

## O-I Glass Inc

## 4Q Flash: Decent result tho' segments mixed v. forecasts; '24 guide looks (+)

Maintain Rating: BUY | PO: 22.00 USD | Price: 14.37 USD

## OI EPS of \$0.12 vs. BofA and Street @ \$0.03

We have maintained a Buy-rating on O-I Glass (OI), primarily based on valuation. OI reported operating 4Q23 EPS of \$0.12 compared to BofA at \$0.03 and the Street at \$0.03 (Visible Alpha [VA]). Overall, operating profit including corporate expense was \$8.2mn higher than our \$110.8mn forecast (or +4c on EPS vs. our model). We discuss segment results below, but Americas was well ahead of our forecasts while Europe was below. Meantime, a lower net interest expense added 4c to EPS relative to our model, other expenses added 3c, and a lower share count added 1c while a higher adj. tax rate deducted 3c. Volumes were down -16% y/y overall in the quarter (or -\$62mn on segment income y/y) which was about in-line with our 16.4% estimate, and net pricing helped segment income by \$109mn y/y. Separately, **OI will be presenting at our Global Ag & Materials Conference, 2/28-29**. Please contact your BofA rep. for details.

## '24 EPS guide looks (+) as vols + margin expansion help

Looking out, OI expects 2024 EPS of ~\$2.25-\$2.65 which compares to BofA at \$2.30 and the Street at \$2.54. This guidance includes low-to-mid single digit volume growth (we have been at -0.3% for '24) along with greater than or equal to \$150mn of margin expansion benefits, lower net pricing, and a higher interest expense. While OI did not quantify the net pricing negative for 2024, it did mention that it expects to hold onto 75% of the net pricing gains realized over the past two years. Adj. EBITDA was guided to \$1.325-1.4bn which is lower than our current \$1.411bn estimate and compares to the Street at \$1.366bn. Additionally, the company expects free cash flow (FCF) to be in the range of \$150-\$200mn including \$550-600mn of capex (\$400-450mn of which is maintenance related) and \$750mn of cash from operations. We have been at \$360mn in FCF along with \$565mn in capex. We expect more details regarding this on the call, but the company also mentioned that the Bowling Green, KY Gen 2 greenfield is on track for commissioning in mid-2024.

## Americas well ahead of our estimates

Americas operating profit of \$93mn was \$34.9mn ahead of our \$58.1mn estimate as segment volumes were down -10% y/y (compared to our -16.4% est) and net pricing was a \$52mn benefit to earnings y/y. Meantime, higher operating costs y/y were a -\$21mn drag to earnings while FX helped by \$2mn. In Europe, segment earnings were \$29.6mn below our estimate. Volumes were down -22% (compared to our -16.4% estimate) and this was a \$39mn drag on segment earnings. Meantime, net price helped by \$57mn, FX added \$4mn, and higher operating costs were a drag of \$70mn y/y. Lastly, corporate was -\$49mn compared to our -\$52mn estimate.

06 February 2024

## Equity

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## Stock Data

Price	14.37 USD
Price Objective	22.00 USD
Date Established	1-Nov-2023
Investment Opinion	C-1-9
52-Week Range	13.56 USD - 23.57 USD
Mrkt Val (mn) / Shares Out (mn)	2,223 USD / 154.7
Free Float	98.6%
Average Daily Value (mn)	22.81 USD
BofA Ticker / Exchange	OI / NYS
Bloomberg / Reuters	OI US / OI.N
ROE (2023E)	29.9%
Net Dbt to Eqty (Dec-2022A)	258.0%
ESGMeter™	Medium

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Timestamp: 06 February 2024 09:23PM EST

## Price objective basis & risk

### O-I Glass Inc (OI)

Our \$22 PO is based on an average of P/E, EV/EBITDA and intrinsic free cash flow (FCF) valuations. We use a 8x 2024E P/E multiple, a 6-7x 2024E EV/EBITDA multiple, and our intrinsic FCF valuation, which assumes \$350mn normalized FCF, 13% cost of equity, and a -3% growth rate. Multiples are in line with those of metal/rigid packaging peers. Similar to CCK, OI has a larger international presence relative to its peers.

Risks to our PO are: (1) unfavorable demand and pricing, (2) the potential for pension or asbestos risks/claims to consume greater amounts of earnings or cash flow, (3) unfavorable international market volatility and FX risks, (4) integration risk with acquisitions, (5) risks in Mexican pricing and pack mix, (6) potential governmental policy changes in the US and other portions of the world. As is the case with all our coverage, packaging and paper/forest stocks are highly sensitive to macro, FX, commodity inflation and other factors which could create variances with our forecasts and POs. Similarly, should the factors discussed above prove less negative or more positive to forecasts, OI's price could exceed our PO.

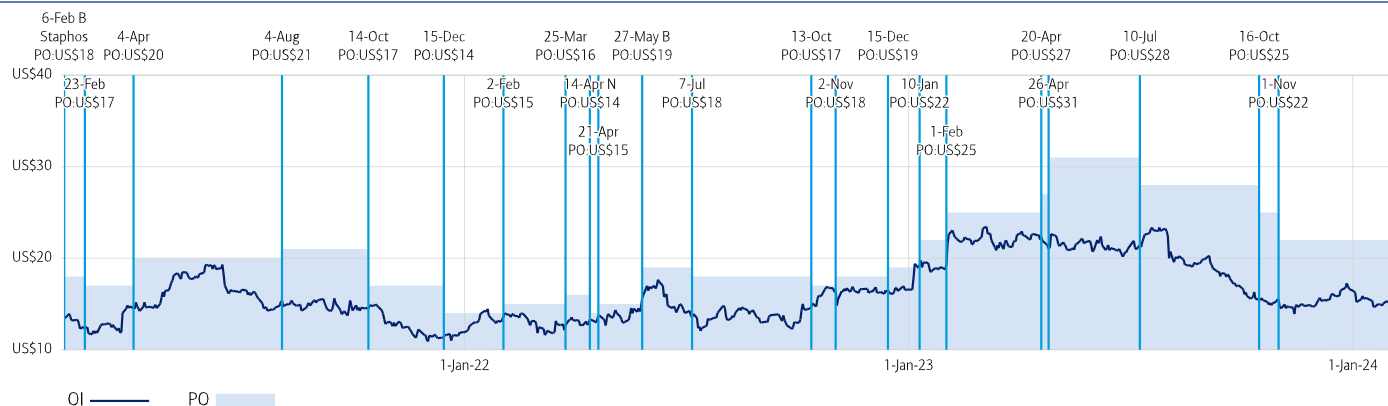
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OI — PO — B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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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%

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Sell	807	22.84%	Sell	383	47.46%

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