

CASE-02 · PRIVATE EQUITY & M&A

Buying «NovaPack» at 11 times earnings: €340 million for sustainable packaging

A company growing 25% a year, in a sector driven by sustainability. The price is high — 11 times annual earnings — but «the trajectory justifies it».

THE JUDGMENT

11x → renegotiated

CALIBRATED CONFIDENCE

38%

SECTOR

Private Equity

76

Δ - CSI

EXECUTIVE VERDICT

You're not paying for 25% growth — you're paying for **one expiring contract**.

THE CALL

11x → renegotiated

CONFIDENCE

38%

IN ONE LINE

Over **€60M** of capital protected: momentary growth not paid for as if it were forever.

§ THE PROTAGONIST & THE CONTEXT

The partner responsible for the deal, with a mandate to close within the quarter and an investment committee that has already approved the thesis in principle.

A mid-market private equity fund with a five-year horizon. NovaPack operates in recycled-material packaging — a segment in strong regulatory and commercial expansion. The deal is competitive: a second bidder is ready to accelerate.

§ BACKGROUND

The sustainable packaging market has attracted significant capital over the past three years, driven by packaging regulations and pressure from large distributors on their supply chains. Sector companies trade at elevated multiples precisely because the market prices in structural growth. NovaPack reported a 25% CAGR over the past three fiscal years, with EBITDA margins at 18%. Quality of earnings, however, is rarely decomposed into its components: organic growth, acquisitions, one-off contracts. In a market where the green commodity risks being regulated like any other, margin differentiation is only as durable as the regulatory tailwind.

§ COUNTER-INTUITIVE SCENARIO

Remove **a single client** and the story changes. Much of that 25% comes from one large contract, expiring in 18 months, plus a one-off acquisition. Stripped of these two factors, real growth is around **9%**. And the «green» tailwind is already in the price: if a regulation turns recycled material into a commodity, margins compress just as you're paying 11 times.

IMPLICIT ASSUMPTIONS

- ◆ That 25% is real, repeatable growth, not a stroke of luck.
- ◆ Margins hold if recycled raw material gets more expensive.
- ◆ In five years someone will buy it back at the same price.

FALSIFICATION TESTS

- ◆ How much does it really grow without client number one?
- ◆ How much do the top three clients weigh on revenue, and when do the contracts expire?
- ◆ If raw material costs rise 20%, what happens to margins?

QUESTIONS THAT RAISE THE BAR

- ◆ If that contract isn't renewed, what are the earnings worth — and how many times are we paying them?
- ◆ Of the last three years' growth, how much is real and how much is just more acquisitions?

CALIBRATED CONFIDENCE & PROVENANCE

that the 25% holds once the main client is removed

Provenance: confidential deal documents (data room) · quality-of-earnings review · comparable companies · red-team base.

Reported vs cleaned growth rate

ILLUSTRATIVE DATA

Reported CAGR (3 years)

25%

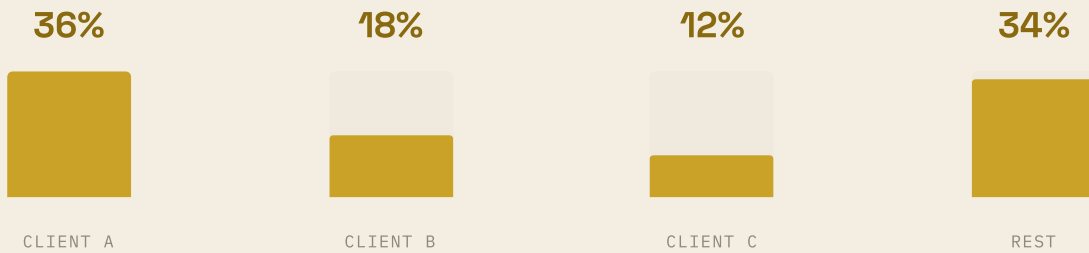
Cleaned organic growth

9%

Management-reported CAGR versus estimated recurring organic growth once the main contract and the acquisition are excluded (illustrative data).

Revenue concentration by client

ILLUSTRATIVE DATA



Percentage weight of the top three clients on total revenues — the main client alone accounts for over a third of turnover; its contract expires in 18 months (illustrative data).

OUTCOME

Price renegotiated from 11 to **9.2 times** earnings, with part of the payment tied to the renewal of the key contract: the risk goes back to the seller.

VALUE

Over **€60M** of capital protected: momentary growth not paid for as if it were forever.

METHODOLOGICAL NOTE — READ FIRST

Composite cases, in the method of the Harvard Business Review: reconstructions based on real, recurring situations in each sector, merged and anonymized to protect confidentiality. The decision dynamics are authentic; names, figures and details are altered and not traceable to any single client or case. The «provenance» notes describe the type of evidence the engine cites with traceability in production. The Δ-CSI values illustrate the intensity of the pressure the contradiction put on the assumptions.