

Ardagh Metal Packaging S.A.

Post 4Q: Moving past “transition” year, but limited FCF + leverage; Maintain Neutral

Reiterate Rating: NEUTRAL | PO: 4.10 USD | Price: 3.56 USD

'24 improving on vols & cost, but FCF light + leverage high

We rate Ardagh Metal Packaging (AMBP) at Neutral, balancing longer-term positives in beverage cans with headwinds from its leverage and free cash flow trends, among other factors. [Our flash report](#) has the details from the quarter. Key points for us: (a) AMBP expects mid-single digit % volume growth in 2024 after 5% in 2023. That said, we expect Europe will have a slow start to the year given carryover destocking impacts that the company saw towards the end of 4Q (we are modeling for 1Q volumes to be down -4%). For the year, the company guided to mid-to-high single digit growth in North America, low-single digit in Europe, and modest growth in Brazil. That said, commentary suggests that AMBP was somewhat conservative in its outlook, so there could be potential for some upside should promotional activity or consumer trends improve. We are modeling for 3.9% volume growth and overall improved fixed cost absorption throughout the year; (b) Volume should help by \$35-50mn for the year and cost improvements should generate \$15-20mn of benefits, and this will be somewhat offset by -\$15-20mn of price/cost (which includes some absorbed energy costs passed on from metal suppliers; our sense is there are pockets of competition in Europe). The company will also see ~\$25mn worth of startup costs in the year. (c) Putting this together along with other guidance items (tax, interest, capex, etc), we are now forecasting \$88mn in adj. FCF for 2024. Given this and AMBP's current common and preferred dividend (combined ~\$263mn), as well as only modest deleveraging from a current 5.5x, we expect AMBP to remain range bound and a market performer, unless fundamentals improve materially from here. **AMBP will participate at our Annual Global Ag & Materials Conference in FL, 2/28-29. Call your BofA rep. for details.**

Update estimates and move PO to \$4.10

Given the points discussed above, we lower our adj. EBITDA estimates to \$645mn (from \$654mn) in 2024 and \$671mn (was \$696mn) in 2025. Our new 2026 estimate is \$702mn. Meantime, our EPS estimates move to \$0.15 (was \$0.20) in 2024 and \$0.20 (was \$0.26) in 2025 while our new 2026 estimate is \$0.25. Given these changes, our PO moves to \$4.10 from a prior \$4.40.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	0.31	0.12	0.15	0.20	0.25
GAAP EPS	0.39	(0.08)	0.03	0.08	0.13
EPS Change (YoY)	-6.1%	-61.3%	25.0%	33.3%	25.0%
Consensus EPS (Bloomberg)			0.21	0.28	0.37
DPS	0.40	0.40	0.40	0.40	0.40
Valuation (Dec)					
P/E	11.5x	29.7x	23.7x	17.8x	14.2x
GAAP P/E	9.1x	NM	118.7x	44.5x	27.4x
Dividend Yield	11.2%	11.2%	11.2%	11.2%	11.2%
EV / EBITDA*	10.0x	10.4x	9.6x	9.3x	8.9x
Free Cash Flow Yield*	-17.9%	11.7%	8.3%	13.3%	15.2%

* For full definitions of *IQmethod*SM measures, see page 5.

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Timestamp: 22 February 2024 06:34PM EST

22 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	4.40	4.10
2024E Rev (m)	4,946.6	5,028.4
2025E Rev (m)	5,071.7	5,158.9
2026E Rev (m)	NA	5,293.0
2024E EPS	0.20	0.15
2025E EPS	0.26	0.20
2026E EPS	NA	0.25
2024E EBITDA (m)	653.9	645.3
2025E EBITDA (m)	695.8	671.1
2026E EBITDA (m)	NA	702.4
2024E DPS	0.44	0.40

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Stock Data

Price	3.56 USD
Price Objective	4.10 USD
Date Established	22-Feb-2024
Investment Opinion	B-2-8
52-Week Range	2.57 USD - 5.49 USD
Mkt Val (mn) / Shares Out (mn)	2,127 USD / 597.6
Free Float	23.9%
Average Daily Value (mn)	3.32 USD
BofA Ticker / Exchange	AMBP / PSE
Bloomberg / Reuters	AMBP US / AMBP.N
ROE (2024E)	NA
Net Dbt to Eqty (Dec-2023A)	NA
ESGMeter TM	Medium

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](#)".

iQprofileSM Ardagh Metal Packaging S.A.

