

# Capri Packaging Fact Sheet

March 11, 2014



[www.tc.tc](http://www.tc.tc)

## Flexible Packaging

Flexible packaging represents approximately 20% of the total US\$170 billion North American packaging market and is the third largest packaging segment after paperboard packaging and rigid plastic (source: Smithers Pira 2012). According to the Flexible Packaging Association, flexible packaging is defined as any package or any part of a package whose shape can be readily changed, generally taking the shape of a bag, pouch, liner, or overwrap, etc. The process of manufacturing flexible packaging materials utilizes any or all of the following: extrusion, coating of films and paper, slitting, bag and pouch manufacturing, laminating or co-extrusion to combine materials and printing.

## About Capri Packaging

Founded in 1994, Capri Packaging is a vertically-integrated supplier of printed flexible packaging. Prior to being acquired by TC Transcontinental, Capri Packaging was a division of Schreiber Foods, Inc., a US\$5 billion employee-owned dairy company, and operated as its internal supplier of printed flexible packaging. Located in Clinton, Missouri, Capri Packaging employs close to 200 non-unionized employees and generates approximately US\$72 million in annual revenues.

### Acquisition Rationale

#### Provides future growth path for TC Transcontinental

- Ability to scale through acquisitions in a fragmented market
- Diversification to reduce dependency on advertising-based businesses
- Attractive growth prospects for food packaging: 2.8% CAGR<sup>1</sup> from 2012 to 2017 (source: Freedonia)

#### Ability to leverage core manufacturing competency to optimize operations

- Similar production process to TC Transcontinental's Printing Sector

#### Attractive platform for entry into the flexible packaging business

- Long-term partnership with Schreiber through a 10-year agreement which represents about 75% of Capri's total revenue
- Opportunity to grow existing and adjacent markets (other dairy manufacturers, meats foods, bakery products, frozen foods, etc.)
- Small-sized acquisition relative to TC Transcontinental's consolidated revenues

### Financial Highlights

Purchase Price: US\$133 million

Capri Packaging Revenues: US\$72 million

Capri Packaging EBITDA: US\$17 million

#### Products Manufactured

- Pouches
- Overwrap
- Lidding
- Rollstock
- Non-forming web
- Forming web

#### Markets we serve

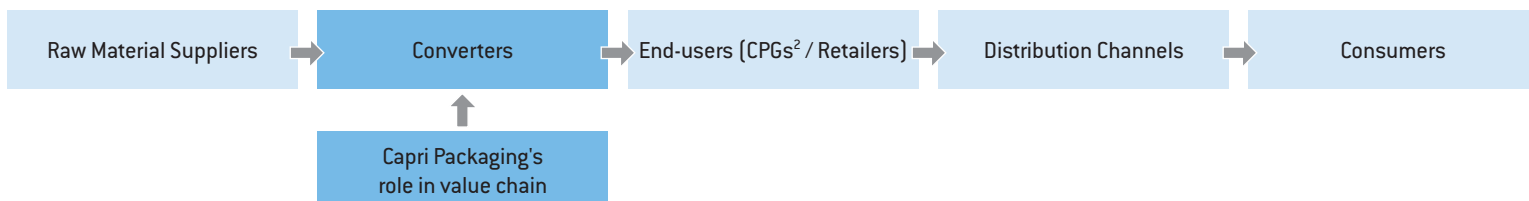
- Dairy
- Pet food
- Ground & whole bean coffee
- Pasta & noodles
- Candy, nuts, dried fruits & confections
- Dry mixes: seasonings and spices
- Personal care
- Bakery
- Meat proteins & snacks

Note: Section updated in July 2015.

## About Schreiber Foods, Inc.

Headquartered in Green Bay, Wisconsin, Schreiber is the largest employee-owned dairy company in the world, with annual sales of more than \$5 billion. Schreiber sells its products – which include cream cheese, natural cheese, process cheese and yogurt – to leading retailers, restaurants, distributors and food manufacturers around the world. Schreiber has more than 30 manufacturing and distribution facilities globally in the United States, Austria, Brazil, Bulgaria, Czech Republic, Germany, India, Mexico, Portugal and Uruguay.

## Packaging Value Chain



[1] CAGR : compound annual growth rate

[2] CPG: consumer packaged goods



#### Schreiber Foods, Inc. Capri 1

912 E Nusbaum Place  
Clinton, MO 64735

- Built in 1994
- 56,000 sq.ft.



#### Schreiber Foods, Inc. Capri 2

1801 North Gerhart Drive  
Clinton, MO, 64735

- Built in 2003
- 126,000 sq.ft.



