

Buyouts

EXITS

First Atlantic Seals Exit From Container Biz

SNAPSHOT:

Target: Captive Plastics

Price: \$500 million

Seller: First Atlantic Capital

Sponsor: Berry Plastics (an Apollo Management and Graham Partners portfolio company)

Financial Advisers: Seller: Bank of America, Credit Suisse Group

First Atlantic Capital recently agreed to sell a plastics-container maker for several times invested capital in a secondary deal worth \$500 million.

The firm reportedly paid \$100 million for New Jersey-based **Captive Plastics** in 2004, and the firm's successful exit from the company, expected to close by quarter's end, will mark the firm's second profitable foray into the world of plastics. In fact, Berry Plastics, the company that's agreed to buy Captive Plastics, was once a First Atlantic portfolio company before the firm sold it in a lucrative 2002 deal to **GS Capital Partners** and **J.P. Morgan Partners**. Berry Plastics is now a portfolio company of **Apollo Management** and **Graham Partners**.

After seeing Captive Plastics's EBITDA grow from \$17 million in

2004 to more than 3x that amount by mid-2007, First Atlantic tapped Bank of America and Credit Suisse to manage the sale of the company. The auction was launched in late summer, but Captive Plastics's strong financial and market positions earned a sale price that was "not too far" from what the company would have fetched at the market's height in early 2007, said **Roberto Buaron**, First Atlantic's chairman and CEO.

Plastic is the nearly universal medium for packaging commercial products, so the key to growing a company such as Captive Plastics lies principally in choosing which industries to cater to, Buaron said. "If you focus on the right segments, that can make a company immune to recession."

After taking control of Captive Plastics in 2004, the firm joined with management to initiate a roll-up in the plastic-container business. In the first year of ownership, Captive Plastics focused on four main industry segments—food, spirits, personal care and pharmaceuticals—and left behind a handful of less attractive markets,

including the automotive and industrial sectors. The firm also bolstered the sales staff and invested in technology that ultimately shaved manufacturing costs, Buaron said.

Following that year of in-house operational improvements, Captive Plastics went on a buying spree. It swallowed three competitors between August 2005 and August 2006. The add-on deals positioned the company for a sale.

Indiana-based Berry Plastics, Captive Plastics's new owner, has been on a buying binge of its own, including three acquisitions in 2007 alone, apart from the Captive Plastics deal, that have nearly doubled EBITDA, according to a recent regulatory filing. Apollo Management and Graham Partners bought Berry Plastics for \$2.4 billion in 2006. First Atlantic paid \$53 million for the company in 1997.

If the Berry Plastics deal continues to go well for Graham Partners, the firm can use the transaction to bolster its fundraising efforts. The firm will reportedly begin marketing a \$650 million fund later this year.—J.H.