

## Crown Holdings Inc.

# Post 4Q, CCK looks undervalued. Expect increased investor interest

Reiterate Rating: BUY | PO: 89.00 USD | Price: 76.92 USD

## Sell-off post 4Q drives attractive val'n, investor interest

Given Crown's (CCK) recent 4Q results and commentary regarding its non-beverage can segments, we thought it was a good time to review these businesses and our approach to valuation. Recall, 4Q results and commentary were somewhat disappointing and led to a sell-off. CCK looks undervalued, and this could allow for increased investor interest in the stock over time and how Crown can further improve performance, portfolio, etc..

## Transit packaging - doing relatively well

CCK's largest non-beverage can business is Transit Packaging (19% of total revenue) which produces automation, equipment, tools, industrial products, and protective solutions. CCK purchased this business (Signode) from Carlyle in 2018 for \$3.91bn (or 10.2x adj. EBITDA) with the rationale being that it was a high-quality business at an attractive financial profile with both immediate and long-term benefits to CCK. True, the business has good cash generation (i.e. ~12.5% of sales on average since 2019), but post-transaction leverage (at ~5x) and the fact that Crown wasn't an obvious strategic owner for this asset impacted the shares at the time. While Transit still doesn't obviously fit with a largely beverage-can oriented company, its performance has been reasonable in recent periods. Interestingly, it was Crown's "other" non-beverage units - Aerosol, Machinery, Tinplate - that performed less well in 4Q and impacted the 2024 guide, as did unabsorbed fixed costs in European Beverage.

## What's Transit worth, what's Crown worth?

CCK should trade at \$89/share based on our analyses, including our sum-of-the-parts (SOTP) work. We lower our PO to \$89 from \$93 in this report as we discuss below. Covid, supply-chain disruptions, and other factors, have kept Transit EBIT in place over time. Demand in 2024 is expected to remain challenged given a softer industrial backdrop, but recent cost-reduction efforts should allow earnings to grow modestly y/y. Nonetheless, we do think this is a fairly good business. Considering its margin and return profile, we believe it should trade at a 20% discount to peers, or about 12x EV/FCF and 10x EV/EBITDA. See inside for additional analysis.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	6.75	5.86	5.90	6.50	7.05
GAAP EPS	5.99	3.76	4.89	5.46	5.98
EPS Change (YoY)	-11.9%	-13.2%	0.7%	10.2%	8.5%
Consensus EPS (Bloomberg)			5.98	6.77	7.60
DPS	0.88	0.88	0.88	0.88	0.88
Valuation (Dec)					
P/E	11.4x	13.1x	13.0x	11.8x	10.9x
GAAP P/E	12.8x	20.5x	15.7x	14.1x	12.9x
Dividend Yield	1.1%	1.1%	1.1%	1.1%	1.1%
EV / EBITDA*	9.7x	9.0x	9.1x	8.7x	8.5x
Free Cash Flow Yield*	-0.4%	7.2%	8.0%	9.3%	8.4%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 9.

26 February 2024

### Equity

#### Key Changes

(US\$)	Previous	Current
Price Obj.	93.00	89.00

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### Stock Data

Price	76.92 USD
Price Objective	89.00 USD
Date Established	26-Feb-2024
Investment Opinion	B-1-7
52-Week Range	69.61 USD - 96.35 USD
Mrkt Val (mn) / Shares Out (mn)	9,193 USD / 119.5
Free Float	99.1%
Average Daily Value (mn)	109.28 USD
BofA Ticker / Exchange	CCK / NYS
Bloomberg / Reuters	CCK US / CCK.N
ROE (2024E)	24.4%
Net Dbt to Eqty (Dec-2023A)	227.5%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "[BofA ESGMeter Methodology](#)".