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	3.7%	1.2%	3.7%	4.8%	5.7%
Return on Equity	77.5%	409.8%	NM	NM	NM
Operating Margin	3.8%	1.6%	4.6%	5.0%	5.5%
Free Cash Flow	(380)	248	178	282	324

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.1x	8.6x	4.4x	4.0x	3.5x
Asset Replacement Ratio	2.6x	1.3x	0.8x	0.7x	0.7x
Tax Rate	7.4%	29.6%	35.3%	30.0%	30.0%
Net Debt-to-Equity Ratio	NM	NM	NM	NM	NM
Interest Cover	2.2x	0.5x	1.1x	1.3x	1.6x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	4,689	4,812	5,028	5,159	5,293
% Change	15.6%	2.6%	4.5%	2.6%	2.6%
Gross Profit	747	749	874	906	943
% Change	-7.3%	0.3%	16.7%	3.6%	4.1%
EBITDA	625	600	645	671	702
% Change	-5.6%	-4.0%	7.6%	4.0%	4.7%
Net Interest & Other Income	(80)	(147)	(208)	(194)	(183)
Net Income (Adjusted)	186	72	90	120	149
% Change	-6.4%	-61.5%	25.0%	33.3%	25.0%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	237	(50)	16	46	75
Depreciation & Amortization	359	418	412	412	412
Change in Working Capital	(202)	270	30	20	20
Deferred Taxation Charge	(35)	(14)	(35)	(15)	(15)
Other Adjustments, Net	(154)	(8)	(26)	20	32
Capital Expenditure	(585)	(368)	(220)	(200)	(200)
Free Cash Flow	-380	248	178	282	324
% Change	-71.9%	NM	-28.4%	58.9%	15.0%
Share / Issue Repurchase	(35)	0	0	0	0
Cost of Dividends Paid	(240)	(239)	(239)	(239)	(239)
Change in Debt	529	(7)	(75)	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	555	443	192	172	213
Trade Receivables	509	322	312	312	312
Other Current Assets	844	740	820	845	850
Property, Plant & Equipment	2,390	2,628	2,436	2,224	2,012
Other Non-Current Assets	1,567	1,536	1,571	1,571	1,571
Total Assets	5,865	5,669	5,331	5,124	4,958
Short-Term Debt	68	94	94	94	94
Other Current Liabilities	1,396	1,428	1,438	1,443	1,448
Long-Term Debt	3,524	3,640	3,565	3,565	3,565
Other Non-Current Liabilities	422	401	366	351	336
Total Liabilities	5,410	5,563	5,463	5,453	5,443
Total Equity	455	106	(132)	(329)	(485)
Total Equity & Liabilities	5,865	5,669	5,331	5,124	4,958

* For full definitions of iQmethodSM measures, see page 5.

Company Sector

Packaging

Company Description

With sales of approximately \$4.8bn in 2023, Ardagh Metal Packaging is a leading supplier of beverage cans globally. In 2020, AMBP had 39bn units of annual production capacity and has #2 or #3 positions in Europe, the United States, and Brazil. AMBP was formed as a result of a merger with Gores Holdings V, a special purpose acquisition company (SPAC), on August 4, 2021. AMBP's business was formerly owned by Ardagh Group S.A., who currently retains 82% of AMBP's equity.

Investment Rationale

Given the continued sluggish trends in some beverage can markets, AMBP's modest free cash flow and considerations with its dividend and leverage, we rate the company at Neutral.

Stock Data

Average Daily Volume 932,078

Quarterly Earnings Estimates

	2023	2024
Q1	0.01A	0E
Q2	0.04A	0.03E
Q3	0.06A	0.06E
Q4	0.01A	0.07E

Review of Relevant Operating Statistics

Exhibit 1: AMBP Model Changes

Review of latest estimates and forecast changes

	Actual	BofA	Consensus
Adj. EBITDA	\$148	\$160	\$158
Adj. EPS	\$0.01	\$0.04	\$0.04
Model Changes	New	Old	Consensus
2023A	\$0.12	\$0.15	\$0.16
2024E	\$0.15	\$0.20	\$0.21
2025E	\$0.20	\$0.26	\$0.28
2026E	\$0.25		\$0.37
Price Objective	\$4.10	\$4.40	

Source: Company reports, Bloomberg, BofA Global Research estimates

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Exhibit 2: AMBP Relevant Operating Statistics

