

**Unbiased global packaging intelligence and analysis**

## IN THIS ISSUE

Exclusive GPF Coverage:

Deborah Douglas .....	1
Pack to the Future .....	3
Global Pouch Forum Product Round-up....	4
Pot Packaging Gets Celebrity Treatment...	8
Foodie's Corner.....	11
Street Talk .....	12

### EXECUTIVE SUMMARY

Jeff Wooster, Dow Packaging & Specialty Plastics .....	5
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## Pouch Power Through Mergers & Acquisitions



**Deborah L. Douglas**

Heading this month's special post-Global Pouch Forum coverage is an exclusive recap of one of the Forum's speakers. Deborah L. Douglas, Managing Director, Douglas Group, shared her insights in the flexible packaging market in her presentation, "Pouch Power! How Flexible Packaging Companies Can Gain Power Through Mergers and Acquisitions."

Douglas began by discussing how mergers and acquisitions (M & A) in the packaging world of today have become more intense. Some nine out of 10 companies will face this impact within the next decade, Douglas stated, with the global pouch market likely seeing even more.

With a stated objective to "tell you what's going to happen and tell you how you can make sure it benefits you," Douglas gave her unique and experienced take on how selling, combining and acquiring changes business life.

Douglas began with some examples of how the "pouch-ization" of the world is already occurring—citing such business headlines as "Novolex Completes Acquisition of Heritage Bag Company," "Massman Automation Acquires EDL Packaging Engineers;" "Pritzker to Acquire ProAmpac;" and many others. She stated that it is "a fact of business life that growth can be nourished more quickly, more efficiently and more profitably with acquisitions than all internally." She also mentioned how the huge growth in M&A activity in recent years has affected plastics, in particular, and especially packaging innovations.

"Volume and magnitude of transactions has been tremendous lately," stated Douglas, which, in part, relates to general economic market conditions. Today, she said, there are several important things that contribute to this, including the fact that creative innovations in pouch applications are becoming the norm; equity fund monies are plentiful; and interest rates are low. Moreover, the evolution of material capabilities and graphics sophistication, and a huge increase in international world access, create an environment for M & As worldwide.

Next, Douglas stressed the need to "build a niche" within the pouch category. Some pouch capabilities that attract, she said, include those with retort, security, slider, box, modified atmosphere, sachets, shaped, spouted and zipper features. Other attributes she named include high-barrier

**Pouch Power** continues on page 10 

## What Buyers Love

**Unique capabilities—the ability to do things that others can't**

- o Modified atmosphere packaging
- o Shaped packages
- o Spouted packages
- o Zipper pouches

**Leading-edge packages that offer great appearance or unique function**

- o High-def flexo graphics
- o Adhesive laminating and coating capabilities
- o Sealing and bagging equipment capabilities

Source: *The Douglas Group*



## Pouch Power continued from page 1

film laminates; HD flexo printing; adhesive laminating & coating; and sealing & bagging equipment.

Emphasizing how the Douglas Group “gets a great eye-view,” she stressed that in the process of the selling companies, it “feels like doing a very good thing for the business world,” in that “business owners sink in capital, guarantee debt, work 12-hour days, improve goods and services in this country, create jobs and growth for their people, fill the tax coffers. We help make sure the pot of gold is there at the end of that rainbow.”

Douglas stressed that buyers want earnings power, growth potential and competitive positioning. Of course, “The obvious object of the game when you sell a company is to make money.” She then took the audience through identifying buyers; how to have a competitive impact; doing due diligence; and being sure of a clear, definitive agreement.

When talking about knowing the right time to sell, Douglas stated three caveats: when growth is happening; when leading edge technologies are becoming recognized as the norm; and simply “sometimes, it’s when the owner is ready.”

The ideal M & A, said Douglas, is based on the concept that “1 + 1 = 3.” The benefit to the company might be to have a lot more money to spend on new processes/equipment; or it might be to spend on marketing to new channels. It might also be their ability to cross-sale to new customers (either seller-to-buyer’s customers or vice versa).

Another benefit may be two companies combining with different points of strength. As an example, Douglas presented “one custom packaging supplier with no sales or marketing, but great technical capabilities and tremendous service. Under the umbrella of a premium marketing company, [they] tripled sales in three years!”

When stressing the importance of focus, Douglas averred: “Focus always increases value. Buyers look for the competitive protection. Buyers who have a foothold in one area really like places that they can further enhance an image of dominance.” Patents have huge value, but Douglas cautioned to consider timing. Buyers, she said, love specialty COs that do something especially well—or even better—than the competition.

Citing *Plastics News*, Douglas commented on a recent article about “what keeps owners up at night.” The repeated lament was the difficulty of finding and retaining good talent. “Buyers today increasingly, really

care about management power,” she stated.

“Sometimes owners don’t fully appreciate how critical that is to a great deal in selling.”

Owners also want to protect employees, she stressed, saying it is “more important to most owner-sellers than their employees would ever imagine.” Therefore, the best protection an owner can get for his employees is to achieve great price: “Those buyers care about people. Those buyers also put in capital for new equipment, new marketing channels and all sorts of things to nourish growth.”

Advising on the selling process, “the best seller reps are tough guys. Their job is to manage competitive velocity and control process. Their job is to protect your investment.” Douglas quoted Al Capone here: “You get more with a kind word and a gun.” Therefore, hiring strong representation is critical to success. Don’t wait until it is too late—most owners normally sell a company one time in their lifetimes, so they don’t always know what to expect.

Douglas outlined her company’s selling process by emphasizing that when they are hired to sell a company, they spend months preparing information on their seller client; this includes financial data—analysis of results by product, by market and sometimes by geography. They also look at information on people, information on equipment and facilities, and information on market trends in the seller’s niche.

“It is very important that all of this information be accurate and meticulously honest,” affirmed Douglas. “Buyers who pay a premium have to feel comfortable that they have good information.”

Even a perceived weakness can actually be a valid selling point. “Sometimes our clients find themselves shy or embarrassed about the area they may be weakest in. If we can find the buyers who know how to solve that problem, they will be very eager to do so.”

Douglas concluded her presentation by stating: “If you’re the owner of a growing packaging company today, the market has never been stronger. If you count yourself among key management for such a company, the potential for merger or acquisition can almost always mean big gains for you and for the company, as a whole, as well. There is never an easy, ‘right’ answer to next steps as your business evolves, but the potential to win with strong M&A activity is absolutely there in the global pouch markets in 2017.” **PS**