



## Q3 2015: The packaging machinery market

Welcome to the latest issue of the Industrials Group Deal Reader, a newsletter offering insights on trends, news and M&A transactions of interest to industry executives, business owners, and investment professionals. We are pleased to provide commentary regarding relevant topics and keep you informed about developments at our firm and in the market.

### Key topics covered in this issue include:

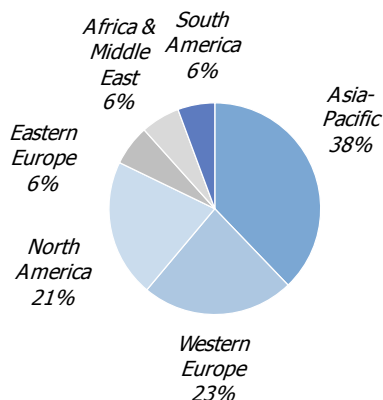
- Key market drivers for the global packaging machinery industry
- Overview of the global packaging machinery market
- Selected relevant M&A transactions
- Current valuation of selected international packaging machinery, packaging manufacturers and diversified machinery companies

### Key market drivers for the global packaging machinery industry

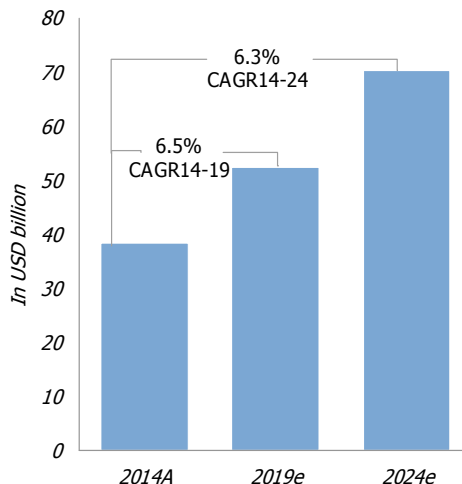
Key drivers	Description
<p><b>Increasing consumer income / changing consumer needs</b></p>	<ul style="list-style-type: none"> <li>▪ Overall increasing disposable incomes (in particular in the developing countries) result in higher demand for a wide range of packaged goods</li> <li>▪ A general diversification of consumer needs in relation to packaging functionality and quality will act as additional catalyst for the packaging machinery market</li> </ul>
<p><b>Line competence</b></p>	<ul style="list-style-type: none"> <li>▪ Defined as expanding the focus away from individual systems to include the entire production line, including enabling aspects such as material flow logistics or upstream &amp; downstream process steps</li> <li>▪ Provides customers significant added value (e.g. planning capacity, changeover times, interface adoption) as for instance separate components can be combined easily to a process solution</li> </ul>
<p><b>Industry 4.0</b></p>	<ul style="list-style-type: none"> <li>▪ The interconnection of different stages of the manufacturing process ensures an optimised operating efficiency and product quality as well as more flexibility</li> <li>▪ Improved service as another key benefit (e.g. via remote services units) which allow for diagnose, repair or software upgrades without an on-site visit</li> <li>▪ The definition of international information management technologies, interfaces, standards and security is not finally decided yet and will be a key prerequisite in order to become a success</li> </ul>
<p><b>Regulations</b></p>	<ul style="list-style-type: none"> <li>▪ Large number of developing countries (e.g. China, India) continuously adopt regulations impacting machinery &amp; materials</li> <li>▪ Major regulatory focus include the prevention of contamination during the packaging process or maintaining product quality</li> </ul>
<p><b>Sustainability</b></p>	<ul style="list-style-type: none"> <li>▪ Reduction of the consumer's consumption of packaging materials and ancillary products as a key common objective of packaging machinery OEM's and driver for new machines &amp; technologies</li> <li>▪ Selected customer groups (e.g. retailers) play a key role in driving demand for more sustainable packaging</li> </ul>

# Overview of the global packaging machinery market

Global packaging machinery demand 2014A (USD 38.2bn)



