

Inside this Issue

Welcome to the fourth quarter 2007 issue of our Packaging DealReader newsletter.

With this issue, we plan to offer insight into the unique characteristics of the packaging industry. We plan to explore the attractive characteristics, geographic nature, and impact “going green” is having on the packaging industry.

Key topics covered in this issue include:

- Spotlight Interview: Brad Seaman, Managing Director, Tricor Pacific Capital (pages 1-2)
- Announcement regarding the opening of Lincoln International's office in London (page 2)

- Recent Packaging Merger and Acquisition Activity (page 3)
- Public Market Valuations (page 4)

We hope that you find this issue interesting and we welcome your comments and suggestions.

Spotlight Interview: Brad Seaman, Managing Director, Tricor Pacific Capital

The packaging industry offers unique dynamics that impact the operation and strategy of successful participants in the industry, requiring experienced investors to exploit growth opportunities in a regional industry and escape the competitive pressures faced by the commoditization of products utilizing low technology manufacturing processes. Tricor Pacific Capital, one of the most active private equity investors in the packaging industry, has been successful in finding niche businesses within the industry that provide attractive investment opportunities. Lincoln International has interviewed Brad Seaman, a Managing Director at Tricor Pacific Capital, Chairman of Beresford Box and Keyes Packaging Group and director at Tharco Packaging to learn about his perspective on some of the major trends the industry is facing.

Q. What characteristics of the packaging industry do you find attractive?

A. In the packaging industry we have found several niche manufacturing businesses that provide attractive returns. The packaging industry provides opportunities to invest in companies that have a strong competitive position, present significant barriers to substitution and provide a valuable product that represents a low percentage of the overall costs in the value chain. In our experience, these characteristics often provide a solid foundation for making attractive investments. In particular, we have found several companies in the packaging industry are protected from competition by Asian manufacturers because it is uneconomical to transport some types of packaging materials over large distances.

We search for companies that provide packaging materials for products that are locally produced and have a reduced risk of shifting production off shore, providing a high level of stability to their revenues. We also study the materials and product lines offered in an effort to minimize the risk of material substitution. Let me give you an example. One of our portfolio companies makes apple packaging. While some apples are imported, most are still grown here in the United States, and we think that consumer preferences put a premium on freshness, benefiting domestically grown fruits and vegetables for the foreseeable future. The packaging used—an apple tray—is made of molded fiber, resulting in a low cost product that represents a very small percentage of the overall cost of a box of apples. This low cost serves to relieve some of the price pressure faced by suppliers and allows us to concentrate on quality. Switching to a different material is unlikely since the molded fiber trays absorb the moisture generated by the apples while plastic trays would create a padding effect and make the fruit deteriorate faster.

Q. In most cases, packaging is a regional business where proximity to customers is key. In your view, do the advantages provided by limited competition outweigh the restrictions on geographical expansion?

Ensuring that a company has a local advantage serving customers located nearby provides significant upside to an investment and outweighs the cost of not being able to expand geographically. The competitive barriers afforded by the business model give us breathing room to avoid extreme pricing pressures and concentrate on improving operations, focusing on improving quality

and streamlining production processes to produce growth. In fact, we spend a significant amount of time in our due diligence process to validate that what we think is a regional business in fact behaves like one. In the past, we have run comprehensive shipping analyses to quantify the cost a competitor would have to incur to ship their product into our market—to the point of seeking quotes from trucking companies and rail transportation—to ensure that it would be costly for competitors to ship into our market.

Q. Are there any particular segments of packaging—paper, plastic, rigid, flexible, glass, labels, metal, etc.—on which you are concentrating your efforts?

A. We are interested in many segments and focus more on the specific opportunity than on the area. We have made investments across a variety of segments, including in paper packaging, rigid plastic, corrugated and molded fiber. In each segment, we were able to find a niche business that provided a favorable investment outlook. However, on the negative side, the only segment we tend to avoid has been flexible. While other people have made successful investments in that sector, we believe it does not play to our strengths. Flexible packaging products can frequently be delivered from the manufacturer to the customer in roll form, which makes shipping from low-cost countries easier. The risk of foreign competition limits our interest in the segment, since we prefer to concentrate on companies that can rely on domestic manufacturing for their operations.

