

# NOVA-PACK 2011

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*Consolidation and its Lasting Impact on the PET  
Container Industry*

*January 2011*



**P&M CORPORATE FINANCE, LLC**

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INVESTMENT BANKING FOR THE MIDDLE MARKET

# Background on Today's Speaker



John Hart

- P&M Corporate Finance ("PMCF") is a Midwest-based middle market investment bank providing merger and acquisition services to companies throughout North America and Europe
- Specializing in advisory to blow molding, sheet, thermoforming, injection molding, film, compounding, and other plastic processors
- Serving clients including large global companies, privately held businesses, and private equity

## Selected Plastics & Packaging Transaction Experience

PROGRESSIVE PLASTICS

has been acquired by

ALPHA PACKAGING

a portfolio company of

IRVING PLACE CAPITAL

COMAR®

has acquired

Universal Container Corporation

UNICON

\$435,000,000

HILLENBRAND

has acquired

TR-N K

SPARTECH

has sold its wheels business to

HAMILTON ROBINSON CAPITAL PARTNERS

SPARTECH

has sold its Profile Extrusion business in Canada to

ACRYLON PLASTICS

GeoMatrix

Building Profitships®

Lat. N 42° 34' Lon. W 83° 08'

has been acquired by

Universal Forest Products®

GAGE

has sold its packaging business to

Sabert

•makes food look great®

creative techniques, inc.®

Concepts in Progress...Materials in Motion

has been acquired by

WOLVERINE CAPITAL PARTNERS

strategic partners in creating value

SPARTECH

has acquired

CREATIVE FORMING, INC.

a portfolio company of

MASON WELLS

ALLEN

has been acquired by

SKISUI

the parent company of

KYDEX THERMOPLASTIC SHEET

Kleerdex Company, LLC

# Has Consolidation Impacted Blow Molded PET?

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*Which industry leaders were bought out, changed ownership, or acquired a competitor?*

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*Which industry leaders were bought out, changed ownership, or acquired a competitor?*

## Industry Snapshot: PET Blow Molding Leaders - 2006



# Consolidation's Impact: Blow Molding Leaders

*Five were bought by larger competitors*

Industry Snapshot: PET Blow Molding Leaders - 2006 → 2010



Acquired by  
Berry Plastics

Acquired by  
Pretium  
Packaging

Acquired by  
Graham  
Packaging



Southeastern Container Inc.

Acquired by  
Amcor

Western Container Corporation



Acquired by  
Rexam



# Consolidation's Impact: Blow Molding Leaders

*Three changed ownership or capital structure via transactions*

Industry Snapshot: PET Blow Molding Leaders - 2006 → 2010



Acquired by  
Castle Harlan

Acquired by  
Berry Plastics

Acquired by  
Pretium  
Packaging

Acquired by  
Graham  
Packaging

 The Plastics Group, Inc



Southeastern Container Inc.

Acquired by  
Amcor

Western Container Corporation

Filed for  
Bankruptcy

Went Public



Acquired by  
Rexam



# Consolidation's Impact: Blow Molding Leaders

*And six leaders acquired seven competitors via strategic acquisitions*

## Industry Snapshot: PET Blow Molding Leaders - 2006 → 2010



# Consolidation's Impact: Blow Molding Leaders

*4 Year Impact: By 2010, consolidation and M&A transactions impacted 12 of the top 20 industry leaders*

## Industry Snapshot: PET Blow Molding Leaders - 2006 → 2010



Acquired  
Ball Corp.