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Timestamp: 26 February 2024 01:08AM EST

# iQprofile<sup>SM</sup> Crown Holdings Inc.

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	9.8%	9.2%	9.1%	9.5%	9.7%
Return on Equity	43.6%	30.8%	24.4%	23.7%	23.0%
Operating Margin	9.9%	11.5%	11.2%	11.8%	11.8%
Free Cash Flow	(36)	660	740	854	769

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.0x	2.1x	1.8x	1.8x	1.6x
Asset Replacement Ratio	1.8x	1.6x	1.0x	1.0x	1.0x
Tax Rate	23.0%	27.9%	25.0%	24.9%	24.9%
Net Debt-to-Equity Ratio	347.6%	227.5%	195.6%	171.0%	150.4%
Interest Cover	4.5x	3.2x	3.0x	3.2x	3.4x

## Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	12,943	12,010	12,156	12,483	12,819
% Change	8.7%	-7.2%	1.2%	2.7%	2.7%
Gross Profit	2,300	2,464	2,431	2,497	2,564
% Change	-6.5%	7.1%	-1.3%	2.7%	2.7%
EBITDA	1,744	1,882	1,850	1,952	1,993
% Change	-2.5%	7.9%	-1.7%	5.5%	2.1%
Net Interest & Other Income	(280)	(474)	(437)	(457)	(444)
<b>Net Income (Adjusted)</b>	<b>820</b>	<b>701</b>	<b>700</b>	<b>751</b>	<b>794</b>
<b>% Change</b>	<b>-18.4%</b>	<b>-14.5%</b>	<b>-0.2%</b>	<b>7.3%</b>	<b>5.7%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	685	436	564	607	647
Depreciation & Amortization	460	499	484	484	484
Change in Working Capital	(562)	171	(44)	0	(50)
Deferred Taxation Charge	28	0	0	0	0
Other Adjustments, Net	192	347	236	263	188
Capital Expenditure	(839)	(793)	(500)	(500)	(500)
<b>Free Cash Flow</b>	<b>-36</b>	<b>660</b>	<b>740</b>	<b>854</b>	<b>769</b>
<b>% Change</b>	<b>NM</b>	<b>NM</b>	<b>12.1%</b>	<b>15.4%</b>	<b>-10.0%</b>
Share / Issue Repurchase	(722)	(12)	(500)	(500)	(500)
Cost of Dividends Paid	(100)	(126)	(110)	(150)	(150)
Change in Debt	(2,010)	(188)	(400)	(200)	(200)

## Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	550	1,310	1,135	1,238	1,257
Trade Receivables	1,843	1,719	1,940	1,950	2,000
Other Current Assets	2,266	1,804	1,951	1,991	1,991
Property, Plant & Equipment	4,540	5,062	5,078	5,094	5,110
Other Non-Current Assets	5,102	5,442	5,442	5,442	5,442
<b>Total Assets</b>	<b>14,301</b>	<b>15,337</b>	<b>15,546</b>	<b>15,715</b>	<b>15,800</b>
Short-Term Debt	185	775	775	775	775
Other Current Liabilities	3,747	3,426	3,750	3,800	3,800
Long-Term Debt	6,792	6,699	6,299	6,099	5,899
Other Non-Current Liabilities	1,728	1,727	1,786	1,845	1,825
<b>Total Liabilities</b>	<b>12,452</b>	<b>12,627</b>	<b>12,610</b>	<b>12,519</b>	<b>12,299</b>
<b>Total Equity</b>	<b>1,849</b>	<b>2,710</b>	<b>3,036</b>	<b>3,296</b>	<b>3,601</b>
<b>Total Equity &amp; Liabilities</b>	<b>14,301</b>	<b>15,337</b>	<b>15,646</b>	<b>15,815</b>	<b>15,900</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 9.

## Company Sector

Packaging

## Company Description

With revenues of \$12bn in 2023, Crown Holdings is a leading global supplier of metal packaging products (primarily beverage and food cans) to consumer products companies. CCK is organized as follows: Americas Beverage (40% of total sales), European Beverage (16%), Asia Pacific (12%), Transit Packaging (20%), and Non-Reportable segment (12%). CCK operates in 47 countries with over 26,000 employees.

## Investment Rationale

We rate CCK Buy given our view of its relative valuation, which we still view as attractive. While CCK's initial 2024 guidance was below BofA/Street estimates, the company should see modest growth in the Americas and Europe in 2024 while its North American aerosol and beverage can equipment businesses will be soft.

