



# Fairness Opinion Aluflexpack AG

Assessment of the financial adequacy of the public takeover offer by Constantia Flexibles GmbH for the outstanding shares of Aluflexpack AG

Zurich, 27 March 2024



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# 1 Introduction

## 1.1 Background

# ALUFLEXPACK

Aluflexpack is a global industrial group listed on the SIX Swiss Exchange and operates primarily in the aluminium packaging industry

Aluflexpack AG (hereinafter also referred to as "Aluflexpack", "AFP", the "group", or the "target company") is a leading European manufacturer of high-quality flexible packaging solutions. Aluflexpack has industry-leading development expertise, extensive experience in packaging processing and an in-depth knowledge of materials and processes. The group is headquartered in Reinach, Aargau (Switzerland). As of 31 December 2023, the group employed a total of approximately 1'600 employees across 14 locations in Europe and Turkey. In the financial year ("FY") 2022, the group generated net sales of EUR 357.0 million and an EBITDA of EUR 48.6 million.<sup>1</sup>

Aluflexpack specializes in specific niche products and end markets in the packaging industry. The group supplies four product types: "Films & Foils", "Lids", "Containers" and "Pouches". Custom packaging is also designed and manufactured in close collaboration with customers. This results in a continuous expansion of the product portfolio. Aluflexpack's solutions are used in particular for packaging various food products, pharmaceuticals and pet food.

Aluflexpack shares have been listed on the SIX Swiss Exchange ("SIX") since June 2019. As of 15 February 2024, Aluflexpack had a market capitalization of CHF 150.7 million. Aluflexpack's share capital consists of 17'300'000 registered shares with a nominal value of CHF 1.00 each.<sup>2</sup>

On 15 February 2024, Aluflexpack and Constantia Flexibles GmbH (the "offeror" or "Constantia") entered into a transaction agreement pursuant to which Constantia agreed to submit a voluntary public takeover offer (the "offer") for all publicly held registered shares of Aluflexpack. The offer was pre-announced by Constantia on 16 February 2024 following the signing of the transaction agreement and prior to the trading start on SIX.

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<sup>1</sup> Aluflexpack prepares its consolidated financial statements in EUR in line with the International Financial Reporting Standards ("IFRS").

<sup>2</sup> Source: SIX Swiss Exchange.

The offer price per Aluflexpack share is between CHF 15.00 (minimum offer price) and CHF 18.75 (maximum offer price) in cash (the "offer price range").<sup>3</sup>

## 1.2 Our mandate

The present Fairness Opinion provides an independent valuation analysis of Aluflexpack

On 26 September 2023, the board of directors ("BoD") of Aluflexpack mandated IFBC AG ("IFBC") to prepare a Fairness Opinion to independently assess the financial fairness of the offer price range. This report was prepared exclusively for the purpose of assisting the BoD of Aluflexpack in the financial evaluation of the offer. The Fairness Opinion may only be used for the financial assessment of the offer by the BoD of Aluflexpack. The use for any other purposes other than assessing the financial fairness of the offer price is not permitted. In particular, the Fairness Opinion does not constitute a recommendation to the public shareholders to accept or reject the offer.

IFBC is an independent corporate finance advisor and does not receive any compensation depending on the valuation results or the success of the transaction

IFBC issues this Fairness Opinion as an independent corporate finance advisor and receives a common market fee for its services. IFBC does not receive any compensation that depends on the statements in this valuation report nor is IFBC entitled to receive a success fee if the proposed transaction is successfully completed. IFBC confirms that they are particularly qualified to issue Fairness Opinions within the meaning of Article 30(6) of the Ordinance of the Takeover Board on Public Takeover Offers and that it is independent of the offeror, the target company as well as the persons acting in concert with them.

When preparing the Fairness Opinion, IFBC relied on the accuracy and completeness of the information received by the management of Aluflexpack. It is further assumed that the information received has been prepared reasonably, reflecting the best and most current available estimates and good faith judgements of Aluflexpack's management. IFBC's responsibility is restricted to the careful and professional assessment and verification of the plausibility of the information and calculations provided. In providing this opinion, IFBC has conducted neither an audit nor a due diligence.

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<sup>3</sup> Potential antitrust restrictions that could result in the loss of a maximum of EUR 58.9 million in net sales (defined maximum value) and EUR 18.5 million in additional capital expenditure have been identified within the framework of the transaction. To adequately consider the impact of these potential antitrust restrictions, a base purchase price of CHF 15.00 per share (minimum offer price), with a purchase price adjustment of CHF 2.75 per share contingent on the loss of net sales, and the additional capital expenditure of max. CHF 1.00 per share was proposed. Therefore, the maximum offer price is CHF 18.75. From an economic point of view, this is based on the assumption that an antitrust law-mandated "forced sale" of certain assets (including subsidiaries) will occur at a price below their fair value, which will negatively impact the company's value.

The valuation date is 15 February 2024

The results of our independent valuation analyses were submitted to the Aluflexpack BoD on 15 February 2024 prior to the signing of the transaction agreement and the pre-announcement of the offer made by Constantia on 16 February 2024. The valuation is based on the current FY 2023 forecast and the current business plan, which the Aluflexpack BoD approved on 15 December 2023, the current information provided and assumptions made by the management and the Aluflexpack quarterly financial statements as of 30 September 2023. The management of Aluflexpack also confirms that there have been no significant events or transactions preceding the publication of this valuation report that are not included in the above-stated information base.<sup>4</sup>

### 1.3 Our approach

The assessment of the financial fairness of the offer by Constantia to the shareholders of Aluflexpack is based on independent valuation considerations of IFBC. These rely on the following analyses which are described in detail within this report:

- Analyses of the company's business model and of the current market environment
- Analysis of historical financials
- Assessment of the forecasts for FY 2023 and the business plans for FY 2024 to 2028 approved by the Aluflexpack BoD
- Company valuation and determination of the value per share based on the following valuation methods:
  - Discounted cash flow method
  - Valuation based on trading multiples
  - Valuation based on transaction multiples
- Analysis of share price and current target share prices published by the analysts

No consideration has been given to the tax, legal or other issues at the level of the individual shareholders in the assessment of the financial fairness of the offer made by Constantia to the shareholders of Aluflexpack. Accordingly, only general

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<sup>4</sup> One exception is the planned acquisition of Helioflex, which does not appear in Aluflexpack's planning data (see the comments in section 2.2.2 for further information). In addition, on 15 January 2024, Aluflexpack acquired previously leased warehousing capacity from a third-party provider at market price and, at the end of January, announced the expansion of its business operations to the USA. Neither the warehousing capacity acquisition nor the business expansion into the USA significantly impact the valuation and are therefore not accounted for in the current business plan.

statements on the financial fairness of the offer from the perspective of public shareholders are possible in the context of this Fairness Opinion.

## 1.4 Sources

IFBC's assessment is based on the analysis of the following information among others:

- Audited annual reports of Aluflexpack (consolidated) for FY 2020 to 2022
- Aluflexpack quarterly financial statements (consolidated) as of 30 September 2023 (unaudited)
- Current FY 2023 forecast
- Business plan for FY 2024 to 2028 approved by the BoD of Aluflexpack on 15 December 2023
- Current information and assumptions derived from discussions with the management of Aluflexpack
- Capital market and financial data of selected peer companies (source: LSEG Eikon)
- Data from selected transactions based on publicly available information (source: LSEG Eikon)
- Other publicly available information



## 2 Company description and market analysis

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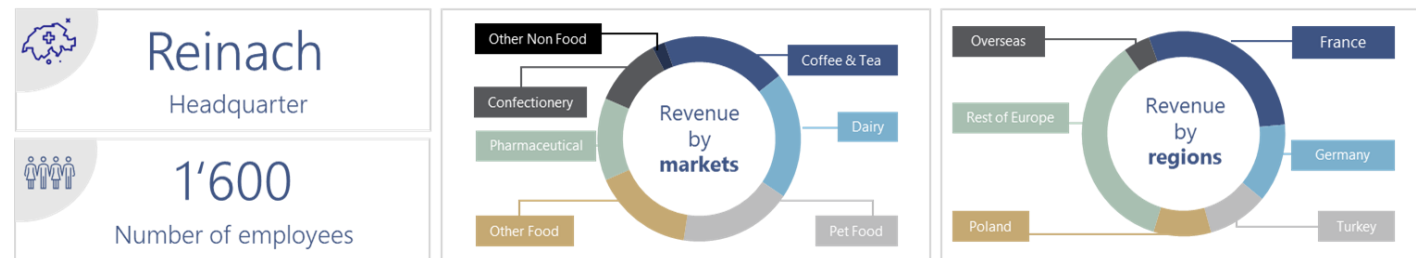
## 2 Company description and market analysis

### 2.1 Overview of Aluflexpack

Aluflexpack, headquartered in Reinach, Aargau (Switzerland), is a leading manufacturer of high-quality flexible aluminium packaging and barrier solutions in Europe and the MENA region<sup>5</sup>. As of 31 December 2023, the group employed approximately 1'600 employees across 14 locations in Europe and Turkey.

Aluflexpack processes aluminium, paper and plastic films into high-quality flexible packaging and barrier solutions for leading international, mainly European companies. The company supplies four product types: "Films & Foils", "Lids", "Containers" and "Pouches". Aluflexpack also develops bespoke packaging solutions for specific customer requirements.

Food sector end markets (coffee & tea, dairy products, confectionery, other food) accounted for approximately 67% of Aluflexpack's net sales in FY 2022, while pet food accounted for approximately 18%. The remaining approximately 15% of group sales come from the pharmaceutical market (13%) and other non-food applications (2%). According to the geographical breakdown, approximately 96% of sales were made in Europe during FY 2022.



The largest shareholder is Montana Tech Components AG, which held 53.6% of the shares on 15 February. Other significant shareholders are The Capital Group Companies, Inc. with 5.2% and FIL Limited with 4.7%.<sup>6</sup>

<sup>5</sup> MENA region = Middle East and Northern Africa.

<sup>6</sup> Source: SIX Swiss Exchange.

## 2.2 Aluflexpack business model

### 2.2.1 Overview of the Aluflexpack business model

#### Aluflexpack products

Aluflexpack develops and manufactures high-quality packaging solutions that combine the latest technology, engineering and innovation and are specifically tailored to the different market segments. The focus is on high-value-added products, with Aluflexpack supplying four specific product types and tailor-made packaging.

#### Films & Foils

Aluflexpack supplies a wide range of laminates and films that combine aluminium with high recycled content, paper and plastic for high-quality packaging.

These products are used in all end markets, e.g. for chocolate pralines, blister foils and coffee capsules.



#### Lids

Aluflexpack manufactures high-quality lids and lidding foils for coffee, confectionery, dairy products, other food and pet food.

The variety of sizes, shapes and features, such as embossing, perforation and printing options, makes it possible to meet individual customer requirements.



#### Containers

Aluflexpack manufactures and distributes aluminium containers with the corresponding lids in various materials, sizes, thicknesses and finishes for use in packaging food, pet food and pharmaceutical products.



#### Pouches

Aluflexpack manufactures pouches in various sizes, shapes and materials. These are then finished using different printing methods. The recyclable polypropylene pouch is a particular innovation in sustainable product packaging.



#### Aluflexpack's added value

The fully integrated value chain supports Aluflexpack's customers from concept to the finished product, ensuring consistent process and material control to the highest quality standards. The company also has extensive development expertise and is committed to continuous innovation. The Group has the following areas of expertise:

### Converting foils

Aluflexpack uses extrusion coating and lamination to process molten plastics. Further processing is made easier by coating the base material, and laminates are produced using multiple adhesives.



### Printing

Various printing processes are used, including rotary, flexographic and digital printing, depending on the substrate to be printed and the desired effect.



### Finishing

Slitters are used at the end of the manufacturing process to precisely cut or punch the product so that the width of the material can be adjusted to the customer's requirements. Containers, lids and pouches can be moulded or deep-drawn in a variety of ways. Aluflexpack also has experience in embossing the surface of packaging products to improve their workability and design.



### Services

Aluflexpack offers product development, design and print preparation services. Research and development experts work with customers to develop tailor-made packaging solutions to meet specific consumer needs and differentiate brands. Aluflexpack supports customers from concept to series production by providing innovative solutions and technological advances.



### The Aluflexpack network

The group, headquartered in Switzerland, is a globally diverse organization with nine production plants. The production plants, located in Croatia, France, Poland, Switzerland and Turkey, specialize in specific processing steps to refine the end products and support customers in their local markets.

