

Estate Planning in 2010: Successful Owner Exits Amidst Uncertain Times



Contract Packaging Association

**Contract Packaging Association Annual Meeting
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Will Your 2010 be a Year of Success...



... Or Not?



Agenda

- **Introduction: What Should Packaging Owners Think about for 2010?**
- **2010: How are the Markets Changing?**
 - Supply Chain and Packaging Markets
 - Financial and Tax Markets
- **Case Studies: What are Smart CEOs Doing Today?**
 - Buyers: scaling up, with capital to accelerate growth
 - Sellers: cashing out before 2011
- **A Word of Caution**
 - Business ethics: pick your partners
- **Your Next Steps**

BGSA: The Most Active Investment Bank in the Supply Chain and Packaging Markets

Representative Transactions

Raytrans

Has been acquired by



Exclusive advisor
to Raytrans Distribution



Has been acquired by



Exclusive advisor
to Unicity

PWC LOGISTICS
Global Supply Chain Excellence

Has acquired



Exclusive advisor to
PWC Logistics



Has been acquired by



Exclusive advisor
to Wilpak



Has acquired



Exclusive advisor
to England Logistics



Has been acquired by



Exclusive advisor
to Interlog USA



Has been acquired by



Exclusive advisor
to Veeco



Has acquired




Exclusive advisor
to England Logistics

PWC LOGISTICS
Global Supply Chain Excellence


Has acquired



Exclusive advisor to
PWC Logistics



Has been acquired by



Exclusive advisor
to Nations Express

DIXIE
WAREHOUSE SERVICES

Has been acquired by



Exclusive advisor
to Dixie Warehouse



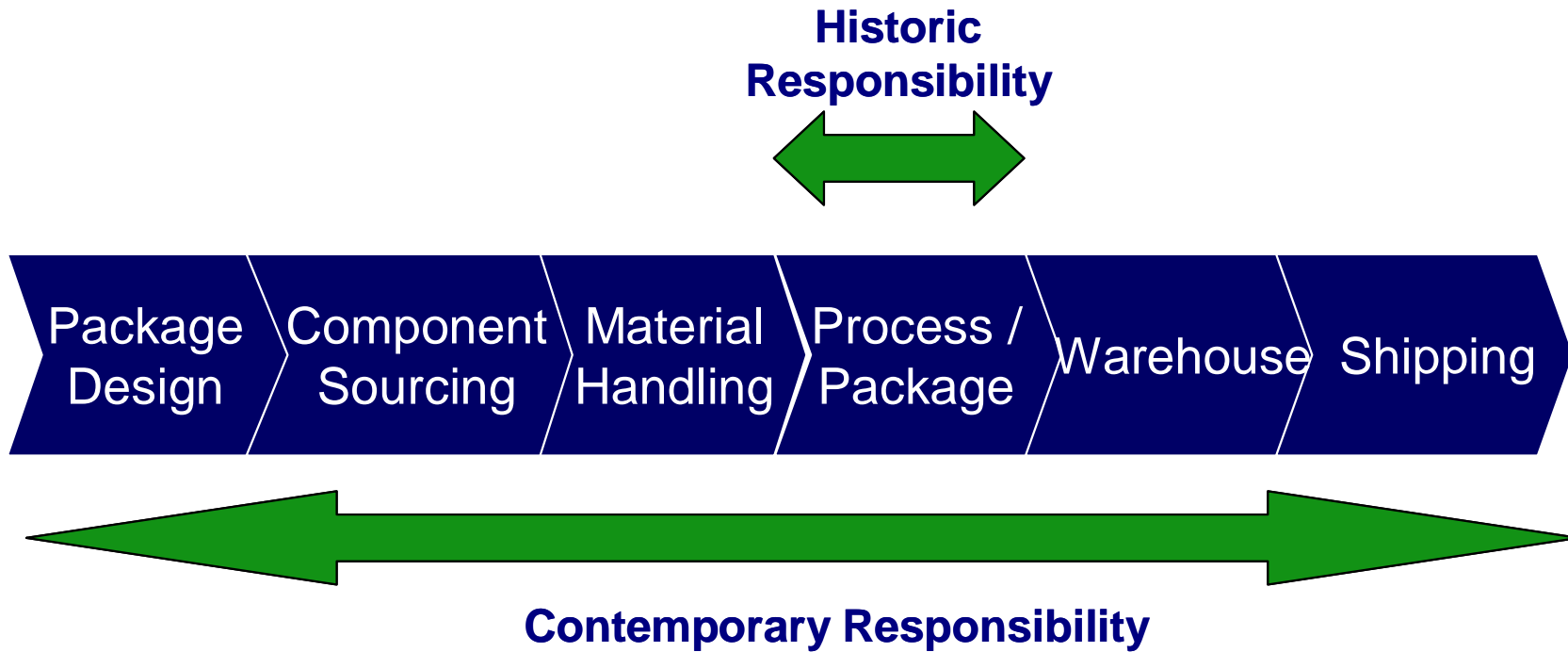
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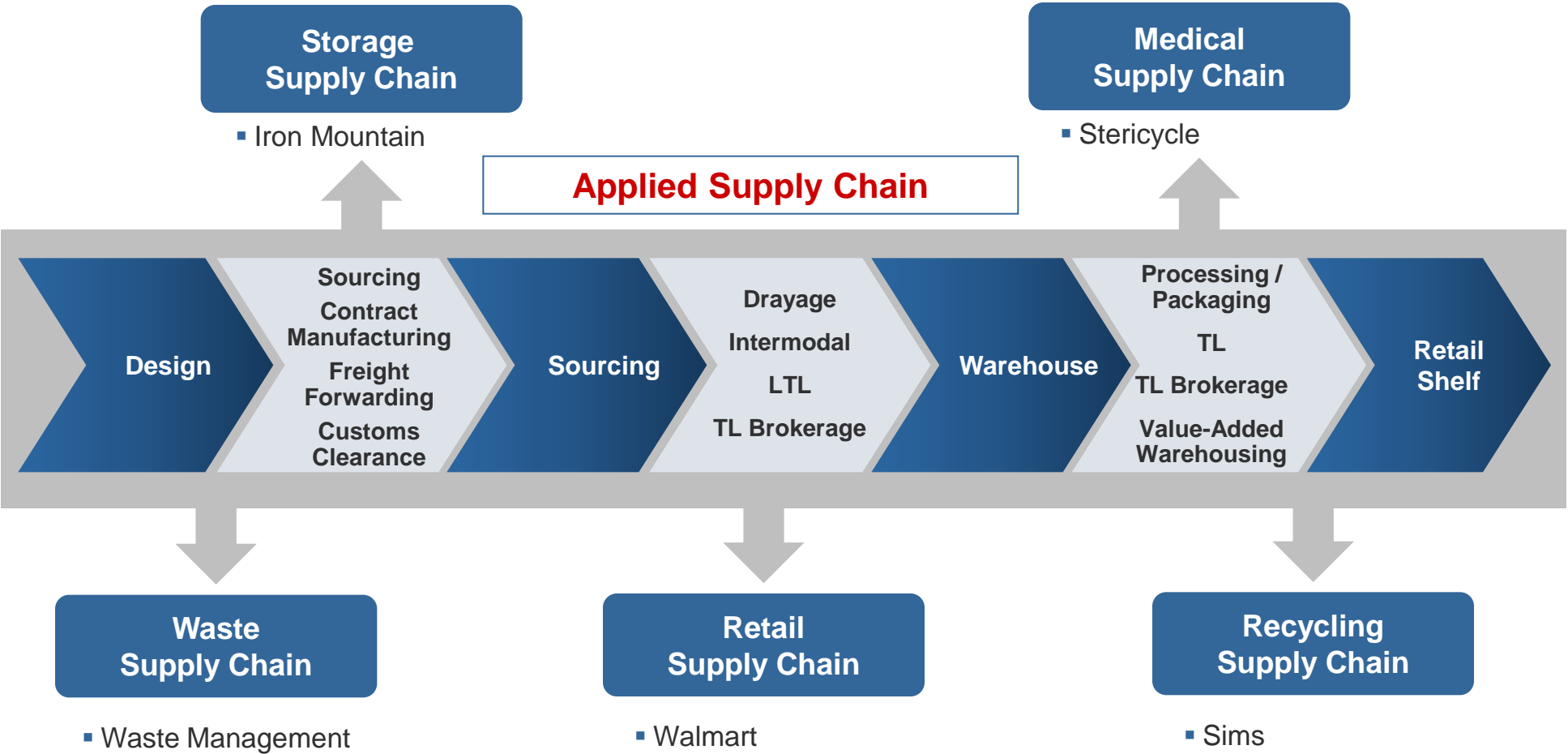
Exclusive advisor
to Air Road

BGSA's View of Packaging: Expanding Role within the Supply Chain

- Contract Packagers have evolved from a small cog in the supply chain to an integral and potentially end-to-end provider



