

## Paper/Forest Products

Pkgg/Paper Wrap-up, Daily – 2/13/24:  
Commod pricing, Aerosol

Industry Overview

## Commodity Tracker

## Exhibit 2: Paper/Forest Packaging Materials Summary: Pricing moving up, week to week

Summary of raw material prices

	Date	Price	Week prior	w/w (%)	Year prior	y/y (%)
<b>Fiber - US\$/MT</b>						
Hardwood China - Net	13-Feb-24	\$652.93	\$653.07	0.0%	\$755.58	-13.6%
Hardwood Europe	13-Feb-24	\$1,140.28	\$1,096.92	4.0%	\$1,332.66	-14.4%
Softwood China - Net	13-Feb-24	\$732.92	\$733.51	-0.1%	\$901.93	-18.7%
Softwood Europe	13-Feb-24	\$1,343.34	\$1,301.09	3.2%	\$1,394.09	-3.6%
Softwood US	13-Feb-24	\$1,355.88	\$1,322.43	2.5%	\$1,667.98	-18.7%
Old Corrugated Cartons (OCC) (*)	01-Feb-24	\$91.00			\$33.00	175.8%

<b>Metals</b>						
Aluminum Cash Official LME (\$/mt)	13-Feb-24	\$2,188.00		-1.3%		-4.1%
US Midwest Domestic HRC Steel (CRU) Near Term (NYM \$/st)	13-Feb-24	\$933.00		-2.3%		42.2%

<b>Oil</b>						
Crude Oil WTI /Global Spot NYMEX (\$/bbl)	13-Feb-24	\$76.89		5.6%		-9.8%
Crude Oil Brent ICE Near Term (\$/bbl)	13-Feb-24	\$82.00		6.3%		-10.8%

	Date	Month prior	m/m (%)	Year prior	y/y (%)
<b>Petrochemicals/Resin</b>					
Polypropylene (PP)	Jan-24		-11.7%		-4.2%
HDPE (Blow Midg.)	Jan-24		0.0%		5.2%
LDPE	Jan-24		0.0%		10.0%
Polystyrene (PS)	Jan-24		-34.2%		-33.9%
Polyethylene terephthalate (PET)	Jan-24		-6.0%		-11.9%

Source: ICIS, Fastmarkets RISI/FOEX, FactSet, BofA Global Research; (\*) OCC price in \$/st for month of February

BofA GLOBAL RESEARCH

## Jan. CPI inflation higher than expected

The January Consumer Price Index (CPI) data showed a +0.4% m/m increase in core prices (3.9% annualized), above consensus and BofA's US Economist team's +0.3% m/m estimate. The market pulled back partly on the news with the S&P 500 declining by roughly 150bps. Packaging and paper/forest stocks were down on average -2.43% and -2.67%, respectfully. Meantime, the 10yr treasury yield surged 10bps following the news. BofA continues to forecast rate cuts beginning in June 2024.

## Crown sees low aerosol demand

Crown (CCK; Buy) recently commented during 4Q reporting ([see here for our note](#)) that demand in its North American aerosol business has remained weak (particularly given steel aerosol's relative pricing vs. other substrates like plastic). Further, management commented that it does not see the business getting worse, but that it might take 1-2 years until performance improves. Sonoco Products (SON; Buy), also produces steel aerosol containers (through the purchase of Ball Metalpack [BALL had purchased the #1 US position via US Can, nearly 20 years ago]). Given the commentary from CCK, we could see some h'winds in that portion of the business when SON reports on 2/14. To be fair, SON mentioned last quarter that it expected aerosol volumes to remain soft in 4Q. We also expect SON to discuss the longer-term prospects at its Investor Day on 2/22.

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**Refer to important disclosures on page 4 to 7. Analyst Certification on page 3. Price Objective Basis/Risk on page 2.**

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Timestamp: 13 February 2024 06:11PM EST

13 February 2024

Equity  
United States  
Paper/Forest Products

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## Exhibit 1: Paper/Packaging Research

Summary of recent BofA notes

	Date	Link
<b>Notes</b>		
Weekly	8-Feb	<a href="#">The sound and the fury</a>
Weekly	2-Feb	<a href="#">Red Sea Implications</a>
Weekly	26-Jan	<a href="#">Euro Commentary</a>
Weekly	19-Jan	<a href="#">Pricing Friday Preview</a>
Weekly	12-Jan	<a href="#">WestRock price hikes</a>
Weekly	7-Jan	<a href="#">Red Sea: Price hikes</a>
Year-Ahead	2-Jan	<a href="#">Year-Ahead Note</a>

<b>Daily</b>		
Daily	18-Jan	<a href="#">Investor Comments</a>
Daily	31-Jan	<a href="#">Wood/Lumber</a>
Daily	30-Jan	<a href="#">Commodity Tracker</a>

Source: BofA Global Research

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**Stocks mentioned**

Prices and ratings for stocks mentioned in this report

<b>BofA Ticker</b>	<b>Bloomberg ticker</b>	<b>Company name</b>	<b>Price</b>	<b>Rating</b>
CCK	CCK US	Crown Holdings	US\$ 73.53	B-1-7
SON	SON US	Sonoco Products	US\$ 55.64	B-1-7

Source: BofA Global Research

## Price objective basis & risk

### Crown Holdings Inc. (CCK)

We calculate our PO of \$93 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 12x EBITDA, European Beverage at 9-10x, Asia Pacific at 10x, Transit Packaging at 9x 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.

