



Focus Sectors Q4 2016 M&A Activity
January 2017

Q4 Industry Transactions – Paper & Specialty Materials

The fourth quarter saw four North American paper mill sales, a European specialty papers/materials merger with a North American component, and two strategic acquisitions in specialty materials

- Paper Mills

- On December 30, Madison Paper Industries (JV of UPM-Kymmene and the New York Times) announced the sale of its shut Madison, ME paper mill (excluding the hydroelectric assets) to a JV of three liquidators
- On November 11, Burrows Paper announced the sale of the Company via two transactions. Twin Rivers Paper will acquire Burrows' four specialty paper and tissue mills while Novolex will acquire its six packaging operations
- On November 10, Tolko completed the sale of its mill in The Pas, Manitoba, which manufactures extensible kraft paper for industrial sacks. The buyer is a US private equity investor, American Industrial Acquisition Corp. In August, Tolko announced its intention to close the mill by December
- On November 8, European specialty paper producer Munksjö and specialty paper/non-wovens producer Ahlstrom announced a merger of equals. As of November 11, the combined company has a pro forma enterprise value of \$2 billion and traded at 7.5x LTM EBITDA. Leverage is reasonable at 1.7x. Approximately 25% of sales are to the Americas, where the Company has 7 plants (5 in North America, all from the Ahlstrom side)
- On October 4, private equity firm One Rock Capital Partners announced the acquisition of the NORPAC joint venture of Weyerhaeuser and Nippon Paper, a 750,000 ton mill in Longview, WA producing newsprint, high-bright and uncoated free-sheet substitute papers. The purchase price excluding assumed debt (undisclosed) was \$84 million

- Nonwovens

- On November 30, Lydall announced the \$58 million cash acquisition of MGF Gutsche GmbH & Co., a German producer of nonwoven needle punch materials for industrial filtration and other high performance applications. The purchase price represents a 9.7x multiple of 2016E EBITDA, 6.4x adjusted for expected synergies. The acquisition builds on Lydall's 2014 acquisition of Andrew Filtration and its earlier 2016 acquisition of Texel
- On December 14, specialty paper and materials producer SWM announced acquired the assets of Conwed Plastics from Leucadia National for \$295 million plus an earnout. Conwed produces resin-based netting products used in highway infrastructure development, oil & gas exploration, filtration and construction. The asset purchase structure resulted in a \$75 million NPV tax savings to SWM. Net of the tax savings, the purchase price represents approximately a 7.9x multiple of current EBITDA

Q4 Industry Transactions – Board Converting and Related

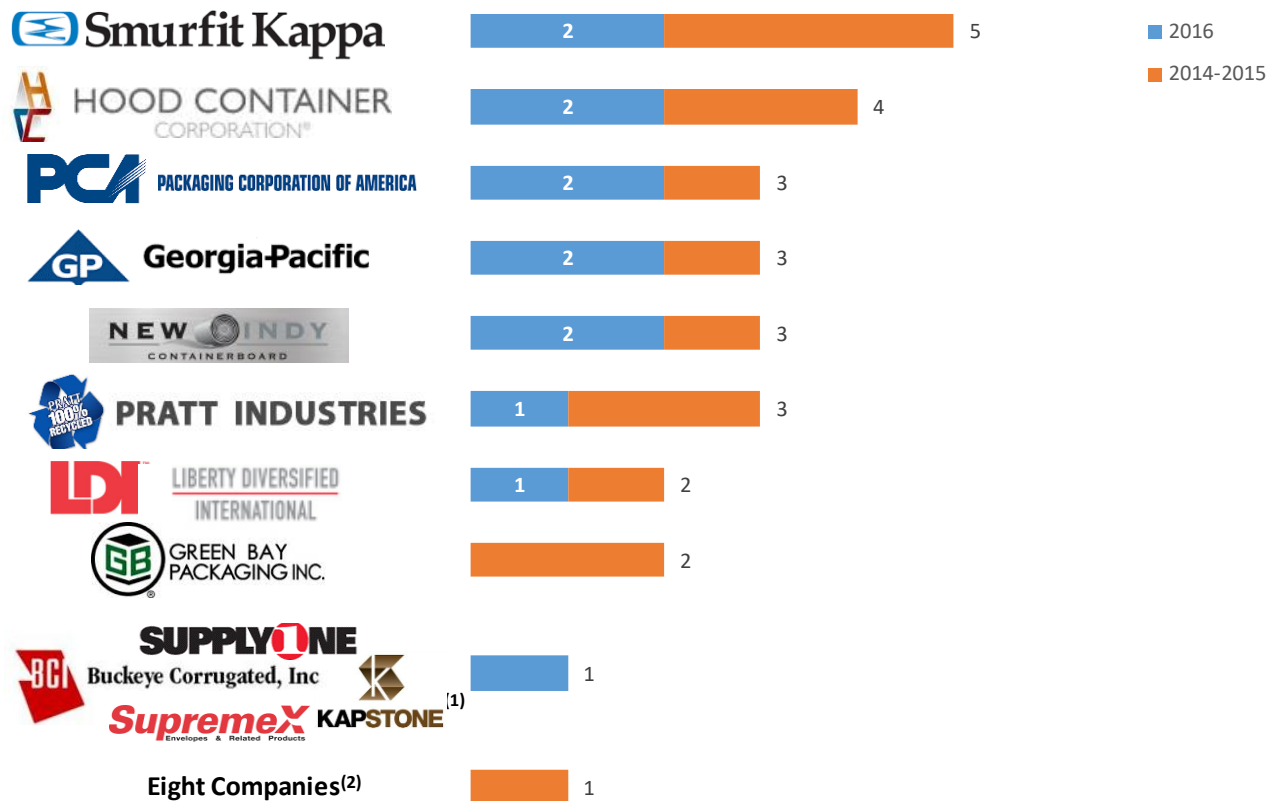
Q4 saw several board and related converting related transactions. New-Indy's corrugated converting acquisitions capped off an active M&A year in the sector (see next page)

