National Converters, Inc.

Summary of Reviewed Financial Statements

Prepared by: Cathy Durham

Fiscal Year Ended: December 31

Income Statement Summary

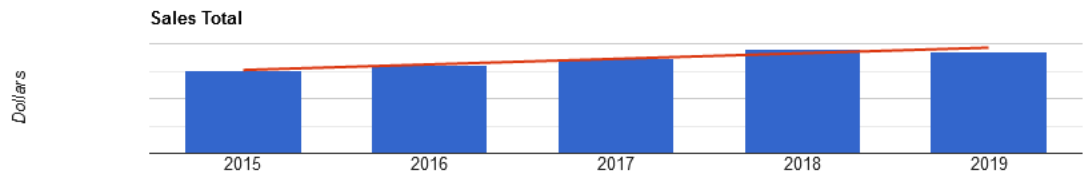
(% = Percentage of Total Sales)

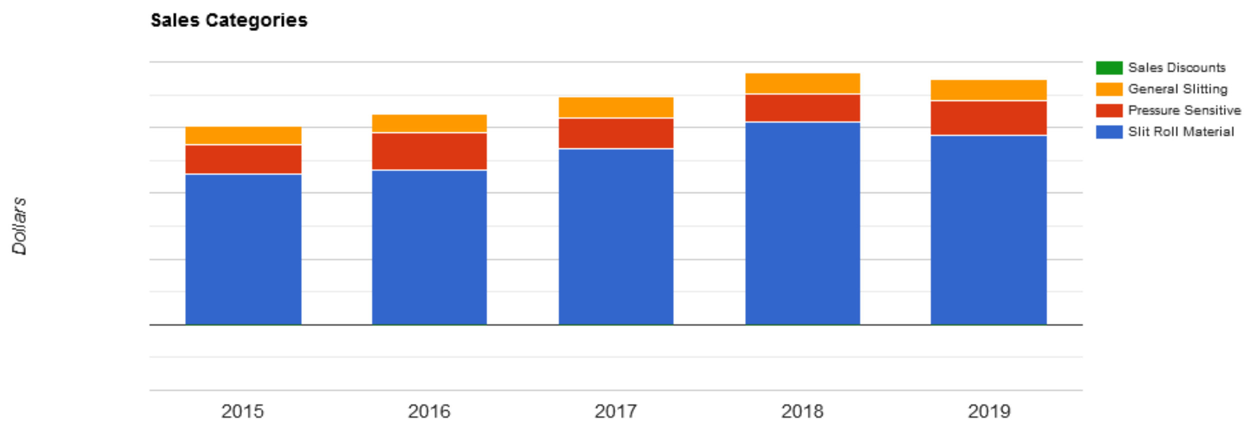
Sales Overview

	2015	%	2016	%	2017	%	2018	%	2019	%
1: Slit Roll Material	$11,507,528	76.2%	$11,761,111	73.4%	$13,350,742	77.1%	$15,460,497	80.9%	$14,456,659	77.5%
2: Pressure Sensitive	$2,206,441	14.6%	$2,891,767	18.1%	$2,424,698	14.0%	$2,116,835	11.1%	$2,626,699	14.1%
3: General Slitting	$1,421,597	9.4%	$1,396,301	8.7%	$1,587,864	9.2%	$1,598,162	8.4%	$1,627,971	8.7%
4: Sales Discounts	($33,850)	-0.2%	($33,255)	-0.2%	($50,048)	-0.3%	($54,572)	-0.3%	($65,441)	-0.4%
5: Total Sales	**$15,101,716**		**$16,015,924**		**$17,313,256**		**$19,120,922**		**$18,645,888**	

	2015	2016	2017	2018	2019	PEER 1st	PEER 2nd
6: Sales Growth		6.1%	8.1%	10.4%	-2.5%	2.4%	-1.6%
7: CAGR					5.4%	4.4%	-2.1%

CAGR = Compound Annual Growth Rate
Peer Values are based on Annual Revenue of $10 - 50M





National Converters, Inc.

Summary of Reviewed Financial Statements

Prepared by: Cathy Durham

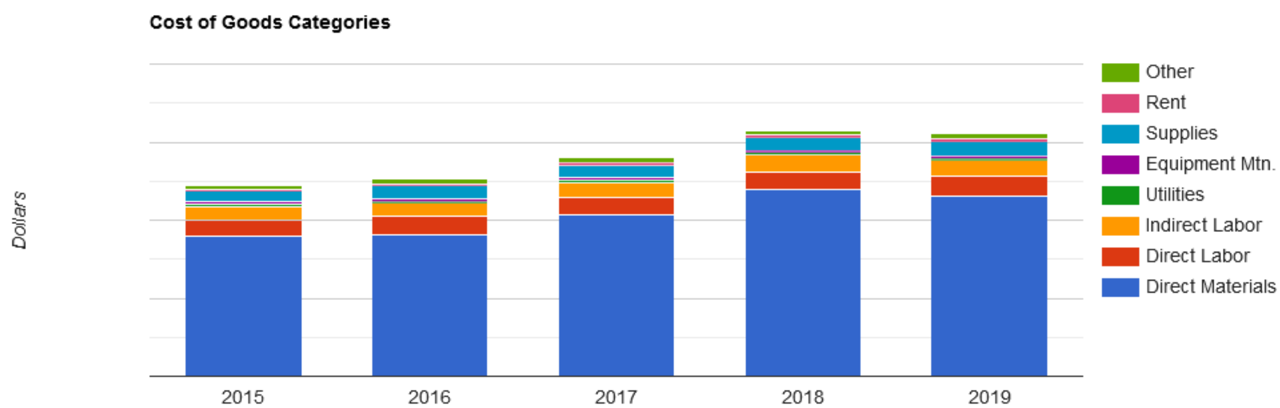
Fiscal Year Ended: December 31

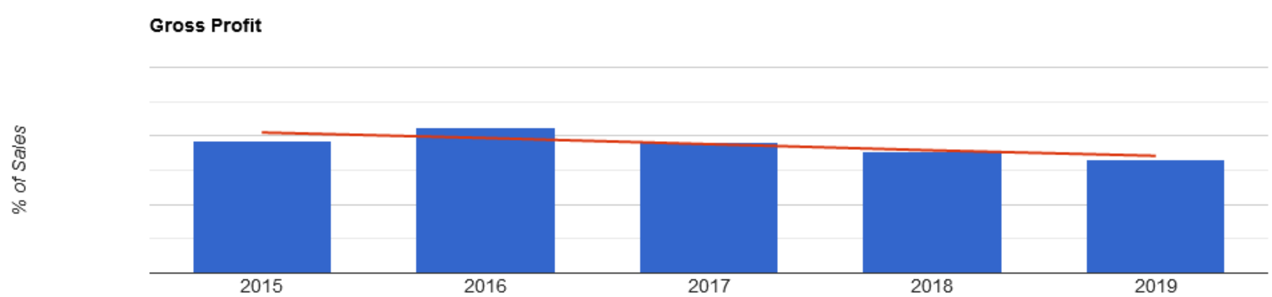
Income Statement Summary

(% = Percentage of Total Sales)