Aluflexpack's end markets

Aluflexpack focuses on solutions for defensive end markets such as food (coffee & tea, confectionery, dairy products, other food), pet food, pharmaceuticals and other non-food products.

**Coffee & tea**

A wide range of premium packaging solutions preserves the high-quality flavours of the products for the end consumer.



**Confectionery**

As a leading supplier of flexible packaging to the European confectionery industry, Aluflexpack is an important development partner.



**Dairy products**

High-quality pouches, reels or die-cut lids protect perishable food products like milk or yoghurt.



**Other food**

Aluflexpack's wide range of packaging solutions meets the growing demands of the food industry.



**Pet food**

Wet and dry food packaging solutions include containers, lids, ready-made pouches and reels.



**Pharmaceuticals**

Packaging solutions for various types of capsules, tablets, liquids and powders are manufactured to the highest standards in ISO 7-compliant production environments.



**Other non-food products**

Aluflexpack supplies aluminium and multilayer films, lids and finished pouches for the packaging of cosmetics, detergents and technical products.



## 2.2.2 Strategy and sustainability

### Aluflexpack's strategy

By focusing on fast-growing segments in attractive end markets and making targeted investments in growth projects, Aluflexpack has achieved above-average growth compared to the rest of the industry in recent years<sup>7</sup>. To continue this growth in the medium term and differentiate itself from its competitors, Aluflexpack has adopted the following strategy:

- **Market positioning:** Aluflexpack intends to strengthen its position as a global market leader in manufacturing processed aluminium-based flexible packaging and barrier solutions. To achieve this, Aluflexpack is focusing on fast-growing end markets, plans to replicate its successful business model in new locations and is expanding its product portfolio.
- **Sustainability:** Measures to reduce the carbon footprint, improve the recyclability of products and promote the circular economy are part of Aluflexpack's sustainability initiatives.
- **Innovator and solution provider:** Aluflexpack collaborates with its partners and suppliers to develop intelligent, durable packaging solutions for leading international product brands.
- **Operational excellence:** Aluflexpack aims to set industry standards in operational excellence by investing in dedicated employees, state-of-the-art machinery, automation and digitalization.
- **Solid organizational structure:** Aluflexpack places great importance on a thriving corporate culture to attract, retain and continuously develop talented employees.

### Acquisition of Helioflex

At the beginning of October 2023, Aluflexpack announced that it would acquire 68% of Helioflex as an additional step in its internationalization and growth strategy.<sup>8</sup> The Tunisian pharmaceutical packaging specialist generated net sales of around EUR 6.1 million in FY 2022. The proposed acquisition will increase the group's presence in the attractive pharmaceutical market and geographic markets with strong structural growth.

Aluflexpack has not yet incorporated the proposed Helioflex acquisition into its existing business plan. According to management, a purchase at fair market value can be assumed as part of the assessment.

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<sup>7</sup> For details of expected developments in the packaging industry, see 2.4 Market analysis.

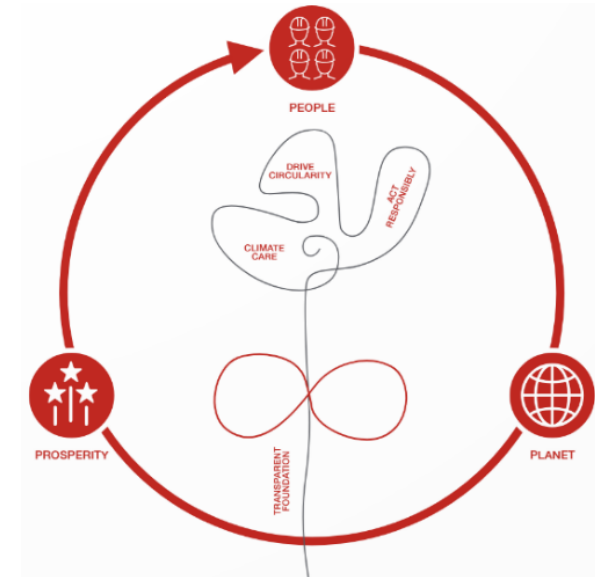
<sup>8</sup> Source: <https://www.aluflexpack.com/aluflexpack-ag-announces-acquisition-of-tunisian-pharma-packaging-specialist/>.

## Sustainability at Aluflexpack

Aluflexpack aims to transform the packaging industry by creating a sustainable packaging experience that meets economic, social and environmental needs in equal measure. Sustainability-driven innovation and reducing the environmental footprint of products are seen as key growth drivers in the dynamic packaging industry market.

The 'aluminium flower' pictured on the right is at the heart of Aluflexpack's sustainability strategy. It highlights aluminium's unique qualities for sustainable growth. The flower represents the four main areas of action within the sustainability strategy:

- **Climate protection:** Aluflexpack intends to implement emission reduction measures and accelerate the energy efficiency process to achieve a net zero emissions balance for Scope 1, 2 and 3 emissions.<sup>9</sup>
- **Circular economy:** Aluflexpack strives to make all packaging solutions recyclable and reusable while increasing the use of recycled raw materials. In pursuit of this goal, Aluflexpack is involved in cross-industry organizations and recycles its own technical waste without losing quality.
- **Responsible conduct:** Besides supporting local causes, Aluflexpack is committed to providing its employees with safe and fair working conditions. It also promotes diversity and inclusion.
- **Transparent foundation:** Aluflexpack demonstrates high transparency through regular publications and its annual sustainability and financial reports. Similarly, Aluflexpack has a zero-tolerance policy on bribery and corruption.



<sup>9</sup> The GHG Protocol Corporate Standard categorizes the greenhouse gas emissions associated with a company's carbon footprint into Scope 1, 2 and 3 emissions. Scope 1 includes greenhouse gas emissions from sources owned or controlled by the company. Scope 2 includes indirect emissions from purchased energy, and scope 3 includes indirect emissions that occur within the value chain.

## 2.3 Historical financials of Aluflexpack

### Key events in the recent past

Aluflexpack's recent company history has been marked by an expansion strategy that has included both organic growth and acquisitions. Rising material costs have also marked the last few years:

- To meet the rapidly growing demand in defined end markets, Aluflexpack launched a major investment program at the end of 2020 to expand the capacity of its Croatian plants in Omiš and Drniš. The investments in the production facilities and infrastructure were made to consolidate the company's leading position in these fast-growing markets in the long-term.
- In addition to organic growth, Aluflexpack acquired an 80% stake in Top-System, a well-established flexible packaging manufacturer in Poland with annual net sales of approximately EUR 10 million, in FY 2020.
- As a further step in its expansion strategy, in 2022, Aluflexpack acquired an 80% stake in Teko, the market leader in flexible packaging for the dairy and beverage industries in Turkey and neighbouring regions, with annual sales of around EUR 16 million.
- Rising raw material prices for liquids, plastics and transport packaging have had a negative impact on Aluflexpack's results since the second half of 2021, as these costs could only be partially passed on to customers.

Historical key performance indicators of Aluflexpack

### Historical key performance indicators of Aluflexpack<sup>10</sup>

in EUR thousand	FY 2020	FY 2021	FY 2022	30.09.2023
<b>Net sales</b>	<b>239'441</b>	<b>266'135</b>	<b>357'031</b>	<b>289'641</b>
Growth in net sales as %	15.2%	11.1%	34.2%	10.8%
<b>EBITDA (incl. IFRS 16) *</b>	<b>37'404</b>	<b>41'848</b>	<b>46'572</b>	<b>35'600</b>
EBITDA margin (incl. IFRS 16)	15.6%	15.7%	13.0%	12.3%
<b>EBITDA (excl. IFRS 16) *</b>	<b>33'295</b>	<b>37'076</b>	<b>41'339</b>	<b>31'599</b>
EBITDA margin (excl. IFRS 16)	13.9%	13.9%	11.6%	10.9%
<b>CAPEX (excl. acquisitions)</b>	<b>20'500</b>	<b>60'411</b>	<b>53'212</b>	<b>25'118</b>
CAPEX as % of net sales	8.6%	22.7%	14.9%	8.7%
<b>Net liquidity</b>	<b>7'236</b>	<b>-8'514</b>	<b>-100'815</b>	<b>-136'038</b>
Equity (book value)	<b>173'246</b>	<b>182'811</b>	<b>193'292</b>	<b>185'379</b>

\* The EBITDA has been adjusted to reflect the extraordinary items reported by Aluflexpack.<sup>11</sup>  
Sources: Aluflexpack annual reports and quarterly financial statements as of 30 September 2023.

Historical development of net sales

In FY 2020, net sales increased by 15.2% compared with the previous year to EUR 239.4 million, with organic growth of 13.7%<sup>12</sup>. A diverse product and customer portfolio and strong overall demand from the food, pet food and pharmaceutical end markets drove this sales growth. With the exception of a 7% decline in confectionery sales due to temporary Covid-19 pandemic-related closures of specific distribution channels such as duty-free and speciality chocolate shops, Aluflexpack reported an increase in net sales in all end markets compared to the previous year.

In FY 2021, sales increased by 11.1% to EUR 266.1 million. Adjusted for the consolidation effects of the Top-System acquisition, organic growth amounted to 8.6%. This growth was mainly driven by the expansion of the pet food and coffee &

<sup>10</sup> As the DCF valuation in this Fairness Opinion was performed without the impact of IFRS 16, and to ensure consistent comparability with peer companies, the published EBITDA figures and EBITDA margins have been adjusted for the impact of IFRS 16. They are presented in the historical key performance indicators as an additional reference.

<sup>11</sup> The extraordinary items reported by Aluflexpack relate to the effects of the application of IAS 29, extraordinary items from employee share option programs, transaction costs, insurance and the sale of fixed assets.

<sup>12</sup> Organic net sales are the group's reported net sales less the net sales of the acquired Polish subsidiary Top-System.



tea end markets and the recovery of the confectionery industry. In contrast, sales within the pharmaceutical packaging sector declined due to the increased hygiene measures imposed by the Covid-19 pandemic, which reduced the transmission of flu and other infections.

Net sales increased by 34.2% to EUR 357.0 million<sup>13</sup>, or 27.9%<sup>14</sup> organically, in FY 2022, driven by strong demand in diversified and defensive end markets and further expansion. Net sales increased significantly in the pharmaceutical (+59.0%), other food (+58.3%) and dairy products (+51.3%) end markets. This strong growth was driven by increased market shares in existing regions, the introduction of new products and cross-selling activities.

Despite the challenging market environment, Aluflexpack was able to increase net sales by 10.8%<sup>15</sup> to EUR 289.6 million<sup>16</sup> as of 30 September 2023 compared with the same period in the previous year, or by 7.8% organically (adjusted for the consolidation effects of the Teko acquisition).

Historical development of the EBITDA margin

Ongoing organizational improvements and the effective scaling of the business model resulted in increased productivity. This was reflected in an adjusted EBITDA margin<sup>17</sup> of 15.6% (including IFRS 16) respectively 13.9% (excluding IFRS 16) in FY 2020.

In FY 2021, an adjusted EBITDA margin<sup>18</sup> of 15.7% (including IFRS 16) respectively 13.9% (excluding IFRS 16) was maintained despite rising raw material prices, which could not be fully passed on to customers. This was accomplished through scalability and efficiency improvements.

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<sup>13</sup> Since 30 June 2022, Aluflexpack has been obliged to adjust its operations in Turkey to take account of the consequences of the hyperinflation there (IAS 29). Accordingly, the financial information as of 31 December 2022 and 30 September 2023 includes the effects of IAS 29 and IAS 21 ("The Effects of Changes in Foreign Exchange Rates"). The impact of adopting IAS 29 on the FY 2022 net sales is EUR 0.6 million (FY 2022 net sales adjusted for IAS 29: EUR 357.6 million).

<sup>14</sup> Organic net sales are the group's reported net sales less the net sales of the Turkish subsidiary Teko, which was acquired on 12 May 2022.

<sup>15</sup> As of 30 September 2022, net sales amounted to EUR 261.4 million.

<sup>16</sup> Without considering the impact of IAS 29, net sales amounted to EUR 289.0 million as of 30 September 2023.

<sup>17</sup> According to IFRS financial statements, Aluflexpack increased the reported EBITDA by extraordinary items totalling EUR 1.0 million (net) in FY 2020. The extraordinary items include items from the employee share option program, transaction costs associated with the acquisition of Top-System, and insurance reimbursements resulting from a fire at Eliopack in June 2019.

