

Ball Corp.

# BALL at BofA's Global Ag. & Materials Conference

Maintain Rating: UNDERPERFORM | PO: 61.00 USD | Price: 62.94 USD

## BALL at BofA's Global Ag. & Materials Conference

Ball Corp.'s (BALL; Underperform) Chairman and Chief Executive Officer, Dan Fisher, and Executive Vice President and Chief Financial Officer, Howard Yu, presented at BofA's Global Agriculture & Materials Conference. We have maintained an Underperform rating on BALL, largely based on valuation. Management mentioned that the recent completion of the Aerospace sale (on Feb. 16) does not change the company's EPS guidance for 2024 (of mid-single digit-plus growth) as the interest expense savings from its debt tender offers and share repurchases coupled with momentum in beverage cans, will offset the lost earnings from Aerospace. To that end, the company stated that it has been actively in the market repurchasing shares and has tender offers on its 2025/2026 debt. For 2024, the company continues to expect "flattish" growth in North America (with some market growth), mid-single digit plus growth in South America, and 2H growth in Europe. Additionally, BALL mentioned that Brazil is off to a good start for the year and is in-line-to-ahead of its initial expectations. As for recent beer customer labor strikes, the company noted that it is still early to evaluate the impact but stated that it would like to see these issues resolved before the industry in North America approaches peak selling season. An interesting part of the conversation revolved around the company's desire to take advantage of its current human capital to train new employees and to implement standard operating practices across its global beverage can network – the company will be using Lean and Kaizen incrementally over time. Longer-term, BALL commented that it has typically seen 2x operating leverage on 1% volume growth and its recent moves to adjust its cost structure in North America could allow for better results than that, with more traditional 2x goals for the other regions.

28 February 2024

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### Stock Data

|                                 |                       |
|---------------------------------|-----------------------|
| Price                           | 62.94 USD             |
| Price Objective                 | 61.00 USD             |
| Date Established                | 1-Feb-2024            |
| Investment Opinion              | B-3-7                 |
| 52-Week Range                   | 42.81 USD - 63.55 USD |
| Mrkt Val (mn) / Shares Out (mn) | 19,971 USD / 317.3    |
| Free Float                      | 99.4%                 |
| Average Daily Value (mn)        | 124.43 USD            |
| BofA Ticker / Exchange          | BALL / NYS            |
| Bloomberg / Reuters             | BALL US / BALLN       |
| ROE (2024E)                     | 26.1%                 |
| Net Dbt to Eqty (Dec-2023A)     | 205.2%                |
| ESGMeter™                       | High                  |

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Timestamp: 28 February 2024 12:25PM 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.

Upside risks are: (1) Better than expected volume trends across each segment, (2) more favorable margin trends than we are modeling as a result of better fixed cost absorption or cost reduction efforts, (3) more favorable FX trends.

And, there are numerous macro risks and other risks around volumes, pricing, and input costs.

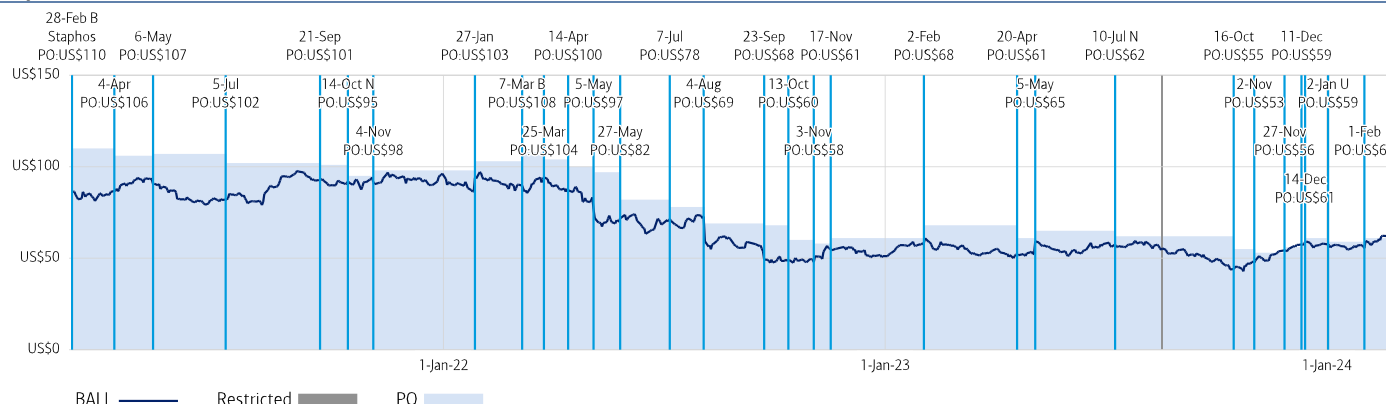
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### Ball Corp (BALL) Price Chart



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 <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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| 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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