- New-Indy Containerboard (Kraft Group / Schwarz Partners JV) announced the acquisition of two corrugated converters in December. Terms of both transactions were undisclosed:
 - Container Service Corporation, a corrugated box plant in Ringgold, GA (announced December 20)
 - TriPAQ a corrugated converter with two facilities each in California and Mexico (Tijuana and Mexicali, both bordering California) (announced December 13)
- On December 16, Clearwater Paper acquired Manchester Industries from Paperworks for \$68 million. Manchester operates five US custom sheeting, slitting, and cutting facilities serving folding carton plants
- On December 15, Australian packaging manufacturer and distributor Orora announced the acquisition of Register Print Group, a New Jersey provider of point of purchase display materials including signage, displays, litho labels and packaging. The purchase price was US\$44 million representing a 5.8x multiple of latest twelve month EBITDA plus a \$3 million reimbursement for recent growth capital investments
- On December 8, UK based paper packaging manufacturer DS Smith announced the acquisition of Parish Manufacturing, an Indiana based manufacturer and supplier of bag-in-box systems. Parish's focus is in bag-in-box and custom packaging for different liquids for the food, beverage, water, food service, and chemical industries. Terms were undisclosed
- On November 28, Canadian envelope and related products company Supremex announced the US\$3.3 million acquisition of specialty corrugated box converter Durabox Paper, with US\$6 million of revenue
- On October 11, Packaging Corp. of America announced the \$100 million acquisition of corrugated converter Columbus Container, which operates a full service IN converting facility and five distribution centers. The purchase price represented a 3.3x multiple of LTM EBITDA plus synergies, after adjustment for tax-basis stepup

2014 – 2016 Transactions – Corrugated Converting

There have been over 35 corrugated converting transactions since 2014. 2016 has been the most active year with 16 transactions. Most acquirors were integrated containerboard and corrugated box producers

North American Corrugated Converting Transactions, 2014-2016



- (1) In addition to its 2016 purchase of Central Florida Box, counted above, KapStone also acquired packaging distributor Victory Packaging in 2015 for the purpose of increasing containerboard integration as well as minority stakes in 2 sheet feeder operations in 2016 - California (49% stake for \$10.5 million) and Southeast (20% stake for \$1.25 million)
- (2) The nine companies with one corrugated converting transaction in 2014 or 2015 include Atlantic Packaging Products, Crown Paper, International Paper, Menasha Packaging, Norampac, Rand-Whitney, Schwarz Partners and RockTenn (now WestRock)

Q4 Industry Transactions – Flexible & Foodservice

Companies undertook a flurry of M&A activity in flexible and foodservice paper converting in Q4



- On December 4, Werthan Packaging filed Chapter 11 bankruptcy and announced its proposed sale to Gateway Packaging for \$7.2 million. Werthan is a converter of multiwall pet food bags. Based on short-term cash flow projections, annual sales are between \$15 and \$18 million



- On November 28, the Carlyle Group announced the acquisition of Novolex, a leading producer of paper and plastic bags and flexible packaging for the retail, grocery, food service, hospitality, institutional and industrial markets. The sellers are private equity investors Wind Point Partners and TPG Growth
 - Novolex has grown sales from \$500 million to over \$2 billion through a series of acquisitions
 - The purchase price was undisclosed but press reports suggested it could exceed \$2.5 billion, which would likely represent a greater than 10x EBITDA multiple