<sup>18</sup> According to IFRS financial statements, Aluflexpack reduced the reported EBITDA by extraordinary items totalling EUR 0.5 million (net) in FY 2021. The extraordinary items include profit from the sale of property, plant and equipment, the impact of the employee share option program and transaction costs.

FY 2022 saw growing raw material prices and a disproportionate growth in the cost base. As a result, Aluflexpack's EBITDA margin dropped over the year. Aluflexpack achieved an adjusted EBITDA margin<sup>19</sup> of 13.0% (including IFRS 16) and 11.6% (excluding IFRS 16) in FY 2022.

The slight decline in the adjusted EBITDA margin<sup>20</sup> to 12.3% (including IFRS 16) and 10.9% (excluding IFRS 16) as of 30 September 2023 reflects the impact of the higher cost base without the benefit of lower aluminium prices.

Historical development of CAPEX (excl. acquisitions)

Investments (CAPEX), excluding acquisitions, ranged from 8.6% to 22.7% of net sales between FY 2020 and 30 September 2023. During these years, the group's strategic development was accelerated by a targeted investment program in capacity expansion, mainly in Croatia.

Historical development of net liquidity and equity

The high level of investments reduced net liquidity (cash less interest-bearing financial liabilities) by EUR 143.3 million between FY 2020 and 30 September 2023. As of 30 September 2023, Aluflexpack reported financial liabilities (excluding IFRS 16) of EUR 162.2 million, resulting in a net financial liability of EUR 136.0 million with a liquidity position of EUR 26.2 million.

The equity increased by EUR 12.1 million during the same period to EUR 185.4 million. Despite the high investments and acquisitions, Aluflexpack maintains a strong balance sheet, with an equity ratio of 42.6% as of 30 September 2023.

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<sup>19</sup> According to IFRS financial statements, Aluflexpack reduced the reported EBITDA by extraordinary items totalling EUR 2.0 million (net) in FY 2022. The extraordinary items include items from the accounting for hyperinflation in Turkey (IAS 29) of EUR 2.3 million and items from the employee share option program and transaction costs.

<sup>20</sup> According to IFRS financial statements, Aluflexpack increased the reported EBITDA by extraordinary items totalling EUR 0.5 million (net) in FY 2023 (up to 30 September 2023). The extraordinary items include items from IAS 29, the employee share option program and transaction costs.

## 2.4 Market analysis

Aluflexpack designs and manufactures a wide range of flexible aluminium packaging, mainly for the food, pet food and pharmaceutical industries. The following market analysis focuses on the latest developments in the packaging industry, with an emphasis on Aluflexpack's key end markets.

Food packaging market volume and growth prospects

Food packaging has the largest share of the flexible packaging market, accounting for 75.8% of the global total. According to forecasts, global demand will continue to rise due to the continued population growth and the trend toward smaller packaging, which is being affected by shifting shopping habits and greater to-go consumption.<sup>21</sup>

The worldwide food packaging market volume in 2022 was around 2'071 billion units, with a compound annual growth rate ("CAGR") of 2.3% from 2017. By 2027, the number of units is predicted to reach approximately 2'338 billion units, corresponding to a 2022-2027 CAGR of 2.4%. Strong growth is anticipated in the ready meals, dried food, and pasta segments in particular. Asia-Pacific had the highest food packaging volume in 2022, accounting for 47.9%, followed by the Americas with 25.4%.

Market volume and growth prospects for flexible food packaging

Flexible packaging was the most common food packaging in 2022, accounting for a market share of 53.1%, or more than 1.1 billion units, followed by hard plastic (25.1%), paper & cardboard (13.2%), hard metal (4.7%) and glass (3.9%).

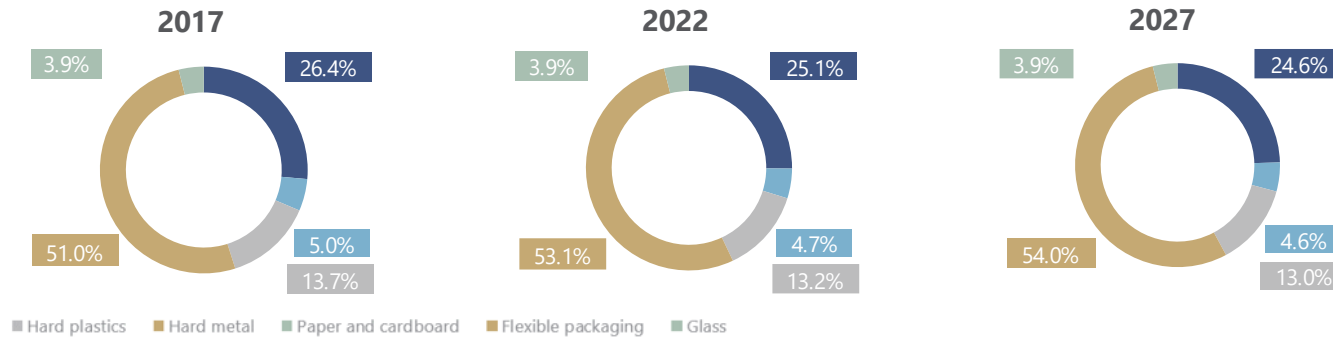
Between 2017 and 2022, flexible packaging grew at an above-average rate compared to the whole packaging industry, with a compound annual growth rate of 3.2%. By 2027, flexible packaging is expected to increase to 1.3 billion units (2022-2027 CAGR: 2.8%). This growth in flexible packaging is driven by relatively low manufacturing costs, ease of storage, low weight and product versatility in terms of shape and size. Developing sustainable and efficient flexible plastics will be a key factor for the future growth of flexible packaging.<sup>22</sup>

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<sup>21</sup> Cameron, G., *The Future of Global Flexible Packaging to 2026*, p. 27-28.

<sup>22</sup> GlobalData, *Packaging Report – 2023*, June 2023, p. 9, p. 11-13, p. 17.

**Global packaging material market share development**



Source: GlobalData, Packaging Report – 2023, June 2023, p. 11.

Customization and sustainability are behind the main trends in food packaging

The demand for smaller packaging sizes and customized packaging solutions continues to grow as brands seek to enhance their appeal through innovative packaging solutions. There is also a growing awareness of recyclable and sustainable packaging. Manufacturers are increasingly turning to recycled packaging materials due to growing consumer interest in sustainability.<sup>23</sup>

Consumer demand for less packaging waste and the desire to use recycled materials is putting pressure on packaging suppliers to find attractively priced, sustainable alternatives. Recycling is a particular problem for flexible packaging, which is made up of different materials. The light weight of flexible packaging also makes recycling less economically viable. The future of flexible packaging depends heavily on introducing mono-materials and improved recyclability.<sup>24</sup>

Inflation is creating additional challenges within the sector

Another challenge for the consumer goods packaging industry is declining consumer spending and rising energy, material and labour costs, mostly driven by higher inflation rates. These factors are exerting pressure on profit margins. Suppliers are implementing measures to boost efficiency and reduce costs to remain competitive. They are also focusing on new technologies and digitalization to create more attractive products.<sup>25</sup>

<sup>23</sup> GlobalData, Packaging Report – 2023, June 2023, p. 14.

<sup>24</sup> GlobalData Global Packaging Material Substitution Trends, 2023, p. 2, p. 8-10.

<sup>25</sup> GlobalData Global Packaging Material Substitution Trends, 2023, p. 8.

Pet food packaging

Flexible packaging for pet food accounted for approximately 2.1% of the global market in 2021. Packaging is forecast to grow at a compound annual growth rate of 3.6% between 2021 and 2026, following the same trends as human food.<sup>26</sup>

Packaging for pharmaceutical and medical products

From 2016 to 2021, packaging for pharmaceutical and medical products grew at a CAGR of 3.6%, thanks to the increased demand for healthcare. In 2021, pharmaceutical and medical products had a 6.8% share of the consumer packaging market. Blister packs were the most popular and fastest-growing packaging format. From 2021 to 2026, the compound annual growth rate is forecast to be 4.2%, with the Asia-Pacific region experiencing particularly robust growth.<sup>27</sup>

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<sup>26</sup> Cameron, G., *The Future of Global Flexible Packaging to 2026*, p. 27, p. 39.

<sup>27</sup> Cameron, G., *The Future of Global Flexible Packaging to 2026*, p. 27, p. 41-42.



## 3 Valuation

3.1 Valuation approach

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### 3 Valuation

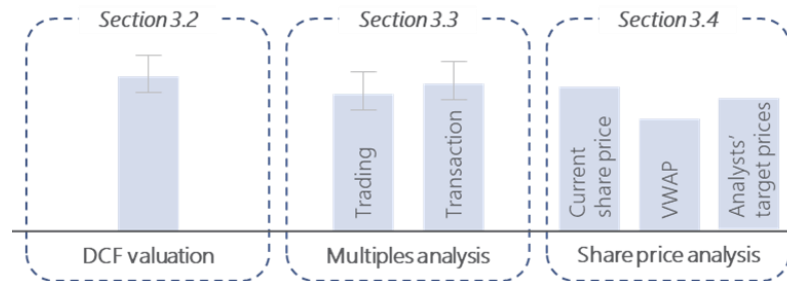
#### 3.1 Valuation approach

According to best practice, we primarily rely on the DCF method to value Aluflexpack. In addition, we apply trading and transaction multiples and consider the results of the share price analysis

We value Aluflexpack based on a stand-alone basis and apply different valuation approaches to assess the fairness of the offer made by Constantia from a financial point of view. In accordance with the pre-announcement of the public takeover offer dated 16 February 2024, Aluflexpack’s value per share is calculated as of the relevant valuation date being 15 February 2024.

Within our valuation framework, the discounted cash flow method (“DCF method”) holds the greatest significance. The valuation considerations are supplemented using market-based methods derived from the valuations of listed peer companies (trading multiples) and prices paid in comparable transactions (transaction multiples). The value per share resulting from the DCF method and the trading and transaction multiples valuation is also compared with Aluflexpack’s current share price, Aluflexpack’s volume weighted average price (“VWAP”) of the last 60 trading days and the analysts’ published target prices.

#### Valuation approach



## 3.2 Discounted cash flow method

### 3.2.1 Introduction to the valuation methodology and to the cost of capital

The applied DCF method is in line with corporate finance theory as well as the current best practice in company valuation. In general, the value of a company is derived by discounting the expected future free cash flows ("FCF") with the weighted average cost of capital ("WACC") at the defined valuation date.

Based on the described valuation approach, the market value of Aluflexpack's equity, excluding minority interests, as of 15 February 2024 can be derived as follows:

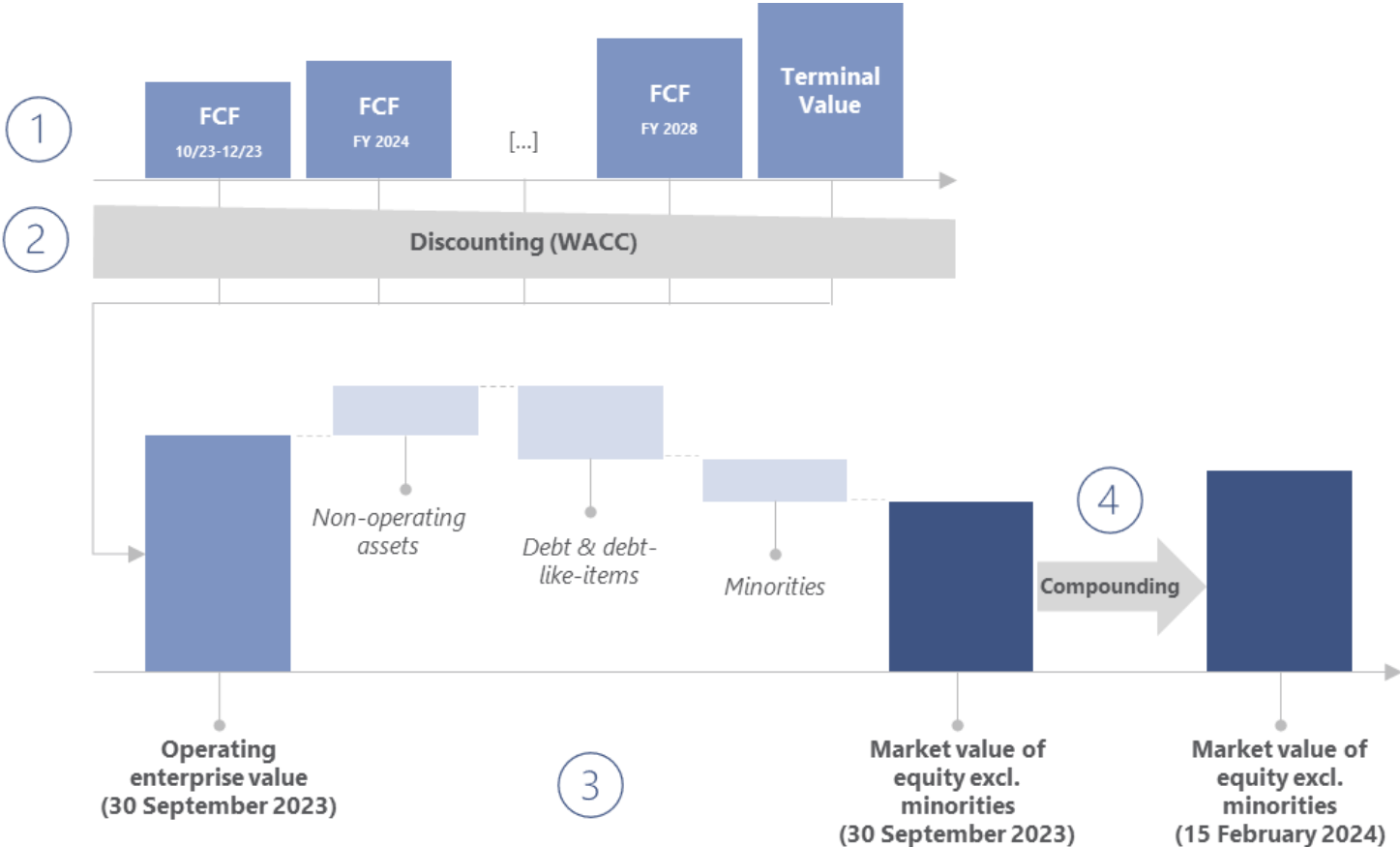
#### Derivation of equity value

- 1 In the first stage, the predicted future FCF is calculated using the 2023 forecast, the business plan approved by Aluflexpack's BoD, and the related management information, with a detailed planning period from October 2023 to the end of FY 2028. The portion of value of attributable to the period after FY 2028 is expressed as terminal value ("TV").
- 2 The expected FCFs of the business plan and the calculated terminal value are then discounted to 30 September 2023 by applying the specific WACC for Aluflexpack. The operating enterprise value as of 30 September 2023 is then derived from the present values of the future expected FCFs and the TV.
- 3 Based on Aluflexpack's quarterly financial statements as of 30 September 2023, the non-operating assets are added to the operating enterprise value, and the interest-bearing debt, debt-like items and minority interests are subtracted. This results in the market value of equity excluding minority interests as of 30 September 2023.
- 4 The calculated equity value is compounded to the valuation date as of 15 February 2024 and then divided by the number of shares outstanding to determine the value per share as of 15 February 2024.



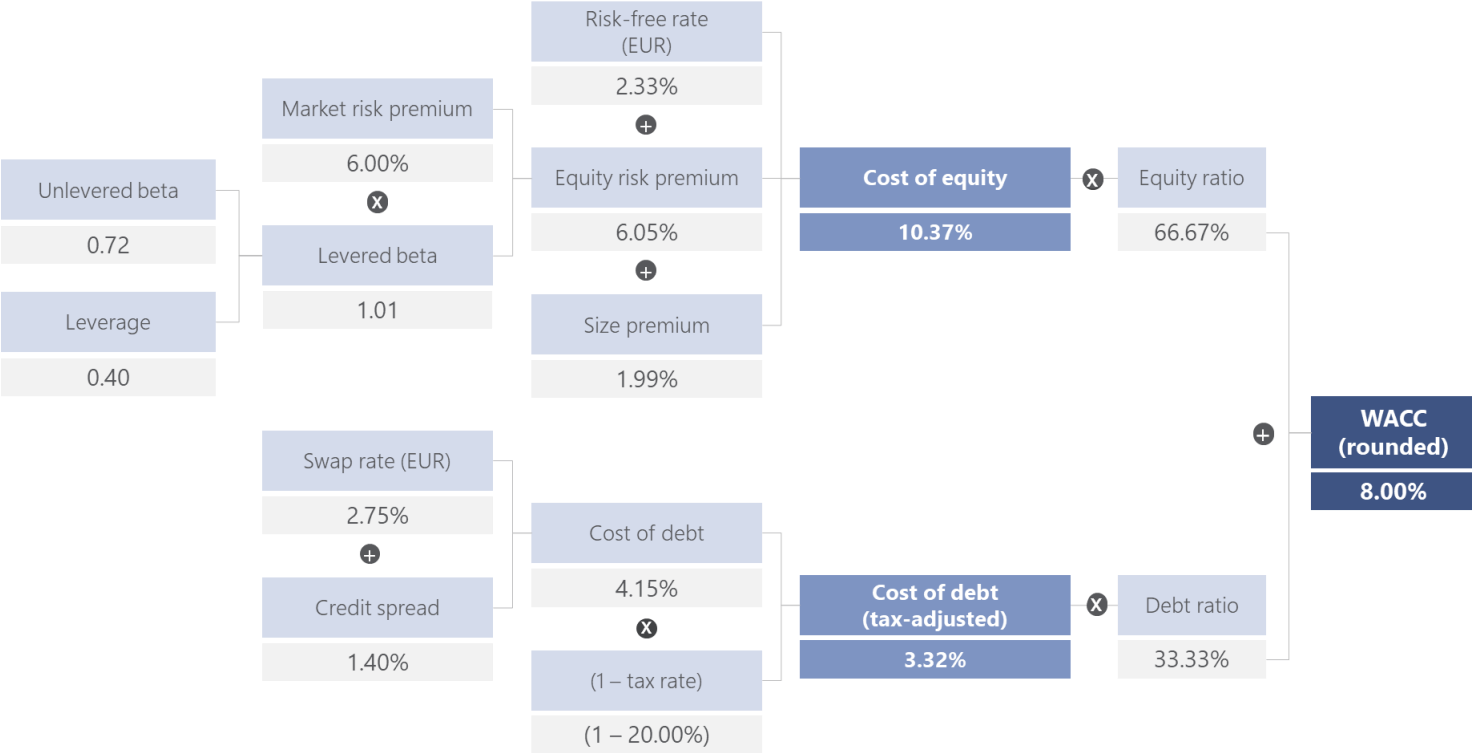
Illustrative presentation of the valuation approach for determining the market value of Aluflexpack’s equity value

The following illustration summarizes the determination of Aluflexpack’s equity market value as of 15 February 2024:



Determination of the WACC for Aluflexpack

The following illustration summarizes the determination of the WACC for Aluflexpack:<sup>28</sup>



<sup>28</sup> For further details, see section 5.1 in the appendix.

### 3.2.2 Business plan

The estimated future free cash flows are based on the forecast for FY 2023, the business plan for FY 2024 to 2028 and additional information provided and assumptions made by the management

Aluflexpack's projected FCFs for FY 2023 to 2028 are based on the current 2023 forecast and the business plan for FY 2024 to 2028, which was approved by the Aluflexpack BoD on 15 December 2023, as well as additional information provided and assumption made by the management. Management confirmed the assumptions regarding the sustainable values as a basis for determining the terminal value. The resulting averages of the main value drivers and assumptions are summarized in the table below. The DCF valuation has been performed without considering the impact of IFRS 16. As a result, the EBITDA margin excluding IFRS 16 is shown in the main planning assumptions.

#### Overview of key assumptions in the business plan period and terminal value compared to the past

Mean	FY 2020 - FY 2022	FY 2023 - FY 2028	Terminal value
Growth in net sales (CAGR)	19.7%	5.8%	1.9%
EBITDA margin excl. IFRS 16 *	13.1%	12.5%	13.9%
CAPEX (excl. acquisitions) as % of net sales	15.4%	6.6%	5.8%
Operating NWC as % of net sales	17.4%	19.4%	19.2%

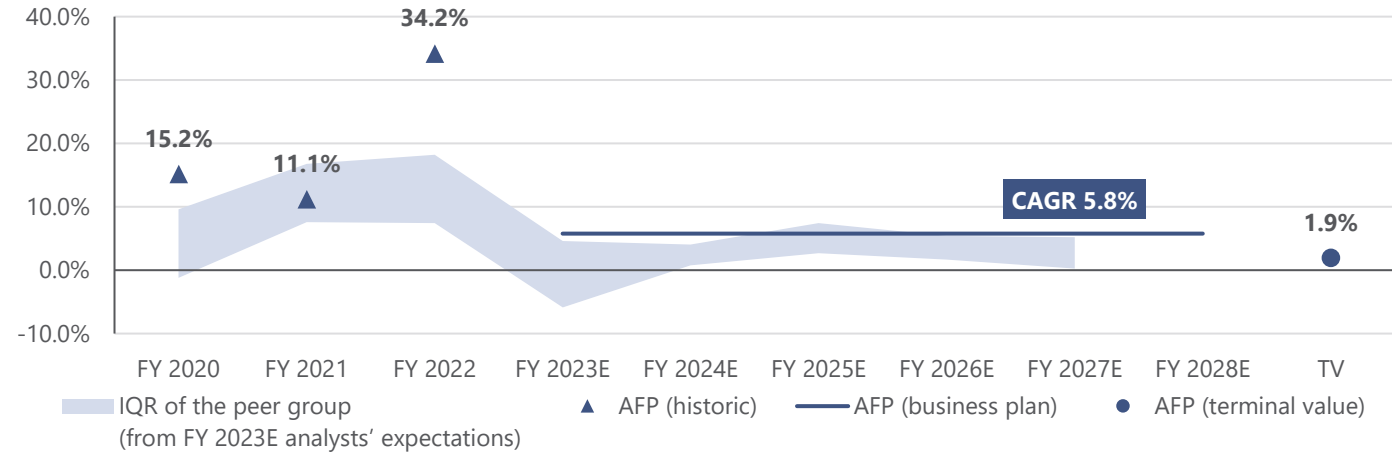
\* The historical EBITDA margins have been adjusted to reflect the extraordinary items reported by Aluflexpack.  
Sources: Annual reports, planning data and information provided by the management of Aluflexpack.

We assessed and cross-checked the information provided and assumptions made by Aluflexpack's management from an independent point of view. To this end, the key assumptions underlying the business plan were compared with, among others, analysts' estimates for the peer companies identified. For the purposes of this analysis, peer companies that manufacture packaging with a focus on aluminium packaging were grouped into a peer group.<sup>29</sup> The key assumptions are described below.

<sup>29</sup> An overview of the peer companies can be found in section 5.3 in the appendix.

Assumptions regarding the development of net sales

**Comparison of historical and forecast growth rates for the Aluflexpack net sales and those of the peer companies**



Sources: LSEG Eikon, business plan and information provided by the management of Aluflexpack.

Aluflexpack's sales revenue growth in FY 2020 (15.2%) and FY 2022 (34.2%) is significantly above the interquartile range of the peer companies (25% to 75% quartile or "IQR"). In addition to growth through new product development and market expansion, the above-average growth is due to acquisitions. The sales growth in FY 2021 is 11.1%, which is within the IQR.

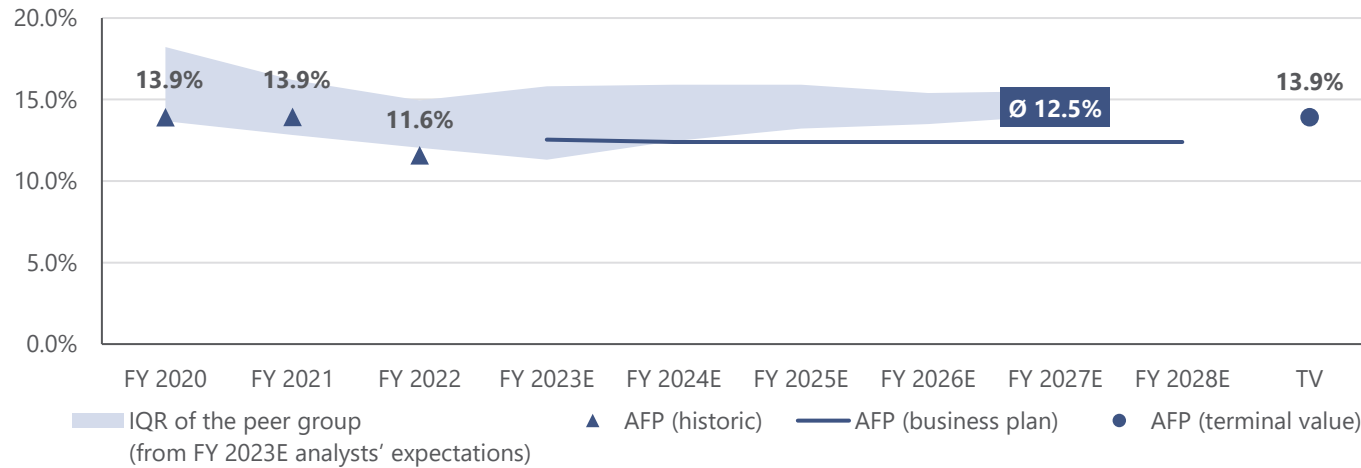
In FY 2023 to 2027, management expects a CAGR of 5.8%. The desired increase in sales is to be achieved mainly through organic growth and is at the upper end of the IQR of analysts' forecasts for peer companies. The growth assumed by Aluflexpack in its business plan is supported by the expected global market growth for flexible packaging in the end markets that Aluflexpack focuses on.