Attractive Central U.S. location provides strategic distribution hub within an effective 500-750 mile shipping radius

## Capri Packaging Service Offering

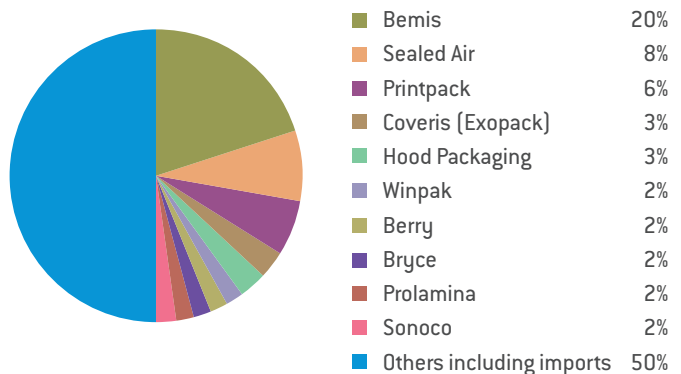
- **Design center and prepress services**  
Creation of high-impact designs
- **Platemaking**  
State-of-the-art digital platemaking technology delivering tight print register control
- **Flexible scheduling**  
Handling of short-lead packaging orders
- **Packaging engineering**  
Engineers providing support for new products as well as ongoing business
- **Process control**  
Industry-leading systems and processes
- **Printing**  
Two converting facilities offer 8-color and 10-color presses, capable of delivering images from line art to high-resolution graphics
- **Lamination**  
Adhesive lamination delivering rock-solid bonds

Source: Capri Packaging

Vertically-integrated with pre-press capabilities and digital platemaking

## Competitive Landscape

### North American Converter Flexible Packaging Market Share



- The market is fragmented
- Many of the largest packaging companies are diversified with significant non-flexible operations
- Many smaller players are able to compete because they are serving geographic regions or niche sub-verticals

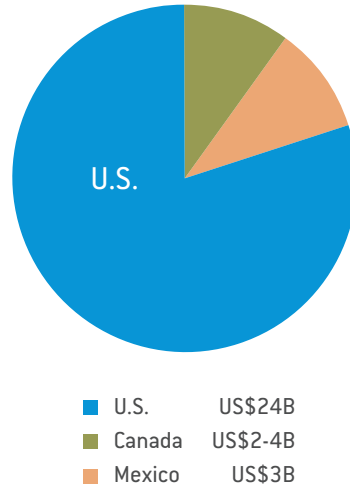
Source: PCI Films Consulting Ltd.

Potential for acquisitions in a fragmented market

## Flexible Packaging Industry Dynamics & Trends

- Forecast average growth for flexible packaging of 2.3% in North America from 2012 to 2017 (source: Smithers Pira)
- Trend towards lighter weight packaging and use of less costly film structures
- More and more CPGs<sup>1</sup> are adopting sustainability practices which are favorable to flexible packaging
- Increased R&D focus on smart packaging
- Trend for package designs that enhance user experience and strengthen brand loyalty
- Continued growth of private brands
- Industry consolidation

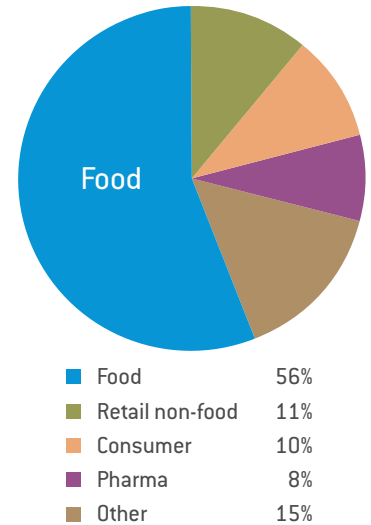
## North American Flexible Packaging ~US\$30 billion



Source: E&Y, IBIS, Flexible Packaging Association

The U.S. is by far the largest flexible packaging market in North America

## U.S. Flexible Packaging End User Verticals



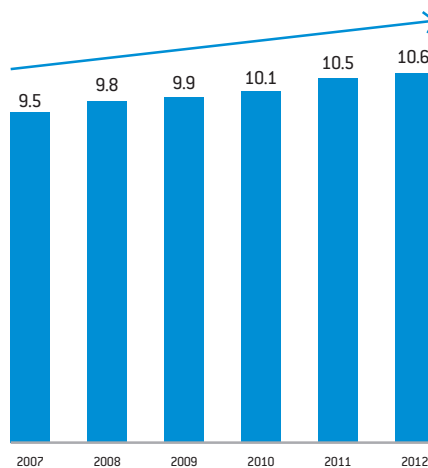
Source: Flexible Packaging Association

The food vertical is the dominant consumer end-market vertical

## Food Packaging Industry Dynamics & Trends

- Food packaging demand CAGR<sup>2</sup> forecast of 2.8% from 2012 to 2017 (source: Freedonia)
- Growth in U.S. private label market
- Demand for food in smaller package sizes and more convenience foods designed to reduce preparation time
- Increased conversions to stand-up pouches and flat pouches
- Increased use of convenience features such as zippers and spouts
- Trend towards materials that help food products stay fresher longer
- Push for waste reduction initiatives for eco-friendly packages