Acquired by  
Castle Harlan,  
Acquired  
Novapak

Acquired by  
Berry Plastics

Acquired by  
Pretium  
Packaging

Acquired by  
Graham  
Packaging



Acquired Mesa  
Industries &  
Whitmire Container



**Southeastern Container Inc.**

Acquired by  
Amcor

**Western Container Corporation**

Filed for  
Bankruptcy

Went Public,  
Acquired Liquid  
Container & China  
Roots



Acquired by  
Rexam

Acquired  
Captive Plastics

Acquired  
Europa  
Performe



## Changing Landscape

*What was the impact of this consolidation  
to the competitive landscape?*

# Changing Landscape

*What was the impact of this consolidation  
to the competitive landscape?*

## 2006 N.A. Blow Molding Leaders

Company	Revenue (\$mm)
1 Graham Packaging LP	\$ 2,145
2 Amcor	1,800
3 Plastipak Packaging	1,250
4 Consolidated Container	846
5 Constar International	749
6 Ball Corp	615
7 Silgan Plastics	610
8 Southeastern Container	500
9 Liquid Container	350
10 Western Container Corp.	288
11 Alpha Inc.	280
12 CKS Packaging	237
13 Captive Plastics	200
14 Ring Container Technologies	190
15 Pretium Packaging	173
16 Owens-Illinois	150
17 Berry Plastics	130
18 Drug Plastics & Glass Co. Inc.	117
19 Plastics Group	91
20 Novapak Corp.	87
<b>Total Top 20</b>	<b>\$ 10,808</b>

# Changing Landscape

## *Existing leaders exited via buyouts*

### 2006 N.A. Blow Molding Leaders

	<b>Company</b>	<b>Revenue (\$mm)</b>
1	Graham Packaging LP	\$ 2,145
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# Changing Landscape

## Driving significant shifts in the industry's leadership

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### 2010 N.A. Blow Molding Leaders

	Company	Revenue (\$mm)	
	Graham Packaging LP	\$ 2,343	1
	Amcor	2,200	2
	Plastipak Packaging	1,330	3
	Consolidated Container	750	4
	Southeastern Container	700	5
	Alpla Inc.	623	6
	Silgan Plastics	542	7
	Constar International	508	8
	Berry Plastics	467	9
	Western Container Corp.	300	10
	CKS Packaging	255	11
	Pretium Packaging	240	12
	Ring Container Technologies	235	13
	Alpha Packaging, Inc.	178	14
	Drug Plastics & Glass Co. Inc.	131	15
	Rexam plc	125	16
	BWay Corp.	90	17
	Plastics Group	75	18
	Paradigm Packaging	65	19
	Parker Plastics, Inc.	43	20
	<b>Total Top 20</b>	<b>\$ 11,198</b>	

#### Legend

New Top 20

# Changing Landscape

*Which totaled \$1.4 billion in market share gains for the acquirers*

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New Top 20

Market Share Shifts via M&A

Source: Plastics News & PMCF

# Growth via Consolidation

*Industry leaders utilized acquisition strategies to gain share and drive cross-selling*