BGSA's View of Packaging: A Part of a Bigger Supply Chain Ecosystem



2010: State of the Supply Chain Markets

Bad News in 2009

- Recession in domestic freight
- Drop in ocean volumes
- Unraveling of debt markets
- More trucking companies went bankrupt in 2009 than in any other year
- Shipping rates dropped over 80% in some lanes from peak to trough
- Major U.S. railroads hauled fewer intermodal units in 2009 than any time since 2003

Good News in 2010

1. NAFTA trade is continuing to rebound
 - Hit bottom in May 2009
 - Has grown every month since then
 - Similarly, factory orders for manufactured goods turned positive in November.
 - It appears customer demand is on the upswing.
2. In turn, shipping volumes are growing
 - West Coast ports, negative throughout 2009, turned positive in November.
 - US shipping volumes up 2% in December.
 - Truck tonnage surged 7% since bottom in April
 - Freight forwarding volumes are up, led by a 12% spike in North America in November.
3. As a result, supply chain companies are expecting to boost profits significantly in 2010
 - We expect UPS, for instance, to grow its bottom line by nearly 20% this year.

Tax Markets: You Don't Need a Weatherman...

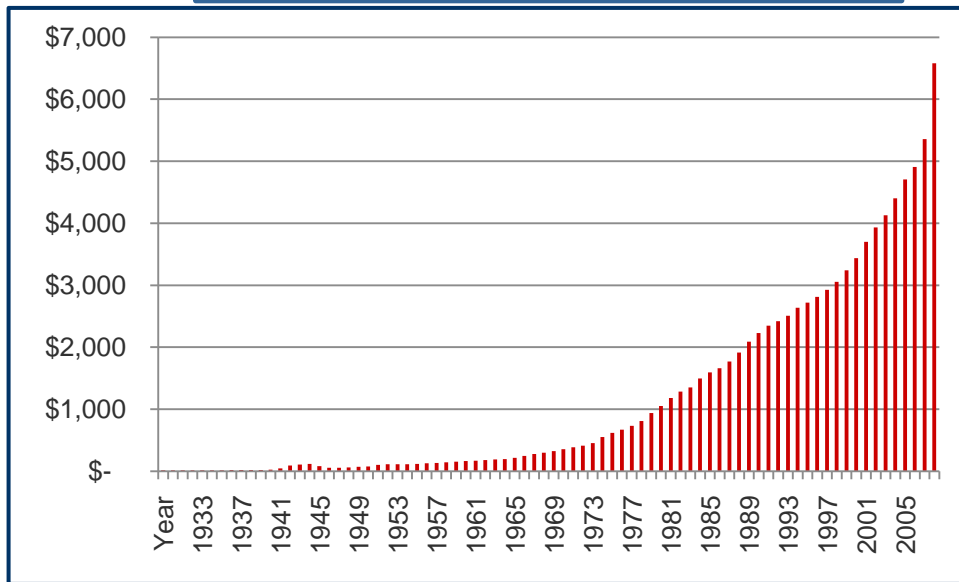


- **Planned Tax Increases on Jan 1, 2011**
 - Ordinary income: from 35% to 40%
 - Capital gains: from 15% to 20%
 - Elimination of wage cap on social security: an additional 6% above \$102k
 - Healthcare surcharge on both ordinary income and capital gains: an additional 6%

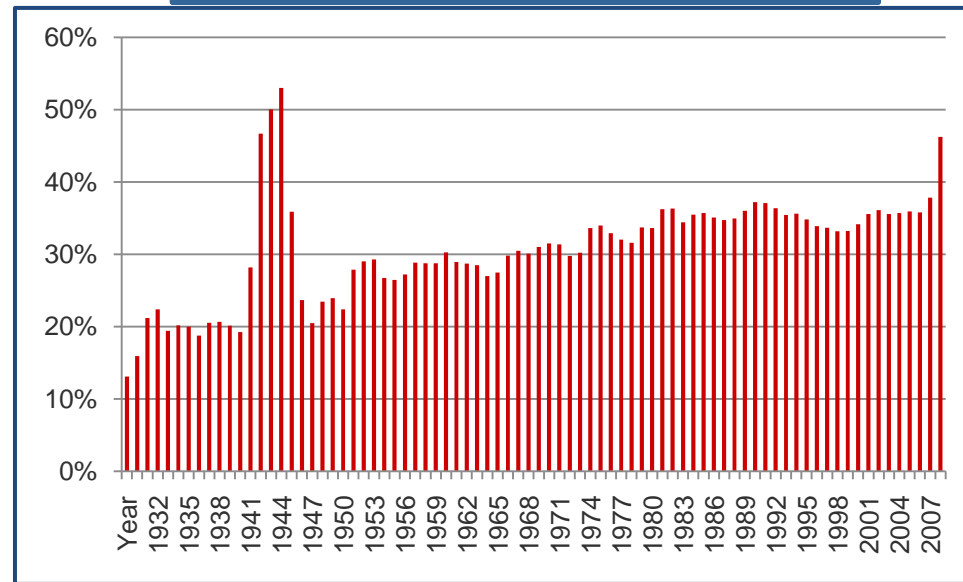
Tax Markets:

