

clearview

Flexible Packaging

New printing techniques and improvements in compact formats are leading to growth in the market.

Market developments

Given its considerable economic and sustainability benefits over traditional packaging formats, flexible packaging is one of the fastest growing segments in the global packaging sector with the market forecast to reach \$89.4bn (€76.3bn) by 2019¹, a rise of more than 25% since 2015.

Although margins are still low on average, especially considering the strong investments made by major players, the possibilities open to the sector in terms of new printing techniques and improvements in compact formats suggest that growth will be maintained in the long-term.

Flexible packaging has brought huge benefits for industry. For manufacturers, filling and sealing machinery is improving rapidly and as production line speeds increase the commercial value of using flexible packaging becomes more profitable. For food and beverage companies, flexible packaging reduces weight, promotes environmental sustainability and reduces production costs at the same time.

In Spain, the flexible packaging market reached a value of €1.4bn in 2016, an increase of 1.8% on the year before, which reflected the entry of big industrial players into the market. However, exports in the sector rose a healthy 3.9% to €793m.

Digital revolution

Investment in digital printing is growing at double digit figures as the technology attracts increasing attention. Some of the technology's highest growth forecasts surround the packaging market where the sector's billing forecast has increased from \$6.6bn in 2013 to \$14.4bn in 2018².

Technology helps food and beverage brands to become more competitive, enabling manufacturers of labels, sleeves, flexible packaging and corrugated cardboard to offer more flexible and personalised solutions. Companies across the packaging sector see enormous possibilities when it comes to offering their customers the differentiation they need in order to carve a niche in a highly competitive market.

M&A activity

The global packaging industry is rapidly consolidating in response to a number of societal trends such as the drive towards far greater sustainability and the rise of e-commerce.

Both financial investors and corporate acquirers, which represented 78% and 22% of deals during Q1 2018 respectively, see M&A as an obvious route to access new markets, innovations, and geographies. Against this backdrop, more M&A activity is expected in the industry as leading global players position themselves in this evolving and fast-maturing market.

Major transactions announced in Europe during Q1 2018 included:

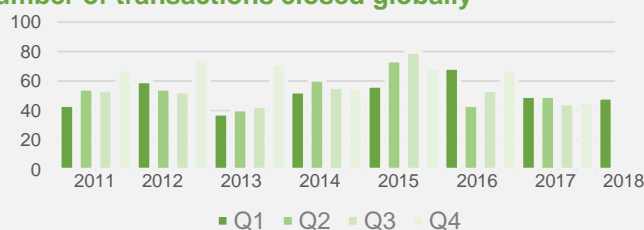
- The acquisition of Optimum Group B.V., the Netherlands-based self-adhesive labels specialist, by IK Investment Partners, the UK-based private equity firm
- Austria-based Schur Flexibles acquired: Cats Flexible Packaging, the Netherlands-based provider of flexible packaging for premium confectionery; Haensel Flexible Packaging, the German provider of packaging services; and Nimax, the Netherlands-based producer of premium packaging for confectionery and tea markets
- RPC Group, the UK-based manufacturer and supplier of rigid plastic packaging to the food and non-food, consumer and industrial markets, acquired Nordfolien, a German manufacturer of polythene films for both industrial and consumer packaging markets

Spain has seen two major transactions over the last couple of years. Constantia Group sold its label division, including its Spanish subsidiary, to Mutil-Color Corporation in a €1.3bn deal, and Saica acquired Netherlands-based players Schut, Hellema and Lemapack from Flexible Packaging Holding.

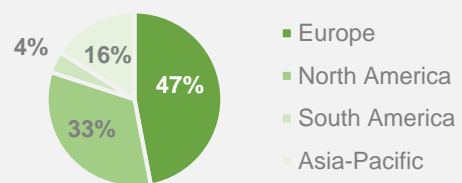
In terms of valuations, publicly listed packaging companies have shown steady growth in EBITDA multiples over the past five years, rising by 24%.

¹ Smithers Pira ² Hewlett-Packard

Number of transactions closed globally



Geographic split – Targets (Q1 2018)



Source: Market intelligence and proprietary databases

Case study

Deku-Pack ApS

Clearwater International has advised the owners of Deku-Pack ApS on its cross-border sale to UK-based DS Smith Plc, a leading provider of paper, corrugated packaging and recycled materials across Europe and specialist in plastic packaging worldwide. DS Smith operates across 36 countries and has more than 26,000 employees.

Denmark-based Deku-Pack specialises in POS (Point of Sale) and display solutions for in-store marketing. The business is focused on FMCG (Fast Moving Consumer Goods), retail and media markets and consists of five subsidiaries; Pro-Display A/S, Deku-Stans A/S, Vejle-Print A/S, DM Plast ApS and Emballage Form ApS.

The transaction allows DS Smith to focus on FMCG and expand its offerings to retail customers.

The Clearwater International team comprised Partners Lars Thorup & Andreas Lauth, with support from Associate Casper Bech Christensen.


Miles Roberts, CEO, DS Smith commented:

“We are delighted to announce the acquisition of Deku-Pack and look forward to building on our joint expertise in this area. This investment in display further enhances our leading customer offering both geographically and in this important and growing market segment.”

Lars Thorup, Partner, Clearwater International added:

“Over the last decade, Deku-Pack has cemented its position as a leading provider of display products and POS solutions in Scandinavia. The owners have successfully built a strong platform comprising of five entities, each contributing to the group’s overall value proposition allowing the group to take control of the entire value chain. This unique market position spurred solid interest from selected strategic partners, but DS Smith was the preferred partner as they were able to offer strategic opportunities that could further accelerate growth.”

Our packaging transactions



EXCELSIOR

One of the UK’s largest independent flexible packaging manufacturer

Clearwater International advised on its cross border acquisition



BRITTON GROUP

Flexible packaging specialists


Clearwater International advised the shareholders and assisted in the negotiations of the MBO



DSS SILKEBORG

Hi-tech membrane filtration systems producer

Clearwater International advised on the sale to Tetra Pak, in a structured auction process with multiple bidders



DARLEY LABELS

Packaging suppliers to the brewery industry and pharmaceutical companies

Clearwater International advised the management team on the multi-million euro management buyout



Francisco Gómez
Partner
francisco.gomez@cwicf.com
+34 699 446 314



Vicente Orts
Director
vicente.orts@cwicf.com
+34 690 838 545



Jorge Mallo
Senior Advisor
jorge.mallo@cwicf.com
+34 917 812 890

International team

Simon Zhang, China, Lars Rau Jacobsen, Denmark, Thomas Gaucher, France, Markus Otto, Germany, John Curtin, Ireland, Rui Miranda, Portugal, Jon Hustler, UK