Top 10  
Leaders -  
Growth:  
'06-'10



**2 Acquisitions**  
**+\$198M / 9%**



**1 Acquisition**  
**+\$400M / 22%**



**2 Acquisitions**  
**+\$80M / 6%**



**1 Acquisition**  
**+\$337M / 258%**

Up &  
Comers -  
Growth:  
'06-'10



**3 Acquisitions**  
**+\$111M / 166%**



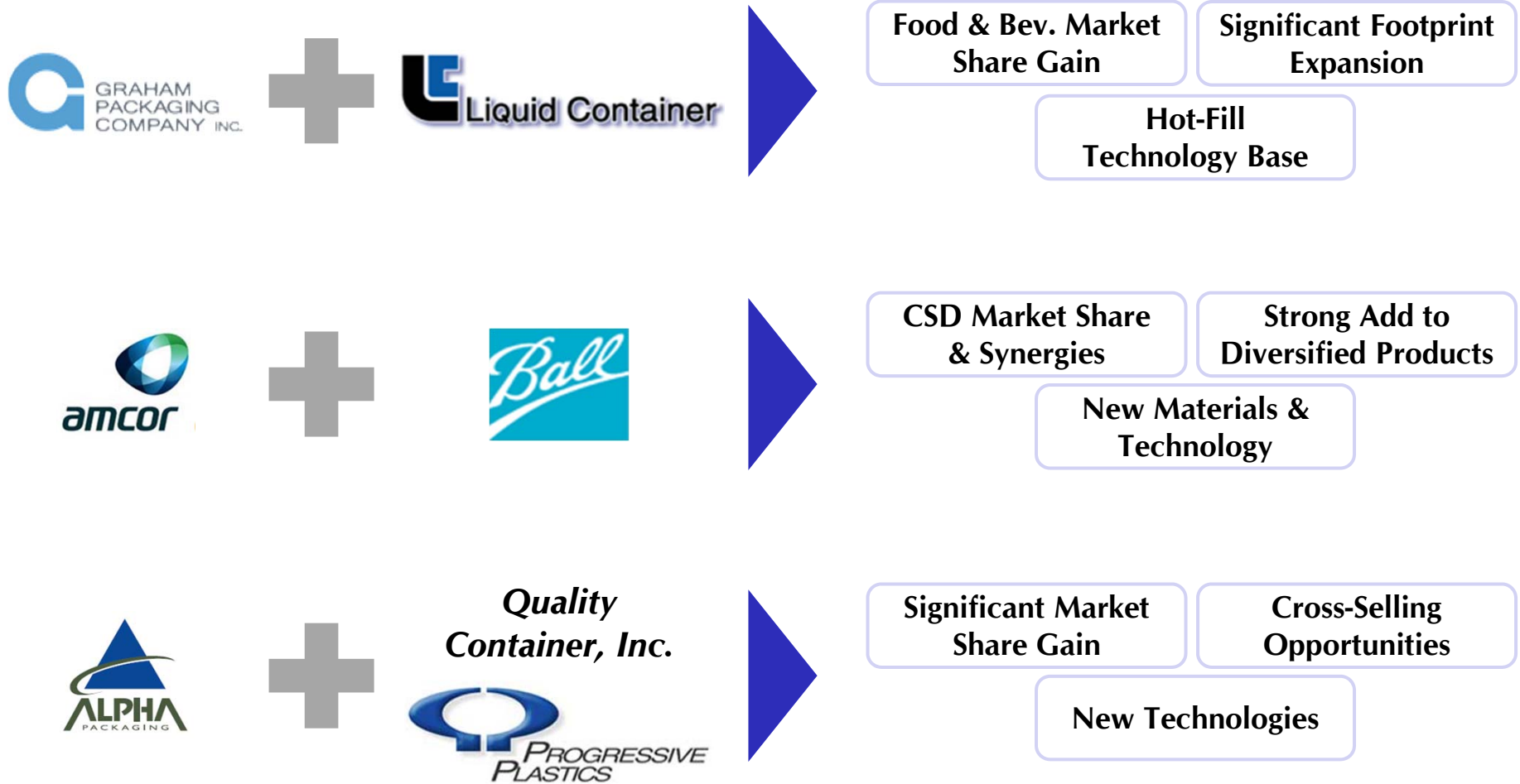
**1 Acquisition**  
**+\$67M / 39%**





**1 Acquisition**  
**+\$100M / 400%**

# Consolidation Case Studies

*How does consolidation create shareholder value?*



# Graham and Liquid: Acquisition Analysis

	<b>Graham Packaging Company</b> 	<b>Liquid Container</b> 
<b>Revenue</b>	\$2.4B	\$400M
<b>Ownership</b>	Current: NYSE:GRM (Public) Prev.: Blackstone (Private Equity)	Mid Oaks (Private Equity)
<b>Manufacturing Capabilities</b>	Single / Two-stage PET IBM	PET hot-fill Single / Two-stage PET IBM
<b>End Markets</b>	Food & Beverage Diversified	Food & Beverage Household Products
<b>Geographic Reach</b>	Domestic & International (80+ plants worldwide)	Domestic (14 plants)