Growth of global packaging machinery demand over time



## Commentary:

- The global packaging machinery market currently has a volume of approximately USD 40 billion
- Driven by the aforementioned positive long-term growth drivers, the global market volume is expected to increase by a CAGR of 6.3% between 2014-2024
- From a geographical perspective, Asia-Pacific, Western Europe and North America represent currently approx. 80% of the global market volume
- China is expected to account for more than 25% of total market growth between 2014-2024

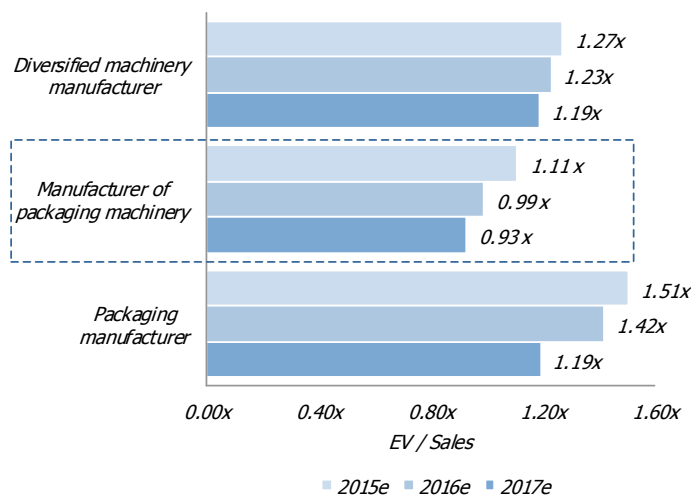
Source: Freedonia

## Selected relevant M&A transactions

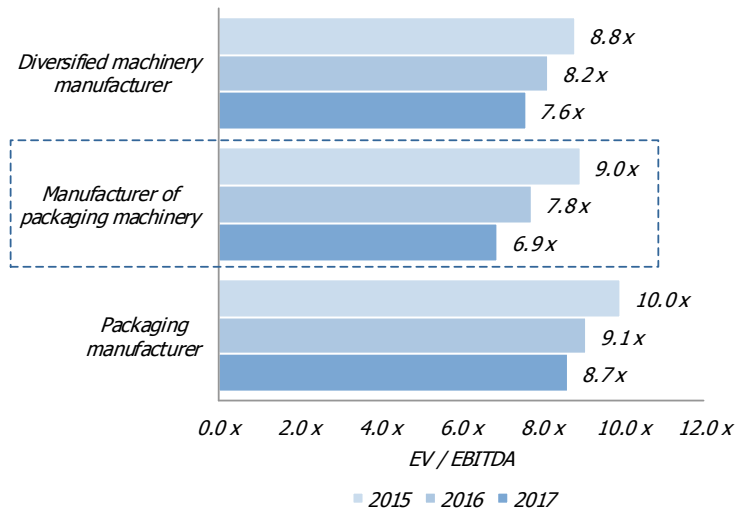
Date	Target	Acquirer	Comments
Sep 2015	 <b>KW</b> EV / EBITDA: n.a.	 <b>BOSCH</b>	<ul style="list-style-type: none"> <li>▪ Bosch Packaging Technology announced the acquisition of the US based food packaging machinery manufacturer Kliklok-Woodman</li> <li>▪ Kliklok-Woodman focuses mainly on secondary packaging machinery such as end-load cartoners, top-load erectors and closers, and of primary packaging machinery including vertical form, fill, and seal machines</li> <li>▪ Friedbert Klefenz (President of the Bosch Packaging Technology division): "This planned acquisition will further extend Bosch Packaging Technology's position in the food and confectionery industry. Above all, it will enhance our system capabilities as single-source supplier"</li> </ul>
Dec 2014	 <b>OYSTAR</b> The Packaging Group EV / EBITDA: 8.0x	 <b>IMA</b>	<ul style="list-style-type: none"> <li>▪ I.M.A. has acquired 80% of the German based food packaging machinery manufacturer OYSTAR Group with production facilities in Germany, France, Spain and India</li> <li>▪ Oystar is a leader in the dairy packaging machinery segment being market leader in form, fill &amp; seal (FFS) and wrap packaging as well as a Top 5 provider of fill &amp; seal (FS) packaging</li> <li>▪ Alberto Vacchi (Chairman and CEO of IMA Group): "The product range of the companies being acquired is complementary to our presence in the food industry and positions us, worldwide, among the most important group leaders in food packaging"</li> </ul>