The Long-Term Outlook Suggests Much Higher Rates

**Total US Government Spending,
in Billions of Dollars**



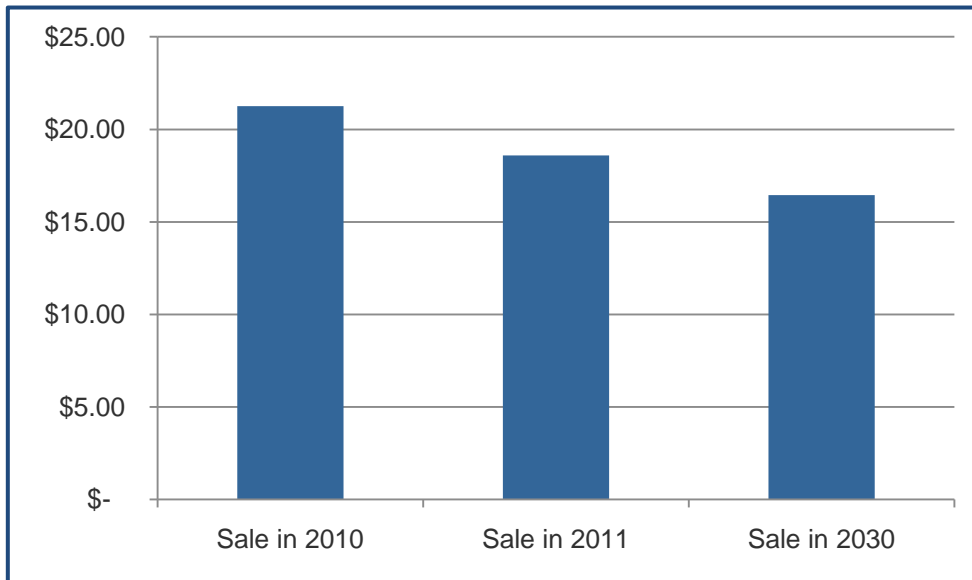
**Total US Government Spending,
as a Percentage of GDP**



- *Total government spending has increased 10% annually since 1930*
- *As a percentage of GDP, government spending has increased from 13% in 1930 to 46% today*
 - *Regardless of party, all signs point to continued expansion in government – and much higher taxes*

Owner Strategies for Maximizing Value: Value May be Highest in 2010

Present Value of Selling in 2010, 2011, and 2030



Assumptions

- Your company generates \$5 million in operating profit
- Your growth matches the long-term US economic growth rate of 3%
- You sell at an average multiple of 5x profit
- 20% discount rate
- Capital gains tax rates go from 15-26% on January 1 2011

What Are Smart Owners Doing Today?

Aggressive Buyers



Has been acquired by



Exclusive advisor
to Raytrans Distribution

- Echo Global Logistics: founded in 2005, focused on web-based BPO for transportation, and growing rapidly
- Raised private equity capital (NEA)
- Pursued multiple acquisitions, headlined by Raytrans in June 2009
- Tripled profit in last 2 years
- Went public in October 2009

Conservative Sellers



Has been acquired by



Exclusive advisor
to Nations Express

- Nations Express: non-asset expedited provider
- Well-regarded, mid-sized provider – but undercapitalized when compared with much larger competitors like Panther and FedEx Custom Critical
- Merged with Amerijet in July 2009
- Gained shareholder liquidity in advance of big 2011 tax hikes
- Created a category leader in both ground and air expedite



Pick your spot: aggressive buyer or conservative seller

What do Other Recent Transactions Look Like?