# Graham and Liquid: Acquisition Results

## Key Transaction Value Drivers

14 Additional Plants with Little Overlap to Current Footprint

Unique Technology & Cost Position via PET Hot- & Cold-Fill Processes

80% of Top Customers are New to Graham - Driving Revenue

Approximately \$20M in Synergies Accretive in First Year

## Market Position Impact





## Corporate Strategy Analysis

Create organic growth, complemented by strategic acquisitions, to maintain #1 market position and service a global customer base

Source: Plastics News & PMCF

# Amcor and Ball Plastics Division: Acquisition Analysis

	<b>Amcor Ltd.</b> 	<b>Plastic Packaging Americas Division</b> 
<b>Revenue</b>	\$9.8B	\$589M
<b>Ownership</b>	AMC:ASX (Public)	NASDAQ:BLL (Public)
<b>Manufacturing Capabilities</b>	PET hot-fill Single / Two-stage PET	PET hot-fill Single / Two-stage PET EBM
<b>End Markets</b>	CSD & Water Diversified Products	CSD & Water Diversified Products
<b>Geographic Reach</b>	Domestic & International (71+ plants worldwide)	Domestic (5 plants)

# Amcor and Ball Plastics Division: Acquisition Results

## Key Transaction Value Drivers

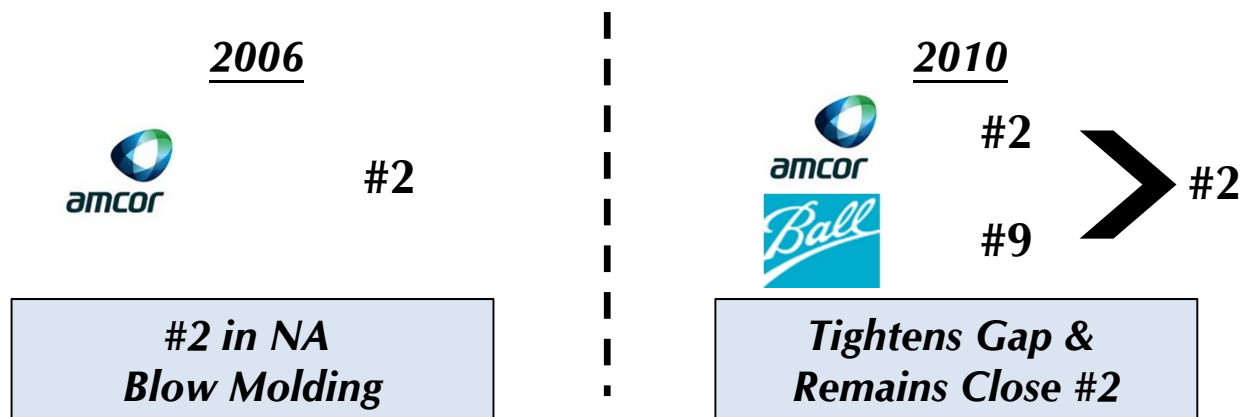
Remove CSD Competitor and Rationalize Capacity

Gain Significant Technologies Including Retort, Multi-layer, & Barrier

Grow Diversified Products Business (50% of Ball Division Revenue)

Approximately \$35M in Accretive Synergies

## Market Position Impact



## Corporate Strategy Analysis

Maintain a global leadership position while driving profitability in historical end markets. Significantly grow outside of CSD