Cost of Goods Sold Overview

	2015	%	2016	%	2017	%	2018	%	2019	%
1: Total Sales	**$15,101,716**	**100%**	**$16,015,924**	**100%**	**$17,313,256**	**100%**	**$19,120,922**	**100%**	**$18,645,888**	**100%**
	2015	%	2016	%	2017	%	2018	%	2019	%
2: Direct Materials	$8,997,482	59.6%	$9,096,254	56.8%	$10,314,702	59.6%	$11,950,459	62.5%	$11,514,570	61.8%
3: Direct Labor	$977,666	6.5%	$1,126,380	7.0%	$1,153,124	6.7%	$1,145,912	6.0%	$1,310,590	7.0%
4: Indirect Labor	$894,547	5.9%	$870,959	5.4%	$961,075	5.6%	$1,116,229	5.8%	$1,008,072	5.4%
5: Utilities	$113,328	0.8%	$117,389	0.7%	$130,233	0.8%	$130,946	0.7%	$135,342	0.7%
6: Equipment Mtn.	$178,522	1.2%	$149,643	0.9%	$160,462	0.9%	$138,077	0.7%	$143,762	0.8%
7: Supplies	$686,706	4.5%	$838,471	5.2%	$803,089	4.6%	$801,584	4.2%	$904,955	4.9%
8: Rent	$89,485	0.6%	$94,287	0.6%	$177,235	1.0%	$186,486	1.0%	$208,353	1.1%
9: Other	$266,783	1.8%	$315,280	2.0%	$302,887	1.7%	$264,311	1.4%	$318,629	1.7%
10: Cost of Goods Total	$12,204,519	80.8%	$12,608,663	78.7%	$14,002,807	80.9%	$15,734,004	82.3%	$15,544,273	83.4%
11: Total Gross Profit	**$2,897,197**	**19.2%**	**$3,407,261**	**21.3%**	**$3,310,449**	**19.1%**	**$3,386,918**	**17.7%**	**$3,101,615**	**16.6%**





National Converters, Inc.

Summary of Reviewed Financial Statements

Prepared by: Cathy Durham

Fiscal Year Ended: December 31

Income Statement Summary

(% = Percentage of Total Sales)

Operating Expenses Overview

	2015	%	2016	%	2017	%	2018	%	2019	%
1: Advertising	$42,542	0.3%	$31,373	0.2%	$29,886	0.2%	$29,766	0.2%	$28,404	0.2%
2: Direct Marketing	$18,985	0.1%	$35,993	0.2%	$57,327	0.3%	$55,666	0.3%	$25,433	0.1%
3: Sales Salaries	$683,359	4.5%	$674,972	4.2%	$659,962	3.8%	$574,192	3.0%	$409,991	2.2%
4: Auto	$28,360	0.2%	$49,704	0.3%	$37,752	0.2%	$39,233	0.2%	$33,800	0.2%
5: Travel	$6,947	0.0%	$9,109	0.1%	$367	0.0%	$5,201	0.0%	$924	0.0%
6: Meals & Entertainment	$29,390	0.2%	$3,549	0.0%	$25,599	0.1%	$6,265	0.0%	$3,246	0.0%
7: Administrative Salarie	$671,351	4.4%	$752,865	4.7%	$621,034	3.6%	$914,152	4.8%	$831,779	4.5%
8: Consulting	$19,561	0.1%	$59,071	0.4%	$16,281	0.1%	$22,030	0.1%	$11,690	0.1%
9: Professional Services	$31,263	0.2%	$29,983	0.2%	$33,731	0.2%	$26,962	0.1%	$29,109	0.2%
10: Telephone	$18,381	0.1%	$15,853	0.1%	$38,743	0.2%	$41,188	0.2%	$11,402	0.1%
11: Office Supplies	$21,800	0.1%	$20,832	0.1%	$29,930	0.2%	$37,673	0.2%	$19,785	0.1%
12: Postage	$4,598	0.0%	$4,202	0.0%	$4,058	0.0%	$3,416	0.0%	$4,005	0.0%
13: Subscriptions	$29,898	0.2%	$28,839	0.2%	$29,832	0.2%	$31,445	0.2%	$29,440	0.2%
14: Seminars & Education	$4,474	0.0%	$1,137	0.0%	$1,562	0.0%	$1,679	0.0%	$1,644	0.0%
15: Charitable Contrib.	$49,655	0.3%	$50,245	0.3%	$72,835	0.4%	$69,500	0.4%	$14,400	0.1%
16: Depreciation & Amort	$290,035	1.9%	$345,779	2.2%	$383,730	2.2%	$404,224	2.1%	$395,227	2.1%
17: Total Operating Expenses	**$1,950,599**	**12.9%**	**$2,113,506**	**13.2%**	**$2,042,629**	**11.8%**	**$2,262,592**	**11.8%**	**$1,850,279**	**9.9%**
18: Operating Income/(Loss)	$946,598	6.3%	$1,293,755	8.1%	$1,267,820	7.3%	$1,124,326	5.9%	$1,251,336	6.7%

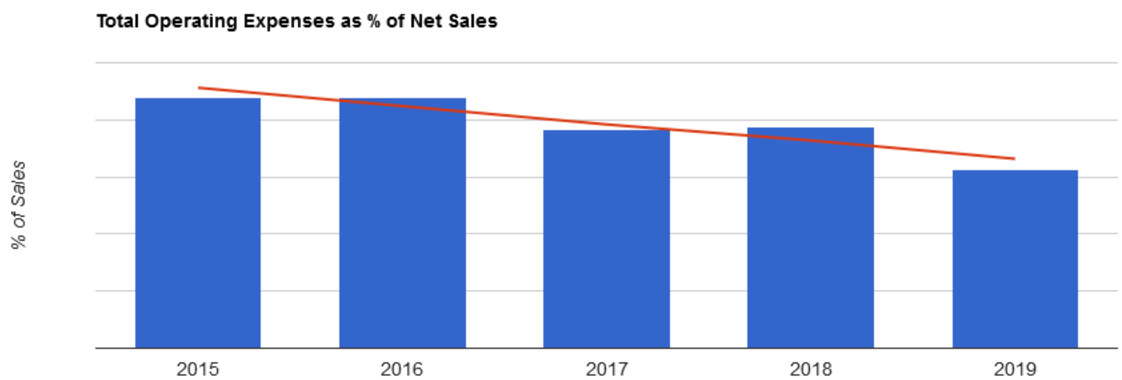
National Converters, Inc.

