

Note: Below are extracts from an article published by Radio Teilifís Eireann (RTE) (12th September 2023) as referenced below.



Smurfit Kappa, WestRock to combine to create \$20 billion packaging giant.

The deal which creates the world's largest paper and packaging entity, is expected to close in the second half of 2024 and will yield a financial benefit for shareholders. It is anticipated to result in significant cost savings in its first year of operation.

According to RTE's website (2023), "WestRock stockholders will get one new Smurfit WestRock share and \$5 in cash for each share they hold, which works out to \$43.51 per share. Smurfit Kappa shareholders will receive one new Smurfit WestRock share for each share they hold." The article gives us an insight into the scale of the merger and where it will be headquartered:

The combined entity will be named Smurfit WestRock and domiciled in Ireland. Smurfit Kappa and WestRock have agreed to combine, the companies said today, to create one of the world's largest paper and packaging producers worth nearly \$20 billion.

The companies' combined adjusted revenue was about \$34 billion for the year ended June 30. This would make the new company, called Smurfit WestRock, the largest listed global packaging partner by revenue, the statement from the companies said. WestRock stockholders will get one new Smurfit WestRock share and \$5 in cash for each share they hold, which works out to \$43.51 per share. Smurfit Kappa shareholders will receive one new Smurfit WestRock share for each share they hold.

They are expected to own around 50.4% of the new company following completion of the deal, expected in the second quarter of 2024. Ireland-based Smurfit had said last week that it was in talks with US-based WestRock. Smurfit WestRock will be domiciled in Ireland with its global headquarters in Dublin. Its North and South American operations would be headquartered in Atlanta, Georgia.

Smurfit, which operates in 22 European countries and 13 in South, Central and North America, is Europe's largest paper and packaging producer. WestRock is the second-largest packaging company in the US. Smurfit WestRock will be led by Tony Smurfit as CEO and Irial Finan as Chairman.

Under the terms of the deal, Smurfit Kappa will delist from Euronext Dublin and the merged entity will be listed on the New York Stock Exchange as well as its standard listing on the London Stock Exchange. The companies said the deal delivers attractive returns for shareholders of both companies. It is expected to be high single digit accretive to Smurfit Kappa's earnings per share by the end of the first full year following completion. The combined entity would have around 100,000 employees. It could log pre-tax cost savings of more than \$400m on an annual run-rate basis at the end of the first year following the completion of the deal.

RTE (2023) goes on to report how challenging post-pandemic market conditions resulted in a decline in profits this year at Smurfit Kappa and how, in contrast, WestRock outperformed its forecasts for Q3:

Smurfit Kappa has benefited from a boom in demand for packaging goods and e-commerce during Covid-19 lockdowns, but suffered a setback when economies reopened and producers started cutting back packaging stocks. Last month it reported a fall in first-half core profit as it struggled to offset a year-on-year decline in volumes.

WestRock beat Wall Street expectations for third-quarter profit and said it remained focused on streamlining its portfolio and further reducing costs.

This web article (RTE 2023) provides some detail on the key personalities in both companies and how they feel this deal positions the new merged entity on the global stage:

Tony Smurfit, CEO of Smurfit Kappa, said this incredibly exciting coming together of two great companies is a defining moment within the global packaging industry. "Smurfit WestRock will be the 'Go-To' packaging partner of choice for customers, employees and shareholders," the CEO said. "We will have the leading assets, a unique global footprint in both paper and corrugated, a superb consumer and specialty packaging business, significant synergies, and enhanced scale to deliver value in the short, medium and long term," he added.

David Sewell, CEO of WestRock, said the company was looking forward to working with Smurfit Kappa to build a leading global platform that harnesses the strength of WestRock's consumer portfolio, presents a truly comprehensive offering of packaging solutions for customers and delivers meaningful value to shareholders today and into the future. "Smurfit Kappa shares our deep commitment to innovation across the packaging lifecycle, and we are confident that Smurfit WestRock will continue to lead the industry forward," he said.

Irish law firm McCann FitzGerald LLP worked with US law firms Cravath, Swaine & Moore LLP and Paul, Weiss, Rifkind, Wharton & Garrison LLP on advising WestRock on the agreed merger with Smurfit Kappa. Meanwhile, Matheson advised Smurfit Kappa on the deal with WestRock, led by partners based in the company's Dublin and New York offices.

References

RTE (2023) *Smurfit Kappa, WestRock to combine to create \$20 billion packaging giant*. Available at: <https://www.rte.ie/news/business/2023/0912/1404784-smurfit-kappa-westrock-to-merge/> (Accessed 12 September 2023).

