William Blair



INVESTMENT BANKING

Digital Printing Is Reshaping Flexible Packaging M&A

Consumer trends, new technology are spurring transaction activity, particularly as legacy players look to add capabilities that provide more customization and serve smaller brands.

Authors

Brian Flynn
+1 312 364 5381
bflynn@williamblair.com

Michael Loffredo
+1 312 801 7886
mloffredo@williamblair.com

Several factors are at play in this evolving landscape. Brands are managing significantly more stock keeping units (SKUs); campaign cycles have been compressed from years to weeks; e-commerce has made shelf-ready packaging table stakes for many brands; and conventional printing techniques, such as flexographic (flexo) and gravure, are increasingly misaligned with how some brands operate.

At the same time, digital printing's role within the North American flexible packaging category is increasing and is expected to continue growing as a percentage of the total sector throughout the rest of the decade. That's largely being driven by digital printing becoming more economically feasible for longer runs, shrinking the competitive advantage of legacy converters—the companies that turn raw materials like paper, film, and foil into labels, packaging, and pouches.

The following article explains the evolution of digital printing, with a focus on how traditional converters are looking to diversify their approaches and arrive at best-of-both-worlds offerings.

Big Changes on the Demand Side

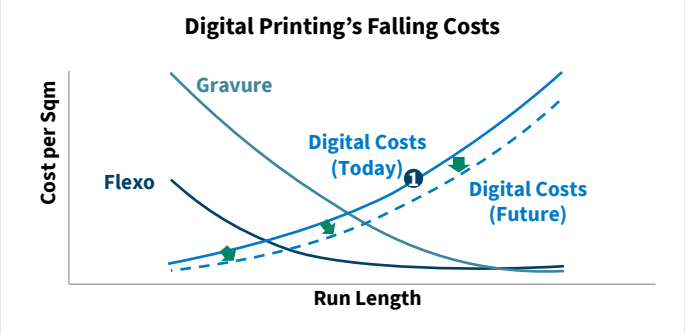
In recent years, growth in direct-to-consumer goods, private labels, and regional and seasonal products fueled the proliferation of SKUs. This was especially notable among smaller companies in the areas of health food and supplements taking wallet share from legacy food and consumer brands.

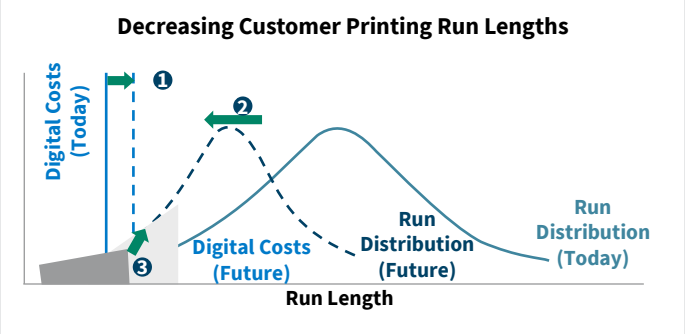
But, on an individual level, those companies often do not sell enough product to justify the long print runs of traditional converters and their minimum-order requirements.

At the same time, consumer goods companies have become increasingly unwilling to wait 8-12 weeks for plate changes—which was common in an era dominated by flexo, gravure, and other older technologies—while surges in limited editions, regional variants, and QR-code versioning increased. These factors have driven demand for digital printing as technology improvements lowered digital printing costs.

Digital Printing's Increasing Penetration[1]

The costs of digital printing are decreasing (left), which makes the technology increasingly attractive for longer digital run lengths that have been dominated by older technologies such as flexo and gravure. Simultaneously, customers are increasingly seeking shorter print runs (right) due to SKU proliferation, increased customization, and time-sensitive ordering and changes. As a result, digital printing's economically addressable underlying volume is poised for growth.





Digital Printing's Value Proposition

Digital printing's value long centered on the fact that changes during print runs are easier (and less expensive) when compared with traditional methods, mostly because digital changes don't require complicated and sometimes manual work to adjust printing plates. Changes and customization were more difficult and expensive with traditional printing methods, but customers could—and still can—benefit from economies of scale on extended print runs when compared with digital printing.

That gap remains, but it is shrinking. As a result, the economically addressable volume for digital printing is increasing, as is its market penetration (see charts).