(Continued on page 2)

Q. Do you focus on any specific end markets when evaluating investment opportunities?

A. The importance of the end markets served tends to be investment specific. Most of the companies we have invested in concentrate in one of three areas: consumer products, food and personal care. But some companies, like our corrugated company, serve a diverse group of markets. In these three areas, customers often focus on the quality of the packaging provided, either on its protective ability or the possibility of including colorful graphics. For example, we have found that customers in the personal care space value improved aesthetic look or feel for the consumer. As a result, manufacturers focused on these areas have historically earned better margins than those focusing on more commodity products.

Q. What is your view of the “green” initiatives in packaging and how it will affect the industry? Do you see any opportunities in this?

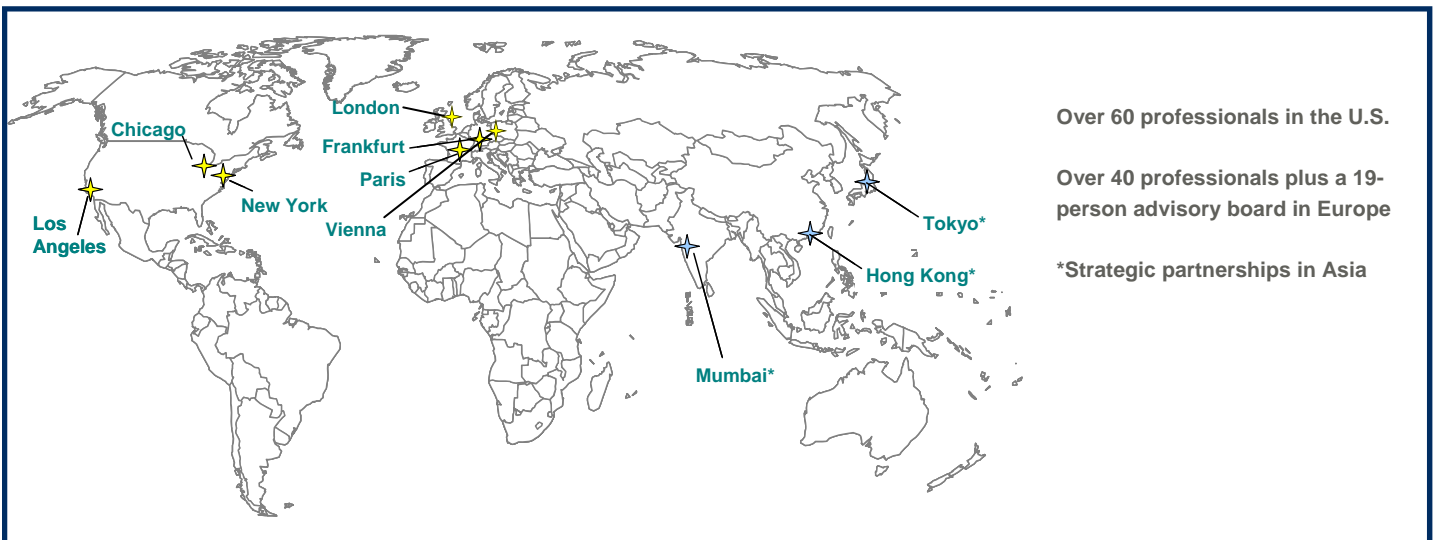
A. Current trends highlighting the impact we have on our environment—from global warming to pollution and waste—are having a large impact on the packaging industry. In particular, Wal-Mart’s drive to reduce packaging across the board will have a big impact on any packaging manufacturers whose customers sell into that channel. It will be important to come up with creative ways to reduce the quantity of packaging, and also to make that packaging recyclable. Other trends associated with this initiative to reduce packaging, such as the trend to increasingly sell concentrated products, may impact the ability of certain packaging companies to grow in the future. But there are also several technological developments that will increase the ability of packaging producers to offer environmentally conscious products. In particular, the jury is still out on the potential of bio resins to change the industry. Everyone is hopeful that these materials will develop to the point where their physical properties provide the advantages of traditional plastic materials, while improving their ecological characteristics, either by being easier to

recycle or being biodegradable. As these advances continue, the packaging industry will be very focused on utilizing these products to meet the needs and expectations of their customers.

