Packaging

Deal Analysis Report

Annual Deal Report - Packaging

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Introduction

3.1 What is this Report About?

The 'Annual Deals Report: Packaging' provides a review and understanding of mergers and acquisitions (M&As), capital-raising, partnering deals, and agreements entered into by packaging companies during 2011. Using this report, dealmakers will effectively and efficiently gain an insight into the deal activity throughout the year. The report provides an overview of all the partnering, alliances, and M&A deals announced worldwide.

Section one provides an overview of the key findings in the report.

Section two offers a brief summary on M&A outlook for 2012.

Section three introduces the report, and the key definitions and methodology used.

Section four provides a brief snapshot of the deal activity trends in the packaging industry in 2011.

Section five offers an overview of the trends surrounding deal volume and deal value in 2011, by deal type, segments and region, followed by a brief analysis of the primary objectives of companies entering into various transactions in the packaging industry during the year. In addition, the section includes league tables on financial and legal advisors.

The main body of the report, covered by sections six, seven, and eight, provides an extensive analysis on deals undertaken in the packaging industry in 2011 by deal type, segment, and region. It also provides an extensive list of the key deals in the following packaging segments: flexible packaging, rigid packaging, packaging closures, packaging equipment and technology, packaging materials, and packaging services. This is followed by leading deals by deal type in North America, Europe, the Asia-Pacific region and the Rest of the World.

Section nine provides information on Canadean and our methodology.

In summary, the 'Packaging Annual Deal Report' will help dealmakers to effectively and efficiently gain an in-depth understanding into deal activity in the global packaging industry.

1 Executive Summary

- The packaging industry recorded a strong deal activity in 2011 with 708 transactions worth a total of US$73.2 billion.
- The number of deals in the packaging industry was highest in the first quarter of 2011, and decreased in the net three quarters of the year. Deal activity in 2011 was highest in February, while October registered lowest deal activity in terms of volume.
- The principal driver of deal activity was to achieve sustainability and growth through strategic expansion, with a primary focus on mitigating risks associated with dependence on domestic markets, traditional products, and services.
- Deals in the packaging industry were primarily undertaken with the objective of business expansion through inorganic growth to increase business scale. Many packaging companies chose mergers and acquisitions (M&As) for gaining operational synergy by combining technical capabilities, and adding new products and brands.
- In 2011, the packaging industry recorded a number of high value deals with a deal value equal to or above US$1 billion, primarily in the M&A, debt offerings, and PE/VC deal types.
- M&A transactions dominated the deal activity in the packaging industry in 2011, accounting for 70% of total deal volume.
- The US$9.7 billion acquisition of The Lubrizol Corporation, a specialty chemical company manufacturing ingredients and additives, by Berkshire Hathaway Inc., was the biggest M&A deal in 2011.
- In terms of capital raising transactions, equity and debt offering deals collectively accounted for 13% of total deal volume in the packaging industry in 2011. The year reported debt offerings worth a total of US$16.8 billion, which accounted for 23% of total deal value in the industry.
- The Asia-Pacific region reported most of the equity offerings in 2011, while North America dominated in terms of debt offerings.
- The PE/VC activity recorded 67 deals, while there were 50 partnership agreements in 2011. Most of the PE/VC transactions were from Europe.
- The year 2011 demonstrated an increasing deal momentum in the flexible packaging and packaging materials segment, while deal activity remained significant in the rigid packaging and packaging equipment and technology segments.
- Flexible packaging segment dominated the deal activity in terms of volume as well as value, followed by the packaging materials segment.
- The US$4.3 billion acquisition of Temple-Inland Inc. by International Paper Company was one of the largest M&A deals in the flexible packaging segment.
- Emerging markets such as the BRIC nations (Brazil, Russia, India and China), continued to record considerable deal activity in 2011. China was the most active among BRIC nations in terms of overall deal activity.

- Companies in the flexible packaging segment dominated deal activity in China, while India recorded most of the deal activity in the packaging materials segment.
- In 2011, North America reported the most deal activity in value terms, which constituted 61% of the total deal value in the packaging industry.
- In terms of number of deals, Europe dominated deal activity recording 265 deals, followed by North America with 249 deals.

2 Mergers and Acqusitions Outlook for 2012

Mergers and acquisitions in the packaging sector in 2011 showed signs of recovery, evidenced by the fact that both the deal volume and deal value were on the rise. This trend is expected to continue in 2012 as the global economy is expected to grow more than the previous year. Both strategic buys and financial investments in the packaging sector will remain attractive, even though activity is expected to stay below the pre-recession levels. In 2011, strategic buyers played a central role in the packaging M&A, in line with corporate growth strategies such as product and service diversification, entering niche markets and expanding geographic footprint. In 2012 also, it is expected that strategic buyers will continue to actively participate in the mergers and acquisitions space.

The packaging industry is relatively large and fragmented in nature, with many companies offering undifferentiated products. While meeting the diverse and specific requirements of consumers, many companies may choose to concentrate on their core strength, by selling off non-core businesses. Packaging companies may look for targets and partners with technical and product development skill, to sustain the need of socially responsible eco-friendly products.

Private equity firms could play an important role in the packaging M&A activity in 2012. The outlook for packaging M&A in 2012 remains strong in view of the growing demand for packaging solutions across the food and beverage industries in general and specialized applications in the pharmaceutical and life sciences sector. The resilient and non-cyclic nature of the packaging industry and the critical role of packaging solutions across these industries may also attract private investors.

However, packaging M&A space is not likely to witness large buyouts as there are still lingering challenges to be addressed such as difficulties in capital raising capabilities and risk of high oil prices. Mergers and acquisitions in the packaging industry will largely remain a middle market activity in 2012.

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