

Packaging M&A Stays Healthy Through the Pandemic



Motivated companies resorted to unprecedented virtual meetings to get merger and acquisition (M&A) deals done during the COVID-19 outbreak.

While some aspects of business have been slowed by COVID-19, a bull market in packaging mergers and acquisitions continues unabated thanks to virtual meetings.

“The M&A market has remained incredibly strong throughout the pandemic,” says Alan Scharfstein, founder & president, The DAK Group, an investment bank based in Rochelle Park, NJ, that specializing in mergers, acquisitions, and business sales. “Strategic buyers, private equity and foreign purchasers have all continued to show interest. We have completed transactions with buyers and sellers who have never even been in the same room — which would have been unheard of before Covid.”

Scharfstein, who holds a BS in Economics and MBA from

the Wharton School of the University of Pennsylvania, started his career by managing M&As for PepsiCola.

“I wanted to get into a smaller-company setting and became the top non-family executive at Universal Folding Box, a privately held packaging company,” he recalls. “I really enjoyed the business and after a few years wanted to buy my own company.”

Scharfstein sought help from an investment bank, but found they were only interested in bigger businesses.

“I could not find anyone with the skill, experience, and expertise who focused on the middle market,” Scharfstein notes. Seeing a need, he subsequently opened The DAK Group in 1984.

The company caters exclusively to the M&A needs of middle-market business owners — those with revenues in the \$10 million to \$350 million range.

Scharfstein has personally been involved in many hundreds of deals.

“I’ve built a top-notch team of industry experts and have negotiated more than 700 transactions in a wide range of industries, including many within the packaging sector,” he adds. Those include companies involved in flexible packaging, folding cartons, tubes, paperboard, corrugated, and labels.

DAK’s business was strong before the pandemic, too.

“There is a high level of interest from strategic buyers who are consolidating and private equity firms who have trillions in raised capital, as well as foreign purchasers, looking for a foothold in the US,” he points out.

Flexible packaging the real deal.

A recent DAK Group transaction involved a mid-size folding carton and flexible packaging company that converted high-quality packaging for the health and beauty aids (HBA) and food product markets.

“This multigenerational, family-owned business was acquired by an industry consolidator that valued their customer base and manufacturing facilities,” explains Scharfstein. “We were able to position the business so that the owners realized a strategic buyer multiple. Valuations paid by a strategic buyer are typically higher than a financial buyer.”

DAK Group works with both buyers and sellers.

“In today’s environment many business owners are looking to take money off the table with the incredibly high valuations being realized,” he says “Much of our time is devoted to working with companies looking to sell. We also work with companies that are looking for acquisitions as part of a growth strategy that will ultimately increase the value of the business.”

Supply chain interruptions have taken their toll on owners.

“It’s been a brutal couple of years, even for those who have done well,” offers Scharfstein. “We see more business owner exhaustion/fatigue than ever before — sometimes a key factor in accelerating their plans to sell.”

We asked what advice he has for packaging professionals.

“Most business owners do not fully understand the value of their business,” he responds. “There are some who overestimate its value and many who sell for far less than what the market would pay. It’s crucial to take the time and get the expert guidance you need to fully understand your company’s value, so that you are ready for an opportunity. Run your business like you are going to own it forever but be prepared to sell it tomorrow. Since you never know when a strategic buyer or private equity firm is going to knock on your door, interested in buying your company—it’s smart to be prepared.”



About Alan Scharfstein

Alan Scharfstein is president and founder of The DAK Group. Mr. Scharfstein founded the firm in 1984 to cater exclusively to the M&A needs of middle market business owners and has negotiated more than 700 transactions in a wide range of industries. He can be reached at ascharfstein@dakgroup.com.