Summary of Reviewed Financial Statements

Prepared by: Cathy Durham

Fiscal Year Ended: December 31

Income Statement Summary



Other Income or (Expense)

	2015	%	2016	%	2017	%	2018	%	2019	%
1: Miscellaneous Inc/Exp.	$6,648	0.0%	$2,036	0.0%	($5,837)	0.0%	($2,659)	0.0%	($278)	0.0%
2: Gain/Loss on Disposal	($6,054)	0.0%	$0	0.0%	$6,104	0.0%	$19,878	0.1%	$0	0.0%
3: Non Controlling Int.	$0	0.0%	$0	0.0%	$0	0.0%	$0	0.0%	$0	0.0%
4: **Total Other Income/(Exp)**	**$594**	**0.0%**	**$2,036**	**0.0%**	**$267**	**0.0%**	**$17,219**	**0.1%**	**($278)**	**0.0%**

EBIT

	2015	%	2016	%	2017	%	2018	%	2019	%
5: EBIT	$947,192	6.3%	$1,295,791	8.1%	$1,268,087	7.3%	$1,141,545	6.0%	$1,251,058	6.7%
6: Depreciation	$290,035	1.9%	$345,779	2.2%	$383,730	2.2%	$404,224	2.1%	$395,227	2.1%
7: EBITDA	$1,237,227	8.2%	$1,641,570	10.2%	$1,651,817	9.5%	$1,545,769	8.1%	$1,646,285	8.8%

Interest Expense

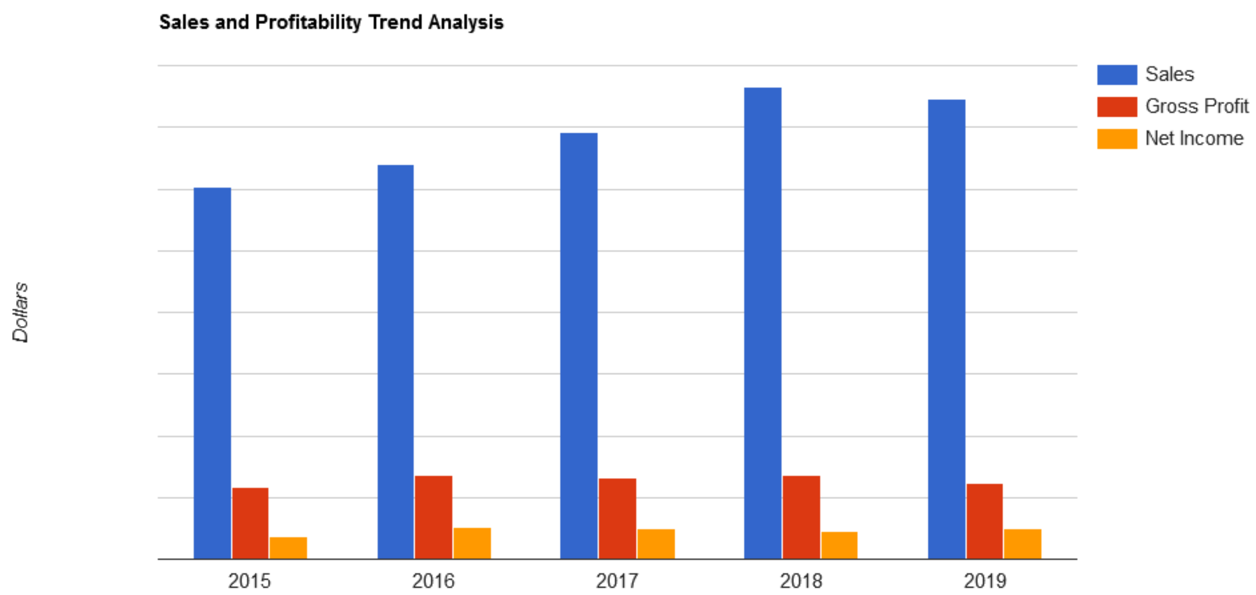
	2015	%	2016	%	2017	%	2018	%	2019	%
8: Interest Expense	($16,744)	-0.1%	($9,223)	-0.1%	($3,034)	0.0%	($4,398)	0.0%	($5,443)	0.0%
9: Pre-Tax Income (Loss)	$947,192	6.3%	$1,295,791	8.1%	$1,268,087	7.3%	$1,141,545	6.0%	$1,251,058	6.7%
10: Income Taxes	$0	0.0%	$0	0.0%	$0	0.0%	$0	0.0%	$0	0.0%
11: Rounding Adjustment	$1	0.0%	$0	0.0%	$0	0.0%	$0	0.0%	$0	0.0%
12: Net Income (Loss)	**$930,449**	**6.2%**	**$1,286,568**	**8.0%**	**$1,265,053**	**7.3%**	**$1,137,147**	**5.9%**	**$1,245,615**	**6.7%**

National Converters, Inc.

Summary of Reviewed Financial Statements

Prepared by: Cathy Durham

Fiscal Year Ended: December 31



National Converters, Inc.

Summary of Reviewed Financial Statements

Prepared by: Cathy Durham

Fiscal Year Ended: December 31

Balance Sheet Summary

(% = Percentage of Total Assets)

Current Assets

	2015	%	2016	%	2017	%	2018	%	2019	%
1: Cash & Cash Equivalents	$310,137	7.0%	$552,208	11.6%	$913,989	16.1%	$799,562	13.3%	$2,161,882	34.8%
2: Accounts Receivable	$1,386,564	31.5%	$1,394,655	29.2%	$1,535,027	27.0%	$1,721,783	28.7%	$1,307,825	21.1%
3: Total Inventory	$980,847	22.3%	$987,655	20.7%	$1,200,078	21.1%	$1,405,451	23.4%	$896,583	14.4%
4: Prepaid Expenses	$0	0.0%	$0	0.0%	$0	0.0%	$1,362	0.0%	$0	0.0%
5: Total Current Assets	**$2,677,548**	**60.9%**	**$2,934,518**	**61.5%**	**$3,649,094**	**64.2%**	**$3,928,158**	**65.5%**	**$4,366,290**	**70.3%**

Fixed Assets

	2015	%	2016	%	2017	%	2018	%	2019	%
6: Net Depreciable Assets	$1,721,718	39.1%	$1,836,393	38.5%	$2,032,900	35.8%	$2,069,729	34.5%	$1,844,915	29.7%
7: Fixed Assets SubTotal	$1,721,718	39.1%	$1,836,393	38.5%	$2,032,900	35.8%	$2,069,729	34.5%	$1,844,915	29.7%
8: Accum Deprec & Amort	$0	0.0%	$0	0.0%	$0	0.0%	$0	0.0%	$0	0.0%
9: Net Deprec. Assets	$1,721,718	39.1%	$1,836,393	38.5%	$2,032,900	35.8%	$2,069,729	34.5%	$1,844,915	29.7%
10: Land	$0	0.0%	$0	0.0%	$0	0.0%	$0	0.0%	$0	0.0%
11: Construction in Process	$0	0.0%	$0	0.0%	$0	0.0%	$0	0.0%	$0	0.0%
12: Total Fixed Assets	**$1,721,718**	**39.1%**	**$1,836,393**	**38.5%**	**$2,032,900**	**35.8%**	**$2,069,729**	**34.5%**	**$1,844,915**	**29.7%**

Long-Term Assets

	2015	%	2016	%	2017	%	2018	%	2019	%
13: Total Long-Term Assets	**$0**	**0.0%**	**$0**	**0.0%**	**$0**	**0.0%**	**$0**	**0.0%**	**$0**	**0.0%**
14: Total Assets	**$4,399,266**	**100%**	**$4,770,911**	**100%**	**$5,681,994**	**100%**	**$5,997,887**	**100%**	**$6,211,205**	**100%**

National Converters, Inc.