## Stock Data

Average Daily Volume 1,420,646

## Quarterly Earnings Estimates

	2023	2024
Q1	1.20A	0.92E
Q2	1.68A	1.51E
Q3	1.73A	1.84E
Q4	1.24A	1.63E

# Tough start to the year

## 4Q reporting met with a sell-off

We reiterate a Buy rating on CCK. Crown results and guidance were below our forecasts (we were below the Street) and CCK could have possibly considered a preannouncement. That said, we do view the shares as undervalued at 8.5x EBITDA and 12x earnings on 2024. In 4Q, CCK's aggregate results were below our estimates primarily given lower results in European Beverage, Transit Packaging, and Other which were collectively below our model by \$55mn. Meantime, results in Americas Beverage and Asia Pacific were ahead of our model by a combined ~\$50mn.

To be fair, CCK's beverage packaging businesses were not that far off our forecasts when aggregated, with Europe being the drag. As for guidance, CCK expects 2024 EPS of \$5.80-6.20 (which compared to our original estimate of \$6.35 and the Street at \$6.85) and we are now at \$5.90. Further, the company commented that it expects largely flat earnings in Americas, 2021-like levels of earning in Europe (which would represent an increase), income growth in Transit (2H weighted), and headwinds in Other from North American Aerosol and the can-making equipment business.

### Investors should reengage in CCK

Weakness in North American tinplate and machinery, 4Q catch-up accruals in European tinplate, moderate performance in Transit and continued headwinds and unabsorbed fixed costs in Europe led to ~\$15 or ~20% drop in the shares since reporting. In turn, such performance could encourage investors to reengage and review CCK's valuation, trends, and strategy. While it has "company" in this regard within the packaging sector, CCK is now underperforming the S&P500, after a period of outperformance.

#### Exhibit 1: CCK has underperformed the market in 2021, 2022, and 2023

CCK stock price 2014-2024



Source: BofA Global Research, FactSet

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# Reviewing the businesses

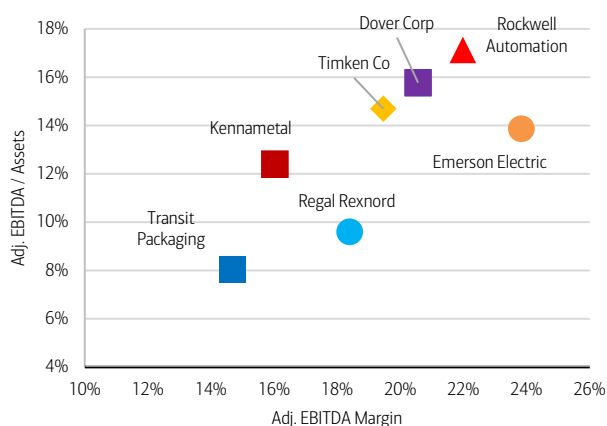
## Signode performance versus peers

Transit's EBIT has grown at a CAGR of 3.4% as the business was faced with a slowdown in global manufacturing activity in 2019 and Covid in 2020. Performance improved nicely in 2021 given the pass through of higher costs along with better volumes but 2022 EBIT was lower given a slowdown in demand, the divestiture of the Kiwiplan business, and steel inventory holding losses early in the year. Management implemented an overhead cost reduction program which helped bolster earnings in 2023 despite softer demand and we are forecasting for earnings to be up slightly in 2024 given these factors.

Given this backdrop and our review of peer performance, Transit has averaged lower returns on average versus its peer group. That said, we recognize that there is no perfect comparable peer in this case, but nonetheless returns are still lower than this group.

### Exhibit 2: On average since 2019, Transits margins and returns...

Average adj. EBITDA margin and adj. EBITDA / Assets (2019-2023)

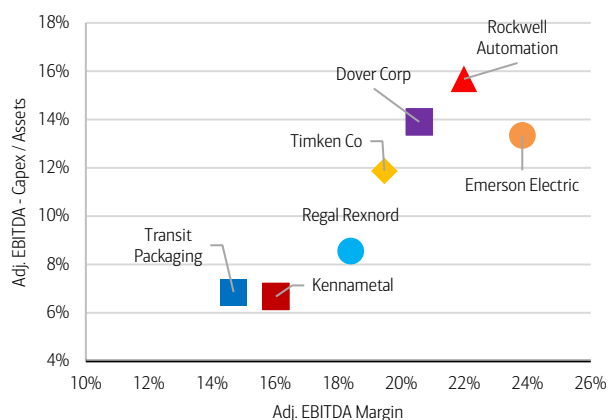


Source: Bloomberg, BofA Global Research

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### Exhibit 3: ...are lower than peers

