRock



# 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.