Summary of Reviewed Financial Statements

Prepared by: Cathy Durham

Fiscal Year Ended: December 31

Balance Sheet Summary

(% = Percentage of Total Assets)

Current Liabilities

	2015	%	2016	%	2017	%	2018	%	2019	%
1: Line of Credit	$174,992	4.0%	$0	0.0%	$0	0.0%	$0	0.0%	$0	0.0%
2: Current Portion of LTD	$116,079	2.6%	$25,716	0.5%	$26,840	0.5%	$58,040	1.0%	$51,253	0.8%
3: Accounts Payable	$836,355	19.0%	$822,561	17.2%	$1,184,732	20.9%	$1,071,015	17.9%	$783,374	12.6%
4: Accrued Expenses	$198,598	4.5%	$250,791	5.3%	$259,477	4.6%	$296,085	4.9%	$287,905	4.6%
5: Accrued Distributions	$115,310	2.6%	$265,000	5.6%	$190,000	3.3%	$0	0.0%	$0	0.0%
6: Total Current Liabilities	**$1,441,334**	**32.8%**	**$1,364,068**	**28.6%**	**$1,661,049**	**29.2%**	**$1,425,140**	**23.8%**	**$1,122,532**	**18.1%**

Long-Term Liabilities

	2015	%	2016	%	2017	%	2018	%	2019	%
7: Long Term Debt	$477,978	10.9%	$52,595	1.1%	$127,681	2.2%	$184,781	3.1%	$127,909	2.1%
8: Total Long-Term Debt	**$477,978**	**10.9%**	**$52,595**	**1.1%**	**$127,681**	**2.2%**	**$184,781**	**3.1%**	**$127,909**	**2.1%**
9: Less Current Portion	($116,079)	-2.6%	($25,716)	-0.5%	($26,840)	-0.5%	($58,040)	-1.0%	($51,253)	-0.8%
10: Net Long-Term Debt	$361,899	8.2%	$26,879	0.6%	$100,841	1.8%	$126,741	2.1%	$76,656	1.2%

Other Liabilities

	2015	%	2016	%	2017	%	2018	%	2019	%
11: Total Other Liab	**$0**	**0.0%**	**$0**	**0.0%**	**$0**	**0.0%**	**$0**	**0.0%**	**$0**	**0.0%**
12: Total Liabilities	**$1,803,233**	**41.0%**	**$1,390,947**	**29.2%**	**$1,761,890**	**31.0%**	**$1,551,881**	**25.9%**	**$1,199,188**	**19.3%**

National Converters, Inc.

Summary of Reviewed Financial Statements

Prepared by: Cathy Durham

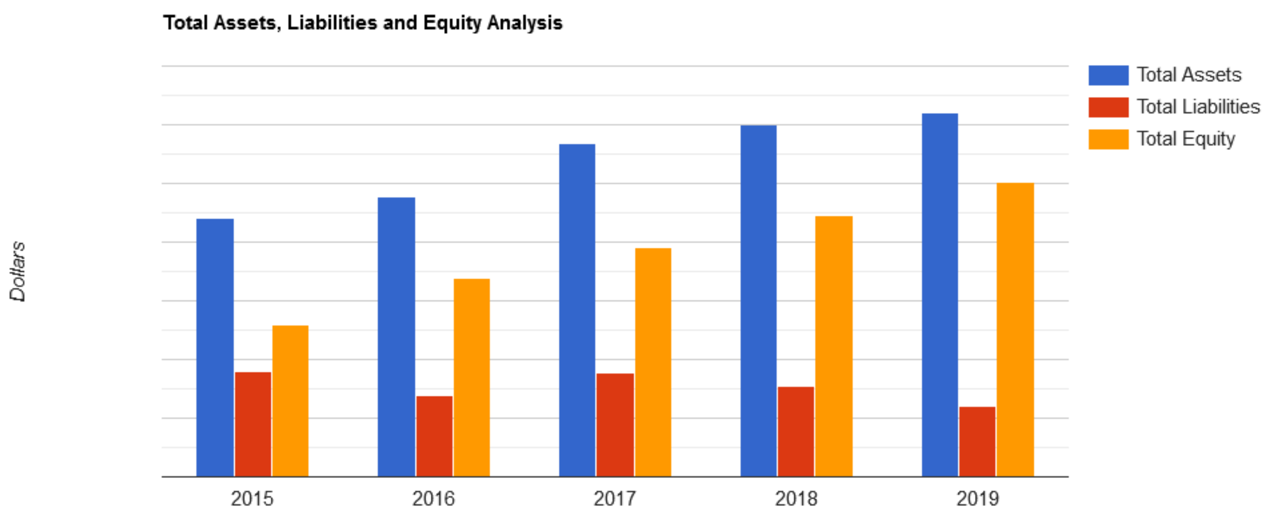
Fiscal Year Ended: December 31

Balance Sheet Summary

(% = Percentage of Total Assets)

Equity Overview

	2015	%	2016	%	2017	%	2018	%	2019	%
1: Beginning Retained	$2,371,623	53.9%	$2,596,033	54.4%	$3,379,964	59.5%	$3,920,104	65.4%	$4,446,006	71.6%
2: Net Income (Loss)	$930,449	21.2%	$1,286,568	27.0%	$1,265,053	22.3%	$1,137,147	19.0%	$1,245,615	20.1%
3: Distributions	($706,039)	-16.0%	($502,637)	-10.5%	($724,913)	-12.8%	($611,245)	-10.2%	($679,604)	-10.9%
4:	$0	0.0%	$0	0.0%	$0	0.0%	$0	0.0%	$0	0.0%
5: Ending Retained Earn	$2,596,033	59.0%	$3,379,964	70.8%	$3,920,104	69.0%	$4,446,006	74.1%	$5,012,017	80.7%
6: Total Equity	**$2,596,033**	**59.0%**	**$3,379,964**	**70.8%**	**$3,920,104**	**69.0%**	**$4,446,006**	**74.1%**	**$5,012,017**	**80.7%**
7: Total Liab & Equity	**$4,399,266**	**100%**	**$4,770,911**	**100%**	**$5,681,994**	**100%**	**$5,997,887**	**100%**	**$6,211,205**	**100%**



National Converters, Inc.

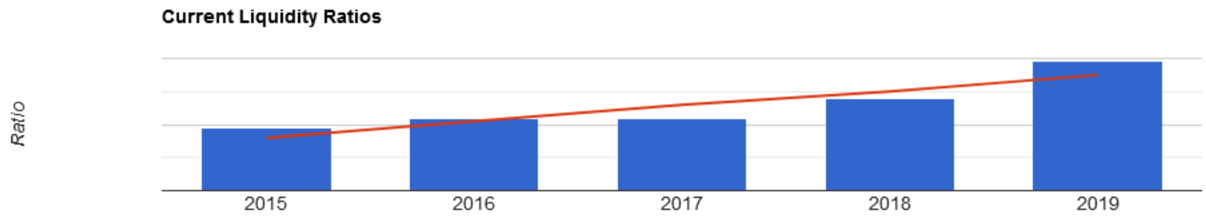
Summary of Reviewed Financial Statements

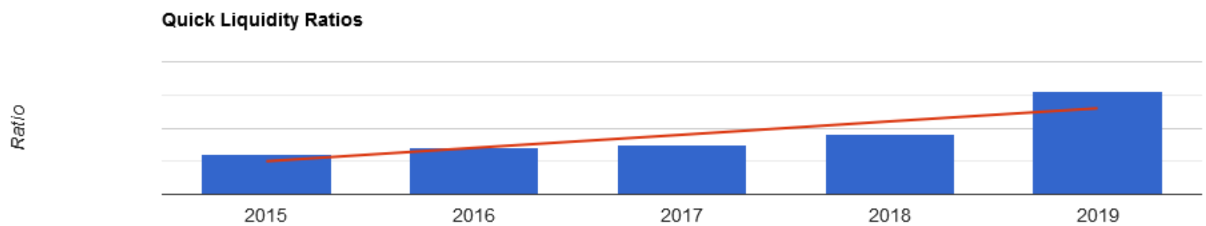
Prepared by: Cathy Durham

Fiscal Year Ended: December 31

Liquidity Ratios

	2015	2016	2017	2018	2019	PEER 1st	PEER 2nd
1: Current Ratio	1.9	2.2	2.2	2.8	3.9	1.4	1.6
2: Quick Ratio	1.2	1.4	1.5	1.8	3.1	0.8	0.7





WHAT ARE LIQUIDITY RATIOS?

