

Private equity

Pringles packaging maker buys Eviosys for \$4bn in rare buyout windfall

Sale by KPS comes as dealmakers have struggled to exit a growing stockpile of ageing investments

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A US private equity group has sold a large industrial business for nearly \$4bn, marking one of the first big private equity windfalls from a wave of dealmaking seen in 2021, when interest rates were near zero and valuations high.

KPS Capital Partners has agreed to sell its Eviosys packaging business to manufacturer Sonoco Products nearly three years after it acquired the provider of aluminium containers for aerosols and foodstuffs like cat food, tuna and sardines.

Sonoco, a century-old South Carolina company which first made paper textile cones for the garments industry but now sells containers for brands like Pringles chips and Bush's Best baked beans, will pay \$3.9bn for Eviosys.

The deal, announced on Monday, will generate a windfall of nearly \$2bn for KPS.

In 2021, KPS carved Eviosys out of Crown Holdings, a larger rival selling cans to food and beverage giants, for \$2.7bn in an acquisition that came amid a record wave of \$1.1tn in private equity buyouts.

However, a swift increase in interest rates from early 2022 quickly cooled off buyout activity, which has fallen by more than half from those levels.

The heavy private equity investment of 2021 has caused a cash crunch among many investors like pensions and endowments because rising interest rates have punished corporate valuations and made it hard for dealmakers to exit a growing stockpile of ageing investments. The sector entered 2024 sitting on a record \$3.2tn in unsold deals that are a "towering backlog" that PE firms must now exit, according to consultancy Bain & Co.

Buyout funds raised between 2019 and 2021 have collectively returned less than 20 per cent of investors' commitments, falling "drastically behind" similar funds raised in earlier years, according to a recent report from Goldman Sachs.

KPS, however, was able to earn a swift and large windfall for Eviosys by increasing its profitability by about 50 per cent, according to a source briefed on the matter, and by identifying a larger corporate buyer that would find value in its

specialised packaging operations.

Howard Coker, chief executive of Sonoco, has in recent years divested business lines focused on recycling and industrial foam to simplify its operations.

The acquisition will generate a \$1.8bn gain for KPS and its investors, or about 3.2-times their initial equity investment because they used debt to finance the deal, according to the source. KPS declined to comment on its returns.

The New York-based private equity group co-founded by Michael Psaros, which specialises in carving out non-core industrial business lines from larger conglomerates like Thyssenkrupp, Bosch, AB InBev and Tate & Lyle, has recently struck a flurry of deals.

Last month, it agreed to buy Innomatics from Siemens for \$3.8bn and has agreed to two other large industrial deals this year. Managing over \$21bn in total assets and known for acquiring family-owned businesses and distressed companies facing restructuring, KPS closed a \$9.7bn fundraising in 2023.