Digital printing offers other comparative advantages. Turnaround time for orders can shrink from weeks to days, single runs can more easily accommodate multiple SKUs, and the absence of printing plates means less waste and comparatively lower setup costs.

This has traditional converters that focused on flexo and other older platforms considering digital printing through strategic acquisitions. Smaller digital converters may benefit from a larger platform's commercial reach, capital, and operating infrastructure.

M&A Implications for Strategics—and Beyond[2]

These factors have legacy players buying pure-play digital platforms to position themselves as hybrid providers that also offer digital and traditional printing. But other combinations of M&A activity also highlight current trends in the sector, including Butterfly Equity's January acquisition of ePac Flexible Packaging. Butterfly, a Los Angeles-based private equity firm, focuses on the food sector, and William Blair advised it on the transaction.

EPac is a high-growth flexible packaging converter focused on digital printing for small and midsize businesses. Founded to provide locally based consumer packaged goods companies with the ability to compete against large brands, ePac has a nationwide footprint and a significant library of specialized designs, including pouches, sachet packaging, and customizable roll stock. The investment was Butterfly's first in packaging, which it called "a critical component of the food value chain" when the transaction was announced.

In a similar vein, many strategic acquirers have recently—and selectively—added digital printing capacity and adopted hybrid strategies. Part of the thinking is that some smaller customers currently served by digital printers will grow and possibly need the longer print runs that make flexo more economically advantageous.

EPac's leadership team partnered with Butterfly Equity in the transaction, and CEO Virag Patel noted that the "partnership allows us to continue disrupting the industry while leveraging Butterfly's connectivity throughout the food and beverage ecosystem."

Looking Ahead

The ePac transaction likely served as a signal to other private equity investors about digital printing's direction. But it is also indicative of why buyers are active in the space—recurring brand relationships, platform scalability, and the opportunity to build technology moats that come from acquisitions.

For converters, some of the transition to digital could come organically. But if they are thinking about bolt-on acquisitions, there are important diligence considerations, including the sustainability of the target company's growth, its capex cycle, and customer concentration and churn.

Given where the market and technology are heading, conventional converters should evaluate this strategy as a way to add digital capabilities. William Blair has extensive experience in the printing space and would welcome the opportunity to discuss trends affecting the market.

1. Source: William Blair Insights.
2. Information about Butterfly Equity's acquisition of ePac Holdings comes from a company press release announcing the transaction.

Select Packaging M&A Activity[3]

Packaging M&A activity continues to recover amid a dynamic backdrop

Date	Target	Acquirer	Commentary	William Blair Transaction
26-Oct	Trivium Packaging	Silgan & American Industrial Partners	Combines Trivium with Silgan's metal containers and food and beverage flat-cap closures businesses	
26-Oct	Paragon films	Atlantic Ridge Capital	High-performance stretch and shrink films	●
26-Sep	Sabert	Butterfly Equity	Sustainable food packaging platform; expands Butterfly's investment in the food value chain	
26-Aug	Heartland Label Printers	Iconex	Expands variable information label capabilities and manufacturing presence in the Midwest and West Coast	
26-Aug	Tosca	Goldman Sachs Alternatives	Reusable packaging pooling and logistics platform serving the food supply chain	●
26-Jul	Gerresheimer (Primary Packaging Plastics & Centor)	Apax	Carve-out of pharmaceutical plastic packaging businesses; proceeds support Gerresheimer's deleveraging	
26-Jul	Transpak	Odyssey	Packaging engineering and solutions for data centers and semiconductors	
26-Jun	North Pacific Paper	International Paper	Paper mill for graphic papers and packaging	
26-Jun	ESE World	Pacific Avenue Capital Partners	European leader in temporary storage solutions for waste and recyclable materials	
26-May	Delmarva Corrugated Packaging	International Paper	Corrugated box plant	
26-May	Two N.A. Bev Closures	Closure Systems International	Carve-out of two closure facilities by Amcor	
26-May	NCCO	Gallant Capital Partners	Manufacturer of labels and non-food consumable products	
26-Apr	Coveris Paper Segment (Paragon)	Kingswood Capital Management	Carve-out of Coveris' label and board unit; first European acquisition for Kingswood	
26-Apr	Sealed Air	CD&R	Take-private following Sealed Air's strategic alternatives	
26-Mar	Key Container Corporation	Altamont Capital	Custom corrugated packaging products	
26-Mar	TC Transcontinental (Packaging)	ProAmpac	Significant acquisition; TC's exit of its packaging business	
26-Feb	Imaflex	Soteria Flexibles	Canadian take-private	
26-Feb	CargoTuff	H.I.G. Capital	Dunnage airbags and other load securement solutions	●
26-Feb	Easy Plastic	FirmaPak	FirmaPak's first entry into Canada	
26-Jan	ePac Flexibles	Butterfly Equity	Digital flexible packaging specialized in short-run capabilities	●
26-Jan	SÜDPACK (U.S. Operations)	PPC Flex	Expands PPC's meat and cheese offering	
26-Jan	Norton Packaging	Platinum Equity	High-performance rigid packaging solutions	