- On November 11, family owned Burrows Paper announced the sale of the Company via two transactions. Novolex will acquire the Company's six packaging operations while Twin Rivers Paper will acquire the Company's specialty paper and tissue mills
 - The packaging facilities (4 in the US, 1 each in Europe and China) produce lightweight specialty paper packaging for quick service restaurants
 - Key product lines include micro-flute corrugated clam shells and flexible paper wraps



- On October 19, private equity firm Wellspring Capital announced the acquisition of Hoffmaster, a converter of premium napkins, plates and other disposable tableware products for \$665 million, representing approximately 7.6x EBITDA. The seller was private equity firm Metalmark Capital



- On October 17, the Pritzker Group investment firm announced the acquisition of Proampac, a converter of plastic and paper flexible packaging and bags. The seller was Wellspring Capital
 - The purchase price was not disclosed but involved issuance of \$1.045 billion of funded debt, representing approximately 5.8x EBITDA
 - Proampac has grown rapidly through acquisition in recent years

Q4 Industry Transactions – Wood Products & Biomass

There has also been recent transaction activity in wood products and biomass power

- Wood Products

- On December 7, Wynnchurch Capital announced the acquisition of Rosboro, a leading integrated forest products operation producing laminated beams, stud lumber and veneers for plywood and LVL production at seven manufacturing plants in Oregon
- On October 31, Resolute Forest Products completed the previously announced acquisition of Tembec's Senneterre, QC sawmill. Tembec indefinitely idled the 100 MMBF facility in February. Resolute paid approximately C\$9 million
- On October 28, Louisiana-Pacific and Norbord announced a swap of idled OSB mills in Quebec. Louisiana-Pacific is considering the use of the Val-d'Or mill it will receive for OSB siding. Norbord gains a larger facility in Chambord

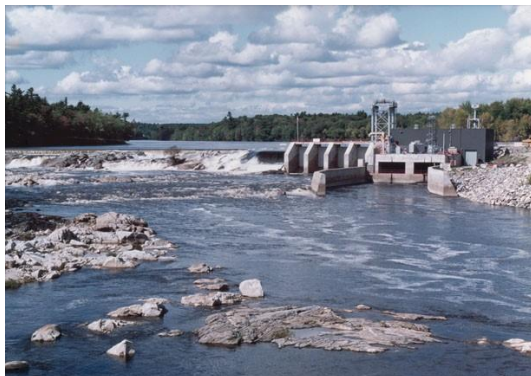
- Biomass Power

- On November 8, Convergen Energy acquired the L'Anse Warden biomass power plant from Traxys Power Group. The parties did not disclose the terms of the transaction
 - The plant has 20 MW of generating capacity and also supplies steam to an adjacent CertainTeed ceilings manufacturing plant
 - Convergen also operates a Green Bay, Wisconsin plant that produces fuel pellets from non-recyclable industrial by-products such as paper and plastic films
 - Convergen is owned by Libra Group, a family-owned international business group with operations in 30 subsidiaries active in 35 countries
- On November 1, the Angelina County, Texas district court oversaw the foreclosure auction sale of the shut Aspen Power 50 MW biomass plant in Lufkin, Texas for \$4.9 million
 - Court records do not reveal the purchaser's identity. The purchaser was the stalking horse bidder and no other parties submitted bids
 - The plant has been idle since April 2015. It was built without a power purchase agreement in 2011 at a cost of \$140 million

Q4 Industry Transactions – Hydroelectric

November saw two transactions in the hydroelectric sector

- On November 29, Eagle Creek Renewable Energy (ECRE) announced the acquisition of the Worumbo hydroelectric facility on the Androscoggin River in Maine. This was ECRE's fifth Northeastern US hydro acquisition in 2016, including over 50 MW in Maine in 3 transactions
- On November 1, Arlight Capital announced the acquisition of TransCanada's Vermont, New Hampshire and Massachusetts hydro assets
 - The portfolio totals 584 MW and an estimated 1,524 GWh of annual output (for a low capacity factor of around 30%)
 - Arlight agreed to pay \$1.065 billion, or approximately \$700 per MWh. This valuation is higher than the typical range for small and medium sized assets, but lower than the ~\$800 per MWh that Brookfield paid for two separate large scale Pennsylvania assets in the past few years
 - Brookfield accounted for most of the large US hydro asset purchases from 2012-2015. However, the TransCanada assets mark the third major US hydro portfolio acquired in 2016 by investors other than Brookfield (Cube Hydro and PSP Investments acquired the other two)





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