Q. Finally, do you expect valuation multiples in the industry to be affected by the current conditions in the market?

A. We invest mostly in the lower end of the middle market, focusing on companies with enterprise values between \$50 and \$200 million. So far, we have not seen a meaningful change in the availability of financing for deals of this size. As a result, we have not sensed a material shift in the valuations being afforded to businesses right now. The market has been highly competitive for a number of years, with a large number of private equity firms competing with strategic acquirers for attractive companies. In my view, just as many people are interested in a good deal today as they were yesterday or the day before, and this is clearly an indication that conditions in the lower middle market haven’t deteriorated significantly.

Lincoln International’s Global Footprint



On January 2, 2008 Lincoln International opened its London office

Lincoln International’s local presence helps to expand and strengthen the firm’s relationships with current and prospective clients in United Kingdom.

The London office is led by Darren Redmayne, who recently joined the firm as a Managing Director. He is a seasoned investment banking professional and has been involved in M&A transactions and privatizations as well as business development since 1998 with strong ties to the UK financial community. He began his banking career with Close Brothers Corporate Finance as an M&A practitioner. In 2005 he co-founded Close Brothers’ Financial Sponsors Group and became head of that team in 2006. He also spent two years at

Harris Williams & Co. developing cross-border business. Darren brings to Lincoln International strong relationships with the mid-market private equity community, an impressive transaction track record in mid-market deals, and considerable international deal experience.

Hans Peter Peters, Co-Chairman of Lincoln International, commented, “After carefully evaluating how to enter the UK market for over 18 months, in Darren we have found the right person to lead our efforts in establishing a strong M&A presence in London.”

In developing its UK business, Redmayne is joined in London by Michael Bottenheim and Robert Satow. Michael has acted as

advisor to European and US companies in cross-border M&A for the last 35 years, of which 9 years at Citicorp and 15 years at Lazard. Robert Satow worked for 11 years at Hill Samuel and spent 8 years at Close Brothers prior to joining Lincoln International in 2004 as a Managing Director in the New York office.

Co-Chairman Jim Lawson is spending one week per month in London indefinitely. “I am making a strong personal commitment of time and energy to building our London office because I believe in the strength and quality of our team, both in London and throughout the Lincoln International organization,” said Lawson.

Packaging Industry M&A Activity (dollars in millions)