Nov 2014	 <b>automa</b> EV / EBITDA: n.a.	 <b>SIPA</b>	<ul style="list-style-type: none"> <li>▪ SIPA has acquired all activities related to production of injection-stretch-blow molding (ISBM) equipment at Automa</li> <li>▪ Automa ISBM machines are designed for production of containers in small lots</li> <li>▪ The acquisition will enable SIPA to extend its existing offering in ISBM systems and provide it with a stronger position in the market for equipment producing specialty products, as containers for pharmaceuticals, cosmetics, and spirits; and it is fully in line with SIPA's objective of becoming a leader in the development and supply of complete solutions for filling and packaging</li> </ul>
Mar 2014	 <b>SIG</b> EV / EBITDA: 8.6x	 <b>ONEX</b>	<ul style="list-style-type: none"> <li>▪ Onex has completed the acquisition of the Switzerland based SIG Combibloc, a world leading systemsupplier of premier aseptic packaging machines and cartons for food and beverages</li> <li>▪ SIG provides carton sleeves and closures, as well as the filling machines used to fill, form and seal the sleeves</li> </ul>
Sep 2013	 <b>IWK</b> EV / EBITDA: 9.0x	 <b>ATS</b> AUTOMATION	<ul style="list-style-type: none"> <li>▪ ATS Automation acquired IWK Verpackungstechnik, a leader in technology driven high performance tube filling and cartoning machinery for the pharmaceutical and personal care industries</li> <li>▪ The acquisition of IWK aligns with ATS's stated strategy of scaling its leading position in the global automation market and enhancing growth opportunities, particularly in strategic customer segments and with technology leadership. IWK is expected to add core capability in primary packaging (tube fillers) and secondary packaging (cartoners), which management expects can be leveraged into other markets ATS currently serves</li> </ul>
Jul 2013	 <b>KILIAN Tableting</b> EV / EBITDA: 6.7x	 <b>ROMACO</b> beyond technology	<ul style="list-style-type: none"> <li>▪ Romaco has acquired Kilian, a manufacturer of tablet press machines for the pharmaceutical, chemical and food industries</li> <li>▪ Paolo Alexandre (CEO of Romaco): "Pharma and food markets are growing stable with a faster growth in emerging countries. The acquisition of Kilian will amplify Romaco Group's equipment and service portfolio considerably and ideally supports our growth strategy"</li> </ul>

## Current valuation levels of packaging machinery, diversified machinery and packaging manufacturers

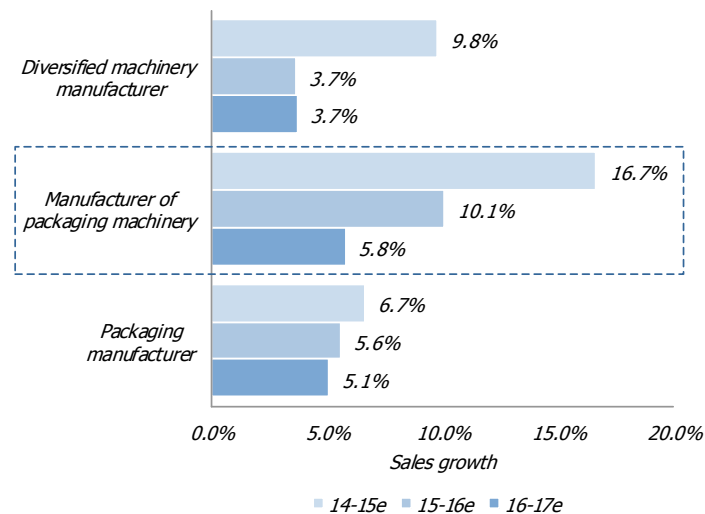
### EV / Sales (2015e-2017e)