As Aluflexpack generates the majority of its cash flows in euros, the terminal value assumes an annual sales growth rate of 1.9%, which is consistent with long-term eurozone inflation expectations.<sup>30</sup>

<sup>30</sup> Source: IMF, World Economic Outlook, October 2023.

EBITDA margin assumptions excluding IFRS 16

**Comparison of historical and projected EBITDA margins, excluding IFRS 16, of Aluflexpack and the peer companies<sup>31</sup>**



Sources: LSEG Eikon, business plan and information provided by the management of Aluflexpack.

Aluflexpack's EBITDA margin excluding IFRS 16 of 13.9% in FY 2020 and 2021 is at the lower end of the peer group's IQR. Aluflexpack's EBITDA margin excluding IFRS 16 was negatively impacted by a higher cost base and material price increases and at 11.6% is below the peer group IQR.

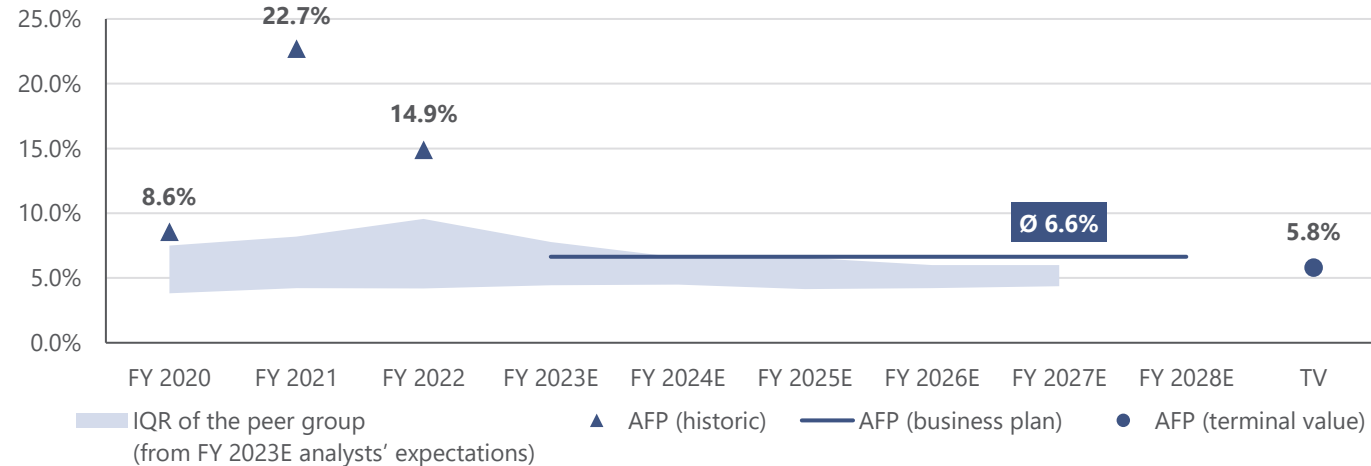
The IQR of the analysts' forecast EBITDA margins, excluding IFRS 16 of the peer companies, is between 11.3% and 15.8% for FY 2023 to 2027. Aluflexpack's management expects EBITDA margins, excluding IFRS 16, to be at the lower end of this range, with an average of 12.5% in FY 2023 to 2028.

<sup>31</sup> IFRS 16 and ASC 842-related effects have been eliminated in the historical and future EBITDAs of Aluflexpack and the peer companies to ensure consistent comparability between the analysed companies. Aluflexpack's EBITDA margins have also been adjusted to reflect the extraordinary items reported by Aluflexpack (for details, see 2.3 Historical financials of Aluflexpack).

Aluflexpack's management considers an EBITDA margin excluding IFRS 16 of 13.9% sustainable in the long-term. This corresponds to an EBITDA margin including IFRS 16 of 15.0%, which is in the middle of the stated medium-term EBITDA margin target range of 14.0% to 16.0%.<sup>32</sup>

Assumptions regarding the CAPEX

**Comparison of Aluflexpack's historical and projected investments with those of the peer companies**



Sources: LSEG Eikon, business plan and information provided by the management of Aluflexpack.

In FY 2020 to 2022, Aluflexpack invested between approximately EUR 20.5 million and EUR 60.4 million per year, corresponding to an investment ratio (CAPEX excluding acquisitions as a percentage of net revenue) of between 8.6% and 22.7%. These figures place Aluflexpack above the IQR of the peer companies, reflecting the high level of investment in growth (among others expansion in Umag and Drniš) and the group's internationalization.

For FY 2023 to 2027, Aluflexpack's management expects an average investment ratio of 6.6%, which is at the upper end of the IQR of analysts' estimates for the peer companies.

<sup>32</sup> Aluflexpack, "Aluflexpack AG with new outlook for 2023" ad hoc announcement dated 11 October 2023 (<https://www.aluflexpack.com/ad-hoc-announcement-pursuant-to-article-53-of-the-listing-rules-of-six-swiss-exchange/>).

Aluflexpack's management expects a CAPEX level of 5.8% of net revenue in the long-term. In the terminal value, depreciation is also assumed to be equal to the forecast long-term level of CAPEX.

Net working capital (NWC)

The Aluflexpack operative net working capital ("NWC") averaged 17.4% of net sales in FY 2020 to 2022. For the planning period from FY 2023 to 2028, Aluflexpack expects the NWC to increase to an average of 19.4% of net sales. The terminal value is calculated using a sustainable rate of 19.2%, which is equivalent to the FY 2028 rate.

Taxes

Based on the estimates of Aluflexpack's management, an imputed tax rate of 20.0% is assumed for FY 2023 to 2028 and the TV.

Quarterly financial statements as of 30 September 2023 and 2023 outlook

At the end of September 2023, Aluflexpack had generated sales of EUR 289.6 million with an EBITDA, adjusted for extraordinary items, of EUR 35.6 million (including IFRS 16) and EUR 31.6 million (excluding IFRS 16). Sales are broadly in line with the pro-rata prediction for FY 2023, and the adjusted EBITDA is slightly higher than the forecast. Management believes the 2023 forecast is realistic given the high visibility of the financial development in the fourth quarter of 2023.

#### Calculation of the equity value

Discounting the expected free cash flows of the planning period as well as the terminal value with the WACC of 8.00%<sup>33</sup>, yields an operating enterprise value of EUR 440.6 million as of 30 September 2023.

The non-operating assets are added to and debt and debt-like items are subtracted from the operating enterprise value as of 30 September 2023 to determine the equity.

Non-operating assets totalling EUR 3.7 million as of 30 September 2023 consist mainly of deferred tax assets (net)<sup>34</sup>, other non-current receivables and assets and the calculated excess liquidity of EUR 1.2 million. This is the result of management's assessment of the level of liquidity required for operations, which has been validated by IFBC.

Interest-bearing debt and debt-like items totalling EUR 164.0 million are deducted from the operating enterprise value (current and non-current financial liabilities, liabilities arising from derivative financial instruments, liabilities arising from equity compensation plans and provisions<sup>35</sup>). There were no minority interests as of 30 September 2023.

The equity value resulting for Aluflexpack as of 30 September 2023 in the amount of EUR 280.2 million is ultimately compounded to the valuation date. This results in an equity value as of 15 February 2024 of EUR 288.4 million.

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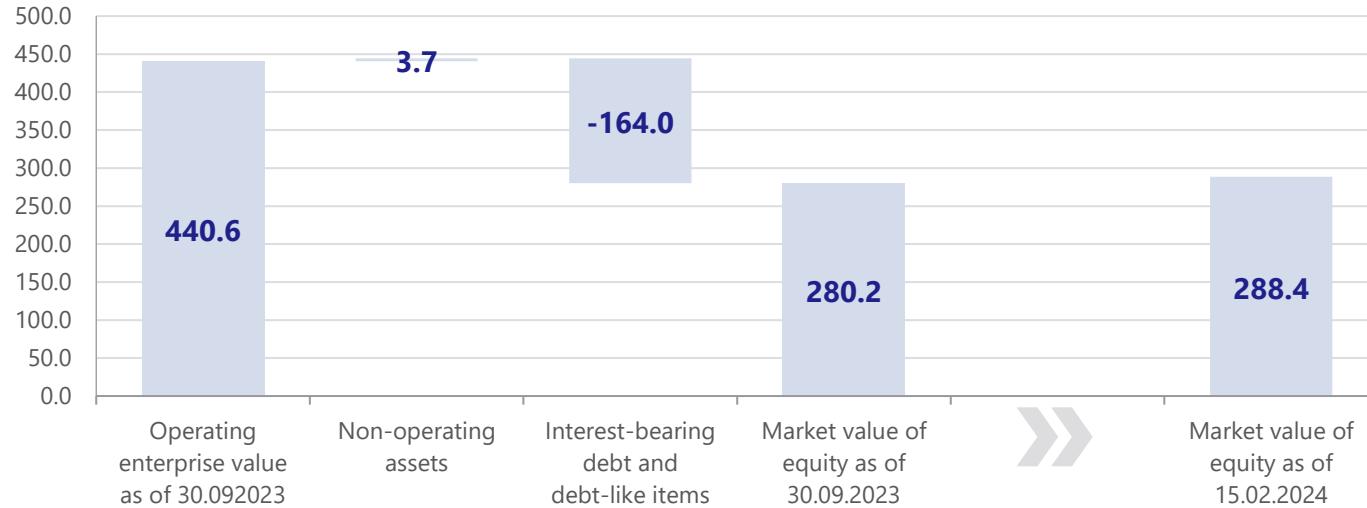
<sup>33</sup> For further information on the calculation of the WACC, see section 5.1 in the appendix.

<sup>34</sup> Deferred tax liabilities arising from purchase price allocations (PPA) in accordance with IFRS 3 have not been classified as debt-like items. This means that when calculating free cash flow, the amortization of intangible assets capitalized under IFRS is not treated as tax effective.

<sup>35</sup> Other non-current liabilities of EUR 6.6 million have not been included in the reconciliation of the operating enterprise value to equity. This relates to subsidies received and recognized as liabilities that will not be reversed in the future, affecting liquidity.



**Determination of Aluflexpack's equity value as of 15 February 2024 (in EUR million)**



Source: IFBC

Value per share in CHF

As of 15 February 2024, a total of 17'300'000 shares have been issued. According to the information provided by the management, Aluflexpack does not currently hold any treasury shares. The total number of outstanding shares is therefore 17'300'000. Dividing the equity value of EUR 288.4 million on 15 February 2024 by the number of shares gives a value per share of EUR 16.67. Based on the EUR/CHF exchange rate of 0.9480 on 15 February 2024<sup>36</sup>, the value per share is CHF 15.81.

<sup>36</sup> Source: LSEG Eikon.

**Sensitivity analyses with respect to the value per share of Aluflexpack as of 15 February 2024 (in CHF)**

		WACC							WACC				
		8.70%	8.45%	8.20%	7.95%	7.70%			8.70%	8.45%	8.20%	7.95%	7.70%
Sustainable EBITDA margin (excl. IFRS 16)	<b>14.90%</b>	16.20	17.27	18.42	19.67	21.03	Sustainable CAPEX as % of net revenue	<b>5.30%</b>	15.02	16.02	17.11	18.29	19.58
	<b>14.40%</b>	15.02	16.02	17.11	18.29	19.58		<b>5.55%</b>	14.43	15.40	16.46	17.61	18.85
	<b>13.90%</b>	13.84	14.78	15.81	16.92	18.13		<b>5.80%</b>	13.84	14.78	15.81	16.92	18.13
	<b>13.40%</b>	12.65	13.54	14.50	15.54	16.68		<b>6.05%</b>	13.24	14.16	15.15	16.23	17.40
	<b>12.90%</b>	11.47	12.30	13.19	14.16	15.22		<b>6.30%</b>	12.65	13.54	14.50	15.54	16.68

Source: IFBC.