Recent Precedent Transactions (US\$ in millions)

Acquiror / Target	Date Announced	Equity Value	Transaction Value	Transaction Value / LTM:			EV / LTM		Target Business
				Revenue	EBITDA	EBIT	Net Income		
Saddle Creek Corporation ServiceCraft Logistics	Nov-09	NA	NA	NA	NA	NA	NA	Warehousing	
Toll Holdings Express Logistics	Oct-09	45	45	0.4x	7.0x	NA	NA	Freight Forwarding	
Cloud Packaging Toll Packaging	Sep-09	NA	NA	NA	NA	NA	NA	Packaging	
DSV ABX Logistics	Jun-08	1,172	1,172	0.4x	13.0x	NA	NA	Freight Forwarding	
Toll Holdings Baltrans	Feb-08	310	351	0.5x	16.1x	NA	NA	Freight Forwarding	
Groupe Norbert Dentressangle Christian Salvesen	Oct-07	520	520	0.3x	15.0x	NA	NA	3PL	
GSI Commerce, Inc. Accretive Commerce	Sep-07	98	98	1.0x	12.0x	NA	NA	Fulfillment	
Oak Hill Capital Partners Jacobson Companies	Jul-07	600	600	1.5x	12.0x	NA	NA	Warehousing	
CEVA logistics EGL	May-07	2,000	NA	0.6x	15.0x	20.0x	35.7x	Freight Forwarding	
Eirskip Holdings Inc. Versacold Corporation	May-07	1,000	NA	1.4x	10.0x	18.5x	NA	Cold Storage	
Behrman Capital Peacock Engineering	Jan-07	173	NA	NA	9.0x	NA	NA	Packaging	
Investcorp Greatwide Logistics Services	Dec-06	913	730	0.7x	9.0x	NA	NA	Dedicated	
Oak Hill Capital Partners Arnold Logistics	Oct-06	NA	NA	NA	9.0x	NA	NA	3PL, Warehousing	
Apollo Management, L.P. TNT Logistics	Aug-06	1,900	1,800	0.4x	6.5x	NA	NA	3PL	
UTI Worldwide Market Industries	Mar-06	197	NA	0.6x	8.5x	NA	NA	TM	
Jacobson Companies Wilpak	May-06	NA	NA	NA	15.0x	NA	NA	Warehouse Packaging	
PWC Logistics GeoLogistics	Jul-05	NA	454	0.3x	14.1x	NA	NA	3PL	
Welsh Carson OHL	Jun-05	180	370	NA	9.0x	NA	NA	Warehouse 3PL	
Exel Power Packaging	Jan-05	NA	43	NA	9.0x	NA	NA	Packaging, Logistics	
Sonoco Corrflex	May-04	NA	250	1.3x	NA	NA	NA	Display, Packaging	

Mean	0.7x	10.9x	19.3x	35.7x
Median	0.6x	9.5x	19.3x	35.7x
High	1.5x	16.1x	20.0x	35.7x
Low	0.3x	6.5x	18.5x	35.7x

A Word of Caution: Business Ethics – Pick Your Partners Carefully

As a Buyer or Seller, Watch Out For...

- **Deception**

- Misrepresenting financials
- Understating risks

- **Fraud**

- Failure to pay suppliers or partners
- Breach of contract
- Litigation risks

- **Character Issues**

- Watch how they treat partners and employees
- If they take advantage of others, they will take advantage of you



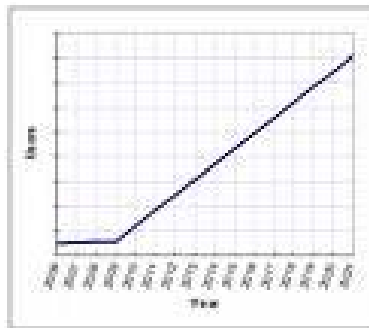
- ***Big stakes can bring out the worst in people, so pick your partners carefully***
 - ***What do you want your tombstone to say?***

Your Next Steps: Consider Your Options, Do Your Homework, and Decide



Do Nothing

- Status quo
- But is it risky?



Pursue Aggressive Growth

- Warren Buffett: “Be fearful when others are greedy. Be greedy when others are fearful.”
- Many great companies were built during hard times, e.g. US Steel
- To pursue aggressive growth:
 - Map your market
 - Identify acquisition targets
 - Raise capital
 - Move fast
- But are you realistic, or is it a hockey stick?



Take Profits: Sell Before 2011


- Valuations are below 2007 peaks, but fair by historical standards
- For many owners, 2010 will be a great year to sell
 - Realize liquidity
 - Minimize taxes
 - Beat the 2011 tax spike
- But will you start early enough?
 - A deal may take 6-8 months
 - Prepare before you sell

BG Strategic Advisors: The Most Active Investment Banking Firm in the Supply Chain and Packaging Sector

Representative Clients and Relationships



Questions?



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