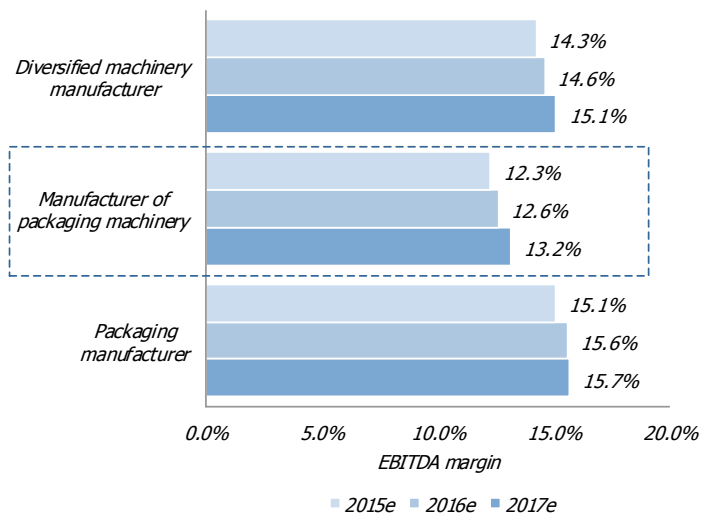
### EV / EBITDA (2015e-2017e)



### Sales growth (2014e-2017e)



### EBITDA margin (2015e-2017e)



#### Constituents:

Diversified machinery manufacturer: Gea, Dover, Krones, ITW, Duerr, Kuka, Hillebrand

Manufacturer of packaging machinery: Ckd, Bobst, IMA, ATS

Packaging manufacturer: Amcor, Huhtamaki, Avery Dennison, Bemis, Wipak

Source: Thomson ONE, Bloomberg

Note: Based on closing prices as of 1 October 2015

#### Commentary:

- Within the packaging industry, packaging manufacturers are highest valued on EV / Sales and EV / EBITDA levels
- Manufacturers of packaging machinery show the lowest valuation levels of the three peer groups despite high expected growth rates
- Expected EBITDA margin, not expected sales growth, seems to be the key determinant for current valuation

## About Lincoln International

**17**

own offices in the 10 major world economies

**12**

global, specialized sector teams for selected industries

**400**

professionals globally for M&A and Debt Advisory

**50**

professionals in the Frankfurt office

**No. 1**

globally as financial advisor to Private Equity on exits in 2014 and H12015



**No. 1**

in German M&A sell-side league tables in 2013 & 2014

**>135**

successful transactions in 2014 worldwide

**26**

successful transactions in DACH region in 2014

## Recent transactions with a packaging or mechanical engineering angle advised by Lincoln International

**mondi**  
has sold  
**Mondi Osterburken GmbH**  
to  
**POLIFILM**

**DÜRR**  
has sold  
**Dürr Automation SA S**  
to  
**Quantum Kapital AG**

**PERUSA**  
has sold  
**KAMMANN**  
to  
**KBA KOENIG & BAUER AG**

**ProXES**  
the processing group  
a portfolio company of  
**Deutsche Beteiligungs AG**  
has acquired  
**FrymaKoruma**  
technology in motion

**BURKLE**  
PROCESS TECHNOLOGIES  
has been sold to  
**nimbus**  
hands-on investors

### Officer contacts

Steffen Leckert  
Managing Director  
s.leckert@lincolninternational.de  
+49 69 97105 441

Mark Brune  
Vice President  
m.brune@lincolninternational.de  
+49 69 97105 456

Richard Floto  
Managing Director  
r.floto@lincolninternational.de  
+49 69 97105 435

Alexander Tezlaw  
Analyst  
a.tezlaw@lincolninternational.de  
+49 69 97105 453

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