The figures above show the sensitivity analyses regarding the value per share of Aluflexpack in CHF as of 15 February 2024. A change in the assumed WACC of 8.00% by  $\pm$  50 base points and the sustainable EBITDA margin excluding IFRS 16 assumed in the terminal value by  $\pm$  100 base points<sup>37</sup> results in a range of values from CHF 11.47 to CHF 21.03 per share. An identical change in the WACC with a simultaneous adjustment of the sustainable CAPEX as a percentage of net sales by  $\pm$  50 base points results in a value per share ranging from CHF 12.65 to CHF 19.58.

## Summary

- The application of the DCF method to determine the enterprise value is recognized best practice.
- The assumptions regarding the free cash flows are based on the forecast for FY 2023, the business plan for FY 2023 to 2028, which was approved by the board of directors of Aluflexpack on 15 December 2023, and the quarterly financial statements as of 30 September 2023 as well as the information provided and assumptions made by the management.
- To determine the market value of the equity, a WACC of 8.00% was applied.
- The resulting value per share as of 15 February 2024 amounts to CHF 15.81.
- The sensitivity analyses result in a value range per share from CHF 11.47 to CHF 21.03.
- The result of the DCF valuation is given the highest importance in this Fairness Opinion because the application of the DCF method is in line with recognized corporate finance theory and current best practice and allows Aluflexpack's specific company-circumstances to be properly reflected in the valuation.

<sup>37</sup> The assumed fluctuation range for the sustainable EBITDA margin (excluding IFRS 16) of 12.90% to 14.90%, or 14.00% to 16.00% (including IFRS 16), is in line with Aluflexpack's stated medium-term EBITDA margin target range. See the "Aluflexpack AG with new outlook for 2023" ad hoc announcement dated 11 October 2023 (<https://www.aluflexpack.com/ad-hoc-announcement-pursuant-to-article-53-of-the-listing-rules-of-six-swiss-exchange/>).

### 3.3 Multiples valuation

The valuation based on trading and transaction multiples are used to cross-check the value per share resulting from the DCF analysis.

#### Valuation based on trading multiples

For the trading multiples valuation, a peer group consisting of comparable companies was formed for Aluflexpack.<sup>38</sup> For each selected peer company, the EBITDA multiple is calculated by setting the total enterprise value as of 31 January 2024<sup>39</sup> (equity value plus net debt) in relation to the respective EBITDA (01/2024 (last twelve months, "LTM"), 12/2024E and 12/2025E expected ("E")).<sup>40</sup> Deviations between the market capitalization of Aluflexpack and those of the peer group companies and the resulting implicit size-dependent premiums/discounts are taken into account accordingly in the trading multiples valuation.

The resulting median value for the peer group multiples is applied to Aluflexpack's estimated EBITDA. This results in the operating enterprise value. The non-operating assets are added to the operating enterprise value, and the interest-bearing debt and debt-like items as of 30 September 2023 are deducted. The resulting equity capital value is compounded as per the valuation date of 15 February 2024 and divided by the number of shares outstanding in order to calculate the respective value per share. This results in a range for the value per share of between CHF 6.66 and CHF 16.81. The average median value per share amounts to CHF 11.82.

Compared to the DCF valuation, applying trading multiples results in a lower valuation of Aluflexpack. However, it should be noted that average trading multiples have fallen in recent years as the market capitalization of many peer companies has declined.

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<sup>38</sup> For further information about the selected peer companies in the trading multiples analysis, see section 5.3 in the appendix.

<sup>39</sup> The last end of the month before the pre-announcement.

<sup>40</sup> To ensure a consistent and comparable calculation of multiples, any effects from IFRS 16 and ASC 842 in connection with the determination of the enterprise value and EBITDA were taken into account and eliminated accordingly.

### Valuation based on transaction multiples

As part of the analysis of transaction multiples, the enterprise value is determined based on observable transactions with comparable companies. The analysis covered corporate transactions between January 2010 and January 2024 in which a controlling interest was acquired. The enterprise values of the target companies are calculated on the basis of the purchase price paid in the individual transactions (100%) plus the net debt and compared with the reported EBITDA of the last twelve months prior to the transaction ("LTM").<sup>41</sup> Corresponding to the approach with trading-multiples analysis, the deviation between the size of the individual comparable transactions and the market capitalization of Aluflexpack is taken into account accordingly by considering the implied, size-dependent premiums/discounts.

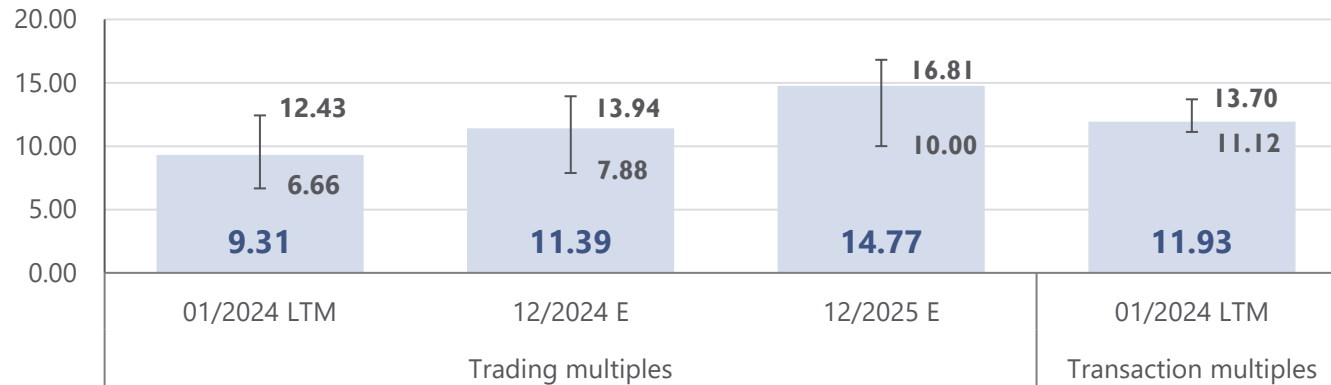
This analysis is of limited value due to the limited available data on comparable transactions and, in some cases, the large time discrepancy from the valuation date. From 2010 to 2023, eight transactions were identified where the target company had a business model similar to Aluflexpack and the necessary financial information was publicly available. When the number of comparable transactions is small, transaction-specific effects can also have a strong impact.

To determine the enterprise value, the resulting transaction multiples are multiplied by the Aluflexpack EBITDA as of 31 January 2024 (LTM). The value per share is calculated in the same way as set out above for the trading multiples analysis. The valuation based on transaction multiples results in a median value per share of CHF 11.93 with a value range (IQR) of between CHF 11.12 and CHF 13.70.

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<sup>41</sup> For further information on the selected comparable transactions in the trading multiples analysis, see section 5.4 in the appendix.

**Aluflexpack's value per share as of 15 February 2024 based on the multiples valuations (in CHF)**



Sources: LSEG Eikon, IFBC analysis.

### Summary

- Valuations based on trading and transaction multiples are performed to cross-check the DCF value.
- The valuation based on trading multiples results in an average value per share from CHF 6.66 to CHF 16.81 (average median value CHF 11.82). The lower valuation of Aluflexpack using trading multiples compared to the DCF valuation is mainly due to the expected growth in Aluflexpack's business plan, which is not reflected in the current market valuations of the peer companies. Furthermore, the current average market trading multiples are low by historical standards.
- The valuation based on transaction multiples results in a value per share of CHF 11.93, with values ranging from CHF 11.12 to CHF 13.70. The transaction multiple valuation is less meaningful due to the small number of comparable transactions and the time difference.
- IFBC considers the significance of the multiples valuations to be limited. In general, it should be noted that both the business models and the specific situation of the peer companies may differ from those of Aluflexpack. Due to the large time difference and any company and transaction-specific items, the transactions are of little use given the small number of transactions available.

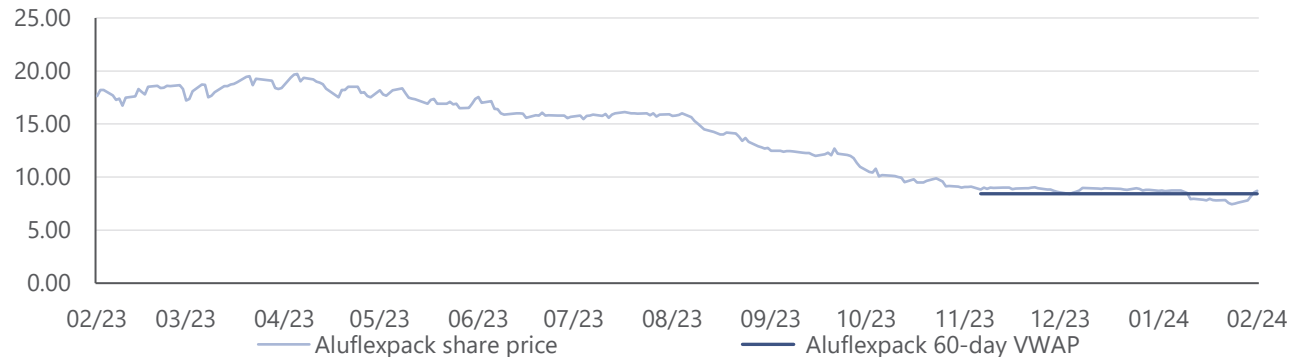
### 3.4 Share analysis and analysts' estimates

Development of the share price

Over the past 12 months, the price of the Aluflexpack share has fallen by 52.1%. During that time, the price fluctuated between CHF 7.44 (7 February 2024) and CHF 19.72 (19 April 2023).

On 15 February 2024, the day before the pre-announcement of the transaction, the Aluflexpack share was traded at a closing price of CHF 8.71. The volume-weighted average price (VWAP) of the last 60 trading days was CHF 8.43 as of 15 February 2024.

**Development of Aluflexpack's share price over the last twelve months (in CHF)**



Sources: LSEG Eikon, SIX Swiss Exchange.

Premiums resulting from the offer price on the share price and VWAP

The offer price is between CHF 15.00 ("minimum offer price") and CHF 18.75 ("maximum offer price"). The premium on the offer price compared to the closing price prior to the public announcement (15 February 2024) is, therefore, between 72.2% (minimum offer price) and 115.3% (maximum offer price). Compared to the VWAP (60 trading days) as of 15 February 2024, the offer includes a premium of between 77.9% and 122.4%. The premium on the offer is significantly above the historical median of the premiums paid in voluntary public takeover bids in Switzerland since 2011 (21.1%).<sup>42</sup>

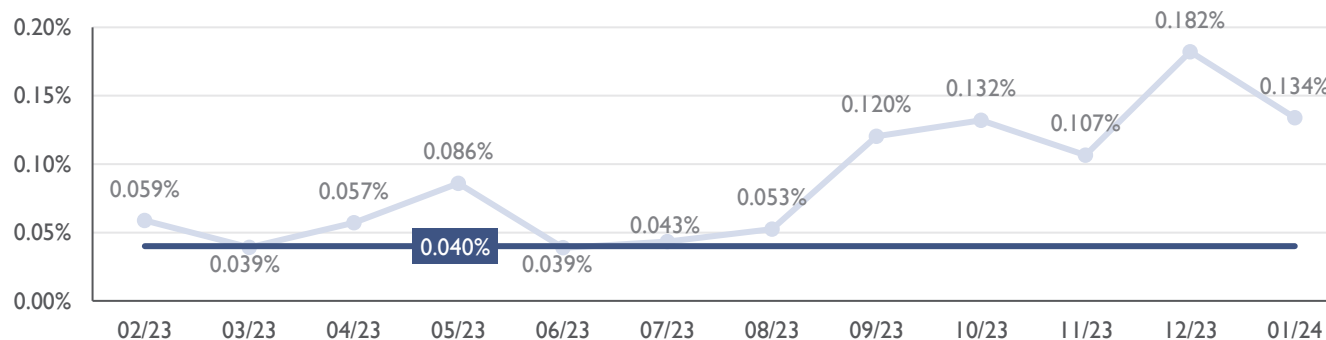
<sup>42</sup> For further information on the premiums paid in public takeover bids in Switzerland since 2011, see section 5.5 in the appendix.