### Sonoco Products Co. (SON)

Our \$70 price objective is derived from a three-part valuation approach, which includes: (1) a 13-14x 2024E P/E multiple, (2) an 9-10x 2024E EV/EBITDA multiple, and (3) our intrinsic free cash flow (FCF) valuation, which assumes \$600mn of normalized FCF, 10% cost of equity, and -2% growth rate. The P/E and EV/EBITDA multiples are consistent with past valuation multiples within packaging.

Downside risks to our price objective are: (1) potential volatility in old corrugated container (OCC) prices, (2) execution on restructuring and integration initiatives, (3) integration of present acquisitions, (4) periodic volatility in its business, (5) execution of its consumer/growth strategies in packaging, (6) unexpected volume and pricing trends, (7) macroeconomic trends, (8) potential trend reversals related to Administration policies. In addition, energy and commodity cost volatility represent ongoing risk for all packaging companies.

Upside risks to our PO are: (1) Sonoco's ability to acquire businesses accretively, making our forecasts too pessimistic, driving SON above our PO, (2) Additionally, should volumes accelerate while input costs stay benign, this could lead to higher earnings than we are projecting and result in the stock exceeding our PO, (3) The factors noted earlier could play out in a way that causes results to exceed our forecast and drive the shares above our PO.

## 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.

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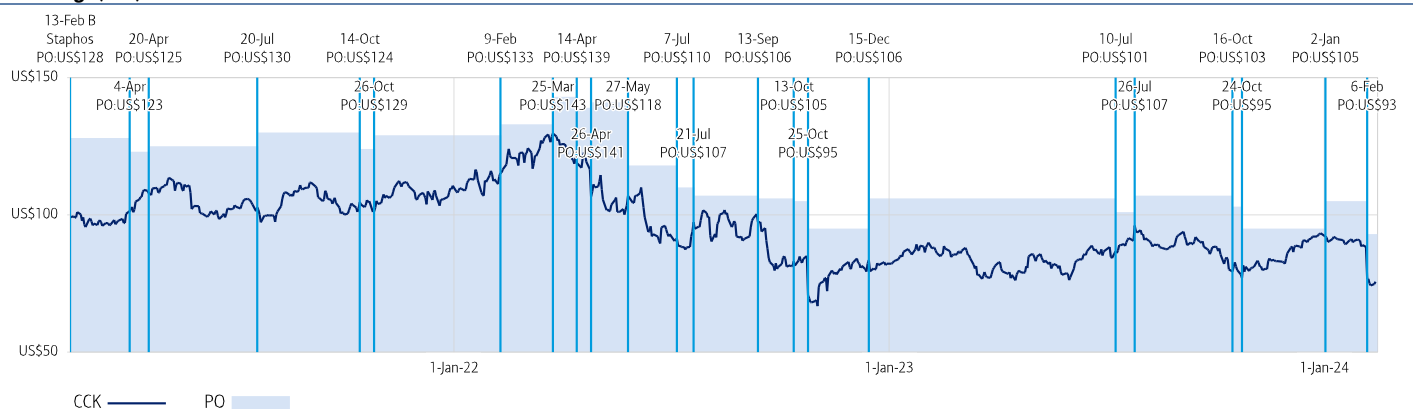
## US - Paper and Packaging Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	AptarGroup Inc.	ATR	ATR US	George L. Staphos
	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	GPX	GPX 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
	Louisiana-Pacific Corp.	LPX	LPX US	George L. Staphos

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## Important Disclosures

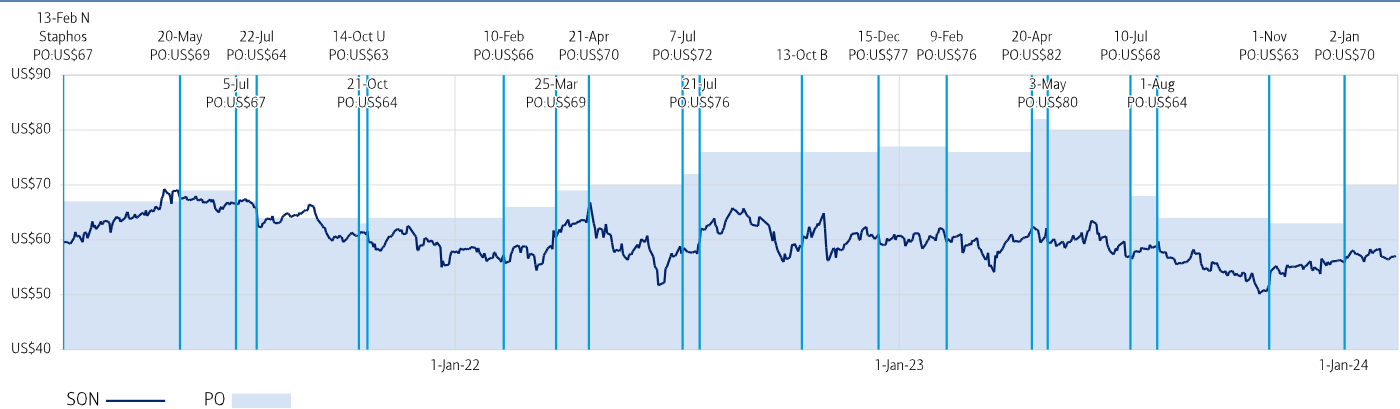
## Crown Holdings (CCK) Price Chart



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.

## Sonoco Products (SON) 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: Paper/Forest Products Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	9	45.00%	Buy	8	88.89%
Hold	2	10.00%	Hold	1	50.00%
Sell	9	45.00%	Sell	5	55.56%

## 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%

<sup>R2</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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