

## Packaging

**Post C4Q: PTVE 1Q guide < expect., stay (+) on val'n; GEF guide raised given c'board px**

Price Objective Change

**Familiar commentary on volume outlook**

Buy-rated Pactiv Evergreen (PTVE) and Neutral-rated Greif (GEF) both recently reported C4Q earnings. While the companies don't have much portfolio overlap, the theme was fairly similar: a generally in-line quarter and in-line/better outlook with demand expected to recover in the second half of calendar 2024. This is generally consistent with the commentary from the rest of our coverage throughout reporting season as well as at our [recent BofA Global Ag. and Materials conference \(see here for our note\)](#).

**PTVE: 1Q guide < expectations, but stay (+) on valuation**

PTVE reported 4Q adj. EBITDA of \$207mn which was slightly ahead of our \$200mn estimate with both segments slightly ahead of our model. Overall, volumes of +3% in Fsvc were in-line with our estimate while FBM volumes were down -7% against our -3% estimate. Key takeaways for us: (a) the company guided to adj. EBITDA of \$160-170mn for 1Q which was below the Street's initial \$192mn estimate and our previous \$189mn estimate. Further, PTVE noted that volumes (particularly in Fsvc) were impacted in January given the impact of adverse weather on consumer purchasing behavior. Given this, shares were down ~10% on reporting day; (b) that said the company expects volumes to improve as the year progresses and is pointing to low-single digit growth for the year; (c) Additionally, PTVE announced a new footprint optimization plan which is expected to result in \$35mn in run-rate cost savings by '26. However, initial cash costs are expected to be \$15-20mn, and PTVE will see \$15-20mn in capex this year as a result of the program (with total capex guided to \$300mn); (d) Leverage should settle around ~3x at year-end, although PTVE noted that it will tick up in 1H given the progression of EBITDA throughout the year. Meantime, interest expense was guided \$20mn lower y/y based on the forward-curve. These factors along with a slight increase in our EBITDA est. based on the results and guidance leads our EPS estimate to move to \$1.10 in '24 (from \$1.05), while our '25 estimate is unchanged at \$1.25. As a result, our PO remains at \$16. We maintain our Buy on PTVE given its relative valuation to peers.

**GEF: Guide raised on c'board pricing, qtr helped by tax**

GEF reported F1Q adj. EBITDA of \$128mn which was below our \$152mn forecast, but adj. EPS of \$1.27 was ahead of our \$0.68 estimate primarily as a result of an income tax benefit related to the onshoring of non-US intangible property. Segment volumes still remain soft and Global Industrial Packaging (GIP) was down -6.4% while Paper Packaging & Services (PPS) was down -3.3%. That said, this is a sequential improvement and volumes for GIP APAC and EMEA inflected positively in the quarter. However, GEF expects a continuation of demand trends from here. That said, the company increased its adj. EBITDA guidance by \$25mn given the flow through of the recent upward move in RISI's containerboard pricing. This was already factored into our model and thus, our estimates only move slightly given further refinements to our model. We do give some more credit to PPS volumes in F2H given containerboard commentary at our recent conference that indicated an upcycle has begun (see the note above). Additionally, for this year, we are still well ahead of guidance given our inclusion of IPACKCHEM starting in F2H. Given the adjustments to our model, our PO is now \$81 (was \$77). We maintain our Neutral-rating on GEF.

07 March 2024

Equity  
United States  
Packaging

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**Exhibit 1: GEF Model Changes**

Review of latest estimates and forecast changes

	Actual	BofA	Consensus
Quarterly Result	\$1.27	\$0.68	\$0.47
Model Changes	New	Old	Consensus
F2024E	\$4.35	\$3.42	\$4.12
F2025E	\$5.05	\$4.65	\$5.05
F2026E	\$5.60	\$5.20	\$5.05
Price Objective	\$81	\$77	

Source: BofA Global Research estimates, Bloomberg

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**Exhibit 2: PTVE Model Changes**

Review of latest estimates and forecast changes

	New	Old	Consensus
Quarterly Result	\$0.33	\$0.08	\$0.20
Model Changes	New	Old	Consensus
2023A	\$0.96	\$0.74	\$0.89
2024E	\$1.10	\$1.05	\$1.14
2025E	\$1.25	\$1.25	\$1.40
2026E	\$1.45		\$1.57
Price Objective	\$16	\$16	

Source: BofA Global Research estimates, Bloomberg

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**Stocks mentioned**

Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
GEF	GEF US	Greif Inc.	US\$ 63.73	B-2-7
PTVE	PTVE US	Pactiv Evergreen	US\$ 13.25	C-1-7

**Price objective basis & risk****Greif Inc. (GEF)**

Our \$81 PO for Class A shares is based on (1) a 14x calendarized 2024E P/E, (2) an 10x calendarized 2024E EV/EBITDA which derives a value for the combined equity market cap of Class A and B shares. We believe the multiples (a discount versus market and peers) are appropriate given weaker fundamentals against past normalized ranges (PE of 10-17x) and 5-10x EV/EBITDA for peers. We assume the elimination of a premium or discount to our combined equity value will occur equally for Class A and B, driving our target for Class A shares on this method, and (3) our intrinsic FCF valuation assumes \$400mn normalized FCF, 10% cost of equity and 2% growth rate.

Risks to our PO: (1) unfavorable demand in GEF's markets and geographies, (2) volatility in steel, resin, OCC, energy and other inputs, (3) acquisition/integration risks, (4) Class B share ownership, which retains voting power, is 70% held by insiders, (5) Regulatory review or litigation, (6) trade policy.