Source: Plastics News & PMCF

# Alpha Packaging Platform: Acquisition Analysis

	<p><i>Alpha Packaging, Inc.</i></p> 	<p><i>Quality Container, Inc.</i></p>	<p><i>Progressive Plastics, Inc.</i></p> 
<b>Revenue</b>	\$136M	\$18M	\$42M
<b>Ownership</b>	Current: Irving Place (Private Equity) Previous: Stonebridge (Private Equity)	Comcraft Canada, Ltd. (Private)	Busa Family (Private)
<b>Manufacturing Capabilities</b>	IBM EBM Single-stage PET	IBM EBM	EBM IBM Single / Two-stage PET
<b>End Markets</b>	Nutritional Pharmaceutical Personal Care	Pharmaceutical	Food & Beverage Personal Care Diversified
<b>Geographic Reach</b>	Domestic & Europe (7 Plants)	Midwest - Domestic (1 Plant)	Midwest - Domestic (1 Plant)

# Alpha Packaging Platform: Acquisition Results

## Key Transaction Value Drivers

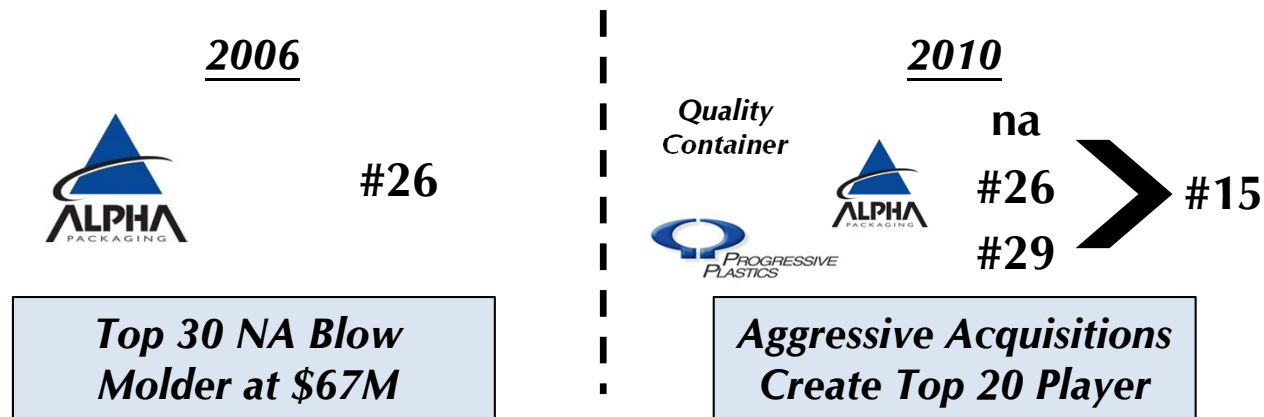
Expand Footprint to Additional North American Geographies

Gain Two-Stage PET Technology and Preform Library

Significantly Grow Customer Base and Gain Direct Relationships

Capture Available Synergies as Add-ons are Integrated to Platform

## Market Position Impact



## Corporate Strategy Analysis

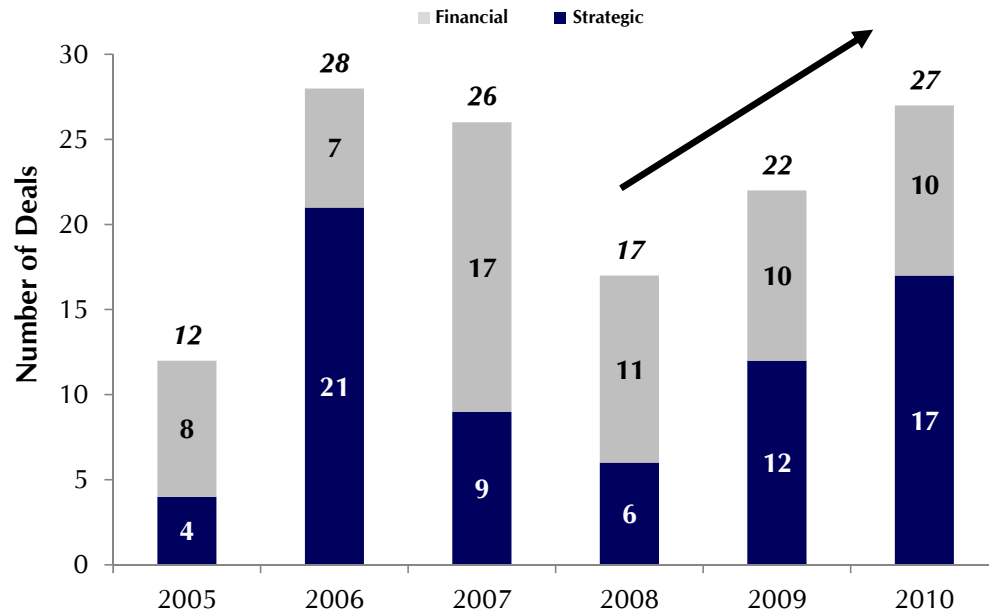
Complement strong organic growth with add-on acquisitions to grow as the supplier of choice for mid-size volume runs within blow molding