Average adj. EBITDA margin and adj. EBITDA – Capex / Assets (2019-2023)



Source: Bloomberg, BofA Global Research

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As a result and upon review of current market multiples for these companies, we believe that Transit should trade at 10x EBITDA or a 20% discount versus the peers we show in Exhibit 4. While we don't have a perfect comparable for Transit, we have compiled a list of companies that we think share similar characteristics at a portfolio and fundamental level.

**Exhibit 4: Comparables for CCK's Transit Packaging business**

Given our review of historical performance and current valuations, we think Transit should trade near ~10x

Company	Market Cap.	Recent Price	Total Debt	Other LT-Liabs	Cash	Enterprise Value*	Reported EV/EBITDA				Reported EV/(EBITDA-Capex)			
							2022A	2023E	2024E	2025E	2022A	2023E	2024E	2025E
Timken Co	\$5,829	\$82.56	\$1,790	\$375	\$419	\$7,575	8.9x	7.6x	8.9x	8.2x	11.2x	9.3x	11.3x	10.4x
Kennametal	\$1,933	\$24.38	\$619	\$90	\$91	\$2,551	7.5x	7.8x	7.6x	7.0x	11.1x	11.3x	11.4x	9.7x
Regal Rexnord	\$10,080	\$152.04	\$6,381	\$1,243	\$574	\$17,130	15.1x	15.2x	11.8x	10.8x	16.3x	17.1x	12.8x	11.7x
Rockwell Automation	\$32,489	\$283.50	\$3,374	\$859	\$440	\$36,282	21.2x	18.1x	17.6x	17.2x	22.2x	20.2x	19.5x	19.4x
Emerson Electric	\$59,114	\$103.40	\$10,859	\$4,112	\$2,076	\$72,009	21.9x	18.0x	15.6x	14.8x	23.6x	19.9x	17.2x	16.2x
Dover Corp	\$22,395	\$160.08	\$3,460	\$813	\$399	\$26,269	14.5x	14.6x	13.8x	13.0x	16.5x	16.3x	15.1x	14.3x
<b>Average</b>	<b>\$131,840</b>		<b>\$26,484</b>	<b>\$7,491</b>	<b>\$3,998</b>	<b>\$161,817</b>	<b>14.8x</b>	<b>13.6x</b>	<b>12.5x</b>	<b>11.8x</b>	<b>16.8x</b>	<b>15.7x</b>	<b>14.6x</b>	<b>13.6x</b>
<b>Transit Packaging</b>						<b>\$3,780</b>	<b>11.7x</b>	<b>10.2x</b>	<b>10.0x</b>	<b>10.1x</b>	<b>14.7x</b>	<b>12.3x</b>	<b>12.0x</b>	<b>12.2x</b>

Company	Reported EBITDA				EBITDA - Capex				ROIC	
	2022A	2023E	2024E	2025E	2022A	2023E	2024E	2025E	2023E	2024E
Timken Co	\$856	\$999	\$854	\$921	\$677	\$811	\$669	\$730	21.0%	24.5%
Kennametal	\$340	\$326	\$335	\$365	\$230	\$225	\$224	\$264	18.5%	17.7%
Regal Rexnord	\$1,136	\$1,123	\$1,451	\$1,586	\$1,053	\$1,004	\$1,336	\$1,464	9.3%	9.2%
Rockwell Automation	\$1,712	\$2,002	\$2,064	\$2,115	\$1,632	\$1,798	\$1,861	\$1,870	25.5%	29.8%
Emerson Electric	\$3,295	\$3,996	\$4,625	\$4,865	\$3,053	\$3,615	\$4,186	\$4,457	9.3%	11.3%
Dover Corp	\$1,810	\$1,805	\$1,908	\$2,020	\$1,589	\$1,612	\$1,736	\$1,840	22.2%	22.1%
<b>Average</b>	<b>\$9,149</b>	<b>\$10,251</b>	<b>\$11,238</b>	<b>\$11,872</b>	<b>\$8,234</b>	<b>\$9,065</b>	<b>\$10,012</b>	<b>\$10,625</b>	<b>17.6%</b>	<b>19.1%</b>
<b>Transit Packaging</b>	<b>\$322</b>	<b>\$372</b>	<b>\$378</b>	<b>\$375</b>	<b>\$258</b>	<b>\$308</b>	<b>\$314</b>	<b>\$311</b>		