**Pactiv Evergreen (PTVE)**

Our \$16 price objective is derived from a three-part valuation approach using our estimates, which includes (1) a 12x 2024E P/E multiple, (2) an 9x 2024E EV/EBITDA multiple, (3) a normalized FCF estimate of \$185mn, an estimated cost of equity of 11% and forecast rate of growth of -2%. Our multiples represent discounts to foodservice/food packaging peers given the company's leverage and its weak earnings performance from 2018 to 2020.

Risks to our PO are (1) financial leverage, (2) rising labor and other costs, (3) Rank Group majority ownership, (4) unfavorable resin price volatility and/or price/cost, (5) the competitive landscape, (6) potential missteps with its Strategic Investments, (7) potential volatility in food, beverage and other packaging fundamentals, (8) COVID-related volatility, (9) macro and geopolitical risks, (10) sustainability trends. We have tried to forecast accurately, but risk factors could significantly affect results relative to forecasts

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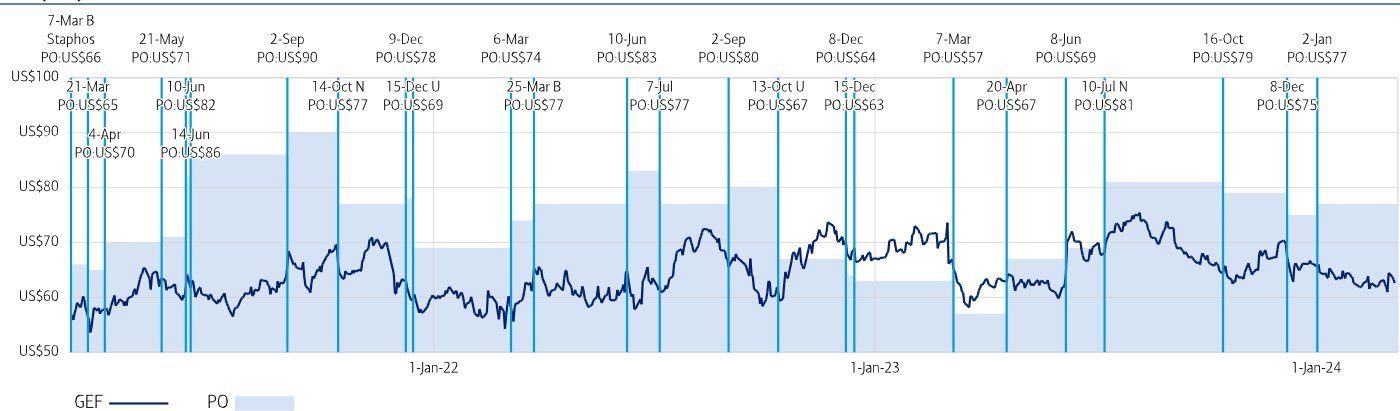
## US - Paper and Packaging Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	AptarGroup Inc.	ATR	ATR US	George L. Staphos
	Ball Corp.	BALL	BALL 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
	International Paper Co.	IP	IP US	George L. Staphos
	O-I Glass Inc	OI	OI US	George L. Staphos
	Packaging Corp. of America	PKG	PKG 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
	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
	Boise Cascade Company	BCC	BCC US	George L. Staphos
	Louisiana-Pacific Corp.	LPX	LPX US	George L. Staphos

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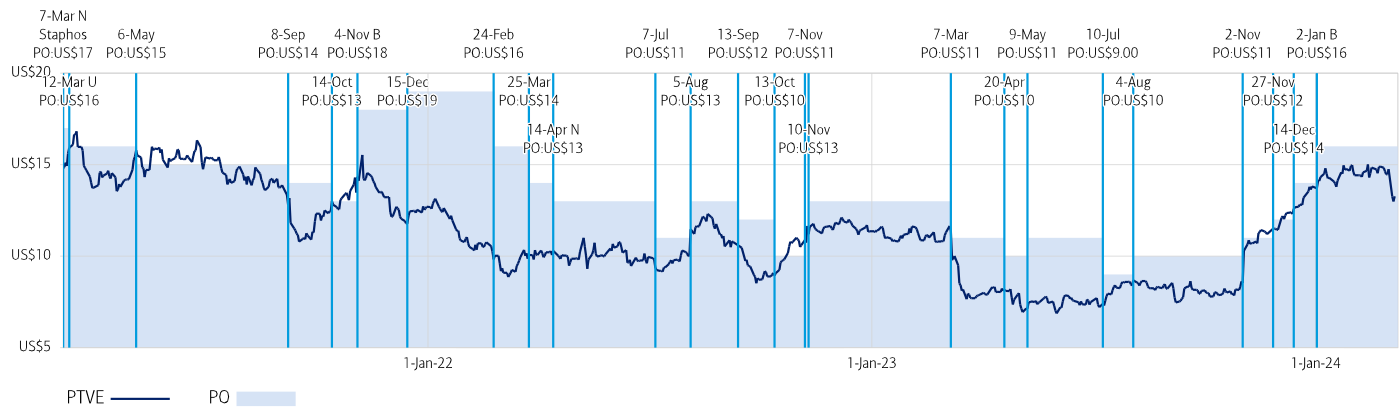
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## Greif Inc. (GEF) Price Chart



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.

**Pactiv Evergreen (PTVE) Price Chart**

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

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**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%

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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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