Liquidity, or how easy it is to convert assets to cash, is important in evaluating a company's financial position. Liquidity ratios attempt to measure a company's ability to pay off its short-term debt obligations. This is done by comparing a company's most liquid assets, those that can be easily converted to cash, with its short-term liabilities. In general, the greater the level of coverage of liquid assets to short-term liabilities the better. A company with a low coverage rate may signal that the company will have difficulty meeting its short-term financial obligations, and consequently, in running its day-to-day operations. During hard times for the business, a company with insufficient liquidity may be forced to take tough choices to meet their obligations. These could include liquidating productive assets, selling inventory or even a business segment. Liquidity ratios are based on different portions of the company's current assets and current liabilities taken from the company's balance sheet. There are two key liquidity ratios that we consider: the Current ratio and the Quick ratio.

Current Ratio

Formula: Current Assets / Current Liabilities

Quick Interpretation: Generally, a current ratio of 1.0 or greater is an indication that the company is well-positioned to cover its current or short-term liabilities. The higher the current ratio, the greater the cushion between current obligations and a company's ability to pay them.

Quick Ratio

Formula: Cash & Equivalents + Trade Receivables / Total Current Liabilities

Quick Interpretation: Generally, a quick ratio greater than 1.0 means that a company is sufficiently able to meet its short-term obligations.

National Converters, Inc.

Summary of Reviewed Financial Statements

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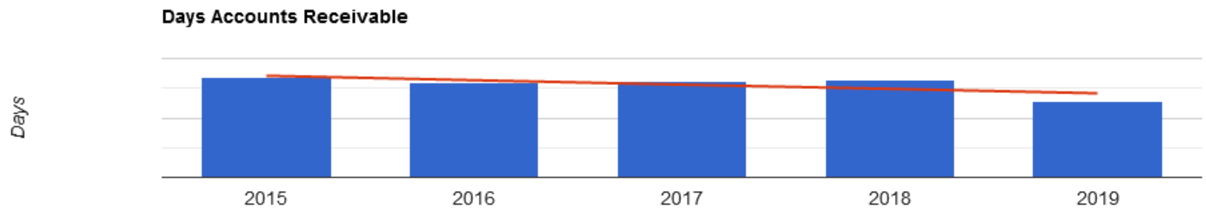
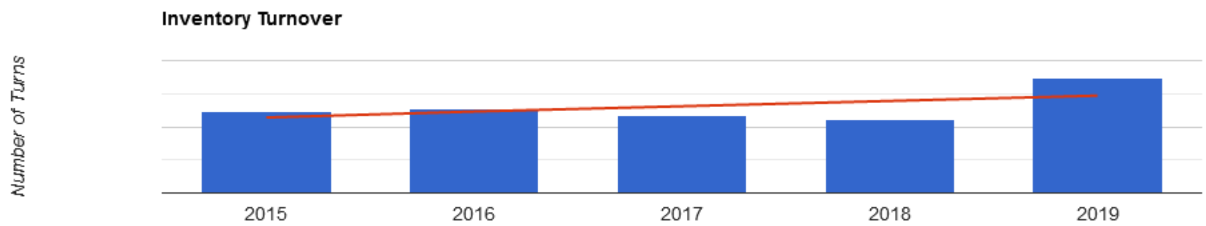
Fiscal Year Ended: December 31

Activity Ratios

	2015	2016	2017	2018	2019	PEER 1st	PEER 2nd
1: Days Accounts Receivable	33.5	31.8	32.4	32.9	25.6	41.4	37.6
2: Inventory Turnover	12.4	12.8	11.7	11.2	17.3	8.8	6.5





WHAT ARE ACTIVITY RATIOS?

Activity ratios help us evaluate the company's liquidity, or how quickly certain key assets can be turned into cash. How liquid, for example, are the Accounts Receivable and Inventory? In addition, these ratios are an indication of how efficiently the company's management is utilizing its assets. Activity ratios are most useful when compared to competitor or industry to establish whether a company's processes are favorable or unfavorable. Activity ratios can form a basis of comparison across multiple years to determine changes over time. There are two key activity ratios we consider: Days of Sales Outstanding (Receivables Turnover) and Inventory Turnover ratio.

Days of Sales Outstanding

Formula: Accounts Receivable / Net Sales. This represents the number of Accounts Receivable turns in a year. Divide this number by 365 days to determine the number of days sales outstanding for the company.

Quick Interpretation: The lower the number of days or the faster the turnover, the more credence the current ratio and the quick ratio have in the financial analysis. Generally, the time allowed for payment by the company's selling terms should not be exceeded by more than 10 or 15 days.

Inventory Turnover

Formula: Cost of Goods Sold / Inventory

Quick Interpretation: Generally, the higher the inventory turnover, the better the enterprise is performing. It is possible, however, that the company may be losing sales due to lack of sufficient inventory. A low turnover indicates weak sales; therefore, excess inventory. A high ratio implies either strong sales and/or large discounts. How does the company compare to its peers? How does it compare to previous years?

National Converters, Inc.

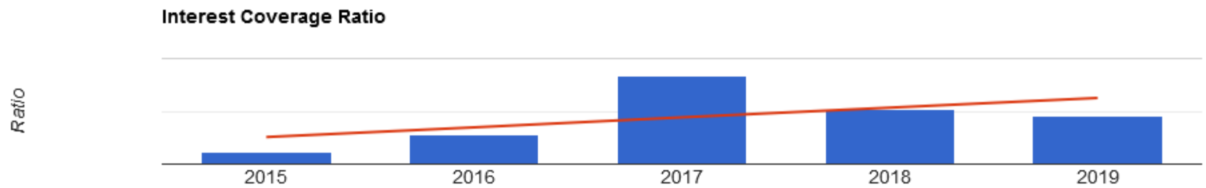
Summary of Reviewed Financial Statements

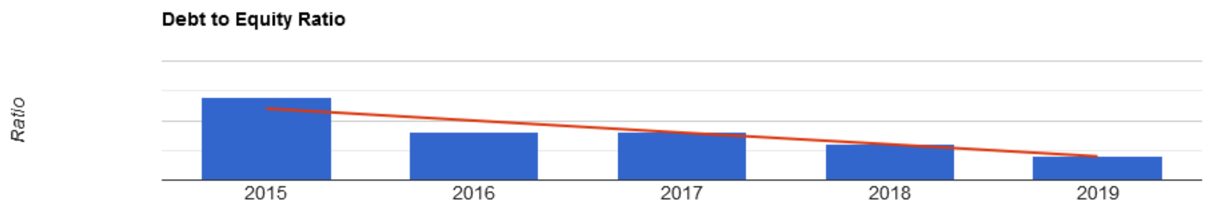
Prepared by: Cathy Durham

Fiscal Year Ended: December 31

Leverage Ratios

	2015	2016	2017	2018	2019	PEER 1st	PEER 2nd
1: Interest Coverage	56.6	140.5	418.0	259.6	229.8	5.4	4.3
2: Debt to Equity	0.7	0.4	0.4	0.3	0.2	2.1	1.2





WHAT ARE LEVERAGE RATIOS?