Liquidity analysis

Under current takeover law, shares of companies included in the Swiss Leader Index (“SLI”) are classified as liquid. Furthermore, securities that are not part of the SLI are classified as liquid “provided that the monthly median of the daily volume of a security relative to the free float has been at least 0.04% in 10 of the 12 months prior to the publication of the offer or the pre-announcement.”<sup>43</sup> Since Aluflexpack’s shares are not part of the SLI, the liquidity of the share is checked on the basis of the trading volume analysis.

Considering the trading volumes on the Swiss stock exchanges SIX Swiss Exchange and BX Swiss, the median trading volume of Aluflexpack shares during the twelve-month period prior to the pre-announcement of the transaction was higher than the applicable threshold of 0.04% in 9 out of 12 months. In this assessment, Aluflexpack shares are to be considered illiquid. When additionally considering the trading volumes of Aluflexpack shares on other foreign stock exchanges, the median trading volume of Aluflexpack shares during the twelve-month period prior to the pre-announcement of the transaction was higher than the applicable threshold of 0.04% in 10 out of 12 months. The share price of Aluflexpack (current market price and VWAP) is considered liquid, taking into account the additional trading volumes on foreign stock exchanges. Therefore, the share price of Aluflexpack is a valid reference for the assessment of the financial fairness of the offer.

**Monthly median values of the number of Aluflexpack shares traded as a percentage of the free float (considering domestic and foreign stock exchanges)**



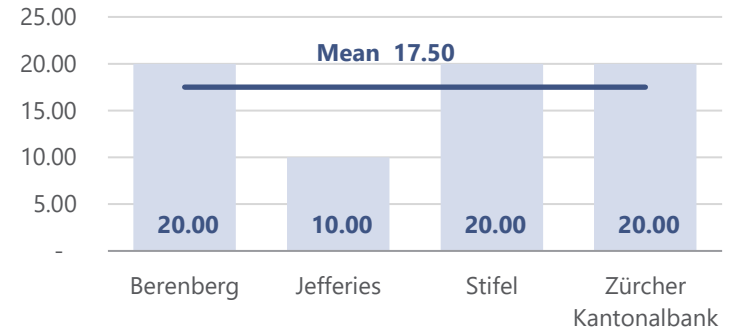
Sources: LSEG Eikon, IFBC analysis. Free float according to Aluflexpack’s share register as of 31 January 2024.

<sup>43</sup> cf. Swiss Takeover Board: TOB Circular No. 2 on liquidity in the context of takeover law, 26 February 2010.

Analysts' target prices

Four analysts actively publish reports with target prices for Aluflexpack.<sup>44</sup> The target prices were last updated between October 2023 and January 2024 and are between CHF 10.00 and CHF 20.00. The average target price is CHF 17.50. Constantia's offer is 14.3% lower at the minimum offer price of CHF 15.00 and 7.1% higher at the maximum offer price of CHF 18.75 compared to the average value of the analysts' target prices. Compared to Aluflexpack's business plan, the analysts' target price of CHF 20 in the financial projections assumes higher growth after FY 2028, which is why the resulting target price is slightly higher than the value per share according to the DCF valuation. A further change in value is most likely due to the application of IFRS 16.<sup>45</sup>

Analysts' target prices (in CHF)



<sup>44</sup> Sources: LSEG Eikon, analysts' reports on Aluflexpack.

<sup>45</sup> Following a discussion with Aluflexpack and an examination of the projected figures in the analysts' reports, it is reasonable to conclude that the impact of IFRS 16 is not adequately reflected in the analysts' valuations and that Aluflexpack's company value is inflated as a result.



## Summary

- Taking into account the trading volumes on Swiss stock exchanges and other foreign stock exchanges, Aluflexpack shares are considered liquid. For this reason, both the share price and the VWAP of the last 60 trading days can be used as a valid reference when assessing the financial fairness of the offer made by Constantia.
- On the last trading day before the public pre-announcement (15 February 2024), Aluflexpack's share price closed at CHF 8.71. The VWAP at that time was CHF 8.43. The implied premium compared to the share price at the minimum offer price of CHF 15.00 is 72.2%, and 115.3% at the maximum offer price of CHF 18.75. Compared to the VWAP, the implied premium ranges from 77.9% to 122.4%.
- The premium on the offer made by Constantia compared to the share price and the VWAP is thus significantly above the historical median of the premiums paid in voluntary public takeover bids in Switzerland.
- The analysts' target prices between October 2023 and January 2024 range from CHF 10.00 to CHF 20.00, with a median of CHF 17.50. The analysts' higher valuation with a target price of CHF 20.00 compared to the DCF valuation is partly due to stronger growth expectations after FY 2028 and the inclusion of IFRS 16. In addition, there are very few analysts' estimates available. In this context, the published target prices are only of secondary importance in the financial assessment of the offer.



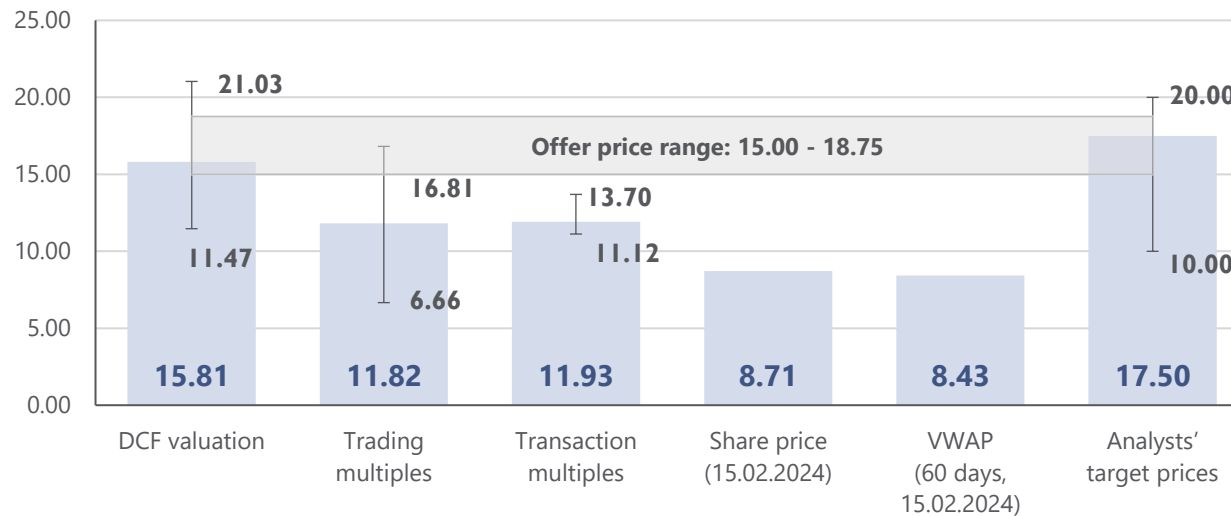
## | 4 Conclusion

## 4 Conclusion

Based on the analyses described in the previous sections and based on the assessment and evaluation of all the information provided, IFBC has come to the following conclusion with regard to the financial fairness of Constantia’s public takeover offer for the outstanding shares of Aluflexpack:

Overview of the valuation results

### Overview of the valuation results for Aluflexpack as of 15 February 2024 (value per share in CHF)



Source: IFBC.

- According to best practice, we applied a set of valuation methodologies to determine the value per share of Aluflexpack.
- The DCF method results in a value per share of CHF 15.81 with a value range from CHF 11.47 to CHF 21.03 as of 15 February 2024. The valuation result is mainly sensitive to the EBITDA margin estimated as sustainable and to the assumed cost of capital. In the context of this Fairness Opinion, the result of the DCF valuation is given the highest importance since this approach follows recognized corporate finance theory and current best practice and best accounts for the company-specific circumstances of Aluflexpack.

- Applying trading multiples results in a value range from CHF 6.66 to CHF 16.81 per share as of 15 February 2024 (average median value of CHF 11.82). As of 15 February 2024, the application of transaction multiples results in a value range from CHF 11.12 to CHF 13.70 per share (median of CHF 11.93). Despite the careful selection of peer companies, we consider the valuation based on multiples to be of limited significance. Company-specific circumstances and the expected financial development of Aluflexpack are not fully reflected in the current market valuations of the peer companies. Furthermore, the target companies used to determine the transaction multiples are only broadly comparable to Aluflexpack.
- Taking into account the trading volumes on the Swiss stock exchanges and the other foreign stock exchanges, the shares of Aluflexpack are considered to be liquid. Therefore, both the share price and the VWAP of the last 60 trading days can be considered when assessing the financial fairness of Constantia's offer.
- Compared to the closing price of CHF 8.71 on 15 February 2024, the day prior to the pre-announcement of the offer, the offer price range of CHF 15.00 to CHF 18.75 corresponds to a premium of between 72.2% and 115.3%. A comparison between the offer price range and the VWAP (60 days) of CHF 8.43 as of 15 February 2024 results in a premium of between 77.9% and 122.4%.

Final assessment of the offer

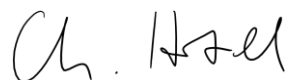
Based on our analyses, valuation considerations and the results presented, IFBC considers the offer price range of CHF 15.00 to CHF 18.75 per Aluflexpack share to be fair from a financial point of view. This conclusion is based on the following considerations:

- The offer is supported by the DCF valuation.
- The minimum offer price is at the upper end, and the maximum offer price is above the value range resulting from the use of trading multiples. Furthermore, the full offer price range is significantly higher than the transaction multiples valuation range.
- The minimum and maximum offer prices on 15 February 2024 are significantly higher than the closing price and VWAP of the previous 60 trading days.

Zurich, 27 March 2024



Dr. Thomas Vettiger  
Managing Partner



Christian Hirzel  
Partner



## 5 Appendix

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## 5 Appendix

### 5.1 Weighted average cost of capital (WACC)

Parameter	Value	Description
<b>Risk-free rate (EUR)</b>	<b>2.33%</b>	<ul style="list-style-type: none"> <li>The majority of Aluflexpack's cash flows are generated and planned in euros. Therefore, the risk-free interest rate is based on the yield on 10-year government bonds in EUR.</li> <li>Source: LSEG Eikon.</li> </ul>
Market risk premium	6.00%	<ul style="list-style-type: none"> <li>The market risk premium reflects the long-term difference between the return of a market portfolio and the risk-free rate. It reflects the additional premium an investor expects of an investment in shares compared to a risk-free investment. In accordance with best practice, a sustainable implied market risk premium of 6.00% is applied.</li> <li>Source: IFBC.</li> </ul>
Unlevered beta	0.72	<ul style="list-style-type: none"> <li>The unlevered beta captures the systematic, non-diversifiable risk of a peer company that is entirely financed by equity.</li> <li>To increase the statistical significance of the beta analysis, we do not only consider the beta of Aluflexpack but also statistically significant betas of peer group companies when determining the unlevered beta.</li> <li>The median unlevered beta of the peer group as of 31 January 2024 (the last month end before the valuation date) is calculated using weekly returns over a two-year period.</li> <li>Source: LSEG Eikon.</li> </ul>
Leverage factor	0.40	<ul style="list-style-type: none"> <li>The leverage factor is calculated taking into account Aluflexpack's target capital structure as well as its relevant tax rate (the Hamada approach).</li> </ul>
Levered beta	1.01	<ul style="list-style-type: none"> <li>The levered beta measures the systematic risk and reflects both the operating as well as the financial risk of a company.</li> </ul>
<b>Risk premium</b>	<b>6.05%</b>	
Size premium	1.99%	<ul style="list-style-type: none"> <li>Empirical and practical evidence shows that smaller companies have significantly higher cost of equity than companies with high market capitalization.</li> <li>For this reason, a size premium is taken into account in the capital asset pricing model. The size premium is derived using statistical methods based on the company's market capitalization.</li> <li>Taking into account Aluflexpack's market capitalization and our valuation considerations, a size premium of 1.99% (9th decile of the size premium according to Kroll) is applied.</li> <li>Sources: LSEG Eikon; Kroll, as of 31 December 2023.</li> </ul>
<b>Cost of equity</b>	<b>10.37%</b>	