Review of results vs. BofA estimates

	4Q23	BofA	4Q22	Key Highlights
Americas				
Revenue (\$mn)	\$705	\$689	\$638	The segment posted shipment growth of 14% volumes were up 8% in North America and 34% in Brazil.
Adjusted EBITDA (\$mn)	\$117	\$123	\$114	
Operating Margin	16.6%	17.8%	17.9%	
Europe				
Revenue (\$mn)	\$427	\$416	\$438	Europe shipments were down -10% y/y and the company mentioned customer destocking activity towards the end of 4Q.
Adjusted EBITDA (\$mn)	\$31	\$37	\$45	
Operating Margin	7.3%	8.9%	10.3%	

Source: Company reports, BofA Global Research estimates

BofA GLOBAL RESEARCH

Price objective basis & risk

Ardagh Metal Packaging S.A. (AMBP)

Our \$4.10 price objective is based on a three-part valuation approach, which takes: (1) a 15x 2024E P/E multiple, (2) a 10-12x 2024E EV/EBITDA multiple and (3) our intrinsic free cash flow (FCF) valuation, which assumes \$200mn of normalized FCF, 10% cost of equity, and a 2% growth rate. These multiples are consistent with comparable company multiples and we'd expect the company to trade slightly below peers.

Downside risks to our price objective are (1) AMBP's ability to compete with well established peers, (2) growth, pricing and valuation considerations should volumes slow, (3) a more concentrated customer base relative to peers, (4) end-market mix given its weighting to hard seltzer, (5) raw material availability in light of recent supply-chain disruptions and the need to pass through primary raw materials (i.e. aluminum can sheet), (6) leverage relative to other rigid packaging companies, (7) energy cost volatility in Europe, and (8) future equity dilution related to existing warrants and an earnout agreement with Ardagh Group.

As with all paper/forest and packaging companies a multitude of micro and macro factors are at work and, coupled with operational leverage, results could be better- or worse-than-expected with downside & upside risks to our PO should fundamentals wind up above or below expectations.

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
BUY				
	AptarGroup Inc.	ATR	ATR US	George L. Staphos
	Berry Global	BERY	BERY US	George L. Staphos
	Brady Corp. - Cl 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
NEUTRAL				
	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
UNDERPERFORM				
	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

US - Paper and Packaging Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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iQmethodSM 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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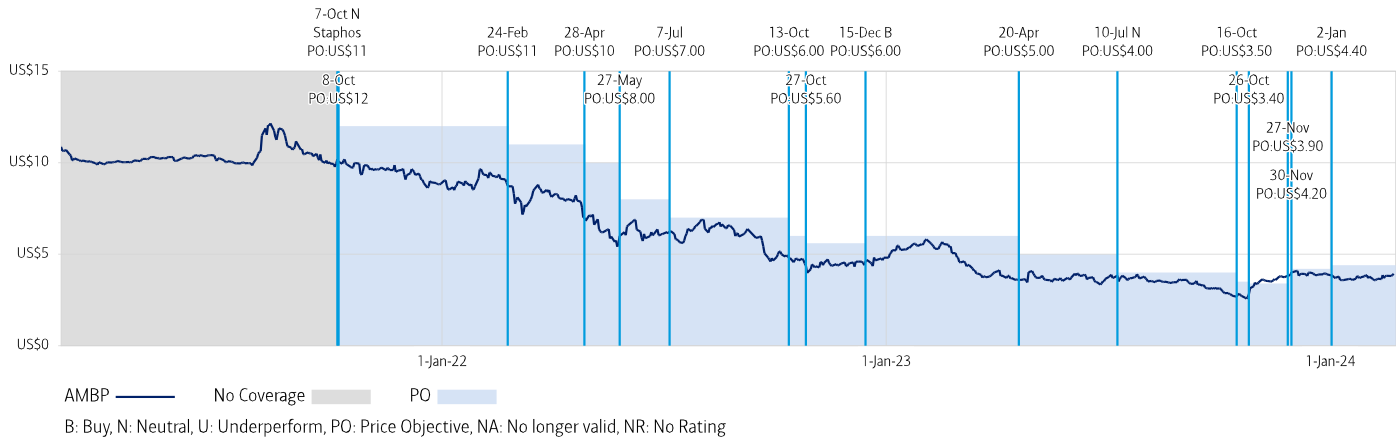
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Ardagh Metal Pkkg (AMBP) Price Chart



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

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)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	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 ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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