

# PLASTICS NEWS<sup>®</sup>

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## Pactiv paying \$72.5 million for Winkler

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PLASTICS NEWS STAFF

Pactiv Corp. plans to buy Winkler Forming Inc., expanding into food containers made from a hotly competitive specialty material.

Winkler, based in Santa Fe Springs, Calif., thermoforms and extrudes plastic sheet from amorphous PET, a temperature-resistant, clear material suited to maintain its toughness and flexibility over long distances.

APET primarily is used to store bakery and confectionery items and fresh-cut produce. APET competes with packaging made from biaxially oriented polystyrene and OPS sheet, among others, said William McConnell, a thermoforming consultant with Fort Worth, Texas-based McConnell Co.

"At one time, there must have been 70 different companies using APET," McConnell said. "But Winkler has been a good salesman for the material. Their marketing, especially to grocery stores, puts them ahead of a lot of the others."

Lake Forest, Ill.-based Pactiv already makes a variety of food-packaging containers, but none from amorphous PET, Richard Wambold, Pactiv chairman and chief executive officer, said in a May 20 conference call with analysts.

Sales of APET containers are growing at a compounded annual rate of 6 percent, faster than the rate for PS containers and some other materials, Wambold said.

Pactiv will use its existing sales force, 30 times the size of Winkler's, to grow the business and mesh products with Pactiv's foodservice and food-packaging unit, he said.

"Amorphous PET is one of the fastest growing segments in the food service industry," Wambold said. "It fills a void for us and helps us effectively serve a market rather than just build a factory or [internal] sales over time."

Pactiv will pay \$72.5 million to buy privately held Winkler – about nine times earnings before interest, taxes, depreciation and amortization. The deal is to close by early summer. Pactiv paid a healthy earnings multiple for Winkler partly based on APET's reputation, said Lehman Bros. equity analyst Ghansham Panjabi, who follows publicly held Pactiv.

"It seems like a good fit," Panjabi said. "Products need to be held in a cold environment when shipped to supermarkets, and [APET] seems to keep the packaging from breaking down. Pactiv is trying to capitalize on the material's growth."

Winkler has plants in Santa Fe Springs and in Bridgeview, Ill., a newer plant. The firm has about 220 employees making both containers and thermoform tooling.

Winkler has enough manufacturing capacity to boost its production by 40 percent, and Pactiv hopes to capitalize on that potential with an aggressive sales force and distribution system, Wambold said.

Winkler generated sales of about \$50 million for the 12-month period ended March 31, said Pactiv spokeswoman Lisa Foss. Pactiv recorded sales of \$2.81 billion in 2001.

The California company has a colorful past since its founding in 1989 by brothers Paul and Morris Winkler and several others. It went through several ownership changes before being purchased in 1993 by PMC Global Inc., a conglomer-

ate based in Sun Valley, Calif., with holdings in chemical and electronics companies.

PMC tried to sell Winkler in 1997, at one point generating interest from Pactiv competitor Ivex Packaging Corp. of Lincolnshire, Ill., said Lloyd Greif, president and chief executive officer of Los Angeles investment banking firm Greif & Co. The firm helped Winkler negotiate the deal with Pactiv.

When Ivex and Winkler could not reach an agreement, Ivex bought Ultra Pac Inc., another maker of APET containers, in early 1998. PMC decided to keep the company, a small piece of its business, as its value grew, Greif said.

**'This is the jewel  
in the APET crown.'**

Lloyd Greif  
Greif & Co.

Pactiv came in with a pre-emptive bid at a fair price when the business was put back on the market this year, Greif said.

"This is the jewel in the APET crown," Greif said. "More than half of Winkler's sales come from their own proprietary designs. And APET is the compound of the future."

Paul Winkler left the company in 1998 to open a rival thermoforming company, Paul Winkler Plastics Corp. of Buena Park, Calif.

PMC and Winkler Forming sued Paul Winkler in a trade-secret case that was settled in 2001. The lawsuit had no impact on the sale of Winkler to Pactiv, Foss said. "It's ancient history," added Greif.



Wambold