Source: Company reports, Bloomberg, BofA Global Research estimates

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**NA Tinplate and Equipment face '24 headwinds**

CCK's other non-beverage can businesses are reported in "Other" and these include the company's food and aerosol can and closures businesses in North America (or "Tinplate") as well as its beverage tooling and equipment operations. The combination of lower earnings in these businesses and Glass is ultimately expected to be a ~\$80mn headwind y/y.

While the company does not quantify the size of each underlying business, our research suggests that the equipment and aerosol businesses are down sharply in profits on an annualized basis, with the bulk of Other's \$120mn in EBIT residing in food cans. (While it is reported in Americas Beverage, the Glass container business is down sharply, too, and at a relatively similar magnitude to the drop in equipment and aerosol). The beverage can equipment business had decent performance over the past several years given the global capacity expansion in beverage can manufacturing, but growth slowed in 2023 after these projects were completed and equipment will remain pressured in 2024.

**Tinplate has had its issues, so needs to be watched**

Meantime, NA tinplate (food and aerosol) also showed good performance in 2020-2021 because of at-home food consumption throughout Covid. As a result, CCK also added a new food can facility in Dubuque, Iowa as well as additional lines at its Hanover, Pennsylvania plant, Owatonna, Minnesota facility, and most recently a pet food can line Dubuque. However, management expects Tinplate to remain somewhat pressured in 2024 given softer trends in aerosol given steel's relative pricing to other substrates. Additionally, our research suggests some customer mix issues relative to peers as well. Moreover, there have been past periods, either in Europe or North America, in which seemingly good trends in food cans were disrupted by weather, competitive entry, or other factors. CCK sees its North American food can businesses as well capitalized but we are not sure whether this business in aggregate fits with CCK's beverage packaging operations longer-term – and we see Signode/Transit as a better overall business.



## We see 2x (low) embedded multiple for Transit

### Overall, CCK should approach \$90/share

Based on our analysis of Transit relative to peer companies, we think it should trade for a ~20% discount or 10x (which is slightly higher than our prior 9x and about in-line with the multiple CCK purchased the business for). Further, given the outlook as well as comparables for the Other business, we think 7x is appropriate at this juncture. Given this and our current multiples for beverage cans (7-11x – Ball [BALL; Buy] trades at 13x and Ardagh [AMBP; Neutral] trades at 9x), our resulting sum-of-the-parts (SOTP) valuation is \$102/share. Given our review of peer and past company ranges, we lower our multiples slightly for the beverage can businesses in this report. To derive our price objective, we combine our SOTP value with a 15-16x P/E multiple and a FCF valuation which includes \$800mn of normalized FCF along with a 11% cost of equity and 2% growth rate. As such, our resulting PO is \$89 (which is down from a prior \$93).

Obviously, it's hard to know what the market is discounting across the segments and that would impact the implied Transit multiple. Ascribing a lower 8-9x multiple range for the beverage can businesses would lead to a 7x for Transit – no matter the valuation ascribed, CCK seems undervalued to us. See Exhibits 5-6 for our theoretical illustrations.

### Exhibit 5: CCK sum-of-the-parts based on current market price

Based on CCK's current share price, we believe the market is likely embedding these multiples

EV/EBITDA				
Segment	Target Multiples		2024E EBITDA	Midpoint Value
	Low	High		
Americas Beverage	11.0x	11.0x	\$988	\$10,871
European Beverage	7.0x	8.0x	\$285	\$2,136
Asia Pacific	9.0x	9.0x	\$213	\$1,913
Transit Packaging	2.0x	2.0x	\$378	\$756
Other	7.0x	7.0x	\$77	\$536
<b>20% Stake in European Tinplate</b>				<b>\$564</b>
<b>Total Value</b>				<b>\$16,776</b>
<b>Add: Cash</b>				<b>\$1,135</b>
<b>Less: Total Debt</b>				<b>(\$7,074)</b>
<b>Less: Total Other LT Liabilities &amp; Noncontrolling interests</b>				<b>(\$1,786)</b>
<b>Equity Value</b>				<b>\$9,051</b>
Shares				118.2
<b>Equity Value Per Share</b>				<b>\$77</b>

