

Ball Corp.

4Q Flash: In-line; S. Amer (+), most segs a touch lighter. '24 directional guide as exp.

Maintain Rating: UNDERPERFORM | PO: 59.00 USD | Price: 55.45 USD

Op. EPS \$0.78 vs. BofAe at \$0.81 and Street at \$0.75

We maintain our U/P rating on Ball Corp. (BALL), largely based on valuation. BALL reported 4Q operating EPS of \$0.78, slightly below our \$0.81 estimate but ahead of the Street at \$0.75. Global beverage can shipments were down -3.3% (excluding Russia). Meantime, the company mentioned -6.9% yy lower volumes in North and Central America (NCA), -7% yy volumes in EMEA (ex. Russia), and +2.2% yy growth in South America. Overall comparable operating income (including corporate) of \$425mn was \$2.8mn below our \$427.8mn estimate or -1c on EPS compared to our model. Meantime, slightly lower interest expense added 1c relative to our model and a higher tax rate deducted -4c. **Separately, BALL will present and attend an investor dinner at our Global Ag & Materials Conference, 2/28-2/29 (dinner 2/27). Please contact your BofA rep. for details.**

BALL EPS growth guide in '24, details to follow

As for guidance, BALL stated that it is positioned to grow EPS and generate strong free cash flow but did not provide any quantification around these comments. We'll inquire for further details on the call, but initial commentary does not suggest the company is guiding towards its long-term EPS growth goal of 10-15%. That said, we understand why Ball would be conservative at this juncture, given the headwinds it has needed to contend with in recent periods. Our 2024 EPS estimate is \$3.15 and the Street is \$3.10 which would equate to 9% and 7% growth, respectively. Regionally, BALL mentioned that it expects sequential volume improvement in NCA after 1Q given the anniversary of the customer disruption combined with incremental contracted volume growth – again, our sense is most investors and analysts are expecting a weaker 1Q and it will be the details and post-quarter forecast refinements that drive the shares. Meantime, in South America the company noted that customer initiatives to increase aluminum packaging are expected to continue in 2024. We also expect further questioning on this topic on the call, but the company mentioned that it continues to serve customers in Argentina despite the devaluation in the country's currency (BALL recorded a \$22mn devaluation charge in the quarter).

South Am. Good, other segs a touch light v. our f'casts

Ball NCA comparable operating earnings were \$156mn which was \$1.9mn below our \$157.9mn forecast. As noted above, volumes for the segment were down -6.9% which was better than our estimate of -8.5%. Beverage Packaging EMEA was \$5.3mn below our model (-1c on EPS) and volumes were down -7% in 4Q (excluding Russia) which compares to our -4% estimate. BALL's South America segment was \$15.6mn above (+4c on EPS) our estimate at \$125mn (vs. our \$109.4mn estimate), and volumes were up 2.2% (compared to our 15% estimate). Aerospace was also slightly below our \$61.2mn forecast at \$59mn (-1c on EPS) and backlog stood at \$2.98bn while won not booked was \$5.9bn. Lastly, non-reportable (including corporate costs) was ~\$9mn below our estimate (-2c on EPS), with 6.6% growth in aluminum bottles and aerosol.

01 February 2024

Equity

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Stock Data

Price	55.45 USD
Price Objective	59.00 USD
Date Established	2-Jan-2024
Investment Opinion	B-3-7
52-Week Range	42.81 USD - 62.14 USD
Mrkt Val (mn) / Shares Out (mn)	17,594 USD / 317.3
Free Float	99.4%
Average Daily Value (mn)	88.16 USD
BofA Ticker / Exchange	BALL / NYS
Bloomberg / Reuters	BALL US / BALLN
ROE (2023E)	24.6%
Net Dbt to Eqty (Dec-2022A)	238.2%
ESGMeter™	High

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Timestamp: 01 February 2024 07:48AM EST

Price objective basis & risk

Ball Corp. (BALL)

Our \$61 price objective is based on a three-part valuation approach, which takes: (1) a 18-19x 2024E P/E multiple, (2) a 14x 2024E EV/EBITDA multiple and (3) our intrinsic free cash flow (FCF) valuation, which assumes \$1.2bn of normalized FCF, 11% cost of equity and a 3% growth rate. Multiple ranges are higher vs. past valuation levels given packaging group valuations and the growth trajectory offered by the beverage can market.

Downside risks to our PO are (1) increasing operational challenges from new capacity onboarding, (2) potentially increased competition arising from new entrants, (3) BALL's ability to realize benefits from prior capital spending (e.g., new capacity, custom cans, productivity, etc.), (4) input cost volatility including energy cost volatility in Europe, (5) overseas/emerging market risks (for example, currency), (6) demand trends in beverages, including the risks to overall valuation, demand and pricing should growth slow, (7) seasonal-weighting of full-year earnings to the key 2Q/3Q period, (8) potential governmental policy and regulatory changes in the US and elsewhere, (9) increasing risk from Russia and South America.

And, as with most packaging companies, there are numerous macro risks and other risks around volumes, pricing, input costs and other factors that could negatively affect fundamental and stock price performance. Similarly should these factors prove more constructive than expected, BALL's performance/PO could exceed our forecasts.

Analyst Certification

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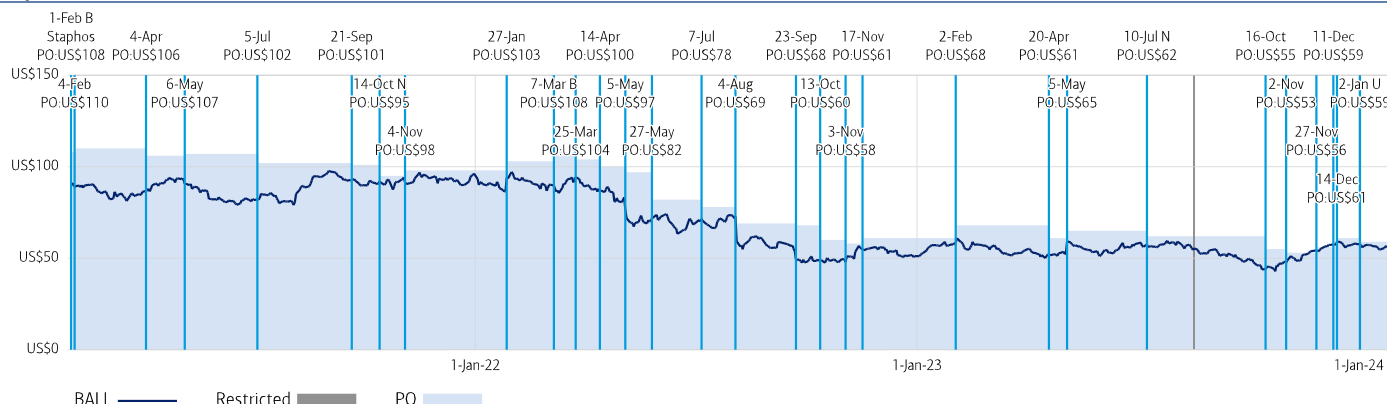
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Disclosures

Important Disclosures

Ball Corp (BALL) Price Chart



BALL — Restricted PO

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	14	60.87%	Buy	10	71.43%
Hold	6	26.09%	Hold	5	83.33%
Sell	3	13.04%	Sell	2	66.67%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

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Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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