Date Closed	Target Company	Target Location	Acquiring Company	Acquirer Location	Target Classification	Transaction Value
Pending	Baylis Logistics Limited	United Kingdom	Culina Logistik GmnH	Germany	Label	N/A
Pending	Condepols Derprosa	Spain	Grupo Sufi, S.L.	Spain	Paper	N/A
Dec-07	JD Stenqvist AB	Sweden	Papier-Mettler GmbH	Germany	Flexible	N/A
Dec-07	Global Packaging Corporation NV	Netherlands	One Equity Partners LLC	United States	Flexible	N/A
Nov-07	Cartonplex SA	Spain	Clondalkin Group Holdings, Ltd.	Ireland	Paper	N/A
Nov-07	Dot Packaging Group, Inc.	United States	Tegrant Alloyd Brands, Inc.	United States	Paper	N/A
Nov-07	Omni Flexibles	United Kingdom	Excelsior Technologies Ltd. UK	United Kingdom	Paper	N/A
Nov-07	Alcan, Inc.	Canada	Rio Tinto Group	United Kingdom	Flexible	\$43,561.5
Oct-07	Wisconsin Film & Bag Inc.	United States	Argosy Partners	United States	Flexible	N/A
Oct-07	Betts Group	United Kingdom	Gresham Private Equity	United Kingdom	Specialty	\$224.5
Oct-07	McKernan Packaging Clearing House	United States	Richards Packaging Income Fund	Canada	Rigid	\$30.0
Sep-07	Creative Forming, Inc.	United States	Spartech Corp.	United States	Rigid	\$61.0
Aug-07	Van Wyck Packaging Ltd.	Canada	Mid Oaks Investments LLC	United States	Labels	N/A
Aug-07	Design Packaging, Inc.	United States	Tharco Packaging, Inc.	United States	Paper	N/A
Jul-07	Lenco Holdings, Inc.	South Africa	The Mondi Group	United Kingdom	Rigid	\$21.0
Jul-07	Epoch Design Ltd.	United Kingdom	Loewy Group	United Kingdom	Specialty	\$20.6
Jun-07	Paxar Corp.	United States	Avery Dennison Corp.	United States	Label	\$1,365.0
Jun-07	Rexam plc, Glass Business	United Kingdom	Ardagh Glass Group plc	United Kingdom	Rigid	\$870.0
Jun-07	Intec Alliance LLC	United States	LINDAR Corporation	United States	Plastic	N/A
Jun-07	Globalpack Industria e Comercio Ltda.	Brazil	Grupo Itavema	Brazil	Plastic	\$56.0
May-07	Mipac AB	Sweden	Superfos AS	Denmark	Plastic	\$36.8
May-07	Matrix Packaging, Inc.	Canada	McKenna Gale Capital, Inc.	Canada	Rigid	\$210.0
May-07	Lesson Polyfilm Manufacturing Ltd.	Canada	The Plastics Place Inc.	Canada	Flexible	N/A
May-07	Antalis S.p.A.	Italy	Paperlinx Ltd.	Australia	Paper	N/A
Apr-07	Anchor Hocking Company	United States	Monomoy Capital Partners, LLC	United States	Rigid	\$95.0
Apr-07	Covalence Specialty Materials Corp.	United States	Berry Plastics Holding Corp.	United States	Rigid	N/A
Mar-07	Whitmire Container Corp.	United States	Consolidated Container Co. LLC	United States	Rigid	N/A
Mar-07	Genting Sanyen Sdn Bhd	Malaysia	Paperbox Holdings Limited	United Kingdom	Paper	\$212.0
Mar-07	Ultrapak, Inc.	United Kingdom	Astrapak Ltd.	South Africa	Specialty	N/A
Mar-07	AB Cerbo Group	Sweden	Nolato AB	Sweden	Rigid	\$62.0
Mar-07	Fox River Paper Company LLC	United States	Neenah Paper, Inc.	United States	Paper	\$52.0
Mar-07	Saint Gobain Desjonquieres	France	Cognetas LLP, Sagard	France	Rigid	\$907.0

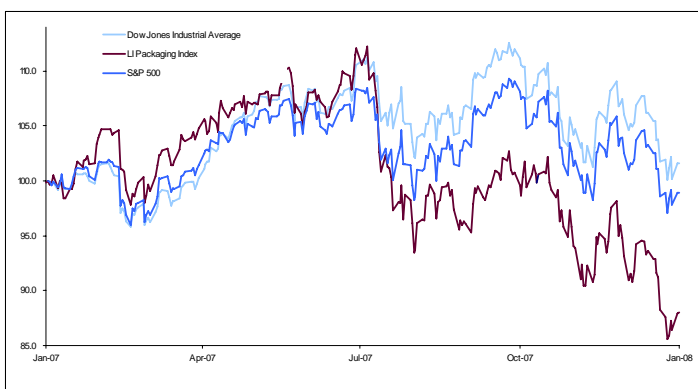
Source: Company filings, Capital IQ

Public Market Valuation Statistics (dollars in millions)