Leverage ratios are also called financial leverage ratios or debt ratios. These ratios measure the ability of the business to meet its long-term debt obligations, such as the principal and interest payments on debt, as well as other fixed obligations such as lease payments. Long-term debt is defined as obligations to repay with a maturity of more than one year. These ratios compare the overall long-term debt of a company to its equity. These financial leverage ratios help us understand or measure the amount of risk in the company's capital structure.

Interest Coverage Ratio

Formula: EBIT (Earnings Before Interest and Taxes) / Interest Expense

Quick Interpretation: Generally, the lower a company's interest coverage ratio is, the more its debt expenses burden the company. If a company's interest coverage ratio is 1.5 or lower, its ability to meet interest expenses may be questionable. 1.5 is generally considered to be a minimum acceptable ratio for a company. A coverage ratio of 1.5 or below prompts lends to refuse to lend as the company's risks for default may be perceived to be too high. An interest coverage ratio below 1.0 indicates the company is not generating sufficient revenues to pay its interest expenses.

Debt to Equity Ratio

Formula: Total Liabilities/Stockholders' Equity

Quick Interpretation:This ratio is a long-term solvency ratio that indicates the soundness of long-term financial policies of a company. It shows the relation between the portion of assets financed by creditors and the portion of assets financed by stockholders. A ratio of 1:1 means that creditors and stockholders equally contribute to the assets of the business. A less than 1 ratio indicates that the portion of assets provided by stockholders is greater than the portion of assets provided by creditors. A greater than 1 ratio indicates that the portion of assets provided by creditors is greater than the portion of assets provided by stockholders. Alternatively, stockholders like to get benefit from the funds provided by creditors and would therefore like a high debt to equity ratio. Debt equity ratios vary from industry to industry—a ratio that is ideal for one industry may be considered less than ideal for another industry. A ratio of 1:1 is normally considered satisfactory for most companies.

National Converters, Inc.

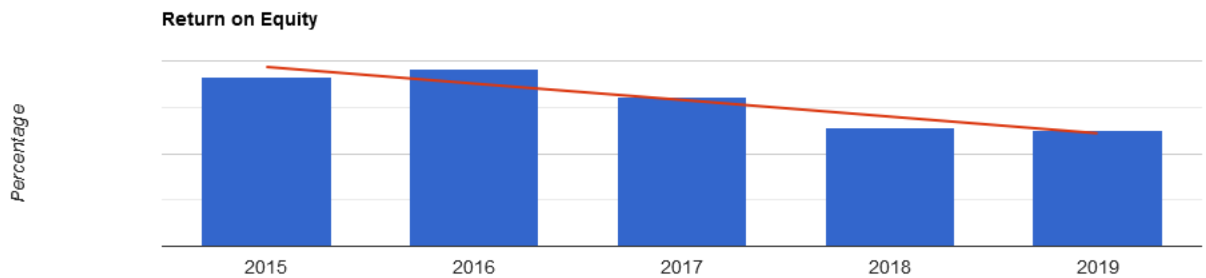
Summary of Reviewed Financial Statements

Prepared by: Cathy Durham

Fiscal Year Ended: December 31

Profitability Ratios

	2015	2016	2017	2018	2019	PEER 1st	PEER 2nd
1: Return on Equity	36.5%	38.3%	32.3%	25.7%	25.0%	28.2%	14.6%



WHAT ARE PROFITABILTY RATIOS?
Profitability metrics provide a way to assess a business's ability to generate earnings compared to its expenses and other relevant costs during a specific time period (in this case, annually). The key profitability metric we consider is the Return on Equity ratio.

Return on Equity
Formula: Pre-Tax Income / Shareholders' or Members' Equity and Multiply by 100 to convert to a percent.

Quick Interpretation: Compare the company's Return on Equity over time and more importantly, compare to the company's specific industry. Generally, the higher the number the better.

Return on Equity is a ratio that concerns a company's equity holders the most, since it measures their ability of earning a return on their equity investment.

Primary Industry Code: 56191 - Packaging & Labeling Services

Secondary Industry Code: 32229b - Paper Product Mfg.

National Converters, Inc.

Summary of Reviewed Financial Statements

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Fiscal Year Ended: December 31

Every closely held business is unique and requires considering a number of variables, both quantitative and qualitative to arrive at a meaningful conclusion of value. Many variables such as a company's years in business, employee turnover and culture, customer concentration, dependency on key people, just to name a few, are nowhere in the company's financial information. This is why multiples of a number on the income statement DO NOT equal the value of a business.

The BTA+Valuation captures the story of the company's historical trends as well as the quantitative and qualitative factors that need to be considered to arrive at a reliable conclusion of value.

Based on the quantitative and qualitative factors entered, the value of 100% of the equity in National Converters, Inc. is:

BTA+Valuation Conclusion: $6,757,227

National Converters, Inc.

Summary of Reviewed Financial Statements

Prepared by: Cathy Durham

Fiscal Year Ended: December 31

Interpreting The Value Conclusion: Key Assumptions

Value is based on future expected cash flows and the risk of achieving those cash flows.

1. **This is a Conservative Conclusion of Value:** This model is based on the Company's most recent year's financial performance and projects long-term inflationary future growth of 2% each year, for both revenues and expenses. There is NO consideration for real growth beyond inflation. If this company has future annual growth expectations above inflation or other expected changes in the future, this value conclusion is not reflecting those expectations or changes. If growth or change in future revenues or expenses is expected to be greater than inflation, a detailed discounted cash flow analysis that incorporates this future business plan is needed to reflect the fair market value of the equity of the company. Please contact us for more information—608-257-2757.

2. **Discount for Calculating Present Value:** Future cash flows are discounted by a rate that includes the unique risks and opportunities of investing in this specific business. This rate also includes the general risk of the market and industry.

3. **Taxes:** A combined Federal and State C Corporation income tax rate of 25% was assumed. Even if the company is a pass-through entity, the BTA+V assumes the cash flow needed for taxes will be distributed by the company to the equity holders.

4. **Capital Expenditures:** Future capital expenditures are assumed to remain steady based on historical reported depreciation and are included in this valuation.

5. **Working Capital:** The cash flows needed for funding future working capital are included in this valuation.

6. **Interest Bearing Debt:** This value conclusion represents the value of 100% of the Company's equity after subtracting 100% of the interest-bearing debt from the Company's enterprise value.

7. **Contingent Liabilities:** This value conclusion assumes no pending legal or environmental issues exist or any other contingent liabilities.

8. **Discount for Lack of Liquidity (Marketability)** is included and applies to all closely held businesses. This is a percentage deducted from the value of an ownership interest to reflect the relative inability to quickly sell the business.