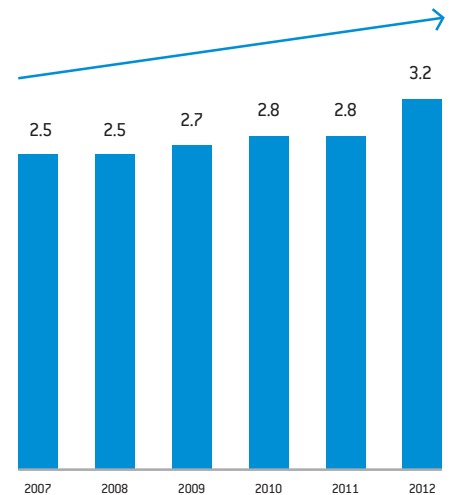
## U.S. Cheese Production (billions of pounds)



Source: USDA/ERS, U.S. Census, USDA/ERS (Food Consumption (Per Capita) Data System)

U.S. cheese production (pounds) has grown at a 2.2% CAGR<sup>2</sup> from 2007-2012

## U.S. Yogurt Volume (billions of pounds)



Source: Nielsen

U.S. yogurt volume (pounds) has grown at a 4.9% CAGR<sup>2</sup> from 2007-2012

(1) CPG: consumer packaged goods

(2) CAGR : compound annual growth rate

# PACKAGING SPECTRUM

Rigid Packaging					Flexible Packaging			Tag & Label				Board	
Beverage Can	Food Can	General Line	Glass Containers	Rigid Plastic Containers	Flexible Plastics	Flexible Papers	Flexible Foils	Cut and Stack	Shrink Sleeve	Pressure Sensitive	Roll-fed / In-Mold	Folding Cartons	Corrugated Containers
 													
<p><b>Aerosols, Trays and containers, Steel fabricated containers, Metal drums, Tanks and reservoirs</b></p>					<p><b>Bags and sacks, Flat pouches, Pillow pouches, Stand-up pouches, Wrapping films, Flexible intermediate bulk containers (FIBCs)</b></p>			<p><b>Printed on plain and metallic papers, synthetic film or laminated materials</b></p> <p><b>Finished labels are cut into stacks and then placed in label application machines</b></p>				<p><b>Used for a variety of products: pasta, toothpaste, cereal, frozen dinners, juice, milk, ice cream, cosmetics ... includes aseptic packaging and blister packs using paperboard</b></p>	
   					   			   				 	

Source : TC Transcontinental

## Industry Resources

- **Private Label Manufacturers Association (PLMA)**  
www.plma.com
- **The Packaging Association**  
www.pac.ca
- **Food & Beverage Packaging Magazine**  
www.foodandbeveragepackaging.com
- **Smithers Pira**  
www.smitherspira.com
- **Sustainable Packaging Coalition**  
www.sustainablepackaging.org
- **Packaging Manufacturers Machinery Institute**  
www.pmmi.org
- **National Printing Equipment Association Includes PRIMIR**  
www.npes.org
- **Flexible Packaging Association**  
www.flexpack.org
- **The Freedonia Group**  
www.freedoniagroup.com
- **PCI Films Consulting Ltd.**  
www.pcifilms.com
- **Printing Industries of America**  
www.printing.org

## About TC Transcontinental

Largest printer and leading provider of media and marketing activation solutions in Canada, TC Transcontinental creates products and services that allow businesses to attract, reach and retain their target customers. The Corporation specializes in print and digital media, the production of magazines, newspapers, books and custom content, mass and personalized marketing, interactive and mobile applications, and door-to-door distribution.

Transcontinental Inc. (TSX: TCL.A, TCL.B, TCL.PR.D), including TC Transcontinental, TC Media and TC Transcontinental Printing, has over 9,000 employees in Canada and the United States, and revenues of C\$2.1 billion in 2013. Website [www.tc.tc](http://www.tc.tc)

## Forward-Looking Statements

This report contains certain forward-looking statements concerning the future performance of the Corporation. Such statements, based on the current expectations of management, inherently involve numerous risks and uncertainties, both general and specific.

We caution that all forward-looking information is inherently uncertain and actual results may differ materially from the assumptions, estimates or expectations reflected or contained in the forward-looking information, and that actual future performance will be affected by a number of factors, many of which are beyond the Corporation's control. The risks, uncertainties and other factors that could influence actual results are described in the *Management's Discussion and Analysis (MD&A)* for the fiscal year ended on October 31<sup>st</sup>, 2013 and in the latest *Annual Information Form* and have been updated in the MD&A for the first quarter ended January 31<sup>st</sup>, 2014.

## Contact Information

Jennifer F. McCaughey  
Senior Director, Investor Relations and  
External Corporate Communications

Telephone: 514 954-4000  
E-mail: [jennifer.mccaughey@tc.tc](mailto:jennifer.mccaughey@tc.tc)  
Transcontinental Inc.  
1 Place Ville Marie, Suite 3315  
Montreal, Quebec, Canada H3B 3N2  
E-mail: [investorrelations@tc.tc](mailto:investorrelations@tc.tc)  
Website [www.tc.tc](http://www.tc.tc)