



Oaklins

Verticalization strategy: Brazilian tissue producer bought by global cellulose giant

DEAL FLASH | CONSUMER & RETAIL | JULY 2023

DEAL SNAPSHOT

OL Papéis, one of the largest Brazilian producers of tissue and diaper products, with a strong presence in the northeast region of the country, has been sold to Bracell, a global leader in the production of dissolving pulp and specialty cellulose, and part of the RGE Group.

Founded in 2007, OL Papéis is one of the biggest producers of tissues and diapers in Brazil, and the second largest in the northeast region. The company is headquartered in Feira de Santana, Bahia, and operates three state-of-the-art plants, two in Bahia and one in Pernambuco. OL Papéis' annual paper production capacity is over 50,000 tonnes. It operates 11 tissue conversion lines and three diaper production lines. Its brand portfolio includes five toilet paper brands, five kitchen paper brands and one diaper brand. The company is present in 19 states, with a portfolio of approximately 100 SKUs and sells to approximately 7,000 clients in the food retail and cash & carry segments.

Bracell is a global producer of dissolving pulp and specialty cellulose, with two main mill operations in the states of Bahia and São Paulo, Brazil. Additionally, Bracell has a management office in Singapore and sales offices in Asia, Europe and the US. In early 2022, Bracell announced its commitment to build a tissue mill located next to its pulp mill in Lençóis Paulista, São Paulo, with investments exceeding US\$500 million. The plant will operate at a total capacity of 240,000 tonnes per year and is expected to begin operations in 2024.

Bracell is part of the RGE Group, a global company that manages a group of resource-based manufacturing companies. Its work ranges from the upstream, comprising sustainable resource development and harvesting, to downstream, where the companies create diverse value-added products for the global market. RGE was founded in 1973 as RGM. The assets held by RGE companies today exceed US\$30 billion, and it has more than 60,000 employees and operations in Indonesia, China, Brazil, Spain and Canada.

“The difficult decision to sell the company was shared with the professional and dedicated team at Oaklins Fortezza Partners. We felt that on our side of the table we not only had an advisor but also a fourth shareholder, willing to maximize the company’s valuation and defend our positions. We highly recommend Oaklins Fortezza to business owners who are thinking of starting an M&A process.”

VALDECIR BECHEL
SHAREHOLDER
OL PAPÉIS
BRAZIL

OAKLINS WAS INSTRUMENTAL IN FACILITATING THIS DEAL

Oaklins Fortezza Partners in Brazil acted as the exclusive financial advisor to OL Papéis' shareholders in this transaction.



M&A VALUATION ASPECTS

Valuation aspects are sensitive and confidential. However, please see the table below for information regarding some previous public transactions in this sector:

Date	Target	Buyer	Transaction value (US\$m)*	EV/ Revenue	EV/ EBITDA
Nov-21	Carta Fabril	CMPC	323.7	1.7x	8.1x
Oct-21	Euro Cosmetic	Fine Foods & Pharmaceuticals	47.89	1.3x	8.4x
Sep-21	Labomar	Joh Berenger	11.35	4.1x	31.3x
Sep-21	Australian Pharmaceutical	Sigma Healthcare	910.91	0.3x	9.4x
Dec-20	Asaleo Care	Essity Group	559.31	2.1x	10.1x
Dec-20	Leicester Tissue	Accrol Group	63.06	1.5x	9.3x
Oct-20	Flexicotton	DNA Capital	30.55	2.3x	11.6x
Sep-20	Softex	Kimberly Clark	1,299.21	2.9x	-
Feb-20	Santher	Daio Paper e Marubeni	609.81	1.9x	16.6x
Aug-19	SEPAC	CMPC	265.51	1.9x	-
Aug-19	Drylock	Sofina	134.49	-	-
Dec-17	Facepa	Suzano	63.17	0.9x	5.3x
Jun-17	Wang-Zheng Berhad	Hengan	13.73	0.4x	7.2x
Jan-17	Lysoform	SC Johnson	9.69	-	-
Dec-16	Active, Falcon Distribuição	Ontex Brasil	203.81	0.8x	-
Dec-16	Exopsis	SC Johnson	-	-	-
Oct-15	Wassau	SCA America	538.6	1.91x	13.01x
Avg.				1.7x	11.8x
Median				1.8x	9.4x

*Rate: US\$1=BRL 4.90 Source: Company press release, Capital IQ, TTR and market research

MARKET TRENDS & DEAL DRIVERS

The Brazilian tissue industry has been going through a consolidation process in the last five years with most of the local, family-owned businesses being acquired by multinationals. Acquisitions have been mostly led by large pulp and paper producers who are looking to verticalize their operations, bring more value-added products to their P&L and stabilize margins when the commodity price fluctuates.

Most of the family-owned tissue businesses are still limited to regional areas in Brazil, and the quickest and most effective expansion plan for a multinational looking to have a nationwide presence is to acquire a well-established business with recognized local product brands and a client base.

TALK TO OUR ADVISORS



✉ **DANIEL GILDIN**

Partner
Brazil
T: +55 11 4502-4463



✉ **PRISCILA ROSAS**

Partner
Brazil
T: +55 11 98163-9522



✉ **DENIS MORANTE**

Managing Partner
Brazil
T: +55 11 4502-4463

Daniel has led transactions in several sectors, such as industrials, technology, healthcare, education, retail, marketing and distribution. Some notable transactions he has been involved in include the sale of Nadir Figueiredo, the largest Brazilian glass tableware producer, to HIG Capital; the capital raise for Gran Curso Online, a prominent edtech company in Brazil, from BTG Pactual; and the sale of Fit Sistemas, a tax compliance software company, to Sovos.

Priscila has over 14 years' experience in M&A and private equity placements and has led transactions in several sectors such as consumer, healthcare and services. Some notable transactions she has led include the sale of a majority stake in Topico, the largest Brazilian player in the flexible infrastructure segment for storage and coverage, to Southern Cross Group; and the sale of Centro Serviços, a facility service provider and leader in hospital cleaning in Brazil, to the French group Onet.

Denis has extensive M&A experience, having been involved in transactions in Brazil, both domestic and cross-border, since 1997. He has led transactions in several sectors, such as industrials, healthcare, technology, energy, outsourced services, retail, marketing and distribution. Some notable transactions include the sale of RexturAdvance, the largest wholesaler of air tickets in Brazil, to CVC Turismo; and the sale of Boris Berenstein, an image diagnostics clinic, to DASA.

OAKLINS HAS CLOSED 695 DEALS IN CONSUMER & RETAIL

United by a strong belief that we can achieve the extraordinary. Oaklins is a global team of 850+ financial advisory professionals in 45 countries providing M&A, growth equity, ECM, debt advisory and corporate finance services to support entrepreneurs, corporates and investors in reaching their goals.

Oaklins

© 2023 Oaklins. All rights reserved.

Oaklins is the collective trade name of independent member firms affiliated with Oaklins International Inc. For details of the nature of affiliation, please refer to www.oaklins.com/legal.