9. **This Conclusion of Value Represents 100% Ownership:** This conclusion can be applied pro rata to any majority equity interest of 51% or more. Whereas, the valuation of a minority interest (50% or below) is not simply a pro rata percentage of this value conclusion. A minority equity interest has higher discounts for lack of marketability and possibly lesser future expected cash flows. A business valuation specific to a minority equity interest is needed to arrive at a meaningful conclusion of value.

May 2019

56191 - Packaging & Labeling Services in the US

IBISWorld
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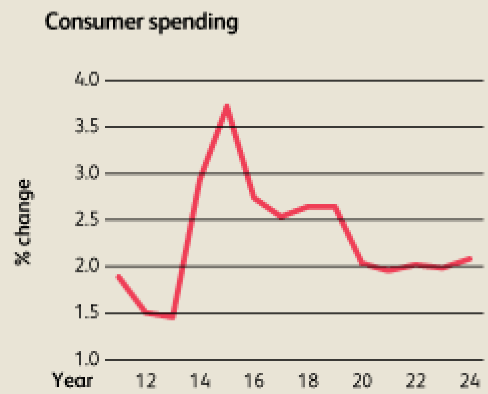
Key Statistics Snapshot

Revenue	Annual Growth 14–19	Annual Growth 19–24
$10.3bn	5.0%	2.4%
Profit	**Wages**	**Businesses**
$802.7m	$2.3bn	10,068

Market Share

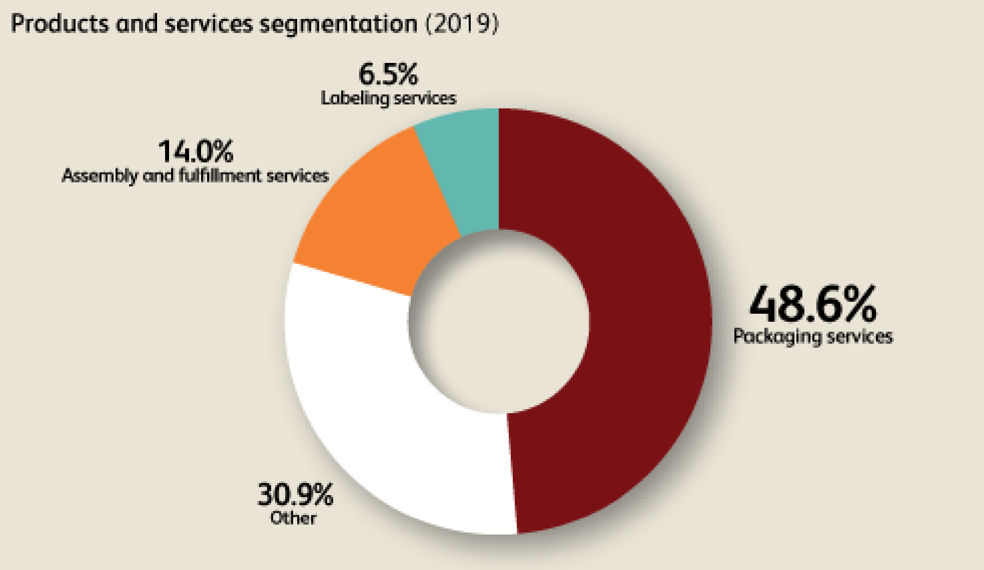
There are no major players in this industry



SOURCE: WWW.IBISWORLD.COM

Key External Drivers

- Consumer spending
- E-commerce sales
- Corporate profit
- Demand from cosmetic and beauty products manufacturing
- Demand from generic pharmaceutical manufacturing
- Demand from snack food production

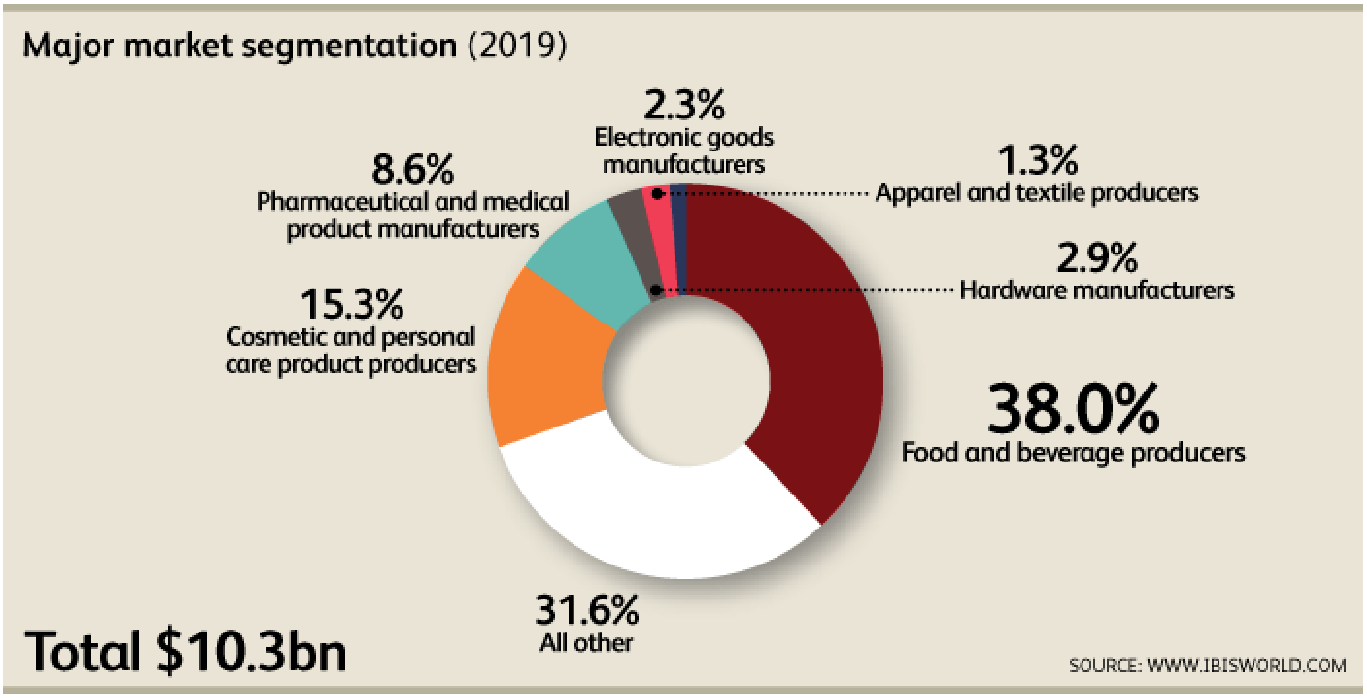


Industry Structure

Life Cycle Stage	Mature	Regulation Level	Medium
Revenue Volatility	Medium	Technology Change	Medium
Capital Intensity	Low	Barriers to Entry	Low
Industry Assistance	Low	Industry Globalization	Low
Concentration Level	Low	Competition Level	High