Parameter	Value	Description
Swap rate (EUR)	2.75%	<ul style="list-style-type: none"> <li>The majority of Aluflexpack's cash flows are generated and planned in euros. Therefore, the 5-year swap rate is based on EUR.</li> <li>Source: LSEG Eikon.</li> </ul>
Credit spread	140bp	<ul style="list-style-type: none"> <li>Based on current market data and Aluflexpack's debt structure, we apply a spread of 140 bps over the base rate.</li> <li>Sources: LSEG Eikon, information provided by the management of Aluflexpack.</li> </ul>
<b>Cost of debt</b>	<b>4.15%</b>	
Tax rate	20.00%	<ul style="list-style-type: none"> <li>Expected long-term tax rate of Aluflexpack.</li> <li>Source: Information provided by the management of Aluflexpack.</li> </ul>
<b>Tax-adjusted cost of debt</b>	<b>3.32%</b>	
Share of net debt	33.3%	<ul style="list-style-type: none"> <li>Definition of a target capital structure consistent with the capital structure of the peer group companies.</li> <li>Source: LSEG Eikon.</li> </ul>
Share of equity	66.6%	
<b>WACC (rounded)</b>	<b>8.00%</b>	



## 5.2 Beta analysis as of 31 January 2024

Companies	Country	Local currency	Leverage <sup>1)</sup>	Levered adj. Beta <sup>2)</sup>	Unlevered adj. Beta
			01/2024	01/2024	01/2024
Aluflexpack AG	Switzerland	EUR	0.33	0.97	0.73
Amcor PLC	Great Britain	USD	0.29	0.83	0.64
Ardagh Metal Packaging SA	Luxembourg	USD	0.70	1.16	0.68
Ball Corp	United States	USD	0.26	1.11	0.88
Huhtamaki Oyj	Finland	EUR	0.27	0.98	0.77
Orora Ltd	Australia	AUD	0.18	0.65	0.56
Pact Group Holdings Ltd	Australia	AUD	1.03	0.97	0.48
Sealed Air Corp	United States	USD	0.41	1.17	0.83
Silgan Holdings Inc	United States	USD	0.43	0.88	0.62
Sonoco Products Co	United States	USD	0.31	0.95	0.72
Wipak Ltd	Canada	USD	0.00	0.41	0.41
EPL Ltd	India	INR	0.06	0.88	0.83
Fuji Seal International Inc	Japan	JPY	0.00	0.84	0.84
Uflex Ltd	India	INR	1.02	1.10	0.54
<b>Median</b>			<b>0.30</b>	<b>0.97</b>	<b>0.72</b>

1) Leverage: 2-year average (net debt x (1-tax rate) / equity).

2) Adj. weekly beta (2 years) as of 31 January 2024.

Values in grey are excluded from the analysis due to a lack of statistical significance.

Source: LSEG Eikon.

## 5.3 Trading multiples as of 31 January 2024

Companies	Country	Accounting standard	Local currency	Market capitalization as of 31.01.2024 in CHF million	Enterprise value as of 31.01.2024 <sup>1)</sup> in CHF million	Adjusted EBITDA multiples <sup>2)</sup>		
						01/24 LTM	12/24 E	12/25 E
Aluflexpack AG	Switzerland	IFRS	EUR	137	247	5.9x	4.9x	4.2x
Amcor PLC	Great Britain	US	USD	11'688	17'406	8.8x	8.5x	8.1x
Ardagh Metal Packaging SA	Luxembourg	IFRS	USD	1'899	4'675	9.1x	8.2x	7.5x
Ball Corp	United States	US	USD	15'154	22'325	10.3x	9.9x	9.7x
Huhtamaki Oyj	Finland	IFRS	EUR	3'541	4'730	8.1x	7.6x	7.2x
Orora Ltd	Australia	IFRS	AUD	1'441	1'878	6.2x	4.7x	4.1x
Pact Group Holdings Ltd	Australia	IFRS	AUD	172	503	6.4x	6.2x	6.5x
Sealed Air Corp	United States	US	USD	4'312	8'265	7.4x	7.2x	6.9x
Silgan Holdings Inc	United States	US	USD	4'303	7'665	8.7x	8.3x	8.0x
Sonoco Products Co	United States	US	USD	4'847	7'434	6.9x	6.7x	6.5x
Wipak Ltd	United States	IFRS	USD	1'758	1'336	6.1x	5.9x	5.4x
EPL Ltd	India	IFRS	INR	670	729	9.6x	8.2x	7.3x
Fuji Seal International Inc	Japan	IFRS	JPY	561	484	4.1x	3.7x	3.5x
Uflex Ltd	India	IFRS	INR	347	1'031	n/a	n/a	n/a
<b>3rd quartile</b>				<b>4'310</b>	<b>7'607</b>	<b>8.8x</b>	<b>8.2x</b>	<b>7.5x</b>
<b>Median</b>				<b>1'829</b>	<b>3'277</b>	<b>7.4x</b>	<b>7.2x</b>	<b>6.9x</b>
<b>1st quartile</b>				<b>588</b>	<b>805</b>	<b>6.2x</b>	<b>5.9x</b>	<b>5.4x</b>

1) Considering net debt.

2) The underlying data was adjusted for IFRS 16-related effects. Differences between the market capitalization of Aluflexpack and that of the peer group companies and the resulting implicit size-dependent premiums/discounts were taken into account by means of a size-adjustment when determining the EBITDA multiples.

Source: LSEG Eikon.

## 5.4 Transaction multiples as of 31 January 2024

Date	Target company	Buyer/ Investor	Value of equity (100%) (in USD million)	Adjusted EBITDA multiple <sup>1)</sup>
31.07.2023	Constantia Flexibles Group GmbH	One Rock Capital Partners LLC	2'114	11.6x
17.05.2021	Schur Flexibles Holding GesmbH	B&C Industrieholding GmbH	900	9.1x
06.08.2018	Bemis Co Inc	Amcor Ltd	5'217	10.2x
23.07.2018	Expera Specialty Solutions LLC	Ahlstrom-Munksjo Oyj	615	7.9x
30.04.2018	Global Rigid Business of Coveris Holdings S.A.	Goldberg Lindsay & Co LLC	700	7.9x
02.04.2018	Coveris Holdings S.A. (North American packaging business)	Transcontinental Inc	1'072	9.6x
25.08.2016	AEP Industries Inc	Berry Plastics Group Inc	610	9.0x
09.06.2016	British Polythene Industries PLC	RPC Group PLC	4'086	6.0x
01.10.2015	Liqui-Box Corp	Olympus Partners	267	8.6x
05.02.2015	Rexam PLC	Ball UK Acquisition Ltd	6'113	8.5x
14.06.2011	Graham Packaging Co Inc	Reynolds Group Holdings Ltd	1'729	8.5x
<b>3rd quartile</b>				<b>9.4x</b>
<b>Median</b>				<b>8.6x</b>
<b>1st quartile</b>				<b>8.2x</b>

1) Differences between the market capitalization of Alulflexpack and that of the peer group companies and the resulting implicit size-dependent premiums/discounts were taken into account by means of a size-adjustment when determining the EBITDA multiples.

Sources: Mergermarket, LSEG Eikon.

5.5 Premium analysis of public tender offers in Switzerland since 2011<sup>46</sup>

Year	Target company	Buyer/ Investor	Offer price (In CHF)	VWAP 60 days (In CHF)	Premium	Success rate
2011	Newave Energy Holding SA	ABB Schweiz AG	56.0	41.2	35.9%	95.3%
2011	Escor Casinos & Entertainment AG	Highlight Communications AG	17.5	17.4	0.4%	39.2%
2011	Feintool International Holding AG	Artemis Beteiligungen II AG	350.0	326.9	7.1%	72.2%
2011	Edipresse SA	Lamunière S.A., Epalinges, Switzerland; bearer shares	450.0	324.7	38.6%	37.6%
2011	EGL AG	Axpo Holding AG	850.0	703.7	20.8%	98.0%
2013	Acino Holding AG	Pharma Strategy Partners GmbH	115.0	75.3	52.8%	93.6%
2013	Fortimo Group AG	Forty Plus AG, Fortimo Group	136.0	114.3	19.0%	98.6%
2013	Tornos Holding AG	Walter Fust	4.7	4.5	3.8%	14.3%
2014	Swisslog Holding AG	KUKA Public Corporation	1.4	1.2	14.4%	92.2%
2014	Advanced Digital Broadcast Holding SA	4T S.A	15.5	12.9	20.2%	73.4%
2014	Nobel Biocare Holding AG	Danaher Corporation	17.1	13.9	23.5%	77.2%
2015	Micronas Semiconductor Holding AG	TDK Corporation	7.5	4.4	70.5%	90.5%
2016	Kuoni Reisen Holding AG	Kiwi Holding IV Sarl (EQT)	370.0	275.9	34.1%	87.2%
2016	Syngenta AG	CNAC Saturn (NL) B.V. (ChemChina) <sup>47</sup>	490.3	374.0	31.1%	94.7%
2016	gategroup Holding AG	HNA Aviation Air Catering Holding Co.	53.0	38.7	37.0%	96.1%
2016	Charles Vögele AG	Sempione Retail AG (OVS)	6.4	6.4	0.0%	94.1%
2017	Actelion Ltd	Janssen Holding GmbH (Johnson & Johnson)	280.0	191.2	46.4%	92.5%
2018	Goldbach Medien	Tamedia	35.5	34.2	3.7%	96.9%
2018	Hügli Holding AG	Bell Food Group AG	915.0	800.0	14.4%	97.6%
2018	Bank Cler AG	Basler Kantonalbank	52.0	42.3	22.9%	93.3%
2019	CEVA	CMA CGM S.A.	30.0	20.2	48.2%	95.7%
2019	Edmond de Rothschild (Suisse) S.A.	Edmond de Rothschild Holding SA <sup>47</sup>	17'945.0	15'169.1	18.3%	93.3%
2019	Alpiq Holding AG	Schweizer Kraftwerksbeteiligungs-AG	70.0	72.5	-3.4%	13.1%
2020	Sunrise	Liberty Global plc	110.0	83.2	32.3%	96.6%
2021	Vifor Pharma AG	CSL Behring AG	167.4	118.3	41.6%	93.9%
2022	Spice Private Equity AG	GP Swiss AG	15.6	14.5	7.6%	81.8%
2022	Bobst Group SA	JBF Finance SA	78.0	69.7	11.9%	66.2%
2022	Valora Holding AG	Impulsora de Marcas e Intangibles, S.A.	260.0	165.3	57.3%	96.6%
2023	Datacolor AG	Werner Dubach	760.0	660.5	15.1%	93.5%
2023	Von Roll Holding AG	Elantas GmbH	0.9	0.8	2.4%	67.4%
2023	Schaffner Holding AG	Tyco Electronics (Schweiz) Holding II GmbH	505.0	289.3	74.5%	98.7%
2023	Crealogix Holding AG	Vencora UK Limited	60.0	49.5	21.3%	76.0%
<b>3rd quartile</b>					<b>37.4%</b>	<b>95.8%</b>
<b>Median</b>					<b>21.1%</b>	<b>93.3%</b>
<b>1st quartile</b>					<b>10.8%</b>	<b>75.3%</b>

<sup>46</sup> The overview includes voluntary tender offers in cash. Tender offers for investment and real estate companies have been excluded.

<sup>47</sup> Inklusive Spezialdividende, welche vor der Transaktion ausbezahlt wurde.

## 5.6 List of abbreviations

Aluflexpack, group, target company, AFP	Aluflexpack AG
BoD	Board of directors
bps	Base points
CAGR	Compound annual growth rate (average annual growth rate)
CAPEX	Capital expenditures (net investments)
CAPM	Capital asset pricing model
CH	Switzerland
CHF	Swiss Franc
DCF	Discounted Cash Flow
DCF method	Discounted cash flow method
E	Expected
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortization
EMEA	Europe, Middle East and Africa
EUR	Euro
FCF	Free cash flows

FY	Financial year/years
IFBC	IFBC AG
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IQR	Interquartile range
KPIs	Key performance indicators
LTM	Last twelve months
NWC	Net working capital
Offeror, the offeror, Constantia	Constantia Flexibles GmbH
Offer price	The offer price per Aluflexpack share is between CHF 15.00 (minimum offer price) and CHF 18.75 (maximum offer price) in cash
SIX	SIX Swiss Exchange
SLI	Swiss Leader Index
TV	Terminal value
TOB	Swiss Takeover Board
WACC	Weighted average cost of capital
VWAP	Volume-weighted average price