Company	Stock Price	52 Week		LTM Revenues	Market Cap.	Net Debt	P/E	EV/ EBITDA	EV/ EBIT
		High	Low						
Rigid Packaging Companies									
Ball Corp. (NYSE:BLL)	\$44.15	\$56.05	\$41.03	\$7,310.9	\$4,504.4	\$2,318.9	15.7x	7.8x	10.7x
Constar International Inc. (NasdaqNM:CNST)	\$4.00	\$11.10	\$2.13	\$885.9	\$52.9	\$396.2	NM	8.4x	20.1x
Crown Holdings Inc. (NYSE:CCK)	\$23.48	\$27.43	\$19.80	\$7,532.0	\$3,849.3	\$3,415.0	11.0x	8.7x	11.9x
Rexam plc (LSE:REX)	\$4.04	\$5.70	\$3.68	\$7,600.0	\$2,592.9	\$1,323.8	13.4x	5.6x	8.2x
Silgan Holdings Inc. (NasdaqNM:SLGN)	\$49.84	\$61.12	\$41.70	\$2,883.2	\$1,865.6	\$1,146.9	15.2x	7.4x	11.1x
Specialty Packaging Companies									
AptarGroup Inc. (NYSE:ATR)	\$37.87	\$44.75	\$28.73	\$1,830.8	\$2,666.4	\$83.5	\$20.95	8.4x	13.3x
Bemis Co. Inc. (NYSE:BMS)	\$24.48	\$36.53	\$23.96	\$3,637.2	\$2,507.9	\$751.4	\$14.59	7.0x	10.4x
Pactiv Corp. (NYSE:PTV)	\$25.83	\$36.91	\$22.79	\$3,115.0	\$3,384.7	\$1,597.0	\$14.54	8.2x	11.0x
Sealed Air Corp. (NYSE:SEE)	\$20.77	\$33.87	\$19.62	\$4,546.5	\$3,401.7	\$1,449.9	\$11.09	6.6x	8.5x
Sonoco Products Co. (NYSE:SON)	\$30.64	\$44.91	\$28.45	\$3,969.4	\$3,035.4	\$894.7	\$15.66	7.3x	10.8x
Paper Packaging Companies									
Caraustar Industries Inc. (NasdaqNM:CSAR)	\$2.83	\$8.44	\$2.30	\$910.2	\$86.9	\$284.6	NM	13.0x	62.0x
Chesapeake Corp. (NYSE:CSK)	\$4.03	\$18.68	\$3.59	\$1,047.3	\$81.6	\$498.9	NM	5.8x	12.4x
Graphic Packaging Corp. (NYSE:GPK)	\$3.49	\$6.10	\$3.09	\$2,476.3	\$717.5	\$1,939.5	NM	8.2x	21.3x
Greif Inc. (NYSE:GEF)	\$63.68	\$68.30	\$47.81	\$3,322.3	\$2,914.4	\$558.1	\$23.76	8.9x	12.0x
International Paper Co. (NYSE:IP)	\$30.81	\$41.57	\$30.00	\$21,373.0	\$13,559.1	\$5,075.0	\$4.87	7.1x	11.9x
MeadWestvaco Corp. (NYSE:MWV)	\$27.92	\$36.50	\$27.42	\$6,829.0	\$5,261.5	\$2,255.0	\$29.39	8.0x	18.4x
Packaging Corp. of America (NYSE:PKG)	\$25.85	\$31.88	\$21.87	\$2,288.9	\$2,809.3	\$483.0	\$17.03	7.5x	11.4x
Rock-Tenn Co. (NYSE:RKT)	\$25.35	\$43.22	\$21.77	\$2,315.8	\$924.3	\$702.9	\$11.76	5.6x	8.7x
Smurfit-Stone Container Corp. (NasdaqNM:SSCC)	\$9.07	\$14.08	\$8.85	\$7,398.0	\$2,403.9	\$3,395.0	NM	8.0x	14.7x
Label Companies									
Avery Dennison Corp. (NYSE:AVY)	\$48.35	\$71.35	\$48.09	\$6,005.2	\$5,244.2	\$2,250.5	\$15.03	9.1x	12.2x
Brady Corp. (NYSE:BRC)	\$31.52	\$44.46	\$30.38	\$1,410.5	\$1,763.3	\$312.9	\$15.98	8.5x	10.9x
CCL Industries Inc. (TSX:CCL.B)	\$37.77	\$47.89	\$27.05	\$1,379.7	\$1,238.6	\$407.4	\$11.75	7.0x	10.9x
Multi-Color Corp. (NasdaqNM:LABL)	\$25.86	\$29.61	\$18.87	\$231.5	\$253.2	-\$18.5	\$21.85	8.5x	11.1x

Source: Company filings, Capital IQ
 Note: Stock prices and trading multiples as of 1/15/2008

Packaging Industry Index Comparison



About Lincoln International

Lincoln International specializes in merger and acquisition services, private capital raising, and providing fairness opinions and valuations for leading organizations involved in mid-market transactions. With offices in Chicago, Frankfurt, London, Los Angeles, New York, Paris, and Vienna, and strategic partnerships with China Everbright and other partner firms in Asia, Lincoln International has strong local knowledge and contacts in the key global economies. The organization provides clients with senior-level attention, in-depth industry expertise, and integrated resources. By being focused and independent, Lincoln International serves its clients without conflicts of interest. More information about Lincoln International can be obtained at www.lincolninternational.com.

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