Source: Plastics News & PMCF

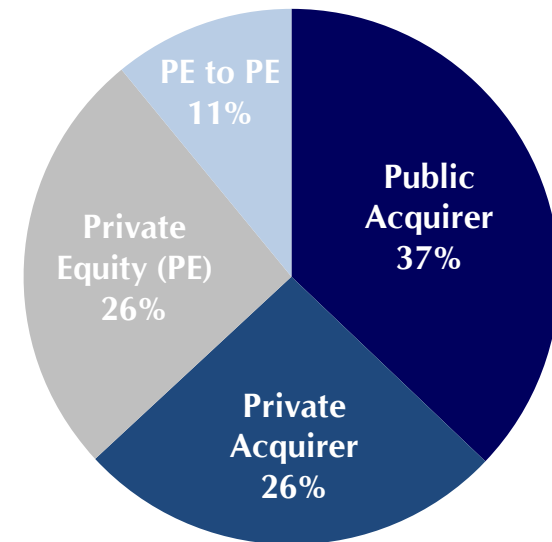
# Growing Blow Molding Consolidation Activity

*Both strategic and financial buyers are consolidating, activity is up for the 3<sup>rd</sup> year*

## Blow Molding Consolidation Activity



## Buyers by Type: 2010



Source: PMCF

# Processor Consolidation Drivers & Impact

*Consolidation strategies will drive gap between the growing and stagnant*

## *Current Industry Dynamics*

- *Most Successful Competitors Are Focused on Growth Strategies*
- *Footprint/Nearest to Customer Critical Differentiator*
- *Continued Material Substitution to Plastic Offers Opportunities*
- *Capital Investment Driving New Products, Growth, and Efficient Manufacturing*
- *Small and Mid-Size Players Facing Tougher Environment as Competitors Grow*

## *Industry Consolidators & Motivations*

### *Strategic Players Actively Buying*

- *Leveraging Strong Earnings*
- *Deployment of Building Cash Reserves*
- *Achieve Shareholder Growth Objectives*
- *Global Customers Want Fewer, Capable Suppliers*

### *Private Equity Focused on Packaging*

- *Attracted to Non-Cyclical Characteristics*
- *Must Put Record Available Capital to Use*
- *Numerous Available Niche Opportunities*
- *Fragmentation Enables Add-On Acquisitions*

# Outlook & Opportunities

**Consolidation Has Yielded Positive Results & Growth**



**Strategy & Synergies Drive Consolidation**

*Footprint configuration/rationalization, lower freight costs, new technologies, reduce administrative costs, cross-selling to new markets and customers*

**Good for Customers**

***Product Portfolio Depth & Breadth***

***Manufacturing Capabilities Suite***

***Footprint / Reach / Delivered Cost***

**Supporting Environment Variables**

***Open Credit Market***

***Steady / Growing Economy***

***Strong Valuations for Sellers***

**Current Fragmentation Level is Still Significant**

*M&A Expected to Continue at Current Levels or Increase Given Current Market Environment*

## Contact Information

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