Source: BofA Global Research estimates

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Exhibit 6: BofA CCK sum-of-the-parts valuation methodology

We think Transit should trade closer to 10x

EV/EBITDA				
Segment	Target Multiples		2024E	Midpoint
	Low	High	EBITDA	Value
Americas Beverage	11.0x	11.0x	\$988	\$10,871
European Beverage	7.0x	8.0x	\$285	\$2,136
Asia Pacific	9.0x	9.0x	\$213	\$1,913
Transit Packaging	10.0x	10.0x	\$378	\$3,780
Other	7.0x	7.0x	\$77	\$536
20% Stake in European Tinplate				\$564
Total Value				\$19,800
Add: Cash				\$1,135
Less: Total Debt				(\$7,074)
Less: Total Other LT Liabilities & Noncontrolling interests				(\$1,786)
Equity Value				\$12,075
Shares				118.2
Equity Value Per Share				\$102

Source: BofA Global Research estimates

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Exhibit 7: Stocks mentioned

Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
BALL	BALL US	Ball Corp	US\$ 62.89	B-3-7
AMBP	AMBP US	Ardagh Metal Pkgg	US\$ 3.52	B-2-8

Source: BofA Global Research

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## Price objective basis & risk

### Crown Holdings Inc. (CCK)

We calculate our PO of \$89 by using our 2024 estimates and averaging the fair values derived from (1) a 15-16x '24E P/E multiple (adj. for asbestos), (2) a sum-of-the-parts (SOTP) valuation which values the Americas Beverage segment at 11x EBITDA, European Beverage at 7x, Asia Pacific at 9x, Transit Packaging at 10x and Other at 7x, (3) our intrinsic FCF valuation, which assumes \$800mn normalized FCF, a 11% cost of equity and a 2% growth rate.

Downside risks to our PO are (1) weather uncertainties during key seasonal periods in 2Q-3Q, (2) asbestos liabilities that could present a greater drain on cash flow than we currently expect, (3) FX translation, as the majority of sales are outside the US, (4) increasing investment, particularly in EM, (5) share loss to aseptic or plastic/flexible pkgg or other materials, particularly as regards its food can ops, (6) unfavorable demand trends in key food & beverage end markets, and the overall risks to valuation, demand and pricing should growth slow, (7) unfavorable volume and pricing trends, (8) potential governmental policy and regulatory changes in the US and elsewhere.

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 & stock price performance. Similarly should these factors prove more constructive than expected, CCK's performance/PO could exceed our forecasts.

## Analyst Certification

I, George L. Staphos, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### US - Paper and Packaging Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	AptarGroup Inc.	ATR	ATR US	George L. Staphos
	Berry Global	BERY	BERY US	George L. Staphos
	Brady Corp. - CI A	BRC	BRC US	Cashen Keeler
	Crown Holdings Inc.	CCK	CCK US	George L. Staphos
	Graphic Packaging	GPK	GPK US	George L. Staphos
	O-I Glass Inc	OI	OI US	George L. Staphos
	Pactiv Evergreen	PTVE	PTVE US	George L. Staphos
	Sealed Air Corp.	SEE	SEE US	George L. Staphos
	Silgan Holdings Inc.	SLGN	SLGN US	George L. Staphos
	Sonoco Products Co.	SON	SON US	George L. Staphos
	Sylvamo Corp.	SLVM	SLVM US	George L. Staphos
	WestRock	WRK	WRK US	George L. Staphos
	Weyerhaeuser Co.	WY	WY US	George L. Staphos
<b>NEUTRAL</b>				
	Ardagh Metal Packaging S.A.	AMBP	AMBP US	George L. Staphos
	Greif Inc.	GEF	GEF US	George L. Staphos
	Packaging Corp. of America	PKG	PKG US	George L. Staphos
	PotlatchDeltic Corp.	PCH	PCH US	George L. Staphos
<b>UNDERPERFORM</b>				
	Amcor Plc	AMCCF	AMC AU	George L. Staphos
	Amcor PLC	AMCR	AMCR US	George L. Staphos
	Avery Dennison Corp.	AVY	AVY US	George L. Staphos
	Ball Corp.	BALL	BALL US	George L. Staphos
	Boise Cascade Company	BCC	BCC US	George L. Staphos
	International Paper Co.	IP	IP US	George L. Staphos