3. Sources: CapitalIQ and company press releases.

William Blair Packaging Practice

Our leading packaging investment banking franchise is built on deep sector expertise and our strong relationships with buyers around the world. William Blair's long history of advising business owners across packaging substrates and end-markets provides a differentiated view on the key drivers of value for packaging businesses.

Recent William Blair Packaging Transactions

PARAGON FILMS
a portfolio company of
RHÔNE
has agreed to be acquired by
ATLANTIC RIDGE CAPITAL

Specialized Stretch and Shrink Film Extrusion

H.I.G. CAPITAL
has acquired
CargoTuff
LOAD SECUREMENT PRODUCTS

Dunnage Bags and Securement Packaging

butterfly
has acquired
epac
flexible packaging

Short-Run and Digital Printed Flexible Packaging

PC PRECISION CONCEPTS
a portfolio company of
ONCAP
has been acquired by
THE STERLING GROUP

Specialty Rigid Packaging for F&B & Personal Care

Karat
Follow-on Offering

Manufacturing/Distributor of Disposable Foodservice Products

SOTERIA
a portfolio company of
ARDIAN
has been acquired by
TJC

Short-Run, Customized Films and Flexible Packaging for Healthcare, Food Markets

Packaging Areas of Focus

Substrates / Applications

Automation · Distribution · Flexibles · Labels · Paper · Protective · Rigid

End-Markets

Cold Chain · E-commerce · Food & Beverage · Foodservice · Industrial · Medical · Personal Care / Beauty

William Blair Packaging Franchise Activity

125+

Packaging Transactions Closed All-Time

20+

Packaging Transactions Closed Since 2023

~11x

Median EV / EBITDA Over Last 10 Packaging Sell-Side M&A Transactions

William Blair Packaging Team

North America

Brian Flynn
+1 312 364 5381
bflynn@williamblair.com

Elliot Farkas
+1 312 364 8157
efarkas@williamblair.com

Paul Hindsley
+1 312 364 8576
phindsley@williamblair.com

Michael Loffredo
+1 312 801 7886
mloffredo@williamblair.com

Europe

Julien Darmon
+44 207 868 4433
jdarmon@williamblair.com

Julien Lucas
+44 20 7297 4746
jlucas@williamblair.com

"William Blair" is a trade name for William Blair & Company, L.L.C., William Blair Investment Management, LLC and William Blair International, Ltd. William Blair & Company, L.L.C. and William Blair Investment Management, LLC are each a Delaware company and regulated by the Securities and Exchange Commission. William Blair & Company, L.L.C. is also regulated by The Financial Industry Regulatory Authority and other principal exchanges. William Blair International, Ltd is authorized and regulated by the Financial Conduct Authority ("FCA") in the United Kingdom. William Blair only offers products and services where it is permitted to do so. Some of these products and services are only offered to persons or institutions situated in the United States and are not offered to persons or institutions outside the United States. This material has been approved for distribution in the United Kingdom by William Blair International, Ltd. Regulated by the Financial Conduct Authority (FCA), and is directed only at, and is only made available to, persons falling within COB 3.5 and 3.6 of the FCA Handbook (being "Eligible Counterparties" and Professional Clients). This Document is not to be distributed or passed on at any "Retail Clients." No persons other than persons to whom this document is directed should rely on it or its contents or use it as the basis to make an investment decision.