Industry Benchmarks

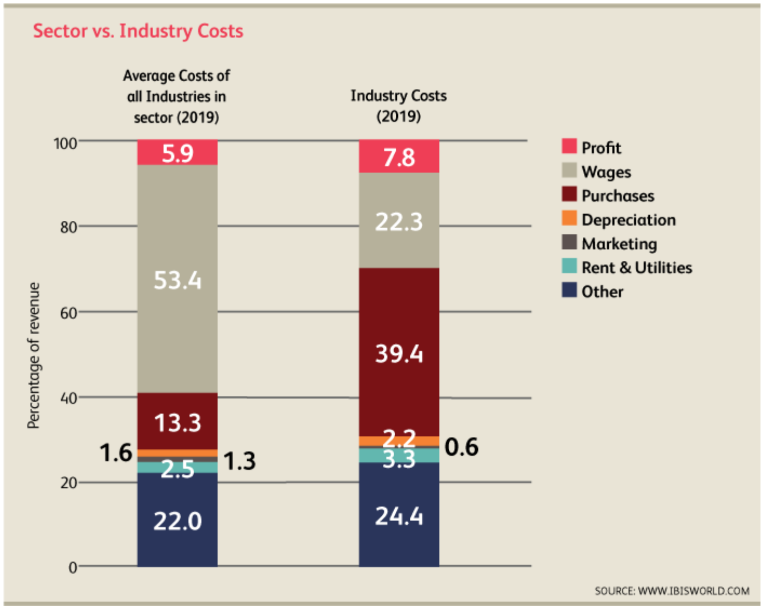
Major Markets



This chart shows the size of the markets that buy the industry's products or use its services.

It is based on the proportion of revenue each buying segment contributes to total industry revenue.

Cost Structure



This chart represents the latest cost structure of the industry. It shows the proportion of revenue each cost item absorbs, with the remainder representing profit.

The comparison to all other industries in the sector provides a benchmark that shows how the industry differs from its peers.

Industry Performance

Performance Summary

Revenue for the Packaging and Labeling Services industry generally fluctuates in line with consumer spending trends, as industry operators earn most of their revenue from contract package and labeling services provided to fast-moving consumer goods (FMCG) and pharmaceutical product manufacturers. Industry companies primarily package and label customer goods, adding value for clients through efficiency gains. Accordingly, improved consumer spending over the five years to 2019 has supported industry growth. As US consumption has risen, manufacturers have expanded production, thereby increasing the number of products that need to be packaged and thus increasing demand for industry services. Overall, industry revenue is anticipated to increase an annualized 5.0% to $10.3 billion over the five years to 2019. In 2019 alone, revenue is expected to increase 3.4%.

Economic growth during the five-year period, particularly in the form of increased consumer spending, has driven industry revenue and profit growth. The unemployment rate declined significantly, putting upward pressure on wages and per capita disposable income. This drove increased consumer spending during the period, driving discretionary consumer purchases of FMCG. Manufacturers responded with increased production, and industry operators gained more business as a result. Concurrently, packaging requirements for medical and pharmaceutical goods have become more stringent, raising demand for industry services from clients lacking the appropriate capabilities to perform such tasks in-house. Demand for industry services has also grown from e-commerce retailers that require dimensionally efficient packaging that simultaneously portrays their brand to consumers during unboxing.

Over the five years to 2024, IBISWorld anticipates that the industry will continue growing, albeit at a slower pace than it has over the past five years. During the coming five-year period, industry revenue is expected to increase an annualized 2.4% to $11.6 billion. Growth in the number of adults aged 65 and older is expected to drive growth for pharmaceutical products. Meanwhile, as implementation of the Drug Supply Chain Security Act (DSCSA) continues, this will drive demand for industry services as pharmaceutical manufacturers seek to become more operationally efficient in light of already-increasing costs. Consumer spending and e-commerce sales are also expected to continue driving growth.

Industry Issues

THREAT

This industry prepares, blends, compounds and packages cosmetics and other beauty products. Cosmetic and beauty product manufacturers might choose to outsource the packaging and labeling process to industry operators. As a result, an increase in the manufacturing of such products increases demand for industry services. In 2019, demand from cosmetic and beauty product manufacturing is expected to decrease slightly, presenting a potential threat to the industry.

OPPORTUNITY

E-commerce sales represent a growing segment of total retail sales. In general, higher reliance on e-commerce tends to reduce the number of physical locations that companies maintain as they seek to compete for higher-margin online sales. As a result, these companies are more likely to outsource packaging and labeling services. In 2019, e-commerce sales are expected to increase, representing a potential opportunity for the industry.

Call Preparation Questions

Role Specific Questions

Role: Sales & Marketing

Does your company specialize in a niche service or bundle its services to attract clients?

- Several industry operators may only work in the medical and pharmaceutical space while others cater their services to a wide variety of product manufacturers.

How do you market your services to potential clients? Is there a heavy reliance on long-term contracts or repeat clients?

- The majority of operators rely on a few clients for a large portion of revenue. Therefore, they rely on these as repeat clients or suffer significant losses in revenue, increasing volatility.

Role: Strategy & Operations

Does your business need to be located near key consumer or client markets?

- Distribution of industry establishments generally follows the distribution of manufacturing establishments, since industry operators that locate themselves near clients gain advantages in transportation costs.

Does your company target a particular market segment or provide for a broad range of markets?

- Some companies will target really specific markets while others cater to a wide variety.

Role: Technology

Have you been able to reduce costs through automation?

- Some industry operators purchase the latest technology and equipment to optimize operations and improve costs.

Does your business use web-based systems for customer bookings or orders?

- By providing convenient platforms for customers to place orders or receive customer support, an operator may be able to differentiate itself. Reputation and quality of service are a primary basis for competition.

Role: Compliance

How does your company ensure the health and safety of its employees?

- Health and safety laws differ depending on the location of an operator and also may differ depending on the type of markets they service.

Do regulations pertinent to your business vary from state to state?

- Several regulations such as the Food Safety Modernization Act and the Drug Quality and Security act are at the federal levels. However, the implementation of these, as well as other regulations, vary from state to state.

Role: Finance

How frequently does your company purchase new equipment?

- Some companies focus on having the latest technology while that may not be as central to the strategy of another company.

How dependent is your company on borrowed finances?

- For high investment purchases such as new equipment and facility space. This likely increases for company's that are expanding or acquiring other companies.

External Impact Questions

Issue: Corporate profit

How have fluctuations in corporate profit affected your business in the past? How much of your business comes from corporations?

- As profit increases, businesses are more likely to purchase industry services to fulfill their packaging needs.

Issue: Consumer spending

How much of your revenue comes from the packaging and labeling of retail products? How does consumer spending affect demand?

- Higher consumer spending directly affects the number of goods that manufacturers need to package to sell. Industry operators act as a key cog in the supply chain between manufacturers and consumers.

Issue: E-commerce sales

How do you plan to take advantage of an increase in e-commerce sales? What custom packaging design services do you offer?

- In general, higher reliance on e-commerce tends to reduce the amount of physical locations that companies maintain as they seek to compete for higher-margin online sales. As a result, these companies are more likely to outsource packaging and labeling services.

Internal Issues Questions

Issue: Access to multiskilled and flexible workforce

Do you have a guaranteed reserve of contracted staff on call? How difficult is it to attract and retain a reserve of contractors?

- Companies in the industry need to have a multiskilled labor force capable of highly specialized tasks.

Issue: Ability to change which market the company operates in

How many clients does your company have? What are the costs of servicing a range of clients?

- Successful industry operators will be flexible and able to offer services to clients across various industries.

Issue: Effective cost controls

What measures do you have in place to reduce operational costs? Are you considering any new cost-saving measures?

- Successful industry operators must manage costs to maximize their generally small profit margins.