## US - Paper and Packaging Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Louisiana-Pacific Corp.	LPX	LPX US	George L. Staphos

**iQmethod<sup>SM</sup> Measures Definitions****Business Performance**

Return On Capital Employed

Return On Equity  
Operating Margin  
Earnings Growth  
Free Cash Flow

**Quality of Earnings**

Cash Realization Ratio  
Asset Replacement Ratio  
Tax Rate  
Net Debt-To-Equity Ratio  
Interest Cover

**Valuation Toolkit**

Price / Earnings Ratio  
Price / Book Value  
Dividend Yield  
Free Cash Flow Yield  
Enterprise Value / Sales

EV / EBITDA

**Numerator**

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income  
Operating Profit  
Expected 5 Year CAGR From Latest Actual  
Cash Flow From Operations – Total Capex

**Numerator**

Cash Flow From Operations  
Capex  
Tax Charge  
Net Debt = Total Debt – Cash & Equivalents  
EBIT

**Numerator**

Current Share Price  
Current Share Price  
Annualised Declared Cash Dividend  
Cash Flow From Operations – Total Capex  
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities  
Enterprise Value

**Denominator**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill  
Amortization  
Shareholders' Equity  
Sales  
N/A  
N/A

**Denominator**

Net Income  
Depreciation  
Pre-Tax Income  
Total Equity  
Interest Expense

**Denominator**

Diluted Earnings Per Share (Basis As Specified)  
Shareholders' Equity / Current Basic Shares  
Current Share Price  
Market Cap = Current Share Price × Current Basic Shares  
Sales

Basic EBIT + Depreciation + Amortization

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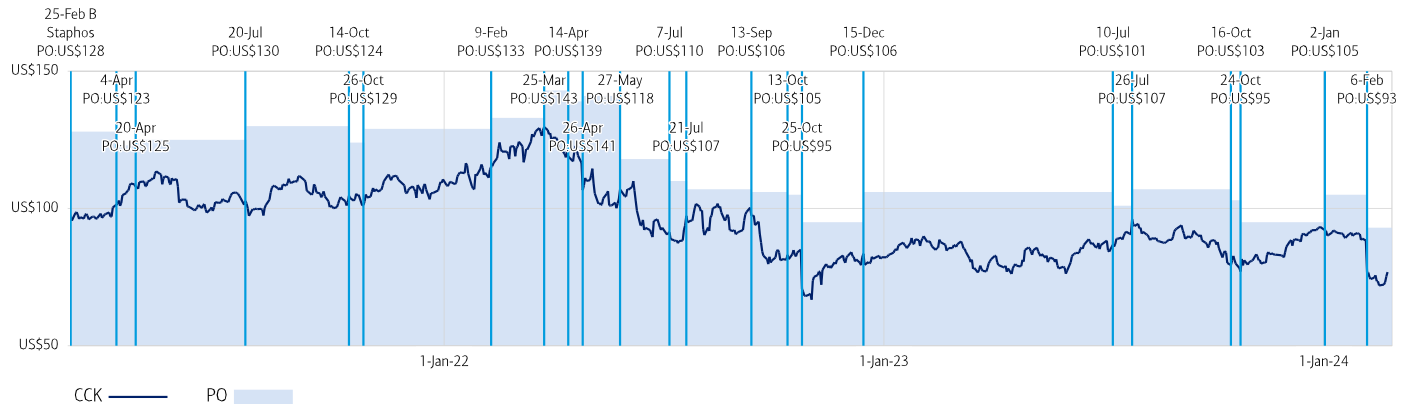
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### Crown Holdings (CCK) Price Chart



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

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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